

CareEdge Global assigns Long Term Foreign Currency Rating of AAA (Unsolicited) to Kingdom of Sweden

Credit Profile

Sweden's credit profile is characterized by robust fiscal and monetary framework, accompanied with strong institutions and government effectiveness. Sweden is an export-oriented economy with significant natural resources such as timber, hydropower, and minerals. Sweden benefits from low general government debt and healthy debt affordability reflecting prudent fiscal policies. The economic stability is further strengthened with low inflationary environment, bolstering investor confidence. Sweden is a robust welfare state, with commitment to social equity and public services.

While the economy contracted in 2023, economic growth is expected to rebound by 2025 following improvements in global supply chain and increase in domestic demand.

Strengths

- Favourable business climate
- Very diversified economy specialised in high-tech products
- Low public debt
- High per capita income

Weaknesses

- Ageing population
- High level of Household debt

Key Monitorable

- Stabilization in housing prices
- Integration of immigrants in labour market

Key Rating Drivers

Economic Structure & Resilience

Sweden, with diverse industrial base, has high nominal GDP of USD 593 billion in 2023 and high GDP per capita of USD 55,613 (Purchasing Power Parity). Business friendly environment, innovation and high labor force participation rate of 73.5% are strengths of the economy. However, Sweden faces demographic challenges with 20% of its population aged 65 and older, which it seeks to address through immigration. Real GDP growth of Sweden contracted in 2023 by 0.2%, but it is estimated to grow by 0.2% in 2024 and gain momentum in 2025 with growth at 2.2%, driven by improvements in household consumption. Sweden's environment sustainability initiatives, such as comprehensive environment policy framework, and recent budgetary allocations towards environmental actions are strengthening the transition towards green energy.

Fiscal Strength

Sweden's economic landscape is currently shaped by a robust fiscal framework that emphasizes transparency and long-term stability. The gross general government debt level is estimated to be around 35.9% in 2023, significantly lower than the EU average of 88%. Prudent debt management has resulted in low interest payment obligations of around 1.4% of revenue. However, Sweden's government is planning to increase gross general government debt to 40%, in the coming decade, to accommodate for rising public spending, particularly in defence, infrastructure and housing.

External Position & Linkages

Sweden's external position is strong with current account surplus of 6.2% of GDP in 2023, which is projected to remain between 4 - 6% of GDP for next 5 years. Sweden also benefits from a positive Net International Investment position (NIIP) of around 35% of GDP in 2023 and substantial Foreign direct investment of around 5.4% of GDP (past 5-year average) led by its favorable business climate and economic stability. Strong legal framework, transparent regulations, and skilled workforce established the country as an appealing location for foreign companies. However, a substantial portion of exports is directed towards key EU partners like Germany, Norway, and Denmark, making it susceptible to economic shifts within these countries.

Monetary & Financial Stability

Swedish banking system remains resilient, and stable, even in the times of global economic pressures and uncertainties. Low NPLs of around 0.4%, further strengthen the conviction towards the banking system. Rate hikes by the Riksbank, in response to the global inflationary pressures, driven by supply chain disruptions and rising energy prices, are able to effectively steer the economy away from the inflationary environment, with inflation decreasing from 8% in 2022 to 5.9% in 2023 and reached 2.6% in July 2024. Additionally, Sweden has deep capital market, reflecting investor confidence.

Institutions & Quality of Governance

Sweden exhibits a high level of institutional quality and governance, characterized by robust democratic practices and effective public administration. The country consistently ranks among the top nations globally in governance indicators, reflecting its strong commitment to voice and accountability, political stability, government effectiveness, regulatory quality, and the rule of law. According to Corruption Perceptions Index 2023, released by Transparency International, Sweden scored 82 out of 100, placing it sixth globally, which shows its low levels of corruption. Further, the vibrant democratic culture, coupled with active citizen participation in political processes, reinforces Sweden's transparent governance and high institutional quality.

Sweden – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	555	534	547	640	590	593	623	651
GDP Per Capita (Constant-PPP)	USD	52,861	53,402	51,983	54,793	55,882	55,613	55,243	56,002
Real GDP Growth	%	2.0	2.0	-2.2	6.1	2.7	-0.2	0.2	2.2
GFCF/GDP	%	25.2	24.4	25.1	25.6	27.0	24.7	-	-
Gross Domestic Savings/GDP	%	28.2	29.3	29.6	30.6	31.2	31.2	-	-
Exports (G&S)/GDP	%	45.7	47.8	43.8	46.5	52.9	54.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	62.4	62.3	62.2	62.2	62.2	62.2	62.2	62.2
Old-Age (65+) Population (% Share in Total)	%	19.9	20.0	20.0	20.1	20.2	20.4	20.6	20.7
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.8	0.5	-2.8	0.0	1.3	-0.1	-0.7	-0.2
Revenue/GDP	%	49.6	48.7	48.3	48.1	48.1	47.1	47.4	47.9
Expenditure/GDP	%	48.8	48.1	51.1	48.1	46.8	47.2	48.0	48.1
GG Gross Debt/GDP	%	39.2	35.6	39.9	36.5	32.9	35.9	36.0	35.02
GG External Debt (by Creditor)/GG Gross Debt	%	21.7	19.9	18.8	13.6	9.2	11.2	-	-
Interest/Revenue	%	1.2	1.0	0.7	0.6	1.4	1.4	-	-
External Indicators									
Current Account Balance/GDP	%	2.5	5.3	5.9	7.1	5.8	6.2	6.0	5.3
FDI, Net Inflows/GDP	%	-0.24	3.1	3.4	8.6	7.8	3.9	-	-
Outstanding FII Liabilities/GDP	%	128.4	149.2	175.7	154.9	126.2	145.2	-	-
NIIP/GDP	%	7.9	14.0	8.4	17.7	29.4	34.6	-	-
Foreign Exchange Reserves	USD Billion	60.1	55.8	58.8	62.4	64.6	61.5	-	-
Import Cover	Months	3.0	2.9	3.2	2.8	2.6	2.5	-	-
External Debt/GDP	%	174.4	180.3	198.4	159.7	166.2	175.8	-	-
Monetary and Financial Indicators									
CPI Inflation	%	2.0	1.72	0.65	2.62	8.05	5.9	2.5	1.9
Exchange Rate (Average)	LC per USD	8.6	9.4	9.2	8.5	10.1	10.6	-	-
Non-Performing Loans/Total Gross Loans	%	0.5	0.6	0.5	0.4	0.3	0.4	-	-
Private debt, loans and debt securities/GDP	%	215.0	225.2	239.2	244.1	242.7	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long Term Foreign Currency (Unsolicited)	AAA	October 3, 2024

Analytical Contacts

Ankita Sharma

ankita.sharma@careedgeglobal.com

Anurag Chandra

anurag.chandra@careedgeglobal.com

Kiran Kavala

kiran.kavala@careedgeglobal.com

Media Contact

Mradul Mishra

mradul.mishra@careedge.in

Criteria Applied

CareEdge Sovereign Rating Methodology

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Unit No. 06, 11 T-2, Block-11, GIFT SEZ, Gift City, Gandhi Nagar, Gujarat – 382355
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