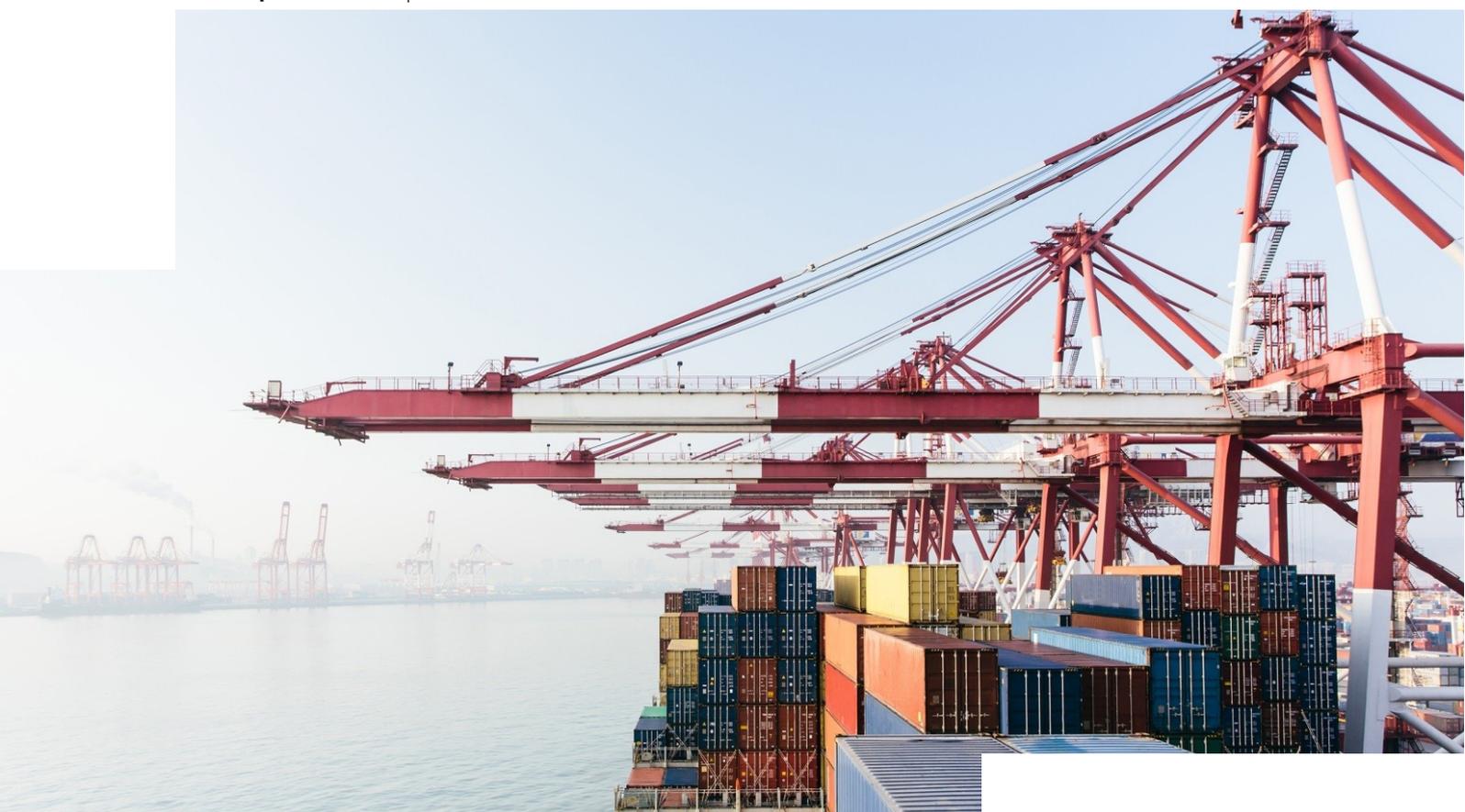


Post-coronavirus recovery boom – SMEs look to take advantage

SME Export Outlook | H2 2021



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Post-coronavirus recovery boom – SMEs look to take advantage

- **The export sentiment of Swiss SMEs is not far off the record levels seen in the years prior to the coronavirus pandemic: As is clear from the latest survey of export sentiment conducted by Switzerland Global Enterprise (S-GE), 67% of all SMEs are anticipating a rise in exports for the second semester of 2021.**
- **The Credit Suisse Export Barometer is already at a record level. At 3.1 points, it is now at its highest level since measurements began.**
- **Switzerland's export economy is enjoying an impressive recovery boom. 44% of Swiss SMEs are now looking to tap into new export markets – after 70% suffered falls in international sales during the pandemic.**

Export Barometer at record level

The Credit Suisse Export Barometer, which measures foreign demand for Swiss products, currently stands at 3.1 points, its highest level since record-keeping began back in 1999. The Purchasing Managers Index (PMI) for manufacturing is likewise at its highest level since this survey was first conducted back in 1995. Credit Suisse's assessment of the outlook for the Swiss export industry is correspondingly upbeat.

Following the nadir recorded in the spring of 2020, global manufacturing now finds itself in a recovery boom. According to Credit Suisse, it is not just the positive Swiss indices but also the global PMIs that testify to the positive sentiment in the manufacturing industry around the world right now. The industrial sector is the main beneficiary of this wave of momentum – due to the various restrictions that still apply in many places, the services sector is still lagging behind somewhat. However, Credit Suisse is expecting demand for services also to pick up over the coming months.

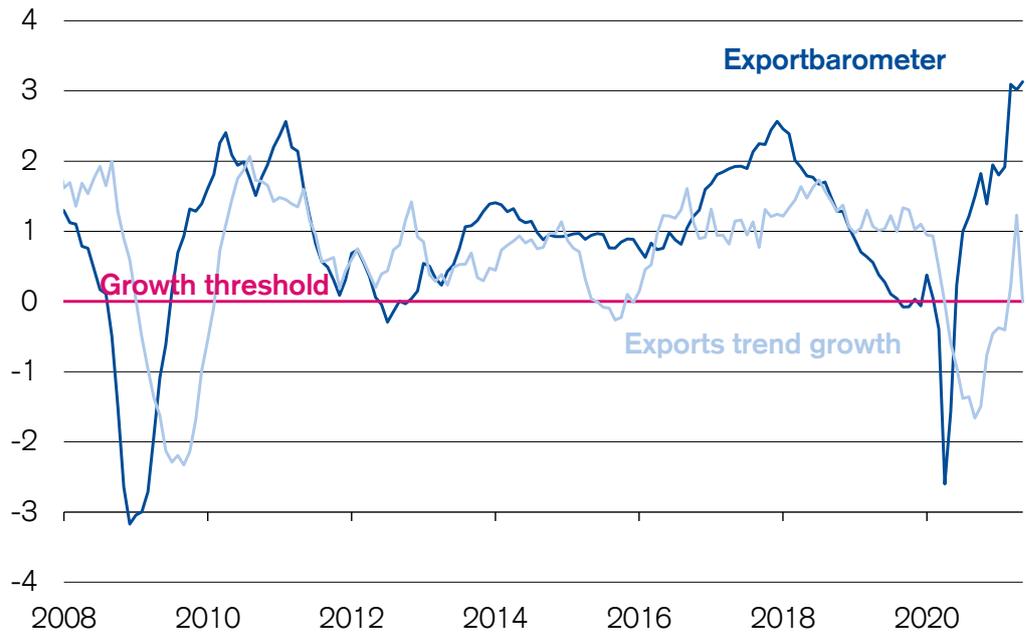
According to Credit Suisse, a key driver of the high demand is the implementation of fiscal measures by governments all around the world – particularly the fiscal package put together in the US. Although Credit Suisse has identified a number of supply bottlenecks in international value creation chains, these should not derail the ongoing recovery in global manufacturing. The export economy for Swiss goods can be expected to benefit from this phenomenon over the next few months too. There was clear evidence of an improvement in the situation of the MEM and pharma industries back in the first quarter of 2021. Indeed, according to Credit Suisse, the level of exports in these sectors actually rose above the levels recorded at the end of 2019.

Increase in export of consumer goods

According to Credit Suisse, the step-by-step lifting of restrictions in the European Union (EU) will have the effect of further improving consumer confidence. This can be expected to have a positive impact on watch exports to the EU, for example, where the recovery has yet to kick in. In China, by contrast, a certain amount of catch-up spending was already evident in the first quarter of 2021. Thanks to the support payments made by the Biden administration, a recovery in demand for consumer goods such as watches has also become apparent in the US.

Credit Suisse Export Barometer

In standard deviations, growth threshold = 0



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

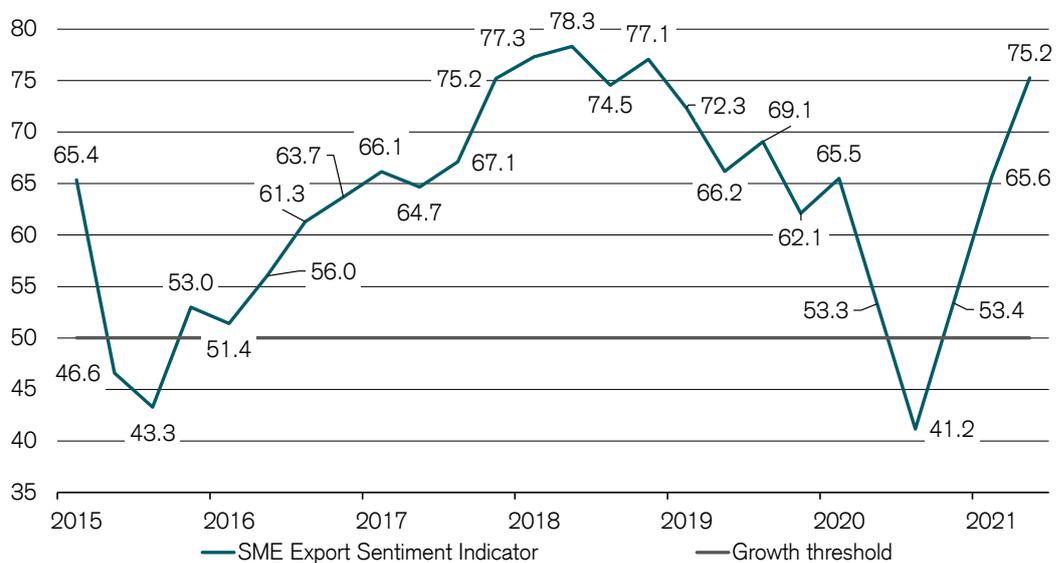
Export sentiment almost at record level

The recovery boom is buoying the export sentiment of Swiss SMEs: According to Switzerland Global Enterprise (S-GE), this is now closing in on the record levels witnessed in 2018 and 2019, and reached the level of 75 points in mid-2021, a full ten points higher than at the start of the year. Once again, therefore, export sentiment reached a level well 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 second half of 2021, as well as actual exports in the previous semester.

Overall, 67% of the Swiss SMEs that took part in the S-GE survey are anticipating higher exports in the second semester of 2021. Whereas 42% are expecting growth of between 1 and 10%, 18% are expecting a surge of between 11 and 25%, and 7% are even expecting a rise of more than 25%. 26% of SME respondents are expecting export volumes to stagnate, while just 7% are bracing themselves for a decline.

SME export sentiment according to Switzerland Global Enterprise

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



Source: Switzerland Global Enterprise

Germany remains the no. 1

In other words, Swiss SMEs, which had already entered the new year with great confidence, are anticipating the positive development of business to continue. Germany remains by far and away Switzerland's most important export market, with 76% of surveyed SMEs looking to export their goods or services to this country over the next six months. As before, Germany is followed by France and Austria with 54% and 53% of citations respectively. 50% are planning to export to Italy, 47% to the US. While 37% of SMEs are looking to export to China, 35% cited the UK, the Netherlands, and the countries of Scandinavia as an export destination.

15% of respondents are now looking to become active in China for the first time in the second semester of 2021. This moves China ahead of the US as the no. 1 target destination for first-time exports. The second most cited first-time destination was Russia with 11%, followed by Indonesia, the countries of Scandinavia, and the UK (10% in each case).

There have been only minimal changes with respect to the importance of export destinations. Germany is once again the clear leader by a huge margin (56% of SMEs), followed by the US (17%) and France (13%). 10% of surveyed SMEs identified China, Italy, and Austria as their most important export markets.

Pandemic leaves its mark

Even though the various surveys and indices point to a clear recovery, it has also become increasingly evident that the coronavirus crisis has left its mark on the SME sector. Overall, 70% of surveyed SMEs recorded a decline in sales, with a slump of more than 25% being reported by 27% of respondents. That said, the crisis has also had its winners – 14% of SMEs reported an increase in sales, with 2% even achieving sales rises of between 25% and 50%.

The greatest problem for the surveyed companies has been the imposition of travel restrictions. 63% of respondents cited this as their key problem. 50% of the surveyed companies struggled most with supply chain disruptions, 47% with a collapse in demand. 43% bemoaned a decline in sales, 36% an absence of export guarantees, and 14% liquidity problems. Companies also felt keenly their inability to present their products or services at international trade fairs. Just 4% of SMEs experienced no pandemic-related problems at all.

Despite the clear signs of recovery, 13% of SMEs consider themselves to be still "in the midst of the crisis". For 14% of respondents, while the situation may have improved, they are still looking to the future with pessimism. 34% of respondents stated that they are gradually getting back to pre-crisis levels of international business, while for 19% exports are already back at pre-crisis levels. 17% of SMEs reported that their business was in better shape than before the onset of the pandemic.

Tapping into new sales markets, digitalizing business models

When asked about how they were tackling the consequences of the crisis, the surveyed companies cited a broad spectrum of measures. The most frequently cited measure was the drive to enter new sales markets – with 44% of SMEs pursuing this strategy – followed by the digitalization of their business models, which was a priority for 42%. 28% are looking to diversify their product spectrum, while 27% are focusing on the identification of new procurement sources and markets. By contrast, just 14% have no specific plans in this respect. For 6% of respondents, the future is to be secured by the establishment of new production sites.

Restrictions to travel activity were cited as a major obstacle by a majority of respondents. The survey revealed that this problem is expected to persist going forward: Although 52% of SMEs are expecting their employees to have greater travel freedom in the second half of 2021, around a third of companies are expecting almost no business travel at all over the coming six months. 29% envisage less travel activity in the future than before the pandemic, while 14% are not expecting to be able to resume travel at all before 2022. Overall, 16% anticipate a reduction in travel activity of between 1% and 25%, 10% are anticipating a decline of 25-50%, while 9% are expecting a decline of more than 50%.

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 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

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

For more detailed information:

www.s-ge.com/exportperspektiven

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

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Switzerland Global Enterprise

Switzerland Global Enterprise (S-GE) is the official Swiss organization for export and investment promotion with around 200 employees at offices throughout Switzerland and in 31 countries. We support Swiss SMEs in their international business and help innovative foreign companies to establish in Switzerland. In doing so, we rely on a unique network of national and global partners. This is how we create added value for our clients and prosperity for Switzerland. As a non-profit organization, we provide a public service for our clients on behalf of the Swiss Confederation (State Secretariat for Economic Affairs SECO) and the cantons. We operate our 27 offices, known as Swiss Business Hubs and Trade Points, in 31 countries jointly with the Federal Department of Foreign Affairs FDFA. Thanks to our global network of partners, we support our clients in many other countries.
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