Switzerland
CRT-1
August 22, 2019

Region: Europe

Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers

• The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.

• Switzerland is a CRT-1 country, with very low levels of economic, political, and financial system risk. Switzerland is not a member of the EU, although the country does have access to parts of the single market.

• The economy continues to grow modestly, with real GDP up 2.5% in 2018 and growth of 1.1% expected for 2019. The country has one of the highest per capita GDP in the world, estimated at over USD80,000.

• AM Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. Notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.

Regional Summary: Western Europe

• Composed of 28 countries, the EU accounts for slightly over a fifth of the world’s GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.

• Uncertainty about Britain’s exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a “no deal” Brexit remaining a possibility.

• Growth in Western Europe has stagnated; impediments include weakness in the region’s manufacturing sectors, heightened trade tensions, and a general worldwide economic slowdown.

• The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.
Economic Risk: Very Low

• Switzerland’s economy is highly advanced and diversified in the industrial, manufacturing, and financial sectors. The country also has a significant presence in both intracontinental and global trade. Trade accounts for an estimated 119% of GDP, according to the World Bank.

• Global trade tensions have weighed on Switzerland’s growth prospects. While it is not an EU country, the reverberating effects of Brexit are expected to affect its outlook.

• The workforce is highly educated and skilled. Along with a high GDP per capita, the country also has an extremely tight labor market, with an unemployment rate of around 2.8%.

• Switzerland’s economy is the 4th freest in the world, according to the Index of Economic Freedom.

Political Risk: Very Low

• Parliamentary elections are scheduled for October 2019. The participatory democracy currently has four primary parties, with different places on the political spectrum and approaches to policy. The current president is Ueli Maurer from the Swiss People’s Party (SVP); presidential elections are held yearly.

• The SVP is among of the biggest influences on policy in Switzerland. Its current agenda includes increasing banking transparency, implementing stricter immigration policies, and improving security.

• Switzerland is not a member of the EU, but it does have multiple agreements with the bloc like the Schengen Area, European Free Trade Association, and European Economic Area. These agreements give Switzerland tourism, work, and trade access to other European countries.

Financial System Risk: Very Low

• The Swiss financial sector, including insurance, has been regulated by the Financial Market Supervisory Authority (FINMA) since 2009.

• The insurance industry is well regulated and well managed, and has a large presence. In 2017, per FINMA, the industry generated profits of CHF7.6 billion.

• The official currency is the Swiss franc, which is regulated by the Central Bank of Switzerland. Monetary policy is currently expansive. As of August 2019, the key Swiss National Bank interest rate stands at -0.75%.

• Under pressure from the EU, Switzerland has agreed to tax reform, the implementation of which has been difficult. The new reforms are set to take effect in January 2020. The country is currently on the EU’s greylist of non-cooperative tax jurisdictions.