

KONJUNKTURINSTITUTET, National Institute of Economic Research

21 November 2019

The Swedish Economy, October 2019

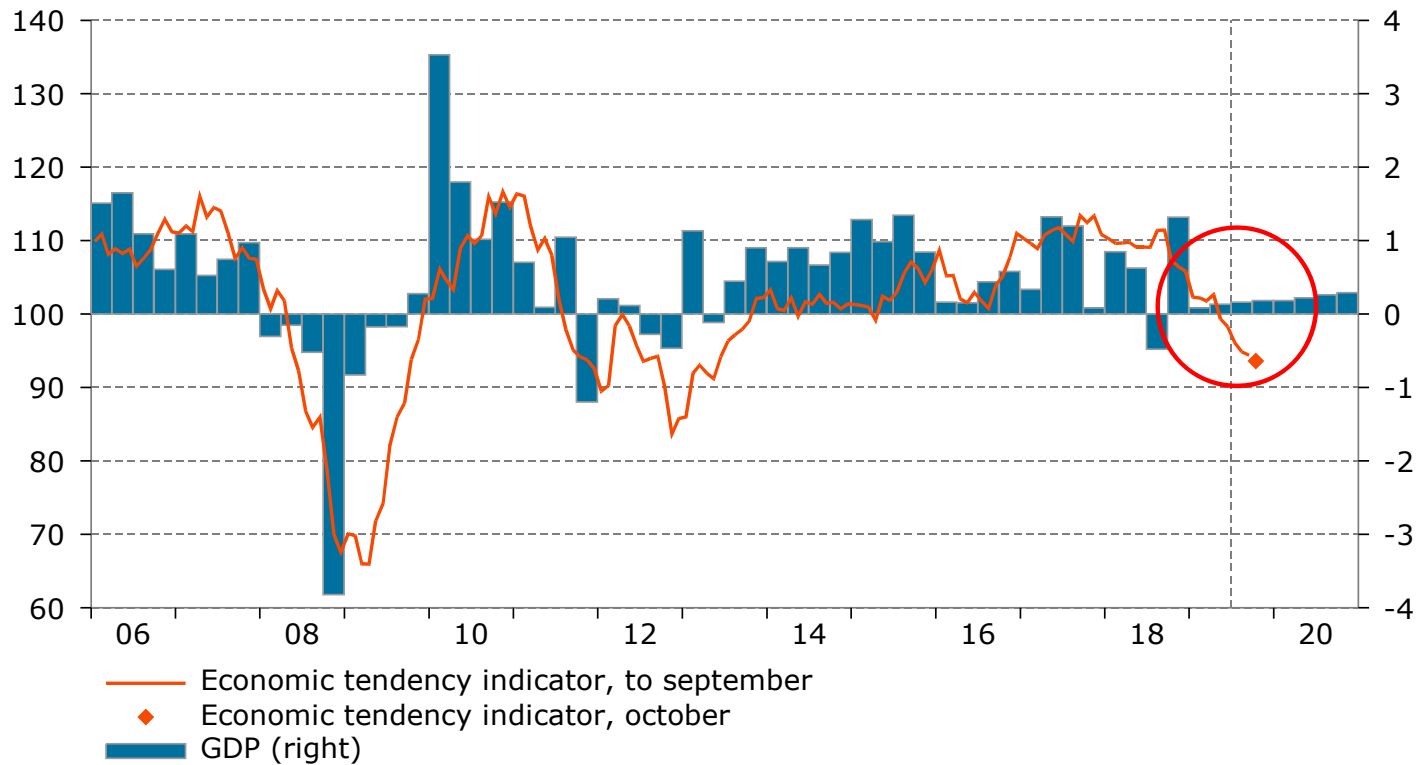
Trämarknaden i Karlstad 2019

Ylva Hedén Westerdahl



GDP growth almost to a stand still

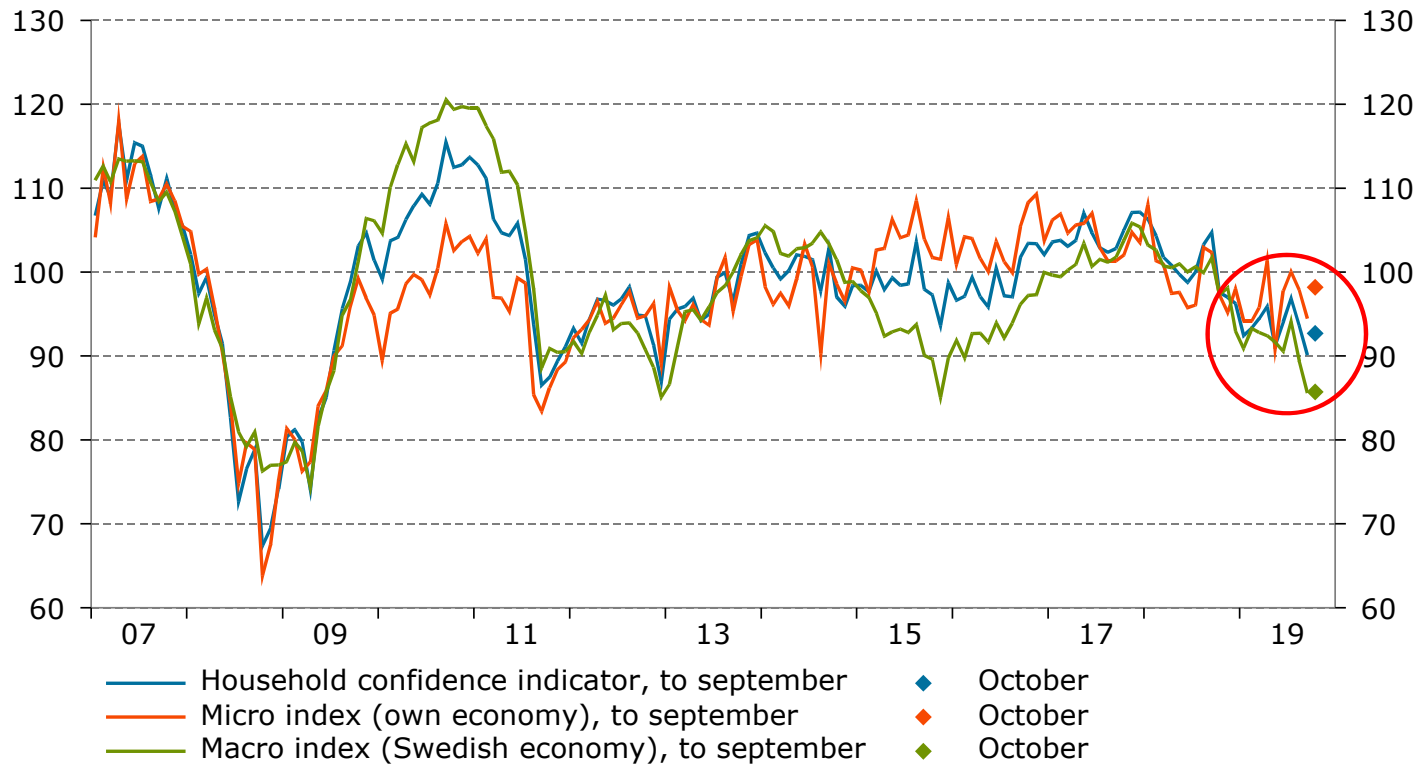
Economic tendency indicator and GDP. Index mean=100, monthly values and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Gloomy households

Household confidence indicator, micro and macro index
Index mean=100, seasonally adjusted monthly values

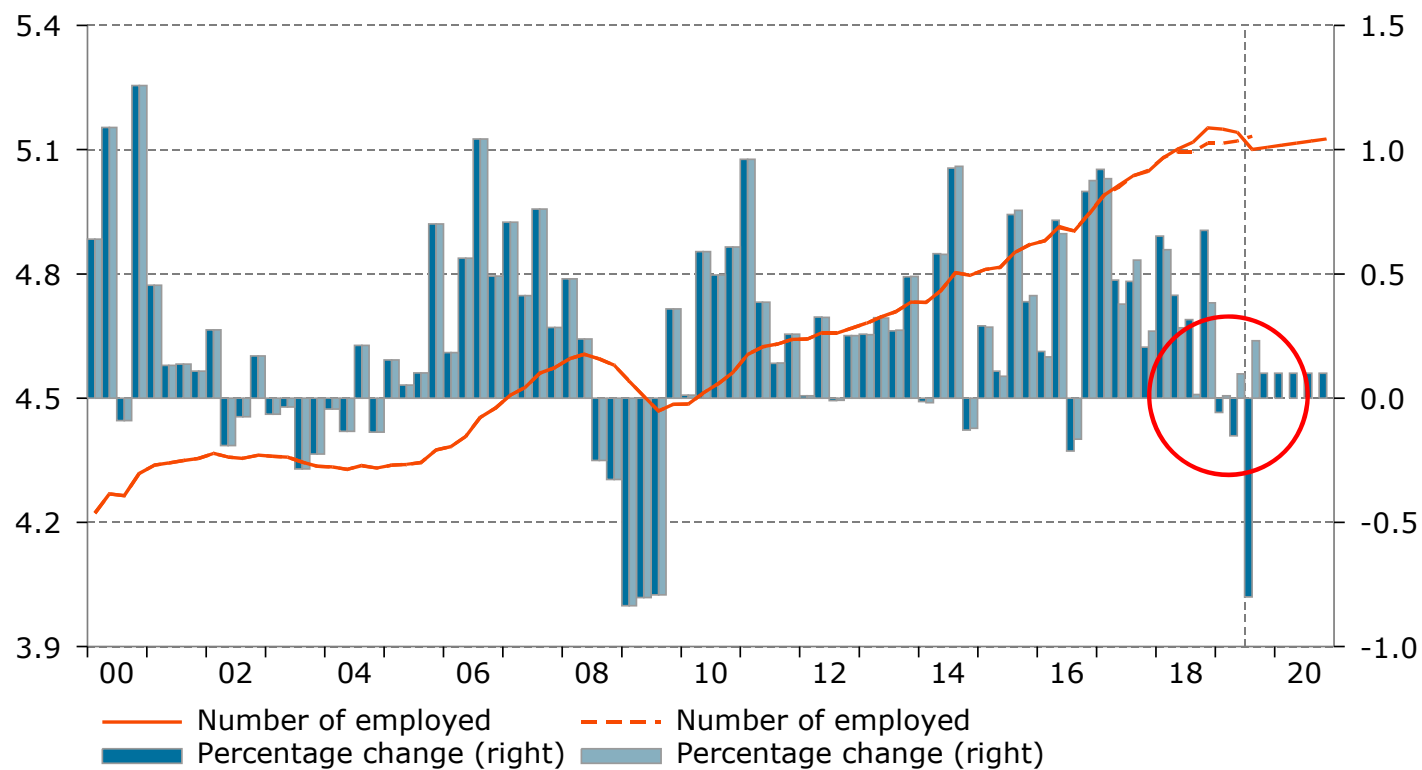


Source: NIER.

Employment grew slowly first part of 2019

Employment

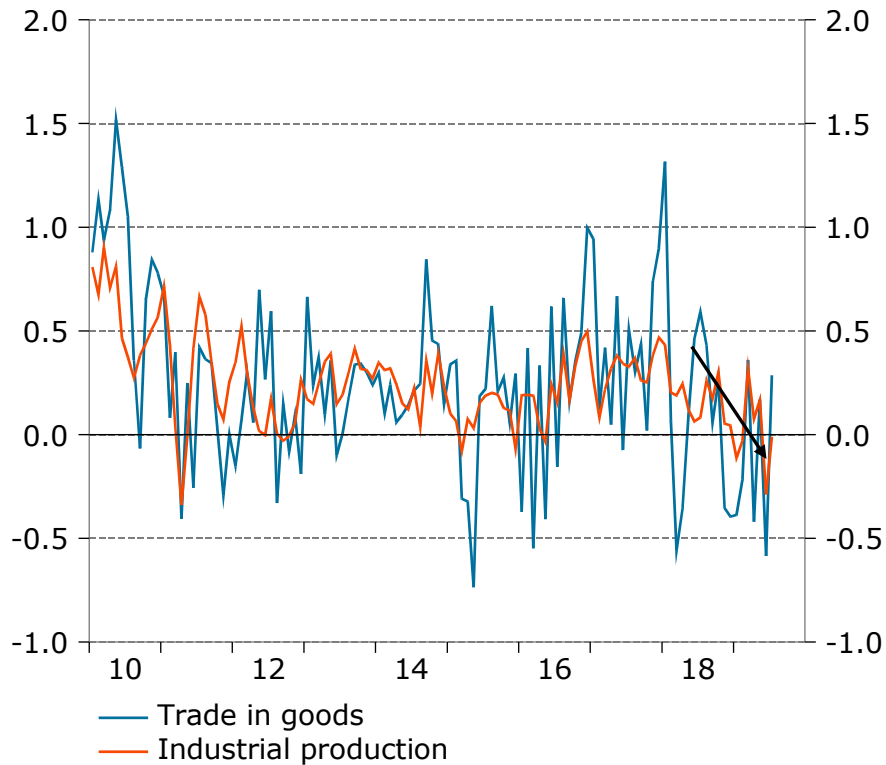
Millions and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Global goods trade and industrial production

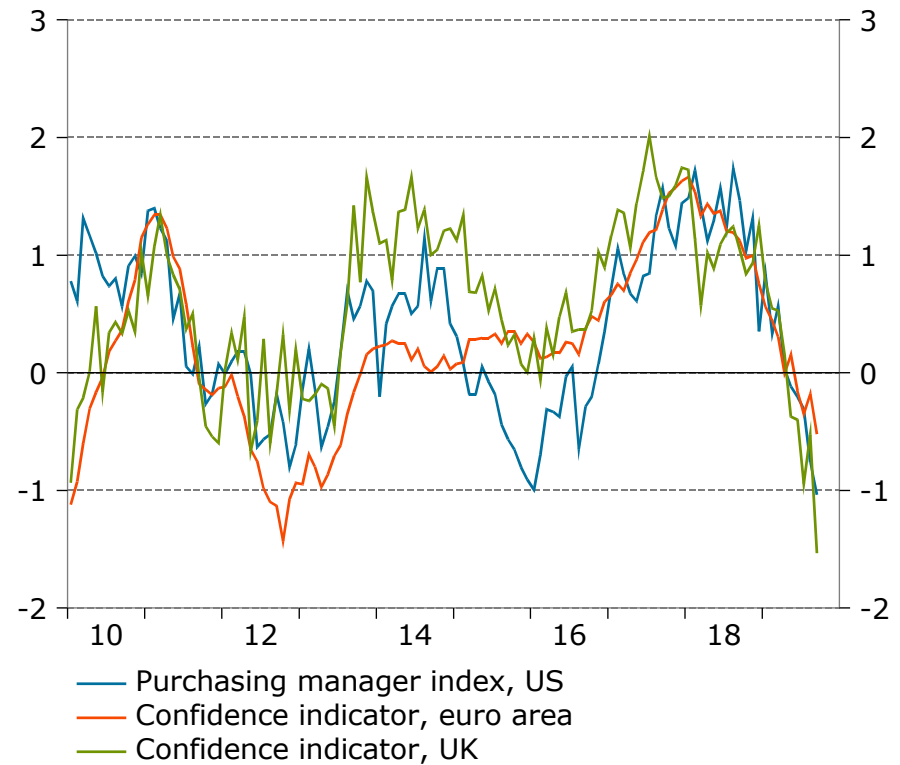
Percentage change, 3-month moving average, seasonally adjusted monthly values



Sources: CPB Netherlands Bureau for Economic Policy Analysis and Macrobond.

Confidence indicators for manufacturing

Standardized deviations from mean, seasonally adjusted monthly values

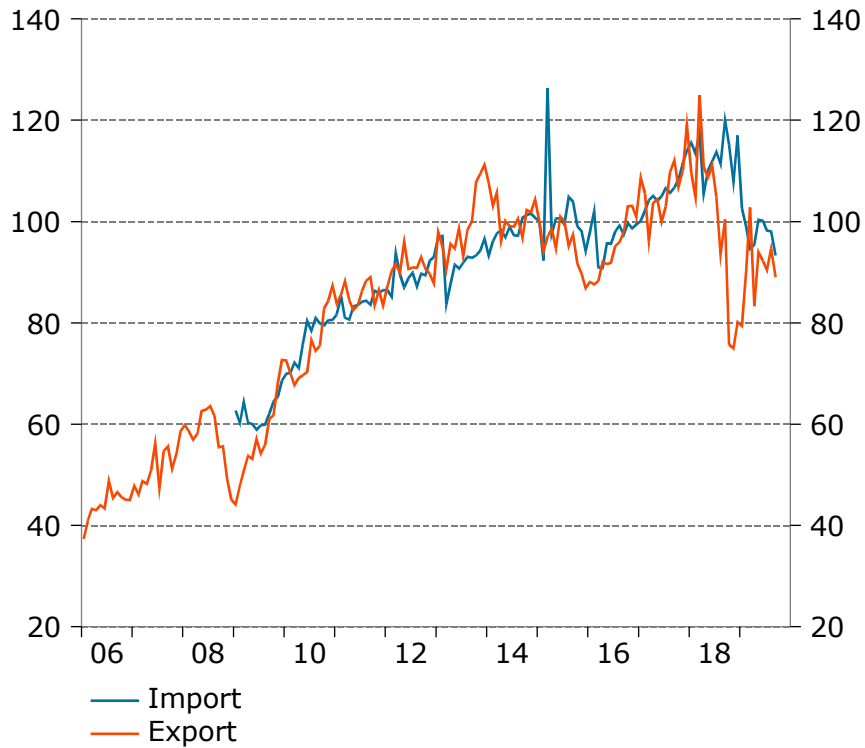


Sources: Institute for Supply Management, European Commission, Macrobond and NIER.



Tariffs are putting pressure on US-China trade

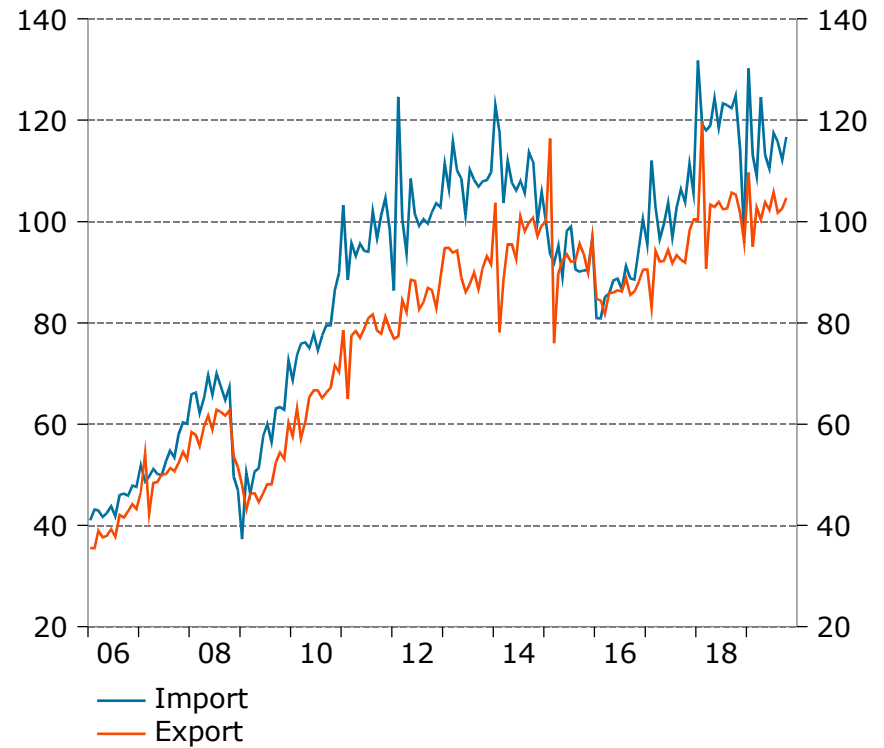
Index 2015-01-01=100, seasonally adjusted monthly values. US-China bilateral trade, USD



Sources: US census bureau, China customs statistics information center CSS) and NIER.

But overall, imports are holding up relatively well

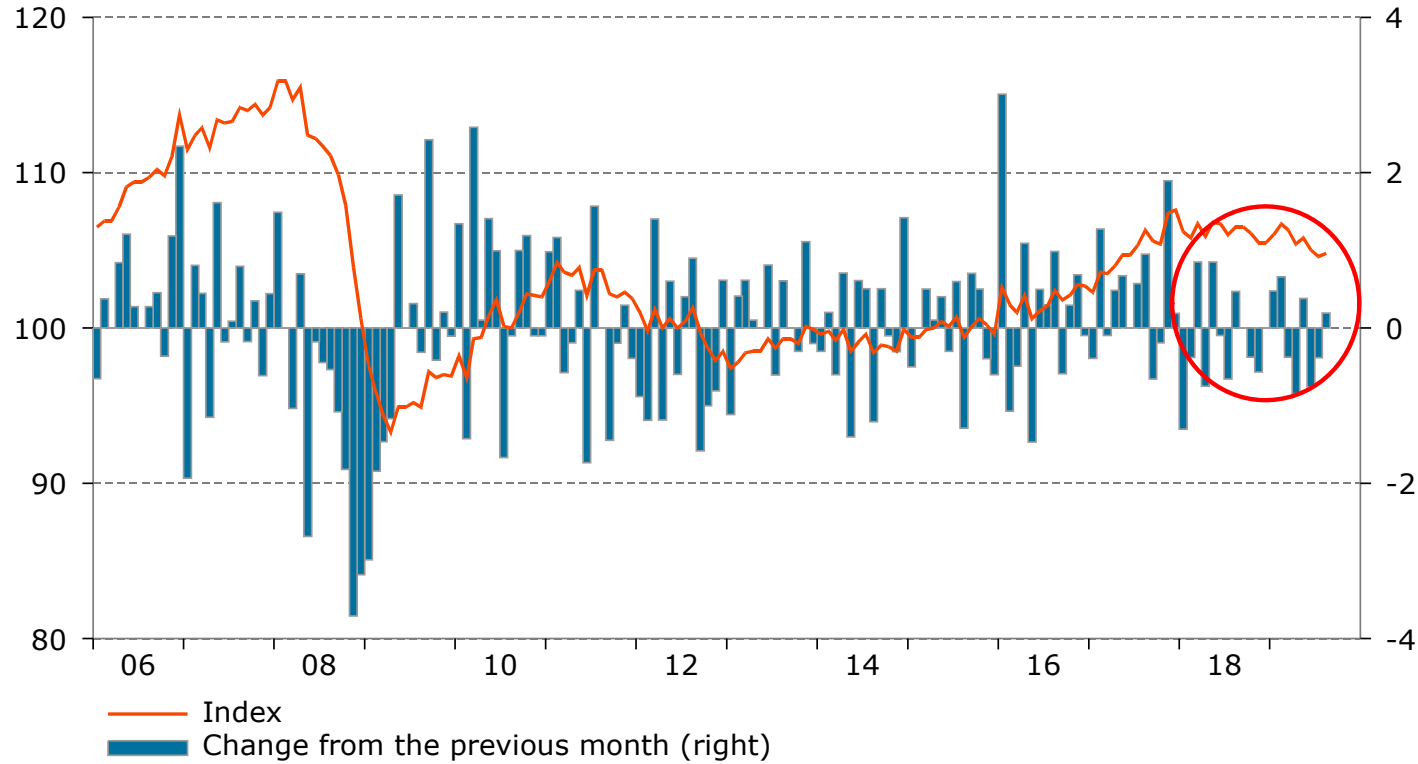
Index 2015-01-01=100, seasonally adjusted monthly values. China, foreign trade, total, USD



Sources: US census bureau, China customs statistics information center CSS) and NIER.

Industrial production fell in the euro area in the first half of the year

Industrial production in Euro area
Index 2005=100 and percentage change, monthly values

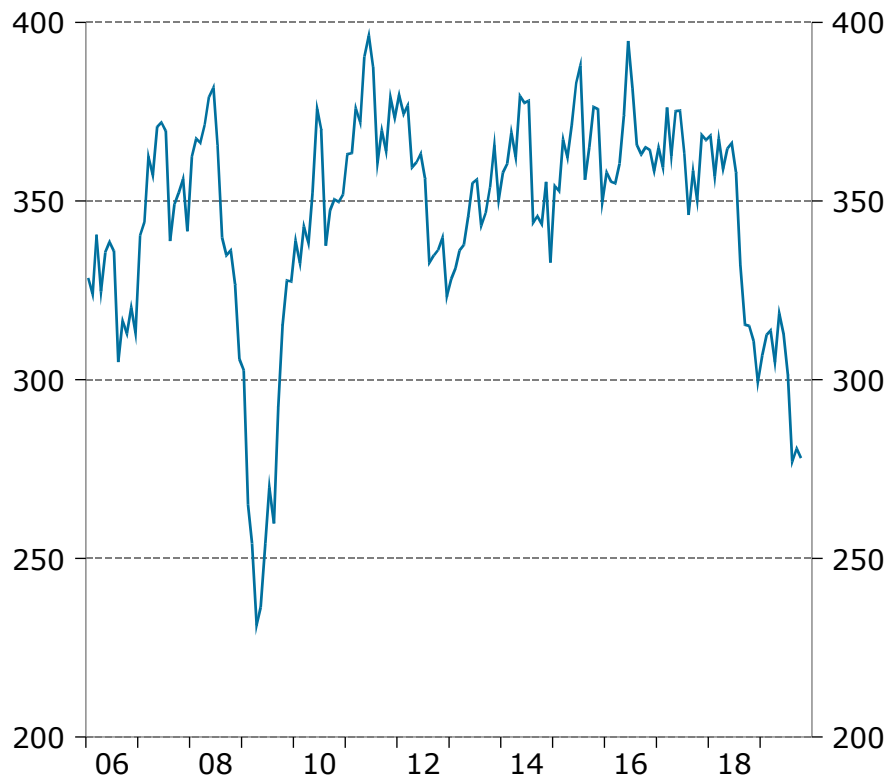


Sources: Eurostat and Macrobond.



Car exports, Germany

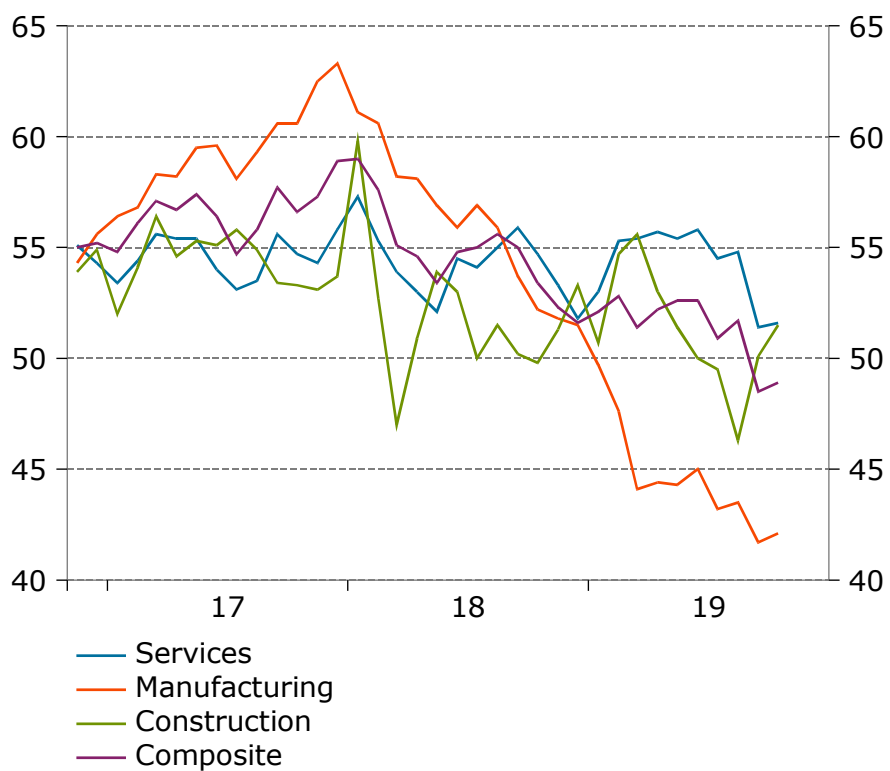
Thousand, 5-month moving average, monthly values



Source: Macrobond.

Germany, Business Surveys

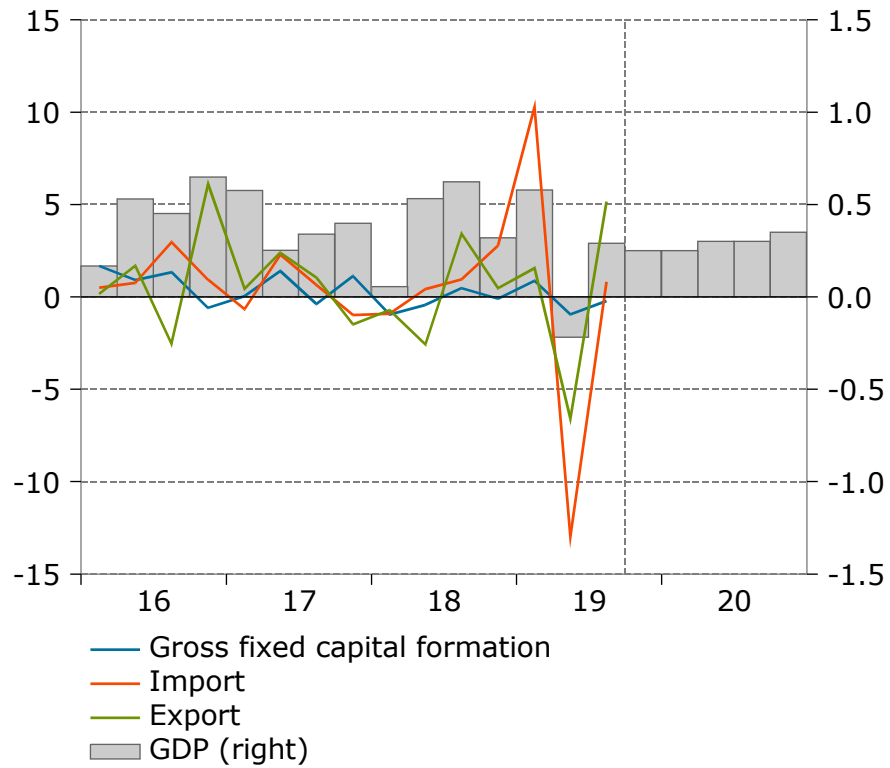
Index, monthly values



Source: Macrobond, Markit.

UK, GDP-growth

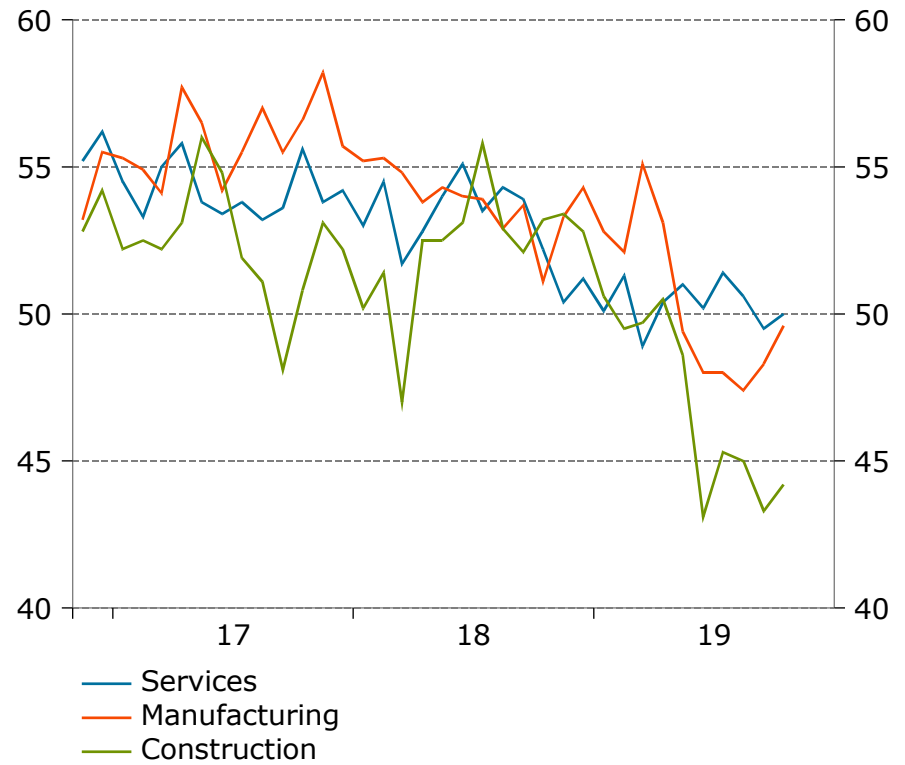
Percentage change, constant prices, quarterly values



Source: Macrobond.

UK, Business Surveys

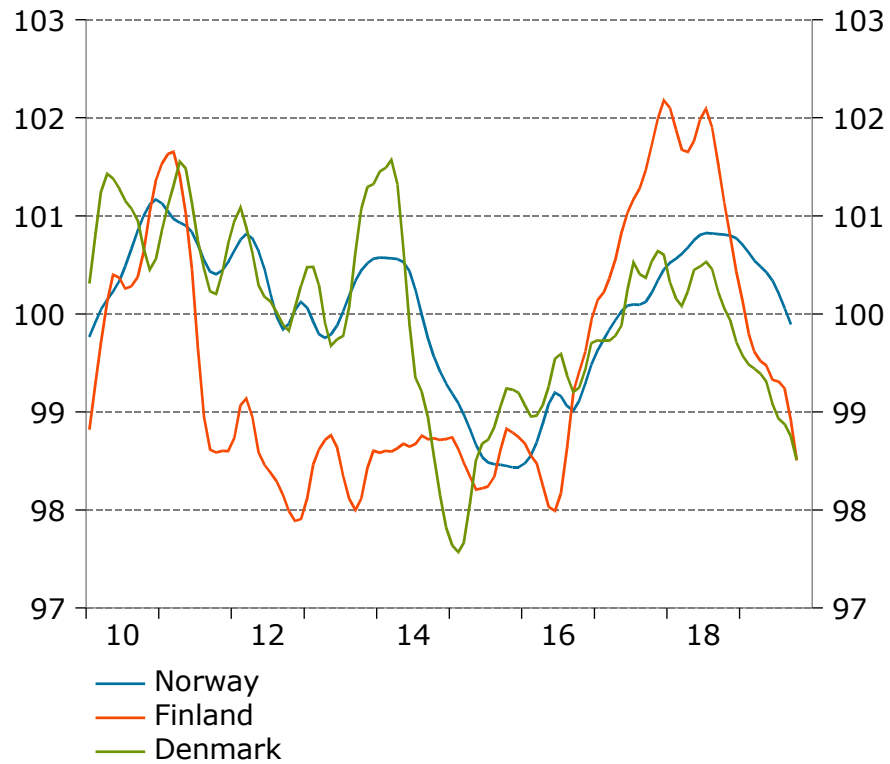
Index, monthly values



Source: Macrobond, Markit.

Synchronized downturn

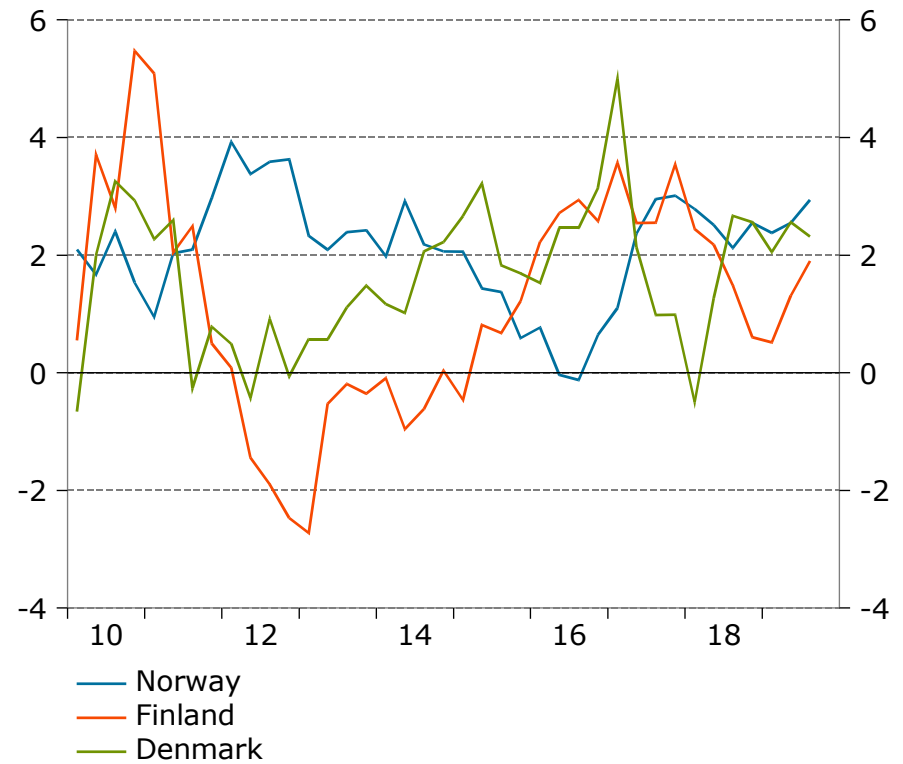
OECD MEI, Business Tendency Surveys (Manufacturing), normal=100, seasonally adjusted monthly values



Source: OECD, national sources and NIER.

Domestic demand main driver going forward

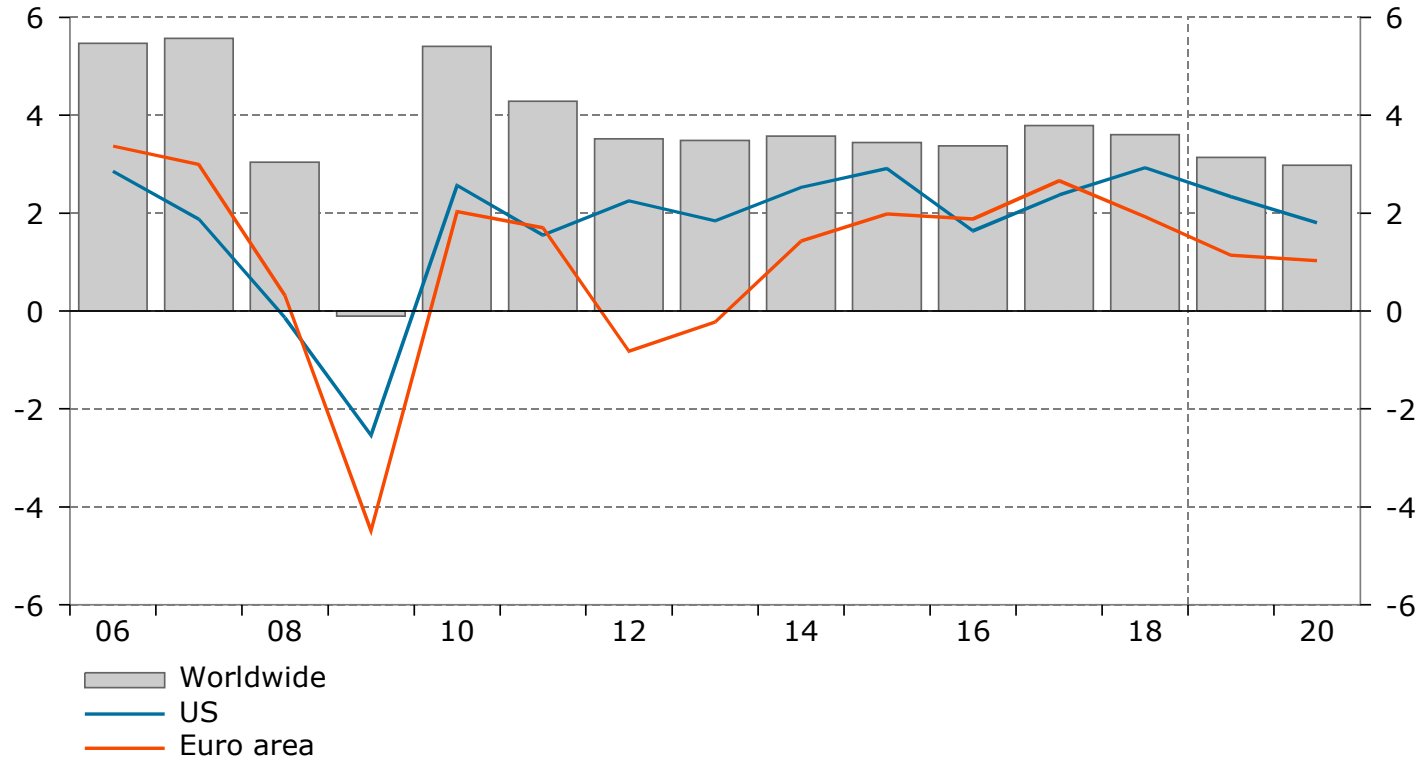
Annual percentage change, constant prices, seasonally adjusted quarterly values



Source: OECD, national sources and NIER.

GDP selected countries

Percentage change

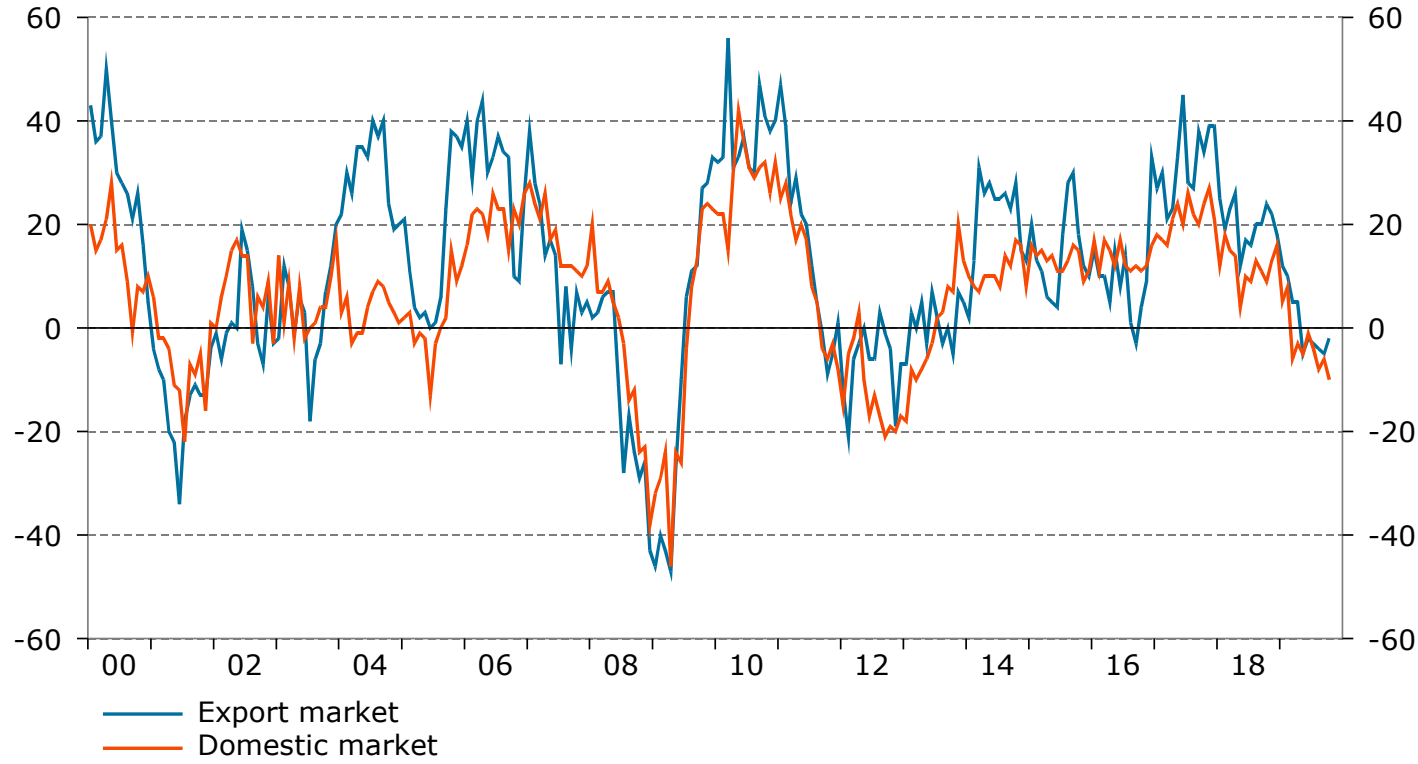


Sources: IMF, OECD, Macrobond and NIER.



Slower growth in demand for Swedish exports

Orders, manufacturing industry
Balances, seasonally adjusted monthly values

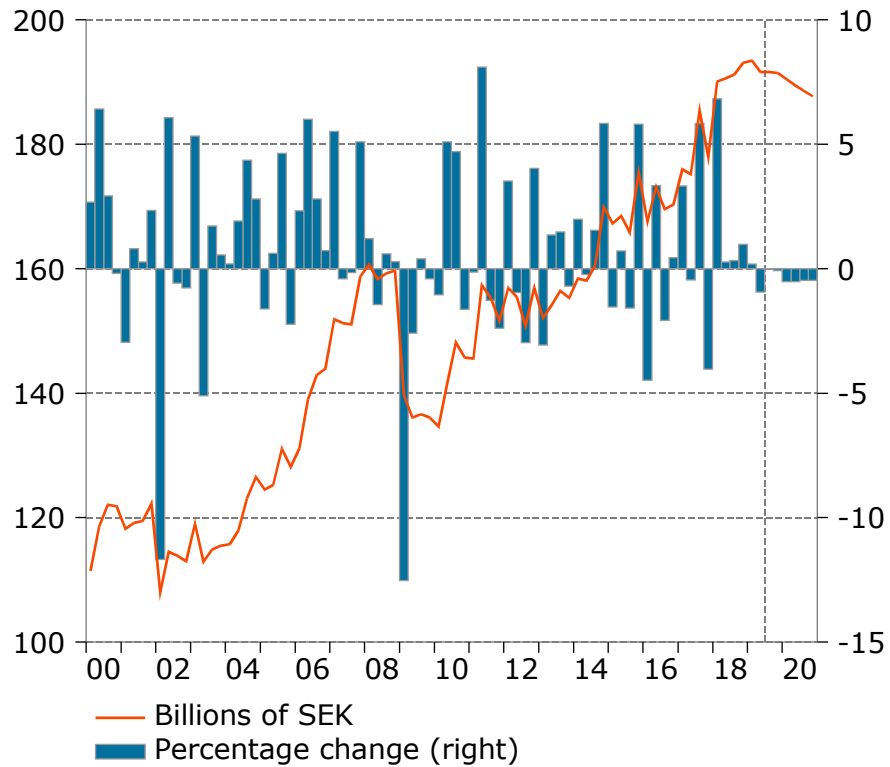


Source: NIER.



Capital formation, excl housing

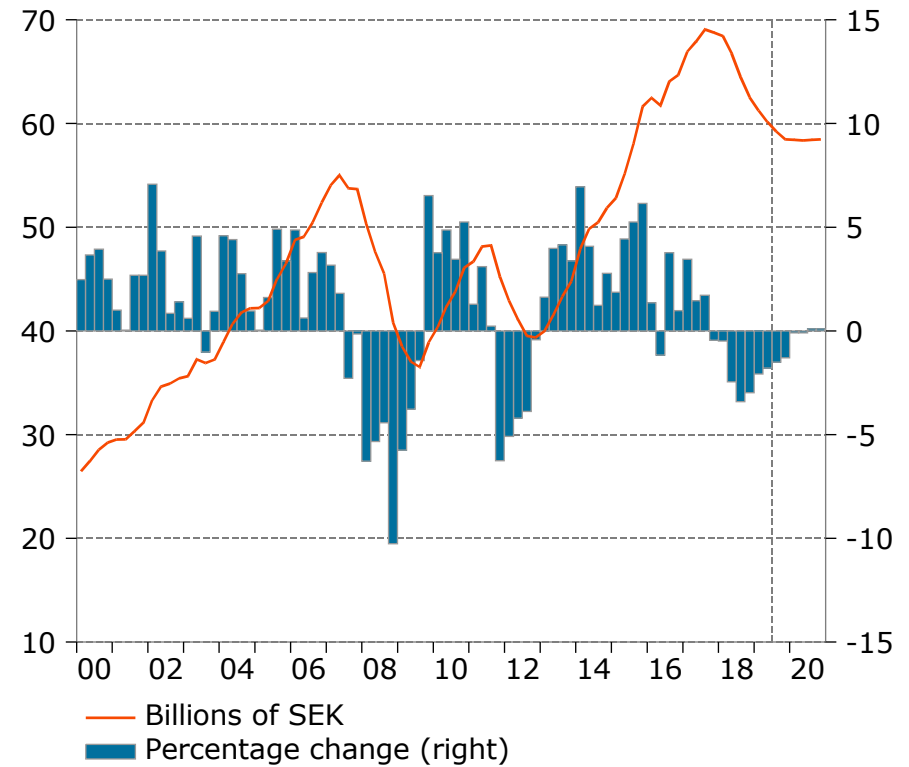
Billions of SEK, constant prices and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Housing investment

Billions of SEK, constant prices and percentage change, seasonally adjusted quarterly values

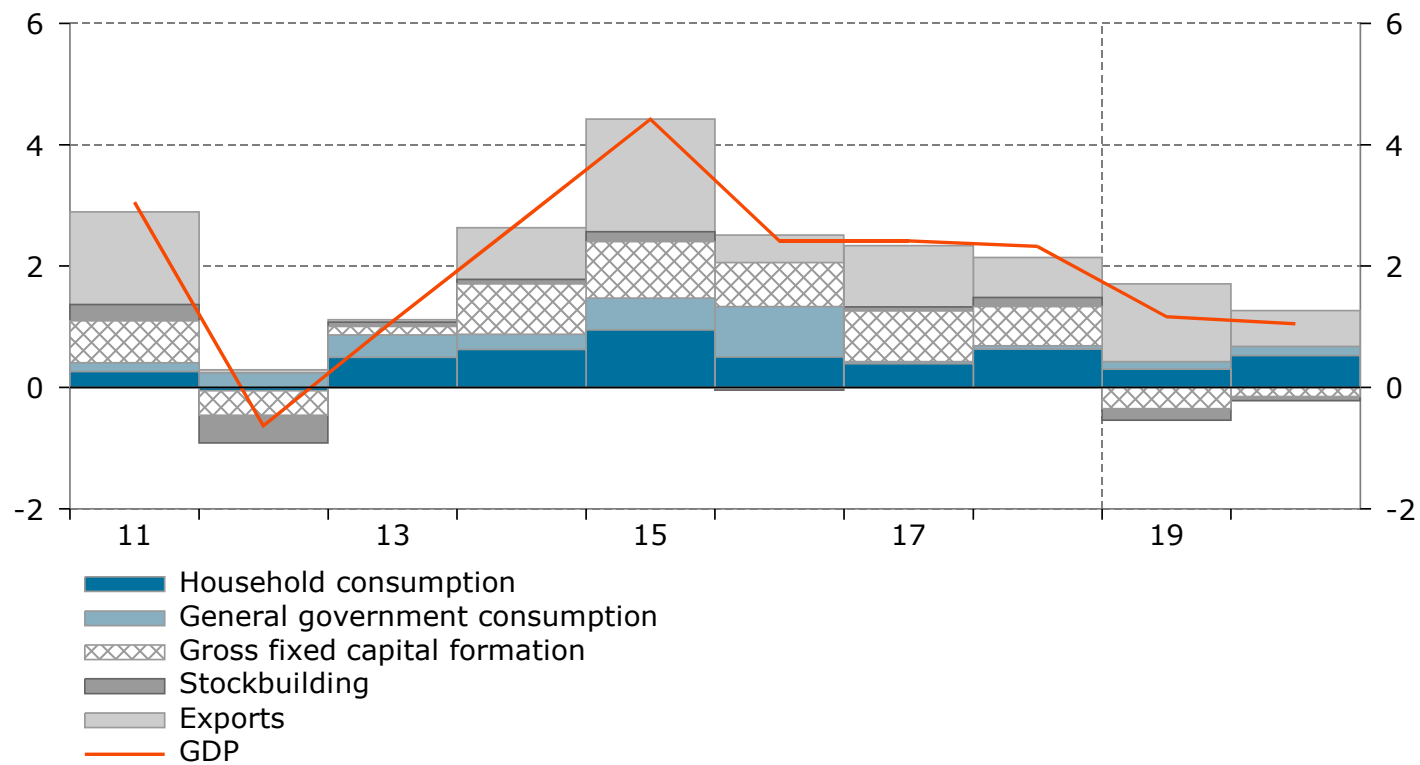


Sources: Statistics Sweden and NIER.

Decline in capital formation dampens GDP growth

Import-adjusted contribution to GDP growth

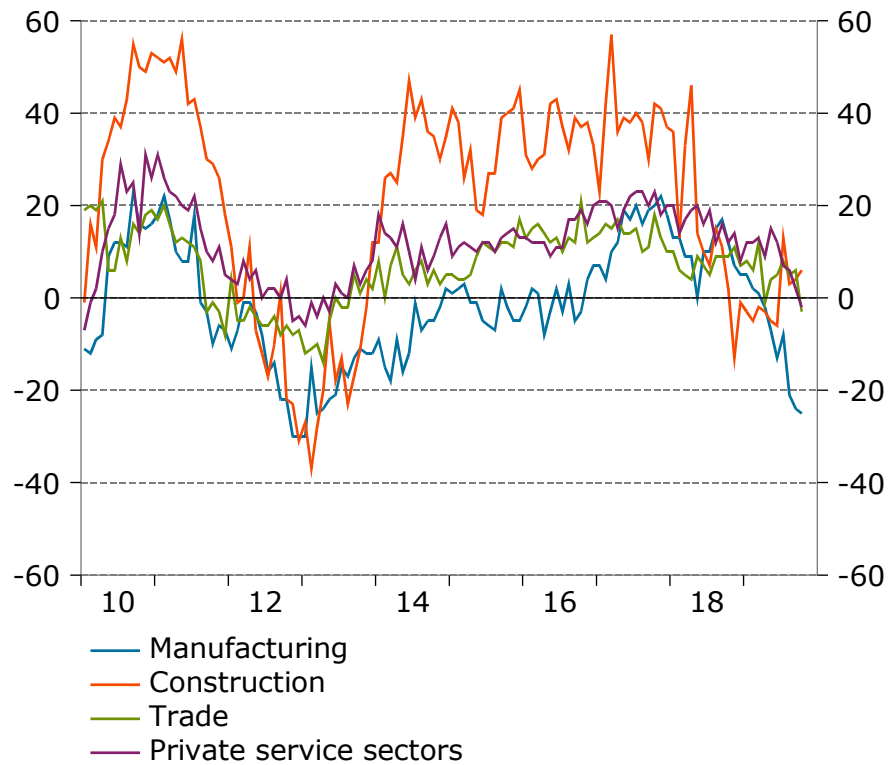
Percentage change and percentage point respectively



Sources: Statistics Sweden and NIER.

Recruitment plans

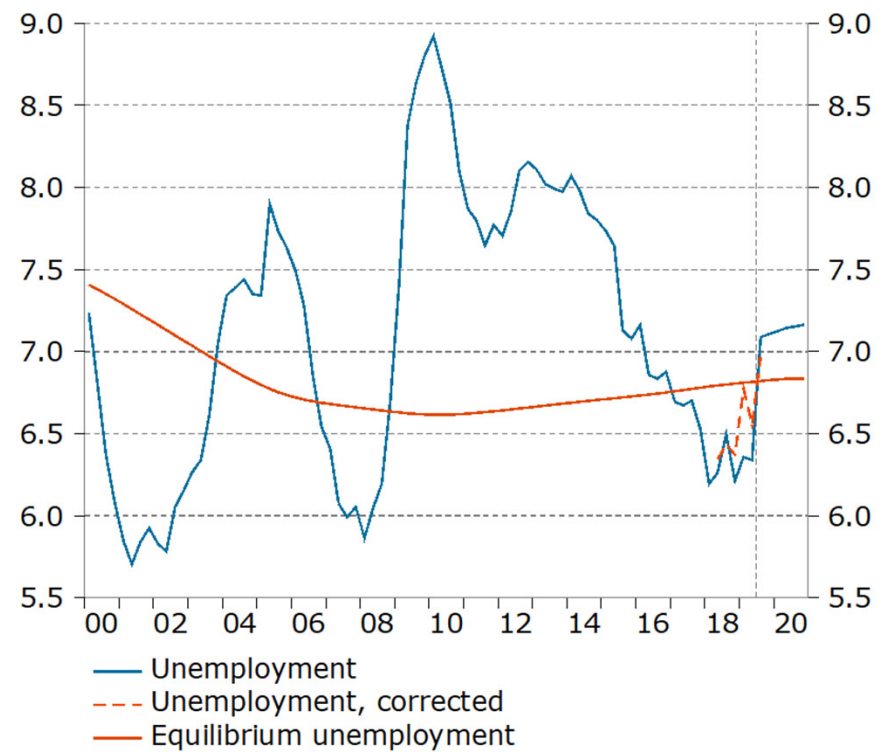
Balances, seasonally adjusted monthly values



Source: NIER.

Unemployment

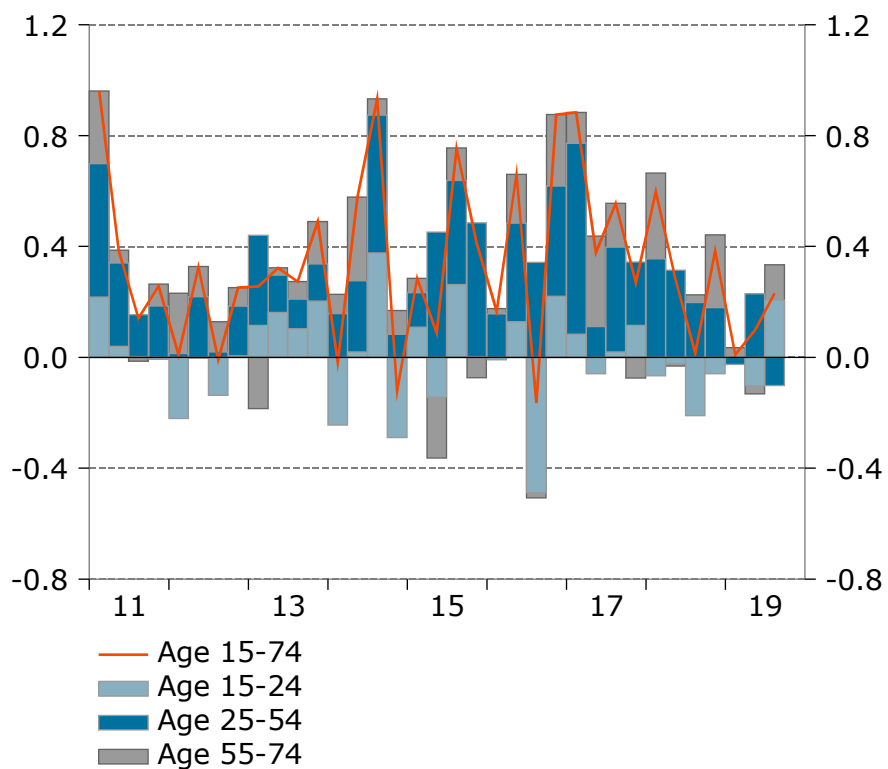
Per cent of labour force and potential labour force, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Contribution to employment growth

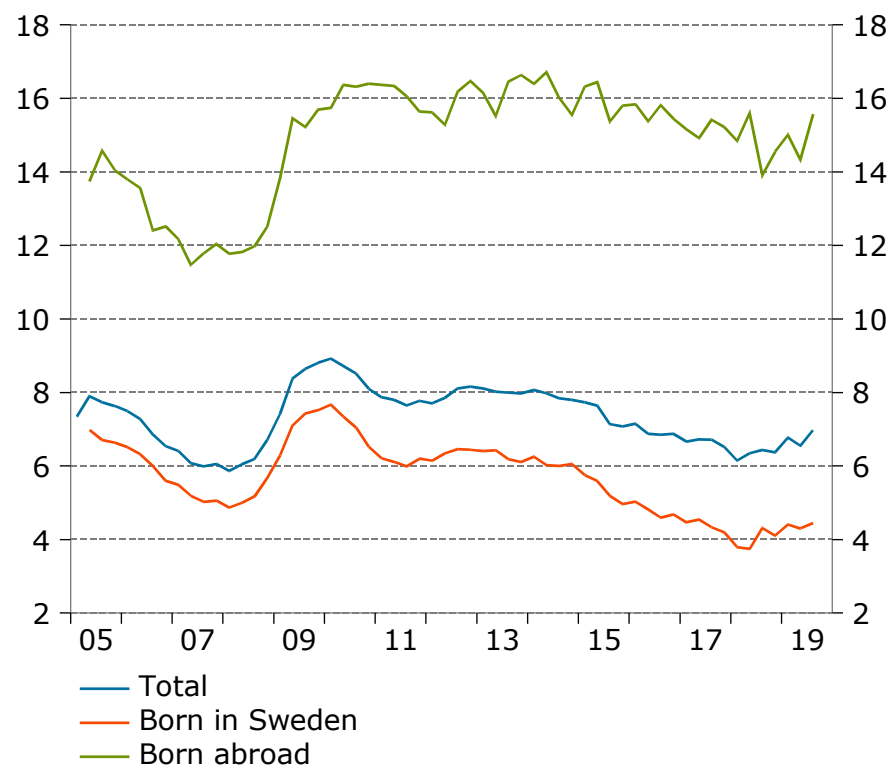
Percentage change and percentage points, seasonally adjusted quarterly



Sources: Statistics Sweden and NIER.

Unemployment by country of birth

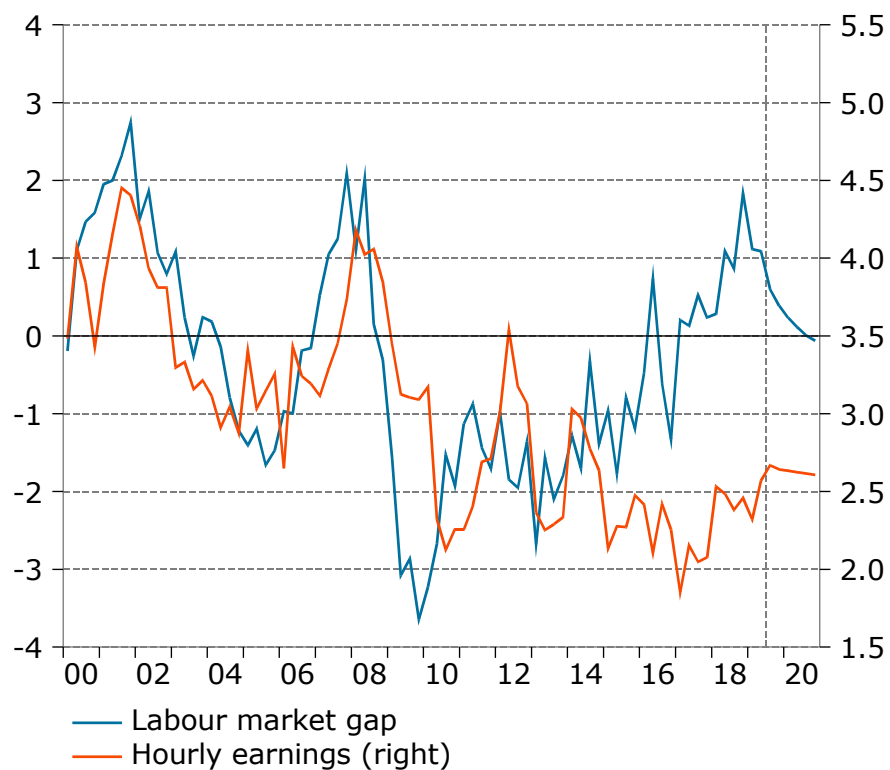
Percent of labour force, seasonally adjusted quarterly



Sources: Statistics Sweden and NIER.

Labour market tightness and hourly wage in business sector

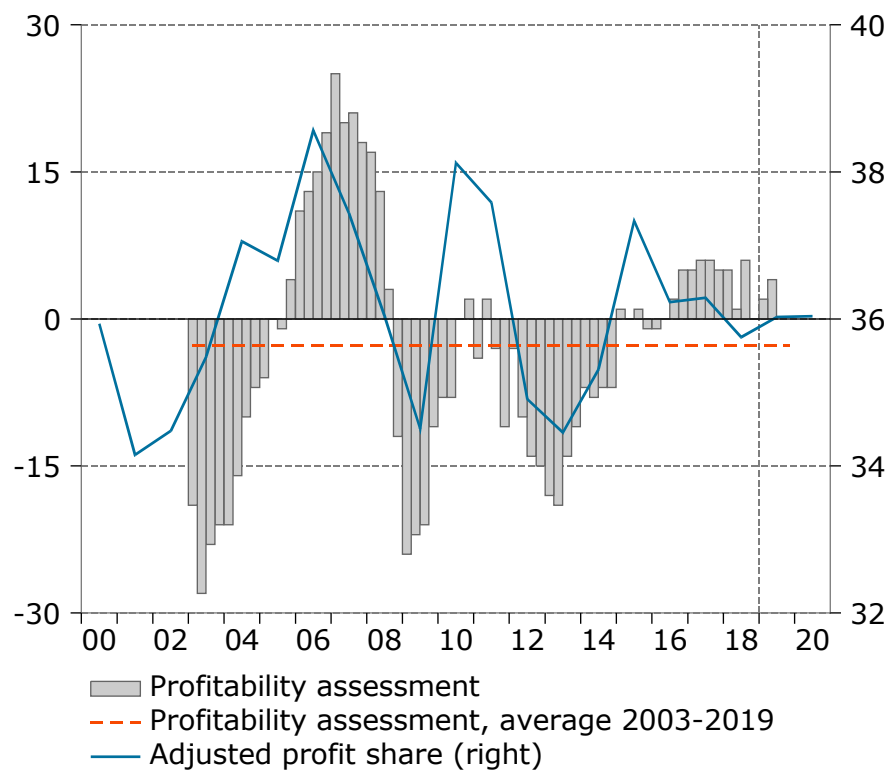
Percentage of potentially worked hours and annual percentage change, quarterly values



Sources: National Mediation Office and NIER.

Business sector profitability

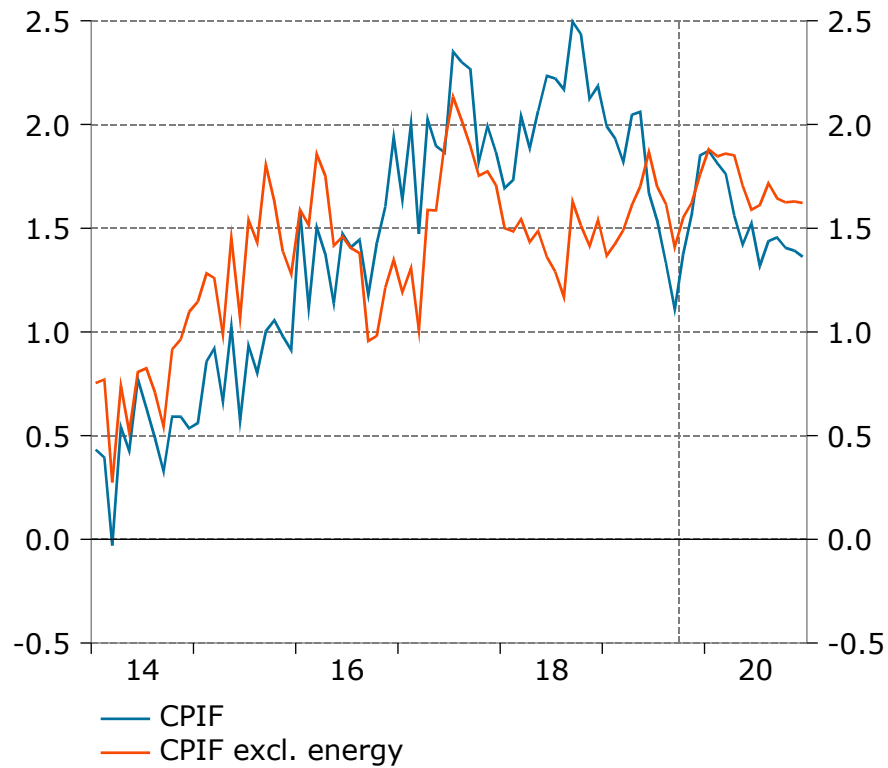
Per cent, annual values and balances, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Consumer prices

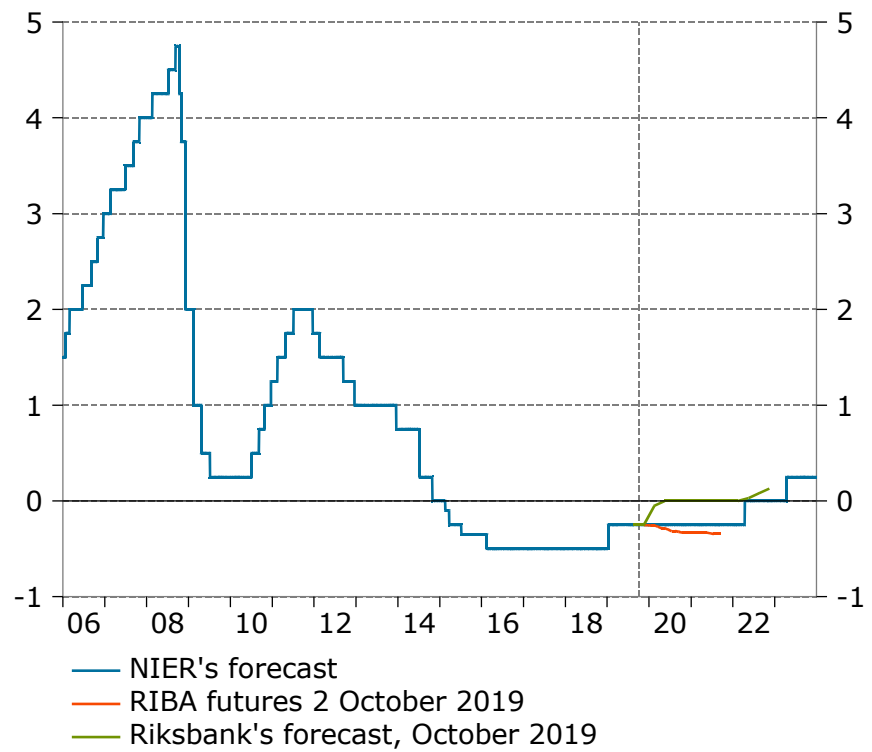
Annual percentage change, monthly values



Sources: Statistics Sweden and NIER.

Repo rate

Per cent, daily- and quarterly values

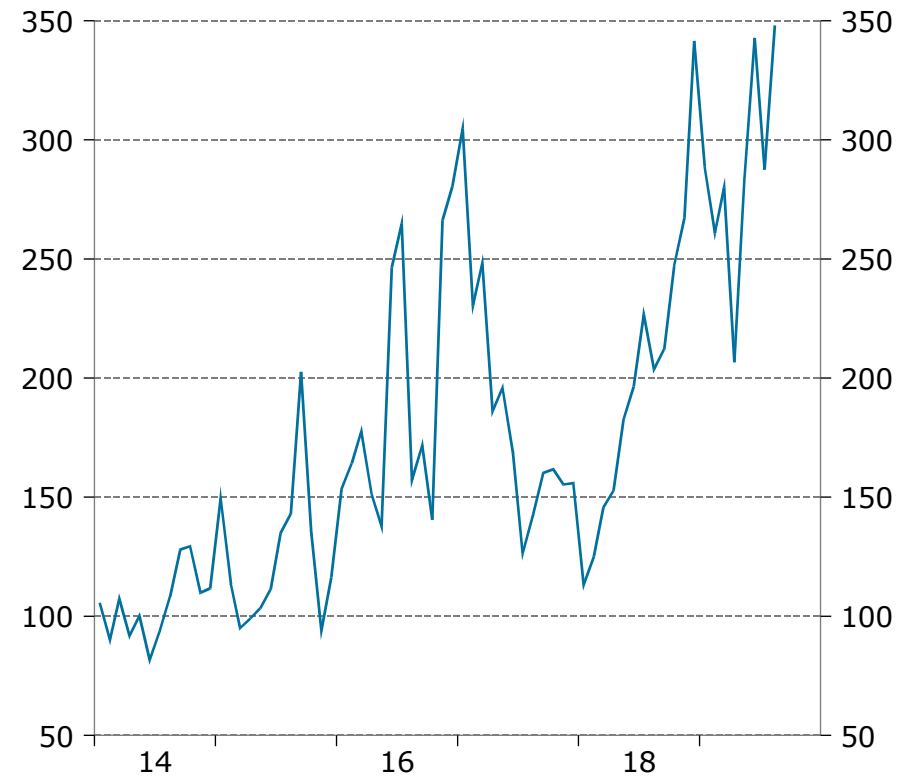


Sources: Nasdaq OMX, The Riksbank, Macrobond and NIER.

Risk for a weaker economic performance

- Unorderly Brexit
- Increased trade conflict
- Economic policy uncertainty
- Limited room for economic stimulus

Economic policy uncertainty, world
Index, monthly values



Source: Macrobond.

Forecast in summary (June 2019 within brackets)

Annual percentage change and per cent

	2018	2019	2020
World GDP	3,6 (3,6)	3,1 (3,4)	3,0 (3,3)
GDP	2,3 (2,4)	1,2 (1,8)	1,1 (1,4)
Unemployment ¹	6,3 (6,3)	6,7 (6,3)	7,1 (6,4)
CPIF	2,1 (2,1)	1,7 (1,8)	1,5 (1,7)
Repo rate ²	-0,50 (-0,50)	-0,25 (-0,25)	-0,25 (0,00)
Structural net lending ³	-0,2 (-0,3)	0,2 (-0,1)	0,0 (-0,2)

¹ Per cent of labour force. ² At the end of year. ³ Per cent of potential GDP.

Summary

- The economic boom has come to an end
- The Swedish investment cycle has peaked
- Unemployment will rise until 7,1 per cent next year
- No increase in the repo rate until beginning of 2022
- Risk for a weaker economic performance
- The government need to be prepared to introduce a more expansionary fiscal policy