

The Riksbank has made a survey of companies in the Swedish business sector to obtain in-depth information on the companies' views of the situation in the economy. This current survey is the first in a series of studies the Riksbank plans to carry out prior to each Monetary Policy Report. The survey supports the view that the economy is currently developing in a stable manner and that price pressures are increasing. The results show, for instance, that companies are clearly satisfied with profitability growth. This is in turn primarily due to the good demand situation in the economy and the high production rate. At the same time, companies state that they are recruiting more employees. There is a shortage of labour, but this does not appear to be general, rather concentrated to certain professional groups. The majority of those responding state that prices have increased more than normal over the past year and that this tendency is expected to continue next year. The primary causes of the price increases are various types of cost increase, including higher commodity prices, and a favourable economic climate. Food producers and the retail trade respond unequivocally that prices of staple foods in particular will rise as a result of more expensive commodities.

Purpose of the survey

The Riksbank aims to carry out a survey among companies in the business sector prior to the publication of each Monetary Policy Report, that is, three times a year. The main purpose of the survey is to obtain in-depth information on how the companies plan and act under the present economic conditions. Another purpose is to increase the Riksbank's knowledge of the conditions for companies and sectors in the business sector in general. The results of the survey thus supplement other statistical sources and methods used by the Riksbank. However, there are limits as to how the results can be generalised, as the number of companies interviewed is relatively small and is not representative for the business sector as a whole. The advantage of carrying out in-depth interviews is instead the fact that they provide a large amount of detailed information about how the companies act in the current economic circumstances. It should also be possible over time to distinguish different patterns of action among companies that are specific to particular economic conditions. An analysis of these patterns could also improve the possibilities for interpretation of the general statistics. These patterns are not easy to classify but are valuable to the Riksbank in building up knowledge about the companies' situation and behaviour.

Similar surveys by central banks in other countries

Some other central banks around the world carry out their own company surveys, including those in Norway, New Zealand, Switzerland, the United Kingdom and the United States. The central banks have different motives for carrying out these surveys and the scope of the surveys also varies. In some cases the central banks gather in detailed statistics in a similar scope to, for instance, the Swedish National Institute of Economic Research's Economic Tendency Surveys. In other cases the emphasis in the survey is on obtaining supplementary and in-depth information from the companies. The central banks usually report summaries of their respective surveys. Perhaps the most well-known survey is the so-called Beige Book in the United States, which is carried out by various regional districts prior to each monetary policy meeting in the Federal Reserve's Federal Open Market Committee, FOMC. The results of the survey provide part of the base for the decision and a summary of the survey is published prior to each meeting.

Around 60 companies interviewed in the autumn survey

Personnel from the Riksbank interviewed around 60 companies and professional organisations during week 34 to week 38 (20 August – 23 September). The selection of companies is not representative for the entire business sector in that the emphasis in the survey is on large and medium-sized companies. Together the interviewed companies employ just over 200,000 people in Sweden, approximately 8 per cent of the total number employed in the business sector. In most cases the interviews were carried out on site at the company with representatives of the company and took around one hour. Those interviewed have answered questions on how they view the company's current situation with regard to, for instance, production, employment and prices (see Table B2).

Table B2.
The main questions put to the companies in the different sectors

	Manufacturing	Construction	Retail trade	Private services
Production/sales	X	X	X	X
Employment	X	X	X	X
Capacity utilisation	X			
Labour shortages		X	X	X
Investment plans	X	X		
Profitability	X	X	X	X
Competitive situation			X	X
Price developments	X	X	X	X

Note. X denotes that the question has been put to the companies interviewed in this sector
Source: The Riksbank

Expansion in all areas of the business sector

All in all the results of the interviews indicate that the business sector in Sweden is currently in a broad expansionary phase, where both production and employment are increasing. At the same time there are also tendencies for companies to continue raising their prices more than is normal.

In all four of the sectors surveyed (manufacturing, construction, retail trade and private services) the companies responded that both production/sales and employment are increasing at the same time as prices are rising more than is normal. It is mainly companies in the construction sector who respond unequivocally that activity is currently high. The construction companies also state an increasing shortage of labour and have therefore begun to employ persons outside of the groups they traditionally recruit from. The manufacturing, retail trade and private services sectors do not state that labour shortages are a general problem, although there is a shortage of persons with specialist competence such as IT-specialists, qualified engineers, economists, managers and others. In general, the companies, including the staffing/recruitment companies the Riksbank has interviewed, consider that it is possible to obtain most categories of labour but that it currently takes longer than was previously the case. Some companies are concerned over the access to labour in the long term and envisage problems with the dimensioning of the educational system in relation to expected needs within certain professional categories.

Rising steel prices have raised costs

Some companies in the engineering industry are very satisfied with developments in both production volume and profitability. These companies also have in general very limited possibilities to further increase manufacturing capacity. The large growth in demand has led to increased employment, although there are at the same time plans to rationalise operations and in the longer term to reduce the number of employees. It has also been possible in several cases to raise prices to better adjust demand to supply and prices have also increased more than is usual.

Other branches of the manufacturing industry have experienced a lower growth in volume and also noted greater pressure on prices and weaker profitability growth. In addition to the weak growth in volume, rising commodity prices have also been a dampening factor on profitability. Many of the commodities used in industrial production have risen substantially in price in recent years. The companies state that it is the prices of various metals, primarily stainless steel, which have led to cost increases that have influenced profitability. In some cases the SEK/USD exchange rate has affected profitability. This applies mainly to companies who have their main income in dollars.

Within the construction sector the cost of building materials has increased and this has also had consequences for profitability. Construction companies state that they could increase profitability further by increasing efficiency. They have also wanted to raise prices to a greater extent than has been possible given the construction boom. Although it has been difficult to obtain labour, wages have not risen more than expected, according

to the construction companies, and wage growth has been relatively moderate during this economic boom. One fact that may have contributed to holding back wage growth in the construction sector is that more foreign construction companies and more foreign labour have entered the construction sector.

Companies consider continued productivity increases are possible

The recent slowdown in the economy's labour productivity, which was reported in the National Accounts statistics, was also discussed with the companies. Few companies considered the situation of a slower rate of increase in productivity to be familiar. Most of the manufacturing companies reported continued high growth in productivity and several saw considerable potential to further increase productivity through rationalisation and new investment.

Manufacturing companies thus consider they have relatively good opportunities to face increases in wage costs with measures that increase productivity so that costs do not rise further. The situation for service companies is usually different and it is these companies that are more concerned over the development of wage costs. It is in the most labour-intensive sectors that the increasing wage costs are expected to lead to higher prices as the opportunities to increase productivity are relatively small. Nevertheless, companies in general appear to consider it possible to manage increased costs, primarily due to a strong development in demand in the economy.

One possible reason for lower productivity growth, which was stated in particular by service companies, is that the rapid increase in employment means that relatively inexperienced personnel have been employed and these are initially less productive than their colleagues. Another possible explanation is that the high activity among companies has made it necessary to expand administration and other peripheral services, which may temporarily push down the productivity growth rate measured.

Higher food prices expected as a result of increased international demand

Companies in many sectors stated that it was difficult to raise their prices because of stiff competition and because customers would find it difficult to accept higher prices. Other sectors found it easier to implement price increases, primarily due to high demand. The clearest signals of future price increases given by companies in the interview survey regarded food prices. Both food producers and companies in the retail trade pointed out that commodities such as milk, grain and meat had risen in price and that this would push up production costs and ultimately also prices of certain non-durables in the shops. The higher prices were considered to be due to international factors, primarily increased international demand. According to the companies interviewed, European producers have also notified that substantial price rises on non-durables are on the way, for the same reasons. The companies did not believe that the supply of commodities could be increased in the short term or that it was possible to find other sub-contractors.