



Full steam ahead for Swedish exports

EXPORT MANAGERS' INDEX Q4 2017

BUSINESS SWEDEN, 22 NOVEMBER 2017

Full steam ahead for Swedish exports

EXPORT MANAGERS' INDEX Q4 2017

EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index (EMI) rose by 0.8 points to 59.7 in the fourth quarter, up from 58.9 in Q3. The EMI remained close to 60 – well above its historic average of 55.5 – throughout 2017, indicating a high level of confidence among exporters.

The fourth-quarter rise in the EMI was due entirely to an increase in forecast EMI (an index based on responses to forward-looking questions). Forecast EMI rose by 1.8 points to 56.9, up from 55.1 in Q3. Current EMI was virtually unchanged at 62.4.

The indices for all sub-questions remained above 50, indicating that a majority of exporters expect exports to rise rather than to fall.

The Q4 figures reveal somewhat lower expectations of current exports but increased optimism over future exports.

This was reflected in a jump of 7.9 points to 65.2 in forecast export revenue for the coming three months. The percentage of companies expecting shorter delivery times over a three-month time frame remained at 14 percent, and the percentage of companies forecasting longer delivery times in that period dropped slightly to 11.8 percent. Together, these figures suggest that resource utilisation will remain unchanged in the coming three months.

Exporters' optimism regarding export stocks rose by 4.3 points to 61.0, up from 56.7 in the Q3. The fact that this index remained above 50 for the entire year signals above-average satisfaction with order stocks. For export profitability, the index for current confidence fell slightly and the index for future confidence rose slightly.

The number of Swedish exporters expecting higher demand over a three-month time frame remains high, though with regional differences. Projected demand rose in both Western Europe and the North America but fell by 10.6 points to 60.5 in Asia and Oceania. This was below the historic average for this region but still comfortably above 50. Overall, Swedish exporters are optimistic about export prospects in all regions globally. The next Export Managers' Index will be published on 15 February 2018.

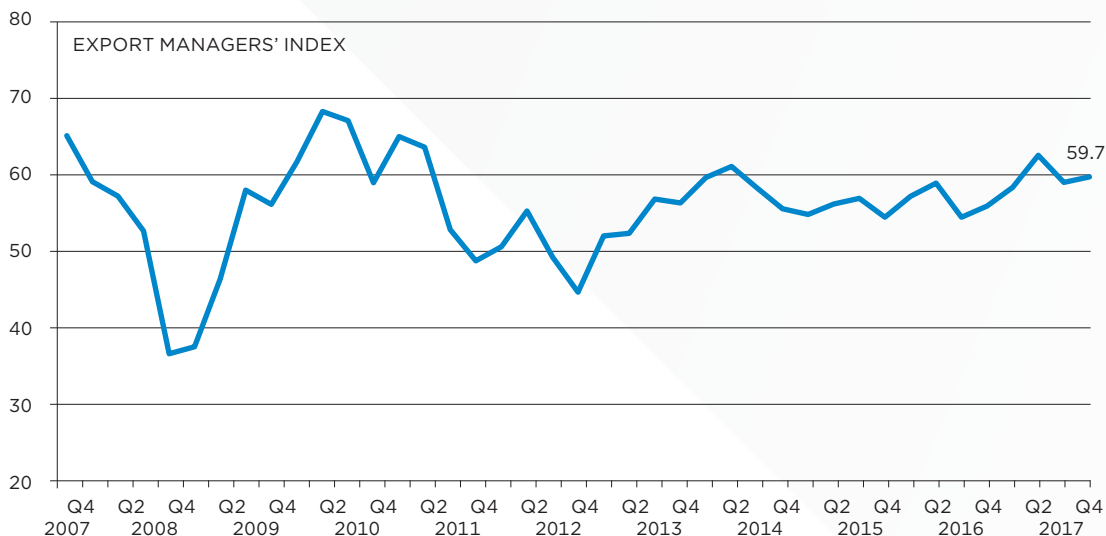
Lena Sellgren
Chief Economist



LENA SELLGREN
Chief Economist
Business Sweden

FULL STEAM AHEAD FOR SWEDISH EXPORTS

INCREASE IN EXPORT MANAGERS' INDEX (EMI) IN Q4

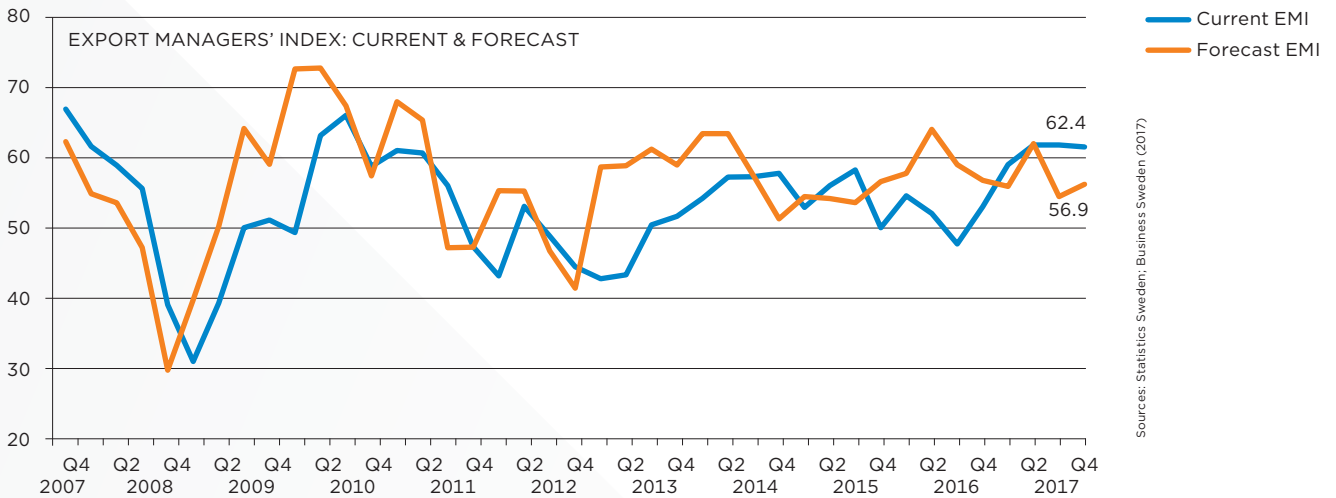


Source: Statistics Sweden; Business Sweden (2017)

The Export Managers' Index (*EMI*) measures confidence among Swedish exporters of goods and services. It rose from 58.9 in the third quarter to 59.7 in the fourth quarter. The *EMI* remained close to 60 – well above its historic average of 55.5 – throughout 2017, indicating a high level of confidence among exporters.

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

FORECAST DEMAND UNDERPINS EXPORT OPTIMISM

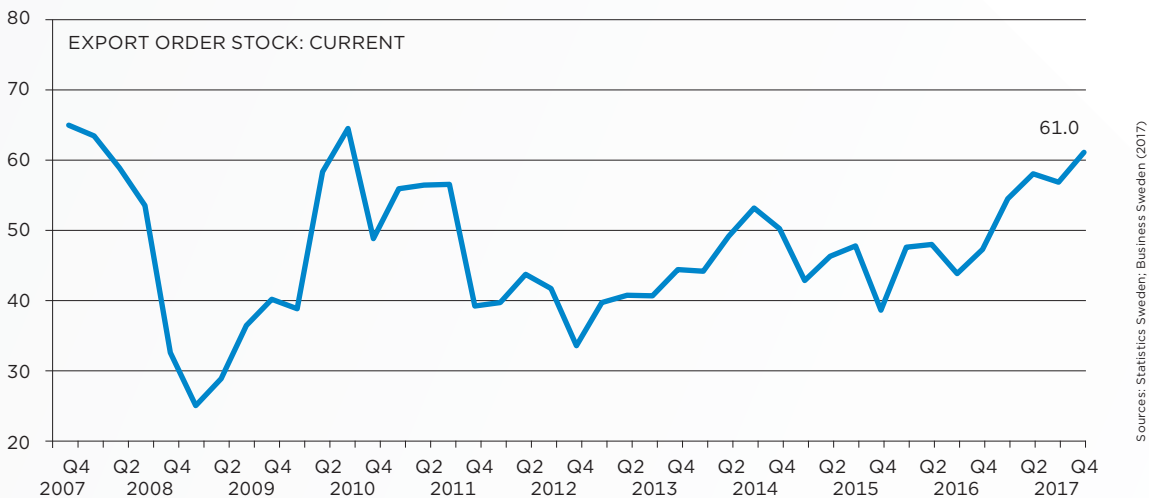


Forecast EMI, which tracks future expectations, rose to 56.9 in the fourth quarter, up from 55.1 in Q3. This was below the historical average of 57.2.

Current EMI remained virtually unchanged for the second consecutive quarter at just over 60.

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

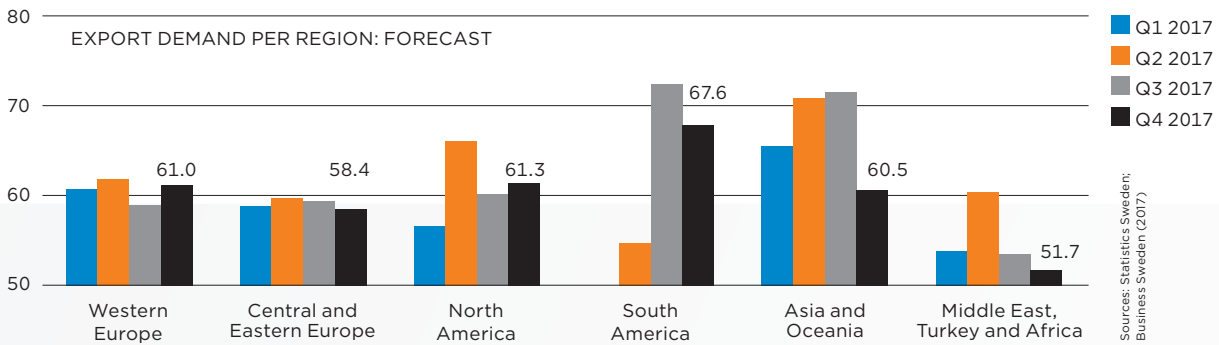
POSITIVE OUTLOOK FOR EXPORT ORDER STOCKS



Confidence in export order stocks jumped 4.3 points to 61.0 to reach its highest level since the third quarter of 2010. The export order

stock EMI remained above 50 throughout 2017 and is now back at its pre-financial crisis level.

HIGHER EXPORT DEMAND EXPECTED IN WESTERN EUROPE AND NORTH AMERICA



The EMI for forecast export demand dropped again in the fourth quarter, falling to 61.0 from 62.2 in Q3. The index is now in line with its historical average of 60.6.

Market sentiment differs between regions. In Western Europe, forecast export demand rose by 2.2 points till 61.0 – well above the historic average of 54.9. In North America, the index rose by 1.2 points to 61.3, just below the region’s historic average.

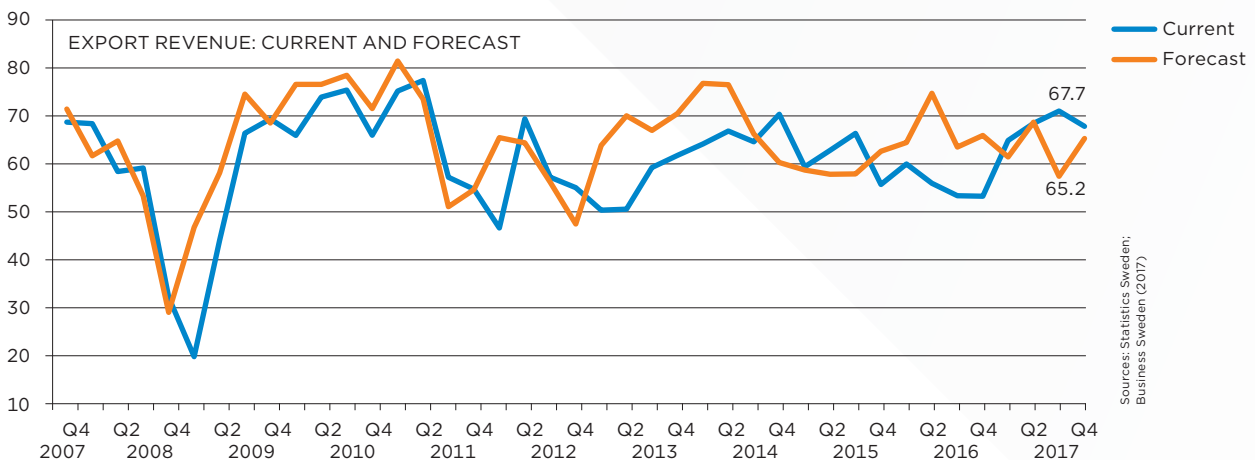
The index fell in other regions but remains above 50, indicating that exporters continue to be optimistic about export demand at global

level. Thus, there is no cause for concern, despite weaker sentiment in some regions.

The biggest drop – of 10.6 points – was seen in forecast demand from Asia and Oceania. The index fell to 60.5 in the fourth quarter, well below its historic average. In South America, the EMI fell by 4.5 points to 67.6.

The EMI for forecast demand from the Middle East, Turkey and Africa slipped by 1.8 points to 51.7. In Central and Eastern Europe, the forecast EMI fell slightly by 0.9 points to 58.4.

MORE COMPANIES EXPECTING HIGHER EXPORT REVENUE

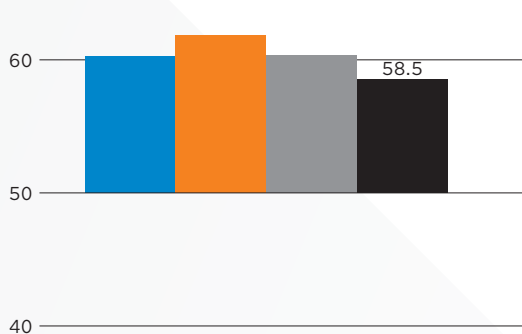


There was a drop in the number of companies expecting current export sales to increase, with the current EMI falling by 3.3 points to 65.2 in Q4. However, the number of exporters

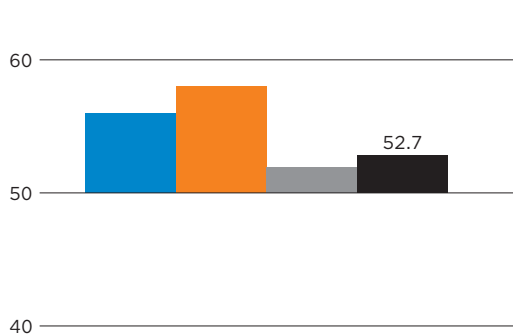
expecting their export revenues to increase over a three-month horizon rose sharply to 67.7, an increase of 7.9 points from third quarter.

HIGHER OPTIMISM ON EXPORT PROFITABILITY

EXPORT PROFITABILITY: CURRENT



EXPORT PROFITABILITY: FORECAST



Q1 2017
Q2 2017
Q3 2017
Q4 2017

Source: Statistics Sweden
Business Sweden (2017)

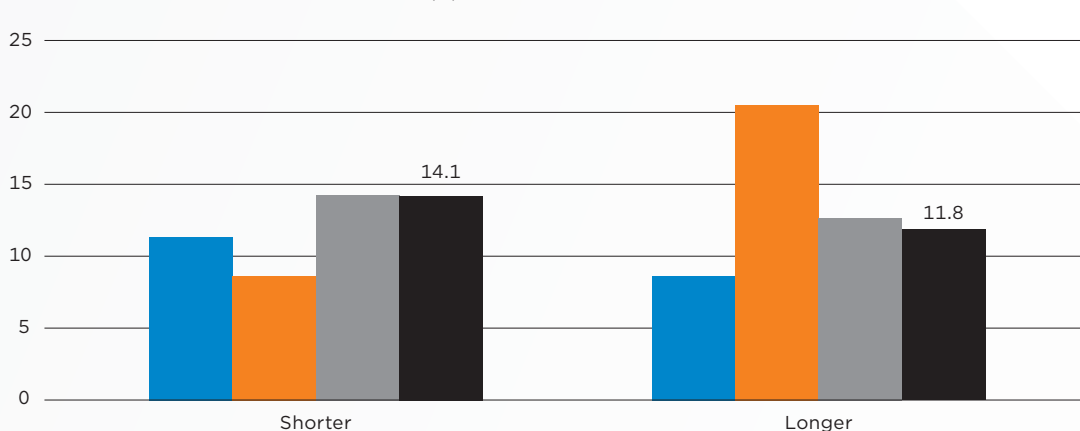
Confidence in export profitability fell for the current time frame but rose over a three-month horizon. The current export profitability EMI dipped by 1.8 points to 58.5, down from 60.3 in Q3.

The forecast export profitability EMI rose by 1.0 points to 52.7, up from 51.8 in Q3.

The fact that both indices are above 50 indicates that exporters take a positive view of export profitability.

UNCHANGED OUTLOOK ON DELIVERY TIMES

EXPORT DELIVERY TIMES: FORECAST (%)



Q1 2017
Q2 2017
Q3 2017
Q4 2017

Source: Statistics Sweden
Business Sweden (2017)

Sentiment on export delivery times was virtually unchanged from the third quarter. The percentage of companies expecting shorter delivery times over a three-month time frame stood at 14.1 percent in Q4, while the percentage of companies expecting longer delivery times over the same period fell

slightly from 12.6 percent in the third quarter to 11.8 percent in Q4.

The lack of change in the number of exporters expecting shorter delivery times indicates that resource utilisation remains unchanged.

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.

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 fourth quarter of 2017 was carried out between 23 October and 10 November 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.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	Q3 2017	Q4 2017	DIFF Q3-Q4 2017
1. EMI total	Total	58.9	59.7	0.8 →
1. EMI total	SEK 25-250m	58.0	60.5	2.5 ↗
1. EMI total	>SEK 250m	59.1	59.5	0.5 →
2. EMI current	Total	62.7	62.4	-0.3 →
2. EMI current	SEK 25-250m	54.9	59.3	4.3 ↗
2. EMI current	>SEK 250m	64.1	63.0	-1.1 ↘
3. EMI forecast	Total	55.1	56.9	1.8 ↗
3. EMI forecast	SEK 25-250m	61.1	61.8	0.7 →
3. EMI forecast	>SEK 250m	54.0	56.0	2.0 ↗

QUESTIONS CURRENT	SELECTION	Q3 2017	Q4 2017	DIFF Q3-Q4 2017
Question 1 - Export sales	Total	70.9	67.7	-3.3 ↘
Question 1 - Export sales	SEK 25-250m	64.1	69.4	5.4 ↗
Question 1 - Export sales	>SEK 250m	72.2	67.3	-4.9 ↘
Question 2 - Export order stock	Total	56.7	61.0	4.3 ↗
Question 2 - Export order stock	SEK 25-250m	46.5	50.0	3.5 ↗
Question 2 - Export order stock	>SEK 250m	58.7	63.1	4.4 ↗
Question 3 - Export profitability	Total	60.3	58.5	-1.8 ↘
Question 3 - Export profitability	SEK 25-250m	54.2	58.3	4.1 ↗
Question 3 - Export profitability	>SEK 250m	61.5	58.6	-2.9 ↘

QUESTIONS CURRENT	SELECTION	Q3 2017	Q4 2017	DIFF Q3-Q4 2017
Question 4 - Export market demand	Total	62.2	61.0	-1.2 ↘
Question 4 - Export market demand	SEK 25-250m	66.9	70.1	3.2 ↗
Question 4 - Export market demand	>SEK 250m	61.4	59.3	-2.1 ↘
Question 4a - Western Europe	Total	58.8	61.0	2.2 ↗
Question 4a - Western Europe	SEK 25-250m	66.2	66.9	0.8 →
Question 4a - Western Europe	>SEK 250m	57.5	59.9	2.4 ↗
Question 4b - Central & Eastern Europe	Total	59.3	58.4	-0.9 →
Question 4b - Central & Eastern Europe	SEK 25-250m	59.6	62.7	3.1 ↗
Question 4b - Central & Eastern Europe	>SEK 250m	59.2	57.7	-1.5 ↘
Question 4c1 - North America	Total	60.0	61.3	1.2 ↗
Question 4c1 - North America	SEK 25-250m	69.1	69.1	0.0 →
Question 4c1 - North America	>SEK 250m	58.7	60.2	1.5 ↗
Question 4c2 - South America	Total	72.1	67.6	-4.5 ↘
Question 4c2 - South America	SEK 25-250m	56.0	64.0	8.0 ↗
Question 4c2 - South America	>SEK 250m	74.5	68.1	-6.3 ↘
Question 4d - Asia & Oceania	Total	71.2	60.5	-10.6 ↘
Question 4d - Asia & Oceania	SEK 25-250m	66.4	64.8	-1.5 ↘
Question 4d - Asia & Oceania	>SEK 250m	71.9	59.9	-12.0 ↘
Question 4e - Middle East, Turkey & Africa	Total	53.4	51.7	-1.8 ↘
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	66.7	62.5	-4.2 ↘
Question 4e - Middle East, Turkey & Africa	>SEK 250m	51.6	50.0	-1.5 ↘
Question 5 - Export sales	Total	57.3	65.2	7.9 ↗
Question 5 - Export sales	SEK 25-250m	67.6	70.8	3.2 ↗
Question 5 - Export sales	>SEK 250m	55.4	64.1	8.7 ↗
Question 6 - Export profitability	Total	51.8	52.7	1.0 →
Question 6 - Export profitability	SEK 25-250m	59.2	57.6	-1.5 ↘
Question 6 - Export profitability	>SEK 250m	50.4	51.8	1.4 ↗
Question 7 - Export profitability	Total	49.2	48.9	-0.3 →
Question 7 - Export profitability	SEK 25-250m	50.7	48.6	-2.1 ↘
Question 7 - Export profitability	Selected >SEK 250m	48.9	48.9	0.1 ↗

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





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

