

# SME Export Indicator

Q1 2014

## Optimistic start to year for Swiss SMEs

Export-oriented SMEs in Switzerland are getting off to a good start in the new year. Export sentiment heading into Q1 2014 hasn't been this sanguine since mid-2011. Although the individual sectors of industry vary in their optimism, the growth is geographically broad-based. Demand for Swiss products looks poised to rise in practically all major customer markets, according to the findings of the SME export indicator produced by Credit Suisse and Switzerland Global Enterprise (formerly Osec).

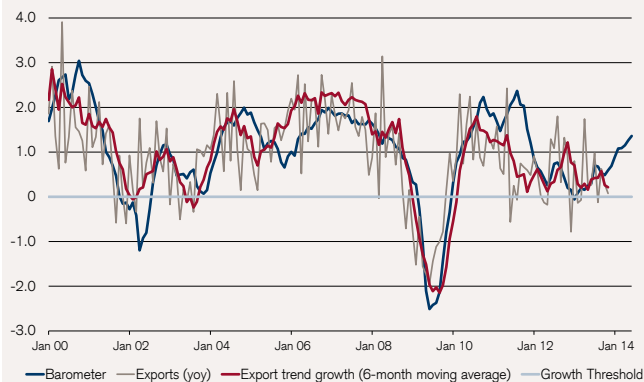
The Credit Suisse Export Barometer, which tracks foreign demand for Swiss products, currently stands at a level of 1.36 (previous quarter: 1.03), the highest reading since spring 2011. Export prospects are not only well above the growth threshold, but are also above the historical average of 1. This means that the sustained upward trend in place since early 2013 has accelerated further in recent months.

The trend toward growth has continued among the Swiss SME respondents to S-GE's export prospects survey. Forty-two percent of the respondents currently expect exports to increase in the quarter ahead, up from 37% in the prior quarter. Flat export volume is anticipated by 47% of SMEs, the same percentage as at the start of Q4 2013. And now just 11% of SMEs fear a decline in exports, down from 16% at the start of Q4 2013.

Figure 1

### Credit Suisse Export Barometer

In standard deviations, growth threshold = 0



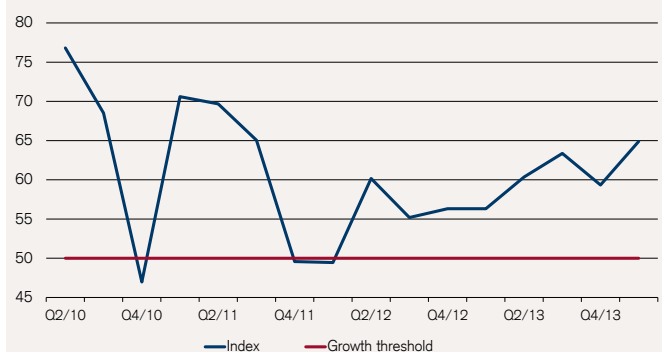
Source: Bloomberg, Datastream, PMIPremium, Credit Suisse / IDC

The SME export prospects survey conducted by Switzerland Global Enterprise (S-GE) shows that Swiss SMEs likewise expect export growth to pick up. The SME export outlook index currently stands at a level of 64.9 points, which is well above the prior quarter's 59.3 points and is the highest reading since the third quarter of 2011. The index reading was calculated by taking SME export sentiment for the first quarter of 2014 and combining that with actual exports in the preceding quarter. On the scale of 0 to 100, readings above 50 signal rising exports.

Figure 2

### Switzerland Global Enterprise SME Export Outlook Index

Weighted value from Q1 2014 and Q4 2013, growth threshold = 50



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

### Heterogeneous picture by sector

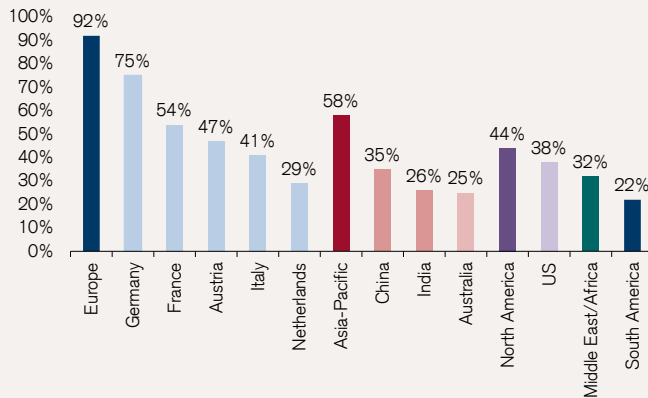
According to the SME export prospects survey conducted by S-GE, the individual industries in Switzerland's export sector headed into the new year with varying degrees of optimism. Companies in the service sector and in the chemicals/pharmaceuticals industry top the index list by a sizable margin. The paper, consumer goods, precision instruments and metals industries likewise expect to see growth in exports in the first quarter of 2014. Companies in the mechanical and

electrical engineering industries, in contrast, anticipate a decline in exports.

Figure 3

### Export expectations in Q1 2014 by sector

Expected growth according to a panel survey of more than 200 Swiss SMEs (weighted by company size)



Source: Switzerland Global Enterprise SME export prospects survey

Stepped-up marketing was the reason most frequently cited in the survey for the increase in exports. Fifty-one percent of SMEs cited this factor, compared with 45% in the previous quarter (multiple answers possible). Intensified marketing efforts are playing the lead role in boosting exports in the metals, consumer goods and service sectors. Product innovation was the second most important factor cited; it was mentioned by 48% of companies, compared with 52% in the prior quarter. Product innovation stands in the foreground in the electrical engineering, precision instruments, chemicals/pharmaceuticals and mechanical engineering sectors. SMEs rate the macroeconomic climate a bit more positively for the first quarter of 2014: 39% expect to be able to boost their exports on the back of the economic recovery, compared with 38% in the preceding quarter.

Those SMEs anticipating a decline in exports attribute this primarily to competitive pressures: 70% of them cited this factor, compared with 66% in the previous quarter. Price reductions have also gained significance, with 38% citing this factor (32%). An economic downturn is now mentioned by just 26% of companies surveyed, compared with 33% in the preceding quarter.

### Geographically broad-based growth

The Credit Suisse Export Barometer indicates that demand for Swiss products looks set to increase in practically all major customer markets. Powerful growth stimulus is expected to come from Japan, the USA and the UK. The outlook for exports to the big emerging economies China, India, Russia and Brazil appears somewhat more moderate, but is still positive.

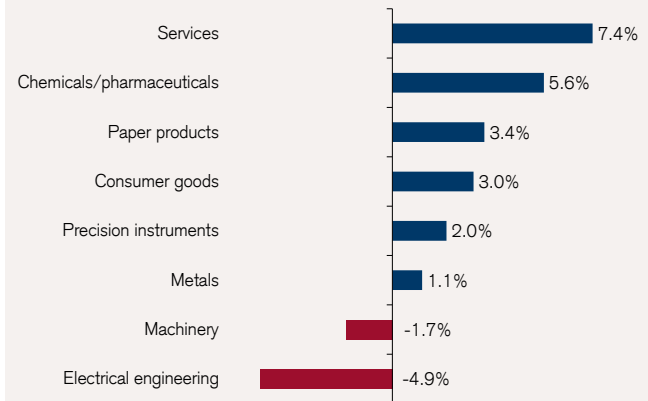
The signs in the euro zone as well have resumed pointing to growth as the new year gets underway. In Germany and Italy, expectations regarding imports from Switzerland are at their

highest level in 30 months. Demand looks set to continue to decline only in France and Greece.

Figure 4

### Most important export markets for the half-year ahead (Q1/Q2 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, the same percentage as in the prior quarter (92%; multiple answers possible). Germany remains the most important European export market: 75% of the SMEs surveyed will export goods or services to Germany (prior quarter: 77%), followed by France at 54% (57%), Austria at 47% (53%) and Italy at 41% (47%).

Fifty-eight percent of Swiss SMEs will export to the Asia-Pacific region over the next six months, a bit fewer than in the previous period (61%). The leading Asian export destination is China, which was cited by 35% of companies (37%), ahead of India at 26% (28%) and Australia at 25% (28%). Forty-four percent of SMEs are likely to export to North America over the next six months (47%), 32% to the Middle East/Africa region (31%), and 22% to South America (27%).

The SME Export Indicator for the second quarter of 2014 will be published on April 15, 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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