

1

Budget Statement



1 Budget Statement

1.1 Political starting points and summary

1.1.1 Investing in the future

International developments affect Sweden

Considerable uncertainty still surrounds the global economy, primarily because of the lack of sustainable solutions to the debt crisis in the euro area. This will dampen growth prospects in Sweden over the coming years. The growth rate in 2012 will therefore be low. This in turn will result in a weaker labour market. Growth is expected to gradually pick up momentum in 2013, with the economy growing at a healthy rate in the following years.

Table 1.1 Summary

Percentage change unless otherwise stated
Outcome 2011, forecast 2012–2016

	2011	2012	2013	2014	2015	2016
GDP	3.9	1.6	2.7	3.7	3.5	3.0
Employed ¹	2.1	0.4	0.4	1.3	1.7	0.8
Unemployment ²	7.5	7.6	7.5	6.7	5.5	5.2
Unemployment, previous definition ³	5.3	5.5	5.5	4.5	3.5	3.5
GDP gap ⁴	-0.9	-1.4	-1.7	-0.4	-0.1	0.0
Net lending ⁵	0.1	-0.3	-0.6	0.3	1.7	2.5
Gross debt ⁵	38.4	37.7	36.9	34.7	31.2	27.1

¹ Aged 15–74.

² As a percentage of the labour force aged 15–74.

³ Number of unemployed people excluding jobseekers in full-time studies as a percentage of the labour force ('open unemployment'). This figure refers here to the 15–74 age group, originally it referred to the 16–64 age group. The difference between the age groups is marginal in terms of the unemployment ratio.

⁴ Per cent of potential GDP.

⁵ Consolidated general government. Per cent of GDP

Sources: Statistics Sweden and own calculations.

The Swedish economy has shown good resilience

The Government is pursuing responsible financial policies that safeguard sustainable public finances, maintaining secure safety margins to deal with a deeper and more protracted crisis. At the same time, the Government has been able to boost jobs and welfare.

The policies pursued have contributed to better growth and employment in Sweden than in most other EU countries. So far, the Swedish economy has shown great resilience. The public finances are among the strongest in the EU, with net lending virtually in balance and declining debt, a position few other countries are in. The historically low interest premiums on Swedish government bonds indicate strong confidence in the Swedish state.

Sweden has successfully defended and improved its strong position. Responsible policies have preserved our economic policy room for manoeuvre during the crisis. Sweden's strong position makes it possible to continue to counter the impact of the financial and debt crisis on jobs and welfare, while continuing to strengthen the country's long-term capacity to grow and enabling more people to obtain work. This allows further steps to be taken to achieve the Government's foremost economic policy objective – full employment.

The Government's policies are founded on sound public finances. The combination of fragile banking systems and vulnerable state finances in many euro countries means that the risk of even worse developments dominates with respect to the main scenario. Safety margins are still needed, primarily so as to be able to pursue a

more expansionary fiscal policy in the event of a deeper crisis in the euro area. In the light of the outlook for public finances, the economic situation and the need for safety margins, a scope for reforms of approximately SEK23billion in 2013 is considered reasonable. This scope for reforms is compatible with the expenditure ceilings and with a return to positive net lending of around 1 per cent of GDP when the resource situation normalises in the years ahead.

Direction of policy

Given the persistently subdued prospects of growth in Europe, the outlook for Sweden's exports to this region is weak. The positive trend in the growth markets on other continents means Swedish businesses have large potential markets there, though facing extremely tough competition moving further up the value chain. To equip Sweden to cope with increasingly intense international competition, we must invest in the future, in getting more people into work and in further improving Sweden's strong position. In the world market, Swedish enterprises must compete on knowledge and quality, not low pay and poor conditions. Major investments in infrastructure and research are proposed, together with improvements in conditions for business and the functioning of the housing market, so as to strengthen conditions for growth and create more jobs in growing businesses.

The Government will continue to act to increase employment and reduce exclusion. A job of their own gives people a sense of security and community, as well as freedom to shape their everyday life. A weak attachment to the labour market is the main cause of financial vulnerability. Policies must therefore continue to promote reduced exclusion and to provide more paths into employment for those who are far from the labour market. Swedish society must stand together.

1.1.2 Measures in the Budget Bill for 2013

In the Budget Bill for 2013, the Government proposes measures to strengthen the potential for growth and prevent unemployment persistence. The Government is prioritising reforms to promote:

- stronger conditions for growth and competitiveness through increased investments in infrastructure, research and innovation, lower corporate taxes and the introduction of a tax credit for investors;
- more people in work, with an emphasis on young people and people born abroad;
- a stable financial system and enhanced consumer protection;
- welfare for all and a more even distribution of wealth; and
- effective energy, climate and environmental policies.

Stronger conditions for growth and competitiveness

Infrastructure investments for a growing Sweden

Infrastructure connects the different parts of the country with one another and is an essential prerequisite for a growing economy. Improved infrastructure makes it easier to travel between home and work and gives jobseekers access to more vacancies. At the same time, it becomes easier for enterprises to access intermediate goods and to deliver their products.

The volume of traffic has been increasing for a long time, leading to a very high level of capacity utilisation in parts of the transport system. This is particularly apparent in the urban regions, on heavily used railways and along major routes. In recent years, the rail system has had serious problems. Despite a 75 per cent increase in maintenance since 2006, major additional measures are needed. Furthermore, a range of ongoing and planned industrial investments around the country will require increased transport capacity.

During autumn 2012, the Government will present an infrastructure bill to meet future transport needs. The Government proposal constitutes a vigorous response to the problems in the rail system and people's and

businesses' needs. The sharply higher financial frameworks for infrastructure that the Government proposes for 2013–2025 provide scope for both extensive new investments and the largest increase ever in railway maintenance. This will create conditions for a robust and modern transport system that can contribute to growth and jobs throughout the country.

An important part of this commitment is the beginning of construction on a new main high-speed train line in the form of the Ostlänken (Eastern Link) between Stockholm/Järna and Linköping, and an extension of double track on the first part of the Gothenburg–Borås line. This will allow more, faster and more punctual passenger and goods rail transport.

To improve the traffic situation in the Stockholm region, the Government intends to appoint negotiators to negotiate with the responsible authorities in Stockholm County on the construction of a metro extension to Nacka and possible connecting measures in the road and rail infrastructure.

Other proposals include key mining infrastructure investments.

Research and innovation investments for the future
Sweden will continue to be a leading research nation with knowledge-intensive companies. Sweden is a competitive research nation and strong research environments have emerged in collaboration between higher education institutions and knowledge-intensive companies.

To enable Sweden to maintain and further improve its position as a prominent research nation in the future, the Government proposes a major investment in research and innovation within the framework of the Research and Innovation Bill to be presented in autumn 2012. Substantial investments are proposed in universities and other higher education institutions, and in research funding institutions. In addition, priority will be given to targeted measures, including in life sciences research and in improving cooperation between research and business, for example by establishing strategic innovation areas. To further enhance the quality of research, a recruitment programme for internationally prominent researchers will be launched. The Government will propose

additional initiatives in the Energy Research Bill that will also be presented in autumn 2012.

Conditions for enterprise and entrepreneurship will be strengthened.

Corporate tax conditions have a substantial influence on investment and growth in Sweden. Sweden must have a competitive corporate tax rate to encourage jobs and investment. The Government therefore proposes a reduction of the corporate tax rate to 22 per cent, which would put it just below the EU average. A lower corporate tax rate will provide strong incentives for the business sector to increase its investments, which will lead to increased productivity, higher real wages and higher employment. To ensure that corporate taxes are fair and the tax base is protected, the Government proposes to make the existing interest deduction limitation rules more widely applicable. The introduction of a tax credit for investors is proposed to stimulate access to capital in new and expanding enterprises. Measures are also proposed to strengthen legal certainty in tax issues.

Increasing access to housing

Access to housing affects people's freedom of choice in life and their opportunities to move to study or work. Most new jobs emerge in growth regions. To enlarge the supply of housing, the existing housing stock needs to be better used and new construction needs to increase. In this bill, the Government presents concrete proposals in the areas announced in the 2012 Spring Fiscal Policy Bill, including a reduction of the real estate charge for rental and tenant-owner apartments and measures to encourage the letting of private housing.

More people into work

To help more people find jobs, the Government proposes permanent and temporary measures intended mainly to improve the functioning of the labour market, but also to respond to the weak economic trend.

Increased opportunities for young people

Youth unemployment has grown over a period of decades and has remained high since the crisis in the 1990s. Measures are therefore needed to ensure a high-quality education system and

create a smooth transition from school to working life. In addition, labour market demand for young workers needs to increase, as does the number of young people who are willing to accept a job.

Education and training measures are proposed to bring down the high level of youth unemployment in the long term, focusing on strengthening upper secondary school vocational programmes. Several other countries have very positive experiences of apprenticeship programmes and Sweden has good reason to learn from them. The Government is therefore acting to firmly establish apprenticeship training programmes by permanently extending the provider allowances for apprentices and raising the part of the allowance paid to employers.

In response to the weakening of the economic outlook, action is being taken to temporarily increase places in adult vocational education, apprenticeship training for adults, vocational higher education, folk high schools, and universities and other higher education institutions. A large proportion of these measures will benefit young people. Proposals in labour market policy include enhanced resources for new start jobs, increased support from employment services and measures to encourage young people to study.

The Government also intends to support further initiatives for young people in collaboration with trade unions and employers within the framework of an employment pact. Such a pact would make the parties responsible for ensuring that substantially more young people are recruited via vocational introduction agreements, while the state could contribute to supporting recruitment under such agreements. Dialogue with the social partners will continue during autumn 2012.

Increased opportunities for integration

In general, people born abroad are in a weaker position in the labour market than people born in Sweden. In the integration area, reinforcement of the establishment reform is proposed, including measures to stimulate prompt reception by municipalities and increased opportunities for workplace-based measures. The establishment reform will also be broadened to cover more newly arrived people. A change in the parental benefit system is proposed to counter delays in labour market establishment

for foreign-born women. The Government also proposes a temporary initiative aimed at stimulating work by municipalities to reduce exclusion in certain urban districts. Education and training measures for people born abroad are also proposed.

Increased opportunities for the long-term unemployed

The persistence of the weak economic situation means there is great need for early intervention to help people at high risk of long-term unemployment. The Government therefore proposes that funds be allocated to create more places in the labour market policy programmes. In addition, under the proposal, the special recruitment incentive scheme will continue at a higher level and the possibility of employment training during the employment phase of the job and activity guarantee scheme will be extended.

Increased opportunities for people with disabilities

Further action is proposed to improve job prospects for people with disabilities. This includes, for example, improved individual support at a new place of work.

Strengthening the work-first principle and clarifying requirements

Under the work-first principle, requirements that individuals should attempt to find their own means of earning a living are combined with support and encouragement to work. The Government proposes measures to clarify the requirements that apply to all recipients of labour market-related benefits or income support from the public authorities.

To strengthen incentives for people on social assistance to begin working or to work more, the Government intends to propose a change in the way income support is calculated so that only part of earned income will affect the assessment of entitlement to assistance.

A stable financial system and enhanced consumer protection

Financial stability is a prerequisite for a functioning economy. Since Sweden has a large banking sector relative to its GDP, a financial crisis risks becoming very costly. To reduce the danger of taxpayers having to pay for irresponsible risk-taking by banks, the

Government intends to continue to take measures to secure financial stability.

To reinforce the consumer perspective, the Government intends to take measures to increase transparency in how banks finance their housing loans. Further, the Government intends to present legislative proposals aimed at creating a simpler and fairer model for calculating the interest rate differential, i.e. the compensation charge that applies when borrowers pay off fixed-rate mortgages prior to the maturity date.

Welfare for all and more equitable distribution

More accessible and more secure health care and social services

Health care and social services must be characterised by quality and accessibility. Their design must be governed by patient and user needs. Empowerment and freedom of choice are essential tools to achieve this, together with stricter supervision and follow-up.

The Government proposes stricter state supervision to promote better quality in health care and social services. Over and above this, the Government intends to present a proposal to the Riksdag in autumn 2012 on establishing a dedicated inspection agency. The Government also proposes action to develop and offer 'health accounts', which will give the individual access to personal care information, e.g. medical records.

Diversity and ownership criteria in the welfare sector

To ensure the quality of tax-financed welfare services, the Government will study possible conditions, in addition to existing requirements, that should be set for owners or corporate managements in the welfare sector in connection with authorising them to provide services.

Stronger judicial system for greater security in everyday life

Everyone should be able to feel secure in their everyday life. During the previous and current terms of government, the Government has sought to strengthen the judicial system so as to improve crime-fighting and crime prevention activities and make them more effective. Despite the measures taken, many people feel unsafe and far too few crimes are solved. Processing times, moreover, are too long. Several measures are therefore proposed to strengthen the judicial

system, including tougher sentences, early and clear intervention against young people who commit crimes and measures to increase the efficiency and effectiveness of the judicial system.

Support for financially vulnerable

For the sake of social cohesion, and to ensure that economic growth benefits all, certain targeted measures are proposed for financially vulnerable groups. Their incomes will be boosted by measures in the systems for financial aid for studies, parental insurance and the housing supplement for pensioners.

Lower taxes for pensioners

To improve the financial situation of pensioners, the Government proposes a reduction of income taxes for people aged 65 or older totalling SEK 1.15 billion from 1 January 2013. This tax reduction will be implemented by raising the higher basic income tax allowance. Depending on local government tax rates, this proposal would increase the net income of a pensioner with an annual income of SEK 150 000 by between SEK 664 and SEK 790 per year.

Energy, climate and environmental policy

Sweden is, and will continue to be, a leader in energy, climate and environmental policy. The Government seeks to promote sustainable and cost-effective energy, climate and environment policies that reduce harmful emissions and environmental impacts in Sweden and the rest of the world.

The Government is proposing a number of reforms in energy, climate and environmental policy, including more efficient permit processes, support for renewable energy sources and increased resources to protect valuable natural environments. In addition, a number of tax changes are proposed, aimed at improving the environment and making climate and energy policies more cost-effective.

Table 1.2 Reforms in the Budget Bill for 2013, impact on general government net lending¹

SEK billion

	2013	2014	2015	2016
Stronger conditions for growth and competitiveness				
Infrastructure	1.50	5.17	4.75	6.50
Research and innovation	1.74	2.70	3.06	4.00
Enterprise and entrepreneurship	8.33	8.05	8.05	8.05
Housing	0.65	0.64	0.63	0.63
More people into work				
Young people ²	2.20	2.36	2.08	1.46
Integration	0.88	1.28	0.98	0.77
Long-term unemployed	0.95	0.66	0.33	0.32
People with disabilities	0.10	0.17	0.17	0.14
Strengthen work-first principle and clarify requirements	-0.12	0.05	-0.06	-0.06
Welfare for all and more equitable distribution				
Health care and social services	0.22	0.73	0.56	0.56
Justice	1.50	1.50	2.00	2.10
Support for financially vulnerable	0.78	0.78	0.78	0.78
Lower taxes for pensioners	1.15	1.15	1.15	1.15
Energy, climate and environment				
Measures for the climate and environment ³	0.56	0.55	0.61	0.83
Tax changes in the climate and energy area	-0.26	-0.35	-0.44	-0.53
Other expenditure reforms	6.31	2.82	2.08	1.95
Other income reforms	-0.54	-0.43	-0.46	-0.48
Total reforms not affecting net lending	3.02	0.34	0.34	0.34
Weakening of net lending from proposals in Budget Bill for 2013	22.7	27.2	25.6	27.3

Note: Amounts are rounded.

¹ A positive figure signifies deterioration in net lending.² Of which SEK 1.8 billion for 2013 is attributable to temporary places in adult education, vocational higher education and higher education institutions. A substantial proportion of these places will reach young people, but other groups such as people born abroad and long-term unemployed may also benefit from this measure.³ This figure includes funds for energy research (SEK 0.25bn in 2013, SEK 0.25bn in 2014, SEK 0.27bn in 2015 and SEK 0.47bn in 2016). These funds are also included in the figure for research and innovation above.