

# Monetary Policy Report

September 2025



Rectification October 2, 2025

Page 63: correction of 10-year rate.

# Monetary Policy Report

---

Regularly or upon request, the Riksbank shall submit an account of monetary policy operations to the Riksdag's Committee on Finance (Chapter 11, Section 1, Sveriges Riksbank Act [2022:1568]). These accounts are presented both in specific material for assessing monetary policy and in the Monetary Policy Reports and Updates.

The Riksbank's Monetary Policy Report is published four times a year. The purpose of the report is to summarise the basis for the monetary policy decisions and the assessments made by the Executive Board of the Riksbank. The report describes the deliberations made by the Executive Board when deciding on an appropriate monetary policy<sup>1</sup>. The report includes a description of the future prospect for inflation and economic activity based on the monetary policy that the Executive Board currently considers to be well-balanced.

Through the Monetary Policy Reports, the Riksbank also informs the general public about monetary policy, which makes it easier for external parties to follow, understand and evaluate the Riksbank's actions.

---

The Executive Board made a decision on the Monetary Policy Report on 22 September 2025.

---

<sup>1</sup> See "Monetary policy in Sweden – The Riksbank's strategy" on the next page for a description of the monetary policy strategy and what can be regarded as an appropriate monetary policy.

## Monetary policy in Sweden – The Riksbank's strategy

---

- According to the Sveriges Riksbank Act, the overriding objective of monetary policy is to maintain permanently low and stable inflation. The Riksbank has defined the objective as a target of 2 per cent for the annual change in the consumer price index with a fixed interest rate (the CPIF). The inflation target should function as a benchmark for price- and wage-setting in the economy.
- Without neglecting the inflation target, the Riksbank shall moreover contribute to a balanced development of production and employment. The Riksbank thus conducts a policy of flexible inflation targeting. In connection with each monetary policy decision, the Executive Board assesses which monetary policy is well-balanced. If inflation deviates from the inflation target, it is normally a question of finding a balance between how rapidly it shall be brought back to target and the effects on real economic developments.
- It is neither possible nor desirable to conduct a monetary policy that always keeps inflation at exactly 2 per cent. Changes occur constantly in the economy that make inflation vary in a way that cannot be predicted with sufficient precision, or counteracted in the short term. The important thing is that households and companies have confidence in the target. Prolonged deviations from the target risk affecting expectations of the normal level of inflation in the economy.
- As it takes time for monetary policy to impact fully on inflation and the real economy, monetary policy is guided by economic forecasts. There is no general answer to the question of how quickly the Riksbank aims to bring inflation back to 2 per cent if it deviates from the target. Too rapid a return may in some situations have very negative effects on production and employment, while too slow a return may weaken the credibility of the inflation target.
- The Riksbank can weigh risks linked to developments in the financial markets into its monetary policy decisions as long as confidence in the inflation target is clearly anchored, and expected and overall target achievement regarding inflation, production and employment is improved when viewed over a longer horizon. With regard to preventing an unbalanced development of asset prices and indebtedness, however, it is of prime importance that there is an efficient financial regulatory framework and effective supervision.
- The Riksbank's main monetary policy tool is the policy rate. When necessary, this can be supplemented with other measures, including purchases or sales of government securities, for example to ensure that monetary policy impacts effectively on the interest rates faced by households and companies. The Riksbank may buy and sell assets other than government securities if there are exceptional grounds. Such exceptional grounds may arise during times of financial turmoil or crisis, for example.
- The Riksbank strives for open and clear communication. This makes it easier for economic agents to make sound economic decisions and monetary policy will also be easier to evaluate. The Riksdag's Committee on Finance, the National Audit Office and the General Council of the Riksbank monitor and evaluate the conducted monetary policy in different ways within their respective remits.
- The Executive Board normally holds eight monetary policy meetings a year. After four of these meetings, a Monetary Policy Report with forecasts will be published. At the other four meetings, the Executive Board's assessments and motives for its monetary policy decisions are described in a shorter document, a Monetary Policy Update. Just under a week after each monetary policy meeting, minutes from the meeting are published, which set forth the reasoning of the different Executive Board members

# Contents

Monetary policy considerations	5
<b>1 The economic situation</b>	<b>10</b>
1.1 The real economy and inflation abroad	10
FACT BOX – Brief information about US import tariffs	15
1.2 Financial conditions	16
1.3 Swedish real economy	20
1.4 Swedish inflation	23
<b>2 Outlook for the coming years</b>	<b>29</b>
Key assessments and assumptions in the forecast	29
2.1 The economic outlook abroad	30
2.2 The economic outlook in Sweden	31
FACT BOX – Budget Bill 2026	35
2.3 Inflation outlook in Sweden	36
FACT BOX – Direct effects of tax changes on the rate of inflation	40
<b>3 Monetary policy analysis</b>	<b>42</b>
3.1 Monetary policy in Sweden	43
3.2 Uncertainty, risks and alternative scenarios	47
FACT BOX – How the Riksbank's forecasts have changed since the previous report	54
ANALYSIS – The interaction between fiscal policy and monetary policy	56
Forecast tables	61

# Monetary policy considerations

---

The global economy is still marked by geopolitical tensions and the uncertainty they entail for both companies and households. But the outlook for global growth remains largely unchanged.

In Sweden, inflation remained elevated in August. But inflation excluding energy prices declined somewhat and approached the earlier forecast. New information has given further reassurance regarding the assessment that the high inflation is transitory; for instance, companies' pricing plans have fallen and the krona has strengthened. But the Riksbank is following developments closely. The tax cuts announced by the Government will slow down inflation temporarily next year, but are not assessed to materially affect inflationary pressures.

The conditions for stronger economic activity going forward remain, and there are some signs that they have improved recently. However, growth has been weak for a long time, and the timing of the expected recovery has been gradually pushed forward. The turnaround on the labour market also appears to be taking longer than expected.

To provide further support to the recovery and to stabilise inflation at the target in the medium term, the Riksbank has decided to cut the policy rate by 0.25 percentage points, to 1.75 per cent. If the outlook for inflation and economic activity holds, the policy rate is expected to remain at this level for some time to come.

However, the outlook for inflation and economic activity is uncertain, and there are factors that could lead to a different design of monetary policy going forward. The uncertainty over how long inflation will remain elevated has declined, but still remains to some extent. There is also uncertainty regarding households' saving behaviour and how the tax cuts announced by the Government will affect economic activity and inflation. Geopolitical conflicts, the unpredictability of the US trade policy and weak government finances in several countries are at the same time all continuing to shape the risk outlook abroad.

---

## International developments

**Global growth is still subdued.** The agreements between the United States and several of its major trading partners have provided some clarity regarding the rules for international trade, at least for the moment. Measures of economic uncertainty

have also declined. Global growth is still lower than normal, but has been somewhat stronger than expected during the summer. Overall, growth prospects are in line with the earlier forecast.

**In the United States, growth has slowed down and the labour market has weakened.** Growth has varied a lot during the first half of this year, but on average has been lower than previously. The labour market has also weakened, with a clear slowdown in employment growth and some upturn in unemployment. Inflation rose to 2.9 per cent in August, and excluding energy it rose to 3.1 per cent. The upturn is explained to some extent by the higher import tariffs gradually gaining greater effect on goods prices.

**GDP in the euro area increased slightly in the second quarter.** Growth has slowed down as a result of falling investment and exports, probably linked to trade policy. However, economic developments have nevertheless been somewhat stronger overall than expected. HICP inflation in the euro area has recently been stable at close to 2 per cent. In August, it was unchanged at 2 per cent. HICP inflation excluding energy remained at 2.5 per cent.

**Market participants are expecting further interest rate cuts in the United States.** The Federal Reserve cut its policy rate in September by 0.25 percentage points, to the interval of 4–4.25 per cent, after having left it unchanged at the previous five meetings. This easing is strongly connected to the US labour market slowing down and market participants expect a further one or two cuts this year. The ECB, on the other hand, held its policy rate unchanged at its most recent meetings in July and September, after having cut the rate at seven meetings in a row. Market participants are expecting that the policy rate will be held unchanged for the remainder of the year, which is in line with how things looked in August.

**Uncertainty abroad continues to be high, despite somewhat greater clarity concerning tariffs.** US trade policy has been marked by unpredictability and could also change unexpectedly going forward. Another uncertainty factor concerns the sustainability of several large countries' government finances, including the United States and France, which could ultimately have consequences also for monetary policy.<sup>2</sup> The war in Ukraine and tensions in the Middle East are also continuing to contribute to uncertainty regarding the outlook for growth and inflation abroad.

## Developments in Sweden

**GDP has been somewhat weaker than expected during the first half of the year.** GDP increased by 0.5 per cent during the second quarter, after having fallen somewhat during the first quarter. Growth was driven primarily by investment, which rose after having fallen during the first quarter. Household consumption has risen so far this year, but the rate of increase is relatively slow, and the level of consumption is still lower than at the beginning of 2022 when inflation began to rise substantially.

---

<sup>2</sup> See the Analysis box "The interaction between monetary policy and fiscal policy" in this report.

**Growth is expected to increase going forward, with the support of economic policy.**

The Economic Tendency Survey shows that households remain pessimistic. Their confidence rose somewhat at the beginning of the summer, but was unchanged in August. Corporate sector confidence has risen and is now close to normal levels. Continued falling interest costs and rising real wages for households contribute to the economy being expected to recover going forward. The Government has also announced a more expansionary fiscal policy for 2026, with a focus on households. This will contribute to raising growth next year.<sup>3</sup>

**Fiscal policy is expected to become less expansionary after 2026.** The Riksbank's forecast is that fiscal policy will in the medium term be adjusted as normal with regard to economic activity and the fiscal policy framework. In the forecast, the budget deficit declines to 1.4 per cent in 2027 and slightly further after that. The strong government finances have benefited the Swedish economy and it is important that the fiscal policy framework is maintained.

**The labour market has shown weaker development than expected over the summer.** Unemployment has continued to rise and is now just over 8.5 per cent, which is a high level from a historical perspective. The number of unemployed has also increased in groups that normally have a strong position on the labour market. The higher growth in the economy is expected to contribute to an improvement in the labour market situation. However, indicators in the form of redundancy notices and job vacancies, for instance, imply that it will take additional time before unemployment decreases more substantially.

**Inflation has been higher than expected.** In August, CPIF inflation was 3.2 per cent, which is a just over 0.5 percentage points higher than the forecast in June, and is partly due to unexpectedly high electricity prices. CPIF inflation excluding energy was 2.9 per cent. This was also slightly higher than the Riksbank's earlier forecast. However, the deviation was less than the outcomes for June and July and linked to a few product categories, which does not indicate increased inflationary pressures. There is much to suggest that the high inflation is temporary, including unusually large effects from changes in weights in the CPI, which are expected to be normal next year.

**Some tax cuts are expected to curb inflation temporarily next year.** The Government has announced several tax relief measures aimed at households, including a temporary halving of VAT on food from April next year and until the end of 2027. As food comprises such a large share of the CPI basket, the lower VAT is expected to have a tangible effect on inflation.<sup>4</sup> The Riksbank assesses that CPIF inflation will be below 1 per cent in the middle of next year (see Figure 1). However, the underlying inflationary pressures are not assessed to be materially affected.

**Indicators of inflationary pressures point to inflation being in line with the target going forward.** According to the National Institute of Economic Research's Economic Tendency Survey, companies' pricing plans fell in August and are now close to

---

<sup>3</sup> See the Fact Box "Budget Bill 2026" in this report.

<sup>4</sup> See the Fact Box "Direct effects of tax changes on the rate of inflation" in this report.

historically normal levels. Rates of price increase at shorter periods than 12 months are in general close to 2 per cent. A broader set of indicators of inflationary pressures implies that inflation will be in line with the target (see Section 1.4). Long-term inflation expectations are firmly anchored around 2 per cent.

**Real wages are continuing to rise.** According to the National Mediation Office's statistics, wage increases amounted to 3.7 per cent in June, measured as an annual percentage change. The rate of increase is expected to decline somewhat going forward, but nevertheless exceed inflation, which means that real wages will continue to rise.

**The krona strengthened again at the start of the autumn.** After having weakened somewhat during the summer, the krona has once again strengthened since August, both against the euro and the dollar. Compared with the beginning of the year, the krona is much stronger. The Riksbank's assessment is that the krona exchange rate will continue to strengthen somewhat in the coming period. This is expected to have a dampening effect on inflation.

**There is considerable uncertainty regarding the effects of fiscal policy on economic activity and inflation.** Households have shown restraint for a long period of time and increased their saving in recent years. It is therefore uncertain how much the fiscal policy stimulation will boost consumption and, in turn, inflation. Inflation will also be dampened next year by the direct effects of tax cuts, not least the halving of VAT on food. The effects are predicted to be temporary, but could be larger and more lasting than expected if they affect, for instance, inflation expectations and price-setting behaviour.

### **Policy rate cut by 0.25 percentage points to 1.75 per cent**

**Inflation is above the target level, but the assessment that it will fall back has strengthened.** Inflation was somewhat elevated in August, but excluding energy it approached the earlier forecast. New information has given further reassurance regarding the assessment that the high inflation is transitory; for instance, companies' pricing plans have fallen and the krona has strengthened. But even if the uncertainty around how long inflation will be elevated has declined somewhat, there remains a risk that inflation will not fall back as expected. The Riksbank is following developments closely. The tax cuts announced by the Government will curb inflation temporarily next year, but are not assessed to materially affect inflationary pressures.

**Economic activity is weak, and the expected recovery has been gradually pushed forward.** The conditions for stronger economic activity going forward still remain, and there are some signs that they have improved recently. However, GDP has been weak for a long time, and overall it has not grown noticeably since the end of 2021. The turnaround on the labour market also appears to be taking longer than expected. There is still uncertainty regarding both the timing and the strength of the economic recovery.

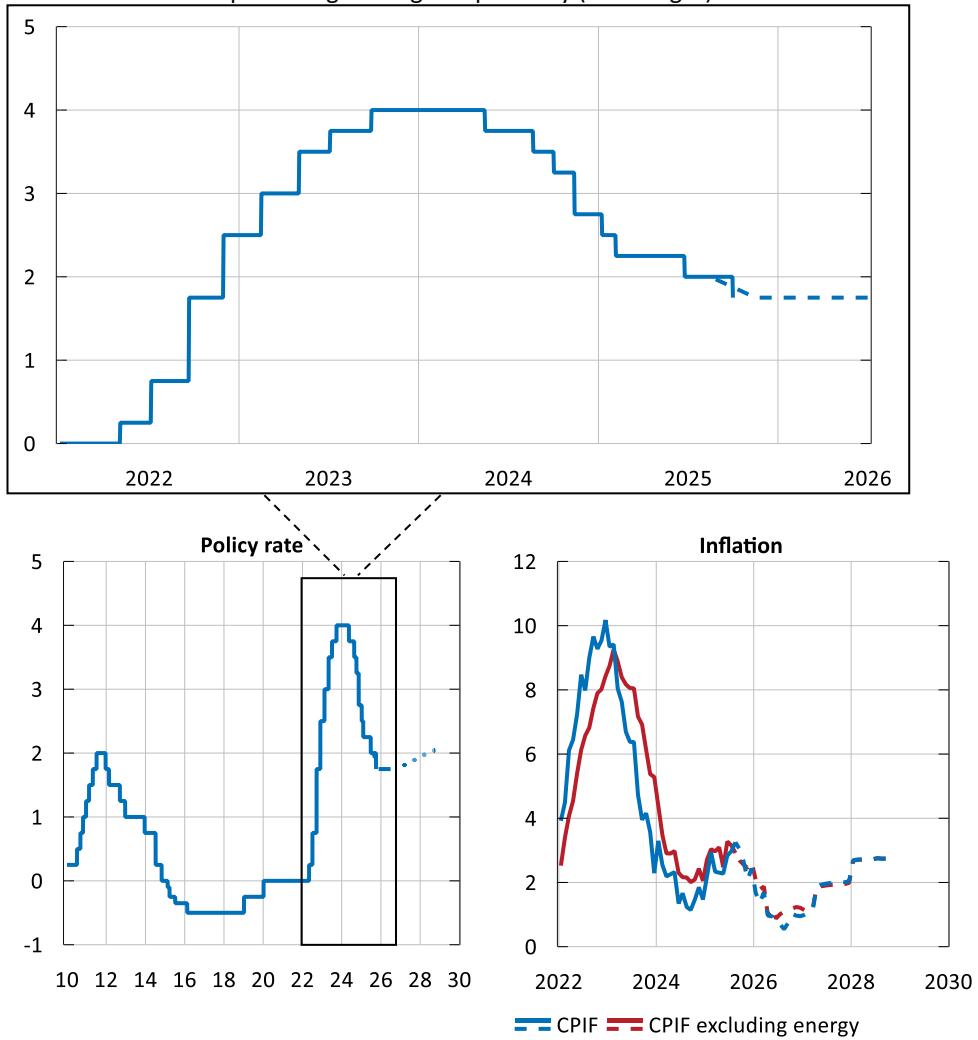
**To provide further support to the recovery and to stabilise inflation at the target in the medium, the Riksbank has decided to cut the policy rate to 1.75 per cent.** If the

outlook for inflation and economic activity holds, the policy rate is expected to remain at this level for some time to come (see Figure 1).

**But the outlook for inflation and the economy is uncertain.** There are risks both in Sweden and abroad that can affect future developments and lead to a different design of monetary policy.

**Figure 1. Swedish policy rate and inflation**

Per cent and annual percentage change respectively (lower right)



Note. Solid line refers to outcome, dashed/dotted lines represent the Riksbank's forecast. Outcomes for the policy rate are daily data and the forecasts refer to quarterly averages. The upper image shows the forecast for the policy rate in the short run and is based on the long-term policy rate path in the lower left figure. The dotted line illustrates the fact that the forecast for the policy rate in the longer run is very uncertain, which is discussed further in Chapter 3. The inflation forecast is based on the forecast for the policy rate.

Sources: Statistics Sweden and the Riksbank.

# 1 The economic situation

---

Despite the level of uncertainty abroad still being high, there is somewhat more clarity regarding US trade policy, at least for the moment. The effects of the sharp increase in import tariffs in the United States are as yet unclear, but there has been some slowdown in the US economy during the first half of the year. One can also begin to see the effects on goods prices in the United States, and inflation has risen. However, the weaker economic developments have led to increased expectations of interest rate cuts. In the euro area, GDP growth has slowed down as a result of falling investment and exports, probably linked to trade policy. Sentiment in the manufacturing industry has nevertheless improved somewhat during the summer.

Economic activity in Sweden remains weak, but there are signs of a recovery. Growth in household consumption has increased, although households are still more pessimistic than normal and developments on the housing market are subdued. Sentiment in the corporate sector has improved somewhat recently, and is now close to normal levels. However, the labour market is still weak and indicators point overall to the recovery in the labour market taking time.

Inflation was 3.2 per cent in August and excluding energy prices it was 2.9 per cent, which was somewhat higher than expected. The fact that inflation is above 2 per cent this year is partly due to technical factors related to changed weights in the CPI. During the summer, price increases for some services that have volatile prices have also caused a rise in inflation. But there has not been any general upturn in the rate of price increase and indicators are still assessed to point towards inflationary pressures in line with the target.

---

## 1.1 The real economy and inflation abroad

### **Despite agreements, the rules for global trade remain unclear**

The US administration's new trade policy with announcements of sharp increases in import tariffs on the rest of the world caused uncertainty regarding global trade to increase significantly during the spring and early summer, which negatively impacted the outlook for global growth. During the summer, however, the most acute uncertainty regarding trade policy has declined somewhat as the result of a number of agreements that have given slightly greater clarity regarding what will apply going

forward. It is particularly important for the Swedish economy that the agreement between the United States and the EU has reduced the risk that the EU will respond with its own import tariffs against the United States. But US trade policy is still characterised by unpredictability (see the Fact Box “Brief information about US import tariffs” in this report).

Despite the uncertainty that prevails, global economic activity has not yet weakened to the extent initially feared. Growth during the second quarter was a positive surprise in China as well as the euro area and the United States. The effects on some global trade flows have, however, begun to show, in particular those involving the United States and China. But so far, the import tariffs have not given any clear signs of supply disruptions or effects on global commodity prices.

In addition to trade policy, the war in Ukraine is continuing to contribute to uncertainty about how both security policy and the global economy will develop. The tensions in the Middle East are also continuing to contribute to greater uncertainty. In addition, there is uncertainty linked to the sustainability of some countries' government finances.

### **Higher tariffs beginning to affect growth and inflation in the United States**

The shift in US trade policy over the year has entailed rapidly rising tariffs in the United States (see Figure 2). However, the average effective tariffs rate has not yet risen as much as one might have expected, given the tariff rates announced by the administration.<sup>5</sup>

---

<sup>5</sup> This is to some extent due to the tariffs having affected trade flows to the United States in a way that has so far dampened the upturn in the average effective tariff rate. Import shares have increased for the goods, and from the countries that are not covered, or are covered only to a minor extent by the higher tariff rates. Moreover, traded goods that are in transit to the United States are exempted from the new tariffs from 7 August to 5 October. Different assessments of where the average effective tariff rate will land vary somewhat, but most of them are around 16-17 per cent, see for instance The Budget Lab at Yale, “State of U.S. Tariffs: September 4, 2025”.

**Figure 2. Average effective tariff rate in the United States**

Per cent



Note. The average effective tariff rate is calculated as the ratio between tariff income and total goods imports.

Sources: US Census Bureau and US Department of Treasury.

The high import tariffs have begun to drive up inflation in the United States, even if the effects at aggregate level are still relatively small. Goods prices in the United States have risen faster over the summer, and it is clear that import tariffs have increased the prices of certain products. This has in turn begun to raise inflation, which rose to 2.9 per cent in August (see Figure 3). So far, it is mainly importers and households that have absorbed most of the costs, and exporters have only taken a small part. However, it may be noted that China's export prices to the United States have fallen, and the corresponding prices in the EU also seem to have eased somewhat.

Many US companies in both the manufacturing industry and the service sectors state that their prices for intermediate goods have risen, which indicates increased inflationary pressures going forward. The effects of the import tariffs are expected to gradually make an impact. At the same time, underlying inflationary pressures have been dampened by the weaker demand and developments on the labour market.

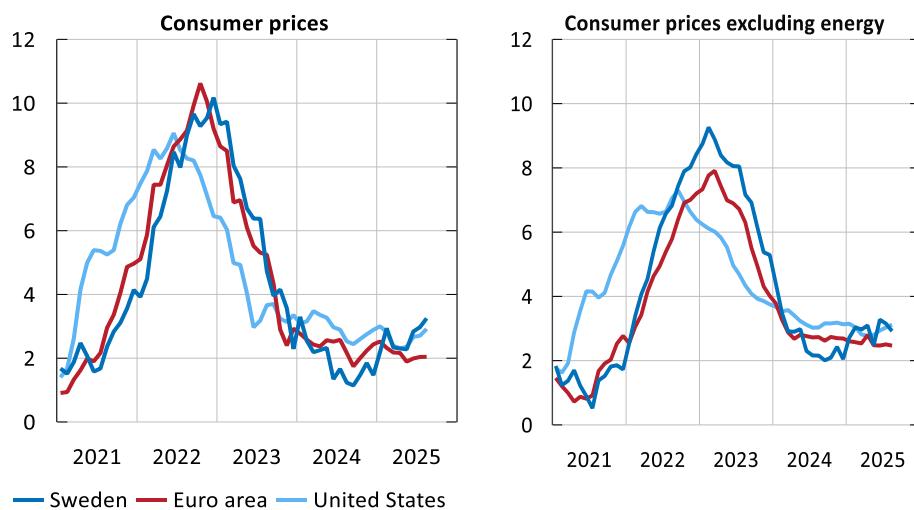
There has been some slowdown in the US economy during the first half of the year, at the same time as US GDP growth has been affected by major fluctuations in net exports (see Figure 4). The fluctuations are mainly due to many companies increasing their imports at the beginning of the year to avoid the tariffs that had been announced before the second quarter. Investments have so far continued to rise at a relatively good pace, but developments in household consumption have clearly slowed down in relation to last year. Sentiment among US households has fallen over the year and companies still have subdued investment plans, which indicates that economic activity will continue to deteriorate.

Developments on the labour market have also slowed down, and unemployment has risen somewhat (see Figure 4). A further sign that the labour market has weakened is the statistics from Atlanta Fed, which in recent months have shown that wage development for people changing jobs has been weak in relation to those remaining

in their jobs. This is historically very unusual and indicates that most people who change their jobs are not doing so voluntarily, and that the demand for labour is low.

**Figure 3. Consumer prices abroad**

Annual percentage change



Note. Prices measured in terms of the CPIF for Sweden, the HICP for the euro area and the CPI for the United States.

Sources: Statistics Sweden, Eurostat and the U.S. Bureau of Labor Statistics.

### The economic situation in the Euro area is close to normal

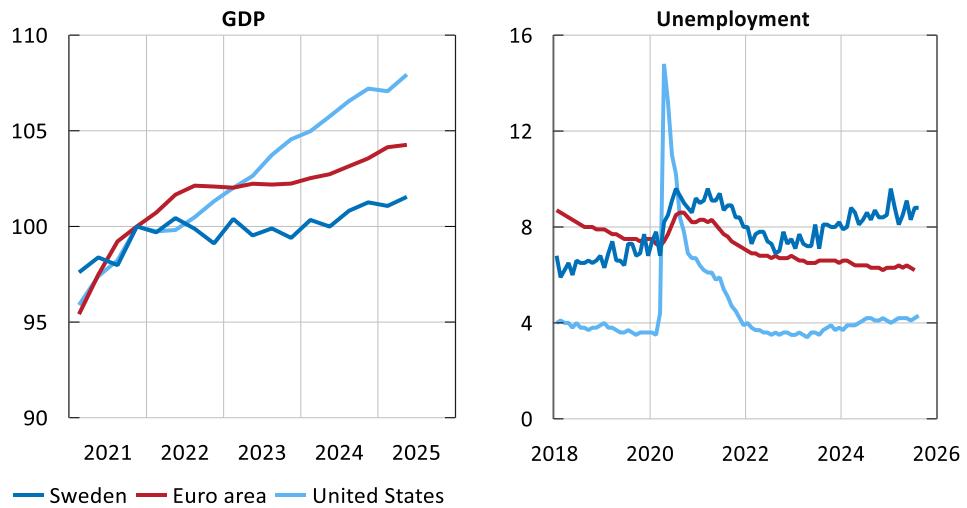
Following strong GDP growth during the first quarter, growth in the euro area slowed down during the second quarter (see Figure 4). Falling investment and exports, probably linked to US trade policy, contributed to the slowdown in GDP growth in the euro area. However, developments have nevertheless been somewhat stronger than expected, and during the first half of the year GDP has overall increased at a pace close to the historical average, at the same time as resource utilisation is assessed as relatively balanced. The labour market in the euro area has also continued to strengthen. Unemployment fell in July and amounted to 6.2 per cent, the lowest figure noted in the history of the euro area (see Figure 4).

However, there are still considerable differences in economic developments between countries. For instance, the German economy is marked by weak industrial production, while Spain has experienced strong demand from households that is reflected, among other things, in the retail trade.

Inflation in the euro area has been stable at close to 2 per cent during the summer. Subdued energy prices are continuing to contribute to dampening inflation. When adjusted for energy prices, HICP inflation has been just over 2 per cent (see Figure 3). The rate of wage increase has slowed down and, combined with a strengthening of the euro, has contributed to reducing inflationary pressures.

**Figure 4. GDP and unemployment abroad**

Index, 2021Q4 = 100 (left) and percentage of labour force (right)



Note. Seasonally and calendar-adjusted data (left). Unemployment among those aged 15-74 for Sweden and the euro area, and those aged 16 and older for the United States. Seasonally adjusted data (right).

Sources: Eurostat, Statistics Sweden, US Bureau of Economic Analysis and US Bureau of Labor Statistics.

## FACT BOX – Brief information about US import tariffs

The US administration's extensive tariffs came into force on 7 August, just over four months after the country-specific tariffs were first presented. The United States then introduced a global minimum tariff of 10 per cent, at the same time as higher tariffs apply for selected trading partners. During the summer, however, the United States has signed several tariff agreements, including agreements with Vietnam, Japan and the EU, and has also extended the pause in the trade conflict with China by a further 90 days, until 10 November. These agreements have reduced the risk of other countries responding with import tariffs of their own against the United States.

The agreement between the United States and the EU at the end of July entails tariffs of 15 per cent for most of the EU's export products.<sup>6</sup> This also applies to motor vehicles and vehicle parts and potential future tariffs on pharmaceuticals and semiconductors. Despite the agreed tariff level being half of the earlier indicated level of 30 per cent, the agreement nevertheless means that many European exporters will experience negative effects from price increases on the US market. At the same time, the tariffs for steel, aluminium and copper from the EU remain at 50 per cent.<sup>7</sup> Several details of the agreement are still unclear, but according to the White House, the EU has also undertaken to implement extensive investments and purchases of US energy and military equipment.<sup>8</sup>

The full impact of the tariffs will not be seen until November at the earliest, as they will not have an impact on goods that are in transit. As long as they reach the United States by 5 October, the earlier import tariff of 10 per cent applies.

Although the trade policy agreements can be regarded as steps towards increased stability and predictability, there still remain ongoing negotiations and legal processes in the United States regarding the tariffs, which contributes to a continued high level of uncertainty. The economic situation can thus change in an unexpected way, even going forward.

<sup>6</sup> The import tariff is unchanged for goods from the EU if it is already in excess of 15 per cent.

<sup>7</sup> According to the European Commission, however, the EU and the United States will introduce tariff quotas for EU exports of these metals based on historical levels. This entails a reduction of the current tariffs of 50 per cent, at the same time as the parties undertake to work jointly to promote fair global competition.

<sup>8</sup> However, the only commitments that have been confirmed by the European Commission are the energy-related purchases.

## 1.2 Financial conditions

### Signs of a weaker labour market have caused market participants to expect more interest rate cuts in the USA

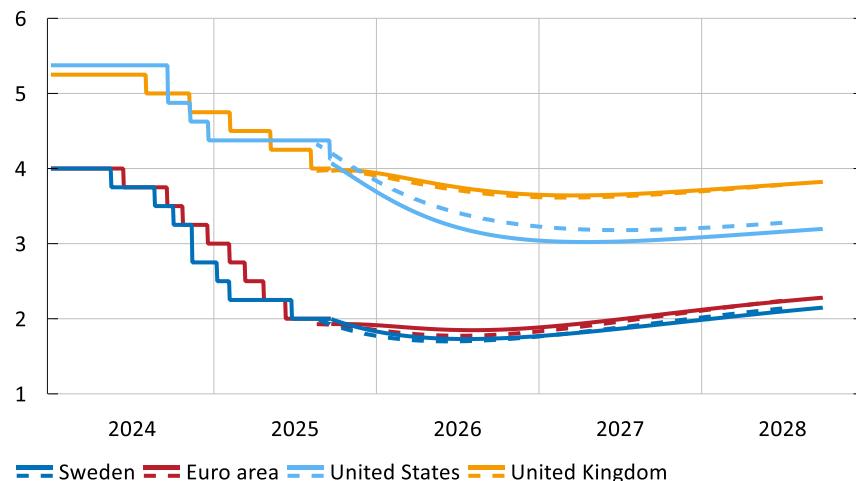
At its meeting in September, the Federal Reserve lowered its target interval for the Fed Funds rate by 0.25 percentage points to 4-4.25 per cent, after holding it unchanged since December 2024. Among other things, signs of a slowing down on the US labour market and that the Federal Reserve appears to assess that potential effects of tariffs on inflation will be temporary have led market participants to now expect a further one to two cuts of 0.25 percentage points during the remainder of the year. Compared with the time of the Monetary Policy Update in August, the policy rate in the United States is expected to stabilise at a lower level (see Figure 5).

After having cut the policy rate at seven meetings in a row, the ECB held its policy rate unchanged at the two most recent meetings in July and September. The motivation for the decision in September was that inflation was at the target level and they emphasised that future decisions would be guided by incoming data on the outlook for inflation. Market participants are now expecting that the policy rate will be held unchanged for the remainder of the year, which is roughly in line with expectations in August (see Figure 5).

There has been less volatility on the fixed-income markets during the summer than in the spring. Longer market rates, such as government bond yields, have on the other hand developed differently in different regions. In the United States, interest rates have fallen at most maturities, while they have risen in Europe, including Sweden.

**Figure 5. Market expectations of policy rates**

Per cent



Note. The figure shows policy rates and market-based expectations according to forward pricing. Solid lines represent expectations on 19 September 2025. Dashed lines represent expectations immediately prior to the monetary policy meeting in August.

Sources: National central banks and the Riksbank.

## The higher tariffs are expected to push up inflation in the United States in the short run

Market-based measures of inflation expectations are continuing to show that US inflation is expected to remain at elevated levels over the next two years, primarily as a result of the higher import tariffs. Further ahead, on the other hand, inflation is expected to be lower and closer to the Federal Reserve's target (see Figure 6). The market-based expectations in the euro area instead show that inflation is expected to be close to, but slightly below, 2 per cent both in the short and long term. The difference in expectations between the United States and the euro area can be explained by the EU so far having refrained from raising import tariffs on US imports.

**Figure 6. Inflation swaps**



Note. Inflation expectations are based on 2-year and 5-year inflation swaps linked to the euro area HICP and the US CPI. An inflation swap is a financial contract whereby two parties exchange payments over a set period of time. One party pays a fixed percentage (representing the expected average inflation over the period), while the other party pays the actual inflation realised during the period. The solid line marks the period immediately prior to the monetary policy meeting in June. The dashed line marks the time immediately prior to the monetary policy meeting in August.

Source: Bloomberg.

## Stock markets continuing to be strong, despite political uncertainty

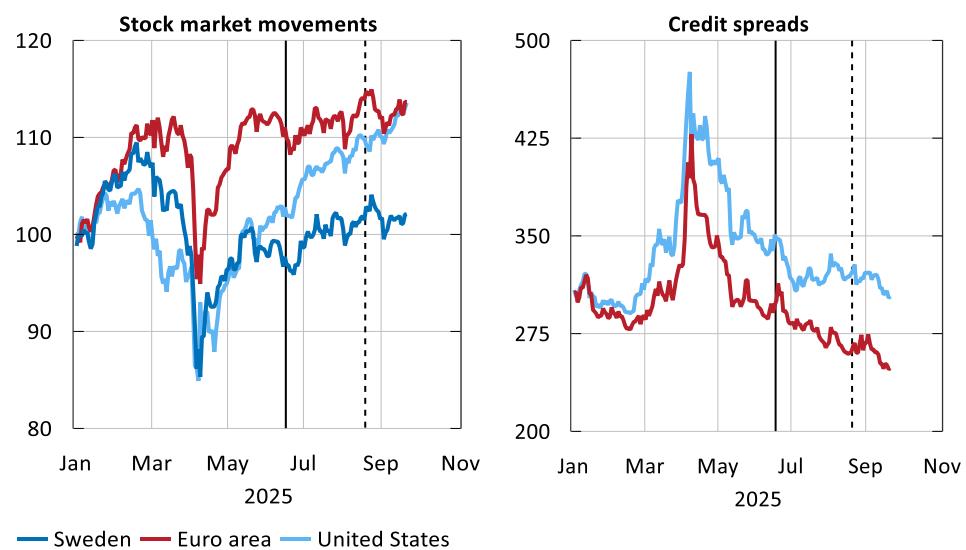
After the large falls in April, stock markets have continued to rise again, especially in the United States (see Figure 7). Developments there are mainly driven by companies in the technology sector, where expectations regarding the potential of AI have caused stock exchanges to strengthen. However, questions have increasingly been raised with regard to some of these companies' high valuations. Stock markets have also developed strongly in Sweden and the rest of Europe. This follows on from the international trend of rising stock market values and from expectations of a more expansionary fiscal policy going forward, which includes increased investment in defence and infrastructure. At the beginning of the year, stock markets in Sweden and

the rest of Europe developed more strongly than those in the United States, partly because the view of the US economy and willingness to invest in the United States were negatively affected by the new administration's trade policy. Recently, however, share prices have risen much more in the United States than in Europe.

Credit spreads in both the United States and the euro area have fallen after the turbulence at the beginning of April (see Figure 7).<sup>9</sup> Both the developments on the stock markets and the decline in credit spreads indicate that the financial markets are so far reacting calmly to the current political uncertainty.

**Figure 7. Stock market movements and credit spreads**

Index, 2 Jan 2025 = 100 (left) and index (right)



Note. Stock exchange indices refer to OMXS for Sweden, STOXX for the euro area and S&P 500 for the United States. Euro area credit spreads are measured using the iTraxx Xover index, which consists of 75 equally weighted so-called credit default swaps for companies with low/medium credit ratings. Credit spreads in the United States refer to credit default swaps for 100 North American companies divided into BB and B ratings. The solid line marks the period immediately prior to the monetary policy meeting in June. The dashed line marks the time immediately prior to the monetary policy meeting in August.

Sources: Bloomberg, Nasdaq OMX Nordic, S&P Global, STOXX and the Riksbank.

### Swedish households' interest rates have varied quite substantially in recent years

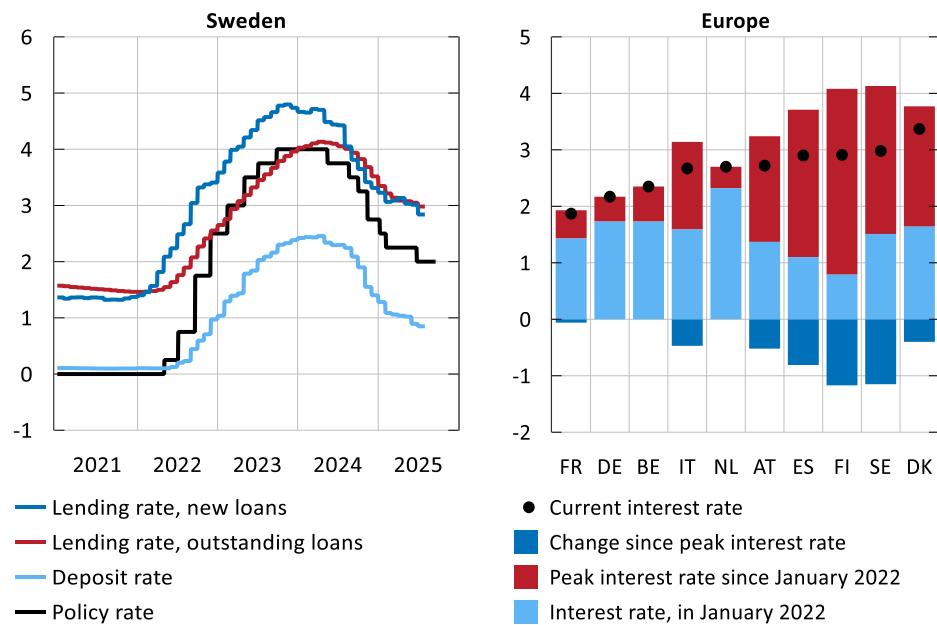
The interest rates faced by Swedish households have gradually fallen as the Riksbank cut the policy rate in 2024 and 2025 (see Figure 8). The difference between interest rates on new and outstanding loans, which increased when the policy rate was raised 2022 — 2023, declined rapidly when the cuts to the policy rate began. Swedish households tend to have short interest-rate fixation for their mortgages which means

<sup>9</sup> Credit spreads are a measure that shows the extra interest a lender requires to lend money to a borrower deemed to have a relatively high credit risk compared to lending to a safe borrower, for instance, a government. Increased spreads indicate a reduced willingness of lenders to lend to riskier actors.

that changes in the Riksbank's policy rate have a rapid impact on the interest rates they are charged.

In a European comparison, Swedish households have also seen a much larger variation in interest rates in recent years (see Figure 8). The maximum upturn in interest rates since January 2022 has only been greater in Finland, where households also have short interest fixation periods, see the red bar in Figure 8. It is also Swedish and Finnish households that have seen the largest falls in interest rates since the peak, see the dark blue bar. In countries such as France, Germany, Belgium and the Netherlands, where mortgage rates tend to be fixed for a much longer period of time, households' interest rates have so far changed very little. This is despite the ECB's policy rate having varied in a similar manner to the Riksbank's during this period. Households in these countries can even expect interest rates to rise in coming years, which could inhibit consumption if households' disposable incomes decline as a result of higher interest-to-income ratios.<sup>10</sup>

**Figure 8. Development of interest rates faced by households in Sweden and Europe**  
Per cent (left) and interest rate in per cent and change in percentage points (right)



Note. Volume-weighted averages of lending and deposit rates at all maturities. For households, this refers to interest rates on loans from monetary financial institutions, housing credit institutions and alternative investment funds. Household lending rate refers to loans for housing purposes (left). Outstanding stocks of loans are from monetary financial institutions (MFIs). The light-blue bars represent the level the interest rate was at in January 2022. The red bars refer to the interest rate rise to the highest level since January 2022 and the dark blue ones refer to how much the interest rate has fallen since its peak (right).

Sources: ECB, Statistics Sweden and the Riksbank.

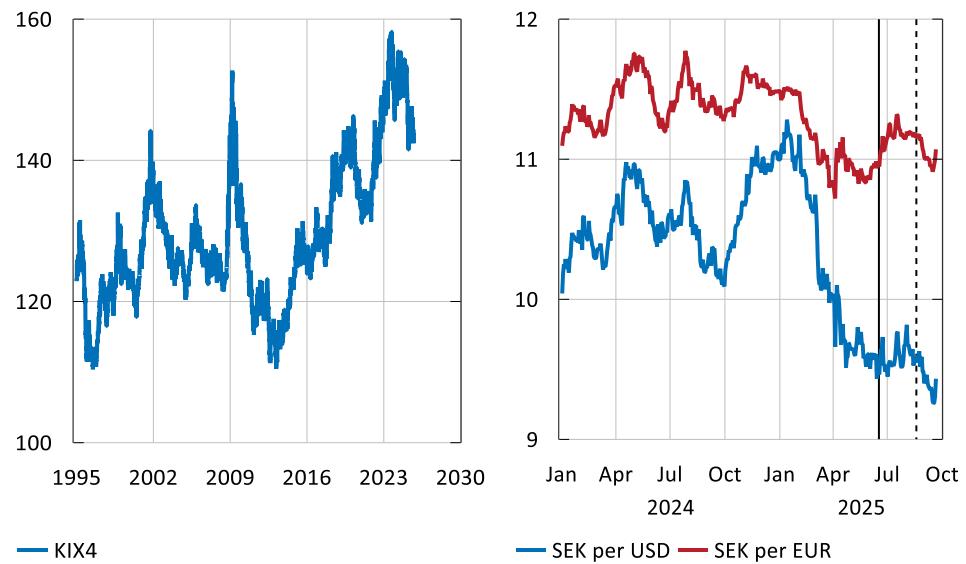
<sup>10</sup> For further analysis, see P. Baptista et al. “[Monetary policy transmission: from mortgage rates to consumption](#)” from *The ECB blog* 28 May 2025.

## The krona has strengthened again at the start of the autumn

After having strengthened significantly during the spring, the krona weakened somewhat during the summer. But since the most recent monetary policy meeting in August, the krona has once again clearly strengthened. This strengthening has been against both the euro and the US dollar and in trade-weighted terms the krona is now somewhat stronger than in August (see Figure 9). Compared with the end of last year, the krona has strengthened by just under 6 per cent and the strongest development has been in relation to the dollar. There the krona has strengthened by just over 14 per cent (see Figure 9). Seen from a longer term perspective, the krona is still relatively weak, despite the recent trend towards a stronger exchange rate.

**Figure 9. Nominal exchange rate against KIX4, the US dollar and the euro**

Index, 18 November 1992 = 100 (left) and kronor (right)



Note. A higher value indicates a weaker exchange rate. The KIX4 (krona index) is a weighted average against the US dollar, euro, pound sterling and Norwegian krone. The solid line marks the period immediately prior to the monetary policy meeting in June. The dashed line marks the time immediately prior to the monetary policy meeting in August.

Sources: Macrobond Financial AB and the Riksbank.

## 1.3 Swedish real economy

### Signs that growth is strengthening somewhat from a weak initial position

Following a strong first quarter, growth strengthened somewhat during the second quarter and GDP rose by 0.5 per cent compared with the previous quarter. Growth was driven partly by increased household consumption, but in particular investment, which rose after falling clearly during the first quarter.

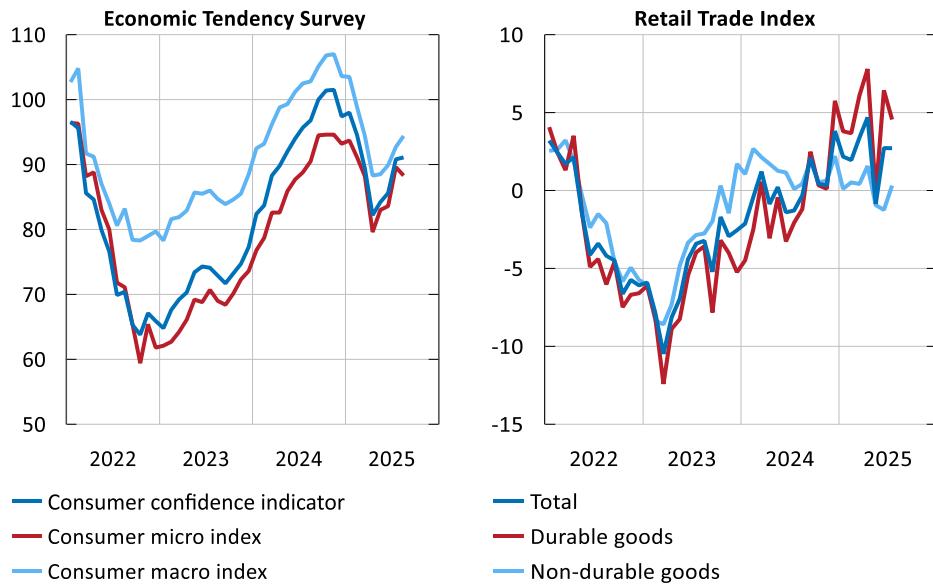
GDP outcomes indicate that growth during the first half of the year was overall lower than expected. But after the fairly weak first half of the year, there are now some signs that sentiment in the economy has improved, which indicates somewhat higher

growth going forward. The GDP indicator for July rose compared with the corresponding month last year. Retail trade sales have also continued to increase during the summer, in particular durable goods, which were the purchases most dampened during the period of high inflation and high interest rates (see Figure 10). Corporate sector confidence is now close to normal levels, according to the Economic Tendency Survey and the Purchasing Managers' Index, although sentiment differs between sectors.

That said, households are still pessimistic. Confidence rose somewhat at the beginning of the summer, but was largely unchanged in August (see Figure 10). In the Riksbank's conversations with representatives of the corporate sector, they emphasise that households are still cautious and that demand is not really picking up.

**Figure 10. Economic Tendency Survey and Retail Trade Index**

Index, average = 100 and standard deviation = 10 (left) and annual percentage change (right)



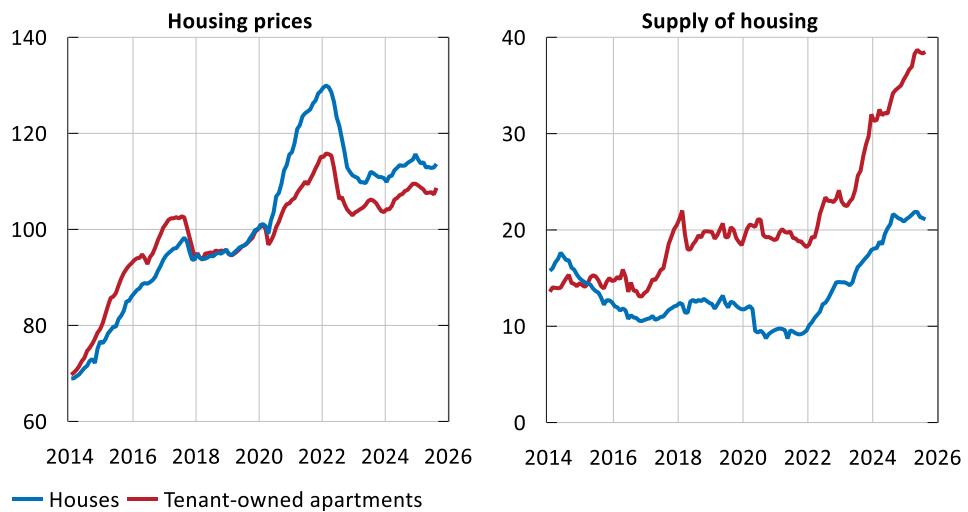
Note. The confidence indicators are calculated as the mean value of net figures for a number of questions concerning the current economic situation and future prospects. Microindex summarises households' views of their own finances. Macroindex summarises households' views of the development of the Swedish economy (left). Seasonally adjusted data (right).

Sources: National Institute of Economic Research and Statistics Sweden.

Households' confidence in economic developments is also reflected in developments on the housing market. After some upturn last year, housing prices have once again shown weak development this year (see Figure 11). The supply of housing has increased and the time on the market has become longer. Despite surveys implying that households are expecting rising prices going forward, their expectations have dampened during the first half of the year.

**Figure 11. Housing prices and supply of housing**

Index, 2019-12 = 100 (left) and number, thousands (right)



Note. Seasonally adjusted data. Housing prices refer to the HOX Sweden price index for tenant-owned apartments and houses. Supply of housing refers to number of homes that have been active on Hemnet (website for selling houses/apartments) at that point in time. Homes flagged as new production are excluded from this compilation.

Sources: Hemnet, Valueguard and the Riksbank.

**Weak demand for labour and lower resource utilisation than normal**

The fact that demand in the economy is subdued can also be seen in the weak development of the labour market, even if data do not show a clear view of developments over the year (see Figure 12). The labour force surveys (LFS) indicate that employment rose during the first half of the year, while register-based statistics point to a weaker development. Unemployment has continued to rise according to the LFS, which is also the case for the number of people registered as jobseekers with the Swedish Public Employment Service. Many of the jobseekers registered have a low level of education and were born outside of Europe, but the weak economic activity has resulted in more people becoming unemployed even in groups that normally have a strong position on the labour market.

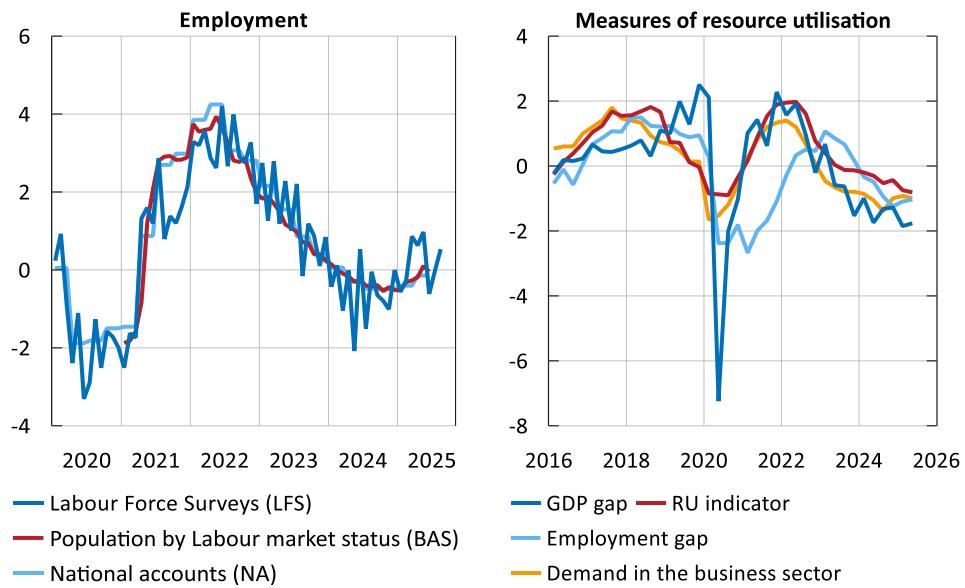
The number of redundancy notices was low in August, but so far in September a number of large-scale redundancy notices have been given in the manufacturing industry. Both the number of newly-registered vacancies at the Swedish Public Employment Service and companies' recruitment plans according to the Economic Tendency Survey remain at a low level, which indicates that companies are still cautious about recruiting staff. Overall, indicators point to that the recovery in the labour market will take longer. Unemployment is expected to have risen to 8.7 per cent in the third quarter of this year, and to only have declined slightly at the end of the year.

Indicators of resource utilisation in the Swedish economy are pointing to it being lower than normal (see Figure 12). The Riksbank's overall assessment is that resource

utilisation bottomed out in the first half of the year and is now beginning to gradually rise again.

**Figure 12. Employment and different measures of resource utilisation**

Annual percentage change (left) and per cent and standard deviation (right)



Note. For the LFS and BAS, this refers to persons aged 15-74 and for the NA it refers to all ages (left). The GDP and employment gaps refer to the deviation in GDP and employment from the Riksbank's projected trend. The RU indicator is a statistical measure of resource utilisation. The demand situation in the business sector has been standardised so that the mean value is 0 and the standard deviation is 1. Seasonally adjusted data (right).

Sources: National Institute of Economic Research, Swedish Public Employment Service, Statistics Sweden and the Riksbank.

## 1.4 Swedish inflation

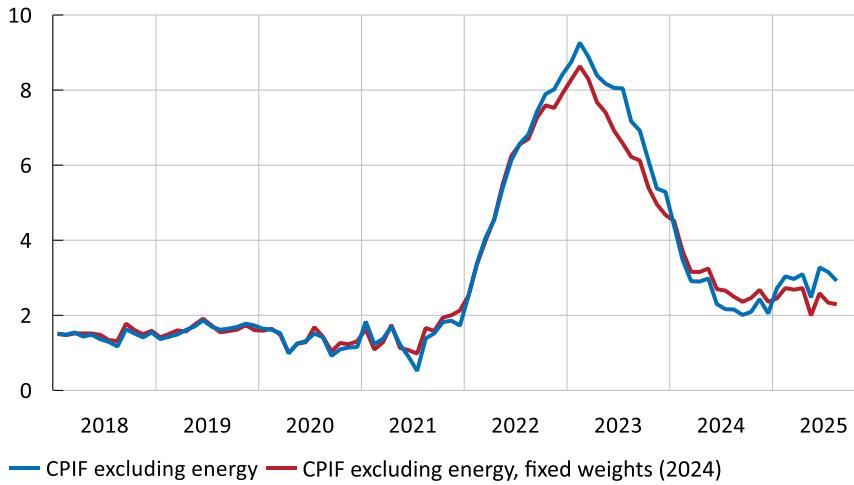
### Temporary factors have held inflation up this year

At the beginning of the year, inflation rose clearly and has since been somewhat above the target. The elevated inflation is partly explained by the annual update in CPI weights, which contributes to higher inflation throughout the year and particularly so in the summer.<sup>11</sup> The impact of the weights on inflation this year becomes clear considering the development with the weights of previous years, where inflation is clearly lower (see Figure 13).

<sup>11</sup> For a discussion of the effects of changed CPI weights, see the fact box "Inflation effects of new weights in the CPIF" in Monetary Policy Report, March 2025.

**Figure 13. CPIF excluding energy and CPIF excluding energy with fixed weights**

Annual percentage change



Note. In the series with fixed weights, the logged index levels with the base year 2024 have been weighed together with the weights from year 2024.

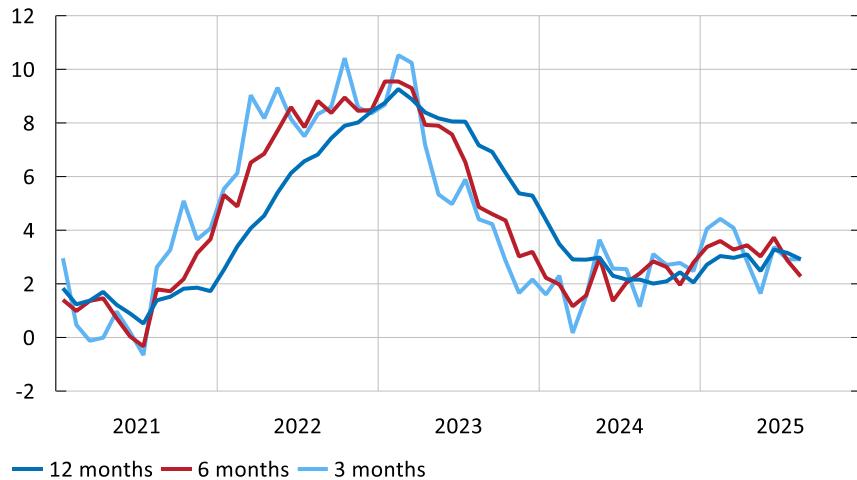
Sources: Statistics Sweden and the Riksbank.

But even with the previous years' weights, inflation has been somewhat elevated. One explanation is that the price on certain foods rose more than usual at the beginning of the year. Rents and other administratively set prices, which are to a large degree due to earlier cost increases, have also contributed to inflation being somewhat above the target.

During June and July, inflation was higher than in the Riksbank's forecast from June. A large part of this can be explained by prices that usually vary substantially during the summer months, such as prices of foreign travel and rental cars. Even measured at shorter time horizons, inflation has clearly risen in these months (see Figure 14). In August, CPIF inflation was 3.2 per cent, and the CPIF excluding energy was 2.9 per cent. The continued unexpectedly high inflation is partly due to surprisingly high price increases on clothing and shoes. Despite the outcome for August also being somewhat higher than expected, inflation excluding energy prices has gradually approached the June forecast. Disregarding the service prices that usually vary substantially during the summer months, service prices have increased in line with the forecast in June and do not indicate increased price pressures. However, unexpectedly high electricity prices have contributed to a larger forecast error for CPIF inflation.

**Figure 14. CPIF excluding energy**

Annual percentage change and three- and six-month change calculated in annualised terms



Note. Seasonally adjusted data.

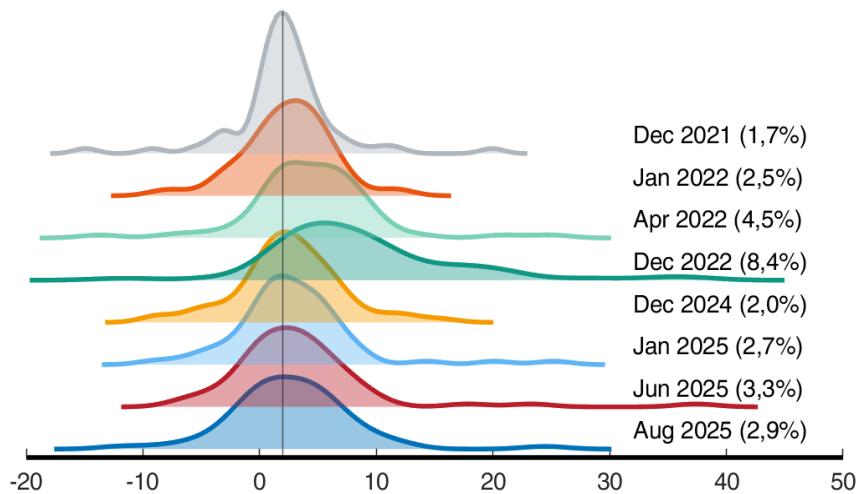
Sources: Statistics Sweden and the Riksbank.

The higher inflation during the year is not assessed as reflecting a broad upturn in inflation. The large price increases that have driven up inflation during the year have concerned a limited number of products. Looking at the distribution across price movements, they are still concentrated around an increase of 2 per cent. This is a large and important difference from 2022, when inflation rose as a result of price increases on many products, which shifted distribution across price movements clearly to the right, with price increases that exceeded the inflation target on a large number of goods and services (see Figure 15).<sup>12</sup> Over the past few months, price increases on foods that increased substantially during the spring declined, although they are still contributing to keeping inflation up as an annual rate. Prices of other goods and services, excluding foreign travel and rental cars, have increased in line with the forecast in June.

<sup>12</sup> For a discussion of how the distribution of price increases has varied at different points in time, see analysis box “Few factors behind the rise in inflation” in *Monetary Policy Report June 2025*.

**Figure 15. The distribution of price increases in the CPIF excluding energy**

The distributions of different product groups' price increases in the CPIF excluding energy and the CPIF excluding energy as an annual percentage change



Note. The figures show the distribution of the annual percentage change in the 66 different sub-indices that make up the CPIF excluding energy. A distribution where a larger part of the mass is to the right/left of the vertical line indicates that the upturn in inflation is broad/concentrated to a limited number of product groups. Vertical line marks 2 per cent.

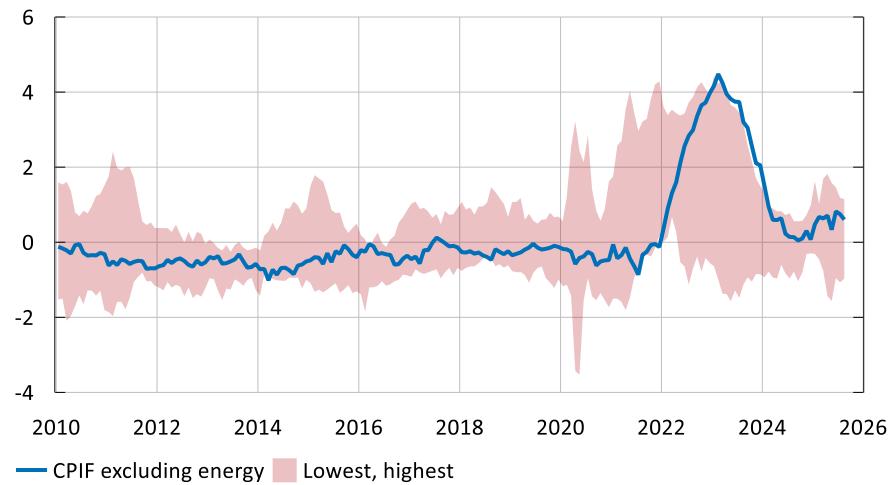
Sources: Statistics Sweden and the Riksbank.

**Indicators point to inflation pressures close to the target**

Despite the elevated inflation, the more underlying inflationary pressures are assessed to be in line with the inflation target. Unit labour costs are increasing slowly, resource utilisation is lower than normal and the krona has strengthened over the year. This suggests falling inflation in the period ahead. Overall, different indicators currently point to historically normal inflationary pressures close to 2 per cent (see Figure 16).

**Figure 16. CPIF excluding energy with indicators**

Standardised values



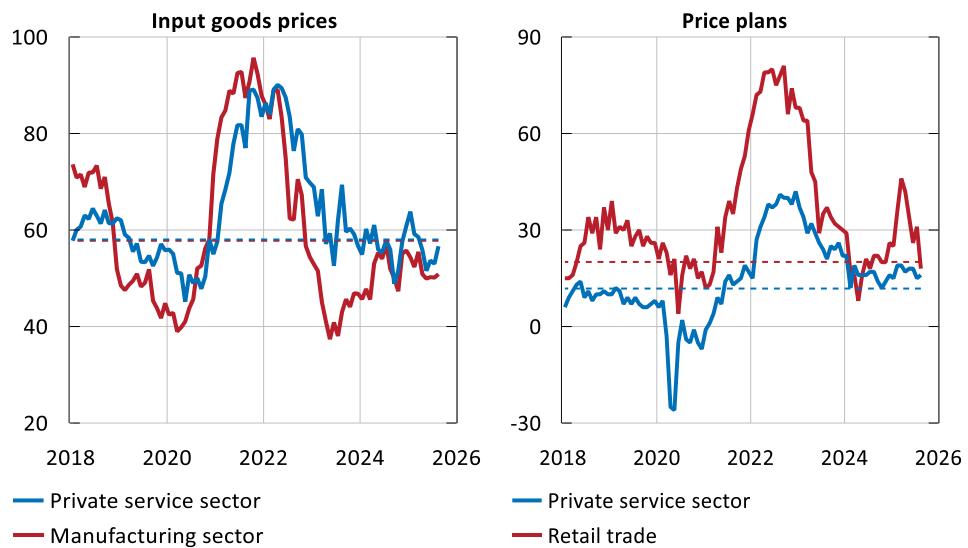
Note. The red field shows the range between the highest and lowest standardised value for the following indicators: households' inflation expectations, price plans in the retail trade, consumer goods sector and services sector, Purchasing Managers' Index for the services sector and manufacturing sector, producer price index for consumer goods (ITPI, IMPI and HMPI), the CPI excluding energy in the United States, the HICP excluding energy in the euro area, the KIX, the Economist's commodity index and the Global Supply Chain Pressure Index. The price index is expressed as annual percentage change.

Sources: The Economist, Eurostat, Federal Reserve, National Institute of Economic Research, Statistics Sweden, Swedbank, US Bureau of Labor Statistics and the Riksbank.

In August, companies' pricing plans in the retail trade fell clearly, particularly in the large group of non-durable goods that includes foods (see Figure 17). This indicates that the annual rate of increase in food prices will slow down. Indicators of price changes at earlier stages do not overall suggest rising inflationary pressures. Although producer prices increased unusually rapidly in July, companies' assessments of their costs for intermediate goods have been subdued until August, according to the Purchasing Managers' Index. At present, there are no clear signs of significant disruptions in supply chains as a result of uncertainty in trade policy that could lead to sharply rising prices.

**Figure 17. Input goods prices and price plans**

Index (left) and net figures (right)



Note. Seasonally adjusted data. The left-hand figure refers to purchasing managers' assessment of how prices of input goods have changed in recent months. The right-hand figure shows net balances for how many firms responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months according to plans in the Economic Tendency Survey. The dashed lines represent the average for the period 2005-2025.

Sources: National Institute of Economic Research, Swedbank and the Riksbank.

## 2 Outlook for the coming years

---

Economic developments abroad are still characterised by considerable uncertainty and growth is expected to remain subdued for the next few years. Inflation is expected to rise in the United States due to increased trade tariffs, while price rises will remain close to 2 per cent in the euro area.

Economic activity in Sweden is weak but is expected to strengthen towards the end of the year as growth in domestic demand gradually increases. The rising purchasing power of households signifies stronger growth in consumption. The labour market is also expected to improve, albeit with some delay. Next year, the recovery will be supported by a more expansionary fiscal policy, partly through measures aimed at households.

Inflation is expected to remain slightly above 2 per cent this year but to fall back gradually towards the inflation target during the second half of the year. The Government's proposed tax changes will have large direct effects on inflation. The greatest effect will come from reduced VAT on food, meaning that inflation will temporarily be significantly lower than 2 per cent a bit into next year. With VAT returning to its current level, inflation will instead temporarily be significantly above 2 per cent in 2028.

---

### Key assessments and assumptions in the forecast

---

- The forecasts for the Swedish real economy and inflation are based on the assessment that international growth is somewhat lower than the historical average.
- Import tariffs between the United States and EU, and thereby Sweden, are assumed to be in line with the agreement from July. This is approximately in line with the assumptions in the Riksbank's forecast in June.
- Energy prices are assumed to follow forward pricing. The energy forecast is based on the 15-day average for oil price and electricity price futures.
- Resource utilisation in the Swedish economy is now assessed to be lower than normal.
- Fiscal policy is expected to be expansionary in 2026 and is thereafter assumed to be adjusted so that general government net lending increases. The assessment

takes into account that increased defence expenditure will be financed via borrowing in the coming years, after which the defence expenditure will gradually be financed within the budget after 2030.

- The Riksbank assesses that the neutral policy rate over the long term is between 1.5 and 3 per cent.
- The forecast period stretches until the end of the third quarter of 2028.

**Forecast for monetary policy:** The policy rate is cut by 0.25 of a percentage point in September. Furthermore, the forecast means that the policy rate is assessed to stay unchanged until the last quarter of 2026, when it will be raised slowly towards the midpoint of the interval currently assessed by the Riksbank to be the long-term level of the policy rate.

## 2.1 The economic outlook abroad

### **Subdued global growth expected in the period ahead**

Global trade is being hampered by the high import tariffs and the elevated uncertainty surrounding geopolitical developments. Although outcomes and indicators suggest slightly stronger economic development abroad than was expected this year, GDP growth is expected to remain relatively weak overall in the years ahead.

The increased import tariffs are expected to dampen growth in the US economy. Reduced global trade is impeding corporate investment at the same time as household consumption is being held back by rising inflation that is contributing to weak development of real incomes and a worsened labour market. In addition, weaker economic activity is expected to lead to US households becoming more cautious and increasing their saving, further reducing demand. GDP growth will increase slightly faster in 2027, partly due to a more expansionary fiscal policy but also due to lower inflation and interest rates.

In the euro area too, uncertainty is assessed, to some extent, to restrain both consumption and investment in the next few quarters. However, rising real incomes, the delayed effects of a looser monetary policy, an expansionary fiscal policy and a resilient labour market are expected to stimulate consumption in the period ahead. Increased investment in defence and infrastructure will also contribute to higher GDP growth. It is, however, difficult to assess how European defence spending will be designed and what impact it will have on the European economy. Overall, growth in the euro area is expected to be between 1.2 and 1.4 per cent over the next few years.

### **Inflation is expected to rise in the United States but remain close to the target in the euro area**

The rising costs that the tariffs will mean for importers in the United States are expected to lead to inflation continuing to rise there. Underlying inflation is expected to rise gradually to around 3.5 per cent by spring next year before falling back and

stabilising just above 2 per cent in 2027. However, there is still uncertainty, for instance regarding how the tariff cost will be allocated between exporters, importers and consumers. The higher inflation due to the tariffs is expected to be transitory, partly due to the slowdown in the US economy which is entailing lower demand. The weakening of the labour market is expected to lead to a continued slowdown in wage growth next year, which will have a dampening effect on inflation.

The EU has announced that it does not intend to respond to the raised US import tariffs with countermeasures, meaning that import prices are not expected to be affected to the same extent in the euro area as in the United States. Wage agreements also indicate a continued decline in wage growth, contributing to lower service price inflation. Inflation in the euro area is expected to remain close to the inflation target over the coming years.

**Table 1. International key performance indicators**

Annual percentage change, unless otherwise specified. The figures in brackets refer to the forecast from the previous Monetary Policy Report.

	2024	2025	2026	2027
GDP, euro area	0.8 (0.8)	1.3 (1.0)	1.1 (1.1)	1.4 (1.5)
GDP, United States	2.8 (2.8)	1.7 (1.4)	1.6 (1.5)	2.0 (2.0)
HICP, euro area	2.4 (2.4)	2.1 (2.0)	1.8 (1.7)	1.9 (2.0)
CPI, United States	3.0 (3.0)	2.8 (2.7)	2.9 (2.7)	2.3 (2.3)

Sources: Eurostat, US Bureau of Economic Analysis, US Bureau of Labor Statistics and the Riksbank.

## 2.2 The economic outlook in Sweden

### Economic activity will strengthen towards the end of 2025

Uncertainty over world trade has slowed the recovery in Sweden by impeding consumption and investment. However, as confidence improves among companies and households, domestic demand is expected to strengthen gradually over the rest of the year. On the other hand, companies are expected, to a certain degree, to continue to postpone investment decisions while awaiting a more stable economic outlook. Dampened demand abroad and, to some extent, a stronger exchange rate mean that export growth is expected to remain weak this year.

Wages have increased faster than prices, meaning rising real wages since the end of 2023. Together with lower interest rates, this has strengthened household purchasing power. This creates a basis for a strengthening of the consumption recovery during the remainder of 2025 as households become more optimistic.

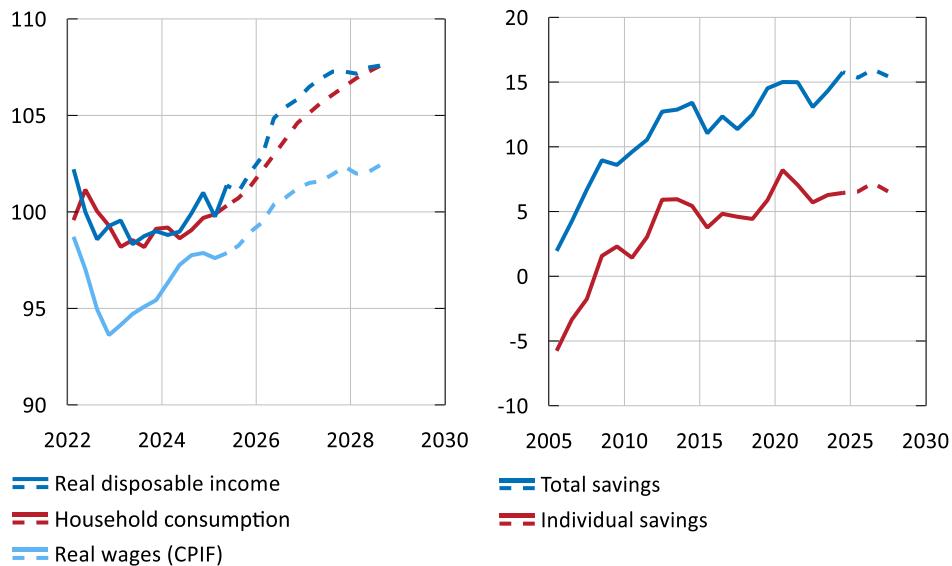
### Economic policy will support growth in the coming years

Continued rising real wages and a recovery on the labour market are expected to contribute to increased household incomes in 2026. The measures announced by the Government in the autumn budget are also expected to contribute to increased

purchasing power (see the fact box “Budget Bill 2026” in this report). The announced tax cuts will strengthen real disposable household income next year and, by the end of the year, real incomes overall are expected to rise above the level prevailing at the start of 2022 (see Figure 18). Household savings as a share of disposable income is expected to remain around the current elevated level in the years ahead, meaning that household consumption will rise in step with real incomes (see Figure 18).

**Figure 18. Real disposable income, household consumption and real wages, and household savings ratio**

Index, 2021Q4 = 100 (left) and percentage of disposable income (right), respectively



Note. Real disposable income is calculated as the ratio between disposable income and the deflator of household consumption expenditure, which usually increases at the same rate as the CPIF. Real wages are calculated as the ratio between the nominal wage level and the CPIF. Seasonally adjusted data (left). Total household savings includes collective pension savings. Savings ratio refers to households and non-profit institutions serving households (NPISH). Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

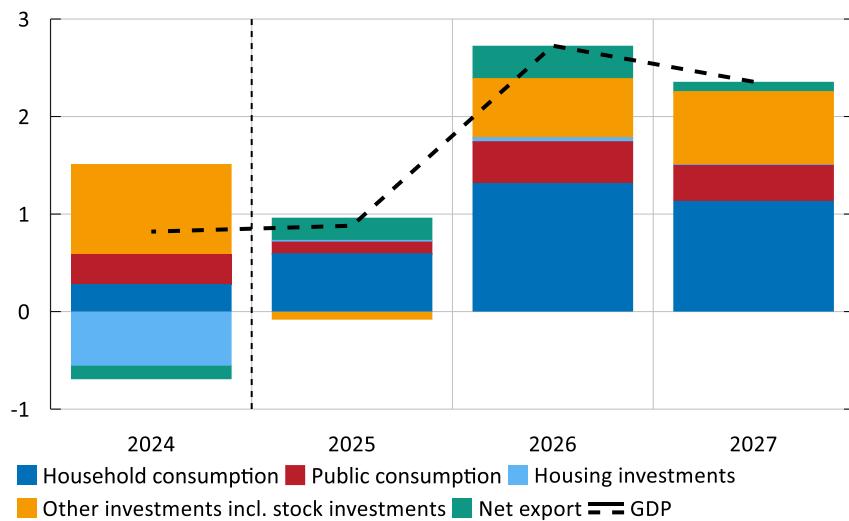
Sources: National Mediation Office, Statistics Sweden and the Riksbank.

Increased defence investment is expected to contribute to public consumption and public sector investment grow relatively rapidly in the coming years. Swedish exports are benefiting from the expansionary fiscal policy with increased defence investment abroad. Housing investment is expected to rise but to remain subdued in the coming years, partly due to demographic developments that are restraining demand for housing.

Supported by lower interest rates and expansionary fiscal policy, domestic demand is expected to drive growth in the coming years. Net exports are also expected to increase and contribute to GDP growth in 2026 (see Figure 19). Overall, GDP is expected to grow by an average of 2.5 per cent in 2026 and 2027.

**Figure 19. Contribution to GDP growth**

Per cent (GDP) and percentage points (GDP contribution)



Note. Contribution to annual percentage change in GDP in fixed prices. Vertical dashed line marks the start of the Riksbank's forecast.

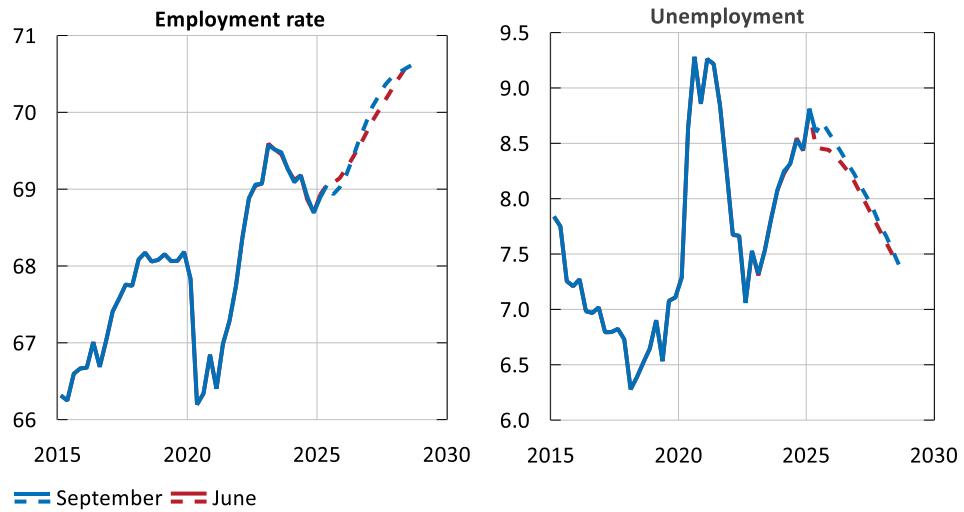
Sources: Statistics Sweden and the Riksbank.

### **The labour market will strengthen in 2026 and resource utilisation will normalise**

The labour market is developing weakly this year with unemployment expected to reach 8.7 per cent in the third quarter. It will take time before the labour market improves markedly again. However, in line with rising demand in the Swedish economy, demand for labour will also increase, leading to a strengthening of the labour market (see Figure 20). At the start of 2026, the labour market is expected to begin a recovery. Employment will grow somewhat faster than the trend and unemployment will gradually fall back, amounting to about 7.5 per cent towards the end of the forecast period.

**Figure 20. Employment rate and unemployment**

Percentage of population (left) and percentage of labour force (right)



Note. Seasonally adjusted data. Refers to persons aged 15–74. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

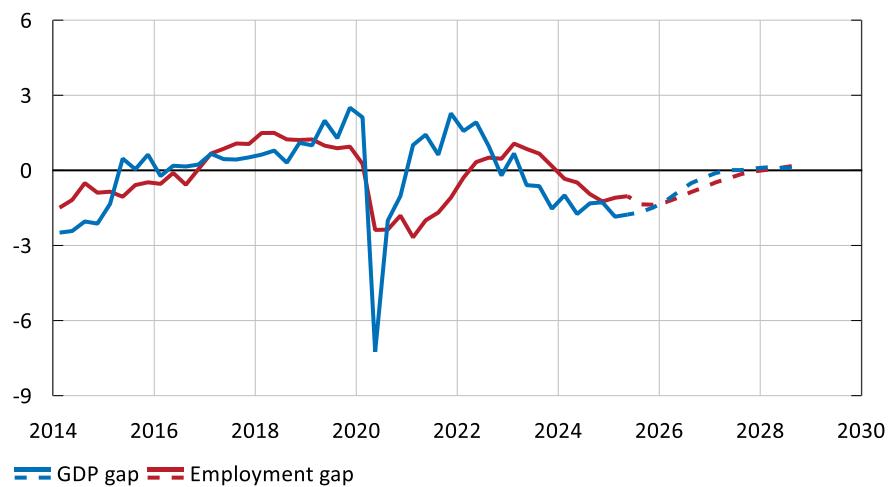
Sources: Statistics Sweden and the Riksbank.

**Rising resource utilisation in the Swedish economy in the period ahead**

Resource utilisation is judged to have bottomed out in the half of the year and is now about to rise. However, the economy recovery is expected to proceed quite slowly. It is only towards the end of next year that resource utilisation, as measured by the GDP gap, will again be close to normal, while the employment gap will close later (see Figure 21).

**Figure 21. Measures of resource utilisation**

Per cent



Note. The gaps refer to the deviation in GDP and employment from the Riksbank's projected trends. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

**Table 2. Key performance indicators for Sweden**

Annual percentage change, unless otherwise specified. The figures in brackets refer to the forecast from the previous Monetary Policy Report.

	2024	2025	2026	2027
<b>GDP*</b>	0.8 (1.0)	1.1 (1.4)	2.5 (2.2)	2.1 (2.1)
<b>Employed persons</b>	-0.6 (-0.6)	0.3 (0.5)	0.9 (0.7)	1.2 (1.0)
<b>Unemployment**</b>	8.4 (8.4)	8.7 (8.5)	8.4 (8.3)	7.9 (7.9)
<b>GDP gap***</b>	-1.3 (-1.4)	-1.7 (-1.6)	-0.7 (-0.9)	-0.0 (-0.2)
<b>General government net lending****</b>	-1.6 (-1.5)	-1.2 (-1.2)	-2.3 (-1.0)	-1.4 (-0.7)

\*Calendar adjusted. \*\*Per cent of labour force. \*\*\*Percentage deviation from the Riksbank's assessed potential levels. \*\*\*\*Per cent of GDP.

Sources: Statistics Sweden and the Riksbank.

## FACT BOX – Budget Bill 2026

The Budget Bill for 2026 includes proposals for unfunded measures<sup>13</sup> totalling SEK 80 billion, corresponding to 1.2 per cent of GDP. This is a significantly more expansionary budget than an average budget for the years 2009–2019, where announced measures have totalled about 0.5 per cent of GDP. It is also slightly more expansionary than the Riksbank had assumed in its June forecast.

The Budget Bill contains comprehensive measures targeted at households, including an earned income tax credit of about SEK 20 billion and reduced VAT on food at a cost of SEK 16 billion for 2026. It has also been proposed that electricity tax be cut by about SEK 7 billion and corporate taxes be cut by about SEK 7 billion. The Budget Bill also contains initiatives regarding public consumption and investment corresponding to about SEK 20 billion.<sup>14</sup>

The stimulatory effect of fiscal policy on the economy depends on its design and can be calculated using what are known as fiscal multipliers. There are several different studies that estimate the magnitude of these and the results of the studies vary.<sup>15</sup> However, most are agreed that tax cuts for both households and companies, along with indirect taxes, have a smaller effect on GDP than initiatives that involve public consumption and public sector investment.<sup>16</sup> Overall, the Riksbank considers that fiscal policy will be expansionary in 2026 and will help strengthen economic activity.

<sup>13</sup> Unfunded measures refer to decided and announced budget amounts that are not funded by active decisions on expenditure cuts or tax increases. However, the government fiscal balance increases via a so-called automatic budget strengthening measure. This means that the balance is strengthened in the event of unchanged rules since tax revenue develops approximately in line with GDP while expenditure tends to decrease as a percentage of GDP. The unfunded measures are thus partly financed via the automatic budget strengthening measure.

<sup>14</sup> In addition to this, there are transfer payments, subsidies, etc.

<sup>15</sup> For a summary of the conclusions of various studies, see National Institute of Economic Research (2021), "Fiscal multipliers in Sweden - A quantitative model perspective", special study in Wage formation report 2021, National Institute of Economic Research.

<sup>16</sup> However, it should be noted that the multipliers diverge depending on how permanent the measures are. Unfunded measures can have completely different effects than measures that are funded immediately or eventually. In those cases in which the measures are funded, the way this is done is also relevant.

Compared with the forecast in June, growth in 2026 has been raised by a couple of tenths of a percentage point due to new information on fiscal policy. But the effects are uncertain; see further discussion in Chapter 3.

In addition to the measures worth SEK 80 billion presented in the budget bill, there will be increased defence investment and support for Ukraine. The new defence investment is intended to enable Sweden to fulfil its NATO commitments by latest 2030. According to a cross-party agreement, a maximum of SEK 300 billion of the defence build-up will initially be financed by loans, after which loan financing will be discontinued gradually and completely phased out by 2035. It is important that the Riksdag does not wait too long to specify a plan for how the higher defence expenditure will be financed in the long term. This is of great importance both for the effects of the increase in expenditure on the economy and how it affects confidence in Sweden's fiscal policy framework.

The fiscal policy framework that aims to ensure the long-term sustainability of fiscal policy partly consists of a surplus target involving one-third of a percentage point of GDP on average being saved over a business cycle. In 2027, this target will be changed to a balance target.<sup>17</sup> The Riksbank's forecast is that general government net lending will show a deficit of about 2.3 per cent of GDP in 2026, before then strengthening to a deficit of 1.4 per cent in 2027 due to a tighter fiscal policy in line with the fiscal policy framework and a stronger economy.<sup>18</sup> It is important for confidence in the framework that public net lending is strengthened in the years ahead.

## 2.3 Inflation outlook in Sweden

### **Inflation is expected to remain elevated for the rest of the year**

Although inflation is expected to fall in the coming months, it will remain above 2 per cent for the rest of the year, partly due to the weight changes in the CPI discussed in Chapter 1. However, the underlying inflationary pressures are expected to be consistent with inflation of close to 2 per cent. The temporary factors that contributed to the high level of inflation over the summer are expected to have a smaller effect for the rest of the year.

### **Inflation is expected to fall rapidly next year, primarily due to tax changes**

A normal basket effect is expected next year, entailing a negative effect on the measured rate of inflation. In addition, several measures announced in the budget will have major effects on inflation as of next year (see the fact box "Direct effects of tax changes on the rate of inflation" in this report). The Riksbank estimates that the total direct effect of the tax changes announced so far will reduce the annual rate of increase of the CPIF during parts of 2026, by up to around 0.7 percentage points. This

<sup>17</sup> See also the fact box "Balance target for public net lending" in Monetary Policy Report, December 2024.

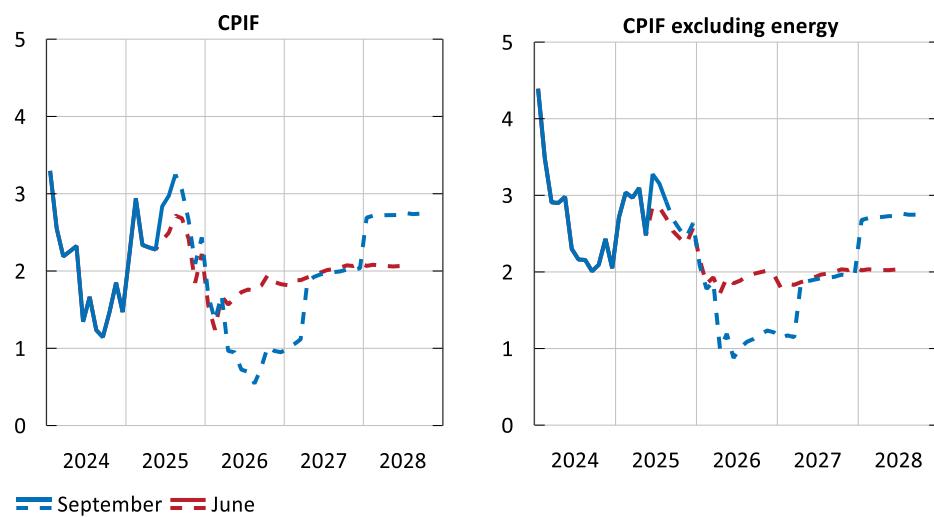
<sup>18</sup> The general government net lending forecast for 2026 has been clearly revised down compared with the June forecast, primarily as a result of new defence expenditures and support for Ukraine, which are expected to reduce general government net lending by around one percentage point of GDP in 2026.

will lead to a heavy fall in CPIF inflation next year, which is expected to average around 1.2 per cent from April 2026 until April 2027, and then being around the target for the rest of 2027 (see Figure 22). The cut in VAT on food has been announced as temporary for the period April 2026 until December 2027 and, when it is subsequently returned to its current level, it will contribute to inflation rising above the target in 2028. The effects of the tax changes on CPIF inflation are then expected to have disappeared by the start of 2029.

In the forecast, the tax changes are expected to have little impact on underlying inflationary pressures. The lower inflation next year is expected to have a marginal effect on rents and certain administratively priced services that are linked to earlier price changes. Changes in food prices could also have effects on inflation through inflation expectations, the wage growth rate and corporate pricing, for example. However, these effects are expected to be small as the VAT cut is temporary. Finally, the VAT cut will stimulate demand but its effects on broader inflation are also expected to be moderate.

**Figure 22. The CPIF and the CPIF excluding energy**

Annual percentage change



Note. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

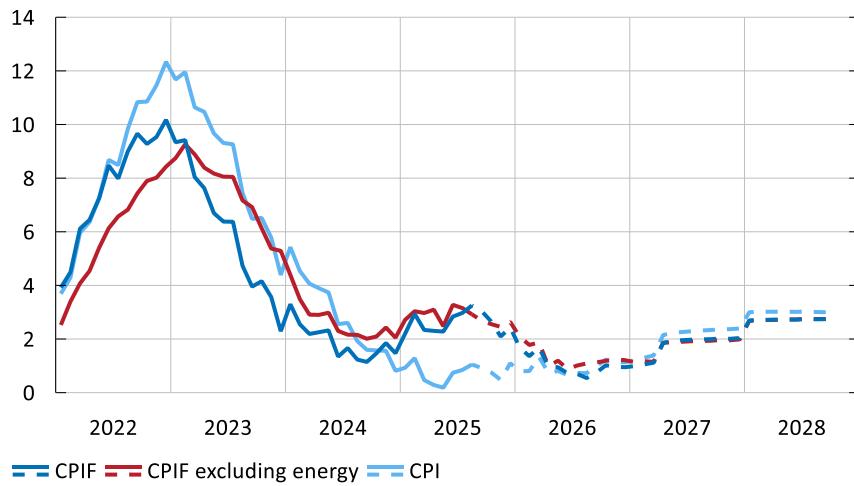
### Adjusted for the effects of lower taxes and fees, inflation will stabilise next year

The Riksbank's assessment is that the current elevated inflation is temporary and largely connected with technical factors. Factors affecting inflation over the somewhat longer term indicate normal inflationary pressures. For example, the rate of increase in unit labour costs has fallen and the krona has strengthened. When the temporary factors no longer affect inflation, it will fall back. And, adjusted for the tax changes, which will subdue inflation next year, inflation measured as both the CPIF and the CPIF excluding energy is expected to be close to 2 per cent from mid-2027

(see Figure 25). CPI inflation, which has been low this year, is expected to rise in the period ahead and be about 2 per cent in 2027 (see Figure 23).

**Figure 23. CPIF, CPIF excluding energy and CPI**

Annual percentage change



Note. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

During the forecast years, rising resource utilisation will contribute to higher inflation. At the same time, the krona is expected to strengthen slightly further during the forecast period (see Figure 24). This will dampen import prices, thereby contributing to slightly lower inflation. Over the coming years, wages and productivity in Sweden are expected to increase at a rate that is compatible with inflation at the target. The firm anchoring of long-term inflation expectations at 2 per cent also contributes to the Riksbank's assessment that inflation will be close to the target in the medium term.

**Figure 24. Nominal exchange rate**

Index, 18 November 1992 = 100



Note. The KIX (krona index) is a weighted average of the currencies in 32 countries that are important for Sweden's international trade. Since 28 March 2022, the index has been calculated against 31 countries following the exclusion of the Russian rouble. A higher value indicates a weaker exchange rate. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Source: The Riksbank.

**Table 3. Key performance indicators for inflation**

Annual percentage change, unless otherwise specified. The figures in brackets refer to the forecast from the previous Monetary Policy Report.

	2024	2025	2026	2027
<b>CPIF</b>	1.9 (1.9)	2.6 (2.4)	1.0 (1.7)	1.7 (2.0)
<b>CPIF excluding energy</b>	2.6 (2.6)	2.8 (2.7)	1.3 (1.9)	1.7 (1.9)
<b>CPI</b>	2.8 (2.8)	0.8 (0.7)	0.9 (1.6)	2.1 (2.1)
<b>Wages, KL</b>	4.1 (4.1)	3.7 (3.7)	3.4 (3.5)	3.2 (3.2)

Note. KL refers to the short-term wage statistics.

Sources: National Mediation Office, Statistics Sweden and the Riksbank.

## FACT BOX – Direct effects of tax changes on the rate of inflation

In 2026, several tax changes are expected to take place that will have substantial effects on the measured rate of inflation. The Riksbank estimates that the changes announced so far will overall reduce the annual rate of increase of the CPIF in December 2026 by about 0.7 percentage points (see Table 4). The largest effect comes from the proposed temporary cut of VAT on food, in which VAT will be cut from 12 to 6 per cent over the period April 2026 to the end of 2027. As food makes up a large part of the CPI basket, the direct effect on inflation will be significant (see Figure 25). The forecast assumes a full and direct pass-through on prices from the changed VAT on food. Various studies examine the size of such a pass-through. A full pass-through was observed in Sweden when VAT was cut in 1996. However, the literature includes examples of when pass-through has not been full, as well as how it has differed after increases and decreases in VAT.<sup>19</sup>

**Table 4. Direct effect of tax changes on CPIF annual percentage change**

	Dec 2026	Dec 2027	Sep 2028
Lower food VAT April 2026 – December 2027	-0.65	0.00	+0.65
Lower energy tax on electricity	-0.15	0.00	0.00
Reinstatement of tax deduction for ROT work (Repairs, Conversion, Extension)	+0.20	0.00	0.00
Other	-0.05	0.00	0.00
<b>Total</b>	<b>-0.65</b>	<b>0.00</b>	<b>+0.65</b>

Sources: Ministry of Finance and the Riksbank.

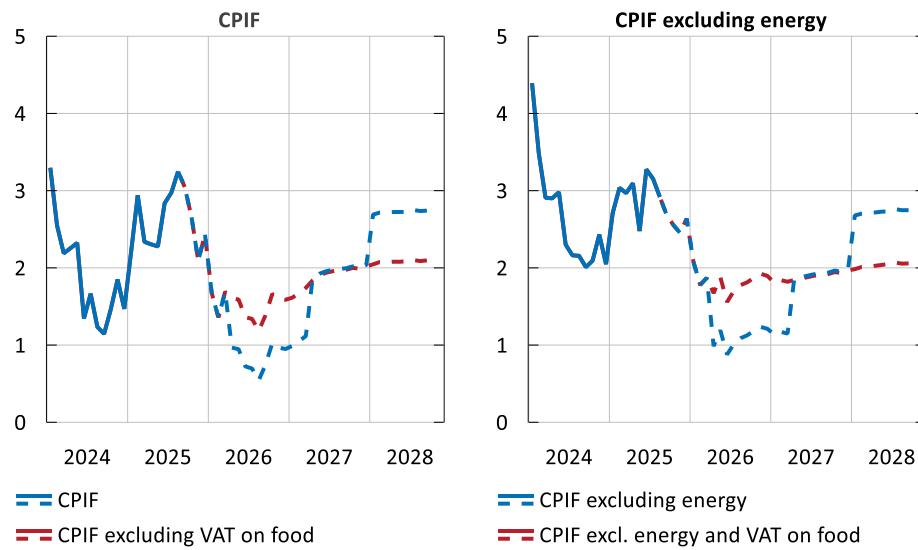
Implementation of the measures is expected to dampen CPIF inflation over parts of 2026 and 2027 but also to contribute to a roughly equivalent rise in inflation in 2028 when taxes are then restored to their current level. The effects on CPIF inflation will have disappeared by the start of 2029. Figure 26 shows a stylised example of how a temporary lowering of the price level effects the rate of inflation, measured as an annual percentage change.

Apart from the direct effects, tax changes can affect inflation in several ways. The tax cuts will free up scope for consumption for households and contribute to higher demand and thereby higher inflation. The changes will also marginally dampen inflation, for example via rents and certain administratively priced services that are linked to earlier price changes. The changes could also have secondary effects on inflation through inflation expectations, the wage growth rate and corporate pricing

<sup>19</sup> See, for example, T. Bernardino, R. Duque Gabriel, J. Quelhas, M. Silva-Pereira (2025) "The full, persistent, and symmetric pass-through of a temporary VAT cut", *Journal of Public Economics*, vol. 248 and K. Jaworski, J. Olipra (2025) "Cutting VAT rate on food products in a high-inflation environment. Does it work out?", *Food Policy*, vol. 131

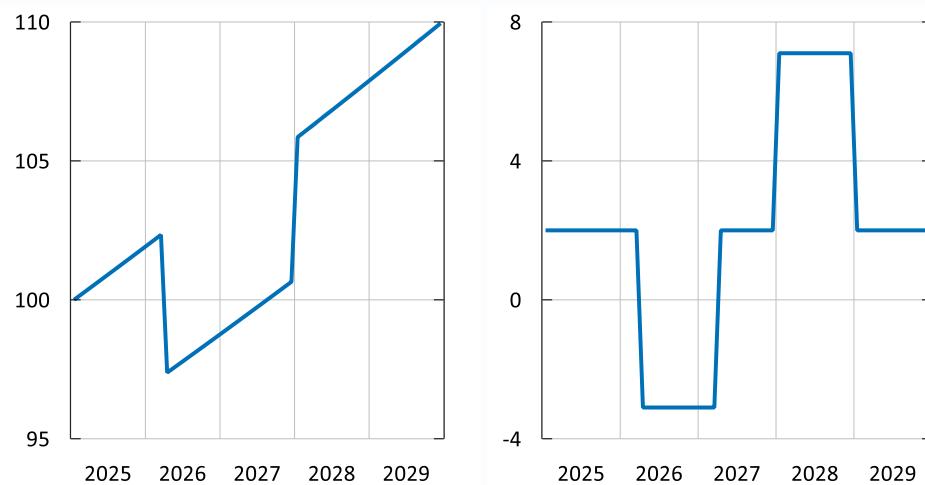
behaviour, for example. However, these effects are expected to be small as the VAT cut will be temporary.

**Figure 25. CPIF excluding VAT on food and CPIF excluding energy and VAT on food**  
Annual percentage change



Note. For the indices excluding VAT on food, the direct effect on the price change in food has been excluded. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.  
Sources: Statistics Sweden and the Riksbank.

**Figure 26. Example of development of price level and rate of inflation**  
Index level (left image) and annual percentage change (right image)



Note. The lines show a calculation example in which there is a trend increase in the price level of 2 per cent at an annual rate but where the price level first falls by 5 per cent in April 2026 and then rises by as much again in January 2028.

Source: The Riksbank.

## 3 Monetary policy analysis

---

The somewhat elevated inflation this year is considered to be temporary, and indicators point to inflationary pressures in line with the target going forward. The current high inflation calls for vigilance, but the outlook for inflation being close to the target in the medium term is favourable. This holds despite the fact that relatively large temporary effects on price levels are expected from the government's announced temporary tax cuts in 2026 and 2027. Monetary policy is forward-looking, and underlying inflationary pressures going forward are deemed to be consistent with inflation of 2 per cent.

At the same time, the economy is weak. GDP grew more slowly in the first half of the year than was assumed in June, and the labour market weakened. Unemployment was higher than expected during the summer and is expected to be higher than in the June forecast also in 2026 and 2027. Developments in the housing market also reflect the weak economy. Although there are signs of increased growth recently, the economic recovery has repeatedly been weaker than the Riksbank has expected. The risk of the labour market weakening further if the economy does not soon start to recover is concerning.

To provide further support to the recovery and to stabilise inflation at the target beyond the near term, the Riksbank has decided to cut the policy rate to 1.75 per cent. The forecast for the policy rate implies that it will remain at this level for some time to come.

But the outlook for inflation and the economy is uncertain. Developments abroad play an important role in supply and demand conditions in the Swedish economy and it is uncertain how quickly domestic demand will recover. Furthermore, there are still risks that may cause the elevated inflation to persist for some time, even though these have decreased somewhat recently. Inflation could be either higher or lower than in the Riksbank's forecast.

---

### Monetary policy is forward-looking

---

Monetary policy acts with a lag and needs therefore to be based on forecasts of future economic developments. The forecasts are in turn influenced by the assumptions made about monetary policy, that is, how it is assumed the policy rate and the Riksbank's other monetary policy tools will develop. This chapter discusses

the assumptions about monetary policy that, in the Riksbank's assessment, will provide a desirable target fulfilment for inflation, also considering the effects on the development of the real economy.

A basic prerequisite for inflation to remain close to the target over time is confidence among households and companies that any deviations from the inflation target will not be too prolonged. It is easier to make long-term plans when inflation is stable and economic agents all have a common view of how prices will develop in the future. This in turn creates favourable conditions for economic growth over time.

### 3.1 Monetary policy in Sweden

In June, the policy rate was cut to 2 per cent against the backdrop of weaker inflation and economic prospects. Furthermore, the Riksbank signalled that the economy might need more support, and the forecast for the policy rate included some probability of a further cut this year. At the monetary policy decision in August, the Riksbank kept the interest rate unchanged and noted that the unexpectedly high inflation during the summer called for vigilance, but that there was still some probability of a cut later in the year.

Inflation is currently above target. However, it is expected to fall gradually during the autumn, an assessment that has been reinforced by information received since the monetary policy meeting in August. Forward-looking indicators suggest that inflationary pressures are consistent with close-to-target inflation further ahead in the forecast, and longer-term inflation expectations are well anchored close to the target (see Figure 27). CPIF inflation will vary somewhat over the forecast period, mainly as a result of the direct effects of the temporary tax cuts announced by the Government on price levels,<sup>20</sup> the effects of these on the underlying inflationary pressures are assessed to be minor. However, it is important to monitor developments so that secondary effects do not arise, causing inflation to deviate more persistently from the target. The forecast for inflation excluding energy, adjusted for the direct taxes on food, is somewhat lower in 2026 than in the June forecast (see the fact box "How the Riksbank's forecasts have changed since the previous report" in this report).

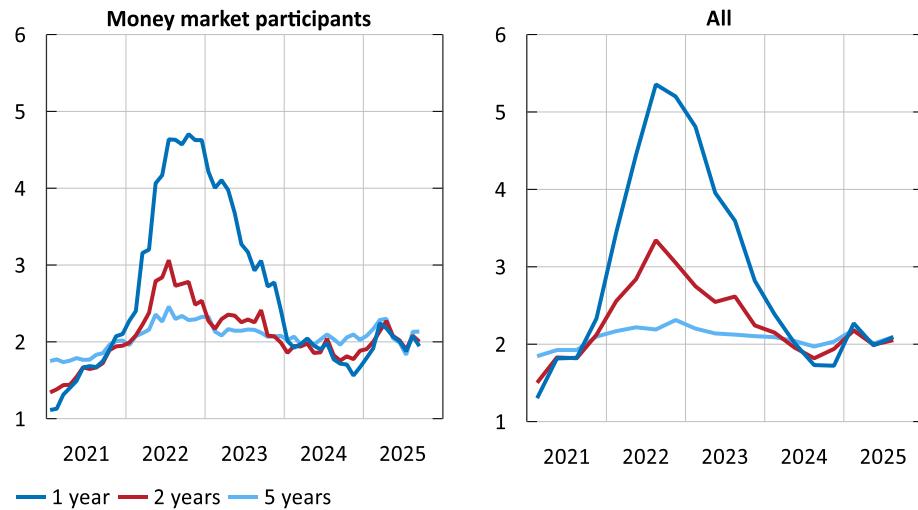
At the same time, the economy is weak. Both GDP growth and the labour market were weaker than expected during the first half of the year. In addition, unemployment is now expected to be somewhat higher both in 2026 and 2027 than was forecast in the June Monetary Policy Report. However, fiscal policy is expected to be more expansionary in 2026, which will support the economic recovery. The overall assessment is nevertheless that the policy rate needs to be lowered somewhat further to provide additional support for the recovery. In addition, the recovery has repeatedly been weaker than the Riksbank expected. An economic recovery is important in its own right, but it is also a prerequisite for achieving an inflation on

<sup>20</sup> The fact that the tax cuts are temporary means, however, that CPIF inflation is expected to exceed the target in 2028 due to base effects. From 2029 onwards, CPIF inflation is expected to be close to 2 per cent.

target. The risk of the labour market weakening further if the economy does not start to recover soon is concerning.

**Figure 27. Inflation expectations**

Per cent



Note. The lines in the figure show the expectations at the time of measurement of different agents about CPIF inflation 1, 2 and 5 years ahead. Monthly data (left) and quarterly data (right).

Source: Origo Group.

Sweden is a small open economy and is therefore dependent on what happens abroad. International developments have been largely as expected, which is neither an argument for nor against looser monetary policy in Sweden. Market participants' expectations about the policy rate in the euro area are that it will remain unchanged for the rest of the year, while they expect several interest rate cuts by the US Federal Reserve, in the wake of a weaker labour market. Lower global interest rates, in turn, mean slightly looser international financial conditions.

### **The Riksbank decides to cut the policy rate by 0.25 percentage points to 1.75 per cent.**

To ensure that the economy strengthens and that the economic outlook remains consistent with underlying inflation of 2 per cent, the Riksbank has decided to cut the policy rate by 0.25 percentage points to 1.75 per cent. This somewhat more accommodative monetary policy is expected to contribute to the economic recovery. A balanced economy does, in turn, provide favourable conditions for inflation to stabilise at 2 per cent beyond the near term.<sup>21</sup> In the forecast, the policy rate is close to 1.75 per cent one year ahead (see Figure 28). As economic activity approaches equilibrium, the interest rate needs to be raised slightly to ensure that inflation does not become too high further ahead. In the forecast, the policy rate begins to rise slowly during the last quarter of 2026, and moves gradually towards the mid-point of

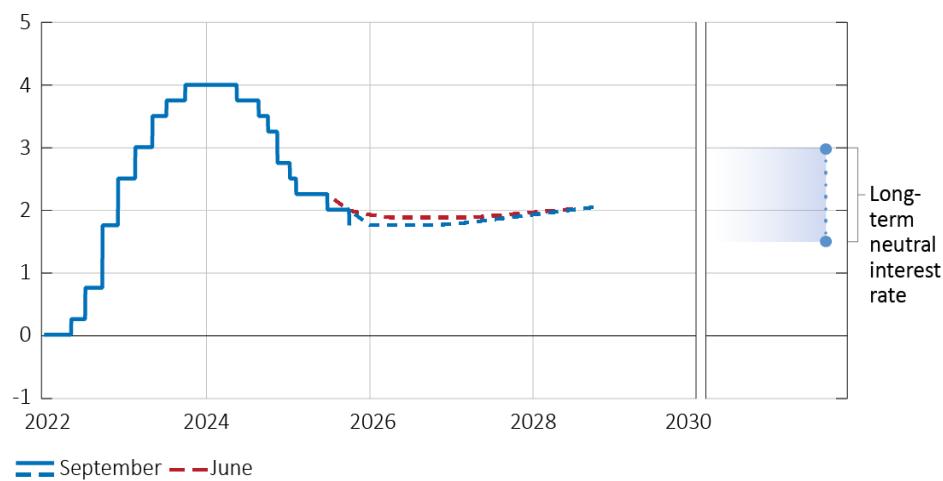
<sup>21</sup> In other words, CPIF inflation will stabilise close to 2 per cent when the direct effects of the reduced VAT on food on measured inflation have disappeared at the beginning of 2029.

the Riksbank's current assessment of the interval for the long-term level of the policy rate.<sup>22</sup>

The policy-rate forecast implies a real policy rate that falls over the forecast period, apart from an upturn at the beginning of the forecast due to the direct effects of the reduced VAT on food (see Figure 29). The lower real policy rate will contribute to the recovery, and economic activity is expected to be close to equilibrium in 2027.

**Figure 28. Forecast for the policy rate**

Per cent



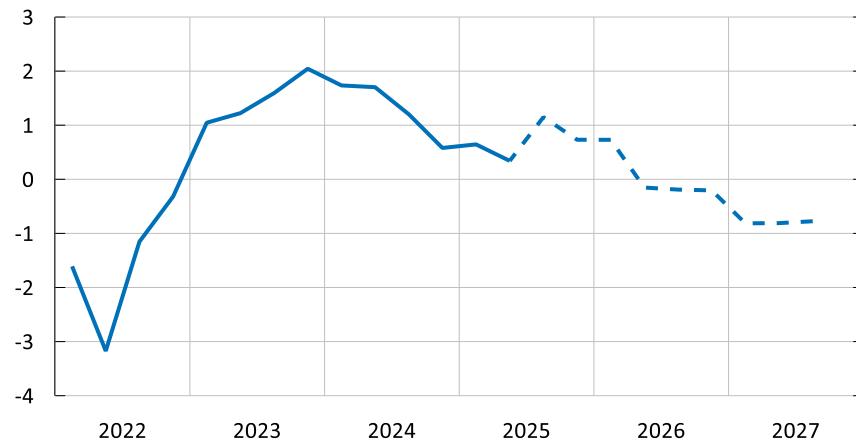
Note. Outcomes are daily rates and forecasts are quarterly averages. The shaded area shows the estimated interval for the long-term neutral policy rate. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Source: The Riksbank.

<sup>22</sup> Various estimates of the so-called long-term neutral policy rate provide the Riksbank guidance on what the policy rate would need to be to stabilise inflation at 2 per cent in a fictitious state in which the economy is in equilibrium and not exposed to any shocks. In reality, the economy is regularly exposed to various shocks, but since we cannot predict future shocks, these types of estimates can still serve as an "anchor" for the long-term policy rate forecast. The Riksbank's current assessment is that the long-term neutral policy rate lies within the interval 1.5-3 per cent, see the analysis "Assessment of the long-term neutral interest rate" in Monetary Policy Report, December 2024.

**Figure 29. Forecast for the real policy rate**

Per cent



Note. The real policy rate is calculated as a quarterly average of the Riksbank's forecast for the policy rate one year ahead minus the forecast for CPIF inflation for the corresponding period. The forecast therefore only extends to 2027 Q3. As the real policy rate is forward-looking, outcomes are calculated using the latest published forecasts at the time.

Source: The Riksbank.

### The Riksbank's government bonds sales are expected to end this year

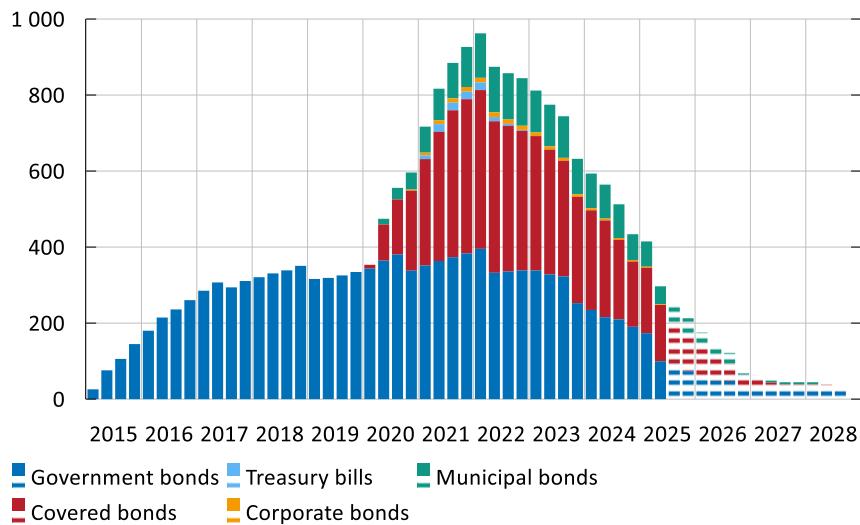
The Riksbank's balance sheet has continued to normalise as the Riksbank sells off and allows bonds to mature (see Figure 30). The Riksbank's sales going forward will continue in accordance with the decision in January 2024 and are expected to have a limited impact on the exchange rate and the interest rates faced by households and companies. The sales reduce the risk on the Riksbank's balance sheet and contribute to a better-functioning bond market. In November last year, the Riksbank decided to retain a long-term holding of nominal government bonds totalling SEK 20 billion.<sup>23</sup> These sales of nominal government bonds are expected to be concluded at the end of 2025.<sup>24</sup> The sales executed so far proved successful, and the effect on market functionality is deemed satisfactory.

<sup>23</sup> See decision on trading in Swedish nominal government bonds, Annex B to the minutes, Ref.no. 2024-01249, 6 November 2024.

<sup>24</sup> See decision on the Riksbank's security portfolio in Swedish krona, Appendix B to the minutes, Ref. no. 2025-01116, 22 September 2025.

**Figure 30. The Riksbank's asset holdings**

Nominal amounts, SEK billion



Note. The striped bars are a projection of the Riksbank's securities holdings based on an assumption that sales of nominal government bonds will continue until December 2025 and then be concluded, as well as on a technical assumption regarding the sale of various issues of nominal government bonds. These assumptions may be adjusted to some extent in 2025. These assumptions may be adjusted to some extent in 2025. The series in the figure end in the third quarter of 2028, which is the last quarter of the Riksbank's three-year forecast horizon.

Source: The Riksbank.

## 3.2 Uncertainty, risks and alternative scenarios

The economy is regularly exposed to shocks that change the conditions for monetary policy. Moreover, the effects of monetary policy on inflation and the real economy are uncertain and may vary over time. Households and companies therefore need to plan their finances on the basis that the policy rate may be either higher or lower than in the Riksbank's forecast.

Two alternative scenarios were presented in June. The risks described in the scenarios have not materialised, but the Riksbank considers them to be still relevant. One scenario depicted a trade war between the EU and the US, followed by major supply shocks. Since June, the US and the EU have reached an agreement on large parts of the trade policy. The view of how large and how extensive the import tariffs will be going forward has cleared somewhat. Although there are still considerable uncertainties associated with this agreement, the Riksbank assesses that it has contributed to a reduction in the risk of a trade war between the two economies since June. In the second scenario, the effects of global uncertainty were greater than expected, which meant that the Swedish economy weakened significantly more than expected during the autumn. Inflation was lower than in the main scenario, which led to a lower policy rate than in the June forecast. In contrast to this scenario, inflation was higher than expected during the summer months. The risk of weaker economic growth in the future does, however, remain.

The risks surrounding the Riksbank's forecasts are currently high, which complicates the monetary policy assessment. Compared with the June Monetary Policy Report, the risk of an extensive trade war between the United States and the EU is considered to have decreased. On the other hand, political pressure on the US Federal Reserve has increased. In Sweden, the Government has announced a more expensive fiscal policy in 2026. The effects of this policy are uncertain and partly depend on household saving behaviour. The effect of the fiscal policy on the economy could be greater than the Riksbank's assessment. Moreover, inflation outcomes during the summer have been higher than the Riksbank had expected. There is a risk that the elevated inflation will have secondary effects, and that inflation will become persistently higher. Overall, the Riksbank assesses that the probability of inflation being higher than forecast is roughly equal to the probability of it being lower. Although the risk assessment for inflation is deemed to be broadly balanced, the Riksbank may need to take particular account of risks that could damage confidence in the inflation target and lead to more persistent high or low inflation.

The section below discusses the main risks surrounding the Riksbank's forecast.

### **International developments are still highly uncertain**

The risk of global supply shocks remains high. This is partly due to Russia's invasion of Ukraine, but international politics also contribute. One example that can be mentioned is the risk of the conflict in the Middle East spreading. Another example is the geopolitical tensions between the United States and China, which, if they worsen, could have major consequential effects on the global economy.

Since the change of US president, uncertainty about the future global outlook has increased. The shift in US foreign and trade policy has had a major global impact, but it is still difficult to know what form the policy will ultimately take, how other countries will adapt and what the economic effects of these changes will be. During the summer, several countries have agreed with the US on tariffs that will apply for now, but at the same time, the US administration has begun to use the threat of tariffs as a means of exerting pressure to reach foreign policy goals. How global trade and international relations develop in the future will play a major role for various supply and demand conditions, and this is therefore a possible source of both higher or lower inflationary pressures than in the Riksbank's forecast.<sup>25</sup>

The shift in US foreign policy has also given rise to significant international reactions on a security policy level. The deteriorating security situation in Europe has led to increased defence investments, but the effects of these on the economy are uncertain. It is not unthinkable that the investments will contribute to stronger demand and higher inflation than in the Riksbank's forecast. Monetary policy might then need to be adjusted to cool down economic activity and thereby ensure that inflation develops in line with the target.

---

<sup>25</sup> For a more detailed review of the effects that various possible developments linked to US trade policy may have on the policy rate, see the Monetary Policy Report in June 2025.

One risk that has become more pronounced since the June Monetary Policy Report is linked to the US Administration's actions regarding the US Federal Reserve.

Representatives for the Administration have expressed an intention for monetary policy to be conducted under greater political control. If economic agents were to begin to doubt the independence of the Federal Reserve and its willingness and ability to keep inflation under control, it could have far-reaching negative consequences for the global economy.

The US Administration's economic policy is likely to cause the US budget deficit to continue to grow, which has contributed to new question-marks regarding the sustainability of US public finances. There are scenarios in which US government bond yields rise sharply when market participants question sustainability more tangibly. This could require significant fiscal policy restraint and a heavy fall in US demand, which would probably have clearly negative repercussions on Swedish economic activity as well as inflation. An alternative development, where the national debt is not consolidated via fiscal-policy tightening, could lead to political pressure on the central bank to keep interest rates lower than levels that are justified from a monetary policy perspective (see the Analysis "The interaction between monetary policy and fiscal policy" in this report).

Several countries in Europe also continue to struggle with high public debt. There is a risk that these debt levels will be considered unsustainable in the future, which, as in the US economy, could lead to public sector austerity measures with weaker economic growth as a result. For example, both France and Italy have high public debt levels at present, coupled with expected deficits, implying that debt as a percentage of GDP is expected to grow further going forward.<sup>26</sup>

Another risk, linked to the United States, is that the US stock markets have grown significantly in recent times. This upturn is mainly linked to a small number of companies in the technology sector, and these companies have valuations that are consistent with high expected profits, which in turn are uncertain. If these companies fail to deliver on their expected values, it could lead to a major correction on the US stock market. This would also affect Swedish households and funds, whose assets are partly linked to the US stock market.

An additional risk is that indicators show that the US labour market may be weaker than the Riksbank currently assesses. If this proves to be the case, it will lead to lower interest rates in the United States and, consequently, lower global interest rates. It will also have a negative impact on Swedish exports to the United States.

One contributing explanation for the upsurge in inflation at the beginning of the year was that global food prices rose rapidly. This was partly due to droughts that led to poor harvests. Although price increases have slowed since the beginning of the year, the costs of food production can, in light of climate change, be expected to increase and, over time, contribute to higher inflation. Even if the Riksbank is unable to influence global food prices, it is important to prevent periodically severe fluctuations

---

<sup>26</sup> For example, in May 2025, the European Commission forecast a public deficit of 2.9 per cent of GDP in Italy and a deficit of 5.7 per cent in France.

in these prices from spreading to other prices or making a lasting impression on longer-term inflation expectations.

The Riksbank has assessed for a long time now that the krona is weaker than indicated by more long-term determinants. Since the beginning of the year, the krona has strengthened significantly, primarily as a result of lower demand for US assets. The Riksbank still assesses that the krona is somewhat undervalued and it strengthens further in the forecast. At the same time, it is notoriously difficult to predict the development of the krona, and a clear deviation from the Riksbank's forecast may affect the inflation outlook. Several of the risks discussed in this section can affect the development of the krona. Depending on which risks are realised, the krona can under certain circumstances contribute to strengthening changes in inflationary pressures.

### **Uncertainty regarding the recovery in domestic demand**

There are also risks more closely linked to domestic developments. Ever since the Riksbank began to cut the policy rate in the spring of 2024, it has been uncertain at what level the policy rate contributes to a balanced economic development. The Swedish economy remains weak, and the assessment of when the economy will start to recover has been gradually revised forward for over a year. The weak economic activity during the first half of this year could be a sign that an appropriate level for the policy rate is lower than Riksbank has expected. If this is the case, the economy will continue to be weaker than expected, which would require the Riksbank to lower the policy rate further stabilise resource utilisation and keep inflation stable at close to 2 per cent. One explanation for the modest recovery could be that households have previously adapted their behaviour to lower interest rates, during the decade prior to the sharp rise in inflation. As interest rates are now higher, households may want to more lastingly increase their precautionary savings and build up larger buffers.

If the recovery takes too long, there is also a risk that this in itself will have a negative impact on economic activity. The situation on the Swedish labour market is weak, and if demand recovers more slowly than companies have expected, they may need to reduce their workforces. In turn, this could risk dampening demand further and ultimately also contribute to lower inflation. The housing market may also be negatively affected by an unfavourable development in the labour market, so that both household consumption and housing investment become weaker than in the forecast.

It is also difficult to know exactly how large the effect on the Swedish economy will be of the upcoming fiscal stimulus measures, which are unusually large for 2026. If the effect is either larger or comes earlier than expected, or both, the economy will improve faster than the Riksbank has anticipated. This may, in turn, lead to monetary policy becoming tighter than in the forecast, all else being equal. The opposite applies if the effects on the economy are smaller than expected. There is also a lack of clarity regarding how Swedish defence spending is to be financed beyond the near term. It is

currently debt-financed, and how the financing is ultimately designed will affect the development of the Swedish economy.

Another risk is connected to the currently somewhat elevated inflation. The Riksbank's assessment is that inflation will fall back during the autumn. There is, however, a risk of inflation being higher than expected going forward. If this occurs, it could lead to secondary effects on inflation, and the somewhat elevated inflation could then deviate more persistently from the target.

It is very difficult to determine how the trade conflicts now taking place will end, and what the consequences will be for international trade in goods and services. Several factors, such as reduced specialisation, weaker competition, lost economies of scale and reduced spread of knowledge, indicate that a decline in international trade could contribute to dampening economies' underlying productivity growth and thereby increase cost pressures. In the forecast, productivity growth in the Swedish economy is assessed to gradually become lower, but the effect is assumed to be relatively limited. If the negative productivity effects become greater than assumed in the forecast, it will contribute to a faster increase in cost pressures and higher inflation.

Two alternative scenarios are described below. The scenarios aim to illustrate how some of the risks discussed above could affect the Swedish economy and monetary policy going forward.

### **Scenario: A faster recovery in household consumption in Sweden and global supply shocks lead to higher inflation**

It has taken some time for household consumption to start growing again. However, household consumption has now begun to recover, and in the first scenario consumption grows faster than expected during the autumn. This is partly a result of the government's announced fiscal policy, which strengthens household confidence and leads them to consume more than expected already this year. As a result, GDP grows faster in the autumn than in Riksbank's forecast (see Figure 31).<sup>27</sup>

Parallel to this development, global politics are assumed to gradually lead to further deterioration in international relations between major economies. After a while, this will begin to negatively affect the global economy in the form of various supply shocks, including supply chain disruptions. These shocks will also affect Sweden, and GDP growth will slow down after having recovered more quickly towards the end of 2025 than in the Riksbank's forecast. The combination of higher domestic demand and global supply shocks will cause inflation to rise and be higher than in the main scenario. Already in the fourth quarter, inflation will be higher than the Riksbank's forecast (see Figure 31).

As inflation does not fall back as expected, longer-term inflation expectations rise. In an environment where inflation is more volatile than it was before the pandemic, it is particularly important to anchor inflation expectations and bring inflation back

---

<sup>27</sup> The figure shows the CPIF excluding the direct effects of reduced VAT on food as it is deemed to better illustrate underlying inflationary pressures.

towards the target within a reasonable time frame. As a result, the Riksbank changes its monetary policy during spring 2026 and begins a series of policy rate increases (see Figure 32). One alternative would be to delay policy rate increases, but this would mean that the Riksbank would be forced to increase the policy rate more aggressively further ahead, with significant costs for households and companies as a result.

When the Riksbank sees that the trend is beginning to turn, with both inflation and inflation expectations falling back again, a normalisation of the policy rate will begin, meaning it is cut gradually in 2027 and 2028, while inflation moves towards the target.

### **Scenario: A turbulent global environment and lower confidence in Sweden lead to lower inflation**

As described above, there are several risks that could lead to a deterioration in economic activity in Sweden, both domestic risks and risks linked to the international environment. In the second scenario, it is assumed that such a risk is triggered in the form of global stock market declines, which in turn are due to a market correction of a highly valued stock market. It is also assumed that the stock market decline will lead to lower confidence in economic developments among Swedish households and companies. Unlike the most recent decline in household confidence, this one will be more prolonged.

This development causes households to once again increase their buffer savings in order to prepare for worse times. When household consumption slows down, companies need to lay off staff. This occurs in household-facing companies, but also in the export sector, as a similar effect on demand can also be seen globally.

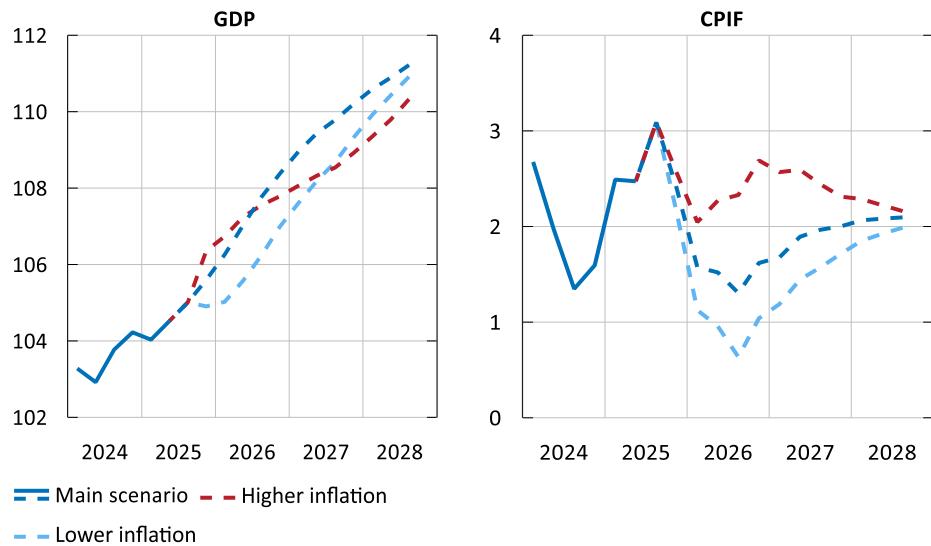
Normally, global economic downturns cause the krona to depreciate. This spring, however, the krona appreciated significantly, despite rising global uncertainty. The scenario therefore assumes that the exchange rate does not weaken, despite the global economic downturn. This in turn means that the exchange rate does not act as a shock absorber for the Swedish economy, which makes the fall in GDP and inflation even greater.

Lower demand reduces companies' incentives to raise prices and leads to lower inflation than in the Riksbank's forecast (see Figure 31). The weak inflation outlook and weak resource utilisation lead the Riksbank to change its monetary policy at the end of the year and cut the policy rate. The policy rate will continue to be lowered in 2026 as well, with the aim of supporting a recovery and preventing inflation from continuing to fall (see Figure 32). Several central banks abroad are taking similar action, which will help to mitigate the downturn in the international economy.

Gradually, confidence among both households and companies improves and demand begins to rise again in the first half of 2026. However, significant support from monetary policy is needed for resource utilisation to normalise and for inflation to start rising again. It is not until 2027, when CPIF inflation has begun to rise again and indicators point to continued increases, that a normalisation of the policy rate begins. The normalisation continues during the remainder of the forecast period.

**Figure 31. Forecast and alternative scenarios for GDP and CPIF excluding direct effects of VAT on food**

Index, 2019 Q4 = 100 (left) and annual percentage change (right), respectively

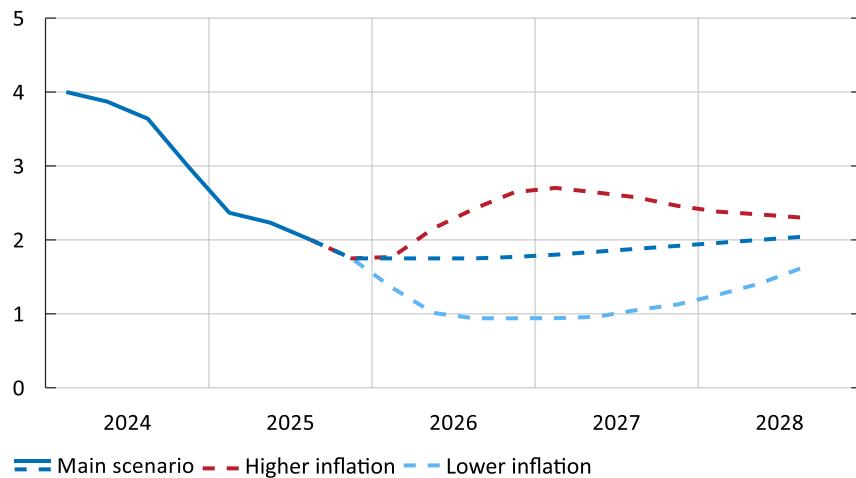


Note. Quarterly averages. Seasonally adjusted data (left). In the forecast and alternative scenarios for the CPIF, the direct effects on the price change in food has been excluded (right). Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

**Figure 32. Forecast and alternative scenarios for the policy rate**

Per cent



Note. The deviations from the forecast in the alternative scenarios are not necessarily symmetrical, as they illustrate the monetary policy response to specific shocks to the economy. Any asymmetry should therefore not necessarily be interpreted as the Riksbank seeing the risks surrounding the policy-rate forecasts as unbalanced. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Source: The Riksbank.

## FACT BOX – How the Riksbank's forecasts have changed since the previous report

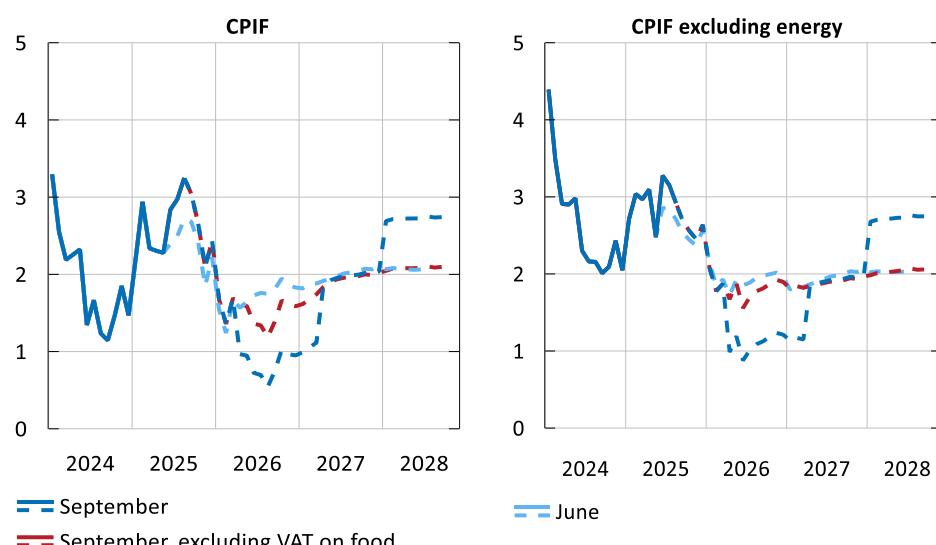
Between Monetary Policy Reports, the Riksbank receives new information that is used to update its view of the economic situation and inflation. When the Riksbank formulates its monetary policy, new information, together with new analyses of economic correlations and trends in the economy, are important pieces of the puzzle. A fully quantified forecast update is made at four of the year's eight meetings, in conjunction with the Monetary Policy Reports. Figure 33 and Figure 34 show how key forecasts have changed since the previous Monetary Policy Report in June.

Inflation was higher than expected during the summer months, but the deviation in August was relatively small. Despite inflation being somewhat higher right now, both CPIF inflation and CPIF inflation excluding energy, adjusted for the direct effects of the cut in VAT on food will be somewhat lower in 2026 than was forecast in June. When the direct effects of the temporary tax cuts fall out of the inflation figures, CPIF inflation is again expected to be 2 per cent. Underlying inflationary pressures are deemed to be approximately in line with the forecast in June.

The Riksbank assesses that resource utilisation in the economy, measured by the output gap, is somewhat lower initially, given that GDP was weak during the first quarter. However, compared with the June forecast, growth in the second half of the year is expected to be higher and the recovery to be somewhat faster in 2026, due in part to a slight easing of monetary policy and a more expansionary fiscal policy. The GDP gap returns to equilibrium in 2027. Despite the rapid recovery, unemployment is higher than was forecast in June, both at the outset and during 2026 and 2027.

**Figure 33. Forecasts for inflation**

Annual percentage change

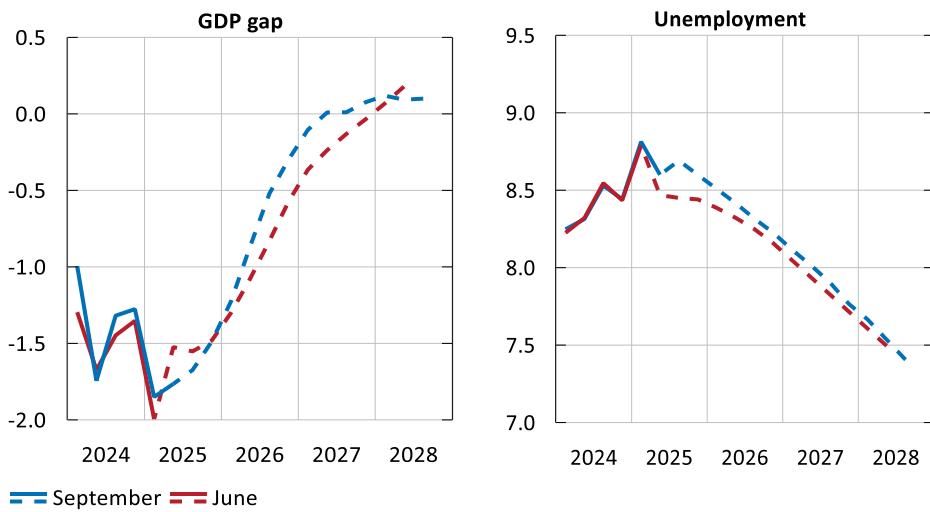


Note. For the indices excluding VAT on food, the direct effect on the price change in food has been excluded. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

**Figure 34. Forecasts for real economic growth**

Per cent



Note. GDP gap refers to the deviation from the Riksbank's assessed long-term trend.  
Unemployment refers to persons aged 15–74. Seasonally adjusted data. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

## ANALYSIS – The interaction between fiscal policy and monetary policy

Growing public debt in many countries highlights the interaction between fiscal and monetary policy. However, the situation varies considerably between countries. In countries with high debt, such as the United States, a continued increase in debt may lead to political pressure on the central bank to keep interest rates low in order to limit the government's interest costs. Sweden is not in this situation, partly because its public debt is low. Although fiscal policy does affect monetary policy, the risk that it will have implications for the monetary policy rule, i.e. inflation targeting, is currently low. At the same time, a more expansionary fiscal policy abroad could raise global interest rates and affect both the Swedish economy and monetary policy.

There is a global trend of countries increasing their public debt for both economic and political reasons. This development raises important questions, including how fiscal policy and monetary policy will affect each other going forward. The interaction between the two policy areas has also received growing attention in macroeconomic research in recent years.

Public debt is expected to continue rising in many countries that already have high levels of debt. In the United States, for example, the latest budget includes large unfunded tax cuts, that is, without corresponding cutbacks in public expenditure or increases in other taxes. This comes at a time when the United States is already running a significant budget deficit. Forecasts suggest that US federal debt could rise from around 100 to approximately 120 per cent of GDP over the next decade.<sup>28</sup> European countries are also moving towards a more expansionary fiscal policy, partly due to increased spending on defence and infrastructure. At the same time, several large economies, such as France and Italy, are already running significant budget deficits and have high levels of public debt.<sup>29</sup>

In Sweden, by contrast, public debt has been on a downward trend for some time, seen as a share of GDP. However, it is expected to rise in the coming years as Sweden increases defence spending and at the same time transitions from a surplus target to a balance target for general government net lending. This means that debt is

<sup>28</sup> See Committee for a Responsible Federal Budget (CRFB), "An August 2025 Budget Baseline", August 2025. The CRFB's forecast refers to the federal government's debt ratio. However, the total public sector debt ratio is higher and in 2023 was 24 percentage points higher than the federal government's ratio.

<sup>29</sup> According to the IMF, public debt in France is projected to increase from the current 113 to 121 per cent of GDP by 2027. In Italy, debt is expected to increase from 135 to 138 per cent of GDP over the same period. The average public debt in the euro area as a whole is expected to rise from its current level of 88 to just under 93 per cent of GDP by 2030; see IMF "Euro Area Policies: 2025 Annual Consultation – Press Release; Staff Report; and Statement by the Executive Director for Member Countries", *IMF Country Report No. 25/174*, July 2025.

expected to increase from 34 to around 40 per cent of GDP over the next decade, according to estimates from the National Institute of Economic Research.<sup>30</sup>

However, it is difficult to predict how fiscal policy will evolve, as it is influenced by an uncertain development in the real economy and by political priorities that may change over time. The interaction between fiscal and monetary policy is important in this context. One question is whether the policy rules that have characterised the division of responsibilities between the two policy areas will change.

### How fiscal policy and monetary policy interact

According to the monetary policy rule, i.e. inflation targeting, the central bank sets the policy rate in relation to inflation and resource utilisation in the economy. Fiscal policy, by contrast, is governed by budgetary rules designed to ensure, among other things, that public debt does not become excessive.

When fiscal and monetary policy are conducted in line with their respective policy rules, there are interactions between them that cause each to influence one another.<sup>31</sup> Monetary policy has a direct impact on public finances because government borrowing costs are largely determined by market rates, which in turn are affected by the policy rate. Interest costs account for a significant share of public expenditure. At the same time, public expenditure can influence monetary policy. If increased public expenditure is financed through increased borrowing rather than corresponding tax increases or other expenditure cuts, this can drive up economic activity and inflation.<sup>32</sup> This in turn contributes to higher interest rates, partly because the central bank then reacts to rising inflation.

How fiscal policy affects the economy depends partly on the extent of the fiscal policy changes and partly on the composition of increased public expenditure or tax cuts.<sup>33</sup> The effects of fiscal policy also depend on how the economy as a whole is functioning.<sup>34</sup> However, expectations and confidence in economic policy also play a significant role. For example, it is likely that interest rates on long-term government bonds, known as long rates, have risen over the past year because several countries have increased their debt and are planning to pursue a more expansionary fiscal policy. The rise in long rates likely reflects both expectations of future interest rate

<sup>30</sup> See the National Institute of Economic Research, "Offentligfinansiella scenarier för olika finansieringslösningar av en förstärkt försvarsuppgögnad [Public finance scenarios for different financing solutions for a stronger defence]", March 2025. In Swedish only.

<sup>31</sup> See, for example, E. Leeper and C. Leith (2016), "Understanding Inflation as a Joint Monetary-Fiscal Phenomenon", in J.B. Taylor and H. Uhlig (eds), "Handbook of Macroeconomics", vol. 2, Elsevier Press and G. Kaplan (2025), "Implications of Fiscal-Monetary Interaction from HANK Models", Working Paper 34117, National Bureau of Economic Research.

<sup>32</sup> Experience shows that extensive and unfunded fiscal policy can drive inflation. During the pandemic, for example, the large fiscal support measures in the United States not only contributed to inflation rising, but also to it becoming more persistent. See F. Bianchi et al. (2023), "A Fiscal Theory of Persistent Inflation", *The Quarterly Journal of Economics*, vol. 183, No. 4, pp. 2127-2179.

<sup>33</sup> The combined effects of fiscal policy measures are usually described in terms of fiscal multipliers; see, for example, B. Lagerwall (2019), "Fiscal policy from a monetary policy perspective", Economic Commentary No 5, Sveriges Riksbank.

<sup>34</sup> For an overview of the relevant mechanisms, see M. Lindgren and C. Nilsson (2025), "Fiscal rules and debt in the 21st century: a brief overview", *Economic Review* 2, Sveriges Riksbank.

rises when fiscal policy becomes more expansionary and higher risk premiums that investors demand in order to purchase government securities.

In order to understand how, for example, fiscal policy affects monetary policy, it is also necessary to study how the policy areas act in relation to their policy rules.<sup>35</sup> If both fiscal and monetary policy follow their respective rules, a temporary expansionary fiscal policy that is later tightened need not have any major consequences for monetary policy.<sup>36</sup> However, if fiscal policy deviates from its policy rule, for example by allowing debt to increase persistently and significantly, problems may arise. Public finances that are perceived as unsustainable in the long term risk creating political pressure on the central bank to accept higher inflation in order to erode the debt. This, in turn, could lead to the policy rate being kept low to reduce the government's interest costs, which would prejudice the monetary policy rule. Such a development would allow fiscal policy to remain expansionary without the same requirements for future tightening. However, such expectations risk undermining monetary policy by causing economic agents to lose confidence in the central bank's ability to achieve the inflation target. Fiscal policy that limits government debt is therefore a prerequisite for monetary policy to be able to keep inflation low and stable. In summary, confidence in one policy area is dependent on confidence in the other.

### How likely is it that fiscal policy will have consequences for the monetary policy rule?

There is a risk that central banks will experience political pressure to adjust their monetary policy when debt levels increase. The United States, for example, risks moving in this direction, although there is considerable uncertainty. There is already political pressure on the Federal Reserve to keep the policy rate low and thus deviate from the monetary policy rule. Interest costs on federal debt are one possible explanation. Currently, they correspond to around 3 per cent of GDP and 13 per cent of federal budget expenditure.<sup>37</sup> However, if the debt rises from around 100 to 120 per cent of GDP over the next decade, interest costs are expected to increase to

---

<sup>35</sup> In technical terms, the question is whether a change in fiscal policy should be seen as a temporary deviation within the framework of a given stabilisation policy regime, or as an actual regime shift. In the research literature, a situation in which fiscal policy reacts weakly to debt and monetary policy reacts weakly to inflation is called *fiscal dominance*. The opposite, *monetary dominance*, describes a regime in which monetary policy reacts forcefully to inflation while fiscal policy stabilises debt. See E. Leeper (1991), "Equilibria under 'active' and 'passive' monetary and fiscal policies", *Journal of Monetary Economics*, vol. 27, No. 1, pp. 129-147.

<sup>36</sup> There are arguments that a more active fiscal policy could lead to a better mix of fiscal and monetary policy in certain situations. For a discussion of this interaction from a Swedish perspective, see, for example, L. Calmfors et al. (2022), *Samspel för stabilitet – en ESO-rapport om rollfördelningen mellan finans- och penningpolitik* [Interaction for stability – an ESO report on the division of roles between financial and monetary policy], report in Swedish to the Expert Group for Public Economic Studies 2022:3.

<sup>37</sup> Refers to the federal government's net interest expenditure for 2024 according to the Congressional Budget Office, "The Budget and Economic Outlook: 2025 to 2035", January 2025. According to the European Commission, which calculates interest expenditure in a comparable way for EU countries and the United States, among others, US public sector interest expenditure amounted to 4.6 per cent of GDP in 2024. See European Commission, "European Economic Forecast, Spring 2025", *Institutional paper 318*, May 2025.

around 4 per cent of GDP and 18 per cent of expenditure, assuming the current level of interest rates.<sup>38</sup>

In Sweden, the risk of fiscal policy having such far-reaching consequences for the monetary policy rule is considerably lower, not least thanks to low public debt. Interest costs for public debt currently correspond to 0.6 per cent of GDP.<sup>39</sup> The difference compared with the United States becomes even clearer when one considers that Sweden's public expenditure is actually higher than that of the United States as a share of GDP. In relation to total expenditure, Swedish interest costs are significantly lower – around 1.3 per cent, which is one tenth of the US level. If Swedish public debt were to increase from 34 to 40 per cent of GDP over the next decade, interest costs could therefore be expected to rise to around 1 per cent of GDP and around 2.5 per cent of public expenditure.<sup>40</sup> This means that public debt poses a significantly lower risk in Sweden than in the United States. However, this presupposes that the fiscal policy measures currently being implemented will, in the longer term, be financed by means other than through increased debt, thereby remaining consistent with the fiscal policy framework. Another important difference is that the Riksbank has a high degree of formal independence.<sup>41</sup> This further reduces the likelihood that an increase in debt will affect Swedish monetary policy.

However, even though fiscal policy in Sweden does not pose the same risk as in the United States, the Swedish economy, and thus also monetary policy, is affected by global developments. Both economic research and practical experience show that a more expansionary fiscal policy leads to increased economic activity, at least temporarily, to inflation being higher and interest rates rising. If fiscal policy in the United States and the euro area drives up global interest rates, Swedish interest rates may also rise rapidly, which would have consequences for Swedish growth and inflation.

The ECB also has strong formal independence, which limits the risk that debt developments in euro area countries will directly influence the direction of monetary policy. At the same time, conditions differ between countries. For example, France's interest costs next year are expected to amount to 2.8 per cent of GDP, while the corresponding figure for Germany is estimated at 1.1 per cent.<sup>42</sup> Since euro area countries share monetary policy but not fiscal policy, individual countries can increase

---

<sup>38</sup> The calculation of US interest expenditure is based on assumptions in CRFB (2025). The calculation of interest expenditure as a share of total expenditure in 2035 assumes that total expenditure as a share of GDP will remain unchanged from 2024.

<sup>39</sup> According to the European Commission (2025).

<sup>40</sup> The calculations are based on an average nominal borrowing rate of 3 per cent, annual nominal GDP growth of just under 4 per cent and an annual primary deficit of around 1 per cent of GDP. The increase in interest costs is partly explained by the fact that the expected borrowing rate is higher than previously. The calculations draw, among other things, on information from the National Institute of Economic Research. The calculations also assume that other factors do not affect debt developments.

<sup>41</sup> The Riksbank and the ECB are considered to have greater formal independence than the Federal Reserve, see N. Dincer and B. Eichengreen (2014), "Central Bank Transparency and Independence: Updates and New Measures", *International Journal of Central Banking*, Vol. 10, No. 1, pp. 189-253 and A. Garriga (2025), "Revisiting Central Bank Independence in the World: An Extended Dataset", *International Studies Quarterly*, Vol. 69, No. 2.

<sup>42</sup> See European Commission (2025).

their debt to a certain extent without having to bear the full consequences in the form of tighter monetary policy and higher interest costs.

# Forecast tables

The forecast in the previous Monetary Policy Report is shown in brackets.

## Table 1. Policy rate forecast

Per cent, quarterly averages

	2025Q2	2025Q3	2025Q4	2026Q3	2027Q3	2028Q3
<b>Policy rate</b>	2.23 (2.23)	2.00 (1.99)	1.75 (1.92)	1.75 (1.88)	1.88 (1.93)	2.04

Source: The Riksbank.

## Table 2. Inflation

Annual percentage change, annual average

	2024	2025	2026	2027
<b>CPIF</b>	1.9 (1.9)	2.6 (2.4)	1.0 (1.7)	1.7 (2.0)
<b>CPIF excl. energy</b>	2.6 (2.6)	2.8 (2.7)	1.3 (1.9)	1.7 (1.9)
<b>CPI</b>	2.8 (2.8)	0.8 (0.7)	0.9 (1.6)	2.1 (2.1)
<b>HICP</b>	2.0 (2.0)	2.6 (2.3)	1.1 (1.8)	1.7 (2.0)

Note. The HICP is an EU-harmonised index for consumer prices.

Sources: Statistics Sweden and the Riksbank.

## Table 3. GDP and demand

Annual percentage change unless otherwise specified

	2024	2025	2026	2027
<b>Household consumption</b>	0.6 (0.6)	1.3 (1.3)	2.9 (2.7)	2.5 (2.3)
<b>Public consumption</b>	1.2 (1.3)	0.4 (0.8)	1.6 (1.5)	1.4 (1.1)
<b>Gross fixed capital formation</b>	0.0 (0.2)	-0.5 (-0.7)	3.3 (3.7)	2.9 (2.9)
<b>Stock investments*</b>	0.4 (0.4)	0.1 (-0.4)	-0.2 (0.0)	0.0 (0.0)
<b>Exports</b>	2.0 (2.0)	4.0 (3.6)	3.4 (3.1)	4.0 (3.8)
<b>Imports</b>	2.3 (2.2)	3.8 (2.0)	3.0 (3.5)	4.0 (3.6)
<b>GDP</b>	0.8 (1.0)	0.9 (1.2)	2.7 (2.4)	2.4 (2.3)
<b>GDP, calendar-adjusted</b>	0.8 (1.0)	1.1 (1.4)	2.5 (2.2)	2.1 (2.1)
<b>Final domestic demand*</b>	0.6 (0.2)	0.6 (0.6)	2.6 (2.5)	2.2 (2.1)
<b>Net exports*</b>	-0.1 (0.1)	0.2 (0.9)	0.3 (-0.1)	0.1 (0.2)
<b>Current account (NA), percentage of GDP</b>	5.4 (5.4)	5.2 (5.0)	5.9 (4.8)	6.2 (5.0)

\* Contribution to GDP growth, percentage points

Note. The figures show actual growth rates that have not been calendar-adjusted, unless otherwise stated. NA is the National Accounts.

Sources: Statistics Sweden and the Riksbank.

**Table 4. Production and employment**

Annual percentage change unless otherwise specified

	2024	2025	2026	2027
<b>Population, aged 15-74</b>	0.2 (0.2)	0.3 (0.3)	0.1 (0.1)	0.1 (0.1)
<b>Potential employment</b>	0.9 (0.9)	0.8 (0.8)	0.6 (0.6)	0.4 (0.5)
<b>Potential hours worked</b>	1.0 (1.0)	0.9 (0.9)	0.8 (0.8)	0.6 (0.6)
<b>Potential GDP</b>	1.6 (1.7)	1.6 (1.6)	1.5 (1.5)	1.3 (1.3)
<b>GDP, calendar-adjusted</b>	0.8 (1.0)	1.1 (1.4)	2.5 (2.2)	2.1 (2.1)
<b>Hours worked, calendar-adjusted</b>	-0.3 (-0.3)	-0.2 (0.4)	1.6 (1.2)	1.2 (1.0)
<b>Employed persons</b>	-0.6 (-0.6)	0.3 (0.5)	0.9 (0.7)	1.2 (1.0)
<b>Labour force</b>	0.2 (0.2)	0.6 (0.6)	0.5 (0.4)	0.7 (0.5)
<b>Unemployment*</b>	8.4 (8.4)	8.7 (8.5)	8.4 (8.3)	7.9 (7.9)
<b>Employment gap**</b>	-0.8 (-0.9)	-1.2 (-1.2)	-1.0 (-1.1)	-0.2 (-0.6)
<b>Hours gap**</b>	-0.4 (-0.6)	-1.5 (-1.1)	-0.6 (-0.7)	-0.0 (-0.3)
<b>GDP gap**</b>	-1.3 (-1.4)	-1.7 (-1.6)	-0.7 (-0.9)	-0.0 (-0.2)

\* Per cent of labour force

\*\*Percentage deviation from the Riksbank's assessed potential levels

Note. Potential hours worked, potential employment and potential GDP refer to the long-run sustainable level according to the Riksbank's assessment.

Sources: Statistics Sweden and the Riksbank.

**Table 5. Wages and labour costs for the economy as a whole**

Annual percentage change, calendar-adjusted unless otherwise specified

	2024	2025	2026	2027
<b>Hourly wage, KL</b>	4.1 (4.1)	3.7 (3.7)	3.4 (3.5)	3.2 (3.2)
<b>Hourly wage, NA</b>	3.9 (3.9)	3.6 (3.8)	3.4 (3.5)	3.2 (3.2)
<b>Hourly labour cost, NA</b>	4.9 (4.7)	3.1 (3.6)	3.4 (3.5)	3.2 (3.2)
<b>Productivity</b>	1.1 (1.3)	1.3 (1.0)	0.8 (1.0)	0.9 (1.0)
<b>Unit labour cost</b>	4.0 (3.5)	1.9 (2.7)	2.5 (2.4)	2.3 (2.1)

Note. KL is the National Mediation Office's short-term wage statistics and NA is the National Accounts. Labour cost per hour is defined as the sum of actual wages, social-security charges and wage taxes (labour cost sum) divided by the number of hours worked by employees. Unit labour cost is defined as labour cost sum divided by GDP in fixed prices.

Sources: National Mediation Office, Statistics Sweden and the Riksbank.

**Table 6. International forecasts**

Annual percentage change unless otherwise specified

GDP	PPP weights	KIX weights	2024	2025	2026	2027
<b>Euro area</b>	0.11	0.46	0.8 (0.8)	1.3 (1.0)	1.1 (1.1)	1.4 (1.5)
<b>United States</b>	0.15	0.10	2.8 (2.8)	1.7 (1.4)	1.6 (1.5)	2.0 (2.0)
<b>China</b>	0.20	0.10	4.9 (5.0)	4.8 (4.3)	4.2 (4.1)	4.2 (4.2)
<b>KIX weighted</b>	0.75	1.00	1.8 (1.8)	1.9 (1.7)	1.8 (1.7)	2.0 (2.0)
<b>The World (PPP-weighted)</b>	1.00	—	3.3 (3.3)	3.0 (2.8)	3.0 (2.9)	3.2 (3.2)

Note. Calendar-adjusted growth rates, PPP weights refer to purchasing-power adjusted GDP weights in the world for 2025, according to the IMF, KIX weights refer to weights in the Riksbank's krona index (KIX) for 2025. The forecast for GDP in the world is based on the IMF's forecasts for PPP weights. The forecast for KIX-weighted GDP is based on an assumption that the KIX weights will develop in line with the trend during the latest five years.

CPI	2024	2025	2026	2027
<b>Euro area (HICP)</b>	2.4 (2.4)	2.1 (2.0)	1.8 (1.7)	1.9 (2.0)
<b>United States</b>	3.0 (3.0)	2.8 (2.7)	2.9 (2.7)	2.3 (2.3)
<b>KIX weighted</b>	3.0 (3.0)	2.7 (2.7)	2.3 (2.3)	2.3 (2.3)
	2024	2025	2026	2027
<b>International policy rate, per cent</b>	4.1 (4.1)	2.8 (2.8)	2.4 (2.3)	2.4 (2.4)
<b>Crude oil price, USD/barrel Brent</b>	79.7 (79.7)	69.1 (67.0)	66.1 (64.0)	66.1 (64.9)
<b>Swedish export market</b>	1.6 (1.4)	2.0 (2.3)	2.7 (2.7)	3.1 (3.3)

Note. The policy rate abroad is an aggregate of rates in the US, the euro area, Norway and the United Kingdom.

Sources: Eurostat, IMF, Intercontinental Exchange, national sources, OECD and the Riksbank.

**Table 7. Summary of financial forecasts**

Per cent unless otherwise stated, annual average

	2024	2025	2026	2027
<b>The Riksbank's policy rate</b>	3.6 (3.6)	2.1 (2.1)	1.8 (1.9)	1.9 (1.9)
<b>10-year rate</b>	2.2 (2.2)	2.4 (2.2)	2.4 (1.8)	2.3 (1.8)
<b>Exchange rate, KIX, 18 Nov 1992 = 100</b>	126.0 (126.0)	119.8 (119.7)	116.4 (117.6)	115.3 (116.5)
<b>General government net lending, per cent of GDP</b>	-1.6 (-1.5)	-1.2 (-1.2)	-2.3 (-1.0)	-1.4 (-0.7)

Sources: Statistics Sweden



**SVERIGES RIKSBANK**  
Tel +46 8 - 787 00 00  
[registratorn@riksbank.se](mailto:registratorn@riksbank.se)  
[www.riksbank.se](http://www.riksbank.se)

PRODUCTION SVERIGES RIKSBANK