

TUMBLING MARKET FOR EXPORTS

*EXPORT MANAGERS' INDEX
SECOND QUARTER 2022*

EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index (EMI) took a major tumble in the second quarter. EMI fell by 10.3 points to 60.6 in the second quarter, from a record high of 70.9 in the first quarter. The fact that the index is well above the 50 mark – the dividing line between optimism and pessimism – indicates, nonetheless, that sentiment remains optimistic.

The downturn was triggered by dampened views of the export market both in the current situation and in the next three months. The EMI current subindex fell by 13.3 points to 64.6 in the second quarter, from 77.9 in the first quarter. EMI forecast, which is the subindex for forward-looking issues, fell by 7.3 points to 56.6 in the second quarter, from 63.9 in the previous quarter.

In contrast to the record results in the previous survey, several subindices have notably fallen back. The war in Ukraine and continued shutdowns in China in response to the spread of the omicron virus variant are two developments that have unmistakably impacted the views of export companies, particularly from a regional perspective.

The index for expected export demand from Central and Eastern Europe went into free fall and dropped by as much as 28.4 points to 31.2 in the second quarter, from 59.6 in the first quarter. This indicates a particularly gloomy outlook for the region as companies assess the export prospects. The index for Western Europe dropped as well, but only moderately and remains at a high level. The index for expected export demand from Asia fell by 9 points to 50.5 in the second quarter, from 59.5 in the previous quarter. While the index sits just above the 50-mark this result is well below the historical average of 65.9. The result for North and South America was somewhat surprising as the index for this region rose slightly.

Despite a considerable drop overall, several subindices remain at high levels which indicates that an optimistic sentiment prevails among export companies. The index for profitability of export sales in the next three months stands out among the negative results as it fell by 10.3 points to 49.1 in the second quarter, from 59.4 in the first quarter. With a result just below the 50-mark, this indicates that export companies' views of future profitability borders on pessimism. Increased costs for intermediate goods, energy, transport and a strengthened krona are likely to be contributing factors.

A small bright spot in the survey is that the share of export companies expecting longer delivery times in the next three months continued to drop to 34 per cent in the second quarter, from 38.8 in the first quarter. This is most likely an indication that the companies' supply chain problems, due to a shortage of intermediate goods such as semiconductors as well as disruption to container and freight transport, continued to abate.

In all, we can observe that Swedish export companies remain optimistic despite new shockwaves in the world economy. However, the risks have increased and conditions can rapidly change. Let's hope that the war in Ukraine comes to an imminent end and that China manages to curb the continued spread of infections without any major spillover effects in global markets. Without doubt, this would ensure a bright outlook for exports.

The next Export Managers' Index will be published on 25 August 2022.

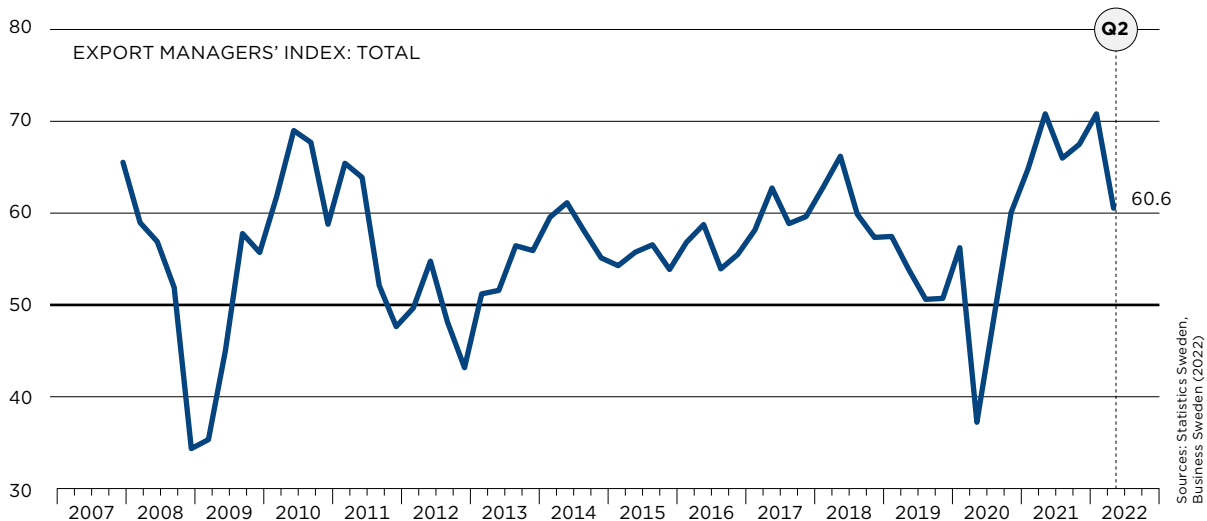
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SHARP FALL IN EXPORT MANAGERS' INDEX SECOND QUARTER

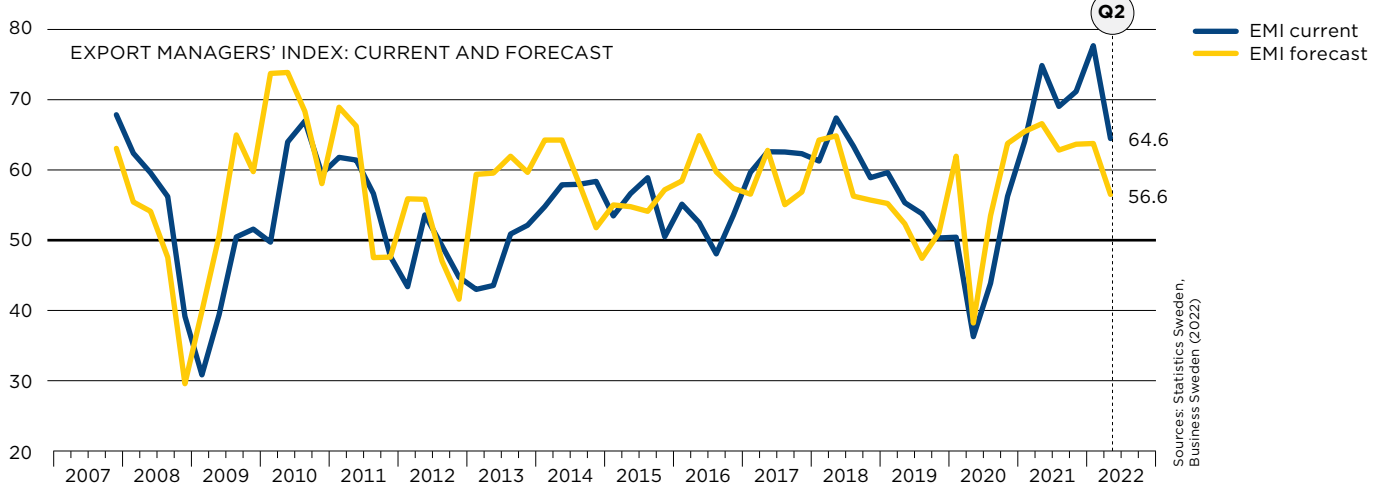
EXPORT MANAGERS' INDEX (EMI) DROPPED IN THE SECOND QUARTER



Business Sweden's Export Managers' Index, which monitors views and reflects sentiment among Swedish exporters of goods and services, took a major tumble in the second quarter following an upswing in the two previous quarters. EMI fell considerably, by no less than 10.3 points to 60.6 in the second quarter, from 70.9 in the first quarter. However, the index dropped from a very high

level and is still above its historical average of 56.6 for the period 2007–2022. The fact that EMI is above the 50-mark – which is the dividing line between optimism and pessimism – means that more export companies believe in a strengthening than a weakening of export development. Despite a major drop in the index, this indicates that export companies continue to be optimistic.

BOTH CURRENT AND FORECAST SUBINDICES CONTRIBUTED TO EMI DECLINE

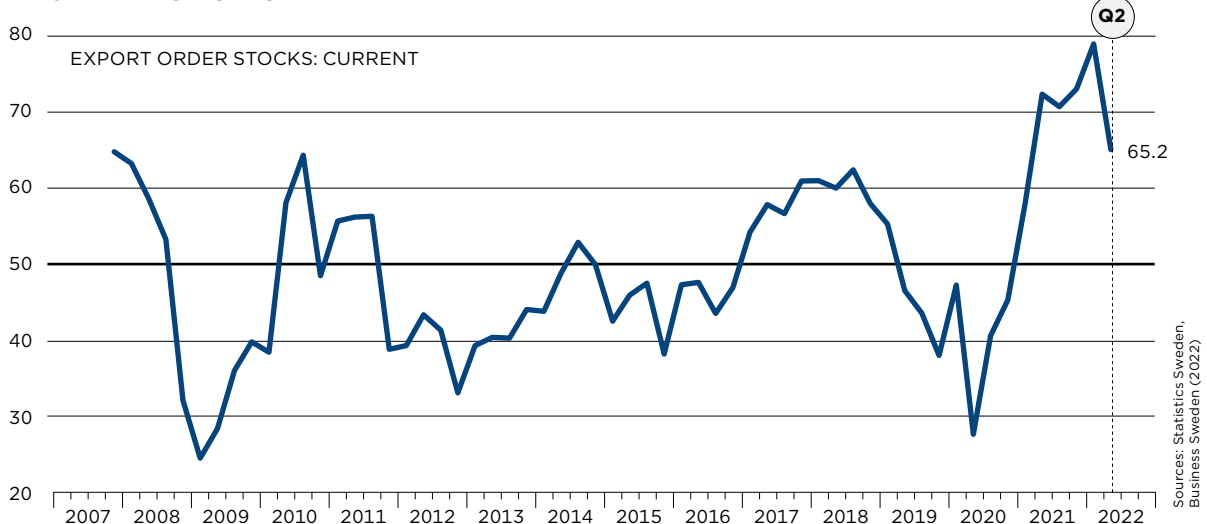


Companies' assessment of export development both in the current situation and in the next three months contributed to the sharp decline in EMI. Following an upswing in the two previous quarters, EMI current dropped by 13.3 points to 64.6 in the second quarter, from 77.9 in the first quarter. EMI forecast – which is the subindex for forward-looking issues – has remained stable over the past three quarters but dropped as well in the

second quarter. EMI forecast fell by 7.3 points to 56.6 in the second quarter, from 63.9 in the previous quarter.

Despite the significant downward turn, the current and forecast subindices remain at high levels above their historical averages. This signals that export companies continue to be optimistic about current export development as well as the three-month outlook.

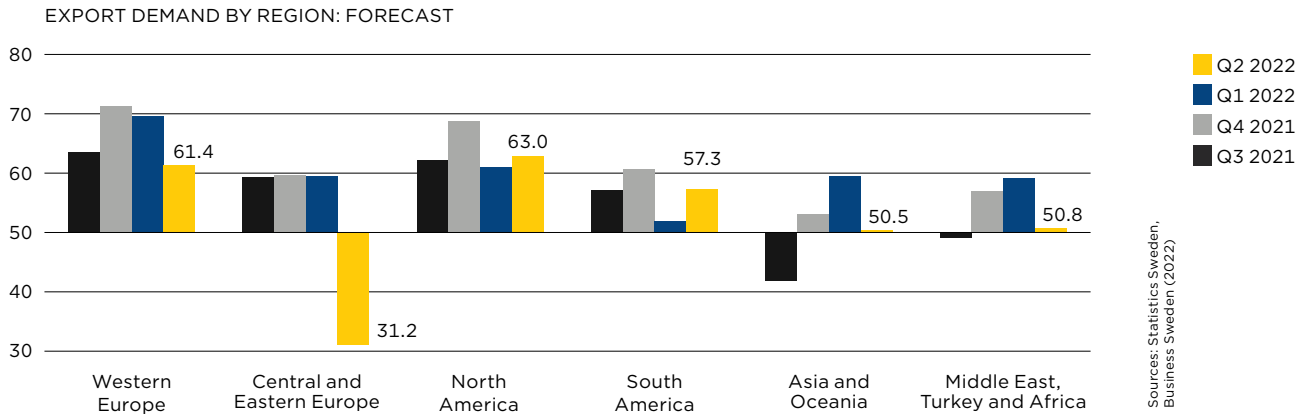
VIEWS OF EXPORT ORDER STOCKS REMAIN OPTIMISTIC DESPITE PLUNGING INDEX



The index reflecting views of export order stocks had remained stable above 70 over the past year but dropped considerably in the second quarter. The index plummeted by 13.9 points to 65.2 in the second quarter, from a record high of 79.1

in the first quarter. This is still a very high level and well above the historical average since 2007. An index above 50 indicates that more export companies are satisfied with their export order stocks than vice versa.

GLOOMY OUTLOOK FOR EXPECTED EXPORT DEMAND FROM CENTRAL AND EASTERN EUROPE



The index for expected export demand paints a divided picture across the regions. The war in Ukraine and shutdowns in large cities in China have had a clear impact on the expected export demand from Europe and Asia respectively. The index for expected export demand from Central and Eastern Europe fell more sharply than any other subindex, plunging by as much as 28.4 points to 31.2 in the second quarter, from 59.6 in the first quarter. The index for Western Europe dropped notably as well by 8.3 points to 61.4 in the second quarter, from 69.7 in the previous quarter. The shutdowns in China in response to the increased spread of the omicron variant contributed to increased uncertainty and a drop in the index for expected export demand from Asia

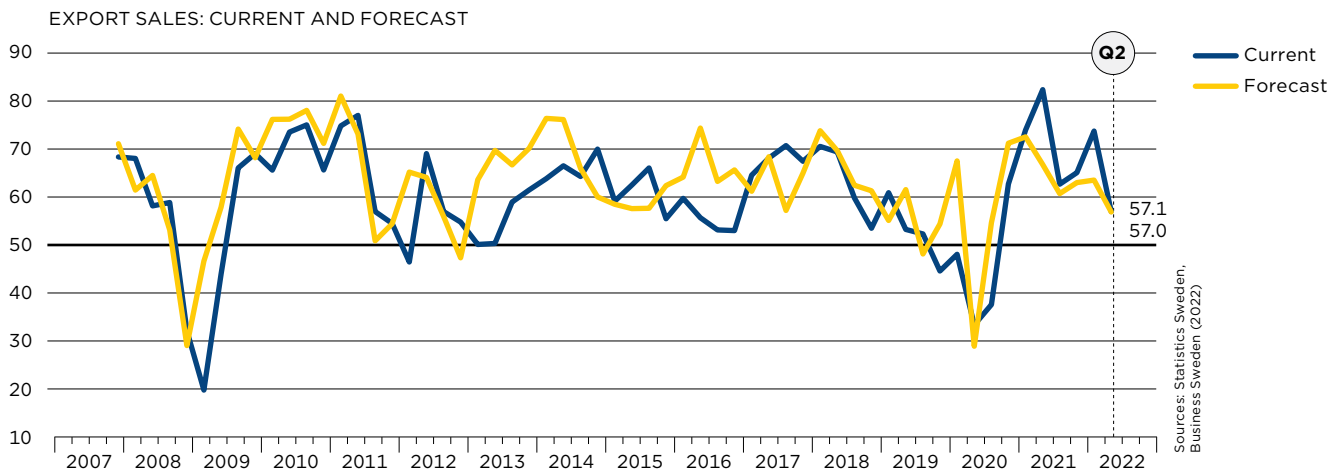
by 9 points to 50.5 in the second quarter, from 59.5 in the previous quarter. While the index did not fall below 50, it is now well below its historical average level of 65.9.

The index for the Middle East, Turkey and Africa fell by 8.5 points to 50.8 in the second quarter, from 59.3 the previous quarter.

In contrast, the index for expected export demand from both North and South America increased. The index for North America rose by 1.9 points to 63.0, from 61.1. The index for South America jumped by 5.4 points to 57.3, from 51.9.

In all, we can observe that despite sharp declines the index continues to be above or close to the 50-mark for all regions except Central and Eastern Europe where a gloomy outlook prevails.

DAMPENED OPTIMISM FOR EXPORT SALES

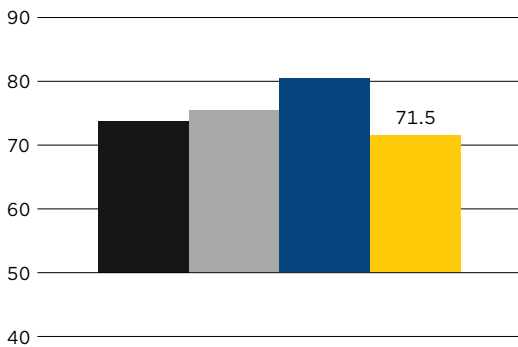


The index for current export sales fell sharply by 16.9 points to 57.1 in the second quarter, from 74.0 in the previous quarter. The index for expected export sales in the next three months fell more moderately by 6.7 points to 57.0, from 63.7 in the previous quarter.

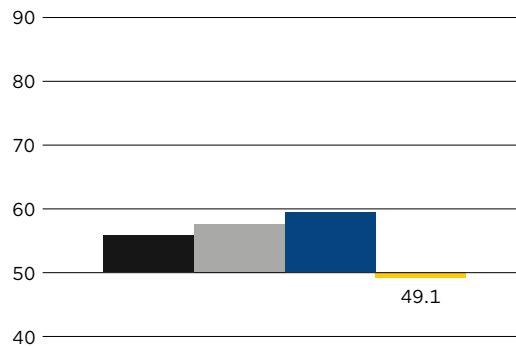
The fact that the index for export sales remains well above the 50-mark for both subindices, despite the declines, indicates that companies continue to have an optimistic view of both the current situation and the three-month outlook.

BLEAK OUTLOOK FOR FUTURE PROFITABILITY OF EXPORT SALES

PROFITABILITY EXPORT SALES: CURRENT



PROFITABILITY EXPORT SALES: FORECAST



Q2 2022
Q1 2022
Q4 2021
Q3 2021

Sources: Statistics Sweden,
Business Sweden (2022)

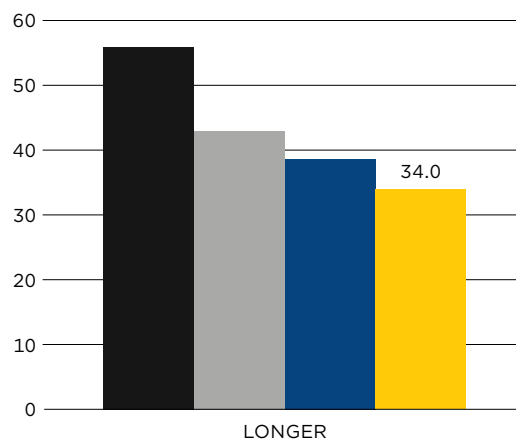
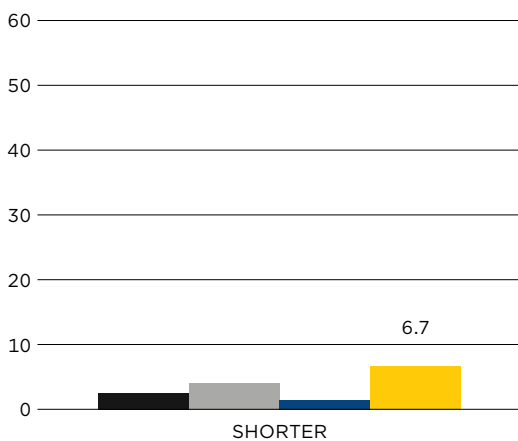
The companies' assessments of the profitability of export sales both in the current situation and over the next three months strengthened in the past year. But both subindices fell back in the second quarter. The index reflecting views of current export sales dropped by 9 points to 71.5 in the second quarter, from a record level of 80.5 in the first quarter. The index reflecting views of profitability of export sales in the next three

months fell considerably as well in the second quarter, plummeting by 10.3 points to a low level of 49.1 in the second quarter, from 59.4 in the previous quarter.

The fact that the index has dropped below the 50-mark indicates that more companies have a pessimistic view of the profitability of export sales when looking forward.

FEWER EXPORT COMPANIES EXPECT LONGER DELIVERY TIMES

DELIVERY TIMES FOR EXPORTS: FORECAST, SHARES IN PER CENT



Q2 2022
Q1 2022
Q4 2021
Q3 2021

Sources: Statistics Sweden,
Business Sweden (2022)

The share of export companies expecting longer delivery times for exports over the next three months continued to drop in the second quarter. The share of companies expecting longer delivery times in the three-month outlook shrank by 4.8 percentage points to 34 per cent in the second quarter, from 38.8 per cent in the first quarter. At the same time, the share of companies expecting shorter delivery times for exports increased by 5.3 percentage points to 6.7 per cent in the second quarter, from 1.4 per cent in the previous quarter.

The fact that the share of companies expecting longer delivery times for exports in the next three months dropped and, conversely, that the share expecting shorter delivery times increased is most likely an indication that supply chain problems, due to a shortage of intermediate goods and disruption to container and freight transport, continue to abate.

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 carried out by Statistics Sweden. Respondents are export managers or persons with a corresponding position in Swedish export companies. The survey covers a total of 225 companies, of which 125 have export sales of more than SEK 250 million (large companies) and 100 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 Managers' Index consists of two parts; one main index and two subindices of which one describes the current situation and the other describes expectations for the near future. The EMI result is based on 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 second quarter 2022 was conducted during the period 19 April – 6 May. 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 companies that believe in a strengthening than a weakening, and vice versa. The result is weighted with the companies' export value.

The response rate amounted to 77 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/l8bjmx).

Questions asked:

EMI current

- What is your estimate of your company's export 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

INDICATOR	SELECTION	Q1 2022	Q2 2022	DIFF Q2 22 - Q1 22	
1. EMI total	Total	70.9	60.6	-10.3	↓
1. EMI total	MSEK 25-250	61.0	59.8	-1.2	↓
1. EMI total	>MSEK 250	71.6	60.7	-10.9	↓
2. EMI current	Total	77.9	64.6	-13.3	↓
2. EMI current	MSEK 25-250	59.6	57.1	-2.5	↓
2. EMI current	>MSEK 250	79.2	65.3	-13.9	↓
3. EMI forecast	Total	63.9	56.6	-7.3	↓
3. EMI forecast	MSEK 25-250	62.3	62.5	0.2	→
3. EMI forecast	>MSEK 250	64.0	56.1	-7.9	↓

INDICATOR CURRENT	SELECTION	Q1 2022	Q2 2022	DIFF Q2 22 - Q1 22	
Question 1 - Export sales	Total	74.0	57.1	-16.9	↓
Question 1 - Export sales	MSEK 25-250	64.8	55.5	-9.3	↓
Question 1 - Export sales	>MSEK 250	74.7	57.2	-17.5	↓
Question 2 - Export order stock	Total	79.1	65.2	-13.9	↓
Question 2 - Export order stock	MSEK 25-250	51.4	55.5	4.1	↗
Question 2 - Export order stock	>MSEK 250	81.2	66.0	-15.2	↓
Question 3 - Export profitability	Total	80.5	71.5	-9.0	↓
Question 3 - Export profitability	MSEK 25-250	62.7	60.3	-2.4	↓
Question 3 - Export profitability	>MSEK 250	81.8	72.5	-9.3	↓

INDICATOR FORECAST	SELECTION	Q1 2022	Q2 2022	DIFF Q2 22 - Q1 22	
Question 4 - Export market demand	Total	63.8	56.7	-7.1	↓
Question 4 - Export market demand	MSEK 25-250	62.0	59.6	-2.4	↓
Question 4 - Export market demand	>MSEK 250	64.0	56.4	-7.6	↓
Question 4a - Western Europe	Total	69.7	61.4	-8.3	↓
Question 4a - Western Europe	MSEK 25-250	63.8	60.9	-2.9	↓
Question 4a - Western Europe	>MSEK 250	70.1	61.5	-8.6	↓
Question 4b - Central & Eastern Europe	Total	59.6	31.2	-28.4	↓
Question 4b - Central & Eastern Europe	MSEK 25-250	56.8	39.3	-17.5	↓
Question 4b - Central & Eastern Europe	>MSEK 250	59.7	30.5	-29.2	↓
Question 4c1 - North America	Total	61.1	63.0	1.9	↗
Question 4c1 - North America	MSEK 25-250	68.1	69.8	1.7	↗
Question 4c1 - North America	>MSEK 250	60.7	62.6	1.9	↗
Question 4c2 - South America	Total	51.9	57.3	5.4	↗
Question 4c2 - South America	MSEK 25-250	50.0	48.5	-1.5	↓
Question 4c2 - South America	>MSEK 250	52.0	57.7	5.7	↗
Question 4d - Asia & Oceania	Total	59.5	50.5	-9.0	↓
Question 4d - Asia & Oceania	MSEK 25-250	67.3	51.0	-16.3	↓
Question 4d - Asia & Oceania	>MSEK 250	59.1	50.4	-8.7	↓
Question 4e - Middle East, Turkey & Africa	Total	59.3	50.8	-8.5	↓
Question 4e - Middle East, Turkey & Africa	MSEK 25-250	54.5	51.2	-3.3	↓
Question 4e - Middle East, Turkey & Africa	>MSEK 250	59.5	50.7	-8.8	↓
Question 5 - Export sales	Total	63.7	57.0	-6.7	↓
Question 5 - Export sales	MSEK 25-250	66.2	61.6	-4.6	↓
Question 5 - Export sales	>MSEK 250	63.5	56.6	-6.9	↓
Question 6 - Export profitability	Total	59.4	49.1	-10.3	↓
Question 6 - Export profitability	MSEK 25-250	57.7	59.6	1.9	↗
Question 6 - Export profitability	>MSEK 250	59.5	48.2	-11.3	↓
Question 7 - Export profitability	Total	68.7	63.6	-5.1	↓
Question 7 - Export profitability	MSEK 25-250	63.4	69.2	5.8	↗
Question 7 - Export profitability	>MSEK 250	69.1	63.1	-6.0	↓

↗ = $\Delta > +1.0$ → = $\Delta \leq \pm 1.0$ ↓ = $\Delta < -1.0$



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