

PRESS RELEASE

DATE: 27 March 2020
NO.: 16
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The Riksbank's Business Survey: "Everything has changed in two weeks"

The coronavirus pandemic has had a substantial effect on large companies and the situation has deteriorated extremely rapidly. Companies are affected on three different fronts: through disruptions to production, reduced demand and financing difficulties. This is the conclusion from the interviews the Riksbank held with major companies in recent weeks.

"It started out as a supply problem, now it's a demand problem"

Last week, parts of the manufacturing industry began closing factories in Sweden. This was not so much because there were problems obtaining goods from China. Production there has begun to pick up again. It was rather due to the restrictions in parts of Europe that prevent staff getting to their workplaces and to closed borders that prevent transports. The manufacturing industry is also postponing investments and plant maintenance, partly to keep costs down. This will have further effects on the economy in that sub-contractors will lose income.

Several consumer-related retail and services companies point out that the changed consumer behaviour has led to a shift in developments. Previously it was a question of a minor supply stoppage with disruptions to deliveries, but now it has developed into a situation with rapidly falling demand.

"Time is of the essence now, we are bleeding every day"

Travel agencies, hotels and restaurants report an extremely large fall in sales in recent weeks. If the situation does not change soon, they fear that businesses may need to be closed down. In contrast, the non-durable goods segment has seen a sharp increase in sales, not least tinned goods, toilet paper and pharmaceuticals. The clothing trade is also reporting a clear decline in sales. As the lead times from China are fairly long, most people have not yet been affected by disruptions to delivery, but they are expecting delivery delays with regard to the summer season.

Retail and services companies are trying in various ways to reduce their fixed costs to meet the lower demand. They are negotiating rents, have cut back on temporary staff and are giving notice of redundancy to permanent employees. The automotive



industry is also reporting staff cutbacks. Other manufacturing companies have not yet needed to reduce their workforces, but think they may need to do so going forward. Companies are positive to the Government's crisis package and they are examining how they can make use of it. At the same time, many say that more needs to be done for especially vulnerable sectors.

“Liquidity, that’s what it's all about”

Several manufacturing companies consider that the terms for financing have deteriorated and a shortage of liquid funds is regarded as the biggest problem. Given the turbulence on the financial markets, it is difficult for them to finance themselves by issuing commercial paper or bonds. There is a substantial need for loans to bridge over the acute period, at the same time as the banks are perceived to be overloaded with enquiries. The larger companies are primarily concerned over how customers and sub-contractors will be affected. At the same time, the most vulnerable sectors are those that are finding it most difficult to obtain loans from the banks.

ABOUT THE BUSINESS SURVEY

Three times a year, the Riksbank interviews the largest companies in the industrial, construction, trade and part of the service sectors. Representatives of 31 companies with a total of around 230,000 employees in Sweden were interviewed during the period 12 to 28 February. On 4 to 6 March, telephone interviews were held with more than 50 companies in the industrial, retail and service sectors, and on 16 to 19 March, telephone interviews were held with more than 60 companies in the industrial, construction, retail and service sectors, as well as trade associations with regard to the outbreak and spread of the coronavirus. The results of the interviews are reported in the Riksbank's Business Survey. The quotes above are from the interviews.