

Country Insight Snapshot

Sweden

December 2017





OVERVIEW

OVERALL COUNTRY RISK RATING: DB1d

Lowest risk : Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.

G

Rating Outlook: Stable

CORE OUTLOOK

- + Sweden's high R&D expenditure is positive for the long-term outlook, and is ranked fourth among OECD countries.
- + Sweden is consistently ranked as one of the most innovative economies in the world.
- A rising dependency ratio will place an increasing burden on the country's resources.
- The labour market is very inflexible.

KEY DEVELOPMENT

The receding prospect of an interest rate increase, as well as housing market jitters, send the krona tumbling against the euro.

CREDIT ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

G

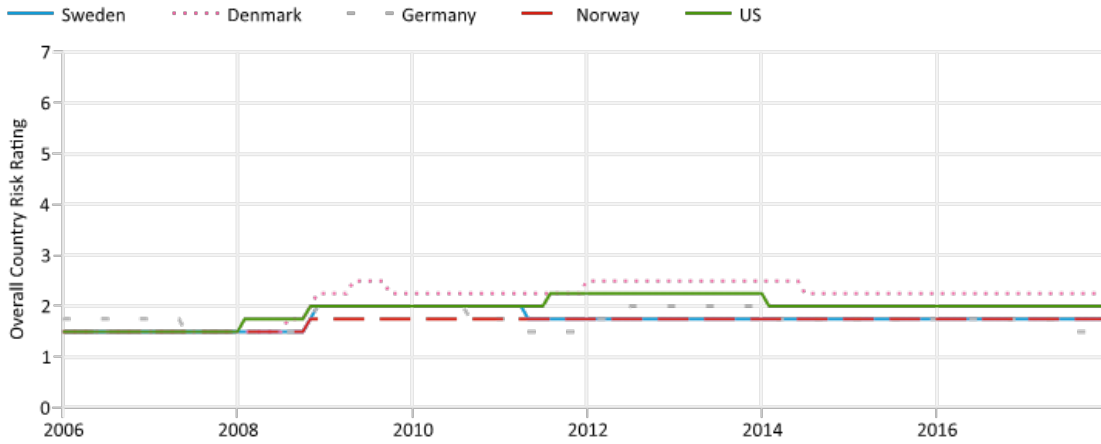
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

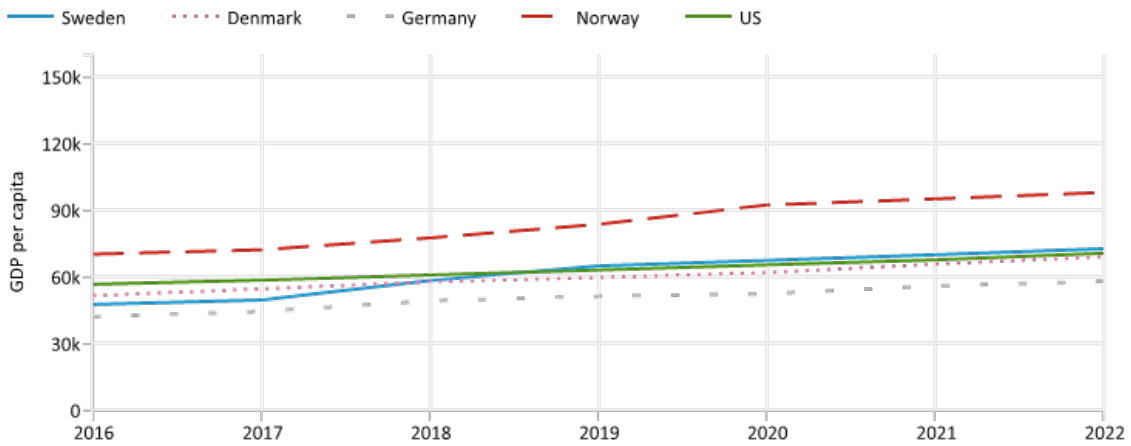
Rating History and Comparison



Source : Dun & Bradstreet

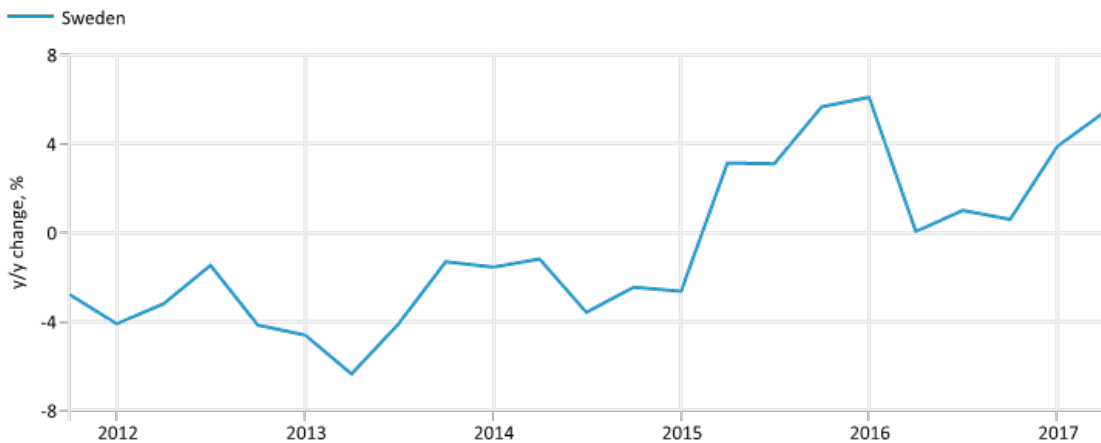
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2015	2016	2017f	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	4.7	4.5	6.1	6.0	5.6	5.7	5.4	5.2
Govt balance, % GDP	0.2	1.1	0.8	1.0	1.2	1.0	0.5	0.5
Inflation, annual avge %	-0.1	1.0	1.6	2.0	2.0	2.0	2.0	2.0
Real GDP Growth, %	4.1	3.2	2.6	2.5	2.5	2.5	2.5	2.5
Unemployment, %	7.4	7.0	6.7	6.0	6.0	6.0	6.0	6.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Corporate failures were 19.0% higher in October relative to the same month of 2016, with higher bankruptcies in the trade and services sectors in particular. In 2017 to date, the corporate bankruptcy rate was up by 9% y/y. The steepest increase was in construction, where 22% more companies failed, while in trade and services the failure rates increased by 13% and 10% respectively. Meanwhile, Sweden has dropped one place in the World Economic Forum's 2017-18 *Global Competitiveness Index*, but remains in the top ten (ranked 7th). Sweden's highest rankings are in terms of the macroeconomic environment (4th), technological readiness (5th), business sophistication (6th) and innovation (7th). The country's lowest ranking is for market size (40th); in all other sub-indexes Sweden is in the global top 20.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

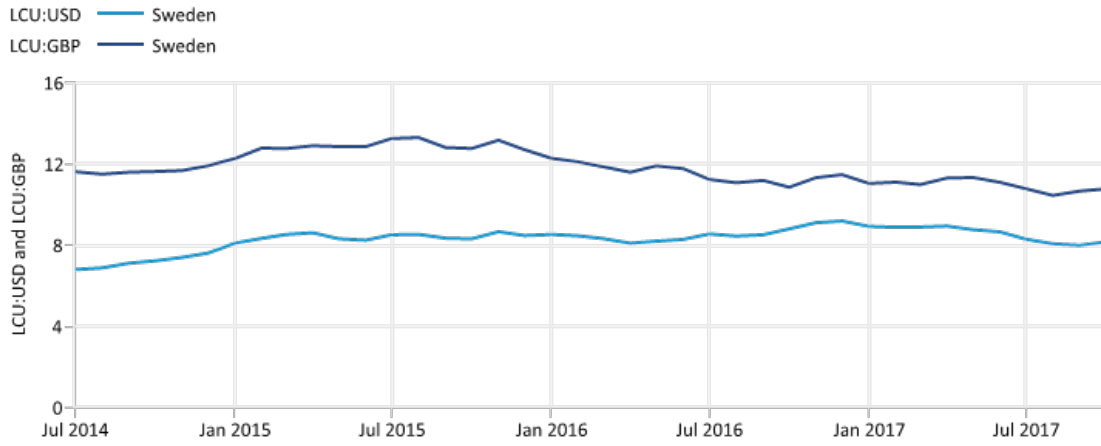
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



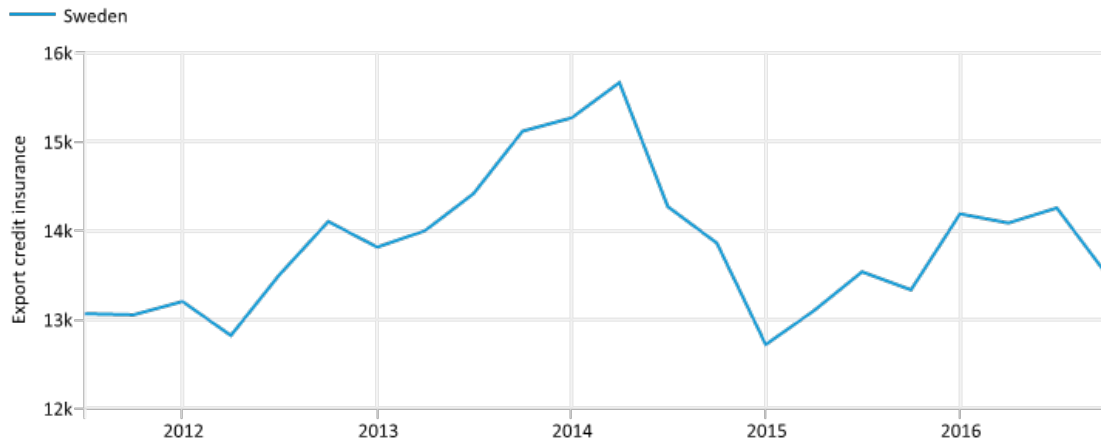
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Swedish krona

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

FX Risk

Krona depreciates further

The Swedish krona briefly dropped below 10SEK:EUR in late November as traders took in the receding prospect of an interest rate increase. The immediate trigger for the sell-off was annual inflation: after three months of above-2% inflation, in October total price increases were just 1.7%, with core inflation also taking a dip. As the central bank has been very clear in its guidance about not increasing rates until price pressures become consolidated around 2.0%, returns on the krona look set to be smaller relative to the euro for a longer period. Housing market jitters and the downward GDP revision have also weighed on the currency.

Short-Term Economic Outlook

Growth remains robust

Q3 GDP growth was 2.9% y/y, but official GDP data for Q1-Q3 2017 has suffered downward revisions. The main growth driver in Q3 was fixed investment, which advanced by 9.5% y/y. Growth across investment components was broad-based, with construction, intangible assets and machinery all contributing to the expansion. Private consumption was buoyant, expanding by 2.8%. Swedish households are in an enviable financial position, with record-low interest rates, ample access to credit (lending to households increased by 7.1% y/y in October), and low and declining unemployment (6.7% in October). However, the cooling housing market will very likely have a dampening effect on consumer sentiment, and we expect a mild deceleration in coming quarters. Exports, meanwhile, have been buoyant, advancing by 4.1% y/y in Q3. Demand from China and Germany has been particularly high, and in terms of goods it is Sweden's large auto sector that drove growth. Other indicators support our broadly optimistic view. New orders in the industrial sector were 11.2% higher y/y in September, with a strong order book from both domestic and foreign customers. Retail sales, meanwhile, were 2.6% higher y/y in real terms in October. Despite these positive developments, due to the data revisions and housing market slowdown we have revised our GDP growth forecast for 2017-18 to 2.6% and 2.5% respectively.

As we have cautioned previously, the Swedish housing market is cooling. Prices fell slightly in September for the first time in years and confidence indicators for the sector have turned pessimistic. Although prices have increased by almost 150% since 2000, and the level of indebtedness for households is high, the slowdown implies less of a systemic risk than in other countries. Sweden's banks are among the most profitable and well-capitalised in the world, and have traditionally had a conservative approach to lending. Moreover, objective demand for housing in Sweden is high and less of a speculative phenomenon, with population growth rendering the existing housing stock insufficient. We regard the price deceleration as a positive development, but recommend that our customers monitor the sector for signs of a hard landing.



COUNTRY PROFILE AND STATISTICS

Overview

Sweden is located in the Scandinavian Peninsula on the Baltic Sea and has land borders with Norway, Finland and Denmark. A member of the EU, Sweden has a long tradition of foreign policy neutrality.

Sweden is a prosperous and efficient democracy with a strong sense of civic responsibility, with one of the most-developed welfare systems in the world. Both the state and society place a strong emphasis on equality. Despite the traditional dominance of the centre-left Social Democratic Party, Sweden is characterised by its tradition of consensus-building politics.

Sweden has high tax rates to fund its large public sector. As an export-oriented economy, Sweden enjoys modern communications and infrastructure, and a highly skilled labour force. Telecommunications, the automotive industry and the pharmaceutical industries are among the most important sectors of the highly innovative economy.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Stephan Lofven
Capital	Stockholm
Timezone	GMT +01-00
Official language	Swedish
Population (millions)	9.8
GDP (USD billions)	471.0
GDP per capita (USD)	47,882
Life expectancy (years)	82.1
Literacy (% of adult pop.)	99.9
Surface area (sq km)	450,290

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017f
Real GDP growth (%)	1.2	2.6	4.1	3.2	2.6
Nominal GDP in USDbn	580	570	459	471	494
Nominal GDP in local currency (bn)	3,775	3,908	3,870	4,033	4,202
GDP per Capita in USD	60,271	58,780	46,998	47,882	49,886
Population (year-end, m)	9.6	9.7	9.8	9.8	9.9
Exchange rate (yr avge, USD-LCU)	6.5	6.9	8.4	8.6	8.5
Current Account in USDbn	30.5	26.0	21.5	21.0	30.0
Current Account (% of GDP)	5.3	4.6	4.7	4.5	6.1
FX reserves (year-end, USDbn)	60.5	61.1	61.7	62.3	63.0
Import Cover (months)	4.5	4.5	5.0	5.0	5.0
Inflation (annual avge, %)	0.0	-0.2	-0.1	1.0	1.6
Govt Balance (% GDP)	-1.4	-1.6	0.2	1.1	0.8

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	2.5	2.5	2.5	2.5	2.5
Nominal GDP in USDbn	586	656	685	716	748
Nominal GDP in local currency (bn)	4,392	4,589	4,796	5,011	5,237
GDP per Capita in USD	58,655	65,213	67,686	70,271	72,972
Population (year-end, m)	10.0	10.1	10.1	10.2	10.3
Exchange rate (yr avge, USD-LCU)	7.5	7.0	7.0	7.0	7.0
Current Account in USDbn	35.0	37.0	39.0	39.0	39.0
Current Account (% of GDP)	6.0	5.6	5.7	5.4	5.2
FX reserves (year-end, USDbn)	63.6	64.2	64.9	65.5	66.2
Import Cover (months)	5.0	5.0	5.0	5.0	5.0
Inflation (annual avge, %)	2.0	2.0	2.0	2.0	2.0
Govt Balance (% GDP)	1.0	1.2	1.0	0.5	0.5

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Sweden	Denmark	Germany	Norway	US
Income per Capita (USD)	49,886	54,882	44,753	72,488	58,901
Country Population (m)	9.9	5.7	82.1	5.2	324.5
Internet users (% of population)	91.5	97.0	89.6	97.3	76.2
Real GDP Growth (% p.a., 2018 - 2027)	2.0 - 2.5	1.4 - 2.3	1.8 - 3.0	2.2 - 3.0	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



LINKS

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