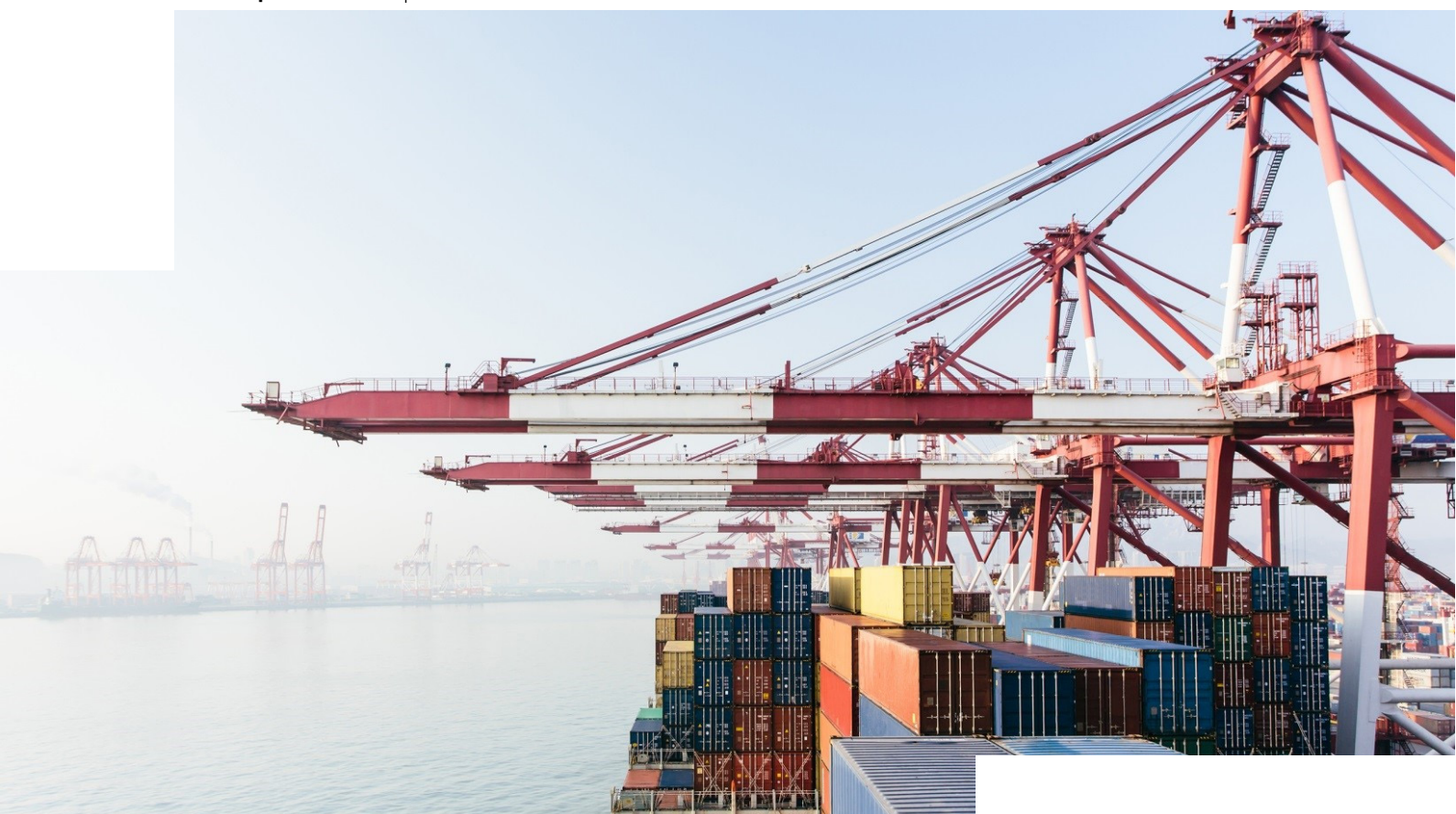


# Recovery boom in exports persists

SME Export Outlook | H1 2022



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# Recovery boom in exports persists

- **The export sentiment of Swiss SMEs is strengthening further, and remains close to the levels recorded in the boom year of 2018. 66% of the companies surveyed by Switzerland Global Enterprise (S-GE) are anticipating an increase in exports in the first semester of 2022. Only 10% are expecting a decline.**
- **Also buoyant are the Credit Suisse Export Barometer and the Swiss Purchasing Managers Index (PMI) for manufacturing, both of which remain clearly in the growth zone.**
- **Growth is currently being held back primarily by the challenges resulting from the ongoing Covid-19 pandemic. These include ongoing supply shortages that should persist until at least the middle of this year, and in some cases even into 2023.**

## **Export Barometer still buoyant**

The Credit Suisse Export Barometer, which measures foreign demand for Swiss products, currently stands at 2.15 points, which means it remains comfortably in the growth zone. Although there has been a slight decline from the peak registered in May 2021, when the Barometer stood at more than 3 points, the figures are nonetheless on a par with the earlier record values posted in 2018 and 2010. This suggests that the volume of Swiss exports is set to increase further over the next three to six months.

A similar picture is painted by the Swiss Purchasing Managers Index (PMI) for manufacturing, which stood at 62.7 points in December. This indicator has therefore been well above the growth threshold for almost a year and a half. It has even recorded a very slight rise of 0.2 points since November, and thus for the time being broken the downward trend evident since the peak of 71.1 points recorded in July 2021.

The index essentially mirrors the development of global purchasing managers indices, which have also declined slightly in recent months but in the case of Europe and the US likewise remain comfortably in the growth zone. Accordingly, sentiment in the industrial markets of the key buyers of Swiss products remains optimistic.

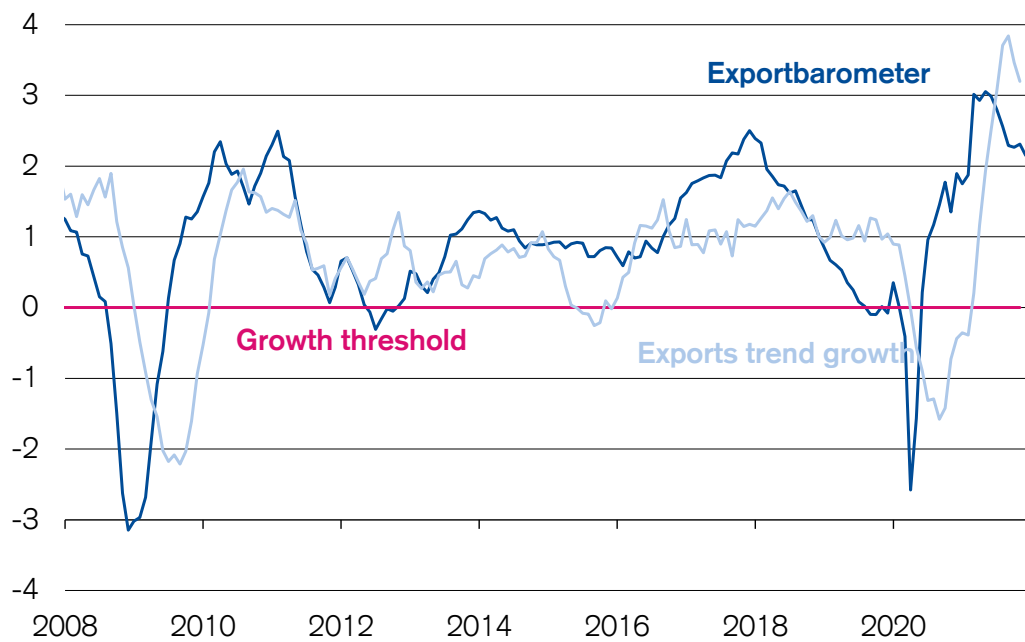
## **Supply shortages weigh on growth**

This positive picture is somewhat overshadowed by global supply shortages, which are affecting Swiss manufacturers too. Two-thirds of the surveyed purchasing managers indicated that they were likely to suffer production outages over the next six months due to procurement difficulties. Roughly one in every five affected companies has already been forced to resort to short-time working once again due to supply shortages. In sectors such as paper and furniture, but also electronics, watches and pharma, insufficient preliminary product inventories are going hand in hand with insufficient inventories of finished products, which is an indication that a lack of preliminary products is slowing both production and sales. At the moment, excessively low preliminary product inventories in sectors such as metal-working and mechanical engineering do not appear to be having a generally negative effect on warehouse inventories.

Whereas the demand for goods is set to weaken only gradually, production and transport capacities can increase only sluggishly (or not come fully on stream sufficiently fast) due to the persistent global effects of the Covid-19 pandemic. Credit Suisse is therefore expecting no significant alleviation of the supply bottleneck problem before the middle of this year. In the area of electronics – and specifically semiconductors (chips) – the situation is likely to remain challenging even into 2023. At the same time, demand for Swiss exports will remain intact due to the persistently strong need for goods.

### Credit Suisse Export Barometer

In standard deviations, growth threshold = 0



Source: Bloomberg, Datastream, PMIPremium, Credit Suisse/IDC

#### Export sentiment at unprecedented high

The ongoing boom is having a clear impact on the sentiment of exporting Swiss SMEs, who continue to look to the future with huge confidence: The level of export sentiment as evaluated through the survey conducted by Switzerland Global Enterprise has recorded a further rise of 1.3 points to a level of 76.5 points. This puts it in line with the range recorded in the boom year of 2018 (74.5 to 78.3 points), and far above the growth threshold of 50 points. The index level, which lies on a scale of 0 to 100, is calculated on the basis of SMEs' export expectations for the first half of 2022, as well as actual exports in the previous semester.

The high export sentiment figure reflects the fact that 66% of respondent companies are anticipating an increase in exports in the first semester of 2022: 45% anticipate growth of 1% to 10%, 14% as much as 11% to 25%, and 7% are even expecting a rise of more than 25%. 24% of companies are expecting export figures to remain unchanged, with just 10% envisaging an export decline.

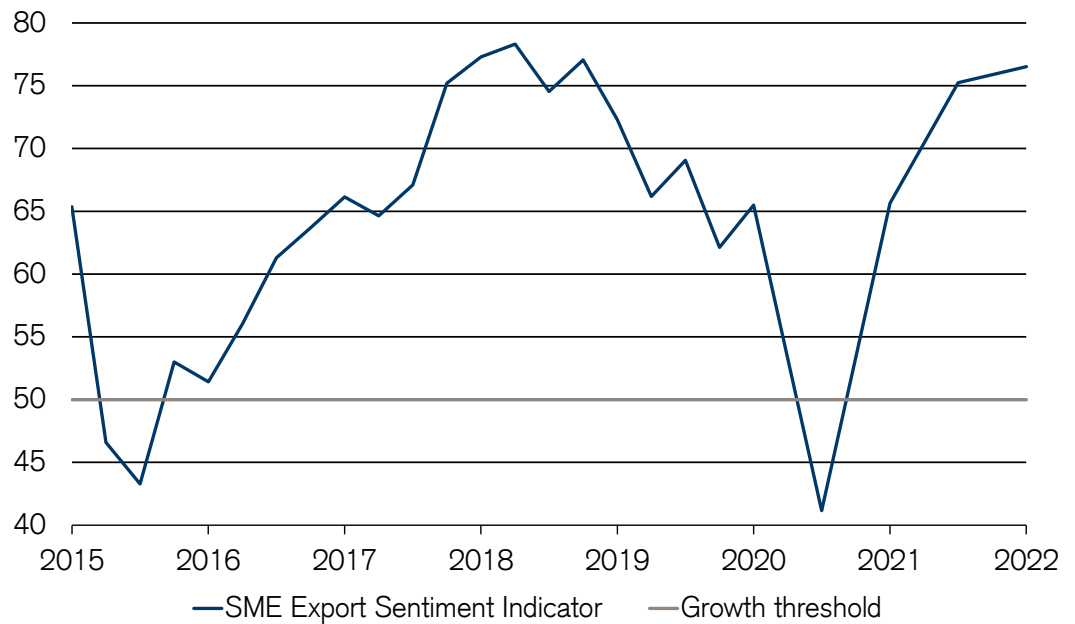
#### Germany the most important export nation

Europe remains the most important sales market for Swiss exporters, and particularly Switzerland's neighboring countries. Of the surveyed companies, 79% are looking to export to Germany over the next six months, 58% to France, 57% to Austria, and 50% to Italy. These countries are followed by the countries of Scandinavia (40%), Spain (40%), the Netherlands (38%), Belgium (34%), and Poland (34%). This European dominance is broken only by the US, to which 50% of all surveyed companies are exporting, and China (40%).

When looking at just the three most important export destinations of respondent companies, Germany's dominance stands out all the more: 87% of all companies state that Germany is one of their three key export markets. It is followed by Switzerland's other neighboring countries of France (41%), Austria (35%), and Italy (25%), as well as the US (42%) and China (32%).

### SME export sentiment according to Switzerland Global Enterprise

Weighted value of H2 2021 and H1 2022, growth threshold = 50



Source: Switzerland Global Enterprise

#### Gulf states an emerging trend, China drops back

In terms of what new export markets are to be opened up in 2022, it is the Gulf states that emerge as the key target: 14% of companies now want to gain a foothold in Qatar, Oman, Kuwait and Bahrain, while 11% are targeting the United Arab Emirates and 6% Saudi Arabia. Next in the rankings come Russia and the US (13% each), India (11%), United Kingdom (10%), along with Brazil, Japan, the countries of Scandinavia, Singapore, and Taiwan (all 8%). A striking development is that China – which topped this category with 15% only last semester – has now slipped right back to mid-pack (6%). This is likely to be first and foremost attributable to the country's zero-Covid policy and its intensified regulation.

#### Rise in demand for labor

It is only logical that the positive export outlook will feed through into employment figures: Almost 50% of the surveyed companies are planning to recruit additional personnel in 2022. 45% of companies expect headcount to remain unchanged, with just 4% envisaging a decline.

#### Pandemic remains the big challenge

The survey reveals that the Covid-19 pandemic and its consequences will remain the major challenges for exporting companies in 2022. No less than 69% of companies believe the pandemic will remain the key issue for the development of their business going forward. The next four places in the rankings are occupied by challenges that will be strongly influenced by the pandemic or emerge as a direct consequence: "disruptions to value creation chain" (45%), "a lack of planning certainty" (44%), "travel restrictions" (43%), and "material procurement" (41%).

There is then quite a gap to "geopolitical tensions" (25%) in sixth place, followed by "trade obstacles" (22%), "digitalization" (16%), "sustainability" (13%), and "protectionism" (10%).

#### Worries over EU relationship

At an international policy level, more than a half of respondent companies (56%) are worried about market access to the European Union following a breakdown of negotiations on the institutional framework agreement with the EU. As many as 22% are even "very worried". By contrast, the trade conflict between the United States and China appears to be of much less concern at the moment: Just 30% of companies were fearing negative repercussions for their business as a result of this trade conflict. For the great majority (56%) the trade conflict is largely irrelevant, while 14% believe their business will actually benefit from this situation.

## Methodology

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### **Credit Suisse Export Barometer**

The Credit Suisse Export Barometer takes as its basis the dependence of Swiss exports on foreign export markets. In constructing the export barometer, we have drawn together important leading industry indicators in Switzerland's 28 most important export countries. These indicators generally have a forecast horizon of approximately one to two quarters. The values of these leading indicators are weighted on the basis of the share of exports that goes to each country. The export barometer consolidates this information to produce a single indicator. Since the values in question are standardized, the export barometer is calibrated in standard deviations. The zero line corresponds to the growth threshold. The long-term average growth of Swiss exports of approximately 5% is 1.

The chart on page 3 underlines the nature of the Credit Suisse export barometer as a forecasting tool: The correlation between export growth (6-month moving average) and the barometer with a lead time of one quarter is a good 0.82. In addition to providing forecasts for exports as a whole, the export barometer also makes forecasts about specific sectors or regions.

### **For more detailed information:**

Credit Suisse (2009), External Trade Switzerland – Facts and Trends, Swiss Issues: Industries, available at: [www.credit-suisse.com/research](http://www.credit-suisse.com/research)

### **Switzerland Global Enterprise SME Export Sentiment Indicator**

Switzerland Global Enterprise's SME export sentiment indicator is quite simple: Starting from this issue, SMEs indicate whether they expect growth, stagnation or a decline in exports in the current semester compared with the previous one. In past studies, the current and previous quarter were compared. The same question is put with regard to export expectations for the following semester compared with the current one. To emphasize the forecast nature of the SME export sentiment indicator, expected export activity in the following semester is weighted at 60% with exports in the current semester being weighted at 40%. The SME export sentiment indicator can range from 0 to 100, whereby figures between 0 and 50 show an expected decline in exports and figures of 50 to 100 an expected rise in exports.

The SME export sentiment indicator is based on a quarterly survey of a fixed panel of around 200 Swiss SMEs. Participants represent the pharmaceuticals/chemicals industry, machinery, consumer goods, the metals industry, paper, electrical engineering, the precision instruments industry, services, ICT and food. Participants provide further information on export volumes, for instance the reasons behind a change in their export volume, export markets, etc. This information gives an accurate picture of the export activities of Swiss SMEs.

# Imprint

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## **For more detailed information:**

[www.s-ge.com/exportperspektiven](http://www.s-ge.com/exportperspektiven)

Please note: From 2010 through 2015, this publication bore the title “SME Export Indicator”

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