The Swedish Economy
June 2020

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 11th of June 2020.

Stockholm, June 2020

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The Swedish Economy, June 2020

The COVID-19 pandemic means that Sweden's GDP will fall by around 10 per cent in the second quarter. The downturn will be much greater in other regions, such as the euro area. One reason why the Swedish economy has not been hit quite as hard in the second quarter is that the Swedish authorities' measures to limit the spread of infection have been less far-reaching than in many other countries. The downturn in Sweden is also being alleviated by the economic policy measures introduced. Employment is being propped up by extensive use of the short-time work scheme, with around 450,000 workers expected to be enrolled in the programme in the second, third and fourth quarters of 2020 on average. Various other steps are also being taken to help firms ride out the, in many cases severe, drop in demand as a result of the COVID-19 pandemic. These support measures will cause general government net lending to deteriorate sharply this year to -5.6 per cent of GDP. Next year, the economy will pick up and net lending will improve slightly as infections subside and vaccination against COVID-19 is assumed to begin during the autumn. The pandemic will, however, continue to weigh on the Swedish economy for at least another year. The substantial government deficits mean that Maastricht debt will rise to 46 per cent of GDP next year. Government finances can therefore still be considered comparatively strong despite the particularly deep economic downturn.

Strict social restrictions and closures have helped to markedly decrease the number of new deaths from COVID-19 in many European countries. The restrictions on social contact are gradually being eased in many countries, but the economic consequences of the COVID-19 pandemic will be severe. Global GDP is expected to fall by around 6 per cent this year, but it should be stressed that there is much greater uncertainty than normal about developments both internationally and in Sweden. In the euro area, which has been hit hard by the pandemic, the economy is expected to shrink by almost 10 per cent this year.

Sweden has imposed less extensive restrictions to limit the spread of infection than in many other countries. This has probably contributed to demand in some service industries in particular not having fallen as dramatically in Sweden. The Swedish economy is nevertheless expected to slow very sharply in the second quarter. Statistics Sweden's new monthly activity indicator shows that activity in the economy as a whole declined by just over 7 per cent year-on-year in April. Since May, the NIER has been conducting extra surveys asking firms how their sales compare to a normal situation. These indicate that sales in the manufacturing and service sectors, which have been hit hardest, were around 20 per cent lower than normal in May. All in all, the NIER expects Swedish GDP to fall by 9.5 per cent in the second quarter.

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 the level of sickness absence in Sweden and how social distancing and other measures will affect the economy. The most significant assumptions behind our forecast for the Swedish economy are as follows:

- The COVID-19 pandemic has peaked and will gradually subside during the course of 2021, although further waves of infection may flare up in various countries and regions.

- A safe vaccine against COVID-19 will be available in summer 2021, after which a vaccination campaign can begin.

- The spread of COVID-19 in Sweden peaked in the second quarter this year. Contagion will then continue at a decreasing rate during the second half of 2020 and in 2021, after which it will essentially peter out.

- Most of the restrictions and requirements for social distancing imposed in Sweden to limit the spread of the virus will be phased out gradually by summer 2021.

- Sickness absence in Sweden will be higher than normal, as many people will be ill with COVID-19 or stay home longer than otherwise as a result of the recommendations in place. Days of sickness absence are assumed to be 26 per cent higher than normal in 2020 and 13 per cent higher than normal in 2021.

- An average of 450,000 people in Sweden will work reduced hours under the short-time work programme during the second, third and fourth quarters this year. This is consistent with far higher numbers working short-time in some months. These workers will have their working hours cut by around 40 per cent on average.

- The Riksdag and the government will take more action to counter the economic downturn than decided or announced to date. Additional support measures amounting to SEK 16 billion in 2020 and SEK 71 billion in 2021 are assumed over and above what would follow from unchanged rules and policies, in the form of decisions in ordinary central and local government budgets and additional amending budgets. For example, it is assumed that the short-time work system will be activated for parts of 2021 (with a lower rate of subsidy than for the current programme), as Sweden will still find itself in a particularly deep economic downturn.

The weak activity in the manufacturing sector is due partly to a sharp drop in export demand but also to disruption of supply chains. Demand for Swedish export goods will start to grow again as other economies reopen and begin to recover. The easing of restrictions means that infections will flare up again to some extent in the year ahead in some countries and regions that are unable to rapidly contain new outbreaks through testing and track-and-trace systems. The risk of this is greatest in countries that have previously had relatively new cases. It is assumed that this will lead to fresh disruption of international supply chains, causing problems for Swedish manufacturers.

The forecast that the global economy will begin to recover in the third quarter is based on the assumption that the COVID-19 pandemic has peaked – see the box "Assumptions underlying the forecast". Understandably, however, there is very great uncertainty about international developments.

The forecast for the Swedish economy is also subject to higher levels of uncertainty than normal. This is partly because the assumptions underlying the forecast are very uncertain in themselves, and because there is a time lag before economic statistics are published. It is also a result of the short-term forecasting models normally used by the NIER being of limited value in the current circumstances. In the labour market, there is particular uncertainty about the number of employed and unemployed because it is uncertain how much use will be made of the short-time work scheme.

The NIER's overall conclusion is that the Swedish economy will begin to pick up in the third quarter, but that the particularly deep economic downturn will persist next year. The recovery will be supported by economic policy measures introduced to support firms, workers and local government – see the box "Economic policy measures to date to alleviate the effects of COVID-19 pandemic". The short-time work programme is the most costly of these measures, with 450,000 people assumed to be enrolled during the second, third and fourth quarters this year on average. Together with various forms of financial support to help firms weather the crisis, this means that the business sector will be better equipped to satisfy growing demand when the economy picks up during the autumn.

Fiscal measures mean that Sweden's Maastricht debt will rise to 44 per cent of GDP this year and 46 per cent next year. While this is a substantial increase in debt levels, Sweden's public finances will still be comparatively strong next year. The NIER therefore believes that there is considerable scope to provide additional support for the economic recovery, in the form of fiscal measures over and above those assumed in the forecast, should the situation deteriorate.

Global developments

MANY COUNTRIES ARE STARTING TO EASE RESTRICTIONS

COVID-19 continues to spread around the world. In many European countries, however, the number of new deaths has slowed recently, and the extensive restrictions imposed to slow the spread of infection have begun to be lifted. The economic recovery will nevertheless take time. Infections are expected to flare up again to some extent over the year ahead in some countries and regions that are unable to rapidly contain fresh outbreaks through testing and track-and-trace systems – especially countries that have previously had relatively few cases. The NIER's forecast is that global GDP will fall by around 6 per cent this year. The forecast is based on the assumption that a safe vaccine becomes available in summer 2021 and begins to be distributed worldwide during the autumn. If this does not happen, the economic recovery will probably be delayed further.

China was the first country to be affected by COVID-19. When the Chinese government gradually lifted its extensive restrictions from mid-February, sentiment among purchasing managers started to return to more normal levels. This trend is also now beginning to be seen in the euro area and the US as restrictions there are eased, but purchasing managers indices (PMIs) are still much lower than normal (see Diagram 1). Together with other available statistics, PMI data indicate that global production in both the service and manufacturing sectors (see Diagram 2) will fall sharply in the second quarter. Household consumption has been adversely affected by restrictions and social distancing, fear of infection and higher unemployment. Many firms are also cutting back sharply on investment due to weaker demand and profitability and an uncertain outlook. This has contributed to a decrease in foreign trade, especially between the advanced economies (see Diagram 3). Sweden's export market is being hit hard by this and will shrink markedly in 2020 (see Table 1).

The global economic recovery is expected to begin in the second half of 2020, with global GDP expected to grow by 4.5 per cent next year (see Table 1). Growth will then slow gradually in 2022-2024, as the global economy will be close to normal resource utilisation. The recovery abroad means that Sweden's export market will pick up relatively quickly (see Table 1).

Oil prices have risen since the end of April but are still relatively low, putting a damper on global inflation. Reduced demand for goods and services has also contributed to global prices rising less quickly in recent months than at the beginning of the year. The low inflation is expected to persist in 2020 and 2021, with many firms having limited scope to raise prices due to weak demand. Inflation will thereafter start to rise and will approach central banks' target levels in 2022 (see Table 1).

Diagram 1 Purchasing manager index
Index, monthly values
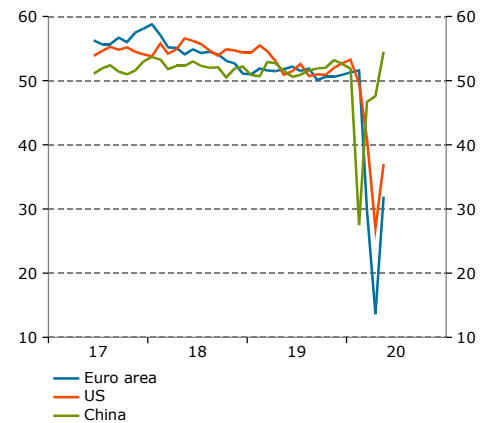
Note. Weighted purchasing managers index for manufacturing and services.
Source: Markit.

Diagram 2 Industrial production in selected countries and regions
Annual percentage change, monthly values
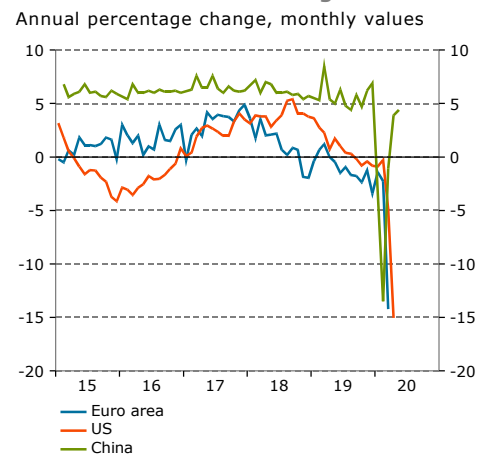
Sources: Eurostat, Federal Reserve and NIER.

Diagram 3 World trade with goods
Annual percentage change, monthly values
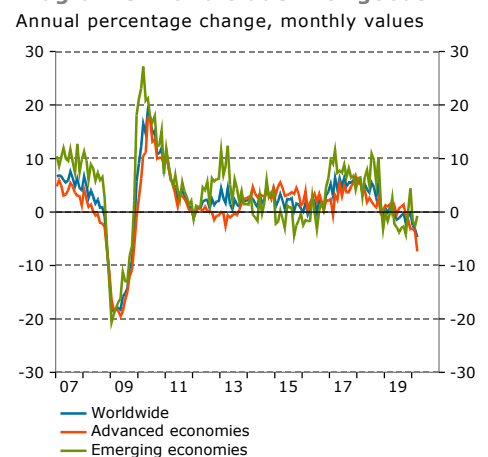
Source: Netherlands Bureau for Economic Policy Analysis.

The forecast for the global economy is associated with much greater uncertainty than normal. Perhaps the greatest uncertainty relates to the spread of the actual virus and when a safe vaccine will be available. Another source of uncertainty is how the COVID-19 pandemic will impact on firms' and consumers' behaviour in the slightly longer term. Should, for example, firms choose to reduce their dependence on long and uncertain supply chains, this could lead to a decrease in world trade and international specialisation, with negative implications for global productivity and GDP.

DEEP RECESSION IN THE EURO AREA

The severe restrictions introduced to limit the spread of infection in the euro area have led to an exceptional economic downturn in the first half of this year. GDP in the euro area fell by 3.6 per cent from the fourth quarter to the first quarter, despite the lockdowns in most countries not being introduced until March.

Most available indicators show deeply pessimistic expectations among both consumers and firms in the euro area (see Diagrams 4 and 1). Other than the service sector, manufacturing – especially the automotive industry – has been hit especially hard, with a sharp decline in orders. Capacity utilisation in manufacturing has plummeted, pulling down investment (see Diagram 5). Retail sales tumbled in both March and April (see Diagram 6). The outlook for households has deteriorated considerably in recent months. Besides very weak consumer confidence, rising unemployment points to a steep fall in spending. All in all, euro area GDP is expected to fall by no less than 15 per cent in the second quarter.

Fiscal policy has been made expansionary this year to help households and firms weather the crisis. This will help the economy begin a recovery in the second half of this year which will continue in 2021. GDP will nevertheless be around 3.5 per cent lower at the end of 2021 than it was two years earlier. The expansionary fiscal stance will also bring substantial increases in debt levels in the euro area. Some of the countries hit hardest by the pandemic in economic terms already had very high debt, such as Spain and Italy. This threatens stability across the euro area, and it is likely that the most vulnerable countries will be given support in the form of loans and grants funded by EU borrowing. The ECB will also purchase a substantial share of those countries' government bonds, which will reduce their borrowing costs.

UNEMPLOYMENT UP SHARPLY IN THE US

COVID-19 did not begin to affect the US economy significantly until March, and GDP fell only by around 1 per cent in the first quarter. Consumption dropped off sharply, foreign trade deteriorated, and the latest monthly statistics show steep falls in retail sales and industrial production in April (see Diagrams 2 and 6).

Diagram 4 Consumer confidence
Standardised deviations from the mean, monthly values
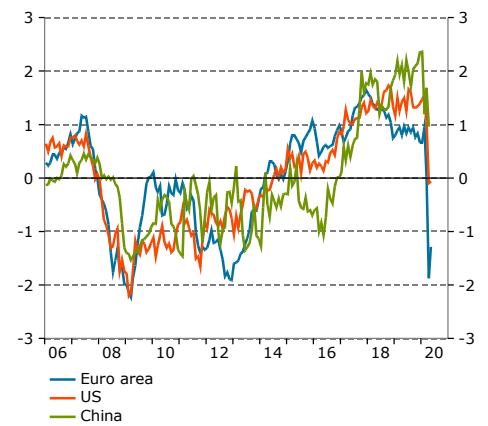
Euro area
US
China

Sources: Conference Board, Eurostat and Macrobond.

Diagram 5 Capacity utilisation in manufacturing, Euro area
Per cent, quarterly values
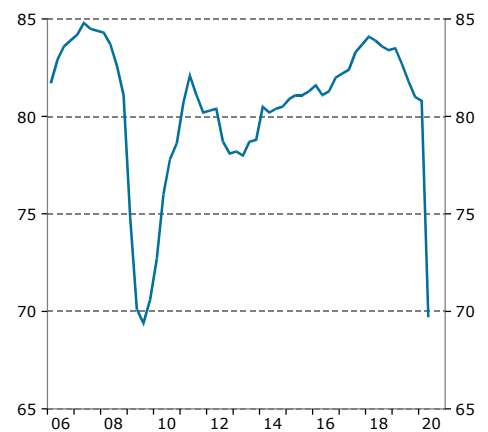
Sources: European Commission and Macrobond.

Diagram 6 Retail in selected countries and regions
Annual percentage change, monthly values

Euro area
US
China
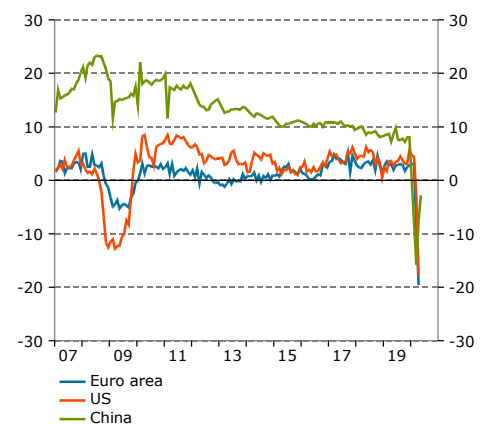
Sources: China National Bureau of Statistics (NBS), Eurostat and U.S. Consensus Bureau.

The PMI and more high-frequency statistics suggest further weakness in the near term (see Diagrams 1 and 7). All in all, this points to a historically sharp dip in GDP in the second quarter: the NIER forecasts a decrease of almost 11 per cent. Over 2020 as a whole, GDP is expected to decline by 7.0 per cent (see Table 1).

Unemployment was 13.3 per cent in May, slightly down on the record high set in April. The majority of the newly unemployed have only been laid off temporarily (see Diagram 8), but there is a clear risk of many subsequently being laid off permanently. This uncertainty in itself is holding back spending. The government has, however, increased support for those losing their work and introduced more generous sick pay. This has slowed the slide in consumption, and there is a good chance of a relatively rapid recovery once the restrictions are eased.

RAPID RECOVERY IN CHINESE MANUFACTURING

China saw a record fall in GDP in the first quarter due to extensive lockdown measures in February and March. The country began to relax the restrictions slowly as early as the end of the first quarter, and people were gradually able to move more freely again. This led to a rapid recovery according to various surveys – the PMI, for example, bounced back from a record low in February to more normal levels in March (see Diagram 1).

The recovery can also be seen in hard data for industrial production, which grew by around 5 per cent year-on-year in April (see Diagram 2). Consumers have nonetheless become more cautious, but confidence is still higher than normal (see Diagram 4). The decline in consumer confidence is reflected in weak retail sales (see Diagram 5). All in all, there is much to suggest that Chinese GDP will grow relatively quickly again as early as the second quarter. Investment has risen strongly, and construction has taken off again (see Diagram 9). A slower recovery elsewhere will, however, put a damper on the recovery in China via relatively weak export growth (see Table 1).

Diagram 7 Weekly economic indicator, US
Per cent weekly values
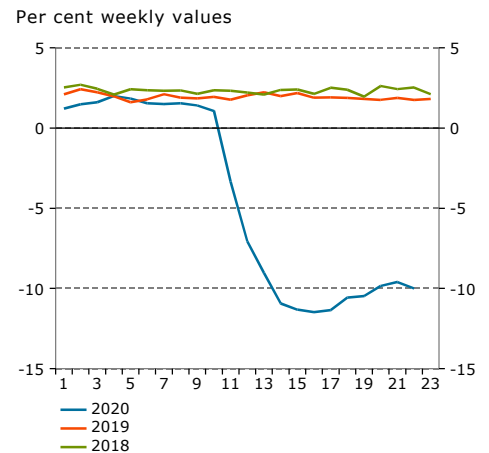
Sources: Federal Reserve Bank of New York and Macrobond.

Diagram 8 Unemployment in the US
Percent of labour force 16 years and older, seasonally adjusted monthly values
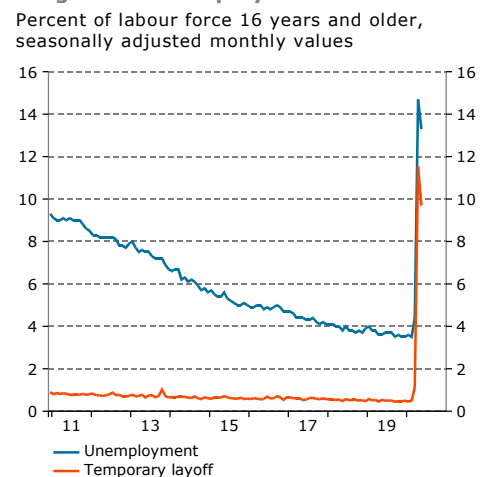
Sources: Bureau of Labor Statistics and Macrobond.

Diagram 9 Investments in China
Annual percentage change, monthly values
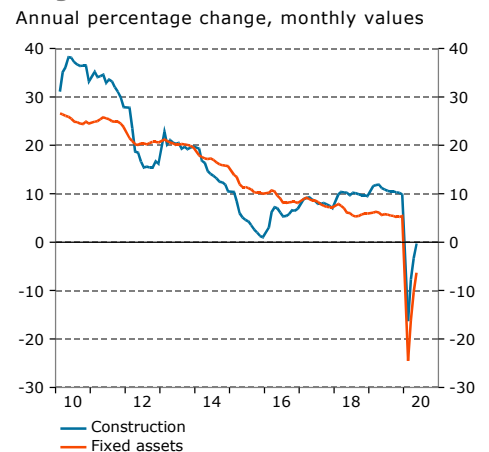
Sources: China National Bureau of Statistics, Macrobond and NIER.

Table 1 GDP and consumer prices

Percentage change

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
Sweden's Export Market[1]	3.1	−9.8	6.0	4.1	3.4	3.2
GDP[2]						
World	2.9	−5.9	4.5	4.1	3.5	3.3
KIX-weighted	2.0	−8.1	5.2	3.6	2.6	2.0
Euro Area	1.2	−9.8	5.7	3.4	2.3	1.4
US	2.3	−7.0	3.6	3.4	2.2	1.8
China	6.2	−2.9	6.8	5.4	5.4	5.3
Sweden	1.2	−5.7	3.4	4.1	2.9	2.1
CPI[3]						
KIX-weighted	2.0	1.2	1.2	1.8	2.2	2.2
Euro Area	1.2	0.3	0.6	1.3	1.9	1.9
US	1.8	1.0	1.5	2.0	2.3	2.3
China	2.9	3.1	2.0	2.8	3.0	3.0
Sweden	1.7	0.4	1.1	1.4	1.7	1.9

[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. KIX-weighted GDP is an aggregate calculated using the Riksbank's KIX weights, which cover Sweden's 32 most important trading partners.

[3] KIX-weighted CPI is an aggregate calculated using the Riksbank's KIX weights, which cover Sweden's 32 most important trading partners. 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 and NIER.

INTERNATIONAL MONETARY POLICY AND FINANCIAL MARKETS

Financial markets have been relatively stable recently despite there still being great uncertainty about how the COVID-19 pandemic will develop. Extensive monetary and fiscal support packages have helped stabilise financial markets, and share prices have rallied (see Diagram 10).

Central bank support for the credit markets and more positive investors have led to lower yields on riskier bonds. For example, the credit spread between corporate and government bonds has narrowed since March (see Diagram 11). Yields on high-risk corporate bonds have also fallen after the Federal Reserve decided to purchase bonds from companies that have had their credit ratings lowered to non-investment grade. All in all, financial conditions have improved since the beginning of the COVID-19 pandemic.

Central bank asset purchases and low interest rates will lend support to the global recovery. Policy rates will, however, begin

Diagram 10 Stock markets
Index 2006-12-29=100, daily values, 5-days moving average

— US (S&P 500)
— Sweden (OMXS)
— Euro area (STOXX)
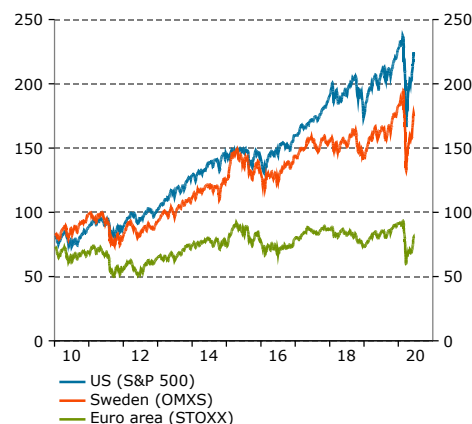
Sources: Standard & Poor's, Nasdaq OMX, STOXX and Macrobond.

Diagram 11 Credit spreads
Per cent, daily values
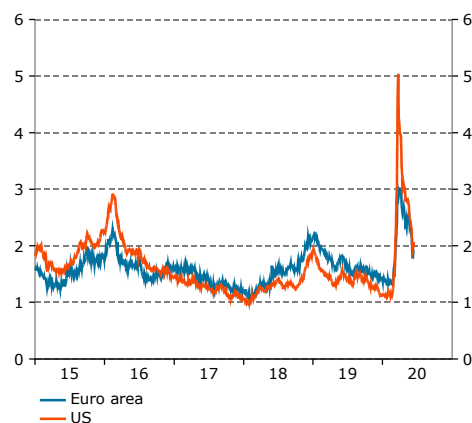
— Euro area
— US

Note. Refers to interest rate differentials between corporate bonds with credit rating BBB and government bonds with maturities of 5 years. For the euro area, German government bonds are used.
Sources: Macrobond and NIER.

Diagram 12 Policy rates
Per cent, daily values

— Euro area
— US
— Sweden
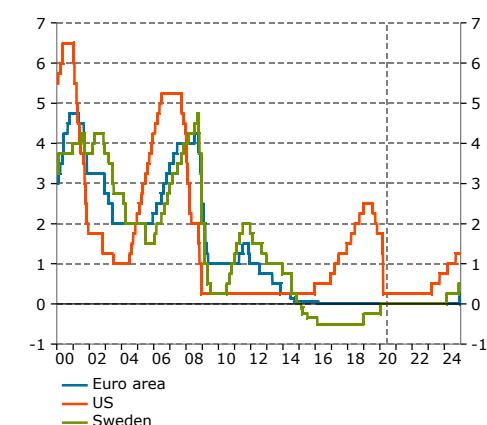
Sources: ECB, Federal Reserve, The Riksbank, Macrobond and NIER.

to rise again as resource utilisation increases and inflation approaches central bank target levels in 2022-2023 (see Diagram 12).

Demand and production in Sweden

RECORD FALL IN OUTPUT IN THE SECOND QUARTER

Although COVID-19 began to spread in Sweden towards the end of the first quarter, GDP increased by 0.1 per cent (see Diagram 13). Part of the reason why GDP growth was not weaker is that measures to prevent contagion did not start to be introduced until some way into March. This contributed to the Economic Tendency Indicator not falling sharply until April, and it remained at record-low levels in May (see Diagram 13). The marginal increase in GDP in the first quarter was also a result of unusually strong exports, which, excluding their import content, are estimated to have contributed 0.8 percentage points to GDP growth. Domestic demand, on the other hand, was weak in the first quarter.

According to Statistics Sweden's production value index, production in the business sector as a whole decreased by around 9 per cent year-on-year in calendar-adjusted terms in April, with the biggest drop in manufacturing (see Diagram 14). This can be compared with Statistics Sweden's new activity indicator, which suggests that activity in the overall economy fell by 7.3 per cent year-on-year in calendar-adjusted terms in April. The NIER's extra surveys asking firms how their sales compare to a normal situation suggest that sales in much of the business sector were much lower than normal in May, especially in manufacturing and services (see Diagram 15). Government production, on the other hand, is expected to have been more stable in the second quarter. All in all, the NIER expects Swedish GDP to fall by 9.5 per cent in the second quarter.

Although growth will then turn positive again, the output gap will remain deep in negative territory in 2021. Lower import demand abroad, decreased consumption (above all of some services), fewer tourist visits to Sweden and lower investment than before the crisis will substantially reduce demand. Production will also be held back to some extent by problems sourcing intermediates and high levels of absenteeism due to increased sickness absence. Generally speaking, indicators suggest that both exports and household consumption and investment expenditure will pick up gradually from the third quarter. The Economic Tendency Survey and more high-frequency statistics indicate that the bottom has now been passed.[1] The downturn in the second quarter has, however, been so severe that the output gap

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[1] For more highly-frequency statistics see NIER's webpage, https://www.konj.se/statistik-och-data/covid-19-relaterat.html.

Diagram 13 Economic tendency indicator and GDP
Index mean=100, monthly values and percentage change, seasonally adjusted quarterly values

— Economic tendency indicator
— GDP (right)
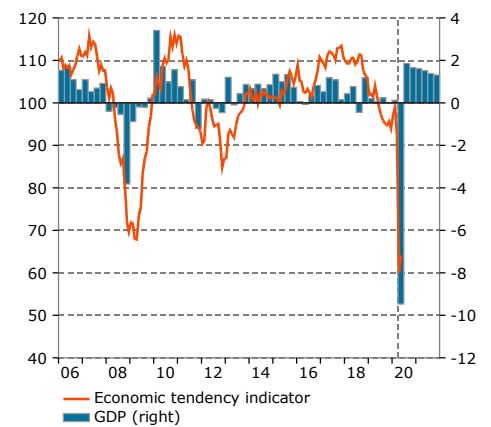
Sources: Statistics Sweden and NIER.

Diagram 14 Production value index in manufacturing and service sector
Annual percentage change, calendar-adjusted monthly values

— Manufacturing
— Service sectors
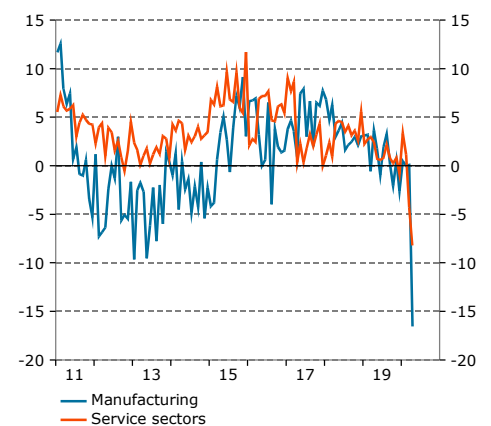
Source: Statistics Sweden.

Diagram 15 NIER extra survey: Sales compared to normal
Per cent

■ Week 18-19
■ Week 20-21
■ Week 22-23

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.

will remain deeply negative in 2021, with GDP at the end of that year still 0.5 per cent down on the fourth quarter of 2019. Extensive fiscal measures have been introduced to limit the rise in unemployment and business failures. Along with low interest rates, this will support the recovery, and the output gap is expected to close during the course of 2023.

It is primarily the decrease in exports and gross fixed capital formation that is responsible for the drop in GDP this year (see Diagram 16). This is in line with the pattern seen in most previous downturns. The negative contribution from household consumption is smaller. Household consumption is a less volatile variable, and although its contribution to GDP growth is less negative than those from exports and investment, the reduction in consumption is unusually large.

Table 2 Domestic economy

Percentage change, constant prices

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
Household Consumption Expenditure	1.2	−5.1	4.3	3.7	2.9	2.7
General Government Consumption Expenditure	0.3	0.9	1.4	0.9	1.0	1.2
Gross Fixed Capital Formation	−1.3	−11.2	1.6	8.0	4.9	2.4
Domestic Demand Excl. Stockbuilding	*0.3*	*−5.0*	*2.9*	*3.9*	*2.8*	*2.2*
Stockbuilding[1]	−0.1	−1.1	0.9	0.3	0.0	0.0
Total Domestic Demand	*0.2*	*−6.1*	*3.8*	*4.2*	*2.8*	*2.2*
Exports	3.2	−10.3	6.0	6.5	3.7	3.2
Total Demand	*1.2*	*−7.5*	*4.5*	*5.0*	*3.1*	*2.5*
Imports	1.1	−12.1	6.8	7.1	4.2	3.6
Net Exports	*1.0*	*0.4*	*−0.1*	*0.0*	*−0.1*	*0.0*
GDP	**1.2**	**−5.4**	**3.5**	**4.1**	**2.6**	**2.1**
GDP, calendar adjusted	1.2	−5.7	3.4	4.1	2.9	2.1
GDP per Capita	0.2	−6.3	2.7	3.3	1.9	1.4
Current Account[2]	4.1	4.9	3.6	3.3	2.9	2.6

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

Sources: Statistics Sweden and NIER.

LOCKDOWNS ABROAD HIT SWEDISH EXPORTS

The sharp slowdown abroad means that Swedish exports are expected to decline by 10 per cent this year after their steep fall in the second quarter, despite growing strongly in the first, third and fourth quarters (see Diagram 17).

The global economic downturn is hurting Swedish exports through both decreased demand and disruption of global supply chains. Exports are expected to drop by no less than 20 per cent

in the second quarter. Signals from abroad are extremely bleak. In the Economic Tendency Survey, firms' assessment of their export orders has deteriorated sharply (see Diagram 18), and manufacturers' production plans are at their lowest since measurements began.

During the second half of this year, however, import demand abroad is assumed to begin to pick up gradually, and supply constraints in the manufacturing sector will gradually ease. Swedish exports of goods will therefore also begin to recover in the second half of the year.

Growth in exports of services will fall sharply this year. The COVID-19 pandemic means that transport services and foreign tourists' consumption in Sweden will plummet. Next year, growth in service exports will be relatively strong. Besides a rebound as tourism and cargo services grow again, the rollout of 5G in other countries will generate exports of ICT services.

A continued economic recovery abroad means that resource utilisation will improve and investment demand will increase. This will help Swedish exports grow relatively quickly in 2022 before gradually decelerating again.

UNCERTAIN OUTLOOK HOLDING BACK BUSINESS INVESTMENT

Gross fixed capital formation fell by 0.9 per cent in the first quarter. It was mainly manufacturing investment that contributed to this negative growth, but construction of new homes also decreased. The deep economic downturn and considerable uncertainty about the shape of the recovery mean that many firms are putting back investments, and investment growth is expected to decline considerably in 2020. Many firms also need to make savings due to lost sales. Investment will fare worst in manufacturing, where capacity utilisation is already as low as it ever went during the financial crisis (see Diagrams 19 and 20). The weak global economy is a key factor here, not least the recession in the euro area. Investment in parts of the service sector, including hotels, restaurants and transport, is also expected to decrease markedly. All in all, this means that business sector investment excluding housing will decline sharply as a share of GDP this year (see Diagram 21), which is a normal pattern in an economic downturn. The economic recovery, gradually reduced uncertainty and pent-up investment demand mean that investment will accelerate during the course of 2021, but it will still fall slightly further as a share of GDP in 2021 as a whole. Investment will then continue to grow rapidly in 2022 as resource utilisation in the economy approaches normal levels, and investment will rise again as a share of GDP.

Firms' responses to the Economic Tendency Survey indicate that construction has not been hit as hard as manufacturing and services excluding housing. Building permits and apartment starts did, however, fall in the first quarter, a pattern that is

Diagram 19 Gross fixed capital formation, excl. housing
Percentage change

- Manufacturing
- Service industries excl. housing
- General government
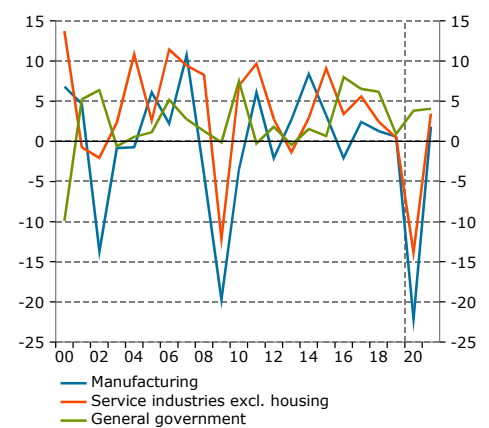
Sources: Statistics Sweden and NIER.

Diagram 20 Capacity utilisation in manufacturing
Per cent, seasonally adjusted quarterly values

- Statistics Sweden
- Statistics Sweden, mean 2000-2020
- NIER
- NIER, mean 2000-2020
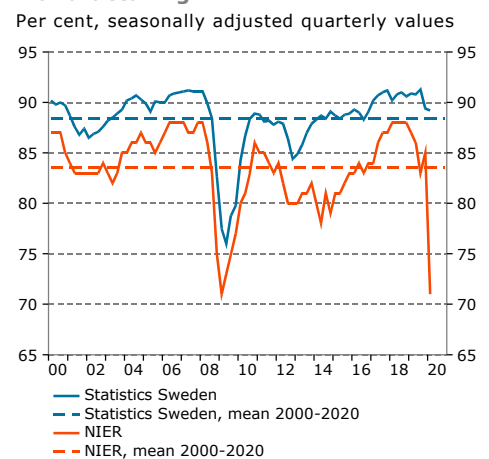
Note: NIER figures do not include the mining industry
Sources: Statistics Sweden and NIER.

Diagram 21 Gross fixed capital formation
Per cent of GDP, current prices

- Total investments
- Business sector, total
- Business sector excl. housing
- Housing
- Public authorities
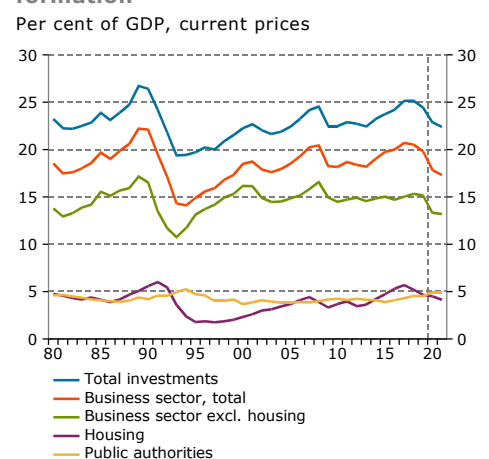
Sources: Statistics Sweden and NIER.

expected to continue during the year. This means that housing investment will decrease substantially, albeit with a certain time lag (see Diagram 22). Although housing prices are not expected to collapse this year, there is considerable uncertainty about how they will move, which will reduce interest in investing. Investment in residential upgrades will fall sharply from the second quarter, as the planning horizon is shorter than for new buildings, but housing investment for the year as a whole will be boosted by a strong finish to 2019 and a strong first quarter of 2020.

Local government investment decreased slightly in 2019, but has been high by historical standards in recent years, and it is expected to hold around the same level in 2020 and 2021. Higher central government investment, above all in infrastructure, means that total public investment will increase in 2020 and 2021 both in volume terms and as a share of GDP (see the section "Government finances" below).

SOCIAL DISTANCING LEADING CONSUMERS TO SAVE MORE

Household consumption fell by 1.7 per cent in the first quarter. This was partly a result of very weak car sales after the spike at the end of last year ahead of changes to the vehicle taxation system from 1 January. A mild winter also meant that energy consumption was much lower. The impact of the COVID-19 pandemic on consumption in the first quarter is considered to have been moderate, as the measures to limit the spread of infection were not introduced until the end of the period.

Restrictions to limit social contact and changes in behaviour are expected to send consumption tumbling by no less than 8 per cent in the second quarter. Consumption of services such as hotel visits, travel and some sporting, entertainment and cultural events is believed to have fallen drastically. Also restaurant visits decreased rapidly in the middle of March (see Diagram 23). Certain other services have also been affected, as have sales of consumer durables. On the other hand, consumption of some goods and services, such as food, has benefited. The bleak economic outlook for households is reflected in the consumer confidence indicator, which fell in April and May to the same low levels as when the financial crisis struck in autumn 2008 (see Diagram 24).

Social distancing, both compulsory and voluntary, is expected to be phased out gradually as contagion subsides during the course of 2020 and 2021, allowing household consumption to recover (see Diagram 24). There will also be a backlog of pent-up consumption. On the other hand, households will be adversely affected by unemployment rising rapidly this year and remaining high next year. All in all, household consumption is expected to fall by just over 5 per cent this year (see Diagram 25). Household incomes will decrease this year as unemployment rises and investment income falls due to many companies

Diagram 22 Housing investments
Percentage change

- Total housing investments
- Reconstruction
- New construction
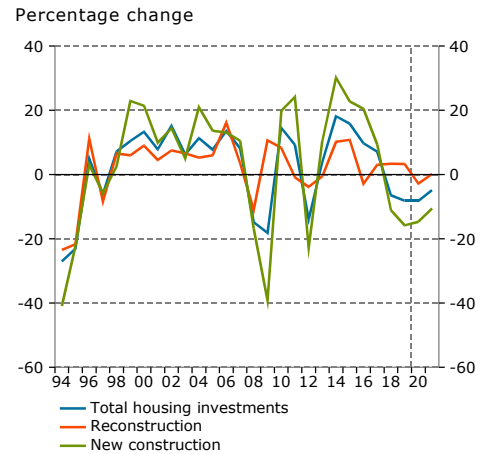
Sources: Statistics Sweden and NIER.

Diagram 23 Sales in restaurants
Annual percentage change, 7 day moving average

- Sweden
- Stockholm
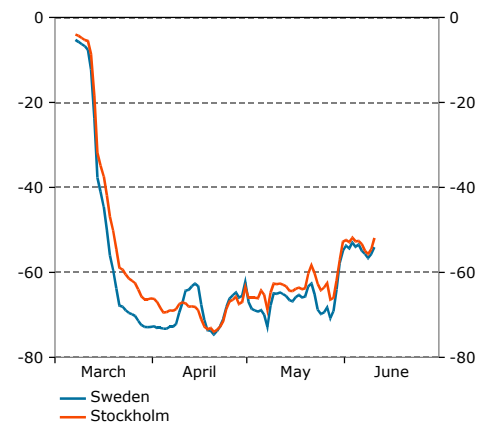
Note: The data shows sales in approximately 600 restaurants with average annual sales of 18 million SEK. Slightly fewer restaurants are included in 2020 compared to 2019 because of closures
Sources: Caspeco and NIER.

Diagram 24 Household confidence indicator and consumption expenditure
Index mean=100, seasosnally adjusted monthly values and percentage change, seasonally adjusted quarterly values

- Household confidence indicator
- Household consumption expenditure (right)
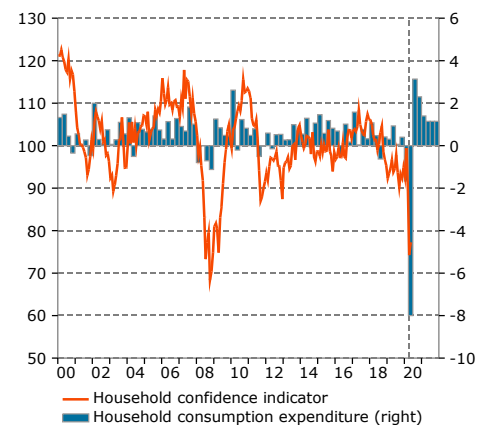
Sources: Statistics Sweden and NIER.

reducing or cancelling dividends. The decline in consumption means that the saving rate will rise sharply nonetheless. Next year, household incomes will grow more quickly as unemployment stabilises and investment income picks up. Together with a gradually reduced need for social distancing, this will help consumption to climb almost 4 per cent in 2021, and the saving rate to fall again.

The forecast for household consumption presupposes that housing prices do not collapse, but there is a not insignificant risk of a substantial decline. Values of various types of commercial property could also fall. Lending to real estate companies is a significant exposure for Swedish banks, and a slump in the property market could spell substantial loan losses. The long period of very low interest rates may also have caused imbalances in financial markets. Both in Sweden and abroad, the search for higher returns may have increased risk taking and driven up the prices of risky assets such as shares and non-investment grade bonds. Prices for these assets could therefore tumble if investors reconsider their required rate of return. A sharp drop in prices for households' real and financial assets would reduce their wealth and lead to weaker household consumption than forecast.

GOVERNMENT CONSUMPTION GROWTH SUBDUED THIS YEAR BUT STRONGER NEXT YEAR

Government consumption decreased by 0.3 per cent in the first quarter and is expected to perform poorly again in the second quarter in volume terms. Contributing factors include increased sickness absence in the local government sector, reduced attendance at nurseries and schools, postponements of surgeries, and fewer people seeking health care. This is being offset to some extent by the increased burden on the health care system from COVID-19.

In the latter part of 2020 and first half of 2021, the annual rate of growth in government consumption is expected to be relatively high as fewer staff take sickness absence and work begins on clearing the backlog in the health care system. Central government programmes, including labour market initiatives, mass testing and maintenance of roads and railways, will also contribute to increase the consumption volume in 2021 (see Diagram 26). Consumption growth is nevertheless expected to be only slightly higher than warranted by demographic developments, due partly to a need to keep a rein on debt levels in the local government sector (see the section "Government finances" below).

SUBSTANTIAL DECREASE IN MANUFACTURING PRODUCTION

Production in the business sector grew by 0.2 per cent in the first quarter. There was a decrease in the construction sector and

Diagram 25 Household consumption, real disposable income and saving ratio
Percentage change and per cent of disposable income plus collective savings

Household consumption expenditure
Real disposable income
Saving ratio (right)
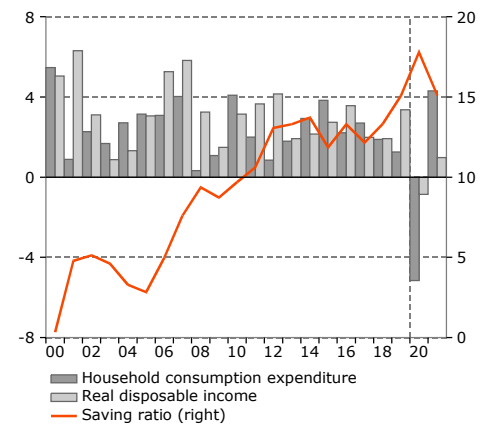
Note. The savings ratio is defined as households' total savings incl. savings in premium and occupational pensions as a share of household disposable income plus savings in premium and occupational pensions.
Sources: Statistics Sweden and NIER.

Diagram 26 Government consumption
Annual percentage change, calendar adjusted quarterly values

Government consumption
Average 1993-2020
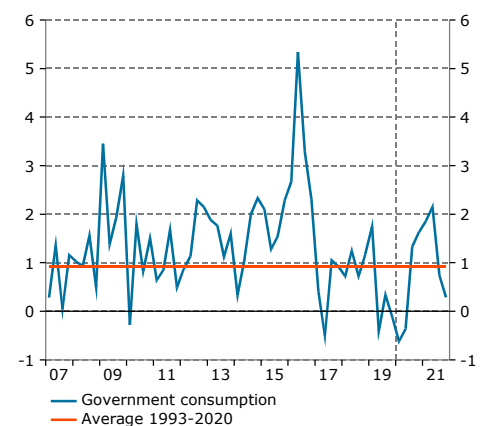
Sources: Statistics Sweden and NIER.

only a subdued increase in the service sector, but manufacturing production performed better, due partly to strong exports of goods.

In the second quarter, business sector production has fallen dramatically. The indicator for manufacturers' production plans is at its lowest since measurements began, and the confidence indicators for both manufacturing and services have plummeted. The NIER's extra surveys of firms' sales in May and early June also suggest substantial cutbacks in production in many industries. Bleakest of all is the picture in parts of the service sector, including travel, hotels and restaurants, but manufacturing has also been hit hard (see Diagram 27). Construction activity does not seem to have been affected to the same extent, and the picture in the retail trade is mixed: food retailers have reported higher sales than normal as a result of the COVID-19 pandemic, while car dealers, for example, have taken a huge hit.

Manufacturing production will begin to pick up in the third quarter as exports pick up again. Over 2020 as a whole, however, manufacturing production will still decline by almost 12 per cent (see Diagram 28). Many countries have begun to ease restrictions to limit contagion, which will stimulate demand growth and reduce supply disruptions. However, it is assumed that some regions and producers will be affected by fresh lockdown measures, with the result that Swedish firms must continue to expect temporary problems sourcing the necessary components.

In the service sector, it is mainly firms whose production is linked to household consumption that have suffered badly, but those supplying services to the manufacturing sector, especially consulting services, have also been affected (see Diagram 29). Hotels and restaurants, parts of the transport sector (especially the airlines) and travel agencies have seen a huge drop-off in demand, and it will be a long time before production in these industries returns to normal. One glimmer of light is that the rollout of 5G is continuing, leading to continued growth in the production of information and communication services.

Although the construction sector is being affected by higher sickness absence, delivery delays and cancellations, and foreign labour having left Sweden, it has not been hit as hard as other sectors. Construction activity will nevertheless fall in both the second and third quarters. Both this year and next, there will be a substantial decrease in residential construction, both newbuilds and upgrades. Commercial construction will also decline. On the other hand, the sector will benefit from an increase in government investment, for example in infrastructure.

Diagram 27 NIER extra survey: Sales compared to normal
Per cent
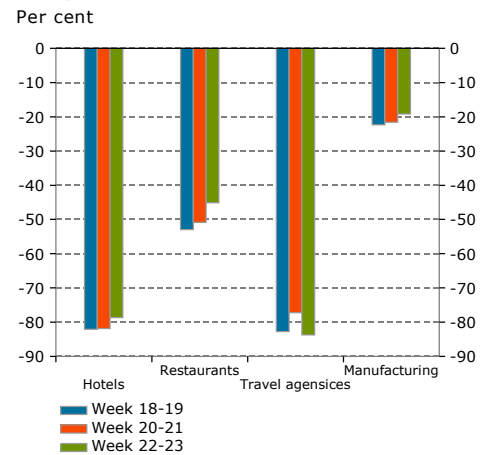
Note. The percentage loss in sales has been calculated by taking the midpoint of the response options: reduced by 1-25, 26-50 etc.
Source: NIER.

Diagram 28 Production
Percentage change, constant prices, calendar-adjusted values
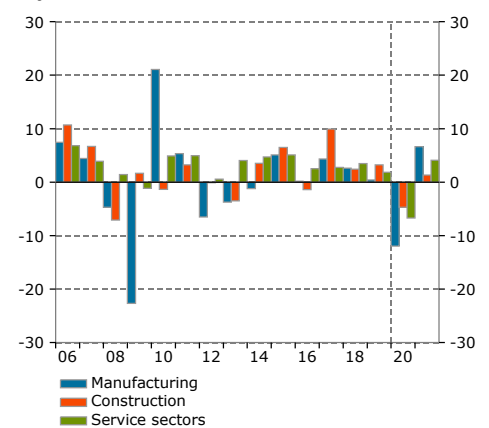
Note. Production refers to value added.
Sources: Statistics Sweden and NIER.

Diagram 29 Production in service sectors
Index 2005=100
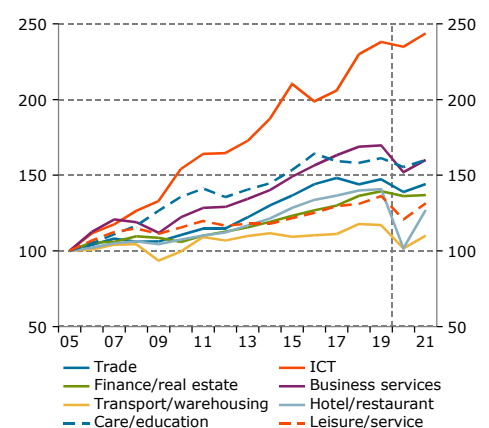
Source: Statistics Sweden.

Table 3 Production

Percentage change, calendar-adjusted values

	Forecast			**Scenario**		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Business Sector	1.8	−7.4	4.2	5.1	3.4	2.4
Goods Producers	1.7	−8.7	4.4	…	…	…
Of which: Industry	0.4	−11.9	6.6	…	…	…
Construction	3.2	−4.7	1.3	…	…	…
Service Producers	1.9	−6.7	4.1	…	…	…
General Government	0.1	−0.1	1.2	1.0	0.9	0.9
Total Economy[1]						
GDP at Basic Prices	1.4	−5.8	3.5	4.1	2.9	2.1
GDP at Market Prices	1.2	−5.7	3.4	4.1	2.9	2.1

[1] Including production in non-profit institutions serving households.

Note. Production refers to value added.

Sources: Statistics Sweden and NIER.

Labour market and resource utilisation

EMPLOYMENT TO FALL IN 2020

42,000 people were given notice of redundancy in March, and 26,000 in April. During neither the 1990s crisis nor the financial crisis were there that many redundancies in a single month. May brought a further 8,600 redundancies, which is still more than twice as many as in the average month (see Diagram 30). On top of this, a huge number of employees have been working reduced hours. This is due partly to a slump in demand and partly to supply disruptions preventing goods from being produced.

Employment is expected to decrease considerably in the second quarter (see Diagram 31). It will, however, fall much less far than hours worked, due to firms making extensive use of short-time work scheme (see Diagram 32). 450,000 people are assumed to be enrolled in the short-time work programme in the second, third and fourth quarters of 2020, on average.

Employment will continue to fall in the second half of this year and the first part of next year despite the recovery in production. The reason for this is that firms will make less use of the short-time work programme. The current programme with an increased rate of subsidy will come to an end at the turn of the year.[2] The weak economy is expected to mean that employers will not retain all staff working short-time but will make some of them redundant. This despite the option of using the

[2] Around half a million workers are expected to be enrolled in the short-time work programme in the second and third quarters of 2020. Around 200,000 fewer are expected to be enrolled in the fourth quarter, and a further 200,000 are assumed to exit the programme at the end of the year when the temporarily increased subsidy for short-time working comes to an end.

Diagram 30 Layoff notices
Thousands, monthly values
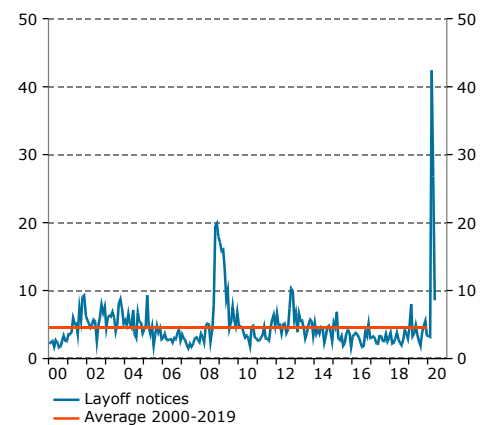
Source: Swedish Public Employment Service.

Diagram 31 Employment
Millions and percentage change, seasonally adjusted quarterly values
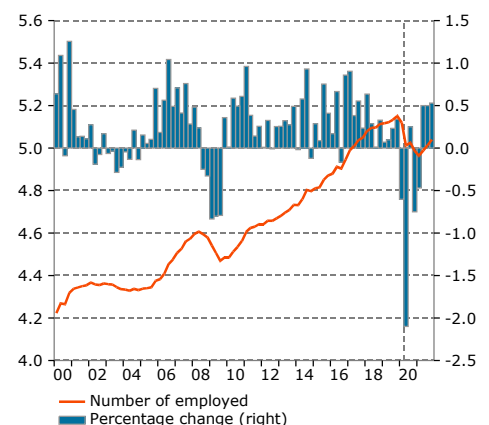
Sources: Statistics Sweden and NIER.

short-time work scheme with a normal level of subsidy, that is expected to come into force from the beginning of 2021.

SHORT-TIME WORK REINS IN UNEMPLOYMENT

Unemployment increased to 7.9 per cent in April according to seasonally-adjusted data from the Labour Force Survey, up 1.2 percentage points on March. It has risen especially among young people and the foreign-born population, who are more likely to work in customer-facing industries such as hotels and restaurants where demand has fallen furthest.

The record numbers of redundancies in March and April and an increase in jobless claims filed with the Public Employment Service suggest a big leap in unemployment in the second quarter (see Diagram 33). Unemployment will continue to climb as the number of people working short-time decreases sharply.[3] The reason for this is that firms will not retain all of the staff who have been working short-time when the level of subsidy is reduced, together with a slight increase in the labour force.

Diagram 33 shows the total number of unemployed individuals and short-time workers as a share of the labour force (blue line). Compared with the financial crisis, when the social partners in the manufacturing sector agreed on reductions in working hours and lower incomes in order to limit the number of redundancies, the number of people working short-time in the second, third and fourth quarters of 2020 will be around five times as high.[4] It is impossible to gauge how high unemployment might have risen in the absence of the government-subsidised short-time work programme. The total number of unemployed individuals and short-time workers taken together as a share of the labour force (see Diagram 33) can be viewed as a static estimate of what the unemployment rate would have been in the absence of this programme. Without this extensive short-time work scheme, there would have been substantial dynamic effects, and the picture would have been different.

The jobless rate will fall gradually as the economic recovery goes on and reaches 9 per cent at the end of 2021.But it will take until 2024 before it drops to a level around 7 percent where it was before the covid-19 pandemic (see Diagram 34).

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[3] Just over 0.5 per cent of workers are expected to be enrolled in the short-time work programme in 2021, which is substantially fewer than in the second, third and fourth quarters of 2020.

[4] Manufacturing was hit particularly hard by dwindling demand during the financial crisis. To reduce the number of redundancies, the social partners reached agreement on a short-time work scheme. Around 10 per cent of employees in the manufacturing sector were covered by the scheme, with their working hours cut by almost 20 per cent – see the National Mediation Office's annual report for 2009. As a result of COVID-19, an average of 25 per cent of manufacturing employees are expected to work short-time from the second and third quarters of 2020, with their working hours reduced by around 40 per cent. Measured on a full-time equivalent basis, 2 per cent of manufacturing employees were furloughed during the financial crisis, compared with 10 per cent (25*0.4) in the second and third quarters this year. This means that the percentage of manufacturing employees furloughed will be five times higher in the current crisis than during the financial crisis.

Diagram 32 Hours worked, average hours worked and employment
Percentage change, calendar-adjusted values

Hours worked
Average hours worked
Employment
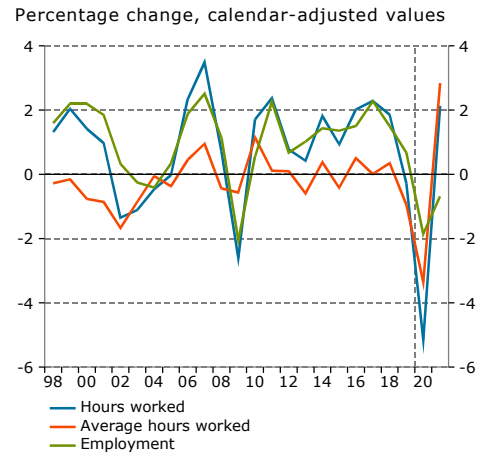
Sources: Statistics Sweden and NIER.

Diagram 33 Unemployment and enrolment in the short-time work scheme
Per cent of labour force, seasonally adjusted quarterly values

Unemployment with short-time work
Unemployment
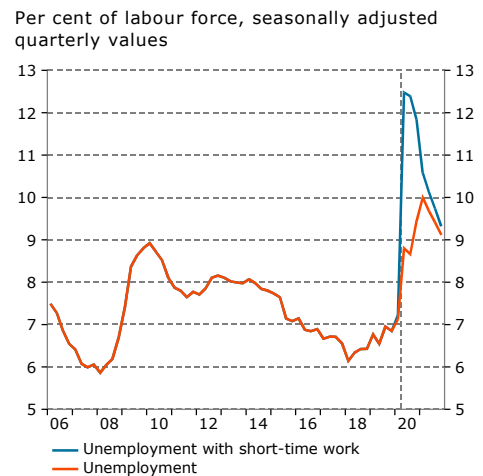
Sources: Statistics Sweden and NIER.

Diagram 34 Unemployment and equilibrium unemployment
Per cent of labour force, seasonally adjusted quarterly values

Unemployment
Eqilibrium unemployment

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

COVID-19 pandemic leads to higher equilibrium unemployment and lower growth in the potential labour force

The ongoing pandemic means that the Swedish labour market will deteriorate considerably over the next couple of years. Actual unemployment will rise both this year and next despite extensive support measures such as subsidised short-time work.

In a deep economic downturn, temporarily high unemployment can lead to hysteresis effects, with unemployment remaining at a high level even after the economy recovers. Hysteresis effects can arise because long periods out of work reduce individuals' human capital and work-related skills, thus decreasing their chances of finding work when the economy improves and demand for labour increases. There is also a risk that employers will reject the long-term unemployed in the belief that they are less productive. In addition, it is possible that those who have been jobless for a long period will not seek work with the same intensity. Taken together, this means that matching efficiency deteriorates. The NIER therefore believes that equilibrium unemployment will rise slightly (see Diagram 34).[5]

The NIER expects some older workers (the 70-74 age group) to exit the labour force permanently as a result of the pandemic.[6] Furthermore, we believe that COVID-19 will cause more people than normal to leave the labour force to study, both this year and next. Government education initiatives, such as increasing places at universities and vocational colleges and on foundation courses, mean that fewer people will be in the labour force in the next couple of years (see Diagram 35).

Diagram 35 Labour force participation
Per cent of population, age 15–74

Labour force participation
Potential labour force participation
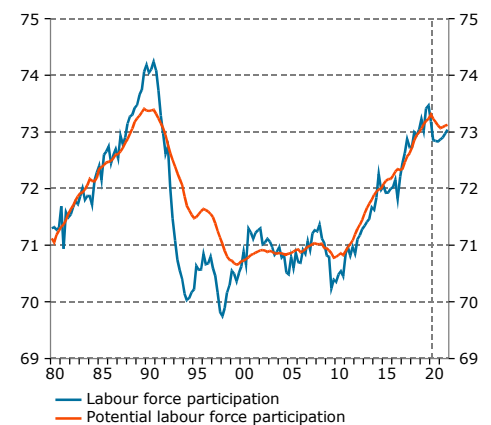
Sources: Statistics Sweden and NIER.

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[5] The NIER's assessment of hysteresis uses the model described in Mossfeldt, M. and P. Österholm (2010) "The persistent labour market effects of the financial crisis", NIER Working Paper 117.

[6] The Labour Force Survey for April shows that older workers have so far exited the labour force at the same rate as the core labour force.

Table 4 The labour market

Percentage change and per cent, respectively

		Forecast			Scenario	
	2019	2020	2021	2022	2023	2024
GDP at Basic Prices[1]	1.4	−5.8	3.5	4.1	2.9	2.1
Productivity, Total Economy[1]	1.7	−0.7	1.3	1.7	1.0	0.9
Productivity, Business Sector[1]	2.0	−0.8	1.7	2.0	1.1	1.1
Hours Worked[1]	−0.3	−5.2	2.1	2.4	1.9	1.2
Average Hours Worked per Person Employed[1]	−0.9	−3.4	2.8	0.6	0.2	−0.1
Number of Employed	0.7	−1.9	−0.7	1.8	1.7	1.3
Employment Rate[2]	68.3	66.8	66.0	66.9	67.8	68.4
Labour Force	1.1	0.0	0.5	0.8	0.7	0.6
Labour Force Participation Rate[2]	73.3	73.0	72.9	73.3	73.5	73.7
Unemployment[3]	6.8	8.5	9.6	8.7	7.8	7.2
Population Aged 15–74	0.7	0.5	0.5	0.4	0.4	0.4
Productivity Gap, Business Sector[4]	1.1	−0.9	−0.1	...	...	...
Labour Market Gap[5]	0.1	−5.1	−3.3	−1.6	−0.6	−0.1
GDP Gap[6]	0.8	−6.3	−3.8	−1.3	−0.3	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.

DEEPER DOWNTURN THAN IN THE FINANCIAL CRISIS

Resource utilisation in the Swedish economy as measured by the output gap began to come down in 2019 and continued to deteriorate in the first quarter this year (see Diagram 36).[7] This picture is supported by the NIER's indicator for resource utilisation, which fell last year and dropped relatively sharply in the first quarter this year. This indicator is based on information from seven different indicators for the labour market and the wider economy, including labour shortages and demand as measured by the Economic Tendency Survey.[8] These series declined in the first quarter, with the exception of Statistics Sweden's measure of capacity utilisation in manufacturing, which was largely unchanged. The NIER expects resource utilisation to decrease dramatically in the second quarter, resulting in an even

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[7] This low resource utilisation is illustrated by the output gap – the difference between actual and potential GDP – being expected to be considerably wider than normal.

[8] The NIER's resource utilisation indicator is based on a principal component analysis. One of the component indicators – data from the Public Employment Service on the proportion of firms that could step up production by no more than 10 per cent without recruiting – has been excluded from the calculations because it is published much later than the other statistics included in the resource utilisation indicator.

Diagram 36 Output gap and resource utilisation indicator

Per cent of potential GDP and normalised seasonally adjusted quarterly values

— Output gap
— NIER:s resource utilisation indicator
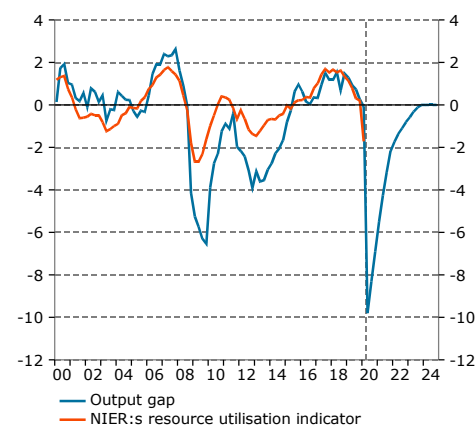
Note. See footnote 8.
Source: NIER

deeper economic downturn than during the financial crisis in 2008-2009. A recovery will begin during the second half of the year, but resource utilisation will remain very low in 2021 (see Diagram 36 and Table 4).

Resource utilisation as measured by the output gap will overestimate idle resources in the economy in 2020

Like, for example, the IMF and the OECD, the NIER estimates an output gap measuring the difference between actual GDP and potential GDP. Potential GDP is the level of output achieved when available factors of production are used to a normal extent, such that economic developments are consistent with a stable rate of inflation in line with the central bank's target.

Normally, there is a close correlation between the NIER's output gap and indicators of resource utilisation in the economy (see Diagram 36). The output gap is often therefore used as an approximation of idle resources in the economy and normally provides important information on what would be a suitable direction for stabilisation policy.

The current situation with the COVID-19 pandemic has resulted in a number of temporary supply constraints, above all in 2020. One is that a larger share of the labour force than usual is taking sick leave or staying home to look after sick children. Another is workers in vulnerable groups who cannot work from home. A third supply constraint is the disruption of global supply chains seen since March but now gradually easing. Productivity levels are probably also being adversely affected by large numbers of people working from home. All of these factors are impacting negatively on GDP but cannot be countered with conventional stabilisation policies. The level of GDP that it is possible to generate will therefore be temporarily lower, especially in 2020. As these supply constraints are expected to be short-lived and are also difficult to quantify, the NIER has chosen not to adjust potential GDP for these temporary effects. The output gap for 2020 will therefore overestimate temporarily idle resources in the economy to some extent.[9]

It should be noted here that the temporary supply constraints above will account for only a small part of the decline in GDP in 2020. The bulk of the decrease in output is a result of households and firms acting very cautiously in the current situation, due partly to both compulsory and voluntary social distancing, which is putting a damper on consumption and investment decisions both in Sweden and

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[9] As explained in the box above, the NIER has revised down potential GDP for other reasons, partly because equilibrium unemployment is expected to be somewhat higher, and the labour force smaller, in the coming years.

abroad. General measures to stimulate demand can have only a limited impact on this situation, as it is primarily rooted in concern about contagion.

Wages, prices and monetary policy

POSTPONED PAY TALKS WILL LIMIT WAGE GROWTH THIS YEAR

When the economy peaked in 2018-2019, wages in the business sector were growing at 2.5 per cent annually, which is much lower than in previous booms (see Diagram 37).[10] In the first quarter this year, the annual rate of wage growth in the business sector climbed to almost 3 per cent, the highest since 2014 (see Diagram 38).[11] At the same time, resource utilisation in the labour market began to decrease.

This year's collective bargaining is a major round covering 2.8 million workers. The plan was for a deal to be reached in the manufacturing sector at the end of March, with most of the other main agreements in the business sector following later in the spring. Owing to the spread of COVID-19, however, the negotiations have been postponed until the autumn, and the existing agreements extended. The workers concerned will not therefore see any collectively agreed pay increases for the time being. It also means that wage growth over the next six months will come mostly from pay increases outside the national agreements, which will be held back by low resource utilisation in the labour market. Wage growth in the business sector will therefore slow substantially in the second and third quarters this year (see Diagram 38).

The gradual economic recovery in the second half of 2020 and the new pay deals expected to be reached in the autumn will cause wage growth to accelerate again towards the end of the year. The temporary reduction in employer contributions and the government's assumption of responsibility for sick pay will help reduce labour costs this year. The short-time work programme means that firms will receive transfer payments from central government. This will not, however, be captured in the labour cost statistics in the national accounts, which means that cost pressure as measured by hourly labour costs and unit labour costs will be overestimated this year (see the box "Short-time work will push up hourly wages in the national accounts" and Table 5).

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[10] The figures for wage growth are taken from the National Mediation Office's monthly wage statistics. These statistics calculate wages on an accrual basis, such that retroactive payments lead to gradual revisions over a 12-month period. The figures reported in this section are the realised data from the wage statistics plus expected retroactive payments estimated by the Mediation Office on the basis of the historical revision pattern.

[11] The rise may be due partly to sample selection effects in the monthly wage statistics for the business sector.

Diagram 37 Labour market gap and hourly earnings in business sector
Per cent of potential hours worked and percentage change
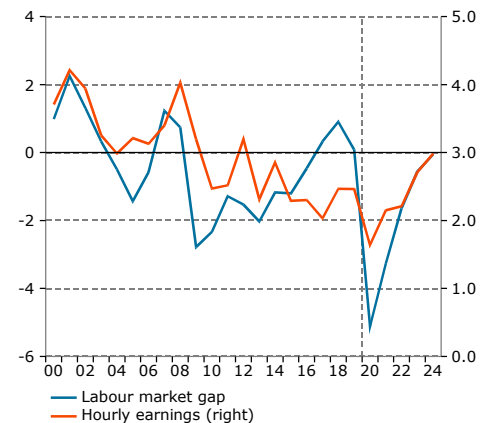
Sources: National Mediation Office and NIER.

Diagram 38 Hourly earnings
Percentage change, quarterly values
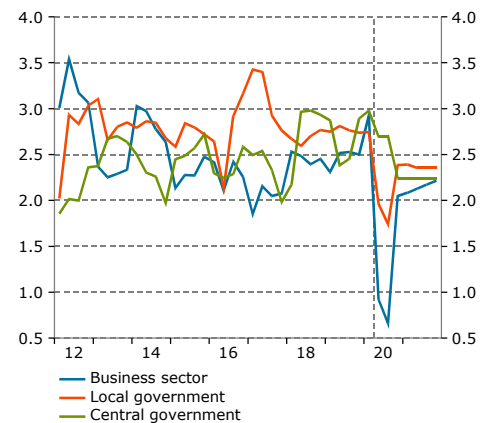
Sources: National Mediation Office and NIER.

Short-time work will push up hourly wages in the national accounts

Under the short-time work programme, an employee's working hours will be reduced more than his or her pay. This automatically leads to an increase in hourly wages. This effect is very strong: those with their working hours cut by 60 per cent will retain 92.5 per cent of their pay, which corresponds to an increase in hourly wages of more than 130 per cent – and a corresponding decrease in hourly wages once they exit the programme.

The NIER monitors two measures of hourly wages: those in the monthly wage statistics and those in the national accounts. The monthly wage statistics for the business sector are based on a survey of firms conducted by the National Mediation Office, while the hourly wages in the national accounts are calculated by dividing the total wage sum (from the Tax Agency) by the number of hours worked (based primarily on the Labour Force Survey).

The short-time work programme is expected to affect how hourly wages move in the national accounts this year. The Mediation Office's intention, however, is that the monthly wage statistics will not be affected by these temporary statistical effects. As a result, hourly wages in the national accounts will be stronger this year than in the monthly wage statistics for the business sector. Given that central government will be paying some of firms' wage costs, the short-time work programme also means that unit labour costs this year will not paint a fair picture of the cost pressure in the business sector.

The profit share shows how much of the value added in the business sector (including subsidies, such as for short-time working) is allocated to capital as opposed to labour. The profit share will fall this year as a result of the crisis (see Diagram 39).

SUBDUED WAGE GROWTH NEXT YEAR TOO

Wage growth in the business sector will accelerate from 1.6 per cent this year to 2.1 per cent next year and then climb gradually to 3.0 per cent in 2024. Moderate wage growth and rising productivity growth will contribute to a recovery in the profit share as early as next year (see Diagram 39 and Table 5).

In the government sector, the crisis will not have the same negative impact on wages. A high proportion of public pay deals expire in the autumn or later and so will not be affected by the postponement of the spring round of collective bargaining. Strong demand for labour in health and elderly care will contribute to higher wage growth than in the business sector this year, as has also been the case in recent years. Next year, wage growth in the government sector will again be slightly higher than in the business sector, but the gap will narrow (see Diagram 38).

Diagram 39 Profitability in the business sector
Per cent, annual values and balances, seasonally adjusted quarterly values

- Profitability assessment
- Profitability assessment, average 2003-2019
- Adjusted profit share (right)

Sources: Statistics Sweden and NIER.

Table 5 Wages and labour costs
Percentage change and per cent, respectively

		Forecast		Scenario		
	2019	2020	2021	2022	2023	2024
Hourly Earnings, Total Economy[1]	2.6	1.8	2.2	2.3	2.7	3.0
Hourly Earnings, Business Sector[1]	2.5	1.6	2.1	2.2	2.7	3.0
Hourly Labour Costs, Business Sector[2]	3.7	6.1	−1.9	2.2	2.7	3.0
Productivity, Business Sector[2]	2.0	−1.0	1.8	…	…	…
Adjusted Unit Labour Cost, Business Sector[3]	1.7	7.2	−3.6	…	…	…
Adjusted Profit Share, Business Sector[4]	36.1	35.2	36.2	36.6	36.4	36.3

[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.

NO INFLATION IN MAY 2020

Inflation as measured by the annual change in the consumer price index with a fixed interest rate (CPIF) was -0.4 per cent in April 2020 and 0.0 per cent in May (see Diagram 40). Lower electricity and fuel prices are pulling down the overall rate. Hotel prices fell in April, while car rental prices rose in May.

It is highly unusual for CPIF inflation to turn negative: it has happened only once before in the history of the index, when it

Diagram 40 Consumer prices
Annual percentage change, monthly values

- CPIF
- CPIF excl. energy
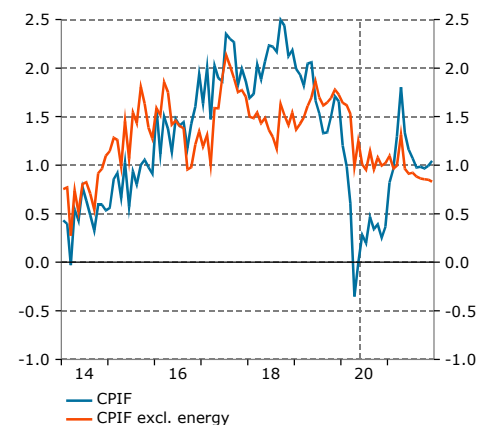
Sources: Statistics Sweden and NIER.

fell to -0.03 per cent in March 2014. Over 2020 as a whole, it will be energy prices above all that pull down inflation, but prices for services will also contribute less to inflation than in previous years (see Diagram 41).

Many factories have been shut for several weeks in the first half of 2020. At the same time, demand for consumer durables has collapsed in large parts of the world as the population has been urged to stay home. As official restrictions and compulsory and voluntary social distancing are phased out, demand will gradually rise again. The level of inflation in the coming year will be affected by the availability of goods as demand picks up.

Production stoppages and logistical problems have led to some supply issues. For example, limits on air cargo have led to delayed deliveries. In general, however, the supply of both inter-mediates and consumer goods is functioning relatively well given the challenging situation.

There has been concern about food shortages during the COVID-19 pandemic. In Sweden, food prices have increased considerably recently and were almost 4 per cent higher in May than in the same month last year. Prices for fruit, for example, rose rapidly during the spring.

INFLATION WELL BELOW TARGET FOR NEXT COUPLE OF YEARS

Higher global unemployment means lower wage growth and so also lower increases in prices for globally traded consumer goods. Lower commodity prices also mean lower production costs. This points to weak inflation in prices for imported con-sumer goods (other than food) going forward (see Diagrams 42 and 43). Together with weak demand and subdued wage growth in Sweden, this means that inflation will remain well below the target level for the next couple of years (see Table 6).

Diagram 41 Contribution to CPIF inflation
Percentage points and percentage change

Interest costs, capital stock
Housing excl. interest costs and energi
Services
Goods
Energy
CPIF inflation
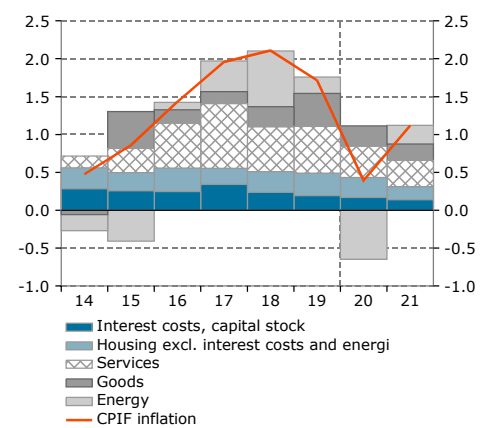
Note. The calculation of the contributions is approximate.
Sources: Statistics Sweden and NIER.

Diagram 42 Companies' price expectations over a three-month period
Balances, monthly values

Retail food trade
Retail trade of other goods
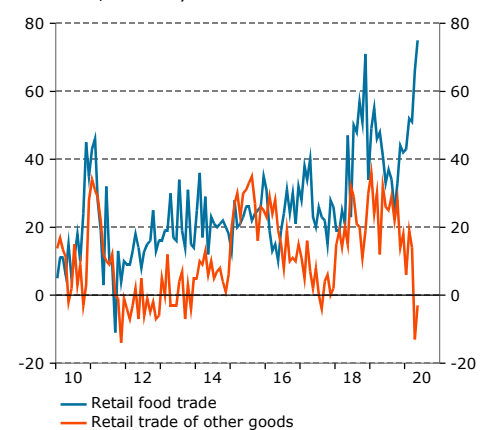
Source: NIER.

Diagram 43 Import prices for consumer goods and price of goods in the CPI
Annual percentage change, quarterly values

Import prices for consumer goods
Goods in CPI (right)
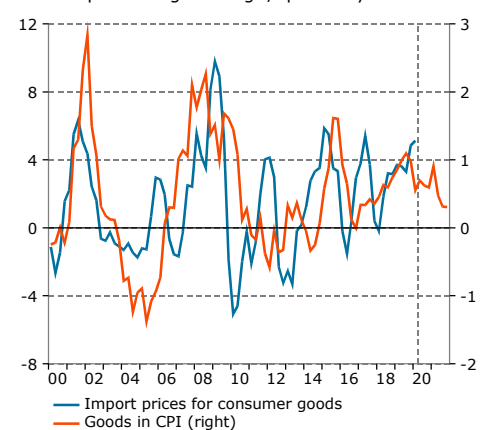
Sources: Statistics Sweden and NIER.

Table 6 Consumer prices, interest rates and exchange rates

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

		Forecast		Scenario		
	2019	2020	2021	2022	2023	2024
CPI	1.8	0.4	1.1	1.4	1.8	2.2
Interest Costs, Interest Rate[1]	1.8	1.0	−0.5	0.3	2.5	8.5
CPIF	1.7	0.4	1.1	1.4	1.7	1.9
Goods	1.0	0.6	0.5	…	…	…
Services	2.1	1.4	1.2	…	…	…
Housing ex Mortgage Interest Costs and Energy[2]	1.9	1.6	1.0	…	…	…
Energy	3.1	−9.2	3.5	…	…	…
Interest Costs, Capital Stock[1]	5.8	5.4	4.5	4.3	4.1	4.1
CPIF ex Energy	1.6	1.2	1.0	…	…	…
HICP	1.7	0.6	1.1	…	…	…
Repo Rate[3]	−0.25	0.00	0.00	0.00	0.00	0.50
Ten-Year Government Yield	0.1	0.0	0.4	0.7	1.1	1.5
Effective Krona Exchange Rate Index (KIX)[4]	122.1	120.3	118.0	116.5	115.1	113.6

[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.

LOW REPO RATE FOR A LONG TIME TO COME

The Riksbank decided in December 2019 to raise the repo rate from -0.25 to 0.00 per cent. Even then, the economy was slowing and inflationary prospects were weak. The inflationary outlook has since deteriorated further, and the economy has entered a particularly deep downturn. During this period, the Riksbank has left the repo rate unchanged but taken steps to support the financial system. Some members of the Riksbank's board have argued that a cut in the repo rate might be appropriate going forward to support the economic recovery. The NIER's forecast assumes, however, that the Riksbank will prefer to try to stimulate demand by buying more securities in order to bring down long-term market interest rates. The repo rate will therefore stay at zero for the next three years. This is close to market expectations as reflected in RIBA futures (see Diagram 44). Not until 2024 is the repo rate expected to rise in a series of steps. The economy will then be operating at capacity, and inflation will be close to the target.

The krona has strengthened against the currencies of Sweden's most important trading partners since March this year (see Diagram 45 and Table 6). It is still considered to be undervalued

Diagram 44 Repo rate
Per cent, daily- and quarterly values

— NIER's forecast
— RIBA futures 11 June 2020
— Riksbank's forecast, April 2020
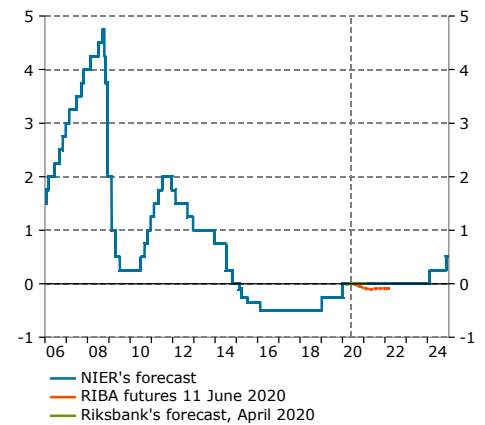
Note: RIBA are future contracts based on the repo rate. The Riksbank forecast are quarterly values.
Sources: Nasdaq OMX, The Riksbank, Macrobond and NIER.

Diagram 45 Effective exchange rate of the Swedish krona (KIX)
Index 1992-11-18=100, monthly values

— Nominal KIX
— Real KIX
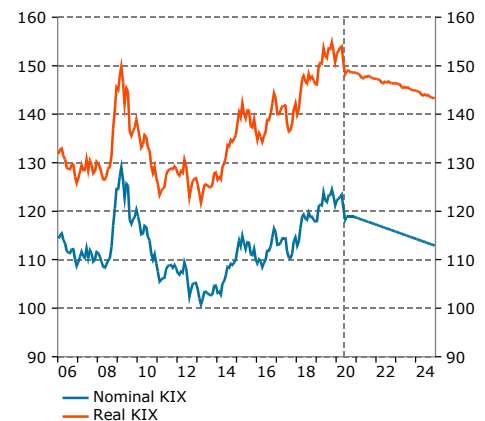
Note. KIX is a trade-weighted index based on currencies from all OECD countries as well as China, India, Brazil and Russia. A higher index corresponds to a weaker krona.
Sources: The Riksbank, Macrobond and NIER.

Diagram 46 Net lending and structural net lending in general government
Percent of GDP and potential GDP respectively

— Net lending
— Structural net lending
▭ Change in structural net lending
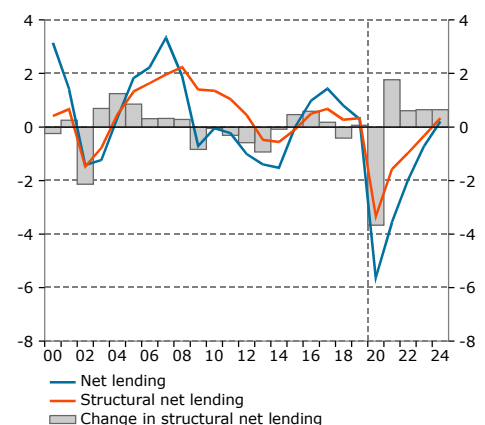
Sources: Statistics Sweden and NIER.

from a long-term perspective, however, and is therefore expected to continue to trend up through to 2024, albeit nowhere near as quickly as it has of late.

Government finances

The slide in GDP and extensive fiscal measures to alleviate the effects of the COVID-19 pandemic spell heavy deficits in government finances this year. This expansionary policy is necessary, however, and active fiscal policy will be needed again next year to support the economy while also gradually making a return towards the surplus target.

LARGE GOVERNMENT DEFICIT IN 2020

Net lending is expected to decline by almost SEK 285 billion from 2019 to 2020 and will amount to -5.6 per cent of GDP this year (see Diagram 46). This is the lowest level since the crisis of the mid-1990s. Net lending will deteriorate above all in the central government sector, due partly to active fiscal policy and partly to the ailing economy. Local government net lending is expected to improve as a share of GDP, chiefly as a result of the historically large increase in grants from central government this year which will more than offset lost tax revenue and increased expenditure due to COVID-19.

Net lending in the government sector as a whole will decline as a result of a substantial increase in expenditure relative to GDP. General government expenditure will climb from around 48 per cent to just over 55 per cent of GDP (see Diagram 48). Government consumption and investment will both increase, but transfer payments will rise particularly sharply this year, from just under 17 per cent to just over 21 per cent of GDP.

At the same time, revenue will increase relative to GDP despite temporary reductions in social security contributions and the abolition of the austerity tax on high incomes (see Diagram 47). This is down to the composition of GDP being more favourable in terms of taxation, mainly because total wages will increase as a share of GDP as short-time workers and the unemployed get to keep a large part of their incomes.

Structural net lending will also deteriorate considerably this year (see Diagram 46), falling 3.7 percentage points to -3.3 per cent of potential GDP. Fiscal policy will thus be highly expansionary in 2020.[12]

Maastricht debt – the government sector's consolidated gross debt – will rise to 44 per cent of GDP in 2020 (see Diagram 48). The increase is due to the large central government deficit and the support measures for struggling firms introduced by central

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[12] The gap between actual and structural net lending will be smaller than it would otherwise have been in a downturn this severe. One reason is that the short-time work system means that the automatic stabilisers will be weakened.

Diagram 47 Revenue and expenditure in general government
Per cent of GDP
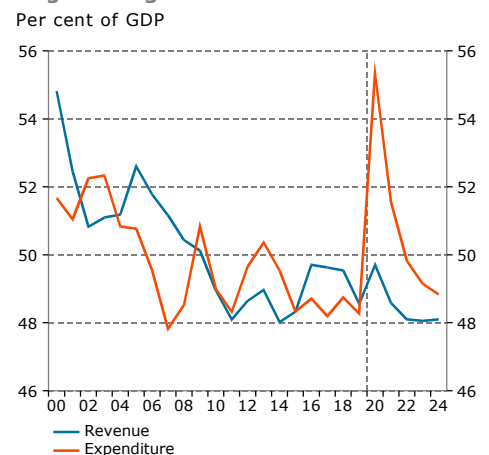
Sources: Statistics Sweden and NIER.

government. Taken together, this means that central government debt will increase by about SEK 370 billion this year to almost 30 per cent of GDP (see Diagram 49).

EXPANSIONARY FISCAL POLICY IN 2020

The government has presented various measures to support households, firms and local government during the economic crisis arising as a result of the COVID-19 pandemic (see Table 7). The local government sector has been awarded grants from central government to cover direct costs relating to COVID-19 as well as additional support for schools and adult education. General grants from central government have also been increased. Households' taxable incomes will be propped up partly by measures such as the short-time work scheme and other support for firms so that they can retain staff, and partly by higher unemployment benefits and preventive sickness benefit. This means that the tax shortfall in local government will be smaller than would otherwise have been the case.

Most of these measures target firms. Above all, it is the short-time work programme that will cause transfer payments to firms to soar this year. The government has forecast that the programme will cost around SEK 95 billion. Compared with the government, the NIER expects fewer people to be enrolled in the programme, and a smaller reduction in their working hours. As at 11 June, the Agency for Economic and Regional Growth had approved short-time work corresponding to subsidies of around SEK 26 billion, and the NIER assumes that the total for the year will be around SEK 50 billion.[13]

Since the spring fiscal policy bill, the government has issued additional amending budgets and announced other measures (see the box "Additional fiscal measures since the spring fiscal policy bill" and Table 7). In addition to this, the NIER is assuming further fiscal measures costing around SEK 16 billion this year in the form of support for firms and transfer payments to households.

Of the discretionary fiscal policy presented in Table 7, around SEK 31 billion stems from the budget bill for 2020. Of the central government grants to local government, around SEK 40 billion is expected to be used to improve net lending in the local government sector rather for increased spending. The remaining measures in Table 7 that reduce general government net lending can be attributed to the COVID-19 pandemic and come to just over SEK 190 billion in total, or around 4 per cent of GDP.

Diagram 48 Maastricht debt
Billions of SEK and per cent of GDP
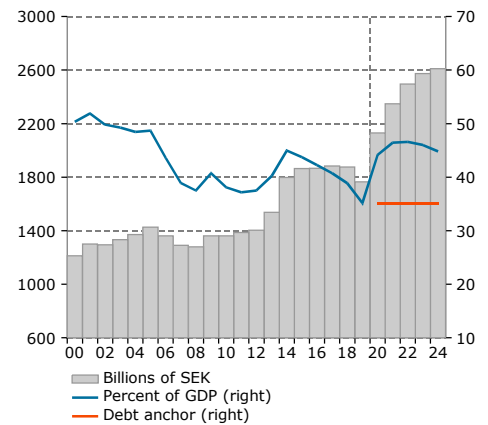
Sources: Statistics Sweden and NIER.

Diagram 49 Three debts in general government
Per cent of GDP
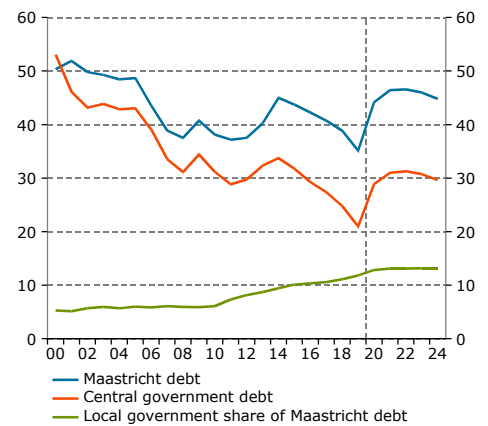
Sources: The Swedish national financial management authority, Statistics Sweden and NIER.

Additional fiscal measures since the spring fiscal policy bill

Since the spring fiscal policy bill, the government has published three additional amending budgets and announced various other proposals. The additional amending budgets extended measures relating to responsibility for sick pay and the payment of sickness benefit instead of a waiting-day deduction from sick pay, and increased the ceiling for unemployment benefit after day 100 to SEK 1,000. A proposal for additional support for struggling firms included in the latest amending budget, which is estimated to cost SEK 39 billion. In addition, central government grants to the local government sector have been increased.

The government is also consulting on proposed temporary rules on preventive sickness benefit for those at particular risk from COVID-19. The cost of this is expected to be almost SEK 6 billion this year for the three months in which the rules apply.

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[13] This volume difference can be seen in Table 7 from fiscal policy for transfer payments to firms being negative in the column "Volume effect".

Table 7 Fiscal measures for 2020

SEK billion

	BB 2020	FC AAB	SFPB	AABs +	Volume effect	Forecast extra FP	Total
Expenditure (a)	**16.5**	**1.7**	**72.3**	**157.2**	**−46.3**	**15.9**	**217.3**
Central government consumption	5.0	−0.1	5.7	2.4	0.0	0.0	12.9
Central government grants to local government	7.4	2.0	24.8	18.1	−2.9	0.0	49.5
Transfers to firms	−1.1	0.0	30.8	121.8	−43.4	10.0	118.1
Transfers to local government[1]	0.0	0.0	1.7	2.3	0.0	0.0	4.0
Transfers to households	−0.1	−0.2	9.3	12.6	0.0	5.9	27.5
Transfers to abroad	1.3	0.0	0.0	0.0	0.0	0.0	1.3
Government investment	4.0	0.0	0.0	0.0	0.0	0.0	4.0
Revenue (b)	**−14.4**	**1.7**	**−32.7**	**−0.2**	**0.0**	**0.0**	**−45.6**
Household direct taxes	−12.2	0.0	0.0	−0.1	0.0	0.0	−12.3
Production taxes	−2.6	1.7	−32.7	0.0	0.0	0.0	−33.6
Product taxes	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Impact on central government net lending (b-a)	**−30.9**	**0.0**	**−105.0**	**−157.3**	**46.3**	**−15.9**	**−262.8**

[1]Compensation for sick pay responsibility.

Note. "FC AAB" refers to the additional amending budget from the Finance Committee that was approved by the Riksdag on 19 February. "SFPB" refers to the other additional amending budgets prior to the spring amending budget (bills 2019/20:132, 136, 142, 146 and 151) and the spring amending budget of 15 April. The government's expenditure tables in the spring amending budget also included SEK 11 billion as a result of larger volumes in the unemployment insurance and parental benefit insurance schemes. This is ignored in the table above. All of this was presented in the spring fiscal policy bill (SFPB). "AABs +" refers to the additional amending budgets since the spring fiscal policy bill (bills 2019/20:166, 167 and 181) and other measures since announced by the government. The column "Volume effect" shows where the NIER has a different expectation for volumes under the measures introduced in 2020. The column "Forecast extra FP" contains the fiscal policy the NIER is assuming over and above that yet presented in a bill or announced by the government.

Source: NIER.

Flexibility in the Stability and Growth Pact

Swedish fiscal policy is regulated both by a national framework and by the EU's Stability and Growth Pact (SGP). The latter means that the budget deficit must not exceed 3 per cent of GDP in any one year, and that Maastricht debt must not exceed 60 per cent of GDP. The Swedish framework has been designed with the European rules in mind.

There is a general escape clause in the SGP which permits flexibility should an unusual event outside the government's control have a major impact on government finances. The EU has decided that this clause can now be activated.[14] The escape clause means that the European Commission is to ignore one-off budgetary measures taken by member states to alleviate the effects of the crisis when assessing compliance with the rules.

The NIER expects general government net lending to be -5.6 per cent of GDP this year, well below the limit of -3 per cent in the SGP. However, the escape clause now

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[14] See COM (2020)123/F1.

activated by the European Commission means that this limit is not binding on Swedish fiscal policy in the current situation.

FISCAL POLICY 2021-2024

For 2021, the NIER has produced a fiscal policy *forecast*. For 2022-2024, we present a fiscal policy *scenario*, where we assume demographically driven increases in spending to maintain personnel density in the provision of publicly funded welfare services and provide an increase in standards in line with the historical pattern. It is also assumed that government net lending will be strengthened at a rate that does not damage the economic recovery, but such that it returns to a level consistent with the surplus target in a few years when the economy returns to full capacity.

Unchanged rules spell automatic tightening of fiscal policy

By unchanged rules, we mean that no further fiscal policy is introduced beyond that already decided or announced for 2020. The effects of previous fiscal decisions, both permanent and temporary, are taken into account, however.

In the absence of new decisions, government expenditure will decrease as a share of potential GDP in 2021-2024, while revenue will be relatively stable (see Diagram 50). This is what the NIER refers to as automatic fiscal tightening, and it means that structural net lending will gradually strengthen (see Diagram 51). This automatic tightening will be unusually strong in 2021 as a result of most of the steps taken by the government in response to the COVID-19 pandemic being temporary and not therefore expected to be extended into 2021.[15] Since structural net lending in 2020 will be deeply negative at -3.2 per cent of potential GDP, the automatic tightening in 2021 will not be sufficient for net lending to return to a level consistent with the surplus target with unchanged rules. Fiscal space – the gap between structural net lending based on this automatic tightening alone and the level of structural net lending that would normally be considered consistent with the surplus target (one-third of a per cent of potential GDP) – will therefore be negative next year at SEK -29 billion. All in all, fiscal space will amount to just over SEK 80 billion in 2021-2024 (see Table 8).

Diagram 50 Structural expenditure and revenue in general government with unchanged rules
Per cent of potential GDP

Source: NIER.

Diagram 51 Structural net lending in general government with unchanged rules
Per cent of potential GDP

Source: NIER.

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[15] The NIER estimates that the government's contact-tracing and vaccination measures will continue in 2021 and cost around SEK 3 billion that year. In addition, SEK 12.5 billion of the additional central government grants to the local government sector in 2020 have been announced as permanent increases and are therefore included in our forecast for 2021 and scenario for 2022 onwards. These grants are not, however, linked to the COVID-19 pandemic.
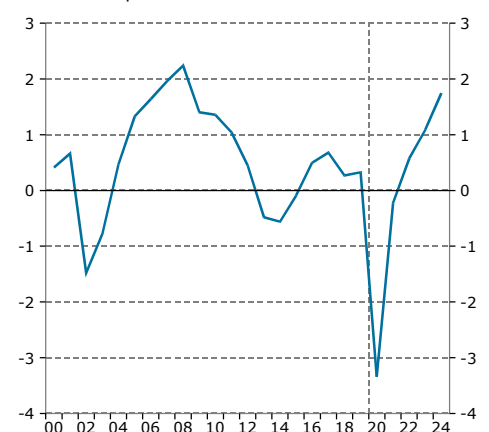
Stronger net lending in 2021 as temporary measures expire

The forecast for 2021 assumes that government consumption will increase by SEK 29 billion, and government investment by SEK 12 billion, over and above what would follow from unchanged rules and the balanced-budget requirement for local government (see Table 8). Consumption growth in 2021-2023 will exceed that warranted by demographic developments due to the need to clear the backlog built up in the health care system during the COVID-19 pandemic. The forecast for government consumption further assumes additional labour market policy and education initiatives amounting to around SEK 5 billion in 2021. On top of this, the NIER is assuming temporary expansionary fiscal measures totalling SEK 30 billion aimed at households and firms in 2021, which will reduce government net lending (cf. the technical transfer in Table 8).

When it comes to firms, one appropriate measure might be to support business investment in various ways, above all through research and development. Since unemployment will still be high in 2021, and some customer-facing industries, such as hotels and restaurants, will still be battling with subdued demand, continued support for short-time work might be considered, albeit with a lower rate of subsidy than in 2020.[16] The support to help firms retain staff will need to be scaled back so that it does not prevent desirable structural change, but the speed at which this is done should also be tailored to the strength of the economic recovery. Fiscal policy concerning government investment, which amounts to SEK 11 billion in 2021 in the NIER's forecast, could also be increased where practicable.

Since active fiscal policy in 2021 will exceed fiscal space, structural net lending will not reach a level that would normally be considered consistent with the surplus target, but instead comes out at -1.6 per cent of potential GDP. The NIER believes that it would be appropriate in this economic situation to pursue active stabilisation policy to support households and firms and ensure that local government has the means to cover costs relating to both COVID-19 and demographic pressures. Taken together, these measures would limit the improvement in structural net lending in 2021 but provide an appropriate trade-off between supporting the economic recovery and gradually bringing net lending back on track.

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[16] Our forecast assumes that the government will conclude that the particularly deep economic downturn will persist in 2021 and will therefore activate the short-time work system again with a reduced rate of subsidy once the current programme finishes at the end of this year. Central government support for short-time working is estimated at around SEK 2 billion in 2021.

Table 8 Fiscal forecast for 2021

SEK billion

	Forecast	Scenario			
	2021	**2022**	**2023**	**2024**	**2021– 2024**
Fiscal space	**−29**	**42**	**29**	**40**	**83**
Measures affecting govern- ment consumption and in- vestment	**41**	**29**	**31**	**36**	**137**
Central government	16	6	14	14	51
Consumption	7	3	11	11	32
Investment	9	3	3	3	18
Local government	25	23	17	22	87
Consumption	22	20	15	20	77
Investment	3	3	2	3	10
Transferred to households and firms in the form of changes to taxes or transfer payments	**30**	**−16**	**−35**	**−33**	**−55**
Transfers to households	10	4	−35	−33	−55
Transfers to firms	20	−20	0	0	0
Impact on general govern- ment net lending	**−71**	**−13**	**5**	**−4**	**−83**
Structural net lending[1]	−1.6	−1.0	−0.3	0.3	…

[1] Per cent of potential GDP.

Source: NIER.

Restrictive fiscal policy in 2022-2024

The weak structural net lending of -1,6 per cent of potential GDP in 2021 will gradually need to be brought back up to one-third of a percent of GDP in order to comply with the fiscal framework. The NIER believes that it would be not only con-sistent with the fiscal framework, but also appropriate, to strengthen structural net lending by just over 0.5 percentage points each year in the period 2022-2024 to bring it up to the target level in 2024.[17]

In 2022-2024, we assume that almost SEK 100 billion in ad-ditional government consumption and investment will be de-cided on in order to maintain personnel density in the provision of public services and provide an increase in standards in line with the historical pattern (see Table 8). The technical transfers to households and firms are negative in 2022-2024, which means decreased transfer payments and/or higher taxes totalling SEK 80 billion, of which SEK 30 billion is to make up for the tempo-rary measures expected in 2021. This funding is considered to be

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[17] Note that the framework does not require structural net lending to exceed the target level to compensate for years when it undershoots the target (se Skr. 2017/18:207. This is to happen only when the economy operates above capacity, which not occurs in NIER's scenario.

needed so that net lending is in line with the surplus target in 2024, and so that public services move with demographic developments and an increase in standards in line with the historical pattern.

Maastricht debt will peak at almost 47 per cent of GDP in 2022, but will fall to 45 per cent in 2024 as the Swedish economy recovers and general government net lending turns positive. This is outside the +/- 5 percentage point interval around the debt anchor for Maastricht debt of 35 per cent of GDP. The fall in Maastricht debt relative to GDP is a result of central government debt decreasing as a share of GDP. Local government debt will increase slightly through to 2024 (see Diagram 49).

Temporarily high local government net lending this year

The local government sector will receive substantially increased grants from central government in 2020. General and specific grants from central government increased by an average of SEK 6 billion per year in the period 2000-2019. This year, they will rise by around SEK 50 billion.

The local government sector is not, however, expected to be in a position to increase its spending to the same extent as central government grants have been increased this year. This means that net lending in 2020 will be much higher than in recent years. Next year, local government net lending will be almost as low as last year.

The NIER assumes that the local government sector will strengthen its net lending so that it satisfies the requirement of sound financial management in the longer term. The NIER's interpretation of sound financial management is when local government net wealth is stable as a share of GDP, which is estimated to correspond to net lending of -0.3 per cent of GDP. If net lending is to be strengthened gradually towards -0.3 per cent of GDP (see Diagram 52) and local government consumption is to move in such a way that the public sector commitment to welfare is maintained with the usual increase in standards, the sector will need additional funding of SEK 83 billion in 2021-2024. This can be achieved through higher taxes and/or higher grants from central government (see Diagram 53).

Diagram 52 Ned lending in local government
Per cent of GDP
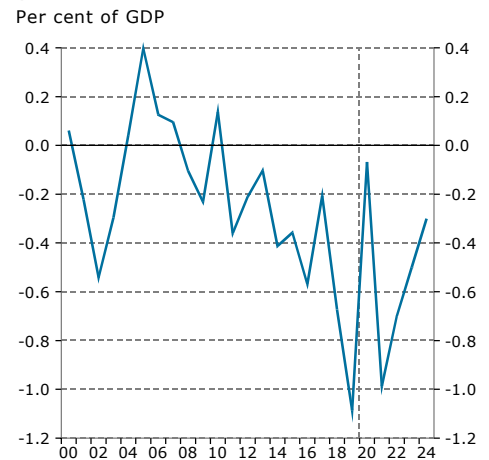
Sources: Statistics Sweden and NIER.

Diagram 53 Tax and state subsidy increases in local government 2021-2024
Tax increase in percentage points on vertical axis

State subsidy increase, billion SEK
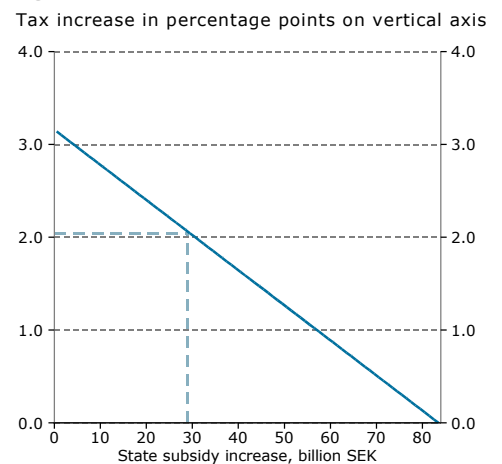
Note. The solid line shows the combinations of tax and state subsidy increases that are possible in the fiscal scenario. The dashed lines show the combination given if government grants develop proportionally to local government expenditure.
Source: NIER.

Forecast revisions 2020-2021

Since the previous edition of *The Swedish Economy* was published on 1 April, a somewhat clearer picture has emerged of how the COVID-19 pandemic will evolve and how the action taken in Sweden and abroad to limit infection will impact on the economy. The economic outlook has generally deteriorated. The most significant revisions are summarised below (see Table 9).

- Global GDP growth in 2020 has been revised down heavily across the board as a result of incoming statistics and indicators pointing to a far greater decrease in production than foreseen at the beginning of April.
- This weaker global growth means that Swedish exports will be much weaker in 2020 than anticipated in the April edition of *The Swedish Economy*.
- Compulsory and voluntary social distancing will have a more negative effect on household consumption than assumed at the beginning of April, and the forecast for 2020 has therefore been revised down markedly.
- The weaker economic outlook means that business investment is now expected to fall much further in 2020 than anticipated in April (see Diagram 55).
- All in all, Swedish GDP growth in 2020 has been revised down by 2.2 percentage points. This can be explained primarily by GDP now being expected to nosedive more steeply the second quarter than anticipated in the April edition of *The Swedish Economy* (see Diagram 56).
- The downward revision of GDP growth in 2020 has led to an almost identical downward revision of hours worked. Employment and unemployment, on the other hand, have not been adjusted to the same extent (see Diagram 57). This is partly because the number of people working short-time is now expected to be many times higher than foreseen in April.
- Government net lending will deteriorate much further in 2020 than assumed in the previous edition of *The Swedish Economy*. This is due partly to weaker GDP, resulting in lower government revenue, and partly to the fiscal measures to lessen the economic consequences of COVID-19 being much more costly than envisaged at the beginning of April.

Diagram 54 Gross fixed capital formation in business sector
Percentage change
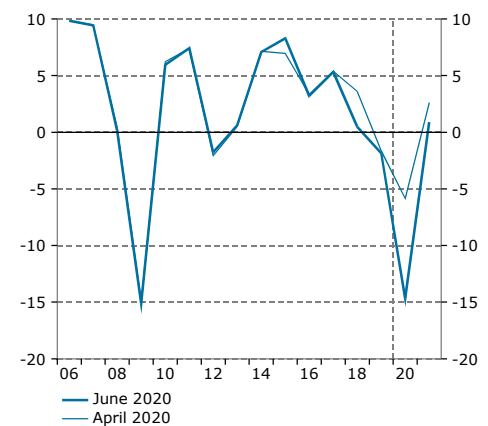
Sources: Statistics Sweden and NIER.

Diagram 55 GDP
Percentage change, seasonally adjusted quarterly values
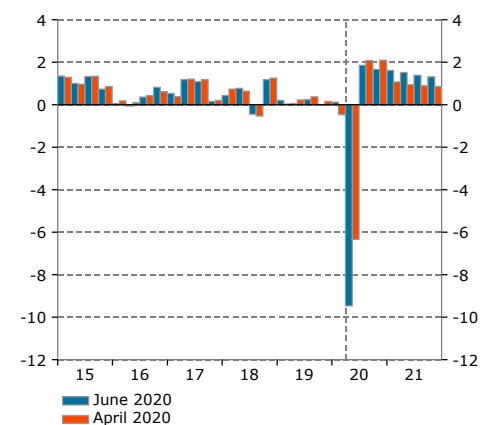
Sources: Statistics Sweden and NIER.

Diagram 56 Unemployment
Per cent of labour force, seasonally adjusted quarterly values
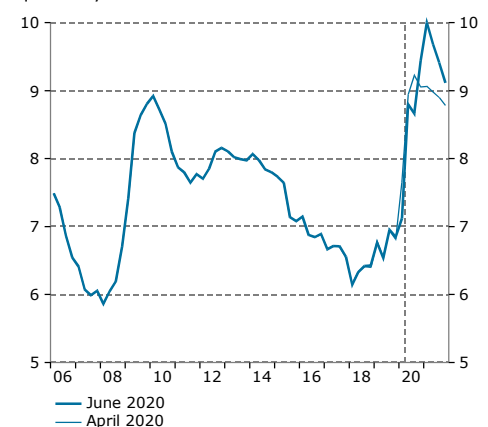
Sources: Statistics Sweden and NIER.

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

Percentage change and percentage points respectively, unless otherwise indicated

	2020			2021		
	Jun	Apr	Diff	Jun	Apr	Diff
Global Economy						
GDP, World	−5,9	−0,8	−5,1	4,5	4,4	0,2
GDP, KIX-weighted	−8,1	−3,7	−4,4	5,2	3,9	1,3
GDP, Euro Area	−9,8	−5,5	−4,3	5,7	3,8	1,9
GDP, US	−7,0	−2,9	−4,1	3,6	2,6	1,0
GDP, China	−2,9	1,1	−4,0	6,8	9,7	−2,9
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]	38,8	34,2	4,6	44,2	37,1	7,1
CPI, KIX-weighted	1,2	1,4	−0,3	1,2	1,6	−0,4
Domestic Economy						
GDP, Calendar-Adjusted	−5,7	−3,4	−2,3	3,4	3,4	0,0
GDP	−5,4	−3,2	−2,3	3,5	3,5	0,0
Household Consumption	−5,1	−2,9	−2,1	4,3	4,0	0,4
Government Consumption	0,9	0,8	0,1	1,4	1,4	0,0
Gross Fixed Capital Formation	−11,2	−4,3	−6,9	1,6	3,2	−1,6
Stockbuilding[4]	−1,1	−0,6	−0,5	0,9	0,2	0,6
Exports	−10,3	−5,0	−5,3	6,0	5,1	0,9
Imports	−12,1	−4,5	−7,7	6,8	4,7	2,1
Labour Market, Inflation, Interest Rates, etc.						
Hours Worked[5]	−5,2	−3,6	−1,5	2,1	2,0	0,1
Employment	−1,9	−1,6	−0,3	−0,7	0,2	−0,9
Unemployment[6]	8,5	8,7	−0,2	9,6	8,9	0,6
Labour Market Gap[7]	−5,1	−4,1	−1,0	−3,3	−2,8	−0,4
Output Gap[8]	−6,3	−4,6	−1,7	−3,8	−3,0	−0,8
Productivity[5]	−0,7	0,1	−0,8	1,3	1,5	−0,2
Hourly Earnings[9]	1,8	2,0	−0,2	2,2	2,2	0,0
CPI	0,4	0,5	−0,1	1,1	1,3	−0,2
CPIF	0,4	0,5	−0,1	1,1	1,4	−0,2
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	0,1	0,4	0,3	0,0
Effective Krona Exchange Rate Index (KIX)[10]	120,3	123,3	−3,0	118,0	122,4	−4,4
Current Account Balance[11]	4,9	4,5	0,4	3,6	4,9	−1,3
Government Net Lending[11]	−5,6	−3,5	−2,1	−3,6	−1,9	−1,7

[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 hours worked in per cent of potential hours worked. [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 April 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.

CONTENT

The Global Economy

Table A1 Global Output

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

	Weight 2018[1]	2018	2019	2020	2021	2022	2023	2024
World[2]	100.0	3.6	2.9	−5.9	4.5	4.1	3.5	3.3
KIX Weighted[3]	74.8	2.6	2.0	−8.1	5.2	3.6	2.6	2.0
US	15.2	2.9	2.3	−7.0	3.6	3.4	2.2	1.8
Euro Area	13.1	1.9	1.2	−9.8	5.7	3.4	2.3	1.4
Japan	4.1	0.3	0.7	−6.4	1.2	1.7	1.3	0.8
UK	2.2	1.3	1.4	−12.0	7.0	3.7	2.3	2.0
Sweden	0.4	2.1	1.2	−5.7	3.4	4.1	2.9	2.1
Norway	0.3	1.6	1.2	−7.3	3.6	4.2	2.1	2.0
Denmark	0.2	2.4	2.4	−6.3	3.3	3.6	1.6	1.5
China	18.7	6.8	6.2	−2.9	6.8	5.4	5.4	5.3
Sweden's Export Market[4]	**...**	**3.7**	**3.1**	**−9.8**	**6.0**	**4.1**	**3.4**	**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 and NIER.

Table A2 Global Inflation

Percentage change in the CPI

	2017	2018	2019	2020	2021	2022	2023	2024
US	2.1	2.4	1.8	1.0	1.5	2.0	2.3	2.3
Euro Area	1.5	1.8	1.2	0.3	0.6	1.3	1.9	1.9
Japan	0.5	1.0	0.5	0.0	0.1	0.8	1.3	1.3
UK	2.6	2.3	1.7	0.8	0.6	1.4	2.0	2.0
Sweden	2.0	2.1	1.7	0.4	1.1	1.4	1.7	1.9
Norway	1.9	3.0	2.3	0.9	1.2	1.8	2.0	2.0
Denmark	1.1	0.7	0.7	0.2	0.7	1.4	1.9	1.9
China	1.6	2.1	2.9	3.1	2.0	2.8	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

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
GDP[1]	**11 576**	**1.9**	**1.2**	**−9.8**	**5.7**	**3.4**	**2.3**	**1.4**
HICP[2]	...	1.8	1.2	0.3	0.6	1.3	1.9	1.9
Policy Rate[3]	...	0.00	0.00	0.00	0.00	0.00	0.00	0.25
10-Year Government Bond Yield[4]	...	0.5	−0.2	−0.4	−0.1	0.3	0.7	1.1
Overnight Rate[5]	...	−0.4	−0.5	−0.5	−0.5	−0.5	−0.5	−0.2
USD/EUR[6]	...	1.2	1.1	1.1	1.1	1.1	1.1	1.1

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

Sources: ECB, Eurostat, Macrobond and NIER.

Table A4 Selected Indicators for the US

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
GDP[1]	**20 501**	**2.9**	**2.3**	**−7.0**	**3.6**	**3.4**	**2.2**	**1.8**
CPI[2]	...	2.4	1.8	1.0	1.5	2.0	2.3	2.3
Policy Rate[3]	...	2.50	1.75	0.25	0.25	0.25	0.75	1.25
10-year Government Bond Yield[4]	...	2.9	2.1	0.9	1.1	1.5	1.9	2.3
USD/EUR[5]	...	1.2	1.1	1.1	1.1	1.1	1.1	1.1

[1] Change in per cent of GDP the previous year. [2] Percentage change. [3] Federal Funds target rate level, per cent, at year-end. [4] Level, per cent. [5] Level.

Sources: US Bureau of Economic Analysis, US Bureau of Labor Statistics, 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

	2017	2018	2019	2020	2021	2022	2023	2024
At Year-End								
Repo Rate	−0.50	−0.50	−0.25	0.00	0.00	0.00	0.00	0.50
Policy Rate. KIX6-Weighted[1]	−0.04	0.10	0.01	−0.31	−0.30	−0.30	−0.22	−0.05
Annual Average								
Repo Rate	−0.50	−0.50	−0.26	0.00	0.00	0.00	0.00	0.25
5-Year Government Bond Yield	−0.1	0.1	−0.4	−0.3	0.0	0.3	0.7	1.1
10-Year Government Bond Yield	0.7	0.7	0.1	0.0	0.4	0.7	1.1	1.5
Effective Krona Exchange Rate Index (KIX)	112.9	117.6	122.1	120.3	118.0	116.5	115.1	113.6
EUR Exchange Rate	9.6	10.3	10.6	10.6	10.5	10.3	10.2	10.1
USD Exchange Rate	8.5	8.7	9.5	9.5	9.2	9.1	9.0	8.9

[1] Refers to an average of Eonia (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	2018	2019	2020	2021	2022	2023	2024
Household Consumption Expenditure[1]	2 277	1.8	1.2	−5.1	4.3	3.7	2.9	2.7
Goods	1 042	2.2	1.8	−1.2	2.7	...	...	...
Services Excl. Housing	716	2.2	2.2	−12.4	8.9	...	...	...
Housing	432	3.2	2.0	1.8	1.3	...	...	...
General Government Consumption Expenditure	1 303	0.8	0.3	0.9	1.4	0.9	1.0	1.2
Central Government	335	0.6	−1.2	1.6	1.0	...	...	...
Local Government	969	0.9	0.8	0.6	1.6	...	...	...
Gross Fixed Capital Formation[2]	1 227	1.4	−1.3	−11.2	1.6	8.0	4.9	2.4
Business Sector Excl. Housing	761	3.1	0.3	−16.7	2.8	...	...	...
Industry	180	1.3	0.6	−22.1	1.8	...	...	...
Other Goods Producers	134	8.0	−0.5	−18.7	1.9	...	...	...
Service Producers Excl. Housing	447	2.5	0.4	−13.9	3.5	...	...	...
Housing	234	−6.4	−8.2	−8.2	−4.8	...	...	...
General Government	226	6.2	0.9	3.8	4.1	...	...	...
Domestic Demand Excl. Stockbuilding	*4 808*	*1.5*	*0.3*	*−5.0*	*2.9*	*3.9*	*2.8*	*2.2*
Stockbuilding[3]	36	0.3	−0.1	−1.1	0.9	0.3	0.0	0.0
Total Domestic Demand	*4 843*	*1.7*	*0.2*	*−6.1*	*3.8*	*4.2*	*2.8*	*2.2*
Exports	2 360	4.2	3.2	−10.3	6.0	6.5	3.7	3.2
Exports of Goods	1 656	5.4	1.2	−8.2	4.5	...	...	...
Processed Goods	1 322	6.7	2.3	−11.0	5.1	...	...	...
Raw Materials	334	0.7	−2.7	3.1	2.3	...	...	...
Exports of Services	705	1.5	8.3	−15.2	9.9	...	...	...
Total Demand	*7 204*	*2.5*	*1.2*	*−7.5*	*4.5*	*5.0*	*3.1*	*2.5*
Imports	2 183	3.8	1.1	−12.1	6.8	7.1	4.2	3.6
Imports of Goods	1 472	5.4	−1.0	−12.9	5.9	...	...	...
Processed Goods	1 081	5.3	0.6	−17.3	7.3	...	...	...
Raw Materials	391	5.7	−5.3	−0.8	2.8	...	...	...
Imports of Services	711	0.5	6.0	−10.6	8.5	...	...	...
Net Exports[3]	*177*	*0.3*	*1.0*	*0.4*	*−0.1*	*0.0*	*−0.1*	*0.0*
GDP	**5 021**	**2.0**	**1.2**	**−5.4**	**3.5**	**4.1**	**2.6**	**2.1**
GDP per Capita[4]	488	0.8	0.2	−6.3	2.7	3.3	1.9	1.4

[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	2018	2019	2020	2021	2022	2023	2024
Total Earnings, Adjusted for External Transactions	2 003	4.9	3.9	0.7	0.3	4.7	4.6	4.2
Hourly Earnings (according to national accounts)[1,2]	252	2.7	3.9	5.9	−1.8	2.3	2.7	3.0
Hours Worked[1,3]	7 905	2.1	−0.2	−4.9	2.1	2.4	1.9	1.2
Transfers From Government Sector, Net	657	2.8	2.1	8.2	−2.7	−0.2	1.4	1.7
Property Income, Net	312	0.1	7.3	−26.9	23.7	7.8	5.2	3.6
Other Income, Net[4]	340	5.9	6.6	2.3	5.4	6.4	−4.1	−3.3
Income Before Taxes[5]	**3 312**	**4.1**	**4.1**	**−0.3**	**1.8**	**4.2**	**3.1**	**2.9**
Direct Taxes[6]	860	0.3	1.3	0.0	0.3	0.0	−0.4	−0.4
Disposable Income	**2 452**	**4.4**	**5.4**	**−0.3**	**2.1**	**4.1**	**2.6**	**2.5**
Consumer Prices[7]	...	2.5	1.9	0.5	1.1	1.8	1.7	1.9
Real Disposable Income	**2 452**	**1.9**	**3.4**	**−0.9**	**1.0**	**2.3**	**0.9**	**0.6**
Per Capita[8]	239	0.7	2.3	−1.7	0.2	1.6	0.2	−0.1
Consumption Expenditure[9]	**2 277**	**1.8**	**1.2**	**−5.1**	**4.3**	**3.7**	**2.9**	**2.7**
Saving[10]	404	13.3	15.1	17.8	15.1	13.9	12.3	10.4
Own Saving[10]	175	5.2	7.1	11.1	8.1	6.9	5.1	3.0
Net Lending[10]	315	9.5	11.8	14.8	12.3	11.0	9.3	7.3

[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, respectively. Own saving excludes occupational and premium pensions.

Sources: Statistics Sweden and NIER.

Table A8 Current Account and Net Lending

SEK billion, current prices, and per cent, respectively

	2017	2018	2019	2020	2021	2022	2023	2024
Net Exports	117	108	177	213	211	214	210	207
Of Which: Goods	122	122	184	252	247	...	...	...
Services	−5	−14	−6	−39	−36	...	...	...
Earnings, Net	7	7	10	10	10	10	10	11
Investment Income, Net	70	76	113	107	69	63	61	53
Transfers etc., Net	−65	−74	−93	−94	−107	−113	−117	−122
Current Account Balance	**128**	**117**	**208**	**236**	**183**	**175**	**165**	**150**
Per cent of GDP	*2.8*	*2.4*	*4.1*	*4.9*	*3.6*	*3.3*	*2.9*	*2.6*
Capital Transfers	−1	3	2	1	2	2	2	2
Net Lending	**127**	**119**	**210**	**238**	**185**	**177**	**167**	**152**
Per cent of GDP	*2.8*	*2.5*	*4.2*	*4.9*	*3.7*	*3.3*	*3.0*	*2.6*

Sources: Statistics Sweden and NIER.

Table A9 GNI

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

	Level 2019	2018	2019	2020	2021	2022	2023	2024
GNI	5 147	4.5	4.8	−3.9	3.9	5.7	4.4	3.9
Deflator, Domestic Use	...	3.0	2.4	1.4	1.3	1.8	1.9	2.0
Real GNI	...	**1.5**	**2.3**	**−5.2**	**2.6**	**3.8**	**2.5**	**1.8**
Population	10 279	1.2	1.0	0.9	0.8	0.7	0.7	0.7
Real GNI per Capita[1]	**501**	**0.3**	**1.3**	**−6.1**	**1.8**	**3.1**	**1.7**	**1.1**

[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	2018	2019	2020	2021	2022	2023	2024
Goods Producers	1 189	0.5	1.7	−8.7	4.4	...	...	...
Of Which: Industry	689	2.6	0.4	−11.9	6.6	...	...	...
Construction	304	2.4	3.2	−4.7	1.3	...	...	...
Service Producers	2 317	3.5	1.9	−6.7	4.1	...	...	...
Business Sector	3 506	2.5	1.8	−7.4	4.2	5.1	3.4	2.4
General Government	906	1.0	0.1	−0.1	1.2	1.0	0.9	0.9
GDP at Basic Prices[1]	**4 470**	**2.1**	**1.4**	**−5.8**	**3.5**	**4.1**	**2.9**	**2.1**
Taxes/Subsidies on Products	558	1.5	−0.6	−4.3	2.8	3.8	2.9	2.1
GDP at Market Prices	5 028	2.1	1.2	−5.7	3.4	4.1	2.9	2.1

[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	2018	2019	2020	2021	2022	2023	2024
Goods Producers	1 945	1.3	−1.2	−7.7	1.8	...	...	...
Of Which: Industry	978	−0.6	−1.8	−11.0	3.5	...	...	...
Construction	648	3.5	0.4	−5.2	0.2	...	...	...
Services Producers	3 916	2.3	0.3	−6.2	2.8	...	...	...
Business Sector	5 861	1.9	−0.2	−6.7	2.5	3.0	2.3	1.3
General Government	2 229	1.7	−0.6	−1.3	1.4	0.9	0.9	0.9
Total Economy[1]	**8 261**	**1.9**	**−0.3**	**−5.2**	**2.1**	**2.4**	**1.9**	**1.2**

[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	2018	2019	2020	2021	2022	2023	2024
Goods Producers	611	−0.8	2.9	−1.1	2.5	...	...	...
Of Which: Industry	704	3.3	2.2	−1.1	3.0	...	...	...
Construction	469	−1.0	2.8	0.5	1.1	...	...	...
Service Producers	592	1.2	1.5	−0.6	1.2	...	...	...
Business Sector	598	0.5	2.0	−0.8	1.7	2.0	1.1	1.1
General Government	407	−0.7	0.7	1.2	−0.2	0.0	0.0	0.0
Total Economy[1]	**541**	**0.3**	**1.7**	**−0.7**	**1.3**	**1.7**	**1.0**	**0.9**

[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	2018	2019	2020	2021	2022	2023	2024
Hours Worked[1]	8 261	1.9	−0.3	−5.2	2.1	2.4	1.9	1.2
Average Hours Worked for Employed[2]	31.0	0.3	−0.9	−3.4	2.8	0.6	0.2	−0.1
Number of Employed	5 132	1.5	0.7	−1.9	−0.7	1.8	1.7	1.3
Employment Rate[3]	...	68.3	68.3	66.8	66.0	66.9	67.8	68.4
Labour Force	5 504	1.1	1.1	0.0	0.5	0.8	0.7	0.6
Labour Force Participation Rate[4]	...	72.9	73.3	73.0	73.0	73.3	73.5	73.7
Unemployment rate[5]	373	6.3	6.8	8.5	9.6	8.7	7.8	7.2
Population Aged 15–74	7 510	0.8	0.7	0.5	0.4	0.4	0.4	0.4

[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] Thousands 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

	2017	2018	2019	2020	2021	2022	2023	2024
Labour Market								
Equilibrium Unemployment[1]	6.8	6.8	6.8	6.8	6.9	7.0	7.1	7.1
Actual Unemployment[2]	6.7	6.3	6.8	8.5	9.6	8.7	7.8	7.2
Potential Hours Worked	1.5	1.2	0.6	0.1	0.2	0.7	0.7	0.7
Of Which: Potential Employment	1.4	1.3	1.0	0.5	0.2	0.6	0.6	0.6
Actual Hours Worked	2.3	1.9	−0.3	−5.2	2.1	2.4	1.9	1.2
Labour Market Gap[3]	0.3	0.9	0.1	−5.1	−3.3	−1.6	−0.6	−0.1
Productivity								
Potential Productivity	0.6	0.6	1.1	1.4	0.5	0.7	1.1	1.2
Of Which: Potential Productivity, Business Sector	1.0	1.0	1.2	1.2	0.9	1.0	1.4	1.5
Actual Productivity	0.5	0.2	1.5	−0.5	1.3	1.7	1.0	0.9
Productivity Gap[4]	0.6	0.2	0.7	−1.2	−0.5	0.4	0.3	0.1
GDP								
Potential GDP	2.1	1.8	1.7	1.5	0.7	1.4	1.8	1.8
Actual GDP	2.8	2.1	1.2	−5.7	3.4	4.1	2.9	2.1
Output Gap[5]	1.0	1.2	0.8	−6.3	−3.8	−1.3	−0.3	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	2018	2019	2020	2021	2022	2023	2024
Business Sector	68	2.5	2.5	1.6	2.1	2.2	2.7	3.0
Goods Producers	22	3.0	2.4	1.2	2.1	...	...	...
Of Which: Industry	15	2.9	2.6	1.2	2.1	...	...	...
Construction	7	3.3	2.0	1.1	2.0	...	...	...
Service Producers	46	2.2	2.5	1.9	2.2	...	...	...
Local Government	26	2.7	2.8	2.2	2.4	...	...	...
Central Government	6	2.8	2.7	2.7	2.2	...	...	...
Total	**100**	**2.5**	**2.6**	**1.8**	**2.2**	**2.3**	**2.7**	**3.0**
Real Hourly Earnings (CPI)[1]	...	0.6	0.8	1.4	1.1	0.8	0.9	0.7
Real Hourly Earnings (CPIF)[2]	...	0.4	0.8	1.5	1.1	0.9	1.0	1.1

[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	2018	2019	2020	2021	2022	2023	2024
Not Calendar-Adjusted Values								
Hourly Earnings	260	3.1	4.1	6.1	−3.2	2.2	3.4	3.0
Employers' Social Contributions[1] (per cent of earnings)	...	43.0	42.7	41.8	43.3	43.3	43.3	43.3
Hourly Labour Costs[2]	372	3.7	3.8	5.4	−2.2	2.2	3.4	3.0
Productivity	580	0.7	2.1	−1.5	1.6	...	...	...
Adjusted Unit Labour Costs[3]	...	3.0	1.7	6.9	−3.7	...	...	...
Calendar-Adjusted Values								
Hourly Earnings	...	2.8	4.0	6.8	−2.9	2.2	2.7	3.0
Hourly Labour Costs[2]	...	3.4	3.7	6.1	−1.9	2.2	2.7	3.0
Productivity	...	0.5	2.0	−1.0	1.8	...	...	...
Adjusted Unit Labour Costs[3]	...	2.9	1.7	7.2	−3.6	...	...	...

[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	2018	2019	2020	2021	2022	2023	2024
GDP	69.7	2.4	2.8	1.6	1.2	1.8	1.8	1.9
General Government[1,2]	13.4	4.1	3.5	1.4	2.6	2.3	3.2	3.0
Business Sector[2]	48.6	1.8	2.7	1.7	0.9	1.6	1.5	1.7
Product Taxes, Net	7.7	3.2	2.1	1.4	1.0	...	...	...
Imports	30.3	6.0	2.9	−2.7	−0.5	0.3	0.2	0.3
Processed Goods	15.0	3.8	2.6	−0.2	−2.2	...	...	...
Raw Materials	5.4	14.9	1.5	−14.0	2.3	...	...	...
Services	9.9	4.6	4.2	0.7	0.2	...	...	...
Supply/Use[3]	**100.0**	**3.5**	**2.8**	**0.3**	**0.7**	**1.3**	**1.3**	**1.4**
General Government Consumption Expenditure	18.1	3.7	3.3	2.5	2.1	2.3	3.0	2.7
Household Consumption Expenditure	31.6	2.5	1.9	0.5	1.1	1.8	1.7	1.9
Gross Fixed Capital Formation	17.0	3.1	2.3	1.3	1.0	1.2	1.2	1.5
Exports	32.8	4.6	3.7	−1.8	−0.5	0.3	0.2	0.2
Processed Goods	18.3	3.4	4.8	0.0	−1.8	...	...	...
Raw Materials	4.6	14.4	0.1	−12.3	3.5	...	...	...
Services	9.8	2.1	3.3	0.6	−0.1	...	...	...

[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	2018	2019	2020	2021	2022	2023	2024
Value Added, Constant Prices[1]	...	2.4	1.8	−7.2	4.3	5.0	3.2	2.4
Value-Added Deflator	...	1.8	2.7	1.7	0.9	1.6	1.5	1.7
Value Added, Current Prices[2]	3 497	4.3	4.5	−2.3	2.1	...	...	...
Hours Worked, Employees	...	1.9	−0.1	−5.8	2.9	3.0	1.6	1.3
Hourly Labour Costs[3]	372	3.7	3.8	5.4	−2.2	2.2	3.4	3.0
Total Labour Costs[4]	2 038	5.7	3.7	−0.8	0.6	5.3	5.0	4.3
Gross Profit	1 459	2.3	5.5	−4.4	4.2	...	...	...
Profit Share	**...**	**41.3**	**41.7**	**40.8**	**41.7**	**42.2**	**42.0**	**41.9**
Adjusted Profit Share[5]	...	35.6	36.1	35.2	36.1	36.6	36.4	36.3

[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	2018	2019	2020	2021	2022	2023	2024
CPI	**100.0**	**2.0**	**1.8**	**0.4**	**1.1**	**1.4**	**1.8**	**2.2**
Mortgage Interest Costs, Mortgage Interest Rate	...	−4.9	1.8	1.0	−0.5	0.3	2.5	8.5
CPIF	**100.0**	**2.1**	**1.7**	**0.4**	**1.1**	**1.4**	**1.7**	**1.9**
Goods	43.7	0.6	1.0	0.6	0.5	...	...	...
Services	29.8	1.9	2.1	1.4	1.2	...	...	...
Housing Excl. Mortgage Interest Costs and Energy	16.3	1.8	1.9	1.6	1.0	...	...	...
Energy	7.0	10.5	3.1	−9.2	3.5	...	...	...
Mortgage Interest Costs, Capital Stock	3.1	7.1	5.8	5.4	4.5	4.3	4.1	4.1
CPIF Excl. Energy	**93.0**	**1.4**	**1.6**	**1.2**	**1.0**	**...**	**...**	**...**
HICP	...	2.0	1.7	0.6	1.1	...	...	...
Crude Oil (Brent)[1]	...	70.9	64.3	38.8	44.2	55.7	68.2	72.4

[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

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	**2 295**	**2 392**	**2 438**	**2 397**	**2 457**	**2 576**	**2 689**	**2 801**
Per cent of GDP	*49.6*	*49.5*	*48.6*	*49.7*	*48.6*	*48.1*	*48.1*	*48.1*
Taxes and Duties	2 033	2 107	2 141	2 100	2 158	2 266	2 368	2 467
Per cent of GDP	*44.0*	*43.6*	*42.6*	*43.5*	*42.7*	*42.3*	*42.3*	*42.3*
Tax-to-GDP Ratio[1]	*44.1*	*43.8*	*42.8*	*43.7*	*42.8*	*42.4*	*42.5*	*42.5*
Property Income	66	76	79	71	67	71	75	82
Other Revenue	196	208	219	226	231	239	245	253
Expenditure	**2 229**	**2 353**	**2 424**	**2 669**	**2 607**	**2 668**	**2 750**	**2 844**
Per cent of GDP	*48.2*	*48.7*	*48.3*	*55.3*	*51.5*	*49.8*	*49.1*	*48.8*
Consumption Expenditure	1 204	1 258	1 303	1 348	1 396	1 442	1 500	1 560
Transfers	788	829	846	1 035	906	913	930	950
Households	638	656	671	724	706	705	715	727
Corporations	84	93	94	223	102	104	107	111
Abroad	66	80	82	87	98	104	108	112
Capital Formation[2]	208	233	246	257	270	277	282	288
Property Expenditure	30	33	28	29	35	36	39	46
Technical Transfer to Households[3]	**0**	**0**	**0**	**0**	**10**	**14**	**−22**	**−55**
Technical Transfer to Corporations[4]	**0**	**0**	**0**	**0**	**20**	**0**	**0**	**0**
Net Lending[5]	**66**	**38**	**15**	**−271**	**−180**	**−106**	**−39**	**12**
Per cent of GDP	*1.4*	*0.8*	*0.3*	*−5.6*	*−3.6*	*−2.0*	*−0.7*	*0.2*
Primary Net Lending[6]	**30**	**−5**	**−36**	**−313**	**−212**	**−141**	**−76**	**−24**
Per cent of GDP	*0.6*	*−0.1*	*−0.7*	*−6.5*	*−4.2*	*−2.6*	*−1.4*	*−0.4*
Structural Net Lending	**31**	**13**	**16**	**−172**	**−83**	**−53**	**−18**	**19**
Per cent of potential GDP	*0.7*	*0.3*	*0.3*	*−3.3*	*−1.6*	*−1.0*	*−0.3*	*0.3*
Maastricht Debt	**1 884**	**1 876**	**1 765**	**2 130**	**2 348**	**2 495**	**2 574**	**2 610**
Per cent of GDP	*41*	*39*	*35*	*44*	*46*	*47*	*46*	*45*
GDP, Current Prices	4 625	4 828	5 021	4 824	5 057	5 356	5 596	5 824
Potential GDP, Current Prices	4 579	4 769	4 981	5 147	5 255	5 424	5 611	5 824
Net Financial Wealth	1 115	1 170	1 405	869	727	675	690	758
Per cent of GDP	*24*	*24*	*28*	*18*	*14*	*13*	*12*	*13*

[1] The 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] Technical transfer to corporations in the form of changes to transfer payments or subsidies. [5] Net lending is calculated as income minus the sum of expenses and transfers to households. [6] 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

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	**1 219**	**1 265**	**1 281**	**1 204**	**1 270**	**1 341**	**1 403**	**1 464**
Taxes and Duties	1 071	1 106	1 116	1 038	1 102	1 167	1 222	1 274
Property Income	22	29	29	26	24	25	27	29
Other Revenue	126	130	135	140	144	149	154	160
Expenditure	**1 143**	**1 201**	**1 218**	**1 472**	**1 333**	**1 347**	**1 373**	**1 410**
Transfers	710	747	751	982	816	821	827	840
Old-Age Pension System[1]	25	24	23	27	24	23	22	23
Local Government Sector	271	277	278	332	305	307	309	312
Households	301	310	313	353	327	324	322	327
Corporations	51	60	60	187	67	68	69	71
Abroad	63	76	77	83	94	99	104	107
Consumption Expenditure	310	321	331	343	355	361	375	388
Capital Formation[2]	100	105	114	126	135	139	144	150
Property Expenditure	24	27	21	21	27	27	28	32
Of which interest expenditure	*19*	*22*	*16*	*15*	*20*	*20*	*21*	*25*
Technical Transfer to Households[3]	**0**	**0**	**0**	**0**	**35**	**60**	**40**	**29**
Technical Transfer to Corporations[4]	**0**	**0**	**0**	**0**	**20**	**0**	**0**	**0**
Net Lending	**75**	**64**	**63**	**−268**	**−118**	**−67**	**−10**	**25**
Per cent of GDP	*1.6*	*1.3*	*1.3*	*−5.5*	*−2.3*	*−1.3*	*−0.2*	*0.4*
Central Government Debt	1 265	1 197	1 054	1 394	1 568	1 676	1 720	1 726
Per cent of GDP	*27.4*	*24.8*	*21.0*	*28.9*	*31.0*	*31.3*	*30.7*	*29.6*
Net Financial Wealth	−249	−130	−49	−404	−559	−601	−586	−535
Per cent of GDP	*−5.4*	*−2.7*	*−1.0*	*−8.4*	*−11.0*	*−11.2*	*−10.5*	*−9.2*

[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. [4] Technical transfer to corporations in the form of changes to transfer payments or subsidies.

Sources: Statistics Sweden, National Debt Office and NIER.

Table A22 Old-Age Pension System Finances

SEK billion and percentage of GDP, respectively, current prices

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	**303**	**318**	**328**	**333**	**326**	**339**	**352**	**366**
Social Insurance Contributions	245	257	267	268	269	281	294	306
Central Government's Old-Age Pension Contributions	25	24	23	27	24	23	22	23
Property Income	31	35	37	35	31	32	33	35
Other Revenue	2	2	2	3	3	3	3	3
Expenditure	**302**	**311**	**322**	**333**	**337**	**340**	**353**	**362**
Income Pensions	296	304	315	325	329	332	345	353
Property Expenditure	0	1	0	0	0	1	1	1
Other Expenses	6	6	7	7	7	8	8	8
Net Lending	**0**	**7**	**6**	**0**	**−12**	**−1**	**−1**	**4**
Per cent of GDP	*0.0*	*0.1*	*0.1*	*0.0*	*−0.2*	*0.0*	*0.0*	*0.1*
Net Financial Wealth	1 429	1 401	1 596	1 430	1 484	1 504	1 524	1 550
Per cent of GDP	*30.9*	*29.0*	*31.8*	*29.6*	*29.3*	*28.1*	*27.2*	*26.6*

Sources: Statistics Sweden and NIER.

Table A23 Local government finances

SEK billion and percentage of GDP, respectively, current prices

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	**1 079**	**1 119**	**1 140**	**1 230**	**1 201**	**1 237**	**1 277**	**1 318**
Taxes	700	726	740	774	767	797	831	864
Municipal Property Tax	17	18	19	19	20	21	22	23
Central Government Grants incl. VAT Compensation	266	273	275	330	303	305	308	311
Property Income	13	12	13	11	13	14	15	18
Other Revenue	83	89	93	96	98	100	101	103
Average municipal tax rate[1]	*32.12*	*32.12*	*32.19*	*32.28*	*32.28*	*32.28*	*32.28*	*32.28*
Expenditure	**1 088**	**1 151**	**1 194**	**1 233**	**1 276**	**1 321**	**1 367**	**1 419**
Transfers	85	84	88	94	96	97	98	100
Households	43	44	45	48	51	50	49	49
Other	42	40	43	46	45	47	49	51
Consumption Expenditure	890	933	969	1 001	1 037	1 077	1 121	1 167
Capital Formation	108	128	131	131	134	138	137	139
Property Expenditure	5	6	7	7	8	9	11	13
Technical Transfer to Households[2]	**0**	**0**	**0**	**0**	**−25**	**−46**	**−62**	**−83**
Net Lending	**−10**	**−33**	**−55**	**−3**	**−50**	**−37**	**−28**	**−17**
Per cent of GDP	*−0.2*	*−0.7*	*−1.1*	*−0.1*	*−1.0*	*−0.7*	*−0.5*	*−0.3*
Net Financial Wealth	−66	−100	−142	−156	−199	−228	−248	−257
Per cent of GDP	*−1.4*	*−2.1*	*−2.8*	*−3.2*	*−3.9*	*−4.3*	*−4.4*	*−4.4*

[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

	2017	2018	2019	2020	2021	2022	2023	2024
Direct Household Taxes	16.0	15.6	14.9	15.8	15.1	14.8	14.8	14.8
Direct Business Taxes	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Employers' Social Contributions[1]	12.1	12.1	12.0	11.9	12.0	11.9	11.9	11.9
VAT	9.2	9.2	9.2	9.2	9.1	9.1	9.2	9.2
Excise	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.1
Other Taxes	1.7	1.7	1.6	1.6	1.5	1.5	1.5	1.5
Tax-to-GDP Ratio[2]	**44.1**	**43.8**	**42.8**	**43.7**	**42.8**	**42.4**	**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]	4.2	4.3	4.4	4.7	4.6	4.5	4.4	4.3
Primary Revenue	**48.2**	**48.0**	**47.0**	**48.2**	**47.3**	**46.8**	**46.7**	**46.7**
Property Income	1.4	1.6	1.6	1.5	1.3	1.3	1.3	1.4
Total Revenue	**49.6**	**49.5**	**48.6**	**49.7**	**48.6**	**48.1**	**48.1**	**48.1**

[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 current regulations.

Sources: Statistics Sweden and NIER.

Table A25 General Government Expenditure

Per cent of GDP

	2017	2018	2019	2020	2021	2022	2023	2024
Consumption Expenditure	26.0	26.1	26.0	27.9	27.6	26.9	26.8	26.8
Transfers	17.0	17.2	16.9	21.5	17.9	17.0	16.6	16.3
Households	13.8	13.6	13.4	15.0	14.0	13.2	12.8	12.5
Corporations	1.8	1.9	1.9	4.6	2.0	1.9	1.9	1.9
Abroad	1.4	1.6	1.6	1.8	1.9	1.9	1.9	1.9
Gross Fixed Capital Formation	4.5	4.8	4.9	5.3	5.3	5.2	5.0	5.0
Primary Expenditure	47.6	48.1	47.7	54.7	50.9	49.1	48.4	48.0
Property Expenditure	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.8
Total Expenditure	**48.2**	**48.7**	**48.3**	**55.3**	**51.5**	**49.8**	**49.1**	**48.8**

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

	2017	2018	2019	2020	2021	2022	2023	2024
Pensions[1]	7.7	7.5	7.5	8.1	7.8	7.4	7.3	7.2
Of Which Income Pension	6.4	6.3	6.2	6.7	6.5	6.2	6.1	6.0
Labour Market[2]	0.7	0.6	0.6	0.9	0.8	0.6	0.5	0.5
Illness and Disability[3]	1.7	1.6	1.5	1.9	1.4	1.3	1.2	1.2
Family and Children[4]	1.6	1.7	1.7	1.9	1.8	1.7	1.6	1.6
Education[5]	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Social Assistance[6]	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Other[7]	1.5	1.5	1.4	1.6	1.5	1.4	1.4	1.3
Total Transfer to Households	**13.8**	**13.6**	**13.4**	**15.0**	**14.0**	**13.2**	**12.8**	**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 and disability allowance. [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

	2017	2018	2019	2020	2021	2022	2023	2024
Income Index	3.7	1.5	3.1	3.8	2.3	1.0	2.3	2.7
Balance Index	4.4	2.6	3.1	3.8	2.3	1.0	2.3	2.7
Balance Ratio[1,2]	1.007	1.013	1.012	1.017	1.027	1.007	1.008	...
Nominal Income Pension[3]	**2.8**	**1.0**	**1.4**	**2.1**	**0.7**	**−0.6**	**0.7**	**1.1**

[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

	2017	2018	2019	2020	2021
Budget Balance	**62**	**80**	**112**	**−369**	**−180**
Adjustments to Net Lending	4	10	−60	26	4
Sales of Shares etc.	0	−2	0	0	0
Extra Dividends	0	0	−1	0	−6
On-Lending	13	18	−57	22	19
Other Adjustments	−8	−6	−2	4	−10
Accruals	11	−25	12	66	58
Of Which: Tax Accruals	14	−19	7	59	63
Interest Accruals	−3	−1	7	6	−5
Other	−2	−1	−1	10	0
Central Government Net Lending	**75**	**64**	**63**	**−268**	**−118**
Central Government Borrowing Requirement[1]	−62	−80	−112	369	180
Stock-Flow Adjustments. Central Government Debt	35	12	−31	−30	−6
Central Government Debt, Change	−27	−68	−143	340	174
Central Government Debt	**1265**	**1197**	**1054**	**1394**	**1568**
Per cent of GDP	*27.4*	*24.8*	*21.0*	*28.9*	*31.0*

[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

	2017	2018	2019	2020	2021	2022
Central Government Expenditure Ceiling	**1 274**	**1 337**	**1 351**	**1 742**	**1 443**	**1 502**
Per cent of Potential GDP	*27.8*	*28.0*	*27.1*	*33.8*	*27.5*	*27.7*
Capped Expenditure	1 229	1 282	1 308	1 538	1 418	1 433
Per cent of Potential GDP	*26.8*	*26.9*	*26.3*	*29.9*	*27.0*	*26.4*
Budgeting Margin	**45**	**55**	**43**	**204**	**25**	**69**
Per cent of Capped Expenditure	*3.6*	*4.3*	*3.3*	*13.3*	*1.8*	*4.8*

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