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Allianz Trade Export Forecast

Allianz Trade Export Forecast rises

The Allianz Trade Export Forecast stands at -1.26 points in February 2023 (November 2022: -1.40 points). Although the leading indicator has risen somewhat, the current score points to a probable decline in exports this year, as last year's rise in exports of 7.2% only occurred thanks to high inflation. In real terms, i. e. adjusted for inflation, exports stagnated in 2022 ($+0.1\%$). Growth forecasts for Switzerland have been revised downwards.

At -1.26 points, the Allianz Trade Export Forecast may be higher than it was three months ago ($+0.14$), but the leading export indicator is still trending well below zero, the level which indicates the long-term average growth rate of the Swiss export industry. The Allianz Trade Export Forecast predicts shrinking exports over the next six to twelve months.

Following last year's price surge, inflation should now have less of an impact. Compared with the same month of the previous year, it fell from 3.0% in November to just 2.8% by the end of 2022. As recently as August, it stood at 3.5%. Import goods in particular remain expensive. At the end of 2022, they cost 5.9% more than they did a year before. For domestic and export goods, annual inflation remained below 2%.

Growth forecasts for Switzerland revised downwards

Uncertainties in the real economy remain high. Although the financial markets have recovered to some extent, the warning signs are nevertheless clear and fears are smouldering of a recession in some countries. The economy is still grappling with supply chain issues. However, the economic slowdown and the Chinese government's abandonment of its zero-tolerance policy on COVID-19 are significantly alleviating this problem.

At the end of January, the Purchasing Managers' Index (PMI) for Swiss industry had fallen below the growth threshold for the first time since July 2020. The order backlog declined by 7.4 points to 43.3, below the neutral 50-point level. According to procure.ch, this suggests that production is likely to be weak in the near future. In view of the weaker order situation, companies are purchasing fewer intermediate goods and services overall and inventory build-up is slowing.

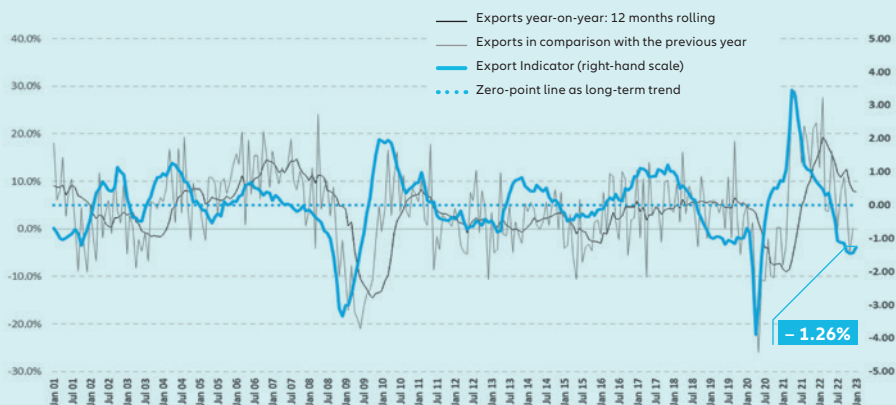
Allianz Trade expects that, after real growth of 2.0% in 2022 (December: 2.2%), the year 2023 will only see economic growth of 0.6% (December: 1.3%). The State Secretariat for Economic Affairs (SECO) is somewhat more optimistic, forecasting growth of 1.1% for 2023.

There is one silver lining among the leading indicators for global industry: the trade-weighted Purchasing Managers' Index for Swiss industry, which only takes into account foreign PMIs, has recovered from its low at the end of 2022 and, at 48.8 points, has returned to its level of three months ago.

Jan Möllmann, CEO of Allianz Trade Switzerland, comments: "Not only does the Allianz Trade Export Forecast point to below-average growth in Swiss exports; following last year's stagnation, we can actually expect to see a short-term decline.

Global trade is suffering. However, the prospects of a soft landing remain intact, because weakening demand is partially neutralising the supply chain problem – looking at it this way, the problem is almost solving itself. Industry can work off the order backlogs that have built up and supply chains are shortening. We anticipate a less widespread increase in purchase prices. The effects of the economic risks and the mild winter, for example, mean that commodity and energy prices have returned to the level of the previous year.

Export Forecast



The Allianz Trade Export Forecast indicates the future trend in Swiss goods exports (blue, right-hand scale, in standard deviations), with the zero-point line depicting the long-term, average growth trend in the annual rates of change. The graph also documents the official export statistics (including 12 months rolling, left-hand scale).

Business climate

▲ Trending higher

China
Taiwan
Spain

▼ Trending lower

Norway
United Kingdom
Vietnam



The global Business Climate map shows the latest trends in the leading economic indicators by region. All sectors are taken into account. Our global climate indicator currently stands at 94.9, which is 5.1 points below the long-term average of 100 (score three months ago: 94.5, six months ago: 96.8 and nine months ago: 100.6 points).

There is positive momentum in Asia – including in China and Taiwan. Leading indicators are negative in Norway and the United Kingdom, among other countries.

Merchandise exports (YoY)

Last official releases

| | | |
|----|--------------------|--------------|
| 1 | Brazil | 21.5% |
| 2 | Philippines | 16.6% |
| 3 | Australia | 14.8% |
| 4 | Argentina | 14.5% |
| 5 | Saudi Arabia | 14.0% |
| 6 | Jordan | 13.2% |
| 7 | Mexico | 12.8% |
| 8 | United Kingdom | 10.8% |
| 9 | United States | 10.0% |
| 10 | Netherlands | 9.7% |
| 11 | Greece | 8.7% |
| 12 | Indonesia | 8.0% |
| 13 | India | 4.8% |
| 14 | Romania | 4.8% |
| 15 | Canada | 4.7% |
| 16 | Tunisia | 4.3% |
| 17 | Portugal | 4.3% |
| 18 | Belgium | 4.2% |
| 19 | Hungary | 4.1% |
| 20 | Malaysia | 3.7% |
| 21 | Slovenia | 3.6% |
| 22 | Norway | 3.5% |
| 23 | Israel | 2.5% |
| 24 | Albania | 2.3% |
| 25 | Finland | 1.6% |
| 26 | World | 0.5% |
| 27 | Slovakia | 0.5% |
| 28 | Poland | 0.4% |
| 29 | Italy | 0.1% |
| 30 | Austria | -0.5% |
| 31 | Ireland | -0.6% |
| 32 | Morocco | -1.3% |
| 33 | Spain | -1.6% |
| 34 | Germany | -1.7% |
| 35 | Singapore | -2.4% |
| 36 | Sweden | -3.1% |
| 37 | Japan | -3.2% |
| 38 | Switzerland | -3.4% |
| 39 | Chile | -3.9% |
| 40 | New Zealand | -4.6% |
| 41 | Thailand | -4.8% |
| 42 | Kenya | -5.0% |
| 43 | China | -6.4% |
| 44 | Vietnam | -6.6% |
| 45 | Taiwan | -7.8% |
| 46 | South Africa | -8.4% |
| 47 | South Korea | -9.7% |
| 48 | France | -11.9% |
| 49 | Uruguay | -22.9% |
| 50 | Ukraine | -41.6% |

The table shows the annual rates of change in exports of goods to various countries. Last official data available: October, November and December 2022. The data are pre-adjusted for seasonal and working-day factors; in nominal USD.

Inflation is now driven by second-round effects such as increases in interest rates and wages." Möllmann is also convinced that one of the most important positive factors

Foreign trade down in fourth quarter

Switzerland's foreign trade was down in both directions in the final quarter of 2022. The trade balance closed with a surplus of CHF 43.5 billion. Exports declined by 1.8% in real terms compared with the third quarter, while imports were down by 0.4% after adjustment for inflation and seasonal effects.

Looking at 2022 as a whole, both exports (+0.1%) and imports (+0.7%) must be said to have stagnated in real terms. Although exports rose by 0.4% year on year in real terms in the third quarter, they fell by 0.5% in the second quarter and were up by only 0.8% in the first quarter. In nominal terms, the four quarters were positive overall. For that reason, growth in foreign trade can be said to have been clearly price-driven in 2022, with exports rising by 7.2% to an all-time high of CHF 278.6 billion. Imports increased strongly in nominal terms by 16.8%, also reaching a record high.

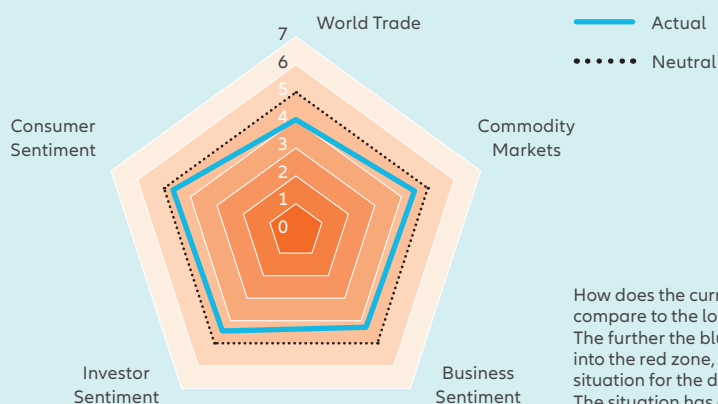
in the international economic situation, namely China's departure from its zero-tolerance policy on COVID-19, will lead to a welcome boost for the global economy.

The largest contribution, CHF 3.7 billion, came from chemical and pharmaceutical products, with deliveries of raw materials and basic commodities as well as immunological products being the key contributors.

Watches and jewellery posted double-digit gains, reaching new record levels. Exports of machinery, electronics, metals and precision instruments also rose relatively strongly in value terms. After adjusting for inflation, however, exports stagnated overall.

In nominal terms, Switzerland once again exported more to all three major economic regions: year on year, deliveries to Asia were up by 8.6%, those to North America by 7.8% and those to Europe by 6.3%. After a first decline in two years (-4.4%), the trend in exports to Europe was thus reversed again in the last quarter (+6.3%). Japan was the strongest driver in Asia with an increase of one-fifth, while in North America the US grew by 7.9%.

Trend: Global assessment



How does the current situation compare to the long-term average? The further the blue line protrudes into the red zone, the worse the situation for the dimension depicted. The situation has changed only slightly over the past three months. The consumer climate is trending slightly higher.

Real GDP forecast 2023 (% YOY)

| | WTO | World Bank | OECD | IMF | Average |
|----------------------------|------------|------------|------|-----|---------|
| World | 2.3 | 1.7 | 2.2 | 2.9 | 2.3 |
| Advanced Economies | | 0.5 | | 1.2 | 0.9 |
| United States of America | 1.0 | 0.5 | 0.5 | 1.4 | 0.9 |
| Euro Area | 0.9 | 0.0 | 0.5 | 0.7 | 0.5 |
| Emerging Markets | | 3.4 | | 4.0 | 3.7 |
| East Asia and Pacific | 4.2 | 4.3 | | 5.3 | 4.6 |
| China | | 4.3 | 4.6 | 5.2 | 4.7 |
| Latin America | 1.6 | 1.3 | | 1.8 | 1.6 |
| North Africa & Middle East | | 3.5 | | 3.2 | 3.4 |
| Sub-Saharan Africa | 3.6 | 3.6 | | 3.8 | 3.7 |
| Switzerland | | | 0.6 | 0.8 | 0.7 |
| World Trade Volume | 1.0 | | | | |

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 2.3% on average in real terms. World trade is predicted to expand by 1.0%.

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 more than 5,500 employees. In 2021, the company reported consolidated turnover of EUR 2.9 billion and insured business transactions worth EUR 931 billion worldwide. In Switzerland, around 50 staff work at its headquarters in Wallisellen and the other locations in Etoy and Lugano.

For further information, go to
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.

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