



EULER HERMES EXPORT FORECAST

August 2021

A company of **Allianz** 

 EULER HERMES

EXPORT FORECAST AT A HIGH LEVEL DESPITE DECLINE

The Euler Hermes Export Forecast stands at 1.85 points. Although this figure is 1.4 points lower than three months ago, the indicator remains at a level that was last achieved in the recovery phase after the financial crisis in 2009. The global labour markets have improved markedly in recent months, which should have a positive impact on consumption. The leading indicators for industry remain on course for a record.

At 1.85 points, the Euler Hermes Export Forecast continues to trend above zero, the level which indicates the long-term average growth rate of the Swiss export industry, suggesting that a lasting rise in Swiss exports can be expected. The record of 3.13 points achieved three months ago can be explained by the very low comparison figures from the previous year. Such base effects also had a role to play in the months of May and June, albeit it to a lesser extent.

The Swiss economy is currently on a summer-time high. After the economy had come within a whisker of a recession at the start of the year, all signs are now pointing to an economic boom. Although the upturn is likely to peak in the summer months, robust growth can continue to be expected in the following quarters. That said, a delta-related economic dip around the turn of the year 2021 to 2022 cannot be ruled out. Thanks to the good progress in the vaccination campaign, a further hard lockdown appears unlikely at present, but a tightening of the coronavirus restrictions could nevertheless dampen investment activity and private consumption. Overall, Euler Hermes expects global trade volume to grow by 7.7% in 2021 (2022: +6.2%) and the Swiss economy to expand by 3.6% (2022: 3.0%), as a result of which economic output would already reach pre-crisis levels in the late summer of 2021.

The International Monetary Fund (IMF) has revised the forecasts for most countries upwards in recent months. The developed industrial nations are now expected to record growth of 5.6% this year (previous forecast: 5.1%). By contrast, the prognosis for the emerging markets was corrected from -0.4% to 6.3%. These and the generally less developed nations are suffering due to the limited availability of COVID-19 vaccines.

THE SWISS EXPORT SECTOR IS BENEFITING FROM THE POSITIVE LEADING INDICATORS IN INDUSTRY

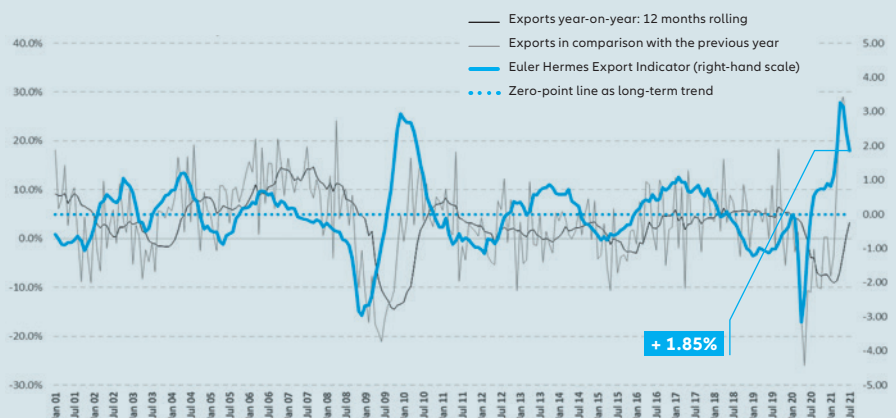
New orders from export markets are increasing globally, albeit less strongly than in the domestic economy. The expansion rate is generally flattening out somewhat, in part due to the current supply chain bottlenecks, which may well have reached record levels. In addition to ongoing delays in the processing of cargo ships at China's large ports, the shortage of semi-conductors is also playing a key role. Due to the enormous shortage of electronic components and chips, the recovery in the passenger vehicle market has stalled, says

the vehicle importers' association Auto Schweiz. Following a small year-on-year increase in the month of June, the July figures are now lagging behind the result from 2020 and are even further below pre-crisis levels. That said, there is now light at the end of the tunnel and it is hoped that the situation will normalise in the fourth quarter. While the recovery is only just getting under way in many branches of the service sector, the expansion in the manufacturing industry is broad-based. Improvements were seen worldwide in the consumption, intermediate and capital goods industries. The euro zone has been

slower to get going this year. According to purchasing manager surveys, PMI readings are at least high in the Netherlands, Germany and Austria. Only Switzerland is scoring even higher, at 71.1 points. By way of comparison: the weighted global PMI is 55.4 points.

Stefan Ruf, CEO of Euler Hermes Switzerland, comments: "The Swiss export industry is likely to continue benefiting from the strong momentum of the global economy over the coming months. The situation on the labour markets is now improving, too. Some sectors – including the car and con-

EXPORT FORECAST



The Export Forecast indicates the future trend in Swiss goods exports (blue, right-hand scale, in standard deviations), with the zero-point line depicting the long-term, average growth trend in the annual rates of change. The graph also documents the official export statistics (including 12 months rolling, left-hand scale).

BUSINESS CLIMATE

Countries above average

▲ Trending higher

Spain
Israel
Denmark

▼ Trending lower

Malaysia
Vietnam
South Africa



The global Business Climate map shows the latest trends in the leading economic indicators by region. All sectors are taken into account. The global climate indicator currently stands at 105.3, which is 5.3 points above the long-term average of 100 points (end of April: 104.9 points). There is strong positive momentum in Spain, Israel and Denmark. The leading indicators in Malaysia, Vietnam and South Africa are negative.

MERCHANDISE EXPORTS (YOY)

Last official release

1	Bangladesh	299.5%
2	South Africa	160.9%
3	Peru	120.0%
4	Saudi Arabia	104.6%
5	India	101.5%
6	Norway	99.1%
7	Slovakia	96.4%
8	Portugal	87.3%
9	Italy	85.1%
10	Spain	81.7%
11	France	79.5%
12	Mexico	75.9%
13	Hungary	73.1%
14	Poland	70.0%
15	Estonia	65.8%
16	Tunisia	65.3%
17	Paraguay	65.1%
18	Canada	63.6%
19	Belgium	60.5%
20	Czech Republic	59.9%
21	Greece	58.5%
22	Germany	57.5%
23	Morocco	57.5%
24	Russian Federation	57.2%
25	Indonesia	56.4%
26	Brazil	53.0%
27	Malaysia	52.8%
28	United States	50.7%
29	Austria	50.4%
30	Netherlands	49.7%
31	Australia	47.4%
32	World	46.3%
33	Colombia	44.1%
34	Sweden	44.0%
35	Japan	42.6%
36	South Korea	42.5%
37	Philippines	41.4%
38	Argentina	41.4%
39	Taiwan	38.1%
40	Vietnam	36.5%
41	United Kingdom	34.8%
42	Switzerland	34.4%
43	Singapore	34.0%
44	Thailand	32.9%
45	Denmark	32.2%
46	Chile	31.7%
47	China	30.8%
48	Israel	29.1%
49	Hong Kong	27.0%
50	New Zealand	26.6%

The table shows the annual rates of change in exports of goods to various countries. Last official data available: April, May and June 2021. The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

struction industries – are suffering are as a result of delivery delays. Although these are not expected to completely derail the upturn, they could well dampen it somewhat. This is because problems in the supply chain are pushing up costs, leading

EXPORTS REACH NEW HIGH

Swiss exports are experiencing an upswing. The trade balance closed the second quarter with a surplus of CHF 11.5 billion, which illustrates the successful dynamic in the export sector. Seasonally adjusted exports rose by 3.2%. In real terms, i.e. adjusted for inflation, the increase was only 1%, however. Quarterly exports exceeded the 60 billion mark for the first time.

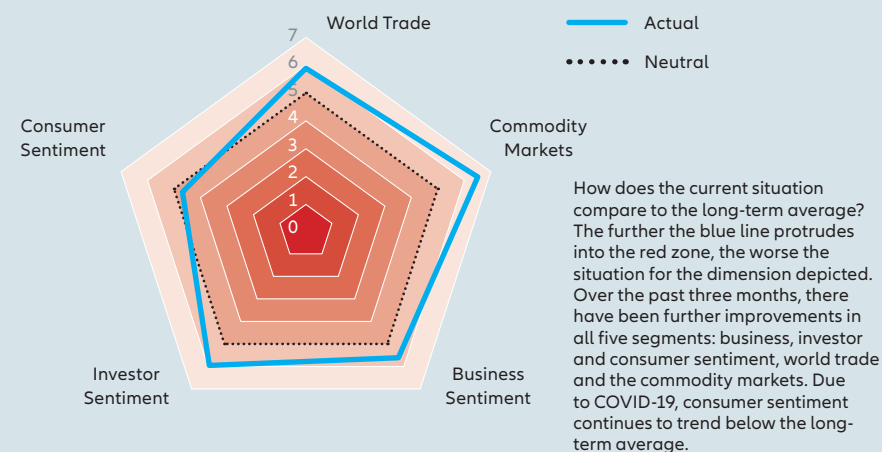
The rise in exports in the second quarter of 2021 was primarily based on sales of chemical and pharmaceutical products. According to the Swiss Customs Administration, this sector accounted for three-quarters of the overall increase. Within the corresponding product group, it was the immunological products and raw materials and basic commodities that stood out. Growth was also reported in sales of metals (+5.7%) and watches (+1.9%), albeit at a lower rate than in the previous quarters. Watch exports have now reached the level of the quarters in 2019, which was a strong year in terms of revenue. Exports of precision instruments were also up, whereas those of machinery and electronics fell.

to one of the strongest increases in purchase prices in the last 13 years. Part of this rise was passed on to customers, which led to a further possibly record-breaking hike in sales prices by manufacturers.”

In the second quarter of 2021, the only growth in the major sales markets was in deliveries to Europe (+5.6%). Spain in particular saw a substantial increase, surpassing the peak of the prior quarter by 27.5%. The increases in exports to Germany, Austria and Belgium are also worth mentioning. Following a negative first quarter, sales to the United Kingdom rose again (+13.9%). Sales to Asia (-1.7%) and North America (-0.6%) were down, however. Following strong previous quarters, exports to China declined while those to Japan and Singapore were up.

Imports also rose in the second quarter 2021 by 3.8% (1.2% in real terms). Two-thirds of the product groups saw an increase in imports. Among imports, too, the key contribution was based on the chemical and pharmaceutical products (+5.1%). Significant growth contributions also came from energy sources (+28.8%) and metals (+8.8%).

TREND: GLOBAL ASSESSMENT



REAL GDP FORECAST 2021 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	5.1	5.6	5.8	6.0	5.6
Advanced Economies		5.4		5.6	5.5
United States of America	5.9	6.8	6.9	7.0	6.7
Euro Area	3.7	4.2	4.3	4.6	4.2
Emerging Markets		6.0		6.3	6.2
East Asia and Pacific	6.1	7.7		7.5	7.1
China		8.5	8.5	8.1	8.4
Latin America	3.8	5.2		5.8	4.9
North Africa & Middle East		2.4		4.0	3.2
Sub-Saharan Africa	2.6	2.8		3.4	2.9
Switzerland			3.2	3.5	
World Trade Volume	8.0			8.4	

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. The International Monetary Fund (IMF) expects real growth in global GDP of 6.0% this 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.

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