



# EULER HERMES EXPORT FORECAST

May 2021

A company of **Allianz** 

 EULER HERMES



# EXPORT FORECAST CLIMBS TO RECORD HIGH

**The Export Forecast stands at 3.13 points – more than two points above the figure of 0.78 reported three months ago. Even if special factors are partly responsible for this exploit, a strong increase in Swiss exports can nevertheless be expected this year. While COVID-19 remains a big problem in certain service sectors, goods traffic is benefiting from intact purchasing power and the backlog of demand from private households and companies.**

At 3.13 points, the Euler Hermes Export Forecast is not only trending above zero, the level which indicates the long-term average growth rate of the Swiss export industry, in the first quarter of 2021. It has risen by more than two points in three months to a new record high. Statistically, this dramatic increase is attributable to the very low base level of the same period last year. Added to that is the fact the economy of some regions – including China and the US – has been developing quite dynamically for a number of months.

Following a weak start to 2021 from an economic perspective, the starting gun was fired for the resurrection of private consumption after Easter when the first steps were taken to ease the coronavirus restrictions. Given the recent declines in new infections and the good progress being made with the vaccination campaign, the economy should shift into turbo mode in the second half of the year.

Euler Hermes anticipates an unprecedented consumption boom, fuelled by pent-up demand and decreasing economic uncertainty. Global trade volumes are expected to increase by 7.9% in 2021 and 6% in 2022 (2020: -8.1%). The Swiss economy is projected to grow by a total of 3.6% in 2021 and 3.0% in 2022 (2020: -2.9%). As a result, economic output is likely to reach pre-crisis levels by late summer of this year.

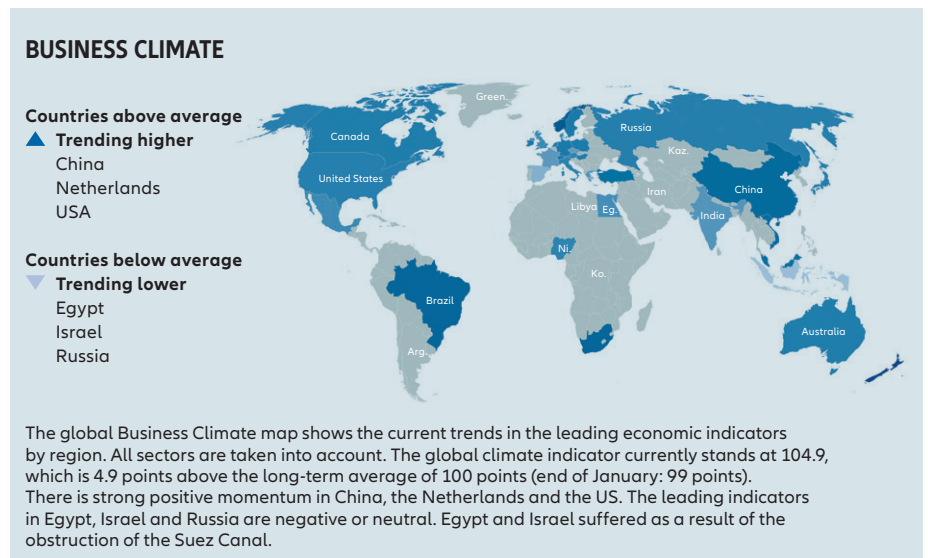
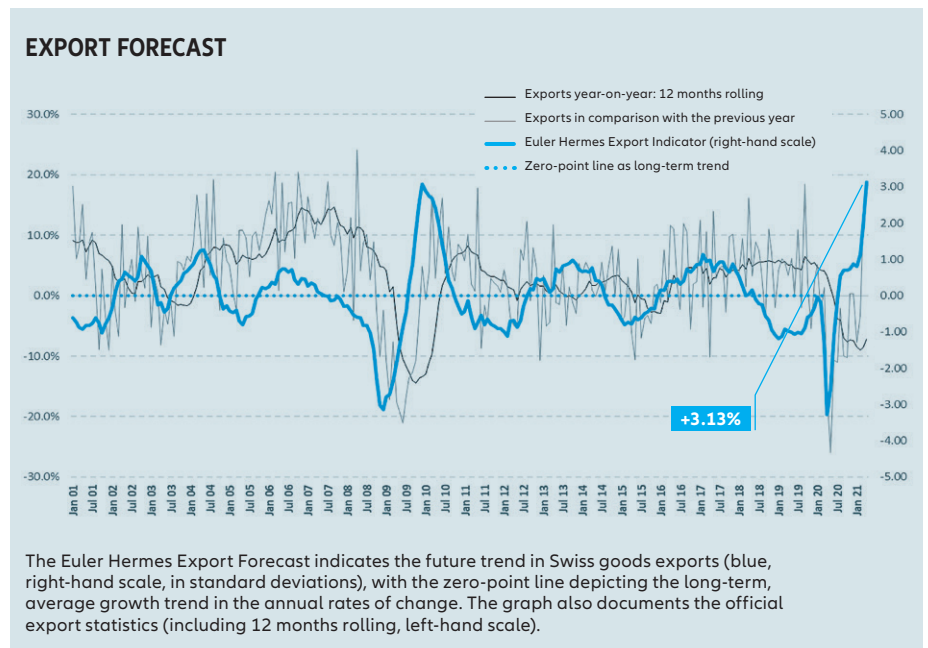
## THE DEMAND IS SO HIGH THAT THERE ARE CONSIDERABLE DELIVERY DELAYS IN SOME AREAS.

Due to the simultaneous upturn that has been observed in all regions of the world since Easter, demand is so high that supply chain issues such as significant delivery delays and shortages of preliminary products could intensify in the short term. These bottlenecks are particularly serious in the semiconductor industry, which in turn will affect not only the IT industry but also the automotive sector, for example. The consequence of this is price increases, as are already widespread on the commodity market in particular, above all in industrial metals and energy sources. Only precious metals such as gold and silver and the beverage sector were not affected by the rise in prices. The slump in the beverage industry is directly related to COVID-19 and the resulting shortage of demand from the restaurant industry.

The upturn in industrial activity has catapulted the Swiss Purchasing Managers' Index (PMI) to a record high of 69.5. A survey by procure.ch showed very high figures for order volume, purchasing volume, purchasing prices and delivery dates. According to procure.ch, demand for goods is likely to be above-average in general because households have been restricted in their consumption possibilities, especially with regard to services such as events and travel, by the lockdown measures. Despite shortages, however, companies are still taking a

cautious approach to recruiting new employees. The foreign country PMI, which is weighted by shares of exports, has also risen substantially. At 59.3 points, it is just short of the record high seen in February 2011.

Stefan Ruf, CEO of Euler Hermes Switzerland, comments: "The Swiss export economy is benefiting from the global upturn in industry. The price of copper has doubled in the space of a year. Freight prices for container transport are hitting new records once again. In 2021, the supply shortages which have been a reality at the large



## MERCHANDISE EXPORTS (YOY)

Last official release

1	China	69.4%
2	Norway	33.5%
3	Hong Kong	33.1%
4	Australia	28.3%
5	South Africa	28.2%
6	Peru	27.4%
7	Slovakia	26.6%
8	Chile	26.5%
9	Vietnam	24.7%
10	Taiwan	23.5%
11	Malaysia	22.4%
12	India	21.6%
13	France	20.0%
14	Czech Republic	19.9%
15	World	16.8%
16	Indonesia	16.8%
17	Canada	16.1%
18	Argentina	15.0%
19	Philippines	14.4%
20	Brazil	14.2%
21	Finland	13.6%
22	Sweden	12.7%
23	South Korea	11.9%
24	Germany	11.6%
25	Japan	11.4%
26	Singapore	10.8%
27	Poland	10.0%
28	Italy	8.1%
29	Hungary	7.9%
30	Greece	7.7%
31	Netherlands	7.5%
32	Ireland	7.2%
<b>33</b>	<b>Switzerland</b>	<b>6.6%</b>
34	Romania	6.3%
35	Croatia	6.2%
36	Austria	6.0%
37	New Zealand	5.9%
38	Portugal	5.6%
39	Mexico	4.5%
40	Ukraine	3.8%
41	Denmark	3.1%
42	Colombia	3.0%
43	Spain	2.6%
44	United States	2.1%
45	Thailand	1.8%
46	Russian Federation	-5.6%
47	Saudi Arabia	-9.6%
48	United Kingdom	-14.2%
49	Malta	-19.4%
50	Cyprus	-19.5%

The table shows the annual rates of change in exports of goods to various countries on the basis of the latest official data available (January, February and March 2021). The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

freight ports since the beginning of the year are attributable not to COVID-19 restrictions but to high demand. Then came the obstruction of the Suez Canal and now people are worrying about the shortage of semiconductors. These forces could rather slow down the boom somewhat.

## SWISS EXPORTS SURPASS PRE-CORONAVIRUS LEVELS

Following falls of 7.1% in exports and 11.2% in imports in 2020, Swiss foreign trade is now in recovery mode. In the first quarter of 2021, exports were up by 4.8% on the fourth quarter of 2020 (seasonally adjusted figures). Thanks to this third quarterly increase in succession, exports exceeded the level they had been at before the outbreak of the coronavirus pandemic. Imports rose by 1.7% versus the final quarter of 2020, but remain 7.4% down on the fourth quarter of 2019. The trade balance closed with a surplus of CHF 11.3 billion. In real terms and adjusted for inflation, the changes hardly differ from the nominal figures this time.

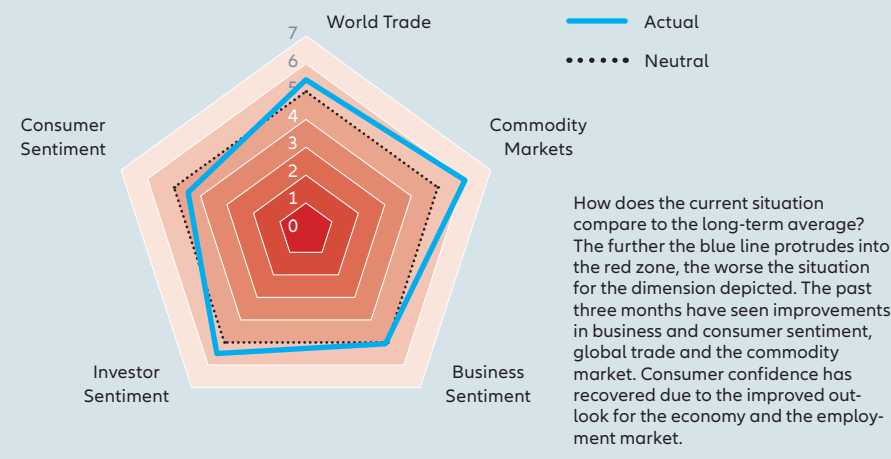
According to the Swiss Customs Administration (EZV), more than half of the increase was generated by chemical and pharmaceutical products (CHF +1.4 billion), with the highest growth being reported in medicines (CHF +1.2 billion). Exports of machinery and electronics and metals also rose. With growth of 4.0% (CHF 5.3 billion), watch

In addition to inflation risks, the focus will also remain on COVID-19 or, more specifically, on the race between the vaccination campaigns and the efficacy of the vaccines on the one hand and new COVID-19 variants on the other."

exports are once again approaching the quarterly sales figures seen in the sector's strong years of 2018/19.

In the first quarter of 2021, Switzerland exported more in terms of value to all major economic regions, with sales to North America undergoing a particularly marked increase (+18.5%). Chemicals and pharmaceuticals are playing a key role here – an indication of the impact of Lonza's vaccine exports to Moderna. Sales in the US were close to the peak that was reached in the first quarter of 2020. Goods sales to Europe were up by 4.6%. At CHF 32.6 billion, exports exceeded the level they were at prior to the outbreak of the coronavirus pandemic according to official figures. Deliveries to France and Spain each rose by a tenth and deliveries to Germany by 7.5% within the space of a quarter. Sales to Asia were up by 2.6%. The increase was particularly marked in deliveries to China (+9.4%), and the country has now reached a new record level of CHF 4.3 billion.

## TREND: GLOBAL ASSESSMENT



## REAL GDP FORECAST 2021 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	5.1	4.0	5.6	6.0	5.2
Advanced Economies		3.3		5.1	4.2
United States of America	5.9	3.5	6.5	6.4	5.6
Euro Area	3.7	3.6	3.9	4.4	3.9
Emerging Markets		5.0		6.7	5.9
East Asia and Pacific	6.1	7.4		4.9	6.1
China		7.9	7.8	8.4	8.0
Latin America	3.8	3.7		4.6	4.0
North Africa & Middle East		2.1		3.7	2.9
Sub-Saharan Africa	2.6	2.7		3.4	2.9
Switzerland				3.5	
<b>World Trade Volume</b>	<b>8.0</b>			<b>8.4</b>	

These are the estimates of the relevant international organisations of the real, inflation-adjusted gross domestic product for various regions of the world for 2021. Following a decline of 9.2% in 2020, the WTO expects the volume of world trade to grow by 8.0% in the current year.

## ABOUT THE EULER HERMES EXPORT FORECAST

The Euler Hermes Export Forecast takes into account a large amount of data that is relevant in the context of the Swiss export industry. It factors in leading indicators for industry, transport and the financial and commodity markets as well as new sentiment indicators. Around 100 components are incorporated into a dynamic, predictive model, in which data series with a stronger lead time are given a higher weighting. The Euler Hermes Export Forecast has a lead time of up to six months in comparison with the actual exports of the Swiss export industry.

## EULER HERMES SWITZERLAND

Euler Hermes is the global market leader in credit insurance and a recognised specialist in the areas of bonding, guarantees and fidelity insurance, including cyber-crime. The company has more than 100 years of experience and offers its business-to-business customers a range of financial services to support them with their liquidity and receivables management. Via its proprietary monitoring system, Euler Hermes follows and analyses the insolvency trends of small, medium-sized and multinational companies on a daily basis. In total, its expert analyses cover markets that account for 92% of global GDP. Headquartered in Paris, the company is present in 50 countries with more than 5,800 employees. Euler Hermes is a subsidiary of Allianz and has a Standard & Poor's rating of AA. In 2020, Euler Hermes insured business transactions worth some EUR 824 billion around the world. Euler Hermes Switzerland employs around 50 staff at its headquarters in Wallisellen and its other locations in Lausanne and Lugano.

## FORWARD-LOOKING STATEMENTS

The statements contained herein may include views, statements about future developments and other forward-looking statements that are based on the present opinions and assumptions of management and involve known and unknown risks and uncertainties. Actual results, performance or events can differ significantly from those that are explicitly or implicitly included in such forward-looking statements. The following factors could cause such differences (list not exhaustive): (i) changes in the economic conditions and the competitive situation, especially in the Allianz Group's core business areas and markets, (ii) financial market developments (especially market volatility and liquidity and credit events), (iii) the frequency and severity of insured claims, including as a result of natural disasters, and the development of claims expenses, (iv) mortality and morbidity rates and trends (v) persistence levels, (vi) the extent of credit defaults, especially in the banking business, (vii) interest rates, (viii) exchange rates, including the EUR-USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the effects of acquisitions, including associated integration issues, and reorganisation measures, and (xi) general competition factors at a local, regional, national and/or global level. Many of these factors may become more likely or more pronounced as a result of terrorist activities and their consequences.

## NO OBLIGATION TO UPDATE

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

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