

# EULER HERMES EXPORT FORECAST

December 2021

A company of **Allianz** 

 EULER HERMES

# FURTHER GROWTH EXPECTED DESPITE HEADWIND

**The Euler Hermes Export Forecast stands at 0.95 points in November (August 2021: 1.85 points). Accordingly, further double-digit export growth can be expected in the coming half year. The outlook for Europe has improved significantly over the past three months, while the forecasts for the US have been revised downwards. The outlook for the emerging markets remains stable.**

At 0.95 points, the Euler Hermes Export Forecast is trending considerably above zero. As expected, the indicator has fallen markedly since April's record of 3.13 points due to the declining momentum. However, on the basis of past statistical patterns, this level still corresponds to export growth in double-digit annual rates in the first half of 2022.

Switzerland is ahead in Europe, with GDP already rising above pre-crisis levels in the second quarter of 2021. However, after the summer's economic peak, a significant slowdown in momentum is expected. Ongoing supply chain bottlenecks, rising energy prices and weakening demand from China are likely to hold industry back until mid-2022. Given the declining catch-up effects and rising infection rates, the service sector must also expect a drop in demand. Switzerland's vaccination rate of just under 66% is among the lowest in Europe, which increases the risk to its economy.

Overall, Euler Hermes expects Swiss exports to increase by 6.0% in both 2021 and 2022. World trade is predicted to grow by 8.3% in 2021 (2022: 5.4%) and Swiss GDP by 3.5% (2022: 3.0%). The economic roller coaster ride caused by the coronavirus pandemic probably will not come to an end until 2023.

## FORECASTS FOR EUROPE REVISED UPWARDS

In recent months, the global economic outlook has remained stable on balance. However, the initially euphoric prognoses for the US have been scaled back somewhat. In general, the recovery from the coronavirus pandemic continues to be rapid, but problems in logistics and fears of new waves of infection are increasingly acting as braking factors.

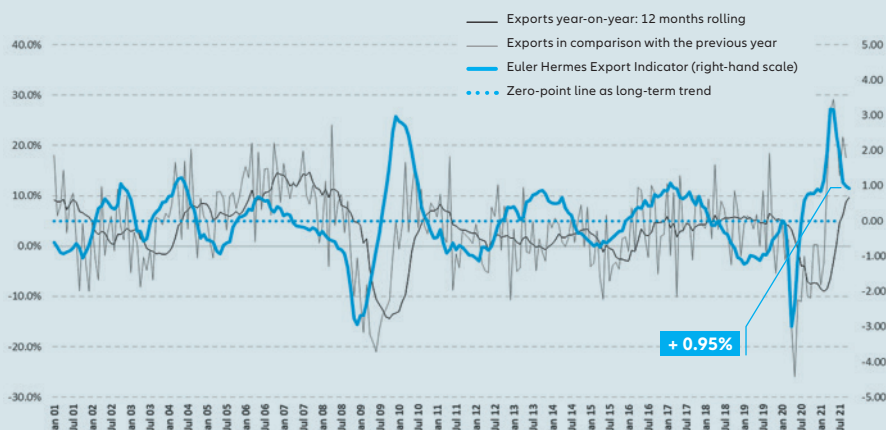
In October, the expansion rate of global industrial production was the weakest it has been during the current 16-month upturn. The reasons for this are supply chain disruption, rising cost inflation and a near standstill in international trade flows at the world's largest cargo ports.

Although the J.P. Morgan Global Manufacturing PMI, the most important indicator for purchasing managers in the manufacturing industry, rose slightly to 54.3 points in October (September: 54.1), new order figures, especially those from abroad, point to lower growth rates.

Despite this, all important markets except Mexico and Myanmar have PMI readings of over 50 points, which indicates a general growth trajectory. The euro zone is a bright spot: the five best-placed countries are members of this currency bloc. Broken down by sector, the data signal growth in the consumption, intermediate and capital goods industries. The downturn in China continues for the third month in a row. Among the largest emerging countries, India reports a significant acceleration in production growth.

The positive outlook for future production growth in manufacturing is leading to a slight increase in employment levels. In the US, the euro zone, Japan, the United Kingdom and Brazil, the number of employees is on the rise. In China and India, by contrast, employment is falling. A modest increase in employment levels is being observed in Switzerland. According to procure.ch, this can be interpreted as a sign of scepticism with regard to the current boom's sustainability.

## EXPORT FORECAST



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

## BUSINESS CLIMATE

### Countries above average

- ▲ Trending higher
  - Ireland
  - Turkey
  - Russia

### Countries below average

- ▼ Trending lower
  - Indonesia
  - Hungary
  - Czech Republic



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 103.3, which is 3.3 points above the long-term average of 100 (end of January: 105.5 points). There is strong positive momentum in Ireland. Leading indicators are negative in a number of places, including Indonesia. The country struggled with a major wave of the coronavirus pandemic in July and August.

## MERCHANDISE EXPORTS (YOY)

Last official release

1	Norway	104.8%
2	Russian Federation	88.8%
3	Saudi Arabia	68.9%
4	Argentina	57.9%
5	Indonesia	50.9%
6	Australia	50.3%
7	Ukraine	49.3%
8	Brazil	40.6%
9	Estonia	39.5%
10	India	38.2%
11	South Africa	36.6%
12	Colombia	34.7%
13	Greece	33.9%
14	Taiwan	29.9%
15	Belgium	29.9%
16	Chile	28.9%
17	Netherlands	27.3%
18	Bulgaria	27.3%
19	South Korea	26.9%
20	Poland	25.5%
21	World	25.1%
22	Canada	24.5%
23	China	24.2%
24	Morocco	23.9%
25	United States	23.5%
26	Hong Kong	22.8%
27	Finland	21.6%
28	France	20.8%
29	Japan	20.8%
30	Spain	20.7%
31	Sweden	20.0%
32	Singapore	19.2%
33	Italy	19.0%
<b>34</b>	<b>Switzerland</b>	<b>17.5%</b>
35	Malaysia	17.0%
36	Thailand	15.5%
37	Israel	15.4%
38	Portugal	15.2%
39	United Kingdom	15.2%
40	Tunisia	14.8%
41	Germany	14.7%
42	New Zealand	14.5%
43	Austria	13.4%
44	Denmark	12.8%
45	Philippines	12.8%
46	Mexico	10.7%
47	Hungary	9.5%
48	Czech Republic	8.4%
49	Slovakia	6.8%
50	Vietnam	2.9%

The table shows the annual rates of change in exports of goods to various countries.

Last official data available: July, August and September 2021. The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

Global supply chains remained under intense pressure in October, with average delivery times increasing faster than ever before in recent decades. As a result of the uncertainties, companies are stocking up their inventories. Stefan Ruf, CEO of Euler Hermes Switzerland, comments: "The strong Swiss franc, rising prices and longer delivery

### EXPORTS AT AN ALL-TIME HIGH

In the third quarter of 2021, Swiss foreign trade was up in both directions. While exports rose by 3.7% in nominal terms compared with the second quarter to CHF 63.1 billion, thus reaching a new quarterly high, imports grew by 2.6% to CHF 50.5 billion. Adjusted for inflation, i.e. in real terms, exports grew by 1.5% and imports by 1.1%.

Quarterly exports have been back above pre-pandemic levels since the first quarter of 2021. Despite increasing for the third time in a row, import levels are still some CHF 2.5 billion below their previous peak in the third quarter of 2019. The result was a new record for the trade balance: the surplus rose within the space of a quarter to CHF 12.6 billion. Among other things, this is giving the Swiss franc fresh impetus.

The upward trend is broad-based. Exports of chemicals and pharmaceuticals rose sharply, especially immunological products. Jewellery exports were also up,

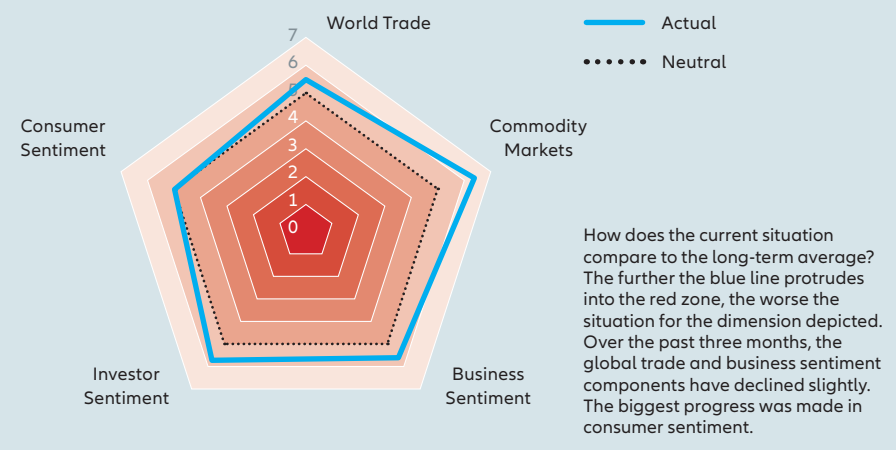
times are causing problems for Swiss exporters. In 2022, however, price growth should fall back below the highs of 2017/18. Global trade should also normalise from the second half of 2022. Overall, the Swiss export industry should continue to grow – in line with above-average global trade volumes."

growing by a third (in nominal terms and seasonally adjusted). According to the Swiss Customs Administration (EZV), exports of precision instruments rose by 4.0% and those of watches by 3.6%. Both divisions thus set new sales records. Exports of machinery and electronics and metals increased at practically identical rates (2.7% and 2.6%).

Swiss companies sold more goods on all large continents in the third quarter of 2021, although growth rates did vary. Shipments to North America rose by 8.0% over the previous quarter. Exports to Europe increased by 4.2%, while those to Asia were up by 1.0% in total. Declining exports to Hong Kong, Singapore, Japan and India contrasted with increases in deliveries to South Korea and the United Arab Emirates.

Car imports fell for the third quarter in a row. While imports from Europe and North America increased, those from Asia faltered.

### TREND: GLOBAL ASSESSMENT



### REAL GDP FORECAST 2021 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	5.1	5.6	5.7	5.9	5.6
Advanced Economies		5.4		5.2	5.3
United States of America	5.9	6.8	6.0	6.0	6.2
Euro Area	3.7	4.2	5.3	5.0	4.6
Emerging Markets		6.0		6.4	6.2
East Asia and Pacific	6.1	7.7		7.2	7.0
China		8.5	8.5	8.0	8.3
Latin America	3.8	5.2		6.3	5.1
North Africa & Middle East		2.4		4.1	3.3
Sub-Saharan Africa	2.6	2.8		3.7	3.0
Switzerland			3.2	3.7	
<b>World Trade Volume</b>	<b>10.8</b>			<b>9.7</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. Global GDP is expected to grow by 5.6% in real terms on average. Over the past three months, the forecasts for Europe have been revised upwards while those for the US have been adjusted downwards.

## 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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