



BUSINESS SWEDEN

ASIA NOSEDIVES

EXPORT MANAGERS' INDEX FIRST QUARTER 2019

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EXECUTIVE SUMMARY

The Business Sweden Export Managers' Index (EMI) was virtually unchanged in the first quarter of 2019 compared to the fourth quarter of 2018, edging up 0.1 points to 57.5. The index remains well above 50, indicating that Swedish exporters are optimistic and retain a positive outlook on market conditions.

The current EMI rose 0.7 points to 59.7 quarter-on-quarter, while the forecast EMI, which measures sentiment for the coming three months, dropped 0.5 points to 55.3.

The different sub-indices were more widely spread in Q1 compared to the prior quarter. The index for current export sales jumped 7.4 points to 61.0 while the downward trend in forecast export sales continued. This index fell for the fourth consecutive quarter, dropping 6.3 points from Q4 2018, to 55.2 in Q1. This marks the lowest level since the fourth quarter of 2012 and is well below the historic average of 64.2.

Exporters remain satisfied with order stock levels, and an increasing number of firms expect longer delivery times. This signals high levels of export activity, though sentiment on export profitability fell both for the current time frame and over a three-month horizon.

The biggest surprise was a sharp decline in projected export demand from Asia and Oceania. This index slid from 60.7 in Q4 2018 to 51.7, a drop of 9 points. With the exception of two quarters at the start of the financial crisis in December 2008, this is the lowest level since the survey began in 2007. By contrast, forecast export demand from North America climbed from 59.5 to 65.0, a rise of 5.5 points.

A contributing factor to this divergent sentiment is the trade conflict between the US and China, in which the US currently appears to hold an advantage. Questions over the strength of China's economy and growing resistance to Chinese tech companies are also likely reasons for weaker sentiment regarding the Chinese market.

The index for forecast export demand from the Middle East, Turkey and Africa fell again in Q1, shedding 2.5 points to reach 39.0 – its lowest level since the first quarter of 2009.

On the other hand, the index for projected export demand from Europe rose, despite the risk of a no-deal Brexit, the public debt crisis in Italy and lower-than-expected economic figures and data for the European economy.

In all, therefore, Swedish exporters remain broadly optimistic about the market outlook.

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Chief Economist
Business Sweden

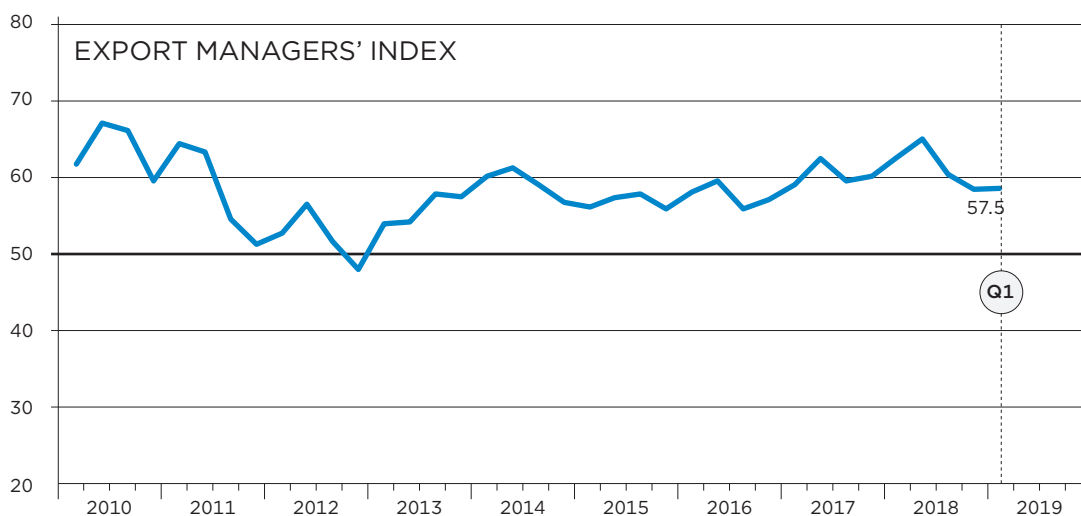


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EXPORT MANAGERS' INDEX (EMI) VIRTUALLY UNCHANGED IN FIRST QUARTER



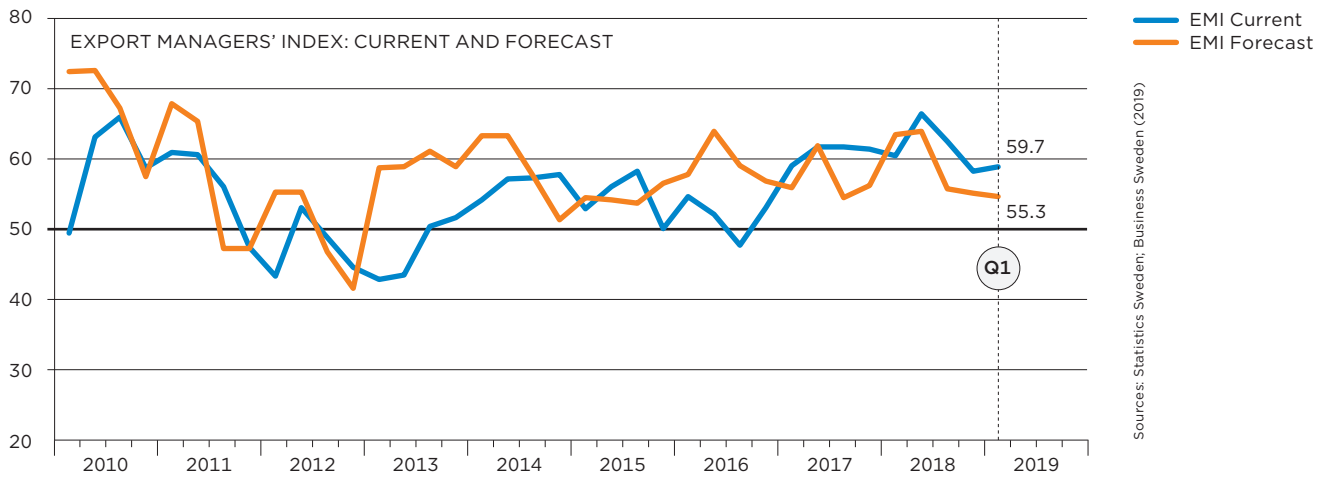
Sources: Statistics Sweden; Business Sweden (2019)

The Business Sweden Export Managers' Index (*EMI*) measures confidence levels among Swedish exporters of goods and services. It was almost unchanged in the first quarter of 2019 from Q4 2018, posting a marginal gain of 0.1 points to 57.5 after two consecutive quarterly decreases.

This indicates that the decline in sentiment among Swedish exporters has levelled out. The *EMI* is now just above its historic average of 56.1.

A figure of more than 50 suggests that a majority of exporters expect their exports to increase rather than decrease.

CONTINUED DECLINE IN FORECAST EMI

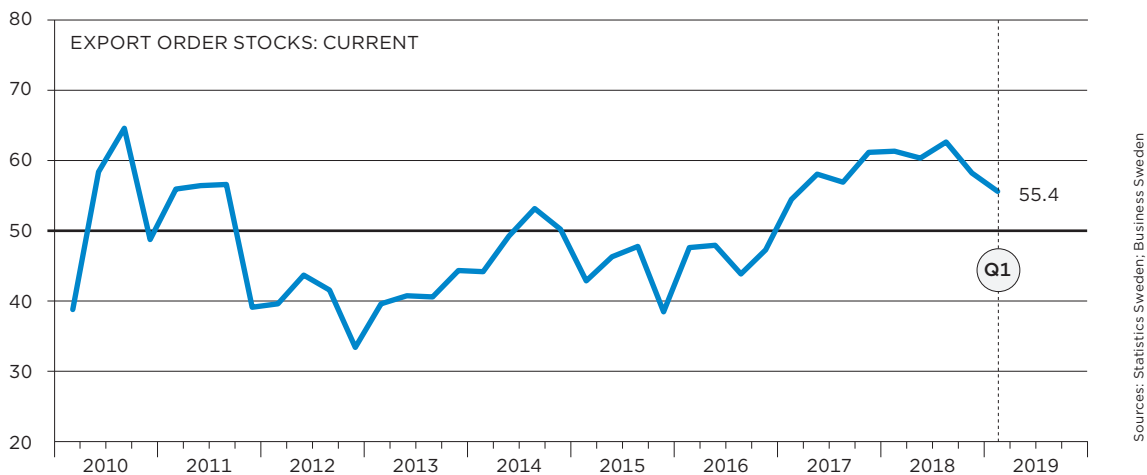


After a sharp fall in the fourth quarter of 2018, the current EMI rose slightly quarter-on-quarter, climbing from 59.0 to 59.7, a rise of 0.7 points.

However, the forecast EMI, which measures sentiment for the coming three months, slipped by 0.5 points to 55.3. This is its lowest level since the third quarter of 2017 and below the historic average of 57.4.

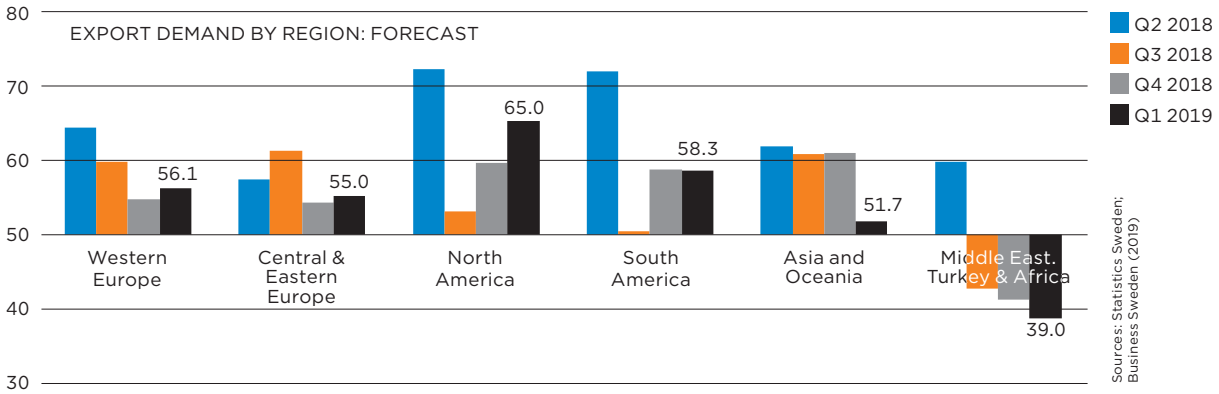
Nevertheless, both the forecast and current indices remain above 50, indicating that sentiment among exporters continues to be higher than usual.

EXPORTERS SATISFIED WITH ORDER STOCKS DESPITE WEAKER SENTIMENT



Confidence in export order stocks dropped by 2.7 points to 55.4, down from 58.1 in Q4 2018. This remains a strong figure and far above the historic average of 48.3, signalling a high degree of optimism on export order stocks.

HEAVY DROP IN EXPECTATIONS FOR EXPORT DEMAND FROM ASIA



The combined index for projected export demand rebounded after three consecutive quarterly falls. The index rose by 5.5 points to 61.0 in Q1 and is now above its historic average. Expected export demand from Europe rebounded after losing ground throughout 2018, with the index rising by 1.5 points to reach 56.1. For Central and Eastern Europe, the index for Q1 was 55.0, a gain of 0.8 points from Q4 2018.

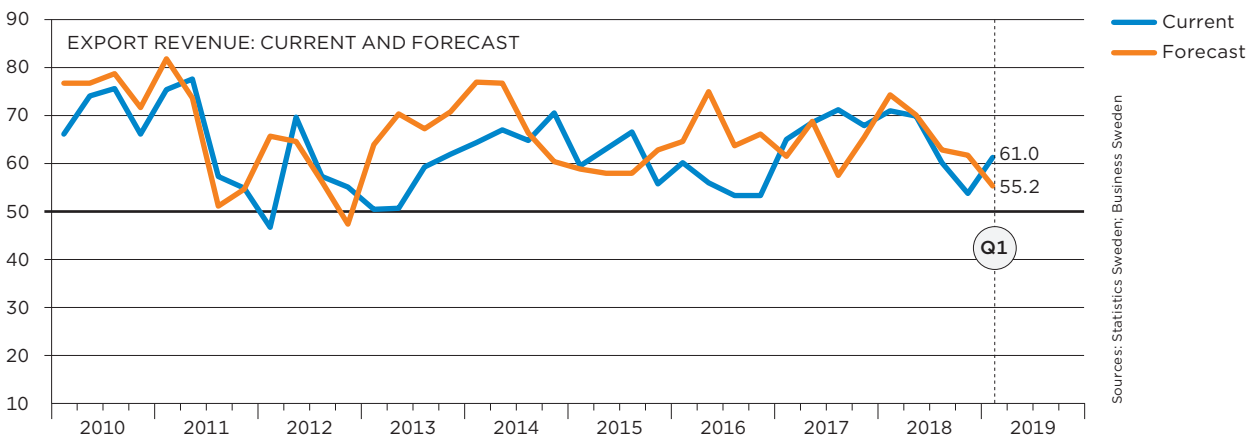
Sentiment regarding export demand in North America improved for the third quarter running, with the index rising 5.5 points to 65.0. This is above the historic average of 62.3. For South America, the index for forecast export demand remained virtually unchanged.

The index for Asia and Oceania however, dropped sharply by 9 points to 51.7. With the exception of two quarters at the start of the financial crisis, this is the lowest level since the survey began in 2007 and also far below the historic average of 68.3.

The index for forecast export demand from the Middle East, Turkey and Africa fell again in Q1 for the fourth consecutive quarter, dropping 2.5 points to 39.0 in Q1. This is the lowest level since the first quarter of 2009.

With the exception of the Middle East, Turkey and North Africa, the regional indices remain above 50 and signal that exporters are confident regarding export demand at the global level.

DOWNWARD TREND IN CONFIDENCE ON EXPORT SALES



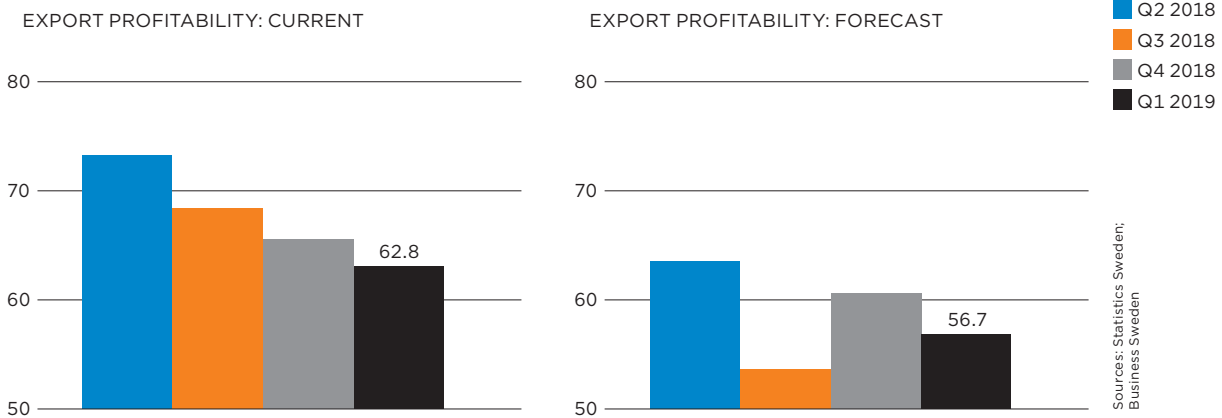
After three consecutive quarterly decreases, the survey recorded a rise in optimism regarding current export revenue, with the index climbing 7.4 points to 61.0.

However, the downward trend in forecast export sales continued, with this index dropping 6.3 points to 55.2 in Q1. This marks the lowest level

since Q4 2012 and is well below the historic average of 64.2.

An index figure higher than 50 indicates, however, that firms remain optimistic on export sales both for the present moment in time and for three months hence.

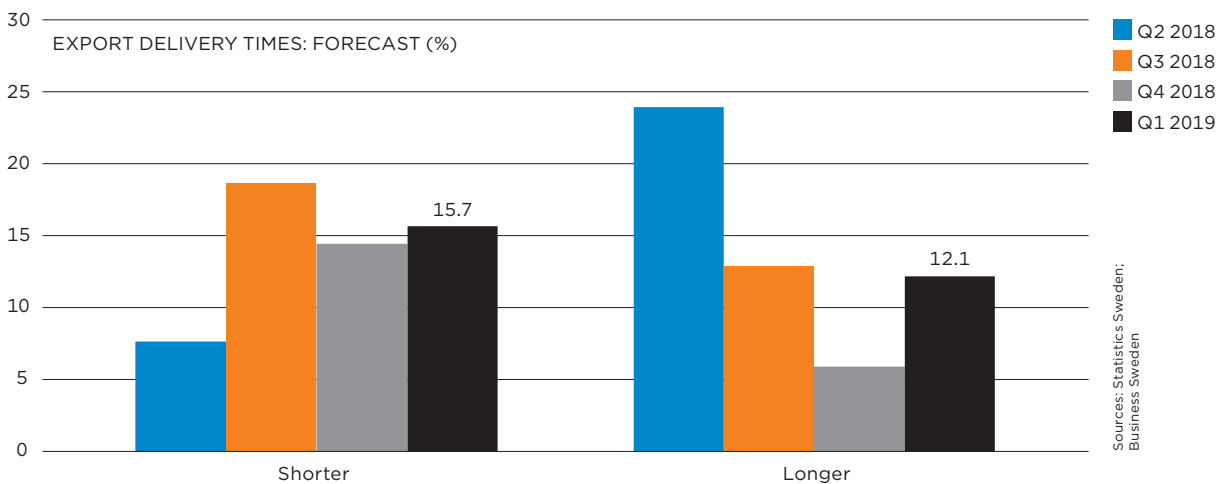
LOWER OPTIMISM ON EXPORT PROFITABILITY



Expectations of current and future export profitability both fell in the first quarter compared to Q4 2018. Optimism on current export profitability fell by 2.4 points to 62.8, while confidence on future export profitability slipped by 3.7 points, from 60.4 to 56.7.

Both the current and forecast indices remain well above 50, which suggests that exporters remain optimistic about profitability. The weakness of the krona is likely to be a significant factor in this context.

GROWING EXPECTATIONS OF LONGER DELIVERY TIMES



The proportion of exporters expecting shorter delivery times in the coming quarter rose from 14.4 percent in Q4 2018 to 15.7 percent.

At the same time, the proportion of companies anticipating longer delivery times in the same time frame rose sharply, from 5.9 percent in the prior quarter to 12.1 percent.

The fact that more companies expect longer delivery times in the next three months is positive, implying an increase in resource allocation and hence business activity.

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 215 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 describing 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 first quarter of 2019 was carried out between 21 January and 7 February 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 suggests that a majority of exporters expect export volumes to increase rather than to decrease, and vice versa. Results are weighted according to the export revenues of the respondent companies.

The response rate was 76 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).

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	Q4 2018	Q1 2019	DIFF Q1 19 - Q4 18	
1. EMI total	Total	57.4	57.5	0.1	→
1. EMI total	SEK 25-250m	58.3	59.6	1.3	↗
1. EMI total	>SEK 250m	57.3	57.2	-0.1	→
2. EMI current	Total	59.0	59.7	0.7	→
2. EMI current	SEK 25-250m	56.6	59.4	2.8	↗
2. EMI current	>SEK 250m	59.3	59.8	0.5	→
3. EMI forecast	Total	55.8	55.3	-0.5	→
3. EMI forecast	SEK 25-250m	60.0	59.9	-0.1	→
3. EMI forecast	>SEK 250m	55.3	54.7	-0.6	→

QUESTIONS CURRENT	SAMPLE	Q4 2018	Q1 2019	DIFF Q1 19 - Q4 18	
Question 1 - Export sales	Total	53.6	61.0	7.4	↗
Question 1 - Export sales	SEK 25-250m	62.0	65.1	3.1	↗
Question 1 - Export sales	>SEK 250m	52.6	60.5	7.9	↗
Question 2 - Export order stock	Total	58.1	55.4	-2.7	↘
Question 2 - Export order stock	SEK 25-250m	40.8	45.4	4.6	↗
Question 2 - Export order stock	>SEK 250m	60.2	56.9	-3.3	↘
Question 3 - Export profitability	Total	65.2	62.8	-2.4	↘
Question 3 - Export profitability	SEK 25-250m	66.9	67.8	0.9	→
Question 3 - Export profitability	>SEK 250m	65.0	62.1	-2.9	↘

QUESTIONS FORECAST	SAMPLE	Q4 2018	Q1 2019	DIFF Q1 19 - Q4 18	
Question 4 - Export market demand	Total	55.5	61.0	5.5	↗
Question 4 - Export market demand	SEK 25-250m	64.8	66.4	1.6	↗
Question 4 - Export market demand	>SEK 250m	54.4	60.3	5.9	↗
Question 4a - Western Europe	Total	54.6	56.1	1.5	↗
Question 4a - Western Europe	SEK 25-250m	60.6	62.3	1.7	↗
Question 4a - Western Europe	>SEK 250m	53.9	55.3	1.4	↗
Question 4b - Central & Eastern Europe	Total	54.2	55.0	0.8	→
Question 4b - Central & Eastern Europe	SEK 25-250m	61.1	59.5	-1.6	↘
Question 4b - Central & Eastern Europe	>SEK 250m	53.5	54.6	1.1	↗
Question 4c1 - North America	Total	59.5	65.0	5.5	↗
Question 4c1 - North America	SEK 25-250m	71.3	65.6	-5.7	↘
Question 4c1 - North America	>SEK 250m	58.3	64.9	6.6	↗
Question 4c2 - South America	Total	58.6	58.3	-0.3	→
Question 4c2 - South America	SEK 25-250m	60.3	59.3	-1.0	→
Question 4c2 - South America	>SEK 250m	58.4	58.2	-0.2	→
Question 4d - Asia & Oceania	Total	60.7	51.7	-9.0	↘
Question 4d - Asia & Oceania	SEK 25-250m	66.0	63.4	-2.6	↘
Question 4d - Asia & Oceania	>SEK 250m	60.1	50.5	-9.6	↘
Question 4e - Middle East, Turkey & Africa	Total	41.5	39.0	-2.5	↘
Question 4e - Middle East, Turkey & Africa	SEK 25-250m	51.1	53.8	2.7	↗
Question 4e - Middle East, Turkey & Africa	>SEK 250m	40.7	37.5	-3.2	↘
Question 5 - Export sales	Total	61.5	55.2	-6.3	↘
Question 5 - Export sales	SEK 25-250m	67.6	69.1	1.5	↗
Question 5 - Export sales	>SEK 250m	60.7	53.3	-7.4	↘
Question 6 - Export profitability	Total	60.4	56.7	-3.7	↘
Question 6 - Export profitability	SEK 25-250m	59.2	56.6	-2.6	↘
Question 6 - Export profitability	>SEK 250m	60.5	56.7	-3.8	↘
Question 7 - Export profitability	Total	45.7	48.2	2.5	↗
Question 7 - Export profitability	SEK 25-250m	48.6	47.3	-1.3	↘
Question 7 - Export profitability	>SEK 250m	45.4	48.3	2.9	↗

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



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

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