

WPI

Macroeconomic Analysis of Sweden

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Executive Summary

This poster seeks to provide information on the current issues and policies of Sweden. Macroeconomic indicators and trends are presented to validate our claims. The main topics covered include GDP, resources, poverty, investment, savings, inflation, debt, and purchasing power. An overview of Sweden's position relative to the other countries and its relative performance is also given. These factors should culminate in a holistic overview of Sweden's economic situation, its economic policy, and our own suggestions for long-term growth.

GDP and GDP Per Capita

Sweden's GDP per capita is currently \$51,599.9 in current U.S. dollars. Sweden has experienced moderate growth in GDP per capita in the last few years, but took a significant downturn during the Great Recession during the late 2000s. The ability of Sweden to recover, if not greatly, due to expansionary policy, is a lukewarm sign for positive growth in the future.

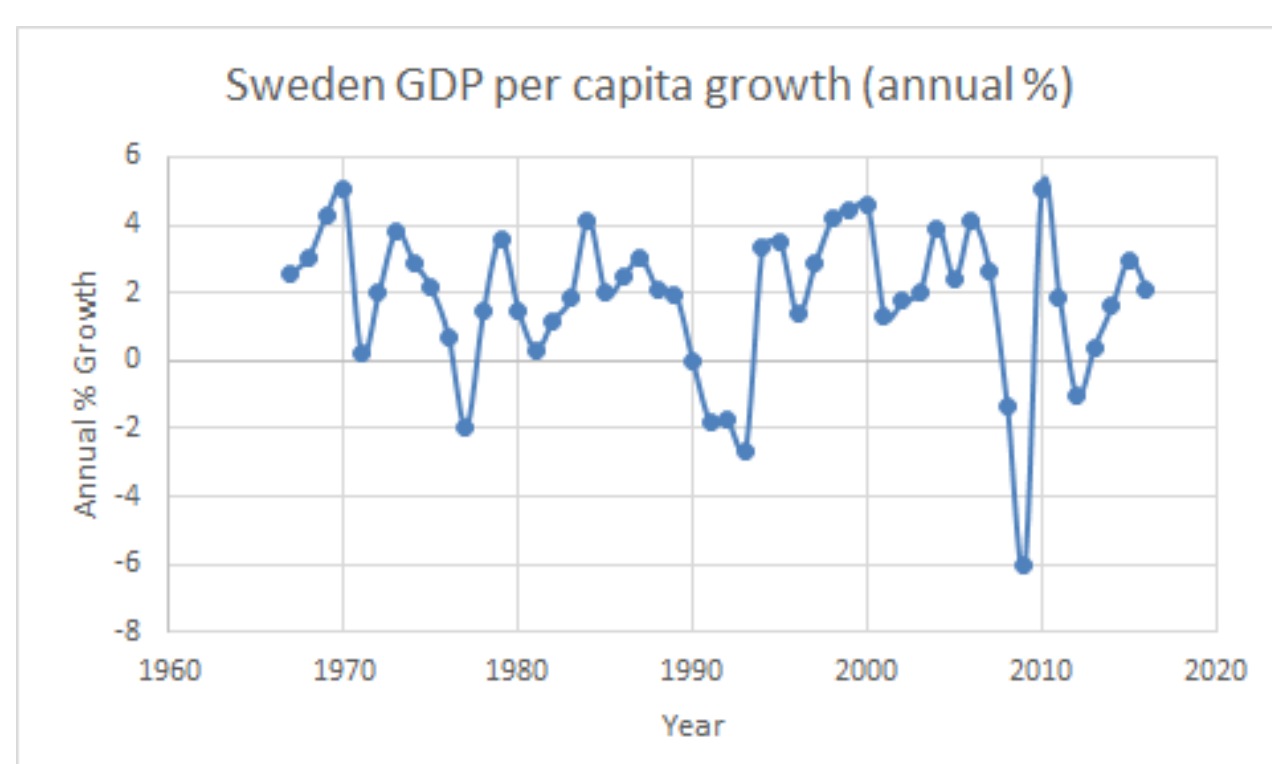


Figure 1. Sweden's GDP per capita growth from the 1960s to 2016.

Resources, Exports, and Imports

In an attempt to continue and bolster their recovery from recession, Sweden has expanded its' volume of exports over the last five years. From 2008-2010, Sweden was successfully able to increase its' total exports by about \$50 billion, growing from a modest 131 billion USD to a more hefty 186 billion USD. Sweden was able to accomplish such a feat by refocusing on its natural resources and retraining their labor force. Sweden's imports have mirrored the shifts that we've seen from their exports, and Sweden does rely on many imports due to a lack of significant amounts of natural resources.

Investment and Savings

The Gross Fixed Capital Formation from the World Development Indicators show that Sweden has recently increased investment as a part of its' GDP, at about 5-7% growth annually. Sweden faced large dips in investment during recessionary periods, with -14.3% growth in investment spending in 1993. As of 2016, Sweden is running a budget deficit of -0.4% of GDP, likely due to its' large welfare and social services. About a third of the demand for investment is met by the domestic savings, which have remained relatively stable since 1970. Sweden takes in a small percentage of capital inflows, at rates fluctuating between 0 and 5% of GDP. Sweden is not reliant on overseas development assistance and, hence, it is largely an exporter of savings, having a larger share of foreign investment abroad than at home.

Inflation and Debt

The GDP deflator shows that the price level has grown at a small but regular pace. Inflation since the base year of 2010 is minimal, at about 2-3% annually. Sweden is currently approximately 1.8 trillion Kronas in debt, which is about 41.82% of its GDP. While this number seems large, the ratio of GDP to debt has been on the decline since December of 2014, when it was at 45.2%

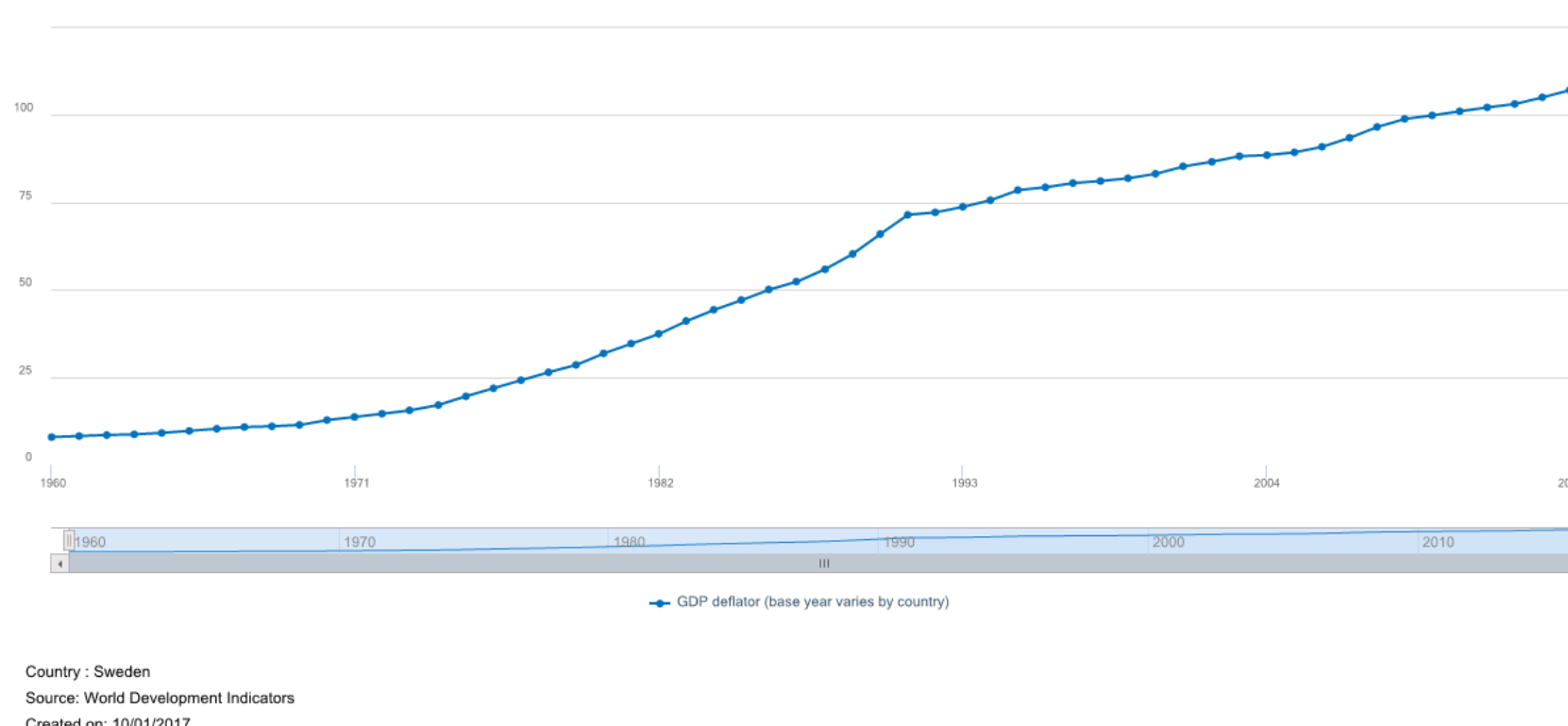


Figure 2. Sweden's GDP deflator over time. The base year is 2010.

Poverty and Inequality

Poverty and inequality are growing issues in Sweden, despite improvements to unemployment. The growth of these issues is likely due to macroeconomic stagnation. Child poverty is also a prominent issue in Sweden, which could be helped through child welfare programs.

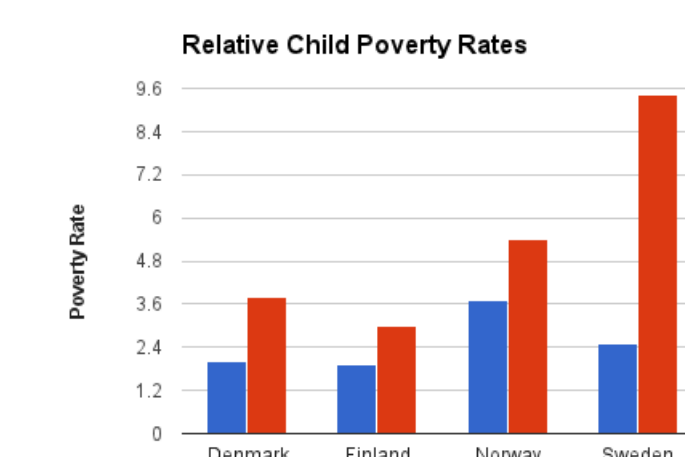


Figure 3. Relative child poverty rates in various Scandinavian countries. Sweden's rate is especially high.

Loaning

The business cost of loaning is 2% as of December 2016 for prime lending, making Sweden a respectable choice for commercial loans. The inflation GDP deflator has largely tapered off and stabilized at 2-3% annually, making Sweden also a stable choice for taking loans.

International Comparison

Analysis of Albania, Cuba, France, Sweden, and Thailand, leads to several patterns in their relative performance. We can determine the relative productive strength of each of the countries. Sweden has shown the most productivity with a real GDP per capita of \$51,599.9 in current U.S. dollars. France, Cuba, and Thailand have middling recent production, listed in descending order. However, Thailand shows the greatest growth while Sweden has the least.

Conclusion

Sweden enjoys a very respectable standard of living but more could be done to stimulate long-term economic growth, which is currently stagnating. Expansionary fiscal policy, like decreasing taxes and increasing government spending, would provide the necessary stimulus for the economy and sustained trading would make up for a lack of resources. Continued investment in human capital and production capabilities would also serve Sweden well. Overall, Sweden has remained economically well-off due to stabilizing policy, but could do more to jump-start their stalled growth.