

SLOWDOWN FOR SWEDISH EXPORTS

*EXPORT MANAGERS' INDEX
THIRD QUARTER 2022*

EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index (EMI) continued to drop in the third quarter as expected, but the decline was moderate compared to the tumbling result seen in the second quarter survey. EMI fell by 2.8 points to 57.8 in the third quarter, from 60.6 the second quarter. The fact that the index remains above the 50-mark – the dividing line between optimism and pessimism – indicates that export companies continue to be optimistic.

The decline in EMI was predominantly driven by dampened views of export development in the next three months. EMI forecast, the subindex for the forward-looking issues, fell by 4.1 points to 52.5 in the third quarter, from 56.6 the previous quarter. However, EMI current declined by just 1.6 points to 63 in the third quarter, from 64.6 the second quarter.

Echoing the results of the previous survey, most subindices continued to fall albeit more moderately. Several subindices still remain at high levels while some forward-looking subindices dropped below the 50-mark. The current sentiment regarding export sales, export order stocks and profitability of export sales remains strongly optimistic. But overall, export companies have a gloomier view of the future with the exception of assessments of export sales in the next three months, for which the index increased by 3.9 points to 60.9 in the third quarter compared to the previous quarter.

The dampened forecast among export companies is reflected, for example, in the index for profitability of export sales in the next three months which touched the 50-mark already last quarter. The index dropped well below 50 in the current survey, which signals that companies have a pessimistic view of the profitability of export sales in the future. Soaring inflation, rising interest rates and weakening global demand are all contributing factors.

The fact that the share of companies expecting longer delivery times in the next three months continued to fall to 18.5 per cent in the third quarter, from 34 per cent in the second quarter, is most likely an indication of reduced activity in the global economy, but also that disruption levels in supply chains are abating.

The respondents' assessments of expected export demand vary between the regions. The index for expected export demand from both Asia and Central and Eastern Europe made a substantial recovery in the third quarter following the sharp drop in the second quarter, triggered by China's zero-tolerance policy response to Covid-19 with widespread lockdowns as well as the war in Ukraine. The index for Asia jumped by 8.2 points to 58.7 in the third quarter, from 50.5 in the previous quarter. An upturn was also seen in the index for expected export demand from Central and Eastern Europe which rose by 7.7 points and reached 38.9 in the third quarter, compared to 31.2 in the second quarter. While the index made a considerable recovery, export companies continue to have a gloomy view of demand from this region. The index for expected export demand from Western Europe dropped by as much as 10.2 points to 51.2 in the third quarter, from 61.4 the second quarter. This is largely due to Europe's dependence on imports of gas and oil from Russia, which has sparked an energy crisis in Europe and prompted a considerable downward revision in forecasts of economic growth.

In all, we can observe that export companies are satisfied with the current situation while somewhat darker prospects lie ahead.

The next Export Managers' Index will be published on 10 November 2022.

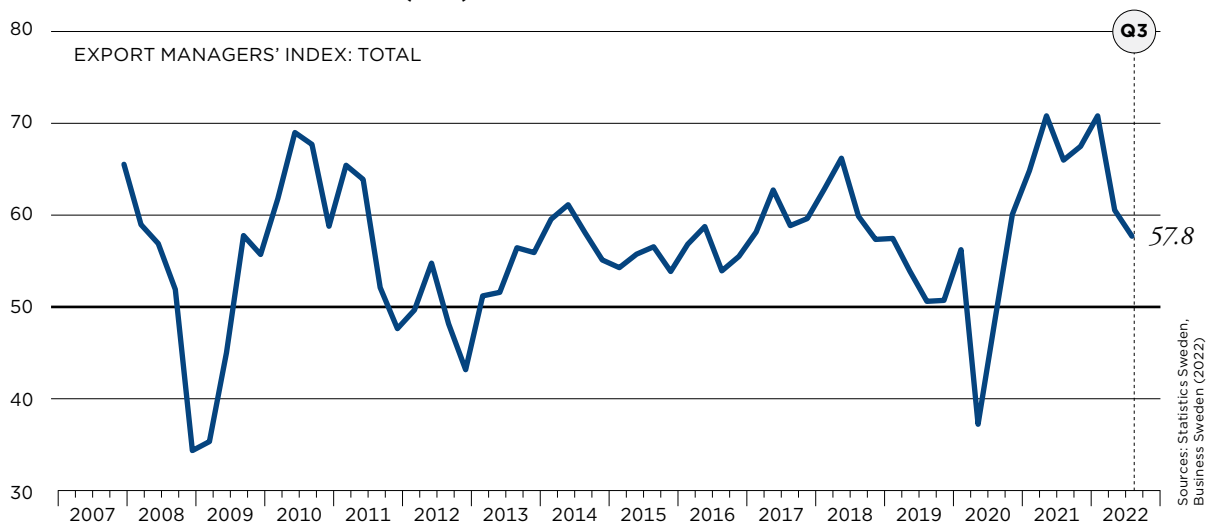
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LENA SELLGREN
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CONTINUED DECLINE IN EXPORT MANAGERS' INDEX THIRD QUARTER

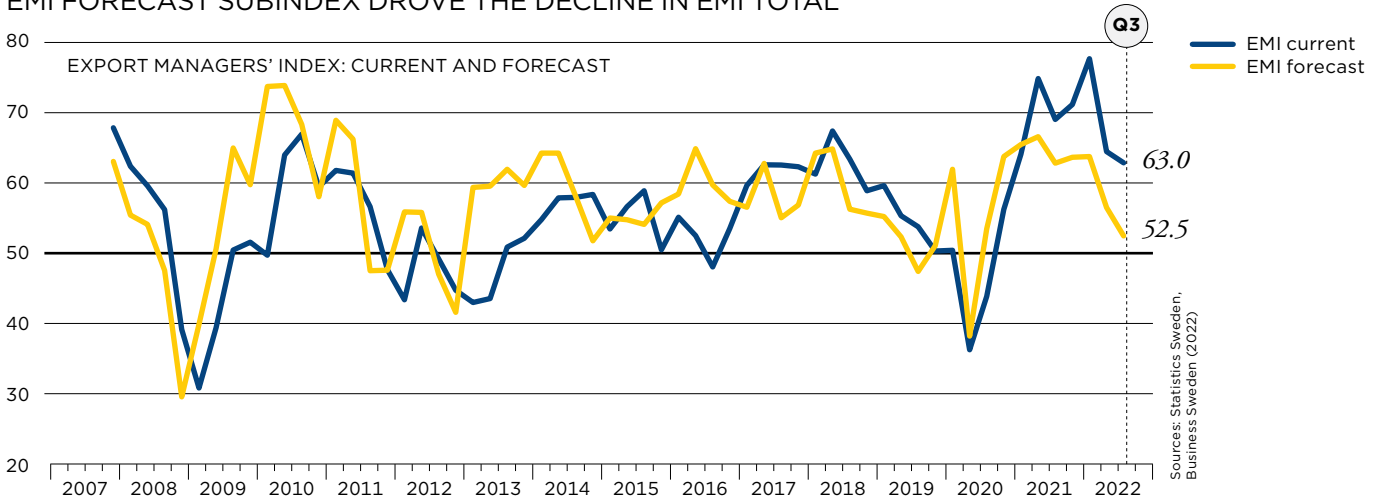
EXPORT MANAGERS' INDEX (EMI) DROPPED FURTHER IN THE THIRD QUARTER



Business Sweden's Export Managers' Index, which monitors views and reflects sentiment among Swedish exporters of goods and services, continued to fall in the third quarter. EMI declined moderately by 2.8 points to 57.8 in the third quarter, from 60.6 in the second quarter. The index remains high and slightly above its historical average level 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. This indicates that export companies continue to be optimistic.

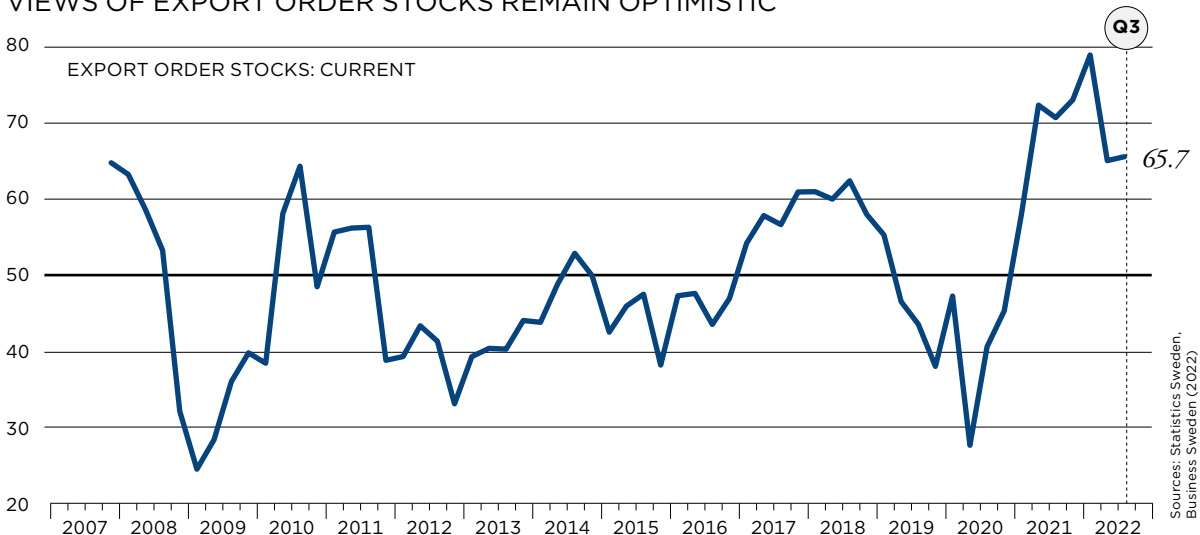
EMI FORECAST SUBINDEX DROVE THE DECLINE IN EMI TOTAL



The indices reflecting companies' assessments of both current export development and prospects in the next three months continued to fall in the third quarter. However, the decline in EMI was primarily driven by a drop in EMI forecast – which is the subindex for the forward-looking issues. EMI forecast fell by 4.1 points to 52.5 in the third quarter, from 56.6 in the second quarter. At the same time, EMI current fell by just 1.6 points to 63 in the third quarter, from 64.6 in the previous quarter.

The index remains high and is slightly above its historical average level of 56.6 for the period 2007–2022. But the index reflecting views of future prospects is approaching the 50-mark. This indicates a continuation of the strongly optimistic views of the current situation and a more dampened optimism regarding export development in the next three months.

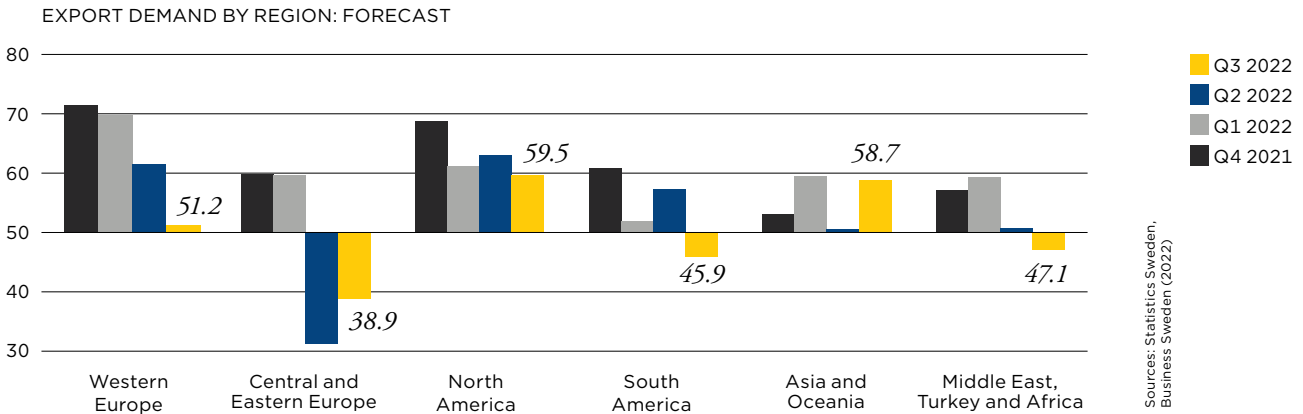
VIEWS OF EXPORT ORDER STOCKS REMAIN OPTIMISTIC



The index reflecting views of export order stocks increased slightly in the third quarter, following a sharp drop in the previous quarter. The index rose by 0.5 points to 65.7 in the third quarter,

from 65.2 in the second quarter – a high level from the historical perspective. An index above 50 indicates that more export companies are satisfied with their export order stocks than vice versa.

SUBSTANTIAL RECOVERY IN VIEWS OF EXPECTED EXPORT DEMAND FROM ASIA



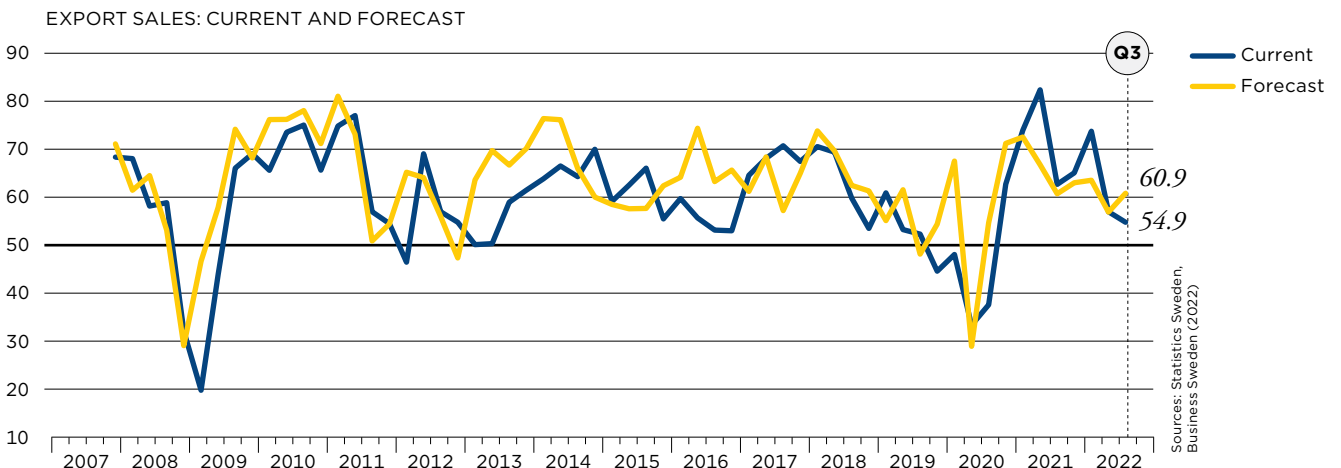
The index for expected export demand reflected divided views across the various regions in the third quarter. The index for expected export demand from both Asia and Central and Eastern Europe made a substantial recovery in the third quarter, following tumbling results in the second quarter. The index for Asia jumped by 8.2 points to 58.7 in the third quarter, from 50.5 in the previous quarter. In addition, the index for expected export demand from Central and Eastern Europe rose by 7.7 points reaching 38.9 in the third quarter, compared to 31.2 in the second quarter. This still indicates that despite making an important recovery, a gloomy view of demand from this region prevails among Swedish export companies. Meanwhile, the index for expected export demand from all other regions fell by 3-11 points across the board. The sharpest drop – no less than 11.4 points – was seen in the index for expected export demand from South

America which came in at 45.9 in the third quarter, down from 57.3 in the second quarter.

The index for Western Europe fell by 10.2 points to 51.2 in the third quarter, from 61.4 in the previous quarter. The index for expected export demand from the Middle East, Turkey and Africa fell more moderately by 3.7 points to 47.1 in the third quarter, from 50.8 the second quarter. The index for North America dropped by 3.5 points to 59.5, from 63.

In all, we can conclude that views of expected export demand are divided in the regions. The index is above 50 for expected export demand from Western Europe, North America and Asia, which signals optimism. For Central and Eastern Europe, South America, the Middle East, Turkey and Africa, the index is below 50 which indicates that companies have a pessimistic view of demand from these regions.

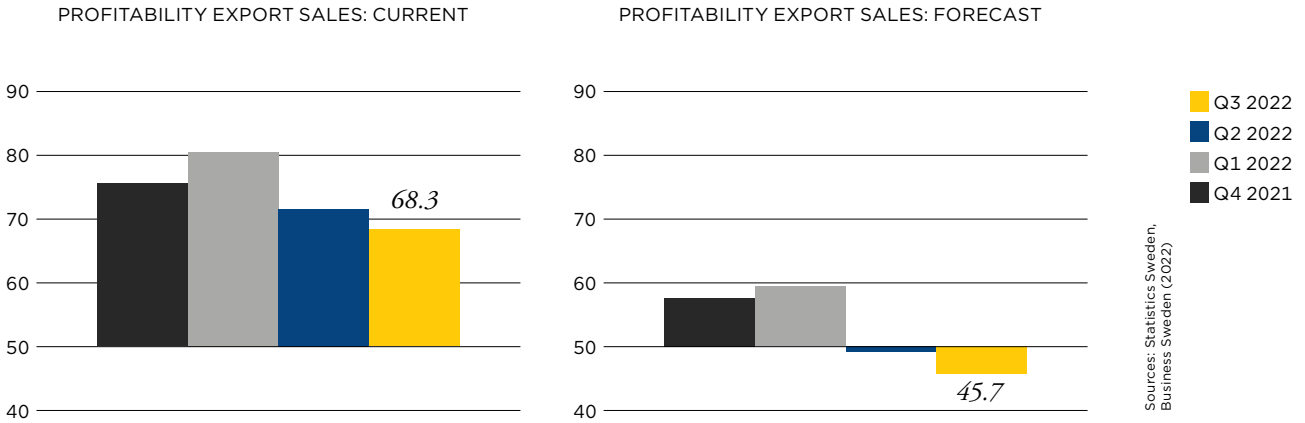
RIISING OPTIMISM FOR EXPORT SALES AS COMPANIES LOOK AHEAD



The index for current export sales continued to fall, albeit moderately by 2.2 points to 54.9 in the third quarter, from 57.1 in the second quarter. In contrast, the index for expected export sales in the next three months rose by 3.9 points to 60.9 in the third quarter, from 57 the previous quarter.

The fact that the index for export sales is above the 50-mark indicates that companies have an optimistic view. And the fact that the subindex for export sales in the next three months rose indicates that more companies are optimistic in their forecast.

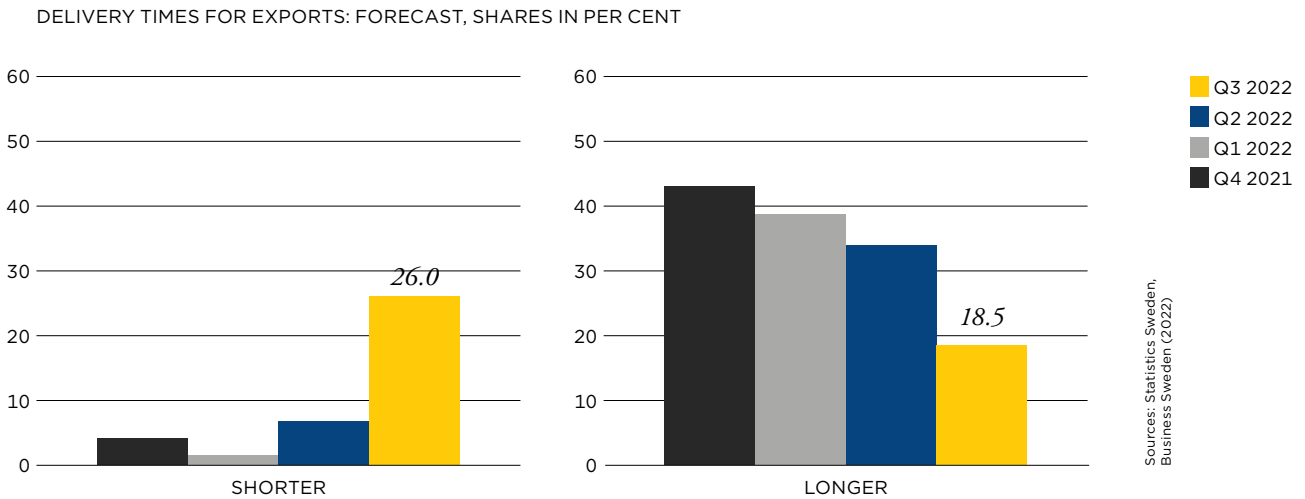
PESSIMISTIC OUTLOOK FOR PROFITABILITY OF EXPORT SALES



The companies' assessment of the profitability of export sales fell for the second consecutive quarter. The index for profitability of current export sales dropped by 3.2 points to 68.3 in the third quarter, from 71.5 in the second quarter. The index reflecting the three-month forecast for the profitability of export sales fell back as well by 3.4 points to 45.7 in the third quarter, from 49.1 in the previous quarter.

Despite a continued decline, the index reflecting views of the profitability of current export sales remains well above 50 and above its historical average level. This indicates that companies are currently strongly optimistic. The fact that the forecast index has dropped considerably below 50 indicates that more companies have a pessimistic view of the profitability of export sales in the next three months.

FEWER EXPORT COMPANIES EXPECT LONGER DELIVERY TIMES



The share of export companies expecting longer delivery times for exports over the next three months continued to drop in the third quarter, falling markedly by 15.5 percentage points to 18.5 per cent in the third quarter, from 34 per cent in the second quarter. At the same time, the share of companies expecting shorter delivery times for exports increased considerably – by 19.3 percentage points to 26 per cent in the third quarter, from 6.7 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 disruption in supply chains continues to abate. But it could also be due to the fact that activity is slowing down in the economy (reduced resource utilisation).

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 third quarter 2022 was conducted during the period 1–19 August. 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 80 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	Q2 2022	Q3 2022	DIFF Q3 22 - Q2 22	
1. EMI total	Total	60.6	57.8	-2.8	↘
1. EMI total	MSEK 25-250	59.8	56.8	-3.0	↘
1. EMI total	>MSEK 250	60.7	57.8	-2.9	↘
2. EMI current	Total	64.6	63.0	-1.6	↘
2. EMI current	MSEK 25-250	57.1	56.3	-0.8	→
2. EMI current	>MSEK 250	65.3	63.5	-1.8	↘
3. EMI forecast	Total	56.6	52.5	-4.1	↘
3. EMI forecast	MSEK 25-250	62.5	57.3	-5.2	↘
3. EMI forecast	>MSEK 250	56.1	52.2	-3.9	↘

INDICATOR CURRENT	SELECTION	Q2 2022	Q3 2022	DIFF Q3 22 - Q2 22	
Question 1 - Export sales	Total	57.1	54.9	-2.2	↘
Question 1 - Export sales	MSEK 25-250	55.5	54.8	-0.7	→
Question 1 - Export sales	>MSEK 250	57.2	54.9	-2.3	↘
Question 2 - Export order stock	Total	65.2	65.7	0.5	→
Question 2 - Export order stock	MSEK 25-250	55.5	54.8	-0.7	→
Question 2 - Export order stock	>MSEK 250	66.0	66.5	0.5	→
Question 3 - Export profitability	Total	71.5	68.3	-3.2	↘
Question 3 - Export profitability	MSEK 25-250	60.3	59.5	-0.8	→
Question 3 - Export profitability	>MSEK 250	72.5	69.0	-3.5	↘

INDICATOR FORECAST	SELECTION	Q2 2022	Q3 2022	DIFF Q3 22 - Q2 22	
Question 4 - Export market demand	Total	56.7	57.2	0.5	→
Question 4 - Export market demand	MSEK 25-250	59.6	57.1	-2.5	↘
Question 4 - Export market demand	>MSEK 250	56.4	57.2	0.8	→
Question 4a - Western Europe	Total	61.4	51.2	-10.2	↘
Question 4a - Western Europe	MSEK 25-250	60.9	58.6	-2.3	↘
Question 4a - Western Europe	>MSEK 250	61.5	50.7	-10.8	↘
Question 4b - Central & Eastern Europe	Total	31.2	38.9	7.7	↗
Question 4b - Central & Eastern Europe	MSEK 25-250	39.3	44.1	4.8	↗
Question 4b - Central & Eastern Europe	>MSEK 250	30.5	38.5	8.0	↗
Question 4c1 - North America	Total	63.0	59.5	-3.5	↘
Question 4c1 - North America	MSEK 25-250	69.8	65.4	-4.4	↘
Question 4c1 - North America	>MSEK 250	62.6	59.2	-3.4	↘
Question 4c2 - South America	Total	57.3	45.9	-11.4	↘
Question 4c2 - South America	MSEK 25-250	48.5	51.9	3.4	↗
Question 4c2 - South America	>MSEK 250	57.7	45.7	-12.0	↘
Question 4d - Asia & Oceania	Total	50.5	58.7	8.2	↗
Question 4d - Asia & Oceania	MSEK 25-250	51.0	60.0	9.0	↗
Question 4d - Asia & Oceania	>MSEK 250	50.4	58.6	8.2	↗
Question 4e - Middle East, Turkey & Africa	Total	50.8	47.1	-3.7	↘
Question 4e - Middle East, Turkey & Africa	MSEK 25-250	51.2	54.3	3.1	↗
Question 4e - Middle East, Turkey & Africa	>MSEK 250	50.7	46.8	-3.9	↘
Question 5 - Export sales	Total	57.0	60.9	3.9	↗
Question 5 - Export sales	MSEK 25-250	61.6	56.3	-5.3	↘
Question 5 - Export sales	>MSEK 250	56.6	61.3	4.7	↗
Question 6 - Export profitability	Total	49.1	45.7	-3.4	↘
Question 6 - Export profitability	MSEK 25-250	59.6	52.4	-7.2	↘
Question 6 - Export profitability	>MSEK 250	48.2	45.2	-3.0	↘
Question 7 - Export profitability	Total	63.6	46.2	-17.4	↘
Question 7 - Export profitability	MSEK 25-250	69.2	63.5	-5.7	↘
Question 7 - Export profitability	>MSEK 250	63.1	45.0	-18.1	↘

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



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