

BUSINESS SWEDEN

OPTIMISTIC OUTLOOK FOR EXPORTS

EXPORT MANAGERS' INDEX FIRST QUARTER 2020

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EXECUTIVE SUMMARY

The export outlook for Swedish companies worsened successively during 2019, burdened by trade wars, Brexit, geopolitical uncertainty and signs of weakness in the manufacturing industry. Towards the end of the year, however, the outlook began to look slightly more positive. The agreement between the US and China to cool down the conflict over trade, and the fact that Brexit took place in an orderly manner, were positive signs for business. In other words, the new year looks as if it will have something positive to offer even though there are some new clouds gathering on the horizon such as China's corona virus.

Business Sweden's Export Manager's Index, EMI, rose substantially in the first quarter by 5.6 points to 56.3, from 50.7 in the fourth quarter last year. The fact that the EMI is above the 50-mark – which is the dividing line between optimism and pessimism – indicates that the export companies have, on the whole, an optimistic view of export development.

The upswing in the EMI is explained entirely by the marked increase in the EMI forecast, which is the sub-index that monitors forward looking issues. The EMI forecast increased by as much as 11 points in the first quarter, to 62.1 from 51.1 in the fourth quarter last year. This is considerably higher than 50 and much higher than the historical average of 57.1. However, the EMI level that monitors current issues remained virtually unchanged at 50.4 in the first quarter.

Of particular note in this survey is that virtually all forward-looking sub-indices increased substantially and now are above 50. Even sub-indices relating to current issues recovered, with the exception of profitability in export sales which fell by 12.5 points, although still remained high at 55.9. This indicates that the companies continue to have an optimistic view. Despite the fact that the index increased, companies responding to current issues – precisely as in the fourth quarter of last year – expressed a pessimistic view of both export sales as well as export order stocks.

Looking at a three-month period going forward, optimism among the export companies increased across the board. This is particularly reflected in the synchronised upswing in the index for expected export demand, as well as for profitability of export sales.

During the first quarter of the year, the expected export demand increased strongly for all regions compared with the fourth quarter of last year. The index is now substantially higher than the 50-mark for all regions and is in line with, or above the historical average. Optimism has returned for both Western Europe and Central and Eastern Europe. The index for Western Europe increased by 10.7 points to 54.9 in the first quarter of this year, from 44.2 in the fourth quarter last year. Even the index for Central and Eastern Europe increased substantially by 9 points to 57.7 in the first quarter, from 48.7 in the fourth quarter last year. The index for other regions increased by between 10 and slightly less than 14 points. Taken together, we can say that the view of expected export demand is now well synchronised between the regions. The index is now clearly above the 50-mark for all regions which indicates strong optimism in relation to export demand in all regions.

Nonetheless, the uncertainty surrounding the corona virus makes the situation difficult to assess. China's economy has already been adversely affected. The unexpected extension of the Chinese New Year holiday has affected supply chains and led to shortages of certain input goods, in, among others, the automotive industry. An increase in the spread of the corona virus can have major consequences for the world economy, the Swedish economy and Swedish companies. In such a scenario, we can expect to see the present optimism among export companies take a knock.

The next Export Managers' Index will be published on May 14, 2020.

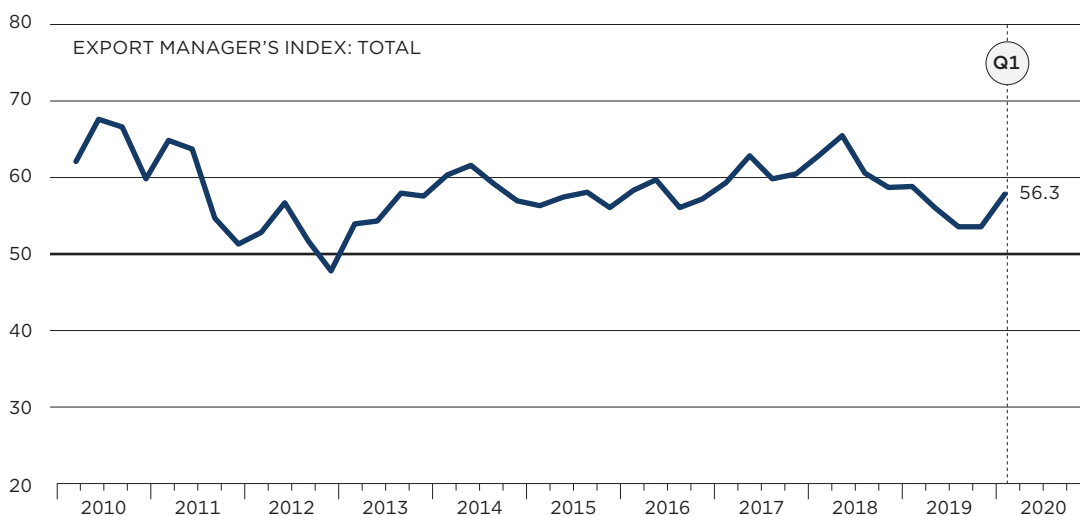


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EXPORT MANAGERS' INDEX SHOWS STRONG UPSWING FOR FIRST QUARTER

STRONG INCREASE IN EXPORT MANAGERS' INDEX (EMI) FIRST QUARTER

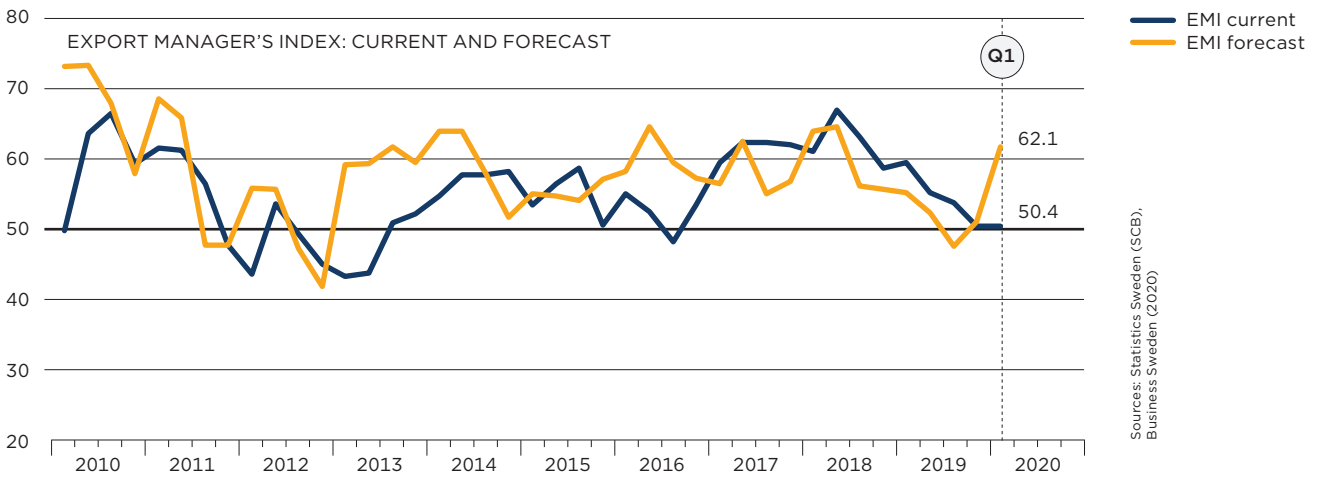


Sources: Statistics Sweden (SCB), Business Sweden (2020)

Business Sweden's Export Managers' Index, EMI, which monitors the views of exporters of goods and services, increased substantially during the first quarter of 2020. The EMI rose by 5.6 points to reach 56.3 compared with 50.7 points in the fourth quarter of last year. It is the highest level in a year and just above the historical average of 55.9.

The fact that the EMI is clearly above the 50-mark – which is the dividing line between optimism and pessimism – means that there are now more export companies that believe in a strengthening, rather than a weakening, of export development.

SUBSTANTIAL UPSWING IN THE EMI FORECAST LIFTED THE INDEX

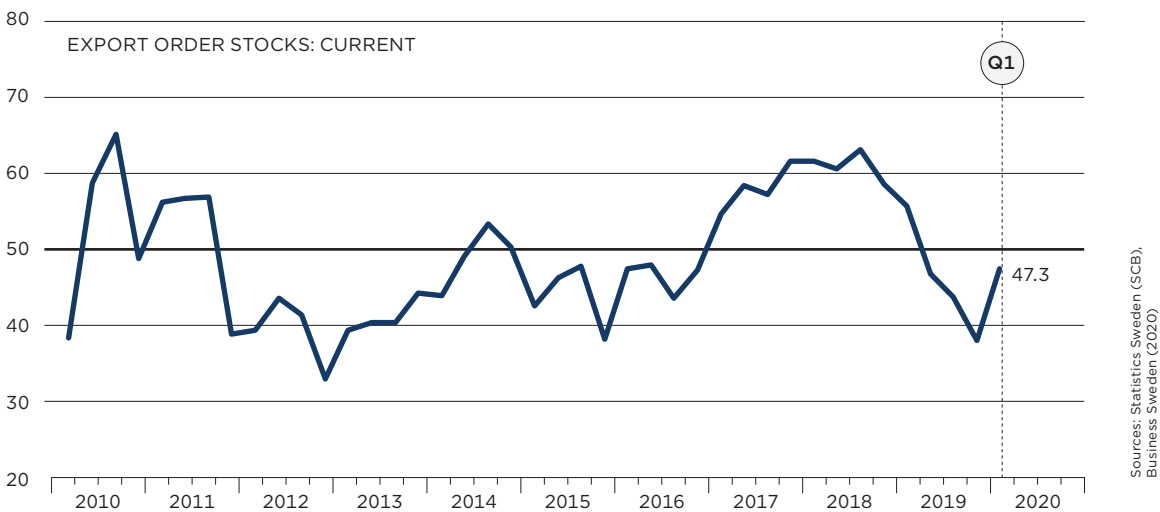


All of the EMI upswing is explained by a substantial increase in the EMI forecast, which is the sub-index for forward-looking issues. The EMI forecast rose by all of 11 points to 62.1 in the first quarter, from 51.1 in the fourth quarter last year. This is well above the historical average of 57.1 and we have to go back to the second quarter of 2018 to see such a high level.

After having fallen for three quarters in a row, the EMI for current issues was practically unchanged. The EMI for current issues was 50.4 during the first quarter this year.

The fact that the EMI forecast bounced well above 50-mark indicates that the export companies have a positive view of export development over a three-month perspective.

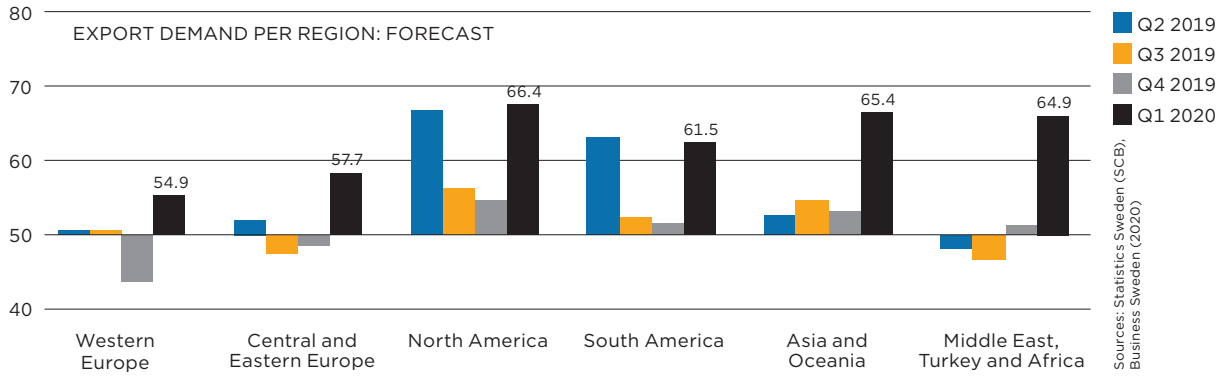
FEWER COMPANIES DISSATISFIED WITH EXPORT ORDER STOCKS



The index for sentiment on export order stocks increased markedly during the first quarter after having fallen for more than a year. The index increased by 9.3 points to 47.3 in the first quarter, compared to 38.0 in the fourth quarter last year. This is the highest level since the first quarter of 2019.

The index is now in line with the historical average of 47.9 although still below the 50-mark. This indicates that increasingly fewer companies are dissatisfied with the level of export order stocks.

OPTIMISM TOWARDS EUROPE IS BACK

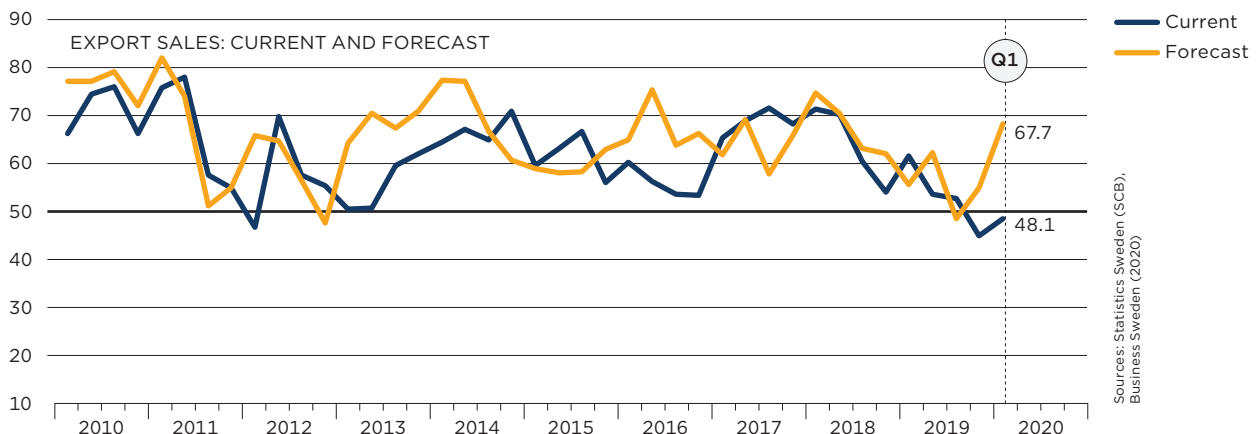


During the first quarter, the expected export demand increased robustly for all regions, compared with the fourth quarter last year. The index is now well above the 50-mark for all regions and in line with, or above the historical average. Optimism has returned in relation to Western Europe as well as Central and Eastern Europe. The index for Western Europe increased by 10.7 points to 54.9 in the first quarter, from 44.2 in the fourth quarter last year. Even the index for Central and Eastern Europe increased markedly in the first quarter by 9 points, to 57.7 from 48.7 in the fourth quarter last year. The index for North America in the first quarter increased by 12.1 points to 66.4. For South America, the index increased by 10 points to 61.5.

The index for Asia and Oceania in the first quarter increased by 12.5 points to 65.4, compared to the fourth quarter last year. The biggest increase was in the index for expected export demand from the Middle East, Turkey and Africa where the index increased by all of 13.8 points to 64.9, from 51.1 in the fourth quarter last year.

Taken as a whole, we can see that the view of expected export demand is now well synchronised between the regions. The index is well above the 50-mark for all regions. This indicates strong optimism in the expected export demand from all regions.

INCREASED OPTIMISM FOR EXPECTED EXPORT SALES

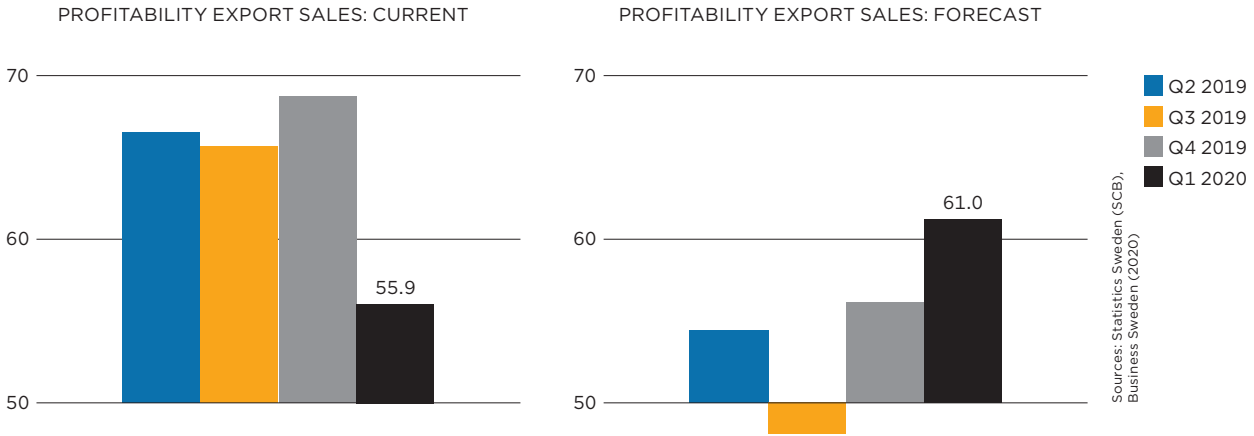


The sentiment among companies with regard to current export sales remains pessimistic, despite the fact that the index increased by 3.5 points to 48.1 in the first quarter, from 44.6 in the fourth quarter last year. This is considerably lower than the historical average of 59.9. The index for expected export sales over a three-month period increased markedly by 13.2 points to 67.7 in the first quarter, from 54.5 in

the previous quarter. This is a high result, clearly exceeding the historical average of 63.7.

The fact that the index for current export sales is below the 50-mark indicates that the companies have a pessimistic view of the current situation. On the other hand, when they look ahead at a three-month perspective, their view of export sales is strongly optimistic.

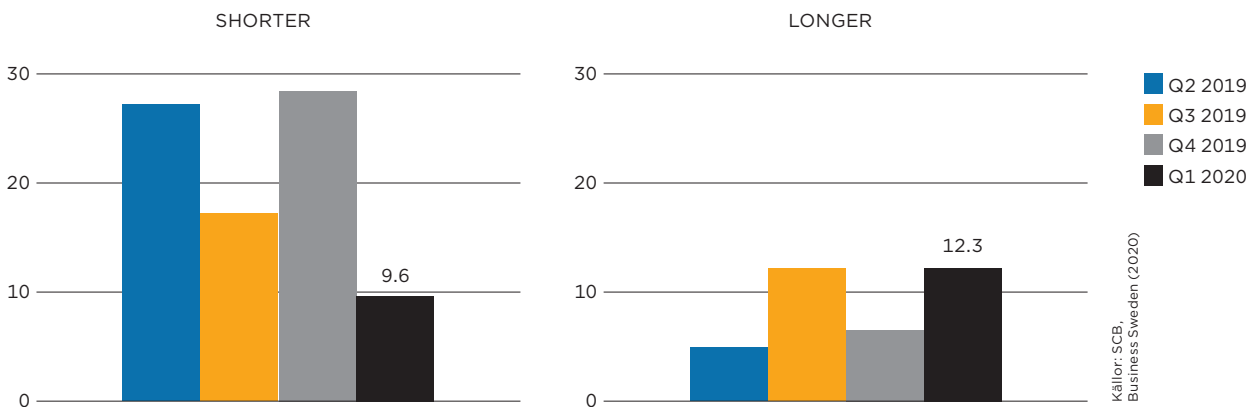
OPTIMISTIC VIEW OF PROFITABILITY IN EXPORT SALES



Fewer and fewer companies have an optimistic view of profitability in current export sales. The index fell markedly by 12.5 points to 55.9 in the first quarter, compared with the fourth quarter last year. On the other hand, the companies' view of profitability in export sales over a three-month period continued to improve in the first quarter this year. The index increased by 5 points to 61.0 in the first quarter, from 56.0 in the previous quarter.

The fact that the index for profitability in export sales is above the 50-mark, for both current and three-month perspective, indicates that sentiment is positive. Despite an increase in the repo rate in December, monetary policy is expansive. Together with a continued weak krona, this contributes to the positive view of profitability in export sales.

MORE EXPORT COMPANIES EXPECT LONGER DELIVERY TIMES



The share of export companies expecting shorter delivery times for exports over the three-month period was reduced to 9.6 per cent in the first quarter, from 28.6 per cent in the fourth quarter 2019.

At the same time, the share of companies that expect longer delivery times over the three-month

period increased to 12.3 per cent in the first quarter of the year, compared with 6.0 per cent in the fourth quarter of last year. The fact that more companies expect longer delivery times for exports indicates that resource utilisation, i.e., activities within the companies, are increasing.

ABOUT BUSINESS SWEDEN'S EXPORT MANAGERS' INDEX

Business Sweden's Export Managers' Index (EMI) has been published quarterly since 2007. The EMI takes the temperature of Swedish export companies and serves as an important economic indicator in relation to Swedish exports.

The survey is conducted in the form of telephone interviews conducted by Statistics Sweden (SCB). All major companies and a selection of small and medium-sized companies are interviewed. Respondents are export managers or persons with a corresponding position in Swedish export companies. The survey covers a total of 214 companies, of which half have export sales of more than SEK 250 million (large companies) and half have export sales of SEK 25–250 million (small and medium-sized companies). The EMI is based on information from the VAT register and includes exports of both goods and services.

The Export Manager's Index consists of two parts; one main index and two sub-indices of which one describes the current situation and the other describes expectations for the near future. EMI result is compiled from the answers to seven questions where three focus on the current situation and four are forward-looking. The seven questions carry equal weight in the survey. The survey for the first quarter 2020 was conducted during the period 20 January – 7 February. The results are presented in the form of a so-called diffusion index. The dividing line between strengthening and weakening has been set at 50.

Values above 50 mean that there are more people who believe in a strengthening than a weakening, and vice versa. The result is weighted with the companies' export value.

The response rate amounted to 86 per cent (weighted). The National Institute of Economic Research has evaluated the EMI in order to assess its usefulness for forecasting export development. The result shows that the EMI offers information that increases forecasting precision compared to the historical average. This means that EMI is useful for this purpose (*see www.tinyurl.com/l8ebjmx*).

Questions asked:

EMI current

- What is your estimate of your company's sales over the last three months?
- What is your estimate of your company's export order stock?
- What is your estimate of your company's current export profitability?

EMI forecast, next three months

- How do you think market demand for your company's exports will develop over the next three months?
- How do you think your company's export sales will develop over the next three months?
- How do you think your company's profitability in export sales will develop over the next three months?
- How do you think your company's export delivery times will develop over the next three months?

Answers to all these questions form the basis for the main EMI.

APPENDIX

DATA: WEIGHTED TIME SERIES

EMI	SELECTION	Q4 2019	Q1 2020	DIFF Q1 20 - Q4 19	
EMI total	Total	50.7	56.3	5.6	↗
1. EMI total	SEK 25-250m	57.4	55.8	-1.6	↘
1. EMI total	>SEK 250m	49.9	56.3	6.4	↗
2. EMI current	Total	50.3	50.4	0.1	→
2. EMI current	SEK 25-250m	57.1	50.4	-6.7	↘
2. EMI current	>SEK 250m	49.5	50.5	1.0	→
3. EMI forecast	Total	51.1	62.1	11.0	↗
3. EMI forecast	SEK 25-250m	57.7	61.2	3.5	↗
3. EMI forecast	>SEK 250m	50.3	62.2	11.9	↗

QUESTIONS CURRENT	SELECTION	Q4 2019	Q1 2020	DIFF Q1 20 - Q4 19	
Question 1 - Export sales	Total	44.6	48.1	3.5	↗
Question 1 - Export sales	SEK 25-250m	59.2	56.9	-2.3	↘
Question 1 - Export sales	>SEK 250m	42.8	47.0	4.2	↗
Question 2 - Export order stock	Total	38.0	47.3	9.3	↗
Question 2 - Export order stock	SEK 25-250m	43.6	34.8	-8.8	↘
Question 2 - Export order stock	>SEK 250m	37.3	49.0	11.7	↗
Question 3 - Export profitability	Total	68.4	55.9	-12.5	↘
Question 3 - Export profitability	SEK 25-250m	68.6	59.4	-9.2	↘
Question 3 - Export profitability	>SEK 250m	68.4	55.4	-13.0	↘

QUESTIONS FORECAST	SELECTION	Q4 2019	Q1 2020	DIFF Q1 20 - Q4 19	
Question 4 - Export market demand	Total	55.4	68.3	12.9	↗
Question 4 - Export market demand	SEK 25-250m	62.9	70.9	8.0	↗
Question 4 - Export market demand	>SEK 250m	54.5	67.9	13.4	↗
Question 4a - Western Europe	Total	44.2	54.9	10.7	↗
Question 4a - Western Europe	SEK 25-250m	59.5	64.9	5.4	↗
Question 4a - Western Europe	>SEK 250m	42.3	53.7	11.4	↗
Question 4b - Central & Eastern Europe	Total	48.7	57.7	9.0	↗
Question 4b - Central & Eastern Europe	SEK 25-250m	62.3	53.0	-9.3	↘
Question 4b - Central & Eastern Europe	>SEK 250m	47.2	58.2	11.0	↗
Question 4c1 - North America	Total	54.3	66.4	12.1	↗
Question 4c1 - North America	SEK 25-250m	66.3	65.7	-0.6	→
Question 4c1 - North America	>SEK 250m	52.9	66.4	13.5	↗
Question 4c2 - South America	Total	51.5	61.5	10.0	↗
Question 4c2 - South America	SEK 25-250m	56.4	55.2	-1.2	↘
Question 4c2 - South America	>SEK 250m	51.0	62.2	11.2	↗
Question 4d - Asia & Oceania	Total	52.9	65.4	12.5	↗
Question 4d - Asia & Oceania	SEK 25-250m	66.0	63.5	-2.5	↘
Question 4d - Asia & Oceania	>SEK 250m	51.5	65.6	14.1	↗
Question 4e - Middle East, Turkey & Africa	Total	51.1	64.9	13.8	↗
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	60.6	55.1	-5.5	↘
Question 4e - Middle East, Turkey & Africa	>SEK 250m	50.2	66.0	15.8	↗
Question 5 - Export sales	Total	54.5	67.7	13.2	↗
Question 5 - Export sales	SEK 25-250m	62.9	69.6	6.7	↗
Question 5 - Export sales	>SEK 250m	53.4	67.5	14.1	↗
Question 6 - Export profitability	Total	56.0	61.0	5.0	↗
Question 6 - Export profitability	SEK 25-250m	55.1	55.7	0.6	→
Question 6 - Export profitability	>SEK 250m	56.1	61.7	5.6	↗
Question 7 - Export profitability	Total	38.7	51.3	12.6	↗
Question 7 - Export profitability	SEK 25-250m	50.0	48.7	-1.3	↘
Question 7 - Export profitability	>SEK 250m	37.3	51.7	14.4	↗

↗ = $\Delta > +1,0$ → = $\Delta \leq \pm 1,0$ ↘ = $\Delta > -1,0$



We help Swedish companies grow global sales and international companies invest and expand in Sweden.

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