

EULER HERMES EXPORT FORECAST

November 2020

A company of **Allianz** 

 EULER HERMES

SLOWED RECOVERY IN STEP WITH LEADING INDICATORS FOR INDUSTRY

The Export Forecast has risen sharply within three months, reaching a level of 0.71 points. The greatest impetus is coming from Asia, while European industry also has a great deal of catch-up potential. However, the momentum of the Euler Hermes Export Forecast declined in October – in parallel with deteriorating sentiment indicators and rising COVID-19 infections.

At 0.71 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. However, it is still down year-on-year. The steep decline caused by the coronavirus pandemic in the spring was followed by a rally from May onwards. According to the Euler Hermes Export Forecast, this continued until the end of September, albeit with a weakening tendency. In October, the leading indicator even decreased slightly.

„The deterioration in investor and consumer sentiment was responsible for the reversal in October,“ explains Stefan Ruf, CEO of Euler Hermes Switzerland. The volatility on the financial markets has increased again, he added. The second wave of the COVID-19 pandemic and the associated lockdowns are once again weighing on consumer confidence and thus directly on the service sector. In Europe and the US, a sharp decline in growth is expected in the final quarter of 2020. Overall, Euler Hermes expects Swiss exports to fall by 7% year-on-year in 2020 (forecast for 2021: +5.6%) and Swiss GDP to shrink by 4.7%. GDP is also expected to recover only slowly in 2021, with growth of 2.6%. A sustained recovery in economic momentum is not likely to occur before the second half of 2021.

ENCOURAGING GLOBAL TRADE FIGURES

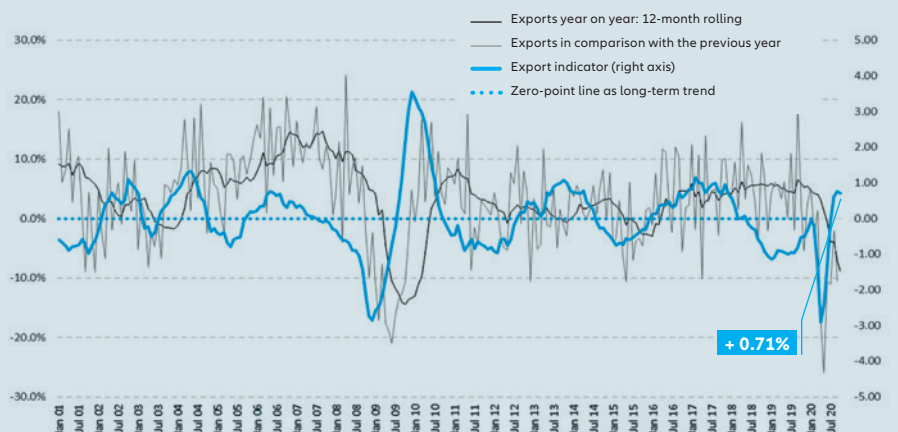
Having predicted a slump in global trade volume of more than 20% in the first half of the year, the WTO subsequently revised its forecast: at present, a decline of less than 10% is predicted. Freight prices have recently reached a new record high. The same applies to container throughput at various large ports, with figures rising sharply both at Chinese ports and elsewhere. In the meantime, container throughput has even surpassed the level seen before the coronavirus crisis.

The dynamic development of world trade is closely linked to the recovery on the commodity markets and in industry in general. J.P. Morgan's global Purchasing Managers' Index reached a new multi-year high of 53 points at the end of October.

However, there are signs that the export industry is seeing a slowdown in new order growth.

The Purchasing Managers' Index of the Swiss export industry, which is weighted according to trading partners, stands at 54 points as an aggregate.

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). Sources: EZV www.admin.ch; Euler Hermes

BUSINESS CLIMATE

Countries above average

- ▲ Trending higher
 - Vietnam
 - India
 - Brazil

Countries below average

- ▼ Trending lower
 - Russia
 - Mexico
 - Greece



The global Business Climate map shows the latest trends in the leading economic indicators by region. Currently the global climate indicator stands at 98 points, some 2 points below the long-term average of 100 points. There is strong positive momentum in Vietnam, India and Brazil. Asia remains on course for recovery. The International Monetary Fund (IMF) is now forecasting growth of around two percent for China. The leading indicators in Russia and Mexico are negative. The US and the European countries are in mid-table with regard to this trend.

MERCHANDISE EXPORTS (YOY)

Last official release

1	Vietnam	10.4%
2	Ireland	10.0%
3	China	8.8%
4	Slovakia	8.7%
5	Morocco	6.0%
6	Taiwan	5.9%
7	New Zealand	3.1%
8	Hong Kong	2.3%
9	Latvia	2.1%
10	Poland	1.6%
11	Estonia	1.0%
12	Lithuania	0.8%
13	Hungary	0.4%
14	Portugal	-0.2%
15	India	-0.4%
16	Sweden	-1.1%
17	Switzerland	-1.1%
18	South Africa	-1.4%
19	Slovenia	-1.4%
20	Chile	-1.7%
21	Italy	-1.8%
22	Czech Republic	-1.8%
23	Romania	-2.5%
24	South Korea	-3.3%
25	Netherlands	-3.7%
26	Austria	-3.9%
27	Spain	-4.5%
28	Mexico	-4.8%
29	Singapore	-4.9%
30	Belgium	-6.3%
31	Indonesia	-6.4%
32	Germany	-6.7%
33	Denmark	-6.8%
34	Israel	-7.6%
35	Thailand	-7.6%
36	Greece	-7.8%
37	Brazil	-8.0%
38	Canada	-9.2%
39	Finland	-10.0%
40	France	-11.1%
41	Australia	-12.2%
42	Japan	-12.5%
43	United Kingdom	-12.7%
44	United States	-12.7%
45	Norway	-13.9%
46	Argentina	-15.2%
47	Peru	-17.1%
48	Russian Federation	-29.9%

The table shows the annual rates of change in exports of goods to various countries on the basis of the latest official data available (September, August, July 2020). The data are pre-adjusted for seasonal and working-day factors.

It is therefore also above the growth threshold of 50 points and three points higher than it was three months ago. Standing at 52.3 points, the PMI for Swiss manufacturing is also above the neutral threshold of 50 points, and this applies

DEVELOPMENT OF THE LATEST EXPORT FIGURES: RECOVERY AFTER A HISTORIC DECLINE

After the record decline in the second quarter, Swiss foreign trade began a strong recovery in the third quarter of 2020. Seasonally adjusted exports rose by 6.5% in the third quarter. After additional adjustment for inflation, the increase in real terms was actually 9.9%. In terms of sales, this corresponds to the quarterly level of three years ago. In the third quarter, imports also experienced a strong increase of 11.5% (in real terms: +9.0%). The trade balance showed a surplus of CHF 8.2 billion.

With the exception of chemical and pharmaceutical products (-4.0%), all sectors recorded an increase. The watch-making and jewellery segments, which had been hit particularly hard in the previous quarter, were the strongest drivers of growth in the third quarter.

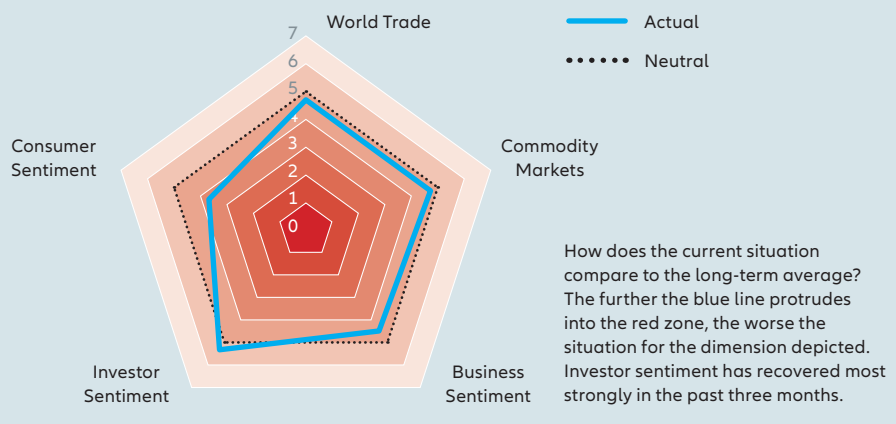
especially to the sub-component of order backlog (53.1 points).

Most of the world's labour markets recovered in August and September. There was no further improvement in October, either in manufacturing or services.

Switzerland was able to sell more goods in all three major economic regions. The highest increase was seen in shipments to Asia (+16.9%). According to the Swiss Customs Administration (EZV), China, Hong Kong and the United Arab Emirates stood out in this respect. Furthermore, China posted a new record of CHF 3.9 billion. Sales in North America rose by 14.3%.

While imports from Asia stagnated, those from North America (+16.9%) and Europe (+13.8%) recorded double-digit growth, especially from Germany, France and Italy. In addition, imports from Ireland increased by a third. Within Asia, purchases from Vietnam (consumer goods made from precious metals) grew, but at the same time those from China and Singapore declined.

TREND: GLOBAL ASSESSMENT



REAL GDP FORECAST 2020 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	-4.8	-5.2	-4.5	-4.4	-4.7
Advanced Economies		-7.0		-5.8	-6.4
United States of America	-4.4	-6.1	-7.3	-4.3	-5.5
Euro Area	-7.3	-9.1	-9.1	-8.3	-8.5
Emerging Markets		-2.5		-3.3	-2.9
East Asia and Pacific	-2.4	0.5			-1.0
China		1.0	-2.6	1.9	0.1
Latin America	-7.5	-7.2		-8.1	-7.6
North Africa & Middle East		-4.2		-4.1	-4.2
Sub-Saharan Africa		-2.8		-1.6	-2.2
Switzerland			-7.7	-5.3	-6.5
World Trade Volume	-9.2				

These are the estimates of the relevant international organisations of the real, inflation-adjusted gross domestic product for various regions of the world and global trade volume for 2020. The WTO now expects the volume of world trade to decline by 9.2% (previous quarter: 22.5%).

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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