Sweden

CRT-1

August 22, 2019

Region: Europe

Country Risk Criteria Procedures

Guide to Best’s Country Risk Tiers

• The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.

• Sweden is a CRT-1 country, with very low levels of economic, political and financial system risk.

• Sweden’s GDP growth rate is expected to fall to 1.2% in 2019, from 2.3% in 2018, and inflation, from 2.0% to 1.9%. Consumption is expected to decline also, as uncertainty has damaged consumer sentiment.

• Sweden will likely be effected by Brexit, not just directly, but also indirectly, through the impact on the country’s key trade partners. Global trade tensions are also a challenge.

• AM Best categorizes the majority of countries pictured below as CRT-1 and CRT-2. Notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus and Ukraine.

Regional Summary: Western Europe

• Composed of 28 countries, the EU accounts for slightly over a fifth of the world’s GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.

• Uncertainty about Britain’s exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a “no deal” Brexit remaining a possibility.

• Growth in Western Europe has stagnated; impediments include weakness in the region’s manufacturing sectors, heightened trade tensions, and a general worldwide economic slowdown.

• The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.
**Economic Risk: Very Low**

- Trade is extremely important to the Swedish economy, with trade accounting for 91% of GDP. The country’s primary trade partners include Germany, the Netherlands, the US, as well as other Scandinavian countries. Global trade tensions comprise the main headwind to growth.

- Sweden has an abundance of natural resources, including iron, timber, and hydropower. Natural resource extraction is an important sector of the economy.

- Sweden's economy is very diversified with a highly skilled and highly educated workforce. The country’s GDP per capita is high, estimated at about USD53000 in 2019. Sweden ranks 19th in world out of 190 countries in the Index of Economic Freedom.

- Sweden's unemployment is about average for the Eurozone, at an estimated 6.2%. The slowdown in economic growth will be a challenge for unemployment.

**Political Risk: Very Low**

- The current prime minister of Sweden is Stefan Löfven of the Social Democratic Party (SSDP). The party holds only 112 of the 349 seats in Parliament and has had to make concessions to other parties to pass its legislative agenda.

- Sweden is not a NATO member but is a close partner. In October 2018, the country took part in the Trident Juncture, a military exercise involving around 50,000 military personnel from 31 nations. It has also placed troops on the strategic island of Gotland in the Baltic Sea in response to continued tensions with Russia.

- The country is less likely to receive organized large-scale terrorist attacks than the rest of Europe, but the possibility of low-capability attacks remains a threat.

- The country continues to score highly in Transparency International Corruption Perceptions Index, ranking 3rd in the most recent index.

**Financial System Risk: Very Low**

- Sweden's insurance industry is regulated by Finansinspektionen (FI), the country’s financial supervisory authority. Roughly 180 life and non-life insurance companies operate in Sweden.

- Although the country does not use the euro, it is still an EU member and abides by general EU laws and standards. As in the rest of the region, the insurance industry is well regulated with hundreds of companies.

- The official currency is the Swedish krona, which is controlled by Sveriges Riksbank. Monetary policy is still accommodative despite the repo rate being raised in January 2019 for the first time since 2017 from -0.5% to -0.25%. With inflation set to decline, interest rate movement is likely to be limited.