

Swedish economic policy during and after the corona pandemic

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GDP and labor market forecasts

(Swedish National Financial Management Authority)

Procentuell förändring om inget annat anges	2019 (utfall)	2020	2021
BNP, kalenderkorrigerat	1,3	-7,5	4,5
Arbetade timmar	-0,3	-7,0	2,7
Medelarbetstid	-0,9	-3,3	3,1
Sysselsatta	0,7	-3,8	-0,4
Sysselsättningsgrad, procent av befolkningen	68,3	65,4	64,9
Arbetslöshet, procent av arbetskraften	6,8	10,2	10,8

Fiscal deficit and Maastricht debt forecasts

(Swedish National Financial Management Authority)

Procent av BNP	2019 (utfall)	2020	2021
Finansiellt sparande i offentlig sektor	0,4	-7,3	-2,9
Maastrichtskulden, exkl effekter av garantier	34,7	43,4	43,5

High degree of uncertainty

- When will corona-related restrictions be completely lifted?
 - state of pandemic, availability of vaccine, drug
 - what countries?
- What is the path of recovery?
 - fast or protracted?
 - V in initial forecasts, U in later (OECD)

Appropriate fiscal policy response

- Damage control: contain bankruptcies and unemployment
- In view of great uncertainty damage control must be flexible: end or extend, redesign
- Measures must be cost efficient
- Prepare fiscal stimulus measures
 - timely, targeted and temporary
 - high multiplier effects: public investment and consumption
- Temptation to take advantage of crisis to advocate structural reforms

No need to amortize public debt

- 2020-2021
 - Debt ratio increases from 35% to 44%
- From 2022

$$- S - S_{t-1} = \frac{r-g}{1+g} \times S_{t-1} - p = \frac{-0,02-0,02}{1+0,02} \times S_{t-1} - p$$

$$- \frac{-0,02-0,02}{1+0,02} \approx - 0,04 = 4 \text{ percentage points per year}$$