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PRESS RELEASE

THE SWEDISH ECONOMY, AUGUST 2014:

Swedish economy marking time

The prolonged economic slump is continuing, and recovery is taking time. One important reason is that exports have not provided the stimulus needed to kick-start growth. Business sector investment is also weak. There are rays of light, however, such as increased homebuilding, and employment is continuing to grow strongly. Such are the results of the latest forecast from the National Institute of Economic Research (NIER), published today.

Swedish exports have developed weakly in recent years, but firms are now more optimistic in the NIER's Economic Tendency Survey. Other indicators too suggest that Sweden's export markets will pick up in 2015. Domestically, construction production will continue to grow rapidly both this year and next year.

Given the weak economic climate, employment has grown remarkably strongly. The improved economic climate in 2015–2018 means that employment will continue to increase by around 1 per cent a year through to 2018. Unemployment, meanwhile, has remained high, due to a sharp rise in the number of people looking to enter the labour market. The labour force will expand more slowly in the coming years, due partly to the effects of previous labour market reforms wearing off, and unemployment will drop back to around 6.5 per cent in 2017 and 2018.

INFLATION TO RISE NEXT YEAR

The weak economic climate in Sweden and elsewhere has brought very low inflation in recent years. Together with a subdued inflation outlook, this led the Riksbank to cut the repo rate from 0.75 to 0.25 per cent in July. There is, however, much to suggest that the period of exceptionally low inflation will soon be over. Inflation as measured by the CPIF (consumer price index with constant mortgage rates) will rise from 0.6 per cent this year to 1.5 per cent next year, but this is still below the Riksbank's target. Given the prospect of further low inflation in the longer term, the repo rate will not begin to be raised until late 2015.

TIGHT FISCAL POLICY AFTER THE ELECTIONS

Fiscal policy has been expansionary since the financial crisis erupted in 2008, which has been justified by the prolonged economic slump. The coming four years, however, will see fiscal policy being tightened.

Table: Selected indicators

Percentage change unless otherwise stated

	2012	2013	2014	2015	2016	2017	2018
GDP, market price	0.9	1.6	1.8	3.1	3.4	2.9	2.4
GDP, calendar-adjusted	1.3	1.6	1.9	2.9	3.1	3.1	2.5
GDP, world-wide	3.2	3.1	3.4	3.8	4.0	4.2	4.2
Current account ¹	6.5	6.8	6.1	5.9	5.3	5.0	4.7
Hours worked ²	0.7	0.4	1.4	1.3	1.3	1.4	1.1
Employment	0.7	1.0	1.2	1.2	1.1	1.2	1.0
Unemployment ³	8.0	8.0	7.9	7.6	7.3	6.7	6.2
Labour market gap ⁴	-1.5	-2.0	-1.6	-1.4	-0.9	-0.2	0.3
Output gap ⁵	-1.6	-2.1	-2.3	-1.5	-0.7	0.0	0.3
Hourly earnings ⁶	3.0	2.5	3.0	2.9	3.0	3.1	3.2
Labour cost per hour, business sector ²	3.5	2.0	2.7	3.1	3.1	3.2	3.3
Productivity, business sector ²	1.4	1.6	0.8	1.9	2.2	2.0	1.8
CPI	0.9	0.0	0.0	1.1	2.2	2.7	2.9
CPIF	1.0	0.9	0.6	1.5	1.7	1.9	2.0
Repo rate ^{7,8}	1.00	0.75	0.25	0.50	1.00	1.75	2.25
Interest rate, 10-year government bond ⁷	1.6	2.1	1.8	2.1	2.7	3.3	3.8
Index for the Swedish krona (KIX) ⁹	106.1	103.0	106.2	105.2	103.0	102.7	102.4
General government net lending ¹	-0.7	-1.2	-2.2	-1.3	-0.5	0.5	1.3
Cyclically adjusted net lending ¹⁰	0.2	-0.7	-1.2	-0.7	0.0	0.6	1.2
General government consolidated gross debt (Maastricht debt) ¹	38.3	40.5	42.3	41.3	40.4	38.8	36.7

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 Short-term Earnings Statistics. ⁷ Per cent. ⁸ At year-end. ⁹ Index 18 November 1992=100. ¹⁰ Per cent of potential GDP.

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

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