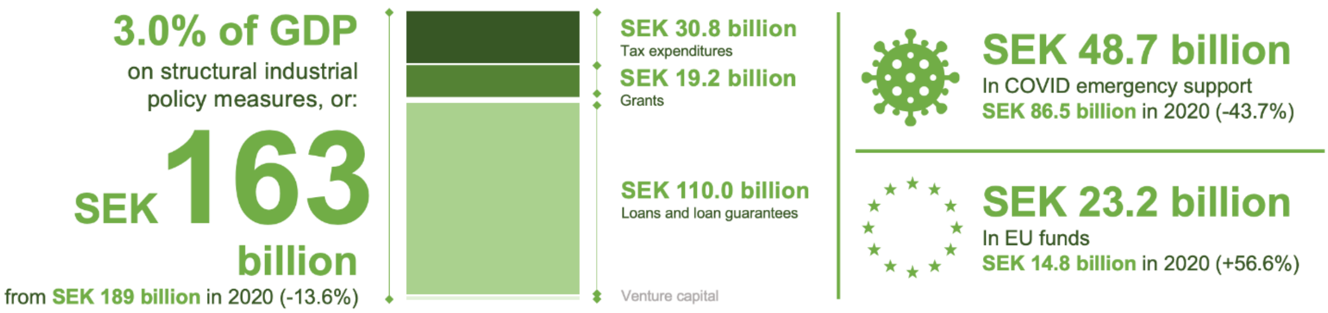
Quantifying Industrial Strategy: Sweden Factsheet

Highlights

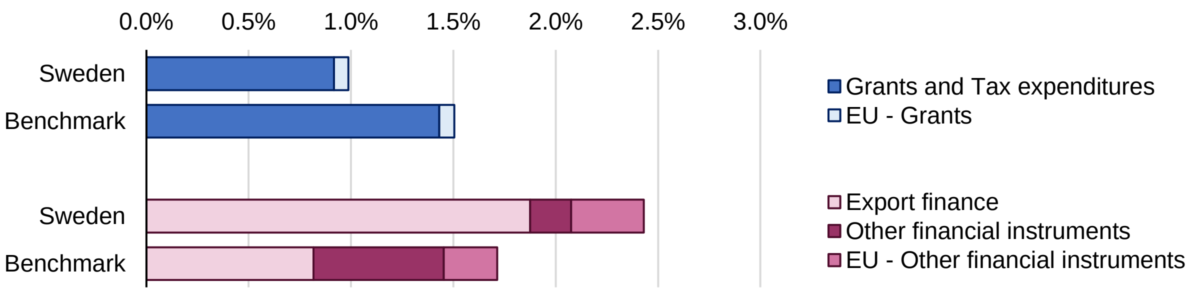
- Compared to other countries, Swedish industrial strategy relies less on grants and tax expenditures. Sweden leverages financial instruments to offer significant amounts of export support in the form of loans and loan guarantees but provides less support through non-export instruments.
- Swedish industrial strategy is less sectoral than the benchmark, support mainly goes to the Transport, Real Estate and Information sectors. Sweden also stands out as one of the only countries that does not have an instrument specifically and directly targeting the energy sector.
- Swedish grants and tax expenditures have a strong focus on Jobs/skills policies, notably to reduce the cost of employing certain categories of workers.
- Given Sweden's less stringent lockdowns, its COVID emergency support response towards firms was lower than the benchmark

SWEDISH INDUSTRIAL STRATEGY EXPENDITURES - 2021 NUMBERS



Swedish industrial strategy relies less on grants and tax expenditures than the benchmark, 1.0% of GDP vs 1.5% (**Figure 1**). It is also only somewhat targeted with 23% of grants and tax expenditures being sectoral (vs 30% in the benchmark, 0.23% vs 0.43% of GDP respectively). For financial instruments, Sweden provides more support than the benchmark average. Export finance makes up a significant share of these instruments for Sweden and more than the average (1.9% vs. 0.8% of GDP). Conversely, Sweden resorts less to other financial instruments than the benchmark. Sweden offered less COVID support to firms in 2020 and 2021 (mostly in the form of Jobs/skills support), consistent with its less stringent lockdowns compared to other benchmark countries.

Figure 1. Swedish industrial policy expenditures by instrument type in 2021, % of GDP



Note: Includes EU support. Source: OECD calculations based on the QuIS database.

The 'Quantifying Industrial Strategies(QuIS)' project measures industrial strategies across OECD countries through harmonised data on industrial policy expenditures, their composition, their mode of delivery, and the characteristics of their beneficiaries. This allows participating countries to benchmark their industrial strategies expenditures, priorities, instruments and recipients.

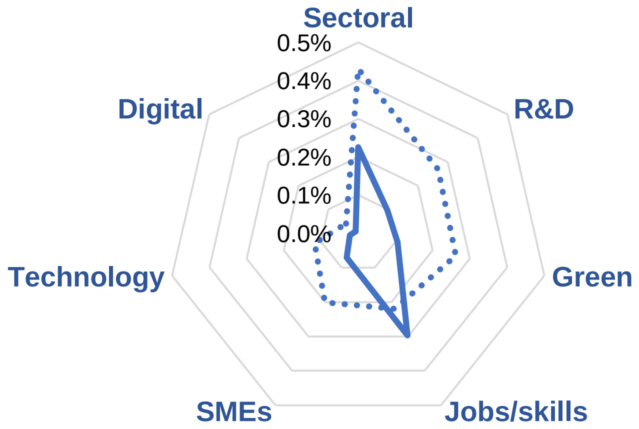


Figure 2. Industrial policy expenditures by eligibility criteria in 2021, grants and tax expenditures as % of GDP

Note: Structural policies (i.e., excluding COVID). Categories are not mutually exclusive, as policies can be tagged in several categories. Additionally, some policies do not fulfil any of these eligibility criteria.
Source: OECD calculations based on the QuIS database.

Regarding grants and tax expenditures, Swedish industrial strategy is structurally different than in other countries (**Figure 2**). It has a strong Jobs and skills focus, with 0.30% of GDP in grants and tax expenditures spent on these policies compared to 0.22% for the benchmark. Next, are sectoral policies (0.23% of GDP), although lower than the benchmark (0.43% of GDP), they are closer as a share of industrial policy spending (23% vs 30%). Given the smaller amount of industrial policy expenditures, Sweden spends less as a share of GDP than the benchmark on all criteria other than jobs/skills. This remains true, when looking at it in terms of share of spending except for sectoral support, which is lower in terms of share of GDP and higher as a share of spending.

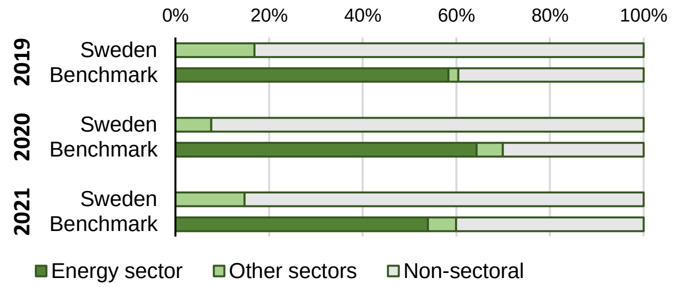
Swedish jobs/skills support is comprehensive

Sweden spends more on industrial policies in the Jobs and skills category (0.30% vs 0.18% of GDP), with comparable Labour market programmes[1] spending than the benchmark (0.50% vs 0.45% of GDP, not in QuIS scope). Swedish jobs/skills industrial policy spending is driven by policies reducing the cost of employing older/younger workers, a payroll tax exemption on the wage of senior employees over 65 years of age (as well as a similar scheme for the older self-employed) and the equivalent scheme for young people (Ingen särskild löneskatt för: anställda som fyllt 65 år, 0.12% of GDP, egenföretagare som fyllt 65 år, 0.02% of GDP, and Nedsättning av arbetsgivaravgifter för unga, 0.02% of GDP, respectively), and grants for hiring those who have been away from the workforce for a significant period of time with the new start job scheme (Nystartsjobb, 0.06% of GDP).

Swedish green policies are mostly non-sectoral

Swedish green policy is much more horizontal than the benchmark. Sweden's largest green instrument is the Swedish Environmental Protection Agency's Climate investment support (*Klimatklivet*, 0.05% of GDP).

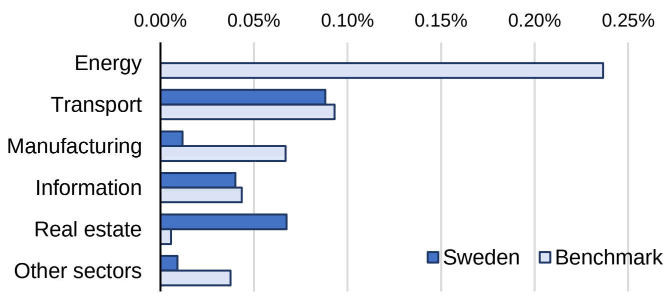
Figure 4. Sectoral composition of green support in Sweden, % of total green industrial support, 2021



Sectoral support is focused on three sectors

Sectoral industrial policy (0.23% of GDP) in Sweden focuses on three sectors: Transport, Real estate and Information. With no direct support to Energy.

Figure 3. Sectoral support by sector as a percentage of total GDP - Grants and tax expenditures, 2021[2]



Swedish energy policy and support

The Norwegian-Swedish electricity certificate scheme scheme, which is not considered as industrial policy expenditures under QuIS, has replaced previous grants for renewables. It is a market-based support scheme, which aims to increase the profitability of new renewable electricity production capacity. Certificates are granted to producers of renewable energy, which can sell them on a market. Demand is created by requiring power suppliers and certain electricity customers to purchase a quota of certificates.

There is an indirect support to the energy sector through the reduced energy tax instruments provided to various sectors, and notably the combined one for "industry" (primarily Mining and Manufacturing, *Nedsatt energiskatt på el inom industrin*, 0.26% of GDP), which is not green nor considered sectoral but does indirectly support the energy sector.

1: Source: OECD calculations based on the OECD Labour Market Programmes database and the QuIS database. Note: 2020 is the last available year of data on Labour Market Programmes. The labour market programmes considered were "Public employment services", "institutional training", "Sheltered and supported employment and rehabilitation" and "Direct job creation", which are the ones directly provided to workers. Passive labour market programmes (e.g. unemployment benefits) are not included.

2: Reading example: the amount of Swedish grants and tax expenditures support specifically directed to the real estate sector represents 0.07% of total GDP, vs 0.01% in the benchmark. Note: Includes EU support. Instruments targeting agricultural firms are excluded from QuIS. Source: OECD calculations based on the QuIS database.