

THE KRONA AND SWEDISH EXPORTS

*How Swedish export companies are
impacted by the value of the krona*

EXECUTIVE SUMMARY AND REMARKS

- *The value of the krona has a considerable impact on the ability of Swedish industrial companies to capture opportunities in the global export market.*
- *All industries except Food are being hit by the increased cost of purchasing intermediate goods, which are mainly sourced from Europe. The most affected industries are Chemicals and pharmaceuticals and Automotive.*
- *Conversely, a weak Swedish krona gives export volumes a boost and the biggest winners are found in Paper and wood, Electrical equipment and Machinery.*

The Swedish krona has weakened sharply against the major trading currencies, the euro and the US dollar, in recent years. The underlying reasons are disputed, but the weak krona has become a challenge to be reckoned with for Swedish export companies. Will it be easier to capture business in export markets with a cheaper domestic currency? What does the weak krona mean for companies' purchasing costs and sales volumes in foreign markets? And what does it mean for the profitability of exports?

To uncover how the export of goods by Swedish manufacturing companies are impacted by the value of the krona against the euro and the dollar, Business Sweden commissioned the research company Origo Group to conduct a survey. More than 300 finance directors in various industries took part in the survey via telephone interviews.

The survey findings are presented in the diagrams on the following pages. Based on the results, Business Sweden has used a simple calculation model to show which industries are benefiting and losing out due to the weak krona when it comes to the companies' purchases of intermediate goods, sales volumes and profitability.

The same model is used to show the differences in outcomes for small, mid-sized and large companies. The analysis provides insights into how a weak krona impacts the business conditions for export companies, but the net effect on exports remains an open question. Besides this, it is important to underscore that every company is unique and adapts in its own way to opportunities in export markets.

When asked whether the krona plays a role in industrial companies' exports of goods from Sweden, the answer is an unequivocal "yes". Almost two-thirds of the companies state that their ability to capture export opportunities are significantly impacted by the value of the krona, strong or weak.

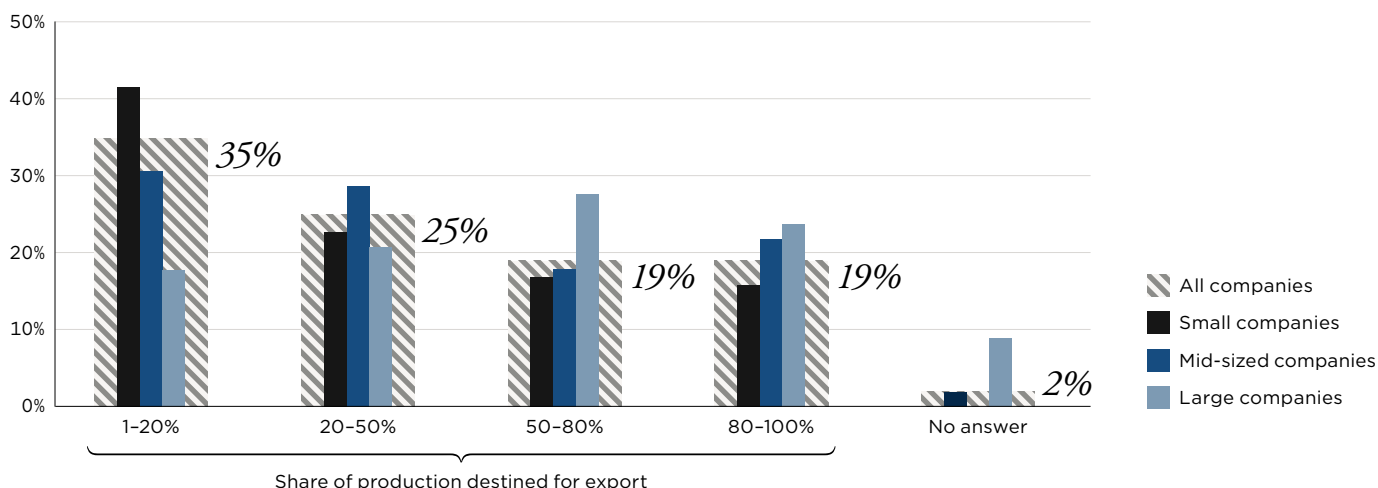
It is a commonly held view that a weak Swedish krona is favourable for Sweden's basic industry, which has most of its costs in Sweden. The results of the survey partly confirm that picture. The conditions for increasing export sales and profitability for the *Wood and paper* industry have improved with the weak Swedish krona. The outcome for *Steel and metal*, another basic industry is, however, more ambiguous.



LENA SELLGREN
Chief Economist
Business Sweden

1. ORIENTATION TOWARDS FOREIGN MARKETS

Distribution in per cent of surveyed companies by share of production destined for export*



*Note: Applies to the companies' manufacturing in and export from Sweden.
Source: Origo Group and Business Sweden (2023)

The survey also shows that sectors such as *Chemicals and pharmaceuticals* and *Automotive*, which together account for just under 40 per cent of Sweden's export of goods, are the most disadvantaged industries when the cost of intermediate goods sourced from abroad become more expensive due to the weak krona.

Another interesting finding in the survey is that approximately half of the companies lack a strategy for managing currency risk, while two-thirds of the companies state that currency risk is a challenge for them at the moment. One quarter of the companies use currency hedging with financial instruments to reduce their exposure to currency fluctuations. Not surprisingly, the survey confirms that small companies are significantly more vulnerable than large companies, who often have the resources and tools to counteract currency movements in their export business.

The fact that the euro is the most commonly used currency in the companies' billing transactions when purchasing intermediate goods is probably not a surprise to anyone. What is unforeseen, however, is that no less than 40 per cent of the companies confirm that they use the krona as the main currency in export sales, with the euro trailing closely behind. Business Sweden's dialogues with finance directors and currency experts, who call this result into question, have not arrived at any convincing conclusion as to why the krona seems to play such a prominent role in the companies' export business.

For the time being, Business Sweden assumes that the result does not correctly reflect the extent to which the companies are exposed to foreign currencies, mainly the euro, when conducting business with their end customers. It is likely that the share of companies using the euro as their main currency in export sales is significantly higher than revealed in the survey.

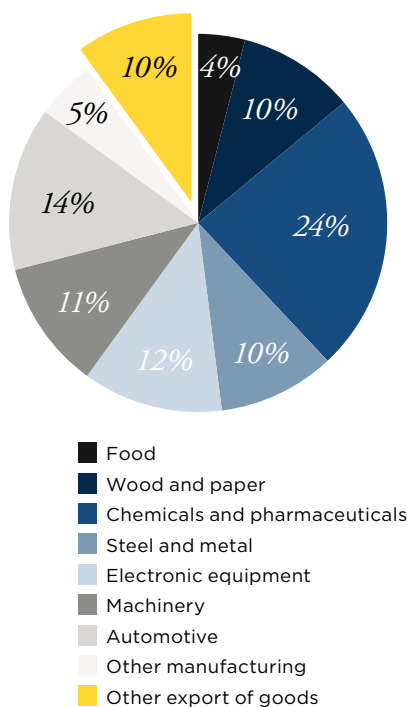
In all, the survey provides evidence that the value of the krona has a significant impact on the ability of Sweden's manufacturing companies to capture opportunities in export markets. A weak as well as a strong krona comes with both advantages and disadvantages for exports.

Sweden's industrial companies are recognised for being innovative and internationally competitive on their own merits, but many, especially small companies, lack a strategy for managing currency risk and are forced to accept the daily rate on a running basis. A more stable Swedish krona is, no doubt, on the companies' wish list.

Lena Sellgren
Chief Economist

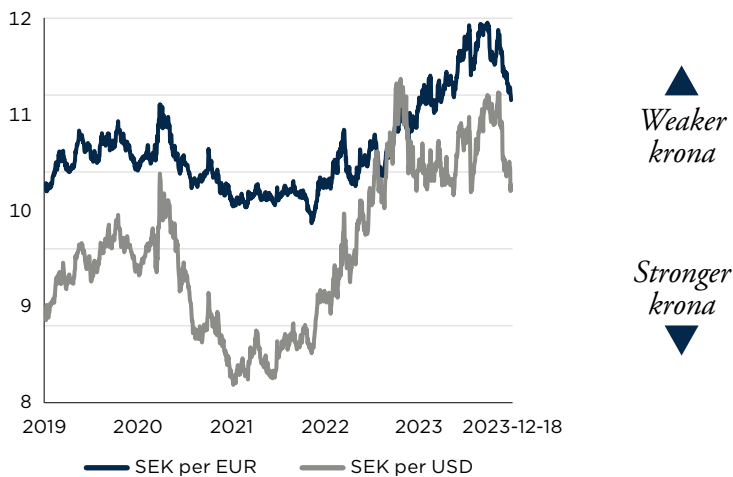
21 december 2023

2. SWEDEN'S EXPORT OF GOODS Distribution by industry, per cent, 2022



Note: Sweden's export of goods amounted to SEK 1,999 billion in 2022.
Source: Statistics Sweden (2023)

3. DEVELOPMENT OF THE SWEDISH KRONA January 2019 – December 2023



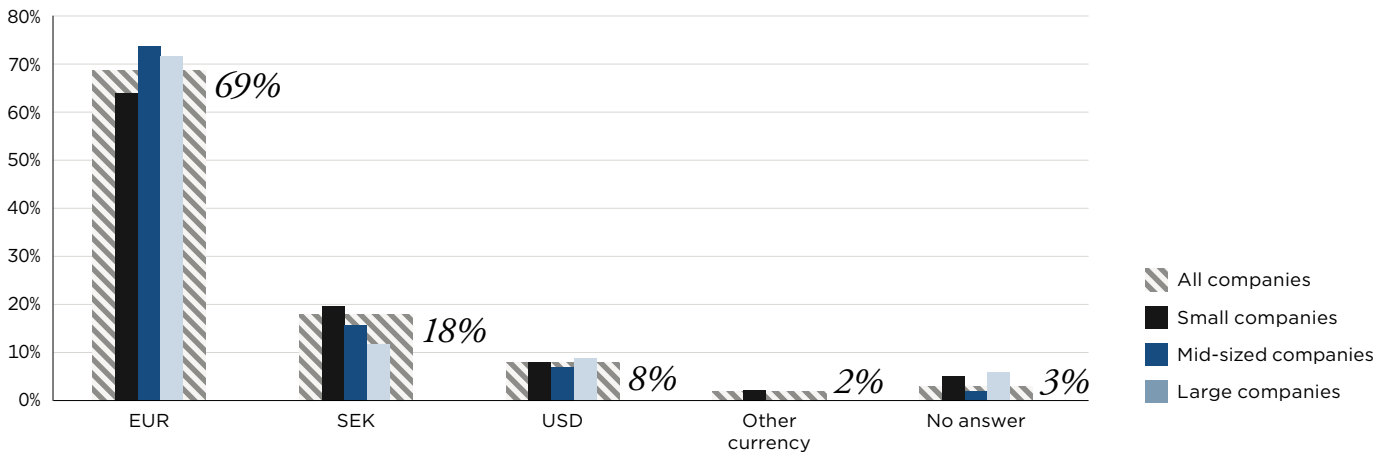
Source: Macrobond (2023)

CURRENCIES IN EXPORT BUSINESS

Three-quarters of Swedish exports of goods are destined for the European market. More than 80 per cent Sweden's import of goods comes from Europe, including many intermediate goods. Wouldn't the most reasonable conclusion be that Sweden's export companies most commonly use the euro when doing business abroad? Explore the answer to this question in the diagrams 4–5 below.

4. CURRENCY FOR PURCHASING OF INTERMEDIATE GOODS

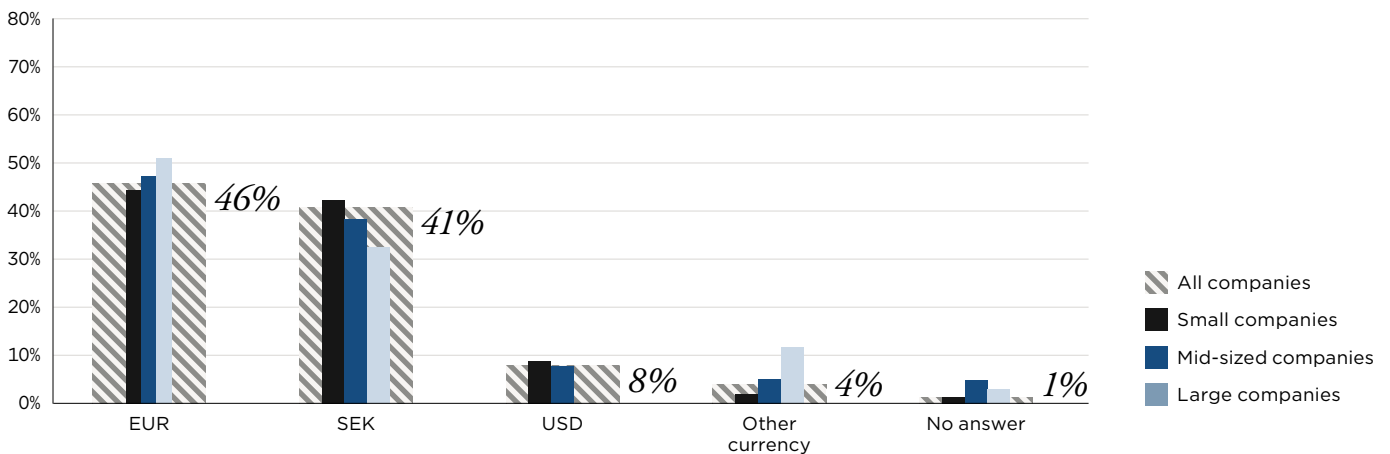
Question: Which currency is most often used in your company's purchasing and billing of intermediate goods from abroad?



Euro is by far the most commonly used currency in the companies' purchasing of intermediate goods from abroad, in all categories of company size. One fifth of the companies state that the krona is the most commonly used currency. Just below 10 per cent most commonly use the dollar.

5. CURRENCY FOR EXPORT SALES

Question: Which currency is most often used in your company's billing for export sales?



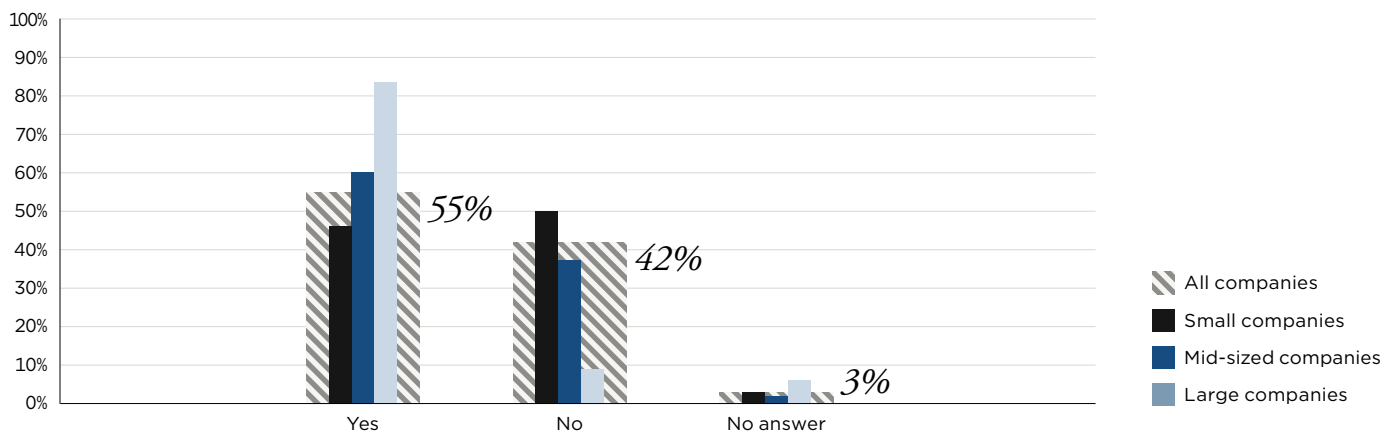
The euro is the most commonly used currency in the companies' export sales, followed closely behind by the krona in second place. See our analysis of this surprising survey result in the section [Executive summary and remarks](#).

CURRENCY RISK

If the value of the Swedish krona rises or falls against other currencies, the export companies' calculations of revenues and costs can result in inaccuracies. Rapid fluctuations are particularly difficult to counterbalance. Are the companies following a plan, or simply adapting to the daily situation on a running basis? And does the krona really pose a challenge? Get the executives' answers in the diagrams 6–7.

6. STRATEGY

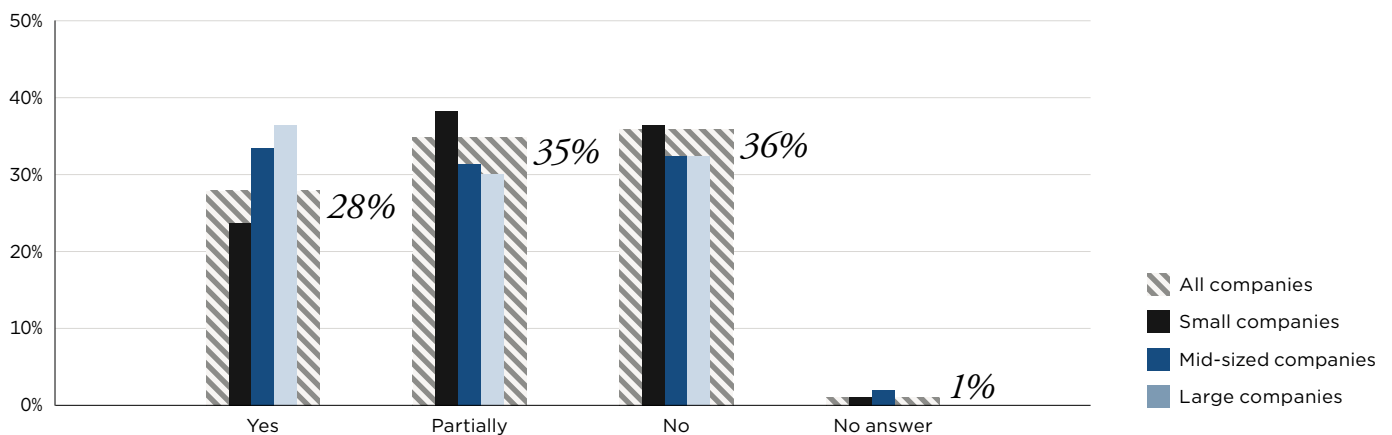
Question: Does your company have a set strategy for handling currency risk?



Approximately half of the companies, including 85 per cent of large companies, have a set strategy for handling currency risk. A considerable share of the companies lack such a strategy.

7. THE IMPACT

Question: Is currency risk currently a challenge for your company?



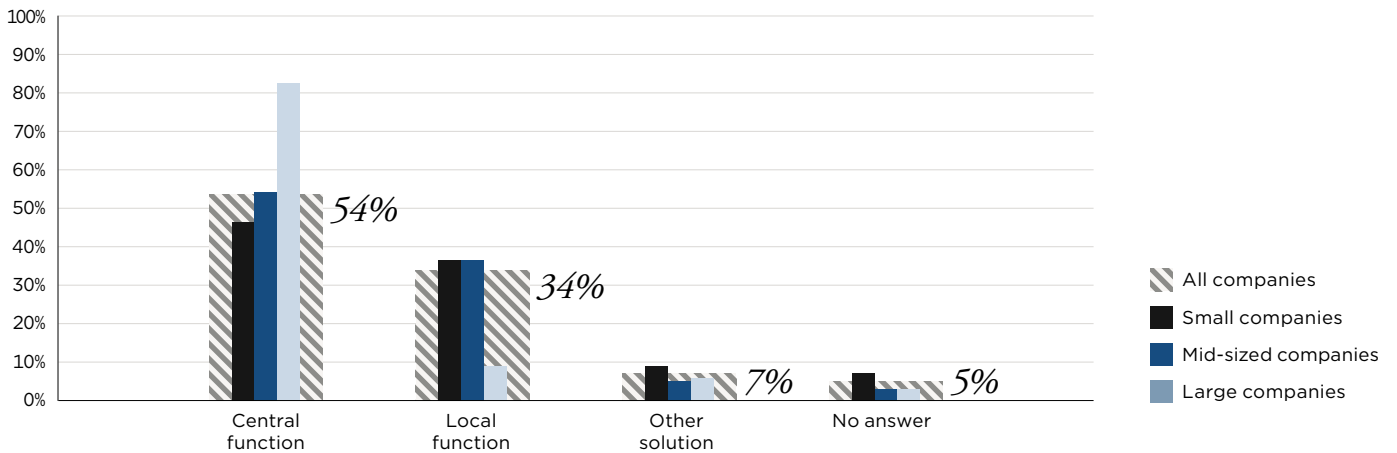
Around two-thirds of the companies confirm that currency risk is a challenge at the present moment. Large and mid-sized companies are more inclined to perceive challenges than small companies.

CURRENCY MANAGEMENT

How have export companies organised themselves to handle transactions in foreign currencies as a result of their purchases and sales in foreign markets? Which tools have they adopted to minimise their exposure to currency fluctuations? The answers are revealed in the diagrams 8–9 below.

8. RESPONSIBILITY

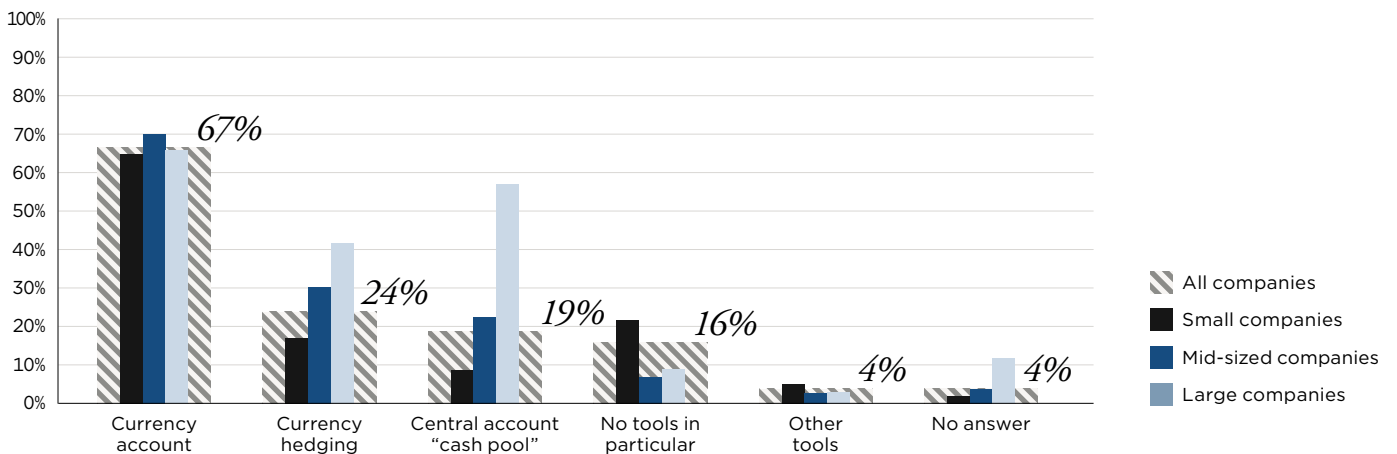
Question: Where in your company lies responsibility for currency management?



Approximately half of the companies have allocated responsibility for managing currencies centrally, which usually means at head-quarters. For large companies this share is 80 per cent.

9. TOOLS

Question: Which tools do your company use in its currency management? (multiple answers are possible)



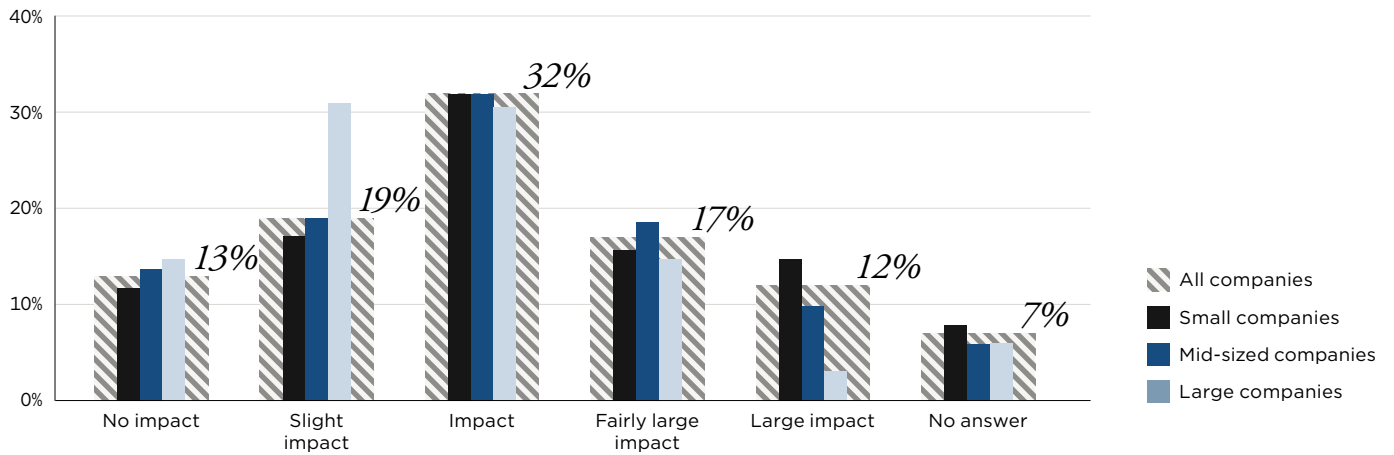
Two-thirds of the companies use currency accounts in their currency management. Larger companies commonly use central accounts, or "cash pools", to settle revenues and costs using the same currency. A quarter of the companies, including a considerably greater share of large companies, use currency hedging with financial instruments, typically via forward contracts.

VALUE OF THE KRONA AND THE COMPANIES' EXPORTS

Does the value of the krona play any role in Swedish companies' successes or setbacks in export markets? The answer is an unequivocal "yes" as demonstrated in diagram 10 below.

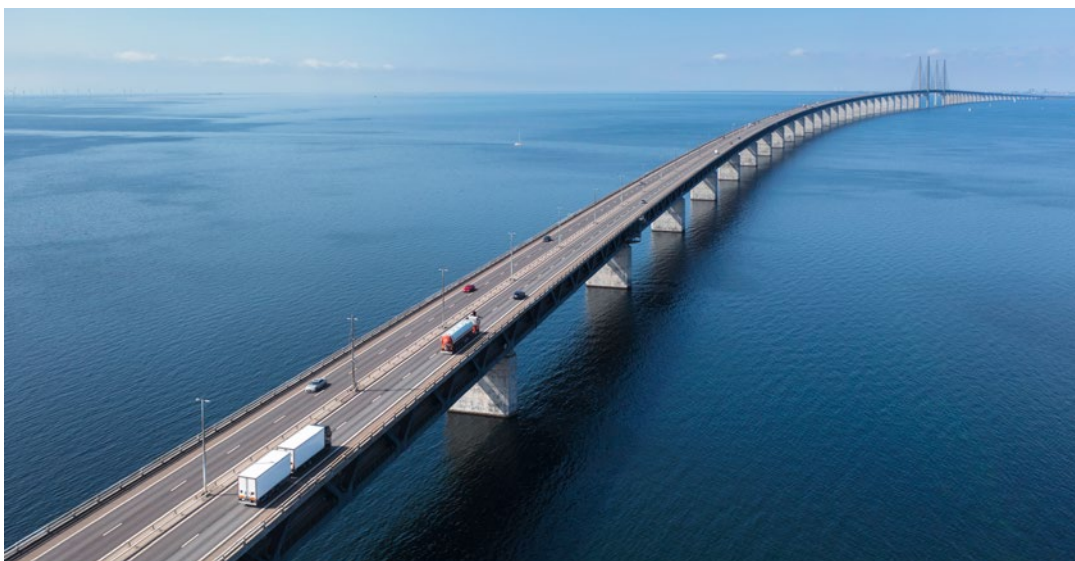
10. IMPACT ON EXPORT OPPORTUNITIES

Question: What impact does the value of the Swedish krona, whether strong or weak, have on your company's ability to capture export opportunities from Sweden, on a scale 1 to 5 (where 1=No impact and 5=Large impact)?



The value of the krona impacts the ability of companies to capture export opportunities. The krona has no or little impact for a third of the companies. For two-thirds of the companies, the value of the krona has considerable impact on export business.

Large companies are considerably less dependent on the value of the krona in their export business compared to small and mid-sized companies.



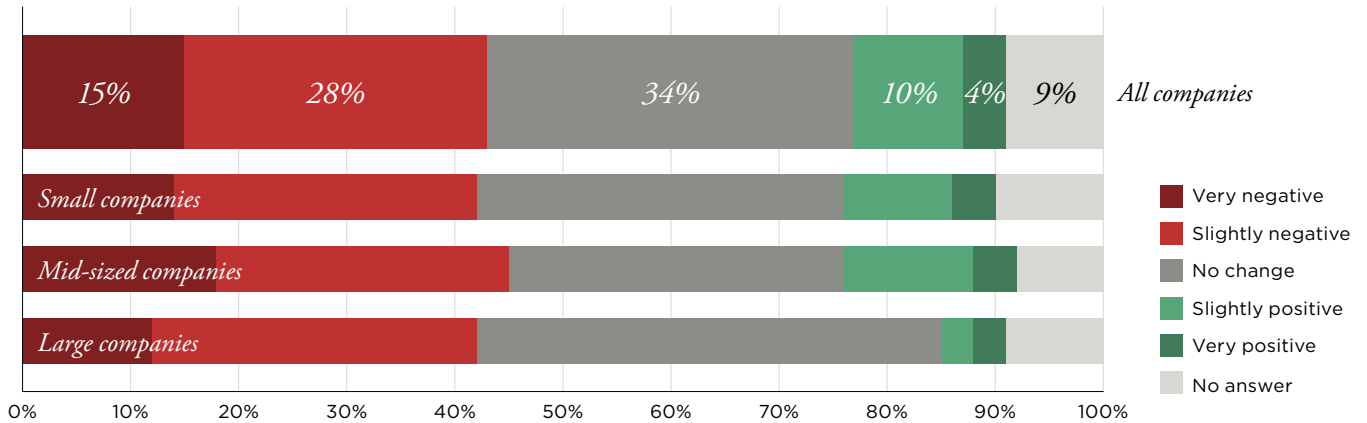
IMPACT OF WEAK SWEDISH KRONA ON SALES AND PROFITABILITY

Frequent comments such as “Swedish exports are doing well” or “not doing too well” are often difficult to decipher. The diagrams 11–16 below show how a weak Swedish krona impacts the companies’ export of goods in terms of cost of intermediate goods, sales volumes and profitability. Using a simple calculation model we highlight which companies that benefit the most from a weak Swedish krona, and those that stand to lose the most.

How the calculations were made to rank winning and losing industries and size categories of companies:
 % Very positive - % Very negative
 + (% Slightly positive - % Slightly negative) x 0.5
 = Net positive or negative outcome in per cent
 The ranking is made according to outcome in descending order.

11. IMPACT ON COST OF INTERMEDIATE GOODS

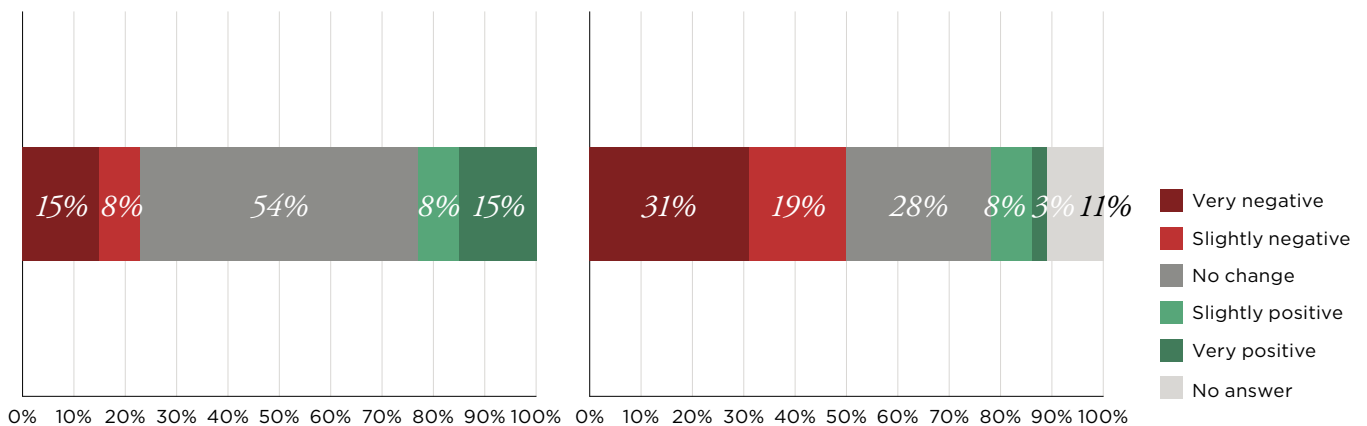
Question: What impact does a weak Swedish krona have on your company’s export of goods from Sweden on a scale of 1 to 5 (where 1= Very negative and 5= Very positive), with regard to: Cost of intermediate goods.



The impact of a weak Swedish krona on the purchasing cost of intermediate goods is overall very negative. The impact is more negative for large companies and mid-sized companies than for small companies.

12a. ONE NON-AFFECTED INDUSTRY: FOOD

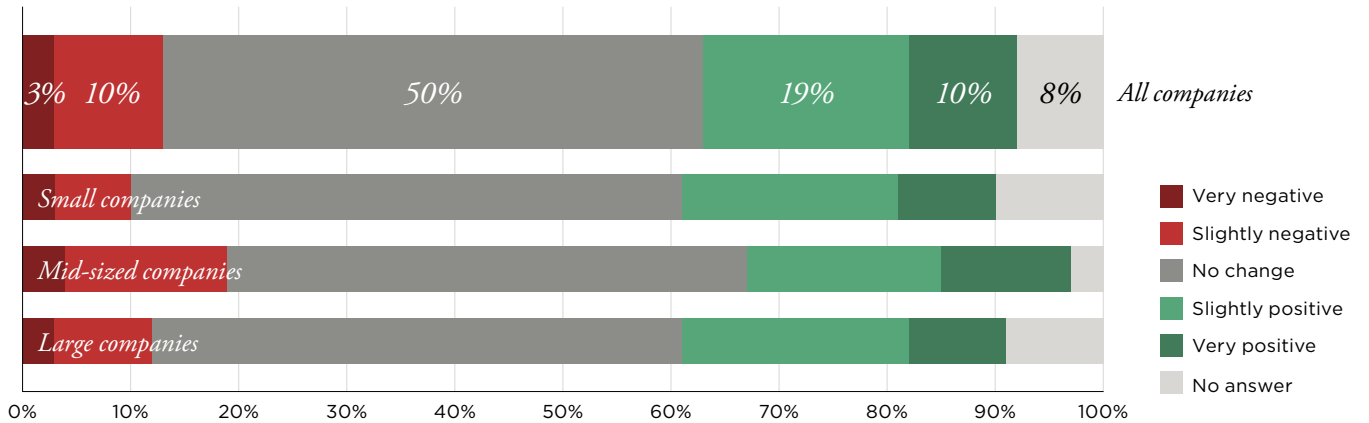
12b. MOST DISADVANTAGED: CHEMICALS AND PHARMACEUTICALS



All industries are being hit by the weak Swedish krona in their purchasing of intermediate goods, except for *Food* where the impact is more or less zero.
 The industries most negatively affected by the weak Swedish krona are *Chemicals and pharmaceuticals* and *Automotive*.

13. IMPACT ON SALES VOLUMES

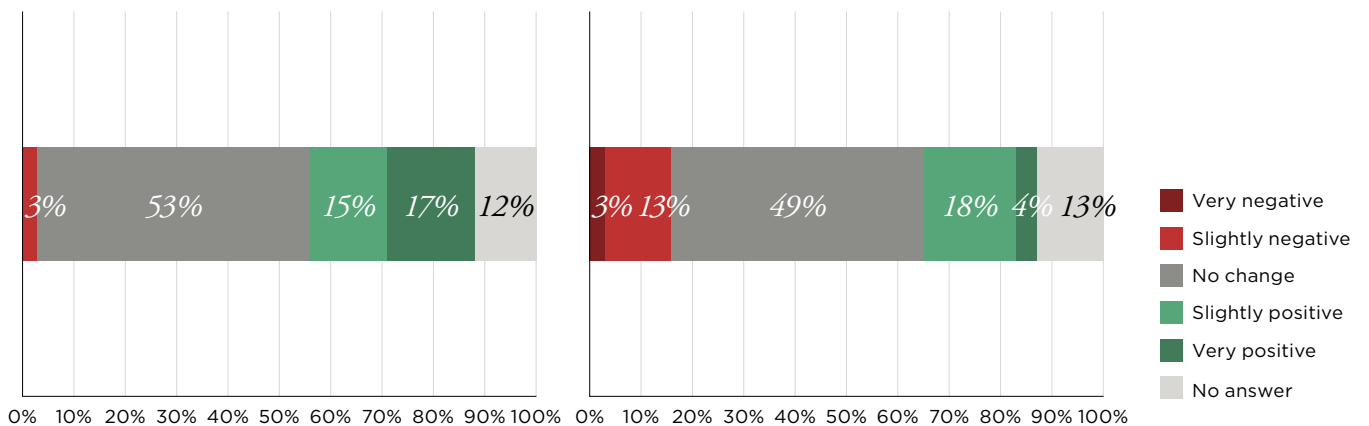
Question: What impact does a weak Swedish krona have on your company's export of goods from Sweden on a scale of 1 to 5 (where 1=Very negative and 5=Very positive), with regard to: Sales volumes



The impact of a weak Swedish krona on sales volumes is positive overall. The positive impact is equal for small companies and large companies, and slightly less positive for mid-sized companies.

14a. BIGGEST WINNER: WOOD AND PAPER

14b. SMALLEST WINNER: STEEL AND METAL

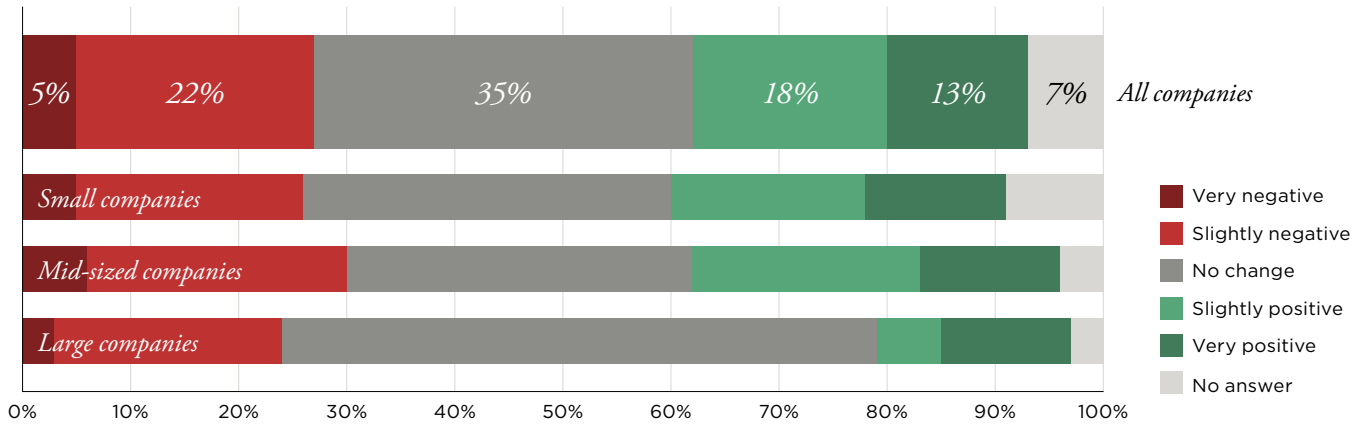


All industries can increase their sales volumes with a weak krona. The main winners are *Wood and paper*, *Electronic equipment* and *Machinery*.

Steel and metal benefits the least from the weak krona.

15. IMPACT ON PROFITABILITY

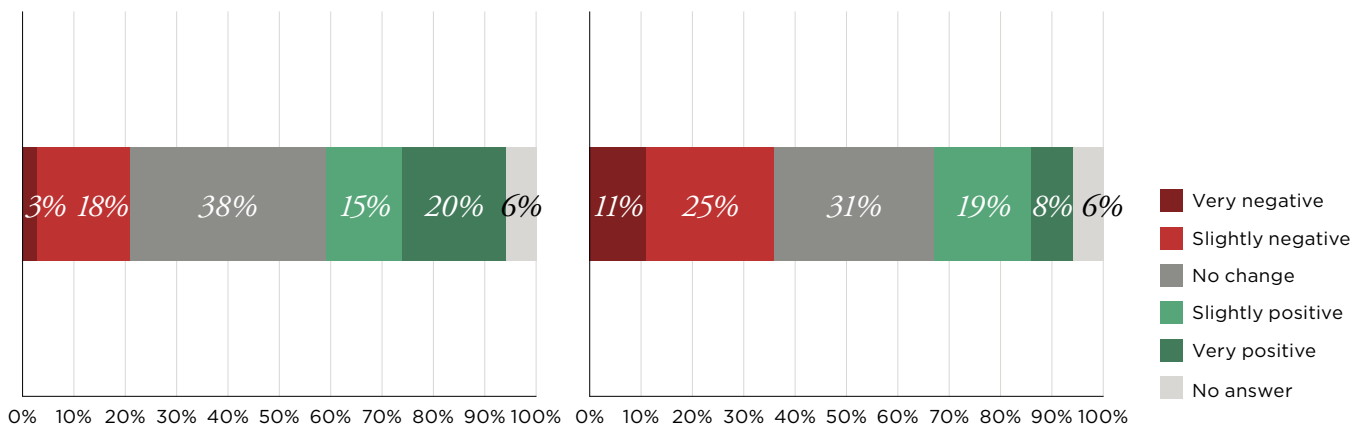
Question: What impact does a weak Swedish krona have on your company's export of goods from Sweden on a scale of 1 to 5 (where 1= Very negative and 5 = Very positive), with regard to: Profitability



The impact of a weak Swedish krona on profitability is overall somewhat positive for small companies and mid-sized companies. For large companies, the impact of a weak Swedish krona on profitability is next to zero.

16a. BIGGEST WINNER: WOOD AND PAPER

16b. MOST DISADVANTAGED: CHEMICALS AND PHARMACEUTICALS



Five of eight industries can improve their profitability with a weak Swedish krona. The clear winners are *Wood and paper* and *Electronic equipment*. For *Chemicals and pharmaceuticals*, *Automotive* and *Steel and metal*, a weak Swedish krona has a somewhat negative impact on profitability.

HOW THE SURVEY WAS CONDUCTED

Business Sweden commissioned the research company Origo Group to monitor how manufacturing companies in Sweden are impacted by the value of the Swedish krona against major currencies such as the euro and the US dollar. The target group for the survey is Swedish and foreign-owned industrial companies with manufacturing or assembly of products in Sweden with export of goods to foreign markets, and with at least 20 employees in Sweden. On Business Sweden's request, Statistics Sweden (SCB) provided a register of contact details for approximately 3,000 companies based on the criteria that Origo Group used in its field work.

The survey was conducted via telephone interviews with finance directors or equivalent executives at the companies during the period 13 November – 4 December 2023. The respondents answered a survey consisting of 11 multiple-choice questions put together by Business Sweden.

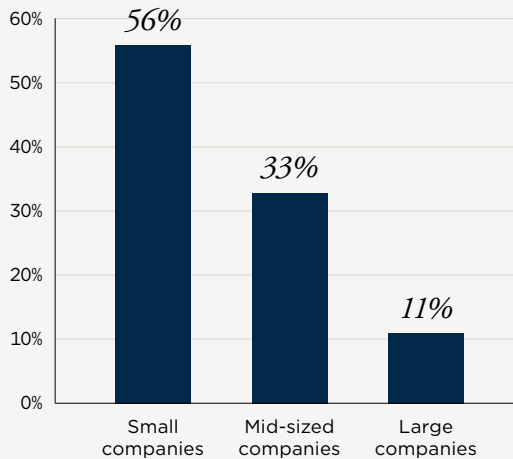
A total of 301 companies responded to the survey. In the analysis of the survey results, Business Sweden has divided the companies into 8 industries based on the companies' registered SNI codes (standard for Swedish industry classification). All companies in the survey are in the manufacturing sector (SNI 10–33), in one of the following industries:

- Food (10–12),*
- Wood and paper (16–17),*
- Chemicals and pharmaceuticals (19–23),*
- Steel and metal (24–25),*
- Electrical equipment and electronics (26–27),*
- Machinery (28),*
- Automotive (29–30) and*
- Other manufacturing (13–15, 18, 31–33).*

In addition, Business Sweden has divided the companies into three size categories based on number of employees in Sweden, according to the classification made by Statistics Sweden. This categorisation is made to facilitate the reporting of the survey results separately for small companies with 20–49 employees, mid-sized companies with 50–199 employees and large companies with 200 or more employees.

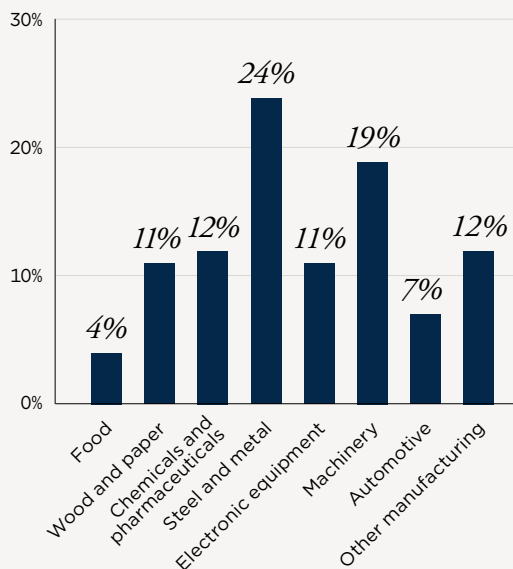
The distribution by industry and size category for the group of companies taking part in the survey shows good alignment with the distribution presented in the register ordered from Statistics Sweden. Available access to the respondents' individual answers has enabled Business Sweden to deepen the analysis of the survey results. The survey has been anonymised by Origo Group with regard to the companies' identity.

17. DISTRIBUTION OF COMPANIES BY SIZE*



*Note: applies to the companies' number of employees in Sweden

18. DISTRIBUTION OF COMPANIES BY SECTOR





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BUSINESS SWEDEN Box 240, SE-101 24 Stockholm, Sweden
World Trade Center, Klarabergsviadukten 70
T +46 8 588 660 00 info@business-sweden.com
www.business-sweden.com