

SWEDEN

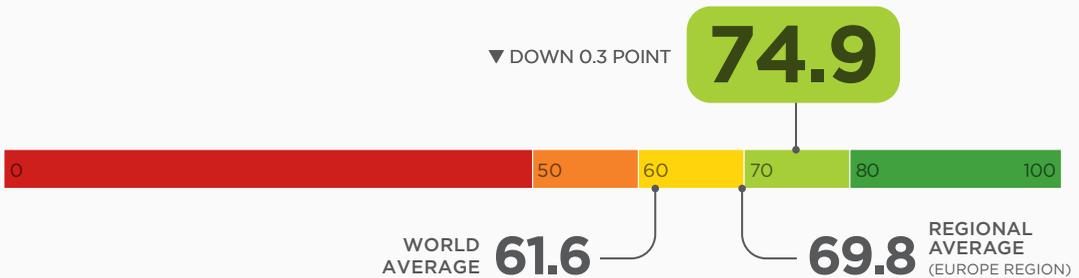
Sweden's economic freedom score is 74.9, making its economy the 22nd freest in the 2020 *Index*. Its overall score has decreased by 0.3 point due to declines in scores for **judicial effectiveness** and **business freedom**. Sweden is ranked 12th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Swedish economy has been rated mostly free for more than a decade. GDP growth has been solid but not noteworthy for the past five years.

Sweden's weakest *Index* indicator is government spending. Fortunately, the current minority center-left government made an agreement with the center-right parties in parliament to avoid an expansionary budget for 2020. Instead, they have crafted a spending and taxation plan that is expected to produce a surplus. That should enhance the prospects for greater economic freedom and sustained economic growth in Sweden.

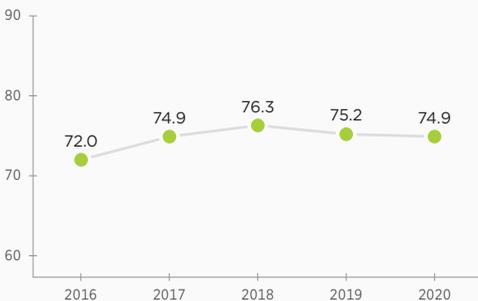


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +13.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.2 million

GDP (PPP):
\$542.0 billion
2.3% growth in 2018
5-year compound annual growth 2.8%
\$52,984 per capita

UNEMPLOYMENT:
6.4%

INFLATION (CPI):
2.0%

FDI INFLOW:
\$11.1 billion

PUBLIC DEBT:
39.0% of GDP

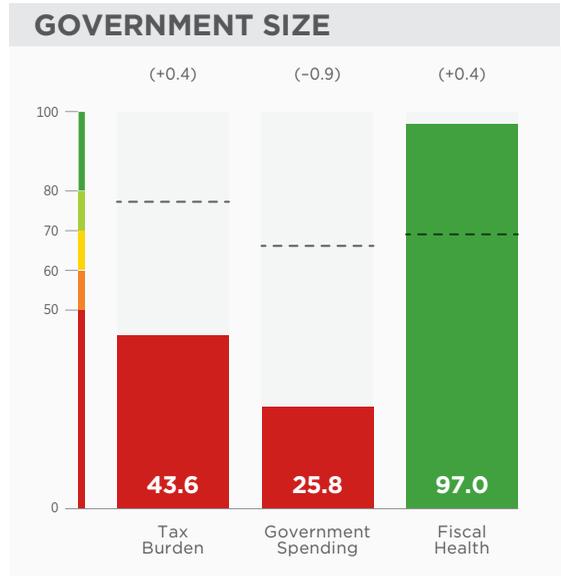
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Sweden joined the European Union in 1995, but voters rejected adoption of the euro in 2003. The influx of large numbers of migrants since 2015, a terrorist attack in 2017, and rising gang violence have made immigration a central political issue. In January 2019, despite a poor showing in the September 2018 elections and after months of stalemate, Prime Minister Stefan Löfven was able to form a minority center-left Social Democratic Party–Green Party governing coalition. Maintaining that coalition could prove difficult, however. The populist Sweden Democrats party, campaigning to restrict immigration, placed third in the elections. Timber, hydropower, and iron ore constitute the resource base of a vibrant and outward-oriented manufacturing-based economy.

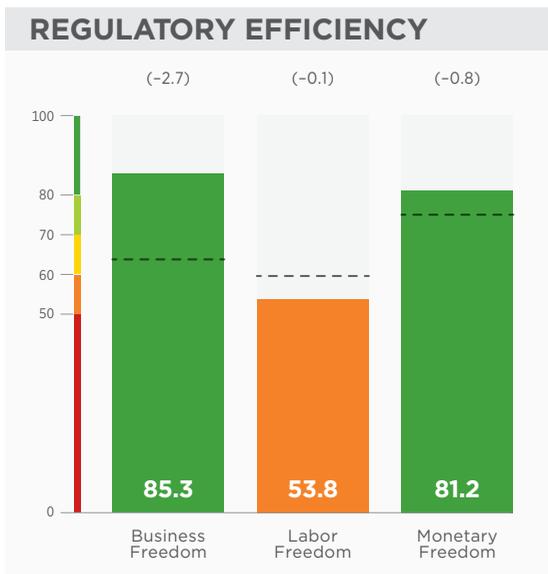
12 ECONOMIC FREEDOMS | SWEDEN



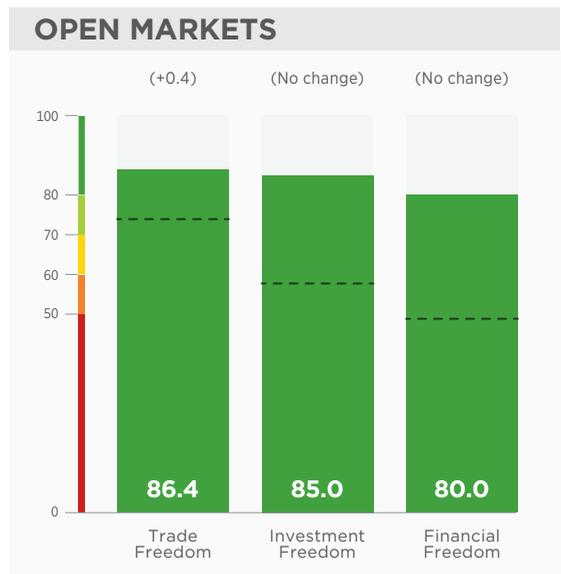
The law protects property rights. Enforcement of contracts is firmly established, and the rule of law is well maintained. The judicial system operates independently, impartially, and consistently. Corruption rates are low, partly because of deregulation, budgetary self-restraint, and a stable political environment. Effective anticorruption measures discourage bribery of public officials and uphold government integrity.



The top personal income tax rate is 57 percent, and the top corporate tax rate is 21.4 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 44.0 percent of total domestic income. Government spending has amounted to 49.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.1 percent of GDP. Public debt is equivalent to 39.0 percent of GDP.



Rigid labor laws and regulations and the high nonsalary cost of employing a worker temper the business-friendly and efficient regulatory landscape that otherwise facilitates entrepreneurial activity. Dismissing an employee is costly and burdensome. There are few price controls in Sweden, but the government provides significant subsidies to encourage renewable energy.



The total value of exports and imports of goods and services equals 90.9 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Sweden has an additional eight country-specific nontariff barriers. The investment regime is open and transparent. The number of foreign bank branches has increased. The state owns one bank, which mainly offers mortgage loans.