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CORRIGENDUM
This document corrects document SWD(2026)227 final of 03.06.2026.
Addition of 1 sentence in footnote 212.
The text shall read as follows:

COMMISSION STAFF WORKING DOCUMENT

2026 Country Report - Sweden

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Sweden

{COM(2026) 227 final}

European Commission

Economic and Financial Affairs

Sweden

2026 Country Report

ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Domestic demand driven recovery to be slowed by energy prices

The pace of Sweden's economic recovery is expected to pick up in 2026. Real GDP (GDP adjusted for inflation) increased by 1.5% in 2025. Economic growth is expected to increase in 2026, driven by domestic demand, supported gains in disposable household income, while underlying price pressures are set to be weak. Reductions in income tax and VAT are also set to support household income. Corporate investment is projected to be underpinned by lower financing costs and resilient profitability. According to the Commission's spring 2026 economic forecast, real GDP growth is projected to be 1.8% in 2026 and increase somewhat to 2.2% in 2027. Headline inflation - as measured by the harmonised index of consumer prices - reached 2.6% in 2025. Consumer price inflation is set to fall to 1.5% in 2026 before picking up to just below 2% in 2027, as the impact of special factors such as lower indirect taxes fades.

Sweden's labour market remains resilient yet continues to face persistent skills mismatches. Sweden combines one of the highest employment rates in the EU with entrenched structural unemployment. The labour market held up well in the face of anaemic growth in recent years, and the unemployment rate is expected to gradually fall from 8.8% in 2025 to just below 7% in 2027, on the back of the expected economic recovery (see Social Scoreboard in Annex X). Social partners agreed nominal wage rises of around 3.5% in collective wage agreements extending into 2027, underpinning corporate cost competitiveness.

Sweden faces vulnerabilities related to geopolitical risks. The Swedish economy is highly integrated into international value chains and is therefore vulnerable to trade disruptions and financial market volatility. In an adverse scenario, rises in energy costs in particular risk translating into a lower-than-expected decline in inflation and higher financing costs, dampening real GDP growth. Nevertheless, the country's strong economic foundations underpin competitiveness, with comparative advantages in large clusters surrounding technologically advanced industrial production and ICT-intensive services.

Expansive fiscal policy

The general government balance is set to remain in deficit. The headline general government balance is projected to remain negative in 2026 and reach a deficit of 2.8% of GDP, from 1.3% of GDP in 2025. The headline deficit ratio is expected to fall slightly in 2027 with the structural deficit set to remain at close to 2% in both years. The rising deficit reflects a combination of tax cuts (notably in income taxes, VAT, fuel and electricity taxes) and expenditure increases (in particular for military and civil defence and support to Ukraine). On the back of the forecast recovery the deficit is set to fall somewhat in 2027. The debt-to-GDP ratio is expected to increase somewhat from 35.1% in 2025 to just below 38% in 2027. Expanding capacity of the electricity system could be very costly for government finances in the long term with the actual cost depending on technology choices.

Expenditure on defence in Sweden is set to steadily increase. Total government expenditure on defence amounted to 2.9% of

GDP in 2025 and the Commission forecasts this ratio will reach 3.8% in 2026 (see Annex 2). Plans include weapon systems with long delivery times that can lead to some unevenness in yearly defence expenditure outlays over the coming period. Sweden aims to increase its defence capabilities by simultaneously expanding both civil defence expenditure and investment in transport infrastructure.

Challenges linked to private debt, weak productivity dynamics and the human capital base

Sweden has been facing interlinked vulnerabilities relating to its housing market and high levels of private debt. The Commission undertook an in-depth review of Sweden's economy as part of the Macroeconomic Imbalance Procedure in 2026 ([1]). While modest advancements in policy have been achieved as regards flexibility in the rental market, recent changes in the building permit framework will have a minimal impact on housing supply. Policy action in other areas has been lacking. The favourable taxation of mortgages, in particular significant mortgage interest deductibility, continues offering extensive incentives for household borrowing, while the recent relaxation of borrower-based macroprudential measures could lead to increased credit growth and higher house prices, particularly if housing supply issues remain prevalent. The fundamental challenges persist without resolution.

High levels of household and corporate debt are intrinsically linked to the real estate market. Despite a gradual decline in household debt relative to GDP, indebtedness remains significantly above the EU average, driven largely by housing-related borrowing. As the economy improves following a period of subdued growth, household debt is expected to rise again as borrowing picks up and eased requirements for borrowers come into force in 2026. Corporate indebtedness is also among the highest in the EU and is closely linked to the commercial real estate market.

Housing challenges are persistent in Sweden linked to the combination of a strictly regulated rental market, debt bias in taxation and supply constraints. In 2025 the Commission recommended that Sweden improve the efficiency of its housing market, including by introducing reforms in the rental market, facilitating residential construction, and addressing risks related to high household debt. Sweden has the most stringent rental regulation in the OECD. New rules have been introduced to make the rental market more flexible, particularly for new builds. Nevertheless, rent controls on the older housing stock remain in place. Supply constraints in urban centres continue to impact market dynamics, despite a new regulatory framework for building permits introduced in 2025. Supply-side rigidities in housing, coupled with easing borrower requirements, may further push house prices and debt levels up. Reforms to property taxation and the favourable taxation of mortgages could reduce incentives for debt accumulation and strengthen affordability and resilience without undermining stability (see Annex 16).

Despite a conducive business environment and having a robust innovation ecosystem, productivity growth has been declining. A slowdown in total factor productivity growth has been a drag on productivity. While labour productivity remains relatively high, Sweden's relative advantage has been declining over time. At the same time, skills mismatches and labour shortages exist, while unemployment remains high. In addition, high housing costs and housing supply shortages limit labour mobility. Furthermore, deteriorating educational outcomes also negatively affect future skills development. Addressing these macroeconomic challenges will be key to strengthening Sweden's long-term competitiveness.

([1]) SWD(2026) 143 final; 2026 In-Depth Review Sweden.

Key policy challenges to support economic growth and competitiveness

Despite high employment rates, Sweden's labour market faces structural challenges that potentially affect productivity growth and competitiveness. Notably, employment rates are lower and unemployment rates higher for people with a disadvantaged socio-economic background, those with a migrant background, people with low educational attainment levels, and people with disabilities. At the same time, labour and skills shortages persist in the public and in specific private sectors, such as energy and ICT, which are crucial for the green and digital transitions.

Regional disparities also affect productivity, with higher unemployment rates in the south compared to the north. Implementing active labour market policies that are tailor-made to the needs of the long-term unemployed, facilitating skills training, and strengthening positive incentives and possibilities for the unemployed to find work in other parts of the country would help reduce inequalities and strengthen competitiveness (see Annex 18).

Sweden faces several significant challenges in its education system despite overall good performance. There is a persistent shortage of qualified teachers, particularly in early childhood education and care, which disproportionately affects children with a disadvantaged background. Swedish students perform above the EU average in basic and digital skills, but basic skills have declined since 2018, with notable gaps for pupils with migrant backgrounds. Many students struggle to transition to upper secondary school or to continued education (including vocational pathways) and leave school without sufficient qualifications. Although adult learning participation is high, the system partly has to compensate for pupils leaving formal education without sufficient qualifications. Vocational education and training graduates face declining employment rates and mismatches between their qualifications and available jobs (see Annex 13). These educational challenges impact Sweden's competitiveness, especially in sectors with high occupational skills shortages.

Challenges in the energy market and with grid infrastructure impacts Sweden's ability to meet climate objectives and support industrial decarbonisation. Sweden aims to double its electricity supply in the coming decades to cater to expected demand from growing industry, including new clean industries, and from the transport sector. There are significant bottlenecks in grid connection and construction. Waiting times to get connected to the grid range from 3-7 years depending on whether new stations are required. Addressing these issues necessitates substantial investments to expand and modernise the electricity grid for both transmission and distribution. A lack of both north-south grid transmission capacity and cross-border connections identified as 'projects of common interest' to strengthen the EU energy system act as barriers not only to the energy transition, but also to productivity and competitiveness.

Lengthy permitting processes and procedures are delaying the green transition. Sweden's permitting process for rolling out renewable energy projects, particularly wind power, is inefficient. The environmental permitting process for industrial projects is also notably slow, averaging nearly five years, delaying progress towards achieving decarbonisation targets.

Box 1:

UN Sustainable Development Goals (SDGs)

Sweden performs well on competitiveness-related SDGs (SDGs 4, 8, 9) and on most SDGs related to sustainability (SDGs 2, 6, 7, 9, 13 and 15). However, it needs to catch up with the EU average on SDGs 12 (responsible consumption and production) and 14 (life below water).

While Sweden performs well on most SDGs related to social fairness (SDGs 3, 4, 5, 7, 8 and 10), its progress on SDG 1 (no poverty) has been mixed. Measures to address income poverty have had some success, but material and social deprivation has deteriorated, and housing cost pressures are rising.

Box 2:

Key achievements of the Recovery and Resilience Facility (RRF)

Sweden's recovery and resilience plan (RRP) represents a total investment budget of **EUR 3.45 billion**, corresponding to **0.5% of GDP**, aimed at (i) supporting the green and digital transitions, (ii) strengthening economic resilience, and (iii) addressing long-standing structural challenges identified in the European Semester.

As of May 2026, **EUR 1.64** (around **48%** of the total allocation) have been disbursed to Sweden following the satisfactory fulfilment of **27 milestones and targets**. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering tangible results on the ground.

Highlights and impact of the plan

- The **reforms** focus on improving the housing market's efficiency, modernising employment protection and labour market integration, and strengthening efforts against money laundering and terrorist financing.
- The **investments** reduce carbon dioxide emissions at local and regional levels, upgrade railway infrastructure, expand broadband coverage, increase new low cost rental and student housing supply, create additional capacity in higher education, and improve elderly care by upskilling and training relevant staff.

Achieving climate objectives is at risk, particularly due to sharply rising transport emissions. Sweden's emission reduction efforts have stalled because of policy reversals, notably in the transport sector. Significantly less ambitious fuel blending obligations (which aim to reduce greenhouse gas emissions from diesel and petrol by blending in biofuel), together with lower fuel taxes and tax exemptions, have led to an increase in greenhouse gas emissions. Unless it changes its policies, Sweden is projected to miss its 2030 emissions target.

Efforts are being made to address economic security challenges

Sweden is working to achieve strategic independence. This includes progressing with energy supply independence, accelerating industrial decarbonisation, reducing reliance on non-EU supply chains and investment dependencies, and counteracting coercion from non-EU countries. Sweden has important mineral resources that can help provide the EU with critical raw materials (see Annex 5). It is also taking measures to safeguard its highly-develop electronic payments system against disruptions. This includes supporting the availability and use of cash along with having different alternative payment options

Box 3: **Contribution of cohesion policy funds**

EU cohesion policy funding is supporting Sweden's efforts to boost competitiveness, environmental sustainability, skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([2]) are providing EUR 1.7 billion (amounting to EUR 4 billion with national co-financing). The value of selected projects corresponded to 67.2% of the total allocation as of March 2026, with additional calls for projects underway.

- **Innovation, business environment and productivity.** EUR 600 million have been allocated towards research and innovation, digitisation and SMEs competitiveness. Almost 11 000 firms have already received support.

- **Decarbonisation and sustainability.** EUR 200 million have been dedicated to clean transition projects, supporting areas such as the circular economy, energy efficiency and renewable energy. In addition, EUR 155 million of funding is contributing to the industrial transition of steel and metal industries, reducing their greenhouse gas emissions.

- **Skills, quality jobs and social fairness:** EUR 1.1 billion has been allocated to improving labour market access and skills initiatives. EUR 247 million is supporting the work of the public employment services in helping people find jobs. A further EUR 115 million has been dedicated towards addressing the specific challenges of northern sparsely populated areas, including capacity building and helping people find jobs.

The mid-term review([3]) largely maintained the programme's funding along current priorities while raising the targets across the board due to a stronger-than-expected performance. It reallocated EUR 64 million to increase the cohesion policy's contribution to emerging strategic priorities. More than two thirds of this reallocation support defence, particularly industrial capacities for dual use purposes. The mid-term review will also strengthen water management in Sweden. In addition to cohesion policy funding, Sweden will allocate up to EUR 389.6 million under the Social Climate Fund over 2026-2032 to help mitigate the social impact of the new Emissions Trading System (ETS2), supporting vulnerable households and those most affected by transport poverty.

available (see Annex 6). Sweden is joining forces with its Baltic Sea neighbours to combat disruption of underseas infrastructure such as communication cables.

EU funding instruments provide considerable resources to Sweden. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security.

([2]) ERDF, ESF+, and JTF.

([3]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is as formal assessment process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

A robust high-tech innovation ecosystem

Sweden is an EU leader in research and innovation, driven by high R&D expenditure and a robust high-tech innovation ecosystem. Sweden invests more of its GDP in R&D than the rest of the EU (3.6% vs the EU average of 2.2%) and even the US (3.5%). Commercial R&D spending is particularly high, with companies investing in new products, processes and services, and in manufacturing where 54% of firms innovate (see Annex 4). Innovation output by SMEs is also well above the EU average ([4]). Furthermore, public expenditure on R&D as a percentage of GDP is the fourth-highest in the EU (0.9% in 2024 vs EU average of 0.7%). At the same time, there is strong regional variation, with high expenditure driven by a select few regions (see Annex 18).

Despite its strengths, Sweden faces several challenges that could impact its innovation capacity. Access to skilled staff in science, technology, and engineering is crucial for future R&D investment, yet almost a third of companies find it difficult to recruit R&D staff, including from abroad. The number of new graduates in science and engineering per thousand population (13.4 in 2023) remains below the EU average (16.8), and engineering studies has a high drop-out rate. Increased participation and interest among young people in STEM education is key to strengthening competitiveness and innovation, and matching skills needs. Additionally, the percentage of public expenditure on R&D financed by business (as a percentage of total public R&D expenditure) has been declining since 2011 from 4.2% to 3.5% in 2023, below the EU average of 7.5%. Maintaining strong science-business cooperation is key to innovation and competitiveness. The Swedish Research and Innovation Bill for 2025-2028 includes measures to improve strategic recruitment and support for early career researchers, aiming to strengthen the alignment between tertiary education, local labour markets, and innovation ecosystems.

A strong business environment

Companies in Sweden benefit from a favourable business environment (see Annex 5). Private investment is among the highest in the EU, at 17% of GDP (in 2024). In particular, investments in intangible assets such as intellectual property products have reached 7% of GDP, the highest level in the EU. Access to broadband, which in remote areas benefited from EU funding from the Recovery and Resilience Facility, and mobile infrastructure perform particularly well, adding to the country´s attractiveness. 5G coverage has increased from 90% in 2023 to 99% in 2024 (compared to 94% in the EU). Digital infrastructure has progressed hand in hand with the provision of advanced public digital services ([5]). Additionally, other factors such as a strong digital skills base (see Annex 13) and a favourable capital-taxation system (see Annex 3) are conducive to private investments.

The regulatory burden could be further eased. Firms are increasingly pointing to labour and business regulations as the main long-term investment barriers (see Annex 5).

([4]) European Innovation Scoreboard 2025. Country profile Sweden.

([5]) European Commission, 2025, eGovernment Benchmark.

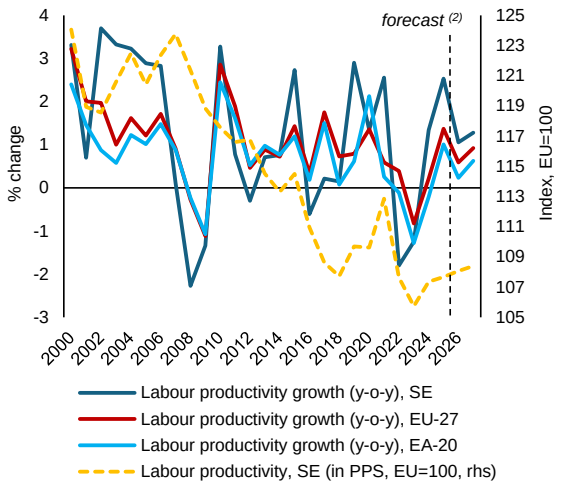
According to a 2025 EIB survey [6], 58% of Swedish firms perceive business regulations as an investment obstacle. Furthermore, 50% of firms surveyed also considered that labour regulations acted as a barrier to investment. Overall, business regulations ranked as the third-highest obstacle to investment in Sweden after ´uncertainty about the future´ and ´availability of skilled staff´. Moreover, easing administrative requirements in the implementation of posting of workers rules could reduce regulatory fragmentation within the single market, facilitate cross-border mobility and foster competitiveness, without undermining workers' protections.

A well-developed and mature banking and capital market offers good access to finance. Sweden's stock market capitalisation is third in the EU, amounting to 161% of GDP (compared to 68% for the EU), while Swedish firms account for 90% of total listings. Swedish households held financial assets amounting to 342% of GDP in 2024, well above the EU average of 212%. Households have a high participation in capital markets thanks to fiscal incentives supporting a distinct investment culture with high financial literacy (see Annex 6).

Declining productivity

Labour productivity in Sweden remains relatively high, but its relative advantage has declined over time. In 2025, labour productivity, calculated in the purchasing power standard as GDP per hour worked, is projected to have reached 109% of the EU average, from above 120% in the early 2000s. (Graph 2.1). ICT branches have been a key driver of labour productivity growth since 2004, supported by robust investments in digital and R&D intangible assets.

Graph 2.1: **Labour productivity**

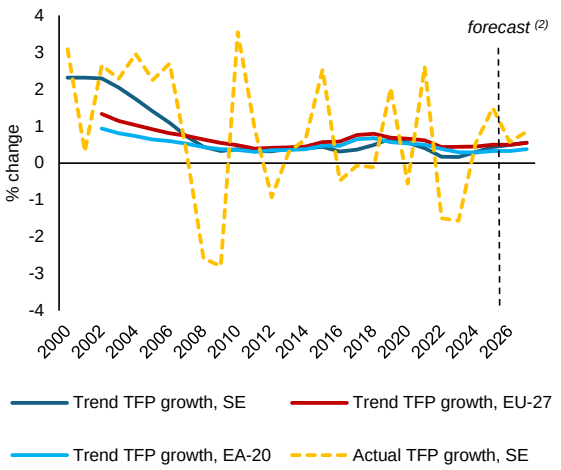


(1) Productivity level: GDP in the purchasing power standard per hour worked (index, EU-27=100); growth rates: annual growth of real GDP per hour worked.
(2) The dashed line indicates the start of forecast values.
Source: European Commission (spring 2026 forecast)

A slowdown in total factor productivity growth has been a drag on Sweden's productivity. From 2000 to 2024, total factor productivity declined by more than 2 percentage points (see Graph 2.2). While Swedish businesses invest more than their EU counterparts in digital technologies such as software, data, IT networks, and R&D, they invest less than them in employee training. Sweden outperforms much of the EU in human capital and innovation indicators, but still faces challenges with falling attainment levels in secondary education and skills shortages (see Annex 13).

[6] European Investment Bank, 2025, EIB investment survey Sweden.

Graph 2.2: **Total factor productivity (TFP)**



(1) The actual TFP growth (Ameco 'ZVGDF' dataset) is based on a Cobb-Douglas production function with labour volume in actual hours worked and the net capital stock with constant factor income shares. The TFP trend (Ameco 'CVGDPF' dataset) is the TFP contribution to potential growth according to the EU Commonly Agreed Methodology.
(2) The dashed line indicates the start of forecast values.
Source: Annual macro-economic ('Ameco') database of the European Commission's Directorate-General for Economic and Financial Affairs (based on European Commission spring 2026 forecast)

Sweden's Productivity Commission proposed a menu of reforms to lift productivity growth. In September 2025 the Productivity Commission published its report analysing the factors affecting productivity and made proposals to increase productivity growth ([7]). The report included several proposals to boost productivity growth in both the public and private sectors, spanning from improving the functioning of the housing market to optimising public procurement processes, public administration and healthcare. Notably, the report advocated (i) faster, more predictable permitting processes to reduce the regulatory burden, (ii) simplified building regulations, and (iii) reform of the rent-setting system.

Business dynamism has slowed. The business cumulative entry and exit rate (business churn) for 2023 at 15% continued to be among the lowest in the EU (EU average of 19%). In the 1990s, entry and exit of firms drove a large portion of total productivity growth in the business sector, while in recent years, the contribution from existing firms has dominated ([8]). A low dynamism could indicate a less competitive business environment, thus suggesting scope for easing barriers to market entry and exit (see Annex 5).

Addressing the fragmentation of policy outcomes in municipalities

Municipalities play a key role in addressing many of the country's challenges. Sweden has 290 municipalities, which are responsible for the provision of a broad range of public services such as schooling and adult education, social care, housing, planning, and environmental protection. They are also in charge of implementing policies set at governmental level, including common EU policies ([9]). Ensuring municipalities have the necessary resources and incentives in place to fully implement government policy will be key to addressing many of Sweden's challenges.

Insufficient resources at municipal level and financial risks can lead to delays, fragmented policy outcomes, and underinvestment in critical infrastructure. Funding constraints and unstable financing could hinder climate adaptation projects. Municipalities estimate that they require an estimated SEK 2-3 billion annually to protect local infrastructure from flooding and rising sea levels (see Annex 10). Shortages of teachers, nurses and other skilled workers limit municipalities' capacity to deliver public services effectively. Similarly, weak coordination between municipalities on complex permitting procedures can slow large-scale infrastructure or industrial projects.

To address these challenges, recent policy and legislative changes aim to

([7]) See Productivity Commission (2025), ´More opportunities for increased prosperity´ ('Fler möjligheter till ökat välstånd')

([8]) See Tang (2025), Tracing the Slowdown of Labour Productivity Growth - Sweden, IMF, SIP/2025/037

([9]) (2025) Tillväxtverket, ´Who cares about us?´ (´Vem bryr sig om oss?´)

strengthen inter-municipal cooperation and streamline key processes. Recent changes to the Housing Provision Act require increased cooperation on housing matters (see Annex 16). Also, in 2025, the Swedish Government mandated the 'Accelerationskontor för att underlätta industrins omställning' committee to analyse municipal incentives to attract and accommodate major industrial establishments and expansions ([10]) (see Annex 5). Financial risks for municipalities associated with major investments might require sufficient central government guarantees (see Annex 18). Ensuring municipalities have adequate financial support, administrative capacity and clear governance frameworks is therefore essential to avoid implementation bottlenecks and ensure that national policy objectives (such as housing supply expansion, green industrial transitions and skills development) can be effectively achieved at municipal level.

([10]) Tilläggsdirektiv KN2025/01212

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

In 2025, the Commission recommended Sweden to ensure the achievement of greenhouse gas emissions reduction targets, reduce reliance on fossil fuels by accelerating the deployment of renewables, and accelerate and streamline permitting procedures. Policy reversals have led to increasing greenhouse gas emissions and challenges linked to restricted electricity grid capacity and lengthy permitting procedures for the deployment of renewable energy remain – ultimately holding back Sweden's competitiveness.

Closing policy gaps to ensure meeting climate targets

Challenges in achieving climate targets are linked to increased emissions, particularly from road transport. Sweden remains off track to meet its 2030 emission reduction target under the Effort Sharing Regulation. In 2024, the country's greenhouse gas emissions increased, chiefly from road transport and non-road mobile machinery, in response to policy measures. Under current policies, Sweden's effort-sharing emissions are projected to be above its target in 2030 and the use of earlier unused emission allocations would not cover the gap (see Annex 8).

The increase in greenhouse gas emissions reflects a policy shift. In recent years, Sweden backtracked on its green policies on several measures, particularly within the transport sector. The rise in emissions is the combined impact of (i) a significant reduction of fuel blending requirements, lowering the minimum percentage of biofuels in diesel and petrol (from 30.5% on diesel and 7.8% on petrol to 6% in 2024, before raising it slightly to 10% from 1 July 2025), (ii) tax cuts and (iii) extended tax exemptions on liquid fuels. This has led to higher fuel consumption and fuel emissions in both the road transport and non-road mobile machinery sectors (see Annex 8). Some steps have been taken, such as measures to support the uptake of electric vehicles and the implementation of the 'Climate leap' that is partly funded under the Swedish recovery and resilience plan. However, without additional efforts, Sweden is set to miss its climate objectives.

Sweden's carbon removals continue to fall short of meeting the 2030 target for land use, land use change and forestry (LULUCF). The latest projections indicate a gap to the 2030 LULUCF target of nearly 21 Mt CO2-eq, the highest gap of all EU countries. The decline of carbon removals in the LULUCF sector has primarily been driven by timber and bioenergy harvesting, a slowdown in forest growth and the increasing impact of climate-driven stress factors. Furthermore, ecosystems protected under the EU Nature Directives continue to be under stress. For forest habitats, the main pressure is forestry followed by energy production (see Annex 10). Further policy action would be needed to address these challenges, including incentives for sustainable forest management.

Improving grid capacity and permitting procedures to strengthen the energy system

The deployment of renewables could be accelerated. Sweden has the highest share of renewable energy in its gross final energy consumption in the EU ([11]). However, there is

([11]) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics

scope to speed up the deployment of renewables, including the expansion and upgrade of energy transmission networks in line with the 2025 country-specific recommendation. In addition, permitting procedures remain lengthy and permitting approval reversals continue to restrict offshore and onshore wind energy projects.

Limited grid capacity and geographical imbalances in electricity supply and demand are still major challenges. Electricity generation, in particular from renewable resources such as hydropower, is concentrated in the northern part of the country, while industrial demand and household consumption are highest in the south. Capacity limits in transmission, challenges in managing rapid switches in primary power sources and associated network bottlenecks hinder efficient grid and full renewable energy utilisation. Waiting times for new users to access the grid also remain long. While Sweden is planning to significantly increase investments to both expand and upgrade the electricity grid until 2030, further measures would be beneficial in addressing bottlenecks, including for permitting procedures (see Annex 9).

Faster and streamlined permitting procedures could support the deployment of renewables and the clean industry transition. Drawn-out procedures and permitting barriers - not least due to extensive veto rights of municipalities - hamper the uptake of offshore and onshore wind energy projects. Sweden has taken some steps to address these challenges (including financial incentives for municipalities hosting projects), but progress remains to be seen (see Annex 9). Long industrial environmental permitting timelines, constrained grid access and municipal concerns over financial risks are also creating bottlenecks for large-scale industrial decarbonisation projects (see Annex 8). These bottlenecks risk undermining Sweden's industrial competitiveness and transition to net-zero emissions.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

In 2025, the Commission recommended that Sweden develop the skills of the labour force, particularly those from disadvantaged socio-economic and migrant backgrounds, through targeted policy measures and resources to help them integrate the labour market. Several measures have been announced or adopted to increase labour market participation of these vulnerable groups. However, the challenge has only been addressed to a limited extent (see Annex 11 and Annex 13).

High structural unemployment coupled with the strong labour market reflects persistent skills shortages

A high labour force participation rate is coupled with high unemployment, especially for certain groups. Sweden remains one of the EU's top performers, with an employment rate of 81.9% in 2024. Yet, it also has one of the highest unemployment rates (8.4% in 2024) ([12]). In recent years, unemployment has been increasingly concentrated among people aged over 55, and people with disabilities ([13]). In 2024, Sweden had the highest unemployment rate in the EU for people born outside of the EU, at 19.3%, representing a 13.6 percentage point gap compared with people born in Sweden.

Disadvantaged groups continue to face significantly higher risks of poverty and social exclusion. Employment status significantly influences social conditions, with unemployed individuals at a much greater risk of poverty and social exclusion than those in employment (61.6% vs 9.0% in 2025). The risk is particularly pronounced for the long-term unemployed, which represented approximately 40% of the individuals registered as unemployed in 2025 ([14]). People with a migrant background are also particularly at risk of poverty or social exclusion, with a rate of 35.5% for people born outside the EU vs 12.1% for those born in Sweden. In-work-poverty rates are also significantly more pronounced among the non-EU-born population (see Annex 12). This suggests that people born outside the EU also struggle to find quality employment with sufficient income levels.

Lower educational attainment and limited skills also reduce employability and can increase the risk of poverty. Educational and employment initiatives, focusing specifically on the integration of these groups into the labour market, could positively impact the labour market integration and the social conditions of these groups, reducing poverty and dependence on benefits (see Annex 12). Such measures could also help Sweden to reach its 2030 national target to reduce the number of people living in poverty by 15 000, in particular, as their number has increased by almost 100 000 since 2019.

Efforts to integrate migrants into the labour market faster have had a limited impact. As of 2026, *Swedish for Immigrants* training has been reformed. Municipalities are obliged to create action plans and actively encourage eligible individuals to attend these language courses. The right to participate will be limited to three years, which risks excluding some individuals, even though studies can be prolonged under certain conditions. In parallel, a government inquiry is examining how to

([12]) European Economic Forecast Autumn 2025

([13]) Arbetsförmedlingen - Årsredovisning 2025

([14]) Arbetsförmedlingen - Årsredovisning 2025

improve municipal adult education and how to ensure that students gain Swedish language skills, which are key for entering the labour market. Furthermore, funding has been extended for the entry jobs programme (*etableringsjobb*) that supports newly-arrived immigrants and long-term unemployed individuals in finding work (see Annex 11). However, the programme has so far failed to reach the target group(s), largely because the public employment service has only been tasked with informing people about the programme, but not with actually referring them for these jobs.

Reform efforts aim to get more people into work by strengthening financial incentives associated with employment. The reform of the unemployment insurance scheme that entered into force in October 2025 and a reform linking social benefits to activation requirements that is planned to enter into force in 2027 seek to encourage a quicker return to work by increasing the relative financial attractiveness of employment compared with unemployment (see Annex 13). In addition to financial incentives, it is still vital to continue addressing significant gaps in basic and relevant skills, often the main obstacle to finding a job. In order to increase the transitions from unemployment to regular education, new legislation has come into force in March 2026, aiming to improve the exchange of information between the Swedish public employment service and municipalities in relation to jobseekers in need of municipal adult education.

Labour and skills shortages remain in some sectors and regions. While labour shortages have slightly eased overall ([15]), sectors such as healthcare, IT and education professions are particularly affected by skills shortages. Mismatches between education, skills, and job demands are not only impacting competitiveness but are also behind the relatively high structural unemployment (see Annex 11). Several regions have shortages in occupations that are reported surplus in others. Northern regions, where many green industry jobs are concentrated, have comparatively lower unemployment rates and higher levels of job vacancies (see Annex 11 and Annex 19). Expanding infrastructure in the northern regions (with particular regard to roads, hospitals, schools and creches) could incentivise labour mobility, but is subject to high uncertainties, reflecting political and trade developments, and the geopolitical situation. On the other hand, in the south of Sweden there is a high demand for healthcare professionals such as doctors, nurses, and elderly care workers. At the same time, there is a surplus of elderly care workers in adjacent regions ([16]). This suggests that there may be a potential for policies that strengthen positive incentives and support mechanisms for labour mobility, enabling workers to relocate to regions where available job opportunities match their skills. In other sectors and professions, shortages are evident across Sweden with no surpluses ([17]), for instance, shortages of healthcare professionals, upper secondary school teachers, and people to fill advanced IT roles (including system developers and IT security specialists) and education-related positions in areas like early childhood education and care (ECEC).

Vocational education continues to face challenges in adapting to labour market needs. Participation in upper secondary vocational education has risen slightly but remains below the EU average. Work-based vocational education and training (VET) is close to EU levels and above the EU 2025 target. However, the percentage of graduates working in jobs that actually match their training has been declining, with more VET graduates employed in unrelated occupations. ([18]). Efforts to make people more employable have so far focused on upper secondary vocational education, particularly through

([15]) https://arbetsformedlingen.se/download/18.4a728953196f0d576164ba4/1750137784799/arbetsmarknadsutsikterna-varen-2025.pdf

([16]) Labour Market Information: Sweden - EURES (EURopean Employment Services), 2025

([17]) Labour Market Information: Sweden - EURES (EURopean Employment Services), 2025

([18]) Statistics Sweden (SCB), 2025, *Svårare att få arbete efter examen från yrkeshögskolan*

labour market training programmes and the adult education system (*Komvux*). Sweden has taken further steps to align upper secondary VET education with labour market needs and has expanded the number of VET places available (see Annex 13).

There is scope for improving skills matching and addressing structural barriers for groups with weaker labour market attachment. Targeted training programmes and upskilling measures and intensified use in the design of skills intelligence can help address these gaps. To this end, several projects funded under the ESF+, led by the public employment service and local municipalities aim to improve skills supply, particularly for the green transition, and increase geographical mobility.

The education system does not sufficiently compensate for students' backgrounds

In 2025, the Commission recommended that Sweden improve educational performance, including of students from disadvantaged socio-economic and migrant backgrounds, by (i) addressing the persistent shortage of qualified teachers, (ii) ensuring equal access to the schooling system and (iii) further supporting the transition of students to upper secondary school. Since then, only limited progress has been achieved. Some new initiatives have been launched, one of them included in the Swedish recovery and resilience plan. Several other measures have been proposed but not yet decided (see Annex 13).

While general education outcomes are relatively good, outcomes remain highly dependent on students' backgrounds. Shortages of qualified teachers persist and are higher in ECEC centres and schools with more children and students from disadvantaged and migrant backgrounds, hampering the provision of the support necessary to bridge gaps in education outcomes. Unequal access to schools and challenges in transition to upper secondary school and continued education also persist. Children and students from disadvantaged and migrant backgrounds tend to be concentrated in certain ECEC centres and schools. This has a negative impact on their education and possibly also a negative impact on their later career prospects.

Teacher shortages remain a challenge for the Swedish education system as indicated in the 2025 country-specific recommendation. Only 43% of staff in ECEC are qualified ECEC teachers, and despite 90.3% of ECEC teachers being satisfied with their job, 40% of ECEC staff state that they plan to leave the profession in the next five years, which may exacerbate the shortage further. Nearly 30% of teachers in schools are not qualified, though this percentage varies by geographical area, education level and service provider. Swedish teachers have a higher workload and more administrative stress than average in the EU ([19]), which likely makes the profession less attractive. Teacher studies suffer from high dropout rates of 26-64%, depending on the type of teacher studies. A national professional programme for ECEC teachers, teachers and principals which started in September 2025 might boost the profession in the future. Shortages of teachers harm education outcomes, skills development and ultimately competitiveness.

The education challenges have a negative impact on the development of an educated and skilled work force. Unequal access to independent schools and the resulting separation of children and students from disadvantaged and migrant backgrounds from their native-born peers negatively affects the development of their basic skills, which is a pre-requisite for entering the labour market later on and also impacts competitiveness. The high percentage of students who fail to successfully transition to upper secondary school show that general education does not sufficiently fulfil its compensatory function. This presents challenges for the labour market and the labour force as a higher level of education is needed to ensure employability.

([19]) Data from TALIS 2024 survey.

KEY FINDINGS

In areas **covered by existing country-specific recommendations**, Sweden would benefit from:

- **reforming property taxation and the favourable taxation of mortgages** to reduce incentives for debt accumulation and strengthen affordability and resilience;
- **reforming rental regulations** to make the rental market fairer and more flexible;
- **facilitating increased residential construction,** in particular in urban areas, by addressing barriers to construction, particularly related to planning and permitting;
- **accelerating permitting processes and simplifying procedures** to ensure a timely implementation of large-scale infrastructure projects, particularly for renewables and clean industry;
- **enhancing efforts to achieve emission reductions targets,** particularly those stemming from the transport sector;
- **facilitating the speedy expansion and modernisation of the electricity grid** for both transmission and distribution, as well as clean flexibility solutions, to ensure future electricity needs are fully met;
- **targeting reforms in the education system and increasing the number of qualified teachers** to ensure high-quality education for all students, thereby improving educational outcomes, particularly of students from disadvantaged socio-economic and migrant backgrounds, and supporting the transitioning of students to upper secondary school and further education;
- **implementing targeted active labour market policies**, in particular for the long-term unemployed, better coordinating vocational training to facilitate skills development, and strengthening incentives and support for the unemployed to find work across the country;

In **other areas**, Sweden would benefit from:

- **ensuring municipalities have the necessary resources, administrative capacity and incentives** to fully implement government policies, particularly in northern sparsely-populated areas;
- **addressing the shortage of highly-skilled and specialised workforce** in science, technology and engineering that could undermine Sweden's existing robust science base and R&D investments.
- **Increasing carbon removals in the land use, land use change and forestry sector to meet targets**, including by strengthening incentives for sustainable forest management to enhance carbon retention.
- **strengthening economic security**, by supporting the domestic supply of critical raw materials throughout the value chain

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Table A1.1: **2025 CSR Implementation and Commission assessment**

Sweden faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Sweden was recommended, among other things, to reinforce overall defence and security, reduce reliance on fossil fuels by accelerating the deployment of renewables, accelerate and streamline permitting procedures for deploying renewables, improve educational performance, improve the efficiency of the housing market, stimulate investment in residential construction to ease the most urgent shortages, remove structural obstacles to facilitate residential construction, address risks related to high household debt.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Sweden to date*. To do so, the Commission has taken into account the information provided by Sweden in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Sweden for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	• Total general government defence expenditure in 2026 is projected at 3.8% of GDP, corresponding to an increase of 1.8 ppt. compared to 2024.	• Total general government defence expenditure in 2027 is projected at 3.9% of GDP, corresponding to an increase of 1.9 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025.	• Annual and cumulated deviations in 2025 amounted to -0.9% of GDP and -1.1% of GDP, respectively. • Annual and cumulated deviations in 2026 projected at 1.0% of GDP and 0% of GDP, respectively.		Limited progress
3.1 Ensure the achievement of greenhouse gas emissions reduction targets by reducing, in particular emissions from road transport	• A new climate bonus for low-income households for purchasing or leasing of electric cars. The ordinance for the climate bonus was adopted on 18 December 2025. It has come into force on the 18 March 2026. • Klimatklivet (the Climate leap): This support scheme has been strengthened with an additional SEK 1.5 billion per year 2026-2028. The strengthening of the Climate leap is in the budget bill for 2026 as adopted by the Parliament in December 2025.	• The tax exemption for workplace charging has been made permanent to further facilitate the transition to a fossil-free vehicle fleet and promote commuting with electrical vehicles. The reform was announced in the Budget Bill for 2026, which was adopted by the Parliament in December 2025. • The climate premium for electrical lorries has been prolonged for two years, now running until 2028. The prolongation was announced in the Budget Bill for 2026, which was adopted by the Parliament in December 2025. A change of the ordinance regulating the support scheme is underway.	No Progress
3.2 Reduce reliance on fossil fuels by accelerating the deployment of renewables,	*Kraftlyftet* is an investment support scheme that aims to strengthen electricity security of supply and enable increased electricity use. The regulation		No Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
	was decided on 11 December 2025 and entered into force on 13 January 2026.		
3.3 including by expanding and upgrading energy transmission networks,			Limited Progress
3.4 and improving energy efficiency.	Energy efficiency in small houses: approximately SEK 1.2 billion had been allocated between 2023-2025 for a grant for energy efficiency in single-family homes.		Some Progress
3.5 Accelerate and streamline permitting procedures for deploying renewables, particularly for offshore and onshore wind energy, and avoid permitting approval reversals		• A wind power package is being developed aimed at improving the conditions for expanding onshore and coastal wind power. The first step is to establish financial support for municipalities for 2025 and 2026 based on property taxes for wind power plants which was approved by Parliament in March. A scheme to compensate residents and communities has been implemented, with the aim of strengthening the local benefits and acceptance for new wind power. • A new environmental assessment authority will be established on 1 July 2027.	Limited Progress
4.1 Improve educational performance, including of students from disadvantaged socio-economic and migrant backgrounds, by addressing the persistent shortage of qualified teachers, by ensuring equal access opportunities to the schooling system and by further supporting the transition of students to upper secondary school.	• On 1 September 2025, the legislation for a national professional program for principals, teachers and Early Childhood Education and Care (ECEC) teachers entered into force. The program consists of a national structure for the development of the professional competences of principals, teachers and ECEC teachers and license to teach.	The amendments concerning a quiet study environment and safety in the class are proposed to enter into force on 1 August 2026 and the amendments on the teaching assignment on 1 July 2027. Other changes are proposed to enter into force on 1 July 2028. The measures should be viewed as one package. The package also includes a ten-year compulsory school, following the legislative amendments adopted by the Parliament on 18 June 2025. As a result, Sweden will, from the autumn of 2028, implement a ten-year compulsory school in which the preschool class will be replaced by a new Year 1.	Limited Progress
4.2 Develop the skills of the labour force, particularly those from disadvantaged socio-economic and migrant backgrounds, through targeted	• Measures have been put in place targeting those with migrant backgrounds, including new rules for Swedish for immigrants (sfi) as from 2026,	• Funds have been allocated for the prolongation of entry jobs aimed at the integration of the newly arrived immigrants and the long-term unemployed into	Limited Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
policy measures and resources to improve their integration into the labour market.	limiting the right to participate in sfi to three years to make it more coherent and effective and making it compulsory for the municipality to make an action plan and to reach out and motivate those entitled to sfi. Amendments to the Education Act went into effect on 1 January 2026.	the labour market. • In order to increase transitions from unemployment to regular education, new legislation has come into force in March 2026, aiming to improve the exchange of information between the Swedish Public Employment Service (PES) and municipalities in relation to jobseekers in need of municipal adult education.	
5.1 Improve the efficiency of the housing market, including by introducing reforms in the rental market.		• Adaptations to rental-market regulation, including greater flexibility in presumption rents for newly built rental housing and a simplified, more predictable framework for block rentals, aimed at improving investment incentives and supporting rental-housing supply. Planned – legislative amendments are proposed to enter into force on 1 July 2026	Limited Progress
5.2 Stimulate investment in residential construction to ease the most urgent shortages. Remove structural obstacles to facilitate residential construction.			Limited Progress
5.3 Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes, while developing appropriate tools to better assess and target policies.		The government did not follow a proposal to collect more detailed statistical data on household assets and liabilities to supporting calibrating measures.	No Progress
5.4 Maintain macroprudential measures		• On 5 February 2026, the the bill "Utveckling av makrotillsynsområdet" (Government Bill 2025/26:119) detailed changes in macroprudential rules that enterd into force on 1 April 2026. Borrower-based macroprudential measures for housing loans were eased. Other macroprudential settings, including on exposures to commercial real estate, were renewed while the CCyB responsibility was shifted from the FSA to the Riksbank.	Some Progress

(Continued on the next page)

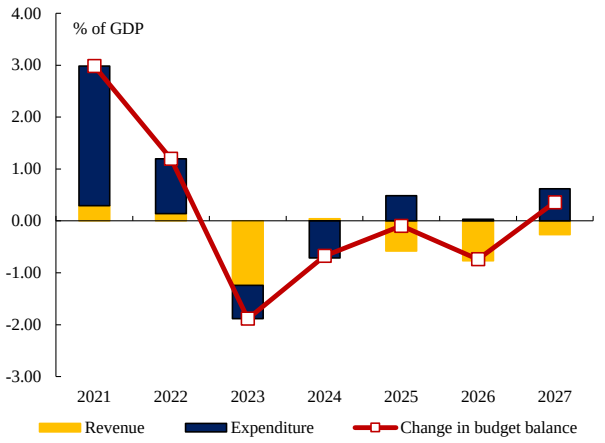
Table (continued)

Source: Commission Assessment

This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Sweden in July 2025. These CSRs include a call to strengthen overall defence spending and readiness and adhere to the maximum growth rates of net expenditure recommended by the Council of the European Union.

On 21 January 2025, the Council adopted the Recommendation endorsing Sweden's medium-term fiscal-structural plan([20]). Sweden's plan covers the period 2025–2028 and presents a fiscal path as well as a set of reforms and investments.

Graph A2.1: **Contribution to the change in the general government balance (% of GDP)**



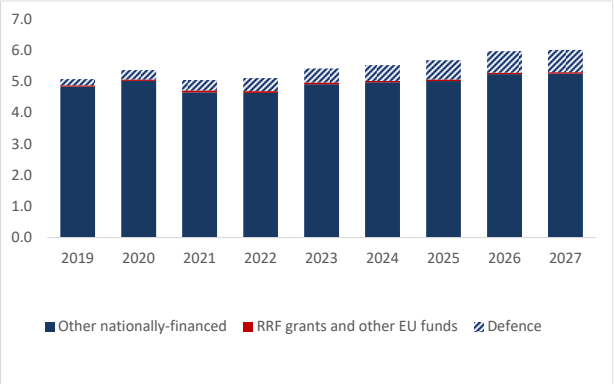
Source: European Commission Spring 2026 forecast

Developments in the government balance([21])

Sweden's general government deficit was 1.53 of GDP and the government debt-to-GDP ratio amounted to 35.1% of GDP at the end of 2025. Based on the Commission Spring 2026 Forecast, Sweden's general government deficit is projected to increase to 2.8% of GDP in 2026 and fall slightly to 2.5% of GDP in 2026. The forecast increase in the deficit is largely driven by expansionary fiscal policy, driven by a combination of tax cuts and expenditure increases against a backdrop of relatively modest economic growth, reducing the total general government revenue ratio from 48.6% of GDP in 2025 to 47.5% of GDP in 2027. Expenditure is expected to decline over the forecast period to 50.0% of GDP in 2027, broadly the EU average.

Bolstered by rising defence spending, public investment as a share of GDP is projected to reach 6.2% at the end of the forecasting period, which is higher than before the COVID-19 pandemic.

Graph A2.2: **Public investment evolution and composition (% of GDP)**



Source: European Commission Spring 2026 Forecast

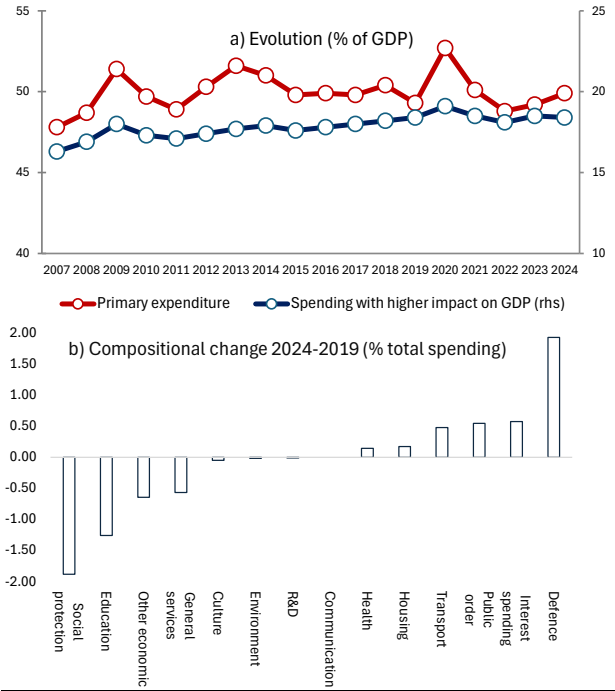
The type of expenditure that has a greater impact on GDP has increased over the last three decades (see Graph A2.3a). Zooming in on the composition of spending, social protection accounts for the largest share of total expenditure (38%), followed by health, general public services and education, each above 10% of total spending. Public expenditure on defence has increased significantly since 2019, reflecting recent security developments. (see Graph A2.3b). The share of expenditure on housing, health, public order,

([20]) OJ C, C/2025/644, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/644/oj.

([21]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

transport and interest has risen more modestly. By contrast, spending on education and R&D has declined. This trend deserves attention, as these spending categories are generally considered growth-friendly.

Graph A2.3: **Primary spending evolution and compositional change**



Source: Eurostat

Note: Based on economic literature, the categories considered to have the higher growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Sweden has relatively high tax revenues as a share of GDP and relies heavily on labour taxes. In 2024 Sweden's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 41.6%, compared with the EU average of 39.9%. Total tax revenues are projected to remain broadly stable at 41.3% of GDP in 2026 and 41.47 of GDP in 2026 according to the Commission's Autumn 2025 Forecast ([22]). The tax mix in Sweden relies heavily on labour taxation, while recurrent housing taxation, considered less detrimental to growth, is underused. In addition, tax expenditures related to housing tend to increase inequality as mortgage interest tax relief is more likely to benefit households on higher income deciles (see Annex 3).

The costs of ageing

Total ageing-related spending in Sweden is projected to decline by about 0.5 percentage points (pps) of GDP by 2040 but increase by around 0.5 pps by 2070 (see Table A2.2**).** This slight increase in the long term reflects a projected drop in pension spending, combined with an expected rise in long-term care and healthcare expenditure. Total ageing-related spending would still be below the EU average.

Public pension spending as a share of GDP is projected to decline somewhat over the coming decades. In the medium to long term, public pension outlays would hover around 7.5% of GDP, compared with an EU average of about 12% in 2070.

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Sweden, the uptake of these supplementary schemes remains significant**.** At the end of 2024, private pension assets amounted to around 116% of GDP and participation in supplementary schemes covered around 99% of the working-age population([23]). This coincides with declining medium-term pressures on public pension spending and a projected decline in the replacement rate by 0.2 pps between 2025 and 2040 (Tables A2.2 and A2.3)([24]).

([22]) Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en).

([23]) Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

([24]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

Table A2.1: **Supplementary pension schemes - Scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
SE	115.8	-0.2	99.4	**SE**
EU	32.4	-2.8	55.9	EU

Source: European Commission.

Table A2.2: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to: pensions	healthcare	long-term care	education	total	ageing-related expenditure	
SE	23.9	-0.7	0.2	0.5	-0.4	**-0.4**	23.5	**SE**
EU	24.3	0.5	0.3	0.4	-0.3	**0.9**	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to: pensions	healthcare	long-term care	education	total	ageing-related expenditure	
SE	23.9	-0.7	0.6	1.2	-0.6	**0.6**	24.5	**SE**
EU	24.3	0.2	0.6	0.8	-0.3	**1.3**	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

Public healthcare expenditure is projected to be 7.1% of GDP in 2025 (above the EU average of 6.6%) and is expected to increase by 0.2 pps between now and 2040 and by a further 0.4 pps between 2040 and 2070.

Public expenditure on long-term care is projected to be 3.2% of GDP in 2025 (above the EU average of 1.7%) and is expected to increase by 0.5 pps of GDP between now and 2040 and by a further 0.7 pps between 2040 and 2070.

National fiscal framework

The fiscal policy framework comprises four budgetary policy targets: a target for general government net lending; a benchmark for government debt (so called debt anchor); an expenditure ceiling; and a local government balanced budget requirement. Following a planned, recurring review, the Swedish national fiscal framework was modified on 1 January 2026. Part of the changes were introduced to transpose new EU-level legislation. Starting 1 January 2027, the so-called surplus target (general government net lending on average over the business cycle) which hitherto has been 0.33% of GDP, will be replaced by a target of 0% of GDP (a so-called balance target).

Moreover, the modified framework allows for a temporary deviation for defence expenditure and support to Ukraine during the period 2026– 2034. The framework stipulates that the target for general government net lending is to be reached by 2035 at the latest. This is the first time that certain current expenditure categories are allowed to deviate from the target in advance and for a prolonged period. Another development which represents a departure from the fiscal policy tradition of previous decades, is the introduction of a mechanism for government financing of investments in nuclear energy, with potential significant implications for future fiscal space.

The Swedish Fiscal Policy Council (SFPC) (*Finanspolitiska rådet*) was established in 2007 and has a relatively narrow mandate regarding compulsory tasks. It focuses on monitoring compliance with the fiscal framework. Its assessment of the government's macroeconomic forecasts, on the basis of which the annual budget is based, is not published until February the following year, after the budget has already been adopted, which means that it cannot be taken into account during the actual budget work in government and parliament during the autumn. Board members' mandates are shorter than the electoral cycle, possibly making it more difficult to build up institutional memory and name recognition. It maintains a small secretariat staff of five experts. The right to access to information

Table A2.3: **Fiscal governance database indicators and public accounting maturity**

2024	Sweden	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	15.71	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.80	0.72
2025 Public accounting maturity of general government	85%	65%

(1) "The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396)."
Source: Fiscal Governance Database, European Commission

has so far been based on informal contacts with ministries. The SFPC keeps a rather low media profile, publishing one main report per year, occasionally complemented by a special study. It has no explicit communication strategy, reports limited social media presence, and has no staff specialised in communication. Its interaction with parliament is relatively limited.

Sweden has not faced the fiscal consolidation pressures that have driven the institutionalisation of spending reviews elsewhere. Spending oversight occurs in the context of the government's expenditure analysis and work of the SFPC to ensure compliance with the expenditure ceilings. The institutional potential to develop spending reviews is not yet met by the need and desire to introduce such tools.

Sweden incorporates ex ante environmental impact assessments into budgetary policymaking and requires line ministries to analyse each budgetary proposal from an environmental and climate perspective. The annual budget bill contains a "climate accounting" annex.

Sweden has one of the most comprehensive national frameworks for integrating green budgeting into its budgetary decision-making. Sweden has developed a range of instruments to support the implementation of green budgeting, including impact assessments and green spending reviews. Activities cover the climate-specific and environment-specific impacts of all budgetary, regulatory and tax policy measures. Led by the Ministry of Finance's green budgeting unit, 2025 saw stronger collaboration across institutions, including a new working group on budget measures harmful to climate goals and greater attention to regions and municipalities.

Sweden systematically uses green budgeting ex ante assessments. The country assesses the cost-effectiveness and broader effects of its climate-relevant policies, including budgetary measures, in line with a manual that has been in use since December 2024. A climate report in the annual budget bill tracks GHG emissions, newly adopted policies with an impact on GHG emissions and gives transparency on gaps to national climate targets.

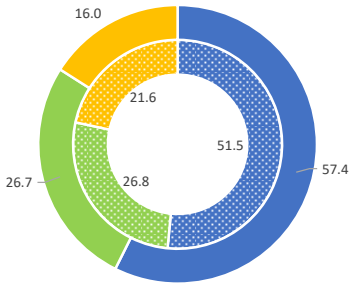
This annex provides an indicator-based overview of Sweden's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. In the area of taxation, the 2025 country-specific recommendations for Sweden highlighted challenges in the taxation of housing which include low recurrent property taxation and mortgage interest payments which are fully deductible in Sweden. No significant policy reforms have been introduced by Sweden to address the property taxation recommendations.

Tax revenues as a percentage of GDP are comparatively high but have declined in recent years. Tax revenues were 41.4% of GDP in 2024 compared with an EU-average of 39.4% ([25]). The tax mix relies heavily on labour taxation, at 57.2% of total revenue in 2024, compared with an EU-average of 51.5%, while capital taxes were at 16% of total revenue (21.6% in the EU; see Graph A3.1). Revenues from property taxation were low at the equivalent of 1.0% of GDP in 2024 (EU-average 1.8%), as were recurrent property taxes.

Sweden has decided to temporarily apply a reduced VAT rate on foodstuffs from 1 April 2026 until 31 December 2027. The rate will be reduced from 12% to 6% during that period. The purpose of the measure is to support the households' economy. The measure is estimated to reduce tax revenues by SEK 37.19 billion for the entire period ([26]).

Sweden does not have a comprehensive tax expenditure assessment program. A government agency has been commissioned to map and evaluate tax expenditures, but these assessments relate only to business support and the value it generates ([27]) and not personal income tax reliefs**.** Unlike most Member States, mortgage interest costs are fully deductible in Sweden. For 2024, interest deductions for households (which mainly relate to mortgage interest) were at SEK 61 billion (close to 1% of GDP), up from SEK 41 billion, i.e. an increase of close to 50% ([28]). Tax expenditures related to housing tend to increase inequality as mortgage interest tax relief are more likely to benefit households on higher income deciles ([29]). Although there is capital gains tax in Sweden on the sale of property, this can normally be deferred through the purchase of new property.

Graph A3.1: **Tax revenue by economic function in 2024, SE (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

Sweden's capital-taxation system is conducive to private investment. The statutory rate of corporate income tax (CIT) in Sweden is 20.6%, while the effective CIT rate in 2024 was 19.3% (EU-average of 19.1%). Compared with other EU countries, Sweden relies less on tax incentives to promote investment and more on financial instruments such as loans and guarantees. Sweden has implemented a tax incentive to stimulate R&D activities, which directly lowers monthly labour costs which can accumulate to significant sums over time (source: GTED database). Sweden ranks eleventh out of the 27 EU countries in the Tax Complexity Index, where a higher rank means lower tax complexity.

Capital gains related to the sale or transfer of business holdings benefit from wide exemptions. Capital gains derived from the sale of shares, including the right to sell shares in the future (and capital gains from other securities in resident and non-resident companies), are not

([25]) Preliminary Eurostat data point to a tax-to-GDP ratio of 41.1% in 2025

([26]) Government bill (*Regeringens proposition*) 2025/26:55.

([27]) European Commission Mind the Gap report - Sweden

([28]) See Rekordnota för ränteavdrag: 61 miljarder – män med hög lön får mest | SVT Nyheter [Record SEK 61 billion credit note for interest deduction – high earners benefit most]

([29]) Sweden considers mortgage interest to be a tax deduction and not a tax expenditure. Accordingly, it is not included in their yearly Tax Expenditures report.

Table A3.1: **Taxation Indicators**

		Sweden					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	43.1	42.9	41.7	41.4	41.1	39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	25.0	24.0	23.8	23.7		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	2.8	2.7	2.7	2.7		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	12.0	12.2	11.7	11.0		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	9.2	9.5	9.0	8.7		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	6.0	6.7	6.2	6.6		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	14.6	14.2	13.6	13.9		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	3.2	3.6	3.4	3.5		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	1.1	1.1	1.0	1.0		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.7	0.7	0.6	0.6		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.1	1.9	2.0	1.6		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	89.7	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	38.8	37.5	37.4	36.9	38.5	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	42.4	42.2	41.7	41.0	42.6	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	20.1	19.3	19.3	19.3		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	9.8	9.2	8.8	8.0		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	0.2	0.7	0.9	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	1.5	3.5	5.3	7.7		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

subject to tax provided they constitute a business holding. Furthermore, there are no wealth, inheritance, or gift taxes in Sweden.

Sweden's ISK *investeringssparkonto* is one of the most successful savings accounts for retail investors in the EU ([30]). This contributes to a dynamic equity market: Sweden has a total market capitalisation equal to 161% of GDP (end of Q2-2025) – more than double the EU-27 average of 68% ([31]). The *investeringssparkonto* benefits from a favourable tax treatment: assets in the account are taxed at 0.888% per year, compared with other financial investments in Sweden where capital gains are taxed at 30%. Since 1 January 2025, up to SEK 150 000 (EUR 13 950) can be invested in the account tax-free. This amount has been doubled as of 2026. By the end of 2024, Swedish households' financial assets amounted to 342% of GDP (EU-average 212% of GDP). As of 2023, listed and unlisted shares accounted for 36% of household financial assets in Sweden, compared to just 26% in the EU.

([30]) Commission Staff Working Document accompanying the Commission Recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment

([31]) CEPS report - Learning from Sweden; a blueprint for building resilient European Capital Markets

Sweden has a high tax wedge at all levels of income, in particular at the lowest and highest earnings levels, compared with the EU average ([32]). The tax wedge of low-income earners at 50% of the average income (38.5% in 2025) is particularly high compared to the EU average (31.6%; see Table A3.1 and Graph A3.1).

SE has introduced labour tax reforms mainly targeting full-time workers with low and medium incomes. The 2025 budget included tax cuts on labour and for pensioners by increasing both the ordinary earned income tax credit and the basic tax credit to support disposable income for full-time workers. This fits with a longer-standing trend of untargeted income tax reductions.

([32]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions, as well as other mandatory contributions, expressed as a percentage of total labour costs (composed of the gross wage, and employer contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

The Commission service JRC has assessed that the 2025 labour tax reforms will have a minimal impact on the tax wedge of low-income earners. It is estimated that at 50% of the average wage, the decrease in the tax wedge ranges from 0.19 percentage points (pps) for single workers with no children to 0.38 pps for two-earner couples with 2 children. There is a bigger decrease in the tax wedge as income increases. For example, two earners with two children at 100% of the average wage benefit from a 0.45 pps decrease in the tax wedge. Typically, a targeted reform like tax credits could better alleviate a high tax wedge for low-income groups. The Fiscal Policy Council assessed these measures to be costly, with only a marginal impact on employment and on balance with a negative impact on the fiscal balance ([33]).

Relatively high labour taxation in Sweden is coupled with a relatively high redistributive capacity of the system. The Swedish tax and benefit system reduced inequality as measured by the Gini coefficient ([34]) by 8.0 percentage points in 2024. This reduction in income inequality was somewhat greater than the EU-average of 7.8 percentage points but it shows a diminishing trend over recent years (see Table A3.1) mirroring degressive fixed property and capital taxation.

There has been a lack of a systematic approach in Sweden when evaluating tax expenditures (TEs). However, when tax measures are proposed, the budgetary effects are presented in an accompanying impact assessment**.** Foregone tax revenues due to expenditures were 3.8% of GDP in 2020([35]). While Sweden provides regular and detailed reporting of TEs, it has only recently implemented an evaluation of these TEs. Such an evaluation would help ensure the effectiveness and efficiency of tax expenditures as well as simplifying the taxation system.

Unlike most Member States, Sweden regularly measures and publishes a comprehensive range of tax gaps. These include corporate income tax (0.5%), labour taxation (0.4%), capital gains tax (8.6%), value added tax (3.4%), and excise duties (4.4%) ([36]). The results of these assessments inform the compliance risk strategy of Sweden. Based on a methodology prepared by the Joint Research Centre, the CIT gap in Sweden was at 3.5% of CIT revenues collected in 2015, the fourth lowest of 23 Member States assessed ([37]).

Sweden performs relatively well on VAT administration. In 2023, Sweden collected a total of EUR 48 132 million in VAT revenue. The VAT compliance gap was estimated at EUR 2 712 million, equivalent to 5.3% of the VAT total tax liability, representing an increase of 1.8 percentage points compared to 2022. Between 2019 and 2023 the VAT compliance gap increased from 1.5% to 5.3% (as shown in the figure). With an EU VAT compliance gap of approximately 9.5%, Sweden is ranked sixth among the EU countries. The actionable VAT policy gap stood at 20.6% in 2023, consisting of a VAT rate gap of 8.2%, a national policy-driven VAT exemption gap of 9.9%, and an EU policy-mandated VAT exemption gap of 2.6%.

There is still scope to increase VAT compliance further, but Sweden's audit system incorporates several good practices. Sweden could review its provisions on legal verification of VAT registrations for registering taxpayers for VAT purposes. It does, however, have a good practice of cross-checking the information held in the VAT registration database against third-party information sources (such as other government registries) to improve the integrity and accuracy of its database. Sweden is among

([33]) Finanspolitiska Rådet (Swedish Fiscal Policy Council), Svensk Finanspolitik 2026. Given high deadweight losses, the Council estimates the average cost of a job created at SEK 2.8 million (around EUR 260 000).

([34]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

([35]) Source: data from GTED database. Sweden reported that it does not normally aggregate tax expenditures due to a lack of a meaningful interpretation of such a measure. In addition, the Swedish tax expenditure report includes a separate section (1.2.6) discussing why tax expenditures should not be used as a basis for country comparisons.

([36]) Swedish tax gap reports 2022 (corporate income tax) and 2020 (labour taxation, capital gains, VAT and excise duties). Tax gap estimates are based on the proportion of final tax due. See also European Commission, Directorate-General for Taxation and Customs Union, *Mind the gap - 2025 report*.

([37]) European Commission Report (JRC) : The Corporate Income Tax Gap, A European approach to measuring losses in corporate tax revenues

the EU countries that gathered additional information for the mini one-stop shop for VAT. It has also set up a way to automatically remove entities from this one-stop shop if they no longer meet the requirements. Sweden does not use collection targets but relies on estimates of VAT revenue. It is performing well on maintaining a flexible IT subsystem to manage and prioritise VAT arrears.

Sweden is an EU leader in research and innovation, but maintaining global leadership requires continued investment in R&D and talent. The country plays an important role in the development of advanced digital technologies and infrastructure, with firms gradually increasing their adoption of digital technologies. The 2025 European Innovation Scoreboard ranks Sweden as the most innovative country in the European Union with an innovation performance of 138.1% of the EU average ([38]). This strong performance is driven by the highest R&D intensity in the EU (3.56% in 2024), with an increasing trend and particularly driven by high business R&D expenditure, as well as strong dissemination of innovation and favourable conditions for innovative entrepreneurship ([39]). To achieve enhanced research excellence, strengthening its translation into the economy, and ensuring an adequate supply of highly skilled staff in science, technology and engineering, timely implementation of the Swedish R&I Bill (2025–2028) would be beneficial.

Excellent science

Sweden has a strong public science base, but efforts are needed to sustain performance and reflect it in scientific impact. The science system builds on a well-established network of public research institutions and is supported by numerous R&I funding programmes ([40]). Sweden's public expenditure on R&D as a percentage of GDP is the fourth highest in the EU (0.94% in 2024 vs EU average of 0.72%) but has stagnated over recent years. The high level of public R&D investment has resulted in a high number of scientific publications (per inhabitant) as well as a large proportion of researchers in the population ([41]). Nonetheless, the scientific impact of research outputs, as measured by the proportion of scientific publications within the top 10% of most-cited publications worldwide as a percentage of total publications has slightly decreased over time (from 13.56% in 2012 to 12.5% in 2022). Although this is still well above the EU average (9.44%), Sweden ranks only eleventh in terms of citation impact in the OECD. While this also reflects broader global shifts ([42]), Sweden's research base could benefit from strategic alignment, shared priorities and clear direction ([43]) - objectives which it is envisaged that the Swedish Research & Innovation Bill 2025-2028 will address.

The Swedish Research and Innovation Bill 2025-2028 envisages a steady and significant increase in the research budget. The bill includes an additional amount of SEK 1.5 billion implemented in 2025 and strong increases for 2026 and the following years ([44]). Direct research appropriations to higher education institutions increases ([45]) under a refined allocation model designed to promote competitive funding and further strengthening the focus on excellence. The ongoing excellence centres programme, enabling researchers to operate at the forefront of various scientific fields, received additional funding, and a new initiative on breakthrough research at the highest international level is being developed by the Swedish Research Council, which has also been tasked with developing a new career

([38]) European Innovation Scoreboard 2025

([39]) Swedish Productivity Commission, SOU 2025:96 (Fler möjligheter till ökat välstånd)

([40]) Research Barometer 2025: https://www.vr.se/analys/rapporter/vara-rapporter/2025-10-09-forskningsbarometern-2025.html; Sweden's Academic Landscape: Higher Education and Research Explained 2025; https://www.uka.se/swedish-higher-education-authority/our-results/swedens-academic-landscape-higher-education-and-research-explained

([41]) Sweden has the third-largest proportion of researchers in the population in the OECD as well as a very high proportion of researchers in the corporate sector (73%), only exceeded by South Korea, the United States and Japan. As regards the number of scientific publications per inhabitant, Sweden ranks sixth in the OECD; Swedish Research Barometer 2025.

([42]) Sweden's slight statistical decrease in citation impact is also due to other countries' increase in citation impact, in particular from China. Sweden has lost ground in technical areas: engineering, materials science and information and communication technologies; The Swedish Research Barometer 2025, Vetenskapsrådet.

([43]) OECD (2023): Public research funding in Sweden https://www.oecd.org/en/publications/public-research-funding-in-sweden_9eb9a85b-en.html.

([44]) The R&I Bill foresees an increase from SEK 1.5 billion in 2025 to SEK 2.5 billion in 2026, SEK 4.0 billion in 2027, and to SEK 6.5 billion in 2028.

([45]) By SEK 377 million in 2025, set to rise to SEK 1.6 billion by 2028.

support grant to attract talented early career researchers at the associate senior lecturer level.

Business innovation

Sweden is home to a thriving high-tech innovation ecosystem, underpinned by strong business R&D expenditure. The business R&D intensity has steadily increased during the last ten years and stood at 2.61% in 2024, which is the highest in the EU and comes close to the level of international competitors such as the USA (2.7% in 2023). This is the result of investments by innovative SMEs and by internationally competitive and innovative large companies. According to the 2025 EU Industrial R&D Investment Scoreboard, Sweden shows above-average R&D investment growth, driven by major firms and a stable, diversified ecosystem with particular strengths in ICT and the automotive sector. Sweden's innovative strength is reflected in the high proportion of companies investing in new products, processes, or services (40% vs an EU average of 32%), particularly in manufacturing, where 54% of firms innovate ([46]). This is complemented by a high number of patent applications per billion GDP (6.05 in 2022 vs 2.81 EU average), despite a slight decline since 2018.

Swedish SMEs show a strong innovation performance. SMEs are central to Sweden's strong innovation performance. Sweden has the highest percentage of SMEs (28.3%) among the top 800 R&D investors in the EU ([47]) and relevant indicators measuring innovation output in SMEs (e.g. SMEs introducing product and process innovation) rank Sweden well above the EU average ([48]). However, business enterprise expenditure on R&D by SMEs as a percentage of GDP (0.43% in 2023)([49]) is slightly below EU average. Total public sector support for business R&D expenditure as a percentage of GDP has remained relatively modest in EU comparison, but the 2024 budget set out measures to improve the use and transparency of public funding, including a government-wide system for data sharing with businesses ([50]). Moreover, to further support R&D activity in the private sector more broadly, including in SMEs, Sweden has evaluated the current R&D tax incentives. The related report is under consideration within the Government offices ([51]).

Maintaining strong science-business cooperation is key to innovation and competitiveness. The situation on science-business collaboration in Sweden suggests a nuanced picture. The proportion of public expenditure on R&D financed by the business enterprise sector as a percentage of total public expenditure on R&D has declined since 2011 (to 3.52% in 2023), despite positive developments in the two preceding years and Sweden remains below the EU average (7.51%).([52]) However, Sweden performs well on the proportion of public-private scientific co-publications as a percentage of the total number of publications (12% in 2024), well above the EU average (7.62%).([53]) Sweden's strong scientific performance has not in all sectors been fully translated into technological leadership in key strategic technologies such as MedTech, synthetic biology, semiconductors, and virtual/augmented reality, while patent analysis points to declining competitiveness in areas such as robotics and smart grids. ([54]) The potential for European patent collaboration remains underutilised, despite Sweden's strong scientific collaboration networks ([55]). Designed to involve the private sector to bridge the gap between research and commercialisation, and aimed at strengthening Sweden's innovative capacity, competitiveness and technological independence

([46]) EIB Investment Survey 2025

([47]) EU Industrial R&D Investment Scoreboard 2025

([48]) European Innovation Scoreboard 2025. Country profile Sweden.

([49]) Eurostat

([50]) OECD, 2025, STIP Compass – Country dashboard.

([51]) SOU 2025:3 'Skatteincitament för forskning och utveckling. En översyn av FoU-avdraget och expertskattereglerna'; https://www.regeringen.se/rattsliga-dokument/statens-offentliga-utredningar/2025/01/sou-20253/

([52]) Eurostat

([53]) Science Metrix (Scopus)

([54]) See for instance: IVA, Sweden's Competitiveness and Investment Priorities, 2025; https://www.ceps.eu/ceps-publications/swedens-competitiveness-and-investment-priorities-in-key-strategic-technologies/

([55]) 84% of Swedish academic-corporate co-publications are with international partners, which reflects the key role of international collaboration in Swedish science; Elsevier: Sweden as a Science Nation; https://www.elsevier.com/academic-and-research-leader/science-nation

in strategically important technology areas, a new programme is being developed by the Swedish Research Council and the Swedish Innovation Agency (Vinnova) for clusters of excellence in groundbreaking technologies.

With 35.04%, Sweden performed in 2025 well above the EU average of 19.95% on the uptake of artificial intelligence by businesses. Similarly, cloud adoption by businesses remained well above the EU average of 46.69% at 67.59%, while the country was below the EU average of 39.85% on the use of data analytics at 38.64%. In February 2026 Sweden presented an AI strategy and accompanying action plan to support the further adoption and development of artificial intelligence.([56])

Entrepreneurial dynamism

Sweden has a dynamic startup ecosystem, supported by a growing level of venture capital. The country has a strong pipeline of more than 2 200 startups specifically in high-growth sectors like climate tech, deep tech and life sciences. It is among the top 10 countries globally by number of unicorns, and first per capita in Europe ([57]). This development has been driven by a highly developed capital market (see Annex 5). Sweden is home to an above-EU-average level of venture capital as a percentage of GDP (0.12% vs 0.06% in 2024) which has tripled since 2017 but nevertheless remains significantly below that of the US, with a particularly pronounced gap for later-stage venture capital. However, Sweden has a high proportion of venture capital investment going into late stage ([58]) (60% in 2020-2024). International venture capital investors are being attracted by an entrepreneurial business culture and government-backed financial support for early-stage companies (e.g. Industrifonden, Almi Invest). In addition, Sweden is actively supporting its startup ecosystem through incubator and startup support programmes, such as the Swedish national incubator programme, which supports regional innovation environments across the country and promotes innovation and business development by giving startup support ([59]). Further improvements in innovation procurement could boost start-up growth in strategic technologies and sensitive sectors, enhancing strategic autonomy ([60]).

Access to skilled staff in science, technology and engineering is essential to ensure future investment in R&D in Sweden. In Sweden's most R&D-intensive companies, the availability of skilled staff remains the most important factor when companies choose a location for their R&D activities. Although the recruitment situation has slightly improved over the last two years, almost a third of companies still consider it difficult to recruit R&D staff. The number of new graduates in science and engineering per thousand population (13.42 in 2023) remains below the EU average (16.82), even though enrolment in STEM is higher than the EU average (see Annex 13). National statistics show a high dropout rate from engineering studies. Despite the high unemployment rate, in 2024 there was a shortage estimated at 4 700 IT-architects, 2 900 engineers and technicians and 2 100 civil engineers. Increased participation and interest in STEM education among young people is key to strengthening competitiveness and innovation, and matching skills needs. However, national sources show a slow decrease in students in upper secondary science programmes. Stronger alignment between tertiary education, local labour markets and innovation ecosystems would help retain graduates ([61]). To become better able to recruit the best researchers for excellent research, the new Swedish Research and Innovation Bill 2025-2028 includes improved incentives for strategic recruitment, with the focus on associate senior lecturers. This includes a new career support grant to attract talented early-career researchers.

([56]) Annual Report of the Digital Decade Policy Programme

([57]) State of the Swedish Tech Ecosystem, dealroom.co, May 2025.

([58]) Sweden's proportion of late-stage VC funding is almost as high as in the US Bay Area 62%) and higher than in other European countries, such as Germany (48%), UK (43%) or France (39%).

([59]) https://www.sisp.se/en/

([60]) European Commission: Country Profile Sweden – Benchmarking of national policy frameworks for innovation procurement.

([61]) OECD Economic Surveys: Sweden 2025 June 2025 Volume 2025/13; European Innovation Scoreboard 2025 Country profile Sweden

Sweden has a strategy for entrepreneurship education, and entrepreneurship is present in primary and secondary education. It is one of three EU Member States with a top-level strategy fully dedicated to entrepreneurship education, with the primary focus of developing students' entrepreneurship competences ([62]). The strategy covers primary and secondary education, with the goal of fostering an entrepreneurial mindset and skills across the education spectrum. Sweden refers to entrepreneurship when defining the fundamental values and mission of the school. Entrepreneurship is represented both as cross-curricular approach and in specific subjects. The entrepreneurship subject in Sweden can either concentrate specifically on entrepreneurship, or also link it to economics and business (only without the other subject in its name). It is compulsory in upper-secondary school for students specialising in economics, and optional for others. As in most European countries, entrepreneurship education is not explicitly mentioned in the teacher competence framework. There are references to training opportunities in entrepreneurship education for teachers, with specifications on learning objectives. The digital course 'Entrepreneurship in education' for teachers in compulsory education aims to help participants define the concept of entrepreneurial learning, compare entrepreneurial learning and entrepreneurship and identify differences between entrepreneurial and traditional learning. Sweden is one of the countries with specific guidance for a whole-school approach in teaching in primary and general secondary education. There are no practical entrepreneurial experiences offered in primary and general lower-secondary education, and they are offered only as extracurricular activities in upper secondary education ([63]). Junior Achievement Sweden ([64]) is the largest programme for entrepreneurship in schools and is available throughout the country. They have been active in Sweden for over 40 years and trained more than 560 000 upper secondary school students in entrepreneurship. Their company programme provides upper-secondary school students with the opportunity to start and run a business during an academic year. Students experience firsthand the entire life cycle of a business from recognising an unfulfilled market need, writing a business plan, setting up their company, raising capital to produce/develop the product, marketing and sales of the product and finally liquidating operations and paying out any dividends.

([62]) In line with the Council Recommendation on key competences for lifelong learning

([63]) European Commission / EACEA / Eurydice, 2025, Entrepreneurship education at school in Europe – 2025. Eurydice Report.

([64]) A non-profit organisation working to promote entrepreneurship among Swedish students and to facilitate relationships between industry and the Swedish school system. Junior Achievement Sweden is part of the global organisation Junior Achievement Worldwide.

Table A4.1: **Key innovation indicators**

Sweden	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	3.19*	3.24	3.51	3.50	3.64	3.56		2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	1.00	0.98	0.96*	0.92	0.93	0.94	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	13.01	12.83	12.12	12.50	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	3.9*	4.3*	4.3	4.3	4.7	4.8	:	4.3	:
International co-publications as % of total number of publications	53.39	60.06	66.88	67.8	67.91	68.31	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	2.19*	2.26	2.54	2.58	2.70*	2.61	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	:	0.5	:	:	0.43*	:	:	0.47	0.30
Researchers employed by business per thousand active population	6.40*	9.00	10.90	14.80	15.20*	15.00	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	7.68	7.15	6.88	6.05	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	1.17	0.89	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	79.91	:	86.47	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	34.96	:	38.64	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	66.00	:	67.59	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	10.37	25.09	35.04	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	11.01	10.94	11.52	12.24	12.24	12.03	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	:	0.03	:	:	0.03	:	:	0.06	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	:	:	:	:	018*	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0	0.01	0.03	0.04	0.04		:	0.10	:
BERD financed by the public sector (national and abroad) as % of GDP	:	:	:	:	0.14*	:	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.08	0.05	0.09	0.160	0.140	0.12	:	0.06	:
Seed stage funding share (% of GDP)	0	0	0	0.01	0.01	0.01	:	0.01	:
Start-up stage funding share (% of GDP)	0.04	0.02	0.06	0.07	0.06	0.06	:	0.03	:
Later stage funding share (as % of GDP)	0.04	0.03	0.03	0.08	0.08	0.05	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	11.70	13.90	12.94	13.83	13.42	:	:	16.8	:
Graduates in the field of computing per thousand population aged 25-34	1.56	2.18	2.74	4.21	4.33	:	:	3.84	:

(1) EU average for the last available year or the year with the largest number of country data.
* break in series
Source: Eurostat, OECD, DG JRC, Science Metrix (Scopus database), Invest Europe, European Innovation Scoreboard

Swedish companies benefit from a growth-conducive business environment, invest heavily in R&D and have demonstrated a high degree of resilience. At the same time, obstacles and challenges for businesses remain, including skills mismatches and labour shortages, administrative burden and geopolitical challenges. These weigh more heavily on smaller firms, limiting their ability to scale up and fully benefit from investment and structural change. As a result, there is a productivity gap between large and smaller firms. Additionally labour productivity growth has stagnated despite strong investment and ongoing economic transformation.

Business dynamics

Business dynamism has slowed. The business cumulative entry and exit rate (business churn) ([65]) for 2023 (about 15%) continued to be among the lowest in the EU with an average of 19% ([66]). Both business birth rate and business death rate remained fairly stable, with the death rate increasing slightly to about 7%. This low dynamism indicates a less competitive business environment, a weakening of the creative destruction process and conservation of market power. This process undermines innovation, and allocative efficiency ([67]). The services sectors with high business birth rates since 2021 were the administrative and support services, financial and insurance activities as well as transportation and storage. In 2022 and 2023, the energy sector and construction had the highest business birth rates. Mining and manufacturing sectors registered the lowest entry rates, as well as property services. There is scope for easing barriers to market entry and exit, exploring ways to enhance R&D and facilitating the adoption of new technologies.

Sweden's economy displays a substantial proportion of small to medium-sized enterprises (SMEs), yet most employment and production is concentrated within larger firms. This firm size distribution has remained relatively stable, with small firms constituting approximately 70% of the manufacturing sector, although 70% of employment and production occurs within the largest firms. Conversely, the services sector exhibits a lower concentration of production and employment in large firms, with production being less concentrated than employment, recording shares of 35% and 45%, respectively. Productivity within manufacturing for large firms has increased, while stagnation is evident amongst smaller firms. However, in the services sector, productivity in real terms has declined across all firm sizes ([68]).

The technology gap between most and median productive firms is widening in manufacturing and shrinking in the services sector. The widening gap in manufacturing indicates fewer spillovers from highly productive firms and therefore a slowdown in technology diffusion. In the services sector, the narrowing technology gap tends to be attributed to declining productivity among firms at the productivity frontier. Policies could aim to enhance technology transfer and foster productivity spillovers from leading firms to smaller enterprises and promote investment in innovation within the services sector to support productivity at the frontier level ([69]).

Private investment and specifically intangible investment rates are among the highest within the EU. As a share of 16.9% of GDP in 2025 the business investment rate is higher than in peer countries such as Finland (12.7%) and Denmark (14.7%). Structurally, the largest share is related to construction, and here 'other buildings and structures'. While investment in machinery and equipment is the second most important investment area in terms of volume (7.5% of GDP), investment in intangible assets, such as 'intellectual property products', specifically in knowledge-intensive industries, such as ICT, high-tech manufacturing and wholesale trade services, expanded recently at a high rate and reached 7.3% of GDP in 2024, the highest level in the EU. Investments in intangible assets were growing at a faster rate compared with tangible assets. According to a recent analysis by Maican and Orth (2025), these investments across different sectors are crucial to boosting

([65]) Eurostat: the business churn rate is the sum of the business birth rate and the business death rate.

([66]) Eurostat, business demography.

([67]) OECD, (2025).

([68]) Xin Tang. Tracing the Slowdown of Labor Productivity Growth. IMF Selected Issues Paper (SIP 2025/037). Washington DC. International Monetary Fund.

([69]) Xin Tang. (2025).

productivity and productivity growth, in both small and large firms. According to the Productivity Commission ([70]), the Swedish Intellectual Property Office (PRV) is playing an important role. It is one of 25 global agencies authorised to conduct news reviews and preliminary assessments for international patent applications across 160 countries and ensures high-quality evaluations in diverse technology areas. This status enables Swedish companies to obtain patents locally, securing internationally recognised examinations, while receiving guidance in Swedish.

Swedish firms face weak overall investment expectations for 2025, yet construction and innovation spending remain comparatively resilient and optimistic. Although the perceived investment gap is broadly in line with the EU average, with only 14% of firms reporting underinvestment over the past three years (EU average: 12%), 24% of manufacturing firms claimed too little investment over the last three years to ensure future success. Despite this, investment expectations for 2025 have dropped to their lowest level in five years with a net balance of just 4%. Construction firms stand out, with 34% expecting to increase investment, while firms in services (-10%) and manufacturing (4%) show much weaker outlooks. Swedish firms are pessimistic about the economic climate, specifically about the political/regulatory environment. However, they remain more optimistic about their own business prospects. Investment priorities are evenly split between expansion and replacement. Innovation investment is growing, with 18% directed towards new products/services, up from 13% previously and above the EU average ([71]).

Considering continued geopolitical uncertainties, foreign direct investment (FDI) in Sweden decreased considerably but remains above the 10-year average (2015-2024). Total FDI flows to Sweden declined by 24% in 2024, while the total stock of FDI reached about 70% of GDP. An increasingly high share of foreign-owned assets exists within the services sector (67%), with these investments mainly focused on finance and insurance, trade and transport as well as business services. The manufacturing sector accounts for 33% of foreign assets with an important share in chemicals and pharmaceuticals ([72]). European companies located in Luxembourg, the Nordic countries and the Netherlands are the main investors in Sweden ([73]).

Business environment

Uncertainty about the future, availability of skilled staff and business regulations are highlighted by firms as main long-term investment obstacles. According to the EIB Investment Survey ([74]), the main long-term obstacles to investment reported by Swedish firms in 2025 were uncertainty about the future due to geopolitical tensions and weak economic outlook (82%, 2024: 78%), the availability of skilled staff (79%, 2024: 78%), and business regulation (58%, 2024: 41%) ([75]). Compared with 2024, firms are increasingly pointing to labour and business regulations as the main barriers to long-term investment. While labour regulations are a more important issue for firms in the construction and services sectors, manufacturing firms tend to flag business regulations as obstacles. Across multiple surveys by Företagarna Sverige ([76]) and feedback by the Confederation of Swedish Enterprises ([77]), administrative burden is consistently ranked among the top three barriers for entrepreneurs. Respondents flagged that they spend about eight hours on average per week on compliance and reporting work (outside of internal administrative tasks such as payroll and invoicing). Lengthy approval processes hinder the scale-up of companies as well as high costs related to: (i) contributions, (ii) sick leave, (iii) energy and (iv) crime (theft, fraud, vandalism, security-related expenses). Additionally, when asked which reforms they considered most urgent in order to enable more companies to grow and hire (with a maximum of three response options), the second

([70]) Report of the Productivity Commission 2025.

([71]) European Investment Bank, 2025, EIB investment survey Sweden.

([72]) https://www.business-sweden.com/insights/global-analysis/fdi-overview/.

([73]) Statistics Sweden.

([74]) European Investment Bank, 2025, EIB investment survey Sweden.

([75]) European Investment Bank, 2025, EIB investment survey.

([76]) Swedish employer organisation.

([77]) Confederation of Swedish Enterprise as Svenskt Näringsliv.

most common answer was 'reduced regulatory burden for businesses'.

Access to finance is not a major issue in Sweden, albeit with some exceptions. Fewer companies consider access to finance to be an obstacle to investment than the average within the EU (36% vs EU average of 45%). However, the share of finance-constrained companies in Sweden increased in 2025 from 7% to 11% ([78]). There are also regional disparities in access to finance (see Annex 18). Despite abundant start-up financing, steps could be taken to strengthen scale-up financing and financing for large-scale industrial projects. The Confederation of Swedish Enterprises reported that specifically women and immigrant founders experience greater difficulties accessing bank loans with higher rejection rates and higher interest rate costs. Although venture capital is available and used at a high scale in Sweden, it tends to be restricted to specific sectors (tech, life sciences, and industry) and regions (Stockholm and to some extent Gothenburg and Malmö). (See Annex 4 and Annex 6.)

Late payments from business partners continue to hinder businesses to some extent. The payment gap for business-to-business (B2B) payments increased to 18.15 days in 2025, higher than the EU average of 17.44 days. In 2024, 45% of companies in Sweden indicated issues caused by late payments ([79]). In particular, big companies seem to pay late ([80]), with about 28% of invoices received by large companies from suppliers being paid late ([81]). However, the trend is positive for government-to-business (G2B) payments, with 2025 marking a significant improvement and above-EU-average performance in the G2B payment gap. Despite this, there are indications of payment-behaviour issues within municipalities, with the construction sector being affected particularly negatively ([82]). In general, Swedish firms respect freedom of contract and agree on specific payment deadlines.

The trends for fixed and mobile connectivity are promising. Sweden allocated a substantial part of its recovery and resilience plan to fixed broadband connectivity. It is on track to roll out fibre across the country to improve broadband connectivity; however, the remaining buildings, typically in sparsely populated areas, will be increasingly costly to connect. Households with access to the internet at home increased from 94.87% in 2023 to 95.43% in 2024. Fibre-to-the-premises (FTTP) coverage increased from 83.9% in 2023 to 85.6% in 2024, which is significantly above the EU average of 69.2%. Access to a VHCN (very high-capacity network) increased from 88.46% in 2023 to 89.74% in 2024. As regards mobile connectivity, Sweden has made significant progress over the last years and has assigned all spectrum for 5G. The overall 5G coverage in Sweden increased from 90.3% in 2023 to 98.6% in 2024, which is above the EU average of 94.4%. The 5G coverage in the 3.4-3.8 GHz band increased from 64.5% in 2023 to 74% in 2024, which is above the EU average of 67.7% ([83]). Sweden is on track to reach the 100% coverage Digital Decade target for 5G before 2030.

Single Market and barriers

Sweden's trade integration into the Single Market remains moderate, and there is integration potential. With a share of 19.6% of GDP intra-EU trade in goods is significantly higher than the intra-EU trade in services (10.3%), and both close to the EU averages in 2025. In the Eurobarometer Survey 559, 72% of Swedish SMEs (70% of EU SMEs) reported that they were mainly operating in Sweden ([84]). According to a survey conducted by the Confederation of Swedish Enterprises ([85]) a greater proportion of companies report that EU membership has a more positive impact on trade in goods than on trade in services, where barriers and complex national regulations still hamper trade ([86]). Within the Single Market, Sweden's most important trading partners include Germany, Denmark and the Netherlands. The US, UK and Norway are also important trading

([78]) EIB Investment Survey 2025: Sweden overview.

([79]) Payment observatory report 2025.

([80]) Stakeholder feedback.

([81]) Payment observatory report 2025.

([82]) Stakeholder feedback.

([83]) 2024 and 2025 Digital Decade reports.

([84]) Flash Eurobarometer 559 (2025). Startups, scaleups and entrepreneurship.

([85]) Svenskt Näringsliv.

([86]) European Commission (2026). The 2025 Annual Single Market and Competitiveness Report, COM(2026) 46.

partners ([87]). At the same time, empirical research has shown that trade is one important driver of business productivity via innovation, knowledge networks, enhanced competition and investment ([88]). Strengthening access to the Single Market to foster interaction between trade and innovation seems important for Sweden as a small open economy.

Digital public services and e-government are advanced, which is also beneficial for doing cross-border business. Sweden continues to lead in digitalisation and aims to improve its digital public services and promotes the use of AI. According to the e-government benchmark analysis ([89]) Sweden scores high on the availability of services to both national and cross-national users, with 98 points (EU: 86 points) and 83 points (EU: 76 points) respectively. This implies that online information about a service for nation/cross-border users is available and that this service can be completed. (See also Annex 7.)

Sweden's performance in transposing Single Market directives and handling infringement proceedings is slightly decreasing, and the duration of infringement proceedings is relatively high ([90]). In 2025, Sweden's transposition deficit stands at 0.9%, lower than both the EU average of 1.1% and the 1% target set by the EU Council, but up from 0.4% in 2024. This suggests that Sweden is still efficient in transposing Single Market directives into its national law, demonstrating its commitment to EU rules. Sweden's performance is also reflected in the average delay in transposing directives (6 months, less than the EU average of 9.7 months), and the rate of incorrect transpositions (1.1%) is equal to the EU average. In December 2025, Sweden had 20 pending infringement procedures, a significantly lower number compared with the EU average of 25, with a focus on taxation and financial services. However, Sweden has the highest average duration of infringement proceedings (61.5 months), which is well above the EU average (44.5 months). Regarding SOLVIT cases, Sweden improved its performance and solved 65.9% of cases (up from 54.1% in 2024) but this is still lower than the EU average of 84.6%.

Compliance of products circulating in the Single Market ([91]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Sweden, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 252.6 investigations per one million inhabitants, which is higher than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

Sweden's National Standardisation Bodies (NSBs) have the capacity to lead in AI, quantum, and other emerging fields within EU standardisation. This would also support the efficient functioning of the Single Market.([92]) Strengthened capacities, attractiveness for experts and resources would ensure timely, high-quality standards by the NSBs. Sweden would benefit from further support to gain ground in strategic tech domains.

Swedish firms face fewer regulatory obstacles to entry and expansion. According to the OECD product market regulation (PMR) indicators, Sweden's regulatory framework is competition-friendly in almost all the areas covered by the PMR indicators. However, improvements can be still made in the regulatory framework in the e-communications, air transport and natural gas sectors. Professional services are also less strictly regulated than in the average OECD economy, except for estate agents ([93]). This is partially explained by the fact that estate agents manage the conveyancing process in Sweden, a

([87]) https://wits.worldbank.org/.

([88]) Maican and Orth (2025).

([89]) European Commission, 2025, eGovernment Benchmark.

([90]) These are related to the 'Terrible Ten' outlined in the Single Market Strategy, COM(2025) 500, 21.5.2025, https://single-market-economy.ec.europa.eu/publications/single-market-our-european-home-market-uncertain-world_en

([91]) Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([92]) This is related to the 'Terrible Ten', outlined in the Single Market Strategy.

([93]) Sweden_PMR country note.pdf.

task typically handled by notaries or lawyers in other countries. While Sweden is on par with the OECD average in the OECD Services Trade Restrictiveness Index, this index slightly increased in 2025, indicating a slightly more restrictive regulatory environment for services ([94]). **Sweden's public procurement system is largely performing well, but SMEs in particular are encountering difficulties.** Over the last 10 years, public procurement expenditure has been increasing gradually and reached about 17% of GDP and 34% of total government expenditure in 2024 ([95]). The share of direct awards is, at 2%, relatively low, while in 2025 single bids reached 23.3% (down from 27% in 2024)([96]). This shows that the performance of competition could be improved. Business associations claim that barriers, such as complex tenders and administrative requirements, make it difficult for SMEs in particular to participate. Dividing tenders into lots would improve accessibility for SMEs. Additionally, the government has tasked the Agency for Financial and Public Management with proposing a national procurement database and analytical function to improve transparency, efficiency, and competition while countering corruption and irregularities.

Businesses' views on corruption risks in public procurement are above the EU average. In Sweden, 57% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures, and 49% (EU average: 51%) involvement of bidders in the design of specifications, to be a 'very' or 'fairly widespread' practice. Among companies that have experience of and have participated in a public procurement procedure, 32% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([97]). 64% of companies perceive the level of independence of the public procurement review bodies (administrative courts) to be 'very' or 'fairly good' when these bodies are reviewing public procurement cases ([98]). Public procurement remains one of the main corruption risk areas, which is being addressed in the new Anti-Corruption Plan and by the committee of inquiry focused on criminal law reforms related to corruption ([99]). Addressing the possible infiltration of organised crime actors in the public service is a major strategic priority for the government, as local authorities are particularly vulnerable due to their smaller scale, despite still managing large amounts of funds ([100]). Legislation was introduced to this effect and further analyses are ongoing to identify the extent of the risk ([101]).

Sweden's fragmented e-procurement landscape and data quality issues highlight the need for interoperable systems, common standards and stronger data governance. Given Sweden's decentralised e-procurement landscape, with two to five separate procurement services in operation ([102]), economic operators must use several systems to access all public procurement procedures, creating complexity and barriers to participation. This fragmentation underscores the need for introducing interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the EU still lack digital access to relevant evidence. In addition, while some monitoring exists, there is no public procurement data strategy on the objectives and management of public procurement processes ([103]). Therefore, the Swedish system would benefit from a dedicated public procurement data collection and analysis service within the government to support data-driven oversight of the procurement life cycle.

Industry and economic security

Sweden established a new national industrial strategy in 2025, aimed at ensuring a

([94]) OECD STRI Sweden

([95]) OECD. Government at a glance indicators, 2025 edition.

([96]) Commission calculation based on TED data, accessible at PPDS.

([97]) Flash Eurobarometer 557, p. 133.

([98]) Justice Scoreboard (2025), p. 53; Flash Eurobarometer 555.

([99]) Rule of Law Report - Country Chapter Sweden (2025).

([100]) Rule of Law Report- Country Chapter Sweden (2025).

([101]) Rule of Law Report- Country Chapter Sweden (2025).

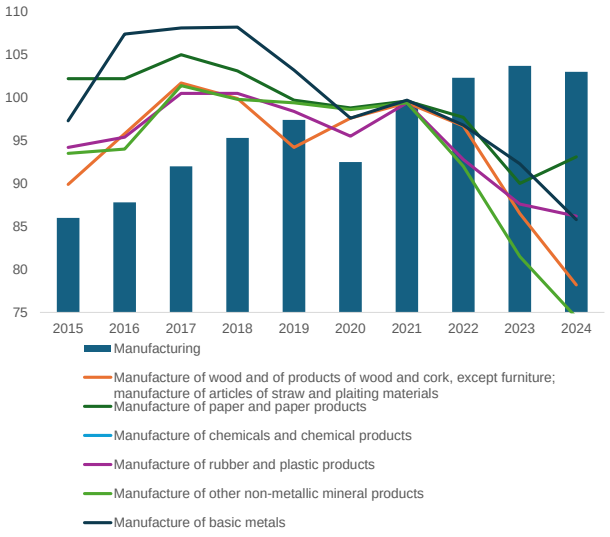
([102]) As reported in the e-procurement matrix.

([103]) European Court of Auditors, Special Report 28/2023: Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021, 2023.

competitive, technologically leading and climate-aligned industrial sector. This strategy has four key areas for action focusing on research and innovation, resilience and supply preparedness, risk sharing and funding, and lastly basic framework conditions for industry. Importantly for businesses, this strategy sets objectives on better investment conditions for commercialisation of new technologies, and ensuring favourable framework conditions for businesses, especially in terms of secure and fossil-free electricity supply, simplification and faster permitting processes, infrastructure and skilled labour ([104]). Permitting procedures in particular are currently lengthy and costly, since companies need to hire consultants to complete forms correctly. Especially for SMEs this constitutes an additional administrative barrier for investment. Sweden's innovation agency Vinnova, for instance, is also managing large-scale investments in strategic technologies. The investment will be scaled up over time and, in 2028, Vinnova will distribute over half a billion SEK per year.

The industrial sector and specifically manufacturing are important for the Swedish economy, their gross value added (GVA) corresponding to 16.2% and 13% of the GDP in 2024 ([105]). Manufacturing in Sweden returned to growth in GVA in 2024, but production volumes fell slightly. Despite Sweden's very low electricity prices (in 2024 0.071 vs EU 0.146), Sweden's energy-intensive industries were hit by the shocks of 2022 and production in wood products, basic metals and non-metallic minerals, for example, has declined significantly since 2021 (see Graph A5.1). In chemicals, most of Sweden's value added comes from the pharmaceutical industry and the whole sector is heavily dependent on exports, which were hit by the 2022 crisis. The chemicals sector in Sweden continues to face lower profitability and decreased production volumes, driven by challenges in key markets and competition from Asia ([106]). Sweden also has a prominent automotive industry, which is a significant employer in the southern regions of Sweden ([107]). After a production decline in 2022, the value added in the motor vehicles sector expanded in 2023.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

Sweden's construction sector has had weak activity in the past years. Construction activity has been particularly affected by a slump in housing construction, mirroring high-interest rate sensitivity (see Annex 16). Non-residential construction has held up better but is also affected by industrial decline. All Swedish regions were listed as struggling to cope with the decline of the construction industry. This is largely explained by the widespread prevalence of variable-rate mortgages ([108]). Sweden has a 2025 CSR (country-specific recommendation) (5) on improving the efficiency of the housing market and supporting residential construction (see Annex 16).

Sweden's industries are electrifying. Increasing the supply of clean energy is crucial as industry's electricity demand is projected to increase significantly in the short and medium term. Sweden announced several measures on increasing the clean energy supply in its new

([104]) Sveriges industristrategi: för en tekniskledande och konkurrenskraftig industri i en ny omvärld - Regeringen.se.

([105]) Eurostat: [nama_10_a10]

([106]) IKEM - IKEM Business Tendency Survey.

([107]) Mapping the impact of industrial decline, European Commission 2025.

([108]) Mapping the impact of industrial decline, European Commission 2025.

industrial strategy. These include improving flexibility and efficiency for permitting processes. For example, there are currently legislative proposals under discussion for the establishment of a new authority for environmental permitting ([109]). Sweden has a 2025 CSR (3) on accelerating permitting procedures for deploying renewables and avoiding permitting approval reversals (see Annex 9).

Sweden is taking steps to support industrial decarbonisation and net-zero industries. In 2025, the Swedish government mandated the committee 'Accelerationskontor för att underlätta industrins omställning' to analyse municipal incentives to attract and accommodate major industrial establishments and expansions ([110]). This is building on the work of the Green Acceleration Office established in 2024 (see Annex 7). In 2025, the support scheme Industriklivet was also reinforced to accelerate technological leaps towards net-zero.

Sweden is a significant global manufacturer of net-zero technologies ([111]). The country has progressed effectively in implementing the Net-Zero Industry Act (NZIA). It has successfully designated a single point of contact, which is crucial for streamlining communication and coordination among stakeholders. Furthermore, Sweden has established a national contact point, Tillväxtverket and Sveriges geologiska undersökning (SGU), to process applications, facilitating the advancement of net-zero strategic projects. Four confirmed strategic projects reflect the country's proactive approach to advancing initiatives that align with net-zero goals. These projects focus on battery and electricity grid technologies as well as energy-intensive industry (EII) decarbonisation.

Sweden is considered a competitive exporter in net-zero technologies, notably in heat pump, geothermal, wind turbine, battery, grid and sustainable biogas technologies. However, dependencies on non-EU countries for solar photovoltaics and wind components hinder industry and the limited availability of skilled workers in science, technology and engineering remains a bottleneck for investment. In 2025, Sweden has taken several measures to attract more people to the STEM fields. In battery technologies, the bankruptcy of Northvolt continues to significantly impact on production capacity. In its new industrial strategy the government has announced measures to support battery research and innovation ([112]).

Material import dependency is relatively low. With an overall share of 25.7%, material import dependency is among the lowest in the EU. Dependency is relatively low in biomass and non-metallic minerals, but the lowest across Europe in metal ores. Sweden leads in iron, lead and zinc extraction within the EU. The Mining Contribution Index of the International Council on Mining and Metals (ICMM), which ranks countries by the importance of mining to their economy, ranks Sweden 59th out of 110 countries, the second EU Member State after Finland, which is ranked 53rd ([113]). Sweden plays an important role in the EU's supply of critical raw materials. Three projects in Sweden were selected as strategic projects under the Critical Raw Material Act. One of these projects focuses on recycling, one on the rare earth elements for magnets and one on graphite extraction ([114]). The Swedish government considers it essential to achieve resource-efficient and circular use of Sweden's mineral resources and aims to improve the conditions for the Swedish mining sector. Sweden could also make better use of its resources generally, as the circular material use rate is 10.4%, which is lower than the EU average of 12.2%.

([109]) Sveriges industristrategi: för en tekniskledande och konkurrenskraftig industri i en ny omvärld - Regeringen.se.

([110]) tilläggsdirektiv KN2025/01212.

([111]) European Commission: Directorate-General for Energy. 2025. The net-zero manufacturing industry landscape across the Member States. The net-zero manufacturing industry landscape across the Member States - Energy.

([112]) Sveriges industristrategi: för en tekniskledande och konkurrenskraftig industri i en ny omvärld - Regeringen.se.

([113]) ICMM Mining Contribution Index 7th edition 2025: This index shows the importance of the mining sector's contribution to the domestic economy.

([114]) Selected strategic projects under CRMA.

Table A5.1: **Single Market and Industry**

Sweden								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		112.9	107.6	105.7	107.4	107.7	100.0
	Business investment (share of GDP)[1]		16.4	17.0	17.1	17.0	16.9	12.6
	Public investment (share of GDP)[1]		5.1	5.1	5.4	5.5	5.9	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		9.2	10.0	9.9	9.1	10.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.41	0.45	0.30	0.17	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.83	0.72	0.62	0.71	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		15.4	12.3	16.0	16.7	18.2	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		13.4	13.4	14.9	17.9	12.5	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	38.5	37.5	47.1
		from public entities in the previous or current quarter	-	-	-	13.4	12.5	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		26.0	30.2	31.0	30.6	29.9	40.7
	EEA Services Trade Restrictiveness index[6]		0.045	0.045	0.047	0.047	0.048	0.050
Public procurement	Single bids, % of total contractors[7*]		10	13	11	27	23	27
	Direct awards, % of negotiated procedures[7*]		1	1	1	2	2	6
Compliance	Transposition deficit, % of all directives not transposed[8]		2	0.7	0.5	0.4	0.9	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1	1.1	0.8	0.8	1.1	1.1
	SOLVIT, resolution rate per country, %[8]		70.59	68.3	69	54.1	65.9	84.6
	Number of pending infringement proceedings[8]		18	20	19	19	20	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.0612	0.0999	0.0786	0.0701	0.0712	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		36.3	35.1	33.8	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		62.5	66.3	66.4	62.8	-	25.2
Critical raw materials	Material import dependency, %[1]		23.9	24.4	24.6	25.7	-	22.4
	Circular material use rate[1]		9.5	12.1	10.1	10.4	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		0.125 (m)		- Electrolyzer, GW		-	
	- Heat pump assembly		0.888		- Battery, GW		21.0	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 149.1% of GDP (32.3% in the EU) 10-year real return of 3.4 (1.4% in the EU)	The very high pension assets yield a high real return.
Households' financial assets	EUR 180 472 per capita (EUR 85 098 in the EU) o/w 8.3% in listed shares and bonds (7.6% in the EU) o/w 11.1% in investment funds (11.0% in the EU) o/w 6.3% in life insurance (13.4% in the EU) o/w 33.3% in pension claims (13.6% in the EU)	A very high share of households' very high financial assets is invested in equity and in capital markets.
Venture capital (VC) **Private equity (PE)**	VC at 0.115% of GDP (0.064% in the EU) PE at 1.180% of GDP (0.487% in the EU)	Very high venture capital and very high private equity investments.
Capital taxation	30% flat tax on most capital income (dividends, interest, and capital gains) for residents	N/A
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

Banks and non-financial corporations have good access to financing. While, on average, Swedish companies are more indebted than their EU peers, they rely relatively moderately on bank finance to fund their activities. Almost three quarters of NFC funding is in bonds and equity. Moreover, to fund their investments, Swedish NFCs rely more on internal or intra-group financing than their European peers. Sweden leads the EU in terms of SME public equity financing and also consistently ranks first by number of IPOs. Thanks to their large and mostly automatic investments in pension funds, Swedish households have a high participation in domestic capital markets. Relative to GDP, household investments in insurance and pension fund, are almost more than twice the EU average. The banking sector is well capitalised as gauged by risk-weighted measures, with ample liquidity and excellent profitability. However, Swedish banks have a high dependence on market funding to finance some of their mortgages, mainly through covered bonds. The dynamics of bank lending in Sweden is driven by mortgage loans to households, which account for almost two thirds of all bank loans. Non-bank financial intermediation is growing, and non-bank entities are managing assets to an amount almost as large as that of the entire Swedish banking sector. Moreover, the institutional investor base in Sweden is highly exposed to the domestic equity markets. Within the EU, Sweden is a leading country for private equity and venture capital investment. Along with the active public markets, this provides Swedish companies access to a diversity of domestic equity funding throughout the corporate lifecycle.

Business landscape and company funding

Sweden has a diversified economy with large multinational corporations alongside a thriving ecosystem of small and medium-sized enterprises (SMEs) and high-growth start-ups, particularly in tech and fintech. The Swedish business landscape is characterised by a strong presence of SMEs that account for 99.8% of all businesses. While the SME sector is highly innovative, large, knowledge-intensive firms play a significantly larger role in the Swedish economy compared with the EU average (see Annex 5 for more details). This has concrete implications for the corporate sector's demand for funding.

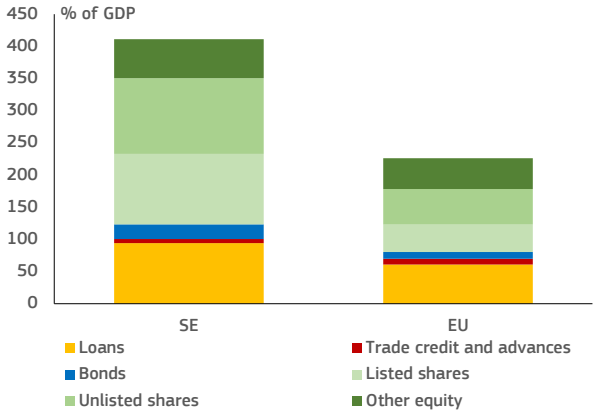
Non-financial corporations (NFCs) in Sweden actively use capital markets funding. Almost three quarters of NFC funding is in bonds and equity, including unlisted shares, which are often traded through specialised platforms, and other equity instruments (Graph A6.1). Over 2021-2024, the three-year average of NFC bond and equity issuance (both listed and unlisted shares) as a percentage of total NFC financing was the third highest rate in the EU (62.5%), after Ireland and Luxembourg, and above the EU average of 50% ([115]). More specifically, at the end of 2024, listed shares and bonds represented 32% of all funding sources for Swedish firms, vs an EU average of just above 23%, while bank finance

([115])CMU Dashboard.

through loans constituted 23% of funding sources, somewhat less than the EU average of 27%. Nevertheless, in terms of percentage of GDP, banks in Sweden are higher lenders to NFCs than the EU average, as overall levels of NFC funding in Sweden are substantially higher than in the EU, equivalent to 412% and 226% of GDP, respectively, at the end of 2024 (Graph A6.1).

Swedish businesses depend more on internal or intra-group financing than their EU peers. Sweden has the lowest reliance on external finance in the EU ([116]): only 22% of all firms use it, versus an EU average of 42%, according to the 2025 EIB Investment Survey. Also, only 12% of Swedish firms' investment needs are covered by external funding, compared with an EU average of 25% ([117]), which is also confirmed by the high aggregate reliance on unlisted equity, at 29% of the total, compared with 24.5% for the EU (Graph A6.1).

Graph A6.1: **Composition of non-financial corporations' funding**



Source: Eurostat. End-2024

Sweden has a high number of initial public offerings (IPOs), 90% of which take place on SME growth markets. In the 2025 SAFE survey, 59% of SMEs indicated that they used equity ([118]), compared with an EU average of 14% ([119]). Sweden has a high number of publicly listed small companies and is second only to Finland in terms of capital raised as a percentage of GDP. Supporting factors that facilitate the listing process include a strong start-up ecosystem, supportive regulation and retail-investor participation. Sweden also consistently ranks first in the EU for the number of IPOs. On a cross-border consolidated basis, i.e. including foreign operations, half of Swedish banks' corporate balance sheets are exposed to SMEs (vs 40% on average for the EU).

Size and structure of the financial sector

The Swedish banking system is large, relatively concentrated and closely interlinked with foreign actors and markets. Having peaked at 313% in 2020, the size of the banking sector as a proportion of GDP declined to just above 276% at the end of Q3-2025 (Graph A6.2), still above the EU average of 246.1%. This places the Swedish banking sector among the biggest in relative size in the EU. The three major Swedish banks (Svenska Handelsbanken, Skandinaviska Enskilda Banken (SEB), and Swedbank) and the two branch banks of systemic importance (Nordea and Danske Bank) often also have their own insurance and fund management companies, ensuring they offer a full range of financial services.

Non-bank financial intermediation is growing and the amount of assets held by pension funds and insurance companies nearly matches that of the entire Swedish banking sector. The insurance sector is large with an assets-to-GDP ratio of around 71.1% compared with an EU average of 53.3%, while the total assets of the pension funds sector equate to roughly one and a half times the Swedish GDP. According to Riksbank data, the total assets of the Swedish investment fund sector almost quadrupled in size since 2012, coming close to 100% of GDP.

([116])External finance refers to funding sources for investment that originate from outside the firm, as opposed to internal funds (retained earnings or cash). Its main components include bank loans, other bank finance (e.g. credit lines), market-based finance (bonds & equity), government grant/subsidies, leasing.

([117])For further details, see the 2025 EIB Investment Survey.

([118])Equity capital includes listed and unlisted shares or other forms of equity provided by the owners themselves or by external investors, including venture capital or business angels.

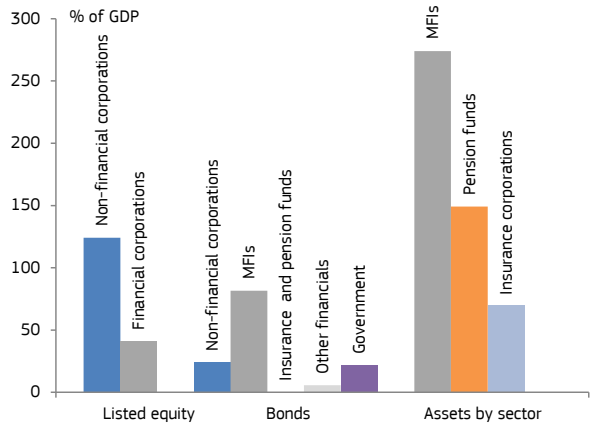
([119])Data and surveys - SAFE - European Commission, 2025, Results by country, T27.

Sweden's capital markets are well developed, and are larger, more liquid, mature and deeper than elsewhere in the EU. The Swedish stock market is currently the third largest EU market by capitalisation relative to GDP (equivalent to just over 167% of GDP versus an EU average of 70% of GDP as of the end of 32-2025). The largest exchange in Sweden is Nasdaq Stockholm, which operates two markets: the Main Market and First North ([120]). The Main Market is the flagship market in the Nordic region and is intended principally for well-established companies. First North, which is Nasdaq Stockholm AB's junior market, is a multilateral trading facility (MTF) that normally suits small, young or growth companies and is often the first step towards listing on the Main Market. As of the Q2-2025, Nasdaq Stockholm had a total of 729 listed companies. Another exchange is Nordic Growth Market (NGM), which is aimed primarily at small and medium-sized Nordic growth companies. NGM has a junior marketplace equivalent to First North, named Nordic SME. There is also a third marketplace for equities in Sweden, Spotlight Stock Market, which is an MTF operated by ATS Finans AB. Most publicly listed companies in Sweden are listed on a growth market, functioning as a stepping stone to the regulated market. Swedish firms account for over 90% of total listings, with the remaining listings being from companies in other Nordic or EU countries.

The domestic bond market is dominated by the debt of monetary financial institutions (MFIs), notably through the issuance of covered bonds. The relative amount of debt securities issued by MFIs in Sweden, at slightly more than 81% of GDP, is four times the size of debt securities issued by the government, and more than twice the EU average of just over 36.% of GDP, while bonds issued by companies equate to 24% of GDP, which is the largest corporate bond segment in the EU, where the average figure is just under 11% of GDP (Graph A5.2). The number of issuers has increased manifold over the last decade and, in parallel, the average size of both issues and issuers has decreased substantially.

([120])The Nasdaq Stockholm Stock Exchange belongs to the Nasdaq group, which in the EU operates other trading venues in Lithuania, Estonia and Latvia, as well as in Finland and Denmark.

Graph A6.2: **Capital markets and financial intermediaries**

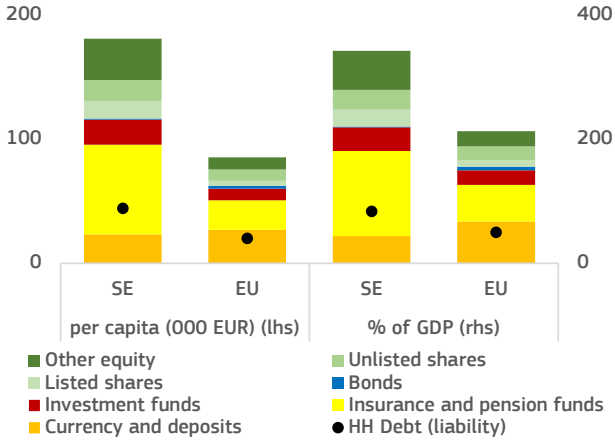


Source: ECB, EIOPA, OECD, AMECO. End-2024.

Households' participation in capital markets

Swedish households have a high participation in capital markets thanks to their large and often automatic investments in insurance and pension funds. As of end-2024, households' aggregate financial assets equalled nearly 342% of GDP, well above the EU average of 212% (Graph A6.3). The largest component of these assets consists of collective savings, namely premium and occupational pensions (see infra), which households cannot access in the short term. Insurance savings in Sweden are also high from an international perspective. Swedish households' investments in insurance and pension funds as a proportion of GDP are more than twice the EU average (137% vs 59% of GDP). Together, they account for 40% of households' financial assets, compared with an EU average of 22.5% (Graph A6.3). Assets in investment funds are also sizeable, representing some 11% of the total, compared with 9% for the EU on average. Another significant share of 18%, roughly twice the EU average, consists of 'other equity', covering all forms of equity other than listed and unlisted shares. In addition to indirect ownership through funds, households own about 8% of the outstanding volume in listed equities outright. At the end of 2024, Swedish households held only 12.6% of their financial wealth in cash and bank deposits, in contrast with an EU average of 26%.

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat. End-2024.

Measures to scale up retail investment have been combined with structural reforms of pensions and retirement schemes, which mutually nurtured one another. The high household participation in capital markets observed in Sweden is not only backed by a mature capital market, but also by a remarkable investment culture. Long-standing consistent policies have driven this: a pension system where capitalisation has a major role following a series of reforms dating back to the late 1990s). The core objective of the reforms was to provide adequate retirement income for the Swedish public, but the reforms also boosted capital markets thanks to the premium pension ([121]) and to Sweden's occupational pension sector becoming a prominent institutional investor (see infra). The premium pension allowed participants to account for the higher returns in the capital markets and to customise a portion of their pension according to their risk preferences. In 2012, Sweden introduced an individual savings and investment account *Investingsparkskonto* (ISK), which is exempt from reporting holdings or capital gains tax, but subject to a low flat tax on the account's market value up to a threshold value which has been increased twice recently ([122]). Currently, over one third of the population uses an ISK for savings. Drawing on this experience, the European Commission introduced a blueprint on Savings and Investment Accounts (SIAs), in the form of a Recommendation to Member States in September 2025. Lastly, organisations such as *Aktiespararna* begin financial education early, teaching children the principles of stock ownership. These policies have contributed to a well-developed culture of stock market engagement and high financial literacy, as also shown by the 2024 Eurobarometer survey (34% of the Swedish population have a high level of financial literacy, 47% a medium level, and the remaining 19% a low level).

([121])The premium pension, which is part of the Swedish state pension for those in work, is a mandatory defined contribution system where every year, 2.5% of the pensionable income goes into a pension fund of the pension holder's choice, or into the state fund.

([122])From 2025, ISKs are exempted from capital gains taxes on amounts up to SEK 150 000 in 2025 and SEK 300 000 in 2026. On the other hand, the tax rate for ISK/capital insurance increased to 1.065% in 2026, up from 0.888% in 2025.

The banking sector: resilience and financing of the economy

Most performance indicators of Sweden's banking sector are among the best in the EU, so its lending capacity is not constrained. The sector's resilience is underpinned by strong risk-weighted capitalisation and asset-quality metrics, with a capital adequacy ratio of 22.8% at the end of Q3-2025, above the EU average of 20.2% (see Table A6.2). This ratio comes with a relatively high level of high-quality loss-absorption capital, as the CET1 ratio amounted to 19.3%, well above the EU average of 16.8%. Given the high weight of fixed property in bank balance sheets, unweighted own funds ratios rank relatively lower. The return on equity reached 11.4% at the end of Q3-2025 (against an EU average of 9.6%). This primarily reflects rising net-interest income. The non-performing loans ratio is among the lowest in the EU (1.1% as of end Q3-2025). According to the EBA Risk Dashboard, the liquidity coverage ratio stood at 166.7% at the end of Q3-2025, just above the EU average.

The exposure of bank balance sheets to real estate is high. Around three quarters of financial institutions' lending portfolio in Sweden is linked to the real estate market through mortgages and commercial real estate companies, which remain highly leveraged and pose a risk. This risk is further amplified by the high sensitivity to interest rate shocks of households and corporates owing to their high indebtedness coupled with the short maturity of real estate loans, which for housing loans is heavily skewed to 3 months refinancing. Banks' exposures to the commercial real estate

sector constitute over half of the corporate loan book. Banks partly finance mortgages by issuing covered bonds backed by mortgages. The value of the outstanding amount of covered bonds relative to bank loans amounts to 32% in Sweden, only exceeded by Denmark with a ratio of 85% (vs an EU average of 18%). The largest holders of the outstanding bonds are foreign parties, Swedish investment funds and insurance and pension institutions.

Swedish households and companies face exceptionally high debt levels compared with their EU peers, despite a recently dampened credit growth. Bank loans to households amounted to 77% of GDP in 2024 versus 45% for the EA on average, while loans to NFCs constituted 45% of GDP (compared with 29% for the EU; Table A6.2). The ratio of consumer credit to households stayed relatively stable and reached 4.9% of GDP as of end April 2025. Household sentiment continues to be weak. Households have been more restrictive in their consumption and maintained a high saving rate in recent years probably partly in response to changes in debt service. Price developments and turnover on the housing market have been weak in recent years, which has contributed to low debt growth among households. They did, however, start showing signs of picking up in early 2026 on the back of more lenient macroprudential borrower-based settings.

The Swedish government's more lenient borrower-based macroprudential measures for mortgages have taken effect from 1 April 2026. Borrower-based measures are now regulated by law instead of via public authority regulations. The loan-to-value limit has also been transferred to the new law, with easier thresholds. The limit for the loan-to-value ratio when purchasing a home has been raised from 85 to 90%, whereas the limit for extending existing loans will be reduced to 80%, the latter aimed at dampening the link between credit and any mortgage equity withdrawal flowing into consumption. The previously existing loan-to-income limits have been scrapped. These changes in regulation, offering more expansive lending regulations, are set to make households even more vulnerable to interest rate shocks and real estate price declines in the future and are likely to partly counteract any positive effects for first-time buyers (through a self-perpetuating spiral between housing prices and household debt). In line with this the Swedish FSA expects the relaxation of macroprudential measures to reignite credit growth and price pressures ([123]). Separate legislation effective as of 2026 is aimed at addressing rising household debt by phasing out the tax deductibility of interest payments for unsecured consumer loans, however only those not used to finance the purchase of a house, boat or car. In 2025, the Swedish FSA extended risk-weight floors for mortgages to 30 December 2027 to ensure banks maintain adequate capital for their exposure to potential housing-related risks.

Role of non-bank financial intermediaries

The transformation from defined benefit to defined contribution models across pension systems has significantly deepened Sweden's capital markets, creating a stable and consistent flow of long-term investment capital. Sweden implemented major state pension reforms in 1999, shifting from a defined benefit system to a mixed system combining a pay-as-you-go defined contribution scheme and a fully funded scheme, both of which are income-based. The reform opened up the possibility of private fund managers handling individual contributors within a public framework, where the public authority (Swedish Pensions Agency) both collects contributions and pays out the pensions. These funds are some of Sweden's largest institutional investors and are active in both domestic and international financial markets, thus creating a direct link between public pensions and capital markets. Sweden's pension system also relies heavily on semi-mandatory occupational pensions that cover over 90% of employees, effectively acting as an automatic enrolment system through collective agreements. Over time, these occupational pensions have shifted from defined benefit to defined contribution schemes, which has increased the individual's exposure to capital markets through mutual funds and other financial products. In addition to public and occupational pensions, individuals can voluntarily save within products, such as endowment insurance or a savings and investment account (ISK), further increasing household exposure to capital markets.

([123]) FI Analysis 51: A model for households' housing choices; Stability in the Financial System (2025:2).

"MinPension.se" is the Swedish digital service for tracking all pension types (national, occupational, and private) in one place. Owned by the government and pension companies, it covers 98% of total pension capital. It provides individual savers with a clear view of their accrued savings and projected retirement income, while it also enables the authorities to monitor pension adequacy and sustainability. Pension tracking systems and national dashboards are part of the European Commission Communication of 20 November 2025, in line with the Savings and Investments Union (SIU) strategy.

Sweden's robust domestic investor base, including pension funds, insurance companies and private investors, plays a key role in fundraising. The institutional investor base in Sweden is both sizeable and uniquely exposed to the domestic equity markets. At the end of Q3-2025, Swedish insurance (at 74,6% of GDP) and pension funds (at 149% of GDP) had financial assets exceeding more than two times Sweden's GDP (Graph A6.2). Both the public and the even larger occupational pension fund sector allocate more than half (vs EU average of 27%) of their aggregate portfolio to equities, as does the insurance sector. Debt securities purchased by insurance companies are mainly bonds issued by foreign borrowers, but also government bonds (mostly domestic) and bonds issued by Swedish banks and mortgage institutions. They also increasingly invest in corporate bonds, as bond financing is a commonplace and integral part of Swedish companies' financing strategies. Asset management is an important segment of the financial sector in Sweden, alongside insurance companies and pension funds. At the end of Q2-2025, Swedish funds had an aggregate market value larger than Sweden's GDP and above the EU average of 95%. The Swedish investment fund market is mature and diverse, with over 80% of fund assets being managed locally. Swedish fund-based saving plays a vital role in household financial planning and pension systems, underscoring its integration into the broader economy.

Venture capital ecosystem

The Swedish PE market is the largest and most developed in the EU, compared with the size of the economy. The buyout market is especially large compared with that of other EU countries; it includes some of the largest and most specialised private equity (PE) firms in the EU. According to the Capital Markets Union (CMU) dashboard, PE, including venture capital (VC), investments in Sweden equated to 1.12% of GDP on average annually over 2022-2024 (vs an EU average of 0.5%), partly steered by government measures. Significantly, there is a strong link between the private and public equity markets: uniquely among peer countries, the most common way for PE firms to divest their holdings of Swedish companies in recent years has been to take them public.

PE firms in Sweden are major international players in terms of how they are financed and the portfolio companies they invest in. A substantial proportion of total fundraising comes from foreign, mainly non-European, investors. Uniquely among EU peer countries (but in line with the United Kingdom), large international pension funds have been the single largest investor category (approximately one third of capital raised) in Swedish PE funds over the past years. Swedish pension funds only allocate a small portion of total asset to PE ([124]). Sweden is also one of the few net exporters of PE flows in Europe.

Sweden is a leading fintech hub, attracting significant VC investments and numerous innovative start-ups. According to the CMU Dashboard, Sweden is among the best performers in the EU in annual VC investments relative to GDP, with 0.12% on average over 2022-2024 (versus an EU average of 0.06% over the same period). Swedish fintech firms mostly operate in payments, credit provision and infrastructure, with other business models being difficult to label. Many fintech companies offer payment and money transfer services and are starting to compete with banks in niche segments. The payments segment is currently the largest of the Swedish fintech segments, with a broad range of both start-ups and mature fintech businesses. Despite Sweden being a top producer of unicorns (start-ups valued over USD 1 billion) per capita,

([124]) Swedish pension funds are authorised to invest in unlisted assets through VC companies. One of the six main funds in the Swedish public pension system, AP6, is focused entirely on private equity investments. Riksbanken (2024), Private equity: a growing market in transition.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	275.6	280.7	313.4	280.6	297.2	296.1	274.1	276.6	246.1
	Common equity Tier 1 ratio	17.0	17.7	19.2	19.2	18.9	19.0	19.0	19.3	16.8
	Total capital adequacy ratio	20.7	21.6	22.3	22.2	22.0	22.2	22.6	22.8	20.2
	Overall NPL ratio, % of all loans	1.0	1.1	1.0	1.0	0.8	1.0	1.1	1.1	1.9
	NPL ratio, loans to NFCs	0.9	1.1	1.0	0.6	0.4	0.5	0.6	0.6	3.5
	NPL ratio, loans to HHs	1.4	1.5	1.4	1.7	1.5	1.8	2.0	2.0	2.1
	Return on equity ratio[1]	12.2	10.9	8.4	10.0	9.8	13.1	12.6	11.4	9.6
	Loans to NFCs, % of GDP	48.0	47.2	50.3	47.3	48.2	49.6	45.9	45.7	29.3
	Loans to HHs, % of GDP	83.9	84.9	92.4	86.5	80.5	82.7	77.8	77.1	43.6
	NFC credit growth rate, %	6.1	3.6	4.0	7.0	12.0	1.8	0.4	4.4	2.5
	HH credit growth rate, %	5.5	5.1	5.6	6.8	-0.5	-0.1	1.7	2.7	2.6
Non-banking sector	Stock market capitalisation, % of GDP	-	-	180.4	223.6	142.7	170.0	165.4	167.0	69.9
	Initial public offerings, % of GDP	0.25	2.09	1.28	6.29	0.10	0.00	0.00	-	0.06
	Market funding ratio	62.2	63.3	63.0	62.9	61.4	61.5	62.5	-	49.7
	Private equity, % of GDP	0.559	0.719	0.806	1.040	1.175	1.178	1.179	-	0.487
	Venture capital, % of GDP	0.059	0.067	0.090	0.124	0.156	0.141	0.115	-	0.064
	Financial literacy, composite index	-	-	-	-	-	53.5	-	-	45.5
	Bonds, % of HHs' financial assets	0.9	0.7	0.6	0.4	0.5	0.5	0.5	-	2.8
	Listed shares, % of HHs' financial assets	6.7	7.3	8.0	9.5	7.8	8.2	7.9	-	4.8
	Investment funds, % of HHs' financial assets	8.9	9.8	9.6	10.2	9.6	10.5	11.1	-	11.0
	Insurance/pension funds, % of HHs' financial assets	37.3	37.5	36.5	36.3	36.9	38.1	40.0	-	27.8
	Total assets of insurers, % of GDP	63.3	70.9	77.8	82.8	59.7	70.4	69.5	-	53.9
	Pension assets, bn EUR	-	-	-	829.4	717.7	744.7	832.1	-	5813.8
	Pension assets, % of GDP	-	-	-	155.3	131.1	139.1	149.1	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	3.9	3.4	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	-	-	-	-	-

1-3	4-10	11-17	18-24	25-27	Colours indicate performance ranking among the 27 EU Member States.

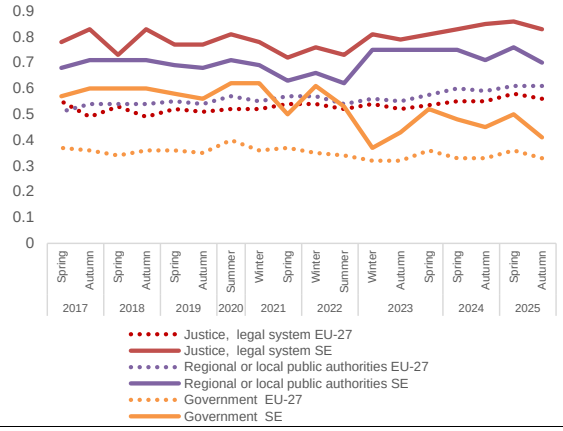
Annualised data. Credit growth and the ECB pension funds EU data refer to the EA average.
PE and VC, % of GDP is calculated on a 3-year moving average.
Source: ECB, ESTAT, OECD, CMU Dashboard, AMECO.

the small size of the domestic market makes scaling to the next level difficult, prompting companies to look to the US or other major hubs for growth and valuation. They move their headquarters, list on foreign stock exchanges, merge or expand abroad.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, quality legislation, regulatory simplification and efficient services for people and businesses.

Public trust

Graph A7.1: **Trust in justice, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys.

Sweden continues to enjoy high trust in its institutions (Graph A7.1). The level of trust is highest in the justice system (83%), followed by regional and local authorities (70%). Trust in central government (41%) has not yet fully recovered from the decrease in 2022, considering the COVID-19 pandemic, but the trend indicates that trust is gradually stabilising and increasing. Both businesses and the general public retain confidence in the public administration's ability to handle their data securely and responsibly([125]).

Quality of lawmaking

Sweden has established strong frameworks for evaluating legislative impacts but could align better with best practices to ensure implementation and transparency (Table A7.1). It employs robust methods for developing new regulations. The regulatory rules were updated in 2024, with the aim of improving the quality of impact assessments([126]). Legislators are required to assess as early as possible the costs and benefits of the proposal for the state, municipalities, regions, companies and individuals. The Swedish Agency for Financial and Public Management launched an AI assistant (*Konsekvenshjälpen*) to help civil servants with assessments and reduce the administrative burden. However, analysis by the Better Regulation Council (*Regelrådet*), which reviews impact assessment, shows that the government committees tasked with preparing regulatory proposals need additional support([127]). Moreover, there is no formal requirement for legislators to specify methodologies for evaluating impacts after enforcement. Additionally, better regulation is undermined by the absence of a body for overseeing *ex post* evaluations. Following the adoption of the new rules, a review of their effectiveness is expected in 2026. Sweden's approach to stakeholder engagement involves publishing feedback on proposals through a central government portal([128]), but there is no requirement to publish responses, adversely affecting transparency.

Sweden is taking measures for administrative simplification. A simplification council (*Förenklingsrådet*)([129]), set up in 2024 as an entity within the Swedish Agency for Economic and Regional Growth (*Tillväxtverket*), collects simplification proposals directly from stakeholders and assesses whether they could be considered by government. The council aims to promote streamlining of regulatory and administrative processes to support growth and investment. Furthermore, Sweden also set up an implementation council (*Implementeringsrådet*) tasked with scrutinising the impact of EU legislation on Swedish firms with a view to improving competitiveness and avoiding undue complexity in transposition (see also Annex 5). Both these two new bodies, however, have an advisory roles and do not have legal power to overturn, override, or nullify decisions made by local governments or government agencies.

([125])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([126])Statskontoret, Impact assessment.

([127])Regelrådet, 2025, Årsrapport 2025, p.20-21.

([128])Regeringskansliet, Remisser.

([129])Förenklingsrådet.

Table A7.1: **Sweden. Selected indicators on better regulation practices for primary legislation**

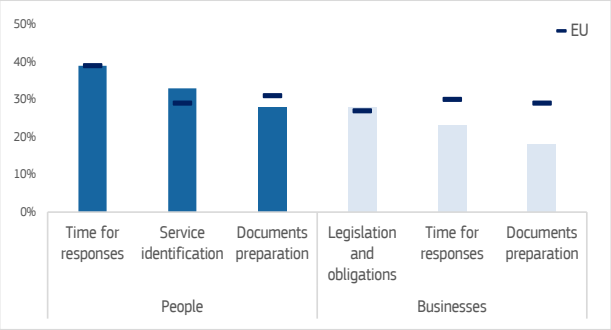
Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	High / yes / for all primary laws
Regulators are required to identify and quantify the benefits of a new primary law	High / yes / for all primary laws
Regulators are required to identify and assess the impacts of alternative non-regulatory options	High / yes / for all primary laws
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	Very low / no / never
Identify and assess potential enforcement mechanisms	Very low / no / never
Specify the methodology of measuring progress in achieving the law's goals	Very low / no / never
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	Medium / in part / for major primary laws
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	Very low / no / never
There are reports on the level of compliance by government department with the requirements of RIA	Very low / no / never
There are indicators on the percentage of ex post evaluations that comply with guidelines	Very low / no / never
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	Very low / no / never

High / yes / for all primary laws · Medium / in part / for major primary laws · Low / for some primary laws · Very low / no / never

Source: OECD, 2025, Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025.

Public service delivery and digitalisation

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Sweden has made good progress in digitalising its public services but faces challenges on user-friendliness. Most Swedish people (71%) and companies (54%) are satisfied with public administrative services, performing above the EU average (Sweden: 45%; EU: 42%). Despite these comparatively high satisfaction rates, there is potential for converting the neutral section of people (21%) and companies (31%) to satisfied. Over half of people describe public administration as playing a central role in their life (63%) and 37% describe it as being close to people. Between 2023 and 2025, the percentage of people who consider public administration fast and effective increased (+17 percentage points)([130]). Despite this, over half of people say that making digital services more user-friendly would improve their interactions with public administrations. 69% report that they would be more likely to use digital services if the interfaces were simpler and had fewer sections, with 66% noting that the availability of quick help would also encourage use. 67% of companies describe having experienced no negative impact from their interaction with public administration services([131]). However, businesses flag several aspects as time-consuming, including collecting and submitting application forms, identifying services and processing times (Graph A7.2).

Availability of digital public services for people and businesses is above the EU average, although the score has fallen ([132]) compared to last year (Table A7.2). Sweden also has one of the highest percentages of e-government users in the EU (97%)([133]). 79% of people and 82% of businesses say digital public services reduce the time and effort needed to obtain services, reflecting high uptake among people. For businesses, however, uptake remains

([130])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([131])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([132])The decrease is primarily based on the cross-border service dimension.

([133])European Commission, 2025, Digital Decade 2025: Country reports.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Sweden			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	88	93	86	82
Digital public services for businesses (0 to 100)	88	96	90	86
Access to electronic health records (0 to 100)	70	78	78	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data were collected in the previous year
Source: European Commission, State of the Digital Decade report 2025

more limited, despite the recognised usefulness: 32% say that they rarely or never use digital services, and only 50% use them regularly or always. 53% of people say that the public administration does not ask for personal data repeatedly – the highest score among the EU-27, pointing to good data reuse within the administration. However, 44% say that the administration does repeatedly ask for data, indicating that there is still scope for progress in the area([134]).

A new digitalisation strategy aims to make digital services simpler and more user-friendly. The government has tasked the Agency for Digital Government with exploring two key initiatives under this strategy: creating a single digital gateway where people and businesses can manage contact with multiple government agencies in one place and setting up a digital identity wallet([135]).

Technical deployment of electronic health records is stagnating, remaining below the EU average (Table A7.2). Despite this, the proportion of Swedish people accessing their personal health records online is above the EU average (see Annex 15), and Sweden is improving health data interoperability. In 2025, the Swedish eHealth Agency proposed regulatory changes to create a secure national health data infrastructure, with mandatory data sharing, strong data protection and clear oversight, aligned with the European Health Data Space and aimed at improving healthcare delivery([136]). The blueprint for the national digital health data infrastructure was created through a public inquiry in 2026([137]). Sweden can build on this ongoing momentum to address administrative, technical and regulatory challenges, to ensure wider availability and access to electronic health records.

The current eID solutions in Sweden are delivered by private providers. However, in 2025, the Swedish government tasked the Police Authority, together with the Swedish Agency for Digital Government, to develop and issue a state eID([138]), with the service expected to be operational by November 2026, as mandated by EU law([139]).

Sweden is among Europe's more digitally advanced countries but faces challenges in developing a coherent digital permit system. The country's 290 autonomous municipalities each operate independent building permit workflows, with no national digital building permit platform in place. For large-scale projects, it can take up to four years on average to obtain an environmental permit, factoring in appeals, with wind power approvals often taking significantly longer. Between January 2025 and February 2026, the government launched a building permit reform and proposed a new consolidated environmental permit authority, indicating that Sweden is striving for deregulation and digitalisation while navigating structural fragmentation.

Sweden is technically ready to enable the cross-border exchange of data and documents between authorities through

([134])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([135])Regeringskansliet, 2025, Myndigheternas digitala tjänster ska bli enklare att använda.

([136])E-hälsomyndigheten, 2025, Genomförandet av en nationell digital infrastruktur för hälso-och sjukvård och EHDS primäranvändning.

([137])Regeringskansliet, 2026, En nationell digital infrastruktur i hälso- och sjukvården.

([138])Regeringskansliet, 2025, Regeringen ger Polismyndigheten i uppdrag att utfärda statlig e-legitimation.

([139])Article 3 a (1) in the regulation (EU) No 910/2014.

the EU once-only technical system ([140]). When services become accessible, people and businesses will no longer have to search for their data, download and upload documents manually across e-government portals in different Member States. Sweden still needs to identify the types of documents and data needed for exchange through the system and explore ways to shift from submitting unstructured to structured data formats. It would be also useful for Sweden to connect authorities to the once-only technical system, foster cross-border exchanges and encourage cooperation between related EU-wide projects.

Civil service

The capacity of the Swedish civil service is high but there are long-term challenges in maintaining staffing and skills. Approximately half of Swedish civil servants participates in education and training, well above the EU average of 19% and furthermore, the highest proportion in the EU([141]). The share of Swedish civil servants that have post-secondary education is 75%, exceeding the EU average of 55%([142]). With a strong focus on training, a high percentage of educated civil servants, and one in five Swedish people considering public administration appealing([143]), the sector's capacity is deemed substantial. Sweden has the largest share of ICT graduates in the EU and a high share of ICT specialists in total employment. However, Sweden faces challenges in maintaining the current growth rates in ICT specialists in public administration, with increasing demand for a digitally skilled workforce([144]).

The average age of Swedish civil servants is lower than the EU average. More than 60% of the public administration workforce is under 50 years of age, a figure which has remained stable since 2021([145]). Sweden is performing well in gender parity, with 53% of women in senior administrative positions, which is above the EU-27 average (48%)([146]).

Integrity

Perceived corruption as a barrier to doing business and reported experiences are extremely low, indicating that corruption risks are limited in practice. In Sweden, few companies view corruption as widespread (Sweden: 45%; EU: 63%) or cite overly close business–politics links as a driver for corruption (Sweden: 56%; EU average: 76%). Only 16% of companies report corruption as a problem when doing business, well below the EU average of 35%([147]). Public procurement remains one of the main corruption risk areas, which is being addressed in the new anti-corruption plan. Addressing the possible infiltration of organised crime actors in the public service continues to be one of the main strategic priorities of the government([148]) (see also Annex 5). No companies report being asked or expected to offer gifts or extra payments for permits, services or procurement (EU: 10%), while 51% believe those caught bribing senior officials are appropriately punished–well above the EU average of 33%([149]), pointing to both low corruption exposure and effective enforcement.

([140])European Commission, *Once-Only Technical System Accelerator*meter, Ec.europa.eu.

([141])European Commission, Eurostat, 2026, European Union Labour Force Survey, Participation rate of employees in education and training (last 4 weeks) by NACE Rev. 2 activity (2008-2026).

([142])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

([143])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([144])European Commission, 2025, Digital Decade 2025: Country reports.

([145])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([146])European Institute for Gender Equality, 2025, Indicator: National administrations: top two tiers of administrators by function of government.

([147])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

([148])European Commission, 2025, Rule of Law Report, pp. 11-12.

([149])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

Sweden has taken limited steps to strengthen its corruption prevention and detection framework. An all-party committee of inquiry recommended introducing lobbying rules, including a transparency register. There are still no rules on how to engage with lobbyists and on disclosure of lobbying contacts, as also noted by the Group of States against Corruption (GRECO). In particular, the all-party committee recommended introducing a transparency register where lobbyists would need to register their contacts at political level three times per year. The government is expected to examine the report and announce a possible follow-up([150]).

Investigating and prosecuting corruption continues to achieve results, although law enforcement authorities are concerned by possible underreporting of corruption cases. The Prosecution Authority and the Police Authority consider that they have a sufficient level of resources, although issues over the staffing and performance of the Police Authority's intelligence unit in corruption cases remain. These authorities continue to have good cooperation in general and achieve results in the fight against corruption. The police assumes that the actual number of corruption cases is underreported, citing a lack of incentive to report such conduct, for example at local level or in the private sector([151]).

Justice

The justice system performs efficiently overall. The time taken to reach a decision in civil and commercial cases at first instance courts fell from 157 days in 2023 to 150 days in 2024. The estimated time to resolve administrative cases at first instance courts in 2023 was short, 81 days (compared to 83 in 2023). The quality of the justice system is good. Although Sweden has a high level of digitalisation in its justice system, at the same time, it lags behind in digital solutions to initiate and follow proceedings in civil/commercial cases. Also, the country ranks at the bottom in the EU in terms of online access to published judgments for the general public([152]). More could be done to ensure access to the courts of first instance, to improve the searchability of judgments by including metadata in the documents. Sweden significantly lags behind regarding arrangements for producing machine-readable judicial decisions([153]).

([150])European Commission, 2025, Rule of Law Report.

([151])European Commission, 2025, Rule of Law Report.

([152])Figure 47 'Online access to published judgments by the general public', 2025 EU Justice Scoreboard.

([153])For a more detailed analysis of the performance of the justice system in Sweden, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

Sweden faces challenges in meeting its climate objectives and in its clean industry transition. In particular, greenhouse gas emissions from road transport have risen sharply on the back of policy backtracking as policy changes have increased greenhouse gas emissions from fuel use and consumption. This has put Sweden at risk of not complying with its emission limits under the Effort Sharing Regulation. In 2025, Sweden received a country-specific recommendation to ensure the achievement of greenhouse gas emission reduction targets by reducing, in particular, emissions from road transport, a year later, that the gap to the targets has widened ([154]). The transition to a sustainable industry is lagging too, as the country's circular economy indicators continue to be below the EU average. There is a need for investment in circular economy initiatives and improvements in waste management. Challenges remain in air pollution, in particular from ammonia, and in water pollution by industry.

Industry decarbonisation

Greenhouse gas emissions from industry

Sweden's industry Emissions have fallen by 31 percent since 1990, driven primarily by fuel switching, energy efficiency improvements, and reduced production volumes in the iron and steel industry during the 2010s ([155]). The bulk of remaining emissions are concentrated in four subsectors: iron and steel, the minerals industry (including cement), the petrochemical industry, and refineries. These sectors share a common challenge in that further emission reductions cannot be achieved through incremental efficiency gains alone but require fundamental process or product changes. Several of the larger industrial actors are, however, planning such technology shifts, meaning significant emission reductions are anticipated within the coming years ([156]).

Policies to promote industry decarbonisation

Sweden offers various forms of incentives for industry to decarbonise. This includes primarily the 'Industry Leap' (*Industriklivet*) scheme to support the scale-up of energy-intensive process innovations and the 'Climate Leap' (*Klimatklivet*) to support investment measures to reduce greenhouse gas emissions in different sectors, including industry. The former, which receives funding from the Recovery and Resilience Facility, remained a priority for funding under the 2025 budget, specifically targeting heavy industry's transition to electricity and hydrogen ([157]). Administered by the Swedish Energy Agency, the programme comprises a total of 1.3 billion SEK so far in 2025 and can finance projects running through 2033. This funding is complemented by Sweden's national carbon tax, providing a continuous economic incentive for firms to transition away from fossil fuels ([158]). The 'Fossil Free Sweden' (*Fossilfritt Sverige*) initiative also covers 22 sectors and sets out roadmaps, which are being implemented as of 2025 ([159]). These aim to coordinate the needs of the mining, steel and cement industries to ensure that infrastructure and regulatory support keep pace with technological preparedness.

For the cement industry specifically, Sweden's budget supports carbon capture

([154])Swedish Climate Policy Council (*Klimatpolitiska rådet*), Report 2026 Link..

([155])This Annex discusses the transition of Sweden's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Sweden's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Sweden, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([156])Climate Policy Council - Link

([157])Swedish Climate Policy Council (*Klimatpolitiska rådet*), Report 2025. Annual assessment of the government's climate policy, specifically addressing the 2025 budget priorities, industrial bottlenecks, and the need to prioritise electrification, Link.

([158])Swedish government 'Sweden's Carbon Tax'. Fact sheet on the economic incentives provided by the national tax on fossil fuels, Link.

([159])Fossil Free Sweden (*Fossilfritt Sverige*), 'Sectoral Roadmaps for Fossil Free Competitiveness'. Official status update for 2025 regarding the 22 roadmaps and industrial coordination, Link.

and storage (CCS). The budget recognises CCS as the only viable path for the Slite cement plant, which accounts for by far the largest share of national production and generates roughly 3% of Sweden's total emissions ([160]). Sweden has pioneered a SEK 36 billion (EUR 3.2 billion) reverse auction scheme for bio-CCS, which uses a competitive bidding process to run 20-year operations for the capture and storage of biogenic carbon ([161]). This programme awarded its first major contract to *Stockholm Exergi* in early 2025 to capture 800 000 tonnes of CO_2 annually, with subsequent rounds upcomin.

Critical bottlenecks in the environmental permitting process and a lack of clear market structures for carbon removals are significant obstacles to achieving Sweden's 2030 industry decarbonisation targets. Despite recent strides to streamline regulations, the average timeline for an industrial environmental permit remains long ([162]). Manufacturing also faces gridlock in electricity allocation, where grid capacity is often granted on a first-come, first-served basis. Without a policy shift to prioritise projects with the highest proven emission reduction potential, mature and strategically vital projects may be delayed by speculative applications for power. Lastly, the financial struggles of certain high-profile industrial projects, most notably Northvolt's 2025 bankruptcy, might have led to some municipal scepticism as local authorities are often forced to pay billions to fund infrastructure without support from central government. This has created new bottlenecks where municipalities, wary of being left with stranded assets, expenditure increases and debt, are increasingly hesitant to host large-scale decarbonisation projects without a guaranteed state safety net.

Many of the challenges facing industry in the process of decarbonisation in Sweden require streamlining the permitting framework. The current Environmental Code is poorly adapted to giga-scale projects such as Stegra (formerly H2 Green Steel) in Boden, which combines hydrogen production, iron reduction and steel manufacturing in a single site. For example, Stegra received a EUR 250 million EU Innovation Fund grant and highlights how overlapping competencies between regional boards and national courts can lead to fragmentation. Different parts of an integrated project are reviewed in isolation, creating uncertainty, administrative delays and increasing financial risk. Further standardisation and bringing in fast-track status for integrated net-zero sites would reduce this uncertainty and support the swift deployment of large-scale industrial investments.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

Sweden's effort sharing emissions are projected to be above its target in 2030; earlier years' unused emission allocations will not suffice to close the gap and comply with the Effort Sharing Regulation ([163])**.** In 2024, greenhouse gas emissions from Sweden's effort sharing sectors are expected to have been 29.4% below 2005 levels. By 2030, current and planned policies and measures are expected to lead to a 44.9% reduction, leaving a gap of 5.1 percentage points to the 2030 target, a 50% reduction. Sweden could bridge part of this gap

([160])Swedish government (*Regeringen*), Government Bill 2024/25:1 (Budget Bill for 2025) detailing support for CCS technologies and the strategic importance of the Slite cement plant, Link.

([161])Swedish Energy Agency (*Energimyndigheten*), 'Support for Bio-CCS through reverse auctions'. Technical report on the SEK 36 billion framework and the 20-year operational support model, Link.

([162])Swedish Climate Policy Council (*Klimatpolitiska rådet*), Report 2025, annual assessment of the government's climate policy, specifically addressing the 2025 budget priorities, industrial bottlenecks and the need for prioritisation in electrification, Link.

([163])The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Sweden's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

with own unused annual emission allocations from earlier years but would also need transfers of allocations from other Member States to achieve compliance with the Effort Sharing Regulation ([164]). Progressing towards climate neutrality will require the swift implementation of additional measures and identification of new measures.

Sustainable transport

Recent policy changes in Sweden have led to an increase in greenhouse gas emissions, chiefly from road transport (+24%) and non-road mobile machinery (+33%) in 2024([165]). The main reason for the rise in emissions is the combined impact of a significant reduction in fuel blending requirements, markedly lowering the minimum share of biofuels in diesel and petrol to 6% in 2024 (before rising again to 10% in July 2025) ([166]), and tax cuts and extended tax exemptions on liquid fuels. This has increased fuel consumption and fuel emissions in both the road transport and non-road mobile machinery sector.

The phasing out of fiscal incentives to purchase electric vehicles has contributed to electric vehicle sales stalling since 2023 and increasing only slightly in 2025 ([167]). These measures have weakened progress on decarbonisation in the transport sector. Sweden has, however, brought in a premium for electric vehicles, directed at lower-income households in areas with low access to public transport, as part of Sweden's social climate plan co-financed by the EU. For heavy-duty vehicles, Sweden has not yet implemented tolls designed to better reflect the actual use of infrastructure and external costs of heavy-duty vehicles ([168]). Toll exemptions for zero-emission vehicles are allowed under EU law until 30 June 2031 ([169]).

([164])European Commission, Climate Action Progress Report 2025, Link.

([165])Swedish Environment Protection Agency - Sveriges utsläpp och upptag av växthusgaser, Link.

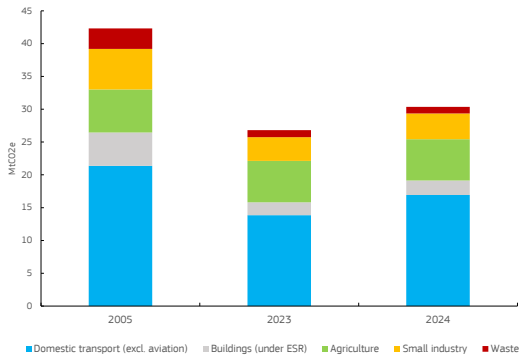
([166])Swedish government - Reduced tax on petrol and diesel and reformed reduction obligation, Link.

([167])European Commission, European Alternative Fuels Observatory, Link.

([168])Trafikverket

([169])European Commission proposes toll exemptions to boost demand for zero-emission lorries and buses, Link.

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Sweden's transition to sustainable transport is driven by a public transport system that is almost fully fossil fuel free, though the roll-out of electric vehicles, which reached nearly 39% of new registrations in 2023, has slowed ([170]). The reason for progress stalling is primarily due to the removal of the climate bonus (electric vehicle premium), the low uptake of the recent scrapping premium and lower fossil fuel prices following the lowering of the national reduction obligation. While the roll-out of zero-emission vehicles is still above the EU average (14.5%), its stalling affects Sweden's ability to reduce road transport emissions. The passenger modal split consists of approximately 80% passenger cars, 12% railways and 8% buses ([171]).

To decarbonise transport, Sweden's proposed national plan for 2026–2037 includes a historic SEK 1 171 billion investment framework that prioritises the 14 200 km railway network ([172]). Although the power used for Sweden's rail transport system is almost entirely fossil-free, many regional transport flows still rely on road infrastructure. Shifting these flows to rail transport requires clear policy objectives, long-term planning and substantial investment to address deferred maintenance and meet the needs of Swedish industry. Consequently, approximately 80% of the plan's investments are in railway development, focusing on strengthening

([170])European Commission, European Alternative Fuels Observatory, Link.

([171])Eurostat, Modal split of inland passenger transport, Link.

([172])Trafikverket - Nationell plan 2026-2037, Link.

the robustness and capacity of rail infrastructure ([173]).

Sustainable industry

Circular economy industry

Sweden has scope to improve its performance on the circular economy and waste management. In 2020, Sweden adopted its circular economy strategy ([174]) and in 2021, it followed up with a circular economy([175]) plan. The action plan sets out more than 100 different measures along the entire life cycle of products. It identifies a set of priority sectors, including plastics, textiles, renewable and bio-based materials, food, the construction and property sector (including building and demolition waste) and innovation-critical materials and minerals. Sweden also adopted an action plan for plastics ([176]) in 2022 and has taken some non-legislative measures on food waste and textiles.

Despite some improvements, Sweden continues to rank below the EU average on circular economy indicators. The country's circular material use rate was 10.4% in 2024 (EU average: 12.2%) ([177]), and resource productivity reached EUR 2.45/kg (EUR average: EUR 2.99/kg) ([178]). The level of raw material consumption remains one of the highest in the EU at 22.3 tonnes per capita in 2023 (EU average: 13.7) ([179]), underscoring a persistent reliance on primary resources.

By contrast, Sweden has reduced the volume of municipal waste generation over the last five years. In 2024, the country generated 427 kg of municipal waste per capita, which is below the EU average of 517 kg per capita ([180]). Despite recent improvement, Sweden's recycling rate of 46% remains slightly below the EU average of 48% ([181]). The country is at risk of missing the target for preparing 55% of municipal waste for reuse and recycling by 2025. Incineration is the predominant method of waste treatment in Sweden, accounting for 53% of all waste treated, while less than 1% is landfilled. The low rates of materials prepared for reuse and recycling are mainly due to low capture rates of recyclables ([182]). As of 2027, municipalities are mandated to offer property-close collection of recyclables, which is expected to increase sorting rates.

Despite being a very innovative country, Sweden does not perform well on patents for climate change mitigation technologies related to wastewater treatment or waste. It filed only four applications for such patents in 2021. Despite a 4% increase in the number of people employed in the circular economy sector ([183]), the sector only accounted for 1.5% of all employment in 2023 (below the EU average of 2%).

Fiscal tools are in place to encourage circular practices, but there is room for improvement. Since 2000, Sweden has a landfill tax in place, adjusted yearly. As of 1 January 2026, the tax rate is SEK 750/t (EUR 69/t equivalent). The landfill tax is close to the average level charged by the Member States that apply such taxes. There is a ban on landfilling residual or biodegradable waste, with an exemption for sorted combustible waste containing less than 18% total organic carbon (TOC), and waste containing less than 10% TOC ([184]). The previous tax on incineration has been removed.

([173])Trafikverket - Nationell plan 2026-2037, Link.

([174])Ministry of the Environment, Circular Economy – Strategy for the transition in Sweden, Elanders, 2020, Link.

([175])Ministry of Climate and Enterprise, Cirkulär ekonomi – Handlingsplan för omställning av Sverige, Stockholm, 2021, Link .

([176])Sveriges handlingsplan för plast – En del av den cirkulära ekonomin, Stockholm, 2022, Link.

([177])Eurostat - Circular material use rate, Link.

([178])Eurostat - Resource productivity, Link.

([179])Eurostat, Material footprints, Link.

([180])Eurostat - Municipal waste by waste management operations, Link.

([181])Idem.

([182])Commission staff working document, The early warning report for Sweden, SWD(2023) 200 final of 8 June 2023, Link.

([183])Eurostat, Persons employed in circular economy sectors, Link.

([184])SEPA information provided during the Eionet review of the draft EEA country profile on waste management for Sweden, 2024.

Extended producer responsibility applies to packaging waste from households and non-households and covers all packaging materials. Sweden applies a limited degree of fee modulation based on recyclability criteria for paper, cardboard and plastics packaging. To incentivise sorting at source, Sweden has fully rolled out pay-as-you-throw systems, mostly based on container volume and collection frequency. In addition, the fee for biowaste is lower than for residual waste or free of charge ([185]).

Meeting its environmental objectives on the circular economy and waste would require additional investment in the circular economy estimated at EUR 831 million per year, with an additional EUR 71 million for waste management, not categorised under the circular economy. Combined, this amounts to EUR 902 million per year, representing 0.16% of Sweden's GDP. This circular economy investment gap includes EUR 217 million to fund recent initiatives, such as the eco-design for sustainable products, packaging and packaging waste, labelling and digital tools, CRM recycling and measures proposed under the amended Waste Framework Directive, and an additional investment need of EUR 613 million ([186]).

Bioeconomy industry

Between 2018 and 2023, the value added by the bioeconomy has grown by 1.3% on average, below the EU-27 average of 5.1%. With the exception of the bio-based textiles manufacturing sector, which grew by around 2% on average over the same period, all other bioeconomy subsectors ([187]) registered a decline between 2018 and 2023([188]). Overall employment in the bioeconomy has fallen. Similarly to value added, among the bioeconomy sub-sectors of interest ([189]), only bio-based textiles recorded a different trend with growth in total employment between 2018 and 2023 (4.8% on average). Labour productivity in the bioeconomy – measured as value added per person employed – reached 94.6% of the national average and has decreased from 95.2% in 2018([190]). By contrast, R&D business expenditure from bioeconomy-relevant sub-sectors has grown faster than the overall R&D business expenditure in Sweden (9.3% compared to 4.5% on average between 2018 and 2023) ([191]).

Sweden's bioeconomy is defined by its world-leading wood products and furniture sector as well as by innovative technologies converting cellulose into sustainable fibres like viscose and lyocell. Sweden is currently elaborating its national bioeconomy strategy. In addition, the country participates in the Nordic Bioeconomy bioeconomy initiative ([192]).

Zero-pollution industry

Over the past decade, Sweden has made significant progress in reducing key air pollutants through cleaner energy generation, tighter vehicle emission standards and improvements in industrial technology. Emissions of several air pollutants have decreased significantly in Sweden since 2005. Nonetheless, the European Environment Agency (EEA) estimates that in 2023, 1 970 years of life were lost due to pollutants that exceed the air quality guidelines ([193]). According to the inventories submitted under Article 10(2) of the National Emission Reduction Commitments Directive ([194]) in 2024, Sweden has met its emission reduction commitments for 2020-2029 for the air pollutants nitrogen oxides (NOx), non-

([185]) European Environment Agency (EEA), Early warning assessment related to the 2025 targets for municipal waste and packaging waste – Sweden, Link.

([186]) European Commission, Environmental Implementation Review (2025), Sweden country report, Link.

([187]) Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([188]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([189]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([190]) Ibid.

([191]) Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, Link.

([192]) The Nordic Bioeconomy Initiative, NordBio, Link.

([193]) EEA, 2025, Harm to human health from air pollution in Europe: burden of disease status, 2025, Link.

([194]) Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC, Link.

methane volatile organic compounds (NMVOC), sulphur dioxide (SO2) and PM2.5, and has not met them for ammonia (NH3). Sweden is projected to meet its emission reduction commitments for 2030 onwards for NMVOC, SO2 and PM2.5, but not for NOx and NH3.

A recent OECD study ([195]) on the impact of air pollution on labour productivity suggests that improvements in air quality have contributed significantly to labour productivity growth in Europe since 2000 and could contribute further to future economic growth. In Sweden, labour productivity is estimated to have increased by 2% between 2000 and 2020 due to a 3.7% reduction in PM2.5.

Water pollution from industry also remains a critical challenge. In 2022, Sweden had the seventh highest level of emissions of heavy metals to water (130 kg, weighed by human toxicity) and ranks sixth on emission intensity in the EU (1.57 kg/EUR 1 billion in gross value added (GVA) against the EU average intensity of 0.86). Progress on water pollution in Sweden includes a 34% reduction in industrial heavy metal releases (cadmium, mercury, nickel and lead) and a 21% reduction in total organic carbon emissions to water since 2010, as reported under the Industrial Emissions Directive ([196]). However, no surface water body is in good chemical status (see the 3rd river basin management plans), and none are expected to reach good chemical status by 2027, mainly due to the ubiquitous persistence of two bioaccumulative and toxic (uPBT) chemicals: mercury and polybrominated diphenyl ethers (PBDE). Emissions of mercury can be challenging to tackle due to their sources: long-range atmospheric transport and deposition ([197]).

In Sweden, industry generates by far the biggest share of the cost of water pollution. Water pollution by industry imposes direct and indirect costs of EUR 192 million a year ([198]), and these costs are not yet sufficiently borne by the polluters.

Sweden's investment needs for pollution prevention and control are estimated to reach EUR 1.9 billion per year (including baseline investments) over the period 2021–2027([199]). Most of this need, EUR 1.3 billion, relates to air pollution control to comply with the clean air requirements for the five main air pollutants under the National Emission Reduction Commitments Directive by 2030. Current investment in pollution prevention and control is estimated at EUR 866 million per year. Therefore, to meet its environmental objectives towards zero pollution, Sweden needs to provide an additional EUR 1 billion per year (0.18 % of GDP), mostly related to investments in clean air and in noise reduction.

([195]) Dechezleprêtre A. & Vienne V, The impact of air pollution on labour productivity (EN), 2025, Link.

([196]) EEA, Water pollutant releases changes from 2010 to 2022 for the EU Member States, 2024, Link.

([197]) Commission staff working document SWD (2025)22 accompanying the Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC), Link.

([198]) European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments, Internalising environmental costs to make the polluter pay (p. 48, Table 5), 2021, Link.

([199]) European Commission, Environmental Implementation Review (2025), Sweden country report, Link.

Table A8.1: **Key clean industry and climate mitigation indicators: Sweden**

Climate mitigation	Sweden							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	182	194	176	166	151	163	-	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	48.4	46.3	49.0	47.0	50.2	46.8	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	102.2	103.4	99.9	89.7	80.1	86.4	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	79.7	80.5	80.5	79.8	79.8	80.6	81.9	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	1.79	1.78	1.96	1.71	1.58	1.78	1.76	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↘	-	-
GHG emissions intensity of production in sector [...], g/€ (6)										
- paper and paper products (NACE C17)	280	278	259	227	204	386	-	↗	722	619
- chemicals and chemical products (NACE C20)	-	-	-	-	-	-	-		-	-
- other non-metallic mineral products (NACE C23)	2 068	1 678	1 733	1 680	1 540	2 000	-	↗	2 495	2 352
- basic metals (NACE C24)	1 159	1 507	1 153	1 693	1 700	2 453	-	↗	2 842	3 099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-32.8	-37.0	-38.0	-29.4			
- domestic road transport	-21.6	-21.8	-27.1	-26.9	-34.6	-35.2	-20.8	↗	-1.4	-5.6
- buildings	-57.6	-57.0	-58.1	-57.4	-62.0	-61.5	-56.7	↗	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	43.2			29.0	27.2	26.8	30.5	-50.0%	-44.9%	-44.9%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	1.96	4.30	9.52	18.95	32.91	38.63	34.92	↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	14327	18423	24357	37166	53778	62517 ↗	446956	n/a
Share of electrified railways, % of total (9)	75.34	75.10	75.02	75.02	75.00	75.09	75.13	↗	55.47	56.49

Sustainable industry	Sweden							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	26.1	26.0	24.7	25.4	25.0	22.3	21.5	↘	14.8	13.7
Circular material use rate, %	6.6	6.4	6.9	9.5	12.1	10.1	10.4	↘	11.6	12.2
Resource productivity, €/kg	1.9	1.8	1.9	2.1	2.1	2.3	2.5	↗	2.1	3.0
Employees in circular economy	1.5	1.6	1.5	1.7	1.4	1.5	-		2.1	2.0
Patents in circular economy	17.49	15.6	8.2	3.7					12.3	12.0
Recycling rate	45.8	46.6	38.3	39.5	39.7	39.4	46.1		46.40	48.1
Plastic recyling	-	-	-	-	-	-	-		41%	42%
Construction and demolition waste (CDW) recovery	90	-	74						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	22 141	21 848	21 617	25 220	27 265	23 910	-	1.3%	642 438	863 436
Employment, total number of people employed	292 925	296 335	295 427	300 982	287 779	288 975	-	-0.2%	17 649 040	17 085 642
Productivity										
Valued added per worker, thousand EUR	75.6	73.7	73.2	83.8	94.7	82.7	-	1.5%	36.4	50.5
Valued added per worker, % of national average	95.2	91.5	88.9	92.4	105.4	94.6	-	-	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	576	608	714	856	956	983		9.3%	15 672	23 335
Total R&D business expenditure	11 091	11 583	12 133	13 328	14 105	14 472	-	4.5%	196 587	259 525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	6.7	6.5	6.0	6.3	-	-	-		414.9	352.7

Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	5 770	-34%	7 913 555	-16%	483 613	-21%	290 100	-9%		
Water chemical status		Good	-	Good (%)	-		Poor	23814.0	Poor (%)	100%

Sources and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19 and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

This annex outlines the progress made and ongoing challenges faced in improving energy affordability, while advancing the energy transition towards net zero. It reflects the implementation of the past energy-related country-specific recommendations (CSRs).

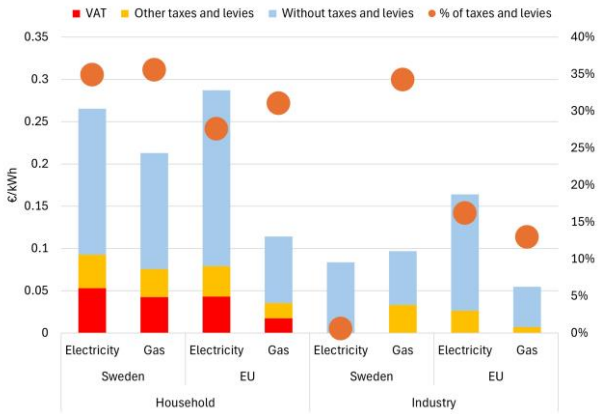
In 2025 Sweden made limited progress in installing renewable energy capacity and improving energy efficiency. Accelerating and streamlining permitting procedures for deploying renewables, particularly for offshore and onshore wind energy, remains a priority. Topics requiring further attention include: investments in grid infrastructure and network capacity; tapping the full potential of energy efficiency; and increasing market surveillance of products with eco-design and energy labelling.

Energy prices and costs

Electricity retail prices vary markedly between bidding zones amid high volatility but remained below the EU average. In the first half of 2025, average household electricity prices in Sweden increased yet remained below the EU average, at EUR 0.2654-kWh. However, household gas prices increased significantly and remained well above EU average levels,([200])EUR 0.2128/kWh, the highest in the EU . Similarly, non-household final user gas prices have increased since 2024 and remained the highest in the EU, while industrial electricity prices have stabilised, staying well below EU levels, being the second lowest in the EU. Importantly, final energy prices in Sweden in the first half of 2025 stayed similar for all.

([200])Source: Eurostat.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

For large corporations, electricity prices were nearly as high as average gas prices, and taxes and levies accounted, on average, for 1% of electricity bills but represented nearly 34% of gas bills. Excluding taxes and levies, the electricity-to-gas price ratio would have signalling an offsetting([201]).

Owing to a full share of clean energy in its electricity mix, with renewables providing over 72.4%, Sweden had the EU's second-lowest wholesale electricity prices. The country averaged EUR 44/MWh in 2025([202]), compared with an EU average of EUR 85/MWh. Average day-ahead electricity prices in Sweden increased by 18% in 2025 influenced by rising natural gas costs([203]). The effect of the latter on electricity prices was mitigated by Sweden's

([201])Eurostat data from the first half of 2025.

([202])Source: Ember.

([203])Short-run marginal costs (SRMCs) are the sum of the variable costs associated with producing electricity using hard coal and fossil gas. These are fuel costs, carbon costs and variable operating and maintenance costs. Estimates are provided by Ember.

growing penetration of renewables. Sweden remains, however, vulnerable to price spikes during peak-demand hours. This is partly reflecting limited non-fossil flexibility, and largely grid bottlenecks and large transmission distance which with higher demand leads to a costly increase in other energy sources that determine prices at the margin in order to cover supply–demand gaps. As a result([204]) in Sweden price spreads averaged EUR 67/MWh in 2025, a 30% increase compared to 2024.

In September 2025 the government introduced the following measures to protect customers from high electricity prices: reduced electricity tax throughout the country by 9.875 öre (including VAT, which entered into force as of 1 January 2026) and high-cost protection against high electricity prices for households during the period from November 2025 and throughout 2026. The high-cost protection will apply if the average spot price of electricity during a month exceeds SEK 1.5/kWh in a bidding area ([205]).

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

([204])'Spread' refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

([205])Mer pengar i plånböckerna – Regeringen.se and PowerPoint presentation of the measures introduced.

Flexibility and electricity grids

Sweden has not set a national quantified objective for flexibility. However, it has clear objectives for non-discrimination of demand response, storage and flexibility. To this end, it is introducing policies that enable non-discriminatory participation of new flexibility services and developing an aggregator framework in order to boost demand-side participation in the energy market and comply with the requirements of the Clean Energy Package.

Sweden is further developing energy markets at regional level for balancing services, which would allow more types of resources and stakeholders to participate in trade. Legislation also allows electricity grid companies to pilot smaller-scale tariff plans to stimulate more efficient grid use through demand response. A dialogue forum explores ways to develop regulatory frameworks, enabling aggregators to offer flexibility and support services in a well-functioning market.

The Swedish electricity system reached 15.5% interconnectivity in 2025, thereby reaching the EU's 2030 target for interconnection capacity. Compared to previous years, the availability of both AC and DC capacities increased. This is in line with Sweden's new transmission investments and renewal of parts of the existing transmission network.

According to its network development plan for 2026-2035, Svenska kraftnät, the transmission system operator (TSO), plans to increase work on both new investments and reinvestment in the grid over the next decade. This includes 2 900 kilometres of new lines and about 40 new stations brought into operation. In addition, it will reinvest in around 1 100 km of lines and half of its approximately 200 substations. Investments are expected to increase sharply in the coming years and to amount to approximately SEK 20 billion per year in 2026 and 2027.

Sweden has two projects of common interest for electricity: the Aurora Line and Aurora Line 2 connections to Finland. The Aurora Line connecting Messaure in Sweden to Pyhänselkä in

Finland, which was completed in 2025 and put into operation in November 2025, is a 400 kV transmission line increasing cross-border electricity capacity significantly, by up to 1 900 MW, in both directions, deepening cooperation between neighbouring countries and increasing the EU system's efficiency.

Sweden is currently assessing the potential for grid extension and updates to reduce internal congestion. The inclusion of new electricity projects of common interest (PCIs) in the second Union list reflects these needs. They involve, in particular, projects increasing cross-border capacity and relief from internal bottlenecks.

Sweden applies locational generation tariffs reflecting grid usage and is reforming its cost-allocation framework from 2027 to improve efficiency and support system integration. The increasing incidence of negative [wholesale] prices and renewable curtailment highlights the need to complement grid expansion with additional flexibility solutions that, ideally, are to ensure that price signals are consistent with incentives to optimise network capacity use. Furthermore, identifying and communicating geographical areas suitable for new connections, for both production and consumption, can lead to priority investments.

Challenges to energy system integration are presented mainly by the need to have a more efficient permitting process to construct and connect to the grid and the introduction of storage and flexibility services. Grid connection waiting times currently vary in Sweden: if connection is possible at a current grid station, the lead time is usually 3-4 years. If a new station is required, however, the lead time is 5-7 years. The RES (renewable energy source) curtailment was equal to 35 462.78 GWh in 2025. Sweden does not have specific national objectives for market integration but is continuously working on and developing market integration measures and participates in Nordic cooperation in this area.

In 2025 the country had one of the lowest rates of storage capacity in Europe, with only 47 operational projects producing 0.84 GW of operational storage capacity and another 1.62 GW of capacity announced or under construction. The volatility of Swedish energy prices in recent years has shown the importance of increased flexibility for end users. Price volatility, transmission bottlenecks and an increasing incidence of negative pricing in the country's four bidding zones (SE1 and SE2: 434; SE3: 429; and SE4: 368) highlight the need to make the system more resilient.

Sweden is further developing energy markets at regional level for balancing products, which should allow more types of resources and stakeholders to participate in them. Current legislation already allows electricity grid companies to pilot smaller-scale tariffs to stimulate more efficient grid use through demand response.

An electricity market review of the legal framework for balance responsibility was concluded in April 2025. The review was undertaken to make legislation future-proof, enable operations of new actors and allow new intermittent energy. However, pending implementation of the review's recommendations, EU regulations, such as those on balance service supply / balancing service providers (BSPs) are not yet in place. While most of the review's proposals may be considered technical, a political agreement must be reached in parliament before the progress made in this field can be assessed.

In the retail market, Sweden is advanced in terms of empowering consumers as their uptake of dynamic and flexible electricity pricing contracts stands at 86% (of which 14% have taken up dynamic-pricing contracts, 56% average monthly spot-price contracts and 14% other types of contracts). Consumers can also take advantage of cost savings from non-fixed pricing. For this, consumer activation remains fairly stable, with a slight decrease from just below 11% in 2024 to 9% in 2025.

There are no regulated price measures in force in Sweden. Consumers can benefit from smart metering as the roll-out is 100%.

Sweden is also one of the Member States with the highest share of heat pumps installed, at more than 30%. However, the proportion of household prosumers (consumers who both produce and consume energy) in Sweden corresponds to the EU average (around 5% of all

households). There are 191 projects that may be considered to be energy communities. However, no specific initiatives have been identified that enable and support frameworks for renewable energy communities and citizen energy communities, as laid down in the Renewable Energy Directive and the Internal Electricity Market Directive, nor are there any programmes or incentives to promote them.

Sweden is one of the few Member States to provide comparison tools that meet all the legal requirements, including full market coverage and dynamic contract comparison.

In 2024, electricity accounted for 33.4% of Sweden's final energy consumption, above the EU average of 23.4%, and this share has increased slightly in the past decade ([206]). When it comes to households, electricity accounts for 48.9% of final energy consumption, while in industry it represents 34.5% (see also Annex 8). For the transport sector, this share remains negligible, at 6.3%. Further progress in electrification across sectors is required in order to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

Renewables and long-term contracts

In 2025 Sweden made limited progress in accelerating the deployment of renewables. In 2025, the share of renewables in electricity mix reached 72.4%, well above the EU overall RES share of 45%, and 2% increase from the previous year**.** In 2025, total renewable energy capacity installed was 42,9GW (a 3% increase from 2024). Wind capacity and solar capacity installed in 2025 were 562 MW and 652 MW respectively.

In its final national energy and climate plan (NECP), Sweden proposed a 67% share of renewable energy as its contribution towards the 2030 EU renewable energy target. This is significantly below the required level laid down in the Governance Regulation (76%), despite Sweden having significant untapped potential to achieve a higher share of renewables by 2030, for both onshore and offshore wind power.

Sweden has put in place several reforms to facilitate permit-granting procedures, including a one-stop shop for renewable energy projects in line with the Renewable Energy Directive. The country aims to further improve permitting through the digitalisation of administrative procedures**.** Additionally, it plans to designate acceleration areas to facilitate wind power projects, which have faced significant challenges recently.

I**n 2025 the government took the following steps to address the municipal veto that hampers the uptake of wind energy projects:** introducing of financing incentives focusing on income-sharing models for nearby residents and introducing incentives for municipalities hosting wind projects with budget allocated for 2025 and 2026. However, so far, no compensation has been paid, and nothing changed in terms of achievements in new wind investments during 2025.The figures for 2025 show that the proportion of vetoes from municipalities for new wind power projects increased from previous year**s.** In 2025, 93% (43 out of 46) of onshore wind power projects were stopped by the municipalities. Between 2021 and 2024, an average of 68% of projects were vetoed by municipalities([207]). In 2025 alone the municipalities stopped 26 out of 29 wind projects. This corresponds to 346 out of 359 wind turbines that together would have had the potential to contribute 7.3 TWh.

Sweden has an active and mature market for power purchase agreements (PPAs), based mostly on hybrid and wind generation installations, with some solar photovoltaic projects. The dynamism of this market depends on the existence of a healthy pipeline of renewable energy projects and on expanding access to the market to include smaller entities.

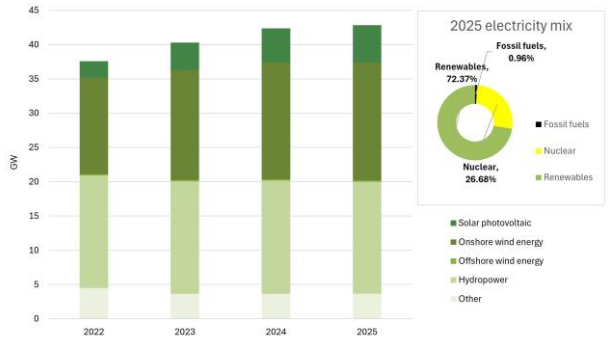
In 2023, electricity accounted for 33.2% of Sweden's final energy consumption, above the European Union average of 22.9%, and

([206])CAGR (compound annual growth rate) of −0.24% between 2015 and 2024 and minimum/maximum share of 33.3% and 34.7% respectively (source: Eurostat).

([207])Data from Green Power Sweden study: Nästan all vindkraft stoppades av kommunerna 2025 – Green Power Sweden.

this share has increased slightly in the past decade. When it comes to households, electricity accounts for 48.2% of final energy consumption, while in industry it represents 33.8%. For transport, this share remains low, at just below 68%. Further progress in electrification across sectors is required in order to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

Graph A9.3: **Sweden's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

Sweden is planning to expand its nuclear power capacity as part of its efforts to achieve energy independence. In 2024, nuclear power accounted for nearly 25% of electricity generation, with six operational reactor**s.** Sweden plans to construct two large-scale reactors by 2035 and the equivalent of 10 new reactors in total, including small modular reactors, by 2045. Since 1 August 2025, companies seeking to build nuclear reactors can apply for financial support from the state. The support is limited to investments of up to a total installed capacity of approximately 5 000 MW, which is equivalent to four large-scale reactors. The 2026 budget incorporates frameworks that enable agreements on the terms for loans for investments in nuclear power and two-sided price hedging agreements (contracts for difference) within those frameworks. Agreements can be concluded in 2026 and 2027.

Energy efficiency

Sweden has made no progress in energy efficiency. In 2024 final energy consumption (FEC) increased by 0.7%, compared to 2023, to 30.36 Mtoe, reversing the slight decline since 2019. Sweden FEC in 2024 is thus slightly unaligned with the trajectory to its expected contribution in 2030.

While in the medium term since 2019 FEC has decreased slightly in services (– 3.9%) and the residential sector (– 5.0%), in industry it has increased and in transport it has decreased (+ 3.0% and – 6.0% respectively). Between 2019 and 2024, final energy consumption in residential buildings decreased by 5%. This decrease was driven mostly by improvements in buildings and an increase in the number of heat pumps, in particular in single-family buildings.

Sweden is on track to meet the objective, set in its 2020 long-term renovation strategy, of a 7% reduction in energy consumption between 2020 and 2030. The fact that 36% of the energy consumed in the country is used in buildings highlights the importance of Sweden's draft national building renovation plan, submitted in May pursuant to the recast EPBD, and which will ensure a clear and predictable pathway towards an energy-efficient and decarbonised building stock.

Heating and cooling account for 73% of the country's residential final energy consumption, with renewables supplying 67% of the total energy used for heating and cooling in all sectors. Around 145 000 heat pumps were sold in 2024, a decrease of 24% compared to the previous year, taking the total stock of installed heat pumps to around 2.4 million. Heat pumps are very common in single-family houses, 65% of which already had a heat pump in 2022([208]). Financial support for energy efficiency improvements in single-family buildings, which was introduced in 2023, will be

([208])Swedish Energy Agency, 2025 energy indicators.

extended until 2030 and focus specifically on the worst-performing buildings ([209]).

In district heating the percentage of coal is very low and has been under 2% of input energy used on the production of district heating for the past five years. Use of renewable sources is extensive and biomass represents over 60% of input energy. In particular, Sweden has the highest share of renewables in heating and cooling among the EU countries ([210]).

Sweden reported 18 eco-design and energy labelling checks in 2025. This was better than in previous years, yet insufficient given the country's size and the EU's overall non-compliance levels.

Security of supply and diversification

Overall, Sweden's energy mix in 2024 was highly reliant on renewables and biofuels (47.1%) and on nuclear (24.9%). Sweden does not import Russian gas and 40% of its pipeline gas is biomethane. The aim is to further increase its share of biomethane and LBG and the market has set a target of 100% biogas by 2030.

Security of supply is based largely on nuclear and on the new interconnection with the Aurora Line and the future Aurora Line 2.

The deployment of multiple of Small Modular Reactors SMR projects remains challenging, requiring a predictable financing environment within the liberalised market. Success will depend on coordinated supply chains, streamlined licensing, and enhanced cross-border cooperation

In response to rising energy prices following the regional crisis in the Middle East, Sweden has reduced petrol and diesel taxes to EU Energy Taxation Directive minima (1 May-30 September 2026) and introduced ex-post cash support for households to cover high electricity and gas costs from January-February 2026. Sweden is also participating in the IEA's oil stock release and has increased funding for electric vehicle purchases for low-income households.

Fossil fuel subsidies

In 2024, environmentally harmful ([211]) fossil fuel subsidies without a planned phaseout before 2030 represented 0.13% ([212]) of Sweden's GDP ([213]). Additionally, Sweden's 2023 effective carbon rate ([214]) averaged EUR 89.69 per tonne of CO_2 – above the EU weighted mean of EUR 84.80 ([215]).

([209]) Bidraget för energieffektivisering i småhus förlängs och utvecklas – Regeringen.se.

([210]) Small increase in renewable heating & cooling in 2024 – News articles – Eurostat.

([211]) Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption".

([212]) European Commission calculation based on underlying data from the *Study on energy subsidies and other government interventions in the EU – 2025 edition,* Enerdata. Due to reservations about the methodology, the underlying data is not officially validated by Sweden.

([213]) 2024 gross domestic product at market prices, Eurostat.

([214]) The effective carbon rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([215]) OECD (2024), Pricing Greenhouse Gas Emissions 2024.

Sweden's carbon removals are falling short of its 2030 EU target for LULUCF, and the country also faces environmental and climate-related challenges, including nature degradation, and increasing exposure to climate change impacts. Despite a strengthened climate adaptation framework, national funding has not kept pace with growing needs for climate adaptation against climate-induced events such as floods or rising sea levels and droughts. Sweden's carbon removals target for 2030 is at risk, with the country's carbon sink having shrunken over time, driven by harvesting pressures, ageing forest stock, and climate-induced stressors such as bark beetle infestations and drought. Eutrophication, hydropower pressures, ageing water supply infrastructure and high PFAS levels in drinking water aggravate the overall situation. Eutrophication due to excessive nutrient loads from agriculture and from small and non-connected sewage systems affects surface waters, including the Baltic Sea, and is a threat to biodiversity and ecosystem integrity. Hydropower is the most extensive pressure on lake and river water bodies in Sweden. The country's water supply infrastructure is impacted by ageing pipes, underinvestment and increasing demand, requiring major upgrades and modernisation.

Climate adaptation and preparedness

Sweden is increasingly exposed to climate change impacts, which will require significant investments across a range of policies. Its main challenge remains the rapid rate of temperature rise, which is nearly twice the global average. Since the mid-1800s, Sweden has experienced an average temperature increase of 1.9 °C. The country is exposed to floods, rising sea levels, heatwaves, and landslides, which are increasingly affecting infrastructure, agriculture, and human health([216]). If current levels of coastal protection are not raised, direct economic damages and social impacts from coastal flooding in Sweden are projected to rise sharply this century. The cost of investments in sustainable infrastructure and climate adaptation amounts to several hundred billion SEK. A recent study estimates that Sweden will need to invest almost EUR 3.6 billion per year up to 2050 (0.5% of annual GDP): first and foremost in ecosystems restorations (more than 47% of the total), followed by infrastructure retrofitting and reinforcement (around 35% of the total) and health (around 12([217])).

Sweden has further strengthened its climate adaptation framework at all levels of government. However, while the division of labour is becoming clearer, the financial burden is a growing concern, primarily affecting regions and municipalities. The national adaptation strategy (NAS), originally implemented in 2018, was revised and updated in 2024. Furthermore, the 2018 Climate Adaptation Ordinance mandates that national authorities and County Administrative Boards integrate adaptation into their core operations. Municipalities have the principal responsibility for local implementation and land-use planning, including protecting the built environment from flooding and erosion. Regions and County Administrative Boards serve as regional coordinators, providing support and aligning local efforts with national goals([218]).

Despite these clear mandates and the requests from municipalities for increased financial support, the 2026 government budget for adaptation measures remains the same ([219]). This lack of growth in funding complicates the ability of local authorities to move from planning to large-scale physical protection measures. Sweden also uses EU funding streams to enhance resilience, including the European Regional Development Fund (ERDF) and the Recovery and Resilience Facility (RRF), ([220])"protection of valuable nature" which contributes to ecosystem resilience. At the subnational level, Sweden has expanded its support structures for regional adaptation and is a

([216])Swedish Government, 2024, Regeringens skrivelse 2023/24:97, Nationell strategi och regeringens handlingsplan för klimatanpassning, Skr. 2023/24:97. Link

([217])European Commission (2026), *Assessment of adaptation investment needs*, Table 25, Link.

([218])Swedish Government, 2024, Regeringens skrivelse 2023/24:97, Nationell strategi och regeringens handlingsplan för klimatanpassning, Skr. 2023/24:97. Link

([219])European Commission, 2025, *Commission staff working document, 2025 Country Report - Sweden*, SWD(2025) 227 final. Link

([220])Sweden's Recovery and Resilience Plan - Link

highly active participant([221]) in the EU Mission on Adaptation to Climate Change. Of the 311 EU regions and local authorities participating in the Mission, 8 are Swedish, including representatives from the country's three most populous municipalities([222]). Additionally, 18 cities and towns per country that are part of the Covenant of Mayors, representing 2.6 million citizens, about 25% of the Swedish population. Of those, 83% of signatories have submitted a 2030/2050 Action Plan ([223]).

Climate risks continue to directly impact Sweden's society and economy. Between 1980 and 2024, Sweden recorded EUR 3.9 billion in economic losses([224]) caused by weather and climate-related extreme events. While these developments pose a significant threat to vulnerable groups, Sweden's overall climate-related human and economic costs remain low relative to the EU average. Between 1980 and 2024, there were 927 recorded fatalities due to such events, the ninth lowest in the EU([225]). Sweden's economic losses during this timeframe represent approximately 0.5% of the EU's total climate-related losses, with 26% of those losses covered by insurance. This constitutes the third lowest level of economic losses per capita in the EU, after Estonia and Luxembourg. Sweden shows an above average rate of insurance coverage against weather- and climate-related extreme events in the EU (26% vs 19% for EU27) ([226]) . The Financial Supervisory Authority has conducted in-depth analyses to monitor how escalating extreme weather risks may impact consumer insurance coverage and affordability.

Systematic climate proofing of critical infrastructure is still not operational. Sweden has mandated climate adaptation across national authorities since 2018, but systematic climate proofing across sectors is still transitioning from planning to large-scale physical implementation. Sweden has assessed the energy sector as vulnerable to changing hydrological patterns and extreme weather risks to hydropower generation from seasonal water shifts and potential threats to nuclear cooling systems during extreme heatwaves and droughts. Municipalities alone estimate that they require an estimated SEK 2 to 3 billion annually to protect local infrastructure from flooding and rising sea levels. Similarly, the trans-European transport (TEN-T) network in Sweden has been identified in the medium range of vulnerability([227]) geohazard (0.38 in the Transport Vulnerability Index, where 0.40 would be high vulnerability), such as landslides in the Göta älv([228]) adaptation gaps in land-use planning with national infrastructure goals([229]). While winter storms and snow were historically the primary threats, future risks are increasingly dominated by extreme precipitation and heatwaves that threaten rail stability and road integrity. The highest costs are expected for protecting the built environment and transport corridors from floods and landslides, with annual damage costs to infrastructure estimated to reach several billion SEK if no action is taken([230]). Estimates show that a total of EUR 4 billion will need to be invested until mid-century in TEN-T, mostly in maritime ports (EUR 1 550 million) and roads (EUR 394 million). Sweden also reported the second-highest investments in TEN-T adaptation among 136 million until 2035.

There is significant scope for Sweden to tap into nature-based solutions more widely and systematically. Nature-based solutions and prevention play a key role in protecting Sweden's biodiversity and built environment from increasing climate risks. So far, nature-based solutions have not been deployed at a large scale across sectors in Sweden and remain largely project-based. They are mostly applied in specific contexts such as coastal protection and flood management, for the LIFE Coast Adapt project, which focuses on using

([221])EU Mission on Adaptation to Climate Change - link.

([222])EU Covenant of Mayors - link.

([223])EU Covenant of Mayors - Link.

([224])ECB, EIOPA (2024), *Towards a European system for natural catastrophe risk management*, Link.

([225])ECB, EIOPA (2024), *Towards a European system for natural catastrophe risk management*, Link.

([226])EEA, 2025, *Economic losses from weather- and climate-related extremes in Europe,* Link.

([227])European Commission, 2024, Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network, Publications Office of the European Union, p. 69. Link.

([228])Swedish Government, 2024, Regeringens skrivelse 2023/24:97, Nationell strategi och regeringens handlingsplan för klimatanpassning, Skr. 2023/24:97. Link

([229])Swedish Government, 2024, Regeringens skrivelse 2023/24:97, Nationell strategi och regeringens handlingsplan för klimatanpassning, Skr. 2023/24:97. Link

([230])European Commission, 2026, *Assessment of adaptation investment needs*, Link

nature-based techniques like restoring dunes and wetlands to protect against erosion and rising sea levels([231]).

Water resilience

Sweden possesses vast water resources, but climate change creates challenges. Half of the country's local water supplies come from surface water, i.e. from lakes and running watercourses. The other half comes from groundwater. The consequences of climate change for drinking water supply are considerable, including drought-induced scarcity, particularly in southern regions([232]).

It follows from the assessment of the third river basin management plans (RBMPs) that there has been a minor improvement in the ecological status/potential of surface water bodies and no improvement in their chemical status, as compared with the status reported in the second RBMPs (covering 2015-2021). About 38.4% of surface water bodies are in good or better ecological status/potential, showing some improvement compared with the second RBMPs (36.8%). However, the scope of monitoring has reduced: now only 21% of surface water bodies are monitored to assess ecological status/potential.

Significant impacts on surface waters are eutrophication from nutrient pollution, physical changes in the water bodies, chemical pollution and acidification. The main pressures result from atmospheric deposition, dams and other barriers, agriculture, industry, transport and forestry. One of the main pressures on inland surface waters comes from hydromorphological alteration, which is largely caused by hydropower production and water regulation as well as mill dams, remnants of timber rafting, canals and bridges([233]).

Hydromorphological alteration is registered as pressure on almost 60% of surface water bodies in Sweden. Almost 4 000 river water bodies and 1 000 lake water bodies are affected by water regulation or lack of connectivity. According to the Swedish Agency of Marine and Water Management, hydropower is the most extensive pressure on lake and river water bodies in Sweden([234]).

Eutrophication is a major challenge and a threat to biodiversity and ecosystem integrity. Diffuse losses of nitrogen and phosphorus from agriculture remain a main driver. Although nitrate concentrations in ground and surface waters are in general relatively low in Sweden, the country faces a challenge from the eutrophication of surface waters, including the Baltic Sea. Data reported by Sweden under the Nitrates Directive for 2020-2022 indicate that 34% of watercourses, 14% of lakes and 78% of coastal and marine waters are eutrophic or could become eutrophic.

According to the latest reporting under the Urban Wastewater Treatment Directive([235]), 97% of wastewater is treated and the cleaning is fully based on biological treatment with nitrogen and phosphorus removal. Nevertheless, diffuse pollution from discharges not connected to sewage network is a significant pressure for around 9% of rivers, 8% of lakes and 25% of coastal water bodies([236]).

Sweden's water supply infrastructure faces significant challenges from ageing pipes (mostly from the 1950s/60s), underinvestment, climate change (droughts), and increasing demand, requiring major upgrades and modernisation. The ubiquitous presence of PFAS (per- and polyfluoroalkyl substances) in drinking water is a growing concern. According to a 2024 report from

([231])European Commission, 2024, *LIFE Coast Adapt: Working with nature, not against it*, European Climate, Infrastructure and Environment Executive Agency (CINEA).

([232])Fresh water resources – Climate Change Post, Link.

([233])Commission Staff Working Document SWD (2025)22 accompanying the Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC), Link.

([234])Swedish Agency for Marine and Water Management - Towards sustainable hydropower in Sweden: Link.

([235])WISE – country profiles on urban wastewater treatment – Sweden, Link.

([236])Commission Staff Working Document SWD (2025)22 accompanying the Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC), Link.

the Swedish Society for Nature Conservation, PFAS was encountered in over 90% of the drinking water samples([237]).

Water investments in Sweden are estimated to be around EUR 736 million per year (in 2022 prices) in 2021-2027([238]). Of this, EUR 671 million supports wastewater management, EUR 5 million drinking water and around EUR 55 million the other aspects of the Water Framework Directive (water management and protection). Sweden's water investment gap to meet the various environmental targets under the Water Framework Directive and the Floods Directive is estimated at EUR 473 million per year (0.08% of GDP), with EUR 287 million linked to wastewater measures. Drinking water measures require an additional EUR 16 million per year and the other aspects of the Water Framework Directive around EUR 165 million per year over the existing levels of financing.

Although initially not programmed, under the recent mid-term review of cohesion policy for 2021-27, Sweden decided to allocate funds for water management under the national programme (EUR 12.2 million) as well as under the Småland and the islands regional programme (EUR 6.1 million).

Nature restoration

Nature degradation creates risks for the country's economy and competitiveness ([239]), with almost half of the Swedish economy (47%) highly dependent on ecosystems (EU average: 44%). Sweden also has a high supply chain dependency on ecosystem services of 28% of its gross value added (EU average: 22%). Several sectors such as agriculture, forestry, water utilities and healthcare depend fully and directly on ecosystem services for their gross value added. Moreover, forestry, which is an important branch of economic activity in Sweden, has a 91% supply chain dependency on ecosystem services.

Taking into account both Natura 2000 and other nationally designated protected areas, Sweden legally protects 15% of its terrestrial areas (EU average: 26%) and 16% of its marine areas (EU average: 13%)([240]). As regards the conservation status of habitats and species covered by the Habitats Directive for 2013-2018, the share of habitats in good conservation status has decreased by 3.09 percentage points and accounted for 22.58% in 2018 compared with the 25.67% reported under the previous reporting period. However, conservation statuses are uneven across groups: of the 33 biogeographical assessments of the 16 EU forest habitat types protected under the EU Nature Directives in Sweden, only 6% (two habitat types in the Alpine region) have a status of protected area([241]). For forest habitats, the main pressure is forestry (including conversion to less biodiverse forests), followed by energy production (biomass).

Sweden has not yet aligned with the EU Biodiversity Strategy as regards meeting the target for free-flowing rivers. The EU target is to make at least 25 000 km of rivers free flowing by 2030. The aim is to restore freshwater ecosystems, the natural function of rivers and to mitigate the impact of floods. Free-flowing rivers also generate broader socio-economic benefits, including enhanced rural landscape quality, new recreation and tourism opportunities, local job creation and improved water quality. Due to better sediment transport, deltas and coastal areas are protected against erosion and rising sea levels.

Sustainable agriculture and land use

Sweden's carbon removals fall short of what is needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). In Sweden, net carbon removals in the LULUCF sector have been declining over time, though

([237])PFAS i dricksvatten och ytvatten – Analysrapport 2024, Link.

([238])European Commission, Environmental Implementation Review (2025), Sweden country report, Link.

([239])Hirschbuehl et al. (JRC), The EU economy's dependency on nature, VASILAKOPOULOS, P. editor(s), European Commission, (2025), Link.

([240])Eurostat, Protected Areas Indicator, Link.

([241])EEA, State of Nature in the EU: Results from reporting under the Nature Directives 2013-2018, Publications Office of the European Union, Luxembourg, 2020, Link.

preliminary data shows a small trend break in recent years. This decline is primarily driven by high levels of timber and bioenergy harvesting, a slowdown in forest growth due to an aging forest stock, and the increasing impact of climate-induced stressors such as spruce bark beetle infestations and drought([242]). The 2030 LULUCF target requires additional carbon removals of 4 Mt CO2eq for Sweden, compared to 2016-18([243]). The latest available projections show a gap to target of 21 Mt CO2-eq in 2030([244]). In addition to increasing LULUCF net removals, further investments in healthy forests and soils are key to building resilient bio-based product value chains and enabling a growing, competitive EU bioeconomy. In particular, continued improvements in the monitoring system of net removal data and projections will be crucial in supporting in this area.

Sweden's policy response prioritises the rewetting of drained peatlands alongside expanded advisory initiatives to promote climate-smart forest management([245]) As presented in the Swedish NECP, these targeted actions are essential to bolster the country's natural carbon sinks and close the projected emissions gap.

Sweden faces environmental and public-health risks due to persistent agricultural pollution pressures. Such pressures emanate in particular from nutrient loads in water bodies and from ammonia emissions. Agriculture affects the aquatic environment through nutrient leakage and pesticide use, among other factors. Diffuse pollution from agriculture is a significant pressure for around 9% of rivers, 8% of lakes and 38% of coastal water bodies([246]). The excess of nutrients leads to eutrophication causing proliferation of algae blooms and oxygen depletion in both lakes and coastal waters.

The share of organic farming continues to decline in recent years in Sweden. In 2024, it accounted for 16.7% of the country's utilised agricultural land area, against 20.4% in 2019([247]). While this is still one of the best results among EU Member States, Sweden ranks above the EU average regarding the share of soil samples presenting maximum pesticide residues concentrations above 0.05 mg/kg([248]).

Sweden has not met its emission reduction commitments for ammonia, as evidenced by the inventories submitted under Article 10(2) of the National Emission Reduction Commitments Directive (2016/2284/EU) in 2023. According to the latest projections, it is not on track to meet them for 2030 onwards either([249]). With ammonia emissions from agriculture at 15.8 kg/ha in 2023 ([250]), agriculture is responsible for 86% of the total national ammonia emissions ([251]).

([242])Swedish Climate Policy Council report 2025 - Link

([243])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839, Link

([244])Climate Action Progress Report - Link

([245])Sweden - Final updated NECP 2021-2030 (2024) - Link

([246])Pressures and impacts – Water Framework Directive experts dashboards – WISE Freshwater, Link.

([247])Eurostat - Area under organic farming, Link.

([248])Vieira et al. (JRC), Pesticides residues in European agricultural soils - Results from LUCAS 2018 soil module, Publications Office of the European Union, 2023, Link.

([249])European Commission, Environmental Implementation Review (2025), Sweden country report, Link.

([250])Eurostat - Ammonia emissions from agriculture, Link.

([251])Eurostat - Ammonia emissions from agriculture - % of total emissions, Link.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:	2019	2020	2021	2022	2023	2024	EU-27 latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	6.2	4.03	5.8	2.58	3.06	-	2.76
Forest fires burned area (1) *[burned area in ha. per year]*	485	769	946	266	188	288	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	154	69	48	-	95	-	40 452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	1	1	1	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	19	26	26	26	25	25	34

Water resilience:	2019	2020	2021	2022	2023	2024	EU-27 latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	0.32	0.30	0.22	0.27	0.23	-	4.53
Water productivity *[EUR per m^3]*	182	177	-	220	-	-	151
Water abstraction							
Water abstraction by source (% from surface water)	84.20%	84.10%	-	-	-		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufactu-ring	Public water supply	Mining and Quarrying	Constru-ction	
	4.09%	5.15%	44.42%	46.35%	0.00%	0.00%	
Status of water bodies (4) *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	38%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	99%	93%

Nature restoration:	2019	2020	2021	2022	2023	2024	EU-27 latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	47%	-	-	44%
Protected area *[% of terrestrial protected areas]*	14.8	14.8	14.9	14.9	15.3		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	54	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.48		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				39	39		295

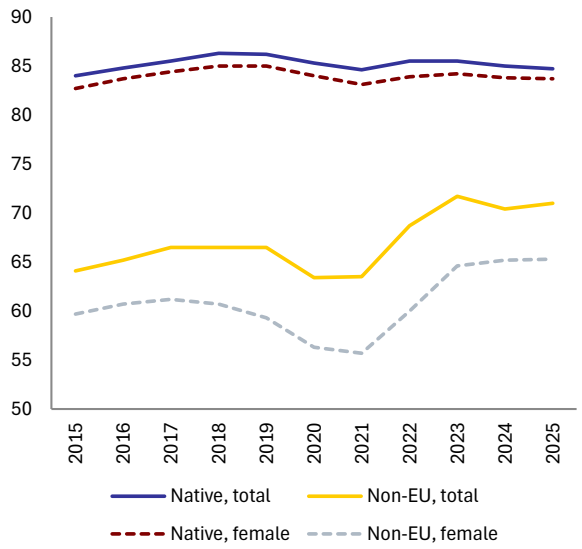
Sustainable agriculture and land use:			2012-2018		2018-2021		EU-27 latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			297		306		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					24%		
Complex and mixed cultivation					0%		
Forests					47%		
Herbaceous vegetation associations					3%		
Open spaces with little or no vegetation					0%		
Pastures					26%		
Permanent crops					0%		
Water					0%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater (5) *[$mgNO_3/l$]*	2.7	2.8	2.8	2.6	2.4		
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		0.55			0.55		0.75
Ammonia emissions *[% of total utilised agricultural area]*	89%	90%	90%	90%	90%	-	94%
Pesticide contamination on rivers and lakes water bodies *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]*				rivers lakes	7% n.d.		27% 18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					49%		57%
Net greenhouse gas removals from LULUCF (6) *[$ktCO_2$-eq]*	-39767.4	-39351.3	-36666.5	-33614.0	-31223.6	-	-198 421

(1) EFFIS (European Forest Fire Information System). Link.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.
(4) European Commission, 2024, Seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(5) Indicator refers to concentrations of nitrate (NO3) in groundwater, measured as milligrams per litre (mgNO3/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mgNO3/L to avoid threats to human health.
(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA and JRC

Sweden's labour market remains resilient overall, but structural challenges persist. Weaker employment outcomes for certain groups, especially people with a migrant background, and labour and skills shortages could affect productivity growth and competitiveness and hinder the green and digital transitions. The south experiences higher unemployment rates compared with northern regions, which impacts productivity. There is room for further integrating under-represented groups into the labour market, which would help unlock its full potential, reduce social inequalities and foster productivity growth and competitiveness. The 2025 country-specific recommendations for Sweden highlighted the need to develop the labour force's skills, particularly those from disadvantaged socio-economic and migrant backgrounds, through targeted policy measures and resources to improve their integration into the labour market.

The labour market continues to exhibit not only high employment rates but also high unemployment, reflecting exceptionally strong labour market participation. The employment rate stood at 81.8% in 2025, well above the EU average (76.1%) and only slightly below its peak of 82.6% in 2023, but still close to the national 2030 employment target of 82%. However, unemployment rose to 8.8% from 8.4% in 2024, well above the EU average (6.0%). It is projected to gradually decline to 8.4% in 2026 and 7.9% in 2027 ([252]). Part-time employment has steadily decreased in recent years and was 17.6% in 2024 (EU: 17.1%). Labour market slack ([253]) reached 14.3% in Q4-2025, up from 13.2% in Q2-2024, and well above the EU average of 11%, mainly driven by a higher share of unemployed people. Long-term unemployment also slightly increased to 1.8% in 2025, more than doubling since 2019 (0.8%), but still slightly below the EU average Marked regional disparities in unemployment rates exist between the north and the south. There are regional differences in the unemployment rate: while the northern region of Övre Norrland reported an unemployment rate of 7.3% in 2025, this figure stands at 10.3% in Sydsverige.

Graph A11.1: **Employment rate by county of birth, Sweden**



(1) Employment rates ages 20-64 (% of population)
Source: Eurostat [lfsa_ergacob]

Vulnerable groups continue to face significant challenges in labour market integration ([254]). The employment rate for those born outside the EU stood at 71.0% in 2025 (EU average: 68.7%), significantly below that of those born in Sweden, at 84.7%, which is a gap of 13.7 pps. The gap is even larger among women, at 18.4 pps (non-EU: 65.3% vs native: 83.7%). The unemployment rate for those born outside the EU stood at 19.1% in 2025, compared with 5.3% for the native-born. The gap among women was even larger (20.9% vs 5.9%). Persons with disabilities also face barriers to employment, and this is reflected in the disability employment gap, at 22.6 pps in 2025 (EU:24.2 pps).

Long-term unemployment and over-qualification are also markedly higher among non-EU-born workers. In 2025, long-term

([252])European Economic Forecast Autumn 2025

([253])Labour market slack refers to all unmet needs for employment: it represents the extent to which labour supply exceeds labour demand in the short run. It encompasses four components: underemployed people working part-time, unemployed people, people seeking work but not immediately available, and people available to work but not seeking.

([254])2025 country-specific recommendations for Sweden (4.2): Develop the skills of the labour force, particularly those from disadvantaged socio-economic and migrant backgrounds, through targeted policy measures and resources to improve their integration into the labour market.

unemployment accounted for 30.2% of total unemployment among non-EU-born people, 17.2 pps higher than those born in Sweden. Although this share has declined in recent years, it remains significantly higher than its pre-pandemic level of 20.3% in 2019, and an estimated 70% of those who have been unemployed for more than two years are foreign-born ([255]). Furthermore, over-qualification among 20-64-year-olds is much higher for those born outside the EU: 27.5% have a qualification not required in their field (vs 10.9% for those born in Sweden). This signals entry barriers for highly educated migrants and indicates underused potential, which further hinders competitiveness and social cohesion.

Measures have been launched, some with EU funding, to address the remaining challenges on the labour market, but there is scope for further efforts. In October 2025, Sweden introduced a new income-based unemployment insurance that aims to contribute to job transitions. This is coupled with a gradual reduction in unemployment benefits to encourage unemployed people to return to the labour market ([256]). Under the new system, unemployment benefits are based on income rather than hours worked, and the benefit level, in terms of percentage, is reduced earlier than under the previous model. Furthermore, in September 2025, the government announced a benefits reform package that includes an activation requirement for recipients of social assistance; it is expected to be implemented from 2027 ([257]). The 2026 budget introduced additional funds to enable an extension of the Labour Market Entry Agreement ('*etableringsjobb*'), which provides work for people with prolonged spells of unemployment and for recent arrivals in the country ([258]). Moreover, the public employment service has been tasked with increasing matching and monitoring of those jobseekers that follow active labour market programmes (ALMPs) provided by private training providers. This includes increasing occupational and geographical mobility among jobseekers. However, further efforts to reduce the gap between non-EU migrants and natives are needed. In line with the Council Recommendation on social economy framework conditions, greater involvement of social economy organisations in preparing and implementing targeted active labour market measures to integrate foreign-born women into the labour market could make those measures' more effective, with the European Social Fund Plus (ESF+) funding playing a supporting role. The Swedish national programme for the ESF+ includes measures to: (i) improve the integration of people who are far from the labour market; (ii) improve access to lifelong learning for those already employed, to adapt to a changing labour market; (iii) activate those who are far from the labour market; and (iv) promote the social inclusion of vulnerable groups.. In addition, the recovery and resilience plan (RRP) has supported the upskilling of more than 8 000 care workers for older people (a significant share of care workers are women from migrant backgrounds). It has also funded some 16 900 new study places, giving priority to those who need education and skills development the most.

Youth unemployment remains relatively high, but the number of young people in education and training continues to increase. While Sweden recorded one of the highest youth unemployment rates in the EU in 2025 (24.3% vs EU: 15.2%), the figure is partially inflated by students who are formally registered as unemployed([259]). To lower youth unemployment, the 2026 budget includes a measure to reduce labour costs for employers hiring young people aged 19-23([260]). Sweden continues to record one of the lowest rates of young people (15-24) neither in employment nor in education and training (NEETs), at 5.9% in 2025, significantly below the EU average of 11.0%, making the country one of the best performers in the EU. However, the NEET rate is significantly higher among persons with disabilities, at 14.5%. To reduce the number of NEETs, in April 2025, the government commissioned the Swedish Agency for

([255]) Identifiering och bedömning av arbetssökande med funktionsnedsättning som medför nedsatt arbetsförmåga - Delrapport.

([256]) https://www.regeringen.se/regeringens-politik/inkomstbaserad-a-kassa/.

([257]) A reform to break the dependency on benefits and strengthen Sweden - Regeringen.se.

([258]) Recent arrivals are defined as those individuals aged over 20 who have been granted a residence permit or residence card in the last 36 months for the purpose of this programme.

([259]) According to the Ministry of Labour's estimations, roughly half of reported youth unemployment consists of full-time students looking for work during their holidays.

([260]) The reform is proposed to enter into force on 1 April 2026 and to apply until 30 September 2027.

Youth and Civil Society to serve as a national coordination and support hub, focusing on mental health, and allocated SEK 31 million in grants to municipalities and regions.

Labour shortages have eased but remain significant in selected sectors and occupations. The macroeconomic skills mismatch is relatively low (16.2% vs EU: 19.2% in 2024) and the job vacancy rate fell to 1.9% in 2025, down from 2.3% in 2023. This is reflected in employer surveys: the share of firms reporting shortages as a factor limiting their production ([261]) in October 2025 was significantly lower than the EU averages across sectors. However, labour shortages persist in specific sectors. As the green transition advances, green industries will continue to expand and labour demand is expected to rise further, particularly in renewable energies. Shortages are most pronounced in administrative and support service activities, with a job vacancy rate of 3.7% in 2025 (EU: 3.3%). The ICT sector is also experiencing shortages, despite Sweden having the highest share of ICT specialists in the EU, at 8.6% in 2024. Other sectors ([262]) with widespread shortages include professional, scientific and technical activities (a 3.4% vacancy rate), services of the business economy (2.6%), and agriculture, forestry and fishing (3.0%). Moreover, 19.4% of companies in construction (vs 27.5% at EU level), 13.9% in services (vs 23.1%), and 7.2% in industry (vs 17.5%) have reported labour shortages in their respective sectors ([263])

Labour shortages are expected to intensify in the coming years, posing risks to competitiveness and growth. Labour demand in northern Sweden is high, particularly in sectors linked to the green transition, energy, construction and the public sector. However, the northernmost county of Norrbotten has some of the lowest unemployment rates in the country. By contrast, unemployment is higher in southern Sweden, making labour mobility from the south to the north crucial for skills supply and long-term economic growth (see Annex 18). Further incentives for workers to move to regions where job opportunities are available should therefore be explored. The green transition is progressing, with an increase in skills training in the energy sector, a key sector for the transition: over 30% of workers in energy-intensive industries took part in training activities in 2024, the highest rate in the EU (EU: 12%). However, there is scope to reach the national all-industry average (39.1%). Several projects funded under the ESF+, led by the public employment service and local municipalities, aim to improve the supply of skilled workers for the green transition, increase geographical mobility and attract workers to where the jobs are.

Wage growth is broadly aligned with EU trends, but the recovery in real wages has only partially offset earlier losses. Wage growth reached 5.2% in 2024 and 1.69% in 2025 and is projected to fall to 3.1% in 2026 ([264]), broadly in line with EU averages for the same period. In turn, after marked drops in 2022 and 2023 (4.8% and 2%, respectively), real wage growth reached 2% in 2024 and 0.69% in 2025 and is projected to grow to 2.5% in 2026 ([265]). Relatively low wage growth over the past decade has supported cost-competitiveness: unit labour costs increased by 6.8% in 2023 and 3.8% in 2024, less than in most other Member States, and are expected to rise more slowly in the short term (2.6% in 2025 and 1.3% in 2026). This suggests there is some scope for further wage increases without jeopardising competitiveness.

Sweden's social dialogue model remains highly effective, combining strong labour protection with regular consultation between the state and social partners. Labour market conditions are primarily determined by collective agreements between employer organisations and trade unions, with the state playing a limited role. These agreements operate flexibly within the legal framework, allowing social partners to set terms that often surpass statutory protections for employees ([266]). In 2024, 88% of all employees were covered by collective agreements, representing 4 million workers in the 18-68 age group ([267]). As all public sector employees are covered by collective agreements, the only workers not covered are those in the private sector, where

([261])Source: European Business and Consumer Surveys.

([262])See Eurostat for sectoral differences

([263])European Business and Consumer Surveys

([264])European Economic Forecast Autumn 2025

([265])Internal calculations by the Directorate-General for Employment, Social Affairs and Inclusion.

([266])Eurofound, 2018.

([267])Data from OECD/AIAS ICTWSS v2.0.

the coverage rate stood at 82% ([268]). However, trade union density was 65.9% in 2024, the highest in the EU ([269]), and employer organisation density stood at 89.1%. Moreover, since 2000, the Swedish National Mediation Office has played a central role in sustaining this system by promoting orderly wage-setting, mediating labour disputes and publishing official wage statistics.

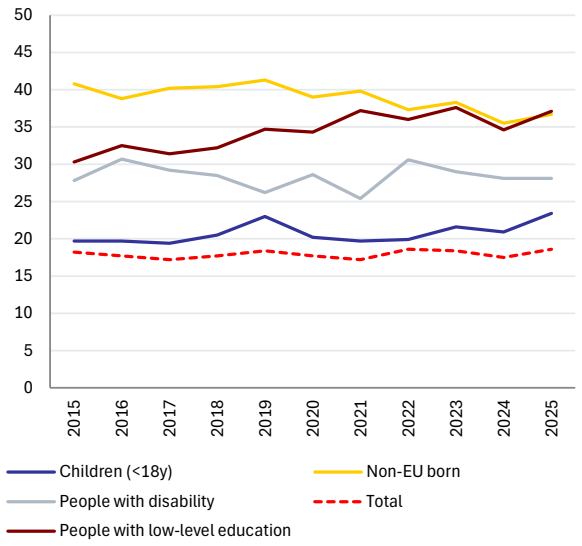
Sweden performs strongly in most aspects relating to job quality, pointing to a well-balanced model that delivers both economic security and high-quality working conditions. The country ranks among the top EU performers for fair earnings (4.1%), in-work poverty (7.1%) and work-life balance, reflecting a labour market that combines relatively high wages with supportive working time arrangements. Sweden also stands out on gender equality and equal opportunities, with small gender pay and employment gaps and a high share of women in managerial positions.

([268]) Collective agreement coverage and degree of unionisation - The National Mediation Institute

([269]) Data from OECD/AIAS ICTWSS v2.0.

Overall, Sweden's social situation has improved, but vulnerable groups continue to face a higher risk of poverty. Despite recent improvements in the effectiveness of social transfers, the gap in poverty rates between the native-born population and people born outside the EU continues to be one of the largest in the EU. People with a low level of education, children and persons with disabilities also face higher poverty risks. There are also regional disparities, with Sydsverige recording the highest poverty levels. Income inequality has decreased since reaching its highest level in a decade in 2023. Addressing these challenges will help foster Sweden's inclusive growth and competitiveness.

Graph A12.1: **At-risk-of-poverty or social exclusion rate by age group in Sweden**



(1) AROPE: At-risk-of-poverty or social exclusion rate (% of total population).
Source: Eurostat, EU-SILC

Poverty and social exclusion risks are rising, and the poorest are experiencing deeper poverty. The at-risk-of-poverty or social exclusion rate (AROPE) rate rose from 17.5% in 2024 to 18.6% in 2025, remaining below the EU average of 20.9%. However, this increase has not been steady in recent years. Severe material and social deprivation reached 3.9% in 2025, its highest level in a decade. While this remains well below the EU average of 6.3% and among the lowest in the EU, the increase suggests that the gap with the EU average is narrowing. Since 2015, Sweden's rate of severely materially or socially deprived persons has increased by 2.8 percentage points (pps), whereas the EU average has decreased by 3.4 pps, indicating that a growing number of people in Sweden are unable to afford certain goods, services and social activities. The relative poverty gap, which measures the intensity of poverty, decreased to 23.1% in 2024 (from 23.4% in 2023). However, it remains above the EU average of 22.5%, indicating that people living in poverty in Sweden generally fall further below the poverty threshold than the EU average. The Swedish European Social Fund Plus (ESF+) programme has allocated around EUR 21 million to reduce financial vulnerability and foster a more inclusive society. To address the multiple dimensions of poverty, the implementation of a comprehensive approach, as set out in the EU Anti-Poverty Strategy, can support progress towards eradicating poverty.

People with a migrant background and other vulnerable groups experience a significantly higher risk of poverty and social exclusion. Although the figures have decreased since last year, the gap between people born outside the EU (36.7%) and those born in Sweden (12.3%) remains significant, at 24.4 pps. This is wider than the EU average gap of 21.3 pps (38.9% for people born outside the EU vs 17.6% for the native-born population). Barriers to employment, including institutional, skills and language constraints, contribute to these higher poverty levels. Poverty and social exclusion risks are also higher among people with a low level of education ([270]) (37.1%) than among those with a higher level of education ([271]) (12%). Similarly, persons with disabilities aged 16 years and over face a higher risk of poverty and social exclusion (28.1%) than those without disabilities (15.3%), close to the EU average of 28.8%.

Child poverty is declining in Sweden, but it remains higher than the EU average among parents with a low level of education. The AROPE rate for children increased by 2.5 pps, reaching 23.4% in 2025 (vs EU: 24.3%). However, the risk of poverty or social exclusion remains much higher for children whose parents have a low level of education (70.6% vs an EU average of 62.5%). Sweden has set a relatively modest child poverty reduction target for 2030, aiming to lower the number of children at risk by 5 000 compared

([270])i.e. ISCED levels 0-2.

([271])i.e. ISCED levels 5-8

with 2019 levels. This target has already been achieved, paving the way for potential further improvements.

To reduce the impact of poverty on children, Sweden has implemented the European Child Guarantee (ECG) through its national action plan launched in March 2022. The 2024 progress report ([272]) shows that support has increased in several areas. These include early childhood education and care, services for children with disabilities and learning difficulties, and special needs training for teachers. According to the 2025 Teaching and Learning International Survey (TALIS), 15% of teachers in Sweden reported a high need for training in teaching students with special needs, which is lower than the EU average (24.2%). However, implementation challenges remain, and some groups continue to face barriers. Moreover, there are insufficient national data on poverty, social exclusion, children with disabilities and access to welfare services for children in care, which hinders the effective monitoring of these groups. The European Social Fund Plus (ESF+) supports the ECG by funding initiatives to prevent early school dropouts and provide organised extracurricular activities for vulnerable children.

Significant regional differences in poverty risks persist. In 2024, the highest AROPE levels were found in Sydsverige (21.4%), followed by Östra Mellansverige (20.7%), Mellersta Norrland (19.8%) and Norra Mellansverige (19.3%). The gap in AROPE rates is especially pronounced between the southernmost (Sydsverige) and the northernmost regions (Övre Norrland), at 5.9 pps (21.4% vs 15.5%). The poverty rate in Sydsverige is driven not only by the severe material and social deprivation rate (3.9%), but also by the at-risk-of-poverty rate (17.8%) and higher unemployment levels (see also Annex 11 and Annex 19).

The impact of social benefits on poverty reduction has recently increased again but remains far below historically high levels. In 2024, social transfers (excluding pensions) decreased by 2.2pps compared with the previous year, reaching 38.3%. Further, the rates observed between 2022 and 2025 have been the lowest since 2005. Sweden allocates 45.4% of its total social-benefit spending to old-age benefits and 38.2% to sickness, healthcare and disability. Much smaller shares are spent on unemployment (2.53%) and social exclusion benefits (1.81%). Income inequality decreased between 2023 and 2024, when the income of the richest 20% of the population was approximately 4.58 times higher than that of the poorest 20%. Nevertheless, in 2023, income inequality was at its highest level since 2004.

In-work poverty is rising, with the rate for temporary workers among the highest in the EU. In 2025, the in-work poverty rate reached 7.1%, down by 0.5 pps since 2024, moving away from the EU average of 8.3%. The rate was significantly higher among non-EU-born workers (17.2% vs 4.3% for native-born workers), and single-person households (10.2% vs the EU average of 11.8%). For single-person households, the rate is now below the EU average, with a decrease of 2.5 pps since the previous year. Employees on temporary contracts face a much greater risk of poverty. Their in-work poverty rate reached 18% in 2025 (vs 12.9% in the EU), having decreased by 3.4pps from the previous year and much higher that the EU average of 12.9% and one of the highest in the EU, indicating that despite being employed, temporary workers still face a high risk of poverty.

Energy poverty in Sweden is relatively low, although more households are falling behind on utility bills. In 2025, 4.7% of the population were unable to keep their homes adequately warm, an increase of 0.6 pps from the previous year. While this is well below the EU average of 8.8%, it is one of the highest levels observed over the past decade, reflecting the impact of the recent energy crisis. At the same time, the percentage of households unable to pay utility bills on time is at its highest in a decade (4.4%), although still below the EU average of 7%. To tackle energy poverty, Sweden has adopted a range of social welfare policies, including financial assistance for low-income households and housing allowances. The upcoming introduction of the EU emissions trading system for buildings and road transport (ETS2) is expected to lead to smaller increases in heating spending than the EU average, as fuels covered by ETS2 account for only 2% of household energy consumption. However, as energy poverty persists amid inflation

([272]) Progress Report on Sweden's national action plan for the implementation of the European Child Guarantee (2024). https://ec.europa.eu/social/BlobServlet?docId=27563&langId=en.

and rising electricity prices, and as arrears on utility bills continue to increase, more support may be needed to help households meet the cost of electricity and natural gas supply.

Transport poverty risks are higher in rural areas. Transport affordability, measured as the share of people unable to afford a car, stood at 6% in 2024, slightly above the EU average of 5.6%. Transport poverty risks are more severe among vulnerable groups, particularly in rural and sparsely populated areas, where travel is expensive and public transport options are limited. Under ETS2, transport fuel spending is projected to increase more than the EU average. From 2026 onwards, the Social Climate Fund will help mitigate these impacts by supporting vulnerable households in rural areas with limited access to public transport to purchase or lease new or used electric vehicles. In the Norra Mellansverige region, for example, where 16.8% of the population is at risk of poverty, around half of residents cannot reach a healthcare facility within 16 minutes by public transport([273]). See also Annex 19.

([273])Based on calculations from the Joint Research Centre.

The performance in education and skills is strong overall, but challenges persist. Shortages of qualified teachers persist at all levels but are particularly severe for early childhood education and care (ECEC). Reforms launched recently aim to improve the attractiveness of the profession. The shortage of qualified ECEC teachers particularly affects disadvantaged children. While Swedish students perform above the EU average in basic and digital skills, education outcomes in basic skills have declined since 2018 and significant gaps exist for pupils with a migrant background. The school system is insufficiently fulfilling its compensatory mission. Difficulties in the transition to upper secondary school are yet to be addressed and many pupils leave school without sufficient qualifications ([274]). Furthermore, those who complete vocational education and training (VET) face declining employment rates and increasing mismatches between their qualifications and available jobs. Adult learning remains among the highest in the EU, across all age cohorts. These challenges weigh on Sweden's competitiveness in key sectors, especially those with high occupational skills shortages ([275]).

The shortage of qualified ECEC staff especially affects disadvantaged children. The participation rate for children from the age of three to the beginning of compulsory school stood at 96.3% in 2023, above the EU-level target of 96%. From 1 July 2025, the ECEC curriculum has become mostly screen-free, and emphasis is put on reading and physical exercise. The shortage of qualified staff remains a challenge: only 43% are qualified ECEC teachers and 16% qualified childminders. The shortage is bigger in urban areas, especially those with a high share of children with a migrant background. According to the Swedish national report on the TALIS Starting Strong survey, despite 90.3% of ECEC teachers being satisfied with their job, 40% of them plan to change career within five years ([238]), which may exacerbate the situation further. ECEC facilities with a higher proportion of disadvantaged children have a slightly lower share of trained ECEC teachers ([276]). The National Audit Office's (NAO) report shows that monitoring of quality provision and data collection could be further improved ([277]).

The shortages of qualified teachers may be exacerbated by a high dropout rate from teacher education studies. A significant share of teachers is not fully qualified, with variations by geographical area, education level and service provider ([278]). Municipal schools have a higher share of qualified teachers (in all grades) than independent schools (72% vs 65%) ([279]). At the same time, limited expansion of places in initial teacher education and high dropout rates continue to constrain the supply of new teachers. While the number of places in higher education significantly increased in 2021 and 2022 (by 18 000 in 2022), only 263 new places were created in initial teacher education for vocational teachers. NAO's review of dropouts ([280]) found that dropout was highest from subject teacher studies, with only 46% of enrolled students graduating. Dropout rates from other teacher studies are also very high (see graph A13.1) due to insufficient basic skills and wrong study choice. Some higher education institutions are developing tools for early detection of dropout risk. For primary teacher students, one of the obstacles is the practical part of initial teacher education ([281]). The government has decided to raise the entry requirement for primary teacher education programmes from grade E to C ([282]) from autumn 2026 ([283]), which may reduce the dropout rate.

([274])2025 CSR 4.1 'Improve educational performance, including of students from disadvantaged socio-economic and migrant backgrounds, by addressing the persistent shortage of qualified teachers, by ensuring equal access opportunities to the schooling system and by further supporting the transition of students to upper secondary school.'

([275])2025 CSR 4.2 'Develop the skills of the labour force, particularly those from disadvantaged socio-economic and migrant backgrounds, through targeted policy measures and resources to improve their integration into the labour market.'

([276])For a certain increase of children with a low socio-economic background (and/or migrant background), the share of qualified ECEC teachers will decrease by around 10% of that increase in children.

([277])National Audi Office, 2025, *Likvärdighet i förskolan – statens stöd, uppföljning och tillsyn*.

([278])The share of qualified teachers is in compulsory school: 88% in grades 1-3, 81% in grades 4-6; 69% in grades 7-9; in upper secondary school: for subject teachers 79%, for vocational teachers 57%.

([279])National Agency for Education, 2025, Lärarprognos 2024.

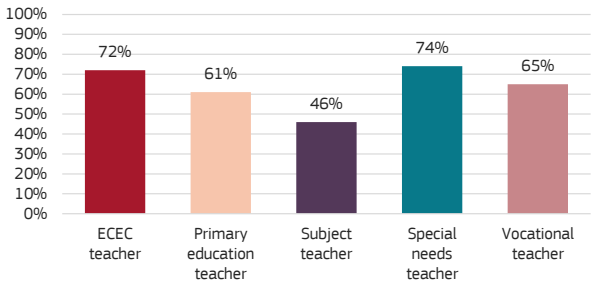
([280])Measured as the proportion of students who complete the programme within its nominal duration +3 years.

([281])National Audit Office, 2025, Lärosätenas arbete mot avhopp från bristyrkesutbildningar (RiR 2025:3).

([282])The grade scale goes from A as the highest to F as fail. E was a low pass, C is medium-level knowledge.

Sweden is taking steps to improve the attractiveness of the teaching profession, but challenges persist. The TALIS 2024 survey shows that societal recognition of the teaching profession is rising but remains low at 14.7%. Satisfaction with salary has also increased, from 34.8% in 2018 to 40.1% in 2024, despite a drop in the ratio of salaries when compared to those of tertiary educated from 0.87 in 2019 to 0.76 in 2024. At the same time, at 44 hours per week, teachers' working time is one of the highest in the EU (EU average: 39 hours), and a higher share report stress related to administrative work (64.8% vs EU average: 54.8%). Despite the provision of teaching assistants, these pressures have not eased since 2018. A high share of teachers work in a school where more than 10% of students have special education needs (62.9% vs EU: 50.2%) and/or where more than 10% of students are not native speakers (63.5% vs EU: 24.4%). The latter figure is the highest in the EU, and both have increased since 2018. In Sweden, almost all eligible children and students are enrolled in mainstream education across all education levels, with only 1-2% of students going to separate special schools. The government is introducing legislation regulating the number of teaching hours, their planning and follow-up. Moreover, the national professional programme for headteachers, teachers and ECEC teachers, included in the recovery and resilience plan, started in September 2025. It consists of two parts: 1) the national structure for the development of professional competencies of headteachers, teachers and ECEC teachers and 2) the national merit system for licensed teachers and ECEC teachers, with qualification levels ([284]).

Graph A13.1: **Completion rate of teaching studies in Sweden**



Source: SCB, 2022, *Universitet och högskolor. Genomströmning på grundnivå och avancerad nivå till och med 2021/22.*

Swedish students' education outcomes are relatively good, but worse for those with a migrant background. Underachievement in the OECD Programme for International Student Assessment (PISA) 2022 is lower than the EU average: for mathematics 27.2% vs EU 29.5%, for reading 24.3% vs EU 26.2% and for science 23.7% vs EU 24.2%. However, the share of underachieving students has increased significantly since 2018. Digital skills are slightly better than the EU average – 40% of eighth-grade students underachieve vs EU 43% (ICILS, 2023). According to the Swedish national ICILS report, students with a migrant background are much more likely to underachieve: 6 out of 10 pupils born abroad to foreign parents do not reach the basic level of digital skills, and there are also significant differences according to socio-economic background affecting equity and access to the schooling system. The share of early leavers from education and training in 2025 was 6.7%, 0.5 pps lower than in 2024, and below the EU average of 9.1%. Yet foreign-born students are twice as likely as native-born ones to leave school early (11.4% vs 5.5%). Challenges for transition to upper secondary and continued education remain In 2022, 15% of all pupils failed to meet the requirements for enrolling in a national programme in upper secondary education. Disparities in grading can be noted between schools, as the way grades are awarded varies across schools and teachers, with independent schools being on average more generous in their grading. Greater heterogeneity in the classrooms could also help address the educational disadvantage of learners with a migrant background. The PISA isolation index for students with a migrant background is one of the highest in the EU (0.22), which shows that these students are more likely to be concentrated in certain schools.

([283])Ministry of Education, 2025, Nu reformeras lärarutbildningen – här är alla förändringar, press release.

([284])Government 2025, *Nytt professionsprogram för lärare, förskollärare och rektorer ska göra yrkena mer attraktiva*, press release.

There are several inquiries and policy initiatives aiming to address these issues, e.g. a proposal to remedy grade inflation so that grades would fairly reflect students' knowledge and give them more equal chances to continue to the next education level. However, measures based on these inquiries are still to be decided.

VET enrolment and support have increased, but persistent challenges to labour-market relevance remain. The share of learners enrolled in vocational programmes at medium level ([285]) increased slightly to 36.4% in 2024 but remains well below the EU average (49,4%). Participation in work-based VET learning stood at 67.3% in 2025, above the EU average (66%%) and above the EU-level 2025 target of 60%. The recent economic downturn has weakened employment outcomes for VET participants. The employment rate for young people 1-3 years after VET completion continues to decline, from 85% in 2024 to 84% in 2025, though it remains above both the EU average (77.7%) and the EU 2025 target (82%). Outcomes are also weaker in the first year after completion of post-secondary non-tertiary VET (yrkeshögskola), where the employment rate dropped from 84% in 2024 to 81% in 2025, indicating a growing delay in the transition to employment. Although most of those in employment have jobs matching their education, this share has fallen over time, to 58% in 2025, with employment in entirely non-matching occupations increasing ([286]). To address the situation, Sweden has, among other things, introduced measures to strengthen the integration of labour market needs into the planning and provision of upper secondary VET. Moreover, regional authorities are required to set skills priorities and assess their short- and long-term skills needs (see also Annex 19). The Recovery and Resilience Facility has supported the creation of over 68 000 new places in regional adult vocational education.

Tertiary educational attainment is among the highest in the EU. In 2025, the tertiary educational attainment rate for people aged 25-34 was 53.6%, higher than the EU average of 44.8%). The rate for young people living in cities is nearly twice as high as for those living in rural areas (66.9% vs 34.1%). The employment rate of recent tertiary graduates was high at 91.1% in 2025 (EU: 87%). The share of students in science, technology, engineering and mathematics (STEM) programmes is higher than the EU average (28.9% vs EU: 26.9% in 2023). However, the number of jobs requiring STEM degrees is growing much faster than the supply of people with STEM qualifications ([287]) (see also Annex 4).

Sweden has one of the highest adult learning participation rates in the EU. In 2022, 66.5% of adults participated in education and training, far above the EU average of 39.5% and further increasing. These results reflect a long-standing tradition of adult education and a comprehensive network of folk high schools, study associations and similar providers ([288]). While participation rates vary among cohorts, for all they are among the highest in the EU. The largest share of learners are young people (18-24), of whom some 95 700 were enrolled in Komvux in 2024, around a quarter of the total ([289]). This represents approximately 11% of that total age group and indicates issues within the education system, as students who leave formal education early or with insufficient grades continue education via adult learning. A significant part (39%) are foreign born who did not start their education in Sweden. Participation was also higher among those with higher levels of education (around 45%) and among people living in urban areas (around 40%) ([290]). More recent data from the labour force survey suggest a possible further increase in participation rates between 2022 and 2024.

Sweden is undergoing one of the fastest shifts in skills demands ([291]), posing challenges to competitiveness in key sectors. Rapid digitalisation, automation and the rise of AI

([285]) Combination of upper-secondary and post-secondary non-tertiary education.

([286]) Statistics Sweden (SCB), 2025, *Svårare att få arbete efter examen från yrkeshögskolan*.

([287]) Farrahi, N., 2023, *Framtiden kräver STEM: Rekommendationer för en framgångsrik nationell strategi*, Naturvetarna.

([288]) Adult Education Survey 2022, special extraction excluding guided-on-the-job training.

([289]) Komvux is the Swedish municipal education system, offering free courses.

([290]) Statistics Sweden (SCB), 2025, *Vuxnas lärande 2024*.

([291]) Among OECD countries Gidehag, A. (2024). *Arbetskrafts- och kompetensbrist: En kunskapsöversikt* (2024). Myndigheten för tillväxtpolitiska utvärderingar och analyser (Tillväxtanalys). https://www.tillvaxtanalys.se

are reshaping roles across industries. At the same time, the economy is moving towards a more knowledge-based model, further accelerating this transformation. As a result, there is a growing shortage of highly skilled workers ([292]). Recent analysis ([293]) points to especially high demand for skills in AI, cybersecurity, software development and green technologies ([294]). The green transition is having a significant impact on the Swedish labour market, with green skills required across the economy, especially in the north of the country. Skills for the green transition largely overlap with those needed in an increasingly automated and digital economy.

Sweden has a strong digital skills base, but sustaining ICT growth and ensuring a sufficient number of STEM graduates remains a challenge. Sweden scores highly in both basic and advanced digital skills, ranking among the highest in the EU. In 2025, 70% of the population had at least basic digital skills, compared to the EU average of 60.4%. Advanced IT skills are reflected in the labour market – 8.6% of workers are ICT specialists, well above the EU average of 5%. However, Sweden faces challenges in keeping pace with rising demand for digital expertise ([295]). Sweden's recovery and resilience plan earmarks EUR 42 million in funding to enhance digital skills at higher education institutions. According to the Swedish Agency for Growth Policy Analysis ([296]), STEM skills are considered essential for the green transition. Meanwhile, the number of students graduating in STEM subjects is insufficient to meet rising demand ([297]). In 2024, Sweden had 36.0% medium-level VET pupils in STEM fields (EU: 36.9%), and 15.6% were female pupils (EU: 15.9%). Although enrolment in tertiary STEM programmes surpassed the EU average in 2023 (28.9% vs 26.9%), it fell short of the proposed EU-level target of 32% ([298]). Dropout rates among engineering students are high (46%), and student interest in science programmes at upper secondary school has been declining. This may partly reflect weaker performance in mathematics, which is a key foundation for STEM studies. Moreover, according to the Swedish Agency for Growth Policy Analysis, occupational stereotypes and gender segregation in the labour market may constrain recruitment into green industries. Broadening the talent pool and developing new and existing skills would be beneficial for obtaining the green competencies crucial for the green transition. In 2025, Sweden adopted a STEM strategy to improve the attractiveness of STEM programmes and increase enrolment. The Swedish European Social Fund Plus (ESF+) programme is further investing EUR 439 million into reskilling and upskilling measures for the labour force, including in STEM.

The well-established skills intelligence system is crucial for ensuring that education provides labour-market relevant skills. The Swedish skills intelligence system is built on a decentralised yet coordinated framework involving three key institutions: Statistics Sweden (SCB), the Public Employment Service and the National Institute of Economic Research. These bodies conduct various skills anticipation activities, including short- and long-term forecasting, employer surveys and sector-specific assessments. Their work is grounded in extensive, frequently updated data and informed by close collaboration with stakeholders including trade unions, employer confederations and educational institutions. Tools such as the Occupational Compass ([299]) and reports such as Trends and Forecasts (*Trinder och prognoser*) ([300]) help disseminate insights. The intelligence gathered is used to shape education and training policies and guide labour market interventions.

([292])Gidehag, A., 2024, *Arbetskrafts- och kompetensbrist: En kunskapsöversikt*, Myndigheten för tillväxtpolitiska utvärderingar och analyser (Tillväxtanalys).

([293])Edstellar, 2025, *Skills in demand in Sweden*.

([294])Edstellar, 2025, Skills in demand in Sweden.

([295])European Commission Digital Decade Country Report, 2025.

([296])Tillväxtanalys, 2024, Grön omställning och kompetensförsörjning.

([297])Education and Training Monitor 2025.

([298])STEM Education Strategic Plan: skills for competitiveness and innovation, 2025.

([299])Public Employment Service, *Hitta yrken*.

([300])Last available report is for 2023 (published in 2024): Ditt utbildningsval påverkar dina jobbmöjligheter.

Table A14.1:**Social Scoreboard for Sweden**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	66.5
	Early leavers from education and training (% of the population aged 18-24, 2025)	6.7
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	70.0
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	5.9
	Gender employment gap (percentage points, population aged 20-64, 2025)	3.9
	Income quintile ratio (S80/S20, 2025)	4.58
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	81.8
	Unemployment rate (% of the active population aged 15-74, 2025)	8.8
	Long term unemployment (% of the active population aged 15-74, 2025)	1.8
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	121.2
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	18.6
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	23.4
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	38.3
	Disability employment gap (percentage points, population aged 20-64, 2025)	22.6
	Housing cost overburden (% of the total population, 2025)	10.8
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	59.6
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	2.1

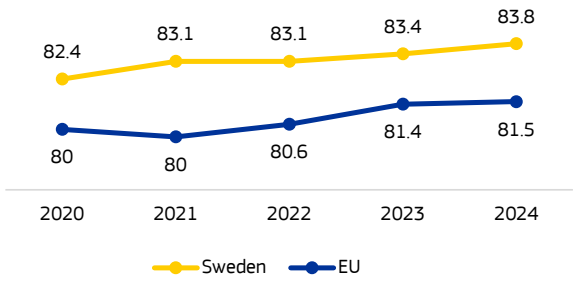
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat

Sweden's health system performs comparatively well, with high life expectancy at birth linked to low levels of treatable and preventable mortality. However, the country faces shortages of healthcare professionals and hospital beds, and an uneven geographical distribution of healthcare resources. Several measures are underway to address these issues and place the country in a better position to ensure the health of its population, social fairness and productivity.

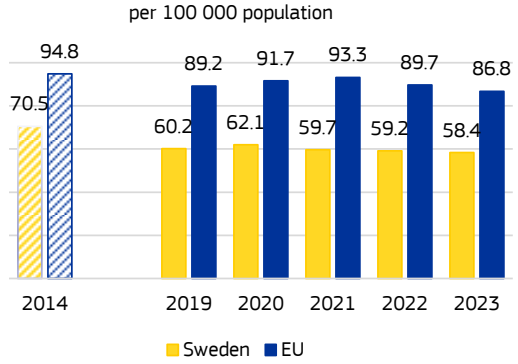
Graph A15.1: **Life expectancy at birth, years**



Source: Eurostat (indicator: demo_mlexpec)

Life expectancy at birth in Sweden was among the highest in the EU in 2024. As in other EU countries, women can expect to live longer than men (3.3 years longer). However, they can expect to live around 2.2 years less than men in good health. At age 65, the life expectancy for Swedish people is longer than the EU average, and importantly, their healthy life expectancy at that age is among the longest in the EU. Sweden fares well in avoiding deaths from treatable causes. In 2023, the rate of treatable mortality was among the lowest in the EU, reflecting the clinical effectiveness of the health system. Diseases of the circulatory system ('cardiovascular diseases') and cancer were the leading causes of death, but with mortality rates below the EU average. In particular, the age-standardised mortality rate from cardiovascular diseases dropped by around 50% in the past two decades, driven by significant advances against ischaemic heart disease ([301]). In 2023, the suicide rate remained above the EU average, having increased since 2014.

Graph A15.2: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

Preventable mortality in Sweden is among the lowest in the EU despite comparatively modest spending on disease prevention. In 2023, spending on prevention in Sweden accounted for 3.1% of total spending on health, lower than the EU average of 3.7%. Yet, the rate of preventable mortality in Sweden was around 30% lower than the EU average, among the lowest in the EU. High vaccination coverage (above the EU average levels for measles, influenza and human papillomavirus) and high uptake of cancer screening contribute to this achievement. Notably, participation rates in screening programmes for breast, cervical and colorectal cancer are substantially higher than the EU averages ([302]). Unhealthy dietary habits, such as low fruit consumption, are leading contributors to preventable deaths. While Swedish adults report physical activity rates well above the EU average, obesity rates have risen in recent years and surpassed the EU average, raising concerns about the prevalence of diabetes and cardiovascular diseases in the future. The smoking rate among adults is one of the lowest in the EU, but regular use of vaping products has been on the rise among adolescents and exceeds the EU average rate. Sweden participates in joint actions funded by EU4Health aimed at reducing the onset and burden of non-communicable diseases, such as PreventNCD ([303]). In its 2025 report, Sweden's Productivity Commission proposed putting in place a national programme to strengthen people's

([301]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Sweden. State of Health in the EU.*

([302]) *Country Health Profile 2025: Sweden* – see earlier footnote.

([303]) JA PreventNCD - Reducing Europe's cancer and NCD burden through coordinated strategies on health determinants.

ability for self-care and to implement prevention measures for themselves ([304]).

Health spending in Sweden and its share covered by public funds are well above the EU average. In 2023, health spending per inhabitant in Sweden (adjusted for differences in purchasing power) was among the highest in the EU. Outpatient care accounted for the largest share of health spending (higher than the EU average), followed by long-term care. This reflects Sweden's policies to shift care away from hospital to community settings. In 2023, the publicly funded share of health spending stood at 86.1% of total health spending, one of the highest in the EU. Consequently, the share of households' out-of-pocket payments for healthcare was lower than the EU average. Out-of-pockets payments relate mainly to retail pharmaceuticals, dental care and outpatient care. To support the long-term sustainability of the health system against a backdrop of rising spending for pharmaceuticals, the government increased in July 2025 the ceiling for out-of-pocket payments for pharmaceuticals, from SEK 2 900 to SEK 3 800 over a 12-month period. Despite this increase, targeted protections, such as exemptions or reduced fees, for vulnerable groups remain. To strengthen financial protection from healthcare costs, a dental care subsidy came into force in January 2026, through which people aged 67 and older pay only 10% of the cost of most dental treatments.

Sweden's health system is effective in keeping hospital admission rates low, but a low density of hospital beds poses capacity challenges. Sweden's policy choice to invest in outpatient care has been effective in preventing unnecessary hospitalisations. In 2023, the rate of avoidable hospital admissions for conditions that are sensitive to management at outpatient care level (such as congestive heart failure, diabetes, asthma and chronic obstructive pulmonary disease) was 25% below the EU average ([305]). Sweden is also among the leading EU countries in combating antimicrobial resistance (AMR). Antibiotic consumption was among the lowest in the EU in 2023 and Sweden is well on track to meet its national 2030 consumption target set by an EU Council Recommendation on AMR ([306]). The rate of emergency department visits in hospitals and the average length-of-stay in hospitals were comparatively lower in Sweden than in many other OECD countries ([307]). The average length-of-stay in hospitals is in fact among the lowest in the EU. However, the density of hospital beds per population is among the lowest in the EU, to the extent that all regions in the country identified shortages of available places ([308]). According to the National Board of Health and Welfare (NBHW), the number of hospital beds that were available in 2025 should increase by 12%, or approximately 1 900 beds, to meet short-term needs. The government has launched a multi-year expansion plan to address the shortfall through a combination of efficiency gains and funding for new beds. The expansion has encountered difficulties though, as it became apparent that the shortfall of hospital beds is mainly due to shortages of nursing staff and less due to lack of physical capacity or funding. Consequently, the government redesigned the plan and now requires regions to implement workforce reforms targeting nursing recruitment and retention as a precondition for accessing funding for new hospital beds. The target of closing the bed capacity gap is postponed to 2027, but the NBHW warns that, without more decisive action, this may not be reached before 2033 ([309]).

Long waiting times pose challenges in accessing healthcare, but measures are underway to address them. In 2025, 3.6% of the Swedish population who reported needing medical care had unmet needs, mainly due to waiting times. This share was equal to the EU average. Long waiting times constitute a challenge in primary care, mental healthcare and specialist care. In 2024, 6.7% and 11.2% of the population reported unmet needs in primary care and mental healthcare respectively, both above the EU averages ([310]). Significant proportions of patients

([304]) *More opportunities for greater prosperity*, Final report from the Productivity Commission, 2025, SOU 2025: 96.

([305]) *Country Health Profile 2025: Sweden* – see earlier footnote.

([306]) Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, 2023/C 220/01.

([307]) OECD Health Statistics 2025.

([308]) Inspectorate for Health and Care, *An interim report on the national hospital supervision*, 2023.

([309]) *Country Health Profile 2025: Sweden* – see earlier footnote.

([310]) Country Health Profiles Data visualisation dashboard - Public Health - European Commission (the section 'Performance: Accessibility' for Sweden).

Table A15.1: **Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	214.1	206.6	205.0	202.6	n.a.	0.86	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	267.3	257.1	258.7	246.9	n.a.	0.73	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	3 947	4 245	4 380	4 688	4 866	1.32	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	86.1	85.8	85.9	86.1	85.7	1.02	80.6 (2023)
Spending on prevention, % of current health expenditure	3.3	4.2	3.3	3.1	n.a.	1.05	3.7 (2023)
Available hospital beds per 100 000 population***	165	160	150	148	n.a.	0.75	440 (2023)
Doctors per 1 000 population*	4.3	4.4	4.5	n.a.	n.a.	n.a.	4.3 (2023)*
Nurses per 1 000 population*	10.7	10.9	11.0	11.0	n.a.	1.06	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	10.1	10.7	10.0	10.1	9.7	0.85	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	10.3	10.1	11.2	n.a.	n.a.	n.a.	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.
** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.
***'Available hospital beds' covers somatic care, not psychiatric care.
Source: Eurostat

have waited longer than the statutory 90-day guarantee limit for a first specialist consultation (30%) or elective surgical procedures (45%) between 2021 and 2024 ([311]). The government has launched initiatives to reduce waiting times and improve access to healthcare. A main measure was the allocation of SEK 5.9 billion funding to the regions in 2025, to increase capacity in specialised healthcare and shorten waiting lists. Additional funding of SEK 1.8 billion for this was announced in the 2026 budget. The funding will be distributed to the regions based on performance requirements. Furthermore, from October 2025, regions that fail to comply with the statutory waiting time guarantee could face financial sanctions. Moreover, the government has been working to establish a national healthcare referral service. The aim is to enable patients to receive care from healthcare providers in other regions, as well as from the private sector, where waiting times are shorter or where capacity is available. Finally, the Swedish eHealth Agency is working to make available by May 2026 a web-based national comparison service for primary care providers. The service will include indicators such as waiting times and opening hours, to help people make informed choices about primary care providers.

Shortages and uneven geographical distribution of health professionals add to the concerns over the availability of healthcare. The density of doctors and nurses in Sweden is above the EU average. However, this masks imbalances in specialty and geographic distributions, as well as the level of capacity required to meet the demand for healthcare. All regions report shortages of general practitioners (GPs) and specialist doctors, with the most severe gaps in rural and northern areas (see Annex 18). The distribution of specialist nurses is also uneven across the regions ([312]). Shortages of nurses in hospital settings result in surgical backlogs and limit hospital bed capacities. Around 30% of nurses are aged 55 and over, and only around 24% are aged below 35, raising concerns about the long-term accessibility of health services. The share of GPs among all practicing doctors is low (14%), compared to the EU average (20%). The NBHW estimated a shortage of between 2 500 and 6 000 GPs in 2022. In its 2025 report, Sweden's Productivity Commission stressed the importance of increasing the proportion of specialist certificates issued in general medicine out of the total number of specialist certificates issued. The Productivity Commission also proposed that the government takes a more strategic approach to the provision of healthcare skills; for example, by setting relevant volume targets for higher education institutions ([313]). To address shortages and meet healthcare demand, Sweden has launched a new strategy for health workforce.

([311]) *Country Health Profile 2025: Sweden* – see earlier footnote.

([312]) *Country Health Profile 2025: Sweden* – see earlier footnote.

([313]) *More opportunities for greater prosperity*, Final report from the Productivity Commission, 2025, SOU 2025: 96.

A key element of this strategy is SEK 800 million annually in funding to regions to support the uptake of permanent posts in underserved areas through salary supplements, relocation bonuses and free housing. The funding is linked to performance indicators and accountability mechanisms. For example, regions must convert at least 70% of temporary staff spending into permanent contracts within two years. Further measures include (i) funding of SEK 1.3 billion to create more than 2 000 permanent nursing posts and re-open closed hospital beds; (ii) funding for scholarships offering a full salary during training to doctors who choose to train in shortage specialties and who commit to work in underserved regions for five years; and (iii) funding for expanding work-based training in nursing programmes.

Sweden has increased investment in digital technologies for health, expanding their uptake. Sweden has been investing consistently in digital technologies for health, more so following the COVID-19 pandemic. Since 2015, the amount invested annually, expressed in EUR million per 100 000 population, has been over twice the EU average. As a result, the shares of Swedish people accessing their personal health records online or using online health services (excluding phone) instead of in-person consultations both increased between 2020 and 2024 and stood above the EU average. To further increase the adoption of digital technologies in health, Sweden is taking measures to improve the use of standards that support interoperability across regions and applications. A project under the Technical Support Instrument helped to inform a health data strategy for the regions. The government has set up a national coordinator for the deployment of a national digital infrastructure to make health data accessible across the care chains (see Annex 7). Moreover, Sweden participates in joint actions and benefits from direct grants under EU4Health, which aim to improve the semantic interoperability of health data and facilitate the implementation of the European Health Data Space. A coordinated national approach is also being pursued to ensure the meaningful use of artificial intelligence (AI) in the country's health system. All regional health authorities are working together with academia and industry to scale-up successful pilot initiatives in AI applications for the health sector.

Sweden's pharmaceutical sector is of high economic significance. While employment in pharmaceutical manufacturing remains among the lowest in the EU, the country stands out as a leading hub for clinical research and innovation. In 2024, Sweden reported one of the highest numbers of clinical trials per million population in the EU (28.7), much higher than the EU average of 18.3 ([314]). Investment in research and development by Sweden's pharmaceutical industry has been strong over the years, with the amount spent per capita annually standing well above the EU average. However, a considerable reduction was observed in 2023 ([315]). Despite this, the number of patents granted for pharmaceuticals per million population (3.7) in 2024 was more than twice the EU average (1.8) ([316]). Regarding trade and commercialisation, Sweden's pharmaceutical industry maintains a rather modest share of the exports to non-EU countries (7.8% in 2025vs an EU average of 13.9%).

([314])US National Library of Medicine, https://clinicaltrials.gov.

([315])The Pharmaceutical Industry in Figures, EFPIA (European Federation of Pharmaceutical Industries and Associations).

([316])European Patent Office: Statistics & Trends Centre | epo.org.

In 2025, Sweden received a country-specific recommendation on private debt and the housing market. In particular, Sweden was recommended to improve the efficiency of the housing market, including by introducing reforms in the rental market.; to stimulate investment in residential construction to ease the most urgent shortages; to remove structural obstacles to facilitate residential construction; and to address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes, while developing appropriate tools to better assess and target policies.

The supply of housing continues to be insufficient, particularly in the biggest cities of Stockholm and Gothenburg. The supply issues stem essentially from credit incentives and rental regulation. Average zoning and permitting lead times have increased, reflecting administrative complexity and varying local requirements that push up land and property prices ([317]). Addressing such issues was partly the aim of the 2025 country-specific recommendations for Sweden. The resulting delays, together with strict rent controls, constrain new rental construction and lead to misallocation within the existing housing stock. These factors contribute to overcrowding, long rental waiting lists in major cities and subdued mobility for both tenants and homeowners, intensifying the urban housing shortage.

Tax incentives in Sweden continue to favour high-income homeowners, contributing to a demand-driven increase in property prices, especially in urban areas where supply cannot easily expand, as well as creating high levels of private debt. These policies exacerbate inequality between homeowners and renters and addressing this is among the 2025 Country Specific Recommendations. Household lending, consisting primarily of housing loans, forms the largest component of Swedish banks' portfolios and is nearly twice the EU average in relative terms. Swedish households have become increasingly indebted, ranking among the highest in the EU relative to income. This uptake of loans reflects low recurrent property taxation, coupled with tax deductibility of mortgage interest. These forms of tax incentives often take the form of mortgage interest tax relief for owner-occupied housing and hence are more likely to benefit households in higher income deciles. Tight regulation of rents leads to rationing and misallocation and increases pressures on the purchase segment. The high level of household debt, often financed with housing loans at short maturities, implies a high interest sensitivity and has made the economy more vulnerable to housing market stagnation or marked price declines which also affect aggregate domestic demand and the business cycle. Mortgage interest deductibility and low recurrent property also affect public finances to the extent that it implies foregone revenue and a higher dependence on a more distortive tax base. More lenient borrower-based macroprudential rules for mortgages have taken effect from 1 April 2026. The Swedish FSA expects this relaxation to spur house price and credit growth ([318]). Detailed statistics on household balance sheets and their distribution are lacking. Developing better statistical measures of household assets and liabilities and their distribution as recommended in the CSR would help to better assess such vulnerabilities and develop calibrated tools and policy measures. A proposal to that effect was not followed up on, however ([319]).

Limited labour mobility is made worse by the shortage of affordable and available housing in growth centres. The prices in a large part of the rental market are set through collective bargaining, a process intended to promote fairness and stability across regions. Rent levels are determined by different factors such as the size and condition of the unit, rather than by the market demand for specific areas. While this has helped keep rents more affordable for those able to access such properties in the most dynamic cities, it has also created scarcity and rigidities in allocation adding to the distortions created by degressive fixed property taxation. The system leads to people often remaining in homes that do

([317]) Matching housing supply and demand: OECD Economic Surveys: Sweden 2025 | OECD.

([318]) Swedish FSA, Stability in the Financial System, FI 25–30190.

([319]) En ny statistik över hushållens tillgångar och skulder, Statens Offentliga Utredningar 2022:51. As an alternatvie it is proposed to expand Statistics Sweden's microsimulation model to include sample-based data on a limited set of household sector debt and debt servicing variables, but that would be an imperfect substitute to comprehensive household balance sheet data .

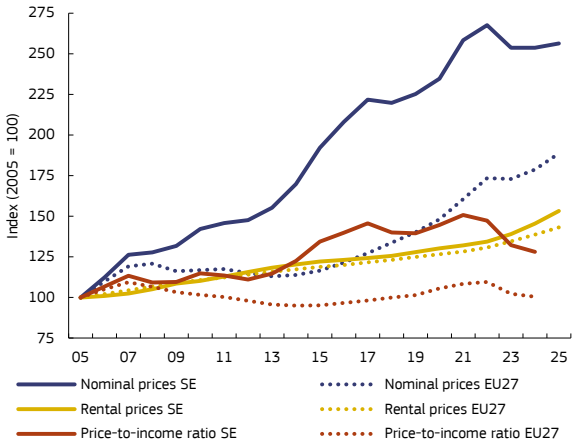
not match their job location, family size or income level, while low-income and marginalised groups are disproportionately locked out or pushed into informal arrangements. As a result, geographical mobility, especially the ability to move for work, is significantly constrained. The absence of social housing also makes it difficult to allocate housing to those most in need. Therefore, a reform of the rental market to address these challenges was a country-specific recommendation in 2025.

Housing market developments

Nominal house prices in Sweden remain high. House prices peaked in 2022 following a decade of strong growth. They have adjusted somewhat notably in response to the peak in inflation, with nominal house prices declining in 2023–2024 before stabilising, with 1% year-on-year growth recorded in 2025. Nevertheless, house prices remain overvalued by around 18% in 2025 (according to the standard European Commission methodology) ([320]). Furthermore, eased borrowing costs coupled with improving real incomes and looser macroprudential requirements are expected to induce additional house price and mortgage growth in future. This could help reverse the net effect of recent movements in house price and income growth, where affordability had improved somewhat, with the price-to-income ratio declining. In all, housing remains expensive relative to incomes and affordability challenges persist.

Rental prices and house prices have diverged over the past decades. About one third of residents live in rental accommodation. The rental market is characterised by a dual structure, consisting of a regulated segment (including existing and new rental contracts) and newer units with market-aligned rents ([321]). Rental controls in Sweden are the strictest in the OECD ([322]). This structure continues to generate long waiting lists for regulated housing and restricts labour mobility. Related affordability problems, most acute in economically stog urban areas, are aggravated in their interaction with the impact of distortions emanating from debt bias in the ownership segment. Rents follow inflation with a lag. Thus, as inflation eased after 2023, rents rose faster than overall inflation, increasing the burden on tenants. High living costs relative to incomes and subdued household confidence thus contributed to hold back private consumption growth.

Graph A16.1: **House prices, rents and price-to-income evolution in SE and EU27 since 2005**



Source: Eurostat

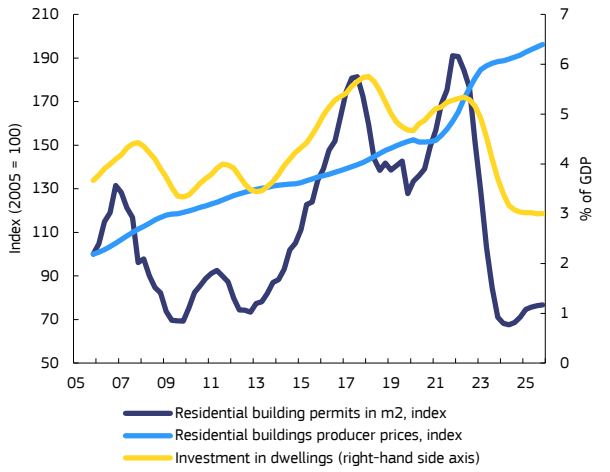
Housing supply has weakened significantly in recent years. After expanding throughout the second half of the 2010s and peaking in 2021–2022, residential housing investment declined sharply and has stabilised at relatively low levels in line with the high interest sensitivity and high land prices and increases in costs that are restraining construction (Graph A16.2). This trend is mirrored by residential building permits, which declined by more than 50% in 2023 after a historic peak in 2021-2022. Permit levels remain far below pre-pandemic averages, pointing to a persistently constrained housing supply pipeline (Graph A16.2). Construction costs have continued to rise despite the downturn in activity. Producer prices for residential buildings increased steadily in 2020-2025, weighing on profitability and investment incentives (Graph A16.2).

([320])See European Commission (2026), *In-depth Review 2026 Sweden*, May 2026.

([321])See European Commission (2025), *In-depth Review 2025 Sweden*, May 2025.

([322])OECD Economic Surveys: Sweden 2025 | OECD.

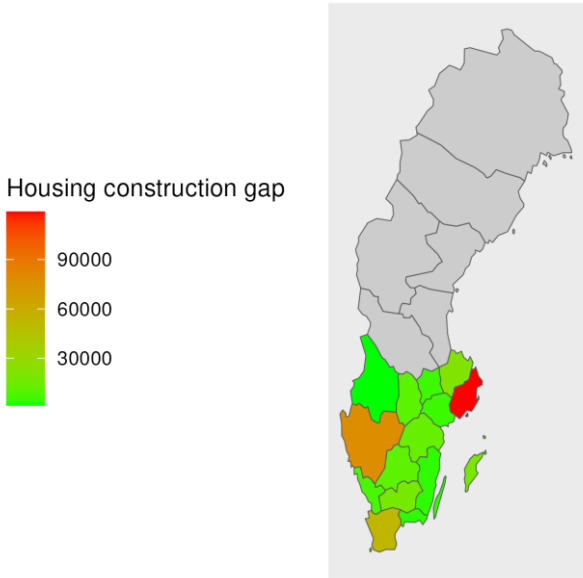
Graph A16.2: **House supply indicators in SE since 2005**



Source: Eurostat

Housing supply has failed to keep pace with demographic growth in the largest cities and economically dynamic areas, while a rising number of municipalities report a surplus of housing. The Swedish National Board of Housing, Building and Planning reports that only about 40 000 dwellings were completed in 2024 ([323]). New housing starts in 2025 are estimated to have declined somewhat further less than 30 000, with only a marginal pick-up foreseen for 2026 and 2027 ([324]). Expected shortfalls in housing supply due to demographic changes over the coming decade are more pronounced in the metropolitan areas, especially in greater Stockholm, Göteborg and Malmö (see Map A16.1) ([325]). Insufficient housing supply in larger cities and economically dynamic centres has been one of the key factors behind rising house prices. In addition, long zoning and permitting approval times coupled with increasing construction costs have contributed to mismatches ([326]). Consequently, housing supply growth is expected to remain subdued in the near term. Against the backdrop of demographic trends construction needs relates mainly to urban areas. As overall conditions in the housing market mirror to a large extent demand conditions that are unlikely to be solved only by increased supply, reforms with respect to housing taxation and credit and rental regulation, as recommended in the CSR would be needed to balance supply and demand conditions.

Map A16.1: **Housing construction gap**



Housing construction gap: accumulated shortfalls of housing due to demographic changes, reduced by the projected constructions over 2025–2035, are indicators of future housing needs, see Balouktsi et al. (2026), Housing investment needs in the EU. JRC Technical Report 144419..
Source: ECFIN-JRC calculations

Public housing accounts for around 20% of the Swedish housing stock and represents roughly half of the rental segment. The mostly municipally owned public housing companies therefore control a substantial portion of the national housing market. However, their mandate notably concerns not social housing, but provisions which must function on market terms. However, these companies face serious challenges, as a significant proportion of their existing housing stock was built several decades ago and now requires large-scale renovation and modernisation. The need for energy-efficient upgrades, accessibility improvements and maintenance add to financial challenges.

([323])Boverket – the Swedish National Board of Housing, Building and Planning.

([324])See *Swedbank Economic Outlook*, January 2026.

([325])In Stockholm County, where the annual net increase in population averaged around 35 000 between 2007 and 2019, an average of only about 11 000 dwellings were started per year over the same period. *Source: Finance Sweden, The Mortgage Market in Sweden*, September 2025.

([326])For example, average time from land acquisition to construction for a residential development can be 49 months in Sweden, compared with 24 months in Germany. Source: Fredrik Kopsch (2025), *Byggindex*, Timbro, October.

Structural policies

Despite a long-standing and well-established tradition of modular and off-site construction, local regulations still hinder this building method from reaching its full potential. Municipal self-determination complicates the creation of a large-scale, functioning industry capable of rapid deployment, as the difference in rules complicate standardised production. The need for simplification is pointed out in the 2025 country-specific recommendations. Various models and solutions are being developed, tested and proposed to address this bottleneck, including the 'Kombohuset', 'Sverigehuset' and 'Stockholmhuset' initiatives. While each pursues a somewhat different approach, they share the goal of delivering a blueprint for a housing type that can be implemented across Sweden with little or no need for amendments to existing laws or regulatory frameworks.

Swedish municipalities enjoy a high degree of self-determination, but recent changes to the Housing Provision Act require increased cooperation on housing matters. Municipalities are now expected to consider more coordinated planning and implementation of housing strategies that cross administrative boundaries. This shift is especially relevant in larger cities, where the functional urban area often extends beyond a single municipal jurisdiction and where housing needs do not align neatly with municipal borders.

Rents in Sweden are set through collective bargaining, a system that helps maintain more affordable rent levels in sought-after urban locations, while weighing on supply. On the one hand, the rent-setting arrangement reduces increases in rents, making renting more affordable. On the other hand, it constrains the supply of rental units and leads to longer waiting times for tenants seeking housing, particularly in high-demand markets. The balance between affordability and supply remains a central policy issue, influencing where and how quickly new rental housing can be brought onto the market. There has not been significant progress with rental reforms as recommended in the CSR.

Sweden does not have a dedicated programme for social housing. While the country does not have a formal social housing sector comparable with that in other EU Member States, the country operates a system of social contracts, where municipalities rent apartments from property owners and sublet them to tenants who are unable to find affordable housing. Long waiting lists for municipal and cooperative rental housing point to severe supply bottlenecks, particularly in high-demand urban areas, resulting in an average waiting time in the Stockholm Region of 8.8 years in 2024([327]). These constraints contribute to housing exclusion and have increased pressure on municipalities, which often resort to temporary subletting arrangements for households unable to access the regular market.

Vulnerable groups

Housing shortages in Sweden disproportionately affect specific population groups and highlight significant urban-rural disparities. In 2024, 16.7 % of the population lived in overcrowded homes, which is near the EU average of 16.%. However, the rate rises to 42.3% among people at risk of poverty, which is well above the EU average of 28.9 %. Disparities are particularly pronounced by country of birth, with 47.0% of non-EU-born residents living in overcrowded conditions compared with 12.3% of those born in Sweden. There are also notable geographic differences, with 22.0% of people in cities living in overcrowded households, which is nearly twice the 11.2% recorded in rural areas, emphasising the need to increase the supply of suitable and quality housing, and to distribute housing according to needs.

Housing affordability pressures persist, with vulnerable groups being the most affected. In 2024, 10.6% of the population faced a housing cost overburden, defined as housing costs exceeding 40% of disposable household income, compared with an EU average of about 8.2%. The impact is significantly more pronounced among people at risk of poverty, who experienced a housing cost overburden rate of more than 47.7%. This is well above the EU average of 31.1% and is one of the highest rates in the EU, indicating disproportionate affordability challenges for

([327]) OECD Economic Surveys: Sweden 2025.

Graph A16.3: **Housing affordability selected indicators**

		EU27					SE							
	unit	2000-25 avg.	2023	2024	2025		2000-25 avg.	2023	2024	2025		unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2			100.0	112.0	108.5			YoY%	-10.2	-3.1	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5		100.0	82.5	83.7	85.5		YoY%	-2.1	1.4	2.2
Overburden rate, total	%	9.9	8.8	8.2			9.2	10.9	10.6	10.8		PPS/y	1.8	-0.3	0.2
Overburden rate, tenant with market rent	%	23.8	20.3	19.2			18.9	19.4	17.9	18.4		PPS/y	1.7	-1.5	0.5
Overvaluation gap	%						9.1	27.5	22.1	17.7					
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5		102.4	117.6	117.0	117.0		YoY%	-1.9	-0.5	0.0
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9		552.4	330.2	329.2	365.4		YoY%	-51.7	-0.3	11.0
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0		4.0	3.7	3.0	3.0		YoY%	-28.8	-18.9	0.0
Share of ownership	%	70.0	69.1	68.4			65.9	64.9	64.8	64.6		PPS/y	1.1	-0.2	-0.3
Share of people living in overcrowded homes	%	17.7	16.8	16.9			13.6	16.4	16.7	15.7		PPS/y	0.5	0.3	-1.0

Source: Eurostat and European Commission indicators. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

vulnerable groups. Households in Sweden allocate a relatively high proportion of disposable income to housing, with average housing costs (including rent, water, electricity and other fuels) among the higher end in the EU at 25% of disposable income in 2024. This is above the EU average of 19% and on par with countries with strong housing demand. Housing cost overburden rates are considerably higher in cities than in rural areas (13.2% vs 8.2%) which could be partially explained by a lower share of owners in cities, for whom the housing overburden is lower (17.9% for tenants at market price compared to 4.7% for owners with a mortgage or loan). There are notable regional disparities, with housing cost overburden much higher in the southern region (13.6%) compared with the northern region (9.0%) ([328]). These dynamics underscore ongoing barriers to suitable and affordable housing, particularly in high-demand urban areas, and highlight the importance of policies that support inclusive access to quality housing.

The use of social contracts has declined sharply, even though there has been no formal change to the underlying legal provisions that allow them. Municipalities can still support vulnerable people by acting as guarantors and by providing deposits for rental agreements, but the practical application and uptake of this tool have fallen markedly and more abruptly in recent years, with no identified reason currently. This trend raises concerns about the availability of temporary protections for households at risk of losing housing stability during periods of economic stress. The government has presented a proposal to make the use of this provision obligatory.

Low-income and marginalised groups in Sweden face barriers to gaining formal access to housing, primarily because they lack the financial means to provide deposits and income guarantees required for rental contracts. This means people in this group can be excluded from the regulated rental markets and forced to seek alternatives, such as subletting, on the secondary market. There seems to have been a rise since 2017 in the number of people subletting, although no exact numbers are available in the 2023 mapping of homelessness ([329]). Subletting arrangements offer fewer legal protections and typically involve higher rents. Alternatively, the people in these groups stay in overcrowded dwellings, sharing limited space with multiple households, which can strain both social and physical wellbeing. The combination of financial exclusion, limited availability of affordable housing, and weak tenant protections places these groups at risk of homelessness.

Despite an extensive welfare system, homelessness remains significant. Homelessness remains a challenge, with around 27 383 people experiencing homelessness in 2023, including 1 800 children living with their parents in emergency or temporary accommodation ([330]). The figure includes rough sleepers, people in emergency accommodation and those in temporary or transitional housing. The 2022-2026 national homelessness strategy, including implementation of the Housing First

([328])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([329])Kartläggning av hemlösheten 2023.

([330])National Board of Health and Welfare - Homelessness remains at a high level .

approach, currently provides more than 1 000 tenancies and aims to expand this to 2 000 units. This will support people with complex needs and uphold rights to housing and social inclusion. To extend and strengthen the initiative, the government has allocated additional funds in the 2026 budget bill equivalent to around EUR 14 million per year in 2027-2031. Sweden does have a national strategy to combat homelessness, which is currently set to expire in 2026. A formal revision and renewal of that strategy is expected, with a particular focus on preventing evictions of families with children and supporting the implementation of the Housing First approach.

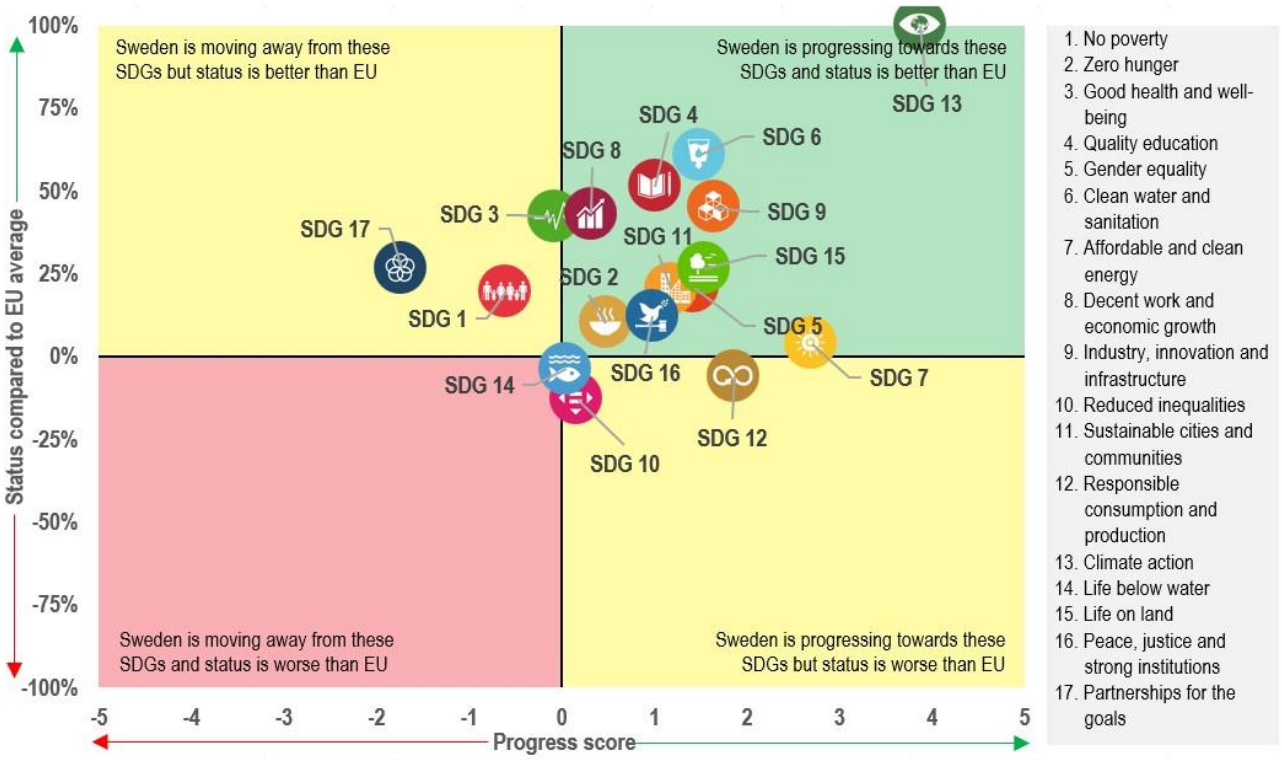
Students face housing challenges, as they mostly compete for accommodation on the open housing market. While the average age of young people leaving their parental home is still among the lowest in the EU, it rose by two years between 2012 and 2024 to reach 21.9 (Eurostat: yth_demo_030). This upwards trend could be caused by the increased difficulty in accessing affordable housing in the biggest cities, which are also education centres. At the same time, students do receive generous benefits and possibilities for loans during their studies.

This annex assesses Sweden's progress on the Sustainable Development Goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. They aim to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

Sweden performs well on competitiveness-related SDGs (SDGs 4, 8, 9). It performs well on productivity- and innovation-related indicators, notably R&D. Its share of gross domestic expenditure on R&D (SDG 9) remains high at 3.57% of GDP in 2024, well above the EU average of 2.24%. Sweden also performs well on human resources in R&D, with 2.24% of the labour force working in R&D in 2024, exceeding the EU average of 1.59%. It performs well too on innovation output, as patent applications to the European Patent Office stood at 405 per million inhabitants in 2024, remaining far above the EU average of 156 applications. On SDG 8 (Decent work and economic growth), Sweden performs well compared to the EU average, with a high investment share of GDP (25.1% in 2024, EU average: 21.7%) and high employment rates (81.9%, EU average: 75.8%).

On SDG 4 (Quality education), Sweden performs well compared to the EU average. The country has a high tertiary educational attainment rate (54.4% in 2024 vs EU average of 44.1%). It also performs well on adult participation in learning (37.5% in 2024 vs EU average of

Graph A17.1: **Progress towards the SDGs in Sweden**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

13.5%), and on digital skills, with a high share of adults with at least basic digital skills (70% in 2025 vs EU average of 60.4% in 2025). To further strengthen digital skills and human capital, its recovery and resilience plan (RRP) includes measures to increase study places in higher vocational education, ensure adequate resources for universities and other higher education institutions, and support investment in broadband expansion.

Sweden performs well on most SDGs related to sustainability (SDGs 2, 6, 7, 9, 13 and 15). Sweden performs very well on SDG 13 (Climate action), with net greenhouse gas emissions of 1.5 tonnes per capita in 2024, remaining well below the EU average (6.6 tonnes per capita). On SDG 7 (Affordable and clean energy), Sweden is improving - the percentage of renewable energy in gross final energy consumption increased from 55.8% in 2019 to 62.8% in 2024, well above the EU average (25.2% in 2024). On SDG 9 (Industry, innovation and infrastructure), Sweden performs well above the EU average on all indicators, including R&D intensity, innovation output and sustainable infrastructure. Its recovery and resilience plan supports the acceleration of the green transition in carbon-intensive sectors, notably transport and industry.

However, Sweden needs to catch up with the EU average on SDGs 12 and 14. On SDG 12 (Responsible consumption and production), Sweden is improving, as the circular material use rate increased from 6.4% in 2019 to 10.4% in 2024 (EU average of 12.2% in 2024). On SDG 14 (Life below water), Sweden performs well on marine protection, with 16.3% of its marine area protected in 2023 (above the EU average of 13.7%). At the same time, Sweden needs to catch up with the EU average on coastal water quality, as the share of coastal bathing waters with excellent quality declined to 69.1% in 2024, compared with the EU average of 88.8%.

On SDG 11 (Sustainable cities and communities), Sweden performs well on several targets related to quality of life, with outcomes above the EU average, but is slipping on some indicators. These include sustainable mobility, as the share of buses and trains in total passenger transport declined from 19.6% in 2018 to 18.2% in 2023, although it remained above the EU average of 16.9% in 2023. Sweden is also falling behind on municipal waste recycling, as the recycling rate fell from 45.8% in 2018 to 39.4% in 2023, below the EU average of 47.7% in 2023.

Sweden performs well on most SDGs related to social fairness (SDGs 3, 4, 5, 7, 8 and 10). On SDG 3 (Good health and well-being), outcomes remain above the EU average on most indicators. For SDG 4 (Quality education), the percentage of early leavers from education and training increased from 6.5% in 2019 to 7.2% in 2024 but remains below the EU average (9.4% in 2024). Sweden's recovery and resilience plan includes measures to increase study places in universities and other higher education institutions, as well as in higher vocational education and training at upper secondary level. Gender equality (SDG 5) and decent work and economic growth (SDG 8) also remain above the EU average. Under SDG 10 (Reduced inequalities), the employment gap between EU and non-EU citizens is narrowing, declining from 29.0 percentage points in 2019 to 19.1 percentage points in 2024, but still needs to catch up with the EU average (12.4 percentage points in 2024).

Conversely, Sweden's progress on SDG 1 (No poverty) has been mixed. Measures to address income poverty have had some success, but material deprivation has deterioriated and housing cost pressures are rising. However, most poverty-related indicators remain above the EU average.

Sweden performs well on most SDGs related to macroeconomic stability (SDGs 8, 16 and 17). Under SDG 8 (Decent work and economic growth), outcomes remain above the EU average for sustainable economic growth, employment and decent work. On SDG 17 (Partnerships for the goals), Sweden is improving. General government gross debt declined from 36% of GDP in 2019 to 34% in 2024, remaining significantly below the EU average (80.7% of GDP in 2024). For SDG 16 (Peace, justice and strong institutions), Sweden performs well compared to the EU average on most indicators related to institutional quality and access to justice. In particular, the percentage of the population perceiving the independence of the justice system as very or fairly good remained high at 76% in 2025, compared to an EU average of 54%. Sweden's recovery and resilience plan (RRP) aims to help preserve the sustainability of the Swedish economic model and therefore contributes to macroeconomic stability, notably

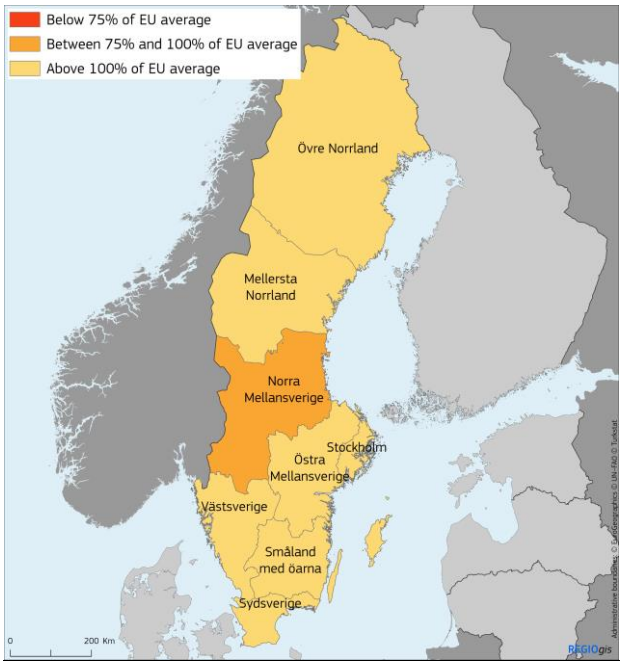
through reforms addressing demographic challenges.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

Sweden's regions have been among the EU's more developed for the past two decades, but disparities between regions are increasing. GDP per head has long been above the EU average in most regions. Stockholm is the clear frontrunner on this measure, with a ratio of about 153% of the EU average in 2024. Outside Stockholm, Västsverige and Övre Norrland are typically the strongest (107 and 108% in 2024). Most other regions are at around the EU average (94–101%), with Norra Mellansverige being the only region clearly below (85%). At the same time, intra-regional disparities increased between 2004 and 2024. Discounting Stockholm, the percentage point difference in GDP per head between Övre Norrland and Norra Mellansverige increased from 10 to 23 in this 20-year period.

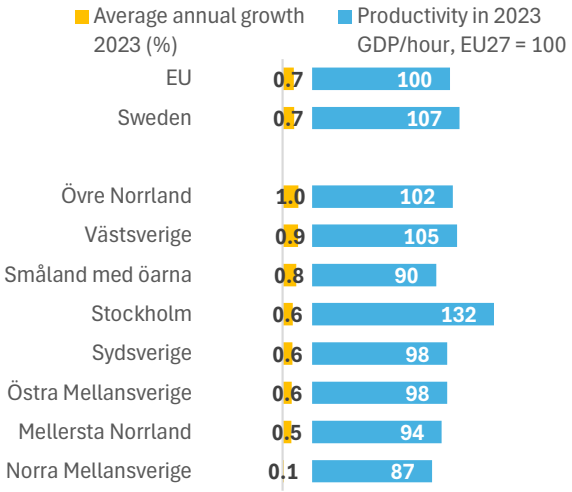
Map A18.1: **GDP per head compared with the EU average**



2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data

Swedish regions are losing ground compared with the EU average when comparing GDP per head across regions. This trend also seems to be accelerating. In 2021, Norra Mellansverige was the only Swedish NUTS 2 region with a GDP per head just below the EU average (99%), compared with 85% now, firmly placing it into the category of a transition region (Map A18.1). While other NUTS 2 regions are more developed, five (Norra Mellansverige, Småland med öarna, Östra Mellansverige, Mellersta Norrland and Sydsverige) out of the eight Swedish NUTS 2 regions have regional GDP per head below the EU average in 2024 (Table A18.2).

Graph A18.1: **Labour productivity growth (2013-2023) and labour productivity (2023), Sweden (NUTS 2 regions)**



Source: Commission calculations based on JRC data

Labour productivity in Sweden remains strong in an EU-wide context, with all NUTS 2 regions at or near the EU average, but the national lead is anchored by Stockholm. In 2023, productivity levels per hour (expressed as purchasing power standard (PPS), EU=100) ranged from 132 in Stockholm to 90 in Småland med öarna. Growth in productivity per hour worked is close to the European average for most Swedish regions, with Övre Norrland recording the highest growth in productivity and Mellersta Norrland and Norra Mellansverige the lowest (Graph A18.1).

Key challenges for regional competitiveness

Sweden is an innovation leader, but there are notable disparities in regional innovation performance within the country that inhibit competitiveness. Västsverige was the top Swedish region for R&D expenditure in 2023 (growth of 5.6%), while Mellersta Norrland and Norra Mellansverige invested the least in R&D that year (around 1%) (Table A18.2). Stockholm is one

Table A18.1: **Main development trends, challenges and the concentration of resources**

	Main development trends
Transition regions (population 857 000)	Sweden only has one NUTS 2 transition region, Norra Mellansverige, consisting of three NUTS 3 regions: Dalarna, Gävleborg and Värmland. Norra Mellansverige shares many of the characteristics of the EU's other northern sparsely populated areas, such as low population density and long distances. However, Norra Mellansverige does not have these characteristics to the extreme degree seen in more northern parts of Sweden. The economic trends in Norra Mellansverige are negative compared with other Swedish and European regions. Its growth in GDP per capita per head over the last 10 years is the lowest of all Swedish NUTS 2 regions and significantly below the EU average. The region also has the lowest - or among the lowest - scores on many indicators related to economic and human capital (Table A18.2).
More developed regions (population 9.7 million)	Seven out of eight Swedish NUTS 2 regions are more developed regions. The differences between these more developed regions are significant, in both economic and social terms. The Stockholm capital region is a frontrunner within Sweden but also a top performer in the EU . Other Swedish regions, especially more rural areas within more developed regions, are close to the EU average and sometimes below, and display negative growth trends. The more developed Swedish regions are losing ground compared with the EU average due to their slow economic growth.
Specific territories	The two northern most Swedish NUTS 2 regions, Mellersta Norrland and Övre Norrland, are classified as northern sparsely populated areas (NSPAs) due to their very low population density. They consist of four NUTS 3 regions: Jämtland, Norrbotten, Västerbotten and Västernorrland. The NSPAs in Sweden - and the NSPAs in the EU more generally - share common features, such as sparse populations, a harsh climate, and long distances to market and employment centres. They face significant socio-economic challenges, including labour and skills shortages, ageing populations, and connectivity issues. However, the northern regions of Sweden also have strong assets such as abundant natural resources, clean and renewable energy production capacity, and opportunities stemming from the green transition of heavy industry. Issues such as labour and skills shortages, ageing population and long distances are also present in rural areas all across Sweden. In addition, many rural municipalities also face a declining population which reduces the tax base and makes it more difficult to finance high-quality basic services.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

of the most innovative regions in the EU. In addition, innovation diffusion is inhibited by regulatory complexity and fragmented responsibility across governance levels, especially impacting less central regions ([331]). Smart specialisation strategies ([332]) are in place for all Swedish NUTS 3 regions, with variations in their degree of integration into regional development. Limited administrative capacity and limited access to innovation ecosystems are further barriers to competitiveness, especially in regions facing the green transition (particularly the north and Norra Mellansverige). For example, regions with a high proportion of SMEs and transition needs (including Kronoberg, Kalmar, Jämtland and Värmland) are limited by insufficient technical support and uneven access to innovation ecosystems for SMEs ([333]). Differences in territorial innovation performance are reflected in GDP per head figures at NUTS 3. When comparing regional GDP per head for NUTS 3 regions (Map A18.2), the regional differences within Sweden become clear, ranging from 81% of the EU average in Gävleborg to 153% in Stockholm. 13 out of 21 regions in Sweden have GDP per head that is below the EU average, while some other Swedish regions perform very well.

There are also notable territorial differences between the regions in terms of both the share of the population with high levels of educational attainment and the share of total employment accounted for by high-technology sectors, hindering the

([331]) Riksrevisionen, 2022.

([332]) Smart specialisation strategies are strategic, territorially based frameworks for innovation and industrial policy that help Member States and regions identify and leverage their unique comparative advantages to address structural challenges, foster economic transformation and improve competitiveness.

([333]) Lindblad, S., 2025, 'Ny politik för regional utveckling och landsbygsutveckling - en utredning med hjälp av moderna AI-verktyg genererad, granskad och regierad av Sverker Lindblad'.

Table A18.2:**Key regional indicators (at NUTS 2 level) for Sweden**

	GDP per head (PPS, index)	Real GDP per head growth	Population growth	Unemployment rate	R&D expenditure	Population aged 25-34 with high educational attainment	Employment in high-technology sectors	Transport performance by car	Greenhouse Gas Emissions
	EU27=100	Average annual % change	Average annual change per 1000 residents	% of labour force	% of GDP	% of population aged 25-34	% of total employment	Share of population in a 120-km radius that can be reached within 1h30 (%)	tCO2 equivalent per head
	2024	2014-2024	2015-2024	2025	2023	2025	2025	2023	2024
EU	100	1.4	1.8	6.0	2.2	44.8	5.1	80.2	7.0
Sweden	111	0.9	8.3	8.8	3.6	53.6	6.9	81.6	4.8
Stockholm	153	0.8	11.8	9.1	3.5	65.9	10.8	96.8	1.5
Östra Mellansverige	97	1.1	8.8	9.4	4.4	50.5	6.2	76.7	5.7
Småland med öarna	93	0.7	6.4	7.3	1.4	45.1	3.2	72.2	6.8
Sydsverige	96	0.9	9.4	10.3	3.7	49.9	6.4	85.2	3.9
Västsverige	107	0.9	8.6	8.5	5.6	52.9	6.6	80.4	5.0
Norra Mellansverige	85	0.4	2.5	8.4	1.0	45.7	3.9	62.9	5.6
Mellersta Norrland	99	1.2	1.2	6.6	1.1	39.3	3.7	76.5	7.6
Övre Norrland	108	1.3	3.4	7.3	2.3	44.4	4.7	71	11.1

Dark green – the indicator is at least 120% of the EU average.
Light green – the indicator is at least 100% but less than 120% of the EU average.
Yellow – the indicator is at least 90% but less than 100% of the EU average.
Light red – the indicator is at least 75% but less than 90% of the EU average.
Dark red – the indicator is less than 75% of the EU average.
Source: Eurostat data

competitiveness of specific regions. Four regions (the three northernmost and Småland med Öarna) score the lowest in Sweden for both of these indicators, and in terms of R&D investments (Table A18.2) (see Annex 13). Studies point to a disconnect between education provision in these regions and labour market needs (particularly related to the industrial transition) as a driver of these trends ([334]).

Access to private-sector financing remains uneven across Sweden, for example in small municipalities in the north like Dorotea, Lycksele and Överkalix. SMEs based outside of Sweden's major urban centres find it more difficult to secure credit and investment capital, which reflects the weaker financial ecosystems and limited institutional support available in these areas (See Annex 6). Often dependent on public funds, firms in these areas find that their cash flows and ability to invest are restricted by the lower revenues typical in smaller regions. Consequently, SMEs in rural and remote areas – most acutely those in the north - are subject to greater financial constraints, hindering growth and productivity ([335]).

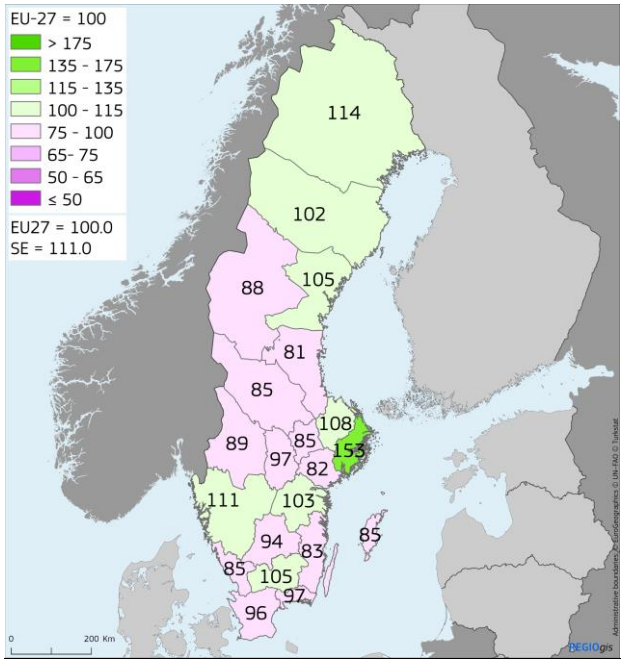
The rate of population growth varies by region, with northern rural areas particularly exposed to demographic decline. Population growth in Sweden is mainly due to migration, with the capital region's population growing the fastest, and the three most northern regions growing the most slowly (Table A18.2). The three most northern regions have the largest proportion of people over 65, and struggle with a decline in natural population (due to low fertility and high mortality). For now, however, this declining population in the three most northern regions is being countered by net migration. According to Swedish population forecasts at NUTS 3 level, 7 out of 21 regions will see a decline in population between now and 2040. The two counties with the lowest demographic forecasts for the period 2023-2040 are Norrbotten (population set to fall by -6.2%) and Västernorrland (population set to fall by -7.3%), which are two of the sparsely

([334])Heikkonen et al., 2025.

([335])Andersson, M., Eklund, J.E., and Tsvetkova, A., 2023, *Spatial variations in financial constraints of SMEs – evidence from firm-level estimates of investment-cash flow sensitivities in Sweden.*

populated areas in the north of Sweden ([336]). Population decline is most acute outside of urban areas. At the end of 2024, 60% of municipalities in Sweden were losing population and shrinking ([337]).

Map A18.2: **GDP per head (PPS), Sweden (NUTS 3 regions)**



Source: Commission calculation based on Eurostat data

The employment rate is high in all Swedish regions, but labour and skills shortages remain an issue, especially in the north and outside the big cities. Labour and skills shortages in the health and social care sectors are especially severe in rural areas and in commuter municipalities ([338]). According to the Swedish Agency for Economic and Regional Growth's typology, developed to identify labour shortages across regions, counties such as Västernorrland and Norrbotten face a shortage of skilled labour ([339]). An ageing and shrinking population outside of urban areas poses challenges for providing accessible, good-quality services in different parts of Sweden, particularly in the sparsely populated northern areas ([340]).

Sweden's northernmost regions are facing shortages in skilled labour - barriers to the green transition – while the south struggles with high levels of unemployment. In 2025, Mellersta Norrland and Övre Norrland, where many large industrial investments are taking place, had the lowest unemployment rate in Sweden at 6.6 and 7.3%, compared with the national average of 8.8%. In contrast, regions in the south and centre of Sweden struggle with high unemployment: 10.3% in Sydsverige and 9.4% in Östra Mellansverige. Issues with labour mobility are drivers of the large variations in unemployment rates ([341]) (see also Annexes 11 and 13).

Despite Sweden's strong overall public finances, rural municipalities, especially in the north, face increasing financial pressure, impacting delivery of public services. Many small municipalities in rural areas are experiencing population decline, falling business activity and a shrinking tax base ([342]). Providing public services is often more expensive in northern remote and sparsely populated areas, where expenditure on elderly care and basic infrastructure is rising and local revenues remain limited. Unsustainable municipal finances, limited digitalisation, and unoptimised service delivery are some of the main barriers to ensuring equal access to services across the country ([343]). There are strong disparities in highspeed broadband coverage within municipalities in northern sparsely populated areas (NSPAs). For example, in the municipalities of Arjeplog or Pajala, access to 1 Gbit/s broadband is between a third and 50% of the access in the main population centres in the same municipalities ([344]).

([336])SCB – Statistics Sweden, 2024.

([337])SCB – Statistics Sweden, 2025.

([338])Agrifood, 2024, 'Arbetskraftsbrist – ett problem eller möjlighet'.

([339])Labour shortages are identified based on a dataset of regional matching indicators reflecting labour supply, demand, and matching within Swedish counties. Tillväxtverket, 2025, 'Tillstånd och trender 2025. För regional utveckling och tillväxt'.

([340])OECD, 2025, 'Navigating Global Transitions in European Arctic Regions'.

([341])Wemberg and Andersson, 2022, 'Kompetensförsörjning under en pågående industriell revolution'.

([342])OECD, 2025, 'Navigating Global Transitions in European Arctic Regions'.

([343])Lindblad, 2025, 'Ny politik för regional utveckling och landsbygsutveckling'; OECD, 2025, 'Navigating Global Transitions in European Arctic Regions'.

([344])PTS – Swedish Post and Telecom Authority, 2025, Bredbandskartan.

Transport accessibility is significantly worse and travel times longer in remote areas and NSPAs – both for road and rail. This is evident in the three northernmost regions but also in Småland med Öarna, when compared with other Swedish regions and the EU average (see Table A18.2). This makes these areas less attractive for businesses and the public. While rural and northern areas lack sustainable transport options, the country's urban regions struggle with congestion (see also Annexes 12 and 19).

Övre Norrland stands out from other Swedish regions for greenhouse gas emissions due to its heavy industry. While the rest of Sweden manages to stay under or around the EU average in terms of greenhouse gas emissions, Övre Norrland is significantly above (Table A18.2).

The large supply of clean energy is driving the green industrial transition in the north of Sweden. The many energy-intensive industrial projects currently being planned and implemented in northern Sweden will require more energy than is currently being generated in this region. For green job creation in the long term, especially in the northern parts of Sweden, it will also be necessary to increase clean-energy generation and extend/upgrade grid infrastructure (see also Annex 9) is also critical for green job creation in the long term, especially in northern parts of Sweden ([345]).

In green-transition territories, lengthy and complex permitting procedures, as well as issues with vertical coordination between the national and regional levels, hinder both: (i) large-scale infrastructure and industrial investment projects; and (ii) renewable energy investments. This slows down the green transition and hampers regional development especially in the northern parts of Sweden. Enquiries by Sweden's national government demonstrate that fragmented responsibilities, regulatory complexity, vetoing at the local level and inadequate coordination between governance levels are resulting in national 'silos'. This reduces the effectiveness of regional development initiatives ([346]) (see also Annexes 7 and 8). Several new initiatives (including a review of permitting processes by Sweden's Acceleration Office and the new industrial strategy ([347]), seek to address these bottlenecks. However, many decisions and processes remain firmly anchored at a central/national level, hampered by challenges. Particular issues for municipalities include a lack of sufficient financial incentives and high financial risks. For example, wind-energy investments have often been vetoed by municipalities (who retain powers in local planning decisions) due to a lack of clear benefits at local level. More than half of the wind-power projects proposed in Sweden in 2014-2021 were struck down by municipalities ([348]).

Sharing financial risk is becoming an increasingly important issue for municipalities involved in large-scale industrial developments, particularly in northern Sweden. Smaller municipalities, especially in northern regions, face significant financial exposure when investing in infrastructure, housing or services to support the green industrial transition. Although these projects are vital for the national economy, municipalities are often left bearing the full financial risk if investments do not proceed as planned ([349]). This uncertainty reduces the willingness of municipalities to undertake large and complex projects ([350]) (see also Annex 8).

Sweden's 'blue' economy faces several regional challenges. The poor ecological status of the Baltic Sea is one of the main challenges for the blue economy. Degraded fish stocks and eutrophication undermine the viability of small-scale coastal fisheries and harm the ecosystem services on which coastal tourism depends ([351]). Although traditional fisheries and emerging land-based aquaculture are strengthening domestic seafood value chains in western Sweden, fragmented processing infrastructure and low consumer awareness limit growth in blue biotechnology and aquaculture ([352]).

([345])Utveckla Norrbotten, 2024, 'Industriomställningen och dess samhällsekonomiska effekter'.

([346])SOU – Swedish government Official Reports, 2023:18 and 2024:89.

([347])Sweden's Industrial Strategy, 2025.

([348])OECD, 2023, 'OECD Economic Surveys: Sweden 2023'.

([349])Lindblad, H., Karltorp, K., and Janhäll, M., 2022, 'Finansiering av näringslivets gröna omställning'.

([350])Tillväxtverket, 2025, 'Vem bryr sig om oss? - Om relationen mellan kommuner och myndigheter vid större företags-investeringar'.

([351])European Commission, 2024, https://fishreg.jrc.ec.europa.eu/documents/d/fishreg/2024_msfd_esa_se.

([352])BlueBioClusters, BlueBioClusters Regions.

This Transport Annex presents the state of play and the challenges Sweden faces with the implementation of the trans-European transport network (TEN-T), the European railway traffic management system (ERTMS) and the roll-out of Sustainable Aviation Fuels (SAF).

Two European transport corridors cross Sweden (North Sea – Baltic and Scandinavian – Mediterranean). The Swedish TEN-T rail network is 5 240 km long (3 883 of which are on the core network). The TEN-T road network is 6 441 km long (3 012 of which on the core network). Sweden has 671 km of TEN-T inland waterways, 26 TEN-T airports (including three core airports), 27 TEN-T ports (including five core ports) and 18 urban nodes ([353]).

Sweden's rail network is heavily utilised and certain lines especially from Stockholm towards the south have reached their capacity limits. Furthermore, connections to the north of the country need to be strengthened to allow the transport of raw materials from extraction sites in the area and ensure accessibility for the general public, especially workers. Another priority will be to address capacity bottlenecks in the surroundings of major urban nodes such as Stockholm and Gothenburg.

The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

The ERTMS was in operation on 11% of the railway network in Sweden by the end of 2024 ([354]). To meet its national plan's ERTMS roll-out target by 2035, Sweden aims to deploy ERTMS on a further 1 134 km. Decommissioning of the legacy signalling system remains a priority.

In northern Sweden, enhancing the capacity of the priority sections is crucial to ensure transports of raw materials from the extraction sides to the ports of Narvik in Norway and Luleå from where they can be shipped to processing sites in southern Sweden and central Europe. Furthermore, the line between Gävle and Sundsvall constitutes a bottleneck in the railway system towards the north, particular given the fact that the upgrade of the North-Bothnian line will bring additional traffic. South of Stockholm the railway lines are fully saturated; thus, a new highspeed connection is planned between Järna and Linköping to alleviate the capacity constraints on the existing line. In addition, the Oslo-Gothenburg connection, which is partially a single-track line and a major bottleneck along the countries TEN-T network, does not yet meet TEN-T requirements.

Planning and permit procedures for large investments can be improved to ensure timely project implementation, reducing projects execution time and costs. This is acknowledged in the report of the Swedish transport administration for infrastructure planning covering the 2026-2037 period. However, the impact on the delivery of large-scale infrastructure projects remains to be seen, as the effects will only become visible over a longer period of implementation.

Harmonising technical and operational rules with the minimisation of national rules in line with the EU directives on rail interoperability and safety remains critical to ensuring seamless cross-border rail transport.

Sweden has a strong industrial base to produce sustainable aviation fuels (SAF), with an abundance of forestry residue for advanced biofuel projects, as well as a

([353])TENtec Information System, according to Reg. 2024/1679.

([354])Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

Map A19.1: **TEN-T cross-border & national priority sections in Sweden.**

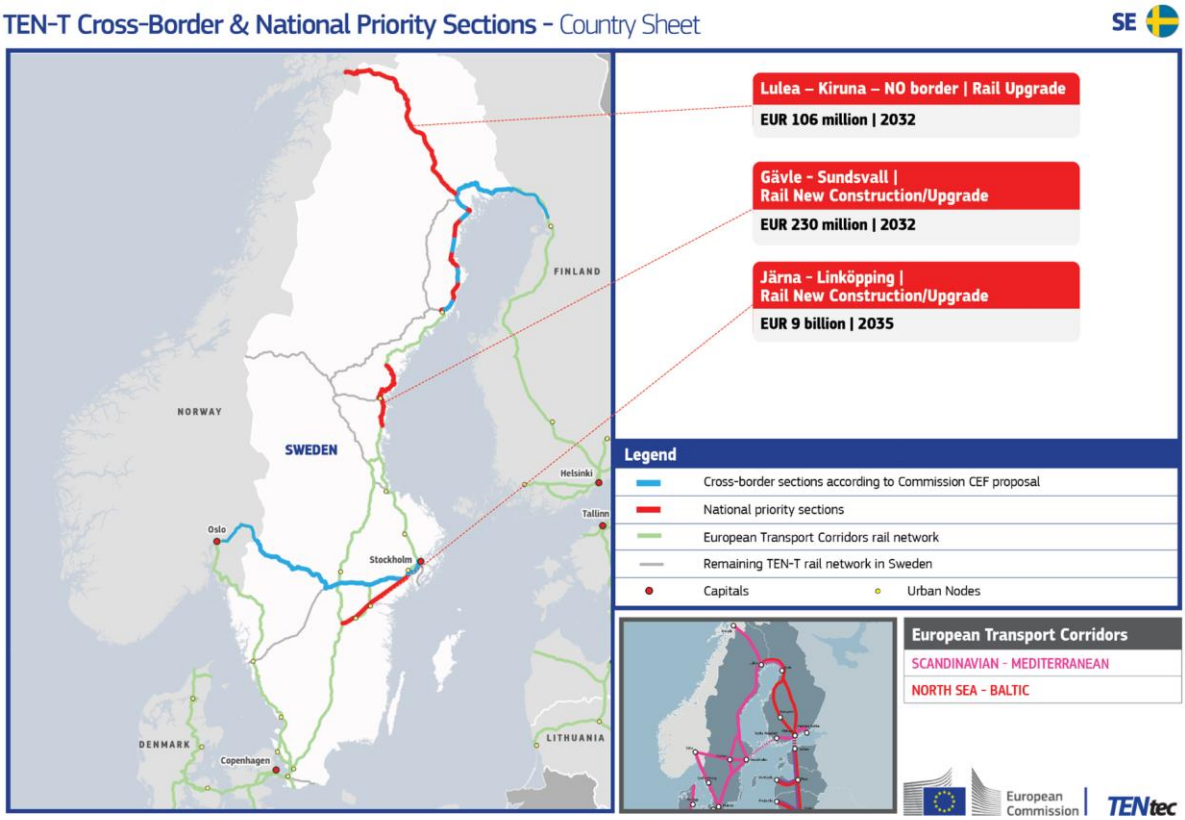


Table A19.1:**ERTMS deployment in Sweden.**

ERTMS in Sweden				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
5 240 km	end 2024	588 km	11 %	
	by 2035	1 722 km	33 %	EUR 272 million

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

growing share of renewable energy for eSAF projects (hydrogen-based). Targeted investment support would help initiate commercial-scale SAF deployment in Sweden. These can be made through pilot investment structures (double-sided auctions) through the e-SAF Early Movers Coalition, an initiative that Sweden could join. Making effective use of existing EU revenue opportunities related to aviation transition (e.g. EU ETS), and all the penalty revenue generated by ReFuelEU Aviation has an important role in supporting Sweden's SAF projects.