



HEADWINDS FROM THE EAST

EXPORT MANAGERS' INDEX
Third quarter 2023

EXECUTIVE SUMMARY

Business Sweden's Export Managers' Index, EMI, has dropped back down indicating that the unexpected uptick in the previous quarter was all but temporary. EMI fell by 5.5 points to 46.7 in the third quarter, from 52.2 in the second quarter. The fact that the index is now below the 50-mark – the dividing line between optimism and pessimism – signals that Sweden's export companies have a gloomy view of export development.

Both EMI current and EMI forecast, the subindex for the forward-looking issues, fell back. EMI current fell by 4.9 points to 50.7 in the third quarter, from 55.6 in the second quarter. EMI forecast fell by 6.1 points to 42.8 in the third quarter, from 48.9 the previous quarter. This indicates that export managers are cautiously optimistic about the current situation but that an increasing number are taking a gloomy view of future prospects.

Most of the subindices dropped considerably in the survey, but a few bright spots can be observed. The index for current export sales rose by 6 points to 54.5 in the third quarter, from 48.5 in the second quarter. Besides this, the index for expected export demand from both North and South America continued upwards in the third quarter, hitting 58.4 and 52.3 respectively. This signals that export companies have an optimistic view of demand from these regions.

The most notable finding in the third quarter survey was a dramatic fall in the subindex for expected export demand from Asia and Oceania, which plummeted by 24.1 points to 35.6, from 59.7 in the previous quarter. This is the lowest recorded level since the survey began in 2007. The index has only fallen below the 50-mark on four previous occasions: during two quarters in the midst of the global financial crisis in 2008/2009, during the 2020 pandemic and in the third quarter of 2021. There was only a moderate change in the index for all other regions, with a continued gloomy view of expected export demand from both Western Europe and Central and Eastern Europe and a somewhat more optimistic outlook for the Middle East, Türkiye and Africa, where the index is just above the 50-mark.

The index reflecting the profitability of current export sales fell by 11.3 points to 51.9 in the third quarter, from 63.2 in the previous quarter. The index for export order stocks fell by 9.5 points to 45.7 in the third quarter, from 55.2 in the second quarter. This indicates that export managers are increasingly dissatisfied with export order stocks.

When it comes to the three-month forecast, export managers are taking a considerably more dampened view. Both the index for expected export sales and the index for expected profitability of export sales fell sharply and are now well below the 50-mark.

In all, we can observe that more and more export companies are pessimistic about future prospects as they face headwinds from the East. Small, open and export-dependent economies such as Sweden's are particularly hard hit by growing uncertainty in the world, not least geopolitically, coupled with unpredictable developments in the global economy. On a final note, it seems that Sweden's export companies are no longer reaping any benefits from the weak Swedish krona.

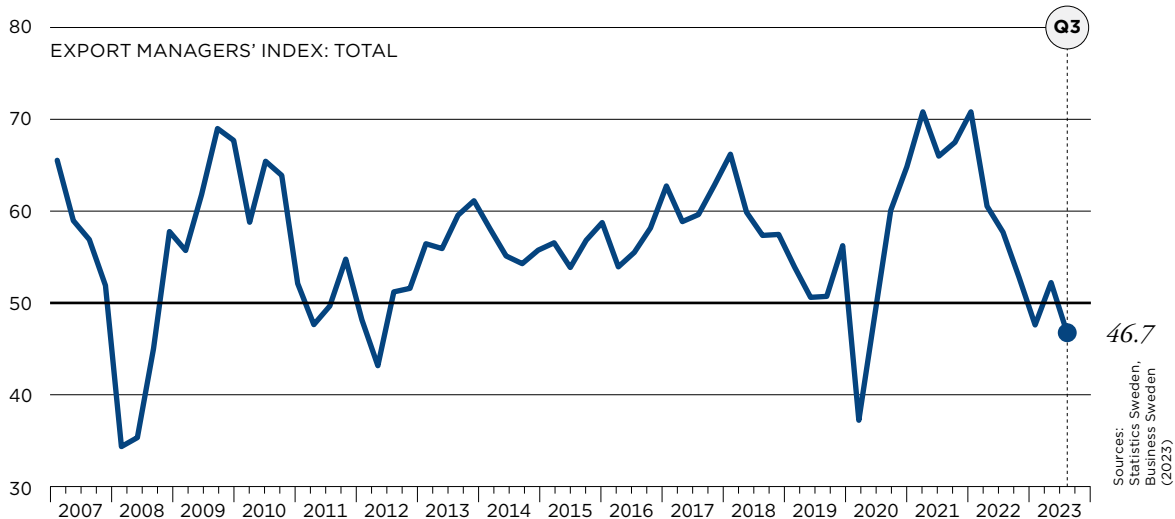
The next Export Managers' Index will be published on 9 November 2023.

Lena Sellgren
Chief Economist



EXPORT MANAGERS' INDEX FALLS BACK

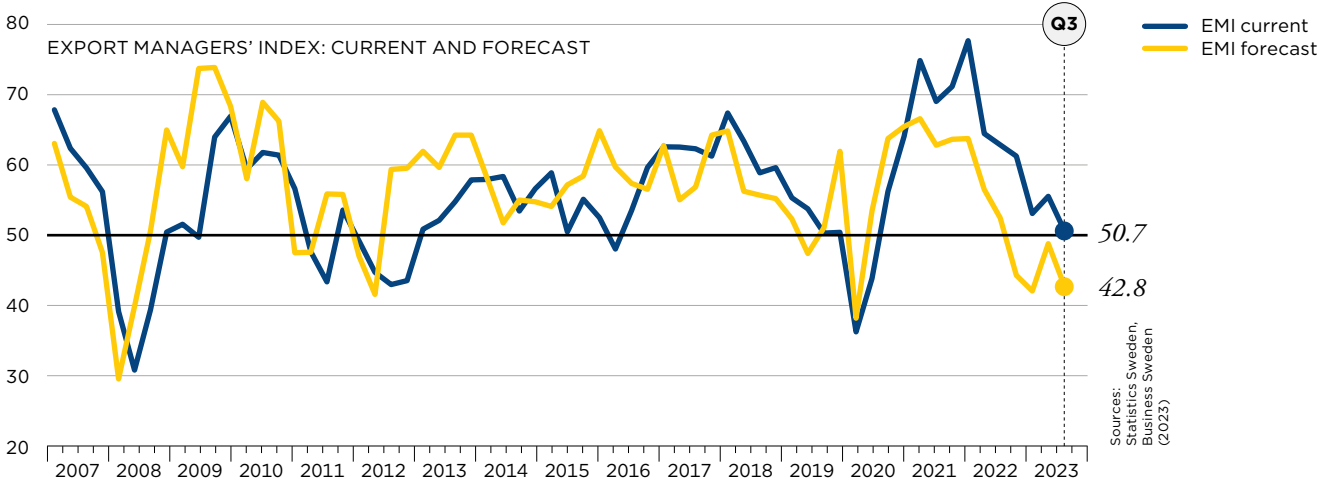
EXPORT MANAGERS' INDEX FALLS BACK IN THE THIRD QUARTER



Business Sweden's Export Managers' Index, which monitors views and reflects sentiment among Swedish exporters of goods and services, fell back in the third quarter. This indicates that the unexpected uptick in the second quarter was all but temporary. EMI fell by 5.5 points to 46.7 in the third quarter, from 52.2 in the second quarter, which is the lowest

level since the second quarter of 2020. The fact that EMI is now once again below the 50-mark – the dividing line between optimism and pessimism – means that more export companies believe in a weakening than a strengthening of export development. In short, the results indicate that Sweden's export companies have a pessimistic view.

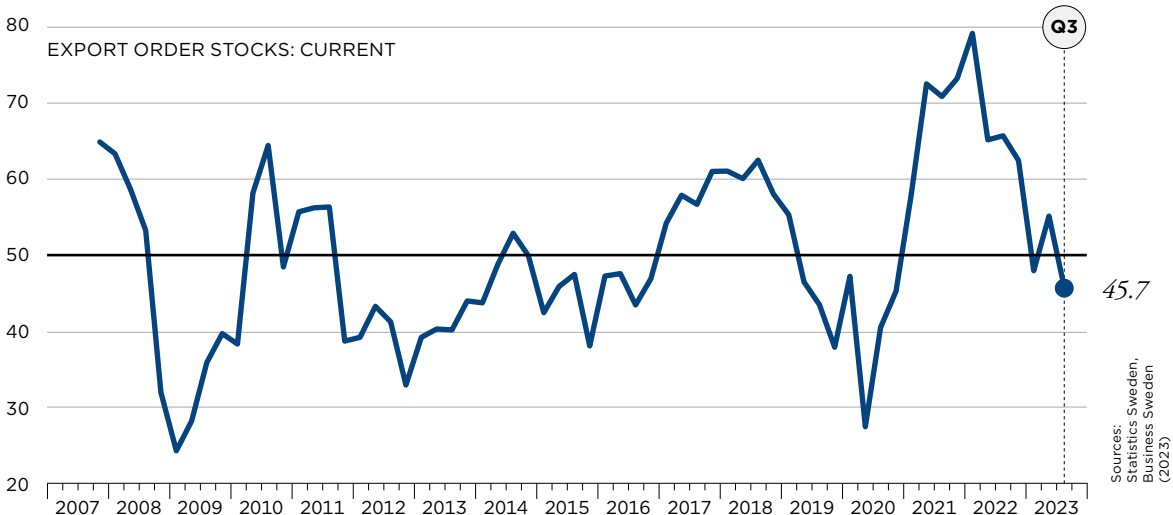
DECLINE IN BOTH EMI CURRENT AND FORECAST



Export companies' assessment of both the current situation and the three-month forecast drove the overall decline in the third quarter EMI. EMI current fell by 4.9 points to 50.7 in the third quarter, from 55.6 in the second quarter. EMI forecast – the subindex for the forward-looking issues – fell by 6.1 points to the low level of 42.8 in the third quarter, from 48.9 in the previous quarter.

The subindex reflecting views of current export development remains just above the 50-mark but below its historical average of 55.9 for the period 2007–2023. The three-month forecast subindex dropped down well below the 50-mark. In all, this indicates that export managers have a balanced view of the current situation but are increasingly pessimistic about future prospects.

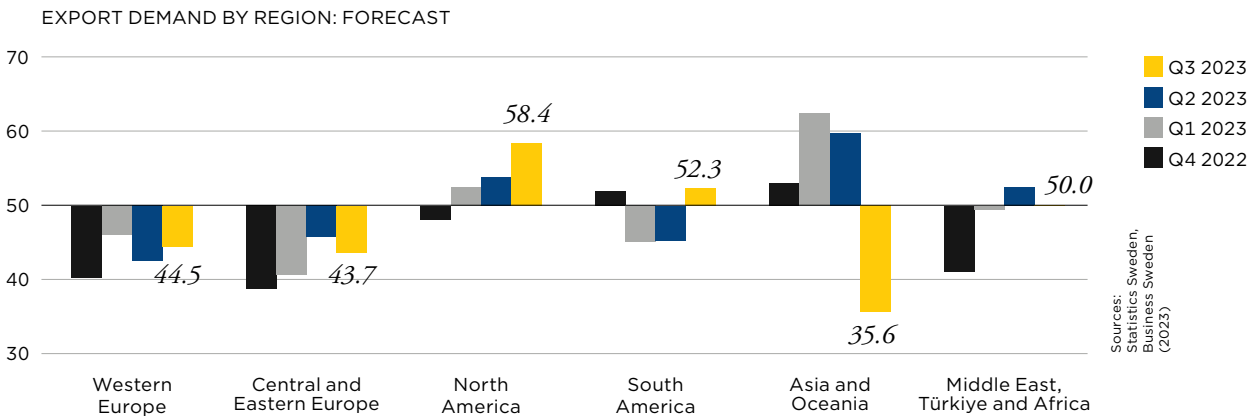
EXPORT MANAGERS ARE DISSATISFIED WITH EXPORT ORDER STOCKS



Once again, Swedish export managers are dissatisfied with export order stocks. The index fell by 9.5 points to 45.7 in the third quarter, from 55.2 in the second quarter. The fact that the index dropped

below 50 indicates that more export companies are dissatisfied with their export order stocks than vice versa.

CONTINUED UPTICK IN EXPECTED EXPORT DEMAND FROM NORTH AND SOUTH AMERICA - WHILE INDEX FOR ASIA PLUMMETS

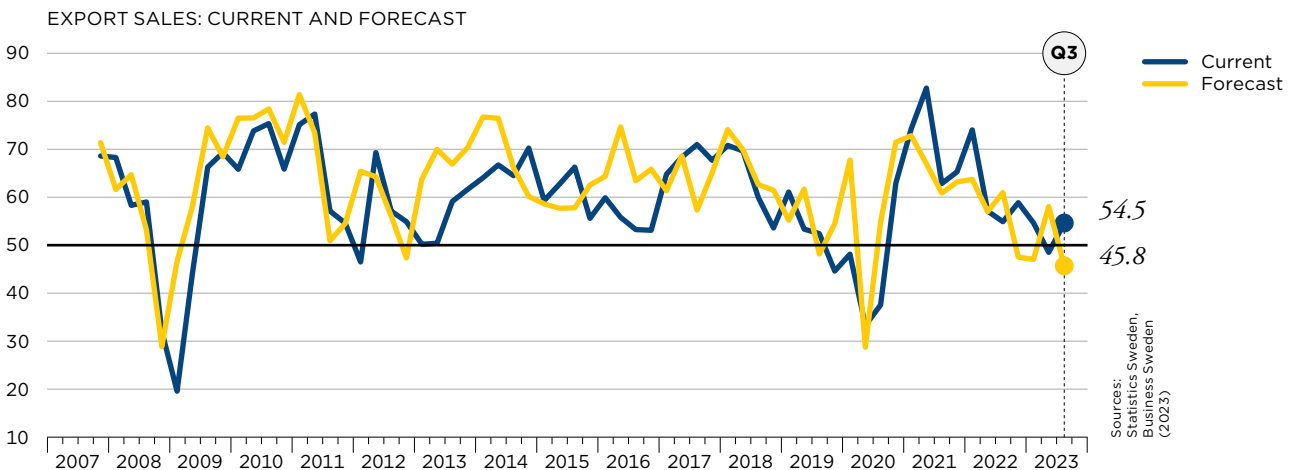


The change in the index for expected export demand differs considerably between the various regions. The index for expected export demand from North and South America continued to rise for the third quarter in a row, while the index for Asia and Oceania plummeted and hit its lowest recorded since the survey began in 2007.

The index for expected export demand from North America rose by 4.5 points to 58.4 in the third quarter, from 53.9 in the second quarter. The index for South America increased by 7 points to 52.3 in the third quarter, from 45.3 in the second quarter. The index for Asia and Oceania plummeted by no less than 24.1 points to 35.6 in the third quarter, from 59.7 in the second quarter.

The index for expected export demand from all other regions changed more moderately. In all, the survey reveals that the index for expected export demand is above the 50-mark for North and South America and on the 50-mark for the Middle East, Türkiye and Africa. The index remains below the 50-mark for Europe and for Asia, the index plunged to its lowest recorded level. This indicates that export companies have an optimistic view of expected export demand from North and South America and a more balanced view of the Middle East, Türkiye and Africa. The export companies continue to take a dampened view of expected demand from Europe, while pessimism reigns when it comes to demand from Asia and Oceania.

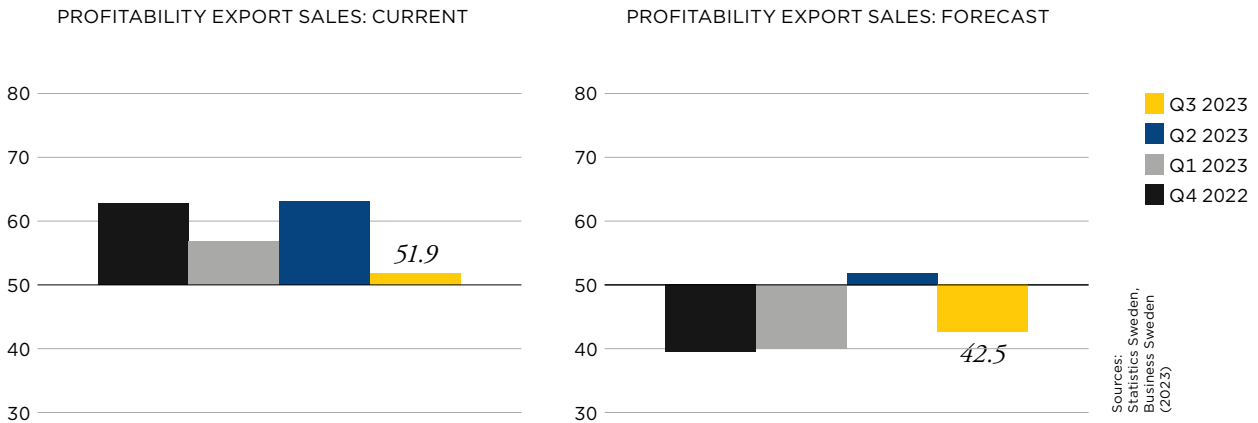
OPTIMISTIC VIEW OF CURRENT EXPORT SALES



The index reflecting views of current export sales rose in the third quarter after having fallen two quarters in a row. The index jumped by 6 points to 54.5 in the third quarter, from 48.5 in the second quarter. Conversely, the three-month forecast index for export sales plunged by 12.3 points to 45.8 in the third quarter, from 58.1 in the previous quarter.

The fact that the index for current export sales bounced back above the 50-mark indicates that export companies have an optimistic view of the current situation. Nonetheless, the index for export sales in the next three months dropped below the 50-mark which signals that more and more export companies have a gloomy view of future prospects for export sales.

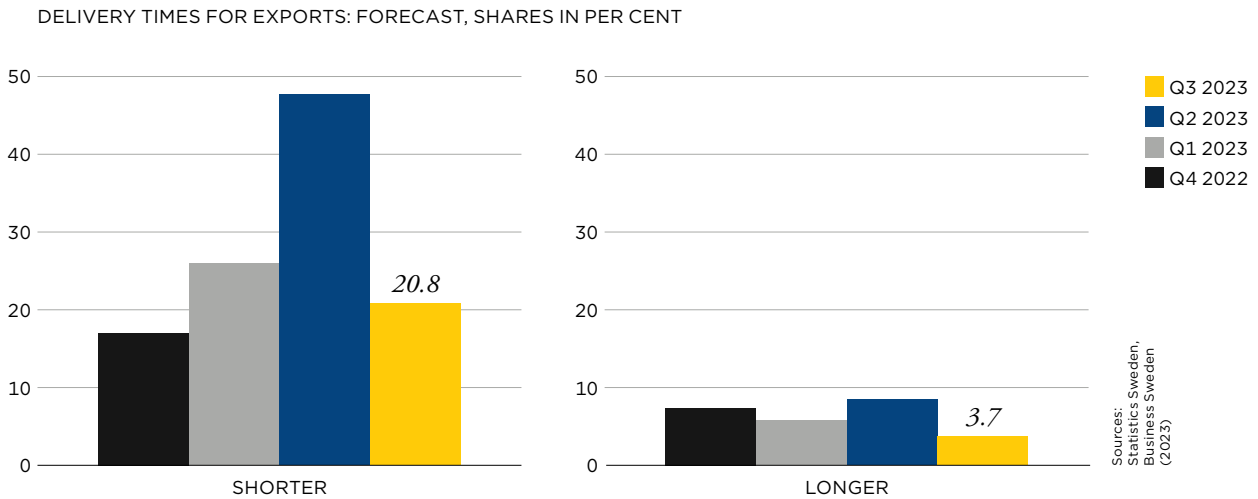
VIEWS OF PROFITABILITY OF EXPORT SALES DAMPEN CONSIDERABLY



The companies' assessment of both the current and future profitability of export sales weakened considerably. The index for current profitability of export sales fell by 11.3 points to 51.9 in the third quarter, from 63.2 in the previous quarter. The index reflecting views of the profitability of export sales in the next three months fell by 9.3 points to 42.5 in the third quarter, from 51.8 in the second quarter.

Despite the substantial drop, the index reflecting views of the current profitability of export sales remains above the 50-mark, but the index reflecting the three month forecast fell well below the 50-mark. In all, this indicates that companies have an optimistic view of the profitability of export sales today while taking a gloomy view of future prospects.

FEWER EXPORT COMPANIES EXPECT SHORTER DELIVERY TIMES



The share of export companies expecting longer delivery times for exports over the next three months fell by 4.8 percentage points to 3.7 per cent in the third quarter, from 8.5 per cent in the second quarter. The share of companies expecting shorter delivery times for exports fell markedly by no less than 26.9 percentage points to 20.8 per cent in the third quarter, from 47.7 per cent in the previous quarter.

This severe drop in the index since the last survey is hard to fully interpret. Most of the companies have confirmed that they haven't seen any change in delivery times. The fact that the share of companies expecting shorter delivery times for exports in the next three months has fallen could be an indication of increased resource utilisation in the economy.

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 carried out by Statistics Sweden. Respondents are export managers or persons with a corresponding position in Swedish export companies. The survey covers a total of 225 companies, of which 125 have export sales of more than SEK 250 million (large companies) and 100 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 Managers' Index consists of two parts; one main index and two subindices of which one describes the current situation and the other describes expectations for the near future. The EMI result is based on 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 survey for the third quarter 2023 was conducted during the period 4–25 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 companies that believe in a strengthening than a weakening, and vice versa. The result is weighted with the companies' export value. The response rate amounted to 78 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/8ebjmx).

Questions asked:

EMI current

- What is your estimate of your company's export sales over 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 forecast, next three months

- How do you think market demand for your company's exports will develop over the next three months?
- How do you think your company's export sales will develop over the next three months?
- How do you think your company's profitability in export sales will develop over the next three months?
- How do you think your company's export delivery times will develop over the next three months?

Answers to all these questions form the basis for the main EMI.

APPENDIX

DATA: WEIGHTED TIME SERIES

INDICATOR	SELECTION	Q2 2023	Q3 2023	DIFF Q3 23 - Q2 23	
1. EMI total	Total	52.2	46.7	-5.5	↓
1. EMI total	MSEK 25-250	49.0	50.4	1.4	↗
1. EMI total	>MSEK 250	52.5	46.5	-6.0	↓
2. EMI current	Total	55.6	50.7	-4.9	↓
2. EMI current	MSEK 25-250	46.5	51.6	5.1	↗
2. EMI current	>MSEK 250	56.4	50.7	-5.7	↓
3. EMI forecast	Total	48.9	42.8	-6.1	↓
3. EMI forecast	MSEK 25-250	51.4	49.2	-2.2	↓
3. EMI forecast	>MSEK 250	48.6	42.3	-6.3	↓

INDICATOR CURRENT	SELECTION	Q2 2023	Q3 2023	DIFF Q3 23 - Q2 23	
Question 1 - Export sales	Total	48.5	54.5	6.0	↗
Question 1 - Export sales	MSEK 25-250	47.9	54.8	6.9	↗
Question 1 - Export sales	>MSEK 250	48.6	54.5	5.9	↗
Question 2 - Export order stock	Total	55.2	45.7	-9.5	↓
Question 2 - Export order stock	MSEK 25-250	36.8	38.9	2.1	↗
Question 2 - Export order stock	>MSEK 250	56.8	46.3	-10.5	↓
Question 3 - Export profitability	Total	63.2	51.9	-11.3	↓
Question 3 - Export profitability	MSEK 25-250	54.9	61.1	6.2	↗
Question 3 - Export profitability	>MSEK 250	63.9	51.2	-12.7	↓

INDICATOR FORECAST	SELECTION	Q2 2023	Q3 2023	DIFF Q3 23 - Q2 23	
Question 4 - Export market demand	Total	55.2	41.4	-13.8	↓
Question 4 - Export market demand	MSEK 25-250	54.9	46.0	-8.9	↓
Question 4 - Export market demand	>MSEK 250	55.2	41.0	-14.2	↓
Question 4a - Western Europe	Total	42.5	44.5	2.0	↗
Question 4a - Western Europe	MSEK 25-250	51.6	45.6	-6.0	↓
Question 4a - Western Europe	>MSEK 250	41.8	44.4	2.6	↗
Question 4b - Central & Eastern Europe	Total	45.8	43.7	-2.1	↓
Question 4b - Central & Eastern Europe	MSEK 25-250	47.5	42.9	-4.6	↓
Question 4b - Central & Eastern Europe	>MSEK 250	45.6	43.7	-1.9	↓
Question 4c1 - North America	Total	53.9	58.4	4.5	↗
Question 4c1 - North America	MSEK 25-250	59.8	57.9	-1.9	↓
Question 4c1 - North America	>MSEK 250	53.5	58.4	4.9	↗
Question 4c2 - South America	Total	45.3	52.3	7.0	↗
Question 4c2 - South America	MSEK 25-250	48.2	42.6	-5.6	↓
Question 4c2 - South America	>MSEK 250	45.2	52.7	7.5	↗
Question 4d - Asia & Oceania	Total	59.7	35.6	-24.1	↓
Question 4d - Asia & Oceania	MSEK 25-250	59.6	53.9	-5.7	↓
Question 4d - Asia & Oceania	>MSEK 250	59.7	34.7	-25.0	↓
Question 4e - Middle East, Türkiye & Africa	Total	52.6	50.0	-2.6	↓
Question 4e - Middle East, Türkiye & Africa	MSEK 25-250	50.0	39.7	-10.3	↓
Question 4e - Middle East, Türkiye & Africa	>MSEK 250	52.7	50.4	-2.3	↓
Question 5 - Export sales	Total	58.1	45.8	-12.3	↓
Question 5 - Export sales	MSEK 25-250	53.5	50.8	-2.7	↓
Question 5 - Export sales	>MSEK 250	58.4	45.4	-13.0	↓
Question 6 - Export profitability	Total	51.8	42.5	-9.3	↓
Question 6 - Export profitability	MSEK 25-250	50.7	53.2	2.5	↗
Question 6 - Export profitability	>MSEK 250	51.9	41.7	-10.2	↓
Question 7 - Export profitability	Total	30.4	41.4	11.0	↗
Question 7 - Export profitability	MSEK 25-250	46.5	46.8	0.3	→
Question 7 - Export profitability	>MSEK 250	29.0	41.0	12.0	↗

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



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