

Kingdom of Sweden

Rating report

Rating rationale

Wealthy, diversified economy: Sweden benefits from a wealthy, internationally competitive and diversified economy, which recovered quickly from the Covid-19 crisis with output remaining above its medium-term trend over the past two years. While GDP has declined for the last three quarters of 2023, the economy proved more resilient than expected, supported by robust performance in the manufacturing sector, private consumption and a resilient labour market. We expect slow economic growth of 0.1% in 2024 and a return to medium-term potential growth of 1.8% in 2025.

Robust fiscal framework and low public debt ratio: The government continues to show fiscal restraint with a view of containing inflationary pressures. The rating is supported by Sweden's strong fiscal framework, which includes a surplus target for net lending of 0.33% of GDP on average over a business cycle, as well as a debt anchor of 35% of GDP (+/-5%). We expect the debt-to-GDP ratio to increase slightly to 33.6% this year on the back of lower tax receipts amid slow economic growth, and an expected capital contribution of around SEK 40bn (0.6% of GDP) to the Riksbank. Debt-to-GDP is expected to rise to 34.4% in 2025, before falling to 32.4% in 2028.

Robust external position: Sweden is an open, diversified economy that has benefitted from current account surpluses over the last two decades and has a net external creditor position. Paired with a good level of reserves, these aspects shield the country from short-term shocks.

Rating challenges: i) financial stability risk, including from high household and corporate debt levels; and ii) the risk of a more severe, persistent correction in the housing market.

Figure 1: Sweden's sovereign rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
		Weight	Indicative rating				
Domestic economic risk		35%	aa	SEK	Sweden	1/3	AAA
Public finance risk		20%	aaa			1/3	
External economic risk		10%	aa			1/3	
Financial stability risk		10%	aaa			- 1/3	
ESG risk	Environmental factors	5%	aaa	[+0]	[-0]	1/3	
	Social factors	7.5%	bb-			0	
	Governance factors	12.5%	aaa			0	
Sovereign Quantitative Model		aaa				+1	
Additional considerations						0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Lead Analyst

Eiko Sievert

+49 69 6677389-79

e.sievert@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Credit strengths and challenges

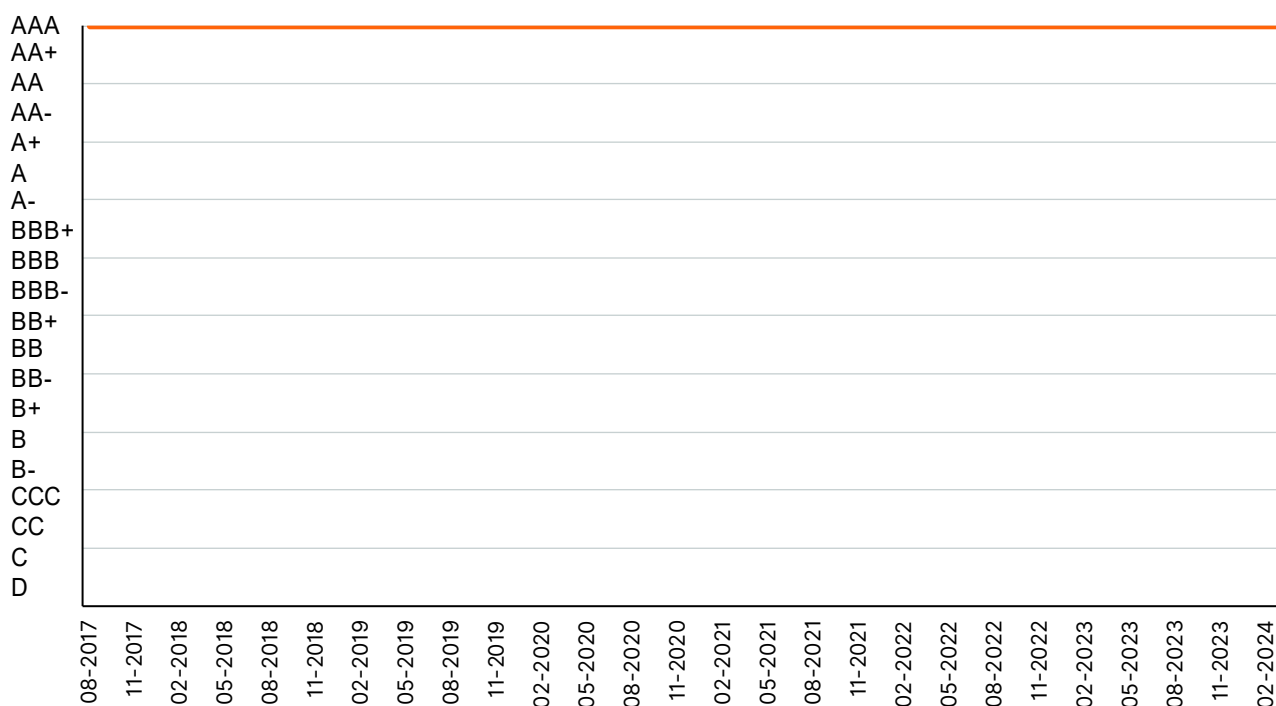
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Wealthy, diversified and competitive economy Strong fiscal framework and low public debt Robust external position 	<ul style="list-style-type: none"> High household and corporate debt levels Risk of severe and persistent housing market correction

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Deterioration in fiscal outlook, resulting in a significant increase in public debt Significant deterioration in economic outlook, for example resulting from a sharp correction in the housing market

Figure 2: Rating history¹



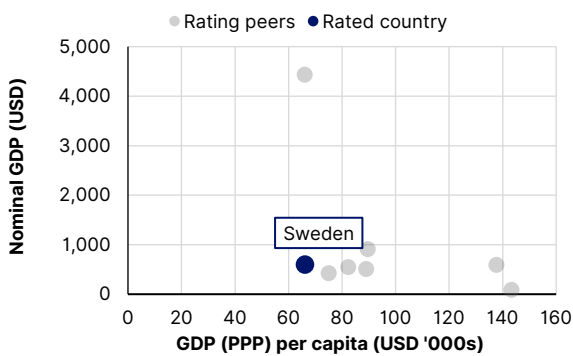
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Sweden's Domestic Economic Risk

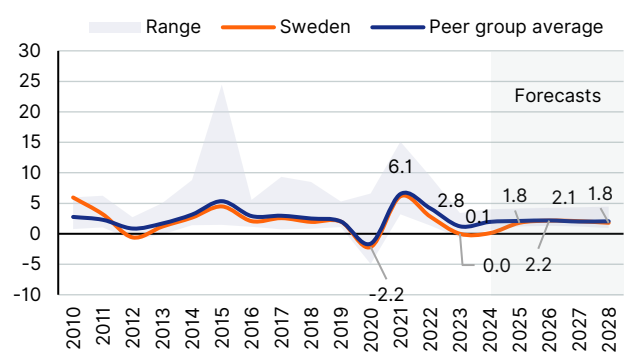
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential and outlook	Neutral	0	Moderate growth potential of around 1.8%
	Monetary policy framework	Neutral	0	Riksbank is a credible and effective monetary authority, long-term inflation expectations remain anchored
	Macroeconomic stability and sustainability	Strong	+1/3	Competitive economy, favourable business environment and highly skilled labour force; healthy labour market with high employment and labour force participation rates

Figure 3: Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



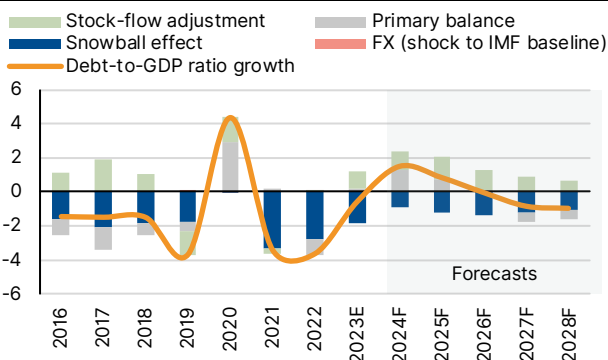
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Sweden's Public Finance Risk

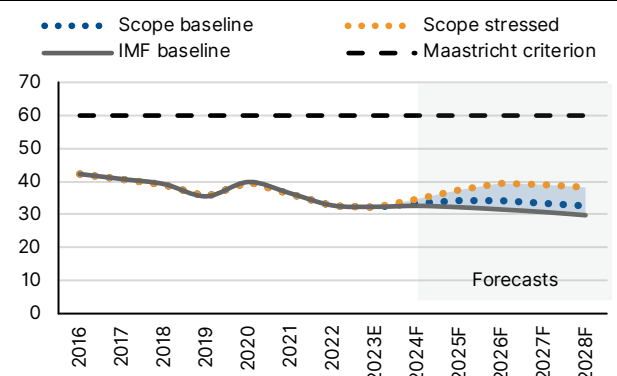
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Strong	+1/3	Track record of prudent fiscal policies; framework includes a surplus target and debt-to-GDP anchor of 35% (+/- 5%)
	Long-term debt trajectory	Neutral	0	Low public debt and stable public debt trajectory in the long term
	Debt profile and market access	Neutral	0	Excellent market access, low government financing costs and relatively short debt maturity

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

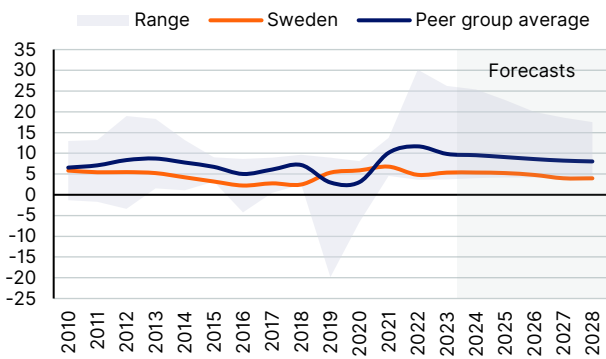
*Sovereign Quantitative Model.

External economic risk

Overview of Scope's assessments of Sweden's External Economic Risk

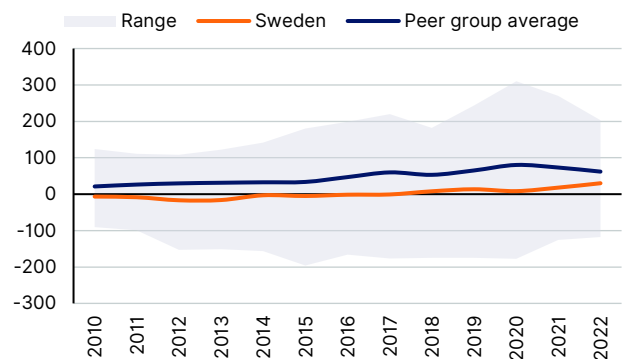
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Current account resilience	Neutral	0	External sector competitiveness underpins track record of current account surpluses
	External debt structure	Neutral	0	High external debt, especially in the financial institutions sector, in line with peers
	Resilience to short-term external shocks	Strong	+1/3	Net external creditor position; regional safe-haven status of Swedish Krona

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



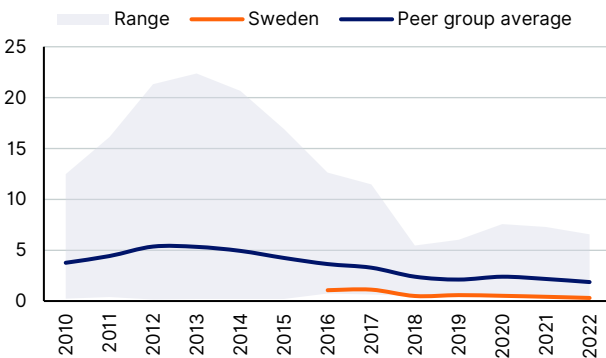
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Sweden's Financial Stability Risk

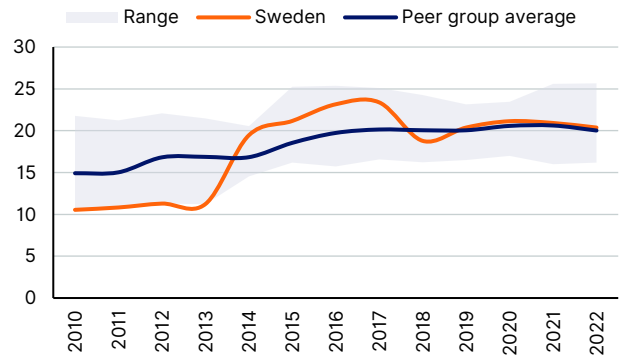
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High bank capitalisation levels; dependent on global financial markets for funding
	Financial sector oversight and governance	Neutral	0	Prudent oversight under Riksbank and Financial Supervisory Authority
	Financial imbalances	Weak	-1/3	High private-sector indebtedness, large size of the banking sector vis-à-vis the real economy and highly interconnected financial system; high interest rate sensitivity given short mortgage rate fixation; house price correction

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



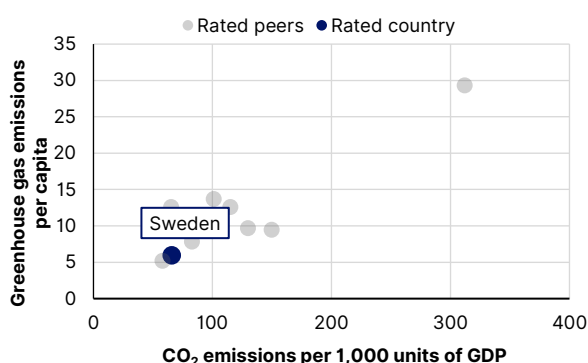
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Sweden's ESG Risk

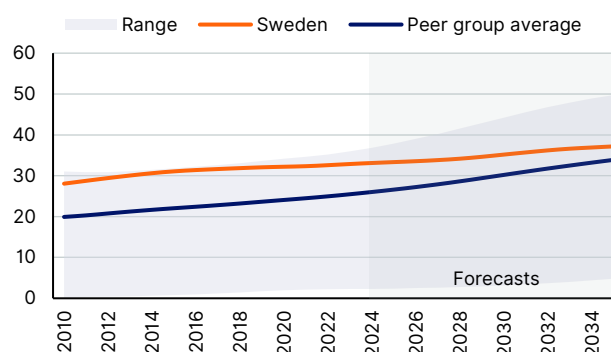
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Environmental factors	Strong	+1/3	High environmental standards, ambitious targets for achieving carbon neutrality by 2045 and very high carbon taxes
	Social factors	Neutral	0	Relatively favourable demographics compared with peers, advanced social safety net and healthy labour market
	Governance factors	Neutral	0	High-quality institutions, minority ruling coalition government, Nato membership as of March 2024

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

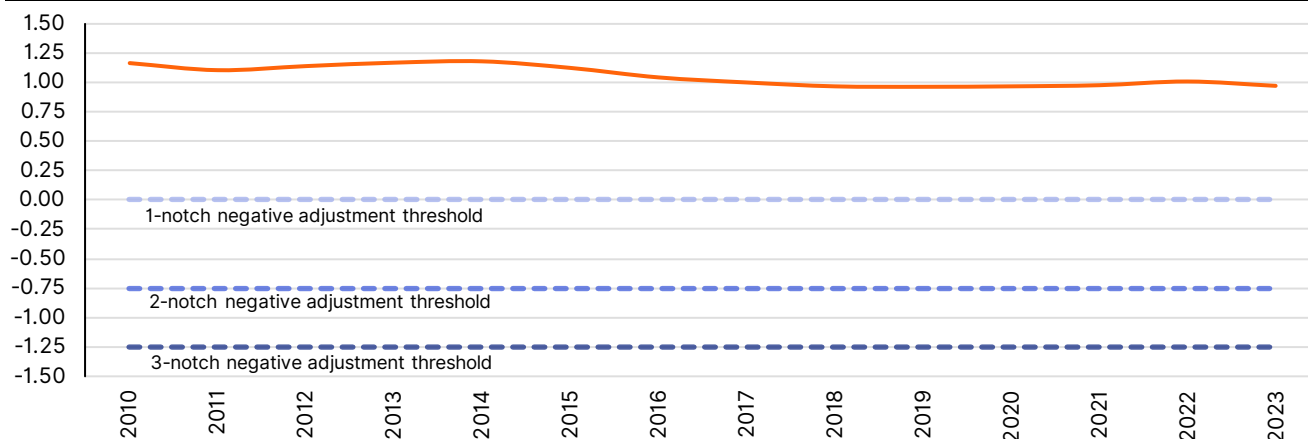
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, Sweden, 3-year moving average



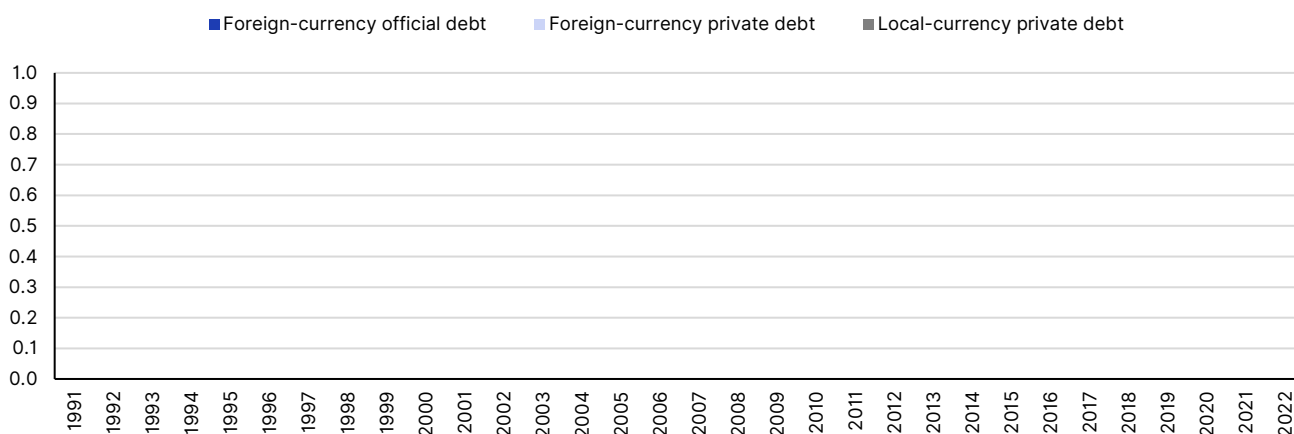
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Denmark
Germany
Ireland
Luxembourg
Netherlands
Norway
Switzerland

*Publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 8 March 2024	14.2

Appendix IV. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	54.1	55.7	54.9	60.5	66.1	66.2
	Nominal GDP, USD bn	IMF	555	534	547	640	591	597
	Real growth, %	IMF	2.0	2.0	-2.2	6.1	2.8	-0.7
	CPI inflation, %	IMF	2.0	1.7	0.7	2.7	8.1	6.9
	Unemployment rate, %	WB	6.4	6.8	8.3	8.7	7.4	-
Public Finance	Public debt, % of GDP	IMF	39.2	35.5	39.8	36.4	32.7	32.3
	Net interest payment, % of government revenue	IMF	-0.1	-0.2	-0.2	-0.2	0.4	0.4
	Primary balance, % of GDP	IMF	0.7	0.5	-2.9	-0.2	0.9	-0.2
External Economic	Current-account balance, % of GDP	IMF	2.5	5.3	5.9	6.8	4.8	5.4
	Total reserves, months of imports	WB	2.5	2.4	2.8	2.3	2.3	-
	NIIP, % of GDP	IMF	7.9	13.5	8.4	18.0	30.0	-
Financial Stability	NPL ratio, % of total loans	IMF	0.5	0.6	0.5	0.4	0.3	-
	Tier 1 ratio, % of risk-weighted assets	IMF	23.1	18.5	18.8	21.1	19.9	20.8
	Credit to the private sector, % of GDP	WB	131.9	131.1	137.8	135.1	132.4	2.3
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	76.8	74.0	73.5	67.9	65.8	-
	Income share of bottom 50%, %	WID	23.5	23.1	22.5	21.5	21.4	-
	Labour-force participation rate, %	WB	82.7	82.9	82.5	82.8	-	-
	Old-age dependency ratio, %	UN	31.9	32.1	32.2	32.3	32.6	32.9
	Composite governance indicators*	WB	1.8	1.8	1.7	1.7	1.7	-
	Political stability, index	WB	0.9	1.0	1.0	1.0	0.9	-

*Average of the following five World Bank Worldwide Governance Indicators: *Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality*.

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin
[scoperatings.com](https://www.scoperatings.com)

Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

in
Bloomberg: RESP SCOP
[Scope contacts](#)

Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions 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. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin.