



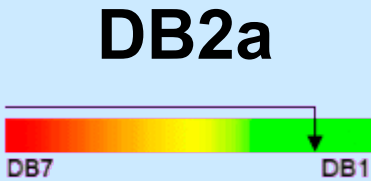
Decide with Confidence

# SWITZERLAND

Region : Western Europe

Edition : August 2014

## D&B Country Risk Indicator

 <p style="font-size: 2em; font-weight: bold; margin: 0;">DB2a</p>	<p><b>This "DB" Rating Indicates:</b></p> <p><b>Low risk</b></p> <p>Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.</p>	<p><b>Trend</b></p> <p><b>Stable</b></p> <p>The country's overall risk profile has not changed appreciably, even though some minor changes to its political, commercial, economic and/or external risk environment may have occurred</p>
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The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	7.7m
<b>Surface area (sq km):</b>	41,280
<b>Capital:</b>	Bern
<b>Timezone:</b>	GMT +01:00
<b>Official languages:</b>	German, French, Italian, Romansh
<b>Head of state:</b>	Federal President Didier BURKHALTER
<b>GDP (USD):</b>	668.8bn
<b>GDP per capita (USD):</b>	87,305
<b>Life expectancy (years):</b>	81
<b>Literacy (% of adult pop.):</b>	99.9

### Country 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.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	OA
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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.

<b>Usual Terms:</b>	0-30 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-1 month
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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.

### Trade & Commercial Environment

Switzerland offers an outstanding commercial environment; consequently, the country is again ranked as the world's most-competitive economy in the World Economic Forum's latest *Global Competitiveness Report*. Switzerland scores particularly well in the fields of innovation (1st out of 148 countries surveyed), labour market efficiency (2nd), higher education and training (4th), and infrastructure (6th). The biggest obstacles when doing business with Swiss-based companies are (according to the survey) an inadequately-educated workforce, inefficient government bureaucracy, and tax regulations. Worryingly, access to EU markets is endangered in the medium to long term due to the outcome of a controversial referendum in February 2014.

### Export Credit Agencies

<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	Full cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

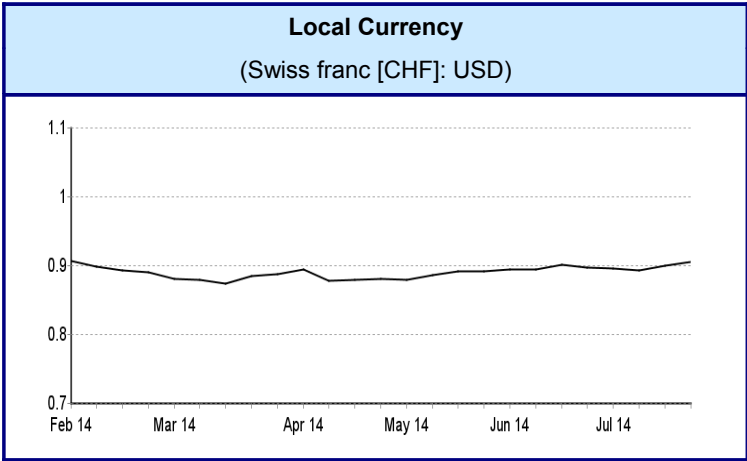
### Economic Indicators

	2011	2012	2013	2014f	2015f
<b>Real GDP growth, %</b>	1.8	1.0	2.0	2.1	2.2
<b>Inflation, annual ave, %</b>	0.2	-0.5	0.2	0.4	0.8
<b>Govt balance, % GDP</b>	0.2	4.3	2.5	0.9	1.3
<b>Unemployment, %</b>	2.8	2.9	3.0	2.8	2.7
<b>C/A balance, % GDP</b>	12.3	12.0	11.9	10.6	9.0

Business failures chart excludes insolvencies due to organisational defects

### Currency Information

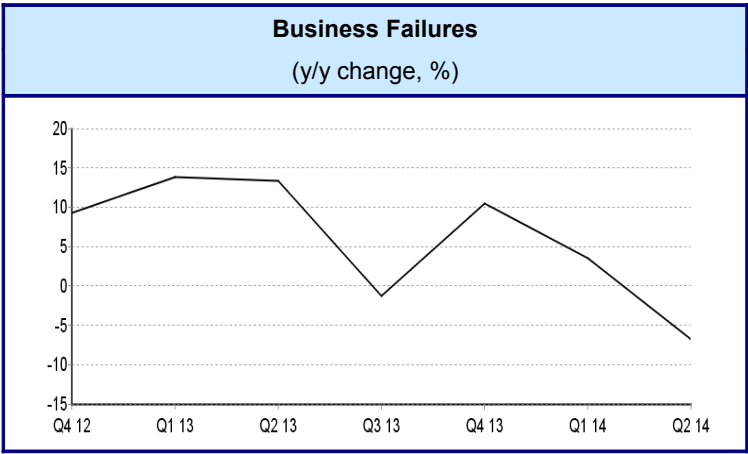
<b>Exchange Rates</b>	
(London, 28 Jul 14)	
EUR	1.2152
GBP	1.5355
JPY*	0.8884
USD	0.9046
*(x 100)	



**Local Currency**  
(Swiss franc [CHF]: USD)

	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14
<b>Week 1</b>	0.906	0.881	0.894	0.879	0.894	0.895
<b>Week 2</b>	0.898	0.879	0.877	0.886	0.894	0.893
<b>Week 3</b>	0.893	0.873	0.879	0.891	0.900	0.899
<b>Week 4</b>	0.890	0.884	0.880	0.891	0.897	0.905
<b>Week 5</b>		0.887				

**Business Failures**



**Data Table**

Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14
9.3	13.8	13.3	-1.3	10.5	3.5	-6.8

## Risk Factor

Figures from Bisnode, our Swiss partner office, show that insolvency risk in the country fell in H1 in year-on-year (y/y) terms. In January-June, 2,133 companies went bankrupt, 8.0% less than in the same period in 2013. Positively, the decline was broad-based in geographical terms, with all of the country's seven regions posting falling y/y insolvency figures. That said, the speed of improvement varied largely, from a 1.0% fall seen in Central Switzerland and 2.1% recorded in Tessin to a 18.9% drop in North-West Switzerland. In a sectoral comparison, manufacturing accounted for 16.6% of all insolvencies (355 business failures) in January-June, followed by hotels and tourism (12.8%, 274 insolvencies) and wholesale trade (9.8%, 208 business failures). However, if adjusted for the size of the sector in Bisnode's database, construction is the riskiest sector in which to do business in Switzerland. Construction companies' insolvency risk is 2.45 times the national average, ranging above hotels and tourism (2.2 times) and manufacturing (twice as high as the national average). At the other end of the spectrum stand pharmaceutical companies with an insolvency risk that is only 0.42 times the national average. The furniture industry (0.71), precision instruments (0.91) and retail trade (0.96) also have below average insolvency risk. For the outlook period, we expect a further drop in insolvency figures, with the tourism sector lagging the generally positive development.

Meanwhile, a publication by economic research institute BAK in Basel shows that companies' tax burden remained mainly stable in 2013 in the country's 15 most important cantons. Appenzell Ausserrhoden, Nidwalden and Luzern remain the cantons with the lowest tax rate on profits (all around 10%). In terms of personal income tax, movement was marginal, too. The bandwidth reaches from 23.0% in Zug to 32.8% in the canton of Bern, with some entities having raised taxes by around 0.1-0.2 percentage points. The study again highlights the diversity in the Swiss taxation landscape and we advise carrying out research as the cantons are competing heavily for investment. We strongly recommend that investors should seek expert advice when setting up operations in Switzerland.

In the political field, the EU has rejected Switzerland's demand to renegotiate the freedom of labour movement agreement. After a referendum in February, the Swiss government is obliged to reduce immigration over the next three years, including from EU countries. However, this risks access to EU markets as terminating the free movement of labour with the EU will cause retaliation. We advise customers to monitor developments closely. In a worst-case scenario, investors in Switzerland could face labour market shortages from 2017, while cross-border traders will have to deal with more unfavourable legal requirements.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

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:

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:

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

#### Local Delays:

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

#### F/X Bank Delays:

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.

#### C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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