

**BUSINESS SWEDEN**



# **EXPORT BOOM GATHERS PACE**

**EXPORT MANAGERS' INDEX SECOND QUARTER 2018**

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# EXECUTIVE SUMMARY

The Business Sweden Export Managers' Index (EMI) rose for the third consecutive quarter in Q2 2018, increasing from 62.9 in the first three months of the year to 66.3, a gain of 3.4 points. This indicates an increased level of confidence among Swedish exporters and an optimistic outlook within the sector.

The current EMI, which measures real-time export-related sentiment, rose sharply from 61.4 in the first quarter to 67.5 in Q2, an increase of 6.2 points. The forecast EMI, an index based on responses to questions about the upcoming quarter, rose by 0.6 points to 65.0.

Current optimism among exporters rose quarter-on-quarter, while sentiment regarding forecast exports was a little patchier.

The various sub-indices remained above 50, reflecting solid and broad optimism over the export outlook.

Expectations of higher export profitability jumped by 20.7 points to 72.9 – the highest level recorded since the EMI launched in 2007. This was likely due in part to the weakness of the krona. Exporters continue to express high levels of satisfaction over order stocks, while the percentage of companies anticipating longer delivery times jumped from 14.3 percent to 24.0 percent. Growing expectations of longer delivery times are a positive parameter as they indicate higher resource utilisation. On the other hand, sentiment on export revenue – especially for the coming quarter – weakened somewhat.

Exporters continue to anticipate higher demand from all regions, although the index fell by 3.4 points, from 72.0 in Q1 to 68.6 in Q2. This was due to lower projected export demand in Europe and North America. The decline was steepest in Western Europe, where the index fell by 6.2 points to 64.1.

Projected export demand in Asia and Oceania increased, reversing a six-month downward trend. The indices for the Middle East, Turkey and South America also rose. The index for projected export demand for the coming quarter was comfortably above 50 in all regions, indicating continued optimism in all regions of the globe.

The next Export Managers' Index will be published on 24 August 2018.

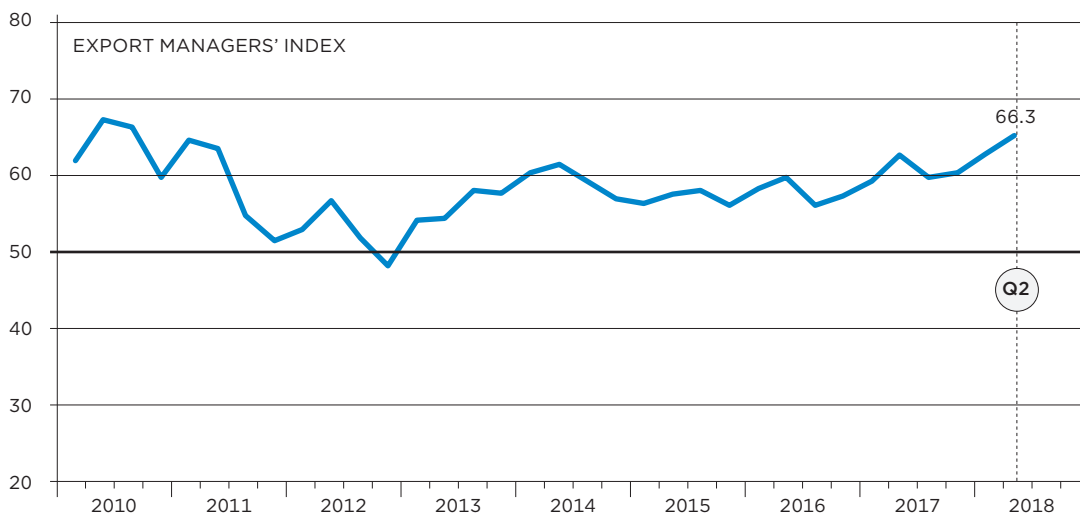
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Chief Economist



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Chief Economist  
Business Sweden

# EXPORT BOOM GAINS MOMENTUM

EXPORT MANAGERS' INDEX (EMI) UP FOR THIRD CONSECUTIVE QUARTER

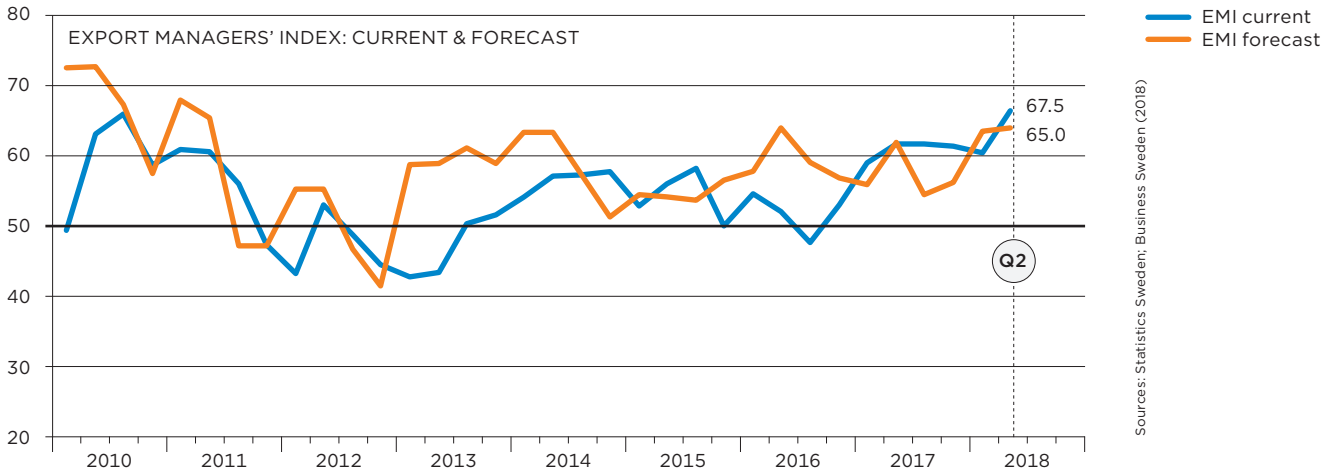


Sources: Statistics Sweden; Business Sweden (2018)

The Business Sweden Export Managers' index (*EMI*) measures confidence levels among Swedish exporters of goods and services. It rose from 62.9 in the first quarter to 66.3 in Q2, its third consecutive quarterly increase. This increase of 3.4 points indicates a high level of optimism within the Swedish export sector.

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

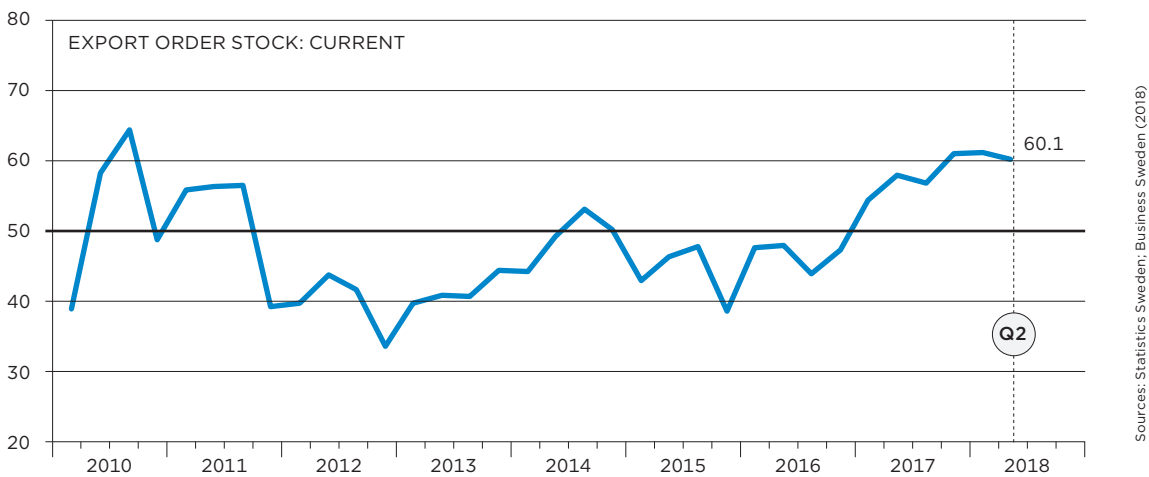
## SHARP INCREASE IN CURRENT EMI



The current EMI jumped by 6.1 points to 67.5 in the second quarter, up from 61.4 in Q1. The forecast EMI, which tracks expectations for the coming quarter, also increased but its rise of 0.6 points to 65.0 was modest by comparison. Both, however, remained well above 50, indicating that

levels of optimism are much higher than average. 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.

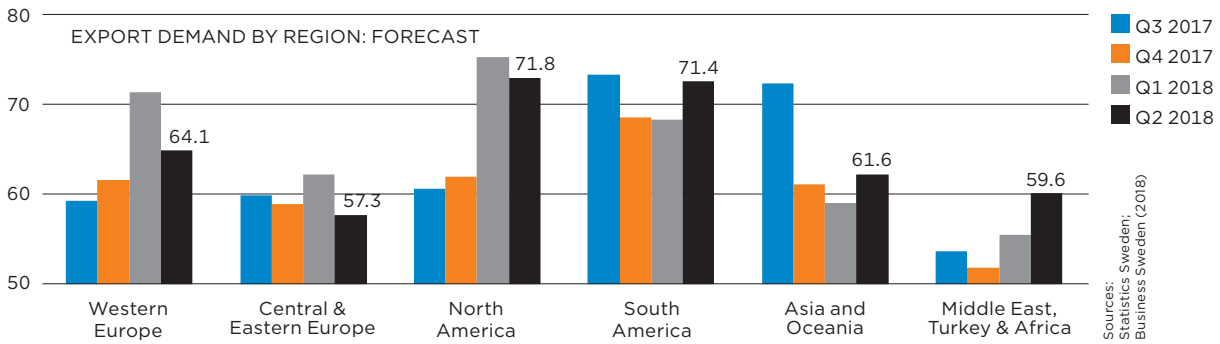
## EXPORTERS POSITIVE ON ORDER STOCKS



Confidence in export order stocks dropped by 1.0 point to 60.1 in Q2, through this remains a very high figure and far ahead of the historic average

of 47.6. This elevated level signals a high degree of optimism on export order intake

## WEAKER SENTIMENT ON EXPORT DEMAND IN EUROPE AND NORTH AMERICA



The index for forecast export demand fell from 72.0 to 68.6, a drop of 3.4 points that reflects lower confidence in demand for exports in Europe and North America. However, other regions showed sharp gains. The overall index remains high, comfortably exceeding its average level of 61.1 from 2007 to 2018.

The index for forecast export demand in

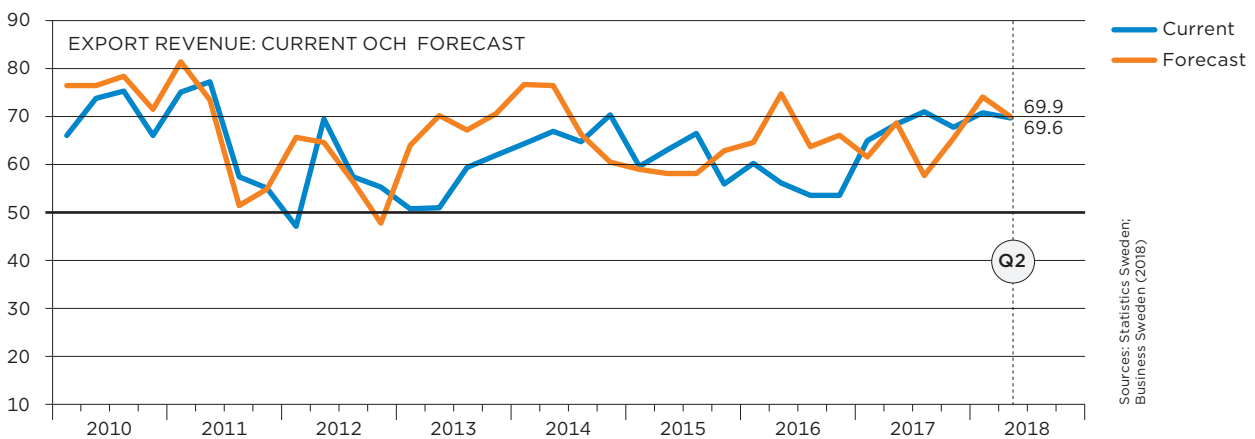
Western Europe fell by 6.2 points to 64.1. Central and Eastern Europe saw a decline of 4.3 points to 57.3 and North America fell by 2.2 points to 71.8. After two successive quarterly falls, the index for Asia and Oceania rebounded in the second

quarter, gaining 3.0 points to reach 61.6. Nevertheless, this remains below the region's historic average of 69.0.

Forecast export demand from the Middle East, Turkey and Africa rose to 59.6, the third consecutive quarterly increase and higher than the region's historic average. The South American index jumped 4.0 points to 71.4.

The fact that the index remains comfortably above 50 in all regions indicates strong optimism regarding future export demand.

## LOWER OPTIMISM REGARDING EXPORT REVENUE

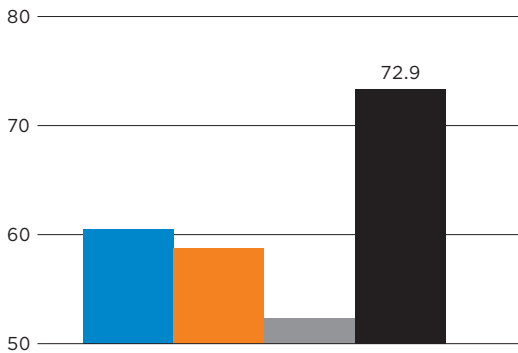


The survey recorded lower optimism regarding current and forecast export revenue, with the index easing by 1.2 points in the second quarter. The sharpest drop was in forecast export revenue, which fell by 4.2 points. However, both indices

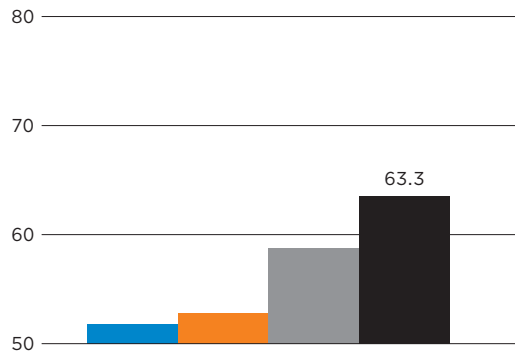
are above 70, signalling strong confidence among exporters regarding export revenue both in real time and for the coming quarter.

## SURGE IN OPTIMISM ON EXPORT PROFITABILITY

EXPORT PROFITABILITY: CURRENT



EXPORT PROFITABILITY: FORECAST



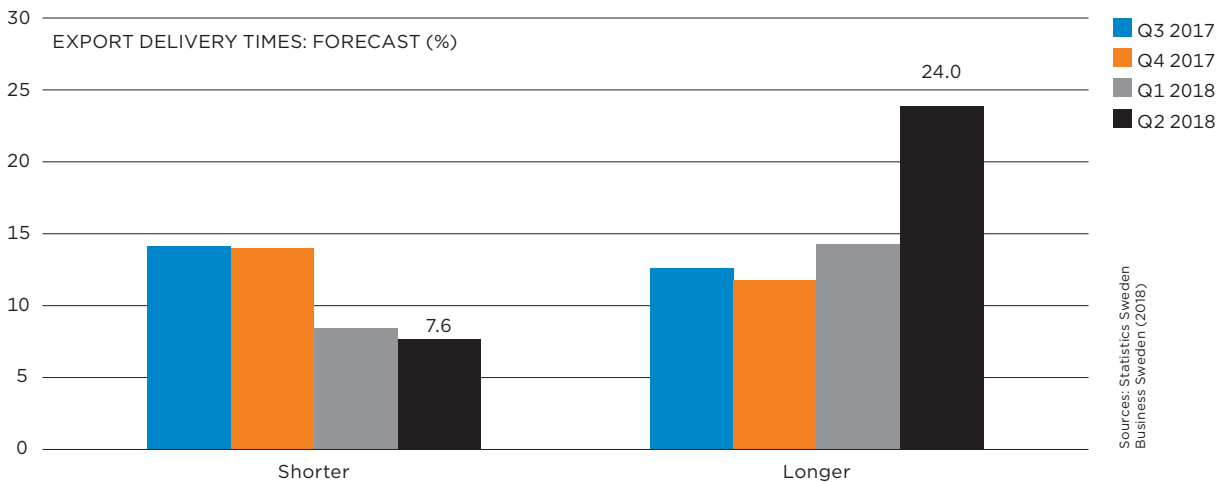
Sources: Statistics Sweden  
Business Sweden (2018)

Expectations of an improvement in current export profitability surged by 20.7 points, rising from 52.2 in Q1 to 72.9. This is the highest level since EMI surveys began in 2007. Optimism regarding future export profitability rose by 4.8 points to 63.3, up from 58.5 – the highest peak since the third quarter of 2013.

The figures suggest an exceedingly high level of confidence among exporters in increased profitability, both in real time and over the coming three months. The weakness of the krona is likely to be a significant factor in this regard.

## LONGER DELIVERY TIMES SIGNAL HIGHER RESOURCE UTILISATION

EXPORT DELIVERY TIMES: FORECAST (%)



Sources: Statistics Sweden  
Business Sweden (2018)

The number of companies expecting shorter delivery times in the coming quarter fell from 8.3 percent in Q1 to 7.6 percent in Q2. In the same period, the number of companies anticipating longer delivery times rose sharply from

14.3 percent to 24.0 percent. The fact that more companies expect longer delivery times over the coming quarter is positive, implying higher resource utilisation.

## ABOUT BUSINESS SWEDEN'S 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 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.

Business Sweden's 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 second quarter of 2018 was carried out between 16 April and 11 May 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 87 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>.

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.

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



# APPENDIX

## DATA: WEIGHTED TIME SERIES

EMI	SAMPLE	Q1 2018	Q2 2018	DIFF Q2-Q1 2018	
<b>1. EMI total</b>	<b>Total</b>	<b>62.9</b>	<b>66.3</b>	<b>3.4</b>	<b>↗</b>
1. EMI total	SEK 25-250m	59.1	61.3	2.2	↗
1. EMI total	>SEK 250m	63.7	66.9	3.2	↗
<b>2. EMI current</b>	<b>Total</b>	<b>61.4</b>	<b>67.5</b>	<b>6.1</b>	<b>↗</b>
2. EMI current	SEK 25-250m	56.8	59.6	2.8	↗
2. EMI current	>SEK 250m	62.3	68.5	6.2	↗
<b>3. EMI forecast</b>	<b>Total</b>	<b>64.4</b>	<b>65.0</b>	<b>0.6</b>	<b>→</b>
3. EMI forecast	SEK 25-250m	61.3	62.9	1.6	↗
3. EMI forecast	>SEK 250m	65.0	65.2	0.2	→

QUESTIONS CURRENT	SAMPLE	Q1 2018	Q2 2018	DIFF Q2-Q1 2018	
Question 1 - Export sales	Total	70.8	69.6	-1.2	↘
Question 1 - Export sales	SEK 25-250m	67.8	63.6	-4.2	↘
Question 1 - Export sales	>SEK 250m	71.4	70.4	-1.0	→
Question 2 - Export order stock	Total	61.1	60.1	-1.0	→
Question 2 - Export order stock	SEK 25-250m	41.1	46.1	5.0	↗
Question 2 - Export order stock	>SEK 250m	65.1	61.8	-3.3	↘
Question 3 - Export profitability	Total	52.2	72.9	20.7	↗
Question 3 - Export profitability	SEK 25-250m	61.6	69.1	7.5	↗
Question 3 - Export profitability	>SEK 250m	50.3	73.3	23.0	↗

QUESTIONS FORECAST	SAMPLE	Q1 2018	Q2 2018	DIFF Q2-Q1 2018	
Question 4 - Export market demand	Total	72.0	68.6	-3.4	↘
Question 4 - Export market demand	SEK 25-250m	67.8	69.5	1.7	↗
Question 4 - Export market demand	>SEK 250m	72.8	68.5	-4.3	↘
Question 4a - Western Europe	Total	70.3	64.1	-6.2	↘
Question 4a - Western Europe	SEK 25-250m	64.5	64.4	-0.1	→
Question 4a - Western Europe	>SEK 250m	71.4	64.0	-7.4	↘
Question 4b - Central & Eastern Europe	Total	61.6	57.3	-4.3	↘
Question 4b - Central & Eastern Europe	SEK 25-250m	59.6	58.8	-0.8	→
Question 4b - Central & Eastern Europe	>SEK 250m	61.9	57.1	-4.8	↘
Question 4c1 - North America	Total	73.9	71.8	-2.1	↘
Question 4c1 - North America	SEK 25-250m	65.4	72.9	7.5	↗
Question 4c1 - North America	>SEK 250m	75.4	71.7	-3.7	↘
Question 4c2 - South America	Total	67.4	71.4	4.0	↗
Question 4c2 - South America	SEK 25-250m	63.6	58.1	-5.5	↘
Question 4c2 - South America	>SEK 250m	68.0	72.6	4.6	↗
Question 4d - Asia & Oceania	Total	58.6	61.6	3.0	↗
Question 4d - Asia & Oceania	SEK 25-250m	68.8	70.9	2.1	↗
Question 4d - Asia & Oceania	>SEK 250m	56.8	60.7	3.9	↗
Question 4e - Middle East, Turkey & Africa	Total	55.2	59.6	4.4	↗
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	64.8	63.3	-1.5	↘
Question 4e - Middle East, Turkey & Africa	>SEK 250m	53.6	59.3	5.7	↗
Question 5 - Export sales	Total	74.1	69.9	-4.2	↘
Question 5 - Export sales	SEK 25-250m	69.9	67.8	-2.1	↘
Question 5 - Export sales	>SEK 250m	74.9	70.1	-4.8	↘
Question 6 - Export profitability	Total	58.5	63.3	4.8	↗
Question 6 - Export profitability	SEK 25-250m	58.9	61.8	2.9	↗
Question 6 - Export profitability	>SEK 250m	58.5	63.5	5.0	↗
Question 7 - Export profitability	Total	53.0	58.2	5.2	↗
Question 7 - Export profitability	SEK 25-250m	48.6	52.6	4.0	↗
Question 7 - Export profitability	Selected >SEK 250m	53.9	58.9	5.0	↗

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







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