116.4
Economic tendency indicator (boom)

-1.6%-points
Unemployment

+5.2%
Wage sum growth private sector

#3
2021

ECONOMIC OUTLOOK
THE GOTHENBURG REGION

Extra appendix

In-depth analysis within commerce and services

Pages 5-6

BUSINESS REGION GÖTEBORG

SUMMARY

Our indicators show clear signs that the regional economy, since the middle of the year, has entered a strong recovery phase. Among other things, the economic tendency for the Gothenburg region's companies has shifted to a boom situation. At the same time, GDP growth for 2021 and 2022 in the region's key markets is forecast to be stronger than previously expected. Unemployment in the region continues to decline and the number of redundancies remain at record low levels. More and more companies state that they have increased employment in the recent period, which is confirmed by the fact that companies' wage sum growth in the Gothenburg region is increasing sharply. The situation is still difficult for the region's hospitality industry - but with the restrictions lifted, we see a light in the tunnel for this important industry and that the journey towards recovery can begin with fair conditions.

TRADE AND INDUSTRY

Stronger position for key markets

This year's third economic report shows that the economies in the region's important markets are recovering well. In the combined forecasts from the OECD, the EU and the major Swedish banks, economic growth is expected to further strengthen. However, there are many factors that could put the brakes on our companies that want to benefit from the rising global demand. Among other things, the supply shortage of semiconductors, the progress of the delta virus (and other mutations), as well as the fact that the vaccination rate is slow in some countries.

The USA, the Gothenburg region's largest export market, is expected to grow its economy by 6.3 per cent during the year. In July 2021 alone, nearly one million more people were employed in the US labour market, and the country's economic activity has picked up significantly in the recent period. However, the strongest economic growth is expected to continue to come from China at just over 8 per cent. The economies in the Nordic countries as well as Germany and the Netherlands are forecast to grow by around 3 to 3.4 per cent. In the remaining important markets for the region, including the UK, growth is expected to be somewhat stronger compared with the Nordic neighbours. The euro area is expected to grow by 4.7 per cent in 2021.

We see that the situation for important markets is improving, and this can benefit the Gothenburg region's export-intensive business environment. Our export weight for GDP growth forecast in important markets has improved compared with our previous Economic Outlook report. The new forecast is for 5 per cent growth in 2021 and 4.1 per cent in 2022.

Good expectations for Sweden's economic growth

In the National Institute of Economic Research's compilation of the latest forecasts for Sweden's GDP growth, expectations for the country remain good. The average of the five most recent forecasts for Sweden's GDP growth in 2021 shows that the economy is expected to grow by 4.4 per cent. In 2022, Swedish GDP growth is expected to remain at a good level (3.6%). Sweden's economic growth in 2021 is expected to be slightly below the average for EMU.

The economic tendency indicator for Sweden weakened slightly in August and despite the decrease, it still shows a very strong economic activity. In services, the indicator fell, but the prevailing situation remains strong. The tendency for commerce had the biggest decrease, but the sector is still experiencing a stronger-than-normal situation. The companies' more optimistic production plans raised optimism within manufacturing and improvement in terms of the order backlog contributed to the rise in the construction sector. Households' views on both Sweden's and personal finances show a clear improvement.

Economic tendency in the region gears up to a boom

The National Institute of Economic Research's survey for the latest period shows that the situation for the Gothenburg region's businesses has improved further compared to the first quarter of the year. The economic tendency indicator for the second quarter of 2021 was 116.4, which indicates that companies experience a boom period (see interval interpretation to the right).

Booming tendencies in both commerce and services

Overall, the situation for the region's commerce sector (incl. E-commerce, etc.) improved during the first quarter of 2021. The second quarter of the year shows that the situation has improved further within commerce. The tendency indicator for the second quarter was 115.6, which means that companies within the sector continue to experience a boom. Both sales and the number of employees during the second quarter increased sharply. Also, in terms of profitability, the proportion of commerce companies with increased profitability is seen to be greater than those experiencing a decrease. The situation for the region's retail stores has improved somewhat, but the comparison period (i.e. the second quarter of 2020) is, after all, rock bottom since the outbreak of the pandemic. Among other things, the number of visits in Gothenburg's Inner City during the second quarter of 2021 increased by 11 percent, from 5.9 to 6.5 million, compared with the same period in 2020. During July 2021, visits rose by 17 percent compared with July 2020.

The services sector in the Gothenburg region experienced the second quarter of the year as a very good period for business. The situation is further improved in terms of demand for services, and 3 out of 5 services companies state that demand for their services increased during the quarter. As in the previous quarter, both profitability and employees in the sector continue to improve

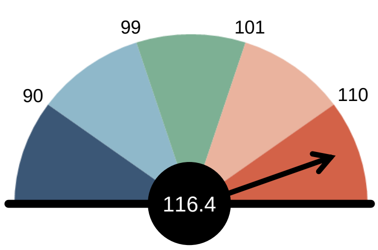
REAL GDP GROWTH – FORECAST 2021-2022 (IN %) FOR SWEDEN AND SOME OF THE GOTHENBURG REGION'S KEY EXPORT MARKETS

Country	Share of region's exports	2021	↗ → ↘	2022
Sweden*		4.4%	↘	3.6%
USA	14.4%	6.3%	↘	4.1%
Belgium	10.9%	5.1%	↘	3.6%
Norway	9.7%	3.2%	↗	3.8%
China	9.5%	8.4%	↘	5.6%
Germany	8.3%	3.2%	↗	4.6%
Denmark	7.3%	3.3%	→	3.3%
Finland	5.7%	3.0%	↘	2.9%
United Kingdom	5.1%	7.1%	↘	5.6%
Netherlands	3.8%	3.4%	↗	3.5%
France	3.4%	5.9%	↘	4.2%
GDP growth for Gothenburg region's top 10 export markets (weighted by export share)	78.1%	5.0%	↘	4.1%
Eurozone		4.7%	↘	4.3%
World		5.9%	↘	4.4%

Source: SEB, Swedbank, Handelsbanken, OECD (August 2021) and EU (July 2021)

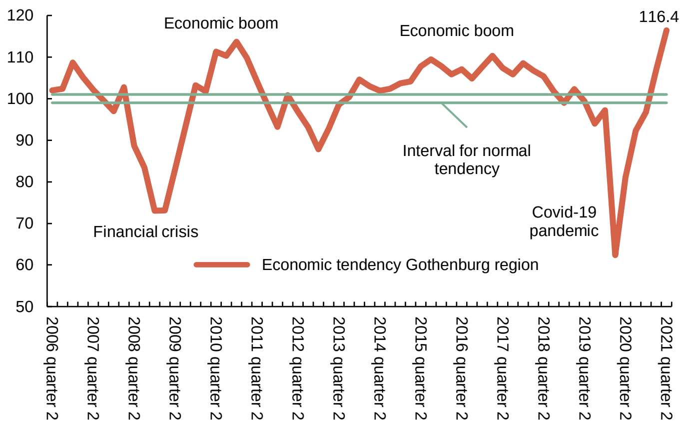
* Average of the five last forecasts in the summary produced by the National Institute of Economic Research based on data from SEB, the Swedish Government, Handelsbanken, Swedbank and The Riksbank.

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



1,533 companies in Gothenburg region's business environment got the survey. 730 companies answered, which gives a response rate of 48 per cent. Survey period: 30 June 2021 – 21 July 2021

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



Source: National Institute of Economic Research

... from previous section

significantly. Looking ahead businesses remain optimistic and 2 out of 5 companies predict that demand for their services will increase in the coming period. At the same time, 1 in 3 services companies expect to increase staff during the third quarter of 2021. Overall, the region's services sector is in a boom with a tendency indicator of 114.7.

Job growth within commerce and services

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 of how the employment within manufacturing is developing in the region.

During the second quarter of 2021, companies' employment is seen to increase in both the services and commerce sectors in the Gothenburg region. Future expectations show that the region's services and commerce companies continue to have plans to hire more staff. For Sweden as a whole, the number of employees within the manufacturing industry is said to have increased sharply during the second quarter of the year and about one fourth of the manufacturing companies have employed staff. Going forward, expectations are optimistic within manufacturing. Employment within construction in Sweden has increased sharply and 1 in 4 construction companies plan to employ more staff during the third quarter.

Since March 2020, the Covid-19 pandemic has hit hard on employment in the region - but recently we see that job growth is starting to gain momentum. Among other things, the Volvo Group is hiring 300 truck builders for the factory in Tuve. Volvo Cars also plans to recruit around a hundred staff within knowledge-intensive services. In August, Taxi Göteborg also announced that the company is hiring about 100 drivers as demand for taxi journeys has increased. Meanwhile, the technology and IT consulting company Alten plans to recruit around 50 staff in Gothenburg.

The region's unemployment goes below seven per cent

In the last six months, unemployment has decreased, and all three Swedish metropolitan regions seem to be in a good period of recovery. In August 2021, the unemployment rate was 6.9 per cent in the Gothenburg region (-1.6%-points on an annual basis). Approximately 38,000 people are unemployed or in labour market programmes in the Gothenburg region. In the Stockholm region, unemployment was 7.5 per cent (-1.4%-points on an annual basis) and in the Malmö region 10.3 per cent (-1.8%-points on an annual basis). Unemployment in Sweden remains at 7.7 per cent (-1.4%-points on an annual basis).

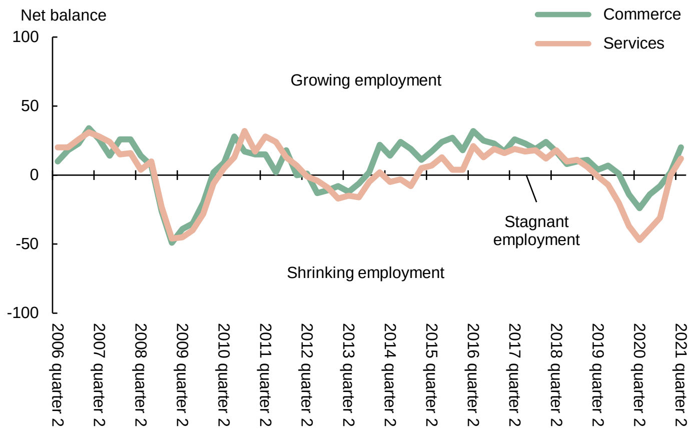
Unemployment has fallen within all groups in the region during 2021. Above all, unemployment fell sharply among foreign-born, but also among youths. In August 2021, for example, unemployment among foreign-born youths was 20.4% (-5.0%-points on an annual basis). However, the level of unemployment is still very high for the entire group of foreign-born, which in August 2021 was at 16.3 per cent (corresponding value for Sweden as a whole was 18.8%). Since the beginning of the pandemic, unemployment is clearly higher within the region, yet in the last six months the labour market has recovered rather well. For the first time since March 2020, unemployment is now less than 7 per cent in the Gothenburg region.

Many new vacancies and few redundancies in the region

During the period June to August 2021, an average of just over 6,500 newly registered vacancies for permanent positions were advertised per month in the region. This is an increase of over 97 per cent compared with the same period a year before. Most newly registered jobs with a permanent position are advertised within business services, followed by health care and care sector, education, and information and communication (note that there may be some duplication in the new job vacancy statistics, but the indicator is still assessed to be relevant to follow).

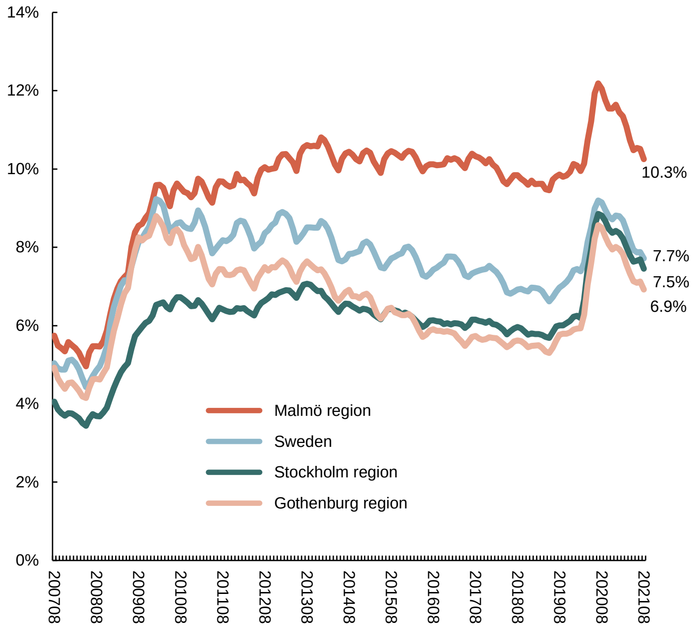
Since the beginning of the Covid-19 pandemic, we have seen that redundancies within the Gothenburg region have both increased and decreased in a record manner. For the period June to August 2021, the redundancies remain at a record low level with an average for the period at 96 redundancies per month (a decrease of just over 87% on annual basis). The average number of redundancies per month for the most recent period is well below the median for the 2000s at 310 redundancies per month, and is again registered as one of the lowest levels of redundancies historically in the Gothenburg region. A shortage in the supply of semiconductors and the status of a long-term renewed mining authorization in Slite, however, make it difficult to assess whether the situation will really stabilize below the historical average when we look ahead.

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



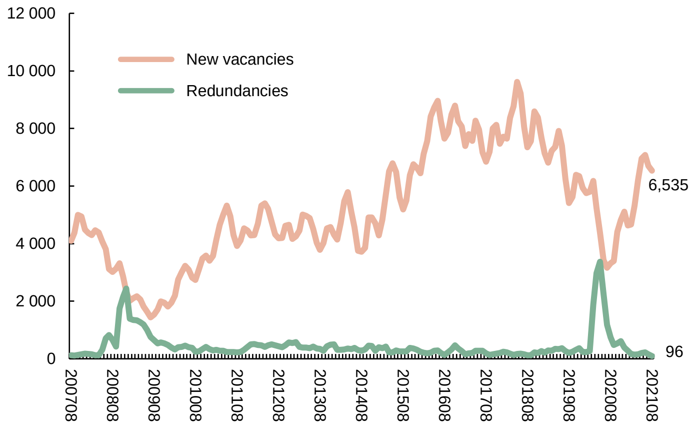
Source: National Institute of Economic Research

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

Strong wage sum growth within the private sector

The sum of wages paid in the Gothenburg region's companies has increased sharply in the most recent period, although, it's measured from a low starting point. After all, this means that both employment and purchasing power in the Gothenburg region have recovered quite well since the beginning of the pandemic. During the second quarter of 2021, the real total wage sum in the Gothenburg region increased by 4.8 per cent compared with the same period the year before. In real SEK, the increase corresponded to just over SEK 2.7 billion. The Gothenburg region's companies accounted for just over 83 per cent of the total wage sum growth. In terms of companies' wage sum in the region, the real increase was 5.2 per cent on an annual basis or around SEK 2.3 billion.

Latest period shows a decrease in housing prices

In Valueguard's August summary for July 2021, we see that housing prices have decreased in the most recent period. In July 2021, the prices of flats rose by 6.2 per cent on an annual basis in Gothenburg, while Stockholm's flat prices increased by 8.4 per cent on an annual basis. Among the metropolitan cities, flat prices continue to rise the most in Malmö (+ 14.4% on an annual basis). In the last month, however, a fall in flat prices has been seen in all the three metropolitan cities.

In terms of house prices, the greatest increase is seen in the Malmö region (+ 19.7% on an annual basis), followed by the Gothenburg region (+ 17.5% on an annual basis). The corresponding figure in the Stockholm region shows an increase of 16 per cent on an annual basis. Meanwhile, here, too, we see a reduction in house prices in the three metropolitan regions in July when being compared to the house prices in June.

Lower level of bankruptcies and affected employees

Since March 2020, 1,029 companies in the Gothenburg region have filed for bankruptcy until July 2021. Compared with the same period the year before the pandemic, the number of bankruptcies and affected employees is lower. The bankruptcies have primarily affected businesses within commerce, but also in other areas such as the construction industry, hotels and restaurants and business services. If we look at the development since March 2020 and until July 2021, the number of bankruptcies in the Gothenburg region has decreased by 3.8 percent compared with the same period a year before. Between March 2020 and July 2021, more than 3,600 employees in the region, mostly in March and April 2020, were directly affected when their employers filed for bankruptcy. This was 1.5 per cent less than in the same period a year earlier.

Slight improvements for the region's hospitality sector

During May to July 2021, Göteborg Landvetter Airport had an average of just over 148,000 air passengers per month (+ 369.4% on annual basis). Travel during the pandemic has decreased sharply and the large percentage increase is a result of the comparison period reaching a substantial low in the same period the year before. Of the air passenger journeys made during the period, just over one tenth consists of domestic journeys and the remaining approximately 90 per cent of foreign journeys have mostly taken place within Europe.

The pandemic has hit the hospitality sector in the Gothenburg region hard, but the latest period shows some improvements. During the second quarter, the number of guest nights spent at the region's hotels, hostels and campsites increased by just over 100 per cent. Even if the increase is large, we must keep in mind that the comparison period of very low activity. During the second quarter, just over 202,000 guest nights per month were spent in the region, of which approximately 26,000 guest nights per month were from foreign visitors. Despite the good development, there is still a way to go before things return to a more normal situation. For example, during the second quarter of the period 2008-2019, an average of 341,000 guest nights were spent per month, while the corresponding figure for the period 2015-2019 was 405,000 guest nights per month.

The occupancy rate (which here only refers to hotels) in the Gothenburg region, also shows that the situation for the region's hospitality sector is improving somewhat. During the second quarter of 2021, the occupancy rate at the region's hotels was at a low of 29 per cent. During the month of July 2021, however, the occupancy rate increased to about 70 per cent.

Sharp increase in new car sales continues

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. Developments in the most recent period show that new car sales continue to increase sharply. During the second quarter of 2021, just over 10,000 new cars were registered in the region (+ 61.9% on an annual basis). In July 2021, approximately 1,900 new cars were sold, which is, however, a weak sales figure historically for that particular period.

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

Housing type	City / region	1 M Jun 2021-Jul 2021	3 M Apr 2021-Jul 2021	6 M Jan 2021-Jul 2021	12 M Jul 2020-Jul 2021
Flats	Gothenburg	-0.6%	0.0%	2.6%	6.2%
	Stockholm	-1.2%	-0.4%	2.2%	8.4%
	Malmö	-0.5%	0.3%	6.3%	14.4%
	Sweden	-0.8%	0.0%	3.1%	8.7%
Houses	Gothenburg region	-1.9%	-1.2%	4.4%	17.5%
	Stockholm region	-1.2%	-0.8%	5.8%	16.0%
	Malmö region	-1.1%	0.1%	10.1%	19.7%
	Sweden	-0.9%	0.0%	6.8%	16.6%

Source: Valueguard

NUMBER OF BANKRUPTCIES AND AFFECTED EMPLOYEES IN THE GOTHENBURG REGION, BY SECTOR – MARCH TO JULY

	March 2019 – July 2020		March 2020 – July 2021	
Sector	Bankruptc.	Employees	Bankruptc.	Employees
Commerce	210	1,812	201	1,629
Construction	144	525	177	751
Hotels and restaurants	91	346	100	298
Business services	186	324	177	374
Transportation and warehousing	48	153	62	193
Manufacturing and mining	48	142	37	123
Information and communication	47	141	32	36
Other service companies	37	65	40	72
Healthcare and care	15	54	19	26
Financial services and insurance	18	30	17	1
Other sectors	226	64	167	98
Gothenburg region total	1,070	3,656	1,029	3,601

Source: Statistics Sweden and Growth Analysis

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

Indicator	2021	2020	Change
Economic tendency, Q2	116.4	81.1	+35.3 units
Total wage sum (real SEK bn), Q2	59.42	56.69	+4.8%
Private sector wage sum (real SEK bn), Q2	45.78	43.51	+5.2%
Unemployment, August			
Total 16-64 years	6.9%	8.5%	-1.6%-p.
Domestically born 16-64 years	3.9%	5.3%	-1.4%-p.
Foreign-born 16-64 years	16.3%	18.8%	-2.5%-p.
Total 18-24 years	8.8%	11.9%	-3.1%-p.
Domestically born 18-24 years	6.1%	9.2%	-3.1%-p.
Foreign-born 18-24 years	20.4%	25.4%	-5.0%-p.
Job vacancies, Jun – Aug (monthly average)	6,535	3,313	+97.3%
Redundancies, Jun – Aug (monthly average)	96	743	-87.1%
Population, Q2	1,052,757	1,045,560	+0.7%
Number of bankruptcies, Mar-Jul*	1,029	1,070	-3.8%
Affected employees, Mar – Jul*	3,656	3,601	-1.5%
New car registrations, Q2	10,062	6,214	+61.9%
Air passengers, May-Jul (monthly average)	148,269	31,589	+369.4%
Guest nights, Q2 (monthly average)	202,348	100,983	+100.4%

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

* Refers to the sum for March 2020 - July 2021 compared to 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.investingothenburg.com.

Economic tendency within commerce in the Gothenburg region

What is included in commerce?

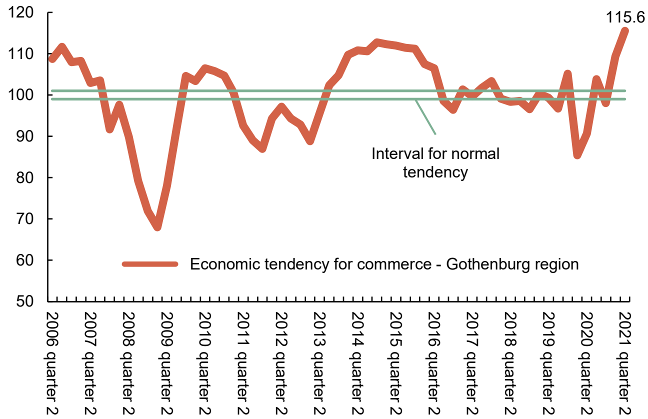
Commerce include companies within wholesale, daily goods sales and durable goods sales, as well as e-commerce.

Survey period for companies during the second quarter 2021 has been June 30, 2021 to July 21, 2021. 387 commerce companies got the survey, 187 answered, response rate: 48 per cent.

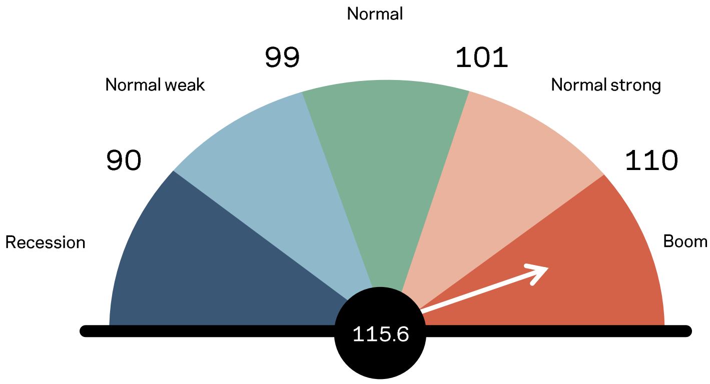
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency for commerce over time

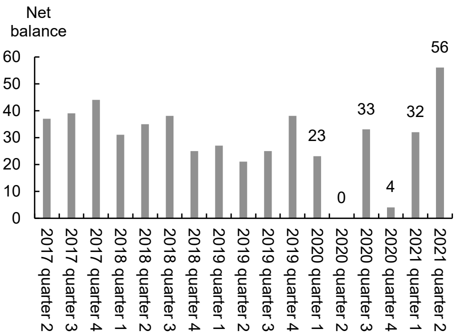


Current tendency for commerce

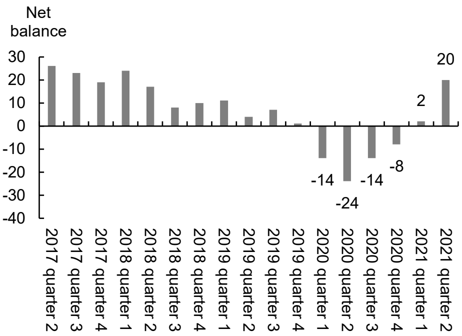


Result last quarter

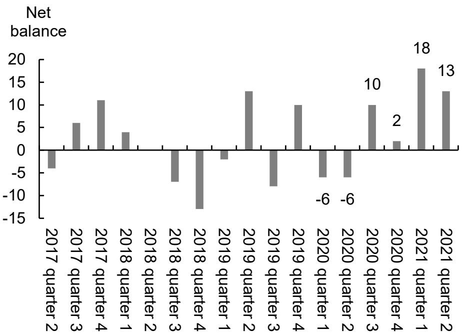
Sales volume



Number of employed

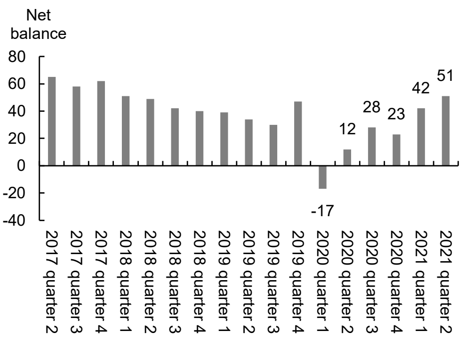


Profitability

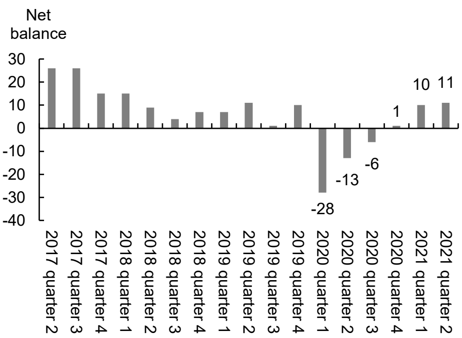


Expectations coming quarter

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?

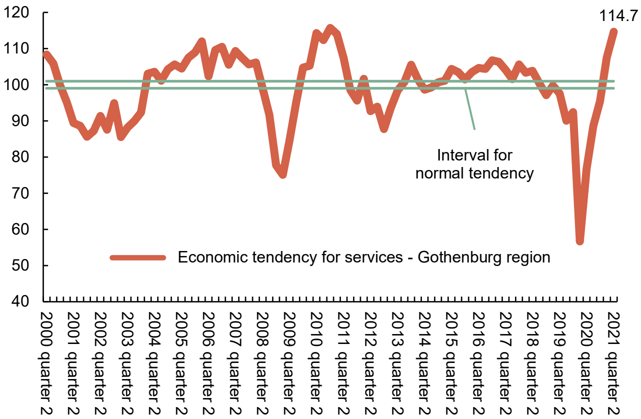
Services comprises all services from the private sector such as transportation, hotels and restaurants, business services, information and communication, property, financial services and insurance and cultural and personal services. Services from the public sector are not included.

Survey period for companies during the second quarter 2021 has been June 30, 2021 to July 21, 2021. 764 services companies got the survey, 350 answered, response rate: 46 per cent.

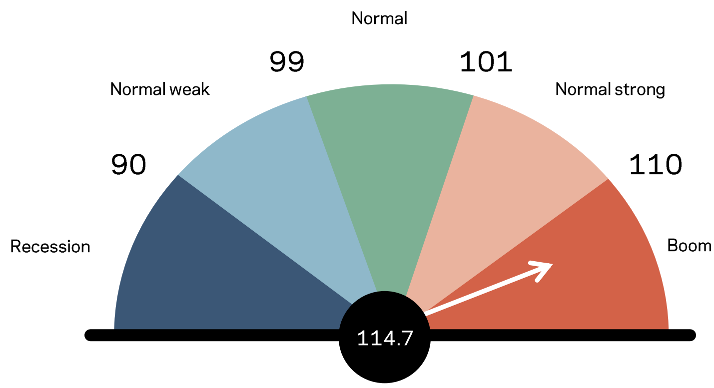
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency for services over time

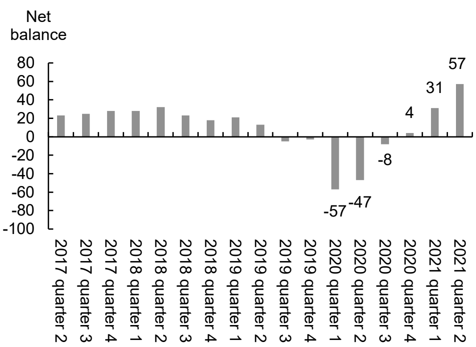


Current tendency for services

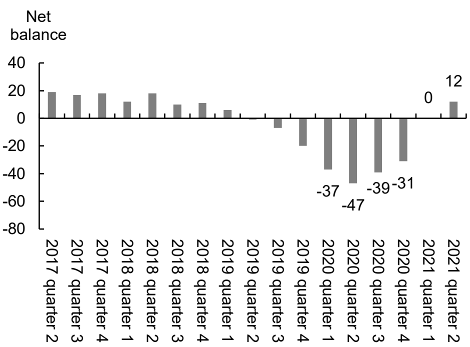


Result last quarter

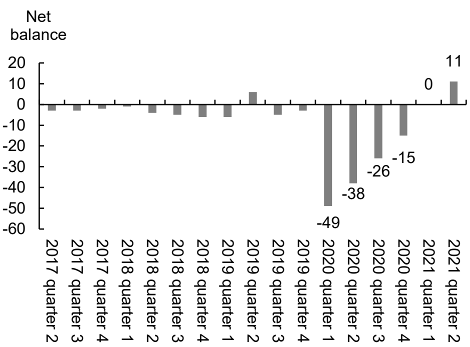
Demand for services



Number of employed

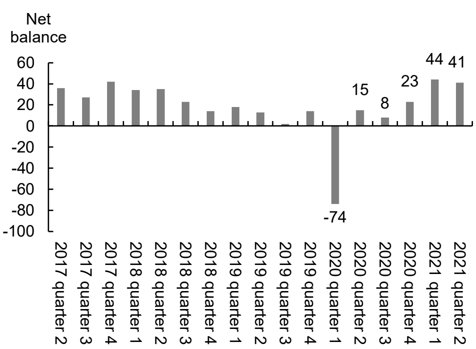


Profitability

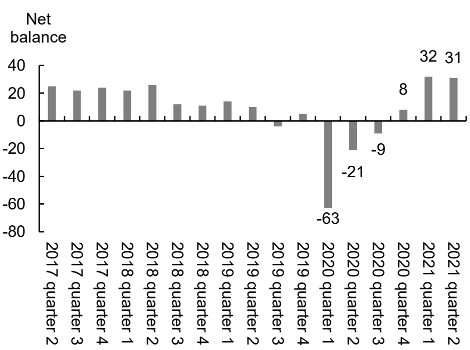


Expectations coming quarter

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

BUSINESS REGION
GÖTEBORG