This Overview is extracted from the 2017 Economic Survey of Sweden. The Survey is published on the responsibility of the Economic and Development Review Committee (EDRC) of the OECD, which is charged with the examination of the economic situation of member countries.
Executive summary

- The economy is growing strongly
- The rise in income inequality needs to be contained
- Gender equality can be pushed further
The economy is growing strongly

Output has been lifted by an expanding labour force, investment and a recent pick-up in productivity. Unemployment is receding, although it remains relatively high for vulnerable groups, notably the foreign-born. Expansionary monetary policy is supporting growth and inflation is picking up. Macro-prudential measures have been taken to cool the housing market. Even so, prices have reached high levels, boosted by rising income, low interest rates and supply shortages.

The rise in income inequality needs to be contained

Housing market inefficiencies particularly penalise households with low income and wealth, as they are less likely to own housing, and rental regulations lower their geographical and labour market mobility. Income inequality rose more rapidly than in any other OECD country since the 1990s, albeit from a very low level. Capital gains boosted top incomes, while benefits increased more slowly than wages. High labour market entry thresholds, spatial segregation, and bottlenecks in migrant settlement reduce opportunities and social mobility. Reforms to housing, wage subsidies and migrant settlement and integration, as well as a more systematic approach to benefits uprating would raise the incomes and opportunities of the disadvantaged.

Gender equality can be pushed further

Sweden is one of the most gender-equal countries in the world, even though foreign-born women are lagging behind. Women have a high employment rate, outperform men in education and are well represented in government and parliament. However, gender wage differences persist: women are under-represented on private company boards, in senior management positions, in many well-paid and influential professions and among entrepreneurs. Better shared parental leaves would raise gender equality further. Fostering women entrepreneurship and promoting entry of women in senior management is also crucial.
## EXECUTIVE SUMMARY

### MAIN FINDINGS

<table>
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<th>Macroeconomic policies</th>
<th>KEY RECOMMENDATIONS</th>
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<tbody>
<tr>
<td>Despite strong output growth, inflation remains below target.</td>
<td>Gradually withdraw monetary stimulus as inflation rises towards the 2% target.</td>
</tr>
<tr>
<td>Fiscal policy is mildly expansionary, due to migration-related costs. Important investments are needed in education and for the integration of refugees and Sweden’s low public debt provides room for manoeuvre. However, strong fiscal buffers are needed to dampen external shocks in a small open economy.</td>
<td>Continue to pursue prudent fiscal policy, while accommodating temporary immigration-related spending to facilitate integration.</td>
</tr>
</tbody>
</table>

### Housing and household debt

| Macro-prudential measures, including a new mortgage amortisation requirement, have been introduced. Nevertheless, growth in household debt remains strong. | Introduce a cap on household debt-to-income ratios. |
| Favourable tax treatment of owner-occupied housing encourages household indebtedness and is regressive. | Reform the recurrent property tax to better align tax charges with property values. Phase out the deductibility of mortgage interest rate payments. |
| Inefficient land-use planning and low incentives for municipalities to encourage construction contribute to housing shortages, which reduce affordability and labour mobility. | Enhance co-operation between central and local government in land-use planning and increase incentives for municipalities to facilitate the timely release of development land. Simplify land-use planning procedures, balancing economic, environmental and social considerations. |
| Strict rental regulations contribute to reducing mobility, notably for low-income households, and may contribute to spatial segregation. | Ease rental regulations to incentivise rental housing supply, mobility and better utilisation of the housing stock, while maintaining tenant protection against abuse. |

### Income inequality and equal opportunities

| Social benefits have been uprated according to the CPI or on an ad hoc basis since the 1990s, gradually increasing the gap between benefits and work income. | Review annually the distributional consequences of uprating social benefits, taking equity, fiscal costs and work incentives into consideration. |
| Bottlenecks in migrant settlement and integration slow down labour market entry, even though the government has decided to scale up a new, collaborative approach to the settlement process and earmarked resources to address the issue. | Continue to simplify the procedures to help migrants get residence and work permits. |
| Multiple wage subsidy schemes with different target groups and different rules increase the administrative burden and reduce take-up. | Rationalise by merging and harmonising various wage subsidy schemes to better target the most vulnerable workers, ease the related administrative burden and increase take-up. |

### Gender equality

| Women take 75% of parental leaves, which affects their career prospects. | Encourage parents to split parental leave more equally by continuing to increase the share reserved for each parent. |
| Foreign-born women have a very low employment rate compared to natives and many of them are neither employed, nor in training or education. | Enhance active labour market policy for foreign-born women when the Introduction programme ends, to prevent them from drifting away from the labour market. |
Assessment and recommendations

- Inclusive and green growth fosters well-being
- Risks are mainly related to global economic developments
- Macroeconomic policies are stimulating the economy
- Growth is green but challenges remain
- Housing shortages affect economic performance and well-being
- Keeping income inequality low is increasingly challenging
- More gender equality would enhance economic performance and well-being
Inclusive and green growth fosters well-being

Sweden weathered the global financial and economic crisis with limited damage, thanks to strong macroeconomic, fiscal and financial fundamentals, as well as a competitive and diversified business sector. Output has grown faster than in most other OECD countries over recent years (Figure 1, Panel A). Population increases, to a large part related to immigration, have contributed significantly to growth (Box 1). Even so, the country’s GDP per capita has expanded faster than in most OECD countries (Panel B). Sweden’s export performance has remained steady since the 2008 global downturn with large current account surpluses persisting (Panel C). In a weak global environment, growth has been primarily driven by strong domestic consumption and investment (Panel D). Although residential construction contributes heavily to the investment boom, business investment has also picked up (Panel E). This has contributed to reviving labour productivity, which is now increasing rapidly (Panel F). Growth is expected to remain solid over the coming years, even though it will slow somewhat as the economy is now operating near full capacity (Table 1).

Inclusive, sustainable and green growth over the past two decades has underpinned a high quality of life for Swedes. The country has welcomed a large number of immigrants, which have both contributed to and benefitted from economic prosperity. The foreign-born accounted for over 16% of the population in 2015, up from 10% in 1993 at the trough of the early-1990s recession. The gap in GDP per capita to the upper half of OECD countries has shrunk from about 15% in 1993 to about 5% in 2015, as a result of rising employment and strong productivity growth (OECD, 2017). At the same time, output growth has been decoupled from carbon emissions and Sweden is among the most innovative OECD countries when it comes to environment-related technologies. Inequality remains among the lowest among OECD countries but has risen fast since the 1990s. Gender inequality is low by OECD standards but persists. Inclusive green growth coupled with high well-being are clearly reflected in the various dimensions of the OECD’s Better Life Index (Figure 2, Panel A), where Sweden stands out in terms of environmental quality, health, civic engagement and governance, and work and life balance. Sweden scores higher than the OECD average on all sub-components of the index, but relatively low rankings in five of the eleven sub-components (housing, social connections, jobs, education and personal security) point to possible improvements (Panel B).

The areas of relative weakness highlighted by the Better Life Index were also identified in previous OECD Economic Surveys, which pointed to problems in the operation of the housing market, rigidities in the labour market hampering access to jobs for the low-skilled, and declining educational performance (Table 2). The government has taken resolute action to address problems in education, but faces difficulties to recruit qualified teachers. Research and innovation policies are being enhanced, even though challenges remain in terms of governance, leadership and strategic vision (OECD, 2016a). Some measures have been taken to improve job prospects for low-skilled workers, but high
Figure 1. Economic growth is robust

A. Real GDP

Source: OECD Economic Outlook database.

B. Real GDP per capita

C. Current account balance and export performance

D. Contributions to real GDP growth

E. Real business fixed investment

F. Real GDP per hour worked

Note: http://dx.doi.org/10.1787/888933445671
labour market entry thresholds are still significant obstacles to hiring, particularly low-skilled immigrants. Some building subsidies and relaxation of planning rules have also been introduced, but more comprehensive reforms will be needed to significantly cut dwelling shortages in the rental markets of Stockholm, where the problem is particularly

Table 1. Macroeconomic indicators and projections
Annual percentage changes, volume1

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>2.7</td>
<td>3.9</td>
<td>3.3</td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Private consumption</td>
<td>2.2</td>
<td>2.6</td>
<td>2.5</td>
<td>2.6</td>
<td>2.5</td>
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<tr>
<td>Government consumption</td>
<td>1.7</td>
<td>2.2</td>
<td>3.5</td>
<td>2.4</td>
<td>1.2</td>
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<tr>
<td>Gross fixed capital formation</td>
<td>5.6</td>
<td>6.8</td>
<td>7.1</td>
<td>3.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Housing</td>
<td>15.6</td>
<td>15.7</td>
<td>15.3</td>
<td>7.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Business</td>
<td>4.3</td>
<td>6.0</td>
<td>5.2</td>
<td>2.7</td>
<td>2.7</td>
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<tr>
<td>Government</td>
<td>1.6</td>
<td>0.7</td>
<td>4.9</td>
<td>2.1</td>
<td>2.6</td>
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<tr>
<td>Final domestic demand</td>
<td>2.8</td>
<td>3.5</td>
<td>3.9</td>
<td>2.8</td>
<td>2.3</td>
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<tr>
<td>Stockbuilding</td>
<td>0.2</td>
<td>0.3</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Total domestic demand</td>
<td>3.0</td>
<td>3.8</td>
<td>4.0</td>
<td>2.8</td>
<td>2.3</td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>5.5</td>
<td>5.2</td>
<td>2.7</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>6.5</td>
<td>5.0</td>
<td>4.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Net exports</td>
<td>-0.2</td>
<td>0.3</td>
<td>-0.6</td>
<td>0.1</td>
<td>0.0</td>
</tr>
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</table>

Other indicators (% growth rates, unless specified)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential GDP</td>
<td>1.9</td>
<td>2.1</td>
<td>2.3</td>
<td>2.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Output gap</td>
<td>-1.9</td>
<td>-0.2</td>
<td>0.7</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Employment</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>7.9</td>
<td>7.4</td>
<td>6.9</td>
<td>6.7</td>
<td>6.7</td>
</tr>
<tr>
<td>GDP deflator</td>
<td>1.7</td>
<td>2.1</td>
<td>1.2</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>CPI</td>
<td>-0.2</td>
<td>0.0</td>
<td>0.9</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>CPIF5</td>
<td>0.5</td>
<td>0.9</td>
<td>1.4</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Household saving ratio, net6</td>
<td>15.9</td>
<td>16.4</td>
<td>17.8</td>
<td>17.3</td>
<td>18.8</td>
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<tr>
<td>Trade balance</td>
<td>4.3</td>
<td>4.8</td>
<td>4.1</td>
<td>4.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Current account balance7</td>
<td>4.6</td>
<td>5.2</td>
<td>4.8</td>
<td>4.8</td>
<td>4.9</td>
</tr>
<tr>
<td>General government financial balance7</td>
<td>-1.6</td>
<td>0.2</td>
<td>0.2</td>
<td>-0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Underlying government net lending3</td>
<td>-0.3</td>
<td>0.2</td>
<td>-0.3</td>
<td>-0.8</td>
<td>-0.9</td>
</tr>
<tr>
<td>Underlying government primary balance3</td>
<td>-0.2</td>
<td>0.1</td>
<td>-0.5</td>
<td>-1.0</td>
<td>-1.1</td>
</tr>
<tr>
<td>Gross government debt (Maastricht)5</td>
<td>45.2</td>
<td>43.9</td>
<td>43.0</td>
<td>41.7</td>
<td>40.2</td>
</tr>
<tr>
<td>General government net debt7</td>
<td>-28.5</td>
<td>-27.7</td>
<td>-26.6</td>
<td>-25.4</td>
<td>-24.4</td>
</tr>
<tr>
<td>Three-month money market rate, average</td>
<td>0.7</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-0.5</td>
<td>-0.1</td>
</tr>
<tr>
<td>Ten-year government bond yield, average</td>
<td>1.7</td>
<td>0.7</td>
<td>0.5</td>
<td>0.5</td>
<td>0.8</td>
</tr>
</tbody>
</table>

1. Annual data are derived from quarterly seasonally and working-day adjusted figures.
2. Contribution to changes in real GDP.
3. As a percentage of potential GDP.
4. As a percentage of labour force.
5. CPI with a fixed mortgage interest rate.
6. As a percentage of household disposable income.
7. As a percentage of GDP.

Source: OECD Economic Outlook 100.
acute, and of other major cities (Figure 3). Unfortunately, a recent government initiative to
gather cross-party agreement on some housing market reforms ended in failure. Against
this background, the key economic policy priorities should be to:
- Initiate a comprehensive housing market reform.
- Support the integration of immigrants to raise long-term growth and strengthen social
cohesion.
- Foster more inclusive growth through policies promoting income and gender equality.

Figure 2. **Swedes enjoy a high quality of life**

1. Each well-being dimension is measured by indicators from the OECD Better Life Indicator set. Indicators are normalised to range between 0 (worst) and 10 (best).


StatLink [http://dx.doi.org/10.1787/888933445681](http://dx.doi.org/10.1787/888933445681)
Table 2. A number of earlier OECD recommendations have been followed

<table>
<thead>
<tr>
<th>Earlier OECD recommendations</th>
<th>Action taken since March 2015 or planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomic policy (2015): Maintain expansionary monetary policy until inflation is clearly picking up. Maintain prudent fiscal policy and let automatic stabilisers work.</td>
<td>As inflation remained weak, the Riksbank moved the repo rate into negative territory and implemented quantitative easing. Fiscal policy has been counter-cyclical over recent years, but is turning mildly expansionary because of substantial extra immigration-related expenditure.</td>
</tr>
<tr>
<td>Financial stability (2015): Continue to implement macro-prudential policies to contain the risks related to rising household debt. Consider phasing out mortgage interest deductibility.</td>
<td>The countercyclical bank capital buffer has been raised to 2% of risk-weighted capital and an amortisation requirement for mortgages has been introduced. No action has been taken on mortgage interest deductibility.</td>
</tr>
<tr>
<td>Education and skills (2015): Raise the attractiveness of teaching by increasing monetary incentives, offer clearer career paths, and improve teacher education; increase support for struggling students, including immigrants, through early intervention and targeting resources based on socio-economic background; consider consolidating existing institutions in charge of advising on and supervising education policies into an education policy council.</td>
<td>The education system has received an additional SEK 8.3bn (about 0.2% of GDP) in 2016 to enhance the attractiveness of the teaching profession, notably through salary increases, and to promote early intervention and equity. Special resources have been channelled to schools with low learning outcomes. Swedish for Immigrants (SFI) has been reformed and steps are taken to enable asylum seekers to begin learning Swedish earlier.</td>
</tr>
<tr>
<td>Labour market (2015): Reduce the gap in employment protection between permanent and temporary contracts and increase flexibility in entry level wages.</td>
<td>The government favours lowering labour costs for low-skilled workers through subsidies. The subsidy system will be simplified to increase take-up. Employment protection remains strong for permanent contracts.</td>
</tr>
<tr>
<td>Housing market (2012, 2015): Streamline land-use planning and zoning regulations and increase incentives for municipalities to release land; phase out rent controls so as to more closely align rents with market values.</td>
<td>In 2015, the government has pledged to work with municipalities to improve the efficiency of land-use planning and regulations. It is reinforcing incentives for municipalities to encourage construction, notably through increased financing for related infrastructure. No action is taken to ease rent controls.</td>
</tr>
<tr>
<td>Growth, entrepreneurship, innovation and R&amp;D (2015): Simplify regulatory procedures, in particular regarding licences and permits; invest to improve the quality of roads and rail, with careful consideration of social returns; continue to broaden support for innovation and enhance co-ordination of innovation and research policies.</td>
<td>Starting a business has become easier, as the company registry is now required to register a company in five days. The Government is making major investments in infrastructure, road and railway maintenance, and public transport. Innovation and research policy is being gradually strengthened, but governance, leadership and strategic vision need further improvement. Climate change is the government's top environmental priority. Many exemptions from energy and CO₂ taxes have been reduced or removed; the largest remaining tax expenditure is the favourable tax treatment of diesel used in transport. Cost-benefit analysis is still lacking.</td>
</tr>
<tr>
<td>Climate change mitigation (2011): Continue to gradually phase out exemptions to the carbon tax; clarify the role and the expected costs and benefits of the long-term priority to have a fossil-fuel independent vehicle fleet by 2030.</td>
<td></td>
</tr>
</tbody>
</table>
Box 1. **Contributions to potential output growth**

Potential GDP is boosted by strong potential employment growth, capital deepening and rising total factor productivity (TFP) (Figure 4). Potential employment rises as working-age population grows, largely through immigration, and labour force participation increases. It currently contributes about one percentage point to annual potential GDP growth, but is expected to slow from 2018. While the contribution of the capital stock to growth had fallen in the wake of the 2008 global downturn, it has been lifted again by the recovery in fixed investment over the past few years. The global fall in TFP growth since the turn of the century has not spared Sweden (OECD Economic Survey of Sweden 2015). Productivity growth declined in the wake of the global financial crisis of 2008, partly as a result of labour hoarding and reduced investment. However, high competitiveness due to strong integration in global value chains and the ability to supply high-value services, as well as a pick-up in business investment, has pushed up TFP, which is expected to contribute significantly to growth over the coming years. TFP is affected by global trends in technology, but also by research and innovation policies and the impact of framework policies on the allocation of resources towards their most productive uses (OECD, 2015a). Given the rapid expansion of the labour force, skills development and labour market matching will have a decisive impact on productivity growth going forward. Recent research shows that skill mismatch is associated with lower productivity across OECD countries (Adalet McGowan and Andrews, 2015).

**Figure 4. Labour, capital and productivity all contribute to growth**

Source: OECD Economic Outlook database.

StatLink: [http://dx.doi.org/10.1787/888933445709](http://dx.doi.org/10.1787/888933445709)
Employment has increased more rapidly than in most OECD countries over recent years (Figure 5, Panel A). The unemployment rate has receded and is now around 7% (Panel B). Shortages of workers are appearing in some sectors, like construction, education and municipal services. The unemployment rate is now estimated to be below the structural unemployment rate, which is estimated at around 7.5%. The relatively high structural unemployment rate reflects high labour force participation and mismatches between labour supply and demand. Low-skilled workers, especially immigrants, face difficulties finding jobs, reflecting high skills requirements for most jobs in Sweden. Indeed, despite strong output growth, unemployment is increasing among some vulnerable groups, in particular immigrants and the low-skilled (Figure 6, Panel A) (OECD,

**Figure 5. Unemployment is declining**

![Figure 5: Unemployment is declining](http://dx.doi.org/10.1787/888933445712)

**Figure 6. Some groups are struggling to access employment**

![Figure 6: Some groups are struggling to access employment](http://dx.doi.org/10.1787/888933445728)

1. Aged 16-64.


OECD ECONOMIC SURVEYS: SWEDEN 2017 © OECD 2017
Reducing unemployment further will require increasing employment in vulnerable groups, and the government is taking steps to achieve this goal by, inter alia, investing in education and training and improving job matching policies, with a focus on those who are furthest from the labour market. Nevertheless, meeting the government objective of achieving the lowest unemployment rate in the European Union by 2020 is made even more difficult by the inclusion of many full-time students in Swedish unemployment statistics and large recent inflows of refugees (Box 2).

Box 2. Immigration and population structure

Inflows of asylum seekers relative to the population have been the highest in the OECD in the latest years. About 160,000 asylum seekers reached Sweden in 2015 (Figure 7, Panel A). However, the inflow decreased to around 30,000 asylum seekers in 2016, which is close to inflows prevailing before the Syrian crisis. The share of foreign born in Sweden has risen from 7.5% in 1980 to over 16% in 2015. The composition of the migrant population in Sweden has changed from mainly Nordic work migrants working in the manufacturing industry in the 1980s towards largely humanitarian and family reunion migrants. Estimates suggest that about half of the current foreign-born population originally came to Sweden as refugees or as the family of refugees (Statistics Sweden, 2016; OECD, 2016c). Over recent years, a large number (more than 35,000 in 2015) of unaccompanied minor asylum seekers, whose integration is challenging, arrived to Sweden. To spread the burden more evenly across municipalities, a new assignment model is being designed. The government is also increasing funding for the reception of unaccompanied minors and reviewing the compensation system for municipalities receiving unaccompanied minors.

Integrating a large inflow of immigrants is a great challenge for education, skills, labour market and social policies. However, migration also gives a welcome boost to the demographic structure of Sweden’s population. Without migration, the population size would have stagnated at its 1969 level of 8 million, instead of increasing to 10 million currently. Migration has also contributed to a younger population directly, as many migrants are in the age-group 20-35, and indirectly through childbirth. Without migration, older people would represent a much greater share of the population and the youth a much smaller share (Panel B; Statistics Sweden, 2016).

Figure 7. Migration rejuvenates the population

Source: Statistics Sweden and Swedish Migration Agency.

http://dx.doi.org/10.1787/888933465730
Immigrants will make a substantial contribution to future output growth, provided efficient integration allows them to develop their skills and find matching jobs. Measures are being taken to speed up the integration of immigrants, including enhanced language courses, validation of qualifications, and training (Swedish government, 2016). However, integrating low-skilled immigrants will take time, which may push up the unemployment rate temporarily. The large share of refugees among immigrants has historically resulted in extremely low employment rates (Figure 6, Panel B), even though the employment rate of refugees is somewhat higher than the EU average.

**Risks are mainly related to global economic developments**

The current global economic environment is challenging. As a small, open economy, Sweden is particularly exposed to developments in world trade as well as its trading partners, including China and the United Kingdom, which accounted respectively for about 4% and 7% of Swedish total exports in 2015. Even though the direct impact of Brexit on Swedish exports is likely to be limited, there is great uncertainty about potential indirect effects on the economy. Currency movements, notably vis-à-vis the euro and the Norwegian krone, would affect growth. High and rising household debt could result in unbalanced growth, heightening financial risks and household vulnerability to housing price declines and interest rate increases. Sweden is also vulnerable to a number of largely unpredictable shocks (Table 3).

<table>
<thead>
<tr>
<th>Vulnerability</th>
<th>Possible outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensification of geo-political tensions</td>
<td>Geo-political tensions could harm global trade, generate erratic and difficult to manage migration flows and increase uncertainty, which would create economic and financial instability, jeopardising growth.</td>
</tr>
<tr>
<td>Further European Union fragmentation</td>
<td>Trade and investment flows will be negatively impacted if European Union integration weakens further. This would weigh on Swedish exports. Heightened uncertainty and financial market instability would also lower growth.</td>
</tr>
<tr>
<td>Global or regional financial crisis contagion</td>
<td>The Swedish financial system is dominated by a few large banks, which are dependent on foreign wholesale funding. A liquidity crisis triggered by events outside Sweden could lead to difficulties in the banking sector, falls in asset prices and a credit squeeze, which would cause a deep recession.</td>
</tr>
</tbody>
</table>

**Macroeconomic policies are stimulating the economy**

Inflation has picked up since 2015, mainly reflecting the earlier depreciation of the krona and rising capacity utilisation, but remains below the 2% target, even when energy is excluded and mortgage rates are held constant (Figure 8, Panel A and C). The persistent deviation from the inflation target over recent years has triggered a heated debate about the monetary policy framework, which is currently being reassessed (Box 3). Inflation expectations are slowly heading back towards the inflation target (Panel B). Inflation expectations are slowly heading back towards the inflation target (Panel B). Credit is growing rapidly, especially for households (Panel D). Nevertheless, highly expansionary monetary policy abroad creates a need for low interest rates in Sweden to prevent an appreciation of the krona, which would lower import prices and threaten the upturn in inflation (Panel E). Uncertainty surrounding global economic developments also calls for caution in monetary policy action. Hence, the Riksbank does not expect to raise the repo rate before early 2018. The Central Bank is also carrying out quantitative easing, through
Figure 8. Inflation is still below target

1. CPIF refers to the CPI with a constant mortgage rate.
2. The dates refer to decisions by the Riksbank. The amount decided in December 2016 is to be purchased by mid-2017.

Source: OECD Economic Outlook database, Statistics Sweden and Riksbank.

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the purchase of government bonds (Panel F), and has stated that it is ready to make monetary policy even more expansionary, should it be needed to preserve the credibility of the inflation target (Riksbank, 2016a).

Sweden has a large, interconnected and wholesale-funding dependent banking system, which calls for continued vigilance, even though wholesale funding tends to be beneficial in a negative interest rate environment. Low interest rates hurt the profitability of insurance companies and can lead to excessive risk taking. Nevertheless, the Swedish financial system remains solid (Riksbank, 2016c; Finansinspektionen, 2016a). Bank profitability is high, capital buffers are strong and the stress tests carried out by the European Banking Authority in 2016 show that Swedish banks are resilient. As credit growth, notably to households, is strong, the counter-cyclical capital buffer has been set at 1.5% of risk-weighted assets from June 2016 and at 2% from March 2017 (Finansinspektionen, 2016b). Furthermore, tighter rules will apply to risk-weight calculations, as improvements in capital to total assets ratios have not matched those on
risk-weighted capital ratios in recent years. The Swedish financial system also seems to have limited direct exposure to negative impacts from climate change (Finansinspektionen, 2016c).

The current very low interest rates and the sharp increases in housing prices have been associated with steep growth in household debt. Real housing price increases in Sweden have been among the strongest in the OECD (Figure 9, Panel A) although they have slowed recently (Panel B). This is due to insufficient supply responses to meet the growth in housing demand, partly as a result of stringent planning and zoning regulations. This increase is all the more worrying as the global financial crisis of 2008 had only a modest effect on Swedish housing prices, which are now well above historical peaks. Price-to-income and price-to-rent ratios are also well above their long-term averages (Panel C). These ratios are crude indicators of housing price overvaluation, especially because they fail to capture the evolution of financing and supply conditions, but they have tended to return to their long-term averages in the past across OECD countries, albeit after protracted periods. In 2015, household debt reached 180% of net disposable income, more than double the level of 1995 (Panel D).

Figure 9. Housing prices are soaring

1. 2014 for Italy, 2012 for Ireland.
Source: OECD Analytical Housing Prices database, and Eurostat.

http://dx.doi.org/10.1787/888933445750
Containing increases in household debt is important for financial stability, although the experience of Sweden and other continental Nordic countries suggests that the risk of default on residential mortgages is limited, even during severe downturns. More importantly, highly indebted households tend to reduce consumption disproportionately when housing prices fall, as illustrated by recent developments in Denmark and the Netherlands, the two OECD countries with the highest household debt-to-income ratios. The vast majority of Swedish mortgages carry a variable interest rate, which increases the vulnerability of households to interest rate increases. While a larger share of fixed-term mortgages could reduce risks for households, the mortgage rate fixation period appears to be set according to household preferences, rather than by bank product supply (Holmberg et al., 2015).

The Financial Supervisory Authority has introduced a number of macro-prudential measures to contain the rise in household debt in recent years, including a cap on loan-to-value ratios and minimum capital risk-weights on mortgages. A compulsory amortisation requirement for new loans with a loan-to-value above 50% entered into force in June 2016. The implementation of this measure was delayed by almost a year because of a lack of clarity in the legal macro-prudential policy framework. To allow timely policy implementation, the government and opposition parties have agreed in October 2016 to broaden the mandate of the FSA to introduce new macro-prudential tools, subject to government approval.

The loan-to-value cap could be complemented by a cap on debt-to-income ratios, as the share of households with high debt-to-income is increasing. Indeed the cap on loan-to-value allows borrowing to go up with housing prices (Benes et al., 2016). Recent studies suggest that introducing a debt-to-income cap of 600% on new loans could slow debt accumulation significantly, with a fairly modest adverse impact on output (Alfelt et al., 2015; Finansinspektionen, 2016d; NIER, 2016). Some flexibility to adapt to specific cases could be provided by setting the limit as a maximum percentage of a lender’s new loans which should not exceed the cap, as was done in the United Kingdom.

Sweden’s taxation of owner-occupied residential property is among the lowest in the OECD. There is no tax on imputed rents, recurrent taxes on residential immovable property are low, and tax allowances for mortgage interest deductions are high. Favourable taxation contributes to high demand for housing. In addition, it tends to benefit relatively high-income households most, as they buy more expensive homes, while lower-income households most often rent. Reforming the recurrent property tax to better align tax charges with market values of properties, phasing out mortgage interest deductibility, or a combination of the two would reduce tax incentives to invest in housing. Interest deductibility should be phased out over a long period to avoid destabilising the market. The currently low interest rates and rapidly rising housing prices provide a good opportunity to start.

Sweden enjoys a strong fiscal position, with gross government debt (Maastricht definition) at 43% of GDP and net government assets amounting to 28% of GDP. Furthermore, Sweden entered the 2008 global financial and economic crisis with a large budget surplus, leaving room for the operation of automatic stabilisers and discretionary fiscal stimulus. The structural fiscal balance came down continuously from 2010 to 2014. As growth was taking hold, fiscal policy tightened in 2015, bringing net lending to balance. Fiscal policy is turning mildly expansionary again in 2016-17 (Figure 10) but this is largely
explained by temporary spending associated with the recent inflow of migrants (Fiscal Policy Council, 2016). The fiscal surplus target is in the process of being revised down from 1% of GDP to a third of a per cent of GDP over the business cycle, combined with a strengthening of the fiscal policy framework, which is welcome (Box 4).

Box 4. The fiscal policy framework and the budget target

After the deep recession of the 1990s, which resulted in large budget deficits and high interest rates on public debt, a strong fiscal framework was progressively put in place to restore budget discipline and confidence in public finances. Its main elements are: i) a two-step budgetary process where total government expenditure is first determined and allocated across broad expenditure areas, before specific expenditures within these areas are decided; ii) an annual ceiling for central government expenditure for the next three years; iii) a balanced-budget requirement for local governments; iv) a general government surplus target over the business cycle. In addition, an independent fiscal policy council was established in 2007.

The fiscal policy framework has contributed to strengthening public finances, even though the surplus target has not been met since its introduction, partly as a result of necessary fiscal support to soften the 2009 recession. The average surplus over the past ten years, which broadly correspond to a business cycle, was 0.3% of GDP, while the target was set at 1% of GDP. Since the introduction of the target in 2000, the average surplus has been 0.4% of GDP. Nevertheless, gross government debt (Maastricht definition) declined from about 70% of GDP in the mid-1990s to about 43% of GDP in 2015. Due to asset revaluations, government net wealth improved even further, to about 28% of GDP in 2015, compared to a net debt of more than 25% of GDP in the mid-1990s. Along with other changes in the macroeconomic policy framework, including the introduction of inflation targeting in 1993, the surplus target has also contributed to economic performance by increasing the predictability of economic policy.

Despite these achievements, some adjustments to the fiscal framework appear necessary, both to adapt the surplus target to the current economic and demographic situation, and to strengthen the monitoring of public finances. With a surplus target of 1% of GDP, government net wealth would reach, under plausible assumptions, about 40% of GDP in 2040 (NIER, 2015). Such an accumulation of assets does not seem optimal, especially if it requires either raising taxes from an already high level or limiting spending on necessary public services and growth-enhancing investments. The surplus target was set at a relatively high level in 1997 to ease the impact of population ageing through pre-funding of pensions and to create margins for counter-cyclical fiscal policy (Calmfors, 2015). However, ageing is now starting to weigh on public finances. The old-age pension system’s net lending, which is part of the general government fiscal balance, is expected to turn negative in 2017 (Ministry of Finance, 2016a).

In June 2016, most political parties agreed upon a revised fiscal policy framework, which should soon be enacted by Parliament and enter into force in 2019. The fiscal surplus target is lowered from 1% to a third of a percent of GDP over the business cycle, which leaves significant margins to absorb economic shocks. The need to ensure that the target is actually met calls for reinforcing fiscal monitoring, with a clearer assessment of deviations from the target – which is currently based on a range of potentially conflicting indicators – and more stringent requirements for the government to explain how it aims to correct deviations (Fiscal Policy Council, 2016). A general government debt anchor of 35% of GDP (Maastricht definition) is introduced. The surplus target and the debt anchor will be revisited by Parliament every eight years. The assessment of deviations from the target will be based on structural net lending, and deviations from the target will need to be justified by the government. The Fiscal Policy Council will be in charge of assessing whether the fiscal position deviates from the target and whether deviations are justified.
Growth is green but challenges remain

The Riksdag ratified the Paris Agreement on climate change in October 2016. Furthermore, it endorsed a goal to achieve zero net greenhouse gas emissions by 2045, plus intermediate goals of reducing overall emissions by 63% and transport sector emissions by 70% compared to 1990 by 2030. Sweden’s natural resource endowment influences strongly both the economy and its environmental footprint. The availability of water and wood, along with the policy choice to use significant amounts of nuclear-generated electricity have kept CO2 intensity in production to little more than one third of the OECD average and declining. Per capita emissions are also falling relative to the OECD average (Figure 11, Panel A).

As low-cost measures to reduce greenhouse gas emissions have already been implemented, reducing emissions further will require enhancing the coherence and cost-effectiveness of policies, for example by reducing overlaps between policy instruments, reducing carbon price differences across sectors and phasing out environmentally harmful subsidies (OECD Economic Survey of Sweden, 2015). Taking account of CO2 embodied in imports and exports, per capita emissions in consumption have not declined. However, emissions from production elsewhere are in general not within the control of Swedish policymakers.

Low CO2 emissions are mainly due to the fuel mix in electricity generation, characterised by a high share of nuclear- and hydropower; a declining share of oil has been offset by rising generation from biofuels and waste (Panel B). Nuclear waste is stored in temporary facilities, awaiting approval for long-term underground storage. The main political parties recently decided to reverse the earlier agreement to phase out nuclear power, but cost considerations and safety concerns continue to make the future of nuclear energy uncertain. Renewable energies are set to play an increasing role in future electricity generation.
**Figure 11. Environmental performance is strong**

**A. CO2 intensity (production, demand)**

<table>
<thead>
<tr>
<th>CO₂ per GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>kg/USD (2010 PPP prices)</td>
</tr>
</tbody>
</table>

![Graph showing CO₂ intensity](image)

**B. Energy intensity**

<table>
<thead>
<tr>
<th>Total primary energy supply per GDP ( ktoe/USD 2010 PPP)</th>
</tr>
</thead>
</table>

![Graph showing energy intensity](image)

**C. Population exposure to air pollution: Population-weighted average annual concentration of PM2.5**

<table>
<thead>
<tr>
<th>Mean annual concentration of PM2.5 (μg/m³)</th>
</tr>
</thead>
</table>

![Graph showing PM2.5 concentration](image)

**D. Municipal waste generation and recycling**

<table>
<thead>
<tr>
<th>Municipal waste ( % of treated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal waste generated (kg/person)</td>
</tr>
</tbody>
</table>

![Graph showing municipal waste](image)

**E. Greening taxation**

<table>
<thead>
<tr>
<th>Environment-related tax revenue (% of GDP)</th>
</tr>
</thead>
</table>

![Graph showing green taxation](image)

**F. Environment-related inventions**

<table>
<thead>
<tr>
<th>Inventions per capita (patents/million persons)</th>
</tr>
</thead>
</table>

![Graph showing inventions](image)


StatLink: [http://dx.doi.org/10.1787/888933445775](http://dx.doi.org/10.1787/888933445775)
Water abstractions per capita are relatively high by OECD standards, but the abundance of water resources means that this puts no pressure on supplies. Average water quality is very high with use of pesticides and leaching of nitrogen and phosphorus generally lower than in other countries. Air quality too is very high, with negligible exposure to hazardous levels of particle pollution although recommended limits are sometimes exceeded in certain cities (Panel C).

Per capita generation of municipal waste is below the OECD average though by less than in the past. Landfill taxes and local decisions have virtually ended the use of landfill with rates of both recycling and incineration (often with heat recovery) significantly higher than in most countries (Panel D).

As in many countries, revenue from environmentally-related taxes, expressed as a share of GDP, has declined since 2000, reflecting a greener economy. But it is significantly higher than in most countries, due to high energy taxation, with negligible revenue from other taxes apart from those on vehicles (Panel E). The Swedish NOx tax has been an important tool in reducing air pollution but raises no revenue as it is repaid to emitting companies (independently of their actual emissions, so as to maintain the incentive to cut them). Many exemptions from energy and CO2 taxes have been reduced or removed; the largest remaining tax expenditure is the favourable tax treatment of diesel used in transport relative to petrol, notwithstanding a tax rate on diesel which is one of the highest in the OECD (OECD, 2014).

Since the beginning of the century, per capita patenting activity has been similar to the OECD average. Within the total, however, Sweden seems to be producing fewer “green” innovations than in the past (Panel F).

**Housing shortages affect economic performance and well-being**

In addition to its potential negative impact on macroeconomic and financial stability, a dysfunctional housing market affects the economy and society in several ways. Housing shortages may reduce labour mobility, leading to higher unemployment and lower productivity, as they hamper job matching (Adalet McGowan and Andrews, 2015). Low affordability may result in poverty. Wealth inequality between homeowners and renters is exacerbated by rising housing prices. Shortages and the associated high prices of housing also affect many citizens’ well-being, through overcrowding and long commuting. They also lead to spatial segregation, which especially affects immigrants and complicates their integration. Hence, there is a need for comprehensive reform to improve the functioning of the housing market.

The dwelling stock has failed to keep up with population increases since 2005 (Figure 12). In previous population upswings, the construction of public housing contributed significantly to the increase in the number of dwellings. As subsidies to public housing companies were abolished in the 1990s, the contribution of public construction to expanding the dwelling stock has shrunk and the private sector has not made up for this fall, especially in terms of supply of affordable housing (Emanuelsson, 2015). By 2025, as many as 710 000 dwellings may need to be built to end shortages, especially in the three main cities (National Board of Housing, Building and Planning, 2016). The shortage of dwellings at the national level hides large regional differences and internal migration exacerbates shortages, notably in the big cities. Hence, it is important to ensure that enough housing is available in growing agglomerations, in particular to facilitate labour
mobility and to attract business investment. To address housing shortages, in March 2015
the Swedish government announced a programme to support dwelling construction,
which aims at ensuring that 250 000 dwellings are built over the period 2015-20. Subsidies
for construction of rental housing will target growth areas and will be highest for small
flats and student dwellings, where the shortage is most acute. Rents will be capped for
15 years, and stringent energy-efficiency norms will be imposed. The cost, estimated at
about 0.2% of GDP per year, will be financed by cutting current tax breaks for domestic
building work, including home improvement.

Housing supply has shown little responsiveness to demand since the early 1990s,
which has resulted in growing dwelling shortages. The government is planning to reinforce
incentives for municipalities to encourage construction, notably through increased
financing for related infrastructure. The government is working with municipalities to
improve land-use planning, which is essential to achieve a stable housing system with
access to decent housing for all. Land-use planning is combined with other policy
instruments, including environmental taxation and transport infrastructure, to affect
urban shapes and CO\textsubscript{2} emissions. Efficient co-ordination between the various local and
national authorities responsible for these policies will be key to ensuring green urban
development (OECD/IEA/NEA/ITF, 2015; OECD, 2016d). Streamlining land-use planning and
building regulations could also help foster competition in the construction and building
materials industries and help contain construction costs, as both the cumbersome land-
use planning process and strict building standards currently give an advantage to

As underlined in the two previous Surveys (2012 and 2015), loosening rental
regulations, which are among the most stringent in the OECD, could revive investment in
the private rental market. Rent increases negotiated between landlord and tenant
associations and applying to the entire rental stock have resulted in low rents relative to
housing prices in areas of high demand, which has discouraged investment and
encouraged conversion of rental dwellings to co-operatives (tenant-owned apartments).
Acute rental housing shortages affect labour mobility and the attractiveness of the main cities, particularly Stockholm, as business locations. Some measures have been taken in recent years to improve the functioning of the rental market. Private landlords have participated in annual rent-setting negotiations with the Swedish Union of Tenants on the same terms as the municipal housing companies since 2011. Legislation passed in 2013, including more generous tax rules, has also made it easier to sublet dwellings in co-operatives. However, low returns for investors and tight regulations remain obstacles to the expansion of the private rental market.

Allowing a progressive adjustment of rents towards market levels, in particular in higher segments of the market, would allow supply to expand, especially if combined with less stringent land-use planning. Furthermore, it would lead to better utilisation of the existing housing stock by reducing lock-in effects. Easing of rental regulations should be progressive and co-ordinated with other housing market reforms to ensure smooth convergence towards market rents and protect tenants against sudden jumps in rents. Access to housing for low-income households could be facilitated by some prioritisation in the allocation of municipal housing, which is now essentially governed by a waiting list. Allocation rules could be designed to limit the increase in spatial segregation, for example by taking into account the existing social mix in specific locations.

Addressing structural weaknesses in the housing market would increase income equality and equality of opportunity, notably by facilitating access to better schools and jobs. Mortgage interest deductibility and the property tax are regressive and rent controls hamper labour mobility, especially for individuals with low income and wealth.

**Keeping income inequality low is increasingly challenging**

Sweden is well known for being relatively egalitarian in international comparison. Still, since the late 1980s there has been a long trend of rising income inequality. The Gini coefficient of household disposable income has increased more in Sweden than in any other OECD country with available data, and is now the highest among the Nordics (Figure 13). Equity depends on high employment, wage compression and redistribution. Including the value of free public services reduces the level of inequality indicators considerably, but does not materially change Sweden’s ranking relative to other OECD countries according to the latest internationally comparable data available (OECD, 2011). Social benefits and largely free public services serve the dual purpose of redistribution and risk pooling. Reasonable and well-designed benefits can make an economy more dynamic, but redistribution and wage compression can be self-defeating if they weaken incentives to work, take risk and invest, notably in education. Publicly funded education, childcare and active labour market policies with a well-designed job-search and conditionality regime partially address these issues by boosting incentives to work and study (OECD Economic Survey of Sweden, 2015).

The scope for reforms to make growth more inclusive, such as those which enhanced education and increased female employment following the Second World War, diminished as Sweden converged towards the best policy frontier on several dimensions, and trade-offs between efficiency and equity became starker (Bergh, 2011; Andersen and Maibom, 2016). Rapid public sector expansion, government direct interventions to keep ailing industries alive and expansionary macroeconomic policies reduced inequality and boosted employment in the 1960s and 1970s. However, these policies eroded competitiveness,
Figure 13. Inequalities have been widening, but remain low

A. Gini coefficient post taxes and transfers (1990s and 2013 or latest)

1. The Gini index measures the extent to which the distribution of income deviates from a perfectly equal distribution. A Gini index of zero represents perfect equality and 100, perfect inequality.

2. Market income including capital income.


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which could only be restored through recurrent currency devaluations, and resulted in
macroeconomic imbalances that culminated in the early 1990s economic crisis, with mass
unemployment, a drop in the employment rate from 83% to 73%, and a significant rise in
market income inequality. Taxes and transfers did, however, dampen the rise in household
disposable income and consumption inequalities (Domeij and Flodén, 2010).

The reforms of the late 1990s were instrumental to reverse the relative economic
decline that was taking place at the time, even though they also increased inequality.
Product and labour markets were deregulated, and collective wage bargaining was made
considerably more flexible. A 1997 agreement between employers and unions stipulated
that wage rises would be set with reference to exporting industries, and with flexibility to
adjust wages locally within the co-ordinated framework. This agreement has formed the
basis for Swedish wage bargaining since then (Domeij and Flodén, 2010; Elvander, 2002;
Lindbeck, 1997).

The distress caused by the 1990s crisis created an impetus to assess distributional
effects of policies. Data and estimation methods were developed further and following
renewed requests from the Riksdag, the government issued the first Distribution Policy
Report in 1992. From 1996 onwards, distribution reports have been published as annexes to
the annual budgets (Waldenström, 2012; Ministry of Finance, 2016b). Furthermore,
since 2011 the Fiscal Policy Council has been tasked with evaluating the distributional
effects of fiscal policy (Fiscal Policy Council, 2013).

Living standards rose for all, but more slowly at the bottom than at the top. The
median real income grew by an average of 2.7% per year from 1995 to 2014. Strong income
growth at the high end of the distribution has largely been driven by growing capital
incomes, and weaker growth in the lower part results to a large extent from slower growth
in social benefits than wages (Figure 14, Panel A and B). Those who are not in employment
have therefore seen their relative living standards eroded. A majority of individuals in the
three lowest income deciles have public transfers as their main source of income (Panel C
and D). The young and old saw slower income growth than other age groups. Singles,
notably single parents, experienced slower income growth than couples, and the foreign-
born experienced weaker income growth than natives. Median incomes for those above 60,
singles and single parents grew less relative to the population median in Sweden than in
most other countries with available data from 2005 to 2014, while relative incomes of youth
and foreign-born grew approximately at par with the EU average (OECD Economic Survey of
Sweden, 2015; Fiscal Policy Council, 2014; Ministry of Finance, 2015 and 2016b; Eurostat,
2016).

Relative poverty, measured as the share of individuals living on less than 60% of the
median income followed a similar pattern as inequalities from the 1990s, and the same
groups were affected. The share of the population with incomes below the relative poverty
line almost doubled, from 7% to 14% between 1995 and 2013. More than 30% of the foreign-
born fell below the poverty line. The proportion was the same for single parents. However,
incomes rose in real terms for all groups over the same period, and the incidence of low
material living standards (material deprivation) is the lowest in the European Union
(Ministry of Finance, 2015 and 2016b; Figure 15).

Benefit levels have been increased recently, notably for unemployment insurance,
sickness insurance and various child-related benefits. The income tax system was also
adjusted, notably by gradually tapering the Earned Income Tax Credit on high incomes.
These measures are estimated to reduce inequality and increase disposable income by an average of 1.7% in the first earnings decile in 2016. Strengthened public services, notably within education, health and childcare, benefit low-income households and households headed by single mothers disproportionately (Ministry of Finance, 2016b). However, since the crisis in the 1990s most major working-age benefits have been uprated according to the consumer price index or uprated on an ad hoc basis (ISF, 2014). A more systematic and transparent regime for uprating benefits should be considered, taking equity, fiscal costs and work incentives into consideration. Such a regime could include analysing the distributional consequences of alternative uprating scenarios in the annual budget process, thus informing decision makers of the consequences of both action and inaction.

Almost half of the increase in the relative poverty rate and 40% of the change in the Gini coefficient of disposable income from 1987 to 2013 can be attributed to demographic and structural factors not directly related to the overall employment level, the wage distribution or taxes and transfers. Changing household composition has likely increased...
inequalities more in Sweden than in most other countries (OECD, 2011), and accounts for 16\% of the rise in the Gini of disposable income, with an increasing share of single-headed households. Sweden is one of the OECD countries least affected by population ageing from 1987 to 2013, but ageing nonetheless accounts for 11\% of the Gini increase. Industry structure accounts for 9\% of the increase, mainly as a result of the fall in relatively well-paid manufacturing employment, the rise in relatively low-paid accommodation and food services jobs, and the increase in high-paying ICT, professional and financial services positions. These findings lend support to previous research suggesting that even though labour market polarisation caused by globalisation and skill-biased technological change has taken place in Sweden, its consequences are less pronounced than in many other countries (Goos et al., 2009; Eurofound, 2014; Adermon and Gustavsson, 2015).

Immigration to Sweden has been high compared to other OECD countries, and with a higher share of humanitarian and family reunion migrants. Even with non-EU migrants increasing from 3\% of the population in 1987 to 12\% in 2013, migration only accounts for a relatively modest 5\% share of the increase in the Gini coefficient. However, these estimates only account for changing population shares. In addition, non-EU migrants are more likely to be young, low-qualified and single, and they have seen their average income fall considerably relative to other groups over the period. Furthermore, increasing migration has increased relative poverty more than the Gini coefficient, as migrants’ incomes tend to cluster below the poverty line. Changes in family structure, with more single-headed households, also contribute strongly to relative poverty growth (Figure 16; Robling and Pareliussen, 2017).
The two trends of high humanitarian and family reunion migration, and declining school results, increase the supply of low-skilled and low-qualified labour, while demand is tilted towards high skills and qualifications. Minimum wages, set sector-wise in collective bargaining, are binding in sectors that typically employ the low-skilled, such as retail trade and hotels and restaurants. Workers and employers in these sectors are less likely than average to belong to unions, but the wage floor in non-organised segments generally seems to be close to the level set by collective agreements. Low-skilled jobs account for only about 5% of total employment (OECD, 2016c). Minimum wage increases in those sectors where the minimum wage is binding have been found to exclude workers with low skills and weak labour market positions from employment (Forslund et al., 2014; Eliasson and Skans, 2014).

Thirteen percent of Swedes aged 16 to 64 scored at or below level 1 in the literacy module of the OECD Survey of Adult Skills (PIAAC) in 2012, and more than half of the individuals scoring at this level were foreign-born. This indicates very low reading skills, and the employment rate of individuals with weak literacy is low (Figure 17, Panel A). Most natives and immigrants from high-income countries have at least upper secondary
education and are also unlikely to score at or below 1 in the PIAAC literacy test. Other migrants, notably from Asia and Africa, generally have lower qualifications and are significantly more likely to have low literacy proficiency (Figure 17, Panel B and C). The employment gap between migrants and natives is well explained by migrants’ education and literacy proficiency (OECD Economic Survey of Sweden, 2015; Bussi and Pareliussen, 2015).

The Swedish policy response to increase the employability of low-skilled migrants has so far mainly been a mix of two broad policy tools: upskilling and enhancing transparency on migrants’ skills on the one hand, and temporarily lowering the cost of hiring through wage subsidies on the other (OECD, 2016c). Swedish tuition for immigrants has recently been made more flexible and more resources are set aside to improve the recognition of foreign qualifications. Furthermore, the government intends to broaden newly arrived migrants’ access to training and vocational introduction employment (Ministry of Finance, 2016c).

Figure 17. **Low demand for low-skilled workers, but increasing supply**

1. The Kernel density is estimated using the Epanechnikov function.

StatLink [http://dx.doi.org/10.1787/888933445835](http://dx.doi.org/10.1787/888933445835)
Entry into the two-year Introduction programme, which features language classes and other activities as the first step of migrant upskilling, usually takes place only after several administrative procedures, notably obtaining a residence permit and a permanent address. The migrant surge in 2014 and 2015 created backlogs in the treatment of asylum applications and issuance of residence permits, and obtaining housing and a social security number also takes time. New and more collaborative approaches in the pilot project “Meeting points and information” reduced the settlement process by four weeks, leading to financial savings and increased migrants’ satisfaction and sense of control. The new approach is being implemented nation-wide, starting in 2016 (Swedish Social Insurance Agency, 2016; Ministry of Employment, 2016). This project illustrates the high potential gains from reducing bottlenecks to speed up the asylum- and settlement process. Many reforms to improve migrants’ human capital and labour market outcomes have been implemented in the past few years. For many of them it is too early to quantify their effects, but a major reform in 2010, placing responsibility of integration with the PES, improved migrants’ employment and earnings significantly (Andersson Joona et al., 2016).

Children of immigrants, notably those who are native-born, fare better in Sweden than in other European OECD countries, even though immigrant adults face challenges. However, the difficult labour market integration of their parents together with residential and school segregation still reduces opportunities for migrant children compared to natives (OECD, 2016c). The education system has an important role to play to level the playing field and create equal opportunities for children with different family backgrounds. A trend of declining results in the OECD Programme for International Student Assessment (PISA) was reversed in 2015, but the impact of socioeconomic background has increased. Higher variation between schools is affected both by the pupils’ own backgrounds and by the average socio-economic mix in the school. Variation between schools seems to be driven mainly by residential segregation, and to a limited extent by the introduction of school choice and independent schools in the 1990s. The government is appropriately implementing measures to counter weaknesses in the school system by channelling more resources to schools with low learning outcomes, strengthening early interventions for struggling pupils and training more special needs teachers, but continues to face a shortage of qualified teachers (OECD Economic Survey of Sweden, 2015; SNAE, 2016; Böhlmark et al., 2015; Holmlund et al., 2016; Ministry of Finance, 2016c).

Employment levels and integration of migrants in the labour force also depend on labour costs, which have been cut through tax policies and wage subsidies. The basic tax allowance in the personal income tax and the Earned Income Tax Credit incentivise work for low-wage earners. Wage subsidies are available in multiple shapes, but to increase their scale and effectiveness, they will need to be merged or harmonised in order to increase oversight and reduce the administrative burden they impose both on employers and Public Employment Service caseworkers (OECD, 2016c). The fiscal cost of tax allowances and credits and wage subsidies limits the possibilities to extend them. Lowering entry-level wages in combination with higher rewards to work experience should also be considered by the bargaining parties in the labour market, as it would lower entry thresholds, while preserving life-time incomes (Labour Market Economic Council, 2016).

Beyond labour costs, the flexibility of the labour market also matters in hiring decisions. Employment protection legislation for regular contracts in Sweden is fairly strict despite a generous social safety net, with heavy notification procedures in case of dismissal, stringent regulation of the order of layoffs in case of redundancy, a relatively
broad definition of unfair dismissals and sizeable compensation following such dismissals. Making regular contracts more flexible can boost transitions from joblessness to employment sizeably in countries with well-designed activation policies, like Sweden. In general, gains from increasing flexibility far outweigh the costs in terms of transitions to joblessness, but the costs materialise quickly and are typically borne by labour market insiders. The short-term negative effects of employment protection legislation reform are lower and more short-lived if the reform is undertaken in an expanding economy, and also if the share of employees on fixed-term contracts is high (OECD Economic Survey of Sweden, 2015; Cournède et al., 2016; OECD, 2016e). In Sweden, collective agreements allow some flexibility and could also play an extended role in skills adjustment and training.

A substantial part of the increase in inequality over the past decades was driven by rising incomes at the very high end of the distribution (Figure 18, Panel A). Top incomes rose mainly as a result of realised capital gains, boosted by asset prices until 2006 (Roine and Waldenström, 2012 and 2015), while dividends have grown fast following a 2006 tax reform that increased both the scope and incentives for income shifting. In addition to affecting income inequality, wealth also matters for equality of opportunity. In contrast to relatively high income mobility in general (Panel B), fathers’ relative incomes determine 90% of sons’ incomes among the top 0.1%, largely because of capital income, and mobility from the bottom 75% to the top 0.1% is close to non-existent (Björklund et al., 2012a and 2012b).

Official figures suggest that wealth concentration has only increased slightly after having bottomed out in the early 1980s. However, estimates based on Financial Account discrepancies suggest that the wealth share of the top 1% may have more than doubled between 1975 and 2006. Foreign wealth holdings, declared and undeclared, are substantial at the very top of the income distribution (Roine and Waldenström, 2009).

Given the importance of capital income in explaining the increase in income inequality in Sweden, the decision to discontinue the collection of wealth statistics when

Figure 18. **Intergenerational mobility still high, despite rising top incomes**

1. Household disposable income including realised capital gains.
Source: Statistics Sweden; Corak, 2016.
the wealth tax was abolished in 2007 is unfortunate. It would be desirable to resume the collection of such statistics.

**More gender equality would enhance economic performance and well-being**

Sweden, along with the other Nordic countries, is among the best performers in international gender equality rankings. It comes first in the Gender Equality Index of the European Institute for Gender Equality (2015), fourth in the Global Gender Gap index of the World Economic Forum (2016) and sixth on the gender equality indicator of the United Nations Development Programme (2015). Sweden has the third highest women employment rate and the second lowest gender gap in employment rates in the OECD (Figure 19). In order to promote further gender equality, the Riksdag has decided that women and men are to have the same power to shape society and their own lives. Accordingly, the government has set out four intermediate objectives: equal division of power and influence; economic equality; equal distribution of unpaid housework and provision of care; and stopping men’s violence against women (MHSA, 2015). Furthermore,

![Figure 19. Swedish women's employment rate is high](http://dx.doi.org/10.1787/888933445859)
the Government has recently established a gender equality agency, to reduce fragmentation and enhance implementation effectiveness of gender equality policies. Gender policy should also pay attention to men’s weak outcomes in some areas, including under-representation in some traditionally female-dominated professions where job opportunities are growing (e.g. education, social services) and under-achievement in education.

Gender equality is positively associated with GDP per capita and negatively with income inequality (Gonzales et al., 2015). Causality between income level and gender equality runs in both directions (Duflo, 2012). On the one hand, high incomes and standards of living entail more opportunities for women, including better access to health and education. High development levels are also generally associated with more economic and political rights and opportunities for individuals, and especially for women. On the other hand, gender equality favours economic growth in several ways. The reduction in the gender gap in education in OECD countries has had a positive and significant impact on GDP per capita growth over the period 1960-2008 (Thévenon and Salvi Del Pero, 2015). Educational attainment in Sweden is now higher for women than for men (Salvi del Pero and Bytchkova, 2013).

The impact of gender inequality on economic growth in Sweden is mainly related to gaps in labour participation and weaker career opportunities for women. Increasing women’s labour force participation further would lift output. Simulations based on OECD long-term growth scenarios suggest that halving the gender gap in participation by 2030 would raise the level of Swedish GDP by 2.3% in that year. Fully closing the gap would raise GDP by 4.6% (OECD, 2012b). There is growing international firm-level evidence that gender diversity is also associated with greater innovation and profitability (Catalyst, 2011; Curtis et al., 2012; Hunt et al., 2015; Noland et al., 2016). Furthermore, high women labour participation and small gender wage gaps reduce overall income inequality.

The following policies have played a major role in promoting the integration of women in the labour market: individual taxation results in relatively low taxation of second earners (Figure 20, Panel A); social security legislation is based on individual insurance; access to affordable childcare and parental leave insurance also favour women employment. The net cost of childcare is among the lowest in the OECD (Panel B).

A particular challenge for Sweden is to raise the employment rate of foreign-born women, to bring it closer to the high employment rate of natives. The gap in employment between native and foreign-born women is 18 percentage points, against 11 for men. Women aged 20-64 with below-secondary education born in Asia or Africa had an employment rate as low as 33% in 2015, even though their participation rate was above 50% (Fiscal Policy Council, 2016). A particular problem is that many women drift away from the labour market after the end of the Introduction programme. One year after completing the programme, nearly one in five women is neither employed, nor in education or training (NEET), or even registered with the public employment service. The NEET rate is nearly 27% for women arrived after the age of 15, compared to about 16% for their men counterparts and around 11% for native-born women with two native-born parents. In July 2016, the government announced a new programme to tackle segregation, including a requirement for the public employment service to focus on measures to increase employment among foreign-born women (Swedish Government, 2016a). Reaching out to foreign-born women
in a systematic way when the Introduction programme ends, to prevent them from drifting away from the labour market, is essential (OECD, 2016c).

Nearly 20% of Swedish women work part-time, but are often employed in sectors where part-time jobs are prevalent. While closing the gender participation gap would increase the labour force by 3.4% in 2030, convergence in full-time equivalent terms would lift labour input by close to 10%. The part-time penalty in terms of pay, job security, training and promotion, is relatively low in Sweden (OECD, 2010). However, the part-time wage penalty increases with the level of wages. It is less than 10% (15%) for women (men) at the median wage, but close to 20% (30%) for women (men) in the highest decile (Wahlberg, 2008). Part-time work also results in lower pension entitlements and contributes to the gender income gap of older people.
The Swedish gender pay gap is close to the OECD average (Figure 21). A large part of

the gap results from differences in age, education, occupation, sector of employment and
hours worked. The gender gap adjusted for such differences was 4.6% in 2015 (Swedish
National Mediation Office, 2016). The unadjusted gender wage gap has been reduced by 3.8
percentage points between 2005 and 2015, while the adjusted gap has fallen by 2.2
percentage points. Despite the decrease in the gender wage gap, two observations point to
persisting gender inequality. First, wages tend to be lower in professions with a high proportion
of women than in male-dominated occupations. This may result from lower productivity in
some female-dominated sectors, notably in social services and wholesale and retail trade, than
in men-dominated sectors. Hence, improving productivity in low-pay sectors would allow
reducing the gender wage gap. Higher pay may also attract more men to female-dominated
sectors, which would reduce job segregation. Lower wages in women-dominated professions
could also result from undervaluation of the work done by women (Bettio and Verashchagina,
2009; Levanon et al., 2009). Second, the gender wage gap tends to increase with the wage level
and is particularly high in the top percentiles of the distribution, suggesting the existence of a
glass ceiling for women (Albrecht et al., 2015).

Sweden has almost reached gender parity in political representation, but progress has
been slower in the business sector. The women’s share of board members of the largest listed
companies is below one third, even though it is one of the highest among OECD countries
(Figure 22, Panel A). The government intended to submit legislation requiring that at least 40%
of listed company board members be women to the Riksdag in 2017. In case of non-
compliance, firms could have been fined up to five million krona (about USD 600 000). But the
project was abandoned, as it appeared that it was unlikely to gather the necessary support in
Parliament. Despite the economic and societal benefits of improved gender equality, quotas
have some drawbacks. Ideally, firms should be allowed to select freely the best candidates for
a position solely on the basis of their competences. It is sometimes argued that targets are
better than mandatory quotas, as they incentivise firms to move towards gender equality, while providing the necessary flexibility to avoid sub-optimal decisions in terms of human resources management (OECD, 2016). Quotas on company boards may also mask ongoing power imbalances between genders, as women continue to be under-represented in executive positions. For these reasons, targets rather than binding quotas are sometimes advocated. Nevertheless, the persistence of cultural influences and implicit perception bias in candidates’ selection provides support for the imposition of gender quotas, at least temporarily (Duflo, 2012). Norway successfully introduced gender quotas in 2003. Belgium, France, Germany, Iceland, Italy and Spain have started to implement similar regulations, though sanctions in case of non-compliance appear to be less severe than in Norway.

Despite their high level of educational attainment, women are under-represented in senior management, even though with a women’s share of about 30%, Sweden is close to the OECD average (Panel B). The under-representation of women in senior management warrants special attention not only from an equity point of view, but also because female

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1. Covers Category 1 of the International Standard Classification of Occupations (ISCO), which includes legislators, senior officials and managers.

Source: OECD Employment database; ILO, Key Indicators of Labour Market (KILM) database. http://dx.doi.org/10.1787/88893345882
executives seem to have more of an impact on firm performance than female board members (Noland et al., 2016).

Parental leave in Sweden combines a relatively long duration and a high replacement rate (Figure 23, Panel A). The current system is credited with increasing the participation of women in the labour market, promoting men’s involvement in childcare, supporting fertility and enhancing children’s well-being (Ferrarini and Duvander, 2010). Parents established in the labour market are entitled to receive 78% of previous earnings up to a relatively high cap for up to 13 months and parents can share the leave as they wish, except for a part reserved for each parent, which was extended from two to three months in 2016 (Panel B). Women take 75% of parental leaves, even though the “daddy quota” has led to a doubling in the number of parental leave days taken by men (OECD, 2016g). A more equal split of parental leaves would bring benefits in many areas. Long leaves have a detrimental

Figure 23. Parental leave is fairly generous

1. Countries with no paid home care leave are not shown.
2. 2016 for Sweden.
Source: OECD Family database.

StatLink  http://dx.doi.org/10.1787/888933445891
impact on careers (Evertsson and Duvander, 2011; Thévenon and Solaz, 2013). They may erode human capital, through foregone experience, depreciation of skills during the leave and lower investment in careers. They may signal weaker work commitment. Employers may also discriminate against childbearing age women because of their higher probability of leave (Johansson, 2010). Moreover, fathers taking parental leave tend to be more involved in childcare beyond the leave period. Better sharing parental leaves can lead to better long-term sharing of childcare and unpaid work. This in turn can facilitate women’s careers. Fathers’ involvement in childcare is associated with better children’s cognitive development and well-being (Huerta et al., 2013). Hence, the government could progressively raise the share of the parental leave reserved for each parent further.

Full rights to the parental leave minimum benefit are available for children up to the age of seven. They are seldom used by natives when children are over the age of three, but more by female immigrants, which exacerbates language learning disadvantages for their children, who do not participate in early childhood education and care (Swedish Government, 2016b).

Women are under-represented in many high-productivity, well-paid and influential professions, accounting for less than 30% of information and communication employees and only slightly over 40% of professional, scientific and technical workers. Conversely, they are over-represented in low-productivity and low-pay sectors. They account for 80% of health and social workers and more than 70% of education employees (Figure 24). The distribution of genders between professions matches education choices. Women account for only about a quarter of engineering and computing graduates, but for more than 80% of education and health and welfare graduates (Figure 25). Education choices are determined by preferences but are also influenced by social norms. The internalisation of social norms is partly unconscious, but may also reflect perceived hurdles in accessing a profession. Sweden, like several other European countries, has developed vocational training programmes specifically designed to lower employment segregation. Such programmes

Figure 24. Gender segregation across occupations is high


StatLink: http://dx.doi.org/10.1787/888933445908
generally target girls, but attention should also be paid to encouraging boys to enter traditionally women-dominated professions (Bettio and Verashchagina, 2009).

Women entrepreneurship is growing faster in Sweden than across the OECD, but only slightly over a third of Swedish sole proprietor enterprises are owned by women (Figure 26). On current trends, parity in entrepreneurship would be reached only around 2050 (Piacentini, 2013; Swedish Agency for Economic and Regional Growth, 2015a). The government has been promoting women entrepreneurship for years through business development programmes,

Figure 25. **Education choices vary widely across genders**
Share of women graduating by field of education, 2014¹

1. Level of education: total tertiary education (ISCED2011 levels 5 to 8). 2013 for the OECD average and for the fields below life science.

Source: OECD Education at a Glance.

http://dx.doi.org/10.1787/888933445913

Women entrepreneurship is growing faster in Sweden than across the OECD, but only slightly over a third of Swedish sole proprietor enterprises are owned by women (Figure 26). On current trends, parity in entrepreneurship would be reached only around 2050 (Piacentini, 2013; Swedish Agency for Economic and Regional Growth, 2015a). The government has been promoting women entrepreneurship for years through business development programmes,

Figure 26. **Only a third of sole-proprietor enterprises are owned by women**
Latest year available

Source: OECD Entrepreneurship database.

http://dx.doi.org/10.1787/888933445929
which include advisory services, coaching, mentoring, networking and training. The most recent development is the national strategy for business promotion on equal terms (for women, youth and foreign-born) for the period 2015-20 (Swedish Agency for Economic and Regional Growth, 2015b). Business promotion has traditionally focused on sectors like industry and manufacturing, where women are under-represented, and needs to be expanded in the service sector. Closer cooperation between schools and trade associations, civil society groups and the business community could promote further girls education in science, technology, engineering and mathematics (OECD, 2015c).

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ANNEX

Progress in structural reform

This annex summarises key recommendations made in previous Economic Surveys and Environmental Performance Reviews, and actions taken since the OECD Economic Survey on Sweden published in March 2015.

<table>
<thead>
<tr>
<th>Recommendations in previous Surveys</th>
<th>Actions taken</th>
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<tbody>
<tr>
<td><strong>Business regulations, infrastructure and innovation</strong></td>
<td></td>
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<tr>
<td>Simplify regulatory procedures, in particular regarding licences and permits.</td>
<td>Starting a business has become easier, as the company registry is now required to register a company in five days.</td>
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<td>Streamline land-use planning and zoning regulations and increase incentives for municipalities to release land.</td>
<td>In June 2016, the government presented 22 steps for more dwellings, including several legislative measures to make the planning system more efficient. Support to municipalities based on the number of dwellings permitted has been introduced and will be disbursed in late 2016.</td>
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<tr>
<td>Invest to improve the quality of roads and rail, with careful consideration of social returns.</td>
<td>The Government has made major investments in railway maintenance and investments in public transport in rural areas.</td>
</tr>
<tr>
<td>Continue to broaden support for innovation and enhance co-ordination of innovation and research policies. Lower financing constraints by fostering the development of debt and equity instruments and platforms for corporate finance.</td>
<td>Innovation and research policy is being gradually strengthened, but governance, leadership and strategic vision need further improvement.</td>
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<td><strong>Skills and education</strong></td>
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<td>Raise the attractiveness of teaching by increasing monetary incentives, offer clearer career paths, and improve teacher education.</td>
<td>Resources have been set aside to give approximately 60 000 teachers a substantial increase in salary from July 2016. In addition, a career reform affecting 17 000 senior teachers will be fully implemented.</td>
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<td>Increase support for struggling students, including immigrants, through early intervention and targeting resources based on socio-economic background.</td>
<td>Measures are being taken to enable teachers to devote a larger proportion of their working hours to teaching. Special resources have been channelled to schools with low learning outcomes.</td>
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<tr>
<td>Enhance support and incentives for immigrants to learn Swedish.</td>
<td>Swedish for Immigrants (SFI) has been reformed and steps are taken to enable asylum seekers to begin learning Swedish earlier.</td>
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<tr>
<td>Consider consolidating existing institutions in charge of advising on and supervising education policies into an education policy council.</td>
<td>No action taken.</td>
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<tr>
<td><strong>Labour market and social policies for greater inclusion</strong></td>
<td></td>
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<tr>
<td>Reduce the gap in employment protection between permanent and temporary contracts and increase flexibility in entry level wages.</td>
<td>An amendment to the employment protection legislation, which entered into force in May 2016, enhances the protection of fixed-term employees by limiting the scope for a succession of fixed-term contracts. The government favours lowering labour costs for low-skilled workers through subsidies. The subsidy system will be simplified to increase take-up.</td>
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### Recommendations in previous Surveys

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<th>Recommendations in previous Surveys</th>
<th>Actions taken</th>
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<tr>
<td>Consider extending the coverage of unemployment insurance by easing the entitlement conditions in terms of duration of past work, and moving to a system with mandatory contributions to unemployment insurance.</td>
<td>No action taken on coverage, although the government is investigating the issue. Basic insurance, covering the unemployed who are not members of an unemployment insurance fund or do not satisfy the conditions applicable for entitlement to income-related benefits, can be regarded as mandatory. The government has raised the ceiling and the basic level of compensation in the unemployment insurance system.</td>
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#### Policies to enhance the efficiency of capital taxation and the housing market

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<tr>
<th>Recommendations in previous Surveys</th>
<th>Actions taken</th>
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<tbody>
<tr>
<td>Move towards more neutral taxation across types of assets. In particular, to tax owner-occupied housing like other assets, a tax on imputed-rent would be first-best. A property tax based on market value could proxy imputed-rent taxation. Alternatively, abolish mortgage interest deductibility. Phase out the restrictions on apartment rentals, including on buying an apartment to rent it out. Continue to phase out rent controls so as to more closely align rents with market values.</td>
<td>No action taken.</td>
</tr>
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#### Climate change mitigation policies

<table>
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<tr>
<th>Recommendations in previous Surveys</th>
<th>Actions taken</th>
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<tr>
<td>Continue to gradually phase out exemptions to the carbon tax. Clarify the role and the expected costs and benefits of the long-term priority to have a fossil-fuel independent vehicle fleet by 2030.</td>
<td>Climate change is the government’s top environmental priority. Many exemptions from energy and CO2 taxes have been reduced or removed; the largest remaining tax expenditure is the favourable tax treatment of diesel used in transport. Cost-benefit analysis is still lacking.</td>
</tr>
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#### Recommendations from the 2014 Environmental Performance Review

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<th>Recommendations from the 2014 Environmental Performance Review</th>
<th>Actions taken</th>
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<td><strong>Climate change</strong></td>
<td>Sweden has established a cross-party parliamentary committee on environmental objectives, which endorsed a goal to achieve zero net greenhouse gas emissions by 2045, accompanied by intermediate goals of reducing overall emissions by 63% and transport sector emissions by 70% compared to 1990 by 2030. The Environmental Targets Committee, consisting of heads of relevant agencies, has been set up to enhance inter-agency coordination. Systematically evaluate the incentive mix in the transport sector, including motor fuel and vehicle taxes, the tax treatment of biofuels and the taxation of company cars and commuting allowances; reform the tax treatment of company cars; and increase the energy tax rate on diesel, with a view to reaching energy tax parity with petrol. Energy- and CO2 taxes on gasoline and diesel will be uprated in line with GDP growth from 2017. The government plans to improve tax incentives to buy cleaner vehicles by mid-2018, and is also considering a road-use tax for heavy vehicles and taxation of air travel.</td>
</tr>
<tr>
<td><strong>Chemicals and air pollution</strong></td>
<td>Some categories of consumer goods and appliances containing hazardous chemicals will be taxed and VAT on repair of appliances will be reduced from 2017.</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>No action taken.</td>
</tr>
</tbody>
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