ECONOMIC OUTLOOK
THE GOTHENBURG REGION

+18%
carexpert
2016-2017

+1,2%
employment
growth

#1
2018

BUSINESS REGION
GÖTEBORG
A flourishing economy

The recent economic outlook reflects a prosperous Gothenburg region. Employment continues to increase and with more people working the growth in wage sum increased strongly, primarily in the private sector. Swedish car exports reached record levels in 2017 and the majority of the value created can be traced to the Gothenburg region’s automotive industry. Unemployment in the region remains the lowest among Sweden’s metropolitan regions. To this, we can also add a growing population and new record numbers of air passengers and guest nights.

TRADE AND INDUSTRY

Stable international growth with the USA in focus

2018 got off to a busy start and the USA has been the focus of much of these developments. A major talking point is Trump’s plans to protect American industries, primarily by introducing import tariffs on steel. The EU has responded with the introduction of a number of tariffs on American food products. Exactly how this trade war will unfold remains to be seen, but once begun it could have a major impact on future global trade flows between the two blocs. Moving on from the tariffs debate, tensions between the USA and North Korea have relaxed somewhat, with future plans in the making for a historic meeting between the two countries for further discussions on disarmament. The American labour market continues to perform strongly and there are plans to raise interest rates as the year progresses. This may very well affect interest rates around the world, begging the question as to how long the Riksbank, Sweden’s central bank, can refrain from making similar changes.

In addition to the elections currently under way in Italy, a number of other European countries will hold parliamentary elections in 2018, including Hungary and Slovenia, and a little later in the year, Sweden and Latvia. Moreover, Putin will now retain his presidential post for at least another four years. The UK continues its journey towards Brexit. Earlier in March, Theresa May remarked that despite some difficulties in the negotiations, progress has been made in discussions with the EU. Parallel to this, the European economy is growing at a reasonable rate and the Eurozone, with Germany in lead, is showing that just as in 2017, these are economies to be reckoned with even in 2018.

Swedish economy shows stable growth

During the fourth quarter of 2017, Sweden’s GDP increased by 0.9 per cent over the previous quarter. The largest contributor to the improvement between the quarters was exports, mainly through a substantial increase in investment goods. Compared with the same period the previous year, GDP for the fourth quarter of 2017 rose by 3.3 per cent. For 2017 as a whole and compared with 2016, the GDP growth was on a par with the average growth for the 2000s at 2.4 per cent.

The economic tendency indicator fell marginally in February, which is explained by construction companies and households having a somewhat reserved view of the economic outlook moving forward. However, the economic tendency indicator for February shows a distinctly more positive attitude than normal towards the Swedish economy.

Car exports continue to grow strongly

Swedish car exports increased by 18 per cent in real terms for the whole of 2017 compared with 2016 (a real increase of approximately SEK 12 billion).

During the second half of 2017, car exports to the USA saw the greatest increase and rose by almost 50 per cent in real terms, corresponding to about SEK 3 billion. Car exports to Norway and China also saw considerable increases in the second half of 2017 compared with the same period the previous year. Car exports to Norway increased by about SEK 1 billion in real terms, while the corresponding figure for China was SEK 0.7 billion.

Strong increase in wage sum in the private sector

An increasing number of people in employment in the region and increased pay in existing jobs mean that growth in wage sum in the Gothenburg region continues to outperform the national average. During the fourth quarter of 2017, real wage sum in the Gothenburg region increased by 4.6 per cent compared with the same period the previous year. In real terms, this was an increase of no less than SEK 2.2 billion. The majority of the increase, almost
80 per cent, was created by companies in the Gothenburg region. For Sweden as a whole, total real growth in wage sum was 3.6 per cent. In terms of wage sum development in the Gothenburg region’s private sector, the increase in real terms was 4.7 per cent on an annual basis (about SEK 1.7 billion); while for Sweden as a whole, the figure was 3.8 per cent.

**Job growth slows down**

Despite strong quarterly job growth of around 3 per cent in 2016, the Gothenburg region’s labour market continues to improve; although employment growth is clearly slower than in 2016. Several industries are experiencing an economic boom, which is boosting all trade and industry. On an annual basis, employment growth in the Gothenburg region was 1.2 per cent for the fourth quarter of 2017. Approximately 528,000 people were in employment, compared with just over 521,000 people for the same period the previous year. The increase in the Gothenburg region was, however, weaker than the increase in the corresponding indicator for all of Sweden (2.1%). Job growth in the Malmö region was 1.7 per cent. As in the third quarter of 2017, the Stockholm region also enjoyed the highest job growth of the metropolitan regions for this period, reporting an employment growth of 2.0 per cent.

We see no indication that the most thriving industries – construction, automotive and ICT – have experienced a slowdown. A large share of the new jobs in the Gothenburg region have been created and continue to be created in and around these three industries.

**Unemployment decreasing, but at a slower pace**

The Gothenburg region continues to report the lowest unemployment rate of Sweden's metropolitan regions. In February 2018, unemployment was at 5.7 per cent in the Gothenburg region (-0.1 percentage points on an annual basis). Just over 29,000 people were registered as unemployed or in labour market programmes during the month of February. In the Stockholm region unemployment was at 6.0 per cent (unchanged on an annual basis), while in the Malmö region unemployment stood at 10.0 per cent (-0.2 percentage points on an annual basis). Nationwide, unemployment was at 7.4 per cent (-0.4 percentage points on an annual basis). The results for this period indicate that getting a foot in the labour market takes a little longer in the Gothenburg region.

Although still high, unemployment among the foreign-born population in the Gothenburg region has decreased considerably year-on-year. In February 2018, unemployment among foreign-born young adults was 21.3 per cent, which year-on-year is a drop of a full 3.5 percentage points (the national average is 29.6%). Despite the sharp drop, this still means that more than one in five foreign-born young adults in the labour force is out of work. If we consider the entire foreign-born labour force in the region, unemployment is at 15.8 per cent (the national average is 20.9%). Unemployment is declining among the region’s foreign-born population, but despite this trend substantial efforts still need to be made in order to further improve the group's chances of entering the labour market.

**Many new vacancies in business services**

The number of new job vacancies for permanent positions in the Gothenburg region remained at a high level in this period as well (note that there may be some duplication in the new job vacancy statistics, but the indicator is still assessed to be relevant to follow). During the period December 2017 to February 2018, an average of 7,649 new job vacancies for permanent positions in the Gothenburg region were advertised each month. Year-on-year, this is an increase of 3.4 per cent. Most new job vacancies for permanent positions were advertised in business services, followed by the healthcare and hospitality sectors.

Redundancies for the most recent period remain below the median of the industries at 328 layoffs per month. During the period December 2017 to February 2018, an average of 227 redundancies were announced each month. Year-on-year, this is an increase of 50.3 per cent. However, no major redundancies have been announced in the Gothenburg region during the most recent period.
**Vacancy rate for offices continues to fall**

JLL’s property market report for the fourth quarter of 2017 shows that the vacancy rate in Gothenburg is continuing to fall and has now been at a very low level for a long time. During the fourth quarter of 2017, Gothenburg had an office vacancy rate of 5.1 per cent (-0.7 percentage points on an annual basis). About 18,000 m² of office space was completed in 2017. However, a large part of this new office space is already leased. Just over 108,000 m² is currently under construction, mostly in Gothenburg’s CBD, but also in Norra Älvstranden, Mölndal and East Gothenburg. Year-on-year, office rents in East Gothenburg and the CBD have increased, while rent levels in all other districts remain unchanged.

**Apartment and house prices continue to fall**

The most recent period shows that home buyers in the major cities are becoming cautious and increasingly more estate agents are reporting longer sales processes for existing housing stock. Falling housing prices in the major cities have now been confirmed in the slightly longer term as well.

Cooperative-owned apartments have seen the largest price drops over the past 6-12 months. Despite these developments, house prices in the Malmö region have continued to increase on an annual basis. The housing market in the Stockholm region, on the other hand, is experiencing the biggest price drops, followed by Gothenburg. This comes as no surprise as these two metropolitan areas also saw the biggest hikes in housing prices throughout 2016 and the beginning of 2017. It still remains to be seen, however, just how long prices will continue to fall in the metropolitan areas as the housing market stabilises.

**Strong population growth in 2017**

The population continues to exhibit strong growth in the Gothenburg region. At the end of the year, the Gothenburg region had a population of 1,012,569. Population growth from the third to the fourth quarter of 2017 was 3,366 new inhabitants. A birth surplus accounted for about a third of the increase in population, while the remaining two thirds were the result of a migration surplus. Approximately 1,900 new settlers were the result of a migration surplus. About 1,012,569. Population growth from the third to the fourth quarter of 2017 was 3,366 new inhabitants. A birth surplus accounted for about a third of the increase in population, while the remaining two thirds were the result of a migration surplus. Approximately 1,900 newly arrived migrants who were granted residency contributed to the increase in population during the fourth quarter. There are about 5,500 newly arrived migrants in this region who are awaiting decisions regarding their residency status.

During 2017 the Gothenburg region’s population increased by a record-high 15,123 inhabitants (+1.5% on an annual basis), slightly more than the previous record of 15,086 new inhabitants set in 2016. Annual population growth in the Malmö region and the Stockholm region remains strong, with both recording annual growth rates of 1.7 per cent.

**Record year for air passengers and guest nights**

During the fourth quarter of the year, Göteborg Landvetter Airport saw an average of 524,000 air passengers per month (+3.7% on an annual basis). Travel outside Europe shows the strongest growth, although travel within Europe also increased. The year 2017 saw yet another new record when a total of about 6.8 million air passengers travelled to and from the Gothenburg region (+6.0%).

Guest accommodation in the Gothenburg region also improved on the previous year’s record figure. For 2017, some 4.8 million guest nights were registered at the region’s hotels, holiday cottages, camp sites and hostels. Compared with 2016, the figures for 2017 indicate approximately 85,000 more guest nights (+1.8% on an annual basis). Aside from Swedes, guests to the Gothenburg region are most commonly from Norway and Germany, followed by the UK, the USA, Denmark and China. The fourth quarter of 2017 saw an average of about 355,000 guest nights per month (+0.9% on an annual basis).

**Strong closing for new car sales**

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 fourth quarter of 2017 saw strong sales of new cars, recording the highest quarterly figure of the 2000s. This final quarter saw the registration of more than 12,300 new cars in the Gothenburg region (+4.1% on an annual basis).

**Other Indicators**

- **Housing vacancy rate**
- **Price development of flats and houses, February 2018**
- **Population growth per quarter in the Gothenburg region**
- **Table summarising the economic situation in the Gothenburg region**

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*Refers to data for 2018 compared with the same period in 2017.*

Additional 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, Ängelholm, Gothenburg, Härryda, Kungsåra, Kungsbacka, Lerum, Lilla Edet, Mölndal, Partille, Stenungsund, Tjörn and Öckerö. The contact persons for the Economic Outlook Report are Henrik Enarsson, Head of Establishment, and Peter Warda, Analyst. The report and all tables and charts can be downloaded from www.businessregiognl.goteborg.se.