



# **GROWING CONFIDENCE AMONG EXPORTERS**

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**EXPORT MANAGERS' INDEX (EMI) FIRST QUARTER 2017**

BUSINESS SWEDEN, 14 FEBRUARY 2017

- ▶ **The Export Managers' Index (EMI)** rose to 58.2 in the first three months of 2017, up from 55.5 at the end of the fourth quarter of 2016. An index figure above 50 indicates that more companies expect an increase in Swedish exports than expect a decrease.
- ▶ The disparity between the current and forecast continues. The **current EMI** again rose sharply, up from 53.6 in the fourth quarter to 59.8 — its highest level since the end of 2013. The **forecast EMI** (an index based on forward-looking responses) dropped slightly to 56.6, but remains high by historic standards.
- ▶ The survey revealed increased confidence among Swedish exporters – from **small and medium sized enterprises (SMEs) to large firms**. However, differences remain between these two groups, with large exporters expressing greater confidence in current export patterns and the latter showing more optimism about future prospects.
- ▶ Estimated export order stock rose strongly in the first quarter compared to the final quarter of 2016, lifting the index to 54.3 – its highest level since late 2013. Large exporters were the primary source of this increase.
- ▶ Exporters as a whole continue to see high profitability from current exports. However, the number of SMEs reporting satisfaction on this measure fell, while there was a rise in the number of large exporters that believe their export profits will rise in the next three months.
- ▶ Overall, fewer exporters expect delivery times to increase in the next three months. Large firms expect shorter delivery times, while SMEs expect longer delivery times. This split signals high levels of resource utilization among SMEs.
- ▶ The proportion of exporters expecting increased market demand fell slightly compared to the previous quarter, though the index for demand in the next three months remained at 50 or higher in all regions. Forecast demand increased in Europe but decreased in other regions. The latter specifically applies to North America.
- ▶ Publication of the next EMI is scheduled for 18 May 2017.



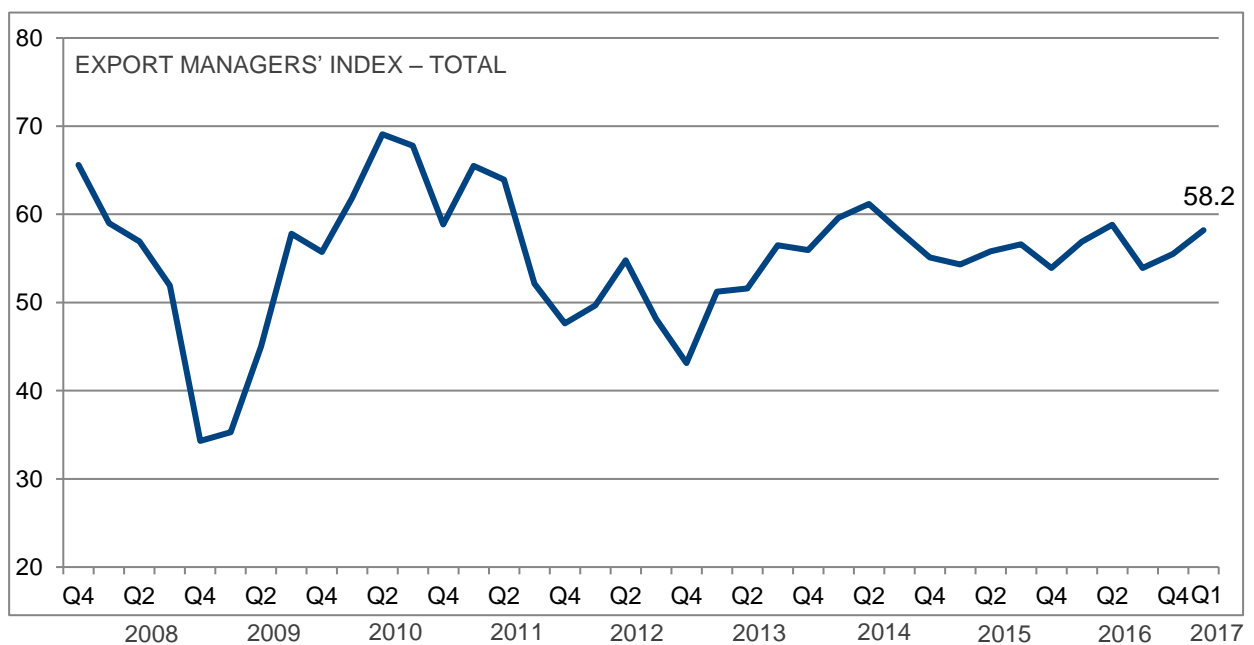
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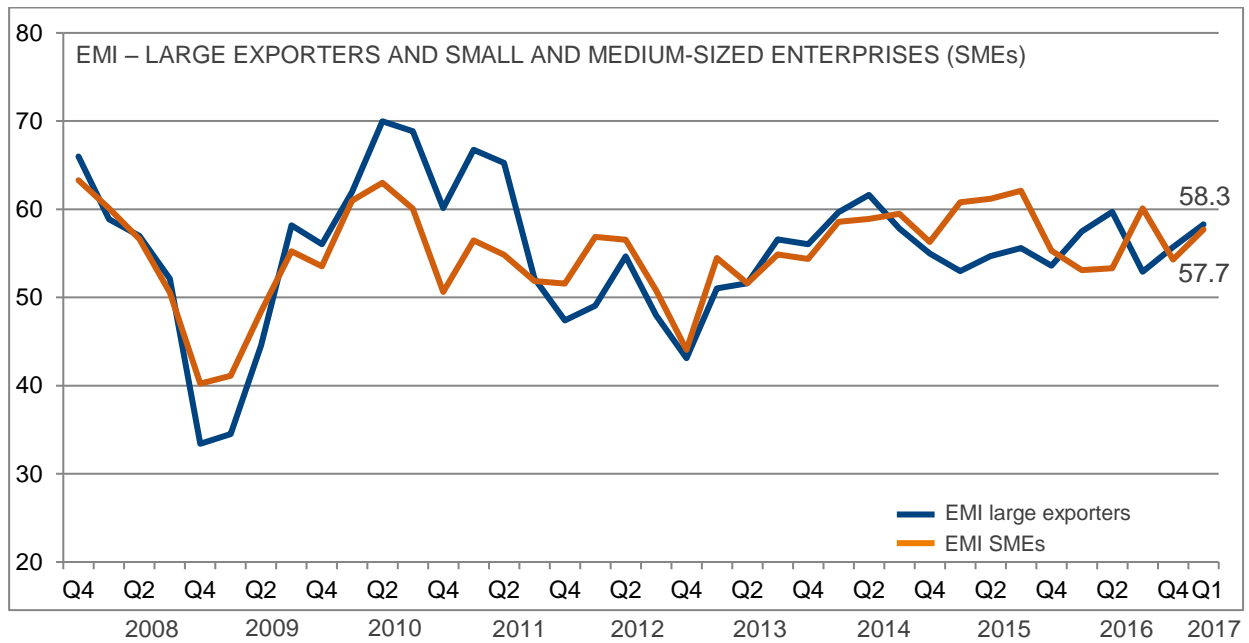
# GROWING CONFIDENCE AMONG EXPORTERS

## FURTHER GROWTH IN THE EXPORT MANAGERS' INDEX (EMI) IN Q1 2017



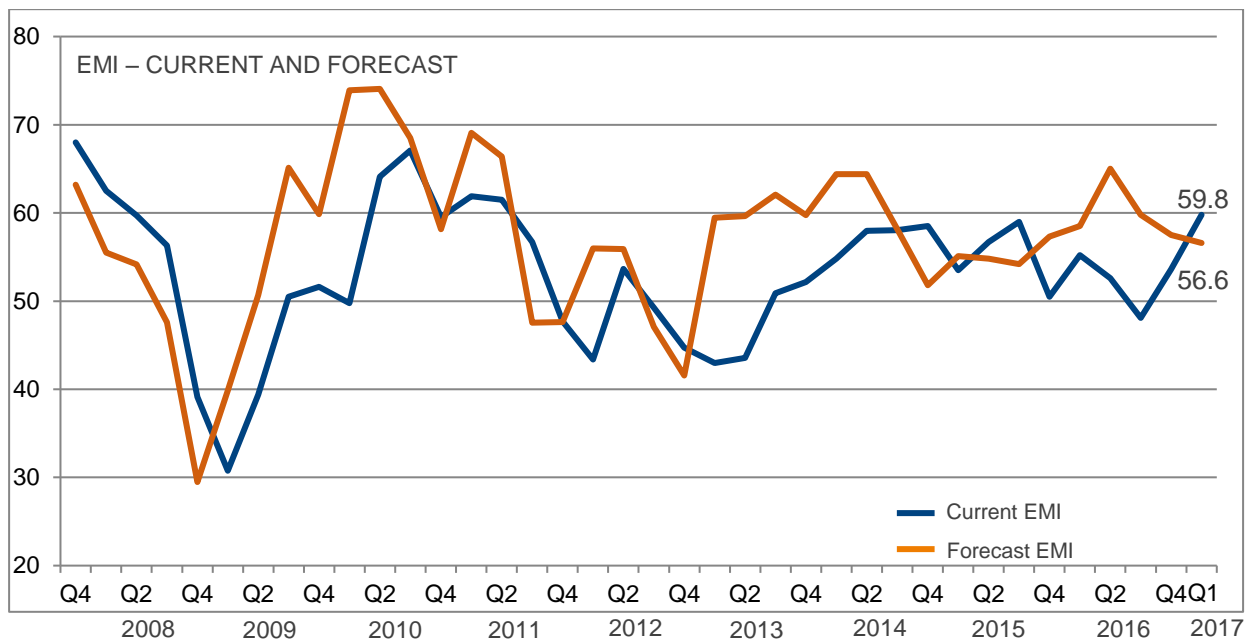
The Export Managers' Index (EMI), a barometer of confidence among Swedish exporters of goods and services, rose again in the first quarter of 2017 and reached 58.2, up from 55.5 in the fourth quarter of 2016. The EMI has remained above 50 since 2013. An index figure of more than 50 indicates that a majority of companies expect exports to increase rather than decrease.

### INCREASED OPTIMISM AMONG LARGE FIRMS AND SMEs



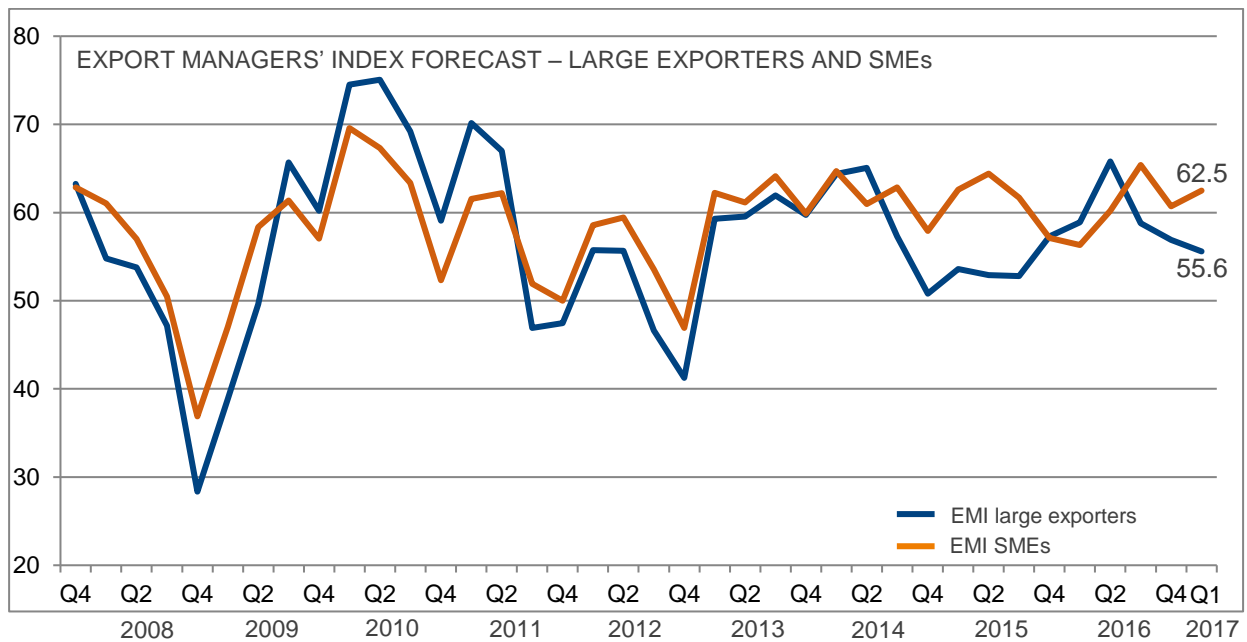
The EMI for large exporters (those with exports of >SEK 250 million) increased for the second consecutive quarter. The EMI for small and medium sized enterprises (SMEs) – those with exports of SEK 25 million to SEK 250 million – rose to 57.7 during the period.

### CURRENT EMI REACHES HIGHEST LEVEL SINCE 2011



Current EMI rose again in the first quarter and reached 59.8, its highest level since the second quarter of 2011. Forecast EMI, a sub-index based on forward-looking responses, fell again and was 56.6 for the period, down from 57.5 in the prior quarter. Thus, the improvement in overall EMI was due to the increase in the current EMI. Both the current and forecast EMIs are at historical highs, indicating that conditions for Swedish exports remain favourable.

## FURTHER DECREASE IN FUTURE CONFIDENCE AMONG LARGE EXPORTERS



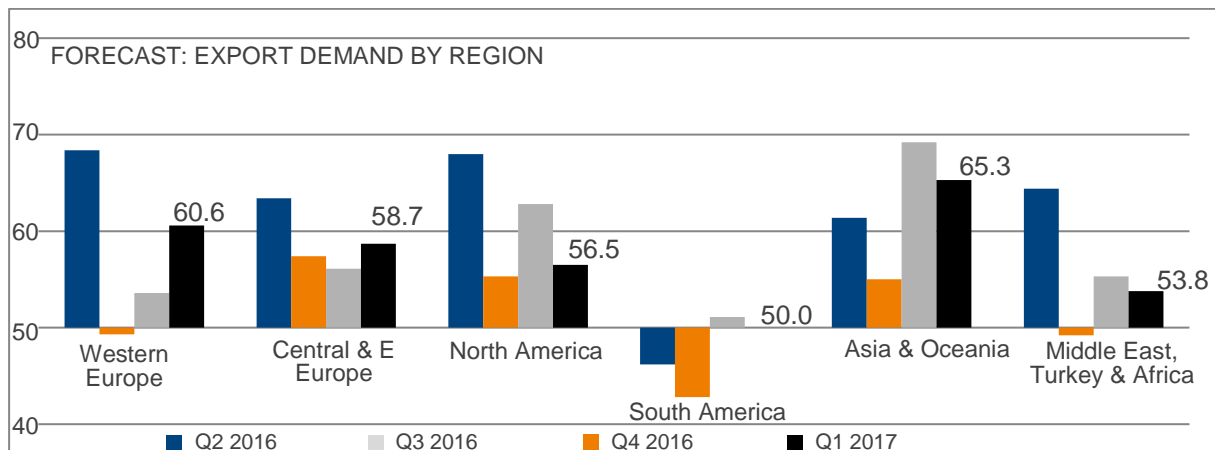
The EMI for large exporters fell slightly in the first quarter but remained comfortably above 50 at 55.6. Among SMEs, forecast EMI rebounded from a temporary drop in the last quarter of 2016, rising by almost 2 percentage points quarter-on-quarter and confirming the relatively higher confidence level among SMEs in future export growth.

## SHARP RISE IN ESTIMATED EXPORT ORDER STOCK



Estimated export order stock rose by 7.3 percentage points compared to the prior quarter, the first time since late 2013 that more exporters have expressed satisfaction with order stock than vice versa. However, there was a significant gap between large firms and SMEs on this measure. For large exporters, the order stock index rose from 49.7 to 56.1 quarter-on-quarter. The index also increased for SMEs but only reached 43.8, indicating continued dissatisfaction among companies of this size.

## HIGHER EXPECTATIONS OF GROWTH IN DEMAND FOR EUROPEAN EXPORTS

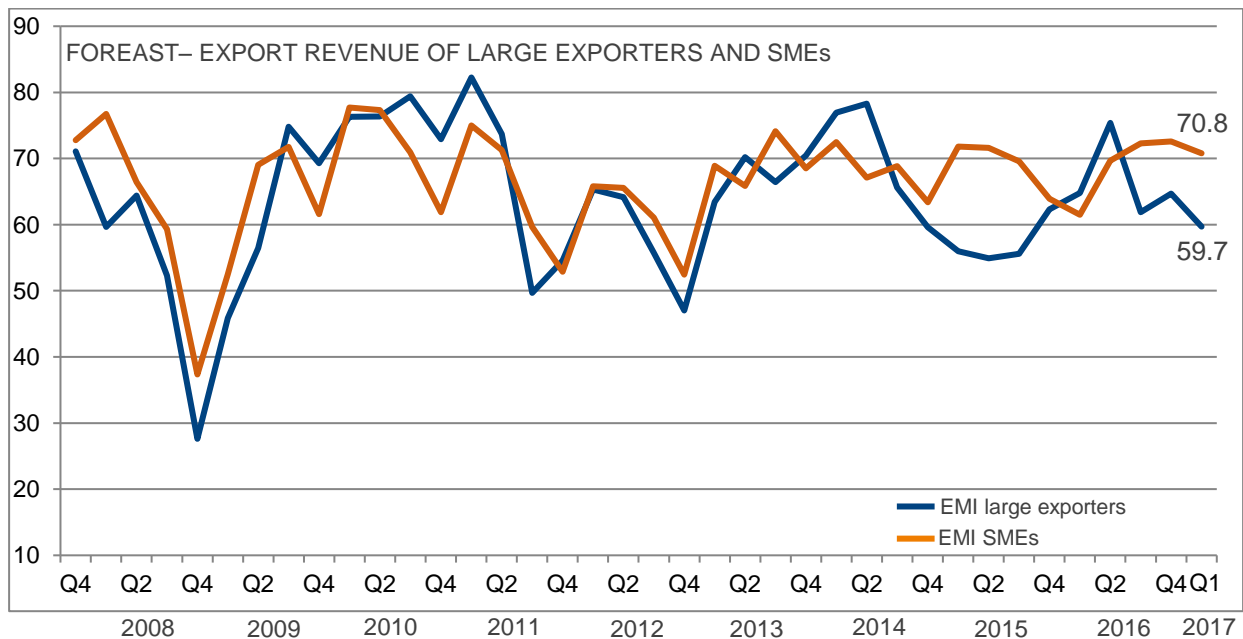


The overall index for forecast export demand slipped from 62.6 to 60.9 quarter-on-quarter, reflecting lower expectations among large exporters. Nevertheless, the index remains at an historically high level for all exporters of all sizes.

The prior survey recorded higher confidence in export growth across all regions, whereas in this survey the picture was more nuanced. Forecast export demand was higher in Western, Central and Eastern Europe but lower in other regions, reflecting concern about the impact of a more protectionist US administration and an increased risk of trade wars. While large exporters reported lower confidence in exports to other regions, SMEs reported increased confidence.

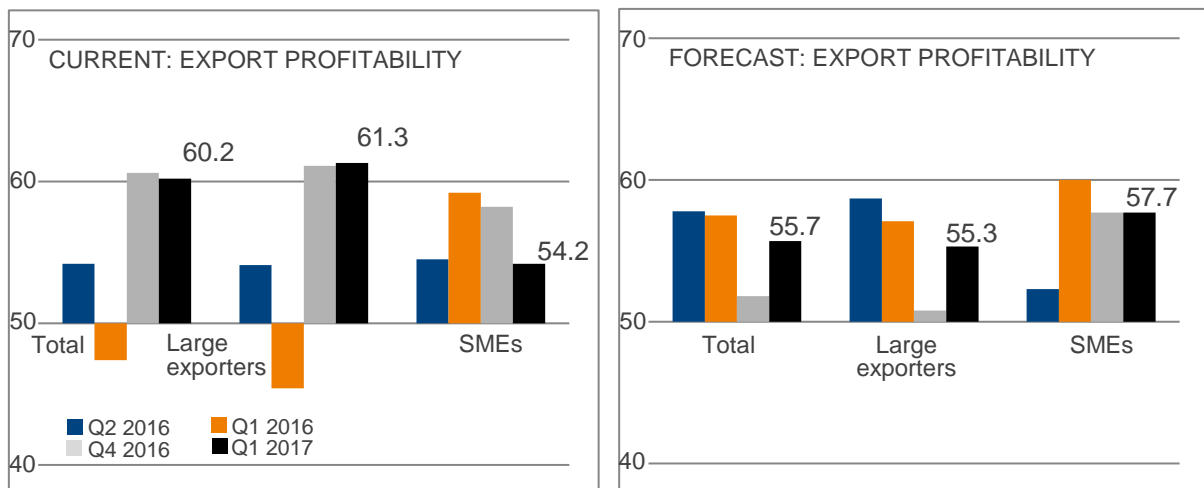
However, the confidence level of large exporters remained at or above 50 in all regions, which indicates optimism across these markets.

## SLIGHTLY LOWER EXPECTATIONS OF EXPORT REVENUE GROWTH



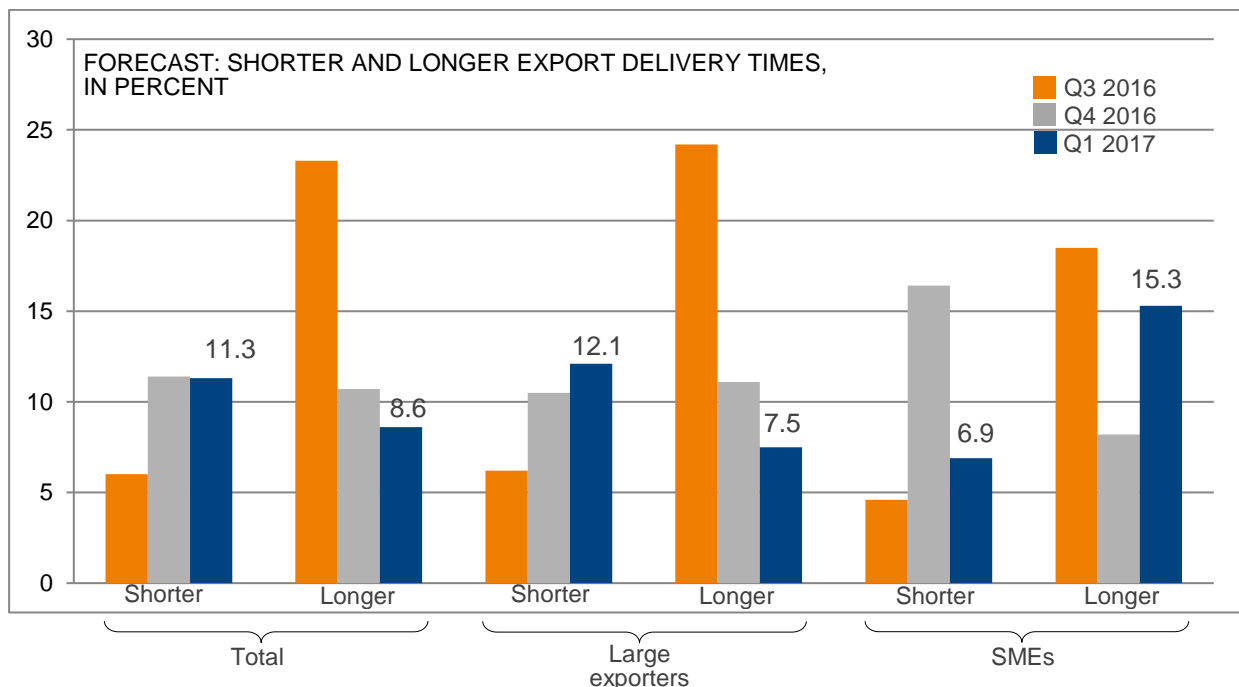
Confidence remains high among both large exporters and SMEs regarding export revenues over a three-month time frame. However, the index fell slightly compared to the last period.

## OPTIMISM ABOUT HIGHER EXPORT PROFITABILITY



Confidence in increased export profits remains high, with the index remaining above 60 following a sharp increase in the prior survey. However, perceptions differ between large exporters and SMEs. SMEs are less optimistic than they were in the last quarter of 2016, while large exporters express greater optimism. Significantly more exporters now anticipate increased profitability over a three-month time frame, which lifted the forecast EMI by 3.9 percentage points to 55.7 in the first quarter.

## SMEs EXPECTING LONGER DELIVERY TIMES



The survey noted an overall decrease in the number of exporters that expect delivery times to increase in the next three months. However, there was a marked divergence between large exporters and SMEs on this point, with the former forecasting shorter delivery times and the latter expecting delivery times to lengthen. Some 15.3 percent of SMEs said they expected longer delivery times, compared to 7.5 percent of large exporters. Higher expectations of longer delivery times among SMEs suggest that these firms are experiencing stronger demand leading to higher resource utilization.

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## ABOUT THE EXPORT MANAGERS' INDEX

Business Sweden has published a quarterly Export Managers' Index (EMI) since 2007. The EMI is a barometer of confidence among Swedish exporters and acts as a bellwether for trends in Sweden's export sector. The index seeks to promote greater understanding of exports, the importance of foreign markets to the Swedish economy and our economic dependence on trade. It also aims to raise awareness of SMEs and their significance to the Swedish economy and how economic conditions around the world affect Sweden.

The index is compiled on the basis of quarterly phone interviews conducted by Statistics Sweden. The interviews canvass all large exporters and selected SMEs, and the respondents are export managers or their equivalents. The survey covers 225 companies, half of which have export revenue of more than SEK 250 million (large exporters) and half of which have export revenue of SEK 25-250 million (SMEs). Data is based on the VAT Register and covers exporters in both the goods and services sectors.

The survey is geared primarily to developing data to compile the Export Managers' Index. The EMI is in two parts – a main index and two sub-indices (one portraying current conditions and the other future expectations) – and is based on answers to seven questions, of which three relate to current conditions and four to future forecasts. The seven questions all have equal weight in the index. The survey for the first quarter of 2017 was carried out between 23 January and 8 February and the results are presented as a diffusion index in which the divide between increasing and decreasing confidence is set at 50. An index figure of more than 50 indicates that more companies expect export volumes to increase than to decrease, and

vice versa. Results are weighted according to the export revenues of the respondent companies. The response rate was 95 percent (weighted).

A study by the National Institute of Economic Research to assess the EMI's usefulness in export forecasting concluded that the data increased the precision of the institute's forecasts compared with its historic average.<sup>1</sup>

<http://konj.se/download/18.2a86bd24154de040fa4f1fb9/1464241891147/Konjunkturbarmetern-maj-2016.pdf>

Questions asked:

### *EMI – current conditions*

- ▶ What is your estimate of your company's sales in 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 – three-month forecast*

- ▶ How do you think export demand will develop in the next three months?
- ▶ How do you think your company's export revenues will develop in the next three months?
- ▶ How do you think the profitability of your company's export sales will develop in the next three months?
- ▶ How do you think your company's export delivery times will develop in the next three months?

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

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<sup>1</sup> See analysis in National Institute of Economic Research's Business Cycle Barometer, May 2016.



## APPENDIX – DATA: WEIGHTED TIME SERIES

EMI	SAMPLE	Q4 2016	Q1 2017	DIFF Q4 2016-Q1 2017	
<b>1.EMI total</b>	<b>Total</b>	<b>55.5</b>	<b>58.2</b>	<b>2.7</b>	
<b>1.EMI total</b>	<b>SEK 25-250m</b>	<b>54.3</b>	<b>57.7</b>	<b>3.3</b>	
<b>1.EMI total</b>	<b>&gt;SEK 250m</b>	<b>55.7</b>	<b>58.3</b>	<b>2.6</b>	
<b>2.EMI current</b>	<b>Total</b>	<b>53.6</b>	<b>59.8</b>	<b>6.2</b>	
<b>2.EMI current</b>	<b>SEK 25-250m</b>	<b>47.9</b>	<b>52.8</b>	<b>4.9</b>	
<b>2.EMI current</b>	<b>&gt;SEK 250m</b>	<b>54.6</b>	<b>60.9</b>	<b>6.4</b>	
<b>3.EMI forecast</b>	<b>Total</b>	<b>57.5</b>	<b>56.6</b>	<b>-0.8</b>	
<b>3.EMI current</b>	<b>SEK 25-250m</b>	<b>60.7</b>	<b>62.5</b>	<b>1.8</b>	
<b>3.EMI forecast</b>	<b>&gt;SEK 250m</b>	<b>56.9</b>	<b>55.6</b>	<b>-1.3</b>	
<b>QUESTIONS CURRENT</b>					
Question 1 – export sales	Total	53.1	64.8	11.6	
Question 1 – export sales	SEK 25-250m	54.2	60.4	6.3	
Question 1 – export sales	>SEK 250m	52.9	65.5	12.6	
Question 2 – export order stock	Total	47.0	54.3	7.3	
Question 2 – export order stock	SEK 25-250m	31.3	43.8	12.5	
Question 2 – export order stock	>SEK 250m	49.7	56.1	6.4	
Question 3 – export profitability	Total	60.6	60.2	-0.4	
Question 3 – export profitability	SEK 25-250m	58.2	54.2	-4.1	
Question 3 – export profitability	>SEK 250m	61.1	61.3	0.2	
<b>QUESTIONS FORECAST</b>					
Question 4 – export market demand	Total	62.6	60.9	-1.7	
Question 4 – export market demand	SEK 25-250m	66.7	67.4	0.7	
Question 4 – export market demand	>SEK 250m	61.9	59.8	-2.1	
Question 4a – Western Europe	Total	53.6	60.6	7.0	
Question 4a – Western Europe	SEK 25-250m	67.4	64.7	-2.7	
Question 4a – Western Europe	>SEK 250m	51.4	59.9	8.6	
Question 4b – Central & Eastern Europe	Total	56.1	58.7	2.6	
Question 4b – Central & Eastern Europe	SEK 25-250m	61.7	63.2	1.5	
Question 4b – Central & Eastern Europe	>SEK 250m	55.2	58.1	2.9	
Question 4c1 – North America	Total	62.8	56.5	-6.3	
Question 4c1 – North America	SEK 25-250m	69.0	67.0	-2.0	
Question 4c1 – North America	>SEK 250m	61.9	55.1	-6.7	
Question 4c2 – South America	Total	51.1	50.0	-1.1	
Question 4c2 – South America	SEK 25-250m	53.3	60.3	7.0	
Question 4c2 – South America	>SEK 250m	50.8	48.8	-2.0	
Question 4d – Asia & Oceania	Total	69.2	65.3	-3.9	
Question 4d – Asia & Oceania	SEK 25-250m	69.1	72.6	3.6	
Question 4d – Asia & Oceania	>SEK 250m	69.2	64.3	-4.9	
Question 4e – Middle East, Turkey & Africa	Total	55.3	53.8	-1.5	
Question 4e – Middle East, Turkey & Africa	SEK 25-250m	57.1	61.3	4.2	
Question 4e – Middle East, Turkey & Africa	>SEK 250m	55.0	52.7	-2.3	
Question 5 – export revenue	Total	65.8	61.3	-4.5	
Question 5 – export revenue	SEK 25-250m	72.6	70.8	-1.8	
Question 5 – export revenue	SEK 250m	64.7	59.7	-4.9	
Question 6 – export profitability	Total	51.8	55.7	3.9	
Question 6 – export profitability	SEK 25-250m	57.7	57.7	0.0	
Question 6 – export profitability	>SEK 250m	50.8	55.3	4.6	
Question 7 – export delivery times	Total	49.7	48.6	-1.0	
Question 7 – export delivery times	SEK 25-250m	45.9	54.2	8.3	
Question 7 – export delivery times	Selected >SEK 250m	50.3	47.7	-2.6	

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