

Country Insight Snapshot Switzerland

May 2016





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

+ Although there will be significant 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 level 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 being 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

Our proprietary data shows a 9% increase in the number of business failures, with export-orientated sectors being hit the hardest.

CREDIT ENVIRONMENT OUTLOOK



Key Development has had a negative 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 neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

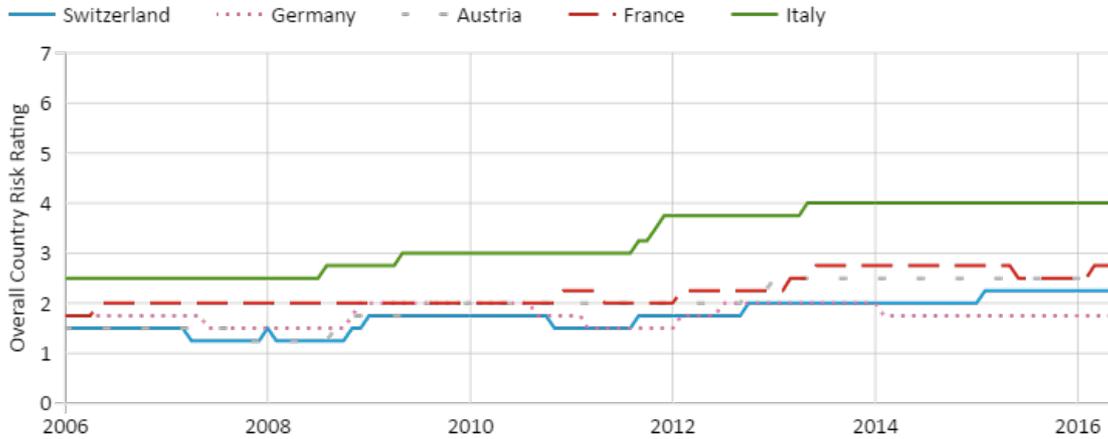


Key Development has had a neutral impact on the outlook.



KEY INDICATORS

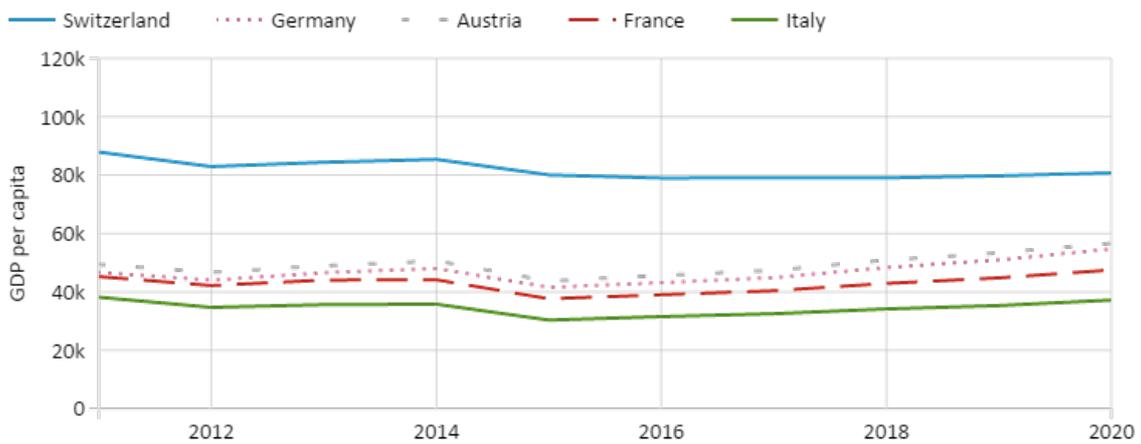
Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	11.1	8.8	11.4	9.1	8.8	8.2	8.0	7.8
Govt balance, % GDP	0.4	0.0	0.4	0.9	1.1	1.2	1.0	0.9
Inflation, annual avge %	-0.2	0.0	-1.1	-0.7	0.5	1.0	1.2	1.3
Real GDP Growth, %	1.8	1.9	0.9	1.1	1.5	1.9	2.5	2.7
Unemployment, %	3.2	3.2	3.3	3.5	3.5	3.0	2.8	2.7

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Switzerland is ranked 26th out of 189 countries in the World Bank's *Doing Business 2016* report, down from 20th in the previous edition. The country scores well in the fields of getting electricity (5th) and registering property (16th). 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 USD80,000), the minimum capital required for setting up a business is high. The country also fell 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

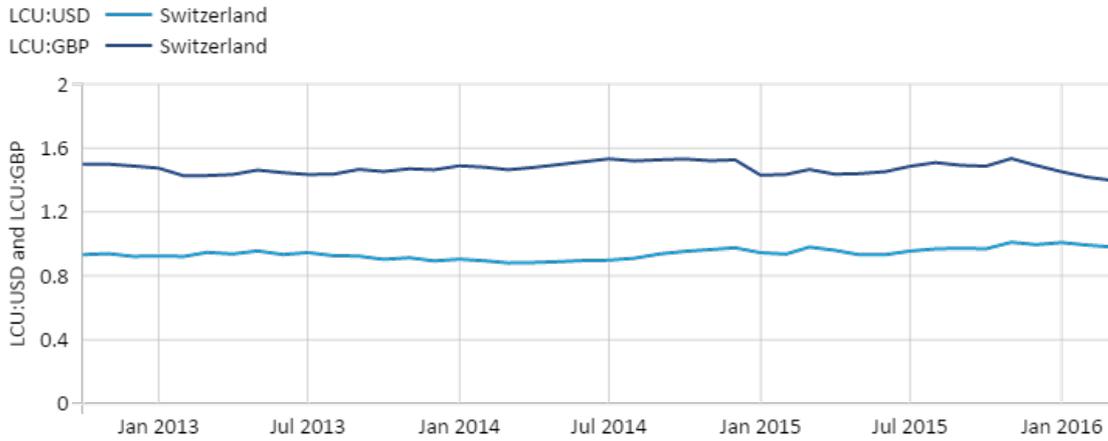
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



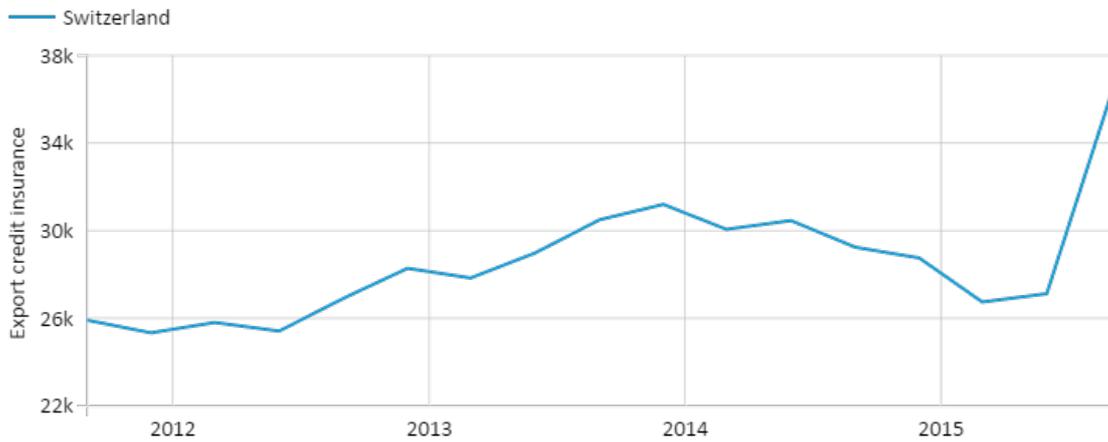
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Swiss franc

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Business Continuity

Insolvencies are up 9% in April

Proprietary business failures figures for April, published by our Zurich-based World Wide Network partner Bisnode Switzerland, show that the risk of non-payment has risen sharply. Overall, 1,541 companies filed for bankruptcy in April, up by a sizeable 9% y/y. This increase comes on top of a 2% y/y rise in Q1 and we expect this trend to last throughout 2016 and into 2017, thereby adversely impacting on Switzerland's credit risk dimension (which we have downgraded from 'green' to 'amber' this month). If adjusted for the size of the sector, bankruptcy risk in the construction sector in Q1 was 2.8 times higher than the national average. Hospitality (2.3 times), manufacturing (1.9 times) and logistics companies (1.6 times) also compare unfavourably against the average. At the bottom of the insolvency risk table are architecture and printing (both 0.5 times the national average) as well as real estate agencies (0.4 times).

Our data shows that the recent deterioration in April was mainly caused by a sharp increase in insolvencies in export-orientated sectors such as machinery and precision instruments, as well as in the hospitality sector. This is caused by the still-not-fully-digested appreciation of the Swiss franc against the euro in early 2015. Although the franc has lost some of its strength against the euro since then, Dun & Bradstreet expects elevated insolvency risk in export-orientated sectors for the foreseeable future. Unfortunately, a potential resurgence of the euro-zone crisis is on the cards, given recent developments in Greece. This would increase safe-haven inflows to Switzerland, thereby putting upward pressure on the currency. On the upside, such a move would have beneficial effects on the already very high purchasing power of Swiss-based households and enterprises.

Market Potential

Gotthard base tunnel opens

Meanwhile, the opening of the Gotthard base tunnel on 1 June (work started in 1996) will have positive effects on supply chains in Switzerland and the wider region, as travel times (including for cargo) will drop significantly. The completion of the 59km (36 mile) rail tunnel (the longest in the world) will slash travel times between Zurich and Milan by 60 minutes, and will play a key role in the EU's long-term traffic concept, linking the important ports of Antwerp and Rotterdam on the North Sea with Genoa on the Mediterranean. Companies exporting to Switzerland can count on further improvements to the country's already excellent infrastructure in the years ahead, with the focus being on railways rather than roads.

Short-Term Economic Outlook

Manufacturing sector gains momentum

Positively, the latest Purchasing Managers' Index figures for the manufacturing sector show further improvements. The Index came in at 54.7 points in April, a two-year high. Order books are currently filling up, leaving room for some cautious optimism.



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)	8.3
GDP (USD billions)	664.6
GDP per capita (USD)	80,081
Life expectancy (years)	83
Literacy (% of adult pop.)	99.9
Surface area (sq km)	41,280

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	1.9	1.1	1.8	1.9	0.9
Nominal GDP in USDbn	697	665	685	701	665
Nominal GDP in local currency (bn)	619	624	635	642	640
GDP per Capita in USD	87,895	82,938	84,401	85,396	80,081
Population (year-end, m)	7.9	8.0	8.1	8.2	8.3
Exchange rate (yr avge, USD-LCU)	0.89	0.94	0.93	0.92	0.96
Current Account in USDbn	74.1	68.6	76.1	61.5	75.9
Current Account (% of GDP)	10.6	10.3	11.1	8.8	11.4
FX reserves (year-end, USDbn)	279.4	475.7	496.0	505.5	567.0
Import Cover (months)	9.2	15.1	14.4	16.3	20.0
Inflation (annual avge, %)	0.2	-0.7	-0.2	0.0	-1.1
Govt Balance (% GDP)	0.1	0.3	0.4	0.0	0.4

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	1.1	1.5	1.9	2.5	2.7
Nominal GDP in USDbn	662	668	674	685	699
Nominal GDP in local currency (bn)	642	655	674	699	727
GDP per Capita in USD	79,010	79,060	79,071	79,771	80,765
Population (year-end, m)	8.4	8.5	8.5	8.6	8.7
Exchange rate (yr avge, USD-LCU)	0.97	0.98	1.0	1.02	1.04
Current Account in USDbn	60.2	58.8	55.3	54.8	54.5
Current Account (% of GDP)	9.1	8.8	8.2	8.0	7.8
FX reserves (year-end, USDbn)	560.0	565.0	570.0	575.0	580.0
Import Cover (months)	17.0	15.0	14.0	12.0	11.0
Inflation (annual avge, %)	-0.7	0.5	1.0	1.2	1.3
Govt Balance (% GDP)	0.9	1.1	1.2	1.0	0.9

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Switzerland	Germany	Austria	France	Italy
Income per Capita (USD)	80,081	41,567	43,718	37,652	30,346
Country Population (m)	8.3	80.7	8.5	64.4	59.8
Internet users (% of population)	87	86.2	81	83.8	62
Real GDP Growth (% p.a., 2016 - 2025)	1 - 3.5	1.8 - 3	1.5 - 2.8	1.3 - 2.5	0.5 - 2

Source : Various sources/Dun & Bradstreet



LINKS

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