



The Swedish Economy
December 2020

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Preface

Ylva-Hedén Westerdahl, director of the forecast division, has led the work to produce this forecast. The forecast is based on available statistics published up to and including the 14th of December 2020.

Stockholm, December 2020

Urban Hansson Brusewitz
Director-General

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The Swedish Economy, December 2020

After the sharp downturn due to the COVID-19 pandemic in the second quarter 2020, the Swedish economy recovered more strongly than expected in the third quarter as infections eased. However, the second wave of infections now engulfing Sweden and the rest of Europe has caused the recovery to stall in the fourth quarter. Positive signals that a vaccination campaign can begin as early as the start of 2021 mean that the recovery will pick up again in the second quarter. The economy will nevertheless continue to operate well below capacity in 2021, and unemployment will average 9 per cent. Despite highly expansionary fiscal policy 2020 to support the economy during the pandemic, and record-high unfunded measures budgeted for 2021, public finances remain strong. There is therefore still considerable scope to support the economy with further public spending in 2021 should the economy for some reason perform much worse than forecast.

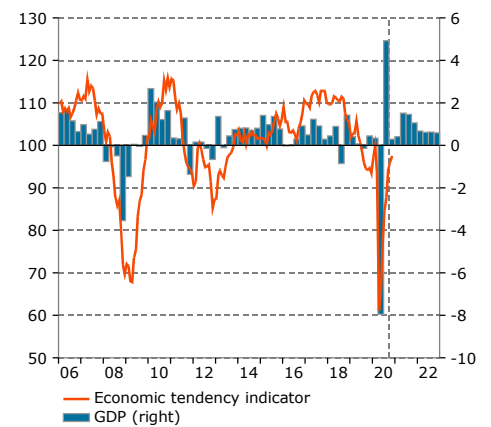
The second wave of the COVID-19 pandemic that flared up during the autumn across much of Europe has been more serious than the NIER and many other forecasters anticipated. Economies in the euro area and elsewhere bounced back strongly in the third quarter after the dramatic decline in the second quarter, but the second wave of infections has brought tighter restrictions and renewed lockdowns in many countries. The action taken to limit the spread of infection in many European countries, however, has been less drastic than in the spring. The tighter restrictions will contribute to slightly negative GDP growth in the euro area in the fourth quarter.

In Sweden, GDP grew almost 5 per cent in the third quarter (see Diagram 1), which is somewhat more than we forecast in September. Exports of goods regained much of the ground lost in the second quarter, when production plummeted as a result of weaker demand and production disruptions. The rebound in goods exports helped industrial production grow 22 per cent in the third quarter, reversing almost all of the downturn in the second quarter. The recovery in the service sector was not as strong. Despite the relaxation of requirements for social distancing, demand in hospitality and other close-contact industries was still much lower than normal in the third quarter.

The second wave of infections in Sweden has led to requirements for social distancing being tightened again, putting a damper on demand. The extra questions in the Economic Tendency Survey on sales relative to a normal situation indicate that sales in the retail trade in particular have headed back down since the second wave struck, although a slight rise was reported in the latest survey at the beginning of December (see Diagram 2). Dwindling consumption means that the recovery in the

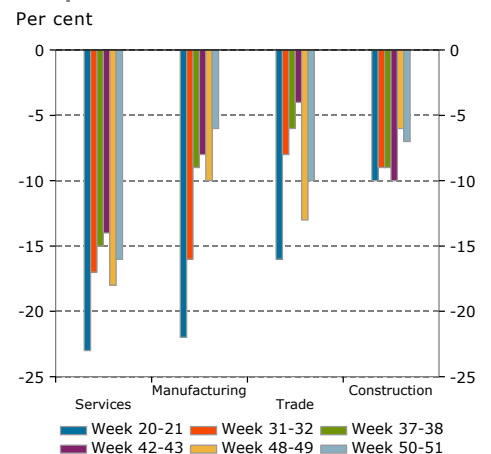
Diagram 1 Economic tendency indicator and GDP

Index mean=100, monthly values and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 2 NIER extra survey: Sales compared to normal

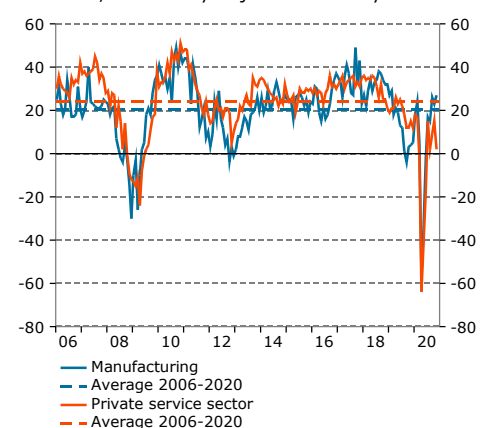


Note. The percentage loss in sales has been calculated by taking the midpoint of the response options: reduced by 1-25, 26-50 etc.

Source: NIER.

Diagram 3 Production plans in manufacturing and service sectors

Balances, seasonally adjusted monthly values



Source: NIER.

Swedish economy has stalled in the fourth quarter, with GDP growth expected to slow to 0.3 per cent (see Diagram 1).

The prospects for further recovery 2021 are good. One sign of this is that production plans in manufacturing have recovered and are now somewhat above normal levels (see Diagram 3). This does, however, presuppose that the vaccines that have been approved, or are on course to be approved, live up to expectations, and that there are no major setbacks in the vaccination process. Our forecast is based on the assumption that risk groups and staff in the health and care sectors start to be vaccinated at the beginning of 2021, and the rest of the population thereafter (see box “Assumptions underlying the forecast”). It is assumed that the spread of infection remains relatively high in the early part of 2021, and that the tighter restrictions will remain in place before being phased out as infections decline. This means that GDP growth will remain subdued in the first quarter, and that it will be the second quarter before the recovery starts up again. Despite the recovery, the economy will continue to operate well below capacity 2021, and unemployment will average 9 per cent.

It should be stressed that the uncertainty in this forecast is greater than normal. The assumption of a successful vaccination campaign in the course of 2021 is a major source of uncertainty, as is how the pandemic and the virus itself might develop. Brexit is another significant source of uncertainty. The forecast assumes that the EU and the UK reach a trade deal at least by the end of 2020, thus avoiding a hard Brexit with trade then coming under WTO rules. Time is beginning to run out on a deal, and if agreement is not reached by the end of December, the UK economy above all will suffer, but there will also be tangible consequences for EU member states (see box “New basis for trade with the UK”).

The far-reaching fiscal response to support firms, workers and others affected in various ways by the pandemic means that Sweden will run a substantial budget deficit 2020. The government sector’s consolidated gross debt, or Maastricht debt, will therefore climb to around 40 per cent of GDP in 2020-2021. This is still low by international standards, however, and well below the EU’s upper limit of 60 per cent of GDP. There is therefore still considerable scope to support the economy with further public spending in 2021 should it for some reason perform much worse than forecast.

GLOBAL RECOVERY HAS SLOWED

New restrictions and voluntary social distancing in the wake of the second wave of infections have put the brakes on the global economic recovery in the latter part of the year. As 2021 goes on, infections are assumed to fall, and most countries will gradually be able to relax the restrictions imposed this autumn. Global GDP is forecast to fall by 4.0 per cent in 2020 and then grow by

Assumptions underlying the forecast

The COVID-19 pandemic means that the present forecast is much more uncertain than normal. The forecast is based on a number of underlying assumptions for how requirements for social distancing and other countermeasures will affect the economy. The most significant assumptions behind our forecast for the Swedish economy are as follows:

- Approved vaccines against COVID-19 become available in Sweden and our most important trading partners in the first quarter of 2021, albeit initially in limited quantities. In Sweden, risk groups and staff in the health and care sectors begin to be vaccinated at the start of 2021, and the rest of the population thereafter. The COVID-19 pandemic continues with undiminished strength for the next few months in many other countries. Infections then subside, thanks partly to a substantial share of the population then having been vaccinated.
- The restrictions introduced outside Sweden are not quite as drastic as they were in the spring and are not tightened significantly going forward. Manufacturers are not affected by problems in their supply chains to any great extent.
- The spread of COVID-19 in Sweden accelerated again during the autumn. Tighter restrictions and increased voluntary social distancing are assumed to bring down the infection rate. Infections during the winter and spring remain much higher than in the summer and early autumn of 2020, but then fall, partly as a result of many people having been vaccinated.
- The restrictions and requirements for social distancing recently imposed in Sweden to limit the spread of the virus largely remain in place in the early part of 2021 before being phased out as infections subside.
- Nursery and compulsory education consists primarily of face-to-face teaching in schools.
- An average of around 330,000 people in Sweden worked reduced hours under the short-time work programme during the second and third quarters of 2020. The number of people on the programme is assumed to have fallen to around 120,000 in the fourth quarter and is assumed to fall further 2021, so that in the second half of 2021, when the rate of subsidy returns to normal, an average of only around 10,000 people work short-time.
- The UK and the EU reach a trade deal at least before the end of the year, thus avoiding a hard Brexit.

4.6 per cent in 2021 and almost as much in 2022 (see Table 1). Sweden's export market has shrunk much further than global production 2020, declining by 10.1 per cent, but will recover relatively quickly over the next two years.

The restrictions introduced during the autumn have mainly targeted close-contact industries, and our forecast assumes that they will not impact global industrial production to anywhere near the same extent as during the spring. One important reason for this is that China has not been hit as hard by the virus as in the spring, and so the production of intermediates there is not expected to be affected. Production has recovered more quickly in China than in the US and the euro area and is growing at roughly the same rate as before the COVID-19 pandemic (see Diagram 4).

PMI data suggest overall that global GDP growth will remain positive in the fourth quarter, although the picture varies somewhat (see Diagram 5). Consumer confidence indicators also vary considerably from country to country. There are signs of reduced optimism in the euro area, but consumer sentiment is still at normal levels in the US and has continued to climb in China during the autumn to above normal levels (see Diagram 6).

Positive news about vaccines during the autumn has helped share prices to rise, in some cases to record levels (see Diagram 7). Limited scope to reduce interest rates has led the ECB to embark on further bond purchases to cushion the economic effects of the pandemic. All in all, interest rates abroad are expected to remain low throughout the forecast period (see Diagram 8).

Euro area headed down again

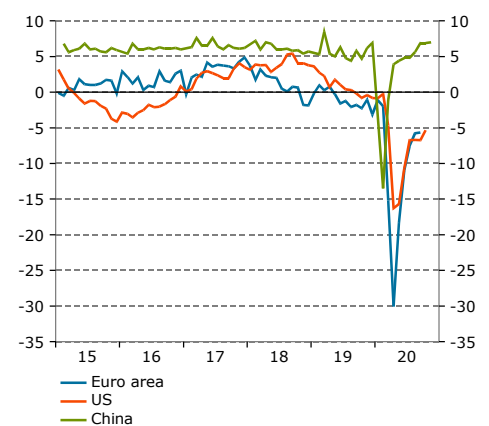
Although GDP in the euro area climbed 12.5 per cent in the third quarter, it was still around 4.5 per cent lower than in the final quarter of 2019. It is also expected to fall again now in the fourth quarter, mainly because of the action taken to prevent the spread of infection. However, the steps taken in most countries in the euro area are not as drastic as those in the spring, and so forward-looking confidence indicators have not deteriorated to the same extent (see Diagrams 5 and 6). A greater understanding among firms and households of how to reconcile social distancing with economic activity is also helping to limit the effects on the economy. This indicates that the decline in GDP will be much smaller than in the second quarter.

Unemployment in the euro area was 8.4 per cent in October and has risen only moderately so far during the pandemic. One reason for this is that support programmes such as short-time working have propped up employment. Our forecast assumes that unemployment continues to rise to around 9.5 per cent in spring 2021 before heading back down.

The weak demand has contributed to inflation declining in recent months and turning negative. Inflation is expected to pick

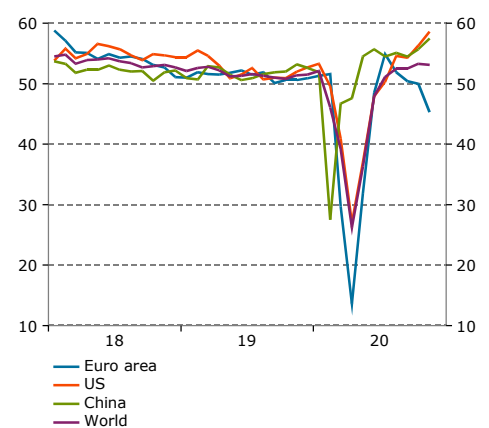
Diagram 4 Industrial production in selected countries and regions

Annual percentage change, monthly values



Sources: Eurostat, Federal Reserve and NIER.

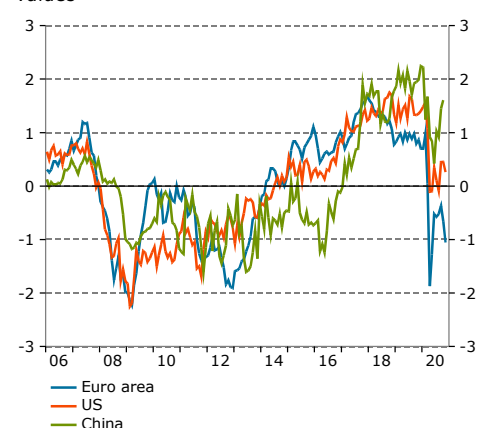
Diagram 5 Composite purchasing manager index in selected countries and regions Index, monthly values



Source: IHS Markit.

Diagram 6 Consumer confidence

Standardised deviations from mean, monthly values



Sources: Conference Board, Eurostat and Macrobond.

up, but to remain below the ECB’s target throughout the forecast period.

The extensive government support programmes have been necessary but have led to a sharp deterioration in public finances in many euro countries and so an increased risk of a more prolonged crisis (see box “Higher government debt levels due to the pandemic”).

New basis for trade with the UK

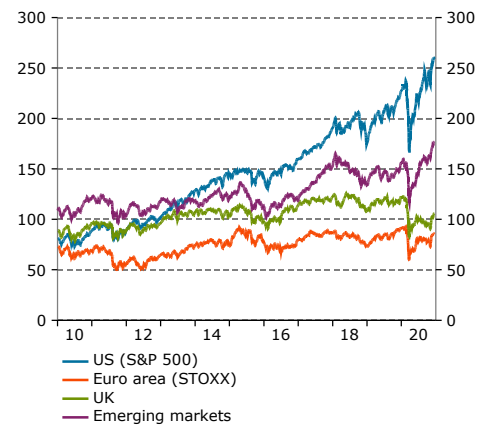
The UK left the EU on 1 February 2020 and is currently in a transition period running until the end of 2020. It will then exit the EU’s internal market and customs union and no longer be covered by EU rules. Our forecast is based on an orderly departure at the end of 2020, but the negotiations are going slowly, and there is still a tangible risk of the UK leaving without a deal. This would, among other things, mean that trade between the EU and the UK would come under WTO rules.¹ The consequences of this could be considerable, above all for the UK but also for the rest of the world.² There is a risk of a number of practical problems arising, especially in the short term, when the new trade rules take effect.³ There is also some risk of turbulence in financial markets.

The direct effects for Sweden via bilateral trade would probably be relatively limited. Exports of services to the UK accounted for 10.5 per cent of Sweden’s total service exports in 2019. The same year, exports of goods to the UK amounted to SEK 80 billion, or 5.5 per cent of Sweden’s total goods exports (see Diagram 9). Value added domestically accounts for around 75 per cent of Sweden’s exports to the UK, and value added abroad for the remainder.⁴ The motor vehicle industry is the Swedish industry that exports most to the UK. Exports of motor vehicles to the UK came to SEK 12 billion in 2019. This is, however, only 5 per cent of Sweden’s total vehicle exports. There are a few smaller industries that are much more exposed to disruption to trade with the UK (see Diagram 10). For example, around 17 per cent of Swedish exports of timber goods head there.

¹ The World Trade Organization’s MFN (most-favoured nation) rules.
² Customs and non-tariff trade barriers would be introduced, and border checks would become necessary.
³ For example, there are indications that a quarter of UK firms do not expect to be ready by the end of the transition period (see Institute of Directors, “Responding to the Prime Minister’s statement on the progress of Brexit negotiations”, October 2020).
⁴ The information on Swedish exports of goods and services and the share of exports to the UK is based on data from Statistics Sweden for 2019. The figures for the domestic value-added content of exports is based on calculations using the OECD’s TiVA database for 2015.

Diagram 7 Stock markets

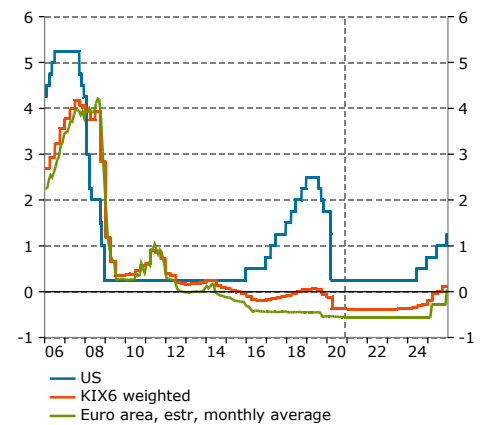
Index 2006-12-29=100, daily values, 5-days moving average



Sources: Standard & Poor’s, STOXX, MSCI and Macrobond.

Diagram 8 Policy rates

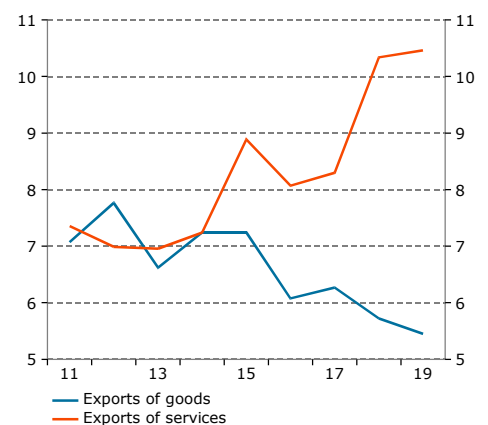
Per cent, daily- and monthly values



Note. The US policy rate refers to the upper limit of the Federal Reserve’s tolerance range.
 Sources: Bank of England, Bank of Japan, ECB, Federal Reserve, Norges Bank, Macrobond and NIFR.

Diagram 9 Exports of goods and services to the United Kingdom

Share of Sweden’s total exports of goods and services



Sources: Statistics Sweden and NIER.

The Swedish economy may also be affected indirectly if the UK exits the EU without a deal. Swedish firms also export intermediates and services to other countries for further value to be added before they head to the UK. More than 20 per cent of Swedish value added exported to the UK goes via another country.⁵ Around 13 percentage points of this is exported via countries in the euro area and will therefore be affected by any disruption to trade with the UK. All in all, 7.2 per cent of Swedish value added that is exported ends up in the UK.

Slowdown in the US at the end of 2020

US GDP grew 7.4 per cent from the second to the third quarter, fuelled mainly by household consumption. A lack of fiscal stimulus combined with more widespread social distancing has caused the recovery to slow towards the end of 2020, and growth will also be more subdued in the first quarter 2021. As more people are vaccinated and infections fall during the spring, the recovery will accelerate again (see Table 1).

The decline in unemployment in the US slowed in November, leaving the unemployment rate at around 7 per cent (see Diagram 11). The slower rate of improvement is expected to continue during the forecast period, taking unemployment to just below 5 per cent at the end of 2022. Consumer prices have recovered since the spring, and the return to normal resource utilisation in the economy means that prices will continue to rise during the forecast period (see Table 1).

Higher government debt levels due to the pandemic

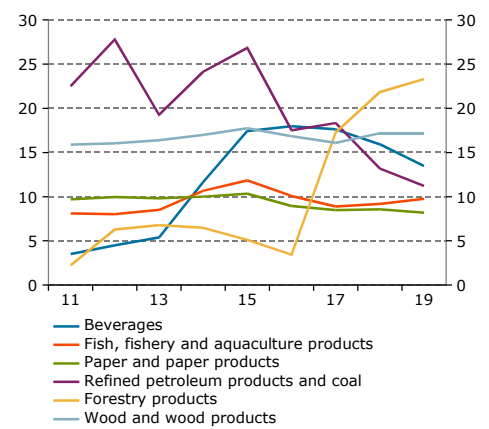
The COVID-19 pandemic and measures to reduce infections have had considerable consequences for public finances in many countries. Consolidated gross debt, or Maastricht debt, as a share of GDP grew by 10 percentage points in the EU as a whole in the second quarter 2020 relative to 2019. In the same period, US debt as a share of GDP increased by around 17 percentage points (see Diagram 12).

These rising debt levels can be explained partly by revenue (mainly in the form of taxes) having fallen as economic activity has decreased, and partly by expenditure having risen as many countries have introduced support packages for households and firms. At the same time, output has

⁵ To examine the effects of a no-deal Brexit on the Swedish economy, we consider both direct and indirect exports of Swedish value added to the UK. More about global value chains and the role of value added in foreign trade can be found in the special analysis "Internationalisering och utvecklingen av globala värdekedjor" [Globalisation and the development of global value chains] in the Swedish version of *The Swedish Economy*, December 2019. The calculations of the domestic and foreign value-added content of exports to the UK have been made with the help of the OECD's TIVA database.

Diagram 10 Share of goods export by product group

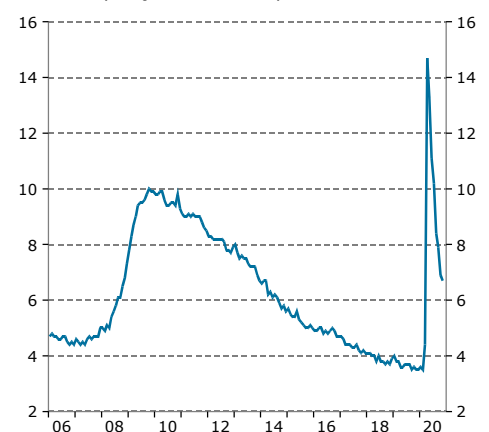
Share of total goods exports for each product group



Sources: Statistics Sweden and NIER.

Diagram 11 Unemployment in US

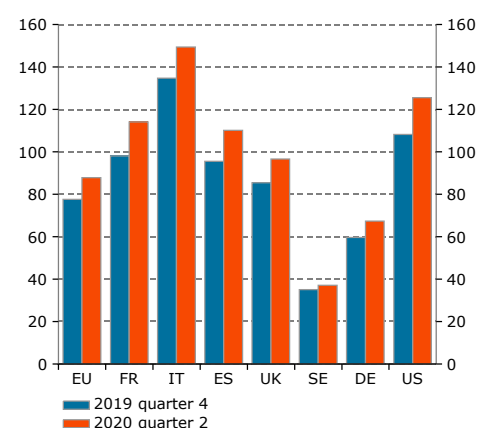
Per cent of labour force 16 years and older, seasonally adjusted monthly values



Sources: Bureau of Labor Statistics and Macrobond.

Diagram 12 Consolidated gross debt

Per cent of GDP



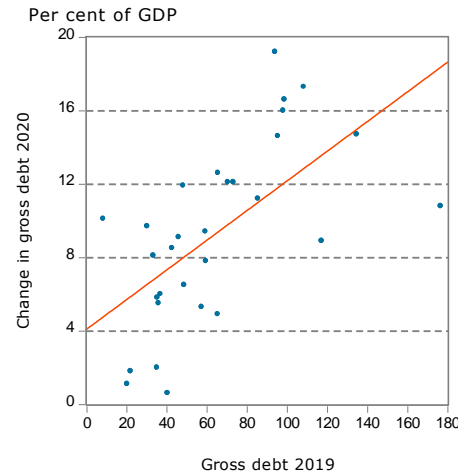
Sources: CBO and Eurostat.

fallen sharply, pushing the debt-to-GDP ratio up even further.

In 2019, before the pandemic, total debt in the euro area stood at 86 per cent of GDP. In the second quarter of 2020, it jumped to almost 95 per cent. This was due primarily to increased debt, but lower nominal GDP also played a role.⁶ Diagram 13 presents consolidated gross debt as a percentage of GDP before the pandemic and how it increased in the first half of 2020 in EU member states, Norway and the US. The diagram shows that it is primarily the countries with high debt levels before the pandemic that have increased their debt the most in relation to output. For example, France, Italy, and Spain all had gross debt in excess of 100 per cent of GDP before the pandemic, and this debt increased by about another 15 percentage points in the first half of 2020. Much of the rise can be explained by steep falls in GDP in the second quarter. Of the countries whose gross debt did not exceed the EU limit of 60 per cent of GDP before the pandemic, Slovakia alone has since increased its debt-to-GDP ratio by more than 10 percentage points.

The OECD believes that debt has continued to rise relatively quickly during the second half of 2020, but expects the rate of growth to slow in 2021. According to its forecast, the euro area will have Maastricht debt of 101 per cent of GDP at the end of 2020 and 105 per cent at the end of 2021.⁷ Our forecast for Sweden's Maastricht debt at the end of 2021 is 40 per cent of GDP.

Diagram 13 Development of consolidated gross debt 2020



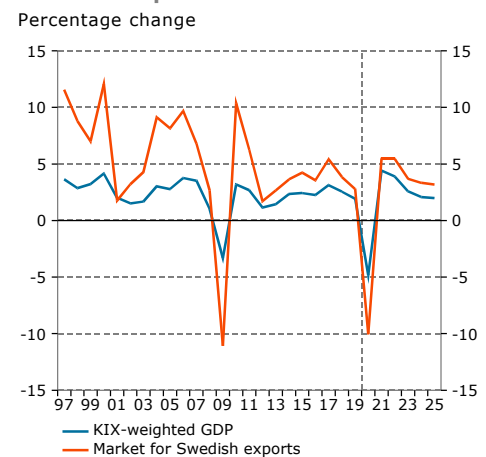
Note. Horizontal axis shows change in gross debt in the first half of 2020 and horizontal axis the level of gross debt in 2019 as a share of GDP. All EU Member States as well as Norway and the USA are included

Sources: Eurostat and Federal Reserve Bank of St. Louis.

A return to normal in 2023-2025

GDP growth and import demand outside Sweden are stronger than normal in our scenario for 2023-2025 (see Table 1). Even in 2022, most of the effects of the pandemic will have faded, and the global economy then moves towards normal resource utilisation, with GDP growth slowing as the amount of idle resources falls (see Table 1). The relationship between foreign GDP⁸ and Sweden's export market improves somewhat during the scenario years, returning towards the historical level⁹ (see Diagram 14). Trade relations between the US and China and between the US

Diagram 14 KIX-weighted GDP and Swedish export market



Sources: National sources, Macrobond and NIER.

⁶ Gross debt as a share of GDP generally refers to a full year. To calculate a quarterly value, the sum of nominal GDP for the past four quarters is used. Gross debt is a stock variable, however, and so quarterly data are consistent with annual data. Compared with 2019, consolidated gross debt increased by 9 percentage points in the second quarter of 2020. Nominal GDP decreased by 3 per cent in the same period.

⁷ OECD (2020), *OECD Economic Outlook*, Volume 2020, Issue 2: Preliminary Version, No. 108, OECD Publishing, Paris, <https://doi.org/10.1787/39a88ab1-en>.

⁸ Measured as KIX-weighted GDP, which is an aggregate calculated using the Riksbank's KIX weights for Sweden's 32 most important trading partners.

⁹ Since 1990, Sweden's export market has grown roughly 1.7 times as fast as KIX-weighted GDP.

and the EU continue to present a risk to world trade during the scenario years. Higher government debt levels also pose a risk to the recovery, especially in countries that were heavily indebted even before COVID-19 (see box “Higher government debt levels due to the pandemic”).

Resource utilisation rises slowly in the coming years, and policy rates abroad¹⁰ remain low for a long period. The ECB does not raise its policy rate (refi) until 2025, at which point its overnight rate (€STR) also begins to rise (see Diagram 8). The Federal Reserve pursues a flexible monetary policy and permits inflation to rise above 2 per cent for a period, not raising its policy rate until 2024 (see Diagram 8).

Table 1 GDP and consumer prices

Percentage change

	Forecast			Scenario		
	2020	2021	2022	2023	2024	2025
Sweden's Export Market ¹	-10.1	5.5	5.4	3.7	3.3	3.2
GDP²						
World	-4.0	4.6	3.9	3.4	3.2	3.2
KIX-weighted ³	-4.8	4.4	3.9	2.6	2.1	2.0
Euro Area	-7.2	4.2	4.0	2.3	1.4	1.3
US	-3.6	3.6	3.4	2.5	2.0	1.8
China	1.8	8.3	5.1	5.3	5.3	5.3
Sweden	-3.1	3.1	3.5	2.4	1.9	2.0
CPI⁴						
KIX-weighted ³	1.2	1.4	1.9	2.2	2.2	2.2
Euro Area	0.3	0.8	1.3	1.7	1.9	1.9
US	1.2	2.0	2.2	2.5	2.4	2.3
China	2.4	0.9	2.8	3.0	3.0	3.0
Sweden	0.5	1.1	1.4	1.9	2.2	2.1

¹ Export market growth refers to total import demand in the 32 countries that are Sweden's most important trading partners, each country weighted according to its share of Swedish goods exports. ² The figures for GDP are the calendar-adjusted change expressed in constant prices. The global aggregate is calculated using time-varying purchasing power parity GDP weights from the IMF. ³ KIX-weighted GDP and CPI is an aggregate calculated using the Riksbank's KIX weights, which cover Sweden's 32 most important trading partners. ⁴ The aggregate for the euro area has been calculated using consumption weights from Eurostat. For Sweden the CPIF-index is shown.

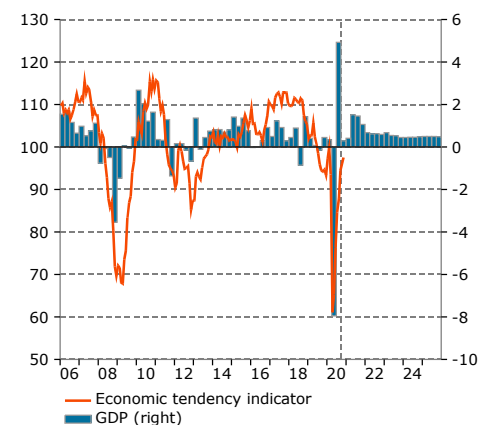
Sources: Eurostat, IMF, OECD, Macrobond, the Riksbank and NIER.

EXPORTS DRIVE SWEDISH RECOVERY

The Swedish economy has been hit hard by the COVID-19 pandemic. After plunging dramatically by around 8 per cent in the second quarter, GDP bounced back in the third quarter, growing by almost 5 per cent (see Diagram 15). Despite this strong

Diagram 15 Economic tendency indicator and GDP

Index mean=100, monthly values and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

¹⁰ Measured as the KIX6-weighted policy rate, which is an average of the €STR in the euro area and policy rates in the US, Norway, the UK, Denmark and Japan.

rebound, the economy continued to operate below capacity, and higher infection rates mean that GDP growth will slow sharply again in the fourth quarter and remain subdued in the first quarter of 2021 before the recovery regains momentum in the second quarter 2021.

The global economic downturn in the second quarter eroded demand for Swedish exports, and the pandemic brought disruption to global supply chains. Exports plummeted as a result but recovered quickly in the third quarter when they climbed more than 11 per cent. This recovery was driven almost exclusively by exports of goods. Exports of services remained very subdued and increased by just 1 per cent in the third quarter.

Despite the recent rise in infections globally, Sweden’s export industry seems to be performing relatively well. The foreign trade statistics show that goods exports continued to move in a positive direction in October. Export orders have also rallied since the spring (see Diagram 16). Export demand will take off a little way into 2021, and Sweden’s export market will grow by just over 5 per cent per year in 2021-2022 after shrinking by almost 10 per cent 2020. This will boost the export industry, and it is primarily exports that will drive the economic recovery (see Diagram 17). In 2021, it will mainly be exports of goods that grow rapidly, including exports of machinery and motor vehicles. Exports of services will pick up properly in 2022, mainly as a result of foreign visitors’ consumption in Sweden, and demand for transport services will then rise rapidly.

BROAD-BASED GROWTH IN INVESTMENT

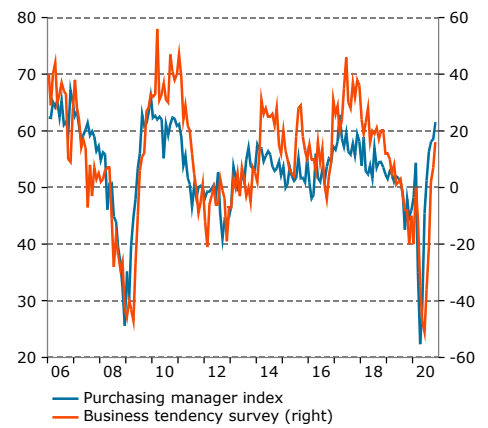
Compared with previous economic downturns, the decline in investment has been mild, and investment increased by 2.4 per cent from the second to the third quarter. Much of the rise was in investments in machinery. It is important to note that the quarterly data are greatly affected by how seasonal effects are calculated. When there are major changes in actual levels, this can make the seasonally adjusted data harder to interpret than usual (see the box “Pandemic complicates interpretation of National Accounts” below).

The recovery is continuing, albeit more slowly, at the end of 2020, but investment over the year as a whole will still fall by 1.5 per cent. The good news about vaccines, with some countries able to begin vaccinating now in December, will boost growth in investment. Buoyed by fiscal policy and low interest rates, investment is forecast to grow by 3.0 per cent in 2021 and 3.4 per cent in 2022, thus making a substantial contribution to GDP growth (see Diagram 18).

2021, much of the growth in investment will be driven by the government sector, with a substantial increase in central government spending on both infrastructure and military equipment. Investment growth in the local government sector has been high over the past decade, and investment will remain high but grow

Diagram 16 Export order books

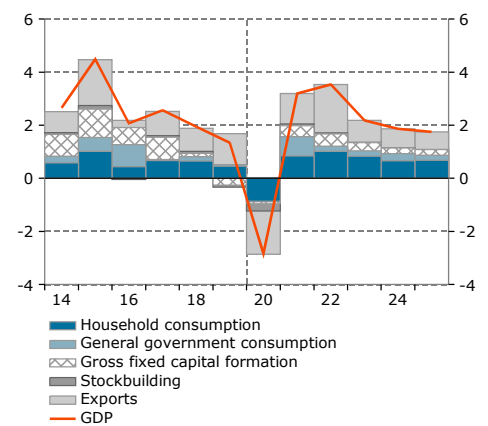
Diffusion index and net balances, seasonally adjusted monthly values



Sources: Swedbank/SILF, Macrobond and NIER.

Diagram 17 Import-adjusted contribution to GDP growth

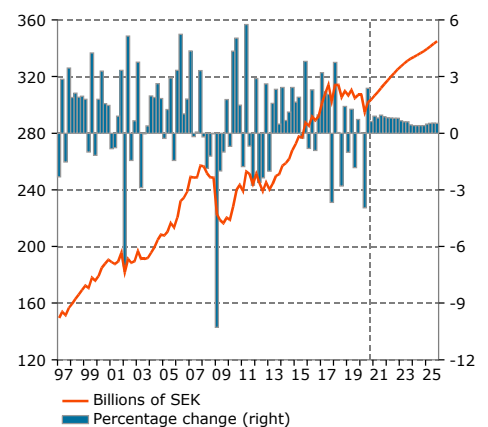
Percentage change and percentage points



Sources: Statistics Sweden and NIER.

Diagram 18 Gross fixed capital formation

Billions of SEK, constant prices and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

more slowly. All in all, government investment will increase by 8.5 per cent in 2021 and 1.7 per cent in 2022 (see Diagram 19).

As the restrictions to limit the spread of infection are relaxed gradually in 2021, business investment too will grow. In 2022, investment growth will be driven mainly by the business sector, especially the service sector, which is the sector that has felt the pandemic the most and saw the biggest fall in investment in the second quarter. Business investment excluding housing is forecast to grow by 2.5 per cent in 2021 and 4.2 per cent in 2022.

Both building permits and apartment starts fell in the third quarter, and the construction sector's expectations for home-building activity are subdued (see Diagram 20). Housing investment will decrease in 2021, despite an increase in renovation and refurbishment activity pulling the other way to some extent. Apartment starts will then rise again in 2022, with the result that housing investment also increases (see Diagram 19).

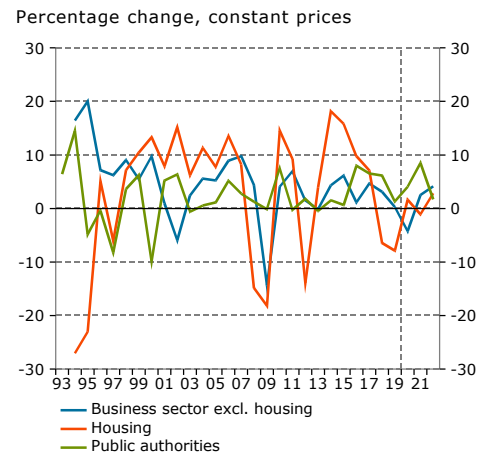
Pandemic complicates interpretation of National Accounts

The NIER and other forecasters often analyse economic developments in terms of quarterly changes. For quarterly data to describe economic developments adequately, seasonal patterns due to holidays, weather and so on need to be eliminated.

The pandemic and associated countermeasures have led to very large swings in the economy during 2020. Dramatic drops in demand and production in the second quarter were followed by a strong rebound in the third. A reasonable starting point would be to assume that the pandemic has not affected the underlying seasonal pattern to any great extent. For some variables, Statistics Sweden's models for calculating seasonal components will capture the effects of the pandemic in such a way that the seasonal components are not greatly affected. With other variables, this is not the case, and this is particularly clear when it comes to gross fixed capital formation.

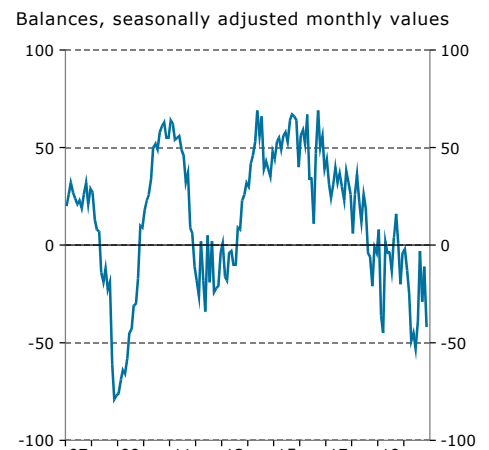
Diagrams 21 and 22 show the seasonal components of gross fixed capital formation as a percentage of the total in the second and the third quarter in the period from 2010 to 2020. The seasonal components should show how much the actual series needs to be adjusted to eliminate the seasonal pattern. The red bars show the National Accounts data published in February, while the blue bars are the latest calculations from November. As can be seen from the two diagrams, the seasonal components for the second and the third quarter were relatively stable around -7 per cent and +9 per cent respectively of the actual values in the period 2010-2020 based on the statistics from February. In the latest calculations, the seasonal components have been heavily revised and are now markedly different to before.

Diagram 19 Gross fixed capital formation



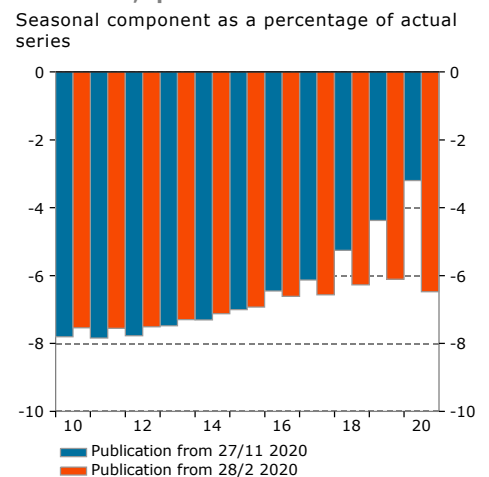
Sources: Statistics Sweden and NIER.

Diagram 20 Expectations on house construction



Source: NIER.

Diagram 21 Gross fixed capital formation, quarter 2



Sources: Statistics Sweden and NIER.

According to the November statistics from the National Accounts, gross fixed capital formation fell by 4.0 per cent in the second quarter 2020 before rising by 2.4 per cent in the third (see the blue bars in Diagram 23). Using the seasonal components from February, however, the picture is very different. Investment then falls by around 8 per cent in the second quarter before rising by around the same amount in the third.

It is not reasonable for the actual seasonal pattern to have changed to the extent suggested by the latest statistics. The seasonal components will probably return gradually towards their previous levels, leading to revisions of historical seasonally adjusted data when statistics for a new quarter are published. This, in turn, will complicate work on forecasting seasonally adjusted quarterly data.

Table 2 Domestic economy

Percentage change, constant prices

	Forecast			Scenario		
	2020	2021	2022	2023	2024	2025
Household Consumption Expenditure	-5.1	3.1	5.1	3.0	2.4	2.3
General Government Consumption Expenditure	0.1	3.1	0.8	1.0	1.2	0.9
Gross Fixed Capital Formation	-1.5	3.0	3.4	2.5	1.8	1.7
Domestic Demand Excl. Stockbuilding	-2.8	3.1	3.5	2.3	1.9	1.8
Stockbuilding ¹	-0.6	0.1	0.1	0.0	0.0	0.0
Total Domestic Demand	-3.4	3.2	3.6	2.3	1.9	1.8
Exports	-5.3	5.5	6.5	3.7	3.2	2.8
Total Demand	-4.0	4.0	4.5	2.8	2.3	2.1
Imports	-6.7	5.9	6.9	4.2	3.4	3.0
Net Exports	0.4	0.1	0.1	-0.1	0.0	0.0
GDP	-2.8	3.2	3.5	2.2	1.9	1.8
GDP, calendar adjusted	-3.1	3.1	3.5	2.4	1.9	2.0
GDP per Capita	-3.7	2.4	2.8	1.5	1.2	1.1
Current Account ²	5.9	4.1	4.6	4.4	3.8	3.5

¹ Change in per cent of GDP the previous year. ² Per cent of GDP, current prices.

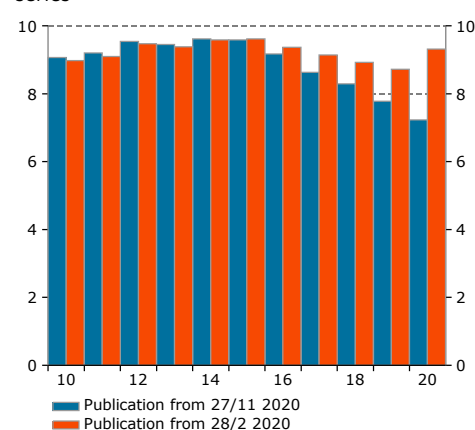
Sources: Statistics Sweden and NIER.

FISCAL POLICY TO SUPPORT ECONOMY IN NEAR TERM

In response to the COVID-19 pandemic, the Swedish parliament and government have introduced a wide range of fiscal measures in 2020 to support households and firms. These have mainly taken the form of spending, primarily transfers to firms, which has contributed to a temporary spike in government

Diagram 22 Gross fixed capital formation, quarter 3

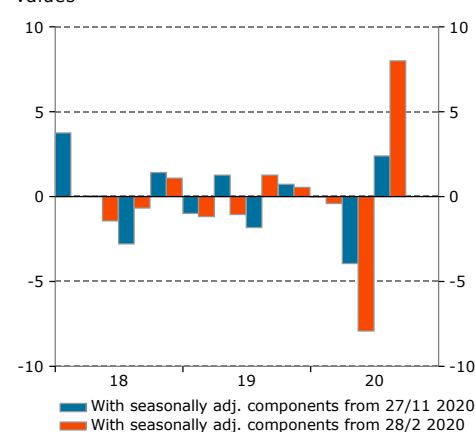
Seasonal component as a percentage of actual series



Sources: Statistics Sweden and NIER.

Diagram 23 Gross fixed capital formation

Percentage change, seasonally adjusted quarterly values



Note. The red bar refers to actual outcomes published on 27 November 2020 but with the estimated seasonally adjusted components published on 28 February 2020.

Sources: Statistics Sweden and NIER.

expenditure as a share of GDP (see Diagram 24). However, less use has been made of these support packages than the government originally anticipated. This applies both to the packages for firms (such as subsidised short-time working, reorientation support for companies with substantial losses of sales turnover, and reimbursement of sick pay) and transfers to households (such as sickness benefit in place of the waiting-day deduction from sick pay, and preventive sick pay). The NIER estimates that the total cost of the fiscal measures decided on since the budget bill for 2020, chiefly in response to the COVID-19 pandemic, is SEK 194 billion 2020.

The budget bill for 2021 contains almost SEK 100 billion in unfunded measures, split fairly equally across three areas: tax cuts, transfers to households and firms, and allocations to public consumption and investment (including central government grants to the local government sector).¹¹ In addition to this, we are assuming spending of almost SEK 20 billion on the extension of the short-time work programme, vaccination and other measures.¹²

WEAK GROWTH IN GOVERNMENT CONSUMPTION IN 2020

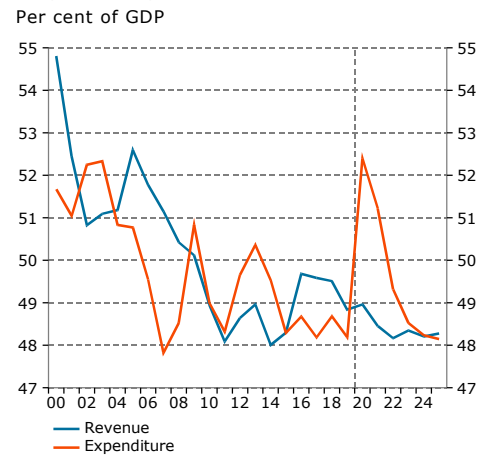
For both the municipalities and the regions, 2020 has largely been about handling the COVID-19 pandemic. The health sector has been, and is now again, under considerable pressure.¹³ On the other hand, a considerable amount of the care that would have been provided under 2020 has been postponed, and the total number of hospital admissions has been much lower than in a normal year. Sickness absence has been higher than normal among employees in both the municipalities and the regions, resulting in fewer hours worked. All in all, despite increased direct costs for COVID-19 and substantial injections of funds from the Swedish parliament and government, the pandemic has held back local government production and consumption as measured in the National Accounts (see the box “How government consumption is measured”). The local government sector is therefore expected to report substantial surpluses in 2020. In 2021 and 2022, production and consumption volumes will rise more quickly, due partly to the situation in the health sector normalising as the pandemic subsides, and partly to efforts to reduce the backlog of care.

¹¹ See the special analysis “Budgetpropositionen för 2021” [The budget bill for 2021] in the Swedish version of *The Swedish Economy*, September 2020.

¹² All in all, the government has announced an additional SEK 27 billion in measures since the budget bill for 2021. Of this, SEK 14 billion is reorientation support for firms’ lost sales in the period August-December 2020, which will be decided and paid in 2021. The NIER does not, however, expect these payments to be as high as the government does. As a result, the additional measures assumed in the forecast for 2021 come to SEK 20 billion.

¹³ In mid-December, the number of hospital admissions for COVID-19 was on a par with the highest levels reported by the Swedish Public Health Agency during the spring.

Diagram 24 Revenue and expenditure in general government



Note. For the coming years, public income is shown under the 2018 tax rules and public expenditure with unchanged rules in the transfer systems.

Sources: Statistics Sweden and NIER.

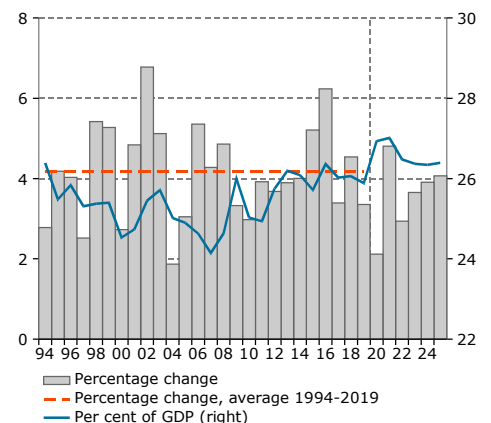
How government consumption is measured

Government consumption can be divided into two types: *individual* and *collective*. Where there is a specific beneficiary of a service (individual consumption), the volume is measured in the National Accounts as the number of users of the service (volume method). Examples of this are hospital care, universities, schools and nurseries. When there is no specific beneficiary of the service (collective consumption), the volume is measured using a fixed-price estimate of the cost and so reflects, among other things, the number of hours worked. Examples include the police, armed forces and central government administration.

See also the special analysis “Produktivitetsutveckling i offentlig sektor” [Productivity in the government sector] in the Swedish version of *The Swedish Economy*, December 2018.

Diagram 25 Public consumption expenditure

Percentage change, current prices and per cent of GDP



Sources: Statistics Sweden and NIER.

Consumption will also increase in the central government sector in 2021, thanks to rising expenditure on the labour market, defence, justice, maintenance of infrastructure and purchases of vaccines against COVID-19. Overall, government consumption expenditure will rise relatively slowly 2020 but much more quickly 2021 (see Diagram 25).

Government net lending is expected to drop from 0.6 per cent of GDP in 2019 to -3.4 per cent in 2020 (see Diagram 26 and Table 3). This low net lending means that Maastricht debt will increase as a share of GDP 2020 (see Diagram 27). Most of the fiscal measures to support firms and households during the pandemic are temporary. As these come to an end, net lending will improve, but it will still be negative in both 2021 and 2022.

Tabell 3 General Government Finances

SEK billion, current prices, and percentage of GDP, respectively

	Prognos			Scenario		
	2020	2021	2022	2023	2024	2025
Revenue¹	2 414	2 496	2 607	2 723	2 824	2 938
<i>Per cent of GDP</i>	49.0	48.4	48.2	48.3	48.2	48.3
Expenditure²	2 583	2 639	2 669	2 733	2 825	2 930
<i>Per cent of GDP</i>	52.4	51.2	49.3	48.5	48.2	48.1
Technical Transfer to Households³	0	0	0	-3	-19	-14
Net Lending	-169	-142	-62	-7	17	22
<i>Per cent of GDP</i>	-3.4	-2.8	-1.1	-0.1	0.3	0.4
Structural Net Lending	-92	-69	-32	0	19.3	20.1
<i>Per cent of potential GD</i>	-1.8	-1.3	-0.6	0.0	0.3	0.3
Maastricht Debt	1 955	2 069	2 102	2 157	2 194	2 236
<i>Per cent of GDP</i>	39.6	40.2	38.8	38.3	37.5	36.7

¹ Excludes EU taxes. The forecasts for taxes and duties are based on 2021 rules. ² The forecasts for transfer payments are based on 2021 rules. ³ These are the amounts that need to be transferred between households and government to achieve the forecast path for structural net lending. A negative value means there is a need for financing, i.e., measures that have a negative effect on household disposable income. A positive value means that there is scope for additional measures.

Source: NIER.

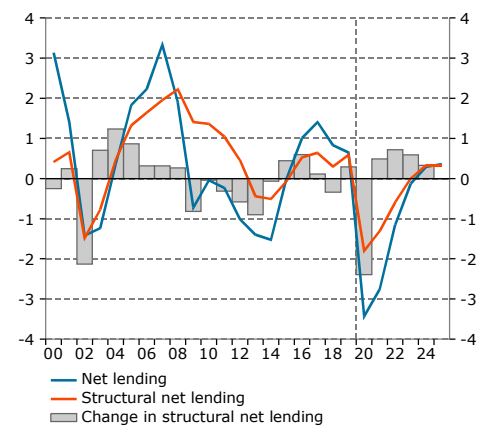
BIG SWINGS IN HOUSEHOLD CONSUMPTION

Household consumption has been greatly affected by the COVID-19 pandemic. After large falls in the first and, above all, the second quarter, household consumption increased by 6.3 per cent in the third (see Diagram 28). Consumption of hotel and restaurant services, which had been hit hard, staged a dramatic recovery. Spending on cars also climbed around 60 per cent in the third quarter after two quarters in decline.

The upswing in household consumption now seems to have stalled. Rising infections have brought tighter restrictions and increased voluntary social distancing. Household consumption of

Diagram 26 Net lending and structural net lending in general government

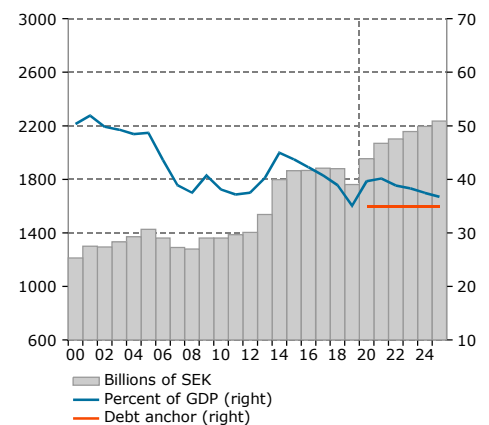
Per cent of GDP and of potential GDP, respectively



Sources: Statistics Sweden and NIER.

Diagram 27 Maastricht debt

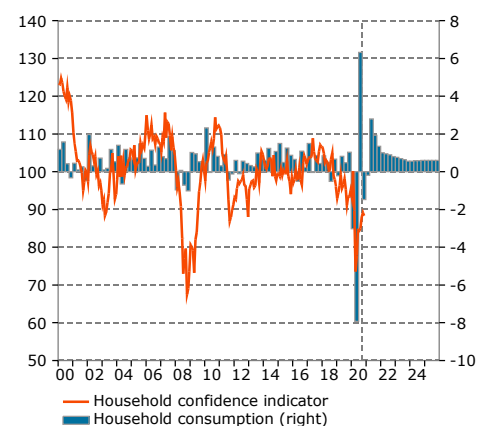
Billions of SEK and per cent of GDP



Sources: Statistics Sweden and NIER.

Diagram 28 Household confidence indicator and consumption expenditure

Index mean=100, seasonally adjusted monthly values and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

the types of goods and services that were hit hardest in the second quarter has fallen again in the fourth quarter and is expected to remain at this lower level in the first quarter 2021 (see Diagram 29). Consumption of close-contact and personnel-intensive services and consumption abroad will fare particularly badly.

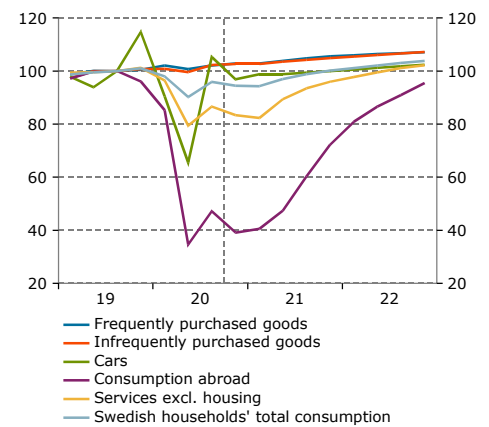
Once the vaccination of large groups in society has begun 2021, and infections fall, household consumption will pick up again. One effect of the pandemic is that households have more or less voluntarily saved more than they would otherwise have done. This has pushed up the savings rate 2020 (see Diagram 30) despite weak earnings and dividends leading to very weak income growth. 2021, the outlook is much brighter, and households' real disposable income will grow by 4.1 per cent. Dividends will return to normal, and the budget bill for 2021 contains tax reductions for households. In 2022, real disposable income is forecast to grow by 3.1 per cent. Due to the weak start to the year, household consumption will grow somewhat more slowly than income over 2021 as a whole, and the savings rate will rise further. In 2022, however, households will begin to spend some of these savings, and consumption is predicted to grow at just over 5 per cent.

SECOND WAVE PAUSES RECOVERY IN PRODUCTION

Production in the business sector increased by 6.7 per cent in the third quarter after a steep fall in the second. Although activity in parts of the service sector plummeted in the second quarter, industrial production fell further in percentage terms than production in the service sector as a whole, not least as a result of the shutdowns in the automotive industry (see Diagram 31). As demand gradually began to return in the third quarter, and constraints on production eased, there was a strong rebound, and manufacturers made up almost all of the ground lost in the second quarter. Production in the service sector also rallied. In the hardest-hit parts of the service sector, however, the recovery was much smaller than the downturn in the second quarter, and production in these industries is still low (see Diagram 32).

Business-sector output has more or less stagnated in the fourth quarter. The extra questions in the Economic Tendency Survey suggested an increased sales shortfall in November, although there was a slight improvement at the beginning of December (see Diagram 33). In some industries, such as hotels and restaurants, however, the shortfall at the beginning of December was still on a par with the spring. Higher infection rates and tighter social restrictions have hit these industries hard, while manufacturers have escaped relatively unscathed compared to the spring. Since many service firms are suppliers to the manufacturing sector, providing both intermediate services and staffing, production in the service sector will not be affected to the same extent as in the spring.

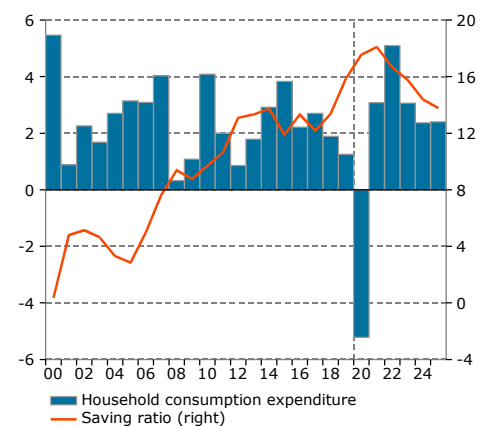
Diagram 29 Total household consumption and various components
Index 2019 quarter 3 = 100, fixed prices, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 30 Household consumption and saving ratio

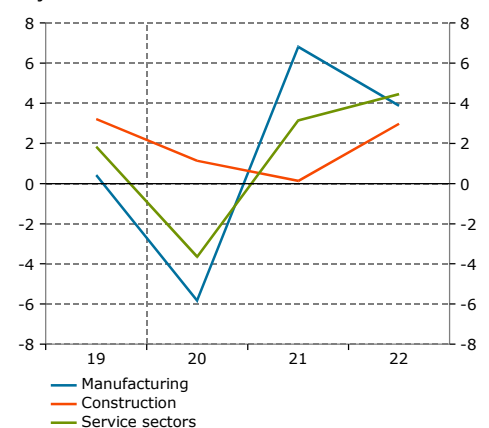
Percentage change, calendar-adjusted values and per cent of disposable income



Sources: Statistics Sweden and NIER.

Diagram 31 Production in business sector

Percentage change, constant prices, calendar-adjusted values



Sources: Statistics Sweden and NIER.

The recovery in activity will regain momentum in the second quarter 2021, and 2021 as a whole will see strong growth in production. Once vaccinations begin and the restrictions are gradually eased, demand will return in close-contact industries. Production there will then be able to rise from the very low levels at the start of 2021. Activity in the manufacturing and construction sectors will also be positively affected. These sectors will be closer to a normal situation in late 2021 and in 2022, however, and will not therefore see the same recovery effect.

Table 4 Production

Percentage change, calendar-adjusted values

	Forecast			Scenario		
	2020	2021	2022	2023	2024	2025
Business Sector	-3.4	3.5	4.1	2.8	2.2	2.2
Goods Producers	-3.0	4.0	3.5	...	...	...
Of which: Industry	-5.8	6.8	3.9	...	...	...
Construction	1.1	0.1	3.0	...	...	...
Service Producers	-3.6	3.1	4.5	...	...	...
General Government	-1.4	2.7	1.3	0.9	0.9	0.9
Total Economy¹						
GDP at Basic Prices	-3.0	3.3	3.5	2.4	1.9	2.0
GDP at Market Prices	-3.1	3.1	3.5	2.4	1.9	2.0

¹ Including production in non-profit institutions serving households.

Note. Production refers to value added.

Sources: Statistics Sweden and NIER.

SLOW LABOUR MARKET RECOVERY TO BEGIN IN 2021

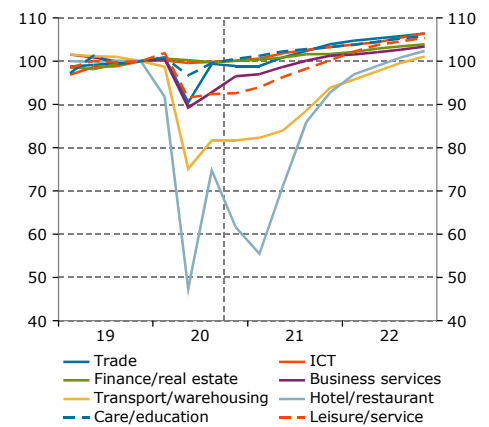
Employment was largely unchanged from the second to the third quarter of 2020. The labour force grew during this period, however, with the result that unemployment climbed to 9.1 per cent (see Diagram 34). Unemployment is highest among the young (ages 15-24) but is also record-high in the core labour force (ages 25-54).¹⁴ There are also clear differences between those born in Sweden and those born abroad: in the third quarter, the unemployment rate was 5.6 per cent for the former and 20.5 per cent for the latter.

Employment began to pick up strongly during the autumn, but the restrictions introduced in November to reduce the spread of infection mean that employment has stopped growing in the latter part of the fourth quarter, leading to growth of 0.1 per cent (see Diagram 35). The new restrictions are mainly affecting personnel-intensive, close-contact services where a relatively large share of workers are highly mobile in the labour market. Employment will decrease at the beginning of 2021, but the

¹⁴ See the special analysis "Arbetslöshet i covid-19-pandemin" [Unemployment in the COVID-19 pandemic] in the Swedish version of the report for a detailed look at which groups in the labour market have been hit hardest by the pandemic.

Diagram 32 Production in service sectors

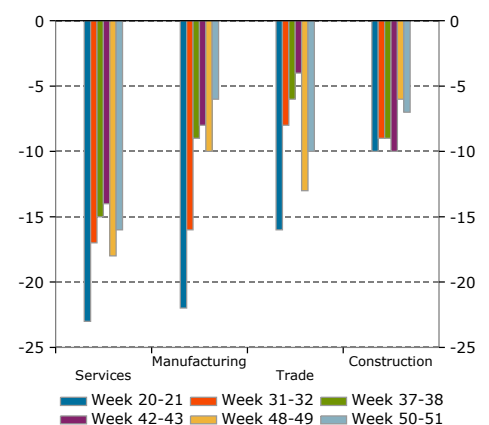
Index 2019 kvartal 4=100, säsongrensade kvartalsvärden



Sources: Statistics Sweden and NIER.

Diagram 33 NIER extra survey: Sales compared to normal

Per cent



Note. The percentage loss in sales has been calculated by taking the midpoint of the response options: reduced by 1-25, 26-50 etc. Source: NIER.

Diagram 34 Unemployment and equilibrium unemployment

Per cent of labour force, seasonally adjusted quarterly values



Note. Data before 2001 is linked by NIER. Sources: Statistics Sweden and NIER.

fall will be cushioned by firms being able to extend short-time working at the elevated rate of government subsidy.

STILL CHALLENGES FOR SOME SERVICES

From the second quarter of 2021, employment as a whole will slowly but surely begin to recover (see Diagram 35). The outlook does, however, vary considerably between industries (see Diagram 36).¹⁵ Manufacturing, which was hit hard at an early stage of the pandemic, is already showing signs of improvement, while recovery in the service sector will come later. There are, however, variations within the service sector: some industries, such as business services and information & communication services, have not been affected by the pandemic to the same extent as close-contact services and travel.

As some people came off short-time working in the third quarter, the number of hours worked climbed more quickly than employment. In the fourth quarter and the first quarter 2021, however, hours worked per employee will stagnate as a result of the economic recovery stalling and the short-time work programme being extended. From the second quarter 2021, the recovery will restart, and hours worked will again grow more quickly than employment for the rest of the year (see Diagram 37). Employment is expected to grow in both the government sector and much of the business sector in 2021. This upswing will, however, be offset by a continued decline in the service sector, and employment will virtually stagnate in 2021 as a whole. In 2022, service-sector employment will return to being the engine behind the Swedish labour market.

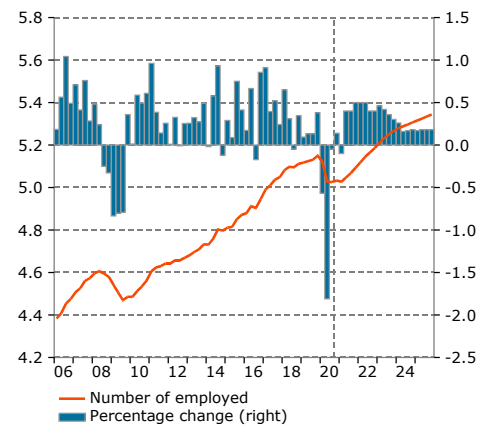
ECONOMY STILL BELOW CAPACITY IN 2022

Employment has to some extent been propped up by central government support for hard-hit firms. The short-time work programme has enabled firms to adapt hours worked to the downturn in production, which has helped maintain productivity (see Table 5). This adjustment of hours worked in 2020 and to some extent 2021 does, however, mean that the labour market gap – the difference between actual and potential hours worked – will be particularly wide for most of these two years (see Diagram 38). Although GDP will be back at 2019 levels at the end of 2021, the economy will still be operating below capacity with a negative output gap in 2022 (see Table 5).

¹⁵ On account of the pandemic, the different measures of employment are less consistent than usual. Employment was largely unchanged from the second to the third quarter 2020 according to the Labour Force Survey, but increased according to the National Accounts. This explains the difference between the employment levels presented in Diagrams 35 and 36.

Diagram 35 Employment

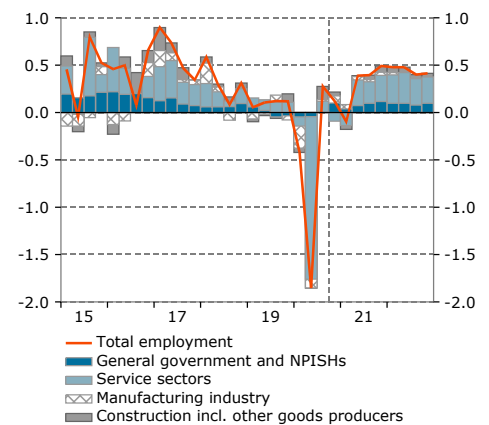
Millions and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 36 Contribution to employment growth

Percentage change and percentage points, quarterly values

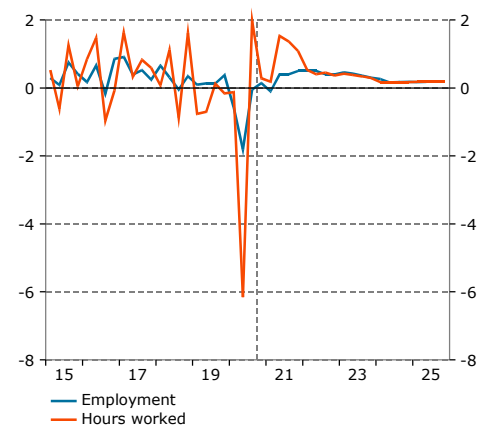


Note. NPISH refers to institutions serving households.

Sources: Statistics Sweden and NIER.

Diagram 37 Employment and hours worked

Percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Table 5 The labour market

Percentage change and per cent, respectively

	Forecast			Scenario		
	2020	2021	2022	2023	2024	2025
GDP at Basic Prices ¹	-3.0	3.3	3.5	2.4	1.9	2.0
Productivity, Total Economy ¹	1.0	1.4	0.5	0.8	1.0	1.2
Productivity, Business Sector ¹	2.0	1.5	0.1	1.0	1.2	1.6
Hours Worked ¹	-4.0	1.9	3.0	1.6	0.9	0.7
Average Hours Worked per Person Employed ¹	-2.5	1.7	1.2	-0.1	-0.1	0.0
Number of Employed	-1.6	0.1	1.9	1.7	1.0	0.7
Employment Rate ²	67.0	66.7	67.7	68.7	69.1	69.3
Labour Force	0.3	0.7	0.8	0.9	0.7	0.7
Labour Force Participation Rate ²	73.2	73.3	73.6	74.1	74.4	74.5
Unemployment ³	8.5	9.0	8.0	7.3	7.1	7.0
Population Aged 15-74	0.4	0.6	0.4	0.4	0.4	0.5
Productivity Gap, Business Sector ⁴	1.5	1.8	0.7			
Labour Market Gap ⁵	-4.6	-3.4	-1.1	-0.2	0.0	0.0
GDP Gap ⁶	-3.8	-2.5	-0.7	-0.1	0.0	0.0

¹ Calendar-adjusted values. ² Per cent of population aged 15-74. ³ Per cent of labour force. ⁴ Difference between actual and potential productivity in per cent of potential productivity in the business sector. ⁵ Difference between actual and potential hours worked in per cent of potential hours worked. ⁶ Difference between actual and potential GDP in per cent of potential GDP.

Sources: Statistics Sweden and NIER.

SUBDUED WAGE GROWTH IN 2020 DUE TO PANDEMIC

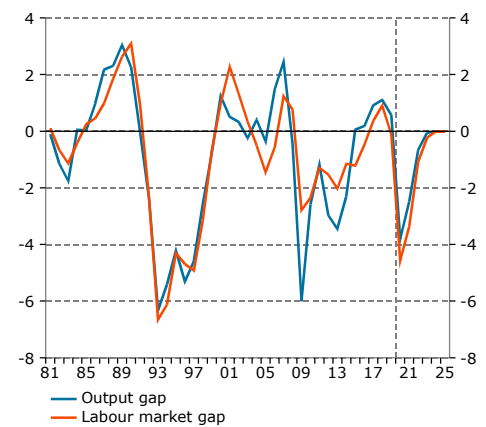
A major round of wage bargaining was due to take place in spring 2020. The talks were postponed to the fourth quarter due to the pandemic, and the existing agreements were extended until then. The workers affected therefore saw zero collectively agreed pay rises during this period. Together with the weak labour market, this meant that wage growth fell sharply in the second and third quarters (see Diagram 39).

FRONT-LOADED DEALS TO PUSH UP WAGE GROWTH IN 2021

The first industry in the autumn's wage bargaining was manufacturing, where the labour market parties reached an agreement on 1 November on cost increases corresponding to pay rises of 5.4 per cent over 29 months. This corresponds to 2.2 per cent per year, or 1.8 per cent if we take account of the period 2020 without any agreed pay rises. Since the turn of the millennium, the manufacturing agreement has served as a guide for pay deals in the rest of the labour market. At the time of writing, talks are still under way in parts of the labour market, but most indications are that they will again follow manufacturing's lead. This

Diagram 38 Output gap and labour market gap

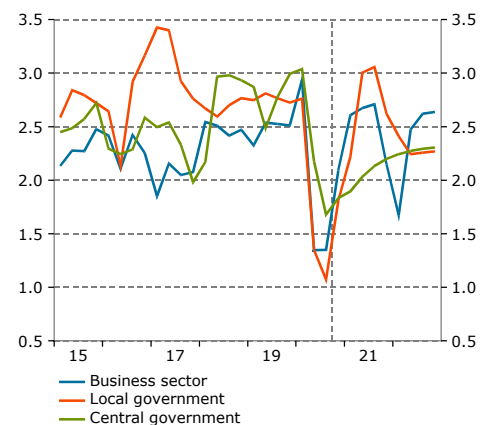
Per cent of potential GDP and of potential hours worked



Source: NIER.

Diagram 39 Hourly earnings

Percentage change, quarterly values



Sources: National Mediation Office and NIER.

will help even out wage growth between industries hit more or less hard by the pandemic.

These collectively agreed pay rises will lead to substantially higher wage growth in the business sector 2021. This is because the deals struck have been heavily front-loaded. For example, metalworkers' wages rose by 2.7 per cent from November 2020 but will not change again until April 2022, when they will rise by a further 2.2 per cent.¹⁶ This means that the annual rate of wage growth in the business sector will be highest during the first three quarters of 2021. It will then drop sharply for five months before partially recovering from the second quarter of 2022. The agreements in the local government sector have a similar profile, with the result that wage growth will be higher in 2021 than in 2022 (see Diagrams 39 and 40).

WEAK COST PRESSURES IN 2020-2022

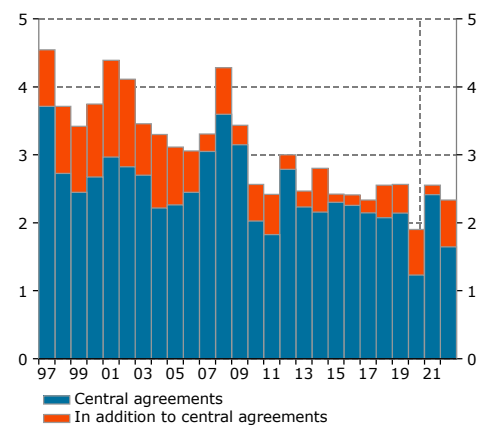
The temporary reduction in employer contributions has helped hold down labour costs in the business sector in 2020. However, the cost-saving effects of the short-time work programme are not captured in the wage statistics in the National Accounts, which means that both wage growth and cost pressures are over-estimated there.¹⁷ As a result, unit labour costs will rise by 2.8 per cent 2020 and fall by 0.2 per cent 2021 in the National Accounts statistics (see Table 6 and Diagram 41). A better picture of movements in underlying cost pressures is provided by the average for 2020-2021. Over the two years, unit labour costs will rise by an average of 1.3 per cent per year. This is below the level of 1.8 per cent which is considered consistent in the longer term with inflation at 2 per cent, and thus indicates that cost pressures are subdued. In 2022, cost pressures will increase as a result of both higher labour costs and lower productivity growth, and unit labour costs will then grow by 2.1 per cent.

Although firms' own assessment of their profitability in the Economic Tendency Survey have deteriorated 2020, the adjusted profit share will be more or less unchanged in 2020 and 2021. This can be explained primarily by the extensive government support for firms (most notably the temporary reduction in employer contributions and subsidised short-time working) and moderate growth in unit labour costs. As unit labour costs rise more quickly again in 2022, the adjusted profit share will drop back markedly (see Diagram 42), indicating an increase in cost pressures.

¹⁶ Including other changes, such as increased pension contributions, the total rise in labour costs is 5.4 per cent.

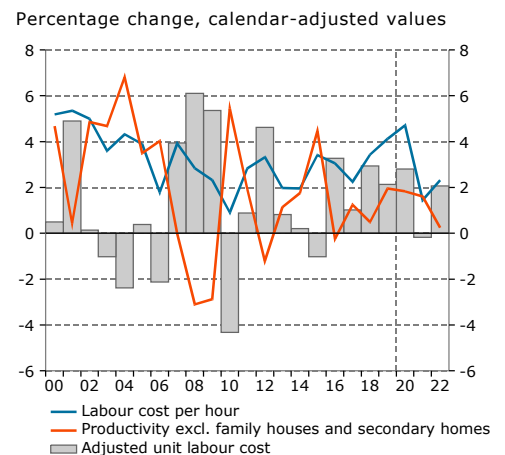
¹⁷ See the box "Permittering och sjukfrånvaro ökar NR-timlönen" [Short-time working and sickness absence push up wages in National Accounts] in the NIER's Wage Formation Report for 2020 (available in Swedish only).

Diagram 40 Hourly earnings in the whole economy
Percentage change



Sources: National Mediation Office and NIER.

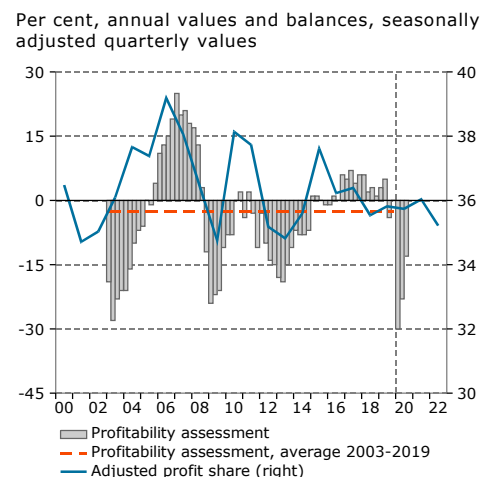
Diagram 41 Adjusted unit labor cost in the business sector
Percentage change, calendar-adjusted values



Note. The unit labor cost is adjusted for the number of hours worked by the self-employed and excludes one- and two-family houses and secondary homes.

Sources: Statistics Sweden and NIER.

Diagram 42 Profitability in the business sector
Per cent, annual values and balances, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Table 6 Wages and labour costs

Percentage change and per cent, respectively

	Forecast			Scenario		
	2020	2021	2022	2023	2024	2025
Hourly Earnings, Total Economy ¹	1.9	2.6	2.3	2.4	2.8	3.1
Hourly Earnings, Business Sector ¹	1.9	2.5	2.4	2.5	2.8	3.1
Hourly Labour Costs, Business Sector ²	4.7	1.4	2.3	2.5	2.8	3.1
Productivity, Business Sector ²	1.8	1.6	0.2	...	...	...
Adjusted Unit Labour Cost, Business Sector ³	2.8	-0.2	2.1	...	...	...
Adjusted Profit Share, Business Sector ⁴	35.7	36.0	35.2	35.3	35.5	35.8

¹ According to the Short-Term Earnings Statistics. ² According to the National Accounts, calendar-adjusted values. Excluding one- and two-family houses and secondary homes. ³ Excluding one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed. ⁴ Excluding one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed, not calendar-adjusted values. Calculated at factor price.

Sources: Statistics Sweden and NIER.

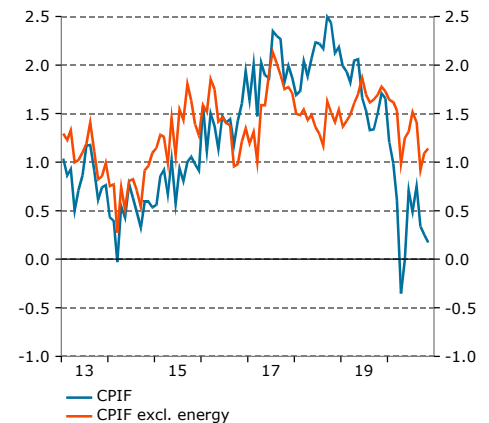
LOW INFLATION IN 2020

CPIF inflation – the increase in the consumer price index with a fixed interest rate – was 0.2 per cent in November 2020 (see Diagram 43). Inflation has been held back 2020 by falling energy prices and little increase in prices for services (see Diagram 44). Front-loaded pay deals imply a larger increase in production costs for firms in 2021, which will push up prices, especially for services. Substantial rises in water and sewerage rates in many municipalities, as well as higher property rates, will also contribute to higher inflation in 2021 (see Table 7).¹⁸ On the other hand, limited increases in prices for imported goods will hold inflation back over the 2021. Brisker demand and a faster rise in import prices will then bring higher inflation (see Diagram 45).

¹⁸ See, for example, "Nya taxor för vatten och avfall 2021" [New water and waste rates for 2021] at www.stockholmvattenochavfall.se and "Så kan taxan för avfall, vatten och avlopp bli 2021" [What waste, water and sewerage rates could be in 2021] at goteborg.se.

Diagram 43 Consumer prices

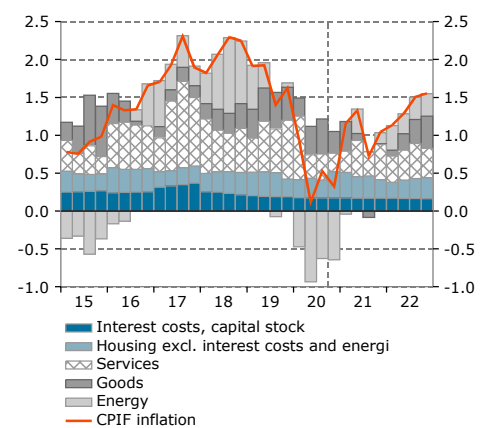
Annual percentage change, monthly values



Sources: Statistics Sweden and NIER.

Diagram 44 Contribution to CPIF inflation

Percentage points and percentage change, quarterly values

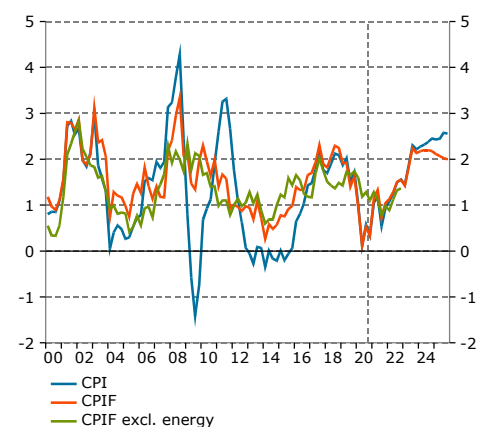


Note. The calculation of the contributions is approximate.

Sources: Statistics Sweden and NIER.

Diagram 45 Consumer prices

Annual percentage change, quarterly values



Sources: Statistics Sweden and NIER.

Table 7 Consumer prices, interest rates and exchange rates

Percent, percentage change and index, respectively. Annual average unless otherwise indicated

	Forecast			Scenario		
	2020	2021	2022	2023	2024	2025
CPI	0.5	0.9	1.3	2.0	2.4	2.5
Interest Costs, Interest Rate ¹	0.4	-4.0	-0.6	1.3	4.4	11.5
CPIF	0.5	1.1	1.4	1.9	2.2	2.1
Goods	0.8	0.2	0.6	...	...	...
Services	1.4	1.3	1.3	...	...	...
Housing ex Mortgage Interest Costs and Energy ²	1.7	1.8	1.5	...	...	...
Energy	-9.5	1.5	4.2	...	...	...
Interest Costs, Capital Stock ¹	5.6	5.4	5.3	5.0	4.8	4.5
CPIF ex Energy	1.3	1.0	1.2	...	...	...
HICP	0.7	0.7	1.2	...	...	...
Repo Rate ³	0.00	0.00	0.00	0.00	0.25	0.50
Ten-Year Government Yield	0.0	0.2	0.6	0.9	1.3	1.7
Effective Krona Exchange Rate Index (KIX) ⁴	118.6	114.3	113.0	111.9	111.6	111.8

¹ The CPI's mortgage interest cost component is the product of the capital stock and interest rate components. Energy denotes costs for electricity, gas, heating and fuel. ² Rent, repair costs, depreciation (renovation costs), ground rent and property tax, insurance, water, sewage, cleaning and chimney sweeping. ³ At year-end. ⁴ Effective exchange rate index based on the Riksbank's KIX weights for 32 countries with a base of 100 at 18 November 1992. A higher index corresponds to a weaker krona.

Source: Statistics Sweden and NIER.

UNCHANGED REPO RATE DESPITE WEAK INFLATIONARY OUTLOOK

So far during the pandemic, the Riksbank has chosen to leave the repo rate unchanged at 0.0 per cent despite the weak inflationary outlook. It has, however, taken other steps to support the financial system and provide a monetary stimulus. The NIER's forecast is that the repo rate will remain at 0.0 per cent throughout the forecast period. This is in keeping with the Riksbank's latest forecast and close to market expectations in the form of RIBA futures (see Diagram 46). The Riksbank will instead stimulate demand with additional purchases of securities to keep market interest rates low.

The krona has strengthened against the currencies of Sweden's most important trading partners since April 2020 (see Table 7). It will continue to appreciate gradually during the forecast period.

SCENARIO FOR THE SWEDISH ECONOMY IN 2023-2025

The scenario builds on the NIER's forecast for the period 2020-2022 (see box "What differentiates the scenario from the forecast?"). During the forecast period, production is expected to

What differentiates the scenario from the forecast?

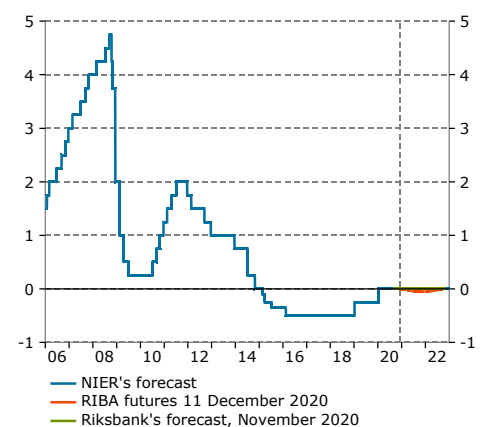
The *forecast* is the NIER's assessment of the most likely path for the domestic economy and the global economy over the next couple of years, in this case 2021 and 2022.

The *scenario* assumes no new shocks to the economy, which moves towards full capacity. Once the output gap has closed, GDP growth is supply-driven and largely follows movements in productivity growth and labour supply. The scenario for the Swedish economy is also based on the following specific assumptions:

- Fiscal policy is oriented such that the surplus target is met in the longer term. Monetary policy is pursued such that the inflation target – an annual increase in the consumer price index with a fixed interest rate (CPIF) of 2 per cent – is met in the longer term.
- Government consumption and investment move in line with the demographic need. This means, for example, unchanged personnel density in the provision of publicly funded services and an increase in standards roughly in line with the historical pattern.

Diagram 46 Repo rate

Per cent, daily- and quarterly values



Note. RIBA are future contracts based on the repo rate. The Riksbank forecast are quarterly values.

Sources: Nasdaq OMX, The Riksbank, Macrobond and NIER.

regain much of the ground lost as a result of the pandemic. The economy will nevertheless still be operating below capacity in 2022, as measured by the output gap.

Growth drivers weaken in 2023 and 2024

In the scenario, GDP and import demand outside Sweden grow more strongly than normal in 2023 but gradually decelerate. This means that the market for Swedish exports continues to grow somewhat faster than normal. Swedish households have a high savings rate initially. Growth in disposable income is healthy, despite being held back by restrictive fiscal policy. Fiscal policy is restrictive until the initially low structural net lending in the government sector reaches 0.3 per cent of potential GDP in 2024 (see Table 3). Net lending is then in line with the surplus target. Government consumption and investment are driven by the demographic need. This means political decisions on spending increases of SEK 115 billion through to 2025. To finance this without deviating from the surplus target, the scenario includes a technical transfer from households to government of SEK 14 billion through to 2025. This impacts negatively on household disposable income. Maastricht debt falls gradually as a share of GDP from 38 per cent in 2022 and approaches the debt anchor of 35 per cent in 2025. Monetary policy stimulates demand with low interest rates throughout the scenario.

Output gap closes in the scenario

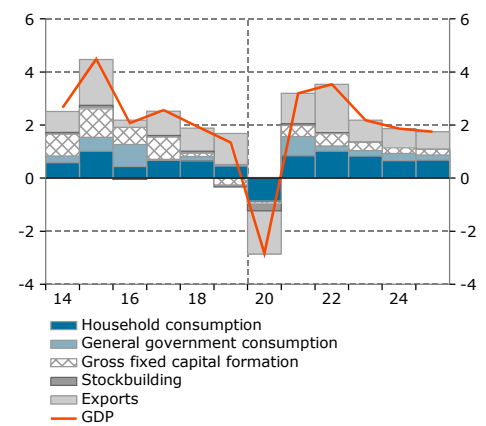
Overall, GDP growth is slower in the scenario than in 2021-2022 but is still higher than normal in 2023. It is primarily exports and household consumption that drive growth (see Diagram 47). Investment too is boosted somewhat by stronger GDP growth and low interest rates. GDP growth shifts down a gear as the economy approaches normal resource utilisation and the amount of idle resources decreases. In 2023, the economy operates more or less at capacity, as measured by the output gap (see Diagram 48).

In our forecast, the recovery in production leads to an increase in hours worked, and employment rises, but unemployment remains high in 2022. In the scenario, employment growth is still strong in 2023, and resource utilisation in the labour market continues to improve. Taken together, this means that unemployment falls gradually during the scenario years and reaches the NIER’s estimate of the equilibrium rate in 2024 (see Diagram 49). Resource utilisation in the labour market lags the output gap slightly, and the labour market gap closes in 2024.

Higher potential in the economy

The NIER expects the potential in the economy to be impacted negatively by the crisis for a number of years, but only to a limited extent. This is mainly a result of labour force being pushed

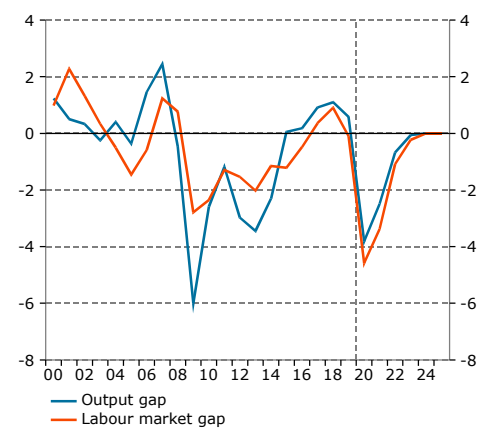
Diagram 47 Import-adjusted contribution to GDP growth
Percentage change and percentage points



Sources: Statistics Sweden and NIER.

Diagram 48 Output gap and labour market gap

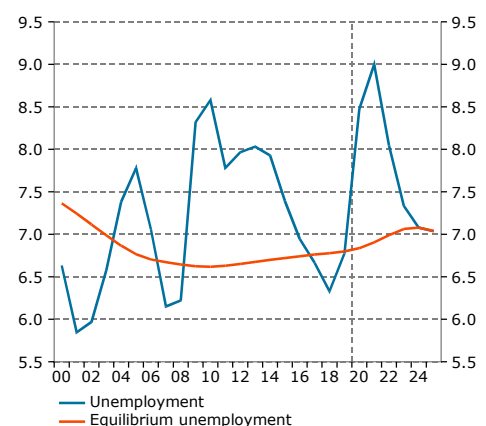
Per cent of potential GDP and potential hours worked



Source: NIER.

Diagram 49 Unemployment and equilibrium unemployment

Per cent of labour force



Sources: Statistics Sweden and NIER.

out of the labour market as a result of the pandemic, and of equilibrium unemployment being slightly elevated for a number of years. The potential number of hours worked will also rise gradually. This is due partly to higher potential on account of the pension reform, which is bringing a gradual increase in the retirement age starting from 2020. This will bring a slightly longer recovery phase, but also contribute to a higher level of production in the economy in the longer term.

Inflation target met in 2024

The temporary fiscal measures impacting on labour costs as a result of the COVID-19 pandemic will largely have been phased out by 2023. The adjusted profit share in the business sector is relatively low at the beginning of the scenario (see Table 6), which indicates that firms need to raise their prices to compensate for high labour costs. Unit costs nevertheless rise relatively slowly during the scenario years.

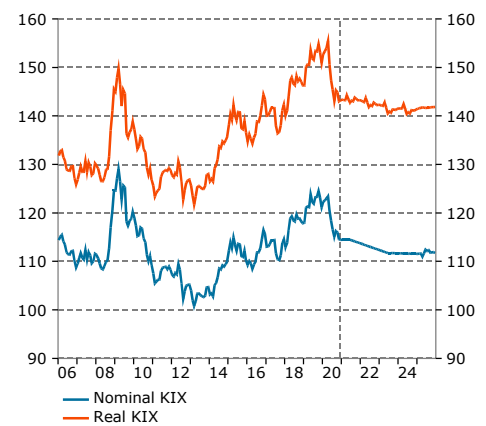
Although the krona has strengthened so far in 2020, it is still considered to be undervalued from a long-term perspective and therefore appreciates gradually in the scenario (see Diagram 50). This helps keep import prices down. Relatively high cost pressures and rising resource utilisation mean that inflation nevertheless picks up gradually during the scenario years. Inflation is just above 2 per cent in 2024, after which it stabilises at the target level.

Repo rate unchanged for almost another four years

In the scenario, the Riksbank leaves the repo rate at 0.0 per cent until 2024 before embarking on a series of rate increases to rein in mounting inflationary pressures. The higher repo rate helps keep CPIF inflation at the 2 per cent target. The repo rate is still low by historical standards, however, and the real repo rate is still negative at the end of the scenario (see Diagram 51 and Table 6).

Diagram 50 Effective exchange rate of the Swedish krona (KIX)

Index 1992-11-18=100, monthly values

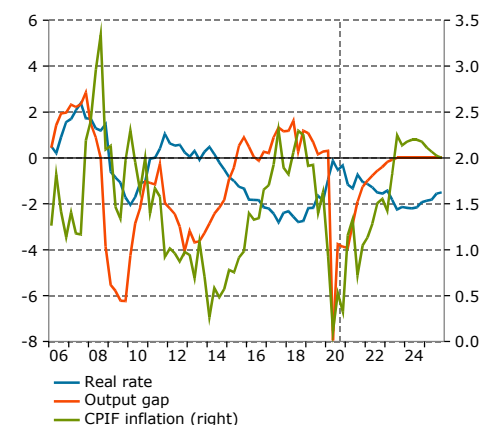


Note. KIX is a trade-weighted index based on currencies from all OECD countries as well as China, India, Brazil and Russia. A higher index corresponds to a weaker krona.

Sources: The Riksbank, Macrobond and NIER.

Diagram 51 Real interest rates, CPIF inflation and GDP gap

Per cent, per cent of potential GDP and annual percentage change, quarterly values



Note. The real interest rate is calculated as the repo rate minus CPIF inflation.

Sources: The Riksbank, Statistics Sweden and NIER.

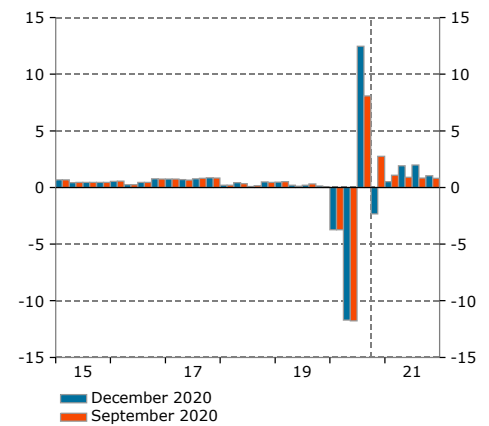
Forecast revisions 2020-2021

Since the September 2020 edition of *The Swedish Economy*, a somewhat clearer picture has emerged of how the COVID-19 pandemic will affect the economy in Sweden and abroad, partly because a number of safe and effective vaccines against COVID-19 are now expected to be widely available in the near future. At the same time, the second wave of the pandemic has hit Europe and other parts of the world harder in recent months than was anticipated in the September forecast. The most significant revisions are summarised below (see also Table 8).

- The economic recovery in the euro area in the third quarter was much stronger than we forecast in September (see Diagram 52). On the other hand, the second wave of COVID-19 has been more severe than expected, and many countries have again tightened restrictions to limit infections, which has contributed to a substantial downward revision of GDP growth in the fourth quarter.
- In Sweden, too, the recovery in the third quarter was stronger than we forecast in September. Consumption, investment and foreign trade were all better than expected. The second wave has hit Sweden slightly later than many countries in the euro area, and measures to limit infections have not been tightened to the same extent as in many other European countries. GDP growth in the fourth quarter has therefore been revised down much less far for Sweden than for the euro area (see Diagram 53).
- Productivity in the Swedish economy as a whole increased by 3.6 per cent in the third quarter. One possible explanation for this strong productivity growth is that the relatively generous subsidies for short-time working made it easier for firms to adjust their workforce to demand. The strong productivity growth in the third quarter has meant that productivity growth for the year as a whole has been revised up.
- Employment performed better than expected in the third quarter, and job growth in the fourth quarter has also been revised up. For 2020 as a whole, employment growth has therefore been revised up by 0.3 percentage points, and unemployment down by 0.2 percentage points.
- The effective krona exchange rate has strengthened much further in recent months than anticipated in our September forecast. The krona will remain stronger 2021 (see Diagram 54).

Diagram 52 GNP in Euro Area

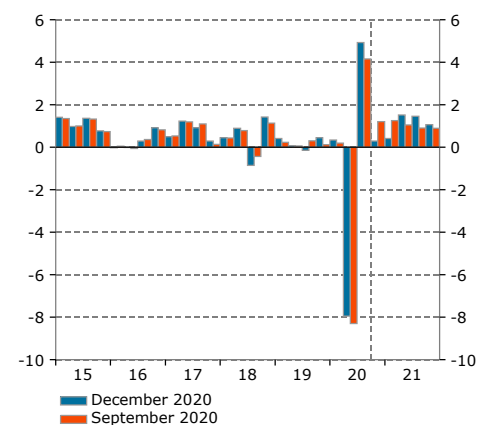
Percentage change, seasonally adjusted quarterly values



Sources: Eurostat, Macrobond and NIER.

Diagram 53 GDP

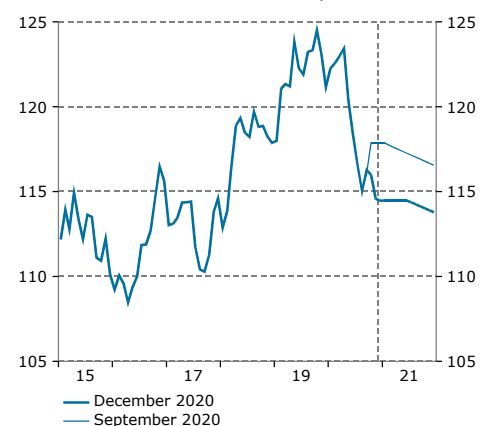
Percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 54 Effective exchange rate of the Swedish krona (KIX)

Index 1992-11-18=100, monthly values



Sources: The Riksbank, Macrobond and NIER.

Table 8 Current Forecast and Revisions Compared to the September 2020 Forecast

Percentage change and percentage points respectively, unless otherwise indicated

	2020			2021		
	Dec	Sep	Diff	Dec	Sep	Diff
Global Economy						
GDP, World	-4.0	-4.3	0.3	4.6	5.2	-0.6
GDP, KIX-weighted	-4.8	-5.5	0.6	4.4	5.3	-0.9
GDP, Euro Area	-7.2	-7.9	0.7	4.2	5.2	-1.0
GDP, US	-3.6	-3.9	0.3	3.6	4.2	-0.6
GDP, China	1.8	1.8	0.0	8.3	8.0	0.2
Federal Funds Target Rate ^{1,2}	0.3	0.3	0.0	0.3	0.3	0.0
ECB Refi Rate ^{1,2}	0.0	0.0	0.0	0.0	0.0	0.0
Oil Price ³	41.7	41.4	0.3	49.8	47.9	1.9
CPI, KIX-weighted	1.2	1.3	-0.1	1.4	1.5	-0.1
Domestic Economy						
GDP, Calendar-Adjusted	-3.1	-3.6	0.5	3.1	3.5	-0.4
GDP	-2.8	-3.4	0.5	3.2	3.6	-0.4
Household Consumption	-5.1	-4.7	-0.4	3.1	4.8	-1.6
Government Consumption	0.1	-0.3	0.5	3.1	2.5	0.6
Gross Fixed Capital Formation	-1.5	-3.2	1.7	3.0	2.4	0.6
Stockbuilding ⁴	-0.6	-0.6	0.0	0.1	0.1	0.1
Exports	-5.3	-6.3	1.0	5.5	7.2	-1.6
Imports	-6.7	-7.3	0.6	5.9	7.5	-1.6
Labour Market, Inflation, Interest Rates, etc.						
Hours Worked ⁵	-4.0	-3.7	-0.3	1.9	2.0	-0.2
Employment	-1.6	-1.9	0.3	0.1	0.1	0.0
Unemployment ⁶	8.5	8.7	-0.2	9.0	9.1	-0.1
Labour Market Gap ⁷	-4.6	-4.0	-0.5	-3.4	-2.4	-1.0
Output Gap ⁸	-3.8	-4.3	0.5	-2.5	-2.2	-0.3
Productivity ⁵	1.0	-0.1	1.2	1.4	1.4	0.0
Hourly Earnings ⁹	1.9	1.9	0.0	2.6	2.2	0.3
CPI	0.5	0.6	-0.1	0.9	1.3	-0.4
CPIF	0.5	0.6	-0.1	1.1	1.3	-0.3
Repo Rate ^{1,2}	0.00	0.00	0.00	0.00	0.00	0.00
10-Year Government Bond Yield ¹	0.0	0.0	0.0	0.2	0.2	0.0
Effective Krona Exchange Rate Index (KIX) ¹⁰	118.6	119.3	-0.7	114.3	117.2	-2.9
Current Account Balance ¹¹	5.9	5.4	0.5	4.1	4.3	-0.2
Government Net Lending ¹¹	-3.4	-3.6	0.2	-2.8	-2.6	-0.2

¹ Per cent. ² At year-end. ³ Brent crude, USD per barrel, annual average. ⁴ Change in per cent of GDP the previous year. ⁵ Calendar-adjusted. ⁶ Per cent of labour force. ⁷ Difference between actual and potential GDP in per cent of potential GDP. ⁸ Difference between actual and potential GDP in per cent of potential GDP. ⁹ According to the short-term earnings statistics. ¹⁰ Index, 18 November 1992=100. ¹¹ Per cent of GDP.

Note. The difference is between the current forecast and the September 2020 forecast. A positive value denotes an upward revision.

Source: NIER

Tables

Data for additional variables and longer time series can be found on the NIER's website at www.konj.se/english/data-sets.

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The Global Economy

Table A1 Global Output

Per cent of global GDP at purchasing power parity and percentage change, constant prices, respectively

	Weight 2019 ¹	2019	2020	2021	2022	2023	2024	2025
World ²	100.0	2.8	-4.0	4.6	3.9	3.4	3.2	3.2
KIX Weighted ³	75.2	1.9	-4.8	4.4	3.9	2.6	2.1	2.0
US	15.9	2.2	-3.6	3.6	3.4	2.5	2.0	1.8
Euro Area	14.3	1.3	-7.2	4.2	4.0	2.3	1.4	1.3
Japan	4.1	0.3	-5.3	2.5	1.9	1.2	0.8	0.7
UK	2.4	1.3	-11.1	4.1	4.7	2.3	1.9	1.6
Sweden	0.4	1.4	-3.1	3.1	3.5	2.4	1.9	2.0
Norway	0.3	0.9	-1.6	3.2	2.8	1.9	2.0	1.9
Denmark	0.3	2.8	-4.1	2.4	3.0	1.8	1.8	1.6
China	17.4	6.0	1.8	8.3	5.1	5.3	5.3	5.3
Sweden's Export Market⁴	...	2.8	-10.1	5.5	5.4	3.7	3.3	3.2

¹ The weights indicate each country or region's purchasing power-adjusted share of world GDP. ² The table shows some of the countries that the NIER makes forecasts for. The world aggregate is calculated using time-varying purchasing power parity GDP weights from the IMF. ³ KIX weighted GDP is the weighted average of GDP growth in the 32 countries included in the KIX effective krona exchange rate index. ⁴ Sweden's export market refers to total import demand in the countries to which Sweden exports, each country weighted by its share of Swedish goods exports.

Sources: IMF, OECD, Eurostat, Macrobond, Sveriges Riksbank and NIER.

Table A2 Global Inflation

Percentage change in the CPI

	2018	2019	2020	2021	2022	2023	2024	2025
US	2.4	1.8	1.2	2.0	2.2	2.5	2.4	2.3
Euro Area	1.8	1.2	0.3	0.8	1.3	1.7	1.9	1.9
Japan	1.0	0.5	0.1	0.1	0.7	1.2	1.3	1.3
UK	2.3	1.7	1.0	1.3	1.8	2.0	2.0	2.0
Sweden	2.1	1.7	0.5	1.1	1.4	1.9	2.2	2.1
Norway	3.0	2.3	1.1	1.9	2.0	2.0	2.0	2.0
Denmark	0.7	0.7	0.3	0.8	1.4	1.9	1.9	1.9
China	2.1	2.9	2.4	0.9	2.8	3.0	3.0	3.0

Note. The CPI values for the EU countries and Norway refer to harmonised indices of consumer prices (HICP), except Sweden which refers to CPIF. The OECD aggregate includes national CPI series only. CPI for the United Kingdom refers to CPIH, including owner occupiers' housing costs. The aggregate for the euro area is weighted using consumption weights from Eurostat.

Sources: OECD, Eurostat, Macrobond and NIER.

Table A3 Selected Indicators for the Euro Area

Percentage change, constant prices, percent, and level, respectively

	2018	2019	2020	2021	2022	2023	2024	2025
GDP ¹	1.9	1.3	-7.2	4.2	4.0	2.3	1.4	1.3
HICP ²	1.8	1.2	0.3	0.8	1.3	1.7	1.9	1.9
Policy Rate ³	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50
Overnight Rate ⁴	-0.4	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	0.1
10-Year Government Bond Yield ⁵	0.5	-0.2	-0.5	-0.4	0.0	0.4	0.8	1.2
Overnight Rate ⁵	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2
USD/EUR ⁶	1.9	1.3	-7.2	4.2	4.0	2.3	1.4	1.3

¹ Change in per cent of GDP the previous year. ² Percentage change ³ Refi rate level, per cent, at year-end. ⁴ Estr, per cent, at year-end. ⁵ Per cent. Refers to Germany. ⁶ Level.

Sources: ECB, Eurostat, Macrobond and NIER.

Table A4 Selected Indicators for the US

Percentage change, constant prices, percent, and level, respectively

	2018	2019	2020	2021	2022	2023	2024	2025
GDP ¹	3.0	2.2	-3.6	3.6	3.4	2.5	2.0	1.8
CPI ¹	2.4	1.8	1.2	2.0	2.2	2.5	2.4	2.3
Policy Rate ²	2.5	1.75	0.25	0.25	0.25	0.25	0.75	1.25
10-year Government Bond Yield ³	2.9	2.1	0.9	1.1	1.4	1.8	2.1	2.4
USD/EUR ⁴	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2

¹ Percentage change. ² Federal Funds target rate level, per cent, at year-end. ³ Level, per cent. ⁴ Level.

Sources: US Bureau of Economic Analysis, Federal Reserve, Macrobond and NIER.

Interest and Exchange Rates

Table A5 Interest and Exchange Rates

Per cent, index 18 November 1992=100 and SEK per currency unit, respectively

	2018	2019	2020	2021	2022	2023	2024	2025
At Year-End								
Repo Rate	-0.50	-0.25	0.00	0.00	0.00	0.00	0.25	0.50
Policy Rate. KIX6-Weighted ¹	0.04	-0.05	-0.38	-0.39	-0.39	-0.37	-0.29	0.11
Annual Average								
Repo Rate	-0.50	-0.26	0.00	0.00	0.00	0.00	0.07	0.37
5-Year Government Bond Yield	0.1	-0.4	-0.3	-0.2	0.1	0.4	0.8	1.3
10-Year Government Bond Yield	0.7	0.1	0.0	0.2	0.6	0.9	1.3	1.7
Effective Krona Exchange Rate Index (KIX)	117.6	122.1	118.6	114.3	113.0	111.9	111.6	111.8
EUR Exchange Rate	10.3	10.6	10.5	10.2	10.1	10.0	10.0	10.0
USD Exchange Rate	8.7	9.5	9.2	8.4	8.3	8.2	8.3	8.3

¹ Refers to an average of Estr (for the euro area) and policy rates in the US, Norway, UK, Denmark and Japan.

Sources: Sveriges Riksbank, Macrobond and NIER.

The Swedish Economy

Table A6 GDP by Expenditure

SEK billion, current prices, and percentage change, constant prices, respectively

	Level 2019	2019	2020	2021	2022	2023	2024	2025
Household Consumption Expenditure ¹	2 277	1.3	-5.1	3.1	5.1	3.0	2.4	2.3
Goods	1 042	1.8	0.1	2.7	1.8	...	...	...
Services Excl. Housing	716	2.1	-13.4	4.5	10.9	...	...	...
Housing	432	2.0	1.8	2.0	1.6	...	...	...
General Government Consumption Expenditure	1 300	0.3	0.1	3.1	0.8	1.0	1.2	0.9
Central Government	336	-0.7	1.4	2.6	-1.8	...	...	...
Local Government	964	0.6	-0.3	3.3	1.7	...	...	...
Gross Fixed Capital Formation ²	1 228	-1.2	-1.5	3.0	3.4	2.5	1.8	1.7
Business Sector Excl. Housing	761	0.3	-4.3	2.5	4.2	...	...	...
Industry	179	0.5	-3.5	4.0	2.0	...	...	...
Other Goods Producers	134	-1.1	-3.2	2.0	2.4	...	...	...
Service Producers Excl. Housing	448	0.6	-4.9	2.1	5.6	...	...	...
Housing	234	-7.9	1.6	-1.1	2.8	...	...	...
General Government	227	1.3	4.1	8.5	1.7	...	...	...
<i>Domestic Demand Excl. Stockbuilding</i>	<i>4 806</i>	<i>0.4</i>	<i>-2.8</i>	<i>3.1</i>	<i>3.5</i>	<i>2.3</i>	<i>1.9</i>	<i>1.8</i>
Stockbuilding ³	35	-0.1	-0.6	0.1	0.1	0.0	0.0	0.0
<i>Total Domestic Demand</i>	<i>4 841</i>	<i>0.2</i>	<i>-3.4</i>	<i>3.2</i>	<i>3.6</i>	<i>2.3</i>	<i>1.9</i>	<i>1.8</i>
Exports	2 368	3.6	-5.3	5.5	6.5	3.7	3.2	2.8
Exports of Goods	1 663	1.7	-2.5	6.9	4.6	...	...	...
Processed Goods	1 322	2.3	-4.7	8.0	5.4	...	...	...
Raw Materials	341	-0.4	6.1	3.5	1.5	...	...	...
Exports of Services	705	8.3	-11.9	1.9	11.9	...	...	...
<i>Total Demand</i>	<i>7 209</i>	<i>1.3</i>	<i>-4.0</i>	<i>4.0</i>	<i>4.5</i>	<i>2.8</i>	<i>2.3</i>	<i>2.1</i>
Imports	2 185	1.2	-6.7	5.9	6.9	4.2	3.4	3.0
Imports of Goods	1 474	-0.9	-4.2	7.5	4.4	...	...	...
Processed Goods	1 082	0.7	-5.2	8.5	4.7	...	...	...
Raw Materials	392	-5.1	-1.4	4.8	3.5	...	...	...
Imports of Services	711	6.0	-11.9	2.2	12.7	...	...	...
<i>Net Exports³</i>	<i>183</i>	<i>1.1</i>	<i>0.4</i>	<i>0.1</i>	<i>0.1</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.0</i>
GDP	5 024	1.3	-2.8	3.2	3.5	2.2	1.9	1.8
GDP per Capita ⁴	489	0.3	-3.7	2.4	2.8	1.5	1.2	1.1

¹ Including non-profit institutions serving households and the net of household consumption abroad and foreign consumption in Sweden. ² Including non-profit institutions serving households. ³ Change in per cent of GDP the previous year. ⁴ SEK thousand, current prices, and percentage change, constant prices, respectively.

Sources: Statistics Sweden and NIER.

Table A7 Household Income, Consumption Expenditure and Saving

SEK billion, current prices, and percentage change, respectively

	Level 2019	2019	2020	2021	2022	2023	2024	2025
Total Earnings, Adjusted for External Transactions	2 003	3.9	0.8	2.6	5.5	4.0	3.7	3.8
Hourly Earnings (according to national accounts) ^{1,2}	252	3.9	4.9	0.7	2.4	2.4	2.8	3.1
Hours Worked ^{1,3}	7 905	-0.2	-3.9	1.9	3.0	1.6	0.9	0.7
Transfers From Government Sector, Net	658	2.4	6.3	1.5	-0.2	0.6	1.9	2.2
Property Income, Net	339	16.0	-32.2	23.6	4.2	8.4	6.3	5.1
Other Income, Net ⁴	344	6.4	3.1	3.4	5.0	4.3	1.1	6.5
Income Before Taxes⁵	3 344	4.9	-1.2	3.9	4.1	3.7	3.3	3.9
Direct Taxes ⁶	893	0.2	0.5	1.0	0.2	-0.2	-0.2	0.0
Disposable Income	2 451	5.1	-0.7	5.0	4.3	3.5	3.1	3.9
Consumer Prices ⁷	...	1.9	1.0	0.8	1.2	1.5	2.3	2.1
Real Disposable Income	2 451	3.1	-1.7	4.2	3.1	2.0	0.9	1.8
Per Capita ⁸	238	2.1	-2.6	3.3	2.3	1.3	0.2	1.1
Consumption Expenditure⁹	2 277	1.3	-5.1	3.1	5.1	3.0	2.4	2.3
Saving ¹⁰	430	15.9	17.6	18.1	16.7	15.8	14.4	13.8
Net saving in negotiated pension funds	255	16.7	-17.1	-0.2	5.3	0.8	-0.8	-0.6
Own Saving ¹¹	174	7.1	10.3	11.2	9.5	8.6	7.2	6.7
Net Lending ¹⁰	341	12.6	14.1	14.7	13.3	12.4	11.0	10.4

¹ Calendar-adjusted values. ² SEK per hour. ³ Employees only. ⁴ This also includes technical transfers to households through altered taxes and/or transfers, see table A20. ⁵ Growth in income before taxes is calculated as a weighted sum of the growth rates for total earnings, transfers, capital income and other income. ⁶ Direct taxes' contribution to the change in disposable income, expressed in percentage points. ⁷ Implicit price index for household consumption expenditure. ⁸ SEK thousand. ⁹ Constant prices ¹⁰ SEK billion, current prices, and per cent of disposable income including net savings in negotiated pension funds. ¹¹ SEK billion, current prices, and per cent of disposable income.

Sources: Statistics Sweden and NIER.

Table A8 Current Account and Net Lending

SEK billion, current prices, and per cent, respectively

	2018	2019	2020	2021	2022	2023	2024	2025
Net Exports	108	183	212	219	222	222	223	224
Of Which: Goods	122	189	210	218	226	...	...	...
Services	-14	-6	2	0	-4	...	...	...
Earnings, Net	7	10	10	9	10	10	10	11
Investment Income, Net	81	133	157	70	100	104	94	87
Transfers etc., Net	-70	-91	-88	-84	-84	-89	-104	-108
Current Account Balance	123	232	291	214	247	246	223	213
<i>Per cent of GDP</i>	2.5	4.6	5.9	4.1	4.6	4.4	3.8	3.5
Capital Transfers	1	0	0	-1	-1	-1	-1	-1
Net Lending	123	232	290	213	247	246	222	212
<i>Per cent of GDP</i>	2.6	4.6	5.9	4.1	4.6	4.4	3.8	3.5

Sources: Statistics Sweden and NIER.

Table A9 GNI

SEK billion, current prices, thousands, ratio and annual percentage change, respectively

	Level	2019	2020	2021	2022	2023	2024	2025
GNI	2019	5 171	5.1	-1.3	2.6	5.5	4.1	3.8
Deflator, Domestic Use	...	2.3	0.9	1.3	1.6	1.9	2.2	2.2
Real GNI	...	2.7	-2.2	1.3	3.9	2.2	1.5	1.5
Population	2019	10 279	1.0	0.9	0.8	0.7	0.7	0.7
Real GNI per Capita¹	...	503	1.7	-3.1	0.5	3.1	1.4	0.8

¹ SEK thousand.

Sources: Statistics Sweden and NIER.

Table A10 Production

SEK billion, current prices, and percentage change, constant prices, respectively, calendar-adjusted values

	Level 2019	2019	2020	2021	2022	2023	2024	2025
Goods Producers	1 186	1.5	-3.0	4.0	3.5	...	...	...
Of Which: Industry	689	0.4	-5.8	6.8	3.9	...	...	...
Construction	303	3.2	1.1	0.1	3.0	...	...	...
Service Producers	2 316	1.8	-3.6	3.1	4.5	...	...	...
Business Sector	3 501	1.7	-3.4	3.5	4.1	2.8	2.2	2.2
General Government	907	0.4	-1.4	2.7	1.3	0.9	0.9	0.9
GDP at Basic Prices¹	4 466	1.4	-3.0	3.3	3.5	2.4	1.9	2.0
Taxes/Subsidies on Products	565	...	...	...	...	...	1.9	2.0
GDP at Market Prices	5 031	1.4	-3.1	3.1	3.5	2.4	1.9	2.0

¹ Including production in non-profit institutions serving households.

Note. Production refers here to value added.

Sources: Statistics Sweden and NIER.

Table A11 Hours Worked

Million hours and percentage change, respectively, calendar-adjusted values

	Level 2019	2019	2020	2021	2022	2023	2024	2025
Goods Producers	1 946	-1.2	-5.9	1.2	2.2	...	...	...
Of Which: Industry	978	-1.8	-8.4	2.7	2.3	...	...	...
Construction	648	0.4	-6.1	-1.6	2.7	...	...	...
Services Producers	3 916	0.3	-5.0	2.3	4.9	...	...	...
Business Sector	5 862	-0.2	-5.3	2.0	4.0	1.8	0.9	0.6
General Government	2 228	-0.7	-0.7	1.7	0.8	0.9	1.0	0.9
Total Economy¹	8 261	-0.3	-4.0	1.9	3.0	1.6	0.9	0.7

¹ Including non-profit institutions serving households.

Sources: Statistics Sweden and NIER.

Table A12 Productivity

SEK per hour, basic prices, and percentage change, constant prices, respectively, calendar-adjusted values

	Level 2019	2019	2020	2021	2022	2023	2024	2025
Goods Producers	609	2.7	3.1	2.8	1.3	...	...	...
Of Which: Industry	704	2.2	2.8	4.0	1.5	...	...	...
Construction	468	2.8	7.7	1.7	0.3	...	...	...
Service Producers	591	1.5	1.4	0.8	-0.4	...	...	...
Business Sector	597	1.9	2.0	1.5	0.1	1.0	1.2	1.6
General Government	407	1.1	-0.7	0.9	0.6	0.0	-0.1	0.0
Total Economy¹	541	1.7	1.0	1.4	0.5	0.8	1.0	1.2

¹ Including production in non-profit institutions serving households.

Sources: Statistics Sweden and NIER.

Table A13 The Labour Market

Thousands of people and percentage change, respectively, unless otherwise indicated

	Level 2019	2019	2020	2021	2022	2023	2024	2025
Hours Worked ¹	8 261	-0.3	-4.0	1.9	3.0	1.6	0.9	0.7
Average Hours Worked for Employed ²	31.0	-0.9	-2.5	1.7	1.2	-0.1	-0.1	0.0
Number of Employed	5 132	0.7	-1.6	0.1	1.9	1.7	1.0	0.7
Employment Rate ³	...	68.3	67.0	66.9	67.9	68.7	69.1	69.3
Labour Force	5 504	1.1	0.3	0.7	0.8	0.9	0.7	0.7
Labour Force Participation Rate ⁴	...	73.3	73.2	73.5	73.8	74.1	74.4	74.5
Unemployment rate ⁵	373	6.8	8.5	9.0	8.0	7.3	7.1	7.0
Population Aged 15-74	7 510	0.7	0.4	0.4	0.4	0.4	0.4	0.5

¹ Million hours, calendar-adjusted values. ² Hours per week, calendar-adjusted values. ³ Number of employed in per cent of the population aged 15-74. ⁴ Number of people in the labour force in per cent of the population aged 15-74. ⁵ Thousand of people and in per cent of the labour force.

Sources: Statistics Sweden and NIER.

Table A14 Resource Utilisation

Per cent and percentage change, calendar-adjusted values, unless otherwise indicated

	2018	2019	2020	2021	2022	2023	2024	2025
Labour Market								
Equilibrium Unemployment ¹	6.8	6.8	6.8	6.9	7.0	7.1	7.1	7.0
Actual Unemployment ²	6.3	6.8	8.5	9.0	8.0	7.3	7.1	7.0
Potential Hours Worked	1.3	0.8	0.6	0.6	0.7	0.7	0.7	0.7
Of Which: Potential Employment	1.3	1.1	0.8	0.6	0.6	0.6	0.7	0.7
Actual Hours Worked	1.9	-0.3	-4.0	1.9	3.0	1.6	0.9	0.7
Labour Market Gap ³	0.9	-0.1	-4.6	-3.4	-1.1	-0.2	0.0	0.0
Productivity								
Potential Productivity	0.6	1.1	0.8	1.1	1.0	1.1	1.1	1.2
Of Which: Potential Pro- ductivity, Business Sector	1.0	1.2	1.3	1.2	1.2	1.4	1.5	1.6
Actual Productivity	0.2	1.6	1.0	1.2	0.5	0.8	1.0	1.2
Productivity Gap ⁴	0.1	0.7	0.8	0.9	0.4	0.2	0.0	0.0
GDP								
Potential GDP	1.9	1.9	1.4	1.7	1.6	1.8	1.8	1.9
Actual GDP	2.1	1.4	-3.1	3.1	3.5	2.4	1.9	2.0
Output Gap ⁵	1.1	0.6	-3.8	-2.5	-0.7	-0.1	0.0	0.0

¹ Level, per cent of potential labour force. ² Level, per cent of labour force. ³ Difference between actual and potential hours worked in per cent of potential hours worked. ⁴ Difference between actual and potential productivity in per cent of potential productivity. ⁵ Difference between actual and potential GDP in per cent of potential GDP.

Sources: Statistics Sweden and NIER.

Table A15 Hourly Earnings According to the Short-Term Earnings Statistics

Per cent and percentage change, respectively

	Weight							
	2019	2019	2020	2021	2022	2023	2024	2025
Business Sector	69	2.5	1.9	2.5	2.4	2.5	2.8	3.1
Goods Producers	22	2.4	1.3	2.6	2.3	...	...	...
Of Which: Industry	15	2.6	1.1	2.6	2.3	...	...	...
Construction	7	2.1	1.6	2.8	2.3	...	...	...
Service Producers	47	2.5	2.2	2.5	2.4	...	...	...
Local Government	25	2.8	1.7	2.7	2.3	...	...	...
Central Government	6	2.8	2.2	2.1	2.3	...	...	...
Total	100	2.6	1.9	2.6	2.3	2.4	2.8	3.1
Real Hourly Earnings (CPI) ¹	...	0.8	1.4	1.6	1.0	0.5	0.4	0.6
Real Hourly Earnings (CPIF) ²	...	0.9	1.4	1.5	1.0	0.5	0.6	1.0

¹ Deflated by the CPI. ² Deflated by the CPI with constant mortgage rates (CPIF).

Sources: National Mediation Office, Statistics Sweden and NIER.

Table A16 Hourly Earnings and Labour Costs in the Business Sector According to the National Accounts

SEK per hour, per cent and percentage change, respectively

	Level							
	2019	2019	2020	2021	2022	2023	2024	2025
Not Calendar-Adjusted Values								
Hourly Earnings	260	4.1	5.0	-0.2	2.4	3.1	2.9	3.7
Employers' Social Contributions ¹ (per cent of earnings)	...	43.2	41.8	43.8	43.7	...	...	...
Hourly Labour Costs ²	373	...	...	...	...	...	...	...
Productivity	579	2.0	1.4	1.4	0.3	...	...	...
Adjusted Unit Labour Costs ³	...	2.2	2.6	-0.3	2.1	...	...	...
Calendar-Adjusted Values								
Hourly Earnings	...	4.0	5.7	0.1	2.4	2.5	2.8	3.1
Hourly Labour Costs ²	...	4.1	4.7	1.4	2.3	...	...	...
Productivity	...	2.0	1.8	1.6	0.2	...	...	...
Adjusted Unit Labour Costs ³	...	2.1	2.8	-0.2	2.1	...	...	...

¹ Employers' social contributions and payroll taxes. ² Earnings and employers' social contributions. ³ Refers to total business sector excluding one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed.

Sources: Statistics Sweden and NIER.

Table A17 Supply and Use Price Deflators

Per cent and percentage change, respectively

	Weight							
	2019	2019	2020	2021	2022	2023	2024	2025
GDP	69.7	2.7	1.0	1.3	1.4	1.8	2.1	2.1
General Government ^{1,2}	13.4	3.3	2.2	1.1	1.9	2.9	2.9	3.5
Business Sector ²	48.5	2.6	0.6	1.2	1.4	1.6	1.9	1.8
Product Taxes, Net	7.8	2.1	1.5	1.9	1.2	...	...	...
Imports	30.3	2.9	-4.1	-1.4	1.0	0.8	1.3	1.6
Processed Goods	15.0	2.6	-1.0	-2.9	-1.2	...	...	...
Raw Materials	5.4	1.5	-16.0	0.3	6.6	...	...	...
Services	9.9	4.2	-1.7	0.0	1.4	...	...	...
Supply/Use³	100.0	2.8	-0.5	0.5	1.3	1.5	1.8	1.9
General Government Consumption Expenditure	18.0	3.1	2.0	1.7	2.1	2.7	2.6	3.1
Household Consumption Expenditure	31.6	1.9	1.0	0.8	1.2	1.5	2.3	2.1
Gross Fixed Capital Formation	17.0	2.2	0.5	0.8	1.8	1.8	1.7	1.5
Exports	32.9	3.6	-3.4	-1.2	0.8	0.8	1.1	1.4
Processed Goods	18.3	4.8	-1.7	-2.7	-0.4	...	...	...
Raw Materials	4.7	0.0	-14.0	2.1	3.2	...	...	...
Services	9.8	3.3	-0.5	0.1	1.4	...	...	...

¹ Including non-profit institutions serving households. ² Value added price deflator calculated at basic prices. ³ Including stock-building.

Sources: Statistics Sweden and NIER.

Table A18 Business Sector Prices, Costs and Profits

SEK billion, percentage change and per cent, respectively

	Weight							
	2019	2019	2020	2021	2022	2023	2024	2025
Value Added, Constant Prices ¹	...	1.7	-3.2	3.6	4.1	2.6	2.1	2.0
Value-Added Deflator	...	2.6	0.6	1.2	1.4	1.6	1.9	1.8
Value Added, Current Prices ²	3 494	4.4	-0.9	3.7	4.9	...	...	...
Hours Worked, Employees	...	-0.1	-4.6	2.4	4.0	1.2	0.8	0.0
Hourly Labour Costs ³	373	4.2	4.0	1.1	2.3	2.9	2.8	3.5
Total Labour Costs ⁴	2 046	4.1	-0.7	3.5	6.4	4.2	3.7	3.5
Gross Profit	1 448	4.7	-1.2	4.0	2.8	...	...	...
Profit Share	...	41.5	41.3	41.5	40.6	40.6	40.9	41.2
Adjusted Profit Share ⁵	...	35.8	35.7	36.0	35.2	35.3	35.5	35.8

¹ Calculated at basic prices. ² Calculated at factor prices. ³ SEK. ⁴ Including wage-related other taxes on production for employees.

⁵ Excluding one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed.

Sources: Statistics Sweden and NIER.

Table A19 Consumer Prices

Per cent and percentage change, respectively

	Weight							
	2020	2019	2020	2021	2022	2023	2024	2025
CPI	100.0	1.8	0.5	0.9	1.3	2.0	2.4	2.5
Mortgage Interest Costs, Mortgage Interest Rate	...	1.8	0.4	-4.0	-0.6	1.3	4.4	11.5
CPIF	100.0	1.7	0.5	1.1	1.4	1.9	2.2	2.1
Goods	43.7	1.0	0.8	0.2	0.6	...	...	...
Services	29.8	2.1	1.4	1.3	1.3	...	...	...
Housing Excl. Mortgage Interest Costs and Energy	16.3	1.9	1.7	1.8	1.5	...	...	...
Energy	7.0	3.1	-9.5	1.5	4.2	...	...	...
Mortgage Interest Costs, Capital Stock	3.1	5.8	5.6	5.4	5.3	5.0	4.8	4.5
CPIF Excl. Energy	93.0	1.6	1.3	1.0	1.2	...	...	...
HICP	...	1.7	0.7	0.7	1.2	...	...	...
Crude Oil (Brent) ¹	...	64.3	41.7	49.8	58.7	74.5	85.8	88.6

¹ Dollars per barrel, annual average.

Note. The CPI's mortgage interest cost component is the product of the mortgage interest rate and the capital stock.

Sources: Intercontinental Exchange, Statistics Sweden, Macrobond and NIER.

Public Finances

Table A20 General Government Finances

SEK billion, current prices, and percentage of GDP, respectively

	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2 390	2 454	2 414	2 496	2 607	2 723	2 824	2 938
<i>Per cent of GDP</i>	49.5	48.8	49.0	48.4	48.2	48.3	48.2	48.3
Taxes and Duties	2 107	2 158	2 123	2 182	2 277	2 384	2 482	2 579
<i>Per cent of GDP</i>	43.6	43.0	43.1	42.3	42.1	42.3	42.4	42.4
<i>Tax-to-GDP Ratio¹</i>	43.8	43.1	43.2	42.5	42.2	42.5	42.5	42.5
Property Income	75	77	64	70	76	80	86	94
Other Revenue	208	218	227	244	254	259	255	264
Expenditure	2 350	2 421	2 583	2 639	2 669	2 733	2 825	2 930
<i>Per cent of GDP</i>	48.7	48.2	52.4	51.2	49.3	48.5	48.2	48.1
Consumption Expenditure	1 258	1 300	1 328	1 392	1 433	1 485	1 543	1 606
Transfers	829	848	974	941	919	923	944	969
Households	656	673	715	725	724	729	743	760
Corporations	93	94	167	115	100	95	99	103
Abroad	80	82	92	101	96	99	103	107
Capital Formation ²	233	245	255	278	288	294	301	311
Property Expenditure	30	27	27	28	29	31	36	44
Technical Transfer to Households³	0	0	0	0	0	-3	-19	-14
Net Lending⁴	40	33	-169	-142	-62	-7	17	22
<i>Per cent of GDP</i>	0.8	0.6	-3.4	-2.8	-1.1	-0.1	0.3	0.4
Primary Net Lending⁵	-5	-17	-207	-184	-109	-56	-33	-29
<i>Per cent of GDP</i>	-0.1	-0.3	-4.2	-3.6	-2.0	-1.0	-0.6	-0.5
Structural Net Lending	14	30	-92	-69	-32	0	19	20
<i>Per cent of potential GDP</i>	0.3	0.6	-1.8	-1.3	-0.6	0.0	0.3	0.3
Maastricht Debt	1 879	1 762	1 955	2 069	2 102	2 157	2 194	2 236
<i>Per cent of GDP</i>	39	35	40	40	39	38	37	37
GDP, Current Prices	4 828	5 024	4 931	5 153	5 412	5 632	5 858	6 085
Potential GDP, Current Prices	4 776	4 995	5 127	5 284	5 449	5 635	5 858	6 085
Net Financial Wealth	1 160	1 424	1 344	1 280	1 264	1 308	1 377	1 452
<i>Per cent of GDP</i>	24	28	27	25	23	23	24	24

¹The tax-to-GDP ratio is calculated by dividing total taxes, including EU taxes, by GDP. ² Fixed gross investments, inventory investments and acquisition/disposal of land, etc. ³ Technical transfer to households in the form of changes to taxes and/or transfer payments. A negative number means a transfer from households to the government. ⁴ Net lending is calculated as income minus the sum of expenses and transfers to households. ⁵ Primary net lending is calculated as net lending minus net capital income. Net capital income is capital income minus capital expenditures.

Sources: Statistics Sweden and NIER.

Table A21 Central government finances

SEK billion and percentage of GDP, respectively, current prices

	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1 264	1 288	1 241	1 286	1 339	1 411	1 463	1 524
Taxes and Duties	1 106	1 124	1 069	1 103	1 145	1 212	1 267	1 319
Property Income	28	29	30	27	30	30	33	35
Other Revenue	130	135	143	157	164	168	163	169
Expenditure	1 198	1 217	1 422	1 403	1 366	1 365	1 400	1 442
Transfers	747	751	935	883	837	818	831	848
Old-Age Pension System ¹	24	23	24	25	24	23	23	24
Local Government Sector	277	278	350	337	322	312	315	318
Households	310	313	342	344	337	332	336	343
Corporations	60	60	130	80	63	57	59	61
Abroad	76	77	88	96	91	95	98	102
Consumption Expenditure	321	332	341	356	359	371	384	399
Capital Formation ²	105	113	127	144	149	154	160	166
Property Expenditure	24	21	19	20	21	21	25	29
<i>Of which interest expenditure</i>	19	15	13	14	14	15	18	22
Technical Transfer to Households³	0	0	0	0	16	41	38	57
Net Lending	66	71	-180	-116	-42	4	25	24
<i>Per cent of GDP</i>	1.4	1.4	-3.7	-2.3	-0.8	0.1	0.4	0.4
Central Government Debt	1 197	1 054	1 245	1 325	1 325	1 349	1 353	1 358
<i>Per cent of GDP</i>	24.8	21.0	25.3	25.7	24.5	24.0	23.1	22.3
Net Financial Wealth	-131	-43	-207	-270	-272	-242	-190	-139
<i>Per cent of GDP</i>	-2.7	-0.9	-4.2	-5.2	-5.0	-4.3	-3.2	-2.3

¹ Central government's old-age pension contributions. ² Fixed gross investments, inventory investments and acquisition/disposal of land, etc. ³ Technical transfer to households in the form of changes to taxes and/or transfer payments. In this table, central government grants to the local government sector are estimated on the basis of unchanged rules. If these grants turn out to be higher than with unchanged rules, the technical transfer from the central government sector to households will decrease correspondingly, at the same time as the technical transfer from local government to the households will increase correspondingly via smaller increases in local government taxes (or larger transfer payments). The total technical transfer from the general government sector to households, reported in Table A20, is not affected.

Sources: Statistics Sweden, National Debt Office and NIER.

Table A22 Age Pension System Finances

SEK billion and percentage of GDP, respectively, current prices

	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	318	328	319	336	350	362	376	392
Social Insurance Contributions	257	267	270	277	291	302	313	325
Central Government's Age Pension Contributions	24	23	24	25	24	23	23	24
Property Income	35	37	22	31	33	35	37	40
Other Revenue	2	2	3	3	3	3	3	3
Expenditure	311	322	333	340	346	357	367	376
Income Pensions	304	315	325	332	338	349	359	367
Property Expenditure	1	0	0	0	1	1	1	1
Other Expenses	6	7	7	7	7	8	8	8
Net Lending	7	6	-13	-4	4	5	9	16
<i>Per cent of GDP</i>	<i>0.1</i>	<i>0.1</i>	<i>-0.3</i>	<i>-0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.3</i>
Net Financial Wealth	1 402	1 617	1 687	1 701	1 710	1 741	1 775	1 818
<i>Per cent of GDP</i>	<i>29.0</i>	<i>32.2</i>	<i>34.2</i>	<i>33.0</i>	<i>31.6</i>	<i>30.9</i>	<i>30.3</i>	<i>29.9</i>

Sources: Statistics Sweden and NIER.

Table A23 Local Government Finances

SEK billion and percentage of GDP, respectively, current prices

	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1 119	1 148	1 238	1 248	1 275	1 297	1 335	1 377
Taxes	726	749	765	782	820	848	879	912
Municipal Property Tax	18	19	19	20	21	21	22	23
Central Government Grants incl. VAT Compensation	273	276	348	336	320	310	313	316
Property Income	12	12	12	12	14	15	16	19
Other Revenue	89	93	94	97	101	103	105	107
<i>Average municipal tax rate¹</i>	<i>32.12</i>	<i>32.19</i>	<i>32.28</i>	<i>32.28</i>	<i>32.28</i>	<i>32.28</i>	<i>32.28</i>	<i>32.28</i>
Expenditure	1 151	1 193	1 214	1 270	1 315	1 358	1 409	1 466
Transfers	84	90	95	96	98	100	102	105
Households	44	47	49	51	50	50	50	52
Other	40	43	46	45	48	50	52	53
Consumption Expenditure	933	964	984	1 032	1 069	1 110	1 154	1 202
Capital Formation	128	132	128	134	139	140	141	145
Property Expenditure	6	6	7	8	8	9	11	14
Technical Transfer to Households²	0	0	0	0	-16	-44	-56	-71
Net Lending	-33	-45	24	-22	-24	-17	-18	-18
<i>Per cent of GDP</i>	<i>-0.7</i>	<i>-0.9</i>	<i>0.5</i>	<i>-0.4</i>	<i>-0.4</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.3</i>
Net Financial Wealth	-112	-150	-136	-151	-174	-191	-209	-227
<i>Per cent of GDP</i>	<i>-2.3</i>	<i>-3.0</i>	<i>-2.8</i>	<i>-2.9</i>	<i>-3.2</i>	<i>-3.4</i>	<i>-3.6</i>	<i>-3.7</i>

¹ Per cent. ² Technical transfer to households in the form of changes to taxes and/or transfer payments. In this table, central government grants to the local government sector are estimated on the basis of unchanged rules. If these grants turn out to be higher than with unchanged rules, the technical transfer from the local government sector to households will increase accordingly via smaller increases in local government taxes (or larger transfer payments). Since the technical transfer from the central government sector to households will decrease correspondingly, the total technical transfer from the general government sector to households, reported in Table A20, is not affected.

Sources: Statistics Sweden and NIER.

Table A24 General Government Revenue with Unchanged Tax Rules

Per cent of GDP

	2018	2019	2020	2021	2022	2023	2024	2025
Direct Household Taxes	15.6	15.1	15.5	15.0	14.7	14.8	14.8	14.8
Direct Business Taxes	3.0	3.1	3.0	2.8	2.8	2.9	2.9	2.9
Employers' Social Contributions ¹	12.1	12.0	11.8	11.9	11.9	12.1	12.1	12.1
VAT	9.2	9.2	9.3	9.2	9.2	9.2	9.3	9.3
Excise	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.0
Other Taxes	1.7	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Tax-to-GDP Ratio²	43.8	43.1	43.2	42.5	42.2	42.5	42.5	42.5
EU Taxes ³	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other Revenue ⁴	4.3	4.3	4.6	4.7	4.7	4.6	4.4	4.3
Primary Revenue	48.0	47.3	47.7	47.1	46.8	46.9	46.7	46.7
Property Income	1.6	1.5	1.3	1.4	1.4	1.4	1.5	1.5
Total Revenue	49.5	48.8	49.0	48.4	48.2	48.3	48.2	48.3

¹ Employers' social contributions, contributions from the self-employed and special payroll tax. ² The tax-to-GDP ratio is defined as total taxes, including EU taxes, divided by GDP. ³ Taxes paid to the EU are included in the tax-to-GDP ratio but not in general government revenue. ⁴ Including transfers from abroad and from unemployment insurance funds.

Note. Refers to general government revenue with unchanged tax rules, that is, based on the regulations in the latest budget bill. Any phasing-out of temporary changes are considered.

Sources: Statistics Sweden and NIER.

Table A25 General Government Expenditure

Per cent of GDP

	2018	2019	2020	2021	2022	2023	2024	2025
Consumption Expenditure	26.1	25.9	26.9	27.0	26.5	26.4	26.3	26.4
Transfers	17.2	16.9	19.7	18.3	17.0	16.4	16.1	15.9
Households	13.6	13.4	14.5	14.1	13.4	12.9	12.7	12.5
Corporations	1.9	1.9	3.4	2.2	1.8	1.7	1.7	1.7
Abroad	1.6	1.6	1.9	2.0	1.8	1.8	1.8	1.8
Gross Fixed Capital Formation	4.8	4.9	5.2	5.4	5.3	5.2	5.1	5.1
Primary Expenditure	48.1	47.6	51.9	50.7	48.8	48.0	47.6	47.4
Property Expenditure	0.6	0.5	0.5	0.5	0.5	0.6	0.6	0.7
Total Expenditure	48.7	48.2	52.4	51.2	49.3	48.5	48.2	48.1

Note. Refers to general government expenditure with maintained personnel density in the provision of publicly funded welfare services and an increase in standards in line with the historic trend.

Sources: Statistics Sweden and NIER.

Table A26 Transfers from General Government to Households

Per cent of GDP

	2018	2019	2020	2021	2022	2023	2024	2025
Pensions ¹	7.5	7.5	7.9	7.7	7.5	7.4	7.3	7.2
Of Which Income Pension	6.3	6.2	6.6	6.4	6.2	6.2	6.1	6.0
Labour Market ²	0.6	0.6	0.9	1.0	0.8	0.7	0.7	0.6
Illness and Disability ³	1.6	1.5	1.6	1.5	1.3	1.2	1.2	1.2
Family and Children ⁴	1.7	1.7	1.8	1.7	1.7	1.6	1.6	1.5
Education ⁵	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Social Assistance ⁶	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Other ⁷	1.5	1.5	1.6	1.5	1.4	1.4	1.3	1.3
Total Transfer to Households	13.6	13.4	14.5	14.1	13.4	12.9	12.7	12.5

¹ Income pension, supplementary pension, guaranteed pension, survivor's pension, general government occupational pensions and housing supplement for pensioners. ² Unemployment benefits, labour market training benefits, introduction benefit and salary guarantee. ³ Sickness and rehabilitation benefit, activity and sickness compensation, work injury compensation, disability allowance and additional cost compensation. ⁴ Parental benefit, child allowance, care allowance and housing allowance. ⁵ Student grants and other study allowance. ⁶ Welfare benefits. ⁷ Assistance compensation, financial support for asylum seekers, income support for the elderly and other transfers to households.

Note. Refers to transfers from general government to households with unchanged regulations for transfers.

Sources: Statistics Sweden and NIER.

Table A27 Income Index, Balance Index, Income Pensions and Balance Ratio

Percentage change, unless otherwise indicated

	2018	2019	2020	2021	2022	2023	2024	2025
Income Index	1.5	3.1	3.8	2.2	2.4	3.6	2.4	2.8
Balance Index	2.6	3.1	3.8	2.2	2.4	3.6	2.4	2.8
Balance Ratio ^{1,2}	1.013	1.012	1.017	1.027	1.018	1.010	1.018	...
Nominal Income Pension³	1.0	1.4	2.1	0.5	0.8	1.9	0.8	1.2

¹ Level. ² Starting with 2017 entries refer to the dampened balance ratio according to the Swedish Pensions Agency, expressing the pension system's assets in relation to its liabilities two years before the current year. ³ Adjustment indexation, i.e. percentage change of income or balance index minus 1.6 percentage points.

Sources: Swedish Pensions Agency and NIER.

Table A28 Central Government Budget Balance and Debt

SEK billion and percentage of GDP, respectively

	2019	2020	2021	2022	2023
Budget Balance	80	112	-236	-80	4
Adjustments to Net Lending	10	-62	29	-1	-15
Sales of Shares etc.	-2	0	0	0	0
Extra Dividends	0	-1	0	-6	-3
On-Lending	18	-58	27	17	-2
Other Adjustments	-6	-3	1	-12	-9
Accruals	-23	21	28	-35	-32
Of Which: Tax Accruals	-19	16	21	-27	-34
Interest Accruals	1	7	6	-8	2
Other	-1	0	0	0	0
Central Government Net Lending	66	71	-180	-116	-42
Central Government Borrowing Requirement ¹	-80	-112	236	80	-4
Stock-Flow Adjustments. Central Government Debt	12	-31	-45	0	4
Central Government Debt, Change	-68	-143	191	80	-1
Central Government Debt	1197	1054	1245	1325	1325
<i>Per cent of GDP</i>	<i>24.8</i>	<i>21.0</i>	<i>25.3</i>	<i>25.7</i>	<i>24.5</i>

¹ The central government borrowing requirement is equal to the budget balance with the sign reversed.

Sources: Statistics Sweden, Swedish National Debt Office, Swedish National Financial Management Authority and NIER.

Table A29 Central Government Expenditure Ceiling

SEK billion unless otherwise indicated

	2018	2019	2020	2021	2022	2023
Central Government Expenditure Ceiling	1 337	1 351	1 743	1 695	1 634	1 539
<i>Per cent of Potential GDP</i>	<i>28.0</i>	<i>27.0</i>	<i>34.0</i>	<i>32.1</i>	<i>30.0</i>	<i>27.3</i>
Capped Expenditure	1 282	1 308	1 497	1 486	1 459	1 467
<i>Per cent of Potential GDP</i>	<i>26.9</i>	<i>26.2</i>	<i>29.2</i>	<i>28.1</i>	<i>26.8</i>	<i>26.0</i>
Budgeting Margin	55	43	246	209	175	72
<i>Per cent of Capped Expenditure</i>	<i>4.3</i>	<i>3.3</i>	<i>16.5</i>	<i>14.1</i>	<i>12.0</i>	<i>4.9</i>

Sources: Swedish National Financial Management Authority, Ministry of Finance and NIER.

Table A30 Fiscal forecast and scenario in general government

SEK billion

	2022	2023	2024	2025	2023– 2025
Fiscal space	-31	73	27	32	101
Expenditure measures excl. standard increase	14	39	18	19	91
Expenditure measures incl. standard increase	19	44	25	27	115
Central government	3	14	12	12	41
Consumption	-1	11	9	9	27
Investment	4	3	3	3	13
Local government	16	30	13	16	75
Consumption	14	26	12	14	66
Investment	2	3	1	2	8
Transfers to households in the form of changes to taxes or transfer payments	0	-3	-16	5	-14
Structural net lending ¹	-0.6	0.0	0.3	0.3	...

¹ Per cent of potential GDP.

Source: NIER.