



Swedish exports power ahead

EXPORT MANAGERS' INDEX, FIRST QUARTER 2018

BUSINESS SWEDEN

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EXPORT MANAGERS' INDEX, FIRST QUARTER 2018

EXECUTIVE SUMMARY

The Business Sweden Export Managers' Index (EMI) rose by 3.2 points to 62.9 in the first quarter, up from 59.7 in Q4 2017. This is the highest level recorded since the second quarter of 2011 and signals that Swedish exporters have begun the year with an optimistic outlook.

The higher EMI was due to a strong increase in expectations of future export growth. The forecast EMI, an index based on responses to forward-looking questions, rose by 7.5 points to 64.4 in Q1, up from 56.9 in Q4 2017. This illustrates increased optimism over future export prospects.

By contrast, the current EMI fell by 1 point to 61.4, reflecting slightly weaker sentiment regarding current exports.

The various sub-indices remained above 50, signalling continued high levels of optimism in respect of current and future exports. Future exports are measured over a three-month timeframe.

Exporters take a positive view of projected export revenues and profitability and remain satisfied with export order stocks.

The percentage of companies expecting longer delivery times rose from 11.8 percent to 14.3 percent, while the percentage of companies anticipating shorter delivery times fell from 14.1 percent to 8.3 percent. Increased expectations of longer delivery times are a positive factor, indicating higher resource utilisation.

Overall, the number of Swedish exporters expecting higher demand rose sharply in the first quarter. Major regional differences were noted, however. Projected demand rose markedly in Western Europe and North America but fell for the second consecutive quarter in Asia and Oceania. Projected demand rose by 9.3 points to 70.3 in Western Europe and by 12.6 points to 73.9 in North America. The index for projected export demand over a three-month time frame was comfortably above 50 in all regions, confirming across-the-board optimism regarding future demand.

The next Export Managers' Index will be published on 16 May 2018.

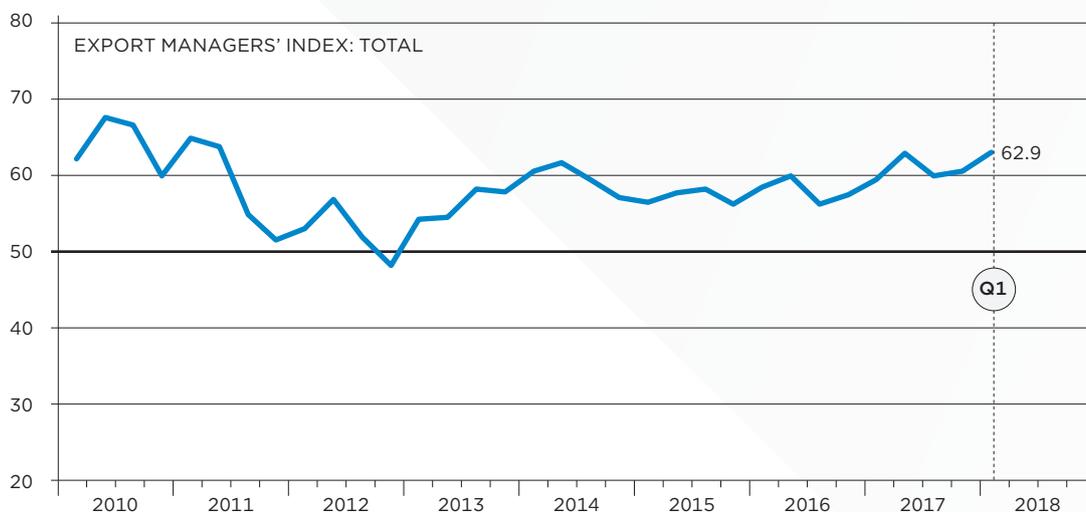
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SWEDISH EXPORTS POWER AHEAD

EXPORT MANAGERS' INDEX INCREASED FIRST QUARTER

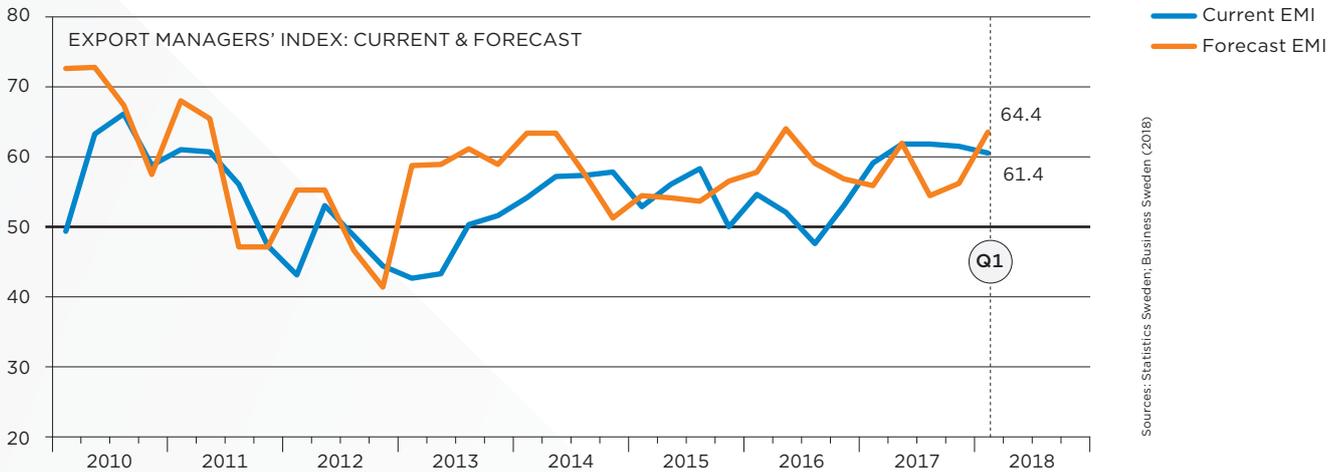


Source: Statistics Sweden; Business Sweden (2018)

The Export Managers' Index measures confidence among Swedish exporters of goods and services. It rose from 59.7 in the final quarter of 2017 to 62.9 in Q1 2018. This increase of 3.2 points lifted the EMI to its highest level since the second quarter of 2011, underscoring a high level of positive sentiment within the export sector.

An EMI of more than 50 indicates that a majority of companies expect their exports to increase rather than decrease.

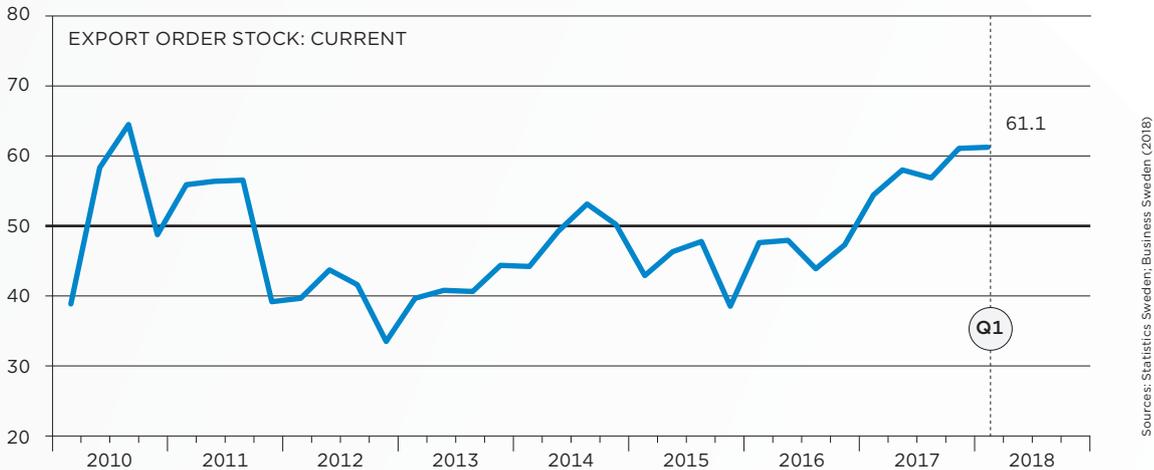
SHARP INCREASE IN FORECAST EXPORT DEMAND



The forecast EMI, which tracks future expectations, was the main driver behind the overall EMI, climbing 7.5 points to 64.4 – up from 56.9 in Q4 2017. This is substantially above the historic average of 57.4 and indicates a positive future outlook among exporters.

The current EMI fell slightly from 62.4 to 61.4 but remains above 50, indicating higher-than-average levels of optimism. If the current and forecast EMI are both above 50 it suggests that Swedish exports are strong and that exporters expect a favourable climate going forward.

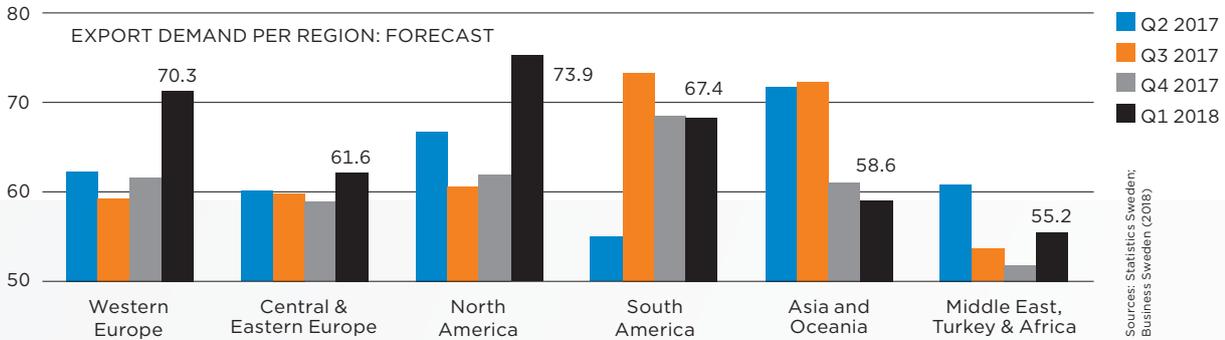
EXPORT ORDER STOCK OUTLOOK REMAINS POSITIVE



Confidence in export order stocks rose fractionally to 61.1, reaching its highest level since the third quarter of 2010 and comfortably eclipsing the historic average

of 47.3. This elevated level indicates a high degree of optimism on export order intake. [exportorderstockarna](#).

HIGHER EXPECTATIONS IN WESTERN EUROPE AND NORTH AMERICA



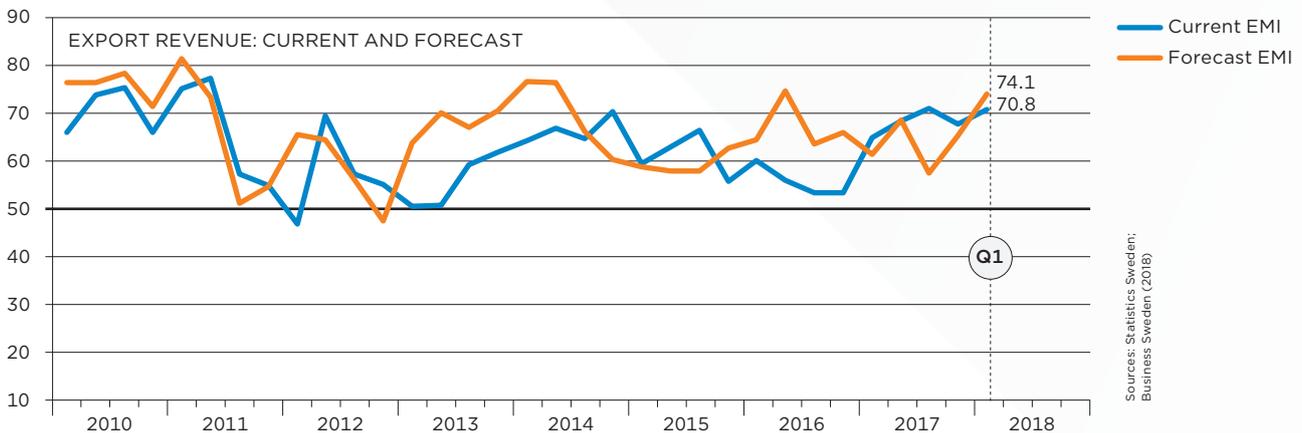
Sources: Statistics Sweden; Business Sweden (2018)

The index for forecast export demand rose by 11 points, from 61.0 to 72.0. This is a very high level – the highest, in fact, since the second quarter of 2011.

Market sentiment differs between regions, however, with forecast export demand rising in Western Europe and North America but falling in Asia and Oceania. Forecast export demand in Western Europe rose from 61.0 to 70.3, an increase of 9.3 points. Central and Eastern Europe reported an increase of 3.2 points, with the index reaching 61.6. The largest increase in forecast export demand was in North America, where the index jumped 12.6 points, from 61.3 to 73.9.

Asia and Oceania reported weaker sentiment for the second consecutive quarter, with the index dropping 1.9 points to 58.6 – considerably below the historical average of 69.2. Forecast demand from South America was virtually unchanged, while in the Middle East, Turkey and Africa the index rose by 3.5 points to 55.2. The fact that the index remains comfortably above 50 in all regions indicates strong optimism regarding future export demand.

MORE COMPANIES EXPECTING HIGHER EXPORT REVENUE

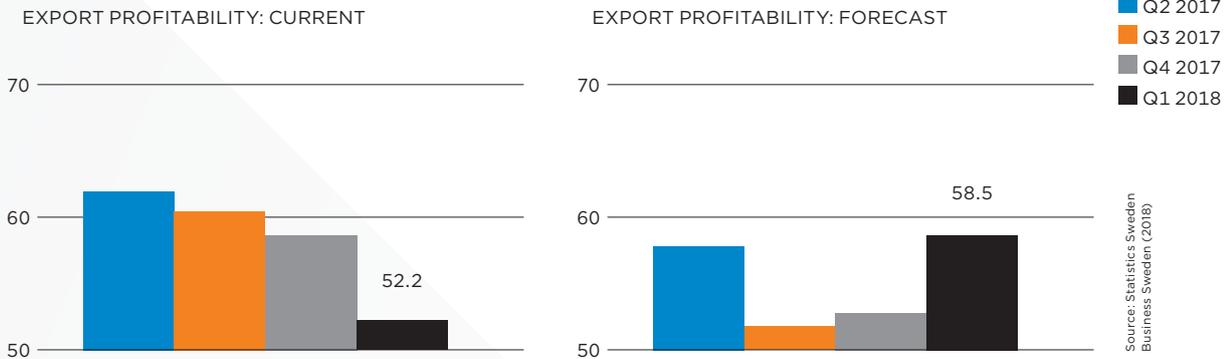


Sources: Statistics Sweden; Business Sweden (2018)

The number of companies expecting higher current and future export sales revenue rose, with the current EMI gaining 3.1 points and the forecast EMI jumping 8.9 points.

Both indices are above 70, signalling strong confidence among exporters regarding current and future (three months hence) export sales revenue.

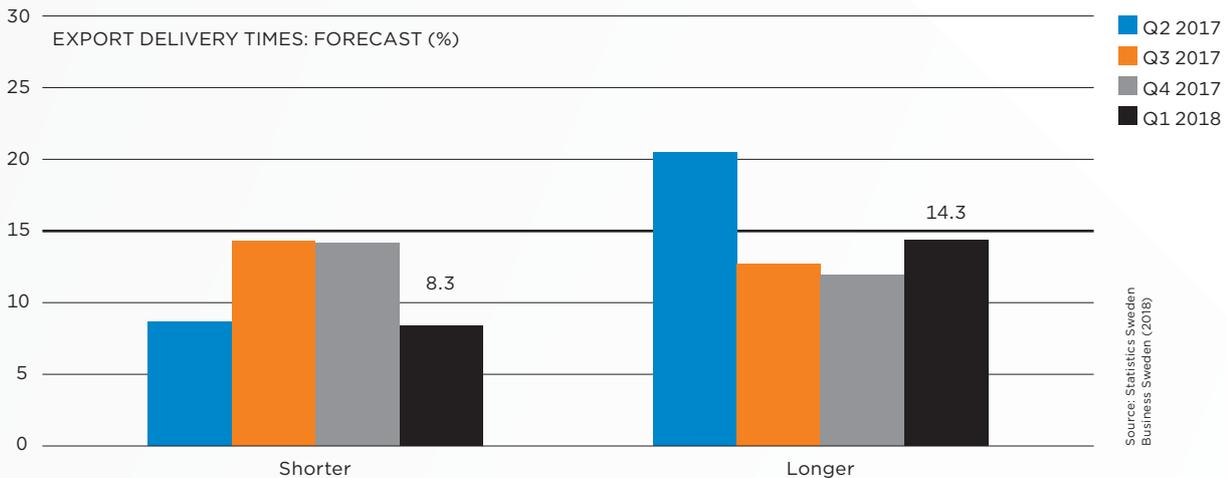
EXPECTATIONS OF HIGHER EXPORT PROFITABILITY



Current confidence in export profitability fell from 58.5 to 52.5, a drop of 6.3 points. Confidence in forecast export profitability rose by 5.8 points to 58.5, up from 52.7.

This implies that exporters take an optimistic view of export profitability over the coming quarter.

LONGER DELIVERY TIMES IMPLY HIGHER RESOURCE UTILISATION



The percentage of companies anticipating shorter delivery times over a three-month time frame fell from 14.1 percent to 8.3 percent, while the percentage of companies expecting longer delivery times over a three-month period rose from 11.8 percent to 14.3 percent.

The fact that more companies expect longer delivery times over a three-month time frame is positive, implying higher resource utilisation (business activity).

ABOUT THE EXPORT MANAGERS'

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 225 companies, half of which have export revenue exceeding SEK 250 million (large exporters) and half of which have export revenue 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 survey is primarily geared to developing data to compile the Export Managers' Index.

The EMI is in two parts – a main index and two sub-indices (one describing current conditions and the other future expectations). It is based on responses to seven questions, of which three relate to current conditions and four to future forecasts. The seven questions each have equal weight in the index. The survey for the first quarter of 2018 was carried out between 22 January and 9 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 81 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.¹

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 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.

¹ See analysis in National Institute of Economic Research's Business Cycle Barometer, May 2016, www.tinyurl.com/l8ebjmx

APPENDIX

DATA: WEIGHTED TIME SERIES

EMI	SELECTION	Q4 2017	Q1 2018	DIFF Q1 18-Q4 17	
1. EMI total	Total	59.7	62.9	3.2	↗
1. EMI total	SEK 25-250m	60.5	59.1	-1.4	↘
1. EMI total	>SEK 250m	59.5	63.7	4.2	↗
2. EMI current	Total	62.4	61.4	-1.0	→
2. EMI current	SEK 25-250m	59.3	56.8	-2.5	↘
2. EMI current	>SEK 250m	63.0	62.3	-0.7	→
3. EMI forecast	Total	56.9	64.4	7.5	↗
3. EMI forecast	SEK 25-250m	61.8	61.3	-0.5	→
3. EMI forecast	>SEK 250m	56.0	65.0	9.0	↗

FRÅGOR NULÄGE	SELECTION	Q4 2017	Q1 2018	DIFF Q1 18-Q4 17	
Question 1 - Export sales	Total	67.7	70.8	3.1	↗
Question 1 - Export sales	SEK 25-250m	69.4	67.8	-1.6	↘
Question 1 - Export sales	>SEK 250m	67.3	71.4	4.1	↗
Question 2 - Export order stock	Total	61.0	61.1	0.1	→
Question 2 - Export order stock	SEK 25-250m	50.0	41.1	-8.9	↘
Question 2 - Export order stock	>SEK 250m	63.1	65.1	2.0	↗
Question 3 - Export profitability	Total	58.5	52.2	-6.3	↘
Question 3 - Export profitability	SEK 25-250m	58.3	61.6	3.3	↗
Question 3 - Export profitability	>SEK 250m	58.6	50.3	-8.3	↘

FRÅGOR PROGNO	SELECTION	Q4 2017	Q1 2018	DIFF Q1 18-Q4 17	
Question 4 - Export market demand	Total	61.0	72.0	11.0	↗
Question 4 - Export market demand	SEK 25-250m	70.1	67.8	-2.3	↘
Question 4 - Export market demand	>SEK 250m	59.3	72.8	13.5	↗
Question 4a - Western Europe	Total	61.0	70.3	9.3	↗
Question 4a - Western Europe	SEK 25-250m	66.9	64.5	-2.4	↘
Question 4a - Western Europe	>SEK 250m	59.9	71.4	11.5	↗
Question 4b - Central & Eastern Europe	Total	58.4	61.6	3.2	↗
Question 4b - Central & Eastern Europe	SEK 25-250m	62.7	59.6	-3.1	↘
Question 4b - Central & Eastern Europe	>SEK 250m	57.7	61.9	4.2	↗
Question 4c1 - North America	Total	61.3	73.9	12.6	↗
Question 4c1 - North America	SEK 25-250m	69.1	65.4	-3.7	↘
Question 4c1 - North America	>SEK 250m	60.2	75.4	15.2	↗
Question 4c2 - South America	Total	67.6	67.4	-0.2	→
Question 4c2 - South America	SEK 25-250m	64.0	63.6	-0.4	→
Question 4c2 - South America	>SEK 250m	68.1	68.0	-0.1	→
Question 4d - Asia & Oceania	Total	60.5	58.6	-1.9	↘
Question 4d - Asia & Oceania	SEK 25-250m	64.8	68.8	4.0	↗
Question 4d - Asia & Oceania	>SEK 250m	59.9	56.8	-3.1	↘
Question 4e - Middle East, Turkey & Africa	Total	51.7	55.2	3.5	↗
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	62.5	64.8	2.3	↗
Question 4e - Middle East, Turkey & Africa	>SEK 250m	50.0	53.6	3.6	↗
Question 5 - Export sales	Total	65.2	74.1	8.9	↗
Question 5 - Export sales	SEK 25-250m	70.8	69.9	-0.9	→
Question 5 - Export sales	>SEK 250m	64.1	74.9	10.8	↗
Question 6 - Export profitability	Total	52.7	58.5	5.8	↗
Question 6 - Export profitability	SEK 25-250m	57.6	58.9	1.3	↗
Question 6 - Export profitability	>SEK 250m	51.8	58.5	6.7	↗
Question 7 - Export profitability	Total	48.9	53.0	4.1	↗
Question 7 - Export profitability	SEK 25-250m	48.6	48.6	0.0	→
Question 7 - Export profitability	Selected >SEK 250m	48.9	53.9	5.0	↗

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





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