

## 3 Guidelines for economic and budget policy

### 3.1 Policy positions

This Bill is being presented in unsettling times with war in our neighbouring area, the energy markets in Europe under strain, and the highest inflation in Sweden in over 30 years. High inflation is the number-one enemy of wage and salary earners, as it leads to a decrease in real wages and the value of savings. It is important that it does not become entrenched at a high level. In addition, high indebtedness and a high proportion of variable-rate mortgages make Swedish households and businesses particularly sensitive to the rapidly rising interest rates that accompany inflation. Sweden's economy is also entering a recession, with high unemployment compared to other European countries.

In this environment, the Swedish Government's priority is to protect particularly vulnerable households from the rising prices, to implement measures to combat high unemployment, and to tackle high inflation by improving the conditions for competition. The work-first principle (*Arbetslinjen*) is to be re-established and structural reforms implemented to boost growth. At the same time, the Government is making reforms to solve the societal problems that have afflicted Sweden for a long time.

#### A plan to address the big economic challenges

The Government intends to address the challenging economic environment with a three-part plan:

- tackle inflation and support vulnerable households
- re-establish the work-first principle
- implement structural reforms to boost growth.

#### Tackle inflation and support vulnerable households

Fiscal policy has an important role to play in securing prosperity in Sweden, for example by laying the foundations for a strong economic growth, a fair distribution of resources, and an efficient public sector. However, given the challenging economic environment in Sweden, tackling inflation needs to be a central priority for economic policy as a whole at present, i.e. for both fiscal policy and monetary policy.

Inflation began to rise in autumn 2021 as a result of rapidly increasing energy prices. At the same time, demand was recovering after the pandemic, which, combined with Russia's full-scale invasion of Ukraine, amplified the increase of prices. In 2022, price increases have spread to other goods and services, which is reflected in the high underlying inflation rate, and prices have continued to rise in 2023. Since inflation has now been high for a long period of time, there is a risk that long-term inflation expectations will rise and that high inflation will become entrenched. If these expectations, which fell in the early part of 2023 and approached the inflation target of 2%, should rise again, tight economic policy will be needed for a longer period to bring inflation down. This would entail significant costs for households and the

community as a whole. The situation in which Sweden finds itself therefore calls for prudence.

There is a broad responsibility on many actors to prevent high inflation from having a lasting impact on pricing and wage formation. The Riksbank has the task of utilising monetary policy to maintain permanently low and stable inflation, but the whole of society needs to take responsibility for tackling inflation.

The Government is taking its responsibility by continuing to pursue fiscal restraint while providing support primarily to vulnerable households. Regulations that drive up costs are being reformed, for example, the greenhouse gas reduction mandate will be lowered from 1 January 2024. The social partners are responsible for ensuring that the wage bargaining rounds do not spur inflation. Businesses are responsible for not increasing prices without justification. Those actors who make light of the risks associated with high inflation jeopardise the prosperity of Sweden's people.

Lack of competition in some industries risks exacerbating the price increases. Well-functioning markets, often those with multiple actors, are fundamental to countering price increases. The Government therefore wants to strengthen the price monitoring in the Swedish economy, with a particular focus on markets where there is a lack of competition. In light of this, it is important that the relevant authorities, in particular the Swedish Competition Authority (SCA), have the conditions necessary to provide effective competition oversight in industries exhibiting high price increases. It is therefore proposed in the Spring Amending Budget (Govt Bill 2022/23:99) that funds be allocated for this purpose. Furthermore, the SCA needs additional tools to ensure effective competition, and the Government intends to return to this issue. The Government also intends to task the SCA and the National Institute of Economic Research (NIER) with analysing the competitive situation in the non-durables sector and other sectors exhibiting large price increases, as well as how prices have increased in relation to costs.

Food prices have risen rapidly as a result of the increased costs of inputs such as electricity and fuel, and distribution disruptions associated with the war in Ukraine. Inflation means that consumers choose less expensive alternatives, which risks worsening the competitive situation for Swedish food production, which mainly competes on the basis of high quality and good animal husbandry. The Government intends to maintain a tax reduction on diesel for agriculture and forestry at the EU's minimum levels of taxation in 2024 and 2025.

In order to strengthen consumer power, the Government is proposing additional funding to the National Board for Consumer Disputes (NBCD) and increased support for civil society consumer organisations. The aim is to enable consumers to have their disputes with business operators reviewed faster, and to enable interventions to support financially constrained consumers.

The Government cannot and should not compensate all price increases that are currently occurring, but specific measures should be implemented to support Swedish households. This is essential for Sweden to be able to get through the difficult situation in which we find ourselves. In 2023, approximately SEK 27 billion in electricity subsidies will be paid out to support households. An average owner of a single-family dwelling with electric heating will receive an electricity subsidy of between SEK 4 500 and SEK 19 000, depending on the electricity bidding zone. In addition, it is proposed that the housing allowance supplement be extended further until December 2023 and increased. Boosting the housing allowance means that a single person with two children on average will receive SEK 1 100 more per month in housing allowance between July and December 2023. The increase in the housing

allowance is an important reform to temporarily protect financially constrained families with children from the substantial price increases.

As a result of the high inflation rate, in particular the rising food prices, civil society is seeing increased need among those seeking help. The Government is therefore launching a specific initiative during 2023 targeting civil society organisations and faith-based organisations that carry out activities aimed at people in socially vulnerable situations.

In addition to this, the national guarantee pension, various parts of sickness and activity compensation, parental benefits and certain other central government transfers as well as student finance will be uprated based on of price growth, which will strengthen households' disposable income by a further SEK 12 billion. In addition, households' economies will be strengthened by several of the measures in the 2023 Budget Bill (Govt Bill. 2022/23:1), for example, retained higher unemployment benefit, an enhanced earned income tax credit for older people, and a temporary reduction in energy tax on petrol and diesel. Businesses have also been hit by inflation, in particular by the high electricity prices. The Government will return some SEK 30 billion to businesses in 2023 to compensate them for high electricity prices. In addition, the Government has recently introduced a SEK 2.4 billion support scheme targeting those businesses hardest hit by high electricity prices.

These measures have two aims. One is to compensate for price increases in areas where political decisions have been driving up costs for a long time, such as the closing down of nuclear power plants and the greenhouse gas reduction mandate. The other is to target measures toward those who have been hardest hit by the price increases, for example by the high electricity prices during winter, which have been very challenging for Swedish households and businesses. The coming autumn and winter may again mean significantly higher prices than normal. The Government is prepared to deal with such a situation promptly if necessary, by proposing for example tax cuts, targeted support to financially vulnerable groups, and other similar support. However, the design of any future measures will always be balanced against the risk that overly expansionary measures may spur inflation further and exacerbate the structural problems in the Swedish labour market.

### **Re-establish the work-first principle and increase education opportunities**

While tackling inflation is a central task at present, fiscal policy has a broader mission to assure prosperity in Sweden. In parallel with tackling the acute problems in the economy, the Government therefore intends to implement a series of reforms to improve the functioning of the Swedish labour market. The work-first principle (Arbetslinjen) needs to be re-established.

For many years, Sweden has had high unemployment compared to other EU countries. A weakening of the work-first principle, a far too liberal integration policy and an excessively high rate of asylum immigration have taken their toll on the economy. This has also made it harder for people to earn their own living and become part of the community. That trend needs to be reversed. It is only if all who are able to contribute do so to the best of their ability that the Swedish welfare model can function and Sweden's prosperity can grow in the long term. Three areas are particularly important for Sweden to be able to re-establish the work-first principle: that it should always be worthwhile to work, that the activity requirements are tightened, and that the skills of the unemployed increase.

For it to be more worthwhile to work, the Government will propose that the tax on labour is further reduced once the economic situation permits. Such a tax reduction

increases incentives to work and leads to more hours worked in the economy. Increasing incentives to work is particularly important in a situation where most people receiving benefits and transfers are being compensated for the high inflation rate, while employees are seeing their purchasing power eroded. This means that the move from receiving benefits into employment is becoming less and less worthwhile. The need to reduce the tax on labour will therefore be particularly great in the coming years.

The Government also intends to implement a major reform of the benefits system, with the aim of increasing incentives for people to start working. For example, this entails introducing a benefit ceiling and increasing the requirements to qualify for Swedish welfare for those who have migrated to Sweden.

The recession has made apparent the structural problems that have existed for a long time in the Swedish labour market. One example is the problem of matching. Despite there being vacant jobs, unemployment is high, especially among foreign-born persons and those without secondary education. There is also a great need to reduce skills shortages in certain industries and to strengthen the capacity of individuals to transition to other employment. Unemployment is also expected to rise in the short term. In order to tackle the challenging economic situation, the Government proposes a comprehensive package of measures in the labour market and education areas in its Spring Amending Budget Bill for 2023. The Government proposes additional funding to strengthen the decision-making capacity of *Arbetsförmedlingen* (the Swedish public employment service). The Government also proposes that funds be made available to strengthen adult vocational education at upper secondary level and higher vocational education, so that access to vocational education and training is improved and more people can start working in less time. This means the equivalent of 7 400 more annual places in adult vocational education at upper secondary level, and 950 more annual places in higher vocational education in 2023. Being able to speak and write in Swedish is important for getting a job in Sweden. The Government therefore proposes additional funding to the municipalities so that persons with temporary protection visas, such as those in need of protection who have come to Sweden from Ukraine, can have access to municipal adult education in Swedish for immigrants (SFI). In addition to the proposals submitted in the 2023 Spring Amending Budget, the Government will also implement a summer jobs and jobs for young people initiative targeting municipalities with high unemployment.

### **Implement structural reforms to boost growth**

Sweden needs to transition from low to high growth. The conditions for entrepreneurship are lacking and the conditions for energy production have worsened with the closure of nuclear power plants, which among other things are constraints on Sweden's GDP growth. To increase productivity and growth, the Government is taking action in several areas. These measures aim to create the best possible conditions for competitive and innovative enterprise.

Taxes should be competitive, entrepreneurship and running a business should be encouraged, and the regulatory burden should be reduced. The Government is promoting growth through investments in research and development and an increased focus on learning outcomes in schools. In the short term, the housing market is being affected very negatively by rising interest rates. In the longer term, construction is being affected structurally by access to land for development, regulation, and the measures undertaken by the municipalities. The Government therefore intends to implement reforms to promote construction and to improve the functioning of the housing market.

During spring 2023, the Government will appoint a Productivity Commission to analyse impediments and opportunities to increasing productivity growth in the Swedish economy and to submit proposals to achieve this. The Government will continue to improve the conditions for competition, innovation, research and entrepreneurship. Work has begun to systematically reduce the administrative costs for businesses. Furthermore, the Government has extended the remit of the Inquiry analysing the tax rules for entrepreneurs, referred to as the 3:12 rules, to also include submitting proposals that will further promote entrepreneurship and facilitate transfers of ownership. Additional funding is also proposed for the ongoing development of the *verksam.se* website in order to facilitate contacts between businesses and the public sector, thereby reducing the administrative burden on businesses.

An inquiry will be appointed during the spring to simplify and shorten the application procedures for environmental permits under the Swedish Environmental Code by making them more flexible, efficient and predictable in order to ensure the competitiveness of the business sector and Swedish industrial production and to promote a green transition. An Implementation Council will be set up to avoid the over-implementation of EU directives, thereby countering unjustified regulatory burdens.

## Continued work on reforms to solve Sweden's societal problems

In addition to its efforts to deal with the challenging economic environment, the Government intends to continue to take action in several areas to solve Sweden's long-term societal problems. Among other things, the Government is taking steps to achieve the following:

- increased security
- better schools, health care and social care
- stronger defence and emergency preparedness
- better energy supply and reduced emissions.

### Increased security

Security has become *the* great issue of freedom of our time. This year began with ruthless violence at levels never seen before and gang-based terrorism has also spread from the larger cities to smaller towns.

This development is not least the result of excessive immigration to Sweden for a long time, which has impeded effective integration. This in turn has contributed to widespread exclusion and criminality in parts of the society. Meanwhile the judicial system has lacked adequate resources and tools for effective law enforcement.

The Government is working hard to reverse this trend and has launched the biggest offensive yet against organised crime in Sweden's history. Among other things, this entails a comprehensive strengthening of the entire judicial system, major investments in the police, and new and revised national strategies to combat organised crime. The Government has also set up a council for combating organised crime and has proposed several legislative reforms to strengthen law enforcement agencies' capabilities and, for example, enable interventions targeting young perpetrators.

Everyone should be able to feel safe in rural, suburban and urban settings alike. A greater number of crimes will be investigated and prosecuted, more victims of crime will obtain redress, and criminals will serve longer prison sentences than those that currently apply to prevent them from committing new offences. Among several

planned legislative reforms, sentences for gang-related offences will be doubled, penalties for violent crime and sex offences will be increased, the present form of reduced sentences in cases of multiple offences will be abolished, and conditional release will become the exception rather than the norm. Furthermore, it will be possible to impose a detention sentence on offenders who pose a threat to society due to a high risk of serious crime recidivism for example.

These reforms will result in a need to substantially increase the capacity of the Swedish Prison and Probation Service. In addition, the occupancy rate of detention centres and correctional institutions is already high and there is a need to employ staff. Therefore, the Government is allocating SEK 300 million to give the Prison and Probation Service better conditions for continuing the necessary expansion.

In view of the general deterioration in the security situation and given that the Swedish Security Service assesses that Sweden is in greater danger from violent Islamic extremism and that the threat of attack has increased, the Government is proposing additional funding to the Security Services' activities in 2023.

The Government is taking further measures to strengthen preventive efforts, in particular to prevent more young people from being drawn into crime. Children and young people in need of placement pursuant to the Care of Young Persons (Special Provisions) Act (SFS 1990:52) will get a placement. It is therefore proposed that support to the municipalities for placements in family-based care should be strengthened, in order to free up places for children and young people within social care for children and young people. In addition, the Government intends to task the National Board of Health and Welfare with developing clinical practise guidelines for family-based care, and supporting the municipalities' efforts to recruit families to provide family-based care. The Government also intends to appoint a national coordinator to improve cooperation within social care for children and young people.

Men's violence against women and honour-based violence and oppression are serious societal problems that cause great suffering to victims. Preventing and combatting this violence and oppression is crucial for a gender-equal society. Among other things, the protection and the freedom of movement of women and children who are victims of domestic violence and abuse need to increase. The Government has therefore appointed an inquiry chair to review the restraining order legislation. As part of its efforts to combat honour-based violence and oppression, the Government has also appointed an inquiry to investigate how protection against virginity testing and hymen reconstruction surgery can be strengthened.

### **A reliable welfare system**

High inflation has an impact on municipalities and regions because costs increase more than revenues. In order to reduce the risk of cutbacks in welfare, which in turn lead to reduced employment, in the Budget Bill for 2023 the Government added SEK 6 billion in general government grants to the municipal sector starting from 2023. The Government is closely monitoring developments in the municipalities and regions, and in the Budget Bill for 2024 intends to include an assessment of the need to further strengthen the resources allocated to the municipal sector for 2024 and beyond.

### **A strengthened, knowledge-based school education**

Few things are as important for Sweden's future as its schools. The Government will strengthen school education's focus on knowledge, and build on the successful work done in 2006–2014. Learning outcomes are to be improved and all pupils are to be supported in achieving their full potential. The lack of development of Sweden's

schools in recent years will come to an end. In accordance with the Government's proposal in the Budget Bill for 2023, funds have therefore been injected to be able to offer catch-up school in the lower grades. In order to give particularly high-achieving pupils opportunities to develop, funds have been injected to stimulate the development and quality of accelerated learning programmes. The Government has also made efforts to increase access to special support through funding for special needs teachers and special classes. To foster a safe and supportive study environment, funds have also been allocated for an investment in social support teams in schools. In addition, funds have been allocated for an investment in textbooks, and *Läslyftet* (an in-service training programme in teaching literacy for teachers) has been strengthened. In order to deal with pupils who disrupt the classroom or threaten other pupils and teachers, following a proposal from the Government, in the Budget Bill for 2023, funds have also been allocated for an investment in behavioural intervention schools.

More fully qualified teachers are key in equipping today's young people with the right knowledge for entering the world of work. The Government is therefore giving more higher education institutions the opportunity to initiate the necessary preparations to expand the pilot project with a new, shorter Bridging Teacher Education Programme (KPU) in order to provide more opportunities for switching to the teaching profession. The Government is also investing in the Teach for Sweden foundation and their work with leadership training and coaching of students.

The school also has an important role to play in preventive efforts. Restoring a safe and supportive study environment for all pupils is crucial for the establishment of a knowledge-based school education for all. The Government therefore proposes additional funding for special needs education initiatives and smaller classes to strengthen support for pupils with neurodevelopmental disorders.

#### **Good and equitable health care**

Good and equitable health care is to be provided in a timely way throughout the entire country. Important steps towards achieving this are expanded primary care, more hospital beds, and shorter queues for specialist care.

Waiting times and health care queues in Sweden need to be shortened and access to care improved. Fulfilment of the statutory health care guarantee has been low since it was introduced.

However, there are major challenges, including a shortage of available hospital beds. Following a proposal from the Government in the Budget Bill for 2023, substantial performance-based funding has been injected to increase accessibility and the total number of hospital beds in the whole of Sweden. In addition, a national strategy for how the shortage of hospital beds can be addressed will be developed. The Government has also started work on establishing a national health care referral centre with the aim that more patients awaiting care can be offered care faster with shorter waiting periods with another care provider, regardless of where in the country the health care provider is located. The Government also intends to appoint an inquiry with the task of analysing and highlighting the pros and cons of introducing a complete or partial central government responsibility for health care in the longer term and submitting proposals for this. The inquiry will also look at the pros and cons of regional organisations based on, for example, the current six health care regions.

Obstetrics and women's health need to be improved. In order to improve access and address regional differences in health care for girls and women, in the Budget Bill for 2023, the Government has proposed additional funding for a strengthened and extended focus on obstetrics and women's health.

### **A safe and secure old age**

Good quality health and social care is central to a safe and secure old age. As the health of older people gradually improves and as the elderly live longer, the need for health and social care is expected to increase. Employing and retaining competent staff working in elderly care is a major challenge for the municipalities. More people must want to and choose to work in elderly care. There need to be changes in working methods in elderly care, such as assigning specific tasks to assistant nurses and spreading good examples of municipalities that are working constructively in this area, as well as using welfare technology to improve the safety, security and freedom of the elderly.

In order to improve public health and ameliorate the consequences of involuntary social isolation, the Government initiated a three-year community initiative in the Budget Bill for 2023. This initiative includes, among other things, health talks for the elderly, where they are informed about opportunities for group social activities, and funding to municipalities and civil society organisations working to prevent and counter involuntary social isolation. Following the Government's proposal in the Budget Bill for 2023, the investment in the Care of Older People Initiative also continued.

The Government has tasked the National Board of Health and Welfare with distributing central government grants to municipalities in order to ensure good health and social care for older people, taking into account the local needs of different municipalities. Examples of areas in which the Government is supporting improvements include occupational health and safety and working conditions, skills development, better staff continuity, and enhanced information security and better welfare technology within care of the elderly. The Government has also strengthened efforts in the area of dementia, and commissioned the National Board of Health and Welfare to work more on the prevention of fall accidents.

### **Maximum value for money for taxpayers**

Taxpayers in Sweden should get better value for their money. This is why the Government intensifying its efforts to combat welfare fraud. Among other things, a payments authority is being set up to avert, detect and prevent incorrect payments from Sweden's welfare systems. The Government will also provide the relevant authorities with new tools to identify fraud through increased opportunities to share data. Welfare funding is intended to finance things like more assistant nurses and teachers – not to benefit criminals. It is also proposed that funds be allocated for the Swedish Gambling Authority to combat match fixing and money laundering, reduce problem gambling among unscrupulous operators, and more effectively identify operators that do not pay their taxes.

In addition, the Government will review state administrative expenditure. In order to have resources for core tasks, central government's activities need to be efficient. The need to set priorities in state expenditure is even more pronounced now, since new expenditure risks spurring inflation. During its term of office, the Government will therefore consider changes in the organisation of government agencies and take initiatives to reconsider and streamline their tasks. The number of government agencies should be reduced.

### **Stronger national defence and emergency preparedness**

It has been more than a year since Russia began its full-scale invasion of Ukraine. While Ukraine's resilience has proved to be strong, the war has also highlighted the importance of cooperation between countries at a very difficult time. Sweden has



supported Ukraine politically and economically and with humanitarian and military aid – such as the transfer of advanced weapons systems. It is clear to the Government that this support should continue in order to help Ukraine win the war. Since the Government took office, Sweden's support to Ukraine has increased considerably through decisions on transfers of tanks, ammunition and artillery systems. There is also consensus in the Riksdag (Swedish parliament) on this issue.

Sweden also intends to be a strong partner for Ukraine in the reconstruction of the country. Already this year, Ukraine is expected to become the largest recipient of Swedish bilateral aid. Sweden stands and will continue to stand on the side of Ukraine for as long as is necessary.

Democracy must be defended, and the war has made it clear that this can only be done together with others. Therefore, Sweden's defence needs to prepare for membership in NATO. The proposed additional funding in the Spring Amending Budget for 2023 enables a swift Swedish membership of the alliance once all the NATO countries have ratified Sweden's accession protocol. Early decisions are important for the continued rearmament of Sweden's defence forces. The Government therefore proposes additional funding to strengthen communications infrastructure, in order to compensate for price increases in the defence area, and to incorporate the outcomes of the re-negotiations regarding the development and procurement of JAS 39 E Gripen. Resources will also be allocated to activities preparatory to the upcoming decision on Sweden's future fighter jet capabilities. This decision is strategically important, and there will be broad political discussions prior to this decision. The Government has also appointed a Defence Commission to enable a broad parliamentary agreement to be reached on the continued rearmament of Sweden's defence.

The deteriorating security situation in Sweden's neighbourhood underlines the need for a strong civil defence and a strengthened crisis management capability. This applies in particular to resilience in the health care system, where among other things funding has been allocated to the regions to improve the supply of priority medicinal products. The additional funding to civil defence via the Budget Bill for 2023 has accelerated the ongoing development of Sweden's civil defence and emergency preparedness in the coming years.

In order to strengthen preparedness in the management of food and drinking water, in the Spring Amending Budget the Government proposes additional funding for the purchase of strategic resources to strengthen vital functions in society, and to strengthen Sweden's capacity to manage incidents where hazardous substances have contaminated food or drinking water.

### **Better energy supply and reduced emissions**

Another important factor for a competitive economy is a stable supply of energy. The closure of nuclear power plants has led to electricity shortages at certain times and Sweden thus having been very vulnerable to high energy prices in other European countries. This led to high energy prices for Swedish households and businesses and consequently less favourable conditions for companies that wish to invest in Sweden long term. Taxes and other domestic regulations, such as the level of the greenhouse gas reduction mandate, have also driven up transport costs in Sweden. This has an impact on growth.

The Government wants to provide favourable conditions for all fossil-free energy sources. This is fundamental to putting reliable energy production in place, for meeting the challenges of the climate transition, for creating a good investment

climate, and for households to be able to afford to pay their electricity bills. The Government is therefore setting a new energy policy target of 100% fossil-free electricity generation. As part of reaching this target, the Government has begun work to pave the way for new nuclear power production in Sweden. This involves lifting the ban on the construction of nuclear reactors at locations other than those where installations already exist, as well as the current limit of no more than ten reactors in operation. The Government will continue to remove the barriers to new nuclear power production in Sweden. This autumn, the Government is also planning to present an energy policy target bill, as well as a bill that will help to simplify the application procedures for environmental permits and shorten the processing time. In order to speed up the permit procedures for offshore wind power, the Government is of the view that the Geological Survey of Sweden (SGU) needs to work to reduce the processing times. SGU must also strengthen its efforts to promote mining and assist in ensuring a more secure supply of the minerals and metals that are essential for the functioning of society, and contribute to the transition to green energy and high-tech development. In addition, the Government's ambition is that the use of fossil gas by households should be reduced in the long term.

Climate policy must be ambitious and effective. People should be able to reside and businesses operate throughout the entire country and this must be a consideration. In order to ensure cost-effectiveness, climate instruments and the central government organisation in the climate area will be reviewed. Supplementary measures are also needed to achieve Sweden's long-term climate goals. The Government has therefore created the conditions for opening an initial reverse auction (procurement auction) for bioenergy with carbon dioxide capture and storage (BECCS) in 2023. This has great potential for achieving significant negative emissions. In order for the electric car to become an alternative for everyone, the Government is also investing in the deployment of charging infrastructure. In addition, the Government will submit a climate policy action plan to the Riksdag in the autumn. This plan will describe how the Government's policy can be expected to contribute to achieving Sweden's climate goals.

Forests and the forestry industry play a major role in Sweden's prosperity. It is a Government priority that Swedish forestry should not be restricted but be able to contribute fully to achieving the climate goals, as well as to jobs and growth throughout the country. Forests are also important for protecting biodiversity. The Government proposes that additional funding be allocated in 2023 to enable faster compensation payments to forest owners who voluntarily choose to protect their forests.

It is important that environmental policy is effective and does not complicate people's everyday lives unnecessarily. The Government intends to refer for consultation a proposal to abolish or substantially reduce the tax on plastic carrier bags in preparation for the Budget Bill for 2024.

### **The Government taking responsibility at a difficult time**

The Government is taking responsibility for the economy at a difficult time by steering Sweden onto the right course. The economic environment is particularly challenging, with concomitant high inflation and a recession. But Sweden has got through major trials before and together we will do so again. Inflation must be tackled and the recession responded to with structurally appropriate reforms. Sweden is to once again become a model country – a country with high growth, stable finances, and a well-functioning labour market where the work-first principle is clear, and where hard work and industriousness pay off. A country with world-class innovations and

research, with successful companies from north to south leading the way in technological development – because they have favourable conditions and access to clean and stable electricity every day of the year. Sweden is to be a modern welfare state where funds intended for health care and schools, for example, go to these purposes and not to criminals. The fiscal framework must be upheld in order to ensure stability and predictability in economic policy while fiscal policy aims to achieve the surplus target.

At the same time financial stability needs to be safeguarded. This Bill is being presented at a time when the financial markets are under strain and turbulent. The turbulence in the financial markets since the beginning of March stems from a crisis of confidence in a few banks in the USA and Europe.

Thus far, the spill-over effects for Swedish banks and the Swedish financial market in general are assessed as limited. However, that Europe and Sweden will be affected by this financial volatility cannot be ruled out. The Government is closely monitoring developments in the financial markets in light of this volatility and is prepared to take the necessary steps should the need arise in order to safeguard Sweden's financial stability. The Government is engaged in ongoing dialogue with the Riksbank (Sweden's central bank), as well as with the Swedish Financial Supervisory Authority and the Swedish National Debt Office, in order to monitor developments and ensure that Sweden is well prepared.

Since the financial crisis, the regulatory framework for the financial sector has been gradually tightened and developed. Today, Sweden is better equipped to cope with disturbances and crises in the financial system. In general, Swedish banks have good liquidity buffers as well as large capital buffers and they are profitable. This means that financial stability is better protected than it was when Sweden faced the global financial crisis. If the situation were to get worse in the future, Sweden would be well prepared and have the power to act – mainly thanks to the regulations in place and Sweden's strong public finances.

### **3.2 Measures in the 2023 Spring Amending Budget Bill**

In the Spring Fiscal Policy Bill, the Government outlines the direction of fiscal policy in the medium and long term. The Bill does not normally propose any new reforms. These are instead contained in the Budget Bill, where the Government submits proposals for the central government budget for the coming years. During a budget year, if there are changes which were not foreseeable at the time of submitting the Budget Bill, the Government may submit proposals for amendments to the central government budget for the current financial year. As a general rule, this is done either in connection with the Spring Fiscal Policy Bill (Spring Amending Budget) or the Budget Bill (Autumn Amending Budget).

In conjunction with this Bill, the Government is presenting the Spring Amending Budget Bill for 2023 to the Riksdag. That Bill presents among other things measures within the following areas:

- support for consumers and particularly vulnerable households
- measures to strengthen Sweden's defence and emergency preparedness
- measures to strengthen the labour market and education system
- measures to combat crime effectively
- measures to prevent crime
- measures to strengthen competition

- measures to reduce the administrative burden on businesses
- voluntary protection of forests and improved conditions for fossil-free energy production.