

PRESS RELEASE

Swiss exports to China surge as China's economic recovery remains unbalanced

- *From January to April 2021, Switzerland exported goods in the value of 6.8 billion Swiss francs to China including Hong Kong – a plus of 26.6% year-on-year, and a plus of 14.9% when compared to the same period in 2019.*
- *China's economy is growing, but the recovery from the Covid crisis is unbalanced. Industrial activity and trade are strong, while the service and consumption sectors are not yet on pre-pandemic levels.*
- *Without international travel, Chinese consumers turn to domestic channels to buy luxury products. China's luxury goods market grew by 48% in 2020. China, including Hong Kong, is the world's largest market for Swiss watches.*
- *IMF forecasts a Chinese GDP growth of 8.4% in 2021, but economic activity may decelerate due to the slow recovery of income growth in the working class.*

Shanghai (June 3, 2021) – Swiss exporters look to the Far East: **In the first four months of 2021, Swiss exports to China including Hong Kong grew by 26.6% year-on-year to a value of 6.8 billion Swiss francs**, according to recent figures by the Swiss Federal Customs Administration.¹ “Compared to the same period in 2019, this represents a strong growth of 14.9%. For Switzerland, when looking at the two years together, it is as if China did not have a pandemic,” analyses Nicolas Musy, Delegate of the Board of Swiss Centers in China (SCC), a platform that lowers the market entry barriers into Asia for Swiss companies.

With an export volume of 6.8 billion Swiss francs from January to April 2021, China plus Hong Kong remains the third largest export market for Switzerland, behind the United States (14.7 bio CHF) and Germany (14.6 bio CHF), ahead of Italy (4.8 bio CHF) and France (4.3 bio CHF). In the segment of precision instruments, watches and jewelry, China (incl. Hong Kong) is the most important market for Switzerland with a volume of 3 billion Swiss francs – an impressive growth of 75% year-on-year even when taking the pandemic into account.

Market No. 1 for Swiss watches

When looking at watch exports alone, the picture is similar: Switzerland exported watches in the value of 1.68 billion Swiss francs to China (incl. Hong Kong) in the first four months of 2021 – a plus of 67% year-on-year, and a plus of 8.5% when compared to the same period in 2019. The second largest importer of Swiss watches were the United States (899 mio CHF). **China's and**

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

Hong Kong's imports of Swiss watches amount to a similar value than those of the USA, Germany, France, and Italy combined (1.7 billion CHF).

China's luxury market booms

While Hong Kong is traditionally one of the biggest importers of Swiss watches, **the recent boom was particularly driven by the Chinese Mainland**. In the first four months of 2021, Swiss watch exports to Mainland China grew by almost 98% year-on-year to a value of 989 million Swiss francs, while the exports to Hong Kong grew by 37% to 695 million Swiss francs.

"The Chinese luxury goods market grew 48% in 2020, reaching nearly 54 billion USD. The main reasons for this exponential boom are the near total elimination of international trips by Chinese and the return to China of many affluent Chinese due to the pandemic. With extra money not spent on traveling, Chinese consumers turned to domestic channels for their luxury purchases instead of buying during their holidays or business trips," explains Mr. Zhen Xiao, CEO of the Swiss Centers Group. "This change will likely continue even after international travel resumes in the future. China is turning the Hainan Province into a Free Trade Port, which is becoming a domestic shopping paradise with duty-free stores for local travellers. International luxury brands including Swiss watch brands are setting up their flagship stores there."

China's economic recovery

The experts of the SCC are convinced: China will continue to play an increasing role as a trade partner of Switzerland. Nicolas Musy: "The Chinese trade economy grew at a record pace in the first four months of 2021. The strong exports have contributed to China's quick recovery from the pandemic. They are a result of the country's success in avoiding lockdowns from mid-2020." In the first four months of 2021, Mainland China's exports jumped 44% from a year earlier (974 bio USD), exceeding most forecasts. Considering that exports decreased by 9% for the same period in 2020 compared to 2019, it is still an export growth of more than 30% over two years.

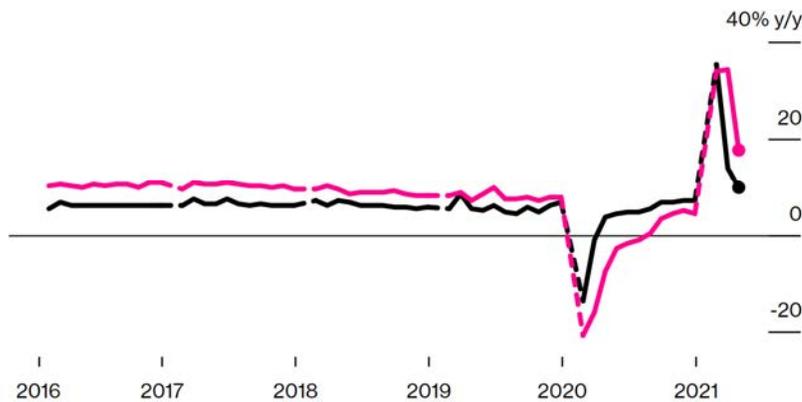
"The reason for this surge of exports is a rebound in foreign demand. In Europe and the United States, manufacturing industries are recovering, and fiscal stimulus measures lead to increased imports from China," reports Mr. Musy. "Additionally, China has benefited from soaring global demand for medical goods, home redecoration and appliances as well as work-from-home equipment."

As per the data of the first quarter 2021, China's value-added industrial output, an important indicator of factory production activities, went up by 24.5% year-on-year as factory activities continued to pick up. When compared to the first quarter of 2019, pre-Covid, the output of the major industrial firms increased by 14%.

Retail Sales Slow

Rebound in consumption isn't sustained in China

Industrial output Retail sales



Source: National Bureau of Statistics

Note: Jan.-Feb. data is combined each year

Consumption lags behind

While the industrial production leads China's recovery and luxury sales soar, the overall domestic consumer spending grows much slower than expected. Restaurant sales are still about 2% below pre-pandemic levels. And while retail sales in January were up about 4% over January 2020, before the pandemic hit, year-on-year growth had typically double that figure in previous years. Month-on-month retail sales growth reached only 0.3% in April. This number is also about half the average monthly pre-pandemic pace of 0.7%.

Mr. Zhen Xiao: "A main reason is that the reduced incomes of employees in 2020 due to the pandemic have not been compensated sufficiently by government programs. As a result, the lower income households, which is the major part of the working population, has been saving rather than increasing their consumption."

"This is due to the traditional ways the Chinese government manages the economy, compensating downturns with large investment projects stimulating industrial production, financed by bank loans," says Nicolas Musy. "But financial risks due to increasing loans have been growing so that China is paying attention to avoid higher and higher debt levels. And while the IMF expects an overall GDP growth of 8.4% in 2021, the second part of the year may see some deceleration in economic activity."

At the **China International Import Exhibition CIIE**, taking place in Shanghai from November 5-10, 2021, the Swiss Centers organize **one Swiss booth** in partnership with the Swiss Chinese Chamber of Commerce, SwissCham and S-GE. At the Swiss Centers Cluster booth, Swiss companies will have the chance to highlight and showcase their high quality consumer goods as well as food and agricultural products.



Nicolas Musy, Delegate of the Board of Swiss Centers in China (SCC), at the SME Sino-Swiss Business Award Ceremony. (Picture source: SCC)



Zhen Xiao, CEO of the Swiss Centers Group, at the CIIE 2019. (Picture source: SCC)

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 350 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.



Swiss Centers China: 20 years of supporting Swiss companies in China

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