

# 1 Budget statement

## 1.1 A budget to build a more prosperous and safer Sweden

When the Government took office, inflation was very high. This has brought a heavy financial burden on households, businesses, municipalities and regions alike. For this reason, the Government's focus has been on fighting inflation – from day one. This has manifested itself in two restrained budget bills, while at the same time providing support to those hit hardest by price increases. The Government's priorities, together with the Riksbank's monetary policy and the responsible actions of the social partners, have made an impact. Inflation has fallen considerably and is expected to dip just below the two per cent target in 2024, according to the Consumer Price Index with fixed interest rate (CPIF).

In consideration of the lower inflation, steady long-term inflation expectations and update inflation risk outlook, the Government is shifting its economic policy focus with this bill: from fighting inflation to investing in building a more prosperous and safer Sweden. However, as geopolitical concerns may continue to cause negative effects, such as driving up energy prices and causing higher inflation, caution will be necessary going forward with respect to both the international situation and the course of inflation. Should inflation pick up again, fighting it will once again become a key economic policy objective.

Although fighting inflation has been achieved successfully, challenges for the Swedish economy remain. The residual effects of the high inflation can still be felt, especially for families with children. Wage earners' purchasing power has been eroded – 10 years of real wage increases have been wiped out. Pensioners have seen the real value of their savings decrease. Mortgage borrowers are struggling with higher interest costs, and entrepreneurs have encountered waning demand while their costs have increased. Cost increases have also hit hard against health care, social care and schools. The high inflation and high interest rates have also slowed investments and household consumption. Growth in Sweden has stagnated, and the Swedish economy is in recession, with increased unemployment as a result, as is also the case in many other EU Member States. This is a situation where the EU has fallen behind in comparison with growth in the global economy.

The Government wants to support the economic recovery and prioritise reforms particularly in three areas.

First, it is about continuing to strengthen household purchasing power. Although inflation has decreased, it will take several years before household purchasing power returns to the level it was at prior to the dramatic inflation surge in 2021. This is where policy needs to provide a boost. The Government has taken important steps such as lowering taxes for those who work and for pensioners. The reduction of fuel taxes and lower requirements in the reduction obligation that took effect in January 2024 make a major difference in many people's wallets. In this bill, the Government continues to reduce the Swedish people's tax burden through measures such as lower taxes on labour, pension, savings, enterprise and transport.

Second, the work-first principle must be reinstated to get more people into jobs. The work-first principle is about opening doors instead of imprisoning people in social

exclusion. Enhancing the earned income tax credit is a key part of making it more worthwhile to work than to live on benefits. Continued investments in education and training are also needed to create more paths to work. In this bill, the Government aims to improve the entire education chain through measures such as enhancing support to people who are particularly detached from the labour market, increasing the number of places in vocational adult education and facilitating studies for people with disabilities. The Government is also investing in language training for parents born abroad who are at home with small children. Motivating people to get into jobs is also very important. The Government is working on reforms that increase activity requirements for those who are able to work but still live on benefits. The Government is working on a benefit ceiling to ensure that having a job always pays off. The Government also intends to introduce stricter Swedish welfare qualification requirements for non-citizens. The employment rate increase among people born abroad living in Sweden is a positive development. When more people can support themselves instead of being supported by society, the individual, like Sweden as a country, becomes more prosperous.

Third, reforms are required for increased growth. It is about education – from more conducive study environments to better engineering programmes at universities and higher education institutions – and it is about research. In this bill, funds are set aside for areas such as excellent research, research infrastructure and pioneering technology, and at the end of 2024 the Government will present the largest-ever research and innovation bill. It is also about functioning transport infrastructure so that people can get to work and school on time, and businesses have better means of transporting their goods. In the coming months, the Government intends to present an infrastructure bill. In that bill, the Government will propose expanding the financial framework for transport infrastructure by more than SEK 200 billion for the long-term infrastructure-planning period 2026–2037. Maintenance of the Swedish road and rail network must improve; this work has been neglected for far too long. It is also about the need for both businesses and households to phase out fossil fuels to achieve the goal of net zero emissions by 2045. This is only possible in an economy that is growing and where prosperity is increasing. Like all EU Member States, Sweden is bound by and must meet the Effort Sharing Regulation (ESR) commitments, which are EU targets for emissions from the domestic transport (excluding aviation), buildings, agriculture, small industry and waste sectors. The Government has assessed that the overall policy in this bill will make it possible to achieve the ESR commitments by 2030. It is also about securing fossil-free electricity production. Efforts to establish new nuclear power plants are now entering a more intensive phase at the same time as additional investments in charging infrastructure are being proposed. In addition to setting aside funds to be able to effectively advance the nuclear power coordinator's work and enable increased investment in nuclear power pilot and demonstration projects, progress continues on efforts to create economic conditions that lay the groundwork for establishing new nuclear power facilities. The Government intends to revisit the issue of forms of state support and conditions for utilising support for new nuclear power facilities. It is also about simpler rules for entrepreneurs. The Government continues to clean up the complicated rules encumbering entrepreneurs and is working to revamp the tax system so as to better encourage entrepreneurship, individual effort and investments in Sweden. The Government is taking steps to boost the competitiveness and robustness of Swedish food production. All of Sweden must function so that it is possible to live and work throughout the entire country.

Education and training and greater responsibility at work should pay off to a greater extent. This requires lower marginal taxes. The 'half remaining' principle, meaning that

wage earners should keep at least half of a wage increase after tax, should apply, and the Government is taking important steps towards its implementation in this bill. The Government will continue to ease the tax burden for the Swedish people.

It is important that the economy grows and Sweden becomes more prosperous to finance the investments needed for Sweden to become a safer, more secure place to live. Due to the international situation and war in our neighbourhood, in addition to serious societal problems such as serious organised crime, we continue to face a need for major investments in defence and the judicial system to increase safety and security for Swedish citizens. In this bill, the Government continues its overhaul of criminal policy, specifically emphasising crime prevention and reinforcing the Swedish Police Authority and the Swedish Prison and Probation Service. A model for paid police training is being introduced with the aim of increasing the attractiveness of police training and thus expanding the selection of applicants. Additional efforts are being made to cut off the criminal finances that fuel and drive gangs. Funds are being set aside to strengthen defence in accordance with the Defence Commission's decision. People's security also requires a reliable welfare system. To improve the quality of preschools and schools, and to further knowledge development, investments are being made in, for instance, reducing group sizes in preschools and increasing the knowledge grant in schools. The Government proposes setting aside funds for measures to increase pupils' reading ability and to stimulate a sense of security and a calmer study environment in schools. The Government intends to present proposals to make school compulsory for ten years, from the 2028–2029 school year.

Investments are being made with the aim of making health care more accessible, i.e. by shortening waiting times for child and adolescent psychiatry, and establishing a national health care referral centre so that those seeking care can receive help in a different location if the wait time is too long where they live. Investments are also being made to increase the number of care beds, provide better mental health care and to employ additional health care resources.

Voluntary repatriation can help reduce the number of people living in social exclusion and the consequences that social exclusion entails, for both Swedish society and individuals. Repatriation creates opportunities for individuals to get a fresh start in life. The Government has assessed that the number of people who voluntarily repatriate will potentially increase if compensation levels increase and awareness of the possibility to receive benefits and practical assistance increase among groups that could conceivably be interested in repatriation. The Government will therefore dramatically increase voluntary repatriation benefits starting in 2026, and implement information campaigns and introduce a national coordinator for voluntary repatriation.

Since the Government took office, the overall task of economic policy has been to fight inflation. This fight has been won. Moving forward, the task will be to ensure that high inflation does not return, and at the same time implement reforms and investments that build a more prosperous, safer and more secure Sweden for generations to come. This bill is an important step in that direction.

**Table 1.1 Table on reforms**

SEK billion

	2025	2026	2027
<b>Strengthening household purchasing power and the work-first principle</b>			
Increased earned income tax credit and reduced tax for pensioners	13.50	13.50	13.50

	2025	2026	2027
Reduced tax on petrol and diesel	3.17	5.49	5.65
Support to vulnerable households	0.57	0.16	0.16
Expansion of vocational adult education	0.90		
More effective higher financial aid for studies and elimination of education entry grant	-0.30	-0.80	-0.80
Support for returning to work	0.09	0.08	0.08
Stricter and more effective supervision to prevent fatal accidents and other work environment risks	0.05	0.08	0.10
<b>Education and saving should pay off</b>			
Eliminated gradual reduction of earned income tax credit and basic income tax allowance for pensioners	4.71	4.71	4.71
Expanded company 'growth support' and reduced compensation level for expert tax	0.15	0.33	0.46
Tax-free level for savings in investment savings account and in endowment insurance	4.40	7.00	7.00
Phase-out of tax deductions for unsecured loans	-4.34	-8.68	-8.68
<b>Investments for increased growth</b>			
New research and innovation bill	1.50	2.50	4.00
Energy research boost	0.10	0.18	0.25
Investment support to strengthen supply security in the electrical system	0.10	0.20	0.40
Reduced subsidy rate for tax reduction for installation of solar cells	-0.10	-0.20	-0.20
Abolished tax reduction for micro-production of renewable electricity		-0.68	-0.68
New financial frameworks for transport infrastructure 2026–2037		6.02	8.02
Improved road maintenance	1.55		
Streamlining of the Swedish Transport Administration	-0.30	-0.60	-0.60
Abolished tax on air travel	0.87	1.82	1.88
Reduced tax on diesel for agriculture, forestry and aquaculture	0.61		
<b>Effective climate and energy policy</b>			
Wind power incentive for municipalities	0.34	0.37	0.40
Increased property tax for wind turbines		-0.17	-0.17
Enhanced climate leap	0.50		0.50
Continued expansion of charging infrastructure			0.55
Electrical vehicle premium (national co-financing)	0.01	0.20	0.20
Extended environmental compensation for rail freight transport		0.55	0.55
'Anti-nitrogen leap' and support to biogas production	0.20	0.25	0.50
No reduced electricity tax for carbon capture and storage		-0.25	-0.25
Conservation of valuable nature, marine environments and ecosystems	0.20	0.20	0.20
<b>Simplified rules for increased growth and more effective central government administration</b>			
Streamlined permit processes	0.08	0.08	0.15
Housing policy development in northern Sweden	0.14	0.38	0.51
Better conditions for Swedish businesses	0.31	0.30	0.31
More effective central government administration	-0.10	-0.16	-0.25
<b>Reinforcement of the fight against crime</b>			
Increased funds to the Swedish Police Authority	1.35	1.11	3.89
Expansion of Swedish Prison and Probation Service capacity, including criminal law reforms	0.87	0.96	2.87

	2025	2026	2027
Increased funding to the National Board of Institutional Care	0.68	0.70	0.51
Increased funding to the Courts of Sweden and the Swedish Prosecution Authority	0.26	0.36	0.61
Funding for introducing Raket G2 mobile data communications system	0.65	0.77	0.88
Fighting the criminal economy	0.90	1.03	1.10
Systematic crime prevention work	0.67	1.29	1.67
<b>Strengthening the total defence</b>			
Defence policy bill 2024	6.60	10.00	21.80
Expansion of civil defence	2.00	3.50	6.50
Enhanced cybersecurity	0.15	0.15	0.15
<b>A reliable welfare system</b>			
Enhanced quality improvement measures in preschools	0.90	0.60	0.60
Increase of knowledge grant	0.70		
Increase of government grant for textbooks and teacher's guides	0.20		
In-service training of teachers and preschool teachers		0.20	0.20
Government grants for additional staff in schools	0.85	0.70	0.70
Pilot projects with intensive training in Swedish	0.10	0.10	0.10
Health and medical care sector grant	2.00		
National health care referral centre	0.15	0.05	0.05
Relative contact person and fixed care contact person in service accommodations		0.39	0.79
Increased number of care beds and special investment in precision health care	1.05	1.40	1.80
Increased funding to psychiatric care	1.37	1.55	1.55
Increased high-cost protection for elderly people in dental care		3.41	3.41
Increased standard amount and halved parental deduction in assistance allowance	0.49	0.58	0.58
Long-term sustainable pharmaceuticals supply	5.63	4.03	3.49
Delegation streamlining	0.25	0.25	0.25
<b>A sustainable migration and integration policy</b>			
Additional funds to the Swedish Migration Agency and the Migration Courts	0.03	0.71	0.06
Increased standard school rate to the municipalities	0.10	0.24	0.16
Increased number of detention centre places, reinforced efforts to withdraw residence permits and increased capacity for biometric data	0.19	0.21	0.36
Voluntary repatriation	0.11	1.43	0.92
Funding to increase the employment rate among those born outside Europe	0.17	0.26	0.30
<b>More effective aid policy</b>			
New development assistance framework 2026–2028 of SEK 53 billion per year		-3.00	-3.00
<b>Other reforms and unavoidable</b>	3.35	1.81	0.88
<b>Impact on public finances excluding military support to Ukraine</b>	<b>60.65</b>	<b>67.63</b>	<b>91.62</b>
Military support to Ukraine	23.35	25.73	0.92
<b>Impact on public finances including military support to Ukraine</b>	<b>84.00</b>	<b>93.36</b>	<b>92.54</b>

Source: Own calculations.

