

# PRESS RELEASE

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## The Riksbank's Business Survey: "Vaccine optimism" raises expectations

*The economic situation for large Swedish companies has strengthened in recent months – especially for manufacturing companies. Demand is expected to both increase and broaden as an increasing share of the population is vaccinated and society can gradually open up again. Companies are therefore optimistic about future economic prospects.*

### **"The recovery has been much faster and things have not been as bad as we feared initially"**

Manufacturing companies have seen a gradual recovery since summer 2020, which accelerated at the end of last year and has since continued. Companies in several manufacturing segments are now reporting good global demand and strong economic activity. The comment "The recovery has been much faster and things have not been as bad as we feared initially" from one business leader sums up how their economic activity has looked since the first wave of the pandemic. Similar experiences are reported by several other respondents in the manufacturing sector and the corporate service segment. Moreover, several companies experience that production has already hit the capacity ceiling.

### **"Our challenge right now is the supply of components, and in particular semiconductors"**

Despite strong demand, there are some clouds on the horizon. For instance, there are various types of supply-related problem that risk leading to disruptions in production and increased costs going forward. This includes the global shortage of semiconductors, which is already leading to limitations in production, and can also lead to periodic stoppages in production for the remainder of the year. The situation is described by one respondent as "Our main challenge right now is the supply of components, and in particular semiconductors." Another problem is deliveries of goods, particularly deliveries from Asia. The capacity for sea and air freight has declined since the pandemic restrictions were introduced, which has led to delays in deliveries of goods and a strong rise in freight prices in recent months.

### **"The housing market has nevertheless been pretty strong during the autumn"**

The large construction companies are experiencing continued very weak demand for commercial construction, such as offices and hotels. They have therefore started up their own housing projects during the autumn, and demand for these was beyond expectations,



as evidenced by the comment: “The housing market has nevertheless been pretty strong during the autumn.” They cannot yet see a recovery in construction activity, but the assessment is that it will bottom out during the spring and then improve gradually.

### **“People are tired of sitting round at home in sweatpants”**

The situation in the retail trade provides a good illustration of the difference in impact of the pandemic and the ensuing restrictions. Demand has strengthened for those sectors that have benefited from pandemic restrictions, such as the non-durable goods trade, while demand has weakened for the clothing trade, which is disadvantaged by increase in working from home. However, the clothing trade sees a pent-up need to consume that will increase demand going forward, which one business leader in the industry described as: “People are tired of sitting around at home in sweatpants”. Household-related service segments, such as tourism, are also experiencing a difficult situation.

### **The strong demand enables manufacturing companies to raise their sales prices**

Demand is strong, and this makes it possible for manufacturing companies to raise their sales prices and strengthen profitability in the near term. At the same time, the competition means that sales prices are still being held back for household-related companies.

### **ABOUT THE BUSINESS SURVEY**

The Riksbank regularly interviews the largest companies in industry, construction, trade and parts of the service sectors. Representatives of around 50 companies, and a number of trade associations, were interviewed via telephone/web-based services during the period 10-19 February. The results of the interviews are reported in the Riksbank’s Business Survey. The quotes above are from survey respondents.