



EULER HERMES EXPORT FORECAST

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A company of **Allianz** 

 EULER HERMES

EULER HERMES EXPORT FORECAST TRENDING UPWARDS

The Swiss Euler Hermes Export Forecast has improved considerably over the past three months. At the start of January, the leading indicator for the Swiss export economy stood at -0.35 points. A year ago, the indicator had reached its lowest level for several years, but in the second half of 2019 the barometer pointed to a trend reversal. Despite the positive signs, however, export activities are likely to be subdued during the winter period.

At -0.35 points, the Swiss Euler Hermes Export Forecast is running considerably higher than it was three months ago, when it stood at -0.93 points. The Euler Hermes Export Forecast has risen steadily over recent months. That said, the indicator is still trending below zero, which points to long-term nominal trend growth of 4.2 percent per year.

The current barometer reading indicates that Swiss exports should return to growth in three to six months. For the time being, therefore, the official export figures are likely to be weak to moderate. Although there are signs of improvement for all of Europe, this is still at a low level.

A stabilising effect worldwide is being seen as a result of the robust domestic economies, which are reflected in solid employment figures. This in turn is boosting consumer confidence and actual consumption. The record stock quotations are also having a stimulating impact. The stress indices on the financial markets have reached new lows. Global trade has bottomed out and will grow by 1.7% in 2020 according to Euler Hermes' estimate (2019: 1.5%). This trend is corroborated by growing freight prices and higher metal prices, among other things.

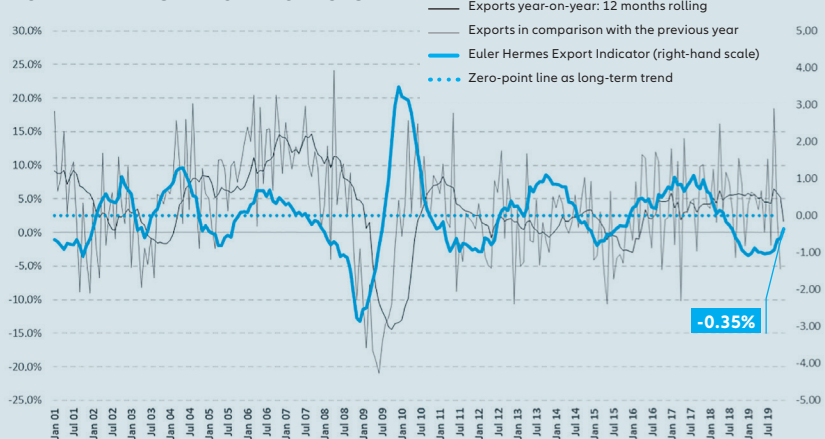
"A TREND REVERSAL IS IN SIGHT"

Stefan Ruf, CEO of Euler Hermes Switzerland: "The Euler Hermes Export Forecast remained persistently negative in 2019, which pointed to below-average growth. The negative results based on Switzerland's official export statistics for the fourth quarter therefore came as no surprise.

The trend reversal apparent in the Euler Hermes Export Forecast should now be regarded as positive. For that reason, the Swiss export industry's current period of weakness is likely to

be temporary in nature. That said, the medium-term slowdown in the US – despite the new positive momentum in Asia – suggests that the upward trend will be shallow."

EULER HERMES EXPORT FORECAST



The Euler Hermes 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).

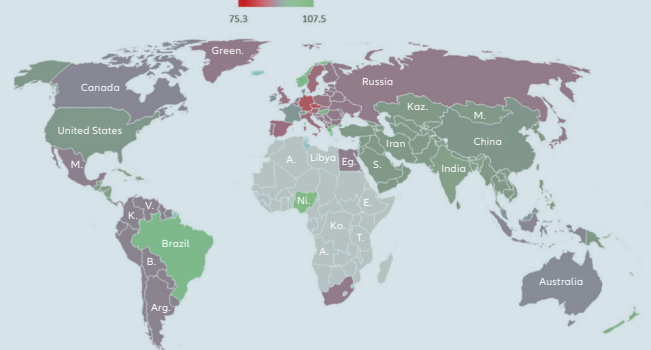
BUSINESS CLIMATE

Countries above average

- ▲ Trending higher
- Israel
- United States
- Hungary

Countries below average

- ▼ Trending lower
- Germany
- Australia
- Mexico



The map shows the latest trends in the leading economic indicators by region. Our global climate indicator currently stands at 96.7 points (end of third quarter: 95.9 points), which is 3.3 points below the long-term average of 100 points. Nigeria and Brazil show the highest figures. They are benefiting from the rise in oil prices coupled with low inflation in the other sectors of the economy. Germany and the Czech Republic are positioned at the bottom of the list. In the first half of the table, Israel has risen sharply in recent months. Germany, by contrast, has suffered significant losses.

MERCHANDISE EXPORTS (YOY)

4TH QUARTER 2019

1	Ireland	11.5%
2	Argentina	9.5%
3	Vietnam	7.4%
4	Ukraine	7.1%
5	Portugal	4.5%
6	Poland	2.5%
7	Hungary	2.3%
8	United Kingdom	1.8%
9	Australia	1.3%
10	Taiwan	0.4%
11	Turkey	0.4%
12	Netherlands	0.2%
13	Italy	0.2%
14	Denmark	-0.5%
15	Philippines	-0.5%
16	Mexico	-0.7%
17	China	-1.0%
18	Canada	-1.3%
19	Switzerland	-1.5%
20	Morocco	-1.6%
21	Spain	-1.6%
22	Germany	-1.7%
23	United States	-2.6%
24	Latvia	-2.9%
25	India	-2.9%
26	Emerging Markets	-3.1%
27	South Africa	-3.3%
28	Slovakia	-3.7%
29	World	-3.8%
30	Romania	-3.9%
31	Advanced Economies	-4.4%
32	Japan	-4.9%
33	Hong Kong	-5.2%
34	Finland	-5.6%
35	Thailand	-6.0%
36	Malaysia	-6.2%
37	Indonesia	-6.4%
38	France	-6.8%
39	Singapore	-7.1%
40	Sweden	-8.8%
41	Belgium	-9.7%
42	Brazil	-11.0%
43	South Korea	-11.4%
44	Greece	-12.3%
45	Israel	-12.6%
46	Russian Federation	-12.7%
47	Colombia	-12.9%
48	Saudi Arabia	-14.3%
49	Chile	-16.2%
50	Norway	-23.9%

The table shows the annual rates of change in exports of goods to various countries and country groups on the basis of the currently available official data for the fourth quarter of 2019 (in US dollars). The data were pre-adjusted for seasonal and working-day factors.

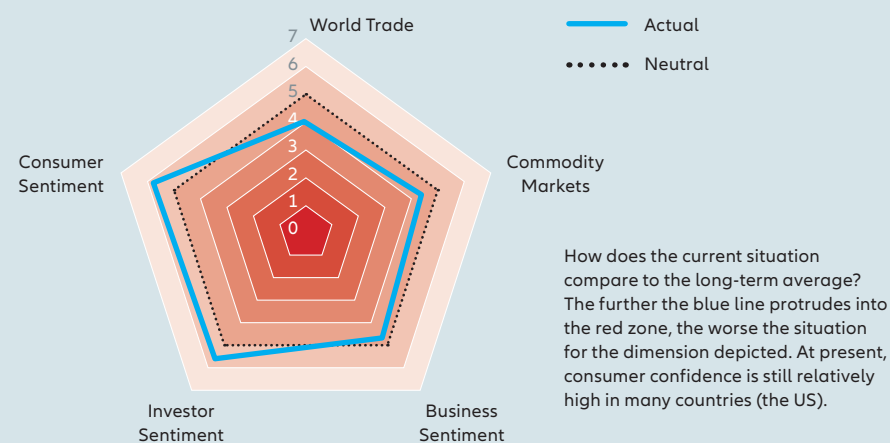
DEVELOPMENT OF THE LATEST EXPORT FIGURES: SWISS EXPORTS AND IMPORTS ON THE DECLINE

Following a mixed third quarter, the trend in the fourth quarter for Swiss exports was negative. As in the previous month, international goods trading declined in both directions in November 2019. Seasonally adjusted exports fell by 1.7 percent, while imports were down 1.1 percent over the month according to the Swiss Customs Administration (EZV). Consequently, exports have returned to the level they were at at the beginning of the year. This resulted in a trade surplus of CHF 2.2 billion.

The decline in exports was greatest among chemical and pharmaceutical products (CHF -183 million or -1.9 percent). Pharma exports have hitherto been a key pillar of the Swiss export industry. Exports of jewellery (-7.2 percent), watches (-2.9 percent) and machines and electronics (-2.3 percent) also fell.

The reason for the downward trend in jewellery and watches is the slump in the important sales market of Hong Kong. According to the Federation of the Swiss Watch Industry FH, exports to the former British colony again fell by around 30 percent year-on-year in November, due to the rioting and political chaos that have occurred there. A popular destination for Chinese shopping tourists in particular, Hong Kong has suffered a sharp drop in the number of visitors in recent months. Of the three large sales markets, it was only in North America that sales rose (CHF +107 million; US: CHF +85 million). Meanwhile, exports to Europe were CHF 218 million and exports to Asia CHF 284 million down on the previous month's result.

TREND: GLOBAL ASSESSMENT



REAL GDP FORECAST 2019 (% YOY)

	WTO	World Bank	OECD	IMF	Average
World	2.9	2.7	2.9	3.4	3.0
Advanced Economies	2.0	1.5		1.7	1.6
United States	2.2	1.7	2.0	2.1	1.9
Euro Area	2.1	2.7	1.1	1.4	1.7
Emerging Markets	4.5	4.6		4.6	4.6
East Asia and Pacific	4.3	5.9			5.9
China		6.1	5.7	5.8	5.9
Latin America	2.5	2.5		1.8	2.2
North Africa & Middle East		3.2			3.2
Sub Sahara Africa		3.3		3.6	3.5
Switzerland			1.4	1.3	1.4
World Trade Volume	1.2				

These are the estimates of the relevant international organisations of the real, inflation-adjusted gross domestic product for various regions of the world and global trade volume for 2019. According to the OECD, the global economy grew by 2.90 percent in 2019 – slightly more than in the previous year. Growth of 2.94 percent is expected for 2020.

ABOUT THE EULER HERMES EXPORT FORECAST

The Euler Hermes 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 Euler Hermes Export Forecast has a lead time of up to six months in comparison with the actual exports of the Swiss export industry.

EULER HERMES SWITZERLAND

Euler Hermes is the global market leader in credit insurance and a recognised specialist in the areas of bonding, guarantees and fidelity insurance, including cyber crime. The company has more than 100 years of experience and offers its business-to-business customers a range of financial services to support them with their liquidity and receivables management.

Via its proprietary monitoring system, Euler Hermes follows and analyses the insolvency trends of small, medium-sized and multinational companies on a daily basis. In total, its expert analyses cover markets that account for 92% of global GDP. Headquartered in Paris, the company is present in 50 countries with more than 5,800 employees. Euler Hermes is a subsidiary of Allianz and has a Standard & Poor's rating of AA. In 2018, Euler Hermes reported a consolidated turnover of EUR 2.7 billion and insured business transactions worth EUR 962 billion worldwide. Euler Hermes Switzerland employs around 50 staff at its headquarters in Wallisellen and its other locations in Lausanne and Lugano.

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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