

The Swedish Economy

Summary. June 2013



National Institute of Economic Research





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June 2013

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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**.

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/statistics.

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Summary

GDP growth surged temporarily in the first quarter this year. Both exports and investment fell, and much of the increase in output resulted in stockbuilding. Consumer and business confidence is improving slowly, but from low levels. Recovery will not begin until the autumn, and unemployment will not start to come down until late 2014. Manufacturing set the bar in this year's pay settlements, which are expected to result in average annual wage growth of just under 3 per cent in 2013–2015, so paving the way for low inflationary pressure. The Riksbank will not touch the repo rate despite low inflation and high unemployment. Fiscal policy will be expansionary this year but will need to be tightened in the coming years if the surplus target for general government net lending is to be achieved.

TEMPORARY GROWTH SPURT IN THE FIRST QUARTER

Swedish GDP grew surprisingly strongly in the first quarter (see Diagram 1). The Economic Tendency Survey had indicated an improvement on the fourth quarter last year, but not such a large increase. Underlying demand, however, was weak. Both exports and investment fell, and much of the rise in output resulted in involuntary stockbuilding. Household consumption expenditure grew at roughly the same rate as before, due partly to the unusually cold winter fuelling energy consumption.

Many confidence indicators, including PMI scores and consumer sentiment measures, began to rise at the end of 2012, both in Sweden and abroad (see Diagrams 2 and 3). The upswing has stalled in recent months, with PMIs around or below the growth threshold of 50. Indicators point to weak or even negative growth in Sweden in the second quarter.

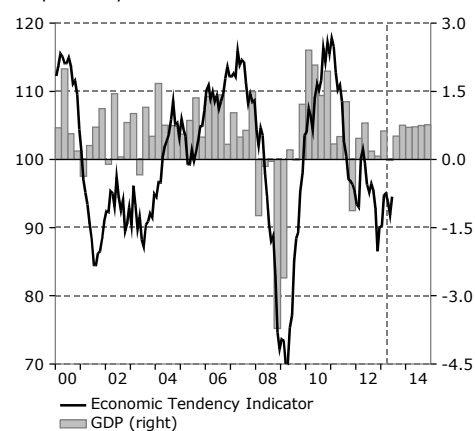
Swedish GDP is forecast to be unchanged in the second quarter, with stockbuilding in particular contributing less to demand. Firms – and manufacturers in particular – also report lower planned investment levels in 2013 in Statistics Sweden's latest investment survey. Although rising disposable income, a historically high saving ratio and high levels of wealth mean that households are in a good position to spend more, confidence indicators do not point to more than average growth in household consumption in the coming quarters.

EUROPEAN RECESSION EASES

GDP in the euro area has fallen for six successive quarters (see Diagram 4). The recession has slowed this year, however, and many confidence indicators have begun to rise again, although they are still at low levels. GDP growth is expected to turn positive again in the second half of this year and accelerate in 2014. Recent years' very contractionary fiscal policy will be relaxed this

Diagram 1 Economic Tendency Indicator and GDP

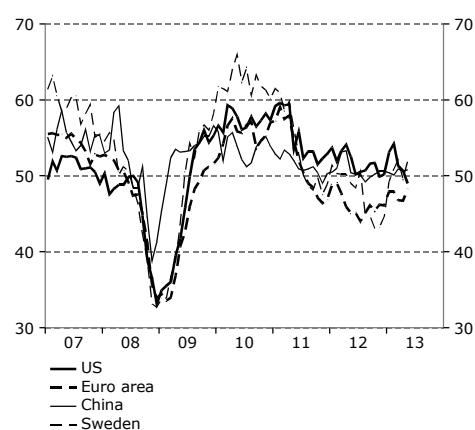
Index mean=100, monthly values and percentage change, seasonally adjusted quarterly values, respectively



Sources: Statistics Sweden and NIER.

Diagram 2 Purchasing Manager Index in Manufacturing in US, Euro Area, China and Sweden

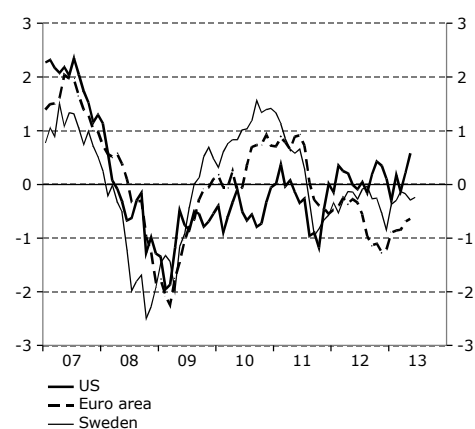
Diffusion index, seasonally adjusted monthly values



Sources: Institute for Supply Management, NTC Research Ltd, National Bureau of Statistics of China and Macrobond.

Diagram 3 Consumer Confidence in US, Euro Area and Sweden

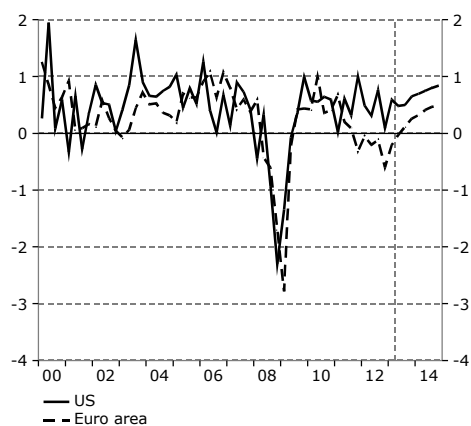
Standardized deviations from mean, monthly values



Sources: Conference Board, Eurostat and NIER.

Diagram 4 GDP in US and Euro Area

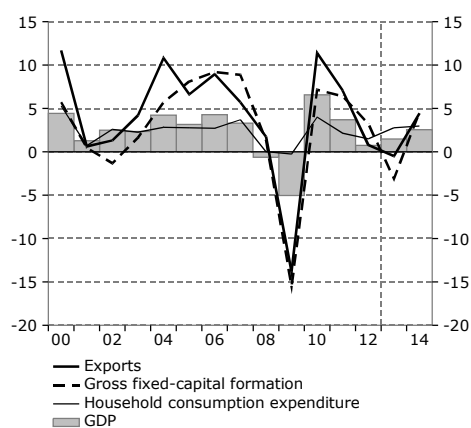
Percentage change, seasonally adjusted quarterly values



Sources: Bureau of Economic Analysis, Eurostat and NIER.

Diagram 5 GDP and Demand

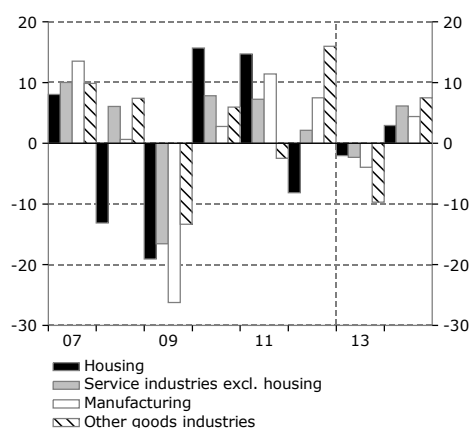
Percentage change



Sources: Statistics Sweden and NIER.

Diagram 6 Gross Fixed Capital Formation in Business Sector

Percentage change



Sources: Statistics Sweden and NIER.

year and next, while monetary policy will remain highly expansionary. Now that consumer confidence is slowly returning and financial markets are stabilising, consumption will rise and housing investment will stop falling. There is also a backlog of investment in many parts of industry, which will lead to higher investment once capacity utilisation starts to pick up.

However, the recovery beginning at the end of this year will be tentative. There is still a major need to restore competitiveness in southern Europe. The banking system may still require further injections of capital, which would put further pressure on government finances and could trigger further turmoil in financial markets. The most likely scenario, however, is that Europe's institutions will be able to deal with any trouble breaking out.

US RECOVERY CONTINUES

Despite marked fiscal tightening at the beginning of 2013, the US economy is continuing the recovery begun in the second half of 2009. Both business investment and housing investment have picked up from the very low levels following the financial crisis. Households have paid off large amounts of debt, and this, together with highly expansionary monetary policy, is stimulating the housing market.

GDP growth was 0.6 per cent in the first quarter this year, but will slow somewhat in the coming quarters (see Diagram 4). The PMI for the manufacturing industry has dropped in recent months, which may be due in part to weak export demand from the euro area and elsewhere. Exports will rise more quickly in the time ahead, as will consumption as fiscal policy becomes less contractionary and the labour market improves further.

EXPANSIONARY POLICY IN JAPAN STIMULATES GROWTH

The overhaul of Japanese economic policy in the second half of 2012 had a clear impact on confidence indicators and GDP growth in the first quarter. Share prices have also risen strongly on the Tokyo exchange since the autumn, although some of the gains have recently been reversed. Growth is expected to increase further, leading to falling unemployment. Japan's very high central government debt and high budget deficits still present a considerable risk. Should the recovery stall, and the planned tightening of fiscal policy (such as the increase in consumption tax) therefore be postponed, confidence in the Japanese government's creditworthiness could quickly be eroded. Yields on government debt could then rise rapidly, further delaying the recovery.

HOUSEHOLD CONSUMPTION TO FUEL GROWTH IN SWEDEN

GDP growth in Sweden will climb from 0.7 per cent last year to 1.5 per cent this year and 2.5 per cent next year (see Diagram 5). Both investment and exports will fall this year, but demand will still rise due to a relatively large increase in household consumption. Once GDP in the euro area stops falling and global demand accelerates, exports will step up a gear and contribute to higher output growth in 2014. Capacity utilisation in manufacturing will then increase, stimulating investment in the sector (see Diagram 6). Investment in the service sector (excluding housing) will follow a similar pattern. The decline in investment this year will be exacerbated by a further drop in housing investment, albeit not as big a drop as last year. Growing optimism in the household sector, coupled with further low interest rates, is expected to stimulate increased home-building in 2014.

UNEMPLOYMENT TO EDGE UP FURTHER

Unemployment in Sweden has risen over the past two years and currently stands at 8.4 per cent (see Diagram 7). One contributing factor is a big increase in the labour force, due partly to economic policy reforms. At the same time, employment growth has been weak and the employment rate has been unchanged. The employment rate has actually risen in most age groups, but the increase among those aged 15–74 has been offset by the growing proportion of elderly people in the population, who have a lower average employment rate.

In terms of the employment rate, therefore, the labour market is not unusually weak. Compared with most other European countries, the employment rate is high (see Diagram 8). This is partly because labour force participation among women and the elderly in Sweden is high, and because the recession in Europe has not hit the Swedish labour market as hard as that in some other countries.

The weak GDP growth this year means that demand for labour will increase slowly and unemployment will remain just below 8.5 per cent through to the end of 2014. Not until early 2017 will unemployment return to the estimated equilibrium level of just over 6.5 per cent.

MANUFACTURING SETS THE BAR IN THIS YEAR'S PAY SETTLEMENTS

This year's pay settlements mean that a majority of employees now have new three-year central agreements resulting in total agreed cost increases for employers of 6.8 per cent. Locally and individually negotiated pay rises come on top of these central agreements. All in all, this is expected to result in average annual wage growth in the economy as a whole of 2.8 per cent in 2013–2015 (see Diagram 9). This is in line with the relationship be-

Diagram 7 Unemployment and Equilibrium Unemployment

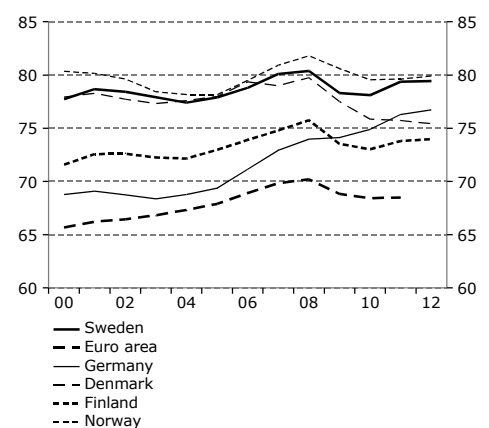
Per cent of labour force, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 8 Employment Rates

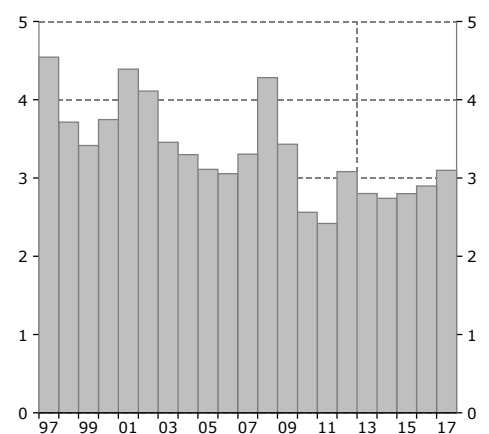
Per cent of population aged 20–64



Source: Eurostat.

Diagram 9 Hourly Earnings

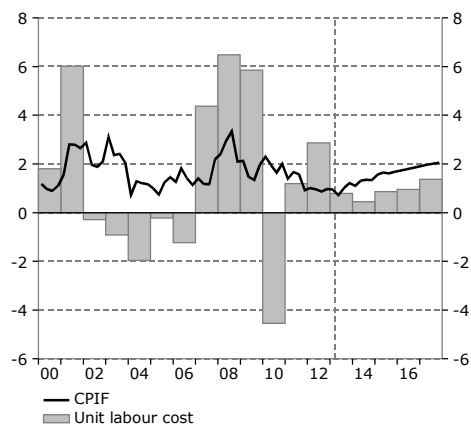
Percentage change



Sources: National Mediation Office and NIER.

Diagram 10 Consumer Prices and Unit Labour Cost, Business Sector

Annual percentage change, quarterly values and yearly values, respectively



Sources: Statistics Sweden and NIER.

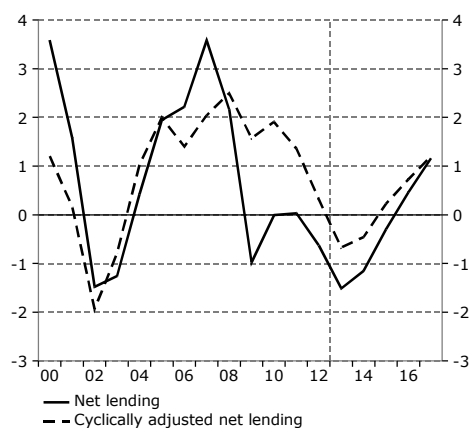
tween wage growth and the state of the labour market that has been seen in Sweden since employers and the unions signed the Industry Agreement in 1997. The slower rate of wage growth is a normal consequence of high unemployment and is not interpreted as a sign of increased wage restraint in a bid to bring down equilibrium unemployment.

Not all agreements are yet in place, and there are cancellation clauses for the third year in some of the settlements, but uncertainty about future wage growth has decreased substantially since the beginning of the year. The moderate pay increases agreed will pave the way for low inflationary pressure in the coming years.

Productivity growth has also accelerated. This, too, will put a damper on unit labour costs, which will rise only moderately in the coming years (see Diagram 10). Core inflation as measured by the CPIF will therefore climb only slowly towards 2 per cent in 2017.

Diagram 11 Actual and Cyclically Adjusted Net Lending

Per cent of GDP and per cent of potential GDP, respectively



Sources: Statistics Sweden and NIER.

FOUR YEARS OF GENERAL GOVERNMENT DEFICITS

Fiscal policy will be expansionary this year, with a total of SEK 25 billion in unfunded measures from the Budget Bill for 2013 and the 2013 Spring Fiscal Policy Bill. The low GDP growth also spells weak growth in many important tax bases. All in all, this means that general government net lending will fall to -1.5 per cent of GDP this year (see Diagram 11).

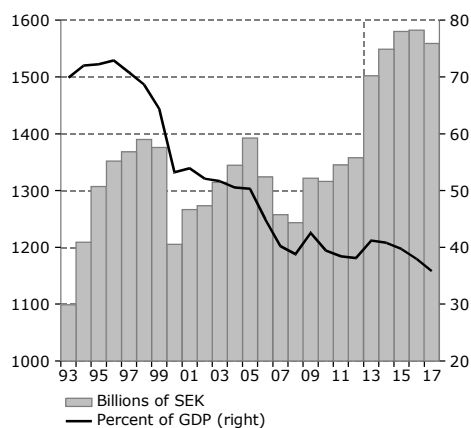
Based on the limited information in the 2013 Spring Fiscal Policy Bill and statements by government representatives, the NIER estimates that the government will propose SEK 20 billion in unfunded fiscal measures for 2014. GDP and the tax bases will also grow faster next year, which will strengthen public finances. Further deficits are nevertheless anticipated in 2014 and 2015.

Cyclically-adjusted net lending will also be negative this year, which means that the deficit is not just down to the weak economic climate. The explanation is that the government has pursued an active stabilisation policy with unfunded measures to mitigate the economic downturn. An active fiscal policy will contribute to more stable economic growth, but will require a contractionary fiscal stance once the economic climate improves.

The NIER assumes that the target of a 1 per cent surplus in general government net lending on average over the business cycle will continue to be pursued. Fiscal policy will tighten, with the result that cyclically-adjusted net lending improves to 1.2 per cent in 2017 when the output gap closes and the economy is in a

Diagram 12 General Government Consolidated Gross Debt (Maastricht Debt)

Billions of SEK and per cent of GDP, current prices, respectively



Sources: Statistics Sweden and NIER.

cyclically neutral state.¹ In this scenario, the general government sector's consolidated gross debt will fall as a percentage of GDP from 2014 onwards (see Diagram 12).² Sweden has low levels of government debt, and it may now be appropriate to explore whether the surplus target should be adjusted for the coming ten-year period.

This fiscal tightening will to some extent be automatic. Without any new political decisions, fiscal policy will become more contractionary because tax revenue will rise in line with GDP while many areas of expenditure will be unchanged in nominal terms. The government's budget forecasts are based on unchanged policies, which automatically boosts the budget balance. This is not particularly realistic, however, as a growing proportion of elderly and young people will, for example, require more carers and teachers. If public services are to be maintained at 2013 levels, revenue growth (tax increases) of SEK 72 billion will be needed to achieve cyclically-adjusted net lending of 1.2 per cent in 2017, which the NIER deems the minimum level for the surplus target to be considered to have been met.

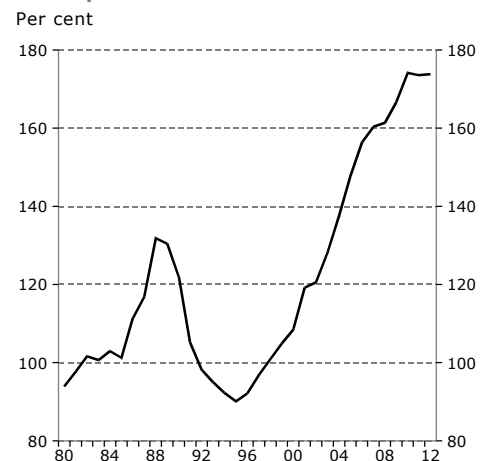
Economic developments going forward may differ slightly depending on the priority the government chooses to give the surplus target. This is illustrated in the special analysis "Alternativ finanspolitik: Effekter på konjunkturåterhämtning och offentligt finansiellt sparande" ("Alternative fiscal policies: Effects on economic recovery and general government net lending") in the section "Makroekonomisk utveckling och ekonomisk politik 2013–2017" ("Macroeconomic Developments and Economic Policy 2013–2017") in *Konjunkturläget*, June 2013.

HIGH HOUSEHOLD DEBT – A RESULT OF RATIONAL DECISIONS

The majority on the Riksbank's executive board see high household debt as a reason not to lower the repo rate despite low inflation and high unemployment. Household debt has risen sharply over the past 15 years and currently stands at 174 per cent of annual disposable income (see Diagram 13). The increase in the ratio has, however, levelled off in the past year. The majority on the executive board are nevertheless uncomfortable with levels of household debt that are high by both historical and international standards.

The special analysis "Lånar hushållen för mycket" ("Are households borrowing too much?") in the section "Mak-

Diagram 13 Household Debt in Relation to Disposable Income



Sources: Statistics Sweden and NIER.

¹ The NIER believes that cyclically-adjusted net lending of 1.2 per cent of potential GDP is needed for actual net lending to average 1 per cent over the business cycle. This is because economic growth is more often low than high – see also the special analysis "The Surplus Target for General Government Finances" in *The Swedish Economy*, March 2013.

² The rise in gross debt in 2013 is due mainly to the Riksbank's reinforcement of its foreign exchange reserves, which is being financed through increased borrowing from the National Debt Office. This will not affect the government's net position, as it is offset by a claim on the Riksbank.

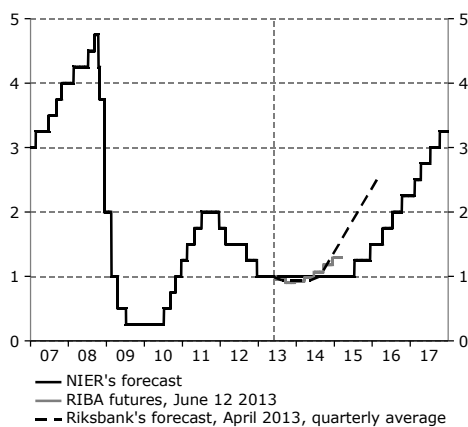
roekonomisk utveckling och ekonomisk politik 2013–2017” (“Macroeconomic Developments and Economic Policy 2013–2017”), in *Konjunkturläget*, June 2013, looks at households’ balance sheet and reasons for holding debt. The conclusion is that there are several good reasons why households have increased their borrowings. Most household debt relates to home ownership, and the market value of housing has risen at least as rapidly as this debt, with the result that the loan-to-value ratio has largely been constant or even fallen slightly.

Analyses from several different sources do not suggest that housing is seriously overvalued. The high price levels by historical standards can be explained primarily by a limited supply of housing in areas where demand is growing rapidly, rising incomes, low interest rates and reduced property taxation. Were house prices nevertheless to drop by around 20 per cent, the impact on aggregate demand would not be that great if it were an isolated event.

Low home-building and the resulting shortage of housing are problematic for Swedish growth. Rent regulation, municipal planning processes and a lack of competition in the construction sector are among the factors putting a damper on the supply of housing. Should any of these factors change, it is reasonable to expect the real equilibrium price of housing to fall. Assuming no radical changes, the adjustment towards a new, lower real equilibrium level could be achieved through several years of unchanged nominal house prices.

Diagram 14 Repo Rate

Per cent, daily values



Sources: NASDAQOMX, The Riksbank and NIER.

RIKSBANK TO LEAVE REPO RATE ALONE

Inflation is currently well below the target level, and unemployment is high. The Riksbank’s forecast for the repo rate, or interest rate path, indicates that the repo rate will most likely not be lowered further (see Diagram 14). Pricing in the forward market also suggests that the repo rate will remain at current levels through to the end of 2014. As macroeconomic developments in recent months have been in line with the Riksbank’s forecast in April, the NIER considers it most probable that the repo rate will not be altered in the coming year.

There are no signs of inflation picking up in the near future, and the results of this year’s pay settlements to date indicate average annual wage growth of just under 3 per cent in 2013–2015. This is considerably lower than the Riksbank’s most recent projections for wage growth in 2014–2015. The NIER expects this slower wage growth and the resultant inflationary pressure to mean that the Riksbank will not begin to raise the repo rate as early as indicated in its latest forecast in April.

The NIER does, however, see a case for cutting the repo rate again before the autumn to help accelerate recovery and push up inflation more quickly. High household debt is not currently an obstacle to lowering the repo rate. The positive effects of this

alternative monetary policy would be relatively limited, however, and should not be overestimated.

Table 1 Selected Indicators

Percentage change unless otherwise stated

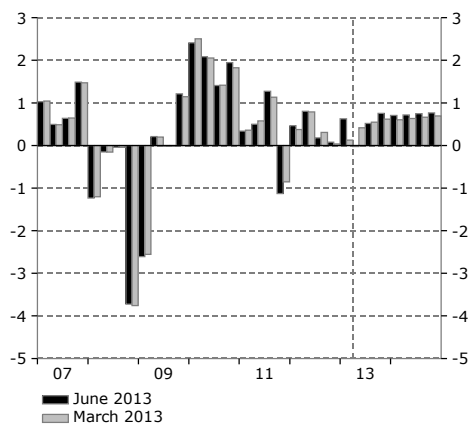
	2010	2011	2012	2013	2014	2015	2016	2017
GDP	6.6	3.7	0.7	1.5	2.5			
GDP, calendar-adjusted	6.3	3.7	1.1	1.5	2.7	3.1	3.0	2.6
Current account ¹	6.9	7.3	6.7	6.3	6.2	5.4	4.9	4.3
Hours worked ²	2.0	2.4	0.6	-0.1	0.8	1.4	1.4	1.2
Employment	0.6	2.3	0.7	0.7	0.5	1.2	1.3	1.1
Unemployment ³	8.6	7.8	8.0	8.3	8.3	7.7	7.1	6.6
Labour market gap ⁴	-2.3	-1.1	-1.2	-1.8	-1.7	-1.1	-0.5	0.1
Output gap ⁵	-3.6	-1.5	-1.9	-2.1	-1.7	-0.8	-0.1	0.3
Hourly earnings ⁶	2.6	2.4	3.1	2.8	2.7	2.8	2.9	3.1
Labour cost, business sector ²	0.1	2.9	3.7	2.7	2.8	2.9	3.0	3.2
Productivity, business sector ²	5.0	2.4	1.2	2.3	2.3	2.0	2.0	1.8
CPI	1.2	3.0	0.9	0.1	0.8	1.7	2.6	3.0
CPIF	2.0	1.4	1.0	1.0	1.3	1.6	1.8	2.0
Repo rate ^{7,8}	1.25	1.75	1.00	1.00	1.00	1.50	2.25	3.25
Interest rate, 10-year government bond ⁷	2.9	2.6	1.6	1.8	2.4	3.2	4.0	4.5
Index for the Swedish krona (KIX) ⁹	114.3	107.6	106.1	102.8	102.6	102.1	101.9	101.8
GDP, world-wide	5.2	4.0	3.2	3.2	4.0	4.4	4.5	4.5
General government net lending ¹	0.0	0.0	-0.6	-1.5	-1.2	-0.3	0.5	1.2
General government consolidated gross debt (Maastricht debt) ¹	39.4	38.4	38.1	41.2	40.8	39.7	38.0	35.8
Cyclically adjusted net lending ¹⁰	1.9	1.4	0.3	-0.7	-0.5	0.2	0.7	1.2

¹ Per cent of GDP. ² Calendar-adjusted. ³ Per cent of labour force. ⁴ Difference between actual and potential hours worked, in per cent of potential hours worked. ⁵ Difference between actual and potential GDP, in per cent of potential GDP. ⁶ According to Short-term Earnings Statistics. ⁷ Per cent. ⁸ At year-end. ⁹ Index 1992-11-18=100. ¹⁰ Per cent of potential GDP.

Sources: Statistics Sweden, National Mediation Office, the Riksbank and NIER.

Diagram 15 GDP

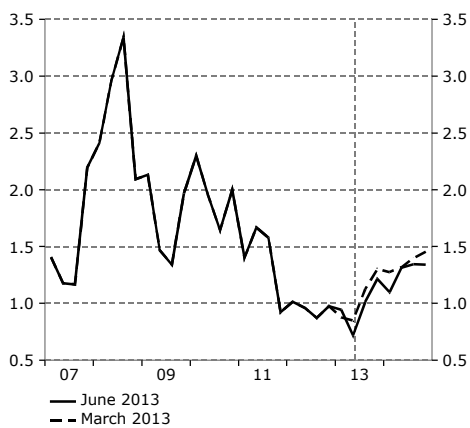
Percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 16 CPIF

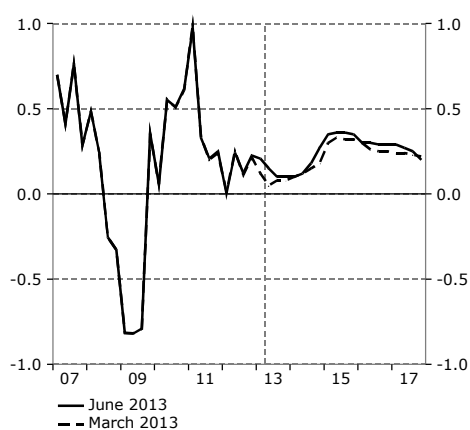
Annual percentage change, quarterly values



Sources: Statistics Sweden and NIER.

Diagram 17 Employment

Percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Forecast revisions 2013–14

This section outlines the principal revisions to the forecast published in *The Swedish Economy*, March 2013.

- Global economic developments will, on average, depart only marginally from the March forecast, and the GDP growth forecast for the OECD is unchanged.
- Swedish GDP growth was surprisingly strong in the first quarter, but several temporary factors contributed to this, so the growth forecast for the second quarter has been revised down (see Diagram 15).
- Although GDP has been stronger, both exports and business investment have been weaker. It is primarily investment in manufacturing that has underperformed. The slightly weaker outlook for export demand and the limited investment plans in Statistics Sweden's latest investment survey have prompted a marked downward revision of the investment forecast for 2013.
- Household consumption is expected to grow slightly more strongly this year and next than in the previous forecast. This is partly because real disposable income is forecast to increase more quickly as a result of bigger tax reductions for households than assumed in March.
- All in all, this means that the forecast for GDP growth has been revised up slightly for both 2013 and 2014.
- Inflation has been lower than envisaged and is expected to remain lower for the rest of this year, as indicated, for example, by weak producer price inflation. The slower rate of inflation is also due to lower oil prices than expected. The forecast for core inflation as measured by the CPIF has also been revised down for 2014 (see Diagram 16).
- Employment has grown slightly more strongly than foreseen, but so has the labour force, which means that unemployment has been marginally higher than predicted in March. Employment is expected to continue to grow slightly more strongly (see Diagram 17).
- Little new information about fiscal policy for 2014 has emerged, but based on the 2013 Spring Fiscal Policy Bill and the limited statements made by government representatives, the NIER estimates that the government will announce SEK 20 billion in unfunded measures for 2014, which is SEK 5 billion more than in the previous forecast.

Table 2 Current Forecast and Revisions Compared to the March 2013 Forecast

Percentage change unless otherwise stated

	2013		2014	
	June 2013	Diff.	June 2013	Diff.
International				
GDP, world-wide	3.2	-0.1	4.0	-0.1
GDP, OECD	1.3	0.0	2.3	0.0
GDP, Euro Area	-0.7	-0.3	1.2	0.0
GDP, United States	1.9	0.2	2.8	0.1
GDP, China	7.9	-0.2	8.0	-0.2
Federal funds target rate ^{1,2}	0.25	0.00	0.25	0.00
ECB refi rate ^{1,2}	0.50	-0.25	0.50	-0.25
Oil price ³	105.6	-3.7	103.6	-3.4
CPI, OECD	1.7	-0.2	1.9	0.0
GDP by Expenditure				
GDP, calendar-adjusted	1.5	0.2	2.7	0.2
GDP	1.5	0.2	2.5	0.2
Household consumption	2.8	0.3	3.0	0.3
General government consumption	0.9	0.0	0.6	-0.1
Gross fixed capital formation	-3.1	-4.4	4.6	0.9
Stockbuilding ⁴	0.3	0.3	0.0	0.0
Exports	-0.5	-1.8	4.4	-0.2
Imports	-0.9	-3.3	4.9	-0.1
Labour Market, Inflation, Interest Rates etc.				
Hours worked ⁵	-0.1	-0.3	0.8	0.2
Employment	0.7	0.2	0.5	0.1
Unemployment ⁶	8.3	0.1	8.3	0.1
Labour market gap ⁷	-1.8	0.1	-1.7	0.1
GDP gap ⁸	-2.1	0.6	-1.7	0.4
Productivity, business sector ⁵	2.3	1.0	2.3	-0.1
Hourly earnings ⁹	2.8	0.0	2.7	0.0
CPI	0.1	-0.1	0.8	-0.3
CPIF	1.0	-0.1	1.3	-0.1
Repo rate ^{1,2}	1.00	0.00	1.00	0.00
Interest rate, 10-year government bond ¹	1.8	-0.5	2.4	-0.8
Index for the Swedish krona (KIX) ¹⁰	102.8	1.1	102.6	0.4
Current account ⁴	6.3	0.1	6.2	0.2
General government net lending ¹¹	-1.5	-0.1	-1.2	0.0

¹ Per cent. ² At year-end. ³ Dollar per barrel, annual average. ⁴ Change in per cent of GDP preceding year. ⁵ Calendar-adjusted. ⁶ Level, per cent of labour force. ⁷ Difference between actual and potential hours worked, in per cent of potential hours worked. ⁸ Difference between actual and potential GDP, in per cent of potential GDP. ⁹ According to Short-term Earnings Statistics. ¹⁰ Index 1992-11-18=100. ¹¹ Per cent of GDP.

Note. The difference is between the current forecast and the June 2013 forecast. A positive value denotes an upward revision.

Source: NIER.

Tables: Macroeconomic Development and Economic Policy 2013–2017

Table 3 GDP and CPI World-wide

Percentage change

	2012	2013	2014	2015	2016	2017
GDP, OECD	1.4	1.3	2.3	2.5	2.6	2.5
GDP, emerging markets ¹	5.1	5.3	5.8	6.3	6.4	6.4
GDP, world-wide	3.2	3.2	4.0	4.4	4.5	4.5
CPI, OECD	2.2	1.7	2.0	2.0	2.1	2.2
CPI, world-wide	3.9	3.6	3.7	3.7	3.6	3.7

¹ Emerging markets here refer to all non-OECD member countries.

Note. GDP figures are calendar-adjusted and in constant prices. Aggregates are calculated using purchasing-power adjusted GDP weights from the IMF.

Sources: IMF, OECD and NIER.

Table 4 Potential Variables

Percentage change unless otherwise stated

	2012	2013	2014	2015	2016	2017
Potential GDP	1.6	1.6	2.2	2.2	2.3	2.2
Potential hours worked	0.7	0.5	0.7	0.8	0.7	0.6
Potential employment	0.8	0.8	0.7	0.6	0.6	0.6
Of which demographic contribution	0.4	0.3	0.5	0.5	0.4	0.4
Potential productivity	0.9	1.1	1.5	1.4	1.6	1.6
Potential productivity, business sector	1.6	1.8	1.8	1.8	2.1	2.1

Sources: Statistics Sweden and NIER.

Table 5 GDP by Expenditure

Percentage change, constant prices, calendar-adjusted values

	2012	2013	2014	2015	2016	2017
Household consumption expenditure	1.7	2.8	3.0	2.9	2.9	2.3
General government consumption expenditure	1.2	0.9	0.8	1.2	1.3	1.5
Gross fixed capital formation	3.8	-3.1	4.8	8.3	7.7	5.1
Final domestic demand	2.0	1.1	2.7	3.5	3.5	2.7
Stockbuilding ¹	-1.1	0.3	0.0	0.0	0.0	0.0
Total domestic demand	0.7	1.4	2.7	3.5	3.4	2.7
Exports	1.4	-0.5	4.7	5.9	6.1	5.5
Total demand	1.0	0.8	3.4	4.3	4.4	3.7
Imports	0.7	-0.9	5.1	7.0	7.3	6.1
Net exports ¹	0.3	0.1	0.1	-0.1	-0.2	0.0
BNP	1.1	1.5	2.7	3.1	3.0	2.6

¹ Change in per cent of GDP preceding year.

Sources: Statistics Sweden and NIER.

Table 6 Labour Market

Percentage change

	2012	2013	2014	2015	2016	2017
Hours worked ¹	0.6	-0.1	0.8	1.4	1.4	1.2
Employed	0.7	0.7	0.5	1.2	1.3	1.1
Labour force	0.9	1.1	0.5	0.6	0.6	0.5
Unemployment ²	8.0	8.3	8.3	7.7	7.1	6.6

¹ Calendar-adjusted. ² Per cent of labour force.

Sources: Statistics Sweden and NIER.

Table 7 Earnings and Prices

Percentage change

	2012	2013	2014	2015	2016	2017
Hourly earnings ¹	3.1	2.8	2.7	2.8	2.9	3.1
Hourly earnings, business sector	3.3	2.7	2.7	2.8	2.9	3.1
Unit labour cost, business sector	2.9	0.8	0.5	0.9	1.0	1.4
CPI	0.9	0.1	0.8	1.7	2.6	3.0
CPIF	1.0	1.0	1.3	1.6	1.8	2.0

¹ According to Short-term Earnings Statistics.

Sources: National Mediation Office, Statistics Sweden and NIER.

Table 8 Interest Rates

Per cent

	2012	2013	2014	2015	2016	2017
At year-end						
Repo rate	1.00	1.00	1.00	1.50	2.25	3.25
Annual averages						
Repo rate	1.5	1.0	1.0	1.1	1.8	2.8
5-year government bond	1.1	1.4	2.0	2.9	3.7	4.2
10-year government bond	1.6	1.8	2.4	3.2	4.0	4.5

Sources: The Riksbank and NIER.

Table 9 Exchange Rates

Index 1992–11–18=100 and SEK per currency unit, respectively

	2012	2013	2014	2015	2016	2017
KIX index for the Swedish krona	106.1	102.8	102.6	102.1	101.9	101.8
TCW index	120.9	116.0	115.4	114.7	114.5	114.4
Euro	8.71	8.53	8.46	8.39	8.38	8.37
Dollar	6.78	6.56	6.66	6.66	6.60	6.55

Sources: The Riksbank and NIER.

Table 10 Forecast Fiscal Policy Measures 2014–2017

SEK billion, change from previous year

	2014	2015	2016	2017	2014– 2017
Unfunded/budget-strengthening measures	-20	0	3	11	-6

Note. Effect on general government net lending.

Source: NIER.

Table 11 General Government Net Lending and Cyclically Adjusted Net Lending

Per cent of GDP and per cent of potential GDP

	2012	2013	2014	2015	2016	2017
Net lending	-0.6	-1.5	-1.2	-0.3	0.5	1.2
Cyclically adjusted net lending	0.3	-0.7	-0.5	0.2	0.7	1.2
Net lending excl. fiscal policy 2014–2017	-0.6	-1.5	-0.7	0.0	0.5	0.9
Cyclically adjusted net lending excl. fiscal policy 2014–2017	0.3	-0.7	0.1	0.7	1.1	1.3

Source: NIER.

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