



PRESS RELEASE

DATE: 21/03/2016
NO: 6
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■ **The Riksbank's Business Survey: Strong domestic demand but difficult to raise prices**

Swedish companies are now more optimistic about the economic situation than they were in the autumn. But despite an ever-stronger economic situation, many companies are finding it difficult to further increase their prices. This is revealed by the Riksbank's February 2016 Business Survey.

Above all, it is demand in Sweden that is driving development and increasing sales in the retail and construction sectors, and part of the service sector. But despite a strong economy, retail companies in particular expect prices to continue to develop slowly in the period ahead. This is mainly due to import costs no longer rising while competition has also become tougher. An example of the latter is the fact that it has become more common for companies to offer their customers discounts.

Parts of the export industry are still being affected by uncertainty surrounding global demand. The energy and commodity sectors are particularly weak. However, the rest of the export industry is benefitting from a slow but stable increase in demand in Europe.

The February survey features a more detailed study of the significance of the interest rate for companies' investment decisions. It shows that internal interest rates used in investment calculations are relatively unaffected by the general interest rate level. Accordingly, the direct connection between the interest rate level and its effect on investment decisions is weak for the majority of companies. At the same time, companies indicate that a lower level of interest rates is positive for general demand and benefits sales.

Three times a year, the Riksbank interviews the largest companies in the construction, retail, manufacturing and part of the service sectors. Representatives of 43 companies with a total of approximately 260,000 employees in Sweden were interviewed this time. The interviews were mainly held between 11 and 29 February and are presented in the Riksbank's Business Survey.