

# SME Export Outlook

A publication by Switzerland Global Enterprise and Credit Suisse, Q3 2017

## Free trade agreements accelerate export growth

- Export-oriented Swiss SMEs are continuing to view the future positively. According to the latest survey on export sentiment by Switzerland Global Enterprise (S-GE), around half of all SMEs expect exports to continue to rise in the third quarter of 2017.
- The Credit Suisse Export Barometer is only marginally below its peak of the last ten years. This points toward solid export growth for the Swiss economy. Performance is being driven by growth momentum from Germany and the USA.
- Switzerland has continuously expanded its network of free trade agreements (FTAs) over the past 25 years. The effects of this are extremely positive: Exports have on average risen more sharply than before following the entry into force of an FTA. Over one fifth of all exports are now sent to FTA partner countries (excluding the EU/EFTA).

### Credit Suisse Export Barometer

In standard deviations, growth threshold = 0



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

The Credit Suisse Export Barometer measuring foreign demand for Swiss products currently stands at 2.3 points and has thus reached a level that is only marginally lower than the peak

of the last ten years. For the Swiss economy this raises expectations of solid export growth. The positive development is primarily thanks to the two largest export markets Germany and the USA. Although the US dollar has depreciated by around 5.5% against the Swiss franc since the start of 2017 so that exports to the USA became more expensive in the first half of the year, the positive outlook in US industry is set to outweigh this and stimulate exports. Meanwhile, industrial production is also growing dynamically alongside private consumption in Germany. Furthermore, the euro displayed a slight appreciation trend against the Swiss franc in the first half of the year, thereby supporting exporting Swiss SMEs.

The SME export sentiment measured by Switzerland Global Enterprise (S-GE) reached 67.1 points at the start of the third quarter of 2017. It is based on the export expectations of SMEs for the third quarter and effective exports in the preceding quarter. Export sentiment is therefore slightly up on the 64.7 points of the previous quarter and remains well above the growth threshold of 50 points on the scale ranging from zero to 100.

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As in the previous quarter, almost half of the Swiss SMEs responding to the survey conducted by S-GE expect more exports for the coming quarter. Meanwhile, a stagnation of export volumes is anticipated by 42% of SMEs, down from 44% at the start of the second quarter. Decreasing exports are feared by around 10% of SMEs, up from 7.5% in the previous quarter.

**SME Export Sentiment Indicator**

Weighted value from Q2 and Q3 2017, growth threshold = 50



Source: Survey of a panel of more than 100 Swiss SMEs by S-GE

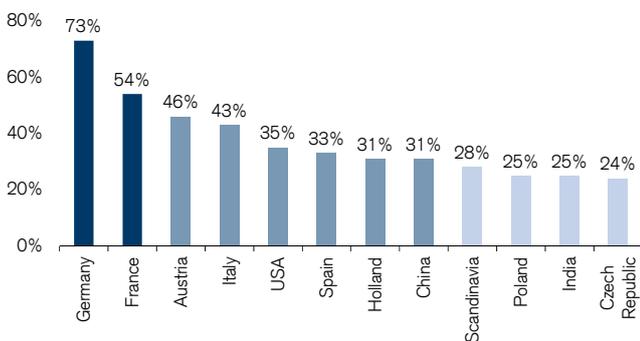
**Germany remains the most important export market**

Germany remains the most important European export market, with 73% of SMEs surveyed set to export goods and services there, followed by France at 54%, Austria at 46% and Italy at 43%.

Thirty-five percent of Swiss SMEs will export to the USA in the next six months and 33% to Spain. Holland and China lie neck and neck at 31%, followed by Scandinavia at 28%. Poland and India come next at 25% each and the Czech Republic at 24%.

**Most important export markets for the coming half-year**

Most important destination countries (multiple answers possible)  
100%



Source: Survey of a panel of more than 100 Swiss SMEs by S-GE

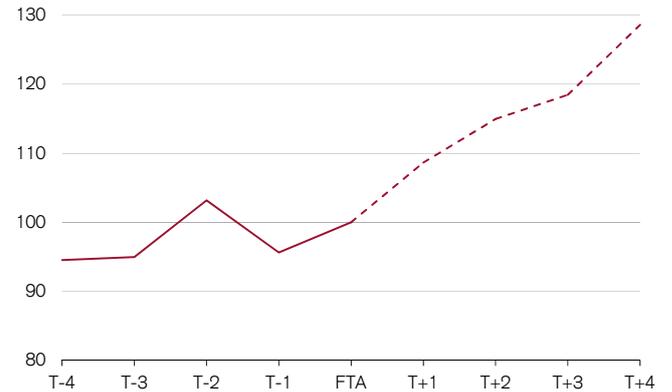
**Free trade agreements**

Switzerland has greatly expanded its FTA network in the past 25 years. Alongside the EFTA Convention and the FTA with the EU, this now includes over 28 FTAs with a total of 38 partner countries outside the EU. Over 20% of all exports are now to FTA partner countries (excluding the EU/EFTA).

The positive effects of an FTA are widely recognized and it is natural for FTAs largely to be concluded with countries from which Switzerland expects dynamic trade relations. But the selection of partner countries only explains part of the stronger export growth regularly observed following the entry into force of an agreement. Various scientific studies show that the reduction of trade barriers of the partner countries also leads to some significant growth rates.

**Strong export growth thanks to free trade agreements**

Nominal exports from Switzerland to FTA partner countries\* excluding EU/EFTA;  
Index: time of FTA = 100, dotted line = FTA in force



Source: Swiss Customs Administration, Credit Suisse; \*FTAs that entered into force before 2013

Around 48% of the companies surveyed make use of the FTAs today. There are various reasons cited for non-usage. While 25% claim that their products or services are not covered by an FTA, 55% have not yet got round to addressing the issue. The agreements are too costly or the customs savings too low for just 20%. S-GE offers solid expertise in this area and assists interested companies in making optimum use of FTAs.

In view of the forthcoming Brexit, 26% of Swiss SMEs would like to see an FTA with the United Kingdom. The USA comes second at 24%, followed by Russia at 21%. Twenty percent of the SMEs surveyed would also like an FTA to be concluded with India.

**"For which countries would you like an FTA to be concluded?"**

Most important potential partner countries (multiple answers possible)



Source: Survey of a panel of more than 100 Swiss SMEs by S-GE

## Methodology

### 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 1 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

The concept behind the calculation of Switzerland Global Enterprise's SME export sentiment indicator is quite simple: SMEs indicate whether they expect growth, stagnation or a decline in exports in the current quarter compared with the previous one. The same question is put with regard to export expectations for the following quarter compared with the current one. To emphasize the forecast nature of the SME export sentiment indicator, expected export activity in the following quarter is weighted at 60% with exports in the current quarter 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 represent the pharmaceuticals/chemicals industry, machinery, consumer goods, the metals industry, paper, electrical engineering, the precision instruments industry, as well as services. 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.

#### For more detailed information:

<https://www.s-ge.com/en/article/news/export-outlook>

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

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