17 June 2015

PRESS RELEASE

THE SWEDISH ECONOMY, JUNE 2015:

Economy strengthening but risks remain

The Swedish economy will continue to recover. Domestic demand is being fuelled partly by household consumption and strong housing investment, and exports too are expected to grow healthily in the coming years after disappointing for a long period. At the same time, risks are increasing both in Sweden and abroad, due partly to inflated asset prices. Such are the results of the latest forecast from the National Institute of Economic Research (NIER), published today.

The Swedish economy is continuing to make relatively good progress, with rising employment and healthy domestic activity. GDP is expected to grow by 2.8 per cent in 2015 and 3.2 per cent in 2016. Developments in Sweden's export markets, however, have been more mixed. US GDP fell in the first quarter, and growth also slowed in a number of emerging markets. More positive is that the recovery in the euro area now seems to be on a firmer footing.

Domestic demand is set to grow relatively strongly, which means that demand for labour will rise, above all in the public sector and the private service sector. All in all, the employment rate – the number of people in work as a percentage of the population aged 15-74 – is expected to climb to 66.5 per cent this year and rise further next year.

The labour force will grow at almost the same rate as employment, due partly to incoming asylum seekers and family members, and so unemployment will remain high for a long time. The unemployment rate is expected to be 7.5 per cent in 2016, with a high proportion of the jobless in groups that find it hard to become permanently established in the labour market.

RISKS HAVE RISEN WITH ASSET PRICES

Downside risks to the global economy continue to dominate. Low global interest rates have increased the risk of price bubbles. In Sweden, the largest domestic risk is a sharp fall in housing prices. Another risk is that the rebalancing of the Chinese economy towards more consumption-led expansion will be overly abrupt due to falling investment. With limited scope for economic policy stimuli, it will be harder for many countries to counteract negative effects on the real economy.

Selected indicators overleaf

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Table: Selected indicators

Percentage change, unless otherwise indicated

	2013	2014	2015	2016	2017	2018	2019
GDP, market prices	1.3	2.3	2.8	3.2	2.6	2.0	1.6
GDP, calendar-adjusted	1.3	2.4	2.6	3.0	2.8	2.1	1.6
Global GDP	3.4	3.5	3.4	3.9	4.0	3.9	3.9
Current account[1]	6.9	6.2	6.5	6.6	6.3	5.9	5.7
Hours worked[2]	0.3	1.8	1.4	1.6	1.7	1.1	0.4
Employment	1.0	1.4	1.2	1.4	1.6	1.1	0.4
Unemployment[3]	8.0	7.9	7.7	7.5	6.9	6.6	6.8
Labour market gap[4]	−1.9	−1.3	−1.3	−0.8	0.0	0.4	0.1
Output gap[5]	−2.3	−1.8	−1.4	−0.5	0.2	0.5	0.1
Hourly earnings[6]	2.5	2.9	2.5	3.0	3.1	3.2	3.3
Hourly labour cost[2]	2.1	1.8	2.9	3.5	3.1	3.2	3.3
Productivity[2]	0.9	0.6	1.2	1.5	1.1	1.0	1.2
CPI	0.0	−0.2	0.1	1.2	2.3	3.2	3.0
CPIF	0.9	0.5	0.9	1.7	1.8	2.2	2.3
Repo rate[7,8]	0.75	0.00	−0.40	−0.25	0.75	1.25	1.75
Ten-year government bond rate[7]	2.1	1.7	0.8	1.6	2.4	3.1	3.8
Effective krona exhange rate index (KIX)[9]	103.0	106.8	113.0	111.7	108.9	106.0	103.2
General government net lending[1]	−1.4	−1.9	−1.6	−0.8	−0.3	0.0	0.3
Structural net lending[10]	−0.8	−1.3	−0.9	−0.4	−0.3	−0.2	0.3
General government consolidated gross debt (Maastricht debt)[1]	38.7	43.8	45.0	43.7	42.7	41.5	40.3

[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] 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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