

SEPTEMBER 2022

Allianz Trade

Export Forecast

Allianz Trade Export Forecast falls sharply

The Allianz Trade Export Forecast stands at -1.13 points in the third quarter (May: $+0.33$ points). The indicator has thus fallen well below the long-term trend growth. Negative annual growth rates are expected for exports over the next six to twelve months. Growth forecasts for the global economy have been adjusted downwards again.

At -1.13 points, the Allianz Trade Export Forecast is trending well below zero, the level which indicates the long-term average growth rate of the Swiss export industry. The Allianz Trade Export Forecast predicts that the export business will shrink by around -6% over the next six to twelve months; as recently as May, the forecast annual rates of change stood at 7% .

Despite some temporary brightening on the financial markets, most leading and sentiment indicators continue to point clearly downwards. The Ukraine war, concerns about inflation and key interest rate hikes are weighing on the markets. On the foreign exchange market, there has been a flight to safe currencies like the Swiss franc. The euro has been below the one-franc mark since the beginning of July. The mood of Swiss consumers and investors has suffered hugely. At -42 points, SECO consumer sentiment is at its lowest level since the survey was launched in 1972. On the positive side, the short-term risk of recession is significantly lower for the Swiss economy than it is for neighbouring European countries, as both the increase in inflation and the dependence on Russian gas are less pronounced here. However, the Swiss economy is not immune to the global economic slowdown.

In the summer months in particular, coronavirus reopening effects are likely to be strong in the service sector (especially tourism). Industry is pinning its hopes on the autumn. At present, global supply chain bottlenecks are still weighing heavily on production, but there are signs that these have reached their peak. Coupled with the increasing slowdown in the global economy, this is giving rise to hopes that production bottlenecks will be alleviated. As soon as the industrial firms are able to ramp up their production, the Swiss economy can look forward to a somewhat stronger economic tailwind from industry once again. However, much depends on possible gas and electricity rationing due to the situation in Russia.

For Switzerland, Allianz Trade expects GDP growth of 2.4% in 2022 (2023: $+0.7\%$), inflation of 2.8% (2023: $+1.6\%$) and an expansion in exports by only 2% (2023: $+4.0\%$). The forecast for global GDP has been further reduced. Real, inflation-adjusted growth of

3% is still expected for 2022 (average of international forecasts).

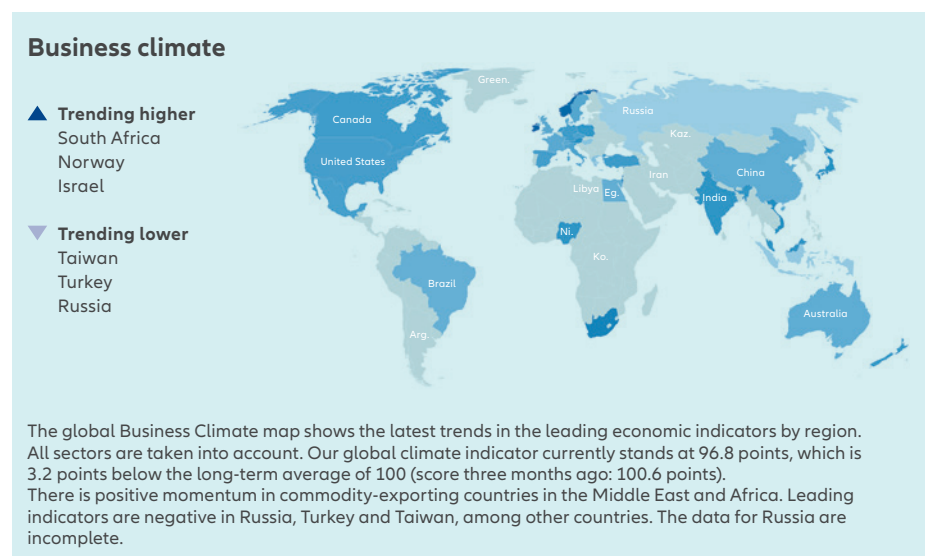
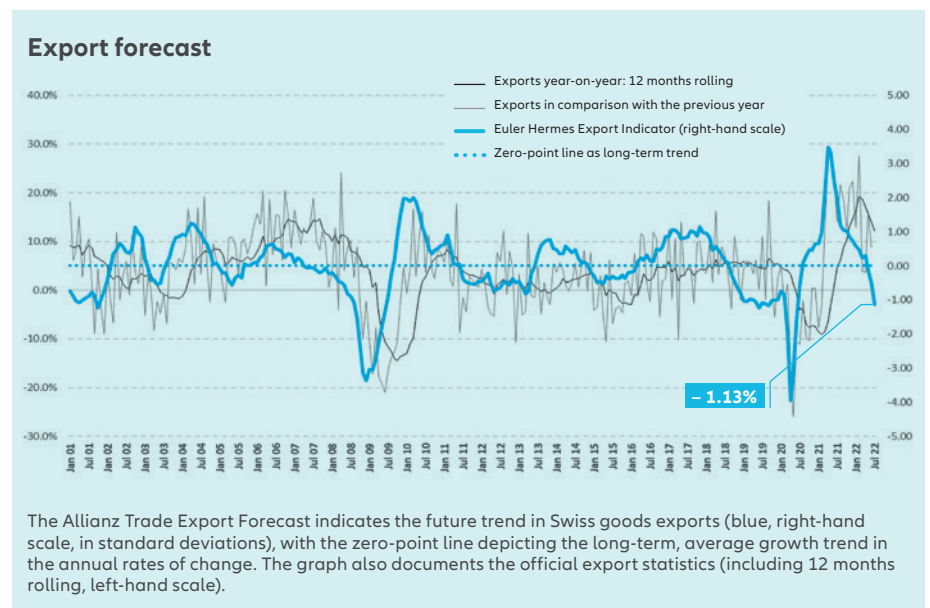
At the beginning of the year, the average still stood at 4.3% , while three months ago it was 3.3% .

Worrying outlook

At 59.1 points, the Purchasing Managers' Index (PMI) continues to indicate solid economic activity. The situation on the employment market remains more favourable than average in both industry and the service sector. However, the sub-index with order volume has fallen by around eight percentage points.

Even so: purchasing prices have eased clearly for the first time since the supply chain problems began. Energy prices remain at a high level, but other commodities fell significantly in anticipation of the expected economic downturn.

Globally, the leading indicators for industry are pointing downwards. The trade-weighted Purchasing Managers' Index (PMI) for Swiss industry, which only takes foreign PMIs into account, has fallen by four percentage points to 50.9 points over the past three months.



Merchandise exports (YoY)

Last official releases

1	Saudi Arabia	95.9%
2	Norway	94.4%
3	Qatar	87.5%
4	Colombia	59.7%
5	Uruguay	46.3%
6	Indonesia	39.7%
7	Morocco	37.4%
8	Bosnia and Herzegovina	30.9%
9	India	29.2%
10	Argentina	29.2%
11	Canada	27.2%
12	Israel	24.0%
13	Malaysia	20.8%
14	Greece	20.5%
15	United States	20.4%
16	Vietnam	20.2%
17	Australia	19.6%
18	Mexico	19.5%
19	Taiwan, China	18.3%
20	Belgium	17.9%
21	Korea, Rep.	17.8%
22	Singapore	17.1%
23	Slovenia	16.1%
24	Brazil	16.0%
25	World	14.2%
26	Thailand	13.1%
27	Chile	13.0%
28	High Income Countries	12.4%
29	Finland	12.3%
30	China	12.0%
31	Italy	9.3%
32	Spain	9.3%
33	Netherlands	8.8%
34	Sweden	8.6%
35	United Kingdom	8.1%
36	New Zealand	7.5%
37	Philippines	6.2%
38	Poland	6.0%
39	Portugal	5.7%
40	Austria	5.1%
41	Switzerland	4.2%
42	Denmark	4.2%
43	Hungary	1.4%
44	Germany	1.0%
45	South Africa	0.0%
46	Japan	-0.4%
47	Czech Republic	-1.2%
48	Hong Kong SAR, China	-3.9%
49	France	-4.7%
50	Ukraine	-49.8%

The table shows the annual rates of change in exports of goods to various countries. Last official data available: March, April, May, June 2022. The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

Supply chain problems are increasingly being overshadowed by weak demand triggered by high prices, which are unsettling both consumers and investors. Some regions such as North America may already be in recession. The weak economic

Exports already declining in real terms

Swiss foreign trade continued to grow in the second quarter of 2022, reaching new highs in nominal terms for both directions of trade. Exports rose by 0.9% versus the previous quarter. In real terms, they were down by 0.5%. Imports saw strong nominal growth of 2.4%; in real terms, the increase amounted to 0.6%. This resulted in a trade surplus of CHF 7.6 billion for the quarter.

The nominal increase in exports in the second quarter of 2022 was based on three product groups: machinery and electronics (CHF +420 million), jewellery (CHF +334 million) and metals (CHF +223 million). Shipments of precision instruments increased slightly from the previous quarter, while those of watches stagnated at a high level. Exports of chemical and pharmaceutical products declined by 1.2% (CHF -403 million). The decrease affected all three subgroups, but was particularly pronounced in the immunological products (CHF -1.3 billion).

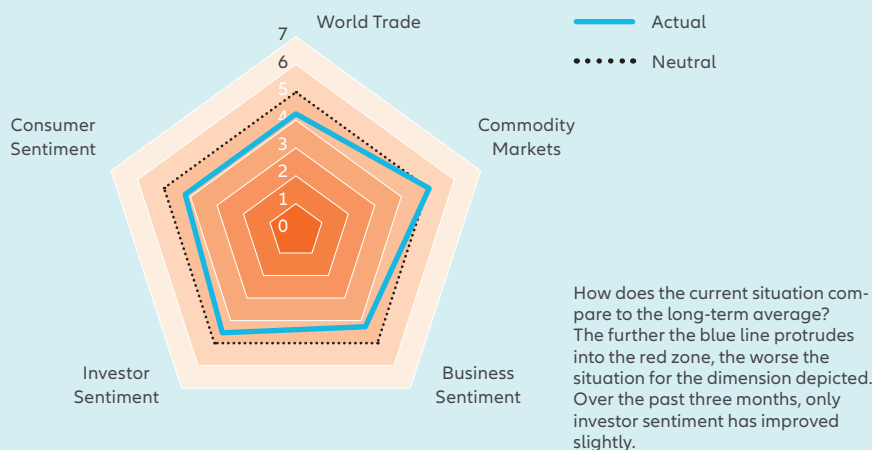
outlook has resulted in a significant correction on the commodity markets – with the exception of energy sources. This will help to get inflation under control and restore consumer and investor confidence.

The vehicle market slumped both for passenger cars and for commercial vehicles. In the first half of 2022, 17.7% fewer new commercial vehicles hit Swiss roads than a year ago. According to the import organisation auto-schweiz, supply chain problems are now affecting motor homes, too.

The trend by sales regions was in contrasting directions: exports to Europe grew by 3.4% to a new record of CHF 39.2 billion, whereas those to Asia and North America dropped slightly (-0.6% and -0.3% to CHF 14.0 billion and CHF 13.5 billion, respectively).

In Asia, the result for the continent was impacted by falling exports to China, which recorded its fourth decline in five quarters, and to Japan and Hong Kong (-15%). In total, sales decreased by a cumulative figure of CHF 593 million. In North America, deliveries to the US fell by CHF 257 million within the space of a quarter.

Trend: Global assessment



Real GDP forecast 2022 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	2.8	2.9	3.0	3.2	3.0
Advanced Economies		2.6		2.5	2.6
United States of America	2.9	2.5	2.5	2.3	2.6
Euro Area	2.3	2.5	2.6	2.6	2.5
Emerging Markets		3.4		3.6	3.5
East Asia and Pacific	3.8	4.4		4.6	4.3
China		4.3	4.3	3.3	4.0
Latin America	1.9	2.5		3.0	2.5
North Africa & Middle East		5.3		5.8	5.6
Sub-Saharan Africa	3.2	3.7		3.8	3.6
Switzerland			2.5	2.2	2.4
World Trade Volume					3.0

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 3.0% in real terms on average.

About the Allianz Trade Export Forecast

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

Allianz Trade in Switzerland

Allianz Trade is the global market leader in credit insurance and a recognised specialist in the areas of bonding, guarantees and fidelity insurance, including cyber crime. Its proprietary monitoring system analyses changes in the credit ratings of over 80 million companies on a daily basis. Allianz Trade gives companies security for their trading business by guaranteeing payments and compensating credit losses. In addition, Allianz Trade helps to prevent credit losses by focusing on proactive protection in all trade credit insurance and other financing solutions. In the event of a claim, the company's AA credit rating means that it has sufficient resources – supported by Allianz – to compensate credit losses and ensure that the firm suffering the loss can continue to exist. Headquartered in Paris, Allianz Trade is present in 52 countries with more than 5,500 employees. In 2021, the company reported consolidated turnover of EUR 2.9 billion and insured business transactions worth EUR 931 billion worldwide. In Switzerland, around 50 staff work at its headquarters in Wallisellen and the other locations in Etoy and Lugano.

For further information, go to www.allianz-trade.ch

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