

# 1 Budget statement

## 1.1 A budget for hard-working people

An unpredictable and uncertain world weighs heavily on Sweden's economy. The ongoing trade war and geopolitical tensions have a major impact on the economic situation in many countries around the world. As a result, the recovery of the Swedish economy that started in 2024 has slowed, consequently prolonging the economic downturn. However, unlike many other comparable countries, Sweden is in a strong position with stable public finances and low government debt. This gives the Government the possibility to implement measures that strengthen Sweden and the finances of Swedish households and bring the economic downturn to an end.

When the Government took office, inflation was around 10 per cent. Price increases took a heavy toll on people's day-to-day finances, businesses and social welfare. The Government therefore focused two Budget Bills on fighting high inflation while supporting those hit hardest by increased costs. This was carried out through measures such as temporarily increasing housing allowance, lowering fuel prices, reducing taxes on labour and pensions, and allocating major additional funding to social welfare. The Government's priorities, together with a restrained monetary policy and a responsible course taken by the social partners, have had an effect. The high inflation has been fought off, even if continued vigilance is called for. The Government therefore shifted its focus in the previous Budget Bill, from fighting inflation to long-term investments in a more prosperous and safer Sweden.

The economy started to recover at the end of 2024, when Sweden's GDP showed an upward trend. However, that recovery was interrupted partly due to the threat of higher tariffs and a global trade war that have brought great uncertainty for households and businesses alike. Consumer confidence declined again in early 2025 and demand in the economy has remained low. The longer an economic downturn persists, the greater the negative effects. An example of this is the effects on the labour market, where young people and other groups who are not firmly established find it increasingly difficult to get jobs as an economic downturn becomes more prolonged. The effects of the previously high inflation still persist. Wage earner purchasing power has weakened, and it will take several years before the average real wage has returned to the same level as before inflation took off in 2021.

The Government has a responsibility to use fiscal policy to support the economic recovery of Sweden and its people.

In this Budget Bill, the Government focuses on strengthening household finances so that the prolonged economic downturn can be broken and the recovery of the Swedish economy resumed. This involves lowering grocery prices by temporarily reducing value added tax on food, increasing housing allowance for families with children and lowering taxes on labour and pensions. The Government also intends to lower energy tax on electricity, reduce childcare fees within the maximum limit and introduce high-cost protection for households against high electricity and gas prices. For a family consisting of a police officer, a nurse and two preschool-age children, lowered taxes on labour and electricity, reduced value added tax on food and lower childcare fees can add up to savings of SEK 1 800 per month in 2026. In total, the Government's tax cuts during the electoral period, together with annual indexing of

basic income tax allowance and earned income tax credit, will save a family with a police officer and a nurse SEK 43 000 in taxes in 2026.

Unemployment in Sweden is both cyclical and structural. The Government is fighting cyclical unemployment through measures to boost domestic demand, such as strengthening households. It is tackling structural unemployment primarily through measures such as stronger work incentives and education. The Government's major benefit reform, including a benefit cap, will make it more profitable to work and will counter social exclusion. The Government is also working to ensure that the labour force has the qualifications that companies need, and therefore proposes additional funding to expand higher vocational education, upper-secondary-level vocational training for adults and initiatives for folk high school.

A good business climate is essential for more Swedish jobs and economic growth. In this Bill, the Government proposes a temporary reduction of employers' social security contributions for young employees. This will lower employment costs, which benefits businesses in several sectors that have faced significant pressure in the prolonged economic downturn. It can also make it easier for young people to find employment. The Government also continues to simplify complicated regulatory frameworks in order to make it easier to run a business. In addition, the Government proposes simpler and better tax rules for shareholders in closely held companies.

The international situation remains uncertain, with war raging in our neighbouring countries. Moreover, grave societal problems are prevalent in our country, including serious organised crime and the consequences of large-scale immigration combined with failed integration. Overall, this means that Sweden continues to face major investment needs in defence, the judiciary, crime prevention and integration-promoting activities to improve safety and security for everyone living in Sweden. In this Bill, the Government proposes substantially increasing resources for military defence, additional funding for further criminal law reforms and comprehensive and well-structured crime prevention work including social initiatives. The Government also proposes additional reforms for a responsible and restrictive migration policy.

Sweden must have a reliable welfare system. Schools are essential to giving all children a good start in life. The Government is therefore presenting the largest package of school reforms in 30 years. This will help re-establish strong knowledge-based schools in which the focus is on fundamental knowledge and skills such as reading, writing and arithmetic. Taken together, these efforts will give teachers in Swedish schools and preschools the best possible conditions to provide high-quality education in a calm study environment in classrooms that are safe and secure for children and pupils. Health and social care must be accessible and maintain high quality for everyone who needs it. All efforts in the area of health and medical care are focused on the patient's best interests and equitable care. The Government proposes several initiatives aimed at cutting waiting times and improving the accessibility of medical care. Moreover, the Government proposes purposeful investments such as funding dedicated to improving care for women and girls. The Government also proposes dental care reforms.

Sweden pursues an ambitious climate policy. In this Bill, the Government presents proposals that are expected to further reduce climate emissions in 2026 and beyond. A cornerstone of the Government's climate policy is the transition to fossil-free energy – primarily through electrification. Efforts to establish new nuclear energy production are entering an even more intense phase. Efforts to stop eutrophication and the spread of substances that are harmful to health and the environment continue.

Recent years have proved trying for many people. The Government has a responsibility to use fiscal policy as a means to bring the economic downturn to an end. This budget reflects the Government's foremost priority of strengthening the economy and domestic consumption with the aim of ending the prolonged recession downturn and resuming economic recovery. With the measures in this Budget Bill, the Government intends to instil people's sense of economic security and confidence in the future.

**Table 1.1 Table of reforms**

SEK billion

	2026	2027	2028
<b>Support the Swedish economy and the finances of hard-working Swedes</b>			
Lowered tax on labour and pension	21.40	21.40	21.40
Temporarily reduced value added tax on food	15.94	21.25	0.00
Increased rental limits for housing allowance and initiatives to counter homelessness	0.73	0.75	0.72
Lower childcare fees	1.00	1.50	1.50
High-cost protection for households – electricity and gas support	1.00	0.00	0.00
Reduced electricity tax	6.52	6.60	6.68
Abolished vehicle tax for certain trailers, including caravans	0.19	0.22	0.22
A surplus mechanism in the pension system	0.00	0.09	0.37
Reduced tax for people receiving sickness compensation and activity compensation	0.46	0.46	0.46
Reduced special income tax for non-residents	0.34	0.68	0.68
Initiatives to reduce unemployment	0.64	0.74	1.27
<b>Reforms to get more people working and reduce social exclusion</b>			
Benefit cap as added incentive for recipients of social assistance to seek jobs	0.06	-0.09	-0.16
Job bonus	0.20	0.36	0.07
Activity requirement for social assistance recipients, including right to preschool	1.19	2.16	2.15
Qualification for social insurances	0.00	0.11	-0.07
<b>Better conditions for enterprise</b>			
Simplified rules and expedited permit processes	0.12	0.21	0.25
Reduced employer social security contribution for young people	6.05	5.59	0.00
Simpler and better tax rules for shareholders in closely held companies	1.01	1.00	0.98
Better conditions for Swedish food production	1.00	0.47	0.21
Lower value added tax for admissions to dance events	0.22	0.44	0.44
Improved skills supply	0.17	0.23	0.23
AI and digitalisation	0.54	0.57	0.59
More housing and strengthened infrastructure for enhanced growth	0.55	0.53	0.53
Well-functioning markets with good competition	0.53	0.57	0.64
<b>A reliable welfare system</b>			
Increased resources to schools and preschools	3.14	1.87	0.91
Regulation of teachers' classroom time	0.00	1.28	2.57
Order in the school system	0.18	0.16	0.23
Shortened health care waiting times	2.26	2.23	1.92

	2026	2027	2028
Local health care in rural and sparsely populated areas	0.30	0.30	0.00
Better health care for women and girls	1.00	1.00	0.00
Additional funding for dental care	1.00	1.11	1.24
Mental health and suicide prevention	1.56	1.89	1.59
Increased expertise and quality in care of older people	0.21	1.99	0.17
National governance of skills supply	0.57	0.01	0.00
Funding for efforts to counter sexual violence	0.20	0.20	0.20
Investment in sports centres and facilities	0.25	0.25	0.00
<b>Fighting crime</b>			
Tougher penalties and reinforcement of the Swedish Prison and Probation Service	0.75	2.20	5.83
Renting prison capacity abroad	0.11	0.50	0.69
Expansion of police education capacity	0.02	0.13	0.23
Stop recruitment of children and young adults	0.15	1.08	0.58
Funding to the National Board of Institutional Care	0.62	0.45	0.77
Enhanced defector activities targeting children and young adults	0.11	0.11	0.11
Countering honour-based oppression, domestic violence, prostitution and human trafficking	0.17	0.16	0.16
Cutting off the criminal economy and stopping incorrect disbursements	0.66	0.22	0.38
<b>Civil defence and cybersecurity</b>			
Further strengthening of civil defence	1.22	2.21	2.53
Enhanced cybersecurity	0.37	0.41	0.46
<b>A sustainable migration policy</b>			
A new immigrant reception act: increased safety and security in accommodations	0.16	0.32	0.32
Stricter requirements for Swedish citizenship	0.12	0.11	0.15
Additional funding to the Swedish Migration Agency and the Migration Courts	0.04	0.49	0.22
Stricter rules on expulsions	0.08	0.35	0.35
<b>Lower emissions, fossil-free energy supply and a clean environment</b>			
Establishment of new nuclear energy	1.18	1.26	3.30
New funding to boost energy production	0.25	0.75	1.00
Review of hydroelectricity	0.11	0.11	0.11
Extended climate premium for vans	0.00	0.70	0.80
Reinforcement of the Climate Leap	1.50	1.54	1.54
Energy efficiency of detached houses	0.30	0.30	0.30
Environmental compensation for rail freight transport	0.34	0.34	0.34
Tax exemption for charging of electric vehicles and deduction for fuel	0.13	0.26	0.26
Investments in forests and the land	0.14	0.32	0.37
Protection of valuable nature and seas, and fighting environmental toxins	0.76	1.05	1.07
<b>More effective central government administration</b>			
Review of expenditures and activities	-1.53	-0.38	-0.39
<b>Other reforms and unavoidable</b>	0.56	-2.89	-3.10
<b>Impact on public finances excluding additional funding for defence and support to Ukraine</b>	<b>78.83</b>	<b>90.21</b>	<b>66.37</b>
Additional funding for defence	12.15	16.21	18.07

	2026	2027	2028
Support to Ukraine	36.09	44.53	5.02
<b>Impact on public finances including additional funding for defence and support to Ukraine</b>	<b>127.07</b>	<b>150.96</b>	<b>89.46</b>

Source: Own calculations.