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Report Name: Sweden Extends Support to Businesses During the COVID-19 Crises

Country: Sweden

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Report Highlights:

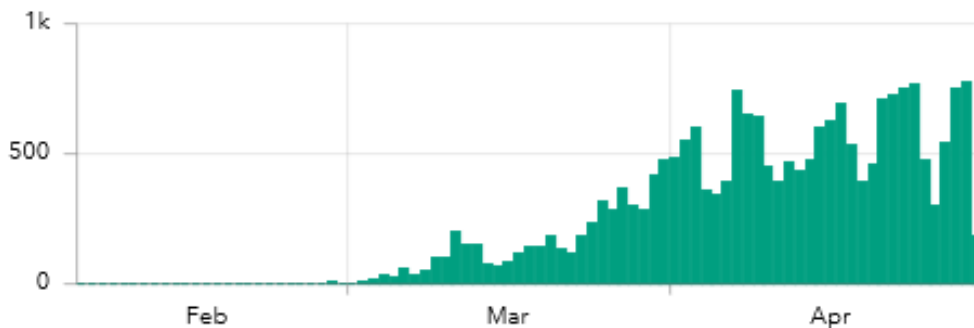
The government of the Kingdom of Sweden has announced a number of measures to help businesses that have been adversely affected by the coronavirus (COVID-19) pandemic. Herein we consolidate publicly available information on some of the support measures that will be extended to Swedish businesses.

General Information

In December 2019, an outbreak of a new coronavirus (COVID-19) disease was reported in Wuhan, China. On January 31, 2020, the first patient was diagnosed with COVID-19 in Jönköping county. Since then, thousands have been infected.

In response, the government has encouraged people to be cognizant of basic hygiene, stay home when ill, and keep their distance from one another to slow down the rate of spread. According to Sweden's Public Health Agency (Folkhälsomyndigheten), statistical modeling projects that the Stockholm Region (where the majority of positive cases can be found in Sweden) may have experienced its peak of infections, projecting that one-third of all Stockholm residents will have been infected by May 1, 2020.¹

Fig 1. Number of COVID-19 Cases per Day in Sweden (as of April 30, 2020)



<https://experience.arcgis.com/experience/09f821667ce64bf7be6f9f87457ed9aa>

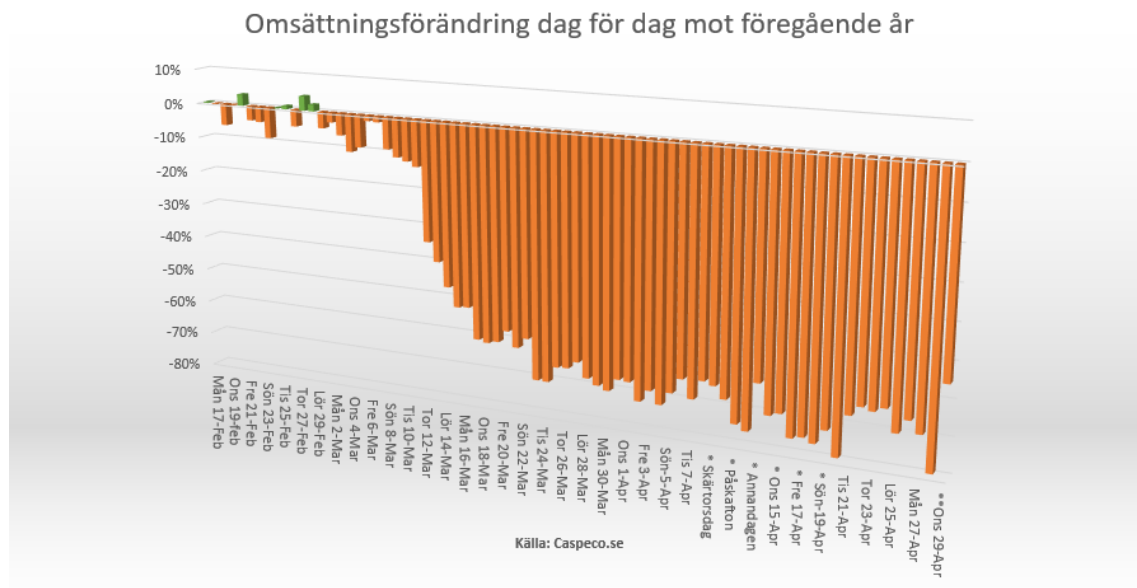
Unlike in neighboring countries, Swedish schools and many businesses remain operational. Swedish bars and restaurants are open, but have introduced some changes to their operations. The government has prohibited crowds of people in queues, at tables, at buffets, or at bar counters, and visitors should be able to keep distance between each other. If it is possible to allow guests to order and pick up their food at a counter, without crowding, then it is permissible. However, visitors must eat and drink while sitting at a table to facilitate increased space between patrons.

While these measures may not be as stringent as what has been adopted in neighboring countries, they too have had an economic impact. For example, turnover in the restaurant industries has fallen precipitously (see chart below). Moreover, the Riksbank forecasts that GDP in Sweden this year will be 7 or 10 percent lower than in 2019, while, at the same time, unemployment will rise to close to 10 or 11 percent.²

¹ See, e.g., <https://www.reuters.com/article/us-health-coronavirus-sweden/swedish-health-agency-says-virus-has-peaked-in-stockholm-no-easing-of-restrictions-yet-idUSKCN2232AI>

² <https://www.riksbank.se/globalassets/media/rapporter/ppr/engelska/2020/200428/monetary-policy-report-april-2020.pdf>

Example of Daily Turnover Decline in the Swedish Restaurant Industry (compared to 2019)



Source: <https://www.caspeco.se/>

Government Support

In response, the government has developed several measures to mitigate the economic effects of the outbreak. Some of the programs relevant to the agricultural sector include, but are not limited to:

1. The Government is relaunching an initiative for green jobs for people who are far from the labor market. The initiative is aimed at mitigating unemployment linked to the ongoing outbreak. SEK 150 million (\$15 million) has been set aside for 2020, and is part of the Government's proposed Spring Amending Budget for 2020.

The Swedish Forest Agency has been instructed to coordinate the initiative, which is aimed at creating work in the area of nature and forest conservation. Together with the Swedish Environmental Protection Agency, the county administrative boards, and the Geological Survey of Sweden, the Swedish Forest Agency is to employ people who are far from the labor market in subsidized employment to carry out simple tasks in primarily nature and forest conservation management.³

2. Almi Företagspartner AB (Almi)⁴ will receive a capital contribution of SEK 3 billion (\$297 million) to increase its lending to small- and medium-sized businesses throughout the country. This reinforcement of the loan fund will increase Almi's preparedness to meet the needs of businesses whose activities have been adversely affected by the coronavirus outbreak.⁵

³ <https://www.government.se/articles/2020/04/green-jobs-important-measure-to-tackle-unemployment-during-covid-19-crisis/>

⁴ Owned by the State, the company offers loans and business development to companies with growth potential.

⁵ <https://www.government.se/press-releases/2020/03/increased-loan-facilities-and-credit-guarantees-for-swedish-businesses/>

3. The Swedish Export Credit Corporation's credit framework will be increased from SEK 125 billion (\$12.4 billion) to SEK 200 billion (\$19.8 billion) and can be used to provide both state-supported and commercial credit to Swedish export companies. These measures, along with the cancelled dividend payouts announced on March 19, give the Swedish Export Credit Corporation enhanced opportunities to meet the export industry's increased demand for credit.⁵
4. The Swedish Export Credit Agency promotes Swedish exports and the competitiveness of Swedish industry by providing guarantees that facilitate the financing of purchases of Swedish goods and services. Increased credit guarantees totaling SEK 500 billion (\$50 billion) and lower risk for banks will provide new and improved credit opportunities for companies. A new guarantee for faster and more secure payment to Swedish export companies will also be introduced. This will apply to small- and medium-sized export companies, major export companies and their suppliers.⁵
5. The SEK 39 billion (nearly \$4 billion) program for businesses to receive support based on a loss of turnover will make it possible for businesses to weather the acute crisis while making it easier for them to reorient and adapt their activities. This could apply to restaurants that need to sell more food via takeaway orders or taxi companies that can start making deliveries. It could also involve major manufacturing companies that reorient their production to products such as health care materials.

The size of the support will depend on how large of a turnover loss a business has had and may vary between 22.5 and 75 percent of a business's fixed costs (excluding wage costs for March and April 2020). To be eligible for the support, the business must have had a turnover of at least SEK 250,000 (\$25,500) during the past financial year and a turnover loss of at least 30 percent. The turnover loss is calculated on the basis of March and April 2020, compared with the same months last year. It is proposed that the maximum amount be set at SEK 150 million (\$15.3 million) per business.

The Ministry of Finance's calculations show that almost 180,000 businesses may be entitled to the support.

6. To battle rising unemployment, the government is investing SEK 14 million (\$1.4 million) in the Swedish University of Agricultural Sciences to create additional room for students. One hundred new places are now being created for summer courses, and the foundation year is being strengthened with the equivalent of 37 full-time places in autumn 2020 and 74 full-time places in 2021.
7. The Government is allocating SEK 5 billion (\$509 million) to reduce fixed rents for vulnerable sectors, which includes restaurants. Under this initiative, landlords who reduce fixed rents for tenants in vulnerable sectors during the period of April 1 to June 30 will be able to apply for aid to compensate part of the reduction in rent. The compensation provided will be at most 50

percent of the reduction in fixed rent, i.e. the actual discount, but at most 25 percent of the original fixed rent.⁶

8. The Swedish Agency for Economic and Regional Growth will be allocated SEK 2.42 billion (\$247 million) for 2020 to finance the central government's ability to cover three quarters of the cost of staff reducing their working hours (while employers and employees share the remaining quarter). Expenditures are expected to amount to SEK 350 million (\$35.7 million) per year. It is proposed that SEK 20 million (\$2 million) be injected into the Swedish Agency for Economic and Regional Growth for 2020 to enable it to quickly develop the required system support and process applications for support, after which time the task is expected to require SEK 8 million (\$817,000) per year.⁷
9. The central government will assume the entire cost of all sick pay during April and May. Self-employed persons will also be compensated in that they can receive standardized sick pay for days 1–14.⁸

Information on additional support programs being offered by the government can be found online at: <https://www.government.se/articles/2020/03/economic-measures-in-response-to-covid-19/>.

The Swedish government is expected to continue to monitor the business climate and extend additional support mechanisms, as it deems appropriate.

Attachments:

No Attachments.

⁶ <https://www.government.se/articles/2020/04/the-government-has-decided-on-a-temporary-discount-for-fixed-rental-costs-in-vulnerable-sectors/>

⁷ <https://www.government.se/press-releases/2020/03/short-term-layoffs--strengthened-support-in-2020-for-short-time-work-schemes/>

⁸ <https://www.government.se/press-releases/2020/03/crisis-package-for-swedish-businesses-and-jobs/>