

FOCUS ON INTERNATIONAL TRADE

SWEDEN

THE KINGDOM OF SWEDEN TODAY

Location	The Kingdom of Sweden lies in north-western Europe, occupying about two-thirds of Scandinavian peninsula. It is bordered by Finland to the north-east, and by Norway to the north-west and west. About 15% of Sweden's area lies north of the Arctic Circle. The Baltic Sea and the Gulf of Bothnia are to the east, THE Skagerrak and Kattegat channels to the south-west. The country is relatively flat and is characterized by thousands of inland lakes and small coastal islands. There is a mountain range, the 'Kjolen mountains', in the north-west.
Size	4,50,295 Sq. K.M. (1,73,732 Sq. miles)
Population	10,536,338 in 2023. *
Population Density	23.40 per sq. km. in 2023.*
Population Growth Rate	0.51% (2023)*
Birth Rate	10.76 births/1000 population (2023)*
Death Rate	9.5 deaths/1000 population (2023)*
Life Expectation	82.8 Years (Male 81.05 Years and Female 84.66 Years) 2023*.
Net Migration Rate	3.79 migrant(s)/1000 in 2023.*
Literacy	99%.
Government	Constitutional Monarchy
Capital City	Stockholm
Other Large Cities	Gothenburg, Malmo, Uppsala, Linkoping, Vasteras, Norrkoping, Orebro, Jonkoping, Helsingborg, Umea, Lund, Boras, Sundsvall, Gable, Eskilstuma, Halmstad, Sodertalje, Karlstand, Huddinge, Skelleftea, Kristianstad, Vaxjo, Lulea, Nacka, Botkyrka etc.
Religion	A majority of the inhabitants profess Christianity, and about 86% are adherents of the Evangelical Lutheran Church of Sweden.
Language	The national language is Swedish, but there are Finnish and Lapp (Sami) minorities, retaining their own languages.
Climate	The north has severe winters, with snow lying for 4-7 months. Summers are fine but cool, with long daylight hours. Further south, winters are less cold, summers are warm and rainfall well distributed throughout the year, with a slight summer maximum. In Stockholm the mean summer temperature is 18°C (64°F) and the mean winter temperature -3°C (27°F). Annual rainfall 385 mm.
International Relations	Sweden is a member of the UN, EU and the NATO Partnership for Peace, and is a signatory to the Schengen Accord, which abolishes border controls between Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain and Sweden.
Currency	The unit of currency is the krona (SEK), of 100 ore.

* Estimated Figure

NATIONAL ECONOMY

Following the pandemic, Sweden's economy experienced a strong recovery, which continued well into 2022. GDP growth is projected at around 3 percent in 2022. The labor market improved, while general labor shortages persisted. A higher budget surplus is expected for 2022. Inflationary pressures intensified in 2022 despite several monetary policy actions. Strong borrowing by households and real estate firms fueled price and value growth, with both house prices and total household debt in relation to income peaking in end-2021. House prices started to decline in the second half of 2022. Commercial real estate (CRE) companies took on more debt, with the sector becoming highly concentrated.

Risks are on the downside. A mild recession is expected in 2023 reflecting a slowdown in private consumption as households continue to grapple with high inflation and greater debt servicing costs. A mild recession is thus anticipated, while inflation continues to be stubbornly high. The 2023 budget aims at a fiscal stance that is conducive to reducing aggregate demand pressures. Developments in the real estate sector will further dampen demand and investment.

Banks have structurally higher profitability than its European peers, high regulatory capital, and liquidity positions exceeding regulatory minima. The sector is highly exposed to mortgages and CRE and could come under pressure if downside risks are amplified.

Executive Board Assessment

In the course of Article IV consultation between IMF and Sweden, Executive Directors of the IMF noted that following a strong post-pandemic recovery, a mild recession is expected amid weaker external demand and higher inflation and interest rates. Building on Sweden's strong fundamentals, Directors encouraged the authorities to maintain a tight monetary policy stance and prudent fiscal position to stabilize prices and maintain financial stability, while advancing structural reforms to support inclusive, green growth.

Given the high uncertainty, Directors stressed that the fiscal stance should adapt to developments, including by allowing the automatic stabilizers to fully operate. Directors stressed the need for energy support to be well-targeted and phased out as energy prices decline. As inflation subsides, Directors also called on the authorities to increase social and infrastructure investments to support a green transition and inclusive growth. Directors welcomed the pension reform that links retirement age to life-expectancy. They noted that it would also be important to reduce the labor tax wedge and rationalize unemployment benefits to further increase the labor supply. Gradually increasing the extremely low property tax would also help improve the tax structure, finance new investments, and reduce distortions in the housing market.

Directors commended the authorities' strong policy actions to stem inflation. Considering the exceptionally high level of uncertainty, they urged continuous review of the appropriate pace and magnitude of monetary tightening, including of the ongoing tapering of the asset purchase program. Directors noted the positive early indications from the constructive wage negotiations, which should reduce the risk of a wage-price spiral.

Directors welcomed the timely recommendations of the FSAP. They emphasized the need to closely monitor developments in residential and commercial real estate markets and improve the collection of household balance sheet data. Directors saw merit in expanding the macro prudential toolkit and considering higher capital buffers for banks' exposure to commercial properties. Gradually increasing the mortgage amortization requirement and abolishing the interest rate deductibility would also help attenuate risks. Directors called for continued actions to strengthen the AML/CFT and crisis management frameworks.

Directors stressed that structural reforms are essential to improve inclusive growth and social outcomes. While commending the employment gains in recent years, they noted that unemployment remains high among the youth, foreign-born, and low-skilled. This should be addressed through

education enhancements and increasing the efficiency of programs and regional services. Directors agreed that reforms in the rental market would help address housing market distortions. They also noted that to achieve Sweden's ambitious climate goals, its high carbon tax should be complemented with increased investments in renewables and green technology infrastructure and enhancing the electricity grid.

Sweden: Selected Economic Indicators, 2020–28									
			Est.	Projections					
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Real Economy (percent change)									
Real GDP	-2.2	5.1	2.8	-0.3	1.4	2.3	2.3	2.3	2.3
Domestic demand	-2.3	5.7	4.2	-0.6	0.7	2.1	2.0	2.0	2.0
Private consumption	-3.2	6.0	2.8	-0.2	1.5	2.8	2.8	2.8	2.8
Public consumption	-1.8	2.8	-0.2	0.2	0.7	1.0	1.0	1.0	1.0
Gross fixed investment	1.7	6.4	5.6	-2.3	1.0	1.7	1.7	1.7	1.7
Net exports (contribution to growth)	0.0	-0.3	-1.2	0.3	0.7	0.3	0.4	0.4	0.4
Exports of G&S	-5.5	7.9	4.4	0.1	3.4	3.4	3.5	3.5	3.5
Imports of G&S	-6.0	9.6	7.8	-0.4	1.9	3.0	3.0	3.0	3.0
HICP inflation (average) 2/	0.7	2.7	8.1	6.5	3.0	2.3	2.0	2.0	2.0
HICP core inflation (average)	1.5	1.6	5.5	5.2	2.6	2.2	2.0	2.0	2.0
Unemployment rate (percent)	8.5	8.8	7.5	7.7	8.0	7.9	7.9	7.9	7.9
Gross national saving (percent of GDP)	31.0	32.2	31.7	31.5	31.9	32.0	32.1	32.1	32.2
Gross domestic investment (percent of GDP)	25.1	25.9	27.9	28.0	27.9	28.0	27.9	27.9	27.9
Output gap (percent of potential)	-2.6	0.4	1.3	-0.9	-1.1	-0.5	0.0	0.0	0.0
Public Finance (percent of GDP)									
Total revenues	48.3	48.4	47.5	46.9	47.7	48.0	48.0	48.0	48.0
Total expenditures	51.0	48.5	46.8	46.8	48.0	48.0	47.7	47.7	47.7
Net acquisition of nonfinancial assets	1.6	1.3	1.2	1.2	1.4	1.3	1.3	1.3	1.3
Net lending	-2.8	-0.1	0.7	0.0	-0.3	0.0	0.3	0.3	0.3
Structural balance (as a percent of potential GDP)	-1.7	-0.2	0.2	0.4	0.1	0.2	0.3	0.3	0.3
General government gross debt, official statistics	39.5	36.3	31.3	31.1	30.5	29.5	28.4	27.2	25.9
Money and Credit (year-on-year, percent change, eop)									
M3	17.8	9.7	2.4	...	...	...	...	...	...
Bank lending to households	5.5	6.8	3.5	...	...	...	...	...	...
Interest Rates (percent, end of period)									
Repo rate	0.0	0.0	2.5	...	...	...	...	...	...
Ten-year government bond yield	0.0	0.3	1.5	...	...	...	...	...	...
Mortgage lending rate	1.4	1.4	3.4	...	...	...	...	...	...
Balance of Payments (percent of GDP)									
Current account	6.0	6.3	3.8	3.6	4.0	4.0	4.2	4.2	4.2

Foreign direct investment, net	0.7	1.0	1.6	1.7	1.4	1.3	1.2	1.1	0.8
International reserves, changes (in billions of US dollars)	-0.3	6.0	...	...	...	...	...	...	...
Reserves coverage (months of imports of goods and services)	3.2	2.8	2.7	2.7	2.7	2.6	2.5	2.5	2.4
Net international investment position	8.8	22.1	25.9	29.5	33.4	37.5	41.6	45.8	50.1
Exchange Rate (period average, unless otherwise stated)									
SEK per euro	10.2	10.3	10.9	...	...	...	...	...	...
SEK per U.S. dollar	8.4	9.1	11.1	...	...	...	...	...	...
Nominal effective rate (2010=100)	90.7	93.7	88.1	...	...	...	...	...	...
Real effective rate (ULC) (2010=100) 1/	93.8	97.2	91.1	...	...	...	...	...	...
REER ULC long run average deviation	-8.6	-5.1	-10.8	...	...	...	...	...	...
Real effective rate (CPI) (2010=100)	87.7	90.2	84.6	...	...	...	...	...	...
Fund Position (December 31, 2022)									
Quota (in millions of SDRs)	4,430								
Reserve tranche position (in percent of quota)	29.1								
Holdings of SDRs (in percent of allocation)	103.2								
Memorandum Items									
CPIF inflation (average)	0.5	2.4	7.7	...	...	...	...	...	...
Other Indicators									
Sources: IMF World Economic Outlook; Swedish Ministry of Finance; Statistics Sweden; and IMF staff calculations.									
1/ OECD based Unit Labor Cost (ULC) real effective exchange rate indicator.									
2/ The unemployment rate and inflation represent actual figures, not predictions.									

“NATIONAL ECONOMY” is based on IMF Executive Board Concludes 2023 Article IV Consultation with Sweden March 16, 2023.

FOREIGN TRADE

Sweden’s total exports in 2017 were of the order of US\$ 153,159 million. It increased to US\$ 189,635 million in 2021. Exports during the period from 2017 to 2021, in terms of percentage, grew highest (22.40%) in 2021 and fell maximum (-3.49%) in 2020 in comparison with 2020 and 2019 respectively. The annual average compound growth rate worked out at 5.49%.

Imports, on the other hand, were of the order of US\$ 187,320 million in 2021 while in 2017 it was US\$ 153,935 million. Imports during the period from 2017 to 2021, in terms of percentage, grew highest (25.35%) in 2021 and fell maximum (-6.63%) in 2019 as compared to 2020 and 2018 respectively. The annual average compound rate of growth worked out at 5.03%.

Volume of trade registered an annual average (compound) rate of growth of 5.26% from US\$ 307,094 million in 2017 to US\$ 376,955 million in 2021. Sweden faced a deficit balance of trade payment during the said

period. Sweden's export and import, volume and balance of trade between 2017 and 2021 along with their growth rates are given in **Table-I**.

Principal exports of Sweden are machinery, Paper and board, lumber, sawn and planed, power-generating non-electrical machinery, chemical wood pulp, newsprint, mechanical handling equipment, flat-rolled products of iron, pumps and centrifuges etc. and main exports markets are Germany, Australia, Austria, Belgium-Luxembourg, Canada, China PR, Denmark, Finland, France, Italy, Japan, Netherlands, Norway, Poland, Spain, Switzerland-Liechtenstein, UK, USA etc.

The major items imported from abroad are Machinery and transport equipment, food and live animals, beverages and tobacco, raw materials, fuels and lubricants, animal and vegetable oils, chemicals, manufactured materials, mineral fuels, lubricants etc. and principal import suppliers are USA, Germany, Italy, Japan, Switzerland, UK, Netherlands, Austria, Belgium-Luxembourg, Denmark, Hong Kong, Russia, Norway, Spain etc.

The main international airport is at Arlanda, connected by bus service to Stockholm, 42 km away. There are other international airports at Landvetter, 25 km from Goteborg and at Saturup, 28 km from Malmo. There are regular flights between the main cities in Sweden. Many domestic flights operate from Bromma (Stockholm's city airport). The major ports of Sweden are at Helsingborg, Malmo, Stockholm and Goteborg.

BILATERAL TRADE WITH INDIA

Indo-Sweden bilateral trade in 2017-18 was of the order of Rs.14,374.81 crores. It increased to Rs.18,534.44 crores in 2021-22. The annual compound growth rate of volume of trade during the period from 2017-18 to 2021-22 was 6.56%. India faced a deficit balance of trade during the said period (see **Table II**). The average annual compound growth rates of exports and imports worked out at 11.86% and 3.44% respectively.

India's exports to, and imports from Sweden of Merchandise Goods between 2017-18 and 2021-22 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Sweden, during 2017-18 to 2021-22, along with their growth rates are depicted in **Table III & IV** respectively.

Some important Links

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TABLE - I**SWEDEN 'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE****BETWEEN 2017 TO 2021.**

(Figures in US MILLION DOLLARS)

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017	153159		153935		3,07,094		-776
2018	153967	0.53	170253	10.60	3,24,220	5.58	-16286
2019	160531	4.26	158958	-6.63	3,19,489	-1.46	1573
2020	154936	-3.49	149436	-5.99	3,04,372	-4.73	5500
2021	189635	22.40	187320	25.35	3,76,955	23.85	2315
Annual Compound Growth Rate	5.49		5.03		5.26		
NOTE :	Figures relate to calendar year, January to December.						
SOURCE :	UN COMTRADE PUBLICATION						

TABLE - II							
INDIA 'S EXPORT TO AND IMPORT FROM SWEDEN MERCHANDISE							
GOODS DURING 2017-2018 TO 2021-2022							
(Value in Rs. CRORES)							
Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2017-18	4934.44		9440.37		14374.81		-4505.93
2018-19	5534.92	12.17	9278.93	-1.71	14813.85	3.05	-3744.01
2019-20	5300.57	-4.23	7885.98	-15.01	13186.55	-10.98	-2585.41
2020-21	5645.61	6.51	7438.44	-5.68	13084.05	-0.78	-1792.83
2021-22	7724.88	36.83	10809.56	45.32	18534.44	41.66	-3084.68
Annual Compound Growth Rate	11.86		3.44		6.56		
NOTE :	Figures relate to Financial Year April to March.						
SOURCE :	Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata 700 107.						

TABLE -III

**INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO SWEDEN
2017-2018 TO 2021-2022 AND THEIR GROWTH RATES**

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	RMG Cotton Including Accessories	487.95	485.34	485.66	474.50	659.34	-0.53	0.07	-2.30	38.95
	Share in total export	9.89	8.77	9.16	8.40	8.54				
2	Auto Components/Parts	282.63	363.62	320.25	318.70	462.49	28.66	-11.93	-0.48	45.12
	Share in total export	5.73	6.57	6.04	5.65	5.99				
3	Cotton Fabrics, Madeups	341.50	275.19	253.49	272.01	387.40	-19.42	-7.89	7.31	42.42
	Share in total export	6.92	4.97	4.78	4.82	5.01				
4	Products Of Iron & Steel	286.45	272.11	224.55	275.58	382.88	-5.01	-17.48	22.73	38.94
	Share in total export	5.81	4.92	4.24	4.88	4.96				
5	Carpet (Excl. Silk) Handmade	144.09	181.40	186.52	249.92	357.74	25.89	2.82	33.99	43.14
	Share in total export	2.92	3.28	3.52	4.43	4.63				
6	Elec. Machinery And Equipments	111.79	155.87	177.05	153.40	344.23	39.43	13.59	-13.36	124.40
	Share in total export	2.27	2.82	3.34	2.72	4.46				
7	Misc. Engineering Items	203.47	241.30	178.32	193.86	254.48	18.59	-26.10	8.71	31.27
	Share in total export	4.12	4.36	3.36	3.43	3.29				
8	RMG Manmade Fibres	282.48	300.36	269.24	191.34	232.68	6.33	-10.36	-28.93	21.61
	Share in total export	5.72	5.43	5.08	3.39	3.01				
9	Railway ransport Equipments, Parts	3.49	4.78	32.87	125.99	217.93	36.96	587.66	283.30	72.97
	Share in total export	0.07	0.09	0.62	2.23	2.82				
10	IC Engine And Parts	129.48	177.74	107.99	110.64	197.34	37.27	-39.24	2.45	78.36
	Share in total export	2.62	3.21	2.04	1.96	2.55				
	Total export to SWEDEN	4934.44	5534.92	5300.57	5645.61	7724.88	12.17	-4.23	6.51	36.83

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV**INDIA'S MAJOR MERCHANDISE ITEMS OF IMPORT FROM SWEDEN****2017-2018 TO 2021-2022 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2017-18	2018-19	2019-20	2020-21	2021-22	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21
1	Iron & Steel	809.78	1037.25	934.38	857.73	1393.35	28.09	-9.92	-8.20	62.45
	Share in total imports	8.58	11.18	11.85	11.53	12.89				
2	Pulp And Waste Paper	799.63	770.88	663.28	440.20	862.39	-3.60	-13.96	-33.63	95.91
	Share in total imports	8.47	8.31	8.41	5.92	7.98				
3	Paper, Paper Board & Products	679.88	470.79	463.01	507.39	625.95	-30.75	-1.65	9.59	23.37
	Share in total imports.	7.20	5.07	5.87	6.82	5.79				
4	Indl. Machinery For Dairy Etc.	580.26	572.83	463.74	660.94	610.13	-1.28	-19.04	42.52	-7.69
	Share in total import	6.15	6.17	5.88	8.89	5.64				
5	Electric Machinery & Equipments	399.97	401.91	478.75	400.23	586.76	0.49	19.12	-16.40	46.61
	Share in total import	4.24	4.33	6.07	5.38	5.43				
6	Organic Chemicals	281.32	273.06	254.69	301.49	576.23	-2.94	-6.73	18.38	91.13
	Share in total import	2.98	2.94	3.23	4.05	5.33				
7	Auto Components /Parts	454.16	482.69	353.12	417.68	489.21	6.28	-26.84	18.28	17.13
	Share in total import	4.81	5.20	4.48	5.62	4.53				
8	Other Construction Machinery	287.50	227.55	184.93	235.51	425.12	-20.85	-18.73	27.35	80.51
	Share in total import	3.05	2.45	2.35	3.17	3.93				
9	Medical And Scientific Instruments	263.99	228.32	203.62	169.86	417.59	-13.51	-10.82	-16.58	145.84
	Share in total import	2.80	2.46	2.58	2.28	3.86				
10	Drugs Formulations, Biologicals	127.24	90.69	152.55	132.44	406.79	-28.73	68.21	-13.18	207.15
	Share in total import	1.35	0.98	1.93	1.78	3.76				
	Total import from SWEDEN	9440.37	9278.93	7885.98	7438.44	10809.56	-1.71	-15.01	-5.68	45.32

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.