

BEST'S COUNTRY RISK REPORT

Sweden CRT-1

August 22, 2018

Region: Western Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. 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. GDP growth in 2017 was 2.4%, with medium-term economic growth expected at around 2.0%.
- Strong domestic demand and exports have been key drivers of growth. The country is further supported by a strong labor market and low inflation.
- However, there are some concerns following the UK vote to exit the EU, of which Sweden is a member, as the UK is the major destination for Swedish exports.
- A.M. 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.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Western Europe

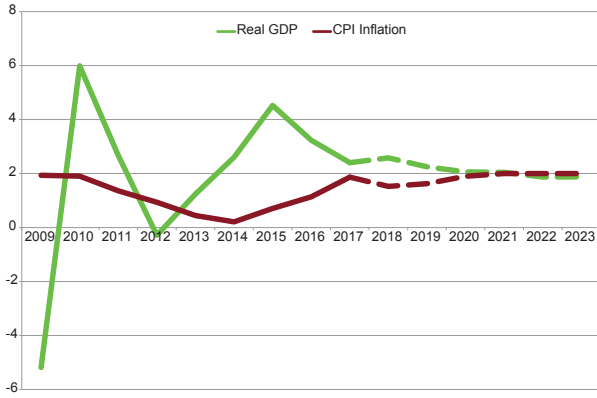
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

Vital Statistics 2017		
Nominal GDP	USD bn	538.58
Population	mil	10.1
GDP Per Capita	USD	53,218
Real GDP Growth	%	2.4
Inflation Rate	%	1.9
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	86.1
Dependency Ratio	%	58.5
Life Expectancy	Years	82.1
Median Age	Years	41.2
Insurance Statistics		
Insurance Regulator	Financial Supervisory Authority	
Premiums Written (Life)	USD mil	26,836
Premiums Written (Non-Life)	USD mil	9,744
Premiums Growth (2016 - 2017)	%	6.6
Regional Comparison		
	Country Risk Tier	
Sweden	CRT-1	
Denmark	CRT-1	
Finland	CRT-1	
Germany	CRT-1	
Netherlands	CRT-1	
Norway	CRT-1	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



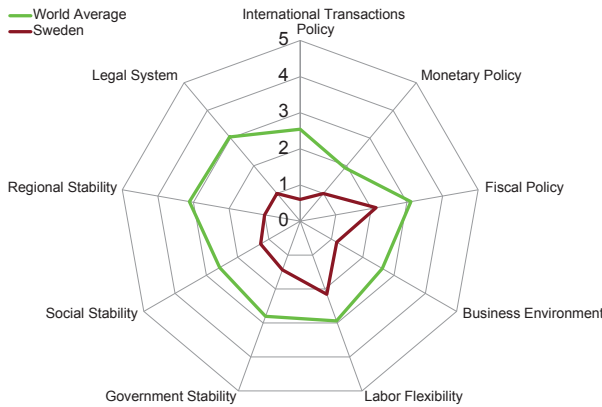
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

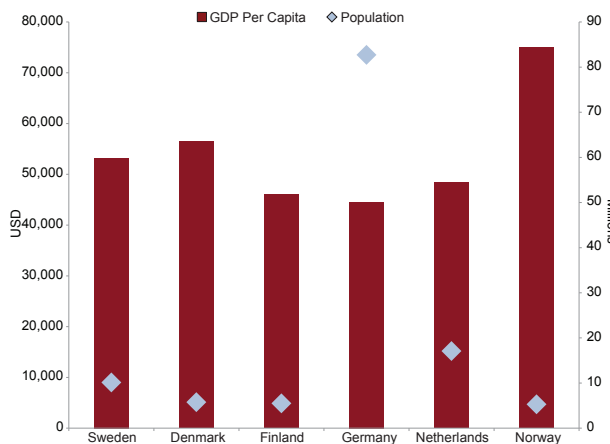
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Very Low

- Sweden's economy depends highly on trade and is extremely well integrated into the global economy. Potential global shocks are a vulnerability but are mitigated by the government's strong fiscal stance and the economy's overall diversity.
- One risk to the economy could be the housing market. Housing prices fell 10% from June 2017 to March 2018, as a result of weaker household sentiment and stricter mortgage rules.
- Sweden remains outside the eurozone and maintains an independent monetary policy. The country has had a negative base lending rate of -0.5% since 2016; inflation rose to 2.1% in July 2018.
- Unemployment increased in June 2018, to 7.2%. The unemployed typically lack the high level of education and skills associated with Swedish workers.

Political Risk: Very Low

- The government is currently led by a minority, center-left coalition headed by the Social Democrats that is focused on funding education, housing, and environmentally friendly initiatives. In an effort to bolster the housing market, the government is likely to introduce subsidies for first-time home buyers.
- Legislative elections are slated for September 2018; affordable housing for lower-income renters and support for buyers will be key issues.
- Governmental policies consistently favor foreign investment. Its pro-business environment, swift contract enforcement, and highly educated and skilled workforce attract many investors.
- Sweden's labor force faces some challenges in light of the influx of refugees. Although Sweden has made efforts to integrate refugees into society and into the labor force, the integration is slow.
- The judicial system in Sweden is viewed as highly independent and competent.

Financial System Risk: Very Low

- The Swedish insurance industry is regulated by Finansinspektionen (FI), Sweden's financial supervisory authority. Roughly 180 life and non-life insurance companies are operating in the country.
- The banking sector, which is resilient to potential shocks, depends largely on wholesale funding.
- Sweden's central bank, Sveriges Riksbank, continues to support the economy with an accommodative monetary policy. Interest rates remain negative, although the central bank has signalled the possibility of raising the base lending rate in December 2018.
- The housing industry remains a source of vulnerability for Sweden. Household debt is high and housing prices have been volatile.