#1 2022

112.1
Economic tendency indicator (boom)

-1.7%-points
Unemployment

+4.9%
Wage sum growth of the private sector

ECONOMIC OUTLOOK

THE GOTHENBURG REGION

Extra appendix

In-depth analysis within commerce and services and the region's trade with Russia

Pages 5-7

BUSINESS REGION GÖTEBORG

SUMMARY

The first Economic Outlook for this year shows that current state weakens somewhat among businesses in the region, yet the economic outlook is still in a booming state. The economic effects of the war in Ukraine are difficult to assess, but until the outbreak of war, most indicators of the regional economy show continued improvements. For example, GDP growth in the region's key markets is expected to remain strong. More businesses have hired staff currently and overall employment is growing. Ahead, we expect a strong job growth to take place in the region. Unemployment continues to fall, redundancies are at a low level and new vacancies for permanent job positions surge. The region’s hospitality sector shows clear improvements, especially when it comes to guest nights spent in the Gothenburg region.

TRADE AND INDUSTRY

War in Europe might affect the outlook in key markets

Forecasts from the IMF, OECD and the major Swedish banks show pretty decent growth in our key markets. It is worth noting, however, that all forecasts below have been made before Russia's invasion of Ukraine and will most likely be revised in the near future. For example, the ECB has adjusted down the growth for the Eurozone by 0.5 percentage points for 2022, which may give some indication of what to come.

The United States, which is the region's largest export market, is expected to grow by 3.8 per cent. In February 2022 alone, close to 700,000 jobs were added to the US labour market and unemployment is now at a low 3.8 per cent. The US economy is growing strong, and the inflation pressure is increasing. As a result the Fed has decided to raise its benchmark interest rate. The strongest growth in 2022, however, is still expected to come from China with 5 per cent. The Nordic economies along with Germany are expected to grow by around 3 to 4 per cent in 2022. Economic growth within the UK is expected to be somewhat stronger with 4.5 per cent, whereas growth within the Eurozone remains at 4 per cent in 2022. Overall, our export weight for GDP growth in key markets shows an overall growth of 3,8 per cent in 2022.

The economies of our key markets are expected to grow decently in 2022. However, the recent war between Russia and Ukraine has troubled large parts of the world. According to the IMF, Russia's GDP in 2021 only makes up 1.7 per cent of the world economy. In terms of Sweden's exchange with Russia, trade does not tend to be that extensive. In the Appendix (page 7), we present Västra Götaland county's exchange with Russia - also here, the exchange seems to constitute a very small part of the county's GRP. The concern for the region's export-intensive businesses is indirectly linked to disruptions in production of vital inputs, e.g. in Germany, which is the region’s most important origin with more than one fifth of the total imports.

Good expectations for the Swedish economy

In the National Institute of Economic Research's compilation of the latest forecasts for Sweden's GDP growth, expectations remain good. The average of the five most recent forecasts for Sweden's GDP growth in 2022 shows that the economy is expected to grow by 3.4 per cent. This is somewhat weaker than Norway's expected growth, yet stronger than in Denmark and Finland. Swedish growth in 2022 is expected to be below the average for the Eurozone.

The economic tendency indicator for Sweden increased in February 2022 and the current state of the economy is significantly stronger than normal. Within the services sector, the tendency indicator improved with higher expectations of future demand for services. Retail trade’s tendency indicator rose sharply with a more optimistic view on the sales volume. The economic tendency indicator increased for manufacturing, whereas construction saw a slight setback. However, both sectors remain in a strong position, especially within manufacturing in which the economic tendency is strongest across all sectors.

Some weakening, yet the boom continues in the region

The National Institute of Economic Research's survey for the fourth quarter of 2021 shows that the situation for the Gothenburg region's businesses weakens somewhat compared to the third quarter 2021. However, the tendency remains strong. The economic tendency indicator remains at 112.1, which indicates that companies continue to experience a period of ‘boom’ (see interval interpretation to the right).

Normal, yet strong, tendency for commerce and services

Overall, the region's commerce sector (incl. E-commerce, etc.) was in a boom during the third quarter of 2021. New restrictions to curb the Omicron wave during the fourth quarter worsened the situation for commerce somewhat. The economic tendency indicator for the fourth quarter was at 108.2, which means that companies within the sector experience a normal, yet strong tendency. However, both sales and employees increased during the fourth quarter. Even when it comes to profitability, the proportion of commerce companies with increased profitability is still seen to be greater than those experiencing a decrease. Looking ahead, commerce companies remain optimistic and both sales and number of employees are expected to increase. The situation for the region's retail stores continues to improve. Among other things, the visits in Gothenburg's Inner City during the fourth quarter of 2021 increased by 34 per cent, from 7.1 to 9.5 million, compared with the same period in 2020.

The services sector in the Gothenburg region experiences the fourth quarter as a good period to conduct business. In terms of demand for services, just over 2 out of 5 services companies answer that the demand for their services has increased during the quarter. Profitability and the number of employees in the services sector have also clearly improved in the current situation. The outlook is very optimistic as just over 1 in 3 services companies predict that demand for their services will rise ahead. Also, more than 2 out of 5 services companies state that they are expected to employ more staff during the first quarter of 2022. The region’s services sector is currently experiencing a stronger than normal tendency and the economic tendency indicator remains at 108.3.

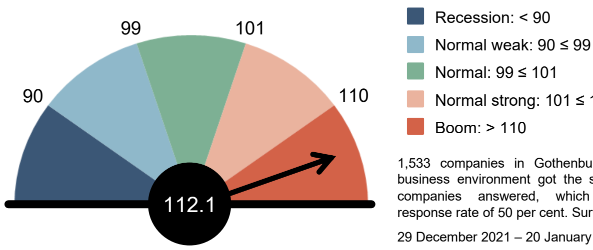
REAL GDP GROWTH – FORECAST 2022-2023 (IN %) FOR SWEDEN AND SOME OF THE GOTHENBURG REGION’S KEY EXPORT MARKETS (dated before Russia invaded Ukraine)

Country	Share of region’s exports	2022	↗ → ↘	2023
Sweden*		3.4%	↘	2.1%
USA	14.4%	3.8%	↘	2.4%
Belgium	10.9%	3.1%	↘	1.6%
Norway	9.7%	3.9%	↘	2.1%
China	9.5%	5.0%	↗	5.1%
Germany	8.3%	3.9%	↘	2.7%
Denmark	7.3%	2.8%	↘	2.0%
Finland	5.7%	2.9%	↘	1.6%
United Kingdom	5.1%	4.5%	↘	2.1%
Netherlands	3.8%	3.5%	↘	2.1%
France	3.4%	3.9%	↘	2.3%
GDP growth for Gothenburg region’s top 10 export markets (weighted by export share)	78.1%	3.8%	↘	2.5%
Eurozone		4.0%	↘	2.6%
World		4.3%	↘	3.7%

Source: Swedbank, Nordea, Handelsbanken, IMF, OECD (January 2022), SEB (February 2022)

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

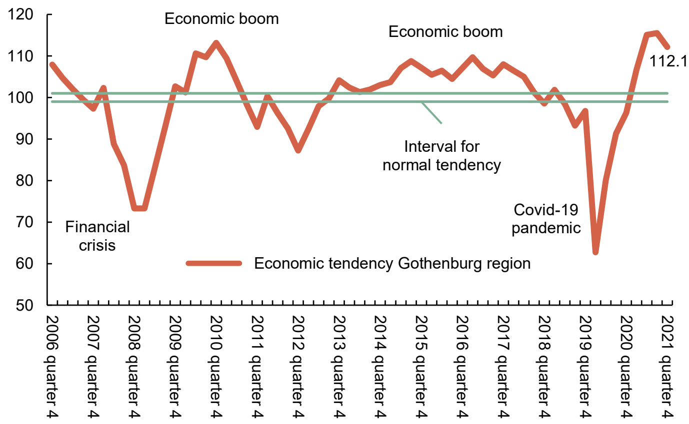
ECONOMIC TENDENCY INDICATOR FOR BUSINESSES IN THE GOTHENBURG REGION – FOURTH QUARTER 2021



1,533 companies in Gothenburg region’s business environment got the survey. 760 companies answered, which gives a response rate of 50 per cent. Survey period:

29 December 2021 – 20 January 2022

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



Source: National Institute of Economic Research

Strong job growth expected in the region ahead

Due to an ongoing change of method in Statistics Sweden's employment survey, we are not able to report employment in the Gothenburg region per quarter in 2021. We can however get an indication of how the employment develops in parts of the region's private sector through the survey from the National Institute of Economic Research, which includes both commerce and services. For the manufacturing and construction industry, however, we can only see the development for Sweden as a whole. Since the manufacturing sector is strongly rooted in the Gothenburg region, Sweden's development can give us a certain indication on how the employment within manufacturing is developing in the region.

During the fourth quarter of 2021, private sector employment is seen to continue to increase within both the services and commerce sectors in the Gothenburg region. Looking ahead, expectations are optimistic for the first quarter of 2022, and the region's services and commerce companies plan to hire more staff. For Sweden as a whole, the number of employees within manufacturing continues to increase as every third manufacturing company has employed staff during the fourth quarter of 2021. Moreover, expectations ahead within manufacturing are optimistic. In the Swedish construction industry, employees increased slightly during the fourth quarter. Also, the construction companies plan to employ more staff during the first quarter of 2022.

The job growth in the region has shown good momentum during large parts of 2021. This is especially true for the most recent period, but also for the next few years ahead. In October 2021, Budbee announces that an additional warehouse is going to be built in Härryda and will be ready by summer 2022. For this new warehouse, Budbee will hire about 400 new people. Also, in early December 2021, Klarna announces that approximately 500 people will be hired for a new product development office to be located in Gothenburg. A few weeks later, Northvolt and Volvo Cars announce that a new R&D centre for batteries with about 300 employees will be located in Gothenburg. In February 2022, the same two companies once again announce that a battery factory will be established in Gothenburg. Construction, for both the R&D centre and the battery factory starts in 2023. Many new jobs will be added in the region until the day the battery factory, with about 3,000 employees, opens in 2025. We see that our companies' employment will grow strongly ahead, not only within the region, but throughout the country. For example, Volvo Cars plans to establish a technology hub with just over 700 employees in Stockholm.

The wage sum of the private sector grows strongly

That employment in the Gothenburg region's private sector is increasing is confirmed by the development of the wage sum growth in the most recent period. It also means that the purchasing power in the Gothenburg region has recovered rather well lately. During the fourth quarter of 2021, companies' wage sum saw a real increase of 4.9 per cent compared with the same period the year before (which corresponds to a real increase of just over SEK 2.1 billion). On a year-to-year basis, i.e. 2021 compared to 2020, the wage sum of the private sector increased by 3.8 per cent in real terms, or by about SEK 6.6 billion.

Unemployment continues to decrease

Unemployment continues to fall recently, and a steady recovery is taking place in the Gothenburg region. In February 2022, unemployment was at 6.1 per cent in the Gothenburg region (-1.7%-points annually). Just below 33,000 people are unemployed or in labour market policy programs in the Gothenburg region. In the Stockholm region, unemployment was at 6.7 per cent (-1.5%-points annually) and in the Malmö region at 9.5 per cent (-1.9% units annually). Unemployment in Sweden remains at 7.2 percent (-1.5%-points annually).

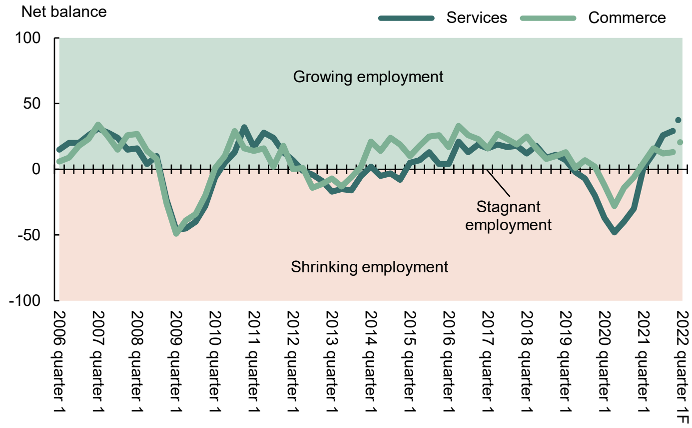
The unemployment rate continues to fall for all the groups we follow in the region's labour market in 2022. The largest decrease in unemployment is seen among foreign-born people, but also among youths. In February 2022, for example, unemployment among foreign-born youths was at 17.5 per cent (-3.6%-points annually). However, the level of unemployment is still very high for the entire group of foreign-born people, which in February 2022 was at 14.8 per cent (for Sweden as a whole the corresponding figure was 17.5%). Since the pandemic outbreak, unemployment is clearly higher in the Gothenburg region. Yet, the labour market has recovered very well lately – but there is still a bit to go in order to reach a full recovery.

Vacancies all time high and redundancies at very low level

During the period December 2021 to February 2022, an average of about 10,600 newly registered vacancies for permanent positions were advertised per month in the Gothenburg region. This corresponds to an increase of 127 per cent compared with the same period a year before. The new vacancies for the most recent period is all-time high since year 1993. Most newly registered jobs with a permanent position are advertised within business services, followed by the health care and care sector, and commerce (note that there may be some duplication in the new job vacancy statistics, but the indicator is still assessed to be relevant to follow).

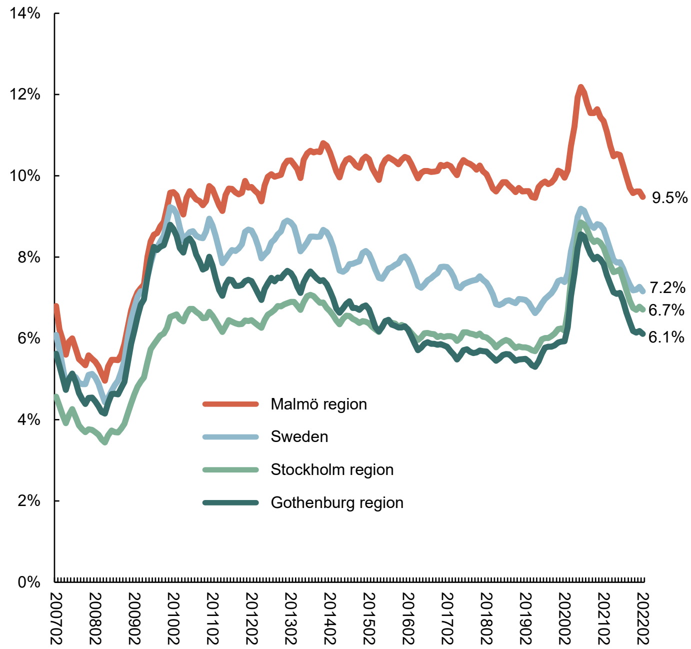
Since the beginning of the Covid-19 pandemic, we have seen that redundancies within the Gothenburg region have both increased and decreased in a record manner. For the period December 2021 to February 2022, the redundancies remain at a very low level with an average of 153 redundancies per month (a decrease of just over 10% annually). The average number of redundancies per month for the most recent period is well below the median for the 2000s at 305 redundancies per month, and is registered as one of the lowest levels of redundancies historically in the region.

EMPLOYED PER SECTOR IN THE GOTHENBURG REGION - NET BALANCE PER QUARTER FROM 2006



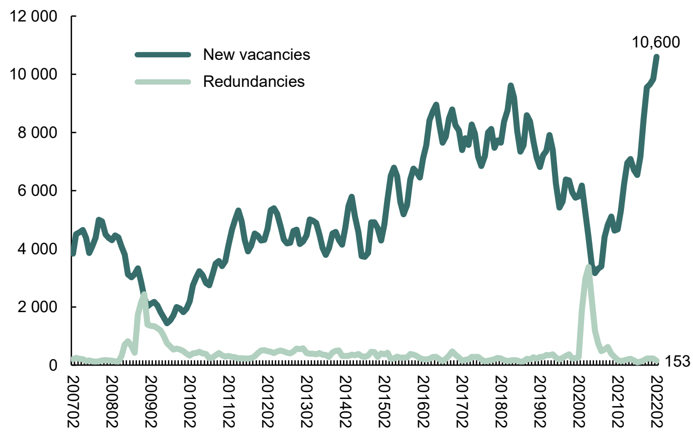
Source: National Institute of Economic Research

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

The office vacancy rate still going up

In JLL's real estate market data for the fourth quarter, the vacancy rate for offices in Gothenburg continues to increase. During the fourth quarter of 2021, Gothenburg listed 9.8 per cent vacant space for offices, which is 1.8 percentage points higher on an annual basis. The largest increases, on an annual basis, are seen in Norra Älvstranden and Western Gothenburg. In Gothenburg's Central Business District (CBD), the office vacancy rate reaches 8.7 percent. 44,500 m^2 office space was completed during the fourth quarter of 2021 (all in CBD and the remaining Inner City). Just over 227,000 m^2 is under production for completion in 2022-2024, mostly in CBD and the remaining Inner City, but also in Norra Älvstranden and Mölndal. Office rents, on an annual basis, increase in all districts of Gothenburg, except in Norra Älvstranden where rents decrease (refers only to prime rents).

Housing prices increase

In Valueguard's February summary for housing prices in January 2022, we see that both the short term and long term housing prices increase. In January 2022, the prices of flats increased by 5.3 per cent on an annual basis in Gothenburg. The corresponding figure in Stockholm was 9.4 per cent. Flat prices in Malmö continue to have the strongest increase (+10.3% on an annual basis). In the short term, 1-6 months, flat prices increase all three metropolitan cities.

In terms of house prices, the Stockholm region sees the strongest increase as house prices increased by 12.3 per cent on an annual basis, followed by the Malmö region (+11.1% on an annual basis) and the Gothenburg region (+8.0% on an annual basis). Similar to the flat prices also the house prices, in 1-6 months' time, increase in all three metropolitan regions.

Bankruptcies and affected employees still decreasing

The most recent period shows that both bankruptcies and affected employees in the region continue to decrease. During the period December 2021 to February 2022, 172 companies in the Gothenburg region filed for bankruptcy, which corresponds to a decrease of 11.3 per cent compared with the same period a year before. The number of bankruptcies during the latest period have primarily affected businesses within commerce and construction, but also in other sectors such as business services, hotels and restaurants as well as companies within information and communication. If we look at the development for the full year of 2021, compared to 2020, the number of bankruptcies has decreased by 13.5 per cent, or 102 bankruptcies.

In terms of affected employees, as due to a bankruptcy, we also see a decrease for the most recent period. Between December 2021 and February 2022, 317 employees in the region were directly affected when their employers filed for bankruptcy (which corresponds to a 2.8 per cent decrease on an annual basis). Construction, followed business services and hotels and restaurants, are the sectors with the most affected employees.

Improved position for the region's hospitality sector

Travels to and from the Gothenburg region continue the process of recovery. During the period December 2021 to February 2022, Gothenburg Landvetter Airport had an average of just over 200,000 air passengers per month (+330% on an annual basis). However, we still have to cautiously interpret the latest development as the comparison period is weak. Of the air passenger journeys made in the most recent period, 15 per cent are domestic journeys, 78 per cent are European journeys and the remaining 7 per cent comprise of journeys to the rest of the world.

The hospitality sector in the Gothenburg region continues to show clear improvements in the most recent period. During the fourth quarter, the number of guest nights spent at the region's hotels, hostels and campsites increased by approximately 119 per cent. Even if the increase is large, we must keep in mind that the comparison period is a weak quarter. Looking at the fourth quarter, an average of approximately 366,000 guest nights per month were spent in the region, of which about 65,000 guest nights per month were from foreign visitors. The recent development is distinctively above what a normal situation for this particular period can be. For example, during the fourth quarter of the period 2008-2019, an average of 303,000 guest nights were spent per month. The result for the fourth quarter 2021 even tops the corresponding figure for the period 2015-2019, when an average of just over 358,000 guest nights per month were spent in the Gothenburg region.

The occupancy rate (which here only refers to hotels) in the Gothenburg region, also shows that the situation for the region's hospitality sector has improved. During the fourth quarter of 2021, the occupancy rate was at 56 per cent, which can be compared to 26 per cent for the corresponding period in 2020.

Upturn for new car sales in the region

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. During the fourth quarter of 2021, approximately 8,200 new cars were registered in the region (-7.5% on an annual basis). Yet, in the beginning of 2022 (January-February) about 4,700 new cars were sold in the Gothenburg region. This corresponds to an increase compared to the same period a year before and is a pretty decent sales figure historically for that particular period.

PRICE DEVELOPMENT OF FLATS AND HOUSES, JANUARY 2022 COMPARED TO 1, 3, 6 AND 12 MONTHS BACK IN TIME

Housing type	City / region	1 M Dec 2021-Jan 2022	3 M Oct 2021-Jan 2022	6 M Jul 2021-Jan 2022	12 M Jan 2021-Jan 2022
Flats	Gothenburg	1.6%	2.1%	2.7%	5.3%
	Stockholm	1.6%	3.4%	7.0%	9.4%
	Malmö	3.1%	4.9%	3.8%	10.3%
	Sweden	1.6%	2.9%	5.3%	8.6%
Houses	Gothenburg region	2.8%	0.9%	3.5%	8.0%
	Stockholm region	0.8%	3.0%	6.2%	12.3%
	Malmö region	2.4%	1.2%	1.0%	11.1%
	Sweden	3.3%	2.8%	4.5%	11.6%

Source: Valueguard

NUMBER OF BANKRUPTCIES AND AFFECTED EMPLOYEES IN THE GOTHENBURG REGION, BY SECTOR

	December 2021 – February 2022	
Sector	Bankruptcies	Affected employees
Commerce	33	38
Construction	31	117
Business services	27	47
Hotels and restaurants	16	45
Information and communication	8	11
Other service companies	8	14
Manufacturing and mining	7	27
Energy and the environment	5	0
Transportation and warehousing	4	16
Property	4	0
Other sectors	29	2
Gothenburg region total	172	317

Source: Statistics Sweden and Growth Analysis

SUMMARY OF THE ECONOMIC SITUATION IN THE GOTHENBURG REGION – COMPARISON WITH CORRESPONDING PERIOD PREVIOUS YEAR

Indicator	2021	2020	Change
Economic tendency, Q4	112.1	96.3	+15.8 units
Private sector wage sum (real SEK bn), Q4	44.78	42.67	+4.9%
Unemployment, February			
Total 16-64 years*	6.1%	7.8%	-1.7%-p.
Domestically born 16-64 years*	3.2%	4.6%	-1.4%-p.
Foreign-born 16-64 years*	14.8%	17.6%	-2.8%-p.
Total 18-24 years*	7.1%	9.7%	-2.6%-p.
Domestically born 18-24 years*	4.6%	7.0%	-2.4%-p.
Foreign-born 18-24 years*	17.5%	21.1%	-3.6%-p.
Job vacancies, Dec-Feb (monthly average)**	10,600	4,662	+127.4%
Redundancies, Dec-Feb (monthly average)**	153	171	-10.5%
Population, Q4	1,058,278	1,049,592	+0.8%
Vacancy rate for offices in Gothenburg, Q4	9.8%	8.0%	+1.8%-p
Number of bankruptcies, Dec-Feb**	172	194	-11.3%
Affected employees, Dec-Feb**	317	326	-2.8%
New car registrations, Q4	8,161	8,827	-7.5%
Air passengers, Dec-Feb (monthly average)**	200,217	46,560	+330.0%
Guest nights, Q4 (monthly average)	365,861	167,236	+118.8%

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 2022 compared with the same period in 2021.

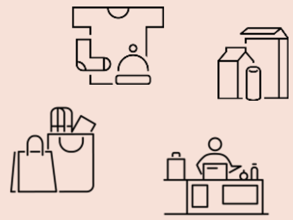
** Refers to data for 2021 / 2022 compared with the same period in 2020 / 2021.

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.investingothenburg.com.

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.

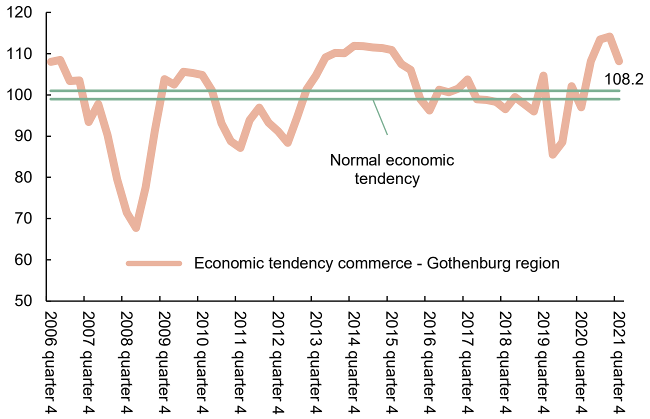


Survey period for companies during the fourth quarter 2021 has been December 29, 2021 to January 20, 2022. 387 commerce companies got the survey, 193 answered, response rate: 50 per cent.

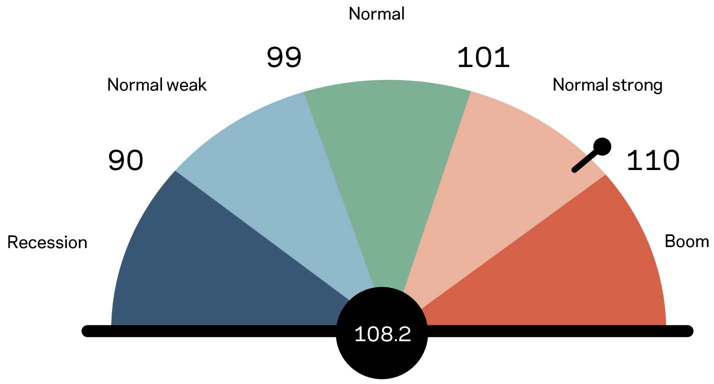
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency for commerce over time

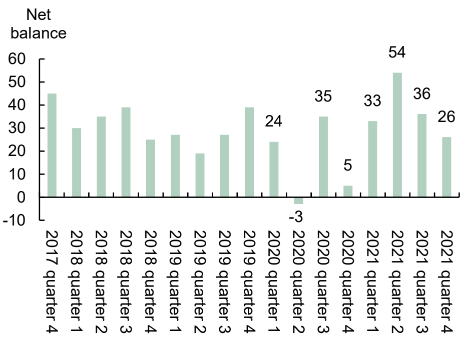


Current tendency for commerce

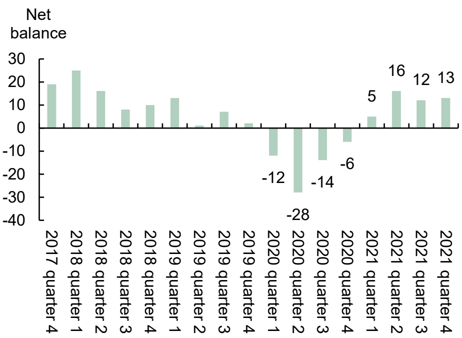


Result last quarter

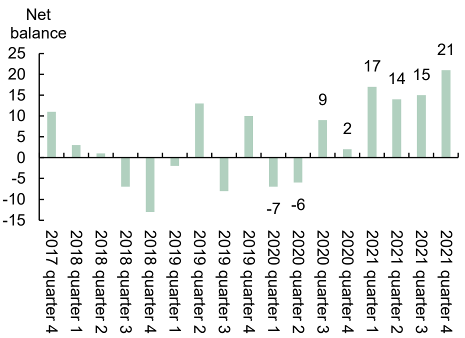
Sales volume



Number of employed

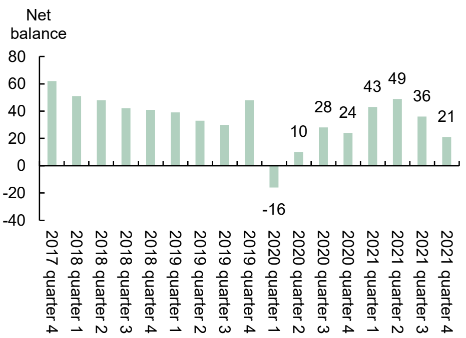


Profitability

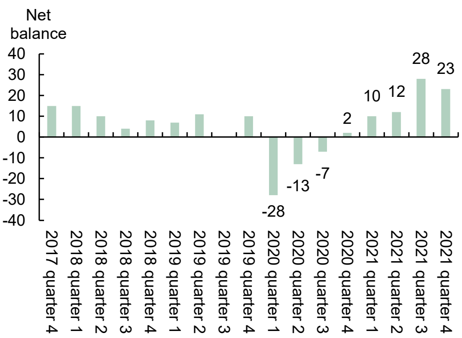


Expectations coming quarter

Sales volume



Number of employed



The net balance is the difference between the proportion of respondents who answered, for example, increased (better) or decreased (worse) to a question. The net balance takes values between -100 (all answers are negative) and +100 (all answers are positive). An example:

40% of the companies' state that sales have increased and 10% state that sales have decreased (50% of the companies' state that sales are unchanged). The net balance in this case will be 30 (40-10 = 30).

BUSINESS REGION GÖTEBORG

Economic tendency within services in the Gothenburg region

What is included in services?

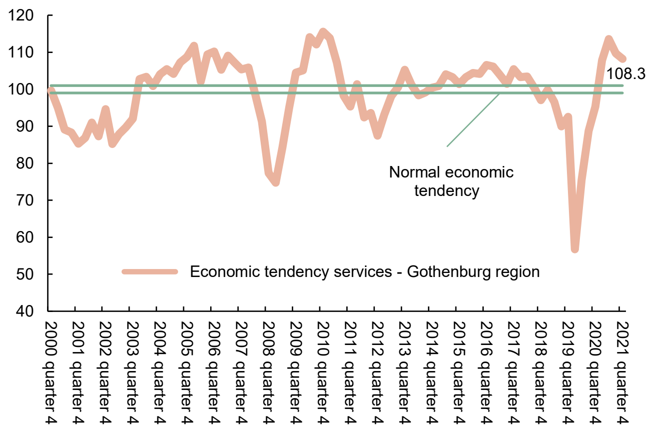
Services comprises all services from the private sector such as transportation, hotels and restaurants, business services, information and communication, property, financial services and insurance and cultural and personal services. Services from the public sector are not included.

Survey period for companies during the fourth quarter 2021 has been December 29, 2021 to January 20, 2022. 764 services companies got the survey, 360 answered, response rate: 47 per cent.

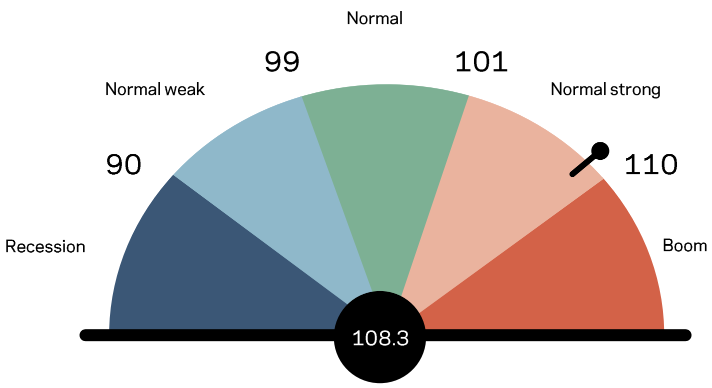
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency for services over time

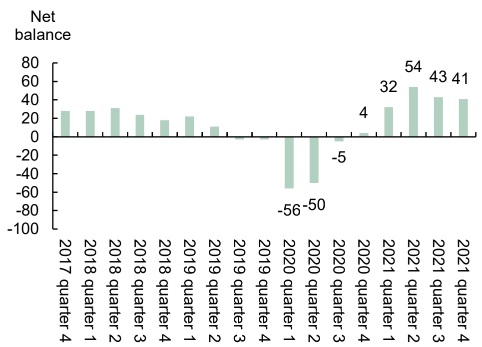


Current tendency for services

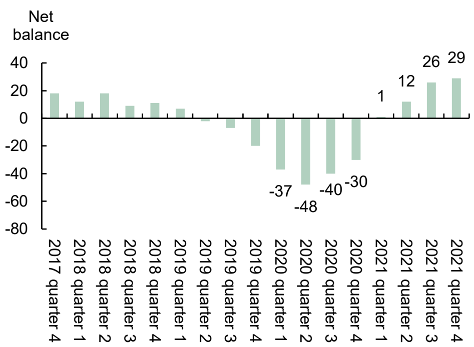


Result last quarter

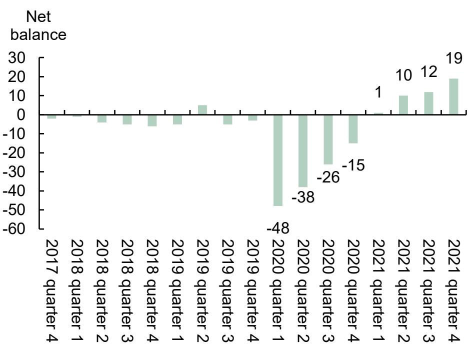
Demand for services



Number of employed

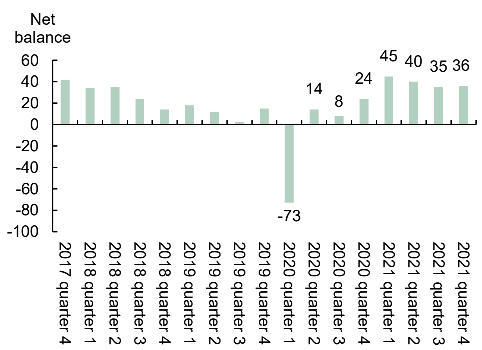


Profitability

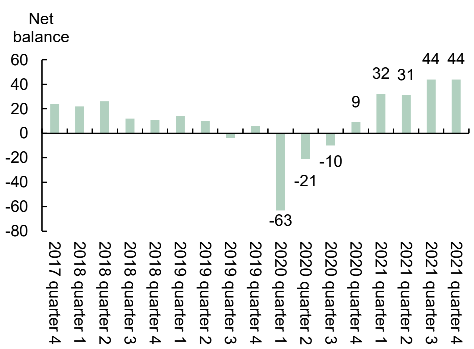


Expectations coming quarter

Demand for services



Number of employed



The net balance is the difference between the proportion of respondents who answered, for example, increased (better) or decreased (worse) to a question. The net balance takes values between -100 (all answers are negative) and +100 (all answers are positive). An example:

40% of the companies' state that demand has increased and 10% state that demand has decreased (50% of the companies' state that demand is unchanged). The net balance in this case will be 30 (40-10 = 30).

BUSINESS REGION GÖTEBORG

Trade between Västra Götaland and Russia

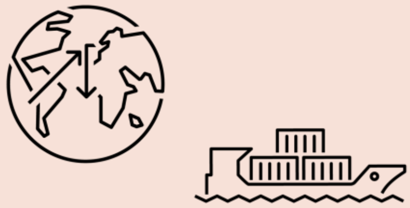
The average number of companies in Västra Götaland with exports to Russia and imports from Russia between 2015 and 2020 was just over 300 and around 200, respectively.

Over time, both the county's export and import volumes to and from Russia have diminished in importance. In recent years, especially from 2017, the exchanges with Russia are seen to be moving towards very low levels.

Västra Götaland's exports to Russia in 2020 accounted for just over 1 per cent of the county's total export value. In the same year, Västra Götaland's imports from Russia accounted for just over 0.3 per cent of the county's total imports.

If Västra Götaland's trade with Russia is put in relation to its gross regional product (GRP), the exchange appears to be relatively small. In 2020, exports to Russia accounted for 0.4 per cent of Västra Götaland's GRP, while imports accounted for only 0.1 per cent.

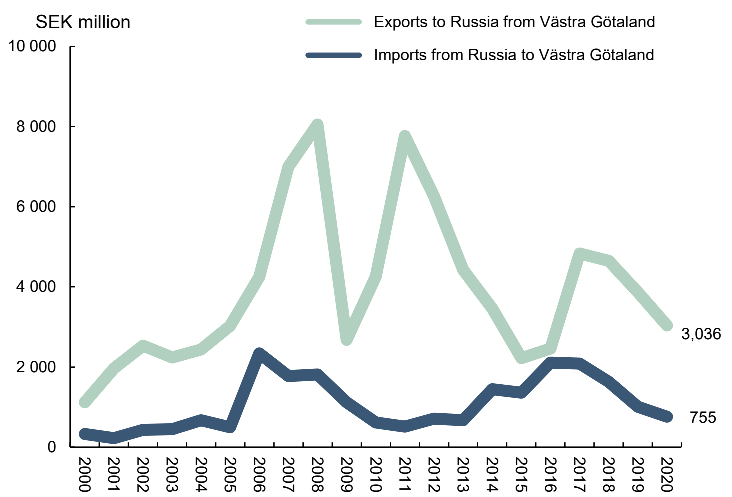
Source: Statistics Sweden

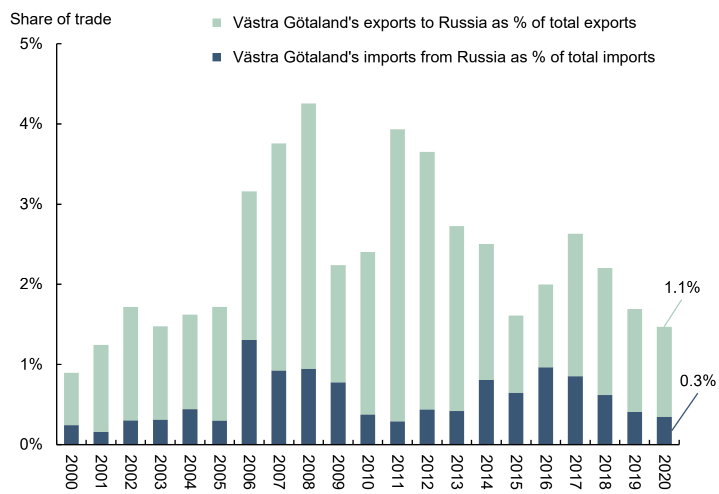


334
export companies
average 2015-2020

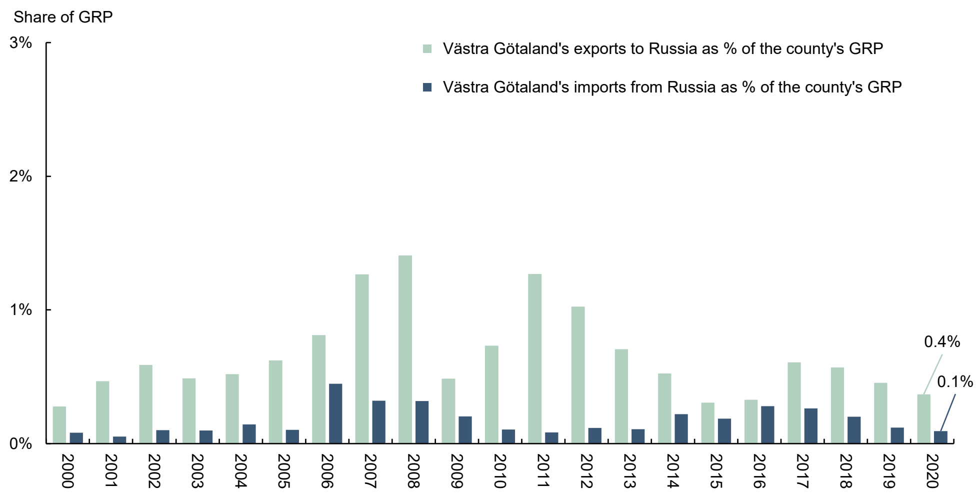
191
import companies
average 2015-2020

Export and import value to / from Russia (SEK million) over time





Export to and import from Russia as a share of the gross regional product



824
SEK billion
GRP 2020
Västra Götaland

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