

Sweden's auto industry will survive but will need to cut jobs and build more niche products to do so, experts said on Wednesday.

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The country's leading automakers, Saab and Volvo, have been put up for sale by their US owners General Motors and Ford, leaving a question mark over the future of the industry.

Saab is currently engaged in a legal reorganisation process similar to bankruptcy protection.

But two studies on the Swedish auto sector say that while job cuts may be necessary to keep the car companies competitive, the industry can continue to be a key part of the economy, which represents 14 percent of the country's total exports.

A report by the Swedish Agency for Growth Policy Analysis said the country's car industry was not productive enough when compared to 29 of its foreign rivals.

"Sweden has a fairly low productivity level compared to the other 29 countries (in the study)," said one of its authors, Peter Vikstroem.

"The future seems bleak considering those figures, that's one estimation why we have this crisis. There are some structural problems (within the industry)," he added.

Vikstroem pointed to Sweden's low share of world automotive exports in relation to the number of people employed in the industry.

A separate study by the Swedish Agency for Economic and Regional Growth and the consulting firm WSP found some 190,000 people are employed in the automotive sector out of Sweden's

Sweden's auto industry must slim

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4.5 million-strong workforce.

Only Germany and Slovakia have a higher percentage of their active workforce employed in automotive-related jobs.

"There is overcapacity in the sector ... a limited demand compared to production (levels) because people are buying fewer cars," said Maria Lindqvist, one of the analysts behind the report.

She said, however, that the Swedish automotive industry could survive, but said it should "focus on certain niche products, specific parts" and not necessarily produce the entire car.

Vikstroem said any job losses from the auto industry could free up skilled labour for growth industries specialising in new environmental and energy technology.

"It could be one viable growth engine in the future, especially if you consider the amount of investment needed in this sector if we want to reach the climate goals of reducing CO2," he said.