Kingdom of Sweden's rating reaffirmed at 'CareEdge AAA/Stable'

Issuer rating (Long-Term Foreign Currency)	CareEdge AAA/Stable (Unsolicited)

Rating action

CareEdge Global has reaffirmed the Long-Term Foreign Currency issuer rating for the Kingdom of Sweden at **'CareEdge AAA/Stable'** (Unsolicited).

Rationale

The rating reaffirmation reflects our assessment that Sweden's credit profile is strong enough to address any potential economic uncertainty arising from global and domestic factors. The resilience is supported by strong fiscal buffers, the absence of external imbalances, an effective monetary policy, and a world-class institutional framework.

The Swedish economy is innovation-driven and export-oriented, with a strong export base anchored in technology and knowledge-intensive sectors rather than low-cost sectors such as automotive, pharmaceuticals, electronics, and defense. Prudent fiscal policies have resulted in low general government debt and strong debt affordability, preserving ample fiscal space. At the same time, credible monetary framework and effective policy implementation ensure macroeconomic stability. Policy predictability is reinforced by strong and transparent institutions, a robust fiscal framework and an independent central bank, all of which strengthen global investor confidence. Sweden is recognised as a strong welfare state with a commitment to social equity and public services.

However, these strengths are partly offset by its ageing population, heightened geopolitical risks, and systemic vulnerabilities stemming from high household indebtedness. To mitigate these risks, the Swedish authorities have initiated proactive reforms aimed at boosting productivity, increasing defence spending, and advancing the transition towards renewable energy. The country also has high externally held debt, most of which is denominated in domestic currency and is a result of its status as the financial hub of the Nordic countries.

Outlook: Stable

The stable outlook reflects Sweden's wealthy and high-value-added economic profile with robust public finances, a credible policy framework, and strong external metrics. All of this contributes to its macroeconomic stability. Despite increased government spending in recent years, general government debt is expected to remain relatively low at about 37.6% over the next five years. Furthermore, Sweden's vulnerability to energy shocks is insulated by a high share of renewable energy in its total energy consumption and fiscal stimulus, equivalent to 1.2% of GDP.

Downside scenario

The outlook may be revised to negative if there is a significant drag on the fiscal profile from increased defence spending and transfer payments, or from geopolitical tensions. It could also be revised to negative if Sweden's competitiveness weakens, potentially undermining its medium-term growth prospects or if systemic risks in the banking sector materialise, particularly following a sharp correction in housing prices.

Key rating drivers

Economic structure & resilience

Sweden boasts a diverse industrial base. It had a high nominal GDP of USD 669 billion in 2025, alongside a high GDP per capita of USD 63,283 (purchasing power parity). Real GDP grew 1.5% in 2025 vs 1.0% in 2024. The IMF has revised the country's growth outlook upward over the medium term despite ongoing geopolitical tensions in West Asia. Growth is now projected at around 2.0% in 2026, based on domestic demand driven by fiscal stimulus such as tax cuts, household support, defence spending, and lower domestic prices counteracting relatively higher import prices.

The country is known for its business-friendly environment, innovation, significant R&D investment, and a high labour force participation rate of 75.8% (ages 15-74) as of April 2026. Consequently, it has attracted several global firms and high-value-added exports. Moreover, Sweden is a leading country in the transition to green energy, with 62.8% of energy from renewable sources in 2024, supported by various environmental sustainability initiatives, including a comprehensive environmental policy framework and substantial government budget allocations to this sector. This enhances its resilience to external energy shocks, including geopolitical disruptions such as the West Asia crisis. However, the country faces demographic challenges, charactersied by an ageing population with 20.9% of its citizens aged 65 and older. To tackle this issue, Sweden relies on immigration. As of 2025, foreign-born residents constituted 21% of the total population (over 2.2 million people). This segment has driven nearly all recent population growth while supporting a younger domestic age profile.

Fiscal strength

Sweden's fiscal landscape is shaped by a robust framework that emphasises transparency and long-term stability. As of 2025, gross general government debt is estimated at 34.9% of GDP, significantly lower than the EU average of 81.7% of GDP. Prudent debt management has resulted in low-interest payment obligations, accounting for only around 1.3% of revenue in 2025.

Sweden's general government fiscal deficit was 1.4% of GDP in 2025 and is expected to increase further to 2.4% in 2026 because of lower revenues (% of GDP) due to tax cuts and increased spending commitments. Sweden's defence spending has risen from about 2.5% of GDP in 2025 to a projected 2.8% in 2026, in the face of increased geopolitical tensions and its NATO commitments. Also, the central government has increased spending by an additional

1.2% of GDP in 2026 to boost domestic demand and support economic growth. Despite increased government spending and the fiscal deficit, general government debt is expected to remain low at 37.6% of GDP over the next five years and well within the debt anchor level of 40% of GDP.

External position & linkages

Sweden's external position is strong, with a current account surplus of 6.1% of GDP in 2025. It is projected to average 4.8% of GDP over the next 5 years, underpinned by strong good surpluses and external income flows. A strong legal framework, transparent regulations, and a skilled workforce have established the country as an attractive location for foreign companies. Foreign direct investment has been robust, averaging 5.9% of GDP over the past 5 years, reflecting investor confidence in the country's stable and business-friendly environment.

Sweden also benefits from a positive net international investment position (NIIP) of 59.1% of GDP in 2025, up from average 35.7% of GDP over the past 5 years, supported by net valuation gains and continuous current account surpluses. However, a substantial portion of exports is directed to key European Union (EU) partners such as Germany, Norway, and Denmark, exposing Sweden to economic shocks in these countries.

Monetary & financial stability

Despite being a member of the EU, Sweden has an autonomous monetary policy regulated by Riksbank and its own official currency, the Krona. The Krona is considered an actively traded currency, due to Sweden's small open economy and high external financial exposure making it highly sensitive to global risk sentiment and capital flows, therefore operating under a managed floating exchange rate regime.

The Swedish banking system is resilient and stable, even amid global economic pressures and uncertainties. Non-performing loans (NPLs) are low, at around 0.4% in 2025. Additionally, Sweden's deep capital markets reflect strong investor confidence. However, high household debt (despite a downward trajectory) poses a systemic risk to the financial sector. A sharp rise in interest rates or fall in housing prices could weaken households' repayment capacity and adversely affect banks' asset quality and financial stability.

Inflation jumped to 2.6% in 2025 from 2.0% in 2024. It is expected to be around 1.5% in 2026 and 1.8% in 2027, below Riksbank's 2% target, due to tax cuts. In response to easing inflation, Riksbank cut the policy rate to 1.75% in September 2025 from 4% in 2023, leaving room for further easing. Rate cuts have substantially reduced interest payments on household debt, which stood at 85.1% of GDP at end-2025, mitigating the associated default risk.

Institutions & quality of governance

Sweden has a high level of institutional quality and governance, characterised by strong democratic practices and effective public administration. The country consistently ranks among the top nations in global governance indicators, reflecting its commitment to voice and accountability, political stability, government effectiveness, regulatory quality, control of corruption, and the rule of law. In recent years, Sweden’s indicators related to political stability and the absence of violence or terrorism have declined. To address national security threats, political parties have agreed on revocation of citizenship for dual nationals convicted of crimes. Sweden's constitution does not permit citizenship revocation. A bill for parliamentary second vote to change the law is likely to be scheduled for this year following the general elections in September 2026.

Select indicators									
	Unit	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 F**	**2027 F**
Economic indicators									
Nominal GDP	USD billion	544	632	575	579	605	669	760	795
GDP per capita (constant-PPP)	USD	59682	62362	62729	62422	62843	63283	64023	64769
Real GDP growth	%	-1.9	5.2	1.3	-0.2	1.0	1.5	2.0	1.9
GFCF/GDP	%	24.5	25.1	25.6	25.4	25.1	24.8	-	-
Gross domestic savings/GDP	%	30.1	31.5	30.9	31.5	32.0	31.6	30.5	30.0
Exports (G&S)/GDP	%	45.1	48.1	55.2	56.1	55.6	54.6	-	-
Working age (15-64) population (% share in total)	%	62.2	62.2	62.2	62.2	62.3	62.4	62.5	62.6
Old age (65+) population (% share in total)	%	20.1	20.2	20.3	20.5	20.7	20.9	21.1	21.3
Fiscal indicators – general government									
Fiscal balance/GDP	%	-3.2	-0.1	1.0	-0.6	-1.5	-1.4	-2.4	-1.9
Revenue/GDP	%	48.8	49.2	49.3	48.3	47.8	48.0	47.0	47.0
Expenditure/GDP	%	52.0	49.3	48.3	48.9	49.3	49.4	49.4	48.9
GG gross debt/GDP	%	40.4	37.3	34.2	32.1	33.9	34.9	36.7	38.2
GG external debt (by creditor)/GG gross debt	%	18.6	13.4	9.0	11.9	13.3	13.4	-	-
Interest/Revenue	%	0.7	0.6	1.3	1.4	1.1	1.3	-	-
External indicators									
Current account balance/GDP	%	5.7	6.2	4.0	6.2	6.9	6.1	5.3	4.7
FDI, net inflows/GDP	%	3.4	9.2	9.4	3.2	5.1	2.9	-	-
Outstanding FII liabilities/GDP	%	173.0	152.6	125.2	143.4	133.0	154.5	-	-
NIIP/GDP	%	11.4	22.1	37.3	42.8	64.8	59.1	-	-
Foreign exchange reserves	USD billion	58.8	62.4	64.6	61.5	63.4	75.0	-	-
Import cover	Months	3.2	2.7	2.5	2.4	2.4	2.6	-	-
External debt/GDP	%	195.8	159.8	169.0	179.9	161.0	167.9	-	-
Monetary and financial indicators									
CPI inflation	%	0.7	2.7	8.1	5.9	2.0	2.6	1.5	1.8
Exchange rate (average)	LC per USD	9.2	8.6	10.1	10.6	10.6	9.8	-	-
Non-performing loans/total gross loans	%	0.5	0.4	0.3	0.4	0.5	0.4	-	-
Private debt, loans and debt securities/GDP	%	238.4	242.0	243.3	208.0	246.6	227.0	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - forecast; PPP – purchasing power parity; GFCF – gross fixed capital formation; exports (G&S) – exports of goods and services; GG – general government; FDI – foreign direct investment; FII – foreign institutional investment; NIIP – net international investment position. Data refers to fiscal/calendar year and actual/estimate as reported by the source. Where general government data is unavailable, central government data is used. Latest available data for 2025

Solicitation status
The rating is unsolicited

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AAA/Stable	June 26, 2026
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AAA/Stable	December 29, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AAA/Stable	December 30, 2024
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AAA	October 03, 2024

Criteria applied
CareEdge Sovereign Rating Methodology

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