

CareEdge Global has assigned a 'Stable' outlook to the credit rating of the Kingdom of Sweden

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge AAA' (Unsolicited)

Issuer rating	CareEdge AAA/ Stable (Unsolicited)
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CareEdge Global has assigned a 'Stable' outlook to the rating of the Kingdom of Sweden while reaffirming the Long-Term Foreign Currency rating of 'CareEdge AAA (unsolicited)'.

Sweden's credit profile is characterised by a robust fiscal and monetary framework, supported by strong institutions and government effectiveness. As an export-oriented economy, Sweden relies significantly on machinery, services and natural resources, such as timber and minerals for its exports. The country benefited from low general government debt and strong debt affordability, which reflect its prudent fiscal policies. Economic stability is further strengthened by a low inflationary environment, boosting investor confidence. Additionally, Sweden is recognized as a strong welfare state demonstrating a commitment to social equity and public services.

However, these strengths are partly offset by Sweden's export basket being heavily concentrated with its key EU partners and its ageing population. The country also has a high externally held debt, but this is a result of its status as the financial hub of the Nordic countries.

Rating Outlook: Stable

CareEdge has assigned a 'stable' outlook for Sweden. A combination of strong fundamentals and economic recovery expectations drives this outlook. The country boasts a wealthy, high-value-added economy with robust public finances, a credible policy framework, and strong external metrics, contributing to its macroeconomic stability.

The Swedish economy is set to recover in 2024, after a slight contraction in 2023. Growth is projected to continue supported by lower inflation, better financial conditions, and rising household consumption. The labour market remains strong, with stable public finance, current account surplus and government debt. However, the general government balance will remain in deficit at -1.9% of GDP in 2024, mainly due to defence spending, support for Ukraine, and a central bank capital injection, but it is expected to improve in the following years.

Downside scenario

Though unlikely, we could lower our ratings on Sweden if there is significant drag on fiscal outlook due to increased defence spending or due to geopolitical tensions.

Key Rating Drivers

Economic Structure & Resilience

Sweden, boasts a diverse industrial base and has high nominal GDP of USD 584 billion in 2023, alongside a high GDP per capita of USD 63,114 (Purchasing Power Parity). The country is known for its business-friendly environment, innovation, and a high labour force participation rate of 73.5%. However, Sweden faces demographic challenges, with 20% of its population aged 65 and older. To tackle this issue, the country is seeking to address its demographic needs through immigration.

In 2023, Sweden's real GDP contracted by 0.17%, but it is projected to grow by 0.9% in 2024 and gain momentum in 2025, reaching a growth at 2.37%. This growth is expected to be driven by improvement in household consumption. Sweden is also strengthening its transition to green energy through various environmental sustainability initiatives, including a comprehensive environment policy framework and recent budgetary allocations towards environmental actions.

Fiscal Strength

Sweden's economic landscape is currently shaped by a robust fiscal framework that emphasises transparency and long-term stability. As of 2023, the gross general government debt level is estimated at approximately 36.4%, which is significantly lower than the EU average of 88%.

Prudent debt management has resulted in low-interest payment obligations, accounting for around 1.4% of revenue. However, the Swedish government plans to increase gross general government debt to 40% over the next decade to accommodate rising public spending, particularly in defence, infrastructure and housing.

External Position & Linkages

Sweden's external position is strong, with a current account surplus of 6.4% of GDP in 2023, which is projected to remain between 4 - 7% of GDP for the next 5 years. Sweden also benefited 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 favourable business climate and economic stability. A strong legal framework, transparent regulations, and a 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

The Swedish banking system remains resilient and stable, even during times of global economic pressures and uncertainties. The low non-performing loans (NPLs) of around 0.4% further strengthen confidence in the banking system. Rate hikes by the Riksbank, implemented in response to the global inflationary pressures caused by supply chain

disruptions and rising energy prices, have effectively guided the economy away from an inflationary environment. As a result, inflation decreased from 8% in 2022 to 5.9% in 2023 and reached 1.6% in November 2024. Additionally, Sweden has a deep capital market that reflects strong investor confidence.

Institutions & Quality of Governance

Sweden has a high level of institutional quality and governance, characterized by strong democratic practices and effective public administration. The country consistently ranks among the top nations in global governance indicators, reflecting its commitment to voice and accountability, political stability, government effectiveness, regulatory quality, and the rule of law. However, in recent years, score related to political stability and the absence of violence and terrorism has declined. According to the Corruption Perceptions Index 2023 released by Transparency International, Sweden scored 82 out of 100, placing it sixth globally. This demonstrates the country's low levels of corruption. Furthermore, Sweden's vibrant democratic culture and active citizen participation in political processes further reinforces its 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	551	532	545	637	579	584	609	638
GDP Per Capita (Constant-PPP)	USD	60370	61325	59796	62904	63402	63114	63123	64081
Real GDP Growth	%	1.9	2.55	-2.01	5.94	1.46	-0.17	0.9	2.37
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	%	49.9	48.8	48.4	48.3	48.6	46.8	47.0	47.1
Expenditure/GDP	%	49.1	48.2	51.2	48.3	47.5	47.4	48.2	47.4
GG Gross Debt/GDP	%	39.5	35.7	40.3	36.8	33.7	36.4	36.4	35.4
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	%	2.2	5.3	5.8	6.9	4.9	6.4	6.6	6.05
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	2.65	8.05	5.9	2.1	2.0
Exchange Rate (Average)	LC per USD	8.6	9.4	9.2	8.5	10.1	10.6	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	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

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating (Long Term Foreign Currency)	Unsolicited	AAA/ Stable	December 18, 2024
Issuer Rating (Long Term Foreign Currency)	Unsolicited	AAA	October 3, 2024

Criteria Applied

CareEdge Sovereign Rating Methodology

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