

TRADE IN VALUE ADDED: SWEDEN

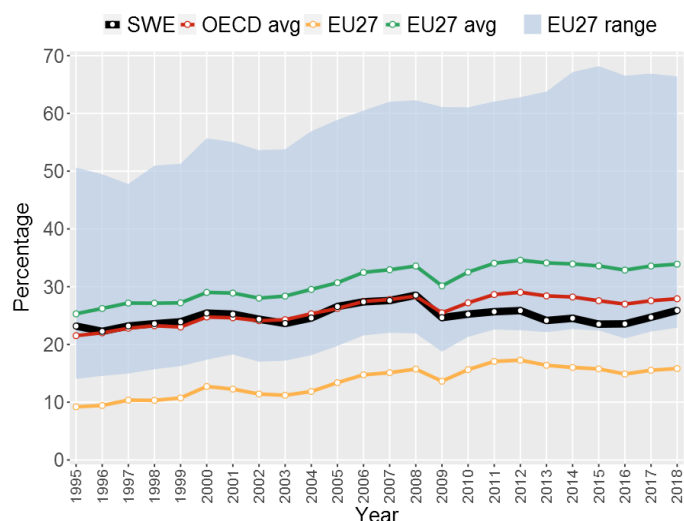
February 2022

Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Sweden, with a view to informing policy making for a range of areas including trade, innovation, and investment.

Key findings

- ▶ The foreign content of Sweden's exports slightly decreased between 2008 and 2018, from 28.5% to 25.9% (Figure 1). However, this decrease was lower than in other EU countries and the foreign content of exports followed an upward trend after 2015.
- ▶ Motor vehicles was the main export industry of Sweden in 2018 (13.6% of gross exports) and the industry with the second highest foreign content (37.1%), highlighting the integration of the Swedish economy in European value chains (Figure 3a and 3b).
- ▶ The export orientation of Swedish manufacturing is amongst the highest in the OECD, with about two-thirds of all manufacturing value added being exported in 2018. Basic metals was the economic activity with the highest share (80.9%) of domestic value added in foreign final demand (Figure 2).
- ▶ While Germany, Norway and Denmark were Sweden's largest export markets in gross terms in 2018, the United States was the main final destination for Swedish value added in 2018 (Figure 5). This is the result of Swedish value added arriving in the United States indirectly, via Sweden's exports to other European Economic Association countries.
- ▶ Services accounted for 58.2% of Sweden's gross exports in 2018 - above the OECD average of 55.7%. In addition to direct exports of services, Sweden also exported services indirectly through intermediate inputs embodied in goods. Services value added accounted for 33.9% of gross exports of manufactured goods in 2018 (Figure 7).

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



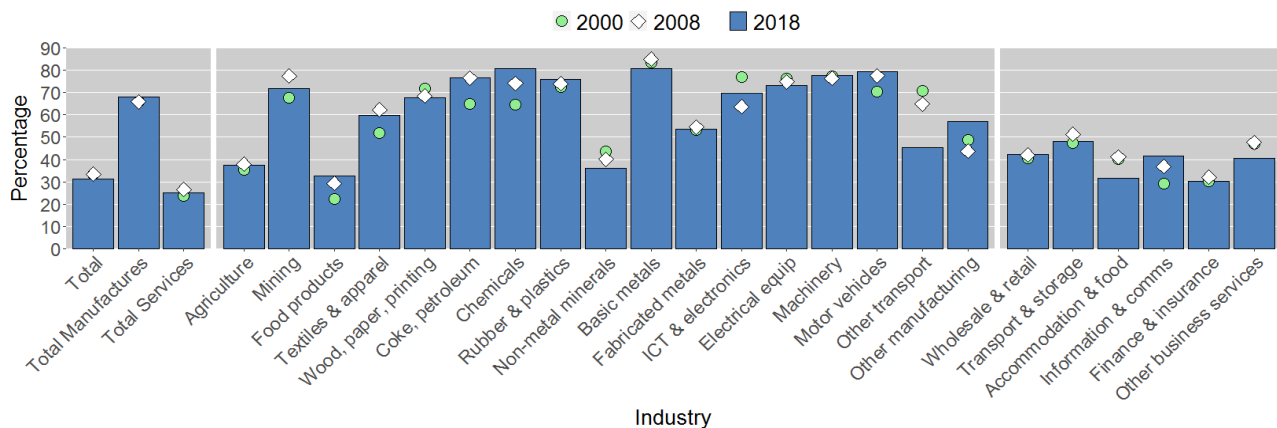
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Sweden's exports is estimated to have decreased from 28.5% to 25.9% - close to the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 2.6 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 31.2% of Sweden's domestic value added was driven by foreign final demand, down from 33.5% in 2008. By industry, the shares ranged from *Basic metals* (80.9%) and *Chemicals and pharmaceuticals* (80.9%) at the higher end to *Financial and insurance* (30.2%) at the lower end.

Figure 2. Sweden - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Coke and refined petroleum products* (79.4%), *Motor vehicles* (37.1%) and *Rubber and plastics products* (34.5%). *Wholesale and retail trade* generated the greatest source of domestic value-added content of exports in 2018, accounting for 9.2% of gross exports (Figure 3b), followed by *Motor vehicles* (8.5%) and *Other business services* (7.7%). The most foreign content in total exports came from *Motor vehicles* (5%).

Figure 3a. Sweden - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

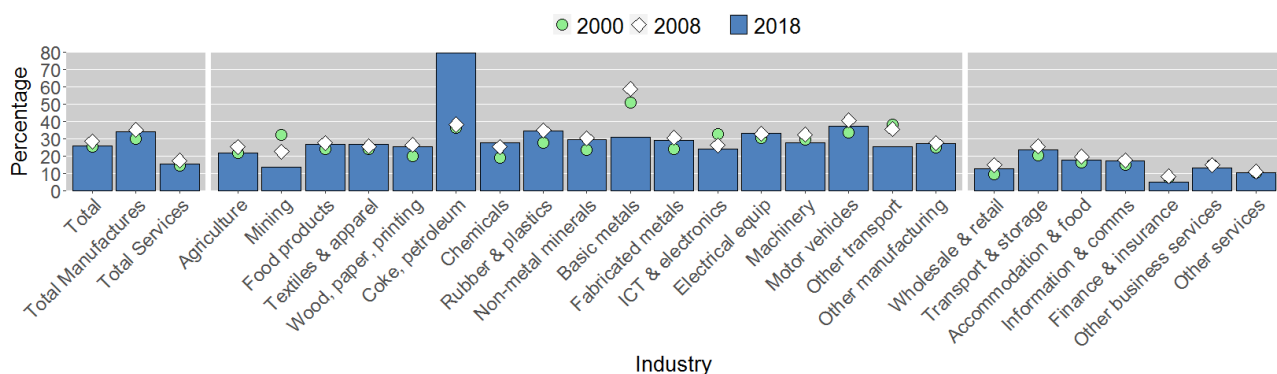
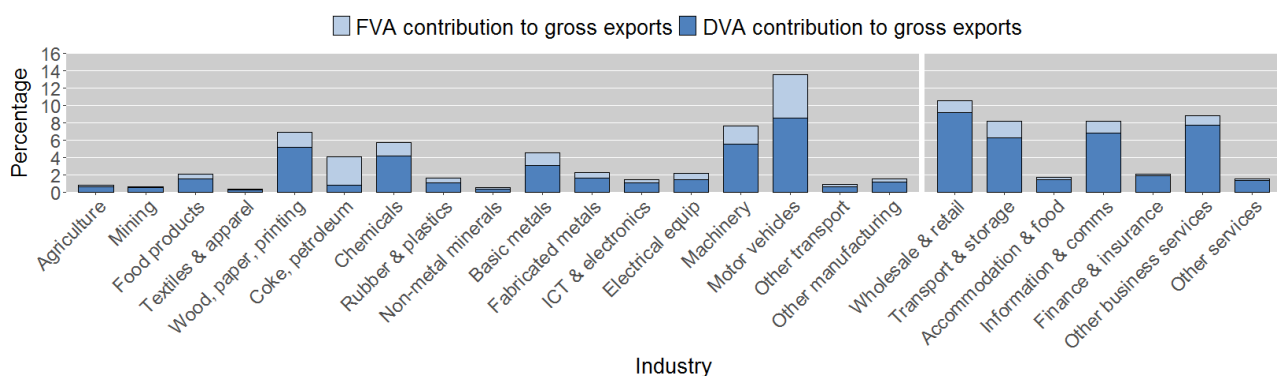
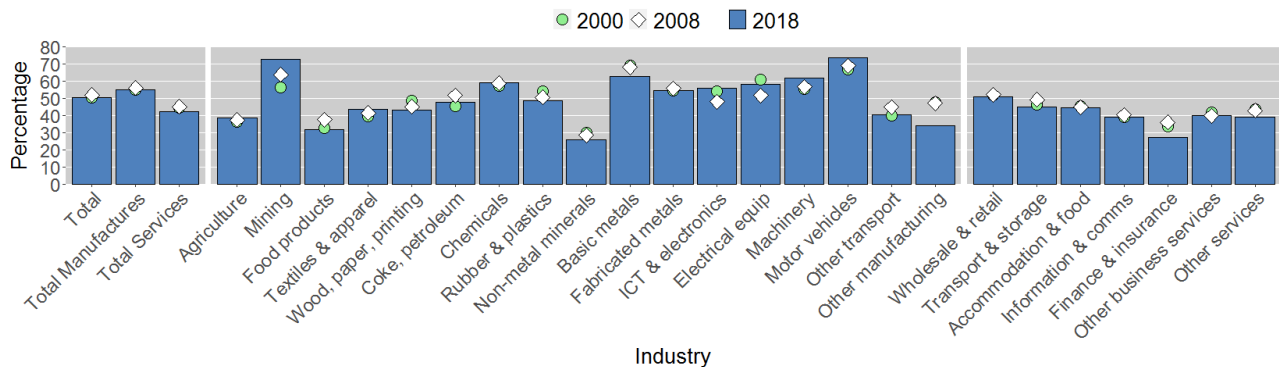


Figure 3b. Sweden - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Sweden’s imports of intermediate goods and services in 2018, 50.4% was subsequently embodied in exports, higher than the OECD average of 47.9%, and close to the share in 2008 (51.9%). The originating industries with the highest shares of intermediate imports used in Sweden’s exports were Motor vehicles (73.7%), Mining and quarrying (72.7%), and Basic metals (62.9%).

Figure 4. Sweden - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Sweden: international flows of goods and services, main players

In gross terms, Germany (9%), Norway (8.6%) and Denmark (7.5%) were the three most important Swedish export market destinations in 2018. The top three final destinations for Sweden’s value added were the United States (9.9%), Germany (7.9%) and Norway (7.6%).

For imports in gross terms, Sweden’s top three partners in 2018 were Germany (13.6%), Denmark (7.4%), and Norway (6.6%), while in value-added terms, the top three were Germany (12.8%), the United States (8.8%) and the UK (6%).

Figure 5 Sweden - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

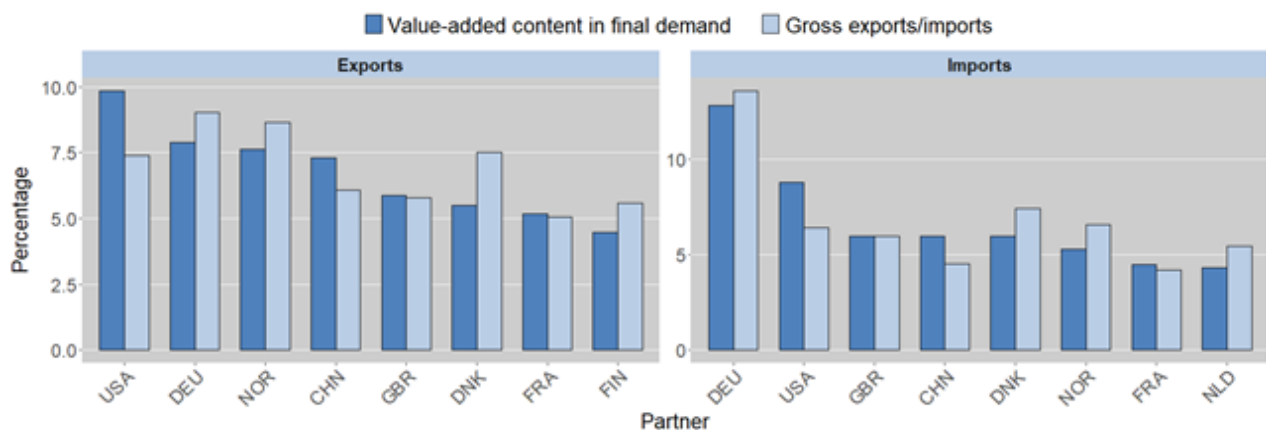
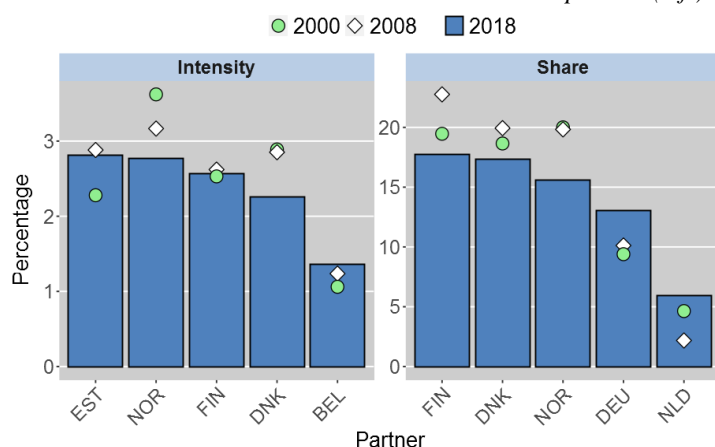


Figure 6. Sweden's domestic value-added content of manufactured imports, top 5 partners

As a share of total Sweden's value added embodied in Sweden's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Sweden's domestic value added embodied in Sweden's manufactured imports (Figure 6, right) came from Finland (17.7%), Denmark (17.4%) and Norway (15.6%).

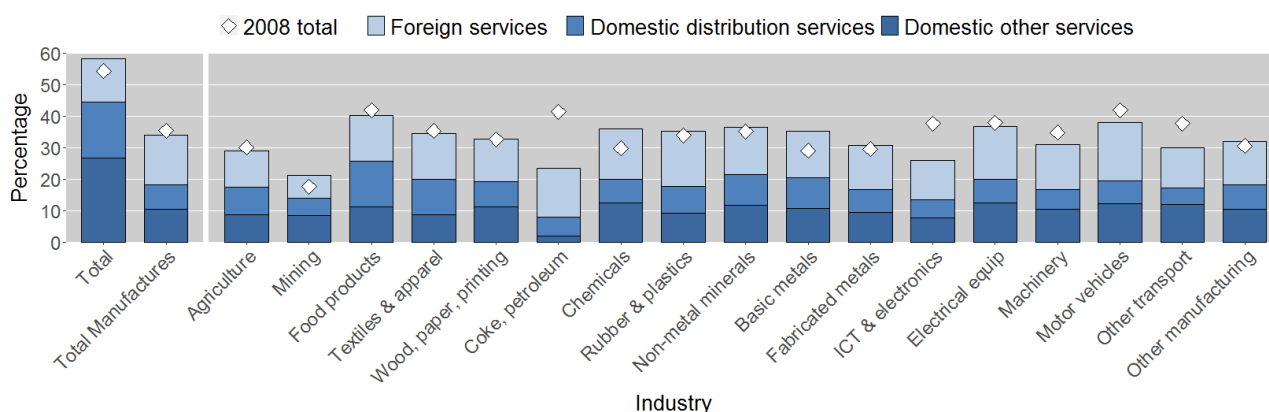
The trading partners with the highest shares of Sweden's value added in their exports of manufactures to Sweden (Figure 6, left) in 2018 were Estonia (2.8 %), Norway (2.8 %) and Finland (2.6%).

The importance of services in international trade

Services are a major contributor to Sweden's economy, accounting for 58.2% of Sweden's gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. Foreign services contributed 13.5% to the value of total gross exports. For manufactures, services value-added content was 33.9% of gross exports, with the highest shares in Food and beverages (40.4%), Motor vehicles (37.9%) and Electrical equipment (36.8%).

Figure 7. Sweden - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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