



Article from Ministry of Finance

# The Budget for 2022 in five minutes

Published 20 September 2021

On 20 September 2021 the Government presented its budget proposal for 2022 to the Riksdag.

The Government proposes measures to accelerate the climate transition, get more people into work, strengthen the welfare system and make Sweden a safe and secure country for all. In total, reforms worth approximately SEK 74 billion are involved.

“We are now presenting a budget with aggressive reforms for the climate, jobs, welfare and law enforcement. Together, we will take Sweden forward after the pandemic,” says Minister for Finance Magdalena Andersson.

## Swedish economy shows strong recovery

Growth in the Swedish economy is expected to be strong in 2021 and 2022. Several confidence indicators are at historically high levels, in both manufacturing and services. One driver of growth is the strong performance of household consumption now that more and more people have been vaccinated and restrictions are at a low level. As demand in the economy rises, the prospects in the labour market are also expected to improve, but some groups still have problems.

The vigorous fiscal policy during the pandemic has been an important precondition for the rapid start of the recovery. So as not to risk breaking the rapid recovery, fiscal policy also needs to remain vigorous next year. Several international expert bodies such as the IMF, OECD and European Commission point to the importance of continuing to pursue a stimulus policy. Sweden’s stable central government finances enable fiscal support for the recovery and the management of the risks of the pandemic to

continue.



Article from Ministry of Finance

# The Budget for 2021 in five minutes

Published 21 September 2020

On 21 September 2020, the Government presented its budget proposal for 2021 to the Riksdag.

The Government proposes temporary measures to restart the Swedish economy, but also long-term reforms that will help solve societal problems. The proposals are based on an agreement between the government parties, the Centre Party and the Liberal Party.

## Economic situation in Sweden is serious but fiscal scope is considerable

Indicators suggest that the Swedish economy bottomed out in the spring; it is expected to recover in the second half of 2020, just like the global economy in general. The Government assesses, however, that it will be several years before the recession is over. But Sweden is in a good position to manage the recession, as its level of public debt is among the lowest in Europe.

The recession – but also the Government’s measures – mean that public finances are expected to weaken significantly in 2020 and 2021. At the same time, the expansionary fiscal policy will help to stimulate the economy and accelerate the recovery, and over time this will lead to stronger finances again.



Article from Ministry of Finance

# The 2020 Spring Budget in five minutes

Published 15 April 2020

The COVID-19 pandemic is a serious threat to people's lives and health. Serious economic consequences will follow in its wake. In five additional amending budgets, the Government, the Centre Party and the Liberal Party have presented proposals for active measures to limit the spread of the virus and mitigate the economic effects on society. Today, the Government presents the 2020 Spring Fiscal Policy Bill and the Spring Amending Budget for 2020 with additional measures. All of these measures total over SEK 100 billion.

## Stop the spread of the virus and mitigate the economic effects on society

During spring 2020, the Government has presented a large number of measures to stop the spread of the virus and mitigate the economic effects on society of the outbreak. The measures are intended to provide greater security for those affected by the pandemic by limiting the spread of the virus, combating the effects on businesses and jobs and providing financial security and transition opportunities for those who become unemployed. They are also intended to create the conditions for recovery after the crisis.

## The spread of the virus must be limited

Everyone working in health care and infectious disease control must have the tools and resources needed to manage and limit the spread of the virus.

Through their responsibility for health and social care, the regions and municipalities have a crucial role in fighting the spread of the virus. The local government sector is therefore being given funding, both targeted and general, to deal with the immediate additional costs resulting from the outbreak. The performance requirements in the 'waiting list billions' are being removed temporarily. Government agencies participating in action to limit the outbreak must also have the resources they need.

The risk of health care overload decreases the more the spread of infection is limited. The sick pay standard deduction and the medical certificate requirement during a sick pay period have been removed temporarily and the resources for disease carrier's allowance have been increased.

## **The impact on Swedish jobs and businesses must be pushed back**

The economic impact of the coronavirus is hitting the business sector very hard. Many business owners are experiencing great uncertainty and do not know whether their business will survive or what will happen to their employees. To support viable companies during the crisis and reduce the number of jobs lost, the Government has presented several crisis packages containing measures to reduce costs, strengthen liquidity and improve access to financing.

The Government has proposed a system of support for short-term layoffs. The aim is for more businesses to survive and fewer employees to lose their jobs. A temporary reduction of employers' social security contributions and the general salary contribution for the first 30 employees for four months is in place. The social security contributions of self-employed people have also been reduced. Central government will temporarily cover employers' sick pay costs, and sole traders with an F-tax card will be compensated through sickness benefit on days 1 to 14 of their sickness period.

## **Security and transition for people who become unemployed**

Despite the extensive measures the Government has taken to support viable businesses, many people are going to lose their jobs. In view of the present economic situation several temporary changes have been made in unemployment insurance to make it easier to qualify for benefit and to ensure that this insurance provides greater financial security for people who become unemployed. In addition, more measures are proposed to provide

good transition opportunities. More funding is proposed for Arbetsförmedlingen (the Swedish public employment service) to deal with higher unemployment and ensure equivalent service levels throughout the country.

Funds are also being provided to enable more people to participate in measures leading to jobs, such as employment training, extra jobs and support and matching services. In addition, it is proposed that more places be provided at universities and other higher education institutions, higher vocational education, vocational adult education and folk high schools.

## Continued fight against societal problems

Looking beyond the ongoing pandemic, unemployment, climate change, the growing needs in welfare provision, the gap between urban and rural areas, shortcomings in integration, learning outcomes in schools and crime are societal problems that must be addressed through further reforms.

As soon as the fight against the virus outbreak permits, fiscal policy will be aimed at supporting a rapid recovery. Businesses that use short-term layoffs and various forms of liquidity support must be able to quickly return to full resource use.

Sweden is to become the world's first fossil-free welfare nation. Sweden will continue to take a leading role at both national and international level in implementing the Paris Agreement and the 2030 Agenda. The Government proposes an expansion of support for the installation of solar cells to enable more people to be granted support. The Government also proposes investment in green jobs and a reinforcement of support for the production of biogas.

Our universal and tax-financed welfare system supports a high level of labour force participation, contributes to social equality and gender equality, and paves the way for improved life chances for everyone. Regions and municipalities are being given additional general reinforcements of their resources to cope with the strained economic situation. The Government proposes providing SEK 20 billion of fresh funding in 2020, of which SEK 12.5 billion is permanent additional funding for the local government sector. These additional resources will contribute to good access to health care, schools, social care and public transport of high quality.

The causes of crime must be addressed and organised crime must be broken.

The Government therefore proposes strengthening the judicial system by providing additional funding for agencies including the Swedish Prison and Probation Service, the National Board of Forensic Medicine, the National Board of Institutional Care and the Swedish courts, including the migration courts. Additional funding is also proposed for the Swedish Security Service, the Swedish Data Protection Authority and Swedish Customs.

The virus outbreak can exacerbate the situation of people subjected to domestic violence or to honour-related violence and oppression. Funding is therefore being provided for organisations working with children in vulnerable situations and organisations working with women and children subjected to violence.

In troubled times it is even more important to stand up for democracy, the rule of law and human rights. The Government intends to provide permanent additional funding for state support for the media.

These proposals are based on a political agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

Economic measures in response to COVID-19

## Amendments to the extra amending budgets and proposals in the Spring Amending Budget

The total amending measures for 2020 that the Government has proposed or is proposing in this Spring Amending Budget amount to SEK 107 billion and is expected to weaken public finances by SEK 95 billion. Moreover, loan guarantees are expected to amount to SEK 230 billion, while measures to strengthen the liquidity of businesses are expected to amount to SEK 335 billion.



Article from Ministry of Enterprise and Innovation, Ministry of Finance

# Proposed central government loan guarantee programme for small and medium-sized enterprises

Published 27 March 2020

On Wednesday 25 March, a proposal was presented for loan guarantees to companies adversely affected by the COVID-19 virus outbreak. The aim is to make it easier for primarily small and medium-sized enterprises to access financing.

The proposal means that central government will guarantee 70 per cent of any new loans that banks provide to companies experiencing financial difficulties due to the COVID-19 virus. The guarantee will be issued to banks, which in turn will provide guaranteed loans to companies.

## Opportunity for small and medium-sized enterprises to access financing

The loan guarantee programme primarily targets small and medium-sized enterprises, but there is no formal size limit on companies taking part in the programme. However, a limit of SEK 75 million per borrower has been proposed. The Swedish National Debt Office may grant exemptions from this limitation.

## Conditions for providing loans

To take part in the programme, the COVID-19 virus must have adversely affected the company's finances. The Government expects that the guaranteed loans will not be used for bonuses or variable remuneration to

senior management, or for profit distribution other than what is comparable with regular salary withdrawals.

Companies apply for a loan by contacting a bank. The bank then conducts the normal credit assessment.

Banks that want to take part in the programme sign a guarantee agreement with the Swedish National Debt Office. The agreement covers aspects such as the guarantee fee that banks must pay, the loans concerned and other conditions.

## Loans are provided through the banks

Central government issues the guarantee to the banks, which in turn provide guaranteed loans to companies. In practice, this means that central government compensates the bank for up to 70 per cent of any loss arising on a loan thus guaranteed.

The loans are paid out through the banks in order to provide loans to many companies as quickly as possible by using the banks existing networks and credit processes.

## Costs to central government, banks and companies

Banks pay a risk-based guarantee fee to the Swedish National Debt Office. The fee is determined on the basis of the borrower's current risk class, which is set by the credit institution. The risk assessment is carried out in accordance with the credit institution's credit assessment process.

As usual, the borrower pays interest to the bank. This is determined by the bank and based on their credit risk assessment of the individual company, taking into account that central government is guaranteeing a large part of the loan. The borrower may defer paying interest on the loan for the first 12 months.



Article from Ministry of Finance

# The Budget for 2020 in five minutes

Published 18 September 2019

On 18 September 2019, the Government presented its proposed budget for 2020 to the Riksdag.

In the Budget Bill the Government presents its overall proposals for allocating central government expenditure between different activities, and its estimate of expected revenue. The Budget Bill also contains the Government's assessment of the outlook for the Swedish economy and public finances, and the frameworks this provides for fiscal policy.

The proposals in the Budget Bill for 2020 are based on the January Agreement, the policy agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

"The problems we have in Sweden today can only be resolved if we take greater joint responsibility for our security and cohesion. In this budget we are taking new initiatives to get more people into work, to strengthen welfare throughout Sweden, to improve pensioners' finances, to improve the environment and to attain an ambitious climate transition that everyone, in the whole of Sweden, can be a part of. We are substantially increasing resources to improve security and safety," says Minister for Finance Magdalena Andersson.

## Reforms for a stronger society

The Government is proposing measures to increase the number of jobs, tackle the challenge of climate change, safeguard welfare throughout the country and address crime and its causes.

### **More people in work**

Work is the most important condition for being able to earn a living and become established in society, and for financing joint welfare.

### **Sweden is to be a fossil-free pioneer**

The overall goal of environmental policy is to pass on to the next generation a society in which the major environmental problems have been solved without increasing environmental and health problems beyond Sweden's borders.

### **Strengthened welfare system**

Sweden is to be a modern welfare nation. A high level of employment, universal welfare systems and good order in public finances form the foundation for the Swedish social model.

### **Growth throughout the country**

The whole of Sweden will not only live, but also grow. Rural and sparsely populated areas, as well as small and large urban areas must be developed so that the whole of Sweden's potential is used. Possibilities to live and work throughout the country will be improved.

### **Security is to increase and democracy to be safeguarded**

The fight against crime and its causes will be intensified. Society must be strong enough to protect people from everything from petty crime to terrorism. This is key to holding society together. Democracy must be safeguarded, both in Sweden and abroad.

## **Reforms and financing**

Reforms and financing in the Budget Bill for 2020 (pdf)

## **Government's assessment of the economic outlook**

After several years of high growth, there is now a slowdown in the world economy and in Sweden, although resource utilisation in the Swedish economy is still higher than normal. At the same time, several of the risks highlighted by the Government in recent years have increased – for instance, the trade conflict between the United States and China, and the United Kingdom's withdrawal from the EU.

Key indicator table, forecast September 2019

	2018	2019	2020	2021	2022
GDP, calendar-adjusted, percentage change	2.5	1.5	1.2	1.7	2.0
Employment, aged 15–74, percentage change	1.8	0.8	0.4	0.6	0.6

Unemployment, as per cent of labour force aged 15–74	6.3	6.3	6.4	6.4	6.5
General government net lending, as per cent of GDP	0.9	0.4	0.3	0.4	1.2
Structural net lending, general government sector, as per cent of GDP	0.0	0.0	0.2	0.5	1.3

Note: GDP components refer to fixed prices

Sources: Statistics Sweden and own calculations

## Next step – Riksdag processing of the draft budget

When the Government has presented its draft budget, the Riksdag's processing begins. This is divided into two stages:

Stage 1: First, the Riksdag adopts the guidelines for economic policy and the economic framework of the central government budget. The framework decision, i.e. the decision on the limits for how large expenditure can be per expenditure area, guides the continued processing in the Riksdag, as the expenditure frameworks cannot be exceeded.

Stage 2: In the second stage, the Riksdag takes a position on allocating expenditure in each expenditure area, in other words how much money (appropriation) different activities will receive. Processing of the Budget Bill is complete when the Riksdag has taken a position on the proposals for all 27 expenditure areas. The Riksdag then finalises the central government budget.

Based on the results of the Riksdag's processing, the Government decides on appropriation directions for all government agencies and appropriations.



Government Offices of Sweden

Article from Ministry of Finance

# The Budget for 2019 in five minutes

Published 15 November 2018

As no new government has taken office, the caretaker government presented the Budget Bill for 2019 to the Riksdag on 15 November. Because of the limited powers of a caretaker government, the budget submitted is based on previous Riksdag decisions and can be adjusted when a new government is formed.



Article from Ministry of Finance, Ministry for Foreign Affairs

# Sweden to host Stockholm Tax Conference – an international conference on tax capacity-building, 30–31 May

Published 22 May 2018

Efficient and effective tax administration is fundamental to the long-term financing of a functioning society, poverty reduction and the achievement of the goals of the 2030 Agenda. Sweden has therefore invited representatives of governments in 160 countries, agencies, international and regional organisations, civil society and the business sector to exchange experiences of tax capacity-building. The Stockholm Tax Conference will be held on 30–31 May.

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Minister for Finance Magdalena Andersson and Deputy Prime Minister and Minister for International Development Cooperation and Climate Isabella Lövin will host the conference, which is being held by the Swedish International Development Cooperation Agency and the Swedish Tax Agency at Stockholm Waterfront Congress Centre. The conference will help

to support tax capacity-building in low and middle income countries and is part of the Government's 12-point programme to combat tax evasion, tax avoidance and money laundering.

Some 500 participants are expected to take part in the conference. During the conference, good examples will be highlighted on subjects such as government and business partnerships, transparency in tax systems, how digitalisation and civil society can promote capacity-building, and implementation of the Addis Tax Initiative, which will involve Sweden doubling funds for tax capacity-building by 2020. Speakers at the conference will include former President of South Africa, Thabo Mbeki, Benin's Minister of Economy and Finance, Romuald Wadagni, Navid Hanif from the UN, James A. Brumby from the World Bank, and Felix Fernandez Shaw from the European Commission.

Using international financing for development efforts (Addis Ababa Action Agenda) as the starting point, the conference will be an important complement to international institutions' work and initiatives in the area of tax. These include the Platform for Collaboration on Tax conference in February 2018, the Financing for Development Forum in April 2018, and the UN summit on SDG financing in September 2018.

More information about the conference and the programme are available on the conference website at [www.stockholmtaxconference2018.se](http://www.stockholmtaxconference2018.se).

Follow the dialogue on social media. We will be tweeting under the hashtags #sthlmtaxconf and #tax4dev.

Date: 30–31 May

Venue: Stockholm Waterfront Congress Centre

#sthlmtaxconf

#tax4dev



Article from Ministry of Finance

# The 2018 Spring Budget in five minutes

Published 16 April 2018

## Building our society – a secure and sustainable Sweden

On 16 April the Government will present to the Riksdag its Spring Fiscal Policy Bill and proposed amendments to this year's budget. In the Spring Fiscal Policy Bill, the Government presents its economic assessment and the direction of fiscal policy ahead of the budget for 2019. The spring amending budget presents the Government's proposed amendments to this year's budget.

The Spring Fiscal Policy Bill and the proposals in the spring amending budget are based on an agreement between the government parties and the Left Party.

"We expect to see increasing needs in the welfare system in the coming years, as we are living longer and more children are being born. This will be the major task of the next electoral period. That is why the Government is giving higher priority to investments in increased security for a Sweden that stands together than to major tax cuts for the richest," says Ms Andersson.

## Sweden's economy is strong

- The growth rate of the Swedish economy remains stable and will be almost 3 per cent this year.
- The employment rate in Sweden is now the highest in more than 25 years and is the highest ever measured by Eurostat.
- Unemployment is falling and is expected to be around 6 per cent next year.
- Public finances are strong, with a surplus throughout this entire electoral period.

- Sweden's national debt as a percentage of GDP has fallen by 10 percentage points during this electoral period to its lowest level since 1977.

Read a summary of the forecast

Key indicators forecast April 2018, pdf

Key indicators forecast April 2018, excel

## More investment for a secure and sustainable Sweden

In the spring amending budget, the Government presents investments in jobs, the climate, welfare and security, which will be carried out this year.

"We have taken Sweden in a new direction. Investments in jobs, health care, schools and the climate have borne fruit. The Government is now making additional investments for a secure and sustainable Sweden," says Ms Andersson.

Measures spring amending budget	SEK million
More people in work	350
Sweden will be a fossil-free welfare nation	500
Welfare system will be strengthened	1 500
Increase security and safety	280
<b>Total</b>	<b>2 630</b>

Proposals in the Government Bill: Spring Amending Budget for 2018, pdf

Proposals in the Government Bill: Spring Amending Budget for 2018, excel

## Reforms and results during this electoral period

- Some 250 000 more people have a job to go to today and more than 100 000 of these work in the welfare sector.
- Quicker path for newly arrived immigrants to find work – the proportion who have a job after two years has increased by 60 per cent compared to the average over the past 15 years.
- The proportion of the population in the compensation and insurance systems has fallen and is at its lowest level since 1981.
- The number of people employed in the welfare sector has increased – from 128 employees per 1 000 inhabitants in 2014 to 135 employees per 1 000 inhabitants in 2018.
- The environment budget has more than doubled and subsidies for solar

cells have increased twentyfold. Emissions are falling, especially in the transport sector.

- The general government deficit has been turned into a surplus. During this electoral period, a deficit of around SEK 60 billion in 2014 has become a surplus of around SEK 50 billion for the years 2016–2018.
- Sweden's national debt as a percentage of GDP has fallen by 10 percentage points during this electoral period to its lowest level since 1977.
- An additional 28 000 people are employed in schools today, compared to the 2014–2015 academic year.
- Overall policy during this electoral period has countered economic inequality.



Article from Ministry of Finance

# New measures of wellbeing

Published 01 August 2017

‘New measures of wellbeing’ is a framework of 15 indicators of economic, environmental and social dimensions of quality of life. The indicators, intended to complement GDP as a measure, will be an instrument for monitoring trends in people’s quality of life and the long-term sustainability of the economy.

GDP is an important measure used to describe economic growth. It is clear and simple, yet provides only a limited picture of a society's development. This is why a number of additional indicators are needed to complement GDP to provide a picture of the development of wellbeing. Conditions for economic growth and the development of wellbeing depend on both the quantity of resources generated and how they are distributed, used and managed. New measures of wellbeing is a new framework for monitoring trends in people's quality of life and the long-term sustainability of the economy.

## GDP per capita

Although a rise in GDP generally leads to higher levels of wellbeing, this is not always the case. One reason for this is that GDP does not take account of how the output produced is distributed among the population. GDP per capita takes account of changes in population growth but does not reflect trends in income disparity, for example, in society.

## Employment rate

When more people support themselves through work, resources are freed up in the public sector, as pressure on the public transfer system is reduced.

When more people work, income disparities also decline. A high employment rate makes it possible to strengthen the public welfare system. Despite a high employment rate, unemployment can also be high if labour force participation is high. This is why both the employment rate and unemployment rate indicators are necessary to show labour market trends.

## Unemployment rate

Work offers a sense of community, belonging and financial security. The unemployment rate measures the proportion of the labour force that does not have a job but is willing and able to work. Unemployment can have a significant impact on wellbeing. Work offers individuals the opportunity to support themselves and better prospects of shaping their own lives.

## Household debt

Households in Sweden are taking on more and more debt, which can entail a risk. This risk is both at the individual level, where consequences for the individual can be considerable if interest rates rise or housing prices fall. High-debt households can also have macroeconomic effects if people are forced to reduce consumption in the event of a housing price crash. In the long run, both growth and employment may be adversely affected.

## General government consolidated gross debt

This indicator shows the general government consolidated gross debt as a percentage of GDP, often referred to as the Maastricht debt. This is the measure of general government debt used in the EU. Through the Stability and Growth Pact, all EU countries have pledged to keep their general government consolidated gross debt below the threshold of 60 per cent of GDP. Keeping this level low is important for long-term economic sustainability.

## Air quality

Air pollution can cause serious health problems and contribute to acidification and eutrophication. The air quality indicator shows the development of two of the most common and hazardous forms of air pollution in Swedish cities: nitrogen dioxide (NO<sub>2</sub>) and fine particulate matter (PM<sub>2.5</sub>). Air pollution is mainly caused by road traffic, where heavy and light diesel vehicles account for the bulk of nitrogen dioxide emissions.

## Water quality

Good quality water is vital for drinking water and many aquatic animals and plants. The water quality indicator shows bodies of water that have 'high' or 'good' status under the EU Water Framework Directive. This indicator also provides an overview of the main water-related problems: eutrophication, certain pollutants and physical impacts.

## Protected natural environments

Long-term protection is important for preserving the world's natural and cultural heritage, and for safeguarding fundamental values, such as clean water, clear air and unspoiled natural environments. This indicator shows the proportion of Sweden's natural environments, including national parks, nature reserves and nature conservation areas, under long-term protection.

## Chemical body burden

The chemical body burden indicator measures the burden of toxic chemicals in people's bodies. Monitoring levels of dangerous chemicals over time provides an overview of the substances we are exposed to and the amounts involved. The indicator shows that chemical body burdens are declining slowly despite bans restricting the use and spread of such substances. One problem is that these substances persist in the environment, accumulate in the fatty tissues of humans and animals, and are already widespread in products, buildings and the environment.

## Greenhouse gas emissions

Tackling climate change is one of humanity's greatest challenges. The continued emission of greenhouse gases at current rates will increase the risk of serious, drastic and irreversible consequences for humanity and ecosystems. Measurements of greenhouse gas emissions are made of the overall emissions of carbon dioxide, methane, nitrous oxide and fluorinated gases, and are linked to the environmental quality objective 'Reduced climate impact' and the intermediate target 'Reduced greenhouse gas emissions by 2020'.

## Low economic standard

The low economic standard indicator refers to the proportion of the population with a disposable income that is less than 60 per cent of the median income. The EU defines low economic standard as the proportion of the population whose income is so low that it is below the at-risk-for-poverty threshold. Even though physical needs are met, relative poverty can result in individuals not being able to fully participate in social relations and contexts.

## Self-perceived general health

Good health is an important prerequisite for a good life. But measuring health is complex since many different factors contribute to good health. The self-perceived general health indicator has the advantage of providing an overall picture of a respondent's perceived physical and mental health in a single measurement. Self-perceived general health is reported as the proportion of the population that perceives their health as good or very good.

## Level of education

It is important to follow trends in educational levels, particularly as several of the other social indicators in this framework have a clear connection to education level. This indicator concerns the highest level of education completed according to Swedish Educational Terminology.

## Interpersonal trust

High levels of trust between people can be regarded as a component of social capital – the glue that holds society together – while low levels of trust can create problems. Whether an individual can ask those around them for help and support in different situations is one example of how social trust increases quality of life. High levels of trust and broad social networks also facilitate business transactions and matching in housing and labour markets.

## Life satisfaction

Life satisfaction is a measure of subjective wellbeing. Subjective wellbeing is generally high in prosperous, democratic and politically stable societies characterised by low unemployment, effective exercise of public authority, observance of legal rights and low corruption. At an individual level, close relationships have the greatest impact on life satisfaction; but meaningful work and a fulfilling leisure time are also very important. Monitoring trends in life satisfaction provides an important contribution to determine the

direction of policy.



Article from Ministry of Finance

# The direction of fiscal policy - September 2016

Published 20 September 2016 Updated 20 September 2016

## Building our society – taking responsibility for Sweden

Summary Budget Statement from the Budget Bill for 2017

We want Sweden to be a nation at work, a cohesive, equal and sustainable society. Inequities in our society have been allowed to grow. Widening gaps fuel anxiety, selfishness and racism. With the Swedish model as a foundation and modernisation as a tool, we are building a sustainable society where no one is left behind, and where no one is held back. Important investments in collective efforts to build our society will take priority over tax cuts. Sweden will lead the way on climate transition and gender equality, both nationally and internationally.

In Sweden, economic equality must be front and centre. Taxation according to means, full employment, low unemployment and sustainable development form the basis of our policies.

The Swedish model contributes to prosperity and development. Welfare enables high labour force participation, builds security and closes gaps in living conditions. Strong parties negotiating wages and conditions contribute to decent working conditions, competitive and innovative businesses, and favourable and broad-based wage growth. Clear regulatory frameworks, responsible investments for jobs and sustainable growth, and a tight fiscal policy have secured a high level of confidence and stable development for the Swedish economy. The fiscal policy framework is the basis of the Government's economic policy. Good order in the public finances contributes to good economic development and to safeguarding welfare systems.

Over the last two years, the Government has implemented a range of

important reforms. Many of these investments are already producing results: jobs are up, the number of start-ups is growing, unemployment is being driven down, schools are employing thousands more people and Sweden is leading on climate transition. The Government has also concluded cross-party agreements on defence policy, migration policy, energy policy, climate policy and the fiscal policy framework, and in a range of other areas.

In a world characterised by slow economic recovery, Sweden is strong. Sweden's growth rate is very high by international standards and will continue to be among the highest in our part of the world in 2017. Unemployment is declining and the employment rate is the highest in the EU. Since the Government entered office, the number of people in employment has risen by 120 000. The large deficit of more than SEK 60 billion that the Government inherited has essentially been wiped out. This has been achieved despite the substantial impact on public finances due to the large number of asylum seekers.

Despite this positive development challenges remain, including high unemployment, declining educational performance, major climate adaptation needs and growing economic inequality. Many of the social problems the Government is now tackling were allowed to grow during the last two electoral periods. The Government represents a different policy direction. This Budget Bill is based on an agreement between the government parties and the Left Party.

## More resources for welfare

As Sweden's population grows, strengthening welfare becomes particularly important. The previous Government gave priority to major tax cuts, and the number of people employed in welfare services in relation to the size of the population dropped by five per cent. Many local government services are strained. The Government is therefore making a historic investment in welfare by providing an additional permanent SEK 10 billion per year to the local government sector. This is the largest ever single reinforcement of general government grants to the local government sector. This additional funding will enable the development of welfare services, not least through the recruitment of additional staff. The Government's total welfare investments in previous fiscal bills, together with the welfare billions, correspond to the cost of employing more than 30 000 people.

Learning outcomes in schools have been falling for almost two decades, and during the last decade education has become increasingly unequal. The

previous Government invested almost 20 times more in tax cuts than in schools. This trend must be reversed. Education is fundamental to building an equitable society and a prerequisite for our future prosperity. The Government has taken measures to make the teaching profession more attractive, such as improving conditions for teachers and introducing a stimulation package for higher salaries. Significant funds have been provided for early measures to ensure that all pupils can receive the support they need.

In addition to the welfare billions, the Government proposes continued initiatives to alleviate the teacher shortage, promote reading and improve the conditions for highly challenged schools. Now when the number of pupils is increasing, schools will have additional resources.

Improvements are also needed in health and medical care. The Government has made a number of important investments, including in cancer care and the introduction of free health care for the oldest old. Ill health and sickness absence in working life will be combated, not least in our welfare occupations. The Government is implementing a broad action programme and working with the social partners to make progress in this area. The increase in sickness absence that began in 2010 is now slowing.

## More jobs

For many years, high unemployment was allowed to become entrenched, in particular among young people. Although unemployment is now falling fast and employment rates are the highest in the EU, far too many people are still without a job.

While unemployment is high for certain groups, employers have difficulty finding people with the right skills. Labour shortages in many sectors are hampering development and growth.

The Government is continuing its work to achieve the lowest unemployment rate in the EU by 2020. To increase people's chances of finding work and improve labour market matching, a new adult education initiative has been launched. Active labour market policy has been strengthened and special measures to enable newly arrived people to find work have rapidly been expanded. A 90-day guarantee for young people is being expanded and youth unemployment is at its lowest level for 13 years. However, more needs to be done, especially to enable those people now building a life in Sweden to find work more quickly. The Government proposes an expansion of the

Adult Education Initiative, further steps to reform labour market policy, enhanced establishment activities for new arrivals and modern public sector jobs.

Since the Government took office, investments in housing and infrastructure have been increased to stimulate the economy and improve people's prospects of finding somewhere to live, moving and commuting to where the jobs are. After many years of low construction rates, housing construction is increasing substantially and the high pace is expected to continue. However, in many parts of Sweden, the housing shortage remains serious. The Government is implementing urgent reforms and in June 2016 presented a housing action programme.

Well-functioning transport and travel infrastructure contributes to employment, reduced emissions and competitiveness throughout the country. The Government has strengthened rail maintenance and taken important steps to promote sustainable transport. The Government intends to submit a bill containing proposals on financial frameworks for a national plan for 2018–2029.

Sweden's global competitiveness is strong, but an active enterprise and innovation policy is needed to continue building on our strengths. The National Innovation Council has launched five collaborative programmes. Public venture capital is being developed. The upcoming research, innovation and higher education bill will provide long-term conditions for Sweden as a knowledge nation.

## One of the world's first fossil-free welfare nations

Climate is the defining issue of our time, and Sweden will show global leadership by becoming one of the world's first fossil-free welfare nations. A new climate agreement is in place and now the countries of the world must get down to work. The key to reducing global climate emissions is for richer countries to lead the way and share solutions, while developing countries are given climate adaptation and transition support. The Government has taken a number of measures to reduce emissions and accelerate the transition to a sustainable society. Further steps are now being taken to reach Sweden's target to cut emissions by 40 per cent by 2020, compared with 1990 levels. The Government proposes that the support introduced for climate investments and urban environment agreements be expanded. The Government is also raising its level of ambition in the climate area by buying and cancelling emissions allowances and pushing for a tougher EU policy.

The proposed reinforcement of the Climate Leap will strengthen opportunities for local and regional climate investments and charging points throughout Sweden.

To contribute to a reduction in the adverse climate and environmental impacts of consumption, the Government is presenting a strategy for sustainable consumption in this Budget Bill. The Government is also strengthening climate action in Sweden in its efforts to achieve the environmental quality objectives and the generational goal. A major nature protection initiative has begun and several marine reserves are being established. The Government also proposes investments in the promotion of a toxin-free environment and a circular economy. The modernisation of Sweden must continue if climate and environmental challenges are to be met. The Government is implementing the 2030 Agenda, which combines climate and environmental responsibility with social and economic development.

## Gender equality in society

In Sweden, significant differences in the living conditions of women and men still prevail. The Government intends to analyse the importance of developing the tax system from a gender perspective. The analysis is to be complete by 2018. The Government's objective is for women's employment rate to be as high as men's and for the gender pay gap to be reduced. Sweden has a feminist government pursuing a gender responsive budgetary policy. This means that social resources should benefit the entire population. The Government intends to establish a gender equality agency in 2018.

The Government's proposed additional resources to the local government sector will help improve employment and work environment conditions for women. In this Budget Bill the Government also allocates funds for strategic efforts to combat men's violence against women.

## A safe and secure society

Crime causes many people living in deprived areas to feel unsafe. Society must both stand up to and prevent crime. To this end, the Swedish Police Authority will receive additional resources. The Government has also announced a review of legislation with regard to attacks on emergency services staff. To combat unfair competition in the transport industry, the Government intends to task the Swedish Police Authority with developing its

cabotage control operations.

It is also important to intensify efforts to counter tax offences, tax evasion and tax avoidance.

Over the last year, Europe has experienced a number of horrific terrorist attacks. The threat against Sweden cannot be ignored. The Swedish Security Service will therefore receive additional funds.

In these troubled times, we need a government that takes responsibility for Sweden. In more and more places, we see that when large groups are allowed to fall behind, populism and distrust of society spread.

## An equitable society

The proportion of individuals with low economic status has increased. The fight against inequality is important in building our society. Equality builds trust and better living conditions.

Differences in disposal income have been growing for some time. Some studies also suggest that the wealth gap has increased since the financial crisis. There are signs that the assets of high-wealth households have risen rapidly in value, while the trend for lower-wealth households has been considerably weaker.

One of the goals of the 2030 Agenda concerns equality. One of the targets under this goal is, by 2030, to progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average. The Government's policies have led to more even income distribution and the reforms in the Budget Bill are expected to contribute to further reducing income gaps and reaching the target in the 2030 Agenda.

## Global challenges

In January 2017 Sweden will take up its seat on, and the presidency of, the United Nations Security Council and pursue a policy committed to promoting international peace and security. Investing in peacebuilding and conflict prevention is an effective way of promoting sustainable development and combating poverty and oppression.

At the end of last year, the Government took a number of measures, including temporary border and identity controls. These measures and

political changes in other countries and in the EU have together led to a significant drop in the number of people seeking asylum in Sweden so far this year, compared with the same period last year. Efforts to achieve a more even distribution of asylum seekers in the EU continue. Sweden is contributing humanitarian assistance and supporting the peace process in Syria.

Sweden must have a well-functioning reception system that enables new arrivals to establish themselves in the labour market and in society in general. Immigration in Sweden is regulated and the right to asylum will be protected. Together in the coming years, we must ensure that everyone – both newly arrived and unemployed people – can begin working and contributing to building our society.

The authorities need to consider the need for protection of the many asylum seekers in an efficient and legally sound manner, and those who are allowed to stay must be able to receive education and training, or find a job more quickly. At the same time we must ensure a reception system that is efficient, effective and legally sound.

Sweden must not meet the future with welfare cuts, low wages and lower climate ambitions. Sweden must stand together. Our success will be built on work, knowledge, equality and investments for the future.



Article from Ministry of Finance

# The 2017 Budget in five minutes

Published 20 September 2016 Updated 20 September 2016

On 20 September 2016, the Government presented its proposed budget for 2017 to the Riksdag. The Government's entire proposal is available in the Budget Bill, which includes the Government's Budget Statement, the Government's assessment of the outlook for the Swedish economy and public finances, and the frameworks this provides for fiscal policy. The budget also contains the Government's proposals on how government expenditure is to be allocated and an estimate of expected central government revenue in the coming year. The Bill is based on an agreement between the government parties and the Left Party.

## Sweden's economy is growing strongly

In a world characterised by slow economic recovery, Sweden is strong. Sweden's growth rate is very high by international standards and will continue to be among the highest in our part of the world in 2017. Unemployment is declining and the employment rate is the highest in the EU.

Since it entered office, the Government has pursued a tight fiscal policy, substantially reducing the deficit in general government net lending since 2014. Net lending will be strengthened substantially up to 2020. General government net lending will have been reinforced by more than one per cent of GDP between 2014 and 2016, and is expected to be close to plus/minus zero in 2016. Net lending will deteriorate again somewhat in 2017, primarily as a result of temporary factors. In the years following 2017, net lending will be strengthened continuously and will be above the surplus target level at the

end of the forecast period.

Forecast summary and key indicators

## Building our society – taking responsibility for Sweden

In the Budget Bill for 2017, the Government proposes reforms totalling SEK 24 billion. Minister for Finance Magdalena Andersson on the budgetary direction:

"Welfare needs strengthened resources so that the municipalities can meet their obligations to the citizens, security needs to be strengthened and we need to continue managing the impact of last year's high intake of asylum seekers. At the same time, the Government's long-term priorities remain in place. Everyone who can work should work, schools must be given better means to reverse weak school performance, and we need to do more to tackle climate change," says Magdalena Andersson.

### More resources for welfare

Sweden must have quality welfare services we can rely on. This is why the Government has made major investments in health, education and social services. Sweden's growing population makes strengthening welfare particularly important. The Government continues to prioritise welfare services and in this bill proposes that an additional SEK 10 billion a year be made available to municipalities and county councils in general government grants. This will enable them to take a long-term approach to developing their welfare services taking local conditions into account. Together with the Government's previous welfare investments, these resources correspond to the cost of roughly 30 000 employees in welfare services.

Education is fundamental to building an equitable society and a prerequisite for our future prosperity. In addition to the welfare billions, the Government proposes initiatives to promote reading and improve the conditions for highly challenged schools. To alleviate the teacher shortage, more teachers must be trained. The Government therefore proposes an expansion of teacher and preschool teacher education programmes. When fully implemented in 2021, this will correspond to 3 600 places.

### More jobs

The Government is continuing its work to achieve the lowest unemployment rate in the EU by 2020. Although unemployment is falling fast and employment rates are the highest in the EU, there are still far too many people without work. To increase people's chances of finding work and improve labour market matching, the Government has launched a new adult education initiative that when fully deployed will offer around 70 000 places. The Government also proposes further steps to align labour market policy, strengthen establishment activities for new arrivals and modern public sector jobs. For many people, not having a driving licence is an obstacle to finding work. The Government therefore intends to introduce CSN loans for driving lessons during this electoral period. Investments in broadband expansion will make it easier to work and run a business in rural areas.

## One of the world's first fossil-free countries

Sweden will be one of the world's first fossil-free welfare nations. The Government has taken several measures to reduce emissions, speed up the transition to a sustainable society and achieve the environmental quality objectives. This is the largest climate and environment budget in Sweden's history; SEK 12.9 billion will be invested in reforms to reduce emissions and strengthen climate action. Among other measures, the Government proposes increased support to climate investments and urban environment agreements that strengthen public transport and promote cycling. The Government is also raising its level of ambition in the climate area by buying and cancelling emissions allowances and pushing for a tougher EU policy.

## A safe and secure society

Sweden should be a country in which everyone can feel safe and secure. This requires measures that enable society to stand up against crime and terrorism. For this reason, the Government proposes increased resources to the Swedish Police Authority and the Swedish Security Service.

## Refugee reception

The Government intends to reform the compensation system for the reception of unaccompanied minors and young people in order to simplify the regulatory framework, improve municipalities' planning conditions, reduce the administrative burden and increase cost effectiveness. The new compensation system should come into force on 1 July 2017. Funds will be allocated to allow for compensation to municipalities that have difficulty

adapting to the new compensation system.

## Gender equality in society

The overall objective of the Government's gender equality policy is equal power for women and men to shape society and their own lives. The increased resources to the local government sector will contribute to a better work environment and more staff in sectors that employ a large number of women. A higher large-family supplement and higher income threshold in the housing allowance will improve margins for many women in a precarious financial position. A special initiative is being taken to reduce men's violence against women. The Government also intends to establish a gender equality agency in 2018.

## Revenue increases and expenditure cuts in the budget

In the Budget Bill, the Government also proposes revenue increases and expenditure cuts.

Major savings involve:

- restructuring of the compensation system for the reception of unaccompanied minors and young people
- reprioritising labour market policy objectives to increase effectiveness and improve labour market matching

The Government also presents a number of tax proposals to increase tax revenues for the state. The proposals include:

- prohibiting deductions for interest expenditure on certain subordinated liabilities
- abolishing the right to income tax deductions for official meals
- limiting upward adjustment of the threshold for state income tax
- introducing tax on chemicals in certain electronic products
- increasing the tax on alcohol

Table: Reform and financing proposals in figures

## Budget proposals for 2017 in figures

Central government expenditure proposed for 2017 amounts to SEK 972,4 billion and central government income is expected to amount to SEK 979,7 billion. Central government finances are therefore expected to reach a surplus of SEK 7,4 billion in 2017.

Central government budget in figures

## Tax proposals in the autumn budget

The Budget Bill presents and announces a range of proposals that involve both tax increases and tax reductions for individuals. Some of the proposals involving tax reductions are the tax reduction for repair and maintenance of white goods, and lower VAT on minor repairs (for example, bicycle repairs). Another tax reduction is that the ceiling for deferred capital gains will be abolished and that more generous deferment will be introduced for those moving to a cheaper home.

Some of the proposals and announcements that involve increased tax revenues are a chemicals tax on certain electronics products, limited upward adjustment of thresholds and an increase in alcohol tax.



Article from Prime Minister's Office

# Prime Minister Stefan Löfven today received Jin Liqun, President of the Asian Infrastructure Investment Bank

Published 12 September 2016 Updated 12 September 2016

The Asian Infrastructure Investment Bank (AIIB) was established in January this year, and Sweden became a member at its first Annual Meeting in June. Mr Löfven and Mr Jin discussed the bank's strategic focus for the future.

Mr Löfven expressed the hope that the AIIB will be an institution with a clear focus on environmental and climate-resilient investments. Minister for EU Affairs and Trade Ann Linde also took part in the meeting. During his visit to Sweden, Mr Jin will also meet Minister for Finance Magdalena Andersson, representatives of Swedish companies at Business Sweden, and take part in a seminar at the Swedish Institute of International Affairs.



Article from Ministry of Enterprise and Innovation, Ministry of Finance, Ministry for Foreign Affairs, Ministry of Health and Social Affairs

## Chilean State Visit ends

Published 18 May 2016 Updated 13 June 2016

On the afternoon of 12 May, Chile's President Michelle Bachelet left Sweden following a three-day State Visit. The President was in Sweden at the invitation of HM the King. This was the first State Visit by a Chilean president to Sweden. Several of the Government ministers took part in the programme. The purpose of the visit was to broaden and deepen bilateral relations between Chile and Sweden.

Swedish companies have long had a strong presence in Chile. Bilateral trade has increased over the past 15 years. Cooperation exists in various areas, such as mining, forestry, environment and CSR. Further steps to enhance cooperation were taken during the State Visit. Chile and Sweden have a common view on many foreign policy issues, not least with regard to the rights of smaller countries, UN cooperation, gender equality, marine issues and free trade. Several global challenges were discussed. Representatives of both countries also discussed issues concerning cooperation for social and gender equality.

The State Visit began on Tuesday with the traditional welcoming ceremony at the Inner Courtyard of the Royal Palace. The King and Queen, many members of the Government and other representatives of the Swedish public sector were present to welcome the President. This was followed by a lunch at the Royal Palace which was also attended by Princess Victoria and Prince Daniel.

### Talks on increased trade and investment

In the afternoon, Prime Minister Stefan Löfven received the President for talks at Rosenbad. Topics discussed by the President and the Prime Minister included the conditions for increased trade and investment. Within this framework, memorandums of understanding were signed on sustainable mining, forestry, urban development and CSR. Political, economic and cultural cooperation was another area in which memorandums of understanding were signed on welfare and holiday agreements. Issues concerning multilateral cooperation in gender equality, human rights and peacebuilding were also addressed. Minister for Enterprise and Innovation Mikael Damberg, Minister for Rural Affairs Sven-Erik Bucht, Minister for Children, the Elderly and Gender Equality Åsa Regnér and Minister for Finance Magdalena Andersson also took part in the talks.

Following a visit to Olof Palme's grave at Adolf Fredrik's Cemetery, President Bachelet travelled to Fryshuset where she and the King and Queen were met by the managing director of Fryshuset, Johan Oljeqvist. This part of the visit was also attended by Anja Frey, head of Fryshuset in Stockholm, and Camila Salazar Atias, responsible for social projects, as well as Stockholm City Commissioner Emilia Bjuggren.

The day concluded with a state banquet at the Royal Palace.

Wednesday's programme included a Swedish-Chilean Business Forum, a gender equality seminar, lunch at Stockholm City Hall and a meeting with Speaker of the Riksdag Urban Ahlin. President Bachelet delivered a speech in the Riksdag and took part in a ceremony at which a bust of Swedish diplomat Harald Edelstam was unveiled. During the afternoon, the President met part of the Chilean diaspora in Sweden. Afterwards, she took part in a seminar on social dialogue and the Global Deal, together with Prime Minister Stefan Löfven.

## Research and innovative companies in Gothenburg

On Thursday morning, the King and Queen and President Bachelet left for Gothenburg, where they were welcomed by the County Governor of Västra Götaland County Lars Bäckström and President of the Gothenburg City Council Lena Malm. Minister for Infrastructure Anna Johansson was also present. The first programme point was a visit to Astra Zeneca, where the President and the King and Queen learned about the work done there on research, development and cooperation with smaller, innovative companies. This was followed by visits to Volvo Torslanda and Lindholmen Science Park. The day concluded with lunch at the County Governor's residence.

In the afternoon, the King and Queen bid farewell to President Bachelet and the Chilean delegation at Landvetter Airport.



Government Offices of Sweden

Article from Ministry of Finance

# The 2016 Spring Budget in five minutes

Published 13 April 2016 Updated 13 April 2016

Building our society – responsibility, security and development The Government is today presenting its proposed direction for economic policy ahead of the Budget Bill for 2017. The Government's priorities – jobs, schools and climate action – remain firm. In addition, proposals are presented to increase funding in the budget for 2016 to address the refugee situation. The Spring Fiscal Policy Bill and the proposals in the spring amending budget are based on an agreement between the government parties and the Left Party.



Article from Ministry of Finance

# Bruegel visiting Stockholm

Published 18 November 2015 Updated 18 November 2015

Are we moving towards a European Union where Member States integrate at different speeds? What implications can this bring about for the EU as a whole? And how should we approach such a development? These were issues discussed at a seminar on November 12, 2015, where policymakers, researchers and business representatives from different parts of Europe participated.

The Brussels based think tank Bruegel is celebrating its 10-year anniversary this year. As part of the celebrations, Bruegel is touring the capitals of its member states with seminars on pertinent EU themes. On the 12th of November Bruegel visited Stockholm at an event co-hosted with the Swedish Ministry of Finance.

Under the theme "Two-speed Europe", policy makers, researchers and business representatives discussed to what extent the EU is moving towards new means of cooperation and how this development should be approached. The theme has not least been highlighted in recent discussions about the future of the common currency and the negotiations concerning the forthcoming UK referendum on EU membership. The question of whether or not Eurozone Member States need to integrate at a faster pace was particularly highlighted during the discussions. Different possible implications for cooperation with non-Eurozone countries were brought up.

The Swedish Minister of Finance Magdalena Andersson opened the seminar with introductory remarks. Bruegel was represented by its Director, Guntram Wolff, and the Princeton University Professor Ashoka Mody, who is also a non-resident fellow at the think-tank. Other international speakers were

Thomas Wieser, chairman of the Eurogroup Working Group, Servaas Deroose, Deputy Director General at the European Commission, DG ECFIN. Speakers from Sweden were Jens Henriksson, CEO of Folksam, and Göran von Sydow, senior researcher at the Swedish Institute for European Policy Studies.

## Speakers' presentations

- **Magdalena Andersson** Two-Speed Europe?
- **Guntram Wolff** Monetary union and the single market: What governance challenges?
- **Servaas Deroose** Deepening EMU: Why, how, when?
- **Ashoka Mody** Multispeed Europe is the Future: It had better be



**Government Offices of Sweden**

Article from Ministry of Finance

# Central government budget for 2016 in figures

Published 02 November 2015 Updated 02 November 2015

Revenue, expenditure, balance and national debt.



Article from Ministry of Finance

# The 2016 Budget in five minutes

Published 21 September 2015 Updated 21 September 2015

**The Government presented its proposed budget for 2016 to the Riksdag on 21 September 2015. The Government's entire proposal is available in the Budget Bill, which includes the Government's Budget Statement, the Government's assessment of the outlook for the Swedish economy and public finances and the frameworks this provides for fiscal policy. The budget also contains the Government's proposals on how to use the money available to central government and an estimate of expected central government revenue in the coming year.**

## Swedish economy and public finances

The Government expects the Swedish economic situation to improve in the coming years. This is mainly due to a stronger international outlook and, together with the policies pursued, will lead to falling unemployment in Sweden. But this economic upturn is uncertain and there is a substantial risk of weaker growth.

[Forecast for Sweden's economy - summary](#)

## The direction of fiscal policy

Since the Government took office, fiscal policy has been changed to follow a more responsible path. All reforms have been fully funded in the fiscal bills presented by the Government. As a result, the general government deficit will be halved. However, net lending remains far below the target level and therefore the public finances need to be further strengthened.

However, use of resources has been low for a long time, there is still a substantial labour market gap and the outlook for continued recovery is uncertain. Fiscal policy therefore needs to support economic recovery and contribute to pushing down unemployment rates. This will be done through

increased public investment, an active business policy, initiatives to enhance knowledge, better job matching in the labour market and welfare initiatives.

The Government's assessment is that the reforms proposed in the Budget Bill for 2016 should be fully funded. This position of fiscal policy will help strengthen net lending, while safeguarding the ongoing recovery. The Government proposes a number of measures to reduce central government expenditure. These include abolishing ineffective measures such as the gender equality bonus and introduction guides. The Government also proposes measures that will strengthen revenue, such as reduced earned income tax credit and higher state income tax for those with high incomes, as well as limited tax deductions for building repairs and maintenance.

## What the Government is doing – Investing in Sweden's future

In the Budget Bill for 2016, the Government proposes reforms totalling SEK 25 billion. These additional funds will be on top of the SEK 20 billion that the Government announced for 2016 in the Spring Budget. The proposals are informed by a feminist philosophy based on the principle that equality builds trust and better living circumstances for everyone. The Bill is based on an agreement between the government parties and the Left Party.

### Investments in more jobs

One of the Government's most important tasks is to reduce unemployment and increase employment. The Government's jobs agenda consists of three parts: investments in the future – in housing, climate adaptation and infrastructure; an active enterprise and innovation policy for more and growing companies; and investments in skills and matching. The agenda will include a clear gender equality perspective.

### Investments in schools

Sweden should be a leading knowledge nation. To turn around performance in schools and improve equity in education, the Government proposes initiatives to raise teacher salaries, enhance further training for teachers and improve opportunities for development in the schools that face the greatest challenges. The reforms are based on previous government initiatives, such as more staff in primary school.

## Investments in climate adaptation and energy

Sweden should be a leading force in climate adaptation. By setting ambitious goals, Sweden will take a leading role in the international negotiations on a new climate agreement. The Government therefore proposes reforms to meet the challenges of climate change, increase the share of renewable energy and stimulate development of innovative environmental technology. This includes investing in climate financing in developing countries, solar cells and green cars, as well as increased environmental taxes.

## More reforms that make Sweden better

### Reforms for increased welfare and security

Sweden should be a country characterised by gender equality, justice and shared responsibility. The Government therefore proposes various reforms to ensure that Swedish health and medical care is of world class, one of the goals being to improve women's health. The reforms also include lower taxes for pensioners, abolishing the maximum time limit in sickness insurance, increased security and opportunities for all children, and a higher basic level of parental benefit

### Better reception and faster introduction

Sweden should have a long-term, sustainable and legally certain migration policy that safeguards the right of asylum. When more people seek refuge in Sweden, this places great demands on society to make use of and develop the resource that immigration represents. For those who are granted a residence permit, it is important that their introduction to the labour market and to society goes quickly. The Government therefore proposes reforms to speed up the introduction of newly arrived immigrants and also higher compensation to municipalities for reception.

### Sweden in the world

A troubled international environment demands a capability to defend Sweden and to take our share of responsibility for the victims of conflict. The Government therefore proposes raising the level of ambition regarding development cooperation. Increased anti-terrorism measures are also proposed. In addition, increased funds for defence are proposed, following

an agreement between the Government, the Moderate Party, the Centre Party and the Christian Democrats.

## Fully funded reforms

The reforms that the Government is proposing are fully funded. The funding comes from revenue increases totalling approximately SEK 19 billion and expenditure cuts of approximately SEK 3 billion for 2016. In addition, other budget consolidations of SEK 2.5 billion are being proposed.

Some of the proposed revenue increases:

- gradual reduction of earned income tax credit
- limited upward adjustment of the threshold for state income tax
- lowered ceiling and abolished services in tax deductions for household work
- lowered level of subsidy in tax deductions for building repairs and maintenance
- special payroll tax for older people
- raised taxation on saving in investment savings accounts and in endowment insurance
- raised energy taxes.

Some of the proposed expenditure cuts:

- abolished coordination and accessibility billion (formerly ‘waiting list billion’)
- abolition of introduction guide system
- changed upward adjustment of assistance allowance.

Reform and financing tabl (pdf)

## The complete budget proposal for 2016 in figures

Central government expenditure proposed for 2016 totals SEK 933.9 billion. Central government income is expected to amount to SEK 924.3 billion in 2016. Central government finances are therefore expected to show a deficit of 9.6 billion in 2016.

## Greater financial equality between women and men

The Government's proposals during the electoral period have increased financial equality between women and men.

- The increase of the child element of income support in this bill increases income more for women than for men, as it is more common for women to be single parents.
- The increase of the basic level of parental benefit is another reform that mainly benefits women, as women claim more days of benefit at this level.
- The increased basic income tax allowance for pensioners entails a tax reduction for both women and men. Women have low pensions more commonly than men, and on average, women also live longer than men. The proposal will therefore benefit women more than men and will consequently help reduce economic differences between men and women.
- Among the budget consolidation measures, the gradual reduction of the earned income tax credit and no upward adjustment of the lower threshold for levying state income tax have a greater effect on men's than on women's incomes. The reason is that more men have an income above the threshold for state income tax and the threshold where the gradual reduction of the earned income tax credit begins. More men than women are therefore affected by the proposals, and on average, the men who are affected will also have a higher tax increase.
- The proposed limitations on tax deductions for household work and building repairs and maintenance will decrease disposable incomes for both women and men. Men make deductions for larger amounts, on average, which means that the effects will be greater for men.



Article from Ministry of Finance

# The Spring Budget in five minutes

Published 19 May 2015 Updated 27 May 2015

On 15 April the Government presented its Spring Fiscal Policy Bill to the Riksdag, together with a proposed spring amending budget. In the Spring Fiscal Policy Bill, the Government presents its assessment of the state of the economy and the direction of economic policy for the coming years. The spring amending budget presents proposals on reforms this year and how to finance them.

## Assessment of the economic situation

### **Stronger international outlook**

On an overall assessment, the international economy will grow stronger in the coming years. However, all the indications are that the recovery will make slow progress in the euro area, which is Sweden's most important export market.

### **Gradual recovery in the Swedish economy**

GDP growth in the Swedish economy rose slightly in 2014 compared with 2013 and the economy is recovering. The Government's assessment is that activity in the Swedish economy will increase in 2015 and 2016, partly as a result of expected growth in household consumption. The increase in consumption will be due partly to a gradual improvement of the situation in the labour market and low interest rates. Increased investments, above all in the services sector, will also contribute to GDP growth. In addition, public sector consumption is expected to increase sharply in 2015. The improved international economic situation is also expected to stimulate Swedish exports. Net exports are expected to make a positive contribution to GDP growth in 2015 and 2016.

### **Unemployment will gradually decline**

Unemployment is expected to decline as the economic recovery increases the demand for labour. The Government considers that active measures will also be necessary to reduce unemployment. As a result of the recovery in the Swedish economy, resource utilisation will increase in the years ahead.

Overall, approximately 380 000 people are expected to be unemployed in 2016 and a large proportion of them are likely to be individuals with a weak position in the labour market.

### **Large deficits in the public finances**

The deficit in the general government finances has grown for several successive years, reaching SEK 74 billion, or 1.9 per cent of GDP, in 2014. The public finances will strengthen in 2015 and net lending is estimated to amount to SEK -57 billion, or -1.4 per cent of GDP. The continued recovery, together with responsible fiscal policies, will lead to a gradual strengthening of net lending in the coming years, with a balanced position expected from 2018 onwards. The strengthening of the public finances up to and including 2019 will be confined to the central government sector, while higher pension payments will lead to a gradual reduction in net lending in the old-age pension system. Net lending in the local government sector will be negative throughout the forecast period, but the sector is expected to post a positive result in all years.

## **The direction of fiscal policy**

Sweden faces several major social challenges. Four hundred thousand people are unemployed, learning outcomes in school have deteriorated rapidly, Sweden is set to miss 14 of the 16 environmental objectives set by the Riksdag, and the resources available for welfare services need to be reinforced. While these challenges must be addressed, the Government also needs to take a firmer grip on the public finances. The deficits must be brought down, step by step. The Government's overall assessment is therefore that the reforms proposed in the spring amending budget for 2015 must be fully funded. This necessitates certain revenue enhancements, including a gradual abolition of the reduction of social security contributions for young people. Given current forecasts, the Government's assessment is that the reforms proposed in the Budget Bill for 2016 should also be fully funded. With fiscal policy along these lines, margins will be created to manage a deep recession without risking the ongoing economic recovery.

## **Reform proposals**

### **More jobs and greater competitiveness**

One of the Government's most important tasks during this electoral period is to reduce unemployment permanently and increase employment. More people must have a job to go to and fewer must be part-time unemployed. Sweden needs a knowledge boost. The Government is therefore increasing public sector investments in infrastructure, industrial policy and education to strengthen competitiveness and improve matching in the labour market.

### **Knowledge-based education in equal schools with time for each pupil**

Strengthening learning outcomes in school is necessary - both to keep Sweden together and to ensure Sweden's competitiveness in the long term. To strengthen learning outcomes, teachers must have more time with each pupil, the quality of teaching must be improved and resources must be provided to areas where the challenges are greatest. The Government is therefore proposing reforms that focus on early action, a more attractive teaching profession and that all schools must be good schools.

### **A sustainable future**

The Government's objective is a resource-efficient economy in which consideration for the environment is a natural part of the development of society. Environmental degradation must be stopped and climate emissions reduced. Reduced climate emissions require various types of measures and cohesive global and national political action. The Government is therefore proposing measure for climate investments and measures for biodiversity and nature conservation.

### **Increased welfare and security**

Resources for welfare must be increased and income differentials between women and men must be reduced. Too many people - primarily women - have cut back their working hours to provide care for relatives when welfare services are insufficient. Investments in welfare and security help keep Sweden together and contribute to a more gender equal labour market. The Government is therefore proposing measures for more staff in elderly care. The Government is also proposing higher maintenance support for single parents and housing supplement for pensioners. To increase security and adjustment capacity, unemployment insurance will also be strengthened.

## **Proposed financing of reforms**

The reforms that the Government is proposing are fully funded. The financing involves both expenditure cuts and revenue increases. The proposed revenue increases include:

- decreased or abolished reduction of social security contributions for young people
- higher environmental taxes
- abolition of tax credit for help with homework and other schoolwork, etc.
- higher tax on thermal output of nuclear power reactors
- higher financing fee for unemployment insurance funds

## Challenges for employment policy

One of the Government's most important tasks during this electoral period is to reduce unemployment permanently and increase employment.

Unemployment has become entrenched at far too high a level. The number of people in work and the number of hours worked in the economy must increase to such an extent that Sweden achieves the objective of the lowest unemployment rate in the EU by 2020. More people must have a job to go to and fewer must be part-time unemployed. Women's employment and labour force participation must increase.

Unemployment is unevenly distributed. Many unemployed people have been out of work for a long time and risk being permanently excluded from the labour market. Moreover, unemployment is substantially higher among young people and adults with incomplete upper secondary education, people born outside Europe and people with disabilities that cause a reduced work capacity.

Raising the demand for labour requires increased public and private investments and an active industrial policy. While unemployment is high, there are also many vacancies in the economy. Increased investments in knowledge and skills will equip more people to take existing jobs.

A broad palette of measures is required to make it easier and quicker for new arrivals to become established in the labour market, and to reduce the risk of people in long-term unemployment being excluded from the labour market. Over the next few years, Sweden's population is expected to increase more rapidly than in the past. This increase is mainly due to disturbances in other countries, which are causing many people to flee to Sweden, but is also a result of increased labour immigration. In the longer term, the population growth is expected to mean more people employed and stronger economic growth, but initially it is likely to lead to higher unemployment. This makes it even more important that new arrivals are introduced to the labour market as quickly as possible.

The Government's assessment is that the labour market will recover relatively slowly over the next few years. The risk of a weaker development is considered relatively high, particularly if the international economy performs less well than expected. A weaker development would particularly hurt the groups that already have a weak attachment to the labour market.

## Monitoring distribution policy

In recent decades, Sweden has become a richer country, but a country with wider income gaps. Income inequality has increased since those with higher incomes have enjoyed stronger growth than those in the middle of the scale, who in turn have done better than those with lower incomes.

There are several explanations for the general phenomenon of increased income inequality. Increased income from capital combined with lower income-equalising taxes are the most important factors behind income disparities that are wider in 2013 than in 1995. The role played by pay differentials in income inequality, on the other hand, was about the same in 2013 as in 1995.