

COLD WINDS FOR SWEDISH EXPORTS

EXPORT MANAGERS' INDEX
Fourth quarter 2022

EXECUTIVE SUMMARY

The downward trend for Business Sweden's Export Managers' Index, EMI, continued in the fourth quarter as EMI fell by 5 points to 52.8, from 57.8 in the third quarter. The index remains above the 50-mark – the dividing line between optimism and pessimism – which indicates that export companies continued to have an optimistic view.

The decline of EMI in the fourth quarter was driven by companies' assessment of export development in the next three months, which contributed to a gloomy outlook. EMI forecast, the subindex for the forward-looking issues, fell by as much as 8.2 points to 44.3 in the fourth quarter, from 52.5 in the previous quarter. Conversely, EMI current fell by just 1.6 points to 61.4 in the fourth quarter, from 63 in the third quarter.

The most notable finding of the survey is that we can observe a clear dividing line between views of the current situation and future development. Export companies are optimistic today but reveal an increasingly gloomy forecast. Several forward-looking subindices have now fallen well below the 50-mark.

A somewhat surprising result was seen in the subindex for export sales which rose by 3.9 points to 58.8 in the fourth quarter, from 54.9 in the third quarter – a high level in line with the historical average. Despite another slight drop in EMI, export companies continue to be more satisfied than normal with both export order stocks as well as the current profitability of export sales. But it is clear that their future predictions are gloomy. This is particularly evident in the index for export sales in the next three months which fell markedly by 13.4 points to 47.5 in the fourth quarter, from 60.9 in the previous quarter. The index for profitability of export sales in the next three months dropped for the third consecutive quarter and fell by 6.4 points to 39.3 in the fourth quarter, from 45.7 in the third quarter.

Fewer companies are expecting longer delivery times, which is likely due to two combined factors: disruption in supply chains is abating while companies' activity (resource utilisation) is falling as the global market slows down. The views of expected export demand differ considerably from region to region. The index for expected export demand fell for all regions except South America. The sharpest drop was seen in the indices for expected export demand from Western Europe and North America. The index for expected export demand from Western Europe fell by 10.9 points to 40.3 in the fourth quarter – a notably low level – from 51.2 in the third quarter. An even steeper drop was seen in the index for North America which fell 11.4 points to 48.1 in the fourth quarter, from 59.5 in the previous quarter. Export companies' assessment of expected export demand is gloomy for all regions except South America as well as Asia and Oceania. This is in line with Business Sweden's analysis of the global economic outlook which points to a temporary global slump next year. The slowdown is particularly palpable in Europe and North America which are expected to enter into a mild recession in 2023.

In all, we can observe that export companies continue to be optimistic about current export development – but future prospects are looking increasingly bleak. Let's hope that our forecast is proven correct and that markets will only suffer a temporary slump.

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

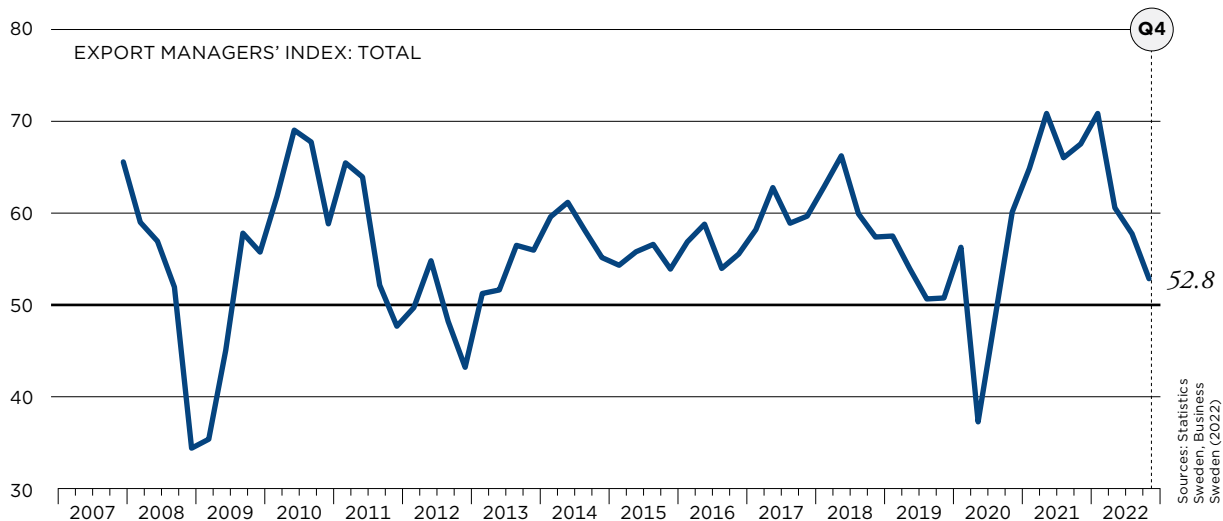
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DOWNWARD TREND CONTINUES FOR EXPORT MANAGERS' INDEX

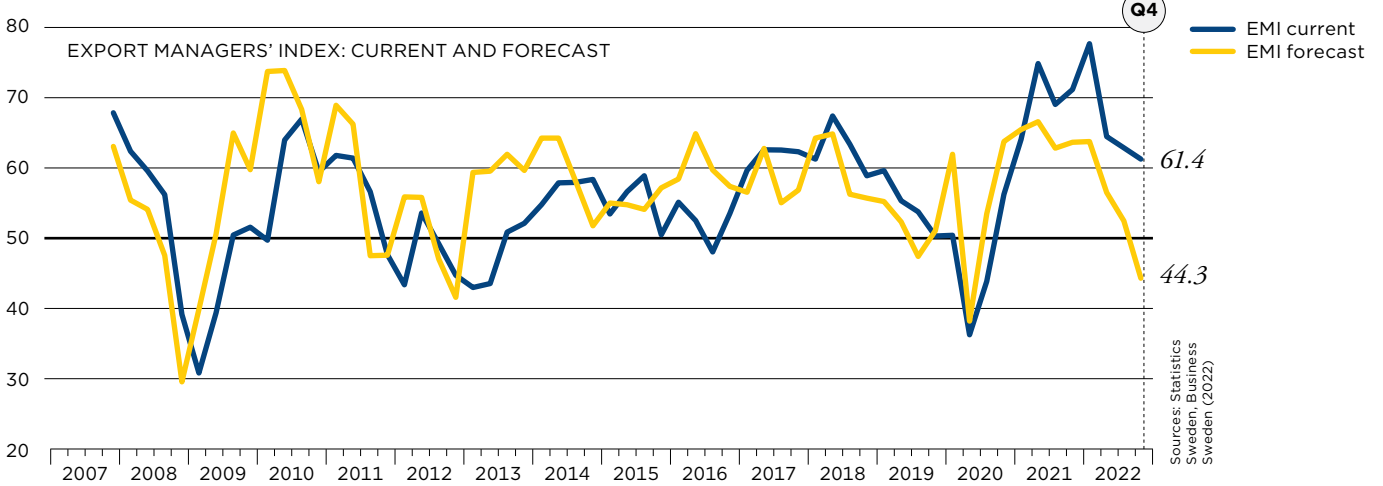
EXPORT MANAGERS' INDEX (EMI) DROPS YET AGAIN IN THE FOURTH QUARTER



Business Sweden's Export Managers' Index, which monitors views and reflects sentiment among Swedish exporters of goods and services, continues on its downward trend for 2022 and has now hit a more normal level. EMI fell by 5 points to 52.8 in the fourth quarter, from 57.8 in the previous

quarter. The fact that EMI is above the 50-mark – which is the dividing line between optimism and pessimism – means that more export companies believe in a strengthening than a weakening of export development. This indicates that export companies continue to be optimistic.

EXPORT MANAGERS FORESEE GLOOMY FUTURE

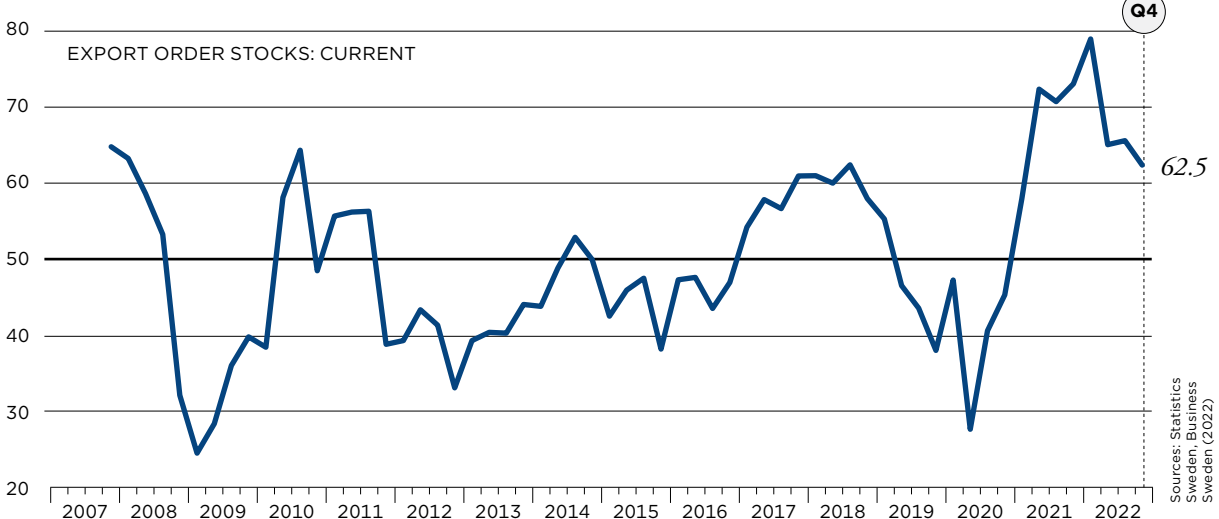


Export companies' views of both current export development and prospects for the next three months have continued to dampen through the year, continuing the downward trend in EMI. The fourth quarter decline was mainly driven by a sharp drop in EMI forecast – the subindex for the forward-looking issues. EMI forecast fell by as much as 8.2 points to 44.3 in the fourth quarter, from 52.5 in the third quarter. This is the lowest recorded level since the second quarter of 2020. However,

EMI current fell by just 1.6 points to 61.4 in the fourth quarter, from 63 in the previous quarter.

The index reflecting views of current export development remains well above the 50-mark and above its historical average level of 56 for the period 2007–2022. Conversely, the index reflecting the three-month forecast is now well below the 50-mark. In all, this signals that export companies remain optimistic about the current situation, but have a gloomy view of the future.

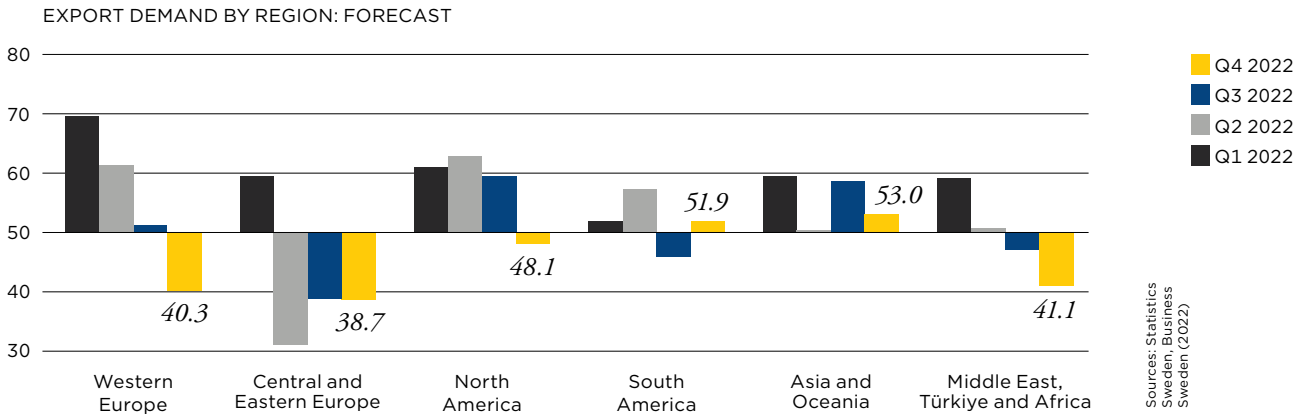
OPTIMISTIC VIEW OF EXPORT ORDER STOCKS REMAINS



The index reflecting views of export order stocks fell back slightly in the fourth quarter. The index fell by 3.2 points to 62.5 in the fourth quarter, from 65.7 in the third quarter. Over the past three quarters, the index has remained above 60

which is high from a historical perspective. The historical average for the period 2007–2022 is 50.1. An index above 50 indicates that more export companies are satisfied with their export order stocks than vice versa.

SHARP DROP IN EXPECTED EXPORT DEMAND FROM WESTERN EUROPE AND NORTH AMERICA



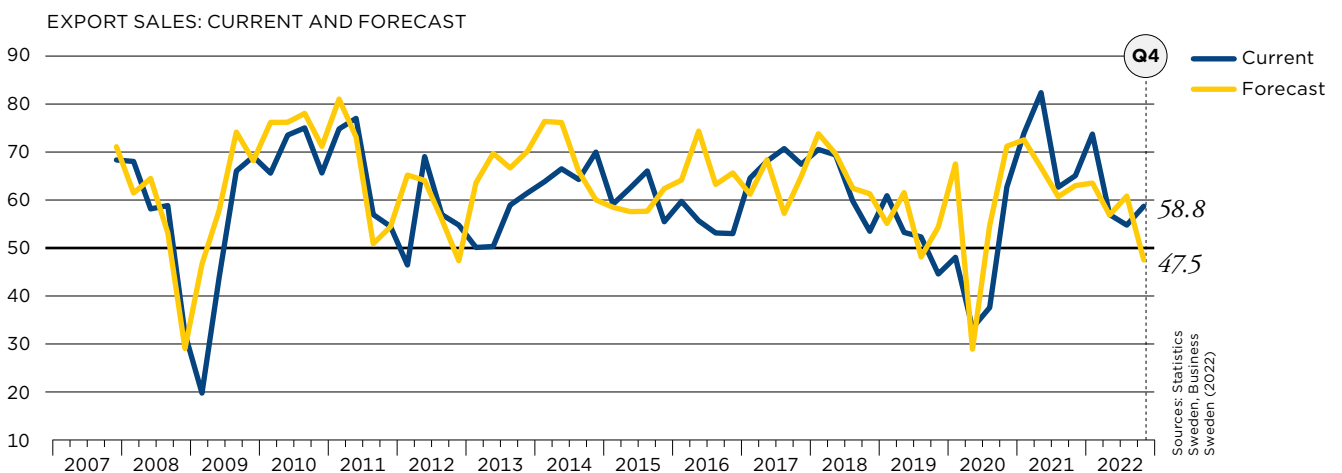
The index for expected export demand fell for all regions except South America in the fourth quarter. The index for expected export demand from Western Europe, which has been on a downward trend this year, fell markedly 10.9 points to 40.3 in the fourth quarter – a notably low level – from 51.2 in the previous quarter. The index for Central and Eastern Europe was largely unchanged in the fourth quarter and remains just under 40 for the third consecutive quarter. The index for expected export demand from North America continued to drop for the second quarter in a row, falling sharply by 11.4 points to 48.1 in the fourth quarter, from 59.5 in the third quarter.

Meanwhile, the drop in the index for expected export demand from Asia and Oceania, as well as from the Middle East, Türkiye and Africa was less severe. The index for Asia and Oceania fell by 5.7 points to 53 in the fourth quarter, from 58.7 the previous quarter. The index for the Middle East, Türkiye and Africa continued to drop for the third

consecutive quarter, falling by 6 points to 41.1 in the fourth quarter, from 47.1 in the third quarter. South America was the only region where views of expected export demand were strengthened among export companies. The index for South America recovered and rose by 6 points to 51.9 in the fourth quarter, from 45.9 in the third quarter.

In all, we can conclude that the views of expected export demand differ between the regions. The index for expected export demand from Western Europe, Central and Eastern Europe and the Middle East, Türkiye and Africa is well below the 50-mark, which signals that companies have a gloomy outlook. The index for North America dropped just below the 50-mark, which signals that more companies are pessimistic. The index for Asia and Oceania as well as South America is just above the 50-mark. This indicates that more companies have an optimistic view of demand from these regions than vice versa.

GLOOMY PREDICTIONS FOR EXPORT SALES

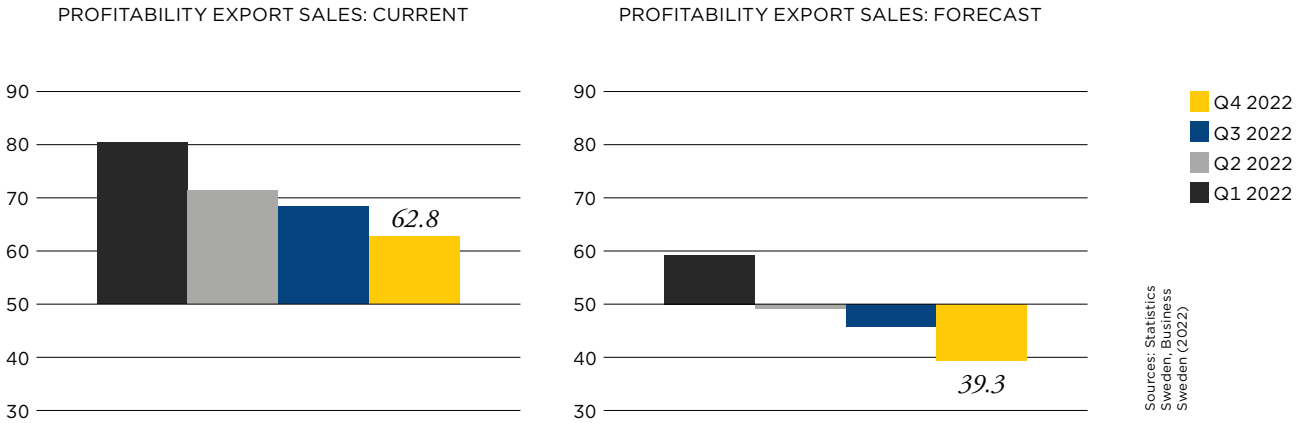


Having dropped a couple of quarters in a row, the current index for export sales rose by 3.9 points in the fourth quarter to 58.8, from 54.9 in the third quarter. The index is thereby approaching its historical average level of 60. Nonetheless, the index plummeted for expected export sales in the next three months, falling by 13.4 points to 47.5 in the

fourth quarter, from 60.9 in the previous quarter.

The fact that the current index for export sales remains well above the 50-mark indicates that companies have an optimistic view of current development. Conversely, the below 50-result for expected export sales in the next three months means that companies have a bleak outlook on the future.

PESSIMISTIC FORECAST FOR PROFITABILITY OF EXPORT SALES

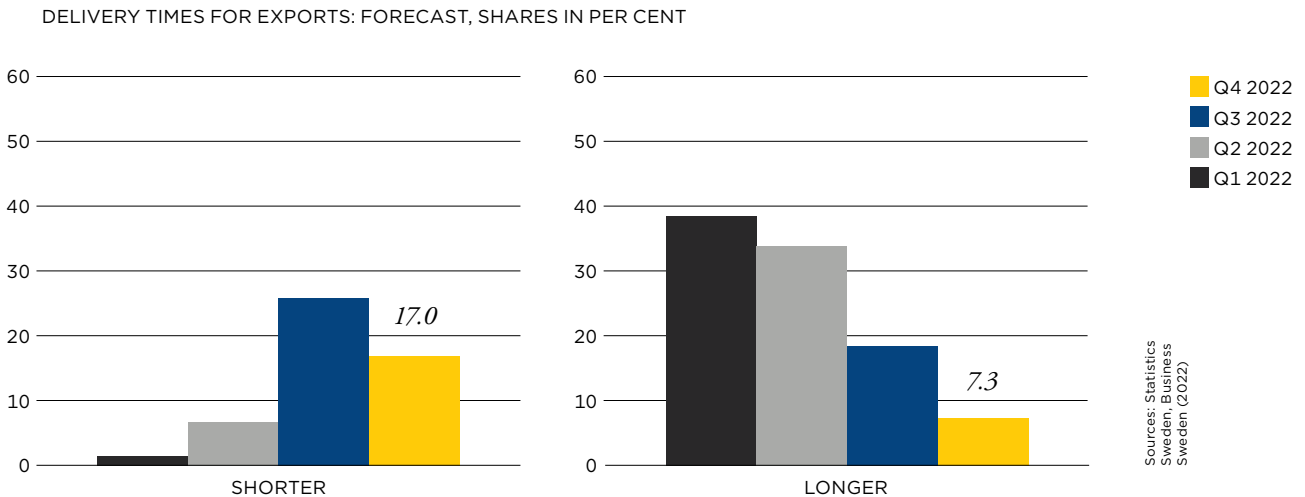


The companies' views of both the current profitability of export sales and profitability in the next three months have dampened over the past three quarters. The index reflecting views of current profitability of export sales fell by 5.5 points to 62.8 in the fourth quarter, from 68.3 in the third quarter. The forecast index for the profitability of export sales fell by 6.4 points to 39.3 in the fourth quarter, from 45.7 in the previous quarter. The index remains below 50 for the third quarter in a row

and is at its lowest level since the second quarter of 2020.

Despite a continued drop, the index reflecting views of current profitability of export sales remains well above 50 and the historical average level of 57.9. This indicates that optimism about the current situation remains strong. The fact that the index which reflects the three-month forecast has dropped well below 50 indicates that more companies are pessimistic about the future profitability of export sales.

FEWER EXPORT COMPANIES EXPECT LONGER DELIVERY TIMES



The share of export companies expecting longer delivery times for exports over the next three months continued to drop in the fourth quarter, falling by 11.2 percentage points to 7.3 per cent in the fourth quarter, from 18.5 per cent in the third quarter. Similarly, the share of companies expecting shorter delivery times for exports dropped by 9 percentage points to 17 per cent in the fourth quarter, from 26 per cent in the third quarter.

The fact that the share of companies expecting longer delivery times for exports in the next three months dropped could be an indication that disruption in supply chains is abating. But it could also reflect that activity is slowing down in the economy (reduced resource utilisation).

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 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 survey for the fourth quarter 2022 was conducted during the period 17 October – 4 November. The response rate amounted to 80 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).

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	Q3 2022	Q4 2022	DIFF Q4 22 - Q3 22	
1. EMI total	Total	57.8	52.8	-5.0	↘
1. EMI total	MSEK 25-250	56.8	50.2	-6.6	↘
1. EMI total	>MSEK 250	57.8	53.0	-4.8	↘
2. EMI current	Total	63.0	61.4	-1.6	↘
2. EMI current	MSEK 25-250	56.3	51.3	-5.0	↘
2. EMI current	>MSEK 250	63.5	62.1	-1.4	↘
3. EMI forecast	Total	52.5	44.3	-8.2	↘
3. EMI forecast	MSEK 25-250	57.3	49.2	-8.1	↘
3. EMI forecast	>MSEK 250	52.2	43.9	-8.3	↘

INDICATOR CURRENT	SELECTION	Q3 2022	Q4 2022	DIFF Q4 22 - Q3 22	
Question 1 - Export sales	Total	54.9	58.8	3.9	↗
Question 1 - Export sales	MSEK 25-250	54.8	54.5	-0.3	→
Question 1 - Export sales	>MSEK 250	54.9	59.2	4.3	↗
Question 2 - Export order stock	Total	65.7	62.5	-3.2	↘
Question 2 - Export order stock	MSEK 25-250	54.8	44.7	-10.1	↘
Question 2 - Export order stock	>MSEK 250	66.5	63.8	-2.7	↘
Question 3 - Export profitability	Total	68.3	62.8	-5.5	↘
Question 3 - Export profitability	MSEK 25-250	59.5	54.5	-5.0	↘
Question 3 - Export profitability	>MSEK 250	69.0	63.4	-5.6	↘

INDICATOR FORECAST	SELECTION	Q3 2022	Q4 2022	DIFF Q4 22 - Q3 22	
Question 4 - Export market demand	Total	57.2	45.2	-12.0	↘
Question 4 - Export market demand	MSEK 25-250	57.1	46.2	-10.9	↘
Question 4 - Export market demand	>MSEK 250	57.2	45.1	-12.1	↘
Question 4a - Western Europe	Total	51.2	40.3	-10.9	↘
Question 4a - Western Europe	MSEK 25-250	58.6	44.8	-13.8	↘
Question 4a - Western Europe	>MSEK 250	50.7	40.0	-10.7	↘
Question 4b - Central & Eastern Europe	Total	38.9	38.7	-0.2	→
Question 4b - Central & Eastern Europe	MSEK 25-250	44.1	40.2	-3.9	↘
Question 4b - Central & Eastern Europe	>MSEK 250	38.5	38.7	0.2	→
Question 4c1 - North America	Total	59.5	48.1	-11.4	↘
Question 4c1 - North America	MSEK 25-250	65.4	57.1	-8.3	↘
Question 4c1 - North America	>MSEK 250	59.2	47.6	-11.6	↘
Question 4c2 - South America	Total	45.9	51.9	6.0	↗
Question 4c2 - South America	MSEK 25-250	51.9	51.8	-0.1	→
Question 4c2 - South America	>MSEK 250	45.7	51.9	6.2	↗
Question 4d - Asia & Oceania	Total	58.7	53.0	-5.7	↘
Question 4d - Asia & Oceania	MSEK 25-250	60.0	56.4	-3.6	↘
Question 4d - Asia & Oceania	>MSEK 250	58.6	52.9	-5.7	↘
Question 4e - Middle East, Türkiye & Africa	Total	47.1	41.1	-6.0	↘
Question 4e - Middle East, Türkiye & Africa	MSEK 25-250	54.3	44.2	-10.1	↘
Question 4e - Middle East, Türkiye & Africa	>MSEK 250	46.8	41.0	-5.8	↘
Question 5 - Export sales	Total	60.9	47.5	-13.4	↘
Question 5 - Export sales	MSEK 25-250	56.3	47.0	-9.3	↘
Question 5 - Export sales	>MSEK 250	61.3	47.6	-13.7	↘
Question 6 - Export profitability	Total	45.7	39.3	-6.4	↘
Question 6 - Export profitability	MSEK 25-250	52.4	48.5	-3.9	↘
Question 6 - Export profitability	>MSEK 250	45.2	38.6	-6.6	↘
Question 7 - Export profitability	Total	46.2	45.2	-1.0	→
Question 7 - Export profitability	MSEK 25-250	63.5	55.3	-8.2	↘
Question 7 - Export profitability	>MSEK 250	45.0	44.4	-0.6	→

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



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