

Allianz 

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Trade



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# Allianz Trade Export Forecast

# Allianz Trade Export Forecast – upward trend halted

**The Allianz Trade Export Forecast stands at  $-1.26$  points in August 2023 (May:  $-0.79$  points). The upward trend has been broken. However, the latest data do at least suggest that the indicator may have bottomed out. The environment nevertheless remains extremely challenging for the economy and the export business in particular. Fortunately, the continued solidity of the labour markets is providing an important foundation for consumer confidence and the overall economy.**

The recovery trend in the Allianz Trade Export Forecast observed since the end of 2022 has come to a halt. In June, the leading indicator for Swiss exports even dropped to a new low for the year of  $-1.40$  points. However, the trajectory has now changed again and the indicator stood at  $-1.26$  points at the beginning of August. The Allianz Trade Export Forecast remains well into negative territory, which indicates below-average growth in a long-term comparison. The Swiss export industry will feel the impact in the coming months.

Over the past 25 years, Swiss exports have increased by 4.0% per year. In real terms (adjusted for inflation), growth averaged 2.0%. In February 2022, nominal export growth had reached a temporary peak of 17.5% – based on the annual rates of change of the 12-month moving average. This was a result of inflation and the economic recovery after the pandemic. Since then, this rolling average dropped to 1.8% by the middle of this year. In real terms, the rate of change is now moderately negative at  $-0.5\%$ .

## Recessive tendencies in industry

The trade-weighted Purchasing Managers' Index for the Swiss export markets stands at 46.6 points, which is 1.5 points less than three months ago. As with the forecast index, a trend reversal was also seen here in July. This was not the case for other indicators. According to the Business Climate Index, for example, the production expectations of industrial companies in the European Union are at their lowest level since June 2020. The Purchasing Managers' Index for Swiss industry has also undergone a sharp decline, dropping to 38.5 points (the lowest level since April 2009). Production has decreased in general and the declining order backlog suggests that an immediate recovery is not in sight.

## Glimmer of positivity in North America

The J.P. Morgan Global Manufacturing PMI was most recently unchanged at 48.7, thus remaining below the critical level of 50 points for the eleventh month in a row. The figure for new export business fell from 47.1 to 46.4 points.

A major reason for this decline was the significant weakening of activity in the euro

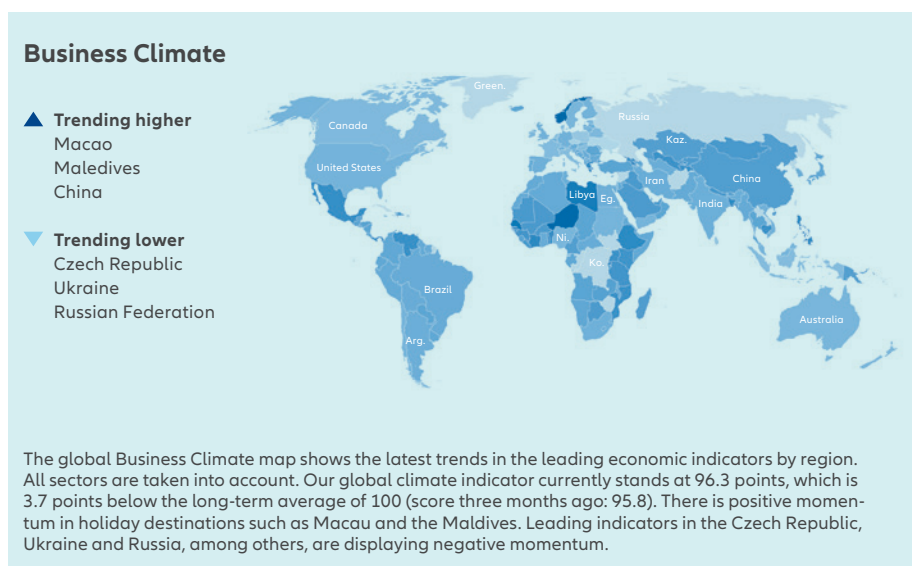
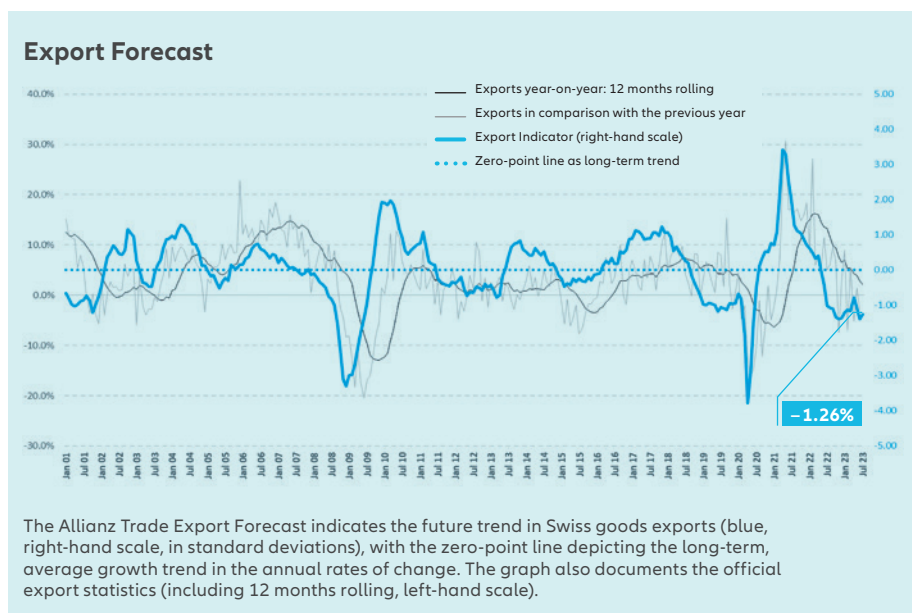
zone and Asia. North America, on the other hand, proved to be a relative glimmer of positivity. However, manufacturers' optimism with regard to the coming year is increasing slightly.

## Financial markets on cloud nine

Despite rising interest rates and clear signs of a slowdown in industry, many blue chips are trading close to record highs on the financial markets. Investors appear to be assuming that the economic dip will pass quickly.

For Switzerland, Allianz Trade expects moderate growth of 0.8% in 2023 (May) and 1.7% in 2024. The State Secretariat for Economic Affairs (SECO) anticipates real GDP growth of 1.1% in 2023 and 1.5% in 2024.

Jan Möllmann, CEO of Allianz Trade Switzerland, comments: „Given the high stock prices, it seems that the financial markets are currently threatening to decouple from the real economy. A certain amount of support is being provided by the still robust labour markets and the closely



## Merchandise Exports (YoY)

Last official releases

1	Belarus	22.7%
2	Ukraine	15.9%
3	Tunisia	13.0%
4	Slovakia	9.0%
5	Czech Republic	8.1%
6	France	3.2%
<b>7</b>	<b>Switzerland</b>	<b>2.5%</b>
8	Italy	2.5%
9	Brazil	2.3%
10	Denmark	2.0%
11	Poland	1.6%
12	Mexico	0.8%
13	China	0.7%
14	Germany	-0.3%
15	New Zealand	-0.9%
16	United Kingdom	-1.3%
17	Portugal	-2.1%
18	Israel	-2.2%
19	Greece	-2.3%
20	Finland	-2.4%
21	Sweden	-2.9%
22	Japan	-3.5%
23	Netherlands	-4.0%
24	Morocco	-4.6%
25	Spain	-4.6%
26	India	-5.2%
27	Peru	-5.5%
28	World	-5.8%
29	Thailand	-6.3%
30	United States	-6.6%
31	Chile	-6.8%
32	Canada	-7.8%
33	Ireland	-10.9%
34	Malaysia	-12.0%
35	Vietnam	-12.4%
36	South Africa	-13.1%
37	Singapore	-14.0%
38	Hong Kong SAR, China	-14.0%
39	Indonesia	-14.1%
40	Taiwan, China	-14.4%
41	South Korea	-14.7%
42	Australia	-15.3%
43	Philippines	-20.0%
44	Uruguay	-24.9%
45	Saudi Arabia	-25.1%
46	Argentina	-26.6%
47	Bahrain	-30.5%
48	Colombia	-31.3%
49	Norway	-33.8%
50	Russian Federation	-36.1%

The table shows the annual rates of change in exports of goods to various countries. Last official data available: April, May and June 2023. The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

linked consumer confidence and appetite for buying.

However, more and more export companies are worried about the rapidly de-

teriorating order situation. An additional factor is the persistent strength of the Swiss franc. In this environment, risk diversification and hedging transactions are increasingly on the agenda."

## Inflationary momentum eases significantly

In Switzerland, inflation stood at an above-average 2.8% in 2022. It then picked up to 3.2% in the first quarter of 2023, before falling to 2.1% in the second quarter (and to 1.6% in July). Switzerland protects its farmers by imposing import duties on foreign agricultural products. This stabilises the prices concerned but leads to higher price levels overall. Despite the strength of the Swiss franc, imported goods are significantly cheaper than they were last year. A strong Swiss franc poses risks for the export industry, as it makes Swiss exports much more expensive in an environment where global demand is weakening significantly due to uncertainties, the turnaround in interest rates imposed by many national banks and ongoing high inflation.

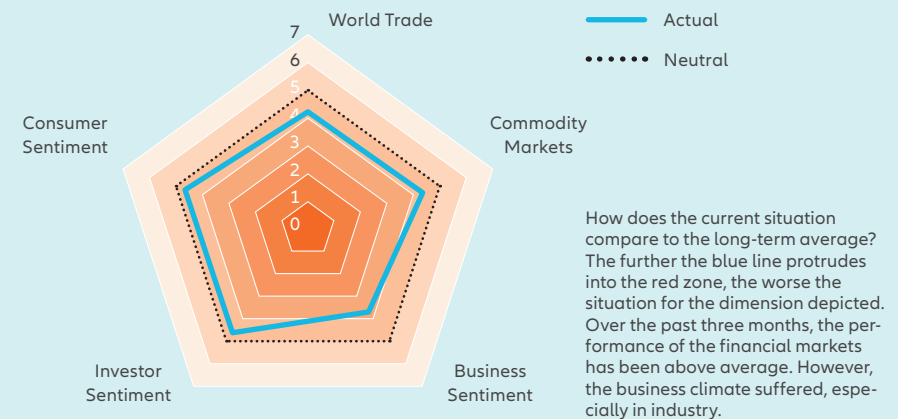
## Swiss foreign trade stagnates after very good first quarter

Driven by rising prices, Swiss foreign trade expanded in terms of both exports and imports in the first quarter of 2023. However, these stagnated in the second quarter.

Adjusted for seasonal and inflation effects, exports were up by 2.8%, having increased by 3.2% in the first quarter. Imports fell for the third quarter in a row (-5.4%). The trade surplus amounted to CHF 9.9 billion in the second quarter. The trend in exports and imports was shaped by a decline in exports in the chemical and pharmaceutical sector (-3.0%). The watch industry recorded a new high (+2.5%). All other product groups reported a decrease in sales in the second quarter of 2023. In the second quarter of 2023, Switzerland sold fewer goods in terms of value in North America (-4.8%), Europe (-1.2%) and Asia (-3.0%).

Imports from North America, Asia and Europe were down, with 10 out of the 12 product groups seeing a decline. Here, too, the chemical and pharmaceutical products sector was particularly affected, experiencing a drop of CHF 1.3 billion. Aerospace recorded an increase of 11.5% (real: 32.1%).

## Trend: Global Assessment



## Real GDP Forecast 2023 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	2.4	2.1	2.7	3.0	2.6
Advanced Economies		0.7		1.5	1.1
United States of America	1.5	1.1	1.6	1.8	1.5
Euro Area	0.9	0.4	0.9	0.9	0.8
Emerging Markets		4.0		4.0	4.0
East Asia and Pacific	4.2	5.5		5.3	5.0
China		5.6	5.4	5.2	5.4
Latin America	1.4	1.5		1.9	1.6
North Africa & Middle East		2.2		2.5	2.4
Sub-Saharan Africa	3.5	3.2		3.5	3.4
Switzerland				0.8	
<b>World Trade Volume</b>					<b>1.7</b>

These are the estimates of the relevant international organisations of the real, inflation-adjusted gross domestic product for various regions of the world for 2023. Global GDP is expected to grow by 2.6% in real terms on average.

## About the Allianz Trade Export Forecast

The Allianz Trade Export Forecast takes into account a large amount of data that is relevant in the context of the Swiss export industry. It factors in leading indicators for industry, transport and the financial and commodity markets as well as new sentiment indicators. Around 100 components are incorporated into a dynamic, predictive model, in which data series with a stronger lead time are given a higher weighting. The Allianz Trade Export Forecast has a lead time of up to six months in comparison with the actual exports of the Swiss export industry.

## Allianz Trade in Switzerland

Allianz Trade is the global market leader in credit insurance and a recognised specialist in the areas of bonding, guarantees and fidelity insurance, including cyber crime. Its proprietary monitoring system analyses changes in the credit ratings of over 80 million companies on a daily basis. Allianz Trade gives companies security for their trading business by guaranteeing payments and compensating credit losses. In addition, Allianz Trade helps to prevent credit losses by focusing on proactive protection in all trade credit insurance and other financing solutions. In the event of a claim, the company's AA credit rating means that it has sufficient resources – supported by Allianz – to compensate credit losses and ensure that the firm suffering the loss can continue to exist. Headquartered in Paris, Allianz Trade is present in 52 countries with some 5,500 employees. In 2022, the company reported consolidated turnover of EUR 3.3 billion and insured business transactions worth EUR 1,057 billion worldwide. In Switzerland, around 50 staff work at its headquarters in Wallisellen and the other locations in Lausanne and Lugano.

For further information, go to  
[www.allianz-trade.ch](http://www.allianz-trade.ch)

## Forward-looking statements

The statements contained herein may include views, statements about future developments and other forward-looking statements that are based on the present opinions and assumptions of management and involve known and unknown risks and uncertainties. Actual results, performance or events can differ significantly from those that are explicitly or implicitly included in such forward-looking statements. The following factors could cause such differences (list not exhaustive): (i) changes in the economic conditions and the competitive situation, especially in the Allianz Group's core business areas and markets, (ii) financial market developments (especially market volatility and liquidity and credit events), (iii) the frequency and severity of insured claims, including as a result of natural disasters, and the development of claims expenses, (iv) mortality and morbidity rates and trends, (v) persistence levels, (vi) the extent of credit defaults, especially in the banking business, (vii) interest rates, (viii) exchange rates, including the EUR-USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the effects of acquisitions, including associated integration issues, and reorganisation measures, and (xi) general competition factors at a local, regional, national and/or global level. Many of these factors may become more likely or more pronounced as a result of terrorist activities and their consequences.

## No obligation to update

The company is under no obligation to update the information or forward-looking statements herein, with the exception of the information prescribed by law.

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