

# Macroeconomic analysis of sweden



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### Macroeconomic A Country case study

Collectively research and present, and individually write a 'Sweden Country Report': Summarize key features and give key statistical indices. Analyze and where appropriate explain the most important peculiarities and problems, and identify key aims and issues for the macroeconomic policy of that particular nation.

Sweden is one of the world's most highly developed industrialized economic with highly-skilled labour force as well as the healthy growth of banking system, high GDP per capita, a potential development strategy accompanied with a concrete balance of trade covering with low inflation. Sweden also largely known by the whole work of its intelligent neutral economy that helps them to stand out of the battle during the Second World War. It is also the world-leading research and development department that results in its main exports according to the OECD was refined petroleum, car, packaged medicaments and telephone. ("Sweden", n. d.) Overall, this is an ideal destination for refugees and asylum seekers and in reality according to BBC, it accounted for 10% of Sweden's total population. ("Sweden profile," 2013)

In the future, Sweden has developed a potential strategy to maintain the economy's concrete growth that includes maintaining the leading research and development nation, increasing the human capital by supply-side policy that concentrate its budget on education, healthcare and R&D. The strategy also aims to provide a healthy economic through fiscal policy and reduce the

stress for a company through taxation to encourage more FDI. (“Government communication,” 2003)

Sweden is one of the nations with a positive balance of trade that endures long. The reason for that is the whole economic growth is largely based on its exporting so it is their strength; the net balance in 2013 is SEK 1.4 billion equal to 219 million dollars compare to 0.3 SEK billion in 2012 – 47 million dollars. (Statistics Sweden, 2013)

The most exported product for Sweden is refined petroleum (6.1%), telephone (5.3%) and packaged medicaments (4.4%) to Germany (9.9% of total import) Denmark and Norway (5.9%). For importing, crude and refined petroleum take respectively 6 and 5.5% of the total Sweden’s import where telephones scored the third with 4.7%. The main countries that Sweden mostly imports are Germany (12%), Norway (8.9%) and Denmark (8.5%). (“Sweden,” n. d.)

Sweden concentrates mostly on services and industry in its economic sectors that allows them to boost the economic much faster with 70.8% and 27.4% of its GDP relatively. The rest 1.8% of GDP belongs to agricultural; it is a small figure but in fact 1.8% is adequately distributing the agricultural product to the whole country without depending on importing to some extent. Sweden is ranked as the 7th richest country in the world, in terms of GDP – \$43017 per person per year in 2012 statistics compares with \$37446 in 2012 of their UK counterparts. Sweden has a growth rate of GDP by 1% in 2012, while the Euro-zone shrank by 0.7%.

(OECD, 2013)

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Sweden has a decentralized health care where every county council in the city are able to provide good-quality health and medical care to its citizen. Health and medical care is shared by the central government, county councils and municipalities. (“ Healthcare,” 2013) The most proportion of the government spending was on health care and education resulting on 99% literacy rate and the long lifespan of its citizen with 83, 5 and 79, 5 for women and men respectively. (OECD, 2013)

Unemployment Rate in Sweden averaged 5. 78 Percent from 1980 until 2014 and reaching an all time high of 10. 50 Percent in June of 1997 and experienced a record low of 1. 30 Percent in July of 1989. Sweden has a high labour force participation compared to other European countries 25. 8% of employed persons in Sweden are in part-time employment which compares with the EU average of 16%. Service Sector employs a relatively large part of the working population. 68% of Sweden’s land area is covered by forest and woodland, the agricultural sector, which also includes hunting and fishing, with around 68% of Sweden’s land area being covered by forest and woodland. (“ European Parliament,” n. d.)

In 2013 the Gross Fixed Capital Formation in Sweden increased to 168665 SEK Million in the fourth quarter of 2013 from 167041 SEK Million in the third quarter of 2013. It averaged 128747. 31 SEK Million from 1993 until 2013 and reaching an all time high of 174435 SEK Million in the first quarter of 2008 then fall down to a record low of 76184 SEK Million in the third quarter of 1993. (“ Sweden,” n. d.)

During the two period of financial crash high unemployment and irresponsible are not decreasing as bad as any other European countries. There was a banking crisis in the 90s when government was not helping and let the economy drastically felt. It stopped when the government started to help out the banks after mastering a lesson from the first crisis when in the 90s. Sweden differentiates itself with America in terms of strategy to the economy and as a consequence Sweden is one of the countries that not suffer hardly from the financial crisis during 2008-2009. The strategy is through the central bank of Sweden. Instead of withdrawing all the money out from the economy to reserve it value like American authorities, the Swedish administrators tried to providing the liquidity of the bank shares, taking all the bank's bad debts. And giving it the values by simply bought all of the bank shares and became the owner and in turn bank had to write down losses and issues warrant to the government. Those kind of potential strategies from Sweden had helped them overcome the financial crisis 2008-2009 which is the nightmare for many developed countries at that time. After buying all the shares during the crisis, instead of having a difficult time, no one increases their consumption like usual, the whole economy start to invest their money because the liquidity status of the central bank is no longer a problems for the economy that the problems were solved by the government. After recovering, the economic started booming then the Swedish headquarters recouped more money by selling the shares back to companies. (Dougherty, C, 2008)

Sweden's decision to stay out of the Euro zone and let the krona float freely has also contributed to the so-called soft landing. The attempt failed and the

krona has been allowed to float ever since. During the recession in 2008-09, that came in handy. As demand for Swedish products fell, so did the demand for the Swedish krona. The exchange rate then depreciated heavily, making products cheaper for foreigners. That helped keep net exports, and thus aggregate demand increased. (Calmfors, L, 2012)

“ There are few countries that can match Sweden’s potential to benefit from the intensifying, technological-driven global competition.” (USA, I, 2003) In terms of potential areas for investing in Sweden, as almost of the Sweden budget went for research and development, it is likely that they had highly developed labour force as well as the advance of technology that diversify the type of products as well as new functional technology such as telephones, cars and even pharmaceutical operation.

In conclusion, Sweden has done a great job to recover its economic and be able to stand out among many developed economies like USA and UK by learning throughout the mistake that had made in the 1990s.

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