



The Riksbank's Business Survey

Major companies uncertain:
Temporary slowdown or prolonged
economic downturn?

November 2019

The Riksbank's Business Survey in November 2019¹

The economy continues to slow down. This is the view of the companies that the Riksbank has met during October and November. Although the economic situation is still considered better than normal, there are increasing signs that the slowdown will continue. The order inflow mainly for industrial companies has gradually decreased during the year and several companies have already started to reduce their production rate and cut costs. Those first affected by the cutbacks are employment agency staff and consultants. Some branches of the manufacturing sector expect growth to continue to be restrained next year and not to pick up again until 2021.

The construction sector considers the economic situation to be normal but heading in a weaker direction as new orders decrease. Construction has been kept up by projects started during the housing boom of recent years. The trade sector is also noticing a weaker economic situation and trading companies consider that an excessively pessimistic tone in the general discussion of the economy and economic activity constitutes a risk as it may make households more cautious in their consumption. In addition, the sector is in a process of transformation with major challenges such as digitalisation and increased e-Commerce. Trading companies are pessimistic about the possibility of being able to raise prices next year – most expect lower prices.

Four of five companies consider that the effects of recent years' low interest rates have, overall, been positive for their activities. They have contributed towards holding general demand and employment up and, to a certain extent, have also contributed to a more competitive exchange rate for the export industry. However, some point out that negative interest rates feels counter-intuitive as they lead to, among other things, direct costs for bank deposits. On the whole, however, it seems as though major companies have managed the negative interest rates without incurring substantial costs for them.

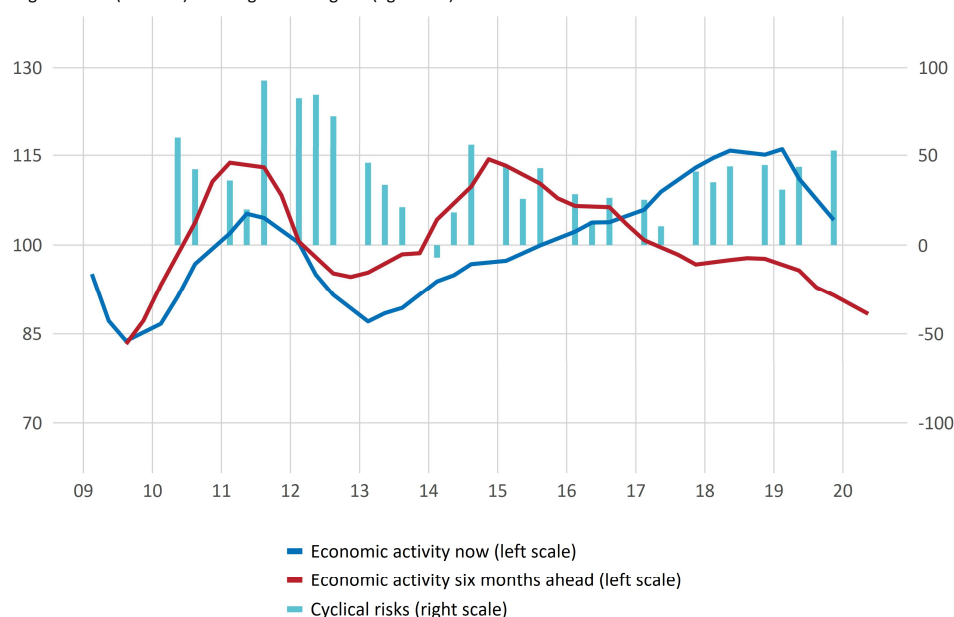
¹ Three times a year, the Riksbank interviews the largest companies in the construction, trade and industrial sectors as well as parts of the service sector. Representatives of 43 companies with a total of approximately 260,000 employees in Sweden were interviewed during the period 17 October to 14 November.

Sentiment among major companies continues to dampen

In the survey in November, major companies generally have a less optimistic view of the economic situation than they had in May, see Figure 1. Overall, however, they still consider the economic situation to be better than normal but expect it to be weaker in six months' time.

Figure 1. Economic situation and economic risks

Weighted index (left scale) and weighted net figures (right scale)



Note. The weighted index figures show a standardised value (mean value = 100 and standard deviation = 10) of the net figures for companies that say that the economic situation is currently good or bad and those who say that the economic situation will be better or worse in six months' time. The red line, the economic situation in six months' time, has been moved forward two quarters. The series for the economic situation has been smoothed out with a moving average based on three observations. The bars show the weighted net figures for those companies that say that the risks to economic development are currently greater or smaller than normal. The survey is performed three times a year, which means that there are only observations for three quarters of each year in the figure. As of 2017, there are observations for the two first quarters and for the final quarter of every year in the figure.

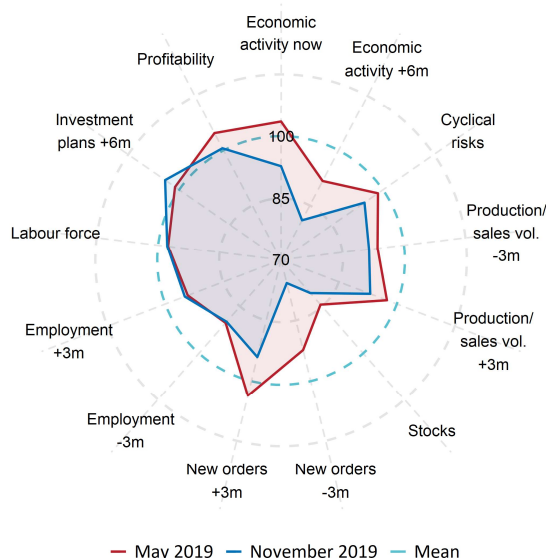
“Our corporate structure is constructed for a global world”

The risk of the economy deteriorating has increased somewhat since the survey in May, see Figures 1 and 2.² As in earlier surveys this year, risks such as a no-deal Brexit and an escalation of the trade conflict between the United States and China are mentioned. But even if these risks remain, the view of them has changed somewhat. Some exporting companies have prepared for a no-deal Brexit.³ One respondent noted that the risks can now be considered normal as “the discussions on the trade war and Brexit have been going on so long now that it can be considered a normalised world”. Protectionism and trade conflicts contribute to a reduction in globalisation and greater regionalisation. Corporate structures may be constructed for a global world and major investments would be needed to restructure them, for example by relocating production facilities. One respondent expresses this as follows: “The world is changing. It is more of a regional world than a global world and this doesn't suit global companies like us”.

² Note that the scale has been reversed in Figure 2 compared with previous publications of the Business Survey. Now, index figures closer to the centre signify a deterioration. Increased cyclical risks are thus indicated by a lower index figure in November than in May.

³ Some export companies have been given the status “Authorized Economic Operator” (AEO) by the UK customs authorities, which means the companies will be certified and, in theory, be subject to faster customs procedures.

Figure 2. Companies' overall response patterns
Weighted index



Note. The responses to the questions are plotted along "spokes" in the figure, where an index figure closer to the centre is worse. Greater cyclical risks, too large stocks and too large workforce in comparison to demand/production are assumed here to be deteriorations and therefore lead to lower index figures. The historical average is calculated from the date the question concerned was first included in the survey. The term -3m / +3m refers to the most recent three months and the coming three months respectively. +6m refers to the coming six months.

For example, several companies mention the uncertainty surrounding economic developments. They wonder whether it is just a temporary slowdown or the start of a more prolonged economic downturn. They also mention that the uncertainty regarding economic developments may cause households, companies and politicians to be more cautious, which in turn contributes to a further slowdown in demand. The comments "The uncertainty is quite considerable; should one continue with an expansionary attitude or tighten things up? It is not altogether clear-cut where this is heading" and "The uncertainty is quite considerable and can also be self-fulfilling" are telling. Several in the trade sector mention the risk that the mass media focus on the economic downturn will make households more cautious in their consumption. Similarly, a weakened krona is seen as a risk. Even technological development, which implies tougher competition and changed customer behaviour, is seen as a risk by trading companies. The possible establishment of Amazon in Sweden is also mentioned as a risk, as illustrated by the comment "Amazon is like a wet blanket over us. If Amazon comes into Sweden, well then...". Unemployment and the political situation are also mentioned as risks by trading companies. Several companies in the construction industry discuss, in addition to economic activity and interest rate trends, the risk that poorer municipal and regional finances will dampen construction activity in the coming years.

"... but we see tougher market conditions in some parts of the world"

As in the survey in May, the view of export companies on international demand is sprawling but, generally, the picture emerges of a deterioration in global demand. There is talk of continued healthy activity and strong demand in North America, while demand from Europe is weaker. Demand from Germany and southern Europe is considered generally weaker than from the Nordics and the United Kingdom. This may in part be due to currency effects and, in the case of the United Kingdom, also to stocks having built up as a result of uncertainty over Brexit.

Although the ongoing trade conflict is having a negative impact, it is nevertheless considered surprising that China's economy has not picked up better than it has done so far. One business leader, however, sees healthy demand from China and highlights the state investment in infrastructure there as a significant factor. Another respondent wonders: "And when exactly will the Asian tiger economies come back to life"? Demand is still weak from South and Latin America, where demand from Brazil is slowly recovering. As regards demand from the Middle East and Russia "not much is happening" and it remains on an unchanged weak level.

Export companies: "So far, we don't expect any sharp economic downturn"

Companies in **the industrial sector** are generally satisfied with the current economic situation. Industrial activity peaked in 2018 but has since the survey in February 2019 fallen to a level that is nevertheless still better than normal. Comments such as "The situation is good but is slowly weakening", "... not heading for recession, more an adjustment from very overheated levels", "... more of a return to normal levels" and "... a clear deterioration compared with a year ago and now it is somewhere between satisfactory and poor" indicate how export companies view the prevailing economic situation. The indicator for new orders over the past three months has fallen since May and is now below normal. Some companies have already started to reduce their production rate and cut costs by, for example, downsizing staff.

Export companies think the economic situation will be weaker in six months' time. One business leader said that they are planning for a "difficult" cycle in 2020, as a precaution. Their main scenario is nevertheless not a sharp fall but a slowdown in new orders and production. Several others also talk of a slowdown during 2020 and some do not see a turnaround until the beginning of 2021 at the earliest.

The deterioration in industrial activity has prompted many companies to change their plans. As well as reviewing or changing their staffing, it is about reassessing or withdrawing smaller, more short-term investments. One business leader describes it as: "We've become grumpier when it comes to short-term investments". Longer-term investments, however, involving efficiency gains and cost savings, remain in place. Examples mentioned include investments in relocated production, in consolidation/merging of production units and in so-called 'smart manufacturing', that is digitalisation, automation, robotisation, artificial intelligence (AI) and use of 3D printers.

The stock situation is largely unchanged since May, which means that many consider that they still have excessively large stocks. The previous build-up of stocks is not always seen as a problem but more as a way of maintaining a good level of service to customers. One respondent says, for example: "We have worked up quite large stocks to be able to deliver on time. As somewhat of a precaution. We have also launched new products and we have built up buffers for these. We are uncertain about demand and therefore need buffers". Since the survey in February, the scope of export companies to deal with a rapid rise in demand has clearly increased, which is also a sign of weaker economic activity.

Construction and property companies: "It is not bad but not the same frantic pressure as before"

Companies in the **construction sector** report that construction activity has continued to weaken since the surveys in February and May. After a three-year construction boom (2016-2018), construction activity is now down to a more normal level. The view of construction activity is well illustrated by the comments "It has to dip at some point, because it cannot be like this for ever" and "We are not at the peak any longer but there is still decent activity". The overall view is that construction activity will be weaker in six months' time: "It will

decrease in 2020. It won't be a sharp decline, more of a slowdown". At the same time, it is noted that the very expansionary monetary policy of central banks in recent years has given and continues to give support to construction activity.

There are substantial regional differences in construction activity. Demand for housing construction is, for example, significantly weaker in the Stockholm region than in Göteborg and Malmö. The comments "It is bad in Stockholm. We have not started any new housing projects and we have laid off workers" and "Things are better in the Göteborg region and in Skåne, while they are more sluggish in Stockholm" are telling. At the same time, companies report that construction activity is weakening more in rural areas than in metropolitan areas.

Demand differs between different segments of the construction industry. While demand for housing construction has weakened, it has strengthened for infrastructure and civil engineering works. However, companies still see a substantial need for more housing; the problem is that households lack the funds to buy tenant-owned apartments and houses. One respondent expressed it as follows: "There is a structural demand on the housing market but there is no capacity to pay due to banks' unwillingness to lend, amortisation requirements and other limitations". Some construction companies have therefore initiated rented accommodation projects to satisfy this demand and they plan to either convert the rented accommodation into tenant-owned apartments or sell the properties to property companies in the future. The demand for public construction, such as schools, social care homes, etc., and for commercial construction, such as offices and the like, continues to be high.

New orders have continued to decline over the last three months and are now at a below-normal level. It should be borne in mind, however, that the order stock is still relatively high in the industry as many of the projects take a long time. This means that the production volume during the year has been at an approximately normal level. Some comments illustrate the situation: "We have a very high order stock, almost at record levels", "We still have a large order stock that we are working our way through", "It will take about a year before the current stock runs out" and "Due to the incredible housing boom of 2016-2017, we have had a great deal of housing construction to do in 2018 and 2019 as well".

Property companies have basically the same view of economic activity as construction companies. Above all, they are experiencing good demand for rented accommodation, while expensive tenant-owned apartments of luxury standard are difficult to sell. One respondent noted that the last few years have been somewhat of a "golden age" for property companies, with a long economic boom and low interest rates, as they have generally had a relatively high loan-to-value ratio. It is further pointed out that they are choosing to secure their liabilities via the derivatives market, which will involve costs and poorer profits if interest rates do not rise but at the same time greater predictability as regards future interest expenditure.

Trade sector: "The sector is under extreme pressure, perhaps the greatest change ever"

For the **retail trade**, economic activity seems to have peaked during 2018 and the first half of this year. It has fallen after that but the situation is still better than normal.

The economic slowdown since the summer is illustrated by the comment "Since the end of July, it has not been quite the same pace as we are used to seeing". The overall view in the sector is that economic activity will be weaker in six months' time. Several respondents underline the uncertainty in the assessment, however: "More difficult than ever before to judge where things are heading".

Sales have fallen over the last three months and they are expected to do so also over the next three months. This has probably contributed to growth in stocks of finished products, and these are deemed somewhat larger than normal.

In recent years, the sector has undergone substantial structural transformation with digitalisation and increased e-Commerce. The transformation is due to companies needing to rationalise their operations and maintain their profitability in the form of major investments

in digitalisation, automation and e-Commerce. Several companies talk of this development as the only way forward. As a result of e-Commerce, competition has also toughened in the sector. The various online price-comparison websites are forcing trading companies to adjust their prices to the prevailing market price. Competition has also toughened on all associated services, such as delivery, “click & collect”, guarantees, right of exchange and advice. There is also a tendency towards the boundary between digital and physical trade being erased. Customers want both channels and companies see them as a complement to each other. Via the associated “click & connect” service, for example, customers order the product online and then (often free of charge) collect the product/package in their chosen physical branch of the store chain. So the trade sector is therefore an industry characterised by substantial pressure for adjustment and one respondent describes it as: “All this is going on at the same time and it is uncertain where it is heading”.

The **non-durable goods segment** has approximately the same view of the economic situation as the rest of the trade sector. It is pointed out, however, that it is a more cyclically stable segment of the trade sector. Just as other trading companies, they are affected a great deal by digitalisation and e-Commerce. As well as on prices, the non-durable goods segment competes by offering different types of service to their customers. Examples mentioned include ready-made food shopping baskets, product exhibits and bake-off products.

IT consultants: “Everyone is jumping on the digitalisation train”

IT consultants continue to report a healthy and stable economic situation. There is generally high demand for IT services, due to more and more companies and authorities, irrespective of sector, having operations that need to be digitalised. Medical care is seen as an activity that is lagging behind the digitalisation trend and one that can provide IT consultants with substantial demand onwards. At the same time, new legislation, such as the General Data Protection Regulation (GDPR), and increased requirements for digital security are leading to companies and authorities choosing to have this service “in-house instead of using external providers”. Competition in the industry has increased but companies still need to raise prices to be able to pay ever-higher salary costs for their IT specialists.

Temporary employment agencies say that they are normally affected early in the business cycle. They noticed already at the end of 2018 that demand for their services had begun to soften and it has continued to deteriorate since then. The present economic situation is described as poor but, at the same time, they expect demand to slowly pick up again before the summer of 2020. Profitability is currently poor, due to the fall in demand.

Freight companies, who operate in an industry that has been impacted positively by the rising amount of e-Commerce in recent years, see the economic situation as satisfactory. But despite the growth in the e-Commerce market, their sales volumes have decreased over the last three months. International freight has declined more than domestic freight.

Weak Swedish krona reducing air travel but positive for the Swedish hotel business

Travel companies and airlines consider the economic situation to be poor and expect it to be even worse in six months' time. This year, the number of air passengers is expected to fall, which can be seen against the background of stable, positive growth over the last ten years. They think the decline is due in part to the economic cycle but also to the weak krona, which reduces Swedish demand for foreign travel. Foreign tourists flying to Sweden do not offset the decline in air travel among Swedes. Other factors mentioned as being behind the decline are the climate debate in Sweden, stricter travel policies among companies and organisations and the aviation tax introduced in April 2018. One business leader expressed it as follows: “There has been a great deal of focus on the climate in Sweden and we have come further in this regard compared to other countries”.

Companies in the **hotel business** consider the economic situation to be good, even really good. They have benefited from the weak krona. Not only are more foreign visitors attracted to Sweden, and they mainly stay in hotels, but more Swedes are also choosing to holiday at home and many then choose to stay at hotels. There is also a long-term trend in Swedes choosing hotel accommodation to an ever-greater extent.

The **restaurant industry** sees the economic situation as satisfactory but believes it will be worse in six months' time. The cyclical risks have increased over the last three months and are considered higher than normal. The foremost risk is considered to be a general concern for the finances of private households, caused, according to respondents, by a mass-media focus on an imminent recession. The industry sees a risk of this becoming a self-fulfilling prophecy.

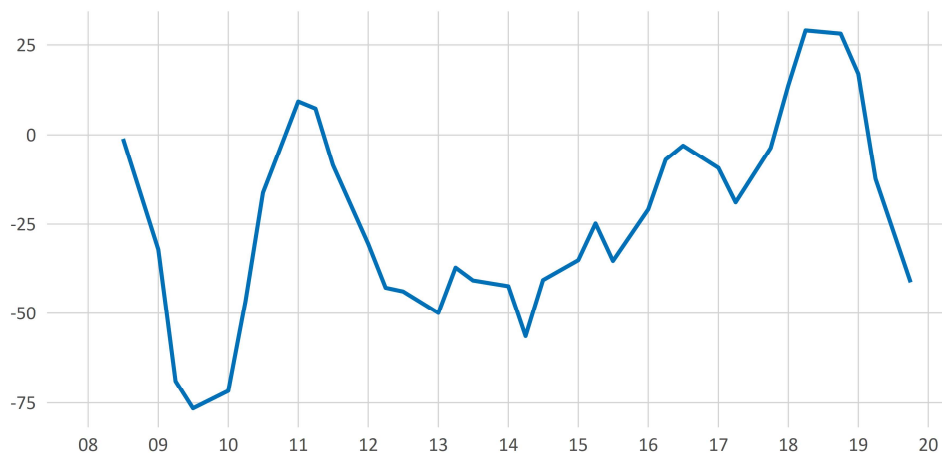
“... and the workforce will continue to be trimmed”

The **number of employees** over the last three months is generally unchanged since the May survey and is below normal, see Figure 2. This also applies to the number of employees over the next three months. Companies in industry and the construction sector consider in general that their current workforces are too large in relation to demand/output. Industrial companies have therefore reduced their workforces over the past three months and plan to continue to do so. Construction companies have similar plans. Temporarily employed persons, such as those from temporary employment agencies or from the company's own pool of substitutes and seasonally workers, are normally laid off first. Contracts with consultants and subcontractors can also be cancelled. It is also common to introduce a recruitment freeze or hold back the number of new recruitments and only recruit those who are absolutely necessary. Only at a later stage do companies make permanent staff redundant, and then with considerable caution, as substantial costs can be incurred if they need to re-employ these persons later on.

The **general shortage of labour** has clearly lessened since the end of last year, see Figure 3. The professional categories in which there is still considered to be a general shortage include restaurant staff, drivers and various service technicians such as industrial electricians. An HR manager pointed out “that many applicants do not match their candidate profiles” as an important underlying factor behind the general shortage of labour. Another respondent highlighted difficulties in finding skilled professionals.

Figure 3. General shortage of labour

Weighted net figures



Note. The weighted net figures show the total share of positive responses and the total share of negative responses to the question of whether there is a general shortage of labour. The series has been smoothed out with a moving average based on three observations. The break in the series 2017:1, where the matter of labour shortages was divided into two questions: general labour shortages and a shortage of specialists.

The **shortage of specialists** decreased between the surveys in November and May, but is still clearly larger than the general shortage of labour. This primarily relates to engineers, project managers, business economists, logistics officers and IT staff. The shortage occupations in IT include programmers, software developers, IT architects, specialist in e-Commerce, data scientists/analysts and specialists in IT security. Some companies highlight the difficulty in finding staff that are more senior in a specific professional category. The quotations "It is completely impossible to find staff for a specific professional category or seniority" and "It is difficult to find really well-qualified labour" are telling.

"No-one dares to be the first to increase prices"

Since the spring of 2018, the message in the business surveys has been that consumer-related companies have planned to increase their sales prices twelve months ahead. Tough competition from an emergent e-Commerce was expected to subdue price increases, but high demand in combination with higher purchasing costs, partly as a result of the weak krona, were expected nevertheless to lead to higher prices. According to survey data in the Economic Tendency Survey, actual price increases in the trade and service sectors have also been driven mainly by rising import prices but also by high demand.⁴

This development has been broken during the autumn and now companies that expect lower sales prices going forward now dominate, see Figure 4. The development is partly due to companies in the trade sector no longer seeing continued high demand as being able to provide the same scope for price increases as previously expected.

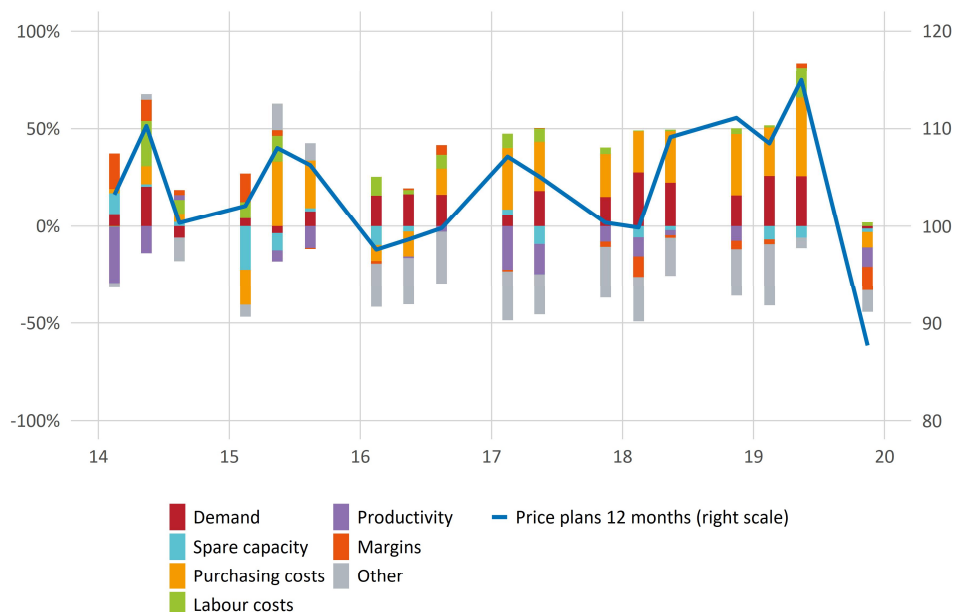
Previously, rising purchasing costs have been an important reason why consumer-related companies have planned to increase their prices, but here, too, the picture has changed. Many trading companies point to the significance of the krona for the development of unit costs and profitability. One importer noted that the depreciation of the krona has "hit hard because we sell in Swedish kronor and buy mostly in foreign currency". There is, however, substantial uncertainty regarding how the krona will affect companies' costs going forward – "the currency is the biggest question mark". Overall, the responses of consumer-related companies indicate that rising purchasing costs are no longer expected to be driving price increases twelve months ahead.

Many companies in the trade sector state that the development of the krona, via purchasing costs, may be of major significance for their pricing. Others note that competition on the market is such that it is instead companies' margins that are squeezed when the krona weakens, which can be illustrated by the comment "No-one dares to be the first to increase prices".

As industrial and construction companies expect economic activity to be weaker, they hold out little hope of being able to increase prices going forward. "Right now, it is cautious demand that is guiding prices".

⁴ See, for example, analysis of data up to and including the first quarter of this year in the box "Higher import prices explain price increases" in Sveriges Riksbank, Monetary Policy Report July 2019, page 24.

Figure 4. Driving forces behind pricing in consumer-related companies in the coming twelve months
Weighted net percentages (left scale) and weighted index figures (right scale)



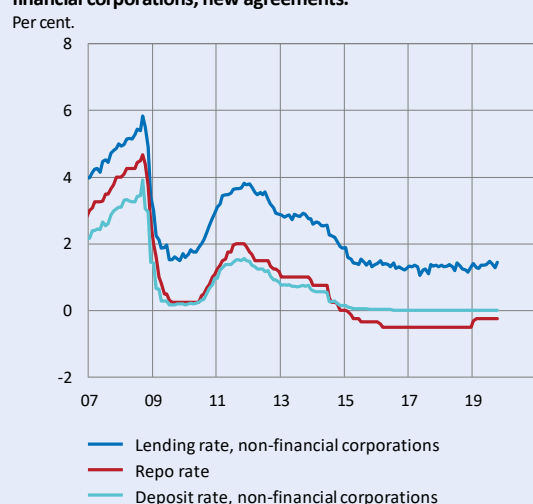
Note. Of the 43 interviewed companies, 15 companies, mainly in the trade sector, are classified as consumer-related. On average, these companies have around 5,300 employees. The bars (left scale) show the net balance between responses that the factor concerned will have an upward or downward effect on prices in the year ahead. A bar above (below) zero means that the factor will contribute to rising (falling) prices in the period ahead. The "Other" bar consists mainly of competition and exchange rate. The weighted index figures (right scale) show a standardised value (mean value = 100 and standard deviation = 10) of the net figures for companies that responded to the question regarding whether sales prices will be raised or lowered in the coming twelve months.

ARTICLE – Positive with low interest rates but negative rates feel counter-intuitive

In this survey, companies have answered questions on how the low interest rate level and negative rates over the past five years have affected their activities and planning. Four out of five companies consider that the net effect over the five-year period has been positive for their activities, as the low interest rates have helped to sustain general demand in the economy. To the extent that the low rates can be linked to a weak krona, exporting companies think that this has improved competitiveness and profitability. Importing companies point instead to higher purchasing costs as a result of the weak exchange rate. Half the companies asked have negative interest rates and/or fees on their bank deposits. Companies are trying to be more innovative in their liquidity management to avoid bank deposits at negative rates.

The Riksbank's repo rate has now been negative for almost five years. Average lending rates to companies have continued to follow the Riksbank's repo rate relatively well even during the years with a negative repo rate, see Figure 5.

Figure 5. Repo rate and average deposit and lending rate to non-financial corporations, new agreements.



Note. MFI's average deposit and lending rate is a volume-weighted average of rates for all maturities.

Sources: Statistics Sweden and the Riksbank

Companies' average deposit rates have, however, not followed the repo rate to the same extent. Since early 2015, they have been close to zero despite the repo rate having been lowered further, see Figure 5.

“The net effect must be positive”

A recurring opinion among companies is that the low interest rates have helped to sustain general demand in the economy which in turn has had a favourable effect on demand for the company's goods or services. Lower funding costs for both customers and companies themselves are seen as positive. One trading company noted: “The low interest rate has contributed to a long economic boom with high and stable sales. The net effect must be positive”.

One company in the construction industry noted that “Home-buyers dare to invest in a new home when they form the opinion that there will be stable and low interest rates going forward” while another warned of the substantial risks associated with low interest rates for prolonged periods: “Normal incentives are eliminated. It is an extreme situation with considerable risk. Households get used to low rates”. Another construction company thinks that “it would be better with a slightly higher interest rate; we would then have had a more even development on the construction market without the cost hike in materials and wages”.

“Lighting fires for the crows”

According to one respondent in the manufacturing industry, it was good that central banks reacted forcefully to the crisis and cut rates to kick-start the economy, but the opinion is that they have stimulated too much and for too long: “Lighting fires for the crows”.⁵

The low interest rates are often linked to a weak krona exchange rate. For some of the export companies, this is providing additional positive effects, as illustrated by the

⁵ The expression is a Swedish proverb meaning “wasting resources”.

comment: "We are not moaning, we prefer a weak krona. It improves profitability and also competitiveness to a certain extent".

But some companies also point to the risk that depreciations of the krona to levels that do not reflect fundamental factors make investment decisions more difficult: "If it is like many people say that negative rates have caused the krona to depreciate and go beyond the fundamentals, it won't be good when making investment decisions. You have to guess what the outcome might be and that increases risk premia on investments".

Companies in the trade sector and construction industry mention that their costs have increased as a result of the weak krona exchange rate: "The depreciation of the krona has been hard for us".

"We have not acted differently"

According to one manufacturing company, which considers the net effect of the low interest rates to be more or less zero, it is more important that the company pays a lower interest rate compared to its competitors as this creates competitive advantage. The relative competitive advantage is more important for the company than the absolute interest rate level.

Another respondent in the manufacturing industry notes that "The interest rate is not important" It is instead the company's (high) internal rate that determines which investments are considered profitable. The response suggests that companies' required rates of return have not followed the interest rates downwards, which may mean that the effect of lower rates on investments has decreased.⁶

Some companies with deposits in their own supplementary employee pension funds say that the present value of their pension commitments has increased as a result of the long-term low interest rates, which in turn has weakened their financial position. One company states that "We now have much higher pension commitments that have hit our equity and affected our debt to equity ratio. So it has a dampening effect". In a few cases, the higher present value of the pension commitments has led to companies increasing their provisions to pension funds but this effect of lower interest rates does not seem to be important for companies' activities: "We have had to set aside more money because of this. It has involved appreciable

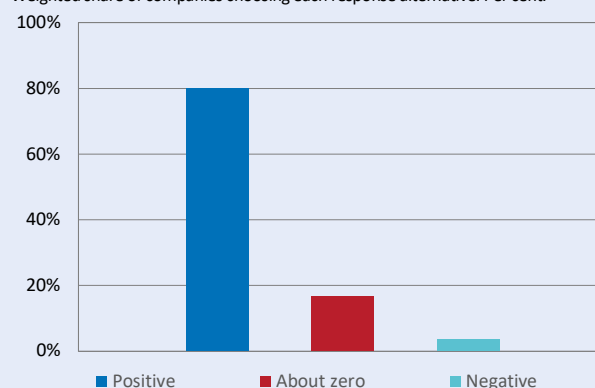
amounts but has not had an effect on investments or any other significant part of the business".

Some companies point out that they have been inefficient in their stock management or lazy about chasing unpaid invoices as "money does not cost anything", while others say that "We have not acted differently as a result of the low interest rates".

Overall, four out of five companies consider that the low interest rates have had a positive net effect on their activities, see Figure 6.⁷ Just under a fifth consider that the effect has been approximately zero, while a small share consider that the low interest rates have had a negative effect on their activities.

Figure 6. Regarding the low interest rates over the past five years: What is your assessment of the net effect on your activities?

Weighted share of companies choosing each response alternative. Per cent.



"Having to chase accounts where we don't need to pay feels counter-intuitive"

Although the average deposit rate for companies is positive, some companies may need to pay for their bank deposits.

10 out of the 43 companies that participated in the November survey chose not to answer the question about return on the company's bank deposits. A common reason was that financial operations in the group were managed somewhere else. Among the companies that answered the question, about three out of five had negative rates and/or fees on their bank deposits, see Figure 7.⁸ Most companies with negative rates on their bank deposits pay a rate on a level with the repo rate.

⁶ See also the article "Companies' investment decisions and the discount rate" in the Riksbank's Business Survey from February 2016. One conclusion in this article was that industrial companies' internal rates, also known as discount rates, have been relatively unaffected by the lower general interest-rate level.

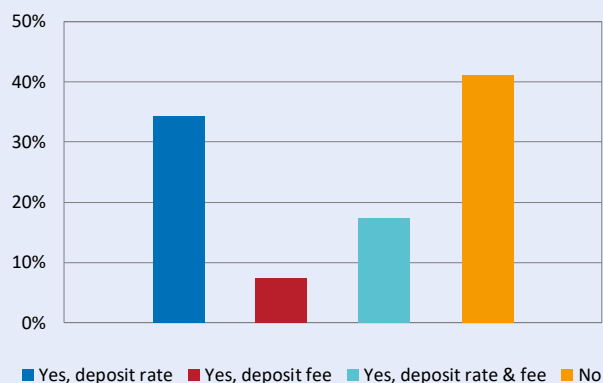
⁷ Figure 6 shows proportions of companies' responses weighted with number of employees. The unweighted share of companies that consider the low interest rates to have had mainly positive effects on activities is somewhat lower, which indicates

that it is companies with a fewer number of employees that have responded that the net effect on activities has been negative.

⁸ Figure 7 shows proportions of companies' responses weighted with number of employees. The unweighted share of companies with negative rates or fees on their bank deposits is slightly lower, about half, which indicates that companies with more employees have negative rates or fees on their bank deposits to a greater extent.

Figure 7. Do you have bank deposits in Swedish kronor at a negative nominal interest rate or an equivalent fee?

Weighted share of companies choosing each response alternative. Per cent.



One reason for companies' average deposit rate not having fallen as much as the repo rate may be that the composition of their deposits has changed over time. Companies are trying to avoid depositing their cash holdings at negative interest rates. One company noted that negative rates have been avoided by dividing deposits among different institutions and banks while another noted that the low interest-rate environment has forced companies "to be more innovative in their liquidity management". Other respondents point out "Having to search for accounts where we do not need to pay feels counter-intuitive", "The negative interest rate leads to flawed thinking. We cannot make too much profit because then we have too much cash which generates interest expenditure" and "... but the cash has to be there for the business".

About the Riksbank's Business Survey

The Riksbank's Business Survey aims to reflect developments in prices and economic activity in the manufacturing, construction and trade sectors and in parts of the service sector. As only a few players account for a very large part of the Swedish business sector, relatively few interviews can provide information about a large part of the sector. Many of the interviewed companies also provide information about other parts of the business sector through their contacts with, for example, small and medium-sized enterprises.

The survey is conducted by personnel from the Riksbank who visit the companies for approximately one hour. The interviews are, as a rule, conducted with members of the company's management. The discussions give the companies an opportunity to develop their answers and the interviewer the chance to ask more detailed follow-up questions. From time to time, specific questions are asked about current issues in monetary policy.

Approximately 30 companies are interviewed in the survey in February and about 45 companies in May and November. Over 300 companies have taken part in the survey since it was started in 2007.

The figures in the report present the companies' responses weighted in terms of the respective companies' number of employees in Sweden. The indices in the figures capture upturns and downturns in the pattern of responses well. These responses are then combined with the companies' reflections during the interviews. The November 2019 report presents the results of interviews with 43 companies held between 17 October and 14 November.

A more detailed description of the survey can be found on the Riksbank's website:

Hokkanen, Melin and Nilson (2012), "The Riksbank's Business Survey – a quick indicator of economic activity", Sveriges Riksbank Economic Review 2012:3.

http://archive.riksbank.se/Documents/Rapporter/POV/2012/rap_pov_artikel_3_121017_eng.pdf



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