



MAY 2022

Allianz Trade

Export Forecast

Exports approaching long-term trend growth

The Allianz Trade Export Forecast stands at 0.33 points in May 2022 (February 2022: 0.69 points). The indicator is slowly approaching the long-term trend growth. At present, the signs are still pointing to above-average export growth. If it takes a long time for the crises the world is experiencing to ease, there is a risk of a sharper counter-movement over the course of the year. Growth forecasts for world trade have already been adjusted downwards.

At 0.33 points, the Allianz Trade Export Forecast is trending above zero, the level which indicates the long-term average growth rate of the Swiss export industry. The Allianz Trade Export Forecast predicts export growth of 7% for the next six to twelve months (February 2022: 10%) and is approaching long-term growth of around 4% per year.

After last year's "reopening" of the world economy had inspired a great deal of optimism among exporters, the development of global trade in 2022 is now likely to be much more subdued than expected. The Russian invasion of Ukraine has shaken business and consumer confidence, driven up commodity prices, and further exacerbated coronavirus-related supply chain stress – lately fuelled above all by China's zero-COVID strategy. Accordingly, Allianz Trade has revised its forecast for global trade in 2022 downwards from 6% to 4%, with the downside risks continuing to predominate. Half of the decline in global trade growth is attributable to a downturn in economic sentiment and the associated weaker demand. The oil price shock and increased supply chain stress each account for 50% of the other half. The current supply chain difficulties are likely to remain at a high level for the coming months, and a more significant easing is not expected until 2023. For Switzerland, Allianz Trade expects GDP to grow by 2.2% in 2022 (2023: +1.3%) and exports to expand by 4% (2023: +3%).

Swiss exporters faring better than their EU counterparts

Swiss exporters will also feel the impact of the subdued global demand – especially the significant economic slowdown in key trading partner countries such as Germany, the UK and France, which together absorb 30% of Swiss exports. Sharp declines in private household purchasing power in developed economies coupled with heightened global uncertainty and the nominal appreciation of the Swiss franc are likely to weigh on the tourism recovery here in Switzerland.

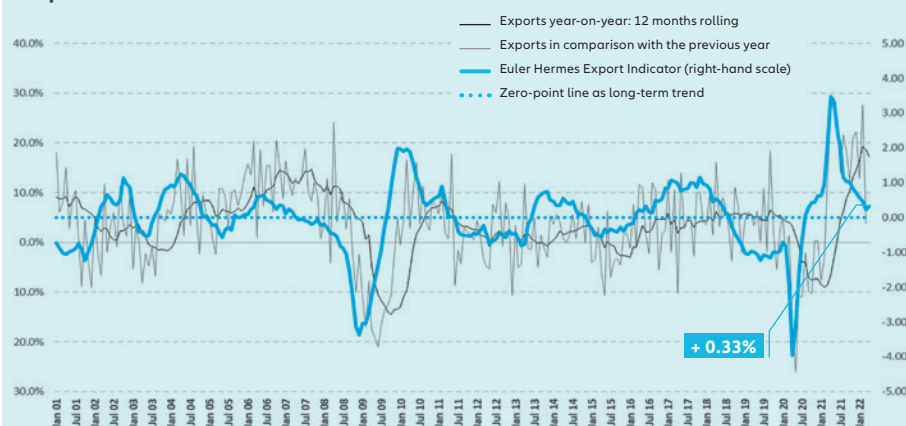
However, Swiss exporters will probably fare better than their EU counterparts. On the one hand, the Swiss economy is less dependent on upstream products from overseas, with the result that industry is not likely to be as badly affected by supply bottlenecks.

On the other, exports in the chemicals and pharmaceuticals sectors – which are less sensitive to economic conditions and together account for around 40% of total Swiss exports – should again provide reliable support.

Although the global consumer, intermediate and capital goods industries recently recorded further expansions, growth rates are weakening. The J.P. Morgan Global Manufacturing PMI, the most important index of industrial purchasing managers, stood at 52.2 points at the end of April.

New export business has been contracting since the beginning of the year. However, there is still much to suggest that industrial activity will remain brisk, even though momentum has slowed somewhat. The Purchasing Managers' Index for Switzerland stood at 62.5 points in April (March: 64 points). The order backlog increased again, with supply chain problems likely to be playing a role: certain orders can only be processed with delays due to a shortage of upstream products. Inflationary pressure persists.

Export forecast



The Allianz Trade Export Forecast indicates the future trend in Swiss goods exports (blue, right-hand scale, in standard deviations), with the zero-point line depicting the long-term, average growth trend in the annual rates of change. The graph also documents the official export statistics (including 12 months rolling, left-hand scale).

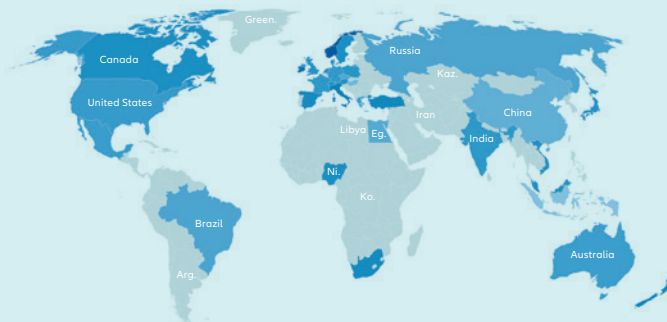
Business climate

▲ Trending higher

Norway
Mexico
Malaysia

▼ Trending lower

Russia
China
Taiwan



The global Business Climate map shows the latest trends in the leading economic indicators by region. All sectors are taken into account. Our global climate indicator currently stands at 100.6, which is 0.6 points above the long-term average of 100 (score three months ago: 102.8 points). There is strong positive momentum in Norway, Mexico and Malaysia, with raw material exports being among the reasons for this. Leading indicators are negative in Russia, China and Taiwan, among others. Taiwan is suffering from the impact of supply chain disruptions. In China, hard COVID-19 lockdowns are crippling the economy.

Merchandise exports (YoY)

Last official release

1	Norway	103.8%
2	Russian Federation	67.6%
3	Saudi Arabia	56.9%
4	Ukraine	53.5%
5	Colombia	44.7%
6	Indonesia	34.6%
7	Belgium	32.5%
8	Brazil	31.9%
9	India	27.4%
10	Argentina	25.3%
11	Taiwan	24.4%
12	Israel	24.0%
13	Greece	22.9%
14	Belarus	22.5%
15	Morocco	22.0%
16	Peru	20.2%
17	Spain	20.1%
18	Australia	19.6%
19	Canada	19.6%
20	Tunisia	19.2%
21	United States	18.4%
22	Malaysia	18.3%
23	United Kingdom	18.1%
24	South Korea	18.0%
25	Singapore	17.4%
26	Mexico	16.7%
27	World	16.3%
28	Romania	15.4%
29	China	15.1%
30	Chile	15.0%
31	Finland	14.7%
32	Thailand	14.3%
33	Portugal	13.6%
34	Vietnam	13.6%
35	Netherlands	13.3%
36	Italy	13.3%
37	Austria	12.3%
38	Switzerland	12.2%
39	Sweden	11.8%
40	South Africa	10.4%
41	Philippines	10.4%
42	Hungary	10.0%
43	Czech Republic	9.6%
44	New Zealand	9.0%
45	Poland	8.7%
46	Denmark	8.2%
47	France	6.8%
48	Japan	4.6%
49	Germany	3.8%
50	Hong Kong SAR, China	2.8%

The table shows the annual rates of change in exports of goods to various countries. Last official data available: October, November and December 2021. The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

The performance of the financial markets is weighing on investor sentiment. Volatility has been rising again for several weeks. Slowing economic growth, higher costs

and rising interest rates are causing concern on the stock markets. The US Federal Reserve is trying to combat inflation and has raised interest rates.

Foreign trade remains on course for a record

Swiss foreign trade continued to grow in the first quarter of 2022, reaching a new high. While imports continued to pick up speed, exports lost a little momentum. The trade surplus was down significantly, falling by CHF 2.8 billion.

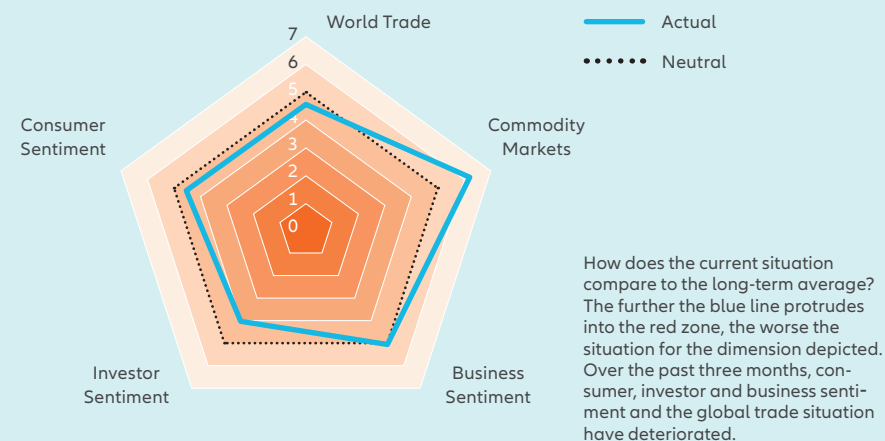
Exports rose by 1.2% in nominal terms compared to Q4 2021. In real terms – i.e. adjusted for inflation – the increase was 2.4%. The largest contribution to the quarterly expansion came from watch exports, which were up by 5.3%. This was followed by metals with 6.3% and machinery and electronics with 2.4%. Despite the increase in immunological product exports (+7.1%), the decline in exports of active pharmaceutical ingredients (-10%) pushed the group's result into negative territory. High initial levels/base effects must be taken into account here.

While exports to North America and Asia grew at practically identical rates (+3.7% and +3.6%, respectively), sales in Europe

remained at CHF 37 billion. According to the Federal Office for Customs and Border Security (BAZG), it was China and Japan that stood out in Asia, accounting for additional exports of almost half a billion Swiss francs.

In the first quarter, 6.7% more goods were imported compared to the previous quarter (in real terms, the increase was 2.7%). Apart from jewellery (-15.1%), textiles, clothing and footwear (-3.7%) and precision instruments (-0.5%), the remaining product groups recorded a rise in imports. The largest contribution – CHF +1.8 billion Swiss francs, or +46% – came from energy sources. However, this increase is not attributable to higher volumes but exclusively to rising prices (+0.8% in real terms). Imports of chemical and pharmaceutical products were up sharply, too, rising by 11.8%. Imports of metals were also higher (+4.2%), continuing their growth trend that has persisted for seven quarters.

Trend: Global assessment



Real GDP forecast 2022 (% YOY)

	Allianz Trade	WTO	World Bank	OECD	IMF	Average
World	3.0	2.8	3.2	3.4	3.6	3.3
Advanced Economies					3.3	3.3
United States of America	2.7	2.9		2.8	3.7	3.1
Euro Area	2.6	2.3		2.9	2.8	2.7
Emerging Markets					4.8	4.8
East Asia and Pacific	4.4	3.8			5.4	4.6
China	4.6			4.3	4.4	4.4
Latin America		1.9			2.5	2.2
North Africa & Middle East					4.6	4.6
Sub-Saharan Africa		3.2			3.8	3.5
Switzerland	2.2				2.2	

World Trade Volume

3.0

These are the estimates of the relevant international organisations of the real, inflation-adjusted gross domestic product for various regions of the world for 2022. Global GDP is expected to grow by 3.3% in real terms on average.

About the Allianz Trade Export Forecast

The Allianz Trade Export Forecast takes into account a large amount of data that is relevant in the context of the Swiss export industry. It factors in leading indicators for industry, transport and the financial and commodity markets as well as new sentiment indicators. Around 100 components are incorporated into a dynamic, predictive model, in which data series with a stronger lead time are given a higher weighting. The Allianz Trade Export Forecast has a lead time of up to six months in comparison with the actual exports of the Swiss export industry.

Allianz Trade in Switzerland

Allianz Trade is the global market leader in credit insurance and a recognised specialist in the areas of bonding, guarantees and fidelity insurance, including cyber crime. The company's proprietary monitoring system analyses changes in the credit ratings of over 80 million companies on a daily basis. Allianz Trade gives companies security for their trading business by guaranteeing payments and compensating credit losses. In addition, Allianz Trade helps to prevent credit losses by focusing on proactive protection in all trade credit insurance and other financing solutions. In the event of a claim, the company's AA credit rating means that it has sufficient resources – supported by Allianz – to compensate credit losses and ensure that the company suffering the loss can continue to exist. Headquartered in Paris, Allianz Trade is present in 52 countries with more than 5,500 employees. In 2021, the company reported consolidated turnover of EUR 2.9 billion and insured business transactions worth EUR 931 billion worldwide. In Switzerland, around 50 staff work at its headquarters in Wallisellen and the other locations in Lausanne and Lugano.

Further information:
www.allianz-trade.ch

Forward-looking statements

The statements contained herein may include views, statements about future developments and other forward-looking statements that are based on the present opinions and assumptions of management and involve known and unknown risks and uncertainties. Actual results, performance or events can differ significantly from those that are explicitly or implicitly included in such forward-looking statements. The following factors could cause such differences (list not exhaustive): (i) changes in the economic conditions and the competitive situation, especially in the Allianz Group's core business areas and markets, (ii) financial market developments (especially market volatility and liquidity and credit events), (iii) the frequency and severity of insured claims, including as a result of natural disasters, and the development of claims expenses, (iv) mortality and morbidity rates and trends (v) persistence levels, (vi) the extent of credit defaults, especially in the banking business, (vii) interest rates, (viii) exchange rates, including the EUR-USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the effects of acquisitions, including associated integration issues, and re-organisation measures, and (xi) general competition factors at a local, regional, national and/or global level. Many of these factors may become more likely or more pronounced as a result of terrorist activities and their consequences.

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