



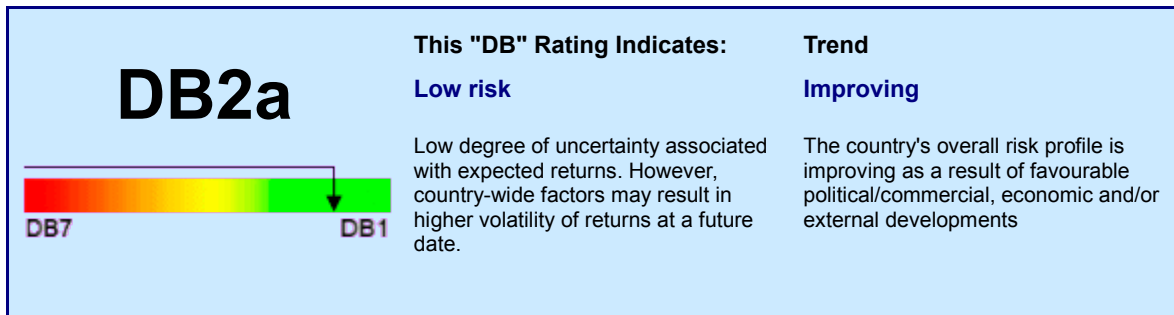
Decide with Confidence

SWITZERLAND

Region : Western Europe

Edition : February 2013

D&B Country Risk Indicator



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

Population:	7.7m
Surface area (sq km):	41,280
Capital:	Bern
Timezone:	GMT +01:00
Official languages:	German, French, Italian, Romansh
Head of state:	Federal President Ueli MAURER
GDP (USD):	676.2bn
GDP per capita (USD):	88,278
Life expectancy (years):	81
Literacy (% of adult pop.):	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

Minimum Terms:	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.

Recommended Terms:	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.

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

Transfer Situation

Local Delays:	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.

FX/Bank Delays:	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

The country's commercial environment is outstanding. According to the World Economic Forum's latest *Global Competitiveness Report*, Switzerland is ranked as the globe's most competitive country (unchanged from the past three reports). The economy's labour market is rated as the best in the world, while Switzerland's R&D projects also contribute to the favourable assessment. In addition to this, the level of corruption is extremely low and the quality of the infrastructure is excellent. However, certain downside risks do remain. The most problematic factors for doing business in the country are the inadequately-trained workforce, inefficient government bureaucracy, and restrictive labour and tax regulations.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

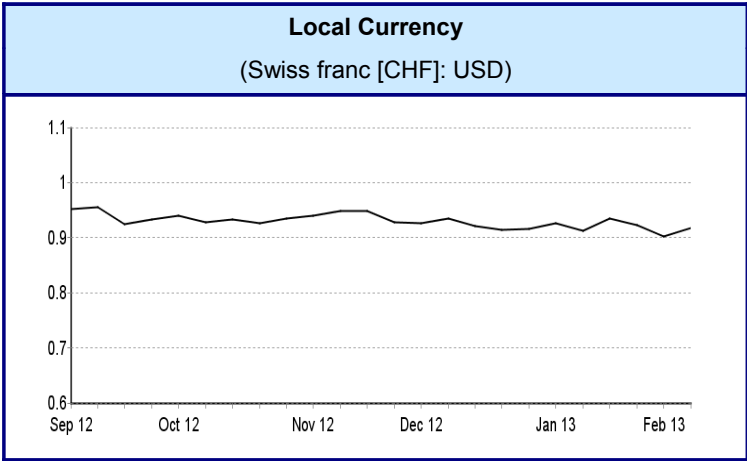
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	3.0	1.9	0.9	1.0	1.2
Inflation, annual ave, %	0.7	0.2	-0.5	0.2	1.4
Govt balance, % GDP	0.1	0.2	4.3	2.5	0.9
Unemployment, %	3.5	2.8	2.9	3.0	2.8
C/A balance, % GDP	13.4	12.3	12.0	11.9	10.6

Business failures chart excludes insolvencies due to organisational defects

Currency Information

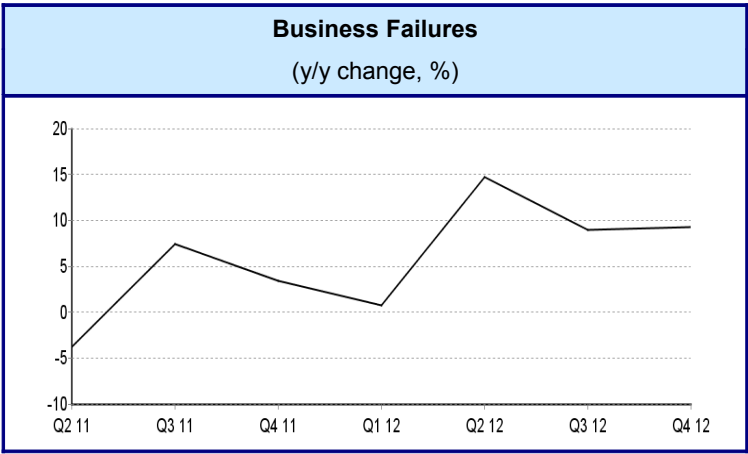
Exchange Rates	
(London, 11 Feb 13)	
EUR	1.2273
GBP	1.4526
JPY*	0.9891
USD	0.9173
*(x 100)	



Local Currency
(Swiss franc [CHF]: USD)

	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13
Week 1	0.953	0.940	0.940	0.926	0.926	0.903
Week 2	0.955	0.928	0.948	0.934	0.912	0.917
Week 3	0.925	0.932	0.948	0.922	0.935	
Week 4	0.933	0.926	0.929	0.915	0.923	
Week 5		0.935		0.915		

Business Failures



Data Table

Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
-3.8	7.4	3.4	0.7	14.7	9.0	9.3

Risk Factor

The Swiss economy is currently sending mixed signals. While payment risks have been rising for several months (see below), forward-looking indicators such as consumer and industrial confidence indicators have shown some improvement in the past weeks, raising hopes that Switzerland's economic performance will improve in the near-term future. Importantly, the *Purchasing Managers' Index* (PMI) of the Swiss manufacturing sector (compiled by Markit) has risen to 52.5 points in January, up from 49.2 points in December. For the first time since August 2011, the PMI stands above the growth threshold of 50 points and production levels, as well as order books, have reached encouraging levels again. The Swiss *Business Situation Indicator* (produced by KOF) supports our optimistic outlook as it also improved in January and now stands at the highest value since April 2012. In addition to the Swiss industry, domestic households have also become more optimistic about the near term outlook: the *Consumer Climate Index*, measured by the State Secretariat of Economic Affairs, improved from -17 points to -6 points.

That said, latest figures from D&B Switzerland show that credit and payment risks are still on the rise as the number of business failures increased by 9.3% year on year (y/y) in Q4. This comes on top of a 9.0% increase in Q3 and a 14.7% increase in Q2, and we expect this negative development to last well into 2013. The only sectors that recorded a fall in insolvency rates in Q4 2012 were cars (-14.3% y/y), vehicles and logistics (-26.4%), architecture (-27.6%), textiles (-33.3%) and real estate (-69.3%). However, these sectors are very small and only account for 5.4% of all insolvencies in Switzerland. The development in the more important sectors was much less favourable: business failures in the hospitality sector rose by 13.1% y/y in October to December, and small trade (+30.4%) and wholesale trade (+24.5%) also recorded sharp increases. In a regional comparison, the biggest increases were recorded in the cantons of Valais (+78.6% y/y), Fribourg (+113.0%) and Glarus (+150.0%, coming from really low levels) while 12 of the the country's 25 cantons witnessed a fall in business failures in an annual comparison. As a rule of thumb, payment and credit risk will remain higher in the French and (to a lesser extent) Italian-speaking cantons, while the German-speaking cantons in the north will continue to perform relatively well.

Meanwhile, the state of the Swiss real estate market is also a source of concern. Significant immigration, low interest rates and save haven inflows amidst the euro-zone crisis have put prices under upward pressure. Especially Geneva, Zurich and Lausanne face a sizeable risk of rapid downward price corrections in the outlook period.

Glossary & Definitions

DEFINITIONS

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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

Customer Service & Support

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D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

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