



+1.8%
Job growth

#1
2020

+0.4%-points
Unemployment

ECONOMIC OUTLOOK

THE GOTHENBURG REGION

Expanded edition
The coronavirus

How can the coronavirus affect
the Gothenburg region's
business environment?

Pages 5-6



BUSINESS REGION
GÖTEBORG

SUMMARY

The world is currently facing a difficult situation, in terms of both health and the economy. The spread of the coronavirus has destabilised the entire global economy. Its impact on trade and industry in the Gothenburg region cannot be fully comprehended at the time of writing (16 March). Statistics have very short shelf lives at the moment, so it is important to analyse global developments instead. As we see falling demand throughout the world, it is understandably joined by poorer profitability and lower liquidity. And, unfortunately, will also with no doubt be joined by thousands of redundancies.

TRADE AND INDUSTRY

The Coronavirus hits the world economy hard

During the most recent period, the effects of the coronavirus have impacted the economies of most countries. Primarily China and its economic growth during the first quarter of the year. China's production has been severely impeded and has largely been at a standstill for about a month. Exports in January and February 2020 fell sharply. Now, however, we are hearing that China's industry has started producing again, although at far from full capacity. Accordingly, customers throughout the world can expect major problems with delayed or cancelled orders. As a result, the necessary inputs for production may be lacking in the near future. Tourism has also taken a heavy hit, with most countries suffering extensive setbacks. Since mid-February, stock markets around the world have seen massive dips in value. To make matters worse, while the coronavirus is decimating the entire world economy, oil production is on the increase, resulting in a dramatic drop in oil prices. The combined pressure of these two developments continues to drive falls on the stock markets. In early March, the WHO pronounced the coronavirus a pandemic. Over the past week, we have seen drastic measures in the USA and in Europe. Travel bans, border closures and restrictions on citizens' movements.

Naturally, the spread of the virus is having a major impact on the economies of most countries and recovery will take time. What this all means for trade and industry in the Gothenburg region is difficult to say at the time of writing, but we can expect some kind of dampening effect in the coming period (you can read more on possible long-term effects below).

Parallel to all this, the Swedish government has introduced several support packages for affected businesses in order to mitigate the effects. Fiscal measures already implemented include the temporary revocation of the qualifying day for sick pay and the opportunity for companies to defer their tax payments. At the same time, Sweden's central bank, the Riksbank, has announced a loan of SEK 500 billion to companies to secure their lines of credit.

Exports hold back Swedish economic growth

Indicators for the Swedish economy show that growth slowed considerably at the end of 2019 and is markedly below the average for the 2000s of 2.4 per cent. During the fourth quarter of 2019, Sweden's GDP increased by 0.2 per cent over the previous quarter. This weak growth is mainly attributable to a fall in exports. Overall, net exports burdened GDP growth in the amount of 0.3 percentage points. Compared with the same period the previous year, GDP for the fourth quarter of 2019 rose by 0.8 per cent. Comparing all of 2019 with 2018, GDP rose by 1.2 per cent.

The economic tendency indicator for Sweden rose to a normal level in February, mainly due to the manufacturing industry having a brighter outlook on future production. Nonetheless, there is much to suggest that this picture will change as spring unfolds and the effects of the coronavirus become more apparent in a broader business perspective.

The latest forecasts predict Swedish growth of around 1 per cent in the lead up to 2022. Note, however, that several institutes will soon publish revised forecasts. The actual outcome may be even lower.

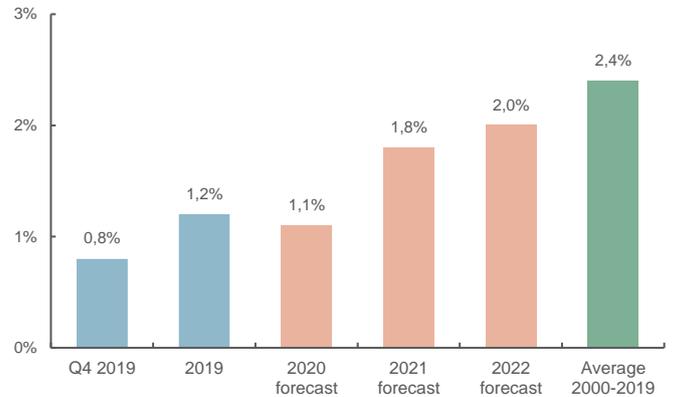
A slowdown in Gothenburg can affect Sweden's economy

We have already seen companies in the hospitality industry in the Gothenburg region suffering adversely too. As global growth slows, we will see the same effects in other industries. Our analysis below shows that a decline in industries heavily dependent on technology and exports would have the greatest adverse effects. Job losses for 100 employees in the automotive industry in Gothenburg mean job losses for as many as 244 other people. About 160 of these jobs are outside the Gothenburg region, clearly illustrating the far-reaching ripple effects.

Exports of passenger cars to the US surge

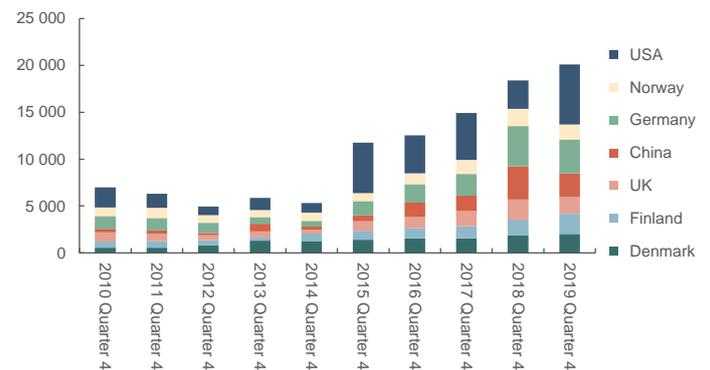
Text Swedish car exports increased by 9 per cent in real terms for the whole of 2019 compared with 2018 (a real increase of just over SEK 9 billion). Car exports to the USA contributed the most. Between 2018 and 2019, car exports to the USA increased by 68 per cent in real terms, corresponding to just over SEK 8 billion. On the other hand, car exports to China decreased by 24 per cent in real terms (approximately SEK 2.5 billion). Looking to the development in the region's key markets, in the fourth quarter of 2019 car exports to the USA showed the greatest growth. Car exports to the USA rose by 113 per cent in real terms, corresponding to SEK 3.4 billion. Car exports to Finland and Denmark also increased during the quarter and compared with the same period

SWEDISH REAL GDP GROWTH ON ANNUAL TERMS, ACTUAL AND FORECAST



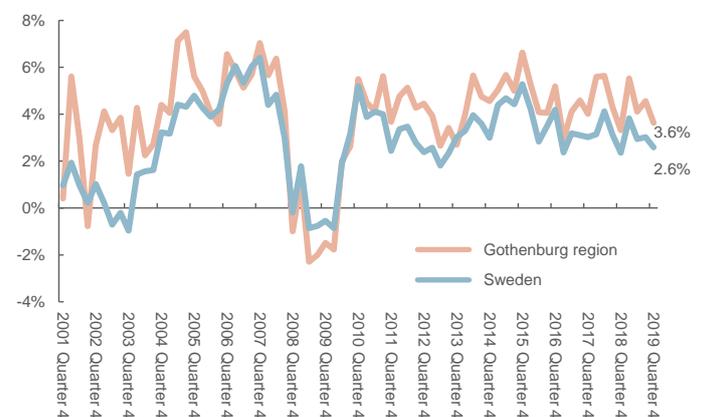
Source: Statistics Sweden and forecast 2020-2022 is an average of the five last forecasts in the summary produced by the National Institute of Economic Research

REAL SWEDISH EXPORTS (IN MSEK) OF PASSENGER CARS TO GOTHENBURG REGION'S 7 KEY DESTINATIONS, QUARTER 4 FROM 2010



Source: Statistics Sweden

REAL GROWTH IN WAGE SUMS FROM THE PRIVATE SECTOR - CHANGE COMPARED TO THE SAME QUARTER PREVIOUS YEAR



Source: Statistics Sweden

... from previous section

the previous year. Car exports to China, however, fell by just over SEK 1 billion in real terms. In the next quarter, we will start to see the effects of the coronavirus on exports.

Wage sum in the region's firms stronger than average

The wage sum in the Gothenburg region continued to increase well above the national average during the fourth quarter. Accordingly, purchasing power in the region continues to grow. This also means that household economies are in a favourable position. The real wage sum in the Gothenburg region increased by 3.2 per cent compared with the same period the previous year (the corresponding figure for Sweden was 2.4%). In real terms, this increase corresponds to SEK 1.7 billion. The Gothenburg region's private sector accounted for 86 per cent of the growth in wage sum. The real wage sum growth in the Gothenburg region's private sector was 3.6 per cent on annual basis (about SEK 1.4 billion), while the corresponding figure for Sweden as a whole was 2.6 per cent.

Strongest job growth in Gothenburg region continues...

Despite a slowing economy, we saw continued job growth of 1.8 per cent in the fourth quarter of 2019. Some 560,000 people were in employment, to be compared with about 550,000 people for the same period the previous year. The increase seen in the Gothenburg region means that job growth here is a full percentage point higher than the national average and is also clearly higher than in the other two metropolitan regions. Job growth in the Stockholm region was 1.4 per cent, while the Malmö region experienced a drop of -0.5 per cent. This period also saw the number of people in employment growing most strongly in knowledge-intensive business services and financial services, the manufacturing industry and in wholesale trade.

...yet unemployment is still rising

Unemployment continued to rise in early 2020 and this seems to be a general trend throughout the country. In February 2020, unemployment was at 5.9 per cent in the Gothenburg region (+0.4 percentage points on an annual basis). Some 32,000 people are unemployed or in labour market programmes in the Gothenburg region. Unemployment was 6.2 per cent (+0.4 percentage points on an annual basis) in the Stockholm region and 10 per cent (+0.4 percentage points on an annual basis) in the Malmö region. Unemployment for Sweden as a whole was 7.4 per cent (+0.5 percentage points on an annual basis).

Unemployment is increasing across all groups, except for foreign-born young adults where we see a marginal decline on an annual basis. However, the unemployment levels remain high among foreign-born populations. In February 2020, unemployment among foreign-born individuals aged 16-64 was 15 per cent (for Sweden as a whole, the figure was 18.9%). For foreign-born young adults in the Gothenburg region, unemployment was 19 per cent (the corresponding figure for Sweden was 22.4 per cent).

We can see unemployment increasing throughout the period among both Sweden-born and foreign-born populations in the region. However, unemployment among the region's foreign-born populations remains high and more than double that of those born in Sweden. Our assessment is that there remains a need for strenuous efforts to further reduce the high unemployment seen among foreign-born populations.

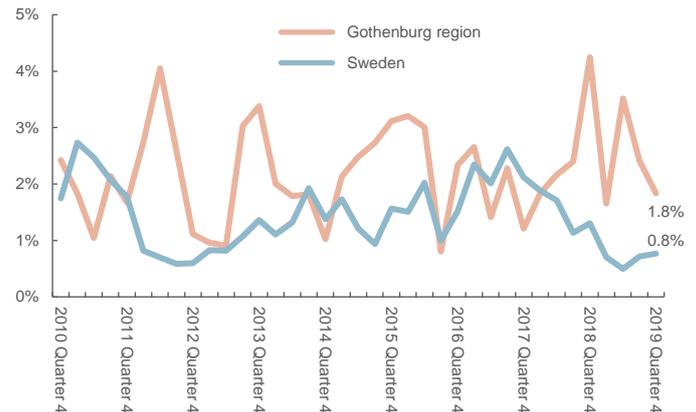
Less job vacancies and more redundancies expected

During the period December 2019 to February 2020, an average of about 5,800 new job vacancies for permanent positions in the Gothenburg region were advertised each month. Compared with the same period the previous year, this means that new job vacancies continue to fall, in this period by about 15 per cent. Most new job vacancies for permanent positions were advertised in business services, followed by healthcare, education and retail (note that there may be some duplication in the new job vacancy statistics, but the indicator is still assessed to be relevant to follow).

The number of lay-offs announced during the period December 2019 to February 2020 averaged 266 a month, which is below the median of the 2000s of 312 lay-offs per month.

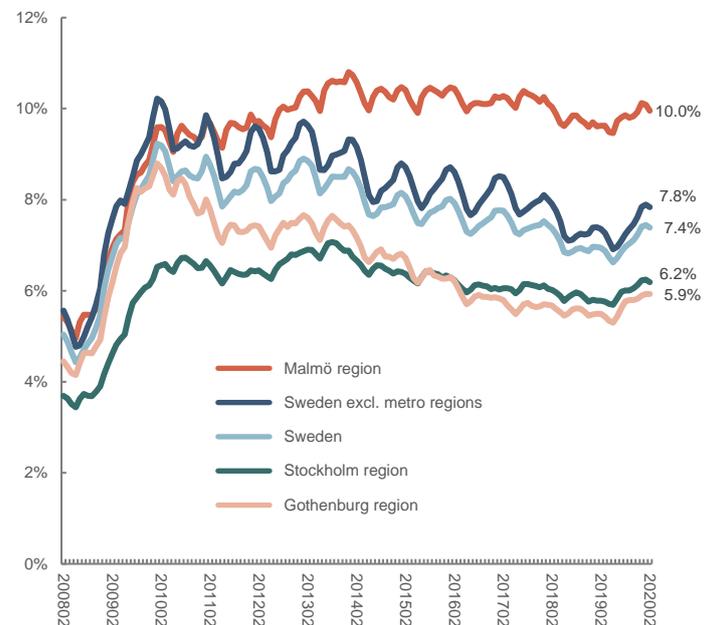
Be that as it may, in the wake of the ongoing coronavirus crisis everything would indicate that lay-offs will now rise. We have already seen several companies announce lay-offs, such as within the hospitality and aviation industries, for example. A survey from the West Sweden Chamber of Commerce shows that, at the time of writing, 15 per cent of companies are considering or have already announced redundancies. Moreover, many companies are also planning other measures, such as reductions in working hours, short-term lay-offs and more.

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



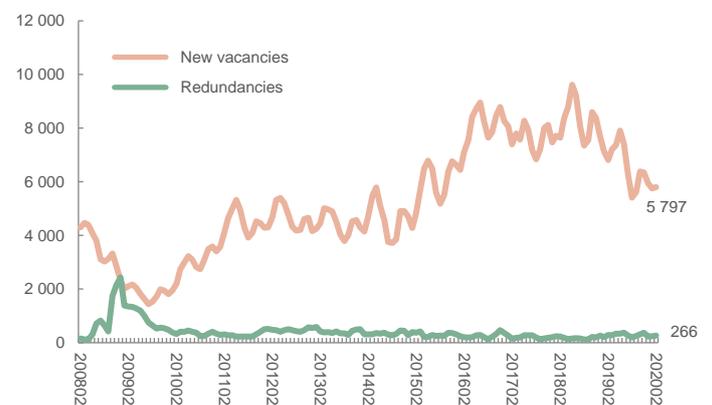
Source: Statistics Sweden

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 GOTENBURG REGION - THREE-MONTH ROLLING AVERAGE



Source: Swedish Public Employment Service

OTHER INDICATORS

Vacancy rate for offices increases

JLL's property market data for the fourth quarter shows an increase in the office vacancy rate in Gothenburg. Despite this, the vacancy rate remains at a historically low level. During the fourth quarter of 2019, Gothenburg recorded vacant office space amounting to 5.8 per cent of the available total (+2.2 percentage points on an annual basis). The largest increases were seen in Gothenburg's outer districts, although some increases were also seen in more central areas of the city. The vacancy rate in Norra Älvstranden, on the other hand, has fallen to a very low level. About 61,000 m² of office space was completed by the end of 2019. A large share of this new office space has, however, already been let. The construction of about 220,000 m² is underway and is expected to be completed between 2020–2022, mostly in the area Other Inner City, but also in the CBD and Norra Älvstranden. Year-on-year, office rents rose the most in the CBD, Other Inner City and Norra Älvstranden. Rental prices in the remaining areas remain unchanged.

Housing prices continue upward trend before Corona

In Valueguard's survey for February, flat prices are now increasing steadily in both the short and slightly longer term. In January 2020, flat prices in Gothenburg increased by 5.4 per cent on an annual basis. The greatest increase in flat prices, though, was seen in Stockholm (+7% on an annual basis). The increase in Malmö was on a par with Gothenburg (+5.5% on an annual basis). In the shorter term, 1–6 months, flat prices are increasing in all three metropolitan municipalities. When it comes to house prices, the strongest growth was seen in the Malmö region (+7.9% on an annual basis), followed by the Stockholm region (+6.1% on an annual basis). In the Gothenburg region, the corresponding figure was an increase of 4.9 per cent on an annual basis. Looking to the trend over the past 1–6 months, house prices have increased the most in the Stockholm region, followed by the Malmö region. Any effects of the coronavirus on the housing market will probably surface this spring.

The housing market in the Gothenburg region has differed from that of the Stockholm region in earlier reports. The latest statistics show that this remains the case. Growth in the number of newbuilds initiated in the Gothenburg region in the fourth quarter of 2019 was three times that of the Stockholm region.

Population growth still stronger than Swedish average

The population continues to grow in the Gothenburg region. At the end of the year, the Gothenburg region had a population of 1,041,850. Population growth from the third to the fourth quarter of 2019 was 2,339 people. The birth and migration surpluses each accounted for half of this population growth. Compared to 2018, population growth in the Gothenburg region in 2019 was 1.3 per cent, corresponding to 13,602 new inhabitants.

More than 5 million guest nights in the region 2019

During the fourth quarter of 2019, Göteborg Landvetter Airport saw an average of just over 511,000 air passengers per month (-2.6% on an annual basis). The greatest decrease is seen in domestic flights. Travel to and from Europe increased marginally, whereas travel to and from the rest of the world saw a strong increase during the period. If we compare all of 2019 with 2018, the number of air passengers fell by about 137,000 (-2% on an annual basis). The number of domestic air passengers fell by 196,000, while international air passengers rose by about 60,000.

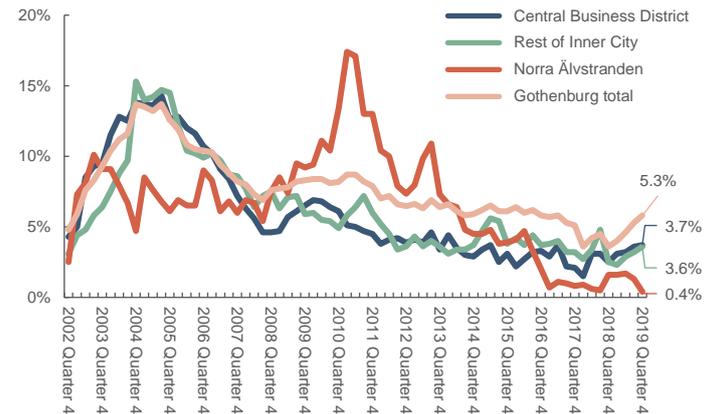
For all of 2019, more than 5 million guest nights were registered at the region's hotels, holiday cottages, camp sites and hostels. Compared with 2018, this means just over 217,000 more guest nights in 2019 (+4.5%). Aside from Sweden, visitors to the Gothenburg region are most commonly from Norway and Germany, followed by the UK, the USA, Denmark and China. The fourth quarter of 2019 saw an average of about 381,000 guest nights per month (+3.9% on an annual basis).

NB: Notwithstanding the above, this year the figures for the hospitality sector will be dramatically lower as a result of the coronavirus outbreak.

New tax makes car sales surge

Trends in the consumption of durable goods, such as the number of newly registered cars, are important indicators when assessing the state of the private economy. The trends seen in the most recent period show that new car sales are increasing strongly on an annual basis. However, the increase is largely due to new tax rules that came into effect on 1 January 2020. The fourth quarter of 2019 saw the registration of more than 12,000 new cars in the region (+37.5% on an annual basis). For all of 2019 and compared with 2018, new car sales fell by 12 per cent.

VACANCY RATE FOR THE OFFICE MARKET IN GOTHENBURG



Source: JLL

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

HOUSING TYPE	CITY/REGION	1 M	3 M	6 M	12 M
		JAN 2020 - JAN 2020	NOV 2019 - JAN 2020	AUG 2019 - JAN 2020	JAN 2019 - JAN 2020
Flats	Gothenburg	1.6%	1.1%	3.2%	5.4%
	Stockholm	1.4%	2.1%	3.3%	7.0%
	Malmö	0.7%	1.5%	2.2%	5.5%
	Sweden	1.8%	2.2%	3.3%	6.1%
Houses	Gothenburg region	1.9%	0.5%	2.7%	4.9%
	Stockholm region	3.4%	3.0%	5.6%	6.1%
	Malmö region	3.0%	3.1%	4.1%	7.9%
	Sweden	3.6%	2.4%	5.0%	6.3%

Source: Valueguard

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

INDICATOR	2019	2018	CHANGE
Total wage sum (real SEK billion), Q4	54.2	52.5	+3.2%
Private sector wage sum (real SEK billion), Q4	41.6	40.1	+3.6%
People in employment, Q4	560,000	549,900	+1.8%
Unemployment, February*			
Total 16-64 years	5.9%	5.5%	+0.4%-p.
Domestically born 16-64 years	3.2%	2.8%	+0.4%-p.
Foreign-born 16-64 years	15.0%	14.8%	+0.2%-p.
Total 18-24 years	6.9%	5.9%	+1.0%-p.
Domestically born 18-24 years	4.5%	3.7%	+0.8%-p.
Foreign-born 18-24 years	19.0%	19.2%	-0.2%-p.
Job vacancies, Dec – Feb (monthly average)	5,797	6,815	-14.9%
Redundancies, Dec – Feb (monthly average)	266	286	-7.0%
Vacancy rate for offices in Gothenburg, Q4	5.8%	3.6%	+2.2%-p.
Population, Q4	1,041,850	1,028,248	+1.3%
New car registrations, Q4	12,073	8,780	+37.5%
Air passengers, Q4 (monthly average)	511,150	524,716	-2.6%
Guest nights, Q4 (monthly average)	380,777	366,482	+3.9%

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

Source: Statistics Sweden, Swedish Public Employment Service, JLL, Swedish Transport Agency and Swedish Agency for Economic and Regional Growth

Business Region Göteborg (BRG) strives to achieve sustainable growth and employment in the Gothenburg region's 13 municipalities. This economic report is published on a quarterly basis. 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, Region Västra Götaland, Valueguard and the Swedish Transport Agency. Unless stated otherwise, the statistics in the report relate 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, Analyst. The report and all tables and charts can be downloaded from www.businessregiongoteborg.se.

In-depth analysis

How can the Gothenburg region's economy be affected by a downward cycle, for example, following the coronavirus (COVID-19) outbreak?

Coronavirus gives negative effects



In previous Economic Outlook reports, we have seen that the economy has slowed during the past year and we have highlighted the risk for further weakening. The factors we have mostly highlighted have been connected to Brexit and the threat of a trade war between the US and China. These are still current, but the outbreak of the coronavirus, which is currently spreading globally, is currently the biggest threat to the region and the world economy. At the same time, emergency support packages are coming from many directions, including the World Bank, to help minimise the impact of the virus on both health and the economy.

The question is, what effects can it have on the Gothenburg region's economy?

We have already started seeing negative effects that have made their way into our immediate area. Above all, we have seen stock market prices plunge, several profit warnings, weakening demand in China, problems in logistics and production, and shortages of components. In addition, we have seen temporary employment stops, which we have noticed among companies in the Gothenburg region. We have also seen that travel has decreased and that the tourism and events industries have weakened significantly.

It is too early to say what the long-term consequences of these developments will be. So far, the focus has been on the effects on Sweden's domestic market in the form of decreases to tourism and events, plus associated businesses. But there will also be consequences in the form of lower economic growth globally. In turn, this will affect demand for the Gothenburg region's export-intensive businesses.

Gothenburg region exports 2018

SEK 238 BN



Multipliers - give a pointer



There are many indications that we will see further weakening in the economy, even in Sweden.

How can a downturn impact various sectors and parts of Sweden?

It's very difficult if not impossible to say. But regardless of the cause – the coronavirus outbreak or something else – we can use knowledge of how different sectors are connected to analyse the spreading effect that takes place when a specific sector shrinks. Below we present estimates we have calculated for these connections, known as multiplier effects. The multipliers are based on historical connections of how sectors' use of inputs in production is exchanged between different actors, and it gives an approximation of how a change in employment in a sector affects the total employment in the whole economy.

A downturn in automotive has big effects across all of Sweden

We can see, for example, that the public sector has lower multipliers, since the value chain within the public sector usually is smaller. On the other hand, manufacturing and in particular automotive, have many sub-suppliers and also the highest multiplier-effect as the value chains are large (see Table 1 for multipliers for the Gothenburg region's 10 largest sectors).



So, depending on how interconnected certain sectors are, the multipliers weigh differently on employment in the economy. If 100 employees in the region's automotive industry lose their jobs, an additional 244 people will be affected nationwide, 84 of which are in the Gothenburg region. In total, 344 will lose their jobs if the automotive industry lays off 100 people.

In comparison, if 100 people within the Gothenburg region's business services lose their jobs, an additional 119 people in Sweden will be affected.

Twice as great effect in automotive compared to business services

The multiplier effect is high in automotive as the industries are interconnected with many sub-suppliers that spread throughout the country.

The direct reduction that is clearly seen in an affected company locally - i.e. that 100 people lose their jobs - doesn't stop there but spreads further both within the region and throughout the country. Tables 1 and 2 show how the multipliers affect the Gothenburg region's 10 largest industry branches if 100 workers were laid off.



TABLE 1 MULTIPLIERS FOR SWEDEN AND THE GOTHENBURG REGION, BASED ON 10 LARGEST BRANCHES IN THE GOTHENBURG REGION

Branch	Multiplier	
	Total for Sweden	of which Gothenburg region
Automotive	3.44	1.84
Manufacturing and mining	2.97	1.57
Information and communication	2.39	1.36
Business services	2.19	1.47
Transportation	2.07	1.35
Construction	1.99	1.26
Commerce	1.77	1.17
Cultural and personal services	1.77	1.20
Public administration	1.64	1.14
Education	1.41	1.08
Healthcare and care	1.37	1.05

Source: Business Region Göteborg and Region Västra Götaland

TABLE 2 TOTAL LOSS OF JOBS WITH A LAY OFF COMPRISING 100 EMPLOYEES, WITHIN EACH BRANCH RESPECTIVELY (MULTIPLIER EFFECT)

Branch	Number of jobs affected		
	Total	of which Gothenburg region	of which other regions in Sweden
Automotive	-344	-184	-160
Manufacturing and mining	-297	-157	-140
Information and communication	-239	-136	-103
Business services	-219	-147	-72
Transportation	-207	-135	-72
Construction	-199	-126	-73
Commerce	-177	-117	-60
Cultural and personal services	-177	-120	-57
Public administration	-164	-114	-50
Education	-141	-108	-33
Healthcare and care	-137	-105	-32

Source: Business Region Göteborg and Region Västra Götaland

