

Signs of a stronger Swedish economy

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Swedbank sees signs of a stronger Swedish economy, but warns that revised economic statistics could lead analysis and policies astray. Here are the highlights from its Swedish Outlook:

- Contracting exports reduced Sweden's GDP at the end of 2011, but economic data in early 2012 suggest that the decline has slowed. Industrial production grew on an annual basis in January at the same time that the decline in external demand showed signs of easing. Domestic demand is being supported by relatively strong household finances, and confidence indicators for businesses and households improved significantly in March. Labor market conditions remain weak, although unemployment isn't rising quickly yet.□
- Revisions to official data have changed the picture of the Swedish economy in recent years. Economic growth for 2012 was revised upward from 5.7% to 6.1% at the same time that economic activity for 2011 was weaker than previously reported. In particular, the number of hours worked was revised upward, which means that productivity growth was actually weaker. Household savings are also lower than the data previously suggested.□
- The revised economic data create problems not only for forecasters but also for those who set economic policy. Lower business productivity means higher resource utilization, which is an argument for a less expansive monetary policy. On the other hand, rising unemployment suggests that resource utilization is still low. Lower savings is an indication that households are more vulnerable, but also that consumer spending could be more limited going forward. This impacts the assessment of the economic conditions.