



Decide with Confidence

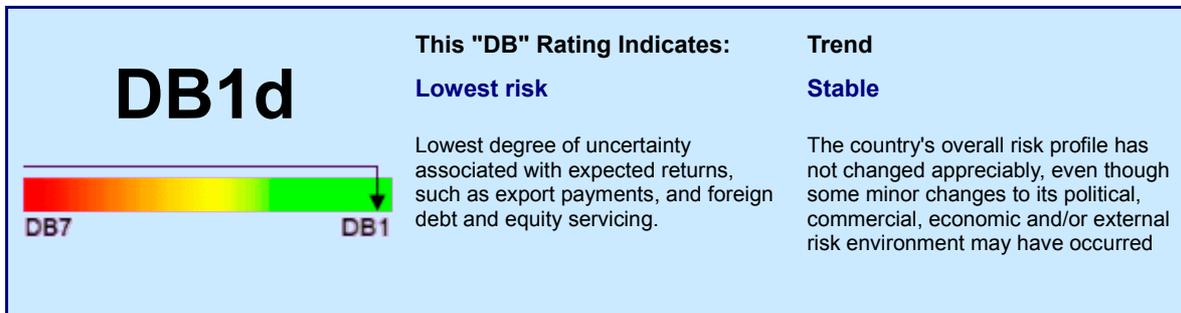
## D&B Country RiskLine Report

# SWITZERLAND

Region : Western Europe

Edition : January 2010

### 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

<b>Population:</b>	7.5m
<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 Hans-Rudolf MERZ
<b>GDP (USD):</b>	500.3bn
<b>GDP per capita (USD):</b>	66,350
<b>Life expectancy (years):</b>	82
<b>Literacy (% of adult pop.):</b>	99.9

### Country Overview:

Switzerland is a small, landlocked country in Western Europe, located between France, Germany, Italy 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

According to D&B's latest proprietary cross-border payments performance data, 23.7% of payments to US shippers arrived 30 or more days over terms in the year to end-Q3 2009. More than two-thirds (69.0%) of payments were made promptly, while 11.1% of payments arrived 60 or more days over terms; 2.2% of payments were severely delinquent with a delay of 120 days or longer. D&B data also show a continuing strong rise in the number of business bankruptcies. There were 3,668 businesses failures during Q1-Q3 2009, 26.3% more than in the same period in 2008 (although the increase weakened somewhat in Q3). We expect the number of insolvencies to reach a record 5,200 in 2009 as a whole, warranting caution when extending credit.

### Export Credit Agencies

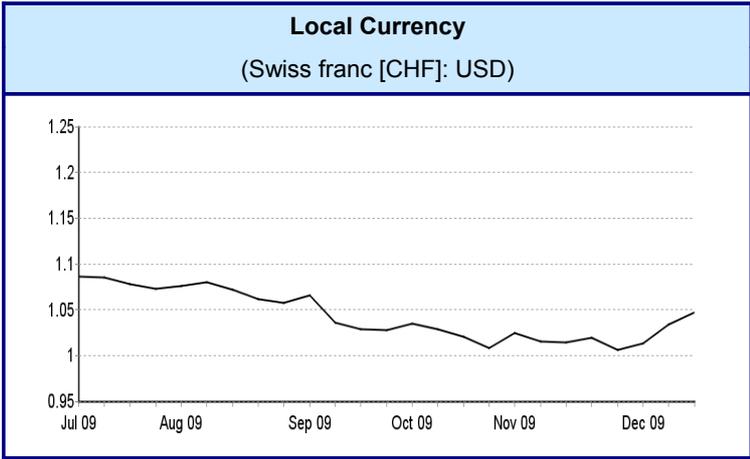
<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	Full cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

### Economic Indicators

	2007	2008	2009e	2010f	2011f
<b>Real GDP growth, %</b>	3.6	1.8	-1.7	0.7	1.0
<b>Inflation, annual ave, %</b>	0.7	2.4	-0.5	1.0	0.8
<b>Govt balance, % GDP</b>	1.3	1.0	-2.0	-3.0	-2.5
<b>Unemployment, %</b>	2.8	2.6	3.8	4.5	4.4
<b>C/A balance, % GDP</b>	10.0	2.4	7.0	7.5	8.0

### Currency Information

<b>Exchange Rates</b>	
(London, 07 Dec 09)	
EUR	1.5082
GBP	1.675
JPY*	1.1261
USD	1.013
*(x 100)	



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

	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09
<b>Week 1</b>	1.086	1.076	1.066	1.034	1.024	1.013
<b>Week 2</b>	1.085	1.080	1.036	1.029	1.016	1.034
<b>Week 3</b>	1.078	1.071	1.029	1.020	1.014	1.047
<b>Week 4</b>	1.072	1.062	1.028	1.008	1.020	
<b>Week 5</b>		1.057			1.006	

**Business Failures**



**Data Table**

Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
-10.9	-4.9	7.4	18.4	23.4	37.2	19.3

## Risk Factor

National accounts data confirm that the economy pulled out of recession in Q3 2009, as real GDP expanded by 0.3% from Q2. On the demand side, the main contributions ending a 12-month economic decline came from investment and exports. Gross fixed capital formation increased by 3.4% quarter on quarter (q/q), driven by a 5.5% rise in equipment investment (while construction investment rose by a more modest 0.7% q/q), following a contraction of 0.6% in Q2. The volume of goods and services exports climbed by 2.6% q/q, after it had shrunk by 2.2% in Q2. Private consumption also increased, by 0.6% q/q. In contrast to investment and exports, household spending had already grown in Q2 (by 0.5% q/q). On the supply side, financial sector value added increased for the first time since late 2007 (by 0.2% q/q). By contrast, industry value added fell for the fifth consecutive quarter (by 0.6% q/q). Compared with Q3 2008, real GDP was still down 1.3%, taking the January-September 2009 contraction to 2.0% year on year.

We expect ongoing moderate economic growth over coming months but agree with the chairman of the Swiss National Bank (the central bank), Jean-Pierre Roth, that 2010 will be a difficult year. Forward-looking indicators had hinted for some time that the economy was emerging from recession and point to a continued expansion for the immediate future. However, as in other European countries, there is a risk of a renewed slowdown of growth in the course of 2010. The ongoing economic rebound across Europe owes much to fiscal stimulus measures and a rebuilding of inventories. Both will wane in 2010, while high unemployment, weak earnings prospects and still-impaired bank lending make household spending and investment unlikely drivers of a sustained recovery. Admittedly, in Switzerland, fiscal stimulus measures have been small to start with; employment and private consumption have been remarkably resilient; and bank lending is not as important a determinant of demand and has not been as constrained as in other countries. Even so, the seasonally adjusted unemployment rate is at an 11-year high, and a renewed weakening of demand in major EU markets would inevitably hit Switzerland's highly export-oriented economy.

Meanwhile, the central bank continues to prevent Swiss franc appreciation against the euro to fight deflation. This measure has effectively fixed the exchange rate between the two currencies at around CHF1.50:EUR. The bank has said that it is mulling the right moment to withdraw extraordinary monetary policy measures (such as FX market intervention and bond purchases) to avoid spurring medium-term price pressures; but given the fragility of the economic rebound and the absence of an immediate inflationary threat, these measures are likely to remain in place over coming months.

## 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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