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The Riksbank’s Business Survey: “Surprising that economic activity is holding up so well”

Major Swedish companies are surprised that the economic situation continues to be as strong as it is. So far, they see no clear signs that a broad downturn is imminent. But despite the continued good situation, companies are less optimistic about economic activity going forward. This is revealed by the Riksbank’s interviews with major Swedish companies.

The export industry is benefiting from growing markets primarily in Europe and North America and is receiving support from the relatively weak Swedish krona. Demand is generally high in the domestic economy as well, despite some sectors and operations experiencing harder times. For instance, housing construction is clearly declining, but this has in many cases been offset by continued good demand for other construction. The fact that companies are less optimistic about the future mainly has to do with a belief that economic activity cannot continue to be as strong.

The generally high demand and rising purchasing costs mean that the trade sector and companies selling services directly to households in particular are planning to raise their prices somewhat in a year or so. At the same time, the structural transformation in the retail sector continues towards more online trading and more online competitors, which is pushing prices down.

In recent years, productivity growth in Sweden and abroad has been weak according to official statistics. But companies in the survey provide a different picture of developments. Instead, they perceive productivity growth in recent years to have been good on the whole. Companies highlight continuous improvement of working methods, work processes, logistics and management planning as the most important factors behind higher productivity.

Three times a year, the Riksbank interviews the largest companies in the construction, trade, manufacturing and part of the service sectors. Representatives of 28 companies with a total of approximately 215,000 employees in Sweden were interviewed this time. The interviews were mainly held between 13 February and 1 March and are presented in the Riksbank’s Business Survey. The quote above is from the interviews.