

Date
December 16th, 2016

Larger surplus this year

Please direct queries to:

Michael Lemdal
Advisor
+46 8 690 44 42
+46 725 19 66 80

Matts Karlson
Head of department
+46 8 690 45 05
+46 706 86 77 90

Ann-Sofie Öberg
Senior advisor
+46 8 690 43 88
+46 722 05 26 37

www.esv.se

ESV has updated its November forecast in the light of new information, including the national accounts for the third quarter of 2016, final taxable incomes for 2015 from the Swedish Tax Agency, and two monthly updates on the central government budget. General government net lending in 2016 has been revised up by SEK 20 billion, half the amount is explained by higher tax revenues and the other half is due to ESV taking into account Eurostat's new accounting principle, concerning the delayed rebate on the contribution to the European Union 2014–2016. The forecast revisions are otherwise minor. The expenditure ceiling will not be breached in any year, and the margins to the ceiling are large.

Slightly stronger growth in 2016 and 2017

GDP growth has been revised up slightly for both 2016 and 2017. This year, it is primarily exports that have performed somewhat better than expected, resulting in a slightly higher contribution to economic growth from net exports. Next year, household and government consumption are expected to be higher. Otherwise, the macro outlook is largely unchanged.

GDP will grow by 3.1 per cent this year and 2.1 per cent next year in calendar-adjusted terms. Employment will increase by 85,000 people from 2016 to 2018, and the unemployment rate will fall from 6.9 per cent this year to 6.3 per cent in 2019 before climbing again.

Revenue higher every year...

The final figures from the tax assessment in 2015 involved higher-than-expected household income from interest and dividends, and so revenue from household capital income have been revised up throughout the forecast period. Value-added tax revenue has also been increased through the entire forecast period. All in all, general government tax revenue has been revised up by SEK 10 billion in 2016 and by SEK 5-7 billion annually for 2017–2020.

...but central government expenditure largely unchanged

Expenditure remains largely unchanged since the November forecast. Spending in the area *Labour market and working life* will be SEK 1 billion higher each year from 2017 due to slightly higher unemployment. Spending on *Transport and communications* has been revised down by just over SEK 1 billion in 2016 due to low levels reported in October and November.

The expenditure ceiling will not be breached in any year, and the margins to the ceiling are good and largely unchanged from our previous



THE SWEDISH NATIONAL
FINANCIAL MANAGEMENT
AUTHORITY

forecast.

No change in the budget balance despite revenue increases

In the November forecast we assumed the large payments to the Tax Agency to some extent were excess deposits (around SEK 10 billion). These extra deposits were believed to be reimbursed in 2017, which would have given a boost to the budget balance this year (2016). New information from the Swedish Tax Agency, however, indicates that the payments were made due to tax arrears. The budget balance is, nevertheless, largely unchanged from the November forecast due to increased tax revenues.

Net lending improved for 2016

General government net lending has been increased by SEK 20 billion for 2016. Half the amount is explained by higher tax revenues and the other half is due to ESV taking into account Eurostat's new accounting principle, concerning the delayed rebate on the contribution to the European Union 2014–2016. The changed accounting principle means a weaker general government net lending 2017, however, the effect is to some extent mitigated by higher tax revenues. During 2018 to 2020 net lending is improved due to increased revenues.

Key figures

	Outcome					Forecast				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP, percentage change	2,7	-0,3	1,2	2,6	4,1	3,3	1,8	1,6	1,5	2,0
GDP, calendar adjusted, percentage change	2,7	0,1	1,2	2,7	3,8	3,1	2,1	1,7	1,6	1,8
Household consumption, percentage change	1,9	0,8	1,9	2,1	2,7	2,2	2,3	2,0	2,0	2,1
Public consumption, percentage change	0,8	1,1	1,3	1,5	2,5	3,8	1,6	0,2	0,3	0,8
Gross fixed capital formation, percentage change	5,7	-0,2	0,6	5,5	7,0	6,8	2,9	2,4	2,0	2,7
Inventory investment, contribution to GDP growth, percentage points	0,5	-1,1	0,2	0,1	0,3	0,2	-0,2	-0,1	0,0	0,0
Exports, percentage change	6,1	1,0	-0,8	5,3	5,6	2,8	2,5	3,5	3,6	3,8
Import, percentage change	7,3	0,5	-0,1	6,3	5,5	4,3	3,0	3,4	3,7	3,8
Real disposable income, percentage change	4,1	3,8	1,8	2,8	2,4	2,5	2,9	1,0	0,9	1,2
Household saving rates, per cent of disposable income	5,2	7,9	7,9	8,5	8,2	8,5	9,1	8,2	7,2	6,3
Total wages, current prices, percentage change	5,6	3,7	2,7	3,8	4,3	4,7	4,4	4,2	3,9	3,7
Hours worked, calendar adjusted, percentage change	2,4	0,9	0,6	1,8	1,0	1,9	1,0	0,7	0,4	0,4
Unemployment ILO-def. 15-74 year, per cent of labour force	7,8	8,0	7,9	7,4	6,9	6,6	6,3	6,3	6,5	7,9
General government net lending, SEK billion	-7	-36	-52	-63	10	27	-14	6	32	73
General government net lending, per cent of GDP	-0,2	-1,0	-1,4	-1,6	0,2	0,6	-0,3	0,1	0,7	1,4
Consolidated gross debt (Maastricht), per cent of GDP	37,5	37,8	40,4	45,2	43,9	41,4	40,0	38,2	35,8	32,8
Net lending, ten-year average, per cent of GDP	0,6	0,6	0,6	0,4	0,3	0,1	-0,2	-0,4	-0,3	-0,1
Ten-year average, cyclically-adjusted, per cent of GDP	0,3	0,4	0,4	0,2	0,0	-0,1	-0,3	-0,4	-0,4	-0,2
Seven-year indicator, per cent of GDP	-0,6	-0,8	-0,7	-0,7	-0,7	-0,4	0,1			
Seven-year indicator, cyclically-adjusted, per cent of GDP	-0,3	-0,5	-0,6	-0,7	-0,6	-0,4	0,0			
Cyclically-adjusted balance, per cent of GDP	-0,2	-0,7	-1,2	-1,4	-0,6	0,2	-0,4	0,0	0,6	1,4
Tax over GDP ratio, per cent of GDP	42,5	42,6	42,9	42,6	43,3	43,6	43,4	43,5	43,6	43,6
Central government expenditure, SEK billion	805	812	921	862	892	919	963	967	966	988
Expenditure subject to the expenditure ceiling, SEK billion	989	1 022	1 067	1 096	1 135	1 180	1 243	1 259	1 273	1 292
of which old age pension system, SEK billion	222	238	257	258	268	285	300	312	323	335
Margin to the expenditure ceiling, SEK billion	74	62	28	11	23	35	31	74	119	174
Central government budget balance, SEK billion	68	-25	-131	-72	-33	46	-3	28	70	91
Non-recurring effects on central government budget, SEK billion	36	8	-74	-14	1	12	-12	-12	4	4
Budget balance excl. non-recurring effects, SEK billion	32	-33	-57	-58	-31	35	9	40	65	87
Central government debt, per cent of GDP	29,4	30,2	32,8	34,2	32,3	30,1	28,8	27,1	24,7	21,8

Source: Statistics Sweden and The Swedish Financial Management Authority