

# Prospects

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## The point of view

### Will the Swedish exception pay off?

#### The “no-lockdown” strategy

Sweden has adopted a specific approach to managing the public health crisis, sparking unprecedented curiosity on the part of international media. Even as lockdown became the norm all over the world, including in neighbouring Nordic countries, Sweden opted for a more flexible strategy based on recommendations and controls and underpinned by the principle of trust in citizens' responsibility and discipline. Following initial scepticism and even rejection by some political leaders, on 29 April the World Health Organization acknowledged that the Swedish strategy could serve as a model for other countries.

In an interview with the France 24 news channel on 4 May, Sweden's Minister for Foreign Affairs Ann Linde defended her government's strategy, explaining that it was pursuing the same objectives as every other government, including in particular slowing the spread of the virus, “flattening the curve” of the epidemic and protecting health system capacity while cushioning the impact on businesses and jobs. Its approach consists of a combination of social distancing recommendations (such as encouraging working from home where possible) and legally binding measures in certain specific areas, such as a ban on visiting elderly people (introduced in the fairly early stages of the epidemic). Restaurants, bars, night clubs, school canteens and, more generally, establishments serving food can continue to operate provided they follow social distancing rules (e.g. requiring customers to stay at arm's length from each other, spacing out tables), failing which they must close. Furthermore, schools from kindergarten to primary level, and even some secondary schools, have stayed open, in part to enable parents who work in the healthcare sector to continue to work, whereas higher schools and universities have closed.

The government has also authorised anyone showing symptoms of the disease to stay at home without the need for a doctor's certificate and while remaining eligible for sick pay from their first day off. The minister emphasised that this is not a “herd immunity” strategy, though Sweden could indeed achieve herd immunity quicker than other countries (26% of the population of Stockholm could now be immune, according to mathematical modelling by the Public Health Agency of Sweden), while also admitting that halting transmission of the disease is not a goal. For the time being, the government is pleased with the success of its strategy: 20% of intensive care beds are reportedly open. Its confidence in the Swedish people also appears justified: for example, the government advised people not to travel to the most popular tourist destinations over the Easter holidays; according to the minister, visitor numbers at such places were down 96% over the period.

As far as travel to and from other countries is concerned, as a European Union (EU) Member State, Sweden is applying the EU's policy prohibiting travel to and from non-EU countries while keeping its borders with other EU countries open. However, as far as tourism goes, the government is recommending no unnecessary travel to or from other countries until 15 June.

## How can Sweden get away with adopting a more flexible strategy than other countries?

One oft-touted argument hinges around the country's particular demographic make-up – notably the fact that Sweden has a higher proportion of single-person households than any other European country: over half the country's households (57.3%, the highest percentage in the EU) consist of one adult with no children, compared with an EU average of 34.3%. With fewer people per household, the virus should, in theory, spread less easily than in other countries. According to the authorities, infection rates are highest in neighbourhoods in the north of Stockholm where there are more people on low incomes, and probably living in smaller apartments. Generally speaking, population density in Sweden is among the lowest in Europe (at 25 people per square kilometre, according to Eurostat, with only other Nordic countries showing lower numbers).

Another argument in support of the government's strategy is the idea that Sweden was somehow better prepared for homeworking than other countries. According to Eurostat, the proportion of people who work from home in Sweden is close to the European average (5.9% of jobs, compared with 5.3% for the EU as a whole). However, the structure of the Swedish labour market probably lends itself more readily to homeworking. Sweden ranks second in the world (after Switzerland) for the proportion of jobs in sectors requiring high levels of knowledge, such as new technologies, advanced services and the creative industries (10.2%, according to the Brain Business Jobs: 2020 Index, published by the European Centre for Entrepreneurship and Policy Reform), where homeworking is naturally easier to implement. Moreover, the rate of take-up of digital technology by the Swedish population is very high (with 92% of Swedes using the internet, according to ITU data) and the network is of very high quality: according to the OECD, 69% of broadband internet connections use optical fibre.

Lastly, on the health front, according to the John Hopkins Center for Health Security's Global Health Security Index (2019), Sweden is the seventh best-prepared country in the world to combat the pandemic. Conversely, other sources show that Sweden had relatively few hospital beds per capita on the eve of the pandemic (with 2.2 beds per thousand people in 2017, according to the OECD).

## What impact has the epidemic had to date?

Compared with those European countries hit hardest by the pandemic, such as Italy, Spain, France and the United Kingdom, numbers of COVID-19 cases and related deaths have been far lower in Sweden. On the other hand, comparing Sweden with its Scandinavian neighbours, which have implemented much stricter lockdowns, portrays the country in a much less flattering light. Based on the number of new cases, the epidemic appears to have peaked much later in Sweden, somewhere around 25 April, compared with 8 April in Denmark and 28 March in Norway. But the contrast is most striking when you consider population size. As at 6 May, Sweden, the largest of the Nordic countries with a population of 10.3 million, had recorded 23,216 cases of COVID-19 and 2,854 deaths since the onset of the pandemic, translating into a death rate of 27.6 per 100,000 people. Norway, with around half the population (approximately 5.4 million), had recorded 7,903 cases and 209 deaths, giving a death rate of 3.9 per 100,000 people. Meanwhile, France, with a population of around 67 million, had recorded 25,531 deaths, equating to 38.1 deaths per 100,000 people.

## Will the Swedish exception pay off, economically speaking?

The contraction in Swedish GDP in the first quarter, down 0.3% quarter on quarter, was much more limited than in eurozone countries according to preliminary figures from Statistics Sweden, which notes that exports increased, while lower investment and changes in inventories adversely affected growth. However, available leading indicators for the second quarter suggest that Sweden will not be able to escape a significant recession in the first half of the year as well as a rise in unemployment, notwithstanding the lack of a strict lockdown and despite generous government support measures (including a support package for the healthcare system and the labour market worth over 100 billion Swedish krona, equating to 2% of GDP). The National Institute of Economic Research's Economic Tendency Indicator, which aggregates responses from consumers and businesses, fell 34 points from 92.5 in March to 58.6 in April, 8 points below its lowest level in the 2008 financial crisis. As a small, open economy (exports of goods and services account for 45% of GDP), Sweden will be affected by the contraction in global – and particularly European – demand. Manufacturing orders plummeted 9.6% in March, mainly pulled down by capital goods orders (down 21% in the month). Investment, which had already contracted 1.1% in 2019 as a result of uncertainty over future demand, is set to fall even more steeply. The sharpest drop, though, will probably be in household consumption: even though non-essential businesses have not been forced to close, the shock to confidence and, more fundamentally, higher unemployment and lower income are likely to trigger a decline in consumer spending.

All in all, GDP is set to fall by around 10% in the second quarter, according to forecasts by Sweden's central bank, the Riksbank. In its two alternative economic outlook scenarios, which differ according to the length of the public health crisis, the measures implemented to contain it and the strength of the global economic recovery, the Riksbank expects GDP to fall by 7% and 10% respectively in 2020 (before bouncing back by 4.6% and 1.7% in 2021). Meanwhile, the two scenarios put the increase in unemployment at almost 10% and 11% respectively.

## What are the short-to-medium-term risks?

The crisis will undeniably aggravate Sweden's long-term imbalances. The upward trend in inequalities, which had eased over the past few years thanks to improved labour market conditions, is likely to resume. It will be harder to integrate immigrants – and notably refugees – into the labour market, which in turn entails risks to political stability and will no doubt boost the popularity of the far-right Sweden Democrats party. Furthermore, household debt – the Achilles' heel of the Nordic countries, particularly in Sweden, where it equates to over 160% of disposable income (compared with a eurozone average of around 94%, according to Eurostat) – is likely to start rising again. A significant correction in the already severely overvalued Swedish housing market is therefore to be expected. ■

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