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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Despite Sweden's exposure to global trade dynamics, Covid-19 has had a rather limited impact on its economy compared with most other European countries. GDP returned to its pre-pandemic level in 2021 and continued growing in 2022 (+2.8%). Nevertheless, the Swedish economy contracted in 2023, mainly due to a decrease in private consumption and a decline in housing construction. Factors such as high inflation, uncertainty, and rising interest rates contributed to these challenges. In fact, the accumulation of macroeconomic imbalances over the years had rendered the Swedish economy susceptible to the impact of tightening monetary conditions. In 2024, uncertainties regarding income due to a cooling labour market and housing market pressures are expected to restrain private consumption. The recovery in household consumption in 2025 is anticipated to be supported by real disposable income gains resulting from decreasing inflation. Housing construction is projected to decrease, influenced by reduced dwelling valuations, limited borrowing capacity, and rising construction costs. Conversely, robust corporate balance sheets and innovative projects in manufacturing are likely to bolster investments in equipment and information and ICT. Overall, the IMF forecasts growth of 0.6% this year and 2.4% in 2025 (-0.2% and 1.3%, respectively, according to the EU Commission).

Sweden is among the few advanced European economies to show both a current account surplus and low public debt. Having achieved a surplus in 2022, the general government balance experienced a minor deficit in 2023 (-0.3% of GDP). Although tax revenues, particularly from corporate income tax, remained robust at the central government level, increased spending on items like indexed social transfers and pensions contributed to the deficit. Over the forecast horizon, increasing unemployment is poised to impact income tax revenue negatively, while automatic stabilizers are expected to elevate expenditure through social transfers to households. The country's debt-to-GDP ratio is among the lowest in the EU and was estimated at 32.3% in 2023 (IMF). It is assumed to remain stable in the near term. The headline HICP inflation rate reached its peak at the end of 2022 and has subsequently decreased, following a decline in energy prices and the alleviation of supply constraints. It was estimated at 6.9% in 2023 but is projected to gradually decrease to 2.7% by 2025 (IMF).

The country's unemployment rate was stable at 7.5% in 2023. Nevertheless, employment growth is anticipated to slow down, responding to the cyclical downturn with a delay. The IMF expects the unemployment rate to increase by 8.1% in 2024, while average real wages gradually move into positive territory on the back of falling inflation. Overall, Swedish citizens enjoy a high per capita GDP of USD 66,209 (PPP - 2023), 16.2% higher than the EU's average, and the European Anti-Poverty Network (EAPN) estimates that only 2% of Sweden's population lives in serious material poverty conditions. Nominal wage growth, however, has been lagging behind inflation, resulting in a reduction of households' real disposable income.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	591.19	597.11	620.71	656.75	688.22
GDP <i>(Constant Prices, Annual % Change)</i>	2.8	-0.7	0.6	2.4	2.2
GDP per Capita <i>(USD)</i>	56,188	55,216	56,894	59,698	62,071
General Government Balance <i>(in % of GDP)</i>	0.1	-0.3	-0.1	0.4	0.5

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Gross Debt <i>(in % of GDP)</i>	32.7	32.3	32.6	32.2	31.5
Inflation Rate <i>(%)</i>	n/a	6.9	3.6	2.7	2.3
Unemployment Rate <i>(% of the Labour Force)</i>	7.5	7.5	8.1	8.2	7.7
Current Account <i>(billions USD)</i>	28.45	31.97	33.29	34.39	32.95
Current Account <i>(in % of GDP)</i>	4.8	5.4	5.4	5.2	4.8

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Agriculture represents 1.5% of the Swedish GDP and employs around 2% of the workforce (World Bank, latest data available). The main agricultural products are grains (particularly oats, wheat, barley, and rye), potatoes and other root crops, vegetables, and fruits, as well as dairy products, meat and wood. While production exceeds domestic consumption, a significant amount of food needs to be imported due to a lack of crop variety. Sweden has a wealth of natural resources: forests, iron, lead, copper, zinc and hydroelectric energy. The country has 3 million hectares of agricultural area and almost 28 million hectares of forest area (FAO), with a total of 58,218 agricultural holdings (data Swedish Board of Agriculture – 2022).

The industrial sector contributes 24% of GDP and employs 18% of the workforce. It is dominated by groups such as Volvo, Saab, Ericsson, ABB, AstraZeneca, Electrolux, Ikea, H&M, etc. Sweden's main manufacturing activities are steel, automotive, chemical, forestry, industrial machinery and equipment, automation and food processing equipment. The World Bank estimates that the manufacturing sector alone accounts for 13% of GDP. The new technologies and biotechnologies sectors are also of significant importance in the economy. According to figures from Statistics Sweden, in the first ten months of 2023, total orders in industry decreased by 1.6% year-on-year.

The tertiary sector, driven by telecommunications and IT equipment, employs 80% of the active workforce and contributes 63.6% of GDP. The banking sector is comprised of a total of 121 banks, including 41 commercial banks, 33 foreign banks, 45 savings banks and two cooperative banks; moreover, it employs around 2% of the workforce, accounts for 4.5% of GDP and contributes to 10% of the corporate taxes revenue (European Banking Federation). The travel and tourism industry is also important to the Swedish economy: according to the latest data from Visitory, between January-October 2023, 61,1 million nights were spent by tourists in Sweden (+1.1% year-on-year).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	2.0	18.2	79.9
Value Added <i>(in % of GDP)</i>	1.4	23.7	63.9
Value Added <i>(Annual % Change)</i>	-1.3	1.4	3.1

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Swedish Krona (SEK) - Average Annual Exchange Rate For 1 USD	8.56	8.55	8.69	9.50	9.21

FOREIGN TRADE

The Swedish economy is very open to foreign trade, which represents 103% of its GDP (World Bank – latest data available). According to the latest data by Statistics Sweden, the country mainly exports machinery and transport equipment (43.8%, mostly road vehicles and industrial machinery), chemicals and rubber products (15%), minerals (10.8%), and wood and paper products (8.9%); whereas imports are led by machinery and transport equipment (44.4%, especially electronics and telecommunication items, at 15.9%), chemicals and rubber products (12.8%), mineral fuels (11.2%), and food, beverage and tobacco (11.2%).

Norway and Germany were the top destinations for Swedish exports in 2022 (10.8% and 10.2%, respectively), ahead of the U.S. (9.2%), Denmark (7.5%) and Finland (7.3%). Germany remained the largest supplier of goods to Sweden (15.3%), followed by Norway (12.4%), the Netherlands (10.7%), Denmark (6.4%), and China (5.9%). The European Union as a whole is Sweden's biggest trading partner and the country has a structural deficit from its trade with the EU, which accounted for 54% of exports and 63.3% of imports (data Statistics Sweden).

Sweden has a structurally positive trade balance: in 2022, the country recorded a trade surplus accounting for nearly 2.9% of its GDP (from 4.7% one year earlier - World Bank). In the same year, exports of goods stood at USD 197.8 billion (marking a 4.3% increase year-on-year), against USD 202.1 billion in imports (+8% y-o-y). As for services, exports grew by 16% (at USD 94.6 billion) with imports increasing at a faster pace (+20.3%), totalling USD 98.1 billion. According to provisional data from Statistics Sweden, in the period January–October 2023, the value of Swedish exports of goods amounted to SEK 1,747 billion, an increase of 6% vis-à-vis 2022. At the same time, the value of imports of goods increased by 2% and amounted to SEK 1,712 billion. Therefore, net trade recorded a surplus of SEK 35 billion against a surplus of SEK 37.4 billion recorded in the same period one year earlier.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	170,605	158,971	149,985	187,108	202,162
Exports of Goods (million USD)	165,968	160,576	155,496	189,524	197,841
Imports of Services (million USD)	71,979	74,946	67,679	79,143	98,195
Exports of Services (million USD)	73,583	77,909	70,617	81,603	94,649

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	89.1	91.4	83.2	88.1	102.7
Trade Balance (million USD)	11,156	20,710	21,663	27,114	20,429
Trade Balance (Including Service) (million USD)	12,727	23,585	24,775	31,031	16,373
Imports of Goods and Services (Annual % Change)	3.8	2.1	-6.0	11.5	8.7
Exports of Goods and Services (Annual % Change)	4.2	6.0	-5.5	10.0	6.6
Imports of Goods and Services (in % of GDP)	43.4	43.6	39.4	41.8	50.2

Foreign Trade Indicators	2018	2019	2020	2021	2022
Exports of Goods and Services <i>(in % of GDP)</i>	45.7	47.8	43.8	46.3	52.6

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	1.2	1.7	2.4	3.6	2.8
Volume of imports of goods and services (Annual % change)	2.3	1.1	2.8	3.0	2.6

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Sweden is a member of the following international economic organisations: IMF, European Union, ICC, G-9, G-10, OECD, Schengen Convention, WTO, among others. For the full list of economic and other international organisations in which participates Sweden click [here](#). International organisation membership of Sweden is also outlined [here](#).

Free Trade Agreements

The up-to-date list of Free Trade Agreements signed by Sweden can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Norway	10.7%
Germany	10.0%
United States	8.9%
Denmark	7.4%
Finland	7.3%
See More Countries	55.7%
Main Suppliers <i>(% of Imports)</i>	2022
Germany	15.3%
Norway	11.8%
Netherlands	10.6%
China	7.0%
Denmark	6.4%
See More Countries	49.0%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

King: CARL XVI GUSTAF (since September 1973) – hereditary

Prime Minister: Ulf KRISTERSSON (since 18 October 2022) - Moderate Party

Next Election Dates

Parliamentary: 13 September 2026

Current Political Context

General elections were held in Sweden on 11 September 2022. The Social Democratic Party received the most votes (30.3%), although the right-wing, anti-immigration party Sweden Democrats was the main winner of the elections, expanding its vote share from 5.7% in 2010 to 20.5%, becoming the second-largest party, just ahead of the liberal-conservative Moderate Party (19.1%).

Despite her party receiving the most votes, Magdalena Andersson, the leader of the Social Democrats, decided to step down as prime minister. Following this decision, the parliament appointed the leader of the Moderate Party Ulf Kristersson as the new prime minister. Kristersson leads a right-wing minority government with the external support of the far-right Sweden Democrats.

Following Russia's invasion of Ukraine, Sweden abandoned its tradition of neutrality and applied to become a member of NATO, although there were tensions with Turkey over Sweden's protection of Kurdish refugees.

Finally, at the end of 2023 the Turkish parliament's foreign affairs committee sent the request to the National Assembly for final approval. Nevertheless, Hungary continues to stall Sweden's bid, as Prime Minister Viktor Orbán said that his country is in no hurry to ratify Sweden's bid to join NATO.

Main Political Parties

A party must gain 4% of the national vote or 12% of a constituency vote to enter the single-chamber parliament. Coalitions and minority governments are widespread. Social Democratic Party and Moderate Party are the largest parties in the parliament.

- **Social Democratic Party (SAP)**: centre-left, oldest and largest political party in Sweden; supports social democracy; its electoral base is among blue collar workers.
- **Moderate Party (M)**: centre-right; liberal-conservatism.
- **Sweden Democrats (SD)**: right-wing; anti-immigration; advocates social conservatism.
- **Centre Party (C)**: centre-right; ideology described as "eco-humanism,"; focuses on agricultural, environmental, and rural issues.
- **Left Party (V)**: left-wing; socialist and feminist.
- **Christian Democratic Party (KD)**: centre-right; looks to improve care of the elderly and family values; seeks to decrease corporate regulation and lowering taxes.
- **Liberals (L)**: centre-right; pushes for free market economy; supports the Eurozone, yet more recently has focused on gender equality issues and improving education.
- **Green Party**: centre-left, based on green ideology.

Executive Power

The monarchy is hereditary. The [King](#) is Head of State but he exercises no political power and functions in an entirely ceremonial capacity. After a general election, the [Prime Minister](#) is first nominated by the parliamentary spokesperson before being confirmed for a four-year term by the [Parliament](#) (the King plays no role in this process). The Prime Minister is the head of the [government](#) and holds executive power. The Council of Ministers is nominated by the Prime Minister and then submitted for the approval of Parliament.

Legislative Power

The Swedish legislative power is unicameral. The Parliament, called [Riksdag](#), has 349 seats and its members are elected by universal suffrage on the basis of proportional representation for a four-year term. The executive branch of government depends on the support of Parliament, often expressed by a vote of confidence. The Prime Minister can dissolve Parliament, even after receiving a vote of no confidence, unless elections took place less than three months before. Legislative power belongs both to the government and to Parliament. Swedish citizens enjoy considerable political rights.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) in Sweden, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).