

## ANALYSIS – Sweden’s trade with the United States<sup>9</sup>

The Swedish economy is closely linked to the United States economy both directly and indirectly and via global value chains. Exports from Sweden to the United States have also grown rapidly in recent years. Industries that sell a relatively large share of their output to the United States – such as motor vehicles, pharmaceuticals and machinery – may be affected particularly strongly by the raised tariffs. All in all, however, the direct effects on Swedish exports and GDP of the US tariffs, at the levels currently being discussed, are expected to be relatively limited. At the same time, the tariffs have created uncertainty about future trade policy and the conditions for economic development. If this increased uncertainty restrains global growth, it will probably have greater consequences for the Swedish economy.

The United States is an important trade partner for Sweden and exports there have increased rapidly in recent years as regards both goods and services. Motor vehicles, machinery and pharmaceuticals are among the industries exporting the most goods to the United States. The country’s role as a trading partner is even more important when it comes to services exports. Adding goods and services together, the United States is currently Sweden’s largest single export country. Swedish companies also have significant operations in the United States. Swedish direct investment in the United States, measured as total assets, has increased rapidly in recent years and the country is now clearly the largest recipient of such investments. Sweden is also one of the countries with the largest direct investments in the United States in absolute terms.

### **Which industries could be affected most by higher tariffs in the United States?**

According to traditional export statistics, the United States is thus Sweden’s largest export market. However, these statistics can sometimes provide a misleading view of a country’s exposure to another country, as they measure the entire export value, including foreign input goods. On the other hand, the OECD’s database TiVA (Trade in Value Added) distinguishes between domestic and foreign value added – in which value added is the difference between the value of output and the cost of inputs. Table 4 shows the proportion of Swedish value added exported to the United States, in total and broken down by sector. In 2019, 2.4 per cent of Swedish value added was exported to the United States, which made the United States Sweden’s most

<sup>9</sup> This analysis is based on J. Camacho, C. Flodberg, M. Löf and B. Petersson (2025), “Increased import tariffs in the United States: What is the extent of Swedish exports to the USA and which sectors could be most affected?”, Staff memo, May, Sveriges Riksbank

important export country after Germany (2.6 per cent).<sup>10, 11</sup> Compared with the service sector, the manufacturing sector generally exports a significantly larger share of its value added to the United States (see table 4).

**Table 4. Swedish value added exported to the United States**

Year 2019

Sector	Per cent of sector's created value added
Motor vehicles	14.0
Pharmaceuticals	13.9
Other machinery	11.6
Chemical products	10.2
<b>Manufacturing industry</b>	<b>8.4</b>
<b>Services</b>	<b>1.4</b>
<b>Total</b>	<b>2.4</b>

Note. The table shows how much Swedish value added the exporting sector exports to the United States.

Source: TiVA (OECD).

The United States has recently raised import tariffs to 25 per cent for motor vehicles and to 50 per cent for steel and aluminium – two sectors with high exports to the United States.<sup>12</sup> The United States government has also started investigating higher tariffs on pharmaceutical imports, imports of timber and wood products and other imports. The pharmaceutical sector has particularly strong ties to the United States and exports 14 per cent of its value added there (see table 4). However, a large part of this sector's exports consists of services that will probably not be subject to tariffs, which should reduce the negative effect.

### Exports to the United States can also be routed through other countries

The US tariffs are determined by product type and country of origin. As Sweden participates in global value chains, Swedish value added is exported to the United States both directly and via intermediate countries. Understanding the tariffs' impact on the Swedish economy also requires indirect exports of Swedish value added be taken into account. Data from TiVA shows that 69 per cent of the Swedish value added exported to the United States in 2019 went there directly, while the rest went indirectly via other countries. The statistics also show that Ireland, Denmark and Germany were the countries that exported the most Swedish value added to the

<sup>10</sup> Due to the extensive data set included in the calculations, the TiVA database only contains data up to 2020. As trade and global value chains were substantially affected by the pandemic in 2020, data for 2019 is therefore used in this analysis instead.

<sup>11</sup> In total, 31.2 per cent of Swedish value added was exported in 2019.

<sup>12</sup> With import tariffs of 50 per cent, the consequences for the steel and aluminium sector will probably be very considerable. However, the effects may be smaller for those companies that already have production in the United States and that are able to allocate a larger part of production there. This could bring revenues to the parent company in Sweden but also risks production in Sweden being relocated to the United States. One example is SSAB, which is one of the most significant actors in the global steel industry. However, the Swedish metal industry is significantly more dependent on demand in Germany than in the United States.

United States. These are followed by Mexico, Canada, China and the United Kingdom, which may all face different tariffs than Sweden.

The TiVA data also shows how large a share of Swedish employment is tied, directly or indirectly, to the production of goods and services that are exported to the United States. In 2019, such production employed about 2.1 per cent of the total number of employees in Sweden (just over 100,000 people). An additional almost one percentage point of total employment is linked to exports reaching the United States via a third country.

### **Sweden imports a large share of services from the United States**

The United States is also important for Swedish imports. Last year, the United States was the fifth largest country of provenance for Swedish imports. Most of these imports consisted of services, particularly business services, fees for intellectual property, and telecommunication, data and information services. These prices could increase if the EU were to introduce reciprocal tariffs on the United States. And, even if the EU does not raise its tariffs on imports, possible price rises in the United States due to US tariffs on the rest of the world could still affect Swedish prices through higher prices for US imports. According to TiVA data from 2019, imports from the United States were only responsible for 1.9 per cent of Sweden's total consumption (public and private). This means that relatively large price rises for goods and services imported from the United States would be needed for them to have any particularly substantial effect on Swedish inflation.<sup>13</sup> All in all, this suggests that the direct effect on Swedish inflation from this channel will be relatively limited.

### **Probably relatively small direct tariff effects on Swedish growth but greater negative confidence effects**

Swedish exports to the United States are significant and particularly high in sectors such as motor vehicles, pharmaceuticals and machinery – but total exports of value added to the United States from these sectors still only corresponded to 0.7 per cent of total Swedish value added in 2019. More updated traditional trade statistics indicate that this proportion has increased at the same time as some exports are taking place via intermediate countries. But a large part of these exports, not least in the pharmaceutical sector, are services that are not subject to tariffs. The effects may be substantial for individual companies, not least for those without established operations in the United States, but, all in all, the direct macroeconomic effect of higher tariffs, at the levels currently being discussed, should be relatively limited.<sup>14</sup> However, the greater uncertainty to which the tariffs have contributed will continue to affect confidence among companies and households, which is expected to lower inter-

<sup>13</sup> If the prices of all goods and services imported from the United States were to rise by 10 per cent, with the entire increase being passed on to consumers, the rate of inflation in Sweden would increase by 0.2 percentage points ( $0.02 \times 10$ ) in the short term, according to a very rough degree estimate in which everything else, such as exchange rate effects and indirect effects via global value chains, is held constant.

<sup>14</sup> If, in a simplified calculation, it is assumed that 3.0 per cent of Swedish value added is exported directly to the United States to begin with and that demand for these goods and services subsequently falls by 10 per cent as a result of higher tariffs and price increases, and furthermore that these exports cannot be replaced by exports to any other area, GDP growth in Sweden would be 0.3 percentage points lower ( $0.1 \times 3.0$ ).

national demand. This assessment is consistent with the results of the Riksbank's latest business survey, in which the proportion of companies reporting that they will probably primarily be affected by indirect effects, such as a general deterioration of the economy, is larger than the proportion expecting to be affected directly (see "The Riksbank's Business Survey, May 2025" in this report).