

BUSINESS SWEDEN



# GLOOMY OUTLOOK FOR EXPORTS

EXPORT MANAGERS' INDEX THIRD QUARTER 2019

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# EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index, EMI, continued to fall in the third quarter. The EMI fell by 3.3 points to 50.6, from 53.9 in the second quarter. The fact that the EMI is now so close to the 50-mark – which is the dividing line between optimism and pessimism – indicates that the export companies' view on the state of exports is normal.

It is a different picture, however, when viewed as current exports and exports over the next three-month period. The decline in EMI is therefore explained primarily by a marked decline in the EMI forecast, which is a sub-index for the forward-looking issues. The EMI forecast fell by 5.0 points to 47.4 in the third quarter from 52.4 in the second quarter. This is the fifth quarter in a row that the index has fallen and the EMI forecast is now at its lowest level since the fourth quarter of 2012. The fact that the EMI forecast is below 50 indicates that the export companies have a gloomy view of the future prospects for exports over the next three-month period. The current export EMI figure also dropped, but less sharply by 1.6 points to 53.8 in the third quarter compared with the previous quarter.

The most striking aspect of this analysis is that all sub-indices, with the exception of the index for projected export demand from Western Europe, Asia and Oceania, fell. At present, companies continue to be satisfied with their export sales as they are with their profitability in export sales. Both indices are above the 50-mark but below their historical average. On the other hand, the companies have a pessimistic view of their export order stocks. The index for export order stocks fell by 3 points to 43.6 in the third quarter, compared to the previous quarter.

In terms of the next three-month period, the view among the companies is decidedly gloomy. This is reflected by the decline in the index for projected export demand, export sales as well as profitability in export sales. All of these forward-looking indices are now below the 50-mark, which signals pessimism. The only break in the cloud is the index for projected export demand from Western Europe which remained unchanged, and the index for Asia and Oceania which increased by 2 points in the third quarter.

The combined index for projected export demand fell markedly by 8.9 points to 46.2 in the third quarter, from 55.1 in the second quarter. The drop is explained primarily by a sharp fall in the index for projected export demand from North and South America but also from Central and Eastern Europe. Sentiment in relation to projected export demand differs between the various regions. The index for projected export demand is just above the 50-mark for North and South America as well as Asia and Oceania, indicating optimism. For Western Europe the index is close to the 50-mark, which signals that sentiment within the export companies is normal. By way of contrast, the index for Central and Eastern Europe as well as the Middle East, Turkey and Africa is considerably below 50, which indicates pessimism.

An uncertain world and an economic slowdown contribute to the export companies' gloomy outlook!

The next Export Managers' Index will be published 14 November, 2019.



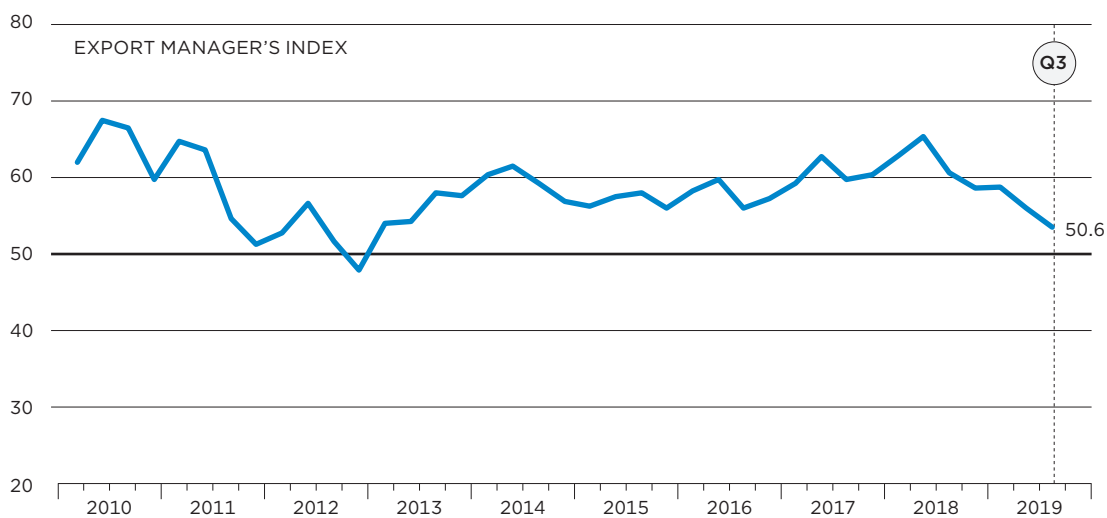
**LENA SELLGREN**

Chief Economist  
Business Sweden

Lena Sellgren  
Chief Economist

# CONTINUED DECLINE IN EMI THIRD QUARTER

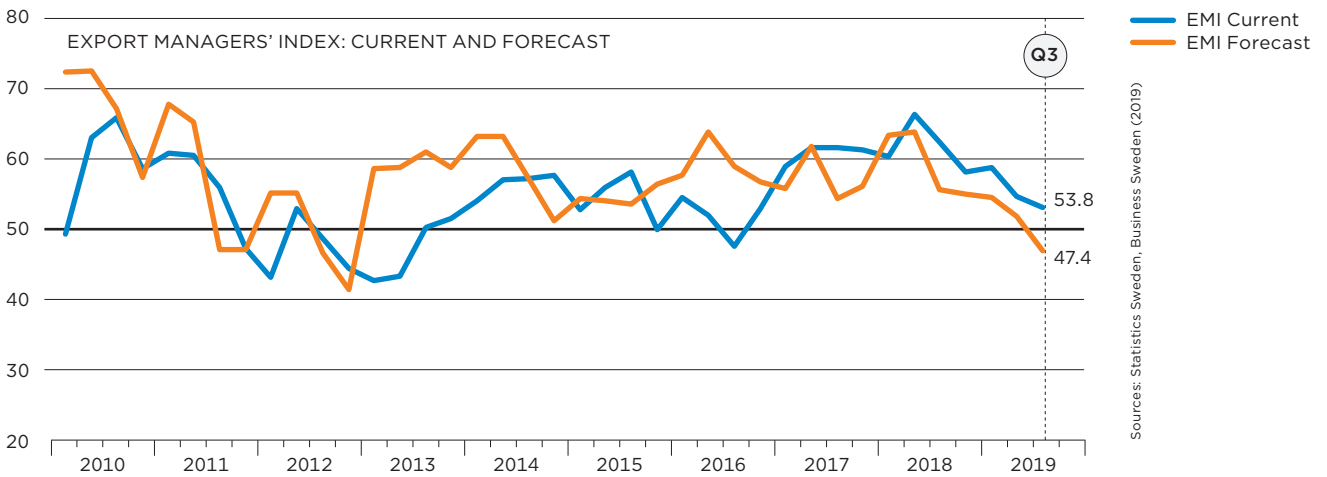
EXPORT MANAGERS' INDEX (EMI) DECLINED IN THIRD QUARTER



Business Sweden's Export Managers' Index (*EMI*) which reflects sentiment among exporters of goods and services, continued to decline in the third quarter 2019. EMI fell by 3.3 points to 50.6, compared with 53.9 in the second quarter. This is the lowest level since the fourth quarter 2012. EMI is now close to the 50-mark which is the dividing line between optimism and pessimism.

The fact that EMI is close to the 50-mark means that there are just as many export companies that believe in a strengthening as there are that believe in a weakening of export development. It indicates that current sentiment among export companies is normal.

## SHARP FALL IN EMI FORECAST

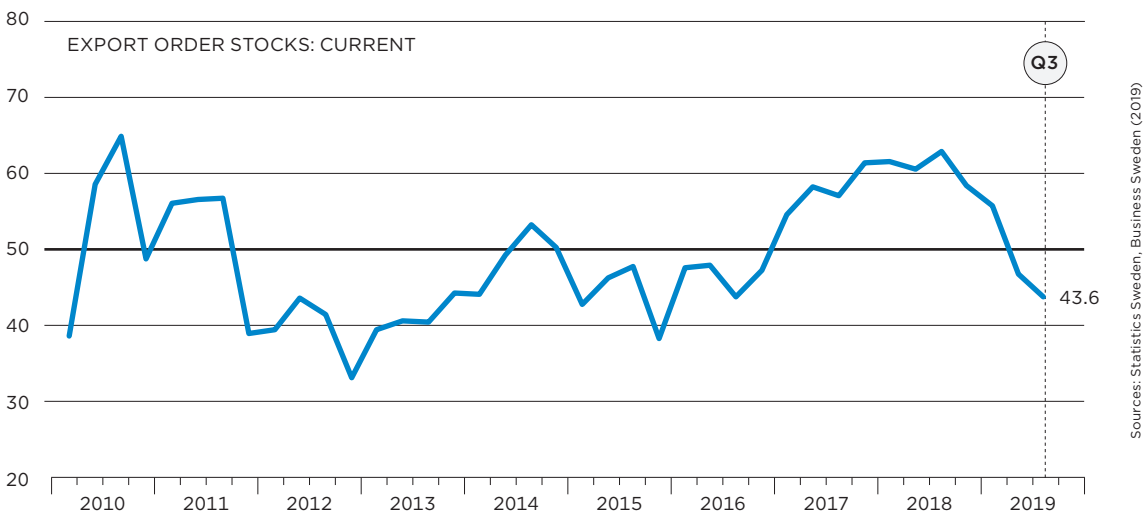


The decline in EMI is primarily explained by a sharp drop in the EMI forecast which is a sub-index for the forward-looking issues. The EMI forecast fell by all of 5 points to 47.4 in the third quarter, from 52.4 in the second quarter. It was the fifth quarter in a row that the EMI forecast had fallen and the index is now at its lowest level since the fourth quarter of 2012. The current EMI continued its decline and dropped by 1.6

points to 53.8 in the third quarter, compared with the previous quarter. The current EMI remains above the 50-mark but below its historical average of 54.9.

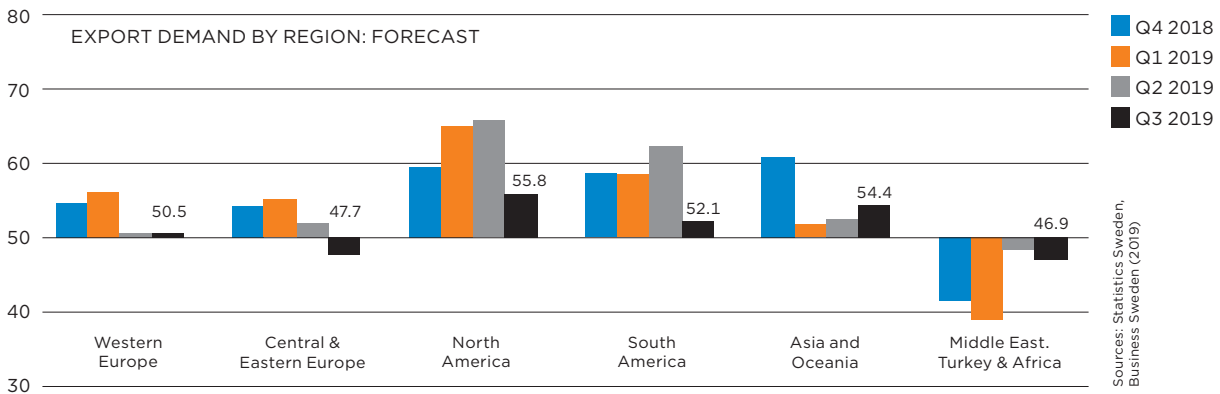
The fact that current EMI is above the 50-mark indicates that sentiment among the export companies continues to be better than normal. On the other hand, the EMI forecast – which fell well below 50 – is pessimistic.

## MORE COMPANIES DISSATISFIED WITH EXPORT ORDER STOCKS



The index reflecting the companies' views of export order stocks fell for the fifth quarter in a row. The index fell by 3.0 points to 43.6 in the third quarter, from 46.6 in the second quarter. This is the lowest level since the third quarter of 2016 and well below the 50-mark as well as the historical average of 48.2. It indicates that more companies are dissatisfied with their export order stocks.

## SHARP DECLINE IN EXPECTATION OF EXPORT DEMAND



The overall index for the projected export demand fell by 8.9 points to 46.2 in the third quarter, from 55.1 in the previous quarter. The index is now at its lowest level since the fourth quarter 2012. Expectations on export demand fell in all regions except Western Europe and Asia and Oceania. The decline was especially notable in North and South America. At the same time, the index for Western Europe, on the other hand, remained at 50.5 in the third quarter, compared to the second quarter. For Central and Eastern Europe the index fell by 4.2 points to 47.7, which indicates a pessimistic view of export demand from the region.

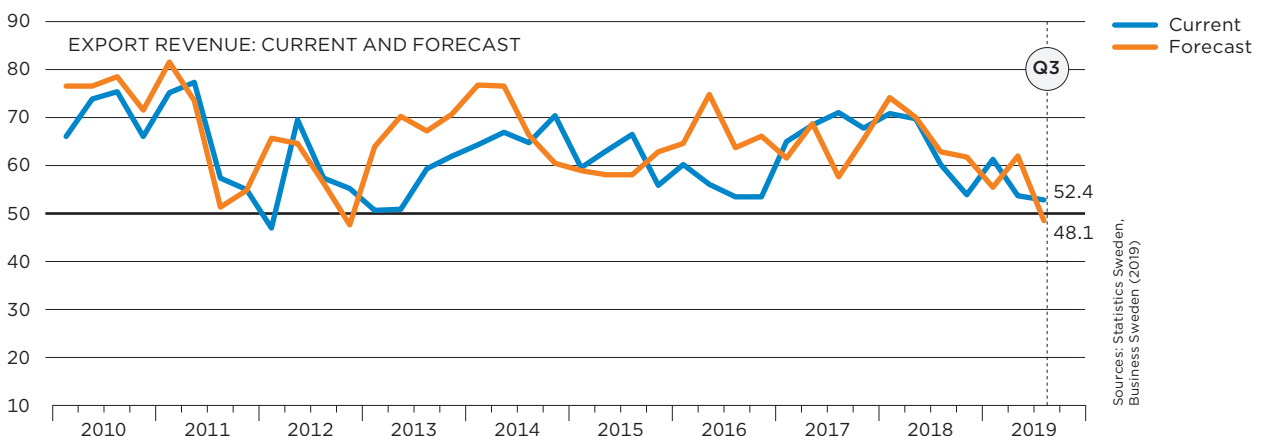
The index for projected export demand from North as well as South America fell sharply by 9.8 to 10.1 points respectively, compared to the previous quarter. The index for North America fell to 55.8 and to 52.1 for South America in the third quarter.

The index for Asia and Oceania increased by 2 points to 54.4 in the third quarter, compared with the second quarter. This continues to be at a considerably lower level than the historical average index level of 67.7.

The index for the Middle East, Turkey and Africa, fell by 1.4 points to 46.9 in the third quarter, compared to the previous quarter.

Overall, the view of projected export demand clearly differs between the regions. The index remains just above the 50-mark for North and South America as well as Asia and Oceania which indicates a level of optimism. For Western Europe, the index is more or less on the 50-mark which signals that sentiment among export companies is normal. On the other hand, the index for Central and Eastern Europe, as well as the Middle East, Turkey and Africa is well below 50, indicating a more pessimistic climate.

## PESSIMISTIC VIEW OF PROJECTED EXPORT SALES

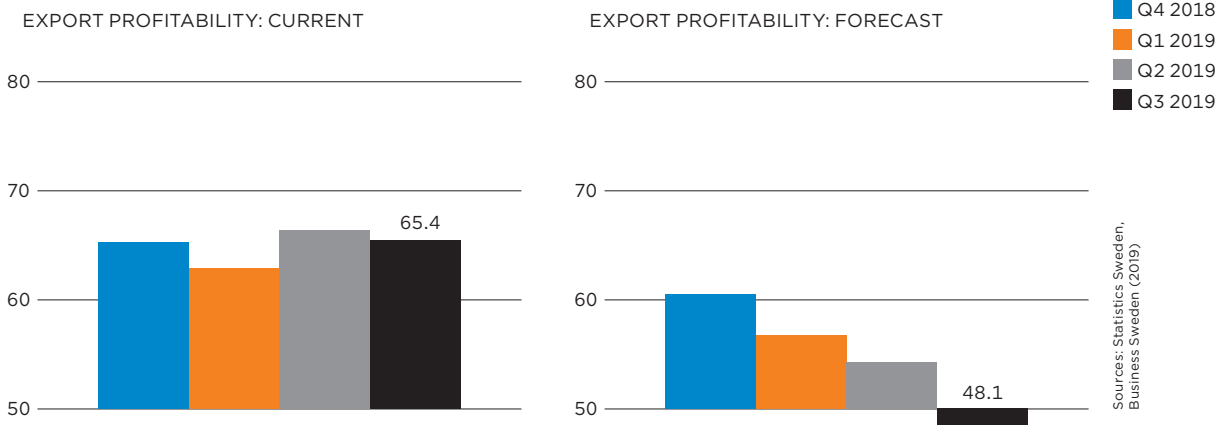


Optimism among export companies with regard to current export sales fell for the second quarter in a row. However, the index fell by only 1 point to 52.4 in the third quarter, compared to the previous quarter. On the other hand, the index for projected export sales for the next three-month period fell sharply by 13.6 points to 48.1 in the third quarter, from 61.7 in the second quarter.

This is the lowest recorded level since the fourth quarter of 2012.

The fact that the index for projected export sales is below 50, signals a pessimistic view among the companies when assessing the next three-month period. For the time being, however, the general mood regarding export sales continues to be optimistic.

## LOWERED EXPECTATION ON PROFITABILITY IN EXPORT SALES



Sources: Statistics Sweden, Business Sweden (2019)

The companies' assessment of profitability in export sales fell, particularly in terms of the next three-month forecast in the third quarter, compared with the previous quarter. The index for the current situation fell by 0.9 points to 65.4 in the third quarter, compared with the second quarter. On the other hand, the sub-index for profitability in export sales in the next three-month period fell by as much as 6.2 points to 48.1 points in the third quarter.

The fact that the index for projected profitability in export sales is below the 50-mark, indicates that the companies are pessimistic in the view of profitability over the next three-month period. The continued weakness in the value of the krona is in all likelihood a major contributing factor in this positive view of profitability in the current situation.

## ABOUT BUSINESS SWEDEN'S EXPORT MANAGERS' INDEX

Business Sweden's *Export Managers' Index (EMI)* has been published quarterly since 2007. The EMI takes the temperature of Swedish export companies and serves as an important economic indicator in relation to Swedish exports.

The survey is in the form of telephone interviews conducted by Statistics Sweden (SCB). In the survey all major companies and a selection of small and medium-sized companies are interviewed. Respondents are export managers or persons with a corresponding position in Swedish export companies. The survey covers a total of 210 companies, of which half have export sales of more than SEK 250 million (large companies) and half have export sales of SEK 25–250 million (small and medium-sized companies). The EMI is based on information from the VAT register and includes exports of both goods and services.

The Export Manager's Index consists of two parts; one main index and two sub-indices of which one describes the current situation and the other expectations for the near future. EMI is compiled from the answers to seven questions where three focus on the current situation and four are forward-looking. The seven questions carry equal weight in the survey. The analysis for the third quarter of 2019 was conducted during the period 29 July – 15 August. The results are presented in the form of a so-called diffusion index. The dividing line between strengthening and weakening has been set at 50.

Values above 50 mean that there are more people who believe in a strengthening than a weakening, and vice versa. The result is weighted with the companies' export value.

The response rate amounted to 77 per cent, weighted. The National Institute of Economic Research has evaluated the EMI in order to assess its usefulness for forecasting export development. The result shows that the EMI offers information that increases forecasting precision compared to the historical average. This means that EMI is useful for this purpose (see [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 2019	Q3 2019	DIFF Q3 19-Q2 19	
<b>1. EMI total</b>	<b>Total</b>	<b>53.9</b>	<b>50.6</b>	<b>-3.3</b>	<b>↘</b>
1. EMI total	SEK 25-250m	58.5	56.2	-2.3	↘
1. EMI total	>SEK 250m	53.4	49.8	-3.6	↘
<b>2. EMI current</b>	<b>Total</b>	<b>55.4</b>	<b>53.8</b>	<b>-1.6</b>	<b>↘</b>
2. EMI current	SEK 25-250m	56.7	52.9	-3.8	↘
2. EMI current	>SEK 250m	55.3	53.9	-1.4	↘
<b>3. EMI forecast</b>	<b>Total</b>	<b>52.4</b>	<b>47.4</b>	<b>-5.0</b>	<b>↘</b>
3. EMI forecast	SEK 25-250m	60.3	59.5	-0.8	→
3. EMI forecast	>SEK 250m	51.5	45.8	-5.7	↘

EMI	SAMPLE	Q2 2019	Q3 2019	DIFF Q3 19-Q2 19	
Question 1 - Export sales	Total	53.4	52.4	-1.0	↘
Question 1 - Export sales	SEK 25-250m	63.5	56.4	-7.1	↘
Question 1 - Export sales	>SEK 250m	52.1	51.8	-0.3	→
Question 2 - Export order stock	Total	46.6	43.6	-3.0	↘
Question 2 - Export order stock	SEK 25-250m	45.2	40.3	-4.9	↘
Question 2 - Export order stock	>SEK 250m	46.7	44.1	-2.6	↘
Question 3 - Export profitability	Total	66.3	65.4	-0.9	→
Question 3 - Export profitability	SEK 25-250m	61.5	62.2	0.7	→
Question 3 - Export profitability	>SEK 250m	66.9	65.9	-1.0	↘

EMI	SAMPLE	Q2 2019	Q3 2019	DIFF Q3 19-Q2 19	
Question 4 - Export market demand	Total	55.1	46.2	-8.9	↘
Question 4 - Export market demand	SEK 25-250m	64.2	64.1	-0.1	→
Question 4 - Export market demand	>SEK 250m	54.0	43.7	-10.3	↘
Question 4a - Western Europe	Total	50.5	50.5	0.0	→
Question 4a - Western Europe	SEK 25-250m	61.6	54.2	-7.4	↘
Question 4a - Western Europe	>SEK 250m	49.2	50.0	0.8	→
Question 4b - Central & Eastern Europe	Total	51.9	47.7	-4.2	↘
Question 4b - Central & Eastern Europe	SEK 25-250m	59.8	61.7	1.9	↗
Question 4b - Central & Eastern Europe	>SEK 250m	51.1	46.1	-5.0	↘
Question 4c1 - North America	Total	65.6	55.8	-9.8	↘
Question 4c1 - North America	SEK 25-250m	67.7	65.2	-2.5	↘
Question 4c1 - North America	>SEK 250m	65.4	54.8	-10.6	↘
Question 4c2 - South America	Total	62.2	52.1	-10.1	↘
Question 4c2 - South America	SEK 25-250m	65.4	54.4	-11.0	↘
Question 4c2 - South America	>SEK 250m	61.9	51.9	-10.0	↘
Question 4d - Asia & Oceania	Total	52.4	54.4	2.0	↗
Question 4d - Asia & Oceania	SEK 25-250m	66.7	62.9	-3.8	↘
Question 4d - Asia & Oceania	>SEK 250m	51.1	53.4	2.3	↗
Question 4e - Middle East, Turkey & Africa	Total	48.3	46.9	-1.4	↘
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	57.8	59.6	1.8	↗
Question 4e - Middle East, Turkey & Africa	>SEK 250m	47.4	45.6	-1.8	↘
Question 5 - Export sales	Total	61.7	48.1	-13.6	↘
Question 5 - Export sales	SEK 25-250m	66.9	67.3	0.4	→
Question 5 - Export sales	>SEK 250m	61.1	45.5	-15.6	↘
Question 6 - Export profitability	Total	54.3	48.1	-6.2	↘
Question 6 - Export profitability	SEK 25-250m	59.5	57.1	-2.4	↘
Question 6 - Export profitability	>SEK 250m	53.7	46.9	-6.8	↘
Question 7 - Export profitability	Total	38.5	47.3	8.8	↗
Question 7 - Export profitability	SEK 25-250m	50.7	49.4	-1.3	↘
Question 7 - Export profitability	>SEK 250m	37.0	47.1	10.1	↗

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







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**BUSINESS SWEDEN** Box 240, SE-101 24 Stockholm, Sweden  
World Trade Center, Klarabergsviadukten 70  
T +46 8 588 660 00 [info@business-sweden.se](mailto:info@business-sweden.se) [www.business-sweden.se](http://www.business-sweden.se)

