



RISING OPTIMISM OVER SWEDISH EXPORTS

EXPORT MANAGERS' INDEX
Fourth Quarter 2020

EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index (EMI) indicated clear signs of recovery already during the third quarter. Our survey for the fourth quarter of this year shows a continuation of the positive trend, as all subindices of the EMI jumped markedly. During the fourth quarter, EMI increased by 11.4 points to 60.1, from 48.7 points in the third quarter. This is the highest recorded level since the second quarter of 2018. The fact that the index is now well above the 50-mark – which is the dividing line between optimism and pessimism – indicates that export companies collectively have a positive view of export development.

Both current EMI and EMI forecast, which is the sub-index for the forward-looking issues, rose significantly during the fourth quarter. The current EMI index increased by 12.4 points to 56.3 in the fourth quarter, from 43.9 in the third quarter. EMI forecast increased by 10.3 points to 63.9 in the fourth quarter, from 53.6 in the third quarter. This indicates that export companies are optimistic in their assessment of both current exports and prospects over the next three months.

As recorded in the previous survey, all subindices jumped once again and have now, with the exception of export order stocks, reached levels well above the 50-mark. Although the index for export order stocks did increase, it rose moderately by 4.7 points to 45.3 in the fourth quarter, compared to the previous quarter. This indicates that more export companies continue to have a pessimistic view of export order stocks than vice versa. The index for current export sales was among the subindices that surged ahead by the greatest margin, increasing by 25.3 points to 62.9 in the fourth quarter, compared to the third quarter. The index for expected export sales over the next three months also increased significantly by 16.6 points to 71.4 in the fourth quarter.

While export companies have been hit hard by the coronavirus pandemic, the global economic recovery appears to be on track despite high levels of uncertainty. This, for instance, is demonstrated by the optimistic view that companies have of expected export demand across all regions, even though infection rates are again increasing rapidly particularly in Europe and the US.

The index for expected export demand climbed markedly in all regions and the rise was particularly sharp in North and South America. The index for expected export demand from North America rose by 19.9 points to 68.7 in the fourth quarter, from 48.8 in the third quarter. The index for South America increased even more, rising by no less than 29.7 points to 62.3 points in the fourth quarter, from 32.6 in the previous quarter. The indices for all other regions increased by 7 to 13 points. All indices for expected export demand have surpassed 60 and are above their historical average levels. This indicates that companies have an optimistic view of expected export demand in all regions.

In all, based on the fourth quarter survey, we can observe a strong recovery for the EMI. The fact that almost all subindices are well above the 50-mark clearly indicates that views of both current exports and the three-month forecast have improved among export companies. If the global economic recovery continues – without further large-scale prolonged restrictions and lockdowns in response to increased infection rates – this sense of optimism is likely to remain.

The next Export Managers' Index will be published on 11 February 2021.

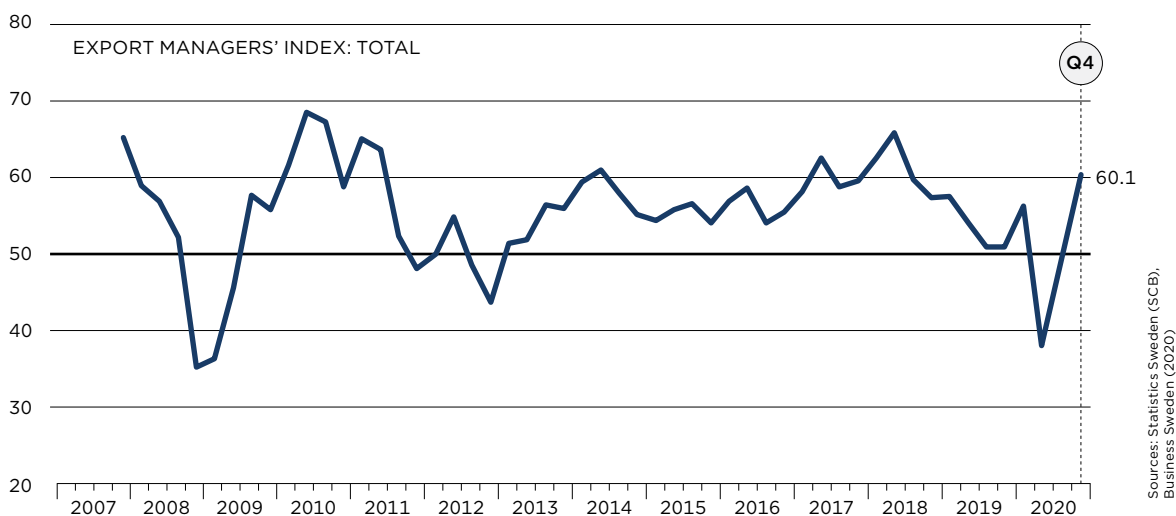


LENA SELLGREN

Chief Economist
Business Sweden

SURGE OF OPTIMISM OVER EXPORTS IN THE FOURTH QUARTER

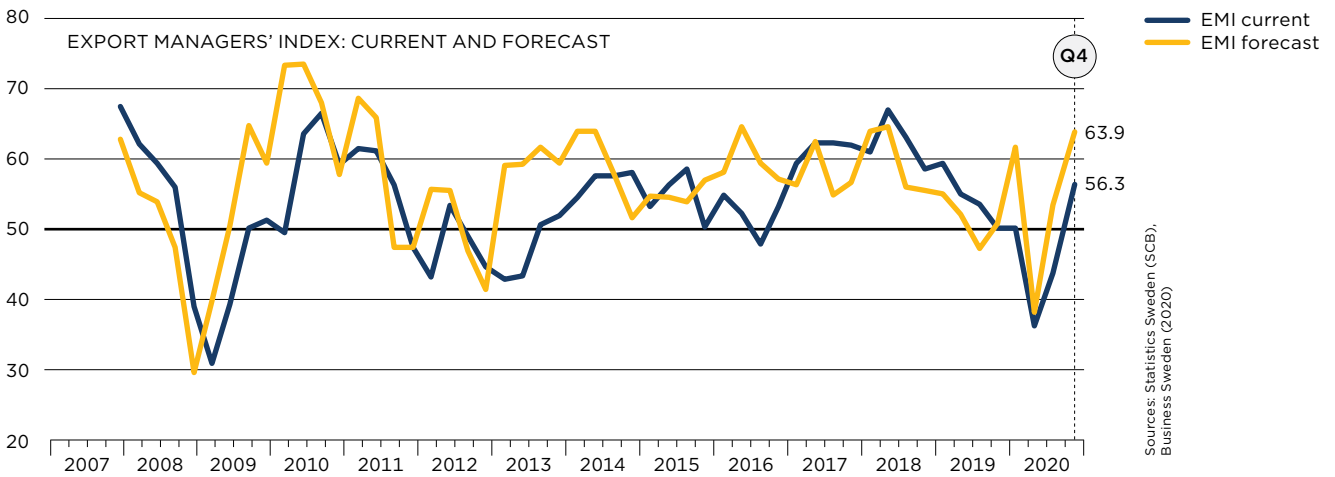
CONTINUED RISE IN EXPORT MANAGERS' INDEX (EMI) FOR THE FOURTH QUARTER



Business Sweden's Export Managers' Index (EMI), which monitors views and reflects sentiment among Swedish exporters of goods and services, continued to recover in the fourth quarter. The EMI increased by as much as 11.4 points to 60.1 in the fourth quarter, from 48.7 in the third quarter. This is the highest recorded level since the second quarter of 2018 and is well above

the historical average of 55.5. The fact that EMI is above the 50-mark – 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 sentiment among export companies is more optimistic than usual.

BOTH CURRENT EMI AND EMI FORECAST INCREASED SIGNIFICANTLY

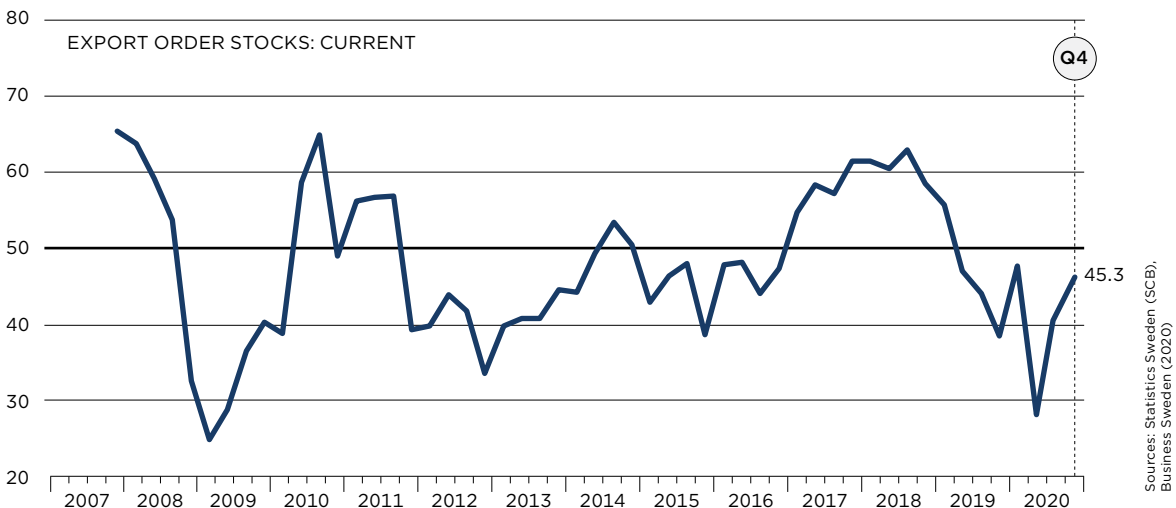


Both the current EMI and EMI forecast subindices increased significantly in the fourth quarter. Current EMI increased by 12.4 points to 56.3 in the fourth quarter, from 43.9 in the third quarter. EMI forecast – the subindex for the forward-looking issues – increased by 10.3 points to 63.9 in the fourth quarter, from 53.6 in the

previous quarter.

Both subindices are now well above the 50-mark and above their historical average levels. EMI forecast is almost 10 points above its historical average. This clearly indicates an optimistic view of both the current situation for exports and the outlook for the next three months.

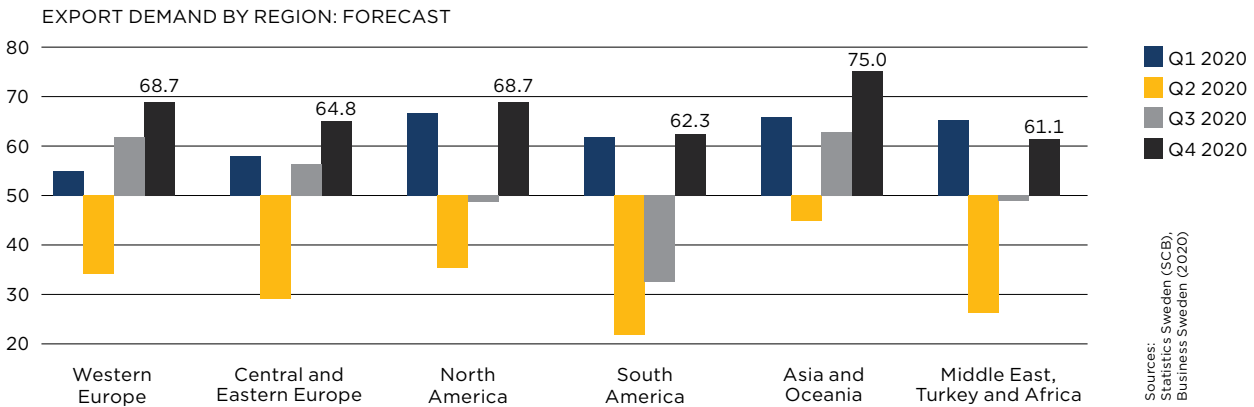
EXPORT MANAGERS STILL DISSATISFIED WITH EXPORT ORDER STOCKS



The index for export order stocks continued to rise by 4.7 points to 45.3 in the fourth quarter, from 40.6 in the third quarter. Despite the upward trend, the index did not reach the 50-mark. An

index under 50 indicates that more export companies are dissatisfied with export order stocks than vice versa. However, the index is approaching its historical average level of 47.4.

SHARP RISE IN EXPECTED EXPORT DEMAND FROM AMERICA



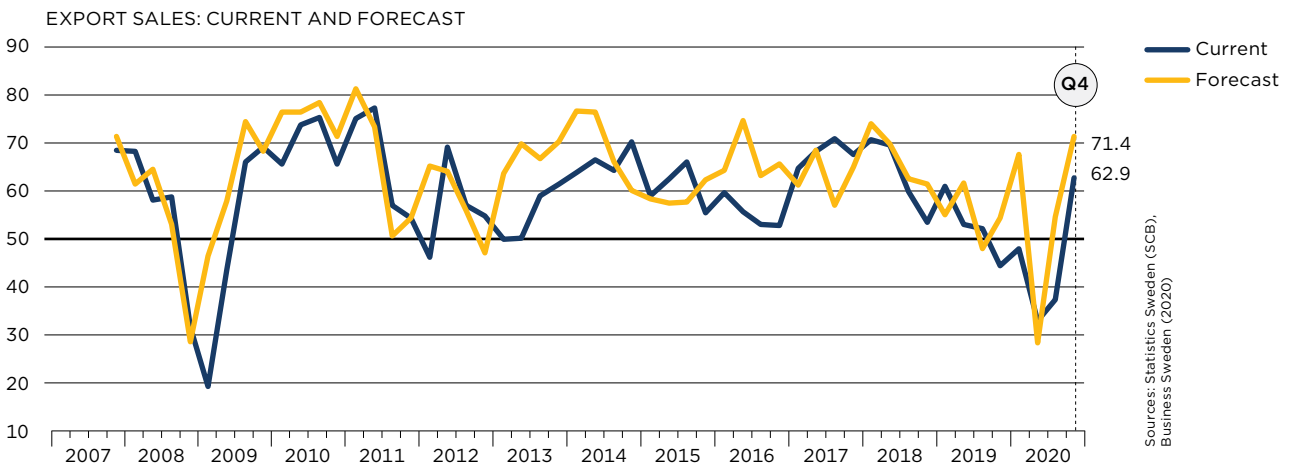
The index for expected export demand increased sharply in all regions in the fourth quarter, compared to the third quarter. The rise was particularly steep in North and South America. The index for expected export demand in North America increased by 19.9 points to 68.7 in the fourth quarter, from 48.8 in the third quarter. The index for South America increased even more, rising by as much as 29.7 points to 62.3 points in the fourth quarter, from 32.6 in the previous quarter. The index for expected export demand in Asia and Oceania and the Middle East, Turkey and Africa increased by more than 10 points in each region. The index for Asia and Oceania increased by 12.6 points to 75.0 in the fourth quarter, compared to the previous quarter.

The index for the Middle East, Turkey and Africa increased by 11.7 points to 61.1 in the fourth quarter, from 49.4 in the third quarter.

The index for Western Europe continued to rise by 7.1 points to 68.7 in the fourth quarter, compared to the previous quarter. The index for Central and Eastern Europe increased by 8.8 points to 64.8 in the fourth quarter, compared to the previous quarter.

In all, we can observe that the index for expected export demand is above 60 in all regions. In other words – well above the 50-mark and above the historical averages. This clearly indicates that companies have an optimistic view of expected export demand in all regions.

STEEP INCREASE IN THE INDEX FOR EXPORT SALES

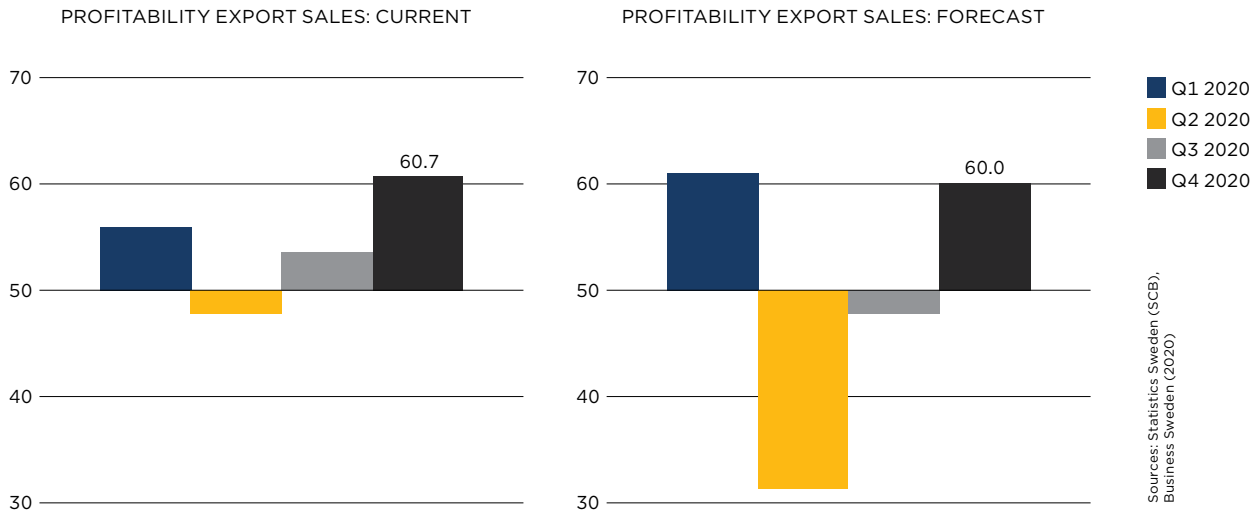


The index for current export sales jumped by 25.3 points to 62.9 in the fourth quarter, from 37.6 in the previous quarter. The index for expected export sales over the next three months rose sharply as well, increasing by 16.6 points to 71.4 in the fourth quarter, from 54.8 in the previous quarter. Both subindices are now at high levels

above their historical averages. Such high levels haven't been seen since the second quarter of 2018.

The fact that the index for expected export sales is above 50 for both subindices indicates that companies have an optimistic view of both current export development and the prospects for the next three months.

OPTIMISTIC VIEW OF PROFITABILITY IN EXPORT SALES



The index for how export companies assess profitability of export sales increased both for the current situation and the next three months. The increase was particularly sharp in the three-month forecast. The index increased markedly for the second quarter in a row by 12.2 points to 60.0 points in the fourth quarter, from 47.8 in the previous quarter. The index for the current

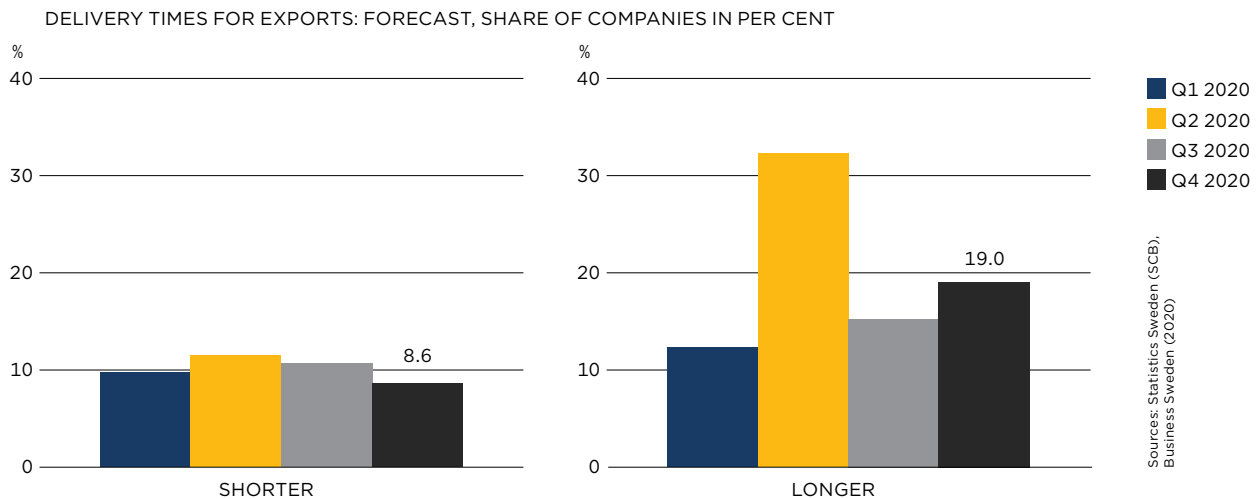
assessment climbed 7.3 points to 60.7 in the fourth quarter, from 53.4 in the third quarter.

Both subindices have made a substantial recovery and are now at around 60, which was the level recorded at the turn of the year 2019/2020.

The fact that the index is above 50 indicates that export companies have a positive view of profitability in export sales.

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

INCREASED SHARE OF EXPORT COMPANIES EXPECTING LONGER DELIVERY TIMES



The share of export companies expecting shorter delivery times for exports over the next three months dropped to 8.6 per cent in the fourth quarter, compared to 10.6 per cent in the third quarter. At the same time, the share of export companies expecting longer delivery times increased to 19.0 per cent in the fourth quarter, from 15.2 per cent in the previous quarter.

The increased share of companies expecting longer delivery times over the next three months probably reflects increased activity among companies. This is more likely to be the case than any problems in supply chains, which indeed did drive the increased share in the second quarter at the height of the coronavirus crisis.

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

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 209 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 Managers' 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 fourth quarter 2020 was conducted during the period 19 October – 6 November. 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 75 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 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	Q3 2020	Q4 2020	DIFF Q4 20 - Q3 20	
1. EMI total	Total	48.7	60.1	11.4	↗
1. EMI total	MSEK 25-250	49.5	54.7	5.2	↗
1. EMI total	>MSEK 250	48.6	60.8	12.2	↗
2. EMI current	Total	43.9	56.3	12.4	↗
2. EMI current	MSEK 25-250	44.1	50.9	6.8	↗
2. EMI current	>MSEK 250	43.8	57.0	13.2	↗
3. EMI forecast	Total	53.6	63.9	10.3	↗
3. EMI forecast	MSEK 25-250	54.9	58.6	3.7	↗
3. EMI forecast	>MSEK 250	53.4	64.6	11.2	↗

INDICATOR	SELECTION	Q3 2020	Q4 2020	DIFF Q4 20 - Q3 20	
Question 1 - Export sales	Total	37.6	62.9	25.3	↗
Question 1 - Export sales	MSEK 25-250	42.7	55.4	12.7	↗
Question 1 - Export sales	>MSEK 250	36.9	63.9	27.0	↗
Question 2 - Export order stock	Total	40.6	45.3	4.7	↗
Question 2 - Export order stock	MSEK 25-250	31.5	37.7	6.2	↗
Question 2 - Export order stock	>MSEK 250	41.7	46.3	4.6	↗
Question 3 - Export profitability	Total	53.4	60.7	7.3	↗
Question 3 - Export profitability	MSEK 25-250	58.1	59.6	1.5	↗
Question 3 - Export profitability	>MSEK 250	52.8	60.9	8.1	↗

INDICATOR	SELECTION	Q3 2020	Q4 2020	DIFF Q4 20 - Q3 20	
Question 4 - Export market demand	Total	59.4	68.9	9.5	↗
Question 4 - Export market demand	MSEK 25-250	60.0	61.0	1.0	→
Question 4 - Export market demand	>MSEK 250	59.3	69.9	10.6	↗
Question 4a - Western Europe	Total	61.6	68.7	7.1	↗
Question 4a - Western Europe	MSEK 25-250	59.4	57.2	-2.2	↘
Question 4a - Western Europe	>MSEK 250	61.8	70.1	8.3	↗
Question 4b - Central & Eastern Europe	Total	56.0	64.8	8.8	↗
Question 4b - Central & Eastern Europe	MSEK 25-250	50.0	56.7	6.7	↗
Question 4b - Central & Eastern Europe	>MSEK 250	56.6	65.7	9.1	↗
Question 4c1 - North America	Total	48.8	68.7	19.9	↗
Question 4c1 - North America	MSEK 25-250	47.6	62.3	14.7	↗
Question 4c1 - North America	>MSEK 250	48.9	69.4	20.5	↗
Question 4c2 - South America	Total	32.6	62.3	29.7	↗
Question 4c2 - South America	MSEK 25-250	44.6	54.2	9.6	↗
Question 4c2 - South America	>MSEK 250	31.4	63.2	31.8	↗
Question 4d - Asia & Oceania	Total	62.4	75.0	12.6	↗
Question 4d - Asia & Oceania	MSEK 25-250	64.1	62.1	-2.0	↘
Question 4d - Asia & Oceania	>MSEK 250	62.3	76.4	14.1	↗
Question 4e - Middle East, Turkey & Africa	Total	49.4	61.1	11.7	↗
Question 4e - Middle East, Turkey & Africa	MSEK 25-250	52.4	52.9	0.5	→
Question 4e - Middle East, Turkey & Africa	>MSEK 250	49.1	62.0	12.9	↗
Question 5 - Export sales	Total	54.8	71.4	16.6	↗
Question 5 - Export sales	MSEK 25-250	59.0	63.0	4.0	↗
Question 5 - Export sales	>MSEK 250	54.2	72.5	18.3	↗
Question 6 - Export profitability	Total	47.8	60.0	12.2	↗
Question 6 - Export profitability	MSEK 25-250	47.5	54.1	6.6	↗
Question 6 - Export profitability	>MSEK 250	47.8	60.8	13.0	↗
Question 7 - Export profitability	Total	52.3	55.2	2.9	↗
Question 7 - Export profitability	MSEK 25-250	53.2	56.2	3.0	↗
Question 7 - Export profitability	>MSEK 250	52.2	55.1	2.9	↗

↗ = Δ > +1.0 → = Δ ≤ ±1.0 ↘ = Δ < -1.0



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

BUSINESS-SWEDEN.COM

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