

PRESS RELEASE

Swiss exports to China at record high, spurring confidence

- Optimistic into the Year of the Pig: Swiss companies remain confident for the business outlook in China in the next 5 years, with a confidence index of 6.7; **76% of Swiss business leaders in China expect their companies' sales in 2019 to be "higher" or "substantially higher" than in 2018**, according to the "2019 Swiss Business in China" survey.
- The large base on which the GDP grows, the growth of the middle class and the shift of the economy towards high-tech, automation and services made 2018 a record year for Swiss companies: **In 2018, Switzerland exported goods in the record value of 18.1 billion Swiss francs to China and Hong Kong, a plus of 8,2% year-on-year.**
- **Watches and precision instruments exports grew by 11% (8 bio CHF), machinery exports by 6.8% (2.9 bio CHF), underlining the strength of Swiss technology companies.**

Shanghai (February 1, 2019) – Despite the public perception of an economic slowdown in China, Swiss business leaders in the market look back at a successful 2018 and are confident about the upcoming Year of the Pig. The confidence index for the next year reaches 6.49, for the next 5 years it is at 6.7 – with 10 being the most confident and 0 being not confident at all. **76% of the Swiss business leaders expect "higher" or "substantially higher" sales in 2019 compared to 2018, with only 4% expecting lower sales**, according to the recent "**2019 Swiss Business in China Survey**", conducted by the **China Europe International Business School ([CEIBS](#))**, the premier business school in Asia), the **Swiss Centers China ([SCC](#))**, the **Swiss Embassy** in China, **Swissnex**, **SwissCham**, **Switzerland Global Enterprise** and **China Integrated**. The comprehensive survey comprises responses from 132 Swiss companies, both SMEs and large enterprises, and is believed to be representative of the approximately 600 Swiss companies in China. Besides Swiss enterprises, the survey also includes responses from Chinese (683) and other foreign companies (200).

The strength of Swiss companies manifests itself in the development of their exports: **In 2018, Switzerland exported goods in the value of 18.1 billion Swiss francs to China and Hong Kong, a record number and a plus of 8.2% year-on-year**, according to recent figures by the Swiss Federal Customs Administration¹.

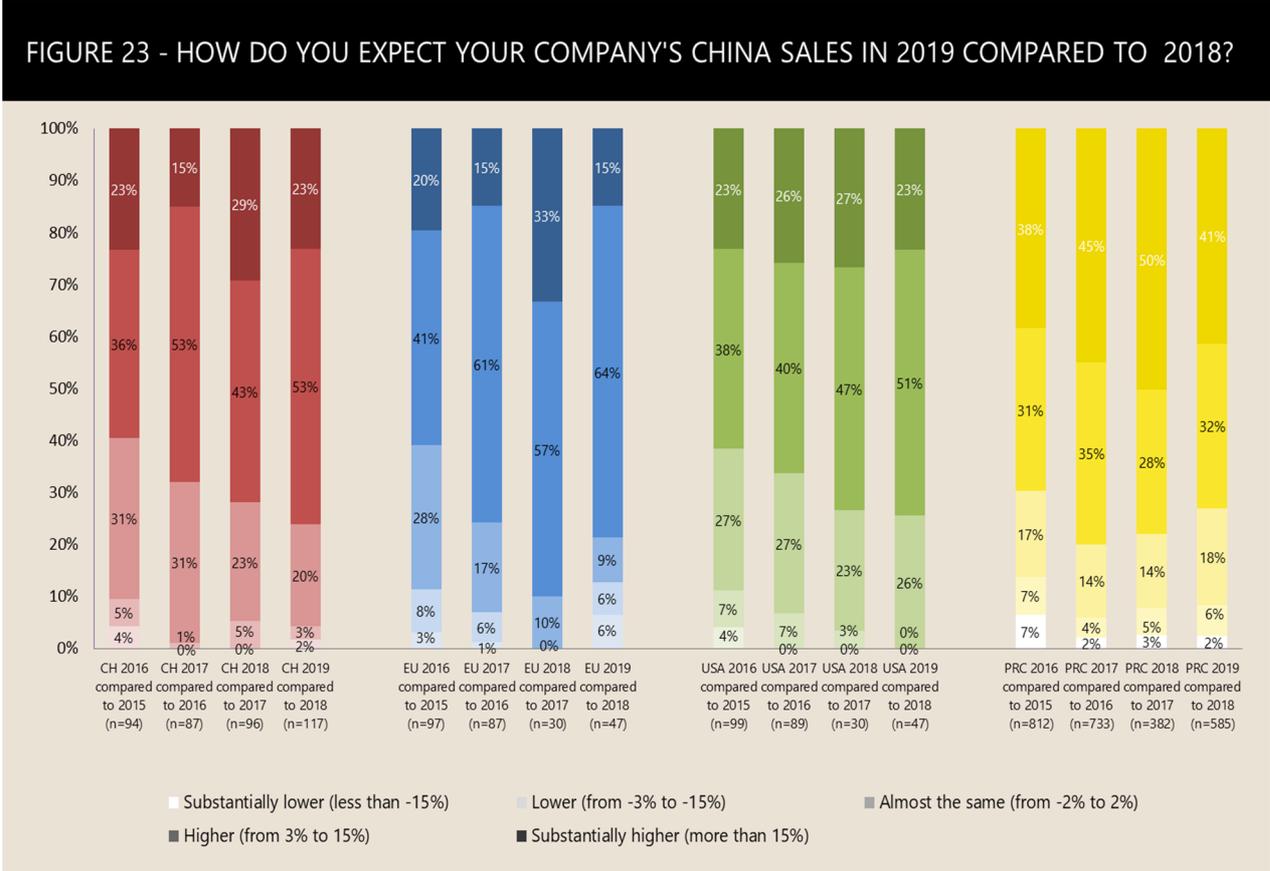
"While many headlines around the world recently focused on China's relatively slow GDP growth of 6.6% in 2018, **the Swiss business community on the ground is optimistic and announces good results**. After all, even if the GDP will grow by the slowest pace since 1990 in 2019 – the IMF has forecasted 6.2% – in absolute terms this will still be a larger increase than any year before 2018", analyzes Nicolas Musy, Delegate of the Board of Swiss Centers in China, a non-profit organization that lowers the market entry barriers into Asia for Swiss companies. "Because

¹ Figures from Swiss Federal Customs Administration, Total "business cycle" (total 1): without gold bars and other precious metals, coin, precious stones and gems, works of art and antiques

of the rapid economic growth over the last decade, the relative GDP growth which is an average over all sectors is not the best indicator for the chances that the market offers to Swiss companies. The 6.6% in 2018 represented over 800 billion US Dollars of absolute GDP growth and one third more than the 10.6% growth achieved in 2010 (600 bio USD). The business opportunities that typical Swiss companies can tap in their niches are almost always bigger than they can handle, also with slower overall growth.”

Confident outlook

The survey results show that the Swiss business leaders in China are increasingly confident about their sales growth. While for 2019, 76% expected “higher” or “substantially higher” sales, this number was 72% in 2018, 68% in 2017 and 59% in 2016.



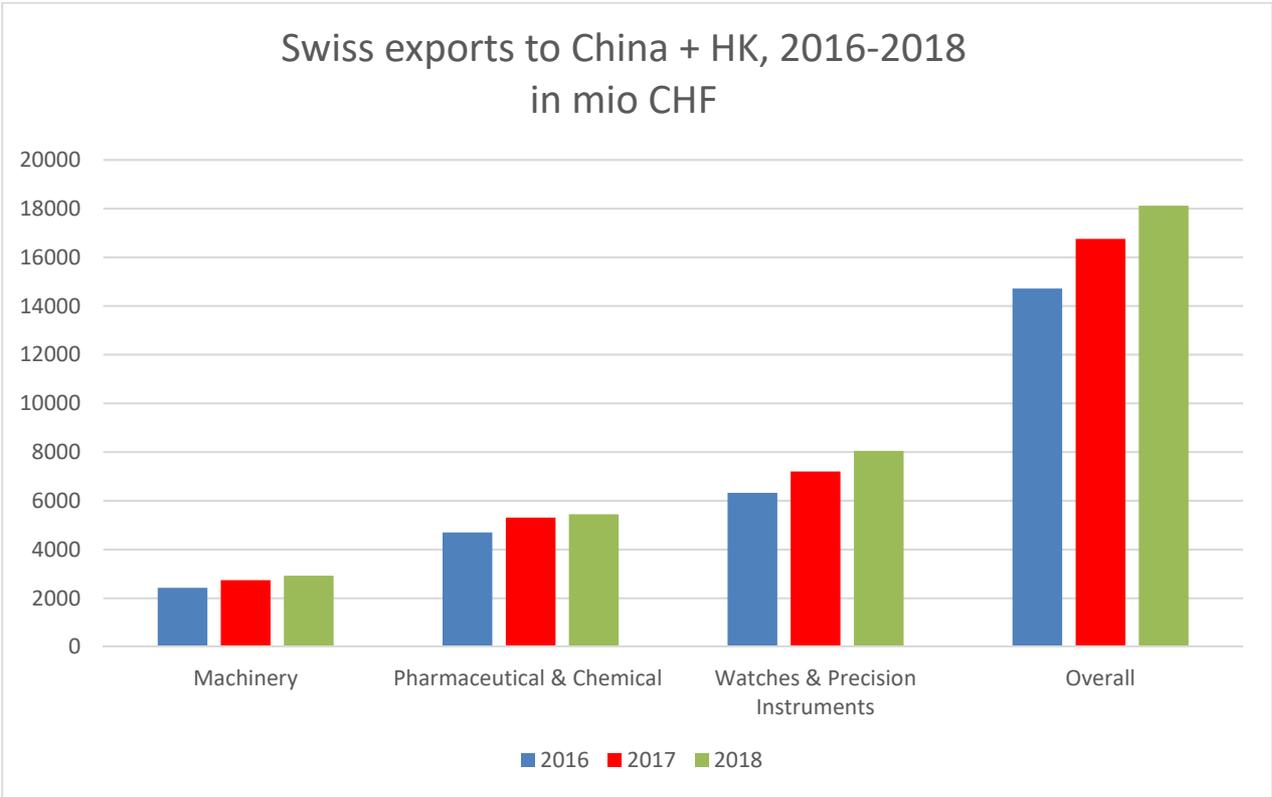
One of the reasons for this confidence is China’s shifting domestic economy. Thanks to the quickly growing middle class and its needs, economic actors focus on high-tech equipment to develop high-value added products, the import of quality consumer goods as well as a more and more sophisticated services sector. “Swiss companies are innovative and can provide the products that China needs. They are particularly strong when it comes to state-of-the-art technology, automation and quality consumer goods. As an example, e-commerce sales are growing over 20% year-on-year. Modern, automated warehousing and logistics equipment and services, among others, must follow such needs”, explains Zhen Xiao, the CEO of Swiss Centers China. Nicolas Musy adds: “With salaries and costs rising every year, automation, top efficient equipment and lean production, all areas where Switzerland excels, become a must for every producer in China. At the same time, the fast-growing upper middle-class drives demand for high-quality and luxury imports, again Swiss strengths. It is important to realize that growth is higher in these advanced and high-quality sectors, where most Swiss companies are active, than the average GDP growth.”

A good testimony for China’s demand for high-tech high-end products is the 1st China International Import Expo (CIIE), which took place during November 2018 in Shanghai. The fair is import-focused, solely dedicated to the products and services from abroad. During the 6-day

event, the contracted deals amounted to 57.8 billion USD, of which Swiss enterprises accounted for 3.59 billion USD. Swiss Centers China is proud to be an official partner of the CIIE, together with the Swiss Chinese Chamber of Commerce in Zurich, and will continue to support the Swiss companies to participate in the 2nd CIIE which will take place in Shanghai in November 2019.

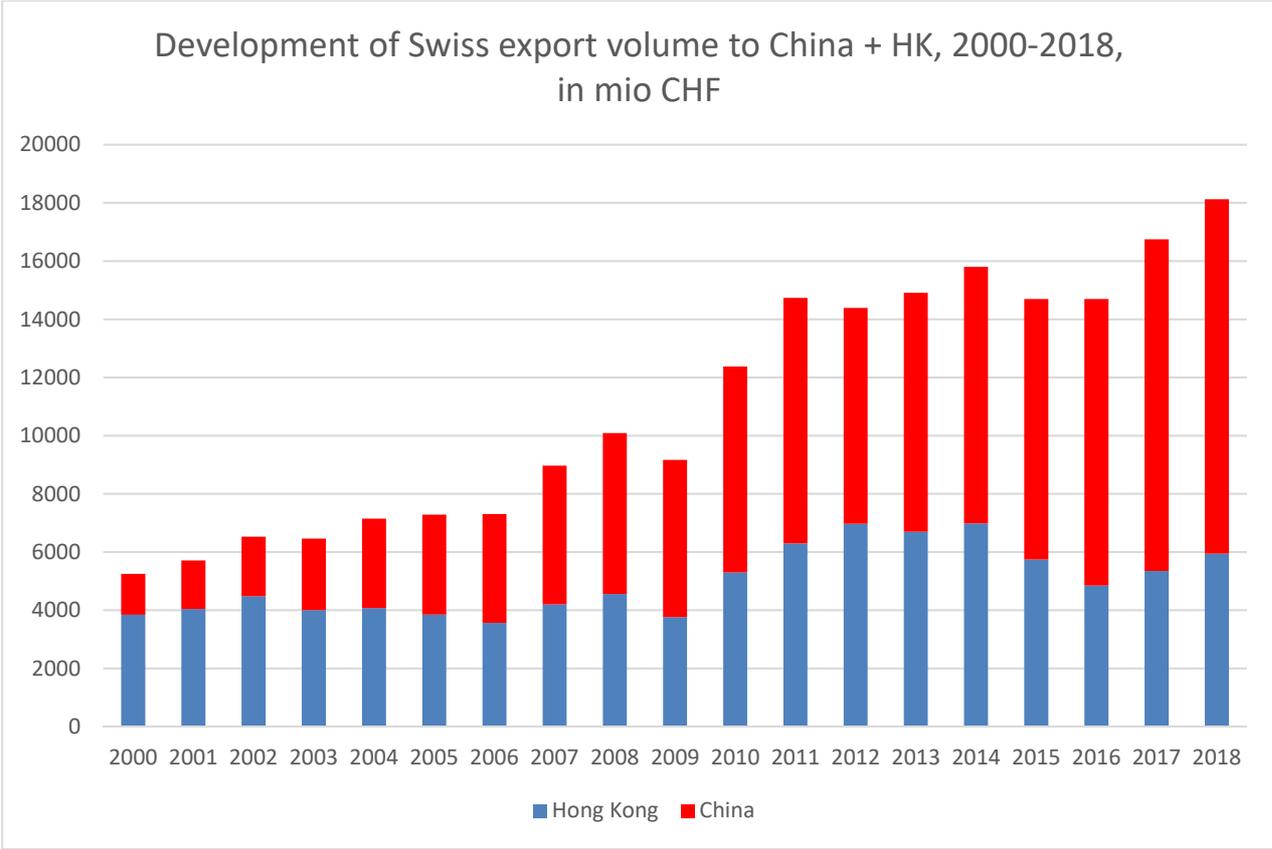
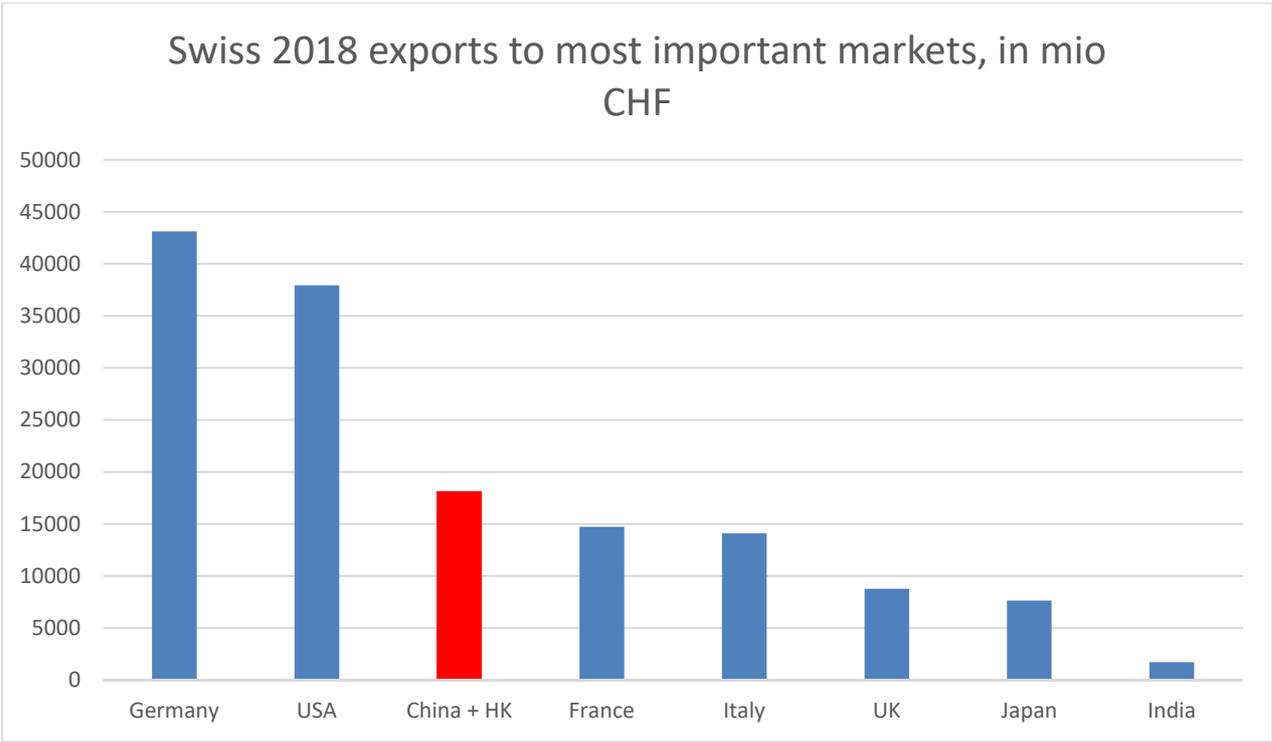
The development of Swiss exports to China is a direct illustration of the situation described above. Exports of watches and precision instruments, the biggest Swiss export sector, grew most dynamically with 11% in 2018 compared to 2017, way over the 6.6% average growth, to a value of 8 billion Swiss francs. The two other major segments yielded positive results as well: Pharmaceutical and chemical exports grew by 2.5% to 5.4 billion Swiss francs. Machinery exports grew by 6.8% to 2.9 billion Swiss francs.

The total 8.2% Swiss export growth to China and Hong Kong is also over the average, particularly considering that Hong Kong grew by 3.8% only in 2018.



Third biggest buyer of Swiss goods

With the record export volume of 18.1 billion Swiss francs, China and Hong Kong remain the third biggest trading partner of Switzerland, clearly ahead of France, Italy and the UK. Only Germany (43 bio CHF, +3.6%) and the United States (37.9 bio CHF, +7.3%) import more Swiss goods. In 2018, Switzerland achieved a trade surplus of 2.6 billion Swiss francs with China (incl. Hong Kong).



Swiss companies do not only export and sell more, they are also very confident about their China profits. 48% of survey respondents expect “higher” or “substantially higher” profits in 2019 than in 2018, 42% expect their profits to stay almost the same. Only 10% expect lower profits in 2019.

FIGURE 22 - HOW DO YOU EXPECT YOUR COMPANY'S CHINA PROFIT IN 2019 COMPARED TO 2018? (CH COMPANIES)

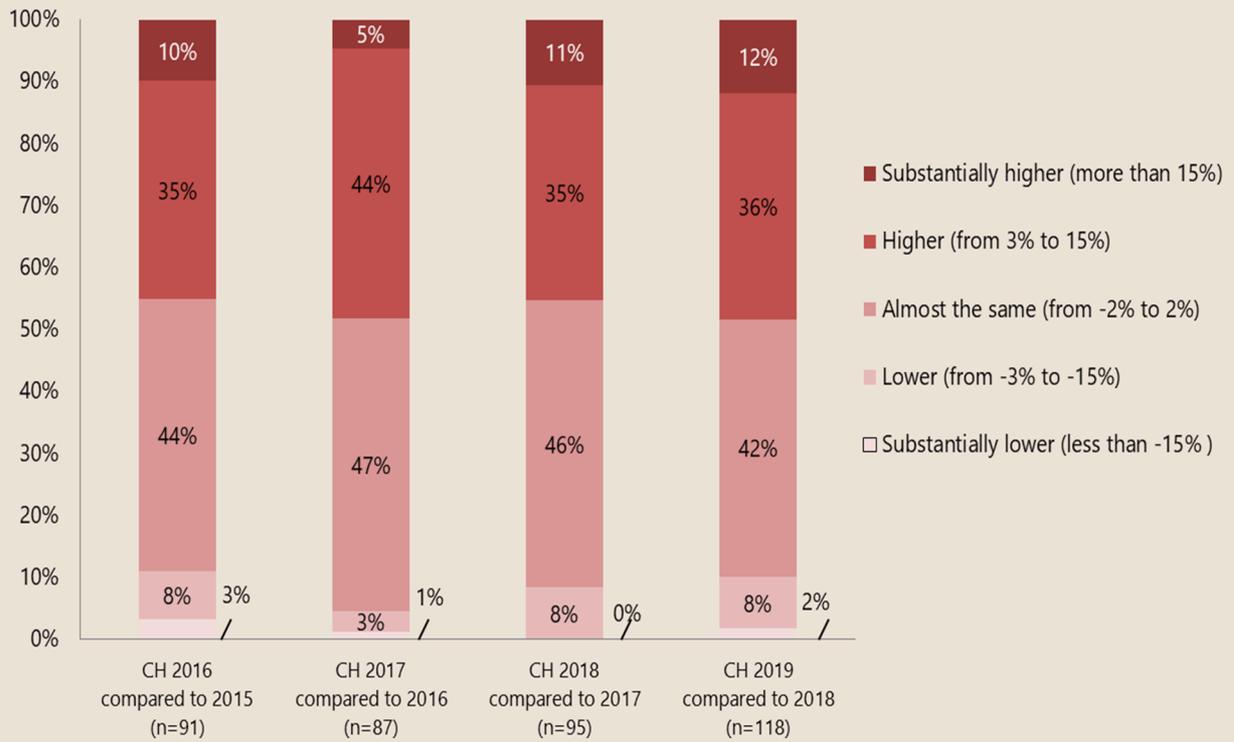


FIGURE 29 - HOW CONFIDENT ARE YOU THAT YOUR OPERATIONS IN CHINA WILL BE SUCCESSFUL IN THE NEXT 5 YEARS?



While the confidence index remains positive, there is a visible drop in confidence across all respondents, which may be a result of the uncertainty about the macro-environment and the US-China trade conflicts. Swiss companies however are again the most confident for their business prospects in China, even more than their Chinese counterparts. This certainly illustrates the

competitiveness and adequacy of Swiss high-tech and high-quality offerings to meet the needs of China's upgrading industry and consumption.

About Swiss Centers China (SCC): Founded in 2000 as a non-profit, Sino-Swiss, public-private partnership, Swiss Centers China is by far the largest cluster of Swiss enterprises in Asia. With five locations strategically located on the dynamic East coast of China (Shanghai and Tianjin), SCC does not only offer virtual and instant office space as well as ready-to-use workshops and showrooms, but also supports member companies with government relations, technology transfer and a broad network of experts. SCC served more than 300 companies in China – both SMEs and large enterprises. Among others, the Swiss Centers experts have established 30 production companies and more than 50 commercial offices for Swiss companies. SCC also conducts surveys and expert analyses of China's business opportunities and challenges, and at the same time promotes the *Swiss Made* brand and Switzerland as a country for innovation and an industrial leader. For more information, kindly visit: www.swisscenters.org.

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