

PRESS RELEASE

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The Riksbank's Business Survey: "Demand is not the problem – the troubles are on the supply side"

The economic situation for major Swedish companies is becoming increasingly strong, especially for the manufacturing sector. Companies feel that the risks of the pandemic are decreasing, they are optimistic about the future, and dare to make decisions and invest. However, problems with shortages of certain important components are leading to delays and increased costs. Even so, profitability is generally good and several sectors see opportunities to raise their prices.

"... the risks of the pandemic are still diminishing, the world is up and running"

Manufacturing activity has continued to strengthen over the spring, which has also benefited other sectors such as the corporate services sectors. Construction activity has picked up during the spring. Construction companies are noticing that decisiveness among customers is beginning to come back and they are therefore optimistic about the development of the economy. In the trade sector, the economic situation is generally stable and positive, while the badly impacted hospitality industry is still weak, although some optimism about the future is beginning to be discerned there as well. Companies generally believe in an unchanged strong economic situation in the future, as reflected by this quotation from one business leader: "it is hard to believe that it will be anything but good, the risks of the pandemic are still diminishing, the world is up and running."

"We are much more concerned about the semiconductor shortage than about the pandemic right now"

Demand is strong and several manufacturing companies are producing at maximum capacity and would find it difficult to deliver more, even if demand were to strengthen further. At the same time, supply disruptions are continuing to have a direct and indirect impact on an increasing number of companies and sectors. The shortage of semiconductors means that production has been stopped periodically in parts of the manufacturing sector, and the shortage of containers means that deliveries are delayed and costs are increasing. One respondent describes the situation by saying "we are much more concerned about the semiconductor shortage than about the pandemic right now."

**“We are definitely not seeing any price reductions now”**

Profitability is good, especially for the manufacturing sector. In addition, large companies have continued good access to external funding. Many companies have resumed their investment plans, which were temporarily suspended last year, and some companies have also extended them. The favourable situation, as well as higher freight and material costs, is making the manufacturing sector both raise sales prices and plan for further increases. The trade sector and companies selling services directly to households also plan to raise sales prices in the future to compensate for increased costs. A representative of the non-durable goods segment notes, “We are definitely not seeing any price reductions now.” As previously, however, it is competition that determines whether prices can be raised at all and at what rate.

“The pandemic has opened our minds to more flexible ways of working”

In May, companies were also interviewed about the impact of the pandemic so far on their activities. Although more of them are seeing a negative overall effect from the pandemic, many are seeing positive effects on productivity. Above all, the new work, travel and meeting routines are expected to increase productivity. One respondent points out that “the pandemic has opened our minds to more flexible ways of working.” For the trade sector, the pandemic has meant that structural transformation has accelerated with a substantial increase in e-Commerce and investment in it.

ABOUT THE BUSINESS SURVEY

The Riksbank regularly interviews the largest companies in the manufacturing, construction and trade sectors and some service sector segments. Representatives of 53 companies and trade associations were interviewed via telephone/web-based services over the period 27 April-7 May. The results of the interviews are reported in the Riksbank’s Business Survey. The quotes above are from survey respondents.