

HSBC Global Connections

Trade Forecast Update: Switzerland February 2012

Forecast exploring the future of world trade and the opportunities for international businesses

- World trade to grow by 86% in the next 15 years (2012-2026)
- International trade growth will accelerate from 2014
- Companies to increase trade activity by 4.70% annually to achieve projected growth
- Fastest growing emerging sectors support trade infrastructure and the transportation of goods around the world
- Switzerland's trade growth from 2012 to 2026 will be 74.53%
- Switzerland's companies to increase trade activity annually by 4.60% over the next 15 years
- Switzerland's largest fastest growing export sector will be non-alcoholic waters and soft drinks, which will grow at an annualised rate of 11.09% over the next five years

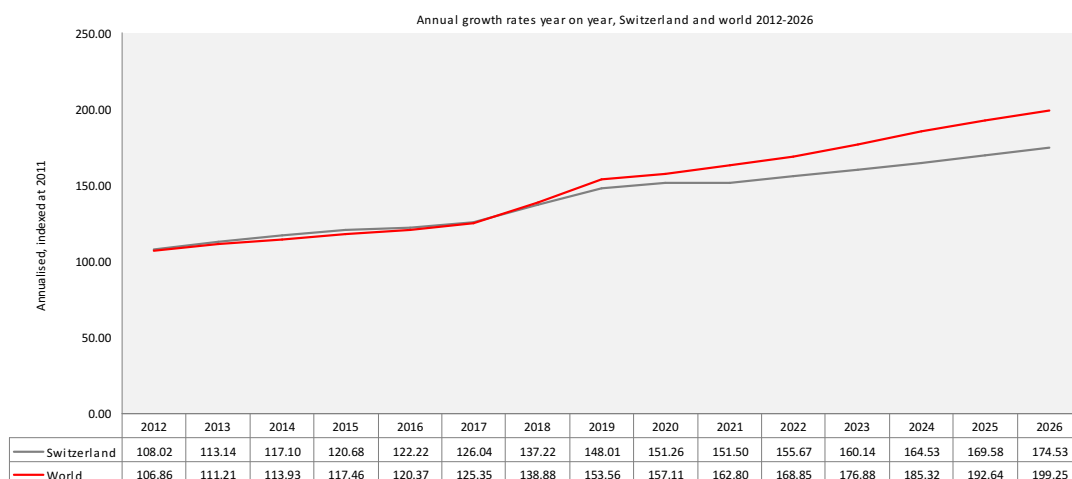
Trade overview

As the world continues to face well-documented economic challenges, the Trade Forecast suggests grounds for optimism for international businesses. Despite the current climate the overall trend for international trade is positive with growth acceleration sooner than expected from 2014, rather than 2015. After 2014 the global economy ends a period of slow growth and contraction and sees an upturn in trade in line with GDP forecasts. Over the next five years it is forecast that world trade will grow at an annualised rate of 3.78% (see below graph for year-on-year predictions), due primarily to the expectation of an earlier recovery of the overall global economy. In the period 2017-2021, the Forecast predicts even more rapid annualised growth at 6.23%, as world demand for traded goods recovers its dynamism. As a result world trade is predicted to grow by 86.00% in the next 15 years, taking total trade activity in that year to \$53.8 trillion.

The Trade Forecast predicts that trade in Switzerland will grow at an annualised rate of 4.04% over the next five years to 2016, but will increase substantially between 2017 - 2021, at 5.82%. This equates to growth of 74.53%. Annualised total trade growth in Switzerland over the next 15 years will be 4.60%, which is the rate at which companies will need to increase their international activities if they are to keep pace with this change.

Switzerland's trade outlook

Switzerland's trade will grow at a faster rate than the world average until 2018, when trade growth begins to fall behind. The world growth is due to accelerated trade as the world picks itself back up following the Eurozone debt problem. In turn, as World trade growth speeds up as a whole, with the Asia Pacific regions and Latin American as the main drivers, Switzerland's trade growth will not grow comparatively.



Alan Keir, Group Managing Director and Global Head, HSBC Commercial Banking:

"Where once businesses followed economic investment, now, forward-thinking companies lead, taking matters into their own hands and making business happen. Whether that's taking advantage of shorter-term growth in international trade, which despite economic uncertainty sits at \$1trillion a year, or by creating new supply chains that open up trade corridors, businesses are connecting themselves to future opportunities. The reality is that growth opportunities lie internationally. The companies that succeed will be planning for that today."

Trade corridors and trends

Swiss trade is dominated by Europe and the USA. Germany is its largest export partner and exports here are forecast to grow at 4.00% annually to 2016. Similarly, exports to its next two largest partners, the USA and Italy, are set to grow at an annual rate of 3.28% and 3.56%, respectively. Switzerland's largest fast-growing export partners will be China, set to grow at 8.43%, India by 7.12% and Hong Kong by 6.79% over the next five years reflecting that Switzerland is supplying high-end jewellery into these markets, particularly Hong Kong. Its emerging exports partners are smaller but growing very rapidly and are also from outside of Europe, including Algeria, Egypt and Vietnam where exports are forecast to increase annually by 10.36%, 9.83% and 9.39%, respectively, over the next five years. This will be due to increased opportunities outside of Europe, as the Eurozone crisis continues to dampen demand within the region.

Germany, Italy and France are also large import partners. Imports are set to increase at annualised rates of 3.49%, 3.06% and 2.25% respectively to 2016. However, this is modest growth in comparison to Vietnam, a large importer of gold - where imports are forecast to grow by 17.63% over the next five years. Latin American countries play an important role in the emerging import partners indicating that trade with Latin America will become increasingly important over the next five years.

Switzerland's Emerging Growth Importers and Exporters (2012-2016)

Switzerland's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partners	%	Switzerland's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partners	%
Germany	4.00%	Algeria	10.36%	Germany	3.49%	Vietnam	17.63%
USA	3.28%	Egypt	9.83%	Italy	3.06%	Uruguay	14.69%
Italy	3.56%	Vietnam	9.39%	France	2.25%	Mexico	14.23%
France	4.01%	Oman	9.19%	USA	3.77%	Cayman Islands	13.31%
United Kingdom	6.09%	Georgia	8.90%	Austria	4.10%	Paraguay	13.30%
China	8.43%	Nigeria	8.87%	Netherlands	4.17%	Bahrain	13.11%
Spain	3.16%	China	8.43%	United Kingdom	3.99%	Myanmar	12.99%
Japan	4.21%	Brazil	8.20%	China	7.51%	Egypt	12.64%
Hong Kong	6.79%	Zimbabwe	8.12%	Belgium	3.27%	Algeria	12.17%
Austria	4.33%	Bahrain	8.10%	Spain	4.90%	Ethiopia	11.64%

N.B. Emerging Growth Import and Export Partners are trade partners that are growing most quickly over the period, albeit potentially from a small base.

Sector watch

The table below shows Switzerland's fastest growing export and import sectors by partner:

Switzerland's Fastest Growing Export and Import Sectors by Partner (2012-2016)

Export Sector	Export Partner	CAGR (2012-16)	Import Sector	Import Partner	CAGR (2012-16)
Platinum, unwrought, semi-manufactured or powder forms	United Kingdom	16.48%	Gold, silversmith wares of or clad with precious metal	Vietnam	19.15%
Blood, antisera, vaccines, toxins and cultures	Japan	12.58%	Blood, antisera, vaccines, toxins and cultures	Germany	10.87%
Carboxyamid-function compounds	Germany	12.20%	Petroleum oils, oils from bituminous minerals, crude	Kazakhstan	10.09%
Blood, antisera, vaccines, toxins and cultures	USA	10.42%	Electrical energy	Germany	9.58%
Electrical energy	Germany	10.34%	Platinum, unwrought, semi-manufactured or powder forms	Japan	8.47%
Platinum, unwrought, semi-manufactured or powder forms	Hong Kong	10.32%	Jewellery and parts, containing precious metal	France	6.88%
Heterocyclics, nitrogen hetero atom only, nucleic acid	Italy	9.85%	Medicaments, therapeutic, prophylactic use, in dosage	USA	6.87%
Blood, antisera, vaccines, toxins and cultures	France	9.43%	Heterocyclics, nitrogen hetero atom only, nucleic acid	United Kingdom	5.82%
Watches with case of, or clad with, precious metal	Hong Kong	8.70%	Petroleum gases and other gaseous hydrocarbons	Germany	5.49%
Blood, antisera, vaccines, toxins and cultures	United Kingdom	8.46%	Medicaments, therapeutic, prophylactic use, in dosage	Austria	5.34%

N.B. Fastest growing import and export sectors by partner are developed from the the top 50 export and import partners and are selected alongside the trade sectors that constituted values of above \$100 million at the end of 2010. The top ten fastest growing partners by sector were selected for this table.

Sector opportunities

Medicines and medical equipment: The Swiss pharmaceutical sector is world class and its trade, largely with developed nations, is set to grow significantly. Medical sectors represent nine out of the top 15 emerging Swiss export sectors. Blood products, antisera and vaccines exports to Japan are forecast to increase by 12.58% annually over the next five years. Exports in blood products are set to increase by 10.42% to the US and 9.43% to France. Medicines exports to Japan and the UK will also increase while exports of hormone treatments to Austria will increase annually over the next five years by 6.93%. Imports of medicines from the US will increase by 6.87% and of blood products from Germany will increase by 10.87%. This demonstrates how global the pharmaceutical sector is and how important Switzerland is in the global supply chain. B Pharmaceutical businesses seeking to internationalise are aware of its focus on high-end research and innovation and must increase this activity by between 4.68% and 8.65% globally if they are to keep up with the pace of change in the sector.

Jewellery: Switzerland's high value engineering is evident in its watch and jewellery sector. Exports of watches alone are forecast to increase by 4.05% over the next five years. Related to this is the rapid increase in imports of instrument panel clocks, forecast to grow annually by 18.89% and demonstrating the integration between high-end engineering and time-keeping technology. Hong Kong is emerging as a major destination for platinum exports, forecast to grow by 18.32% over the next five years while Platinum exports to the UK will grow at an annual rate of 16.48%. Significantly, imports of gold from Vietnam are forecast to grow by 19.47%, suggesting an increasingly international jewellery sector with emerging economies dominating in the demand for finished products and the supply of precious metals and stones.

Energy: Switzerland is a major oil importer and this is reflected in the 10.09% annual increase to 2016 of oil imports from Kazakhstan and petroleum gas and oil from Germany by 5.49% and 3.83%, respectively. However, an emerging electrical energy sector is growing in importance in the Swiss economy. Electrical energy exports are forecast to grow by 6.25% and electrical energy imports by 6.60% annualised over the next five years. The main trade partner here is Germany: exports are forecast to increase by 10.34% to Germany from Switzerland annualised to 2016 while imports from Germany over the same period will grow by 9.58%. This relatively new sector demonstrates that even in the non-fossil fuel sector, supply chains and trade are vital. Businesses in these sectors need to grow their international activities by around 6.25% in order to keep pace.

HSBC Trade Connections

Trade Forecast

The Trade Forecast predicts how trade is going to develop over the next five, 10 and 15 years. It forecasts overall trade growth (exports, imports and total trade) globally, in global regions, and individual countries. Spanning 37 countries, it covers the top 10 sectors for exports and imports for each of these. The forecast has a unique approach to understanding the drivers of trade from a business perspective, informed by: trade trends, macroeconomic and market influences trade (for example GDP, oil prices, inflation, foreign direct investment), and business environment influences on trade (including regulation, demographics, access to capital and finance). The research has been commissioned by HSBC and undertaken by Delta Economics.

The economic and business narratives stem from a broader documentary search that includes material from National Statistical Offices, the World Bank and International Monetary Fund, economic blogs, the Economist Intelligence Unit, Bloomberg, the Financial Times and other professional and financial services news websites.

About HSBC Commercial Banking

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