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PRESS RELEASE

THE SWEDISH ECONOMY, AUGUST 2013:

Clearer signs of impending turnaround

Increased consumer and business confidence points to a turnaround in the economy towards the end of the year. The labour market outlook is also somewhat brighter, with unemployment beginning to come down, and the economy is being stimulated by tax cuts and low interest rates. Fiscal tightening will, however, be required if the surplus target for general government net lending is to be achieved. Such are the results of the latest forecast from the National Institute of Economic Research (NIER), published today.

Swedish GDP growth will accelerate in 2014 after performing poorly since 2011. Despite recent years' weak economic growth, employment has increased at roughly the same rate as the population. Viewed in this way, the labour market has been stable, but unemployment climbed through to the beginning of 2013 as more and more people joined the labour market. Growth in the labour force has since slowed somewhat due to demographic developments and the effects of the government's supply-stimulating policy largely having been realised. As employment will continue to climb at around the same rate as before, unemployment will drop to 7.8 per cent in 2014.

RIKSBANK TO RAISE REPO RATE EARLY IN 2015

Inflation is being held in check by low resource utilisation in Sweden and abroad. The current low levels of resource utilisation mean that recovery will be protracted, and so monetary policy will remain expansionary for several years to come. However, the Riksbank is expected to take account of household debt and refrain from lowering the repo rate, which will begin to be raised in the first quarter of 2015.

AUTUMN BUDGET MEASURES WILL REQUIRE SAVINGS FURTHER AHEAD

The government has announced unfunded reforms of SEK 25 billion this year, and the NIER estimates further unfunded reforms of SEK 25 billion next year, just over half of this in the form of tax reductions for households and the remainder as increases in expenditure.

However, the NIER sees no long-term scope for reforms. Unfunded measures in the autumn budget will therefore require corresponding savings going forward if the target of a 1 per cent surplus in general government net lending is to be met.

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Table: Selected indicators

Percentage change unless otherwise stated

	2010	2011	2012	2013	2014	2015	2016	2017
GDP, market price	6.6	3.7	0.7	1.1	2.5			
GDP, calendar-adjusted	6.3	3.7	1.1	1.1	2.6	3.3	2.9	2.6
Current Account ¹	6.9	7.3	6.7	6.0	5.7	5.2	4.7	4.4
Hours worked ²	2.0	2.4	0.6	0.3	0.7	1.2	1.2	1.1
Employment	0.6	2.3	0.7	0.9	0.8	0.9	1.0	1.1
Unemployment ³	8.6	7.8	8.0	8.0	7.8	7.5	7.2	6.7
Labour market gap ⁴	-2.3	-1.2	-1.3	-1.5	-1.4	-1.0	-0.5	-0.1
Output gap ⁵	-3.6	-1.5	-1.9	-2.4	-1.9	-0.8	-0.2	0.1
Hourly earnings ⁶	2.6	2.4	3.1	2.8	2.8	2.9	3.0	3.1
Labour cost, business sector ²	0.1	2.9	3.7	2.6	2.8	3.0	3.1	3.2
Productivity, business sector ²	5.0	2.4	1.1	1.2	2.2	2.5	2.2	1.9
CPI	1.2	3.0	0.9	0.1	0.8	2.0	2.7	3.0
CPIF	2.0	1.4	1.0	1.0	1.2	1.7	1.9	2.0
Repo rate ^{7,8}	1.25	1.75	1.00	1.00	1.00	1.50	2.50	3.50
Interest rate, 10-year government bond ⁷	2.9	2.6	1.6	2.1	2.7	3.3	3.9	4.4
Index for the Swedish krona (KIX) ⁹	114.3	107.6	106.1	102.7	102.0	101.2	101.2	101.3
GDP, world-wide	5.2	4.0	3.2	3.1	3.9	4.4	4.5	4.5
General government net lending ¹	0.0	0.0	-0.6	-1.3	-1.5	-0.6	0.2	1.1
General government consolidated gross debt (Maastricht debt) ¹	39.4	38.4	38.1	41.2	41.2	40.4	39.1	37.2
Cyclically adjusted net lending ¹⁰	1.9	1.4	0.4	-0.8	-0.8	-0.1	0.5	1.2

¹ Per cent of GDP. ² Calendar-adjusted. ³ Per cent of labour force. ⁴ Difference between actual and potential hours worked, in per cent of potential hours worked. ⁵ Difference between actual and potential GDP, in per cent of potential GDP. ⁶ According to Short-term Earnings Statistics. ⁷ Per cent. ⁸ At year-end. ⁹ Index 1992-11-18=100. ¹⁰ Per cent of potential GDP.

Sources: Statistics Sweden, National Mediation Office, the Riksbank and NIER.

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