

Summary

The strong growth in the Swedish economy in recent years has resulted in large surpluses in the central government finances. It is estimated that this year's budget balance will be SEK 84 billion. This is slightly less than SEK 20 billion lower than last year's surplus which reflected non-recurring effects in the same amount. 2009 will see a marginal increase in the budget balance surplus which will continue to grow until 2011.

Central government budget revenues will be constrained this year and next year by a reduction in taxes on capital. Revenues will subsequently grow in line with GDP growth. Expenditure is expected to show slow growth as a result of lower interest costs on central government debt and transfers to households remaining at a relatively low level.

The budgeting margin is satisfactory and central government net lending remains strongly positive throughout the forecast period. The large surpluses mean that there will be a continued significant reduction in the central government debt. As a percentage of GDP, the central government debt will fall by half during 2007 and 2011.

Tabell 1. Summary 2007–2011

SEK billion	Outcome		Forecast				Diff. to BF 07:4				Diff. to Budget Bill		
	2007	2008	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010
Total Expenditure	760.5	781.1	768.7	769.4	787.8	798.2	-1,0	1,0	2.1	5.3	-12.4	-6.9	-6,0
Expenditure areas, excl. interest payments	721.9	726.8	714.5	722.6	742.5	756.4	-2.2	1.9	2.9	3.1	-12.3	-7.3	-6.3
Interest on central government debt	47.3	40.8	41.5	35.5	35.5	33.8	0.7	-1,0	-0.7	1.9	0.7	0.3	0.9
Cash correction	-4.3	0.8	0.7	1.4	0.6	0.8	-0.3	0,0	0,0	0,0	-0.1	0,0	0,0
Net lending by National Debt Office	-4.3	12.7	12,0	10,0	9.2	7.2	0.8	0.1	-0.2	0.3	-0.7	0.2	-0.6
Total revenue	863.7	871.6	852.5	856.3	895.7	939.5	5.4	-7.8	-4.5	-7.1	-19.1	-36.3	-45.2
<i>of which state property sell-offs' income</i>	<i>18,0</i>	<i>50,0</i>	<i>2.1</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>2.1</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>47.9</i>	<i>50,0</i>	<i>50,0</i>
Budget balance	103.2	90.5	83.8	86.9	107.9	141.3	6.4	-8.8	-6.6	-12.4	-6.7	-29.4	-39.2
Old age pension system outside the central government budget	188.3	201.1	202.5	220.7	240,0	258.1	-0.2	-1.1	-2.5	-5,0	1.4	2.1	4.8
Expenditure subject to expenditure ceiling	910.1	927,9	917,0	943.3	982.5	1014.5	-2.5	0.7	0.4	-1.9	-10.9	-5.2	-1.6
Expenditure ceiling	938	957	957	989	1 018								
Budget margin	27.9	29.1	40,0	45.7	35.5		2.5	-0.7	-0.4		11,0	5.2	1.6
Total non-recurring effects	20,0		5.2	12.1	4.3	3.8	0.6	-0.7	0.1	-0.4			
Underlying balance	83.2		78.6	74.8	103.6	137.5	5.8	-8.1	-6.7	-12,0			
Central Government Net Lending % GDP	2,0		2.6	2.6	3.2	3.8	0.2	-0.2	-0.4	-0.4			

CGB=Central Government Budget for 2008, BF 07:4=Budget Forecast 2007:4 (ESV's previous forecast). Budget Bill=Government forecast for 2009-2010

The central government budget is strongly linked to the macroeconomic development. The central government budget forecast assumes that the domestic economy will continue to show reasonable growth in the years ahead. There are, however, significant risk factors. The risk of a marked slowdown in the economy has increased considerably lately. Since central government finances are strongly linked to the state of the economy, downside risks predominate.

ESV estimates that a fall in the budget surplus in 2009 could be in the order of SEK 85 billion, which would result in the whole of the budget surplus disappearing. This estimate is based on comparisons with the last economic downturn and its effects on the budget balance.

Although many forecast reports suggest a likely slowdown in the economy, the central government's monthly outcomes nevertheless show no indication of a slowdown as yet. On the contrary, we have been surprised by the high level of value-added tax and preliminary tax payments from companies so far during the winter.

It is therefore probable that 2008 will also be a very good year for central government finances. On the other hand, the forecast for 2009 and beyond is regarded as being significantly more vulnerable to risk factors.