The Motor Vehicle Industry and Its Importance to the Swedish Economy

Some History

The Swedish motor-vehicle industry dates back to 1897, when a company by the name of Vagnsfabriksaktiebolaget i Södertelge (VABIS) built the country’s first factory-made passenger car. A few years later, in 1901, the first vehicle of another company, Maskin AB Scania, rolled out through the factory doors in Malmö. The year after, the two companies made their first lorries and in 1911 they merged to become AB Scania-Vabis. At that time the first bus – which seated 12 persons – was built. Eighteen years later, in 1929, the company manufactured its last passenger car. For a long time thereafter, it concentrated on heavy vehicles until SAAB entered the scene.

In the 1920’s, the other branch of Sweden’s automobile industry was founded. On 25 July 1924, two men – Assar Gabrielsson and Gustav Larsson – met at the Sturehof restaurant in Stockholm and decided to start a company by the name of Volvo. The first Volvo passenger car left the factory at Hisingen on Maundy Thursday in 1927. Just one year later, the first car exported was shipped to Denmark. In that same year, the first lorry and the first bus were also built.

When World War II broke out a decade later, more than one percent of industrial workers were employed in the automobile industry. By the end of the war, this percentage had decreased, but soon it was rising vigorously again.

The Past Decade

From 1993 to 2003, annual growth in GDP averaged 2.9 percent. During the same period, value added in the motor-vehicle industry rose by an average of more than 11 percent per year (see Diagram 83), and in 2003 the industry accounted for almost three percent of value added in the business sector. The direct contribution of the industry to annual GDP growth thus averaged nearly 0.3 percentage point (see Diagram 84). The variations between years, however, are considerable; in 1994 the motor-vehicle industry contributed 0.65 percentage point, whereas in 2001 the industry’s contribution was negative.

With this substantial increase in output, employment also went up despite a strong rise in productivity averaging almost 9 percent per year. In 1993 some 62 000 persons were employed in the motor-vehicle industry; by the current year, the number had surpassed 76 000 (see Diagram 85) and accounted for 2.6 percent of total employment in the business sector.

12 SIC 34 in the Swedish Standard of Industrial Classification.
The motor-vehicle industry is heavily dependent on foreign markets, and some 60 percent of output is exported. Last year, exports of motor vehicles were about SEK 125 billion, or roughly 15 percent of Sweden’s total exports of goods (see Diagram 86). Demand for motor vehicles has remained strong this year. New registrations of heavy-duty vehicles in Western Europe through September are up by almost 7 percent compared with the same period last year. Purchases of passenger cars have also increased in Western Europe, and both Volvo and SAAB have gained market shares. Exports of motor vehicles will have risen by more than 10 percent this year as well, and industry output by almost 15 percent. With productivity growth still strong, however, employment in the industry has been virtually unchanged since last year.

How Many Jobs Are Provided by Motor Vehicle Production?

Aside from the direct effects on the economy of production within the motor-vehicle industry, there are indirect effects from production of input goods outside the sector. Examples of these input goods include motor-vehicle sheet steel, window glass, electrical systems, tyres and textiles, in addition to various types of services.

Statistics from the National Accounts show the production structure of the business sector for 2000\textsuperscript{13}. If this structure is assumed to apply to the domestically produced external inputs to the motor-vehicle industry,\textsuperscript{14} the value added can be calculated for the indirect output. Such a calculation shows that the output of the motor-vehicle industry generates additional output equivalent to about 40 percent of value added by the industry. The total contribution – direct and indirect – of the motor-vehicle industry to GDP growth would thus be 0.8 percentage point for the year 2000. For 2004 the corresponding contribution will be about 0.4 percentage point.

As noted above, over 76 000 persons are employed in the motor-vehicle industry this year. According to a rough estimate, employment outside the industry, but generated by its output, is almost 35 000 persons. In total, the motor-vehicle industry thus provides employment for some 110 000 persons this year. And for every two jobs within the motor-vehicle industry, one additional job is created outside it.

\textsuperscript{13} Of the total gross value of business-sector output, imported inputs accounted for 15 percent and the sector’s own inputs (produced within the business sector) for almost 40 percent, with value added by the industry constituting 45 percent of the value of gross output.

\textsuperscript{14} Approximately 25 percent of gross output value for SIC 34.