

ALMEGA'S REPORT ON THE SWEDISH ECONOMY

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PROLONGED RECOVERY

" The Swedish economy has turned into one of the most knowledge intensive in the world, but the labour market has failed to keep up with this rapid change"



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Almega is lowering its forecast for Sweden's GDP growth for 2013, from 1.2 per cent according to the autumn forecast, to 0.9 per cent. Deteriorated prospects for Sweden's largest export markets lie behind this revision and Almega expects a slow recovery to a GDP growth in Sweden of around 2 per cent in 2014. Service production is affected by the subdued development of export markets, owing to a large and growing service content in Sweden's exports.

Our assessment is that growth in the private service sector will reach 1.5 per cent this year; a slower growth than in 2012, when service production rose by 2.2 per cent.

Almega expects falling employment in the service sector this year. This pause of Sweden's labour engine coincides with the drawn out economic slowdown primarily noticeable in the export industry and

service industries, which contribute to Swedish exports. Furthermore, profit margins of service companies are being squeezed by weak selling prices and slow productivity growth.

Inflation is expected to hover around zero this year. Weak demand, previous cuts in Sweden's policy interest rate made by the Riksbank (the central Bank of Sweden) and a strong Swedish currency, have all contributed to lower price rises than predicted. The significance of the exchange rate of the Swedish krona to the development of inflation has increased as the import content of Swedish production has increased. Read more about developments of imported inputs of goods and services, the service contents in Sweden's exports, global value chains and their significance to the Swedish economy in Almega's report on the Swedish Economy.

ALMEGA'S FORECAST FOR THE SWEDISH ECONOMY

	Level billion SEK		Per cent change				
	2012	2009	2010	2011	2012	2013	2014
Household consumption	1718,9	-0,3	4,0	2,1	1,5	2,0	2,5
General government consumption	956,6	2,2	2,1	1,1	0,8	0,9	0,4
Exports	1733,2	-13,8	11,4	7,1	0,7	0,9	3,8
Imports	1514,3	-14,3	12,0	6,3	-0,1	2,0	4,4
GDP	3555,3	-5,0	6,6	3,7	0,8	0,9	1,9
GDP calendar adjusted		-4,9	6,3	3,8	1,2	0,9	2,0

KEY FIGURES

Unemployment, per cent of labour force	8,3	8,6	7,8	8,0	8,5	8,4
Employment growth, per cent	-2,4	1,0	2,3	0,7	-0,2	0,2
CPI, yearly average rate	-0,5	1,2	3,0	0,9	0,1	1,0
CPI at fixed interest rates	1,7	2,0	1,4	1,0	1,0	1,3
Swedish policy rate, December	0,25	1,25	1,75	1,00	1,00	1,5

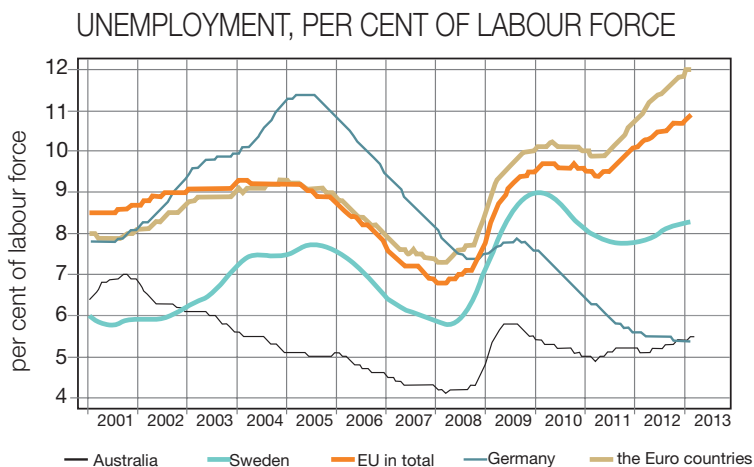
A study reveals deteriorated matching on labour markets in several countries

In several countries, unemployment began to increase owing to the financial crisis during 2008-2009, although developments in unemployment differ between countries. In Sweden and Australia for example, and not least in the euro area, unemployment increased during 2012. In Sweden the cause of this is mainly due to the weaker demand from export markets.

In several regions, not only in crises countries, unemployment seems to stay on higher levels than before the crisis, and not necessarily caused only by weak economic activity. During the recovery in recent years, unemployment has stayed at higher levels in relation to the level of job vacancies in several countries. It's more common that the supply of skilled labour is too scarce in relation to demand, which has resulted in a growing "miss-match" on the labour market. Global value chains, that is, companies' increasingly fragmented

and geographically spread production, have considerable impact on both growth and employment. For Sweden, global value chains have primarily generated jobs for highly skilled labour, mostly within the service sector.

Sweden is one of those countries that displays deteriorated matching on the labour market while being one of the most knowledge intensive economies in the world. Sweden is remarkable for its rapid increase in jobs within the knowledge intensive services sector compared with other countries, and has a larger proportion of total employment in this sector than most OECD countries. Almega concludes that the Swedish labour market has not adapted itself sufficiently rapidly to meet the large and continuously growing demand for labour with which to feed the knowledge intensive sector.



The full report (in Swedish) is available at www.almega.se

“Unemployment appears to stay on higher levels than before due to other reasons than the economic slowdown”

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