



# RIDING THE GROWTH WAVE

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MARKET INSIGHT APRIL 2017

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Business Sweden



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# OPTIMISM IN THE GLOBAL ECONOMY

The global economic outlook continues to improve. Industrial production in Western economies is accelerating and the investment climate is getting stronger. Emerging economies, meanwhile, are seeing the benefits of rising oil and commodities prices. Optimism is high among consumers and businesses alike, with confidence levels indicating continued strong growth. A positive outlook can be seen throughout the global economy, with virtually all countries experiencing economic expansion.

All this augurs well for Swedish exports and businesses, whose production focuses primarily on investment and intermediate goods. The Swedish economy is also buoyant and we expect exports to make an even higher contribution to GDP growth in the next few years.

However, populist and protectionist winds are blowing, especially from a westerly direction. Trump, Brexit and the European super-election year are all sources of uncertainty. It remains to be seen how strong these winds prove to be, and as yet they have not adversely impacted economic growth. But one thing is sure: politicians and policymakers have been unsuccessful in explaining the benefits of globalisation and free trade. Many people in Western countries have experienced a drop in real incomes and feel short-changed by globalisation. Yet protectionism is not the solution. Free trade is not a zero-sum game. Everyone can win from free trade, which allows people to specialise in what they are good at. Free trade is also a driver of employment and prosperity.

At the same time, we are in the midst of a wide-reaching structural shift being driven by automation, digitalisation, 3D printing, artificial intelligence and other technologies. This is leading to a rationalisation of production with resultant job losses in many sectors. We should not be frightened of this, but we do need to adapt and retrain. Sweden has historically been good at adapting, and politicians have a major responsibility to provide a framework conducive to this process.

We know little about the new types of job that will emerge, but we do know that the population is ageing as life expectancy rises. This means a growing need for healthcare and elderly care services and rising demand for travel and leisure. We also know we face a stiff challenge when it comes to environmental protection and sustainable development.

Sweden and Swedish businesses are leaders in digitalisation and sustainability. There is enormous potential for Swedish exporters to explore in this area – especially in Asia, with its young and growing middle class. Together, let's make sure to ride the growth wave – with Swedish businesses at the crest.

Lena Sellgren  
Chief Economist



**LENA SELLGREN**  
Chief Economist  
Business Sweden

# A STRONGER GLOBAL ECONOMY

Global economic sentiment is high, despite increased protectionism, political uncertainty and geopolitical tensions. Business and consumer confidence indicators have improved in many countries and are at historic highs. Earlier this year, the global purchasing managers' index for the manufacturing industry reached its highest level for six years. Against this, higher resource utilisation and a rebound in oil and commodity prices are pushing up inflation, prompting central banks to tighten monetary policy. This, in turn, dampens growth in private consumption. Overall, however, global economic growth is increasing and stands to benefit from increased industrial production. Global GDP growth is forecast to rise from 3.0 percent in 2016 to 3.4 percent this year and 3.7 percent in 2018.

## STRONG INVESTMENT CLIMATE IN WEST

The continuing rise in industrial production is increasingly feeding through into stronger global growth. Investment has been low since the financial crisis and there is a latent need for increased investment spending. The investment climate has strengthened appreciably in recent times and higher capacity utilisation and low interest rates are set to remain key drivers of the economic upswing in the next two years.

Rising populism, Brexit and weakness in the commercial banking sector are causing considerable political uncertainty in Europe. Despite this, the European economy as a whole is outperforming expectations. Unemployment has fallen below 10 percent, confidence is high and economic indicators suggest improved prospects ahead. Nevertheless, the recovery still depends on an expansionary monetary policy to underpin domestic demand.

Investment in Europe is projected to accelerate, while remaining at a lower level than before the financial crisis. The general election result in the Netherlands raises hope that the tide of populism will ebb. The outcomes of the French presidential election in May and parliamentary elections in Germany in September will be important for European cohesion. The forthcoming Brexit negotiations are likely to be difficult and take many years to complete. Until now, the UK economy has stayed strong and confidence levels remain high, especially in the industrial sector. Nevertheless, Brexit is expected to have negative consequences for the UK economy going forward, particularly for investment levels. There is no doubt that uncertainty over the trajectory of the European economy will remain for the foreseeable future.

GDP GROWTH, %

Region	2016	2017F	2018F	Share of global GDP 2016
Global <sup>1</sup>	3.0	3.4	3.7	100.0
Sweden	3.1	2.6	2.1	0.7
Asia & Oceania	4.4	4.4	4.3	35.0
Europe	1.7	1.8	1.6	27.8
North America	1.6	2.1	2.5	26.0
South America	-1.9	0.9	2.9	5.6
Africa	1.7	3.1	3.5	3.0
Middle East	2.3	1.7	3.5	2.6

Note: All figures in fixed prices

<sup>1</sup> Growth in purchasing-power-adjusted GDP

Sources: Oxford Economics, Business Sweden

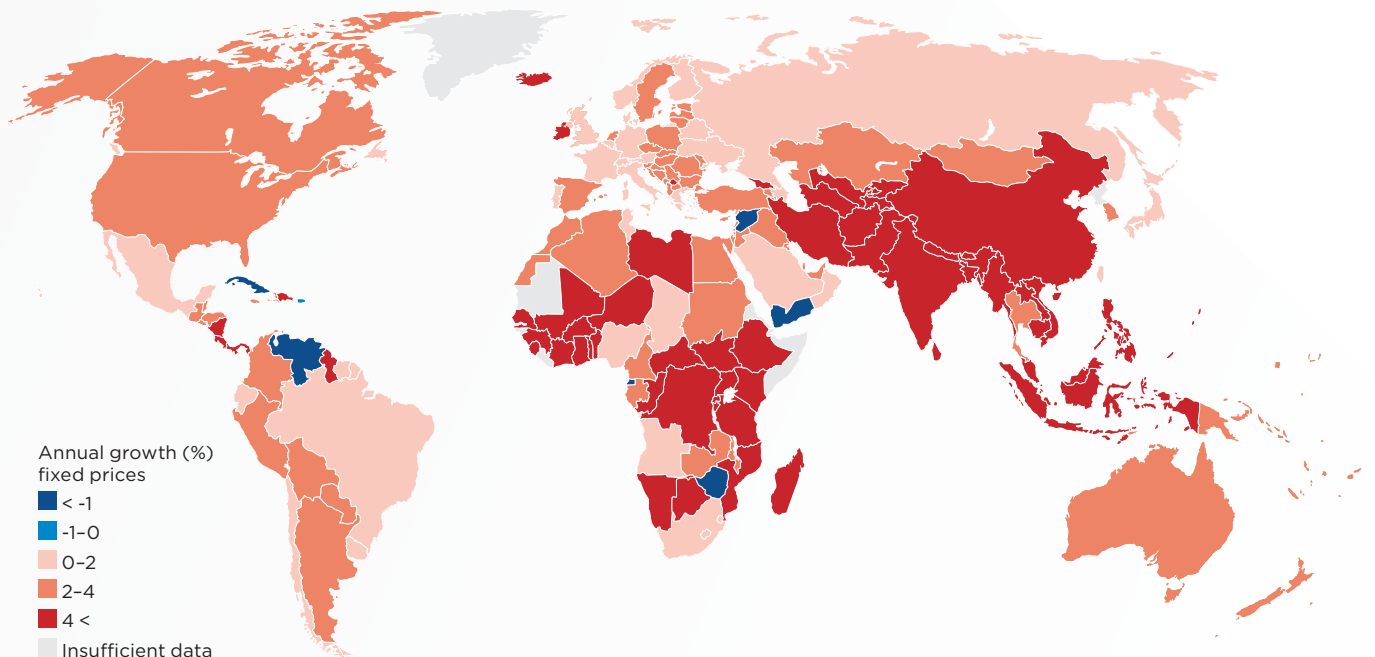
In the United States, the economic recovery is well advanced and resource utilisation has more or less reached its upper limit. Inflation is close to the Federal Reserve's target and the bank is raising interest rates as resource utilisation increases. We expect the recovery to gain further impetus from an expansionary fiscal policy as the new administration implements tax cuts, increases infrastructure investment and deregulates the economy. However, it is not yet clear exactly how expansive US fiscal policy will be. Rising protectionism continues to cast a shadow and any trade war initiated by the Trump administration would be likely to hit world trade flows and global GDP growth. As a result, an unusually high level of uncertainty surrounds both the US and global economy.

## RISING COMMODITY PRICES A BOON FOR EMERGING ECONOMIES

A sharp rise in oil and commodity prices in the last 12 months has benefited commodity-based economies. But oil is not the future and many oil-producing nations have a major transition in front of them. Only a few countries, among them Venezuela, remain in recession. Rising commodity prices in 2016 have pushed up inflation, forcing central banks to raise interest rates. Any move by the Federal Reserve to raise rates faster than market expectations would risk precipitating a capital outflow that would depress emerging-market currencies.

The economic recovery is not as far advanced in the eurozone, which means the European Central Bank is likely to delay any monetary tightening until early 2018. The Swedish Central Bank is not expected to raise interest rates until mid-2018, and then to zero percent.

### GDP GROWTH FORECAST 2017



Sources: Oxford Economics, Business Sweden

# STRONG INVESTMENT BOOSTS SWEDISH EXPORTS

The increased industrial production and investment driving global economic growth is good news for Swedish exports. Most of Sweden's key export markets are performing well, and increased demand is expected in all regions. Exports are likely to be an increasingly important driver of Swedish GDP growth in the next few years.

## SWEDISH ECONOMY GAINING STRENGTH

The Swedish economy remains robust, with GDP growth in the fourth quarter of 2016 exceeding expectations thanks largely to a sharp upswing in exports.

Strong investment in many OECD countries and key confidence indicators suggest exports will be an important growth driver in the coming years. Domestic demand is slowing amid reduced public consumption due to a reduced influx of refugees, while labour shortages are hampering residential construction growth. We expect GDP growth to reach 2.6 percent this year and 2.1 percent next year, down from 3.1 percent in 2016.

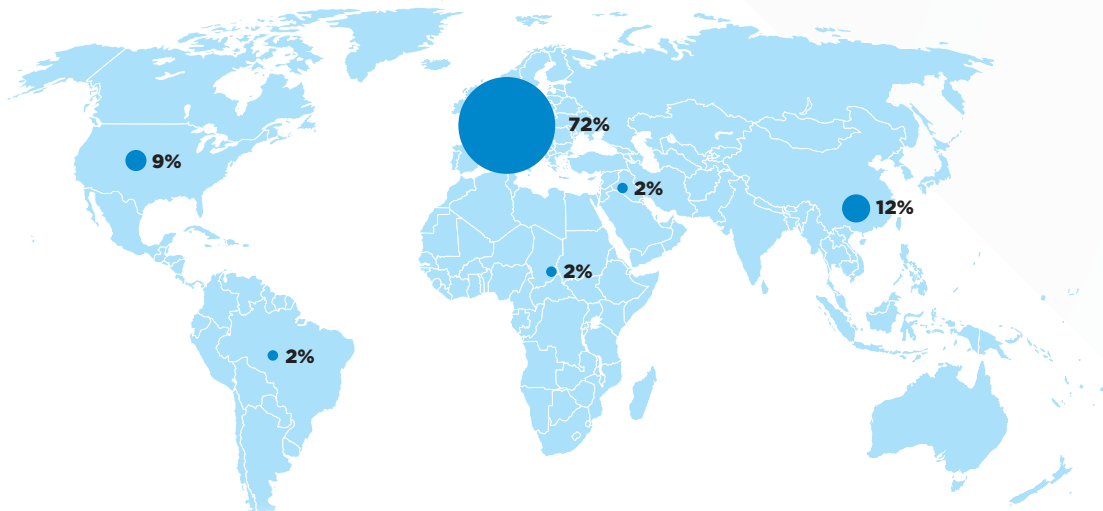
## EXPORT GROWTH ACCELERATES

Industrial production and investment have gathered pace as the global economic recovery continues. World trade growth remains below pre-financial crisis levels but is picking up and now expanding at its fastest rate since 2011. Global trade growth is also more evenly distributed between developed and emerging economies. We anticipate faster growth in the Swedish export sector, which consists primarily of investment and intermediate goods, in 2017.

In the last three years a weak krona and relatively low unit labour costs have given Swedish exports a competitive advantage that has enabled them to grow faster than the market. All the indications are that Sweden will retain its competitive advantage and that this pattern will continue. The krona remains undervalued and the Riksbank is not expected to raise interest rates before mid-2018.

In addition, growth in unit production costs is expected to slacken in the next two years. Trade unions recently signed a new wage agreement with a target increase of 6.5 per-

## SWEDISH EXPORTS BY REGION, 2016



Note: All figures in current prices; Europe includes Russia, Belarus and Ukraine  
Sources: Statistics Sweden, Business Sweden

cent over three years, with the final year being waivable. The agreement is likely to keep wage growth at moderate levels for several years, which will benefit Swedish competitiveness. Various indicators, including the Business Sweden Export Managers' Index and the National Institute of Economic Research's export order barometer, are above their historical averages. Moreover, sentiment in the manufacturing industry is more positive than usual. We project a 3.8 percent rise in Swedish exports this year and a 3.3 percent increase in 2018, compared to a 3.5 percent gain in 2016.

In recent years, service exports have grown markedly faster than goods exports. Our expectation is that the former will return to more normal levels, while goods exports pick up steam across the board, resulting in these two categories growing at about the same rate going forward. The manufacturing recovery is gathering pace and investment is increasing in the US and key European export markets.

Europe remains Sweden's most important export market, accounting for 72 percent of revenue. Asia has recently overtaken North America as the second largest market. These two regions account for 12 percent and 9 percent of Swedish export revenue respectively. Since Asia accounts for the lion's share of Swedish export growth, there is untapped potential for exporters in this region.

## INCREASED IMPORT DEMAND IN EUROPE

The rising global tide of protectionism is of concern to a small, open economy like Sweden, which relies heavily on foreign trade. However, the threat of protectionism should not be exaggerated. Reduced success in free trade negotiations involves missing out on potential export growth but does not make us worse off than we are today. Matters might indeed get worse if the Trump administration were to launch a trade war, an act that – at worst – could trigger a global recession. This makes it all the more important to ensure the competitiveness of Swedish goods and services on the world market.

Overall, the outlook for Swedish exports is bright. Business Sweden's Export Managers' Index for the first three months of 2017 suggests that Swedish companies are optimistic about demand in all world regions, especially Europe (including Central and Eastern Europe), despite political instability.

The UK's decision to leave the EU and European Single Market will leave the country outside the EU's customs union. This will necessitate the introduction of customs formalities and proof of origin regulations that will hit small and medium-sized companies hardest.<sup>1</sup>

The impact on trade and investment will be negative, but how negative remains too early to say. The likeliest outcome is that the UK itself will take the hardest hit from Brexit. Sweden has strong and longstanding trade relations with the UK, and provided that the UK economy continues to perform well we can expect continued demand for Swedish products and services.

Last year, export volumes were weak to all regions except Europe, especially in the first half of the year. This was partly due to the impact of the slump in commodity prices on emerging economies. Exports to North America were also weak for a time. This year, projected Swedish export growth differs relatively little between regions, while in 2018 we expect export growth to slow in Europe and North America and to increase in Asia and other regions.

## PROJECTED SWEDISH EXPORT GROWTH, %

Region	2017F	2018F
Europe	3.8	3.2
Asia & Oceania	3.8	4.0
North America	4.7	3.3
Africa	3.1	3.6
Middle East	3.8	4.7
South America	3.7	5.1
Total	3.8	3.3

Note: All figures in fixed prices  
Sources: Oxford Economics, Business Sweden

<sup>1</sup> See "Brexit – Alternativ till framtida regelverk för handel med tjänster och tull och handelsprocedurer mellan EU och Storbritannien", National Board of Trade (2017)



# FAVOURABLE CONDITIONS IN EUROPE

Europe's economic performance has been a positive surprise so far this year, reflecting increased industrial production and stronger global demand, especially from Asia, that in turn has lifted exports. Consumption has come under pressure from rising inflation but benefited from the continuing recovery in employment. The European Central Bank remains committed to low interest rates and is unlikely to phase out its bond-buying programme until the start of 2018 at the earliest. Investment growth may outperform expectations but may also stall should crises materialise inside or outside the region. European growth is expected to reach 1.8 percent this year and to slow to 1.6 percent in 2018.

## ASSISTANCE FROM LARGE ECONOMIES

After ending 2016 on a high note, the German economy has continued to perform convincingly in the first months of 2017. Domestic demand is strong and exports volumes are up. Industrial production is increasing, though a question mark hangs over business investment. Price growth is dampening private consumption, but household finances are on solid ground and together with expected wage increases are likely to limit the inflationary impact. The German government has signalled tax cuts after the general election in September and economic growth is expected to reach 1.8 percent for the full year.

Positive economic signals are also coming from France, where the manufacturing sector is profiting from increased capacity utilisation and exporters have bounced back from a weak showing in 2016. However, investment growth is expected to slow somewhat this year because many companies utilised an invest-

ment tax break last year. Low inflation and a forecast rise in employment are underpinning consumer purchasing power.

The economy is projected to grow by 1.4 percent this year, with risks on the upside as the uncertainty over France's political and economic choices was dispersed with the presidential election on May 7.

The UK economy appears so far to have suffered no ill effects from the country's decision to leave the EU. The weaker pound is helping UK exporters, who continue to enjoy full access to the Single Market, as well as encouraging tourism and spurring foreign interest in the property market. However, exporters fear a "hard Brexit" that would leave the country outside the Single Market and thus the EU customs union. Activity in the all-important service sector slowed at the start of the year, and while the manufacturing and construction sectors continue to perform well, investment has stalled. Rising inflation and welfare austerity are likely to reduce consumer purchasing power and private consumption. The prime minister's announcement of a general election in June is aimed at solidifying support for government policy as well as its mandate in Brexit negotiations.

## RECOVERY IN SOUTHERN EUROPE

Italy's slow recovery continues, with data from export managers and other indicators signalling increasing economic activity. Industrial production has yet to respond, however, despite solid growth in investment last year. Inflation is low but increasing and, along with expectations of flatter employment growth, is putting a brake on household consumption. The government's recent €20 billion recapitalisation of the lender MPS and other smaller banks has exposed the instability of the coun-

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‘HARD BREXIT’  
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try's banking system. Meanwhile, the political vacuum continues following prime minister Matteo Renzi's resignation in December 2016. A general election is expected in the first half of 2018, but political uncertainty is likely to remain.

Spain's fast-growing economy is slowing slightly, though a strong fourth quarter was followed by a surprisingly robust start to 2017. Investment, industrial production and exports are all increasing, but strong domestic demand remains the primary driver of growth. Falling unemployment is fuelling private consumption, but consumer purchasing power is expected to drop during the year due to rising inflation. The government is also expected to tighten fiscal policy to contain the budget deficit.

#### **SLOWDOWN IN NORDIC GROWTH**

With the exception of Sweden, the Nordic countries are underperforming the rest of Europe. In Denmark, growth is expected to tick up to 1.6 percent this year, thanks mainly to stronger private consumption.

Finland has put behind it several years of recession, but the recovery has been soft and growth of just 1.4 percent is expected this year.

In Norway, the government is countering lower oil revenues with an expansionary fiscal policy that includes using money from the state oil fund. Even so, growth is not projected to exceed 1 percent this year.

#### **HIGH ACTIVITY IN EASTERN EUROPE**

The economic outlook is rosy across Central and Eastern Europe.

In Poland, industrial production and exports are benefiting from the strength of the European market. Investment is expected to rebound this year after falling in 2016, but may be constrained by diminished confidence in the government's economic policies. Rising real wages and higher employment are driving private consumption, although higher inflation is likely to reduce consumer spending power during the year.

Solid growth is expected in the Czech economy as Germany's upswing lifts investment and export volumes. Household consumption remains solid and the labour market is so strong that it is verging on overheating. Meanwhile, a modest appreciation of the koruna following the Czech central bank's removal of its currency floor on April 6 will provide some headwind for exporters.

Hungary is expected to return to growth after last year's slump as investment picks up with the help of money from the EU's structural funds. Unemployment is low and the government has stoked private consumption by sharply raising the minimum wage – a move for which it has compensated businesses by cutting corporate and payroll tax.

After an exceptionally strong 2016, the Romanian economy is expected to slow somewhat as private consumption returns to more modest levels.

The outlook is also good in the Baltic states, where Estonia is forecast to enjoy growth on a broad front after a few years in the doldrums and Latvia and Lithuania will prosper from strong investment.

#### **RUSSIA STABILISES**

Russia is on its way out of recession, with business surveys recording increased optimism in the industrial sector. The economic downturn has been halted, according to fourth-quarter data, but domestic demand remains weak.

Inflation dropped to 4.2 percent in March, enabling the Bank of Russia to cut interest rates. Rising oil prices have helped to stabilise the economy, with economic growth for 2017 estimated at around 1 percent. Russia's confrontation with the US over the Syria conflict has severely dented hopes of an imminent easing of economic sanctions.

**7,500**  
**BILLION SEK**  
VALUE OF NORWAY'S OIL FUND

# BRIGHTER ASIAN OUTLOOK BUT STRUCTURAL REFORMS NEEDED

Rising protectionist and anti-globalisation sentiment in Western countries and accusations of currency manipulation by the Chinese government are casting a shadow over trade and growth prospects in Asia. Pessimism increased when the US chose to leave the Trans-Pacific Partnership (TPP), an agreement designed to promote trade and closer economic ties between Pacific Rim countries. The hope now is that the TPP will survive without the US, perhaps with China joining instead.

Asia also stands to benefit from stronger economic conditions outside the region. The latest trade data show rising global import demand, which is good news primarily for the more open Asian economies such as South Korea, Taiwan and Singapore.

## SUSTAINABLE GROWTH THROUGH STRUCTURAL REFORMS

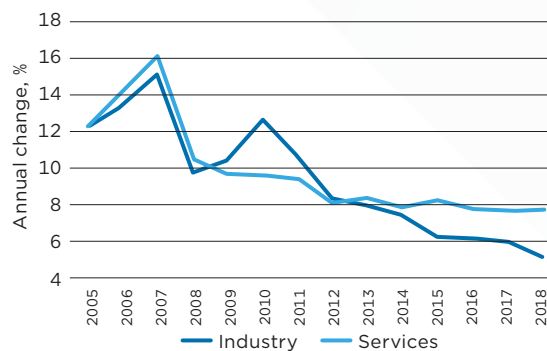
China continues to strive for stable GDP growth and has set a target of 6.5 percent for 2017, down slightly from last year's goal of 6.5-7 percent. The economy also remains in transition to a more consumption-driven, rather than investment-driven, model. GDP growth is expected to slow to 6.6 percent this year and to 6.1 percent in 2018. Going forward, China's economic expansion will hinge on a range of external and internal factors. A trade dispute with the US could potentially harm Chinese exports, while the government's fiscal and monetary efforts to strengthen areas like infrastructure, health-care and social welfare will also play a part. Wage levels and private consumption growth are key factors in this context.

Rising private consumption is fuelling the emergence of an ever-stronger service sector. Indeed, service growth has outpaced the

industrial sector since 2012. The government's target is for 60 percent of the population to live in cities by 2020, up from 55 percent in 2015. The needs of the expanding urban class will require rapid growth in public services and other sectors.

The Indian economy will slow in 2017 due to the government's decision late in 2016 to scrap certain banknotes in a bid to tackle corruption. The measure targets the cash-based black market and is aimed at reducing the amount of counterfeit banknotes in circulation, promoting digitalisation of the economy and forcing people into the tax system. The effect on one of the world's most cash-dependent countries has been significant and will be reflected in GDP growth. However, the impact is expected to be temporary and growth is likely to pick up as the economy recovers lost ground towards the end of this year. Growth of 7.2 percent is forecast for 2017 and of 7.5 percent for 2018. These high figures reflect the importance of India's young population and growing middle class. Nevertheless, growth prospects rely on ongoing structural reforms to open the Indian economy to foreign direct

## INDUSTRIAL AND SERVICES GROWTH IN CHINA



Sources: Oxford Economics, Business Sweden

investment and improve business conditions. Earlier this year the ruling government party's victory in elections in Uttar Pradesh, India's most populous state, boosted hopes of further reforms by confirming public acceptance of the cash ban and other reforms and underlining the government's mandate to pursue its reform agenda.

The Indonesian economy is projected to grow again at around 5 percent in 2017 and 2018, aided by strong private consumption, favourable demographics and gradual export growth. However, further structural reforms will be key to continued economic progress. Since 2014 the government has announced 14 reform packages aimed at facilitating business transactions and promoting foreign investment through trade and investment deregulation, reduced red tape and crime fighting. The government is facing a major challenge to diversify the economy, improve infrastructure and combat corruption and bureaucracy. How successful the reform packages will be in delivering these objectives remains to be seen, but the intention is clear. In the last year Indonesia has jumped 15 places in the World Bank's Ease of Doing Business Index and currently holds 91st place.

In Japan, the outlook is improving, with GDP growth forecast to rise from 1.0 percent last year to 1.4 percent in 2017. The upswing is largely due to the depreciation of the yen, which has helped exporters. Export volume is projected to rise by 5 percent this year and

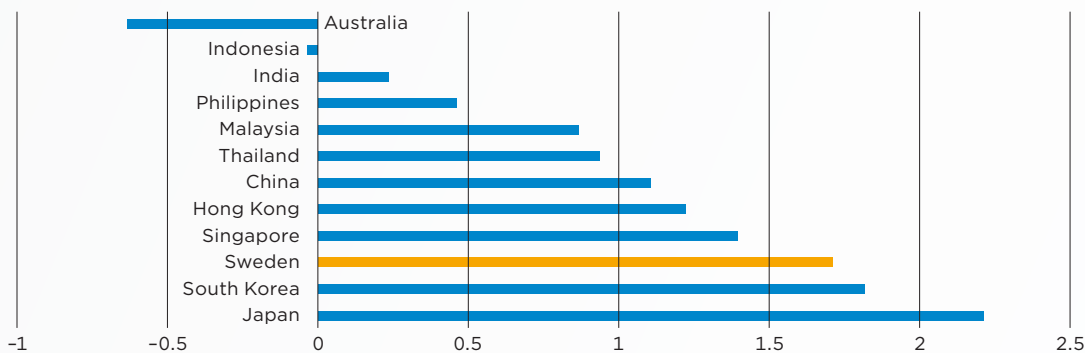
industrial production is also increasing, with the industrial production index reaching its highest level for three years in the first quarter of 2017. Japan's economy has been stagnant for almost three decades due to a combination of weak private consumption, low inflation and one of the oldest populations in the world.

The government has sought to kick-start growth with a three-point economic plan focused on monetary easing, a flexible fiscal policy and structural reform. Measures implemented so far include new corporate governance regulations, increased taxes on consumption, and healthcare and pension reforms.

### INCREASED INDUSTRIAL DIVERSIFICATION

Many of Asia's growth markets are enacting major structural reforms aimed at opening up to foreign investment, developing and diversifying the long-term industrial base, and raising productivity by fostering a more value-added manufacturing sector. The Economic Complexity Index measures the complexity and diversification of a country's export mix and can be used as a guide in this context. China is the most complex and diversified of Asia's non-advanced economies. The negative index positions of Australia and Indonesia reflect their dependence on commodities exports.

ECONOMIC COMPLEXITY INDEX, 2014



Sources: The Atlas of Economic Complexity, Oxford Economics, Business Sweden



# UNCERTAINTY WEIGHS ON AMERICA

North America will pick up speed economically in the next few years, though GDP growth will be moderate at around 2.1 percent this year and 2.5 percent in 2008. The US economic outlook is clouded by uncertainty as the Trump administration struggles to implement its election campaign promises. It remains unclear how expansionary fiscal policy will be and how it will affect the economy. Growth may turn out to be above or below current forecasts.

## TRUMP A SOURCE OF UNCERTAINTY

The US economy is in robust health, with unemployment having dipped to 4.5 percent – lower than pre-financial crisis levels. However, near-full employment is pushing up wages, and inflation is rising even faster. The net effect is that real incomes are falling, leading to lower consumer spending.

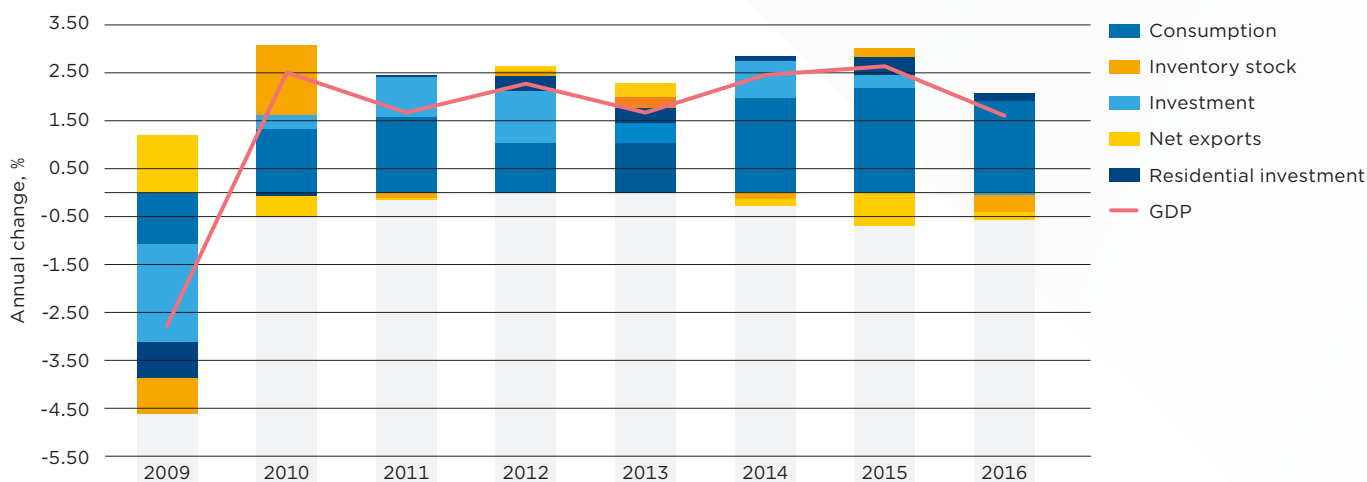
As a result, private consumption has been weaker than expected in January, though tax cuts promised by the new administration are expected to stimulate consumer buying. Spirits are high in the corporate sector, with both industrial production and investment increasing, albeit from low levels.

Cutbacks in the energy industry last year saw investment reach a nadir in this sector, but corporate tax cuts and deregulation will see it pick up.

Further investment increases are on the horizon for next year due to infrastructure programmes pledged by the new administration. Conversely, real estate investment is slowing as the Federal Reserve raises interest rates. The strength of the dollar is putting pressure on exports and the trade balance is expected to depress GDP growth this year and next.

Inflation is close to the Fed's target level and the bank is expected to raise interest rates gradually from 1.0 percent at the time of writing to 2.25 percent by the end of 2018. Next year the US economy is expected to follow a balanced growth path, ending the dollar's appreciation. However, an unusually high level of uncertainty surrounds the US outlook, with data and confidence indicators pointing in different directions. There is a major risk that market enthusiasm will turn to disappointment if the Trump administration only succeeds in driving through some of its infrastructure investments and proposed tax cuts for households and businesses.

GDP GROWTH MIX, USA



Sources: Oxford Economics, Business Sweden

The Canadian economy has outperformed expectations so far this year and confidence indicators point to a favourable outlook. Expansionary monetary and fiscal policy is fuelling growth, while increased activity in the energy and manufacturing sectors provides stability for goods-producing industries. GDP growth is expected to rise from 1.4 percent last year to around 2.2 percent this year and 1.7 percent in 2018.

CETA, the free trade agreement between Canada and the EU, is likely to come into provisional effect before the summer and will give Canadian and EU businesses improved access to each others' markets in sectors such as industrial goods, agricultural products, services and public procurement. Canada accounts for just 0.8 percent of Swedish exports so there is potential here for Swedish businesses.

The Trump administration has recently moderated its tough rhetoric towards Mexico and the US is unlikely to impose tariffs on Mexican imports because it relies on Mexico for a large portion of its intermediate goods. Nor is the NAFTA trade agreement between the US, Canada and Mexico likely to be torn up. The Mexican peso has recovered significantly in recent months and GDP growth of around 2 percent is expected this year and next.

## SOUTH AMERICA HAS LEFT RECESSION BEHIND

Having endured the effects of a sharp fall in commodity prices, South American countries (with the exception of Venezuela) have put recession behind them thanks to the rebound in prices, along with improved global economic and trade conditions. The main threat to recovery lies in any move by the Federal Reserve to raise interest rates faster than expected, as this would risk triggering an outflow of capital from the region and cause currency weakness.

## WILL TRUMP GET HIS POLICIES THROUGH?

Uncertainty surrounds the Trump administration's ability to implement its policies, and how these policies will affect the US economy. A number of Trump's key election pledges have encountered roadblocks or been delayed. Opposition has been especially strong towards the proposed abolition of the Affordable Care Act. Trump has moderated his harsh rhetoric towards Mexico and China, however, and punitive tariffs now appear less likely. All the same, the US economic outlook for the next few years is more uncertain than usual.

The US is an important player in the world market and its economic performance has a strong bearing on the global economy.

## THE TRUMP ADMINISTRATION'S CAMPAIGN PROMISES

Campaign promises	Economic effects	Status
<b>FISCAL REFORMS</b>		
Tax reform, households	+	Delayed/reconsidered
Tax reform, businesses	+	Delayed/reconsidered
Infrastructure programme	+	Delayed
Corporate deregulation	+	Started slowly
<b>OTHER REFORMS</b>		
Approve Keystone XL pipeline	+	Approved
Guaranteed six-week parental allowance	+	Delayed
Construction of wall on Mexican border	-	Delayed
Address alleged Chinese currency manipulation	-	Delayed
<b>TRADE AND MIGRATION</b>		
Withdraw from Trans-Pacific Partnership (TPP)	-	Completed
Renegotiate NAFTA free trade agreement	-	On track
Renegotiate trade relations with China	-	On track
Reduce immigration	-	On track
Abolish Affordable Care Act	-	First attempt failed/Delayed

Sources: Oxford Economics, Business Sweden

# APPENDIX

## SWEDISH EXPORTS, GDP GROWTH AND INFLATION

Country/region	Swedish goods exports, current prices			GDP growth, fixed prices, %			Inflation, %
	Exports 2016, SEK bn	Change 2015-2016, %	Share of Swedish exports 2015, %	2016	2017F	2018F	2016
<b>EUROPA</b>							
Sweden	N/A	N/A	N/A	3.1	2.6	2.1	1.0
Denmark	83.4	2.7	7.0	1.3	1.6	1.8	0.3
Estonia	9.7	7.7	0.8	1.7	2.8	4.0	0.8
Finland	80.8	1.3	6.8	1.4	1.4	1.4	0.4
France	52.7	7.8	4.4	1.1	1.4	1.6	0.2
Netherlands	64.4	6.0	5.4	2.1	2.1	1.4	0.3
Italy	32.0	3.7	2.7	1.0	0.9	1.0	-0.1
Latvia	3.8	7.3	0.3	2.0	2.4	3.8	0.1
Lithuania	7.8	5.3	0.7	2.3	2.6	3.3	0.7
Norway	123.9	1.7	10.4	0.9	1.0	1.6	3.5
Poland	38.7	6.3	3.2	2.9	3.1	2.8	-0.6
Russia	14.6	-0.3	1.2	-0.2	1.1	1.4	7.1
UK	71.9	-14.8	6.0	1.8	1.9	1.3	0.6
Czech Republic	9.6	8.1	0.8	2.3	2.4	2.2	0.7
Germany	126.0	5.2	10.6	1.8	1.8	1.4	0.5
<b>AMERICAS</b>							
USA	87.2	-3.7	7.3	1.6	2.1	2.6	1.3
Brazil	6.8	-6.8	0.6	-3.6	0.1	2.8	8.8
Colombia	0.7	-15.3	0.1	2.0	2.3	3.0	7.5
Canada	10.4	14.2	0.9	1.4	2.2	1.7	1.4
Mexico	6.0	3.9	0.5	2.1	1.9	2.0	2.8
<b>ASIA, OCEANIA</b>							
Australia	13.0	9.2	1.1	2.5	2.8	2.4	1.3
India	9.2	-15.5	0.8	7.4	7.2	7.5	5.0
Indonesia	3.0	1.6	0.3	5.0	5.1	5.3	3.5
Japan	17.9	17.7	1.5	1.0	1.4	1.3	-0.1
China	46.0	1.7	3.8	6.7	6.6	6.1	2.0
Malaysia	2.9	5.9	0.2	4.2	4.4	4.3	2.1
South Korea	12.1	23.0	1.0	2.0	2.4	3.5	1.0
Thailand	5.4	-1.0	0.4	3.2	3.2	3.3	0.2
Vietnam	1.5	10.1	0.1	6.2	6.7	6.7	2.7
<b>MIDDLE EAST, TURKEY AND AFRICA</b>							
United Arab Emirates	5.8	-14.1	0.5	2.5	2.5	3.3	1.8
Saudi Arabia	9.3	-11.6	0.8	1.4	0.2	3.0	3.4
South Africa	6.4	-15.6	0.5	0.3	1.0	1.7	6.3
Turkey	11.8	-10.2	1.0	3.0	2.7	3.1	7.8

Sources: Statistics Sweden, Oxford Economics, Business Sweden







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