SME Export Indicator

1st quarter 2012

Stabilization at a Low Level

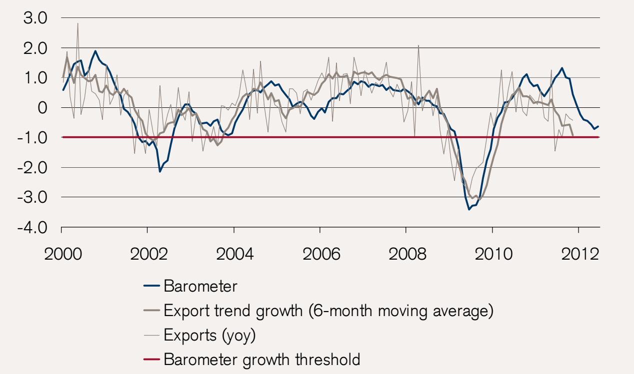
Export sentiment among Swiss SMEs shows virtually no change over the past quarter. Positive factors such as the SNB's cap on the Swiss franc/euro exchange rate and support measures for indebted eurozone countries, on the one hand, and the high degree of uncertainty about the world economic situation, on the other, are canceling each another out. The indices of the SME export indicator from Credit Suisse and Osec have consequently stabilized at a low level.

The Credit Suisse export barometer, which records foreign demand for Swiss products, stands at a level of -0.63 in the first quarter of 2012. This figure is lower than in the fourth quarter of 2011, but remains above the growth threshold of -1. The latest data also indicate a slight increase. Whether this is can be interpreted as a reversal of the trend in international economic activity – and therefore prospects for exports – will be shown by developments over the coming months.

Illustration 1

Credit Suisse Exportbarometer

Standard Deviation, Growth Threshold = -1, Long-Term Average = 0



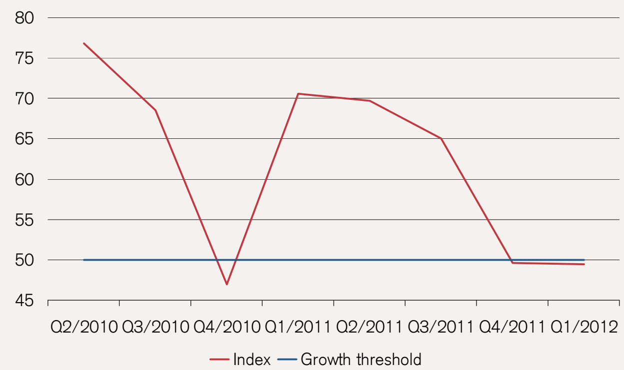
Source: Federal Customs Administration, Datastream, Credit Suisse Economic Research

The Osec SME export outlook indicator continues to show a stagnation in export sentiment: It currently stands at 49.5 points, compared with 49.7 points in the preceding quarter. This figure is calculated from the export sentiment of SMEs for the first quarter of 2012, as well as effective exports in the preceding quarter. Values of below 50 on this scale of 0 to 100 signal a decline in exports. Following a continuous decline over the course of 2011, from 70.6 in the first quarter to below 50 in the fourth, the index value has now stabilized at this low level.

Illustration 2

Osec SME Export Outlook Indicator

Weighted value from Q1/2012 and Q4/2011; growth threshold = 50



Source: Panel survey of more than 200 Swiss SMEs

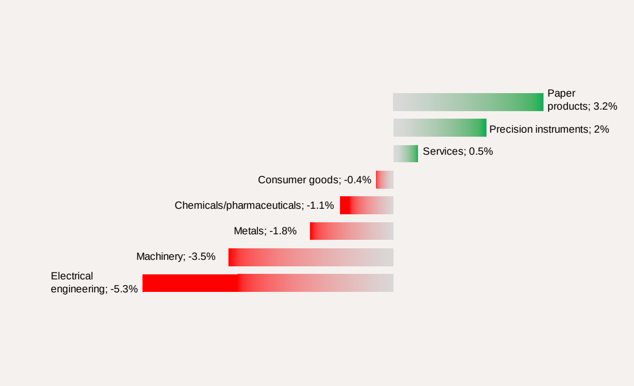
30% of the Swiss SMEs responding to Osec's SME export outlook survey expect growth in exports during the coming quarter; this compares with 32% in the preceding quarter. A year previously, 58% of SMEs had still been optimistic. 43% of SMEs currently expect the volume of their exports to stagnate; this had been feared by 40% at the start of the fourth quarter of 2011. The proportion of SMEs expecting exports to decline was virtually unchanged: The figure was 27% at the start of the first quarter of 2012, versus 28% in the preceding quarter. A year previously, the figure was 9%.

A Mixed Picture by Sector

Slightly above-average export prospects are predicted for the metal industry, as well as electronics and precision instruments, according to the Credit Suisse export barometer. Export prospects are slightly below-average for the paper products and chemicals industries.

The Osec SME export prospects survey highlights more significant differences between the individual sectors: Whereas paper products, precision instruments, and the service sector still anticipate – in some cases solid – growth in exports, companies in the other sectors expect them to decline. Sentiment remains especially negative in the electrical engineering sector. SMEs in the machinery industry are also distinctly pessimistic.

Illustration 3
Export Expectations in Q1 2012 by Sector
Expected growth based on panel survey of more than 200 Swiss SMEs (weighted by company size)



Source: Osec SME export outlook indicator

The companies that are predicting growth in exports over the coming months ascribe this mainly to product innovation (cited by 55%; multiple answers possible) and increased marketing efforts (43%). The importance of the innovation factor in particular has increased significantly compared with the preceding quarters.

SMEs that expect a decline in exports attribute this clearly to the economic downturn: 65% named this as a factor, compared with 53% in the preceding quarter and only 22% a year previously. Competitive pressures, cited by 45%, remained stable as a factor. Price reductions, the third key factor, were mentioned with slightly less frequency than in the preceding quarter at 34% versus 36%, but significantly more often than a year earlier (26%).

The majority of companies will continue to invest at higher or similar levels in their export activities, especially in the areas that are apparently crucial to success abroad – namely, marketing and product innovation.

Europe Still the Main Sales Destination

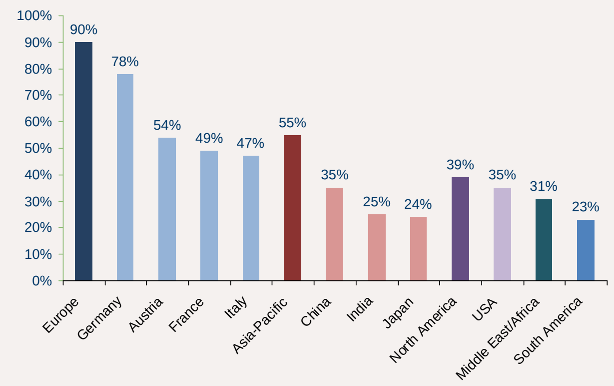
According to the Credit Suisse export barometer, the main impetus to growth is currently expected to come from the US and some emerging-market countries such as India and Turkey. As for Europe, the export trend is likely to remain one of either weakness or stagnation.

Notwithstanding both the strength of the Swiss franc and the euro crisis, Europe remains by far the most important destination region for Swiss exports. 90% of the Swiss SMEs surveyed by Osec intend to export to Europe over the coming six months, versus 91% in the preceding quarter (multiple answers possible). The most important European export market remains Germany, to which 78% of the SMEs surveyed export their goods or services, followed by Austria (54%), France (49%), and Italy (47%).

Compared with the first-quarter 2011 survey, Europe and the neighboring countries grew significantly in importance: At that time, 77% of the SMEs said Europe was the export destination. Germany was cited by 67%, Austria by 43%, France by 42%, and Italy by 38%.

55% of Swiss SMEs will export to the Asia-Pacific region in the next six months (previous period: 49%). Foremost among the Asian export destinations is China (35% of mentions), followed by India (25%) and Japan (24%). 39% of SMEs are likely to export to North America in the coming six months, 31% to the Middle East/Africa region, and 23% to South America.

Illustration 4
Most Important Export Markets in H1 2012
Most important destination countries based on a panel survey of more than 200 Swiss SMEs (multiple answers possible)



Source: Osec SME export outlook indicator

Strong Swiss Franc Continues to Unsettle SMEs

70% of the companies in the Osec SME export prospects survey expect the growth in their exports to slow as a result of the strong Swiss franc. In the preceding quarter it was 73%; a year earlier, however, it was only 58%. The machinery (84% expect a negative impact), metal (82%) and consumer goods (77%) industries are particularly affected by this exchange-rate development. The service sector (52%) is looking comparatively resilient.

79% of the SMEs surveyed stated that the strong franc was adversely affecting their profit margins. In the preceding quarter it was 83%. Pressure on margins was especially pronounced in the metal industry (100%), chemicals / pharmaceuticals (91%), and electrical engineering (88%) sectors. The 21% of SMEs not fearing any negative impact on profit margins attribute this to their ability to pass on price increases, reduce their manufacturing costs, and hedge themselves against currency fluctuations.

Methodology

Credit Suisse Export Barometer

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 roughly 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 and are consolidated to form a single indicator. Since the values in question are standardized, the export barometer is calibrated in standard deviations. The zero line corresponds to the long-term average growth in Swiss exports of 4.8% since 1985. Accordingly, the growth threshold lies below the zero line at around -1.

The chart on page 1 underlines the nature of the Credit Suisse export barometer as a forecasting tool; the correlation between export growth (moving average over 6 months) 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), Swiss Foreign Trade – Facts and Trends, Swiss Issues Sectors, available at www.credit-suisse.com/research

Osec SME Export Outlook Indicator

The concept behind the calculation of Osec's SME export outlook 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.

Find out more at:
www.osec.ch/exportindikator

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