Summary for non-specialists
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Occasional Papers index

Macroeconomic Imbalances – Sweden 2013

On 28 November 2012, the European Commission presented its second Alert Mechanism Report (AMR-2013) in accordance with the Regulation (EU) No. 1176/2011 on the prevention and correction of macroeconomic imbalances. The AMR serves as an initial screening device to identify Member States that warrant further in depth analysis into whether imbalances exist or risk emerging. According to Article 5 of Regulation No. 1176/2011, these country-specific "in-depth reviews" should examine the nature, origin and severity of macroeconomic developments in the Member State concerned, which constitute, or could lead to, imbalances. On the basis of this analysis, the Commission concludes whether it considers that an imbalance exists or not, and if so whether it is excessive or not, and what type of follow-up it will recommend to the Council to address to the Member State.

The 2013 in-depth reviews (for Belgium, Bulgaria, Denmark, Spain, France, Italy, Hungary, Malta, the Netherlands, Slovenia, Finland, Sweden and the United Kingdom) were published on 10 April 2013 together with a Commission communication summarising the results. On the basis of the analysis in the In-depth review the Commission concluded that:

SWEDEN is *experiencing macroeconomic imbalances, which deserve monitoring and policy action.* In particular, macroeconomic developments regarding private sector debt and deleveraging, coupled with remaining inefficiencies in the housing market deserve continued attention. Although the large current account surplus does not raise risks similar to large deficits in other countries, the Commission will continue to monitor developments of the current account in Sweden.

Some deleveraging has taken place in the non-financial corporate sector. Recent reforms in company taxation are likely to further reduce the level of corporate debt by limiting tax minimisation by multinational companies. Household debt has stabilised but the main contributing factors – the debt-bias in housing taxation and the slow mortgage amortisation pace – remain in place. Low interest rates on mortgages also contribute to debt build-up. On the other hand, various indicators of household leverage as well as credit supply and demand conditions do not indicate imminent deleveraging pressures. The housing market has been stable over the last year and concerns about a possible overvaluation have subsided. Yet, the housing market remains a potential source of instability for the future. Despite some recent measures, housing supply remains constrained by cumbersome planning processes, limited competition within the construction sector and regulation of rental markets. Together with debt-bias housing taxation, these inefficiencies tend to create an upward-bias in house prices and in household indebtedness.