#1
2021

ECONOMIC OUTLOOK
THE GOTHENBURG REGION

±0.0%
Employment growth

+1.5%-points
Unemployment

97.5
Economic tendency (normal weak)

Extra appendix

In-depth analysis within commerce and services

Pages 5-6

BUSINESS REGION GÖTEBORG

SUMMARY

The economic tendency in the Gothenburg region remains in a normal weak position. However, our indicators show that there may be improvements in 2021 that can lift the regional economy from its current difficult position. Among other things, real GDP growth in key markets is expected to increase. The region's employment growth is currently unchanged, compared to the period before the Covid-19 pandemic spread worldwide. We also see that unemployment in the region is declining in the short term and that redundancies are decreasing strongly. In addition, the short-term layoffs are not increasing significantly. Despite these developments, the situation continues to be very difficult for the hospitality sector in the Gothenburg region.

TRADE AND INDUSTRY

Improved position and growth in key markets ahead...

After a tough 2020 for the region's key markets, 2021 looks to be a year of growth and recovery, which is mostly due to the launch of vaccination programmes worldwide. The combined forecasts from the OECD, EU and IMF predict that economic growth in key markets increases by 3 to 8 per cent.

USA, which is the largest export market for the Gothenburg region, is expected to reach an economic growth of 5 per cent in 2021. Forecasts for the German, Nordic and Dutch economies are more modest with growth rates at about 3 per cent. In other key markets for the region, economic growth is expected to be somewhat stronger compared to the Nordic countries, particularly in France, Belgium and the United Kingdom, whose economies have been hit hard in 2020. The strongest growth is expected to take place in China, where the economy is expected to grow at 8 per cent in 2021. Already in January and February 2021, China's exports increased by just over 60 per cent. Meanwhile, economic growth in the Eurozone is expected to be at 3.9%.

It remains difficult to predict the magnitude of the global impact on the business environment in the Gothenburg region in 2021. However, the situation should be somewhat better compared to last year. Our export weight for GDP growth in key markets shows increased growth of 4.4 per cent in 2021 and towards 2022, an export weight at 3.4 per cent. This, above all, gives some hope for an improved position in the region's business environment.

...and Sweden's economy is also expected to grow

The fourth quarter of 2020 shows a relatively small decrease in the Swedish economy compared with the recoil in the third quarter. GDP decreased by 0.2 per cent in the fourth quarter compared with the third quarter of 2020. The decline, among other factors, can be explained by liquidation of stock and reduced household consumption. Compared with the same period in 2019, GDP decreased by 2.2 per cent. For the whole of 2020, GDP decreased by 2.8 per cent compared to 2019. The forecast ahead shows that Swedish economic growth is expected to increase by 3 per cent in 2021, which is clearly lower than average for the Eurozone.

The economic tendency indicator for Sweden rose in February and the tendency is normal, yet strong. Above all, the economic tendency in services improved, due to a better current situation as well as increased optimism about future demand for services. The commerce tendency indicator also improved during the period, although within the sector is split. The situation for commerce dealers in durable consumer goods improved, while the tendency for non-durable goods dealers weakened. Better prospects for future production improved the tendency in manufacturing and the construction sector also improved somewhat, largely due to a stronger position for companies in housing construction. Households' current view at their own finances shows a clear improvement.

Tendency in the region continues to improve

The National Institute of Economic Research's survey for the fourth quarter of 2020 shows that the economic tendency in the region is further improving. The current tendency shows that companies in the Gothenburg region are still in a normal weak position, but the outlook in the last quarter of the year is clearly stronger than the former two quarters. The economic tendency indicator for the fourth quarter of 2020 stops at 97.5 for companies in the Gothenburg region and is close to the next interval of between 99 and 101, indicating a 'normal' economic tendency (see interval interpretations to the right).

Commerce tendency worsens, while services improve

Overall, the region's commerce sector (including e-commerce etc.) entered a normal strong position during the third quarter 2020. The tendency for commerce deteriorated significantly in the fourth quarter with an economic tendency indicator stopping at around 99, meaning that commerce companies experience a normal, yet weak tendency. Both sales and profitability worsened during the fourth quarter. The number of employees in the commerce sector also decreased during the period. However, the number of commerce companies not expected to take on new employees in the near future decreases. Retail stores in the region continue to experience hard times. For example, the number of people movements in Gothenburg's Inner City during the fourth quarter of 2020 decreased by approximately 40 per cent, from 12.5 to 7.5 million movements, compared with the same period in 2019. During January and February 2021, the decrease is even stronger as it has more than halved compared to the same period in 2020.

The services sector in the Gothenburg region experiences the fourth quarter as a difficult, but somewhat better period, to conduct business. The situation

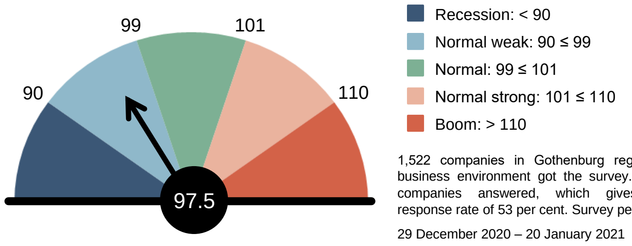
REAL GDP GROWTH – FORECAST 2021-2022 (IN %) FOR SWEDEN AND SOME OF THE GOTHENBURG REGION'S KEY EXPORT MARKETS

Country	Share of region's exports	2021	↗ ⇨ ↘	2022
Sweden*		3.0%	↗	4.0%
USA	12.9%	5.0%	↘	3.3%
Belgium	11.9%	5.4%	↘	2.5%
Norway	10.4%	2.8%	↗	2.9%
Germany	8.5%	3.1%	↗	3.4%
China	7.8%	8.0%	↘	5.4%
Denmark	7.6%	2.9%	↗	3.3%
United Kingdom	6.0%	4.6%	↗	5.7%
Finland	5.9%	3.0%	↘	2.0%
Netherlands	4.1%	2.8%	↘	2.6%
France	3.9%	5.8%	↘	4.2%
GDP growth for Gothenburg region's top 10 export markets (weighted by export share)	79.0%	4.4%	↘	3.4%
Eurozone		3.9%	↗	4.0%
World		5.3%	↘	4.2%
World trade, goods and services		8.1%	↘	6.3%

Source: OECD (March 2021), EU (February 2021) and IMF, Nordea and SEB (January 2021)

* Average of the five last forecasts in the summary produced by the National Institute of Economic Research based on data from Swedish National Debt Office, The Riksbank, Nordea, SEB and Handelsbanken.

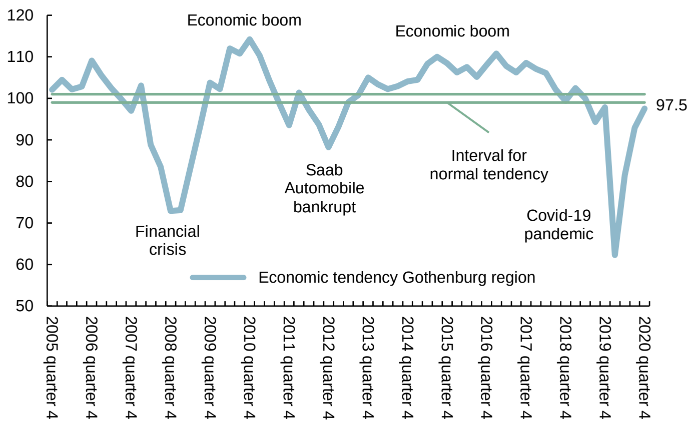
ECONOMIC TENDENCY INDICATOR FOR BUSINESSES IN THE GOTHENBURG REGION – FOURTH QUARTER 2020



1,522 companies in Gothenburg region's business environment got the survey. 805 companies answered, which gives a response rate of 53 per cent. Survey period:

29 December 2020 – 20 January 2021

ECONOMIC TENDENCY INDICATOR FOR BUSINESS IN THE GOTHENBURG REGION – PER QUARTER FROM 2006



Source: National Institute of Economic Research

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improved in terms of demand for services, compared with the previous three quarters of the year. Profitability also improved slightly, yet is still seen as poor. With regard to employees in the services sector, 1 in 3 service companies reports that employment has decreased recently. The tendency within services remains cautiously optimistic - 2 out of 10 service companies predict that demand for their services will increase in the coming period, while 1 in 10 service companies is expected to hire more employees during the first quarter of 2021. Overall, the services sector in the Gothenburg region is in a normal weak position as the economic tendency indicator for the fourth quarter of 2020 stops at 96.

Stagnant job growth in Gothenburg region

The Covid-19 pandemic continues to impact the employment in the fourth quarter. At the end of the last quarter of 2020, job growth in the Gothenburg region was stagnant on an annual basis. Just over 560,000 people were employed, which is almost the same number of people employed as in the corresponding period the previous year. The stagnant employment growth in the Gothenburg region was still better than for Sweden as a whole (-1.4 per cent on an annual basis) and in the Stockholm region (-0.6 per cent on an annual basis). However, clearly worse than in the Malmö region which had an employment growth of 1 per cent on annual basis.

We continue to see that the employment declines within the hospitality sector. These include transportation, hotels and restaurants, commerce and cultural and personal services, in which there have been major falls since March 2020. Many companies in the region currently find it very difficult to conduct their daily operations. It is thus important that available governmental financial support reaches these companies quickly so that both businesses and employees can survive the pandemic.

The wage sum growth within the private sector confirms a decline in employment growth. During the fourth quarter 2020, the wage sum growth of the private sector decreased by 1 per cent compared with the same period in 2019. This is the third consecutive quarter with a negative wage sum growth for the private sector. For the full year 2020, wage sum growth of the private sector decreased by 0.4 per cent (which corresponds to just over half a billion SEK) compared to 2019.

Unemployment falls, yet far from full recovery

Generally, unemployment has risen sharply across the country during the Covid-19 pandemic, but in the most recent period we see that it slightly decreases. In March 2021, unemployment was at 7.8 per cent in the Gothenburg region (+1.5 percentage points on an annual basis). Just over 43,000 people are either unemployed or in labour market programmes in the Gothenburg region. In the Stockholm region, unemployment was at 8.2 per cent (+ 1.5 percentage points on annual basis) and in the Malmö region it was 11.4 per cent (+ 1.6 percentage on annual basis). Unemployment in Sweden stops at 8.7 per cent (+ 1.1 percentage on an annual basis).

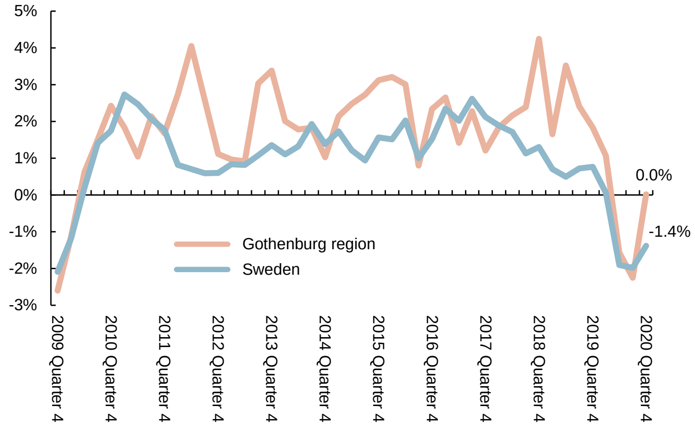
Unemployment has risen sharply in all groups in the region during 2020. For example, youth unemployment peaked in July 2020 at 12.4 per cent. In March 2021, however, youth unemployment has clearly decreased since it peaked to 9.6 per cent (foreign-born youths 20.9 per cent). The level of unemployment remains very high among foreign-born people in the Gothenburg region. In March 2021, the unemployment rate among foreign-born people aged 16-64 in the region was at 17.6 per cent (the corresponding figure for Sweden is at 20.1 per cent). Compared with just over a year ago, the level of unemployment is clearly higher in the Gothenburg region, but in the shorter term we can see that a recovery is slowly beginning to take shape in the region's the labour market.

Redundancies lower compared to pre-pandemic state

During the period December 2020 to February 2021, an average of around 4,700 newly registered vacancies for permanent job positions were advertised per month in the Gothenburg region. Compared to the same period in the previous year, it indicates that new vacancies during this period have decreased by about 20 per cent. Most newly registered vacancies for permanent job positions are still advertised within business services, followed by health care and care and education (note that there may be some duplication in the new job vacancy statistics, but the indicator is still assessed to be relevant to follow).

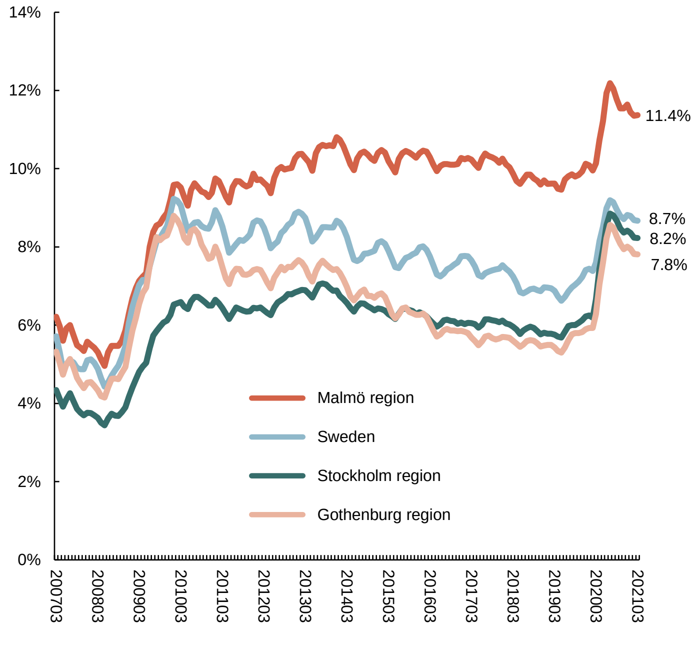
During the ongoing Covid-19 pandemic we have seen a great increase in redundancies in the Gothenburg region, especially during the second quarter. During the period December 2020 to February 2021, however, the number of redundancies was clearly lower compared to the period before the pandemic outbreak. The period shows an average of 171 redundancies per month (a decrease by approximately 36 per cent on an annual basis). The number of redundancies for the most recent period are thus well below the median for the 2000s, which is 314 redundancies per month. Despite the recent development in redundancies, it is still too early to say if redundancies will remain at this low level. The coming months will show whether the situation has stabilized below the historical average for the region, or not.

EMPLOYMENT INDICATOR - PERCENTAGE CHANGE IN NUMBER OF EMPLOYED ON ANNUAL BASIS



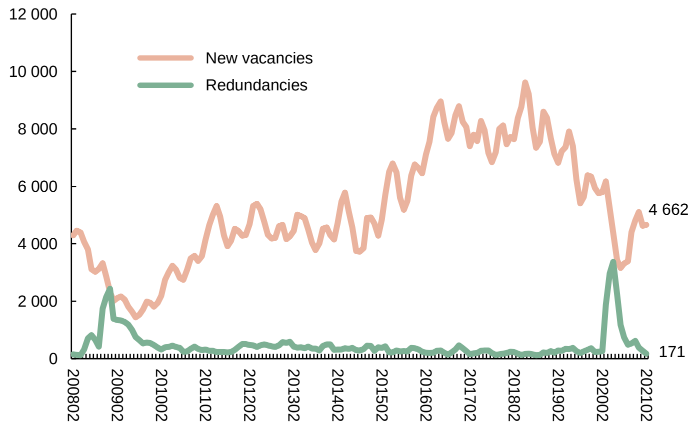
Source: Statistics Sweden

UNEMPLOYED AND PEOPLE IN LABOUR MARKET POLICY PROGRAMMES - PERCENTAGE OF THE WORK FORCE AGED 16 TO 64



Source: Swedish Public Employment Service and Statistics Sweden

NEW VACANCIES FOR PERMANENT POSITIONS AND REDUNDANCIES IN THE GOTHENBURG REGION - THREE-MONTH ROLLING AVERAGE



Source: Swedish Public Employment Service

OTHER INDICATORS

Office vacancy rate continues to increase

JLL's property market data for the fourth quarter 2020 shows a continued increase in the vacancy rate for office space in Gothenburg. In the fourth quarter of 2020, Gothenburg recorded 8.1 per cent office vacancies, which is just over 3 percentage points higher on an annual basis. The largest increases, on an annual basis, are seen in East and West Gothenburg. In the central parts of the city (CBD), the vacancy rate reaches 6.5 per cent. About 4,200 m^2 of office space was completed in the fourth quarter of 2020. Approximately 208,000 m^2 is under construction for completion in 2021-2022, mostly within the Inner-City area (e.g. Gårda and Masthugget), but also at Norra Älvstranden (Lindholmen) and in CBD. Office rents remain unchanged, on an annual basis, in all districts in Gothenburg (refers only to prime rents).

Housing prices still rising

Valueguard's February housing price survey for January 2021 shows that housing prices still continue to increase. In January 2021, flat prices in Gothenburg rose by 3.2 per cent on an annual basis, while flat prices in Stockholm increased by 5.7 per cent year-on-year. Again, the greatest increase in flat prices, was seen in Malmö (+9.9% on an annual basis). In the shorter term, 1–6 months, flat prices increase in all three metropolitan municipalities.

When it comes to house prices, the strongest growth was seen in the Gothenburg region (+15.2% on an annual basis), followed by the Malmö region (+14.9% on an annual basis). The corresponding figure in the Stockholm region was an increase of 14.7 percent on an annual basis. If we look at developments in a slightly shorter term, 1-6 months, here too there is an increase in housing prices in the three metropolitan regions, yet, the increase here is significantly stronger compared to the increase in flat prices.

Most bankruptcies within commerce

Since the pandemic began in March 2020, 737 companies in the region have filed for bankruptcy up until February 2021. The level is yet unchanged compared to the same period the year before the pandemic. However, the companies that have gone bankrupt during the pandemic have had more employees than before. The bankruptcies have primarily affected companies within commerce, but also in other sectors such as business services, construction and hotels and restaurants. If we look at the development for the full year of 2020 and compare with the full year of 2019, the number of bankruptcies in the Gothenburg region is 50 more, which corresponds to a percentage increase of just over 7 per cent. More than 3,300 employees in the Gothenburg region were directly affected when their employers filed for bankruptcy, most of these taking place in March and April 2020.

A difficult annual close for the hospitality sector

During the period March 2020 to February 2021, Gothenburg Landvetter Airport had a total of just over 794,000 passengers (-88% on an annual basis). Travels during the pandemic decreased dramatically, both on domestic and international flights. Looking at the whole of 2020, approximately 1.6 million air passengers travelled to and from Gothenburg, most of which were in January and February. Compared to 2019, when approximately 6.7 million passengers travelled to and from the airport, it corresponds to a decrease of just over 76 per cent. The entire transportation sector, and in particular aviation, is facing an extremely difficult recovery period ahead.

The pandemic has hit the hospitality sector in the Gothenburg region very hard. During the fourth quarter of 2020, the number of guest nights spent in the region's hotels, hostels and campsites decreased by just over 56 per cent. Above all there was a huge drop in Swedish guests, but also among foreign guests. Looking at the whole of 2020 there were almost 2.6 million fewer guest nights compared to 2019 (-51.5% on an annual basis). Guest nights from Swedish visitors decreased by about 1.5 million, while guest nights by foreign visitors dropped by just over 1.1 million. In terms of occupancy rates (which only refers to hotels) in the Gothenburg region, these confirm that a huge decrease has taken place within hospitality. During the period March 2020 to February 2021, the occupancy rate for the region's hotels decreased by just over 65 per cent. According to Benchmark Alliance (which produces statistics), this means that an average of three out of four hotel rooms in the Gothenburg region have been empty during the period.

New car sales decrease sharply once again

Trends in the consumption of durable goods, such as the number of newly registered cars, is an important indicator when assessing the state of the private economy. The development in the most recent period shows that new car sales continue to fall sharply. In the fourth quarter of 2020 approximately 8,800 new cars were registered in the Gothenburg region (-26.9% on an annual basis). Around 4,500 new cars were sold in January and February 2021, which is still a pretty good sales figure for this particular period.

PRICE DEVELOPMENT OF FLATS AND HOUSES, JANUARY 2021 COMPARED TO 1, 3, 6 AND 12 MONTHS BACK IN TIME

Housing type	City / region	1 M Dec 2020-Jan 2021	3 M Oct 2020-Jan 2021	6 M Jul 2020-Jan 2021	12 M Jan 2020-Jan 2021
Flats	Gothenburg	0.6%	1.1%	3.5%	3.2%
	Stockholm	2.6%	2.1%	6.1%	5.7%
	Malmö	1.5%	3.1%	7.7%	9.9%
	Sweden	2.1%	2.0%	5.4%	5.7%
Houses	Gothenburg region	3.5%	5.6%	12.6%	15.2%
	Stockholm region	1.6%	3.6%	9.7%	14.7%
	Malmö region	2.7%	3.5%	8.8%	14.9%
	Sweden	3.2%	3.9%	9.2%	15.0%

Source: Valueguard

NUMBER OF BANKRUPTCIES IN THE GOTHENBURG REGION, BY SECTOR – 2019, 2020 AND MARCH TO FEBRUARY

Sector	2019 Year	2020 Year	March - February 2019/2020	March - February 2020/2021
Commerce	136	160	145	153
Business services	115	129	122	131
Construction	101	125	97	129
Hotels and restaurants	56	66	58	68
Transportation and warehousing	35	38	33	38
Other service companies	23	28	23	28
Manufacturing and mining	37	26	36	25
Information and communication	31	21	35	20
Healthcare and care	10	12	9	12
Financial services and insurance	13	10	13	11
Other sectors	151	143	165	122
Gothenburg region total	708	758	736	737

Source: Statistics Sweden and Growth Analysis

TABLE SUMMARISING THE ECONOMIC SITUATION IN GOTHENBURG REGION – COMPARISON WITH CORRESPONDING PERIOD PREVIOUS YEAR

Indicator	2020	2019	Change
Economic tendency, Q4	97.5	97.8	-0.3 units
People in employment, Q4	560,100	560,000	-0.0%
Total wage sum (real SEK billion), Q4	54.42	54.37	+0.1%
Private sector wage sum (real SEK billion), Q4	41.30	41.72	-1.0%
Unemployment, March			
Total 16-64 years*	7.8%	6.3%	+1.5%-p.
Domestically born 16-64 years*	4.6%	3.5%	+1.1%-p.
Foreign-born 16-64 years*	17.6%	15.4%	+2.2%-p.
Total 18-24 years*	9.6%	7.6%	+2.0%-p.
Domestically born 18-24 years*	6.9%	5.3%	+1.6%-p.
Foreign-born 18-24 years*	20.9%	19.1%	+1.8%-p.
Job vacancies, Dec-Feb (monthly average)**	4,662	5,797	-19.6%
Redundancies, Dec-Feb (monthly average)**	171	266	-35.7%
Vacancy rate for offices in Gothenburg, Q4	8.9%	5.8%	+3.1%-p.
Population, Q4	1,049,592	1,041,850	+0.7%
Number of bankruptcies, Mar-Feb**	737	736	+0.1%
New car registrations, Q4	8,827	12,073	-26.9%
Air passengers, Mar-Feb**	794,532	6,643,662	-88.0%
Guest nights, Q4 (monthly average)	166,125	380,176	-56.3%

Source: National Institute of Economic Research, Statistics Sweden, Swedish Public Employment Service, JLL, Growth Analysis, Swedish Agency for Economic and Regional Growth and Swedish Transport Agency.

* Refers to data for 2021 compared with the same period in 2020

** Refers to data for 2020 / 2021 compared with the same period in 2019 / 2020

Business Region Göteborg (BRG) strives to achieve sustainable growth and employment in the Gothenburg region's 13 municipalities. The report is based on analyses conducted by BRG and compilations of surveys and other sources, with the latter including Statistics Sweden, the Swedish Public Employment Service, National Institute of Economic Research, Valueguard, Growth Analysis, Swedish Agency for Economic and Regional Growth and the Swedish Transport Agency. Unless stated otherwise, the statistics refer to our member municipalities: Ale, Alingsås, Gothenburg, Härryda, Kungälv, Kungsbacka, Lerum, Lilla Edet, Mölndal, Partille, Stenungsund, Tjörn and Öckerö. The contact persons for the Economic Outlook Report are Henrik Einarsson, Head of Establishment, and Peter Warda, Senior Analyst. The report and all tables and charts can be downloaded from www.businessregiongoteborg.se.

Economic tendency within commerce in the Gothenburg region

What is included in commerce?

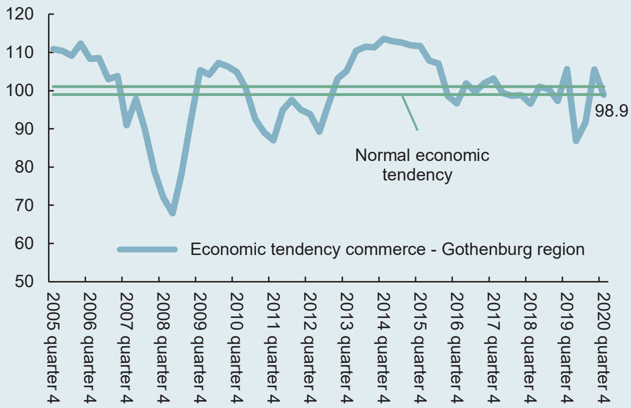
Commerce include companies within wholesale, daily goods sales and durable goods sales, as well as e-commerce.

When is the survey conducted?

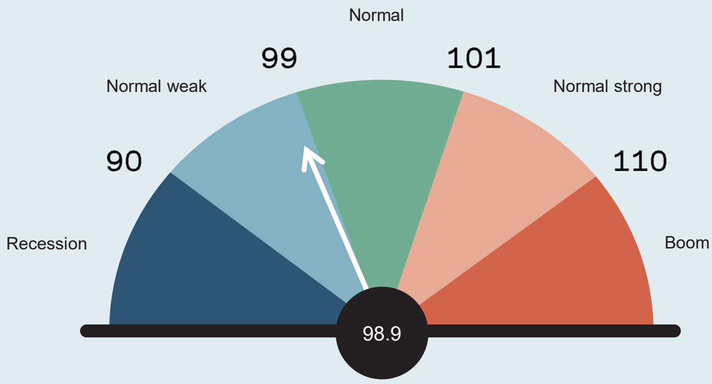
Survey period for companies during the fourth quarter 2020 has been December 29, 2020 to January 20, 2021. 384 commerce companies got the survey, 209 answered, response rate: 54 per cent.

Source: National Institute of Economic Research

Economic tendency for commerce over time

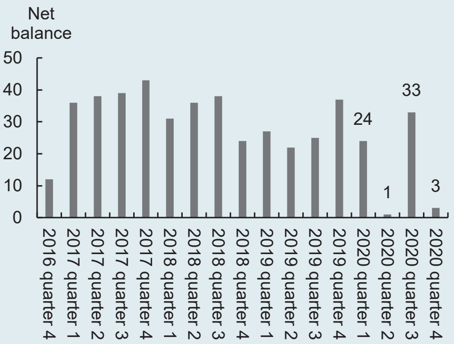


Current tendency for commerce

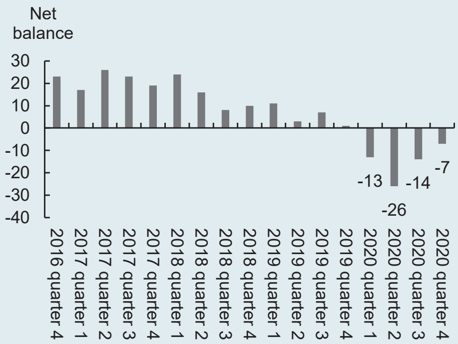


Result last quarter

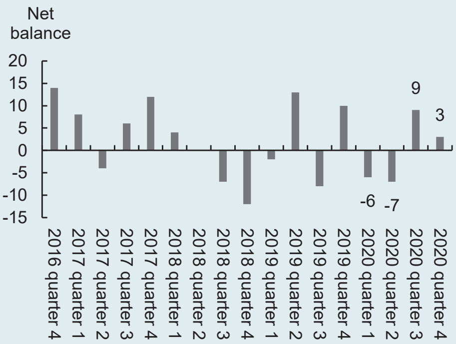
Sales volume



Number of employed

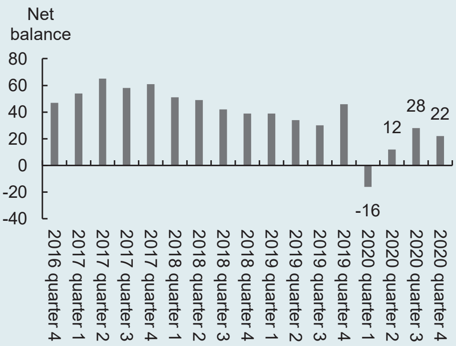


Profitability

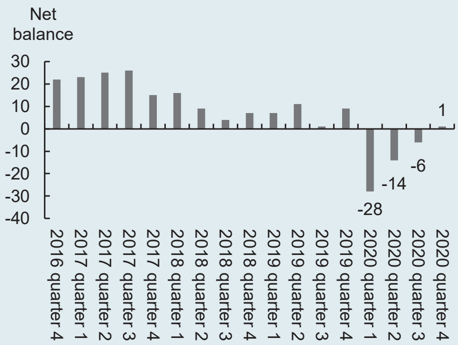


Expectations coming quarter

Sales volume



Number of employed

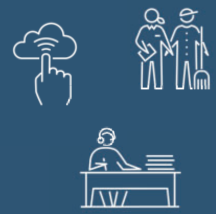


BUSINESS REGION GÖTEBORG

Economic tendency within services in the Gothenburg region

What is included in services?

Services comprises all services from the private sector such as transportation, hotels and restaurants, business services, information and communication, property, financial services and insurance and cultural and personal services. Services from the public sector are not included.

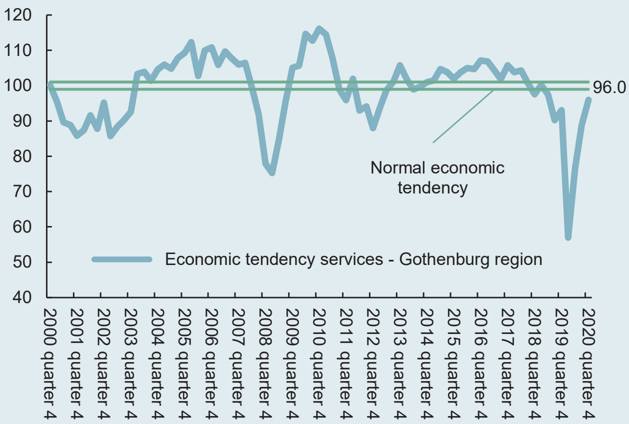


Survey period for companies during the fourth quarter 2020 has been December 29, 2020 to January 20, 2021. 770 services companies got the survey, 389 answered, response rate: 51 per cent.

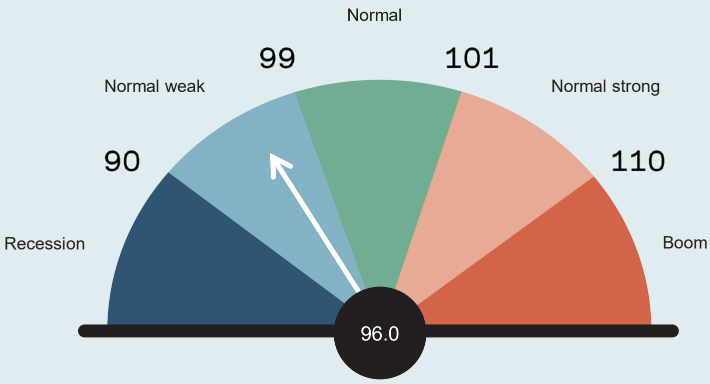
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency for services over time

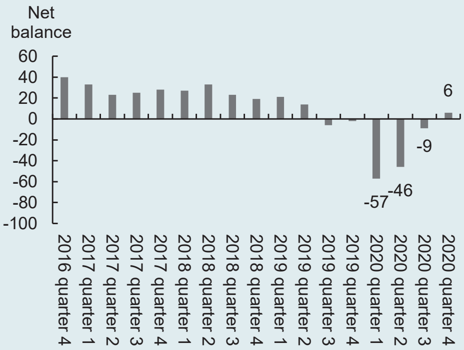


Current tendency for services

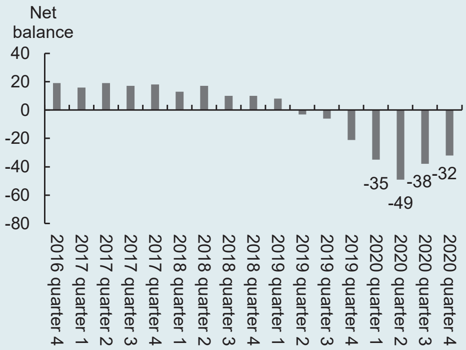


Result last quarter

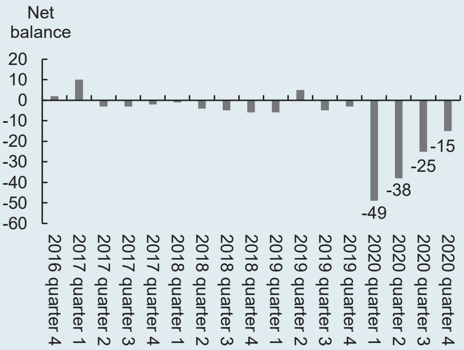
Demand for services



Number of employed

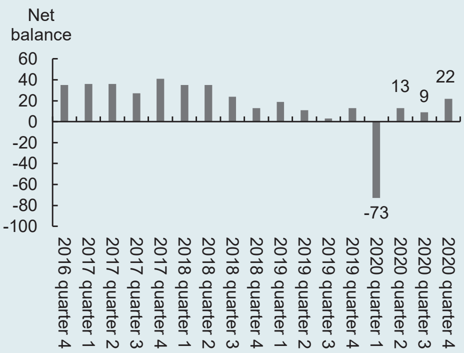


Profitability

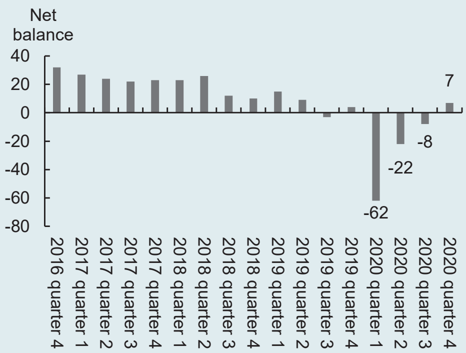


Expectations coming quarter

Demand for services



Number of employed



BUSINESS REGION GÖTEBORG