

Kingdom of Sweden

This annex refers to the release of the monitoring note of 11 December 2020

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aaa
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Strong
20%	Fiscal policy framework	Strong
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Neutral
	External debt structure	Neutral
	Resilience to short-term shocks	Strong
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Strong
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		AAA STA

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	51590.5	53,459	54,296	51,404	50,339	57,660	60,462
Real GDP, % change	2.1	2.6	2.0	1.3	-4.7	3.5	2.9
CPI, % change	1.1	1.9	2.0	1.6	0.8	1.4	1.5
Fiscal balance, % of GDP	1.0	1.4	0.8	0.4	-5.9	-2.0	-1.5
Government debt, % of GDP	42.3	40.7	38.8	34.8	41.9	41.7	41.4
Current account balance, % of GDP	3.5	3.1	2.5	4.2	3.2	4.2	3.5
Gross external debt, % of GDP	167.9	171.8	163.7	159.2	-	-	-

Source: Macrobond, IMF, Statistics Sweden, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

5y USD CDS spread (bps) as of 10 December 2020

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¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Sweden	December 2020	Assessment	Rationale
Peers*	Denmark, Finland, Norway, Austria, Germany, Netherlands		
Domestic economic risk	Growth potential	Neutral	Moderate growth potential
	Monetary policy framework	Neutral	Credible and effective central bank
	Macro-economic stability & sustainability	Strong	Competitive economy, favourable business environment and highly-skilled labour force, healthy labour market with very high employment and participation rates
Public finance risk	Fiscal policy framework	Strong	Appropriate response to the Covid-19 shock with sizeable countercyclical stimulus; track record of prudent fiscal policies
	Debt sustainability	Neutral	Broadly-stable public debt trajectory
	Debt profile & market access	Neutral	Excellent market access, low government financing costs
External economic risk	Current account resilience	Neutral	External-sector competitiveness underpins track record of current-account surpluses
	External debt structure	Neutral	High external debt, especially that of the financial institutions sector, in line with peers
	Resilience to short-term shocks	Strong	Net external creditor position, regional safe-haven currency
Financial stability risk	Banking sector performance	Neutral	High bank capitalisation levels, declining profitability
	Banking sector oversight	Neutral	Prudent oversight under Riksbank and the FSA
	Financial imbalances	Weak	High private-sector indebtedness levels, large size of the banking sector vis-à-vis the economy, high interconnectedness in the financial system
ESG risk	Environmental risks	Neutral	High environmental standards, ambitious targets for achieving carbon neutrality by 2045
	Social risks	Neutral	Relatively-favourable demographics, advanced social safety net, healthy labour market
	Institutional and political risks	Strong	High quality institutions and stable political environment

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.