



ARBETSFÖRMEDLINGEN  
SWEDISH PUBLIC EMPLOYMENT SERVICE

# Labour market outlook autumn 2023 – Summary

Outlook for the labour market 2023–2025

Text: Analysavdelningen

Cut-off date for calculations and forecasts was December 6, 2023

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Arbetsförmedlingen, December, 2023

# Summary

## Recession during the forecast period

The tightening of monetary policy has had an increasingly clear impact, especially in Europe, and the IMF (International Monetary Fund) assesses the growth in the global economy to be positive but below the historical average over the forecast period extending through 2025. This means that the world economy will be subdued but it is also expected to strengthen somewhat further on.

In the Swedish economy, several indicators point to a clear slowdown and that the recession deepens during the forecast period. The labour market, which has been surprisingly resilient for a long time, has begun to be more affected by the recession than before as notices of dismissals and unemployment increase while the number of vacancies decreases. In Arbetsförmedlingen's (the Swedish Public Employment Service's) demand indicator for autumn 2023, employers are as pessimistic as during the financial crisis in autumn 2008 regarding expected demand for goods and services.

Employment plans have also weakened during the autumn. In Arbetsförmedlingen's survey, just over a third of employers stated that they plan to increase the number of employees one year ahead, a level clearly below the historical average. Despite a more subdued demand for labour, employers' perceived lack of skilled labour continues to be high, which to some extent explains why the labour market has been so resilient.

## Rising unemployment and more long-term unemployed

Employment growth is estimated to be weak in the next year and then gradually increase slightly in 2025. This means that unemployment increases and is estimated to be summed up to 355,000 registered unemployed as an average in 2025, to be compared with 333,000 in 2023. However, it increases from a lower level than before the pandemic and so far at a slower pace compared to previous recessions. But it still means that the labour market will not fully recover during the forecast period. The registered unemployed who have left for work are mainly people who have a completed upper secondary education, which shows that education is a crucial factor for a permanent establishment in the Swedish labour market.

As unemployment is expected to increase during the forecast period, the number of long-term unemployed is also estimated to rise. By the end of 2025, the number of long-term unemployed is estimated to have increased to a higher level than before the pandemic. The increase is considered to occur mainly among registered unemployed with weak competitiveness, for example people with a short education. The challenges are particularly evident for the unemployed who have been out of work for two years or more. Within that group, nearly nine out of ten are identified as persons with weak competitiveness.

## Risk of increased imbalances in the labour market

The recession is expected to lead to structural problems with imbalances in the labour market risking to increase in the coming years. Those who already had difficulty establishing themselves in the labour market now find it even more difficult when the recession deepens. It therefore becomes central to facilitate and to motivate more people to education that leads to work. It can

also be a matter of geographically broadening one's search area to areas of the labour market where the supply is not sufficient to meet the demand.

Employers also have a great responsibility to contribute to facilitating the long-term supply of skills. Among other things, this could be about improving working conditions in order to retain existing staff and attract more people to sectors with shortage of educated labour. Well-developed relationships between Arbetsförmedlingen and employers is also central for breaking long-term unemployment.

In order to counter an increased long-term unemployment, it is crucial to offer the right measures at the right time. Therefore, it is important that Arbetsförmedlingen is given the conditions to be prepared for a worse development and a greater increase in the number of unemployed than is assessed in this forecast.



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