

SWEDEN

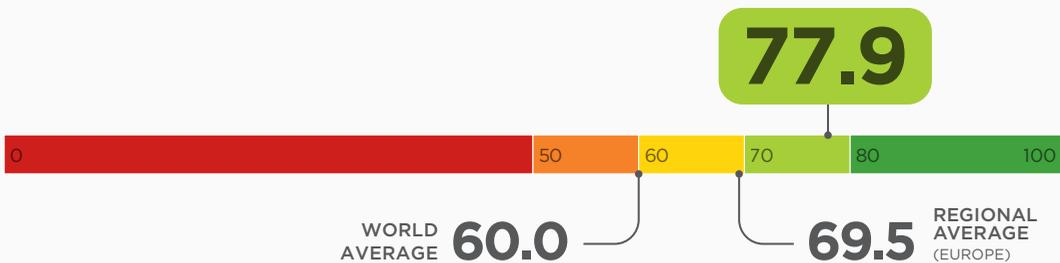
Sweden's economic freedom score is 77.9, making its economy the 11th freest in the 2022 *Index*. Sweden is ranked 8th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Sweden's economy has followed a familiar global pattern in the past five years, slowing from 2017 through 2019, contracting in 2020, and recovering in 2021. During that time, economic freedom has fluctuated mildly but at a high level. With increases in scores for rule of law and **labor freedom** overriding declining scores for **business freedom** and **trade freedom**, Sweden has recorded a 3.0-point overall gain in economic freedom since 2017 and has climbed to the top half of the "Mostly Free" category. To make it over the threshold into the top, "Free" category, additional improvements would be needed to control the **tax burden** and **government spending**.

IMPACT OF COVID-19: As of December 1, 2021, 15,161 deaths had been attributed to the pandemic in Sweden, and the government's response to the crisis ranked 155th among the countries included in this *Index* in terms of its stringency. The economy contracted by 2.8 percent in 2020.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +16.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.4 million

GDP (PPP):
\$562.0 billion
-2.8% growth
in 2020
5-year compound
annual growth 1.0%
\$54,146 per capita

UNEMPLOYMENT:
8.5%

INFLATION (CPI):
0.7%

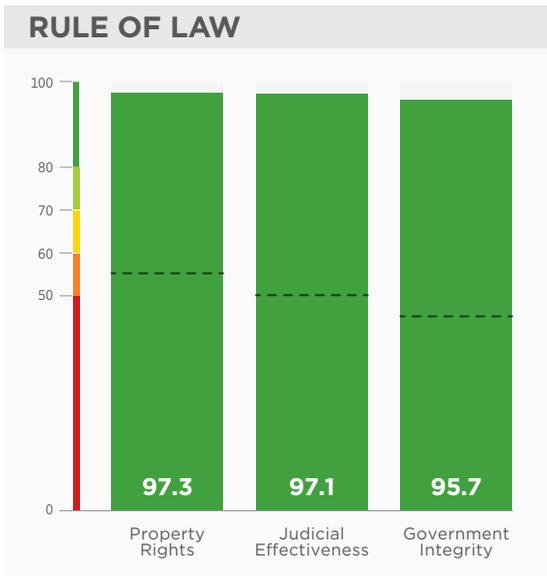
FDI INFLOW:
\$26.1 billion

PUBLIC DEBT:
38.5% of GDP

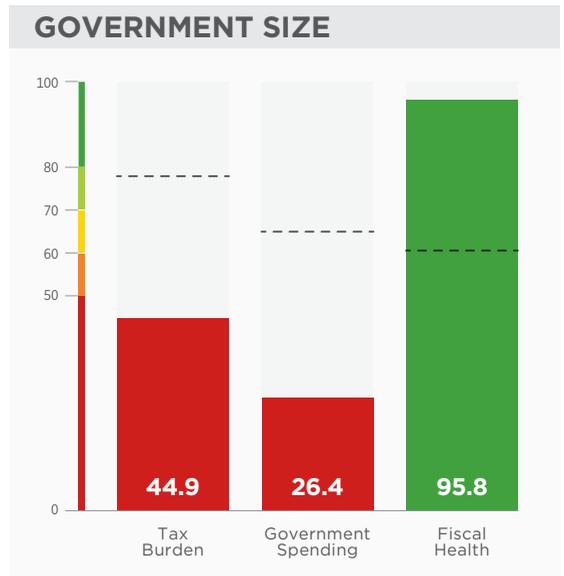
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Sweden joined the European Union in 1995, but voters rejected adoption of the euro in 2003. Social Democrat (SD) Magdalena Andersson became Sweden's first female prime minister in November 2021, replacing Stefan Löfven of the SD who had been prime minister for seven years. She formed a fragile minority SD government after being appointed pursuant to a razor-thin vote by a sharply divided parliament. The populist Sweden Democrats party, campaigning to restrict immigration, placed third in the most recent elections in 2018. The influx of large numbers of migrants since 2015, a 2017 terrorist attack, and gang violence have made immigration a central issue. Timber, hydropower, and iron ore constitute the resource base of a vibrant and outwardly oriented manufacturing-based economy.

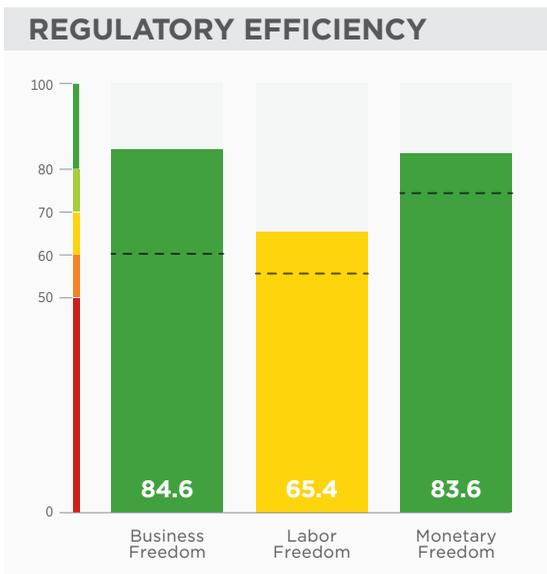
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Real and intellectual property rights are well protected. Enforcement of contracts is very well established, and the rule of law is well maintained. The judicial system operates independently, impartially, and consistently. Deregulation, budgetary self-restraint, and a stable political environment encourage low rates of corruption and strong government integrity. Sweden ranks third among 180 countries in Transparency International's 2020 *Corruption Perceptions Index*.



The top individual 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 42.9 percent of total domestic income. Government spending has amounted to 49.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.9 percent of GDP. Public debt is equivalent to 38.5 percent of GDP.



Business freedom is high with a culture of innovation, transparent regulations, solid infrastructure, and a highly sophisticated and dynamic consumer market. The cost of labor is also high, and labor legislation and regulations are rigid. The high cost of living makes it hard to attract and maintain labor from abroad. Environmentally motivated government subsidies increased by 20 percent in 2020.



As a member of the EU, Sweden has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Sweden has an additional eight country-specific nontariff barriers. Open-market policies that sustain competitiveness facilitate large flows of investment. Financial services are well institutionalized throughout the country.