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SWITZERLAND GLOBAL ENTERPRISE

SME export sentiment | First half of 2024

EXPORTS STAGNANT: SWISS COMPANIES ADJUST THEIR EXPECTATIONS AND STRATEGIES

OFFICIAL PROGRAM

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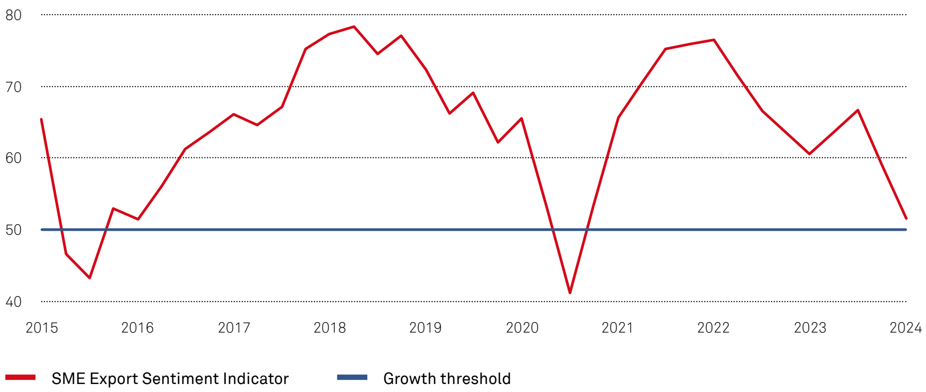
Swiss SMEs' export sentiment is only slightly above the growth threshold, due to ongoing geopolitical challenges and the strong Swiss franc. At this stage, companies are focusing on consolidation rather than on new markets. Europe and the US remain the most important destinations. The Swiss economy will face additional regulations relating to sustainability, which will also affect many SMEs.

Little growth the first half of 2024

The outlook for the Swiss export sector has dimmed in recent months, as shown by the survey of Swiss SMEs in the export sector conducted by Switzerland Global Enterprise every six months to determine current export sentiment. Sentiment values have fallen from 66.7 to 51.6 points and are thus only slightly above the growth threshold of 50 points. With the exception of the brief slump at the start of the Covid pandemic, export sentiment is now at its lowest level since January 2016. All signs point to stagnation.

SME export sentiment of Switzerland Global Enterprise
Weighted value from the first half of 2024, growth threshold = 50



Source: Switzerland Global Enterprise

Little change in export volumes

Even the second half of 2023 proved to be significantly worse than expected. While 51% of exporting firms expected an increase and 16% expected a decrease, the reality was somewhat different: more than twice as many firms (36%) experienced a decrease and only 33% experienced an increase.

The picture looks similar, if slightly more optimistic, for the next six months. 37% of the SMEs surveyed expect an increase in exports, 34% expect stagnation and 29% expect a decline. It is striking that 78% of all enterprises predict that their export volumes will change between +10% and –10%, highlighting that little movement can be anticipated in the market.

Companies are a little more confident with regard to the 2024 calendar year as a whole: 45% are forecasting growth, 27% stagnation and 28% decline. However, the overwhelming majority (79%) expect little or no change (max. +/– 10%) for this period, too.

Europe and the United States remain the main markets

Little change is also expected in terms of the desired target markets. Together with the United States, Switzerland's European neighbors – Germany in particular – remain the country's most important export destinations. 79% of all companies surveyed plan to export to Germany in the next six months, 8% more than in the second half of 2023. This is followed by France, Italy and the US (all 56%).

In general, the importance of individual countries appears to be remaining constant or is increasing slightly. The only exception is Russia, which has dropped an additional 2% from its low level and is now reported as an export destination by only 4% of the companies surveyed. This will further marginalize this market, which was supplied by 31% of Swiss SMEs before the outbreak of the war in Ukraine.

Germany also remains the leader by a large margin in terms of the most important export markets for each company: 69% of companies identify Germany as one of their three most important target markets. This means that it is mentioned almost twice as often as the US (39%), which takes second place, and more than three times as often as France (21%) in third place. This is followed by China (18%), Italy (15%), Austria (15%) and the United Kingdom (13%).

Consolidation instead of conquering new markets

Stagnation is also evident when it comes to new markets that companies want to develop over the next six months. Along with many other destinations, the leaders are also suffering a setback: Brazil and the Gulf States are still identified as a new target market by 7% (instead of 10% as previously), while India and the US are also now at 7% (instead of 9% and 8% respectively). This less euphoric picture is borne out by the fact that 31% of all companies say they will not be entering new markets in the next six months: 10% more than six months ago.

This makes it clear that, on the one hand, the appetite for new adventures is currently low and, on the other hand, the conditions are not favorable for conquering new markets on a large scale.

Little change in number of employees

The overall picture is confirmed by the forecasts for the number of employees: 62% of the SMEs surveyed are not planning any changes in this respect, 21% expect an increase and 17% expect a reduction. While the proportions of companies anticipating no change or a negative change increased by 6% and 7% respectively compared to summer 2023, the proportion forecasting an increase in their number of employees dropped significantly (13%).

The renewed appreciation of the Swiss franc comes at an unfortunate time

The survey shows that ongoing global challenges and the numerous trouble spots are slowly but surely having an impact. The current situation is particularly aggravated by the sudden appreciation of the Swiss franc, which makes it even more challenging for the export industry to win orders – especially as conditions are already challenging. Similarly, 63% of SMEs identified currency risks as a challenge. As many as 80% say that exchange rate developments affect their business "negatively" (55%) or "very negatively" (25%).

This puts currency risks at the top of their list of worries, displacing high energy and commodity prices, which have dropped 4% to 50% and now take second place. This slight easing is also likely to be linked to the strong franc, which makes it possible to import raw materials comparatively cheaply. Inflation, too, is now losing its sting, falling to 5th place on the list of worries (29% instead of 39%). This reflects the fact that inflation in Switzerland remains low compared to other nations.

The shortage of skilled workers remains an important problem, but is not getting worse at the moment (34%). On the other hand, companies expect the relationship between Switzerland and the EU to be an important topic this year (35%).

Only 17% are concerned about disruptions in the value chain, which were so dominant during the coronavirus pandemic: at times, they caused problems for 64% of companies. Whether this assessment will be true given, say, the delicate situation regarding the Red Sea at present, remains to be seen.

EU regulations on sustainability also affect Swiss SMEs

Sustainability is high on the political agenda. For example, the EU's planned Corporate Sustainability Due Diligence Directive (CSDDD), which is about to be adopted, could have a direct or indirect impact on several thousand companies in Switzerland, both large and small.

In contrast, sustainability is seen as slightly less important among the SMEs surveyed, with 64% of SMEs feeling "hardly" or "not at all" affected by increasing sustainability reporting requirements. Just 40% have shifted their supply chains to pay greater heed to sustainability or plan to do so in 2024. They primarily focus on sustainability criteria in procurement (31%), transparency along the supply chain (22%) and measures to promote the circular economy.

Significant need for information relating to sustainability

It is impossible to say for certain whether these figures indicate that many Swiss SMEs are not yet aware of the regulations that will affect the economy. However, the survey shows that there is a significant need for information: 46% of companies want information on requirements, special regulations and framework conditions in target countries so they can navigate the international regulatory jungle better.

21% of companies want support with finding suppliers and business partners that hold sustainability certifications and 19% want support with adapting and building a sustainable supply chain. Only 5% are looking for help with finding sustainability experts in target countries.

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 2022, "SME export outlook". It was published together with the Credit Suisse Export Barometer.

SWITZERLAND GLOBAL ENTERPRISE
Switzerland Global Enterprise (S-GE) is the official Swiss organization for export and investment promotion with around 200 employees at locations throughout Switzerland and around the world. As a consulting, promotion and platform organization, we support Swiss SMEs in their international business and innovative foreign companies with potential and interest in settling in Switzerland. S-GE operates its own teams (Swiss Business Hubs) at 22 locations, covering a total of 45 countries. The Swiss Business Hubs are integrated into the diplomatic missions of the Federal Department of Foreign Affairs (DFA). S-GE is present in 130 countries through the respective Swiss diplomatic missions or through its own global partner network.

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