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Sweden: Prime Minister for a day

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Just hours after Magdalena Andersson was appointed new prime minister, the Green Party left the Government and a new vote will therefore be held. The next government will rule with the opposition's budget next year, regardless of the outcome.

- Magdalena Andersson appointed as new Prime Minister (10:00 CET)
- The opposition's budget for 2022 is approved in Parliament (16:10)
- The Green Party quits the Government coalition (16:45)
- Magdalena Andersson resigns as Prime Minister (17:35)

As expected, Magdalena Andersson was approved as Prime Minister by the Parliament (Riksdag) earlier today. However, just a few hours later, the Green Party announced that they will not accept ruling with the opposition's budget (more on this below) next year and therefore announced that they will **leave the Government** immediately. This has forced a new Prime minister vote to be held and the speaker of the Riksdag will provide further details over the upcoming vote tomorrow.

Andersson announced later this afternoon that she intends to form a new single party government consisting of only Social Democrats if Parliament once again approves her as Prime Minister. We expect the Left, Green and Centre parties to abstain in the upcoming vote and therefore effectively approve Andersson as Prime Minister again. In other words, **the political chaos is over** as long as nothing more unexpected happens.

Parliament passed the opposition's budget

Leading up to today's prime minister vote, the red-green Government was forced to negotiate with the Centre party and Left party in order to ensure enough support. In the end, the Centre party did not support the Government's budget proposition, which paved the way for **Parliament to pass the opposition's budget instead**.

In contrast to the prime minister vote, which is contingent on a negative majority (i.e. a majority not voting against), the budget with the largest support wins the budget vote.

Regardless who becomes the next Prime Minister, the upcoming Government will have to **rule with the opposition's budget** next year. The size of the budget is the same (reforms worth SEK 74 bn), whilst the opposition has **switched out reforms amounting to SEK 20 bn**. About half of this figure consists of the replacement of increased tax deductions on income and social benefits with a new earned income tax credit (jobbskatteavdrag). A large share of the rest of the new reforms consists of tax cuts on gasoline and for pensioners.

Despite today's political carousel, the opposition's budget is not a game changer for the economy or financial markets. Sweden has had three government crises during this term. With only ten months to go until the next election to the Riksdag, we expect the political turmoil to subside as soon as the next Prime Minister is elected. Looking ahead, an election outcome next year with no clear winner could indicate further deadlocks in the coming years, and a somewhat higher "**political uncertainty premium**" in financial markets cannot be ruled out.

Today's events do not change Nordea's forecast for **public finances**, with government debt falling below the debt anchor of 35 percent of GDP in 2022.

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