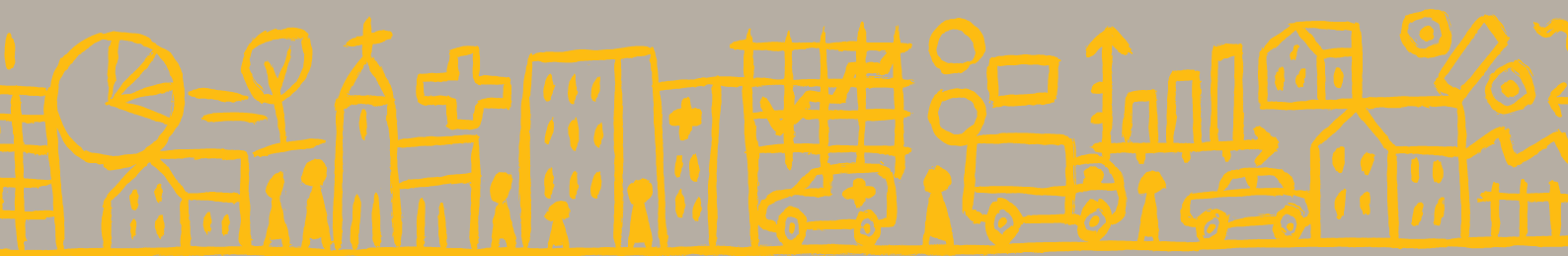


# The Economy Report.

ON SWEDISH MUNICIPAL AND COUNTY COUNCIL FINANCES  
- MAY 2010



Swedish Association  
of Local Authorities  
and Regions

**Information concerning the content of the report:**

Annika Wallenskog tel +46 8 452 77 46

Bo Legerius tel +46 8 452 77 34

**Swedish Association of Local Authorities and Regions**

Department of Economy and Governance, Section for Economic Analysis

SE-118 82 Stockholm | *Visitors* Hornsgatan 20

Phone +46 8 452 70 00 | Fax +46 8 452 70 50

[www.skl.se](http://www.skl.se)

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## Foreword

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The Economy Report illustrates the financial situation and conditions of county councils and municipalities and the development of the Swedish economy over the next few years. It is published twice yearly by the Swedish Association of Local Authorities and Regions (SALAR).

The calculations in this issue look forward to 2015. The temporary cyclical support from central government provides a breathing space for municipalities and county councils in 2010, but from 2011 the situation is troubling. The positive net income of SEK 3.5 billion that we forecast for 2011 means that services cannot develop in pace with demography. For the years after 2011 we present a calculation of how net income will develop if services increase in line with the historical trend. The report also presents an alternative calculation of how much government grant central government can afford to give municipalities and county councils.

This abridged version of the report has been written by staff at the SALAR Section for Economic Analysis. The people who have participated in the work and can reply to questions are given on the inside cover page. Other SALAR staff have also contributed facts and valuable comments. The Summary (supplemented with some tables and diagrams from the main report) and the Annex are published here as a separate English document. The translation is by Ian MacArthur, following slight revisions by Elisabet Jonsson. We are very grateful to the municipalities and county councils that have contributed basic data to our report!

Stockholm, May 2010

*Annika Wallenskog*  
Section for Economic Analysis

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# The Chief Economist's conclusions

The local government sector's revenue has been significantly affected by the economic crisis. The positive net income for 2009 and 2010 is mainly due to restraint, temporary factors and additional cyclical support from central government. The situation is bleaker ahead of 2011. In our forecast for 2011 we nevertheless expect a surplus of more than SEK 3 billion, but the effort required to get there will be tough. Costs must be lower than required by the pressure from demography. But in recent years the sector has demonstrated its ability to maintain financial balance while safeguarding services. We therefore expect it to also rise to this challenge.

However, in the longer term costs will be forced up by the pressure from demography, rising demand and high ambitions. So far volume has risen by 1 per cent per year over and above what can be explained by demography. We expect this development to continue, so municipalities and county councils will have difficulty restraining cost growth over an extended period.<sup>1</sup> This means that there is a risk that net income will deteriorate gradually unless revenue increases in the future.

## **Continued recovery but a long way to go to normal conditions**

The free fall in the global economy slowed down in mid-2009. Since last summer there has been a gradual recovery in global trade, for example, which suffered a dramatic fall in connection with the collapse of the financial markets in autumn 2008. However, historical experience suggests that a recovery af-

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1. This is described, along with the development of needs and resources up until 2035, in the report "Framtidens utmaning" (The challenge of the future) published by the Swedish Association of Local Authorities and Regions in April this year.

A modest international recovery. GDP is growing faster in Sweden than in our most important export markets.

**Table 1 • International GDP growth, 2008–2011**

Percentage volume growth

	2008	2009	2010	2011
USA	0.4	-2.4	2.8	2.4
EU	1.0	-4.1	1.0	1.7
China	9.1	8.7	10.0	9.5
World	2.6	-0.9	3.8	3.9
Export-weighted GDP*	1.0	-3.4	1.8	2.4
Sweden	-0.2	-4.9	2.5	3.2

\*GDP growth in a number of countries weighted by their importance as recipients of Swedish exports.

Sources: National Institute of Economic Research and Swedish Association of Local Authorities and Regions.

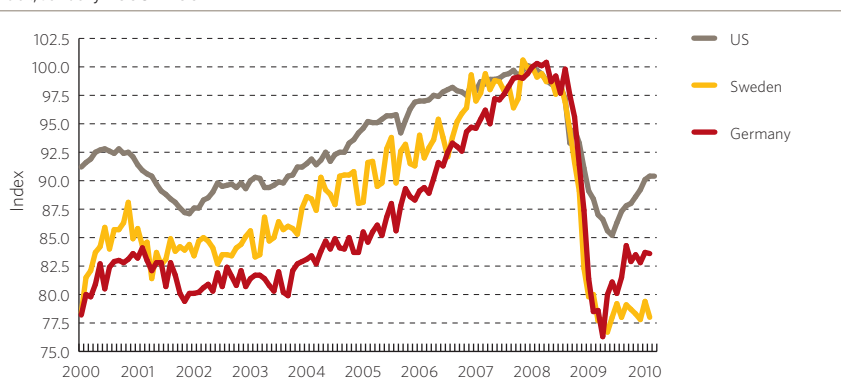
ter a deep financial crisis is long and halting since far from all the financial “messes” have had time to rise to the surface. The recent tumult about Greek public finances and other indebted countries is a telling example, indicating that major problems remain. Even though Greece is a small economy of little direct importance for the Swedish economy, via foreign trade for example, the effects of any collapse of Greek public finances still risk having serious consequences for Sweden. Not least, there would be a risk of considerable harm to the global financial system, from which it is inevitable that Sweden will also suffer. A ‘Greek infection’ spreading to other vulnerable countries, especially around the Mediterranean, would make matters worse.

However, we expect the world economy to continue its gradual improvement, which is essential if Sweden’s export-dependent economy, is to pick up speed. After a fall in export-weighted GDP of 3.4 per cent in 2009 we now expect growth of 1.8 per cent this year and 2.4 per cent in 2011. For Sweden, which suffered much more than the average in 2009 with a GDP fall of as much as 4.9 per cent, we now expect the economy to perform a bit better than our trading partners and grow by 2.5 per cent this year and 3.2 per cent in 2011.

So far, however, Swedish industry is making relatively slow progress, even though Swedish export companies were favoured during the crisis by a very

**Diagram 2 • Industrial production in Sweden, the US and Germany**

Index, January 2008 = 100

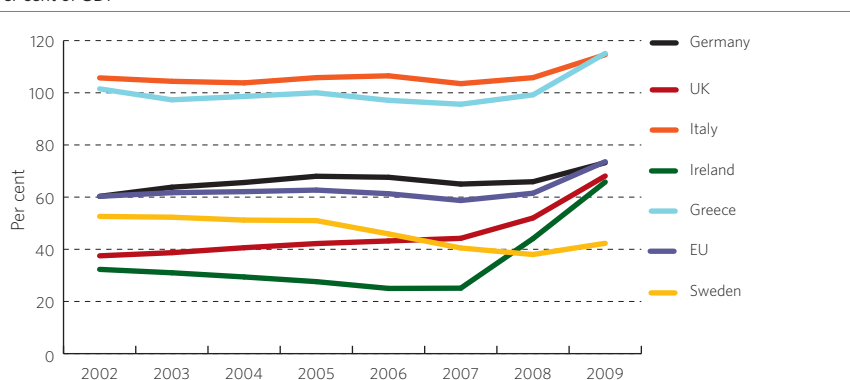


Source: Reuters EcoWin.

While growth is picking up in the US and Germany, Swedish industrial production is standing still and marking time.

Diagram 8 • General government gross debt in selected countries

Per cent of GDP



Source: Eurostat.

Unlike other countries, Sweden has reduced its central government debt since 2000.

weak krona. The main reason is probably the composition of Swedish exports, in terms of both products and geography. To a great extent, Swedish companies manufacture input goods and investment goods mainly destined for a Europe that is growing slowly. The decline in the global automotive industry does not improve matters! In contrast the emerging economies in Asia and elsewhere, which have built up speed, account for a relatively small share of Swedish exports (diagram 2).

The thing that nevertheless makes us relatively optimistic about the Swedish economy over the next few years is that the domestic situation appears pretty bright. Sweden's public finances are among the strongest in the OECD, providing scope for further fiscal stimulus and minimising the risk of financial crises, such as in Greece (diagram 8).

Moreover Swedish households have a strong financial position with historically high savings, while interest rates are extremely low. Even if interest rates will rise gradually in the future – we expect the Riksbank (Swedish central bank) to increase the key interest rate very moderately over the coming year – interest costs will remain relatively low, at the same time as an improvement on the labour market will contribute to both rising incomes and incipient optimism and thereby to lower savings among households.

Table 3 • Household income and consumption expenditure, 2008–2013

Percentage change

	2008	2009	2010	2011	2012	2013
Key interest rate, level in percent	4.0	0.7	0.3	1.2	2.6	3.9
Real disposable income	2.7	2.1	0.4	1.5	2.0	2.5
Contribution of interest to disp income	-0.6	1.6	-0.3	-0.5	-0.5	-0.3
Real consumer expenditure	-0.2	-0.8	2.2	2.5	3.4	3.0
Savings ratio	11.6	13.9	12.5	11.7	10.5	10.2

Sources: Statistics Sweden and Swedish Association of Local Authorities and Regions.

High savings by households provide scope for further consumption.

### Positive surprise on the labour market

One thing that can be said to have been a positive surprise in the crisis in recent years is that the labour market has not been weakened quite as dramatically as feared by most observers. It is certainly true that more than 100 000 jobs have disappeared and unemployment has risen to more than 9 per cent, but it “should have” been much worse in view of the collapse of production. Given the historical pattern, hours worked in the economy “should have” fallen by almost 5 per cent in 2009, compared with the outcome of around 2.5 per cent.

However the caution shown by companies about reducing their labour force during the crisis probably means that the rise in employment in the future will be limited, despite decent economic growth. Companies have plenty of free resources and can increase production without increasing capacity. We now expect unemployment to only fall slowly and to stay above what we view as a normal level for as long as until 2015. With regard to hours worked, which is the single most important factor for the tax base in the local government sector, our forecast is a fall of 0.5 per cent in 2010 and a corresponding increase in 2011. At the same time, we expect hourly wages in the economy to rise by an average of 2.3 per cent both this year and next year.

Table 4 • Key indicators for the labour market, 2009-2013  
Percentage change

	2009	2010	2011	2012	2013
Labour force participation*	80,2	80,5	80,8	81,3	81,8
Employment	-2,3	-0,4	0,4	1,4	1,3
Unemployment**	8,4	9,3	9,4	8,6	7,8
Hours worked***	-2,6	-0,5	0,5	1,3	1,3
Hourly wage	3,1	2,3	2,3	3,0	3,5
Payroll	0,5	1,8	2,8	4,3	4,8
CPI	-0,3	1,0	1,6	2,6	2,8
CPIX	1,5	1,7	0,9	1,2	1,5

\*Per cent of population. \*\*Per cent of the labour force \*\*\*Adjusted for calendar effects.

Sources: Statistics Sweden and Swedish Association of Local Authorities and Region.

The recovery in the economy means that employment and labour force participation are rising while unemployment is falling. The improvement on the labour market will in turn result in higher price and wage inflation.

### Weak growth of the tax base

Even though the economy is now an upturn, we must not, however, expect a golden age for the Swedish local government sector. On account of the weak recovery on the labour market and moderate pay increases, we only expect weak growth of the tax base, 1.4 per cent<sup>2</sup> in 2010. In 2011 the tax base rises by 2.4 per cent. In real terms, i.e. taking account of the development of prices and costs, we expect the tax base to fall by 0.3 per cent this year and to then show very moderate growth, 0.7 per cent, in 2011. Not until 2012 and thereafter do we expect more ‘normal’ growth of the tax base, as the labour market and wage increases gather pace.

In fact, the sector’s revenue is also affected by factors other than the labour market, especially economic policy but also other aspects. Developments in 2009 are a good example of this. Instead of a small deficit, as forecast by the

2. The increase is 2.0 per cent if the increase in the basic income tax allowance for pensioners is excluded; the sector will receive compensation for this via its central government grants.



Association in May 2009, net income turned out to be more than SEK 14 billion! The main reasons for this good outcome was a better labour market than expected, savings in services, low interest costs and additional funds, in part in the form of a premium waiver on insurance from AFA (the Swedish Labour Market Insurance Company).

For 2010 central government has made a temporary increase of SEK 17 billion in government grants. The purpose of this government grant increase is to prevent large redundancies and tax increases and to safeguard core welfare services. Even though it is difficult to be certain, there are many signs that the effects on employment will be limited; the additional funding did not lead to any major revisions of budget frames ahead of 2010. However, in our assessment the temporary support helped to prevent tax increases of more than SEK 1 billion in 2010.

There is a marked divergence in how different forecasters view the development of the labour market in coming years. In the *Spring Fiscal Policy Bill* the Government was more optimistic than the Association about employment growth and expected much stronger growth in hours worked and therefore a higher tax base for 2011. The Government therefore made the assessment that there was no reason to review the earlier decision to make the government grant increase in 2010 temporary. Part of the difference can be traced to the fact that the Government, like the National Institute of Economic Research, expects higher GDP growth in 2011 and that the Government assumes that the weak productivity growth will continue. Different views about the development of the labour market also lead to different prospects for the development of other parts of the tax base, such as pension incomes and unemployment benefit.

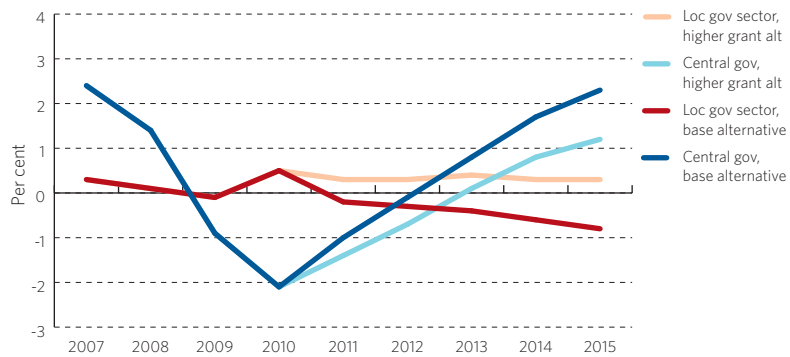
### **How much grant can central government afford to give the sector?**

Overall, Sweden has good public finances. We expect general government net lending to be 1.7 per cent of GDP in 2015, assuming current policies. Net lending will therefore comfortably meet the surplus target of 1 per cent of GDP.

In this *Economy Report* we present a side calculation of how much grant central government can afford to give the sector. In the calculation we assume that the money from the temporary cyclical support will continue in 2011 at the same time as government grants are adjusted upwards at the same rate as the tax base from 2011. This analysis shows that the Government's share of net lending will then be 1.2 per cent of GDP. Central government can thus put municipalities and county councils in a position to develop their services in line with the long-term trend for cost growth and still deliver healthy finances without having to raise taxes. This means that the sector would be able to meet the challenge posed by demography and higher expectations for improvements while having satisfactory net lending in both the local government sector and the whole public sector (diagram 7).

Total general government net lending is the same in both the alternative calculations. However, the distribution between the sectors is different. In the alternative with higher government grants, net lending is distributed more evenly between central government and the local government sector.

Diagram 7 • Net lending in central government and the local government sector  
Per cent of GDP



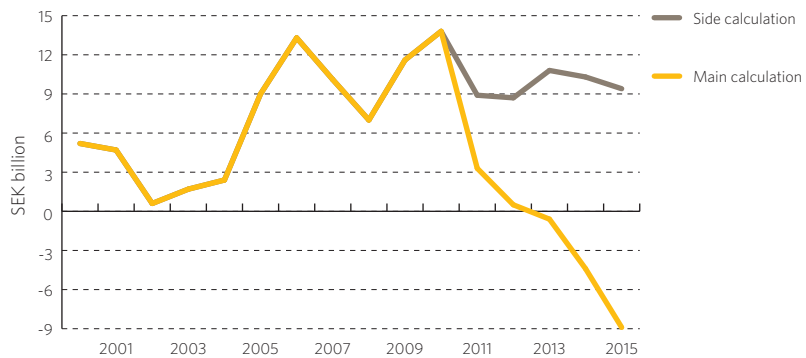
Source: Statistics Sweden and the Swedish Association of Local Authorities and Regions.

### Net income good in 2010, poorer in 2011

As mentioned above, net income in 2009 showed a substantial surplus. Thanks to the temporary cyclical support we also expect 2010 to show a considerable surplus: SEK 18.6 billion. However, the situation for 2011 appears much more troubling, even though we also expect a small surplus (SEK 3.5 billion) then, a level of net income that does not match up to the requirement of healthy finances. However, this assume a largely unchanged volume of services, despite growing needs, placing high demands on the ability of municipalities and county councils to adapt their services. According to survey responses from the municipalities, in 2010 the temporary cyclical support will only be used to a limited extent to meet higher operating costs. Instead the funds will be used for maintenance work and similar purposes. These meas-

Permanent cyclical support with the upward adjustment of central government grant would result in net income for the municipalities largely corresponding to healthy finances. Here costs are assumed to rise in line with demography plus the trend, starting from 2011.

Diagram 20 • Net income for municipalities excluding extraordinary items, 2000-2015  
SEK billion



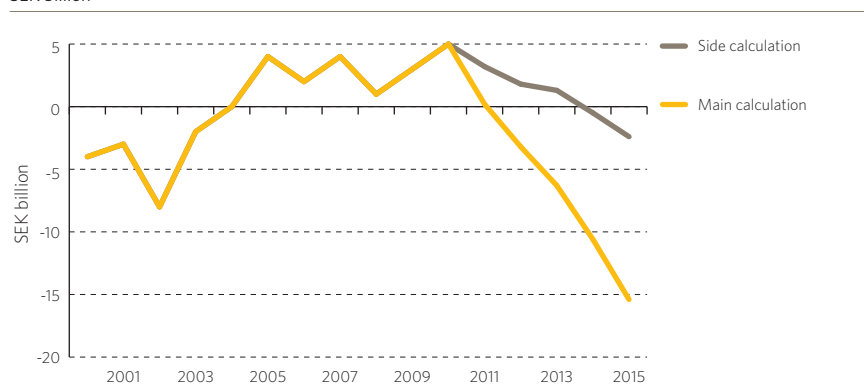
**Main calculation** = Our forecast for 2011 and a calculation thereafter using a cost increase in line with trend. Cyclical support ends from 2011; no upward adjustment.

**Side calculation** = Permanent cyclical support and upward adjustment of government grants, plus a cost increase in line with trend as of 2011.

Source: Swedish Association of Local Authorities and Regions.

Diagram 25 • Net income for county councils, 2000-2015

SEK billion



Permanent cyclical support with the upward adjustment of government grants would result in better net income for the county councils. However, it still falls under zero in 2014. Here costs are assumed to rise in line with demography plus the trend, starting from 2011.

*Main calculation* = Our forecast for 2011 and a calculation thereafter using a cost increase in line with trend. Cyclical support ends from 2011; no upward adjustment.

*Side calculation* = Permanent cyclical support and upward adjustment of government grants, plus a cost increase in line with trend as of 2011.

Source: Swedish Association of Local Authorities and Regions.

ures do not raise the long-term level of municipal costs but can contribute to higher private sector employment, Our assessment is that the volume of costs will increase by 1.3 (1.2) per cent for municipalities (county councils) in 2010 but only 0.1 (0.4) per cent in 2011.<sup>3</sup>

### Lessons for the future

So what can we learn from developments in recent years?

- It has become clearer than ever how exposed the Swedish economy is to international fluctuations. Sweden, including the local government sector, is a little bark boat on the wide economic ocean and has small possibilities of deviating from global cyclical patterns.
- However Sweden does not wholly lack muscles to soften the impacts of a sharp global downturn by using economic policy – if we keep our house in order!
- Economic forecasting is difficult! Every crisis has its own logic and dynamic, making the course of every crisis unique. Forecasters have few other options than to look to the historical experience. This means that there is a great risk of low accuracy in their forecasts, especially in connection with major disturbances of the global economy.

3. For municipalities the increase is 1.0 per cent for 2010 and 0.0 per cent for 2011 if financial support (social assistance) is excluded.



This annex presents some key indicators and a number of tables and diagrams taken from the municipality and county council sections that have been aggregated here to give an overall picture. Then come two tables showing the aggregate income statements of municipalities and of county councils, followed by tables showing the development of general government grants. The annex ends with a table setting out information for the whole of the public sector.

For the distribution of costs and revenue in municipalities and in county councils respectively, see the previous issue of the *Economy Report, Oct 2009*.

### An aggregate picture of municipalities and county councils

Table 20 • Key indicators for municipalities and county councils, 2008–2013  
Per cent and thousands of people

	2008	2009	2010	2011	2012	2013
<b>Average tax rate, %</b>	<b>31.44</b>	<b>31.52</b>	<b>31.56</b>	<b>31.60</b>	<b>31.60</b>	<b>31.60</b>
municipalities, incl Gotland	20.71	20.72	20.74	20.74	20.74	20.74
county councils*, excl Gotland	10.79	10.86	10.87	10.92	10.92	10.92
<b>No of employees**, thousands</b>	<b>1,095</b>	<b>1,070</b>	<b>1,080</b>	<b>1,079</b>	<b>1,092</b>	<b>1,106</b>
Municipalities	832	809	818	819	830	842
County councils	263	260	261	260	262	264

\*The tax base of Gotland is not included, which is why the totals do not add up.

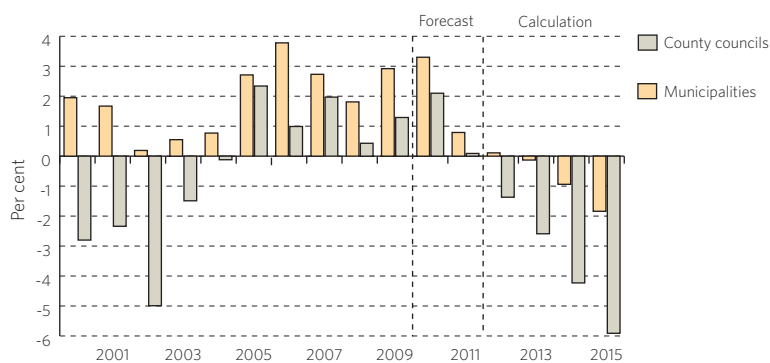
\*\*Thousands; average number of people in employment according to the National Accounts.

Table 21 • Aggregate income statement, 2009–2015  
SEK billion current prices, unless otherwise stated

	Utfall	Prognos	Kalkyl				
	2009	2010	2011	2012	2013	2014	2015
Income of activities	144	145	147	152	157	163	170
Expenses of activities	-727	-752	-768	-799	-833	-871	-913
Depreciation	-23	-23	-24	-24	-25	-26	-26
<b>Net expenses of activities</b>	<b>-605</b>	<b>-630</b>	<b>-645</b>	<b>-671</b>	<b>-701</b>	<b>-733</b>	<b>-770</b>
Tax revenue	512	522	533	555	580	604	632
Gen gov grants & equalisation	104	124	112	112	112	113	114
Net financial income	5	3	3	2	2	1	0
<b>Net income before extrao. items</b>	<b>14</b>	<b>19</b>	<b>4</b>	<b>-3</b>	<b>-7</b>	<b>-15</b>	<b>-24</b>
Share of taxes and grants, %	2.3	2.9	0.5	-0.4	-1.0	-2.1	-3.3

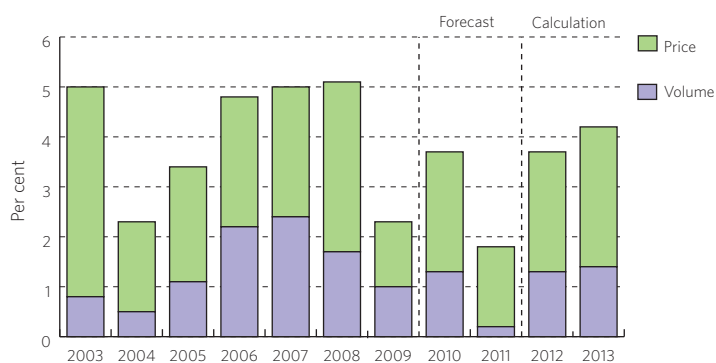
Sources: Statistics Sweden and The Swedish Association of Local Authorities and Regions.

**Diagram 26 • Municipal and county council net income before extraordinary items**  
Percentage of taxes and transfers



Source: The Swedish Association of Local Authorities and Regions.

**Diagram 27 • Cost growth in municipalities and county councils broken down by volume and price**  
Per cent



Source: The Swedish Association of Local Authorities and Regions.

Table 22 • Income statement for the municipalities, 2009–2015  
SEK billion

	Outcome Forecast		Calculation				
	2009	2010	2011	2012	2013	2014	2015
Income of activities	110	110	111	114	118	123	128
Expenses of activities	-485	-502	-513	-532	-554	-579	-607
Depreciation	-16	-16	-16	-17	-17	-18	-18
<b>Net expenses of activities</b>	<b>-391</b>	<b>-408</b>	<b>-418</b>	<b>-435</b>	<b>-453</b>	<b>-473</b>	<b>-497</b>
Tax revenue	336	343	350	364	380	397	415
Gen gov grants and equalisation	61	76	69	68	69	69	70
Net financial income	5	3	3	3	3	3	3
<b>Net income before extrao. items</b>	<b>12</b>	<b>14</b>	<b>3</b>	<b>0</b>	<b>-1</b>	<b>-4</b>	<b>-9</b>
<i>Share of taxes and grants, %</i>	2.9	3.3	0.8	0.1	-0.1	-0.9	-1.8

Table 23 • Income statement for the county councils, 2009–2015  
SEK billion

	Outcome Forecast		Calculation				
	2009	2010	2011	2012	2013	2014	2015
Income of activities	36	38	38	40	41	43	44
Expenses of activities	-244	-253	-258	-269	-282	-295	-310
Depreciation	-7	-7	-7	-7	-8	-8	-8
<b>Net expenses of activities</b>	<b>-214</b>	<b>-222</b>	<b>-227</b>	<b>-237</b>	<b>-248</b>	<b>-260</b>	<b>-273</b>
Tax revenue	176	179	183	191	199	208	217
Gen gov grants and equalisation	41	48	44	44	44	44	44
Net financial income	0	0	0	-1	-1	-2	-3
<b>Net income before extrao. items</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>-3</b>	<b>-6</b>	<b>-11</b>	<b>-15</b>
<i>Share of taxes and grants, %</i>	1.3	2.1	0.1	-1.4	-2.6	-4.2	-5.9

Source: The Swedish Association of Local Authorities and Regions.

Table 24 • The grants for municipalities, the so called "bag" 2000–2013  
SEK million, current prices

											Forecast	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Supplements/suspensions/transfers</b>												
General	1,120	1,545	565	848	658	6,699	3,021	9,500	3,646	0	2,766	702
Taking account of age structure	1,120	0	0	0	0	0	0	0	0	0	0	0
Total supplements/suspensions/transfers	2,240	1,545	565	848	658	6,699	3,021	9,500	3,646	0	2,766	702
of which transfers	0	-350	567	248	428	6,082	1,011	9,742	24	0	-32	0
<b>Adjustments</b>												
Effects of various tax proposals	-3,250	-2,002	-2,363	-3,627	-1,755	1,404	-370	71	-895	1149	2,485	0
Municipal VAT account system	0	0	0	-22,005	-327	475	0	0	0	0	0	0
Other items	194	298	1,629	1,470	762	-229	-108	421	-11973	372	210	215
Total adjustments	-3,056	-2,054	-734	-24,162	-1,320	1,650	-478	492	-12,868	1,521	2,695	215
<b>Total supplements/suspensions &amp; adjustm</b>	<b>-816</b>	<b>-159</b>	<b>-449</b>	<b>-23,464</b>	<b>-1,034</b>	<b>8,567</b>	<b>2,543</b>	<b>9,992</b>	<b>-9,222</b>	<b>1,521</b>	<b>5,461</b>	<b>917</b>
<b>Government grant, net*</b>	<b>40,726</b>	<b>38,753</b>	<b>36,549</b>	<b>35,089</b>	<b>34,055</b>	<b>42,622</b>	<b>45,165</b>	<b>55,157</b>	<b>45,935</b>	<b>47,455</b>	<b>52,916</b>	<b>53,833</b>

\*Includes general government grant, including VAT grant in 2002, general government grant in 2003–2004 and local government financial equalisation in 2005–.

Sources: 1993–1996: Government's budget and supplementary budget bills; 1997–2011: Government's Spring fiscal policy bills and Budget bills.



Table 25 • The grants for county councils, the so called "bag" 2000–2013  
SEK million, current prices

Supplements/suspensions/transfers											Forecast	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General	1,660	1,355	1,043	1,342	867	3,914	578	2,683	1,229	0	1,200	300
Total supplements/suspensions/transfers	1,660	1,355	1,043	1,342	867	3,914	578	2,683	1,229	0	1,200	300
of which transfers	0	0	1,048	-58	197	2,531	13	2,133	-20	0	0	0
<b>Adjustments</b>												
Effects of various tax proposals	-1,550	-964	-1,137	-1,744	-846	676	-190	0	-442	753	1,298	0
Municipal VAT account system	0	0	0	-9,355	-1,040	672	0	0	0	0	0	0
Other items	50	0	-1,413	49	465	-174	0	12	119	0	19	0
Total adjustments	-1,500	-964	-2,550	-11,050	-1,421	1,174	-190	12	-323	753	1,317	0
<b>Total supplements/suspensions &amp; adjustm</b>	<b>160</b>	<b>391</b>	<b>-1,507</b>	<b>-9,708</b>	<b>-554</b>	<b>5,088</b>	<b>388</b>	<b>2,695</b>	<b>906</b>	<b>753</b>	<b>2,517</b>	<b>300</b>
<b>Government grant, net*</b>	<b>11,325</b>	<b>10,924</b>	<b>8,495</b>	<b>8,107</b>	<b>7,486</b>	<b>12,574</b>	<b>12,962</b>	<b>15,657</b>	<b>16,563</b>	<b>17,316</b>	<b>19,833</b>	<b>20,133</b>

\*Includes general government grant, including VAT grant in 2002, general government grant in 2003–2004 and local government financial equalisation in 2005–.

Sources: 1993–1996: Government's budget and supplementary budget bills; 1997–2011: Government's Spring fiscal policy bills and Budget bills.

The following table provides supporting information for the section "How much grant can central government afford to give the sector?".

Table 26 • Consolidated public sector  
SEK billion

	2009	2010	2011	2012	2013	2014	2015
<b>Income</b>	<b>1,612</b>	<b>1,653</b>	<b>1,704</b>	<b>1,785</b>	<b>1,873</b>	<b>1,964</b>	<b>2,056</b>
<i>per cent of GDP</i>	52.7	52.1	51.4	51.2	51.0	50.7	50.6
Taxes and contributions	1,438	1,478	1,519	1,588	1,666	1,747	1,831
<i>per cent of GDP</i>	47.0	46.6	45.8	45.6	45.4	45.1	45.0
Direct taxes	519	538	552	578	609	638	668
Product & production taxes	579	574	590	618	647	678	711
Social security contributions	339	366	376	392	411	431	452
Other income	175	175	186	196	206	217	225
<b>Expenditure</b>	<b>1,637</b>	<b>1,694</b>	<b>1,727</b>	<b>1,782</b>	<b>1,845</b>	<b>1,910</b>	<b>1,986</b>
<i>per cent of GDP</i>	53.5	53.4	52.1	51.1	50.2	49.3	48.8
Consumption	858	889	907	936	973	1,014	1,060
Investments	107	111	112	111	111	114	117
Transfers	636	647	655	670	689	708	736
Old-age pensions	217	221	221	231	249	260	274
Other transfers to households	319	327	330	331	328	331	341
Business sector & abroad	99	100	103	107	112	116	121
Interest expenditure	36	47	54	65	73	75	73
<b>Ned lending</b>	<b>-25</b>	<b>-41</b>	<b>-23</b>	<b>3</b>	<b>27</b>	<b>54</b>	<b>70</b>
<i>per cent of GDP</i>	-0.8	-1.3	-0.7	0.1	0.7	1.4	1.7
GDP, current prices	3,057	3,173	3,314	3,485	3,673	3,872	4,067

Sources: Statistics Sweden, National Institute of Economic Research and Swedish Association of Local Authorities and Regions.



# The Economy Report. May 2010

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## On Swedish Municipal and County council finances

is a series published twice yearly by the Swedish Association of Local Authorities and Regions (SALAR). In it we deal with the present economic situation and developments in municipalities and county councils. The calculations in this issue extend to 2015.

The local government sector will report a good level of net income for 2010. Next year tax base growth will not compensate for the withdrawal of the temporary cyclical support from central government. This will weaken the financial situation of the sector, although positive net income is also foreseen for 2011. However, the calculations presented in the report suggest that it will be more difficult for municipalities and county councils to balance their budgets in the future.

The report can be downloaded at [www.skl.se/publikationer](http://www.skl.se/publikationer).  
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