

BUSINESS SWEDEN

SWEDEN'S EXPORTS IN THE EYE OF THE STORM

FOLLOW-UP SURVEY ON HOW SWEDISH EXPORT COMPANIES
ARE MOBILISING AGAINST THE CORONAVIRUS

26 MAY 2020

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FOLLOW-UP SURVEY ON HOW SWEDISH
EXPORT COMPANIES ARE MOBILISING
AGAINST THE CORONAVIRUS

THE CHIEF ECONOMIST REFLECTS

To make economic forecasts in times of crisis is never easy which analysts tend to point out on many occasions. But the crisis we are now submerged in – the coronavirus pandemic – where large parts of the world have gone into lockdown and imposed restrictions can only be described as a period of genuine uncertainty. We don't know how the virus will develop nor where it will go. Nor do we have much data to rely on due to the time lag. For example, we only just recently received the preliminary GDP figures for the first quarter. Under such conditions analysts can only rely on indicators such as Purchasing Managers' Index, surveys, Google trends and so on.

Business Sweden recently published its Export Managers' Index for the second quarter which takes the temperature of Swedish export companies and serves as an important economic indicator. The title was 'Bleak times for Swedish exports' with reference to both the current situation and a three-month forecast. The key message was clear – we now have to look for positive signs wherever they can be found.

This updated edition of our survey showing the effects of the coronavirus crisis on business and trade confirms that Swedish export companies are now in the eye of the storm. But they are seeing the light at the end of the tunnel and, however challenging the future looks, most appear confident they will eventually overcome this crisis too.

Lena Sellgren
Chief Economist
Business Sweden



LENA SELLGREN
Chief Economist
Business Sweden

HOW SWEDISH EXPORT COMPANIES VIEW THE EFFECTS OF THE CORONAVIRUS PANDEMIC

It has now been more than two months since the World Health Organization (WHO) declared Covid-19 a pandemic. The consequences of the outbreak have plunged the global economy in a deep recession which has hit Europe and North America particularly hard. According to the current estimates, the global economy will shrink by approximately 4 per cent this year, but uncertainty still looms large. This downturn is significantly more severe than the global financial crisis of 2008/2009 when the GDP fall was limited to 0.5 per cent. The severity of the current recession will depend on how long restrictions are kept in place and how effective the countermeasures will be. If we end up with a prolonged crisis where many companies are wiped out and unemployment soars, the situation will clearly be difficult to handle. We would then expect very weak demand to persist over a period of years.

As more and more countries open up their economies and ease restrictions the activity will gradually start to bounce back. The greatest uncertainty is the speed at which countries can recover. On the downside are concerns that shutdowns and restrictions will be long-lasting and that a second wave of infections is likely to occur when restrictions are lifted. On the upside there is hope that scientific progress will be achieved that facilitates a faster recovery and return to normal activity.

In large parts of Asia – not least China – restrictions have been lifted and business activity has picked up. This has given companies and households a major confidence boost and meant that economic activity is rising markedly. At the same time, weak demand from markets overseas remains an obstacle and puts a damper on growth rates. Confidence levels are likely to rebound as well in Europe and the USA when restrictions are gradually eased, but we are not there yet. The coronavirus pandemic has a severe impact on a small and open economy like Sweden's with a business sector that is heavily reliant on exports.

Business Sweden has followed up on its previous survey carried out in March where Swedish export companies were asked to share their experiences of the pandemic's effects on business and trade. The results from this new survey – which are outlined below – indicate that companies take a significantly more negative view today compared to the previous survey. However, fewer respondents are expecting a severely worsened situation in the next four weeks. This is particularly notable in Asia, although the share has also decreased substantially in both Europe and North America as well.

THE CURRENT IMPACT

The updated survey results demonstrate that the share of companies reporting a severe negative impact from the coronavirus pandemic both in terms of sales and production increased in the month of May, compared to the previous survey in March. The share of companies currently reporting a moderate negative impact on sales increased to 40 per cent, from 33 per cent in March. Meanwhile, the share of companies experiencing a severe negative impact on sales increased to approximately one-fourth, compared to 12 per cent in the previous survey. The share of respondents reporting a moderate negative impact on production increased to one-third in May, compared to one-fourth in March. And the share of companies seeing a severe negative impact on production increased to one-fifth, from 8 per cent.

The number of companies reporting that sales and production are positively impacted continue to be a minority. The share of companies whose sales are not affected at all has decreased to 21 per cent, from 49 per cent. The share reporting that production is not affected at all has dropped to 40 per cent from 63 per cent.

Slightly less than half of all the companies have experienced a negative impact when it comes to training and skills development initiatives,

compared to just over half of respondents in the previous survey. More or less all of the companies continue to report a severe negative impact on staff travel and freedom of movement.

The share of respondents reporting a moderate to severe negative impact on business in Europe increased to 83 per cent in May, from 70 per cent in the March survey. In North America this share increased to 71 per cent from 62 per cent. By contrast, the share of companies noticing a severe negative effect in Asia decreased to 64 per cent, from 71 per cent. The shares have been adjusted to only reflect companies that are currently operational in the export regions.

EXPECTED IMPACT IN FOUR WEEKS' TIME

The share of companies expecting the situation to worsen severely in four weeks' time has dropped considerably since the March survey. Nonetheless, more than half of the companies confirm their expectations that sales will continue to be negatively affected. Around two-thirds of the companies are forecasting a negative impact on staff travel and freedom of movement, as well as postponed investments and negative impacts on operations in Europe and North America.

The share of companies forecasting a moderate to negative impact on sales in four weeks' time decreased to 55 per cent in May, from 81 per cent in March. In terms of impact on production this share dropped to 43 per cent from 65 per cent.

The share of companies expecting a negative impact on training and skills development initiatives in their four-week forecast was nearly halved and is currently 38 per cent. The expected negative impact on staff travel and freedom of movement fell to 69 per cent, from 93 per cent.

A considerably smaller number of companies expect exports from Sweden, intermediate goods from sub-suppliers and customer deliveries to suffer a moderate to severe negative impact. This share has fallen from approximately two-thirds in the previous survey to roughly one-third of all surveyed companies. Only a small percentage of companies are expecting a severe negative impact in this context.

As for the companies expecting a moderate to severe negative impact on their operations in Europe, this share also decreased to 62 per cent, from 87 per cent at the time of the previous survey. The reason for this drop is that fewer companies are now expecting a severe negative impact on business. The same pattern is revealed in North America and Asia. The share for North America decreased to 64 per cent, from 82 per cent, and fell in Asia to just under half of respondents compared to two-thirds in the previous survey. More than 90 per cent of the companies confirm that they have an action plan in place for the coronavirus pandemic compared to 70 per cent in March.

MEASURES THAT COMPANIES HAVE TAKEN OR MAY IMPLEMENT IN THE NEXT FOUR WEEKS

The surveyed companies have implemented a series of measures in response to the pandemic including scaling back production (47 per cent), staff redundancies (12 per cent), support for sub-suppliers (35 per cent) and postponed investments (61 per cent). Compared to the previous survey, the share of companies that may introduce new measures over the next four-week period has decreased, with the exception of postponement of investments where the number of companies reporting this action is unchanged. The new survey also includes lay-offs among measures already taken (48 per cent) and planned measures (38 per cent over the next four weeks). Apart from these steps companies are introducing work from home policies, flexible working hours, health and safety measures, travel bans, contingency plans and overall cost reduction measures.

ABOUT THE SURVEY

Following the Covid-19 outbreak, Business Sweden conducted a company survey on 11-20 March with the support of market research firm Origo Group. The objective of the survey was to gain insight into the effects of the outbreak today and what their forward-looking expectations are regarding business impacts over a four-week period. The assessments took into account different regions and areas of business.

As a next step, Business Sweden gave Origo Group the assignment to conduct a follow-up survey with results presented in this current publication. The objective is to monitor the business impacts compared to the data collected in March and to gain a renewed four-week outlook regarding the future effects of Covid-19. The survey also aims to identify the mitigation steps that have been taken over the past weeks and measures that may be taken in the near future due to the coronavirus. The target group consists of Swedish companies with a goods export value larger than SEK 150 million (2018). The list was commissioned from Statistics Sweden and, after review, consisted of a net selection of 771 companies.

The follow-up survey was carried out through phone interviews with CEOs, Sales Managers or Marketing Managers between 27 April and 14 May 2020. The respondents answered a list of nine multiple-choice questions. A total of 285 companies had taken part in the survey by 14 May resulting in a response rate of 37 per cent. The survey results have been presented to Business Sweden in aggregate form – summarising the findings from all companies – as well as a detailed breakdown of the data according to company size (based on number of employees in Sweden) and business sector (following the Swedish Standard Industrial Classification, SNI). The results at the company size and sector levels are statistically uncertain and have therefore only been presented with an overview.

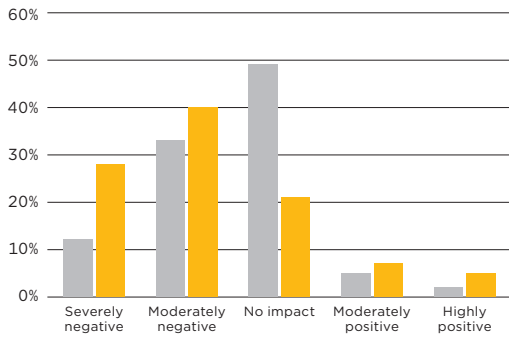


**HOW ARE
SWEDISH
EXPORT
COMPANIES
IMPACTED BY
THE COVID-19
CRISIS?**

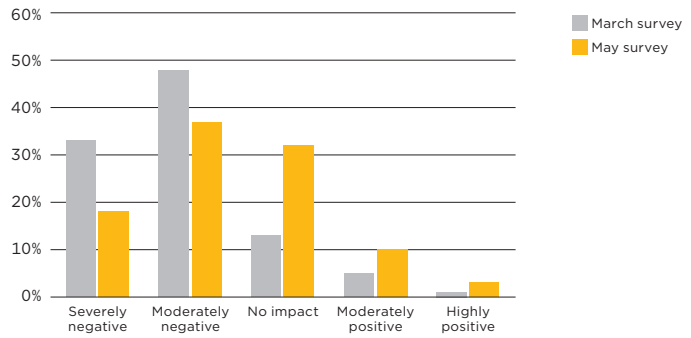
HOW COMPANIES ASSESS THE BUSINESS IMPACT OF THE CORONAVIRUS PANDEMIC IN RELATION TO:

Sales

Current situation

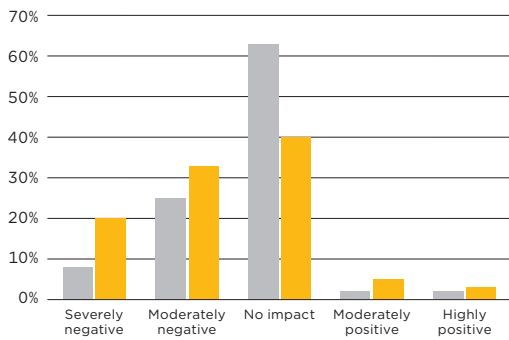


In four weeks' time

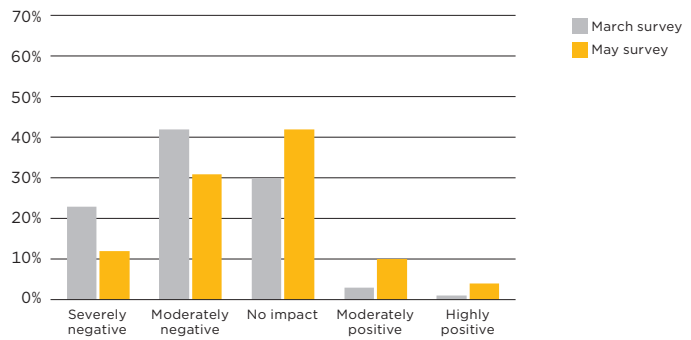


Production

Current situation

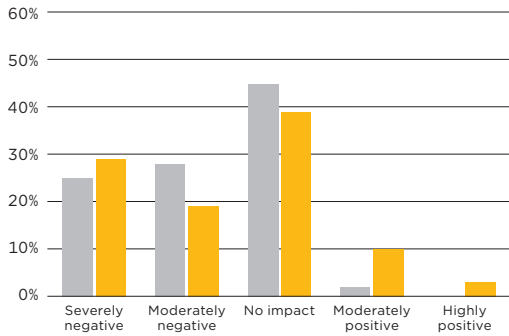


In four weeks' time

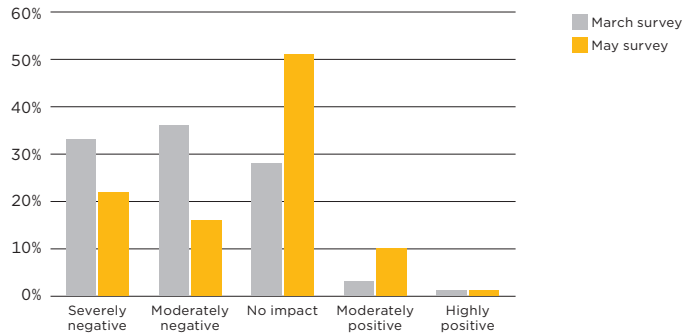


Training and skills development

Current situation

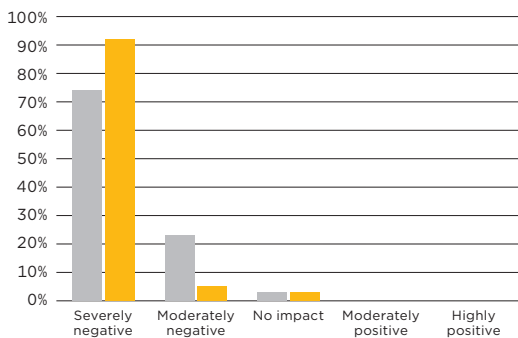


In four weeks' time

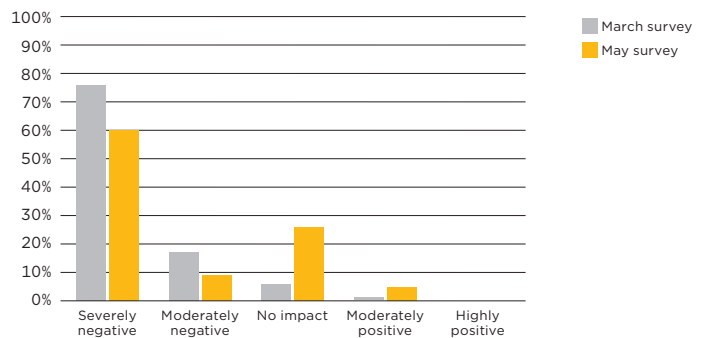


Staff travel and freedom of movement

Current situation



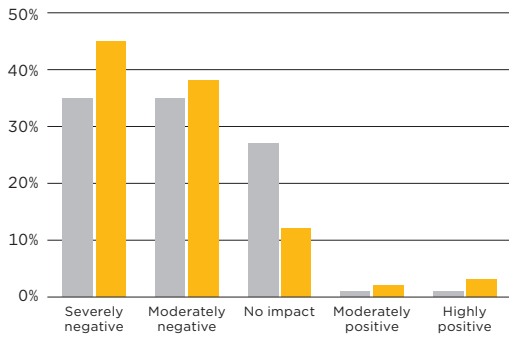
In four weeks' time



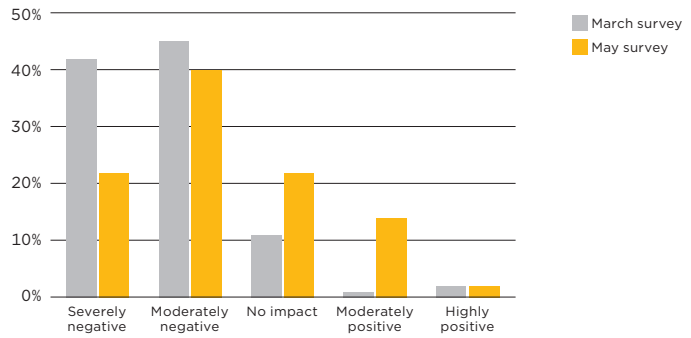
HOW CORONAVIRUS IS AFFECTING BUSINESS OPERATIONS IN THE FOLLOWING REGIONS:

Europe

Current situation

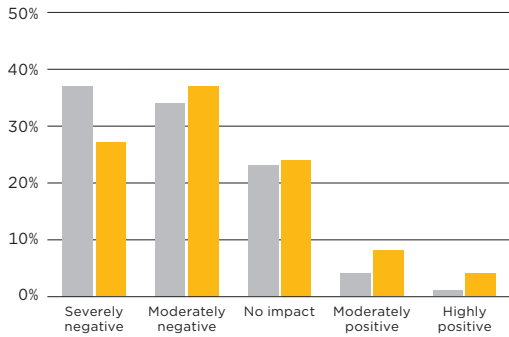


In four weeks' time

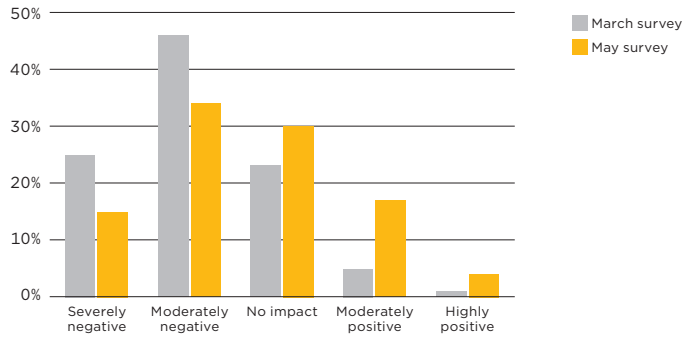


Asia

Current situation

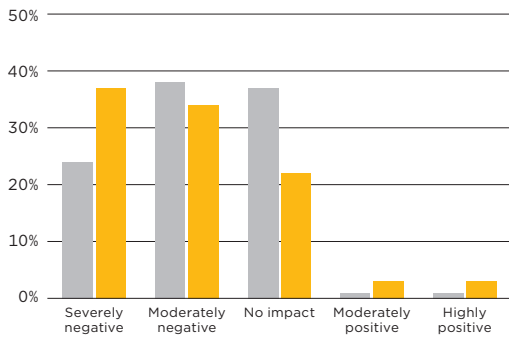


In four weeks' time

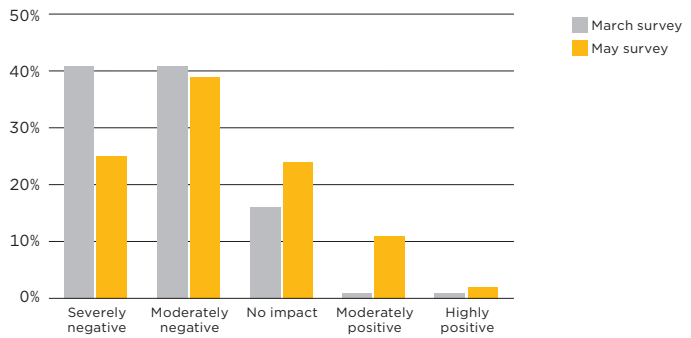


North America

Current situation



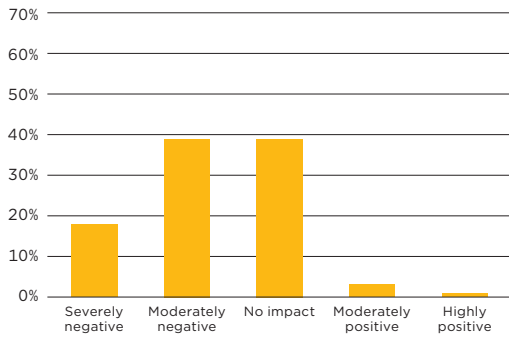
In four weeks' time



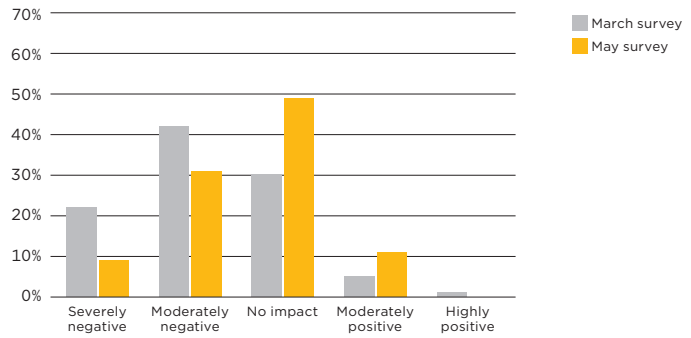
HOW COMPANIES ASSESS THE BUSINESS IMPACT OF THE CORONAVIRUS PANDEMIC IN RELATION TO:

Exports from Sweden

Current situation

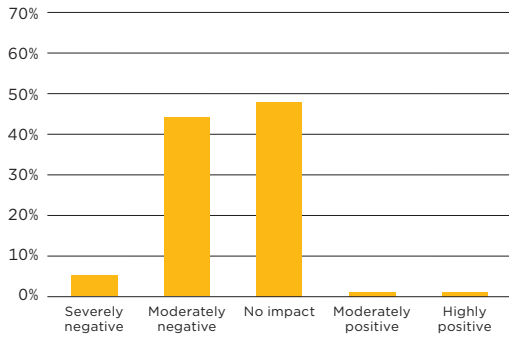


In four weeks' time

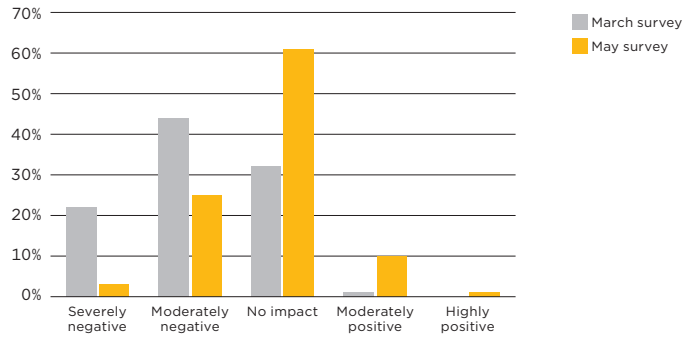


Intermediate goods from sub-suppliers

Current situation

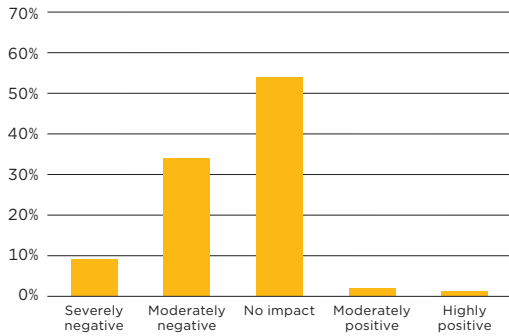


In four weeks' time

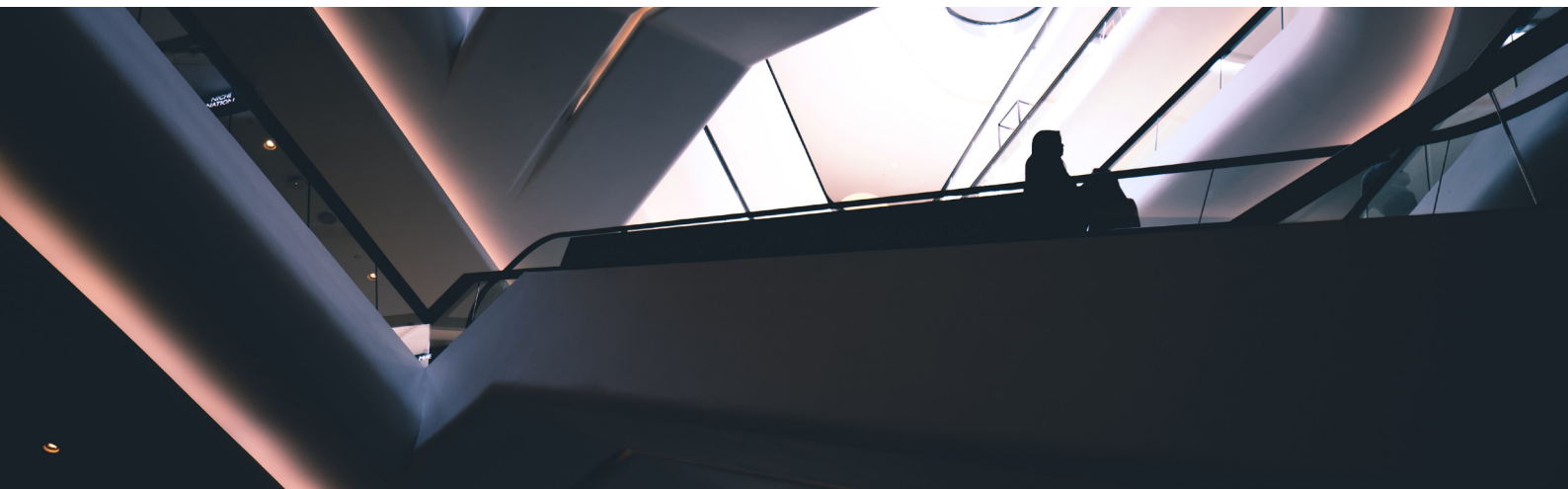
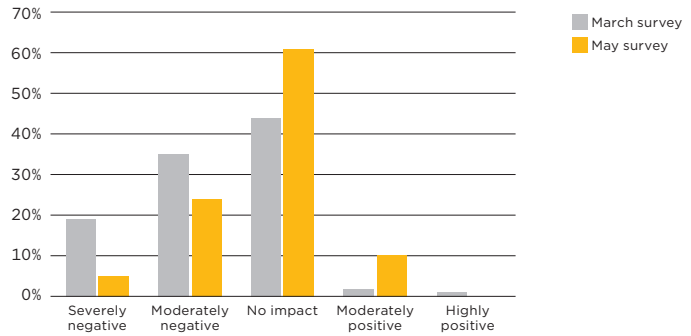


Customer deliveries

Current situation



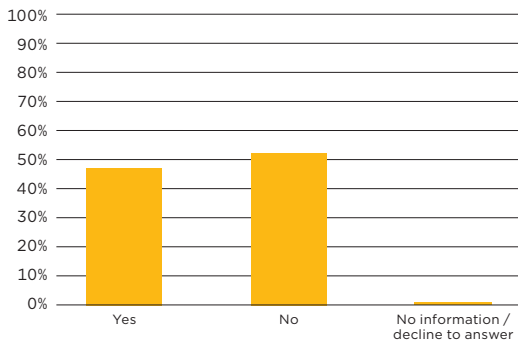
In four weeks' time



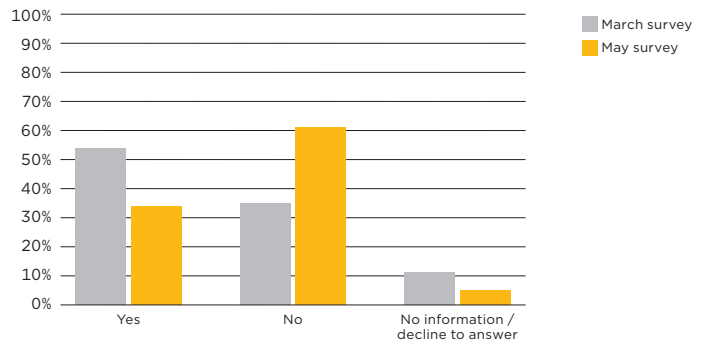
MEASURES THAT COMPANIES HAVE TAKEN OR MAY IMPLEMENT IN THE NEXT FOUR WEEKS IN RESPONSE TO THE CORONAVIRUS PANDEMIC:

Scaling back production

Current situation

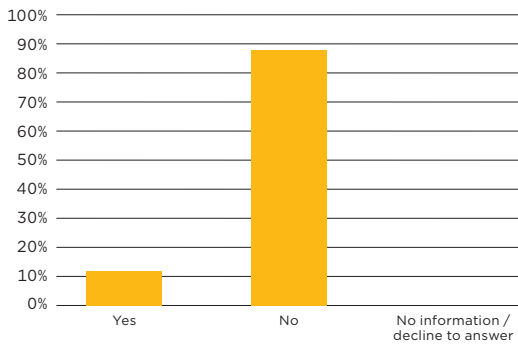


In four weeks' time

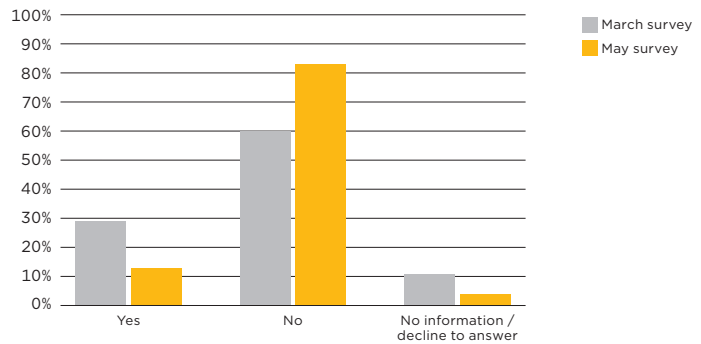


Staff redundancies

Current situation

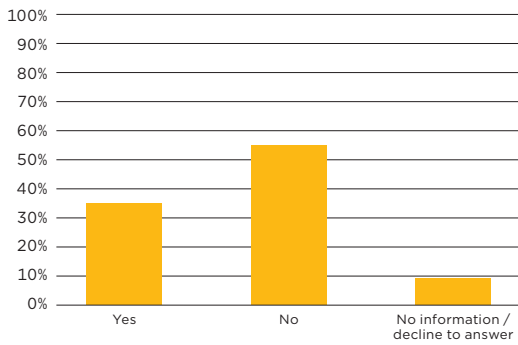


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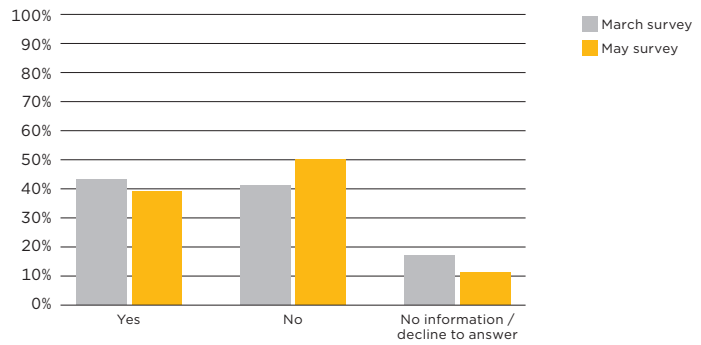


Support for sub-suppliers

Current situation

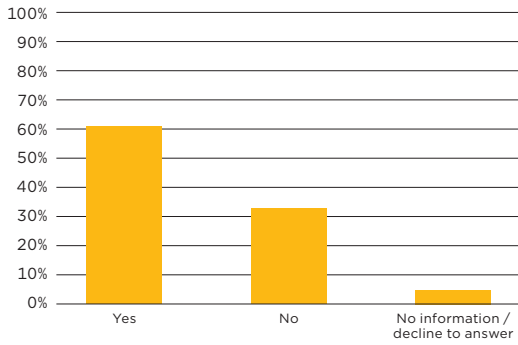


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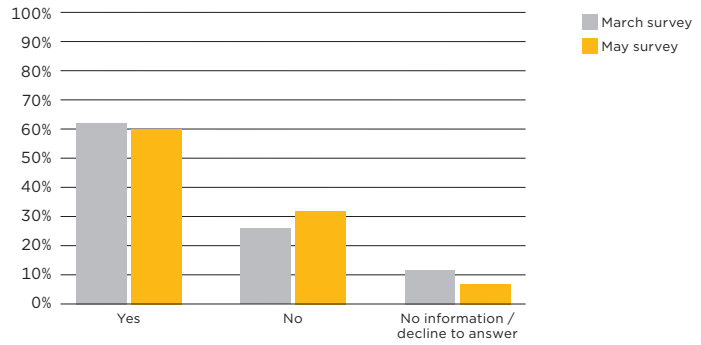


Postponement of investments

Current situation

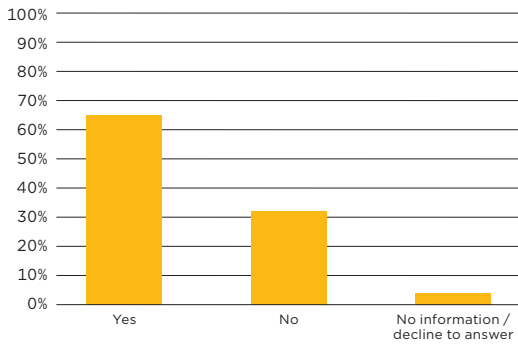


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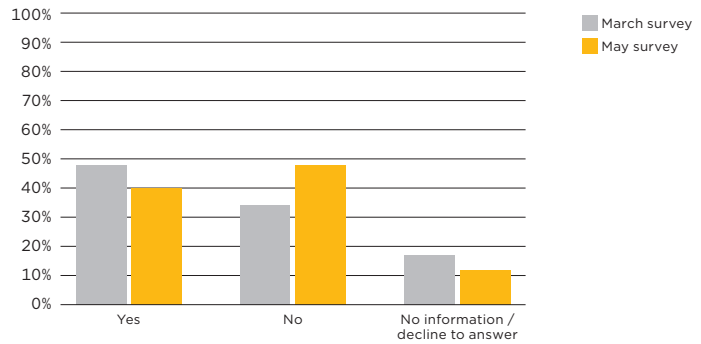


Other measures

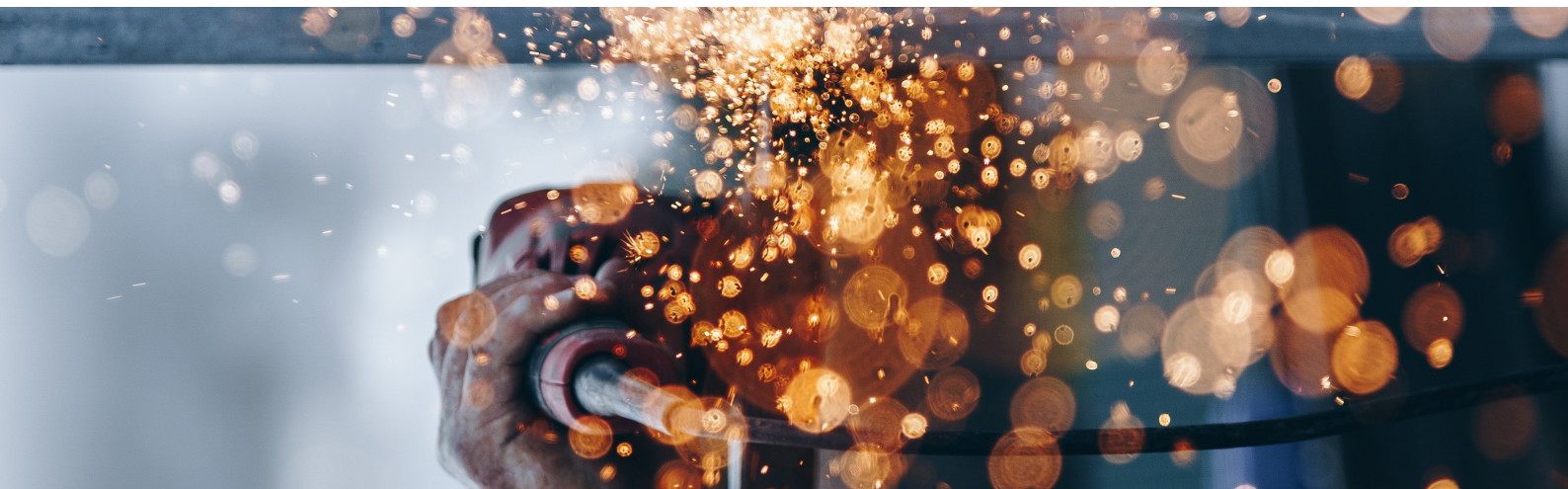
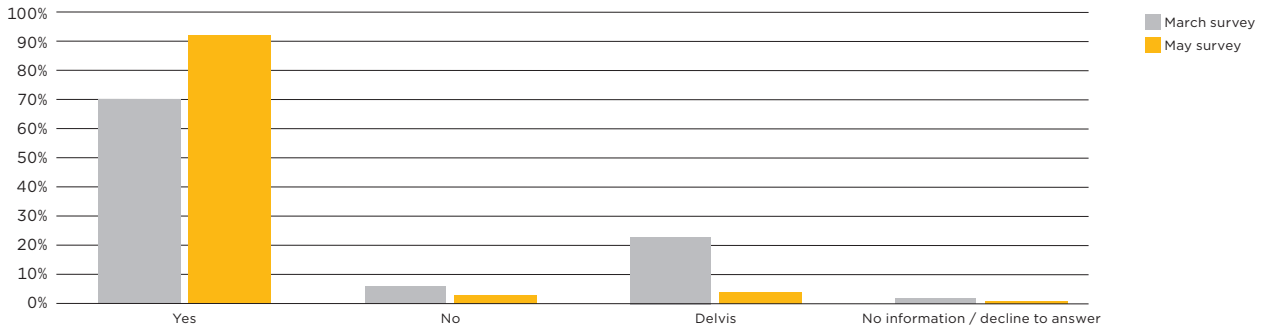
Current situation



In four weeks' time



COMPANIES WITH AN ESTABLISHED CORONAVIRUS ACTION PLAN:





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

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