

The Swedish Economy

August 2009

NATIONAL INSTITUTE OF ECONOMIC RESEARCH (NIER)
KUNGSGATAN 12-14, BOX 3116, SE-103 62 STOCKHOLM
TEL: +46-8-453 59 00, FAX: +46-8-453 59 80
E-MAIL: KI@KONJ.SE, HOME PAGE: WWW.KONJ.SE

ISSN 0039-7296, ISBN 978-91-86315-05-4

The NATIONAL INSTITUTE OF ECONOMIC RESEARCH (NIER) prepares analyses and forecasts of the Swedish and international economy and conducts related research. The NIER is a government agency accountable to the Ministry of Finance and is funded largely by the Swedish government. Like other government agencies, the NIER has an independent status and is responsible for the assessments that it publishes.

The Swedish Economy contains analyses and forecasts of the Swedish and international economy. It is the English summary of the report in Swedish, **Konjunkturläget**. The **Statistical Appendix** (Analysunderlag) is a comprehensive set of tables with numerical data issued together with Konjunkturläget. The Statistical Appendix may be ordered as a printed report. It can also be downloaded from the NIER's home page; see www.konj.se/konjunkturlaget.

There are also statistics in the form of outcome and forecast data for the development of the Swedish and international economy. See www.konj.se/statistik.

On the NIER's home page there is an overview of Sweden's economy in terms of various key numbers (inflation, resource utilization and employment, for example). This overview is entitled "The State of the Swedish Economy" and is updated once a month. See www.konj.se/laget.

A list of terms for various economic concepts can be found on our home page, www.konj.se/ordlista. The list explains difficult terms and defines how the NIER uses different concepts.

Preface

The Swedish Economy, August 2009, presents an economic forecast for 2009–2011 covering the development of both the Swedish and international economies.

The preparation of The Swedish Economy was led by Kerstin Hallsten, Director of Forecasting. The calculations were completed on August 19, 2009.

Mats Dillén
Director General

Summary

In Sweden and elsewhere, the economy is in a severe slump. There are signs that the steep downturn has ceased in other countries, and in Sweden it came to a halt in the second quarter. GDP growth in Sweden and worldwide will gradually pick up in the period ahead, partly in response to an expansionary economic policy. In Sweden the labour market is rapidly deteriorating and will not stabilize until 2011, when unemployment will be almost 12 percent. Compared to the assessment in June, the economic outlook is somewhat less gloomy.

SEVERE SLUMP IN THE WORLD ECONOMY

Large areas of the world are now in an historically severe economic slump (see diagram 1). In several countries there was a substantial drop in output and demand in the latter months of 2008 after financial unrest developed into an acute financial crisis. In many countries and regions, output plummeted early in 2009 as well. Economic policy shifted in a number of countries and became strongly expansionary. Policy interest rates are now at historic lows. Central banks have also taken other steps, such as comprehensive programmes for loans to banks in order to facilitate lending. Moreover, governments have acted to improve conditions on credit markets; for instance, central government guarantees have been given for borrowing by banks. In addition, fiscal policy measures have been implemented to stimulate demand more directly.

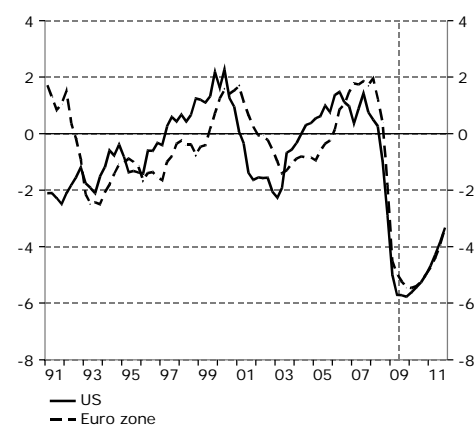
DECLINE IN DEMAND HAS SLOWED

During the spring, the results of the economic policy measures taken began to be perceptible, both in Sweden and elsewhere. Conditions on financial markets improved. Various risk premiums dropped back; it appeared to be somewhat easier for firms to obtain financing; stock market prices rose; and minor currencies strengthened again (see diagram 2). Over the summer, conditions on financial markets have continued to normalize. However, the financial system is still dependent on central government intervention.

This past spring there were also signs that the sharp fall in demand was coming to a halt. Various confidence indicators showed that firms and households were not quite so pessimistic as at the outset of the year (see diagram 3). The pessimism has continued to recede during the summer. GDP statistics for the second quarter also showed that demand was no longer decreasing in the OECD as it had been in the two preceding quarters. Moreover, developments in Asia were improving. Another positive indication is that the US housing market has stabilized.

Diagram 1 GDP Gap – US and Euro Zone

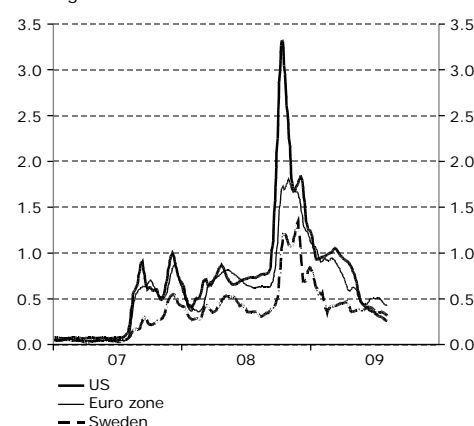
Percent of potential GDP, quarterly values



Sources: OECD and NIER.

Diagram 2 Interest Rates on Interbank Lending, Differential in Relation to Expected Policy Interest Rate (Basis Spread)

Percentage points, daily values, 10-day moving average



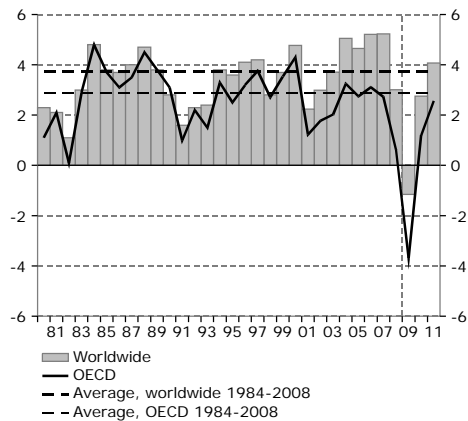
Sources: British Bankers' Association and Reuters.

Diagram 3 Purchasing Managers Index, Manufacturing – US and Euro Zone
Index, monthly values



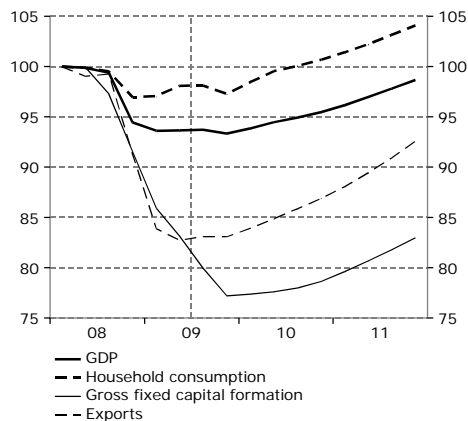
Sources: Institute for Supply Management and NTC Research Ltd.

Diagram 4 GDP – Worldwide and OECD
Annual percentage change



Sources: OECD, IMF and NIER.

Diagram 5 GDP and Demand
Index 2008 1st quarter = 100, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

WORLDWIDE OUTPUT UP SLIGHTLY IN 2010

Various indicators show that in many countries GDP will level out or even start rising slightly during the rest of the year. For the full year 2009, however, worldwide GDP is expected to drop by 1.2 percent. Next year worldwide GDP will be up by 2.8 percent. In 2011 growth will accelerate to 4.1 percent, somewhat higher than the average for the past 25 years (see diagram 4). Growth is now expected to be slightly stronger than was forecast in *The Swedish Economy* in June. One reason for the upward revision is that recent statistics for many countries show a somewhat stronger tendency than expected.

The principal driver of recovery is the expansionary economic policy that is helping to normalize conditions on financial markets and is stimulating demand. Furthermore, an inherent cyclical dynamic is causing the economy to start growing again. The need for new investment, for example, is increasing after a period of very little investment. Moreover, as the decline in output and employment slows and flattens out, the uncertainty among firms and households will diminish, making both more willing to invest.

Resource utilization in the United States and the euro zone will begin rising in 2010 (see diagram 1). But given the severity of the present contractionary phase by historical standards, it will take a long time for the world economy to regain cyclical balance.

It is, however, difficult to assess how growth and resource utilization are going to develop. There is little previous experience of such a rapid and synchronized downturn in the world economy, or of the effects achieved by a highly expansionary economic policy like the one currently followed. In the period ahead, economic policy will need to shift in a less expansionary direction. The timing of this shift, and the manner of its implementation, will affect recovery.

Another difficult question is how potential growth is being impacted by the crisis. In the current contractionary economy, many employees will lose their jobs, and firms will reduce investment. As a consequence, unemployment will become entrenched at a higher level, and there will be little expansion in the stock of capital. This development will reduce potential growth, that is, the long-term capacity of the economy to grow.

GDP HAS STOPPED DECREASING IN SWEDEN

The decline in Sweden’s GDP has come to a halt. The National Accounts show that there was generally no change in output and demand between the first and second quarters of this year (see diagram 5). Household consumption rose, as is also apparent from the retail trade statistics. Moreover, consumers have become noticeably less pessimistic. In August, consumer sentiment about the economy improved for the fourth month in a row (see diagram 6). Another positive signal is that the sharp drop in

Sweden's exports has ceased. Furthermore, the Economic Tendency Survey shows that firms are expecting an increase in new orders from both domestic and export markets in the third quarter. The Purchasing Managers Index also points to an increase in new orders and reflects a certain degree of optimism. The increases, however, are from extremely depressed levels; capacity utilization, for example, is still very low (see diagram 7). All factors considered, the assessment is that GDP growth will be zero in the third quarter 2009.

In the fourth quarter 2009 there will be a temporary drop in GDP. After three quarters of positive growth, household consumption will decrease because of the new influenza (see the section "Household Consumption Expenditure" and the special analysis "New Influenza to Have Minor Macroeconomic Effects"). Another factor, which impacts trade in services, will be a decrease in tourism by Swedes abroad and by foreigners in Sweden. In a full-year overview of 2009 and 2010, however, the new influenza is expected to affect GDP only marginally. The overall assessment is that GDP will be down by 5.0 percent in 2009 (see Table 1).

GDP TO ACCELERATE IN 2010 AND 2011

Early in 2010, output and demand will begin to pick up. The tendency in other countries will strengthen slightly, and demand for Swedish exports will rise. With an assumed expansionary fiscal policy and low interest rates, household consumption will continue increasing (see diagram 8 and diagram 5). The increase will be slow, however, as consumption will be curtailed by rising unemployment.

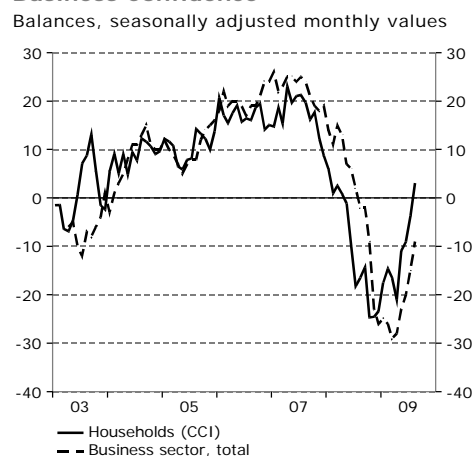
At the outset of next year, capacity utilization will be very low. Consequently, investment in the business sector will not pick up until the fourth quarter of 2010. All factors taken into account, GDP growth will be 1.5 percent in 2010.

In 2011 the international recovery will continue, and the demand for Swedish exports will increase further. Growth in demand, however, will still be modest, as Swedish industry produces and exports a relatively high proportion of investment goods, for which demand will come late in the recovery.

Unemployment will stabilize during 2011. Consumer confidence is increasing, and saving to build a buffer is decreasing. As incomes will be rising relatively fast and interest rates will still be low, the pace of growth in household consumption will increase.

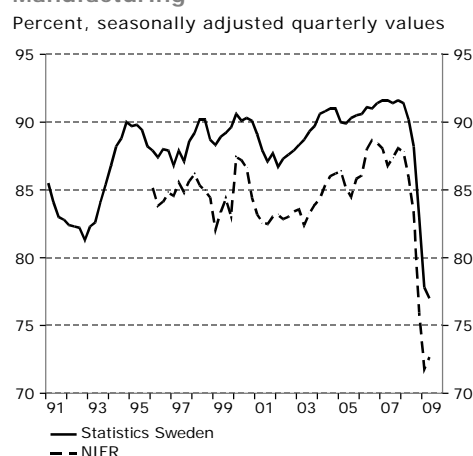
In 2011 capacity utilization will have risen sufficiently for business sector investment to pick up. At the same time, inventories will be approaching desired levels, and firms can slow down on inventory depletion. All factors considered, GDP will increase by 2.9 percent in 2011, and resource utilization will then start rising. By the end of 2011, GDP will be back near the level from which it began dropping (see diagram 5). It will then take a

Diagram 6 Indicators of Household and Business Confidence



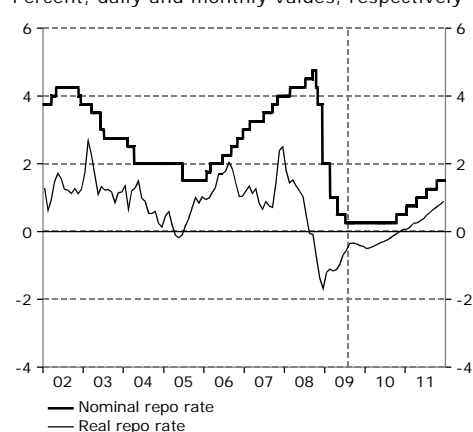
Source: NIER.

Diagram 7 Capacity Utilization in Manufacturing



Sources: Statistics Sweden and NIER.

Diagram 8 Nominal and Real Repo Rate

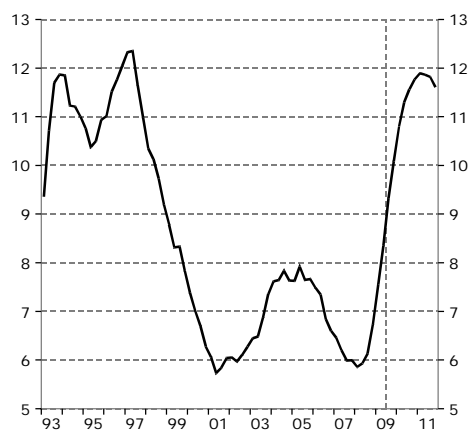


Note. The real repo rate is calculated as the average of the NIER's repo rate forecast for the coming year minus the inflation forecast for the same period.

Sources: The Riksbank, Statistics Sweden and NIER.

Diagram 9 Unemployment

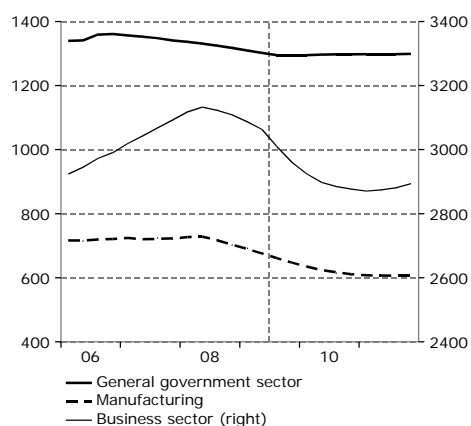
Percent of labour force, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 10 Employment

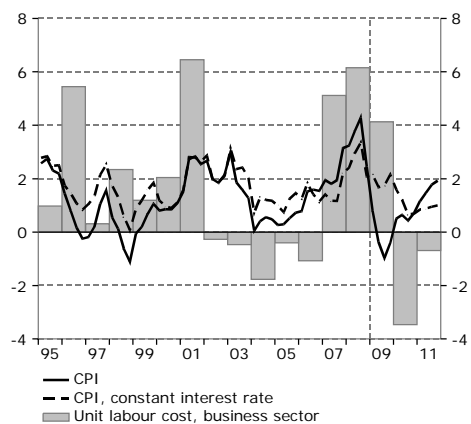
Thousands, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 11 Consumer Prices and Unit Cost of Labour

Annual percentage change, quarterly and annual values, respectively



Sources: Statistics Sweden and NIER.

few more years for the Swedish economy to return to cyclical balance.¹

The NIER's current forecast is somewhat less gloomy than the one in June. The upward revision is due primarily to a somewhat more positive picture outside Sweden. The rate of GDP growth in Sweden has been revised upward by 0.4 percentage point for this year and for 2011, and by 0.7 percentage point for 2010.

LONG-LASTING NEGATIVE EFFECTS ON THE LABOUR MARKET

With the drop in GDP, the labour market has deteriorated rapidly. Between the second quarter of 2008 and the second quarter of this year, the number of persons employed has plummeted by approximately 100 000, and the unemployment rate has climbed from 5.9 percent to 8.3 percent (see diagram 9). Through mid-2011 unemployment is expected to rise further, soaring to nearly 12 percent that year. The number of persons unemployed will then have increased by 270 000 from 2008 to 2011. In the same period, employment will drop by 263 000 persons.

The number unemployed will thus increase *more* than employment decreases. Normally the opposite occurs. The reason why unemployment usually increases *less* than the number employed is that some people leave the labour market when the economy weakens. The relatively large increase in unemployment in 2009-2011 is explainable by the demographic tendency and by a number of economic policy measures which causes the labour force to increase despite a contractionary economy.

The deterioration of the labour market will be a hard blow to employees in manufacturing, where 100 000 fewer will be employed in 2011 than in 2008, a decrease of 15 percent (see diagram 10). As part of the forecast fiscal policy, the local government sector is expected to receive additional funding. For example, there will be an increase in subsidies from central government. Consequently, employment in the general government sector will remain largely unchanged in 2010 and 2011 compared to 2009.

The severe and prolonged contractionary economy is expected to have long-lasting negative effects on employment. Some individuals will never return to the labour market after being put out of work; the reason may be that their skills are no longer in demand. Moreover, there will be a lasting increase in unemployment due to a higher number of chronically unemployed. For those who have been unemployed for a long time, it is not easy to find a job. In the forecast, roughly a third of the decrease in employment, equivalent to nearly 100 000 persons, is long-lasting.

¹ The NIER's medium-range calculations have been published on its home page, www.konj.se/medelfrist.

LOW INFLATION

The drop in demand has led to a decrease in business profits. As output is expected to remain weak in the period ahead, firms will be forced to make sweeping personnel cutbacks to improve efficiency in production and to boost lacklustre profits. After a long period of decline, productivity in the business sector rose rapidly in the second quarter of this year. For the next few years, productivity is expected to continue surging. During that time, given the weakness of the labour market, hourly earnings will increase only slowly. This factor, together with the weakness in resource utilization, will keep inflation low (see diagram 11). CPIF inflation will be about 1 percent at the end of 2011. Inflation is also expected to be low in other countries.

EXPANSIONARY ECONOMIC POLICY

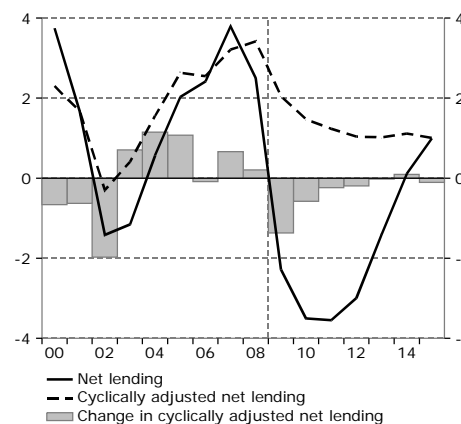
The forecast is based on the assumption that the repo rate will remain at 0.25 percent until the fourth quarter of 2010; thereafter, the Riksbank will gradually begin raising interest rates (see diagram 8). By the end of 2011, the repo rate will be 1.5 percent. As monetary policy is limited by the impossibility of reducing the repo rate much more after previous rate cuts, fiscal policy will have to assume more of the task of economic stabilization.

The NIER's forecast is that the Government will take further fiscal policy measures totalling SEK 25 billion in 2010 and another SEK 25 billion in 2011, in addition to the steps already decided. General government net lending is consequently estimated at - 3.5 percent of GDP for both 2010 and 2011 (see diagram 12). As resource utilization then rises in 2012 and unemployment begins to recede, general government net lending is expected to improve to - 3 percent.² The central government debt ratio is forecast to increase from 34 percent in 2008 to 41 percent in 2011 (see diagram 13). The maastricht debt will also increase, reaching 48 percent of GDP in 2011. Despite a rising central government debt ratio, central government interest expenditure in proportion to GDP will be only 1.5 percent in 2011. In the mid-1990's this ratio was approximately 6 percent of GDP. The principal explanation for the difference is that interest rates are presently much lower (see diagram 14).

In the design of fiscal policy, the budget policy framework, like the system of rules in the EU's Stability and Growth Pact, should be accorded considerable importance. In the forecast, central government expenditure will not exceed the expenditure ceiling, and local governments will meet the balanced budget requirement. Moreover, general government net lending and Maastricht debt are forecast to remain within the limits set by EU rules. It is more difficult to form an opinion regarding the surplus target, which requires that the net lending of the general government sector average 1 percent of GDP over an economic

Diagram 12 Net Lending, Cyclically Adjusted Net Lending and Change in Cyclically Adjusted Net Lending

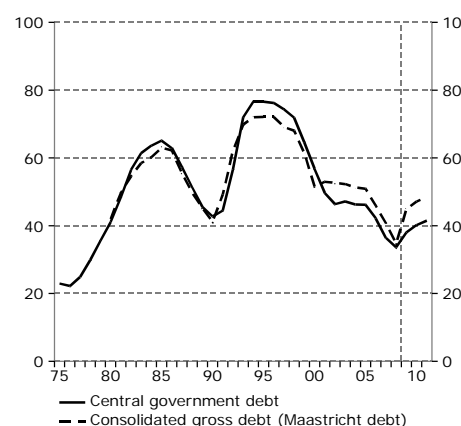
Percent of GDP and potential GDP, respectively



Note: See www.konj.se/medelfrist.
Source: NIER.

Diagram 13 General Government Indebtedness

Percent of GDP



Source: NIER.

Diagram 14 Central Government Interest Expenditure

Percent of GDP



Source: NIER.

² See www.konj.se/medelfrist.

cycle. Thus, no clear conclusions on target achievement can be drawn from various indicators, as these reflect target achievement in various ways and also have differing implications for the development of general government finances (see Table 1).

All factors considered, it is the NIER's assessment that the weakness of the economy calls for an expansionary fiscal policy. The fiscal policy forecast is viewed as consistent with continued high credibility for solid general government finances and continued strong confidence in the fiscal policy framework.

A MORE ACTIVE FISCAL POLICY IN 2010 WOULD FURTHER IMPROVE OUTPUT AND EMPLOYMENT

In the NIER's opinion, if a portion of the fiscal policy measures intended for 2011 were taken in 2010 instead, the rise in unemployment could be curtailed further; this would also help to reduce the negative long-lasting effects on the labour market (see the special analysis "Active Fiscal Policy Will Increase Output and Employment in a Contractionary Economy", available in Swedish in the full report).

For 2010, therefore, the NIER recommends unfinanced reforms totalling SEK 45 billion. In 2011 and 2012, on the other hand, fiscal policy measures should be adjusted to keep net lending at – 3 percent of GDP in 2012.

Table 1: Selected Indicators

Annual percentage change and percent, respectively

	2008	2009	2010	2011
GDP at market prices	-0.2	-5.0	1.5	2.9
GDP, calendar-adjusted	-0.4	-4.9	1.2	2.9
Real GNI per capita	-1.1	-7.0	0.2	2.3
Current account ¹	8.3	6.7	6.4	6.7
Number of hours worked ²	1.0	-4.0	-2.7	0.4
Employment	0.9	-2.6	-3.1	-0.3
Unemployment ³	6.1	8.8	11.4	11.8
Labour market gap	0.1	-3.7	-6.4	-6.8
Hourly earnings, business sector ⁴	4.0	3.2	2.0	2.1
Cost of labour, business sector ²	3.0	3.0	1.8	2.4
Productivity, business sector ²	-2.4	-1.3	5.4	3.1
CPI	3.4	-0.2	0.6	1.6
CPIF	2.7	1.9	1.0	0.9
Repo rate ⁵	2.00	0.25	0.50	1.50
Interest rate, 10-year government bonds ⁵	2.7	3.7	4.0	4.4
Index for the Swedish krona (KIX) ⁵	124.6	117.7	113.0	108.6
General government net lending ⁶	2.5	-2.3	-3.5	-3.5
Cyclically adjusted net lending ⁷	3.4	2.0	1.5	1.2
Seven-year indicator ⁸	0.1	-0.6	-1.1	-1.6

¹ Percent of GDP. ² Calendar-adjusted. ³ Including full-time students who have looked for work, in percent of labour force. ⁴ According to Short-Term Wage and Salary Statistics. ⁵ At year-end. ⁶ Percent of GDP. ⁷ Percent of potential GDP. ⁸ For 2012–2015 the NIER's medium-range forecast is used; it is available on www.konj.se/medelfrist.

Sources: Statistics Sweden, National Mediation Office and NIER.

Appendix

Table 2 GDP and the CPI in Other Countries

Annual percentage change

	GDP				CPI			
	2008	2009	2010	2011	2008	2009	2010	2011
United States	0.4	-2.8	1.7	2.7	3.8	-0.8	1.0	1.5
Japan	-0.7	-6.3	1.3	1.9	1.4	-0.8	-0.4	0.2
Canada	0.4	-1.9	1.6	2.8	2.4	0.0	0.9	1.5
Denmark	-1.2	-3.8	0.4	1.1	3.6	1.0	1.3	1.6
Norway	2.1	-1.5	1.0	2.3	3.4	1.7	1.8	2.0
Euro zone	0.6	-4.2	0.5	2.1	3.3	0.3	0.9	1.4
Finland	0.7	-5.6	0.6	2.8	3.9	1.0	1.2	1.7
Germany	1.0	-5.3	1.1	2.0	2.8	0.2	0.5	1.3
France	0.3	-2.3	0.7	2.0	3.2	0.2	0.9	1.5
Italy	-1.0	-5.2	0.2	1.6	3.5	0.7	1.1	1.5
United Kingdom	0.7	-4.7	0.9	1.7	3.6	1.5	1.1	1.2
EU	1.0	-4.1	0.6	2.1	3.8	0.9	1.1	1.5
OECD	0.6	-3.7	1.2	2.6	3.7	0.3	1.2	1.6
India	7.3	6.0	7.0	7.2	8.6	6.0	4.5	4.7
China	9.1	7.8	8.5	8.8	5.9	0.3	1.0	1.5
Latin America	4.1	-2.5	2.7	3.4	8.2	6.3	6.2	6.0
World	3.0	-1.2	2.8	4.1				

Note: The GDP figures are calendar-adjusted and the aggregates are calculated with the use of so-called Purchasing Power Parity (PPP) weights. The CPI figures for the EU countries show the harmonized CPI or HICP.

Sources: IMF, OECD, Eurostat and NIER.

Table 3 Interest Rates

	2009	2010	2011
Policy interest rates			
Sweden	0.25	0.50	1.50
Euro zone	1.00	1.25	1.75
United States	0.25	0.75	2.25
Bond rates ¹			
Sweden	3.7	4.0	4.4
Euro Zone	3.7	4.0	4.4
United States	3.8	4.1	4.5

¹ Interest rates on 10-year government bonds.

Sources: The Riksbank and NIER.

Table 4 Supply and Demand

Billions of SEK, current prices, and percentage change, constant prices

	2008	2008	2009	2010	2011
GDP	3 157	-0.2	-5.0	1.5	2.9
GDP, calendar-adjusted		-0.4	-4.9	1.2	2.9
Real GNI per capita		-1.1	-7.0	0.2	2.3
Household consumption expenditure	1 467	-0.2	-1.5	2.2	3.0
General government consumption expenditure	834	1.5	1.0	1.0	0.4
Gross fixed-capital formation	615	2.7	-16.2	-4.0	4.3
Stockbuilding ²	5	-0.6	-0.8	0.4	0.2
Exports of goods and services	1 711	1.9	-14.7	3.1	5.7
Imports of goods and services	1 477	3.0	-15.7	2.7	5.6
Total domestic demand	2 922	0.2	-4.8	1.1	2.6
Net exports	235	-0.4	-0.6	0.4	0.4
Current account ³	262	8.3	6.7	6.4	6.7

¹ Actual (not calendar-adjusted) GDP growth based on forecast of preliminary outcome for general government consumption is -5.1 percent 2009 1.3 percent 2010 and 2.7 percent 2011. With the new method of measuring the development by volume of general government output of individual services, a method-dependent difference arises between preliminary and final outcomes for general government consumption. Thus, there is also a difference between preliminary and final outcomes for GDP. The NIER's forecasts of general government consumption refer to the final outcome. In evaluating forecasts, however, the NIER will proceed on the basis of an estimated preliminary outcome for general government consumption.

² Contribution to GDP growth. ³ In percent of GDP, current prices.

Sources: Statistics Sweden and NIER.

Table 5 Household Income

Billions of SEK, current prices, and percentage change

	2008	2008	2009	2010	2011
Total earnings	1 309	5.8	-0.9	-0.6	2.7
Hourly earnings according to National Accounts (NA) ¹		4.4	3.3	2.1	2.3
Hours worked ^{1,2}		1.4	-4.1	-2.7	0.4
Other factor incomes	284	0.2	-5.7	1.8	8.3
Transfers from the general government sector	489	1.6	9.4	3.3	2.3
Transfers from the private sector	65	-1.0	3.0	2.9	-1.4
Taxes and contributions	-582	-2.8	-3.2	0.9	2.9
Disposable income	1 563	6.6	2.5	0.7	3.3
Consumer prices ³		2.8	2.2	0.6	0.5
Real disposable income		3.6	0.2	0.1	2.8

¹ Adjusted for inter-year differences in the number of working days.

² Employed.

³ Implicit price index for household consumption expenditure.

Sources: Statistics Sweden and NIER.

Table 8 Productivity

SEK per hour and annual percentage change, constant prices

	2008	2008	2009	2010	2011
Calendar-adjusted					
Goods industries	391	-3.1	-4.8	7.7	5.5
of which: Manufacturing	424	-3.4	-8.0	10.6	7.2
Construction	271	-3.0	1.5	2.5	3.2
Service industries	428	-2.1	0.4	4.0	1.7
of which: Trade	334	-1.4	0.5	3.7	1.9
Business services	412	-4.2	-4.5	7.6	4.1
Business sector	413	-2.4	-1.3	5.4	3.1
Public authorities	281	1.4	0.9	0.8	0.1
Total ¹	374	-1.4	-1.2	4.0	2.4
Not calendar-adjusted					
Business sector	413	-2.7	-1.2	5.0	3.1
Public authorities	281	1.2	1.1	0.5	0.1
Total ¹	373	-1.7	-1.1	3.7	2.4

¹Including non-profit institutions serving households.

Sources: Statistics Sweden and NIER.

Table 9 Hours Worked

Millions of hours and annual percentage change

	2008	2008	2009	2010	2011
Calendar-adjusted					
Goods industries	2 084	1.1	-9.1	-4.8	-0.4
of which: Manufacturing	1 282	-0.4	-12.2	-5.7	-0.8
Construction	521	5.8	-5.9	-5.1	-0.2
Service industries	3 153	2.4	-3.0	-3.2	1.1
of which: Trade	964	1.8	-4.9	-1.5	2.2
Business services	763	2.9	-3.0	-8.0	-0.6
Business sector	5 238	1.9	-5.5	-3.8	0.5
Public authorities	1 991	-1.1	-0.9	-0.2	0.2
Total ¹	7 404	1.0	-4.0	-2.7	0.4
Not calendar-adjusted					
Business sector	5 244	2.4	-5.7	-3.3	0.5
Public authorities	1 911	-0.5	-1.3	0.6	0.2
Total ¹	7 411	1.6	-4.3	-2.1	0.4

¹Including hours worked at non-profit institutions serving households.

Sources: Statistics Sweden and NIER.

Table 10 Selected Indicators for the Labour Market

Level in thousands of persons and annual percentage change

	2008	2008	2009	2010	2011
Total output (basic prices) ¹	2 766	-0.4	-5.2	1.2	2.9
Productivity ²	374	-1.4	-1.2	4.0	2.4
Hours worked ³	7 404	1.0	-4.0	-2.7	0.4
Average hours worked, employed ⁴	32	0.1	-1.5	0.4	0.8
Number employed	4 484	0.9	-2.6	-3.1	-0.3
Employment rate ⁵		75.7	73.3	70.8	70.5
Labour force ⁶	4 778	0.9	0.3	-0.3	0.2
Unemployment ⁷	294	6.1	8.8	11.4	11.8
Unemployment acc. to previous definition ⁸	217	4.6	6.9	8.8	8.8
Number participating in labour-market programmes ⁹	85	1.8	2.9	4.7	5.4
Population, aged 16–64	5 923	0.8	0.6	0.3	0.1

¹ Billions of SEK, calendar-adjusted. ² SEK per hour, calendar-adjusted.³ Millions of hours, calendar-adjusted. ⁴ Hours per week, calendar-adjusted.⁵ Proportion employed, percent of population aged 16–64.⁶ Including full-time students who have looked for work.⁷ Including full-time students who have looked for work, percent of labour force.⁸ Excluding full-time students who have looked for work, percent of labour force.⁹ Percent of labour force.

Sources: Statistics Sweden, Swedish Public Employment and NIER.

Table 11 Labour Costs and Earnings per Hour and Costs per Unit of Output – Business Sector

Annual percentage change. Calendar-adjusted

	2008	2008	2009	2010	2011
Hourly earnings (STWS)		4.0	3.2	2.0	2.1
Hourly earnings (NA)	196	4.0	3.5	2.0	2.3
Social security contributions (NA) ¹	80	40.65	40.01	39.69	39.84
Compensation of employees	276	3.0	3.0	1.8	2.4
Productivity ²		-3.0	-1.1	5.5	3.1
Unit labour cost		6.2	4.1	-3.5	-0.7
Unit labour cost excl. Pension premium rebate		6.9	3.1	-3.5	-0.7

Note: Employer contributions include social security contributions and payroll taxes. STWS stands for Short Term Wage and Salary Statistics and NA for National Accounts.

¹ Implicit contribution percent of hourly earnings (NA).² The development of productivity in this table is based solely on hours worked by employees; thus, hours worked by business proprietors are not included.

Sources: Statistics Sweden, National Mediation Office and NIER.

Table 12 Consumer Prices

Annual percentage change

	Weight in CPI	2009	2010	2011
Goods	42.9	1.2	0.1	0.0
Services	25.8	2.3	1.4	1.0
Housing excl. mortgage interest cost and energy	17.4	3.6	1.7	1.7
<i>CPIX excl. energy</i>	86.0	2.0	0.8	0.6
Energy	8.7	-3.0	1.1	0.6
CPIX	94.7	1.5	0.8	0.6
Mortgage interest cost, house prices ^{1, 2}		0.3	0.3	0.2
Taxes and subsidies ¹		0.2	0.0	0.1
CPI, constant interest rate	100.0	1.9	1.1	0.9
Mortgage interest cost, interest rate ^{1, 2}		-1.8	-0.5	0.9
CPI	100.0	-0.2	0.6	1.6
HICP		1.9	0.8	0.7

¹ Contribution to CPI inflation. ² Mortgage interest cost has a weight of 5.3 percent and is calculated as the product of house prices and the interest rate.

Note: All prices except in the CPI, CPI with constant interest rate and the HICP are calculated with the direct effects of taxes and subsidies excluded.

Sources: Statistics Sweden and NIER.

Table 13 Finances of the General Government Sector

Billions of SEK and percent of GDP

	2007	2008	2009	2010	2011
Revenue	1 642	1 664	1 582	1 589	1 633
<i>Percent of GDP</i>	<i>53.6</i>	<i>52.7</i>	<i>51.4</i>	<i>50.7</i>	<i>50.2</i>
Expenditure	1 526	1 585	1 652	1 699	1 749
<i>Percent of GDP</i>	<i>49.8</i>	<i>50.2</i>	<i>53.7</i>	<i>54.2</i>	<i>53.7</i>
Net lending	116	79	-70	-110	-115
<i>Percent of GDP</i>	<i>3.8</i>	<i>2.5</i>	<i>-2.3</i>	<i>-3.5</i>	<i>-3.5</i>

Sources: Statistics Sweden and NIER.

Contacts

The summary of this report is translated into English. If you want further information please contact us.

Summary

Kerstin Hallsten

E-mail: kerstin.hallsten@konj.se

phone +46 8 453 59 15

Development of the International Economy

Alek Markowski

E-mail: alek.markowski@konj.se, phone +46 8 453 59 22

Financial Markets

Alek Markowski

E-mail: alek.markowski@konj.se, phone +46 8 453 59 22

GDP and Demand in Sweden

Peter Svensson

E-mail: peter.svensson@konj.se, phone +46 8 453 59 08

Labour Market

Elisabeth Hopkins

E-mail: elisabeth.hopkins@konj.se, phone +46 8 453 59 42

Wages, Profits and Prices

Marcus Widén

E-mail: marcus.widen@konj.se, phone +46 8 453 59 41

Public Finances

Ann Öberg

E-mail: ann.oberg@konj.se, phone +46 8 453 59 73

NIER

Kungsgatan 12-14

Box 3116

SE-103-62 Stockholm

Sweden

Telephone: +46-8-453 59 00. Telefax: +46-8-453 59 80

E-mail: ki@konj.se, homepage: www.konj.se