

SWEDEN

Economic Snapshot

Fourth Quarter | 2015



Overview

The economy has shaken off the relatively lethargic performance in H1 2015, with recent leading indicators, such as retail sales and business surveys, pointing to healthy underlying economic conditions. Domestic demand is strengthening on the back of very low inflation and ultra-loose monetary policy, following the decision by the central bank to commence quantitative easing in H1 2015 and to keep interest rates negative, which have been at -0.35% since July 2015. Quarterly GDP growth for Q3 has been confirmed at 0.9%, well ahead of expectations, with a similar pace of growth estimated for Q4.

Strong growth in investment and consumption

Investment and private consumption were the main drivers of growth in 2015, buoyed by expansionary monetary policy. Residential construction, in particular, has been a key contributor to the growth in investment, with housing starts and completions up by 25% and 15% y/y in Q3. Recent Riksbank business surveys point to further increases in investment across other industry sectors as domestic and external demand improves. The consumer sector continues to enjoy favourable conditions, with inflation negligible, nominal wages rising and unemployment falling. The unemployment rate is estimated to have reached 7% in Q4, which is the lowest level since 2009.

Exports gradually recovering

External demand from key trading partners in Europe has picked up in recent months and exports are performing more strongly as a result. Current estimates put export growth at 4.3% in 2015, up from 3.7% in 2014. There are some concerns over the weaker prospects for emerging markets and export forecasts for 2016 have been revised down slightly to 3.9% as a result.

Outlook

GDP growth is estimated to have reached 3.4% in 2015 and is forecast to be a more moderate, but still healthy, 2.8% in 2016. The Riksbank's ultra-loose monetary policy stance is forecast to remain in place in 2016, with further cuts in interest rates possible as well as currency market interventions on the table, especially if inflation continues to remain well below the bank's target of 2%. Current forecasts put inflation at 1.5% in 2016, before reaching 3% in 2017.

MARKET INDICATORS

Market Outlook

GDP:	More modest, albeit still strong, growth expected in 2016, led primarily by investment and consumers.	▼
Inflation:	Gradually rising throughout 2016, as the central bank's ultra-loose monetary policies take effect.	▼
Interest rate:	Remaining negative in 2016, with further cuts and greater quantitative easing possible.	▲
Employment:	Improving gradually as firms commit to expansion plans.	▼

Economic Summary

ECONOMIC INDICATORS	2012	2013	2014	2015 ^E	2016 ^F
GDP Growth	0.1	1.2	2.4	3.4	2.9
Consumer Spending	0.9	1.9	2.3	2.3	2.8
Industrial Production	-1.1	-4.6	-1.7	2.5	2.9
Investment	0.3	0.6	7.7	7.1	5.3
Unemployment rate (ILO%)	8.0	8.0	7.9	7.4	6.8
Inflation	0.9	0.0	-0.2	0.0	0.9
SEK/EUR (average)	8.71	8.65	9.10	9.35	9.31
SEK/USD (average)	6.77	6.51	6.86	8.43	8.74
Interest Rates: 3-month (%)	1.3	0.9	0.3	-0.3	-0.3
Interest Rates: 10-year (%)	1.5	2.5	0.9	1.0	1.8

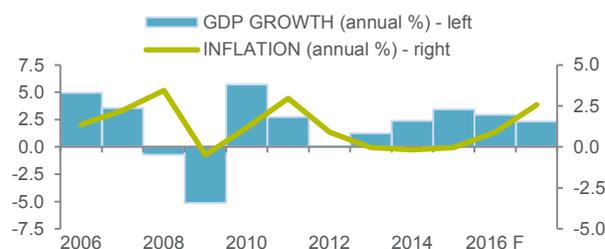
NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast

Source: Oxford Economics Ltd. and Consensus Economics Inc

Economic & Political Breakdown

Population	9.8 million (2015)
GDP	US\$ 491.4 billion (2015)
Public Sector Balance	-1.2% of GDP (2015)
Public Sector Debt	53.0% of GDP (2015)
Current Account Balance	6.3% 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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