



The design of the Riksbank's company surveys

The main purpose of the Riksbank's company survey is to obtain in-depth information on how the companies view the current economic situation and how they intend to act on the basis of the present conditions. This information thus supplements the other material used by the Riksbank as a basis for monetary policy decisions. The company sample, as well as the questions asked in the interviews, is adjusted to the issues that are important to monetary policy on different occasions. The sample is thus not typical for the business sector as a whole. The interviews are carried out by experienced economists at the Riksbank prior to the compilation of each Monetary Policy Report, that is, three times a year.

Structured in-depth interviews

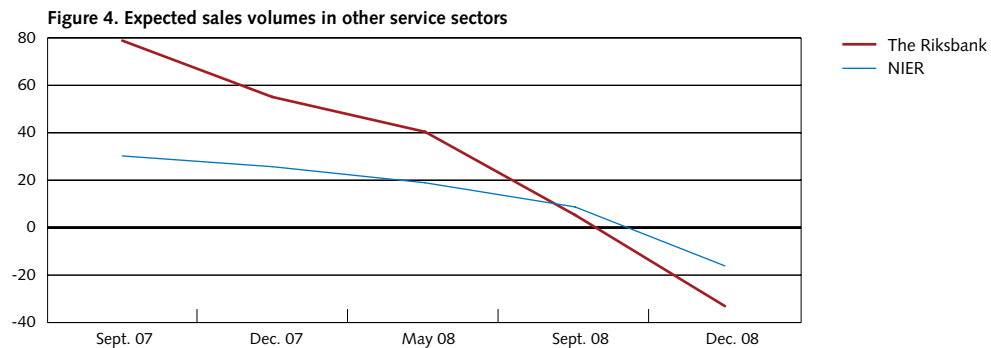
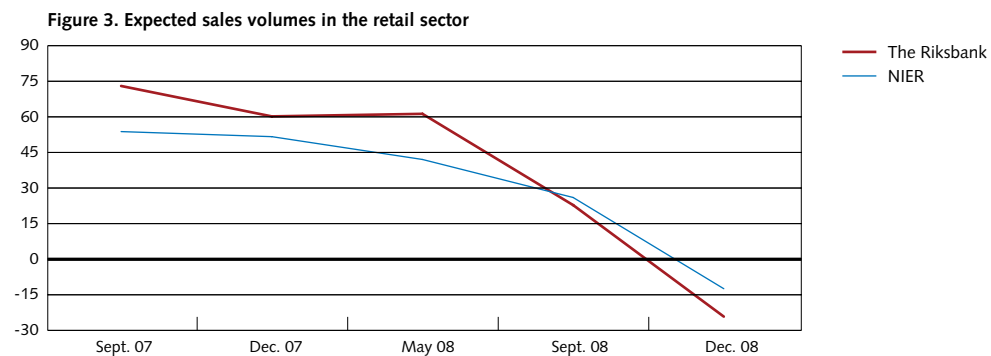
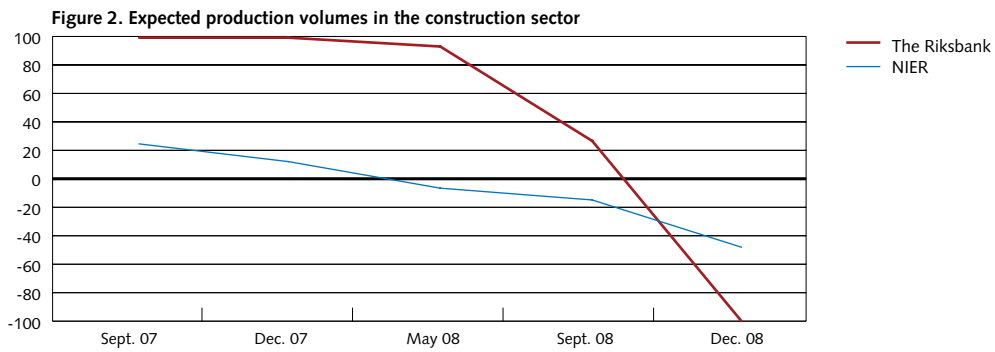
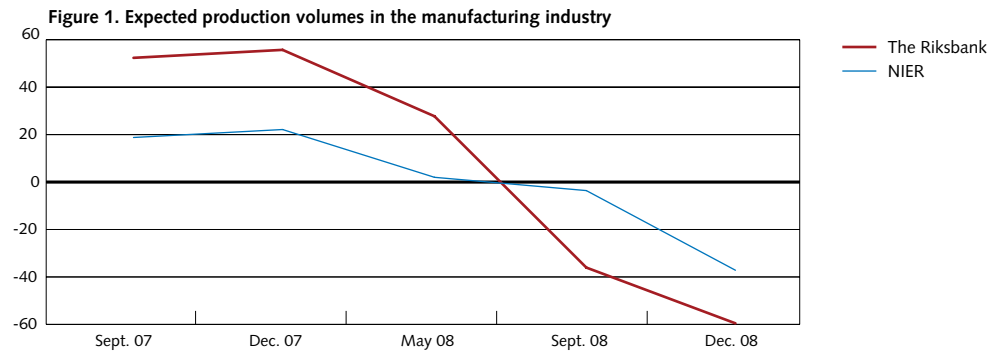
The survey is conducted with the aid of "in-depth interviews", that is, an open form of discussion adjusted to each company's specific situation. At the same time, the interviews are structured as they are conducted with the aid of interview guides adjusted to the respective branch and sector. The interview guides contain a number of specific questions on companies' views of the economic situation, production, employment, price trends, and so on. The specific questions are simple in that we normally ask the companies to select one of three alternative responses – that something has improved/increased, remained unchanged, or deteriorated/declined (see page 5). After the company management has responded to these questions we ask them to expand on their responses through a number of follow-up questions. These follow-up questions comprise an important part of the interviews, as the main purpose of the survey is to obtain information on how the companies perceive the current situation and how this affects their planning.

Few companies, but reasonable results

The number of companies in each survey is limited to around 60. This number provides the opportunity to include enough companies to obtain a relatively good picture of developments in the four sectors we primarily aim to follow. The interviews are therefore broken down into around 20 companies in the manufacturing sector, around 5 in the construction sector, around 15 in the retail trade and around 20 in other services. This breakdown does not reflect the business sector as a whole, but entails an under-representation for other services and an over-representation for the other sectors compared with the respective sector's share of the value added in the economy. The over-representation for the retail trade is justified by the fact that we are primarily interested in developments in consumer prices. The justification for the manufacturing and the constructions sector is our interest in cyclically-sensitive parts of the economy.

We describe below some comparisons showing that the survey appears to capture the same tendencies as the National Institute of Economic Research's Economic Tendency Surveys, although the change from economic upturn to economic downturn is more clearly visible than in the latter surveys. This applies in general and in particular to the construction sector.¹

¹ There may be several explanations as to why the net figures appear larger in the Riksbank's surveys than in the National Institute of Economic Research's surveys. One is that the Riksbank's survey primarily reflects the situation in large and medium-sized companies and groups. This could mean that the spread of the responses may be less if the larger companies tend to develop in a similar manner. Moreover, if the number of companies interviewed in one sector is small, the net figures may be very large. However, a general change in economic activity will affect the whole sector, including the large companies, which can be expressed in the form of a rapid change in the net figures.



Source: The Riksbank's company surveys (question 2b, weighted result) and the National Institute of Economic Research's monthly Economic Tendency Survey.

Note. The net figures represent the balance between the percentage of companies that reported an increase and those that reported a decrease for a particular question. For example: 40% of the companies state that production volumes have increased and 10% that they have declined (50% state that they have remained unchanged). The net figure in this case is 30 (40-10=30).

Although the quantifications play a relatively subordinate role in this survey it is interesting to note that with a very limited sample we succeed in capturing the same tendencies as the National Institute of Economic Research's much larger Economic Tendency Surveys.² This increases the credibility of the conclusions we draw, despite the fact that the quantifications are primarily used as a background when compiling the much more detailed information from the interviews. Some of this information comprises comments from companies regarding demand from other sectors. As many companies have a broad interface with other sectors, they often provide valuable comments that are not reflected in quantifications like that above. This information is included in the analysis of the development of the different sectors.

Criteria for the company selection

The sample of companies in the respective sectors is based on a combination of several criteria. The relative size of the different branches and their cyclical sensitivity, the aim to reflect price pressures in the Swedish economy and our endeavour to concentrate the interviews to larger companies are central variables. In addition, we also aim to gradually increase our knowledge of less cyclically-sensitive branches by visiting them at longer intervals. Since the surveys began in 2007 we have visited around 200 different companies.

With regard to price trends, the retail trade is central, but branches in earlier stages of the process, such as the food industry, are also important as developments in an earlier stage can reduce or reinforce price pressures in the retail trade. By including several stages we increase our knowledge of how price changes spread from branch to branch of the economy through companies' agreements and through price negotiations. One advantage of this structure is that it facilitates the interpretation of the information we collect. For instance, it is easier to assess the probable outcome of a price negotiation if we have the opportunity to speak to both parties.

Correspondingly, we have chosen to follow other interdependencies. In addition to the food industry and the retail trade, for instance, we also follow the construction and property sectors (timber industry, house manufacturers, construction companies, property companies and estate agents) as well as the motor vehicle industry and car trade.

Companies with around 275,000 employees

The larger companies are of course particularly interesting since they often have a decisive significance for the development of the economy due to their size. We have therefore chosen to include around 15 of the largest companies in each survey, which means that they comprise a relatively stable part of the surveys. As the contacts with these companies have been cultivated, we have chosen in some cases to carry out interviews by telephone instead of through personal visits. The total number of persons employed in the Swedish parts of the companies has varied around 275,000 persons in the most recent surveys.

Varying branches

Most of the remaining 45 or so companies are replaced in the next survey by other companies in the same branch. In this way the larger branches are included in each survey. However, the composition varies for smaller branches. With regard to the smaller branches we include in a survey, we normally visit three companies to reduce the risk of our results being dominated by

² The National Institute of Economic Research's monthly Economic Tendency Surveys include around 4,000 companies.

individual or company-specific responses.³ Limiting the sample to 60 interviews per survey thus does not give scope to include all of the smaller branches on each occasion. Of course, this variation in the sample does reduce the comparability of the different surveys. However, we have chosen to accept this disadvantage, as the primary purpose of the survey is not to build up comparable time series.

Questions of relevance to monetary policy

The branch sample may also be affected by the questions that are most relevant to monetary policy on the different occasions. For example, the risk of contagion effects from rising commodity prices was an important issue during a large part of 2008. For this reason we included in the September 2008 survey a number of companies in the chemicals industry as well as the rubber and plastics industry to increase our knowledge of how rapidly rising oil prices affect, for instance, the prices of plastic-manufacturing companies and ultimately the consumers through the prices charged in the retail trade.

Contacts with the companies

The contact with a selected company begins with a letter from the Riksbank Governor requesting that the company takes part in the survey. The next stage is that the respective interviewer contacts the company by telephone and agrees a time for a visit lasting around one hour. After the interviews have been held and the results have been compiled a report is published on the Riksbank's website. This report is sent to all of the companies involved together with a thank-you letter. The non-response rate in the survey has been low. In the three most recent surveys the non-response rate has amounted to two companies per survey.

The position held by the person or persons in the company management interviewed by the Riksbank varies somewhat from company to company. However, it is most common that the interview is with the company's chief accountant or managing director, and in some cases both are present.

An overwhelming majority of the companies have also been very obliging with regard to answering questions that can be regarded as sensitive. A condition for this is that the Riksbank treats the company-specific information as confidential. Nor do we mention which companies have been included in the surveys.

National perspective but international companies

One distinguishing feature of the Swedish business sector is that many large companies are part of international groups. This is most common in the manufacturing industry, although it does also occur in other sectors. It is first and foremost the development of the Swedish economy that is relevant to the Riksbank's monetary policy, although international tendencies are also important as they have a strong repercussion on the Swedish economy. For this reason we ask the companies to primarily consider the companies' Swedish parts when answering the questions during the interview. For the same reason we use the number of employees in Sweden when weighing together the results.

³ With regard to some branches with many smaller companies, in December 2008 we chose to interview the relevant trade organisation combined with one company in the respective branches.

Extract from the interview guide for the manufacturing sector⁴

- 1 a) What is your assessment of the current economic situation for your company?⁵
Good... *Satisfactory...* *Poor...*
- b) What is your assessment of the economic situation for your company in six months' time?
Better... *Unchanged...* *Worse...*
- 2 a) How has the production volume developed over the past three months compared with the previous three months (seasonally adjusted)?
Increased... *Unchanged...* *Decreased...*
- b) How do you expect the production volume to develop over the coming three months compared with the previous three months (seasonally adjusted)?
Increase... *Unchanged...* *Decrease...*
- 3 a) How have orders developed over the past three months compared with the previous three months (seasonally adjusted)?
Increased... *Unchanged...* *Decreased...*
- b) How do you expect orders to develop over the coming three months compared with the previous three months (seasonally adjusted)?
Increase... *Unchanged...* *Decrease...*
- 4 a) How has employment developed over the past three months compared with the previous three months (seasonally adjusted)?
Increased... *Unchanged...* *Decreased...*
- b) How do you expect employment to develop over the coming three months compared with the previous three months (seasonally adjusted)?
Increase... *Unchanged...* *Decrease...*
- 5) How does the company currently view the capacity to manage an (unexpected/expected) increase in demand?
No problems... *Some problems...* *Major problems...*
- 6 a) How much do you expect wage costs (including employer's contribution) to increase during the next calendar year?⁶
Increase more than before... *As much as before...* *Increase less...*
- b) What is your assessment of the wage drift (i.e. wage increases over and above central wage agreements) for the next calendar year?
Increase... *Unchanged...* *Decrease...*

⁴ The other interview guides are very similar except that questions regarding orders and investment are only put to the manufacturing sector and that question number five (regarding capacity limitations) is replaced in the other guides by the question of whether the company has a shortage of labour.

⁵ The questions regarding the economic situation were introduced with effect from the survey in May 2008.

⁶ The questions regarding the development of wage costs and wage drift were introduced with effect from the survey in May 2008.

- 7) How do the company's investment plans for the coming six months look (compared with the previous six months)?
Increased... *Unchanged...* *Decreased...*
- 8) How has the company's access to external funding changed over the past quarter?⁷
Improved... *Unchanged...* *Worsened...*
- 9) What is your assessment of profitability at present?
Good... *Satisfactory...* *Poor...*
- 10 a) How have you changed your sales prices over the past year (twelve months) compared to the preceding year?
Increased more than before... *As much as before...* *Increased less...*
- 10 b) How will you change your sales prices in the year ahead (twelve months) compared to the preceding year?
Increase more than before... *As much as before...* *Increase less...*
- 11) If you were to assess how productivity (level) has developed in your company recently, for instance, the past six months compared with the previous six months, what would you say?
Fallen... *Unchanged...* *Risen...*
- 12) How quickly does a change in the exchange rate have an impact on your sales prices?⁸
0-3 months... *3-6 months...* *6-12 months...*

⁷ The question on access to external funding was introduced with effect from the survey in September 2008.

⁸ The question regarding the impact of exchange rate changes was introduced in the survey in December 2008.