



# EULER HERMES EXPORT FORECAST

February 2021

A company of **Allianz** 

 **EULER HERMES**

# EXPORT FORECAST REMAINS AT A HIGH LEVEL

**The Export Forecast stands at 0.78 points. This indicates a recovery in Swiss exports over the course of the year. Commodity markets have recovered strongly and leading indicators for industry have been in the growth zone for several months. However, COVID-19 continues to exert considerable pressure on consumer sentiment.**

At 0.78 points, the Euler Hermes Export Forecast is trending above zero, the level which indicates the long-term average growth rate of the Swiss export industry, at the start of 2021 (three months ago the indicator also stood at a revised level of 0.78 points). The indicator thus predicts a marked recovery in Swiss exports over the course of the year. The statistical base effect will contribute to this: high year-on-year rates of change are hardly surprising given the deep slump in 2020.

After a 10% decline in the previous year, Euler Hermes expects global trade volumes to grow again by 5.8% in 2021.

Overall, Euler Hermes expects the Swiss economy to grow by 2.6% in 2021 (2022: +3.2%). In the short term, however, the situation is likely to deteriorate again due to the second wave of the pandemic and the restrictions that have been imposed. „An economic resurgence is unlikely before Easter at the earliest,“ says Katharina Utermöhl, Senior Economist for Europe at Euler Hermes. „By then, progress on the vaccination front and warmer temperatures should allow a gradual easing. Vaccination of the at-risk groups will create the conditions for a powerful consumption boom in the second half of the year. This increasing, simultaneous revival of the global economy should also provide a tailwind for Swiss exports.“ A return to some degree of economic normality would not be possible until 2022, she added. However, the economic clean-up would not be completed by then – the unemployment rate would probably remain high and the wave of insolvencies would continue in 2022.

## AVERAGE GDP GROWTH OF 5.7% IS EXPECTED IN THE EMERGING MARKETS.

Asia and the emerging markets in general are regarded as the greatest beacons of hope for Swiss industry.

The positive outlook for emerging markets is an important factor in the rising commodity prices. This applies in particular to industrial metals. The copper price has risen by 40% in a year.

Freight rates have also had a positive impact on the Euler Hermes Export Forecast. There has been a veritable

explosion in freight rates for shipping containers since December 2020. The enormous backlog at the Asian ports is to blame for this. Following the outbreak of the COVID-19 pandemic, many cargo ships were temporarily taken out of service.

The unexpectedly rapid recovery of the global economy is now leading to capacity bottlenecks. As air passenger numbers remain low, the number of freight-only air-

craft is on the rise. This increase in supply makes air freight more attractive for exporters and importers. In December, the volume of global air freight traffic had returned to the level of the previous year.

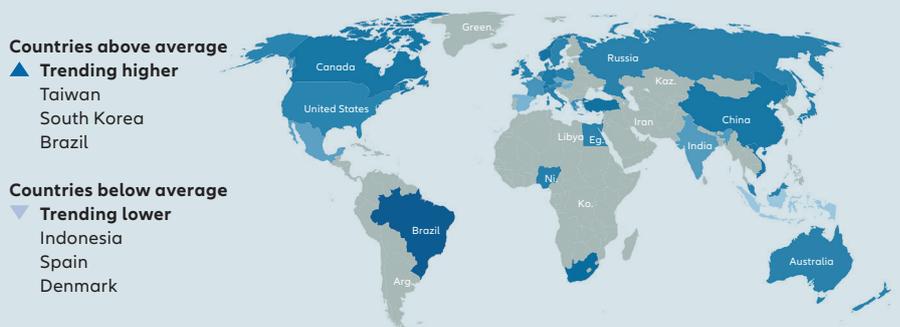
The COVID-19 pandemic is weighing heavily on consumer confidence, which has negatively impacted the Euler Hermes Forecast.

## EXPORT FORECAST



The 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



The global Business Climate map shows the latest trends in the leading economic indicators by region. All sectors are taken into account. The global climate indicator currently stands at 99 points, 1 point below the long-term average of 100 points (end of October: 98 points). There is strong positive momentum in Taiwan, South Korea and Brazil. The leading indicators in Indonesia, Spain and Denmark are negative.

## MERCHANDISE EXPORTS (YOY)

Last official release

1	Poland	17.2%
2	Estonia	16.5%
3	China	16.5%
4	Vietnam	15.3%
5	South Africa	12.6%
6	Croatia	12.0%
7	Taiwan	11.7%
8	Chile	11.4%
9	Hungary	10.7%
10	Israel	10.2%
11	Sweden	9.3%
12	Slovakia	9.0%
13	Czech Republic	9.0%
14	Peru	8.0%
15	France	7.4%
16	Malaysia	6.9%
17	Indonesia	6.8%
18	Hong Kong	6.3%
19	Mexico	5.9%
<b>20</b>	<b>Switzerland</b>	<b>5.8%</b>
21	Portugal	5.3%
22	Italy	4.6%
23	Greece	4.5%
24	Australia	4.3%
25	South Korea	4.1%
26	Spain	3.2%
27	Netherlands	2.7%
28	Germany	2.3%
29	Japan	2.1%
30	Belgium	1.5%
31	Philippines	0.4%
32	India	-1.2%
33	Finland	-1.4%
34	Singapore	-1.8%
35	Thailand	-1.9%
36	Canada	-3.4%
37	Brazil	-4.2%
38	Denmark	-4.4%
39	Paraguay	-5.1%
40	Austria	-5.2%
41	United States	-5.5%
42	Bolivia	-6.9%
43	Bangladesh	-8.2%
44	Norway	-11.6%
45	Colombia	-14.7%
46	Malta	-16.4%
47	United Kingdom	-16.4%
48	Russian Federation	-20.8%
49	Argentina	-26.3%
50	Saudi Arabia	-26.4%

The table shows the annual rates of change in exports of goods to various countries on the basis of the latest official data available (December, November and October 2020). The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

If the situation does not improve in the near future, this is likely to have consequences for the industrial sector. Purchasing managers are no longer as euphoric as they were a month ago when asked about incoming orders from abroad, as the evaluation by J.P. Morgan shows. COVID-19 thus remains an important factor. The Purchasing Managers' Index of

## FOREIGN TRADE WITH CHINA AT NEW HIGH

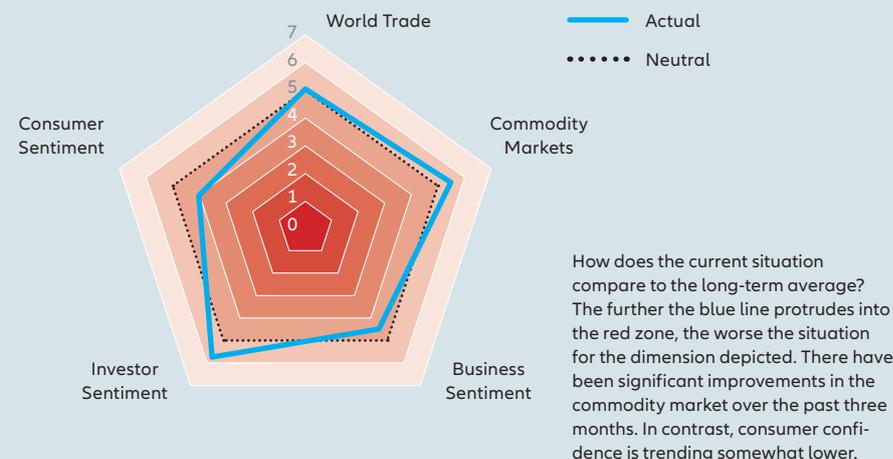
Swiss exports stagnated in the fourth quarter of 2020, following a third-quarter increase of 9.2% in real and seasonally adjusted terms versus the previous quarter. Imports fell by 1.9% in the fourth quarter. Overall, the second half of the year was considerably more encouraging than the first.

For the year as a whole, exports contracted by 7.1% to CHF 225.1 billion and imports were down even more, falling by 11.2% to CHF 182.1 billion. The Swiss Customs Administration has called this a „historic decline“. Due to the COVID-19 pandemic, imports and exports suffered an „unprecedented“ slump in the second quarter. This development set the level of foreign trade back by three years. Meanwhile, the trade balance showed a new record surplus of CHF 43.0 billion.

the Swiss export industry, which is weighted according to trading partners, stands at 54 points as an aggregate – above the growth threshold of 50 points and 0.9 points higher than three months ago. Standing at 59.4 points, the PMI for Swiss manufacturing is also well above the neutral threshold of 50 points (end of October: 52.3 points).

Foreign trade – exports and imports – fell by a total of CHF 40 billion in 2020. Jewellery and watches accounted for around 50% of the decline in exports, while jewellery imports also fell dramatically (CHF -9.0 billion). By contrast, exports of chemical and pharmaceutical products bucked the general downward trend. „What is remarkable is that foreign trade with China is at a new record high in both directions,“ comments Stefan Ruf, CEO of Euler Hermes Switzerland. „The Swiss export industry managed to expand trade with China (especially of chemical/pharmaceutical products and watches) by a whopping 10% to CHF 14.7 billion in 2020, despite COVID-19.“ By contrast, exports to Hong Kong and Japan fell by a total of CHF 3.0 billion. The Swiss export industry sold fewer goods in the three major economic regions of Europe, North America and Asia.

## TREND: GLOBAL ASSESSMENT



## REAL GDP FORECAST 2021 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	4.9	4.0	4.2	5.5	4.7
Advanced Economies		3.3		4.3	3.8
United States of America	3.9	3.5	3.2	5.1	3.9
Euro Area	5.2	3.6	3.6	4.2	4.2
Emerging Markets		5.0		6.3	5.7
East Asia and Pacific	5.9	7.4			6.7
China		7.9	8.0	8.1	8.0
Latin America	3.8	3.7		4.1	3.9
North Africa & Middle East		2.1		3.0	2.6
Sub-Saharan Africa		2.7		3.2	3.0
Switzerland				3.6	
<b>World Trade Volume</b>	<b>7.2</b>				

These are the estimates of the relevant international organisations of the real, inflation-adjusted gross domestic product for various regions of the world for 2021. The WTO expects global trade volumes to grow by 7.2% this year, following a decline of 9.2% in 2020.

## ABOUT THE EULER HERMES EXPORT FORECAST

The Euler Hermes 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 Euler Hermes Export Forecast has a lead time of up to six months in comparison with the actual exports of the Swiss export industry.

## EULER HERMES SWITZERLAND

Euler Hermes 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 has more than 100 years of experience and offers its business-to-business customers a range of financial services to support them with their liquidity and receivables management. Via its proprietary monitoring system, Euler Hermes follows and analyses the insolvency trends of small, medium-sized and multinational companies on a daily basis. In total, its expert analyses cover markets that account for 92% of global GDP. Headquartered in Paris, the company is present in 50 countries with more than 5,800 employees. Euler Hermes is a subsidiary of Allianz and has a Standard & Poor's rating of AA. In 2019, Euler Hermes reported a consolidated turnover of EUR 2.9 billion and insured business transactions worth EUR 950 billion worldwide. Euler Hermes Switzerland employs around 50 staff at its headquarters in Wallisellen and its other locations in Lausanne and Lugano.

## 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 reorganisation 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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