

USA: Important pillar for Swiss exports

- **Regardless of the outcome of the pending US presidential elections, Swiss small and medium-sized (SME) enterprises continue to believe in the USA as an export destination. 98% of the companies surveyed by Switzerland Global Enterprise (S-GE) believe that in five years they will export more or at least the same amount as today to the USA.**
- **Credit Suisse expects the economic trend in the USA to be robust. The forecast is for 1.5% growth in 2016 and an increase to 2.0% in 2017, with consumer spending as one of the main driving forces.**
- **According to the survey, Swiss SME export sentiment has brightened further and is now close to the 2-year high reached at the beginning of Q1 2015.**

The USA is likely to continue being one of the most important target markets for Swiss exporters. 55% of the companies participating in the S-GE SME export sentiment survey said that they export to the USA. In terms of volume, the USA is one of the top three export destinations for 35% of the companies surveyed. In turn, 43% expect the share of their export sales to the USA as a percentage of their total exports to increase in the next five years. These SMEs include many companies in the mechanical engineering, metals, electrical engineering, precision instrument and consumer goods sectors in particular. Another 55% believe that the share of their exports to the USA will at least remain stable.

The economic trend should support the export activities of Swiss companies. Credit Suisse expects the trend in US economic activity to be robust in the coming months. For 2016, it forecasts economic growth of 1.5% year on year. In 2017, the US economy is expected to grow by 2%.

Consumer spending is likely to remain the most important economic growth driver given the expected increase in employment and wage growth. In addition, the positive momentum in the labor market could lead to increased investment in housing and boost construction activity. On the other hand, corporate investment is likely to remain fairly moderate, partially

due to the adjustment process in the energy and mining sectors, but also because of the generally high level of uncertainty and continued US dollar strength. The latter nevertheless continues to work in favor of Swiss exporters.

Administrative barriers and weak network

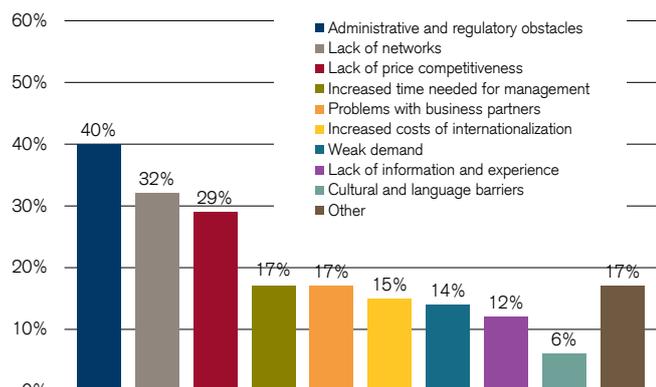
When asked what problems arise when exporting to the USA, 40% of the SMEs mentioned administrative and regulatory obstacles, 32% indicated the lack of local networks and 29% cited the lack of price competitiveness in regard to their products. To overcome these hurdles, 50% of the companies suggest building up a suitable network, 20% favor price adjustments and 19% see adapting products as a solution.

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Typical problems when exporting to the USA

Weighted value from Q4 2016



Source: Survey of a panel of around 200 Swiss SMEs

Inconclusive stance regarding the TTIP

When asked whether or not the Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the USA is likely to succeed, the Swiss SMEs were split on this subject: 24% thought the successful negotiation of the TTIP was likely or highly likely, 33% saw it as unlikely or highly unlikely, and 43% were undecided or did not answer.

However, if the TTIP does indeed become a reality, 49% of the SMEs would be in favor of Switzerland participating, 21% would be against it and 30% do not have an opinion.

Credit Suisse Export Barometer still indicating growth

The Credit Suisse Export Barometer, which tracks foreign demand for Swiss products, currently stands at a level of 1.04, which is almost equal to the long-term average of 1.0 and well over the growth threshold of zero (the reading was 1.13 in the previous quarter). The most important target export markets for Swiss companies are still showing signs of growth. Hence we expect to see positive impulses coming from the Eurozone, especially Germany, as well as the USA and the UK in the coming months.

Credit Suisse Export Barometer

In standard deviations, growth threshold = 0



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

SME export sentiment close to 2-year high

The S-GE SME Export Sentiment Indicator has again risen quarter-on-quarter to 63.7 points at the beginning of Q4 2016 (versus 61.3 the previous quarter). Hence export sentiment is well above the growth threshold of 50 points on a scale of 0 to 100 and close to the 2-year high of 65.4 points seen at the beginning of 2015. This reading is derived from SME export sentiment for the fourth quarter of 2016 and actual exports in the prior quarter.

Switzerland Global Enterprise SME Export Sentiment Indicator

Weighted value from Q4 2016 and Q3 2016, growth threshold = 50



Source: Survey of a panel of around 200 Swiss SMEs

Of the Swiss small and medium-sized enterprises that participated in the S-GE SME export sentiment survey, 42.2% expect exports to increase in the quarter ahead. This compares to 40.2% in the previous quarter. Of the SMEs surveyed, 48.6% expect export volumes to stagnate, down from 49.5% at the beginning of Q3 2016. And only 9.2% of them expect exports to decline compared to 10.3% in the prior quarter.

Iran as a promising new market

90% of the companies surveyed by S-GE intend to export to Europe over the next six months (multiple answers possible). Germany remains the most important European export market, with an 83% respondent rate, followed by France (53%), Austria (52%) and Italy (44%).

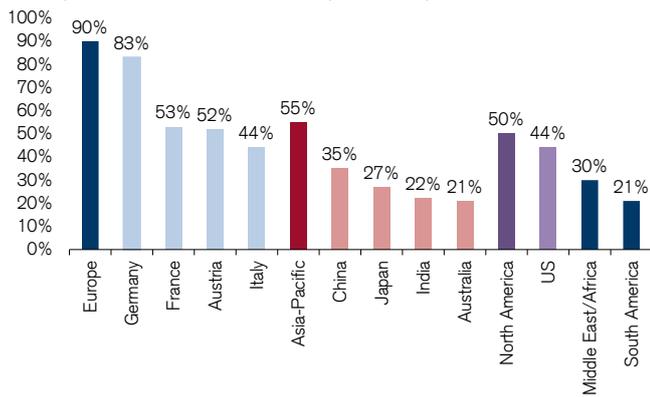
45% of the Swiss SMEs surveyed intend to export to the Asia-Pacific region in the next six months. China is in first place among the Asia-Pacific export destinations, with a respondent rate of 35%, followed by Japan (27%), India (22%) and Australia (21%).

30% of the SMEs intend to export to the Middle East/Africa region. Swiss SMEs see Iran as a very promising export destination. When asked which new export markets they would like to enter, Iran clearly came out on top, with 15% citing it.

50% of the SMEs are likely to export to North America over the next six months and 21% to South America.

Most important export markets for the coming half-year

Most important destination countries (multiple answers possible)



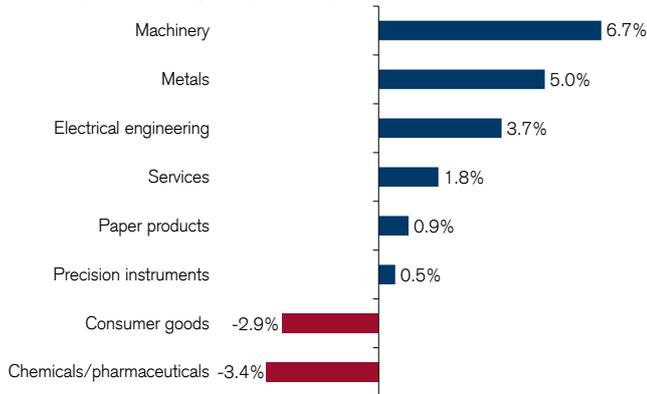
Source: Survey of a panel of around 200 Swiss SMEs

Mechanical engineering and metal industries particularly confident

Six out of eight sectors in the S-GE survey expect a rise in exports. In particular, mechanical engineering and metals companies are optimistic about the next quarter. Also electrical engineering companies expect over 3% growth. Companies in the chemicals/pharmaceuticals and consumer goods sectors are pessimistic and anticipate a decline in exports.

Export expectations for Q4 2016 by sector

Growth expectations weighted by company size



Source: Survey of a panel of around 200 Swiss SMEs

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 2 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:

<http://www.s-ge.com/switzerland/export/en>

Please note: From 2010 through 2015, this publication was

called "SME Export Indicator".

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