

## **ANALYSIS – Effects of trade tariffs on Swedish companies**

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When Donald Trump took office as president for a second term, one of his election pledges was to introduce or raise import tariffs on goods from other countries. There is considerable uncertainty over which tariffs will be realised, which will remain for longer, how they will be designed and how the countries and regions concerned will respond to the tariffs. Sweden is an export-dependent country, and the Riksbank's Business Survey shows that many companies are worried about the developments. At the same time, most companies responding to the survey say they only expect there to be a small impact. The effects that US import tariffs may have on the Swedish economy are uncertain, but probably modest. The situation may worsen, however, if an escalated trade conflict arises.

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### **Motives and design for the tariffs vary**

The Trump administration's arguments for the tariffs vary. They state that the United States has long been disadvantaged in its trade relations and that increased import tariffs can strengthen US industry. Tariffs of up to 25 per cent have, for instance, been announced against the EU, which has retaliated. Domestic security has also been used as a motive for import tariffs, as in the case against Canada, Mexico and China. The tariffs can also apply to specific products – for example, 25 per cent has been put on steel and aluminium. Other products like motor vehicles and pharmaceuticals have been highlighted as products that may be subject to tariffs.

### **Swedish exports that can be affected**

Sweden is an export-dependent country where exports corresponded to around 55 per cent of GDP in 2024. The greater part of the exports are goods and some of Sweden's most important export goods are road vehicles and machinery, pharmaceuticals, paper products and iron, steel and iron ore. Most Swedish exports go to other Nordic or European countries, but the United States is the third largest single export country.

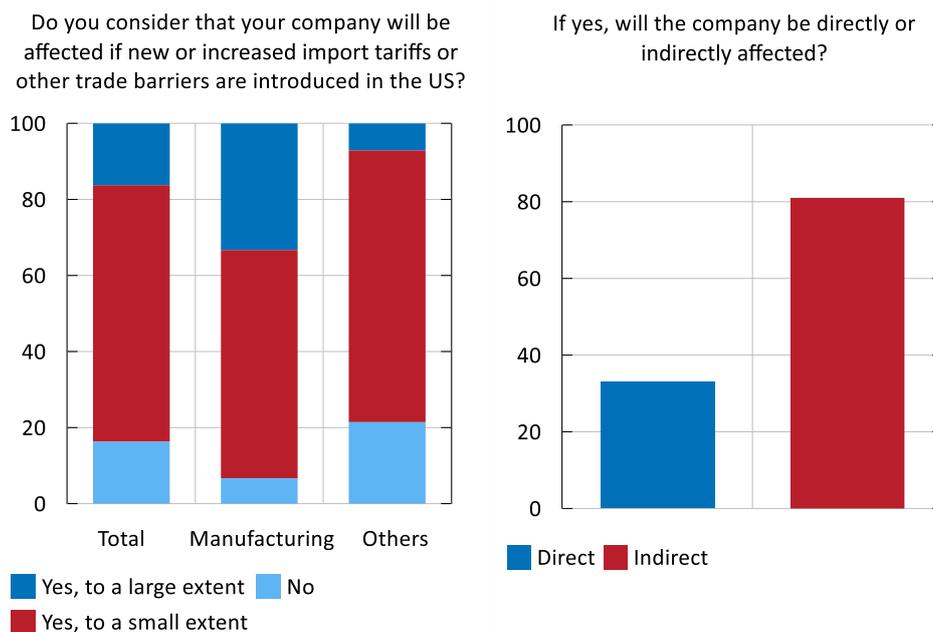
A tariff measure that could affect Sweden is the one mentioned above on steel and aluminium, where exports to the United States account for 3.5 per cent of total Swedish exports. In turn, this makes up around 0.1 per cent of Swedish GDP. The discussions of tariffs against the EU have mentioned motor vehicles as a product to be affected. Swedish exports of cars and other light motor vehicles account for 22 per cent of total Swedish exports to the United States (around 0.7 per cent of GDP). An increasing share of Swedish exports consists of services and the tariffs announced and

introduced by the United States have so far been focused on imports of goods, not services.<sup>10</sup>

### The Riksbank’s Business Survey – tariffs: “No one knows what will happen”

The February Business Survey included questions about import tariffs and their impact on companies’ operations.<sup>11</sup> More than 80 per cent of companies believe that their business would be affected to some extent if import tariffs were imposed in the United States (see Figure 27). In most cases they would be affected to a minor extent and especially through indirect effects. Companies highlight in particular the fact that the statements on tariffs create uncertainty and many see this as a risk to the economic rebound. Most consider that it is difficult to assess the effects, given the great uncertainty about which countries and goods will be subject to tariffs and how the tariffs will be designed.

**Figure 27. Companies’ responses to questions on import tariffs and trade barriers**  
Per cent



Note. The question of to what extent companies are affected was answered by all 43 companies. The question on direct and indirect impact was answered by 36 of the companies that assess that they will be affected by possible import tariffs. The bars in the right-hand figure do not add up to 100 as several companies have stated both alternatives.

Source: The Riksbank’s Business Survey, February 2025.

It is mainly manufacturing companies, whose operations are often divided into global value chains, that anticipate being affected to a large degree by the tariffs. What they have in common is that they have manufacturing in both the United States and

<sup>10</sup>However, a not insignificant share of the services exported is connected to goods, which sometimes makes it complicated to distinguish goods export from services exports.

<sup>11</sup> The interviews were held in the period 31 January - 7 February.

countries that may be affected by import tariffs, such as Mexico, Canada and China. In some cases, the components cross country borders several times for processing in various production plants before being assembled into an end product and sold to customers in the United States. “There could be tariffs on tariffs on tariffs,” says one respondent. Manufacturing companies that have production in the United States, but buy input goods from US sub-contractors, instead assess that they may benefit from the import tariffs. “We have a large local production in the United States and I know that many other Swedish companies do too, so this means we should do quite well,” explains one business leader.

Companies state that they are closely monitoring developments in the United States and are prepared to take action, but that they are not making any changes pro-actively. If the import tariffs come into force, it is in many cases the Swedish companies that have to pay import tariffs, in that they import goods to their US production facilities or sales companies. Companies expect that they will have to charge higher selling prices to US customers to compensate for the import tariffs. “There is no other way”, says one respondent. In the longer run, more are considering reviewing their global value chains and moving production to the United States or from countries that may be covered by import tariffs.

Among companies that do not have sales to the United States, many say they could be indirectly affected. In particular, they see risks to pricing, in that the exchange rate may affect purchases priced in US dollars and that global market commodity prices may rise. Several also express concern for a slowdown in industrial activity, which can affect economic developments in general. If import tariffs against the EU and European retaliations were introduced, the assessment is that they will be affected to a greater extent. One business leader says: “If there is a further escalation of trade barriers then there will be greater challenges for us.”

#### **Effects on Swedish economy depend on the design and scope of the tariffs**

Several factors determine how much of an effect increased tariffs would have on Swedish growth and inflation. The effect on growth depends primarily on which products from the EU the United States imposes tariffs on, and how Swedish exports to the United States decrease as a result of them. But growth in Sweden can also be affected via other channels. The effect on Swedish inflation instead depends on how the EU would retaliate with tariffs on products from the United States.

The effect on inflation also depends on which US products are subjected to tariffs. If it is largely consumer goods, the pass-through will be faster, while it will take longer to affect inflation if various types of input goods are subjected to tariffs. Ultimately, the effect on inflation will also depend on the extent and speed at which importers pass on costs to consumers, which in turn is affected by the level of demand in the economy, among other factors.<sup>12</sup>

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<sup>12</sup> See the analysis “Macroeconomic effects of higher US import tariffs” in Monetary Policy Report, December 2024, for a more comprehensive review of how the economy is affected by tariffs via various channels.

The forecast assumes that import tariffs between the United States and EU will be raised. However, the increase is assumed to be relatively modest – on average, tariffs are raised by a magnitude of 2 percentage points. The effects on the Swedish economy are thereby not expected to be particularly large. There is, however, major uncertainty over how large the tariffs will ultimately be and how long they may remain. A significantly greater increase in tariff rates would have greater consequences on the Swedish economy in the form of lower growth and, at least in the short term, higher inflation. The Riksbank is following developments closely and adapting its forecasts as more information becomes available.