SWISS CENTER 瑞士中心 CHINA 中国

THE SWISS CHINA GATEWAY SINCE 2000

PRESS RELEASE

Pharma strong, watches weak: Swiss exports to China on high level

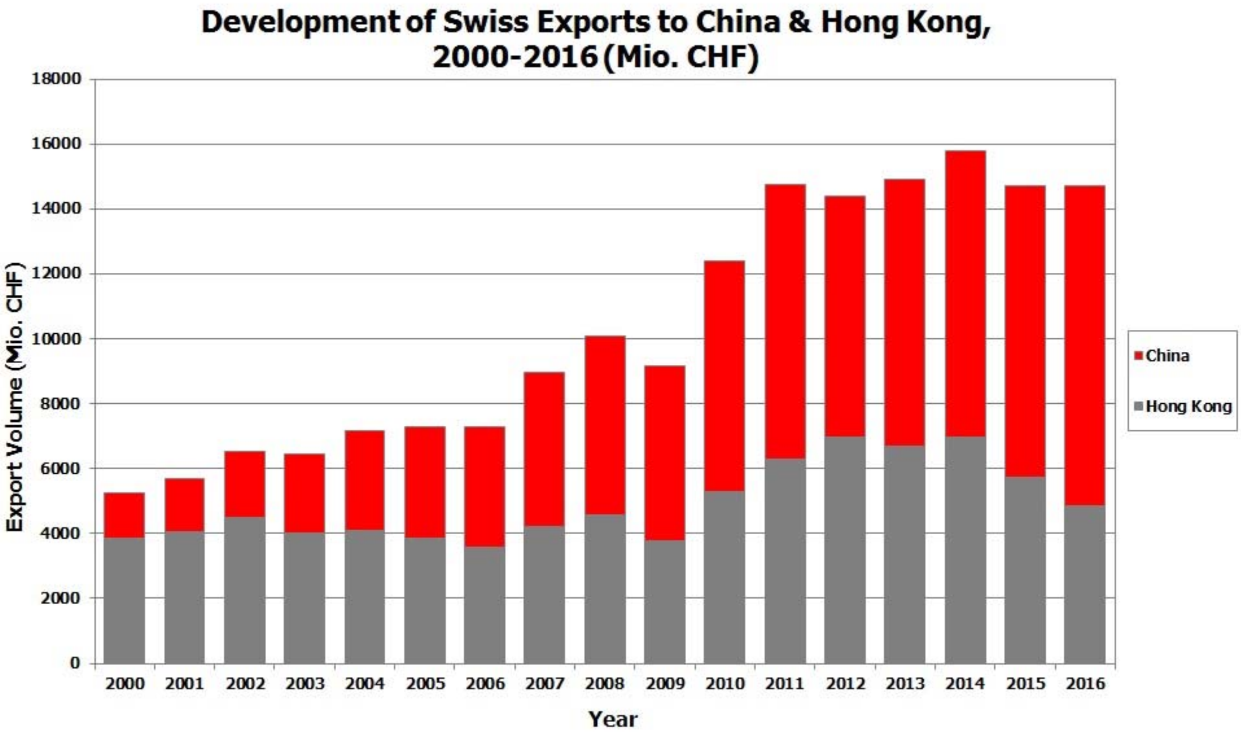
- In 2016, **Switzerland exported goods in the value of 14.7 billion Swiss francs to China and Hong Kong,** reaching the 2015 level and **generating a trade surplus of 1.3 billion Swiss francs.**
- While **Swiss exports to Mainland China reached the strongest level ever (9.8 billion Swiss francs, +9.9%)**, exports to Hong Kong went down by 15.5%, mainly driven by weakening watch exports (3.9 billion CHF, -18.5% year-on-year).
- **Pharma exports boomed, making up almost one third of Swiss exports to China and Hong Kong.** Pharma goods in the value of 4.7 billion Swiss francs were exported.

Shanghai (31 January 2017) – Swiss exports to China (including Hong Kong) remain on a high level: According to recent figures of the Swiss Federal Customs Administration, Switzerland exported goods in the value of 14.69 billion Swiss Francs to the Middle Kingdom in 2016. This number is almost identical with the exports achieved a year earlier, 14.67 billion Swiss francs. “Switzerland is one of the very few countries that do not export natural resources and enjoy a positive trade balance with China including Hong Kong. The surplus amounts to 1.3 billion Swiss francs”, explains Nicolas Musy, Founder and Delegate of the Board of Swiss Centers in China, a non-profit organization that lowers the market entry barriers of Swiss companies into Asia. “Swiss know-how and high quality products are increasingly important for quickly growing sectors of the Chinese economy, such as advanced manufacturing, pharma and medical devices as well as high and sustainable technologies”, emphasizes Mr. Musy.

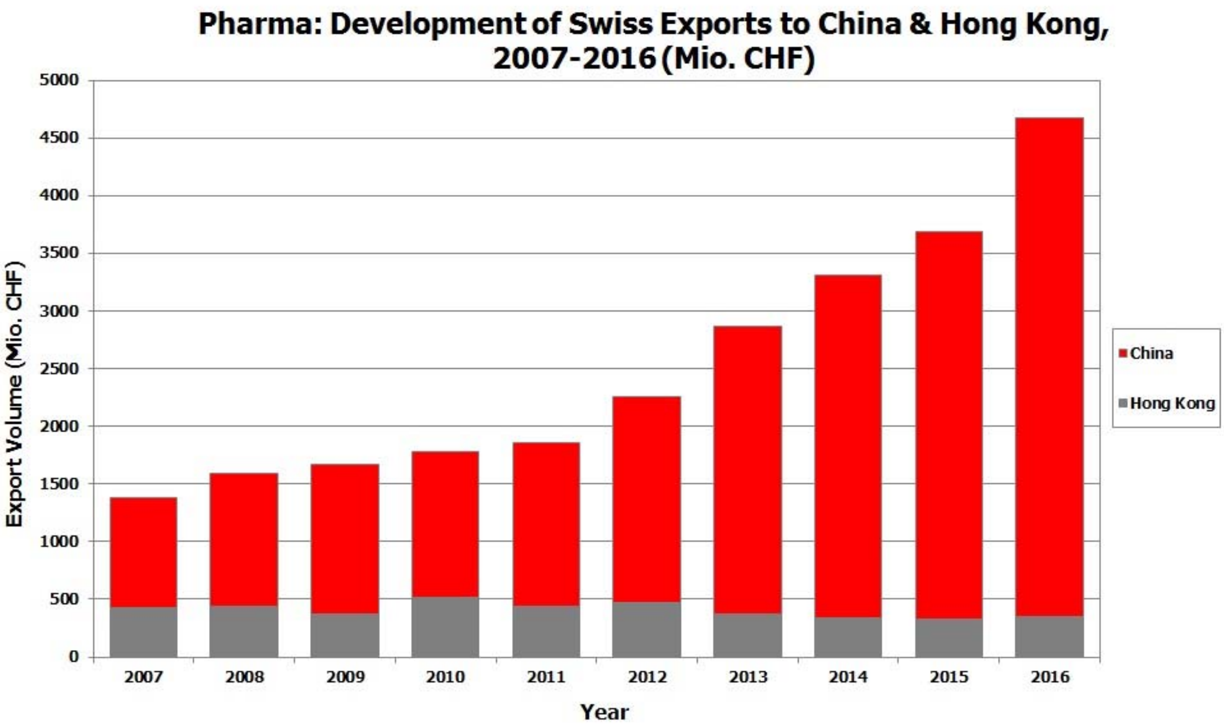
Worldwide Swiss exports gained 3.8% in 2016, with Germany (39.7 bio CHF, +8.3%) and the United States (31.4 bio CHF, + 14.6%) remaining the biggest markets for Swiss goods. China (including Hong Kong, 14.69 bio CHF) continues to be the third biggest market, followed by France (14 bio CHF, +0.8%) and Italy (12.7 bio CHF, -0.9%).

Exports to Mainland China on record level

2016 brought several very interesting export trends both in Mainland China and Hong Kong: When looking at Mainland China, the exported Swiss goods in the value of 9.8 billion Swiss francs constitute a new export record and a plus of 9.9% year-on-year. In the past ten years, Swiss exports to Mainland China have almost tripled.



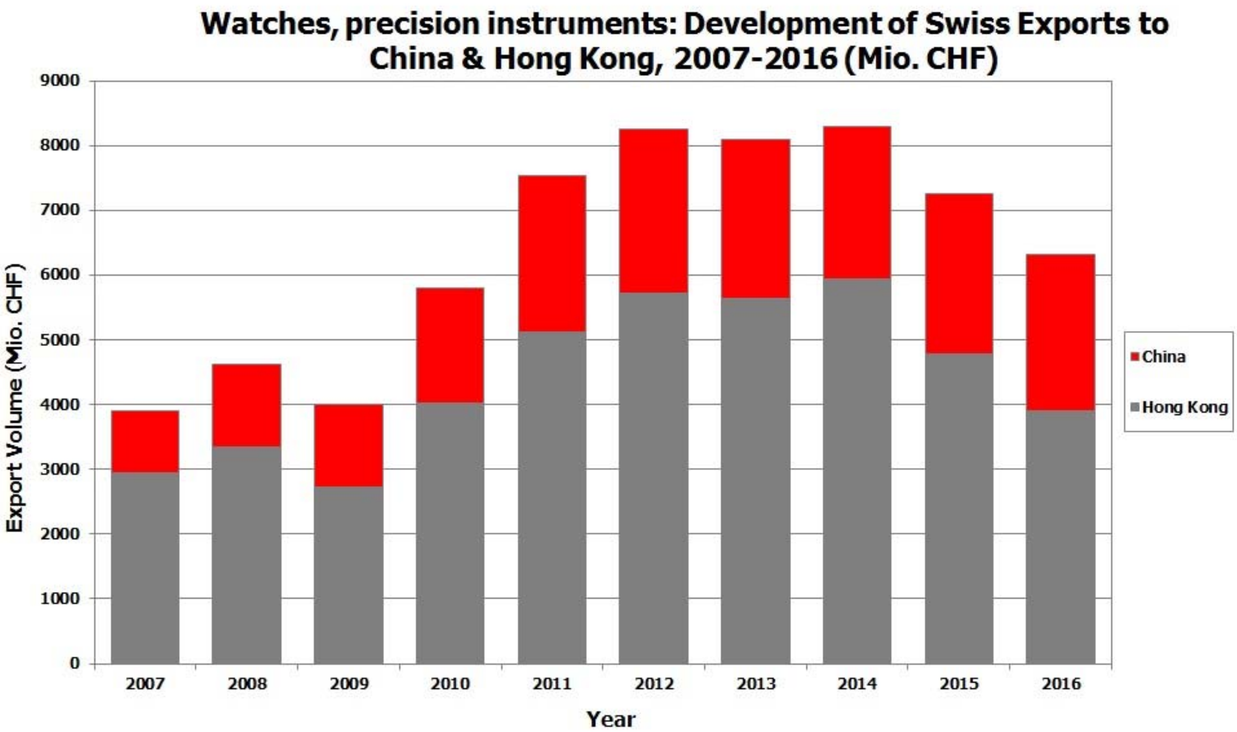
“The strongest factor in the most recent growth was the pharma and chemical industry: Pharma exports to Mainland China grew by astonishing 28.8% compared to 2015”, reports Mr. Musy. With an export volume of 4.3 billion Swiss francs to Mainland China, the Swiss pharma and chemical industry plays the leading role in this market. The 2016 Swiss machinery exports to Mainland China added up to the value of 2.1 billion Swiss francs, a minus of 2.2% year-on-year.



Biggest worry: watches

Watches and precision instruments remain the most important Swiss export goods in the Chinese market when Hong Kong is included. Watches and precision instruments in the value of 6.3 billion Swiss francs have been sold to China and Hong Kong in 2016. However, these figures represent a very negative trend. Watches and precision instrument exports to Hong Kong, historically the worldwide key market for the

Swiss watch industry, have plummeted by 18.5%. That affected the overall Swiss export number to the Chinese special administrative region: Exports to Hong Kong have declined by 15.5% year-on-year. “The main reasons for the declining Swiss watch exports are the Chinese anti-corruption-initiative and a recently implemented luxury tax”, says Mr. Musy.



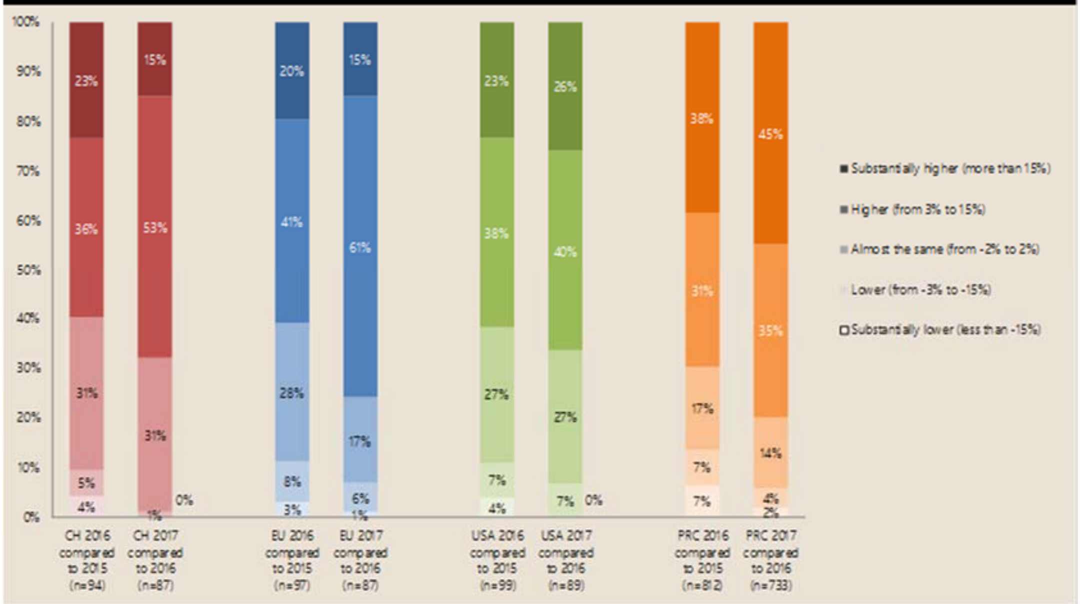
Zhen Xiao, Managing Director of the Swiss Centers China: “We see declining Swiss exports to Hong Kong in the last two years, driven by slowing watch exports. At the same time the development in Mainland China is very positive, and the growth in other sectors made up for the decline of watch exports in Hong Kong. That is very positive and promising for the future.”

With the transformation of the Chinese economy into a more private sector fueled, entrepreneurial economy, the Swiss Centers experts expect new opportunities for Swiss enterprises: “Many Swiss companies have unique know-how in engineering, green tech, in the medical and pharma industries and high precision manufacturing. Such skills and expertise will be in need in China. We expect that the export record of 2016 will be surpassed in 2017”, analyses Mr. Xiao.

Swiss decision makers in China share this confidence: 68% of Swiss business leaders in China expect “higher” or “substantially higher” sales in 2017 compared to 2016, while only 1% expects lower sales. This is the result of the “**2017 Swiss Business in China Survey**” 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 102 Swiss enterprises, from small and middle-sized companies to big players. The survey is believed to be representative of the approximately 600 Swiss companies that have established operations in China. Besides Swiss companies, the survey also includes responses from Chinese (853), EU (106) and US (105) companies.

“Not only are sales expectations very high, but also profit expectations”, reports Mr. Xiao. For 2016, 68% of managers of Swiss companies in China said their operations were ‘profitable’ or ‘very profitable’, while only 1% reported a substantial loss. For 2017, 48% expect higher profits while only 4.6% see lower profits.

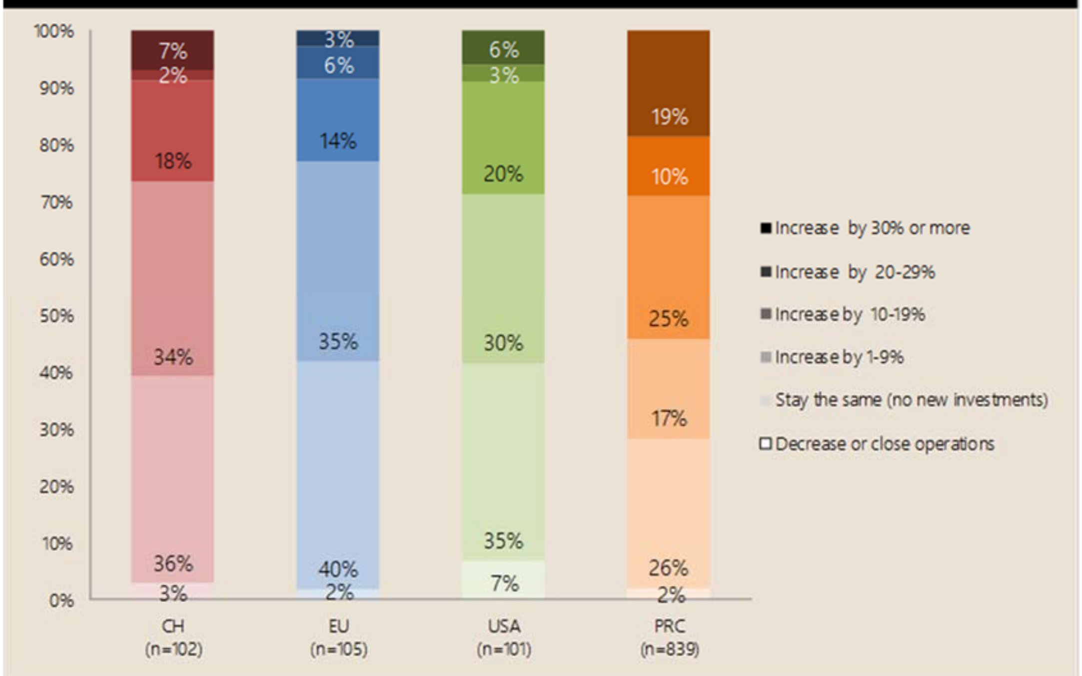
FIGURE 2 - HOW DO YOU EXPECT YOUR COMPANY'S CHINA SALES?

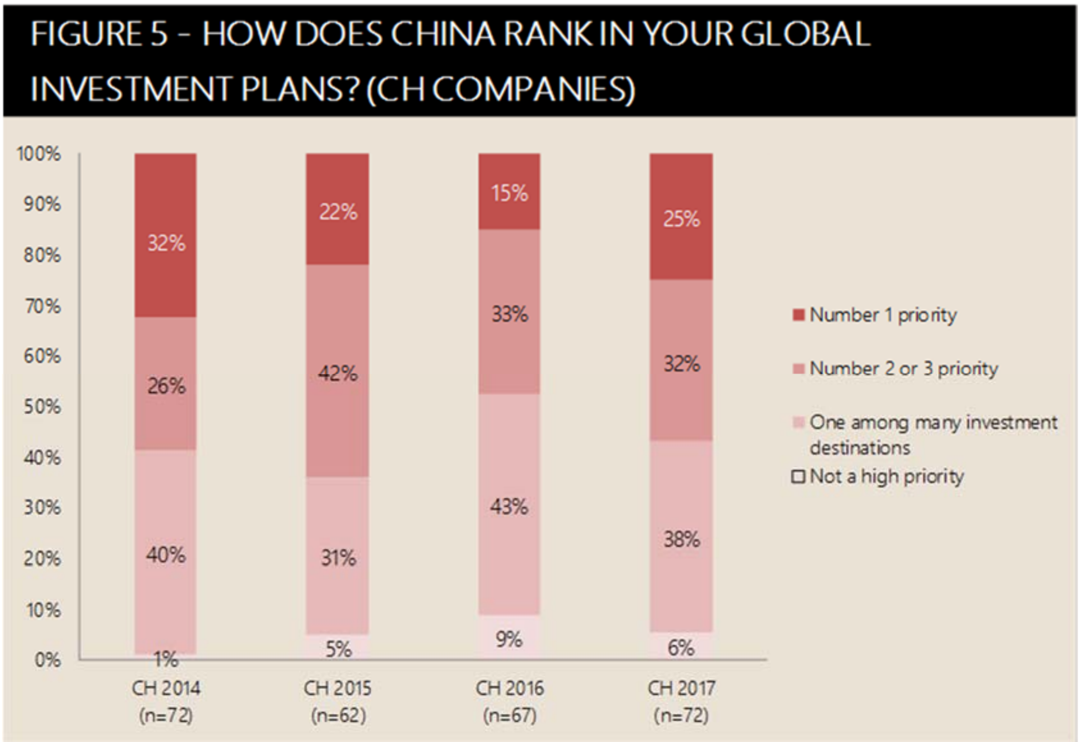


61% of Swiss companies plan to invest more

With such high confidence levels, it is not surprising that most Swiss companies plan to increase investments in the Chinese market. 61% of Swiss respondents stated that they aim to increase investments, while only 3% plan to decrease them. For 57% of the survey respondents, China is a top 3 priority market for investments.

FIGURE 4 - WHAT INVESTMENT DO YOU PLAN FOR 2017 IN CHINA?





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, Beijing 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 other, 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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