



The Swedish Economy December 2019

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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The Swedish Economy, December 2019

The Swedish economy has entered a clear slowdown phase in 2019. This is a natural development after several years operating above potential. The slowdown is being exacerbated by demand abroad growing more slowly than before, partly as a result of uncertainty around Brexit, and the trade dispute between the US and China in particular. Business sector investment in Sweden has grown rapidly during the boom, and the ongoing investment slowdown is a normal pattern as the need for new investment declines. Resource utilisation in the economy as a whole remains higher than normal in 2019 but will be slightly below normal in 2020 and 2021. Inflation will drop back and will be well below 2 per cent over the next couple of years. The Riksbank is nevertheless expected to take the decision to raise the repo rate at its meeting in December 2019. The NIER's view is that it would be best to stay on hold given the economic slowdown and low inflation ahead. Our forecast is based on the assumption that there is an orderly Brexit and that the global trade conflict does not escalate further. Should these assumptions prove false, there is a considerable risk of Swedish output falling well below potential. However, public finances are strong, and there is scope to soften any downturn with expansionary fiscal policy.

The Swedish economy has been sluggish in 2019 (see Diagram 1). In the third quarter, GDP increased by 0.3 per cent. Exports of services increased strongly, and total exports made a relatively large contribution to demand growth despite almost unchanged exports of goods. The deterioration in demand for industrial products caused manufacturers to cut back further on investment. Total business sector investment nevertheless increased slightly, partly as a result of an unexpectedly large rise in housing investment in the form of upgrades.

The weak performance so far this year is also evident in the labour market. After Statistics Sweden corrected previous errors, the Labour Force Survey (LFS) now shows that employment increased slightly in the first three quarters of 2019 (see Diagram 2). However, the labour force has continued to expand, and unemployment has increased during the year, hitting 7.0 per cent in the third quarter.

ECONOMIC SLOWDOWN TO CONTINUE

Most signs are that the economy will continue to deteriorate in the near term. Both consumer and business confidence indicators are below normal levels (see Diagram 3), and firms' employment plans in the December Economic Tendency Survey suggest little growth in employment over the next three months.

What differentiates the scenario from the forecast?

In this shorter format for The Swedish Economy, our short-term forecast and medium-term scenario are presented together. It must be stressed, however, that the forecast and the scenario differ in a number of important ways.

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

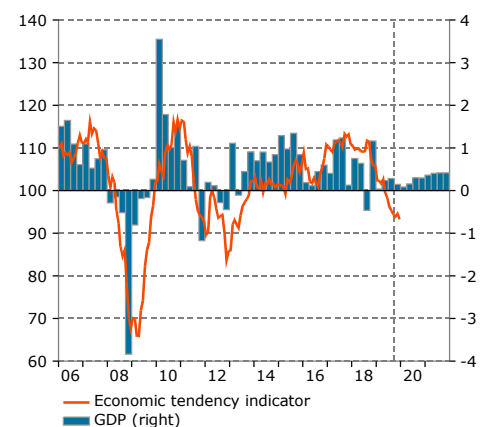
The scenario picks up where the forecast leaves off, painting a consistent picture of developments over the following three years. Over this time horizon, forecast ability is normally limited. The scenario assumes no new shocks to the economy, which therefore moves towards full capacity. Once the output gap has closed, GDP growth is supply-driven and largely follows movements in productivity growth and labour supply.

The scenario for the Swedish economy is also based on the following specific assumptions:

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

Diagram 1 Economic tendency indicator and GDP

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



Sources: Statistics Sweden and NIER.

The NIER uses a large number of short-term models in its forecasting work. The forecasts from some of them are reported regularly in *The Swedish Economy* (see Table 1). These models indicate that GDP growth will step up a gear in the fourth quarter this year and the first quarter next year. However, the models do not capture the deterioration in a wide range of more high-frequency data in recent months. The NIER also expects housing investment to decline in both of these quarters, and growth in government consumption to be weak, which is not captured by the models either. The NIER's overall assessment is therefore that GDP growth will drop back to 0.1 per cent per quarter in the fourth quarter this year and the first quarter next year. Employment is also forecast to grow by 0.1 per cent per quarter in these two quarters. This is generally well in line with the model forecasts for employment, even when conditioned on the NIER's forecast for GDP growth.

Table 1 GDP and employment

Percentage change from previous quarter, seasonally adjusted

	Actual Q3 2019	Forecast Q4 2019	Forecast Q1 2020
GDP¹			
NIER's forecast	0.3	0.1	0.1
Bayesian VAR model	...	0.5	0.8
Economic Tendency Survey models	...	0.5	...
Employment¹			
NIER's forecast	0.2	0.1	0.1
Bayesian VAR model, conditional ²	...	0.1	0.1
Bayesian VAR model	...	0.2	0.3
VAR models	...	0.0	0.1

¹ For further information on the econometric models, see the box "Modellbaserade skattningar för BNP och sysselsättning för andra och tredje kvartalet i år" [Model-based estimates of GDP and employment in the second and third quarters this year] in the Swedish version of *The Swedish Economy*, June 2015.

² Conditioned on the NIER's GDP forecasts for the quarters in question. For further information on this BVAR model, see Raoufinia, K. (2016) "Forecasting employment growth in Sweden using Bayesian VAR models", NIER Working Paper No. 144.

Sources: Statistics Sweden and NIER.

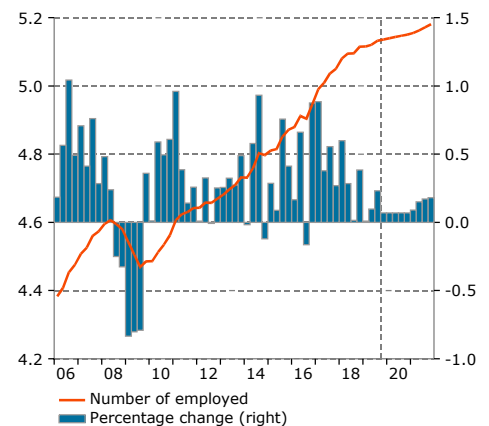
CONTINUED UNCERTAINTY ABROAD

Global GDP growth will fall this year to just over 3 per cent (see Table 2). Both the trade conflict between the US and China in particular and Brexit are causing uncertainty that is weighing on the global economy. This has hit world trade and industrial production, which have both performed weakly in recent years (see Diagram 4). The uncertainty is expected to ease gradually, but global GDP growth will remain sluggish over the next couple of years.

Sweden's export market has grown relatively slowly since the financial crisis a decade ago. During this period, the gap between

Diagram 2 Employment

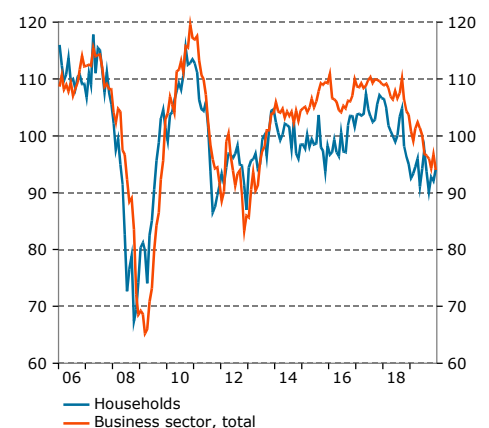
Millions and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 3 Households and the business sector confidence indicator

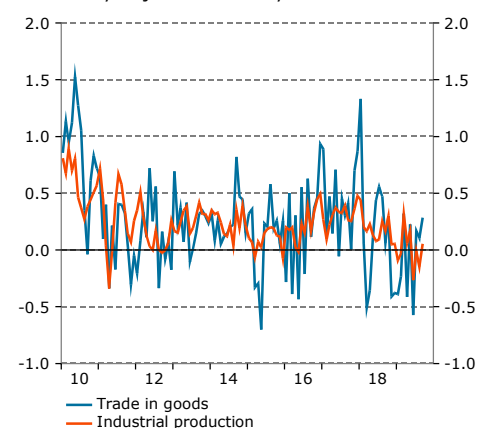
Index mean=100, seasonally adjusted monthly values



Source: NIER.

Diagram 4 Global goods trade and industrial production

Percentage change, 3-month moving average, seasonally adjusted monthly values



Sources: CPB Netherlands Bureau for Economic Policy Analysis and Macrobond.

market growth and growth as measured by KIX-weighted GDP has also been relatively small (see Diagram 5). As the outlook for world trade gradually brightens, growth in Sweden's export market will pick up even if growth in KIX-weighted GDP is largely unchanged. Despite this recovery, the export market will grow relatively slowly by historical standards.

Table 2 GDP and consumer prices

Annual percentage change and per cent, respectively

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
Sweden's Export Market ¹	3.2	2.5	3.1	3.2	3.4	3.5
GDP²						
World	3.1	3.0	3.1	3.2	3.3	3.3
KIX-weighted	1.9	1.8	1.9	1.9	1.9	1.9
Euro Area	1.2	1.1	1.3	1.3	1.3	1.3
US	2.3	1.8	1.7	1.7	1.7	1.8
China	6.2	6.0	5.9	5.6	5.4	5.3
Sweden	1.2	0.7	1.4	1.9	2.0	1.8
CPI³						
KIX-weighted	1.9	1.9	2.0	2.2	2.2	2.2
Euro Area	1.2	1.2	1.4	1.7	1.9	1.9
US	1.8	2.1	2.2	2.3	2.3	2.3
China	2.8	2.9	2.7	3.0	3.0	3.0
Sweden	1.7	1.6	1.5	1.7	1.9	2.0

¹ Export market growth refers to total import demand in the 32 countries that are Sweden's most important trading partners, each country weighted according to its share of Swedish goods exports.

² The figures for GDP are the calendar-adjusted change expressed in constant prices. The table presents a selection of the countries for which the NIER makes GDP forecasts. The global aggregate is calculated using time-varying purchasing power parity GDP weights from the IMF. KIX-weighted GDP is an aggregate calculated using the Riksbank's KIX weights, which cover Sweden's 32 most important trading partners.

³ CPIF (CPI with a fixed interest rate) for Sweden, CPIH (CPI including owner-occupiers' housing costs) for the UK, and HICP for the other EU countries and Norway. KIX-weighted CPI is an aggregate calculated using the Riksbank's KIX weights, which cover Sweden's 32 most important trading partners. The aggregate for the euro area has been calculated using consumption weights from Eurostat.

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

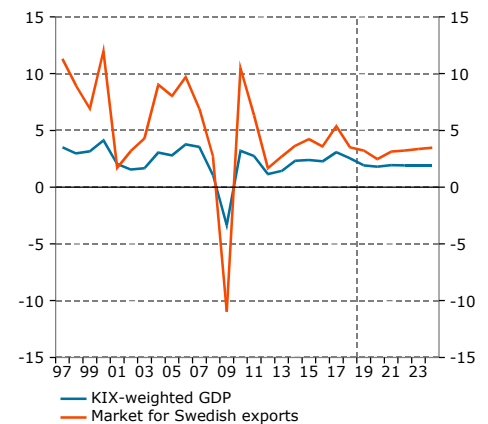
HOUSEHOLDS PROP UP THE US ECONOMY

The US economy continues to boom.¹ In the third quarter, GDP increased by 0.5 per cent (see Diagram 6) and unemployment held at 3.6 per cent (see Diagram 7). The trade dispute with China is impacting negatively on the business sector, however, and manufacturing and other confidence indicators have

¹ Both the CBO and the IMF consider the US to have a positive output gap. See *Economic Outlook*, August 2019, Congressional Budget Office (CBO), and *World Economic Outlook*, October 2019, International Monetary Fund (IMF).

Diagram 5 KIX weighted GDP and market for Swedish exports

Percentage change

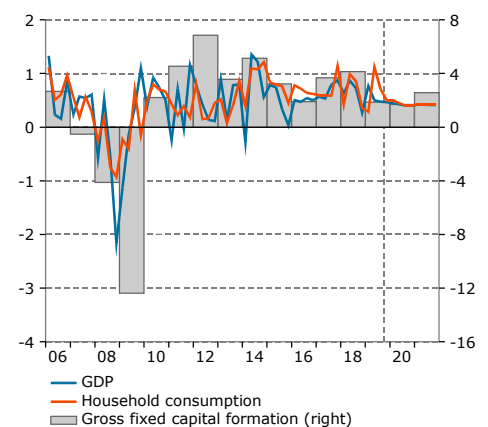


Note. See foot note 1 and 2 in table 2.

Sources: National sources, Macrobond and NIER.

Diagram 6 GDP and demand in the US

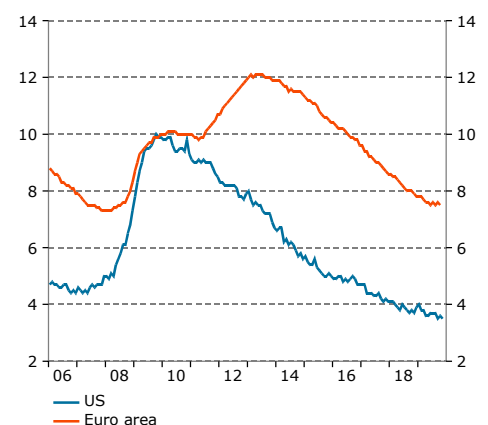
Percentage change, seasonally adjusted quarterly values and annual values



Sources: Bureau of Economic Analysis, Macrobond and NIER.

Diagram 7 Unemployment

Per cent of labour force, seasonally adjusted monthly values



Sources: Bureau of Labor Statistics, Eurostat and Macrobond.

dropped back rapidly over the past year (see Diagram 8). This in turn has contributed to weak investment growth in recent quarters. A strong labour market and faster wage growth mean that consumer confidence is still much stronger than normal (see Diagram 9). Share prices have also climbed considerably during the year (see Diagram 10). Together, this is stimulating household consumption, which has been rising rapidly in 2019 and will be the most important driver of this year's GDP growth, which is expected to be 2.3 per cent (see Table 2).

Uncertainty about trade policy is expected to ease during the course of 2020, and investment growth will gradually recover. Viewed over the year as a whole, however, investment will still be subdued (see Diagram 6). Meanwhile, households are expected to be a little more cautious about increasing their consumption. The economy is believed to have peaked, and unemployment is expected to increase slightly in 2020.

The low unemployment has meant that wages have begun to grow more quickly, contributing in turn to rising core inflation. Further strong wage growth and a relatively rapid rise in prices for goods imported from China mean that inflation will continue to climb and will end up close to the Federal Reserve's target in 2021 (see Table 2).² The Federal funds rate is therefore expected to hold at its current level over the next couple of years (see Diagram 11).

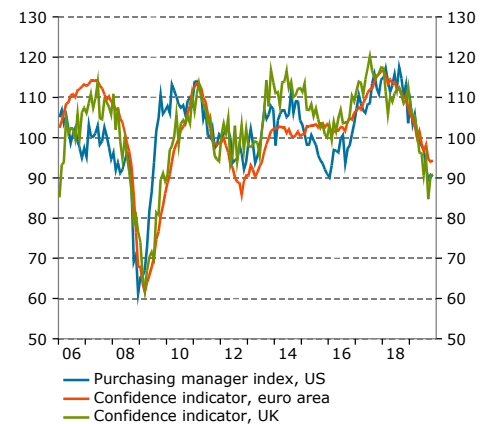
Softer tone in US-China trade dispute

The tone in the trade dispute between US and China has recently softened somewhat. Our assessment is that the risks are broadly balanced. An escalation of the trade dispute would undermine confidence, which could in turn impact on business investment and on consumers via a weaker labour market. The trade talks are making progress, however, and the US decided in October to postpone an increase in tariffs on imported goods worth USD 250 billion. Our forecast assumes that the US enforces the previously announced tariff increase on consumer goods from China. However, the agreement reached between the parties in mid-December suggests that this increase will not in fact be applied and that some previous tariff hikes may be reversed. If so, US inflation is likely to be somewhat lower than in our forecast due to lower import prices. This in turn would point to slightly stronger growth in both household consumption and GDP.

² The Federal Reserve's inflation target is an increase in the personal consumption expenditure deflator of 2 per cent. According to the NIER's calculations, this corresponds to an increase in the CPI of around 2.3 per cent.

Diagram 8 Confidence indicators for manufacturing

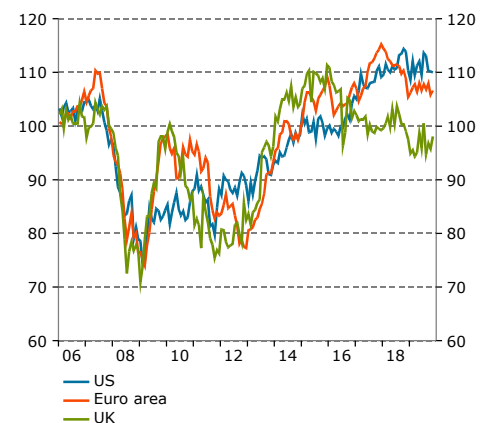
Index mean=100, monthly values



Sources: Institute for Supply Management, European Commission and Macrobond.

Diagram 9 Consumer confidence

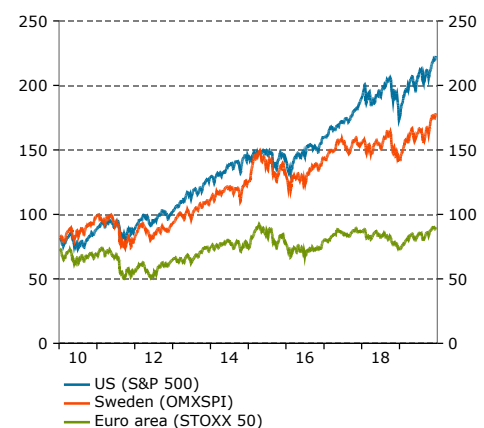
Index mean=100, monthly values



Sources: Conference Board, European Commission and Macrobond.

Diagram 10 Stock markets

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



Sources: Standard & Poor's, Nasdaq OMX, STOXX and Macrobond.

SLOWDOWN IN CHINA

The ongoing rebalancing of the Chinese economy towards more consumption-driven growth has been hastened by the trade dispute with the US and weak global manufacturing conditions (see the special analysis “Internationalisering och utvecklingen av globala värdekedjor” [Internationalisation and the development of global value chains] in the Swedish version of the report). Manufacturing confidence is now well below the historical average (see Diagram 12), and hard data have also shown Chinese manufacturing performing worse and worse since the summer. This weakness in the manufacturing sector contributed to an unexpectedly large drop in GDP growth in the third quarter. GDP growth is expected to slow further over the next couple of years (see Table 2). Chinese economic policy over the past year has sought to stimulate the economy, for example by cutting interest rates for firms and households and reserve ratios for banks. Debt levels in the country are already high, and these new measures further increase the risks in the financial system, although the non-performing loans ratio has yet to take off (see Diagram 13). The increase in borrowing nevertheless increases the risk of a hard landing for the Chinese economy, with knock-on effects elsewhere.

SLOWDOWN IN THE EURO AREA

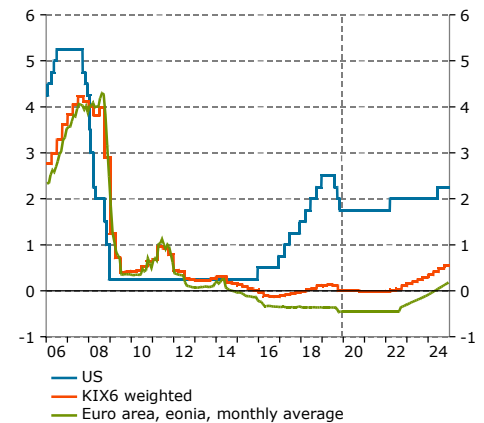
After a strong start to the year, growth in the euro area has slowed in the past two quarters (see Diagram 14). The slowdown has been especially clear in Germany, which has been hit particularly hard by the weaker manufacturing conditions and the decline in world trade given its focus on exports. In countries such as France and Spain, where domestic demand weighs more, GDP growth has not fallen as far. Just as in the US, manufacturing confidence has fallen fast over the past year (see Diagram 8), which indicates that the manufacturing climate will continue to deteriorate. On the other hand, households remain more optimistic than normal (see Diagram 9), which may to some extent be due to the rise in share prices during the year (see Diagram 10).

Perhaps a more important factor for consumer optimism is the relatively strong labour market. Unemployment has fallen to 7.5 per cent, which is where it was in the period immediately preceding the financial crisis (see Diagram 7), and wages have begun to rise slightly faster. With inflation still subdued, this means that households’ purchasing power is increasing more quickly than before. Households are nevertheless wary about loosening the purse strings, partly as a result of uncertainty about the economic outlook.

The economy will be buoyed by mildly expansionary fiscal policy in the coming years. Low inflation and low inflation expectations also mean that the ECB’s low-interest-rate policy will continue. GDP growth will nevertheless slow somewhat further

Diagram 11 Policy rates

Per cent, daily and monthly values

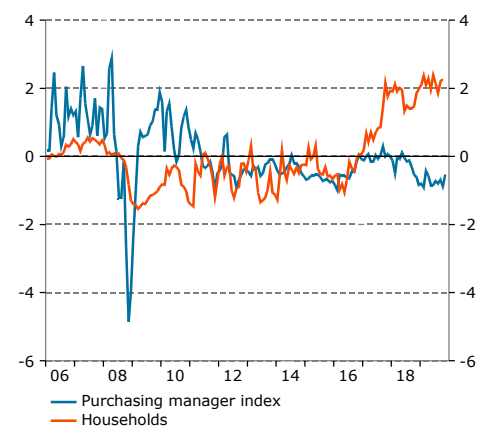


Note. US policy rate refers to the upper bound of the target rate for the Federal funds rate.

Sources: Bank of England, Bank of Japan, ECB, Federal Reserve, Norges Bank, Macrobond and NIER.

Diagram 13 Confidence indicators for businesses and households in China

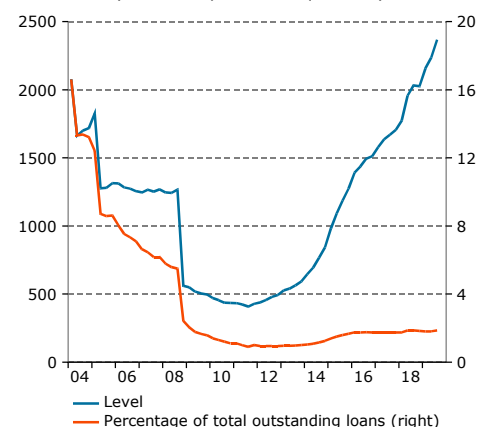
Standardized deviations from mean, monthly values



Sources: China Federation of Logistics & Purchasing and Macrobond.

Diagram 12 Distressed loans in China

Billions of yuan and per cent, quarterly values



Sources: China Banking Regulatory Commission and Macrobond.

in 2020. Uncertainty about world trade and future trade rules is assumed to recede gradually over the course of 2020, with a slight positive effect on growth in the years after that. Our forecast is based on the assumption that the US does not follow through on its threat to introduce tariffs on cars made in the EU. Should these tariffs materialise, they could have serious consequences for economic growth throughout Europe.

BREXIT WEIGHING ON THE UK

Uncertainty around Brexit is weighing on the UK economy. Manufacturing confidence indicators are well below normal (see Diagram 8), and the picture in the service sector is similar. Over the past two quarters, GDP growth has more or less stagnated, and investment has fallen. The labour market remains strong, but consumers are less optimistic than normal (see Diagram 9). Household consumption is therefore forecast continue to rise relatively slowly, with GDP growth deteriorating slightly further in 2020 (see Diagram 15).

Our forecast is based on the assumption that the UK makes an orderly exit from the EU during the course of 2020 (see box “An orderly Brexit”). Uncertainty about the country’s new relationship with the EU is then assumed to ease during the transition period as new agreements are reached. This gradual reduction in uncertainty will help GDP growth to pick up again slightly in 2021.

An orderly Brexit

In the UK parliamentary elections on 12 December, the ruling Conservative party won an overall majority in the House of Commons. The most likely result is that Parliament will approve the exit deal that Prime Minister Boris Johnson negotiated with the EU in the autumn, and that the UK will leave the EU by 31 January 2020.

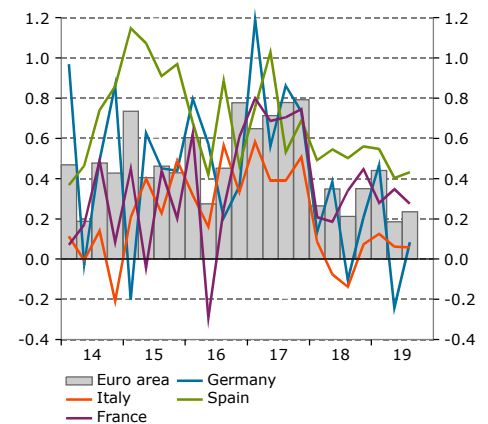
Our forecast is based on the assumption that this does indeed happen. Uncertainty about the UK’s future relationship with the EU is expected to ease during the transition period following the country’s exit as new agreements are reached. During this transition period, the UK will continue to apply EU laws and rules and comply with the European Court of Justice, but will not be permitted to participate in decision making. Under the current agreement, the transition period will run until the end of 2020, but with the possibility of it being extended for up to two years. The UK would need to apply for any extension by July 2020.

GLOBAL INTEREST RATES TO REMAIN LOW

Decreased inflationary pressures and weaker foreign demand have prompted a number of central banks to ease their monetary policy this year (see Diagram 11). Inflation in the euro area and

Diagram 14 GDP growth in Euro Area

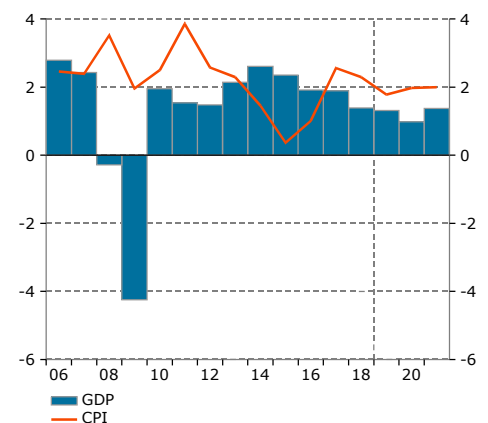
Percentage change, seasonally adjusted quarterly values



Sources: Eurostat, Macrobond and NIER.

Diagram 15 GDP and consumer prices in the UK

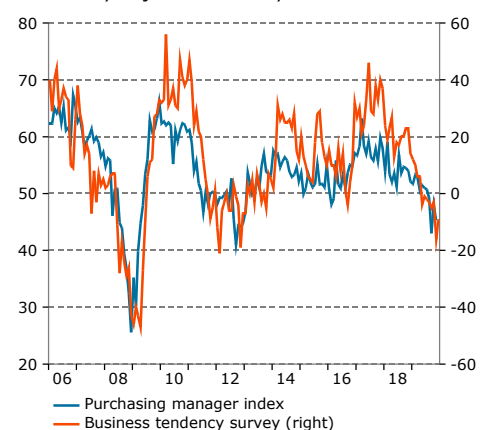
Percentage change



Sources: Office for National Statistics, Macrobond and NIER.

Diagram 16 Export orders in the manufacturing industry

Diffusion index and balances, respectively, seasonally adjusted monthly values



Sources: Swedbank/SILF, Macrobond and NIER.

the US, among others, is expected to stabilise around the target level in a couple of years (see Table 2). This will cause the ECB and the Federal Reserve to start to raise their rates again in 2022. Interest rates will therefore be low by historical standards during the forecast period. In the euro area, the real policy interest rate will be negative throughout the forecast period. Even in the booming US economy, the real policy rate will be much lower than before the financial crisis.

SLOW GROWTH IN SWEDISH GOODS EXPORTS

The global slowdown meant that Swedish exports of goods increased only marginally in the third quarter. Exports of basic materials performed particularly poorly, while exports of motor vehicles were largely unchanged. Total exports nevertheless rose by 1.4 per cent, thanks to relatively strong growth in exports of services, most notably in the form of R&D and information and communication (ICT) services and spending by foreign visitors.

After a long period of rapidly rising demand from abroad, the outlook for the export industry has increasingly deteriorated in 2019. More and more firms in the Economic Tendency Survey are now citing insufficient demand as the main constraint on production rather than a shortage of capacity. The downturn in demand is confirmed by many firms in their latest reports. Export orders have slowed sharply of late (see Diagram 16), and previously packed order books have gradually become more sparse (see Diagram 17). Hard data and indicators both suggest that exports of goods will fall in the fourth quarter this year and the first quarter next year. Exports of goods by firms exposed to demand for motor vehicles are expected to be especially weak. Exports of services will continue to grow, albeit not as quickly as in the third quarter, thanks partly to the ongoing rollout of 5G networks. Total exports will nevertheless decrease slightly in the fourth quarter and the first quarter next year (see Diagram 18).

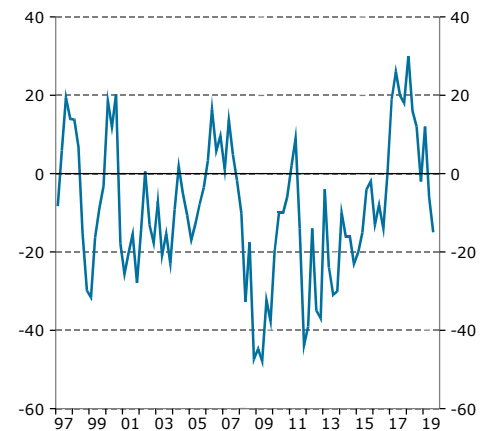
Rising foreign demand will mean that Swedish export growth picks up gradually from the second quarter of 2020, aided by a still weak krona. Viewed over 2020 as a whole, however, export growth will be weak and make a relatively small contribution to GDP growth (see Diagram 19). In the years after that, exports will increase somewhat faster (see Table 3) and make larger contributions to growth.

FURTHER DECLINE IN MANUFACTURING INVESTMENT

The deterioration in manufacturing conditions is clearly reflected in manufacturers' production plans, which have dropped sharply over the past year. Both the Economic Tendency Survey and the PMI now show manufacturers expecting only marginally higher production volumes in the near term (see Diagram 20). This has made its mark on manufacturing investment, which continued to flag in the third quarter. On the other hand, investment in the service sector increased somewhat. Housing investment also

Diagram 17 Export order stock, assessment of the industry

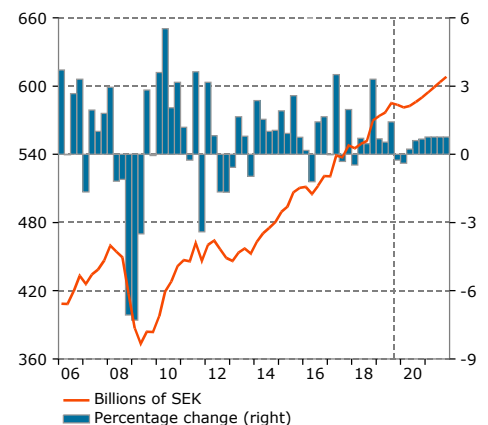
Balances, quarterly values



Source: NIER.

Diagram 18 Exports

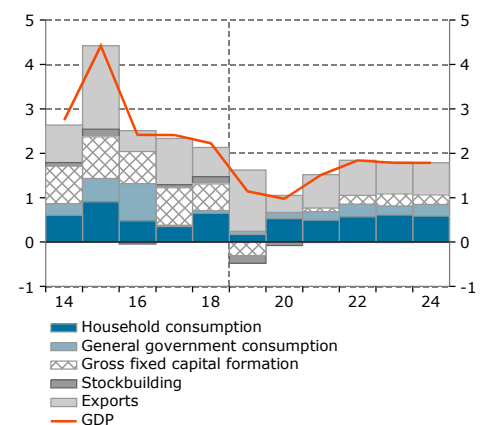
Billions of SEK, constant prices and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 19 Import-adjusted contribution to GDP growth

Percentage change and percentage points, respectively



Sources: Statistics Sweden and NIER.

turned slightly positive after falling for over a year (see Diagram 21). This meant that investment in the business sector as a whole grew by 0.5 per cent in the third quarter after falling somewhat in the first two quarters of 2019.

The increase in housing investment in the third quarter was driven by a temporary surge in upgrades, while newbuilds continued to decline. Figures for building permits and apartment starts, coupled with the fact that housing prices have begun to climb again, suggest that newbuild activity will stabilise. All in all, this means that housing investment is set to level off at a relatively high level (see Diagram 21).

The mediocre outlook for manufacturing means that investment in the sector will decline further in 2020 and 2021 (see Diagram 22). Investment in the service sector will continue to climb slowly during the period, however, as will government investment. Local government investment has increased considerably in recent years, but central government investment in areas such as infrastructure and defence will be the main driver over the next two years.

Investment as a whole will make a negative contribution to GDP growth this year and fairly negligible contributions for the next two years (see Diagram 19). This is a normal pattern when an economic boom comes to an end.

NET LENDING IN LINE WITH SURPLUS TARGET

General government net lending is expected to be 0.6 per cent of GDP this year, but this is partly down to the strong economy (see Diagram 23). Structural net lending, which excludes cyclical effects, will be 0.3 per cent of potential GDP. This is in line with the new surplus target introduced from 2019. General government consolidated gross debt (Maastricht debt) will be in line with the new debt anchor of 35 per cent of GDP (see Diagram 24).

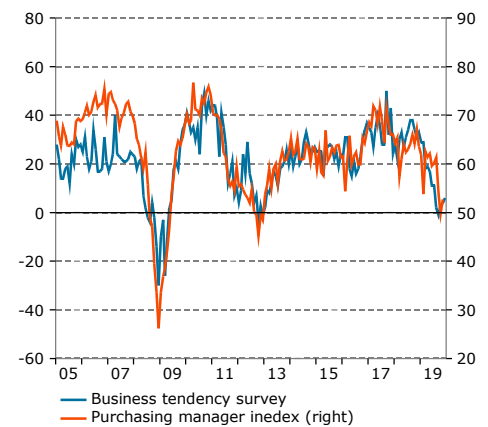
TAX REDUCTIONS FOR HOUSEHOLDS IN 2020

Including previously announced measures, the budget bill for 2020 proposes unfunded measures amounting to around SEK 31 billion, divided fairly equally between tax reductions and spending increases. Structural net lending is expected to hold at 0.3 per cent of potential GDP in 2020, which means that fiscal policy will have a neutral bias. If economic output falls below potential, there will be scope to pursue expansionary fiscal policy, but that will require more restrictive fiscal policy further ahead (see the special analysis “Ramverk inget stort hinder för tillfälligt expansiv finanspolitik [Fiscal framework no real obstacle to temporarily expansionary fiscal policy] in the Swedish version of the report).

Growth in government consumption in 2020 will be held back slightly by tight finances in many municipalities and regions. The local government sector also has a major need to

Diagram 20 Production plans in manufacturing

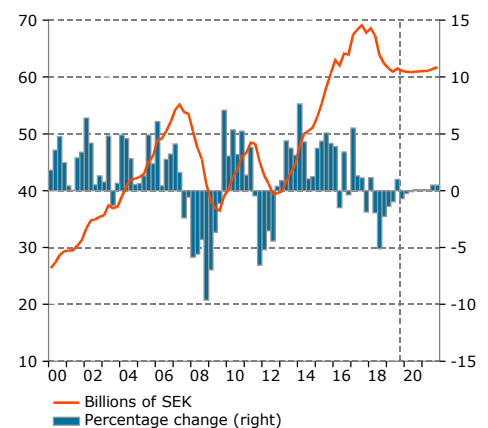
Balances and diffusion index, respectively, seasonally adjusted monthly values



Sources: NIER and Silf/Swedbank.

Diagram 21 Gross fixed capital formation, housing

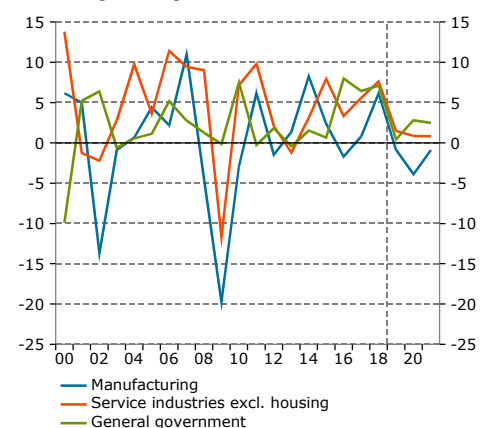
Billions of SEK, constant prices and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 22 Gross fixed capital formation, excl. housing

Percentage change



Sources: Statistics Sweden and NIER.

invest, and its net lending will be historically low in 2020. This means that local government debt will be higher than central government debt (see the special analysis “Resultat, finansiellt sparande och nettoställning i kommunsektorn” [Local government finances] in the Swedish version of the report).

FISCAL SPACE PERMITS UNCHANGED PERSONNEL DENSITY IN 2021–2024

The forecast assumes spending increases of SEK 28 billion in 2021 to maintain personnel density in the provision of publicly funded welfare services. An unchanged personnel density in the scenario years (2022–2024) will require further spending increases of SEK 92 billion. For there also to be an increase in standards in those years in line with the historical pattern, additional expenditure of SEK 17 billion is needed. This extra spending will cause government consumption to increase gradually as a share of GDP. This is due to a growing share of children and elderly in the population – groups that consume a large proportion of welfare services.

Fiscal space – the scope for unfunded measures – is estimated at SEK 135 billion for the period 2021–2024, which is more or less sufficient to maintain personnel density in the provision of publicly funded welfare services and cover the increase in standards assumed for 2022–2024 (see Table A30 in the annex of tables). Note, however, that any estimate of fiscal space as far into the future as five years will always be subject to considerable uncertainty.

HOUSEHOLDS RELUCTANT TO LOOSEN PURSE STRINGS

Household consumption increased by 0.4 per cent in the third quarter, driven largely by increased spending on cars and other durable goods and consumption abroad.

The consumer confidence indicator has fallen in 2019. It is primarily the macro index that has deteriorated, but the micro index is also now slightly lower than normal (see Diagram 25).³ The micro index is being pulled down mainly by a negative view of whether now is a good time to make major purchases, while consumers are slightly more positive than normal about their personal finances. Other statistics paint a more positive picture. On balance, we expect households to increase their spending at the same rate averaged over the fourth quarter this year and the first quarter next year as they did in the third quarter.

As in 2019, households will benefit from tax reductions in 2020. However, the economic slowdown means that employment will grow slightly more slowly over the next couple of years. Largely unchanged wage growth and slightly lower inflation will mean that real disposable household incomes

Forecast and scenario for fiscal policy

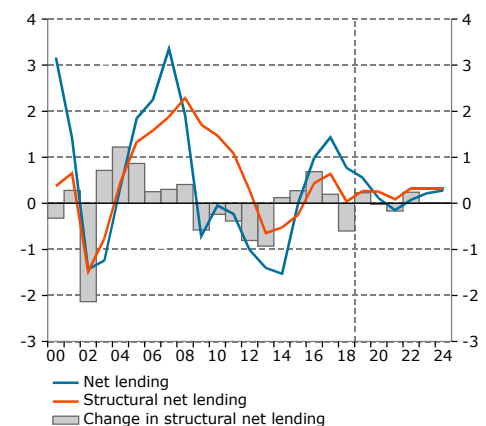
For the short term the NIER produces forecasts for government finances. At present, the forecasts extend until 2021. The forecast for fiscal policy 2020 is based on the government's budget bill for 2020.

For the years 2022–2024 the NIER present a scenario where fiscal policy is pursued in a way that is consistent with the surplus target. In the long run, structural net lending is thus assumed to amount to one-third of a percent of potential GDP. When the economy is in cyclical balance then the actual net lending becomes one-third of a percent of GDP.

A detailed description can be found in the special analysis “New method for fiscal policy scenario” in The Swedish Economy, March 2018.

Diagram 23 Net lending and structural net lending in the public sector

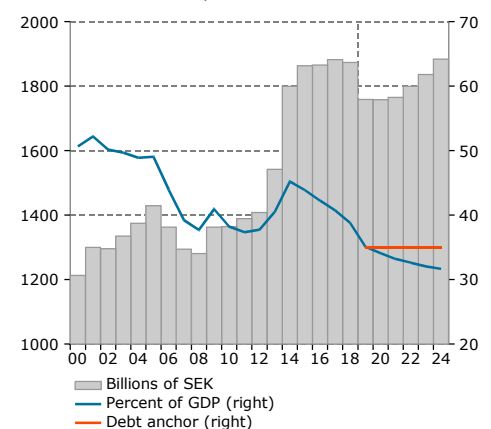
Per cent of GDP and per cent of potential GDP



Sources: Statistics Sweden and NIER.

Diagram 24 Gross debt

Billions of SEK and per cent of GDP



Sources: Statistics Sweden and NIER.

³ The micro index summarises consumers' view of their personal finances, while the macro index summarises their view of the Swedish economy.

nevertheless increase slightly faster in 2020 than in 2019 (see Diagram 26). Household wealth has also improved in 2019, thanks to rising prices for both shares (see Diagram 10) and housing. Housing prices are expected to continue to climb slowly. All in all, household spending is forecast to rise slightly more slowly than household incomes over the next two years, and the savings rate will stabilise.

Table 3 Domestic economy

Percentage change, constant prices and percent, current prices respectively

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
Household Consumption Expenditure	1.0	1.9	1.7	2.0	2.1	2.2
General Government Consumption Expenditure	0.4	0.7	1.0	1.3	0.9	1.3
Gross Fixed Capital Formation	-1.1	-0.1	0.7	1.5	2.0	1.9
Domestic Demand Excl. Stockbuilding	0.3	1.1	1.2	1.6	1.8	1.9
Stockbuilding ¹	-0.3	-0.1	0.0	0.0	0.0	0.0
Total Domestic Demand	0.0	0.9	1.2	1.6	1.7	1.9
Exports	4.6	1.3	3.0	3.0	2.8	3.2
Total Demand	1.4	1.0	1.8	2.1	2.1	2.3
Imports	2.1	1.2	2.4	2.7	2.7	3.5
Net Exports	1.2	0.1	0.3	0.3	0.1	0.0
GDP	1.1	1.0	1.5	1.8	1.8	1.8
GDP, calendar adjusted	1.2	0.7	1.4	1.9	2.0	1.8
GDP per Capita	0.1	0.1	0.7	1.1	1.1	1.1
Current Account ²	5.0	5.0	5.2	5.1	4.9	4.5

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

Sources: NIER.

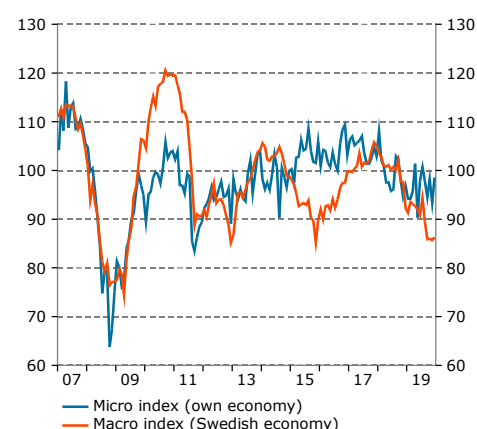
SUBDUED GROWTH IN GOODS PRODUCTION

Business sector production climbed 0.6 per cent in the third quarter after growing relatively weakly in the first half of the year. The service sector accounted for almost all of the increase in production, while industrial production was largely unchanged and construction activity fell slightly.

Swedish industrial production has more or less stagnated this year, in line with the downturn in the global manufacturing climate. In the Economic Tendency Survey, manufacturers are reporting relatively low expectations for production volumes (see Diagram 20) and anticipate further reductions in personnel in the near term (see Diagram 27). The PMI is also showing a decidedly weak manufacturing outlook. Industrial production is expected to fall slightly in the coming quarters and in 2020 taken as a whole (see Diagram 28). Towards the end of 2020, however,

Diagram 25 Household micro and macro index according to the Consumer Tendency Survey

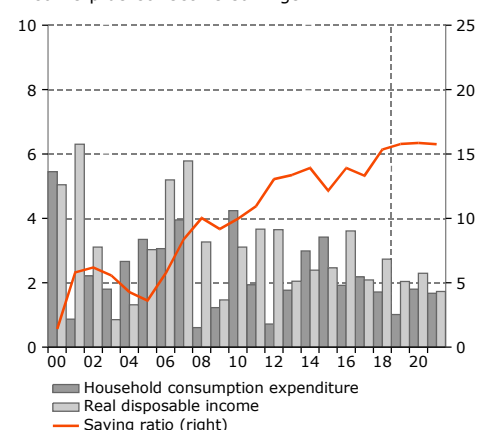
Index mean=100, seasonally adjusted monthly values



Source: NIER.

Diagram 26 Household consumption, real disposable income and saving ratio

Percentage change and per cent of disposable income plus collective savings

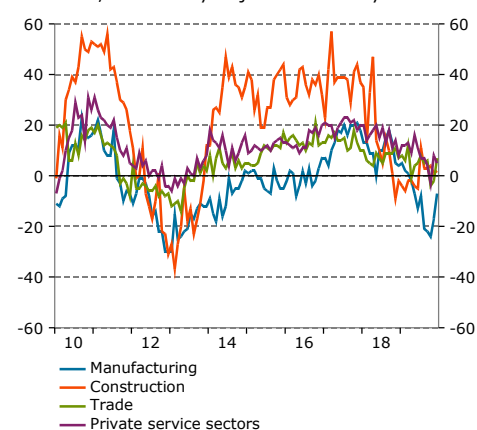


Note. The savings ratio is defined as households' total savings incl. savings in premium and occupational pensions as a share of household disposable income plus savings in premium and occupational pensions.

Sources: Statistics Sweden and NIER.

Diagram 27 Recruitment plans

Balances, seasonally adjusted monthly values



Source: NIER.

industrial production will pick up as Swedish goods exports start to grow again.

The construction outlook is also weak. Housing production, which has fallen this year, will stabilise next year. Other construction has also been largely unchanged, and construction activity as a whole will stagnate in 2020 (see Diagram 29). Housing investment will begin to edge up again in the latter part of next year. Together with planned major infrastructure projects, this means that construction activity will increase slightly in 2021.

Unlike the production of goods, the production of services will continue to grow in both 2020 and 2021, albeit more slowly than before. Manufacturing-related services, such as some consulting and staffing services, will nevertheless continue to perform poorly. The service sector will account for almost all the growth in business sector production in 2020, but production is expected to improve in all the main sectors in 2021 (see Diagram 28 and Table 4).

Table 4 Production

Percentage change, calendar-adjusted values

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
Business Sector	1.7	0.9	1.7	2.1	2.4	2.0
Goods Producers	1.4	-0.2	1.3	...	...	...
Of which: Industry	0.6	-0.6	1.4	...	...	...
Construction	1.0	0.0	1.6	...	...	...
Service Producers	1.9	1.4	1.8	...	...	...
General Government	0.1	0.2	0.5	0.9	0.7	0.9
Total Economy¹						
GDP at Basic Prices	1.4	0.7	1.4	1.9	2.0	1.8
GDP at Market Prices	1.2	0.7	1.4	1.9	2.0	1.8

¹ Including production in non-profit institutions serving households.

Note. Production refers to value added.

Sources: Statistics Sweden and NIER.

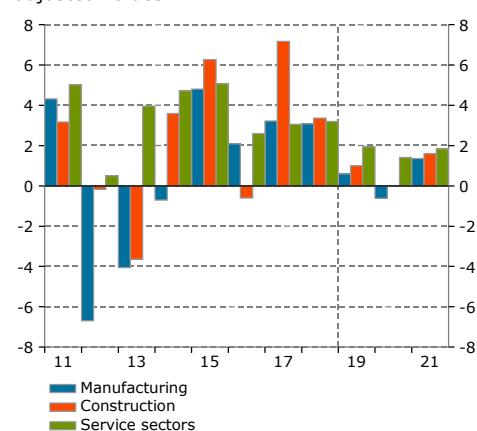
EMPLOYMENT TO GROW MORE SLOWLY

In October, Statistics Sweden announced that previous data for employment and unemployment had contained errors (see box “Revised LFS data show steadier labour market”). The fall in employment previously reported since the beginning of 2019 was not correct. According to the revised statistics, employment continued to rise in 2018 and 2019, albeit more slowly than in the preceding years (see Diagram 30). This weaker demand for labour is also evident from data on labour shortages, which have widely eased over the past year (see Diagram 31).

Employment growth is expected to slow slightly further in 2020 and remain subdued in 2021. In manufacturing, firms’

Diagram 28 Production

Percentage change, constant prices, calendar-adjusted values



Note. Production refers to value added.
Source: NIER.

Diagram 29 Production in the construction sector and residential investment

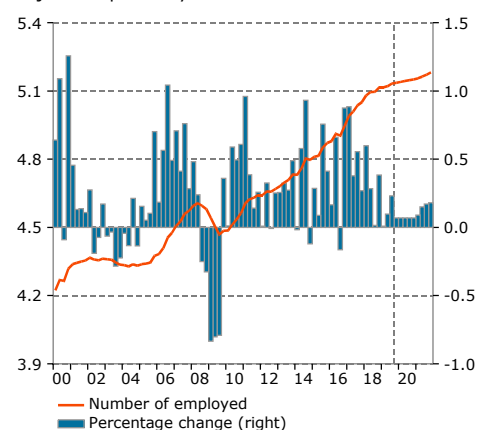
Percentage change



Note. Production refers to value added.
Sources: Statistics Sweden and NIER.

Diagram 30 Employment

Millions and percentage change, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

employment plans in the Economic Tendency Survey indicate that employee numbers will continue to fall in the near term (see Diagram 27). In the construction sector, employment plans have recovered in recent months and are now slightly positive, as they are in the retail trade and the service sector. All in all, this suggests that employment in the business sector will increase slightly in late 2019 and early 2020. The relatively weak demand growth in the business sector in 2020 and 2021 means that there will not be any great need for firms to expand their workforce, especially not in manufacturing. The negative net lending in the local government sector will also weigh on employment in the public sector, which will rise only slowly during the period.

Revised LFS data show steadier labour market

The official labour market statistics are produced by Statistics Sweden in its interview-based Labour Force Survey (LFS). In October, Statistics Sweden announced that there had been errors in the labour market statistics back to June 2018.⁴ The incorrect data showed employment growing too fast in the second half of 2018 before falling back. Unemployment was underestimated up until summer 2019 and then reported as rising more quickly than was actually the case. The labour force was misreported along similar lines.

When the LFS for October was published on 14 November, Statistics Sweden also released revised LFS data for the period from June 2018 to September 2019. According to the revised statistics, employment has risen continuously since June 2018. The labour force was revised along the same lines. Both the revised data and the previous incorrect figures show a rise in unemployment in 2019. In the revised statistics, however, the increase has been more gradual (see Diagram 32).

UNEMPLOYMENT TO RISE OVER THE NEXT TWO YEARS

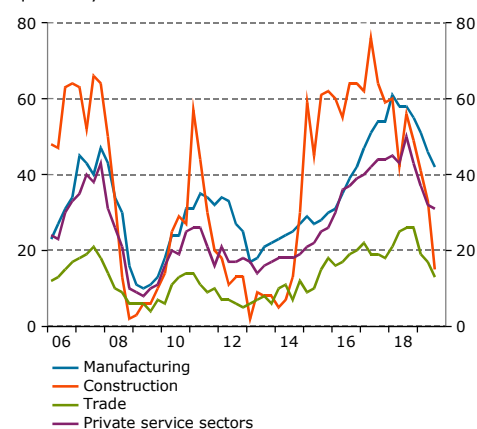
The labour force participation rate has been rising for a long period and is expected to continue to climb over the next two years (see Diagram 33).⁵ However, the relatively weak growth in

⁴ The LFS is based on a sample of just under 30,000 randomly selected people who are interviewed once a quarter over a period of two years. The non-response rate in recent years has been around 50 per cent. The revised statistics are based on responses from only half as many people as the faulty figures, which means that the revised statistics are based on responses from around 7,500 people per month. The uncertainty in the estimation of employment and unemployment is therefore higher. In some subsamples, such as by age groups (e.g. young people aged 15–24), the uncertainty is even greater.

⁵ There are several reasons for the rise in the participation rate. People in the 55–74 age group have increased their participation: they have gradually become healthier and are therefore working longer, and the reformed pension system also gives them a greater incentive to stay in work. In addition, the foreign-born population is represented mainly in the core labour force (ages 25–54) where the participation rate is high. See also the special analysis "Befolkningen och arbetskraften växer långsammare framöver" [Population and labour force set to grow more slowly] in the Swedish version of *The Swedish Economy*, June 2019.

Diagram 31 Shortage of labour

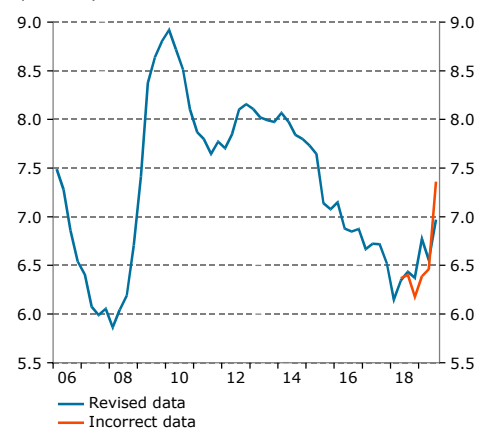
Share of yes-answers, seasonally adjusted quarterly values



Source: NIER.

Diagram 32 Revised and incorrect unemployment

Per cent of labour force, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 33 Employment rate and labour force participation

Per cent of population age 15–74



Sources: Statistics Sweden and NIER.

employment means that the employment rate will fall slightly. The number of unemployed will therefore increase gradually as a share of the labour force in 2020-2021 (see Diagram 34). In 2021, unemployment will hit 7.4 per cent, which is above the NIER's estimate of equilibrium unemployment, at 6.8 per cent.

Table 5 The labour market

Percentage change and per cent, respectively

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
GDP at Basic Prices ¹	1.4	0.7	1.4	1.9	2.0	1.8
Productivity, Total Economy ¹	1.5	0.7	0.9	1.1	1.2	1.2
Productivity, Business Sector ¹	1.8	0.9	1.1	1.5	1.5	1.5
Hours Worked ¹	0.0	0.1	0.5	0.7	0.8	0.6
Average Hours Worked per Person Employed ¹	-0.6	-0.3	0.1	0.0	-0.1	0.0
Number of Employed	0.6	0.4	0.4	0.8	0.8	0.6
Employment Rate ²	68.3	68.2	68.2	68.5	68.8	68.9
Labour Force	1.1	0.8	0.6	0.6	0.5	0.5
Labour Force Participation Rate ²	73.3	73.5	73.6	73.8	73.8	73.9
Unemployment ³	6.8	7.2	7.4	7.2	6.8	6.8
Population Aged 15-74	0.7	0.5	0.4	0.4	0.4	0.4
Labour Market Gap ⁴	0.0	-0.4	-0.4	-0.2	0.0	0.0
GDP Gap ⁵	0.6	-0.2	-0.4	-0.3	-0.1	0.0

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

Sources: Statistics Sweden and NIER.

RESOURCE UTILISATION TO FALL FURTHER

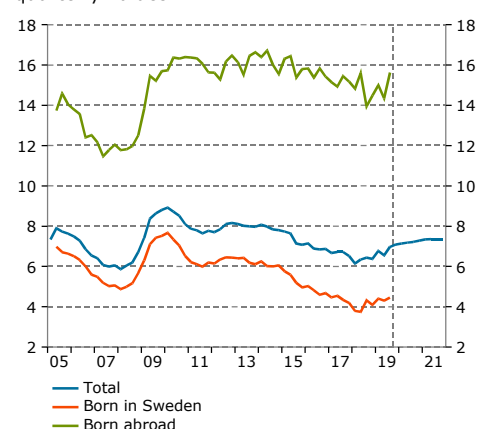
Resource utilisation in the Swedish economy as measured by the NIER's estimate of the output gap has been high for several years but is now falling back (see Diagram 35). This picture is supported by the NIER's resource utilisation indicator. This indicator is based partly on firms' employment plans and labour shortages, both of which have declined markedly in recent months, pulling down the indicator. The decline in resource utilisation will continue in 2020 and 2021, when the output gap will be slightly negative. Resource utilisation will then gradually normalise during the scenario period (see Table 5).

FURTHER MUTED WAGE GROWTH IN BUSINESS SECTOR

Recent years' relatively high resource utilisation in the labour market has not had any great impact on wage growth in the business sector, which is expected to be 2.5 per cent in 2019, the same as in 2018. This is low by the standards of previous booms

Diagram 34 Unemployment

Per cent of labour force, seasonally adjusted quarterly values

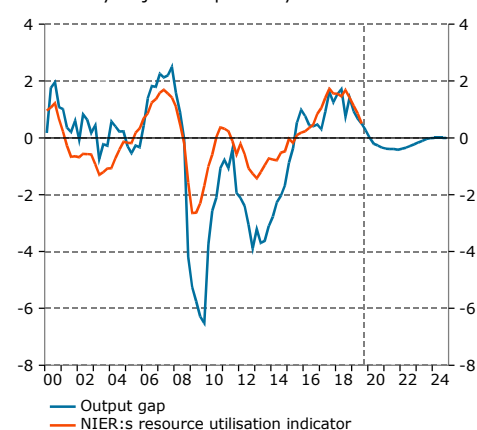


Note. NIER does not make forecasts broken down by origin.

Sources: Statistics Sweden and NIER.

Diagram 35 Output gap and resource utilisation indicator

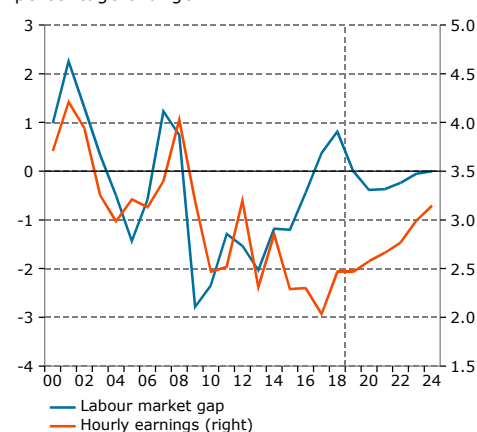
Per cent of potential GDP and normalised seasonally adjusted quarterly values



Source: NIER

Diagram 36 Labour market gap and hourly earnings in business sector

Per cent of potential hours worked and percentage change



Sources: National Mediation Office and NIER.

in the labour market (see Diagram 36).⁶ Since 2015, wages have grown more quickly in the government sector than in the business sector (see Diagram 37). This can be explained by major recruitment needs in areas such as teaching and the police, in some cases resulting in special pay initiatives.

Table 6 Wages and labour costs

Percentage change and per cent, respectively

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
Hourly Earnings, Total Economy ¹	2.6	2.6	2.7	2.8	3.0	3.1
Hourly Earnings, Business Sector ¹	2.5	2.6	2.7	2.8	3.0	3.1
Hourly Labour Costs, Business Sector ²	4.0	2.6	2.5	2.8	3.0	3.1
Productivity, Business Sector ²	1.8	0.9	1.1	1.5	1.5	1.5
Unit Labour Cost, Business Sector ³	2.2	1.7	1.4	1.3	1.4	1.6
Adjusted Profit Share, per cent of Value Added, Business Sector ⁴	35.8	35.9	36.1	36.0	36.1	36.2

¹ According to the Short-Term Earnings Statistics. ² According to the National Accounts, calendar-adjusted values. ³ Including one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed.

⁴ Excluding one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed, not calendar-adjusted values. Calculated at factor price.

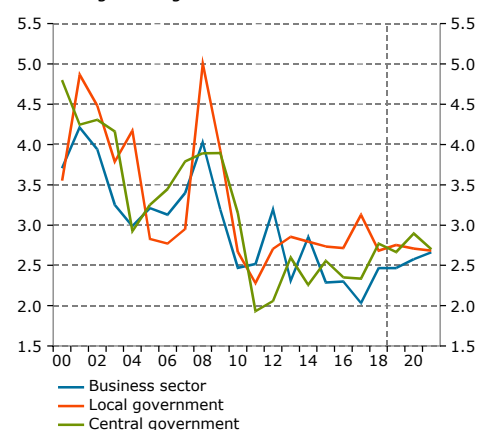
Sources: Statistics Sweden and NIER.

In early 2020, new collective agreements will be negotiated in a situation where resource utilisation in the labour market has fallen and is expected to be slightly lower than normal over the next couple of years (see Diagram 36). In the manufacturing sector, which sets the tone for wage increases across the business sector, firms' rating of their current profitability has come down but is still high (see Diagram 38). On balance, this means that wage growth in the business sector will pick up slightly next year. It will then continue to climb slowly, thanks partly to higher productivity growth.

Unit labour costs will rise by 2.2 per cent in 2019, which is above the 1.8 per cent considered compatible in the long term with CPIF inflation of 2 per cent. The relatively strong growth in unit labour costs despite high productivity growth is due to hourly labour costs in the National Accounts rising rapidly in 2019 (see Diagram 39), and much more quickly than hourly

Diagram 37 Hourly earnings

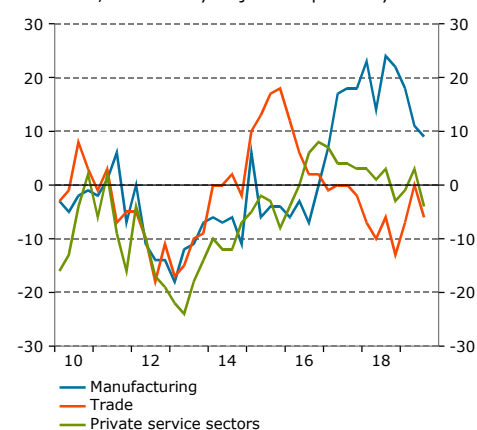
Percentage change



Sources: National Mediation Office and NIER.

Diagram 38 Judgement of profitability

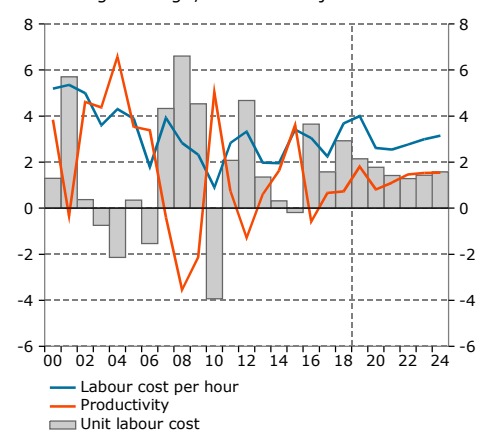
Balances, seasonally adjusted quarterly values



Source: NIER.

Diagram 39 Unit labour cost in the business sector, employed

Percentage change, calendar-adjusted values



Sources: Statistics Sweden and NIER.

⁶ The figures for wage growth in 2019 are taken from the Swedish National Mediation Office's wage statistics. These statistics calculate wages on an accrual basis, such that retroactive payments lead to gradual revisions over a 12-month period. The figures reported in this section are the realised data from the wage statistics plus expected retroactive payments estimated by the Mediation Office on the basis of the historical revision pattern.

wages in the National Mediation Office's wage statistics.⁷ In 2020, the growth in labour costs will slow, with unit labour costs increasing by 1.7 per cent. Higher productivity growth and further subdued wage growth will then mean that unit labour costs grow by an average of around 1.4 per cent per year in the period 2021-2024 (see Diagram 39).

RIKSBANK TO RAISE REPO RATE DESPITE FALLING INFLATION

The Riksbank decided in December 2018 to raise the repo rate to -0.25 per cent after almost three years on hold (see Diagram 40). It also revised down its projected path for the repo rate, which may have contributed to the Swedish krona depreciating against both the euro and the dollar in 2019 (see Diagram 41). The krona has rallied slightly towards the end of the year, however, and it is expected to continue to recover over the next couple of years.

CPIF inflation – the increase in the consumer price index with a fixed interest rate – dipped below 1.5 per cent during the summer (see Diagram 42). Inflation has not been so low since 2016. The fall was mainly a result of lower energy prices, and inflation excluding energy in 2019 has been nearer – but still below – the 2 per cent target.

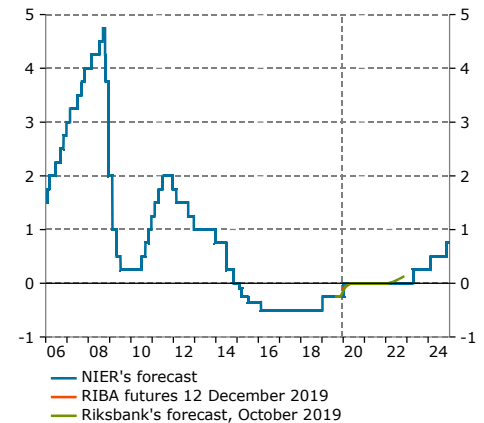
Inflation has picked up again in recent months and is expected to climb further in the near term but remain below 2 per cent. The Riksbank is expected to take the decision to raise the repo rate to 0.00 per cent at its meeting in December 2019. In practice, the repo rate will not actually go up until January 2020. This increase would be in line with both the Riksbank's assessment in October 2019 and market expectations as expressed by RIBA futures (see Diagram 40). It is not therefore expected to have any major impact on the exchange rate. In the NIER's view, however, the economic slowdown and weak inflationary outlook indicate that it would have been better to leave the repo rate unchanged.

Inflation will drop back again in the new year. A number of factors suggest that it will remain below 2 per cent in both 2020 and 2021. Wage growth will still be low in relation to productivity growth, and unit labour costs will rise more slowly on average than is consistent with inflation of 2 per cent. The krona will strengthen slowly, while producer prices abroad will rise only weakly. This means that import prices will not contribute to inflation in the same way as they have in recent years. Forward pricing in the power market and the rules on distribution charges also point to lower consumer prices for electricity.

⁷ Hourly labour costs in the National Accounts are calculated as total wages and employer contributions divided by hours worked. The calculation of total wages in the National Accounts differs in a number of respects from that in the Mediation Office's wage statistics, in terms of both data sources and definitions. In 2019, wage growth in the National Accounts has moved differently to growth in hourly wages in the Mediation Office's wage statistics, which is often the case in individual years. Averaged over a longer period, however, the two measures tend to coincide.

Diagram 40 Repo rate

Per cent, daily- and quarterly values

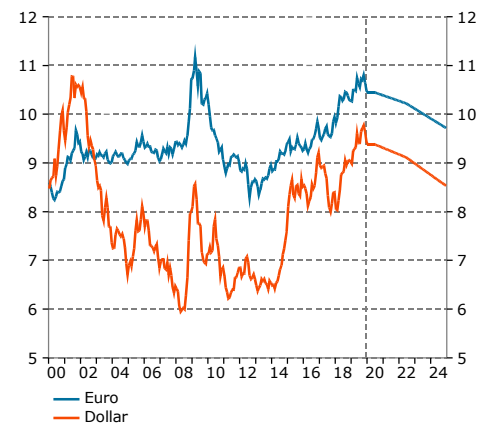


Note. The Riksbank's forecast refers to quarterly values.

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

Diagram 41 Exchange rates

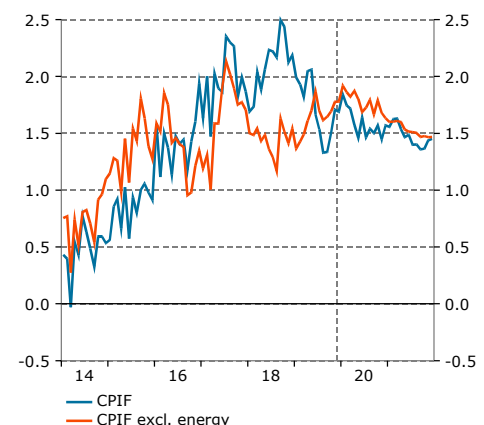
SEK per currency unit, monthly values



Sources: The Riksbank, Macrobond and NIER.

Diagram 42 Consumer prices

Annual percentage change, monthly values



Sources: Statistics Sweden and NIER.

Together with largely unchanged crude oil prices, this translates into stable energy prices overall for consumers in 2020-2021 (see Diagram 43).

The downshift in inflation in 2021 can also be viewed from a historical perspective. Since 2000, the average rate of CPIF inflation excluding energy has been 1.4 per cent per year. The forecast for CPIF inflation excluding energy of 1.5 per cent in 2021 is thus higher than the average for the past 20 years (see Diagram 44).

Despite the decline in inflation over the course of 2020 and 2021 and reduced resource utilisation in the economy, the Riksbank is expected to leave the repo rate at 0.00 per cent through to 2022. It will then begin a series of rate increases in 2023, at which time the economy will be operating around potential and inflation will be close to target.

Table 7 Consumer prices, interest rates and exchange rates

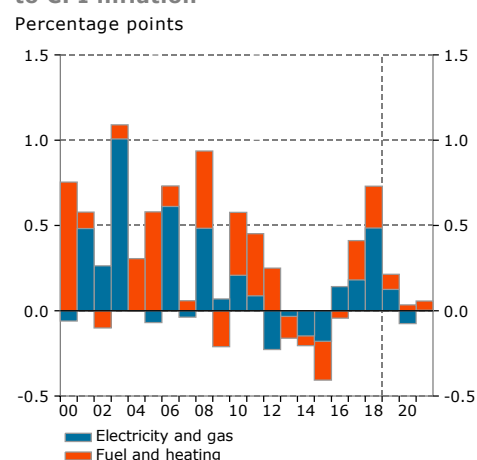
Percent, percentage change and index, respectively. Annual average unless otherwise indicated

	Forecast			Scenario		
	2019	2020	2021	2022	2023	2024
CPI	1.8	1.7	1.4	1.7	2.1	2.5
Interest Costs, Interest Rate ¹	1.8	3.5	-0.8	0.6	3.7	13.7
CPIF	1.7	1.6	1.5	1.7	1.9	2.0
Goods	1.0	1.1	0.7	...	...	...
Services	2.0	2.4	2.1	...	...	...
Housing ex Mortgage Interest Costs and Energy ²	1.9	1.7	1.8	...	...	...
Energy	3.1	-0.6	0.8	...	...	...
Interest Costs, Capital Stock ¹	5.8	5.2	4.8	4.5	4.4	4.2
CPIF ex Energy	1.6	1.8	1.5	...	...	...
HICP	1.7	1.5	1.3	...	...	...
Repo Rate ³	-0.25	0.00	0.00	0.00	0.25	0.75
Ten-Year Government Yield	0.0	0.2	0.6	1.0	1.4	1.8
Effective Krona Exchange Rate Index (KIX) ⁴	122.1	120.4	119.1	117.5	114.9	112.1

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

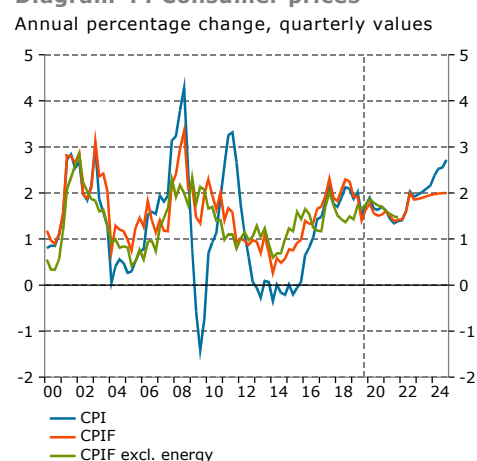
Source: Statistics Sweden and NIER.

Diagram 43 Energy prices, contribution to CPI inflation



Sources: Statistics Sweden and NIER.

Diagram 44 Consumer prices



Sources: Statistics Sweden and NIER.

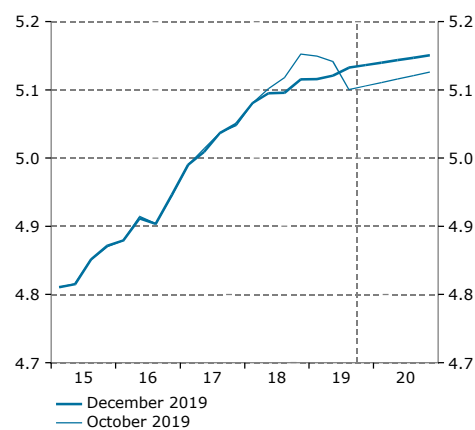
Forecast revisions 2019-2020

New information since our October forecast has led to a number of revisions (see Table 8). Some of the more significant changes are outlined below.

- Crude oil prices have been revised up by around USD 6.5 per barrel for 2020 as a result of stronger prices than expected recently and higher forward prices.
- Growth in gross fixed capital formation has been adjusted up for both 2019 and 2020, owing partly to stronger data than expected for the third quarter of 2019 and partly to a slightly more optimistic view of housing investment in 2020.
- The forecast for export growth in 2020 has been lowered by more than a percentage point in the light of weak exports of goods in the third quarter and a weaker outlook for the export industry.
- Statistics Sweden's revision of the LFS data has led to a slight increase in our employment forecast for 2019 (see Diagram 45). For the same reason, growth in hours worked in 2019 has been revised down substantially, and productivity growth has been revised up (see Diagram 46).
- As the labour force has grown more quickly than expected in 2019, unemployment has been adjusted up slightly for both 2019 and 2020.
- The exchange rate expressed in terms of the KIX index has been revised down for 2019 and 2020. The stronger krona now forecast is a result of its recent appreciation (see Diagram 47).
- The repo rate has been revised up by 25 basis points to 0.00 per cent at the end of 2020 because the Riksbank is expected to decide at its meeting in December 2019 to raise the repo rate with effect from January 2020.

Diagram 45 Employment

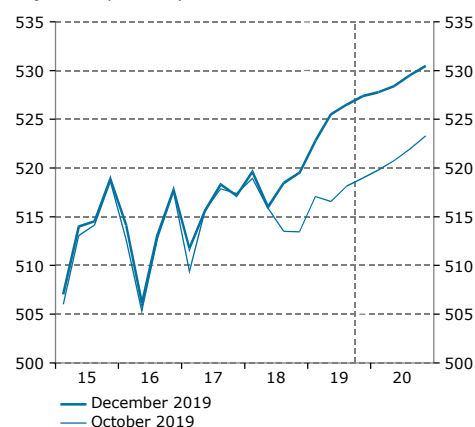
Millions, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 46 Productivity

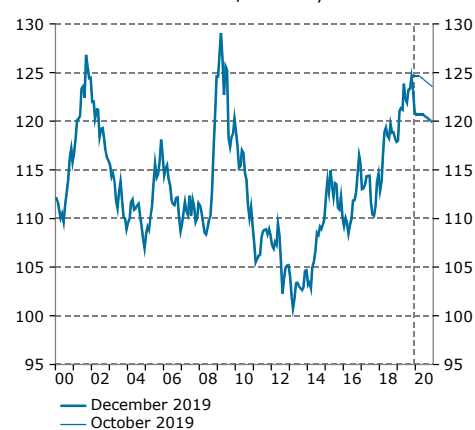
SEK per hour, reference year 2018, seasonally adjusted quarterly values



Sources: Statistics Sweden and NIER.

Diagram 47 Effective exchange rate of the Swedish krona – KIX

Index 1992-11-18=100, monthly values



Sources: The Riksbank, Macrobond and NIER.

Table 8 Current Forecast and Revisions Compared to the October 2019 Forecast

Percentage change and percentage points respectively, unless otherwise indicated

	2019			2020		
	Dec	Oct	Diff	Dec	Oct	Diff
Global Economy						
GDP, World	3.1	3.1	0.0	3.0	3.0	0.0
GDP, KIX-weighted	1.9	1.9	0.0	1.8	1.8	0.0
GDP, Euro Area	1.2	1.1	0.1	1.1	1.0	0.0
GDP, US	2.3	2.3	0.0	1.8	1.8	0.0
GDP, China	6.2	6.2	0.0	6.0	6.0	0.0
Federal Funds Target Rate ^{1,2}	1.8	1.8	0.0	1.8	1.8	0.0
ECB Refi Rate ^{1,2}	0.0	0.0	0.0	0.0	0.0	0.0
Oil Price ³	64.0	63.0	1.0	63.9	57.4	6.5
CPI, KIX-weighted	1.9	2.0	-0.1	1.9	2.0	-0.1
Domestic Economy						
GDP, Calendar-Adjusted	1.2	1.2	0.0	0.7	0.8	-0.1
GDP	1.1	1.2	0.0	1.0	1.1	-0.1
Household Consumption	1.0	0.9	0.1	1.9	1.7	0.2
Government Consumption	0.4	0.6	-0.2	0.7	0.7	0.0
Gross Fixed Capital Formation	-1.1	-1.4	0.3	-0.1	-0.8	0.7
Stockbuilding ⁴	-0.3	-0.3	0.0	-0.1	-0.2	0.1
Exports	4.6	4.3	0.2	1.3	2.4	-1.1
Imports	2.1	1.7	0.4	1.2	1.4	-0.3
Labour Market, Inflation, Interest Rates, etc.						
Hours Worked ⁵	0.0	0.9	-1.0	0.1	0.1	0.0
Employment	0.6	0.2	0.3	0.4	-0.1	0.5
Unemployment ⁶	6.8	6.7	0.1	7.2	7.1	0.1
Labour Market Gap ⁷	0.0	0.8	-0.8	-0.4	0.1	-0.5
Output Gap ⁸	0.6	0.9	-0.3	-0.2	0.0	-0.2
Productivity ⁵	1.5	0.5	0.9	0.7	0.7	-0.1
Hourly Earnings ⁹	2.6	2.6	0.0	2.6	2.6	0.0
CPI	1.8	1.8	0.0	1.7	1.5	0.2
CPIF	1.7	1.7	0.0	1.6	1.5	0.1
Repo Rate ^{1,2}	-0.25	-0.25	0.00	0.00	-0.25	0.25
10-Year Government Bond Yield ¹	0.0	0.0	0.0	0.2	0.1	0.1
Effective Krona Exchange Rate Index (KIX) ¹⁰	122.1	122.5	-0.4	120.4	124.2	-3.8
Current Account Balance ¹¹	5.0	4.6	0.4	5.0	4.9	0.1
Government Net Lending ¹¹	0.6	0.4	0.2	0.1	-0.1	0.2

¹ Per cent. ² At year-end. ³ Brent crude, USD per barrel, annual average. ⁴ Change in per cent of GDP the previous year. ⁵ Calendar-adjusted. ⁶ Per cent of labour force. ⁷ Difference between actual and potential 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 October 2019 forecast. A positive value denotes an upward revision.

Source: NIER.

Tables

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

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The Global Economy

Table A1 Global Output

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

	Weight 2018¹	2018	2019	2020	2021	2022	2023	2024
World	100.0	3.6	3.1	3.0	3.1	3.2	3.3	3.3
KIX Weighted ²	74.8	2.5	1.9	1.8	1.9	1.9	1.9	1.9
US	15.2	2.9	2.3	1.8	1.7	1.7	1.7	1.8
Euro Area	13.1	1.9	1.2	1.1	1.3	1.3	1.3	1.3
Germany	3.2	1.5	0.6	0.6	1.1	...	...	...
France	2.2	1.7	1.3	1.2	1.3	...	...	...
Finland	0.2	1.7	1.6	1.5	1.1	...	...	...
Japan	4.1	0.3	1.1	0.6	0.8	...	...	...
UK	2.2	1.4	1.3	1.0	1.4	...	...	...
Sweden	0.4	2.3	1.2	0.7	1.4	1.9	2.0	1.8
Norway	0.3	1.5	0.9	1.6	2.0	...	...	...
Denmark	0.2	2.4	2.0	1.5	1.5	...	...	...
China	18.7	6.7	6.2	6.0	5.9	...	...	...
India	7.7	7.3	5.1	6.2	6.4	...	...	...
Brazil	2.5	1.3	1.1	1.7	1.8	...	...	...
Rest of the World ³	25.2	2.9	2.3	2.4	2.8	...	...	...
Market Growth								
World ⁴	...	3.5	3.2	2.5	3.1	3.2	3.4	3.5

¹ The weights indicate each country or region's purchasing power-adjusted share of IMF. ² KIX weighted GDP is the weighted average of GDP growth in the 32 countries included in the KIX effective krona exchange rate index. ³ The rest of the world is defined here as countries that are not part of the KIX aggregate, that is, not belonging to Sweden's 32 most important trading partners. ⁴ 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 table shows some of the countries that the NIER makes forecasts for. 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

	2017	2018	2019	2020	2021	2022	2023	2024
US	2.1	2.4	1.8	2.1	2.2	2.3	2.3	2.3
Euro Area	1.5	1.8	1.2	1.2	1.4	1.7	1.9	1.9
Germany	1.7	1.9	1.3	1.2	1.5	...	...	...
France	1.2	2.1	1.3	1.3	1.4	...	...	...
Finland	0.8	1.2	1.2	1.4	1.6	...	...	...
Japan	0.5	1.0	0.5	0.9	0.7	...	...	...
UK	2.6	2.3	1.8	2.0	2.0	...	...	...
Sweden	2.0	2.1	1.7	1.6	1.5	1.7	1.9	2.0
Norway	1.9	3.0	2.3	1.8	2.0	...	...	...
Denmark	1.1	0.7	0.7	1.2	1.5	...	...	...
China	1.6	2.1	2.8	2.9	2.7	...	...	...
India	2.5	4.9	6.8	4.5	5.0	...	...	...
Brazil	3.4	3.7	3.5	3.0	3.6	...	...	...

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. CPI for the United Kingdom refers to CPIH, including owner occupiers' housing costs. The aggregate for the euro area is weighted using consumption weights from Eurostat 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 2018	2018	2019	2020	2021	2022	2023	2024
Household Consumption Expenditure	6 231	1.4	1.3	1.2	1.1	...	...	...
General Government Consumption Expenditure	2 343	1.1	1.5	1.2	1.2	...	...	...
Gross Fixed Capital Formation	2 427	2.4	6.0	0.5	2.0	...	...	...
Stockbuilding ¹	65	0.1	-0.6	-0.1	0.0	...	...	...
Exports	5 540	3.3	2.4	1.8	2.4	...	...	...
Imports	5 031	2.7	4.1	1.8	2.5	...	...	...
GDP	11 576	1.9	1.2	1.1	1.3	1.3	1.3	1.3
HICP ²	...	1.8	1.2	1.2	1.4	1.7	1.9	1.9
Unemployment ³	...	8.2	7.6	7.4	7.4	...	...	...
Policy Rate ⁴	...	0.00	0.00	0.00	0.00	0.00	0.00	0.50
10-Year Government Bond Yield ⁵	...	0.5	-0.2	-0.1	0.2	0.6	1.0	1.4
Overnight Rate ⁶	...	-0.4	-0.5	-0.5	-0.5	-0.3	-0.1	0.2
USD/EUR ⁷	...	1.2	1.1	1.1	1.1	1.1	1.1	1.1

¹ Change in per cent of GDP the previous year. ² Percentage change. ³ Per cent of labour force. ⁴ Refi rate level, per cent, at year-end. ⁵ Per cent. Refers to Germany. ⁶ Per cent, at year-end. ⁷ Level.

Sources: ECB, Eurostat, Macrobond and NIER.

Table A4 Selected Indicators for the US

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

	Level							
	2018	2018	2019	2020	2021	2022	2023	2024
Household Consumption Expenditure	13 952	3.0	2.6	2.2	1.7	...	...	...
General Government Consumption Expenditure	2 844	1.7	1.9	1.7	1.2	...	...	...
Gross Fixed Capital Formation	4 274	4.1	1.9	1.7	2.6	...	...	...
Stockbuilding ¹	57	0.1	0.2	-0.1	0.0	...	...	...
Exports	2 531	3.0	-0.2	1.1	2.9	...	...	...
Imports	3 156	4.4	1.5	2.0	3.3	...	...	...
GDP	20 501	2.9	2.3	1.8	1.7	1.7	1.7	1.8
CPI ²	...	2.4	1.8	2.1	2.2	2.3	2.3	2.3
Unemployment ³	...	3.9	3.7	3.8	4.1	...	...	...
Policy Rate ⁴	...	2.50	1.75	1.75	1.75	2.00	2.00	2.25
10-year Government Bond Yield ⁵	...	2.9	2.1	1.9	2.1	2.4	2.6	2.8
USD/EUR ⁶	...	1.2	1.1	1.1	1.1	1.1	1.1	1.1

¹ Change in per cent of GDP the previous year. ² Percentage change. ³ 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.

Interest and Exchange Rates

Table A5 Interest and Exchange Rates

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

	2017	2018	2019	2020	2021	2022	2023	2024
At Year-End								
Repo Rate	-0.50	-0.50	-0.25	0.00	0.00	0.00	0.25	0.75
Policy Rate. KIX6-Weighted ¹	-0.04	0.10	0.00	-0.01	-0.01	0.10	0.29	0.55
Annual Average								
Repo Rate	-0.50	-0.50	-0.26	-0.01	0.00	0.00	0.18	0.50
5-Year Government Bond Yield	-0.1	0.1	-0.4	-0.2	0.1	0.6	1.1	1.6
10-Year Government Bond Yield	0.7	0.7	0.0	0.2	0.6	1.0	1.4	1.8
Effective Krona Exchange Rate Index (KIX)	112.9	117.6	122.1	120.4	119.1	117.5	114.9	112.1
EUR Exchange Rate	9.6	10.3	10.6	10.4	10.3	10.2	10.0	9.8
USD Exchange Rate	8.5	8.7	9.5	9.4	9.2	9.1	8.9	8.6

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

Sources: Sveriges Riksbank, Macrobond and NIER.

The Swedish Economy

Table A6 GDP by Expenditure

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Household Consumption Expenditure ¹	2 159	1.7	1.0	1.9	1.7	2.0	2.1	2.2
Goods	998	1.9	1.5	1.8	1.0	...	...	...
Services Excl. Housing	676	1.8	1.2	2.3	2.5	...	...	...
Housing	413	3.6	1.9	2.1	2.2	...	...	...
General Government Consumption Expenditure	1 258	0.4	0.4	0.7	1.0	1.3	0.9	1.3
Central Government	324	-0.1	-1.1	0.7	0.6	...	...	...
Local Government	934	0.5	1.0	0.7	1.1	...	...	...
Gross Fixed Capital Formation ²	1 250	4.2	-1.1	-0.1	0.7	1.5	2.0	1.9
Business Sector Excl. Housing	760	6.4	0.4	-0.8	0.1	...	...	...
Industry	183	6.1	-0.9	-3.9	-0.9	...	...	...
Other Goods Producers	126	2.7	-1.9	-2.5	-1.1	...	...	...
Service Producers Excl. Housing	452	7.6	1.5	0.9	0.8	...	...	...
Housing	262	-3.8	-6.5	-0.5	0.7	...	...	...
General Government	221	7.1	0.4	2.8	2.5	...	...	...
<i>Domestic Demand Excl. Stockbuilding</i>	<i>4 666</i>	<i>2.0</i>	<i>0.3</i>	<i>1.1</i>	<i>1.2</i>	<i>1.6</i>	<i>1.8</i>	<i>1.9</i>
Stockbuilding ³	47	0.4	-0.3	-0.1	0.0	0.0	0.0	0.0
<i>Total Domestic Demand</i>	<i>4 713</i>	<i>2.4</i>	<i>0.0</i>	<i>0.9</i>	<i>1.2</i>	<i>1.6</i>	<i>1.7</i>	<i>1.9</i>
Exports	2 213	3.2	4.6	1.3	3.0	3.0	2.8	3.2
Exports of Goods	1 560	4.5	2.4	-0.3	2.7	...	...	...
Processed Goods	1 218	5.6	3.0	-1.0	2.8	...	...	...
Raw Materials	342	0.6	0.2	2.5	2.3	...	...	...
Exports of Services	653	0.1	9.8	4.7	3.5	...	...	...
<i>Total Demand</i>	<i>6 926</i>	<i>2.6</i>	<i>1.4</i>	<i>1.0</i>	<i>1.8</i>	<i>2.1</i>	<i>2.1</i>	<i>2.3</i>
Imports	2 092	3.6	2.1	1.2	2.4	2.7	2.7	3.5
Imports of Goods	1 442	4.9	0.3	1.0	2.5	...	...	...
Processed Goods	1 042	5.0	0.9	0.3	2.9	...	...	...
Raw Materials	399	4.8	-1.4	2.8	1.5	...	...	...
Imports of Services	651	0.7	6.3	1.5	2.4	...	...	...
<i>Net Exports³</i>	<i>121</i>	<i>-0.1</i>	<i>1.2</i>	<i>0.1</i>	<i>0.3</i>	<i>0.3</i>	<i>0.1</i>	<i>0.0</i>
GDP	4 834	2.2	1.1	1.0	1.5	1.8	1.8	1.8
GDP per Capita ⁴	475	1.0	0.1	0.1	0.7	1.1	1.1	1.1

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

Sources: Statistics Sweden and NIER.

Table A7 Household Income, Consumption Expenditure and Saving

SEK billion, current prices, and percentage change, respectively

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Total Earnings, Adjusted for External Transactions	1 929	4.9	3.9	2.9	3.2	3.5	3.8	3.7
Hourly Earnings (according to national accounts) ^{1,2}	243	2.8	3.9	2.8	2.7	2.8	3.0	3.1
Hours Worked ^{1,3}	7 913	2.0	-0.1	0.1	0.5	0.7	0.8	0.6
Transfers From Government Sector, Net	645	3.0	2.6	2.4	1.5	1.4	1.6	2.3
Property Income, Net	306	4.7	3.0	1.8	3.7	2.0	0.0	1.8
Other Income, Net ⁴	302	4.4	5.5	6.0	3.1	4.0	6.5	5.4
Income Before Taxes⁵	3 182	4.4	3.7	3.0	2.9	3.0	3.3	3.5
Direct Taxes ⁶	852	0.5	0.3	0.6	0.1	-0.1	-0.1	0.0
Disposable Income	2 329	5.0	3.9	3.6	3.0	2.9	3.2	3.5
Consumer Prices ⁷	...	2.2	1.9	1.3	1.2	1.7	1.9	2.0
Real Disposable Income	2 329	2.7	2.0	2.3	1.7	1.2	1.2	1.4
Per Capita ⁸	229	1.5	1.0	1.4	0.9	0.5	0.5	0.8
Consumption Expenditure⁹	2 159	1.7	1.0	1.9	1.7	2.0	2.1	2.2
Saving ¹⁰	392	15.4	15.8	15.9	15.8	15.1	14.2	13.4
Own Saving ¹⁰	171	7.3	8.3	8.6	8.6	8.0	7.2	6.5
Net Lending ¹⁰	282	11.1	11.9	12.1	12.0	11.3	10.4	9.6

¹ Calendar-adjusted values. ² SEK per hour. ³ Employees only. ⁴ This also includes computational calculations of transfers to households through altered taxes and/or transfers, see table A20. ⁵ Growth in income before taxes is calculated as a weighted sum of the growth rates for total earnings, transfers, capital income and other income. ⁶ Direct taxes' contribution to the change in disposable income, expressed in percentage. ⁷ Implicit price index for household consumption expenditure. ⁸ SEK thousand. ⁹ Constant prices, reference year 2015. ¹⁰ SEK billion, current prices, and per cent of disposable income, respectively. Own saving excludes occupational and premium pensions.

Sources: Statistics Sweden and NIER.

Table A8 Current Account and Net Lending

SEK billion, current prices, and per cent, respectively

	2017	2018	2019	2020	2021	2022	2023	2024
Net Exports	148	121	199	203	223	241	248	246
Of Which: Goods	126	119	180	161	173	...	...	...
Services	22	2	19	41	50	...	...	...
Earnings, Net	7	7	8	8	8	8	8	8
Investment Income, Net	70	75	122	131	140	126	122	115
Transfers etc., Net	-65	-75	-81	-84	-93	-96	-100	-103
Current Account Balance	159	129	249	257	278	279	278	266
<i>Per cent of GDP</i>	<i>3.4</i>	<i>2.7</i>	<i>5.0</i>	<i>5.0</i>	<i>5.2</i>	<i>5.1</i>	<i>4.9</i>	<i>4.5</i>
Capital Transfers	-1	1	-1	-1	-1	-1	-1	-1
Net Lending	158	130	247	256	277	278	277	265
<i>Per cent of GDP</i>	<i>3.4</i>	<i>2.7</i>	<i>4.9</i>	<i>5.0</i>	<i>5.2</i>	<i>5.0</i>	<i>4.8</i>	<i>4.5</i>

Sources: Statistics Sweden and NIER.

Table A9 GNI

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
GNI	4 919	4.7	4.6	2.9	3.3	3.4	3.6	3.6
Deflator, Domestic Use	...	2.9	2.2	2.0	1.7	1.9	2.1	2.1
Real GNI	...	1.7	2.4	1.0	1.6	1.5	1.5	1.5
Population	10 175	1.2	1.0	0.9	0.8	0.8	0.7	0.7
Real GNI per Capita¹	483	0.5	1.4	0.1	0.8	0.7	0.8	0.8

¹ SEK thousand.

Sources: Statistics Sweden and NIER.

Table A10 Production

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Goods Producers	1 158	2.1	1.4	-0.2	1.3	...	...	...
Of Which: Industry	671	3.1	0.6	-0.6	1.4	...	...	...
Construction	290	3.4	1.0	0.0	1.6	...	...	...
Service Producers	2 200	3.2	1.9	1.4	1.8	...	...	...
Business Sector	3 359	2.8	1.7	0.9	1.7	2.1	2.4	2.0
General Government	874	0.4	0.1	0.2	0.5	0.9	0.7	0.9
GDP at Basic Prices¹	4 289	2.3	1.4	0.7	1.4	1.9	2.0	1.8
Taxes/Subsidies on Products	550	2.6	-0.7	0.8	1.2	1.7	2.0	1.8
GDP at Market Prices	4 839	2.3	1.2	0.7	1.4	1.9	2.0	1.8

¹ Including production in non-profit institutions serving households.

Note. Production refers here to value added.

Sources: Statistics Sweden and NIER.

Table A11 Hours Worked

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Goods Producers	1 976	1.7	-0.8	-0.4	0.2	...	...	...
Of Which: Industry	1 013	1.1	-1.5	-1.0	0.0	...	...	...
Construction	651	4.4	0.7	0.2	0.5	...	...	...
Services Producers	3 889	1.9	0.4	0.2	0.7	...	...	...
Business Sector	5 865	1.8	0.0	0.0	0.5	0.6	0.8	0.5
General Government	2 246	1.8	-0.2	0.1	0.5	0.9	0.7	0.9
Total Economy¹	8 280	1.8	0.0	0.1	0.5	0.7	0.8	0.6

¹ Including non-profit institutions serving households.

Sources: Statistics Sweden and NIER.

Table A12 Productivity

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Goods Producers	586	0.4	2.2	0.3	1.2	...	...	...
Of Which: Industry	663	2.0	2.1	0.4	1.4	...	...	...
Construction	445	-1.0	0.3	-0.2	1.1	...	...	...
Service Producers	566	1.3	1.6	1.2	1.1	...	...	...
Business Sector	573	1.0	1.8	0.9	1.1	1.5	1.5	1.5
General Government	389	-1.4	0.3	0.1	0.0	0.0	0.0	0.0
Total Economy¹	518	0.5	1.5	0.7	0.9	1.1	1.2	1.2

¹ Including production in non-profit institutions serving households.

Sources: Statistics Sweden and NIER.

Table A13 The Labour Market

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

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Hours Worked ¹	8 280	1.8	0.0	0.1	0.5	0.7	0.8	0.6
Average Hours Worked for Employed ²	31.2	0.3	-0.6	-0.3	0.1	0.0	-0.1	0.0
Number of Employed	5 097	1.5	0.6	0.4	0.4	0.8	0.8	0.6
Employment Rate ³	...	68.3	68.3	68.2	68.2	68.5	68.8	68.9
Labour Force	5 442	1.1	1.1	0.8	0.6	0.6	0.5	0.5
Labour Force Participation Rate ⁴	...	72.9	73.3	73.5	73.6	73.8	73.8	73.9
Unemployment ⁵	344	6.3	6.8	7.2	7.4	7.2	6.8	6.8
Population Aged 15–74	7 461	0.8	0.7	0.5	0.4	0.4	0.4	0.4

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

Sources: Statistics Sweden and NIER.

Table A14 Resource Utilisation

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

	2017	2018	2019	2020	2021	2022	2023	2024
Labour Market								
Equilibrium Unemployment ¹	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Actual Unemployment ²	6.7	6.3	6.8	7.2	7.4	7.2	6.8	6.8
Potential Hours Worked	1.4	1.3	0.9	0.4	0.5	0.6	0.6	0.5
Of Which: Potential Employment	1.3	1.3	1.1	0.7	0.6	0.6	0.6	0.5
Actual Hours Worked	2.3	1.8	0.0	0.1	0.5	0.7	0.8	0.6
Labour Market Gap ³	0.4	0.8	0.0	-0.4	-0.4	-0.2	0.0	0.0
Productivity								
Potential Productivity	0.7	0.7	1.1	1.1	1.1	1.2	1.2	1.2
Of Which: Potential Productivity, Business Sector	1.1	1.3	1.4	1.4	1.4	1.5	1.5	1.5
Actual Productivity	0.4	0.5	1.2	0.7	0.9	1.1	1.2	1.2
Productivity Gap ⁴	0.6	0.5	0.6	0.2	0.0	-0.1	0.0	0.0
GDP								
Potential GDP	2.2	2.0	2.0	1.5	1.6	1.8	1.8	1.7
Actual GDP	2.7	2.3	1.2	0.7	1.4	1.9	2.0	1.8
Output Gap ⁵	1.0	1.4	0.6	-0.2	-0.4	-0.3	-0.1	0.0

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

Sources: Statistics Sweden and NIER.

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

Per cent and percentage change, respectively

	Weight 2019	2018	2019	2020	2021	2022	2023	2024
Business Sector	68	2.5	2.5	2.6	2.7	2.8	3.0	3.1
Goods Producers	22	3.0	2.5	2.6	2.7	...	...	...
Of Which: Industry	15	2.9	2.7	2.7	2.7	...	...	...
Construction	7	3.3	2.2	2.5	2.6	...	...	...
Service Producers	46	2.2	2.4	2.6	2.7	...	...	...
Local Government	26	2.7	2.8	2.7	2.7	...	...	...
Central Government	6	2.8	2.7	2.9	2.7	...	...	...
Total	100	2.5	2.6	2.6	2.7	2.8	3.0	3.1
Real Hourly Earnings (CPI) ¹	...	0.6	0.8	0.9	1.2	1.0	0.9	0.6
Real Hourly Earnings (CPIF) ²	...	0.4	0.8	1.0	1.2	1.0	1.1	1.2

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

Sources: National Mediation Office, Statistics Sweden and NIER.

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

SEK per hour, per cent and percentage change, respectively

	Level 2018	2018	2019	2020	2021	2022	2023	2024
Not Calendar-Adjusted Values								
Hourly Earnings	251	3.3	4.2	2.1	2.3	2.8	3.6	3.2
Employers' Social Contributions ¹ (per cent of earnings)		43.1	42.9	42.7	42.6	42.6	42.6	42.6
Hourly Labour Costs ²	359	4.0	4.1	1.9	2.2	2.8	3.6	3.2
Productivity	574	1.2	1.8	0.4	0.9	1.5	1.9	1.6
Adjusted Unit Labour Costs ³		2.8	2.2	1.5	1.3	1.3	1.7	1.6
Calendar-Adjusted Values								
Hourly Earnings		3.0	4.1	2.8	2.7	2.8	3.0	3.1
Hourly Labour Costs ²		3.7	4.0	2.6	2.5	2.8	3.0	3.1
Productivity		1.0	1.8	0.9	1.1	1.5	1.5	1.5
Adjusted Unit Labour Costs ³		2.7	2.2	1.7	1.4	1.3	1.4	1.6

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

Sources: Statistics Sweden and NIER.

Table A17 Supply and Use Price Deflators

Per cent and percentage change, respectively

	Weight 2018	2018	2019	2020	2021	2022	2023	2024
GDP	69.8	2.3	2.5	1.9	1.7	1.9	2.0	2.0
General Government ^{1,2}	13.4	4.6	3.4	2.6	2.5	2.8	3.0	3.1
Business Sector ²	48.4	1.7	2.3	1.6	1.4	1.6	1.8	1.7
Product Taxes, Net	7.9	2.2	2.5	2.3	1.9	...	...	...
Imports	30.2	6.0	2.8	-0.3	0.0	-0.1	-0.6	-0.8
Processed Goods	15.0	3.9	2.6	-1.0	-1.0	...	...	...
Raw Materials	5.8	14.8	0.9	-1.3	0.0	...	...	...
Services	9.4	4.6	4.1	1.5	1.4	...	...	...
Supply/Use³	100.0	3.4	2.6	1.2	1.2	1.3	1.2	1.2
General Government Consumption Expenditure	18.2	4.1	3.3	2.6	2.5	2.6	3.0	2.9
Household Consumption Expenditure	31.2	2.2	1.9	1.3	1.2	1.7	1.9	2.0
Gross Fixed Capital Formation	18.0	3.1	2.2	1.8	1.7	1.4	1.5	1.6
Exports	32.0	4.5	3.5	-0.3	0.1	0.1	-0.6	-0.7
Processed Goods	17.6	3.4	4.7	-0.5	-0.7	...	...	...
Raw Materials	4.9	14.2	-0.1	-2.5	0.6	...	...	...
Services	9.4	2.0	3.1	1.2	1.1	...	...	...

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

Sources: Statistics Sweden and NIER.

Table A18 Business Sector Prices, Costs and Profits

SEK billion, percentage change and per cent, respectively

	Weight 2018	2018	2019	2020	2021	2022	2023	2024
Value Added, Constant Prices ¹	...	2.7	1.7	1.1	1.8	2.1	2.2	2.0
Value-Added Deflator	...	1.7	2.3	1.6	1.4	1.6	1.8	1.7
Value Added, Current Prices ²	3 354	4.6	4.0	2.9	3.3	...	...	...
Hours Worked, Employees	...	1.8	-0.1	0.7	0.9	0.6	0.2	0.4
Hourly Labour Costs ³	359	4.0	4.1	1.9	2.2	2.8	3.6	3.2
Total Labour Costs ⁴	1 967	5.8	3.9	2.7	3.1	3.4	3.8	3.6
Gross Profit	1 387	2.9	4.2	3.2	3.6	...	...	...
Profit Share	...	41.4	41.4	41.5	41.7	41.7	41.8	41.8
Adjusted Profit Share ⁵	...	35.7	35.8	35.9	36.0	36.0	36.1	36.2

¹ Calculated at basic prices. ² Calculated at factor prices. ³ SEK. ⁴ Including wage-related other taxes on production for employees.
⁵ Excluding one- and two-family houses and secondary homes, and adjusted for the number of hours worked by the self-employed.

Sources: Statistics Sweden and NIER.

Table A19 Consumer Prices

Per cent and percentage change, respectively

	Weight 2019	2018	2019	2020	2021	2022	2023	2024
CPI	100	2.0	1.8	1.7	1.4	1.7	2.1	2.5
Mortgage Interest Costs, Mortgage Interest Rate	...	-4.9	1.8	3.5	-0.8	0.6	3.7	13.7
CPIF	100	2.1	1.7	1.6	1.5	1.7	1.9	2.0
Goods	44	0.6	1.0	1.1	0.7	...	...	...
Services	30	1.9	2.0	2.4	2.1	...	...	...
Housing Excl. Mortgage Interest Costs and Energy	15	1.8	1.9	1.7	1.8	...	...	...
Energy	7	10.5	3.1	-0.6	0.8	...	...	...
Mortgage Interest Costs, Capital Stock	3	7.1	5.8	5.2	4.8	4.5	4.4	4.2
CPIF Excl. Energy	93	1.4	1.6	1.8	1.5	...	...	...
HICP	...	2.0	1.7	1.5	1.3	...	...	...
Crude Oil (Brent) ¹	...	71.5	64.0	63.9	63.9	64.9	66.2	67.9

¹ Dollars per barrel, annual average.

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

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

Public Finances

Table A20 General Government Finances

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

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2 295	2 391	2 453	2 508	2 571	2 660	2 761	2 869
<i>Per cent of GDP</i>	49.7	49.5	48.9	48.7	48.3	48.2	48.2	48.2
Taxes and Duties	2 033	2 107	2 160	2 202	2 256	2 333	2 419	2 510
<i>Per cent of GDP</i>	44.0	43.6	43.1	42.7	42.4	42.3	42.2	42.2
<i>Tax-to-GDP Ratio¹</i>	44.1	43.7	43.2	42.8	42.5	42.4	42.4	42.3
Property Income	66	76	79	85	87	93	102	110
Other Revenue	196	207	214	222	228	234	241	249
Expenditure	2 229	2 354	2 425	2 503	2 583	2 663	2 751	2 854
<i>Per cent of GDP</i>	48.2	48.7	48.4	48.5	48.5	48.3	48.0	48.0
Consumption Expenditure	1 205	1 258	1 305	1 348	1 395	1 449	1 508	1 571
Transfers	787	828	850	872	894	911	929	954
Households	638	658	675	691	700	711	722	739
Corporations	83	91	93	96	99	102	106	109
Abroad	66	79	83	86	95	98	101	105
Capital Formation	208	235	239	250	260	265	271	280
Property Expenditure	30	33	31	32	34	38	43	49
Technical Transfer to Households²	0	0	0	0	-4	-7	-2	-1
Net Lending³	66	37	28	6	-8	4	13	17
<i>Per cent of GDP</i>	1.4	0.8	0.6	0.1	-0.1	0.1	0.2	0.3
Primary Net Lending⁴	30	-6	-20	-47	-61	-51	-46	-44
<i>Per cent of GDP</i>	0.6	-0.1	-0.4	-0.9	-1.2	-0.9	-0.8	-0.7
Structural Net Lending	29	2	13	13	5	18	19	20
<i>Per cent of potential GDP</i>	0.6	0.0	0.3	0.3	0.1	0.3	0.3	0.3
Maastricht Debt	1 882	1 874	1 759	1 758	1 765	1 800	1 836	1 883
<i>Per cent of GDP</i>	40.7	38.8	35.1	34.1	33.2	32.6	32.0	31.7
GDP, Current Prices	4 621	4 834	5 012	5 155	5 321	5 519	5 729	5 950
Potential GDP, Current Prices	4 574	4 768	4 982	5 166	5 342	5 536	5 734	5 950
Net Financial Wealth	1 117	1 172	1 404	1 471	1 499	1 558	1 627	1 701
<i>Per cent of GDP</i>	24.2	24.3	28.0	28.5	28.2	28.2	28.4	28.6

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

Sources: Statistics Sweden and NIER.

Table A21 Central government finances

SEK billion and percentage of GDP, respectively, current prices

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1 218	1 264	1 287	1 305	1 330	1 379	1 433	1 490
Taxes and Duties	1 071	1 106	1 124	1 136	1 157	1 198	1 242	1 290
Property Income	22	29	29	31	31	35	39	43
Other Revenue	126	129	134	137	141	146	152	158
Expenditure	1 143	1 200	1 222	1 260	1 291	1 319	1 352	1 391
Transfers	710	746	756	775	787	796	806	823
Old-Age Pension System ¹	25	24	23	23	23	23	23	24
Local Government Sector	272	279	281	291	290	292	295	298
Households	301	310	316	319	321	323	325	332
Corporations	50	59	58	60	62	64	66	68
Abroad	62	75	78	82	90	93	97	100
Consumption Expenditure	310	320	329	339	350	362	376	390
Capital Formation	100	107	113	121	129	134	138	144
Property Expenditure	24	27	24	25	25	28	31	34
Of which interest expenditure	19	21	18	19	19	22	24	27
Technical Transfer to Households²	0	0	0	0	12	24	51	86
Net Lending	75	64	65	45	26	35	30	13
<i>Per cent of GDP</i>	<i>1.6</i>	<i>1.3</i>	<i>1.3</i>	<i>0.9</i>	<i>0.5</i>	<i>0.6</i>	<i>0.5</i>	<i>0.2</i>
Central Government Debt	1 265	1 197	1 041	1 000	967	959	957	974
<i>Per cent of GDP</i>	<i>27.4</i>	<i>24.8</i>	<i>20.8</i>	<i>19.4</i>	<i>18.2</i>	<i>17.4</i>	<i>16.7</i>	<i>16.4</i>
Net Financial Wealth	-253	-136	-42	15	63	123	177	216
<i>Per cent of GDP</i>	<i>-5.5</i>	<i>-2.8</i>	<i>-0.8</i>	<i>0.3</i>	<i>1.2</i>	<i>2.2</i>	<i>3.1</i>	<i>3.6</i>

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

Sources: Statistics Sweden, National Debt Office and NIER.

Table A22 Old-Age Pension System Finances

SEK billion and percentage of GDP, respectively, current prices

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	303	318	329	341	352	363	375	389
Social Insurance Contributions	245	257	267	275	283	293	304	315
Central Government's Old-Age Pension Contributions	25	24	23	23	23	23	23	24
Property Income	31	35	38	42	43	44	46	48
Other Revenue	2	2	2	2	2	2	2	3
Expenditure	302	311	322	333	341	349	358	368
Income Pensions	296	304	315	326	333	341	350	359
Property Expenditure	0	1	1	1	1	1	1	1
Other Expenses	6	6	6	7	7	7	8	8
Net Lending	0	7	7	8	11	13	17	21
<i>Per cent of GDP</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.3</i>	<i>0.4</i>
Net Financial Wealth	1 436	1 408	1 583	1 633	1 651	1 687	1 728	1 773
<i>Per cent of GDP</i>	<i>31.1</i>	<i>29.1</i>	<i>31.6</i>	<i>31.7</i>	<i>31.0</i>	<i>30.6</i>	<i>30.2</i>	<i>29.8</i>

Sources: Statistics Sweden and NIER.

Table A23 Local government finances

SEK billion and percentage of GDP, respectively, current prices

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1 080	1 120	1 150	1 186	1 213	1 244	1 281	1 323
Taxes	700	726	751	772	796	822	851	883
Municipal Property Tax	17	18	19	19	20	21	21	22
Central Government Grants incl. VAT Compensation	267	274	280	289	289	291	294	297
Property Income	13	12	12	13	13	15	17	20
Other Revenue	83	89	88	93	95	96	98	100
<i>Average municipal tax rate¹</i>	<i>32.12</i>	<i>32.12</i>	<i>32.19</i>	<i>32.29</i>	<i>32.29</i>	<i>32.29</i>	<i>32.29</i>	<i>32.29</i>
Expenditure	1 089	1 153	1 194	1 233	1 274	1 320	1 369	1 428
Transfers	85	85	89	92	94	96	98	100
Households	43	45	46	48	48	49	49	50
Other	42	40	43	44	45	47	49	50
Consumption Expenditure	891	934	972	1 005	1 041	1 083	1 127	1 176
Capital Formation	108	128	126	129	131	132	133	136
Property Expenditure	5	6	7	7	8	9	12	15
Technical Transfer to Households²	0	0	0	0	-16	-31	-54	-87
Net Lending	-10	-33	-45	-47	-45	-44	-34	-18
<i>Per cent of GDP</i>	<i>-0.2</i>	<i>-0.7</i>	<i>-0.9</i>	<i>-0.9</i>	<i>-0.9</i>	<i>-0.8</i>	<i>-0.6</i>	<i>-0.3</i>
Net Financial Wealth	-66	-99	-137	-177	-215	-252	-278	-288
<i>Per cent of GDP</i>	<i>-1.4</i>	<i>-2.1</i>	<i>-2.7</i>	<i>-3.4</i>	<i>-4.0</i>	<i>-4.6</i>	<i>-4.9</i>	<i>-4.8</i>

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

Sources: Statistics Sweden and NIER.

Table A24 General Government Revenue with Unchanged Tax Rules

Per cent of GDP

	2017	2018	2019	2020	2021	2022	2023	2024
Direct Household Taxes	16.0	15.5	15.3	15.1	15.0	14.9	14.8	14.8
Direct Business Taxes	3.0	3.1	3.0	3.0	2.9	2.9	2.9	2.9
Employers' Social Contributions ¹	12.1	12.1	12.1	12.0	11.9	11.9	11.9	11.9
VAT	9.2	9.2	9.0	9.1	9.1	9.0	9.1	9.1
Excise	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1
Other Taxes	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6
Tax-to-GDP Ratio²	44.1	43.7	43.2	42.8	42.5	42.4	42.4	42.3
EU Taxes ³	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other Revenue ⁴	4.2	4.3	4.3	4.3	4.3	4.2	4.2	4.2
Primary Revenue	48.2	47.9	47.4	47.0	46.7	46.5	46.4	46.4
Property Income	1.4	1.6	1.6	1.6	1.6	1.7	1.8	1.9
Total Revenue	49.7	49.5	48.9	48.7	48.3	48.2	48.2	48.2

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

Note. Refers to general government revenue with unchanged tax rules, that is, based on the current regulations.

Sources: Statistics Sweden and NIER.

Table A25 General Government Expenditure

Per cent of GDP

	2017	2018	2019	2020	2021	2022	2023	2024
Consumption Expenditure	26.1	26.0	26.0	26.2	26.2	26.3	26.3	26.4
Transfers	17.0	17.1	17.0	16.9	16.8	16.5	16.2	16.0
Households	13.8	13.6	13.5	13.4	13.2	12.9	12.6	12.4
Corporations	1.8	1.9	1.9	1.9	1.9	1.9	1.8	1.8
Abroad	1.4	1.6	1.6	1.7	1.8	1.8	1.8	1.8
Gross Fixed Capital Formation	4.5	4.9	4.8	4.9	4.9	4.8	4.7	4.7
Primary Expenditure	47.6	48.0	47.8	47.9	47.9	47.6	47.3	47.1
Property Expenditure	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.8
Total Expenditure	48.2	48.7	48.4	48.5	48.5	48.3	48.0	48.0

Note. Refers to general government expenditure with maintained personnel density in the provision of publicly funded welfare services and a historically motivated increase in standards

Sources: Statistics Sweden and NIER.

Table A26 Transfers from General Government to Households

Per cent of GDP

	2017	2018	2019	2020	2021	2022	2023	2024
Pensions ¹	7.7	7.5	7.5	7.5	7.4	7.3	7.2	7.1
Of Which Income Pension	6.4	6.3	6.2	6.3	6.2	6.1	6.1	6.0
Labour Market ²	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Illness and Disability ³	1.7	1.6	1.5	1.4	1.4	1.3	1.2	1.2
Family and Children ⁴	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.6
Education ⁵	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.3
Social Assistance ⁶	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other ⁷	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4
Total Transfer to Households	13.8	13.6	13.5	13.4	13.2	12.9	12.6	12.4

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

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

Sources: Statistics Sweden and NIER.

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

Percentage change, unless otherwise indicated

	2017	2018	2019	2020	2021	2022	2023	2024
Income Index	3.7	1.5	3.1	3.8	2.5	2.8	2.8	3.0
Balance Index	4.4	2.6	3.1	3.8	2.5	2.8	2.8	3.0
Balance Ratio ^{1 2}	1.007	1.013	1.012	1.017	1.020	1.015	...	...
Nominal Income Pension³	2.8	1.0	1.4	2.1	0.9	1.2	1.1	1.4

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

Sources: Swedish Pensions Agency and NIER.

Table A28 Central Government Budget Balance and Debt

SEK billion and percentage of GDP, respectively

	2017	2018	2019	2020	2021
Budget Balance	61.8	80.0	108.3	23.5	24.7
Adjustments to Net Lending	6.1	13.8	-52.1	21.0	9.5
Sales of Shares etc.	0.0	-1.7	0.0	0.0	0.0
Extra Dividends	-0.1	-0.2	-1.0	-1.1	-2.1
On-Lending	13.0	19.0	-61.7	15.5	15.3
Other Adjustments	-6.8	-3.4	10.6	6.6	-3.6
Accruals	11.3	-25.3	10.3	1.7	-6.4
Of Which: Tax Accruals	13.6	-19.4	14.0	-6.6	-6.7
Interest Accruals	-3.2	-1.0	-1.5	8.0	0.0
Other	-3.9	-4.9	-1.3	-1.3	-1.3
Central Government Net Lending	75.3	63.6	65.1	45.0	26.4
Central Government Borrowing Requirement ¹	-61.8	-80.0	-108.3	-23.5	-24.7
Stock-Flow Adjustments, Central Government Debt	35.0	11.9	-47.6	-17.4	-8.4
Central Government Debt, Change	-26.8	-68.2	-155.9	-40.9	-33.1
Central Government Debt	1 265	1 197	1 041	1 000	967
<i>Per cent of GDP</i>	<i>27.4</i>	<i>24.8</i>	<i>20.8</i>	<i>19.4</i>	<i>18.2</i>

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

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

Table A29 Central Government Expenditure Ceiling

SEK billion unless otherwise indicated

	2017	2018	2019	2020	2021	2022
Central Government Expenditure Ceiling	1 274	1 337	1 351	1 392	1 443	1 502
<i>Per cent of Potential GDP</i>	<i>27.9</i>	<i>28.0</i>	<i>27.1</i>	<i>26.9</i>	<i>27.0</i>	<i>27.1</i>
Capped Expenditure	1 229	1 282	1 314	1 356	1 390	1 419
<i>Per cent of Potential GDP</i>	<i>26.9</i>	<i>26.9</i>	<i>26.4</i>	<i>26.3</i>	<i>26.0</i>	<i>25.6</i>
Budgeting Margin	45	55	37	36	53	83
<i>Per cent of Capped Expenditure</i>	<i>3.6</i>	<i>4.3</i>	<i>2.8</i>	<i>2.6</i>	<i>3.8</i>	<i>5.8</i>

Note. Refers to central government expenditure ceiling at nominally unchanged central government grants and unchanged regulations for transfers

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

Table A30 Scenario for Fiscal Policy in General Government

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

	Forecast		Scenario		Sum
	2021	2022	2023	2024	2021-2024
Fiscal space at 2020 regulations	11	36	40	48	135
Expenditure Measures in General Government ¹ (A=B+C)	28	26	35	48	136
Of Which Increase in Standards	-	5	6	6	16
Expenditure Measures in Central Government (B)	12	10	12	12	45
Consumption Expenditure	6	7	9	9	31
Capital Formation	6	3	3	3	14
Expenditure Measures in Local Government (C)	16	16	24	36	92
Consumption Expenditure	14	14	21	32	81
Capital Formation	2	2	3	4	10
Technical transfer to households ²	-4	-3	5	1	-1
Structural Net Lending ³	0.1	0.3	0.3	0.3	...

¹ Expenditure measures affecting general government consumption expenditure and capital formation for the entire general government. ² Technical transfer to households from general government in the form of changes to taxes and/or transfer payments. ³ Percentage of potential GDP.

Note. The fiscal space 2022 is calculated as if structural net lending level were one-third of a percent of potential GDP in 2021. However, it is assumed in this forecast that the structural net lending level in 2021 is not one-third of a percent of potential GDP. Therefore, the technical transfer from households in 2022 needs to partly compensate for the underfunding in 2021, and partly to finance the expenditure measures in 2022 so that the structural net lending reaches one-third of a percent of potential GDP this year.

Source: NIER.