

## Sweden: Solid GDP but speed bumps ahead

The Swedish economy ended 2017 in decent shape, but the signs are pointing towards slower growth in 2018



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### Slowing economy

Swedish Q4 GDP came in a touch below expectations (0.9% QoQ vs 1.0% QoQ). That's a pretty solid pace of growth, but the detailed break-down of GDP suggests the Swedish economy is slowing down. Inventories accounted for 0.3pp and net exports for 0.6pp of the QoQ growth, meaning that the domestic economy registered zero underlying growth. That suggests the composition of growth is shifting as the domestic economy slows down while the global cyclical upswing helps Swedish exports. But this likely means the economy will be growing more slowly in 2018, as exports will not be enough to fully compensate for slower momentum in the domestic economy. Survey indicators have already indicated slowing momentum in 2018 Q1, and a weak retail sales figure for January today adds to the likelihood that we see a slower pace of growth in Q1.

### Outlook for rates

For the Riksbank, today's figures will probably add only marginally to the concerns it already has. The GDP figure was just slightly below the Riksbank forecast, but slower momentum in Q1 suggests

the central bank may need to revise growth down a little for the first half of 2018. That's less important than the evolution of inflation over coming months but adds to the overall likelihood that the first rate hike will be delayed towards the end of 2018.