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Commission assesses updated Swedish Convergence Programme

The European Commission has today made a recommendation to the Council of Ministers on the updated Swedish Convergence Programme. The Commission conclusion is that the updated Convergence Programme of Sweden is in line with the requirements of the Stability and Growth Pact and the Broad Economic Policy Guidelines agreed at the Cologne European Council. The programme is based on the 1999 autumn Budget Bill, which extends the macroeconomic and budgetary perspectives over the period from 1999 to 2002. Growth is forecast to accelerate to 3.6% in 1999 but to slow subsequently to 3.0% in 2001 and remain around trend at 2% per year thereafter. The general government budget balance is expected to continue to show a surplus of about 2% of GDP over the period covered by the updated programme. At the same time the debt to GDP ratio is expected to fall to below 60% in 2000 and to reach 52% in 2002. On the basis of the Commission recommendation, the Council is expected to adopt a formal opinion on the updated Swedish Convergence Programme on [31 January 2000].

The Commission recommendation is adopted on the initiative of Pedro Solbes Mira, the Commissioner responsible for economic and monetary affairs, as part of the procedures in the Stability and Growth Pact for surveillance and co-ordination of national economic and budgetary policies at the level of the European Union.

The Stability and Growth Pact, adopted by the Amsterdam European Council in June 1997, requires countries not adopting the single currency to present, annually, updated convergence programmes to the Council and the Commission. The aim of these updated programmes is to illustrate how Member States intend to meet the objectives of the Pact, in particular, the medium-term objective of a general government budgetary close to balance or in surplus which will enable their finances to withstand with normal cyclical fluctuations without exceeding the reference value of a deficit of 3% of GDP.

The Commission's main conclusions are the following:

- the updated programme's projections of the general government budget balance, being in surplus at close to 2% of GDP over the programme period, provide a large enough safety margin for the general government not to breach the 3% of GDP reference value in normal circumstances. Sweden thus continues to comply with the requirements of the Stability and Growth Pact.
- the expected decline of the debt to GDP ratio to below 60% in 2000 and the continued decline to around 52% by the year 2002 is welcome.

- inflation has been low since 1996 and Sweden continues to exhibit one of lowest inflation rates in the EU. Vigilance remains, nevertheless, important and close monitoring of price and wage developments, particularly so with new wage agreements expected for 2001 and 2002, is warranted.
- it is recommended that Sweden continue with its stability oriented framework for macro-economic policy with a view to enhancing exchange rate stability. To this end, Sweden is expected to decide to join the ERM2 in due course.
- the structural measures directed towards the functioning of the labour market presented in the updated programme are welcome. In particular, the efforts to lower the very high tax burden, aimed at stimulating employment growth - one of the main policy objectives - should be continued with energy and determination.

Key figures from the updated Convergence Programme of Sweden

1999 to 2002

	1999	2000	2001	2002
Real GDP growth (%)	3.6	3.0	2.2	2.0
General government balance (% of GDP)	1.7	2.1	2.0	2.0
General government debt (% of GDP)	66.1	58.8	54.1	52.0
Inflation (CPI, Dec.-Dec.), (% increase)	0.9	1.3	2.0	2.0
Employment growth (%)	2.7	1.6	0.5	0.3