

The Swedish economy

Statistical perspective

The logo of the Swedish Central Statistical Bureau (SCB), consisting of the letters 'SCB' in a stylized font inside a dark circle.

Statistics Sweden

Statistiska centralbyrån



From the contents:

Low consumption reduced GDP growth page 3

The downward trend that has been prevailing for GDP growth since the first half of 2006 was confirmed by the outcome for the first quarter of 2008. The calendar adjusted GDP was up 2.2 percent compared to the first quarter of 2007. Striking features were household consumption growth which was the weakest in three years and a clear tendency towards faster price increases than previously.

Weaker household consumption first quarter 2008..... page 7

Household consumption expenditures rose by 2.0 percent in constant prices during the first quarter 2008 compared to the same quarter 2007. That is the lowest consumption growth since first quarter 2005.

Continued strong labour market..... page 13

The development on the labour market started with increased employment during the first quarter. The growth rate is now lower and the peak seems to have been passed.

Number 2•2008

Table of contents

Summary	3
International perspectives	4
Exports and imports	5
Household consumption.....	7
General government consumption	10
Gross capital formation.....	11
Labour market.....	13

Summary

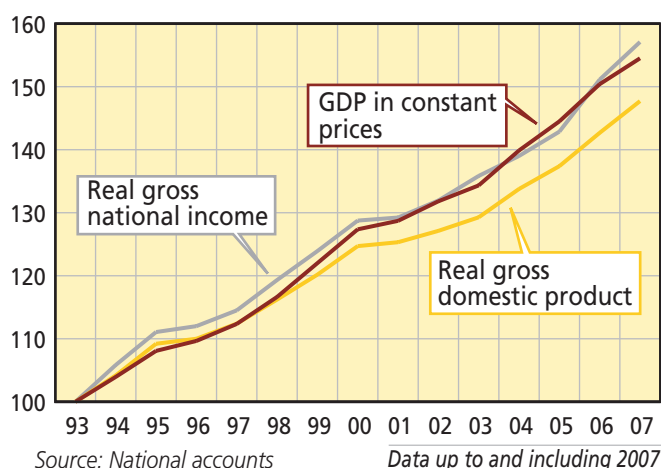
Low consumption reduced GDP growth

The downward trend that has been prevailing for GDP growth since the first half of 2006 was confirmed by the outcome for the first quarter of 2008. The calendar adjusted GDP was up 2.2 percent compared to the first quarter of 2007. The calendar effect was unusually large and held back GDP growth by 1.2 percentage points. Striking features were household consumption growth which was the weakest in three years and a clear tendency towards faster price increases than previously. Net exports of goods and services contributed positively to GDP growth for the first time since the fourth quarter of 2006, mostly due to slower import growth.

The actual GDP growth, non-adjusted for calendar effects, was 1.0 percent. The seasonally adjusted increase compared to the last quarter of 2007 was 0.4 percent. Consequently the first quarter this year was the weakest one since 2003.

Net exports contributed to GDP growth by 0.5 percentage points. This was mostly due to a slower growth of import of goods – to a lesser degree the reason was due to strong exports. The development of merchandising was markedly weaker than has been usual in recent years, while other exports of services grew at a comparatively fast rate. Terms of trade developed unfavourably. The strong price increases for energy goods and certain kinds of food products raised import prices which increased considerably more than export prices.

GDP in constant prices, real gross domestic product and real gross national income
Index 1993=100



Terms of trade has grown worse by slightly less than 2 percent compared to the first quarter last year. The Swedish GDP adjusted for the development of terms of trade has, during the last 15 years, grown at a slightly slower rate than GDP in constant prices. Real gross national income has on the other hand grown slightly faster and is most clearly visible over the last two years.

Household consumption increased rather slowly the first quarter. The growth by 2.0 percent compared to the first quarter of 2007 is the lowest growth rate since the first quarter of 2005. The contribution to GDP growth was 0.9 percentage points. A reason for the moderate rise may be the slower rise of real estate prices that has put restrictions on the available borrowing possibilities. Another reason could be stagnating and gradually reduced financial assets owned by households that have held back the tendency to consume. The gradually higher interest rates have also contributed to the slower consumption growth. The development of disposable income showed no remarkable features, but the growth rate slowed down a little. Real disposable income rose by 1.3 percent. The household savings rate showed a slightly downward tendency. General government consumption declined by a little more than 1 percent. The decrease was greatest among municipalities.

Gross fixed capital formation continued upwards at a comparatively fast rate during the first quarter. Investment growth was dominated by leasing, primarily of cars, and by investments in buildings, housing excluded. The increase can to a large extent be attributed to the service industries. Change in inventories held back GDP growth by slightly more than 1 percentage point, a much larger effect on GDP growth than usual.

From the last quarter of 2006 to the first quarter of 2007 labour productivity in the Swedish business sector fell by 0.8 percent. During the rest of 2007 very small productivity reductions were recorded for all quarters. This development came to an end in the first quarter of 2008, when productivity recovered and increased by 0.3 percent. This is still a low growth rate compared to the normal development during the last decade. Since 1993 the Swedish business sector has had a high growth rate for both labour productivity and multi-factor productivity. The development of multi-factor productivity in a Nordic perspective is presented in a thematic article.

Foreign trade is encumbered with different kinds of measuring problems. Conversion of exports and imports between different currencies is such a problem that can create discrepancies between different statistical surveys thus making statistics more difficult to interpret. A project that has been studying how multi-national enterprises are managing currency rates has been finished and the results obtained are presented in a thematic article.

In order to elaborate how pension schemes in general government affect the sustainability of public finances a proposal has been produced in the context of SNA Update. The new guidelines are described in a thematic article.

International perspectives

Global slowdown in GDP growth rate

As with the Swedish economy, the global growth rate in GDP sees a slowdown, accompanied by rising inflation impulses driven by higher energy and food prices. The global GDP-growth rate began its slowdown at the end of last year, without getting more severe in the first quarter of 2008. Total GDP in the OECD area rose by around 2 percent, the same rate as in the previous quarter. The developments in GDP growth rate were split for the big countries. The growth rate in US and parts of Europe had a slowdown, while Japan improved and Germany noted a 12 year record in the first quarter this year.

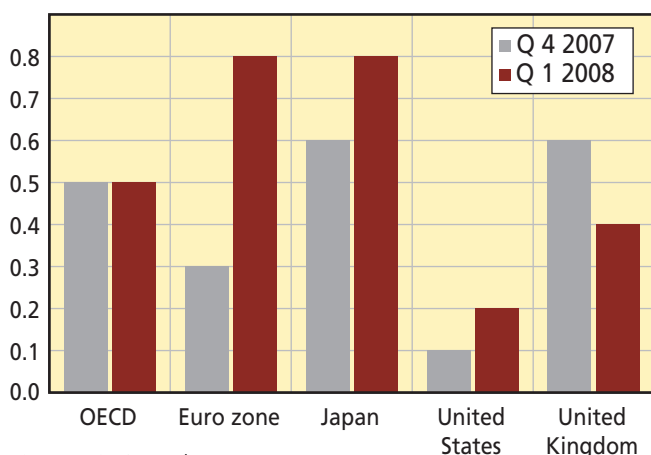
The economic outlook during the first quarter of 2008 can be characterized by:

- A slowdown in economic growth rate around the world with US in lead
- Drop in stock exchange prices and a slowdown in the development of house prices
- An uncertainty in the financial markets tightening liquidity conditions, which among other things led to more cautious bank lending
- Increasing energy, food, and raw material prices

There is more focus than before on increasing prices for energy and agriculture products. The price of oil has increased by 9 percent during the first quarter and by 48 percent in a year (Mars 07–Mars 08). Though crude oil is traded in U.S. dollars, this means that the rise in price has a smaller effect when costs are counted in Swedish krona (SEK). This is because of an 14 percent exchange rate appreciation against the dollar during the same period of time. Agricultural products and metals noted sharp price rises on the world market, even if some of them had a subsequent decline in a relatively short period of time.

GDP growth

Percent change compared to previous quarter



Continuing weak GDP growth in United States

The US GDP growth is projected to an annual rate of 0.9 percent in the first quarter preliminary estimates. That was a bit higher than the 0.6 percent outcome from the fourth quarter 2007. However, the composition in the growth rate changed significantly between the last two quarters and the rising GDP growth has its origin in a turnaround for inventories. This changed the contribution by 2 percentage points – from a negative contribution by –1.8 percentage points in the fourth quarter to a positive contribution on 0.2 percentage points in the first quarter. The government expenditure also increased more than in the previous quarter, primarily by more defence expenditure that increased the American GDP. Three big and important GDP growth components all had weaker performances this quarter compared with the previous one. That includes private consumption, gross capital formation and foreign trade. The weaker dollar tends to strengthen the trade balance and as a consequence the GDP, but the US exports did not perform as well in the first quarter as in the fourth quarter last year.

German GDP unexpectedly strong

Europe's biggest market, Germany, showed a stronger GDP growth in the first quarter than in a long time. The boost was due to the a bit unexpected acceleration in the German growth rate, where there was a combination of increased investments and higher consumption. Change in inventories contributed by 0.7 percentage points to the first quarter seasonal adjusted GDP growth of 1.5 percent. Compared with the first quarter 2007, German GDP increased by 2.6 percent adjusted for number of workdays. The calendar effect was relatively big in the first quarter. The non-adjusted GDP increased by 1.8 percent. The reason for the big calendar effect is, as in Sweden, the early Easter this year. Germany is Sweden's largest trade partner and receives 10 percent of total Swedish exports.

Weaker in many countries in the rest of Europe

The Baltic States have gone from the fastest growth rate in EU after the membership in 2004 to the slowest GDP growth rate. High inflation has been a negative force for the real GDP development. Estonia had the worst growth rate of the Baltic States, with a decrease in GDP by 1.9 percent compared to the previous quarter.

Spain's GDP slowed into a 13 year low during first quarter. A weak housing market was contributing to the slowing growth rate. The first quarter growth rate slowed to 0.3 percent from 0.8 percent in comparison with the quarter before.

Statistical sources show a weaker development in GDP growth for a lot of countries. The weak outlook in the first quarter has forced the two big international organizations OECD and IMF to reduce their forecast for the global economy.

The development is still strong in China, India, Russia and Brazil

There was still strong growth in GDP for BRIC countries – Brazil, Russia, India and China – even if they showed

a slight effect of the global slowdown. The GDP growth in China slowed to 10.6 percent in the first quarter 2008. OECD expects that also the other countries in BRIC will face a slower GDP growth rate this year. However, the development is still strong for the BRIC countries and they now produce half of the global GDP growth rate.

Contact person: Martin Daniels, 08-506 942 64

Exports and imports

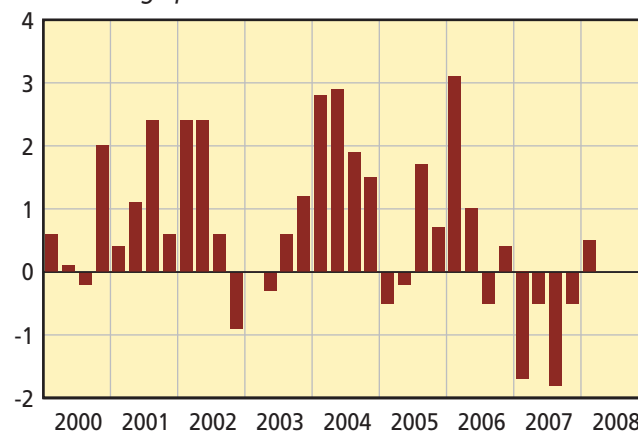
Merchandise trade again contributed to GDP

During the first quarter 2008 merchandise trade once again contributed to the Swedish GDP growth rate compared with the same quarter of the previous year. The contribution was 0.3 percentage points. Foreign trade of services is getting more and more important in the GDP growth and this quarter it added 0.2 percentage points. The total contribution from Swedish foreign trade of 0.5 percentage points was then a consequence of an improved merchandise trade. The reason was a slower development in import of goods rather than higher exports, not working-day corrected. The calendar effect was unusually big in the first quarter because of the early Easter.

During all four quarters last year the exports of goods had a slower development than the imports of goods. Hence, the merchandise trade held back the foreign trade contribution to the GDP growth rate last year. In the first quarter this year, the growth in import and export of goods amounted to about 4 percent. That entailed once again a positive contribution from merchandise trade to the GDP growth, because the export of goods is traded in larger volumes than the import of goods. The slowdown in the import of goods is probably connected with weaker domestic economic activity and increasing commodity prices.

The foreign trade of services increased about 8.5 percent for both export and import. As was the case with the merchandise trade, the foreign trade of services contributed to GDP growth, because of higher trade volumes in exports than in imports. In recent years merchanting, i.e. primarily trade margins from purchasing and sales abroad by enterprises in Sweden, has been an important part for the development in foreign trade of services. Merchanting dropped back a bit in the first quarter, but at the same time other parts in the trade balance for services performed well, e.g. commission for goods and legal services with a consequence of continuing high growth rate in the foreign trade of services.

Contributions from net exports to GDP growth Goods and services, including import contents Percentage points



Source: National accounts

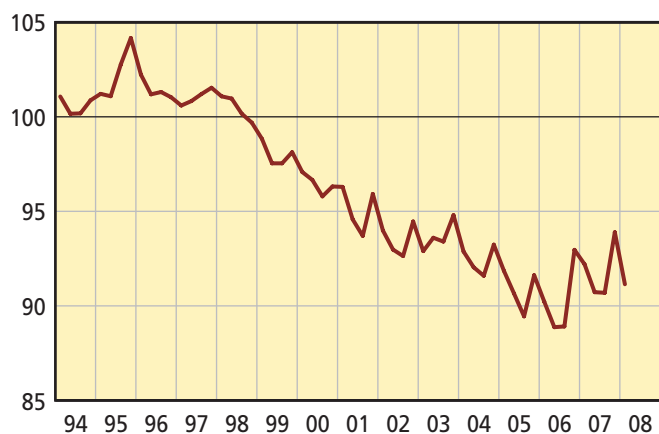
Data up to and including first quarter 2008

Rebound in Terms of Trade

The Swedish terms of trade in the international market, that is the price development on goods and services in exports in relation to goods and services in imports, had a rebound in the first quarter 2008. Since the end of the 1990s, Sweden has experienced a faster increase in prices on imports than for prices on exports. That has caused need for more export goods to pay for the imports. However, at the end of 2006 terms of trade slightly improved. The development in terms of trade with foreign countries has been fairly unchanged after that.

During the period 1998–2006 increasing oil prices on goods primarily importing and decreased prices on telecommunication and other electronics primarily exporting has caused the decreased terms of trade. The improvement in the autumn 2006 could be a result of an appreciating exchange rate that has reduced the price on importing goods and services in terms of Swedish currency.

Terms of trade
Index 1993=100



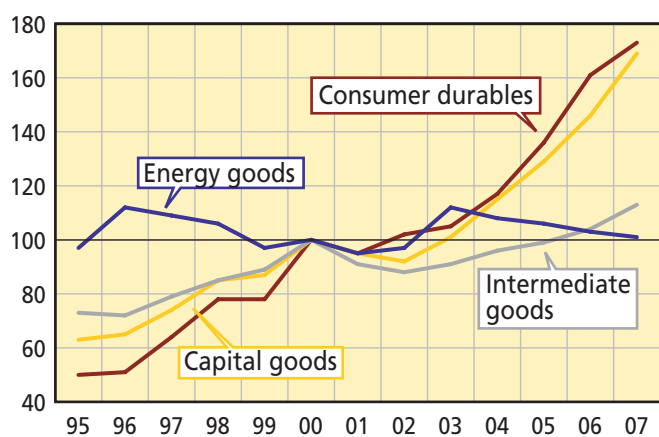
Source: National accounts

Data up to and including first quarter 2008

Changed relative price on imports influence the volume of imports

Traditionally the demand for oil and some other sources of energy has been characterized by inelastic demand. That implies no big change on the quantity of demand from a price change, at least not in the short and medium time horizon. The import volumes for energy goods have in fact remained relatively unchanged during recent years, despite sharp increases in oil prices. In fact the Swedish dependence on oil has been reduced over the course of time because of other imported goods and GDP has increased with faster rates. The dependency on oil has been reduced in many ways, for examples via more fuel-efficient cars and reduced use of oil in residential heating.

Import volume of goods
Index 2000=100



Source: Foreign trade statistics

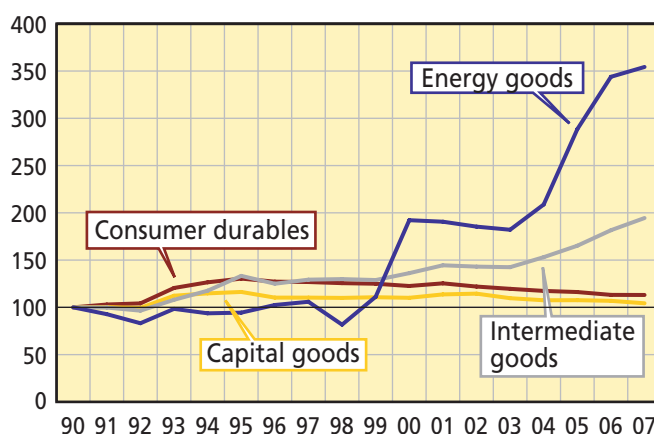
Data up to and including 2007

Regardless of elasticity in demand for different products, the imported volume of capital goods and consumer durables increased rather sharply compared to other goods. On the other hand, the prices on these products have not increased in the same way as for other imported goods. Capital goods and consumer durables consist of machinery and consumer electronics, goods with fast rates of technological improvements and subsequent falling prices. The import of energy

and intermediate goods has on the other hand experienced a more stagnant volume growth but with faster rise in the import prices.

A reduced import caused by higher prices on imported goods does not necessary mean less consumption. It could be an adaptation from import to domestic production. The reverse reasoning would be valid for increased import because of falling prices. A change in relative price for different consumer goods usually affects the choice of the consumption composition. In like manner, import could be influence by the relative development of import prices.

Price trend on imported goods
Index 1990=100



Source: Import price index

Data up to and including 2007

Rapid price rises for energy and food has influenced the relative price between different kinds of imported goods. Sweden imports more relatively cheap capital and consumption goods, such as electronics characterized by high rates of technological improvement and subsequent falling prices. An increasing price on food holds back the consumption and the import of these goods, even if food normally tends to have an inelastic demand. To sum up, there is no automatic connection where increasing energy and food prices lead to changing share in the consumption budget. That depends on incentives and options to change the behavior among consumers and firms.

Export manager's sees weaker economic outlook but belief in increasing market shares

The export managers for enterprises in Sweden have a more positive attitude toward the own company's exports during the coming months than they have about the demand in export markets they are operating on. That could be interpreted as the majority of firms in the survey believe in increasing market shares in the foreign markets, where they are exporting their goods and services. In that event, the enterprises will increase their sales more than the competitors in the same market. The increased market share should not have to reduce profitability, if the export managers are correct in their assessment of the future.

The export managers' optimistic view could be a challenge for the enterprises as the market forecast sees a weaker sales development in North America and Western Europe. That implies that the enterprises need to compensate for the sales reduction from these markets in favor of other smaller mar-

kets, but in many cases more expensive ones, for example in East Europe, Asia and Middle East.

Contact person: Martin Daniels, 08-506 942 64

Household consumption

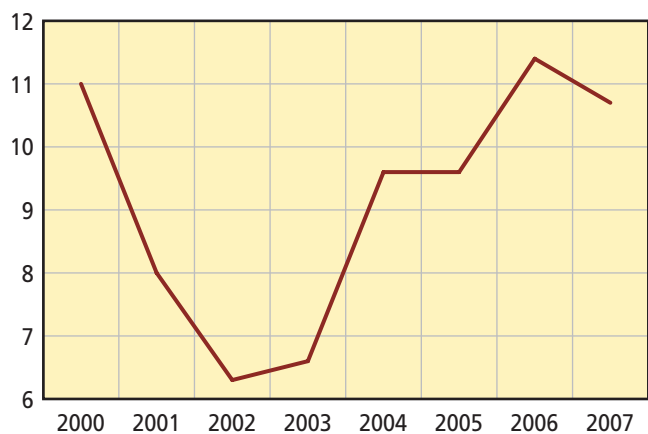
Weaker household consumption first quarter 2008

Household consumption expenditures rose by 2.0 percent measured in constant prices during the first quarter 2008 compared to the same quarter 2007. That is the lowest consumption growth since first quarter 2005. Household consumption expenditures contributed with 0.9 percent units to the real GDP-growth of 1.0 percent. Households saving rate was 8.2 percent, which is one percentage point lower than first quarter 2007 but higher than the same period 2006.

During the last decade house prices have increased by 120 percent in Sweden. In the same time the value of the stock market has almost doubled. The first half of 2007 implied good economic conditions for Swedish households. The employment rate was high and many people were favoured by the new lower income tax that was imposed. During the summer of 2007 assumptions about household consumption changed. The repo rate increased from 3.5 to 4.25 percentage points between June 2007 and February 2008. The floating interest rate rose even more, which not only affected those with home loans with floating interest rates, but also those who signed up for new ones. That affected mostly household with big loans, which are more common in bigger cities. After the summer the trend in house prices come to standstill and have even dropped during first quarter this year.

Real estate price index

One- or two-dwelling buildings for permanent use.
Percentage change from previous year



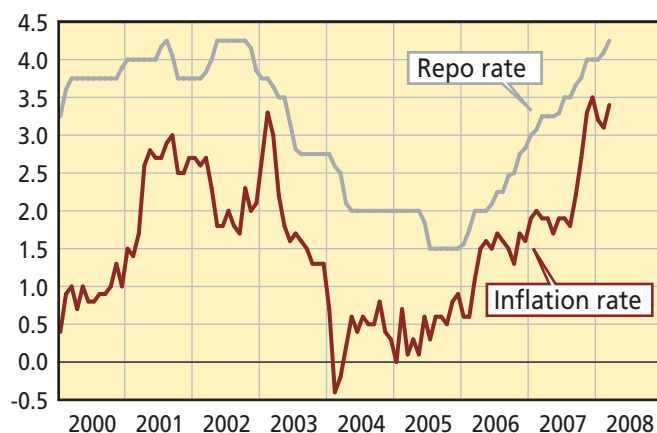
Source: Real estate price index

Data up to and including 2007

During recent years the trend has been that households have been increasingly allowed to amortise less or nothing at all on their housing loans. This has meant that households can afford to buy a more expensive residence, as the total amount spent on housing costs decrease without amortisation. That is one of the reasons for the substantial appreciation in value that has been on residences until the summer of 2007. The appreciation has made it possible for consumers to take additional housing loans for renovation and enlargement of residences, with the house as a security to a greater extent. The loans are registered as investment loans, but are sometimes used for consumption. As long as interest rates remain at a high level and house prices do not rise, households might want to limit relying on this type of loan. Such might lead to a continued dampening of household consumption.

At the same time as the trend of house prices came to standstill, inflation rose in autumn 2007. Increased prices for food and fuel had a distinct effect on some households. Two groups that can presumably be affected are families with children and those who can not use public transport, but are forced to use their car.

Inflation rate and repo rate Percent



Source: Consumer Price

Index and Sveriges Riksbank

Data up to and including March 2008

The effects of the worsening consumption outlook has, while not immediately, become apparent during the first quarter 2008 when household consumption rose by only

2.0 percent in constant prices. That is the weakest consumption development in three years time.

Households financial assets decreased

The changed assumptions for household consumption can clearly be reflected in financial assets. In the first half of 2007, the total worth of households' financial assets rose by about 7 percent. The last 6 months were far weaker and during first quarter of 2008 households' financial assets fell by 1.7 percent compared to the previous quarter.

The explanation lies mostly in stock market trends. From July 2007 to January 2008 the Stockholm Stock Exchange index fell by almost 30 percent. Thereafter Index for Stockholm Stock Exchange dropped another 5 percent in value until the end of first quarter. Households were however already affected by the fall in the Stock market that took place in the summer of 2006. Households responded by selling more stocks than they bought. Although the total value of households stocks kept its value and did not begin to fall until third quarter 2007.

Stockholm Stock Exchange
All Share Index 31st December 1995=100



The value of mutual funds also dropped in the third quarter last year. Contrary to the development in quoted shares the holdings in mutual funds did not increase during first quarter 2008. The value of bonds rose about 20 percent during first 6 month of 2007 followed by a much more moderate rise and a decrease in value during first quarter 2008.

Households bank deposits were remarkably high during the whole 2007. Normally bank deposit drop last quarter (due to taxation), but that pattern was broken last year. Neither was there any rise in bank deposits in the first quarter this year, which used to be the case. Instead households reduced their bank deposits. The extent to which this is due to the elimination of the wealth tax is hard to say.

Financial assets, households

Millions of SEK. Percentage change from previous quarter

	2008 Q 1 Mill SEK	2007 Q 1 %	2007 Q 4 %	2008 Q 1 %
Cash	77 881	-4.50	3.86	-2.85
Bank deposits	841 353	4.99	3.22	-0.05
Savings accounts, public and national debt office	25 830	2.91	1.35	4.17
Bonds	136 369	9.55	2.55	-4.24
Shares	535 185	4.77	-15.61	-7.63
Mutual fund shares	418 682	2.28	-7.06	-13.63
Tenant ownership rights	861 816	3.34	3.14	-2.10
Loans to the financial sector	7 997	2.67	16.84	7.40
Insurance savings, individuals	853 531	0.72	1.47	1.53
Insurance savings, collective	1 192 431	4.47	1.43	3.20
Other financial assets	10 883	6.18	1.00	1.19
Total financial assets for households	4 961 958	3.48	-1.07	-1.70

Source: Savings barometer

A slower increase of household consumption

Household consumption expenditures increased by 2.0 percent first quarter 2008 compared to the same period last year. The greatest contribution came from recreation and culture, miscellaneous goods and services as well as direct purchases abroad by residents. The greatest negative contribution came from the main group transports where car sales were lower than those high figures from the first quarter of 2007.

To some extent the lessened increase in consumption can be explained by the calendar effect. Retailers had fewer days for business due to the fact that Easter was in the first quarter this year but not last. An extra day in February had the opposite effect.

In the group miscellaneous goods and services household expenditures on *indirectly measured financial services* increased. This contribution to consumption trend was 0.4 percentage points. That can be explained by growing loan stocks, both on deposits and lending. Due to the financial crisis there was a higher risk in the market. Banks and housing finance institutions used higher marginal interest rates for loaning money meanwhile the interest on deposits did not follow to the same extent. The marginal rate can be defined as the financial service households pay the bank and housing finance institution for deposits and lending. There is an uncertainty about the calculations, as it is hard to tell what is used for consumption and what is used for investments from these housing and consumption loans. Further, investments are excluded from calculations of household consumption. Housing loans include not only loans for buying residences, renovations, and extensions but also loans for consumption. Just as consumption loans do not always contain loans used strictly for consumption

As usual *audiovisual equipment* (TV, photo, film and computer) contributed the most to the raise in consumption in the group of recreation and culture. *Audiovisual equipment* has since 2003 had a yearly volume growth of about 20 percent. This is not fully explained by the fact that we

consume more products, but we also buy goods of higher quality at lower prices. Although this group only contributed with 0.4 of a percentage point. Charter trips contributed with 0.2 percentage points to the consumer consumption development. Even Swedish households' consumption abroad increased and contributed with as much as 0.7 of a percentage point.

Household consumption first quarter 2008

	Household consumption, %	Volume change,	Contribution to growth in household consumption, % points
Housing	25.6	0.2	0.1
Recreation and culture	13.9	6.6	0.7
Transport	11.7	-4.3	-0.6
Food and non-alcoholic beverages	11.7	1.7	0.2
Miscellaneous goods and services	11.0	6.6	0.7
Furnishings etc.	5.4	3.9	0.2
Restaurants, hotels	5.4	0.3	0.0
Clothing and footwear	5.0	0.1	0.0
Communications	4.4	0.1	0.0
Health	3.2	1.9	0.1
Alcoholic beverages and tobacco	3.1	1.6	0.1
Education	0.4	4.9	0.0
Direct purchases abroad by residents	4.6	14.6	0.7
Purchases by non-residents in Sweden	-4.9	-2.4	-0.1
Total final consumption expenditures	100.0	2.0	2.0

Source: National accounts

Households' disposable income increased with 1.3 percent in the first quarter in 2008, meaning that savings ratio dropped with almost one percentage point to 8.2 percent of disposable income. Households also withdrew from savings in order to maintain consumption. This is the first time in two year that savings decreased.

Sale of diesel cars dropped

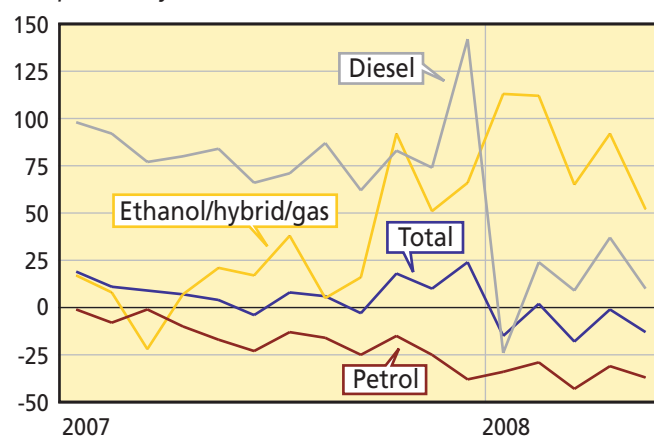
During recent years pollution has been more in focus than before and the demand of *environmentally friendly* cars has increased. In March 2007 a environmentally friendly car premium was imposed with a reduction of SEK 10 000 for buying a new environmentally friendly car before the end of December 2009. Cars running on electricity, gas or alcohol are exempted from paying the Congestion Tax in Stockholm. The maximum charge is SEK 60 per day. Driving an environmentally friendly car can help save up to SEK1200 (no tax during weekends) per month.

Since the first of July 2006, cars running on diesel have had a *rebate for installing particle filters* of SEK 6 000, but the rebate stopped at the end of December 2007. The amount of newly registered diesel cars increased constantly until December last year. This January the amount of sold cars fell dramatically, which had huge effect on the total amount of newly registered cars.

When the first quarter is compared against the same quarter last year, the diesel car sales were only lower in January. In February and March more diesel cars were sold than in the same period last year. Cars running on petrol have had a downward selling trend. Those figures are to be taken cautiously as the total amount of *newly registered* cars includes more cars than only those consumed by households. From the negative contribution of -0.6 percentage points that transport contributed to household consumption, the consumption of cars was -0.5 percentage points. The number of cars sold during 2007 was quite high. Compared those figures, the numbers sold in the first quarter 2008 seem quite low. Even though the amount of sold cars in the first quarter 2008 turned out to be more than 1 000 more than were sold in the same quarter 2006.

New registrations of passenger cars

Percentage change from corresponding month previous year



Source: Swedish Institute

Data up to and including May 2008

for Transport and Communications Analysis

Despite the, now discontinued, rebate for installing particle filters, the price of diesel has also gone up. In March this year, the average diesel price went up to SEK 13.05, surpassing the price of petrol. From March 2007 to March 2008 the diesel price has increased 24 percent. That can be compared to the gasoline price that has increased 8.8 percent during the same period.

Environmental concerns may also have brought travellers to chose railway travel, which increased by 20 percent during last year. First quarter this year the increase was 25 percent, but the value is only half of the households consumption of cars and do not have that great effect on the total household consumption.

Contact person: Caroline Ahlstrand, 08-506 943 33

Contributions to GDP growth

Actual GDP growth (non-adjusted for calendar effects) was 1.0 percent for the first quarter of 2008. The volume change from the first quarter of 2007 to the first quarter of 2008 for the different components on the expenditure side of GDP and their effect (or contributions) to GDP growth was as is indicated in the table.

	Volume change, percent	Contribution, percentage points Not import adjusted	Import adjusted
Household consumption expenditure	2.0	0.9	0.3
General government consumption expenditure	-1.1	-0.3	-0.3
Gross fixed machinery	5.9	0.6	0.1
capital formation construction	5.2	0.4	0.2
Inventories		-1.1	-0.6
Net exports		0.5	
Exports	5.4	2.8	1.3
Imports	5.2	-2.3	

However, demand in each component refers to a greater or lesser percentage to imported products. Using input/output tables for 2000¹ and the import relationships presented there, it is possible to adjust for the import content in demand and to calculate an adjusted contribution measuring demand in Swedish production to GDP growth².

The modified calculation shows that exports accounts for 1.3 percentage points of GDP growth which is a larger percentage than for any other component on the expenditure side of GDP. The contribution from investments in machinery decreases drastically after adjustment due to large import content.

1 The weights used are subsequently not especially relevant and the results may therefore be regarded with due caution. New input and output tables for 2005 were published in June 2008.

2 For more information of these calculation methods, see Swedish economy – statistical perspective number 1 2007.

General government consumption

General government consumption expenditures decreased

The first quarter of 2008 began with decreased general government consumption expenditures by 1.1 percent compared to the same quarter of the previous year. Only the first quarter of 2005 and the third quarter of 2004 can show an even deeper slowdown. At this revision the earlier results of the production methods required larger readjustments than the costs method, which indicates a potential for improvements of the production method. The fact that this revision is nearer the results of the old reliable method may be looked upon as a promising validation of both methods.

Consumption expenditures of municipalities declined by 2.2 percentages, while central government fell by 1.5 percentages compared to the same quarter of the previous year. The drop in consumption expenditures in the first quarter can primarily be attributed to the lower number of hours worked since the Easter holiday was very early this year. People usually take holidays together with Easter so even this fact influenced on the number of hours worked. Since the general revision of national accounts (published in November 2007), the real number of hours worked is used in the compilation of general government consumption expenditures, compared to previously when calendar adjusted hours worked were used. The most important function of county councils is health and care where activities are run on a more or less continuous basis. That is why the Easter

effect became less important and instead an extra working day was added thanks to the leap year. County council consumption expenditures increased by 1.6 percentages. The increase of the consumption expenditures here were also helped by the new salary agreement for the members of Swedish Medical Doctors Association from December 2007 which resulted in a huge amount of retroactive salaries paid during the first quarter of 2008.

As of the release of the third quarter of 2007, calculations of general government consumption expenditures in constant prices are affected by a new method for volume calculation of governmentally produced individual services. The method is called the production method, in contrast to the previously used costs method.

General government consumption expenditures Volume change, percent

	Method	Q 1 2008	Q 1 2007	Q 4 2007	Year 2007
General government	production method	-1.1	1.7	1.4	1.1
	costs method	-0.6	1.7	2.5	1.8
Municipalities	production method	-2.2	0.9	0.9	1.0
	costs method	-1.0	2.5	2.9	2.8
County councils	production method	1.6	5.1	2.5	3.0
	costs method	1.2	1.6	2.4	2.2
Central governm. + social security funds	production method	-1.5	-0.2	1.3	-0.6
	costs method	-1.4	0.2	2.0	-0.2

Source: National accounts

Revisions and quality

It has been pointed out many times that preliminary outcomes must be interpreted with caution. Sources are changed afterwards and sample surveys are replaced with results of account summaries (total population surveys), and re-periodisation is done with the so-called accrual principle as a set goal. In addition, the new method for calculations of constant prices of public consumption is also a factor of uncertainty. The method has not been tested and will constantly be further developed during the next coming years. The continuously ongoing improvements during this round of revisions resulted in revisions of previously published data for all of 2007 as well as for every quarter of that year. During this round of revisions, the results with the new method have become more similar to the results obtained by using the old method.

Generally speaking, this revision of general government consumption expenditures is larger using the new production method than the revision of the previous figures calculated by costs method. This can be partly explained by the lack of real figures since the new production method is based – so far – on estimates and forecasts such as forecasts of population concerning education; there is no quality adjustment at all. New and more precise figures are implemented when new forecasts appear and when new appropriate primary statistics can be used.

The users are offered the results computed by both methods nowadays. Unfortunately only the production method is used in the calculation of GDP.

Contact person: Vera Norrman, 08-506 943 04

Gross capital formation

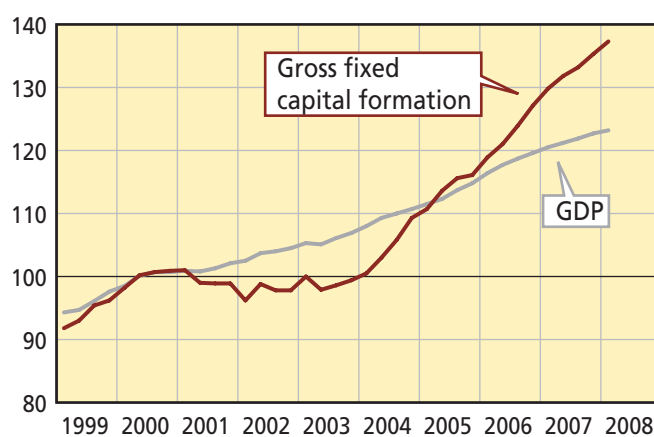
Financial leasing lifted gross fixed capital formation

Gross fixed capital formation continued to steadily increase during the first quarter compared to the fourth quarter last year. The growth rate was mainly due to car leasing, and to a somewhat lesser extent investments in buildings (not including housing). Investments in machinery and equipment are no longer the driving force among the types of capital; transport equipment has now taken the lead, together with the service sector, while the manufacturing sector has decreased. At the same time the investment pace within the energy industry and the mining sector slowed down considerably.

The growth rate in gross fixed capital formation continued to slow down during the first quarter. Between the fourth quarter and the first quarter the rate of increase was 1.5 percent, equivalent to 6.1 percent at an annual rate. It is a rather high growth rate, at the same level as the three previous quarters, but the slowdown that began during the second quarter 2007 continues. At the same time the last three quarters of 2007 were revised downwards and the first quarter of 2007 was revised upwards. This has made the slowdown even more apparent. Although the growth rate is slowing down it should be noted that investments have been rising at a quick rate for an unusually long time and these are now at a high level. In addition, the investment growth rate is still higher than the GDP growth rate, and thus the investment ratio has kept rising to a level almost 2 percentage points higher than the last peak in 2000.

Gross fixed capital formation

Volume index 2000=100. Quarterly figures, seasonally adjusted



Source: National accounts

Data up to and including first quarter 2008

Compared to the corresponding quarter last year, gross fixed capital formation increased by 5.6 percent during the first quarter. That is, a slower growth rate than during the fourth quarter last year. Even though the investment growth rate slowed down, the contribution to GDP growth amounted to 1.0 percentage point out of 1.0 percent¹. The contribution includes import. With due consideration for import content, the effect on GDP development is estimated, by means of a standardized calculation, to 0.3 percentage points.

¹ Calendar adjusted GDP increased by 2.2 percent.

Leasing and building investments behind increase

Despite a sizeable growth rate, the base of the investment growth is now less stable. The increase is mainly based on financial leasing. Due to a very large increase, financial leasing makes up 4.4 percentage points out of the total increase of 5.6 percent. The strong growth of investments in buildings (other than housing) continued and amounted to 1.4 percentage points. At the same time investments were held back by machinery and equipment, (except leasing) which decreased for the first time since the first quarter 2004. The effect on development of total investments was -1.3 percentage points.

Leasing increased at a very high rate during the first quarter. The rate itself was not that remarkable since historically the changes have been very large. More notable is the fact that the leasing share of the gross fixed capital formation, in current prices, has risen from less than 10 percent to more than 13 percent. That is, by almost a 3 percentage point margin, the highest since 1993.

The expression 'leasing' includes both leasing of cars¹ and of machinery, but cars definitely make up the major part. When divided into capital types and without regard to whether the capital is obtained by purchase or leasing, it becomes even more clear that machinery is no longer the driving force behind the growing investments. Transport equipment rose by 20.3 percent while machinery and equipment rose by 2.0 percent. Furthermore, investments in software kept rising at a generous rate of 4.0 percent, while the slowdown in housing investments continued.

Housing investments were mainly suppressed by investments in new multi-dwelling homes which turned from a slowdown during the fourth quarter to a decrease during the first quarter. New construction of one or two dwelling houses as well as rebuilding and additions of multi-dwelling houses continued to slow down. The only bright spot in housing investments was rebuilding and additions of one or two dwelling houses where the growth rate was at the same high level as in 2007. Further, other buildings than housing still show no sign of a weakening growth.

A tendency to a slowdown could be seen as early as the first quarter 2007 when building permits for housing started to decrease. During the first quarter of 2008 building permits showed a sign of brightening. Permits for buildings (other than housing) increased at an unchanged rate while permits for housing stopped the accelerating decrease and turned into a small increase. So far it only comprises an increase over one quarter, and as always the uncertainty of the last quarter is greater than for previous quarters.

Change from manufacturing to service based investment growth

The growth of investments by market producers continued to slacken off and increased by 5.5 percent. This was partially compensated by a 6.1 percent increase in government

investments, mainly due to large investments within central government. The foremost cause of the slowing of investments by market producers was the decline in investments in manufacturing. The previously so thriving industry turned during the first quarter to a decrease of 3.3 percent. In addition, the investment growth within the energy sector and the mining industry slowed down considerably. The central point of investment has instead shifted to the service sector, where wholesale and retail trade as well as business activities showed robust increases. These industries have the same level of investment as the entire manufacturing industry.

The weaker development within the manufacturing and mining industry has occurred in spite of a steady and very high level of capacity utilisation. However, the decrease so far only concern one quarter for the manufacturing industry.

Gross capital formation

SEK billions, current prices and percentage change from corresponding period previous year, constant prices

	2007					2008
	Year	Q 1	Q 2	Q 3	Q 4	Q 1
Business sector	493	11.2	10.8	6.0	7.4	5.5
Manufacturing industry	89	3.1	16.8	8.3	7.7	-3.3
Energy sector	41	29.5	15.8	3.1	15.2	3.0
Service producers ²	175	9.9	11.2	4.4	6.5	11.3
Business services	40	12.8	16.0	8.7	17.1	16.5
Government agencies	89	5.2	2.3	5.1	2.0	6.1
Central government	42	-3.7	-10.4	2.0	-3.2	12.4
Municipalities	47	15.9	17.7	7.9	6.7	-0.2
Total	582	10.4	9.5	5.9	6.4	5.6
Machinery	186	11.3	17.7	10.0	9.2	2.0
Transport equipment	54	19.3	12.8	-6.2	0.2	20.3
Housing	103	12.8	9.9	7.5	4.7	2.6
Other construction	144	7.5	1.8	3.0	7.4	7.6
Software etc.	95	3.4	4.8	6.7	2.9	1.9

Source: National accounts

The investment survey for May shows that despite the slowing of manufacturing investments during the first quarter, the manufacturing companies are optimistic concerning the investments for the whole year of 2008. Investments are expected to grow by 8 percent 2008. However, this is a downward revision compared to the survey for February. Most of the industries within the manufacturing sector show unchanged or growing investment plans, measured in current prices, compared to the survey for February. The revision is almost entirely isolated to the industry of transport equipment where the plans have been revised downwards dramatically. The expected level of investment for 2008 is even somewhat lower than for 2007. This coincides with signals of a declining demand from abroad. The energy sector on the other hand expects continued strong growth while the construction sector sees an unchanged investment level. Regardless of the strong first quarter the service sector expects a weak year. Most service industries count on unchanged or declining levels of investment. The exception

¹ Includes cars, trucks, busses and trailers.

² Excluding property management.

is real estate activities where investments look as if they will continue to grow, although at a considerably slower rate than in 2007.

Large negative effect from inventories

After a small, negative effect on GDP for the fourth quarter, inventories for the first quarter once again had a major effect on the GDP growth rate amounting to –1.1 percentage points. Both the manufacturing and the service sector had a negative effect on the growth rate. The remaining industries

had no or only a marginal effect on the GDP. Inventories of products in process and finished goods as well as retail inventories all had a negative effect due to a lesser build-up than the equivalent quarter last year. Inventories of intermediate goods and wholesale inventories on the other hand had a negative effect due to an actual decrease compared to the build-up during the first quarter of 2007.

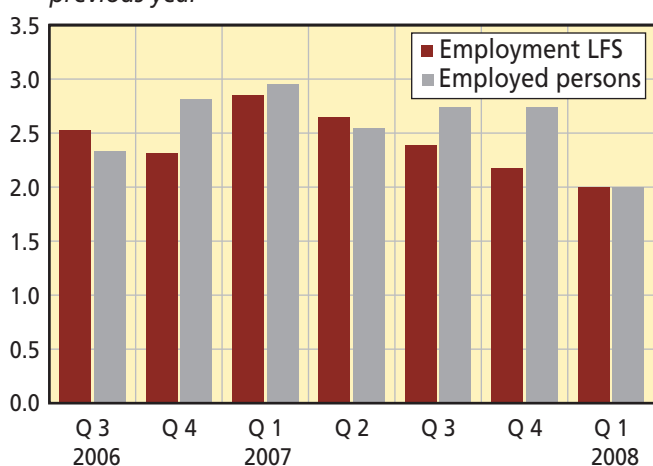
Contact person: Tomas Thorén, 08-506 941 46

Labour market

Continued strong labour market

The development on the labour market started with increased employment during the first quarter. The growth rate is now lower and the peak seems to have been passed. The growth rate for vacancies also appears to be slower. According to the Labour Force Survey (LFS) employment increased by 88 000 persons aged 15–74 years, or 2.0 percent compared to the first quarter 2007. The same growth rate was recorded for the number of employed people according to the enterprise-based employment statistics. The unemployment rate according to the LFS was 6.3 percent, compared to 6.8 percent one year earlier.

Employment and employed persons
Percent change from corresponding quarter previous year



Source: LFS and enterprise-based employment statistics
Data up to and including first quarter 2008

Continued employment growth and more people with permanent jobs

According to the LFS employment (persons aged 15–74 years) increased by 88 000 persons or 2.0 percent compa-

red to corresponding quarter in 2007. In total 4 520 000 persons were employed.

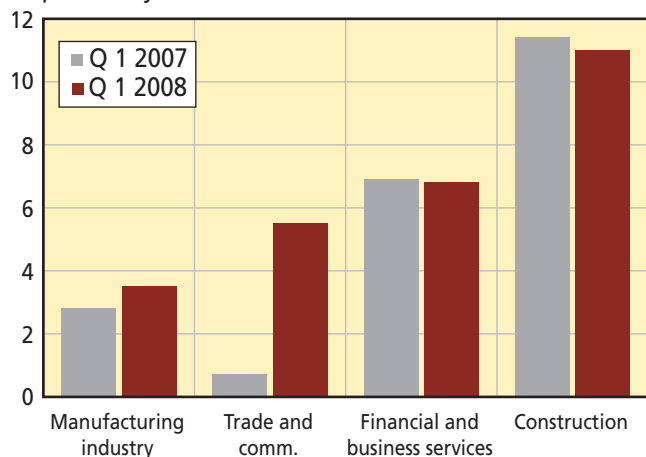
The increase was particularly large for young people aged 15–24 years. For this group the rise was 5.8 percent or 26 000 persons. Since mid-2006 the increase has been very strong for young people. Employment has risen by 25 000 to 50 000 persons for each quarter, compared to the corresponding quarter one year earlier. The reason for this is probably the large number of young people that has entered the labour market in later years, at the same time as the number of vacant jobs has increased. The employment growth was evenly distributed among men and women and referred primarily to persons with permanent jobs.

Both the LFS and the enterprise-based labour market statistics showed a stronger labour market in the private sector. According to the LFS the increase was statistically significant for the construction industry, the engineering industry and also for business services (inclusive of financial services). The enterprise-based statistics also showed upswings for wholesale and retail trade and for hotels and restaurants.

Industries where the number of employed persons with permanent jobs has increased in later years according to the LFS are construction, business and financial services, the engineering industry and trade and communications. The graph shows the change in permanent jobs in these industries for the first quarter of each year.

Employed persons with permanent jobs

Percentage change from corresponding quarter previous year



Source: Labour force survey

Rise in hours worked

According to the LFS, the average number of hours worked was 140.7 million hours per week. This is a decline compared to the first quarter of 2007 when the figure was 143.4 million hours. Adjusted for differences in holidays and the like, hours worked increased by 2.9 percent.

Lower unemployment

During the first quarter the average number of unemployed persons aged 15 to 74 years was 302 000 or 6.3 percent of the labour force. This was a decrease of 21 000 persons or 0.5 percentage points compared to the same period in the

previous year. 93 000 of the unemployed were full time students who had looked for and been able to take a job. The number and the share of unemployed persons have decreased among men. Those who were born abroad have a considerably larger unemployment rate of 12.0 percent, compared to 5.3 percent among persons born in Sweden.

Many vacant jobs

According to the vacancy statistics the number of vacant jobs continued to increase this quarter. During the first quarter of 2008 there were more than 47 500 vacant jobs in the private sector and more than 57 200 vacant jobs on the total labour market. Compared to the situation one year earlier this was an increase by approximately 9 percent and 8 percent respectively.

Acute shortage of labour rose

The shortage of labour increased acutely by 15 percent to more than 20 600 in the private sector, meaning that 43.3 percent of the vacant jobs could be filled immediately. Within business services and financial services as well as the construction industry the corresponding figures were 51.7 percent and 47.6 percent respectively. In total there were almost 1 900 vacancies in the construction industry and almost 7 800 vacancies in the business and financial service industries.

Contact persons: Raitis Sedlenieks, 08-506 948 88 and Alexandra Kopf Axelman, 08-506 943 51.

Publisher:

Monica Nelson Edberg

For more information on this publication, please contact:

Leif Munters, editor	08-506 945 09
Caroline Ahlstrand	08-506 943 33
Martin Daniels	08-506 942 64
Vera Norrman	08-506 943 04
Tomas Thorén	08-506 941 46

Co-authors:

Alexandra Kopf Axelman, labour market
Raitis Sedlenieks, labour market

Graphic format and web publishing:

Monica Andersson	08-506 943 62
Arne Orrgård	08-506 950 73

Inquiries also by e-mail: first namne.surname@scb.se.

The Swedish economy – Statistical perspective

ISSN 1653–3828

URN:NBN:SE:SCB-2008-A28TI0802ENG_pdf (pdf)