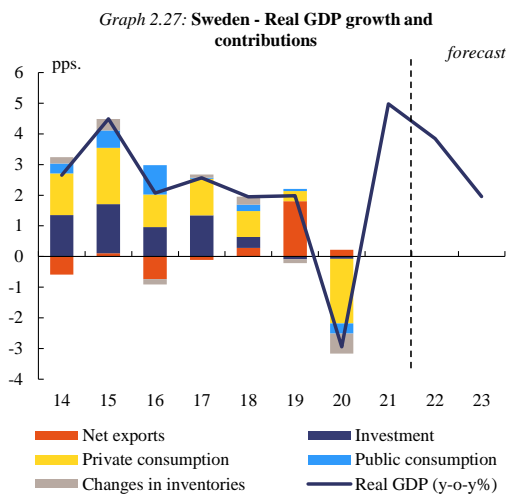


## 2.27. SWEDEN

In 2021, Sweden's economy expanded by 5%, boosted by strong investment growth as well as a sharp recovery in contact-related services, resulting in marked gains in private consumption. Monthly data and short-term forward-looking indicators suggest that the clear weakening in growth momentum observed towards the end of last year will continue into the first quarter of 2022 on the back of continued supply chain disruptions. The expected temporary slowdown also reflects the combined impact of the peak in inflation and omicron-related restrictions, affecting purchasing power, business and consumer confidence and orders.

Real GDP growth is forecast to pick up from the second quarter of 2022, as the pandemic's impact is assumed to recede, while production bottlenecks and price pressures are set to ease gradually. Low borrowing costs, high capacity utilisation, large-scale green transition projects (such as the production of batteries and fossil-free steel), and strong housing construction are expected to boost investment over the forecast horizon. Private consumption is set to be sustained by the use of high buffer savings, a strong labour market and fiscal support. Export growth is projected to remain brisk, reflecting the strong competitiveness of Swedish exporters. Overall, real GDP growth is set to reach 3.8% in 2022 and ease to 2% in 2023.



In December 2021 HICP inflation reached 4.5%, the highest rate on record since the index was first published in 1996, on the back of rapidly increasing energy prices – foremost electricity prices. Inflation is set to ease markedly in the course of 2022, as energy inflation fades and trade and production bottlenecks ease. Domestic wage and price pressures are expected to remain contained over the forecast period, given relatively moderate multi-annual wage agreements extending into 2023. In all, HICP inflation is expected to average 2.9% in 2022 and decrease to 1.2% in 2023. For inflation, risks are to the upside and reflect a stronger-than-expected pass-through of energy prices possibly coupled with stronger wage demands on the back of the tight Swedish labour market.