

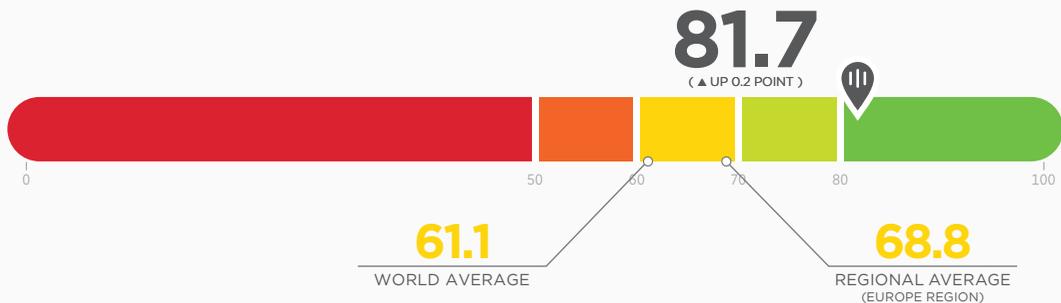
SWITZERLAND



Switzerland's economic freedom score is 81.7, making its economy the 4th freest in the 2018 *Index*. Its overall score has increased by 0.2 point, with improvements in **judicial effectiveness**, **government integrity**, and **monetary freedom** outpacing slightly lower scores for the **property rights** and **government spending** indicators. Switzerland is ranked 1st among 44 countries in the Europe region, and its overall score is well above the regional and world averages.

Switzerland's prosperous and modern market economy is buttressed by economic and political stability, a transparent legal system, a sound regulatory regime, a highly skilled labor force, an exceptionally well-developed physical and communications infrastructure, efficient capital markets, and low corporate taxes. Well-secured property rights, including intellectual property rights, encourage entrepreneurialism and stimulate productivity. Flexible labor regulations and the absence of corruption also enhance the business environment. The legal system, independent of political influence, ensures strong enforcement of contracts and judicial effectiveness.

ECONOMIC FREEDOM SCORE

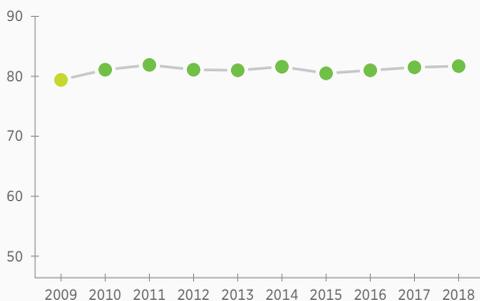


NOTABLE SUCCESSES:
Open Markets, Rule of Law, and Monetary Stability

CONCERNS:
Government Spending

OVERALL SCORE CHANGE SINCE 2014:
+0.1

FREEDOM TREND



QUICK FACTS

POPULATION:
8.3 million

GDP (PPP):
\$496.0 billion
1.3% growth in 2016
5-year compound annual growth 1.4%
\$59,561 per capita

UNEMPLOYMENT:
4.6%

INFLATION (CPI):
-0.4%

FDI INFLOW:
-\$26,340.2 million

PUBLIC DEBT:
45.4% of GDP

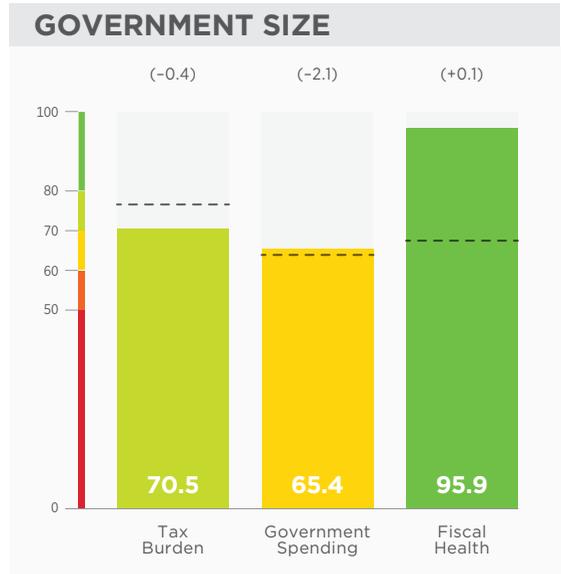
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Switzerland's federal canton system of government disperses power widely. Executive authority is exercised by a 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, two referenda on membership in the European Union failed by wide margins, and membership in the European Economic Area was rejected in 1992. The Eurosceptic Swiss People's Party, which favors tight controls on immigration, gained the largest number of seats in the 2015 parliamentary elections. Switzerland has one of the world's highest per capita GDPs and a highly skilled labor force. The economy relies on financial services, precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

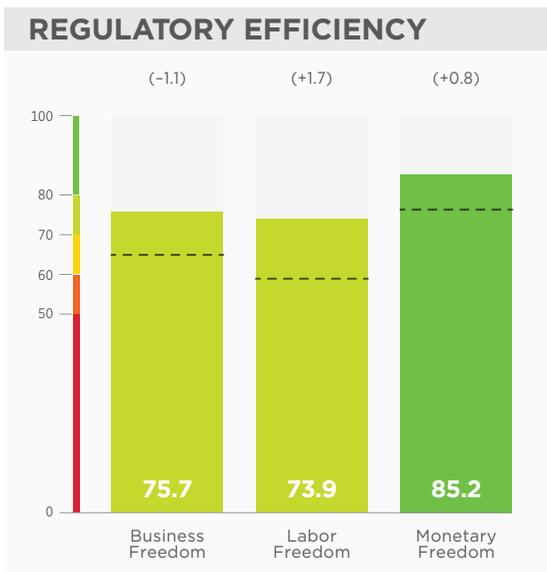
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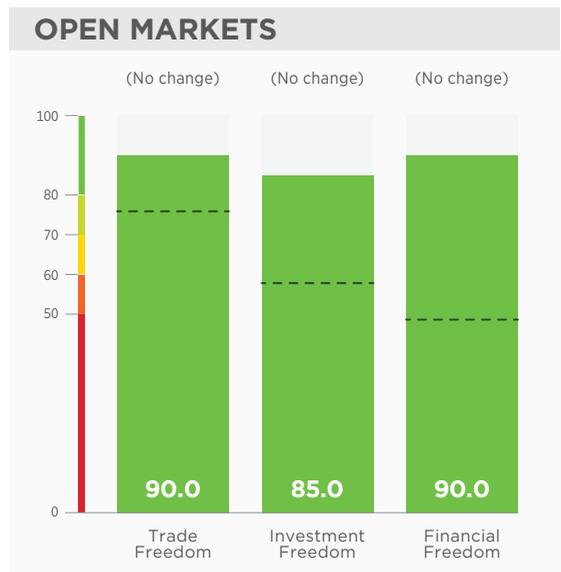
Physical property rights are recognized and enforced in Switzerland, although there are some shortcomings with regard to enforcement of intellectual property rights. The independent and fair judicial system is institutionalized throughout the economy. Commercial and bankruptcy laws are applied consistently and efficiently. The government is free from pervasive corruption.



Cantonal-level taxation is more burdensome than federal-level taxation. The top federal income tax rate is 11.5 percent. The federal corporate tax rate is 8.5 percent. The overall tax burden equals 27.9 percent of total domestic income. Over the past three years, government spending has amounted to 34.0 percent of total output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 45.4 percent of GDP.



Switzerland's sound institutional environment, low corporate tax rate, and productive and multilingual workforce make it a prime location for starting and operating a business. Wages are among the highest in the world, and unemployment is low. Switzerland has few price controls, but 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 combined value of exports and imports equals 114 percent of GDP. The average applied tariff rate is 0.0 percent. Nontariff barriers impede some trade. In general, government policies do not significantly deter foreign investment. The highly developed financial sector provides a wide range of financing instruments. Banks remain well capitalized and sound.