

### Slow start to 2016

Economic activity slowed in Q1, with quarterly GDP growth just 0.5%. This was largely expected, however, following the very strong performance in Q4 2015, where quarterly growth reached 1.3%. Consumers and business investment remain the key drivers of growth, but exports have weakened due to a slowdown in demand for capital goods and softer service exports.

### Domestic demand continues to strengthen

Private consumption increased by 1.1% in Q1, with low inflation, strong job creation and healthy nominal wage growth boosting confidence and spending levels. Recent data suggests that this momentum carried through to Q2, with retail sales volumes rising 4.6% year-on-year in May, the strongest monthly performance in 2016. The investment sector is also in good health, rising 2.2% in Q1. Companies are benefitting from very attractive credit conditions and lower oil prices, with robust investment activity being noted in the construction sector, in particular. Business confidence, as measured by the National Institute of Economic Research, was 104.4 in June and compares favourably with the long term average of 100.4, with private sector firms indicating a strong willingness to expand and hire more staff. Investment growth is now forecast to reach 6.9% in 2016, before moderating to 3.8% in 2017.

### Monetary policy to remain accommodative

Inflation averaged zero in 2015, but there are signs that some modest inflationary pressures are building. Nevertheless, inflation is expected to remain relatively subdued at 1.0% this year due to lower oil prices. Monetary policy is expected to remain highly accommodative until the end of 2017, with the Riksbank is not expected to cut interest rates further from the current -0.5%.

### Positive outlook for the economy

The export sector has shown some mild weakness in recent months, but the overall outlook for the economy remains positive. GDP growth is forecast to be a robust 3.5% in 2016, before averaging 2.1% per annum over the medium term, with the strongest contributions coming from consumers and private investment. The decision by the UK to leave the EU is expected to have limited short term effects on the economy.

### MARKET INDICATORS

#### Market Outlook

GDP:	Strong economic fundamentals, with healthy GDP growth expected over the medium term.	▼
Inflation:	Slowly rising throughout 2016, before accelerating in 2017 as the impact of lower oil prices wanes.	▼
Interest rate:	Interest rates are expected to remain at current levels until the end of 2017.	▶
Employment:	Healthy job creation to continue, with more companies committing to expansion plans.	▼

#### Economic Summary

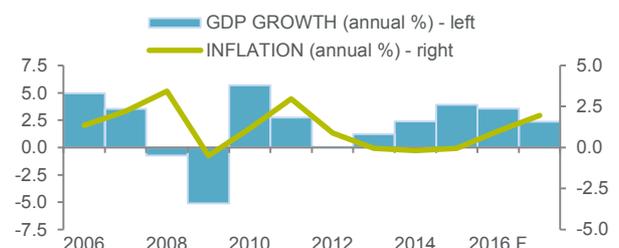
ECONOMIC INDICATORS	2013	2014	2015 <sup>E</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>
GDP Growth	1.2	2.4	3.9	3.5	2.4
Consumer Spending	1.9	2.3	2.6	3.0	2.3
Industrial Production	-4.7	-1.7	2.7	3.0	2.0
Investment	0.6	7.6	6.7	6.9	3.8
Unemployment rate (ILO%)	8.0	7.9	7.4	7.0	6.8
Inflation	0.0	-0.2	0.0	1.0	2.0
SEK/EUR (average)	8.94	9.52	9.14	9.24	8.94
SEK/USD (average)	6.51	6.86	8.43	8.42	8.61
Interest Rates: 3-month (%)	0.9	0.3	-0.3	-0.4	0.0
Interest Rates: 10-year (%)	2.5	0.9	1.0	0.6	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\$ 492.9 billion (2015)
Public Sector Balance	0.0% of GDP (2015)
Public Sector Debt	52.3% of GDP (2015)
Current Account Balance	5.8% 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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Ola Jacobsson, MRICS

Partner, Capital Markets  
Regeringsgatan 59, Box 3637, SE-103 59  
Stockholm, Sweden  
Tel: +46 (0) 8 545 677 31  
[ola.jacobsson@cushwake.com](mailto:ola.jacobsson@cushwake.com)  
[cushmanwakefield.com](http://cushmanwakefield.com)