



EULER HERMES EXPORT FORECAST

February 2022

A company of **Allianz** 

 **EULER HERMES**

ABOVE-AVERAGE EXPORT GROWTH

The Euler Hermes Export Forecast stands at 0.69 points in February 2022 (November 2021: 0.95 points). Above-average export growth can therefore be expected once again over the next six months. In the highly developed industrial countries, economic growth is expected to remain strong this year at 3.9% in real terms. The emerging markets will grow by 4.7% this year, only 0.8 percentage points more than the traditional industrialised countries.

At 0.69 points, the Euler Hermes Export Forecast is trending well above zero, the level which indicates the long-term average growth rate of the Swiss export industry. Despite a decline since November (0.95 points), this score still indicates above-average growth of around 10%. In the past 20 years, the indicator has been higher in only 20% of cases. Over the same period, Switzerland's annual export growth averaged 3.7%.

Industry remains under great pressure due to ongoing supply bottlenecks. For that reason, the Swiss economy is likely to get off to a rather modest start to the year. Companies are holding back with large investments, while consumption is suffering due to the current Omicron wave and the sharp rise in inflation. Despite these dampeners, the strong growth impetus from the chemicals, pharmaceutical, IT and financial services sectors means that another economic slump is not expected. The outlook is already positive from the spring onwards, as supply chain and inflationary pressures are easing. Consumption will shift up a gear. Accumulated private savings, the good labour market situation and high capacity utilisation provide fertile ground for a robust recovery.

Overall, Euler Hermes expects global trade to grow by 5.4% in 2022 (2023: +4.0%) and the Swiss export economy by 5.6% (2023: +4.5%). GDP is forecast to rise by 3.0% (2023: +1.8%). This would mean that, although economic growth would slow down in comparison with 2021, the Swiss economy would still expand at an above-average rate.

SWITZERLAND WITH WORLD'S HIGHEST PURCHASING MANAGERS' INDEX

Although the prospects for a continuing recovery are good, there are risks which could impact the economy: the coronavirus pandemic, negative indicators on the financial markets and a possible war on the Russia-Ukraine border. A war would put additional strain on the already impaired trade flows.

The global consumer, intermediate and capital goods industries recently recorded further expansions. However, growth rates are weakening.

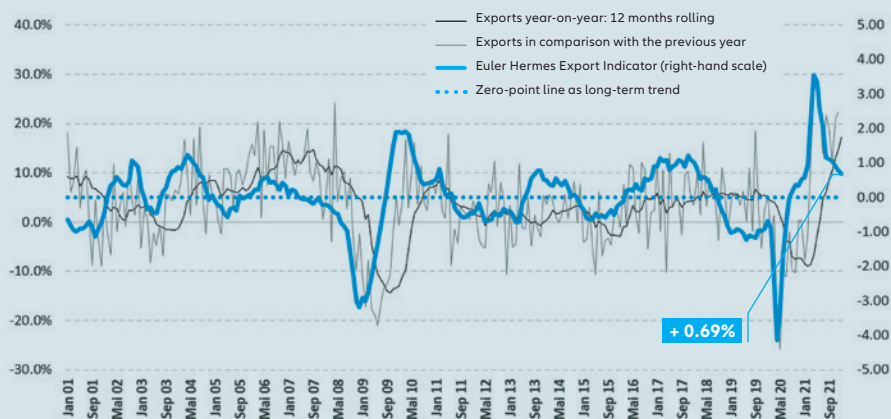
The J.P. Morgan Global Manufacturing PMI, the most important index of industrial purchasing managers, was at 53.2 points at the end of January (October 2021: 54.3). Growth rates in incoming orders fell. The increase in new business was the weakest it has been in a year and a half. New export business contracted for the first time in more than a year in both the consumer goods and intermediate goods sectors.

The outlook for the global manufacturing industry remains positive overall. In combination with the clearing of backlogs follow-

ing the recent delays in supply chains, the growth perspectives are also encouraging further job creation. Headcount increased in the euro zone, the US and Japan in January. In China and India, the number of employees declined.

Stefan Ruf, CEO of Euler Hermes Switzerland, comments: "Swiss industry is doing very well. This is indicated by the Purchasing Managers' Index (PMI) score of 63.8 points. No other country in the world has a higher figure.

EXPORT FORECAST



The Euler Hermes 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).

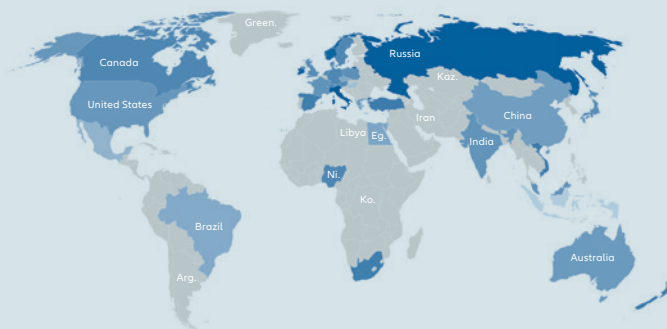
BUSINESS CLIMATE

▲ Trending higher

Nigeria
India
Italy

▼ Trending lower

Israel
Brasil
China



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 102.8, which is 2.8 points above the long-term average of 100 (score three months ago: 103.3 points). There is strong positive momentum in Nigeria, which is benefiting from the sharp rise in oil prices. Leading indicators are negative in Israel, Brazil and China, among other countries. China's zero-tolerance strategy in the fight against COVID-19 comes at a price.

MERCHANDISE EXPORTS (YOY)

Last official release

1	Norway	134.0%
2	Cyprus	97.0%
3	Qatar	96.1%
4	Saudi Arabia	91.5%
5	Bahrain	79.1%
6	Russian Federation	62.5%
7	Indonesia	51.6%
8	Colombia	50.3%
9	Sri Lanka	46.8%
10	Belarus	46.7%
11	Argentina	42.3%
12	Greece	38.7%
13	India	38.5%
14	Ukraine	35.6%
15	Australia	30.4%
16	Canada	29.6%
17	Malaysia	27.9%
18	Singapore	27.0%
19	Israel	26.2%
20	Brazil	26.0%
21	Taiwan	25.8%
22	Morocco	25.1%
23	South Korea	24.7%
24	China	24.3%
25	United States	24.3%
26	Chile	23.5%
27	Hong Kong	22.6%
28	World	21.2%
29	Peru	20.1%
30	Vietnam	19.1%
31	Ireland	18.7%
32	South Africa	16.9%
33	Denmark	16.9%
34	New Zealand	16.8%
35	Sweden	16.6%
36	Switzerland	14.9%
37	Netherlands	13.9%
38	Spain	11.7%
39	Italy	11.6%
40	Tunisia	11.3%
41	United Kingdom	9.4%
42	Mexico	8.9%
43	Germany	7.2%
44	Austria	6.5%
45	Japan	6.3%
46	Portugal	6.2%
47	France	5.8%
48	Poland	4.2%
49	Philippines	4.1%
50	Hungary	-1.1%

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.

This proves Switzerland's strong competitive position. The export companies' broadly diversified range of destinations is also helpful.

ROBUSTER AUSSENHANDEL – EXPORTE AUF REKORDHOCH

Swiss foreign trade developed encouragingly in 2021. Exports grew by 15.2% to a new record level, while imports were up by 10.1%. The difference in the pace of growth between exports and imports caused the trade surplus to rise to CHF 58.7 billion.

Exports expanded by 9.5% in real terms in the space of a year to a new high of CHF 259.5 billion. In the first quarter of 2021, there was a seasonally adjusted increase of 6.0%. According to Swiss Customs Administration figures, the dynamic trend continued in the following quarters and only slowed down to 1.4% in the final quarter. Imports grew by a total of 1.1% in real terms to CHF 200.8 billion. They remained CHF 4.4 billion below pre-pandemic levels.

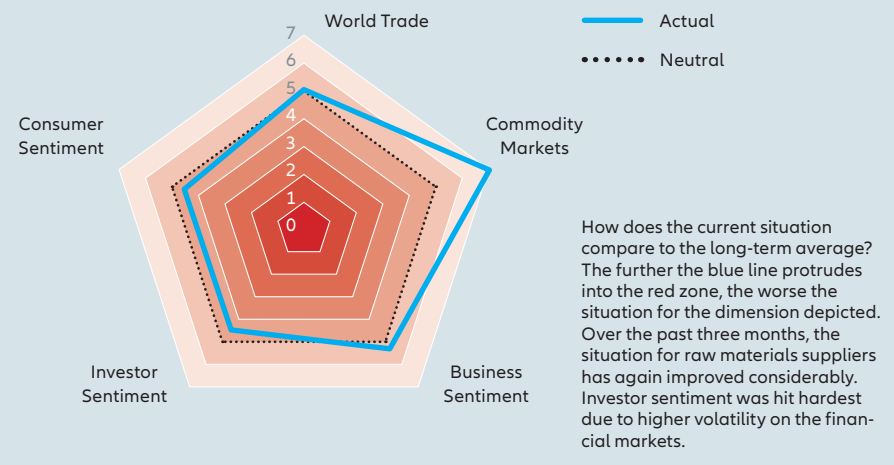
The Swiss export industry was able to sell more goods in all three major economic regions. Deliveries to Europe (+18.1%) and North America (+17.0%) posted double-digit growth.

However, Switzerland will not be able to escape additional stress on the world markets – be it due to COVID-19 or armed conflicts."

Exports to Asia rose by 9.0%. The increased exports to Hong Kong, China, Japan and Singapore were particularly significant. The country that stood out in Europe was Spain. Sales to the US were up by 18.8%, reaching a new record. Last year, the US replaced Germany as the most important customer for Swiss products since 1954.

The entire range of goods also showed an increase on the import side. Increased purchases of chemical and pharmaceutical products (+7.1%), in particular immunological items, were of particular consequence. Imports of metals rose by a quarter. Imports of energy sources were up by 69%, with the sharp rise being exclusively price-related (in real terms: -1.6%). It is also worth mentioning the increase in imports of food, beverages and luxury foods/stimulants, which climbed by 7.9% to a new record in the space of a year. The jewellery and automotive sectors, which were still suffering badly in the previous year, recorded increases of 2.8% and 2.4%, respectively.

TREND: GLOBAL ASSESSMENT



REAL GDP FORECAST 2022 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	4.1	4.1	4.5	4.4	4.3
Advanced Economies		3.8		3.9	3.9
United States of America	3.7	3.7	3.7	4.0	3.8
Euro Area	4.0	4.2	4.3	3.9	4.1
Emerging Markets		4.6		4.8	4.7
East Asia and Pacific	4.7	5.1		5.9	5.2
China		5.1	5.1	4.8	5.0
Latin America	2.9	2.6		2.4	2.6
North Africa & Middle East		4.4		4.3	4.4
Sub-Sahara Africa	3.1	3.6		3.7	3.5
Switzerland				3.0	
World Trade Volume	4.7	5.8			

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 4.3% in real terms on average. Despite weakening tendencies, the highest growth rates are once again expected in the emerging markets, especially in China.

ÜBER 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 2018, Euler Hermes reported a consolidated turnover of EUR 2.7 billion and insured business transactions worth EUR 962 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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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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