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The Riksbank's Business Survey: Low price increases despite high level of economic activity

The major Swedish companies are still optimistic about the economic situation and consider that the risk of a deterioration in economic activity has diminished. Despite this, price increases are expected to be low in the year ahead. This is revealed by the company interviews conducted by the Riksbank in May.

“The level of economic activity is high, no doubt about it”

There is still a high level of economic activity in Sweden and the construction sector in particular is at full throttle. The export companies previously hit by the falls in energy and commodity prices are now starting to recover while demand in Europe is rising and providing better sales and profitability. The risk of economic activity deteriorating is deemed to have decreased and companies do not think that the United Kingdom's imminent referendum on EU membership will change this picture.

“It's becoming more difficult to find the right skills”

Companies in an increasing number of sectors report that it has become more difficult to recruit highly skilled specialists. Salaries for these groups are starting to drift upwards although total salary costs are not rising to any great extent as the availability of less skilled personnel is still good.

“Our current focus is trying to avoid paying for liquidity”

As a result of bank deposit fees and the negative deposit rate, companies with large amounts of cash are trying to reinvest their liquidity so as to avoid these new costs. Only a few companies are therefore paying for their bank deposits.

“We cannot be too expensive for our customers”

Last year's price rises in the retail sector were largely due to the increase in purchasing costs caused by the strengthening US dollar. Now, companies' plans to raise prices in the year ahead are once again very restrained. In a longer perspective, companies think that greater transparency due to the growth in eCommerce and digitalisation will increase competition. This makes it difficult to raise prices.

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 275,000 employees in Sweden were interviewed this time. The interviews were mainly held between 2 and 23 May and are presented in the Riksbank's Business Survey. The quotes above are from the interviews.