

2 Guidelines for economic and budget policy

2.1 Political starting points

In a situation where the economic recovery has begun to gain momentum, global uncertainty once again threatens to hamper development in Sweden, this time due to the war in the Middle East. The events taking place this year are the latest in a series of examples in recent years that demonstrate a shift in the global economy and increasingly tangible geoeconomic risks. Tariffs are being used as a means of coercion, and competition for investments and expertise has intensified. At the same time, growing global debt impedes many countries' scope for action and creates imbalances that can trigger or amplify economic problems.

Such an environment also places greater demands on economic policy. There is a substantial risk that economic developments will trend downwards, and so fiscal policy must be designed to build protective barriers that enable the Swedish economic recovery to continue. The upcoming period may prove trying for Sweden's economy.

One of Sweden's strengths is that, in comparison with many other European countries, it has in many respects had a steady footing in a trying and uncertain international situation. This is a strength that must be built on. To ensure that this upward economic trend continues, fiscal policy must protect Sweden's strong public finances, prioritise making it pay off to work hard, and ensure that the Swedish economy is competitive.

When this Government took office, inflation was at 10 per cent, and Sweden's growth rate was among the lowest in the EU. Through restrained fiscal policy earlier in the electoral period, the Government has contributed to fight inflation. With expansionary budgets for 2025 and 2026, Sweden's growth rate is now expected to be among the highest in the EU. The work-first principle has been strengthened by providing greater incentives to work. Due in part to the Government's policies, structural unemployment is now trending downward for the first time in 20 years. Between 2022 and 2025, the number of shootings was reduced by more than half, and there are more police officers on patrol than ever before. Asylum immigration is at its lowest level since 1985, which creates better conditions for those who have already immigrated here to integrate. Energy policy has been overhauled with a focus on new nuclear power, because emissions-free electricity should be available at a reasonable price, even when there is no wind. School policy is now geared towards knowledge and order in the classroom. Climate policy has become more equitable, to ensure that everyone can afford to contribute to climate transition rather than being forced to carry an unfair burden. In other words, there is reason to take a positive view of developments in Sweden. We are on the right track, but we are not there yet.

In early 2026, new threats of increased tariffs from the US administration created uncertainty in the world economy and Sweden alike. The war in the Middle East has led to surging oil and gas prices and volatile markets around the world. It threatens to lead to higher energy prices and shortages of important raw materials this year. It is still too early to say how it will ultimately affect the Swedish economy. It largely depends on how the war unfolds and how prolonged it becomes.

The Government's assessment remains that Sweden is well prepared in the prevailing global uncertainty. Sweden has strong public finances. Sweden's productivity and employment rate are high in comparison with other countries in the EU. Sweden also ranks as the EU's most innovative country and has a world-class financial market. This makes Sweden competitive and provides scope for action. Should the situation deteriorate as a result of the war in the Middle East, the Government is prepared to support Swedish households and businesses.

When the Government drafted the budget for 2026, Sweden was in economic downturn, and the international situation was precarious. This meant that Sweden could not count on the international economy to pull us through. The recession in Sweden was primarily a consequence of low domestic demand. For this reason, the Government focused on strengthening domestic demand through measures to ensure that hard-working people would have more money in their wallets. The budget for 2026 will have a significant impact – a family consisting of a police officer, a nurse and two preschool-age children has SEK 1 800 more per month in 2026 than in 2025. The same family has over SEK 5 000 more to live on per month than when this Government took office. Taxes on labour, pensions, electricity and savings have been lowered. At the same time, the housing allowance has been increased to offset high housing costs of vulnerable families with children, and the tax on sickness and activity compensation has been reduced. On 1 April 2026, value added tax on food was halved, and employer social security contributions for young people were lowered. On 1 July 2026, childcare fees will be lowered. The aim is to ingrain confidence in the economy so that more hard-working people have a brighter outlook on the future in spite of international uncertainty. As the Government and Sweden Democrats look ahead to the next electoral period, the goal is to maintain this positive outlook. This will be the most important economic task in the coming years.

Sweden has dealt with a series of crises in the past decade: the migration crisis, the pandemic, Russia's full-scale invasion of Ukraine, high inflation and the rise in serious crime. Substantial political effort was devoted to manage these crises. This was necessary, but now the entire focus must be on strengthening the Swedish economy. By doing so, Sweden can be made more competitive and resilient. The Government and the Sweden Democrats have agreed to go into the next electoral period with a focus on building an even stronger Sweden.

To ensure good economic development even in these trying times, the Government is pursuing a three-pronged approach for the economy. This includes safeguarding strong public finances, creating more jobs in Sweden, and ensuring that hard work always pays off. A reliable welfare system, a robust defence and a strong judicial system – none of these are possible without a growing economy that is competitive and self-supporting.

The Government's plan for the economy in an uncertain world

Preserving Sweden's strong public finances

Sweden has low public debt and world-class public finances. It was recently confirmed that Sweden is one of nine countries with the highest credit rating among the major credit institutions. Sweden's public debt is equivalent to 35 per cent of GDP. For comparison, the EU average is over 80 per cent of GDP. This makes the Swedish economy resilient. The fiscal policy framework and its broad parliamentary support are key in this context. This is a strength that must be preserved.

Having fought back inflation, the Government's next step has been to bolster the economy. In 2026, Sweden is expected to be in Europe's upper echelon in terms of

growth. At the same time, major investments in defence have become necessary due to the most challenging security situation since the Second World War. Military defence funding has been doubled during this electoral period. The Government is now implementing the largest Swedish defence rearmament since the beginning of the Cold War. At the 2025 NATO Summit, the Allies agreed to increase the defence spending target. In Sweden, there is a broad consensus on the need for defence investments, as eight parties represented in the Riksdag agreed to swiftly enable additional rearmament through a loan financing agreement for the continued rearmament of Sweden's defence during a transitional period.

To get to grips with the serious crime that was for far too long allowed to grow stronger in Sweden, the appropriation for the judicial system will have increased from SEK 69 billion in 2023 to an estimated SEK 108 billion in 2028. This is an increase of more than 50 per cent. The Government has decided on a bill comprising historically large investments in Sweden's transport infrastructure (Government Bill 2024/25:28). The basic premise is that the maintenance deficit for the Swedish road and railway network should be eliminated as soon as possible, while investments are simultaneously made in new infrastructure.

At the same time, global economic developments pose substantial risks. Thanks to strong public finances, Sweden is in a much better position to face global turbulence than most other comparable countries. Even after managing recurring crises in recent years and the rearmament of Sweden's defence, the national debt level remains low. It will require deliberate efforts to ensure that it remains so in the future. The strength of Sweden's public finances must be preserved, and debt must be held to a level in line with the debt anchor.

Given the great degree of uncertainty in the global economy, Sweden must continue to shore up its strong public finances in the coming years so as to be able to bolster the economy if necessary. With policy that continues to focus on growth, the scope for reform can also expand. At the same time, Sweden has a high level of public investments going forward. To preserve the strength of public finances while maintaining the high level of public investments, new major reforms should be primarily financed during the next electoral period.

Under the parliamentary agreement on defence funding and support to Ukraine (Fi2026/00095), general government net lending should be balanced by 2035. This will demand the introduction of successive financing measures. It is logical to begin this work during the coming electoral period through measures that strengthen general government net lending in the long term.

This Government has shown that it is possible to finance reforms by reprioritising expenditures in the central government budget and without increasing the tax burden. During this electoral period, the Government has reprioritised expenditures totalling almost SEK 50 billion. This has enabled reforms of both expenditures and revenue, not least tax reductions on labour and savings. Future financing of reforms should not come at the expense of the resilience and competitiveness of Sweden's economy. The Government and the Sweden Democrats are in agreement that future reforms should not be financed by increasing taxes on labour or savings. Measures that reduce the number of hours worked in the economy should also be avoided.

Through responsibly financed reforms during the coming electoral period, in combination with successive financing of defence expenditures, the Government is ensuring that Sweden will have scope for action if the economic turbulence increases and Sweden is impacted by further negative economic shocks. It is also important that reforms are primarily financed, so as to sustain the long-term credibility of public

finances. This will avoid unnecessarily high interest rates on public debt, and fiscal policy will help keep inflation expectations tied to the inflation target.

Details 2.1 Investments made with strong political support limit budgetary leeway

Sweden faces several challenges that require substantial investments. This concerns the state's fundamental responsibility to protect its citizens and their freedom from threats from foreign powers and crime. It must ensure a reliable welfare system. It must also continue to build a Sweden where people have good opportunities to work and develop, and where businesses are willing to invest and take risks. This will ensure that Sweden remains a secure and prosperous country in which to live. This must be done while preserving the long-term sustainability of public finances. Sustainable finances are important for ensuring that Sweden does not find itself in a situation where it is at risk of a future crisis of public finances. Sustainable finances are also important here and now, as continued budgetary discipline and low public debt increase possibilities for fiscal policy to bolster households and businesses in times of crisis or economic volatility.

Sweden is in a phase of major investments for the future. The Government is taking historic initiatives to build Sweden stronger and more secure. During this electoral period, the Government has invested heavily in the judicial system, research, infrastructure and defence, but there are still significant needs, and these investments must continue during the next electoral period. In order to maintain sustainable fiscal policy in the long term, these permanent expenditure increases must be financed to achieve the general government net lending target, in accordance with the fiscal policy framework. The scale of these expenditures limits the budgetary scope in the coming electoral period. The fiscal policy framework allows for a temporary deviation from general government net lending target for new defence expenditures and support to Ukraine in 2026–2034. Net lending should be balanced by 2035 at the latest, which necessitates introducing financing measures successively.

Although the scope for new reforms will be limited during the coming electoral period, the Government will be able to pursue its policy. However, it will be necessary to set priorities. The Government maintains its goal of long-term sustainable public finances and prioritises security and long-term growth and ensuring that hard-working people's efforts are rewarded. This is part of taking responsibility for all aspects of fiscal policy.

More Swedish jobs

International competition for investments and expertise is fierce, with countries like the United States and China competing for production and business establishments. This puts pressure on Europe, and it puts pressure on Sweden. The focus must now be on making it profitable to work and attractive to invest and create jobs in Sweden. The budget for 2026 increases demand in the economy, and the Government has implemented several measures to make it more profitable to work and get an education. Growth is expected to take off – Sweden is forecast to be in the upper echelon of EU countries in 2026 – and result in more Swedish jobs. Going forward, it will be important to strengthen both EU and Swedish competitiveness by ensuring that more businesses can start up, grow and develop in Sweden. Increased trade is an important part of this. With higher tariffs on exports to the US, establishing more trade routes is a natural course of action. The EU free trade agreements with India and MERCOSUR are two examples. The Government is working to conclude more

free trade agreements, including with countries in South-East Asia. Negotiations between the EU and the United Kingdom on closer trade relations are also in progress.

Good tax conditions are critical for a competitive business sector. During this electoral period, the Government has improved conditions for businesses through measures such as extending the time limit for expert tax and increasing the limit of the R&D tax relief. Moreover, simplified and improved tax rules for shareholders in closely held companies (the 3:12 rules) have resulted in reduced taxes for 60 000 entrepreneurs and a one-third reduction of the regulatory burden. The Government has significantly decreased businesses' administrative costs and recordkeeping burden by abolishing the requirement to keep original copies of accounting records and increasing the turnover threshold for value added tax. Employer social security contributions for young people have been temporarily lowered. In light of the international situation, Sweden cannot afford to ease off the throttle. On the contrary, Sweden has to be prepared to take further measures to improve conditions for Swedish businesses. Opportunities for professional development should be strengthened.

Sweden has a world-class financial market. Swedes have the highest share in the EU of savings in financial instruments and products. The European Commission has even recommended that other EU Member States introduce savings and investment accounts in line with the Swedish model to strengthen their capital formation and competitiveness. While billions of euros are placed in savings accounts throughout Europe, Swedes' savings in stocks and funds contribute to risk capital in businesses, entrepreneurship and growth. To make it even more attractive to place savings in investment savings accounts, a tax-free allowance has been introduced. As of 1 January 2026, balances of up to SEK 300 000 are tax-free.

A stable and well-functioning energy supply is crucial for businesses' willingness to establish themselves and operate in Sweden. Building new nuclear power is an immense investment and takes time but is absolutely necessary to ensure that there is a sufficient base load that enables planning as Sweden electrifies. To enable nuclear power to contribute to a stable Swedish energy supply, the frameworks for managing and taking responsibility for spent nuclear fuel from new nuclear reactors may need to be updated. The Government has initiated such work.

Hard work should pay off

The Government is on the side of hard-working people. High taxes on labour and overly generous benefit systems lessen the incentive to work. At the initiative of the Government, taxes on labour have therefore been lowered three times during this electoral period, with a focus on low and medium incomes. Implementation of the Government's benefit reform will continue in 2026, with measures such as a benefit cap for social assistance recipients. The aim is to make it more profitable to work than to live on benefits. This is both fair and just. Other components of the benefit reform include the introduction of qualification criteria for social insurance, which includes a fast-track qualification by working, an activity requirement for recipients of social assistance and a temporary job bonus for those who become self-sufficient by working. The activity requirement for recipients of social assistance and the job bonus will be introduced in 2026, and the other proposals will take effect at the start of 2027.

Likewise, it must be more profitable to have worked. At the Government's initiative, taxes on pensions have been lowered by the same amount as taxes on labour. The focus of the Government's work going forward will be to strengthen the link between work and pensions, thus increasing the difference between the pensions of those who

have worked their whole adult lives and those who have done little to no work. There should be a clear difference between having worked and been a part of building Sweden and not having done so.

In addition to the incentives to get an education or go to work not being strong enough, many unemployed people are unable to do the work that employers offer because they do not have the right qualifications. This is a problem particularly among those born outside Europe, where many unemployed people lack an upper secondary-level education. To better qualify unemployed people who have weaker links to the labour market and bring them closer to employment and self-sufficiency, the Government has on multiple occasions provided additional funding to enable more places in higher vocational education, vocational education and training for adults at upper secondary level, and employment training in the health care sector.

Employment of people in groups with reduced working capacity is also important. Samhall Aktiebolag plays an important role in the labour market for people with disabilities who are considered unable to find other work and whose needs cannot be met by other means. For this reason, the Government deems it important that Samhall has good financial conditions for its operations. Samhall's finances are currently under strain. The Government plans to address the need to increase Samhall's additional cost compensation in the Budget Bill for 2027.

The Government and the Sweden Democrats are in agreement that more hours worked are needed in the economy, not fewer. The Government's benefit reform in combination with lowered tax on labour are expected to result in more hours worked in the economy. The Government's policy is also expected to reduce structural unemployment going forward. Sweden must continue down this path.

Details 2.2 Stronger household finances

High inflation in 2022 and 2023 clearly diminished the average wage earner's purchasing power. As wages increased at a significantly slower pace than prices, ten years of real wage increases were wiped out in just two years. During this electoral period, the Government has thus taken several measures to bolster households whose finances were put under pressure by the high inflation. This has included lowering taxes on labour and pensions, a temporary extra allowance under the housing allowance, higher limits for housing costs in the housing allowance, measures to keep fuel prices down, increased compensation levels in unemployment insurance, electricity subsidies to alleviate the effects of high energy prices, lowered energy tax on electricity, temporarily lowered value added tax on food, and lower taxes for recipients of sickness and activity compensation. On 1 July 2026, fees under the maximum charge for childcare will also be lowered.

It is estimated that a family consisting of a police officer, a nurse and two preschool-age children will receive a nominal boost to their household finances of approximately SEK 13 300 per month in 2022–2026. During this electoral period, the Government's policy, together with annual indexing of the basic income tax allowance and earned income tax credit, will have contributed an estimated SEK 5 000 per month. A single care assistant with two children and a retired couple will receive an estimated nominal financial boost of around SEK 4 900 and SEK 5 600 respectively per month. The Government's policy, together with indexing, will have contributed an estimated SEK 3 200 and SEK 2 300 respectively for these two types of household. For all types of household, the nominal boost to household finances will exceed the total inflation of 12 per cent between 2022 and 2026. The Government's policy and the indexing

have thus helped strengthen households' finances during this electoral period. Without these measures, many more households would have experienced a decrease in real income.

Overall, the Government's policy has had the greatest positive effect on the 10 per cent of the population with the lowest economic standard. The Government's reforms have thus entailed a reduction in income inequality and the share of the population with a low income standard. This is part of the reason for the overall decrease in income gaps in Sweden since 2022.

Table 2.1 Change in household finances during the electoral period for wage earners and pensioners

SEK per month (in current prices) and per cent

	Cohabiting police officer and nurse with 2 children (aged 3 and 5) ¹	Single care assistant with 2 children (aged 3 and 5) ²	Cohabiting pensioners (aged 75) with intermediate-level pensions ³
Disposable income per month 2022	63 050	28 440	35 730
Nominal boost to household finances 2023–2026	13 330 (21%)	4 890 (17%)	5 620 (16%)
<i>resulting from the effect of increased wages and pensions, etc., subject to unchanged rules and without indexing in the tax system⁴</i>	8 200	1 720	3 360
<i>resulting from the effect of annual indexing in the tax system, subject to unchanged rules</i>	1 650	400	760
<i>resulting from the effect of rule changes in the tax and transfer systems</i>	1 960	1 610	750
<i>resulting from the effect of lowered indirect taxes, fees, etc. on purchasing power⁵</i>	1 520	1 160	750
Total resulting from the Government's policy during the electoral period and indexing	5 130	3 170	2 260

¹ Based on the police officer and nurse working full time and having monthly salaries of SEK 47 500 and SEK 45 300 respectively in 2026 (SEK 40 800 and SEK 39 200 respectively in 2022). Their annual consumption is an estimated 1 000 litres of petrol and 10 000 kWh of electricity.

² Based on the single care assistant with two children working full time and having a monthly salary of SEK 30 600 in 2026 (SEK 28 400 in 2022), SEK 8 900 in rent per month (SEK 7 550 in 2022) and consumption of 800 litres of petrol and 4 000 kWh of electricity per year.

³ Based on the cohabiting pensioners each having a pension income of SEK 25 000 per month in 2026 (SEK 23 300 in 2022) and consumption of 700 litres of petrol and 3 000 kWh of electricity per year.

⁴ The item 'effect of increased wages and pensions, etc.' also includes the effect that the average municipal tax rate and burial fee increased between 2022 and 2026, and the effects of temporary measures introduced by the previous Government from 2018-2022 (a temporary tax reduction on earned income and a temporary increase in the housing allowance for families with children) concluding during the current electoral period.

⁵ Calculated effects of temporarily reduced value added tax on household expenditure are based on the Swedish Consumer Agency's assumptions of reasonable consumption standards for various types of household (September 2025). Note that the calculation method does not take account of measures that both were introduced and ceased during the electoral period, such as the electricity subsidies totalling almost SEK 30 billion paid out to households in 2023. The calculation also includes fuel tax lowered to the EU minimum level from 1 May to 30 September 2026.

Sources: Statistics Sweden and own calculations.

Measures in an uncertain world

Together with this Bill, the Government presents the Spring Amending Budget Bill for 2026 (Government Bill 2025/26:99) to the Riksdag. The Government also plans to present an additional Bill to the Riksdag with proposals on amendments to the central government budget. These bills include support to households in response to increased energy prices, measures to strengthen total defence capability and measures for a reliable welfare system. The proposals of the inquiry on adjusting Swedish

asylum regulations to the minimum level required under EU law will also be supplemented.

After many years of crisis management, the Government is now building a stronger and more secure Sweden in a turbulent world.