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**NOTE**

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Sweden

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Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by various Council committees and finalized by the Economic and Financial Committee, based on the Commission Proposal COM(2025) 227 final.

## COUNCIL RECOMMENDATION

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97<sup>1</sup>, and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances<sup>2</sup>, and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

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<sup>1</sup> OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>.

<sup>2</sup> OJ L 306, 23.11.2011, p. 25, ELI: <http://data.europa.eu/eli/reg/2011/1176/oj>.

Whereas:

### **General considerations**

- (1) Regulation (EU) 2024/1263, which entered into force on 30 April 2024, specifies the objectives of the economic governance, which aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the TFEU. The European Semester includes, in particular the formulation, and the surveillance of the implementation of country-specific recommendations. The Regulation also promotes national ownership of fiscal policy and emphasises its medium-term focus, combined with more effective and coherent enforcement. Each Member State must submit to the Council and the Commission a national medium-term fiscal-structural plan, containing its fiscal, reform and investment commitments, over 4 or 5 years, depending on the length of the national legislative term. The net expenditure<sup>3</sup> path in these plans has to comply with the Regulation's requirements, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60% of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3%-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in the Regulation, the adjustment period may be extended by up to three years.

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<sup>3</sup> Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure; (ii) discretionary revenue measures; (iii) expenditure on programmes of the Union fully matched by revenue from Union funds; (iv) national expenditure on co-financing of programmes funded by the Union; (v) cyclical elements of unemployment benefit expenditure; and (vi) one-offs and other temporary measures.

- (2) Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>4</sup>, which established the Recovery and Resilience Facility (the 'RRF'), entered into force on 19 February 2021. The RRF provides financial support to Member States for implementing reforms and investments, delivering a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the RRF fosters economic and social recovery while driving sustainable reforms and investments, in particular promoting the green and digital transitions and making Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.
- (3) Regulation (EU) 2023/435 of the European Parliament and of the Council<sup>5</sup> (the 'REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This helps achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Sweden added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

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<sup>4</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: <http://data.europa.eu/eli/reg/2021/241/oj>).

<sup>5</sup> Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: <http://data.europa.eu/eli/reg/2023/435/oj>).

- (4) On 28 May 2021, Sweden submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of that Regulation, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V. On 4 May 2022, the Council adopted its Implementing Decision approving the assessment of the recovery and resilience plan for Sweden<sup>6</sup>, which was amended under Article 18(2) on 9 November 2023 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter<sup>7</sup>. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5), stating that Sweden has satisfactorily achieved the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory achievement requires that the achievement of preceding milestones and targets for the same reform or investment has not been reversed.

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<sup>6</sup> Council Implementing Decision of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Sweden (ST 7772/2022; ST 7772/2022 ADD1).

<sup>7</sup> Council Implementing Decision of 9 November 2023 amending the Implementing Decision of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Sweden (ST 14474/2023).

- (5) On 21 January 2025, the Council, upon the recommendation of the Commission, adopted a recommendation endorsing the national medium-term fiscal-structural plan of Sweden<sup>8</sup>. The plan was submitted in accordance with Article 11 and Article 36(1), point (a), of Regulation (EU) 2024/1263, covers the period from 2025 until 2028 and sets a budgetary constraint in the form of a maximum net expenditure growth rate over four years.
- (6) On 26 November 2024, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2025 Alert Mechanism Report, in which it identified Sweden as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2025 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area<sup>9</sup> on 13 May 2025 and the Joint Employment Report on 10 March 2025.

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<sup>8</sup> Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Sweden, OJ C/2025/644, 10.2.2025.

<sup>9</sup> Council Recommendation of 13 May 2025 on the economic policy of the euro area (OJ C, C/2025/2782, 22.5.2025, ELI: <http://data.europa.eu/eli/C/2025/2782/oj>).

- (7) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the EU's global competitiveness over the next five years. It identifies the three transformative imperatives of sustainable economic growth:
- (i) innovation; (ii) decarbonisation and competitiveness; and (iii) security. To close the innovation gap, the EU aims to foster industrial innovation, support the growth of start-ups through initiatives like the EU Start-up and Scale-up Strategy, and promote the adoption of advanced technologies like artificial intelligence and quantum computing. In pursuit of a greener economy, the Commission has outlined a comprehensive Affordable Energy Action Plan and a Clean Industrial Deal, ensuring that the shift to clean energy remains cost-effective, competitiveness-friendly, particularly for energy-intensive sectors, and is a driver for growth. To reduce excessive dependencies and increase security, the Union is committed to strengthening global trade partnerships, diversifying supply chains and securing access to critical raw materials and clean energy sources. These priorities are underpinned by horizontal enablers, namely regulatory simplification, deepening of the single market, financing competitiveness and a Savings and Investments Union, promotion of skills and quality jobs, and better coordination of EU policies. The Competitiveness Compass is aligned with the European Semester, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

- (8) In 2025, the European Semester for economic policy coordination continues to develop alongside the implementation of the RRF. The full implementation of the recovery and resilience plans remains essential for delivering on the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. These country-specific recommendations remain equally relevant for the assessment of amended recovery and resilience plans in accordance with Article 21 of Regulation (EU) 2021/241.
- (9) On 4 June 2025, the Commission published the 2025 country report for Sweden. It assessed Sweden's progress in addressing the relevant country-specific recommendations and took stock of Sweden's implementation of the recovery and resilience plan. Based on this analysis, the country report identified the most pressing challenges Sweden is facing. It also assessed Sweden's progress in implementing the European Pillar of Social Rights and in achieving the Union's 2030 headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.



- (10) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Sweden. The main findings of the Commission's assessment of macroeconomic vulnerabilities for Sweden for the purposes of that Regulation were published on 13 May 2025<sup>10</sup>. On 4 June 2025, the Commission concluded that Sweden is experiencing macroeconomic imbalances. In particular, vulnerabilities related to its real estate market and high private debt remain relevant despite some recent moderation, and the identified vulnerabilities persist in the absence of firm action. Despite some moderation, household and corporate debt-to-GDP readings remain among the highest in the EU, while house prices were constant in nominal terms but continue to be overvalued. Tightened financial conditions has also led to a slump in housing construction and put additional pressure on households and business expenditure, and the financial sector continues to be highly exposed to the real estate sector, including commercial real estate. Policy progress has been limited. Policy settings continue to favour debt-financed house acquisition while housing supply shortages linger. Taxation continues to incentivise debt-financed house ownership through the significant tax deductibility of mortgage interest payments. Measures that increase housing supply going forward would help moderate house price growth, but are no substitute for reforms addressing the main drivers of household debt. The rental market has not yet been reformed. These vulnerabilities may worsen should a re surge in debt-financed housing acquisition and house price overvaluation materialise on account of macroprudential measures being eased, which seem to be under consideration, on the top of more benign financing conditions.

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<sup>10</sup> SWD(2025)124 final.

## **Assessment of the Annual Progress Report**

- (11) On 21 January 2025 the Council recommended the following maximum growth rates of net expenditure for Sweden: 4.0% in 2025, 4.4% in 2026, 4.4% in 2027, and 4.6% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to 2023 of 10.7% in 2025, 15.5% in 2026, 20.6% in 2027, and 26.1% in 2028. On 30 April 2025 Sweden submitted its Annual Progress Report<sup>11</sup> on adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Sweden's biannual reporting on the progress made in achieving its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.
- (12) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025.

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<sup>11</sup> The 2025 Annual Progress Reports are available on: [https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports\\_en](https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en).

- (13) Based on data validated by Eurostat<sup>12</sup>, Sweden's general government deficit increased from a deficit of 0.8% of GDP in 2023 to a deficit of 1.5% in 2024, while the general government debt rose from 31.6% of GDP at the end of 2023 to 33.5% at the end of 2024. According to the Commission's calculations, these developments correspond to a net expenditure growth rate of 6.1% in 2024. In the Annual Progress Report, Sweden estimates the net expenditure growth in 2024 at 6.1%. Based on the Commission's estimates, the fiscal stance<sup>13</sup>, which includes both nationally and EU financed expenditure, was expansionary, by 0.7% of GDP, in 2024.
- (14) According to the Annual Progress Report, the macroeconomic scenario underpinning the budgetary projections by Sweden expects real GDP growth at 2.1% in 2025, while HICP inflation is projected at 2.1% in 2025. The Commission Spring 2025 Forecast projects real GDP to grow by 1.1% in 2025 and 1.9% in 2026, and HICP inflation to stand at 2.2% in 2025 and 1.6% in 2026.

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<sup>12</sup> Eurostat-Euro Indicators, 22.4.2025

<sup>13</sup> The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

- (15) In the Annual Progress Report, the general government deficit is expected to decrease to 1.3% of GDP in 2025, while the general government debt-to-GDP ratio is set to increase to 34.3% of GDP by the end of 2025. These developments correspond to net expenditure growth of 4.1% in 2025. The Commission Spring 2025 Forecast projects a general government deficit of 1.5% of GDP in 2025. According to the Commission's calculations, these developments correspond to a net expenditure growth of 1.7% in 2025. This lower growth rate of net expenditure compared to the rate in the Annual Progress Report reflects different projections of, *inter alia*, compensation of employees and social transfers in kind by market producers. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be contractionary, by 0.7% of GDP, in 2025. The general government debt-to-GDP ratio is set to increase to 33.8% by the end of 2025.
- (16) General government expenditure amounting to 0.1% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2025, compared to 0.1% of GDP in 2024, according to the Commission Spring 2025 Forecast. Expenditure financed by Recovery and Resilience Facility non-repayable support enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Sweden.
- (17) General government defence expenditure in Sweden amounted to 1.3% of GDP in 2021, 1.7% of GDP in 2022 and 1.8% of GDP in 2023<sup>14</sup>. According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 2.3% of GDP in 2024 and 2.5% of GDP in 2025. This corresponds to an increase of 1.2 percentage points of GDP compared to 2021.

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<sup>14</sup> Eurostat, government expenditure by classification of functions of government (COFOG). Due to methodological differences between the COFOG and NATO definitions, expenditure based on the COFOG definition may differ from the expenditure based on the NATO definition.

- (18) According to the Commission Spring 2025 Forecast, net expenditure in Sweden is projected to grow by 1.7% in 2025 and 7.9% cumulatively in 2024 and 2025. Based on the Commission Spring 2025 Forecast, the net expenditure growth of Sweden in 2025 is projected to be below the recommended maximum growth rate, both annually and when considering 2024 and 2025 together.
- (19) The Annual Progress Report does not include budgetary projections beyond 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2025 Forecast projects a general government deficit of 0.8% of GDP in 2026. These developments correspond to net expenditure growth of 2.6% in 2026. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be contractionary, by 0.4% of GDP, in 2026. The general government debt-to-GDP ratio is projected by the Commission to decrease to 33.3% by the end of 2026.

### **Key policy challenges**

- (20) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, finalising the effective implementation of the recovery and resilience plan including the REPowerEU chapter, is essential to boost Sweden's long-term competitiveness through the green and digital transitions, while ensuring social fairness. The Commission Communication NextGenerationEU – The road to 2026, adopted on 4 June 2025, clarifies the applicable timeline for the end of the Facility and provides guidance to Member States to maximise implementation by 31 August 2026, including on how to further streamline their RRP, lays out key options to consider when revising them, and stresses the importance of careful joint planning ahead for the submission of the last payment requests in 2026. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the recovery and resilience plan.

- (21) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+), has accelerated in Sweden. It is important to continue efforts to ensure the swift implementation of these programmes, while maximising their impact on the ground. Sweden is already taking action under its cohesion policy programmes to boost competitiveness and growth while enhancing social cohesion. At the same time, Sweden continues to face challenges including skills shortages and mismatches, and there could be scope to enhance regional growth taking into account regional needs relating to competitiveness, energy transition and water resilience. In accordance with Article 18 of Regulation (EU) 2021/1060, Sweden is required – as part of the mid-term review of the cohesion policy funds – to review each programme taking into account, among other things, the challenges identified in the 2024 country-specific recommendations. The Commission proposals adopted on 1 April 2025<sup>15</sup> extend the deadline for submitting an assessment – for each programme – of the outcome of the mid-term review beyond 31 March 2025. They also provide flexibilities to help speed up programme implementation and incentives for Member States to allocate cohesion policy resources to five strategic priority areas of the Union, namely competitiveness in strategic technologies, defence, housing, water resilience and energy transition, and to investments in skills in priority sectors while maintaining the focus on persons in most vulnerable situations in ESF+ programmes.

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<sup>15</sup> Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review – COM(2025) 123 final.

- (22) The Strategic Technologies for Europe Platform (STEP) provides the opportunity to invest in a key EU strategic priority by strengthening the EU's competitiveness. STEP is channelled through 11 existing EU funds. Member States can also contribute to the InvestEU programme supporting investments in priority areas. Sweden could make optimal use of these initiatives to support the development or manufacturing of critical technologies, including clean and resource-efficient technologies.
- (23) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Sweden should effectively address the remaining challenges related to: (i) deteriorating educational outcomes of pupils, in particular those from disadvantaged socio-economic and migrant backgrounds; (ii) skills gaps, which are most pronounced for people from disadvantaged socio-economic and migrant backgrounds; (iii) high levels of private debt coupled with overvalued real estate; (iv) the reduction of greenhouse gas emissions, and (v) power grid capacity and transmission constraints linked to the deployment of renewables.
- (24) The results of the 2022 Programme for International Student Assessment (PISA) show that the decline in the basic skills of Swedish students since 2018 is among the sharpest in the EU, particularly in mathematics. Underachievement in basic skills is especially high for students with a migrant or disadvantaged socio-economic background, and the increase in underachievement for those with disadvantaged socio-economic background is even higher. There is also a significant performance gap between native-born and foreign-born students, and pupils with a migrant background are more likely to be concentrated in certain schools. Students from disadvantaged backgrounds are also underrepresented in private schools, whose pupils have on average better chances of qualifying for further studies. In 2022, 15% of all students finishing lower secondary school had grades that were too low or incomplete, excluding them from qualifying for upper secondary school. The ongoing shortage of qualified teachers, especially in schools with a high number of disadvantaged students, poses a risk to the quality of the education system and further aggravates the declining education outcomes.



- (25) Sweden continues to face challenges in integrating people from vulnerable groups, in particular people from disadvantaged and migrant backgrounds, into the labour market, as well as reducing the remaining skills gaps. In 2023, Sweden had the highest unemployment rate in the EU for people born outside the EU, whereby the gap between those born outside the EU and native-born Swedes remains particularly high. Among people from the vulnerable groups registered as unemployed, almost half lack upper secondary education and many also lack the basic prerequisites for finding a job or studying, including language skills. As completing upper secondary education is essential for getting a job in Sweden, further measures would be needed to support students pursuing upper secondary, higher or vocational education and training. This would help increase the supply of skilled labour to support employment, productivity growth, and the growth potential of the Swedish economy.
- (26) Labour and skills shortages in sectors and occupations key for the green transition, including the manufacturing, deployment and maintenance of net-zero technologies, are creating bottlenecks in the transition to a net-zero economy in Sweden. There is high demand for engineers and green transition specialists particularly in the north of the country. Therefore, further improving the labour market relevance of the education and training systems on offer that respond to changing labour market needs and targeted upskilling and reskilling measures are key to reducing skills shortages and promoting labour inclusion and reallocation.

- (27) High levels of private debt and overvalued property prices constitute macroeconomic imbalances that continue to be at risk of disorderly unwinding. House prices remain high, while supply shortages linger as construction of new homes remains below forecast demand. This shortage is linked to structural inefficiencies, such as limited competition in the construction sector due to barriers to entry for small and foreign firms and the ability of large developers to control land resources. The overall tax burden on property remains relatively low because of generous tax deductions on mortgage interest payments and low recurrent property taxes. The impact of policy changes on after-tax mortgage payments is difficult to assess due to a lack of individual household data on assets and liabilities. Availability of such data could lead to efficiency gains in the design of policy, possibly lowering the entry barrier to the housing market and spreading housing burdens more equally among the population. The rental market offers few alternatives and still needs to be reformed to reduce waiting lists and promote the construction of rental accommodation. Any loosening of macroprudential policy ahead of reforms to tackle existing market dysfunction could lead to higher house prices while simultaneously increasing household debt.
- (28) With its current policies, Sweden is not on track to meet its 2030 EU targets to reduce greenhouse gas emissions. The country's greenhouse gas emissions increased in 2024 and several studies by official and independent bodies suggest that Sweden's current policies will result in a significant shortfall of the EU's 2030 climate targets. In particular, this shortfall reflects recent policy changes, including lower biofuel blending obligations and reduced taxes on liquid fuels, which have led to an increase in emissions from road transport, the main source of greenhouse gas emissions from fossil fuels in Sweden.

- (29) Although Sweden continues to be the Member State with the highest share of renewables in its final energy consumption, constraints in power grid capacity and transmission may hinder the further deployment of renewable energy sources. Removing these constraints is pivotal, as Sweden's final electricity consumption is expected to rise significantly in the period to 2045, driven by the increased electrification needs of industry and transport. Improving access to Sweden's untapped potential for renewables could accommodate the ongoing electrification of industries in the south of the country, and support the innovative, green industrial developments and decarbonisation in the north. Reducing energy consumption by increasing energy efficiency is also essential to help reduce carbon emissions and control energy costs for households and businesses. On energy efficiency, given the energy consumption trajectory, Sweden is at risk of not achieving its national target of increasing energy efficiency by 50% by 2030 compared to 2005. With a primary energy consumption of over 41 Mtoe in 2023, Sweden remains among the Member States with the highest energy consumption per capita.
- (30) There are still several obstacles to expanding the country's renewable energy production capacity. One such obstacle is unpredictable permitting for both offshore and onshore wind power. Barriers emanating from inefficient permitting procedures and veto rights of municipalities and defence authorities, among other things, create investment uncertainty and hinder the exploitation of the potential provided by renewables.
- (31) In light of the Commission's in-depth review and its conclusions on the existence of imbalances, recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendation (5). Policies referred to in recommendation (5) help to address vulnerabilities linked to the real estate market and high private debt.

HEREBY RECOMMENDS that Sweden take action in 2025 and 2026 to:

1. Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025. Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025.
2. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, ensure the effective implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the opportunities provided by InvestEU and programme the Strategic Technologies for Europe Platform, to improve competitiveness.
3. Ensure the achievement of greenhouse gas emissions reduction targets by reducing, in particular emissions from road transport. Reduce reliance on fossil fuels by accelerating the deployment of renewables, including by expanding and upgrading energy transmission networks, and improving energy efficiency. Accelerate and streamline permitting procedures for deploying renewables, particularly for offshore and onshore wind energy, and avoid permitting approval reversals.
4. 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. 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.

5. Improve the efficiency of the housing market, including by introducing reforms in the rental 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 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. Maintain macroprudential measures.

Done at Brussels,

*For the Council*

*The President*

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