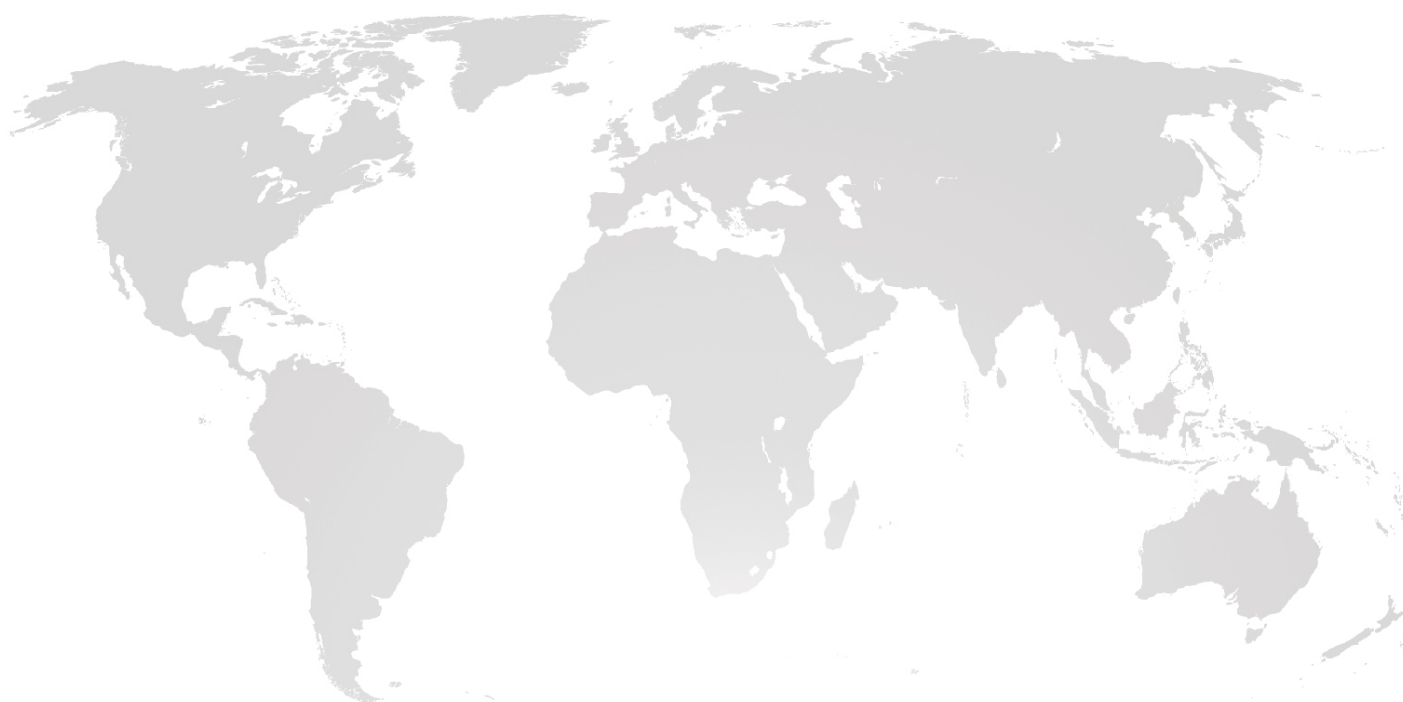


D&B Country Insight Snapshot: Switzerland

March 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: Deteriorating 

Core Outlook

+ Even though there will be important changes to 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 above USD80,000.

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

- The forthcoming tightening of immigration quotas after an early 2014 referendum will pose more difficulties for companies seeking to recruit employees.

Key Development

D&B has downgraded Switzerland's country risk rating following a sharp appreciation of the domestic currency. The franc remains strong against the euro, undermining the price competitiveness of exporters to the euro zone.

Credit Environment Outlook



Key Development has had a negative impact on the outlook.

Supply Environment Outlook



Key Development has had a neutral impact on the outlook.

Market Environment Outlook



Key Development has had a negative impact on the outlook.

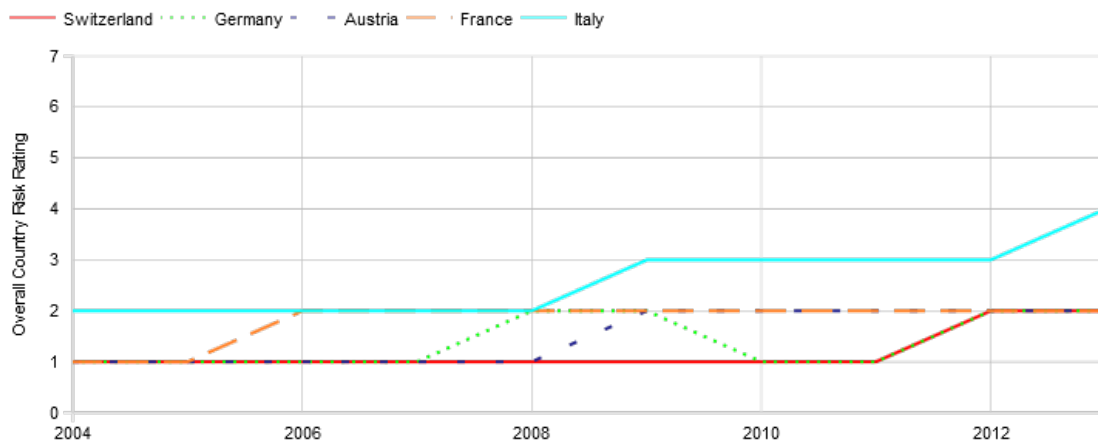
Political Environment Outlook



Key Development has had a neutral impact on the outlook.

Key Indicators

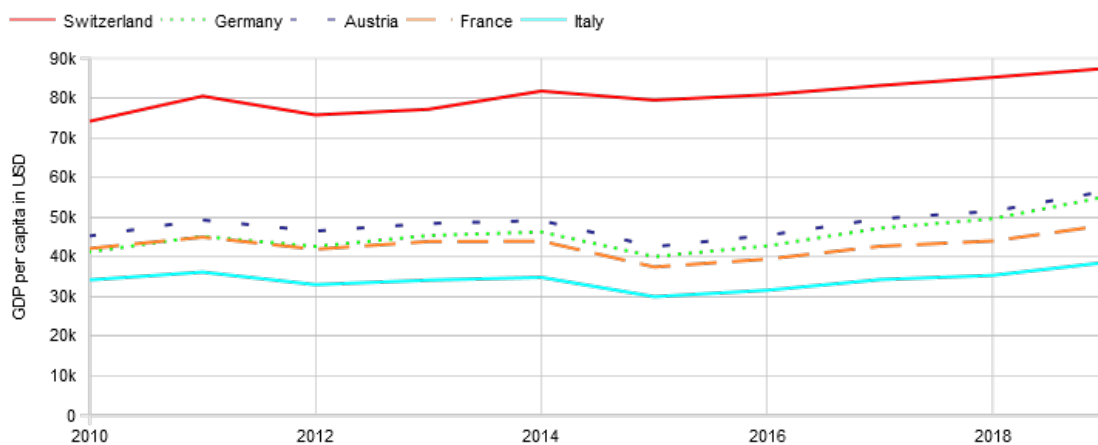
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Chart of the Month



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	10.6	8.1	14.2	7.0	8.3	9.9	9.0	8.1
Govt balance, % GDP	0.1	0.3	0.4	0.9	1.3	0.9	1.1	1.2
Inflation, annual avge %	0.2	-0.7	-0.2	0.0	-0.9	0.7	1.3	1.0
Real GDP Growth, %	1.9	1.1	1.9	1.6	1.0	1.7	2.2	2.5
Unemployment, %	2.8	2.9	3.2	3.2	4.0	3.8	3.5	3.0

Source : Haver Analytics/D&B

Trade and Commercial Environment

In the World Bank's *Doing Business 2015* survey, Switzerland is ranked 20th out of 189 countries covered, up from 29th in the previous edition. The country scores well in the field of getting electricity (5th), registering property (16th) and trading across borders (22nd). Against the regional pattern, paying taxes in Switzerland is straightforward (the country is ranked 18th), requiring only 19 payments a year, taking 63 hours per year and, with 29.0% of all profits, the total tax rate is unusually low. On the downside, getting a construction permit takes around half a year while starting a business is much faster (ten days), but with more than 25% of income per capita (which stands at around USD86,000) the minimum capital required for setting up a business is high.

Trade Terms and Transfer Situation

Minimum Terms: OA

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

Recommended Terms: OA

D&B'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.

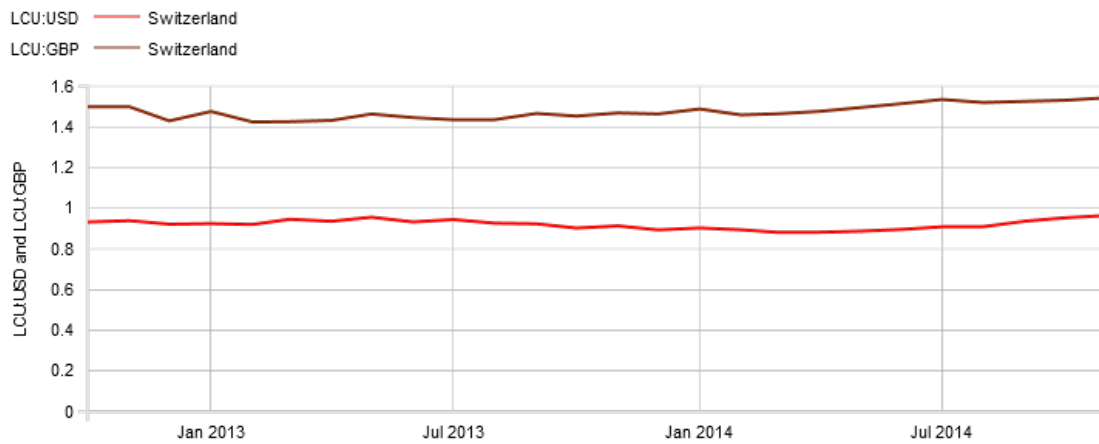
Local Delays: 0-1 month

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.

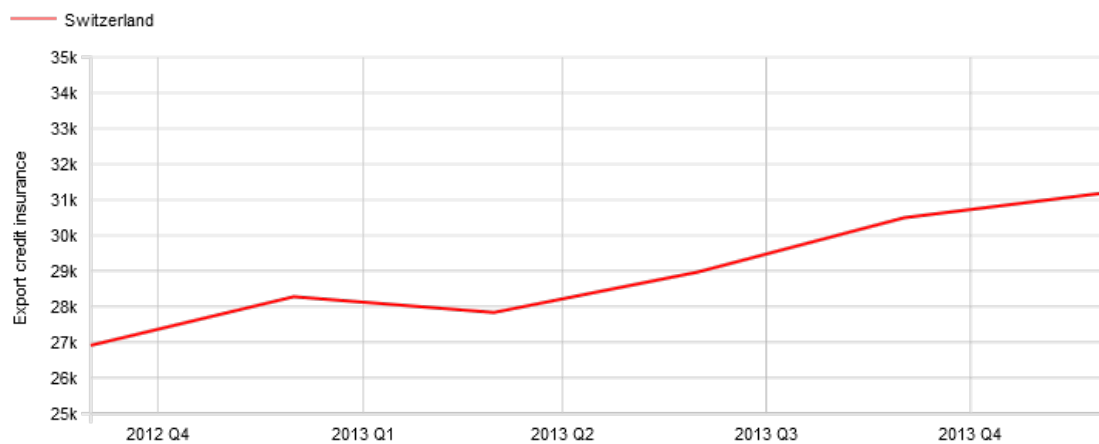
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

FX Risk

D&B downgrades Switzerland's country risk rating following a sharp appreciation of the domestic currency.

One month after the Swiss National Bank lifted the exchange rate peg of CHF1.20:EUR against the euro, D&B has downgraded the country's risk rating by one quartile to DB2b (with a deteriorating outlook). Although the exchange rate has slowly risen, reaching CHF1.08:EUR on 25 February (up from CHF0.98:EUR on 23 January), the franc remains very strong against the euro, thereby significantly undermining the price competitiveness of Swiss exporters to the euro zone (the country's most important foreign market). D&B predicts the franc will remain strong against the euro for the foreseeable future, especially as concerns about the euro's long-term survival have recurred amid the recent events in Greece. Further to that, the ECB's Quantitative Easing scheme (starting in March) will also put downward pressure on the euro against the franc, exacerbating the loss of international competitiveness.

Short-Term Economic Outlook

Manufacturing outlook deteriorates significantly after the franc appreciation

Business optimism in the export-orientated manufacturing sector took a severe hit in January, due to the franc appreciation and the gloomier outlook for the euro zone. The Purchasing Managers' Index (PMI, compiled by prochure.ch and Credit Suisse) plummeted by 5.3 points to 48.2 points; this was the sharpest monthly fall since the height of the financial crisis in November 2008. All sub-indices eased in January and the PMI now stands below the neutral 50-points line that divides expansion in sectoral activity from contraction. A survey carried out by prochure.ch and Credit Suisse also shows that 75% of all Swiss manufacturers did not hedge currency risks before the end of the currency peg, thereby exposing them to severe risks. Worryingly, the estimated costs of the currency appreciation in the manufacturing sector amount to CHF31bn, far higher than the estimated benefits (via cheaper input costs, CHF13bn). D&B has adjusted its real GDP growth and inflation forecasts downwards (and increased unemployment forecasts) to reflect the adverse developments in January. Having said that, exporters to the country, especially if located in the euro zone, will benefit from the recent developments as the already high purchasing power of Swiss households is rising even more in the short term.

Business Continuity

The number of business failures dropped in Q4 but uptick likely in 2015

Meanwhile, figures from Bisnode Schweiz, our local partner office show that the number of business failures dropped by 6.5% year on year (y/y) in September-December 2014. 17 out of 20 sectors recorded a lower insolvency risk with improvements in small trade (down by 10.0% y/y) and hospitality (-10.6% y/y) being the most notable ones. For 2014 as a whole, Bisnode Schweiz recorded a 9% drop in business failures (with 4,119 companies having had to file for bankruptcy) but unfortunately we do not expect this positive trend to last. While figures in H1 2015 will very likely not be impacted by the franc appreciation yet, D&B predicts an upturn in insolvencies, especially in the hospitality and pharma sector in H2. Anecdotal evidence shows that the Swiss ski resorts had already struggled to attract tourists before the currency appreciation, a stronger franc increases the problems even more.

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 Ueli MAURER
Capital	Bern
Timezone	GMT +01-00
Official languages	German, French, Italian, Romansh
Population (millions)	8.2
GDP (USD billions)	667
GDP per capita (USD)	81,763
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 (%)	2.87	1.9	1.1	1.94	1.6
Nominal GDP in USDbn	580.71	696.57	665.9	685.85	733.88
Nominal GDP in local currency (bn)	606	619	624	636	646
GDP per Capita in USD	74,155	88,006	83,269	84,904	89,958
Population (year-end, m)	7.83	7.92	8	8.08	8.16
Exchange rate (yr avge, USD-LCU)	1.04	0.89	0.94	0.93	0.88
Current Account in USDbn	74.02	74.06	53.91	97.57	51.02
Current Account (% of GDP)	12.75	10.63	8.1	14.23	6.95
FX reserves (year-end, USDbn)	223.48	279.39	475.66	495.96	540
Import Cover (months)	9.38	9.2	16.36	15.64	15
Inflation (annual avge, %)	0.7	0.2	-0.7	-0.2	0
Govt Balance (% GDP)	0.5	0.1	0.3	0.4	0.9

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1	1.7	2.2	2.5	2.4
Nominal GDP in USDbn	718.3	735.5	761.3	787.9	816.3
Nominal GDP in local currency (bn)	646.46	661.97	685.14	709.12	734.65
GDP per Capita in USD	87,181	88,404	90,616	92,881	95,304
Population (year-end, m)	8.2	8.3	8.4	8.5	8.6
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.9
Current Account in USDbn	59.5	72.8	68.5	63.8	58.8
Current Account (% of GDP)	8.28	9.9	9	8.1	7.2
FX reserves (year-end, USDbn)	535	520	530	540	550
Import Cover (months)	16	17	15	14	12
Inflation (annual avge, %)	-0.9	0.7	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)	87,181	40,056	42,555	37,449	29,954
Country Population (m)	8.2	82.6	8.6	65	61.1
Internet users (% of population)	86.7	84	80.6	81.9	58.5
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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