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# Exchange rates and performance measures

The case of the Norwegian seafood industry

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# A quick overview

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- **What?**

- Examined the relationship between performance, competitiveness and currency exchange rates in the seafood industry. Period: 2000-2015

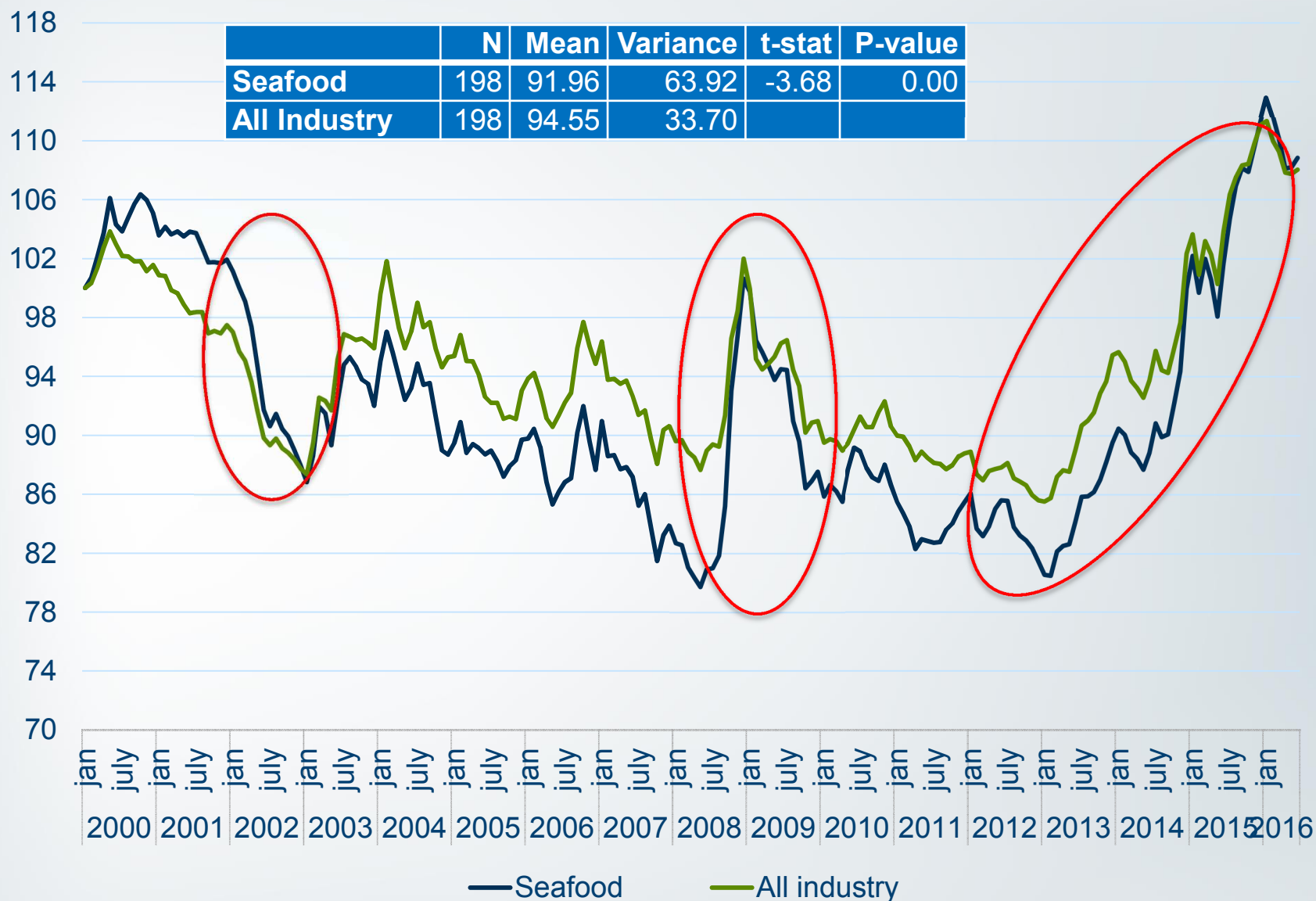
- **Why?**

- Well over 90% of seafood production is exported
- Profitability in the seafood industry is sensitive to external factors and macroeconomic conditions, and is highly volatile over time and across segments.
- Exchange rates affect cross-border trade prices, pricing of foreign debt, financial instruments etc.
- Strong depreciation of NOK in recent years, connected with falling oil prices, decrease in investments etc.

- **How?**

- Revenue from seafood exports
- Profitability measures in the processing industry

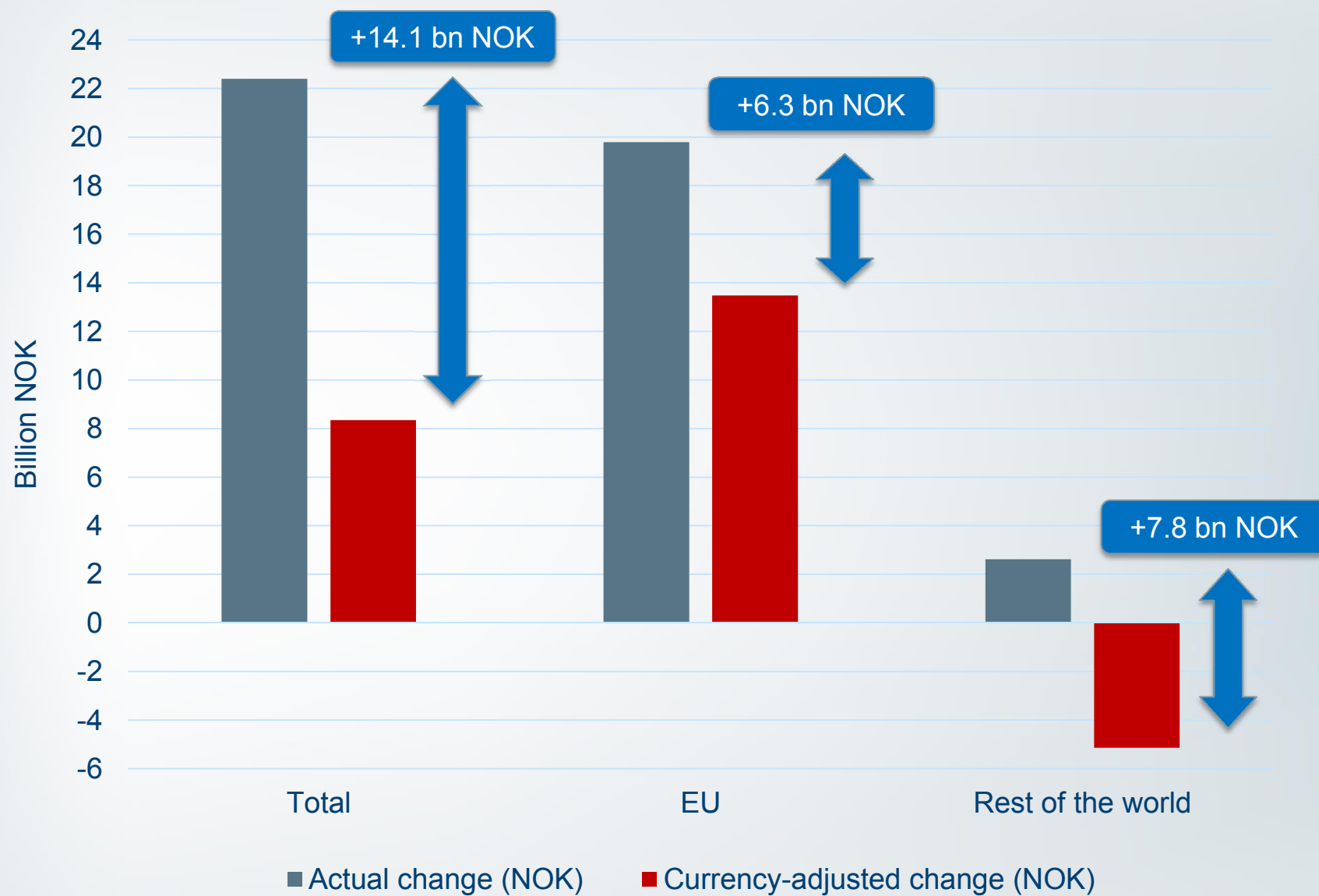
# Trade-weighted indices – Seafood vs. All industry



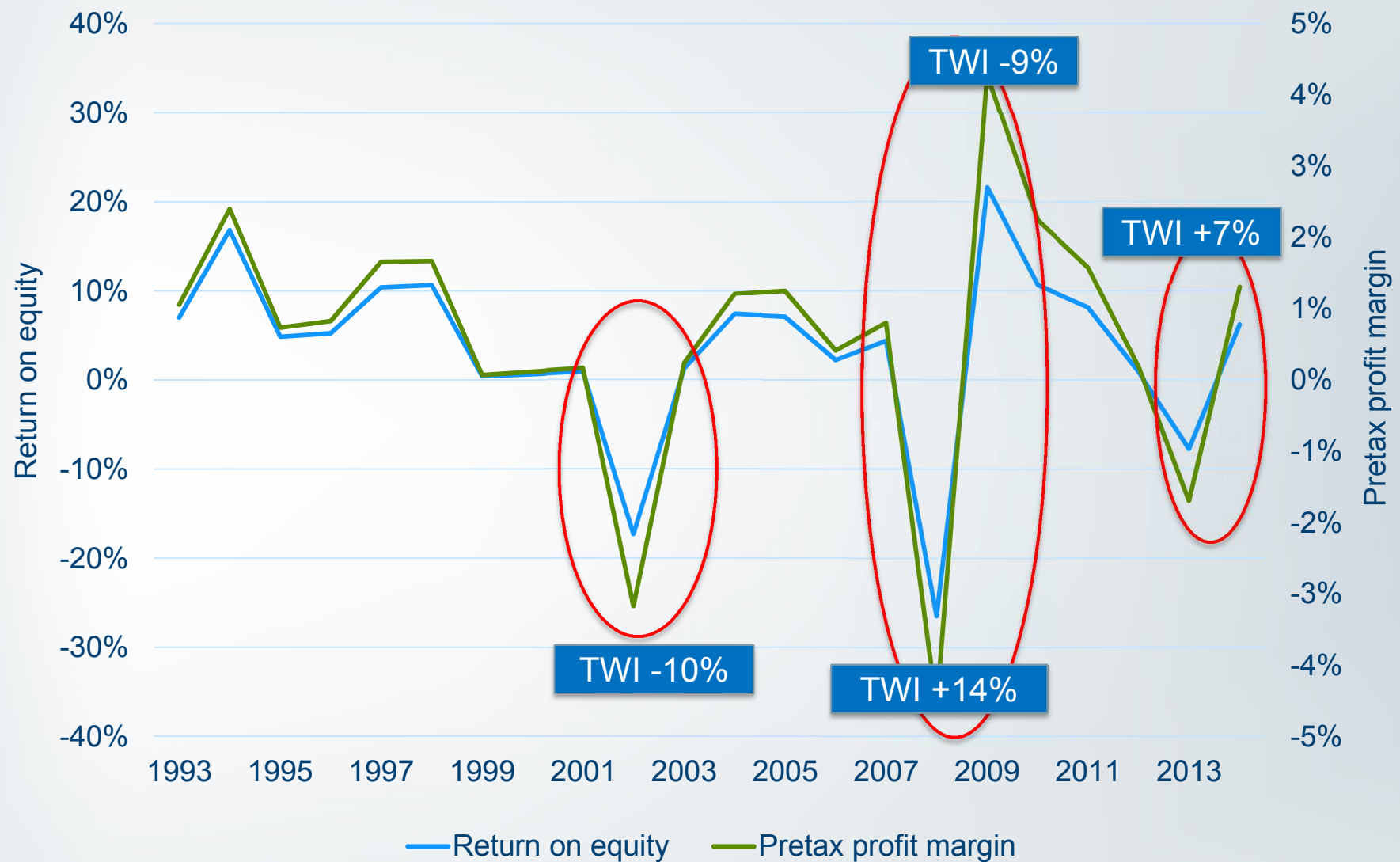
# Export value



## Export value change from 2012 to 2015



# Profitability in the seafood processing industry



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## The value chain

- Price effects from exchange rate fluctuations works through the value chain with a time-lag
- First and last links of the value chain are most highly affected by price changes in the long run
- Constantly fluctuating exchange rates paired with a time-lag in exchange rate effects makes it difficult to determine in which link the largest price and profitability effects end up
- Periods with financial instability have made strong impact on profitability in the seafood processing industry, as shown in 2002, 2008/2009 and 2014

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## **Conclusions**

- Competitiveness is highly dependent on the value of the domestic currency, and on the value of domestic currencies in important competing countries.
- Revenues and profitability in the seafood industry are sensitive to fluctuating exchange rates, and to a larger degree than in other industry.
- Measuring performance without considering currency-effects may in highly volatile periods give misleading results.





# Thank you for your attention!

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