

**BUSINESS SWEDEN**

# **EXPORT OUTLOOK GOES FLAT**

EXPORT MANAGERS' INDEX THIRD QUARTER 2018

# EXPORT OUTLOOK GOES FLAT

EXPORT MANAGERS' INDEX THIRD QUARTER 2018

# EXECUTIVE SUMMARY

The Business Sweden Export Managers' Index (EMI) recorded a surprisingly sharp fall in the third quarter, interrupting three successive quarterly increases. The EMI fell by 6.4 points to 59.9, down from 66.3 in the second quarter. Despite this sharp drop, the index remains well above 50. This indicates that, for now at least, Swedish exporters retain a positive outlook on market conditions.

The current EMI fell by 4.0 points to 63.5 in Q3, down from 67.5 in the second quarter. The forecast EMI, which measures sentiment for the coming three months, dropped by 8.6 points to 56.4 in Q3, down from 65.0 in the second quarter.

Across the board, exporters were less optimistic – especially in their projections over a three-month time frame – than in Q2. The only exceptions were the indices for export order stocks and forecast export demand from Central and Eastern Europe, which both strengthened in Q3.

The other indices fell sharply but, with the exception of the index for export demand from the Middle East, Turkey and Africa, they all remain above 50, indicating that exporters remain optimistic despite the overall decline in positive sentiment.

Hopes of higher export revenues fell again in Q3 and expectations of export profitability also fell sharply, both over the current time frame and for the next three months. The index for export profitability over the coming three months fell by 9.7 points to 53.6. While remaining above 50, this figure is below the historic average. The weakness of the krona is a probable reason for continued optimism among exporters about export revenues. The share of companies anticipating shorter delivery times rose sharply from 7.6 percent in Q2 to 18.7 percent. Increased expectations of shorter delivery times are a negative parameter as they indicate reduced resource utilisation.

Projected export demand fell in the third quarter in all regions except Central and Eastern Europe, where the index rose. The decrease was especially pronounced in North and South America and the Middle East, Turkey and Africa. For North America, the index fell by 18.8 points to 53.0, while for South America the index dropped by 20.9 points to 50.5. The index for the Middle East, Turkey and Africa decreased by 16.7 points to 42.9, which is well below 50 and indicates pessimism among exporters to the region.

Looming trade conflicts, slower economic growth and geopolitical worries all contributed to weaker sentiment.

The next Export Managers' Index will be published on 15 November 2018.

Lena Sellgren  
Chief Economist

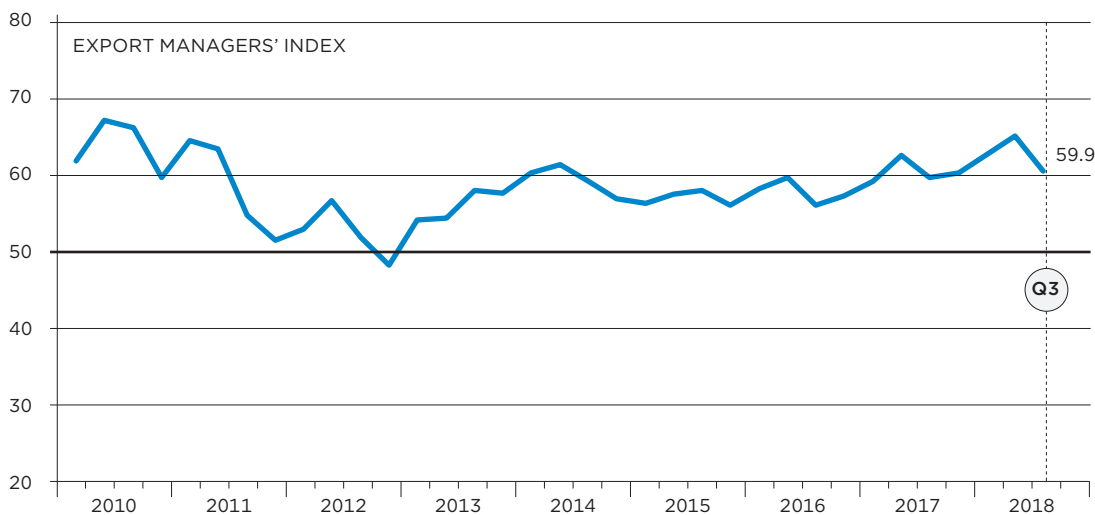


**LENA SELLGREN**

Chief Economist  
Business Sweden

# EXPORT OUTLOOK GOES FLAT

SHARP FALL IN EXPORT MANAGERS' INDEX (EMI) IN Q3

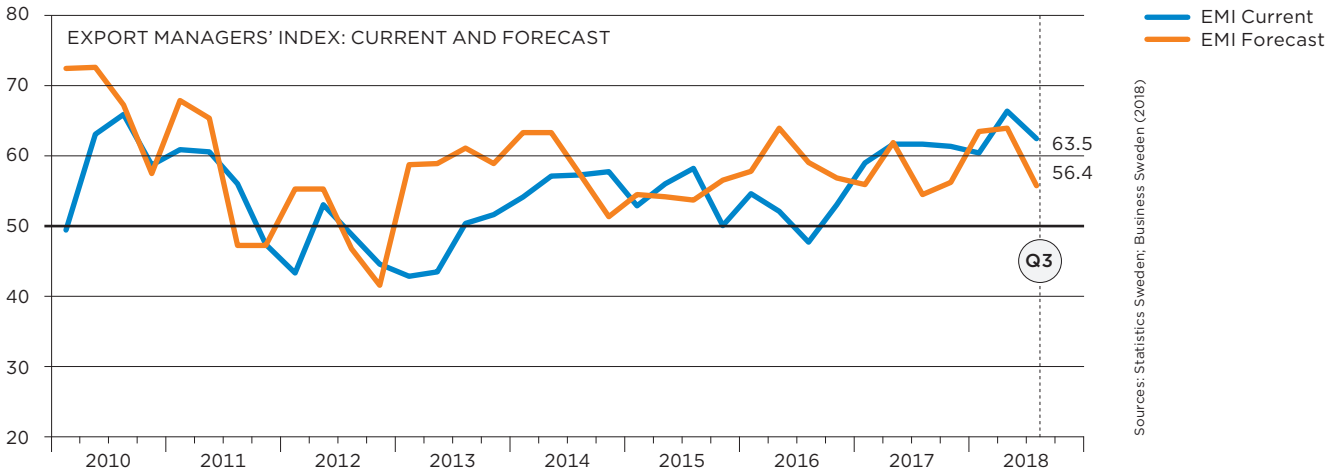


Sources: Statistics Sweden; Business Sweden (2018)

The Business Sweden Export Managers' Index (EMI), which measures confidence levels among Swedish exporters of goods and services, fell unexpectedly sharply in the third quarter after a run of three consecutive quarterly gains. The EMI fell by 6.4 points to 59.9, down from 66.3 in

Q2, indicating a lower level of confidence among exporters regarding the future outlook. An index figure of more than 50 denotes that a majority of exporters expect export volumes to increase rather than fall.

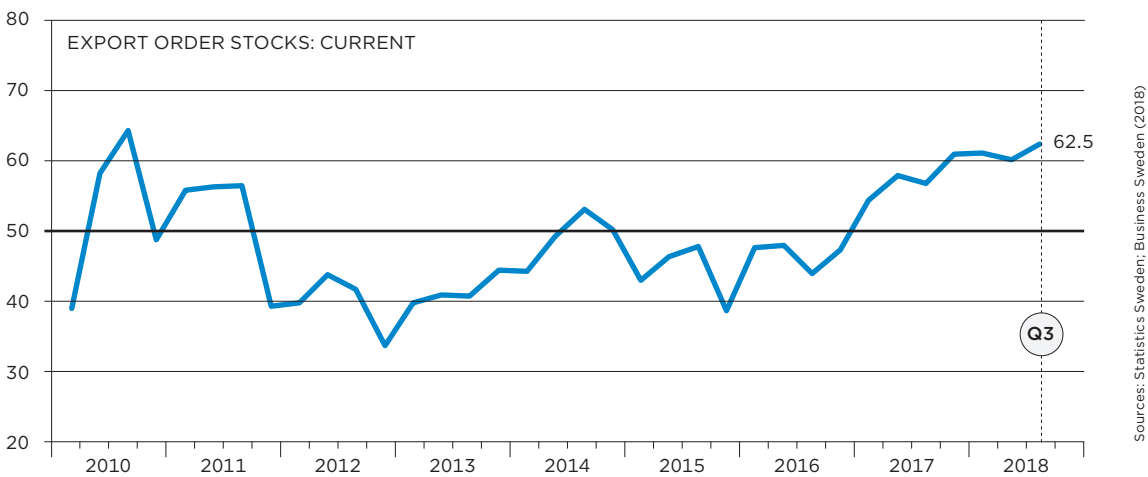
## DECREASED OPTIMISM OVER CURRENT AND FUTURE EXPORTS



The current EMI fell by 4.0 points to 63.5 in Q3, down from 67.5 in the second quarter. The forecast EMI, which measures sentiment about the coming quarter, decreased by 8.6 points to 56.4 in Q3, down from 65.0 in the second quarter.

However, both indices remained above 50, indicating that levels of optimism among exporters are higher than normal, that Swedish exports are performing strongly, and that exporters expect a favourable climate in the coming three months.

## INCREASED SATISFACTION WITH EXPORT ORDER STOCKS

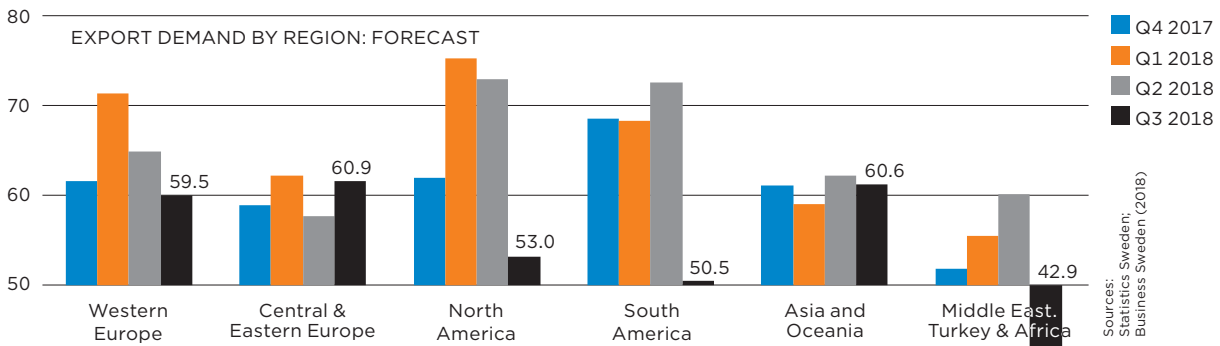


The index for export order stocks rose by 2.4 points to 62.5 in Q3 compared to the second quarter. This is a very high level that is far above

the historic average of 47.9 and signals a high degree of optimism on export order stocks.



## SHARPLY LOWER CONFIDENCE IN DEMAND FROM NORTH AND SOUTH AMERICA



The combined index for forecast export demand fell by 6.4 points to 62.2 in Q3, down from 68.6 in the second quarter. Projected export demand fell in the third quarter in all regions except Central and Eastern Europe. The decrease was especially pronounced for North and South America and the Middle East, Turkey and Africa. The combined index remains at a high level, just above its historic average of 61.0 for the period 2007–2018. The regional sub-indices diverged considerably, however.

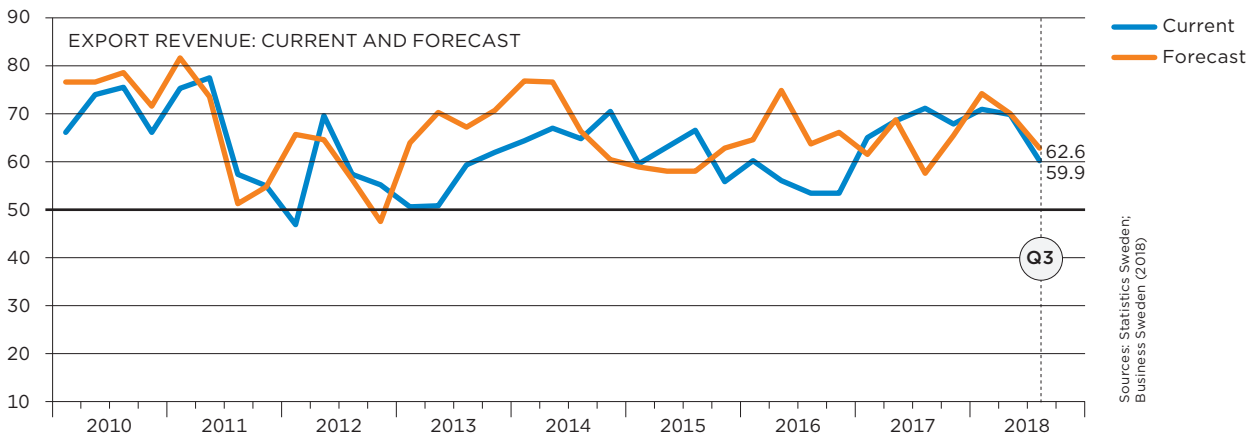
For North America, the index for forecast export demand lost further ground in Q3, dropping from 71.8 in the second quarter to 53.0 – a decrease of 18.8 points. The equivalent index for South America also fell, shedding 20.9 points to reach 50.5, and the index for the Middle East, Tur-

key and Africa decreased by 16.7 points to 42.9, which is well below 50 and indicates a pessimistic outlook among exporters to the region.

The index for Asia and Oceania recorded a marginal fall of 1 point to 60.6, while in Western Europe the index contracted by 4.6 points to 59.5. By contrast, the index for forecast export demand in Central and Eastern Europe rose by 3.6 points in Q3 compared to the second quarter and reached 60.9.

The fact that the index is well below 50 in the Middle East, Turkey and Africa and close to 50 in North and South America signals a sharp drop in confidence over future prospects among exporters to these regions.

## STEEP DROP IN CONFIDENCE ON EXPORT REVENUE

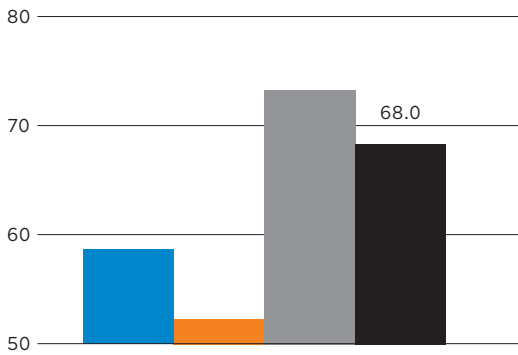


The survey recorded a further dip in optimism over current and future export revenue. The current EMI fell by 9.7 points to 59.9 in Q3, while the forecast EMI dropped by 7.3 points to 62.6. Although both indices remain at a high level,

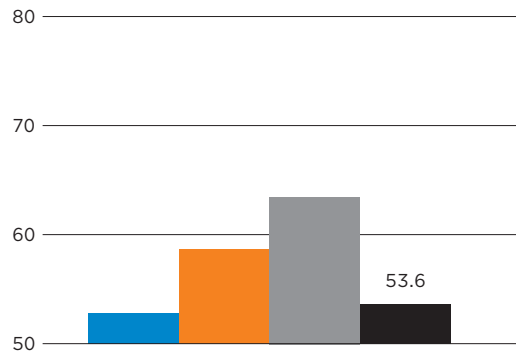
they are now below their historic averages. Nevertheless, the figures indicate continued optimism among exporters over current and future export revenues, in spite of weaker sentiment in the third quarter.

## LOWER OPTIMISM ON EXPORT PROFITABILITY

EXPORT PROFITABILITY: CURRENT



EXPORT PROFITABILITY: FORECAST



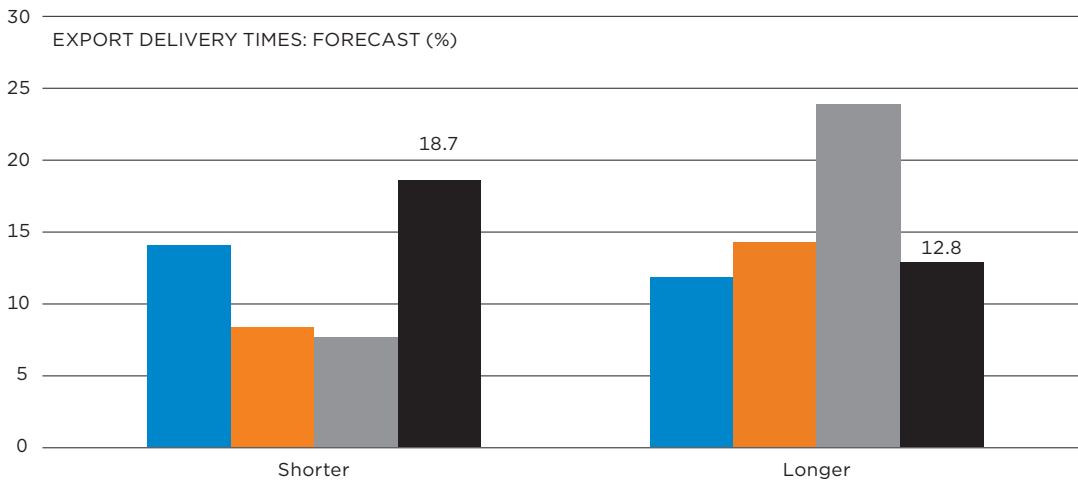
Sources: Statistics Sweden  
Business Sweden (2018)

Expectations of an improvement in current and future export profitability fell in the third quarter, with the current EMI declining by 4.9 points to 68.0, down from 72.9 in the second quarter, and the forecast EMI dropping 9.7 points to 53.6, down from 63.3.

Despite these significant decreases, both indices remain well above 50, which signals that exporters continue to be optimistic about higher profitability. The weakness of the krona is likely to be a significant factor in this context.

## SHORTER DELIVERY TIMES INDICATE LOWER RESOURCE UTILISATION

EXPORT DELIVERY TIMES: FORECAST (%)



Sources: Statistics Sweden  
Business Sweden (2018)

The survey noted a substantial increase in the share of exporters that expect delivery times to shorten in the next three months. Some 18.7 percent of companies said they were anticipating shorter delivery times in Q3, up from 7.6 percent in the second quarter. However, the proportion of companies anticipating shorter delivery times over

a three-month time frame fell from 24 percent in Q2 to 12.8 percent.

The fact that fewer companies expect longer delivery times over a three-month horizon is negative as it implies a reduction in resource utilisation.

## ABOUT THE BUSINESS SWEDEN 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 216 companies, half of which have export revenues of more than SEK 250 million (large exporters) and half of which have export revenues 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 Business Sweden EMI is in two parts – a main index and two sub-indices (one portraying current conditions and the other future expectations). It is based on answers to seven questions, of which three relate to current conditions and four to future forecasts. Each of the seven questions has equal weight in the index. The survey for the third quarter of 2018 was carried out on 6–21 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 86 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 ([www.tinyurl.com/l8ebjmx](http://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 market 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.



# APPENDIX

## DATA: WEIGHTED TIME SERIES

EMI	SAMPLE	Q2 2018	Q3 2018	DIFF Q3-Q2 2018	
<b>1. EMI total</b>	<b>Total</b>	<b>66.3</b>	<b>59.9</b>	<b>-6.4</b>	<b>↓</b>
1. EMI total	SEK 25-250m	61.3	63.1	1.8	↗
1. EMI total	>SEK 250m	66.9	59.6	-7.3	↓
<b>2. EMI current</b>	<b>Total</b>	<b>67.5</b>	<b>63.5</b>	<b>-4.0</b>	<b>↓</b>
2. EMI current	SEK 25-250m	59.6	62.0	2.4	↗
2. EMI current	>SEK 250m	68.5	63.7	-4.8	↓
<b>3. EMI forecast</b>	<b>Total</b>	<b>65.0</b>	<b>56.4</b>	<b>-8.6</b>	<b>↓</b>
3. EMI forecast	SEK 25-250m	62.9	64.2	1.3	↗
3. EMI forecast	>SEK 250m	65.2	55.5	-9.7	↓

QUESTIONS CURRENT	SAMPLE	Q2 2018	Q3 2018	DIFF Q3-Q2 2018	
Question 1 - Export sales	Total	69.6	59.9	-9.7	↓
Question 1 - Export sales	SEK 25-250m	63.6	68.1	4.5	↗
Question 1 - Export sales	>SEK 250m	70.4	59.0	-11.4	↓
Question 2 - Export order stock	Total	60.1	62.5	2.4	↗
Question 2 - Export order stock	SEK 25-250m	46.1	49.3	3.2	↗
Question 2 - Export order stock	>SEK 250m	61.8	64.0	2.2	↗
Question 3 - Export profitability	Total	72.9	68.0	-4.9	↓
Question 3 - Export profitability	SEK 25-250m	69.1	68.8	-0.3	→
Question 3 - Export profitability	>SEK 250m	73.3	68.0	-5.3	↓

QUESTIONS FORECAST	SAMPLE	Q2 2018	Q3 2018	DIFF Q3-Q2 2018	
Question 4 - Export market demand	Total	68.6	62.2	-6.4	↓
Question 4 - Export market demand	SEK 25-250m	69.5	70.8	1.3	↗
Question 4 - Export market demand	>SEK 250m	68.5	61.2	-7.3	↓
Question 4a - Western Europe	Total	64.1	59.5	-4.6	↓
Question 4a - Western Europe	SEK 25-250m	64.4	62.7	-1.7	↓
Question 4a - Western Europe	>SEK 250m	64.0	59.1	-4.9	↓
Question 4b - Central & Eastern Europe	Total	57.3	60.9	3.6	↗
Question 4b - Central & Eastern Europe	SEK 25-250m	58.8	63.4	4.6	↗
Question 4b - Central & Eastern Europe	>SEK 250m	57.1	60.7	3.6	↗
Question 4c1 - North America	Total	71.8	53.0	-18.8	↓
Question 4c1 - North America	SEK 25-250m	72.9	80.0	7.1	↗
Question 4c1 - North America	>SEK 250m	71.7	50.5	-21.2	↓
Question 4c2 - South America	Total	71.4	50.5	-20.9	↓
Question 4c2 - South America	SEK 25-250m	58.1	60.7	2.6	↗
Question 4c2 - South America	>SEK 250m	72.6	49.6	-23.0	↓
Question 4d - Asia & Oceania	Total	61.6	60.6	-1.0	→
Question 4d - Asia & Oceania	SEK 25-250m	70.9	71.7	0.8	→
Question 4d - Asia & Oceania	>SEK 250m	60.7	59.6	-1.1	↓
Question 4e - Middle East, Turkey & Africa	Total	59.6	42.9	-16.7	↓
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	63.3	51.0	-12.3	↓
Question 4e - Middle East, Turkey & Africa	>SEK 250m	59.3	42.2	-17.1	↓
Question 5 - Export sales	Total	69.9	62.6	-7.3	↓
Question 5 - Export sales	SEK 25-250m	67.8	73.6	5.8	↗
Question 5 - Export sales	>SEK 250m	70.1	61.4	-8.7	↓
Question 6 - Export profitability	Total	63.3	53.6	-9.7	↓
Question 6 - Export profitability	SEK 25-250m	61.8	61.8	0.0	→
Question 6 - Export profitability	>SEK 250m	63.5	52.6	-10.9	↓
Question 7 - Export profitability	Total	58.2	47.1	-11.1	↓
Question 7 - Export profitability	SEK 25-250m	52.6	50.7	-1.9	↓
Question 7 - Export profitability	Selected >SEK 250m	58.9	46.7	-12.2	↓

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







We help Swedish companies grow global sales and international companies invest and expand in Sweden.

**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](mailto:info@business-sweden.se) [www.business-sweden.se](http://www.business-sweden.se)

