

Fast Comment Sweden

GDP decreased in Q2, but a recovery is in sight; GDP Q2 and August NIER surveys

- GDP increased slightly in the first half of this year, but domestic demand remains weak
- Stable NIER indicator in August, but the trend is pointing upwards
- Pricing plans remain close to normal and labour market holding up well

GDP increased slightly in the first half of this year

Today's GDP print showed that GDP decreased by 0.3 percent q-o-q and increased by 0.5 percent y-o-y in Q2. The outcome was stronger than the flash estimate (-0.8 percent q-o-q in Q2). The downturn in Q2 is mainly explained by companies decreasing their inventories (contributed negatively to GDP by 0.6 percentage points). The reduced inventories came after a rise in Q1. Net exports continued to support growth, with strong exports and declining imports. However, domestic demand remains weak. Investment decreased after a strong Q1 and household consumption continued to decrease slightly in Q2 (-0.2 percent q-o-q in Q2), but the decline was not as severe as the monthly data had indicated.

Household real disposable income increased by 2.0 percent y-o-y in Q2. The saving rate has therefore increased and is high from an historical perspective, even though it has fallen since its pandemic-peak. Elsewhere, retail sales picked up in July. Retail sales increased by 0.5 percent m-o-m in July. Rising real disposable incomes and lower interest rates mean that the outlook for retail sales and household consumption is gradually improving.

All in all, looking beyond quarterly volatility, GDP increased slightly in the first half of this year. We expect lower inflation and a clear shift in economic policy with lower interest rates and more stimulus from the government to pave the way for a recovery later this year.

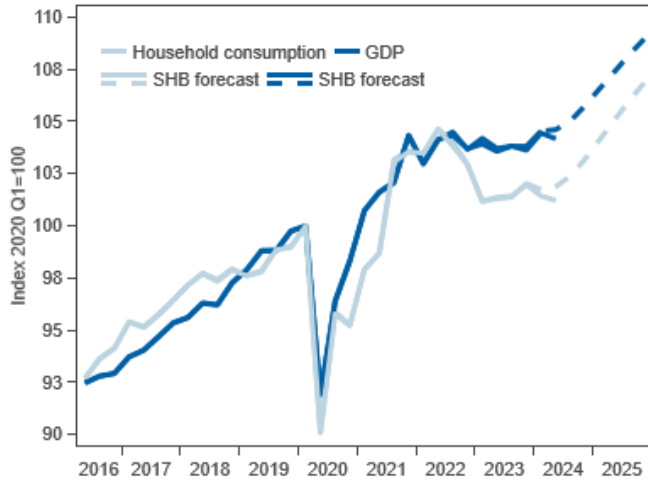
Stable NIER indicator in August, but the trend is pointing upwards

In August, the National Institute of Economic Research's (NIER) Economic Tendency Indicator was almost unchanged and continues to show somewhat weaker sentiment than normal. However, sentiment has trended higher in the first half of 2024 driven by higher sentiment in services, retail and consumers. Households have become far less pessimistic in recent months thanks to rising real disposable incomes and lower interest rates. All in all, confidence is still at levels that imply muted growth in the near term, but the trend is pointing upwards.

Pricing plans remain close to normal and the labour market is holding up well

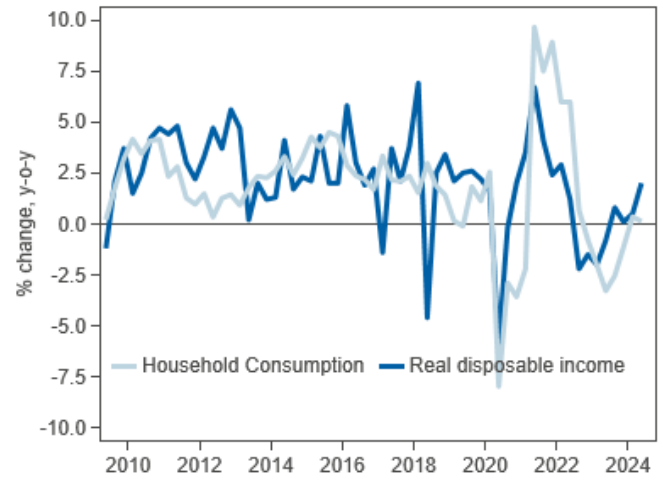
Employment plans for the business sector decreased slightly in August, but still suggest modest employment growth ahead. Households also see lower personal risk of becoming unemployed ahead. All told, employment plans support our forecast that the labour market will weather the economic downturn relatively well. Pricing plans in both the retail sector and service sector remained close to normal levels in August. Furthermore, households' one-year-ahead inflation expectations decreased. All in all, inflation indicators point to inflation in line with the target, which means that the Riksbank can continue to ease off the brakes. We expect three additional cuts in 2024, bringing the policy rate to 2.75 percent at year end.

GDP and household consumption



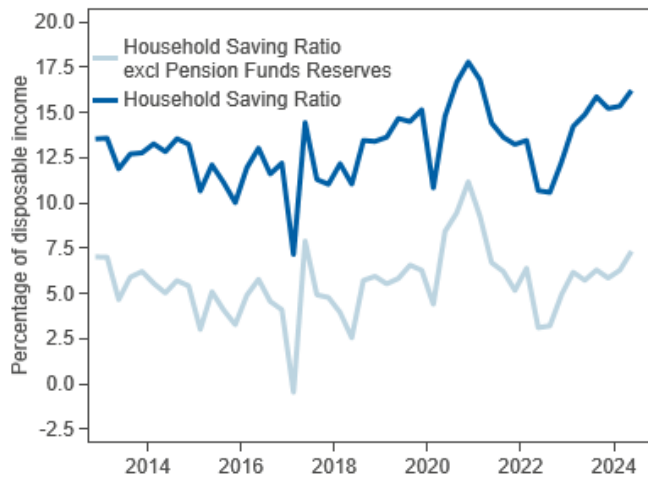
Sources: Macrobond and Handelsbanken

Household consumption & real income



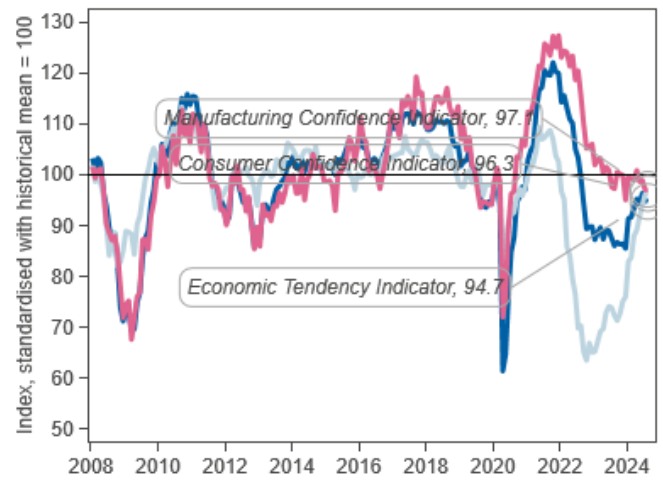
Sources: Macrobond and Statistics Sweden.

Household savings



Sources: Macrobond and Statistics Sweden.

NIER business and consumer surveys



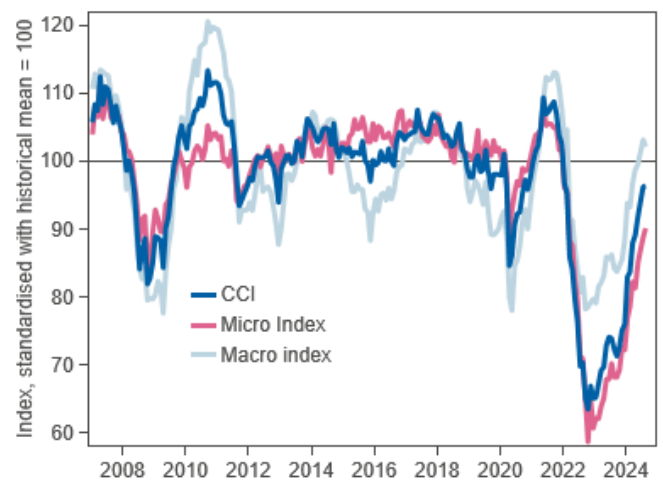
Sources: Macrobond and NIER.

Business confidence



Sources: Macrobond and NIER.

Consumer confidence, with subindices



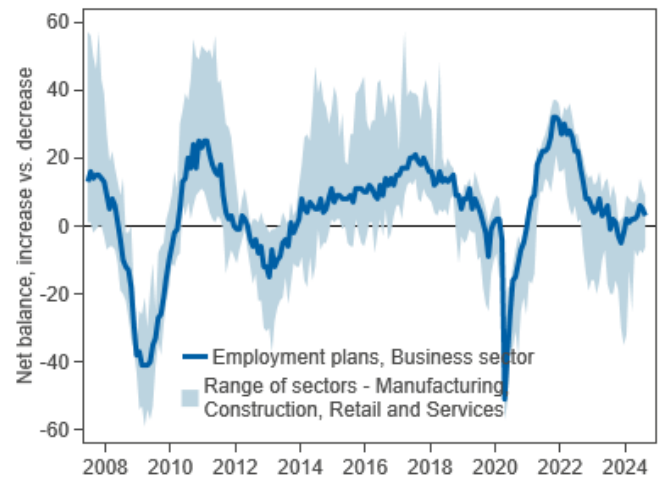
Sources: Macrobond and NIER.

Sweden: Firms' pricing plans



Sources: Macrobond, NIER and Handelsbanken

Employment plans



Sources: Macrobond, NIER and Handelsbanken

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