



PORT OF TIANJIN

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EULER HERMES EXPORT FORECAST

August 2020

A company of Allianz 

 EULER HERMES

EXPORT FORECAST RECOVERING

The Export Forecast has been showing clear signs of recovery since the beginning of August: the leading indicator for the Swiss export economy stands at -0.54 points, up from -2.6 points three months earlier. International trade has been able to climb out of its April bottom, with industrial data pointing to the upside.

The Euler Hermes Export Forecast has gained about two points since its April low. This puts the indicator just 0.5 points shy of the long-term average growth path for the Swiss export industry. Purchasing Managers' Indices (PMI) have improved significantly around the globe. Production and order intake recorded their sharpest rise in the past two years on the back of rekindled demand. Given that these indicators had previously hit all-time lows, however, a rebound is not surprising. The foreign PMIs of the Swiss export industry, which are weighted according to the importance of the respective trading partners, stand at an aggregate of 51 points, thus in excess of the growth threshold of 50 points. The PMI of Swiss industry, meanwhile, is still languishing just below the neutral threshold of 50 points; this also applies in particular to the sub-component for the order situation (47.8 points).

Although there are emerging signs of recovery, Euler Hermes still expects Swiss exports to contract by 8% in 2020 compared with the previous year (forecast for 2021: +6%). Swiss GDP is likewise expected to be 6.5% lower, before gaining 4.2% in 2021.

The negative employment trend is continuing. This also applies to the manufacturing industry worldwide. While employment has overcome the lows seen in April on a global basis and across all sectors, in July progress was isolated. In Hong Kong, 45.5% fewer job vacancies were advertised at the end of July than the year before (prior month: -41%). According to our surveys, the year-on-year downturn in the US effective end-July was -11% (prior month: -12.6%), in Germany -29.5% (-31.1%) and in Switzerland -38% (-31%).

WORLD TRADE HAS MADE A STRONG RECOVERY

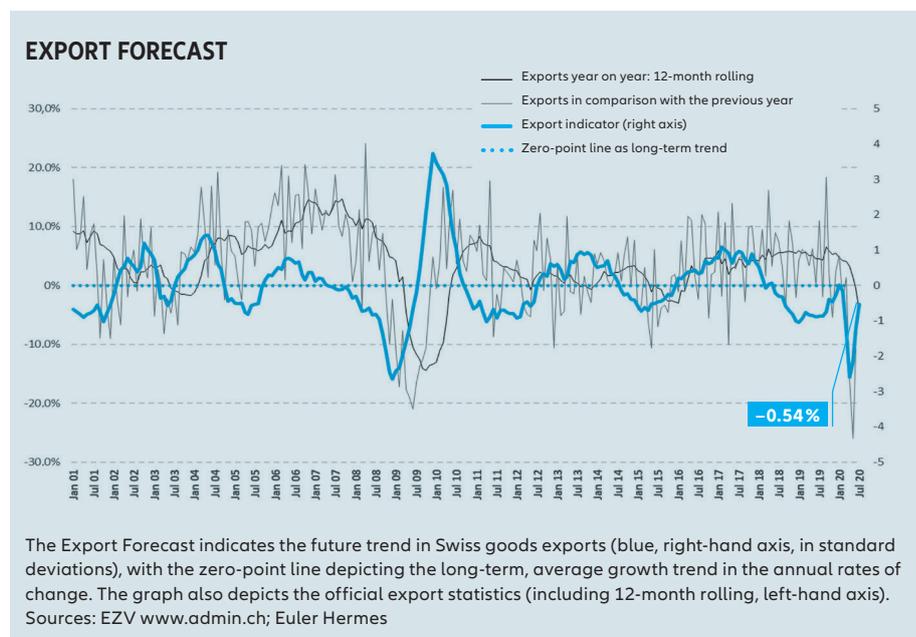
Container transshipments are now down just 4% on the previous year, driven by the uptick in container traffic at Chinese ports. Transshipments there have currently reached an all-time high, trending 3% higher. Excluding Chinese ports, global container transshipments would be 9% lower.

In contrast to sea freight, air freight is still experiencing major turbulence, with annual rates in Switzerland likely to be down 10% year on year for both July and August.

According to our surveys, flight activity at Swiss airports decreased by -61.4% in July (April: -93.5%). Jet fuel consumption is down 45% worldwide on the previous year (April: -75%).

Sentiment among both consumers and investors has improved markedly overall. This is due in large part to the assistance provided by governments and central banks.

Stefan Ruf, CEO of Euler Hermes Switzerland: „Following the slump in the Euler Hermes Export Forecast, things are now moving sharply in the other direction. This uptrend can be explained on the one hand by the catch-up and base effect, since the preceding months serve as a basis for comparison, which were extremely weak; and on the other by government assistance programmes and central bank policy,



BUSINESS CLIMATE

Countries above average

▲ Trending higher

China
Australia
Denmark

Countries below average

▼ Trending lower

Norway
Nigeria
Russia



The global Business Climate map shows the latest trends in the leading economic indicators by region. The global climate indicator currently stands at 81.9 points, which is roughly 18 points below the long-term average of 100 points. China and South Korea have staged the strongest recovery from the coronavirus pandemic. India, the US and Eastern Europe are the hardest hit, although the most recent export data out of Europe are indicating a trend reversal. Switzerland and Germany – which have a strong international network – are in the middle of the pack.

MERCHANDISE EXPORTS (MOM)

LAST OFFICIAL RELEASE

1	Mexico	83.0%
2	Philippines	40.8%
3	Italy	35.8%
4	Malaysia	32.2%
5	Slovakia	27.7%
6	Hungary	19.1%
7	France	16.8%
8	Spain	16.4%
9	Sweden	16.3%
10	Japan	16.2%
11	Indonesia	15.1%
12	India	15.0%
13	Portugal	14.4%
14	South Africa	14.2%
15	Poland	13.9%
16	Czech Republic	13.4%
17	Ireland	13.1%
18	Brazil	9.4%
19	South Korea	9.2%
20	Belarus	8.1%
21	Peru	7.8%
22	Switzerland	6.9%
23	Canada	6.7%
24	Denmark	6.1%
25	Germany	5.9%
26	Singapore	5.5%
27	Belgium	5.3%
28	Chile	3.5%
29	Australia	3.5%
30	United Kingdom	3.5%
31	China	3.1%
32	Colombia	1.8%
33	Vietnam	1.8%
34	Thailand	1.0%
35	Taiwan	0.5%
36	Netherlands	0.2%
37	Bulgaria	-0.5%
38	Norway	-0.6%
39	Israel	-1.1%
40	Greece	-2.5%
41	Hong Kong	-3.8%
42	United States	-4.4%
43	Argentina	-5.4%
44	New Zealand	-6.1%
45	Finland	-9.0%
46	Russian Federation	-13.0%
47	Saudi Arabia	-17.4%
48	Malta	-26.6%

The table shows the annual rates of change in exports of goods to various countries on the basis of the currently available official data (May, June or July 2020). The data have not been pre-adjusted for seasonal and working-day factors.

which have given an extra boost to consumers, companies and the financial industry. Some equity indices such as NASDAQ are positively booming and are skipping from one record high to the next.

As assistance programmes run out, however, now comes the next major stress test.

DEVELOPMENT OF THE LATEST EXPORT FIGURES: HISTORICAL DECLINE

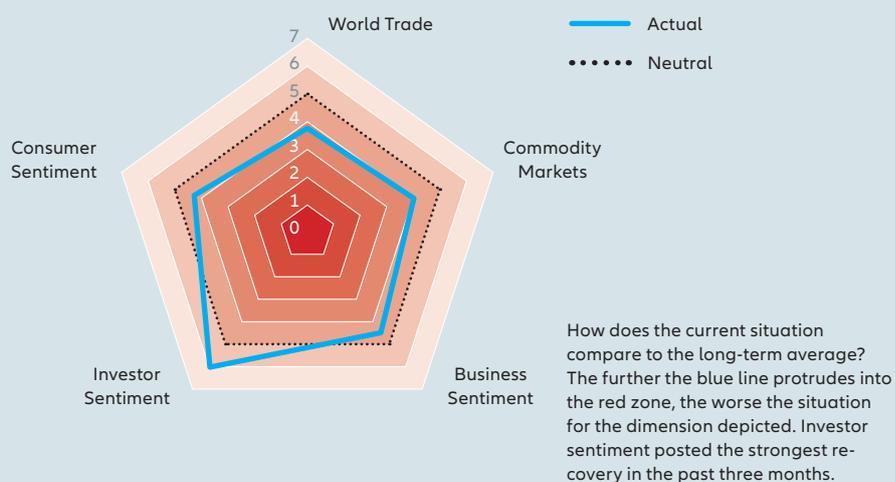
Swiss foreign trade experienced a historic decline in the second quarter of 2020, with exports contracting by 11.5% and imports plummeting by as much as 16.0% versus the first quarter (seasonally adjusted). This result is attributable to the sharp decrease in April 2020 in the wake of the coronavirus pandemic. A recovery started to take hold in May and June 2020. According to the Federal Customs Administration (FCA), this resulted in a record surplus of CHF 9.6 billion in the trade balance.

Jewellery suffered the greatest losses, as exports collapsed by 70.2% and imports by 80.6%. Watch exports halved, falling to the level seen in the second quarter of 1999.

In addition, the performance of individual sectors and international traffic will continue to be determined by the epidemiological course of COVID-19 and the future availability of a vaccine."

Exports to North America shrank by one fifth. Trade relations with China in the second quarter were positive in both directions of traffic, with imports even posting a record result. The specific figures were as follows: Deliveries to North America were down 19.3% (CHF -2.5 billion). Sales to Asia decreased by 16.7% (CHF -2.0 billion), falling to the level recorded in the third quarter of 2010. This negative trend is attributable primarily to lower exports to Japan (CHF -369 million), Hong Kong (CHF -321 million) and the United Arab Emirates (CHF -222 million). Exports to Europe declined by 14.7%, fuelled mainly by lower demand from neighbouring countries, which imported CHF 2.8 billion less in goods overall.

TREND: GLOBAL ASSESSMENT



REAL GDP FORECAST 2020 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	-5.6	-5.2	-6.0	-3.0	-4.7
Advanced Economies		-7.0		-6.1	-6.6
United States of America	-6.1	-6.1	-7.3	-5.9	-6.4
Euro Area	-7.1	-9.1	-9.1	-7.5	-8.6
Emerging Markets		-2.5		-1.0	-1.8
East Asia and Pacific	-3.9	0.5			0.5
China		1.0	-2.6	1.2	-0.1
Latin America	-7.6	-7.2		-5.2	-6.2
North Africa & Middle East		-4.2			-4.2
Sub-Saharan Africa		-2.8		-1.6	-2.2
Switzerland			-7.7	-6.0	-6.9
World Trade Volume	-22.5				

These are estimates by the international organisations regarding real, inflation-adjusted gross domestic product for various global regions as well as regarding global trading volumes for 2020. For the WTO, the average of two different scenarios has been specified. The OECD forecasts published above are based on the assumption that there will be no serious second wave of COVID-19.

ABOUT EULER HERMES EXPORT FORECAST

The Euler Hermes Export Forecast monitors a wide range of data that are relevant within 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 gross domestic product (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.

NO OBLIGATION TO UPDATE

The company is under no obligation to update the information or forward-looking statements herein, with the exception of the information prescribed by law.

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