

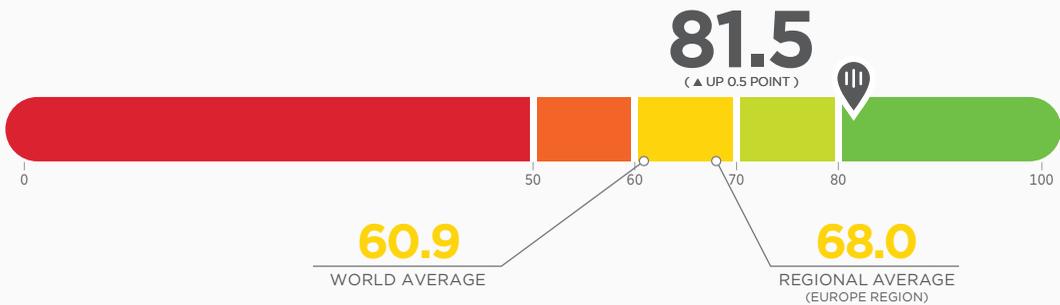
# SWITZERLAND



Switzerland's openness to foreign trade and investment continues to stimulate a dynamic and resilient economy. With a sound regulatory environment and minimal barriers to entrepreneurial growth, the Swiss economy is one of the most competitive and innovative in the world. Macroeconomic stability and a highly developed financial sector reinforce the country's position as a global financial hub.

Well-secured property rights, including intellectual property rights, promote entrepreneurship and productivity growth. Flexible labor regulations and the absence of corruption also sustain vibrant entrepreneurship. Inflationary pressures are under control. The legal system, independent of political influence, ensures strong enforcement of contracts and judicial effectiveness.

## ECONOMIC FREEDOM SCORE



**NOTABLE SUCCESSES:**  
Rule of Law, Open Markets, and Monetary Stability

**CONCERNS:**  
Government Spending

**OVERALL SCORE CHANGE SINCE 2013:**  
+0.5

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
8.2 million

**GDP (PPP):**  
\$482.3 billion  
0.9% growth in 2015  
5-year compound annual growth 1.5%  
\$58,552 per capita

**UNEMPLOYMENT:**  
4.3%

**INFLATION (CPI):**  
-1.1%

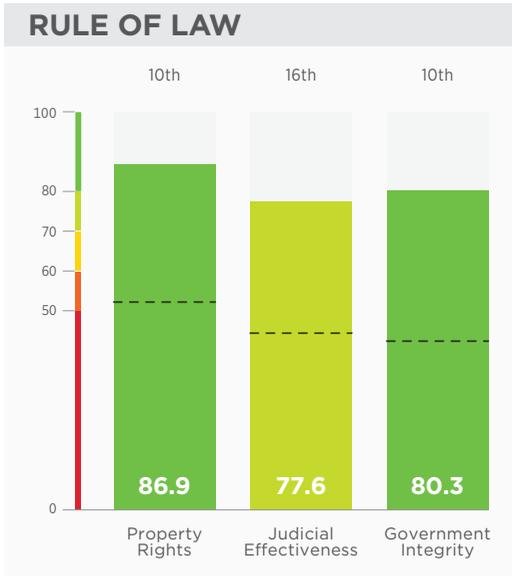
**FDI INFLOW:**  
\$68.8 billion

**PUBLIC DEBT:**  
45.6% of GDP

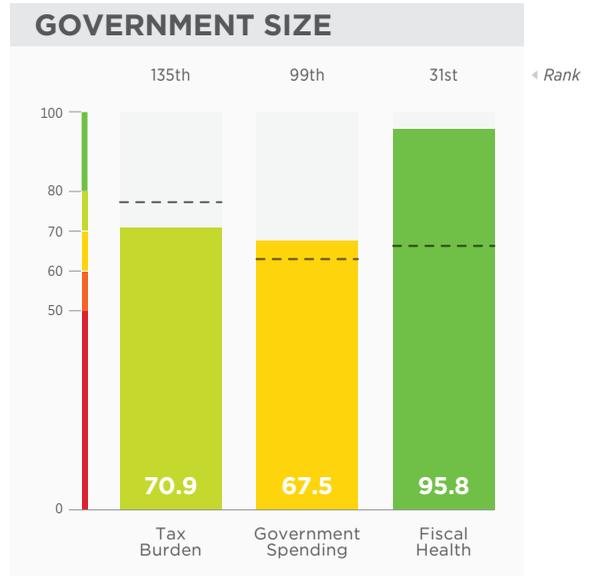
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Switzerland's federal system of government disperses power widely, and executive authority is exercised by the seven-member Federal Council. Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. It did not join the United Nations until 2002, and two referenda on membership in the European Union have failed by wide margins. Membership in the European Economic Area was rejected by referendum in 1992. The Eurosceptic Swiss People's Party, which favors tight controls on immigration, gained the largest number of seats in October 2015 parliamentary elections. In addition to banking, the economy relies heavily on precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

# 12 ECONOMIC FREEDOMS | SWITZERLAND



Protection of property rights is strongly enforced, and an independent and fair judicial system is institutionalized throughout the economy. Intellectual property rights are respected and enforced. Commercial and bankruptcy laws are applied consistently and efficiently. The government is free from pervasive corruption. Switzerland was ranked first in the World Economic Forum's 2016 *Global Competitiveness Index*, in part because of its strong institutions.



Taxation is more burdensome at the cantonal levels than at the federal level. The top federal income tax rate is 11.5 percent, and the federal corporate tax rate is 8.5 percent. The overall tax burden equals 27.1 percent of total domestic income. Government spending has amounted to 32.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 45.6 percent of GDP.



The competitive and transparent regulatory framework strongly supports commercial activity, allowing the processes of business formation and operation to be efficient and dynamic. The nonsalary cost of employing a worker is moderate, but dismissing an employee can be costly. The government has the ability to intervene if it believes there is monopolistic pricing. Price and margin controls exist for all agricultural goods.



Trade is extremely important to Switzerland's economy; the value of exports and imports taken together equals 115 percent of GDP. The average applied tariff rate is 0.0 percent, but agricultural imports face barriers. In general, Switzerland's economy is open to foreign investment. The modern and highly developed financial sector provides a wide range of financing instruments. Banking remains well capitalized and sound.