

Sweden

The recovery after the pandemic resulted in a strong economic growth from spring 2021 and the rest of the year. GDP increased by 5.1% in 2021. The economy has slowed during 2022 because of extensive disruption of global value chains and the outfall of Russia's war of aggression against Ukraine. This has resulted in high inflation, dwindling asset prices and increasing interest rates. This has left Swedish households increasingly pessimistic about the future.

Unemployment increased slightly to 8.8% in 2021 from 8.3% in 2020. The labour market has remained strong in Sweden after the pandemic even if there are signs of a tighter labour market.

Inflation increased during 2021 and was 3.9 % at year-end compared to 0.5% in 2020. The Riksbank's policy rate was 0% during 2021 despite the increasing inflation at the end of 2021. In October 2022 the policy rate was 1.75% and the inflation was 10.9%.

Government debt decreased by the equivalent of €5.3 billion in 2021 and fell to 36.3% of GDP in 2021 from 39.5% the year before. In comparison the government debt increased by €28.4 billion in 2020.

The four main categories of banks on the Swedish market are Swedish commercial banks, foreign banks, savings banks and co-operative banks. In December 2021, Sweden had a total of 121 banks, comprising 41 Swedish commercial banks, 33 foreign banks, 45 savings banks and two co-operative banks.

The number of commercial banks and foreign bank branches in Sweden has increased from 63 in 2011 to 74 in 2021. The increase is largely explained by credit market institutions that have transformed into commercial banks. Among the commercial banks 33 are foreign banks.

The major Swedish banks all have a large share of their business abroad. The banking market in the other Nordic countries is important for the major Swedish banks as well as the Baltic States and other countries in northern Europe.

The Swedish state owns one bank, which mainly offers mortgage loans, and has no other ownership in the banking sector.

There were 1,029 bank branches in Sweden in 2021 compared to 1,830 bank branches in 2011. The number of branch offices has diminished slowly in the last ten years due mainly to changing customer behaviour. Most of the bank branches are cashless. The banking sector has 41,500 employees in Sweden compared to 99,000 in the whole financial sector.

Normal bank services are almost exclusively performed through mobile phones, tablets and computers. Bank services like mobile payment services, Bank e-ID, e-invoices, etc have become the new normal. According to the ECB, Swedes uses non-cash payments to a larger extent than most other Europeans and the use of cash is declining rapidly.

The most common means of payment in Sweden are the various charge cards and electronic giro systems. Most payments are linked to bank transaction accounts, which facilitate salary deposits, ATM withdrawals, credit and charge card purchases and automatic transfers and instant payments. In Sweden there are 2,304 ATMs and 275,000 card payment terminals.

Paper-based payments such as giro forms, cheques and cash payments have mostly been replaced by electronic alternatives. As an example, the use of different kinds of cards has increased from 1,982 million transactions in 2011 to 3,539 million transactions in 2021.

According to the Riksbank, the Swedish central bank, 92% of Swedish citizens have used a debit card in the past month and 75% have used the Swish mobile payment service. Swish, which was introduced nine years ago and offers real-time account-to-account transfers, has 8.4 million users, corresponding to around 80 percent of the Swedish population.

Household lending increased by 7.0% on an annual basis compared to 5.7% previous year. Increasing house prices during 2021 is an important explanation of this increase. Lending to Swedish non-financial companies increased by 6.8% in 2021 compared to 3.2% 2020.

Deposits account for 32% of the household financial assets in 2021 and is the most common household financial asset, followed by mutual funds, 27%, and shares, 23%.

Sustainable finance is a high priority in Sweden and Swedish banks are focused on financing the increasing number of new planned green projects in Sweden. Initiatives in the area have started by both banks and their clients. Swedish banks also offer specific green financial products, for example green mortgages.

The Swedish banks are important to the Swedish economy and employ 2% of the workforce, account for 4.5% of GDP and pay 10% of the corporate taxes.

The Riksbank has kept the policy rate negative or zero for over seven years. However, in 2022 the Riksbank has increased the policy rate three times to 1.75% in October 2022. The Swedish banks have managed to maintain satisfactory earnings despite the low interest rate environment. In addition, the Swedish banks' non-performing loan ratio is the lowest in Europe since several years.

According to the financial stability report from Finansinspektionen, the resilience among the major banks in Sweden is satisfactory because of among other things high capital buffers and the major banks' strong profitability. Increasing interest rates and Russia's attack on Ukraine means new uncertainty for the economy and the banks after the Covid-19 pandemic. The Swedish banks have so far managed the crisis well.