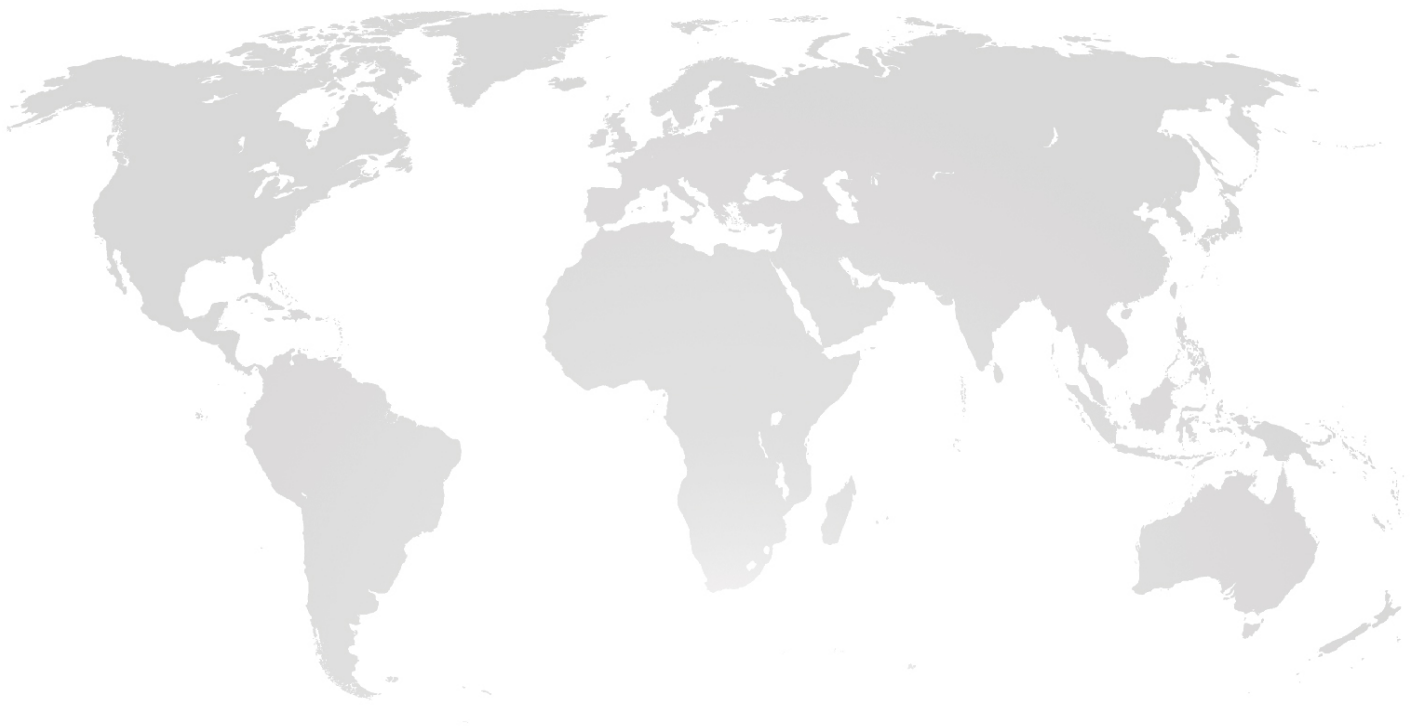


Country Insight Snapshot Switzerland

October 2015





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2B

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook:

Stable



CORE OUTLOOK

+ Even though there will be important changes in the way the financial sector is run, expect Switzerland to remain an important player in the global banking industry.

+ Switzerland has a strong commercial environment and a GDP per capita of around USD85-90,000.

- Switzerland's population dependency ratio is set to worsen in the long term, putting more strain on public services (and possibly paid for out of higher taxation).

- The government is required to reduce immigration following a referendum in 2014, but such a move would risk losing access to the EU's common market.

KEY DEVELOPMENT

The long-term economic outlook is set to deteriorate even further as elections end with a shift to the political right.

CREDIT ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

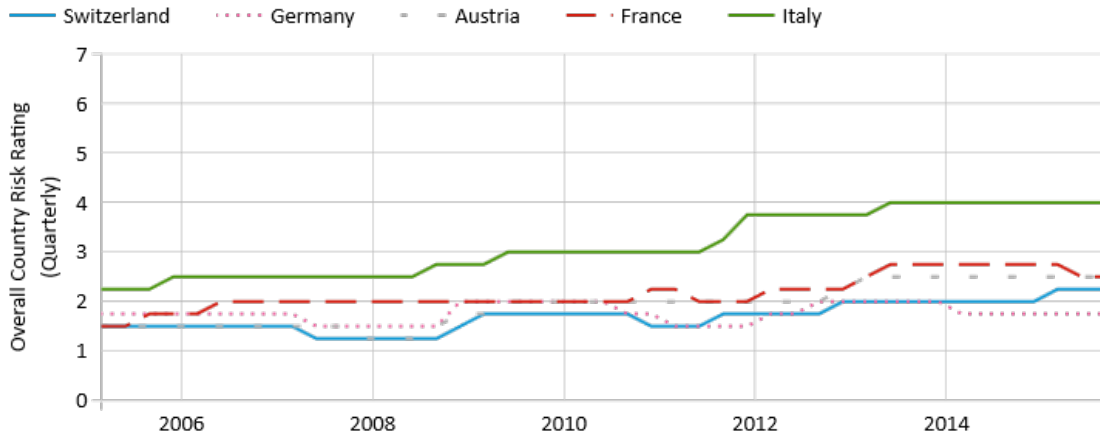


Key Development has had a negative impact on the outlook.



KEY INDICATORS

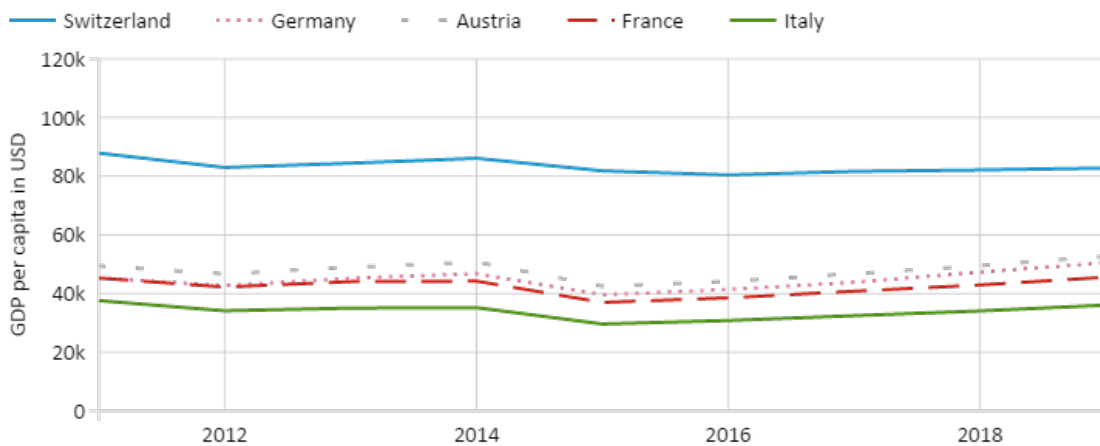
Rating History and Comparison



Source : Dun and Bradstreet

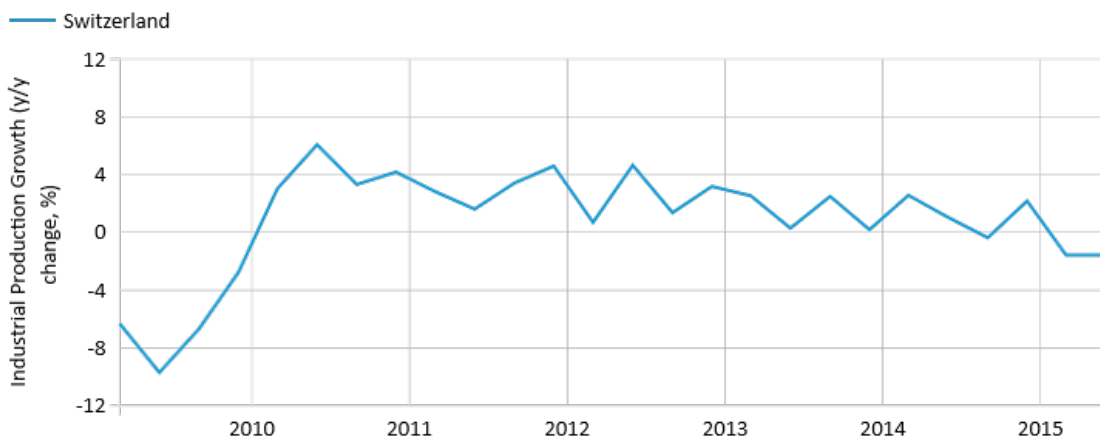
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Industrial Production Growth (Quarterly)



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2012	2013	2014	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	9.9	10.7	6.9	7.1	7.0	8.3	9.0	8.2
Govt balance, % GDP	0.3	0.4	0.0	1.3	0.9	1.1	1.2	1.0
Inflation, annual avge %	-0.7	-0.2	0.0	-1.2	0.0	1.3	1.0	1.2
Real GDP Growth, %	1.1	1.9	2.0	0.8	1.3	2.2	2.5	2.4
Unemployment, %	2.9	3.2	3.2	4.0	3.8	3.5	3.0	2.8

Source : Haver Analytics/D&B

TRADE AND COMMERCIAL ENVIRONMENT

Switzerland ranks 26th out of 189 countries in the World Bank's *Doing Business 2016* survey, down from 20th in the previous edition. The country scores well in the fields of getting electricity (5th), registering property (16th) and, contrary to the regional pattern, paying taxes in Switzerland is straightforward (the country is ranked 19th), requiring only 19 payments and taking 63 hours per year; moreover, at 28.8% of all profits the total tax rate is unusually low. On the downside, getting a construction permit takes around five months, while starting a business is much faster (ten days), but, at more than 25% of income per capita (which stands at around USD86,000) the minimum capital required for setting up a business is high. The country also lost 18 positions in the 'trading across borders' sub-index in the 2016 edition, and is now ranked only 40th.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 0-30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

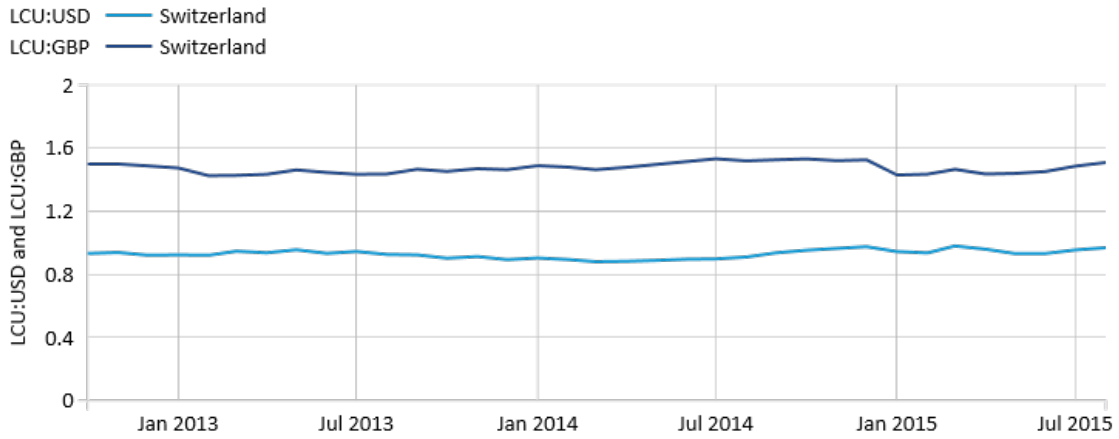
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



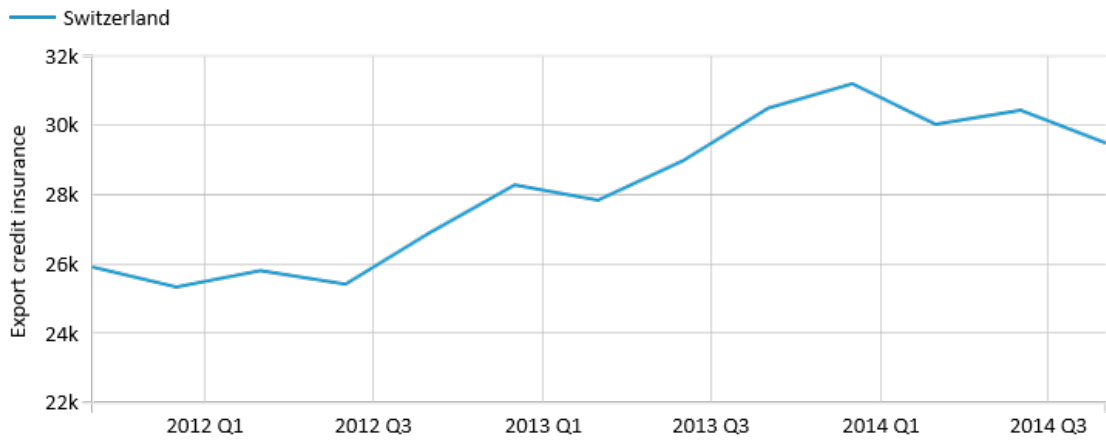
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Long-Term Economic Potential

Rightward shift could hit growth potential

The parliamentary elections held on 18 October ended, as expected, with a shift to the right. The Swiss Peoples' Party (SVP), an anti-immigration party, increased its number of seats in the parliament from 54 to 65 (out of 200), while the Social Democrats lost three seats and now have only 40 MPs. The Greens and the Green-Liberals (both on the left of the political spectrum) also lost seats, while the business-friendly FDP managed to gain three seats (and now has 33).

The success of the SVP does not bode well for the country's long-term economic potential, as the party wants to reduce immigration. After a controversial referendum in 2014 (prompted by the SVP) was approved by 50.3% of voters, the government is already legally required to reduce immigration from the EU, but the EU is reluctant to renegotiate the free movement of labour. In recent months the Swiss government and EU officials held unsuccessful negotiations on how to solve the problem, but given its increased parliamentary strength the SVP could feel empowered to harden its stance. In an unlikely worst-case scenario, the EU could suspend Switzerland's access to the common market if the Swiss government closes its border to EU citizens. Positively in this context, Switzerland's model of power sharing (all large parties will be given posts in the government) limits the SVP's influence, as the Social Democratic and FDP ministers in the government outnumber the SVP's.

Business Continuity

Insolvency risk rises further

Latest figures from Bisnode Schweiz, Dun & Bradstreet's Zurich-based World Wide Network partner, show that insolvency risk remains on the rise. Overall, 1,169 companies went bankrupt in Q3 2015, 3.0% more than in July-September 2014. The hospitality sector in particular is being hit, suffering due to the franc's continued (albeit slow) and a poor winter season in 2014-15. According to Bisnode data, insolvency risk in the hospitality sector is 2.2 times higher than the national average, only topped by the construction sector (2.3 times higher than average). At the other end of the scale are real estate (0.36 times the national average) and investment funds (0.44), while engineering (0.77), retail (0.77) and precision instruments (0.99) also rank below the national average. Looking ahead, we expect insolvency risk to rise further, as the negative effects of the sharp franc appreciation in January 2015 have still not fully fed through into the economy.

Short-Term Economic Outlook

Franc continues to depreciate

Meanwhile, having risen from CHF1.20:EUR to parity in January when the Swiss Central Bank surprisingly lifted its exchange rate ceiling, the franc has gradually weakened against the euro in recent weeks and traded at around CHF1.09:EUR in late October. This should be good news for Switzerland's export-orientated industry, but the franc is still strong by historical standards. For the outlook period, we expect the franc to depreciate further, but political events in the euro zone (such as another flare up of the euro-zone crisis) complicate the forecast.



COUNTRY PROFILE AND STATISTICS

Overview

Switzerland is a small, landlocked country in Western Europe, bordering France, Germany, Italy, Lichtenstein and Austria. Located at a cultural and linguistic crossroads, Switzerland has four official languages: German, French, Italian and Romansh.

Switzerland became a federal state in 1848 but has a history as a loose confederation of cantons dating back to 1291. The 26 cantons retain wide-ranging competencies, and important policy decisions often require the approval of the electorate in referendums. Switzerland has a long history of strict neutrality: it was not involved in either world war, has remained outside the EU, and only joined the UN in 2002.

High levels of political stability, as well as liberal economic policies, have helped Switzerland to become one of the wealthiest countries in the world, with traditionally low unemployment. Pharmaceuticals, machinery and precision instruments, banking and insurance, and tourism are key sectors of the economy.

Key Facts

Key Fact	Detail
Head of state	Federal President Simonetta SOMMARUGA
Capital	Bern
Timezone	GMT +01-00
Official languages	German, French, Italian, Romansh
Population (millions)	8.2
GDP (USD billions)	707.1
GDP per capita (USD)	86,121
Life expectancy (years)	82
Literacy (% of adult pop.)	99.9
Surface area (sq km)	41,280

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	2.88	1.89	1.1	1.93	1.98
Nominal GDP in USDbn	580.79	696.6	665.89	685.77	707.14
Nominal GDP in local currency (bn)	606	619	624	636	648
GDP per Capita in USD	74,166	87,888	82,997	84,465	86,121
Population (year-end, m)	7.83	7.93	8.02	8.12	8.21
Exchange rate (yr avge, USD-LCU)	1.04	0.89	0.94	0.93	0.92
Current Account in USDbn	74.02	74.06	66.14	73.15	49.03
Current Account (% of GDP)	12.74	10.63	9.93	10.67	6.93
FX reserves (year-end, USDbn)	223.48	279.39	475.66	495.96	505.46
Import Cover (months)	9.38	9.2	15.12	14.46	16.6
Inflation (annual avge, %)	0.7	0.2	-0.7	-0.2	0
Govt Balance (% GDP)	0.5	0.1	0.3	0.4	0

Source : D&B



Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	0.8	1.3	2.2	2.5	2.4
Nominal GDP in USDbn	679.3	673.9	690.4	700.2	711.2
Nominal GDP in local currency (bn)	645.29	653.68	676.56	700.24	725.45
GDP per Capita in USD	81,848	80,427	81,662	82,149	82,797
Population (year-end, m)	8.3	8.4	8.5	8.5	8.6
Exchange rate (yr avge, USD-LCU)	1	1	1	1	1
Current Account in USDbn	48.4	47.1	57.5	63	58
Current Account (% of GDP)	7.13	6.98	8.33	9	8.16
FX reserves (year-end, USDbn)	555	560	565	570	575
Import Cover (months)	16	17	15	14	12
Inflation (annual avge, %)	-1.2	0	1.3	1	1.2
Govt Balance (% GDP)	1.3	0.9	1.1	1.2	1

Source : D&B

Comparative Market Indicators

Indicator	Switzerland	Germany	Austria	France	Italy
Income per Capita (USD)	86,121	46,760	50,727	44,217	35,180
Country Population (m)	8.2	82.7	8.5	64.1	61.1
Internet users (% of population)	87	86.2	81	83.8	62
Real GDP Growth (% p.a., 2015 - 2024)	1.5 - 2.5	2 - 3	1.5 - 2.5	1.2 - 2.1	-0.5 - 1.5

Source : D&B



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