

## Swedish 1Q GDP: The last hurrah?

The Swedish economy recorded solid growth in 1Q, but the outlook is getting gloomier



Source: Shutterstock

Swedish GDP grew by 3.3% year on year in the first quarter of 2018.

That's in line with consensus expectations, but somewhat below the Riksbank's latest forecast of 3.5%. And growth for the previous three quarters was revised down (this is why the QoQ figure for 1Q was above consensus even though the YoY figure was in line with expectations). So the net effect is downside news for the Riksbank.

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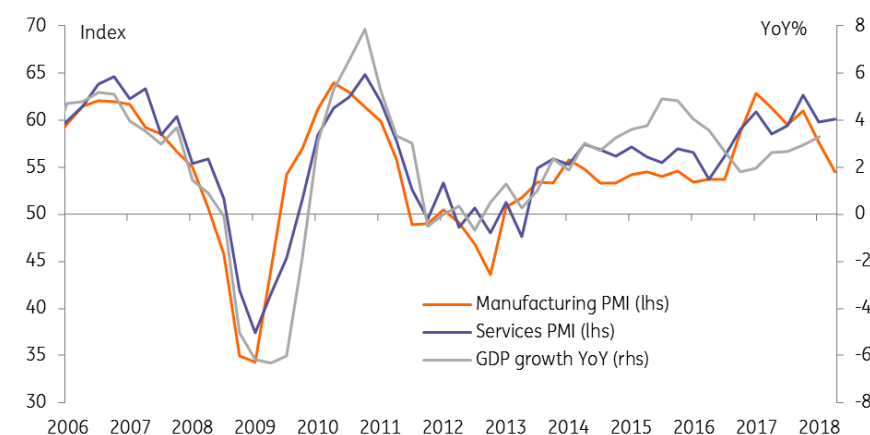
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The composition of growth in 1Q was broadly balanced, with both consumption and investment contributing strongly. The volatile components: net exports and inventories, had limited impact. In that sense, the 1Q growth figure was better than 4Q, when inventories made the headline growth

figure look better than it really was.

And wage growth data, released at the same time, was also a touch better than expected. Wages for non-manual workers ticked up to 2.5% YoY growth in March, up from 2.4% in February. Given the importance the central bank attaches to inflation and wage pressure, that will be welcome news for policymakers.

## Swedish GDP and PMI surveys



Source: Macrobond

So on balance, today's data could be taken as mildly positive, and the Swedish krona has strengthened a bit on the back of the GDP release.

But looking ahead, we think Swedish growth is set to slow down. Near-term indicators suggest momentum in Sweden has softened in 2018. And the same is true for Sweden's major trading partners in Europe. Meanwhile, the slowdown on the Swedish housing market is yet to be reflected in GDP figures and is likely to prove a major headwind.

Outside risks to growth have increased recently. The US administration's continued aggressive trade policy and the financial market spill-over from Italy's political turmoil has clouded the outlook for Sweden's export-reliant economy. So the first quarter may well prove a highwater-mark for Swedish growth.