

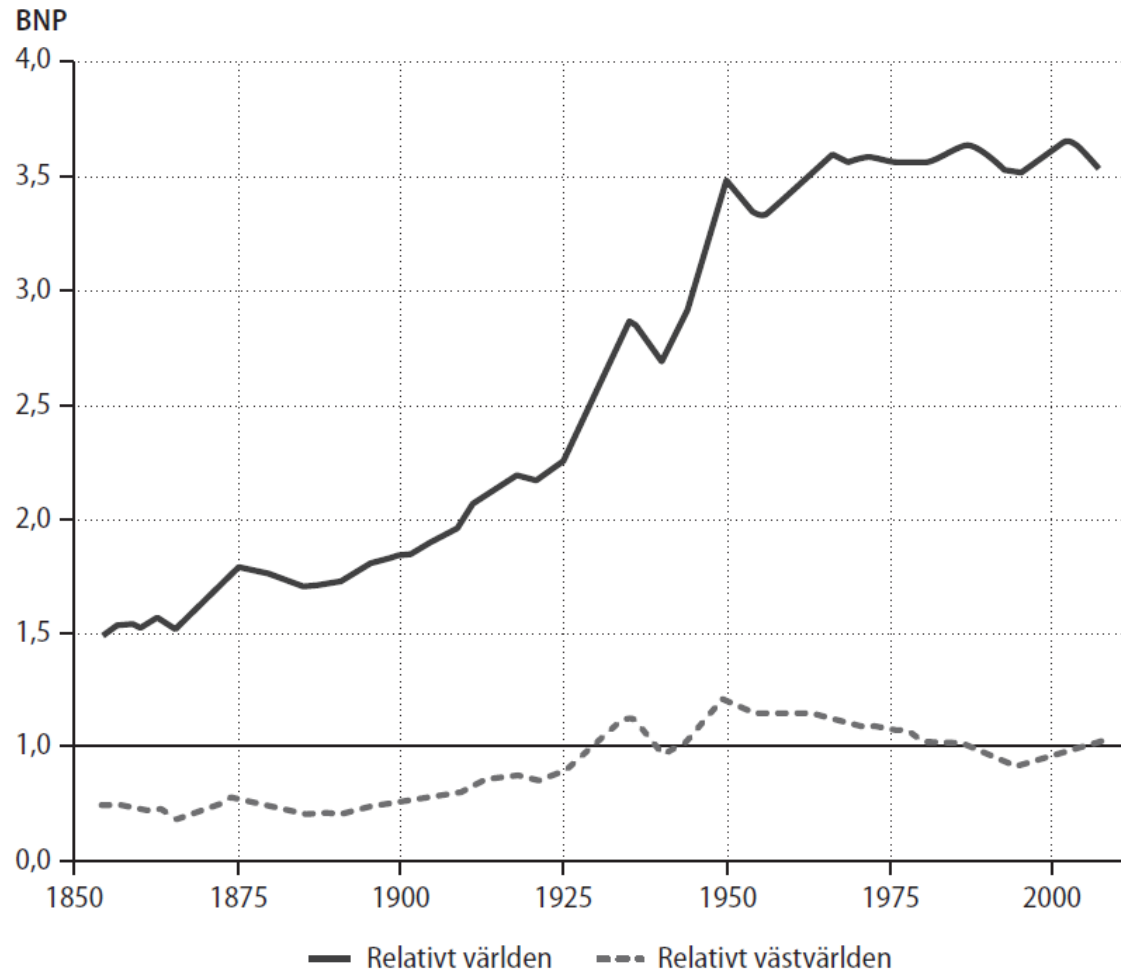


**Economic growth during 25 years
– from crises to booms**
Padox Hotel Market Day, Nov 24, 2015

Klas Eklund
Senior Economist

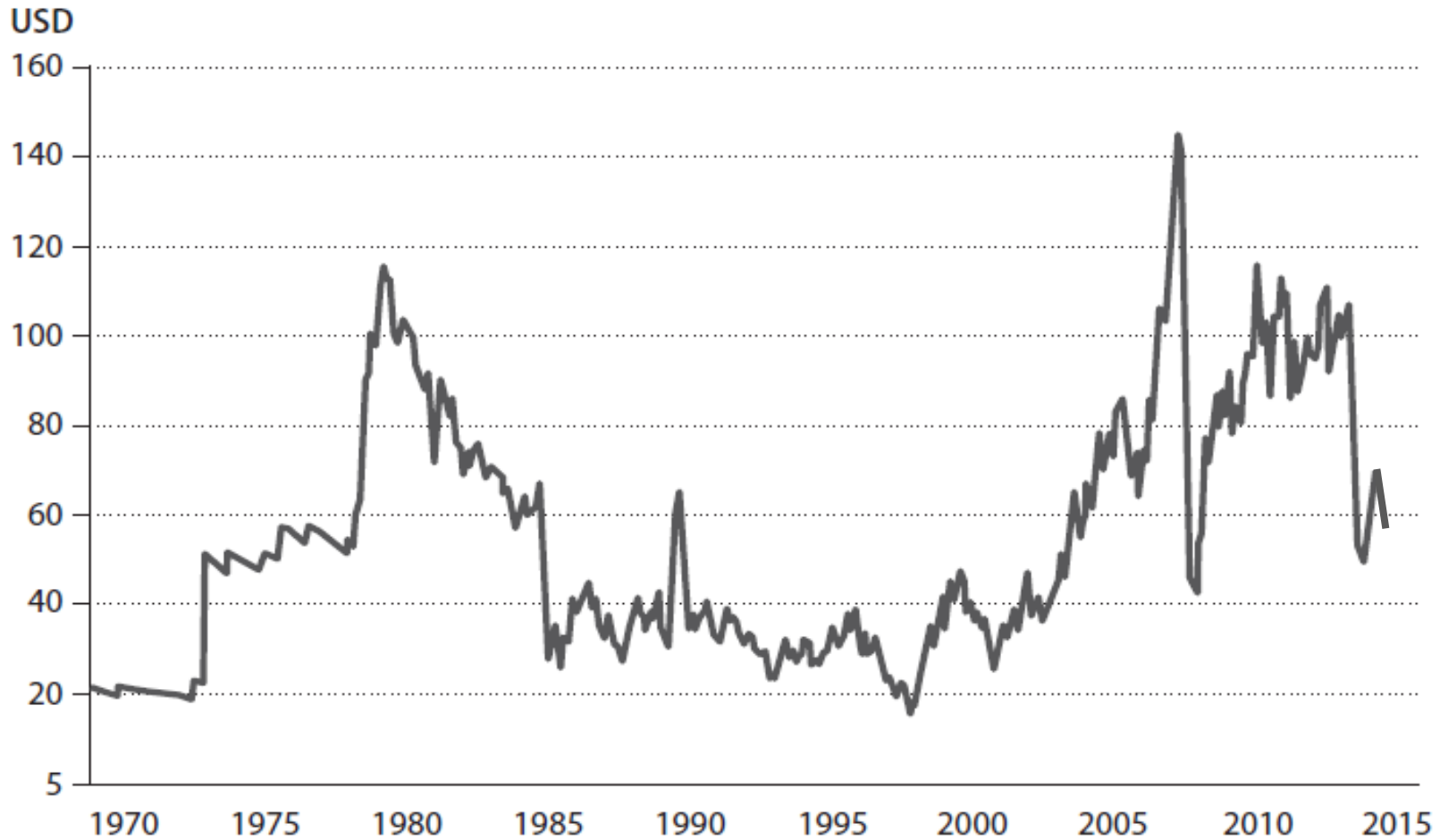
Swedish GDP per capita compared to the rest of the world, 1850-2022

9-year moving average



Real oil price 1970-2015

WTI, USD pb



Stagnation and crisis

The old “Swedish model” cracked in the 1970’s

- **Weak incentives for work and human capital investments**
- **Weak incentives for real capital investments**

Slow growth, devaluations and inflation in the 80’s

1990’s: The great water-shed:

- **Over-heating, currency crisis, banking crisis**
- **Depression, unemployment, budget crisis**

Grim realization forced brutal adaptation

The great U-turn

1990-91: Deregulation of credit and FX markets

1991: Exhaustive tax reform

1992-94: Restructuring of banking system

1993: Floating exchange rate

1994-95: Cuts of benefit levels

1995: EU membership

1995: Independent central bank, inflation target

1995-96: Fiscal austerity

1996: Pension reform

1996: Budget reform, with expenditure ceilings and surplus target

Sweden became more robust

The 1990:s crisis helped us reform

Higher growth

Budget surplus

Current account surplus

Low inflation

Improving international rankings

But persistent high unemployment

Rejuvenation

Rapid productivity growth

New seed capital and
business angels

Telecom, IT and pharma

Sweden became a role
model



Interest in the "Nordic model"



NORDISK MODELL. En namnkunnig skara talade om ekonomin i norra Europa. Klas Eklund, Lars Lokke Rasmussen, Fredrik Reinfeldt, Tarja Halonen, Jens Stoltenberg och Olafur Ragnar berättade om erfarenheter från sina hemländer.

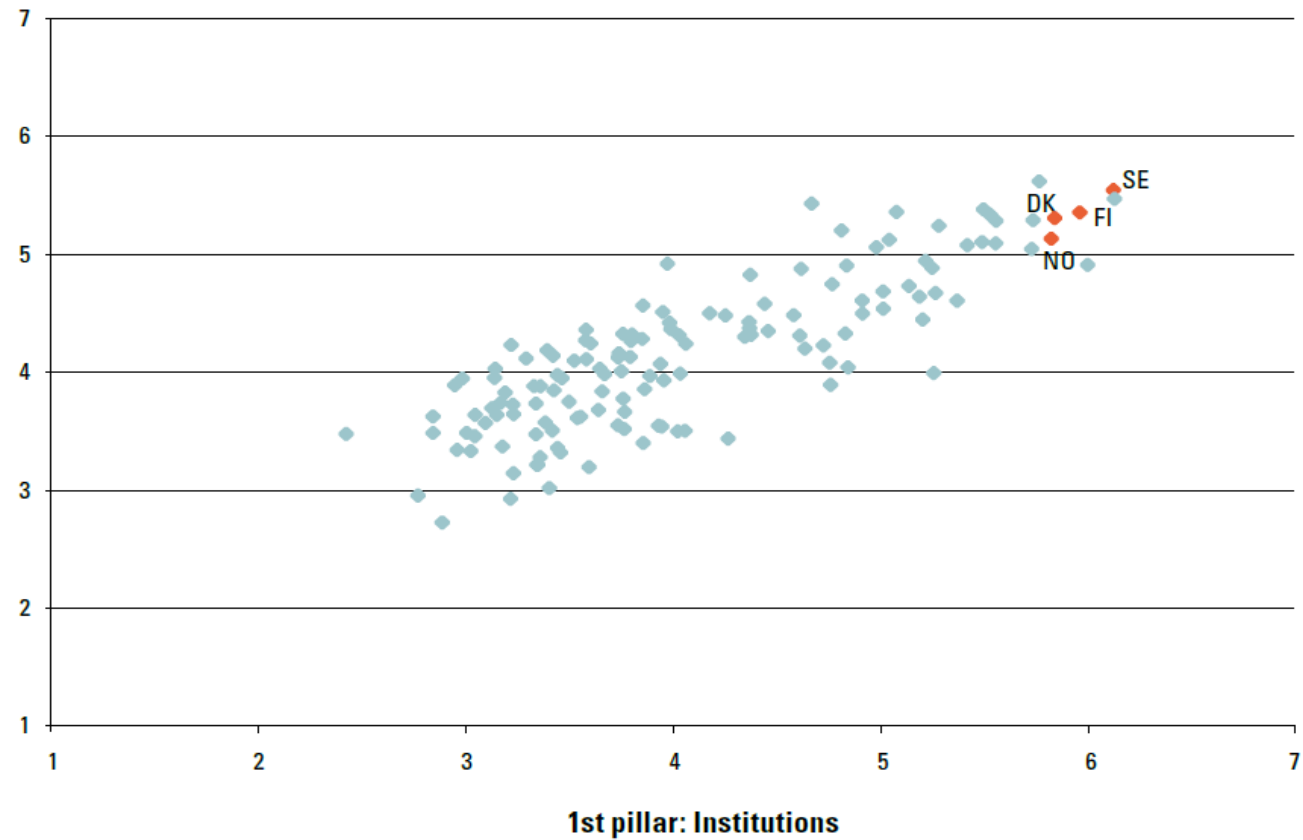
FOTO: MICHAEL WÜRTENBERG

Bra så in i Norden

Nordic trust

Trustworthy public institutions in the Nordics

Global Competitiveness Index 2010–2011



The Swedish economy today

Sweden ranks high on technology and management

Low on public sector and taxes

Export industry is competitive

But services and the renewal of manufacturing is in doubt

Cyclical expansion under way

Slow productivity growth in services

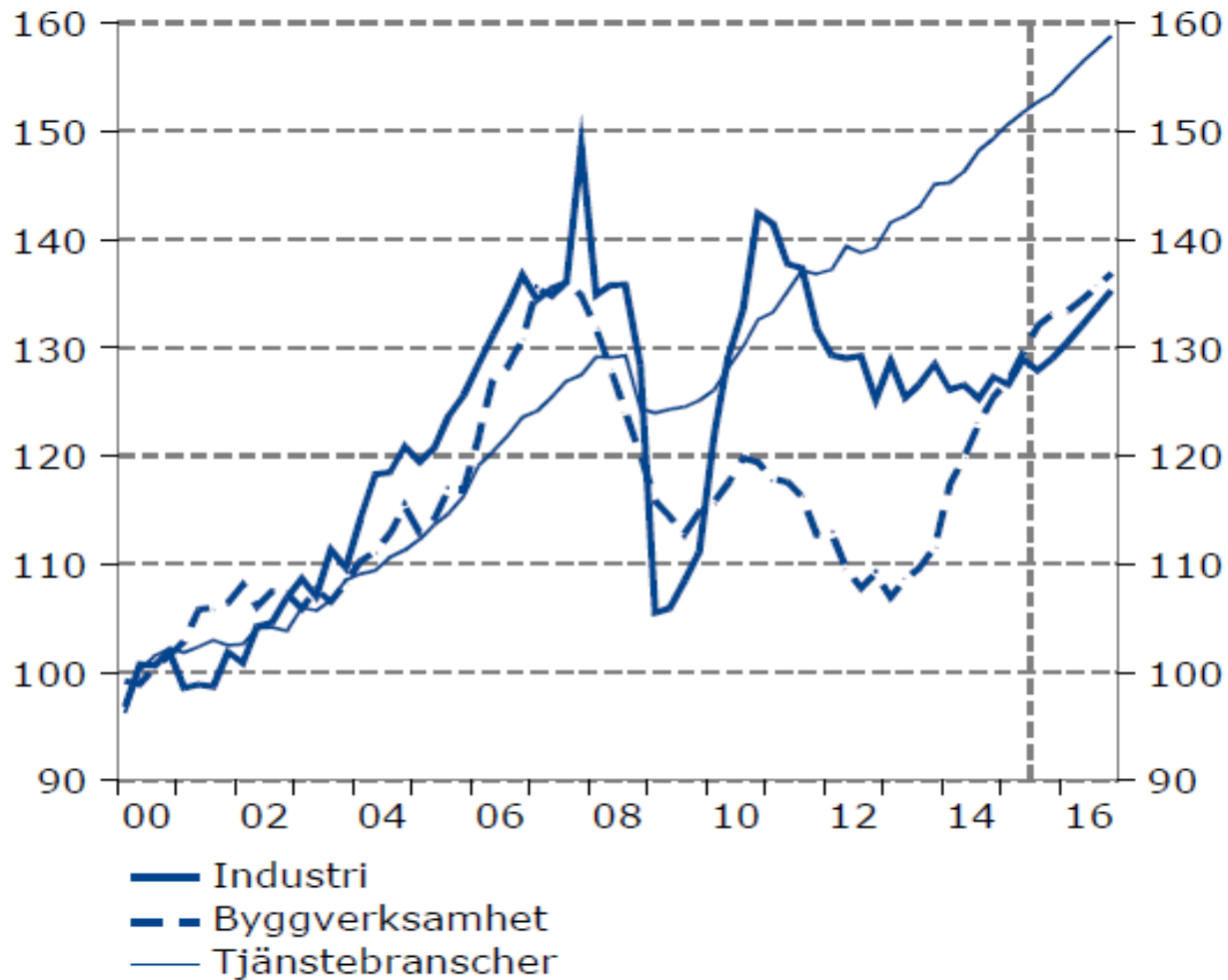
A rigid labor market, stiff legislation for small firms

A rigid housing market

Migration is a huge challenge

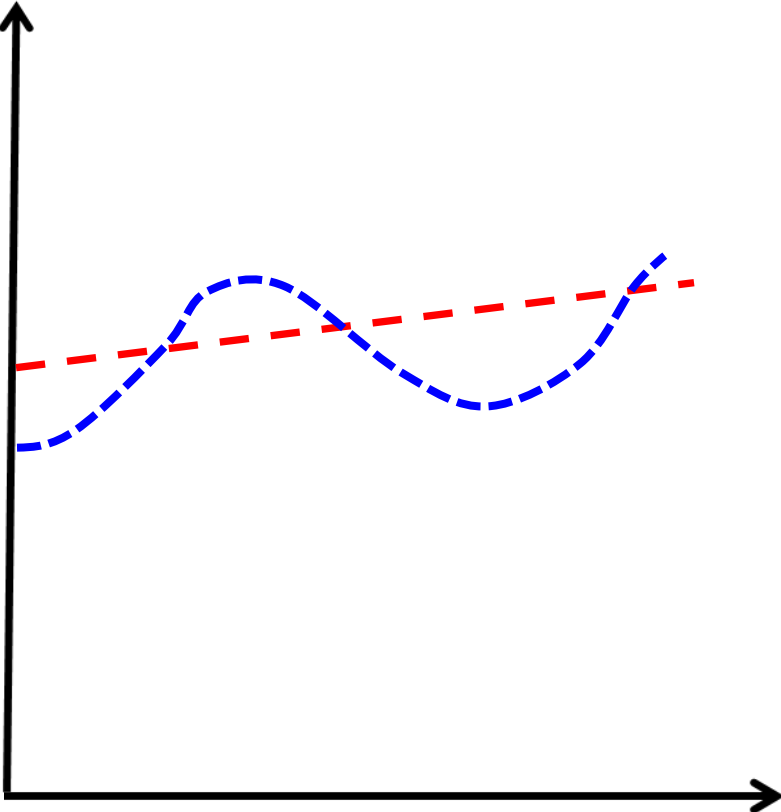
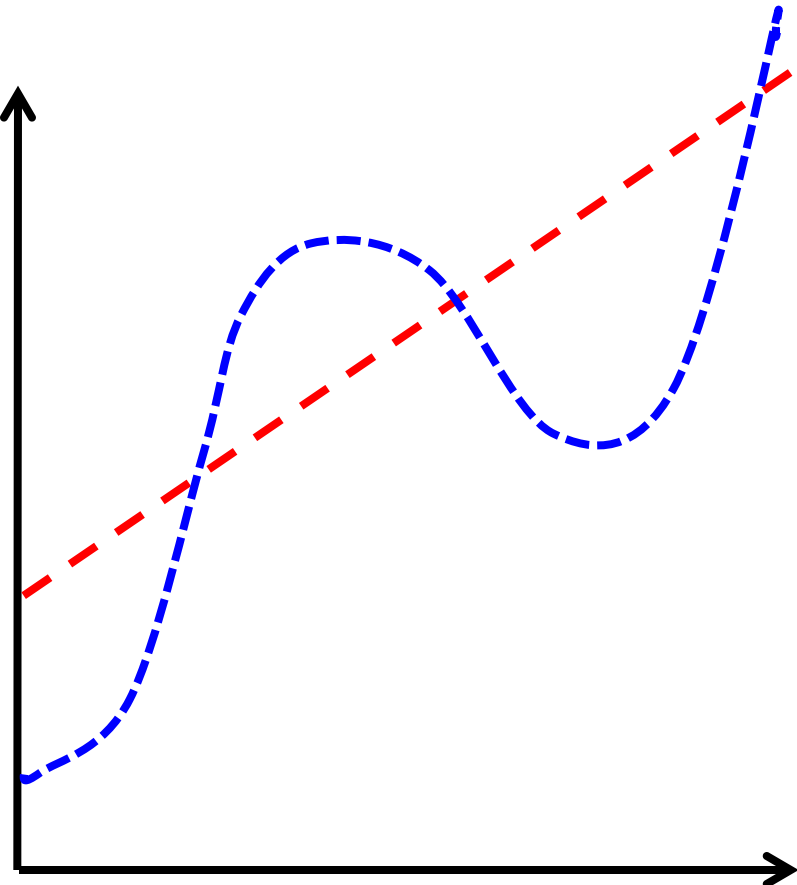
Forecast: A broad expansion

Index 2000=100, säsongrensade kvartalsvärden



Source:
NIER

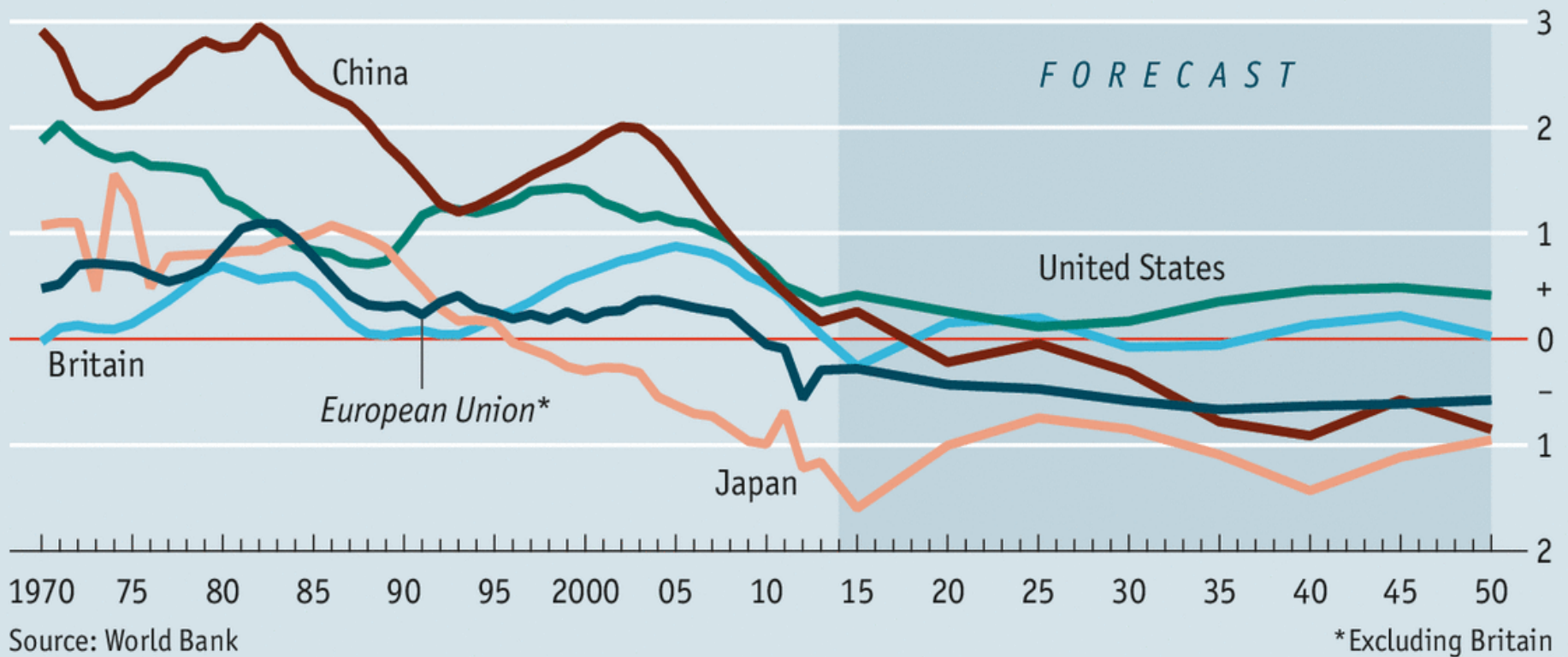
But how much room is there?



Demographic headwinds

The vanishing worker

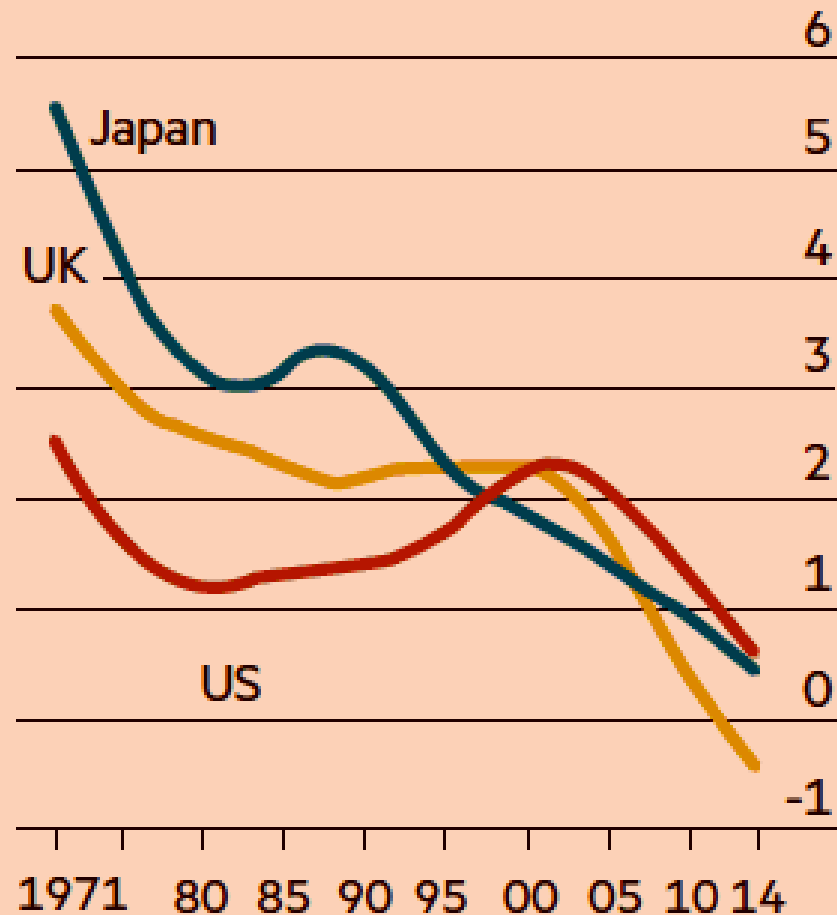
Working-age population, % change on a year earlier



Productivity slowdown

GDP per hour worked

Annual % change (output per hour)



Källa:

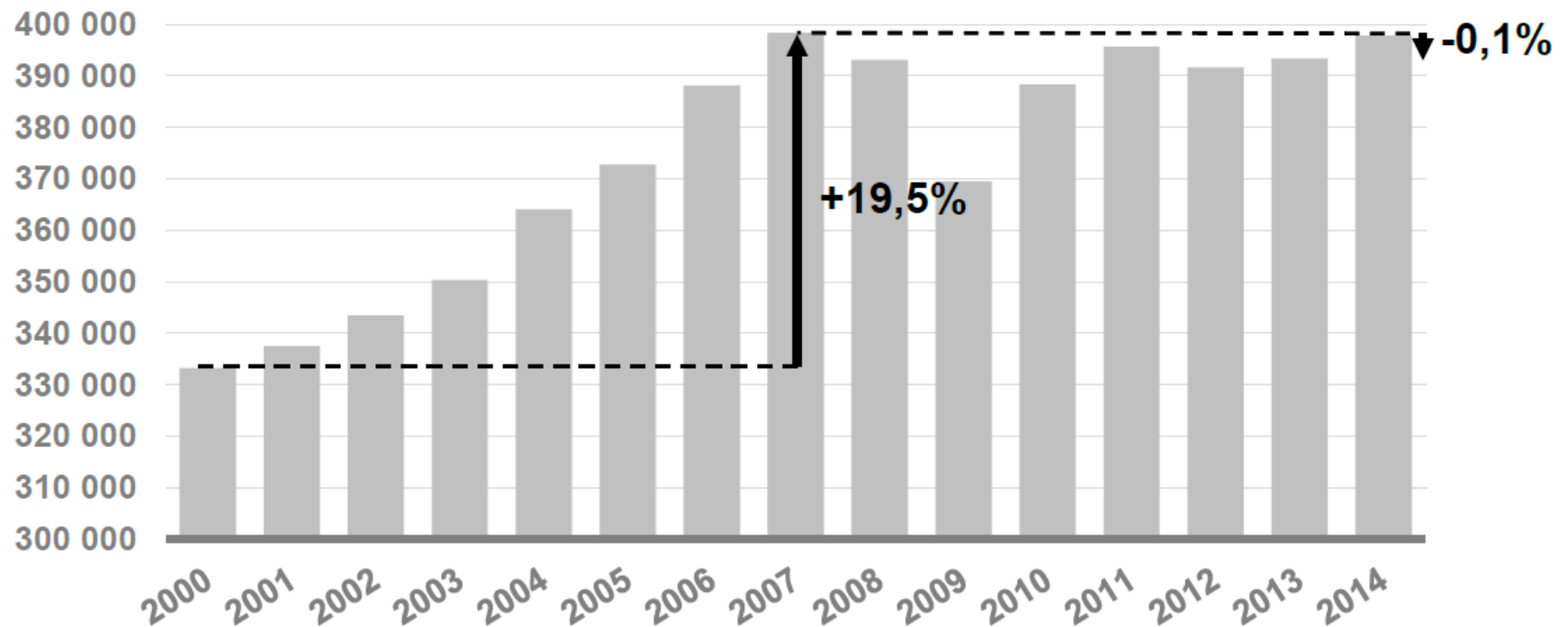
SF Federal Reserve

FT, May 7, 2015

Flat GDP per capita

BNP per capita

Kronor, 2013 års priser



Source: Ministry of Finance

Is technical change really the boon we hoped?

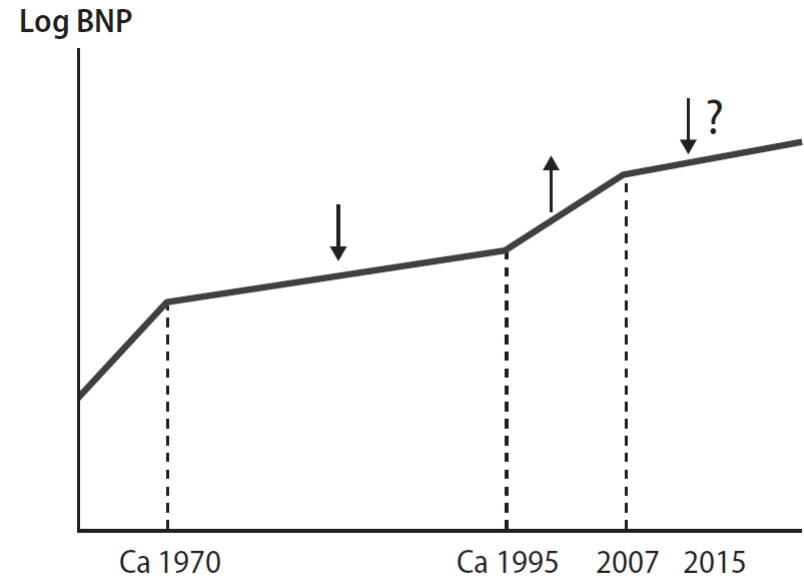
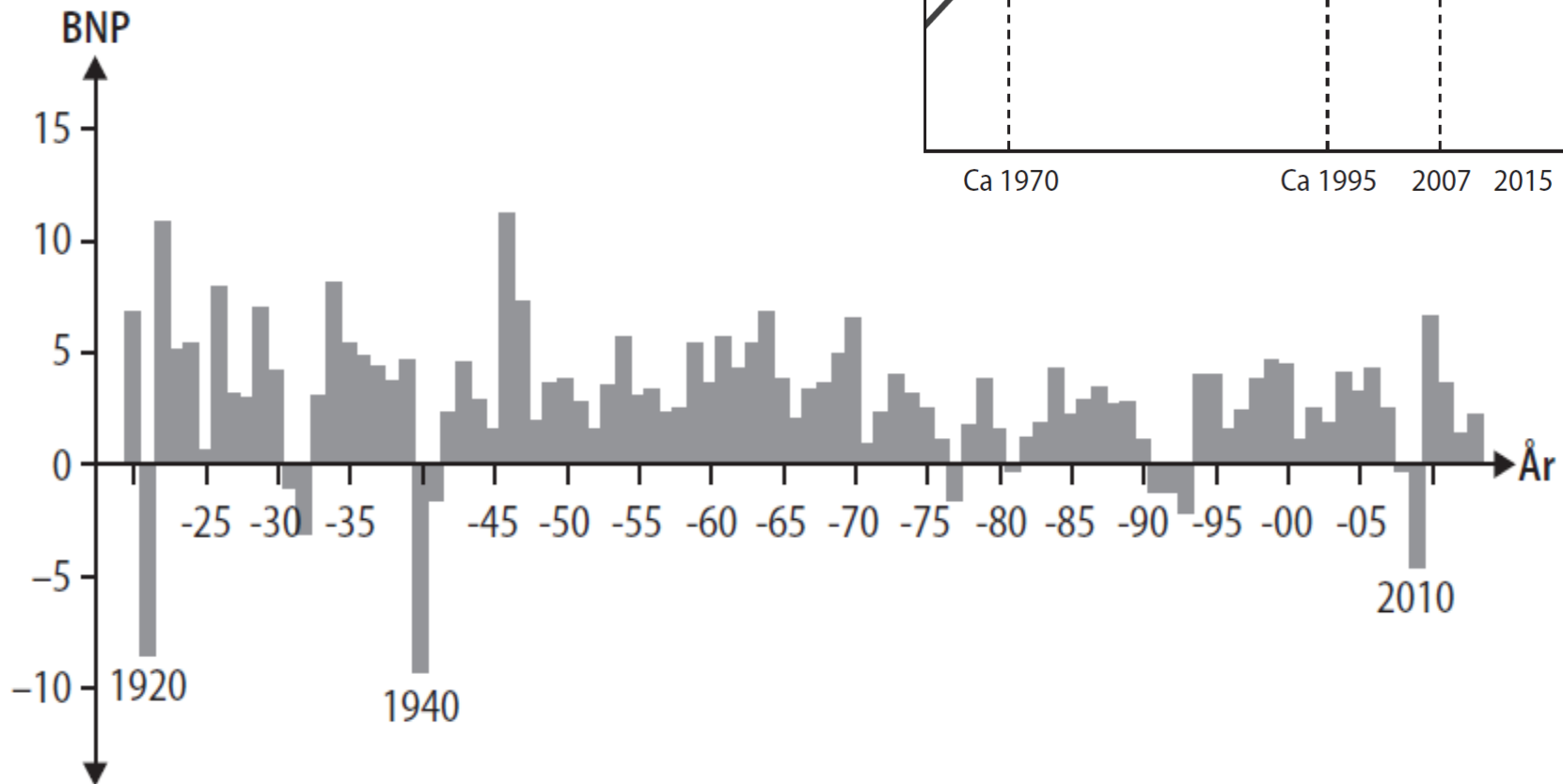


With no indoor plumbing, water had to be pumped by hand for baths or cleaning and heated on a wood stove.



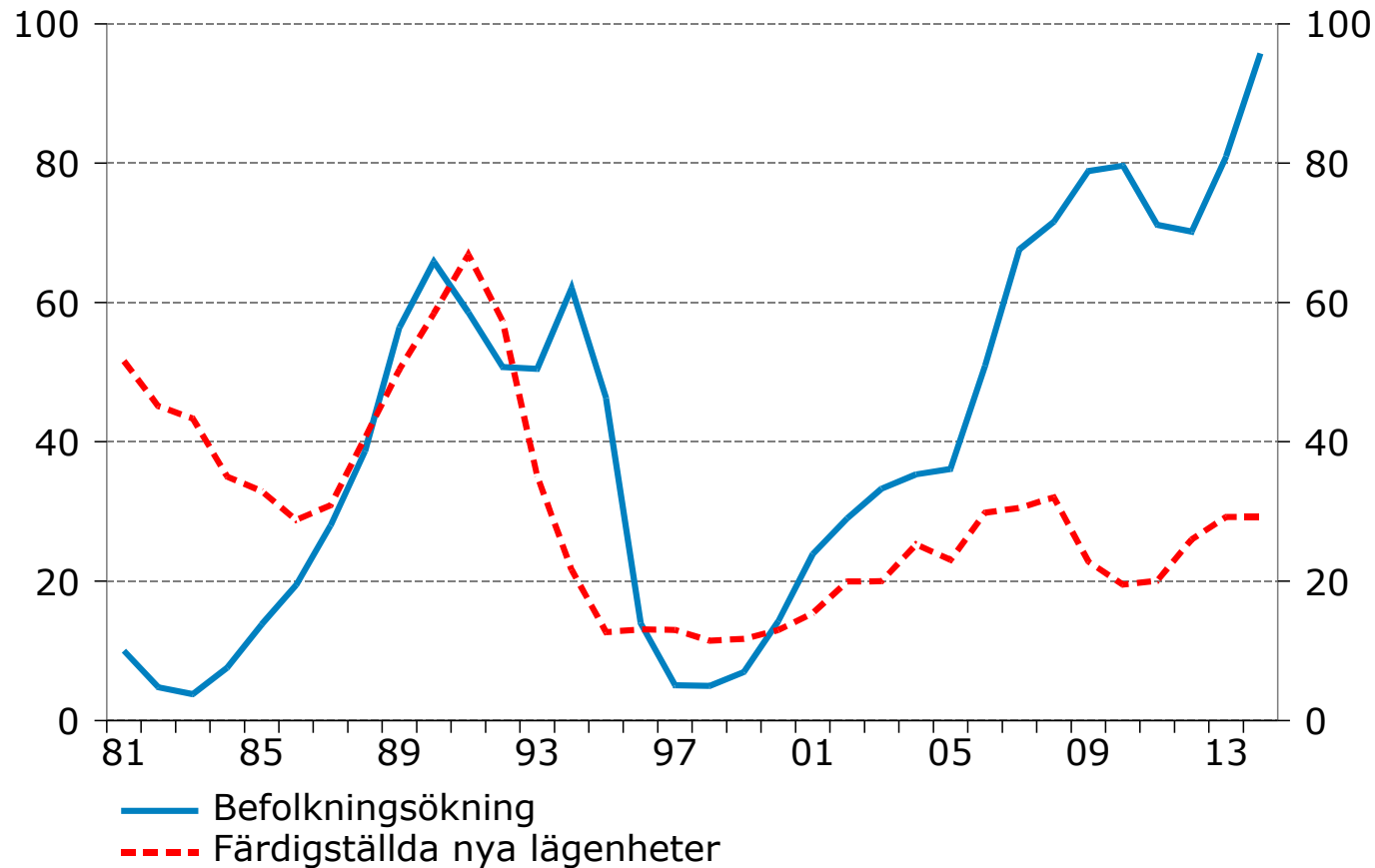
Svedish GDP growth

Real change, y-o-y



Population growth and construction

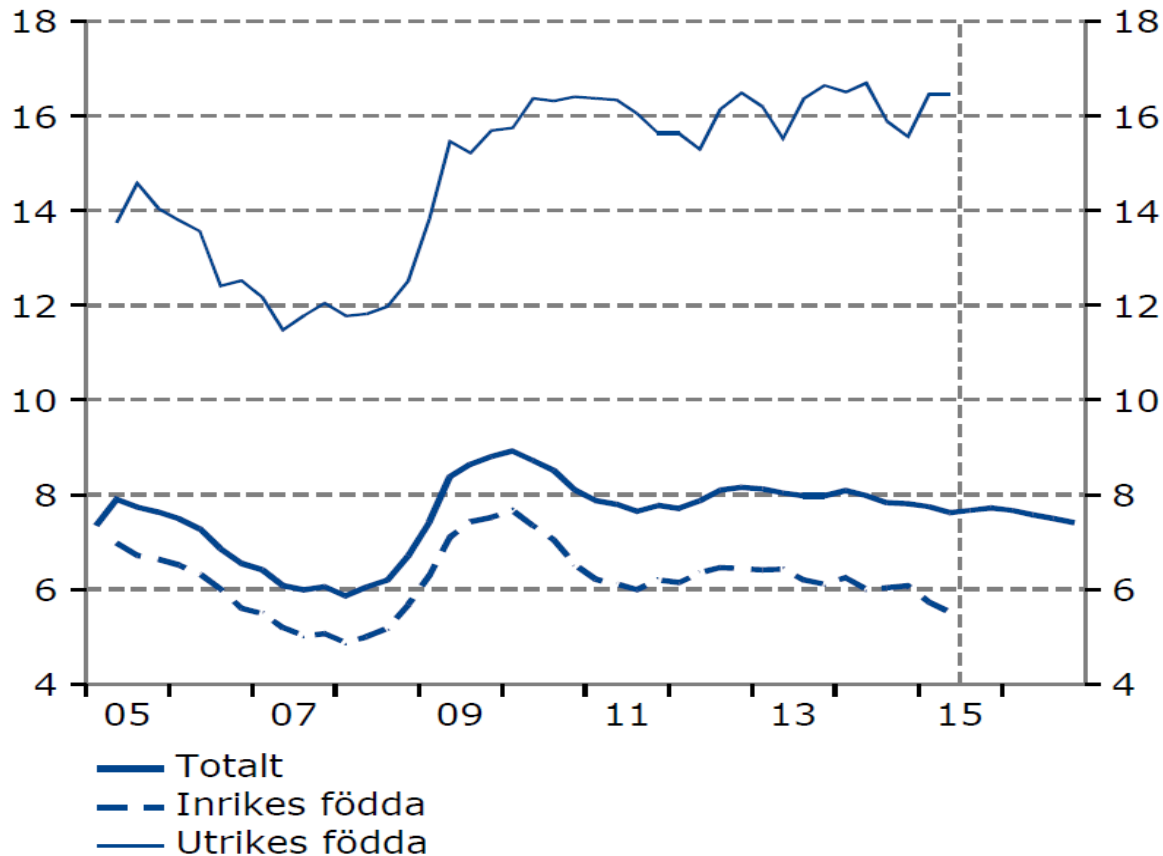
Tusental



Källa: KI

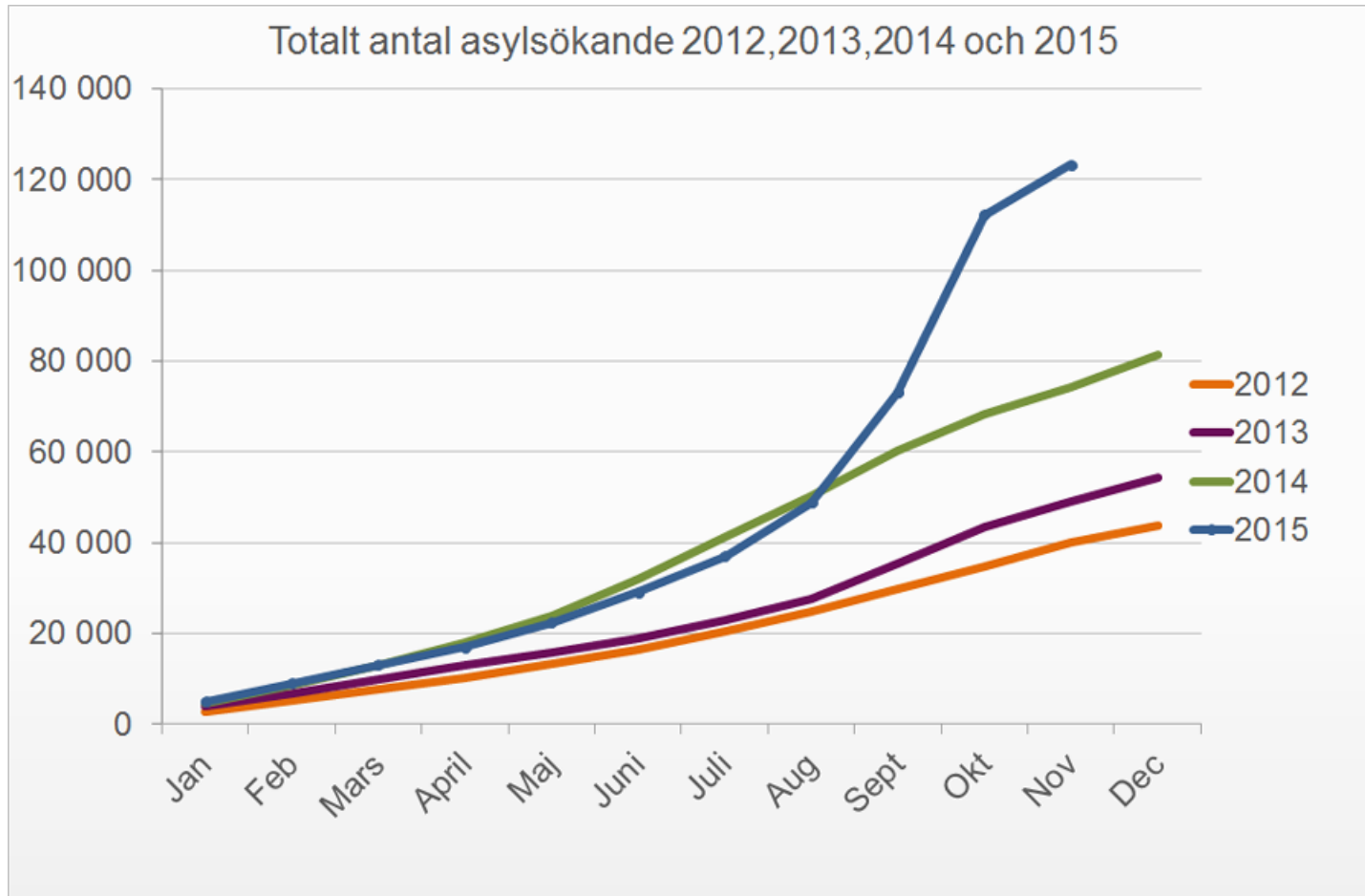
Unemployment among immigrants and domestic born

Procent av arbetskraften, säsongrensade kvartalsvärden



Source: NIER

Rapid rise of asylum seekers



Source: Migrationsverket

Economic effects of refugee immigration

Immediate rise of GDP

But several structural problems will worsen

- **Labour market, housing, schooling, public finances**

Long-term economic effects depend in success of integration

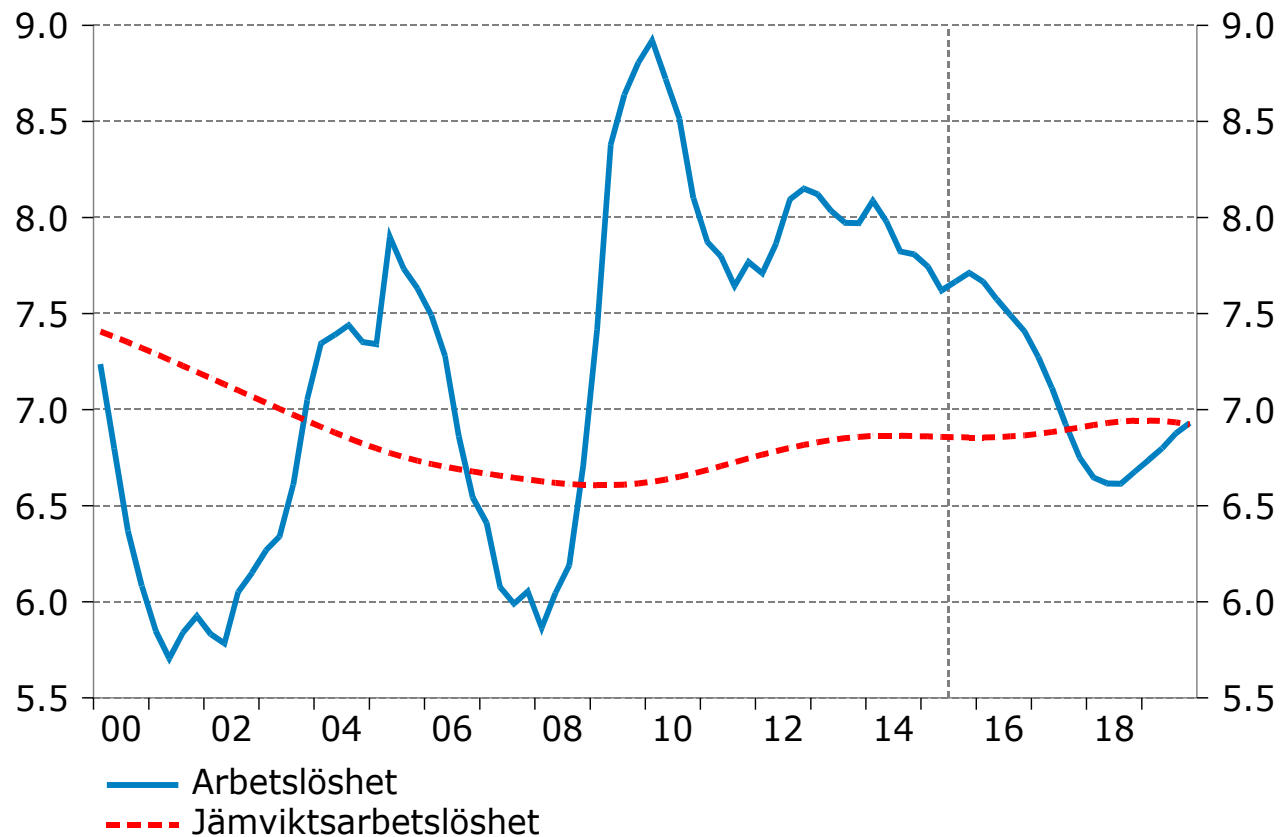
- **More jobs and societal gains – or high social costs?**

Necessary: far-reaching reforms of labour market and housing

Which will meet stiff political resistance

Slow decrease of unemployment – but not of NAIRU?

Per cent of labour force



Source: NIER

Digitalization

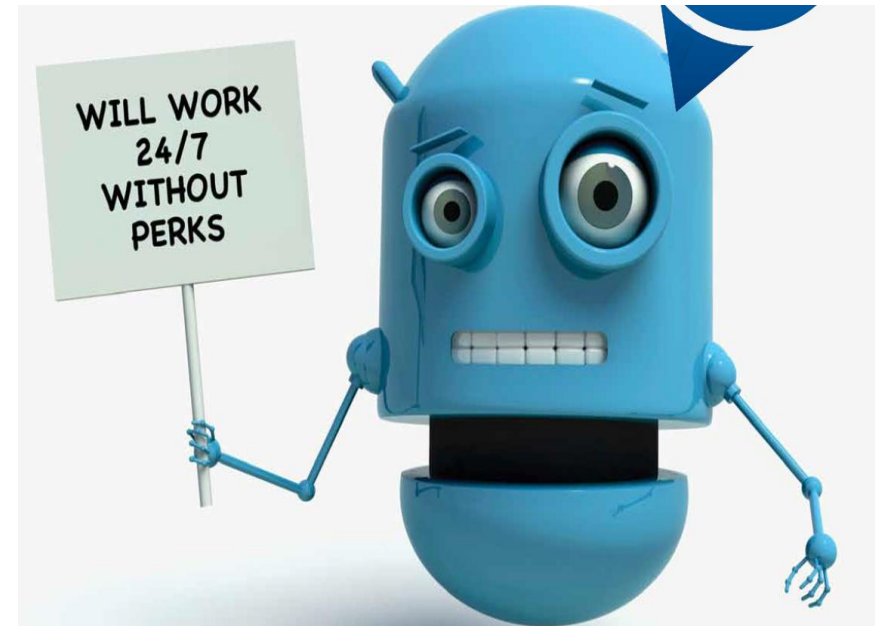
**Automatization and robotization
make production more efficient**

**Physical goods become digital
services**

**Digital platforms undercut middle-
men**

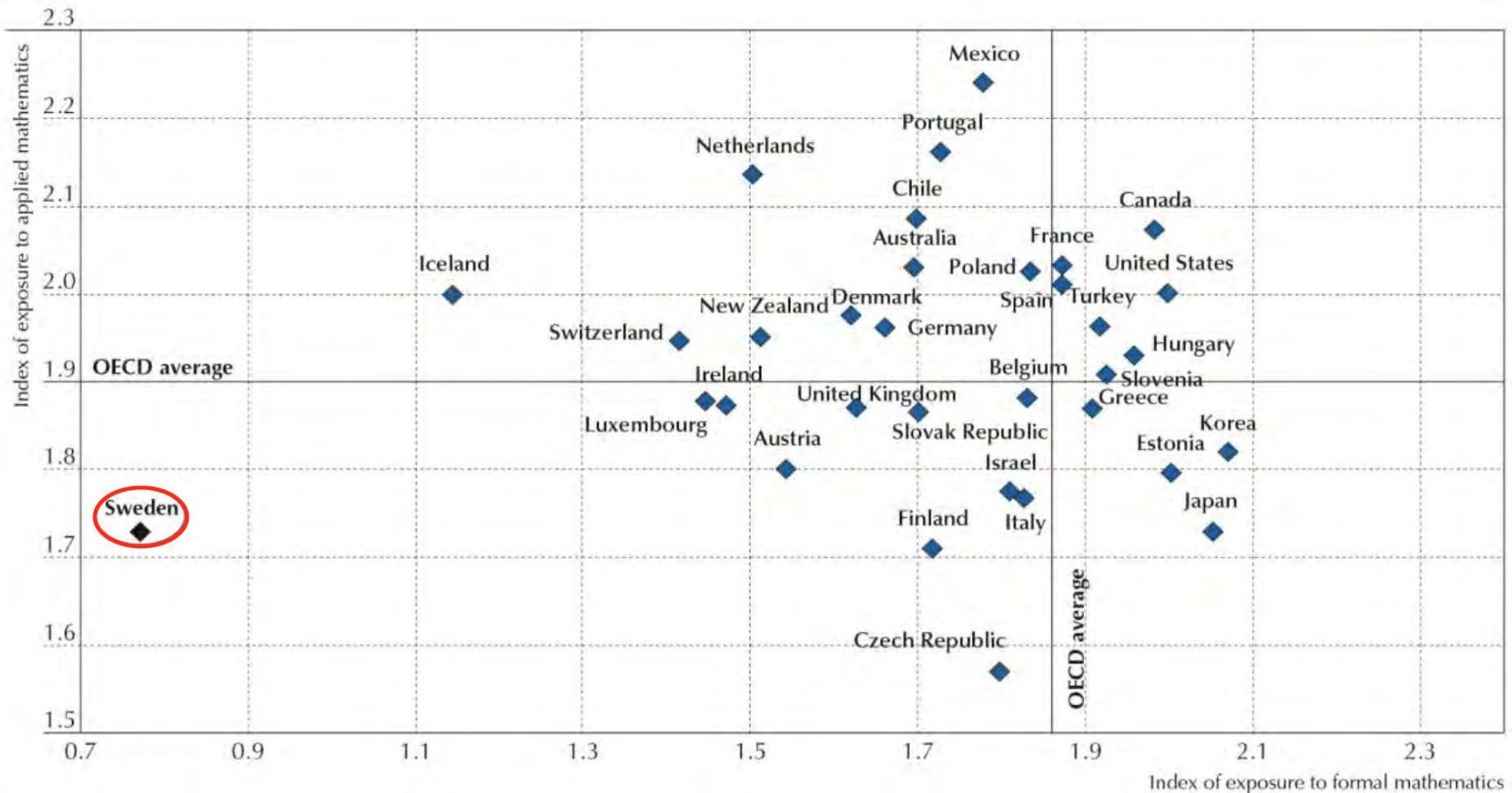
**A large share of today's tasks can
be digitized**

**Structural change is nothing new.
But can new jobs again be
created – domestically – at the
same speed?**



Swedish students flunk formal analysis

Figure 2.2. Exposure to applied mathematics vs. exposure to formal mathematics



Source: OECD (2014): "PISA 2012 Results: What Students Know and Can Do"

Fiscal and monetary policy under pressure



How does Sweden rank today?

Overall competitiveness	9
Institutions	11
Infrastructure	20
Macroeconomic environment	17
Health and primary education	20
Higher education and training	12
Goods market efficiency	17
Labour market efficiency	20
Financial market development	14
Technological readiness	7
Market size	41
Business sophistication	7
Innovation	7

Source:
World
Economic
Forum:

"Global
Competitiveness
Report
2016"