Switzerland’s economic freedom score is 84.2, making its economy the 2nd freest in the 2022 Index. Switzerland is ranked 1st among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

In the past half-decade, Switzerland’s economy gained strength in 2017 and 2018, slowed in 2019, and turned negative in 2020. Growth resumed in 2021. A five-year trend of robust economic freedom has continued. Lifted by higher scores for rule of law, Switzerland has recorded a 2.7-point overall gain of economic freedom since 2017 and is firmly established in the “Free” category, trailing first-place Singapore by only 0.2 point. Switzerland’s stellar investment climate could be improved by cuts in tax rates and government spending.

IMPACT OF COVID-19: As of December 1, 2021, 11,548 deaths had been attributed to the pandemic in Switzerland, and the government’s response to the crisis ranked 59th among the countries included in this Index in terms of its stringency. The economy contracted by 3.0 percent in 2020.

BACKGROUND: Switzerland’s federal canton system of government disperses power widely. A seven-member Federal Council exercises executive authority. Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. In 2019 elections, the Green Party surged to fourth place and overtook one of the parties in the coalition government, the Christian Democrats. Public policies are often subjected to referenda. Swiss voters recently rejected the imposition of new carbon taxes and approved a measure to ban face coverings in public places. Switzerland has one of the world’s highest GDPs per capita and a highly skilled labor force. The economy relies on financial services, precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.
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, thanks largely to its strong institutions. Switzerland is ranked 3rd among 180 countries in Transparency International's 2020 Corruption Perceptions Index.

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 28.5 percent of total domestic income. Government spending has amounted to 33.1 percent of total output (GDP) over the past three years, and budgets have been balanced on average. Public debt is equivalent to 42.9 percent of GDP.

Political stability, transparent regulations, efficient capital markets, an advantageous geographical location, and well-maintained transportation enhance business freedom. Labor laws are not restrictive by European standards, and the workforce is highly skilled. Swiss agriculture is highly subsidized and regulated with price controls and a variety of import restrictions supporting domestic production.

Switzerland has 32 preferential trade agreements in force. The trade-weighted average tariff rate is 1.7 percent, and 157 nontariff measures are in effect. The consistent, transparent, and modern investment framework supports and facilitates foreign investment. Buttressed by a sound regulatory regime, the competitive financial sector offers a wide range of financing instruments. Banking remains well capitalized, facilitating access to credit.