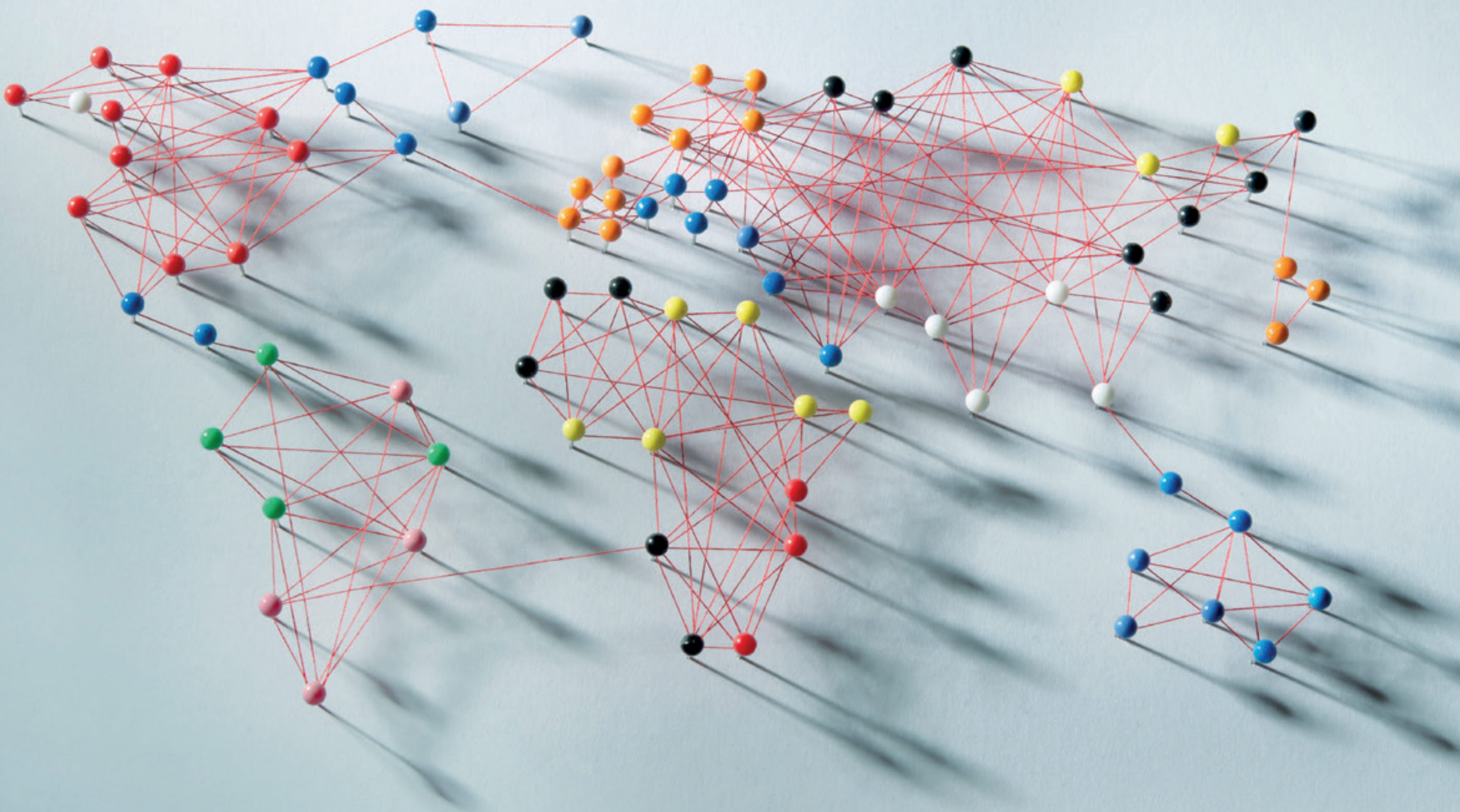
Allianz

Allianz Trade

Allianz Trade Global Survey

Troubled trade: How will exporters adapt in 2022?



Allianz Trade is the trademark used to designate a range of services provided by Euler Hermes.

About Allianz Trade

We predict trade and credit risk today, so companies can have confidence in tomorrow.

Allianz Trade is the global leader in trade credit insurance and a recognized specialist in the areas of surety, collections, structured trade credit and political risk.

Our proprietary intelligence network analyses daily changes in +80 million corporates solvency. We give companies the confidence to trade by securing their payments. We compensate your company in the event of a bad debt, but more importantly, we help you avoid bad debt in the first place. Whenever we provide trade credit insurance or other finance solutions, our priority is predictive protection. But, when the unexpected arrives, our AA credit rating means we have the resources, backed by Allianz, to provide compensation to maintain your business.

Headquartered in Paris, Allianz Trade is present in 52 countries with 5,500 employees. In 2021, our insured global business transactions represented € 931 billion in exposure.

For more information, please visit **allianz-trade.com**

Allianz Trade is the trademark used to designate a range of services provided by Euler Hermes.

In this white paper, you will discover the results of our Allianz Trade Global Survey 2022, enriched with insights from eight global trade experts:

Ngozi Okonjo-Iweala, Jean Pisani-Ferry, Ailish Campbell, Elizabeth Ducottet, Christophe Lecourtier, Sandy Kemper, Christian Greisberger and **Kelvin Tan.**

PAGE 4
Top 3 trends from the Allianz Trade Global Survey

PAGE 5
A fast-changing global landscape: Opportunities and risks

PAGE 11
What international model are firms adopting to face this changing environment?

PAGE 16
Are digitalization & ESG reshaping the way businesses trade globally?

PAGE 21
State support: what do corporates really expect from governments?

PAGE 25
Methodology

PAGE 26
Special thanks

PAGE 27
Contacts

Top 3 trends from the Allianz Trade Global Survey

Ana Boata
Head of Economic Research, Allianz Trade

How is the current international environment affecting exporters and their willingness to trade? In our Allianz Trade Global Survey 2022, we decided to check the pulse of companies in the United States, China, the United Kingdom, France, Italy and Germany. Two surveys were carried out – one before the start of the invasion of Ukraine and one after, involving nearly 3,000 corporates.

After the optimism of the global "grand reopening" in 2021, our survey shows that 2022 could be much more of a rocky road for exporters. Both business and consumer confidence have taken a hit from the war in Ukraine, and higher commodity prices and extended supply-chain disruptions will ramp up the cost of exporting for months to come.

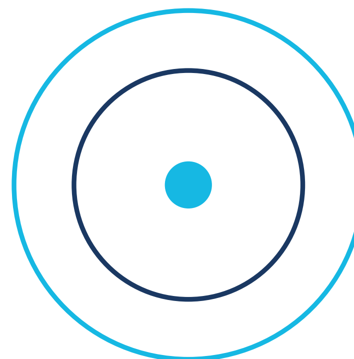
When we look at the overall results of our survey, three trends stand out:

1. **More businesses are bracing for a hit to turnovers in 2022.** In the first round of our survey, just 6% of companies were worried about turnover dropping in 2022; now, the share has risen to 22%, mostly in the chemicals, energy & utilities and machinery & equipment sectors. To cope with the ongoing slowdown in demand, companies are planning to diversify export markets and increase investments in new markets, proving that export ambitions remain resilient. But the longer the conflict lasts, the greater the risk of the slowdown escalating into a full-fledged demand shock, which could push global trade into a severe recession.

2. **The legacy of the Covid-19 era, state support is still viewed as the ultimate lifeline in crisis times.** High energy prices, geopolitical tensions, increased transportation bottlenecks, sanctions against Russia and input shortages rank among the top concerns for companies. With the additional pressure of rising financing costs and currency risks, around half of the companies we surveyed believe financing support via state-guaranteed loans and direct subsidies would protect their businesses from the fallout of the war. However, in the absence of much more severe economic shock, we are unlikely to see the return of extensive "whatever it takes" policy support as seen during the Covid-19 crisis.

3. **Non-payment risk is back.** More than 40% of European exporters expect payment terms to increase following the invasion of Ukraine and more than half expect a rise in non-payment risk in the next six to 12 months, compared to less than one third before the war. This confirms the normalization in business insolvencies that had already begun before the war, albeit still at a moderate pace. For the main European export markets, we expect insolvencies to rise by more than +10% in 2022.

56% of respondents are increasingly worried about high energy prices



42% of respondents expect higher funding costs to be a challenge in 2022

51% of respondents expect non-payment risk in the next 6 to 12 months to increase

A fast-changing global landscape: Opportunities and risks

2021 was a blockbuster year for exports

Last year was an exceptional one for exporters: Overall, seven companies out of 10 declare they recorded higher-than-expected export performance in 2021. The US and Germany performed particularly well, with 75% and 76% of corporates saying they witnessed higher-than-expected exports, respectively. But they did have to adapt to a new normal in trade in a context of lingering lockdowns and transport bottlenecks. In the US, where companies were most disrupted by supply shocks, this entailed increasing inventories (48%), finding new suppliers (45%) and targeting new export markets (43%) to boost growth. Over a third of exporters in France, Italy and the UK say they also relied on finding new suppliers to cope with supply-chain disruptions, while 39% of German exporters say they focused on new export markets, mostly those close to home such as France and Spain.

As Covid-19 restrictions pushed even more of the world online, digitalization became vital for companies' export strategies: 60% of companies in China, 48% in Italy and 38% in Germany say they focused on digitalization in 2021. Diversifying channels of distribution was also a priority, especially for exporters in China (56%), France (38%) and the UK (35%).

Will 2022 bring even more export opportunities? Before the invasion of Ukraine, companies in Italy and France certainly seemed optimistic, with 97% expecting an increase (compared with 93% in Germany). Unsurprisingly, the war rattled these expectations: Now, 29% of Italian firms, 23% of those in France and 16% of those in Germany are expecting exports to decline in 2022. In the UK, companies are facing both the cost of Brexit and the military escalation in Ukraine: Even before the war, 11% of UK companies said they expected exports to decrease in 2022, and this share rose to 19% in the second round of our survey.

Across sectors, around one third of respondents in the chemicals, energy & utilities, machinery & equipment and manufacturing sectors now expect exports to decline in 2022. This compares with the overall level of 5% before the war.

Most exporters are planning to expand their business to new markets in 2022, especially those in China (92%) and the US (84%), and those in the oil and gas, automotive, logistics, IT & telecom and construction sectors. In contrast, more companies in the UK and Germany list their domestic markets as their top 3 sources of revenues in 2022.

Looking at the export strategy for 2022, we find that Chinese, Italian and French exporters are the most diversified, with more than 5% of total export revenues coming from more than six markets, against three in US, UK and Germany. But for all this diversification, there is one market that remains the top destination for exporters in the UK, Germany, Italy and China: the US, while it is second for France, just after China.

-16pp

After the invasion of Ukraine, the share of respondents expecting an increase in their export turnover dropped from 94% to 78%

Export markets most targeted in 2021 and 2022

Top export market by country in **2021**

- **United States:** UK (23%)
- **United Kingdom:** US (28%)
- **France:** US & Germany (17%)
- **Germany:** US (18%)
- **Italy:** US & UK (22%)
- **China:** US (22%)

Top 3 new export markets targeted by country in **2022**

United States: France (10%), UK (9%), Canada (8%)

United-Kingdom: Spain (8%), Germany (7%), France (6%)

France: China, US & Germany (all at 7%)

Germany: France (7%), US & Japan (5%)

Italy: France & Germany (9%), UK & Japan (7%)

China: Japan (7%), France, Germany & Canada (all at 6%)

Energy prices will set the tone for 2022

The "grand reopening" of the global economy in 2021 was a rollercoaster ride for companies as global supply-chain disruptions sent transportation costs and energy prices surging to record highs. Indeed, the companies we surveyed said that the top five risks that affected export growth in 2021 were uncertainty about demand due to Covid-19 (40%), high energy prices (35%), labor shortages and costs (35%), transportation costs (33%) and input shortages (30%).

Higher energy prices were a significant hurdle for exporters in the chemical sector (55%), followed by utilities (48%), household equipment (44%), construction (43%) and machinery & equipment (38%). And Italian exporters suffered the most: More than half of the Italian companies we surveyed said that they had been strongly impacted by high energy prices, followed by UK and US exporters. In contrast, Chinese companies were far less affected, with less than a third saying they had been strongly impacted by high energy prices.

Labor shortages posed a problem mainly in the utilities (34%), oil and gas (33%), construction (31%), IT & telecom (31%) and services (30%) sectors, and particularly for US companies: 78% of US exporters said they faced a significant or moderate impact of labor shortages and related costs. But the share was sizable in France (72%), the UK (65%) and Germany (65%), too.

Will 2022 bring some respite? Companies are not entirely convinced. Many are still worried about energy prices, transportation costs, and labor and input shortages in the year ahead. Energy prices are by far the top concern, with 72% of companies saying they expect them to remain a challenge in 2022. In fact, over a third of the companies we surveyed already expected energy prices to become more of a challenge in 2022 even before the invasion of Ukraine in February 2022. The share of exporters expecting energy prices to become more of a challenge in 2022 is highest in Italy (46%), followed by the US (38%) and France (37%). In comparison, only 27% of companies in China are worried. Looking at sectors, companies in construction (46%), utilities (43%), chemicals (43%) and machinery & equipment (42%) are the most concerned.

Since the invasion of Ukraine, high energy prices have become even more of a concern for European exporters. The share of European corporates that expect high energy prices to become more of a challenge has increased from 37% to 56%, with most worried in countries with the highest dependency on imports of gas: Italy (66% compared to 46% pre-war), the UK (62% compared to 47% pre-war) and Germany (52% against 34% pre-war). The fact that France has the lowest share of companies concerned by high energy prices (46% vs. 37% pre-war) likely reflects the implementation of the government's "Resilience Plan" that takes into account the cost of the energy bill for most corporates. Looking at sectors, a majority of corporates in chemicals, energy & utilities, household equipment, ITC, machinery & equipment, oil & gas and retail see high energy prices as an increasing challenge for 2022.

Since the beginning of the war, concerns about transportation bottlenecks (cost and delivery times) have also increased, with about 49% of European corporates expecting more challenges in 2022, with the UK (56%), Germany (53%) and Italy (52%) being most concerned, compared to 34% in France. In comparison, before the war, only 22% of European respondents were concerned about higher transportation times and 27% were concerned about higher transportation costs in 2022.

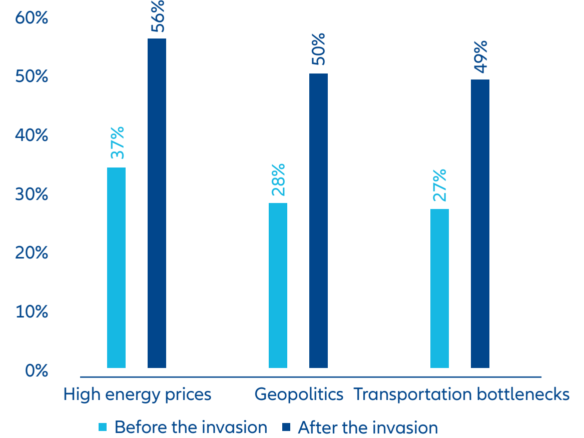
The same goes for shortages or the high cost of inputs for which the share of European corporates expecting a deterioration has increased from 20% to 46%. Corporates in household equipment, oil & gas, machinery & equipment, chemicals and ITC are the most worried. Italy had the highest share of companies worried about worsening shortages or the high cost of inputs (51% of corporates, compared to 24% pre-war), followed by the UK and Germany (47% compared to 32% and 25%, respectively) and France (38%, compared to 26% pre-war).

While only 23% of exporters say geopolitical tensions had a significant impact on their 2021 performance, 32% of them were already citing them as a growing concern in 2022 even before the war in Ukraine, especially in the US, Italy and China. Since the beginning of the war, this

share has increased to 50% in Europe, with the UK (60% against 38% pre-war) and Italy (58% against 37% pre-war) the most worried.

Overall, the global context in 2022 is expected to remain marked by the war in Ukraine and its fallout: higher energy prices, the rise in (geo) political risk and potential transportation bottlenecks. Exporters are likely to face lower demand prospects along with growing risks, which will impact their turnover growth as well as their profitability.

Top 3 concerns that European exporters expect to become more of a challenge in 2022



Source: Allianz Research

International B2B payments: Longer and longer, riskier and riskier

Exports are a proven way to develop business but they also come with risks, especially when closing transactions with new partners in remote locations: payment delays, dealing with different legal frameworks, among others. Our survey shows that for a majority of firms, and up to 65% in China, 66% in France and 56% in Germany, non-payment issues had a "moderate" or "significant" impact on their exports over the past 12 months.

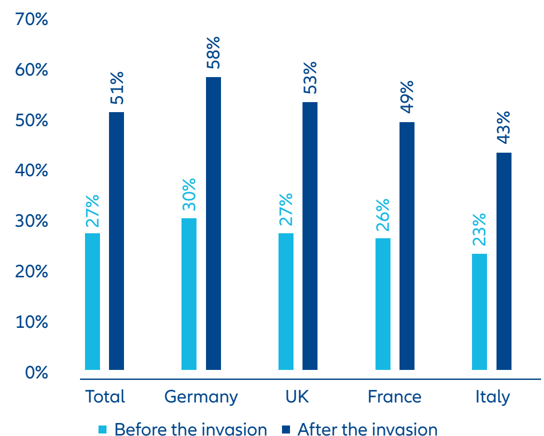
Despite the strong economic rebound in 2021, cash hoarding in many corporates[1] and a solid recovery in global trade, 50% of our respondents declare that payment times got longer in 2021. The share was highest in France, where 62% of firms faced longer payment times, followed by China and the US. (48%). Interestingly, among firms that have undertaken digitalization – which we would expect to smoothen transactions – 58% of respondents still reported longer payment times.

However, this is not dissuading companies from looking for new export opportunities: 55% of firms that recorded longer payment times also say that they plan to export to new markets in 2022. And 65% of them declare that they will seek more investments for their companies' international development in 2022.

From a sector perspective, as transportation and energy costs have been rising significantly, it is no surprise that 57% of logistics firms and 67% of oil & gas companies report increased payment times. In comparison, only 36% of non-auto manufacturing firms faced the same – though this could also be linked to up-front payment policies in the sector. More than half of smaller firms (with 20-99 employees) also report longer payment times, alongside 48% of large corporates (+1,000 employees).

The ongoing war in Ukraine is also shifting expectations and driving down exporters' confidence. Following the invasion and the consequent impact on the global economy, more than half of respondents now expect non-payment risk to increase in the next six to twelve months, compared with less than 30% in February 2022. Similarly, over 40% of exporters now expect payment terms to lengthen after the war broke out, compared to 31% before.

Share of respondents expecting the risk of non-payment to increase in the next six to twelve months



Source: Allianz Research

1 See our report European corporates: Cash-rich sectors get richer.

Insight

Global trade: Caught between a rock and a hard place?

Ludovic Subran
Chief economist,
Allianz

After the invasion of Ukraine, global trade is facing a double whammy: a confidence shock that could cost close to half a trillion dollars in demand, as well as already high price pressures surging even higher.

That's why we now expect trade to grow by +4.0% in volume terms in 2022, -2pp lower than what was expected before the war. On the other hand, higher oil prices and a stronger dollar will drive up the cost of trade. In fact, since 2020, Brent and container freight prices have started to move in sync, which means freight rates could reach a record-high peak of USD14,000/FEU. As a result, we have revised upwards our forecast for global trade price growth by a whopping +5.7pp to close to +11% in 2022.

To add to this, it is hard to hold out hope for a normalization of supply chains this year. With major container lines rerouting ships to less direct and more expensive routes to avoid the Black Sea, congestion is likely to rise at other European ports. And air freight is complicated by the closure of critical air space.

On the other side of the globe, renewed Covid-19 outbreaks in China are another cause for concern: With ports seeing drastically reduced activity, or even at risk of being closed to comply with the zero-Covid strategy, delivery times will remain extended through 2022. Altogether, this will push back the normalization of global supply chains well into 2023.

In this context, it is no surprise that high energy prices, geopolitical tensions and increased transportation bottlenecks are the top concerns for European exporters. As I write this, the risks of a double-dip in global trade have considerably increased, and our survey confirms that pessimism has increased since the start of the war.

But companies can and will adapt their export strategies to this new normal, just like they did in 2021, the year supply-chain disruptions sent the global logistics network into crisis mode. It is a very good sign that more than half of those in the UK, Germany, France and Italy are targeting new export markets in 2022, as well as looking for new suppliers and new transportation service providers. Another silver lining: intensified geopolitical tensions are unlikely to roll back globalization: Over 40% of exporters are planning to seek out more investment for international development than planned before the war.

At the same time, and despite their comfortable cash buffers, companies are flagging financing as a risk to watch in 2022. The record-high inflation rates we are seeing around the world, fueled by the fallout from the war in Ukraine, have already kicked off monetary policy tightening in several advanced economies. We expect this trend to intensify through 2022 and 2023, which explains why over 40% of European corporates expect more funding challenges this year, and why more than half expect an increase in non-payment risk in the next six to 12 months. Before the war broke out, only 30% felt the same.

In this context, what matters is how long the conflict lasts. The longer it continues, the higher the risk of a full-fledged demand shock that could push global trade into a recession. Things could get worse before they get better!

Companies can and will adapt their export strategies to this new normal, just like they did in 2021, the year supply-chain disruptions sent the global logistics network into crisis mode. It is a very good sign that more than half of those in the UK, Germany, France and Italy are targeting new export markets in 2022, as well as looking for new suppliers and new transportation service providers.

Insight

External growth, local set-ups and adaptation are key to expand your international business

Elizabeth Ducottet
CEO of Thuasne

How has Thuasne succeeded internationally?

External growth is good for developing your international network: by acquiring companies or factories abroad, you can establish yourself more easily in new markets using existing infrastructures. For example, as early as 1989, we tapped into market opportunities in Eastern Europe with the fall of the Berlin Wall to launch subsidiaries in Germany, Hungary and Slovakia.

We also focus on having local set-ups. Our business model is very integrated: we self-manage a large part of our value chain, from design to sale. We produce locally and have local sales teams so that we do not need to rely on existing distributors. This allows us to control our transport costs and optimize our sales cycles.

Finally, adapting to local markets is essential. For instance, when you set up in Romania, you must observe how things operate locally, how people work, the production processes and then adopt them. You should also research local suppliers and adapt your pricing to that market.

Did you adopt the same approach for the American market?

Setting up in the United States is very complicated for a French SME. I often said that you have to be American to succeed in America, otherwise industry actors such as regulators, suppliers and customers don't recognize you. To get into this market, you absolutely have to buy a piece of it to benefit from having local contacts.

You also need to consider the specificities of their consumers. In our case, private healthcare is rooted in the American market, contrary to free healthcare in Europe. We had to adapt our sales cycles as American doctors (our target clients) are much less neutral when choosing which patient medications to prescribe than European doctors.

What challenges do you currently face, and how do you intend to overcome them?

The price and access to raw materials is a real issue. In a specific sector like ours, this makes it more difficult to adapt, because we need inputs that are not easily replaceable and our pricing is regulated. Profitability becomes an issue and we must find ways to preserve it, for example by optimizing our model and production pace.

Transport costs is another tension as they have multiplied by five since 2020. Faced with this, I deeply believe in the continentalization of industries. At Thuasne, we already favor short supply chains, and I am convinced that this strategy will be soon democratized. The reindustrialization of Europe and the United States will begin, if it has not already started.

The primary uncertainty relates to energy and gas supply from Russia. For decades, we've been spoiled with abundant access to energy at relatively low prices. Today, we must ask ourselves how to moderate our energy use. We have to dig deeper into the issue, identify the wastage within our processes and limit consumption where possible. When I see factories, including ours, with their lights on all night despite not running, I tell myself that there are certainly areas of improvement in terms of energy waste.

I often said that you have to be American to succeed in America, otherwise industry actors such as regulators, suppliers and customers don't recognize you. To get into this market, you absolutely have to buy a piece of it to benefit from having local contacts.

What international model are firms adopting to face this changing environment?

Investment in 2022: Expanding to new markets to reduce the impact of the war

For all the concerns about the beginning of the end of globalization, the Covid-19 crisis did not spark a wave of reshoring in 2021. But most companies in our survey still prefer to produce on home ground, ranging from 74% in the UK to 89% in China. This trend is especially visible in the machinery & equipment, oil & gas, retail and logistics sectors, with companies citing brand image and quality, the quality of the labor force and the economic attractiveness of their home country as the top three reasons behind the choice.

In contrast, we find that the energy & utilities, agrifood, chemicals, IT & telecom and construction sectors are the most integrated in global supply chains, with a higher dependence on inputs from abroad. For companies in these sectors, the lower costs of transportation, the economic attractiveness of the country of production and geographical proximity to suppliers explain the choice to export from an international location. Interestingly, ESG only comes fifth after quality of labor.

For the 24% of French companies and 23% of UK companies that do produce from an offshore location, the most commonly cited reasons are geographical proximity to suppliers, followed by economic attractiveness of the country of production and lower transportation costs.

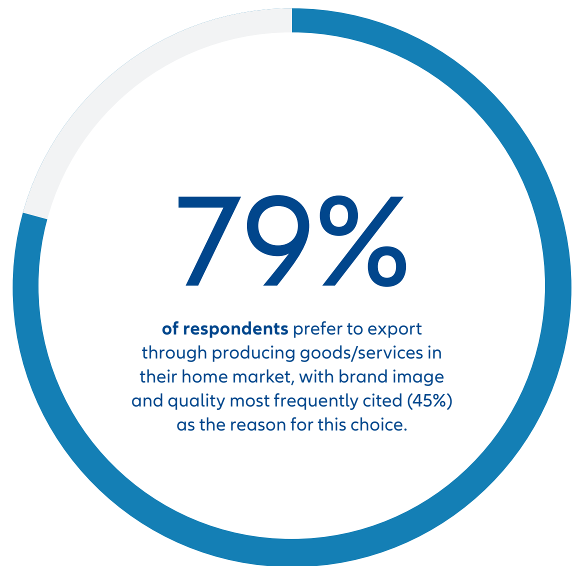
Companies in China and the US have the most ambitious investment plans for 2022, with 78% and 61%, respectively, planning to invest more this year compared to last year. Unsurprisingly, the sectors that saw higher-than-expected export performances in 2021, and which have the best demand prospects for 2022, are at the top of this list, notably household equipment, oil and gas, retail, logistics and IT & telecom.

Following the invasion of Ukraine, 44% of exporters say they will seek more investment for international development than previously planned, with the share rising to as much as 50% among German exporters. However, 15% of corporates don't plan to invest or will reduce their investment plans due to the war, with household equipment and machinery & equipment the most pessimistic sectors. Interestingly, 54% of the respondents who declared that they would invest more stated that they would target new export markets and 62% said they would not focus more on domestic markets. In particular, close to 60% of firms in Italy and the UK with higher investment intentions plan to target new export markets. From a sector perspective, 57% of manufacturing firms and 67% of IT companies that plan to invest more will seek new export markets. Overall, this underlines a willingness to diversify markets rather than retreat from or downsize export ambitions in the wake of the war.

How will companies fund their ambitions in 2022? Cash flows are the top source of financing for more than half of exporters (53%), followed by bank loans and credit from suppliers. The share of exporters planning to use cash is highest in the UK (64%), followed by the US (57%) and China (54%). From a sector perspective, companies in machinery and equipment (68%), IT & telecom (64%), logistics (63%), chemicals (55%) and construction (54%) say they are most likely to use cash holdings for investment purposes.

Surprisingly, 75% of companies in the oil & gas sector say they intend to use most bank loans. And over half of companies in the household equipment sector say they will use equity funding and bond issuances. In contrast, for the retail, service and agrifood sectors, credit from suppliers is the main source of financing.

For more than half of the exporters we surveyed across all six markets, improving profitability is the top priority in 2022, though in China this is placed on par with increasing resilience to future shocks. Boosting productivity gains and turnover growth are also among the top three priorities in each market, but interestingly, cost control or reimbursing state support as quickly as possible are not on the radar, for now.



Insight

We have not solved the USD16 trillion small business liquidity trap

Alexander "Sandy" Kemper
Chairman and CEO of C2F0

In 2020, generous government support softened the blow of the Covid-19 shock for companies. But research shows that there is still a sizable share of fragile Small and Medium Enterprises (SMEs) around the world. The greatest financial relief we can give these SMEs is faster payment of their outstanding invoices – liquidity. The lending programs launched by the world's governments and central banks for SMEs have been extraordinary but even more dollars will be needed.

As the founder of a technology company that facilitates early payments of accounts receivable, I am keenly aware that before the crisis, the average small business had only a few weeks of cash on hand. Yet many of them had significant accounts receivable, often representing 60-90 days of sales.

We estimate that these businesses are owed more than USD16trn by their customers, half of which are large companies.

Over 2020 and 2021, companies in the US and Eurozone did accumulate a significant amount of excess cash, which will act as a buffer - for now. But research from Allianz Trade has shown that it's the already cash-rich sectors that got richer. Moreover, across the board, much of the excess cash will be needed to finance rising working capital requirements. Surging input prices pose another risk: only a handful of sectors can pass on higher costs to their customers. As public support comes to an end, and loans need to be repaid, SME payment terms and Days Sales Outstanding will only rise further, straining liquidity further. In addition, rising interest rates will only exacerbate the challenge SME's face in accessing affordable capital.

Why does this matter? The World Bank estimates that the world's 150 million SMEs employ 60% of the working population and generate nearly 50% of the world's GDP. As payment terms get longer, the risk of insolvencies rises: As Allianz Trade has found, 7% of total SMEs were already at risk of insolvency in Germany, 13% in France and 15% in the UK. This puts millions of livelihoods at stake.

So what if we created low-cost funding specifically for larger companies to pay their small and mid-sized suppliers immediately? We would eliminate the need to underwrite loans for tens of millions of businesses, which are already overwhelming traditional finance channels. Do this at scale and we could create USD8 trillion of immediate relief for the world's SMEs without causing them to borrow a penny.

A typical large company has thousands of suppliers, the majority being SMEs. One credit facility to a larger company with a sizable supply chain can advance funds to upwards of 1,000 SMEs, a 1:1000 amplifier effect. If just 20,000 such facilities were created, early payment – liquidity – could immediately flow to over 20,000,000 SMEs.

As public support comes to an end and loans need to be repaid, SME payment terms and DSO will rise further, straining liquidity further.

Insight

Future of Trade – Innovation, Disruption, & Winners

Kelvin Tan
CEO & Chief Investment Officer of Origin Capital Management

Physical trade ecosystem players face unprecedented challenges in terms of supply chain uncertainty, adapting to digitalization and Industry 4.0 technologies, keeping up with ESG monitoring and reporting and rising energy costs.

At the same time, for financial institutions and insurers, the rise of fraud, heightened regulatory scrutiny and sanctions risks result in cutting/pulling back of banking lines and limits – further widening the financing gap for corporates and SMEs.

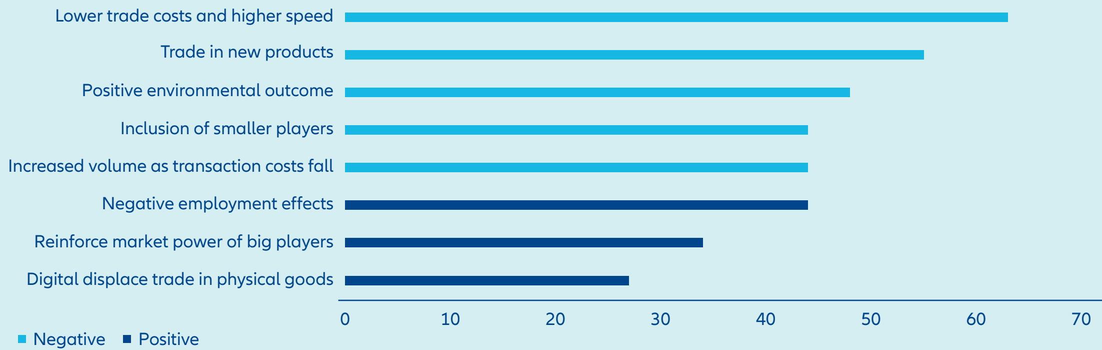
Opportunities remain bright across almost USD30trn of trade

Yes, trade and trade lenders face massive challenges ahead. However, the future of trade has never looked brighter. In 2021, global trade hit a record high of USD28.5trn in 2021[2]. The emergence of central bank digital currencies and the onset of the Web 3.0 economy will generate incredible growth opportunities in the financial sector.

The rise of #tradetech (technologies adapted to solving pain points in trade, maritime, logistics) will undoubtedly accelerate transformation and digitalization in trade – unlocking massive gains in productivity and operational efficiency (see Table I).

Fintech innovation in trade lending and credit insurance – particularly those related to credit underwriting, risk mitigation and embedded and decentralized finance (DeFi) – will produce the banking unicorns of tomorrow, alongside the 250 or so digital and neo-banks globally today.

Percentage of companies projecting outcome from trade technology



Source: World Economic Forum

> Fintech innovation in trade lending and credit insurance will produce the banking unicorns of tomorrow, alongside the 250 or so digital and neo-banks globally today.

Picking the winners

Yet, how do we spot the winners within such a broad opportunity landscape in trade?

Allow me to elaborate across three lenses/narratives:

(A) Where physical and financial trade meet and marry

The successful blending of standards and data across physical trade carriers and financial intermediaries will produce new products that will supercharge digital trade. For example, the age-old bill of lading, which came into existence during the 16th century, is finally going electronic as shipping industry bodies link up with SWIFT and the ICC[3].

Meanwhile, freight forwarders, liners and logistics providers are leveraging their network and data to not only underwrite loans for their customers, further streamlining B2B commerce, but also working towards structuring their massive physical supply chain data pools into information that can be used to mitigate financing and insurance underwriting risks.

Amongst others, such data validates that an authentic trade flow has taken place, provides a benchmark to cross check against trade-based money laundering and also allows for traceability reports to be generated. The latter could be further extrapolated to enable ESG/sustainability reporting. In this, the companies to watch are NinjaVan (Singapore), Flexport (US) and Beacon (UK).

(B) Digital currencies for trade finance

According to the Bank of International Settlement (BIS) over 80% of central banks around the world are looking into central bank digital currencies (CBDC), either though pilots, studies or trial launches. It is not inconceivable that within three years, pilot loans and B2B trade contracts will be denominated in central bank digital currencies (CBDCs).

China is a clear front-runner on the digital yuan, and given the sheer volume and scale of China's trade with its neighbors, I would not be surprised to see the digital yuan displace the USD in some trade contracts – starting with contracts between China's Greater Bay Area and Hong Kong.

Besides China, other countries worth mentioning include South Korea (whose use-cases include international remittances) and Nigeria, whose eNaira could facilitate the convertibility of West African currencies and enhance intra Africa trade in West Africa. There's also Project Dunbar, led out of BIS' Singapore innovation hub, which seeks to enable international settlement using multi CBDCs.

Technology firms to watch are those that provide the underlying technology and protocol that underpin, amongst others, settlement and cross-border payment of CBDCs for trade. Examples of such blockchain technology include Klaytn, Corda and Quorum.

Stablecoins[4] for trade finance are however not to be ruled out, as they can certainly co-exist with CBDCs, and provide other supporting "DeFI"-like transaction banking services .

(C) Trade corridor opportunities – supercharged by digital trade agreements

Digital trade agreements which govern and enable market access for digital service providers between countries, and which allow data to flow across harmonized and trusted standards – will unlock new opportunities in digital trade and trade finance.

For example, the recently signed UK and Singapore Digital Economy Agreement puts in place a legal framework for end-to-end digital end, encompassing e-payments, paperless trading, trusted cross border data flows and pilot projects around electronic bills of lading and mutual recognition of digital identities. Strategically located at the heart of Southeast Asia (whose digital economy will grow to USD1trn by 2030), Singapore has championed similar agreements with New Zealand, Australia and Chile.

2 https://unctad.org/news/global-trade-hits-record-high-285-trillion-2021-likely-be-subdued-2022
3 https://www.gtreview.com/news/fintech/shipping-industry-bodies-link-up-with-icc-and-swift-to-form-digitalisation-alliance/
4 Stablecoins are a class of cryptocurrencies that aim to offer price stability by being backed by a reserve asset.

Are digitalization & ESG reshaping the way businesses trade globally?

Most exporters adjust to ESG through suppliers first and remain unfazed by carbon taxes

Global trade is and has been a strong driver of innovation, growth and development, but it also plays a role in deforestation, poverty and massive carbon emissions. As the world targets carbon neutrality to combat climate change, the future of trade will have to become sustainable: a cross-border exchange of goods and services that goes beyond the generation of economic value for those involved to provide a benefit for – or at least not harm – society and the environment.

They can embrace greener inputs, switch to less polluting processes, select more responsible business partners etc. Our survey shows that the latter is the most popular strategy: 50% of respondents say they are adjusting their relations with suppliers, for instance by working with more ESG-compliant firms. This was the case especially for Chinese exporters (64%, compared to just 40% in the UK).

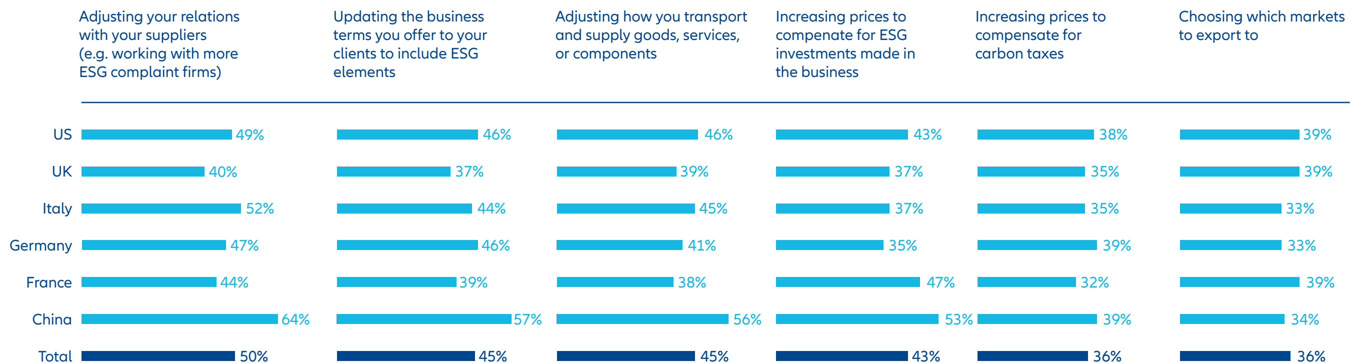
At the global, regional and national levels, trade policies and regulations are also evolving to support environmental targets and achieve carbon neutrality. The EU, for instance, has proposed a Carbon Border Adjustment Mechanism (CBAM) that will require EU importers or non-EU producers to pay carbon taxes corresponding to the carbon price that would have been paid had the goods been produced under EU rules. Canada and Japan are also working on similar initiatives. In the UK, tariffs on green products (low-carbon or energy transition-related products) have been eliminated.

And yet, we find that most firms remain unfazed by carbon prices so far: Only 36% in the three largest EU economies (i.e. Germany, France, Italy) state that they had to increase prices to compensate for carbon taxes. This also reveals that carbon prices are still too low to trigger corporate change or increase selling prices. In addition, our survey shows that, as of today, ESG regulation is not shifting global trade flows: Most respondents are not using ESG considerations when choosing their export markets. Only 34% of firms in China, the world's largest exporter, say that ESG led them to choose their export markets.

Furthermore, our survey reveals that current carbon prices are too low to drive up the price of traded goods, making them less effective in the quest to reduce carbon emissions.

All this means that the ESG topic still has a long way to go before becoming embedded in exporters' concerns and operations.

In which of the following ways does ESG impact your business when it comes to global trade?



Insight

The future of trade must be green

Ngozi Okonjo-Iweala
Director-General of the World Trade Organization (WTO)

The world is facing an era of 'polycrisis' – intersecting crises in the economy, the environment, and in public health – which demand multifaceted responses. We need to reduce poverty while increasing environmental sustainability, and we must drive the health and economic recovery from COVID-19 by building greener, more socially inclusive economies, and investing in the systems needed to identify and contain future disease outbreaks.

Trade is a key part of the solution to the challenges we face. In fact, trade has an underappreciated role to play in enabling a just low-carbon transition, enhancing marine biodiversity, and addressing plastics pollution and deforestation.

This might seem counterintuitive considering the heavy carbon emissions associated with the maritime shipping industry and air freight that transport goods from place to place. But trade can make production more efficient, which can reduce emissions. It can also be an important mechanism for the diffusion around the world of new, less polluting technologies.

A better answer to the real problems we see lies in better trade – in a better globalization, or, as I term it, a re-globalization – one that brings marginalized people and countries into the economic mainstream, while helping us decouple human well-being from environmental impact.

How will this work? First, trade can be a powerful tool to support climate change adaptation and mitigation, particularly for developing countries. In the face of crop failure and natural disasters, trade is a mechanism for adaptation and resilience. Affected countries can bring in food and supplies necessary for reconstruction while domestic production remains impaired, allowing their economies to recover more quickly.

On the mitigation side, international competition and the emergence of a globally integrated solar photovoltaic (PV) supply chain has helped make solar the cheapest source of electricity generation in many parts of the world. Wind energy has benefited from similar trends. Lowering trade barriers to environmental goods and services could reduce the costs for future technologies such as advanced batteries and hydrogen electrolyzers, and lower the capital costs of building climate-resilient infrastructure.

To combat plastic pollution, trade policy cooperation could also improve transparency, align standards and regulations to favor recyclability and compostability and create markets for plastics substitutes. Countries could lower trade barriers to environmental goods and services required to make plastics supply chains more circular – that is, to use plastic waste as feedstock for making plastic – and to promote sustainable alternatives where appropriate.

Certainly, alongside these initiatives, collaboration between the private sector and relevant international organizations will be needed to reduce emissions from trade. And climate-related trade policies must be framed with a just transition in mind, with transition times for developing countries to find carbon alternatives, but also the financing for them to leapfrog the dirty infrastructure stage and directly build sustainable alternatives.

Trade can and must help us respond to the problems we face in our economies, societies, and the natural environment. Judicious trade policy choices can help us prepare from future risks and shocks. The future of trade is not just services and digital; the future of trade must also be green.

Trade has an underappreciated role to play in enabling a just low-carbon transition, enhancing marine biodiversity, and addressing plastics pollution and deforestation.

Digitalization: Empowering global trade

An overwhelming majority of respondents in our survey (over 90%) say that they have undertaken digitalization efforts in recent years, with the share by country ranging from 87% in the UK to 94% in China. With the Covid-19 pandemic, this digitalization trend has certainly accelerated, not just in companies' business strategies but also in working habits and administrative processes.

From an economic perspective, activities moving online helped to partly mitigate the overall negative impact of the Covid-19 shock on the global economy. Prior research from Allianz Trade[5] shows that countries with an environment more conducive to digitalization were likely to be more resilient when facing the first lockdowns in 2020 as technology provided the necessary agility to adapt to the new ways of working.

Indeed, in our latest survey, many respondents identify the digitalization of production as a way to adapt their exporting strategies to the pandemic context in 2021 (60% of firms in China, 48% in Italy and 38% in Germany). Moreover, around half say that digitalization has helped them to increase overall productivity, reduce costs and reach new markets and customers that cannot easily access brick-and-mortar stores (e.g. the growing middle-class in the smaller cities of China).

Around half of respondents also say that digitalization has helped them to improve the resilience of their supply chains. In particular, nearly two-thirds of Chinese companies are seeing the benefits of this. Our 2020 Global Supply Chain Survey[6] already showed that highly digitized companies are significantly more likely to look for suppliers in China than those that are not. This could imply that tech-savvy companies are better-equipped to trade with more remote partners, which could potentially help them diversify and reach new suppliers and customers.

With more than one third of respondents saying they already use blockchain technology in their businesses, the ways in which emerging digital technologies can help cross-border transactions are likely to keep increasing. All in all, digitalization can increase the scale, speed and diversity of global trade, allowing companies to reach more customers and strengthen supply-chain monitoring and functioning.

5 See our report Digital-enabling countries proved more resilient to the Covid-19 economic shock.
6 See our report Global Supply Chain Survey - In search of post-Covid-19 resilience.

Insight

The pandemic has accelerated the digital learning and hybrid-working transformation

Christian Greisberger
Head of Global Risk Management for Acer

When and how do you see the electronics supply chain normalizing?
For the IT industry, specifically PCs, the supply chain has been continually constrained since the beginning of the Covid-19 pandemic as remote working and distance learning have become the norm. These needs, along with home entertainment needs, triggered higher PC demand. Supply and manufacturing-capacity optimization took place at first to maximize the output, and in the meantime a lot of suppliers also started to expand their production capacity. However, ramping up supply takes time, and resource limitations (including human resources to improve logistic capacity and lead-time) due to the pandemic made the conditions worse. Logistics availability, whether it be pricing, capacity or lead-time, has become a worst-case scenario.

Demand is gradually returning to normal on the consumer side, but overall commercial demand has been continually strong since there was a two-year delay for upgrades. In addition, the pandemic has accelerated the digital learning and hybrid-working transformation that would have taken years, enabled by the readiness of cloud infrastructure. Overall, supply issues are easing gradually quarter by quarter.

How does a company like Acer continue to cater electronics to the world in the current supply chain environment? How have you adapted your supply-chain resilience (processes, suppliers' diversification) since 2020?
Acer has great longstanding partnerships with its supply chain and is highly flexible on supply-chain management. We have long-term planning and operations in place for supply-chain diversification and risk management. Acer collaborates with all members of its supply chain with continuous testing of the quality of its flexibility, while working closely with channel partners and guiding customers on availability. With these efforts, we have not only strengthened our relationship with partners, but also improved our supply across the supply chain, which supported Acer's growth over the past two years, and will certainly help us moving forward.

In addition, even with the ongoing pandemic, Acer has continually conducted two global press conferences each year to launch our latest technology and flagship products. Through online digital events, we serve different target audiences, including but not limited to gamers, creators and professionals. We further put humanity at the center of how we design and create products. On top of our commitment to RE100 by 2035, we have also committed to use 20-30% PCR (post-consumer recycled) plastic in our products by 2025, and required three-tiers of suppliers to disclose their carbon footprint. We have also launched the "Acer Earthion" (earth + mission) platform to work with our supply chain to tackle environmental challenges, and collaborated with partners to integrate critical environmentally friendly solution into devices for users.

These partnerships are not only to balance short-term demand and supply but to position ourselves for new opportunities for a more responsive supply chain and deliver both consumer and commercial products.

How did payment delays and insolvency risk evolve and what is your take on their evolution in the normalization phase?
All payment delays relate to supply-chain issues. Acer does not have any buyers that pay late due to other reasons, such as cash-flow constraints. Acer's collections effectiveness index for overdue past 16 days is globally at 98% (as per Jan/ 2022). This index is adjusted by approved payment terms extensions, which compensate for supply-chain issues such as for late deliveries or goods not yet delivered. Acer has not had any buyer defaults. Henceforth, Acer's take is that once supply-chain issues have subsided, payment performance will normalize and be without delays.

How did Covid-19 change credit management practices in the ACER group? Any differences between geographies?
Acer reviews a buyer's financial performance and has established buyer risk grades on a quarterly or ad-hoc basis for all risk grades as opposed to yearly or semi-annually to ensure all order releases are justified and in-sync with the buyers financial health (risk grade). There are no differences between geographies.

Insight

The role of European trade promotion agencies

Christophe Lecourtier
Director General at Business France

How can countries help exporters to grow their international activities? Should they do more? Can you tell us about Team France Export?
France made the choice in 2018 to create Team France Export to help French export businesses with their export activities. It is a pragmatic and on-the-ground response with a dual aim: to increase the number of exporting small and medium-sized enterprises (SMEs) and mid-size companies and to increase the volume of exports. It oversees the actions of all those whose main aim is to support French exporters.

In practice, businesses now only have one contact, an international adviser, with access to the full range of public offers, as well as the best offers from the private sector, located within a one-stop shop in each region. Team France Export has signed 19 regional agreements (including all metropolitan regions, Corsica, Guadeloupe, Martinique, French Guiana, Réunion Island and Mayotte). Currently, 200 international advisers are deployed throughout France.

Between 2018 and 2021, 27,734 SMEs and mid-size companies received support from Team France Export with export activities/planning to export, with 8,128 SMEs and mid-size companies supported in 2021, an increase of 19% (excluding trade fairs) compared with 2020.

How can the public and private sectors work better together?
The public sector has neither the means nor the vocation to act in all areas and the expertise and services of the private sector (training, legal advice, assistance with setting up, logistics, financing and payment security, for example) are now integrated into a collective value chain established to meet all the needs of businesses and contribute to the realization of their international projects.

Team France Export brings together the expertise of Business France, CCI France and Bpifrance, along with the expertise of more than 40 public and private operators offering support and financing (www.teamfrance-export.fr), as well as a permanent dialogue with 166 federations, professional associations and innovation clusters.

How do you assess the support to French businesses compared with other countries? Do you think European trade-promotion agencies could do more together?
Most European trade-promotion organizations offer services similar to Business France. All have also developed an online offer since the Covid-19 crisis.

The main feature of Business France, beyond its largest size in Europe (excluding the UKm), is its economic model, based on fees charged to the businesses using its export services. Many trade-promotion organizations (TPOs) in Europe only offer free services, and for those charging for some of their services, the impact on the agency's budget is limited to 1% to 10% in most cases. Only Business France (55%), Business Sweden (50%) and the Spanish ICEX (20%) are above this figure.

Today, cooperation between European TPOs is quite strong: Business France is one of the founding members of ETPOA (European Trade Promotion Organizations' Association), which was established in 2019 and has 27 members as of 2022.

Can you name three top business and public priorities that, in your view, would boost exports in the years to come?
France has more than 1,700 businesses operating in the healthtech sector: 720 biotechs, more than 800 medtechs and 200 in digital health. By 2030, healthtech could generate 130,000 direct and indirect jobs and revenues of EUR40bn (source: France Biotech).

The "ecological transition" is a sector-based area that is, in essence, a priority for exports because the national industry must be structured better to transport this expertise internationally. This broad universe includes mobility, energy transition, digitalization and decarbonization, and even smart cities. As such, the digitization of B2B exchanges is undoubtedly our top priority.

State support: What do corporates really expect from governments?

From lifesaver to corporate morphine?

In response to the Covid-19 crisis, governments around the world activated a variety of measures to protect households and firms. To avoid a wave of bankruptcies, they made temporary changes to insolvency regimes by suspending the obligation to file for bankruptcy or relaxing certain criteria to initiate one. They also used public spending to support liquidity and profitability, with policies ranging from tax deferrals and tax cuts to state-guaranteed loans, short-term work schemes, cash transfers and equity-like injections. There were even some cases of large-scale recapitalization (eg. in the air transport sector).

This support was a lifeline for companies: Our survey reveals that a majority of exporting firms received some form of state support over the last 12 months, especially in China (70%) and Italy (60%). And two-thirds of respondents confirm that this in part support helped their business survive the crisis. About a quarter of respondents report that they were also able to invest in new production capacities and diversify suppliers as a result, while about 20% say they were able to reduce payment times to suppliers.

How can governments support companies further? As many economies are struggling with skilled labour shortages in Europe, 44% of firms in France, 45% in Germany and 53% in Italy call for their governments to implement upskilling labor policies. Unsurprisingly, after a few years of somewhat protectionist US policies and a year into Brexit, almost half of US and UK firms want their governments to deliver new free trade agreements.

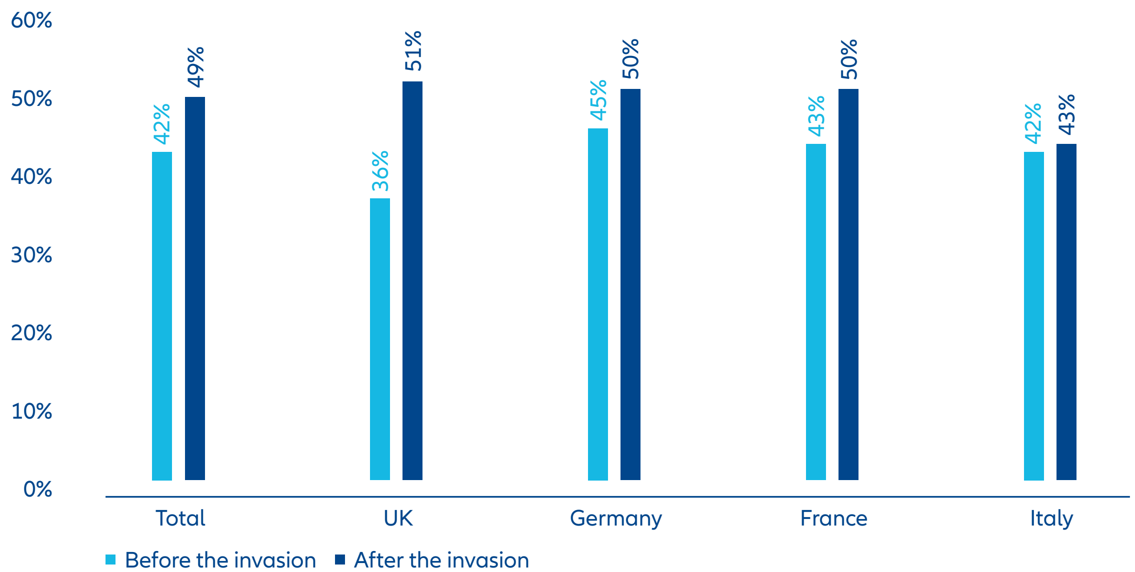
While the worst of the pandemic appears to be behind us, our survey suggests that 50% of firms are still hoping that financing support continues. In fact, over 30% of firms expect state support to fund their activities in 2022. Around half of European exporters think financing support in the forms of state-guaranteed loans and direct subsidies would help their businesses better withstand the impact of the war. This compares to around 40% who felt the same before the war broke out. The second most popular choice is new Free Trade Agreements (47%, more so among French and UK corporates) and operational support from export agencies (44%, more so among German and UK corporates).

In this context, we could question both governments' loose fiscal policy and the potential negative "side effects" of firms over-relying on it and perhaps not preparing adequately for extreme risk events such as those seen over the last two years. Financial state support seems to have become a "new normal" for some firms.

50%

of firms are still hoping that financing support continues.

Share of respondents seeing government financing support as helpful for exports



Source: Allianz Research

Insight

The end of globalization as we know it

Jean-Pisany Ferry
Former French Commissioner General for Policy Planning, Senior Fellow at Bruegel and the Peterson Institute for International Economics[7]

For most people, globalization has been another name for across-the-board liberalization. Starting mainly in the 1980s, governments allowed goods, services, capital, and data to move across borders, with few controls. Market capitalism triumphed, and its economic rules applied worldwide.

Even before the war in Ukraine, this phase of globalization was ending, for two reasons. The first is the sheer magnitude of the challenges that the international community must tackle, of which global public health and the climate crisis are only the most prominent. The second reason is political. Country after country has witnessed a rebellion of the left-behind, from Brexit to the election of Donald Trump as US president to the French "yellow vest" protests. As Raghuram Rajan has put it, the world has become a "nirvana for the upper middle class" (and of course the wealthy), "where only the children of the successful succeed." Those left out increasingly end up in the nativist camp, which offers a sense of belonging. This calls into question the political sustainability of globalization. The tension between the unprecedented need for global collective action and a growing aspiration to rebuild political communities behind national borders is a defining challenge for today's policymakers. And it is currently unclear whether they can resolve this contradiction. Especially as the question is now compounded by the interference of geopolitics.

What will come next? In a recent paper, Pascal Canfin, chair of the European Parliament's Committee on the Environment, Public Health, and Food Safety, makes the case for what he calls "the progressive age of globalization." Canfin argues that the fiscal and monetary activism endorsed by nearly all advanced economies in response to the pandemic, the growing alignment of their climate action plans, and the recent G7 agreement on taxing multinational firms all indicate that the globalization of governance is becoming a reality. Similarly, the greening of global finance is a step toward "responsible capitalism."

One may question the scale of the victories that Canfin lists, but he is right that advocates of global governance, who recently seized the initiative on climate, public health and global taxation, have made enough progress to regain credibility. Progressive globalization is not a pipe dream anymore; it is becoming a political project. But although the globalization of governance may appease the left, it will hardly alleviate the woes of those who have lost good jobs and whose skills are being devalued. Workers who feel threatened and find protectionist solutions attractive expect more concrete responses.

The EU's carbon border adjustment mechanism is a key test. By requiring importers of carbon-intensive products to buy corresponding credits for emissions permits, the EU wants to prevent producers from evading its emissions limits by moving elsewhere. But this is bound to be controversial. The upcoming negotiations on the issue will be difficult, because the state of international relations is not auspicious. They will be hugely important and help to determine whether the world can find a way out of the tension between scattered national and regional preferences and the increasingly urgent need for collective action.

The outcome will eventually indicate whether the dual agendas of rebuilding economic belonging and managing the global commons can be reconciled. It will take time to learn the answer. The old globalization is dying, but the new one has yet to be born.

The tension between the unprecedented need for global collective action and a growing aspiration to rebuild political communities behind national borders is a defining challenge for today's policymakers.

7 This piece is adapted from a column by Jean Pisani-Ferry first published on Project Syndicate.

Insight

The Canada – EU Comprehensive Economic and Trade Agreement: resilient through the pandemic and a strong base from which to build back better

Dr. Ailish Campbell
Ambassador of
Canada to the EU

The Canada-EU Comprehensive Economic and Trade Agreement (CETA) will turn five in September 2022. The Agreement represents a fundamental step change in the Canada-EU trading relationship and represents the best in international trade agreements. It is high-standard, comprehensive, and demonstrated its resilience during the pandemic: In 2020, Canada-EU merchandise trade amounted to EUR59.2bn – 15.2% higher than pre-CETA 2016 levels. In 2020, trade in services reached EUR25.6bn. Of particular note, while global trade in 2020 dropped by -8% relative to 2019, Canada-EU exports only decreased by -3.83% during that period.

Canada and the EU are also strongly linked by investment. Canada is the EU's fourth largest investor. In 2019, the stock of Canadian investment in the EU was EUR142.4bn, representing growth of 24.5% from 2016. In the other direction, the stock of EU foreign direct investment in Canada in 2019 was EUR184.3bn, showing +28.7% growth from 2016.

CETA is notable for its strong provisions on the environment and labor. This makes our trade more sustainable and inclusive, bringing benefits to women entrepreneurs, indigenous groups, and others who have traditionally felt excluded from international trade. Further to recommendations adopted by the Joint Committee formed under CETA, Canada and the EU have continued engagement on trade and gender, and trade and climate action, including the implementation of the Paris Agreement, and trade and SMEs. SMEs are the backbone of the Canadian economy, accounting for approximately 99% of Canadian businesses and almost 90% of private sector jobs. The increasing use of preferential market access by SMEs is one of the many hallmarks of CETA's success.

I know from my former role as Canada's Chief Trade Commissioner that practical tools and advice are needed to enable entrepreneurs, especially SMEs, to make use of the advantages in a trade agreement. The Government of Canada has worked hard to help SMEs realize opportunities through advisory services, programs such as CanExport, Exporter Solutions, and financing to help Canadian companies expand their activities and undertake direct investment abroad. The EU has made many similar efforts. There is also support available through business associations and private sector finance and insurance. Indications so far are promising: the number of Canadian merchandise exporters increased by more than 500 firms between 2016 and the start of the pandemic to a total of almost 8,300.

CETA is a cornerstone of a solid partnership between the EU and Canada that can serve as a means to step up bilateral efforts in other areas like climate change, biodiversity, and green goods and services. It is also a base for pursuing a sustainable, people-centered, and inclusive recovery from the pandemic. For example, our trade and investment links are ingredients for continuing to build strong and resilient supply chains. As emphasized by Prime Minister Justin Trudeau and President Ursula von der Leyen and President Charles Michel of the EU at the Canada-EU Summit in June 2021, the security of critical minerals and metals value chains is a common priority because both are essential to transition to a climate-neutral and digital economy and create good jobs. To foster competitive Canada-EU supply chains, leaders established a Canada-EU Strategic Partnership on Raw Materials. The Summit also committed Canada and the EU to deepen cooperation on a suite of digital issues from artificial intelligence to a free, secure, and open internet.

Canada wants to lead in producing the world's cleanest steel, aluminum, building products, cars, and planes. We have the raw materials, energy, skilled labor and the intangible yet fundamental prerequisites for a resilient economy, like stability and the rule of law, that are the means to do so. The EU shares these ambitions, attributes, and values. Together we are demonstrating that a high-standard, comprehensive, and well-implemented trade agreement like CETA, along with our commitment to multilateral institutions, are building blocks for shared prosperity, environmental responsibility, and strong economic partnerships.

Methodology

Global trade and supply chains are still recovering from the fallout of the global pandemic as large-scale lockdowns in 2020, followed by economies reopening in 2021, led to strong imbalances. To add to this, the invasion of Ukraine in February 2022 has added further stress to already disrupted supply chains. In this context, we decided to check the pulse of companies in the US, China, the UK, Germany, France and Italy. Two surveys were carried out: one before the Ukraine conflict, and one after.

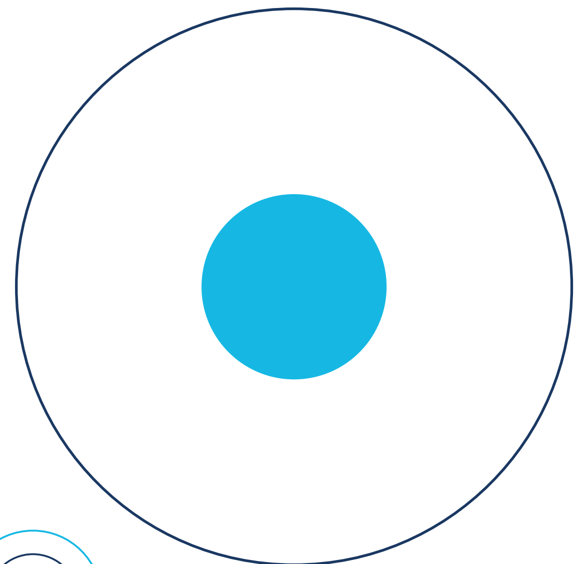
Conducted over a period of four weeks between end-January and mid-February, the first survey involved nearly 2,500 companies, roughly evenly split between the six countries. The second survey was run over three weeks in March, involving nearly 450 respondents in four European countries (the UK, Germany, France and Italy).

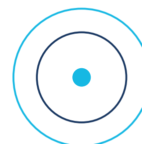
We targeted firms exposed to global markets, either exclusively exporting or also selling goods and services in their local markets. Sectors of activity were selected to best represent global trade flows and gauge as much as possible the functioning of global supply chains. As such, the manufacturing, machinery and equipment, IT technology & telecommunications, logistics and retail sectors were well represented in our sample. Services sectors such as real estate, hospitality & leisure or healthcare were also included among the respondents of our surveys.

In terms of company size, more than half of our respondents have more than 500 employees, around one third have between 100 and 499 while the remaining have less than 99. In the first survey, firms in China and Italy were comparatively larger, with more than 70% reporting more than 500 employees. Looking at another measure of company size, firms in our overall sample are more or less evenly split between a turnover of less and more than USD1bn. Just over 10% have turnover exceeding USD5bn.

3,000

companies surveyed



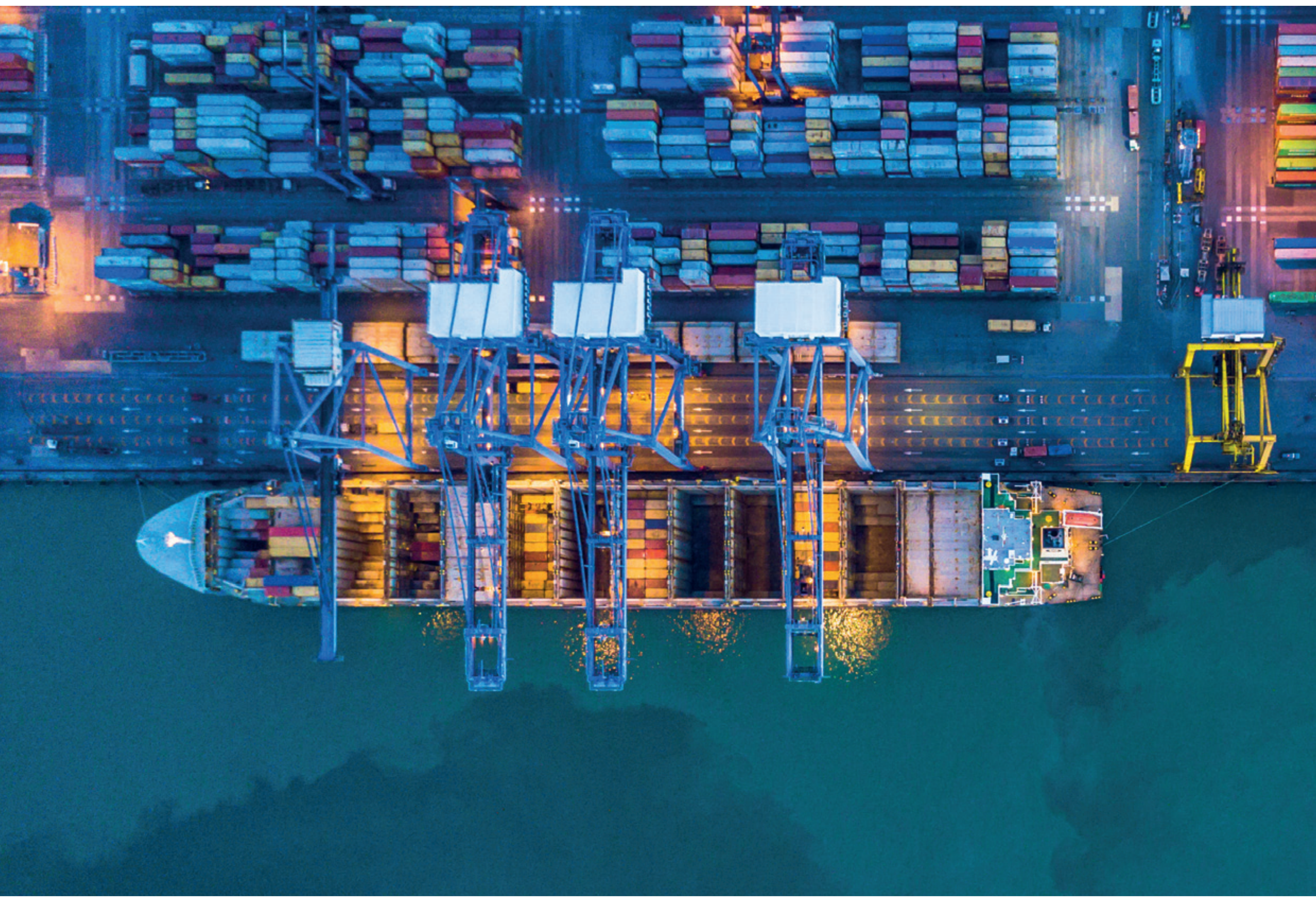


6 countries covered

2 surveys

Before & after the invasion

The invasion of Ukraine has added further stress to already disrupted supply chains.

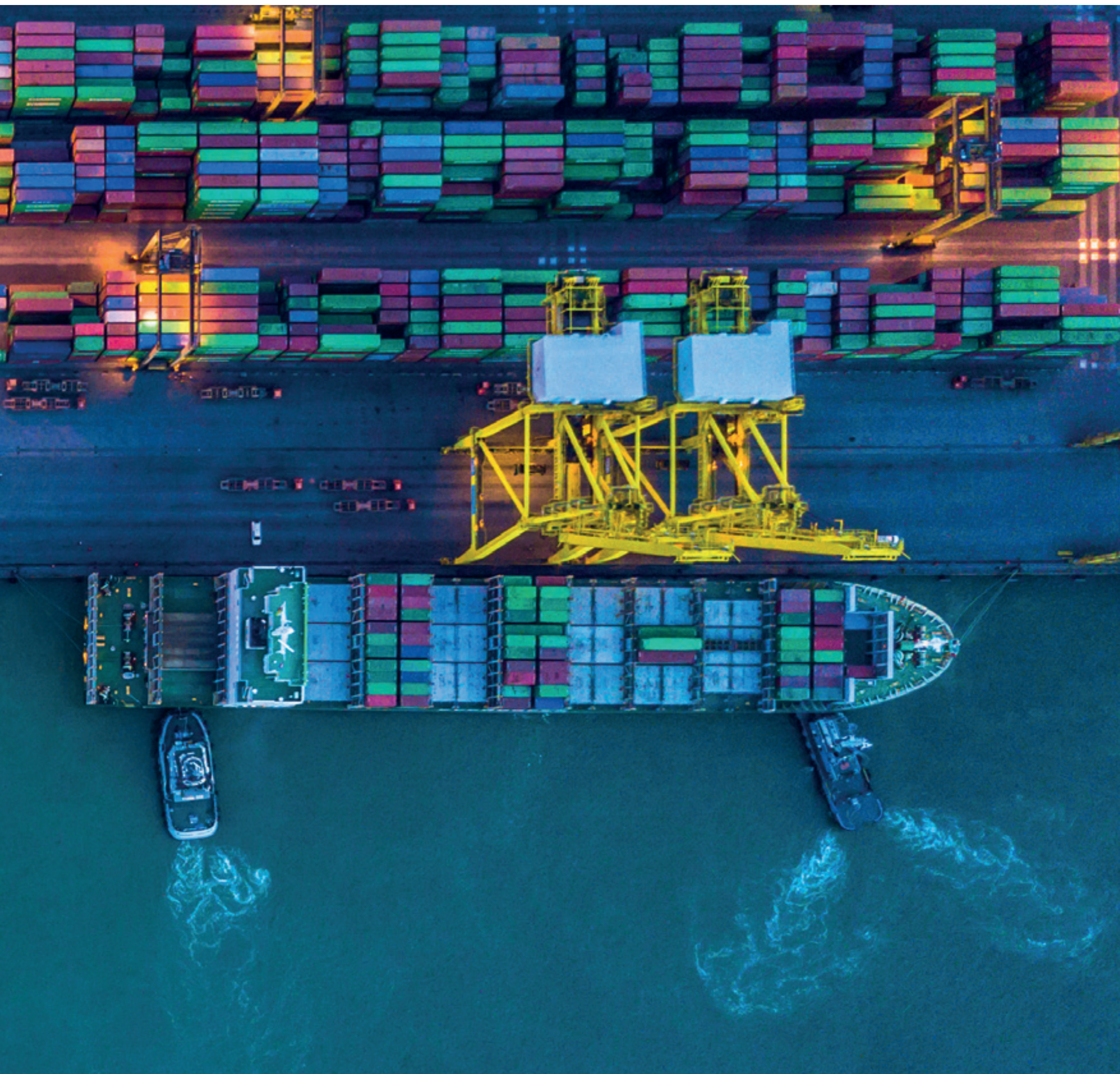


Special thanks

We would like to express our most sincere thanks to all the experts who participated in our first Allianz Trade Global Survey:

Our economists **Ludovic Subran, Ana Boata, Ano Kuhanathan** and **Françoise Huang**, supported by our Editor and Content Manager **Maria Thomas** and our research assistant **Gaëlle Pécresse**, for their valuable analysis and forecasting;

Our external contributors **Elizabeth Ducottet**, **Sandy Kemper**, **Christian Greisberger**, **Ngozi Okonjo-Iweala**, **Kelvin Tan**, **Jean Pisani-Ferry**, **Christophe Lecourtier** and **Ailish Campbell** for sharing their views & expertise about global trade and its future.



Need more information about Allianz Trade?

visit allianz-trade.com

follow us on LinkedIn: linkedin.com/company/allianz-trade/

follow us on Twitter: @AllianzTrade

Allianz Trade is the trademark used to designate a range of services provided by Euler Hermes.

This Allianz Trade material is published for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be used, hosted, run, copied reproduced, processed, adapted, translated, published, transmitted, displayed and disclosed, either in whole or in part, without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by us and we make no representation or warranty (express or implied) of any kind, as regards to the accuracy of completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed in, this information. Unless otherwise stated, any views, forecasts, or estimates are subject to change without notice.

Euler Hermes Services is a French Simplified Joint stock Company (société par actions simplifiée) registered with the Nanterre Trade and Companies Registry under the number 414 960 377, having its registered office 1 place des Saisons – 92048 Paris-La-Défense Cedex.

© Copyright 2022 Allianz Trade All rights reserved.