

SWEDEN

The Swedish economy is facing a deeper contraction than during the domestic banking crisis of the early 1990s. Output is projected to fall sharply in 2009 before recovering gradually in 2010, with the unemployment rate exceeding 11%.

Falling GDP will produce a large output gap, so underlying inflation will decline even as growth recovers. Orthodox monetary policy has been eased about as much as is practical, but further measures to reduce market interest rates could be considered. Both automatic and discretionary fiscal responses will support demand and further measures may help cap the rise in unemployment.

Sweden: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices SEK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 328.4	2.5	3.1	-0.4	-2.2	-0.3
Government consumption	722.7	2.3	0.6	1.1	2.0	0.8
Gross fixed capital formation	475.9	9.5	7.7	2.4	-12.8	-4.2
Final domestic demand	2 526.9	3.8	3.3	0.6	-3.3	-0.7
Stockbuilding ¹	- 4.2	0.2	0.7	-0.5	-1.6	0.3
Total domestic demand	2 522.7	3.9	4.1	0.0	-5.0	-0.4
Exports of goods and services	1 333.4	8.5	6.0	1.7	-15.3	1.4
Imports of goods and services	1 120.9	8.7	9.6	3.1	-15.2	0.3
Net exports ¹	212.5	0.6	-1.1	-0.5	-1.2	0.5
GDP at market prices	2 735.2	4.5	2.7	-0.4	-5.5	0.2
GDP deflator	–	1.4	2.8	3.4	2.1	0.8
<i>Memorandum items</i>						
Consumer price index	–	1.4	2.2	3.4	-0.4	0.9
Private consumption deflator	–	0.8	1.1	3.0	2.1	0.9
Unemployment rate ²	–	7.1	6.1	6.2	8.7	11.4
Household saving ratio ³	–	7.8	9.1	12.1	15.6	16.3
General government financial balance ⁴	–	2.4	3.8	2.5	-3.3	-4.5
Current account balance ⁴	–	8.6	8.6	8.3	7.4	7.5

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Historical data and projections are based on the definition of unemployment which covers 15 to 74 year olds and classifies job-seeking full-time students as unemployed.

3. As a percentage of disposable income.

4. As a percentage of GDP.

Source: *OECD Economic Outlook 85* database.