

## Short Comment

### No major surprise in the spring budget bill

- ▶ Classic centre-left redistributive policy announced in the spring budget bill
- ▶ Small f'cast revisions & lower gov't net lending (2018)
- ▶ Muted market reaction on the budget bill, later NDO's lending requirement may be higher

The additional expenditures for 2018 are approx. SEK 7.5bn, which in a budget perspective is small (just below 0.2% of GDP). As stated in our [preview](#), the biggest appropriation was for increased migration costs to compensate municipalities for previous outlays and a support to allow unaccompanied minors to stay in their municipalities (SEK 5.1 bn). Beyond this, the budget bill encompasses classic centre-left redistributive policy with spending on welfare, the labour market and the environment. The government's future policy intentions show that equality and low income households, as well as welfare, education and security, are in focus in the election and over the next term, if re-elected. The government also notes that demographic pressures will cause a need for additional monetary contributions to municipalities.

The effects on GDP from the additional reforms for 2018 are expected to be limited (of the SEK 7.5bn only SEK 2.6bn is "new" money). The labour shortage in the public sector is alarming and over time the employers have been creative in circumventing the obstacles (e.g. reduced requirements for experience). We expect that much of the stimuli for this year will be put in place but it will be hard to reach the full economic potential due to labour constraints etc. We note that the government in its forecasts has kept a bright view of the Swedish economy but it lacked a more extended discussion on the housing market development. The GDP growth for 2018 is expected at 2.9% (cal. adj), which is above Swedbank's forecast of 2.7%. We also note that the general government net lending for 2018 is revised down but it is above the new surplus target for both 2018-19. We expect higher spending after the election and therefore we are less optimistic of the budget surplus ahead. The Maastricht debt continues to fall and is expected to register just below the debt anchor in 2019.

As expected the spring budget bill contained few surprises. The additional money that will be spent 2018 was in large already known and the financial market hence accepted the news quietly. The SEK is stronger but on the back of decent Mäklarstatistik. As highlighted in our previous [analysis](#) the added spending was in large unforeseen by the National Debt Office (NDO) when its February forecast was published. When we summarise 2018, the budget surplus could thus be below NDO's expectations and cause the borrowing requirement in the bond market to go up somewhat in 2019, leading to higher Swedish long-term yields.

*This is the second analysis published ahead of the general election. The first can be found [here](#) (Swedish).*

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#### 67% of the public employers lack labour



Source: Swedbank Research, SPES & Macrobond

#### Small revisions to the economic outlook

	2018 (April)	2018 (Feb)	2018 (April)	2019 (Feb)
GDP	2.8	2.8	2.2	2.2
GDP, cal. adj	2.9	2.9	2.2	2.3
Unemployment	6.2	6.1	6.2	6.1
CPI, average	1.6	1.7	1.9	2.0
CPIF, average	1.7	1.8	1.7	1.8
Repo rate	-0.5	-0.4	0.0	0.0
Gov't net lending*	1.0	1.1	1.0	1.0

Note: \* % of GDP. Previous forecast from February 21 2018.  
Source: Swedbank Research & Macrobond

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