

SWEDEN

Economic Snapshot

First Quarter | 2016



Overview

The economy posted a very strong performance of 1.3% in Q4 2015, which took total GDP growth for 2015 to 3.8%, the strongest annual performance since 2010. Domestic demand is still the main driver of activity in the economy, although export growth has strengthened noticeably in recent quarters, rising by 2.8% quarter on quarter in Q4. The Riksbank continues to loosen monetary policy and cut interest rates by 15bps to -0.5% in February, citing concerns over falling inflation expectations and weaker growth prospects for the global economy.

Further strengthening in domestic demand

Investment growth has been robust as businesses take advantage of very attractive credit conditions, negligible inflation and falling oil prices. One of the big contributors to investment growth has been the construction sector, with migration lifting demand for residential construction and public sector investment. Consumers have also benefitted from these favourable tailwinds, while strong job creation and healthy nominal wage growth continues to boost confidence and spending levels. The unemployment rate fell to 7.1% in Q1 2016, down from 8.0% in 2014 and the lowest level since 2009.

Steady growth in exports

The export sector is performing solidly and demand from key European trading partners has held up strongly. Exports are estimated to have increased by 5.6% in 2015 and this pace of growth is expected to be maintained in 2016. There are still some concerns over weakening demand from key emerging markets, which may limit growth over the medium term.

Outlook

Economic fundamentals are expected to remain positive and the economy is forecast to expand by a robust 3.5% in 2016, with strong contributions expected from consumers, businesses and exporters. While monetary policy is expected to remain highly accommodative, the Riksbank appears less inclined to ease monetary policy further and interest rates are widely expected to remain at current levels in 2016, before gradually rising in 2017 and 2018.

MARKET INDICATORS

Market Outlook

GDP:	Robust growth expected in 2016, with a more modest pace of growth forecast in 2017-19.	▼
Inflation:	Remaining relatively subdued in 2016, before gradually rising over the medium term.	▼
Interest rate:	Staying negative but the Riksbank is expected to adopt a wait and see approach for the rest of 2016.	▲
Employment:	Current pace of job creation expected to be maintained as firms commit to expansion plans.	▼

Economic Summary

ECONOMIC INDICATORS	2013	2014	2015 ^E	2016 ^F	2017 ^F
GDP Growth	1.2	2.4	3.8	3.5	2.4
Consumer Spending	1.9	2.3	2.5	3.0	2.7
Industrial Production	-4.6	-1.7	2.4	1.8	2.6
Investment	0.6	7.6	6.9	5.8	4.2
Unemployment rate (ILO%)	8.0	7.9	7.4	6.9	6.6
Inflation	0.0	-0.2	0.0	0.7	1.7
SEK/EUR (average)	8.86	9.50	9.20	9.28	8.94
SEK/USD (average)	6.51	6.86	8.43	8.58	8.57
Interest Rates: 3-month (%)	0.9	0.3	-0.3	-0.4	0.0
Interest Rates: 10-year (%)	2.5	0.9	1.0	1.1	2.1

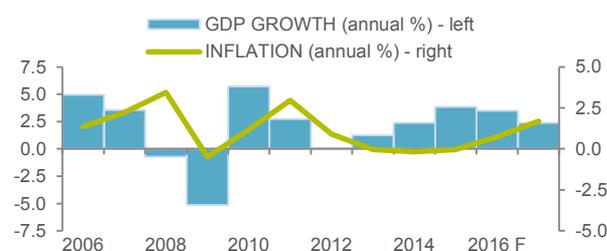
NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast

Source: Oxford Economics Ltd. and Consensus Economics Inc

Economic & Political Breakdown

Population	9.8 million (2015)
GDP	US\$ 492.5 billion (2015)
Public Sector Balance	0.0% of GDP (2015)
Public Sector Debt	43.4% of GDP (2015)
Current Account Balance	5.9% of GDP (2015)
Parliament	Minority coalition of Social Democratic Party and the Green Party
Head of State	King Carl XVI Gustaf
Prime Minister	Stefan Lofven
Election Dates	September 2018 (parliamentary)

Economic Activity



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