ECONOMY OF SWEDEN

Sweden is an industrialized country. Agriculture, once accounting for nearly all of Sweden's economy, now employs less than 3% of the labor force. Historically, Swedish industrialization was based on natural resources such as forests, iron ore deposits, and hydroelectric power. These retain some importance but today economic activity is concentrated in areas that are not tied to the nation's natural resouces base. In particular, the telecommunications, pharmaceutical and automotive industries are of importance.

Overcoming the 1990s crisis. The Swedish economic picture has brightened significantly since the severe recession in the early 1990s. Growth has been strong in recent years, and even though the economy slackened during the first half of 2001, the long-run prospects for growth remain favorable. The inflation rate is low and stable, with projections for continued low levels over the next 2-3 years. Since the mid-1990s the export sector has been booming, acting as the main engine for economic growth. Swedish exports also have proven to be surprisingly robust. A marked shift in the structure of the exports, where services, the IT industry, and telecommunications have taken over from traditional industries such as steel, paper, and pulp, has made the Swedish export sector less vulnerable to international fluctuations. At the same time the Swedish industry has received less money for its exports while the import prices have gone up. During the period 1995-2003 the export prices were reduced by 4% at the same time as the import prices climbed by 11%. The net effect is that the Swedish terms-of-trade fell 13%.

Government. The government budget has improved dramatically - from a record deficit of more than 12% of GDP in 1993 to an expected surplus of 8% of GDP in 2001. The new, strict budget process with spending ceilings set by parliament, and a constitutional change to an independent Central Bank, have greatly improved policy credibility. This can be seen in the long-term interest rate margin ver-

sus the Euro, which is negligible. From the perspective of longer term fiscal sustainability, the long-awaited reform of old-age pensions entered into force in 1999. This entails a far more robust system vis-a-vis adverse demographic and economic trends, which should keep the ratio of total pension disbursements to the aggregate wage bill close to 20% in the decades ahead. Taken together, both fiscal consolidation and pension reform have brought public finances back on a sustainable footing. Gross public debt, which jumped from 43%t of GDP in 1990 to 78% in 1994, stabilized around the middle of the 1990s and started to come down again more significantly beginning in 1999. In 2000 it fell below the key level of 60% and had declined to a level of 52% of GDP as of 2004.

Economic and Monetary Union. These figures show a quite remarkable improvement of the Swedish economy since the crisis in 1991-93, so that Sweden could easily qualify for membership in the third phase of the Economic and Monetary Union of the European Union, adopting the euro as its currency. In theory, by the rules of the EMU, Sweden is obliged to join, since the country has not obtained exception by any protocol or treaty (as opposed to Denmark and the United Kingdom). Nevertheless, the Swedish government decided in 1997 against joining the common currency from its start on January 1, 1999. In the first years of the twenty-first century, a majority for joining emerged in the governing Social Democratic party, although the question was subject of heated debate, with leading personalities in the party on both sides. On September 14, 2003, a national referendum was held on the euro. A 55.9 % majority of Swedes rejected the common currency, while 42.0% voted in favour of it. Currently no plans for a new referendum or parliamentary vote on the matter are being discussed.

Unemployment. In contrast with most other European countries, Sweden maintained an unemployment rate around 2% or 3% of the work force throughout the 1980s. This was, however, accompanied by high and accelerating inflation. It became evident that such low unemployment rates were not sustainable, and in the severe crisis in the early 1990s the rate increased to more than 8%. In 1996 the government set out a goal of reducing unemployment to 4% by 2000. During 2000 employment rose by 90,000 people, the greatest increase in 40 years, and the goal was reached in the autumn of 2000. The same autumn the government set out its new target - that 80% of the working age population will have a regular job by 2004. Some have expressed concern that meeting the employment target may come at a cost of too high a rate of wage increases hence increasing inflation. However, as of August 2006, roughly 5% of working age Swedes were unemployed, over the government-established goal. According to Jan Edling, a former trade-unionist, the actual number of unemployed is far higher, and those figures are being suppressed by both the government and the Swedish Trade Union Confederation. In Edling's report he added that a further 3% of Swedes were occupied in state-organised job schemes, not in the private sector. He also claimed a further 700,000 Swedes are either on long-term sick leave or in early retirement. Edling asks how many of these people are in fact unemployed. According to his report, the "actual unemployement" rate hovers near 20%, a figure, if true, takes the rose-coloured lenses off of Sweden's economic growth. Critics say that the concept of "actual" unemployment, also termed "broad unemployment" by the Moderate Party, is absurd as it points out e.g. sick people, people with cancer, students who rather want a job, people with part-time jobs, conscripts in the army, and house wives as "unemployed". Moreover, compared to other countries like the United States and United Kingdom, Sweden has a low "broad unemployment".

Labour unions. Around eighty percent of the Swedish labour force is unionized. For most unions there is a counterpart employer's organization for businesses. The unions and employer organizations are independent of both the government and political parties, although the largest confederation of unions,

the National Swedish Confederation of Trade Unions or LO (organising blue-collar workers), maintains close links to the largest political party, the Social Democrats.

The unionization rate among white-collar workers is exceptionally high in Sweden - almost as high as for blue-collar workers. There are two major confederations that organise professionals and other qualified employees: the Swedish Confederation of Professional Employees (Tjanstemannens Centralorganisation or TCO) and the Swedish Confederation of Professional Associations (Sveriges Akademikers Centralorganisation or SACO). They are both independent from Sweden's political parties and never endorse candidates for office in political elections.

There is no minimum wage that is required by legislation. Instead, minimum wage standards in different sectors are normally set by collective bargaining. Most labour contracts were re-negotiated during 2004, and call for wage increases of around seven percent over a three-year period.

Labour force. The traditionally low-wage differential has increased in recent years as a result of increased flexibility as the role of wage setting at the company level has strengthened somewhat. Still, Swedish unskilled employees are relatively well-paid while well-educated Swedish employees are low-paid compared to those in competitor countries. The average increases in real wages in recent years have been high by historical standards, in large part due to unforeseen price stability. Even so, nominal wages in recent years have been slightly above those in competitor countries. Thus, while private-sector wages rose by an average annual rate of 3.75% from 1998 to 2000 in Sweden, the comparable increase for the EU area was 1.75%. In the year 2000 the total labour force was approx. 4.4 million people.

Figures. GDP: purchasing power parity - $255.4 billion (2004 est.). GDP - real growth rate: 3.6% (2004 est.). GDP - per capita: purchasing power parity - $28,400 (2004 est.). GDP - composition by sector: agriculture: 2% industry: 29% services: 69% (2001). Labour force: 4.46 million (2004 est.). Labour force - by occupation: agriculture 2%, industry 24%, services 74% (2000 est.). Unemployment rate: 5.6% (2004 est.). Household income or con-

sumption by percentage share: lowest 10%: 3.7% highest 10%: 20.1% (1992). Distribution of family income - Gini index: 25 (1992). Inflation rate (consumer prices): 0.7% (2004 est.). Investment (gross fixed): 15.8% of GDP (2004 est.). Budget: revenues: $201.3 billion expenditures: $199.6 billion, including capital expenditures of NA (2004 est.). Public debt: 51.6% of GDP (2004 est.).

Agriculture - products: barley, wheat, sugar beets; meat, milk. Industries: iron and steel, precision equipment (bearings, radio and telephone parts, armaments), wood pulp and paper products, processed foods, motor vehicles. Industrial production growth rate: 5.5% (2004 est.).

Electricity: production: 142.8 TWh (2002), consumption: 138.1 TWh (2002), export: 14.8 TWh (2002), import: 20.1 TWh (2002). Electricity - production by source: fossil fuel: 4%, hydro: 50.8%, nuclear: 43%, other: 2.3% (2001). Oil: production: 0 bbl/day (2001 est.), consumption: 328,600 bbl/day (2001 est.), exports: 203,700 bbl/day (2001), imports: 553,100 bbl/day (2001). Natural gas: production: 0 cu m (2001 est.), consumption: 949 million cu m (2001 est.), exports: 0 cu m (2001 est.), imports: 968 million cu m (2001 est.). Current account balance: $24.08 billion (2004 est.), Exports: $121.7 billion f.o.b. (2004 est.), Exports - commodities: machinery 35%, motor vehicles, paper products, pulp and wood, iron and steel products, chemicals. Exports - partners: US 10.7%, Germany 10.3%, UK 7.2%, Denmark 6.6%, Norway 6.2%, Finland 5.9%, Belgium 5.1%, Netherlands 4.8%, France 4.7% (2004), Imports: $97.97 billion f.o.b. (2004 est.). Imports - commodities: machinery, petroleum and petroleum products, chemicals, motor vehicles, iron and steel; foodstuffs, clothing. Imports - partners: Germany 20.2%, Denmark 8.2%, UK 7.9%, Netherlands 7.2%, Finland 7%, France 6.1%, Norway 5.9%, Belgium 4.5% (2004). Reserves of foreign exchange and gold: $19.99 billion (2003), Debt - external: $66.5 billion (1994), Economic aid - donor: ODA, $1.7 billion (1997), Currency (code): Swedish krona (SEK). Exchange rates: Swedish kronor per US dollar - 7.3489 (2004), 8.0863 (2003), 9.7371 (2002), 10.3291 (2001), 9.1622 (2000).