16 February 2018

Public Finance

Kingdom of Sweden Rating Report

AAA

STABLE OUTLOOK

Credit strengths

- Diversified and wealthy economy
- Strong economic growth
- Solid public finances
- Low external risk
- Sound macroeconomic policy

Credit weaknesses

- Financial stability risks
- High private-debt levels

Rating rationale and Outlook: The AAA ratings are supported by Sweden's wealthy and diversified economy, strong economic growth, low external risk, and solid public finances with low public debt and strong budgetary performance, which when taken together point to a high degree of resilience to potential economic downturns. Sweden also benefits from a strong and credible fiscal framework and monetary policy. However, these supporting factors are balanced by challenges related to financial stability risks emanating from the country's housing market, with continuing high prices, as well as high debt ratios in the household sector. The Stable Outlook reflects Scope's assessment that the risks Sweden faces remain fairly balanced.

Figure 1: Quantitative Scorecard Results

Scope's sovereign risk categories	Sweden	Peer comparison		
		Average	Norway	Netherlands
Domestic economic risk				
Public finance risk				
External economic risk				
Financial risk				
Political and institutional risk				
Qualitative adjustment (notches)	-		-	-
Final rating	AAA		AAA	AAA

AAA	AA	A	BBB	BB	B	CCC	CC	C

Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Sharp correction in housing prices damaging the economy
- Spill-over effects from economic/banking crisis in Nordic/Baltic regions

Ratings and outlook

Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

Local currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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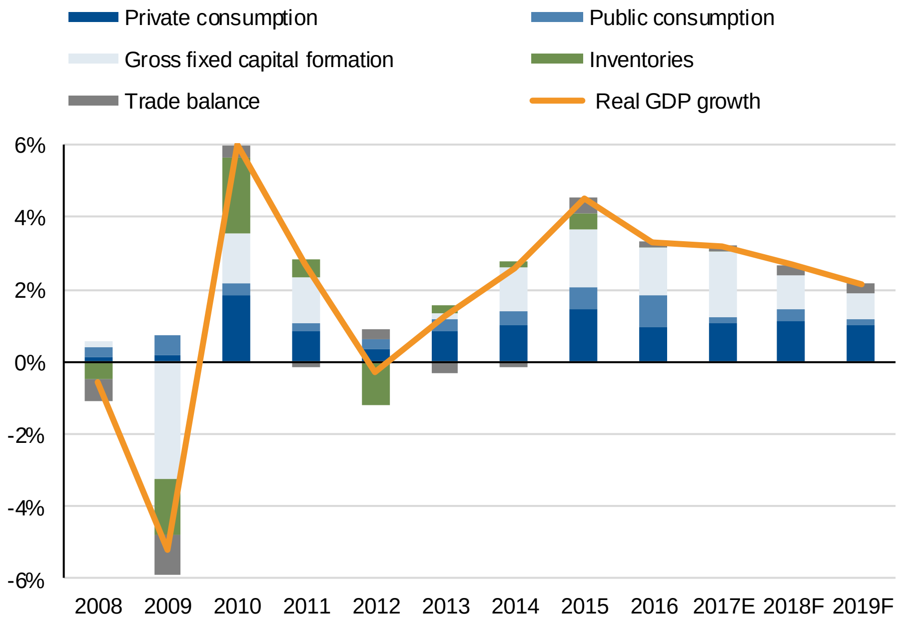
Bloomberg: SCOP

Domestic economic risk

Strong ongoing economic performance

The Swedish economy continues to grow among the strongest in the Nordic region, with growth in 2017 expected to reach 3.1% (after a strong 2016 growth rate of 3.3%) fuelled by strong private and public consumption and solid investment growth.[1] Scope expects the growth to continue above the EU average, but at a slower pace of 2.7% and 2.4% in 2018 and 2019 as capacity constraints kick in. Growth will be supported by net exports, thanks to the recovery in Sweden's main trading partners and strengthened external demand. GDP growth will also be underpinned by strong domestic demand benefitting from employment growth, counterbalanced by the effects of moderate real wage increases on private consumption and weaker housing investment. Residential investments are expected to contribute a full percentage point of growth to GDP in 2017, reflecting the imbalances in the Swedish residential investment market. Living standards in Sweden remain high, with per-capita income in 2016 at over USD 53,000, ranked 11th worldwide by the IMF in 2017.

Figure 2: Percentage point contribution to real GDP growth



Source: IMF, Calculations Scope Rating AG

Residential investment in Sweden is driven primarily by a long-term lag between residential construction and population growth, with demand for housing outstripping supply since the 1990s, when subsidies for public housing were phased out. Demand is also buoyed by the country's very low interest rates and high saving rates, aided by long-term wage increases. The problem is widespread: supply falls short in 255 of the 290 Swedish municipalities, concentrated in Stockholm, Gothenburg and Malmö, where significant urbanisation is ongoing.[2]

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[1] Publications consulted preparing for this report are the IMF Article IV Consultation, November 2017, IMF Country Report No. 17/350; OECD Economic Outlook 2017, Volume 2017 Issue 2, OECD Economic Surveys: Sweden 2017; EC European Economic Forecast Winter 2018 (Interim), hereafter IMF Art IV, OECD EO; OECD 2017, EC.
[2] IMF Art IV, p. 15

In Scope's opinion, the housing market in Sweden is largely dysfunctional, with supply supressed by rent rigidities, the protection of tenants, discouragement of investment and leading to conversion of rental dwellings to tenant-owned properties, which reduces the number of rental units needed by lower-income cohorts.[3] The expansion of building activity to meet demand is also limited by the strict land-use regulations and building standards, as well as by construction labour shortages. While the Swedish government has started to address some of the supply-side problems, the dwelling demand overhang is estimated at over 700,000 units in 2025, which, added to the persisting gap between supply and demand, leads to long-term price pressures.[4]

While the residential sector dominates investment, Scope expects equipment investment to also grow strongly in the face of capacity constraints and the need to increase productivity to compensate for the reduced availability of workers.

Expanding economic activity has resulted in increased labour market participation – 81.2% in 2016, the highest in the EU – and higher employment, expected to be at least 2% higher in 2017. Employment is now growing at its fastest pace in 50 years. Underscoring the demand for workers, job vacancies increased to 34,421 in Q3 2017, from 23,317 in Q3 2015. Unemployment is expected to fall to 6.6% in 2017 from 7.0% in 2016. The high flow of migrants into Sweden has not resulted in an easing of the labour market. Job creation for low-skilled workers is limited largely by strict job protection laws, high minimum wages set by collective-bargaining, and low wage differentiation between sectors.

Swedish wage growth has mostly been moderate, with wages for private-sector salaried employees in November 2017 showing an annual compound growth rate of 2.86% from January 2008. Real wages have tended to follow labour productivity trends and exhibited flexibility in the face of unemployment, as well as becoming increasingly aligned with German wages, reflecting a consensus between employers and unions on maintaining international competitiveness with Sweden's strongest competitor to protect market share and, hence, employment.[5] Labour shortages are increasing, especially in construction, where demand is particularly strong.

The trade sector is profiting from a brighter global outlook, with upswings for intermediate and investment goods. Demand for Swedish goods from major trading partners remains strong, but net exports will largely be in balance going forward, reflecting strong import growth as well.

Scope expects Swedish fiscal policy in 2018 to remain mildly expansionary, with new initiatives increasing government spending by 0.9% of GDP to focus on core public services, defence and domestic security, welfare and the environment. Concerns about an overheating economy are limited by persistently low inflation.

[3] OECD EO
[4] OECD 2017, p. 22
[5] IMF Art IV, p. 21

Public finance risk

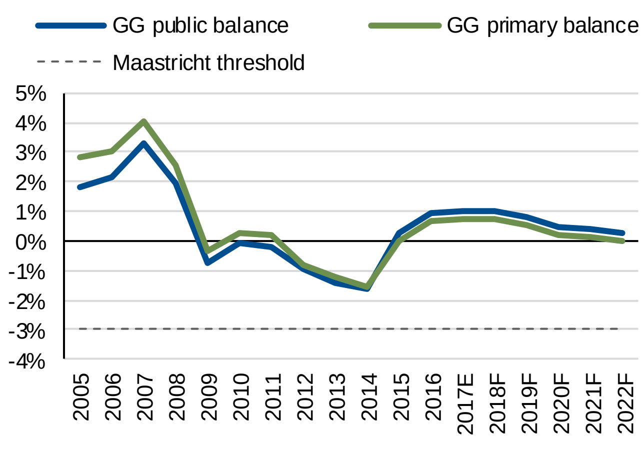
Solid public finances

Sweden runs healthy budget balances and enjoys moderate levels of public debt, which are expected to gradually decline thanks to projected balanced budgets and buoyant GDP growth. Following an initial post-crisis period of small fiscal deficits, the general government budget has been balanced since 2015 and showed a higher than expected surplus of 1.0% of GDP in 2017, supported by strong tax revenues, lower expenditures tied to the integration of refugees, and a one-off EU rebate. In 2018, the general government surplus is expected to drop to 0.7% of GDP due to a more expansionary policy measures that are aimed in support of the welfare and health care system, as well as strengthening police, defence and environmental protection. Going forward, the general government balance is expected to remain broadly balanced with some incremental welfare spending, but supported by the effects of a robust economy on the fiscal balance.

Strong fiscal policy framework, slated for further reform

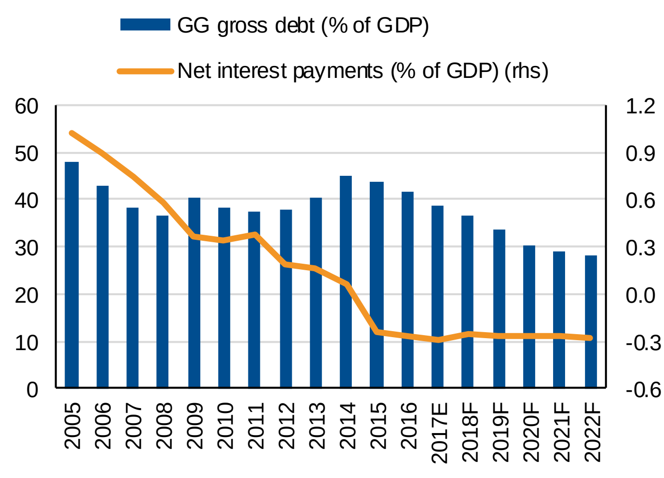
Sweden's gross debt has been on a declining trend over the last few years, a trend that is set to continue with the debt-to-GDP ratio projected to fall from 38.4% in 2017 to 34.4% in 2019 thanks both to balanced budgets and a growing economy. Scope believes that Sweden faces low medium-term risks to fiscal sustainability, and, going forward, expects public finances to continue to be characterised by healthy budget balances and moderate levels of public debt. In the short and medium term, Sweden faces low risks to fiscal sustainability. However, in the long term, public finances may come under pressure due to increases in long-term care spending, which according to the European Commission could increase from 3.6% of GDP in 2013 to 5.1% by 2060, an increase of 41% driven by an ageing population.

Figure 3: Fiscal developments, % GDP



Source: IMF

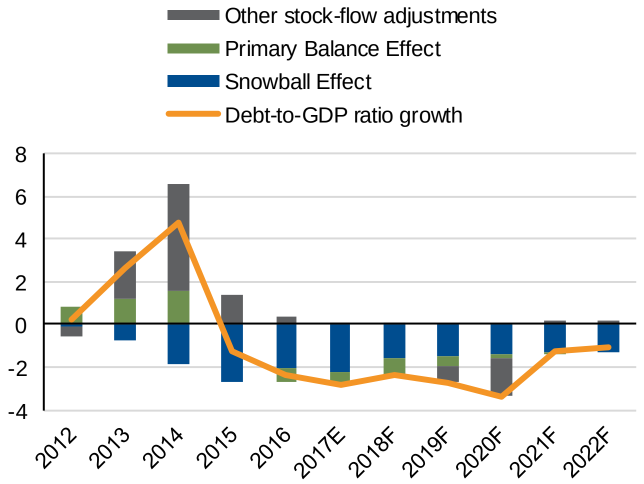
Figure 4: GG gross debt and net interest payments



Source: IMF, Calculations Scope Ratings GmbH

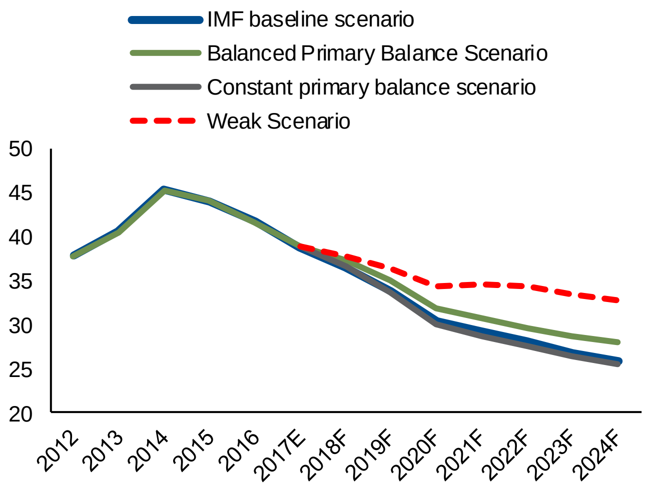
In Scope's view, Sweden benefits from a credible fiscal policy framework, introduced in the 1990s, which has led to a significant fall in general government debt from around 70% of GDP at the end of the 1990s to 38.4% in 2017. There are plans to further reform the framework, taking into account improvements in the country's public finances and the medium- to long-term risks related to demographic ageing. These reform measures include a slight relaxation of the budget surplus target, the introduction of a debt anchor and the strengthening of the Fiscal Policy Council, an independent evaluator of the government's fiscal policy.

Figure 5: Contribution to gov't debt changes, % of GDP



Source: IMF, Calculations Scope Ratings GmbH

Figure 6: Government debt, % of GDP



Source: Calculations Scope Ratings GmbH

	Real GDP growth (% change)	Primary balance (% of GDP)	Real effective interest rate (%)
IMF baseline (WEO October 2017), 2017-22 average	2.2	0.4	-2.7
Balanced primary balance scenario, 2017-22 average	2.2	0.0	-2.7.
Weak scenario, 2017-22 average	1.4	-0.3	-2.7

Source: IMF, Ministry of Finance, Calculations Scope Ratings GmbH

Scope conducted a debt sustainability simulation with several scenarios. The baseline scenario sees public debt continuing to fall, from an expected 38.8% of GDP to 28.2% of GDP in 2022. The two basic policy scenarios – of a balanced primary balance and a constant primary balance – follow similar paths. The weak scenario, representing an economic slowdown with increased counter-cyclical government spending, sees public debt falling at a significantly lower rate, dropping to 34.3% of GDP in 2020, a difference of 6.9 percentage points from the baseline scenario. These results support Sweden's rating.

External economic risk

Track-record of current-account surpluses

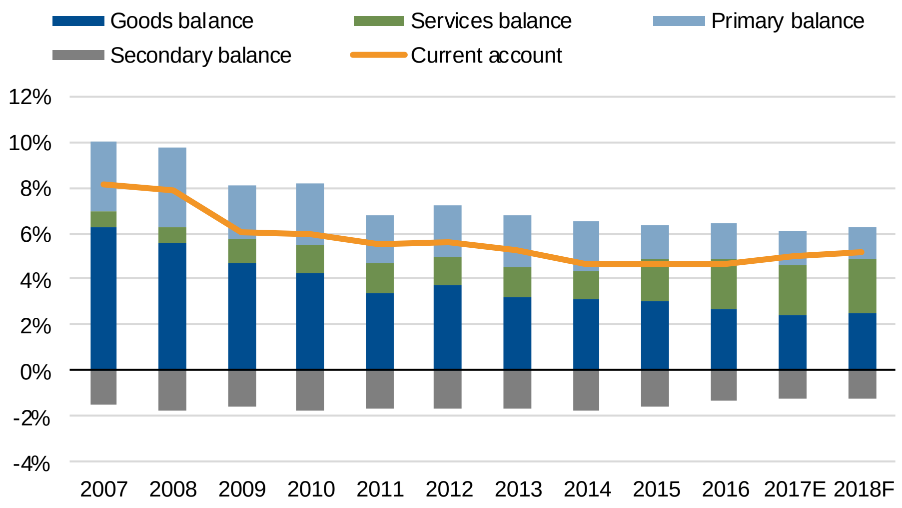
Sweden benefits from a strong external position. As a net creditor country, with almost two decades of current account surpluses averaging 5.1% of GDP, Sweden has limited dependence on foreign capital inflows. The current account balance is expected to remain at around 5% of GDP in 2017 and 2018, supported by a gradual recovery in Sweden's main trading partners (and thus higher import demand) as well as by positive effects from a weak krona.

The strong Swedish current account appears to be high for a country with floating exchange rates, generally sound macroeconomic policies that prevent an overheating economy, and a lack of other clear policy distortions. This discrepancy is explained partly by measurement issues, with merchanting (trade outside domestic borders), at 1.8% of GDP in 2016, helping to create a structural current-account surplus. The large Swedish financial sector also generates strong inflows of non-domestic income, with almost half of Swedish banking assets overseas. Further, increased labour participation rates of older cohorts are reducing the originally anticipated decline in savings for this group.

Hence the current-account position in Sweden has structurally positive aspects that point to continued strength going forward and are less susceptible to the business cycle.[6]

The rating is also supported by the country's net external asset position of 12.8% in 2017, especially considering its recent improvement from 1.2% in 2014 and expected growth going forward to 16.9% in 2020.

Figure 7: Current account and net external asset position, % of GDP



Source: IMF

Financial stability risk

Financial stability risks represent a key challenge. While Scope does not consider price developments in the Swedish housing market to be necessarily excessive, high household leveraging and long-term, sustained increases in housing prices (reflecting a long lag for supply to meet demand) do raise concerns over developing vulnerabilities for the Swedish banking sector. The Swedish House Price Index, despite a 2.5% fall in December 2017 from the previous year, has increased by 121% since January 2005. A heavy reliance on wholesale funding, largely foreign, as well as the deep intertwining of Swedish banks with both Nordic and Baltic banking sectors, may expose Swedish banks to foreign investor sentiment and transmission of shocks from the region. Scope considers this a problem due to the Swedish banking sector's size, whose assets (including Nordea) exceed GDP threefold.

The housing price risks are tied to the high indebtedness among Swedish households, which would be exacerbated by a sudden increase in interest rates or a sharp fall in housing prices. In July 2017, the Swedish household debt-to-GDP ratio was 85.9% and the ratio of household debt to income at the end of 2016 was 156.87%, placing Sweden firmly among EU countries with the highest levels of household indebtedness. The Swedish household debt service ratio, i.e. the actual debt servicing of private households from their current income, is also a relatively high 10%.

Due to the supply-demand mismatch, the already-high housing prices in Sweden keep getting higher.[7] This reflects not only strong demand with limited supply, but also weak price competition in housing construction and the concentration of demand in urban areas.

[6] IMF Art IV, p. 40
[7] IMF Art IV p. 15

Given high debt levels and a relatively large debt service ratio, Scope recognises the risk to economic growth if high debt levels were to discourage private consumption during a crisis. A negative rating-change driver would be a strong correction in housing prices, which would expose households, banks and the construction sector to significant adjustments. Scope believes these risks may be alleviated by prudent government actions to slow residential housing inflation with macro-prudential measures, i.e. mortgage amortisation requirements for new loans with a loan-to-value ratio of over 50%, the reform of capital-gains-tax deferral rules for housing transactions, an enhancement of legal mandates, and a 22-point plan to address the imbalances in the Swedish residential investment market.

Resiliency of the domestic banking sector is high…

Swedish banks are generally healthy and profitable. Return on equity is estimated at 12% on average in 2016, only slightly below the levels before the adoption of negative interest rates in 2015. Regulatory tier 1 capital to risk-weighted assets increased to 23.0% in 2016, from 21.1% in 2015. Non-performing loans, measured as a percentage of gross loans, was 2.0% in 2016. This is also remarkable given the high household indebtedness, underscoring the resiliency of private-sector debt-servicing.

Move of Nordea to Finland

The decision of Nordea, Europe's ninth-largest bank by market value, to move headquarters from Sweden to Finland in 2018 will bring significant changes to the large Swedish banking sector, but the overall diversity of the economy will be largely unaffected. The move was largely driven by Nordea's decision to position itself on par with European peers, as Finland is a member of the EMU, but also by the bank's previous conflict with the government over proposed tax increases and regulations.[8]

Institutional and political risk

There have been two recent interrelated trends in Swedish politics: i) a rise in support for the Sweden Democrats, a nationalist anti-immigrant party; and ii) faltering support for the ruling coalition, especially for the largest party, the Social Democrats. According to a 30-day average of polls in January 2018, Sweden Democrats are the third most popular force in Sweden, with around 18% of voting intentions for the next parliamentary elections (set for 9 September 2018). The Social Democrats held 28% of voting intentions and the Moderates 23%. If election results were to reflect this, no majority would emerge: a coalition consisting of the Social Democrats, People's Party and Moderate Party would command only 39.0% of seats, whereas an opposition coalition would command 39.4%, with the Sweden Democrats holding 18.0% and hence sitting between two large minorities. However, any change in government is not anticipated to have a material effect on government policies.

Unstable minority government

Following parliamentary elections in September 2014, Sweden has been ruled by a minority coalition government comprised of the Social Democrats and the Greens. The coalition holds 138 seats and is 37 seats short of a majority in the Riksdag, Sweden's unicameral legislature. With only 37.9% of the popular vote and roughly 39.5% of parliamentary seats, this minority government is one of the weakest in Sweden's history. This forces the Cabinet to seek support from other parties in the Riksdag to ensure the adoption and implementation of legislation.

[8] https://www.cnbc.com/2017/09/07/banking-group-nordea-snubs-sweden-with-hq-move-to-finland.html

Methodology

The methodology applicable for this rating and/or rating outlook, Public Finance Sovereign Ratings, is available on www.scoperatings.com.

Historical default rates of Scope Ratings can be viewed in the rating performance report on https://www.scoperatings.com/#governance-and-policies/regulatory-ESMA. Please also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

A comprehensive clarification of Scope's definition of default, definitions of rating notations can be found in Scope's public credit rating methodologies at www.scoperatings.com.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

I. Appendix: CVS and QS results

Sovereign rating scorecards

Scope's Core Variable Scorecard (CVS), which is based on relative rankings of key sovereign credit fundamentals, signals an indicative AAA (aaa) rating range for the Kingdom of Sweden. This indicative rating range can be adjusted by up to three notches on the Qualitative Scorecard (QS) depending on the size of relative credit strengths or weaknesses versus peers based on analysts' qualitative analysis.

For the Kingdom of Sweden, the following relative credit strengths have been identified: 1) growth potential of the economy, 2) economic policy framework, 3) debt sustainability, 4) market access and funding sources, and 5) financial sector performance. Relative credit weaknesses have been signalled for macro-financial vulnerabilities and fragility. Combined relative credit strengths and weaknesses generate no adjustment and signal a sovereign rating of AAA for the Kingdom of Sweden. A rating committee discussed and confirmed these results.

Rating overview	
CVS category rating range	aaa
QS adjustment	AAA
Final rating	AAA

To calculate the rating score within the CVS, Scope uses a minimum-maximum algorithm to determine a rating score for each of the 22 indicators. Scope calculates the minimum and maximum of each rating indicator and places each sovereign within this range. Sovereigns with the strongest results for each rating indicator receive the highest rating score; sovereigns with the weakest results receive the lowest. The score result translates to an indicative rating range that is always presented in lower case.

Within the QS assessment, analysts conduct a comprehensive review of the qualitative factors. This includes but is not limited to economic scenario analysis, review of debt sustainability, fiscal and financial performance and policy implementation assessments.

There are three assessments per category for a total of 15. For each assessment, analysts examine the relative position of a given sovereign within its peer group. For this purpose, additional comparative analysis beyond the variables included in the CVS is conducted. These assessments are then aggregated using the same weighting system as in the CVS.

The result is the implied QS notch adjustment, which is the basis for the analysts' recommendation to the rating committee.

Foreign- versus local-currency ratings

Sweden's debt is predominantly issued in krona, or is partially hedged. Because of Sweden's history of openness to trade and capital flows, Scope sees no evidence that Sweden would differentiate among any of its contractual debt obligations based on currency denomination.

II. Appendix: CVS and QS results

CVS

Rating indicator	Category weight
Domestic economic risk	**35%**
Economic growth	
Real GDP growth	
Real GDP volatility	
GDP per capita	
Inflation rate	
Labour & population	
Unemployment rate	
Population growth	
Public finance risk	**30%**
Fiscal balance	
GG public balance	
GG primary balance	
GG gross financing needs	
Public debt	
GG net debt	
Interest payments	
External economic risk	**15%**
International position	
International investment position	
Importance of currency	
Current-account financing	
Current-account balance	
T-W effective exchange rate	
Total external debt	
Institutional and political risk	**10%**
Control of corruption	
Voice & accountability	
Rule of law	
Financial risk	**10%**
Non-performing loans	
Liquid assets	
Credit-to-GDP gap	

QS

Maximum adjustment = 3 notches

	+2 notch	+1 notch	0 notch	-1 notch	-2 notch
Growth potential of the economy	○ Excellent outlook, strong growth potential	● Strong outlook, good growth potential	○ Neutral	○ Weak outlook, growth potential under trend	○ Very weak outlook, growth potential well under trend or negative
Economic policy framework	○ Excellent	● Good	○ Neutral	○ Poor	○ Inadequate
Macroeconomic stability and imbalances	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
Fiscal performance	○ Exceptionally strong performance	○ Strong performance	● Neutral	○ Weak performance	○ Problematic performance
Debt sustainability	○ Exceptionally strong sustainability	● Strong sustainability	○ Neutral	○ Weak sustainability	○ Not sustainable
Market access and funding sources	○ Excellent access	● Very good access	○ Neutral	○ Poor access	○ Very weak access
Current-account vulnerabilities	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
External debt sustainability	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
Vulnerability to short-term shocks	○ Excellent resilience	○ Good resilience	● Neutral	○ Vulnerable to shocks	○ Strongly vulnerable to shocks
Perceived willingness to pay	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
Recent events and policy decisions	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
Geo-political risk	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
Financial sector performance	○ Excellent	● Good	○ Neutral	○ Poor	○ Inadequate
Financial sector oversight and governance	○ Excellent	○ Good	● Neutral	○ Poor	○ Inadequate
Macro-financial vulnerabilities and fragility	○ Excellent	○ Good	○ Neutral	● Poor	○ Inadequate

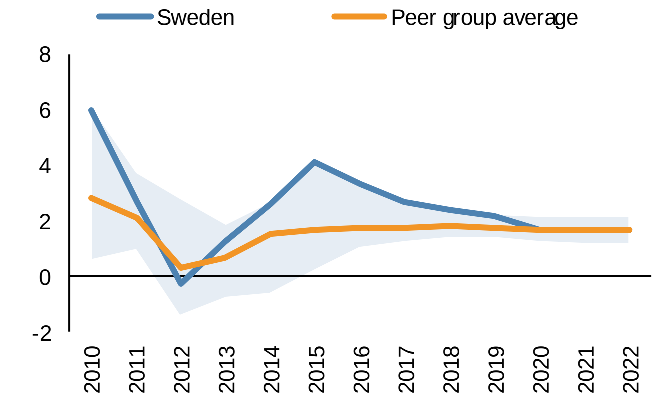
Indicative rating range	**aaa**
QS adjustment	**AAA**
Final rating	**AAA**

*** Implied QS notch adjustment = (QS notch adjustment for domestic economic risk)*0.35 + (QS notch adjustment for public finance risk)*0.30 + (QS notch adjustment for external economic risk)*0.15 + (QS notch adjustment for institutional and political risk)*0.10 + (QS notch adjustment for financial stability risk)*0.10**

Source: Scope Ratings AG

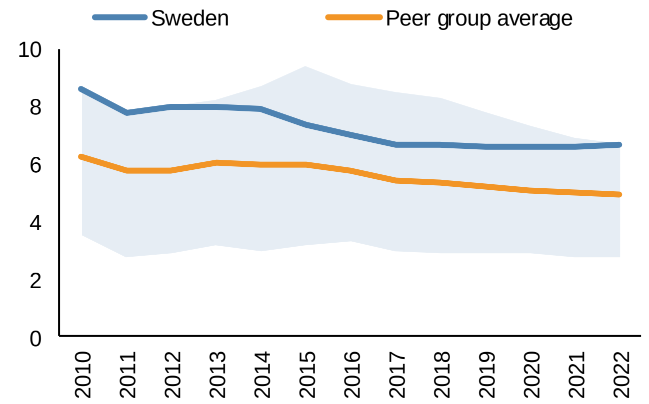
III. Appendix: Peer comparison

Figure 8: Real GDP growth



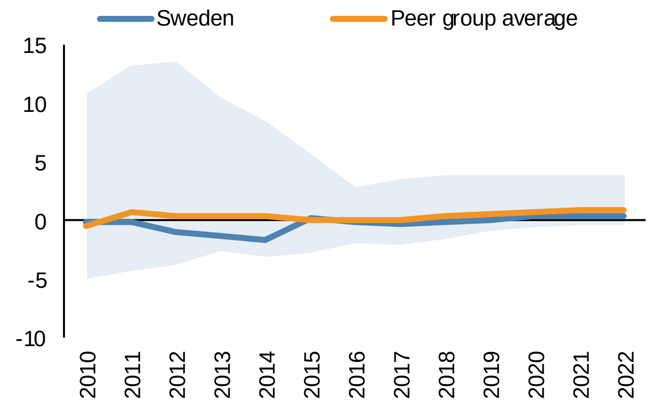
Source: IMF, Calculations Scope Ratings AG

Figure 9: Unemployment rate, % of total labour force



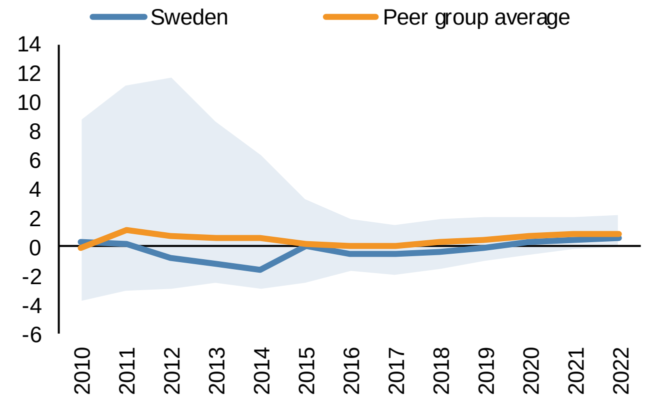
Source: IMF, Calculations Scope Ratings AG

Figure 10: General government balance, % of GDP



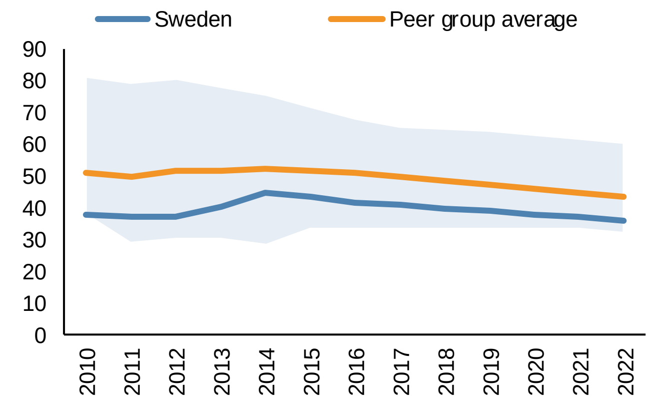
Source: IMF, Calculations Scope Ratings AG

Figure 11: General government primary balance, % of GDP



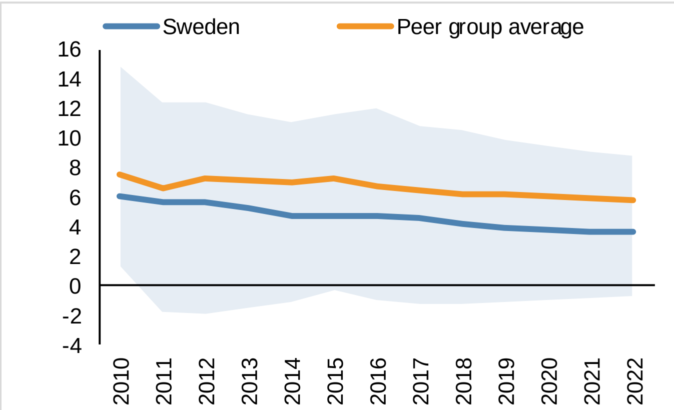
Source: IMF, Calculations Scope Ratings AG

Figure 12: General government gross debt, % of GDP



Source: IMF, Calculations Scope Ratings AG

Figure 13: Current account balance, % of GDP



Source: IMF, Calculations Scope Ratings AG

IV. Appendix: Statistical tables

	2012	2013	2014	2015	2016	2017E	2018F
Economic performance							
Nominal GDP (SEK bn)	3.684,8	3.769,9	3.936,8	4.181,1	4.375,2	4.611,9	4.796,4
Population ('000s)	9.556,0	9.645,0	9.747,0	9.851,0	9.995,0	10.177,0	10.297,0
GDP-per-capita PPP (USD)	44.725,0	45.673,2	46.404,7	48.037,8	49.507,9	-	-
GDP per capita (SEK)	385.605,0	390.872,2	403.888,0	424.433,6	437.729,8	453.180,6	465.810,9
Real GDP growth, % change	-0,3	1,2	2,6	4,1	3,3	3,1	2,7
GDP growth volatility (10-year rolling SD)	3,3	3,3	3,2	3,2	3,1	3,1	3,0
CPI, % change	0,9	0,4	0,2	0,7	1,1	1,6	1,6
Unemployment rate (%)	8,0	8,0	7,9	7,4	7,0	6,6	6,3
Investment (% of GDP)	22,6	22,5	23,4	24,2	24,7	26,0	26,4
Gross national savings (% of GDP)	28,2	27,8	28,0	28,9	29,2	29,9	30,1
Public finances							
Net lending/borrowing (% of GDP)	-1,0	-1,4	-1,6	0,2	0,9	1,0	1,0
Primary net lending/borrowing (% of GDP)	-0,8	-1,2	-1,5	0,0	0,7	0,7	0,8
Revenue (% of GDP)	49,7	50,0	48,9	49,5	49,5	48,7	48,6
Expenditure (% of GDP)	50,6	51,4	50,5	49,3	48,6	47,7	47,5
Net Interest payments (% of GDP)	0,2	0,2	0,1	-0,2	-0,3	-0,3	-0,3
Net Interest payments (% of revenue)	0,4	0,3	0,1	-0,5	-0,5	-0,6	-0,5
Gross debt (% of GDP)	37,8	40,4	45,2	43,9	41,6	38,4	36,5
Net debt (% of GDP)	11,2	11,3	11,1	10,8	8,0	6,9	5,8
Gross debt (% of revenue)	76,1	80,9	92,4	88,7	84,0	79,7	75,2
External vulnerability							
Gross external debt (% of GDP)	186,7	184,4	189,9	181,2	174,5	-	-
Net external debt (% of GDP)	58,9	55,8	55,7	47,4	45,5	-	-
Current-account balance (% of GDP)	5,6	5,3	4,6	4,7	4,5	4,9	5,0
Trade balance [FOB] (% of GDP)	-	3,2	3,1	3,0	2,7	2,4	2,5
Net direct investment (% of GDP)	2,4	4,6	0,9	1,7	-0,8	-	-
Official forex reserves (EOP, mil EUR)	31.342,5	41.694,5	40.114,6	44.907,1	46.604,1	47.342,4	-
REER, % change	-0,8	1,7	-4,5	-5,4	0,9	-1,0	-
Nominal exchange rate (EOP, SEK/EUR)	8,6	8,9	9,4	9,2	9,6	9,8	-
Financial stability							
Non-performing loans (% of total loans)	0,7	0,6	1,2	1,2	1,0	-	-
Tier 1 Ratio (%)	11,3	11,5	19,2	21,0	22,7	-	-
Consolidated private debt (% of GDP)	192,3	194,5	193,9	188,4	188,6	-	-
Domestic credit-to-GDP gap (%)	11,2	6,4	1,5	-4,3	-9,2	-	-

V. Regulatory disclosures

This credit rating and/or rating outlook is issued by Scope Ratings AG.

Rating prepared by John F. Opie, Lead Analyst

Person responsible for approval of the rating: Dr Giacomo Barisone, Head of Public Finance

The ratings/outlook were first assigned by Scope as a subscription rating in January 2003. The subscription ratings/outlooks were last updated on 18.08.2017.

The senior unsecured debt ratings as well as the short-term issuer ratings were last updated by Scope for the first time on 18.08.2017.

The main points discussed during the rating committee were: i) moving of Nordea to Finland and its consequences for Swedish banking sector, ii) fiscal performance and debt sustainability, iii) housing market developments, and iv) demographic constraints.

Solicitation, key sources and quality of information

The rating was initiated by Scope and was not requested by the rated entity or its agents. The rated entity and/or its agents did not participate in the ratings process. Scope had no access to accounts, management and/or other relevant internal documents for the rated entity or related third party.

The following material sources of information were used to prepare the credit rating: public domain and third parties. Key sources of information for the rating include: the Ministry of Finance of the Kingdom of Sweden, the Sveriges Riksbank, the Riksgälden, European Commission, European Central Bank, Statistical Office of the European Communities, IMF, OECD, and Haver Analytics.

Scope considers the quality of information available to Scope on the rated entity or instrument to be satisfactory. The information and data supporting Scope's ratings originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data.

Prior to publication, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds upon which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

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