

SME export sentiment | Second half of 2023

THE SWISS EXPORT INDUSTRY IS LOOKING TO THE FUTURE WITH CONFIDENCE



OFFICIAL PROGRAM

The export sentiment of Swiss SMEs, as measured by Switzerland Global Enterprise (S-GE), is on the up again and remains well above the growth threshold. Europe and the USA remain the most important sales markets, while China is once again attracting more attention now that it has opened up. The Gulf states, India and South America will also continue to be a central point of interest. Global challenges aren't disappearing, but they are becoming a little less worrying. The issue of sustainability will gain increasing importance in the next few years.

Export sentiment clearly on the up

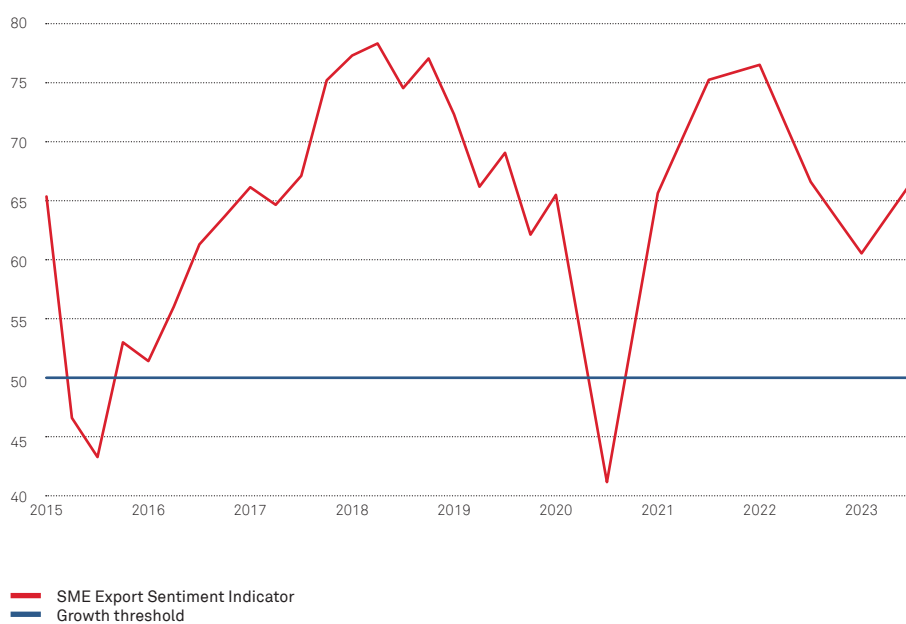
With the war in Ukraine, rising inflation and ongoing disruptions in value chains, global challenges seem to be mounting up rather than decreasing, even though the pandemic is now over. A slightly different, more nuanced perspective is provided by the survey of Swiss SMEs in the export sector, conducted by Switzerland Global Enterprise every six months to determine current export sentiment.

This shows that, despite all the challenges, the companies surveyed are much more positive about the coming months than they were six months ago. With an increase from 60.5 points to the current 66.7 points, the ongoing downward trend that has been occurring since the start of 2022 has not only halted, but has actually turned into an upward trend. This puts sentiment values well above the growth threshold of 50 points.

This positive sentiment is reflected by the fact that 59% of the companies surveyed expect their exports to grow compared to the previous year. Just six months ago, “only” 53% expected the figures to rise. The group of companies expecting growth between 10 and 25 percent has almost doubled (from 11% to 21%). 32% of companies do not expect their export figures to change in 2023, while 20% are expecting a decline.

SME export sentiment of Switzerland Global Enterprise

Weighted value from the first half of 2023 and the second half of 2023, growth threshold = 50



Source: Switzerland Global Enterprise

Half-year figures exceed expectations

The forecast figures for the first half of 2023 show that these forecasts are not unsubstantiated: They are significantly better than expected at the beginning of the year. At that time, 44% of SMEs expected exports to grow, while 24% expected a decline. Indeed, as many as 51% are now experiencing growth, while 23% are experiencing a decline.

The biggest challenges are becoming less prominent

To interpret this confidence, it is helpful to have a look at the challenges facing SMEs in 2023. Energy and raw material prices and currency risks remain the biggest concerns, but compared with the start of the year, “only” 54% (instead of 73%) cite high prices and 51% (instead of 61%) state currency risks to be the main issues.

The biggest leap forward came in the last half of the year, with inflation now ranking third instead of fifth on the list of concerns. Interestingly, however, it also poses fewer serious problems for export companies than it did six months ago (39% instead of 42%).

Compared to the downward trend at the top of the list, the challenges at the lower end of the scale are gaining slightly in importance: These are the tensions between the US and China (from 21% to 23%), the issue of sustainability (11% to 17%), trade barriers and protectionism (from 13% to 16%).

Stable workforce

There are also positive signs with regard to the number of employees. Around 90% of the companies surveyed expect their workforce to remain at the previous level (56%) or even grow (34%). Only a relatively small proportion of 10% anticipates a decline in the workforce. The fact that the increase is not even greater can be explained by the fact that the majority of companies expect export growth in the single-digit percentage range, which can be managed with the available staff.

China's importance is on the rise again; Europe and the US remain clear leaders

Along with the lessening of the most important problems, the end of the COVID-19 pandemic has also helped the Swiss export industry to look positively towards the coming months. This is also evident in China, which has opened up more in recent months. As a result, it has become an attractive export destination once more, and the issues with respect to value chains have eased.

The figures show that China is indeed one of the few countries to which slightly more Swiss SMEs export than six months ago (from 33% to 35%). In contrast to this, the top nations all show slight losses: Nevertheless, Germany at 71%, France at 57%, the USA at 54%, Italy at 51%, and the UK and Austria both at 47% remain the undisputed most important sales markets.

When it comes to the three most important target markets for each company, Germany, as always, is in the lead – still by a long stretch – at (62%), ahead of the US at 40%.

Brazil, the US and Canada are among the most important new markets

There have been only marginal changes in the ranking of markets newly targeted by SMEs. Interestingly, the Gulf states (10%) and India (9%) remain in the top three. Brazil has caught up (from 7% to 10%), clearly leaving other emerging South American countries like Chile and Argentina behind. The USA (from 6% to 8%) and Canada (from 3% to 7%) also show an upward trend. China is also making a leap forward (from 2% to 6%) and is now on a par with Germany, Italy, the UK and the ASEAN countries.

Sustainability is becoming much more important in the export sector

The latest survey by Switzerland Global Enterprise pays particular attention to the issue of sustainability, which is becoming increasingly important in all areas. The German Supply Chain Act came into force at the beginning of this year. The European Parliament also recently adopted the European Supply Chain Act, and the OECD also presented its updated Guiding Principles for Responsible Corporate Governance in June, which focus primarily on the areas of environment and digitalization.

Accordingly, in the Switzerland Global Enterprise survey, 73% of SMEs assume that sustainability will continue to gain in importance in the export business over the next three to five years. 24% believe the importance will remain at the current level, with only 3% expecting a decline.

A more detailed look reveals which issues relating to responsible supply chains are likely to become particularly important in the future. 53% of SMEs expect compliance with environmental standards to become more important in their own supply chain.

At 52%, almost as many companies believe that diversifying supply chains is becoming more important so that other supply chains can be switched to if problems arise. The circular economy (36%), transparency and accountability (35%) will also gain in importance, although less so.

Methodology

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. 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 more than 200 Swiss SMEs. Participants are active in multiple sectors, including pharmaceuticals/chemicals, machinery, consumer goods, metals, paper, electrical engineering, precision instruments, services, ICT and food. Participants provide further information on export volumes, such as 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.

Note

From 2010 to 2015, the publication was called the "SME Export Indicator", and from 2015 to 2023, "SME export outlook". It was published together with the Credit Suisse Export Barometer.

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SWITZERLAND GLOBAL ENTERPRISE

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