

Swiss Confederation

This annex refers to the release of the monitoring note of 27 August 2021.

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aaa
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Strong
20%	Fiscal policy framework	Strong
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Strong
	External debt structure	Neutral
	Resilience to short-term shocks	Strong
20%	Banking sector performance	Weak
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Strong
	Institutional and political risks	Neutral
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		AAA STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s), EOP	83.5	83.7	86.8	85.7	86.8	94.7	99.2
Real GDP, % change	2.0	1.7	3.0	1.1	-3.0	3.5	2.5
Unemployment rate, %	3.3	3.1	2.5	2.3	3.1	3.1	3.0
CPI, % change	-0.4	0.5	0.9	0.4	-0.7	0.1	0.3
Policy rate, %, EOP	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
General government balance, % of GDP	0.2	1.1	1.3	1.4	-2.6	-2.7	-0.2
General government debt, % of GDP, EOP	40.5	41.2	39.2	39.8	42.9	44.1	43.0
Current account balance, % of GDP	9.0	7.2	6.7	6.7	3.8	6.7	7.5

Source: Macrobond, IMF, Swiss National Bank, SECO, FCA, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification ²	AE
5y USD CDS spread (bps) as of 24 August 2021	6

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scopeeratings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Switzerland	August 2021	Assessment	Rationale
Peers*	Denmark, Finland, Germany, Ireland, Luxembourg, Netherlands, Norway, Sweden, Austria		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential
	Monetary policy framework	Neutral	Swiss National Bank is a credible central bank, adequate monetary-policy response during Covid-19 crisis
	Macro-economic stability & sustainability	Strong	Very competitive and diversified economy, highly skilled labour force, well-developed infrastructure
Public finance risk	Fiscal policy framework	Strong	Stringent and constitutionally-anchored fiscal rules, track record of prudent and stable fiscal policies
	Debt sustainability	Neutral	Moderate public-debt levels, strong commitment to longer-term debt sustainability
	Debt profile & market access	Strong	Highly-developed and liquid capital markets supported by franc's global reserve currency status, favourable debt-financing costs, long debt maturity
External economic risk	Current account resilience	Strong	Large and persistent current-account surpluses, reflecting a competitive external sector and substantial share of less price-sensitive exports
	External debt structure	Neutral	Large net external asset position, two-thirds of external liabilities are denominated in local currency
	Resilience to short-term shocks	Strong	Large net external asset position and Swiss franc's safe haven currency status underpin external-sector resilience
Financial stability risk	Banking sector performance	Weak	Well-capitalised and liquid banking sector with strong asset quality, but bank profitability remains structurally weak
	Banking sector oversight	Neutral	Effective financial policy setting and stringent regulatory financing requirements mitigate financial-system risk
	Financial imbalances	Weak	A very large banking sector represents a risk of contingent liabilities, gradual build-up of imbalances in the real estate market due to low interest-rate environment
ESG risk	Environmental risks	Neutral	Meaningful transition risk mitigated by an ambitious and robust regulatory framework and considerable public expenditure on environmental protection
	Social risks	Strong	Very high human development and employment rate, significant R&D expenditure, high labour market flexibility
	Institutional and political risks	Neutral	A stable political environment, institutional effectiveness and a consensus-oriented policy framework; failure to reach institutional framework agreement with the EU creates uncertainty around future EU-Swiss relationship

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.