

Press release

20 April 2021

Swedbank Economic Outlook: Strong growth in sight

The recovery in the Swedish economy has continued at the beginning of 2021, although the pandemic is still weighing down parts of the service sector. However, vaccinations are ongoing and growth will accelerate during the second half of this year and continue in 2022, according to the latest Swedbank Economic Outlook.

“The COVID-19 pandemic has not yet loosened its grip on Sweden and healthcare remains under tough pressure, but vaccinations are underway. Restrictions are expected to be eased gradually in the coming months, so long as the spread of coronavirus has declined significantly by then. Sweden is at the beginning of a considerable recovery where we expect household consumption to be one of the driving forces. The recovery will also get an extra boost from strong global growth,” says Swedbank Group Chief Economist Mattias Persson.

Swedbank’s latest forecast is that global growth will accelerate going forward. Growth prospects have been broadly revised up, especially the growth in the US. Global growth is expected to increase by 5.9% in 2021. The Swedish economy is expected to grow by 3.6%, an increase compared to our forecast in January of 3%. Growth will accelerate during the second half of the year and unemployment will fall from today’s level of 8.9% to 7.3% by the end of 2022. The main risks to the forecast are related to side effects of the COVID-19 vaccines; vaccine delivery problems; and new virus mutations.

“Inflation will increase globally soon, but our view is that it will only be a temporary increase. Long-term interest rates will continue to rise somewhat. In the Swedish economy, the immediate need is for an economic policy that addresses the challenges on the labour market, where the increase in long-term unemployment is worrisome. There is also a need for investments for an ageing population as well as investments for the green transition,” Mattias Persson says.

Swedbank expects a continued expansionary fiscal policy with additional measures of SEK 180 billion during 2021 and SEK 60 billion during 2022. This year, the public debt level will reach 39.5 percent, which is a low debt level after this crisis, not least in an international comparison.

The Riksbank is expected to keep the repo rate unchanged during the forecasting period, to continue increasing its asset purchases this year, and thereafter to keep its level of assets unchanged during 2022.

“The Riksbank needs to continue with an expansionary monetary policy in order to support economic development. Inflation will rise in the near future, but the increase will be driven primarily by temporary factors also in Sweden. We believe that inflation will come down again during 2022,” Mattias Persson says.

Link to the report: www.swedbank.com/seo

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Appendix.
Swedbank's global GDP forecast

Annual % change	2020	2021F	2022F
US	-3.5	6.8 (3.8)	3.9 (3.5)
Euro area (calendar adjusted)	-6.8	4.0 (3.5)	4.0 (4.1)
Germany	-5.3	3.3 (3.1)	3.6 (3.5)
France	-8.2	5.4 (4.7)	4.4 (4.4)
Italy	-8.9	4.3 (4.0)	4.5 (4.5)
Spain	-11.0	5.9 (4.7)	5.6 (6.7)
Finland	-2.8	3.0 (2.8)	2.8 (2.8)
United Kingdom	-9.8	4.8 (4.8)	6.2 (4.7)
Sweden	-2.8	3.6 (3.0)	3.6 (3.6)
Denmark	-2.7	3.2 (3.5)	3.7 (4.1)
Norway (mainland)	-3.1	2.7 (3.5)	4.1 (3.0)
China	2.3	8.2 (7.9)	4.9 (4.7)
Russia	-3.0	2.5 (1.1)	3.4 (2.7)
Global GDP (IMF PPP weights)	-3.3	5.9 (4.7)	4.4 (4.1)

Previous forecast in parentheses.

Sources: IMF & Swedbank Research

SWEDEN: Key economic indicators, 2020-2022

Annual % change unless stated otherwise	2020	2021F	2022F
Real GDP (calendar adjusted)	-3.1	3.5 (2.9)	3.6 (3.6)
Real GDP	-2.8	3.6 (3.0)	3.6 (3.6)
Household consumption	-4.7	3.3 (3.5)	5.3 (4.5)
Government consumption	-0.5	3.0 (3.6)	1.8 (1.4)
Gross fixed capital formation	0.6	2.4 (2.1)	3.4 (4.7)
Change in inventories, contr. to GDP growth	-0.8	0.3 (0.1)	0.0 (0.0)
Exports of goods and services	-5.2	7.3 (5.0)	4.9 (5.6)
Imports of goods and services	-5.8	7.0 (5.7)	5.6 (6.0)
CPI (average)	0.5	1.4 (1.2)	1.3 (1.0)
CPI (Dec.-Dec.)	0.5	1.1 (0.8)	1.4 (1.3)
CPIF (CPI with fixed mortgage rate, average)	0.5	1.5 (1.3)	1.3 (1.0)
CPIF (CPI with fixed mortgage rate, Dec.-Dec.)	0.5	1.2 (0.7)	1.4 (1.3)
Riksbank policy rate (Dec)	0.00	0.00 (0.00)	0.00 (0.00)
Unemployment (% of labour force, 15-74)	8.3	8.5 (8.7)	7.6 (7.9)
Labour force (15-74)	0.3	0.1 (0.5)	1.0 (0.8)
Employment (15-74)	-1.3	-0.2 (0.1)	2.1 (1.8)
Number of hours worked (calendar adjusted)	-3.8	2.5 (2.4)	3.1 (3.3)
Nominal hourly wage (NMO), whole economy	2.0	2.6 (2.5)	2.5 (2.5)
Household real disposable income	-0.8	3.5 (4.2)	3.2 (3.9)
Household nominal disposable income	0.3	5.0 (5.2)	4.5 (4.6)
Household savings ratio, % of disposable income	17.9	17.4 (17.6)	15.7 (17.3)
General government budget balance, % of GDP	-3.3	-3.1 (-3.4)	-1.2 (-1.8)
General government debt (Maastricht), % of GDP	39.9	39.5 (39.8)	37.4 (38.0)

Previous forecast in parentheses

Source: Statistics Sweden & Swedbank Research

Interest and exchange rate forecasts

	Outcome	Forecast			
	2021	2021	2021	2022	2022
	16 APR	30 JUN	31 DEC	30 JUN	31 DEC
Policy rates (%)					
Federal Reserve, USA (upper bound)	0.25	0.25	0.25	0.25	0.25
European Central Bank (refi rate)	0.00	0.00	0.00	0.00	0.00
European Central Bank (deposit rate)	-0.50	-0.50	-0.50	-0.50	-0.50
Bank of England	0.10	0.10	0.10	0.10	0.10
Riksbank	0.00	0.00	0.00	0.00	0.00
Norges Bank	0.00	0.00	0.25	0.75	1.00
Government bond rates (%)					
Sweden 2y	-0.34	-0.30	-0.20	-0.10	-0.10
Sweden 5y	-0.17	-0.15	0.00	0.15	0.15
Sweden 10y	0.36	0.40	0.50	0.60	0.60
Germany 2y	-0.70	-0.70	-0.70	-0.60	-0.60
Germany 5y	-0.61	-0.70	-0.60	-0.50	-0.50
Germany 10y	-0.27	-0.35	-0.25	-0.10	-0.10
US 2y	0.16	0.15	0.15	0.20	0.20
US 5y	0.84	0.95	1.10	1.20	1.20
US 10y	1.59	1.85	2.00	2.15	2.15
Norway 2y	0.45	0.60	0.90	1.10	1.10
Norway 5y	0.95	1.10	1.20	1.30	1.30
Norway 10y	1.38	1.50	1.55	1.60	1.60
Exchange rates					
EUR/USD	1.20	1.18	1.17	1.17	1.17
EUR/GBP	0.87	0.87	0.86	0.84	0.84
EUR/SEK	10.11	9.90	9.80	9.80	9.80
EUR/NOK	10.02	9.90	9.80	9.85	9.85
USD/SEK	8.44	8.39	8.38	8.38	8.38
USD/CNY	6.52	6.55	6.30	6.10	6.10
USD/JPY	108.8	110.0	113.0	113.0	113.0
USD/RUB	75.74	77.00	67.00	67.00	67.00
NOK/SEK	1.01	1.00	1.00	0.99	0.99
KIX (Trade-weighted SEK)	113.4	111.5	111.2	111.8	111.8

Sources: Swedbank Research & Macrobond