

BUSINESS SWEDEN

SILVER LINING IN THE EXPORT CLOUDS

EXPORT MANAGERS' INDEX FOURTH QUARTER 2019

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EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index, EMI, remained virtually unchanged during the fourth quarter. The EMI increased marginally by 0.1 points to 50.7 in the first quarter, from 50.6 in the third quarter. The fact that EMI is close to the 50-mark – the difference between optimism and pessimism – indicates that the export industry has a balanced view of exports going forward.

The outlook for exports differs considerably between the current situation and over the three-month perspective. The EMI current fell by 3.5 points to 50.3 in the fourth quarter, from 53.8 in the third quarter. However, after having declined five quarters in a row, the EMI forecast – the sub-index for forward-looking issues – increased. The forecast increased by 3.7 points to 51.1 in the fourth quarter, from 47.4 in the previous quarter. The fact that the EMI forecast is now above the 50-mark indicates that sentiment among export companies is once again on an optimistic curve in relation to the prospects for exports seen from a three-month perspective.

Of particular note in this survey was that all of the sub-indices based on current situations, with the exception of the index for profitability in export sales, had fallen and were close to or below the 50-mark. On the other hand, several of the sub-indices based on forecasts (the three-month perspective) had increased.

The companies are currently dissatisfied with in both their export sales and export order stocks. Both sub-indices are considerably below the 50-mark. The index for export sales fell by 7.8 points to 44.6 in the fourth quarter, compared to the previous quarter. The index for the export order stocks fell by 5.6 points to 38.0 in the fourth quarter, compared with the previous quarter. On the other hand, an increasing number of companies now have a more optimistic view of profitability in relation to export sales.

However, when it comes to the three-month perspective, the outlook among export companies is more optimistic. This is particularly reflected in the increase in the index for projected export sales and profitability in export sales. Both of these forward-looking indices are once again above the 50-mark which signals optimism.

The outlook for projected export demand differs from region to region. The index for projected export demand is above the 50-mark, which indicates that sentiment among the export companies is normal. Conversely, the index for Western Europe as well as Central and Eastern Europe is considerably below the 50-mark, which indicates pessimism.

It is gratifying that the future prospects for export companies has strengthened somewhat, but worrying that the outlook for the projected export demand from Europe is so gloomy.

The next Export Managers' Index will be published on 13 February 2020.



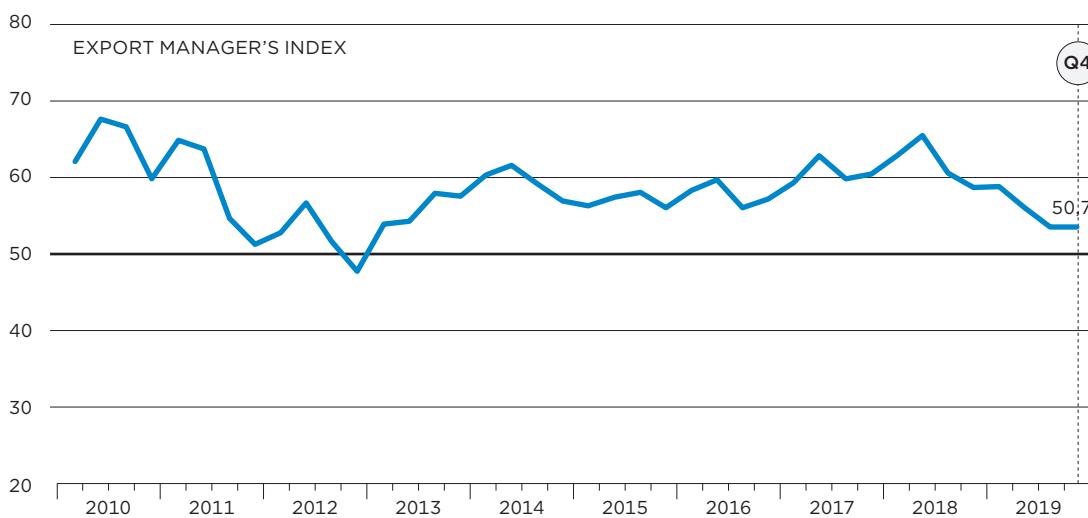
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NO CHANGE IN THE EXPORT MANAGERS' INDEX FOURTH QUARTER

EXPORT MANAGERS' INDEX (EMI) VIRTUALLY UNCHANGED FOURTH QUARTER

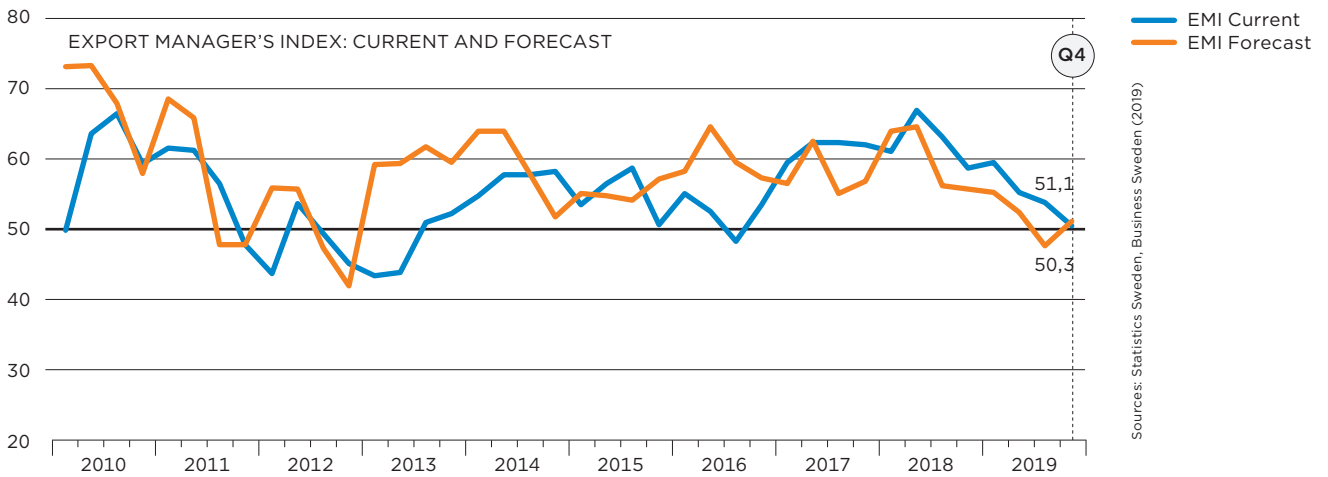


Sources: Statistics Sweden, Business Sweden (2019)

Business Sweden's Export Managers' Index (*EMI*), which reflects sentiment among exporters of goods and services remained virtually unchanged in the fourth quarter 2019. EMI increased marginally by 0.1 points to 50.7 in the fourth quarter, compared with 50.6 in the third quarter. This is a low level from a historical perspective, the likes of which has not been seen since the fourth quarter of 2012

when the index was even lower. The fact that EMI is hovering around the 50-mark – which is the dividing line between optimism and pessimism – means that there are as just as many companies who believe in a strengthening as in a weakening in export development. This indicates that the sentiment among export companies is normal.

UPSWING IN EMI FORECAST

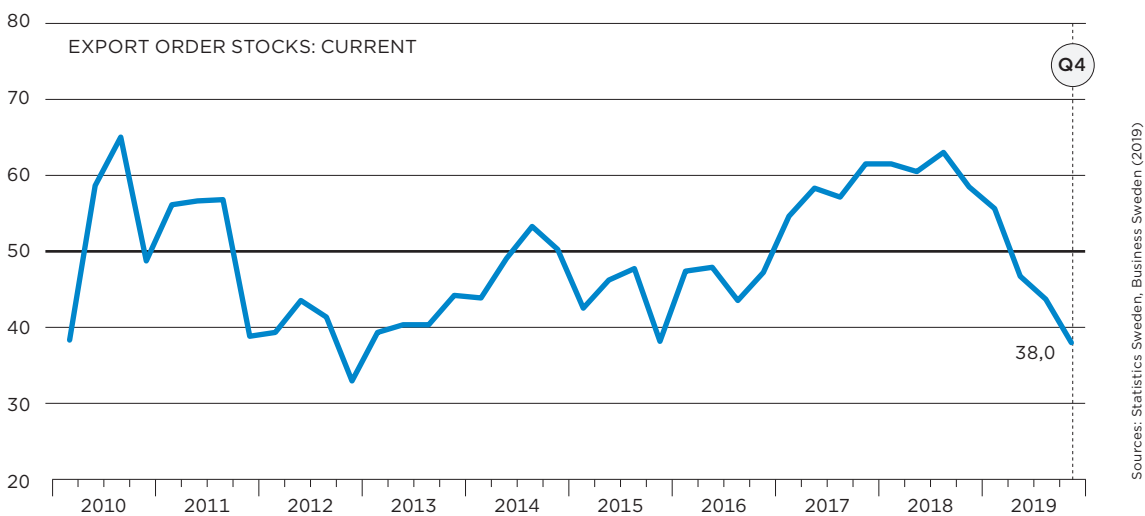


The EMI current index fell heavily, relatively speaking, by 3.5 points to 50.3 in the fourth quarter, from 53.8 in the previous quarter. It is the third quarter in a row that the EMI current index has fallen. By way of contrast, the EMI forecast index, which is the sub-index for the forward-looking issues – increased after having trended downwards five quarters in a row. The EMI forecast increased by 3.7 points to 51.1 in the fourth quarter, from

47.4 in the third quarter. Despite the considerable drop, the EMI current index remains above the 50-mark, which is an indication that sentiment among exporters is slightly better than normal.

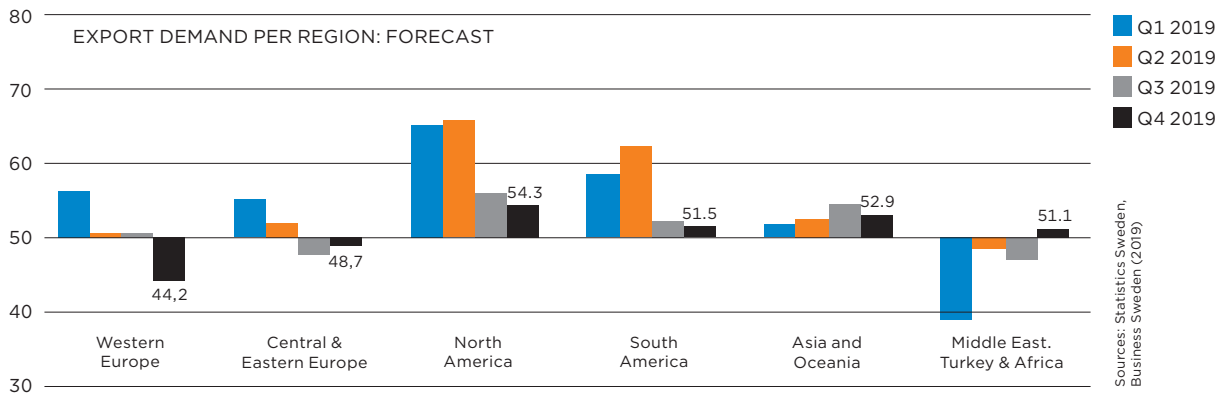
The EMI forecast bounced upwards slightly above the 50-mark, which indicates that sentiment towards exports over a three-month perspective, has once again turned optimistic.

COMPANIES DISSATISFIED WITH EXPORT ORDER STOCKS



The index related to the view of export order stocks fell for the fifth quarter in a row. The index fell markedly by 5.6 points to 38.0 in the fourth quarter, from 43.6 in the third quarter. This is the lowest figure since the fourth quarter of 2012 and is far below the 50-mark as well as the historical average of 48.0. This indicates that companies are dissatisfied with export order stocks.

PESSIMISTIC PROJECTION OF EXPORT DEMAND FROM EUROPE

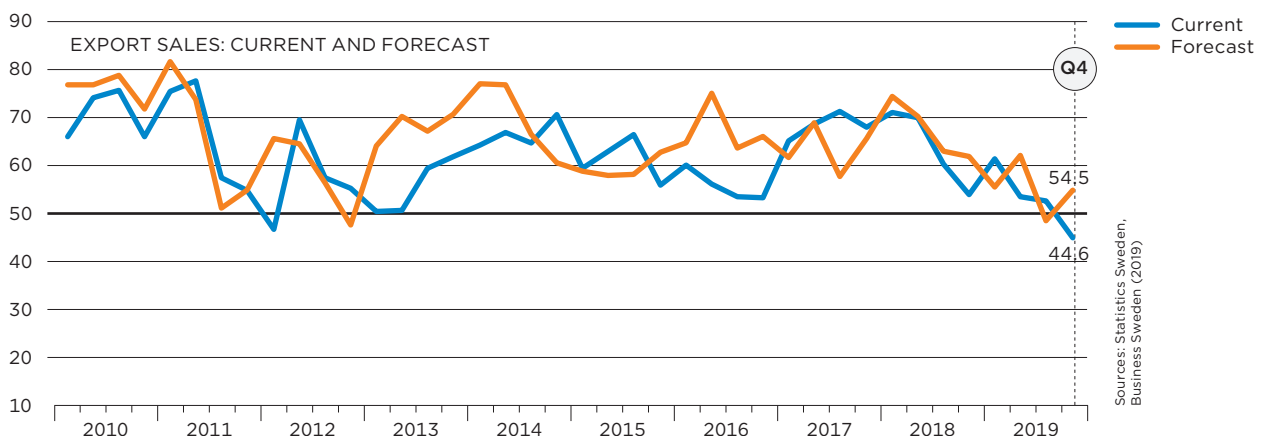


The projected export demand fell for all regions except Central and Eastern Europe and the Middle East, Turkey and Africa. The decline in Western Europe was particularly steep. The index for Western Europe dropped by 6.3 points to 44.2 in the fourth quarter, from 50.5 in the third quarter. The index for North America fell by 1.5 points to 54.3 in the fourth quarter, compared to the previous quarter. The indices for Asia and Oceania also fell by 1.5 points to 52.9 in the fourth quarter, compared with the third quarter. The index for South America fell by a moderate 0.6 points to 51.5 in the fourth quarter, compared with the third quarter.

The index for Central and Eastern Europe, however, increased by 1.0 point to 48.7 in the fourth quarter, compared with the third quarter. The index for projected export demand from the Middle East, Turkey and Africa increased notably by 4.2 points to 51.1 in the fourth quarter, from 46.9 in the third quarter. This is the first time in five quarters that the index has climbed above the 50-mark.

Overall, the view of projected export demand differs between the regions. The index is below the 50-mark for Western Europe and Central and Eastern Europe. This signifies that the export companies have a pessimistic view of the expected export demand from Europe as a whole. For all other regions, the index is above the 50-mark, which indicates optimism.

OPTIMISM RETURNS TO PROJECTED EXPORT SALES

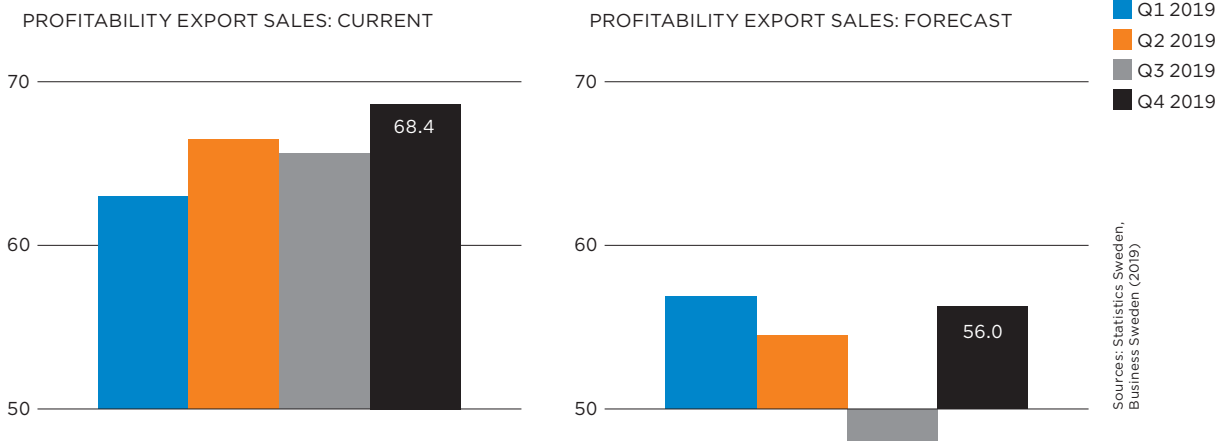


The companies' optimistic view of current export sales fell for the third quarter in a row. The index dropped heavily by 7.8 points to 44.6 in the fourth quarter, from 52.4 in the third quarter. This is the lowest level since the first quarter of 2012. In contrast, the index for projected export sales over a three-month period increased considerably by 6.4 points to 54.5 in the fourth quarter, from 48.1 in the previous quarter.

However, the drop in the index to below the 50 in the third quarter seems to have been temporary.

The fact that the index for projected export sales is below the 50-mark is an indication that companies are currently pessimistic. Nevertheless, when companies look forward and view export sales from a three-month perspective their optimism returns.

OPTIMISTIC VIEW OF PROFITABILITY IN EXPORT SALES



The companies' assessment of profitability in export sales, seen from a three-month perspective, recovered during the fourth quarter. The index increased notably by 7.9 points to 56.0 in the fourth quarter, from 48.1 in the third quarter. The index for current profitability increased by 3.0 points to 68.4 in the fourth quarter, from 65.4 in the third quarter. This is well above the historical average of 56.2.

The fact that the index for profitability in export sales both current and over a three-month period is above the 50-mark indicates that the companies have an optimistic view of profitability at the present time. A continued expansive monetary policy together with a weak krona is undoubtedly a major contributor to this positive view of profitability in export sales.

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 216 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 Manager's 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. The 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 analysis for the fourth quarter of 2019 was conducted during the period 21 October – 7 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 people who 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/l8ebjmx).

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

EMI	SELECTION	Q3 2019	Q4 2019	DIFF Q4 19 - Q3 19	
1. EMI total	Total	50.6	50.7	0.1	→
1. EMI total	SEK 25-250m	56.2	57.4	1.2	↗
1. EMI total	>SEK 250m	49.8	49.9	0.1	→
2. EMI current	Total	53.8	50.3	-3.5	↘
2. EMI current	SEK 25-250m	52.9	57.1	4.2	↗
2. EMI current	>SEK 250m	53.9	49.5	-4.4	↘
3. EMI forecast	Total	47.4	51.1	3.7	↗
3. EMI forecast	SEK 25-250m	59.5	57.7	-1.8	↘
3. EMI forecast	>SEK 250m	45.8	50.3	4.5	↗

QUESTIONS CURRENT	SELECTION	Q3 2019	Q4 2019	DIFF Q4 19 - Q3 19	
Question 1 - Export sales	Total	52.4	44.6	-7.8	↘
Question 1 - Export sales	SEK 25-250m	56.4	59.2	2.8	↗
Question 1 - Export sales	>SEK 250m	51.8	42.8	-9.0	↘
Question 2 - Export order stock	Total	43.6	38.0	-5.6	↘
Question 2 - Export order stock	SEK 25-250m	40.3	43.6	3.3	↗
Question 2 - Export order stock	>SEK 250m	44.1	37.3	-6.8	↘
Question 3 - Export profitability	Total	65.4	68.4	3.0	↗
Question 3 - Export profitability	SEK 25-250m	62.2	68.6	6.4	↗
Question 3 - Export profitability	>SEK 250m	65.9	68.4	2.5	↗

QUESTIONS FORECAST	SELECTION	Q3 2019	Q4 2019	DIFF Q4 19 - Q3 19	
Question 4 - Export market demand	Total	46.2	55.4	9.2	↗
Question 4 - Export market demand	SEK 25-250m	64.1	62.9	-1.2	↘
Question 4 - Export market demand	>SEK 250m	43.7	54.5	10.8	↗
Question 4a - Western Europe	Total	50.5	44.2	-6.3	↘
Question 4a - Western Europe	SEK 25-250m	54.2	59.5	5.3	↗
Question 4a - Western Europe	>SEK 250m	50.0	42.3	-7.7	↘
Question 4b - Central & Eastern Europe	Total	47.7	48.7	1.0	→
Question 4b - Central & Eastern Europe	SEK 25-250m	61.7	62.3	0.6	→
Question 4b - Central & Eastern Europe	>SEK 250m	46.1	47.2	1.1	↗
Question 4c1 - North America	Total	55.8	54.3	-1.5	↘
Question 4c1 - North America	SEK 25-250m	65.2	66.3	1.1	↗
Question 4c1 - North America	>SEK 250m	54.8	52.9	-1.9	↘
Question 4c2 - South America	Total	52.1	51.5	-0.6	→
Question 4c2 - South America	SEK 25-250m	54.4	56.4	2.0	↗
Question 4c2 - South America	>SEK 250m	51.9	51.0	-0.9	→
Question 4d - Asia & Oceania	Total	54.4	52.9	-1.5	↘
Question 4d - Asia & Oceania	SEK 25-250m	62.9	66.0	3.1	↗
Question 4d - Asia & Oceania	>SEK 250m	53.4	51.5	-1.9	↘
Question 4e - Middle East, Turkey & Africa	Total	46.9	51.1	4.2	↗
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	59.6	60.6	1.0	→
Question 4e - Middle East, Turkey & Africa	>SEK 250m	45.6	50.2	4.6	↗
Question 5 - Export sales	Total	48.1	54.5	6.4	↗
Question 5 - Export sales	SEK 25-250m	67.3	62.9	-4.4	↘
Question 5 - Export sales	>SEK 250m	45.5	53.4	7.9	↗
Question 6 - Export profitability	Total	48.1	56.0	7.9	↗
Question 6 - Export profitability	SEK 25-250m	57.1	55.1	-2.0	↘
Question 6 - Export profitability	>SEK 250m	46.9	56.1	9.2	↗
Question 7 - Export profitability	Total	47.3	38.7	-8.6	↘
Question 7 - Export profitability	SEK 25-250m	49.4	50.0	0.6	→
Question 7 - Export profitability	>SEK 250m	47.1	37.3	-9.8	↘

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



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