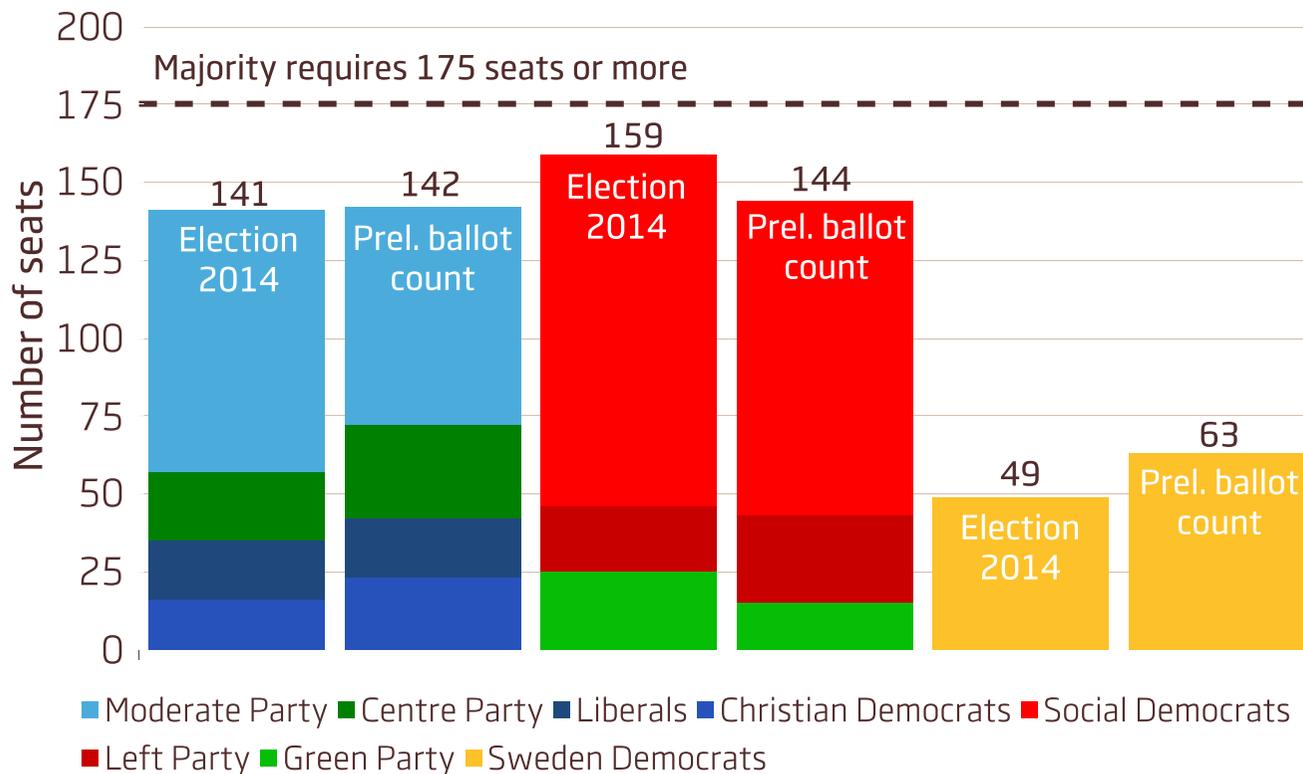


Short Comment

Red-Greens in very narrow lead, Sweden Democrats only the third largest party.

Preliminary ballot count puts no bloc in majority

Riksdag no. of seats: Election result 2014 & prelim. ballot count



Sources: Riksdag, Election Authority, Swedbank Research & Macrobond

- ▶ Government formation could take months
- ▶ Calm market reactions expected even with prolonged government formation
- ▶ Red-Greens in very narrow lead, Moderate Party larger than SD

Government formation will be complicated. Price action in the EURSEK has been extremely muted. In the coming days, SEK may trade choppily but there will likely not be any long lasting effects neither on the FX nor on the FI markets. The final result will take another few days and the advanced votes could benefit the Alliance (as in previous elections). In the coming weeks there will be negotiations among the parties to form a new government. So far Stefan Löfven remains as Prime Minister. The Centre Party and the Liberals might be king makers.

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Red-Greens wins a very narrow victory

The Alliance performed better than expected

Red-Greens hold two more seats than Alliance

Results 2014 & final polls, prelim. ballot count and seats 2018

%*	Prelim. no. of seats 2018***	Prelim. ballot count 2018	Election 2014	Final polls 2018
Parties				
Social Democrats	101 (-12)	28.4	31.0	24.8
Moderate Party	70 (-14)	19.8	23.3	17.7
Sweden Democrats	63 (+14)	17.6	12.9	19.1
Green Party	15 (-10)	4.3	6.9	4.9
Centre Party	30 (+8)	8.6	6.1	8.2
Left Party	28 (+7)	7.9	5.7	10.0
Liberals	19 (0)	5.5	5.4	6.0
Christian Democrats	23 (+7)	6.4	4.6	5.8
Feminist Initiative	-	0.4	3.1	-
Others**	-	1.0	4.1	3.5
Blocs				
Alliance (A)	142 (+1)	40.3	39.4	37.7
Red-Green (RG)	144 (-15)	40.6	43.6	39.7
Diff.: RG - A	2 (-16)	0.3	4.2	2.0

Note: Final polls refers to an average of the final polls of the eight polling institutes listed below, *unless otherwise stated, **includes Feminist Initiative (FI) unless FI has been listed in cell directly above, ***change in the number of seats relative to the 2014 election in parenthesis.

Sources: Election Authority, SVT/Novus, Demoskop, Inizio, Yougov, Sifo, Sentio, Ipsos, Skop & Swedbank Research

- ▶ Election result too close to call
- ▶ Red-Greens win but lost support
- ▶ Sweden Democrats third party

As expected the preliminary election result shows a political deadlock among the blocks. The Moderate leader has firmly stated that the Alliance will not accept the government in its present form. A Löfven led government, in any other form, is still possible however. The preliminary result points to a two-seat lead for the Red-Greens ahead of the Alliance. In the coming days the votes from abroad will be counted, which previously has benefitted the Alliance (0.06 p.p. in 2014 election). It is too early to say if this would change any seats in the Riksdag.

In addition, the voter participation rate increased as compared with 2014. This year it registered 1.1 p.p. higher at 84.4% (preliminary).

Market reactions muted but news overnight focus on SD strength

Political doubt to linger for a while

Timeline for the political process ahead

Dates	Events	Additional info
Sep 9	Voting ended at 8 pm, followed by counting. Preliminary results, PM Löfven has decided to remain in power.	
Sep 10-16	Votes will be counted	On Sep. 10, the county administrative board starts the final vote count. The county administrative board finishes the final count at the end of the week and the final outcome is concluded on Sep. 14.
Sep 24	The new Riksdag meets for a roll-call. The Speaker (1 person) and Deputy Speakers (3 persons) are elected. Each party appoints a group leader.	If there is only one candidate for each of the Speaker positions, the vote will be done by a roll-call. If there are many candidates, a vote by secret ballot could occur. The latter can be repeated three times given that no one receives a majority. No rules of party affiliation exist.
Sep 24	The former Speaker hands over the task of forming a new government to the new Speaker	The new Speaker resumes talks with the party leaders and proposes a new PM, and a new government, to the Riksdag. If more than 50% of the MPs vote against the proposal it fails. This process can occur four times, thereafter a re-election must be held within three months.
Sep 25	The 2018/2019 Riksdag session opens	The start of the new working year.
Two weeks after the election - Oct 9	Vote on the PM (Stefan Löfven, who has chosen to remain in power), at latest	The Speaker decides on the exact date of the PM vote. If more than half of the MPs vote no, Löfven resigns. If he remains, he can form a government from Sep. 25.
Nov 15 (at latest)	Latest day to present a budget	A budget will be presented two weeks after the election. If that proves impossible, due to a new government being in place the budget will be presented three weeks after the new government is in place. If an agreement is not reached by then, the budget will be based on the current Budget Bill.

- ▶ Muted SEK reaction
- ▶ Talks between parties could drag on
- ▶ Budget process could be delayed

Global media has mainly focused on the advancement of the Swedish Democrats and the overall political gridlock. The SEK reaction has been muted overnight. Swedish media, however, focuses on the government formation. Today, the Alliance leaders will meet to discuss the next step. The same holds true for the Social Democrats. Since Löfven will remain in power, as of now, he will have a two-week head start until the PM vote and during this time he is expected to try to persuade the Liberals and the Centre Party to cast down their vote. Our main scenario is that the Liberals and the Centre Party, at least in the initial round, will not split the Alliance. The talks between the parties will take place in the coming weeks or months. We neither rule out a minority government, nor a cooperation over the blocs. A question-to-question based ruling is also possible. Consequently, we see a high likelihood for a budget process that starts late in the accepted time frame.

Sources: Riksdag, Election Authority & Swedbank Research

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