

# SME Export Indicator

Q3 2014

## Continued optimism

**Export sentiment among Swiss SMEs remains optimistic again heading into the third quarter of 2014: all sectors of industry are anticipating rising exports in the months ahead. Continued above-average foreign demand is likewise expected, with particularly strong export growth stimulus projected to come from the USA. Those are the findings of the SME export indicator produced by Credit Suisse and Switzerland Global Enterprise.**

The Credit Suisse Export Barometer, which tracks foreign demand for Swiss products, currently stands at a level of 1.13. Although this means that export growth expectations for Q3 2014 have re-treated marginally (previous quarter: 1.17), they are still well above the expansion threshold of 0 and are also above the historical average of approximately 1.

the quarter ahead, down from 53% in the prior quarter. Flat export volume is anticipated by 47% of SMEs, up from 41% at the start of Q2 2014. And 9% of SMEs fear a decline in exports, compared to 6% in the prior quarter.

Figure 1

### Credit Suisse Export Barometer

In standard deviations, growth threshold = 0



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

The SME export prospects survey conducted by Switzerland Global Enterprise (S-GE) likewise indicates that Swiss SMEs' export optimism at the start of Q3 2014 has receded slightly but remains firm. The SME export outlook index currently stands at a level of 65.3 points, down from 69.5 points at the start of Q2 2014. The index reading was calculated by taking SME export sentiment for the third quarter of 2014 and combining that with actual exports in the second quarter.

On the whole, the SME export outlook index is thus clearly pointing to rising exports because the 50-point mark on the scale of 0 to 100 is the threshold that denotes expansion. Of the Swiss SMEs surveyed, 44% expect exports to increase in

Figure 2

### Switzerland Global Enterprise SME Export Outlook Index

Weighted value from Q3 and Q2 2014, growth threshold = 50



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

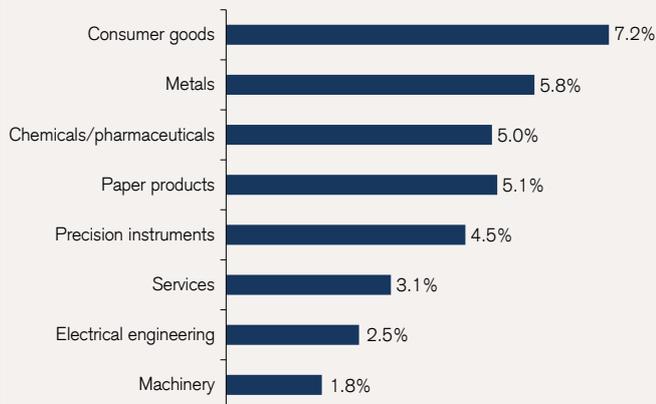
### All sectors anticipate an increase in exports

As was the case at the start of the prior quarter, all sectors of industry are exuding optimism as they head into Q3 2014, according to the SME export prospects survey conducted by S-GE. Companies in the consumer goods, metals and chemical/pharmaceutical sectors particularly anticipate a significant increase in exports. The least optimism is being expressed by companies in the mechanical engineering industry, which topped the sector list last quarter.

Figure 3

**Export expectations in Q3 2014 by sector**

Expected year-on-year growth in % according to a panel survey of more than 200 Swiss SMEs (weighted by company size)



Source: Switzerland Global Enterprise SME export prospects survey

When asked to name the reasons for their expected increase in exports, 50% of the SMEs cited product innovation and 48% mentioned stepped-up marketing (multiple answers possible). The particularly optimistic consumer goods, chemical/pharmaceutical and electrical engineering sectors are primarily investing their efforts in product innovation. The precision instruments and services sectors primarily are intensifying their marketing efforts.

Expectations regarding an improvement in the economic climate dipped slightly compared to the prior quarter. Of the company's surveyed, 32% expressed confidence that the economic environment will improve, down from 38% at the start of Q2 2014. An improvement in the economic climate plays a central role first and foremost for the very optimistic SMEs in the metals industry.

Those SMEs anticipating a decline in exports attribute this primarily to competitive pressures: 66% of them cited this factor, compared with 69% in the previous quarter. Price competition evidently has eased somewhat. Now only 33% of the companies surveyed say that they are forced to grant price concessions, down from 38% in the prior quarter. An economic downturn is expected by 31% of the companies surveyed, almost the same percentage as last quarter (32%). Fears about a change in the political climate have diminished. Only 18% of the companies surveyed are still citing this factor, down from 26% at the start of Q2 2014, when the Ukraine crisis reached an initial climax and the elections in India were still pending.

**Powerful export growth stimulus from the USA**

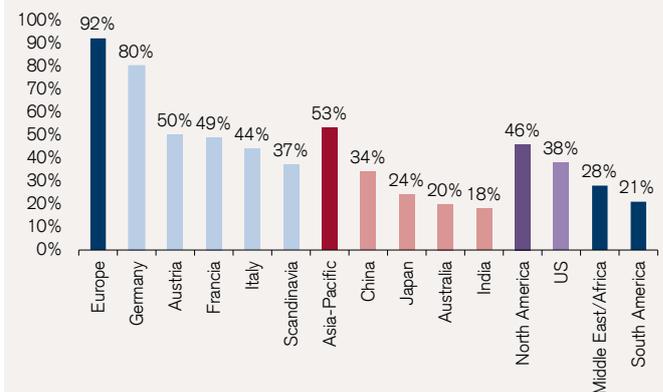
The Credit Suisse Export Barometer indicates very positive prospects for exports to the USA – the best they've been since four years ago. Swiss exports to the UK likewise look poised to increase sharply. Signs continue to point to expanding exports to the Eurozone as well, the most important sales market for exports from Switzerland. However, demand momentum in the Eurozone has slackened. A mild dip in demand

for Swiss goods is actually even being anticipated in France. Continued export growth stimulus is expected in the months ahead from the major emerging economies in Asia.

Figure 4

**Most important export markets for the half-year ahead (Q3/Q4 2014)**

Most important destination countries according to a panel survey of more than 200 Swiss SMEs (multiple answers possible)



Source: Switzerland Global Enterprise SME export prospects survey

Ninety-two percent of the companies surveyed by S-GE intend to export to Europe over the next six months, almost the same percentage as last quarter (multiple answers possible). Germany remains the most important European export market – it will be an export destination for goods or services for 80% of the SMEs surveyed. Austria is in second place, with 50% of the SMEs surveyed citing that country, followed by France at 49% and Italy at 44%. Scandinavia has gained export significance for Swiss SMEs, with 37% of them citing that region, up noticeably from 27% in the prior quarter.

Fifty-three percent of Swiss SMEs will export to the Asia-Pacific region over the next six months, up from 51% in the prior quarter. China is the top Asian-Pacific export destination, with 34% of the SMEs surveyed citing that country, ahead of Japan at 24%, Australia at 20% and India at 18%. Forty-six percent of the SMEs look set to export to North America over the next six months, 28% to the Middle East/Africa region and 21% to South America.

The SME Export Indicator for the fourth quarter of 2014 will be published on October 9, 2014.

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## Methodology

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### Credit Suisse Export Barometer

Change of methodology as of January 1, 2013: As of January 1, 2013 the growth threshold is set at the zero line. The long-term average growth of Swiss exports accordingly changes to 1 (zero line till then).

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)

### SME Export Indicator of Switzerland Global Enterprise

The concept behind the calculation of Switzerland Global Enterprise's SME export 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 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 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 outlook 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](http://www.s-ge.com/exportindikator)

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