

Navigator

Now, next and how for business

Switzerland



Together we thrive

Overview

Economy takes blows from external forces

Switzerland's famously robust economy is weathering a number of challenges. The US-China trade tensions have helped push the Swiss franc to new heights – a dilemma for a central bank with policy rates significantly in negative territory for years¹. Swiss exports have been dampened by the currency's strength and by weakening demand from EU trading partners. Growth predictions from the Swiss government for 2019 were cut to 0.8%, though the 2020 forecast remains brighter².

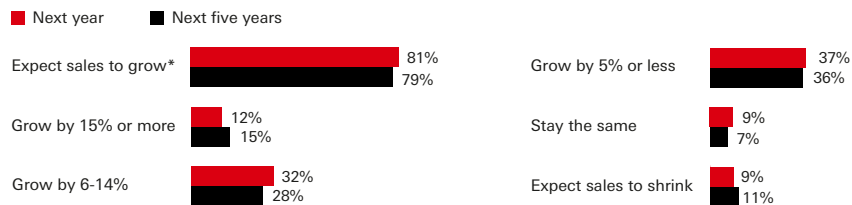
State of play

Swiss put their faith in the workforce

Despite the headwinds, Swiss businesses are optimistic about their prospects for the next year. Four in five anticipate growth. The opening up of new markets is the most important contributor to this positive outlook; the Swiss are also much more likely than businesses elsewhere to see the motivation and skills of their workforce as growth drivers. However, fewer Swiss companies expect growth of 15% or more than in Europe and worldwide.

The outlook for international trade is good; almost three-quarters of businesses are positive about prospects for the next couple of years. This represents a slight dip in optimism over the previous year, perhaps reflecting the fallout from trade disputes and trends abroad.

Expectations for future business growth






*This is the sum of grow by 5% or less, 6-14%, 15% or more.



What you need to know

- 1 81% of Swiss companies expect sales to grow in the next year.
- 2 38% are more optimistic than last year, compared with 41% in Europe and 47% globally.
- 3 While half of businesses globally expect total or significant change over the next five years, only a third of Swiss businesses anticipate radical disruption.

What your business can do

-  Strengthen your workforce. 22% of Swiss companies are investing in skills, and 15% in employee wellbeing.
-  Seek out new markets. Swiss businesses see this as the major external driver for their growth.
-  Consider a digital upgrade of your supply chain – an increasingly popular way to reduce costs and make stockholding more efficient.

¹ <https://www.ft.com/content/34902d20-b3a4-11e9-8cb2-799a3a8cf37b>

² <https://uk.reuters.com/article/us-swiss-economy-outlook/swiss-slash-2019-growth-forecast-as-industry-struggles-idUKKB1W20IN>

Trade outlook

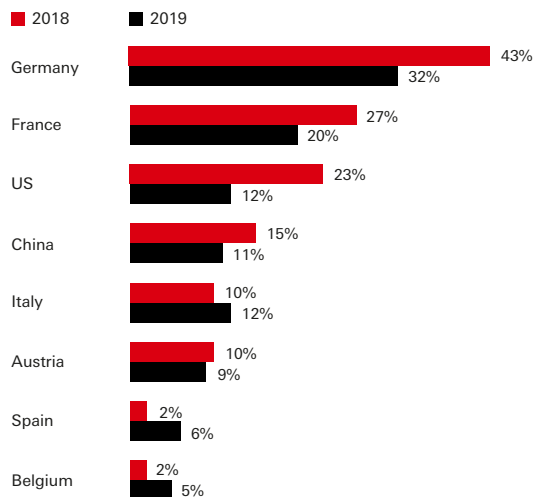
Companies find promise in Europe's smaller markets

Swiss businesses are diversifying their international trading options. While Germany and France remain the biggest partners, they are declining in importance. Smaller markets such as Spain, Belgium and especially Italy are filling the gap.

Meanwhile, the importance of the US has dropped steeply in the past year. This may be a short-term trend, however, with 12% of companies hoping to expand trade there over the next three to five years. Austria is another prime future target, second only to Germany. While it may be less dominant than before as a trading partner, the latter market is still seen as a good source of proven customer demand.

Swiss businesses remain optimistic about international trade. Over the next five years, they see trade as a force for good that will provide new business opportunities (70%), drive innovation (67%) and improve efficiency (61%).




Current top trading partners



What you need to know

- 1 European markets make up 70% of Switzerland's international trade relationships.
- 2 The importance of US trade dropped from 23% to 12% in the space of a year.
- 3 Top markets for future expansion are Germany, Austria, the US and France.

What your business can do

-  Look beyond Germany. Growing numbers of Swiss companies are trading in Italy, Spain and Belgium.
-  Be agile. Swiss businesses are more likely than most to switch markets in response to changing trade conditions.
-  Showcase your innovation to potential partners – this is a draw for a third of foreign businesses seeking to trade in Switzerland.

Protectionism and geopolitics

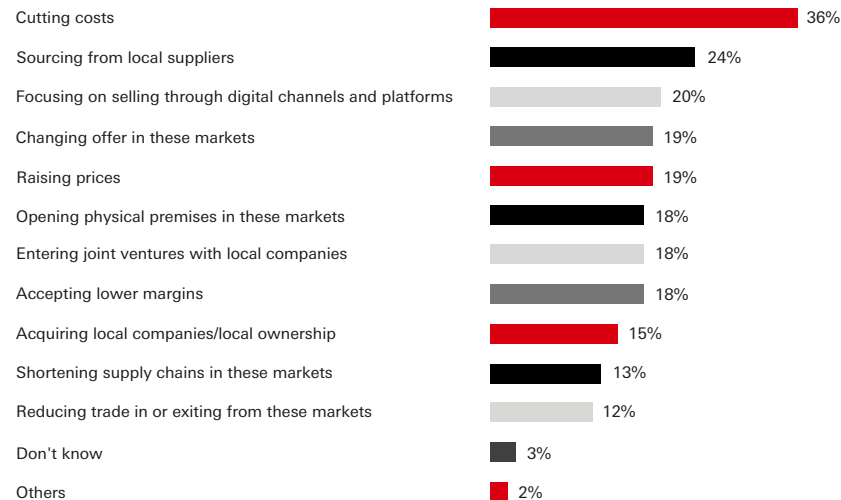
Swiss shielded from worst effects of external forces

Over half of Swiss companies believe their key trading markets are becoming more protective. A similar proportion report that geopolitical developments have consequences for their businesses. However, in both cases the impact in Switzerland is significantly lower than the global average.

Tougher regulations, higher tariffs and poor IP controls are the most common negative consequences of protectionism. Corporates and businesses trading internationally also cite restrictions on foreign ownership. However, companies have developed a range of actions to get around these effects, most often through cutting costs or sourcing from local suppliers. In any case, 59% of businesses that see growing protectionism believe they have made net gains as a result – for instance, through increased competitiveness.

Corporates are more likely to feel the impact of geopolitics. In response, companies are adopting online business models, reviewing their suppliers or forging local partnerships.




Ways in which businesses are coping with protectionism



What you need to know

- 1 53% of Swiss companies face increasing protectionism and 55% feel the effect of geopolitics.
- 2 68% of domestic businesses feel they make a net gain from protectionism, compared with 53% of those trading internationally.
- 3 Half of domestic operators but only 28% of international operators respond to protectionism by cutting costs.

What your business can do

-  Go digital. Taking business online is among the top strategies for coping with protectionism and geopolitical developments.
-  Source locally. For a quarter of businesses, this strategy helps to counter protectionist measures.
-  If you are a service business, consider joint ventures – a favoured response to geopolitical threats for 28% of your peers.

The sustainable future

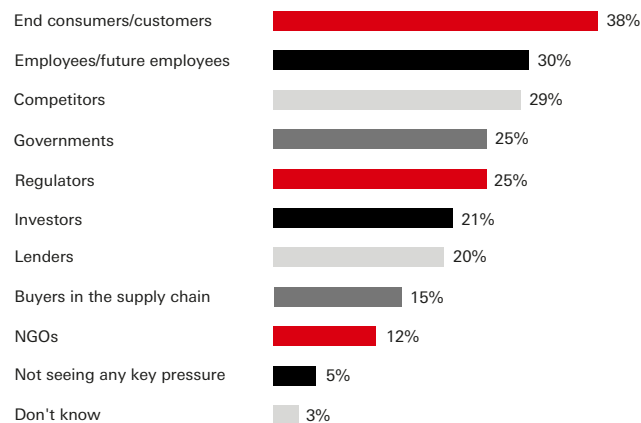
Consumers lead the drive for change

The push for global business sustainability comes from all sides. Swiss companies are less likely than others to feel government breathing down their necks; their customers are the chief source of pressure to become more sustainable over the next five years. For a quarter of Swiss businesses, moving to more sustainable models is an existential issue, seen as critical to their long-term viability.

They are responding with a wide range of environmental, social and governance (ESG) actions. In the next five years, over a quarter of companies plan to invest in cutting the amount of waste they generate, while over a fifth intend to deploy technology to improve sustainable production, and to monitor their supply chains for greater visibility. Businesses recognise they will need to surmount several challenges over the coming five years to progress further, notably the extra work, time and funds required by sustainability initiatives. For corporates, the lack of a consistent measurement system is a concern too.

While taking social responsibilities seriously, Swiss businesses are the least likely in the world to see themselves as having a role in delivering the UN's Sustainable Development Goals (SDGs).

Sources of pressure to become more sustainable in the next five years



What you need to know

- 1 21% of Swiss businesses measure their energy use and 13% measure carbon emissions.
- 2 27% have plans to cut waste through prevention, reduction, recycling and reuse.
- 3 38% of Swiss businesses and 34% globally see consumers as the main source of external pressure for sustainability.

What your business can do



Pursue sustainability for the bottom line. A fifth of businesses see it as a tool for boosting competitiveness, efficiency and recruitment.



Invest in wellbeing policies. Three in 10 companies say this enhances productivity, creates a positive working environment and cuts absenteeism.



Inform staff about the reasons for your sustainability goals to ensure employee engagement.

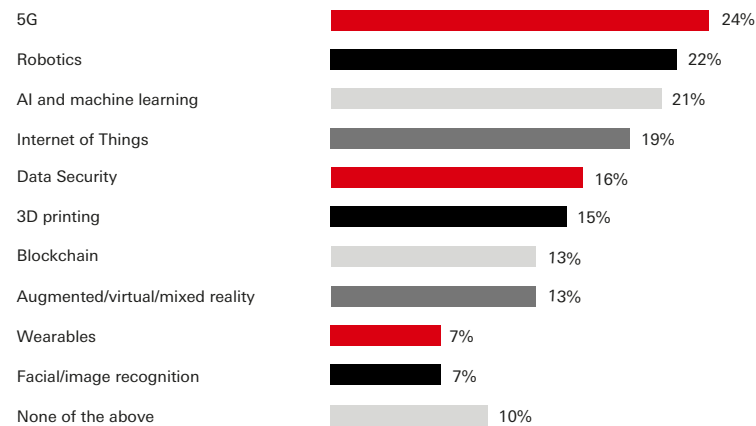
Breakthrough tech

Businesses look to 5G and robotics for breakthroughs

5G technology offers massive connectivity gains and Swiss companies are certainly convinced of its potential. They rank it as the innovation most likely to have an impact on their businesses over the next five years, promising to improve the quality of products and services while increasing speed to market. Robotics are also seen as transformational, particularly by those in the goods sector. Like artificial intelligence (AI) and machine learning, the companies who rate these technologies as impactful believe in their potential to cut costs and improve productivity. Companies are less convinced about the transformational potential of data security technology; businesses elsewhere in Europe and globally are much more likely to foresee a big impact from this element of the technology toolkit.

Swiss companies see the US as the powerhouse in most of these technologies, though Germany rivals it in terms of 5G technology and data security. China also ranks highly, especially in the fields of robotics and AI and machine learning.

Technologies businesses think will be important over the next five years



What you need to know



Two in five companies expect AI to help them cut costs and improve productivity.



Three in 10 goods businesses see robotics as a major source of transformation.



The US is seen as the tech innovation leader, but Europe has the edge over North America in technologies such as 3D printing and 5G.

What your business can do



Look at partnerships in recognised innovation hubs, including China, Germany and the US.



Explore the potential of 3D printing, the technology many businesses see as likely to help them cut costs.



Get up to date with the latest data security advances – the potential of these technologies is rated by only 16% of Swiss businesses but 26% globally.

About HSBC Navigator Switzerland

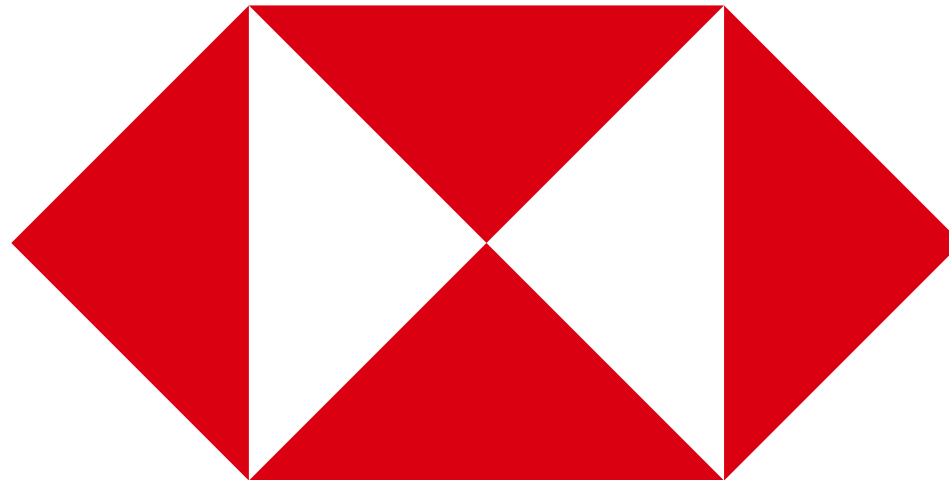
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellness. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Switzerland. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2, 5 & 6: all companies. n=200

Page 3: international operators (trend). n=139/129

Page 4: companies who think governments are becoming more protective. n=106



For enquiries please contact:

Kate Woodyatt

HSBC Global Communications

katewoodyatt@hsbc.com

Or go to www.business.hsbc.com/trade-navigator

All images copyright © HSBC Holdings plc. All reasonable efforts have been made to obtain copyright permissions where required. Any omissions and errors of attribution are unintentional and will, if notified in writing to the publisher, be corrected in future printings.

Photo Credits: Getty Images

Note: Whilst every effort has been made in the preparation of this report to ensure accuracy of the statistical and other content, the publishers and data suppliers cannot accept liability in respect of errors or omissions or for any losses or consequential losses arising from such errors or omissions. The information provided in this report is not intended as investment advice and investors should seek professional advice before making any investment decisions.

Issued by HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom www.hsbc.com