

Sweden – Press review May 2016

Moody's: Sweden is Nordic star

According to credit rating institute Moody's Sweden has the best economic prospects of the Nordic countries because of its diversified economy and competitive export companies and Moody's predicts 3.4% growth in Sweden this year. (DI: 15, DN I: 23)

Experts agree: minus interest until 2018

The Riksbank has decided to purchase government bonds and real rate of interest bonds for SKr 45 billion. SEB's head economist Robert Bergqvist interprets the decision as a wish to insure against an excessively quick strengthening of the krona and that the Riksbank is nearing its inflation target. Torbjörn Isaksson, head analyst at Nordea, emphasises that the krona is extremely important for the Riksbank's strategy for raising inflation. Both Isaksson and Bergqvist predict it will take time before the repo rate is raised. (6/5 SvD bus: 10)

Minus rates stoking exports

Many business figures have criticised negative interest rates. However a number of industries are also benefiting. "Industries that invest benefit from access to cheap capital... It is going well for the manufacturing industry and the vehicle industry, for example," says Jonas Frycklund, deputy head economist at the Confederation of Swedish Enterprise (Svenskt Näringsliv). He also points out that the export industry is a clear winner. Furthermore, although he agrees that the negative rate can cause uncertainty, he thinks it is difficult to see an alternative. Truck maker Scania agrees as the low interest rates contribute to a beneficial exchange rate, which strengthens their competitiveness on the export market. (DI: 6-7)

IMF warns of bubble

According to the IMF, Denmark should be a warning to other countries. After four years of minus rates the country may be entering a housing bubble. In a fresh analysis of the country's economy the IMF warns other countries with negative rates, such as Sweden, Switzerland and Japan, of the risks. Although the Danish banks have managed relatively well the increasing risks of negative interest rates on the housing market are obvious, says David Hofman, responsible for the IMF report. (DI: 9)

Borg predicts housing price crash

It is no longer a question of if, but when Swedish house prices are going to crash, warns former Finance Minister Anders Borg. "I do not see how it can be avoided," he said at DI Bank conference on Tuesday, claiming that Sweden's debt and its housing shortage have exceeded levels that mean a future price fall is inevitable. In turn that will hit growth when indebted households cut down on consumption. (DI: 16, SvD bus: 4, DN I: 23)

BBC warns about Stockholm

The British BBC has noted the extreme housing shortage in Stockholm and all the problems it leads to. Strict construction rules, lack of investment and political failures have meant that Stockholm has not been able to fend off the record numbers moving to the city, according to the BBC. (23/5 DI: 11)

New requirements will affect house prices

New amortization requirements, which will come into force on 1 June, as well as other measures designed to curb household debt, will affect households in Stockholm, Gothenburg and Malmö the most

and lead to falling property prices in these areas, finds Swedbank. However, Swedbank believes there will be wide regional differences.

Debt ceiling

The Swedish Financial Supervisory Authority (FSA) wants to introduce a ceiling on the amount of debt a household can have in relation to its income, equivalent to six years' income. However in an interview with DN director of FSA, Erik Thedéen, made it clear that it is the government that should make the decision after FI puts forward a detailed proposal. (DN I: 20)

Brexit threat to Swedish trade

In a new report the Stockholm Chamber of Commerce warns that if the UK left the EU it would cause major worry for Sweden as the UK is the third largest investor in Sweden with investments worth SKr 305 billion. "It will cost exports, money, jobs and growth," says Andreas Hatzigeorgiou, head economist at the Chamber. Changes to investment regulations could also put Swedish investment in the UK at risk. In addition, exports to the UK would be negatively affected.

Andreas Hatzigeorgiou believes Sweden needs a strategy and a plan to secure Swedish economic interests if the UK leaves the EU. (SvD bus: 7)

Companies

Embargo lift opens for Gripen

The USA's decision to remove the arms embargo on Vietnam could open the door for major Swedish arms deals with the country. This kind of deal has not previously been possible, as the embargo has included systems that have American components, such as the Gripen. Christer Ahlström, director general for the Inspectorate of Strategic Products (ISP) says that it is theoretically possible but adds that any such deal must have Swedish approval. "We have had a restrictive view of Vietnam with our guidelines. We should also weigh up the situation for human rights", he says. Press spokesperson Sebastian Carlsson says that Saab is monitoring developments. (DI: 11, SvD bus: 11)

Skanska order

Skanska has received an order worth 40 million pounds, or around 480 million kronor, for its part in the tunnel under the River Humber on the British east coast. The order, for a gas pipeline, comes from the National Grid. (DN I: 17)

H&M and Swedfund start factory in Ethiopia

The new textile factory is a Swedish-Ethiopian sustainability project expected to create 4,000 jobs. H&M has promised to buy a certain number of products per year and the state's development finance institution Swedfund is contributing experts and SKr 125 million. DBL Group and the Ethiopian Development Bank are jointly financing the factory. "The creation of jobs is essential for lifting people out of poverty, not least women," says Anna Ryott, CEO for Swedfund. (DN I: 25)

Real estate giant in Sweden

British TH Real Estate, one of the world's largest investors in real estate, is set to invest upwards of SKr 11 billion in the Nordic region, mainly in Sweden. "Sweden is politically stable, has good economic prospects and a transparent and well-functioning property market. In addition, both Gothenburg and Stockholm are among a group of European cities, which according to our analyses are the most attractive for future investment in real estate," says CEO Mike Sales. (2/5 DI: 12)