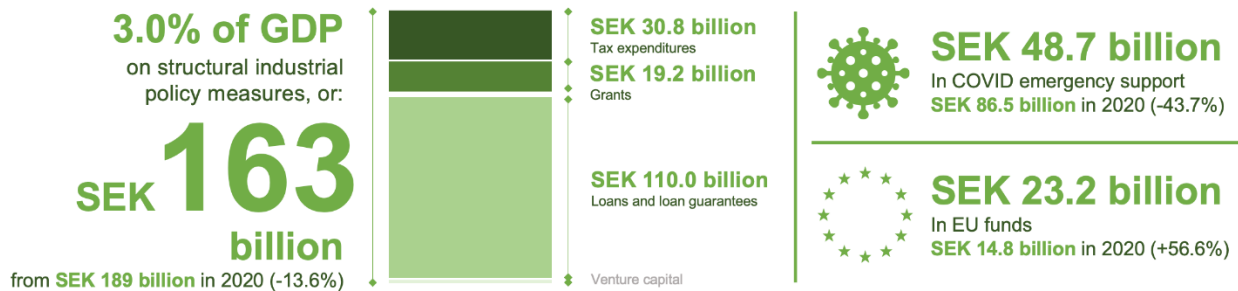


Sweden: Quantifying Industrial Strategy

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



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The QuIS project



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 against each other in terms of industrial policy expenditures, policy priorities, policy instruments and recipients.

The data gathered for each country were sent to the member states for additional checks and validation, also with questions regarding the detail of certain instruments as well as gaps in the available data. After countries' validation, the final cross-country data were compiled in a common database. Another relevant delivery of the QuIS project is the report 'Quantifying industrial strategies across nine OECD countries' published as an OECD Science, Technology and Industry Policy Paper, which consists in a cross-country analysis of the industrial strategies of the first nine countries participating in the project. Both the database and the report will be downloadable from <https://www.oecd.org/industry/industrial-policy-and-strategies/>.

General picture

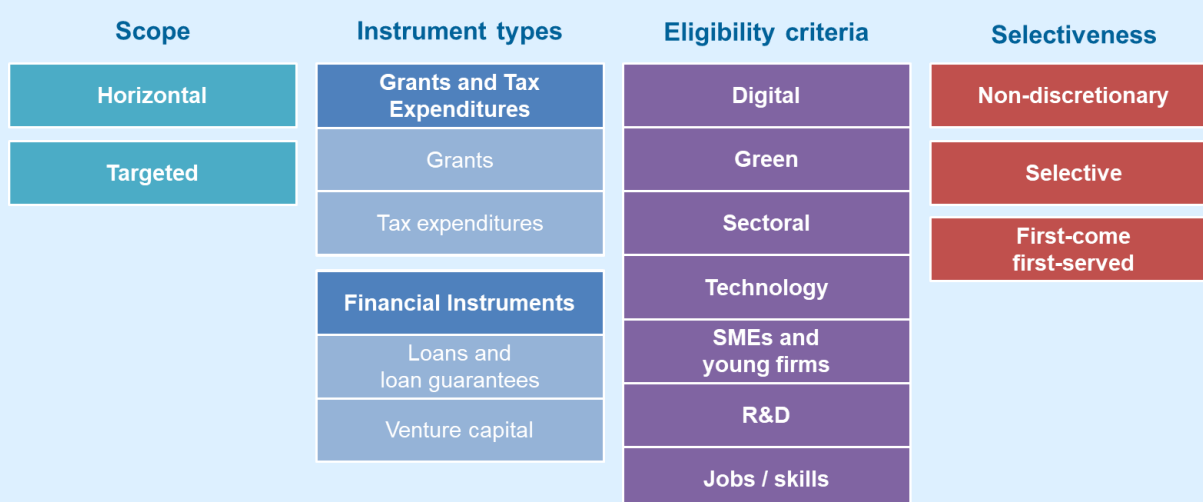
Compared to other countries, the Swedish industrial strategy relies less on grants and tax expenditures. It is also only somewhat targeted with 23% of grants and tax expenditures being sectoral (vs 30% in the benchmark, 0.23% vs 0.43% of GDP respectively). Sectoral instruments are primarily targeted to Transport, Real Estate and Information. There is no direct support to the energy industry, but significant support is provided through energy tax reductions for large business users (notably in the manufacturing and mining sectors). Jobs/skills policies are the other major focus of Swedish industrial strategy (representing 0.30% of GDP vs 0.22% of GDP in the benchmark) mainly to encourage employment of younger and older workers as well as workers returning to the workforce. Sweden outspends the benchmark in financial instruments, due to significant amounts of export finance (1.9% of GDP vs 0.8% in the benchmark). Sweden offered less COVID support to firms in 2020 and 2021 (which came mostly in the form of Jobs/skills support), consistent with its less stringent lockdowns compared to other countries in the benchmark.

Box 1. QuIS methodology

QuIS gathers publicly available data from many and decentralised sources on industrial policy expenditures directly accruing to businesses. For the case of Sweden, the project focuses on annual industrial policy expenditures higher than SEK 92 million (0.002% of GDP in 2017). The period covered is 2019-2021 and the data track both structural policies and COVID-19 emergency support measures. Instruments targeting agricultural firms are excluded from the database and the analysis. Policy instruments are classified along four dimensions: scope, instrument type, eligibility criteria and selectiveness. The QuIS methodological paper outlines the scope and the definitions in more detail and can be found here: [oe.cd/il/QuIS](https://www.oecd.org/industry/industrial-policy-and-strategies/). Importantly, financial instruments, defined as the provision of loans, loan guarantees or equity investments, are measured through the so-called notional amounts method, which measures expenditures as the amount of financing (or guarantees) provided by public entities. This measure was chosen as it is the most widely available across countries. However, amounts obtained with this method are not directly comparable with grants and tax expenditures, so the two types of instruments are recorded and analysed separately.

Countries used to define the benchmark are Canada, Denmark, France, Ireland, Israel, Italy, the Netherlands, and the United Kingdom. Country notes are also available for these countries.

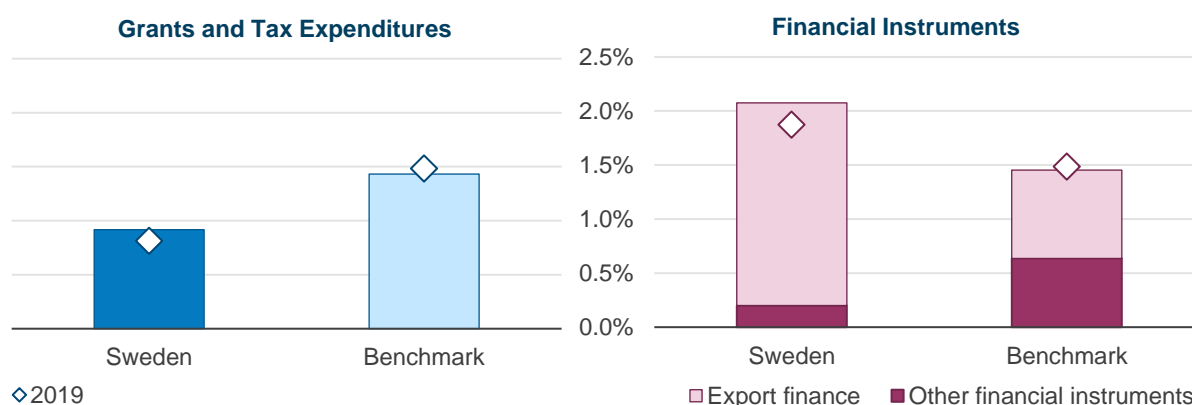
Figure 1. QuIS Data Categorisation



Note: Eligibility criteria are not mutually exclusive, and some policies do not match any of the criteria

- A. Swedish industrial policies expenditures through grants, tax expenditures and non-export financial instruments are lower than in the benchmark

Figure 1. Industrial policy expenditures in 2021, % of GDP (diamonds – in 2019)

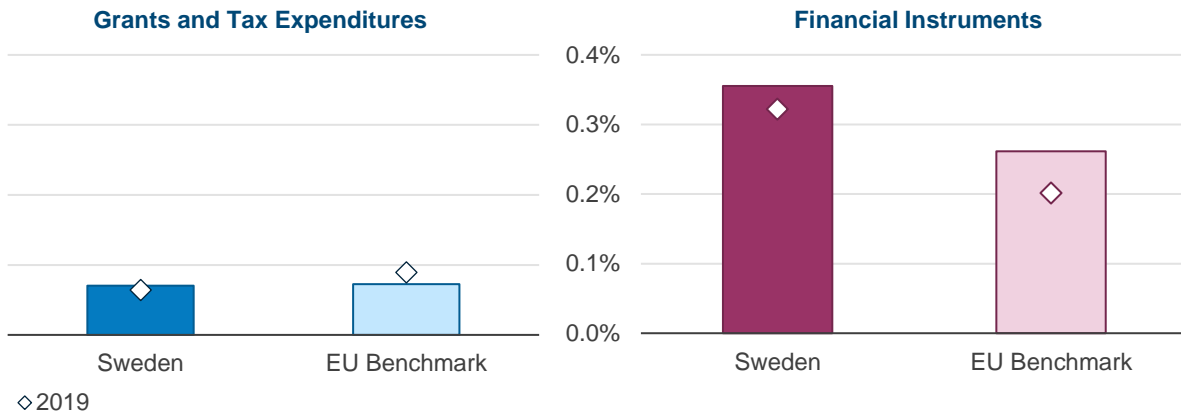


Note: Non-EU and structural policies (i.e. excluding Covid and EU support).
Source: OECD calculations based on the QuIS database.

Sweden spends less on grants and tax expenditures as a percentage of GDP than the benchmark average (**Figure 1, left**), the most important instruments being an energy tax reduction for industry (*Nedsatt energiskatt på el inom industrin*, 0.26% of GDP in 2021) and a payroll tax exemption on the wage of senior employees (*Ingen särskild löneskatt för anställda som fyllt 65 år*, 0.12% of GDP). For financial instruments (**Figure 1, right**), Sweden provides more support than the benchmark average. Export finance makes up a significant share of financial instruments for Sweden and more than the average (1.9% of GDP). Conversely, Sweden resorts less to other financial instruments than the benchmark. The main non-export financial instruments are Credit

guarantees for loans for housing construction (*Boverkets kreditgaranti*, 0.05% of GDP, benefitting construction firms) and Nordic Investment Bank loans (0.05% of GDP).

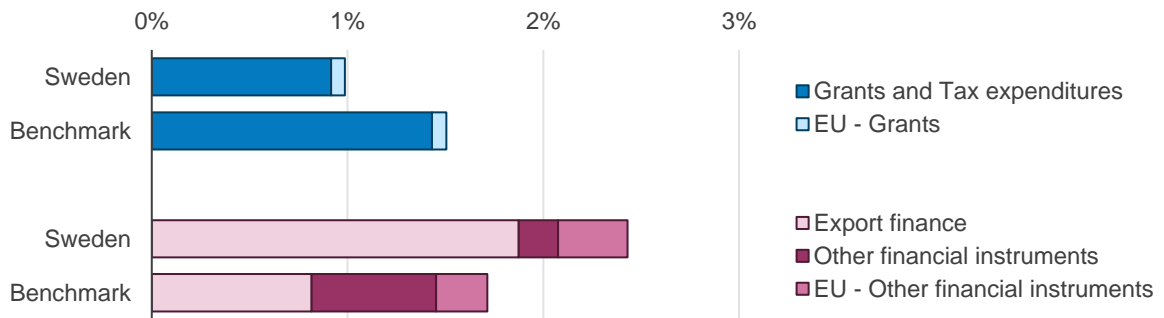
Figure 2. EU industrial policy support on grants/tax expenditures and financial instruments, 2021, % of GDP (diamonds – in 2019)



Note: Other EU countries are Denmark, France, Ireland, Italy and the Netherlands.
 Source: OECD calculations based on the QuIS database.

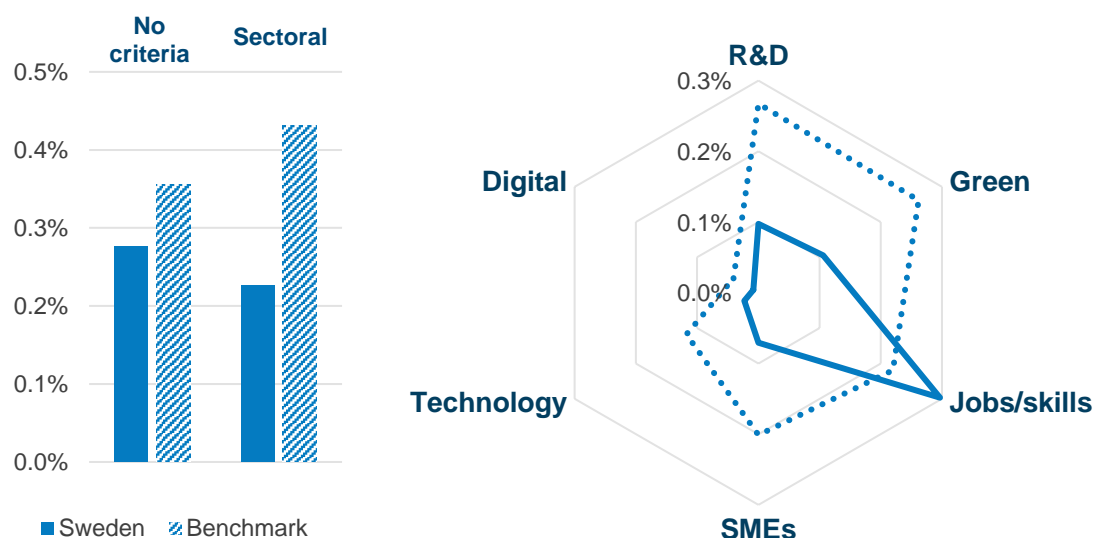
Sweden benefits equally from EU industrial policy grants than the benchmark average of other EU countries (**Figure 2**, left). However, support provided through EU financial instruments is higher in Sweden than in the benchmark of EU countries in 2021 (**Figure 2**, right). This is driven by 0.24% of GDP in European Investment Bank’s loans for Swedish firms (vs. 0.17% in the benchmark).

Summary Figure. Swedish industrial policy expenditures by instrument type in 2021, as a % of GDP



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

Figure 3. 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 (see left panel). Source: OECD calculations based on QuIS database.

Regarding grants and tax expenditures, Swedish industrial strategy is structurally different than in other countries (Figure 3). 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. Important instruments in this category include a payroll tax exemption on the wage of senior employees (*Ingen särskild löneskatt för anställda som fyllt 65 år*, 0.12% of GDP) and a grant scheme for the hiring of workers who have not worked before or in a long time (*Nystartsjobb*, 0.06% of GDP). The higher share of spending on Jobs/Skills (30% vs 12%), is particularly noteworthy considering the structural characteristics of Swedish labour policies, with also higher support to workers through active labour market programmes (Box 2).

Other than the Jobs and skills policies which are mostly horizontal, Sweden's industrial strategy relies on sectoral policies (0.23% of GDP), although lower than the benchmark (0.43% of GDP), it is closer as a share of industrial policy spending (23% vs 30%). In Sweden, the most important sectoral policy is the investment support to the Real estate sector for arranging rental housing and housing for students (*Stöd till hyresbostäder och bostäder för studenter*, 0.07% of GDP). It is worth noting that the energy tax reduction for industry (*Nedsatt energiskatt på el inom industrin*, 0.26% of GDP) is an important instrument that supports the mining and manufacturing sectors but is not categorised as sectoral per the QuIS criteria.

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. Only on no-criteria spending does Sweden provide a share of expenditures similar to the benchmark (28% vs 24% benchmark).

On R&D, Sweden provides support to R&D expenditure in the form of reduced employer contribution for R&D staff (*Nedsättning av arbetsgivaravgifter för personer som arbetar med forskning eller utveckling*, 0.04% of GDP), but to a lower level than the benchmark in terms of total government support to business R&D as a percentage of GDP.

As for support to SMEs and young firms (0.03% of GDP), the benchmark is largely driven by Dutch policies targeted at the self-employed and entrepreneurs (totalling 0.41% of GDP) or tax reductions and deductions (Italy's *Credito d'imposta per nuovi investimenti in beni strumentali ZES Mezzogiorno*, 0.07% of GDP).

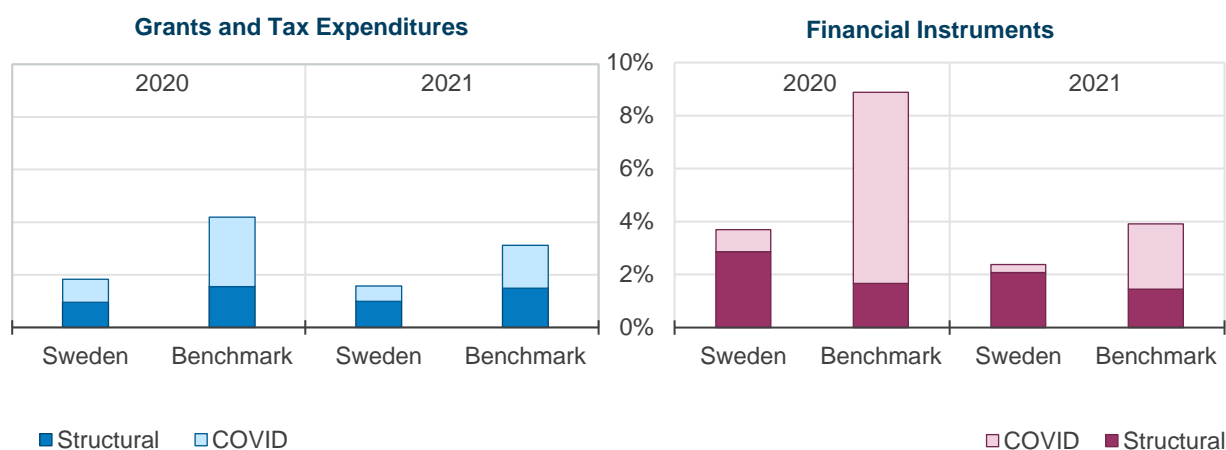
Regarding financial instruments, export finance, provided by Sweden’s National Export Credit Guarantee Board, *Exportkreditnämndens (EKN)* and the Swedish Export Credit Corporation, *AB Svensk Exportkredit (SEK)* totalled 1.9% of GDP in 2021¹. Only Canada provides more export finance (Export Development Canada, 4.4% of GDP). Together Sweden and Canada drive the benchmark up, as the size of export finance provided by the next largest countries, France and Denmark, is closer to 0.8% of GDP, further highlighting the high level of export finance provided by Sweden. This highlights the heavily export focused nature of the Swedish economy.

Swedish non-export focused financial support is lower than the benchmark (0.6% vs 0.9% of GDP, including EU support). While Sweden is broadly in line with other benchmark countries on this, the benchmark is driven by France and Italy (the only countries to spend over 50% of their financial instrument support on non-export instruments). For instance, Bpifrance, the French public investment bank, offers 1.1% of GDP in financial support through a variety of instruments, and in Italy the SMEs Guarantee Fund (Fondo di Garanzia per le PMI – FGPMI) alone is 0.8% of GDP, excluding additional guarantees provided through this fund to support businesses during the Covid-19 crisis. Sweden mostly provides loans (*Norrlandsfonden*, 0.01% of GDP) and venture capital (*Stiftelsen Industrifonden's*, 0.01% of GDP) while these are lower than the benchmark, the difference can be explained by the larger instruments in this category in the benchmark tending to come in the form of guarantees, which Sweden does not offer.

It is worth noting that 97% of Swedish financial support is horizontal (more than the benchmark average of 82%), with the biggest instrument being the export credit guarantee. The largest targeted financial instrument is the Credit guarantee for loans for housing construction (*Boverkets kreditgaranti*, 0.05% of GDP) which is sectoral, and a series of instruments for SMEs representing 0.02% of GDP.

B. Sweden offered lower levels of COVID emergency support to businesses

Figure 4. COVID emergency support through grants/tax expenditures (left) and financial instruments (right), % of GDP



Source: OECD calculations based on the QuIS database.

In 2020, Sweden spent significantly less on COVID emergency support than the benchmark (**Figure 4**), 0.9% vs 2.6% of GDP for grants and tax expenditures, and 0.8% vs 7.2% of GDP for financial instruments. Swedish COVID emergency support was driven by two main instruments, the short-term work support/ allowance (*Stöd vid korttidsarbete*, 0.70% of GDP), and temporary deferrals of payment of taxes and fees – classified as a loan

¹ EKN guarantees the SEK exports and therefore those guarantees are not counted as EKN expenditure to avoid double-counting. EKN was 1.4% of GDP in 2021, and SEK 0.5% of GDP in the same year

in our methodology (*Covid skattebetalning*, 0.77% of GDP). Most benchmark countries had similar but larger work support programmes (Canada, 3.81% of GDP, Netherlands, 1.66%, Ireland 0.73%) and temporary tax deferral schemes (Denmark, 7.16% of GDP, Netherlands, 1.79%, Canada, 1.36%)

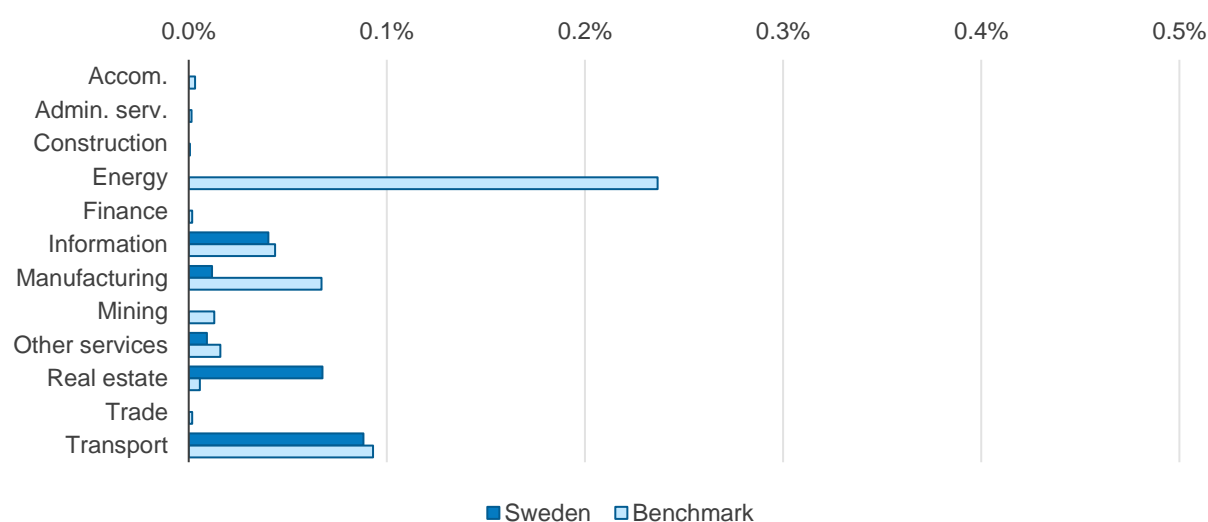
In 2021, Sweden reduced its support through grants and tax expenditures to 0.6% of GDP. The short-term work support/allowance was reduced (to 0.14% of GDP, a reduction of 0.56% points of GDP compared to 2020), while the Temporary reduction of employer contributions for employees between 19 and 23 years old (*Tillfällig nedsättning av arbetsgivaravgifter för personer mellan 19 och 23 å*) was implemented (0.18% of GDP).

The significantly lower spending on the COVID emergency support in Sweden is likely the result of the less stringent lockdown policy in the country (with an average of 50 on the Oxford BSG COVID stringency index² over 2020 and 2021, vs. 58 for the benchmark average and the second least stringent of the benchmark countries after Denmark). Notably, there were limited restrictions placed on businesses which led to smaller drop in economic activity, and thus less support was needed for firms (Bricco, Misch and Solovyeva, 2020^[1]).

Deep dive on Swedish industrial strategy

A. Swedish sectoral policies tend to be targeted to transport, real estate, and information

Figure 6. Sectoral support by sector as a percentage of total GDP - Subsidies and tax expenditures, 2021



Reading example: In Sweden the amount of support, in the form of grants and tax expenditures, specifically directed to the real estate sector represented 0.07% of total GDP, whereas it represents 0.01% in the benchmark.

Note: Includes EU support. Instruments targeting agricultural firms are excluded from the QuIS database and analysis.

Source: OECD calculations based on the QuIS database.

Sweden's sectoral support is lower than the benchmark on GDP terms (0.23% vs 0.43%) but in line as a share of industrial policy expenditures (42% vs 46%). An industry-level perspective reveals that sectoral industrial policy in Sweden focuses on multiple sectors: Transport, Real Estate, and Information (**Figure 6**). The support for Real Estate (0.07% vs 0.01%) is significantly higher than the benchmark. For Transport (0.09%) and Information (0.04%) support is broadly in line with the benchmark. This picture is not significantly affected when comparing support rates (i.e. support as a percentage of sectoral value added).

² 0-100 index, calculated using all ordinal containment and closure policy indicators, plus an indicator recording public information campaigns, Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford.

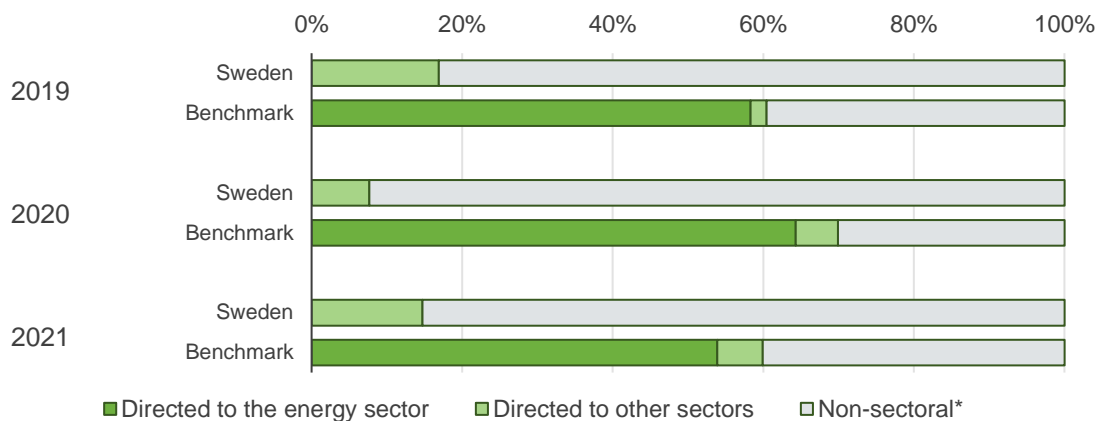
Sweden tends to support sectors through reduced energy taxes, notably for Information and Telecommunication (for data centers, *Nedsatt energiskatt på el i datorhallar*³), 0.02% of GDP. For transportation, the support is a set of smaller instruments: first a tax reduction for the maritime sector (*Sjöfartsstöd*, 0.02% of GDP), and two energy tax exemptions for railways and domestic shipping (*Energiskattebefrielse för elförbrukning vid bandrift*, 0.02% of GDP and *Energiskattebefrielse på bränsle för inrikes sjöfart*, 0.01% of GDP). It is worth noting that while too broad to count as sectoral in the QuIS classification, Sweden has a large, reduced energy tax instrument primarily aimed at the Manufacturing and Mining sectors (*Nedsatt energiskatt på el inom industrin*, 0.26% of GDP).

Sweden also supports the Real Estate sector through investment support for arranging rental housing and housing for students (*Stöd till hyresbostäder och bostäder för studenter*, 0.07% of GDP). Sweden also supports housing through credit guarantees for loans for housing construction (*Kreditgaranti för lån för bostadsbyggande*, 0.05% of GDP), the only significant sectoral financial instrument.

It is also notable that Sweden does not support the energy sector directly, while the benchmark offers 0.24% of GDP in support to the sector. The benchmark support is driven by large green policies towards renewable energy production.

B. Swedish green policies are mostly non-sectoral

Figure 7. Sectoral composition of green support in Sweden, % of total green industrial support, 2021



*"Non-sectoral" refers to policies that are not targeted to a specific sector. Nevertheless, some beneficiaries of these policies may belong to the energy sector.

Note: Includes EU support.

Source: OECD calculations based on the QuIS database.

The benchmark outspends Sweden on green policies by more than a factor of two (0.11% vs 0.26%). However, despite a highly sectoral industrial strategy, Swedish green policy is more horizontal than the benchmark (Figure 7). Notably, it does not have any green support directed to the energy sector (or any support to this sector, see above). Green support to the energy sector in the benchmark is driven by renewables support in France, with its purchase contracts (*Soutien aux énergies renouvelables électriques en métropole continentale - Contrats d'achat*, 0.23% of GDP), Italy's feed-in-tariffs (*Conto Energia*, 0.18% of GDP), and Denmark, with the grants for wind turbine electricity (*Tilskud til vindmølleelektricitet* - 0.16% of GDP) and the grants for renewable energy plants (*Tilskud til VE-anlæg, decentrale kraftvarmeværker mv.* - 0.10% of GDP).

³ This policy will be terminated in July 2023:

<https://skatteverket.se/foretag/skatterochavdrag/punktskatter/energiskatter.4.18e1b10334ebe8bc8000843.html>

Sweden's largest green instrument is the Swedish Environmental Protection Agency's Climate investment support (*Klimatklivet*, 0.05% of GDP). The largest green sectoral policy is aimed at the Transport sector, the environmental compensation for rail freight transport (*Miljökompensation till godstransportföretag*, 0.01% of GDP) which is designed to promote rail as a greener form of freight transport by making it more competitive.

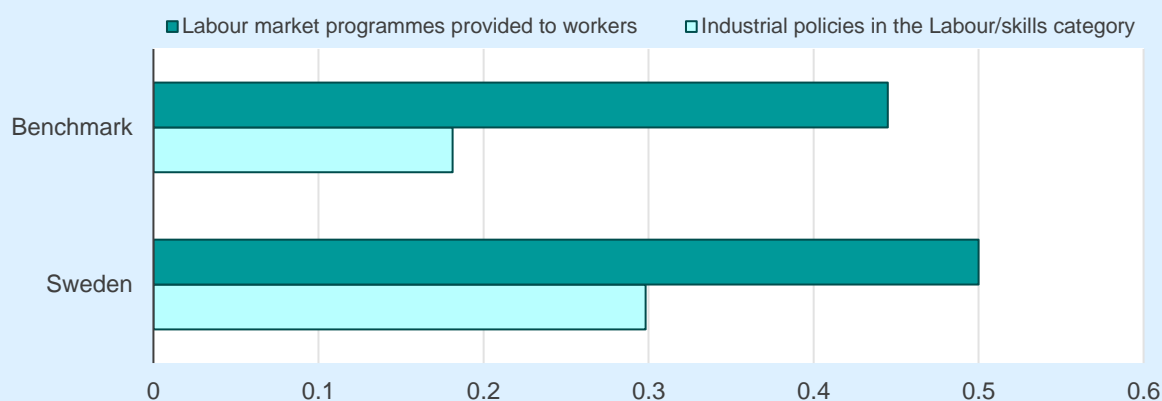
Sweden and Norway have a combined energy market and incentivise renewable electricity production through the joint Norwegian-Swedish electricity certificate scheme⁴, and therefore do not have purchasing contracts or grants to the energy sector. However, there is an indirect support to the energy sector through the reduced energy tax programmes provided to various sectors (mentioned above), and notably the combined one for "industry" (primarily Mining and Manufacturing, *Nedsatt energiskatt på el inom industrin*, 0.26% of GDP), which are not captured in the above figure.

Box 2. Interactions of Swedish industrial policies in the Jobs/skills category with active labour market programmes provided to workers

QuIS's scope includes labour policies geared towards enhancing competitiveness, investment or economic development by providing direct support to firms, linked to their wage bill, employment, hiring or training expenditures. Hence, active labour market policies that are directly provided to workers are excluded, such as public employment services, institutional training, 'sheltered and supported employment and rehabilitation' and direct job creation.

While Sweden has similar levels of Labour market programmes provided to workers than the benchmark (0.50% vs 0.45% of GDP), it spends significantly more on industrial policies in the Jobs and skills category (0.30% vs 0.18% of GDP).

Figure 9. Labour industrial policies and labour market programmes provided to workers in Sweden and the benchmark, % of GDP in 2020



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 since their main goal is to provide benefits to the unemployed rather than enhancing employment creation and human capital of the workforce.

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

⁴ The Norwegian-Swedish electricity certificate scheme 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. This system has replaced previous grants and grants for renewables.

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, *Ingen särskild löneskatt för 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). The latter is the only Swedish jobs/skills instrument in the form of grants, while all others are tax expenditures.

The main countries driving the benchmark on jobs/skills industrial policies are the United Kingdom and France and the United Kingdom (0.8% and 0.5% of GDP respectively, the only countries to spend more than Sweden). France spends significant amounts on two instruments: labour cost reduction (*Crédit d'impôt en faveur de la compétitivité et de l'emploi*, 0.3% of GDP) and support to apprenticeships (*Aide exceptionnelle aux employeurs d'apprentis (AECA) / Aide unique pour les employeurs d'apprentis (AUEA)*, 0.3% of GDP) schemes, which do not have a direct equivalent in Sweden. Although Sweden and France are the only countries in the QuIS database to have jobs/skills policy for R&D with reduced employer contributions for employees doing R&D in Sweden (*Nedsättning av arbetsgivaravgifter för personer som arbetar med forskning eller utveckling*, 0.04% of GDP) and reduced employer contributions for innovative young companies in France (*Allègements de charges des jeunes entreprises innovantes*, 0.01% of GDP), similar schemes exist in other countries outside of the current country sample. The United Kingdom spending on jobs/skills is largely driven by the Reduced contributions for self-employed not attributable to reduced pensions eligibility (0.20% of GDP), the Employment Allowance (0.10% of GDP) and Lower Profits Limit (0.10% of GDP) measures primarily targeted at reducing national insurance contributions and/or supporting the self-employed.

Sweden offers Jobs/skills support to firms in the maritime shipping industry (*Sjöfartsstöd*, 0.02% of GDP) in a similar manner to Denmark (*Skattefritagelse for løn ved arbejde om bord på skibe registreret i Dansk Internationalt Skibsregister og skibsregistre i andre EU/EØS-medlemsstater*, 0.04% of GDP).

References

- Bricco, J., F. Misch and A. Solovyeva (2020), "What are the Economic Effects of Pandemic Containment Policies? Evidence from Sweden", *IMF Working Papers*, Vol. 20/191, <https://doi.org/10.5089/9781513556109.001>. [1]