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CONTACT: Press Office, telephone +46 8 787 02 00

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

The Riksbank's Business Survey: Economic upswing gradually slowing down but trade conflicts are a source of concern

Economic activity is still good according to major Swedish companies, but, as earlier, they expect a weakening in the period ahead. This is revealed by the interviews in the Riksbank's Business Survey from May.

"Relations between the United States and China are vital for economic activity in the world"

Companies in the manufacturing sector in general perceive the current economic situation as good. However, export companies see increased risks for economic activity in the world as a consequence of the ongoing trade conflicts.

While unease has increased in the manufacturing sector, the situation is more stable in the trade and construction sectors. Indeed, the trade sector perceives the economic situation as slightly better than previously. It is true that construction companies note that demand for housing construction has been declining for some time. Overall, however, they regard the situation as stable and are in the middle of a process of moving from housing construction to segments and regions with better demand.

"The level of the exchange rate is one thing, but the rapid change is difficult"

The relatively weak krona is generally increasing export companies' profits, but several companies repeatedly state that, above all, they want a stable and predictable currency, as this facilitates their long-term planning. The depreciation of the krona is putting pressure on import companies' margins, but, at the same time, several trading companies say that the net effect of the interest rate policy and the weak krona is positive. They say that the effects of a long economic upswing, households with good spending power and stable and good sales offset the negative effects of a weak currency and increased purchasing costs.

Why don't prices change more?

More detailed questions about how companies decide their sales prices show that companies are usually cautious about adjusting their prices, as there is a risk that competitors may not follow suit. Other factors contributing to sluggish prices



include agreements that have already been signed or customer expectations that prices will remain unchanged. When companies see that costs are increasing, they nevertheless mostly raise their prices. In the trade sector, it is relatively common for prices to change every day, while, in the manufacturing sector, prices are changed on more of an annual basis.

Three times a year, the Riksbank interviews the largest companies in the construction, trade, manufacturing and part of the service sectors. Representatives of 39 companies with a total of approximately 265,000 employees in Sweden were interviewed this time. The interviews were mainly held between 26 April and 24 May and are presented in the Riksbank's Business Survey. The quotes above are from the interviews.