



# Swedish Fiscal Policy 2014

3 June 2014

Meeting with IMF – 2014 A IV Consultation

# Stabilisation policy

- Given the Government's assessment of the cyclical situation in the 2014 Budget Bill, the fiscal policy was well-balanced.
- The Council now sees a risk that net lending for 2014 may be lower than the level justified by stabilisation policy considerations. 
- Permanent measures imply that a return to a 1 per cent surplus will be more difficult. Quite tight fiscal policy needed to return to surplus.
- The Government's active stabilisation policy has been well timed. 

# The surplus target

- The surplus target will not be met. The Government should have declared a deviation from the target.
- The deviation from the surplus target may be justified by the long and deep downturn.
- Long-term fiscal sustainability is not threatened.
- An explicit and valuable commitment is made in the 2014 Spring Fiscal Policy Bill, that net lending will return to 1 per cent in 2018.
- The Government has once again postponed the time when net lending is to reach 1 per cent. Should have provided more justification for this postponement.

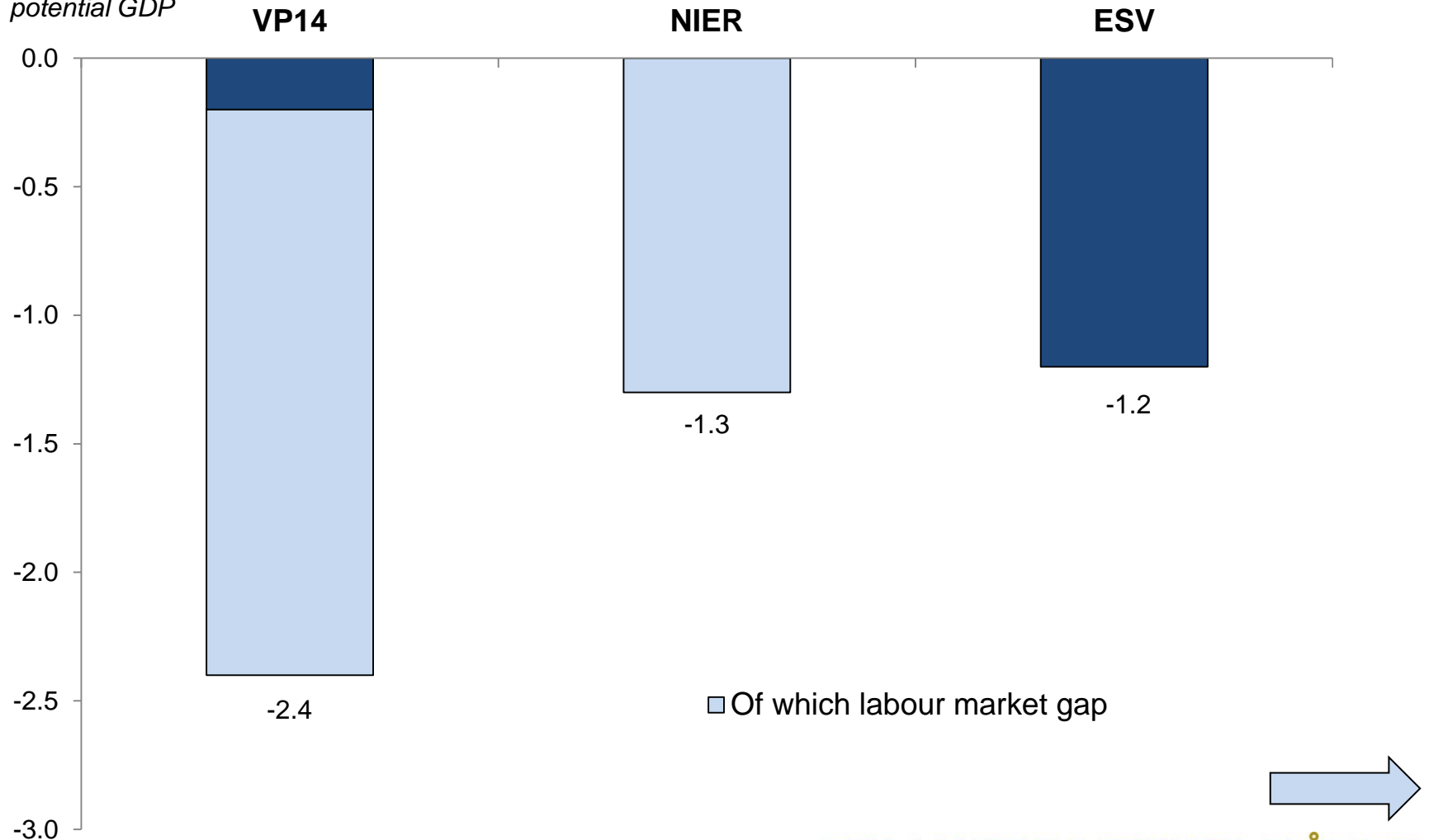
# Changing the level of the surplus target

- The link between the surplus target and the fiscal policy proposed should be made clearer. Structural net lending should be used to assess whether there is a deviation from the target.
- If there is a deviation, the Government should explain it and present a realistic plan for meeting the target.
- A reduced surplus target is consistent with an acceptable development of net wealth and gross debt, but:
  - Smaller margins in the case of a crisis,
  - Worse consequences if the target is not reached,
  - Only a temporary increase in resources.
- The Council's overall assessment:  
1 per cent surplus target should be maintained for the time being.



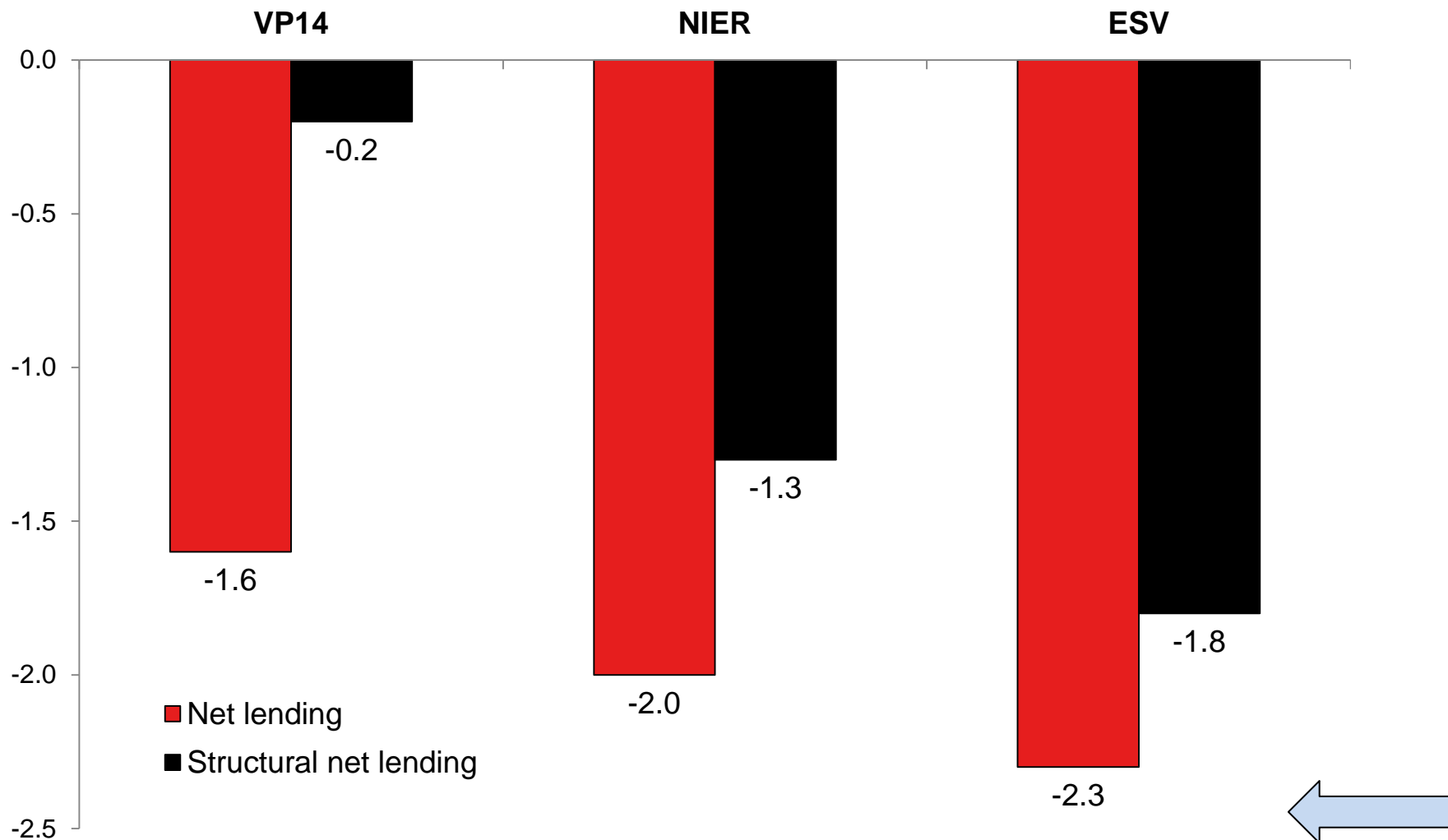
# GDP gap 2014 according to spring 2014 forecasts

Per cent of potential GDP

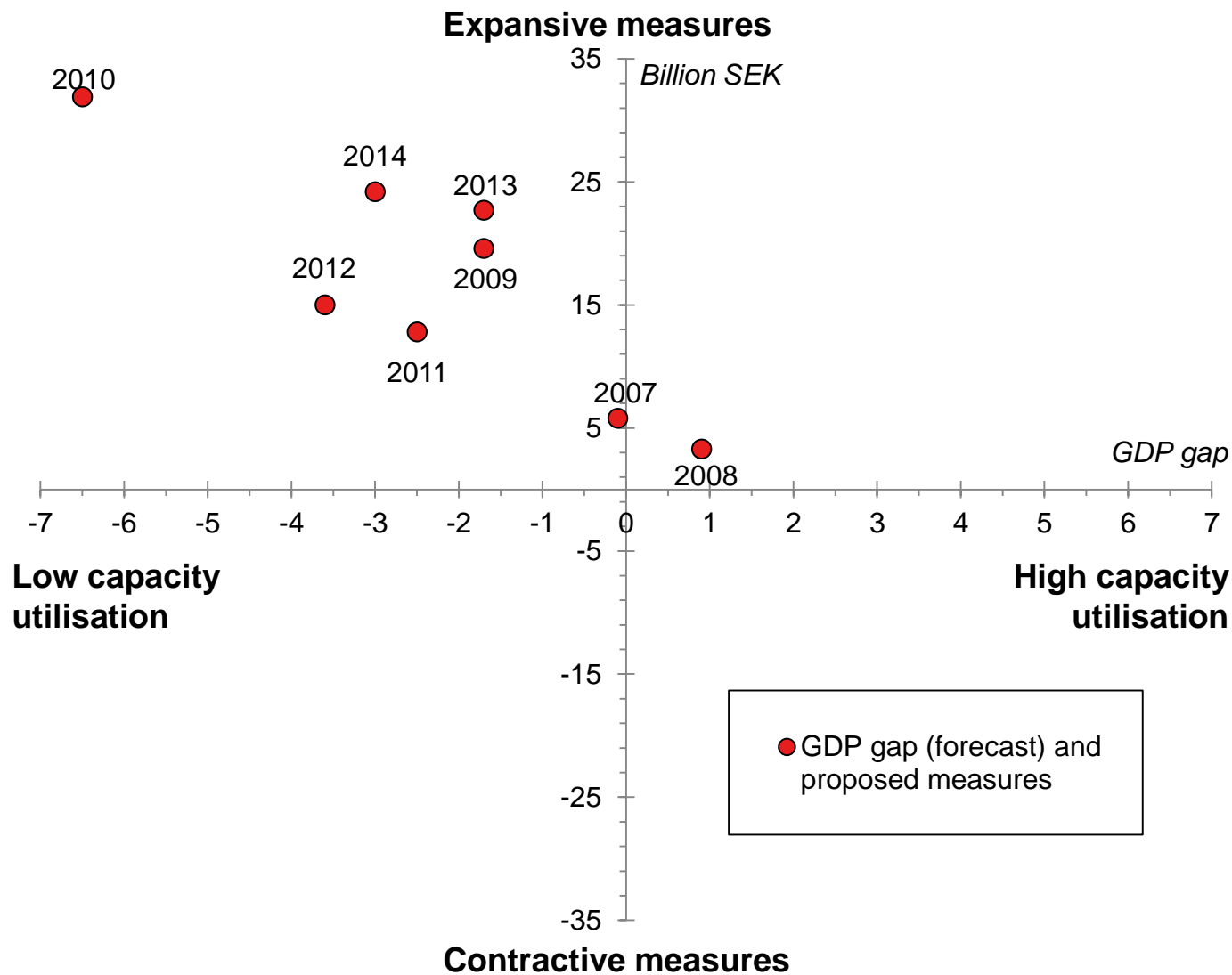


# Net lending 2014 according to spring 2014 forecasts

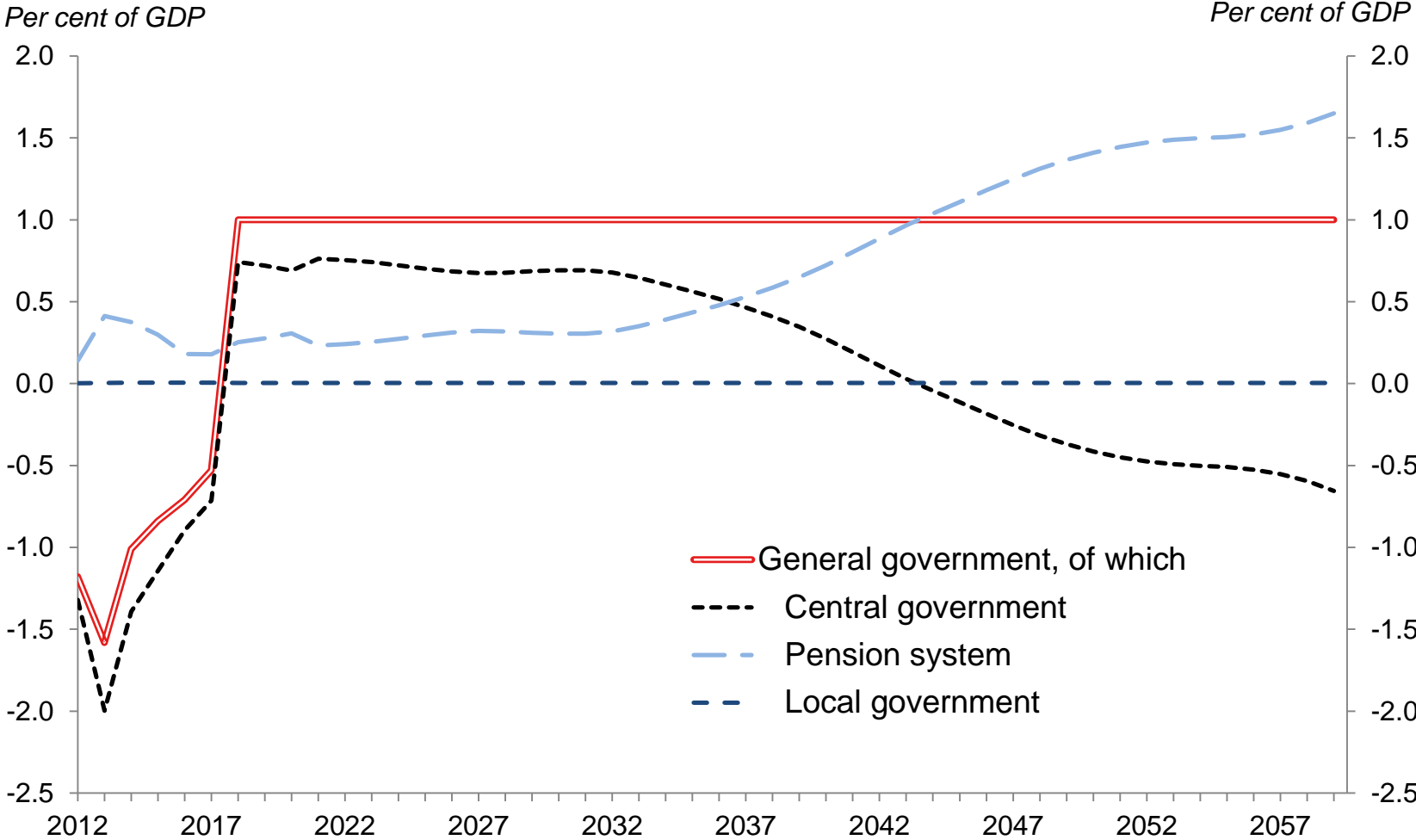
Per cent of GDP



# Stabilisation policy timing



# Net lending with a surplus target of 1 per cent

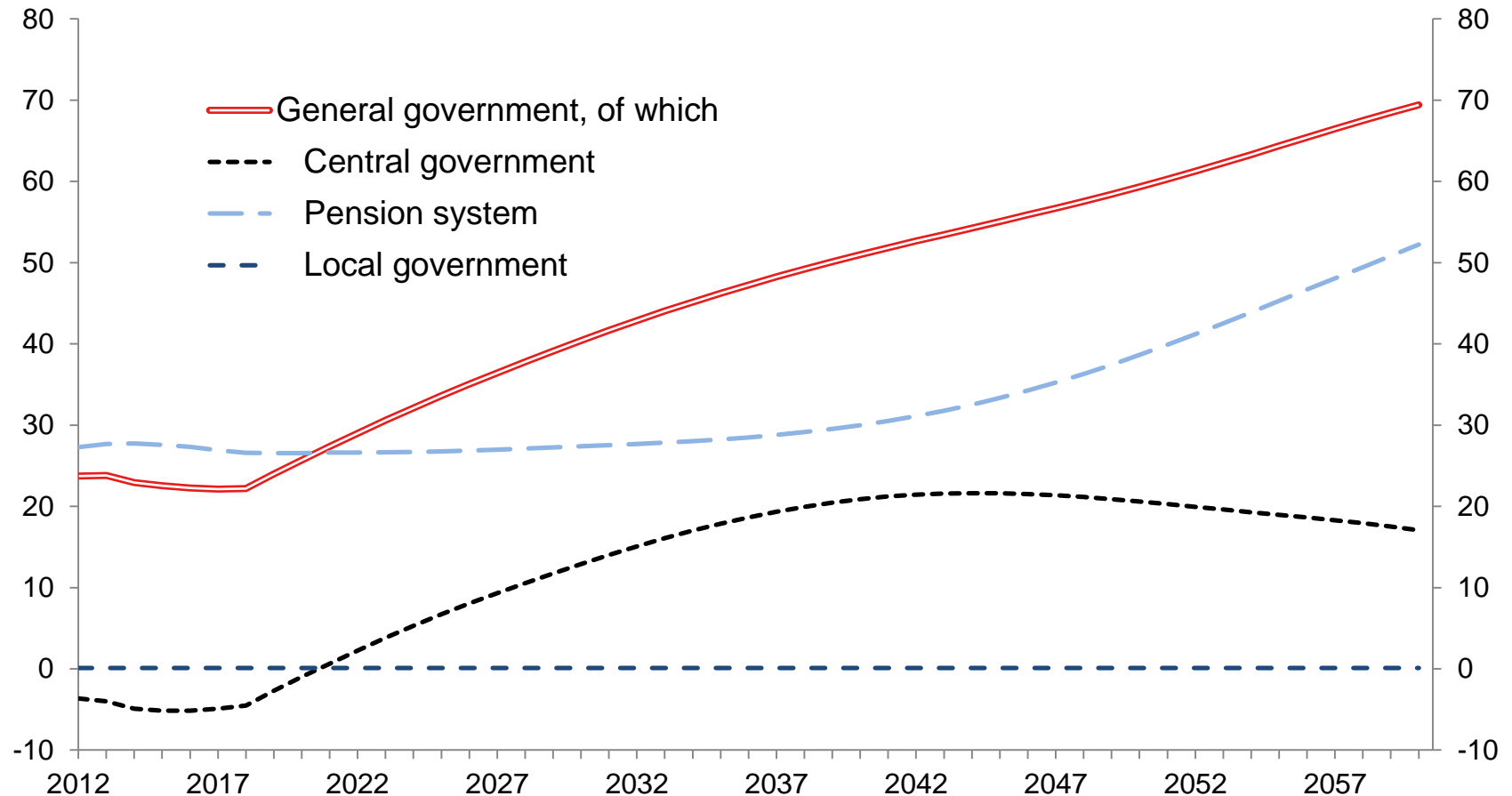




# Net wealth with a surplus target of 1 per cent

Per cent of GDP

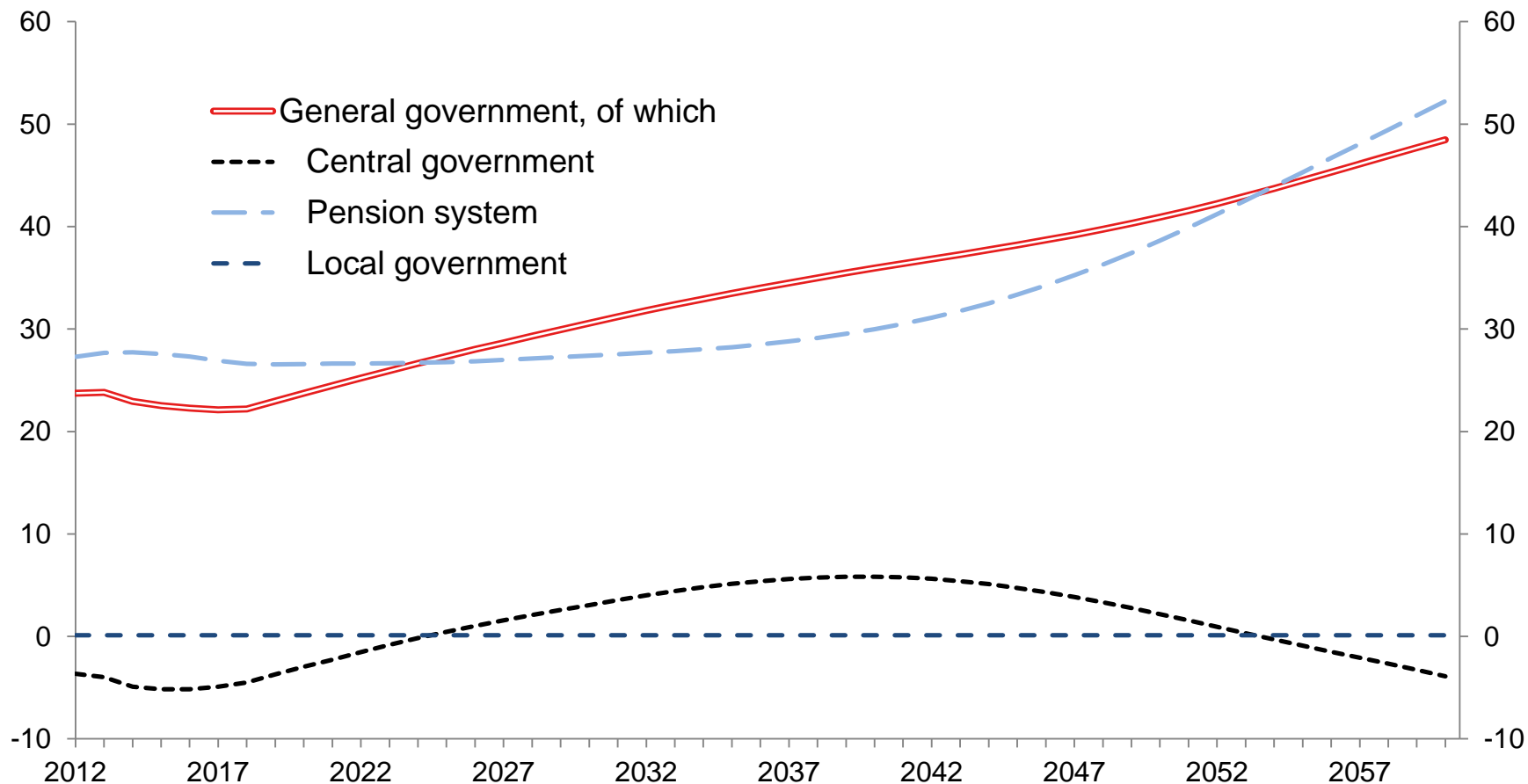
Per cent of GDP



# Net wealth with a target of 0 per cent

Per cent of GDP

Per cent of GDP

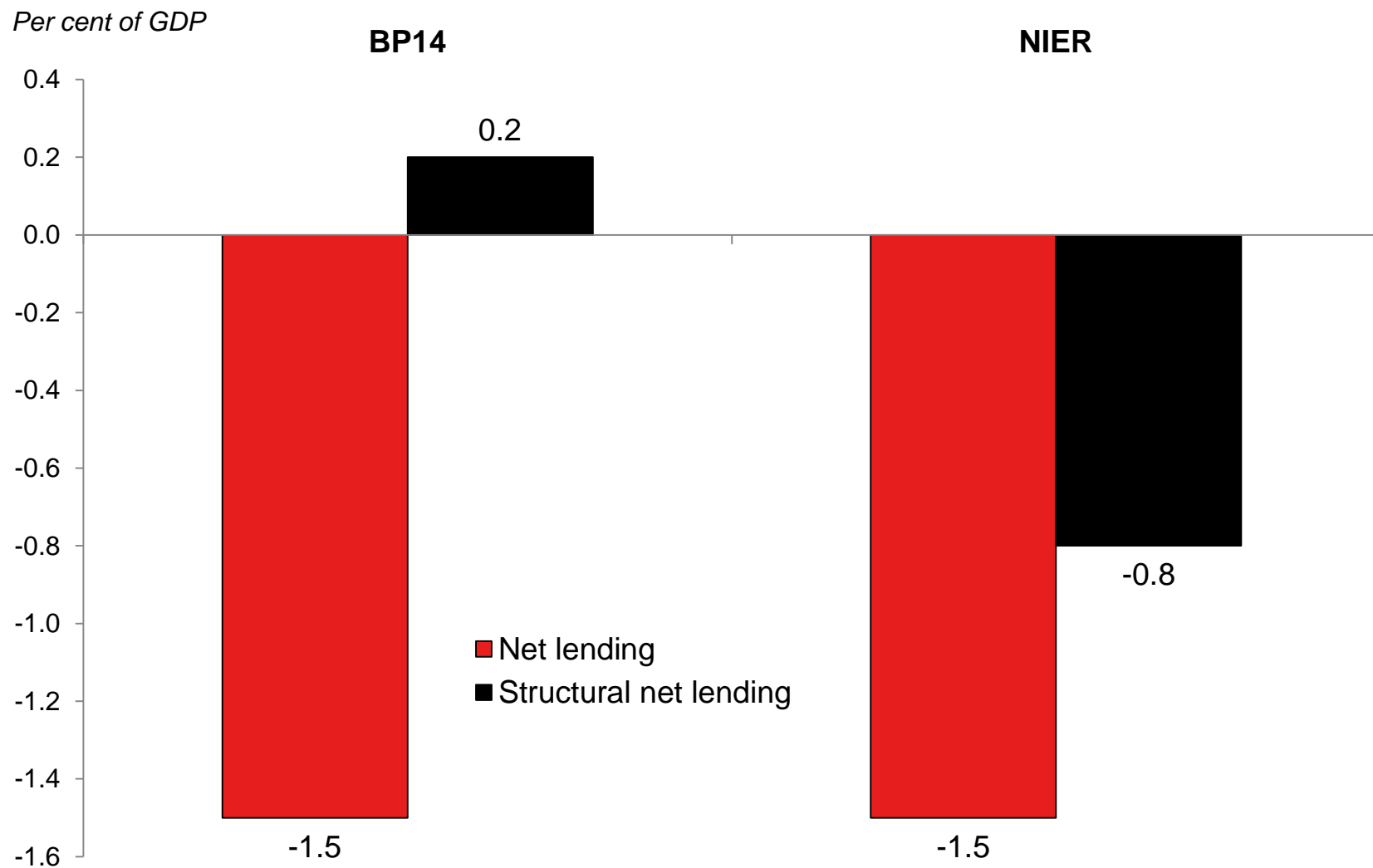


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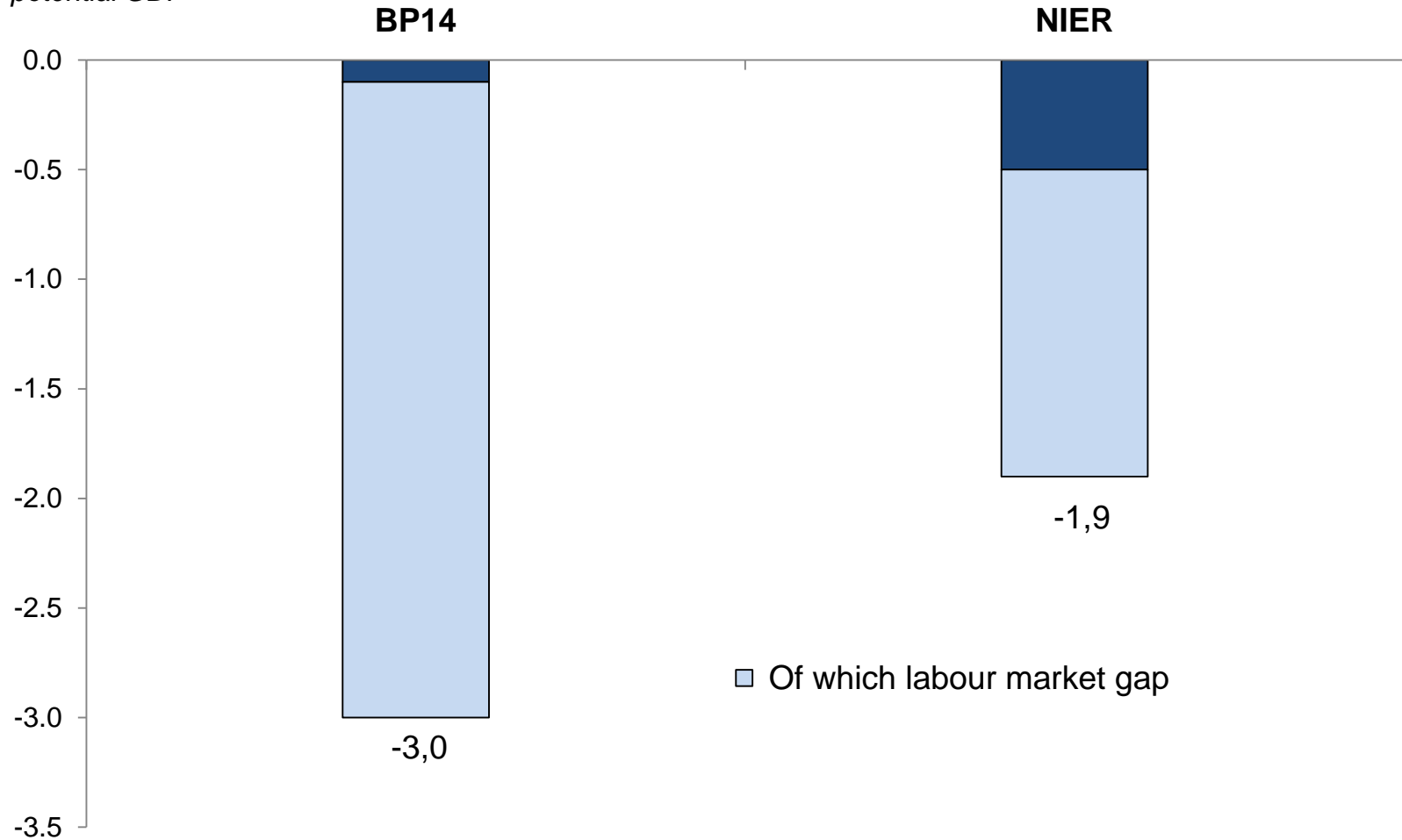
# Additional graphs

# Net lending 2014 according to autumn 2013 forecasts



# GDP gap 2014 according to autumn 2013 forecasts

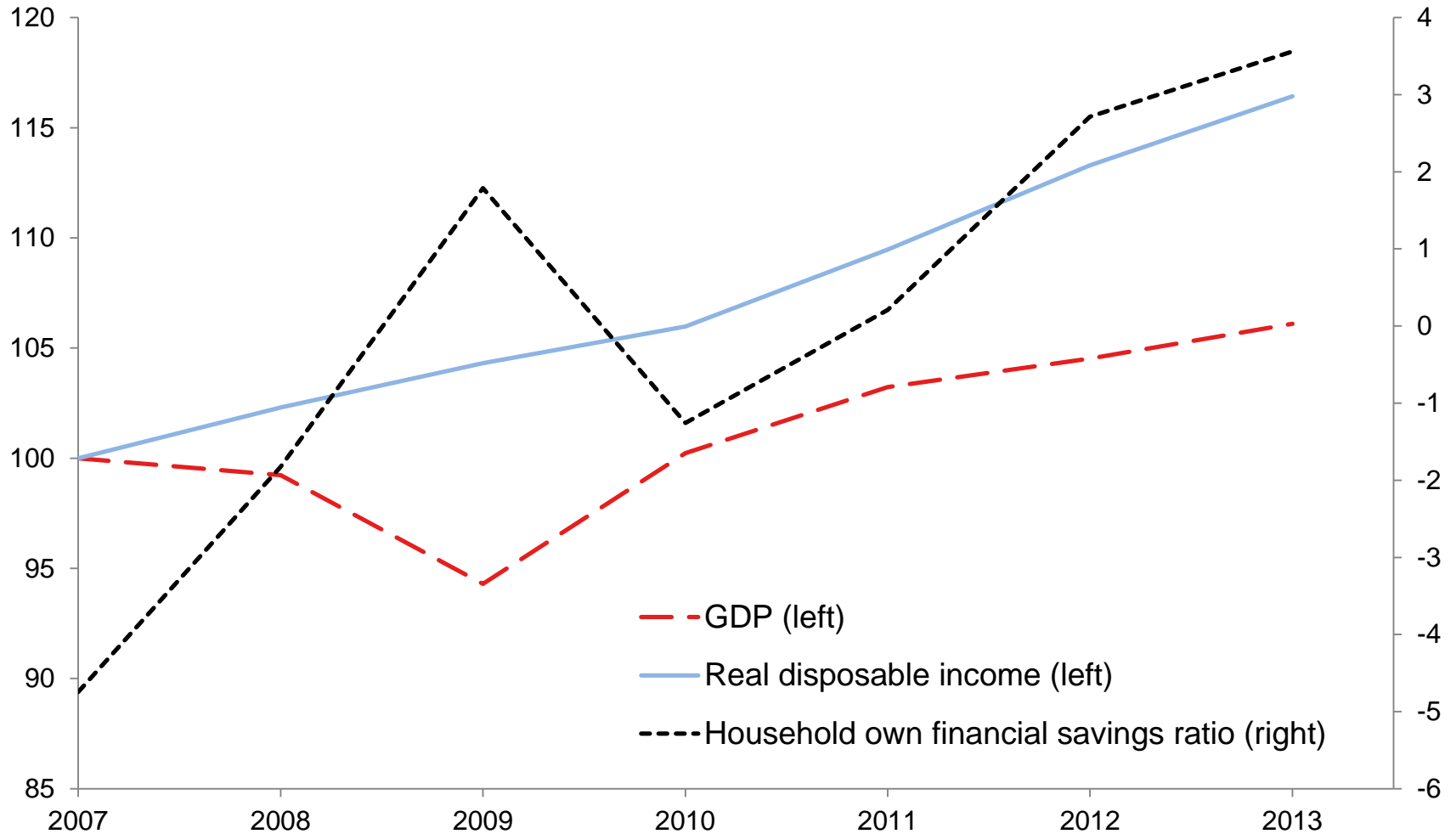
Per cent of potential GDP



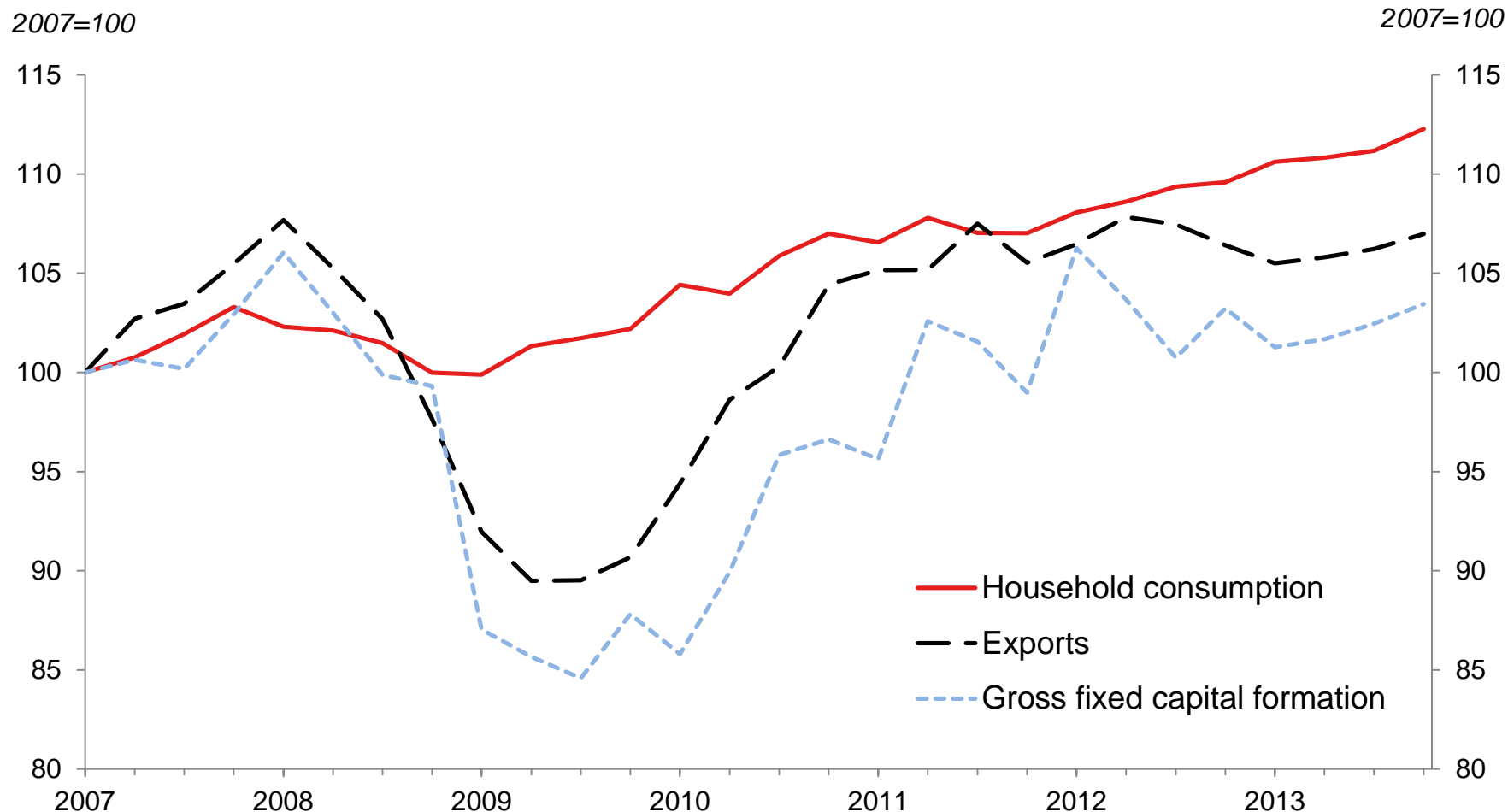
# GDP, disposable income and household savings

2007=100

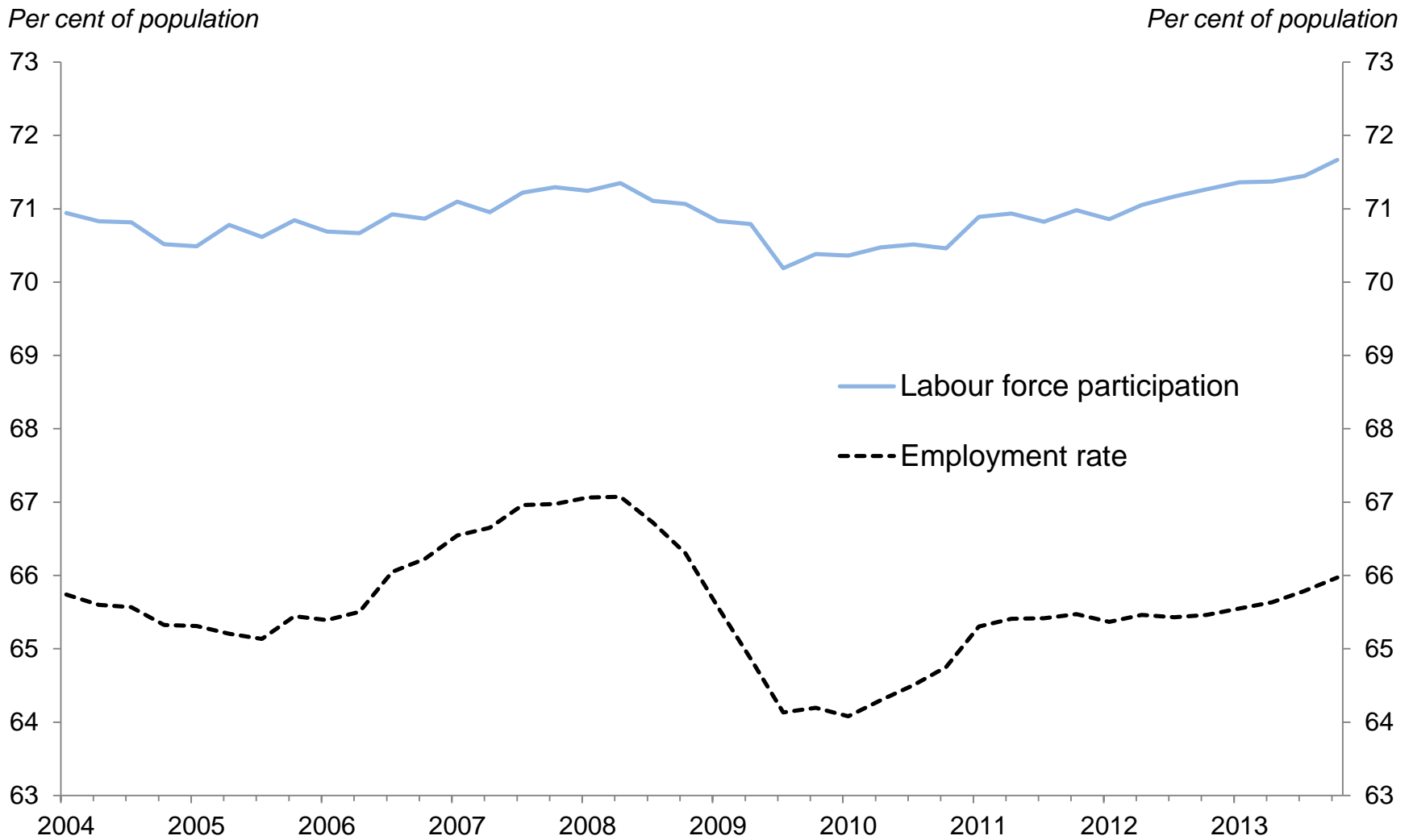
Per cent of disposable income



# Exports, investments and household consumption

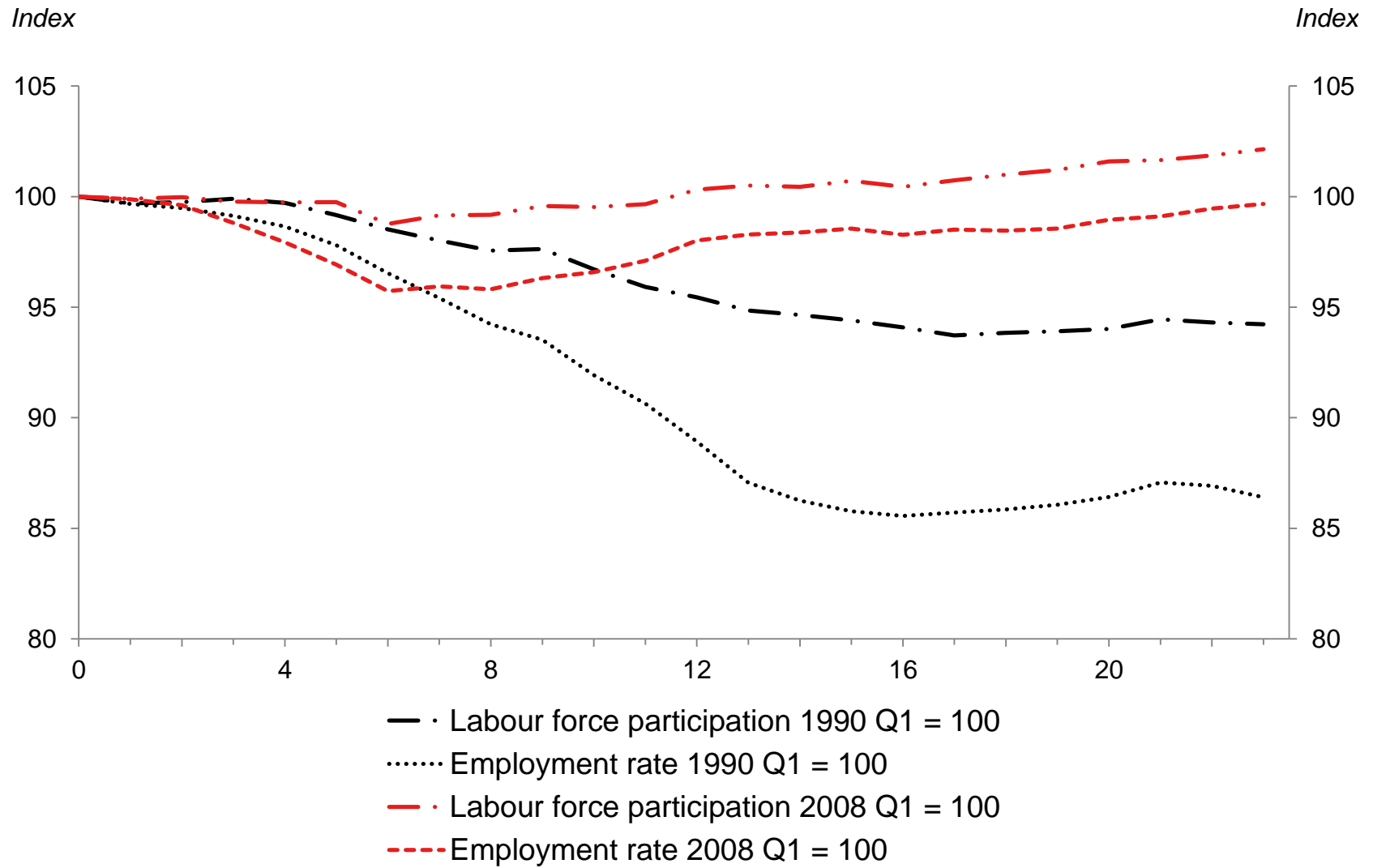


# Labour force participation and employment rate

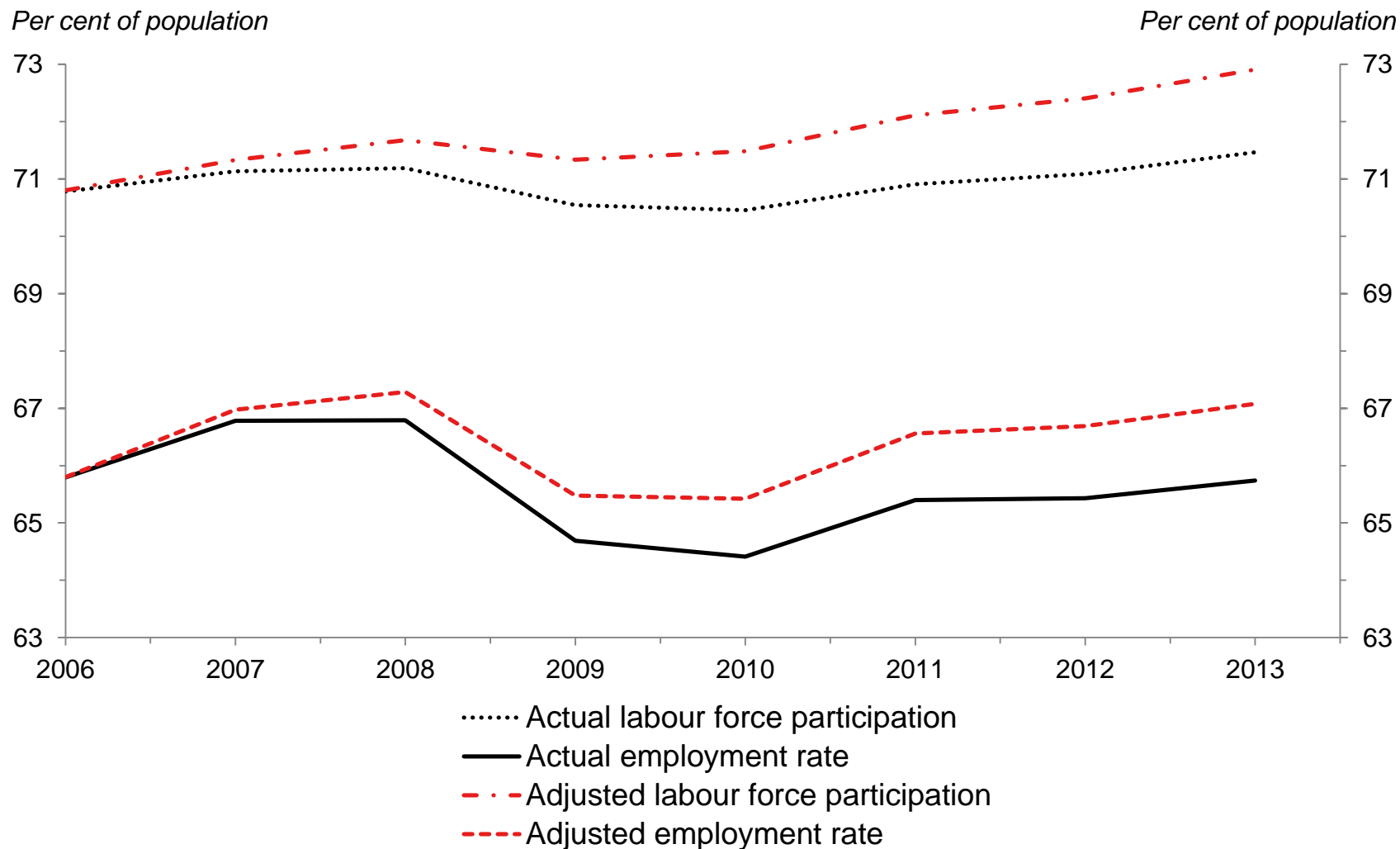




# The financial crisis compared to the crisis of the 1990s



# Labour force participation and employment rate adjusted for demographics



# Share of unemployed belonging to vulnerable groups

Per cent of unemployed

Per cent of unemployed

