



Lower optimism among Swedish exporters

EXPORT MANAGERS' INDEX Q3 2017

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EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index (EMI) fell by 3.9 points to 58.9 in the third quarter, from 62.8 in the second quarter. The EMI nevertheless remains at a high level, well above 50, which indicates that companies retain a positive outlook for Swedish exports.

The fall in the EMI was wholly attributable to a sharp drop in the forecast EMI (an index based on responses to forward-looking questions). The forecast EMI fell by 7.8 points to 55.1 in the third quarter, down from 62.9 in the prior quarter and lower than the historic average. However, the current EMI remained unchanged at 62.7 in the third quarter.

The index for all sub-questions (except expected delivery times) remains well above 50, indicating that exporters remain optimistic despite the decrease in the overall EMI.

The percentage of companies expecting delivery times to shorten over a three-month horizon rose to 14.2 percent in the third quarter, up from 8.6 percent in Q2. The number of companies expecting longer delivery times fell from 20.4 percent in the second quarter to 12.6 percent in Q3. Higher expectations of shorter delivery times over a three-month time frame indicate lower levels of resource utilisation.

Exporters' optimism regarding export stocks fell slightly in Q3 to 56.7, compared to 57.9 in the second quarter. Nevertheless, it was the third consecutive quarter that this figure remained above 50 – a level that indicates above-average satisfaction with order stocks. The current EMI rose slightly, while the forecast EMI fell sharply. The export profitability EMI also decreased, especially over a three-month time frame.

The third quarter saw a reduced number of exporters expecting higher customer demand, though with regional differences. Projected demand rose by 17.5 points to 72.1 in South America and also increased in Asia and Oceania, while decreases were noted in other regions. Overall, the forecast export demand EMI remained above 50 in all regions, indicating continued optimism for exports worldwide.

The next Export Managers' Index will be published on 16 November 2017.

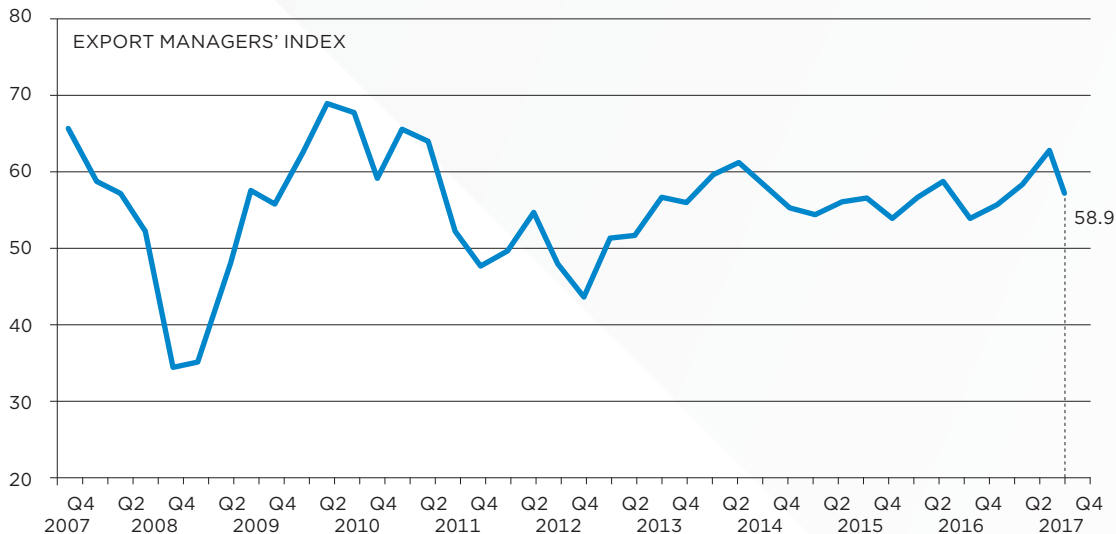


LENA SELLGREN
Chief Economist
Business Sweden

Lena Sellgren
Chief Economist

LOWER OPTIMISM AMONG EXPORTERS

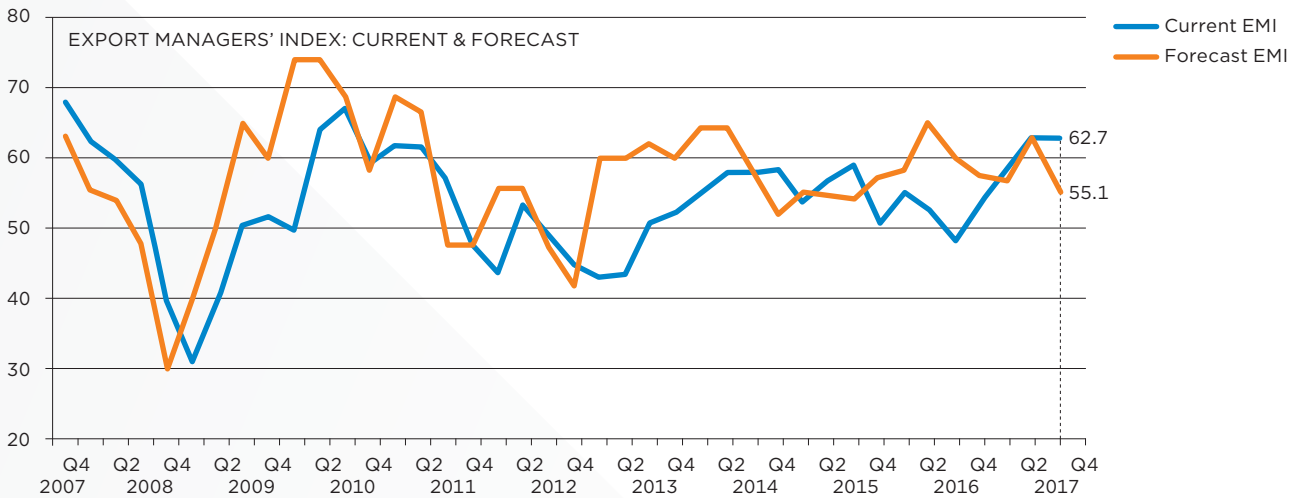
EXPORT MANAGERS' INDEX (EMI) FELL IN THE THIRD QUARTER



Business Sweden's Export Managers' Index (EMI) measures confidence among Swedish exporters of goods and services. The EMI fell from 62.8 in the second quarter to 58.9 in the third quarter. However, it remained above its historical average of 55.5, indicating continued optimism within the export sector.

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

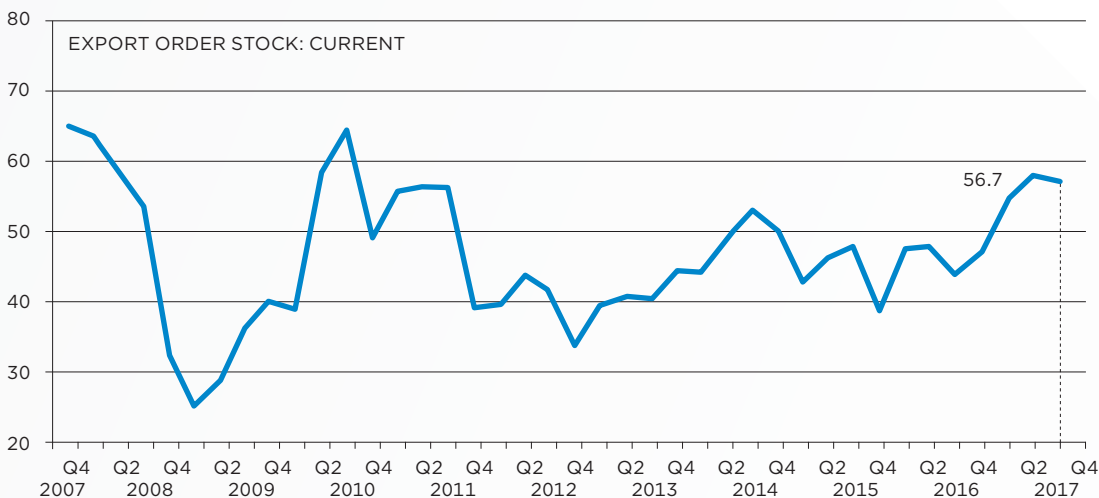
SHARP FALL IN FORECAST EMI



Current EMI was unchanged at 62.7 in the third quarter compared to Q2. However, forecast EMI, which tracks future expectations, fell sharply by 7.8 points to 55.1. Although this was below the historical average, a figure of more than 50 indicates better-than-usual sentiment among exporters.

Current and forecast EMIs above 50 indicate a strong outlook for Swedish exports and favourable growth prospects.

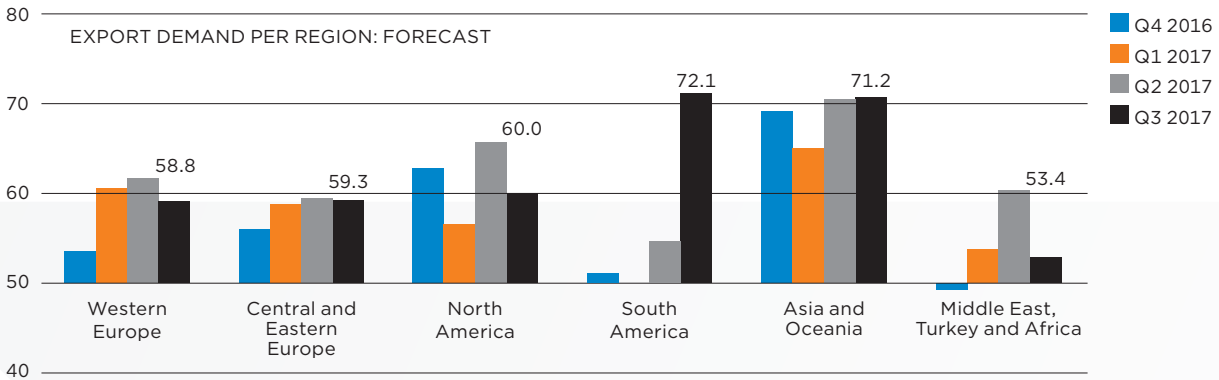
CONTINUED POSITIVE EDGE FOR EXPORT ORDER STOCKS



Confidence in export order stocks fell slightly from 57.9 in the second quarter to 56.7 in Q3. Nevertheless, it was the third consecutive quarter with an export stock EMI above 50.

An EMI above 50 indicates that a majority of exporters remain satisfied with their order stocks.

EXPECTATIONS OF HIGHER EXPORT DEMAND IN SOUTH AMERICA AND ASIA

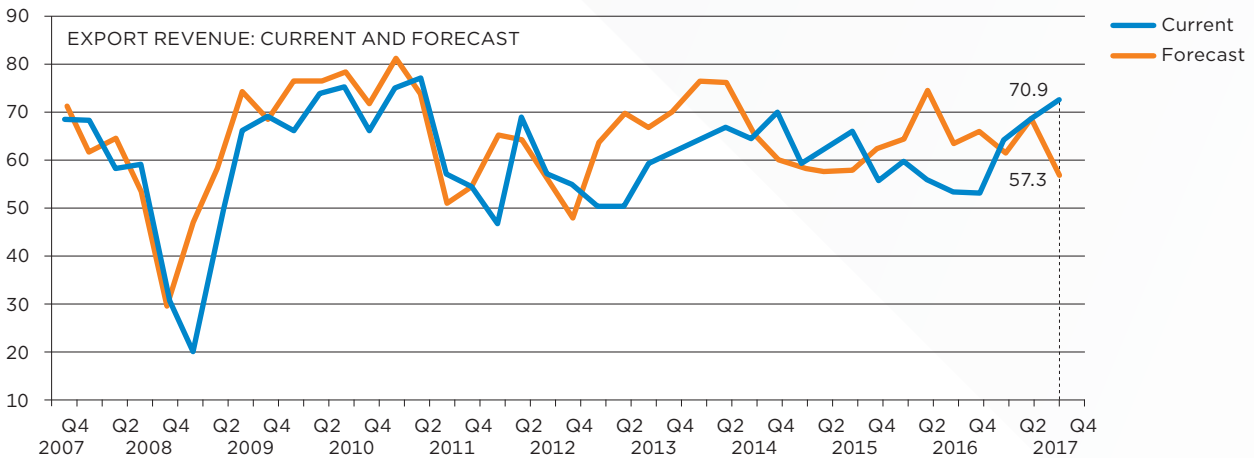


The EMI for forecast export demand slipped from 69.6 in the second quarter to 62.2 in Q3, a drop of 7.3 points. However, there were regional differences in sentiment.

Projected export demand from South America rose by 17.5 points to 72.1, suggesting that the worst of the crisis there is over and that the region's economies are now in the recovery phase. Asia and Oceania reported a smaller gain, with their EMI rising to 71.2.

By contrast, the index fell in other regions, most steeply in the Middle East, Turkey and Africa, closely followed by North America. The EMI for forecast export demand decreased by 6.9 and 5.8 points to 53.4 and 60.0 in these two regions respectively. In Western Europe the index fell 2.9 points to 58.8, while Central and Eastern Europe recorded a marginal decrease to 59.3. The EMI nevertheless remained comfortably above 50 in all regions, signalling that exporters remain optimistic about export demand at global level.

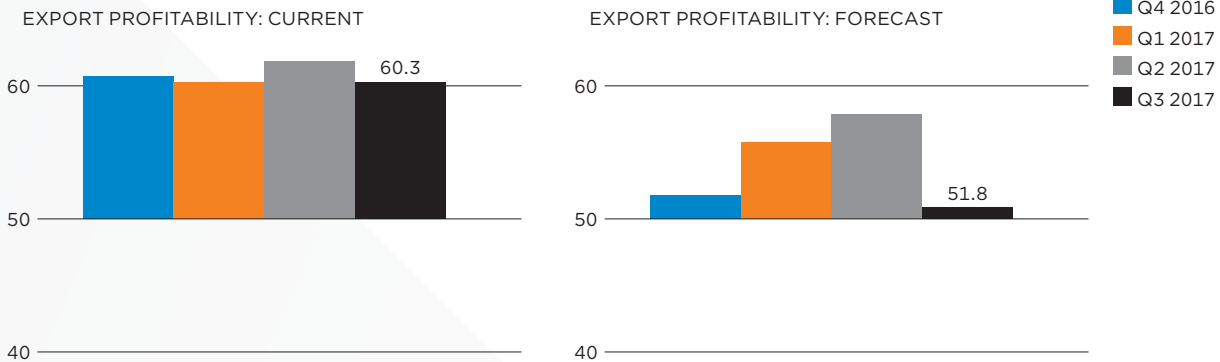
FEWER COMPANIES EXPECTING HIGHER EXPORT REVENUE



The current EMI showed an increase in the number of companies anticipating higher export revenue, with this index rising 2.6 points from the second quarter.

However, significantly fewer companies envisage higher export sales, and the forecast three-month EMI fell by 11.3 points to 57.3.

LOWER EXPECTATIONS OF INCREASED EXPORT PROFITABILITY



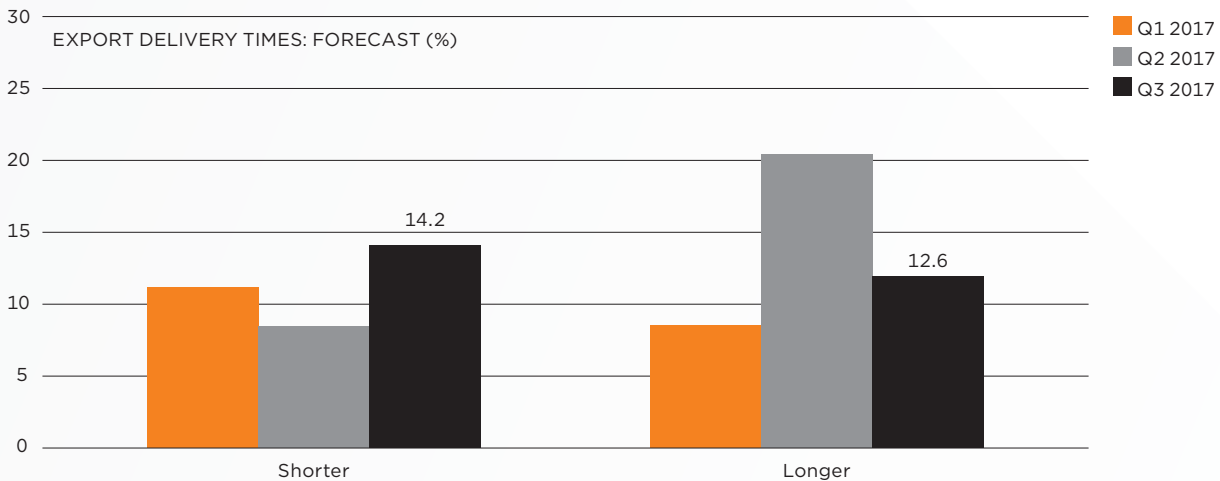
Confidence in higher current and future export profits dropped. The EMI for current profits fell by 1.5 points to 60.3 in the third quarter, down from 61.8 in Q2.

The fall in the EMI for forecast profits was more pronounced, with the index dropping

5.9 points to 51.8 in the third quarter, down from 57.7 in Q2.

An index of less than 50 indicates that a majority of companies anticipate lower export profitability.

SHORTER DELIVERY TIMES INDICATE LOWER RESOURCE UTILISATION



The number of exporters expecting shorter delivery times over a three-month time frame rose from 8.6 percent in the second quarter to 14.2 percent in Q3. Also, the number of exporters expecting longer delivery times over the same time frame fell from 20.4 percent in the second quarter to 12.6 percent in Q3.

The increased number of companies anticipating shorter delivery times indicates reduced resource utilisation at these enterprises.

ABOUT THE 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 (SMEs). Data is based on the VAT Register and includes exporters on both the goods and services sectors.

The survey is geared primarily 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 third quarter of 2017 was carried out between 31 July and 21 August 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 85 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 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 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.

APPENDIX

DATA: WEIGHTED TIME SERIES

EMI	SAMPLE	Q2 2017	Q3 2017	DIFF Q2-Q3 2017
1. EMI total	Total	62.8	58.9	-3.9 ↓
1. EMI total	SEK 25-250m	60.1	58.0	-2.1 ↓
1. EMI total	>SEK 250m	63.3	59.1	-4.2 ↓
2. EMI current	Total	62.7	62.7	0.0 →
2. EMI current	SEK 25-250m	58.2	54.9	-3.3 ↓
2. EMI current	>SEK 250m	63.5	64.1	0.6 →
3. EMI forecast	Total	62.9	55.1	-7.8 ↓
3. EMI forecast	SEK 25-250m	62.0	61.1	-0.9 →
3. EMI forecast	>SEK 250m	63.1	54.0	-9.1 ↓

QUESTIONS CURRENT	SELECTION	Q1 2017	Q2 2017	DIFF Q1-Q2 2017
Question 1 - Export sales	Total	68.3	70.9	2.6 ↑
Question 1 - Export sales	SEK 25-250m	71.8	64.1	-7.7 ↓
Question 1 - Export sales	>SEK 250m	67.7	72.2	4.5 ↑
Question 2 - Export order stock	Total	57.9	56.7	-1.2 ↓
Question 2 - Export order stock	SEK 25-250m	44.4	46.5	2.1 ↑
Question 2 - Export order stock	>SEK 250m	60.3	58.7	-1.6 ↓
Question 3 - Export profitability	Total	61.8	60.3	-1.5 ↓
Question 3 - Export profitability	SEK 25-250m	58.5	54.2	-4.2 ↓
Question 3 - Export profitability	>SEK 250m	62.4	61.5	-0.9 →

QUESTIONS CURRENT	SELECTION	Q1 2017	Q2 2017	DIFF Q1-Q2 2017
Question 4 - Export market demand	Total	69,6	62.2	-7.3 ↓
Question 4 - Export market demand	SEK 25-250m	66.2	66.9	0.7 →
Question 4 - Export market demand	>SEK 250m	70.1	61.4	-8.8 ↓
Question 4a - Western Europe	Total	61.7	58.8	-2.9 ↓
Question 4a - Western Europe	SEK 25-250m	63.6	66.2	2.5 ↑
Question 4a - Western Europe	>SEK 250m	61.4	57.5	-3.9 ↓
Question 4b - Central & Eastern Europe	Total	59.6	59.3	-0.3 →
Question 4b - Central & Eastern Europe	SEK 25-250m	58.3	59.6	1.3 ↑
Question 4b - Central & Eastern Europe	>SEK 250m	59.8	59.2	-0.5 →
Question 4c1 - North America	Total	65.8	60.0	-5.8 ↓
Question 4c1 - North America	SEK 25-250m	74.0	69.1	-4.9 ↓
Question 4c1 - North America	>SEK 250m	64.6	58.7	-5.9 ↓
Question 4c2 - South America	Total	54.7	72.1	17.5 ↑
Question 4c2 - South America	SEK 25-250m	55.6	56.0	0.4 →
Question 4c2 - South America	>SEK 250m	54.5	74.5	19.9 ↑
Question 4d - Asia & Oceania	Total	70.6	71.2	0.5 →
Question 4d - Asia & Oceania	SEK 25-250m	71.7	66.4	-5.3 ↓
Question 4d - Asia & Oceania	>SEK 250m	70.5	71.9	1.4 ↑
Question 4e - Middle East, Turkey & Africa	Total	60.3	53.4	-6.9 ↓
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	65.5	66.7	1.2 ↑
Question 4e - Middle East, Turkey & Africa	>SEK 250m	59.6	51.6	-8.0 ↓
Question 5 - Export sales	Total	68.6	57.3	-11.3 ↓
Question 5 - Export sales	SEK 25-250m	69.0	67.6	-1.4 ↓
Question 5 - Export sales	>SEK 250m	68.5	55.4	-13.2 ↓
Question 6 - Export profitability	Total	57.7	51.8	-5.9 ↓
Question 6 - Export profitability	SEK 25-250m	59.2	59.2	0.0 →
Question 6 - Export profitability	>SEK 250m	57.4	50.4	-7.0 ↓
Question 7 - Export profitability	Total	55.9	49.2	-6.7 ↓
Question 7 - Export profitability	SEK 25-250m	53.5	50.7	-2.8 ↓
Question 7 - Export profitability	Selected >SEK 250m	56.3	48.9	-7.4 ↓





BUSINESS SWEDEN Box 240, SE-101 24 Stockholm, Sweden
World Trade Center, Klarabergsviadukten 70
T +46 8 588 660 00 F +46 8 588 661 90
info@business-sweden.se www.business-sweden.se

