

Macroeconomic analysis and global business environmen

Business



Overall: The Swedish economy experienced severe recession from 2008 due to global finance crisis. However, thanks to the active fiscal supports from the Swedish government and sound credits from consumers, Sweden is recovering relatively quickly from the recession. (Export and import: Due to the recession, both imports and exports experienced sharp decline of negative 28 % respectively in 2009. However, Sweden gradually has recovered its exports up to 88% of 2008's, as its main overseas markets'- OECD countries- economic climates got improved. Imports also have reached up to 89% of 2008's.

(Active financial policies: During the recession, Swedish government aggressively defended its economy by dropping interest rates to stimulate the economy, which prevented Swedish economy from falling into long term recession. The Challenges and the Prospects for Next Five Years (The challenges: the nation's unemployment rate hit over 9%. With all the Swedish authorities' efforts, the unemployment rate may show little improvement. Short supply of houses is another issue. House price increased 10.

74% during the first quarter of 2010, and this could make bubbles in real estate market later on. (The prospects: Sweden is expected to overcome the global recession faster than others. The nation's increasing exports on intermediate goods and automotive products would accelerate its economic recovery, as other parts of the world recover from the recession and start to make investments. Recommendations for the Challenges (Swedish government should consider lowering currency rate to stimulate exports and create more job opportunities. Increase productivity of manufacturing
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industry sectors. The productivity per labour unit of this sector is less efficient than other sectors.

Main Report The Current State of the Economy (The effects of the global recession on Sweden Like other countries, Sweden was hit hard by the global recession. Since Sweden was relying heavily on exports, the global downturn directly affected Sweden's economy. According to HIS Global Insight statistics, Sweden's FY 2009, in comparison to FY 2008, real GDP went down -5. 1% and nominal GDP per capita was decreased by US\$9, 029. Especially Sweden's main manufacturing and exporting industry products were intermediate goods, metals and heavy industrial vehicles such as truck. (Struggle and recovery from the recession Whilst the recession hit Sweden severely, Sweden is one of the recovering nations from the recession among EU countries.

This is possible mainly because its improvement on exports and pre-emptive active financial policies prevent it from falling into deep recession. According to HIS Global Insight statistics, both imports and exports experienced sharp decline (-28% respectively) in 2009. Especially in 2009, its exports to EU countries, where covering 58% of total Swedish exports, went down by US\$ 33, 454 mil. However, as an export-dependent nation, Sweden gradually has recovered its exports up to 88% of 2008's, as its main overseas markets'- European countries-economic climates got improved. Imports also have reached up to 89% of 2008's.

Concerning financial supports, the Swedish government actively defended its economy, i. e. increased its bank interest rates, expanding the public

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expenditures to stimulate demands. With all those measures, Swedish economy gradually went back to its normal position. According to the recent announcements from IMF and Swedish authorities, Sweden's GDP growth has improved by 3.7% at the second quarter of 2010.

Exports and imports are increased by 14%, 18% respectively. Also, the Bloomberg reported that over 80% of Swedish firms performed better than their expectations. The Challenges and the Prospects for Next Five Years (The challenges 1-unemployment According to IMF, the nation's unemployment rate hit over 9%, especially the rate of unemployed young people has reached 30%. Even though Swedish authorities provide job information and training opportunities, unless firms hire more staffs, the unemployment rate may show little improvement. In 2009, Sweden's total number of labour force was 4.

91 million. 70.7% of the labour force was working for service sector, and 28.2% of them were in manufacturing sector. From those figures, it could be assumed that the Swedish economy is highly developed and linked strongly with outside the country's markets, since the service sector's labour force takes 54.

5% of total population. Thus, unless global economy gets better as a whole, recessions in other countries would affect Swedish exports, and this eventually may be a block for increasing job opportunities within next several years in the nation. (The challenges 2-house price bubble According to a KOTRA Stockholm office research, house price increased 10.74% during the first quarter of 2010. The report also mentioned that the sharp incline

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was mainly due to short supply of houses and low interest policy of the nation's central bank.

Swedish housing market data showed that the number of completed dwelling dropped 28. % in 2009. Also, as the nation's central bank lowered its interest rate from 4. 0% to 0. 25% which started from late 2008, people started to purchase house by using cheap loan. That inevitably affected the housing prices, which could form bubble in housing market.

Nevertheless, the Swedish government seemed to acknowledge this problem also. During the first quarter of 2010, according to Global Property Guide, number of building permits has increased 38. 8%, which means increasing supply to the market. Regarding the policy interest of the central bank, the bank has modified its rate to 1. 25% in 2010. Within next few years, it is likely that the bank would steadily increase its policy interest rate to absorb liquidity since the government spent heavily to domestic market to minimize the effect of the global recession through 2008-2009.

(The prospect Sweden is expected to be among the top players of Europe, which overcome the global recession faster than others. Considering major Swedish exporting goods are intermediate goods and automotives which relied on economic climate of importing countries, demands for Swedish goods would be increasing since other parts of the world recover from the recession and start to make investment. From the research on Swedish GDP level by Eurostat and Swedish central bank (Syeriges Riksbank), the country's GDP started to recover gradually after mid 2009, and is expected to exceed the average GDP level of EU countries within 2010. Comparison

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and forecasting on GDP level of Sweden, EU and USA [pic] *source: Eurostat and Swedish central bank (Syeriges Riksbank) Recommendations (Swedish government should consider lowering currency rate to stimulate exports. As an export-drive nation, Sweden needs to increase its exports. Currently, currency rates on major foreign currencies are relatively lower than previous years, and if Swedish authorities-concerned are able to keep that figures, the competitiveness of Swedish goods would be stronger than its competitors.

The increase on exports would stimulate job opportunities also. As reviewed in previous sections, Swedish industry structure is heavily relies on service and manufacturing industries. Thus increasing in exports would be a positive factor for job market Currency Exchange Rate on USD and EURO [pic] source: GMID (Increase productivity of manufacturing industry sectors, and develop new business model. From learning team co-analysis, it is found out that current productivity per labour of Swedish industry sector is below 100%, which means less productivity than other two sectors. If Swedish government and firms put efforts on job-training programmes and operational improvement, Swedish goods could be more competitive in global market.