



**BUSINESS SWEDEN**

# **RECOVERY UNDERWAY FOR SWEDISH EXPORTS**

EXPORT MANAGERS' INDEX THIRD QUARTER 2020



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EXPORT MANAGERS' INDEX THIRD QUARTER 2020

# EXECUTIVE SUMMARY

Following a dramatic plunge during the second quarter, Business Sweden's Export Managers' Index recovered during the third quarter. All sub-indices increased and most did so by double digits. The EMI increased by 11.5 points to 48.7 in the third quarter from 37.2 in the second quarter. The fact that the index is close to the 50-mark – which is the dividing line between optimism and pessimism – indicates that the export companies collectively have a balanced view of export development.

The EMI's increase is first and foremost explained by the rise of the EMI forecast which is the sub-index for the forward-looking issues. The EMI forecast rose by 15.4 points to 53.6 in the third quarter, from 38.2 in the second quarter. Current EMI increased as well, although by a more moderate 7.7 points to 43.9 in the third quarter, from 36.2 in the second quarter. This means that export companies are pessimistic about the current situation but take a more optimistic view in their three-month outlook.

In contrast to the previous quarter, a distinctive finding in this survey is that all sub-indices have increased. Several sub-indices managed to climb above the 50-mark although some remain under 50. Current sentiment among export companies regarding export sales continues to be pessimistic, and so is the view of export order stocks. However, expectations on profitability in current export sales are optimistic. The index for expected export sales over the next three months leaped to 54.8 points in the third quarter, from 28.8 in the previous quarter.

The coronavirus pandemic has undoubtedly left Sweden's export companies with deep scars, but the recovery seems to be getting underway in large parts of the world. This is partly reflected in the optimistic view among companies regarding export demand particularly from Europe and Asia. At the same time, sentiment is still gloomy when it comes to export demand from South America and, to a certain extent, North America. In the Middle East, Turkey and Africa, sentiment among export managers has almost returned to normal.

The index for expected export demand increased for all regions and especially Europe. The index for Western Europe increased the most – by as much as 27.3 points reaching 61.6 in the third quarter. This is well above the historical average of 54.8 points. For Central and Eastern Europe, the index increased by 26.8 points to 56.0 in the third quarter compared to the second quarter. For the Middle East, Turkey and Africa the index jumped by 23 points to 49.4 in the third quarter. The index also increased significantly for Asia and Oceania by 17.4 points to 62.4.

The increase, however, for North and South America was more moderate. The index for North America climbed to 48.8 points, which is close to the 50-mark. For South America the index did not reach higher than 32.6 which indicates a continuation of the bleak outlook.

In all, we can observe in this survey that several sub-indices have recovered and stabilised around or above the 50-mark. This clearly indicates that sentiment among export companies has improved, particularly in terms of the next three-month forecast. Unless developments in the coronavirus crisis trigger a major setback, the recovery is likely to continue.

The next Export Managers' Index will be published on 12 November 2020.

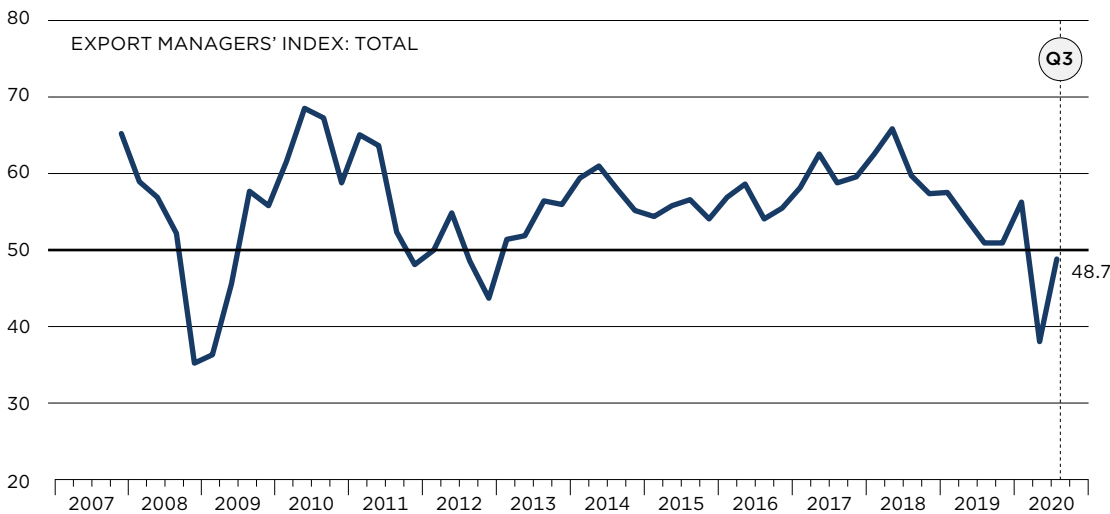


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Business Sweden

# EXPORT MANAGER'S INDEX RECOVERS IN THIRD QUARTER

UPWARD TREND IN EXPORT MANAGERS' INDEX (EMI) THIRD QUARTER



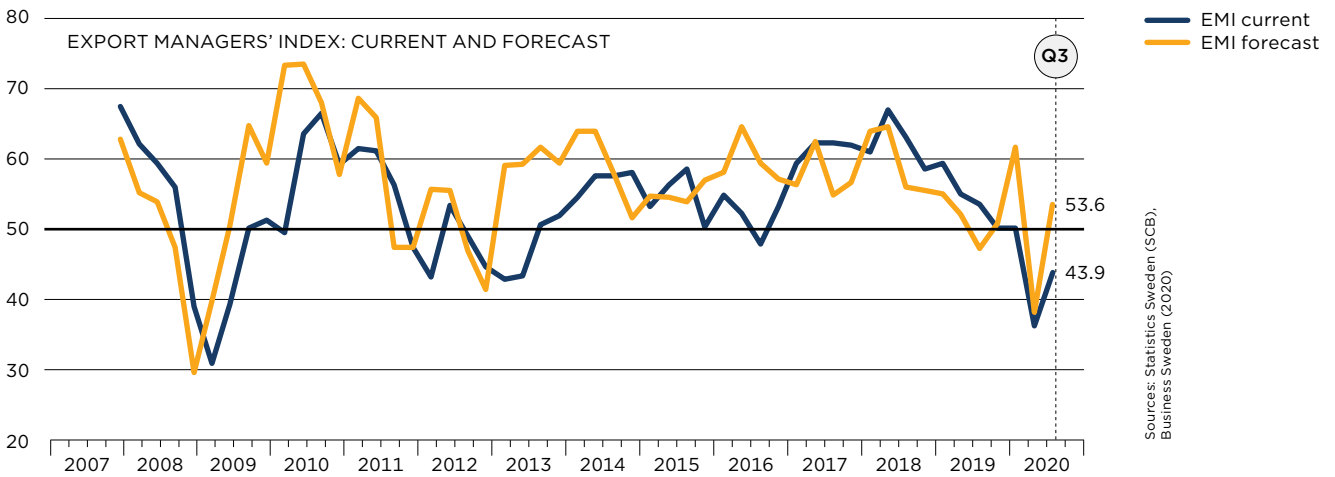
Sources: Statistics Sweden (SCB),  
Business Sweden (2020)

Business Sweden's Export Managers' Index (EMI), which monitors views and reflects sentiment among Swedish exporters of goods and services, partially recovered in the third quarter, following the sharpest drop ever recovered for a single quarter. The EMI increased by 11.5 points to 48.7 in the third quarter, from 37.2 in the second quarter. The fact that EMI is close to the 50-mark

– which is the dividing line between optimism and pessimism – means that more export companies believe in a weakening than a strengthening of export development.

This indicates that sentiment among export companies continues to be somewhat more gloomy than normal.

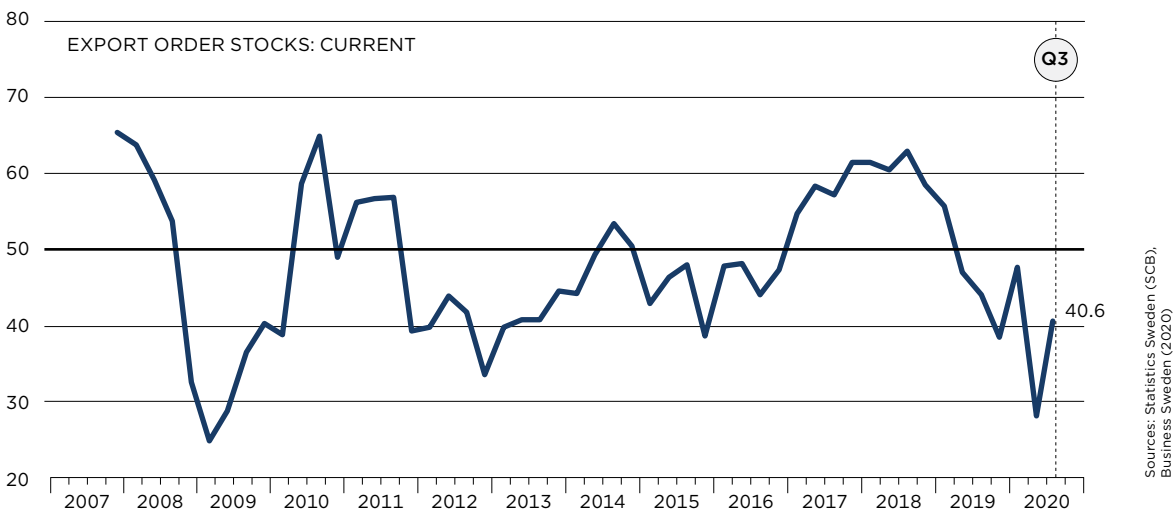
## THE EMI FORECAST ACCOUNTS FOR SHARPEST INDEX INCREASE



Both the EMI current and EMI forecast sub-indices rose significantly in the third quarter, having dropped to historically low levels in the previous quarter. The EMI forecast – which is the sub-index for forward-looking issues – increased by as much as 15.4 points to 53.6 in the third quarter, compared to 38.2 in the second quarter. The EMI current sub-index increased by 7.7 points to 43.9 in the third quarter, from 36.2 in the second quarter.

The fact that the EMI current index is still far below the 50-mark, despite the upward trend, indicates a continuation of the gloomy sentiment among export companies for the time being. However, the EMI forecast has once again settled at well above 50, which indicates that export companies have an optimistic view of the next three-month period.

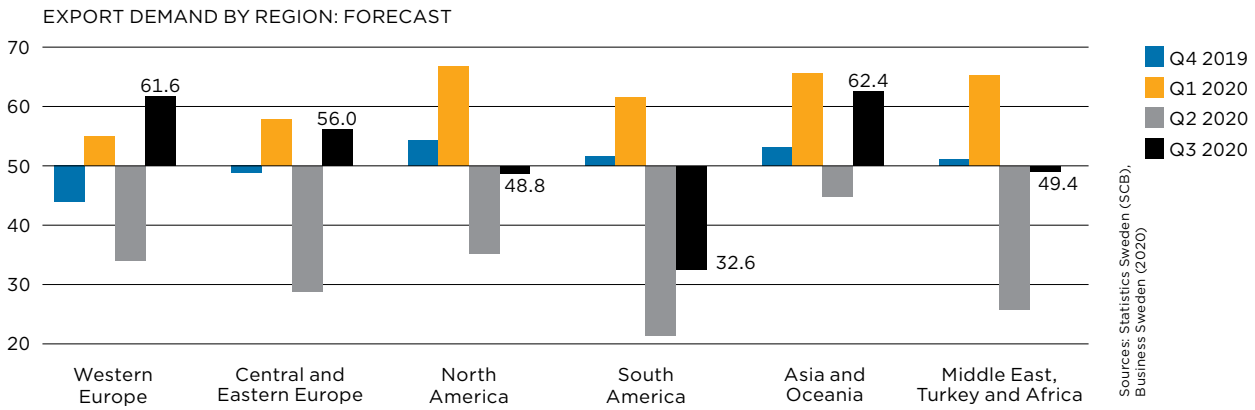
## FEWER COMPANIES ARE DISSATISFIED WITH EXPORT ORDER STOCKS



The index measuring views of export order stocks increased by 13 points to 40.6 in the third quarter, from 27.6 in the second quarter. This relatively sharp increase signals that fewer companies are dissatisfied with their export order stocks compared to the previous quarter. Nonetheless, the index continues to stay below the historical average of 47.4 and thus below the 50-mark.

When the index is below the 50-mark this indicates that more companies are dissatisfied with export order stocks than vice versa.

## SHARP RISE IN SENTIMENT ON EXPECTED EXPORT DEMAND FROM EUROPE



The index for expected export demand took a great leap upward during the third quarter, compared to the second quarter. The rise was particularly steep in Europe and Western Europe increased the most, where the index for expected export demand rose by 27.3 points to 61.6 in the third quarter, compared to the second quarter. For Central and Eastern Europe the index increased by 26.8 points to 56.0 in the third quarter. For the Middle East, Turkey and Africa the index increased by 23.0 points to 49.4. The index for Asia and Oceania also increased considerably by 17.4 points to 62.4 in the third quarter, compared to the previous quarter.

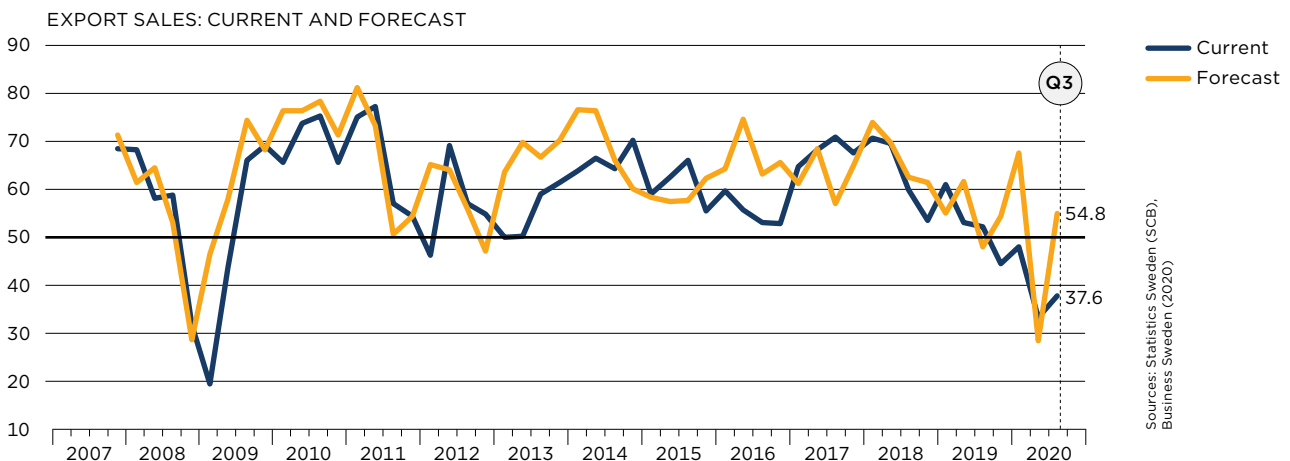
The index for Western Europe is now well above its historical average level of 54.8 and the index for Central and Eastern Europe is more or less on par with the historical average.

However, export managers continue to have a

gloomy view of expected export demand from the Americas, especially South America. The index for expected export demand from North America and South America increased moderately. The index for North America increased by 13.2 points to 48.8 in the third quarter, compared to the second quarter. The index for South America increased by 10.6 points to 32.6 in the third quarter, but is still well below the 50-mark. This indicates that export managers have a gloomy view of the region. The outlook for North America is not as downcast given that the index is just below 50.

In all, it is fair to conclude that the index is clearly above or close to the 50-mark for all regions except South America. This indicates that companies have an optimistic view of expected export demand with the exception of South America where sentiment remains dull.

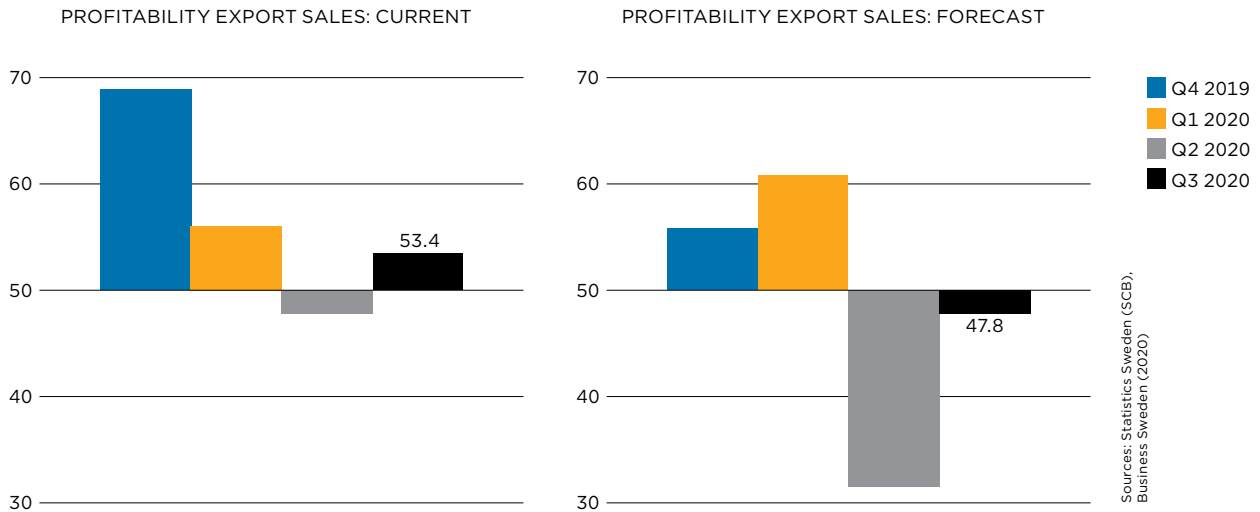
## THE OUTLOOK FOR EXPORT SALES IS RE-ENERGISED



Following a free-fall, the index for the three-month forecast in relation to expected export sales has increased. The index rose by as much as 26 points to 54.8 in the third quarter, compared to 28.8 in the previous quarter. The current index increased, too, but only by 4.3 points to 37.6 in the third quarter, from 33.3 in the second quarter.

The fact that the index for expected export sales for the next three months is above the 50-mark signals an optimistic view of the future among export companies. Conversely, the current index which is significantly below the 50-mark indicates that a gloomy view prevails when it comes to current export sales.

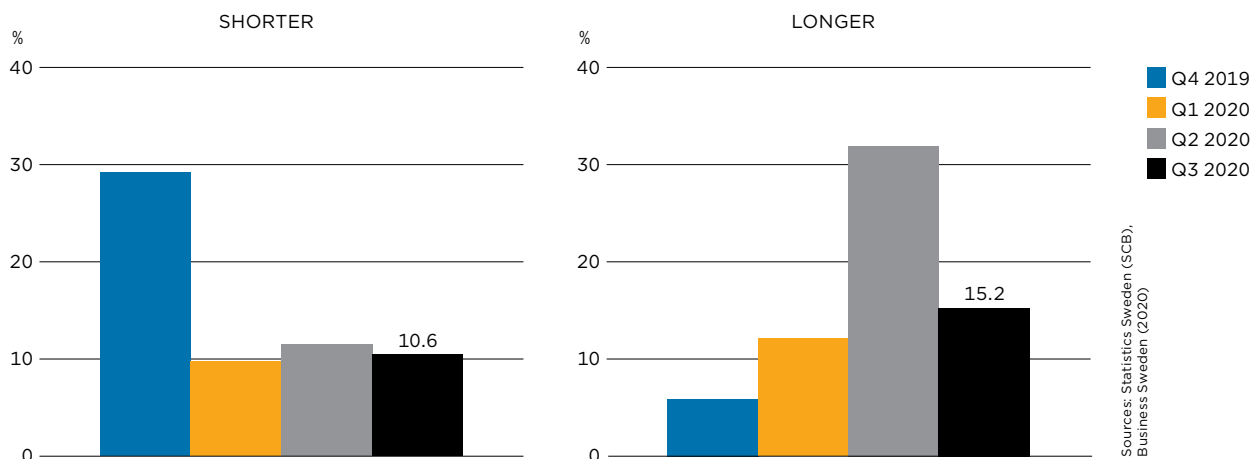
## OPTIMISTIC VIEW OF PROFITABILITY IN CURRENT EXPORT SALES



The index measuring how companies assess current profitability in export sales increased by 5.6 points to 53.4 in the third quarter, from 47.8 in the second quarter. The increase in the index for the three-month forecast was substantially higher, climbing 16.6 points to 47.8 in the third quarter, compared to 31.2 in the second quarter.

The fact that the index continues below the 50-mark for expected profitability in export sales indicates that companies have a gloomy view of profitability when assessing the future.

## FEWER COMPANIES EXPECT LONGER DELIVERY TIMES



The share of companies expecting shorter delivery times for exports over the next three months was more or less unchanged at 11 per cent in the third quarter, compared to the second quarter. At the same time, the share of companies expecting longer delivery times over the next three months was halved, falling to 15.2 per cent in the third quarter from 32.3 per cent in the second quarter.

The sharp increase seen in the second quarter in the share of companies expecting longer

delivery times was probably a temporary event. Longer delivery times normally reflect increased activity among companies. The temporary rise – given the challenges of the coronavirus crisis – most likely reflected that companies were tackling large problems in their supply chains (shortage of intermediate goods, blocked transports due to border restrictions etc). The current decline, therefore, could be a sign that these problems have abated.

## 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 211 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 third quarter 2020 was conducted during the period 27 July – 17 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 64 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](http://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

EMI	SELECTION	Q2 2020	Q3 2020	DIFF Q3 20 - Q2 20	
<b>EMI total</b>	<b>Total</b>	<b>37.2</b>	<b>48.7</b>	<b>11.5</b>	<b>↗</b>
1. EMI total	SEK 25-250m	40.4	49.5	9.1	↗
1. EMI total	>SEK 250m	36.8	48.6	11.8	↗
<b>2. EMI current</b>	<b>Total</b>	<b>36.2</b>	<b>43.9</b>	<b>7.7</b>	<b>↗</b>
2. EMI current	SEK 25-250m	38.0	44.1	6.1	↗
2. EMI current	>SEK 250m	36.0	43.8	7.8	↗
<b>3. EMI forecast</b>	<b>Total</b>	<b>38.2</b>	<b>53.6</b>	<b>15.4</b>	<b>↗</b>
3. EMI forecast	SEK 25-250m	42.9	54.9	12.0	↗
3. EMI forecast	>SEK 250m	37.6	53.4	15.8	↗

QUESTIONS CURRENT	SELECTION	Q2 2020	Q3 2020	DIFF Q3 20 - Q2 20	
Question 1 - Export sales	Total	33.3	37.6	4.3	↗
Question 1 - Export sales	SEK 25-250m	34.8	42.7	7.9	↗
Question 1 - Export sales	>SEK 250m	33.1	36.9	3.8	↗
Question 2 - Export order stock	Total	27.6	40.6	13.0	↗
Question 2 - Export order stock	SEK 25-250m	30.4	31.5	1.1	↗
Question 2 - Export order stock	>SEK 250m	27.2	41.7	14.5	↗
Question 3 - Export profitability	Total	47.8	53.4	5.6	↗
Question 3 - Export profitability	SEK 25-250m	48.7	58.1	9.4	↗
Question 3 - Export profitability	>SEK 250m	47.7	52.8	5.1	↗

QUESTIONS FORECAST	SELECTION	Q2 2020	Q3 2020	DIFF Q3 20 - Q2 20	
Question 4 - Export market demand	Total	32.3	59.4	27.1	↗
Question 4 - Export market demand	SEK 25-250m	34.2	60.0	25.8	↗
Question 4 - Export market demand	>SEK 250m	32.0	59.3	27.3	↗
Question 4a - Western Europe	Total	34.3	61.6	27.3	↗
Question 4a - Western Europe	SEK 25-250m	36.0	59.4	23.4	↗
Question 4a - Western Europe	>SEK 250m	34.1	61.8	27.7	↗
Question 4b - Central & Eastern Europe	Total	29.2	56.0	26.8	↗
Question 4b - Central & Eastern Europe	SEK 25-250m	33.1	50.0	16.9	↗
Question 4b - Central & Eastern Europe	>SEK 250m	28.8	56.6	27.8	↗
Question 4c1 - North America	Total	35.6	48.8	13.2	↗
Question 4c1 - North America	SEK 25-250m	36.5	47.6	11.1	↗
Question 4c1 - North America	>SEK 250m	35.5	48.9	13.4	↗
Question 4c2 - South America	Total	22.0	32.6	10.6	↗
Question 4c2 - South America	SEK 25-250m	39.8	44.6	4.8	↗
Question 4c2 - South America	>SEK 250m	20.3	31.4	11.1	↗
Question 4d - Asia & Oceania	Total	45.0	62.4	17.4	↗
Question 4d - Asia & Oceania	SEK 25-250m	43.5	64.1	20.6	↗
Question 4d - Asia & Oceania	>SEK 250m	45.1	62.3	17.2	↗
Question 4e - Middle East, Turkey & Africa	Total	26.4	49.4	23.0	↗
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	35.8	52.4	16.6	↗
Question 4e - Middle East, Turkey & Africa	>SEK 250m	25.5	49.1	23.6	↗
Question 5 - Export sales	Total	28.8	54.8	26.0	↗
Question 5 - Export sales	SEK 25-250m	35.4	59.0	23.6	↗
Question 5 - Export sales	>SEK 250m	27.9	54.2	26.3	↗
Question 6 - Export profitability	Total	31.2	47.8	16.6	↗
Question 6 - Export profitability	SEK 25-250m	42.4	47.5	5.1	↗
Question 6 - Export profitability	>SEK 250m	29.8	47.8	18.0	↗
Question 7 - Export profitability	Total	60.5	52.3	-8.2	↘
Question 7 - Export profitability	SEK 25-250m	59.5	53.2	-6.3	↘
Question 7 - Export profitability	>SEK 250m	60.6	52.2	-8.4	↘

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







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