#4
2020

-2.2%
Employment growth

+2.1%-points
Unemployment

93.0
Economic tendency (normal weak)

ECONOMIC OUTLOOK
THE GOTHENBURG REGION

Extra appendix

In-depth analysis within commerce and services

Pages 5-6

BUSINESS REGION GÖTEBORG

SUMMARY

The economic outlook for the Gothenburg region's trade and industry is shifting from recession to a normal, weak situation. However, our indicators show that conditions for the regional economy are still strained. GDP growth in key markets is negative, job growth is continuing to decline and, at the same time, unemployment in the region is rising. Many people have been given notice of termination or been put on the short-time work scheme in the majority of industries. Above all, the pandemic has hit the region's hospitality industry hard. With the government's new guidelines, the region's businesses are facing a difficult period in future, as there is still great uncertainty about when demand may return to more normal levels.

TRADE AND INDUSTRY

Vaccine progress gives economies hope for 2021

The economies of the region's key markets have had a tough 2020. The weighted projections from bodies such as the IMF, OECD and EU are continuing to show substantial reductions in countries' economic growth, of between 3.9 and 10.6 percent. China remains the only exception.

The United States, Gothenburg region's largest export market, is expected to contract by an average of 4.1 percent in 2020. The Nordic countries are also predicted to see a reduction in growth of around 4 to 5 percent. In the remaining important markets for the region, growth is predicted to reduce by more compared to our Nordic neighbours and, above all, growth is expected to slow significantly in the UK and France. The exception remains China, whose economic growth in 2020 is expected to be around 2 percent. Looking at the euro area, growth is expected to slow significantly, with a fall of around 8 percent.

It is still difficult to say to what extent this negative global development will impact the region's trade and industry. However, the decline in the global market has hit demand hard, resulting in significant declines in both turnover and demand for labour. Our export-weighted GDP growth for key markets indicates a decline in growth of 5.3 percent in 2020. In 2021, the countries' economies are expected to bounce back, with an anticipated growth of 4.5 percent. There is some light on the horizon, however, and several vaccine candidates delivering high levels of efficacy have been presented recently. At the moment, countries such as the USA, Germany and the UK are outlining the initiation of mass vaccination, starting in December.

The Swedish economy continues to shrink

The third quarter of 2020 is showing a quarter-on-quarter rebound in the Swedish economy, although in an annual comparison, Sweden's economy is shrinking for the second consecutive quarter. During the third quarter of 2020, GDP increased by 4.9 percent over the previous quarter. This upturn can be explained by an increase in goods exports and household consumption. Compared to the same period in 2019, GDP decreased by 2.5 percent. The forecast for the remainder of this year indicates Sweden will see its GDP contract by 3.5 per cent in 2020, which is clearly better than the average for the EMU.

The economic tendency indicator for Sweden rose in November, but still reflects a weaker situation when compared to normal. Despite the very weak signals from the retail sector in the survey, it was the manufacturing sector that was the primary driver behind the increase. The tendency in the construction sector also improved, with a better outlook regarding future order books. As regards the service sector, the tendency is still in recession, with hotels and restaurants being the sub-sector where the tendency is deteriorating most sharply compared to October. The household outlook indicator points to a more negative attitude towards the economy.

Tendency in the region gears up to a weak normal state

The survey from Sweden's National Institute of Economic Research for the third quarter of 2020 shows that trade and industry in the region is continuing to improve. The current state of the business sector means that companies have switched from experiencing a recession, to feeling a more normal, yet weak situation in the region's economy. For companies in the Gothenburg region, the economic tendency indicator for the third quarter of 2020 was 93.0, still a bit from the next interval of 99 to 101, which indicates that the tendency is 'normal' (see the interval interpretation to the right).

Recovery, yet pandemic hits hard on the hospitality sector

Overall, the region's retail sector (including e-commerce etc.) moved into a normal position during the third quarter, with an economic tendency indicator of just over 106. Sales and profitability have both improved significantly during the most recent quarter. The number of employees in the sector has decreased slightly during the period, but there has been a clear reduction in the proportion of commerce businesses who are not expecting to hire anyone in the next quarter. The retail trade in the region, however, is still finding things tough. For example, pedestrian traffic in central Gothenburg decreased by over a third in the third quarter of 2020, from 12 to 7.7 million compared to the same period in 2019. In November 2020, however, pedestrian traffic in Gothenburg's inner city once again declined to spring levels (-56% at that time), with pedestrian traffic decreasing by around 50 percent.

The service sector in the Gothenburg region is experiencing the third quarter as a difficult period in which to conduct business. The situation has improved somewhat, however, both in terms of demand for services and profitability,

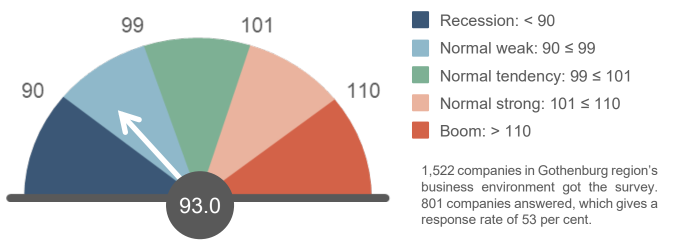
REAL GDP GROWTH – FORECAST 2020-2021 (IN %) FOR SWEDEN AND SOME OF THE GOTHENBURG REGION'S KEY EXPORT MARKETS

Country	Share of region's exports	2020	↗ ⇨ ↘	2021
Sweden*		-3.5%	↗	2.9%
USA	12.9%	-4.1%	↗	3.5%
Belgium	11.9%	-8.5%	↗	5.3%
Norway	10.4%	-3.9%	↗	3.5%
Germany	8.5%	-5.8%	↗	3.7%
China	7.8%	1.9%	↗	7.9%
Denmark	7.6%	-4.4%	↗	3.6%
United Kingdom	6.0%	-10.6%	↗	5.3%
Finland	5.9%	-4.8%	↗	3.0%
Netherlands	4.1%	-6.2%	↗	4.3%
France	3.9%	-9.5%	↗	5.6%
GDP growth for Gothenburg region's top 10 export markets (weighted by export share)	79.0%	-5.3%	↗	4.5%
Eurozone		-7.8%	↗	4.4%
World		-4.3%	↗	4.9%
World trade, goods and services		-10.4%	↗	8.3%

Source: SEB, Swedbank and EU (November 2020), IMF (October 2020) and OECD (September 2020)

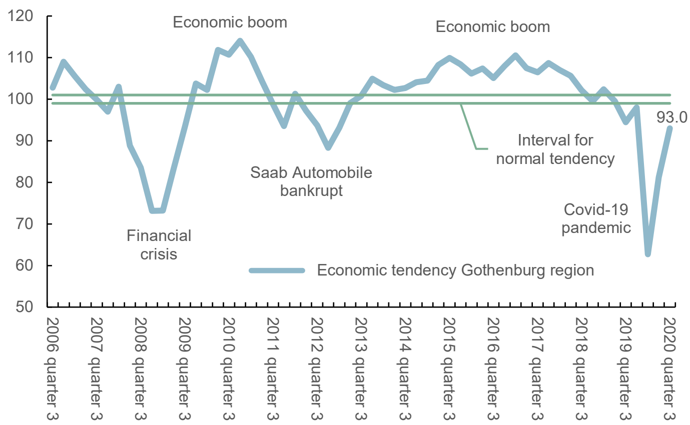
* Average of the five last forecasts in the summary produced by the National Institute of Economic Research based on data from The Riksbank, Swedish National Financial Management Authority, Unionen, SEB and Swedbank.

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



1,522 companies in Gothenburg region's business environment got the survey. 801 companies answered, which gives a response rate of 53 per cent.

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



Source: National Institute of Economic Research

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compared to the previous two quarters of the year. As for service sector employees, 2 out of 5 companies are reporting a slowdown in recruitment during the most recent period. The outlook for the future remains cautiously optimistic, with 1 in 10 service companies predicting that demand for their services will rise in the coming period. Above all, the hotel and restaurant segment is the part of the service sector that has continued to find things tough during the second wave of the pandemic. The region's service sector is still in recession overall, with the economic tendency indicator for the third quarter remaining at just under 89.

Sharpest decrease in job growth in the Gothenburg region

The Covid-19 pandemic is continuing to have an impact on employment during the third quarter, with the strongest decline in job growth being experienced in the Gothenburg region. At the end of the third quarter of 2020, job growth in the Gothenburg region was at -2.2 percent on an annual basis. Just over 552,000 people were in employment, compared with about 565,000 people for the same period the previous year. The decrease in the Gothenburg region was slightly greater than for Sweden as a whole (-2.0% on an annual basis), but clearly greater than the Stockholm region (-0.1% on an annual basis) and the Malmö region (-0.6 percent on an annual basis).

We are still seeing that job growth is mainly decreasing in industries related to the hospitality sector. These include travel, hotels and restaurants, retail trade and personal and cultural services, where sharp declines are seen over the course of the year. But in manufacturing, too, job growth has diminished. Most sectors in the region's business community are currently in a difficult position. With the new guidelines from the Public Health Agency of Sweden, the situation ahead may be at least as tough for trade and industry in the region.

Unemployment rises, yet lowest among metro regions

Unemployment has generally risen sharply right across the country during the Covid-19 pandemic. In November 2020, unemployment was at 7.9 percent in the Gothenburg region (+2.1 percentage points on an annual basis). Approximately 43,400 people are unemployed or in labour market programmes in the Gothenburg region, to be compared with November 2019 when around 30,600 people were unemployed. Unemployment was 8.4 percent (+2.3 percentage points on an annual basis) in the Stockholm region and 11.5 percent (+1.6 percentage points on an annual basis) in the Malmö region. Unemployment for Sweden was 8.7 percent (+1.5 percentage points on an annual basis).

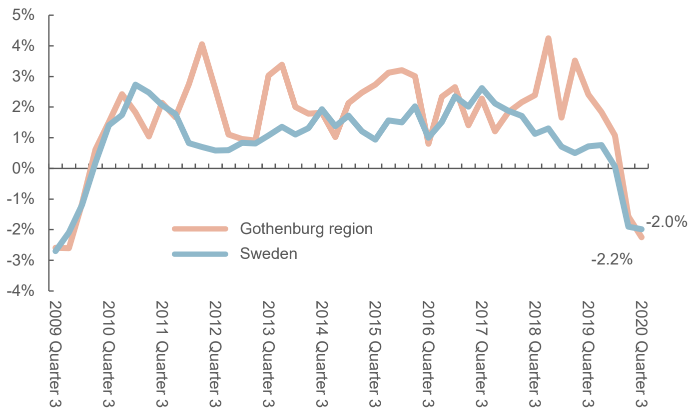
Unemployment has sharply increased in all groups in the region, especially among young people and foreign-born populations. Unemployment levels remain very high among foreign-born populations. In November 2020, unemployment among foreign-born individuals aged 16–64 was 18.5 percent (for Sweden as a whole, the figure was 21.0%). For foreign-born young adults in the Gothenburg region, unemployment was 23.2 percent (for Sweden as a whole, the figure was 25.7%). Unemployment has increased as a result of trade and industry entering a slowdown phase at the start of the year, before being largely paralysed by the Covid-19 pandemic. This development has caused a dramatic drop in demand for labour on the labour market. We maintain our previous assessment that unemployment will remain at this high level, at least until the end of the second quarter of 2021.

Redundancies stabilise, yet at a new higher level

During the period August to October 2020, an average of just over 4,400 new job vacancies for permanent positions in the Gothenburg region were advertised each month. Compared to the same period the previous year, this means that new job vacancies are continuing to fall, in this period by about 31 percent. 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).

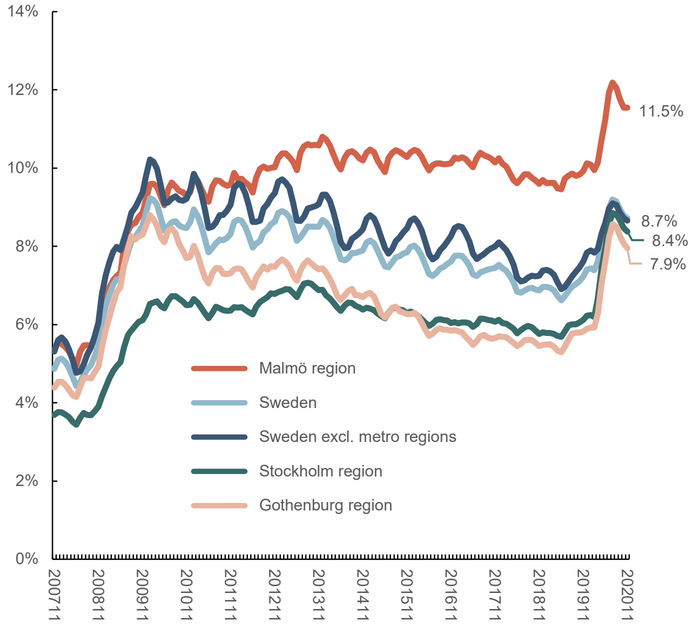
During the ongoing Covid-19 pandemic, we have witnessed record growth in redundancy numbers in the Gothenburg region, especially during the second quarter. There has been some stabilisation during the period August to October 2020, although the level has stabilised at a new, higher level than before. The average for the period is 536 lay-offs per month (an increase of approximately 73% on an annual basis). Redundancies for the most recent period are thereby clearly higher than the median for the 2000s, of 318 lay-offs per month. Many companies have announced lay-offs and the number of people given notice of termination since March 2020 is now just over 13,700. There are still many people who have been placed on the short-time work scheme, which has mitigated the increase in the number of lay-offs. Up until 1 December 2020, 138,000 people have been or are still on the short-time work scheme in Västra Götaland. Our previous assessment, that lay-offs will be at a higher level than normal for some time to come, still applies.

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



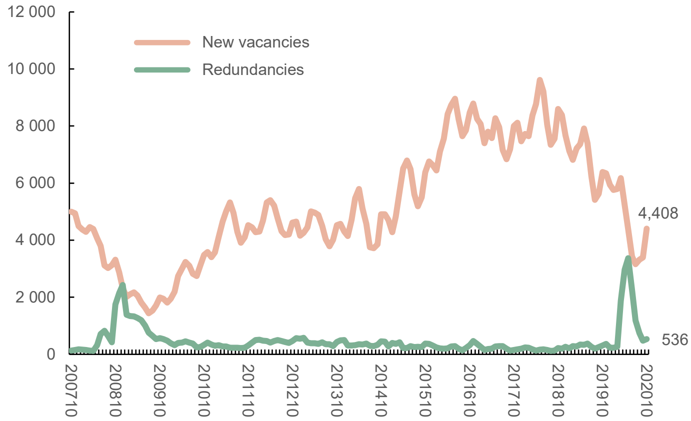
Source: Statistics Sweden

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 GOTHENBURG REGION - THREE-MONTH ROLLING AVERAGE



Source: Swedish Public Employment Service

OTHER INDICATORS

Office vacancy rate increases during Covid-19 pandemic

JLL's property market data for the third quarter shows an increase in the vacancy rate for office space in Gothenburg. In the third quarter of 2020, Gothenburg recorded 8.1 percent office vacancies, which is clearly higher than the second quarter and almost 3 percentage points higher on an annual basis. The biggest increases, on an annual basis, are seen in eastern and western Gothenburg and Mölndal, although an increase is also seen in the city's central areas. No new office space was completed during the third quarter of 2020. Around 210,000 m^2 is under construction for completion in 2020–2022, mostly in Other Inner City (Gårda, Masthugget and Kallebäck), but also in Norra Älvstranden, Mölndal and in the Central Business District (CBD). Office rents, on an annual basis, only increased in the CBD, with rent levels in other districts remaining unchanged (refers only to prime rents).

Housing prices continue upwards

Valueguard's November housing price survey for October 2020 shows that housing prices continue to increase. In October 2020, flat prices in Gothenburg rose by 3.2 percent on an annual basis, while flat prices in Stockholm increased by 5.7 percent year-on-year. The greatest increase in flat prices, though, was seen in Malmö (+8.1% on an annual basis). In the shorter term, 1–6 months, prices are increasing in all three metropolitan municipalities.

When it comes to house prices, the strongest growth was seen in the Malmö region (+14.5% on an annual basis), followed by the Stockholm region (+14.1% on an annual basis). The corresponding figure in the Gothenburg region was an increase of 9.6 percent on an annual basis. If we look at developments in a slightly shorter term, 1-6 months, here too there is an increase in housing prices in the three metropolitan regions (the exception is the Malmö region, where house prices are falling marginally month-on-month).

Still surprisingly few bankruptcies in the region

In the period January to October, bankruptcies are only marginally higher compared to the same period in 2019 (note that the "second wave" of the pandemic only commenced at the end of October). The bankruptcies have mainly been among small retail businesses, as well as in other sectors such as business services, construction, and hotels and restaurants. In the month of October, 47 companies were declared bankrupt. Since the beginning of 2020, compared to the same period in 2019, there were only 6 more bankruptcies in the Gothenburg region, corresponding to an increase of approximately 1 percent. Just over 3,000 employees in the region have been directly affected by their employers being declared bankrupt, most of them in March and April.

Continued tough times for the hospitality sector

During the period August to October 2020, Göteborg Landvetter Airport saw an average of around 103,500 air passengers per month (-83.2% 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. Developments in the most recent period (August-October) show that Göteborg Landvetter Airport has had approximately 1.5 million fewer air passengers compared to the same period in 2019. The entire transportation sector, in particular aviation, is still facing a difficult recovery period ahead, largely due to how people's travel preferences change during and after the pandemic.

In the previous economic report, we witnessed a large decrease in guest nights spent in the region during the second quarter of the year. We are now seeing that this decrease in the number of guest nights spent at the region's hotels, hostels and campsites, although not as dramatic, is continuing into the third quarter. In particular, there are significant reductions in guest nights by foreign visitors. The third quarter of 2020 saw, an average of just over 287,000 guest nights per month, corresponding to a decrease of around 50 percent. The situation could have been worse for the region's accommodation, but more guest nights spent by Swedes reduced the decrease to some extent. In terms of occupancy rates (which refer only to hotels) in the Gothenburg region, the reductions eased slightly, from a decrease of just over 80 percent in April-May 2020 to a decrease of just over 50 percent in September-October 2020. However, occupancy rates decreased again in November, and fell by more than 70 percent.

New car sales fall, yet the situation is better than before

Trends in the consumption of durable goods, such as the number of newly registered cars, is an important indicator when assessing the state of private economy. The trends seen in the most recent period shows that new car sales are continuing to fall, although not as steeply as before. The third quarter of 2020 saw the registration of just over 8,300 new cars in the region (-3.9% on an annual basis). Around 2,900 new cars were sold in October 2020, which is still a pretty good sales figure for this particular period.

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

Housing type	City / region	1 M Sep 2020-Oct 2020	3 M Jul 2020-Oct 2020	6 M Apr 2020-Oct 2020	12 M Oct 2019-Oct 2020
Flats	Gothenburg	0.8%	2.4%	5.2%	3.2%
	Stockholm	0.8%	3.9%	7.1%	5.7%
	Malmö	0.9%	4.4%	8.6%	8.1%
	Sweden	0.9%	3.3%	6.8%	5.9%
Houses	Gothenburg region	2.4%	6.5%	9.8%	9.6%
	Stockholm region	1.6%	5.8%	11.8%	14.1%
	Malmö region	-0.1%	5.2%	11.2%	14.5%
	Sweden	1.6%	5.1%	10.8%	13.3%

Source: Valueguard

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

	2019	2020				
Sector	Jan-Oct	Q1	Q2	Q3	Oct	Jan-Oct
Commerce	114	36	42	37	9	124
Business services	95	29	38	27	5	99
Construction	87	30	28	29	7	94
Hotels and restaurants	50	17	22	11	6	56
Transportation	27	10	8	10	4	32
Manufacturing and mining	33	6	9	7	4	26
Personal services	20	7	9	6	1	23
Information and communication	26	10	5	3	1	19
Health care and care	9	4	5	0	0	9
Financial services and insurance	12	3	1	3	1	8
Other sectors	128	55	36	17	9	117
Gothenburg region total	601	207	203	150	47	607

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, Q3	93.0	94.5	-1.5 units
People in employment, Q3	552,200	564,900	-2.2%
Unemployment, November			
Total 16-64 years	7.9%	5.8%	+2.1%-p.
Domestically born 16-64 years	4.7%	3.0%	+1.7%-p.
Foreign-born 16-64 years	18.5%	15.6%	+2.9%-p.
Total 18-24 years	9.6%	6.6%	+3.0%-p.
Domestically born 18-24 years	7.0%	4.2%	+2.8%-p.
Foreign-born 18-24 years	23.2%	21.1%	+2.1%-p.
Job vacancies, Aug – Oct (monthly average)	4,408	6,385	-31.0%
Redundancies, Aug – Oct (monthly average)	536	310	+72.9%
Vacancy rate for offices in Gothenburg, Q3	8.1%	5.3%	+2.8%-p.
Population, Q3	1,048,389	1,039,511	+0.9%
Number of bankruptcies, Jan – Oct	607	601	+1.0%
New car registrations, Q3	8,319	8,655	-3.9%
Air passengers, Aug – Oct (monthly average)	103,498	617,256	-83.2%
Guest nights, Q3 (monthly average)	287,594	570,780	-49.6%

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.

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, Analyst. The report and all tables and charts can be downloaded from www.businessregiongoteborg.se.

Economic tendency within commerce in the Gothenburg region

What is included in commerce?

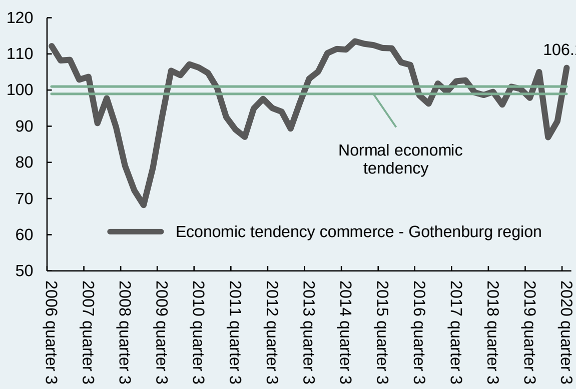
Commerce include companies within wholesale, daily goods sales and durable goods sales, as well as e-commerce.

Survey period for companies during the third quarter 2020 has been September 30 to October 20, 2020. 384 commerce companies got the survey, 204 answered, response rate: 53 per cent.

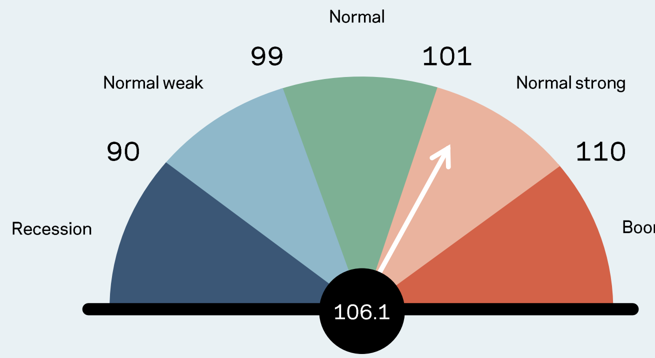
When is the survey conducted?

Source: National Institute of Economic Research

Economic tendency for commerce over time

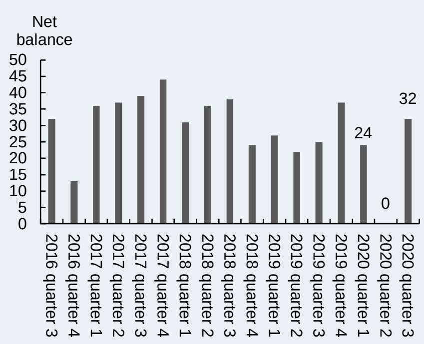


Current tendency for commerce

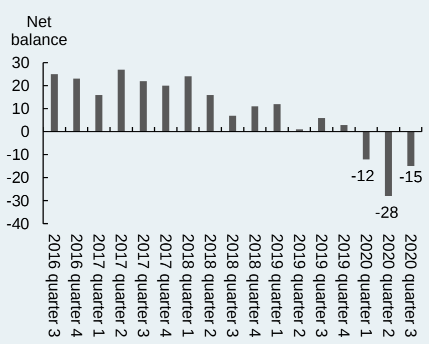


Result last quarter

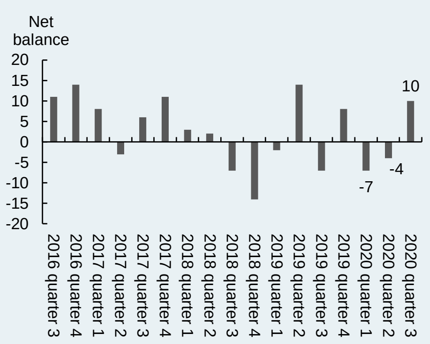
Sales volume



Number of employed

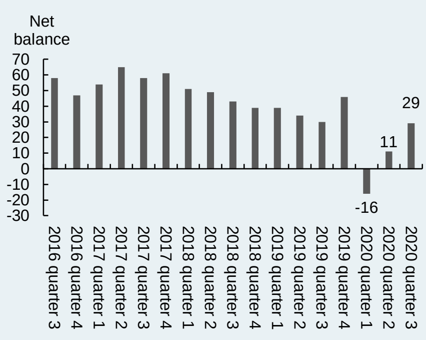


Profitability

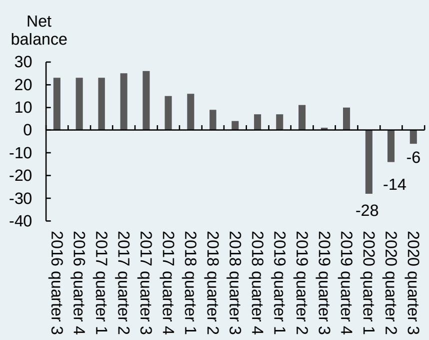


Expectations coming quarter

Sales volume



Number of employed



BUSINESS REGION GÖTEBORG

Economic tendency within services in the Gothenburg region

What is included in services?

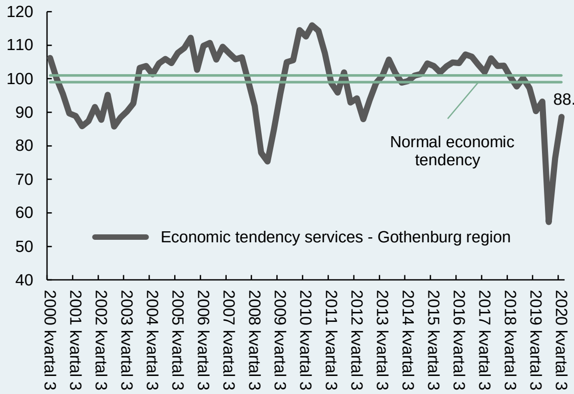
Services comprises all services from the private sector such as transportation, hotels and restaurants, business services, information and communication, property, financial services and insurance and cultural and personal services. Services from the public sector are not included.

When is the survey conducted?

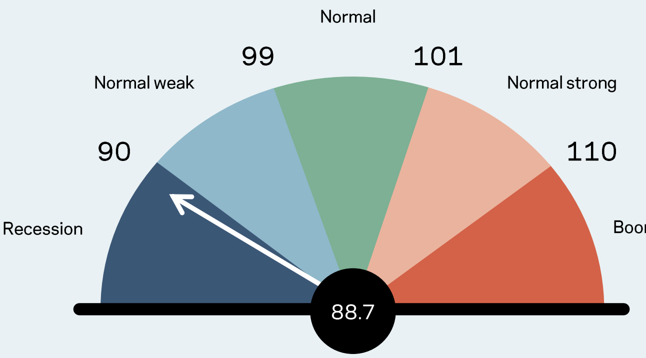
Survey period for companies during the third quarter 2020 has been September 30 to October 20, 2020. 770 services companies got the survey, 386 answered, response rate: 50 per cent.

Source: National Institute of Economic Research

Economic tendency for services over time

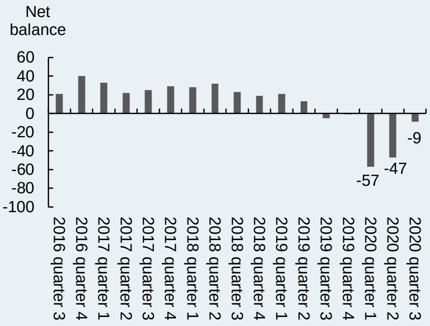


Current tendency for services

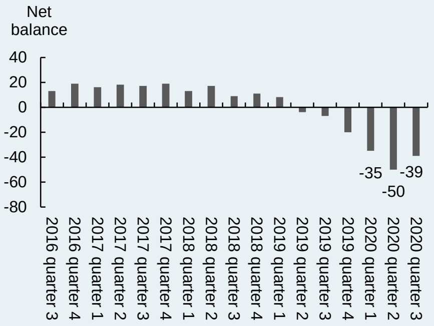


Result last quarter

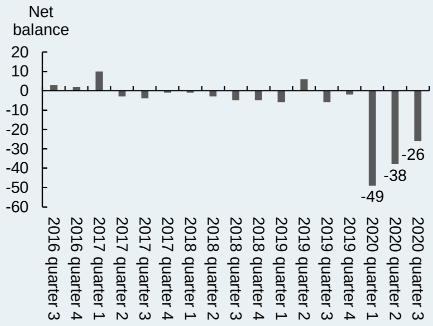
Demand for services



Number of employed

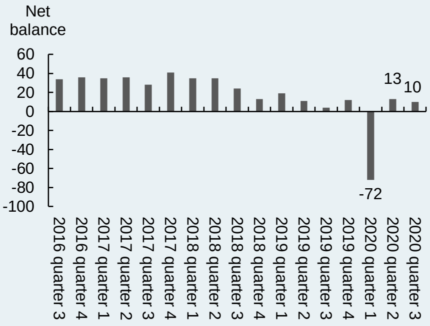


Profitability

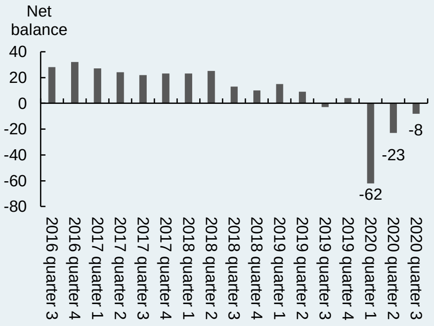


Expectations coming quarter

Demand for services



Number of employed



BUSINESS REGION GÖTEBORG