Fiscal Sustainability Report 2026

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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.

In the **Fiscal Sustainability Report**, we analyse the long-term sustainability of public finances.

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Preface

According to the National Institute of Economic Research's (NIER) directive in Act (2007:759), the agency shall carry out long-term projections of public finances and assess the long-term sustainability of public finances. In light of this mandate, NIER publishes a report on the sustainability of public finances.

Participants in the work on this year's report have been David Candelöf, Sebastian Escobar-Jansson, Valter Hultén and Elin Ryner. The report has been prepared under the leadership of Hanna Ågren, Head of Unit, and Svante Midander.

Stockholm, March 4, 2026.

Albin Kainelainen
Director-General

Contents

Summary

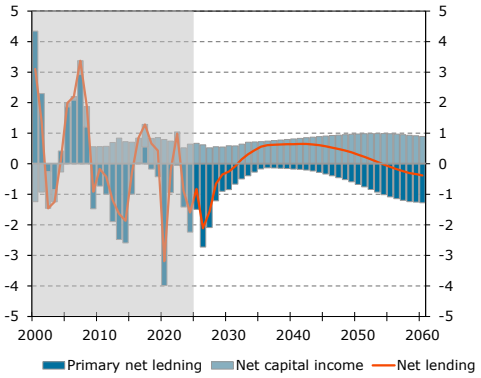
Fiscal sustainability is assessed based on whether public expenditure can be financed over the long term under current policies. The baseline scenario in this report presents the development of public finances based on a demographic projection in which current tax rules, replacement rates in transfer systems, and staffing levels in publicly provided services remain unchanged until 2060.

Population developments in the coming decades are characterised by increasing life expectancy, combined with lower birth rates and lower net migration compared with recent decades. Lower birth rates initially reduce public expenditure as a share of GDP. Over time, however, a rising share of older individuals in the population leads to higher expenditure. At the same time, increasing life expectancy is assumed to be accompanied by a higher exit age from the labour market, which strengthens public finances.

Net lending in the public sector improves gradually up to 2035 and is clearly positive at that point (see figure 1). In the latter part of the period, however, rising expenditure associated with an ageing population leads to a weakening of net lending, which eventually turns negative. Despite this, the National Institute of Economic Research assesses public finances in the baseline scenario to be sustainable in the long term. This assessment is based on the fact that neither the net financial position nor Maastricht debt shows a persistent deterioration over the projection period (see figure 2).

Figure 1 Net Lending, Baseline Scenario

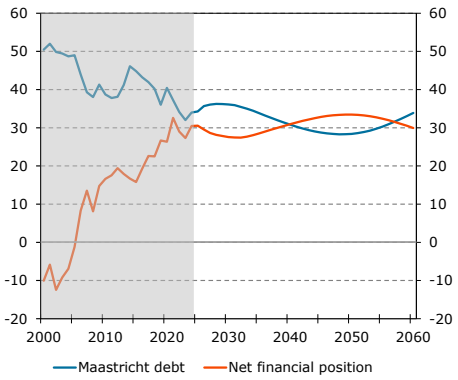
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 2 Maastricht Debt and Net Financial Position

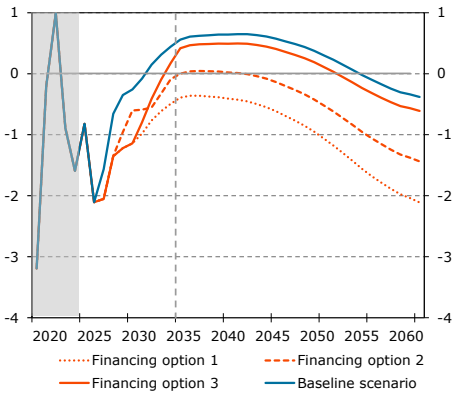
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 3 Net Lending

Per cent of GDP



Sources: Statistics Sweden and NIER.

THE LEVEL OF NET LENDING IN 2035 IS CRUCIAL FOR LONG-TERM SUSTAINABILITY

In line with Sweden's NATO commitments, Sweden is required to increase military defence expenditure to at least 3.5 per cent of GDP by 2035. According to a cross-party agreement in the Swedish Parliament, this level is to be reached by 2030. New defence expenditure will partly be financed through borrowing up to 2035, allowing for a temporary deviation from the surplus target.

The report analyses three alternative financing scenarios for the increase in defence expenditure up to 2035. These scenarios differ in the extent to which the higher expenditure is financed through budget-strengthening measures. As a result, net lending, the net financial position, and Maastricht debt develop differently across the scenarios, with implications for the long-term evolution of public finances beyond 2035.

In the first scenario, no active budget-strengthening measures are implemented. The increase in defence expenditure then offsets the improvement in net lending observed in the baseline scenario. Although net lending improves up to 2035, it remains negative throughout the projection period (see figure 3). The net financial position declines in a trend-like manner, while

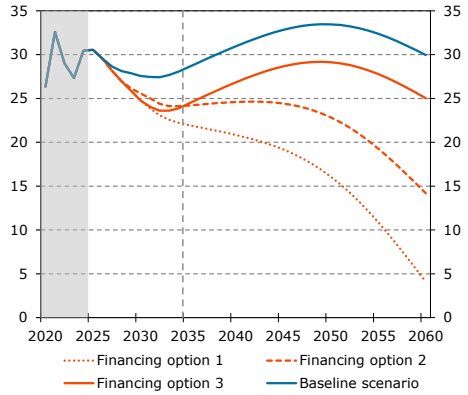
Maastricht debt rises rapidly and reaches around 60 per cent of GDP towards the end of the period (see figure 4 and figure 5).

In the second scenario, budget-strengthening measures are implemented so that the surplus target is achieved by 2035, in line with the political agreement. Net lending then remains close to balance until around 2045. Thereafter, public finances weaken as expenditure increases due to the ageing population. Maastricht debt rises to approximately 50 per cent of GDP by 2060.

In the third scenario, defence expenditure is fully financed through budget-strengthening measures on a krona-for-krona basis. Net lending is positive in 2035 and only slightly lower than in the baseline scenario. Although Maastricht debt is somewhat higher and the net financial position somewhat lower in 2035 than in the baseline (see figure 4 and figure 5), developments beyond 2035 broadly follow the same trajectory as in the baseline scenario.

Figure 4 Net Financial Position

Per cent of GDP



Sources: Statistics Sweden and NIER.

CONCLUSIONS

Public finances are assessed to be sustainable in the baseline scenario. The alternative financing scenarios demonstrate that the level of net lending in 2035 is crucial for the long-term development of public finances.

In the absence of budget-strengthening measures, persistent deficits lead to a clear and sustained deterioration in public finances. Achieving the surplus target by 2035 also results in a gradual weakening over time. By contrast, full krona-for-krona financing prevents a deterioration over the projection period.

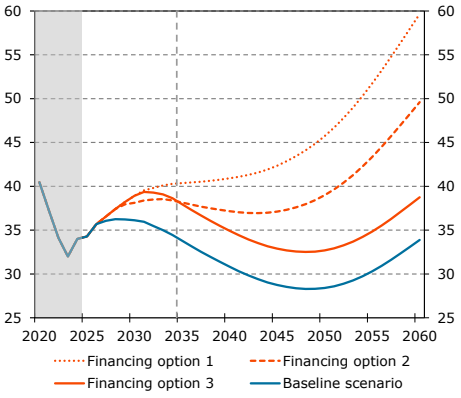
However, differences between the scenarios are relatively small in the medium term and should be interpreted in light of the considerable uncertainty inherent in long-term projections.

Maastricht debt and the net financial position are broadly similar in 2035 in the latter two scenarios, and net lending differs by only 0.4 percentage points of GDP. Slightly more favourable assumptions regarding demographics, labour market participation, or employment could be sufficient to prevent a deterioration in public finances in the financing scenario where the surplus target is achieved (see the chapter "Sensitivity Analysis").

It should also be emphasised that even when defence expenditure is financed in a way that ensures the surplus target is met in 2035, there is no scope in the calculations for additional unfunded measures beyond those required to maintain current replacement rates and staffing levels in publicly provided services up to 2060.

Figure 5 Maastricht Debt

Per cent of GDP



Sources: Statistics Sweden and NIER.

Introduction

The National Institute of Economic Research is tasked with assessing the long-term sustainability of public finances.[1] Such an assessment is strongly influenced by demographic developments, in particular the increasing share of older individuals in the population. To fulfil this mandate, the report analyses how public finances evolve over the long term under the assumption that future generations face a welfare system and financing structure broadly similar to today's.[2]

Fiscal sustainability is evaluated based on, among other factors, the development of public sector debt (see margin box "Fiscal Sustainability"). The analysis is based on a demographic projection of public finances from 2026 onwards, where current tax rules, replacement rates in transfer systems, and staffing levels in publicly provided services are assumed to remain unchanged over time.[3] Two exceptions on the revenue side are that temporary reductions in VAT on food and employer social contributions for young people are reversed. On the expenditure side, the temporary support framework for Ukraine is assumed to be phased out by 2028.

The report also presents a number of alternative fiscal policy scenarios from 2026 onwards. In these scenarios, defence expenditure increases gradually to meet the NATO target of 3.5 per cent of GDP, compared with approximately 2.6 per cent today. Three hypothetical financing paths are analysed, differing in the extent to which the increased expenditure is financed through budget-strengthening measures. These scenarios imply different trajectories for net lending and therefore different starting points for long-term projections of the net financial position and Maastricht debt.

The projections extend to 2060. The choice of time horizon is important for the assessment of sustainability, as demographic changes affect public finances over long periods. At the same time, a very long horizon may be less relevant for current economic policy considerations.

Long-term projections are subject to considerable uncertainty. This applies to assumptions about demographic developments, returns and interest rates on public assets and liabilities, and the structure and functioning of the economy. Moreover, small differences in assumptions can have large effects towards the end of the projection period due to compounding effects. For example, higher debt leads to higher interest expenditure,

Fiscal Sustainability

There is no single, well-established or unambiguous way of defining fiscal sustainability. The National Institute of Economic Research's assessment of sustainability is based on developments in the public sector's net financial position (financial assets minus liabilities) and consolidated gross debt, the so-called Maastricht debt. According to the National Institute of Economic Research, a sufficient condition for fiscal sustainability is that the net financial position and Maastricht debt do not display a persistent deterioration as a share of GDP over the period under review. A prerequisite, however, is that the net position is not considered too low, or that Maastricht debt is not considered too high, at the starting point.

Rising debt or a weakening net position implies that expenditures are shifted to future generations. What constitutes a sufficiently serious deterioration to undermine confidence in public finances—and, for example, cause risk premia on Swedish government bonds to rise to such an extent that public finances are deemed unsustainable—cannot be determined with certainty and ultimately involves judgement. See the National Institute of Economic Research (2025a) for a discussion of the definition of long-term fiscal sustainability.

[1] Similar analyses are conducted in many countries and by various international institutions; see, for example, the European Commission (2025), the IMF (2025), De Økonomiske Råd (2025), and the Norwegian Ministry of Finance (2024).

[2] See the discussion in Calmfors (2020). This is also the standard approach in so-called generational accounts; see ESO (1995).

[3] The expenditure assumptions imply active fiscal policy decisions to maintain replacement rates and staffing levels in publicly provided services. See also the National Institute of Economic Research (2025a).

which in turn further increases debt. Conversely, relatively small adjustments early in the projection period can significantly alter long-term outcomes. The results and conclusions should therefore be interpreted with caution.

Demographic and Macroeconomic Conditions

The demographic trend is characterised by a steadily increasing share of older people in the population. Despite this, the employment rate continues to rise until around 2040. Thereafter, employment growth slows, leading to weaker GDP growth. As a consequence of low fertility rates, government consumption develops weakly at the beginning of the period under review.

The sustainability of public finances is affected by how revenues and expenditures develop relative to GDP, which in the calculations is largely determined by demographic and macroeconomic developments. The demographic and macroeconomic assumptions described in this chapter form the basis for the calculations in the report's baseline scenario.[4]

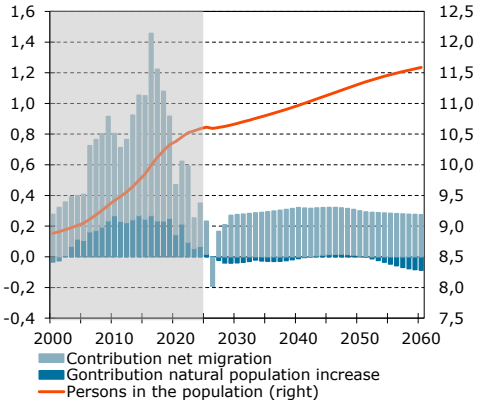
AN INCREASINGLY AGEING POPULATION

Population developments over the coming decades are characterised by a continued increase in life expectancy, as well as lower fertility and lower net immigration than in recent decades (see figure 6).[5] As a result, the share of older people in the population increases. For public finances, the age composition of the population is crucial, since tax payments and demand for publicly funded welfare services vary over the life cycle. The need for education, healthcare and long-term care is greatest among children and older people, while individuals of working age generally make less use of such services. At the same time, the number of people of working age is decisive for GDP growth and, consequently, for the tax revenues that finance welfare services.

A summary measure of the age structure is the demographic dependency ratio, which shows the number of children and older people relative to the number of people of working age (see figure 7). Despite the increasing share of older people in the population and a rising old-age dependency ratio, the overall demographic dependency ratio develops relatively moderately over the next 20 years. This is explained by a declining share of children in the population, which causes the child dependency ratio to fall until around 2045. This development follows from low fertility and a trend-declining share of individuals of child-bearing age. Overall, the total dependency ratio increases from 0.77 in the current year to just under 0.90 in 2060. The increase is

Figure 6 Population

Percentage change and millions

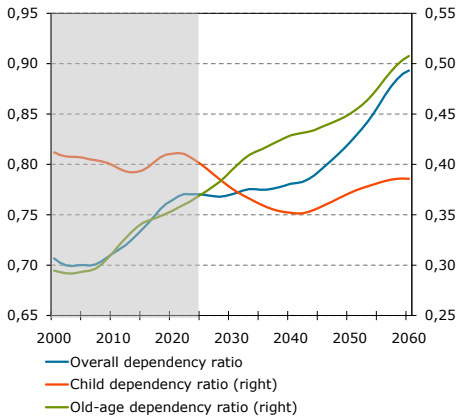


Note. Natural population increase refers to the number of births minus number of deaths annually. Net migration is number of immigrants minus the number of emigrants during a year.

Source: Statistics Sweden.

Figure 7 Demographic Dependency Ratio

Ratio



Note. Children refer to individuals aged 0–19, and elderly individuals refer to individuals aged 65 and older. The dependency ratios are calculated in relation to the number of individuals aged 20–64. The total dependency ratio is the sum of the child dependency ratio and the old-age dependency ratio.

Source: Statistics Sweden.

[4] Population developments are based on Statistics Sweden's projection from April 2025; see Statistics Sweden (2025). The macroeconomic projection up to 2035 is initially based on the forecast in *The Swedish Economy*, December 2025, and in the long run corresponds to the National Institute of Economic Research's long-term scenario for the Swedish economy; see the National Institute of Economic Research (2024a, 2025b). Macroeconomic developments differ in scenarios with expanded defence spending, which are not presented in this chapter.

[5] See the National Institute of Economic Research (2025c) for an analysis of the implications for public finances of population projections implying lower fertility and net migration than previously assumed.

driven mainly by the growing share of older people in the population.

THE SHARE OF EMPLOYED PERSONS RISES UNTIL 2040

Despite the increasing proportion of elderly individuals in the population, the share of employed persons rises until around 2040. This development is reflected in the economic dependency ratio (see figure 8), which shows the number of non-employed individuals relative to the number of employed individuals. When the share of employed persons increases, the economic dependency ratio declines, implying that the incomes of the working population support fewer non-employed individuals.

The economic dependency ratio has declined over the past 15 years. This is primarily due to increased labour force participation among both foreign-born individuals and older people. In the projection, labour force participation continues to rise as the effective exit age is assumed to increase in line with rising life expectancy and higher age thresholds in the pension system.[6] In addition, unemployment declines in the near term as the business cycle recovers and, in the longer term, as equilibrium unemployment is assessed to fall.[7] Taken together, this implies that the economic dependency ratio continues to decline until around 2040.

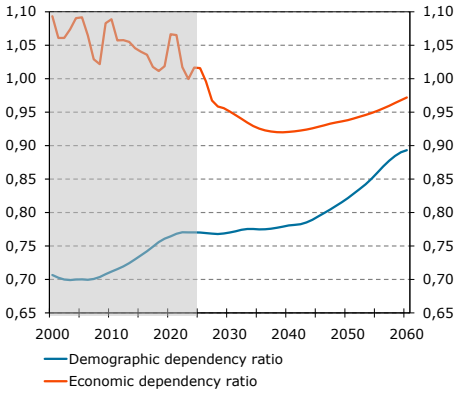
After 2040, developments in the labour market are no longer sufficient to fully offset the effects of the increasing share of older people in the population, and the economic dependency ratio begins to rise. In 2060, however, it remains lower than today. This contrasts with the demographic dependency ratio, which in 2060 is considerably higher than its current level (see figure 8).

LOWER EMPLOYMENT GROWTH AFTER 2040 CONSTRAINS GDP GROWTH

In 2026, the economy is in a recovery phase, resulting in relatively strong GDP growth. Once the business cycle reaches balance in 2027, developments in real GDP are determined by growth in productivity, average hours worked, and employment. Average hours worked are assumed to remain unchanged over the projection period, while productivity is assumed to grow in line with the historical average for the period 1980–2025, that is, by 1.3 per cent per year for the economy as a whole.[8]

Figure 8 Demographic and Economic Dependency Ratio

Ratio



Note. The economic dependency ratio is between the non-working population and the number of employed.

Sources: Statistics Sweden and NIER.

[6] A person aged 65 in 2050 is assumed to display the same labour market behaviour as today's 62-year-olds. After 2050, behavioural changes are assumed to occur at a somewhat slower pace, consistent with approximately two-thirds of the increase in life expectancy being translated into later exit from the labour market. See the National Institute of Economic Research (2025a) for a description of the assumption regarding increased labour market participation.

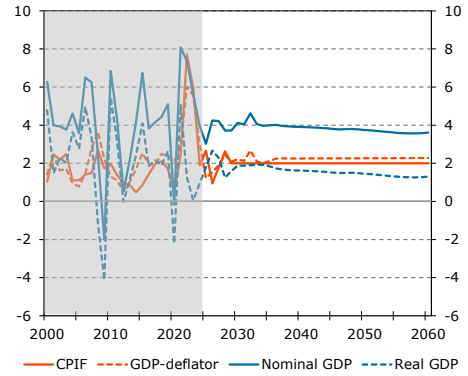
[7] See the National Institute of Economic Research (2023).

[8] Productivity in the business sector is assumed to increase by 1.7 per cent per year, in line with the historical average.

Employment growth varies over the period, partly because growth in the working-age population changes over time, and partly because employment rates differ across age groups. After 2040, employment growth slows to historically low levels, as the working-age population grows more slowly. The weaker employment trend contributes to real GDP growth of between 1.3 and 1.7 per cent per year during this period. Inflation is assumed to be at the inflation target, implying nominal GDP growth of between 3.6 and 4.0 per cent per year (see figure 9).[9]

Productivity and employment growth are also crucial for the development of the wage bill, which constitutes an important tax base. The wage bill is determined by the development of hourly wages, which for the business sector and the economy as a whole are assumed to follow productivity growth and inflation.[10] Under these assumptions, the wage bill constitutes a constant share of GDP, estimated at around 40 per cent in the calculations.

Figure 9 GDP and Inflation
Annual percentage change



Sources: Statistics Sweden and NIER.

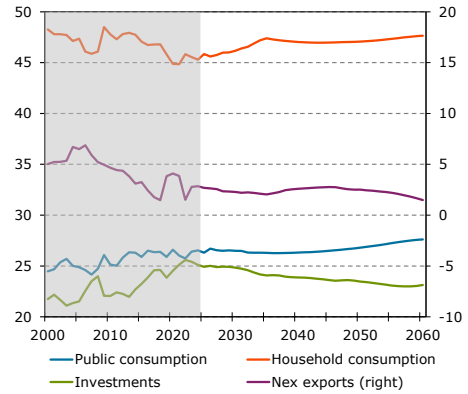
GOVERNMENT CONSUMPTION DEVELOPS WEAKLY AND INVESTMENT DECLINES AS A SHARE OF GDP

The expenditure components of GDP affect public revenues, since exports, consumption and investment are taxed differently. Gross fixed capital formation and net exports decline slightly over the scenario period, while household consumption increases somewhat (see figure 10).

In the projections, government consumption is determined by population developments and composition, based on the assumption that the extent of welfare services is maintained. This assumption implies that government consumption grows in line with GDP until around 2040. In the baseline scenario, defence spending is assumed not to be expanded further beyond its 2026 level of approximately 2.6 per cent of GDP.

Household consumption rises as a share of GDP until 2035 and thereafter grows broadly in line with GDP.[11] Investment declines towards 23 per cent of GDP, corresponding to the average investment share in the economy since 1980.

Figure 10 Composition of GDP
Per cent of GDP



Sources: Statistics Sweden and NIER.

[9] See the National Institute of Economic Research (2024a) for a further description of assumptions.

[10] Wage developments in the business sector are determined by productivity growth and the value-added deflator in the business sector. Wages in the public sector are assumed to grow at the same rate as in the business sector, implying constant relative wages between the two sectors.

[11] As GDP is determined from the supply side, household consumption is calculated residually given the other components of the supply-use balance.

Long-term Sustainability of Public Finances

Public finances are assessed to be sustainable up to 2060. Over the coming decade, public expenditure declines as costs for compulsory and preschool education fall, while tax revenues grow rapidly. In the long run, expenditures increase as the proportion of elderly individuals in the population rises, while tax revenues grow at a more moderate pace. The primary net lending strengthens until 2035. At the same time, net capital income contributes to surpluses in financial net lending, thereby strengthening public finances even when higher expenditures eventually lead to growing primary deficits.

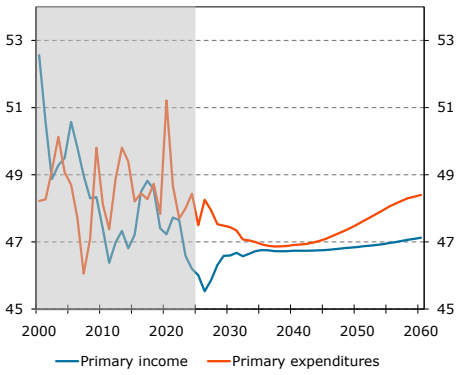
This chapter presents the report's baseline scenario. The calculations are based on the demographic and macroeconomic developments described in the previous chapter. It is assumed that the extent of welfare services is maintained. In addition, replacement rates in transfer systems are assumed to remain constant, and public revenues are determined by the tax rules in force in 2026.

PRIMARY EXPENDITURES INCREASE IN THE LONG RUN AS THE SHARE OF ELDERLY INDIVIDUALS RISES

The public sector's primary expenditures, consisting of consumption, investments and transfers, decline as a share of GDP until 2040 and thereafter increase (see figure 11).[12] The assumption that the extent of welfare services and replacement rates in transfer systems are maintained implies that expenditure developments are largely determined by changes in the population's age composition. This is because the number of children determines the need for schools and preschools, while the number of elderly individuals determines the need for healthcare and long-term care (see the previous chapter).

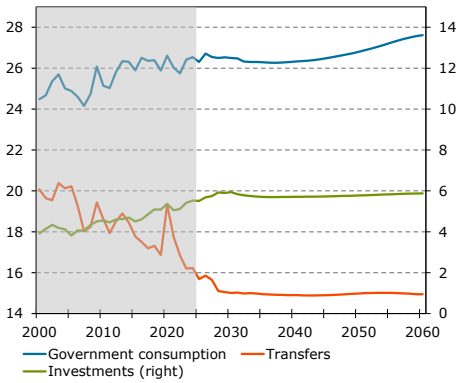
The largest component of primary expenditures is government consumption, which, expressed as a share of GDP, declines from its current level until 2037 (see figure 12). This is mainly explained by lower fertility, which reduces the cost of compulsory and preschool education as a share of GDP (see figure 13). In the longer term, government consumption increases significantly as a share of GDP as demographic developments lead to an increasingly ageing population with rising needs for healthcare and long-term care. At the same time, the assumption that population health improves as life expectancy increases has a dampening effect on expenditure growth.

Figure 11 Primary Income and Expenditures
Per cent of GDP



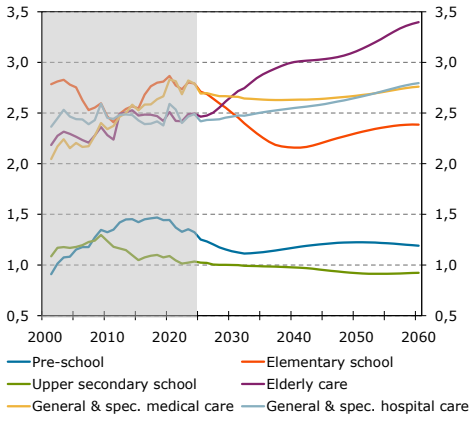
Sources: Statistics Sweden and NIER.

Figure 12 Government Expenditures
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 13 Government Consumption Expenditure by Selected Purposes
Per cent of GDP



Sources: Statistics Sweden and NIER.

[12] Public sector revenues and expenditures can be divided into primary revenues and expenditures, stemming from core activities, and capital revenues and expenditures, arising from financial assets and liabilities.

Central government investments develop broadly in line with GDP, except at the beginning of the projection period when they grow somewhat faster due to higher defence expenditure in the central government budget.[13] Local government investments vary with demographic demand for schools and healthcare facilities. Lower fertility leads to declining municipal investments as a share of GDP until 2035. Thereafter, the investment share increases somewhat faster than GDP as the proportion of elderly individuals rises. Overall, public investments end up slightly higher as a share of GDP than at the starting point (see figure 12).

Transfers, which are largely influenced by disbursements from the old-age pension system and central government transfers to households, decline as a share of GDP until around 2030 (see figure 12). This initially reflects a sharp decline in capital transfers abroad when the so-called Ukraine framework expires.[14] Thereafter, transfers decline somewhat further as rising life expectancy and the rules of the income pension system lead more elderly individuals to postpone the withdrawal of income pensions. In addition, low fertility reduces parental benefit and child allowance payments as a share of GDP. In the longer term, transfers develop broadly in line with GDP. A higher proportion of elderly individuals leads to increased payments of, for example, the guarantee pension and housing supplements, while income pension payments increase as a result of the activation of the so-called accelerator in the income pension system.[15] In the projections, the accelerator implies that pension payments are adjusted so that financial net lending in the old-age pension system amounts to 0.7 per cent of GDP from 2030 and gradually rises to 1 per cent of GDP from 2040. This is assessed to correspond to a balance ratio in the income pension system that stabilises in the long run at around 1.15 (see also the margin box "The Balance Ratio Describes the Relationship Between the Pension System's Assets and Liabilities").

The Balance Ratio Describes the Relationship Between the Pension System's Assets and Liabilities

The old-age pension system's financial net lending and net financial position are recorded in the national accounts, whereas the balance ratio is based on the balance sheet of the old-age pension system. It is not immediately clear what a mechanism for an accelerator or brake based on the balance ratio implies for financial net lending in the old-age pension system.

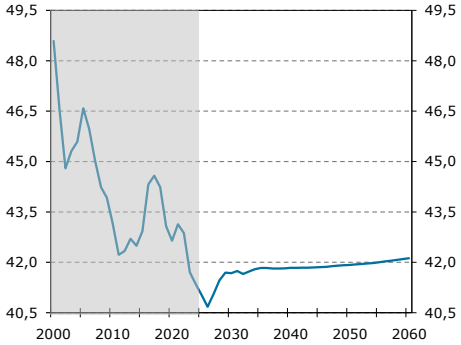
On the balance sheet, the pension system's assets consist partly of a measure of future contribution revenues to the pension system (the so-called contribution asset) and partly of the assets held in the AP funds (the so-called buffer fund). Liabilities consist of the sum of accrued pension rights of contributors and existing pensioners (the pension liability). Of these assets, only the buffer fund constitutes actual financial assets and is recorded in the national accounts as the old-age pension system's net financial position. The contribution asset and the pension liability appear only on the pension system's balance sheet and are also difficult to calculate without extensive individual-level data.

TAX REVENUES GROW AT A MODERATE PACE IN THE LONG RUN

Primary revenues consist mainly of tax revenues. The tax-to-GDP ratio, which measures taxes and social contributions in relation to GDP, increases rapidly initially and grows more moderately in the long run (see figure 14 and 11). As previously

Figure 14 Tax-to-GDP Ratio

Per cent of GDP



Sources: Statistics Sweden and NIER.

[13] The rapid increase in investments up to 2030 reflects the assumption that defence expenditures initially recorded in the central government budget are entered into the national accounts with a certain delay (see the box "Redovisningen av försvarsutgifterna skiljer sig mellan nationalräkenskaperna och statens budget" [in Swedish] in the National Institute of Economic Research 2025d).

[14] The Ukraine framework currently applies until 2027. See also the chapter "Revision Compared with the Previous Report".

[15] The accelerator is a technical calculation assumption, as it is not yet part of the regulatory framework for the old-age pension system. However, the parliamentary Pension Group has proposed an accelerator whereby distributions occur when the balance ratio exceeds 1.15. See also the chapters "Sensitivity Analysis" and "Revision Compared with the Previous Report".

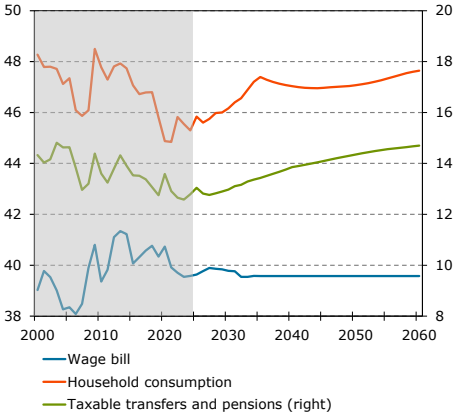
described, tax rates are assumed to remain unchanged at their current levels. The projections are based on the tax rules adopted in the 2026 Budget Bill and the municipal tax rates decided for 2026.[16] Consequently, developments in the tax ratio primarily reflect how tax bases evolve relative to GDP. Tax base developments are largely determined by the composition of GDP and labour market developments (see the chapter "Demographic and Macroeconomic Conditions").

Household consumption, which is taxed more heavily than other components of final use, develops relatively strongly until 2035. As a result, this tax base grows relatively rapidly as a share of GDP up to that point (see figure 15). Thereafter, it grows somewhat more slowly than GDP until the mid-2040s, while taxable transfers increase faster than GDP from 2030 onwards. This is mainly due to rising income pension payments following the activation of the accelerator. The wage bill develops broadly in line with GDP over the scenario period.

Rising tax bases for household consumption and the wage bill in the near term, combined with the assumption that the temporary reductions in VAT on food and employer social security contributions for young people are phased out, cause the tax ratio to increase by 1.2 per cent of GDP between 2026 and 2030 (see figure 14). Thereafter, it rises more moderately, increasing by a further approximately 0.3 percentage points by 2060.

Figure 15 Tax Bases

Per cent of GDP



Note. Taxable transfers and pensions refer to sickness and activity compensation, sickness benefit, parental benefit, and unemployment benefit, as well as income pension, premium pension, and occupational pensions.

Sources: Statistics Sweden and NIER.

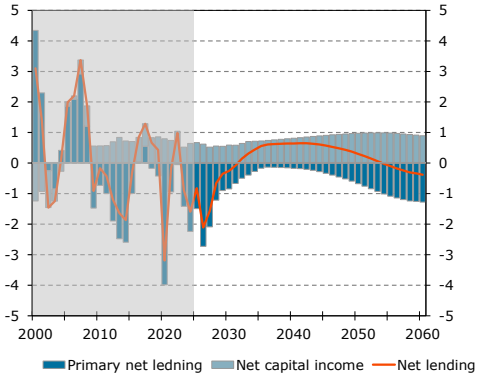
NET CAPITAL INCOME OFFSETS GROWING PRIMARY DEFICITS

Developments in primary expenditures and revenues imply that the public sector's primary net lending strengthens from 2026 until 2035 (see figure 16). Thereafter, primary deficits increase as expenditures rise in line with the growing proportion of elderly individuals, while primary revenues grow more moderately from 2030 onwards.

Financial net lending, which includes capital revenues and expenditures, develops more strongly than the primary net lending. Financial net lending is supported by a positive contribution from net capital income, reflecting the strong initial position of public finances with a positive net financial position.[17] Implicit interest rates on public assets and liabilities (capital income and expenditures in relation to assets and liabilities, respectively) are assumed to increase in line with the general interest rate environment and to reach their long-run equilibrium levels by 2055 (see the chapter "Sensitivity Analysis" for alternative assumptions).

Figure 16 Net Lending

Per cent of GDP



Sources: Statistics Sweden and NIER.

[16] With the exception of the reductions in VAT on food and employer social security contributions for young people, which are assumed to be temporary and motivated by cyclical conditions.

[17] On the revenue side, net capital income mainly consists of dividends and interest income in the old-age pension system and dividends from state-owned enterprises, while expenditures relate to interest payments on central government and local government debt.

This leads to higher returns on assets, partly offset by higher interest expenditures on liabilities.

Net capital income contributes positively to financial net lending throughout the projection period (see figure 16). After 2031, a surplus in financial net lending emerges and persists until 2053. Together with higher implicit interest rates, this increases the contribution from net capital income over that period. Towards the end of the projection horizon, growing primary deficits combined with a declining contribution from net capital income result in negative financial net lending.

THE NET FINANCIAL POSITION AND MAASTRICHT DEBT RETURN TO THEIR INITIAL LEVELS

Developments in public sector financial assets and liabilities depend on which sub-sectors generate surpluses or deficits, as the distribution of assets and liabilities differs across sub-sectors.[18] In the projections, developments are driven by central government saving. Saving in the local government sector is assumed to remain constant as a share of GDP, with expenditure changes financed through central government grants and therefore reflected in central government saving, affecting overall debt dynamics. In the old-age pension system, saving increases and remains positive throughout the projection period, contributing to asset accumulation.

Deficits in the public sector's primary net lending contribute negatively to the development of the net financial position (see figure 17). The so-called interest-growth differential—the difference between the implicit interest rate on the net position and GDP growth—is negative and further weakens the net position as a share of GDP (see the margin box "The Interest-Growth Differential"). However, public sector assets increase in value as equity and fund prices rise. These valuation effects are assumed to contribute positively to the net position throughout the projection period, albeit to a lesser extent than historically (see figure 17).

Overall, the net financial position declines as a share of GDP until financial net lending turns into a surplus around 2035 (see figure 18). Thereafter, the net position strengthens until 2050. Towards the end of the projection period, cost pressures associated with an ageing population lead to renewed deficits and a weakening of the net position.

Developments in Maastricht debt mirror those of the net position. Initial deficits cause Maastricht debt to rise as a share of GDP until 2030 (see figure 18).[19] Thereafter, surpluses

The Interest–Growth Differential

The net financial position may increase or decrease over time even if the primary net lending is zero, depending on the level of interest rates and economic growth. The relationship between interest rates and growth is captured by the so-called interest–growth differential.

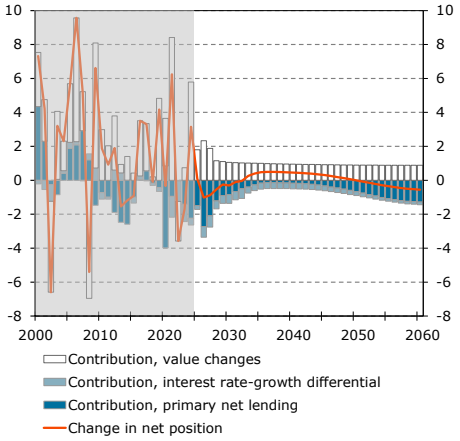
The interest rate level affects the consequences of primary surpluses or deficits in public finances. A high interest rate, for example, amplifies the effects of deficits, leading to higher gross debt and higher interest expenditures, which in turn contribute to further deficits, resulting in even higher debt, and so on. Corresponding mechanisms apply on the asset side.

At the same time, public sector assets and liabilities are assessed relative to the size of the economy. Nominal GDP growth therefore matters, as high growth reduces both the debt-to-GDP ratio and the asset-to-GDP ratio.

If growth exceeds the interest rate, the interest–growth differential is negative. If the public sector has a negative net position, this implies that the debt ratio declines automatically over time. If the net position is instead positive, a negative interest–growth differential contributes to a decline in net wealth as a share of GDP, which is the case for Sweden.

Figure 17 Contribution to the Change in Net Position

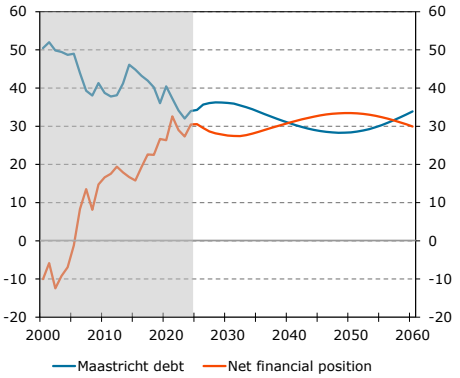
Contribution and change in the net position as a per cent of GDP, respectively



Sources: Statistics Sweden and NIER.

Figure 18 Net Financial Position and Maastricht Debt

Per cent of GDP



Sources: Statistics Sweden and NIER.

[18] See the National Institute of Economic Research (2025a) and the box "Public Finance Developments in Central Government, the Local Government Sector and the Old-Age Pension System" in the National Institute of Economic Research (2025c). See also the appendix "Long-term Developments and Public Sector Sub-sectors".

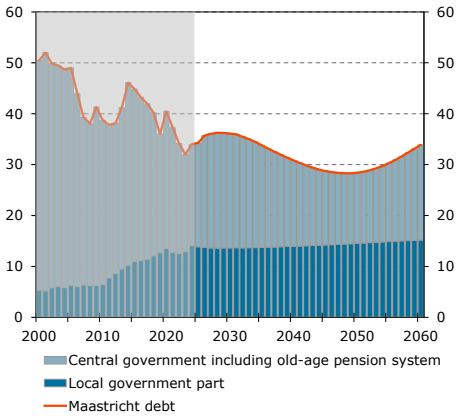
[19] In the projections net lending in central government and the local government sector affects debt, whereas net lending in the old-age pension system affects assets; see the National Institute of Economic Research (2025a).

contribute to a declining debt ratio until 2050. At the end of the projection period, Maastricht debt amounts to around 34 per cent of GDP, broadly the same level as at the starting point and well within the interval of the debt anchor in the fiscal policy framework (35 per cent of GDP ± 5 percentage points).

As central government net lending varies over the projection period while local government net lending is assumed to remain constant as a share of GDP, developments in central government explain the evolution of total Maastricht debt as a share of GDP. The local government debt ratio remains relatively stable (see figure 19). Central government part of Maastricht debt declines from 2030 until 2050, falls slightly below that of the local government sector during the 2050s, and then increases again towards the end of the projection period.

Figure 19 Maastricht Debt and its Parts

Per cent of GDP



Note. The old-age pension systems part of the Maastricht debt has previously been negative and is now close to zero.

Sources: Statistics Sweden and NIER.

LONG-TERM SUSTAINABLE PUBLIC FINANCES

The National Institute of Economic Research's assessment of fiscal sustainability is based on developments in the public sector's net financial position and Maastricht debt (see the introduction to the report).[20] The analysis is sensitive to key calculation assumptions (see the chapter "Sensitivity Analysis") and may change if alternative assumptions affect the starting point of the demographic projection, for example regarding the reduction in VAT on food.

The projection of public sector revenues and expenditures implies that the net financial position strengthens trend-wise from the 2030s until 2050, after which it declines as a share of GDP (see figure 18). At the end of the period, it amounts to approximately 30 per cent of GDP, the same level as at the starting point. Maastricht debt declines from around 36 per cent of GDP in 2026 to approximately 34 per cent of GDP in 2060. Based on this development, public finances are assessed to be sustainable in the long term.

[20] The analysis focuses on the net financial position, i.e. excluding real capital. It is worth noting that a sustainability assessment based on the net financial position is conservative if part of the public real capital stock could be sold.

Fiscal Consequences of Alternative Financing Options for the Defence Build-Up

The baseline scenario in this report presents a demographic projection from 2026 based on current public finances. This chapter presents scenarios for net lending up to 2035 and the consequences for public finances thereafter. In all scenarios, defence expenditure is assumed to increase from the current level to 3.5 per cent of GDP by 2030, in line with the parliamentary agreement. The scenarios imply different paths for net lending up to 2035, which in turn lead to different fiscal starting points for the demographic projection thereafter. The analysis shows that, although the level of debt in 2035 matters, the level of net lending in 2035 is more important for the long-term development of public finances. A financial net lending in balance at the starting point for the demographic projection leads, over time, to a deterioration in public finances. By contrast, with a somewhat higher level of net lending, equal to 0.4 per cent of GDP, public finances do not deteriorate in the calculations, all else equal.

In line with Sweden's NATO commitments, military defence expenditure must increase to at least 3.5 per cent of GDP by 2035. According to a cross-party agreement in the Swedish Parliament, this level is to be reached by 2030.[21] New defence expenditure will partly be financed through borrowing until 2035, thus allowing a temporary deviation from the balanced-budget target (see the margin box "The Fiscal Policy Framework"). Under the agreement, up to SEK 300 billion in higher defence expenditure may be debt-financed, and defence expenditure is to be fully financed within the framework of the balanced-budget target from 2035 onwards.[22] This chapter analyses the significance of alternative financing options for the defence build-up for the long-term development of public finances.

In the calculations, the degree to which the increase in defence expenditure is financed through budget-strengthening measures after 2028 is varied, which affects the development of net lending in the different scenarios (see figure 20). What matters in the calculations is not which specific expenditure measures and subsequent budget-strengthening measures produce the path, but rather the deviation of net lending from the balanced-budget target and the return to that target by 2035. The level of net lending in 2035 in the various scenarios is therefore of considerable importance for the long-term development of public finances in the projections.

The Fiscal Policy Framework

The fiscal policy framework is built around four fiscal objectives. Some components of the framework are regulated by law, while others are the result of practices that have evolved since the crisis of the 1990s.

The target for financial net lending in the general government sector is that net lending should average one-third of a per cent of GDP over the business cycle. In 2027, this surplus target will be replaced by a **balanced-budget target**, meaning that net lending should instead average 0 per cent of GDP over the business cycle.

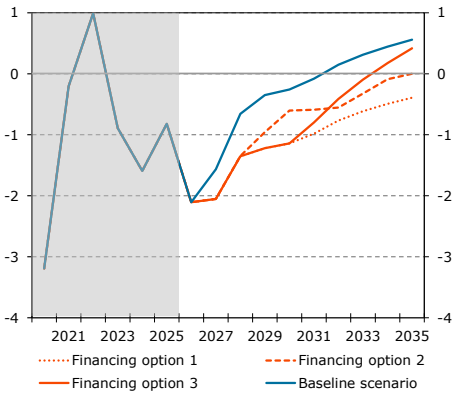
In addition, there is a **debt anchor** for Maastricht debt with a benchmark value of 35 per cent of GDP. If debt deviates from the debt anchor by more than 5 per cent of GDP, the government is required to submit a special report to the Riksdag.

Furthermore, the Riksdag, following a proposal from the government, decides on an **expenditure ceiling** for central government and the old-age pension system for the coming three years. This decision clarifies the expenditure framework and is intended to facilitate compliance with the net lending target.

Finally, the **balanced-budget requirement** implies that municipalities and regions must draw up budgets in which expenditures do not exceed revenues. The requirement specifies the minimum acceptable result level. Municipalities and regions are also required to maintain sound financial management in their operations.

Figure 20 Net Lending

Per cent of GDP



Sources: Statistics Sweden and NIER.

[21] See the Government of Sweden (2025).

[22] In addition to SEK 145 billion in military support to Ukraine up to 2027.

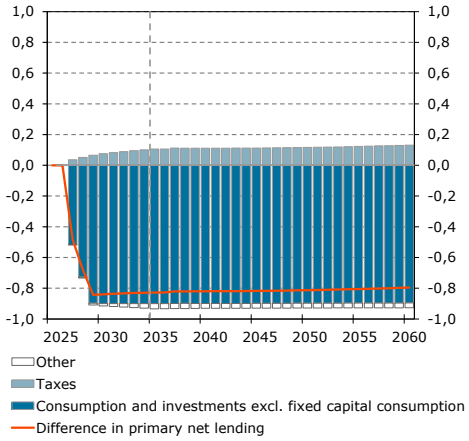
FINANCING OPTION 1: NO ACTIVE BUDGET-STRENGTHENING MEASURES

In the baseline scenario, net lending gradually strengthens up to 2035 (see previous chapter and figure 20). Here, this underlying strengthening is assumed to be used to finance the increase in expenditure associated with the defence build-up, but no additional actively decided budget-strengthening measures are introduced. The projection thus shows the development of public finances if the expenditure increase is not met by corresponding tax increases or expenditure cuts in other areas. Since the underlying strengthening of net lending is smaller than the expenditure increase implied by the defence build-up, part of the higher defence expenditure is still debt-financed in 2035.

The higher defence expenditure is reflected in higher government consumption and investment relative to the baseline scenario from 2027 onwards, amounting to around 0.9 per cent of GDP from 2030 (see figure 21). This has a negative effect on primary net lending. Despite the absence of active financing, tax revenues are somewhat higher than in the baseline scenario, corresponding to around 0.1 per cent of GDP. This is because changes in the composition of GDP give rise to a small positive effect on central government tax revenues (see the box "Different GDP Composition Across the Scenarios").[23] Since the expenditure increase is considerably larger than the effect on revenues, primary deficits are around 0.8 per cent of GDP larger than in the baseline scenario overall (see figure 21).

Figure 21 Difference in Primary Net Lending Compared to Baseline Scenario, Financing Option 1

Per cent of GDP



Note. Consumption of fixed capital in the public sector appears on both the revenue and expenditure sides, but does not affect net lending.

Source: NIER.

FINANCING OPTION 2: ACTIVE BUDGET-STRENGTHENING MEASURES IN ADDITION TO THE UNDERLYING IMPROVEMENT IN NET LENDING

In this scenario, the defence build-up is fully financed, partly through the underlying strengthening of net lending and partly through additional budget-strengthening measures. This is achieved by gradually adjusting net lending towards the balanced-budget target, which is reached in 2035. Net lending is allowed to remain below balance during the period up to 2035 because the defence build-up is partly debt-financed in accordance with the parliamentary agreement.[24] In the calculations, the budget-strengthening measures are represented by a lump-sum

[23] Tax differences also become somewhat larger in the long run, as higher central government consumption and investment generate small spillover effects in other sectors, which ultimately raise central government tax revenues slightly.

[24] The path for financial net lending follows the same development as in the National Institute of Economic Research (2025b), where this has also been taken into account.

tax on households corresponding each year to the strengthening of net lending required to reach the balanced-budget target.[25]

Relative to the baseline scenario, primary net lending is affected both by the fact that consumption and investment are around 0.9 per cent of GDP higher from 2030 onwards and by the technical tax increases as net lending is adjusted towards the balanced-budget target (see figure 22). Since the fiscal space arising from the underlying strengthening of net lending up to 2035 is used up in this scenario, which is not the case in the baseline scenario, primary net lending is around 0.5 per cent of GDP lower than in the baseline scenario in 2035 and thereafter. Up to 2035, the effect on primary net lending varies depending on the precise path of the adjustment towards the balanced-budget target.[26]

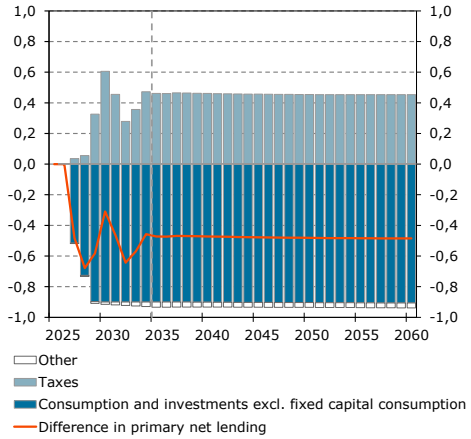
FINANCING OPTION 3: ACTIVE BUDGET-STRENGTHENING MEASURES ON A KRONA-FOR-KRONA BASIS—THE UNDERLYING IMPROVEMENT IN NET LENDING IS NOT USED

In a final option, the defence build-up is assumed, over time, to be fully financed by equally large budget-strengthening measures, sometimes referred to as "krona-for-krona". The budget-strengthening measures are introduced gradually from 2031 to 2035 and by then amount to 0.9 per cent of GDP. As in the baseline scenario, it is assumed that the fiscal space arising in the calculations up to 2035 is not used for budget-weakening measures. This scenario implies that debt and the net financial position are virtually the same in 2035 as in financing option 2, despite the different path for net lending.

Compared with the baseline scenario, primary net lending is weaker up to 2035 (see figure 23). This is because the technical tax increase is assumed to occur with some delay and because the defence build-up is initially debt-financed. Defence expenditure increases gradually between 2027 and 2030 and is thereafter around 0.9 per cent of GDP higher, whereas active budget-strengthening measures only strengthen primary net lending relative to the baseline during the period 2031–2035. Since the financing corresponds one-for-one to the expenditure increase in nominal terms, the permanent effect on primary net lending after 2035 is limited. A small remaining difference is explained by

Figure 22 Difference in Primary Net Lending Compared to Baseline Scenario, Financing Option 2

Per cent of GDP

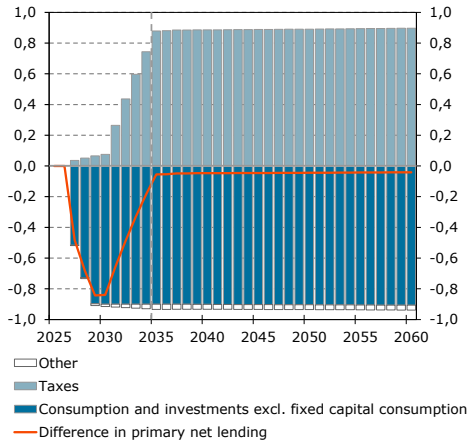


Note. Consumption of fixed capital in the public sector appears on both the revenue and expenditure sides, but does not affect net lending.

Source: NIER.

Figure 23 Difference in Primary Net Lending Compared to Baseline Scenario, Financing Option 2

Per cent of GDP



Note. Consumption of fixed capital in the public sector appears on both the revenue and expenditure sides, but does not affect net lending.

Source: NIER.

[25] The assumption that budget-strengthening measures take the form of tax increases is purely technical. Whether adjustment occurs via revenue or expenditure measures is in practice a political choice, and the effect on public finances is the same in these calculations as long as it implies a transfer from households. In the projection, taxation also finances other expenditure increases resulting from demographic developments, given that net lending would otherwise have fallen below the balanced-budget target in the absence of active budget-strengthening measures.

[26] The adjustment of financial net lending follows the same assumptions as in *The Swedish Economy*, December 2025, regarding the initial debt financing of the Ukraine framework and increased defence spending. Expenditures for these measures have different time profiles, implying that the adjustment of net lending does not occur linearly from 2026 to 2035. This affects the development of the tax ratio relative to the baseline scenario.

changes in the composition of GDP, which give rise to minor secondary effects on net lending.

Different GDP Composition Across the Scenarios

In the scenarios, central government investment and consumption increase as a result of the defence build-up. Government consumption as a whole therefore rises as a share of GDP relative to the baseline scenario. The investment share in the economy also becomes higher than in the baseline scenario as a result of higher central government investment.[27]

The higher government consumption and investment, and the financing of these, are assumed to have different effects on the composition of GDP (see figure 24).[28] Net exports are negatively affected where higher defence expenditure leads to a permanent increase in public borrowing, that is, in financing options 1 and 2. Household consumption is also lower relative to the baseline scenario where households' disposable income is affected by the financing of defence expenditure, that is, in financing options 2 and 3. Overall, these composition effects have only a marginal impact on public finances and result in minor effects on public revenues through the tax system.

CONSEQUENCES FOR FISCAL DEVELOPMENTS AFTER 2035

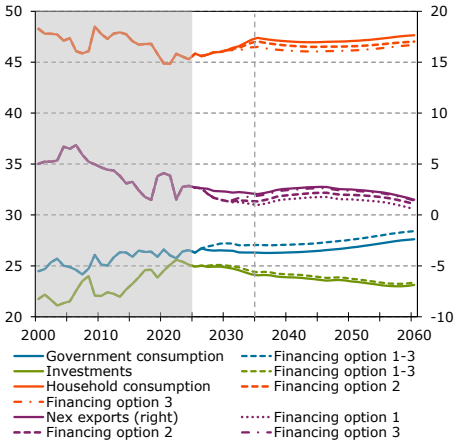
The extent to which defence expenditure is financed through budget-strengthening measures, and whether the fiscal space that arises up to 2035 is used for defence or for other purposes, affects the development of net lending in the calculations also in the long term (see figure 25). The demographic projection implies that net lending follows broadly similar paths after 2035, but differences in the initial position affect the development and the compounding effects that arise reinforce those differences.

When the fiscal space that arises is used for higher defence expenditure but no active budget-strengthening measures are introduced, as in financing option 1, net lending weakens substantially over time. Deficits lead to higher debt, which in turn gives rise to higher interest expenditure, which further contributes to deficits, and so on. The deficits lead to a trend deterioration in both the net financial position and Maastricht debt over the period (see figure 26 and figure 27).

When defence expenditure is financed partly through active budget-strengthening measures and partly through the fiscal space that arises up to 2035, so that the balanced-budget target is achieved in 2035, as in financing option 2, net lending remains in

Figure 24 Composition of GDP in Baseline and Alternative Scenarios

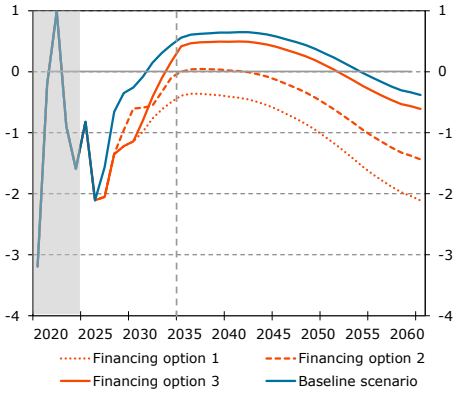
Per cent of GDP



Source: Statistics Sweden and NIER.

Figure 25 Net Lending

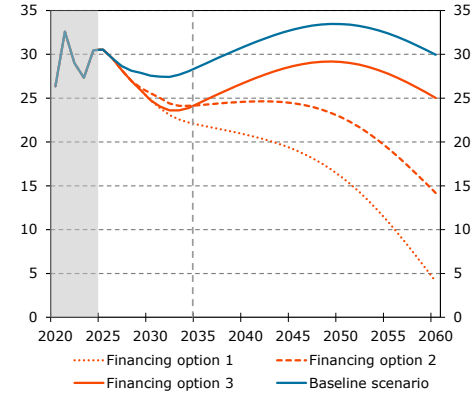
Per cent of GDP



Source: Statistics Sweden and NIER.

Figure 26 Net Financial Position

Per cent of GDP



Source: Statistics Sweden and NIER.

[27] It is assumed that central government defence investments do not crowd out other investments in the economy.

[28] See Braunerhjelm et al. (2025) and the National Institute of Economic Research (2025e) for a review of the literature on the economic effects of increased defence expenditure.

line with the target until around 2045. Thereafter it weakens, and here too compounding effects lead to larger deficits in the longer term. The net financial position remains unchanged as a share of GDP until the mid-2040s, after which both the net financial position and debt deteriorate. A balanced fiscal position in 2035 therefore leads, over time, to a deterioration in public finances in these calculations when assessed over the full period.

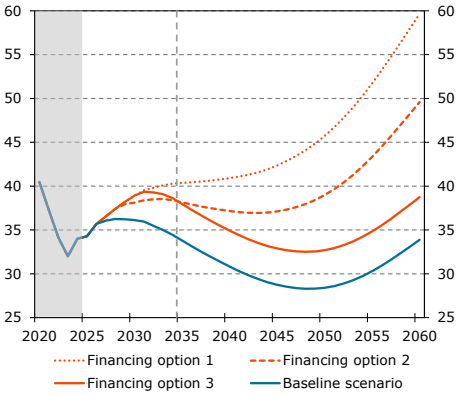
With active budget-strengthening measures corresponding one-for-one to the increase in defence expenditure, and where the fiscal space arising up to 2035 is not used for defence or other budget-weakening measures, as in financing option 3, surpluses emerge from 2035 onwards. This leads to lower debt, lower interest expenditure, and a stronger net financial position. Deficits in net lending only arise after 2050. At that point the net financial position weakens, but it reaches the same level at the end of the period as in the initial position. Unlike in financing option 2, where net lending is balanced at the starting point, public finances do not deteriorate overall across the period in the projections.

Since debt and the net financial position are the same in the initial position in financing options 2 and 3, differences in later developments are due to the fact that net lending in 2035 is higher in financing option 3, all else equal. With a somewhat higher level of net lending than the balanced-budget target, amounting to 0.4 per cent of GDP, public finances do not deteriorate overall in the calculations. Financing option 2 simultaneously shows that when the balanced-budget target is reached in 2035, regardless of how the ongoing fiscal space is used, the projections lead to a deterioration in public finances. This is due to the demographic weakening of net lending that occurs after 2035. This should not be interpreted as meaning that a balanced-budget target in itself leads to a problematic fiscal situation, but rather that it implies a level of net lending in 2035 that requires budget-strengthening measures in the years thereafter. If such measures are introduced early in the period, the adjustments involved are small.

Even though the path of net lending up to 2035 matters through a higher or lower level of debt or net financial position, the level of net lending at the starting point for the projection is more important: the deterioration in the net financial position and debt in financing option 2 relative to option 3 is larger than the deterioration in financing option 3 relative to the baseline scenario.

Figure 27 Maastricht Debt

Per cent of GDP



Source: Statistics Sweden and NIER.

Fiscal Adjustment Required to Maintain the Balanced-Budget Target from 2035 Onwards

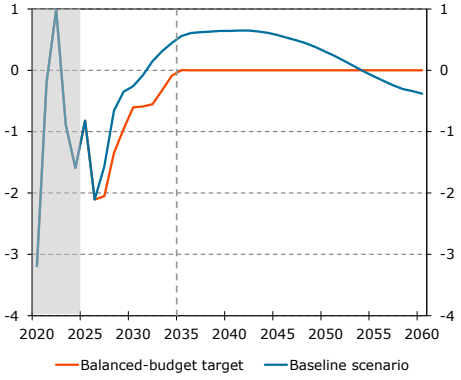
In a conventional sustainability calculation, net lending is assumed to evolve without restrictions from fiscal policy frameworks or other target variables. This section analyses the fiscal adjustments that would be required in the scenarios for the balanced-budget target to be maintained after 2035. This is done by calculating the financing requirement that arises. The analysis shows that the financing requirement after 2035 depends to a large extent on the development of net lending up to 2035. In the baseline scenario, the financing requirement is negative up to 2050 relative to the balanced-budget target. This means that there is scope for unfunded measures, provided that the target is met in each individual year. If the target is reached in 2035 and the fiscal space from the underlying strengthening of net lending up to that point has been used, the financing requirement after 2035 is close to zero or positive. This means that the scope for additional unfunded measures is limited if the balanced-budget target is to be met and tax rules, welfare services, and replacement rates are kept unchanged.

In the sustainability analysis above, demographic developments are allowed to affect public finances after 2035. This means that net lending, the net financial position, and Maastricht debt vary freely over time. If, instead, the balanced-budget target is maintained after 2035, net lending will be kept constant at the target (see figure 28), and demographic changes in expenditure and revenues will generate a financing requirement. The financing requirement is the adjustment in revenues and expenditures required for net lending to be in line with the balanced-budget target in a given year.[29]

Without adjustment to the balanced-budget target after 2035, demographic developments in the baseline scenario initially lead to a rising net financial position, which over time turns into a declining one (see figure 29). In a scenario where net lending is kept in line with the balanced-budget target, the net financial position instead stabilises at around 25 per cent of GDP, while Maastricht debt remains within the debt anchor's tolerance interval of 35 ± 5 per cent of GDP up to 2060 (see figure 29). This can be compared with the baseline scenario, where the debt ratio periodically falls below the lower bound of the tolerance interval.

Figure 28 Net Lending

Per cent of GDP

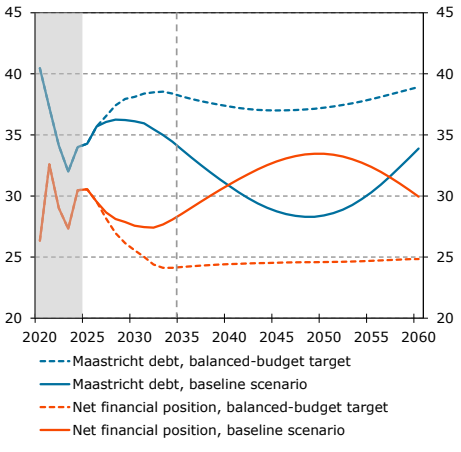


Note. Before 2035, net lending under the balance-budget target is assumed to evolve in line with the projection in the National Institute of Economic Research (2025b).

Sources: Statistics Sweden and NIER.

Figure 29 Maastricht Debt and Net Financial Position

Per cent of GDP



Note. See note to figure 28.

Sources: Statistics Sweden and NIER.

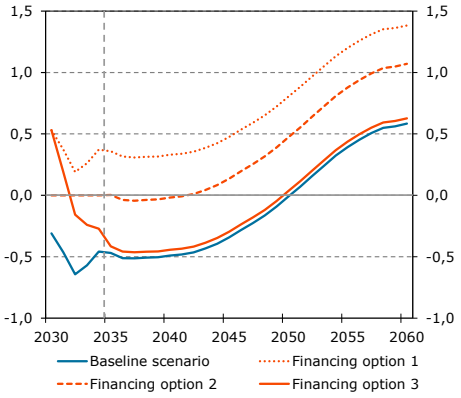
[29] The financing requirement is comparable to, but not definitionally identical to, what is referred to in the literature as the fiscal gap, defined as the permanent adjustment required in the first year; see, for example, Auerbach and Gale (2025). See also the S1 indicator in EU reporting under the Stability and Growth Pact.

In the baseline scenario, the financing requirement is negative until around 2050 (see figure 30).[30] This means that up to then there is scope to increase expenditure or reduce revenues while keeping net lending in line with the balanced-budget target. This reflects a relatively strong level of net lending at the initial point in 2035 and favourable demographic developments up to the mid-2040s, with fewer children of school age and a relatively high share of the population of working age. Thereafter, the financing requirement increases gradually as a result of population ageing and the declining share of employed individuals. From around 2050, expenditure must be reduced or revenues increased in order to maintain the balanced-budget target. By 2060, the financing requirement amounts to around 0.5 per cent of GDP.

For the different financing options, developments are similar to those in the baseline scenario from 2035 onwards, but the levels differ. These differences are mainly explained by the fact that net lending, but also the net financial position and debt, have different initial levels in 2035, while demographic developments are the same in all scenarios. In financing option 3, with active budget-strengthening measures on a krona-for-krona basis, the financing requirement is in line with the baseline scenario. In financing options 1 and 2, without or only partly with active budget-strengthening measures in addition to the underlying strengthening of net lending, the financing requirement is higher. This is because expenditure is permanently higher than in the baseline scenario while revenues have not been fully adjusted to the higher expenditure level. The financing requirement is therefore positive throughout the period in financing option 1 and from 2042 onwards in financing option 2. The weaker net financial position in these alternative scenarios also results in lower net capital income, which further strengthens the financing requirement over time.

Figure 30 Financing Requirement

Per cent of GDP



Note. The financing requirement shows, for a given year, the strengthening of primary net lending required to reach the balance-budget target, assuming that net lending up to that point has not been in line with the balanced-budget target. Effects arising from a higher or lower net financial position up to that point are therefore included.

[30] The financing requirement shows how the primary net lending as a share of GDP must be strengthened to achieve the balanced-budget target, given demographic and macroeconomic developments. The calculation does not account for dynamic effects of tax changes; see the box "Dynamiska effekter av skatteförändringar" [in Swedish] in the National Institute of Economic Research (2019) and Chapter 3 in the National Institute of Economic Research (2020).

Sensitivity Analysis

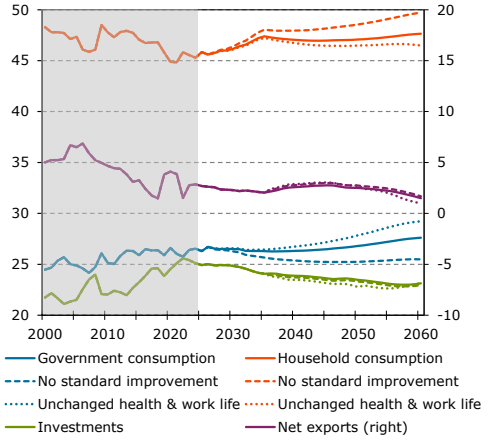
The sustainability assessment of the baseline scenario is highly dependent on the assumptions used in the calculations. The assumption regarding the health of the population and the length of working life is of considerable importance for the analysis. Government consumption is also strongly affected by whether the standard improvement in welfare services observed historically continues in the future. The assumption of an accelerator in the pension system is also important in principle for the long-term assessment. However, the uncertainty surrounding the level of savings in the old-age pension system resulting from the accelerator is less decisive. The same applies to the long-term levels of interest rates and rates of return assumed in the calculations.

This chapter presents a sensitivity analysis for certain central assumptions used in the calculations. The sensitivity analysis has several purposes.[31] Some assumptions are regarded as relatively likely but nevertheless have a major impact on the results (see table 1).[32] In such cases, the purpose of the sensitivity analysis is to illustrate how much the assumption affects public finances in the projections. Other assumptions are more uncertain, but do not necessarily have as great an impact on the calculations. In those cases, the purpose is rather to illustrate the range of uncertainty associated with the assumption. The assumptions concerning health and the length of working life are examples of the former, while interest-rate developments are an example of the latter.

The sensitivity analysis is not exhaustive. There are many other assumptions not discussed in this chapter that may also be important for the projections.[33] The scenarios are based on the baseline scenario in the chapter "Long-term Sustainability of Public Finances", but changes in assumptions are allowed to affect macroeconomic developments where warranted. It is mainly differences in the composition of GDP (see figure 31) that then affect public finances, among other things through the tax system. Demographic developments are otherwise the same as in the baseline scenario. In terms of the net financial position and Maastricht debt, the scenarios are generally not additive and should therefore be considered separately.[34]

Figure 31 Composition of GDP

Per cent of GDP

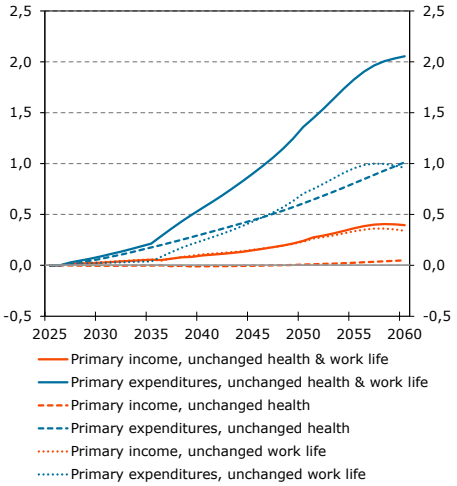


Note. Investments and net exports are marginally affected in relation to the baseline scenario.

Sources: Statistics Sweden and NIER.

Figure 32 Unchanged Health and Working Life Length, Deviation from the Baseline Scenario

Per cent of GDP



Sources: Statistics Sweden and NIER.

[31] See the discussion of the purposes of sensitivity analysis and stress testing in Chapter 4 of Burnside (2006).

[32] See Calmfors (2020) and the Swedish Fiscal Policy Council (2025) for a discussion of the plausibility of some of these assumptions.

[33] For analyses of other alternative scenarios, see for example the National Institute of Economic Research (2016, 2018, 2019, 2022, 2024b) and the appendix "Previous Alternative Scenarios in Sustainability Reports". For an analysis of how assumptions and alternative scenarios have varied over time, see Appendix 4 in the National Institute of Economic Research (2024b).

[34] A scenario is scalable if, for example, halving an effect results in a halving of the effects on debt or the net position.

Table 1 Assessment of the Probability and Impact of Assumptions

Assumption	Probability	Impact
Population health and length of working life	Likely	Major
Constant cost shares and standard improvement	Likely	Major
Accelerator in the pension system	Likely	Major
Net lending in the pension system with an accelerator	Uncertain	Minor
Long-term interest rates and rates of return	Uncertain	Minor

Source: NIER.

THE ASSUMPTION REGARDING POPULATION HEALTH AND THE LENGTH OF WORKING LIFE IS OF GREAT IMPORTANCE

The calculations above assume that the health of the population improves and that working life is extended at roughly the same pace as increasing life expectancy.[35] Taken together, this assumption affects primary expenditure more than primary revenue (see figure 32). In an alternative scenario where working life is not extended, that is, where the exit age from the labour market does not rise as life expectancy increases, the revenue side is negatively affected because tax revenue from income taxation becomes lower as a result of fewer hours worked.[36] The expenditure side is also affected because government consumption becomes higher due to rising expenditure on healthcare and elderly care. As a share of GDP, both primary revenues and primary expenditures are additionally affected by the fact that GDP is lower as a result of fewer hours worked.

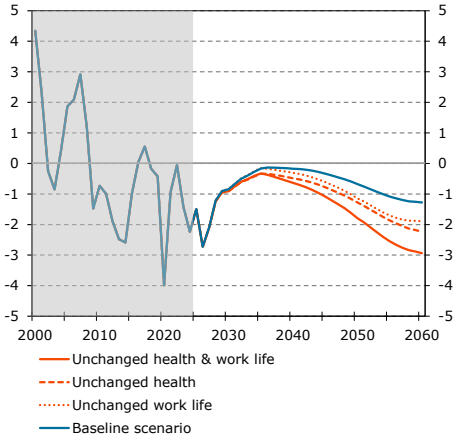
The assumption regarding population health and the length of working life can be divided into two separate parts: one concerns the need for healthcare and elderly care, while the other concerns labour market behaviour.[37] For public finances, the assumption regarding population health is more important than the assumption regarding exit from working life. The health assumption affects net lending through its effect on expenditure via government consumption (see figure 32). The assumption regarding exit from working life affects net lending through its effects on revenues, but also through the fact that expenditures become higher as a share of GDP when GDP is lower. More than half of the effect on primary net lending can be attributed to the health assumption (see figure 33).

[35] Up to 2050, the exit age from the labour market increases by the same number of years as life expectancy; thereafter at a slower pace corresponding to two-thirds of the increase in life expectancy. See the National Institute of Economic Research (2024a, 2025a).

[36] A marginal effect also arises from changes in tax bases.

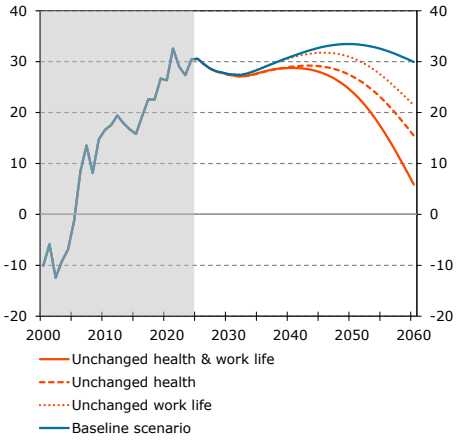
[37] These assumptions are linked, as longer working lives are assumed to go hand in hand with higher life expectancy also implying more healthy years. However, one could envisage developments in which the population becomes healthier without changing labour market behaviour, and vice versa. See the discussion in the National Institute of Economic Research (2015), Chapter 5.

Figure 33 Primary Net Lending
Per cent of GDP



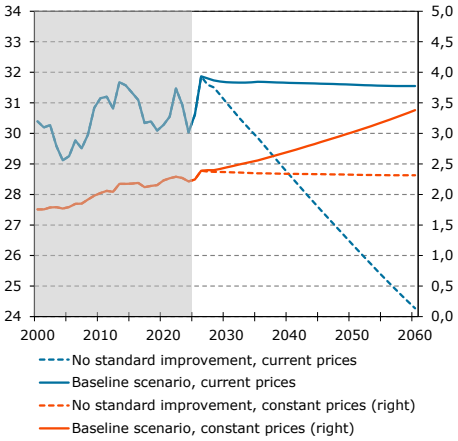
Sources: Statistics Sweden and NIER.

Figure 34 Net Financial Position
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 35 Expenditure on Intermediate Inputs
Per cent and SEK per hour

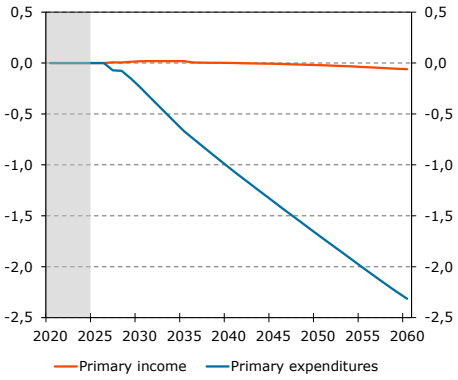


Note. Intermediate consumption expenditure as a share of total gross output at current prices, and the volume of intermediate consumption at 2024 price levels relative to hours worked.
Sources: Statistics Sweden and NIER.

The effect on the net financial position is amplified by compounding effects (see figure 34). Relative to the baseline scenario, the development of the net financial position becomes markedly weaker. If health and the exit age are assumed to remain unchanged, the net financial position falls to around 5 per cent of GDP by 2060, a deterioration of approximately 25 percentage points compared with the baseline scenario with improved health and a rising exit age. Maastricht debt is affected correspondingly and becomes more than 25 percentage points of GDP higher over time.

Figure 36 No Standard Improvement, Deviation from the Baseline Scenario

Per cent of GDP



Sources: Statistics Sweden and NIER.

ASSUMPTIONS ABOUT COST SHARES AND IMPROVED STANDARDS AFFECT PUBLIC EXPENDITURE

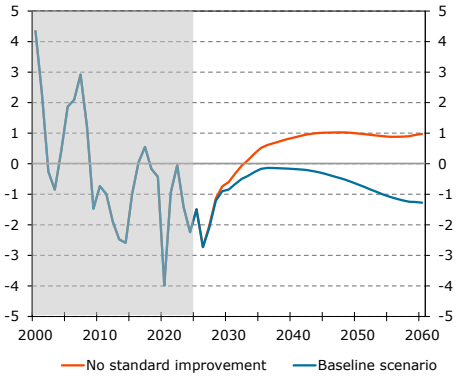
For government consumption, the calculations implicitly assume a certain annual improvement in the standard of welfare services over time. In the projections, this arises because expenditure on intermediate inputs at current prices is assumed to constitute a constant share of total gross output in public activities, in line with the historical pattern (see figure 35).[38] Since the prices of intermediate inputs trend upwards more slowly than hourly wages, the volume of intermediate inputs per hour worked rises somewhat over time, giving rise to a standard improvement. This improvement can be viewed as the effect of quality improvements in inputs and reflects general technological progress. Such quality improvements may be difficult to avoid incorporating into operations, since it becomes increasingly difficult to replace a worn-out input with a new one of unchanged standard.

Public expenditure can, however, also be projected under the assumption that the cost share remains constant in constant prices rather than in current prices. In that case, no trend standard improvement arises.[39] The quantity of inputs in volume terms then grows at the same rate as hours worked, instead of rising over time (see figure 35). Since technological progress makes it difficult to find "old" products, the practical implication is that physical volumes would in reality have to be reduced in order to keep the standard unchanged in an absolute sense.

Without standard improvement, government consumption and primary expenditure become substantially lower over time (see figure 36). Primary revenues are only marginally affected by the assumption about cost shares, since household consumption becomes somewhat higher when government consumption is lower (see figure 31). Primary net lending therefore improves almost one-for-one with the lower expenditure in the scenario without standard improvement (see figure 37). This in turn strengthens the net financial position, which then rises from the mid-2030s onwards (see figure 38).

Figure 37 Primary Net Lending

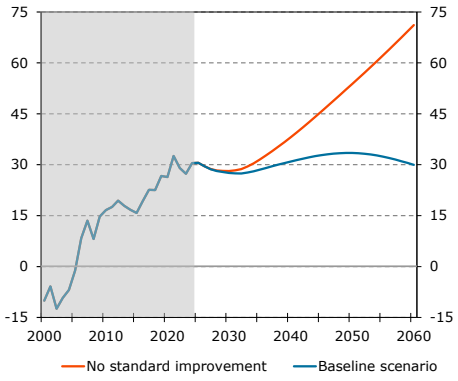
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 38 Net Financial Position

Per cent of GDP



Sources: Statistics Sweden and NIER.

[38] See also the description in the National Institute of Economic Research (2025a).

[39] This corresponds to the assumption made by the government in the long-term sustainability calculations typically presented in the Spring Fiscal Policy Bills; see Section 9.2 in the Swedish Fiscal Policy Council (2025).

THE ACCELERATOR IN THE PENSION SYSTEM

During 2025, the parliamentary Pension Group agreed to introduce an accelerator mechanism in the pension system. Like the existing brake, the proposed accelerator is based on the so-called balance ratio and is activated when the balance ratio reaches 1.15 (see margin box "The Balance Ratio Describes the Relationship Between the Pension System's Assets and Liabilities"). In earlier long-term projections of public finances, the National Institute of Economic Research had already assumed an accelerator in the pension system for technical reasons, even though no such decision had yet been taken (see chapter "Revision Compared to the Previous Report"). Without an accelerator, both net lending and the net financial position in the old-age pension system would continue to rise over time (see figure 39 and figure 40).[40]

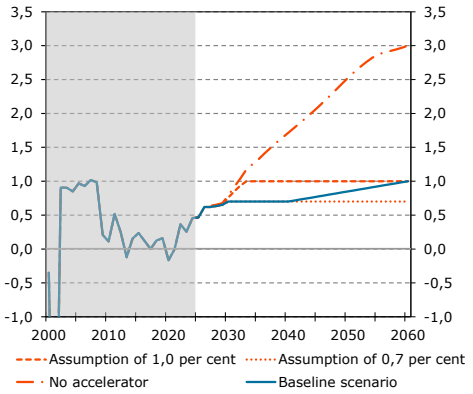
In the baseline scenario, net lending in the old-age pension system is assumed to stabilise as a result of the accelerator, initially at 0.7 per cent of GDP up to 2040 and thereafter gradually increasing to 1.0 per cent of GDP in the longer term (see figure 39).[41]

In the background material for the proposal to introduce an accelerator in the pension system, financial net lending in the old-age pension system is estimated to average 0.7 per cent of GDP up to 2050, with the accelerator being activated at a balance ratio of 1.15.[42] In the National Institute of Economic Research's analytical material prepared for the review of the surplus target, financial net lending in the old-age pension system under an accelerator was instead assumed to amount to 1.0 per cent of GDP, based on the fact that saving in the sector has historically reached this level at most. [43]

Since it is uncertain what level of net lending an accelerator would generate, two alternative scenarios are presented: one in which savings in the pension system are higher than in the baseline scenario, and one in which they are lower. In the scenario with higher savings, the accelerator is assumed to generate net lending of 1.0 per cent of GDP throughout the period (see figure 39). In the scenario with lower savings, net lending is assumed to remain at 0.7 per cent of GDP and not to increase over time as in the baseline scenario. In the higher-savings scenario, income pension payments are lower, and vice versa in the lower-savings scenario.[44]

Figure 39 Net Lending in Old-Age Pension System

Per cent of GDP

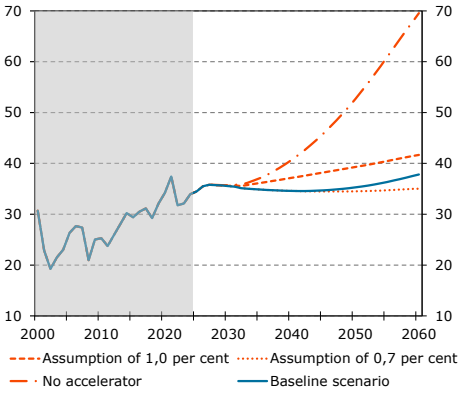


Note. Financial net lending in 2001 amounted to −4.95 per cent of GDP, reflecting one of three one-off transfers made to the central government in the years around the turn of the millennium.

Sources: Statistics Sweden and NIER.

Figure 40 Net Financial Position

Per cent of GDP



Sources: Statistics Sweden and NIER.

[40] See the discussion in the National Institute of Economic Research (2025a).

[41] In previous reports, the National Institute of Economic Research assumed that the accelerator stabilised the net financial position of the old-age pension system (the buffer fund) at a given level; see the chapter "Revision Compared with the Previous Report".

[42] See the Ministry of Health and Social Affairs (2025).

[43] See the National Institute of Economic Research (2024c).

[44] It is assumed that effects on household disposable income from higher or lower pensions have no macroeconomic effects.

With higher savings, the net financial position in the old-age pension system is almost 4 per cent of GDP higher at the end of the projection horizon (see figure 40). With lower savings, the net financial position is just under 3 per cent of GDP lower. For the public sector as a whole, however, the effect is smaller because the effects on pensions also affect tax revenues. With higher savings, the net financial position of the public sector is just under 3 per cent of GDP higher, whereas with lower savings it is around 2 per cent of GDP lower (see figure 41).

Figure 41 General Government Net Lending and Net Financial Position

Per cent of GDP

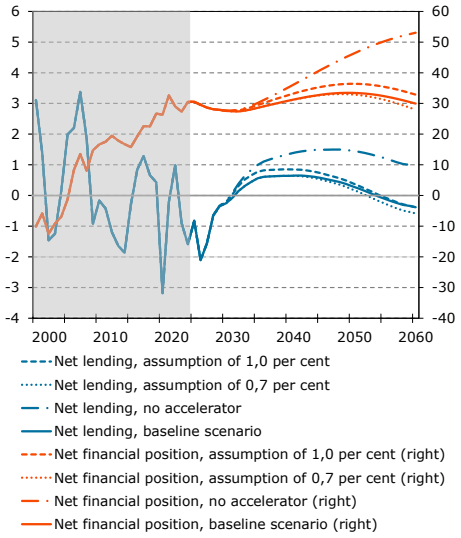
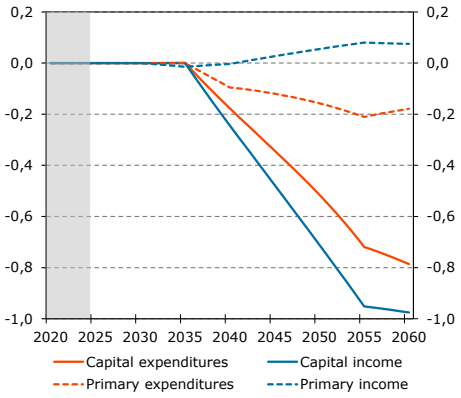


Figure 42 Historical Interest Rates and Returns, Deviation from the Baseline Scenario

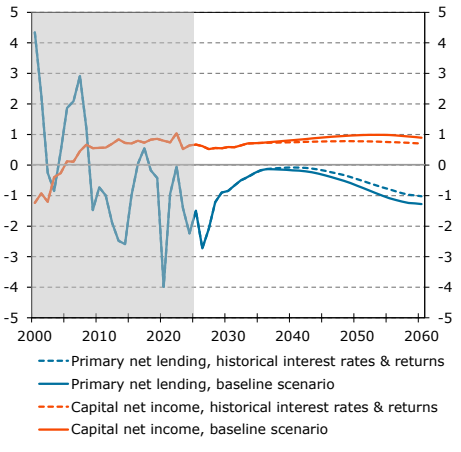
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 43 Primary Net Lending and Net Capital Income

Per cent of GDP



Sources: Statistics Sweden and NIER.

CHANGED ASSUMPTIONS ABOUT INTEREST RATES AND RETURNS

The calculations assume that implicit interest rates and implicit rates of return reach long-term equilibrium levels of 3.7 per cent by 2055.[45] However, there is considerable uncertainty about how interest rates and returns will develop over such a long horizon, which factors determine their level, and how those factors will evolve.[46] This section therefore presents projections in which interest rates and returns instead converge towards the historical average for 1996–2024, which, with one exception, is lower than 3.7 per cent, see table 2.

Under these alternative assumptions, both capital income and capital expenditure become lower, see figure 42. The effect on capital income is larger, which means that net capital income is initially somewhat lower (see figure 43). Primary net lending, however, strengthens over time as a result of the taxation of capital income, above all because capital tax after deductions, including mortgage-interest deductions, becomes higher.[47] This largely offsets the negative effects on the capital balance for the public sector, implying that the consequences for the net financial position are marginal (see figure 44). By contrast, there is an effect on Maastricht debt because net lending is affected differently in different parts of the public sector.[48]

[45] The equilibrium level is determined on the basis of assumed term premia and expectations regarding future short-term interest rates, based on expected returns on US 30-year government bonds; see the National Institute of Economic Research (2021, 2024a). Swedish government bonds with long maturities exist, but volumes are so small that estimates based on them are uncertain.

[46] See the National Institute of Economic Research (2024d) for a discussion of interest rate levels over a ten-year horizon.

[47] The explanation is that household interest expenditures decline, resulting in lower interest deductions and thus higher net capital tax revenues for the central government compared with the baseline scenario.

[48] Saving increases in the old-age pension system while it declines in central government and the local government sector, leading to higher total debt, as the old-age pension system in practice holds only assets according to the national accounts.

Table 2 Implicit Interest Rates and Returns

Per cent

	Level 2025	Average 1996–2024	Equilibrium level
Implicit interest rates on debt			
Central government	1.0	2.6	3.7
Local government sector	1.3	1.9	3.7
Households	2.7	2.6	3.7
Implicit interest rates on interest-bearing assets			
Central government	2.2	2.7	3.7
Old-age pension system	2.9	3.5	3.7
Local government sector	2.4	3.8	3.7
Households	2.4	2.5	3.7
Implicit returns on non-interest-bearing assets			
Central government	1.1	1.9	3.7
Old-age pension system	1.4	2.4	3.7
Local government sector	1.8	1.8	3.7
Households[1]	1.3	1.5	1.5

[1] For technical modelling reasons, households' equilibrium implicit return is lower than that of other sectors, as households are assumed—under the model assumptions—to simultaneously receive returns in the form of dividends from the corporate sector amounting to 1.0 per cent.

Note. The old-age pension system has a limited liability side; its implicit interest rate on debt is therefore excluded. Implicit interest rates refer to FISIM-adjusted interest rates according to the national accounts.

Sources: Statistics Sweden and NIER.

HOW IS THE SUSTAINABILITY ASSESSMENT AFFECTED?

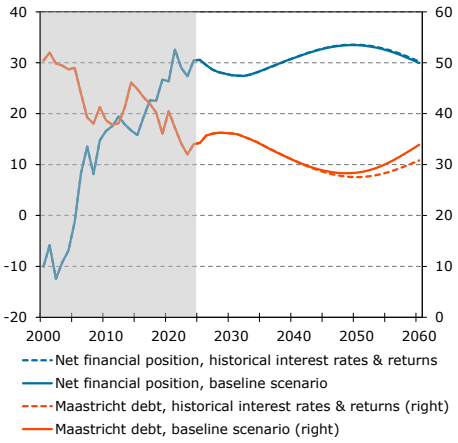
Taken together, the sensitivity analysis shows relatively small effects on public finances from those assumptions that are assessed in the report to be comparatively more uncertain. As regards the long-term levels of interest rates and returns, or the fiscal effects of the level of savings generated by an accelerator at a balance ratio of 1.15 in the pension system, developments remain close to the baseline scenario presented in the chapter "The Long-term Sustainability of Public Finances".[49] By contrast, the other assumptions give rise to more substantial effects (see figure 45 and figure 46). In the scenario without standard improvement, developments are clearly affected: the net financial position rises in a trend-like manner and Maastricht debt declines from the 2030s onwards.[50] In the scenarios with

[49] Relative to the calculations in the National Institute of Economic Research (2024c), where the effects of an accelerator in the pension system were presented under the assumption of a target for financial net lending in general government, fiscal effects are limited here.

[50] During the 2040s, Maastricht debt reaches 15 per cent of GDP but does not decline further, as central government debt has by then been eliminated and cannot fall further; instead, central government assets are built up. From that point onwards, Maastricht debt consists mainly of the consolidated gross debt of the local government sector.

Figure 44 Net Financial Position and Maastricht Debt

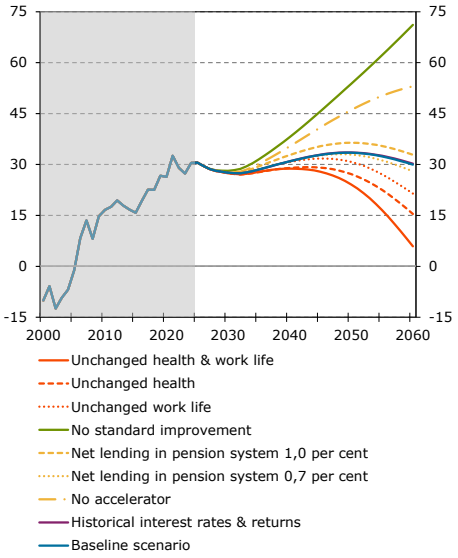
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 45 Net Financial Position

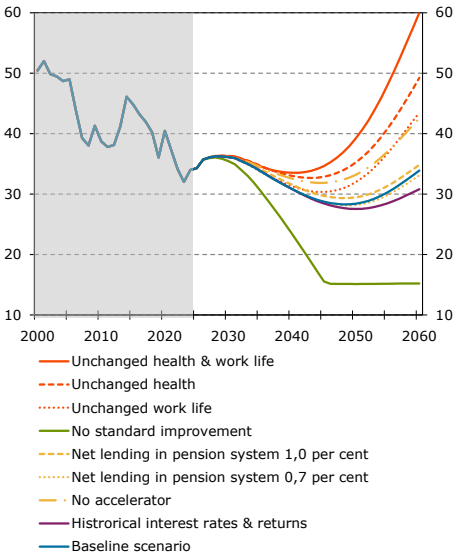
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 46 Maastricht Debt

Per cent of GDP



Sources: Statistics Sweden and NIER.

unchanged health and/or unchanged exit age, both the net financial position and Maastricht debt deteriorate markedly in the long term relative to the baseline scenario.

Revision Compared with the Previous Report

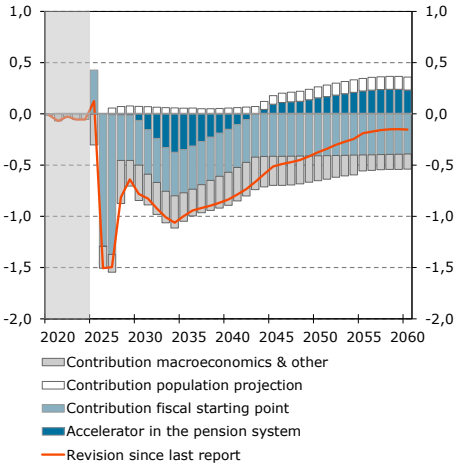
Compared with the previous Fiscal Sustainability Report, the assessment of primary net lending has been revised downwards over most of the projection period. The revision reflects changes in fiscal policy, updated demographic and macroeconomic assumptions, as well as methodological adjustments, including new assumptions regarding the functioning of the pension system. This chapter presents and analyses how these factors, individually and jointly, affect the projections of public finances.

Relative to last year's report, primary net lending has been revised down by between 0.2 and 1.5 percentage points of GDP over the period 2026–2060 (see figure 47). Several factors contribute to this development, including new policy measures in the Budget Bill for 2026, revisions to macroeconomic conditions, and methodological changes.

Below follows an in-depth analysis of the main drivers behind the revisions and their effects on public finances.[51]

Figure 47 Revision of Primary Net Lending

Per cent of GDP



Sources: Statistics Sweden and NIER.

THE FISCAL STARTING POINT

The fiscal starting point for the projections has been affected by fiscal policy conducted since the previous report. Since the Fiscal Sustainability Report 2025, there have been changes related to fiscal policy in 2025 (a temporary change in the subsidy rate for the ROT deduction), as well as the presentation of the 2026 Budget Bill. The 2026 Budget Bill weakens net lending by approximately SEK 80 billion in 2026, excluding defence build-up and support to Ukraine. These newly introduced measures affect the starting point for the projections compared with last year's report. Some revenue-side measures are temporary (the reduction in employer social security contributions for young people and the reduction in VAT on food), and this is taken into account in this year's projections.[52] When only permanent measures remain, the fiscal policy pursued implies a downward revision of primary financial net lending of approximately 0.4 percentage points of GDP from 2028 onwards (see the light-blue bars in figure 47).

Since the previous Fiscal Sustainability Report, the so-called Ukraine framework has been expanded and extended.[53] Funds

[51] This chapter primarily presents figures showing the difference between the baseline scenario in the current report and the main scenario in the previous report. Figure units are indicated for the compared series. For example, Figure 47 uses per cent of GDP because primary net lending is expressed as a share of GDP in both reports. The reported difference itself is not expressed as a share of GDP.

[52] See the special analysis "Budgetpropositionen för 2026" [in Swedish] in the National Institute of Economic Research (2025a).

[53] In the 2025 Spring Budget Bill, the government announced that the Ukraine framework for 2026 was increased by SEK 31.5 billion and extended until 2027 by an additional SEK 40 billion. In total, the Ukraine framework therefore amounts to SEK 75 + 31.5 + 40 = SEK 146.5 billion.

have also been reallocated from 2026 to 2025.[54] The Ukraine framework applies to the years 2024–2027 and is therefore a temporary measure; as such, it does not affect the revisions from 2028 onwards.

DEMOGRAPHY AND THE LABOUR MARKET

Since last year's Fiscal Sustainability Report, Statistics Sweden's population projection has been revised.[55] The revision implies that Sweden's population continues to grow, but at a somewhat slower pace than in previous projections (see table 3 and 4). Up to 2060, the population is expected to increase from approximately 10.6 million to just under 11.6 million.

The revision is modest in aggregate terms. The overall effect on primary financial net lending is small but positive (see the white bars in figure 47). The positive revision effect is most clearly visible in the revision of the economic dependency ratio, which is lower in this year's report. As a result, public finance developments become somewhat more favourable compared with the previous report.

Figure 48 presents the revision of the economic dependency ratio decomposed into the component driven by the new population projection (light-blue bars) and the component driven by other macroeconomic projection assumptions (dark-blue bars). From the mid-2030s onwards, the ratio is almost 0.02 lower than in last year's Fiscal Sustainability Report, reaching 0.97 in 2060 in this year's calculations.

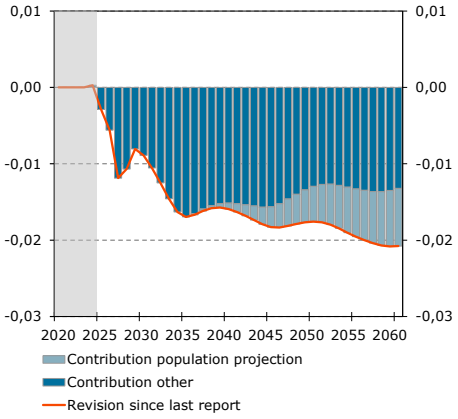
The economic dependency ratio relates the non-employed population to the employed population. In the new population projection, the share of people of working age (15–64) has been revised slightly downwards up to the 2030s, but revised upwards thereafter (see table 5). At the same time, the employment rate has been revised upwards in both the short and the long term, reflecting the outcome for 2024 according to the Labour Force Survey.

Taken together, the share of employed persons in the economy has therefore been revised upwards, leading to a downward revision of the economic dependency ratio. A higher employment share increases tax revenues relative to GDP and reduces pressure on transfer systems, thereby strengthening the primary net lending, particularly in the longer term.

The revision of the employment rate also affects the projection of total employment in the economy as a whole, not only the component driven by the revised population projection. This

Figure 48 Revision of Economic Dependency Ratio

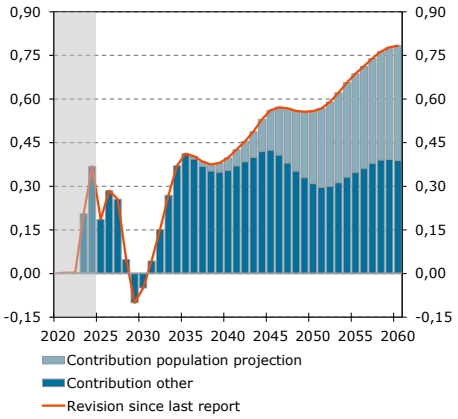
Ratio



Note. The ratio between the non-working population and the number of employed.
Sources: Statistics Sweden and NIER.

Figure 49 Revision of Hours Worked

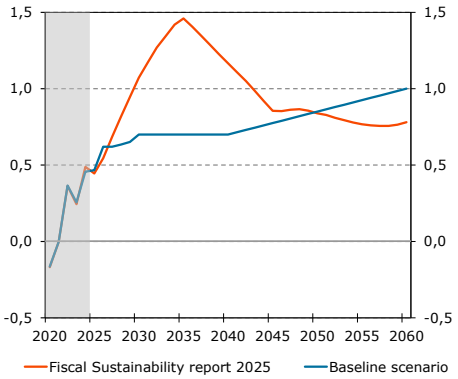
Revision in per cent



Sources: Statistics Sweden and NIER.

Figure 50 Net Lending in Old-Age Pension System

Per cent of GDP



Sources: Statistics Sweden and NIER.

[54] According to the government bill "Amending Budget for 2025 – Additional Support to Ukraine" (Bill 2024/25:146), SEK 16.5 billion is reallocated from 2026 to 2025.

[55] Each year, Statistics Sweden publishes a population projection for Sweden by age, sex and country of birth, with release in April. Every third year, a more comprehensive analysis is conducted, producing a main alternative and alternative projections. In intermediate years, follow-ups and revisions are made. A comprehensive projection was published in April 2024, while only minor revisions were made in April 2025. The April 2025 projection forms the basis for this year's calculations.

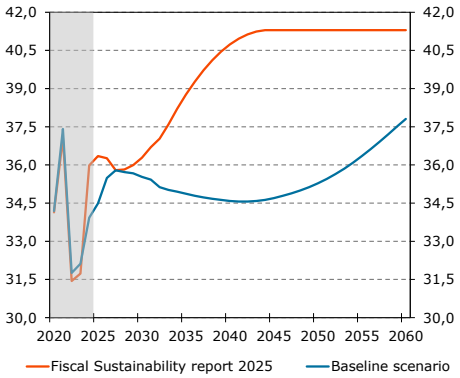
revision effect is reflected in the dark-blue bars in figure 48 and is larger than the effect stemming from the new population projection.

The number of hours worked is affected by the new population projection mainly after 2040 (see figure 49). In the near term, hours worked have been revised as a result of revisions to the macroeconomic scenario in the National Institute of Economic Research's medium-term forecast.

The share of the population outside working age—that is, children, young people and elderly individuals—has on balance been revised slightly upwards following the new population projection (see table 5). All else equal, this implies higher costs for preschool education, schools, healthcare and elderly care, and thus weaker public finances relative to GDP. These individuals are included in the numerator of the economic dependency ratio. However, the effect of the revised employment rate is substantially larger and offsets the effect of changes in age-group shares resulting from the new population projection.

Figure 51 Net Financial Position in Old-Age Pension System

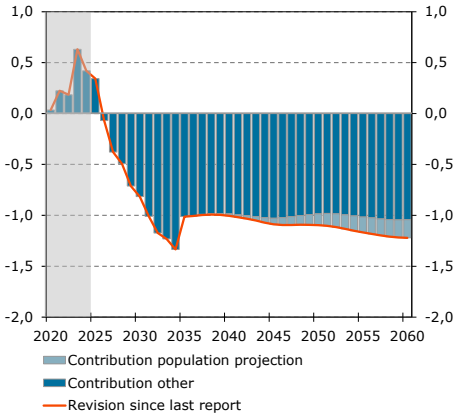
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 52 Revision of Household Consumption

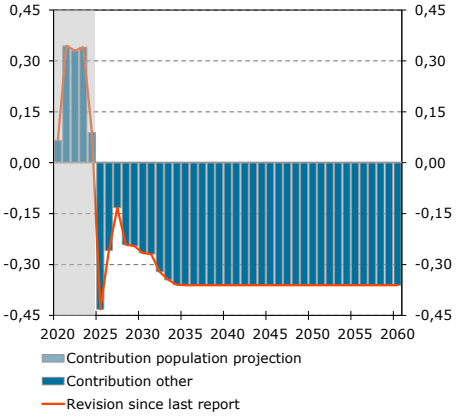
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 53 Revision of Wage Sum

Per cent of GDP



Sources: Statistics Sweden and NIER.

ACCELERATOR IN THE PENSION SYSTEM

Since the previous report, the parliamentary Pension Group has presented a proposal to introduce an accelerator in the pension system.[56] The National Institute of Economic Research has implemented this new mechanism based on an assessment of the level of financial net lending in the old-age pension system required for the balance ratio to be close to 1.15. In the near term, this assumption corresponds to financial net lending in the old-age pension system of 0.7 per cent of GDP. After 2040, higher net lending than in preceding years is assessed to be required due to demographic developments, and net lending is assumed to converge towards 1.0 per cent of GDP (see also the chapters "Long-term Sustainability of Public Finances" and "Sensitivity Analysis").

In previous Fiscal Sustainability Reports published by the National Institute of Economic Research, a different method was used, focusing on the level of the net financial position rather than the level of financial net lending.[57] Compared with the previous report, primary financial net lending in the old-age pension system is lower up to 2050 but higher thereafter (see figure 50). The net financial position is lower throughout the period (see figure 51).

[56] The National Institute of Economic Research has previously assumed an accelerator in long-term calculations, as the accumulation of assets in the old-age pension system would otherwise make the interpretation of public finance developments difficult, since the pension system would offset very large and growing deficits in central government and the local government sector. These assets cannot, under the current regulatory framework, be used for other public sector purposes but are earmarked for future pensions. See the discussion in the National Institute of Economic Research (2025a).

[57] In addition, the calculations were based on an accelerator as presented in the so-called UTÖ Inquiry, where the balance-ratio threshold was proposed to be 1.10; see SOU 2004:105 *Distribution of Surpluses in the Income Pension System*.

As the pension system constitutes a significant part of public finances, changes in its governance mechanisms affect financial net lending. The revision relative to the previous report is shown in the dark-blue bars in figure 47.

MACROECONOMIC VARIABLES AND TAX BASES

Revisions to GDP and its composition result in relatively small revision effects on public finances on this occasion (see the grey bars in figure 47). The effect amounts to approximately 0.3 percentage points of GDP in the near term and diminishes over time.

Compared with last year's report, household consumption as a share of GDP has been revised downwards (see figure 52 and table 6). This reflects the defence build-up, which increases government consumption as a share of GDP and is assumed to partly crowd out household consumption as a share of GDP. As household consumption constitutes an important tax base, this downward revision leads to lower central government revenues, as VAT and excise duties decline as a share of GDP.

Another important tax base, the total wage sum, has also been revised downwards as a share of GDP (see figure 53 and table 6). This results in lower income taxes and employer social security contributions as a share of GDP. The downward revision follows from adjustments to the assumption regarding the profit share in the medium term, which has been reviewed since the previous report.[58]

GDP in current prices has been revised upwards in this year's report compared with the previous report, mainly due to a higher GDP deflator at the starting point (see figure 54), and in the longer term also due to higher productivity. An upward revision of GDP in current prices implies that ratios expressed relative to GDP—such as debt and net lending—become lower, even if nominal levels remain unchanged or increase.

MAASTRICHT DEBT AND THE NET FINANCIAL POSITION

The combined effects of the factors described above imply that both primary and financial net lending have been revised downwards (see figure 55). Lower financial net lending implies a larger borrowing requirement for the public sector, which in turn leads to higher Maastricht debt as a share of GDP and a lower net financial position compared with the previous report (see figure 56).[59]

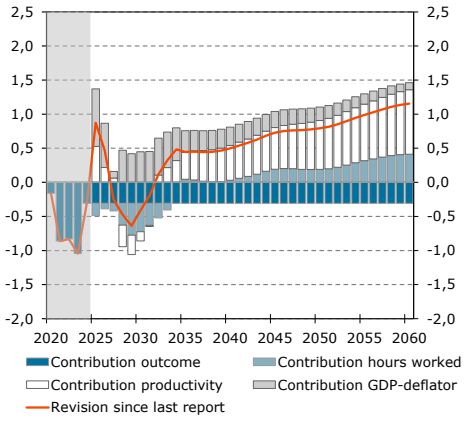
As a result, net capital income has deteriorated relative to the previous report, reflecting higher indebtedness in central government and lower assets in the old-age pension system (see table 7). In addition, market interest rates have been revised upwards

[58] Gross operating surplus is taxed at a lower rate than the wage bill, implying lower tax revenues as a share of GDP.

[59] This implies that public finances in the current report are more sensitive to interest rate changes than in the previous report.

Figure 54 Revision of GDP in Current Prices

Revision in per cent

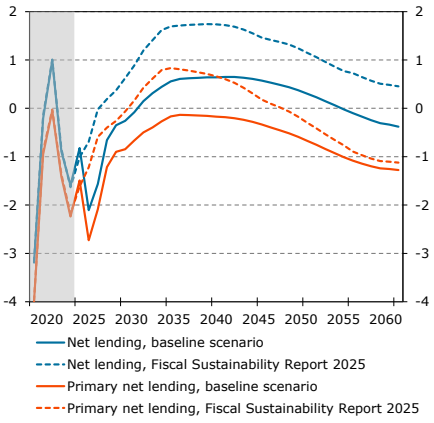


Note. The red line shows the difference in GDP at current prices compared with the previous report, expressed in per cent. The contributions are calculated approximately. "Outcome contribution" refers to the difference up to and including 2024 and is held constant thereafter. The remaining contributions are calculated on the basis of the growth rates of the respective variables after 2024.

Sources: Statistics Sweden and NIER.

Figure 55 Net Lending and Primary Net Lending

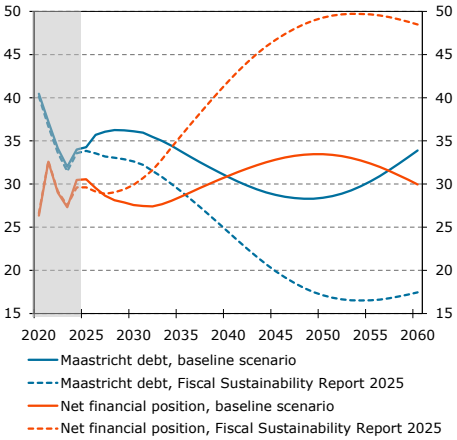
Per cent of GDP



Sources: Statistics Sweden and NIER.

Figure 56 Maastricht Debt and Net Financial Position

Per cent of GDP



Sources: Statistics Sweden and NIER.

in the short and medium term (see table 8), further increasing the public sector's interest expenditures and thereby negatively affecting financial net lending.

Table 3 Macroeconomic Variables and Revisions

Percentage unless otherwise stated

	2024	2025	2026	2030	2050	2060
Population[1]	10 570	10 600	10 602	10 662	11 303	11 576
Labour Force Participation[2]	74.8	75.2	75.5	75.7	78.4	77.3
Employment Rate[2]	68.6	68.5	69.1	70.4	73.4	72.4
Average Hours Worked[3]	31.6	31.4	31.5	31.5	31.4	31.3
Hourly Wage[4]	306.2	316.3	326.5	370.8	748.2	1 065.4
GDP in Current Prices[5]	6 387	6 580	6 860	8 007	17 286	24 650
GDP in Current Prices per Capita[6]	604	621	647	751	1 529	2 129
Revision						
Population	0.0	0.0	–0.1	–0.4	–0.3	–0.2
Labour Force Participation[7]	0.0	0.4	0.5	0.3	0.4	0.5
Employment Rate[7]	0.0	0.1	0.2	0.4	0.7	0.7
Average Hours Worked	0.4	0.0	0.1	–0.1	0.0	0.0
Hourly Wage	–0.6	–0.7	–0.9	–1.4	–1.1	–0.9
GDP in Current Prices	–0.3	0.9	0.5	–0.4	0.8	1.2
GDP in Current Prices per Capita	–0.3	0.8	0.6	0.0	1.1	1.4

[1] Thousands, annual average. [2] Percentage of the total population (not the AKU population) in the age group 15–74 years. [3] Hours per week, approximately. [4] Swedish kronor (SEK). [5] Billions of SEK. [6] Thousands of SEK. [7] Percentage points.

Note. The revision refers to the current baseline scenario minus the main scenario in the Fiscal Sustainability Report 2025. For labour force participation and the employment rate, the revision is shown in percentage points. For all other variables, the revision is shown as a percentage of the level in the Fiscal Sustainability Report 2025. A positive figure indicates an upward revision. Example*:* The population level in 2060 has been revised downwards by 0.2 per cent. The employment rate has been revised upwards by 0.7 percentage points in 2060. Average hours worked refer to calendar-adjusted total hours worked in the entire economy according to the national accounts, divided by employment according to the Labour Force Survey (AKU), approximately converted to hours per week (52 weeks per year).

Sources: Statistics Sweden and NIER.

Table 4 Macroeconomic Developments and Revisions

Average percentage change and difference in percentage points

	1994–2024	2025–2029	2030–2049	2050–2060
Population	0.6	0.1	0.3	0.2
Labour Force (15–74 Years)	0.8	0.4	0.3	0.1
Employment (15–74 Years)	0.9	0.7	0.3	0.1
Hours Worked[1]	0.9	0.7	0.3	0.0
Hourly Wage[1,2]	3.4	3.2	3.6	3.6
Wage Bill	4.5	3.9	3.9	3.6
CPI	1.8	1.8	2.1	2.0
Productivity[1]	1.4	1.3	1.3	1.3
GDP at Constant Prices[1]	2.3	1.9	1.7	1.3
GDP at Constant Prices per Capita[1]	1.7	1.8	1.4	1.1
GDP at Current Prices	4.5	3.8	3.9	3.6
GDP Deflator	2.1	1.9	2.2	2.3
Household Consumption at Constant Prices per Capita[1]	1.6	1.9	1.7	1.5
Revideringar				
Population	0.0	–0.1	0.0	0.0
Labour Force (15–74 Years)	0.0	0.0	0.0	0.0
Employment (15–74 Years)	0.0	0.0	0.0	0.0
Hours Worked[1]	0.0	–0.1	0.0	0.0
Hourly Wage[1,2]	0.0	–0.2	0.0	0.0
Wage Bill	0.0	–0.2	0.1	0.0
CPI	0.0	0.1	0.0	0.0
Productivity[1]	0.0	–0.1	0.0	0.0
GDP at Constant Prices[1]	0.0	–0.2	0.1	0.0
GDP at Constant Prices per Capita[1]	0.0	–0.1	0.1	0.0
GDP at Current Prices	0.0	–0.1	0.1	0.0
GDP Deflator	0.0	0.1	0.0	0.0
Household Consumption at Constant Prices per Capita[1]	0.0	–0.6	0.0	0.0

[1] Calendar-adjusted values. [2] According to national accounts.

Note: Revisions refer to the current average development minus the average development in the main scenario of the Fiscal Sustainability Report 2025. A positive value indicates an upward revision. Productivity refers to GDP at constant prices per hour worked.

Sources: Statistics Sweden and NIER.

Table 5 Demography and Revisions

Percentage of the population and percentage points.

	2024	2025	2026	2030	2050	2060
0 - 4 years	5.2	5.0	4.9	4.6	5.2	4.8
5 - 14 years	11.8	11.6	11.5	10.7	10.3	10.3
15 - 69 years	67.5	67.6	67.7	68.0	65.3	64.3
70 - 79 years	9.6	9.5	9.4	9.1	9.9	10.5
80 years and older	6.0	6.3	6.6	7.5	9.4	10.1
Revision						
0 - 4 years	0.0	0.0	0.0	0.0	0.0	0.0
5 - 14 years	0.0	0.0	0.0	0.0	0.0	0.0
15 - 69 years	0.0	0.0	–0.1	–0.1	0.0	0.1
70 - 79 years	0.0	0.0	0.0	0.0	0.0	–0.1
80 years and older	0.0	0.0	0.0	0.1	0.0	0.0

Note: The revision refers to the current percentage minus the percentage in the main scenario of the Fiscal Sustainability Report 2025. A positive value indicates an upward revision.

Source: Statistics Sweden.

Table 6 Final Use, Imports, Wages and Revisions

Percentage of final use/supply or GDP and percentage points at current prices.

	2024	2025	2026	2030	2050	2060
Government Consumption	17.5	17.4	17.8	17.7	17.8	18.5
Household Consumption	29.9	30.3	30.3	30.8	31.3	31.9
Gross Investments	16.7	16.7	16.7	16.7	15.7	15.6
Exports	35.9	35.6	35.2	34.9	35.1	34.1
Imports	34.0	33.8	33.5	33.4	33.4	33.1
Wage Bill’s Share of GDP	39.4	39.5	39.7	39.7	39.5	39.5
Revision						
Government Consumption	–0.2	–0.2	0.0	–0.2	–0.1	–0.1
Household Consumption	0.1	0.2	–0.2	–1.1	–1.2	–1.3
Gross Investments	0.4	0.6	0.4	0.0	0.2	0.2
Exports	–0.3	–0.5	–0.2	1.3	1.1	1.3
Imports	0.4	0.1	0.3	1.2	1.0	1.0
Wage Bill’s Share of GDP	0.1	–0.4	–0.3	–0.3	–0.4	–0.4

Note: All variables, except for the total wage sum, refer to a percentage of final use/total supply, which is the same as GDP plus imports. The revision is the current percentage minus the percentage in the main scenario of the Fiscal Sustainability Report 2025. A positive value indicates an upward revision.

Sources: Statistics Sweden and NIER.

Table 7 Public Finance Variables and Revisions

Percentage of GDP and percentage points.

	2024	2025	2026	2030	2050	2060
Primary Income	46.2	46.0	45.5	46.6	46.8	47.1
Primary Expenditure	48.4	47.5	48.3	47.4	47.5	48.4
Consumption	26.5	26.3	26.7	26.5	26.8	27.6
Investments	5.7	5.5	5.7	5.9	5.7	5.8
Transfers	16.2	15.7	15.9	15.0	15.0	14.9
Primary Net Lending	–2.2	–1.5	–2.7	–0.8	–0.7	–1.3
Net Capital Income	0.6	0.7	0.6	0.6	1.0	0.9
Net Lending	–1.6	–0.8	–2.1	–0.3	0.3	–0.4
Net Financial Position	30.5	30.6	29.5	27.6	33.5	29.9
Maastricht Debt	34.0	34.3	35.7	36.1	28.4	33.9
Revision						
Primary Income	0.1	–0.2	–0.8	0.0	–0.2	–0.2
Primary Expenditure	0.2	–0.4	0.8	0.8	0.2	–0.1
Consumption	–0.1	–0.3	0.1	0.1	0.3	0.2
Investments	0.3	0.0	0.3	0.6	0.4	0.4
Transfers	–0.1	–0.1	0.3	0.0	–0.5	–0.7
Primary Net Lending	–0.1	0.1	–1.5	–0.8	–0.4	–0.2
Net Capital Income	0.1	0.1	0.1	–0.1	–0.5	–0.7
Net Lending	0.0	0.2	–1.4	–0.9	–0.8	–0.8
Net Financial Position	0.8	0.9	0.4	–2.3	–15.8	–18.5
Maastricht Debt	0.4	0.4	2.1	3.5	11.3	16.4

Note: The revision refers to the current percentage minus the percentage in the main scenario of the Fiscal Sustainability Report 2025. A positive value indicates an upward revision. Investments refer to gross fixed investments, inventory investments, and purchases of fixed assets from other sectors of the economy.

Sources: Statistics Sweden and NIER.

Table 8 Interest Rate Assumptions and Revisions Compared with the Previous Report

Percentage points

	2024	2025	2026	2030	2050	2060
10-year bond	2.20	2.47	2.88	3.14	4.00	4.30
5-year bond	2.12	2.16	2.61	2.97	3.73	4.00
Treasury bill	3.47	2.12	1.85	2.80	3.41	3.70
Revision						
10-year bond	0.01	0.38	0.56	0.13	–0.01	0.00
5-year bond	0.01	0.24	0.41	0.13	–0.01	0.00
Treasury bill	–0.01	0.39	0.30	0.25	–0.01	0.00

Note: The revision refers to the current interest rate minus the interest rate in the main scenario of the Fiscal Sustainability Report 2025. A positive value indicates an upward revision.

Sources: The Riksbank. Macrobond and NIER.

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Appendix: Alternative Scenarios and In-depth Analyses in Previous Reports

Table 9 Reports with Alternative Scenarios and In-depth Analyses

	Scenario
Hållbarhetsrapport 2016[1,2]	Increased refugee immigration
Hållbarhetsrapport 2017[1,2]	Lower interest rates
Hållbarhetsrapport 2018[1,2]	Higher/lower equilibrium unemployment
Hållbarhetsrapport 2019[1,2]	Higher risk premium on public borrowing, international comparison, dynamic effects of tax changes, comparison with previous calculations
Hållbarhetsrapport 2020[1,2]	Higher wages in the welfare sector, analysis using MIMER of higher taxes or lower transfers
Hållbarhetsrapport 2021[1,2]	Interest rate and rate-of-return assumptions used in previous years
Hållbarhetsrapport 2022[1,2]	Higher relative wages in the local government sector
See background report for the Long-term survey 2023	
Hållbarhetsrapport 2024[1,2]	Low interest rates, different composition of tax bases, weak resource utilisation, comparison with previous years' sustainability calculations
Fiscal sustainability report 2025[2,3]	The previous population projection, constant age structure, decomposed comparison with the previous sustainability report
Specialstudie: Konsekvenser av att införa ett balansmål för finansiellt sparande i offentlig sektor 2015	Net lending target, standard improvement, different GDP composition during an economic downturn
Specialstudie: Rapportering till Kommittén om översyn av målet för det finansiella sparandet 2016	Scenarios for different net lending targets, rate-of-return assumptions
Background report for the Swedish Fiscal Policy Council 2020	Higher unemployment, higher wages in the welfare sector, lower productivity and higher wages
Background report for the Swedish Fiscal Policy Council 2022	Lower labour supply
Background report for the Swedish Fiscal Policy Council 2023	Different interest rate environments and net lending targets
Background report for the Committee for the Review of the Net Lending Target in the General Government Sector 2024	Scenarios for different net lending targets, the accelerator in the pension system

Note: Reports and in-depth analyses in Swedish if not stated.

[1] The report also included a number of standard scenarios: no standard improvement, unchanged health status and exit age, and scenarios in which the surplus target and the balanced-budget target, respectively, are met every year. [2] The report also included a scenario assuming no accelerator in the old-age pension system. [3] In English.

Source: NIER.

Appendix: Long-term Developments and Public Sector Sub-sectors

Table 10 Central Government Finances in the Baseline Scenario

Per cent of GDP

	2025	2030	2035	2040	2050	2060	2070	2080	2090	2100
Primary Income	23.7	24.1	24.2	24.1	24.1	24.2	24.2	24.4	24.5	24.4
Primary Expenditure	24.8	24.6	23.9	23.8	24.4	25.2	25.3	26.0	26.1	25.7
Of Which: Local Government Sector Transfers	4.5	4.0	3.7	3.6	4.0	4.7	4.6	5.1	5.2	4.8
Primary Net Lending	–1.0	–0.5	0.3	0.3	–0.3	–1.0	–1.0	–1.7	–1.6	–1.3
Net Capital Income	0.1	–0.1	–0.1	0.0	0.1	–0.1	–0.4	–0.8	–1.5	–2.0
Net Lending	–0.9	–0.7	0.2	0.2	–0.2	–1.1	–1.4	–2.5	–3.1	–3.3
Net Financial Position	1.8	–2.2	–0.3	2.7	5.1	–0.4	–8.8	–21.6	–38.8	–52.3
Maastricht Debt	20.7	22.7	20.2	17.0	14.0	18.8	26.2	38.0	54.2	66.6

Source: NIER.

Table 11 Local Government Finances in the Baseline Scenario

Per cent of GDP

	2025	2030	2035	2040	2050	2060	2070	2080	2090	2100
Primary Income	22.9	22.6	22.3	22.3	22.9	23.7	23.6	24.3	24.4	24.0
Of Which: Local Government Sector Transfers	4.5	4.0	3.7	3.6	4.0	4.7	4.6	5.1	5.2	4.8
Primary Expenditure	23.1	22.7	22.4	22.4	22.8	23.5	23.4	24.1	24.2	23.8
Primary Net Lending	–0.3	–0.2	–0.1	–0.1	0.1	0.2	0.2	0.2	0.2	0.2
Net Capital Income	–0.1	–0.1	–0.2	–0.2	–0.4	–0.5	–0.5	–0.5	–0.5	–0.5
Net Lending	–0.4	–0.3	–0.3	–0.3	–0.3	–0.3	–0.3	–0.3	–0.3	–0.3
Net Financial Position	–5.8	–5.7	–6.1	–6.4	–6.9	–7.4	–7.7	–7.9	–8.1	–8.1
Maastricht Debt	13.9	13.6	13.7	14.0	14.5	15.2	15.3	15.8	15.9	15.7

Source: NIER.

Table 12 Old Age Pension System Finances in the Baseline Scenario

Per cent of GDP

	2025	2030	2035	2040	2050	2060	2070	2080	2090	2100
Primary Income	5.7	5.8	5.7	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Primary Expenditure	5.9	5.9	6.1	6.1	6.2	6.2	6.3	6.4	6.5	6.5
Primary Net Lending	–0.2	–0.1	–0.3	–0.4	–0.4	–0.5	–0.5	–0.6	–0.7	–0.7
Net Capital Income	0.7	0.8	1.0	1.1	1.3	1.5	1.5	1.6	1.7	1.7
Net Lending	0.5	0.7	0.7	0.7	0.9	1.0	1.0	1.0	1.0	1.0
Net Financial Position	34.5	35.5	34.9	34.6	35.3	37.8	40.0	42.1	43.7	44.3
Maastricht Debt	–0.3	–0.2	–0.2	–0.1	–0.1	–0.1	0.0	0.0	0.0	0.0

Source: NIER.

Table 13 General Government Finances in the Baseline Scenario

Per cent of GDP

	2025	2030	2035	2040	2050	2060	2070	2080	2090	2100
Primary Income	46.0	46.6	46.8	46.7	46.8	47.1	47.2	47.4	47.6	47.4
Taxes and Duties	41.0	41.7	41.8	41.8	41.9	42.1	42.2	42.3	42.5	42.3
Primary Expenditure	47.5	47.4	46.9	46.9	47.5	48.4	48.6	49.5	49.7	49.2
Consumption	26.3	26.5	26.3	26.3	26.8	27.6	27.6	28.3	28.5	28.1
Income Pensions	5.8	5.8	5.9	6.0	6.1	6.1	6.2	6.3	6.3	6.3
Transfers (Excluding Income Pensions)	6.1	5.5	5.3	5.2	5.3	5.2	5.3	5.3	5.3	5.3
Investments	5.5	5.9	5.7	5.7	5.8	5.9	5.9	6.0	6.0	5.9
Primary Net Lending	–1.5	–0.8	–0.2	–0.2	–0.7	–1.3	–1.4	–2.1	–2.1	–1.8
Net Capital Income	0.7	0.6	0.7	0.8	1.0	0.9	0.7	0.3	–0.3	–0.8
Net Lending	–0.8	–0.3	0.6	0.6	0.3	–0.4	–0.7	–1.8	–2.4	–2.6
Net Financial Position	30.6	27.6	28.5	30.9	33.5	29.9	23.5	12.5	–3.2	–16.0
Maastricht Debt	34.3	36.1	33.8	30.8	28.4	33.9	41.4	53.7	70.1	82.3

Source: NIER.

Table 14 The S2 Indicator and Components

	S2	Interest on initial net debt	Effect of primary deficits until 2100	Effect of primary deficits after 2100
Baseline scenario	1.83	–0.01	0.03	1.81
Financing option 1	2.55	–0.01	0.04	2.52
Financing option 2	2.31	–0.01	0.04	2.28
Financing option 3	1.86	–0.01	0.03	1.83
Previous report	1.71	–0.01	0.02	1.70

Note: The S2 indicator in the second column is the sum of columns three to five. The S2 indicator indicates the permanent adjustment to primary savings required today to stabilize the financial net position at some point in the future. An S2 indicator of, for example, 1.0 means that primary financial savings need to be permanently increased by 1.0% of GDP.

Source: NIER.