

BUSINESS SWEDEN



EXPORT BOOM COOLS

EXPORT MANAGERS' INDEX FOURTH QUARTER 2018

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EXECUTIVE SUMMARY

The Business Sweden Export Managers' Index (EMI) fell for the second consecutive quarter, slipping 2.5 points to 57.4 in Q4, down from 59.9 in the third quarter. Despite this further decrease, the index remains comfortably above 50, indicating that Swedish exporters remain optimistic and retain a positive outlook on market conditions.

A weakening of current sentiment was the primary reason for the decline in overall optimism, with the current EMI falling by 4.5 points to 59.0 in Q4, down from 63.5 in the third quarter. The forecast EMI, which measures sentiment for the coming three months, fell just 0.6 points to 55.8 in Q4, down from 56.4 in the third quarter.

Virtually all sub-indices decreased in Q4, signalling an overall decline in optimism among export firms, especially regarding current export conditions. The three exceptions to the downward trend were the indices for forecast export profitability and for projected export demand in North America and South America, which both increased from Q3.

Despite the weaker trend, all sub-indices (except for forecast export demand in the Middle East, Turkey and Africa) remain above 50, which indicates continued levels of optimism among export firms.

Exporters also continue to be happy with order stock levels, with the export order index remaining at a historically high level. Expectations of future export profitability rose sharply, by 6.8 points to 60.4, with the weak krona probably playing a significant part in this increase. However, the indices for both current and forecast export sales fell for the third successive quarter, with the current index dropping by 6.3 points to 53.6. These two indices remain above 50 but are below their historic averages. Some 5.9 percent of companies said they were anticipating longer delivery times in Q4, down from 12.8 percent in the third quarter. Lower expectations of longer delivery times are a negative parameter as they indicate reduced resource utilisation.

The combined index for forecast export demand fell for the third quarter in a row and now stands at 55.5. The slowdown was particularly apparent in Europe, reflecting an ongoing weakening of sentiment in Western Europe during 2018, the current index dropping by 4.9 points to 54.6. Central and Eastern Europe fell by 6.7 points to 54.2. By contrast, the indices for forecast export demand in North America and South America both increased, while the equivalent indices for Asia and Oceania were unchanged. The outlook remains weak in the Middle East, Turkey and Africa, where the index fell again, reaching 41.5 in Q4.

Increasing protectionism, trade conflicts, geopolitical tensions and an expected economic slowdown all conspired to dampen optimism in the export sector. The next Export Managers' Index will be published on 14 February 2019.



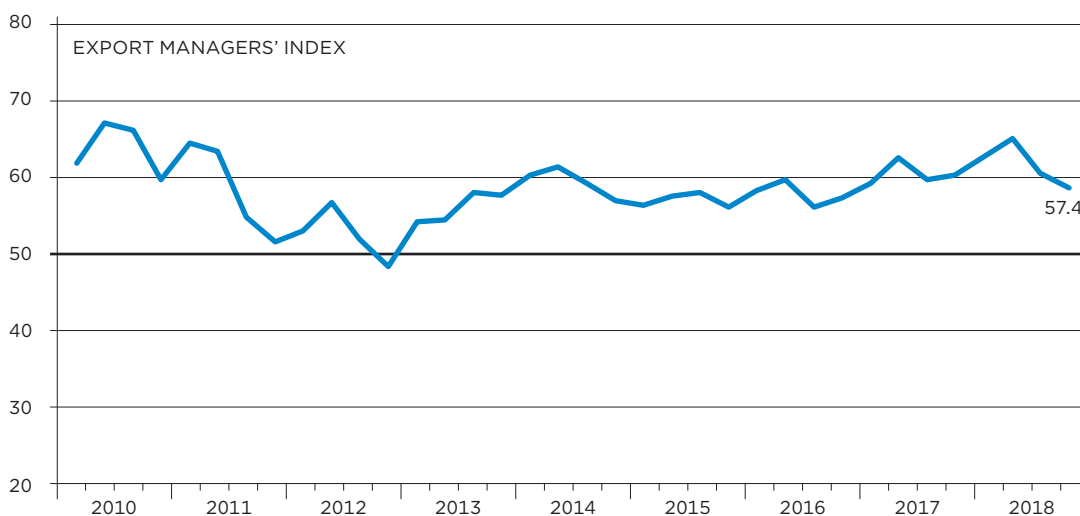
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THE EXPORT MANAGERS' INDEX (EMI) FELL AGAIN IN THE FOURTH QUARTER



Sources: Statistics Sweden, Business Sweden (2018)

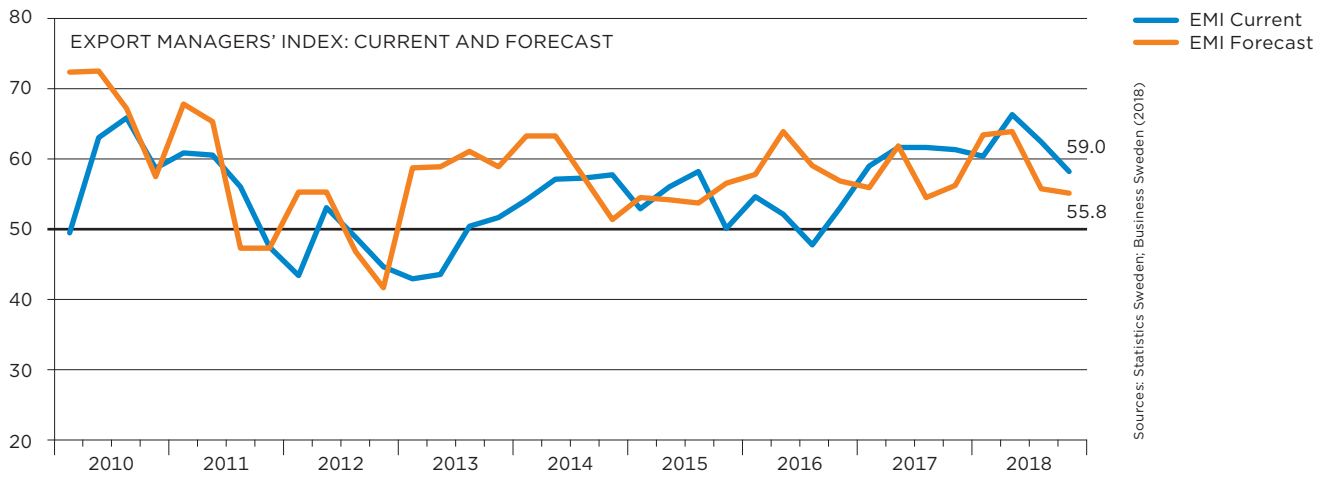
The Business Sweden Export Managers' Index (EMI) measures confidence levels among Swedish exporters of goods and services. It fell from 59.9 in the third quarter to 57.4 in Q4.

This decrease of 2.5 points indicates a reduced level of positive sentiment. Nevertheless, Swedish

exporters remain broadly optimistic about future prospects. The EMI stands above its historical average at 56.1.

An index figure of more than 50 suggests that a majority of exporters expect their exports to increase rather than decrease.

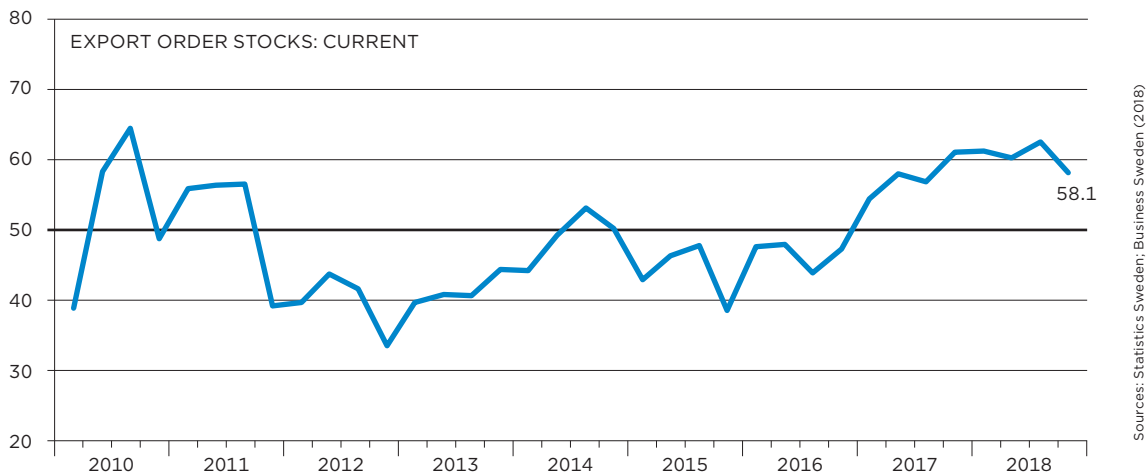
CURRENT EMI BEARS BRUNT OF DECREASE



The current EMI fell by 4.5 points to 59.0 in Q4, down from 63.5 in the third quarter. However, the forecast EMI, which measures sentiment for the coming three months, declined by just 0.6 points to 55.8 in Q4, down from 56.4 in Q3.

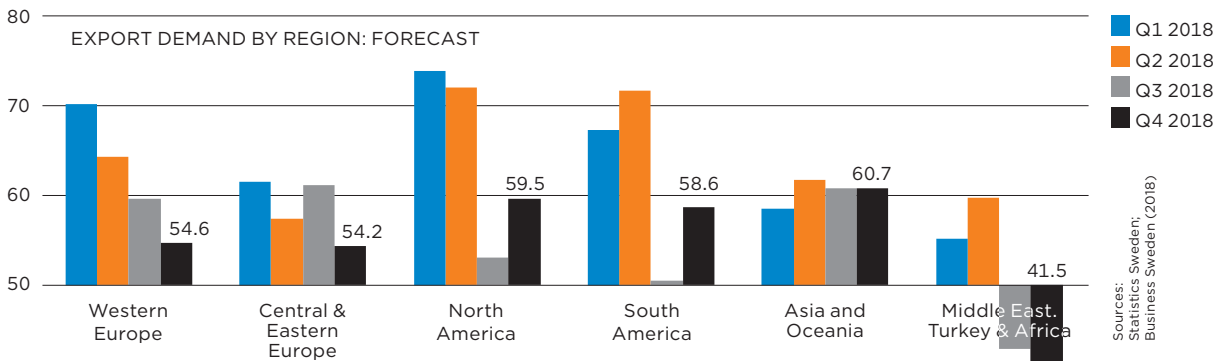
Both indices remained above 50, indicating that levels of optimism among exporters are higher than average. If the current and forecast EMI are both above 50 it suggests that Swedish exports are performing strongly and that exporters expect a favourable climate going forward.

FIRMS SATISFIED WITH EXPORT ORDER STOCKS



Confidence in export order stocks dropped by 4.4 points to 58.1 in Q4, down from 62.5 in the third quarter. This remains a very high figure and far above the historic average of 48.1, signalling a high degree of optimism on export order stocks.

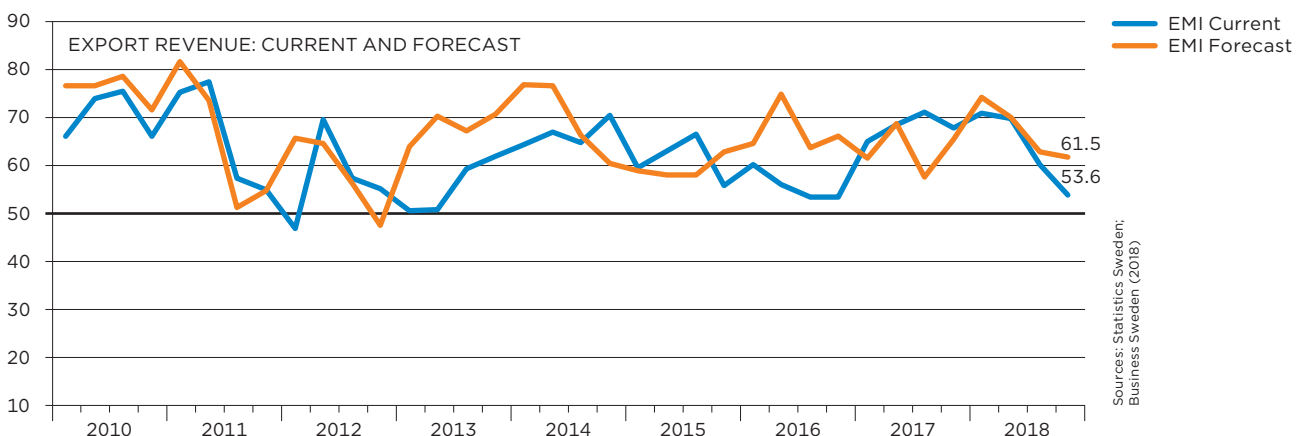
SHARP SLOWDOWN IN EXPECTED EXPORT DEMAND IN EUROPE



The index for forecast export demand fell for the third consecutive quarter, dropping by 6.7 points to 55.5 in Q4. Though still above 50, the index is now below its historic average. The slowdown was particularly apparent in Europe, reflecting an ongoing weakening of sentiment in Western Europe during 2018, where the index fell by 4.9 points to 54.6. Central and Eastern Europe dropped by 6.7 points to 54.2, but North America and South America both posted increases, with North America gaining 6.5 points to 59.5 and South America rising 8.1 points to 58.6. Asia and Oceania were unchanged. The Middle East, Turkey and Africa dropped again, falling by 1.4 points to 41.5.

The index remains well above 50 in all regions except the Middle East, Turkey and North Africa, indicating that exporters are confident regarding export revenue.

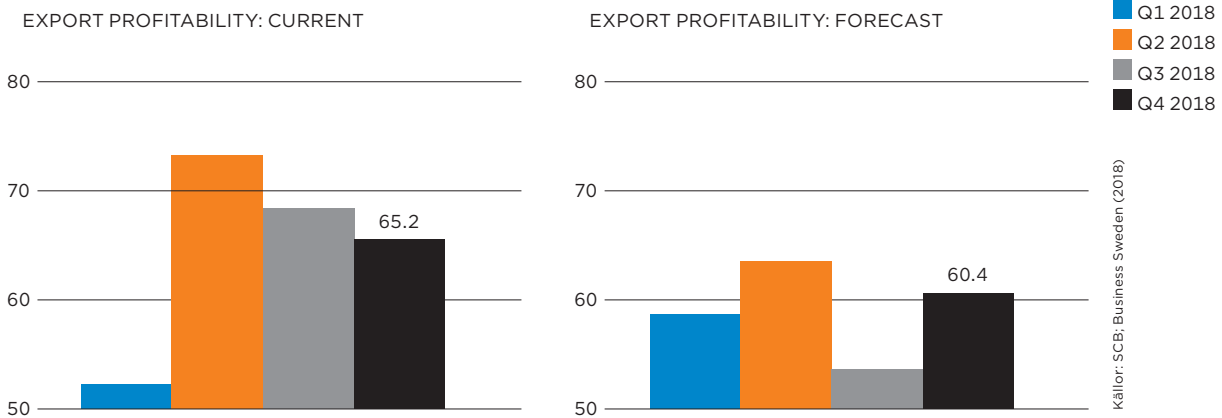
DOWNWARD TREND IN CONFIDENCE ON EXPORT REVENUE



For the third quarter running the survey recorded a lower optimism regarding current and forecast export revenue. The current index fell by 6.3 points to 53.6 and the forecast index dropped by 1.1 points to 61.5. Although both indices remain above 50, they are now below their historic averages.

Nevertheless, the figures indicate continued optimism among exporters over current and future export revenues – in spite of weaker sentiment.

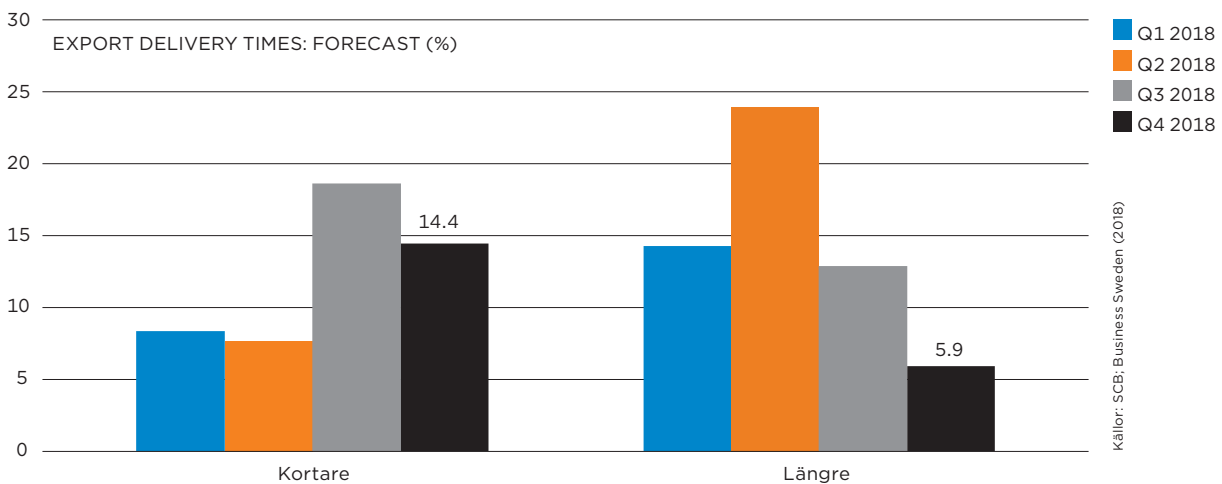
INCREASED OPTIMISM ON FORECAST EXPORT PROFITABILITY



Expectations of current export profitability fell by 2.8 points to 65.2 in Q4, but optimism regarding future export profitability jumped by 6.8 points to 60.4, up from 53.6 in the third quarter.

Both the current and forecast indices remain well above 50, which suggests that exporters remain optimistic about profitability. The weakness of the krona is likely to be a significant factor in this context.

SHORTER DELIVERY TIMES SIGNAL LOWER BUSINESS ACTIVITY



The share of exporters expecting shorter delivery times in the coming quarter fell from 18.7 percent in Q3 to 14.4 percent.

The share of companies anticipating longer delivery times in the coming quarter fell from 12.8 percent in Q3 to 5.9 percent. The fact that fewer companies expect longer delivery times in the coming quarter is negative, implying a decrease in resource utilisation.

ABOUT THE BUSINESS SWEDEN 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 is compiled on the basis of phone interviews conducted by Statistics Sweden (SCB). The interviews canvass all large Swedish exporters and selected small and medium sized enterprises. The respondents are export managers or their equivalents. The survey covers 212 companies, half of which have export revenues of more than SEK 250 million (large exporters) and half of which have export revenues of SEK 25–250 million (small and medium sized exporters). Data is based on the VAT Register and includes exporters in both the goods and services sectors.

The Business Sweden EMI is in two parts – a main index and two sub-indices (one portraying current conditions and the other future expectations). It is based on answers to seven questions, of which three relate to current conditions and four to future forecasts. Each of the seven questions has equal weight in the index. The survey for the fourth quarter of 2018 was carried out on 22 October–11 November 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 79 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 (www.tinyurl.com/l8ebjmx).

Questions asked:

EMI current

- 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 market demand for your company's exports 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 your company's export profitability 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.

APPENDIX

DATA: WEIGHTED TIME SERIES

EMI	SAMPLE	Q3 2018	Q4 2018	DIFF Q4-Q3 2018	
1. EMI total	Total	59.9	57.4	-2.5	↓
1. EMI total	SEK 25-250m	63.1	58.3	-4.8	↓
1. EMI total	>SEK 250m	59.6	57.3	-2.3	↓
2. EMI current	Total	63.5	59.0	-4.5	↓
2. EMI current	SEK 25-250m	62.0	56.6	-5.4	↓
2. EMI current	>SEK 250m	63.7	59.3	-4.4	↓
3. EMI forecast	Total	56.4	55.8	-0.6	→
3. EMI forecast	SEK 25-250m	64.2	60.0	-4.2	↓
3. EMI forecast	>SEK 250m	55.5	55.3	-0.2	→

QUESTIONS CURRENT	SAMPLE	Q3 2018	Q4 2018	DIFF Q4-Q3 2018	
Question 1 - Export sales	Total	59.9	53.6	-6.3	↓
Question 1 - Export sales	SEK 25-250m	68.1	62.0	-6.1	↓
Question 1 - Export sales	>SEK 250m	59.0	52.6	-6.4	↓
Question 2 - Export order stock	Total	62.5	58.1	-4.4	↓
Question 2 - Export order stock	SEK 25-250m	49.3	40.8	-8.5	↓
Question 2 - Export order stock	>SEK 250m	64.0	60.2	-3.8	↓
Question 3 - Export profitability	Total	68.0	65.2	-2.8	↓
Question 3 - Export profitability	SEK 25-250m	68.8	66.9	-1.9	↓
Question 3 - Export profitability	>SEK 250m	68.0	65.0	-3.0	↓

QUESTIONS FORECAST	SAMPLE	Q3 2018	Q4 2018	DIFF Q4-Q3 2018	
Question 4 - Export market demand	Total	62.2	55.5	-6.7	↓
Question 4 - Export market demand	SEK 25-250m	70.8	64.8	-6.0	↓
Question 4 - Export market demand	>SEK 250m	61.2	54.4	-6.8	↓
Question 4a - Western Europe	Total	59.5	54.6	-4.9	↓
Question 4a - Western Europe	SEK 25-250m	62.7	60.6	-2.1	↓
Question 4a - Western Europe	>SEK 250m	59.1	53.9	-5.2	↓
Question 4b - Central & Eastern Europe	Total	60.9	54.2	-6.7	↓
Question 4b - Central & Eastern Europe	SEK 25-250m	63.4	61.1	-2.3	↓
Question 4b - Central & Eastern Europe	>SEK 250m	60.7	53.5	-7.2	↓
Question 4c1 - North America	Total	53.0	59.5	6.5	↑
Question 4c1 - North America	SEK 25-250m	80.0	71.3	-8.7	↓
Question 4c1 - North America	>SEK 250m	50.5	58.3	7.8	↑
Question 4c2 - South America	Total	50.5	58.6	8.1	↑
Question 4c2 - South America	SEK 25-250m	60.7	60.3	-0.4	→
Question 4c2 - South America	>SEK 250m	49.6	58.4	8.8	↑
Question 4d - Asia & Oceania	Total	60.6	60.7	0.1	→
Question 4d - Asia & Oceania	SEK 25-250m	71.7	66.0	-5.7	↓
Question 4d - Asia & Oceania	>SEK 250m	59.6	60.1	0.5	→
Question 4e - Middle East, Turkey & Africa	Total	42.9	41.5	-1.4	↓
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	51.0	51.1	0.1	→
Question 4e - Middle East, Turkey & Africa	>SEK 250m	42.2	40.7	-1.5	↓
Question 5 - Export sales	Total	62.6	61.5	-1.1	↓
Question 5 - Export sales	SEK 25-250m	73.6	67.6	-6.0	↓
Question 5 - Export sales	>SEK 250m	61.4	60.7	-0.7	→
Question 6 - Export profitability	Total	53.6	60.4	6.8	↑
Question 6 - Export profitability	SEK 25-250m	61.8	59.2	-2.6	↓
Question 6 - Export profitability	>SEK 250m	52.6	60.5	7.9	↑
Question 7 - Export profitability	Total	47.1	45.7	-1.4	↓
Question 7 - Export profitability	SEK 25-250m	50.7	48.6	-2.1	↓
Question 7 - Export profitability	Selected >SEK 250m	46.7	45.4	-1.3	↓

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



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