

Press Release

Swiss Export Risk Monitor 2017

300+ export-oriented Swiss companies surveyed on export performance, export risks impact
Conducted by Bern University of Applied Sciences BFH and Euler Hermes

- In 2017, after a strong year in 2016, companies expect increased exports to many countries - especially to China, Japan, Russia and the U.S.
- Currency risk remains the principal hazard for Switzerland's export business, although it impacted strongly on fewer companies in 2016. Currency, economic and credit risk remain the top three risks for exporters.
- Export risk is expected to grow in Brazil, France, Italy, Russia, Turkey, the UK, and the U.S., and remain low and stable in other key markets such as Germany and China/Hong Kong
- Of the protective measures companies use, crisis measures such as "outsourcing abroad" and "longer working hours for the same wages" are cited less frequently than in the 2016 survey.

ZURICH – 30 MARCH 2017 – For the third consecutive year, the Bern University of Applied Sciences and Euler Hermes, the worldwide leader in credit insurance, again surveyed Swiss exporters about their export risks in 2017 – particularly related to export performance expectations and the impact of economic risks.

After a strong 2016, exports expected to rise further in 2017

Companies are in a buoyant mood in terms of export expectations. After an excellent year in 2016 (up 3.8%), companies expect exports to rise further in many countries in 2017 (see Figure 1). Expectations of Asian market performance in China/Hong Kong and Japan, already at a high level, have risen further. The prediction of an above-average increase to Russia is noteworthy, especially after recent low growth levels; higher oil prices vs 2016 and fewer financial market restrictions in the form of sanctions are cited as reasons

After the surprise result of the U.S. presidential election, Bern University of Applied Sciences and Euler Hermes specifically questioned companies about U.S. economic developments. Over two-thirds of companies anticipated positive economic U.S. performance, and high export levels to the U.S. Companies were much less positive than last year in their expectations of exports to the UK and Turkey.

"The survey results for 2017 show a positive picture in terms of export development," said Stefan Ruf, CEO of Euler Hermes Switzerland. "The export and risk situations of Swiss companies is better than many expected. However, persistent political uncertainties are not helpful to exports. Brexit in the UK, the continued lack of clarity on U.S. President Donald Trump's strategy and the unstable situation in Turkey produce export expectations for these countries that are lower overall compared to 2016. Confidence in the U.S. market is reflected in the fact that export expectations remain high, while they have clearly plummeted for Turkey."



Diagram 1: Average expected export development, 2016 (blue) and 2017 (green) surveys – positive expectations in many markets

Rising economic growth and stable exchange rate

"We anticipate a further rise in Switzerland's economic growth to 1.6% in 2017," said Ludovic Subran, chief economist of Euler Hermes. "According to our estimates, Swiss exports should increase by 7 billion Swiss francs in 2017 vs 2016. The euro-Swiss franc exchange rate remains stable at around 1.07 francs, indicating that the effects on GDP and exports of the abrupt franc revaluation two years ago have largely worn off. Companies impacted by the sudden strength of the franc still face challenges however."

Currency and economic risks the main hazards for Swiss exporters – fewer companies strongly impacted than last year

Swiss export companies are still being strongly impacted by currency risk. Among companies surveyed, 92% (2016: 96%) are severely or moderately affected. (see Figure 2). Economic and credit risks remain the second and third highest risks, with 77% (88%) and 53% (55%) of Swiss export companies citing strong and medium effects. There has been no change in the hierarchy of risks since 2016. It is striking that fewer companies reported suffering significantly from currency risk and economic risk than in the 2016 survey, and that the overall level of impact from economic risk has fallen.

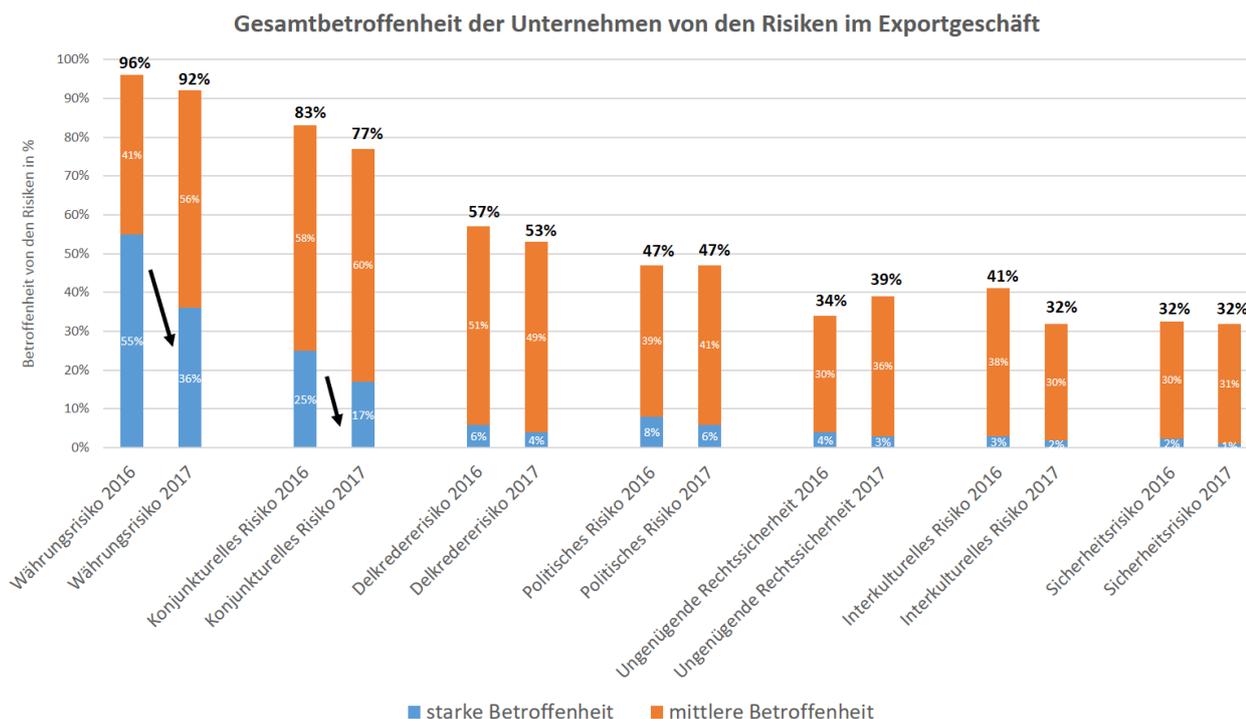


Figure 2: Impact of export risks, 2016 & 2017 surveys: fewer companies strongly impacted (blue) by currency & economic risk

Reacting to **currency risk**, more companies cite "invoicing in US dollars or euros" (50%, 2016: 45%) and "invoicing in Swiss francs" (42%, 2016: 39%). The use of several protective measures declined vs previous years, including "outsourcing abroad" (19%, 2016: 27%) and "longer working hours at the same wages following Swiss franc revaluation" (16%, 2016: 22%). Many companies are still "sourcing from abroad following Swiss franc revaluation" (49%, 2016: 53%).

Economic risk is still being reduced primarily by two protective measures: "innovation (65%, 2016: 66%) and "building a presence in the key export markets (diversification)" (52%, 2016: 55%).

The main protection against **credit risk** is "advance payments/down payments" (79%, 2015: 78%). Other heavily used defensive measures are "assessment of customer creditworthiness in the target country" (46%, 2016: 40%) and "letters of credit" (34%, 2016: 32%). This year's survey also included questions on the protective measures demanded by foreign suppliers from their Swiss customers. As with Swiss suppliers, financial instruments are important, with "advance payments/down payments" at the top of the list (63%). Unlike Swiss exporters, guarantees seem more often used by foreign suppliers than letters of credit.

Low and stable risk environment in key export markets

The risk environment is assessed as low in key export markets. Germany remains the most important, safest and most reliable export market for Swiss companies.

Exporters anticipate growing risks in France, Italy, the UK and the U.S., as well as in countries where risk is already high, such as Brazil and Turkey.

Survey coordinator Dr. Paul Ammann of the Bern University of Applied Sciences commented: "A large percentage of Switzerland's exports is to countries whose the risk trend is considered stable. Over the next year, performance in countries where companies expect risk to rise will be key. Swiss exporters will need to pay even closer attention to events in those countries."

About the "Export Risk Monitor"

For the third consecutive year, Euler Hermes has partnered with the Bern University of Applied Sciences to analyze Switzerland's export risks in detail, surveying companies on the protective measures they are implementing.

The survey was conducted from January 19- February 28, 2017. It provides exporting companies with a comparison benchmark and helps them protect against risks by showing the potential for optimization. The export-related risks surveyed included currency risk, economic, political and intercultural risk, credit and security risk, as well as the risk of inadequate legal security.

The majority of companies surveyed were small-medium enterprises (SMEs) with 10-250 employees. The exporters surveyed produce investment or standard goods, are active in customer-specific projects or trading, or are service providers. Over two-thirds of companies surveyed export more than 30% of their goods.

Further information is available at www.ti.bfh.ch/expoctrisiko_monitor and www.eulerhermes.ch.

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Euler Hermes is the global market leader in trade credit insurance and a recognized specialist in bonds, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with over 5,900 employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe. The company reported consolidated sales of €2.6 billion in 2016 and insured global business transactions for €883 billion.

Euler Hermes Switzerland employs approx. 50 people at its headquarters in Wallisellen and in Lausanne and Lugano offices.

For further information: www.eulerhermes.ch, LinkedIn or Twitter @eulerhermes

Bern University of Applied Sciences offers coordinated services in the areas of education and continuing education, applied research and development and technological knowledge transfer. Its work has a three-fold focus. First, high quality, enabling it to provide the economy with qualified and innovative professionals and services. Second, an international outlook, to give students and staff optimal opportunities in the globalized world of education and business. Finally, interdisciplinary thinking and action, to match the high expectations of increasingly diverse teams in industry and science. Bern University of Applied Sciences houses six departments under one roof and offers a total of 30 bachelor degree courses and 22 masters courses, as well as numerous continuing education courses, including international management.

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