



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

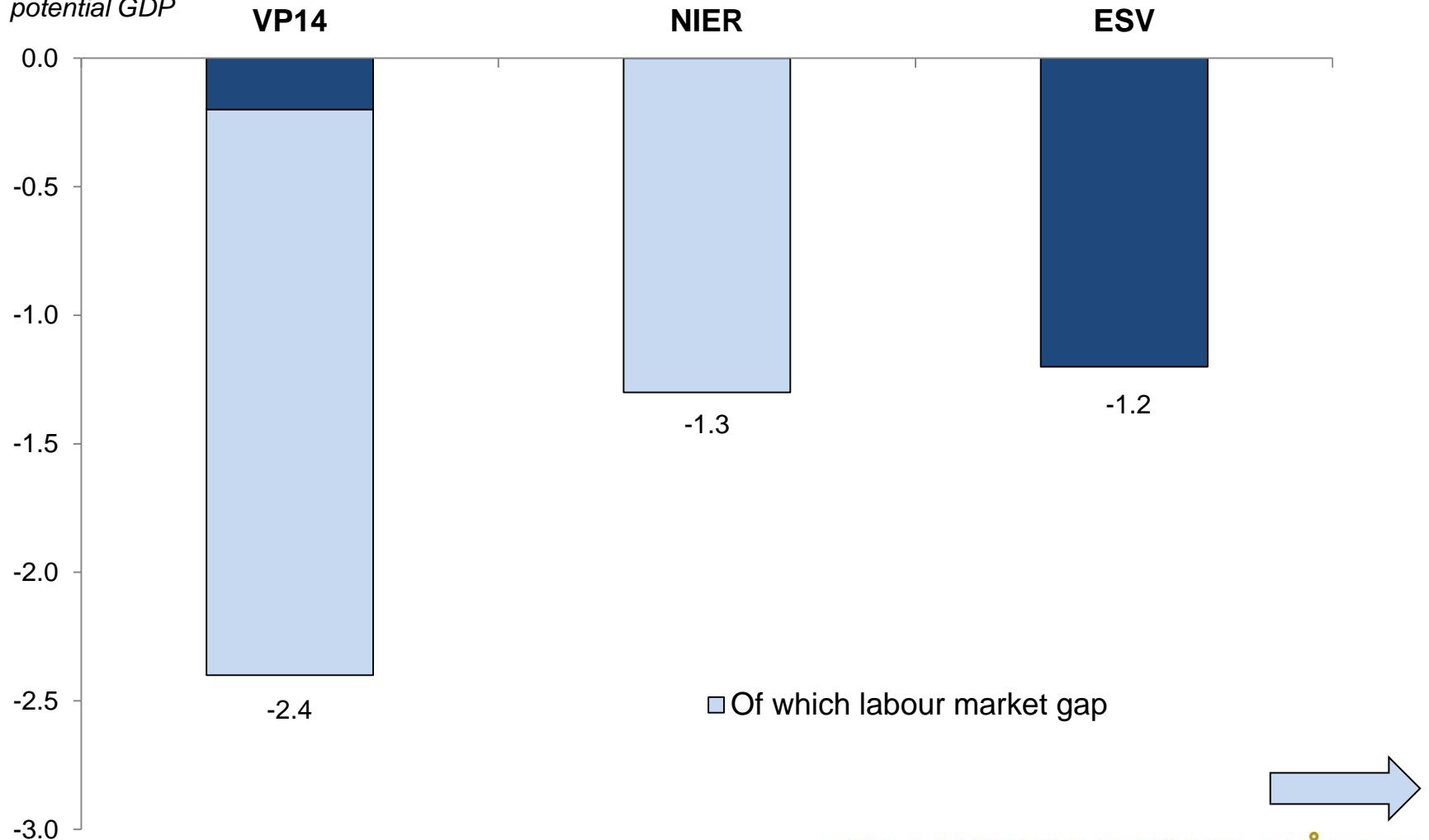
- The surplus target will not be met. The Government should have declared a deviation from the target.
- The deviation from the surplus target may be justified by the long and deep downturn.
- Long-term fiscal sustainability is not threatened.
- An explicit and valuable commitment is made in the 2014 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.

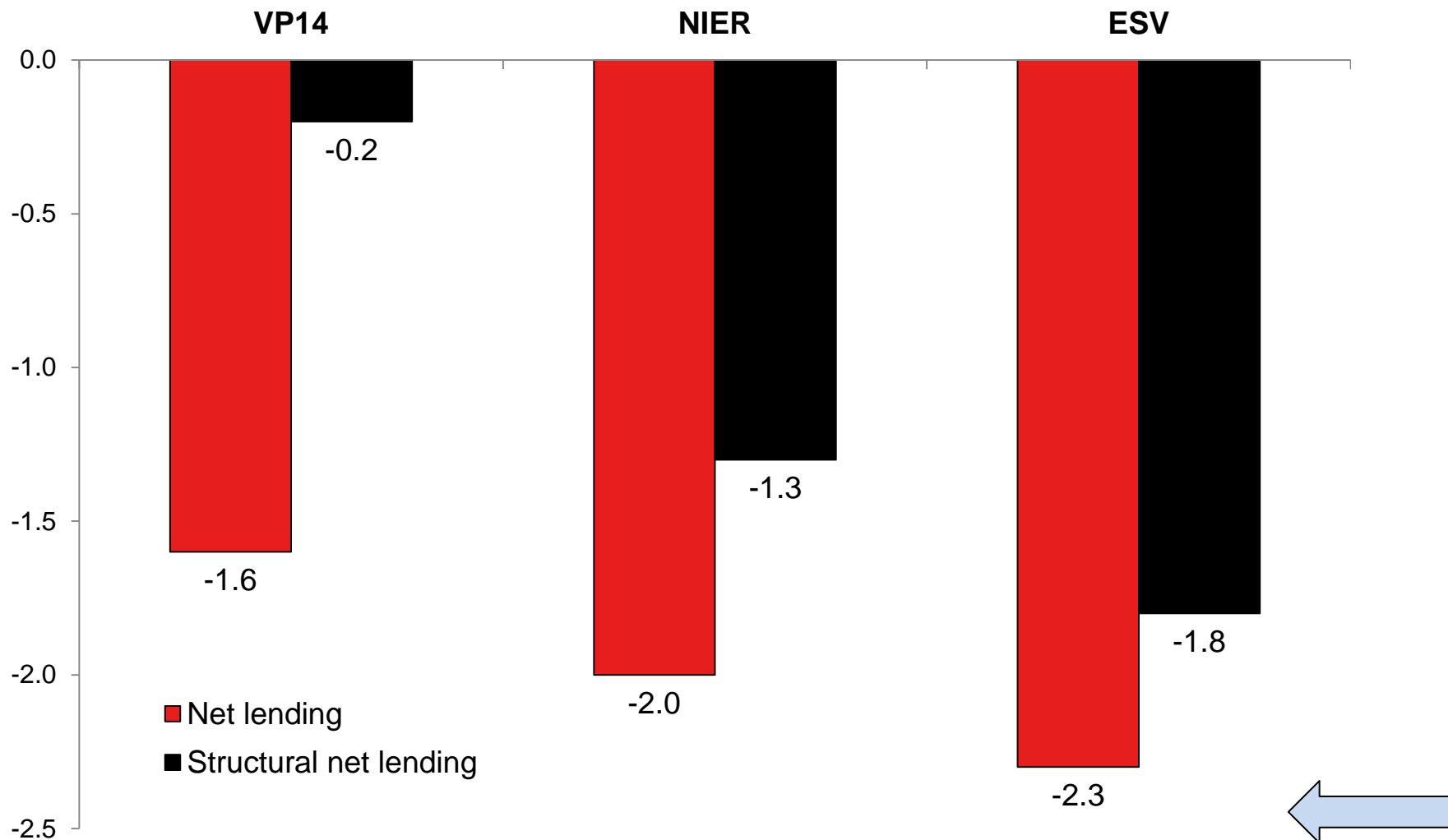
GDP gap 2014 according to spring 2014 forecasts

Per cent of potential GDP

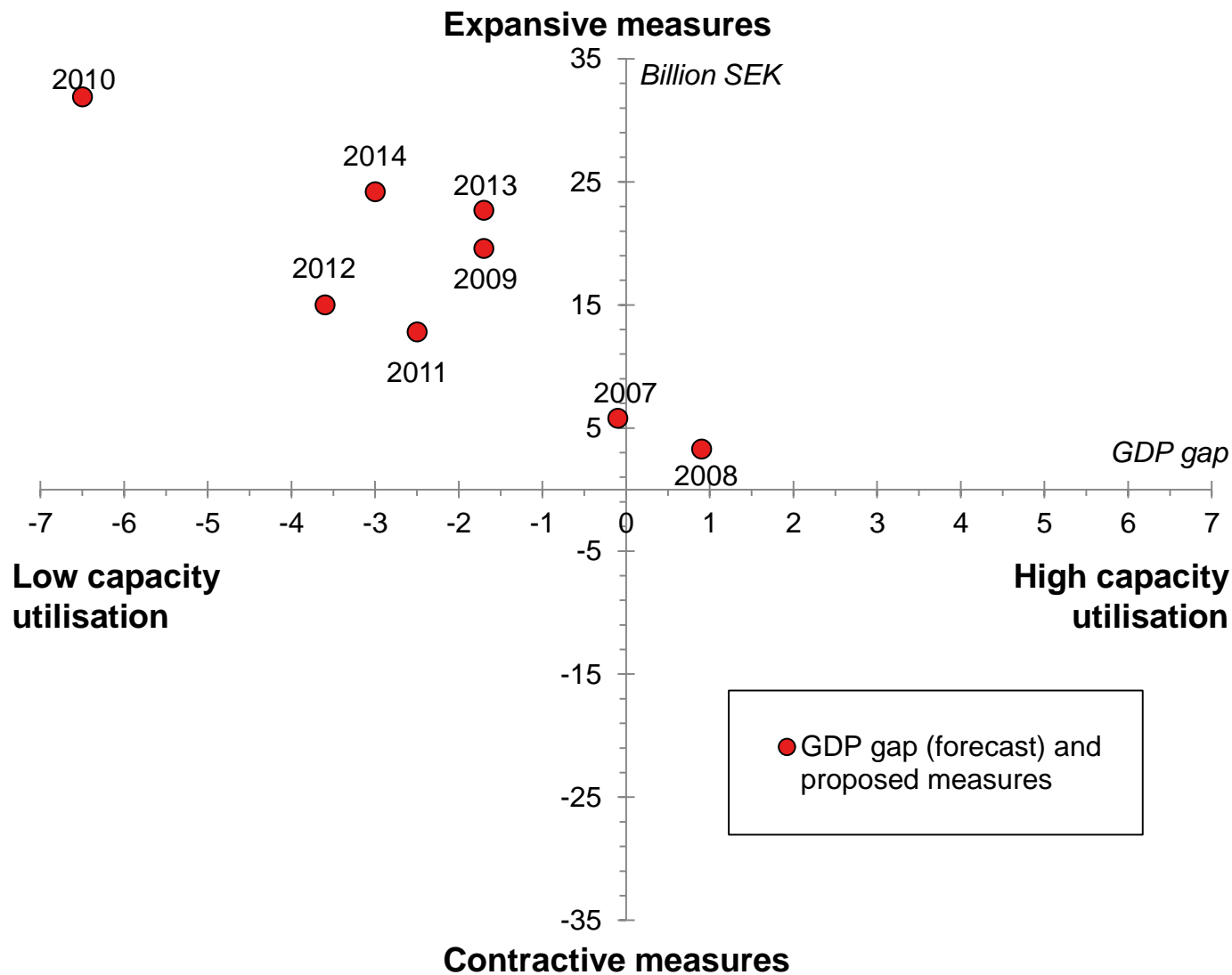


Net lending 2014 according to spring 2014 forecasts

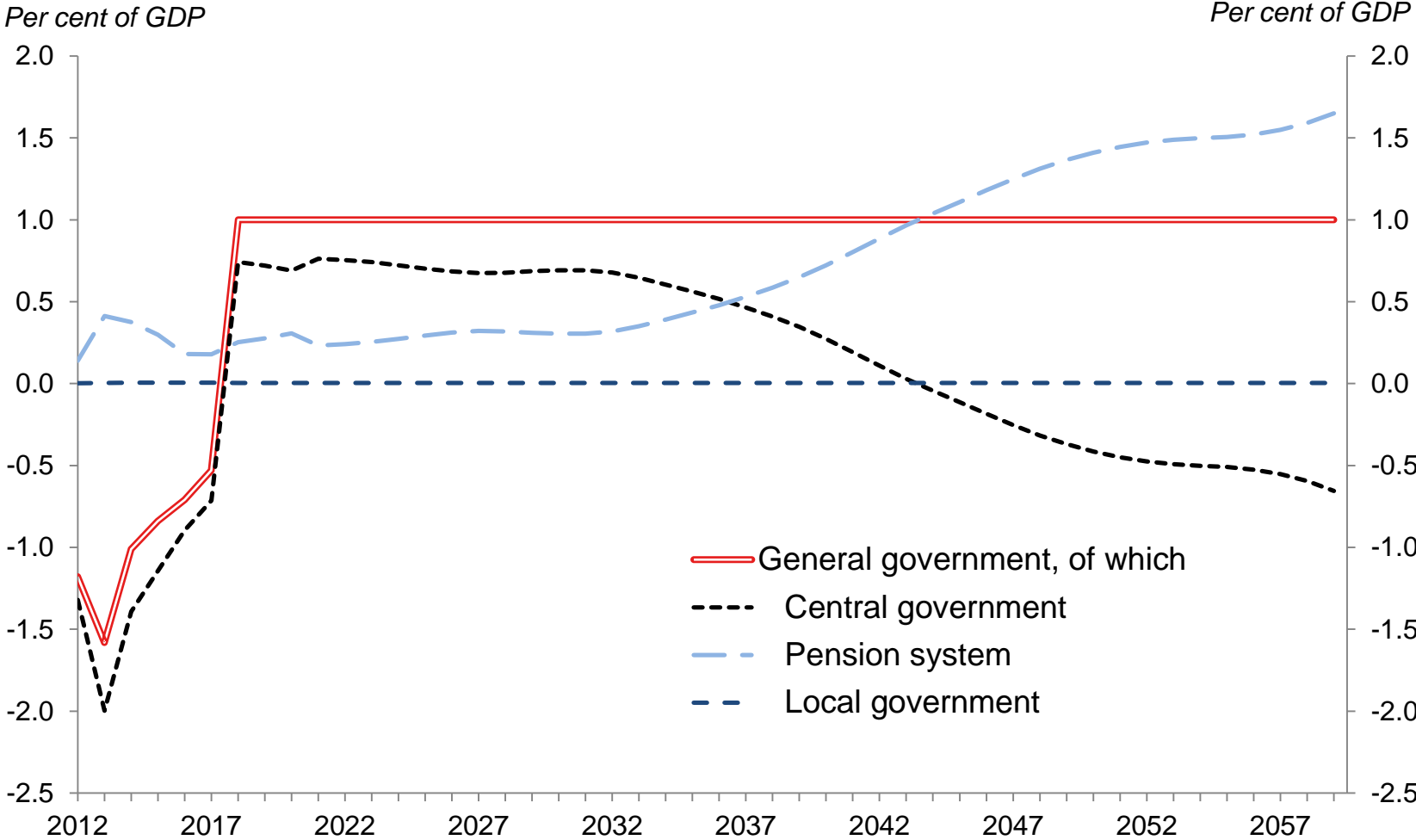
Per cent of GDP



Stabilisation policy timing



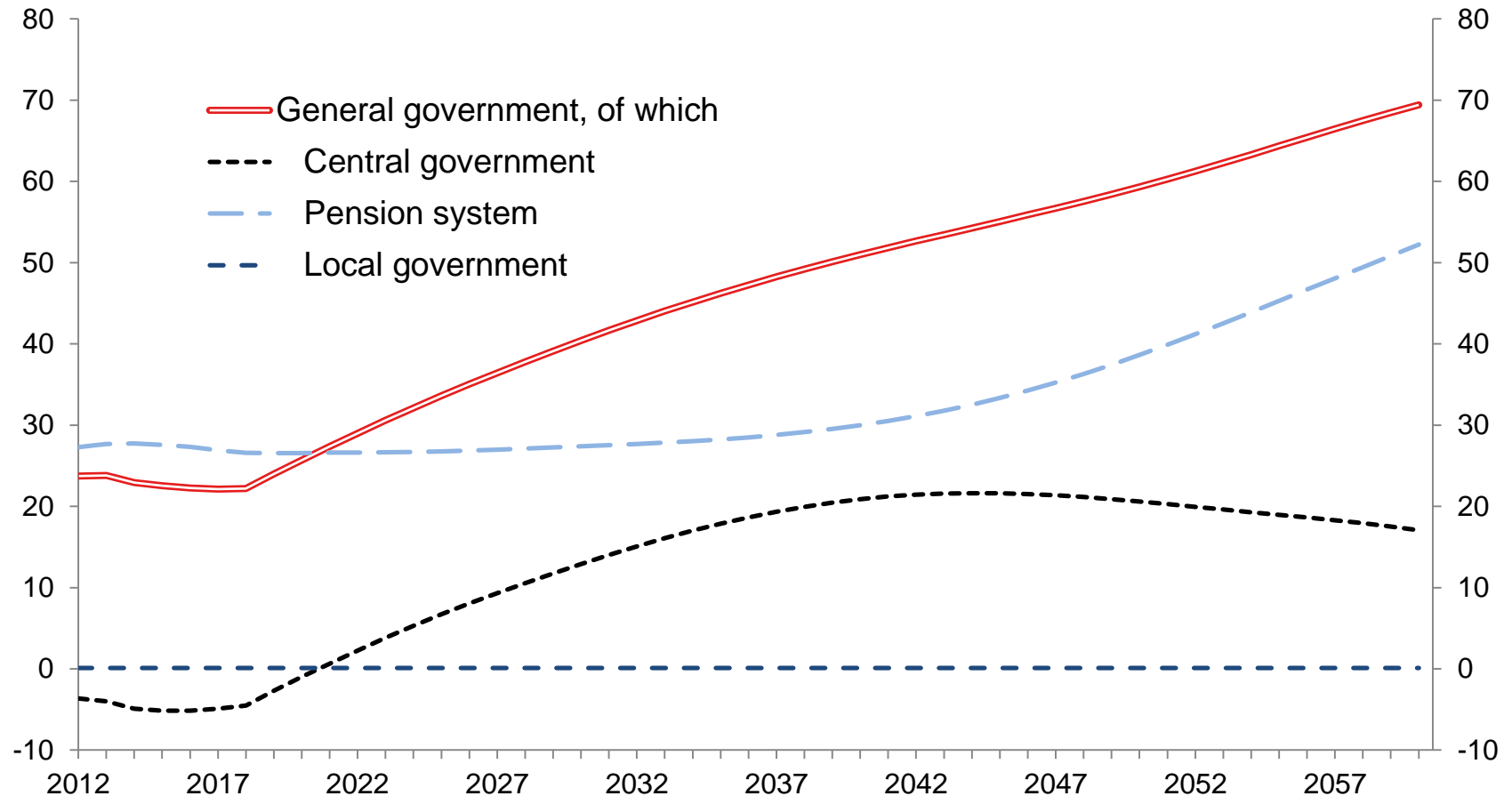
Net lending with a surplus target of 1 per cent



Net wealth with a surplus target of 1 per cent

Per cent of GDP

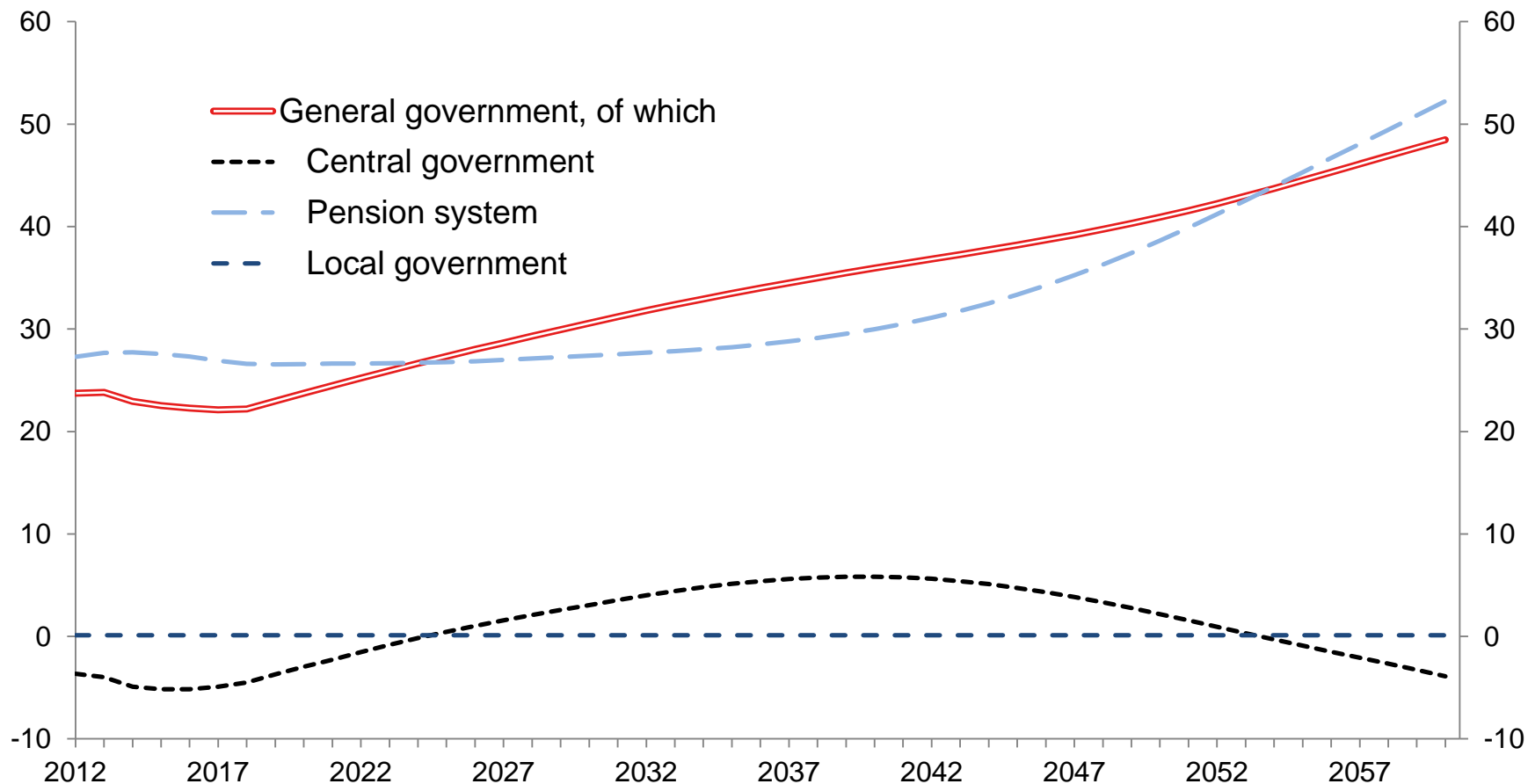
Per cent of GDP



Net wealth with a target of 0 per cent

Per cent of GDP

Per cent of GDP

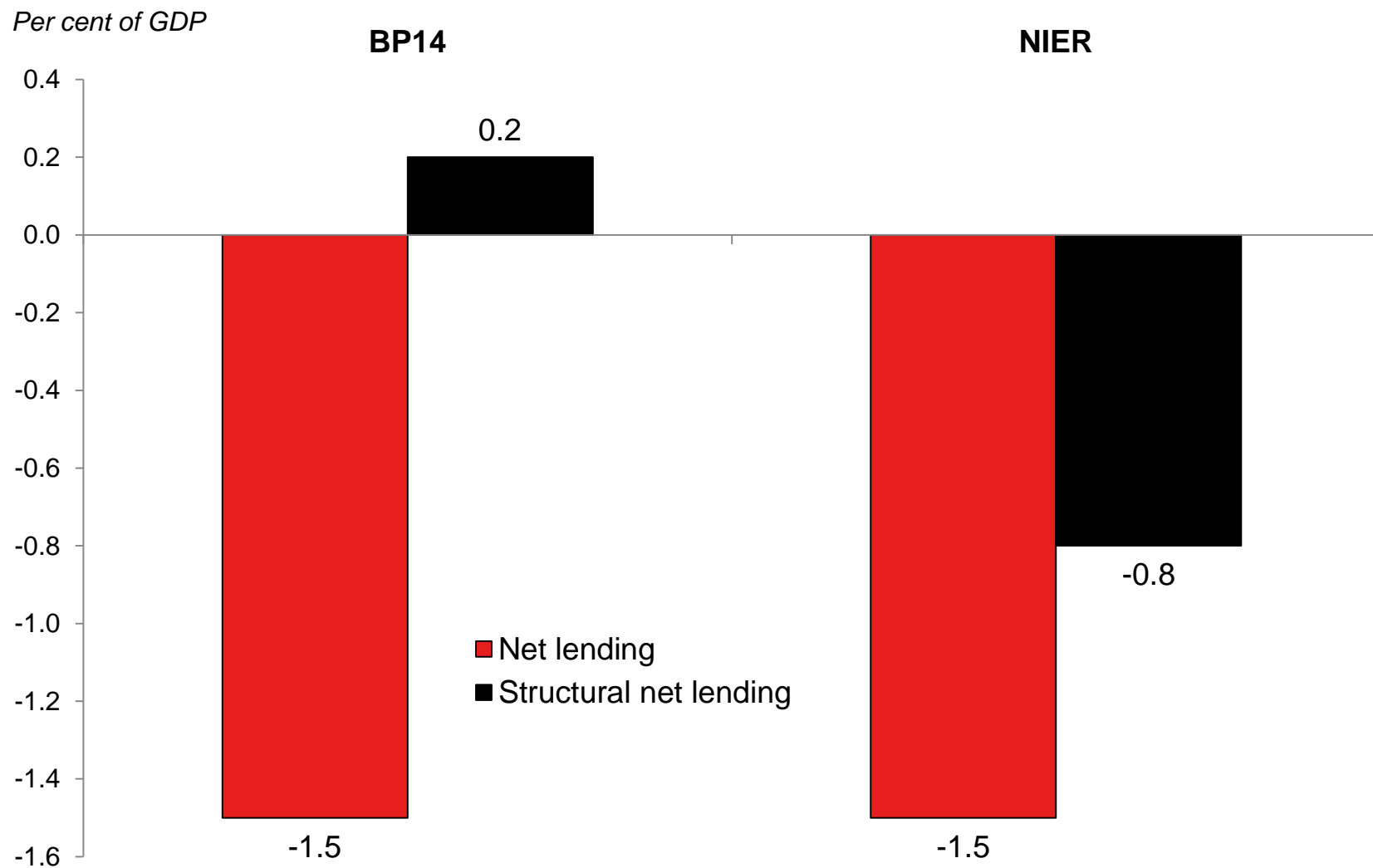


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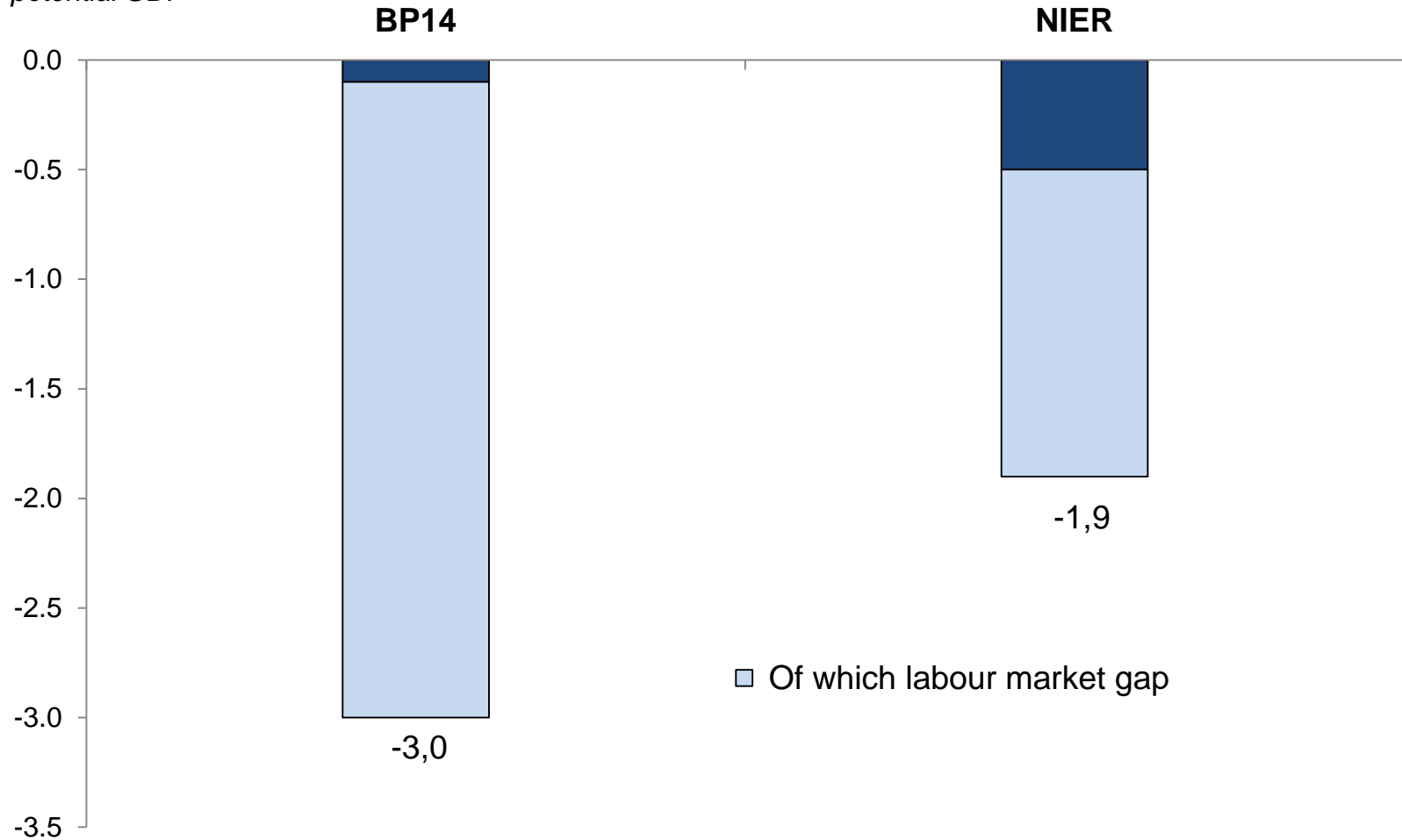
Additional graphs

Net lending 2014 according to autumn 2013 forecasts



GDP gap 2014 according to autumn 2013 forecasts

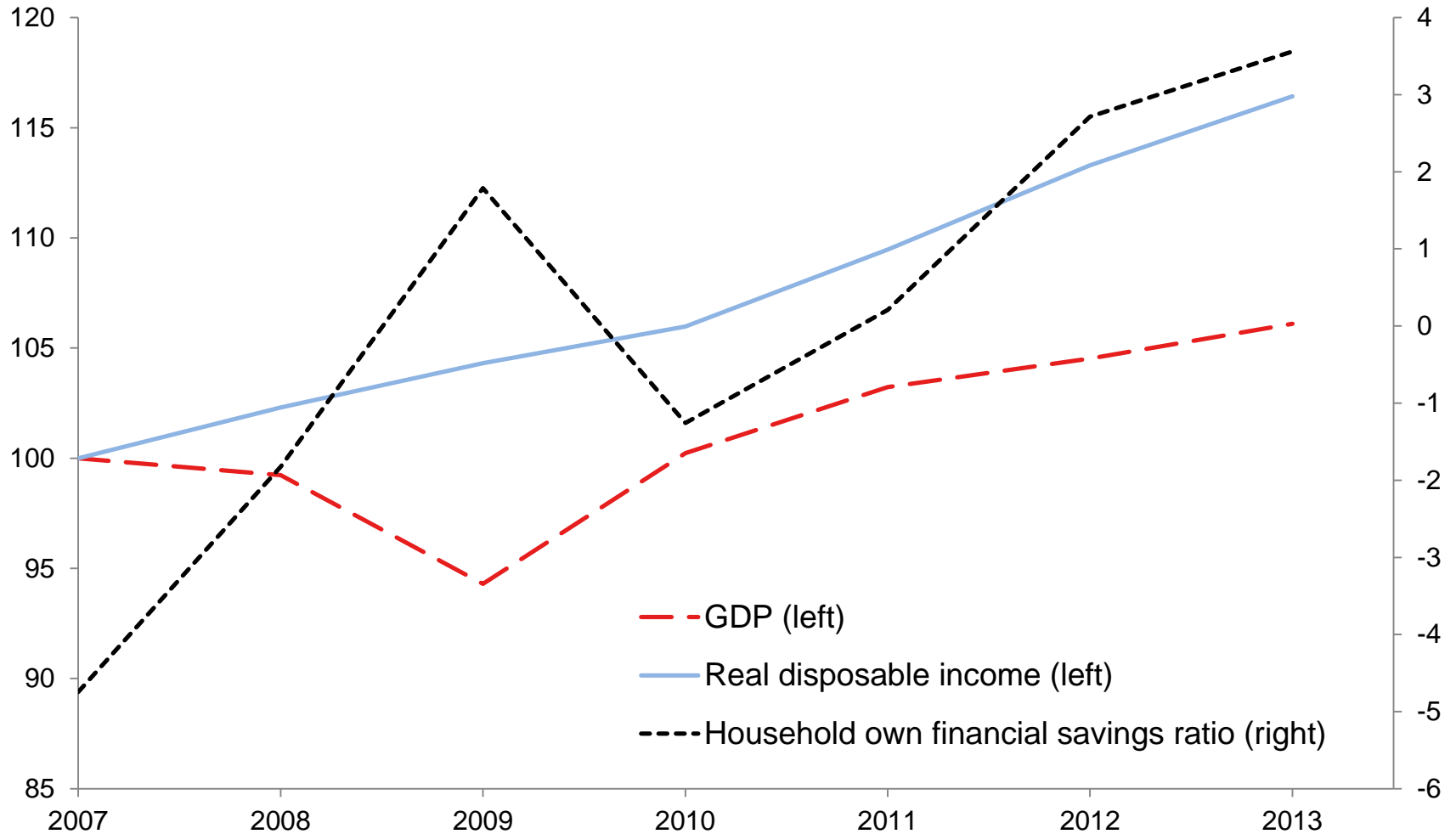
Per cent of potential GDP



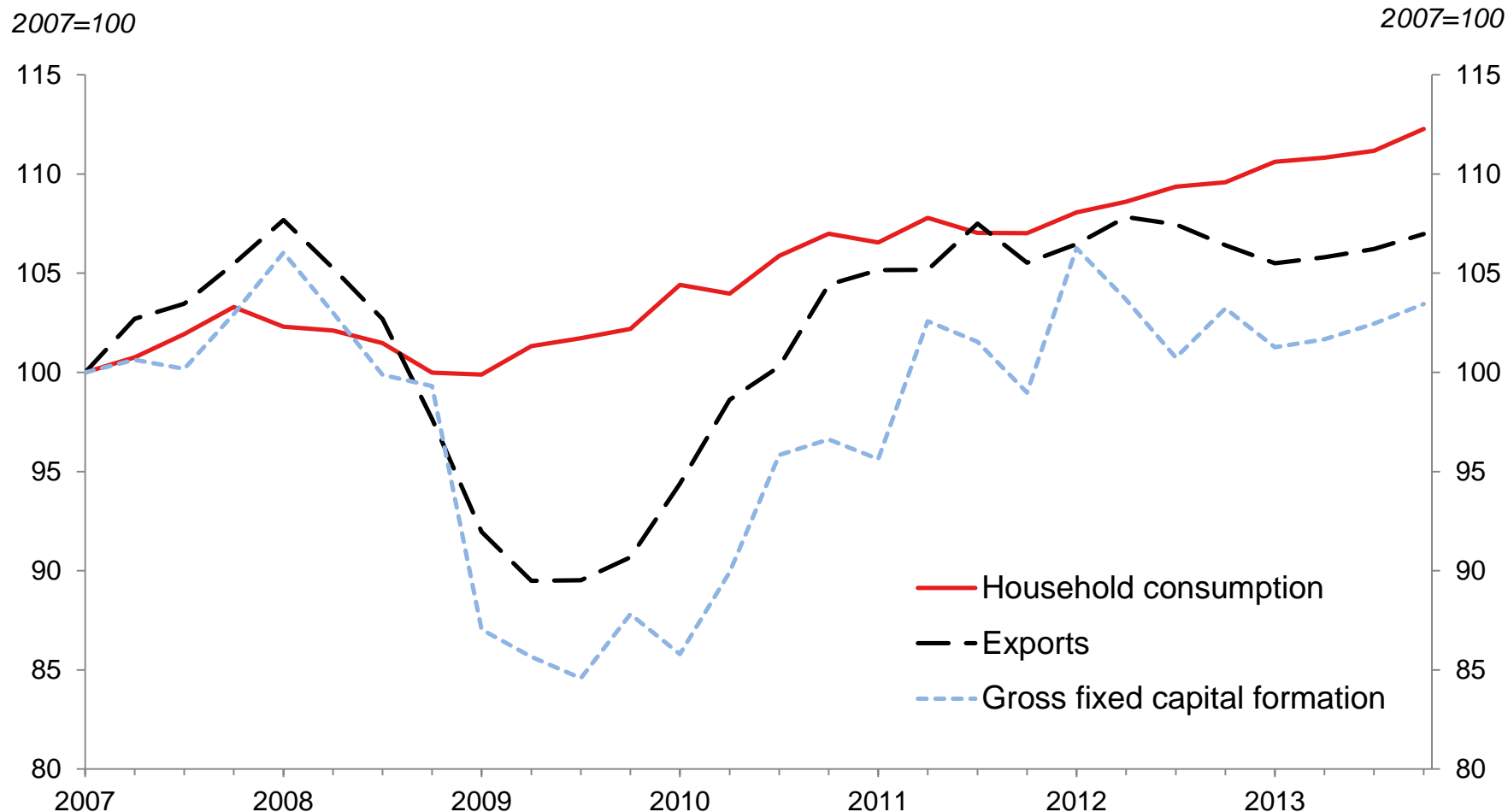
GDP, disposable income and household savings

2007=100

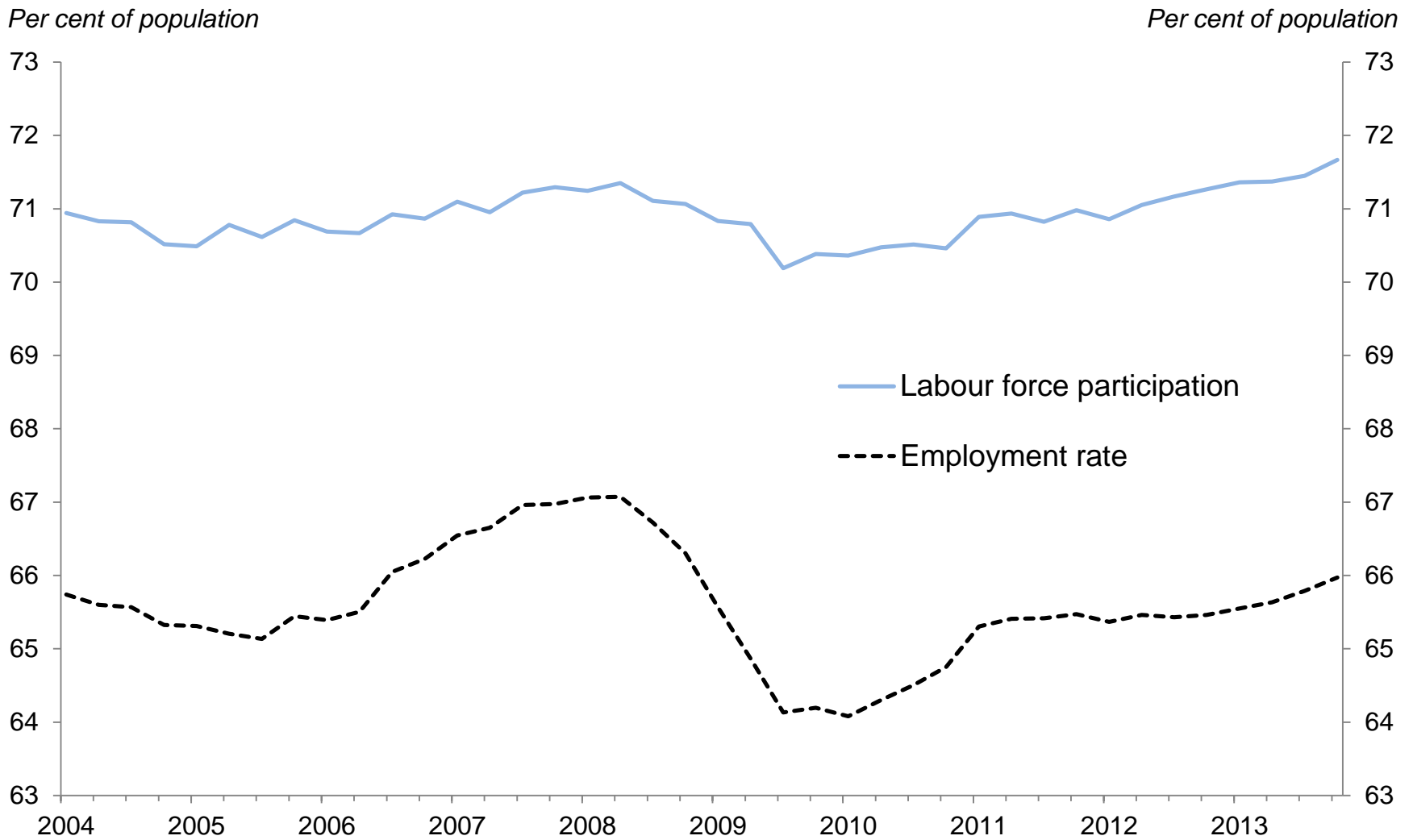
Per cent of disposable income



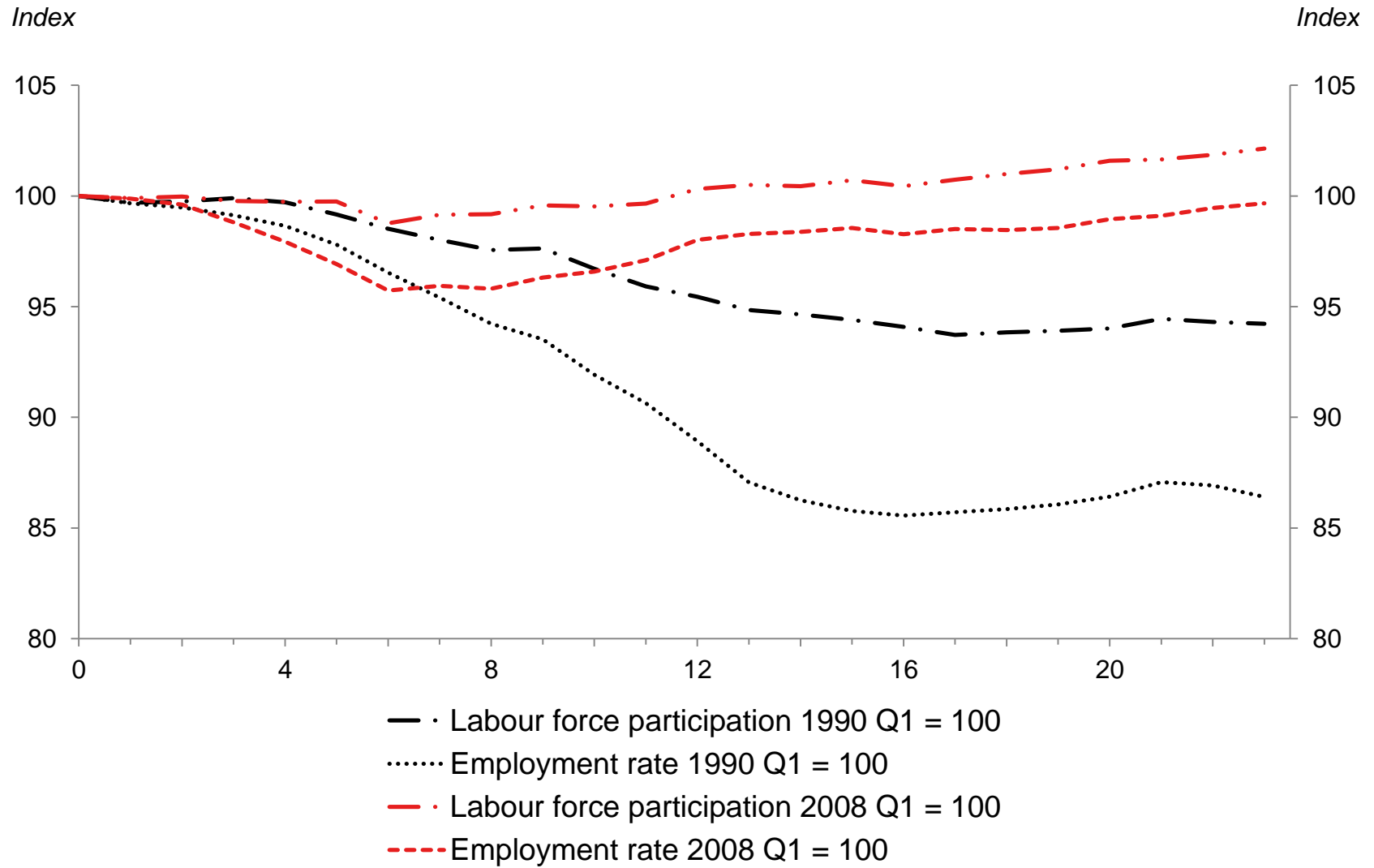
Exports, investments and household consumption



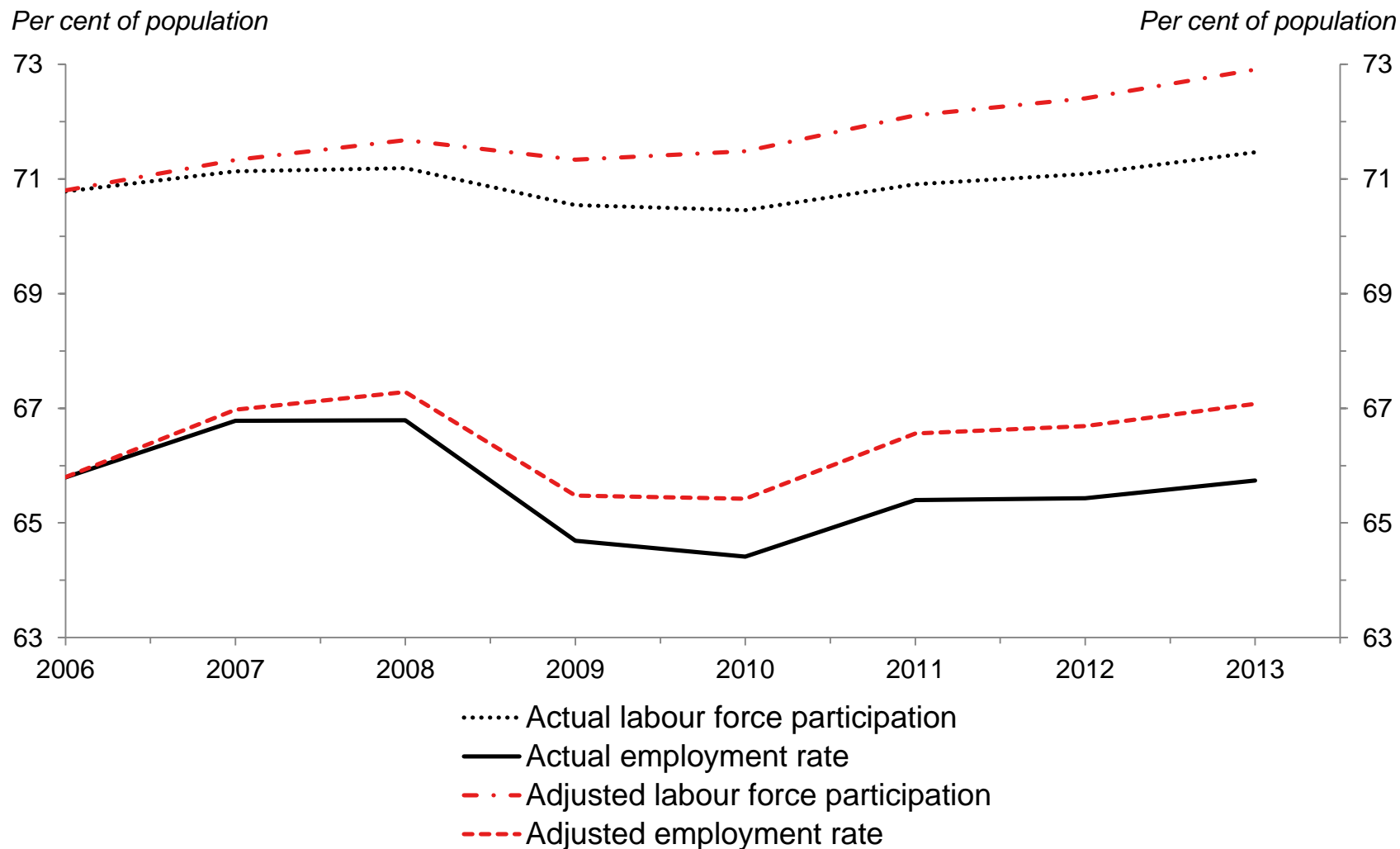
Labour force participation and employment rate



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

