

The top export markets for 2016

- Asian emerging economies, the USA and the UK present the best sales opportunities for Swiss exporters in 2016. The USA has seen its weighting as a Swiss export destination increase the most. China stands in the foreground as a new market to be tapped.
- On the whole, Swiss exporting SMEs are heading into the new year with cautious optimism, according to the results of the export sentiment survey conducted by Switzerland Global Enterprise.
- The foreign demand situation is starting out the year in robust shape, according to Credit Suisse. The slightly weaker Swiss franc than before and its expected tendency to depreciate in the months ahead should help Swiss SMEs to benefit more from the demand momentum than they were able to last year.

Asian emerging economies top the list, China is in Swiss SMEs' sights

The export prospects for Swiss enterprises for 2016 look the best in Asian emerging economies, above all in China (see the table on page 2). Credit Suisse projects that China's economy will expand by 7% and that the Swiss franc will depreciate by 6% against the Chinese yuan over the next twelve months. This should keep demand for Swiss products running high.

Of the small and midsize companies surveyed by Switzerland Global Enterprise (S-GE), 54% said that they intended to export to the Asia-Pacific region over the next six months (multiple answers possible), down from 57% in the prior quarter. China ranks as the prime Asia-Pacific export destination. However, only 34% of the Swiss SMEs surveyed cited that country as a destination for their exports, compared with 40% in the prior quarter. The next two places are occupied by Japan and India, which were both mentioned by 21% of the SMEs surveyed (see graph on page 2).

When Swiss SMEs were asked which new export markets they would like to enter in 2016, China came out on top, with 14% of the companies surveyed saying that they would like to start exporting to the Middle Kingdom.

Swiss SMEs view the USA as an export locomotive

The USA is likely to remain an engine of demand for Swiss products. Credit Suisse projects that the US economy will expand by 2.3% in 2016. In addition, the Swiss franc looks set to depreciate also against the US dollar by around 11% over the next twelve months.

The survey conducted by S-GE revealed that the USA was the biggest gainer among all export markets: 44% of the Swiss SMEs questioned for the Q1 2016 survey stated that they would export to the USA over the next six months, up from 38% in the prior quarter. This illustrates the confidence among Swiss SMEs that they will be able to profit from the good state of economic activity in the USA (see graph on page 2).

The USA even looks poised to rank as the second most important export market for Swiss SMEs by the end of 2016, garnering mentions from 29% of the survey respondents. This means that the USA would pull even with France, which, at an end-2014 tally of 32%, previously led the USA by around 10 percentage points (see graph on page 2).

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Europe: UK strong, Eurozone weak, Germany still dominant

In Europe, the prospects for exports to the UK are lifting off on the back of a projected growth rate of +2.5% for the UK economy and an expected 13% depreciation of the Swiss franc against the British pound. In contrast, demand for Swiss goods is likely to be muted in the Eurozone, which is still the biggest sales market for Swiss enterprises. Economic growth in the Eurozone is estimated at +1.7% for 2016, and the Swiss franc appears likely to depreciate slightly against the euro by 2%.

The top export markets in 2016

Rank	Country	Average expected GDP growth for 2016 in %*	Expected appreciation of national currency against CHF (1 year) in %**
1	China	7.0	6.1
2	India	7.3	4.1
3	Philippines	6.0	7.3
4	Malaysia	4.9	11.6
5	Mexico	2.8	18.5
6	Indonesia	4.9	9.8
7	UK	2.5	12.6
8	Hong Kong	2.4	11.4
9	USA	2.3	11.1
10	Australia	2.4	10.7
11	New Zealand	2.4	9.2
12	Japan	1.1	13.7
13	Canada	1.6	11.6
14	Turkey	2.8	6.7
15	Thailand	3.0	5.7
16	Singapore	2.1	7.9
17	South Korea	2.9	4.3
18	Taiwan	2.5	4.3
19	Poland	3.5	0.1
20	Spain	2.7	1.9
21	Norway	1.5	6.6
22	Sweden	2.7	0.5
23	Eurozone	1.7	1.9
24	Germany	1.6	1.9
	Italy	1.5	1.9
25	Russia	-0.5	9.4
26	France	1.3	1.9
27	Brazil	-3.3	7.2

* The weighting used to compute the ranking (4/5 economic growth, 1/5 exchange-rate evolution) stems from a historical analysis of export elasticities.

** Expected appreciation over twelve months compared to the exchange rate on December 12, 2015.

Source: Credit Suisse

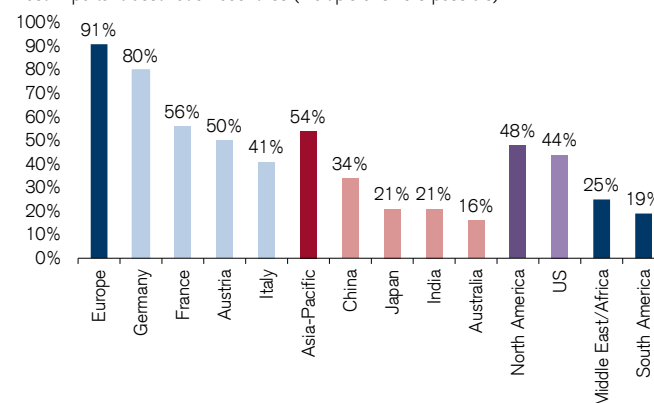
Ninety-one percent of the SMEs surveyed by S-GE intend to export to Europe over the next six months. Germany remains the most important European export market – it will be an export destination for goods or services for 80% of the SMEs surveyed. France is in second place, with 56% of the SMEs surveyed citing that country, followed by Austria at 50% and Italy at 41%. Seventy-one percent of the survey respondents expect that Germany will still be their most important European export market at the end of 2016.

In addition, the companies surveyed plan to set their sights on a number of new country markets in Europe in 2016, led by

Scandinavia (cited by 11% of the SMEs questioned), Germany (10%) and Russia (10%).

Most important export markets for the half-year ahead

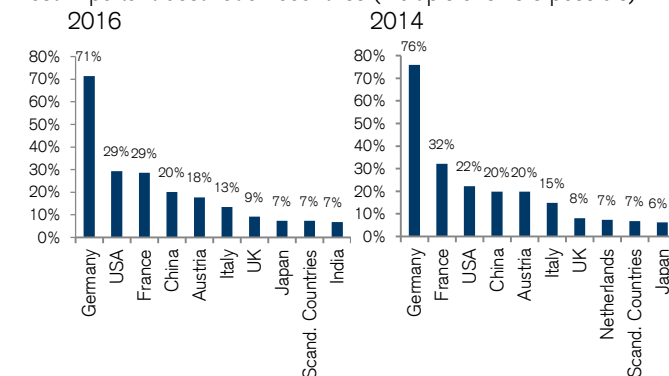
Most important destination countries (multiple answers possible)



Source: Survey of a panel of more than 200 Swiss SMEs

Most important export markets: end-2016 vs. end-2014

Most important destination countries (multiple answers possible)



Source: Survey of a panel of more than 200 Swiss SMEs

Credit Suisse and S-GE indicators pointing to moderate growth

The Credit Suisse Export Barometer, which tracks foreign demand for Swiss products, currently stands at a level of 1.00 and is thus exactly in line with the historical average. This means that the new year is starting off in a bit better shape than the way last year ended. The average export barometer reading for 2015 was 0.94.

The Switzerland Global Enterprise (S-GE) SME Export Sentiment Index stands at a level of 51.4 points heading into the first quarter of 2016. The index reading was calculated by taking SME export sentiment for the first quarter of 2016 and combining that with actual exports in the prior quarter. It indicates that Swiss SME export sentiment is hovering slightly above the 50-point threshold on the scale of 0 to 100 that signifies export expansion. In the prior quarter, export sentiment clocked in at a level of 53.0 points.

Of the Swiss SMEs surveyed, 31.5% expect exports to increase in the quarter ahead, down from 32.3% in the prior quarter. Flat export volume is anticipated by 49.7% of SMEs, down from 50.7% at the start of Q4 2015. A decline in exports is feared by 18.8% of the SMEs surveyed, compared with 17.1% in the prior quarter.

Credit Suisse Export Barometer

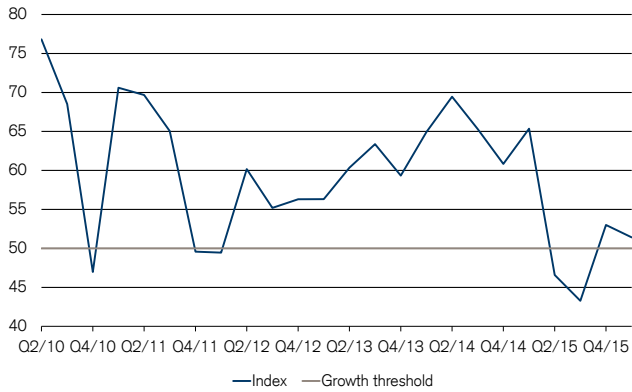
In standard deviations, expansion threshold = 0



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

Switzerland Global Enterprise SME Export Sentiment Index

Weighted value from Q1 2016 and Q4 2015, expansion threshold = 50



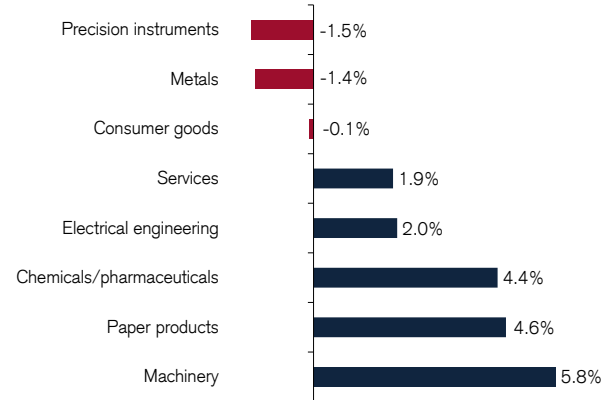
Source: Survey of a panel of more than 200 Swiss SMEs

Heterogeneous picture by sector

Small and midsize enterprises in five of the eight industry sectors examined by S-GE's SME export sentiment survey anticipate rising exports, whereas a contraction is expected in three sectors. Companies in the mechanical engineering, paper products and chemicals/pharmaceuticals sectors are particularly heading confidently into the first quarter of 2016. Companies in the consumer goods, metallurgy and precision instruments sectors are expressing pessimism.

Export expectations for Q1 2016 by sector

Year-on-year growth expectation weighted by company size



Source: Survey of a panel of more than 200 Swiss SMEs

In addition to the export prospects survey and in conjunction with the approaching first anniversary of the removal of the EUR/CHF exchange-rate floor, Switzerland Global Enterprise has published the findings of a special survey examining the actions that exporting SMEs took in 2015 to counter the strong Swiss franc:

<http://www.s-ge.com/schweiz/export/de/blog/umfrage-ein-jahr-frankenstaerke> (in German and French).

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

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:

www.s-ge.com/exportindikator

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

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