BUSINESS SWEDEN

TIME TO ADAPT

GLOBAL ECONOMIC OUTLOOK
March 2023

CHINA AND ASIA THIS YEAR'S GROWTH LOCOMOTIVE

China's decision to abandon its zero tolerance Covid policy marked a definitive end to the pandemic. In hindsight, the repercussions felt over the past three years have been severe. Both households and companies now need to adapt to a new era of increased costs and significantly higher interest rates. Adjusting to change is never easy but necessary, and the prospects for next year are looking brighter.

It is primarily the Western economies that are facing challenges in 2023 as the much talked-about recession sets in. China's lifting of restrictions and reopening of its economy is a welcome boost and will help to mitigate a global slowdown. Asia – spearheaded by the Chinese economy – will be the growth engine this year. The global economic decline, however, will not be long-lasting. Inflation has peaked and central banks are nearing the end of their tightening cycles for interest rates.

Once the central banks feel confident enough that inflation is falling back towards the 2 per cent target, they will send a clear signal that interest rate hikes have been completed. This will give companies and households breathing room. Confidence will return, households will gradually resume to normal consumption and companies will bring investment plans back on the table. There is neither lack of capital nor business opportunities in the global green transition.

But the road to a low carbon economy will involve turbulence on financial markets. This was demonstrated recently by the collapse of the niche banks Silicon Valley Bank and Signature Bank in the US, and the Swiss major Credit Suisse.

In all, 2023 will be a year of adaptation to a new reality, hopefully one where market conditions are more stable. Protecting against new shockwaves that arise in an increasingly complex and uncertain world is difficult. But careful monitoring of global events goes a long way toward giving you a solid foundation for strategic business decisions.

Brace yourself for tough times in the short term
– but demand will bounce back!

Lena Sellgren
Chief Economist

BUSINESS SWEDEN

– Mild recession hits Western economies
– China and Asia this year's growth engine
– Inflation has peaked and central banks are in the final sprint

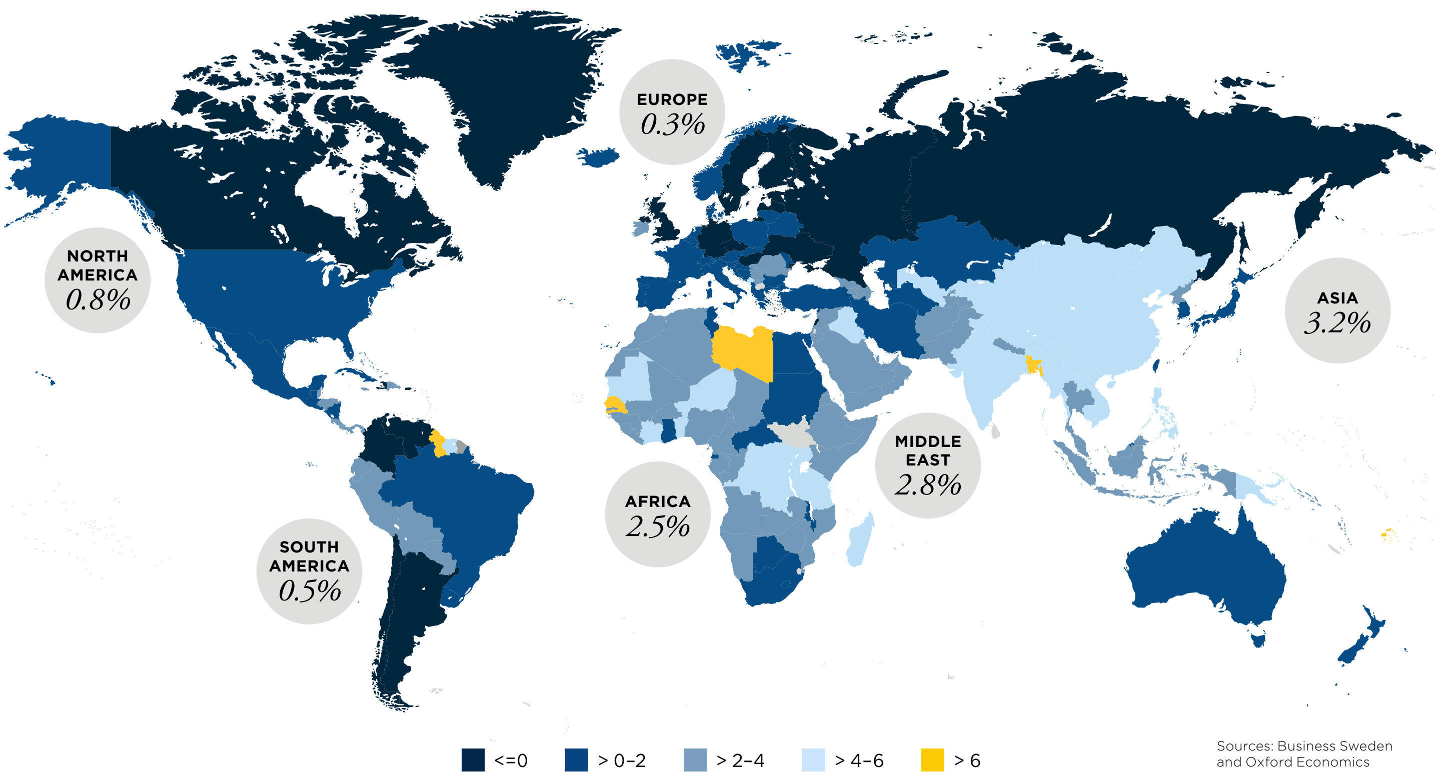
THE GLOBAL ECONOMY

Having recovered well from the damaging effects of the pandemic, the global economy entered a temporary slump in 2023. An economic slowdown is primarily unfolding in Europe and the US due to high inflation and continued interest rate hikes by central banks. At the same time, inflation has now peaked and the tightening cycles for policy rates are in the final stages. Additional interest rate hikes are nonetheless expected during the spring in both the US and Europe, despite the turbulence on financial markets in the wake of the collapsing niche banks Silicon Valley Bank and Signature Bank in the US, as well as the Swiss major Credit Suisse in Europe. This will hamper economic activity. However, China's easing of Covid restrictions and reopening has prompted a much-needed boost in demand in the global economy, making Asia the growth engine this year.

During the winter, the Western economies proved to be more resilient than expected and labour markets still remain strong. But rising costs and interest rates are starting to bite which is expected to dampen growth and lead to a weakening of labour markets. Falling real wages and reduced purchasing power have plunged households into a consumption crisis. The manufacturing industry is faring better, where sentiment hasn't fallen to the same degree. Forward-looking indicators such as the purchasing managers' index have bottomed out and are approaching or slightly exceeding the 50-mark which indicates normal economic activity. Public investments – especially in Europe – will help to soften the downturn and growth will remain just above zero.

The figure for global growth this year is expected to reach no higher than 1.7 per cent. But as inflation falls back, the central banks will signal that their tightening cycles for interest rates have been completed. This will boost confidence among households

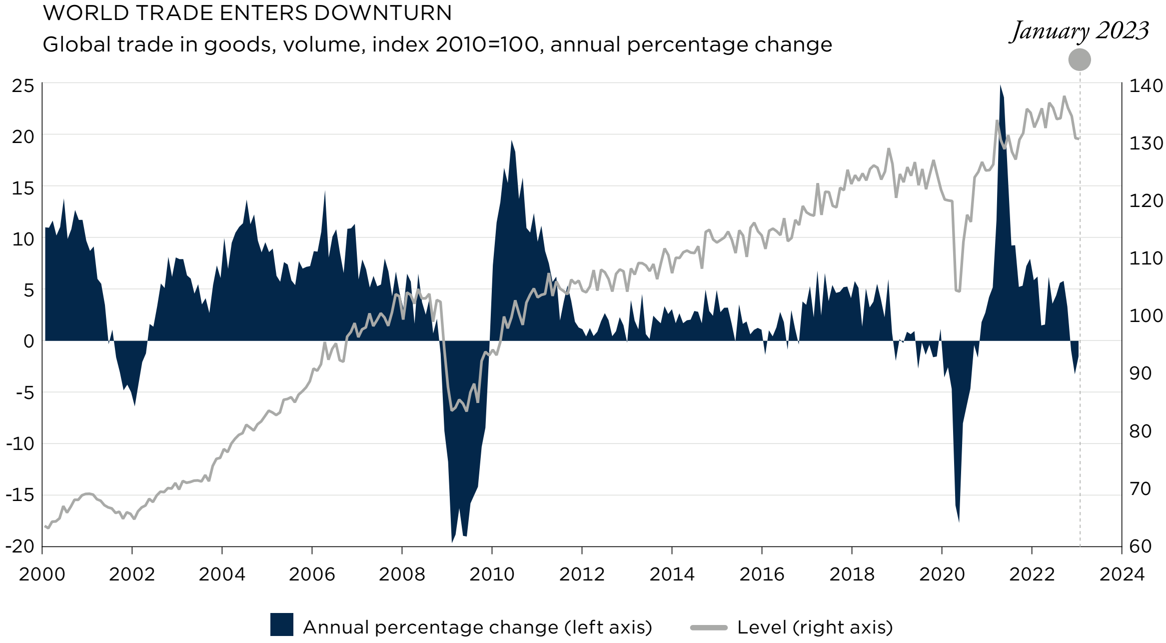
GLOBAL GROWTH SLOWS DOWN
GDP growth 2023, constant prices, annual percentage change, forecast



Sources: Business Sweden and Oxford Economics

WORLD TRADE ENTERS DOWNTURN

Global trade in goods, volume, index 2010=100, annual percentage change



Source: CPB World Trade Monitor

and businesses. Next year, global growth is expected to reach 2.5 per cent, which is just below the historical average of 3.0 per cent for the period 2015–2019.

The overall risk picture is largely unchanged with an imminent risk of persistent inflation and overtightening by central banks. In addition, geopolitical tensions and rising protectionism around the world have become permanent factors that are set to remain for the foreseeable future. Russia's war of aggression in Ukraine continues and no one can predict when it will end. The international sanctions against Russia are likely to remain in place long after any truce is reached.

This means that the risk premium that global companies are facing has increased and could change their calculation when planning their international business. There is also a risk that this will push up inflation. One example is the EU's response to US subsidies for green technologies within the framework of the Inflation Reduction Act (IRA), in the form of tentative countermeasures.

GDP GROWTH ENTERS TEMPORARY SLOWDOWN

GDP growth, annual percentage change, constant prices

REGION	2021	2022	2023f	2024f	2015–2019	Share of global GDP, %
Global	**6.2**	**3.1**	**1.7**	**2.5**	**3.0**	**100**
Sweden	5.2	2.7	-0.6	1.7	2.6	0.7
Asia and Oceania	6.5	3.2	3.2	4.1	4.8	38.0
Europe	5.6	2.9	0.3	1.6	2.1	23.2
North America	5.8	2.2	0.8	0.8	2.3	28.5
South America	7.7	3.9	0.5	2.6	0.6	4.2
Africa	9.4	3.3	2.5	2.9	3.2	2.8
Middle East	3.9	7.0	2.8	3.4	2.5	3.3

Sources: Oxford Economics and Business Sweden

WORLD TRADE SLOWS DOWN

Global trade in goods fell dramatically during the pandemic but recovered quickly and rebounded to 2019 levels as soon as in the autumn of 2020. World trade has since held up well despite supply chain disruptions and a slight decline in the wake of Russia's invasion of Ukraine last February.

Looking back at the full year 2022, world trade increased by 3 per cent according to preliminary figures. A slowdown is expected as the global economy dampens and demand falls. We can observe a certain level of concern appear when world trade falls below zero. If history repeats itself, this indicates an impending slowdown, recession or crisis. We have already experienced three crises since the year 2000: the IT bubble at the turn of the millennium, the global financial crisis in 2008 and the pandemic in 2020. The indications are that what we are seeing today is a slowdown in world trade with a temporary stagnation in 2023.

INFLATION HAS PEAKED

Inflation remains high but has peaked in most economies and is expected to fall back relatively quickly during the year as a result of lower global commodity prices including energy, better functioning supply chains and weaker growth. On the other hand, there is still strong wage pressure in the US, and increasingly so in Europe, which can cause inflation to remain high. Our assessment is that inflation will remain high during the year and that the inflation targets of 2 per cent in the US and Europe will most likely not be reached until 2024.

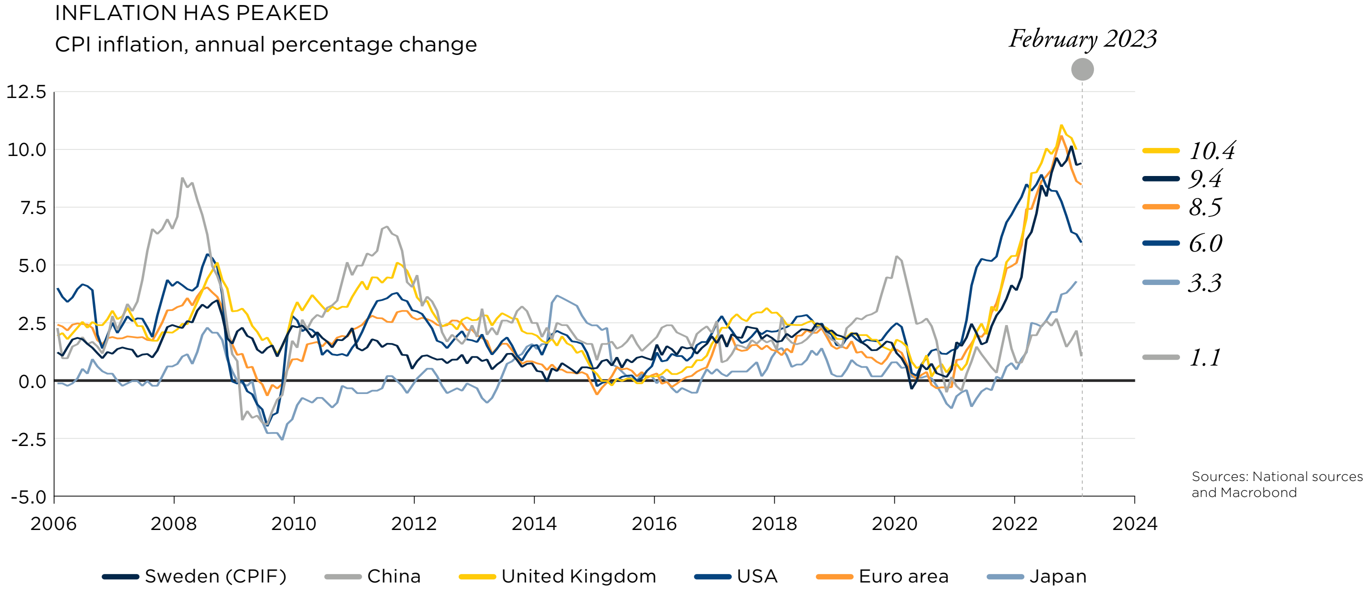
One concern, however, is that the decline in underlying inflation, or core inflation (inflation excluding energy prices) is not as obvious. There is great uncertainty about how much and how quickly core inflation will fall back. The fact that inflation has peaked, however, brings a certain

"The risk premium for global companies has increased significantly in recent years. Monitoring geopolitical and market events is paramount today in all strategic decision-making."

– Jan Larsson, CEO, Business Sweden

INFLATION HAS PEAKED

CPI inflation, annual percentage change



sense of ease to the central banks, who are now raising their key interest rates at a slower pace.

CENTRAL BANKS ENTER FINAL SPRINT

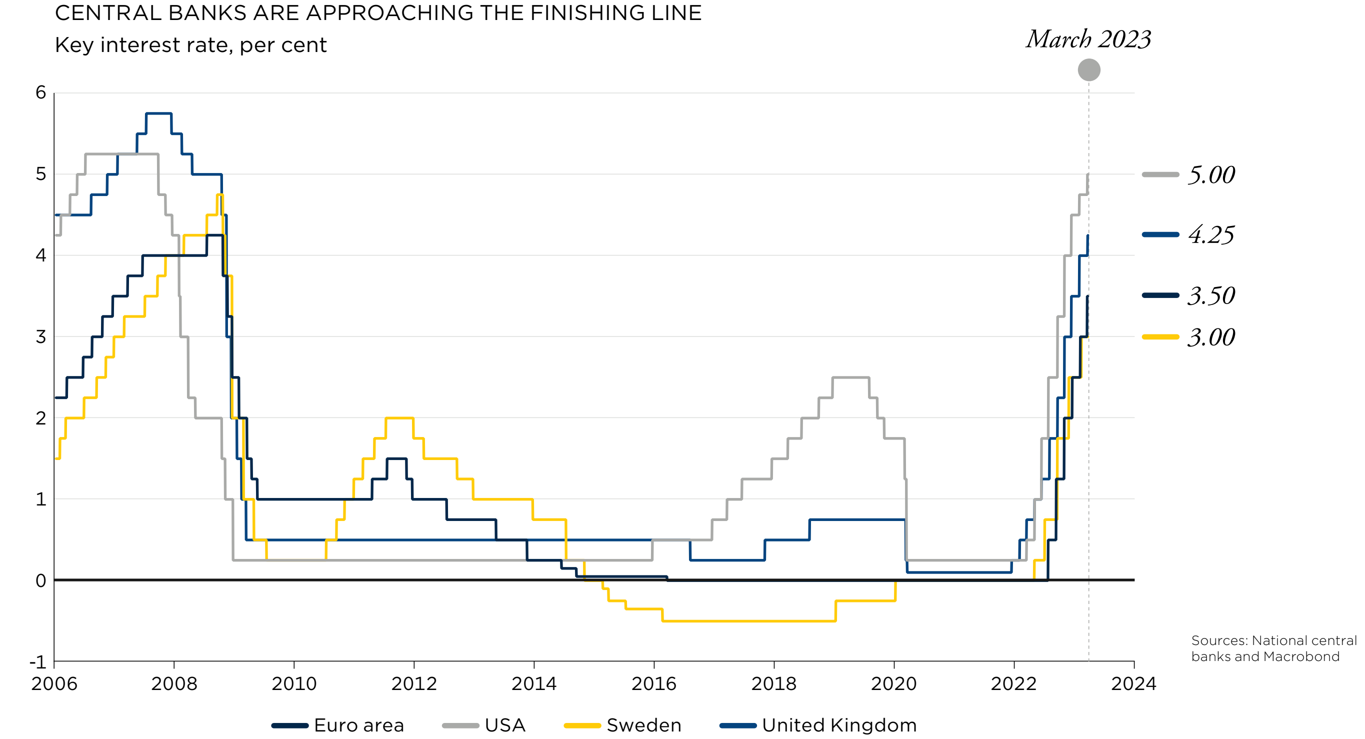
Following the rapid interest rate hikes of last year, monetary policy is entering a new stage with tightening cycles now approaching the finish line. The Federal Reserve in the US and the Bank of England are ahead and will soon complete their interest rate hikes. Meanwhile, the European Central Bank, the ECB, and the Swedish Riksbank are continuing to pursue further tightening of the economy. Overall, the central banks remain fully committed to bringing inflation down to the 2 per cent target.

At the same time, we have not yet seen the full impact of monetary policy on inflation and the real economy, and overtightening by central banks is clearly a risk. Central banks are facing the dilemma of possibly pursuing excessive tightening policies which will have severe negative impacts on production, employment and growth. But a too relaxed approach which would result in a slower return to the inflation target may weaken the credibility of the set target itself.

Additional policy rate increases are to be expected during the spring and possibly into the summer. If there is no major economic setback resulting in a sharp downturn in the economy, interest rate cuts are not foreseen for this year.

CENTRAL BANKS ARE APPROACHING THE FINISHING LINE

Key interest rate, per cent



– *Inflation remains high – the Riksbank continues to tighten*
– *Consumption crisis hits highly indebted households*
– *Export demand slows down*

SWEDEN'S ECONOMY AND EXPORTS

SWEDEN ENTERS RECESSION

Demand fell during the fourth quarter last year and signs of further decline are unmistakable, especially when it comes to household demand. The Swedish economy recovered well from the pandemic, the labour market remains strong and, last year, GDP rose by 2.7 per cent. Continued high inflation coupled with the weak krona has prompted the Riksbank to continue its tightening of monetary policy well into the year. This new financial reality is hitting both companies and households, especially highly indebted and interest-rate-sensitive households. A significant drop in consumption is to be expected this year.

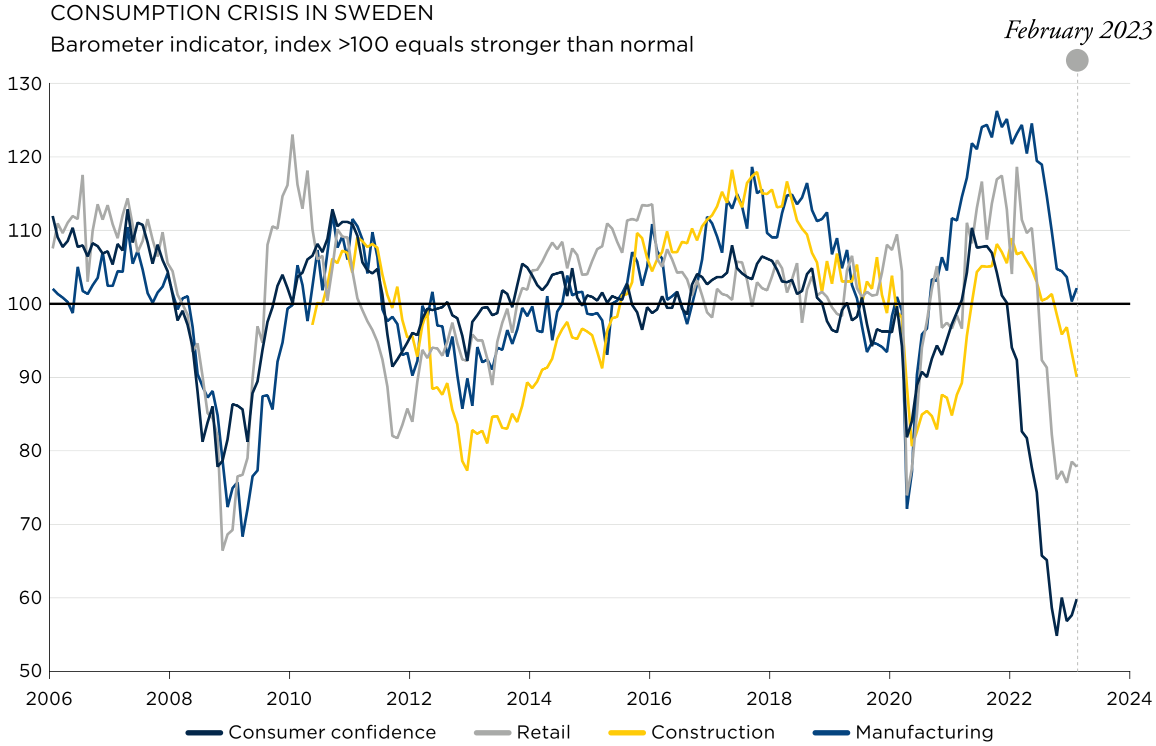
The retail, construction and transport sectors are facing a tough year ahead. Housing investments are falling sharply, but the manufacturing industry has only experienced a moderate decline. The manufacturing sector still has considerable order backlogs which are keeping industrial production turning in the short term, but order intake has fallen rapidly. Export growth is being hampered by weak global demand, particularly from two critical markets – Europe and the US – which is causing a slowdown. Besides this, there are clear signs that the labour market is cooling off. Companies' employment plans are less optimistic, redundancy notices have increased slightly and the number of bankruptcies has risen.

In all, this means that the Swedish economy is entering a recession with a -0.6 per cent fall in GDP this year. A somewhat brighter outlook is expected next year with a forecast of 1.7 per cent GDP growth.

INFLATION WILL FALL BACK SOON

The most severe price increases are now behind us and inflation has already peaked. But the underlying inflation, or core inflation i.e. inflation excluding energy, continues to rise. This is a

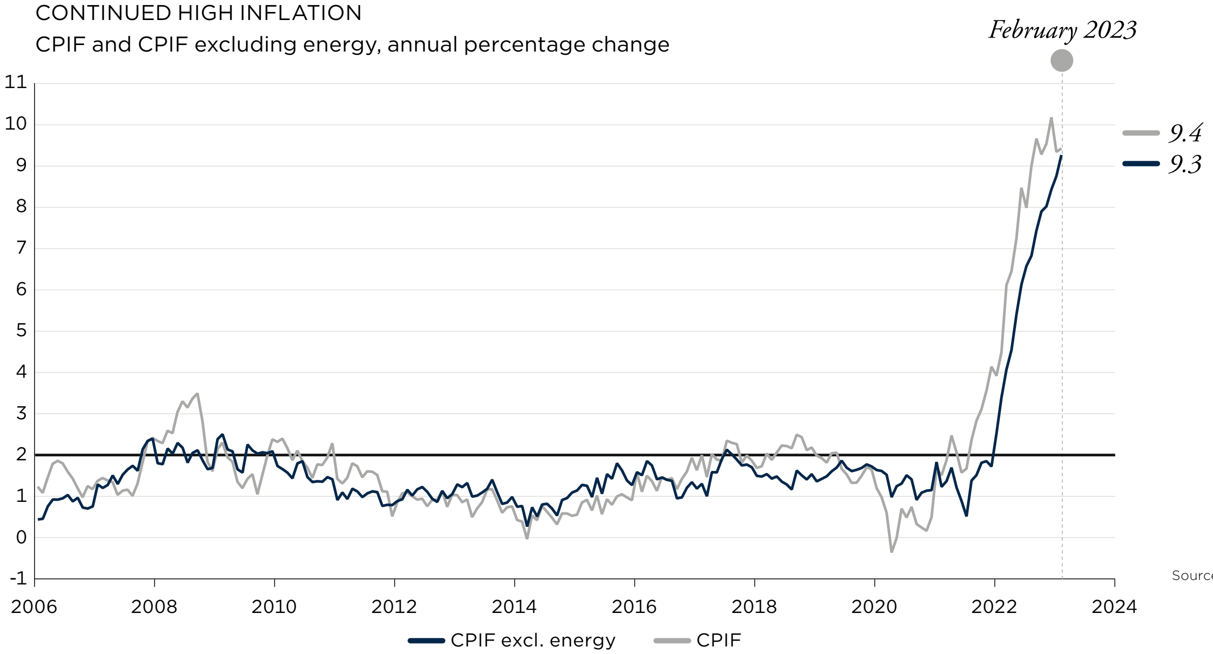
CONSUMPTION CRISIS IN SWEDEN
Barometer indicator, index >100 equals stronger than normal



Source: National Institute of Economic Research (NIER)

CONTINUED HIGH INFLATION

CPIF and CPIF excluding energy, annual percentage change



Source: Statistics Sweden

worrying development that may cause a broad-based and persistent high inflation. Dampening demand will reduce price pressure and companies will find it increasingly difficult to pass on cost increases to consumers. We expect that the collective bargaining process, which is due to be completed later this spring, will result in wage increases of around 4 per cent this year.

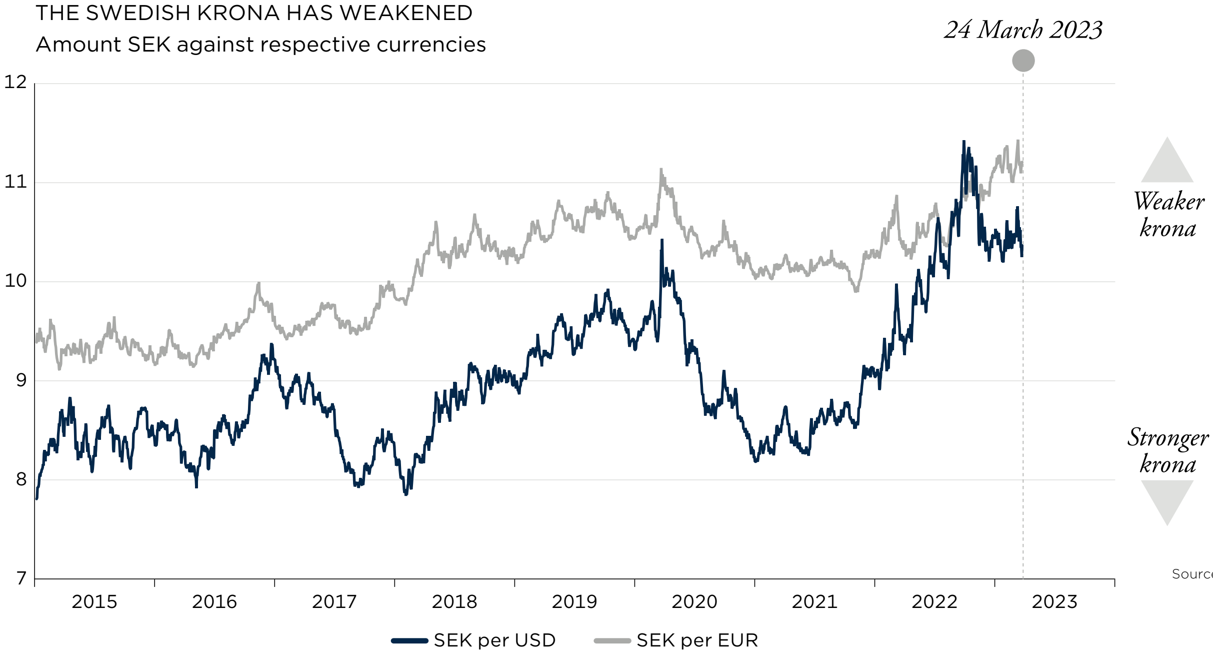
The Swedish krona has weakened against both the US dollar and the euro over an extended period of time. This contributes to the high inflation by making imports to Sweden more costly. The krona has strengthened slightly under the leadership of the new Riksbank Governor Erik Thedén, with the weak krona coming into focus. CPIF inflation (CPI with fixed interest rate) is expected to fall back towards the 2 per cent target during the year, from a high monthly quotation of 9.4 per cent in February. The underlying CPIF inflation excluding energy continued to rise in the same month and reached 9.3 per cent. How quickly inflation will drop is nonetheless difficult to assess and uncertainty remains high.

RIKSBANK CONTINUES TIGHTENING POLICY

The Riksbank is determined to bring inflation back down towards the 2 per cent target. The

THE SWEDISH KRONA HAS WEAKENED

Amount SEK against respective currencies



Source: Macrobond

weak krona gives cause for concern and a lower key interest rate compared to the rest of the world may prompt a weakening of the exchange rate. To ensure that inflation doesn't get stuck at a level that is too high, the Riksbank will continue to raise the key interest rate in the near term.

Getting inflation to fall back toward the target is a difficult balancing act as growth must not slow down too much so that unemployment becomes the next problem. We expect the Riksbank to raise the key interest rate from today's 3.00 per cent by a further 50 points in April and another 25 points in June, remaining at 3.75 per cent for the rest of the year.

EXPORTS ARE SLOWING DOWN

Swedish exports recovered well over the past couple of years. But the fact that both Europe and the US – Sweden's most important export markets – are entering a mild recession means that exports will drop significantly this year. Business Sweden's Export Managers' Index for the first quarter indicates that optimism among export managers is falling. The index fell below the 50-mark, which is the dividing line between optimism and pessimism, for the first time since autumn 2020.

Order backlogs are still keeping the wheels turning, but fewer and fewer companies are satisfied with their export order stocks. At the same time, the weak krona is giving export companies a slight boost and Swedish exports are well positioned for green transition investments and digitalisation. In all, we estimate that Swedish exports will increase by 0.8 per cent this year and 3.1 per cent next year. Weak growth is particularly evident in goods exports, where the growth forecast is 0.5 per cent for this year and 2.7 per cent next year. Services exports are also slowing down and are projected to grow by 1.5 per cent this year and 3.9 per cent next year.

The export outlook differs between the regions. Exports to North America and South America are falling back significantly, while exports to Asia and China as well as the Middle East are keeping up a decent momentum.

SWEDISH EXPORT FACING HEADWINDS

Swedish export, constant prices, per cent

	2022	2023f	2024f	Share of Swedish exports 2022, %	Average, 2015–2019
Swedish exports (goods & services)	**6.7**	**0.8**	**3.1**	**100**	**4.5**
Swedish export of services	13.5	1.5	3.9	29	5.8
Swedish export of goods	3.9	0.5	2.7	71	4.0

Swedish export of goods per region		2023f	2024f	Share of Swedish exports 2022, %
Europe		0.8	2.5	73.2
Asia and Oceania		2.9	4.1	10.6
North America		-3.4	3.3	11.2
South America		-2.9	3.1	1.5
Africa		-0.1	1.7	1.7
Middle East		3.8	3.6	1.8
Global		**0.5**	**2.7**	**100.0**

Sources: Oxford Economics and Business Sweden

– Acute energy crisis averted
– Continued high but falling inflation
– Resilient labour market

EUROPE

OPTIMISM IN THE MIDST OF CRISIS

When Russia's war of aggression in Ukraine began on 24 February last year, Europe's political and economic conditions changed radically. The anticipated return to normal social and business life as the pandemic faded did not materialise. Instead, the continent was hit by an acute energy crisis during the summer and autumn as the supply of Russian natural gas was cut down and finally halted altogether, which at the time accounted for a sixth of Europe's energy supply. The subsequent explosion of the North Stream 1 gas pipeline just outside Swedish territorial waters on 28 September increased military tensions in the Baltic Sea.

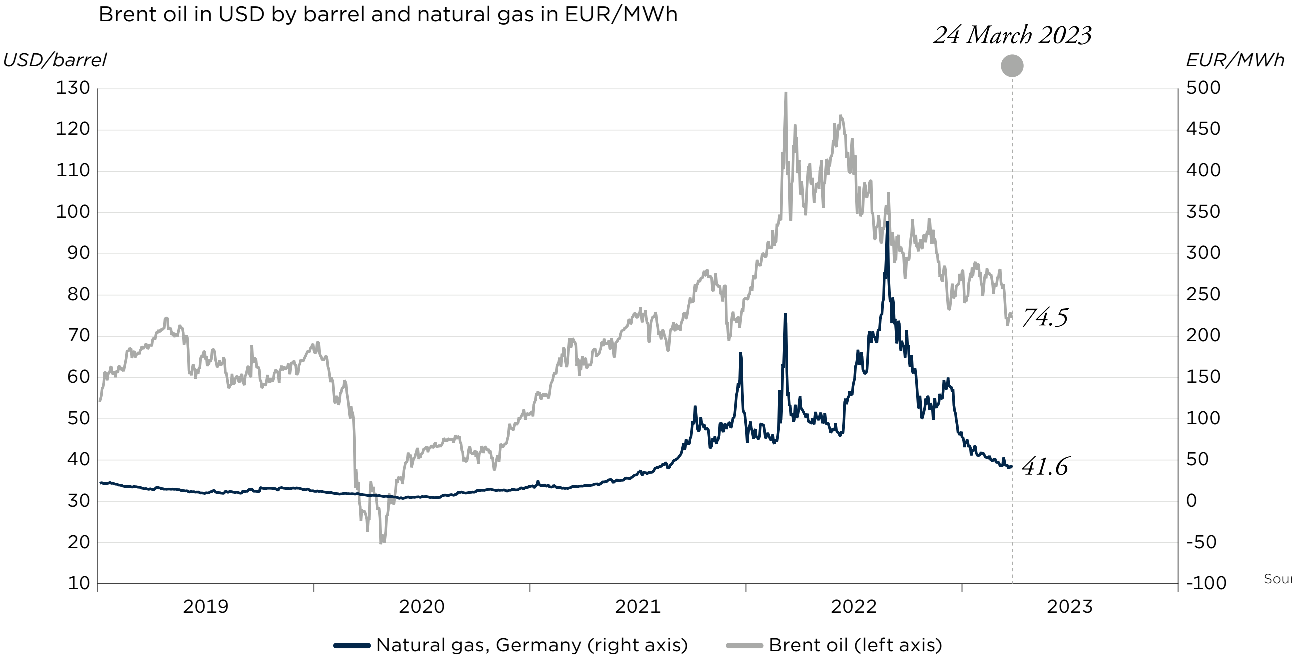
Electricity prices soared on the common European energy market, which includes Sweden. During a few critical months, European consumers had to deal with a shocking surge in household electricity costs while the energy-intensive manufacturing sector faced severe threats. The soaring electricity prices rippled out and affected the prices of food and other essential commodities. A shortage of industrial components due to continued supply chain disruptions and shutdowns in China was exacerbated by the war in Ukraine, which was a supplier of some important intermediate goods. The combination of high post-pandemic demand, sharply increased energy prices and the shortage of intermediate goods led to rapidly rising inflation. In the food sector, poor harvests for certain agricultural products contributed to price increases.

The EU's harsh economic sanctions against Russia were implemented while several member states restructured their security policy, prompting large national investments in defence. The German Chancellor Olaf Scholz used the word Zeitenwende – turning point – to justify a one-off defense expense of EUR 100 billion and coming military spending equivalent to 2 per cent of GDP annually.

EMERGENCY MEASURES GIVE RESPITE

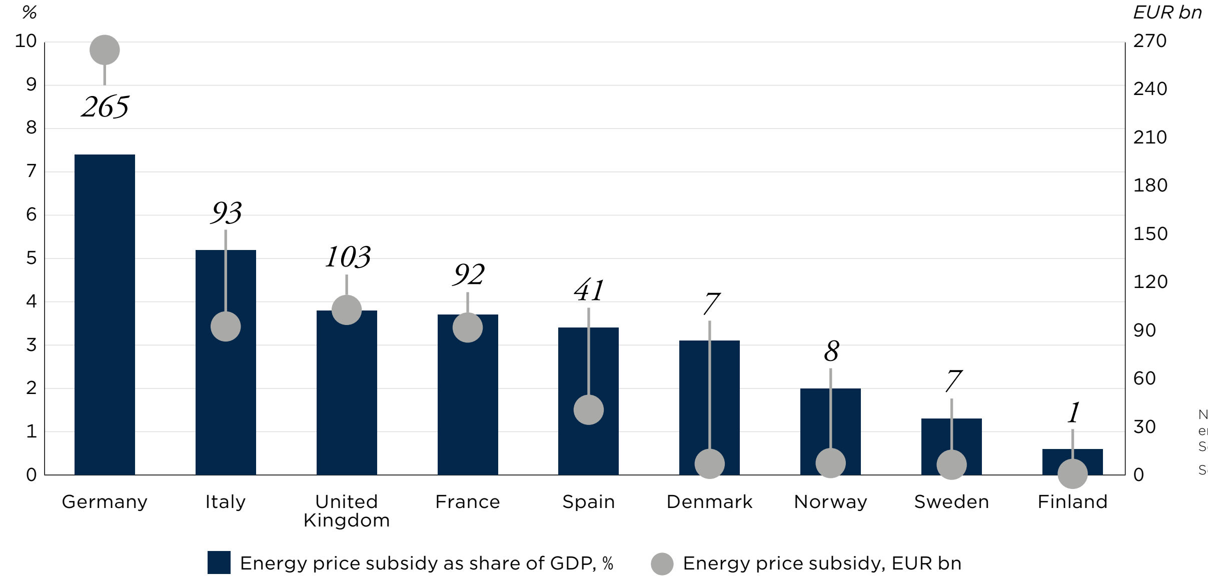
The European reorientation of imports of energy goods has been rapid. Terminals for handling liquefied natural gas (LNG) have been built or are under construction in Germany, the Netherlands, Poland, France, Italy, Greece and Finland.

ENERGY PRICES HAVE DAMPENED
Brent oil in USD by barrel and natural gas in EUR/MWh



Source: Macrobond

ENERGY PRICE SUBSIDIES VARY ACROSS EUROPE



Note: Allocated government energy price subsidies September 2022 – January 2023

Source: Bruegel

By the end of 2024, Europe's capacity for using LNG is expected to have increased by a third since the war in Ukraine began. The largest deliveries so far are coming from the US, Qatar, North Africa and Norway.

Extensive national energy support for households and businesses has mitigated the direct impact of the energy crisis on the economy. The summary presented by the European think tank Bruegel shows that energy subsidies amounting to EUR 770 billion have been announced in Europe since September last year.

In January, the President of the European Commission, Ursula von der Leyen, launched the The Green Deal Industrial Plan, which aims to make Europe the world leader in clean technologies and green transition. This plan came in direct response to the Inflation Reduction Act (IRA) in the US and will be further elaborated during 2023.

GDP growth in Europe for the full year 2022 reached 2.9 per cent with steady growth in consumption, investments and exports. However, the economy slowed down considerably during the second half of the year as pressure mounted from the energy crisis, soaring inflation, rising interest rates and falling real income for households. Consumer confidence in the EU fell in September to the lowest level since measurements began 25 years ago. An uptick has occurred since then, but consumers are pessimistic overall.

The European Central Bank, ECB, raised the key interest rate from zero in June 2022 to 3.50 per cent in March 2023. Markets are expecting a further increase by 25 points during the spring to 3.75 per cent, as the fight against inflation has proven more difficult than initially predicted.

This year, GDP in Europe is expected to increase by a modest 0.3 per cent as a mild recession sets in. Private consumption will stagnate while investments will drop somewhat. Exports will see weak development as global demand declines. The pressure on the labour market is set

WHAT HAPPENED TO THE INVESTMENT DEAL?

On 30 December 2020, the EU and China signed a bilateral investment agreement, The EU-China Comprehensive Agreement on Investment (CAI). The agreement does not regulate trade in goods, which is handled by the WTO's regulatory framework, but primarily aims to remove certain obstacles to investment by both parties. Certain sectors in China that were previously entirely closed to investment would thereby be opened up, and in other sectors China's insistence on joint ownership along with other limitations would be removed.

The agreement would unlock new opportunities for investment in both manufacturing (in industries such as automotive, telecom and healthcare equipment) as well as the services sector (including computer services, financial services and cloud services). The parties would also remove certain restrictions on the movement of people and make it easier for European companies to have their managers and specialists work in China.

In May 2021, the European Parliament voted to suspend ratification of the agreement in response to China's countermeasures to EU sanctions targeting Chinese individuals and authorities involved in the persecution of the Uyghur ethnic group in the province of Xinjiang. China's reluctance to condemn Russia's war of aggression in Ukraine has further worsened relations between the EU and China and obstructed any possibilities to ratify the agreement, which is currently on hold.

Sweden already has an investment protection agreement with China which is valid until a new EU agreement comes into force.

to decrease and unemployment will rise slightly. In the euro area inflation peaked at 10.6 per cent in October 2022 and is gradually dropping to a full-year average of 5.0 per cent for 2023.

GDP growth in Europe is forecast to increase by 1.6 per cent in 2024, in an upturn for private consumption and investments. Exports will rebound as the global economy makes a broad recovery. Large deliveries of LNG, full gas stocks, completed maintenance work on French nuclear power plants and continued expansion of renewable energy production are expected to restore the balance on the European energy market. By then, inflation is expected to have been pushed down and price increases will remain at 1.2 per cent for the full year.

BRIGHTER OUTLOOK

Germany. Growth in the German economy reached 1.9 per cent in 2022, following a strong year for private consumption. But the consequences of the war in Ukraine and slowing global demand were gradually felt more and more during the second half of the year, resulting in weaker export development. The energy crisis was the main cause of rising inflation, which hit almost 7 per cent for the full year.

The outlook for manufacturing seemed exceptionally bleak during the autumn, as companies had to face a dramatic surge in electricity prices and continued supply chain disruptions. The energy-intensive chemicals industry announced that major shutdowns would become inevitable if the situation did not improve. However, the labour market has proven to be resilient with just a minor uptick in unemployment. At the same time, households lost significant purchasing power due to the soaring energy and food prices and the rising interest rate.

During the autumn, the government took several steps to replenish gas stocks, eliminate dependence on Russian gas and to stabilise the situation in Germany's energy industry. This included the state's acquisition of the bankrupt energy company Uniper and the nationalisation of the Russian company Gazprom's operations in Germany. In January this year, the gas stocks were 90 per cent full and rationing during the winter months was avoided. Several defunct coal power plants have been restarted to replace the loss of gas in the country's electricity production. Germany has also built three terminals in record time for taking delivery of large quantities of LNG, mainly from Norway, the US and Qatar.

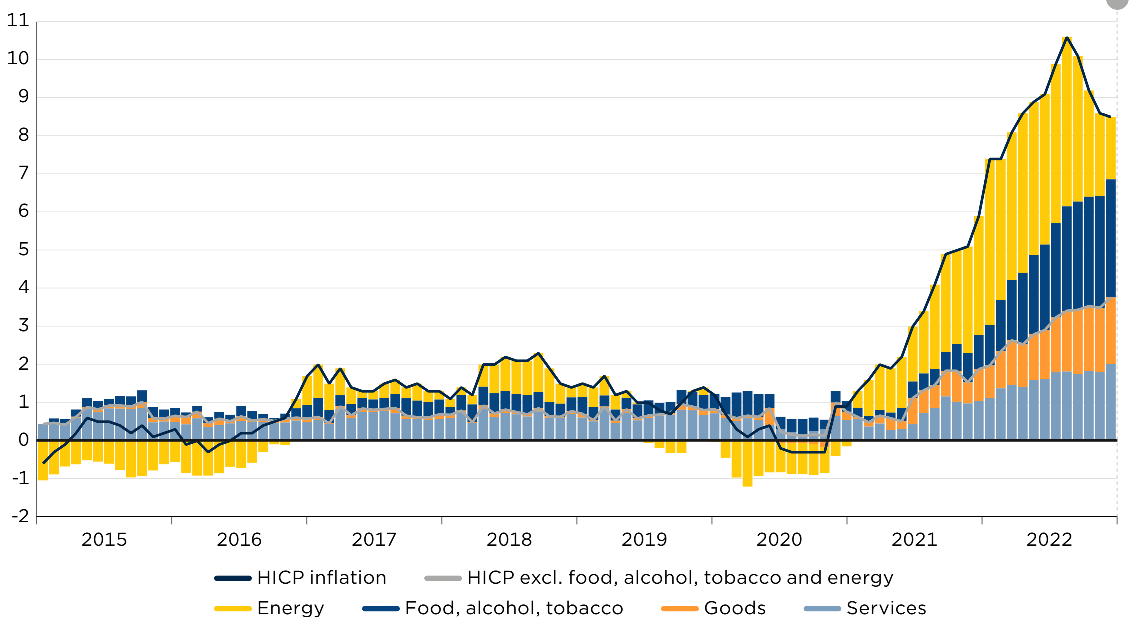
Thanks to the launch of massive support schemes to prop up households and businesses, the country has so far fended off the worst economic consequences of the energy crisis. From 1 January this year, a price cap and other energy subsidies were introduced, which are largely to be financed by the excess profits of the energy companies. The cost of this support package is estimated to be EUR 100 billion, evenly distributed between gas and district heating and electricity. According to the European think tank Bruegel, Germany's energy subsidies to households and companies amount to a total of EUR 270 billion, by far the largest in Europe.

The end of last year was marked by falling industrial production and weak demand, with a sharp drop in retail sales. Continued pessimism among businesses and households was evident as 2023 began, but the purchasing managers' index has now climbed above the 50-mark and surveys of the still depressed consumer confidence show a minor uptick. The reputed Ifo index rose again slightly in the March survey, showing a considerable rebound in the assessments of future prospects for manufacturing as well as an upswing for the services sector. Falling energy prices, a stabilised inflation rate and positive effects of the government's support packages all contribute to less pessimistic sentiment among companies.

The GDP forecast shows a minor drop of 0.1 per cent for 2023. Private consumption, investments

ENERGY-DRIVEN INFLATION

Inflation in the euro area, annual percentage change, contribution in percentage points

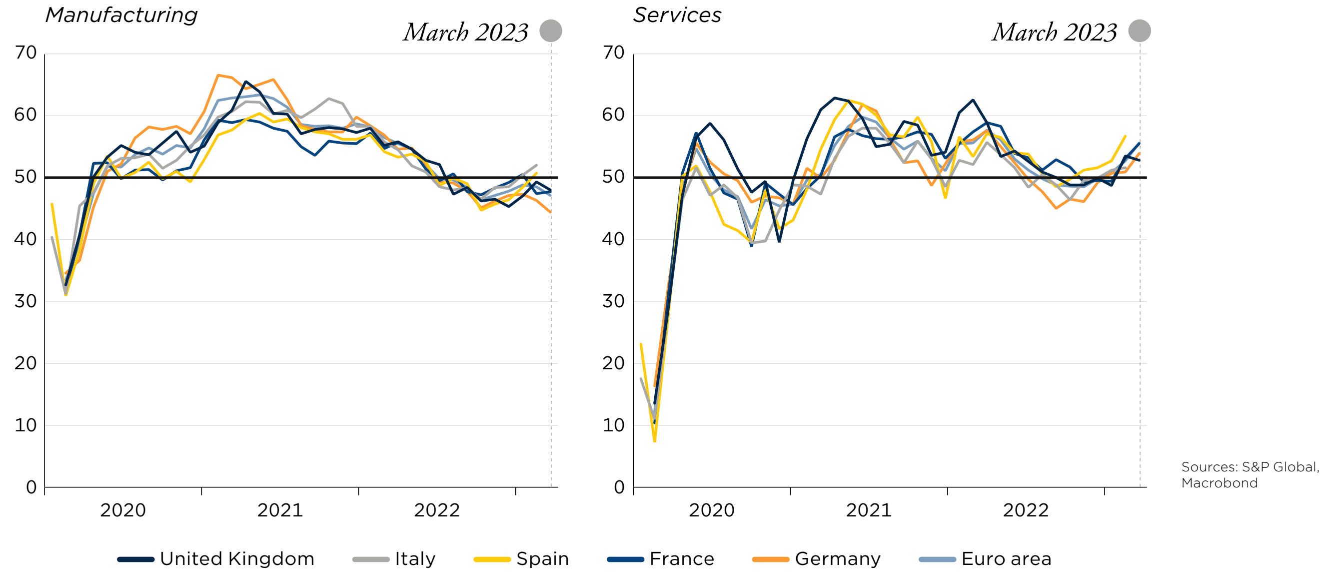


Source: ECB

February 2023

REBOUND IN THE SERVICES SECTOR

Purchasing managers' index in manufacturing and services, index >50 indicates expansion and index <50 indicates contraction



and industrial production are expected to stagnate, while exports will grow slightly. An inflation rate that drops to 5.0 per cent for the full year, compared to 6.9 per cent in 2022, will help to cushion the continued fall in households' real incomes. The improved energy situation, falling inflation and stronger demand on global markets will lay the foundation for an economic recovery towards the end of the year. Private consumption and investments will underpin GDP growth which is expected to reach 1.2 per cent in 2024.

France. The French economy grew by 2.6 per cent last year, largely due to a modest increase in private consumption. The rate of investments was low but exports continued to perform well. For tourism, the summer season became one of France's best ever in terms of the number of overnight stays, with domestic tourism seeing the biggest surge.

Industrial production fell back somewhat, partly as a result of high electricity prices during the summer and autumn. But a collapse due to the energy crisis, as had been feared, did not occur. Half of France's aging nuclear reactors, which account for 70 per cent of the country's electricity production, were taken out of service for maintenance work at the end of the year. However, the mild winter was favourable for electricity prices and the country's gas reserves, which are now well stocked.

Although the beginning of 2023 showed glimmers of hope including an uptick in the purchasing managers' index for the services sector to 55.5 in the March survey, other indicators such as consumer confidence remain at record lows.

The forecast for 2023 points to stagnation, with weak GDP growth of 0.4 per cent. Private consumption is expected to increase somewhat, but household finances are still heavily burdened by inflation, which is only marginally moderated to 4.9 per cent this year. Rising interest rates and stricter mortgage lending criteria are adding further pressure on households. Pressure on the labour market is falling and unemployment is expected to rise, albeit from a relatively low level. Industrial production is expected to show zero growth, while exports will increase just moderately.

In January of this year, the government presented its radical proposal – in a French context – for reforming the pension system. This means that the retirement age would be raised from the current 62 years to 64 years, and workers would have to put in more years of labour to get their full pension. Having failed to gain support for the reform in parliament, President Macron pushed it through by decree without the customary vote in the national assembly. The measure has been met with widespread protests and strikes across the country in order to stop the reform.

An economic recovery is likely to begin this autumn which will continue into next year. GDP growth is expected to reach 1.0 per cent in 2024, in the wake of a small rebound for private consumption and investments as well as a boost for exports.

United Kingdom. GDP growth in the UK economy reached 4.0 per cent in 2022, driven by strong private consumption and a high rate of investments. Although industrial production fell back, exports remained strong.

Nonetheless, the UK economy slowed down during the second half of the year due to soaring prices primarily for energy and food, resulting in falling real income for households. Widespread strikes among public sector workers in healthcare, rail transport and postal services caused the largest loss of working days in the country since the 1980s.

Political turbulence worsened the situation. The newly elected conservative Prime Minister Liz Truss resigned in October just a few weeks after the government's budget threw financial markets into chaos. This contributed to a fall in the British pound which prompted the Bank of England to raise the key interest rate. The budget was widely criticised as planned tax cuts and other stimulus measures would arguably lead to continued price increases, at a time when the central bank was decisive in its measures to suppress inflation. The successor Prime Minister Rishi Sunak's budget is balanced and, instead, involves tax increases. But the previously announced energy price subsidy for low-income households remains in place.

This year, GDP is expected to fall back by 0.4 per cent as private consumption and investments decline. Inflation will only dampen slightly and is expected to hit 6.4 per cent in 2023. Investments are stagnating and the slowdown in industrial production continues. A weak recovery will begin this autumn as household consumption pick up again, but an expected correction in the housing market, possibly causing a price drop of up to 20 per cent, may hamper the upswing. Growth is expected to remain at 1.5 per cent in 2024.

The so-called Windsor Framework between the EU and the UK – announced on 27 February this year – resolves the remaining trade policy dispute between the parties after Brexit. The agreement will significantly simplify checks on goods passing through Northern Ireland into the EU's single market. The Windsor Framework is due to be ratified by the British Parliament and the European Parliament before it comes into force.

Italy. The Italian economy grew by 3.8 per cent in 2022, underpinned by robust private consumption and a high rate of investment. The labour market remained strong with falling unemployment. Both domestic and international tourism boomed during the summer which gave both the services sector and goods exports a significant boost. Italy's heavy dependence on Russian gas has been partially countered with new suppliers in North Africa, and with gas stocks filled for winter, rationing has been averted.

Despite this, the economy gradually weakened last year when an inflation level of 8.2 per cent, above the average for the euro area, hit household demand with soaring prices for energy and food. Recent statistics, including for the retail sector, indicate that Italy likely entered a mild recession at the end of the year.

Positive signals such as a slight recovery in the purchasing managers' index, which is now above the 50-mark for both manufacturing and the services sector, and rising consumer confidence indicate that the decline has stabilised. But 2023 will be a slow year for the Italian economy with modest growth of 0.8 per cent. Inflation is expected to fall back to an annual average of 6.1 per cent. The GDP forecast for 2024 shows 1.0 per cent growth, with few bright spots in the economy.

The new right-wing government that took office last October, led by Prime Minister Meloni, has surprised many observers by continuing the economic policy of the previous government, which was characterised by restraint in public spending and a clear process for using funds from the EU support packages. As such, the risk of political friction between Italy and the EU has decreased, at least for the time being.

Spain. The Spanish economy expanded by 5.5 per cent in 2022 following a moderate increase in private consumption, a solid pace of investment and an export boost. The critical tourism sector continued its post-pandemic recovery and, during the summer, demonstrated revenues approaching the same level as 2019, which was a record year.

With the pressure of high inflation, rising interest rates and weaker European demand, the economy slowed towards the end of last year. Strong demand on the labour market, which had been fairly consistent, has now gradually weakened. But some economic momentum remains as indicated by the purchasing managers' index for manufacturing which climbed above the 50-mark in February, and for the services sector which rose significantly to 56.7 in the same month.

Following two years of strong expansion, Spain's GDP growth is expected to remain at 1.6 per cent in 2023 and 1.4 per cent in 2024, largely as a result of low private consumption and weak export development. With falling energy prices, the inflation rate is forecast to more than halve to 3.9 per cent already this year and drop to just above 2 per cent next year.

THE WAR LEAVES A MARK

Russia. The country's costly war of aggression in Ukraine and the subsequent sanctions imposed by more than 30 countries – including the US, Canada, the EU, the UK, Japan, South Korea and Australia – has hit the Russian economy hard. But despite extensive international trade restrictions and a massive exodus of foreign companies from the Russian market, the fall in GDP was limited to 2.1 per cent last year. Russia's revenue from its critical fossil fuel exports could be sustained by the rise in oil prices and by shifting the focus in foreign trade from Europe to Asia, where China and India are the major buyers of Russian oil and gas. At the same time, imports fell by almost a quarter.

The outcome of the Ukraine war remains very uncertain, but all the indications are that it will be a long conflict. Russia's gradual transformation into a war economy is therefore expected to continue, with the government increasing its control of the private sector. Industrial investments are set to rise in order to replace non-existent imports with national production, while national mobilisation and conscription to join the fight in Ukraine is ramped up.

Russia's GDP is expected to fall by 0.2 per cent in 2023. Unemployment remains low, around 4 per cent. The high inflation, which reached 11 per cent in February, is putting pressure on households, but extensive government support and subsidies are preventing a major drop in private consumption.

Turkey. The economy grew by 5.6 per cent in 2022 due to massive increases in private and public consumption. In addition, industrial production and exports showed high growth figures. Prices for a wide range of goods and services rose resulting in inflation hitting just over 70 per cent.

On 6 February this year, the eastern parts of the country were hit by two major earthquakes that claimed tens of thousands of lives. The extensive destruction is also having negative repercussions in terms of Turkey's near-term economic prospects.

The expected GDP growth has been revised down to 0.8 per cent for 2023. The inflation rate is expected to slow down to just over 40 per cent. Private consumption will drop slightly, while investments will fall sharply. Public spending is due to increase by 10 per cent largely due to the earthquake disaster. Growth in 2024 is expected to rise to 2.6 per cent.

President Erdogan announced in January that the presidential and parliamentary elections will be held as planned on 14 May this year.

Central and Eastern Europe. Poland's economy expanded by 5.2 per cent in 2022 following robust growth in private consumption and investments. Large order stocks and reduced disruptions in companies' supply chains led to a sharp rise in industrial production. But with an inflation rate exceeding 14 per cent, Polish households have suffered a significant loss of real income. The forecast for economic growth is zero for 2023, followed by a broad-based GDP increase of 2.9 per cent in 2024. The high rate of inflation remains unchanged this year and is set to fall back only marginally next year.

Hungary's economy developed well last year, too, with GDP growth reaching 4.6 per cent underpinned by private consumption, investments and exports. The inflation rate amounted to just over 14 per cent. This year, GDP is expected to decrease by 0.5 per cent following declining domestic and European demand. Next year, the economy is expected to recover and grow by 2.4 per cent.

The Czech Republic's economy grew by 2.4 per cent in 2022. Private consumption fell back slightly, while investments saw a boost. The inflation rate exceeded 15 per cent on average for the full year. This year, GDP is expected to fall by 0.7 per cent as demand drops. On the brighter side, inflation is falling to 6 per cent. Next year, the economy will rebound with expected growth of 2.5 per cent.

The Nordic countries. Sweden's economy expanded by 2.7 per cent in 2022, but is now hampered by high electricity prices and inflation coupled with rapid interest rate hikes, which is hitting highly sensitive Swedish households, read more in the chapter Sweden and Swedish exports.

Finland's GDP growth reached 2.0 per cent in 2022. Conversely, GDP is instead expected to drop this year by 0.4 per cent in a broad-based slowdown. Finland has reorganised its previous trade flows with Russia, which were previously quite significant, now focusing on other markets. The halt of imports of Russian natural gas has been dealt with, partly by the January launch of a Finnish-Estonian LNG terminal. The economy is expected to start to recover this autumn and grow by 1.3 per cent in 2024.

The Danish economy grew by 3.6 per cent last year, but growth will slow to 0.3 per cent in 2023, folding under the pressure from falling private consumption and investments. Inflation will halve to just below 4 per cent this year, despite an almost overheated labour market. The GDP forecast for 2024 is 2.0 per cent, fuelled by an expected boost in private consumption.

Norway's GDP rose by 3.2 per cent in 2022 following strong growth in private consumption and investments. Norwegian households are underpinning the momentum, and the economy is expected to expand by 1.5 per cent this year and by the same amount in 2024.

– High but falling inflation, high interest rates
– Falling consumption
– Full employment

NORTH AMERICA

THE SLOWDOWN HAS BEGUN

USA. The mid-term congressional elections that took place on 9 November last year resulted in the Democrats strengthening their position in the Senate while the Republicans took control of the House of Representatives by a narrow margin. President Biden's continued economic policy will therefore be more difficult to implement due to expected opposition in a heavily polarised Congress.

Prior to the election in August 2022, the Biden administration succeeded in getting Congress to approve the Inflation Reduction Act (IRA) climate bill, which includes USD 740 billion of various investments and savings until 2031, of which USD 370 billion has been dedicated to energy security in the US and the green transition.

In the same month, Democrats and Republicans agreed on making a national investment to develop and manufacture semiconductors in the US, the CHIPS and Science Act, involving a USD 53 billion support package over 10 years. From being a dominant player, the US today accounts for just 12 per cent of global manufacturing of semiconductors, which is a critical industry to safeguard military capabilities.

The shift towards a proactive industrial policy when it comes to semiconductors and other key goods is taking place against the backdrop of a widely held view among policymakers that China poses a growing economic and military threat to the United States. The downing of a suspected Chinese spy balloon over US territory in February this year, coupled with escalating rhetoric from China regarding an unconditional incorporation of Taiwan into mainland China, has further soured relations between the superpowers.

Biden is also using industrial policy to push his national agenda. Companies tapping into the US investments in semiconductor development will also be committing themselves to offer childcare for employees, use a green energy mix for production and to pay fair wages to construction workers, among other criteria.

Despite the sharp political differences, members of Congress have almost unanimously backed US defense support for Ukraine, which has so far amounted to USD 75 billion, including USD 50 billion in military equipment and training.

RESILIENT SERVICES SECTOR IN THE US

Purchasing managers' index in the US, index >50 indicates expansion and index <50 indicates contraction

Sources: ISM, Macrobond

WAGE GROWTH IS SLOWING BUT REMAINS HIGH IN THE US

Hourly wages in the private sector, annual percentage change

Sources: US Bureau of Labor Statistics, Macrobond

RECESSION AROUND THE CORNER?

US GDP rose by 2.1 per cent in 2022 following strong momentum in private consumption. Industrial production increased by almost 4 per cent and exports remained strong.

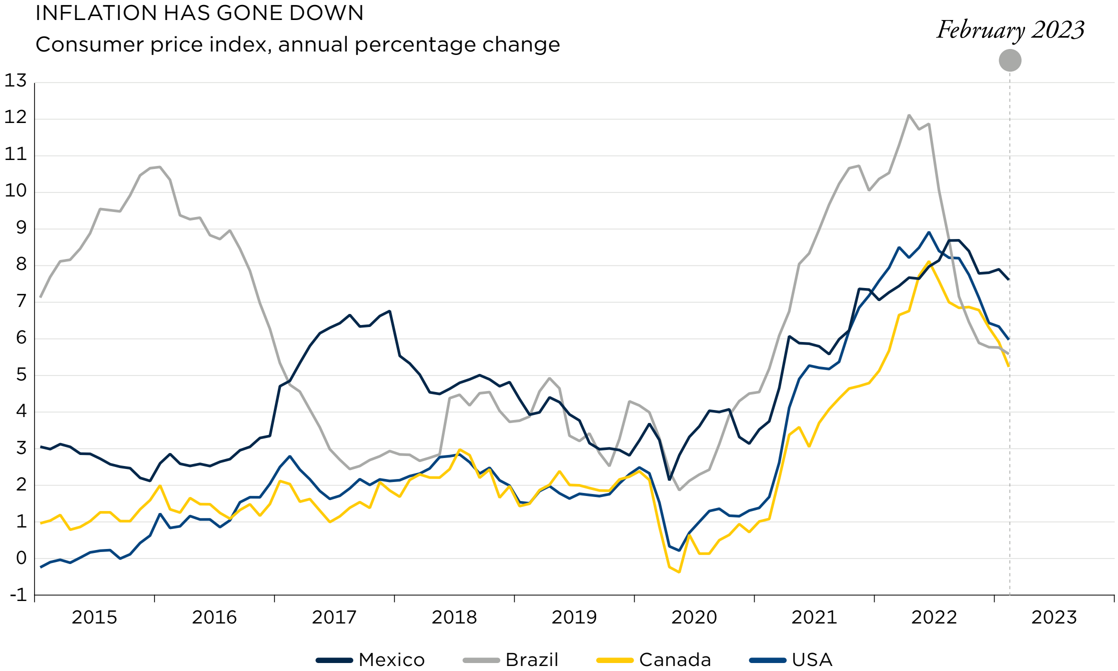
But last year was marked by rising inflation and the Federal Reserve's rapid interest rate hikes, from zero in February 2022 to 5.00–5.25 per cent at the March meeting this year. Inflation peaked at 9.1 per cent in June last year and has since gradually fallen to 6.0 per cent in February this year.

The outlook for 2023 is far from bright. Unemployment did indeed fall to 3.4 per cent in January, which is the lowest recorded level in 50 years. The February result was just slightly higher, at 3.6 per cent. But persistent high inflation and rising interest rates are incompatible with the current level of household consumption, especially when extra savings made during the pandemic have been spent and as the high interest rate prevents any credit expansion. While the pace of wage increases is simmering, wage growth still remains strong but is not on par with inflation. A housing market slump and falling stock prices further contribute to the conclusion that consumers will be holding on tighter to their wallets.

The ISM purchasing managers' index for manufacturing has fallen back gradually over the past six months and reached 47.7 in February, whereby a level below 50 indicates contraction. But the overall picture of economic slowdown is not without nuance: The subindex for the services sector climbed to 55.1 in February, from 49.2 in December last year. In another survey, the S&P Global

INFLATION HAS GONE DOWN

Consumer price index, annual percentage change



Sources: National sources and Macrobond

SOUTH AMERICA

South America's GDP increased by 3.9 per cent in 2022 as the post-pandemic economic recovery continued. But high inflation and high interest rates have put pressure on South American households, resulting in rising poverty and social unrest. Unemployment is rising and is close to 10 per cent in some of the continent's nations, in struggling labour markets where many people are either unemployed or having low-wage jobs. Government support and grants to low-income families have not been successful in preventing a third of the population from being classified as below the poverty line.

Roughly 70 per cent of South America's exports consist of raw materials and commodities, but the countries' natural resources vary considerably, meaning that last year's volatile prices for oil, gas, metals and agricultural products had different impacts across the continent.

South America's GDP is expected to grow by no more than 0.5 per cent this year, and is then expected to jump to 2.6 per cent in 2024 when inflation dampens. Households will regain some of their lost purchasing power and global demand will pick up momentum again.

BRAZIL

Brazil's growth rate reached 3.0 per cent in 2022, mainly as a result of a robust development of private consumption and exports. However, activity in the economy slowed considerably during the autumn.

In the October election last year, the incumbent President Bolsonaro was defeated by the left-wing candidate and former president Luiz Inácio Lula da Silva. An otherwise peaceful transition of power was undermined by the storming and occupation of government buildings by Bolsonaro supporters in January this year.

According to analysts, Lula's election victory is likely to involve a significant increase in public spending, provided that he can mobilise support for his policies in Congress where right-wing parties have a majority. Among the election promises are an increase in the minimum wage, increased taxes for the wealthy, debt relief for low-paid workers and an expansion of the government's housing subsidies. Inflation expectations have risen following Lula's criticism of the central bank's tight interest rate policy. The bank left the key interest rate unchanged at 13.75 per cent at its February meeting.

The GDP forecast for this year is weak, 0.4 per cent, as private consumption stagnates and exports drop. Inflation is expected to fall from a high of 9.6 per cent last year to somewhat just over 5 per cent for 2023. Unemployment continues to decline from a high level. Towards the end of the year, the economy is expected to pick up steam as global demand rebounds. For 2024, growth is expected to reach 2.4 per cent

purchasing managers' index, the services sector climbed above the 50-mark. Sales in the retail and restaurant businesses rose early in the new year.

At the same time, other monthly indicators such as the OECD's Business Confidence Index (BCI) show that business confidence in the US economy has gradually fallen to a level which points toward economic decline. Consumer confidence in the economic outlook is even weaker – in the Conference Board's latest survey in February, the index fell to a level indicating economic recession in the next 12 months.

The forecast for GDP growth in the US is a modest 0.9 per cent this year, followed by an even more feeble 0.6 per cent in 2024, amid weak development for private consumption and investments.

Canada. GDP rose by 3.4 per cent in 2022, largely due to robust private consumption. At the same time, investments fell back somewhat and exports saw weak development. Towards the end of the year, a noticeable slowdown in the economy began as high inflation, interest rate hikes and a continued drop in housing market prices resulted in falling consumer confidence and a dampening of household demand.

By the start of 2023, a few bright spots could be observed. The purchasing managers' index for manufacturing jumped above the 50-mark in January for the first time in six months. The labour market continues to generate new jobs, with unemployment falling to a record low of 5.0 per cent.

The Bank of Canada has kept the key interest rate at 4.50 per cent since January this year following several record hikes in rapid succession. As recently as in March 2022, the key interest rate was 0.25 per cent.

The GDP forecast for Canada in 2023 is an 0.7 per cent drop due to falling private consumption and investments. Reduced domestic demand will contribute to inflation being almost halved, to an expected 3.5 per cent for the full year this year. In 2024, the economy will rebound and is expected to see GDP growth of 2.0 per cent.

The political relationship between Canada and the US has improved significantly under the Biden administration. The land border between the countries reopened in October 2022 as pandemic restrictions were eased. But Prime Minister Justin Trudeau and his government have expressed concern that Canadian companies will be disadvantaged by the US's newfound industrial policy and legislation such as the Buy America Act, as it may hinder access to the US market where 80 per cent of Canada's exports are destined.

Mexico. GDP increased by 3.1 per cent last year as private consumption and investment performed well. Industrial production and exports demonstrated strong results while unemployment fell to a low 3.4 per cent.

Remittances from Mexican migrants in the US, an important source of income for many households, reached a record USD 60 billion. Mexico is also benefiting from the ongoing diversification and geographic reorientation of production and supply chains by American and European companies. Foreign companies invested heavily in the Mexican economy in 2022 and particularly in manufacturing.

Domestic demand saw weak development last autumn which meant that the Mexican economy got off to a slow start in the new year. Households are pressured by continued high inflation, high interest rates and tight mortgage lending. The central bank raised the key interest rate by a further 50 basis points to 11.00 per cent at its February meeting. The slowdown in the US is hitting the critically important export industry, but remittances and, by extension, tourism are also negatively affected when the US labour market cools down. The economy is expected to expand by a modest 1.1 per cent in 2023 and thereafter by 1.5 per cent in 2024, in a broad-based but moderate rebound.

Relations between Mexico and the US remain tense, even after the construction of border barriers between the countries ceased under President Biden. Cooperation on combating the drug trade has seen some progress, as has the issue of migration given that refugees from Central America are taking the route through Mexico to the United States. The Biden administration has criticised Mexico's favourisation of state energy companies and the country's continued investment in fossil fuels. President AMLO, for his part, has accused the US of ignoring Latin America's needs.

– Growth rate drops but remains robust

– Inflation dampens

– Reopened China thrives, India rising after the pandemic

ASIA

THIS YEAR'S GROWTH ENGINE FOR THE GLOBAL ECONOMY

China. GDP increased by 3.0 per cent in 2022. Overlooking the 2020 growth result of 2.2 per cent at the height of the pandemic, this is the lowest growth figure since China introduced the first market economy reforms in the 1970s. Private consumption and exports revealed zero growth last year, while investments increased at a moderate pace. But a major leap in public consumption contributed to sustained activity in the economy.

China's zero-tolerance policy against the spread of the coronavirus, which is the main explanation for the weak growth figures, was abruptly lifted in early December last year, after weeks of public protests against the restrictions. The dismantling of restrictions coincided with the Chinese New Year and widespread travel, as many Chinese citizens celebrate the New Year with families spread across the country.

Data on the number of deaths from Covid-19 in the months following the lifting of restrictions vary widely, from just over 80,000 announced by the Chinese authorities to an estimate of 1–1.5 million made by American epidemiologists. Regardless of which number is closer to the truth, at the beginning of 2023 the country likely had an extensive spread of infection with many deaths.

The forecast for 2023 is a GDP increase of 4.5 per cent, in a broad economic recovery from the shutdowns of recent years and tough restrictions across large parts of society. However, a question mark can be raised regarding the underlying strength of household consumption, which could be dampened by low income growth, modest extra savings during the pandemic years and low consumer confidence.

Exports are expected to drop by roughly 2 per cent this year following weaker development in important export markets and a cyclical decline in global demand for semiconductors and intermediate goods for industry. However, Moody's Analytics purchasing managers' index for manufacturing rose to 52.6 in February from 50.1 in January, showing signs of rapid expansion. The S&P Global purchasing managers' index showed a similar trend. The upswing for the services sector is greater than for manufacturing: the S&P Global sub-index rose to 55.0 in February, from 52.9 in January.

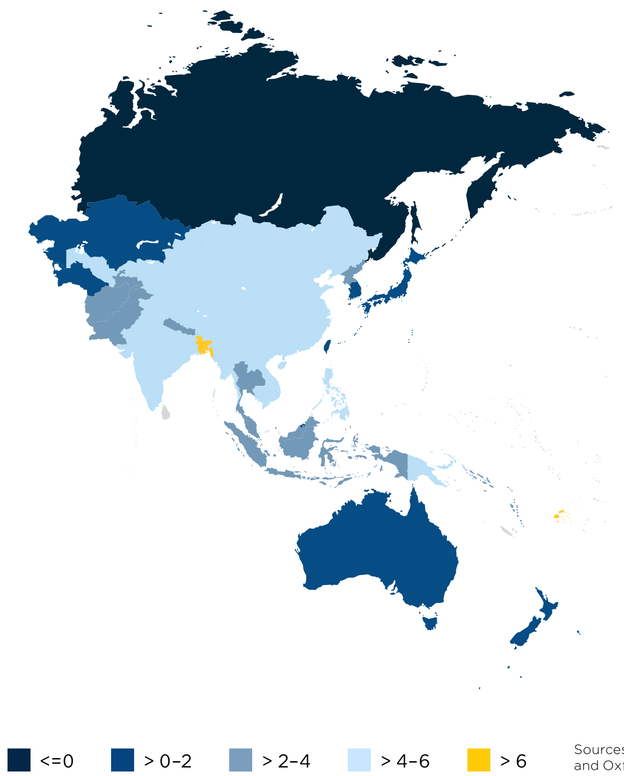
China has also seen price increases, with inflation peaking at 2.8 per cent in September last year. Inflation has since fallen to a low 1.1 per cent in February this year. For the full year 2023, inflation is expected to hit 2.4 per cent.

China's broad economic recovery is expected to continue in 2024 and result in GDP growth of 4.7 per cent. Inflation for the whole year is expected to remain unchanged at 2.4 per cent.

President Xi Jinping further consolidated his power at the Party Congress last October. The members of the Communist Party's most

GROWTH OUTLOOK

GDP growth, constant prices, annual percentage change, forecast



Sources: Business Sweden and Oxford Economics

XI JINPING CONSLIDATES HIS POWER AT THE PARTY CONGRESS

In late October 2022, China's Communist Party concluded its 20th Party Congress – the nation's most important political event. This is where the party chooses its top leadership and sets the policy direction for the coming five years.

Xi Jinping emerged from the congress in a bolstered position as he secured an unprecedented third term as General Secretary of the Communist Party and appointed loyal colleagues to the highest organ: the Politburo and its standing committee. Xi's close and longstanding ally, and former Shanghai Party Secretary, Li Qiang, was chosen to undertake the Premiership and take over the reigns from outgoing Premier Li Keqiang. As expected, no successor to Xi was identified during the congress and Xi is expected to remain China's leader for the foreseeable future.

Xi Jinping also delivered a report to the congress which indicated that there will no major policy shifts in the next five years, although some policies will be reworked and reprioritised.

Three takeaways from the Party Congress for Swedish companies operating in China:

- Xi Jinping's strengthened position in the leadership will make it easier for him to carry out his political agenda, including signature initiatives such as Dual Circulation, Common Prosperity, and the 2030/2060 carbon emissions goals.
- Over the coming five years (and beyond) national security will permeate all aspects of China's political, social, and economic life. Foreign companies should expect an increased focus on self-sufficiency, economic nationalism and economic fairness.
- Political and economic governance will continue to pivot towards quality over quantity, by focusing on boosting innovation and supporting the "real economy".

Ideology will trump the economy as the Party is looking to take an even bigger role in China's governance.

From a geopolitical perspective, the congress did not give any indication that China's policy on Taiwan has changed, or that the timeline for reunification will be revised.

important bodies, the Politburo and its Standing Committee, now consist exclusively of members loyal to the President.

Meanwhile, political and military tensions with the US are escalating, and have especially sharpened around the recurring dispute over the future of Taiwan. The relationship with the EU and its member states is also severely strained, partly as a result of China's refusal to condemn its ally Russia as it wages a war of aggression in Ukraine.

Japan. Growth in the Japanese economy was weak in 2022 and amounted to 1.0 per cent which dashed any hopes of a tangible post-pandemic recovery. The financial impact of the spectator-free Olympics in Tokyo was negligible and can mainly be attributed to previous infrastructure investments.

For 2023, weak private consumption and stagnant exports are expected to result in modest GDP growth of 0.6 per cent. Stronger global demand is driving export growth, industrial production and a stronger pace of investments, which will contribute to 1.3 per cent growth in 2024.

In stark contrast to the rest of the world, the Bank of Japan is continuing its zero interest rate policy, despite rising inflation which hit 4.3 per cent in January this year. As the economy slows down, however, inflation is expected to fall to an annual average of 1.5 per cent in 2023.

India. Following the devastating spread of coronavirus, which resulted in a high death toll, India's remarkable recovery is illustrated by the strong GDP figure of 6.7 per cent for 2022, in a major upswing for private consumption, investments and exports. According to the International Monetary Fund, IMF, last year India overtook Britain's place as the world's fifth largest economy.

The current slowdown in the economy from falling domestic and global demand mainly applies to the manufacturing industry. Meanwhile, the services sector continues to perform well, especially in close contact services. Moody's Analytics' purchasing managers' index for manufacturing fell only marginally to 55.4 in February, which indicates continued expansion. The subindex for the services sector rose to a high level of 59.4.

Having peaked at approximately 8 per cent in April 2022, inflation has gradually dampened, but bounced back up again to 6.5 per cent in January this year, where it remained virtually unchanged through February. Rising prices for critical basic goods such as food and energy are hitting household finances. Poverty, unemployment and malnutrition remain chronic problems. The central bank raised the key interest rate to 6.50 per cent in February.

The GDP growth forecast for 2023 is 4.8 per cent as the economic recovery loses some momentum. The economy is expected to pick up speed again towards the end of the year and deliver 6.6 per cent growth in 2024.

Interest in India in the international business community has risen sharply in recent years as more and more companies seek alternatives to China for their production and supply networks. In a reorientation of the country's traditionally protectionist policies, the government wants to strengthen the country's attractiveness for foreign investment and leverage India's geopolitical position, outside the US-China tension zone. Prime Minister Modi recently issued a public invitation to foreign companies to invest in the country's energy sector and participate in the green transformation of India's economy. The government's strategy has both reaped success and experienced setbacks. For example, the US technology company Apple has moved part of its production from China to India, but has also suffered from quality problems in its Indian factories.

South Korea. GDP increased by 2.6 per cent in 2022 in an upswing for private and public consumption. The country's highly indebted households are being pressured by inflation, which peaked at 6.3 per cent in July last year and has since fallen back slightly, as well as by the central bank's interest rate increases.

The forecast for 2023 is modest GDP growth of 0.5 per cent. Industrial production and exports will drop as a result of falling global demand, including for semiconductors, which is the country's most important export product. With a market share of 19 per cent, South Korea is the world's third largest producer of semiconductors after China and Taiwan, which account for 25 and 21 per cent respectively.

GDP growth for 2024 is expected to increase to 2.8 per cent in a broad-based economic recovery.

Indonesia. The economy grew by 5.3 per cent in 2022 as private consumption and investments were given a boost. Exports increased by 16 per cent, which can be added to 2021's exceptional increase of 18 per cent.

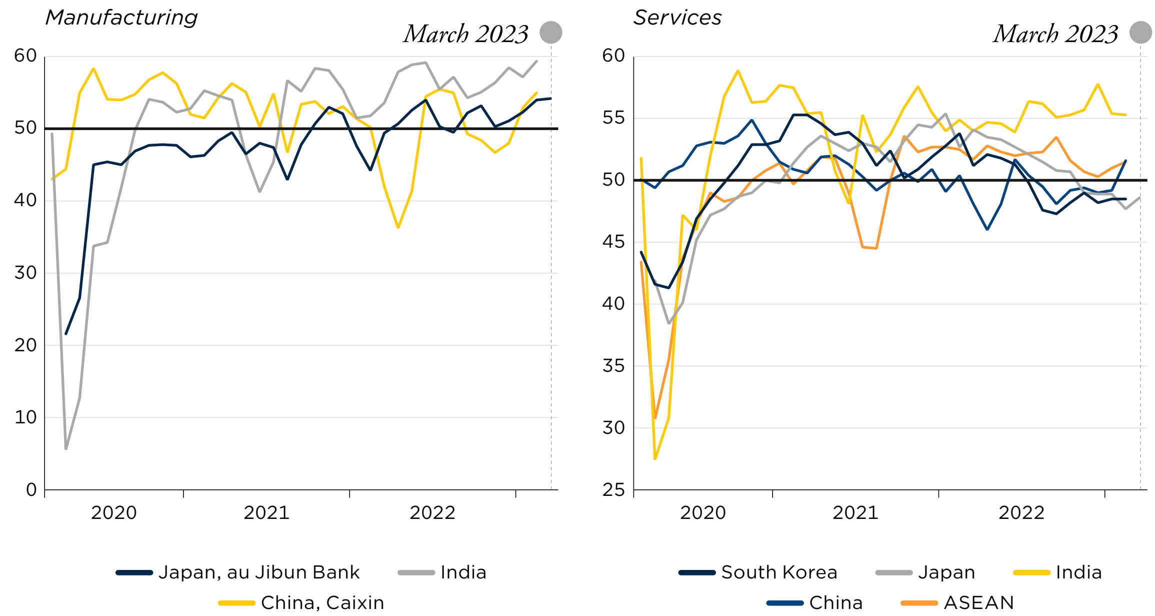
Large deposits of nickel, copper, tin, cobalt and bauxite – metals and earth minerals essential to the electronics industry and the fast-growing battery industry – are driving foreign investment in Indonesia. In 2022, Chinese companies were the largest investors in the country after Singapore companies. Exports benefited from rising prices for raw materials, including oil and gas.

As global demand falls, growth is expected to slow to 3.6 per cent this year. The economy will pick up steam in 2024 as GDP increases to 5.5 per cent.

Rest of Asia and Oceania. Taiwan's GDP growth hit 2.4 per cent in 2022 in a continued display of strength by the country's electronics industry. The forecast for 2023 is a major fall in exports due to the cyclical decline in demand for semiconductors, as well as lower growth in the two major export markets, the US and the EU. Consumer confidence is at a low level. Tensions with China have escalated further in the past year, with daily violations of Taiwan's territory by

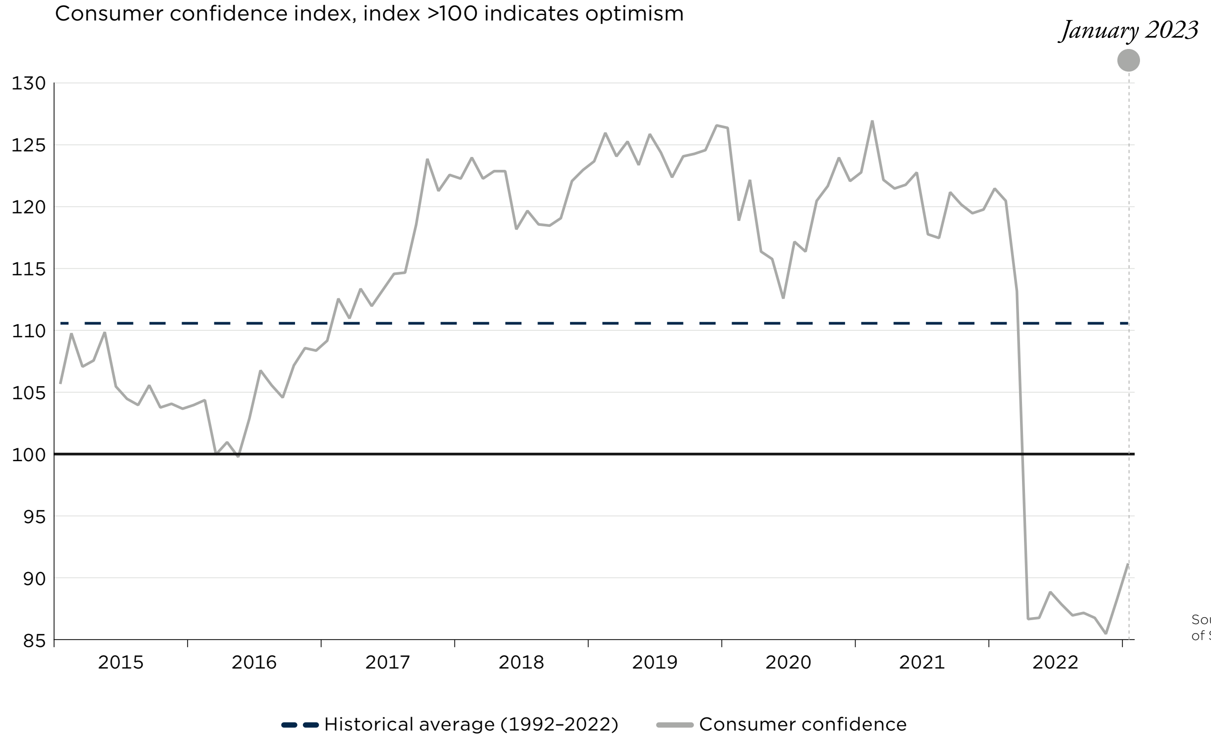
SLUGGISH TREND IN SERVICES SECTOR CONTINUES

Purchasing managers' index in manufacturing and services, index >50 indicates expansion and index <50 indicates contraction



Sources: S&P Global, Macrobond

WILL PESSIMISTIC CONSUMERS IN CHINA JEOPARDISE THE RECOVERY?
Consumer confidence index, index >100 indicates optimism



Source: National Bureau of Statistics of China

Chinese warplanes and naval units. GDP growth is expected to slow to 1.3 per cent this year and bounce back to 2.4 per cent in 2024, underpinned by robust private and public consumption. In the inflation-burdened global economy, Taiwan stands out for price increases and key interest rates well below 2 per cent.

In Thailand, GDP rose 2.6 per cent last year, amid a significant increase in private consumption and a continued upswing for exports. The vital tourism sector recovered after two years of inactivity due to the pandemic, but the number of foreign visitors was still only 25 per cent of the level seen in the record year of 2019. The lifting of travel restrictions in China is expected to give Thailand's tourism sector a major boost this year and next. The forecast for GDP growth is 3.8 per cent in 2023 and 5.0 per cent in 2024.

Vietnam's economy accelerated to 8.0 per cent growth in 2022 as domestic demand soared. Industrial production rose by more than 15 per cent. Vietnam, like Mexico, is one of the winners as large multinationals diversify and reallocate their production and supply chains, with the aim of reducing dependence on China. Despite increasing global headwinds for the country's export-oriented economy, GDP is expected to increase by 4.2 per cent this year and 5.3 per cent in 2024.

In Malaysia, GDP growth reached a remarkable 8.7 per cent in 2022, following a major upswing in private consumption, investments and exports. But the slowdown in the economy is now accelerating, with exports falling as global demand weakens. A moderate GDP increase of 2.1 per cent is expected for this year, following a continued strong pace of investments. The economy will bounce back on a broad front in 2024, with growth of 5.5 per cent.

Singapore's GDP rose by 3.6 per cent last year following a major boost in private consumption. However, a setback for exports was clearly a disappointment for this outward-looking city-state, and the decline is expected to accelerate in 2023 as global demand weakens. Some compensation for the loss can be expected from a tourism boom given that China has reopened. GDP growth is expected to remain at 0.7 per cent this year and then increase to 2.7 per cent in 2024.

Australia continued to perform well in 2022, with growth of 3.7 per cent and robust figures for private and public consumption. An overheated labour market and an ongoing price-wage spiral are making the central bank's fight against inflation more difficult. Inflation is expected to reach 6.6 per cent on average this year and, after this, fall back to 5.9 per cent in 2024. The outlook for GDP growth is an increase of 1.6 per cent this year and the same next year.

APPENDIX

COUNTRY	Swedish goods exports, current prices			GDP growth, constant prices, %				Inflation, %
	Exports 2022, SEK bn	Change 2021–2022, %	Share of Swedish exports 2022, %	2021	2022	2023f	2024f	2023
Europe								
Sweden				5.2	2.7	-0.6	1.7	6.6
Denmark	150.0	18.6	7.5	4.9	3.6	0.3	2.0	3.8
Finland	147.0	27.2	7.4	3.0	2.0	-0.4	1.3	4.5
France	80.0	19.9	4.0	6.8	2.6	0.4	1.0	4.9
Italy	60.6	27.5	3.0	7.0	3.8	0.8	1.0	6.1
The Netherlands	96.3	16.4	4.8	4.9	4.5	1.2	1.4	4.2
Norway	216.7	23.5	10.9	4.0	3.2	1.5	1.5	4.6
Poland	80.9	29.3	4.1	6.8	5.2	0.1	2.9	13.5
Russia	10.3	-54.1	0.5	4.7	-2.1	-0.2	1.8	5.4
Spain	38.9	21.7	1.9	5.5	5.5	1.6	1.4	3.9
United Kingdom	110.8	20.7	5.6	7.6	4.0	-0.4	1.5	6.4
Czech Republic	17.7	21.7	0.9	3.5	2.4	-0.7	2.5	6.5
Germany	203.4	19.5	10.2	2.6	1.9	-0.1	1.2	5.0
Austria	19.7	33.1	1.0	4.7	5.0	0.6	0.8	6.8
Americas								
Brazil	16.9	63.8	0.8	5.3	3.0	0.4	2.4	5.0
Chile	4.3	23.6	0.2	11.9	2.8	-0.9	2.0	7.8
Colombia	1.8	48.8	0.1	11.0	7.5	-0.9	1.7	12.1
Canada	14.7	42.9	0.7	5.0	3.4	-0.7	2.0	3.5
Mexico	9.9	45.8	0.5	4.9	3.1	1.1	1.5	5.6
USA	184.7	34.4	9.3	5.9	2.1	0.9	0.6	4.4
Asia and Oceania								
Australia	17.6	21.4	0.9	5.2	3.7	1.6	1.6	5.9
The Philippines	1.6	-4.8	0.1	5.7	7.6	4.1	4.5	5.8
Hong Kong	2.9	0.7	0.1	6.4	-3.5	2.2	3.8	2.5
India	17.3	49.7	0.9	8.9	6.7	4.8	6.6	5.5
Indonesia	4.9	46.1	0.2	3.7	5.3	3.6	5.5	3.5
Japan	27.9	14.3	1.4	2.2	1.0	0.6	1.3	1.5
China	71.2	5.5	3.6	8.5	3.0	4.5	4.7	2.4
Malaysia	3.7	10.5	0.2	3.1	8.7	2.1	5.5	2.6
Singapore	14.5	33.3	0.7	8.9	3.6	0.7	2.7	3.9
South Korea	17.3	17.4	0.9	4.1	2.6	0.5	2.8	3.3
Taiwan	8.1	37.1	0.4	6.5	2.4	1.3	2.4	1.8
Thailand	7.3	37.0	0.4	1.5	2.6	3.8	5.0	2.6
Vietnam	2.4	11.3	0.1	2.6	8.0	4.2	5.3	3.7
Middle East, Türkiye and Africa								
United Arab Emirates	8.6	26.8	0.4	3.9	7.9	3.2	4.8	2.1
Kenya	0.4	16.6	0.0	7.5	5.1	3.8	3.4	7.0
Morocco	3.4	20.7	0.2	7.9	1.3	2.5	2.4	5.6
Saudi Arabia	13.2	27.8	0.7	3.9	8.7	2.5	3.2	2.6
South Africa	10.8	41.7	0.5	4.9	2.0	0.7	1.1	5.8
Türkiye	20.4	34.9	1.0	11.4	5.6	0.8	2.6	44.5

Sources: Oxford Economics, Statistics Sweden, Business Sweden

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