

The Swedish Economy March 2018 The National Institute of Economic Research (NIER) is a Swedish government agency accountable to the Ministry of Finance. We produce forecasts to support decisions on economic policy in Sweden, analyse economic developments and conduct economic research.

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Summary

The Swedish economy will continue to strengthen this year and the next. The investment-driven upswing in the global economy will drive up Swedish exports, and industrial production will continue to rise rapidly. High capacity utilisation in the manufacturing industry means that business investment will continue to grow quickly despite housing investment levelling off. Employment growth will gradually slow as demand for labour weakens. Wage growth will accelerate gradually due to continued large labour shortages, but inflation will not reach 2 per cent until 2020. The Riksbank will therefore not begin to raise the repo rate until the first quarter of 2019. Fiscal policy will be tightened in 2019-2020, and structural net lending will be in line with the surplus target from 2020.

The Swedish economy continued to strengthen in the fourth quarter last year. GDP climbed 0.9 per cent (see Diagram 1), and employment 0.3 per cent. The NIER's Economic Tendency Survey shows strong optimism in the business sector, although there has been a slight decline in some industries in recent months.

Consumer confidence, on the other hand, has fallen considerably in recent months to more historically normal levels (see Diagram 2). This is probably a result of the recent downturn in the housing market with falling property prices. The monthly statistics also suggest that household consumption was weak in December and January. Growth in household consumption is therefore expected to slow in the first quarter this year. This means that GDP will rise somewhat more slowly in the first quarter than in recent quarters (see Diagram 1).

The monthly statistics also suggest that employment has continued to grow strongly in the first quarter this year. According to the Economic Tendency Survey, recruitment plans in the business sector are still positive but have fallen back considerably in recent months (see Diagram 3). This indicates that employment growth will slow from the second quarter, but not to the extent that the gradual fall in unemployment is retained. Resource utilisation in the labour market will therefore continue to increase.

HOUSING MARKET LESS OF A CAUSE FOR CONCERN

Recent months' decline in housing prices is a significant source of uncertainty in the forecast, although somewhat less so than a few months ago. Our forecast assumes that housing prices will begin to rise again and end up marginally higher on average in 2018 than in 2017. The housing price correction since the autumn will therefore only have moderate effects on the economy. There is, however, a not insignificant risk that housing prices will perform weaker than assumed. Significantly lower prices Diagram 1 Economic tendency indicator and GDP

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



Sources: Statistics Sweden and NIER.

Diagram 2 Consumer confidence in US, Euro Area and Sweden Index mean=100, seasonally adjusted monthly

values



Sources: Conference Board, Eurostat, Macrobond and NIER.

Diagram 3 Hiring plans in business sector and employment Balances and percentage change, seasonally adjusted monthly and quarterly values



than assumed could have tangible negative consequences for household consumption and housing investment, and so for economic activity.

GLOBAL ECONOMY GOING FROM STRENGTH TO STRENGTH

The global economy has continued to improve on a broad front (see Diagram 4). Many survey-based confidence indicators suggest a strong start to 2018, although there are some signs of a slowdown.

Growth in the manufacturing industrial production has accelerated across much of the global economy and not least the OECD countries (see Diagram 5), and capacity utilisation in the manufacturing industry is now high in many countries. The upswing is partly due to a strong investment climate. Continued strong demand growth suggests that investment will continue to rise quickly.

In the euro area, activity has been improving in most member states for some time. Confidence indicators point to further improvements, although growth is now slowing slightly after a couple of quarters of rapid expansion. Unemployment fell back to 8.6 per cent in January, which is in line with the OECD's estimate of equilibrium unemployment. The downturn in the euro area labour market can thus be considered to be over. Wage growth is nevertheless subdued and showing no clear signs of taking off in the near future. This weak wage growth has contributed to persistently low inflation despite an ever stronger economy. HICP inflation excluding energy, food, alcohol and tobacco was 1.0 per cent in February, which is around the level at which core inflation has fluctuated for the past four years. As the economy continues to strengthen, inflation will rise, reaching the ECB's target of below, but close to, 2 per cent at the end of 2019. The ECB will therefore begin to raise its refi rate early next year (see Diagram 6).

The US is further ahead in the business cycle, and unemployment is now around the same levels as at previous cyclical peaks. Both consumers and firms are optimistic about the future, which suggests that growth will remain robust in the first half of this year. The tax package passed in December 2017 will boost growth somewhat this year, as will the increases in government expenditure approved by Congress in February. Growth will therefore accelerate slightly this year, and the output gap will widen further. Inflation has fluctuated around 2 per cent for some time and was a little higher in February. This is largely in line with the Federal Reserve's inflation target, and the bank is therefore expected to continue on its established path towards normalising its policy rate.

CONTINUED RISK OF SETBACKS TO THE GLOBAL ECONOMY

The indication is that the global economy will continue to strengthen this year and next, and it could perform better than Diagram 4 GDP in selected countries Percentage change



Sources: IMF, OECD, Macrobond and NIER.

Diagram 5 Manufacturing industrial production

Annual percentage change, seasonally adjusted monthly values



Sources: CPB Netherlands Bureau for Economic Planning and Macrobond.

Diagram 6 Policy rates Per cent, daily and monthly values



Note. US policy rate refers to an upper bound of the target range for the federal funds rate. Sources: ECB, Federal Reserve, The Riksbank, Macrobond and NIER.

forecast. On the other hand, there are a number of potential pitfalls. Most worrying is the risk of a global trade war in the wake of the recent announcement by the US of import tariffs on steel and aluminium. If applied to Sweden, these tariffs would have only limited direct effects on Swedish exports to the US, but the danger is that they trigger retaliatory measures that escalate into a global trade war. This would be very damaging for the global economy and so also for Sweden.

SWEDISH MANUFACTURING INDUSTRY ALSO ON THE UP

Continued strong economic expansion abroad is good news for Sweden's exporters. Together with a weak krona, this is boosting exports, which will make a major contribution to Swedish demand growth this year (see Diagram 7). Industrial production will therefore continue to grow quickly this year, and the already high capacity utilisation will rise further. Profitability in the Swedish business sector is also good (see Diagram 8), not least in the manufacturing industry, and capital costs are low. This is driving business investment, which will continue to grow relatively strongly this year despite housing investment more or less levelling off (see Diagram 9).

FISCAL POLICY TO REIN IN HOUSEHOLD INCOMES NEXT YEAR

Household real disposable income will rise relatively quickly this year (see Diagram 10), mainly due to continued strong growth in employment and hours worked (see Table 1). Disposable income will also be bolstered by an expansionary budget with lower taxes and higher transfers to households. As the effects of the price correction in the housing market fade, household expenditure is therefore expected to increase more rapidly. are therefore expected to increase their spending rather more quickly.

Structural net lending will fall this year to 0.0 per cent of potential GDP (see Diagram 11). This is below a level that would be consistent with the surplus target for public finances. The NIER therefore assumes that all measures in the government budget for 2019 will be fully funded. This means that structural net lending will rise to 0.1 per cent of potential GDP next year. The reason for there not being a bigger increase is that the automatic tightening effect of unchanged policies will be unusually weak in 2019. At the same time, it is assumed that personnel density in the provision of public services is unchanged. This creates a funding requirement that reduces household disposable income by just over SEK 20 billion. Employment will also experience a considerable weaker increase in growth next year than this year. Taken together, this means that growth in real disposable income will slow substantially in 2019. As a result, households will reduce their saving slightly from today's high levels

Diagram 7 Contributions to GDP growth, adjusted for import content Percentage change and percentage points



Sources: Statistics Sweden and NIER.

Diagram 8 Profitability in business sector

Per cent, annual values and balances, seasonally adjusted quarterly values





Diagram 9 Investment in housing Billions of SEK, constant prices and percentage change



Sources: Statistics Sweden and NIER.

and increase their spending at more or less the same rate as this year (see Diagram 10).

Table 1 Selected Indicators

Percentage change, unless otherwise indicated

	Outcome Fored		ast	Scena	rio	
	2017	2018	2019	2020	2021	2022
GDP, Market Prices	2.4	2.8	2.1	1.9	1.6	1.5
GDP per Capita	1.0	1.6	1.0	0.8	0.5	0.4
GDP, Calendar-Adjusted	2.7	2.9	2.1	1.6	1.5	1.5
GDP, World	3.8	3.9	3.8	3.6	3.5	3.5
Current Account Balance1	4.0	4.1	4.2	4.2	4.1	3.9
Hours Worked ²	1.9	1.9	1.0	0.4	0.1	0.1
Employment	2.3	1.4	0.7	0.4	0.3	0.3
Unemployment Rate ³	6.7	6.3	6.2	6.2	6.3	6.6
Labour Market Gap ⁴	0.5	1.5	1.8	1.6	1.1	0.5
Output Gap⁵	1.4	2.1	2.2	1.7	1.2	0.5
Hourly Earnings ⁶	2.5	2.8	3.1	3.5	3.9	3.9
Hourly Labour Costs ²	2.8	3.0	3.1	3.5	3.9	3.9
Productivity ²	0.8	1.1	1.2	1.2	1.4	1.4
CPI	1.8	1.7	2.0	2.7	2.7	2.6
CPIF	2.0	1.8	1.8	2.0	2.0	2.0
Repo Rate ^{7,8}	-0.50	-0.50	0.00	0.75	1.50	2.25
10-year Government Bond Yield ⁷	0.7	1.0	1.6	2.1	2.6	3.0
Effective Krona Exchange Ra Index (KIX)9	te 112.9	114.8	113.4	111.6	109.8	107.9
Government Net Lending1	1.1	0.7	1.1	1.2	0.9	0.7
Structural Net Lending10	0.2	0.0	0.1	0.5	0.5	0.5
Maastricht Debt ^{1, 8}	40.9	37.0	34.2	33.0	31.6	30.6

¹ Per cent of GDP. ² Calendar–adjusted. ³ Per cent of labour force. ⁴ Difference between actual and potential hours worked in per cent of potential hours worked. ⁵ Difference between actual and potential GDP in per cent of potential GDP.

⁶ According to the short–term earnings statistics. ⁷ Per cent. ⁸ At year–end. ⁹ Index 18 November 1992=100. ¹⁰ Per cent of potential GDP.

To November 1992 = 100. Fer cent of potential ODF

Sources: IMF, Statistics Sweden, National Mediation Office, Sveriges Riksbank, Macrobond and NIER.

The strong GDP growth in the latter part of 2017 will largely spill over into 2018. While quarterly growth will slow during the course of this year, growth in 2018 as a whole is forecast to be 2.8 per cent. Next year, GDP growth will slow, and resource utilisation in the economy as a whole will level off at a high level.

CONSIDERABLE MATCHING PROBLEMS IN THE LABOUR MARKET

After a strong surge in the first quarter this year, employment growth will be more subdued for the remainder of 2018 and in 2019 (see Diagram 3). Unemployment will nevertheless continue to fall gently and average 6.2 per cent of the labour force in Diagram 10 Household consumption, real disposable income and saving ratio

Percentage change and per cent of disposable income



Sources: Statistics Sweden and NIER.

Diagram 12 General government net lending and structural net lending Per cent of GDP and per cent of potential GDP



Sources: Statistics Sweden and NIER.

Diagram 11 Labour shortage Number of workplaces with recruiting problems, per cent, semi-annual values



Source: Arbetsförmedlingen.

2019. This is marginally higher than the level observed during the previous cyclical peak in the labour market in 2007, just before the financial crisis. Despite this, there are bigger labour shortages now in both the business sector and, in particular, the public sector (see Diagram 12). One reason for this is that the share of people with a weak attachment to the labour market has risen markedly over the past decade, due partly to political measures to increase labour force participation and partly to high levels of immigration in recent years. This points to a deterioration in matching efficiency in the labour market during the period, which is also reflected in a much higher ratio of job vacancies to job seekers than a decade ago, despite unemployment being marginally higher today.

LABOUR SHORTAGES TO PUSH UP WAGES SOMEWHAT

Despite these matching problems in the labour market and strong demand for labour, wage growth in the business sector has yet to take off (see Diagram 13). It will accelerate slightly this year and next, however, as further strong demand for labour and persistent matching problems push up wage drift somewhat. Wages in the municipal sector have been growing much more quickly over the past year than those in the business sector, partly due to targeted governmental initiatives for certain professions.

The increase in wage growth in the business sector means that unit labour costs will rise at a rate that is compatible in the longer term with the inflation target of 2 per cent. According to firms' responses to the Economic Tendency Survey, however, profitability is currently higher than normal (see Diagram 8), which is reducing the need to pass on cost increases to consumers.

CPIF INFLATION WILL NOT HIT 2 PER CENT UNTIL 2020

CPIF inflation – the rise in the consumer price index with a fixed interest rate - climbed to 2 per cent on average in 2017 (see Diagram 14). Much of the increase was due to a surge in energy prices. Energy prices at consumer level will continue to rise rapidly this year, but the contribution to CPIF inflation will be somewhat smaller than last year. Low growth in rents is also continuing to put a damper on inflation. In February this year, CPIF inflation fell to 1.7 per cent. The growing output gap would suggest that firms will raise their prices more quickly going forward. According to the Economic Tendency Survey, however, firms' plans for price increases are still moderate, and their expectations for inflation one year ahead averaged just 1.3 per cent in January. This is likely explained to some extent by healthy profitability. All in all, CPIF inflation is not expected to rise appreciably during the course of 2018 and 2019. Not until 2020 is it forecast to reach 2 per cent (see Table 1).

Diagram 13 Hourly earnings Percentage change



Sources: National Mediation Office and NIER.

Diagram 15 Consumer prices



Sources: Statistics Sweden and NIER

Diagram 14 Repo rate Per cent, daily and guarterly values



Note. The Riksbank's forecast refers to quarterly values. Sources: Nasdaq OMX, The Riksbank, Macrobond

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

The subdued outlook for inflation means that we do not expect the Riksbank to raise the repo rate until the first quarter of 2019 (see Diagram 14). This is somewhat later than both market expectations, as measured by RIBA futures, and the Riksbank's latest projections. The Riksbank's first hike will thus more or less coincide with the ECB beginning to raise its refi rate (see Diagram 6).

Forecast revisions 2018–2019

New information since our December forecast has led to a slight downward revision of resource utilisation in the Swedish economy as a whole, as measured by the output gap, in both 2018 and 2019 (see Table 2). Some comments on the revisions from December can be found below.

- GDP growth in Sweden in 2018 is a tenth of a point lower than in the December forecast. This is partly due to household consumption now being expected to rise more slowly in the first half of this year due to the problems in the housing market.
- The average price of a barrel of Brent crude in 2018 has been revised up by 5.3 dollars, or almost 9 per cent (see Diagram 16).
- Growth in hourly wages in the economy as a whole has been lowered by 2 tenths of a point in both 2018 and 2019. Wage growth has been revised down in both the business sector and the public sector. This is due mainly to hourly wages in 2017 rising more slowly than anticipated in our December forecast, despite resource utilisation in the labour market coming out as expected.
- The krona index (KIX) has been revised up by just over 1 percentage point in both 2018 and 2019 as a result of the currency being weaker than expected in recent months (see Diagram 17).
- The effects on CPIF inflation of the revisions to wages, oil prices and the krona exchange rate largely cancel each other out, with the result that the forecast for CPIF inflation is unchanged. The Riksbank's first interest rate hike is nevertheless expected to come slightly later than assumed in the December forecast. The reason for this is that the outlook for inflation in the period immediately after 2019 is now considered to be slightly weaker (see Diagram 18).

Diagram 16 Oil price Brent oil, dollar per barrel, monthly values



Sources: Macrobond, International Petroleum Exchange and NIER.

Diagram 17 Effective exchange rate of the Swedish krona – KIX



Sources: The Riksbank, Macrobond and NIER.

Diagram 18 Repo rate in Sweden Per cent, daily values



Sources: The Riksbank, Macrobond and NIER.

Table 2 Current Forecast and Revisions Compared to the December 2017 Forecast

Percentage change, unless otherwise indicated

		2018			2019	
	Mar	Dec	Diff	Mar	Dec	Diff
Global Economy						
GDP, World	3.9	3.7	0.1	3.8	3.7	0.1
GDP, OECD	2.5	2.3	0.2	2.2	2.1	0.1
GDP, Euro Area	2.3	2.1	0.2	2.0	1.8	0.2
GDP, US	2.8	2.5	0.3	2.5	2.3	0.2
GDP, China	6.5	6.4	0.1	6.3	6.2	0.1
Federal Funds Target Rate ^{1,2}	2.5	2.3	0.3	3.0	2.8	0.3
ECB Refi Rate ^{1,2}	0.0	0.0	0.0	0.5	0.5	0.0
Oil Price ³	66.9	61.6	5.3	64.2	60.7	3.5
CPI, OECD	2.2	2.3	0.0	2.2	2.2	0.0
Domestic Economy						
GDP, Calendar–Adjusted	2.9	3.0	-0.1	2.1	2.1	0.0
GDP	2.8	2.9	-0.1	2.1	2.0	0.0
Household Consumption	2.1	2.4	-0.3	2.1	2.1	0.0
Government Consumption	0.9	0.9	0.0	0.8	0.7	0.1
Gross Fixed Capital Formation	5.8	5.9	-0.1	3.3	2.7	0.5
Stockbuilding ⁴	0.0	-0.2	0.2	-0.2	0.0	-0.2
Exports	5.7	5.1	0.6	4.3	4.3	0.0
Imports	5.7	5.0	0.7	4.0	4.2	-0.2
Labour Market, Inflation, Interest R	ates etc.					
Hours Worked ⁵	1.9	1.9	0.0	1.0	0.9	0.0
Employment	1.4	1.4	-0.1	0.7	0.7	0.0
Unemployment ⁶	6.3	6.4	-0.1	6.2	6.2	0.0
Labour Market Gap ⁷	1.5	1.6	-0.1	1.8	1.8	0.0
Output Gap ⁸	2.1	2.3	-0.2	2.2	2.3	-0.1
Productivity ⁵	1.1	1.2	-0.1	1.2	1.2	0.0
Hourly Earnings ⁹	2.8	3.0	-0.2	3.1	3.3	-0.2
СРІ	1.7	1.7	0.0	2.0	2.3	-0.2
CPIF	1.8	1.8	0.0	1.8	1.8	0.0
Repo Rate ^{1,2}	-0.50	-0.25	-0.25	0.00	0.25	-0.25
10–Year Government Bond Yield ¹	1.0	1.0	0.0	1.6	1.6	-0.1
Effective Krona Exchange Rate Index (KIX) ¹⁰	114.8	113.5	1.3	113.4	111.7	1.7
Current Account Balance ¹¹	4.1	4.7	-0.6	4.2	4.9	-0.7
Government Net Lending ¹¹	0.7	0.9	-0.2	1.1	1.1	0.0

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 December 2017 forecast. A positive value denotes an upward revision.

Source: NIER.

Public Finances

Net lending amounted to just over 1 per cent of GDP in 2017 and is set to remain positive. Much of the surplus can be explained by the strong economy. By the NIER's reckoning, net lending was also positive in structural terms in 2017. This year, however, structural net lending is expected to deteriorate, falling below the level that the NIER considers to be consistent with the surplus target both this year and the next. Assuming unchanged personnel density in the provision of publicly funded services, higher taxes or lower transfer payments are required so that public finances do not weaken further.

The first three sections of this chapter analyse developments in public finances over different time horizons and by applying slightly different assumptions. The first section presents a forecast for public finances in 2018 and 2019, while the second looks at expected fiscal space in 2019-2022 with unchanged rules. The third presents a fiscal policy scenario for 2020-2022 based on the assumption that expenditure is such that personnel density in the provision of publicly funded welfare services is maintained, and the historically observed increase in standards in government consumption continues. The focus of this scenario is on how fiscal policy needs to be pursued so that structural net lending is consistent with the surplus target, and how this impacts household disposable income. The final two sections of the chapter provide a more detailed account of government expenditure and revenue. The calculation methods used in the fiscal policy scenario have been revised slightly – see the special analysis "New method for fiscal policy scenario".

Forecast for public finances in 2018-2019

General government net lending amounted to just over 1 per cent of GDP in 2017 and remains positive in 2018 and 2019 (see Diagram 113). The revenue ratio – i.e. revenue as a share of GDP – fell slightly in 2017 after rising in 2015 and 2016. The expenditure ratio also fell, with the result that net lending decreased only marginally relative to GDP. The decline in the expenditure ratio can be explained above all by lower unemployment and fewer people on health-related benefits.

From 2017 to 2018, net lending decreases as a share of GDP, partly due to the expansionary budget for 2018 and weaker growth in value-added tax revenue as a result of housing investment virtually stagnating. The expenditure ratio falls slightly again in 2018 despite extensive new spending decisions. This is primarily a result of migration-related expenditure beginning to come down, and the downtrend in transfer payments continuing.

Forecasts and scenarios for public finances

For the short term, the NIER produces a *forecast* for public finances. For 2018, the fiscal policy forecast is based on the government budget. 2019 is also covered by the forecast, but there is as yet little information on what fiscal policy will look like next year. This uncertainty is exacerbated by the parliamentary election in autum 2018. For the time being, this means that we consider the best forecast for 2019 to use the same assumptions for government consumption and investment as for the scenario years 2020-2022 described below and in the box "Fiscal policy scenario".

For 2020-2022, the NIER presents a fiscal policy *scenario*. Here, we assume that fiscal policy is pursued in such a way that structural net lending is consistent with the surplus target. It may take more than one year to close a relatively wide gap to the target at the beginning of the period. We describe a variety of policy approaches to meeting the surplus target, with different spending and revenue measures.





Sources: Statistics Sweden and the NIER.

According to the NIER, the bulk of the rise in net lending since 2014 can be attributed to the strong economy. Structural net lending – i.e. net lending adjusted for cyclical and other temporary effects – has increased much less than actual net lending in recent years (see Diagram 113). In 2018, structural net lending is close to zero.

SPENDING DECISIONS ASSUMED TO BE FULLY FUNDED IN 2019

The NIER has not made any assessment of the outcome of this autumn's general election. Whatever the result, the forecast for 2019 is based on an assumption that fiscal measures in the budget for 2019 are fully funded ("krona for krona"). This means that structural net lending strengthens from 2018 to 2019 in line with the automatic fiscal tightening that goes with unchanged rules.

The forecast for government expenditure is based on the assumption that personnel density in the provision of publicly funded services is maintained at 2018 levels. Growth in both government consumption and government investment is, however, relatively subdued in 2019 in relation to demographic developments. The reason for this is that the previously high costs for refugee reception are expected to fall to historically more normal levels in 2018 and 2019. Altogether, this means that active increases in government consumption and investment of SEK 21 billion are needed in 2019, breaking down into SEK 8 billion in the central government and SEK 13 billion in the local government (see Table 16). It is assumed that these spending decisions are fully funded. The corresponding funding of SEK 21 billion is assumed to take the form of changes to household taxes and/or transfer payments over and above those following from unchanged rules. Household disposable income is thus reduced by SEK 21 billion (see the box "Fiscal policy scenario").

STRUCTURAL NET LENDING BELOW LEVEL CONSISTENT WITH SURPLUS TARGET

In the NIER's forecast, structural net lending increases only slightly in 2019 to 0.1 per cent of potential GDP (see Table 14). The automatic fiscal tightening from unchanged rules is therefore insufficient for structural net lending to reach a level consistent with the new surplus target in 2019 (see the box "NIER applying new surplus target").

NIER applying new surplus target

On 22 November 2017, the Riksdag decided on a new surplus target for general government net lending in line with the recommendation of the committee set up to review the target. The decision means that the target is being lowered from 1 per cent to one-third of a percent of GDP on average over a business cycle with effect from 2019. Structural net lending – i.e. net lending adjusted for cyclical and other temporary effects – is to be used to assess performance against the target.

The new surplus target is supplemented with a debt anchor – i.e. a benchmark for general government consolidated gross debt (Maastricht debt) – of 35 per cent of GDP. The anchor gives the surplus target a "memory", as any deviation from the target will normally be reflected in levels of debt. Debt also has direct links to fiscal sustainability.

The NIER believes that business cycles in Sweden have historically been asymmetrical, with the economy spending more time below capacity than above capacity. We therefore consider it appropriate to aim for structural net lending of 0.5 per cent of potential GDP so that net lending averages one-third of a percent of GDP over a business cycle. For a more detailed analysis of this, see the special analysis "A new surplus target" in *The Swedish Economy*, August 2016.

Table 14 Public Finances

SEK billion and percentage of GDP, current prices

	2016	2017	2018	2019
Revenue ¹	2 183	2 268	2 331	2 414
Percent of GDP	49,6	49,3	48,3	48,0
Taxes och Duties ⁴	1 933	2 014	2 075	2 151
Property Income	66	63	64	64
Other Revenue ²	183	191	193	199
Expenditure	2 130	2 216	2 298	2 380
Percent of GDP	48,4	48,1	47,6	47,3
Consumption Expenditure	1 152	1 198	1 243	1 289
Transfers ⁴	766	790	819	844
Households	623	639	654	668
Corporations	83	81	85	88
Abroad	61	70	81	88
Capital Formation	187	204	213	222
Property Expenditure	25	24	23	25
Transfer to Households ³	0	0	0	-21
Net Lending	52	52	34	54
Percent of GDP	1,2	1,1	0,7	1,1
Primary Net Lending	11	13	-7	16
Percent of GDP	0,3	0,3	-0, 1	0,3
Structural Net Lending	24	10	-1	7
Percent of Potential GDP	0,5	0,2	0,0	0,1
Maastricht Debt	1 859	1 881	1 788	1 722
Percent of GDP	42,2	40,9	37,0	34,2

¹ Excludes EU taxes. These are included in the tax-to-GDP ratio but not in government revenue. ² Such as transfer payments from abroad and from unemployment funds, and technical income such as depreciation. ³ Technical transfer to households in the form of taxes or transfer payments. Refers to the amount that needs to be transferred between households and government to achieve the forecast path for structural net lending. A negative value means that there is a need for tightening in the government sector (i.e. policy measures with a negative effect on household disposable income), while a positive value indicates space for expansionary measures. ⁴ The forecasts for taxes and duties and for transfer payments are based on 2018 rules.

Public finances with unchanged rules

This section looks at public finances with unchanged rules – i.e. no new fiscal measures beyond those presented in the budget bill for 2018. These calculations therefore differ from the fiscal policy forecast and the fiscal policy scenario, where the Riksdag and the government are assumed to make spending decisions that affect government consumption and investment. We also estimate the amount of fiscal space in 2019-2022. Fiscal space is the scope for new unfunded fiscal measures within a specific time horizon, given that the surplus target is met and public finances move on the basis of unchanged rules.

With unchanged rules, structural net lending will tend to increase over time as a share of potential GDP (see the box "Unchanged rules"). In 2019-2022, the expenditure ratio decreases with unchanged rules. Taxes also perform poorly in 2019 under this assumption, due partly to key tax bases developing less fa-

Unchanged rules

Unchanged rules mean that no new fiscal policy decisions are taken by the Riksdag, the government or municipalities.

With unchanged rules, structural expenditure tends to decline as a share of potential GDP. Structural revenue, on the other hand, normally moves largely in line with potential GDP. The expenditure ratio falls because, for the most part, government expenditure has no direct connection with economic growth. On the other hand, government revenue – primarily taxes – is often defined in terms of tax rates and so normally moves in line with GDP with unchanged rules. We refer to this strengthening of structural net lending that takes place with unchanged rules as "automatic fiscal tightening". vourably. This means that the revenue ratio falls before levelling off in the subsequent years (see Diagram 114). In the absence of new spending or revenue decisions, structural net lending therefore improves gradually from 0.0 per cent of potential GDP in 2018 to 2.4 per cent in 2022 (see Diagram 115).

Under the NIER's definition, fiscal space is calculated as any structural net lending with unchanged rules in excess of 0.5 per cent of potential GDP, which is the level that the NIER considers to be consistent with the new target for actual government net lending over a business cycle (see the box "NIER applying new surplus target").

In 2019, the fiscal space is negative. This can be explained by the automatic fiscal tightening from unchanged rules amounting to only SEK 8 billion and so providing only a small part of the savings needed for structural net lending to align with the surplus target. Fiscal space is therefore a negative SEK 18 billion in 2019. In the years thereafter, fiscal space is positive, meaning that there is scope for unfunded measures. Fiscal space amounts to SEK 25 billion in 2020 and reaches a total of SEK 106 billion in 2022 with 2018 rules (see Table 15).

Unchanged rules are, however, an unlikely scenario for the period through to 2022. It is more likely that this fiscal space will be used for new fiscal measures, as is assumed in the NIER's fiscal policy scenario in the following section.

Diagram 20 Structural expenditure and revenue with unchanged rules Percent of potential GDP



Sources: Statistics Sweden and the NIER

Diagram 21 Structural net lending with unchanged rules Percent of potential GDP



Table 15 Fiscal Space

SEK billion

						2020-
		2019	2020	2021	2022	2022
Change in Structural Revenue with Unchanged Rules	(A)	71	103	118	122	344
Change in Structural Expenditure with Unchanged Rules	(B)	63	59	74	83	217
Automatic Fiscal Tightening	(C=A-B)	8	44	44	39	127
Increase in Net Lending Required to Meet Surplus Target ¹	(D)	25	19	1	1	21
Fiscal Space ²	(C-D)	-18	25	42	38	106
Accumulated Fiscal Space		0	25	68	106	

¹ For 2019, an increase in structural net lending of SEK 25 billion is required, but the forecast for automatic fiscal tightening is only SEK 8 billion, leaving negative fiscal space of SEK 18 billion. There is therefore an outstanding need to increase structural net lending by SEK 19 billion to meet the target in 2020.

² It is the new fiscal space generated each year that is reported for the years 2020-2022. The total accumulated fiscal space in 2020-2022 is shown in the final column and the row "Accumulated fiscal space".

Source: NIER.

Fiscal policy scenario 2020-2022

The starting point for this scenario is that fiscal policy in 2020-2022 is pursued in such a way that structural net lending amounts to 0.5 per cent of potential GDP during the period, i.e. the level that the NIER considers to be consistent with the new surplus target. The scenario also assumes that active decisions regarding government consumption and investment are made so that they move in line with demographic demand and a historically observed increase in standards. If fiscal space exceeds these spending decisions, the scenario shows a technical transfer to households through changes to taxes and/or transfer payments that impact positively on household disposable income. If, on the other hand, there is not enough fiscal space to cover these spending decisions, there will instead be a technical transfer away from households (see the box "Fiscal policy scenario" and the special analysis "New method for fiscal policy scenario").

Table 16 Fiscal Policy Scenario for the Government Sector

	Forecast	Scenario			2020-
	2019	2020	2021	2022	2022
Fiscal Space	–18	25	42	38	106
Spending Measures ¹	21	37	37	35	109
In Government	8	11	12	11	34
Consumption	8	9	10	9	28
Investments	0	2	2	2	6
In Municipal Sector	13	26	25	24	75
Consumption	11	23	22	21	66
Investments	1	3	3	3	9
Transfer to Households ²	-21	-12	5	3	-3
Structural NetLlending ³	0,1	0,5	0,5	0,5	

¹ Spending decisions that affect government consumption and investment.

 $^{\rm 2}$ Technical transfer to households in the form of changes to taxes or transfer payments.

TRANSFER FROM HOUSEHOLDS IN 2020-2022

In order to maintain personnel density in the provision of welfare services and provide scope for an increase in standards more or less in line with the historical pattern, it is assumed that spending decisions in 2020-2022 increase government consumption and investment by a total of SEK 109 billion (see Table 16). Of this, SEK 94 billion is consumption expenditure. These measures mean that government consumption rises slightly more quickly than GDP through to 2022 (see Diagram 116). This can be explained by demographic developments. A historically strong population growth and a growing share of young and elderly mean that the demographic demand for welfare services such as health care, education and eldercare increases relatively rapidly during the period. Government expenditure is expected to fall slightly as a share of GDP in 2019 followed by a rise during the scenario years as a result of demographic devel-

Fiscal policy scenario

The scenario begins when the forecast ends, and is a consistent depiction of developments in the subsequent years. A detailed description can be found in the special analysis "New method for fiscal policy scenario". The scenario builds on the following assumptions:

 Central and local government take spending decisions (consumption and investment) that maintain personnel density in the provision of publicly funded welfare services and a historically motivated increase in standards. We often refer to this as "an unchanged public sector commitment to welfare services".

 Constant cost shares for labour, capital goods and input goods in the production of welfare services. Since wages are assumed to rise more quickly than prices for capital goods and input goods, this assumption means that staff have better/more equipment over time, leading to an increase in standards.

• Central and local government decide on measures that increase or decrease household disposable income such that structural net lending amounts to 0.5 per cent of potential GDP, i.e. the level that the NIER considers to be consistent with the surplus target. If this technical transfer to households is positive (negative), these measures increase (decrease) household disposable income. The scenario does not take a position on how these measures are split between taxes and transfer payments to households.

 Local government debt does not increase as a share of GDP in the longer term. This assumption is the NIER's operationalisation of the established objective of good financial management in the local government sector. Given current investment levels, this assumption means local government net lending of -0.2 per cent of GDP a few years ahead. The scenario does not take a position on whether this target is achieved through changes to local government tax rates or central government grants.

Diagram 22 Public consumption and public investment Percent of GDP



opments and the cyclical slowdown in GDP growth (see Diagram 117).

In order to fund these measures and still keep net lending in line with the surplus target, a transfer from the household sector is required in 2020, reducing household disposable income by SEK 12 billion compared to a situation with unchanged rules for household taxes and transfer payments. This transfer is assumed to take the form of changes to taxes and/or replacement rates in the transfer systems.

In 2021-2022, the transfer to households is slightly positive i.e. there is scope to increase household disposable income relative to 2020 through fiscal measures and still keep structural net lending on target. Altogether, a transfer from the household sector of SEK 3 billion is required in 2020-2022 (see Table 16).

Diagram 24 illustrates the accumulated transfer to households, which in the period 2019-2022 amounts to a negative SEK 24 billion. Over the period as a whole, therefore, there is a net transfer from households of SEK 24 billion.

CALCULATIVE EXAMPLE WITH UNCHANGED RULES IN THE TRANSFER SYSTEMS

The fiscal policy forecast for 2019 and the fiscal policy scenario do not make any specific assumptions about replacement rates in the transfer systems, nor therefore about rule changes that affect tax revenue. If, instead, we make an explicit assumption about transfer payments to households, we can see how far taxes need to be adjusted for structural net lending to be in line with the surplus target.

As a calculative example, the transfer payments are projected with unchanged rules from 2018 levels. Transfer payments to households as a share of GDP are then more or less unchanged during the scenario years (see Diagram 119). The transfer from households of SEK 24 billion in the period 2019-2022 must then take the form of tax increases, given that no steps are taken to alter volumes in the various transfer systems. This causes the tax-to-GDP ratio to rise from 43.1 per cent in 2018 to 43.4 per cent in 2022 (see Diagram 120). In 2022, the tax-to-GDP ratio is almost 0.4 percentage points higher than in a situation with tax rules unchanged at 2018 levels.

CALCULATIVE EXAMPLE WITH UNCHANGED REPLACEMENT RATES IN THE TRANSFER SYSTEMS

In a second calculative example, we analyse the consequences of keeping replacement rates in the transfer systems at 2018 levels through decisions to increase nominal transfer payments in line with wage growth. Transfer payments to households then increase slightly as a share of GDP during the scenario years (see Diagram 119), and government expenditure reaches 48.5 per cent of GDP in 2022 (see Diagram 117).

Diagram 23 Expenditure in the public sector

Percent of GDP



Sources: Statistics Sweden and the NIER

Diagram 24 Structural net lending SEK billion



between structural net lending with new spending decisions (consumption and investment) and the surplus target.

Sources: Statistics Sweden and the NIER.

Diagram 25 Transfers to households Percent of GDP



In this example, decisions to increase expenditure on transfer payments to households by around SEK 5 billion per year are needed in 2019-2022. Compared to the calculative example above, the need for a transfer from households in the form of higher taxes increases accordingly, given that no action is taken that impacts on volumes in the different transfer systems. This means that the tax-to-GDP ratio rises to 43.7 per cent in 2022, compared with 43.4 per cent in the example above with unchanged rules in the transfer systems, and 43.0 per cent with current tax rules (see Diagram 120).¹

CALCULATIVE EXAMPLE WHERE CENTRAL GOVERNMENT GRANTS FUND A CONSTANT SHARE OF LOCAL GOVERNMENT EXPENDITURE

The bulk of the fiscal measures assumed in the scenario years are decisions that affect local government expenditure. This is because demographic developments – with more and more young and elderly – primarily affect the need for local government welfare services such as education, health care and eldercare.

For the local government sector to achieve the objective of good financial management (for the NIER's definition, see the box "Fiscal policy scenario"), net lending in the local government sector needs to be bolstered. All in all, a funding requirement of SEK 87 billion arises in local government in 2019-2022. This requirement is taken into account in the fiscal policy scenario for the government sector as a whole (see Table 16). The extent to which it is met with central government grants or increases in local government taxes is very important for what happens to the local government tax rate.2 Other things being equal, the more central government grants are raised, the less the funding requirement needs to be met through higher local government taxes (see Diagram 121). For structural net lending to be consistent with the surplus target, it is assumed that a lower tax take in the local government sector is balanced out by a correspondingly higher tax take in the central government sector, or lower transfer payments to households.

One possibility is that central government grants are raised at such a rate that they cover the same share of local government expenditure as today. This means that central government grants need to increase by SEK 41 billion in 2019-2022. Local government taxes then need to be raised by a total of SEK 46 billion in 2019-2022, which corresponds to an increase in the average local



Diagram 27 Increases in taxes and central government grants in the local government sector, 2020-2022 Municipal tax increase, percentage







Sources: Statistics Sweden and the NIER.

¹ Note that this example does not take account of any behavioural effects on the economy from changes to taxes and transfer payments.

² The fiscal policy scenario does not define how the funding requirement is met. The size of the overall transfer to the household sector is not affected by whether the funding requirement in local government is met with central government grants or local government taxes. To the extent that the funding requirement is met with higher local government taxes, the transfer to central government from households will decrease.

government tax rate of 1.73 percentage points from 32.12 to 33.85 per cent.

MAASTRICHT DEBT CONTINUES TO FALL

General government consolidated gross debt (Maastricht debt) was 41 per cent of GDP in 2017. A debt anchor of 35 per cent of GDP is being introduced from 2019. Positive net lending means that debt will continue to fall and be in line with the new debt anchor in 2019 (see Diagram 122). Central government debt accounts for almost 80 per cent of the Maastricht debt, and local government debt for the remainder. The reason why the Maastricht debt has decreased, and continues to do so, has to do with movements in central government debt. Local government debt, on the other hand, has increased as a share of GDP, due partly to high levels of investment in the sector.

Primary expenditure

General government primary expenditure has been falling as a share of GDP since 2013, due mainly to lower spending on the transfer systems and strong GDP growth in the current upswing. The fiscal policy scenario above makes no explicit assumptions about how the rules for transfer payments to households will change, but primary expenditure decreases in 2018 and 2019 whether or not replacement rates in the transfer systems are maintained (see Diagram 123). It then rises as a share of GDP, which can be explained largely by faster growth in consumption expenditure.

SUBSTANTIAL MARGIN TO THE EXPENDITURE CEILING

The expenditure ceiling is set by the Riksdag and covers central government expenditure as reported in the budget excluding central government interest costs but including costs in the pension system. The ceiling has been set until 2020. The approved and proposed ceiling increases as a share of potential GDP in all future years. Expenditure covered by the ceiling – i.e. actual expenditure – decreases, however, as a share of potential GDP through to 2020. This applies both with unchanged rules in the transfer systems and with unchanged replacement rates (see Diagram 124). The expenditure ceiling should therefore not be a binding restriction on spending in 2018-2020.

SLOWER GROWTH IN GOVERNMENT CONSUMPTION IN 2018-2019 BUT UPTREND IN DEMOGRAPHIC NEED

General government consumption grew weakly in 2017 relative to the historical average, and even more weakly relative to demographic demand for government consumption. This should, however, be seen in light of very strong growth in 2015-2016 Diagram 29 Primary expenditure in the public sector



Note. This diagram shows how primary expenditure develops given unchanged personnel density in the provision of welfare services but varying assumptions for transfer payments. Source: NIER.

Diagram 30 Expenditure ceiling and expenditure covered by the ceiling Percent of potential GDP



Sources: Ekonomistyrningsverket, Regeringen and the NIER.

Diagram 315 Public consumption expenditure

Percentage change, current prices and percent of $\ensuremath{\mathsf{GDP}}$



(see Diagram 125). Growth is still relatively weak in 2018, despite expansionary fiscal policy consisting mainly of increases in government consumption. In 2019, growth is again relatively weak, given that no further spending decisions beyond those forecast by the NIER are needed for consumption to keep step with demographic developments. Demographic demand grows rapidly in 2018 and 2019 due to more and more young and elderly in the population (see Diagram 126). This ought to lead to a relatively rapid rise in government consumption in those same years. However, the scaling back of the reception system built up in connection with the influx of refugees from late 2015 puts a damper on government consumption. This effect fades after 2019, and growth gradually goes back to tracking the demographic demand for welfare services.

Government consumption expenditure is heavily influenced by demographic developments, especially changes in the number of young and elderly. Both of these groups have grown relatively rapidly for a number of years. The rate of growth in the number of young is set to slow somewhat from 2018, but the number of people aged 80 and over continues to rise more and more quickly.³ The average 80-year-old is more expensive than the average child in terms of demand for welfare services, but the number of elderly is still much smaller than the number of young. The slightly lower rate of growth in the number of young means that demographic demand – i.e. the increased need for government consumption due to population changes – slows somewhat in 2018 and 2019. After that, however, demographic demand accelerates again (see Diagram 127).

FEWER UNEMPLOYED AND SICK

Both the number of unemployed and the number of days of sickness benefit decreased in 2017, and this trend continues in 2018-2019. Transfer payments to households therefore decrease as a share of GDP both with unchanged rules in the transfer systems and with unchanged replacement rates, i.e. where benefits rise in line with wages (see Diagram 128).

Spending on labour market benefits to households is set to decrease, due to falling unemployment. Spending on active labour market programmes and the introduction benefit for newly arrived immigrants is also set to decline. In 2020, unemployment increases marginally, but labour market benefits still grow more slowly than GDP with unchanged rules (see Diagram 129).

Expenditure on ill health⁴ continues to decline as a share of GDP, thanks to a smaller number of new cases and a decrease in existing cases lasting less than a year. On the other hand, the

Diagram 33 Population of different age groups

Percentage change



Note. Calculated annual average values. Sources: Statistics Sweden and the NIER.

Diagram 32 Demographic demand Percentage change



Note. Demographic demand is calculated as the cost-weighted number of inhabitants based on average costs per age group in 2015 for the whole period

Sources: Statistics Sweden and the NIER.

Diagram 34 Transfers from the public sector

Percent of GDP



Sources: Statistics Sweden and the NIER.

³ A more detailed analysis of future demographic developments can be found in the box "Migrationen påverkar demografin" [Migration impacting on demographics] in the chapter on the Swedish economy in 2018-2019 in the Swedish edition of this report.

⁴ Sickness benefit, rehabilitation allowance and disability benefits (sickness compensation and activity compensation).

number of people absent for more than two years is set to increase, due to the abolition of the time limit for sickness benefit, fewer people being granted sickness compensation (disability benefit), and an increased number of psychiatric diagnoses, which are often long-lasting. All in all, however, the number of days of sickness benefit decreases by around 11 per cent in 2018 and 2019. The government's target of nine days of sickness benefit per insured is met in 2019. From 2020, the number of days of sickness benefit rises in step with the labour force (see Diagram 130).

Spending on the attendance allowance for people with disabilities has stopped growing. In the autumn of 2016, Försäkringskassan – the social insurance agency – introduced payment in arrears for this allowance. Since then, new reporting and control procedures have been introduced which Försäkringskassan believes will lead to a permanently lower rate of growth in these costs. The number of users of these services has decreased in recent years as a result of fewer being awarded the allowance. From 2019, however, the number of users is expected to edge up once again. All in all, expenditure on attendance allowance is set to decrease marginally as a share of GDP with unchanged rules (see Diagram 129).

GOVERNMENT INVESTMENT TO RISE WITH GDP

Government investment grew strongly in 2017, but slightly more slowly than in 2016 (see Diagram 131). The strong growth in 2016 and 2017 was chiefly a result of investment in the local government sector, driven by increased needs following the influx of refugees and extensive renovation of facilities. Government investment falls slightly as a share of GDP going forward, due mainly to less of a need for investment in refugee reception. In the long term, local government investment is assumed to increase in line with the demographic need. Central government investment is assumed to rise slightly more quickly than GDP, due to investments in the road and rail networks and defence.

Primary government revenue and net capital income

The tax-to-GDP ratio falls through to 2020 with unchanged rules. It then rises again to 43 per cent in 2022 with unchanged tax rules and tax rates (see Diagram 120).

The tax-to-GDP ratio was high in both 2016 and 2017 for a number of reasons. High housing investment led to high valueadded tax revenue. Households also consumed a larger share than normal of capital goods, which carry a higher rate of valueadded tax than, for example, food. Households have enjoyed high capital income due to rising asset prices, leading to relativeDiagram 35 Transfers to households with unchanged rules Percent of GDP



Sources: Statistics Sweden and the NIER.





Sources: Statistics Sweden and the NIER.

ly high household capital taxes. Revenue from corporate taxes has also been strong over the past two years.

The budget bill for 2018 approved by the Riksdag entails tax reductions of around SEK 4 billion this year, pulling down the tax-to-GDP ratio. Household capital income is also expected to be lower this year as a result of a slower rise in prices for shares and housing. In addition, the ceiling for deferring taxation of capital gains on housing sales has been lifted until 20 June 2020, which means that some capital tax revenue is pushed forward.

Household consumption is forecast to decrease as a share of GDP both this year and the next. This means that value-added tax revenue decreases as a share of GDP from 2017 to 2018 before rising in line with GDP in 2019. After that, household consumption increases as a share of GDP. Value-added tax revenue therefore continues to grow in line with GDP (see Diagram 132).

The most important tax base is wages, which are the basis for both central and local government income tax, but also for employer social security contributions. The ratio of wages to GDP is around 39.5 per cent this year and remains at this level before rising slightly in 2021 (see Diagram 133). Local and central government income tax (excluding capital taxes) decreases as a share of GDP this year due to lower taxable income as a share of GDP. This is a result of higher basic allowances and to taxable transfer payments falling as a share of GDP. Further ahead, when the wages-to-GDP ratio picks up, there is an increase in revenue from central and local government income tax with unchanged rules.

POSITIVE NET CAPITAL INCOME

Net capital income, or the difference between the government sector's capital income and capital costs, has risen as a share of GDP since the turn of the millennium. This can be explained mainly by lower central government interest costs as central government debt has gradually decreased and market interest rates have fallen. Capital income has also fallen relative to GDP, due to low dividends from state-owned companies. In 2018, net capital income is around 0.9 per cent of GDP. It is then expected to fall slightly, as interest costs are expected to rise slightly more quickly than interest income once interest rates begin to normalise (see Diagram 134). It is also assumed that dividends from state-owned companies such as LKAB and Vattenfall pick up.

Diagram 37 Value-added tax and household consumption Percent of GDP



Sources: Statistics Sweden and the NIER.

Diagram 38 Payroll taxes and total wages



Note. Payroll taxes include central and local government income tax plus employer and employee social security contributions. Sources: Statistics Sweden and the NIER.

Diagram 39 Net capital Percent of GDP



Sources: Statistics Sweden and the NIER.

SPECIAL ANALYSIS

New Method for Fiscal Policy Scenario

The NIER's forecasts present what we believe to be the most likely outcome over the next couple of years. For the period after this short-term forecast, we produce a scenario based on a set of assumptions. In recent years, The Swedish Economy has included a fiscal policy scenario depicting developments in government revenue and expenditure. Starting with this edition of The Swedish Economy, the fiscal policy scenario is reported in a slightly different way in order to emphasise that the scenario is not normative. The NIER makes assumptions about government consumption and investment expenditure and assumptions about the level of structural net lending. The difference between the net lending given by government revenue with unchanged rules and assumed expenditure on the one hand, and the assumed level of net lending on the other, is reported as a technical transfer to households from central and local government. A positive transfer equates to reduced taxes and/or higher transfer payments for households, while a negative transfer means lower transfer payments and/or increased taxes for households. The scenario does not take a position on how this technical transfer should be split between taxes and transfer payments.

The fiscal policy stance and developments in government revenue and expenditure have implications for the real economy. The purpose of the NIER's fiscal policy scenario is partly to contribute to realistic projections of the real economy, and partly to serve as a basis for economic policy debate. It is also preferable not to make any more assumptions in the fiscal policy scenario than absolutely necessary.

GUIDED BY THE FISCAL POLICY FRAMEWORK

The starting point for the NIER's fiscal policy scenario is that fiscal policy is pursued in such a way that the surplus target is met. The surplus target means that general government net lending is to average a certain level over a business cycle. If the gap to the surplus target is large to begin with, or if there are compelling stabilisation policy arguments to do so, the NIER may conclude that structural net lending should depart from the surplus target for a period of time. This will then be explored and justified in our analysis.

Fiscal policy stance

The change in structural net lending as a share of potential GDP provides an indication of which way fiscal policy will impact on resource utilisation. If structural net lending decreases as a share of potential GDP from one year to the next, fiscal policy will be expansionary; if it increases, fiscal policy will be contractionary.

Slightly simplified, the fiscal policy stance is determined by factors under the direct control of political decision-makers, such as changes to tax and replacement rates. Other structural changes in government revenue and expenditure also play a role, such as levels of sickness absence, which policy can influence only indirectly.

From 2019, the surplus target for net lending will be lowered from 1 per cent of GDP to one-third of a percent of GDP on average over a business cycle. Structural net lending – i.e. net lending adjusted for cyclical and other temporary effects – is to be used as an indicator for assessing whether net lending is on target.

According to the NIER's calculations, business cycles in Sweden have historically been asymmetrical, with the economy spending more time below capacity than above capacity. We therefore consider it appropriate for policy to aim for structural net lending of 0.5 per cent of potential GDP so that actual net lending averages one-third of a percent of GDP over a business cycle.

For the fiscal policy scenario to contribute to a realistic scenario for the real economy, assumptions must be made about government consumption and investment. Assumptions are also needed about how household disposable income will be affected by fiscal policy during the scenario period. The background regarding the assumptions made in the calculations is presented below.

UNCHANGED PERSONNEL DENSITY AND INCREASE IN STANDARDS IN THE PROVISION OF WELFARE SERVICES

In recent decades, government consumption in volume terms has trended up somewhat more quickly than motivated by demographic developments (see Diagram 135). The difference between demographically-driven growth and actual growth can be interpreted as an increase in standards. Since 1995, government consumption has, on average, risen around 0.6 per cent more per year than the demographic need.

One theoretical way of looking at this increase in standards in government consumption is to see what happens if we assume unchanged personnel density and constant cost shares in the production of welfare services. Prices for capital goods and other input goods can be assumed to trend up more slowly than wages. If the cost shares for wages, capital and input goods are kept constant, there will therefore be more and/or better capital goods and input goods per employee over time. Each employee can then produce more. This rise in productivity accrues to users and entails an increase in standards. Applying reasonable assumptions for prices for capital goods and input goods and wages, this increase in standards can be estimated at 0.6 per cent per year in the long run. The historical trend in government consumption thus gives the same result as the estimated increase in standards with the assumption of unchanged personnel density and constant cost shares.

Diagram 40 Government consumption and the demographic need Index 1995=100



Note. The demographic need is calculated as the cost-weighted number of inhabitants based on average costs per age group in 2015. Sources: Statistics Sweden and NIER. In our scenario, it is assumed that central and local government spending decisions are such that general government consumption continues to move in line with demographic demand and a certain annual increase in the standard of welfare services. We assume an increase in standards during the scenario period of around 0.4 per cent per year.⁵

Local government investment expenditure is assumed to grow at the same rate as demographic demand for local government consumption. The underlying assumption is that the production of local government services also requires investment. If, for example, there are more children, there will be a need not only for more teachers, which impacts on consumption expenditure, but also for more classrooms. Central government investment, which is more of a common good, is assumed to grow in step with potential GDP.⁶

TRANSFER TO HOUSEHOLDS

With effect from the March 2018 edition of *The Swedish Economy*, we are reporting a *transfer to households* in the fiscal policy scenario. If we assume unchanged rules and structural net lending of 0.5 per cent, we can estimate central government fiscal space.⁷ The difference between this fiscal space and the spending decisions resulting from the assumptions about general government consumption and investment described above, illustrates the extent to which there is a funding requirement or not. This funding requirement is reported as a technical transfer from central and local government to households. The scenario thus assumes that the funding requirement is met with household disposable income. However, the NIER makes no assumptions about how it is split between taxes and transfer payments, or between central and local government.

If the technical transfer to households is positive, it will have a positive effect on household disposable income (see Table 17). If the transfer is negative, net lending needs to be strengthened

⁵ This is because the NIER does not expect all of the estimated increase in standards of 0.6 per cent to accrue to users in the short and medium term.

⁶ Central government investment is assumed to follow potential growth rather than actual growth, partly because it is underlying developments in the economy that are assumed to provide the best basis for projections, and partly because investment must not be procyclical in the scenario calculations.

⁷ Central government fiscal space shows the scope for new fiscal measures over a specific time horizon given structural net lending consistent with the surplus target. This fiscal space is calculated as the difference between structural net lending with unchanged rules in the general government sector and the surplus target. With unchanged rules, local government will meet the objective of good financial management if expenditure in the sector is assumed only to be such that unchanged central government grants and an unchanged local government tax rate are sufficient for local government net lending to be -0.2 per cent of GDP a few years ahead (see under "Central and local government sector therefore arises in central government.

and so there will be a transfer from households to the government sector. Disposable income will then be lower (see Table 17).⁸

Table 17 Technical Transfer to/from Households

Schematic representation

	Revenue with Unchanged Rules
-	Expenditure with Unchanged Rules
-	Target Level of Structural Net Lending
=	Fiscal Space
_	
	Policy Measures (Government Consumption and Investment)

Source: NIER

SIMPLIFYING ASSUMPTION ABOUT THE EFFECTS OF CHANGES TO TAXES AND TRANSFER PAYMENTS

Neither government expenditure on transfer payments to households nor revenue from taxes are explicitly specified in this scenario. The reason for this is that replacement rates and taxes are largely a political matter and so difficult to predict. Different combinations of changes to taxes and transfer payments are therefore possible in the scenario, provided that, together, they are consistent with the estimated transfer to/from the household sector. In the scenario, we make the simplifying assumption that all combinations of changes to the rules on taxes and the transfer systems are consistent with the assumptions about household behaviour underlying the macroeconomic scenario.⁹ In this calculations, household behaviour is therefore not affected by whether, for example, an increase in their overall income takes the form of higher transfer payments, lower taxes or a combination of the two.

CENTRAL AND LOCAL GOVERNMENT COMMUNICATING VESSELS

Normally, the bulk of the assumed fiscal measures in the scenario relate to expenditure in the local government sector, where the majority of welfare services are produced. The scenario as-

⁸ The transfer could also comprise changes to transfer payments to firms or abroad. It is assumed in the scenario, however, that household disposable income accounts for the whole of the transfer.

 $^{^9}$ The NIER's scenario for the labour market is consistent with unchanged replacement rates in the labour market-related transfer systems over time.

sumes that local government revenue moves in such a way as to satisfy the balanced-budget requirement and the objective of good financial management. The NIER has operationalised the latter as local government net debt not increasing as a share of GDP. This can be approximated by assuming local government net lending of -0.2 per cent of GDP (given current investment levels). No assumption is made in the fiscal policy scenario about whether this objective is met through changes to the local government tax rate or changes to grants from central government.

Tables

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

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Table A1 Global Output

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

	Weight							
	2016	2013	2014	2015	2016	2017	2018	2019
World		3.5	3.6	3.4	3.2	3.8	3.9	3.8
KIX Weighted ¹	74.5	1.4	2.3	2.3	2.1	2.9	2.8	2.6
OECD	44.9	1.5	2.2	2.5	1.8	2.5	2.5	2.2
US	15.5	1.7	2.6	2.9	1.5	2.3	2.8	2.5
Euro Area	11.7	-0.2	1.4	2.0	1.8	2.5	2.3	2.0
Germany	3.3	0.6	1.9	1.5	1.9	2.5	2.4	2.1
France	2.3	0.6	1.0	1.0	1.1	2.0	2.1	1.8
Italy	1.9	-1.7	0.2	0.8	1.0	1.5	1.5	1.3
Spain	1.4	-1.7	1.4	3.4	3.3	3.1	2.6	2.2
Finland	0.2	-0.8	-0.6	0.1	2.1	3.0	2.3	2.0
Japan	4.4	2.0	0.3	1.4	0.9	1.7	1.4	1.0
UK	2.3	2.1	3.1	2.3	1.9	1.7	1.5	1.4
Sweden	0.4	1.2	2.7	4.3	3.0	2.7	2.9	2.1
Norway	0.3	1.1	2.1	1.8	1.0	1.9	1.7	2.0
Denmark	0.2	0.9	1.6	1.6	2.0	2.1	1.9	1.9
Emerging Markets ²	55.1	5.2	4.7	4.1	4.4	4.8	4.9	4.9
China	17.7	7.8	7.3	7.0	6.7	6.9	6.5	6.3
India	7.2	6.2	7.2	7.8	7.8	6.7	7.4	7.7
Brazil	2.6	3.0	0.5	-3.5	-3.5	1.1	2.3	2.6
GDP per Capita								
US		1.0	1.8	2.1	0.8	1.6	2.1	1.9
Euro Area		-0.4	1.1	1.6	1.4	2.2	2.1	1.7
Japan		2.2	0.5	1.5	1.0	1.9	1.7	1.3
Market Growth								
World ³		2.7	3.7	3.5	3.9	4.4	4.2	3.8

¹ KIX weighted GDP is the weighted average of GDP growth in the 32 countries included in the KIX effective krona exchange rate index. ² Emerging markets are defined here as countries that are not members of the OECD. ³ World market growth refers to total import demand in the countries to which Sweden exports, each country weighted by its share of Swedish goods exports.

Note. The figures for GDP are the calendar–adjusted change expressed in constant prices. The aggregates are calculated using time–varying purchasing power parity GDP weights from the IMF.

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

Table A2 Global Inflation

Percentage change in CPI

	2012	2013	2014	2015	2016	2017	2018	2019
OECD	2.2	1.6	1.7	0.6	1.1	2.3	2.2	2.2
US	2.1	1.5	1.6	0.1	1.3	2.1	2.3	2.3
Euro Area	2.5	1.3	0.4	0.0	0.2	1.5	1.4	1.6
Germany	2.1	1.6	0.8	0.1	0.4	1.7	1.5	1.8
France	2.2	1.0	0.6	0.1	0.3	1.2	1.3	1.5
Italy	3.3	1.3	0.2	0.1	-0.1	1.3	1.1	1.4
Spain	2.4	1.5	-0.2	-0.6	-0.3	2.0	1.4	1.7
Finland	3.2	2.2	1.2	-0.2	0.4	0.8	1.1	1.6
Japan	-0.1	0.3	2.8	0.8	-0.1	0.5	1.0	1.3
UK	2.8	2.6	1.5	0.1	0.6	2.7	2.6	2.3
Sweden	0.9	0.4	0.2	0.7	1.1	1.9	1.7	1.7
Norway	0.4	2.0	1.9	2.0	3.9	1.9	1.7	2.0
Denmark	2.4	0.5	0.3	0.2	0.0	1.1	1.3	1.8
Emerging Markets ¹								
China	2.6	2.6	1.9	1.4	2.0	1.6	2.3	2.3
India	9.3	10.9	6.4	5.9	4.9	2.5	4.6	4.5
Brazil	5.4	6.2	6.3	9.0	8.7	3.4	3.7	4.2

¹ Emerging markets are defined here as countries that are not members of the OECD.

Note. The CPI values for the EU countries and Norway refer to harmonised indices of consumer prices (HICP). The OECD aggregate includes national CPI series only. The aggregate for the euro area is weighted using consumption weights from Eurostat and the OECD aggregate using consumption weights from the OECD.

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							
	2016	2013	2014	2015	2016	2017	2018	2019
Household Consumption								
Expenditure	5 887	-0.6	0.9	1.8	1.9	1.7	1.5	1.5
General Government								
Consumption Expenditure	2 220	0.3	0.7	1.3	1.8	1.2	1.4	1.3
Gross Fixed Capital Formation	2 186	-2.4	1.9	3.0	4.5	3.1	3.6	3.6
Stockbuilding ¹	16	0.1	0.3	0.0	-0.1	0.2	-0.1	0.0
Exports	4 930	2.2	4.6	6.1	3.4	5.3	5.2	3.8
Imports	4 457	1.4	4.9	6.5	4.8	4.3	4.2	3.9
GDP	10 783	-0.2	1.4	2.0	1.8	2.5	2.3	2.0
HICP ²		1.3	0.4	0.0	0.2	1.5	1.4	1.6
Unemployment ³		12.0	11.6	10.9	10.0	9.1	8.4	7.9
Policy Rate ⁴		0.25	0.05	0.05	0.00	0.00	0.00	0.50
10–Year Government Bond								
Yield ⁵		1.6	1.2	0.5	0.1	0.4	0.8	1.3
USD/EUR ⁶		1.33	1.33	1.11	1.11	1.13	1.23	1.23

¹ Change in per cent of GDP the previous year. ² Percentage change. ³ Per cent of labour force. ⁴ Refi rate level, per cent, at yearend. ⁵ Level, per cent, Germany. 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	2012	2014	2015	2017	2017	2010	2010
	2016	2013	2014	2015	2016	2017	2018	2019
Household Consumption								
Expenditure	12 821	1.5	2.9	3.6	2.7	2.7	2.8	2.4
General Government								
Consumption Expenditure	2 658	-2.4	-0.5	1.3	1.0	0.1	1.8	2.9
Gross Fixed Capital Formation	3 632	3.1	4.8	3.5	0.6	3.4	4.5	4.1
Stockbuilding ¹	35	0.2	-0.1	0.2	-0.4	-0.1	0.0	0.0
Exports	2 215	3.5	4.3	0.4	-0.3	3.4	4.7	3.6
Imports	2 736	1.1	4.5	5.0	1.3	3.9	5.7	4.8
GDP	18 624	1.7	2.6	2.9	1.5	2.3	2.8	2.5
CPI ²		1.5	1.6	0.1	1.3	2.1	2.3	2.3
Unemployment ³		7.4	6.2	5.3	4.9	4.4	3.9	3.7
Policy Rate ⁴		0.25	0.25	0.50	0.75	1.50	2.50	3.00
10-year Government Bond								
Yield ⁵		2.4	2.5	2.1	1.8	2.3	2.9	3.3
USD/EUR ⁶		1.33	1.33	1.11	1.11	1.13	1.23	1.23

¹ Change in per cent of GDP the previous year. ² Percentage change. ³ Per cent of labour force. ⁴ Federal Funds target rate level, per cent, at year–end. ⁵ Level, per cent. ⁶ Level.

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

Table A5 Scenario for the Global Economy

Percentage change and per cent, respectively

	2015	2016	2017	2018	2019	2020	2021	2022
GDP, OECD	2.5	1.8	2.5	2.5	2.2	1.9	1.7	1.7
GDP, Euro Area	2.0	1.8	2.5	2.3	2.0	1.6	1.1	1.0
GDP, US	2.9	1.5	2.3	2.8	2.5	1.9	1.6	1.6
GDP, Emerging Markets	4.1	4.4	4.8	4.9	4.9	4.9	4.8	4.7
GDP, Global	3.4	3.2	3.8	3.9	3.8	3.6	3.5	3.5
HICP, Euro Area	0.0	0.2	1.5	1.4	1.6	1.9	1.9	1.9
CPI, US	0.1	1.3	2.1	2.3	2.3	2.3	2.3	2.3
Policy Rate, Euro Area	0.05	0.00	0.00	0.00	0.50	1.00	1.50	1.75
Policy Rate, US	0.50	0.75	1.50	2.50	3.00	3.00	3.25	3.25
Policy Rate, KIX6–Weighted	0.02	-0.14	-0.04	0.21	0.65	1.08	1.57	2.00
Overnight Rate, Euro Area (Eonia)	-0.2	-0.4	-0.3	-0.2	0.3	0.8	1.3	1.7

Note. Policy rates refer to year–end values. KIX6–weighted policy rate refers to an average of Eonia (for the euro area) and policy rates in the US, Norway, UK, Denmark and Japan. Other aggregates are calculated using the IMF's purchasing power parity GDP weights.

Sources: IMF, OECD, Macrobond and NIER.

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Table A6 GDP by Expenditure

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

	Level 2016	2013	2014	2015	2016	2017	2018	2019
Household Consumption								
Expenditure ¹	1 950	1.9	2.1	3.1	2.2	2.4	2.1	2.1
Goods	895	0.8	2.6	4.1	2.9	1.1	1.4	1.7
Services Excl. Housing	629	3.1	3.1	3.8	2.6	2.3	1.9	1.8
Housing	376	1.3	2.1	1.7	2.8	3.9	3.0	3.2
General Government Consumption Expenditure	1 152	1.3	1.5	2.4	3.1	0.4	0.9	0.8
Central Government	299	3.6	1.7	2.0	2.7	-1.8	0.4	0.6
Local Government	853	0.4	1.5	2.6	3.2	1.2	1.1	0.8
Gross Fixed Capital Formation ²	1 060	0.6	5.5	6.9	5.6	6.0	5.8	3.3
Business Sector Excl. Housing	647	0.7	4.2	5.9	2.3	3.8	7.8	4.7
Industry	162	1.8	8.8	-15.8	-0.7	4.1	9.5	6.1
Other Goods Producers	101	1.4	3.1	-0.1	-1.2	5.4	3.8	4.7
Service Producers Excl. Housing	383	-0.2	1.8	21.8	4.6	3.2	8.2	4.0
Housing	227	0.9	15.6	18.0	14.3	14.2	2.2	-0.3
General Government	181	-0.3	1.6	0.3	8.2	3.9	3.4	2.9
Domestic Demand Excl. Stockbuilding	4 161	1.4	2.7	3.8	3.3	2.8	2.7	2.1
Stockbuilding ³	31	0.2	0.2	0.4	0.0	0.1	0.0	-0.2
Total Domestic Demand	4 192	1.6	2.9	4.3	3.3	2.9	2.7	1.8
Exports	1 950	-0.8	5.3	5.7	3.3	3.7	5.7	4.3
Exports of Goods	1 322	-2.9	3.1	3.5	3.6	5.1	6.8	4.4
Processed Goods	1 059	-0.9	1.6	3.9	3.2	6.2	7.3	4.7
Raw Materials	264	-9.4	8.6	2.2	4.8	0.7	4.4	3.0
Exports of Services	628	5.0	10.4	10.7	2.7	0.6	3.2	4.1
Total Demand	6 142	0.8	3.6	4.7	3.3	3.1	3.6	2.6
Imports	1 737	-0.1	6.3	5.2	3.4	5.0	5.7	4.0
Imports of Goods	1 203	-1.7	4.6	5.4	5.0	4.2	6.8	4.0
Processed Goods	901	-0.1	4.8	6.1	4.8	5.8	8.1	4.6
Raw Materials	302	-5.2	4.2	3.7	5.6	-0.7	2.7	1.9
Imports of Services	534	4.1	10.4	4.9	-0.2	6.8	3.3	4.1
Net Exports ³	213	-0.3	-0.2	0.4	0.1	-0.3	0.2	0.3
GDP	4 405	1.2	2.6	4.5	3.2	2.4	2.8	2.1
GDP per Capita ⁴	444	0.4	1.6	3.4	1.9	1.0	1.6	1.0

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.

Note. There is a break in the time series between 2014 and 2015 due to changes in the industry classification of Ericsson AB. At the aggregated level, more activities are therefore classified in the service sector (SNI 45–98) and fewer in the manufacturing industry (SNI 05–33).

Table A7 Household Income, Consumption Expenditure and Saving

SEK billion, current prices, and percentage change, respectively

	Level 2016	2016	2017	2018	2019	2020	2021	2022
Total Farnings, Adjusted for		2010		2010				
External Transactions	1 735	4.7	4.7	5.1	4.1	4.0	4.0	3.9
Hourly Earnings (according to								
national accounts) ¹		2.2	2.7	3.0	3.1	3.5	3.9	3.9
Hours Worked ^{1,2}		2.7	2.0	2.0	1.0	0.4	0.1	0.1
Transfers From Government								
Sector, Net	611	3.0	2.5	2.3	2.3	2.5	3.0	3.7
Property Income, Net	296	12.7	-4.9	3.8	1.5	3.3	-4.2	0.3
Other Income, Net ³	314	9.7	7.6	3.7	-2.3	2.1	7.4	6.6
Income Before Taxes ⁴	2 956	5.6	3.6	4.3	2.8	3.4	3.4	3.9
Direct Taxes ⁵	794	-1.0	0.3	0.7	-0.3	-0.2	-0.1	-0.1
Disposable Income	2 162	4.6	3.9	5.0	2.5	3.2	3.3	3.8
Consumer Prices ⁶		1.0	1.7	1.7	1.6	2.0	2.0	2.0
Real Disposable Income	2 162	3.5	2.2	3.2	0.9	1.2	1.2	1.7
Per Capita ⁷	218	2.2	0.8	2.0	-0.1	0.2	0.2	0.6
Consumption Expenditure ⁸	1 950	2.2	2.4	2.1	2.1	2.2	2.2	2.2
Saving ⁹	389	16.6	15.9	16.7	15.7	14.7	13.7	13.1
Own Saving ⁹	212	9.8	9.6	10.6	9.5	8.6	7.8	7.3
Net Lending ⁹	308	13.2	12.1	12.8	11.6	10.7	9.7	9.2

¹ Calendar–adjusted values. ² Employees only. ³ This also includes computational calculations of transfers to households through altered taxes or transfers, see table A23. ⁴ Growth in income before taxes is calculated as a weighted sum of the growth rates for total earnings, transfers, capital income and other income. ⁵ Change in per cent of income before taxes, with reverse sign. ⁶ Implicit price index for household consumption expenditure. ⁷ SEK thousand. ⁸ Constant prices, reference year 2015. ⁹ 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

	2012	2013	2014	2015	2016	2017	2018	2019
Net Exports, Goods	138	122	123	127	119	134	152	174
Net Exports, Services	44	48	47	77	94	58	57	61
Earnings, Net	18	17	18	14	11	10	11	12
Investment Income, Net	61	62	60	37	36	54	57	50
Transfers etc., Net	-56	-58	-62	-64	-54	-70	-79	-85
Current Account Balance	204	192	187	192	207	186	198	212
Per cent of GDP	5.5	5.1	4.7	4.6	4.7	4.0	4.1	4.2
Capital Transfers	-6	-9	-5	-8	-3	-3	-5	-5
Net Lending	199	183	181	184	204	184	194	207
Per cent of GDP	5.4	4.8	4.6	4.4	4.6	4.0	4.0	4.1

Table A9 GNI

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

	Level							
	2016	2013	2014	2015	2016	2017	2018	2019
GNI	4 455	2.3	4.3	5.8	4.7	4.8	4.9	3.9
Deflator, Domestic Use		1.1	1.7	1.7	1.6	2.3	2.0	1.9
Real GNI		1.1	2.5	4.0	3.1	2.5	2.8	2.0
Population ¹	9 923	0.9	1.0	1.1	1.3	1.4	1.1	1.0
Real GNI per Capita ²	449	0.3	1.5	2.9	1.8	1.1	1.7	1.0

¹ Thousands. ² SEK thousand.

Sources: Statistics Sweden and NIER.

Table A10 Production

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

	Level							
	2016	2013	2014	2015	2016	2017	2018	2019
Goods Producers	1 003	-1.8	0.9	-2.3	2.5	4.2	3.8	2.2
Of Which: Industry	610	-1.1	-0.5	-5.5	2.6	3.9	5.0	3.3
Construction	232	-3.8	3.0	5.3	4.2	7.7	2.1	0.6
Service Producers	2 046	3.9	4.5	8.9	3.4	2.6	3.3	2.7
Business Sector	3 049	1.8	3.2	5.0	3.1	3.1	3.5	2.5
General Government	783	-0.3	1.2	0.7	1.2	1.1	1.3	0.8
GDP at Basic Prices ¹	3 884	1.3	2.8	4.1	2.7	2.7	3.0	2.2
Taxes/Subsidies on Products	510	0.5	2.2	5.5	4.9	2.3	1.9	1.4
GDP at Market Prices	4 394	1.2	2.7	4.3	3.0	2.7	2.9	2.1

¹ Including production in non–profit institutions serving households.

Note. Production refers here to value added. There is a break in the time series between 2014 and 2015 due to changes in the industry classification of Ericsson AB. At the aggregated level, more activities are therefore classified in the service sector (SNI 45–98) and fewer in the manufacturing industry (SNI 05–33).

Sources: Statistics Sweden and NIER.

Table A11 Hours Worked

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

	Level							
	2016	2013	2014	2015	2016	2017	2018	2019
Goods Producers	1 877	-0.6	0.3	-2.1	-0.1	1.7	1.4	0.2
Of Which: Industry	969	-2.4	-1.1	-4.2	-1.0	1.0	1.3	0.1
Construction	586	0.7	2.5	1.8	2.7	3.2	1.9	0.5
Services Producers	3 701	0.8	2.5	2.5	2.4	1.7	2.3	1.5
Business Sector	5 578	0.3	1.7	0.9	1.5	1.7	2.0	1.0
General Government	2 153	0.6	2.1	0.7	3.6	2.4	1.9	0.7
Total Economy ¹	7 904	0.4	1.8	0.9	2.1	1.9	1.9	1.0

¹ Including non–profit institutions serving households.

Note. There is a break in the time series between 2014 and 2015 due to changes in the industry classification of Ericsson AB. At the aggregated level, more activities are therefore classified in the service sector (SNI 45–98) and fewer in the manufacturing industry (SNI 05–33).

Table A12 Productivity

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

	Level							
	2016	2013	2014	2015	2016	2017	2018	2019
Goods Producers	535	-1.2	0.5	-0.2	2.6	2.5	2.3	2.0
Of Which: Industry	629	1.4	0.6	-1.4	3.6	2.9	3.6	3.1
Construction	396	-4.4	0.5	3.5	1.4	4.3	0.2	0.1
Service Producers	553	3.0	2.0	6.3	1.0	1.0	1.0	1.2
Business Sector	547	1.5	1.5	4.1	1.6	1.5	1.5	1.5
General Government	363	-1.0	-0.9	0.0	-2.3	-1.3	-0.6	0.0
Total Economy ¹	491	0.9	1.0	3.2	0.6	0.8	1.1	1.2

¹ Including production in non–profit institutions serving households.

Note. There is a break in the time series between 2014 and 2015 due to changes in the industry classification of Ericsson AB. At the aggregated level, more activities are therefore classified in the service sector (SNI 45–98) and fewer in the manufacturing industry (SNI 05–33).

Sources: Statistics Sweden and NIER.

Table A13 The Labour Market

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

	Level							
	2016	2013	2014	2015	2016	2017	2018	2019
Hours Worked ¹	7 904	0.4	1.8	0.9	2.1	1.9	1.9	1.0
Average Hours Worked for Employed ²	31.0	-0.6	0.3	-0.5	0.6	-0.4	0.6	0.2
Number of Employed	4 910	1.0	1.4	1.4	1.5	2.3	1.4	0.7
Employment Rate ³		65.7	66.2	66.7	67.1	67.8	68.3	68.5
Labour Force	5 277	1.1	1.3	0.8	1.0	2.0	1.0	0.6
Labour Force Participation Rate ⁴		71.5	71.9	72.0	72.1	72.7	72.9	73.0
Unemployment ⁵	366	8.0	7.9	7.4	6.9	6.7	6.3	6.2
Population Aged 15-74	7 323	0.6	0.7	0.7	0.9	1.1	0.6	0.5

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

Table A14 Hourly Earnings According to the Short–Term Earnings Statistics

Per cent and percentage change, respectively

	Weight							
	2016	2013	2014	2015	2016	2017	2018	2019
Business Sector	68	2.3	2.9	2.3	2.3	2.2	2.7	3.0
Industry	16	2.0	2.5	2.4	2.0	2.1	2.7	3.0
Construction	7	3.0	3.1	1.6	2.7	1.9	2.6	2.8
Services	46	2.3	2.9	2.3	2.3	2.3	2.7	3.1
Local Government	26	2.9	2.8	2.7	2.7	3.2	3.0	3.1
Central Government	6	2.6	2.3	2.6	2.4	2.5	3.0	3.3
Total	100	2.5	2.8	2.4	2.4	2.5	2.8	3.1
Real Hourly Earnings (CPI) ¹		2.5	3.0	2.5	1.4	0.7	1.1	1.0
Real Hourly Earnings (CPIF) ²		1.6	2.3	1.6	1.0	0.5	1.0	1.2

 $^{\rm 1}$ Deflated by the CPI. $^{\rm 2}$ Deflated by the CPI with constant mortgage rates (CPIF).

Sources: National Mediation Office, Statistics Sweden and NIER.

Table A15 Hourly Earnings and Labour Costs in the Business Sector According to the National Accounts

SEK per hour, per cent and percentage change, respectively, calendar-adjusted values

	Level							
	2016	2013	2014	2015	2016	2017	2018	2019
Hourly Earnings	236	1.7	1.9	3.1	2.4	2.8	3.0	3.1
Employers' Social Contributions ¹ (per cent of earnings)		41.4	41.4	42.0	43.3	43.3	43.4	43.4
Hourly Labour Costs ²	338	2.0	2.0	3.6	3.3	2.9	3.1	3.1
Productivity ³		1.2	1.4	3.8	0.8	1.3	1.4	1.5
Unit Labour Costs		0.8	0.5	-0.2	2.5	1.6	1.6	1.7

¹ Employers' social contributions and payroll taxes. ² Earnings and employers' social contributions. ³ Value added divided by hours worked by employees.

Table A16 Supply and Use Price Deflators

Per cent and percentage change, respectively

	Weight							
	2016	2013	2014	2015	2016	2017	2018	2019
GDP	71.7	1.1	1.8	2.1	1.6	2.1	2.1	2.0
General Government ^{1,2}	13.6	3.6	2.6	3.2	3.5	4.2	3.0	3.0
Business Sector ²	49.8	0.4	1.7	1.9	1.1	1.5	2.0	1.8
Product Taxes, Net	8.3	0.8	0.9	1.0	1.3	2.0	1.6	1.8
Imports	28.3	-2.8	1.8	1.3	-1.7	3.8	2.5	-0.2
Processed Goods	14.7	-3.7	2.4	4.0	-1.4	2.2	1.4	-0.6
Raw Materials	4.9	-3.6	-1.5	-10.2	-4.7	12.5	5.2	-1.5
Services	8.7	-0.4	3.2	4.4	-0.3	2.1	3.2	1.2
Supply/Use ³	100.0	-0.1	1.8	1.8	0.7	2.6	2.2	1.3
General Government	18.8	2.6	24	29	29	3.6	2.8	29
	1010	2.0		2.7	2.7	0.0	2.0	
Expenditure	31.7	0.7	1.1	0.9	1.0	1.7	1.7	1.6
Gross Fixed Capital Formation	17.3	0.3	2.2	2.0	1.3	2.2	1.7	1.3
Exports	31.8	-2.5	2.0	2.1	-1.3	3.2	2.6	0.2
Processed Goods	17.2	-3.3	2.8	4.4	-1.3	1.7	1.7	-0.2
Raw Materials	4.3	-2.7	-0.4	-8.1	-3.5	13.8	6.2	-0.4
Services	10.2	-0.9	1.8	3.2	-0.3	1.3	2.6	1.4

¹ Including non–profit institutions serving households. ² Value added price deflator calculated at basic prices. ³ Including stockbuilding.

Sources: Statistics Sweden and NIER.

Table A17 Business Sector Prices, Costs and Profits

SEK billion, percentage change and per cent, respectively

	Level 2016	2013	2014	2015	2016	2017	2018	2019
Value Added, Constant Prices ¹		1.8	3.1	5.3	3.4	2.9	3.4	2.5
Value-Added Deflator		0.4	1.7	1.9	1.1	1.5	2.0	1.8
Value Added, Current Prices ²	3 052	2.1	5.0	7.1	4.4	4.5	5.3	4.3
Hours Worked, Employees		0.6	1.5	1.9	3.0	1.2	1.7	1.0
Hourly Labour Costs ³	336	2.0	2.3	2.9	2.7	3.5	3.3	3.2
Total Labour Costs ⁴	1 758	2.6	3.8	4.8	5.7	4.8	5.1	4.2
Gross Profit	1 294	1.3	6.6	10.3	2.7	4.2	5.5	4.5
Profit Share		41.2	41.9	43.1	42.4	42.3	42.4	42.4
Adjusted Profit Share ⁵		33.7	34.5	36.5	36.0	35.9	36.1	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.

Table A18 Consumer Prices

Per cent and percentage change, respectively

	Weight							
	2017	2013	2014	2015	2016	2017	2018	2019
CPI	100	0.0	-0.2	0.0	1.0	1.8	1.7	2.0
Mortgage Interest Costs, Mortgage Interest Rate		-14.7	-11.5	-20.8	-13.1	-3.0	-3.9	6.4
CPIF	100	0.9	0.5	0.9	1.4	2.0	1.8	1.8
Goods	44	0.2	-0.1	1.2	0.4	0.4	0.7	0.9
Services	30	0.8	0.5	1.1	2.0	2.8	2.1	2.5
Housing Excl. Mortgage Interest Costs and Energy	15	2.0	1.7	1.5	1.9	1.4	1.6	1.6
Energy	7	-1.8	-2.5	-4.9	1.3	5.8	5.4	2.5
Mortgage Interest Costs, Capital Stock	4	5.2	5.0	5.4	5.8	9.4	7.0	6.0
CPIF Excl. Energy	93	1.1	0.7	1.4	1.4	1.7	1.5	1.8
HICP		0.4	0.2	0.7	1.1	1.9	1.7	1.7
Crude Oil (Brent) ¹		108.8	99.6	53.5	45.1	54.8	66.9	64.2

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.

Scenario for the Swedish Economy 2017–2022

Table A19 Resource Utilisation

Percentage change, calendar-adjusted values, unless otherwise indicated

	2015	2016	2017	2018	2019	2020	2021	2022
Labour Market								
Equilibrium Unemployment ¹	6.7	6.8	6.8	6.9	6.9	6.9	6.9	6.8
Actual Unemployment ²	7.4	6.9	6.7	6.3	6.2	6.2	6.3	6.6
Potential Hours Worked	1.0	1.1	1.0	0.9	0.7	0.6	0.6	0.7
Of Which: Potential Employment	1.0	1.1	1.1	0.8	0.6	0.5	0.6	0.7
Actual Hours Worked	0.9	2.1	1.9	1.9	1.0	0.4	0.1	0.1
Labour Market Gap ³	-1.3	-0.3	0.5	1.5	1.8	1.6	1.1	0.5
Productivity								
Potential Productivity	1.1	0.6	1.0	1.2	1.3	1.5	1.4	1.4
Of Which: Potential Pro– ductivity, Business Sector	1.5	1.5	1.7	1.9	1.9	1.9	1.9	1.9
Actual Productivity	3.3	0.9	0.8	0.9	1.1	1.2	1.4	1.4
Productivity Gap ⁴	0.8	1.1	0.9	0.6	0.4	0.1	0.1	0.0
GDP								
Potential GDP	2.1	1.7	2.0	2.1	2.0	2.1	2.1	2.1
Actual GDP	4.3	3.0	2.7	2.9	2.1	1.6	1.5	1.5
Output Gap⁵	-0.5	0.7	1.4	2.1	2.2	1.7	1.2	0.5

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.

Table A20 Scenario for the Swedish Economy

Percentage change unless otherwise indicated

	2015	2016	2017	2018	2019	2020	2021	2022
Population	1.1	1.3	1.4	1.1	1.0	1.0	1.1	1.1
Population Aged 15-74	0.7	0.9	1.1	0.7	0.5	0.5	0.5	0.6
GDP ¹	4.3	3.0	2.7	2.9	2.1	1.6	1.5	1.5
GDP per Capita ¹	3.2	1.7	1.3	1.8	1.1	0.6	0.4	0.4
Hours Worked ¹	0.9	2.1	1.9	1.9	1.0	0.4	0.1	0.1
Productivity	3.2	0.6	0.8	1.1	1.2	1.2	1.4	1.4
Labour Force	0.8	1.0	2.0	1.0	0.6	0.4	0.4	0.6
Employment	1.4	1.5	2.3	1.4	0.7	0.4	0.3	0.3
Employment Rate ²	66.7	67.1	67.8	68.3	68.5	68.4	68.2	68.0
Unemployment ³	7.4	6.9	6.7	6.3	6.2	6.2	6.3	6.6
Hourly Earnings ⁴	2.4	2.4	2.5	2.8	3.1	3.5	3.9	3.9
Hourly Labor Cost ¹	3.6	3.0	2.8	3.0	3.1	3.5	3.9	3.9
Unit Labour Cost	0.6	2.9	2.1	1.9	1.9	2.3	2.5	2.4
СРІ	0.0	1.0	1.8	1.7	2.0	2.7	2.7	2.6
CPIF	0.9	1.4	2.0	1.8	1.8	2.0	2.0	2.0
Government Net Lending ⁵	0.2	1.2	1.1	0.7	1.1	1.2	0.9	0.7
Structural Net Lending ⁶	0.0	0.5	0.2	0.0	0.1	0.5	0.5	0.5

¹ Calendar–adjusted values. ² Per cent of population aged 15–74 ³ Per cent of labour force. ⁴ According to the short–term earnings statistics. ⁵ Per cent of GDP. ⁶ Per cent of potential GDP.

Sources: National Mediation Office, Sveriges Riksbank, Statistics Sweden and NIER.

Table A21 GDP and Demand

Percentage change, constant prices, calendar-adjusted values

	2015	2016	2017	2018	2019	2020	2021	2022
Household Consumption Expenditure	3.0	2.1	2.5	2.1	2.1	2.1	2.1	2.2
General Government Consumption Expenditure	2.1	2.7	0.7	1.1	0.8	1.3	1.5	1.6
Gross Fixed Capital Formation	6.6	5.3	6.5	5.9	3.3	0.9	0.3	0.4
Domestic Demand Excl. Stockbuilding	3.7	3.0	3.0	2.8	2.1	1.6	1.5	1.5
Stockbuilding ¹	0.4	0.0	0.1	0.0	-0.2	0.0	0.0	0.0
Total Domestic Demand	4.0	3.0	3.1	2.8	1.8	1.6	1.5	1.5
Exports	5.3	2.9	4.1	5.8	4.3	3.4	3.0	2.9
Total Demand	4.4	3.0	3.4	3.8	2.6	2.2	2.0	2.0
Imports	4.8	3.0	5.4	5.9	4.0	3.5	3.1	3.1
Net Exports ¹	0.4	0.1	-0.3	0.2	0.3	0.1	0.1	0.0
GDP	4.3	3.0	2.7	2.9	2.1	1.6	1.5	1.5

¹ Change in per cent of GDP the previous year.

Table A22 Interest and Exchange Rates

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

	2015	2016	2017	2018	2019	2020	2021	2022
At Year-End								
Repo Rate	-0.35	-0.50	-0.50	-0.50	0.00	0.75	1.50	2.25
Annual Average								
Repo Rate	-0.3	-0.5	-0.5	-0.5	-0.2	0.4	1.1	1.8
5-Year Government Bond Yield	0.2	-0.2	-0.1	0.4	1.1	1.9	2.5	2.9
10-Year Government Bond Yield	0.7	0.5	0.7	1.0	1.6	2.1	2.6	3.0
Effective Krona Exchange Rate Index (KIX)	112.6	111.7	112.9	114.8	113.4	111.6	109.8	107.9
EUR Exchange Rate	9.4	9.5	9.6	10.0	9.9	9.8	9.6	9.5
USD Exchange Rate	8.4	8.6	8.5	8.1	8.1	7.9	7.8	7.7

Sources: Sveriges Riksbank, Macrobond and NIER.

Public Finances 2017-2022

Table A23 General Government Finances

SEK billion and percentage of GDP, respectively, current prices

	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	2 048	2 183	2 268	2 331	2 414	2 508	2 613	2 724
Per cent of GDP	48.8	49.6	49.3	48.3	48.0	48.0	48.1	48.4
Taxes and Duties	1 803	1 933	2 014	2 075	2 151	2 233	2 318	2 410
Per cent of GDP	42.9	43.9	43.7	42.9	42.8	42.7	42.7	42.8
Tax-to-GDP Ratio ¹	43.1	44.0	43.9	43.1	42.9	42.8	42.8	43.0
Property Income	63	66	63	64	64	70	82	96
Other Revenue	182	183	191	193	199	206	212	219
Expenditure	2 040	2 130	2 216	2 298	2 380	2 477	2 589	2 708
Per cent of GDP	48.6	48.4	48.1	47.6	47.3	47.4	47.7	48.1
Consumption Expenditure	1 087	1 152	1 198	1 243	1 289	1 351	1 418	1 486
Transfers	750	766	790	819	844	868	896	929
Households	604	623	639	654	668	685	706	732
Corporations	74	83	81	85	88	91	95	99
Abroad	71	61	70	81	88	91	95	98
Capital Formation	178	187	204	213	222	227	233	238
Property Expenditure	26	25	24	23	25	30	43	55
Transfers to Households ²	0	0	0	0	-21	-32	-27	-23
Net Lending ³	8	52	52	34	54	64	51	40
Per cent of GDP	0.2	1.2	1.1	0.7	1.1	1.2	0.9	0.7
Primary Net Lending ⁴	-29	11	13	-7	16	24	11	-1
Per cent of GDP	-0.7	0.3	0.3	-0.1	0.3	0.5	0.2	0.0
Maastricht Debt	1 855	1 859	1 881	1 788	1 722	1 725	1 717	1 723
Per cent of GDP	44.2	42.2	40.9	37.0	34.2	33.0	31.6	30.6
GDP, Current Prices	4 200	4 405	4 604	4 832	5 029	5 231	5 428	5 626
Potential GDP, Current Prices	4 221	4 372	4 541	4 730	4 921	5 141	5 366	5 596
Net Financial Wealth	794	990	1 005	1 091	1 202	1 310	1 407	1 494
Per cent of GDP	18.9	22.5	21.8	22.6	23.9	25.1	25.9	26.6

¹ The tax–to–GDP ratio is calculated by dividing total taxes, including EU taxes, by GDP. ² Computational calculations of transfers to households through altered taxes or transfers. ³ Net lending is calculated as income minus expenses plus transfers to households. ⁴ Primary net lending is calculated as net lending minus net capital. Net capital is capital income minus capital expenditures.

Table A24 Old–Age Pension System Finances

SEK billion and percentage of GDP, respectively, current prices

	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	279	292	302	311	317	329	344	360
Social Insurance Contributions	224	234	245	257	267	278	289	300
Central Government's Old–Age Pension Contributions	23	26	25	22	21	21	20	21
Property Income	30	31	31	30	28	29	32	36
Other Revenue	1	2	2	2	2	2	2	2
Expenditure	270	288	302	311	323	334	346	360
Income Pensions	265	282	296	305	316	327	339	352
Property Expenditure	0	0	0	0	0	0	0	0
Other Expenses	5	6	6	6	6	7	7	7
Net Lending	8	4	0	0	-6	-5	-3	-1
Per cent of GDP	0.2	0.1	0.0	0.0	-0.1	-0.1	-0.1	0.0
Net Financial Wealth	1 246	1 347	1 297	1 272	1 306	1 318	1 333	1 350
Per cent of GDP	29.7	30.6	28.2	26.3	26.0	25.2	24.6	24.0

Sources: Statistics Sweden and NIER.

Table A25 General Government Revenue with Unchanged Tax Rules

Per cent of GDP

	2015	2016	2017	2018	2019	2020	2021	2022
Direct Household Taxes	15.4	15.8	15.8	15.3	15.3	15.3	15.3	15.4
Direct Business Taxes	3.0	2.9	2.8	2.7	2.7	2.7	2.7	2.7
Employers' Social Contributions ¹	11.7	12.0	12.1	12.1	12.1	12.1	12.1	12.2
VAT	9.0	9.2	9.2	9.2	9.1	9.1	9.1	9.1
Excise	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.1
Other Taxes	1.7	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Tax-to-GDP Ratio ²	43.1	44.0	43.9	43.1	42.9	42.8	42.8	43.0
EU Taxes ³	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other Revenue ⁴	4.3	4.2	4.1	4.0	4.0	3.9	3.9	3.9
General Government								
Primary Revenue	47.3	48.1	47.9	46.9	46.7	46.6	46.6	46.7
Property Income	1.5	1.5	1.4	1.3	1.3	1.3	1.5	1.7
Total Revenue	48.8	49.6	49.3	48.3	48.0	48.0	48.1	48.4

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.

Table A26 General Government Expenditure with Unaltered Commitment to Public Welfare Services and Unaltered Regulations for Transfers

Per cent of GDP

	2015	2016	2017	2018	2019	2020	2021	2022
General Government								
Consumption Expenditure	25.9	26.1	26.0	25.7	25.6	25.8	26.1	26.4
Transfers	17.8	17.4	17.1	17.0	16.8	16.6	16.5	16.5
Households	14.4	14.2	13.9	13.5	13.3	13.1	13.0	13.0
Corporations	1.8	1.9	1.8	1.8	1.7	1.7	1.7	1.8
Abroad	1.7	1.4	1.5	1.7	1.8	1.7	1.7	1.7
Gross Fixed Capital Formation	4.2	4.2	4.4	4.4	4.4	4.3	4.3	4.2
General Government								
Primary Expenditure	48.0	47.8	47.6	47.1	46.8	46.8	46.9	47.1
Property Expenditure	0.6	0.6	0.5	0.5	0.5	0.6	0.8	1.0
Total Expenditure	48.6	48.4	48.1	47.6	47.3	47.4	47.7	48.1

Sources: Statistics Sweden and NIER.

Table A27 Transfers from General Government to Households with Unaltered Regulations for Transfers

Per cent of GDP

	2015	2016	2017	2018	2019	2020	2021	2022
Pensions ¹	7.8	7.8	7.7	7.5	7.5	7.4	7.4	7.4
Of Which Income Pension	6.2	6.4	6.4	6.3	6.2	6.2	6.2	6.2
Labour Market ²	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5
Illness and Disability ³	1.9	1.8	1.7	1.6	1.5	1.4	1.4	1.4
Family and Children ⁴	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Education ⁵	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3
Social Assistance ⁶	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3
Other ⁷	1.6	1.5	1.5	1.5	1.5	1.5	1.4	1.4
Transfers to Households	14.4	14.2	13.9	13.5	13.3	13.1	13.0	13.0

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.

Sources: Statistics Sweden and NIER.

Table A28 Income Index, Balance Index, Income Pensions and Balance Ratio

Percentage change, unless otherwise indicated

	2015	2016	2017	2018	2019	2020	2021	2022
Income Index	2.1	2.0	3.7	1.5	3.6	3.4	3.5	3.9
Balance Index	2.5	5.9	4.4	2.3	3.9	3.4	3.5	3.9
Balance Ratio ^{1, 2}	1.004	1.038	1.007	1.013	1.012	1.018	1.013	1.011
Nominal Income Pension ³	0.9	4.2	2.8	0.7	2.0	1.7	1.9	2.2

¹ Level. ² Starting with 2017 entries refer to the dampened balance ratio according to the Swedish Pensions Agency, expressing the pension system's assets in relation to its liabilities two years before the current year. ³ Percentage change of balance index minus 1,6 percentage points.

Sources: Swedish Pensions Agency and NIER.

Table A29 Central Government Budget Balance and Debt

SEK billion and percentage of GDP, respectively

	2015	2016	2017	2018	2019
Budget Balance	-32.6	85.3	61.8	76.2	66.1
Adjustments to Net Lending	10.3	17.9	2.4	2.4	3.4
Sales of Shares etc.	0.0	-0.2	0.0	-1.7	0.0
Extra Dividends	-11.3	-2.1	-0.1	0.0	0.0
On–Lending	16.7	27.7	9.1	12.3	2.8
Other Adjustments	5.0	-7.5	-6.6	-8.2	0.6
Accruals	32.5	-39.9	1.4	-12.8	21.6
Of Which: Tax Accruals	33.4	-30.8	7.6	-20.3	17.6
Interest Accruals	-2.7	-8.3	-3.5	7.5	4.0
Other	2.9	7.8	1.2	-2.1	-0.5
Central Government Net Lending	13.1	71.1	66.8	63.7	90.7
Central Government Borrowing Requirement ¹	32.6	-85.3	-61.8	-76.2	-66.1
Stock–Flow Adjustments, Central Government Debt	-27.3	25.0	36.3	-48.7	-32.1
Central Government Debt, Change	5.3	-60.3	-25.5	-124.9	-98.2
Central Government Debt	1 352	1 292	1 267	1 142	1 043
Per cent of GDP	32.2	29.3	27.5	23.6	20.7

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 A30 Central Government Expenditure Ceiling at Nominally Unaltered CentralGovernment Grants and Unaltered Regulations for Transfers

SEK billion unless otherwise indicated

	2015	2016	2017	2018	2019	2020
Central Government Expenditure Ceiling	1 158	1 215	1 274	1 337	1 397	1 471
Per cent of Potential GDP	27.4	27.8	28.1	28.3	28.4	28.6
Capped Expenditure	1 135	1 184	1 229	1 269	1 298	1 333
Per cent of Potential GDP	26.9	27.1	27.1	26.8	26.4	25.9
Budgeting Margin	23	31	45	68	99	138
Per cent of Capped Expenditure	2.0	2.6	3.7	5.4	7.6	10.4

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