

41. Sweden

Key facts on SME financing

SMEs' dominance in the Swedish business landscape, with 99% representation, underscores their crucial role in the economy, but the contrasting value-added contributions between micro and large enterprises reveal an intricate economic structure where size significantly matters.

The 5% growth in SME debts and 7% increase in total business loans in 2021 signal a robust financing landscape, reflecting both the demands of SMEs and the broader economic momentum in Sweden.

The Swedish Central Bank's adjustments to the repo rate between 2018 and 2023, especially in the last two years, highlight a strategic alignment with macroeconomic conditions, aiming to maintain borrowing costs and economic stability amidst external shocks like the pandemic.

Due to a surge in inflation, the central bank raised the repo rate from 0.00% to 3.75% over the period between April 2022 and July 2023. These adjustments aimed to address the rapidly growing inflationary pressures in the economy.

The moderate decline in SME bankruptcies in 2020 and a sharp reduction in 2021, followed by a slight increase in 2022, illustrate the effectiveness of government interventions and the nuanced impact of the pandemic, reflecting both resilience and ongoing challenges.

The recent years emphasize the complex interplay of recovery from the pandemic, global conditions, and credit dynamics in Sweden, requiring continued adaptability, strategic planning, and support for sustained growth and stability in the SME sector.

The Swedish government's active interventions during the COVID-19 pandemic, evidenced by the moderate decline in SME bankruptcies and subsequent sharp reduction, signify a targeted and effective support strategy for the business sector. The central bank's adjustments to the repo rate and the overall lending environment suggest a conscious effort to manage economic stability, likely factoring in inflationary pressures in the broader macroeconomic context.

Table 41.1. Scoreboard for Sweden

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt																
Outstanding business loans, SMEs	SEK Billion	..	..	..	..	930	964	1 003	1 073	1 173	1 290	1 413	1514	1492	1564	
Outstanding business loans, total	SEK Billion	..	..	..	..	2 683	2 722	2 812	2 901	2 962	3 189	3 831	3754	3868	4157	
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	34.66	35.39	35.67	36.99	39.60	40.46	36.89	40.33	38.57	37.63	
Outstanding short-term loans, SMEs	SEK Billion	..	..	..	..	211	217	249	262	316	339	355	397	384	439	
Outstanding long-term loans, SMEs	SEK Billion	..	..	..	..	719	747	754	811	857	951	1058	1177	1108	1125	
Share of short-term SME lending	% of total SME lending	..	..	..	..	22.71	22.50	24.83	24.44	26.92	26.28	25.12	26.22	25.73	28.06	
Direct government loans, SMEs	SEK Million	1 716	3 231	2 112	2 023	2 161	2 200	2 354	3 241	3 324	2 559	1 857	2292	3930	2513	2851
Non-performing loans, total	% of all business loans	0.46	0.83	0.78	0.65	0.70	0.61	1.24	1.17	1.04	1.12	0.49	0.58	0.51	0.42	0.30
Interest rate, SMEs	%	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75	1.56	1.50	1.53	1.87	2.08	2.02	2.89
Interest rate, large firms	%	4.84	1.71	1.64	3.01	3.03	2.64	2.15	1.35	1.21	1.14	1.05	1.03	1.29	1.32	2.31
Interest rate spread	% points	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40	0.34	0.37	0.48	0.84	0.79	0.70	0.58
Non-bank finance																
Venture and growth capital	EUR Thousand	620 338	437 498	733 528	443 156	339 283	372 669	386 523	298 419	314 014	535 297	574 765	593 359	1 873 730	2 342 821	2 308 417
Venture and growth capital (growth rate)	%, Year-on-year growth rate	7,44	- 29,47	67,66	- 39,59	- 23,44	9,84	3,72	- 22,79	5,23	70,47	7,37	3,24	215,78	25,04	-1,47
Other indicators																
Payment delays, B2B	Number of days	..	..	..	..	20.00	24.00	15.00	9.00	9.00	10.00	14	15	..		
Bankruptcies, SMEs	Number	3 139	3 913	3 342	3 449	3 808	3 777	3 355	2 998	2 822	3 019	3 392	3 603	3 445	1 635	1 840
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	27,14	24,66	- 14,59	3,20	10,41	-0,81	- 11,17	- 10,64	-5,87	6,98	12,36	6,22	-4,39	- 52,54	12,54

Source: See Table 44.2.

Macroeconomic and financing conditions for SMEs in Sweden

The high prevalence of SMEs in Sweden's business landscape, representing 99% of all businesses, underlines their critical role in employment and GDP. However, the disparity in value-added contributions between micro and large enterprises highlights the multifaceted nature of the economy. The significant role played by large enterprises in value addition indicates an economy where size and scale matter, despite the predominance of smaller firms.

The dynamic lending environment, characterized by a 5% growth in SME debts and a 7% increase in total business loans in 2021, reflects an active financing landscape. The Swedish Central Bank's adjustments to the repo rate between 2018 and 2023 demonstrate a responsive monetary policy aimed at managing borrowing costs and economic stability. The combined effect of lending practices and credit conditions illustrates a delicate balance that was tested and managed during external shocks such as the COVID-19 pandemic.

The moderate decline in SME bankruptcies during the pandemic and the sharp reduction in 2021 underscore the effectiveness of government interventions in ensuring economic resilience. However, the prospects for the near future emphasize the need for strategic planning and vigilance. The ongoing recovery from the pandemic, macroeconomic trends, and the complex interplay of credit conditions require a nuanced approach to ensure sustained growth and stability. The Swedish economy's resilience is evident, but the evolving landscape requires continued adaptability and support.

SMEs in the national economy

In 2021, Sweden had a total of 368,319 enterprises, with SMEs (1-249 employees) making up 99% of all businesses (non-employer firms excluded).

Nearly 99% of limited liability companies with employees are SMEs. In 2021, they accounted for 59% of employment in the private sector and 45% of GDP (non-employer firms excluded).

Micro enterprises (1-9 employees) were the most prevalent among SMEs, accounting for 73% of enterprises but contributing to a smaller share of employment (16%) and value added (9%).

Large enterprises (250+ employees) constituted only 1% of all enterprises but had a significant impact on employment (41%) and value added (53%) in the country.

Table 41.2. Distribution of firms in Sweden, 2021

By firm size

Firm Size (employees)	Number	Share (in percent)		
		Enterprises	Employment	Value added
SMEs (1-249)	363 101	99	59	45
Micro (1-9)	268 601	73	16	9
Small (10-49)	80 197	22	25	20
Medium (50-249)	14 303	4	17	16
Large (250+)	5 218	1	41	53
Total	368 319	100	100	100

Note: SMEs are defined in accordance with article 3 of directive 2013/34/EU. Limitations of population: Only limited liability companies are included, and companies within NACE sectors 01-03 and 64-66 are excluded. Non employer enterprises are excluded.

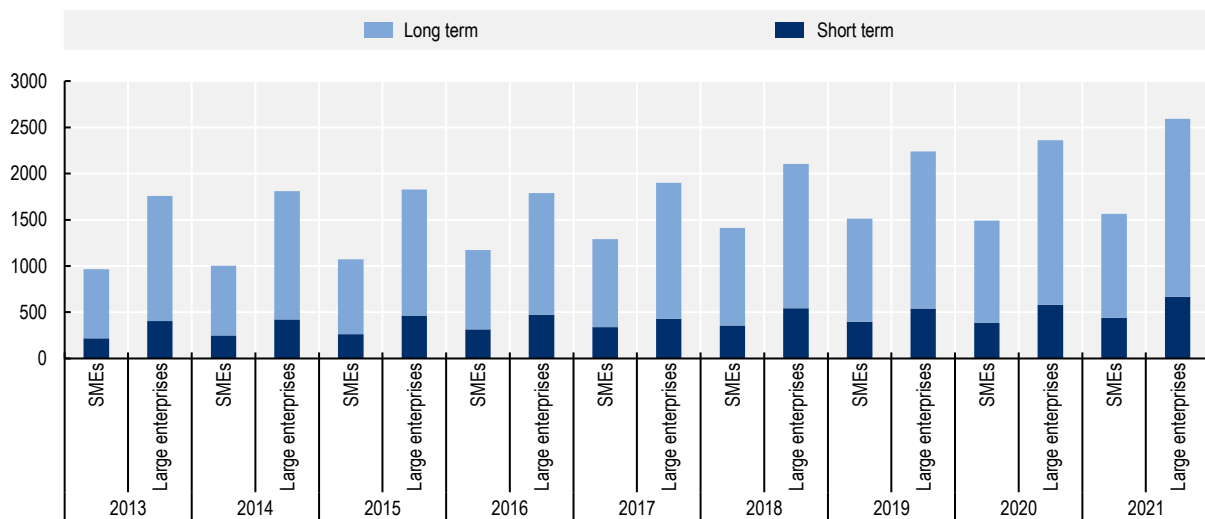
Source: Statistics Sweden

SME lending

In 2021, the stock of SME debts (long and short term) was in total SEK 1.564 trillion, up by 5% from 2020. SME debt as a share of total business debt decreased from 39% to 38%. Overall, the total stock of outstanding business loans was in total SEK 4.157 trillion, an increase by 7% from 2020¹.


Figure 41.1. SME and large enterprise debt in Sweden

In SEK billion



Note: SMEs are defined in accordance with article 3 of directive 2013/34/EU. Limitations of population: Only limited liability companies are included, and companies within NACE sectors 01-03 and 64-66 are excluded.

Source: Statistics Sweden

StatLink  <https://stat.link/2skivy>

Credit conditions

The Swedish Central Bank (In Swedish: “*Riksbanken*”) implemented a series of changes to its repo rate between 2018 and 2023. In late 2018, the repo rate, which was at -0.50%, saw its first increase in years, moving up to -0.25% by late 2019. At the beginning of 2020, another increase followed, bringing the repo rate to 0.00%.

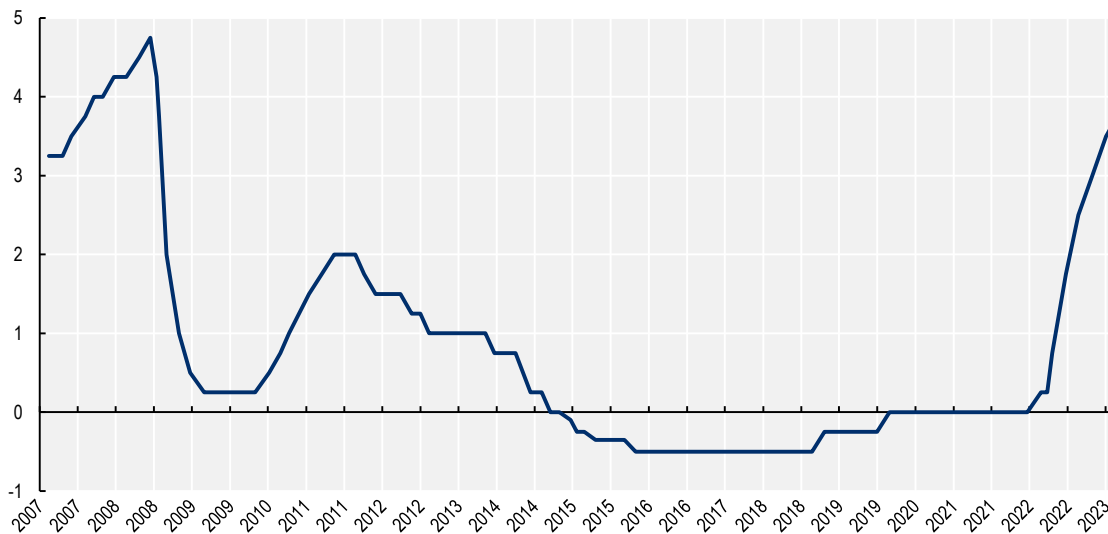
Subsequently, due to a surge in inflation, the central bank took further measures, raising the repo rate from 0.00% to 3.75% over the period between April 2022 and July 2023. The rate was further raised to 4.00% in September. These adjustments aimed to address the rapidly growing inflationary pressures in the economy.

According to Riksbanken, inflation has been decreasing but remains considerably higher than desired. The unexpected rapid rise in service prices and a weakened currency have contributed to the slower decline in inflation compared to expectations. While the Riksbank’s previous policy rate increases have had an impact, they believe that further tightening of monetary policy is necessary to bring inflation back to the target of 2% within a reasonable timeframe.


Riksbanken anticipates at least one more policy rate increase in late 2023. However, it was decided to leave the rate unchanged at 4.00% at the end of November. Furthermore, the Executive Board at Riksbanken has taken measures to increase the pace of government bond sales. Uncertainty remains, and new information will determine future monetary policy decisions. Inflation (CPIF) is projected to approach the target in 2024.²

Figure 41.2. Repo rate behaviour in Sweden

As a percentage



Source: Riksbanken

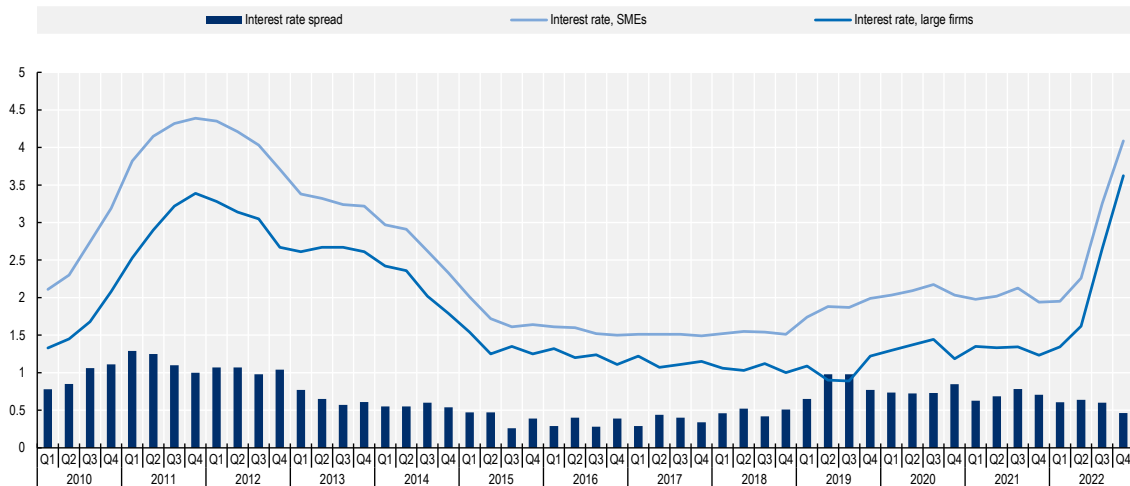
StatLink  <https://stat.link/x4kj8u>

The interest-rate spread between small and large enterprises (approximated by loans above and below EUR 1 million) stands at 0.46 percentage points in Q4 2022. The spread has generally shown a decreasing trend over the years. In 2015, the spread was notably higher, but it gradually decreased, indicating that the gap between the interest rates charged to small and large enterprises has been narrowing.

There was a notable reversal in interest-rate spread in 2022. During that year, the spread increased significantly, with a substantial jump in Q3 and Q4, reaching its highest level for the period under consideration. This suggests that the difference in interest rates for small and large enterprises became more pronounced in 2022. This could have implications for borrowing costs and access to credit for businesses. A narrower spread generally benefits small businesses, as it implies, they are paying interest rates closer to those paid by larger enterprises. Conversely, a widening spread may indicate higher borrowing costs and potential challenges for smaller businesses in securing loans.

Figure 41.3. Bank interest rates for small and large loans in Sweden

As a percentage



Source: European Central Bank.

StatLink  <https://stat.link/yd83oz>**Index of bank loan volumes**

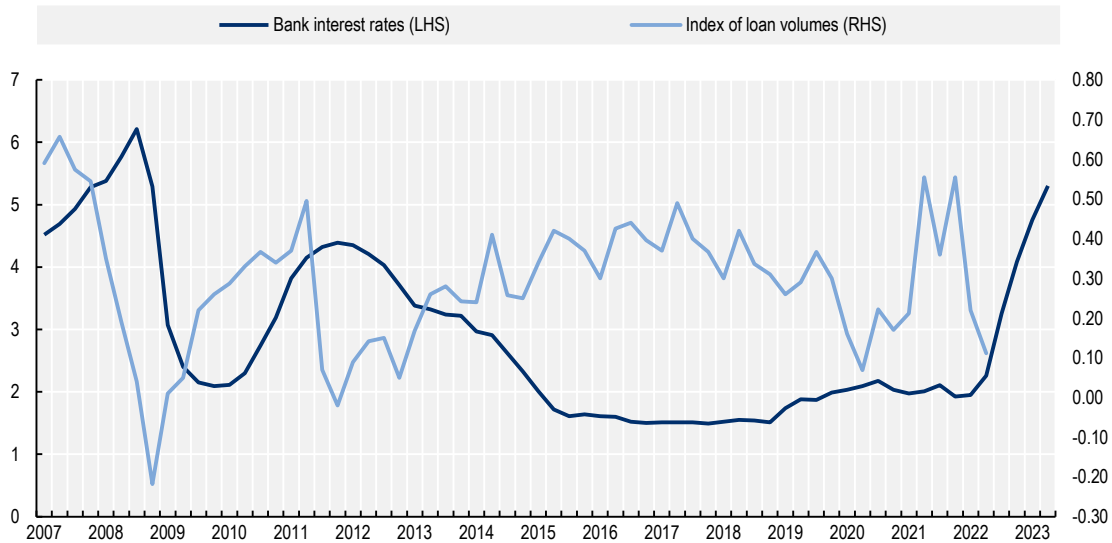
Almi, a state-owned corporation, performs quarterly surveys of bank managers' views on business loan volumes. The survey is a relatively fast indicator of where the Swedish economy is heading. An index has been constructed based on survey data from Almi and bank interest rates from ECB³.

The Index of loan volumes (RHS) displayed a positive trend between 2015 and 2021, with borrowing activity steadily increasing. This growth in loan volumes reflects a willingness among businesses and consumers to invest and spend, suggesting overall confidence in the economy during this period. However, the analysis for 2022 is limited by incomplete data and a comprehensive understanding of borrowing activity during that year requires further information.

From 2019 to 2021, Bank interest rates (RHS) remained relatively stable at around 2%. This period is characterized by a prolonged phase of low-interest rates, likely influenced by central bank policies aimed at supporting economic growth and recovery. In 2022, some irregularities arose, with interest rates fluctuating between 2% and 4.1%. The fluctuations suggest that economic conditions and policy decisions may have introduced uncertainties in interest rate movements. The data for 2023 shows a notable increase in Bank interest rates, reaching 5.3%. The uncertainty in 2022 and the significant rate hike in 2023 indicate a possible shift in monetary policy and highlight the importance of monitoring economic indicators and central bank announcements to understand the direction of future interest rates.

Figure 41.4. Bank interest rates and index of loan volumes in Sweden

As a percentage



Source: European Central Bank and Almi

StatLink  <https://stat.link/doznhu>

Alternative sources of SME financing

From 2015 to 2022, there was a consistent upward trend in venture and growth capital investments in Swedish companies. The investment amounts increased significantly over the years, reflecting growing interest from investors in supporting and funding innovative and high-potential businesses.

The year 2020 witnessed a remarkable surge in venture and growth capital investments. The investment amounts more than doubled compared to the previous year, reaching substantial levels. This surge could be attributed to various factors, such as increased investor confidence, favourable market conditions, and a focus on technology-driven and innovative start-ups.

In 2021 and 2022, venture and growth capital investments remained relatively stable at high levels. Despite the challenges posed by the COVID-19 pandemic, the investment amounts sustained, indicating continued investor interest in supporting the growth and development of Swedish companies.

Overall, venture and growth capital investments in Swedish companies experienced substantial growth reflecting a strong interest from investors in supporting innovative and high-potential businesses in the country. The consistent upward trend in investments indicates a positive investment climate and a thriving entrepreneurial ecosystem in Sweden.

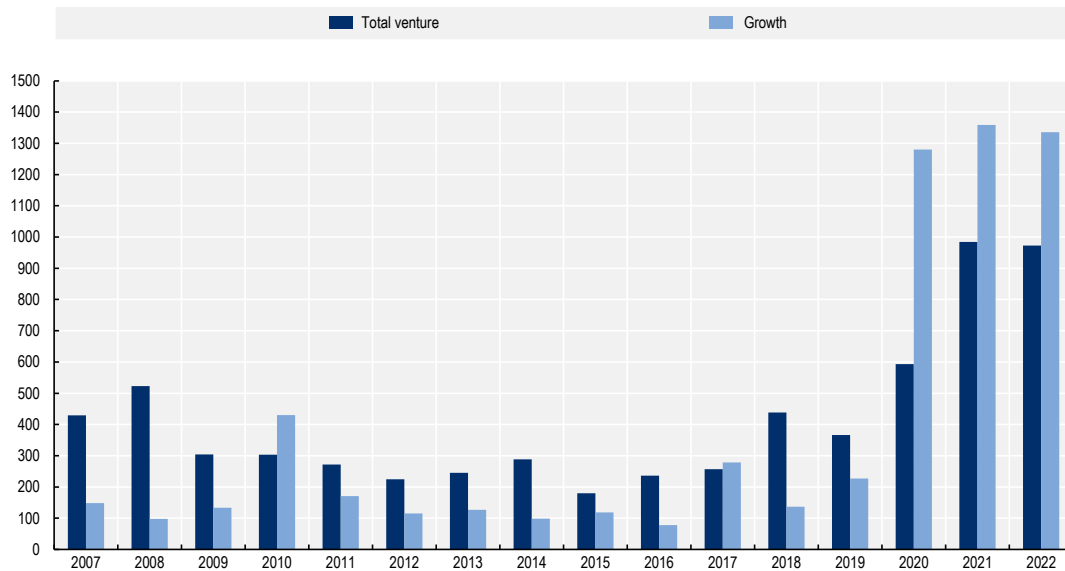
Looking ahead, the strong momentum in venture and growth capital investments suggests that the trend is likely to continue in the future. As Sweden remains an attractive destination for investors, we can expect further support for start-ups and high-growth companies across various sectors. The continued availability of capital is expected to foster innovation, drive economic growth, and contribute to the development of cutting-edge technologies and industries in the country.

The combination of low-interest rates, inflationary pressures, and positive economic growth likely played a role in driving venture and growth capital investments in Swedish companies over recent years. Investors'

search for higher returns, diversification, and the hunt for innovative opportunities amid low-interest rates and inflationary concerns may have contributed to the upward trajectory of investments in the start-up ecosystem. However, it's essential to recognize that multiple factors influence investment decisions, and the relationship between bank interest rates, inflation, and venture investments can be complex and context dependent.

Figure 41.5. Venture and growth capital investments in Swedish companies

In EUR million



Source: Invest Europe (2020).

StatLink  <https://stat.link/rtogk8>

Trends in SME, entrepreneurship finance and bankruptcies

Trends in SME and entrepreneurship finance for SMEs in Sweden reveals a positive trend, with growth in outstanding business loans for short-term and long-term credit, and a sharp drop in SME bankruptcies in 2021. Fluctuations in the share of SME outstanding loans and payment delays in Business-to-Business transactions were also observed, reflecting a dynamic environment influenced by various economic factors, including the COVID-19 pandemic. The existing trends suggest supportive financial conditions for SMEs and potential stability and growth in the coming years. However, the fluctuations in certain indicators highlight the importance of continued monitoring and adaptive strategies. Future prospects will likely be shaped by factors such as economic policies, global conditions, and potential disruptions, emphasizing the need for resilience and strategic planning in the SME sector.

Concerning bankruptcies in recent years, the year 2020 saw a relatively moderate decline of 4.39% in SME bankruptcies despite the challenges posed by the COVID-19 pandemic. This indicates that the Swedish government's economic support measures and relief packages likely played a role in mitigating the worst effects of the pandemic on small businesses. However, the significant year-on-year decline of -52.54% in 2021 reflects a sharp reduction in SME bankruptcies compared to the previous year. The macroeconomic environment during this period likely contributed to the financial struggles faced by small businesses. The years 2021 and 2022 reveal a relatively stable and resilient situation for SMEs. Despite

the challenges of the pandemic, the number of bankruptcies increased slightly in 2022 (12.54% year-on-year growth). This increase could be attributed to the post-pandemic recovery, where some businesses may have faced financial difficulties despite the overall improving economic conditions.

Government policy response: Almi loans

Almi is a government-owned corporation and serves as the parent company to 16 regional subsidiaries. With a broad mandate, it engages in debt brokerage, equity investments, and provides advisory services to companies. Almi's mission is to complement the private market and ensure that its services are available nationwide. Unlike many organizations, Almi does not have strict eligibility requirements favouring specific sectors or business phases. Nevertheless, its primary focus lies on supporting small- and medium-sized enterprises with promising growth potential.

Almi's primary focus on providing loans to small- and medium-sized enterprises (SMEs) aligns with the government's policy objectives of supporting and fostering the growth of these businesses. By targeting SMEs with financial assistance, the government aims to boost entrepreneurship, job creation, and innovation, thereby contributing to the overall economic development of the country.

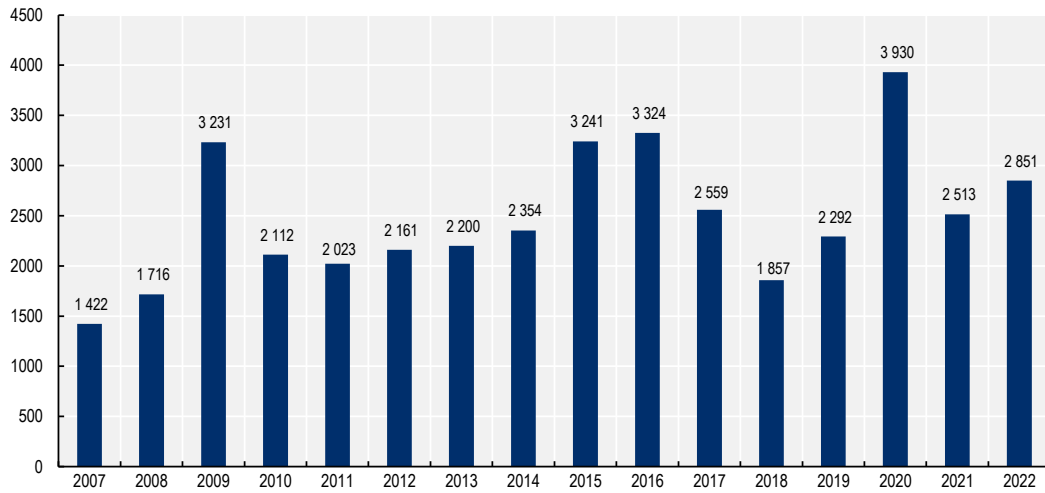
There were fluctuations in the amount of loans granted by Almi between 2015 and 2022. There is no consistent upward or downward trend, indicating that loan disbursements varied based on specific economic conditions and policy priorities during each year. However, in 2020, during the COVID-19 pandemic, Almi granted a significantly higher amount of loans compared to the previous years. This surge in loans can be seen as a government policy response to support businesses and entrepreneurs facing economic challenges due to the pandemic. The increase in loan amounts demonstrates the government's effort to provide financial assistance to businesses to help them survive and continue operations during the difficult economic conditions.

The variation in loan amounts granted by Almi reflects its role as a flexible instrument for government policy responses. In times of economic downturn or crisis, Almi's increased lending could serve as an economic stimulus, injecting capital into businesses and fostering economic growth. On the other hand, reduced loans during stable economic periods may indicate a more cautious approach by the government, focusing on other policy tools or relying on private market dynamics.

Overall, the loans granted by Almi in Sweden between 2015 and 2022 demonstrate the government's adaptive policy response to economic conditions and its commitment to supporting SMEs. The fluctuations in loan amounts reflect Almi as a flexible instrument to provide financial assistance during economic stress, such as in 2020 during the COVID-19 pandemic, and as a targeted policy tool to promote the growth and resilience of SMEs.

Figure 41.6. Loans granted by Almi in Sweden

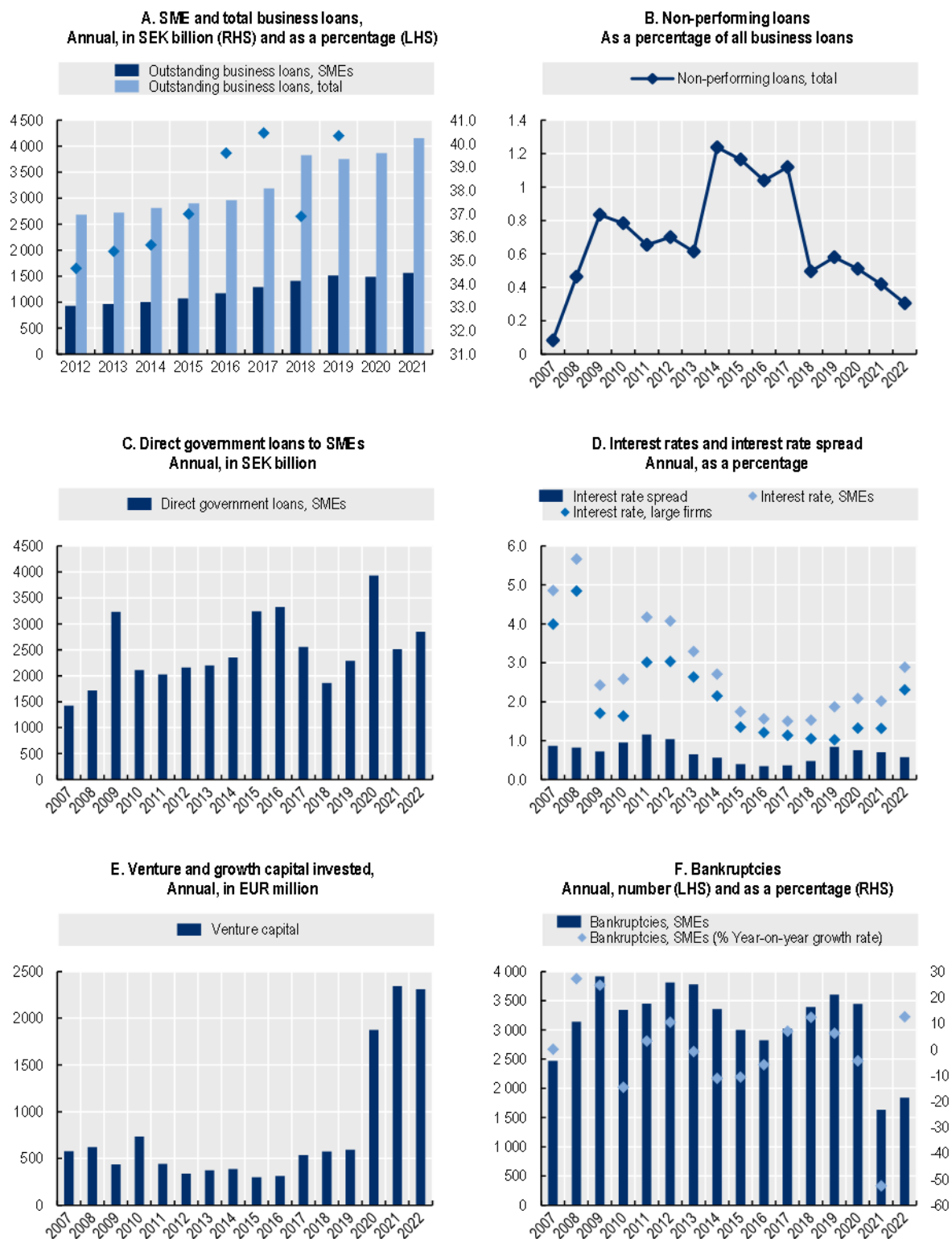
New lending per year, in SEK million



Source: Almi

StatLink  <https://stat.link/9kgonw>

Figure 41.7. Trends in SME and entrepreneurship finance in Sweden



Source: See Table 41.1

StatLink <https://stat.link/o2qzrd>

Table 41.3. Sources and definitions of the Sweden's Scoreboard

Indicator	Definition	Source
Outstanding business loans, SMEs	Sum of SME short and long-term liabilities from the balance sheet, excluding loans from group companies or associates and excluding firms with 0 employees. Excludes ISIC codes A (Agriculture, forestry, fishing) and K (Financial and insurance activities). Includes only limited companies. Group companies are classified to the size class according to the total number of employees in the enterprise group.	Statistics Sweden, Structural Business Statistics. Based on administrative data on liabilities collected from the National Tax Agency.
Outstanding business loans, total	Sum of short and long-term liabilities from the balance sheet, excluding loans from group companies or associates and excluding firms with 0 employees. Excludes ISIC codes A (Agriculture, forestry, fishing) and K (Financial and insurance activities). Includes only limited companies.	Statistics Sweden, Structural Business Statistics. Based on administrative data on liabilities collected from the National Tax Agency.
Outstanding short-term loans, SMEs	Sum of SME debts (liabilities) from the balance sheet with a due date less than 12 months from closing day, excluding loans from group companies or associates and excluding firms with 0 employees. Excludes ISIC codes A (Agriculture, forestry, fishing) and K (Financial and insurance activities). Includes only limited companies. Group companies are classified to the size class according to the total number of employees in the enterprise group.	Statistics Sweden, Structural Business Statistics. Based on administrative data on liabilities collected from the National Tax Agency.
Outstanding long-term loans, SMEs	Sum of SME debts (liabilities) from the balance sheet with a due date 12 months or longer from closing day, excluding loans from group companies or associates and excluding firms with 0 employees. Excludes ISIC codes A (Agriculture, forestry, fishing) and K (Financial and insurance activities). Includes only limited companies. Group companies are classified to the size class according to the total number of employees in the enterprise group.	Statistics Sweden, Structural Business Statistics. Based on administrative data on liabilities collected from the National Tax Agency.
Direct government loans, SMEs	Sum of new lending by ALMI.	ALMI Business Partner. Unpublished data.
Non-performing loans, total	"Bank nonperforming loans to total gross loans are the value of nonperforming loans divided by the total value of the loan portfolio (including nonperforming loans before the deduction of specific loan-loss provisions). The loan amount recorded as nonperforming should be the gross value of the loan as recorded on the balance sheet, not just the amount that is overdue."	International Monetary Fund (IMF), Bank nonperforming loans to total gross loans (%), http://data.imf.org/?sk=5ba7aeb2-c426-4b07-acae-ff4e5bbd461e&hide_uv=1
Interest rate, SMEs	Bank interest rates - loans to corporations of up to EUR 1 million with a floating rate and an IRF period of up to one year (new business)	ECB, Data Source in SDW: http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=124.MIR.M.SE.B.A2A.F.R.0.2240.SEK.N
Interest rate, large firms	Bank interest rates - loans to corporations of over EUR 1 million with a floating rate and an IRF period of up to one year (new business)	ECB, http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=124.MIR.M.SE.B.A2A.F.R.1.2240.SEK.N
Venture and growth capital	Sum of Private Equity investments in Swedish portfolio companies in the Growth and Venture phase.	Invest Europe
Payment delays, B2B	Average payment delay of domestic B2B customers	Atradius Payment Practices Barometer Sweden 2018, https://atradius.se/documents/ppb18_sweden_2018.pdf
Bankruptcies, SMEs	Number of court ruled bankruptcies for companies with 1-249 employees	Tillväxtanalys (Swedish Agency for Growth Policy Analysis)

Notes

¹ *Long-term liabilities include:* Bonds and debentures, convertible loans and the like; overdraft; building credit and other long-term liabilities to credit institutions. *Short-term liabilities include:* overdraft (short term) and other short-term liabilities to credit institutions.

² <https://www.riksbank.se/globalassets/media/rapporter/ppr/engelska/2023/230629/monetary-policy-report-june-2023.pdf>

³ An index of 0 means that either all bank managers' report unchanged lending compared to the last quarter or that equally many managers report increased lending as managers reporting decreased lending. An index of 1 (-1) means that all bank managers reported increased (decreased) lending compared to the last quarter



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