



#3  
2020

# ECONOMIC OUTLOOK

THE GOTHENBURG REGION

+2.7%  
Unemployment

-1.6%  
Employment  
growth

80.4  
Economic tendency  
(recession)

Extra appendix  
In-depth analysis  
within commerce  
and services

Pages 5-6



BUSINESS REGION  
GÖTEBORG

## SUMMARY

The Gothenburg region's business environment is seeing strong improvements, but despite this, the recession continues. Our indicators show that conditions for the regional economy are still strained, with negative GDP growth in key markets, declining job and wage growth and rising unemployment. Many people have been laid off and the hospitality industry is barely getting by. The Gothenburg region's business community has a challenging road ahead to full recovery. There is still a lot of uncertainty as to when demand will return to more normal levels.

## TRADE AND INDUSTRY

### Key markets expected to grow in 2021

The outlook for the economies of the region's key markets is still gloomy for 2020. Forecasting bodies such as the IMF, the OECD and the EU are maintaining their expectations of substantial contractions of national economies of between 5% and 11.5%. China remains as the only exception.

The United States, the Gothenburg region's largest export market, is expected to contract by an average of 6.8 per cent in 2020. The Nordic countries, together with Germany, are also expected to shrink, but the slowdown in these markets is somewhat milder compared to the US economy. In other important markets for the region, the downturn is forecasted to be worse than in the US, the Nordic countries and Germany. The exception is China, which was first into the pandemic, but is also expected to be the first out. The country's production has slowed, and average growth is expected to be around 0.4 per cent in 2020. Looking at the Euro zone, a contraction of 9% is forecasted for 2020.

It is still difficult to say to what extent this negative global development will impact trade and industry in the region. However, the decline in the global market has hit demand hard, resulting in significant declines both in turnover and labour demand. Our export-weighted GDP growth for key markets indicates a decrease of 6.4 per cent in 2020. In 2021, however, the countries' economies are expected to bounce back with a forecasted growth of 5.3 per cent.

### Large historic decline for the Swedish GDP growth

The second quarter of 2020 shows the largest historical decline for a single quarter in the Swedish economy. During the second quarter, Sweden's GDP fell by 8.3 per cent compared to the first quarter of 2020. The decline is explained by weak exports and a decrease in household consumption. Compared to the same period in 2019, GDP decreased by 7.7 per cent. The forecast for the months ahead indicates that Sweden's economy will contract by 4.2 per cent in 2020, which is clearly better than the average for the EMU.

The economic tendency indicator for Sweden rose in August, but still reflects a weaker situation when compared to the normal trend. All sectors are seeing improved conditions, particularly in the services sector, where demand has been better than expected. Order backlogs and inventories for the manufacturing industries have slightly improved. Fewer retail companies are reporting negative sales volumes for the most recent sales period. The construction sector is less pessimistic when it comes to employment plans. Indicators for households are still reflecting cautious economic behaviour, although this has become less negative.

### Strong improvement, yet the tendency is still in recession

An assessment of the second quarter of 2020 conducted by Sweden's National Institute of Economic Research shows that conditions for trade and industry in the region have strongly improved even though the recession continues. For companies in the Gothenburg region, the economic tendency indicator for the second quarter of 2020 was 80.4, a bit from the next interval of 90 to 99, indicating that the economy is weaker than normal (see the interval interpretation to the right).

### Commerce and services cautiously optimistic about fall

Retail sales in the last quarter remained weak. The number of employees in the sector has further decreased and only a few companies are reporting staff shortages. However, the portion of businesses that are not expected to hire or increase sales in the autumn has declined, indicating a slight brightening in the sector. The situation is still tough for retail trade in central Gothenburg. Pedestrian traffic in central Gothenburg in the second quarter of 2020 decreased from 10.9 to 5.2 million compared to the same period in 2019. However, there has been some stabilisation in pedestrian traffic in the third quarter to the beginning of September, with the decline on an annual basis being around 37 per cent.

The service sector in the Gothenburg region is experiencing the second quarter as a difficult period in which to conduct business. However, the current quarter is slightly better than the previous, but still very weak. Service companies are reporting a decrease in demand for their services and the number of orders placed is still low. As for service sector employees, most companies are reporting a continued slowdown in recruitment during the most recent period. However, a few service companies are experiencing staff shortages. Regarding hiring staff in the autumn, service companies are less pessimistic than before. The outlook is cautiously optimistic, and a larger portion of the companies predict that demand for their services will rise slightly in the autumn.

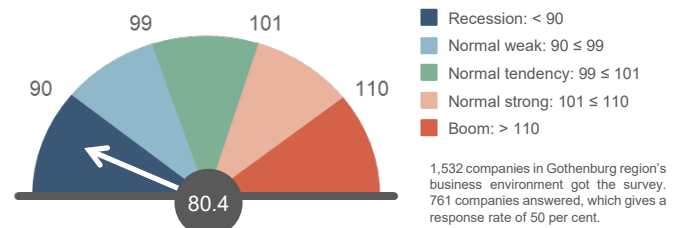
### REAL GDP GROWTH – FORECAST 2020-2021 (IN %) FOR SWEDEN AND SOME OF THE GOTHENBURG REGION'S KEY EXPORT MARKETS

| Country   | Share of region's exports | 2020   | ↕ | 2021 |
|---|---------------------------|--------|---|------|
| Sweden*   |                           | -4.2%  | ↕ | 3.9% |
| USA   | 12.9 %                    | -6.8%  | ↕ | 4.4% |
| Belgium   | 11.9 %                    | -8.2%  | ↕ | 5.8% |
| Norway  | 10.4 %                    | -5.1%  | ↕ | 3.5% |
| Germany   | 8.5 %                     | -6.7%  | ↕ | 5.4% |
| China   | 7.8 %                     | 0.4%   | ↕ | 7.7% |
| Denmark   | 7.6 %                     | -5.5%  | ↕ | 4.8% |
| United Kingdom  | 6.0 %                     | -10.8% | ↕ | 7.3% |
| Finland   | 5.9 %                     | -5.8%  | ↕ | 3.2% |
| Netherlands   | 4.1 %                     | -7.5%  | ↕ | 5.4% |
| France  | 3.9 %                     | -11.5% | ↕ | 8.0% |
| GDP growth for Gothenburg region's top 10 export markets (weighted by export share) | 79.0 %                    | -6.4%  | ↕ | 5.3% |
| Eurozone  |                           | -9.2%  | ↕ | 6.3% |
| World   |                           | -4.7%  | ↕ | 5.3% |
| World trade, goods and services   |                           | -11.9% | ↕ | 8.0% |

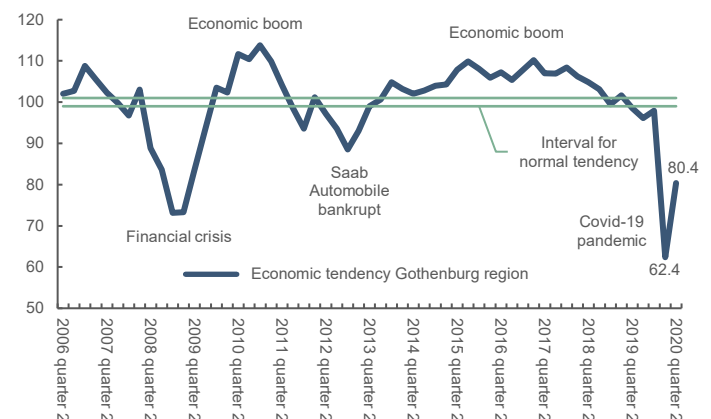
Source: SEB (August 2020), EU, OECD (July 2020) and IMF (June 2020)

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

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



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



Source: National Institute of Economic Research

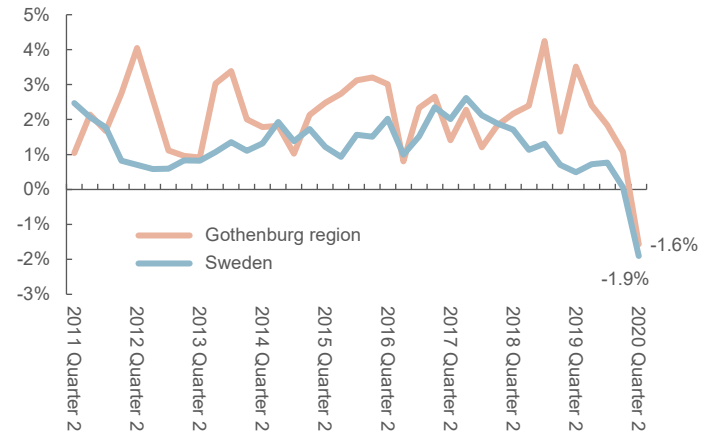
# LABOUR MARKET

## Job growth decreases throughout the country

This year's second quarter clearly shows the effects of the Covid-19 pandemic on employment. For the first time since the financial crisis, we are now seeing declining job growth in the Gothenburg region's business community. At the end of the second quarter of 2020, job growth in the Gothenburg region was at -1.6 per cent on an annual basis. Some 553,000 people were in employment, compared with about 562,000 for the same period the previous year. The decrease in the Gothenburg region was slightly less than for Sweden as a whole (-1.9 per cent on an annual basis) and the Malmö region (-1.8 per cent on an annual basis), but clearly higher compared to the Stockholm region's job growth of -0.8 per cent.

Above all, we see a decrease in job growth in branches related to the hospitality industry. These include travel, hotels and restaurants, retail trade and personal and cultural services, where sharp declines were seen during the past quarter. The wage growth of companies confirms the picture of declining employment in the region. In the second quarter, companies' wage growth decreased by 1.5 per cent compared to the same period in 2019. The last time this indicator showed negative growth was in the aftermath of the financial crisis.

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



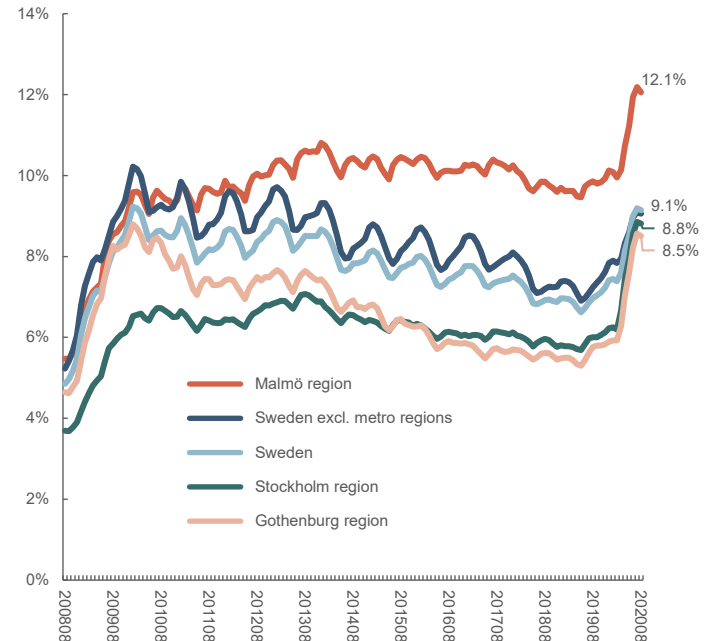
Source: Statistics Sweden

## Big increase in unemployment over the past year

Unemployment continues its steep rise as the global economy is marred by the Covid-19 pandemic. In August 2020, unemployment was at 8.5 per cent in the Gothenburg region (+2.7 percentage points on an annual basis). More than 46,700 people are unemployed or in labour market programmes in the Gothenburg region, to be compared with August 2019 when about 30,300 people were unemployed. Unemployment was 8.8 per cent (+2.8 percentage points on an annual basis) in the Stockholm region and 12.1 per cent (+2.2 percentage points on an annual basis) in the Malmö region. Unemployment for Sweden was 9.1 per cent (+2.1 percentage points on an annual basis).

Unemployment has increased sharply across all groups, especially among young people in the region. At the same time, unemployment levels among the foreign-born population remains extremely high. In August 2020, unemployment among foreign-born individuals aged 16-64 was 18.8 per cent (for Sweden as a whole, the figure was 21.5%). For foreign-born young adults in the Gothenburg region, unemployment was 25.4 per cent (for Sweden as a whole, the figure was 27.2%). In the past, we have seen unemployment increase as a result of economic slowdowns in trade and industry. What we are seeing now is due to a slowdown combined with the Covid-19 pandemic, which has caused a dramatic drop in demand for labour. We maintain our assessment that unemployment will remain at this high level, at least until the end of the year.

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



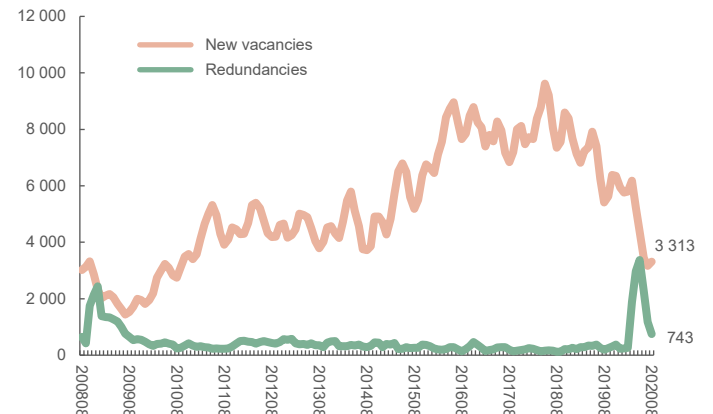
Source: Swedish Public Employment Service and Statistics Sweden

## Falling level of redundancies

During the period June to August 2020, an average of just over 3,300 new job vacancies per month were advertised for permanent positions in the Gothenburg region. Compared to the same period the previous year, new job vacancies fell by about 39 per cent. Most new job vacancies for permanent positions continued to be advertised in business services, followed by healthcare 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).

In the wake of the ongoing Covid-19 pandemic, lay-offs in the Gothenburg region during the second quarter increased at record speed. During the period June to August 2020 there has been some stabilisation, although the level remains high with an average of 749 lay-offs per month (an increase of just over 274 per cent on an annual basis). Several companies have announced lay-offs and the number of people given notice of termination during the period March to August 2020 is now just over 12,300. We expect lay-offs to be at a higher level than normal for some time to come. There are still many people on the short-time working allowance programme, which in this case has mitigated the increase in the number of layoffs. As of 15 September 2020, more than 136,000 people had been put on the programme in the Västra Götaland County.

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



Source: Swedish Public Employment Service

## OTHER INDICATORS

### Supply of office space expected to increase

JLL's property market data for the first quarter shows an increase in the vacancy rate for office space in Gothenburg. In the second quarter of 2020, Gothenburg recorded an office vacancy rate of 6.5 per cent, which is slightly lower than the first quarter, but 1.9 percentage points higher on an annual basis. The biggest increases on an annual basis are in eastern Gothenburg and Mölndal, but an increase is also seen in the city's central areas. No new office space was completed during the second quarter of 2020. About 217,000 m<sup>2</sup> is under construction for completion in 2020–2022, mostly in the Other Inner City, but also in Norra Älvstranden, Mölndal and in the Central Business District (CBD). Year-on-year, office rents rose the most in the CBD, Other Inner City and Norra Älvstranden.

### Upwards again for housing prices

Valueguard's housing price compilation for July 2020 shows housing prices rising once again. In July 2020, flat prices in Gothenburg increased by 2.9 per cent on an annual basis both in Gothenburg and Stockholm. The greatest increase in flat prices though, was seen in Malmö (+4.3% on an annual basis). In the shorter term, 1–3 months, flat prices have increased in all three metropolitan municipalities. Only Malmö shows an increase compared to six months back in time.

When it comes to house prices, the strongest growth was seen in the Stockholm region (+10.4% on an annual basis), followed by the Malmö region (+9.9% on an annual basis). In the Gothenburg region, the corresponding figure was an increase of 5.1 per cent on an annual basis. If we study the developments in a somewhat shorter term, 1-6 months, here too we see an increase in housing prices in the three metropolitan regions.

The previous price drops in the housing market that came as a result of Covid-19 appear to have passed during the summer period and housing prices now seem to have recovered in the major cities and in the surrounding areas.

### Surprisingly few bankruptcies in the region

During the period January to August, bankruptcies were, surprisingly, only slightly higher compared to the same period in 2019. The bankruptcies have mainly affected small-scale retail businesses, but also other branches such as business services, construction, and hotels and restaurants. In the month of August, 42 companies were declared bankrupt. If we instead take the figures from the first eight months of 2020 and compare them with the same period in 2019, there were 32 more bankruptcies in the Gothenburg region, corresponding to an increase of about 7 per cent. Some 2,700 employees in the region have been directly affected by their employers being declared bankrupt, most of them during March and April.

### Continued tough times for the hospitality sector

During the period April to July 2020, Göteborg Landvetter Airport saw an average of about 31,600 air passengers per month (-95.1% on an annual basis). Travel in the most recent period has decreased significantly, both for domestic and international air traffic, due to the Covid-19 pandemic. During July, Landvetter had only 72,000 air passengers, compared with 687,000 air passengers during July of 2019. The entire travel sector, in particular aviation, is now facing a difficult recovery period, largely due to the change to people's travel preferences during the pandemic.

In the previous economic report, we wrote that the large decreases in guest nights spent in the region were expected to come in the second quarter of the year. This is what has occurred, with the decrease in guest nights spent at the region's hotels, hostels and campsites being drastic. The most apparent fall occurs in the number of guest nights attributable to foreign guests, which has been dramatic. For the second quarter of 2020, there was an average of 102,000 guest nights per month, corresponding to a decrease of 76 per cent. It could have been even worse for the region's accommodation providers, but more guest nights spent by Swedes have to some extent dampened the decrease. However, in terms of occupancy rates (which refer only to hotels) in the Gothenburg region, the reductions have eased slightly, from a decrease of just over 80 per cent in April-May 2020, to a decrease of 55-60 per cent in August-September 2020.

### New car sales still at poor level

Trends in the consumption of durable goods, such as the number of newly registered cars, are important indicators when assessing the state of private economy. The most recent period shows that new car sales are dramatically falling on an annual basis. The second quarter of 2020 saw the registration of just over 6,200 new cars in the region (-40.8% on an annual basis). In July 2020, 2,300 new cars were sold in the region, which nonetheless, is a reasonably good sales figure for that particular period.

### PRICE DEVELOPMENT OF FLATS AND HOUSES, JULY 2020 COMPARED TO 1, 3, 6 AND 12 MONTHS BACK IN TIME

| Housing type | City / region     | 1 M                   | 3 M                   | 6 M                   | 12 M                  |
|--------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|              |                   | Jun 2020-<br>Jul 2020 | Apr 2020-<br>Jul 2020 | Jan 2020-<br>Jul 2020 | Jul 2019-<br>Jul 2020 |
| Flats        | Gothenburg        | 1.1%                  | 2.7%                  | -0.3%                 | 2.9%                  |
|              | Stockholm         | 1.3%                  | 3.1%                  | -0.4%                 | 2.9%                  |
|              | Malmö             | 2.0%                  | 4.0%                  | 2.0%                  | 4.3%                  |
|              | Sweden            | 1.8%                  | 3.4%                  | 0.3%                  | 3.6%                  |
| Houses       | Gothenburg region | 0.5%                  | 3.0%                  | 2.3%                  | 5.1%                  |
|              | Stockholm region  | 3.1%                  | 5.6%                  | 4.6%                  | 10.4%                 |
|              | Malmö region      | 1.4%                  | 5.8%                  | 5.6%                  | 9.9%                  |
|              | Sweden            | 2.1%                  | 5.5%                  | 5.3%                  | 10.6%                 |

Source: Valueguard

### NUMBER OF BANKRUPTCIES IN THE GOTHENBURG REGION, BY SECTOR – JANUARY-AUGUST 2019 AND 2020 AND PER QUARTER 2020

| Sector                           | 2019    |     | 2020 |         |         |
|----------------------------------|---------|-----|------|---------|---------|
|                                  | Jan-Aug | Q1  | Q2   | Jul-Aug | Jul-Aug |
| Commerce                         | 93      | 36  | 42   | 24      | 102     |
| Business services                | 74      | 29  | 38   | 23      | 90      |
| Construction                     | 73      | 30  | 28   | 14      | 72      |
| Hotels and restaurants           | 34      | 17  | 22   | 6       | 45      |
| Transportation                   | 19      | 10  | 8    | 6       | 24      |
| Personal services                | 15      | 7   | 9    | 5       | 21      |
| Manufacturing and mining         | 28      | 6   | 9    | 4       | 19      |
| Information and communication    | 21      | 10  | 5    | 3       | 18      |
| Health care and care             | 8       | 4   | 5    | 0       | 9       |
| Financial services and insurance | 6       | 3   | 1    | 2       | 6       |
| Other sectors                    | 104     | 55  | 36   | 10      | 101     |
| Gothenburg region total          | 475     | 207 | 203  | 97      | 507     |

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, Q2                          | 80.4      | 98.5      | -18.1 units |
| People in employment, Q2                       | 553,000   | 561,800   | -1.6%       |
| Total wage sum (real SEK billion), Q2          | 55.69     | 56.41     | -1.3%       |
| Private sector wage sum (real SEK billion), Q2 | 42.74     | 43.39     | -1.5%       |
| Unemployment, August                           |           |           |             |
| Total 16-64 years                              | 8.5%      | 5.8%      | +2.7%-p.    |
| Domestically born 16-64 years                  | 5.3%      | 3.0%      | +2.3%-p.    |
| Foreign-born 16-64 years                       | 18.8%     | 15.3%     | +3.5%-p.    |
| Total 18-24 years                              | 11.9%     | 6.7%      | +5.2%-p.    |
| Domestically born 18-24 years                  | 9.2%      | 4.3%      | +4.9%-p.    |
| Foreign-born 18-24 years                       | 25.4%     | 21.3%     | +4.1%-p.    |
| Job vacancies, Jun – Aug (monthly average)     | 3,313     | 5,412     | -38.8%      |
| Redundancies, Jun – Aug (monthly average)      | 743       | 199       | +273.4%     |
| Vacancy rate for offices in Gothenburg, Q2     | 6.5%      | 4.6%      | +1.9%-p.    |
| Population, Q2                                 | 1,045,560 | 1,035,318 | +1.0 %      |
| Number of bankruptcies, Jan – Aug              | 507       | 475       | +6.7%       |
| New car registrations, Q2                      | 6,213     | 10,488    | -40.8%      |
| Air passengers, Apr – Jul (monthly average)    | 31,589    | 647,604   | -95.1%      |
| Guest nights, Q2 (monthly average)             | 102,189   | 431,951   | -76.3%      |

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.

# 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.

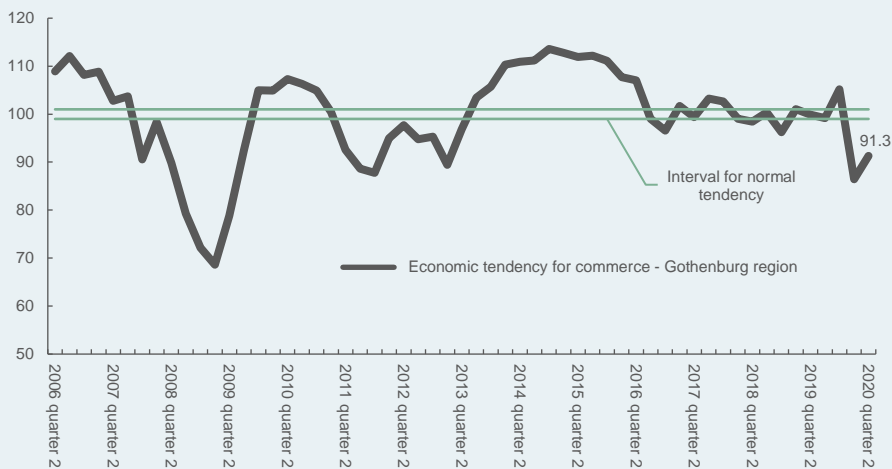


Survey period for companies during the second quarter 2020 has been June 30 to July 21, 2020. 384 companies got the survey, 181 answered, response rate: 47 per cent.

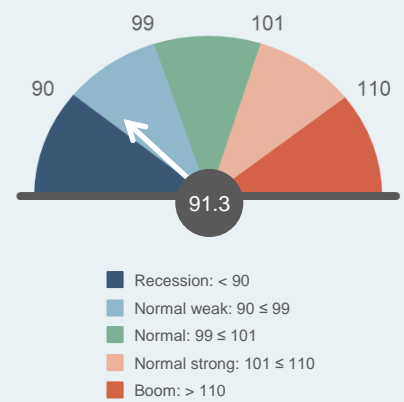
When is the survey conducted?

Source: National Institute of Economic Research

## Economic tendency indicator for commerce over time

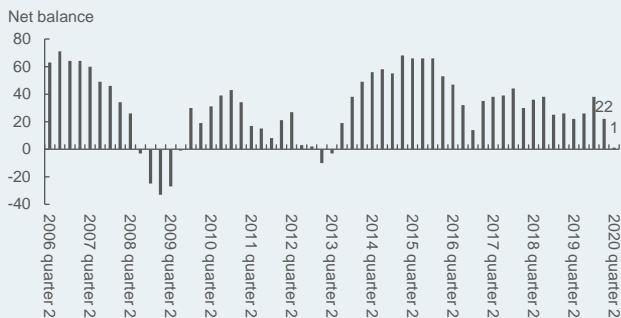


## Current tendency for commerce

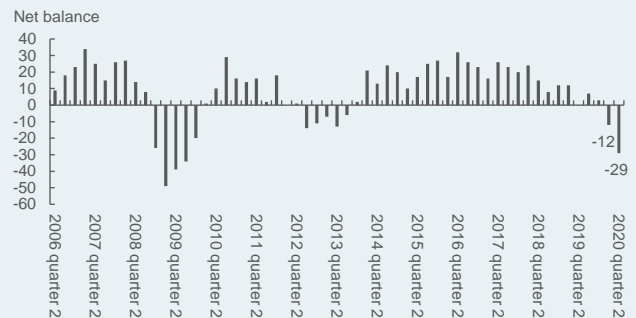


## Result last quarter

### Sales volume

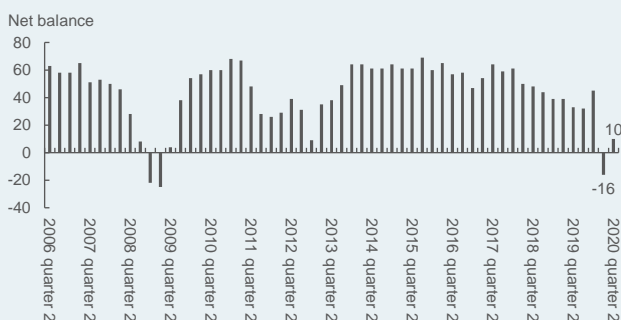


### Number of employed

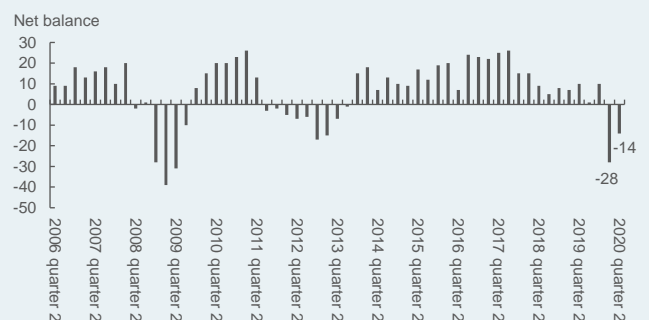


## Expectations coming quarter

### Sales volume



### Number of employed



# 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 in the economic tendency indicator.

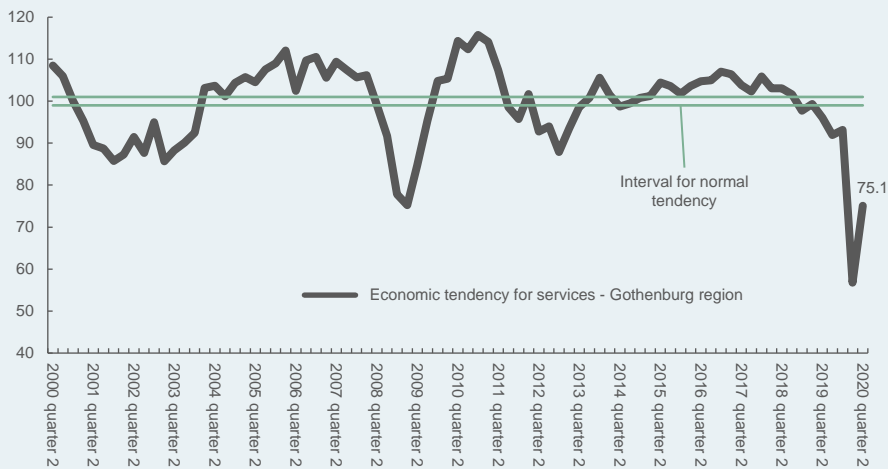


Survey period for companies during the second quarter 2020 has been June 30 to July 21, 2020. 780 companies got the survey, 383 answered, response rate: 49 per cent.

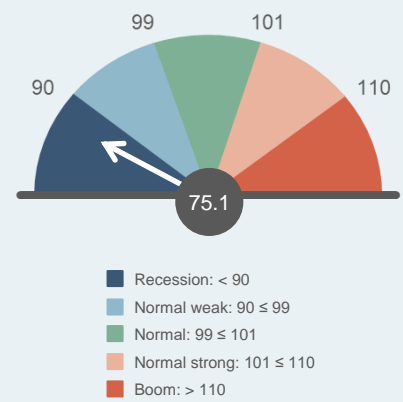
When is the survey conducted?

Source: National Institute of Economic Research

## Economic tendency indicator for services over time

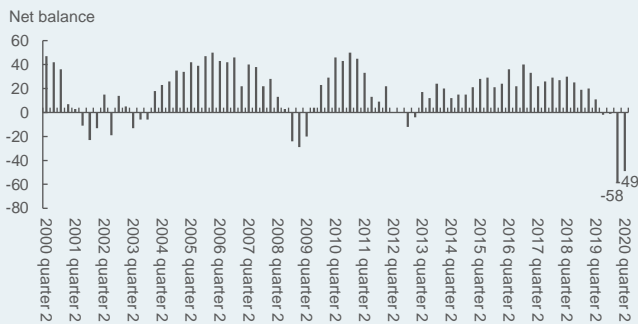


## Current tendency for services



## Result last quarter

### Demand for services

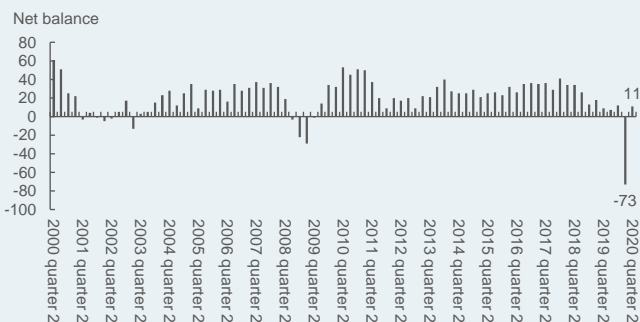


### Number of employed



## Expectations coming quarter

### Demand for services



### Number of employed

