27 March 2019

PRESS RELEASE

THE SWEDISH ECONOMY, MARCH 2019:

Booming economy set to cool down

The Swedish economy has entered a slowdown phase, and GDP will grow by 1.5 per cent this year. The economy has peaked, and business investment will fall slightly. Firms and especially consumers have become less optimistic. However, resource utilisation in the labour market will remain high. Wage growth will nevertheless be moderate, and inflation will be below 2 per cent this year. Such are the results of the latest forecast from the National Institute of Economic Research (NIER), published today.

Recent years' strong depreciation of the krona has increased Swedish exporters' international competitiveness, and manufacturing earnings are strong. On the other hand, demand for Swedish exports is growing relatively slowly. High capacity utilisation and shortages of labour with the required skills are also expected to hold back export growth.

In the domestic market, housing investment decreased last year in the wake of the previous sharp fall in housing prices. Prices seem to have stabilised, but the number of apartment starts has continued to fall relative to the same quarter the previous year. Housing investment will therefore decrease again this year before stabilising next year. The Economic Tendency Survey reveals that consumers have become more pessimistic. Expectations for both the Swedish economy as a whole and their own personal finances are now lower than normal. Household consumption will nevertheless rise in line with disposable income.

Employment has risen rapidly in recent years. Although job creation will slow, resource utilisation in the labour market will still be higher than normal. Wage growth will be moderate, however, and inflation muted. The Riksbank is expected to raise the repo rate at the turn of this year, but will not do so again until 2021.

Government net lending will be low this year despite high resource utilisation, and will to some extent be propped up by the strength of the economy. If this picture persists, net lending may need to be reinforced for the surplus target to be met. Given this target, there is no scope for unfunded measures in the spring amending budget.

The forecast presupposes that the UK does not leave the EU without a deal.

Key figures on following page

Table: Selected indicators

Percentage change, unless otherwise indicated

	2018	2019	2020	2021	2022	2023
GDP, Market Prices	2.3	1.5	1.6	1.5	1.6	1.6
GDP per Capita	1.2	0.5	0.7	0.5	0.6	0.8
GDP, Calendar-Adjusted	2.4	1.5	1.4	1.3	1.6	1.9
GDP, World	3.6	3.4	3.4	3.3	3.3	3.3
Current Account Balance[1]	3.4	4.0	3.9	3.9	3.9	3.8
Hours Worked[2]	2.4	1.2	0.3	0.2	0.4	0.6
Employment	1.8	1.1	0.5	0.5	0.5	0.7
Unemployment Rate[3]	6.3	6.3	6.4	6.5	6.7	6.8
Labour Market Gap[4]	1.0	1.2	0.7	0.3	0.0	0.0
Output Gap[5]	1.6	1.2	0.7	0.3	0.0	0.0
Hourly Earnings[6]	2.6	2.7	2.9	2.9	3.1	3.3
Hourly Labour Costs[2,7]	2.6	2.6	2.8	2.9	3.1	3.3
Productivity[2]	0.1	0.4	1.1	1.1	1.2	1.2
CPI	2.0	1.8	1.9	2.2	2.4	2.3
CPIF	2.1	1.7	1.6	1.8	2.0	2.0
Repo Rate[8,9]	−0.50	−0.25	0.00	0.50	0.75	1.25
10-year Government Bond Yield[8]	0.7	0.5	0.9	1.4	1.8	2.2
Effective Krona Exchange Rate Index (KIX)[10]	117.6	120.6	119.6	118.2	115.9	113.4
Government Net Lending[1]	0.7	0.2	0.3	0.4	0.2	0.3
Structural Net Lending[11]	−0.1	−0.1	0.0	0.3	0.3	0.3
Maastricht Debt[1]	38.9	34.6	34.4	33.7	33.2	32.7

[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 the short-term earnings statistics. [7] Refers to the hours of employees. [8] Per cent. [9] At year-end. [10] Index 18 November 1992=100. [11] Per cent of potential GDP.

Sources: IMF, Statistics Sweden, National Mediation Office, The Riksbank, Macrobond and NIER.

Read the report here: www.konj.se

FOR FURTHER INFORMATION, PLEASE CONTACT:

Ylva Hedén Westerdahl, Director of Forecasting, +46 8 453 5972
Sarah Hegardt Grant, Head of Communications, +46 8 453 5911