

Monetary Policy Report

December 2025



S V E R I G E S R I K S B A N K

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 policy¹. 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 17 December 2025.

¹ 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

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Monetary policy considerations

Although inflation has varied somewhat from month to month, it has overall developed in line with the Riksbank's forecast in September and approached 2 per cent. Indicators continue to support the view of inflationary pressures in line with the target going forward.

Compared with the forecast in September, growth has been higher and economic activity is assessed to be stronger. The situation in the labour market remains weak, but there are increasingly clear signs that it is beginning to improve. All in all, this development gives the Riksbank further reassurance that the economic recovery is under way, even if it will take time before economic activity returns to normal.

Overall, the economic outlook appears slightly better, while the inflation outlook is assessed to remain the same. The Riksbank assesses that a policy rate at its current level helps to strengthen domestic demand and thus also economic activity. This, in turn, provides the conditions for inflation to stabilise close to the target in the medium term.

The Riksbank has therefore decided to leave the policy rate unchanged at 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.

But the outlook for inflation and economic activity is uncertain. There are risks both abroad and in Sweden that could affect inflation and economic activity going forward. The risk picture abroad is still marked by geopolitical conflicts, uncertainty regarding US foreign and trade policy, high asset valuations in financial markets and weak public finances in several countries. In Sweden, there is also uncertainty around households' consumption behaviour and the effects that next year's more expansionary fiscal policy will have. The Riksbank is monitoring developments closely and is prepared to adjust monetary policy if the outlook changes.

International developments

Somewhat better growth outlook abroad overall. Compared with the Riksbank's latest forecast in September, growth in both the United States and the euro area has been somewhat higher than expected. Global trade has so far continued to increase at a solid pace despite the higher tariffs, partly related to trade in AI-related products. Global financial conditions remain expansionary, with favourable financing conditions

for banks and companies. Overall, movements in global commodity prices have been small, although there has been some increase in metal prices and some decrease in the oil price.

GDP in the United States has grown somewhat faster than expected but is now showing signs of slowing down. Household consumption has weakened after the summer and consumer confidence remains low.² At the same time, major AI-related investments have contributed significantly to GDP growth. Developments on the labour market have slowed down, and unemployment has risen somewhat. Inflation has increased to 3 per cent this year, partly due to the higher import tariffs, and is expected to remain elevated some way into 2026.

Euro area growth is close to a historically normal level. However, as before, there are major differences between countries: Germany had virtually zero GDP growth in the third quarter, while Spain's grew by around 3 per cent year-on year. Inflation has developed as expected since September and is now close to 2 per cent. However, it is somewhat higher excluding energy and food. Growth is expected to continue at approximately the same pace in the coming years while inflation is expected remain close to the inflation target.

Rate cut in the US but unchanged rate in the euro area. At its December meeting, the Federal Reserve decided to lower the policy-rate interval to 3.5–3.75 per cent. Uncertainty over monetary policy remains, but market expectations for next year indicate that two additional cuts may be on the cards. The ECB has kept its policy rate unchanged since July. Both the communication from the central bank and market expectations indicate that the policy rate will remain at its current level during the next year. At the same time, the policy rate is expected to be raised in several other important economies, including Japan.

The uncertainty about economic developments abroad remains high. The war in Ukraine as well as other geopolitical conflicts continue to contribute to the uncertainty as does unpredictable US foreign and trade policy. An additional uncertainty factor concerns the sustainability of government finances in several large countries. There is also a risk of the very high equity valuations of several large US technology companies resulting in a significant stock market correction in the period ahead. This could affect risk appetite in financial markets and significantly dampen growth, primarily in the United States but eventually also in several other countries, including Sweden.

Developments in Sweden

The economic recovery is under way. GDP rose by 1.1 per cent during the third quarter compared with the previous quarter, which was clearly higher than the Riksbank's forecast in September. The outcome was in line with the preliminary statistics according to the GDP indicator. The National Accounts suggest a broad increase in demand with contributions from exports, investment and household

² As a result of the earlier federal lockdown in the United States, there are no outcomes for some economic statistics.

consumption. But business sector investment tends to vary considerably between quarters, and the Riksbank's assessment is that the high growth in the third quarter had some temporary elements.

Indicators point to continued solid growth in the near term. Sentiment in the economy according to the National Institute of Economic Research's Economic Tendency Survey has continued to improve and is higher than normal for the business sector. But it remains weaker than normal for households. Monthly statistics show that both GDP and household consumption decline somewhat in October. The Riksbank's overall assessment is that the economy has continued to grow in the fourth quarter, albeit at a slower pace than in the third quarter.

The economy is expected to continue to strengthen next year. Households' finances are assessed to improve next year as well, which paves the way for a stable increase in consumption.³ GDP is somewhat stronger than expected at the outset, while indicators point to approximately the same growth as in the forecast in September. Overall, this means that the economic outlook is somewhat stronger.

The situation in the labour market remains weak, but there are increasingly clear signs that it is beginning to improve. Unemployment was unexpectedly high in October and November.⁴ However, at the same time, indicators provide further support to the view that a turnaround in the labour market at the beginning of next year. The number of newly registered job openings and companies' recruitment plans have continued to increase, while redundancies are at normal levels. Next year, the situation in the labour market is expected to improve significantly, with lower unemployment and a higher employment rate.

The krona has continued to appreciate somewhat in the autumn. Following the large appreciation against the US dollar in particular at the start of the year, the krona has continued to appreciate somewhat during the autumn, against both the dollar and the euro. The Riksbank's assessment is that the krona will appreciate somewhat further in the period ahead. This contributes to dampening inflation.

Swedish government bonds have risen in the autumn. A likely explanation is the improved economic outlook. In addition, the more expansionary fiscal policy is expected to lead to a greater borrowing requirement, causing an increased supply of government bonds. Despite rising government bond yields, financial conditions in Sweden are assessed overall to be expansionary, with favourable loan terms for households and companies.

Inflation has approached the target. In November, inflation fell and was 2.3 per cent measured as the CPIF and 2.4 per cent measured as the CPIF excluding energy. Both outcomes were close to the Riksbank's forecast in September and confirm the view that the increase in inflation earlier this year was driven by temporary factors.

³ See the analysis "Consumption is expected to increase at a good pace going forward" in this report.

⁴ See the analysis "Ample spare capacity in the labour market" in this report.

Indicators suggest inflationary pressures in line with the target going forward.

Measures of price changes over a shorter period than 12 months provide an idea of inflation here and now. These measures have fallen during the year and are now close to or slightly under 2 per cent. A broad set of indicators also points to inflationary pressures in line with the target going forward. Longer-term inflation expectations are also well anchored around the target.

Inflation is expected to fall significantly next year. Several factors, such as subdued domestic cost pressures, a stronger krona and a more normal weight effect on the CPI, will contribute to this development. To this can be added the Swedish Government's proposed halving of VAT on food, which is expected to cause CPIF inflation to fall below 1 per cent for a period (see Figure 1). With a restored VAT rate, inflation is instead expected to temporarily be just over 2.5 per cent in 2028, before returning to the target. Although the VAT changes will have major direct effects on CPIF inflation, the Riksbank assesses that more underlying inflation will not be affected to any significant extent.

There is considerable uncertainty over the outlook for economic activity and inflation. In addition to risks abroad, there are also domestic risks. The downward effects on inflation of the halving of VAT on food could be greater and more persistent than expected if, for instance, inflation expectations and price-setting behaviour are affected to an unexpectedly high degree. But the cut in VAT also stimulates demand, which instead puts upward pressure on inflation. How large the demand effect will be depends on households' consumption behaviour, which also has a bearing on how much fiscal policy overall will help strengthen economic activity. An unexpectedly rapid rise in demand could have significant inflation effects if problems emerge with bottlenecks on the supply side.

Policy rate left unchanged at 1.75 per cent

Inflation has fallen roughly as expected. However, it has varied somewhat from month to month. Overall, however, inflation has developed in line with the Riksbank's forecast and approached 2 per cent, measured as both the CPIF and the CPIF excluding energy. Indicators continue to support the view that inflationary pressures will remain in line with the target going forward. Longer-term inflation expectations are also well anchored around 2 per cent.

New information gives the Riksbank further reassurance that the economic recovery is under way. Since the Riksbank began cutting the policy rate in the spring of 2024, interest rates to households and companies have fallen significantly. This is now having a clearly positive impact on the economy. Compared with the forecast in September, growth has been higher and economic activity is assessed to be stronger. The labour market remains weak, but there are increasingly clear signs that it is beginning to improve.

The economic outlook looks slightly better, while the inflation outlook is assessed to remain the same. Inflation is expected to fall next year, due primarily to the reduced VAT on food. However, more underlying inflation is not assessed to be affected to any

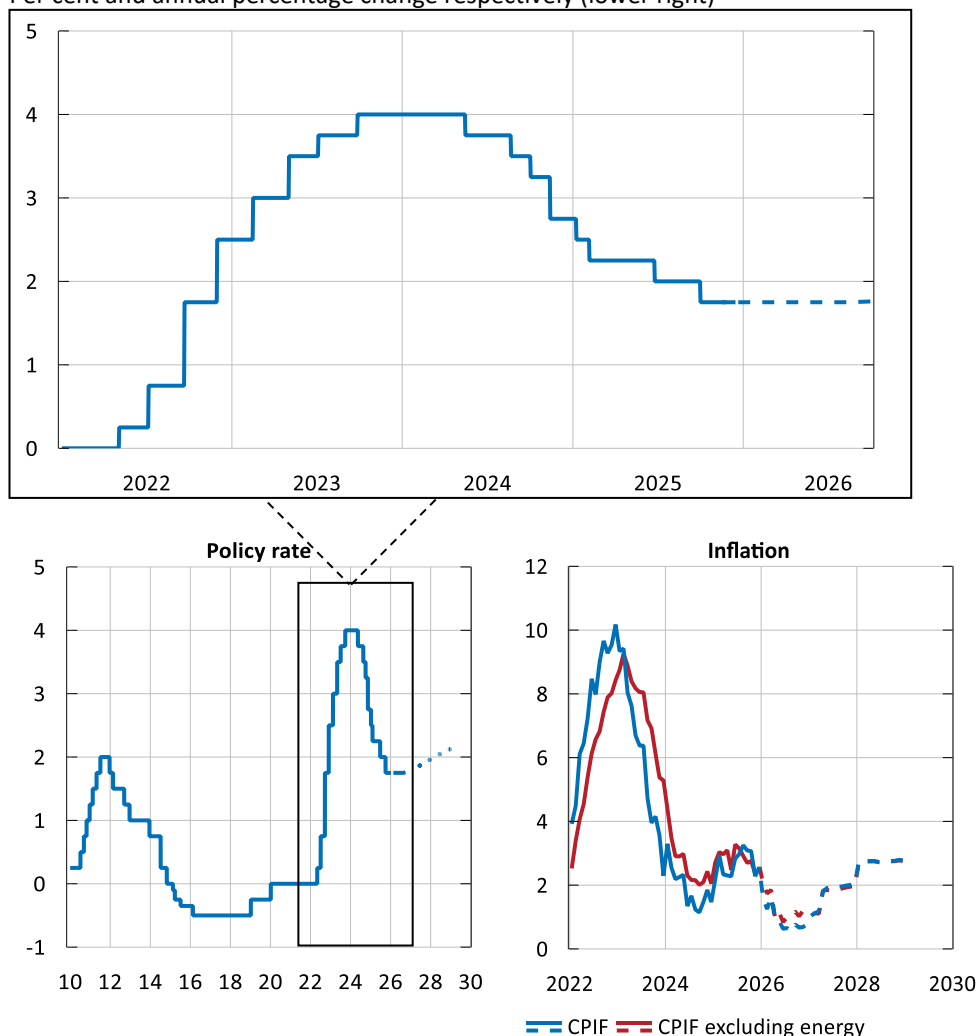
significant extent by the cut in VAT. In the longer term, inflation is expected to be close to 2 per cent. Next year, the economic recovery is assessed to continue and the labour market situation to improve. But it will take time before economic activity returns to normal.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. If the outlook for inflation and economic activity still holds, the policy rate is expected to remain at this level for some time to come (see Figure 1). The Riksbank assesses that a policy rate at its current level helps to strengthen domestic demand and thus also economic activity. This, in turn, provides the conditions for inflation to stabilise close to the target in the medium term.

But the outlook for inflation and economic activity is uncertain. There are risks both abroad and in Sweden that could affect inflation and economic activity going forward. The Riksbank is monitoring developments closely and is prepared to adjust monetary policy if the outlook changes.

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 elevated uncertainty and increased tariffs, global trade has so far continued to increase at a solid pace. Economic growth in several large economies has been higher than expected, and global financial conditions remain expansionary. Inflation is elevated in the United States, but is close to 2 per cent in the euro area.

After a long period of weak performance, Swedish GDP has accelerated. Although there are still some temporary effects in the strong outcome for the third quarter, the assessment is that the economic recovery had begun, and indicators point to it having continued during the fourth quarter. Nevertheless, the situation on the labour market remains weak. However, it is normal for the labour market to improve with some time lag when economic activity increases and there are increasingly clear indications that this is now happening.

In November, CPIF inflation fell to 2.3 per cent, and when adjusted for energy prices, it was 2.4 per cent. This outcome was in line with the Riksbank's forecast in September and it confirms the view that the elevated inflation earlier this year was temporary. All in all, various indicators point to historically normal rates of price increase going forward and inflationary pressures in line with the inflation target.

1.1 Real economy and inflation abroad

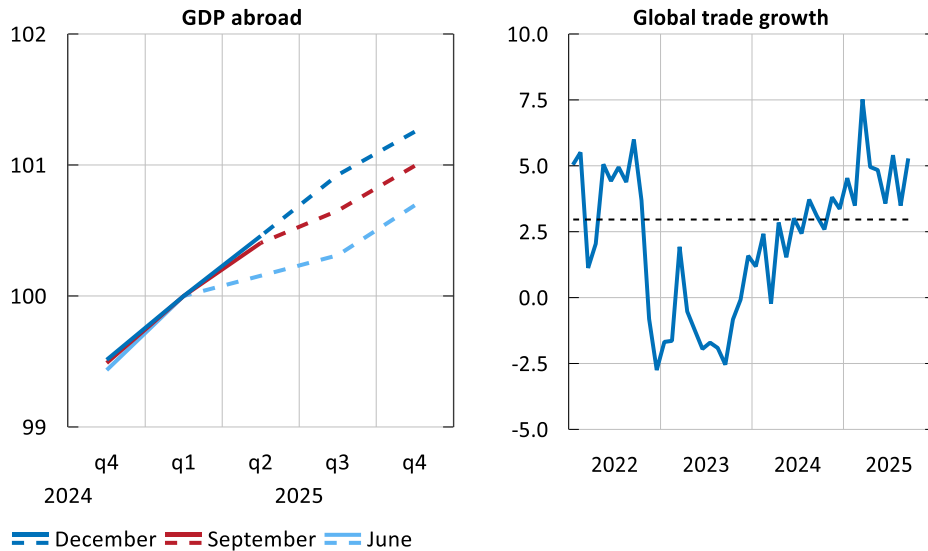
Stable global trade so far

Despite increased tariffs and uncertainty regarding US foreign and trade policy, global trade has shown relatively strong development in 2025 (see Figure 2). Nor have there yet been any clear signs of disruptions to global value chains. World market prices for both food and oil have fallen during the autumn and although there has been some upturn in metal prices, the overall movements in global commodity prices have been low.

The fact that global trade has been stable is probably largely due to strong investment in AI. GDP growth in large economies like the United States, China and the euro area has developed surprisingly strongly so far this year. This is reflected in the Riksbank's forecast for GDP growth abroad having been revised up (see Figure 2).

Figure 2. GDP abroad and growth in global trade

Index, 2025 Q1 = 100 (left) and annual percentage change (right)



Note. Refers to KIX-weighted GDP in fixed prices. KIX is a weighted average against countries that are important for Sweden's international trade. Solid line refers to outcome and dashed line refers to the Riksbank's forecast (left). Refers to growth in the global trade's volume of goods. Dashed black line refers to average for the period 2000-2025 (right). Seasonally adjusted data.

Sources: IMF, national statistical authorities, Netherlands Bureau for Economic Policy Analysis and the Riksbank.

Signs of a slowdown and rising inflation in the US economy

Fears of clearly lower US GDP growth have not been realised, despite import tariffs being raised and economic policy uncertainty being substantial. During the first half of the year, growth was mainly maintained by large AI-related investment, as well as household consumption. As growth in consumption appears to be driven by richer households, which usually have greater wealth in equity, there are signs that this is also linked to AI.⁵

The Federal shut-down in the United States, which covered around 25 per cent of Federal employees, lasted for 43 days. The direct financial effects of the shut-down mean that growth in the fourth quarter is expected to be temporarily weak. As a result of the shut-down, no new statistics have been published in some areas, although available information shows that both consumer confidence and business confidence are still low, and that household consumption has been weak after the summer.

Although growth has not slowed down as much as expected, economic activity in the United States has dampened somewhat over the year. The labour market is

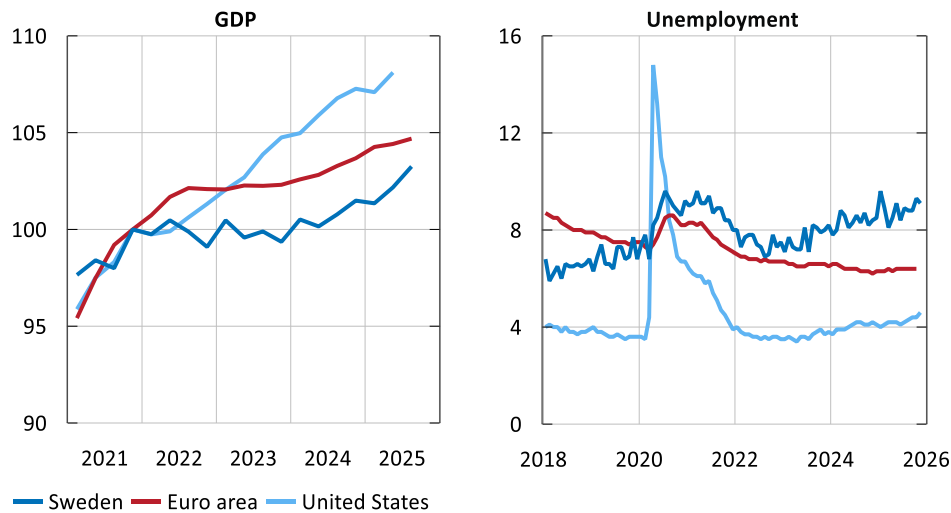
⁵ This has given rise to discussion of a "K-shaped economy", a situation where different sectors and income groups in the economy expand at different paces, which creates large inequalities.

continuing to slow down, with slower employment growth and somewhat higher unemployment (see Figure 3).

US inflation increased slightly less in September than in the Riksbank last forecast. However, inflation has risen since the summer and amounted to around 3 per cent in September (see Figure 4). It is primarily goods prices that have risen, largely driven by prices on imported goods having increased as a result of the higher tariffs. Studies point to inflation in recent months being around 0.5-0.7 percentage points higher than if the higher tariffs had not been introduced.⁶ The rate of increase in service prices is also elevated, partly as a result of rents.

Figure 3. GDP and unemployment abroad

Index, 2021 Q4 = 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.

Historically normal growth and stable inflation in the euro area

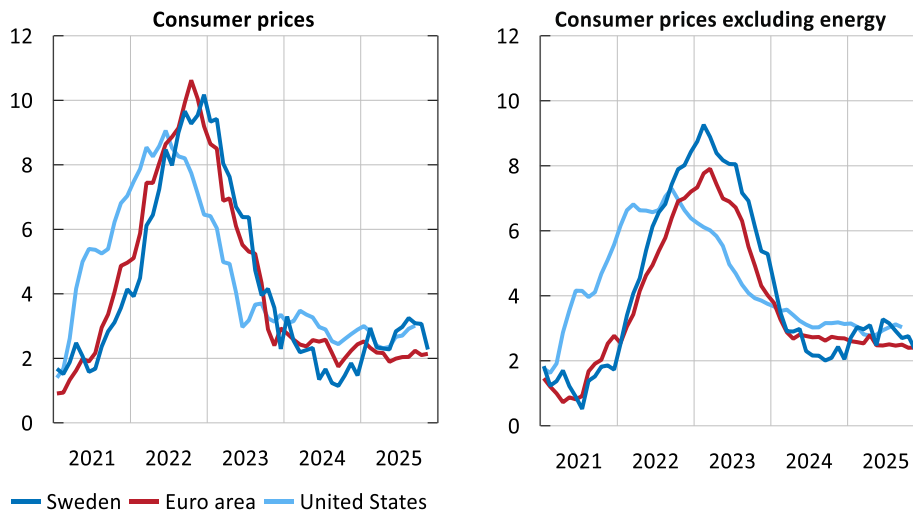
GDP growth in the euro area was around its historical average during the third quarter, which was somewhat higher than expected. Investment and public consumption rose more than normal. However, there are still major differences in growth between different countries. Germany's GDP rose by 0.3 per cent on an annual rate in the third quarter, while Spain's grew by almost 3 per cent. Although confidence in the service sector has risen, consumer confidence is still subdued.

⁶ See A. Cavallo et al. (2025), "Tracking the Short-Run Price Impact of U.S. Tariffs" NBER Working Paper No 34494 and M. Dvorkin et al. (2025), "How Tariffs Are Affecting Prices in 2025", St. Louis Fed On the Economy.

Inflation in the euro area remains close to 2 per cent (see Figure 4). However, when energy and food are excluded it is still at a high level in many countries. The inflation dynamics between countries is similar; for instance, services prices have increased more than expected in several countries. However, wage growth has been significantly dampened, which indicates that inflationary pressures will decline going forward.

Figure 4. 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.

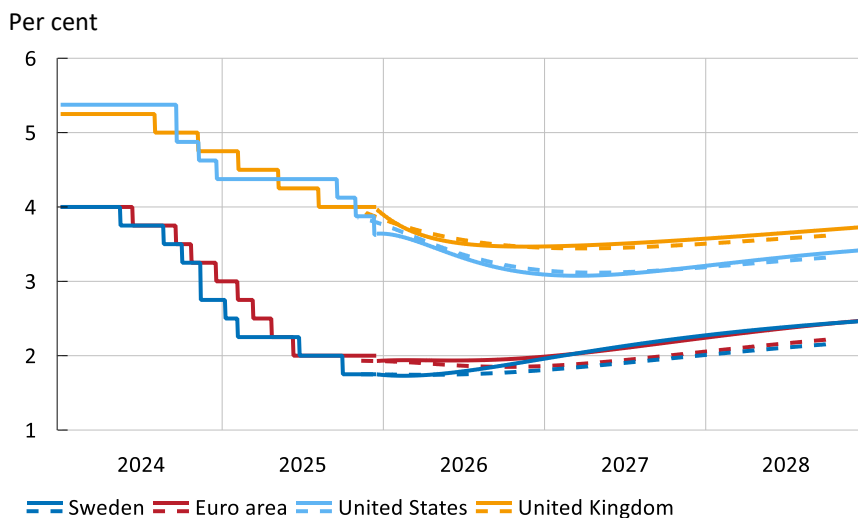
Sources: Eurostat, Statistics Sweden and the U.S. Bureau of Labor Statistics.

1.2 Financial conditions

Rate cut in the United States but unchanged rate in the euro area

At its meeting on 10 December, the Federal Reserve decided to cut its policy rate to the interval 3.5-3.75 per cent, largely with reference to the slowdown on the labour market. However, the uncertainty regarding the Federal Reserve's monetary policy next year still remains, mainly due to the uncertainty with regard to the economic outlook, but also partly due to the coming member shift in the Federal Open Market Committee (FOMC). Expectations among market participants have therefore varied somewhat, but now indicate the possibility of a further two rate cuts during 2026 (see Figure 5).

The ECB has kept its policy rate unchanged since its meeting in July. In their communications they have concluded that their monetary policy is "in a good place". Market participants' expectations reflect the fact that the policy rate will remain at its current level next year, in line with what was indicated in September.

Figure 5. Market expectations of policy rates

Note. The figure shows policy rates and market-based expectations according to forward pricing. Solid lines represent expectations on 16 December 2025. Dashed lines represent expectations immediately prior to the monetary policy meeting in November.

Sources: National central banks and the Riksbank.

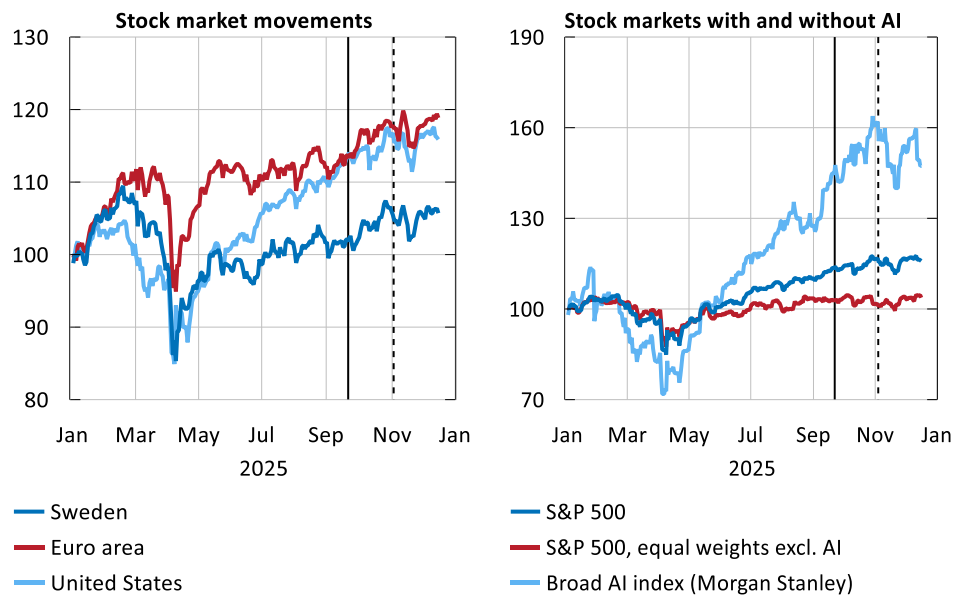
Continued expansionary financial conditions globally, but high equity valuations of AI companies have created nervousness on the markets

Global financial conditions are still expansionary, with high stock prices and low credit spreads for companies (see Figures 6 and 7). When the US import tariffs were announced in April, stock markets fell heavily. However, they have developed strongly since then. One important driving force has been the rapidly rising stock prices among technology companies linked to AI (see Figure 6). Since the beginning of November, however, stock markets have generally been volatile, especially in the United States, which is connected to increased concern for the high equity valuations of companies in the AI sector. Moreover, substantial investment in data centres is now needed, which will be funded through increased borrowing. One sign of the concern is that stock prices for these companies fell considerably in November, despite high reported profits (see Figure 6).

The international bond markets have been partly affected by news regarding fiscal policy in countries with stained public finances, such as the United States, France and the United Kingdom. In Japan, government bond yields have risen substantially during the autumn, and the 10-year yield has reached the highest levels in 20 years (see Figure 7). These developments are connected to market participants expecting a more expansionary fiscal policy and the Bank of Japan to raising the policy rate. On the whole, the international bond markets are characterised by continuing favourable conditions for borrowers, with low credit spreads.

Figure 6. Stock market movements

Index, 2 January 2025 = 100

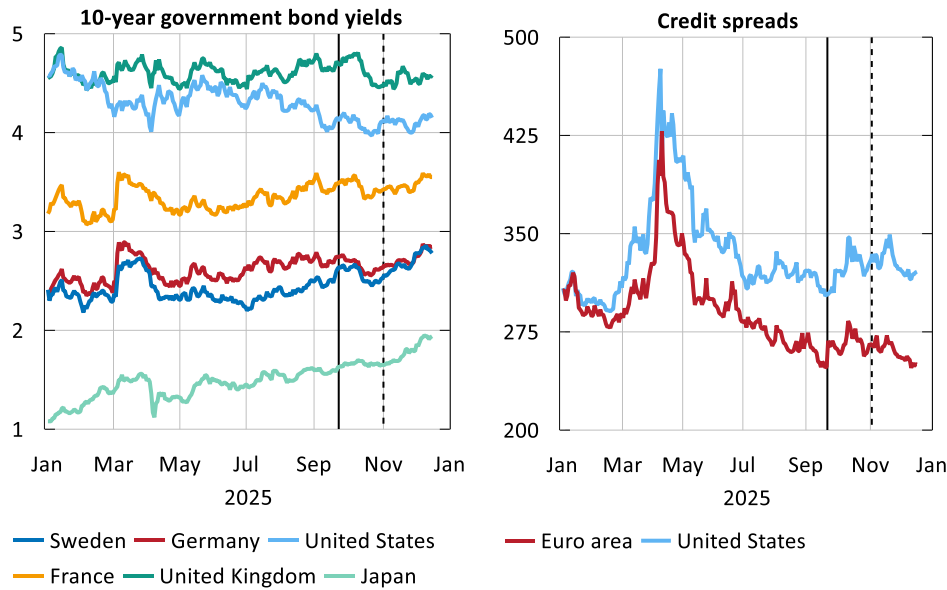


Note. Stock exchange indices refer to OMXS for Sweden, STOXX for the euro area and S&P 500 for the United States (left). The broad AI index produced by Morgan Stanley consists of three parts: AI technology companies, AI-related energy companies and the large hyperscale companies.

Sources: Bloomberg Finance LP, Nasdaq OMX Nordic, S&P Global and STOXX.

Figure 7. Government bond yields and credit spreads

Per cent (left) and index (right)



Note. Euro area credit spreads are measured using the iTraxx Xover index, which consists of 75 equally weighted credit default swaps (CDS) for companies with low/medium credit ratings. CDS in the United States refers to 100 North American companies divided into BB and B ratings. The solid and dashed lines mark the period immediately prior to the monetary policy meetings in September and in November.

Sources: Bloomberg Finance LP, Macrobond Financial AB and the US Department of Treasury.

Swedish government bond yields have risen fairly substantially during the autumn, and the 10-year yield is now just under 3 per cent (see Figure 7). Two likely explanations for the upturn are the improved economic outlook and the fact that the more expansionary fiscal policy is expected to lead to an increased borrowing requirement, which in turn leads to an increased supply of government bonds.⁷

In Sweden, the broader financial conditions are expansionary, which is illustrated in, for instance, low credit spreads. Premiums for covered bonds and corporate bonds are lower than at the beginning of the year, which means that this type of funding is now cheaper for the banks and companies. Moreover, the Swedish banks are showing good profitability, and the opportunities to lend to households and companies are good.

Lower deposit and lending rates for Swedish households and companies

The short interest-rate fixation periods for households' mortgages have meant that changes in the Riksbank's policy rate have quickly impacted the rates charged to households (see Figure 8). The most recent rate cut in September has also had an impact on mortgage rates. Deposit rates have also fallen, although there are

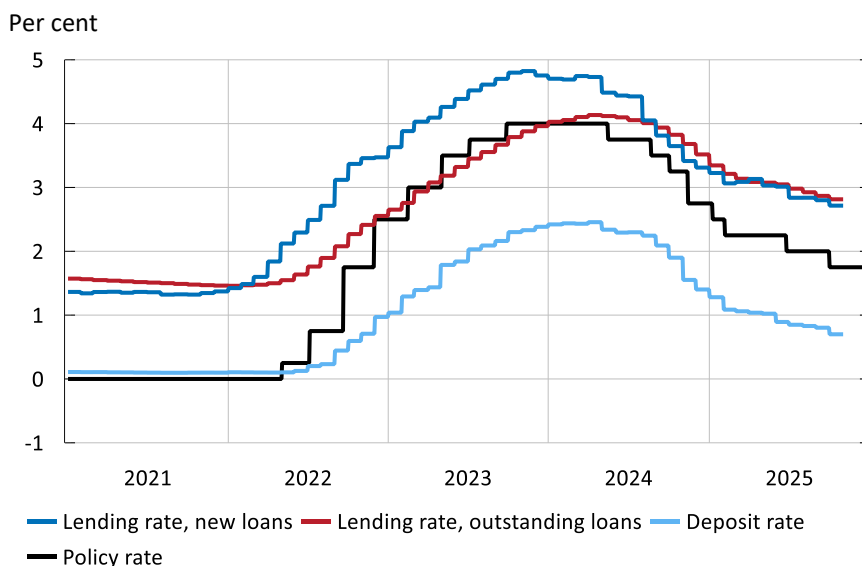
⁷ See press release from Swedish National Debt Office, November 2025, "[More government bonds as deficit grows](#)".

differences between accounts with conditions, such as restrictions on the number of withdrawals, and accounts without conditions.

Companies have also faced lower deposit and lending rates as the policy rate has been cut. The variable interest rates on companies' loans are to a great extent tied to the STIBOR reference rate, which means they are sensitive to how the difference between STIBOR and the expected policy rate may develop (see the Fact Box "The transmission of monetary policy through the STIBOR reference rate").⁸

After developing weakly for several years, growth in lending to households and companies has recovered as interest rates have fallen. However, the rate of increase is much lower than in the decade prior to the upturn in inflation. The Riksbank's assessment is that growth in lending in coming years will not return to the rate of increase that prevailed then.

Figure 8. Average lending and deposit rates to households and the Riksbank's policy rate



Note. Volume-weighted averages of lending and deposit rates at all maturities. Refers to interest rates on loans from monetary financial institutions, housing credit institutions and alternative investment funds. Lending rate refers to loans for housing purposes. New loans also include renegotiated loans.

Sources: Statistics Sweden and the Riksbank.

Krona exchange rate has continued to strengthen somewhat in the autumn

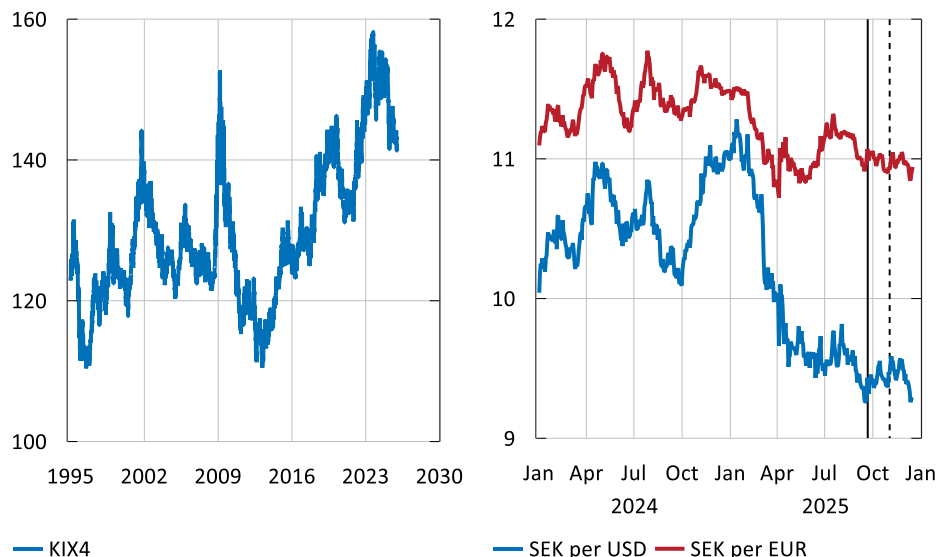
Following the large appreciation against the US dollar in particular at the start of the year, the krona has continued to appreciate somewhat during the autumn, against

⁸ The variable rate on companies' outstanding bank and bonds is usually determined by STIBOR with a three-month maturity and a fixed spread. Household interest rates are also affected by the development for STIBOR, but more indirectly.

both the dollar and the euro. Since November, the strengthening has once again been particularly noticeable against the dollar (see Figure 9).

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 and dashed lines mark the period immediately prior to the monetary policy meetings in September and in November.

Sources: Macrobond Financial AB and the Riksbank.

FACT BOX – The transmission of monetary policy through the STIBOR reference rate

STIBOR with a three-month maturity is the dominant reference rate in Swedish kronor today, to which pricing of the non-financial companies' bank loans and bonds at a variable rate is tied to a very large degree. It is also an important part of the banks' funding costs for mortgages, and it thus indirectly affects households' interest costs. If the difference between STIBOR and the expected policy rate changes, the interest rates paid by companies and households may be affected, despite the policy rate being held unchanged.

STIBOR is defined as the interest rate at which STIBOR banks are willing to lend Swedish kronor to other major banks without collateral.⁹ The factors that primarily affect the level of STIBOR are the banks' short-term funding costs and expectations of

⁹ The STIBOR banks are SEB, Nordea, Svenska Handelsbanken, Swedbank, Länsförsäkringar Bank, SBAB and Danske Bank. Swedish Financial Benchmark Facility (SFBF), a subsidiary of the Swedish Bankers' Association, is responsible for administering STIBOR. The reference rate is determined based on the cost of different types of funding transaction in a handful of currencies converted into Swedish kronor using FX swaps. See SFBF (2024) [STIBOR Calculation Methodology](#) for information on the calculation method and on SFBF's so-called transparency indicators. The calculation method is complex and, despite the reforms of recent years, there is a large element of assessment. The Riksbank has previously expressed criticism of this, see the Riksbank's response to SFBF's consultation, 31 March 2021, [The Riksbank's response - Open consultation on reform of STIBOR](#).

the level of the policy rate during the time to maturity. STIBOR often also includes a premium for the counterparty risks and liquidity risks that can arise when the banks lend money to one another at longer maturities than the shortest one. In practice STIBOR has a strong connection to the FX swap market¹⁰ as the STIBOR banks borrow most of their short-term funding in foreign currencies. This means that STIBOR with a three-month maturity largely reflects the banks' (assessed) short-term funding costs in US dollars, together with the cost of converting US dollars to Swedish kronor.¹¹

There are signs that it has become somewhat more expensive to borrow kronor in the FX swaps market, for instance, at three to six month maturities during the second half of this year. This can be interpreted to mean that the liquidity premium increases when the banking system's surplus liquidity gradually declines in line with the Riksbank selling large parts of its Swedish securities holdings (see Figure 35). But it is conceivable that the individual temporary peaks in implied krona rates in FX swaps with very short maturities have also contributed to this development (see the Fact Box "Banks need to be more active in balancing liquidity among themselves"). However, it is not unusual for the prices in the FX swap market to vary substantially and the current cost of "swapping" foreign currency for kronor at three and six months maturities is not unusual in a historical perspective.

A bigger difference between STIBOR and the expected policy rate can be regarded as a normalisation and is something that both the Riksbank and market participants have expected, according to the pricing in the forward market. But it is nevertheless difficult to assess what is a normal level for this interest-rate differential going forward, not least because it has varied substantially over the past twenty years (see Figure 10). One factor that can explain the difference being small in recent years until recently is the Riksbank's securities purchases from 2015 and onwards, which substantially increased the banking system's liquidity surplus towards the Riksbank. The fact that the banks are facing stricter requirements for liquidity buffers since the financial crisis has contributed in the opposite direction.

The Riksbank regularly monitors how the differences between the rates that are central to the monetary policy transmission develop. It is normal that these interest-rate differential vary over time, and sometimes they vary substantially. One example of another important spread is the one between covered bonds and interest rate swaps. How this develops affects the costs for the banks to finance mortgages to households, and during 2025 this spread has declined. Companies' variable loan rates with regard to both bank loans and bonds are normally determined as STIBOR plus a spread. Over the year, these spreads of new and renegotiated bank loans and newly-issued bonds have declined on the whole. Overall, this means that the interest rates faced by households and companies have not risen in relation to the policy rate

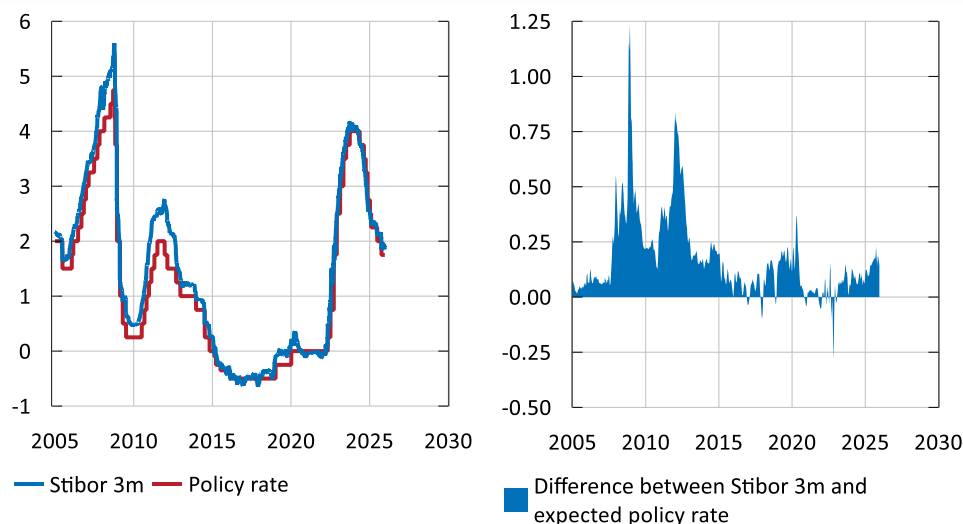
¹⁰ An FX swap is an agreement to swap one currency for another during a certain period of time. The price of an FX swap reflects interest differentials in the respective currencies. If there is considerable demand for Swedish kronor, the interest rate that can be calculated on the basis of the swap prices and the interest rate in foreign currency rises. This interest level is usually referred to as the implied rate.

¹¹ According to SFBF's published transparency indicators, the monthly share of USD in the funding cost has varied between 43 per cent and 76 per cent so far during 2025. USD has the largest share throughout.

during 2025, despite a marginally larger difference between STIBOR and the expected policy rate.

Figure 10. STIBOR with three-month maturity and the Riksbank's policy rate

Per cent and percentage points



Note. Daily rates for STIBOR with a three-month maturity and the effective policy rate (left). The difference in percentage points between STIBOR with a three-month maturity and a so-called STINA swap with the same maturity (right). A STINA swap is an interest rate swap where the variable leg comprises STIBOR T/N. This reference rate refers to the next banking day until the following banking day (tomorrow-next) and is often close to the policy rate. The spread in the figure is thus a good market-priced measure of the difference between STIBOR with a three-month maturity and the expected policy rate. The figure shows a moving average over one month.

Sources: Bloomberg Finance LP, Swedish Financial Benchmark Facility and the Riksbank.

1.3 Swedish real economy

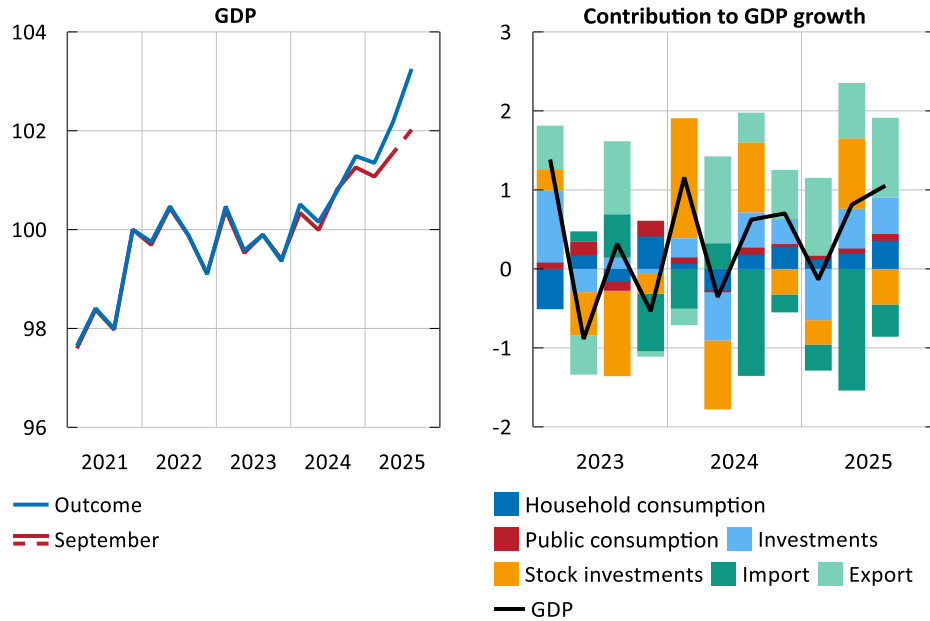
Swedish growth has taken off

After a long period of weak development in the Swedish economy, the real economy has now begun to recover. GDP rose by 1.1 per cent during the third quarter compared with the previous quarter, which was clearly higher than the Riksbank's forecast in September (see Figure 11). The National Accounts also contained a clear upward revision of earlier reported GDP outcomes, not least for the second quarter. Although the outcome was in line with preliminary GDP statistics published in October, the new statistics provide further support to the view of a clear recovery having begun.

The economic recovery has been broad (see Figure 11). Net exports strengthened and exports of investment goods were particularly strong. Both private and public consumption contributed to GDP growth. Household consumption rose in line with households' disposable incomes, while the savings ratio remained high.

Figure 11. GDP and contributions to GDP growth

Index, 2021 Q4 = 100 (left) and GDP as a percentage change, quarterly rate and contributions to GDP growth in percentage points (right)

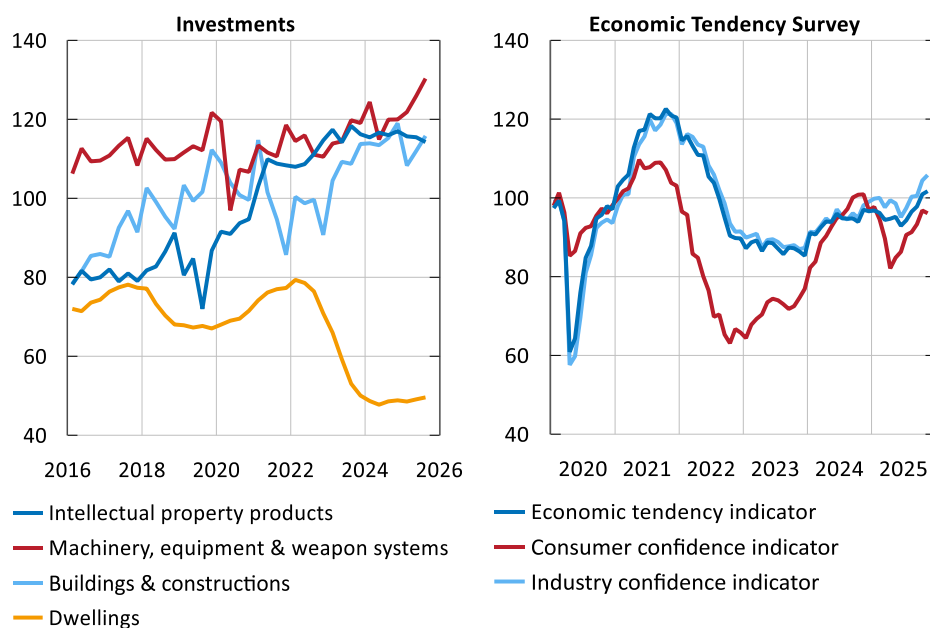


Note. Red solid and dashed lines refer to outcome and the Riksbank's forecast respectively (left). Seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

Business sector investment was surprisingly strong in the third quarter. In particular, investment in machinery, inventory and weapons systems increased sharply (see Figure 12). There is considerable volatility and some temporary elements in the recent strength in investments, especially the rapid increase in individual service sectors' investments within transport equipment.

Figure 12. Investment and confidence indicators in the Economic Tendency Survey
SEK billions (left) and index, mean value = 100, and standard deviation = 10 (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 (right). Seasonally adjusted data.

Sources: National Institute of Economic Research and Statistics Sweden.

Indicators point to the economic recovery having continued during the fourth quarter, but the Riksbank's assessment is that the economy will strengthen at a slower pace than in the third quarter. The GDP indicator fell somewhat in October, driven by lower household consumption and lower production in the business sector. The National Institute of Economic Research's confidence indicator shows that sentiment in the economy has improved and points overall to a normal sentiment situation (see Figure 12).

The upturn in the Economic Tendency Survey was mainly driven by increased optimism in construction, but sentiment also rose in the private service sector and manufacturing. The confidence indicator for trade remains much stronger than normal. At the same time, manufacturing orders increased in October and the purchasing managers' index for the manufacturing sector amounted in November to a level indicating continued growth and improved industrial activity.

The confidence indicator for households has risen over the past six months, although it is still weaker than normal. During the Riksbank's company interviews household-related businesses say that demand has increased somewhat and that households are not as restrained (see the Fact Box "Companies on household consumption: 'Things have improved a bit during the second half of this year'"). Households' confidence in economic developments is also reflected in developments on the housing market. Since the summer, housing prices have risen somewhat and recovered the fall that took place during the first half of the year. The turnover in housing has been subdued

over the year but the supply has steadily declined since last spring, although it is still at an historically high level as a result of long times to sale.

FACT BOX – Companies on household consumption: “Things have improved a bit during the second half of this year”¹²

Companies that sell to households experience that the economic situation has improved somewhat since the Riksbank's most recent Business Survey in September. Households appear to be becoming less cautious. Companies observe that “households are still restrained, but not as restrained as in the spring”. Sales have increased, but on the whole these are small increases in sales that are mainly driven by active campaigning. The following quote is telling: “It is not as though the goods are jumping off the shelves ... but we nevertheless feel that the prospects for consumption are slightly brighter.”

In the retail trade, sales of home electronics and clothing have increased. The hospitality industry also sees a somewhat stronger demand: “Private travel seems to be given quite high priority.” Those exposed to the housing market, such as building material and home decor retailers, describe the situation as stagnant, while waiting for the housing market to pick up.

The companies assess that demand will continue to strengthen in the coming six months, but they are generally cautious in their forecasts. They have previously had overly optimistic sales forecasts and are therefore more cautious now. One respondent explains, “Increased sales are our basic scenario. But we are not preparing for this, instead we are preparing for things to remain problematic.”

Labour market still weak

In recent months, unemployment as measured by the Labour Force Surveys (LFS) has risen, but this is due to a strong development in labour force participation. Employment has also risen (see Figure 13).

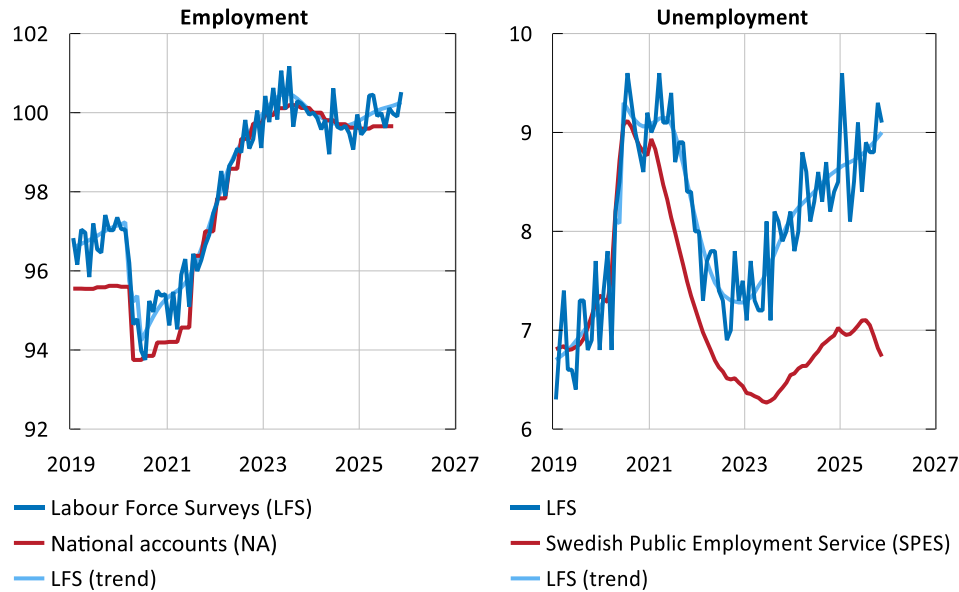
The different data on unemployment do not show a uniform picture of developments in recent months. In November, unemployment according to the LFS rose to 9.1 per cent, which is a high level in a historical perspective. Statistics on the number of people registered with the Swedish Public Employment Service show that they have declined somewhat.¹³ Overall, the Riksbank assesses that the situation in the labour market is still weak, despite the faster growth in GDP.

¹² During the period 21–26 November, the Riksbank has carried out an extra business survey with a smaller sample of companies and trade associations than during a normal survey. All quotations are from respondents to the survey.

¹³ Registered with the Swedish Public Employment Service refers to both people who are openly unemployed and those participating in labour market programmes. Both groups are affected by changes in regulations. The changes in unemployment insurance that were introduced on 1 October have so far led to a decline in the number of persons registered in certain labour market programmes (especially under the Job and Development Guarantee schemes), without any corresponding rise in the number of openly unemployed. For more information, see the Swedish Public Employment Service's [website](#).

Figure 13. Employment and unemployment

Index, January 2024 = 100 (left) and percentage of labour force (right)



Note. Trend values calculated by Statistics Sweden. For the LFS this refers to persons aged 15-74, for the SPES to people aged 16-65 and for the NA it refers to all ages. Seasonally adjusted data.

Sources: Swedish Public Employment Service and Statistics Sweden.

The protracted economic recession has affected the labour market broadly (see the analysis “Ample spare capacity in the labour market”). However, it is normal for the labour market to improve with some time lag when economic activity increases. Indicators support the view of a turnaround on the labour market at the beginning of next year. The number of redundancy notices, which is an important signal of how unemployment will develop, is no longer at an elevated level. The share of companies responding in the National Institute of Economic Research's Economic Tendency Survey that they are planning to increase their workforce has at the same time increased in recent months, and the positive recruitment plans point to higher employment going forward.

GDP grew faster than employment and the number of hours worked during the second and third quarters. Productivity has thus increased rapidly in the initial phase of the economic upturn. At the same time, labour costs have increased moderately, which overall means that unit labour costs have developed weakly, and the recent stronger growth is thus not expected to generate a higher cost pressure in the economy.

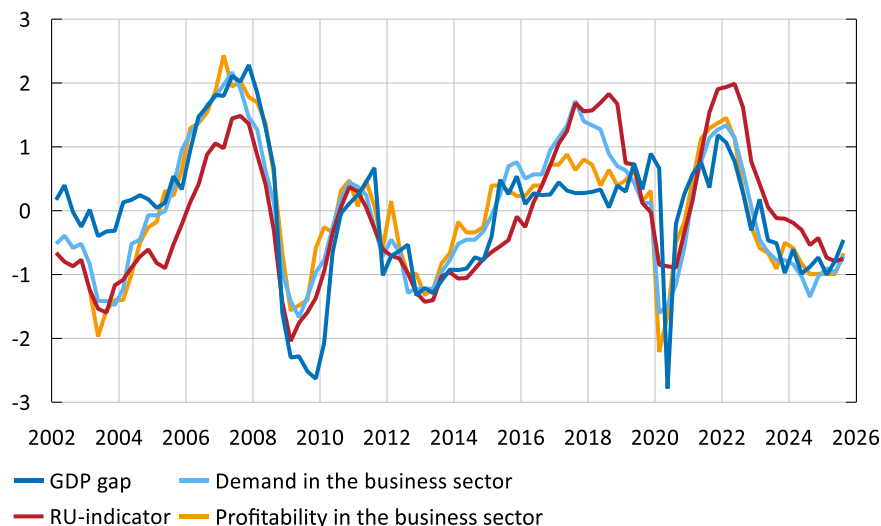
Resource utilisation in the Swedish economy is still low, despite rising growth

GDP grew faster than the assessed potential growth during the second and third quarters, which means that resource utilisation measured using the GDP gap has begun to rise from a low level (see Figure 14). The Riksbank assesses that there is still plenty of spare capacity in the Swedish economy (see the analysis “Ample spare

capacity in the labour market”). However, as described, there are increasingly clear signs that the labour market is close to a turnaround and the Riksbank's assessment is that also resource utilisation in the labour market will soon begin to increase.

Figure 14. Indicators of resource utilisation

Standard deviation



Note. Seasonally adjusted data. The GDP gap refers to the deviation of GDP from the Riksbank's assessed trend. The RU indicator is a statistical measure of resource utilisation. The series are standardised so that the mean value is 0 and the standard deviation is 1.

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

1.4 Swedish inflation

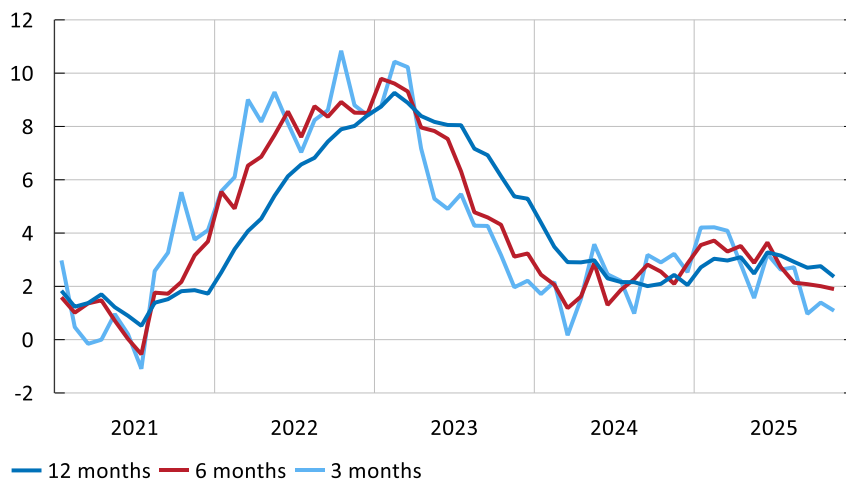
Inflation has fallen roughly as expected

In November, CPIF inflation was 2.3 per cent, and when adjusted for energy prices, it was 2.4 per cent. Inflation has varied somewhat from month to month, but overall it has developed in line with the Riksbank's earlier forecast and approached 2 per cent. Energy prices increased faster than expected, which means that CPIF inflation was somewhat higher than was forecast in September. When adjusted for energy prices, the CPIF increased somewhat more slowly.

Measures of price changes over a shorter period than 12 months provide an idea of inflation here and now. These measures have fallen during the year and are now close to or slightly under 2 per cent (see Figure 15).

Figure 15. CPIF excluding energy

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



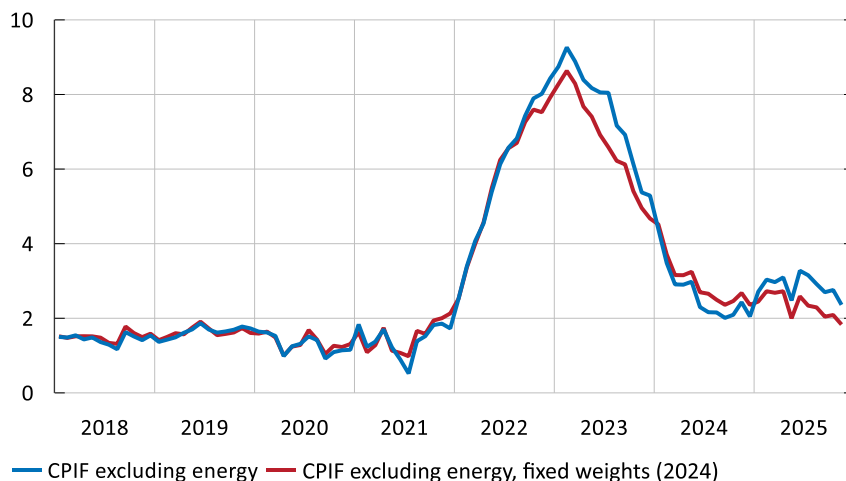
Note. Seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

The developments confirm the view of the rise in inflation earlier this year being driven by temporary factors. During 2025 the annual update of the weights in the CPIF has contributed to higher inflation.¹⁴ This impact on inflation becomes clear if one looks at the development with the weights of previous years, where inflation has been lower (see Figure 16).

Figure 16. 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.

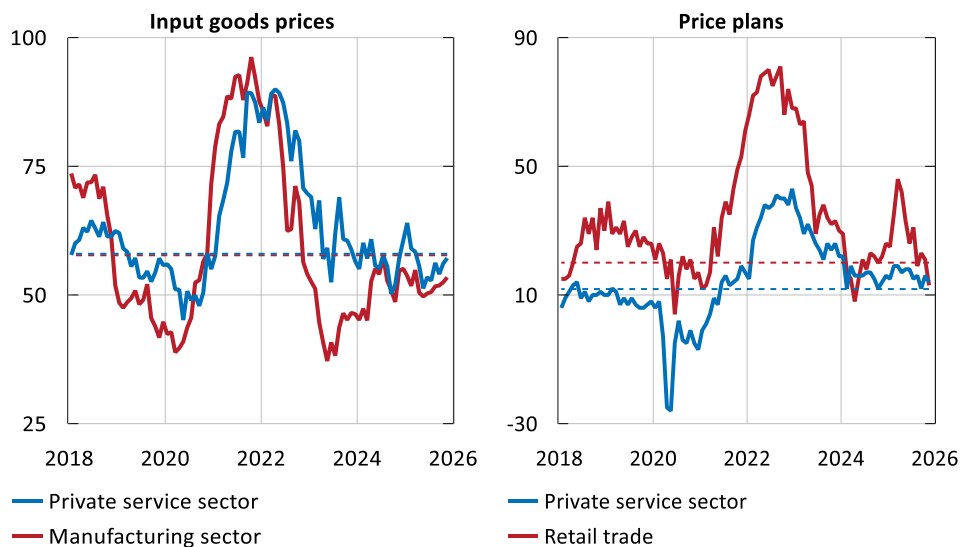
¹⁴ See also the Fact Box "Inflation effects of new weights in the CPIF" in *Monetary Policy Report*, March 2025, Sveriges Riksbank

Inflationary pressures in line with inflation target

Indicators of price changes in earlier stages provide a picture of normal inflationary pressures. The rates of price increase on goods in the producer channel have been low in recent months, both regarding imports and goods produced in Sweden. And the rate of increase in service prices in the producer channel is normal. Despite some upturn over the year, the Purchasing Managers' Index points to the rate of increase in companies' costs for intermediate goods still being somewhat lower than its historical average (see Figure 17). According to the Economic Tendency Survey, companies' price plans have also fallen from their previously relatively high levels. In the retail trade, they are now at lower levels than is normal (see Figure 17). In addition, companies' unit labour costs have increased slowly in recent quarters and the krona has strengthened. Overall, a broad set of indicators implies that inflationary pressures will be in line with the target going forward (see Figure 18).

Figure 17. Input goods prices and price plans

Index (left) and net figures (right)

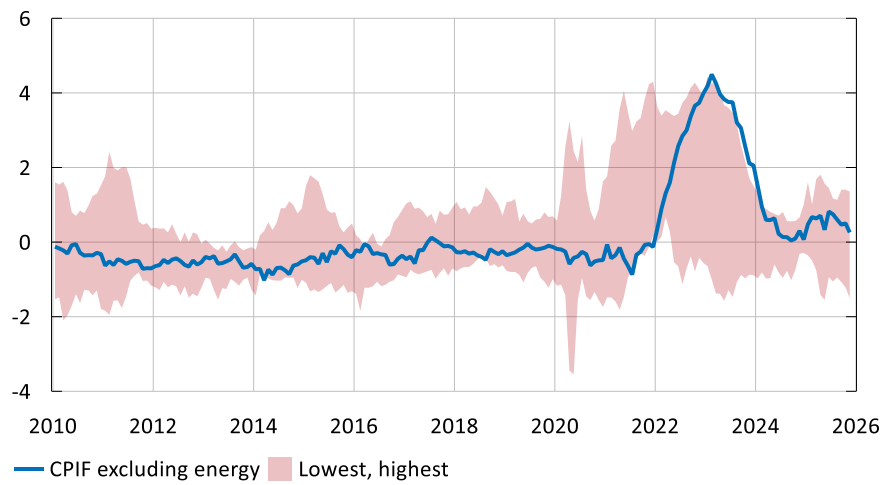


Note. Purchasing managers' assessment of how prices of intermediate goods have changed in recent months. An index above 50 indicates growth, while an index below 50 indicates a downturn (left). Net balances for how many firms responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months according to the Economic Tendency Survey (right). The dashed lines represent the average for the period 2005–2025. Seasonally adjusted data.

Sources: National Institute of Economic Research and Swedbank

Figure 18. CPIF excluding energy with indicators

Standard deviation



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. Price index expressed as annual percentage change.

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

ANALYSIS – Ample spare capacity in the labour market

In recent years, employment has shown weak development and unemployment has risen. Unemployment is a result of both structural changes and variations in the business cycle. The high rate of unemployment in Sweden is largely assessed to be structural, but the deterioration on the labour market since 2023 is assessed to be mainly cyclical, that is, driven by the weak demand in the economy. In addition, there are signs that structural unemployment has declined somewhat, which contributes to the assessment that resource utilisation in the labour market is low.

Most of the unemployment in Sweden is explained by structural factors

Resource utilisation in the economy is important for the shaping of monetary policy, both because it affects wage pressure and inflation, and because the real economy is important in itself.¹⁵ A central part of the analysis of resource utilisation is the assessment of equilibrium unemployment, that is, the part of unemployment that is structural.¹⁶

The percentage of the population that is either employed or seeking work is high in Sweden. The high level of participation in the workforce also applies to groups where quite a lot of people have difficulty finding jobs regardless of the economic situation. This is reflected in unemployment for certain groups of people, for instance those born abroad and those with a lower level of education being lastingly high (see Figure 18). One reason why unemployment is high for certain groups of people born abroad is that a larger percentage lack upper secondary education and most jobs in Sweden require this as a minimum. Many of those born abroad also lack sufficient knowledge of Swedish and the work-related networks needed to enter the labour market, and they are also discriminated against to a greater degree.¹⁷ This means that there are structural explanations for unemployment in these groups. Most analysts agree that the greater part of unemployment in Sweden is structural, and that it therefore primarily requires other types of measure than monetary policy easing to reduce it.¹⁸

¹⁵ See the description “Monetary policy in Sweden – the Riksbank’s strategy” on p. 3.

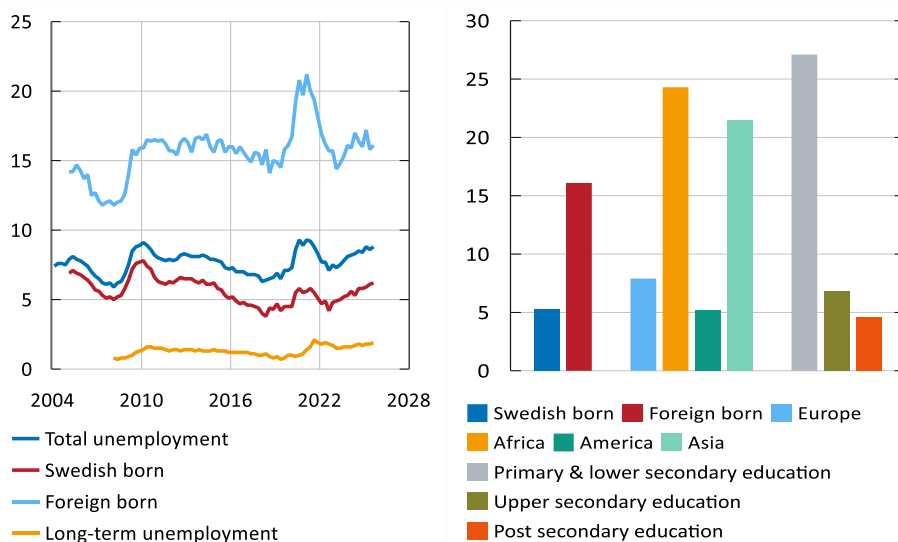
¹⁶ The level of unemployment considered attainable under the prevailing institutional conditions without the rest of the economy becoming unbalanced. The level of structural unemployment is due to several factors, for instance matching efficiency and the pace of the structural transformation. For further factors, see the Wage Formation Report 2021, National Institute of Economic Research.

¹⁷ For further information, see the Institute for Evaluation of Labour Market and Education’s (IFAU) research summary “[Utrikes föddas etablering på arbetsmarknaden](#)”.

¹⁸ Equilibrium unemployment can, however, be affected by economic activity: if the economy suffers deep and long-lasting crises that change the way the labour market functions, unemployment may remain at high levels even when demand recovers, what is known as persistent effects.

Figure 19. Unemployment according to birth region and education

Per cent of labour force, 15–74 years



Note. Long-term unemployment refers to unemployment for more than 52 weeks. Seasonally adjusted data (left). Refers to data for 2023 (right).

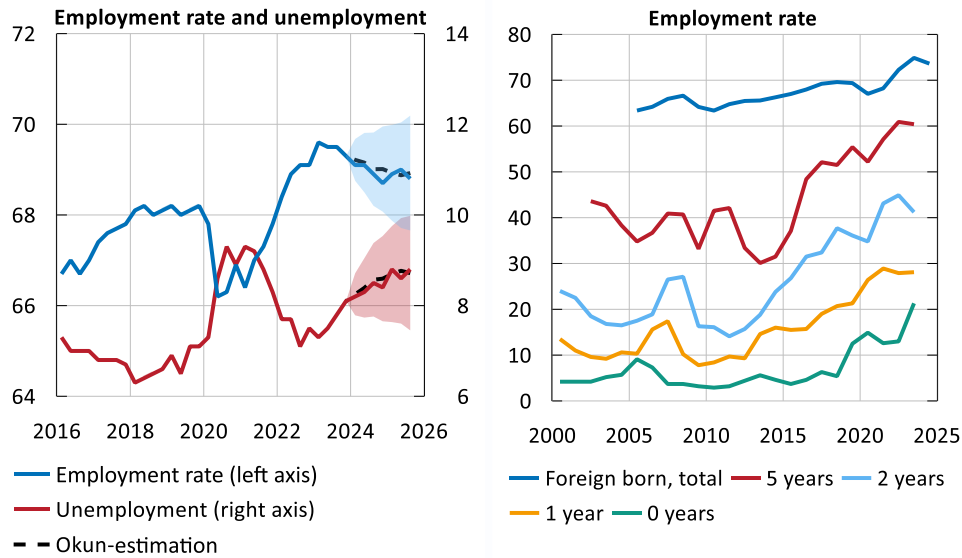
Sources: Statistics Sweden and the Riksbank.

But the deterioration on the labour market in recent years is cyclical

In recent years, employment has shown weak development and unemployment has increased. One way of illustrating how demand has affected the labour market is to use the so-called Okun's law (see Figure 20).

Figure 20. Okun's law and employment rate according to years in Sweden

Per cent of population and labour force respectively



Note. Estimates using simultaneous and lagged quarterly change in GDP growth 2001-2023. Shaded area marks a 95-percent confidence interval. Seasonally adjusted data (left). Employment rate 20-64 years for refugees and family members the year after they were received (right).

Sources: Statistics Sweden and the Riksbank.

Okun's law shows that the employment rate and unemployment have developed in line with what a projection with GDP gives. It points to it being the weak economic activity that has worsened the situation on the labour market.¹⁹ The recession has affected the labour market on a fairly broad front with regard to different groups, industries and sectors. The construction industry has been hit hardest by the decline in employment, but the services sector and manufacturing industry have also been affected.

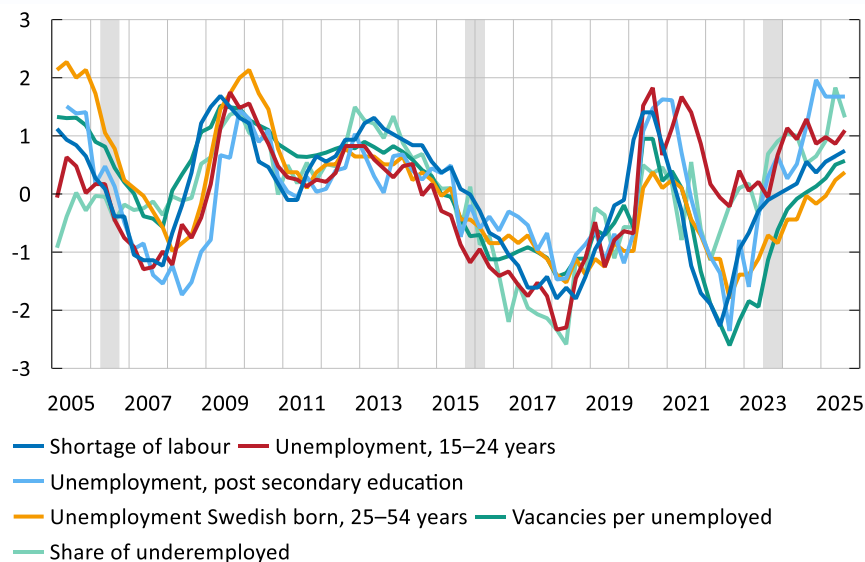
No individual measure provides the complete picture of how much spare capacity there is in the labour market. However, there are various indicators and data that can be used to obtain an idea of this. Typically, aggregate measures are used for unemployment, but data for specific groups and survey-based information are also used. Some groups have a weaker connection to the labour market. Young people, who in Sweden have a high level of labour force participation, and those born abroad, often have temporary jobs and are normally affected early on when demand for labour declines. Those born in Sweden and in more established age groups, who often have permanent employment and have worked longer, are usually affected at a later stage by the lower demand. Other indicators are the percentage of underemployed, the employers' assessment of access to the labour force and the number of job vacancies advertised. Overall, these indicators point to resource utilisation in the labour market being to a large degree close to normal towards the end of 2023, and

¹⁹ Economic activity appears to be the strongest driving force behind the short-term variation in unemployment, even if the effects vary in different regions in Sweden, see S. Laséen and R. Nahum (2025) "The relationship between growth and unemployment at the regional level – what do Swedish data tell us about economic activity and structure?", *Staff memo*, November, Sveriges Riksbank.

that since then there has been a clear cyclical deterioration (see Figure 21). Now that demand in the economy is increasing again, unemployment is expected to fall back.

Figure 21. Different measures of the spare capacity in the labour market

Standard deviation (standardised series since 2005)



Note. Seasonally adjusted data. Shortages are the share of companies responding that they have experienced a shortage of labour. Underemployed refers to people in employment who work less than they would like to. Shortages and job vacancies per unemployed person are inverted. Grey fields are periods when the Riksbank assesses resource utilisation on the labour market to be roughly normal.

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

Signs of lower structural unemployment among those born abroad

The length of time one has been in Sweden plays a major role for establishment on the labour market. Initially, new arrivals have low competitive capacity, but the longer they have been in Sweden the higher their degree of employment is. For those born outside of Europe, who are generally a group with relatively weak competitive capacity, the situation on the labour market has clearly improved in recent years. There has been a trend improvement in how quickly refugees and their family members begin to work after being registered in the Swedish population register (see Figure 20).²⁰ This effect is reinforced by the average length of time in Sweden having increased among those born abroad, as the percentage who have lived here a short time has declined in recent years, which is due to a low inflow. The Riksbank assesses overall that this has contributed to equilibrium unemployment having declined somewhat. However, long-term unemployment has at the same time risen in recent years (see Figure 19). If the demand for labour does not increase as expected, there is

²⁰ This is also supported by the number of unemployed who go from unemployment to employment each month having increased for this group, see I. Häkkinen Skans and P. Wasén (2025) "Labour market matching in Sweden", *Economic Commentary* no. 1, Sveriges Riksbank.

a risk that unemployment will ultimately become entrenched at an elevated level (see footnote 18).

Too early to draw conclusions on the effects of AI on the labour market

The economy is constantly undergoing structural transformation, for example linked to technological advances. If the pace of the structural transformation increases, it can mean that equilibrium unemployment increases. Generative AI will probably lead to productivity increasing faster and can entail some skills no longer being in demand, which can both lead to redundancies and make it more difficult for perhaps primarily some young people who have recently graduated to become established on the labour market.²¹ The overall effects on the labour market will depend on the extent to which AI supplements or replaces employees. Use of AI is already relatively widespread in Sweden.²² But so far there are few empirical studies of its effects on the Swedish labour market. Unemployment among people with post-secondary school education has risen by more than usual during this economic recession (see Figure 21). This could be an effect of AI, but is probably mainly linked to an increase in the educational level of the population over time. Company-based surveys indicate few effects of AI so far in the form of lower employment or clear increases in productivity.²³

It is important to continue to monitor how AI affects the labour market. It is not likely that the effects would be purely cyclical. But it is not entirely clear how large the structural effects could be, or how they will vary over time. Changes in unemployment are always significant for monetary policy and the Riksbank is continuously following and analysing developments on the labour market.

²¹ There are studies on US data that point to lower employment for young people in sectors that are exposed to AI, but also studies that do not show any clear effects on employment but on the other hand effects on wages in industries where productivity has risen faster. See E. Brynjolfsson et al. (2025), "Canaries in the Coal Mine? Six Facts about the Recent Employment Effects of Artificial Intelligence" and J. Hartley et al. (2025), "The Labor Market Effects of Generative Artificial Intelligence".

²² In international terms, Swedish companies place highly in use of AI, see "EIB Investment Survey 2025 European Union Overview". In 2025, 35 per cent of all companies were using AI, see "Artificial intelligence in Sweden 2025", Statistics Sweden.

²³ The trade union Unionen's industry survey shows, for instance, that despite the implementation of various AI tools having increased substantially over the past two years, and being widespread in the Swedish business sector, the impression is that this has not yet had any negative impact on the size of the workforce. See Unionen (2025) "Sikten klarnar" (a clearer view).

2 Outlook for the coming years

Global GDP growth is expected to continue at approximately the same pace in the coming years but, all in all, be somewhat below its historical average. Economic activity in Sweden is expected to continue to improve with the support of expansionary economic policy. Not least, household consumption is expected to grow at a solid pace going forward.

The impact on the labour market from the higher demand will become clear in 2026. Unemployment will fall back and the employment rate will rise. The economy will reach balanced resource utilisation slightly faster than in the forecast from September but it will take until the end of 2027 for the labour market to reach balance.

Inflation is expected to fall significantly next year due, for instance, to restrained domestic price pressures, a stronger krona and a more normal effect from the weight changes in the CPI. The Government's proposed changes to VAT will also have major effects in inflation, meaning that inflation will vary greatly over the next three years. But the Riksbank assesses that underlying inflation will not be affected to any great extent by this but will be close to 2 per cent in the years ahead.

Key assessments and assumptions in the forecast

- The forecasts for the Swedish real economy and inflation are based on the assessment that international growth will be somewhat lower than the historical average.
- 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 somewhat contractionary in 2027 and 2028 when it will be adjusted so that general government net lending increases. The increased defence expenditure is expected to be financed via borrowing in the coming years before gradually moving towards being financed within the budget after 2030.
- The Riksbank assesses that the neutral policy rate over the long term lies between 1.5 and 3 per cent.
- The forecast period stretches until the end of the fourth quarter of 2028.

Forecast for monetary policy: The policy rate is held unchanged in December. Furthermore, the forecast means that the policy rate is expected to stay unchanged until the last quarter of 2026, when it will begin to 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

Growth abroad somewhat below historical average in the coming years

Global financial conditions are still expansionary, with outcomes and indicators having shown slightly stronger economic development than expected abroad this year.

Although world trade has developed relatively favourably this year, the global economy is expected to be hampered by the high import tariffs and uncertainty over US foreign policy and trade policy. All in all, global GDP growth is expected to be somewhat below its historical average in the coming years.

Growth in the United States is being supported by a slightly more expansionary fiscal policy, a lower interest rate and, to some extent, by continued strong investment. But lower immigration, slowly rising purchasing power for households and a weaker labour market are contributing towards growth being expected to be slightly lower than its historical average. Overall, US GDP is expected to rise by an average of 1.9 per cent in the coming years.

Growth in the euro area is expected to continue to be historically normal in the coming years. 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 and investment. The fiscal expansion includes increased investment in defence and infrastructure. Overall, GDP in the euro area is expected to grow by an average of about 1.3 per cent annually over the next few years.

Higher US inflation next year, while inflation in the euro area remains close to the target

Due to the import tariffs introduced by the United States on many countries, the average effective tariff rate has risen dramatically. However, it has been significantly lower than decided by the US administration at various points over the year (see Figure 22). Announcements are still being made over tariffs on various goods and various countries but the level of the tariffs implemented has been relatively stable recently. Neither is the effective tariff rate expected to continue to rise much more in light of the adjustments of imports and consumption arising from the tariffs.

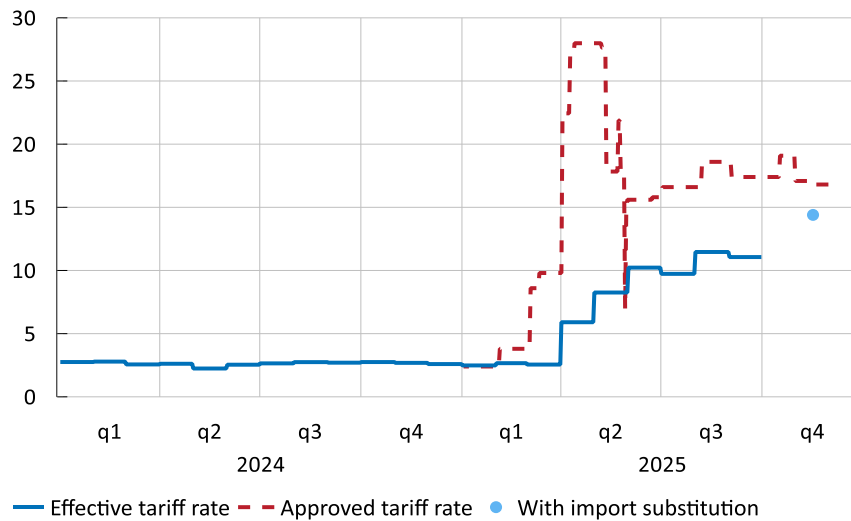
Uncertainty remains over the effects of the increased trade barriers, for example in terms of how tariff costs will be divided among exporters, importers and consumers. The tariffs mean rising costs for US importers and studies indicate a gradually growing impact on consumer prices. This is expected to lead to inflation continuing to rise slightly in the United States. However, the effects of the tariffs on inflation are expected to be transitory, partly because of the slowdown of the US economy. Inflation is expected to fall again from the start of the second half of 2026. The weakening of the labour market is expected to mean that wage growth will continue to decline next year, which will have a dampening effect on inflation. Underlying

inflation is expected to fall back gradually and to stabilise at a level consistent with the inflation target in 2027.

As the EU has not retaliated with corresponding tariff measures, import prices in the euro area will not be affected to the same extent as in the United States. Wage agreements in the euro area 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.

Figure 22. Average effective and approved tariff rate

Per cent



Note. The average effective tariff rate is calculated as the ratio between tariff income and total goods imports. The implemented tariff rate has been calculated by Yale Budget Lab on the basis of implemented tariff rates and without changed import and consumption patterns. The dot indicates their estimates of what the effective tariff rate will be after adjustments of imports and domestic consumption.

Sources: US Census Bureau, US Department of Treasury and Yale Budget Lab.

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	2028
GDP, euro area	0.8 (0.8)	1.4 (1.3)	1.2 (1.1)	1.4 (1.4)	1.2
GDP, United States	2.8 (2.8)	1.9 (1.7)	1.8 (1.6)	1.9 (2.0)	1.9
HICP, euro area	2.4 (2.4)	2.1 (2.1)	1.8 (1.8)	1.8 (1.9)	2.0
CPI, United States	3.0 (3.0)	2.8 (2.8)	2.9 (2.9)	2.3 (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

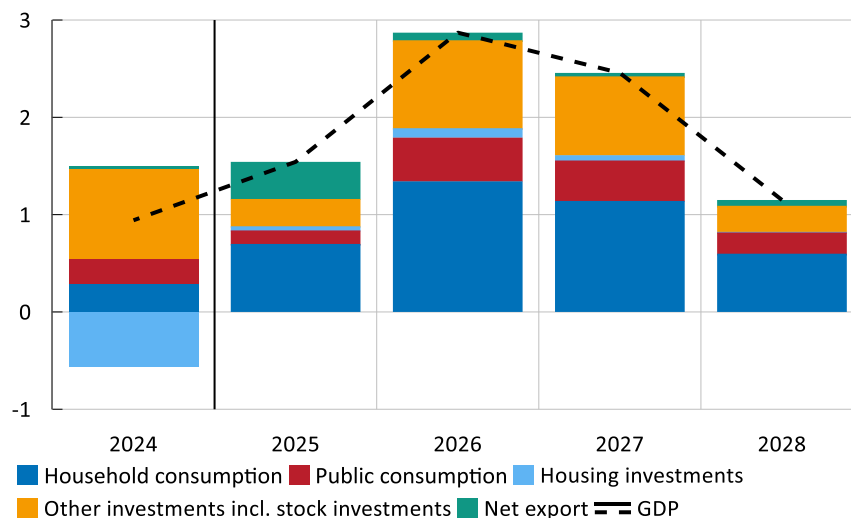
The economic recovery will continue in 2026, driven by household consumption

GDP is somewhat higher than expected at the outset, while indicators point to approximately the same growth as in the forecast in September. All in all, this signifies that the incipient recovery is expected to continue and that the economic outlook appears slightly stronger.

In the Riksbank's forecast, GDP growth in the forecast years is primarily expected to be driven by household consumption (see Figure 23). Wages have increased faster than prices, meaning rising real wages since the end of 2023. Together with lower interest rates, this has entailed a strengthening of household purchasing power. The improvement of households' finances is expected to continue next year, which paves the way for a stable increase in consumption. Continued rising real wages, rising employment and the measures aimed by the Government towards households in the budget bill are expected to contribute to further increases in real incomes for households. In the forecast, VAT on food is restored in 2028, which then dampens the development of real incomes. All in all, household consumption is expected to increase approximately in step with real incomes over the forecast period (see the analysis "Consumption is expected to increase at a good pace going forward" and Figure 24).

Figure 23. Contribution to GDP growth

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

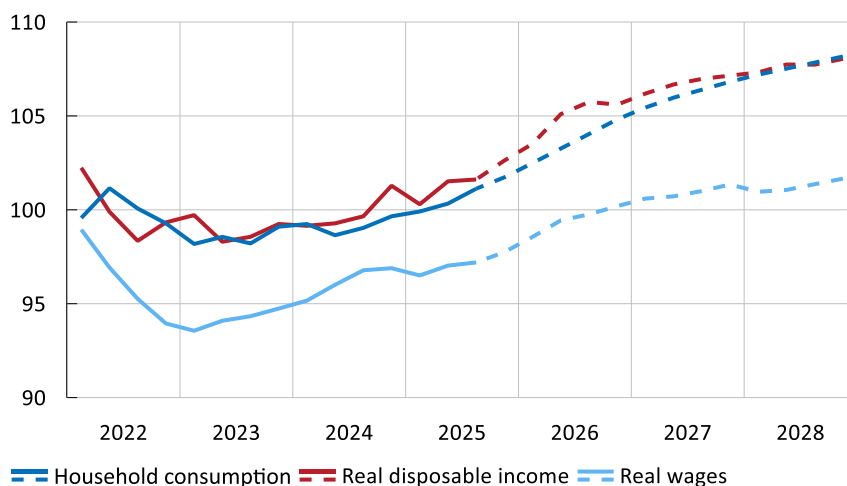


Note. Contribution to annual percentage change in GDP in fixed prices. Vertical solid line marks the start of the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Figure 24. Household consumption, real disposable income and real wages

Index, 2021 Q4 = 100



Note. Seasonally adjusted data. 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. Solid lines refer to outcomes, dashed lines are the Riksbank's forecast.

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

In 2026, the recovery will be supported by a more expansionary fiscal policy. In the subsequent years, fiscal policy is expected to be somewhat contractionary as the unfunded measures become less comprehensive and general government net lending is strengthened.

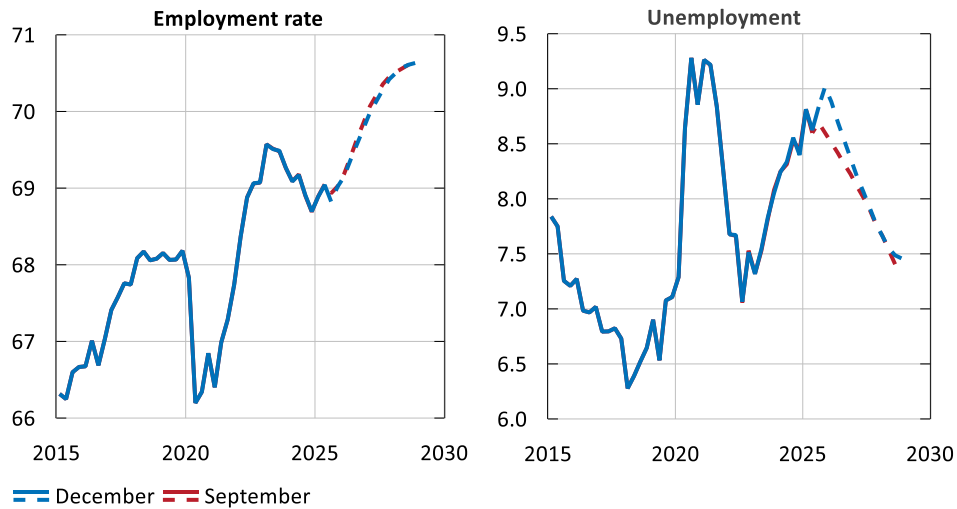
Increased defence spending is expected to help public consumption and public investment grow relatively rapidly in the coming years. Swedish exports are benefiting from the expansionary fiscal policy with, for instance, increased defence investment abroad. As imports are expected to grow at the same rate as exports, net exports will not contribute to GDP growth next year. Housing investment is expected to rise but to remain restrained in the years ahead. This is partly because demographic developments are cooling demand for housing, with lower population growth than previously. All in all, GDP is expected to grow by an average of 2.7 per cent in 2026 and 2027 before shifting downwards.

Improved labour market next year

Economic activity has long been weak and unemployment has risen (see the analysis "Ample spare capacity in the labour market"). But demand in the Swedish economy has increased significantly in the second and third quarters this year and with some time lag, this also means that labour demand is rising. There are increasingly clear signs that the labour market will tangibly improve next year, with lower unemployment and a higher employment rate. Unemployment will gradually fall back towards around 7.5 per cent at the end of the forecast period. In the updated forecast, unemployment falls back more rapidly than in the forecast in September, but from a higher level (see Figure 25).

Figure 25. 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.

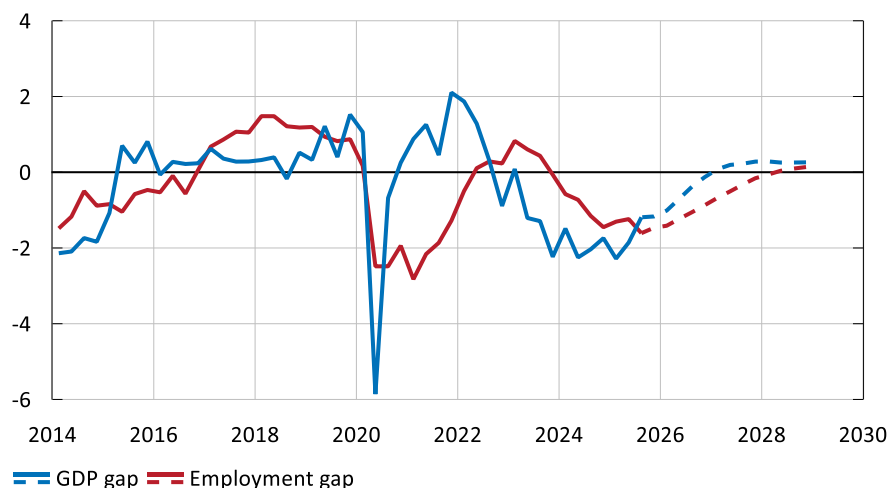
Sources: Statistics Sweden and the Riksbank.

Normal resource utilisation in 2027

Resource utilisation measured in terms of the GDP gap is assessed to have started to rise but it will take time until the economy is in cyclical balance. Towards the end of next year, resource utilisation measured in terms of the GDP gap will be back close to normal while the employment gap will close one year later (see Figure 26).

Figure 26. 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	2028
GDP*	1.0 (0.8)	1.8 (1.1)	2.6 (2.5)	2.2 (2.1)	1.4
Employed persons	-0.6 (-0.6)	0.3 (0.3)	0.9 (0.9)	1.2 (1.2)	0.8
Unemployment**	8.4 (8.4)	8.8 (8.7)	8.6 (8.4)	8.0 (7.9)	7.5
GDP gap***	-1.9 (-1.3)	-1.6 (-1.7)	-0.6 (-0.7)	0.2 (0.0)	0.3
General government net lending****	-1.6 (-1.6)	-1.0 (-1.2)	-2.0 (-2.3)	-1.2 (-1.4)	-0.6

*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.

2.3 Inflation outlook in Sweden

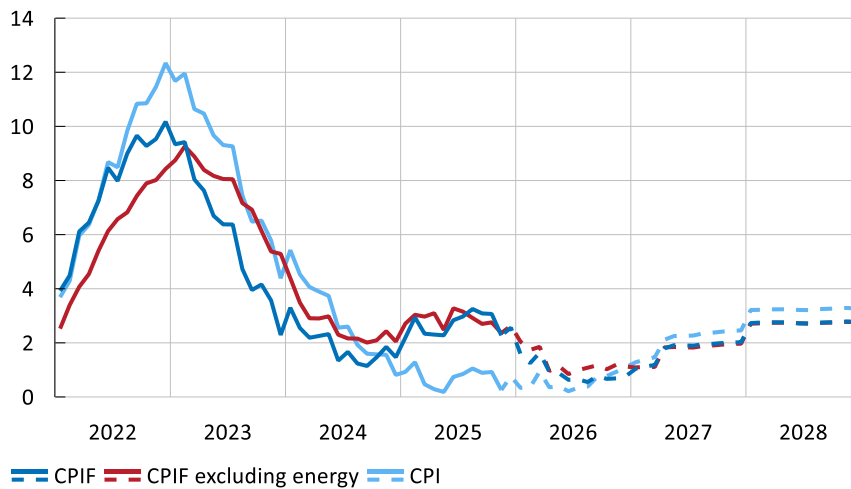
Inflation is expected to fall significantly next year

The Riksbank's assessment is that the elevated inflation in 2025 has largely been related to temporary technical factors. An important factor is that this year's weight changes in the CPIF have kept measured inflation unusually high.²⁴ The effect of the weight changes is assessed to be more normal next year and will contribute to a continued decline in inflation (see Figure 27). CPIF inflation is expected to be lower than the CPIF excluding energy prices in 2026, as energy prices according to forward pricing will increase more slowly next year.

²⁴ See also the Fact Box "Inflation effects of new weights in the CPIF" in *Monetary Policy Report*, March 2025, Sveriges Riksbank.

Figure 27. CPIF, CPIF excluding energy and CPI

Annual percentage change



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

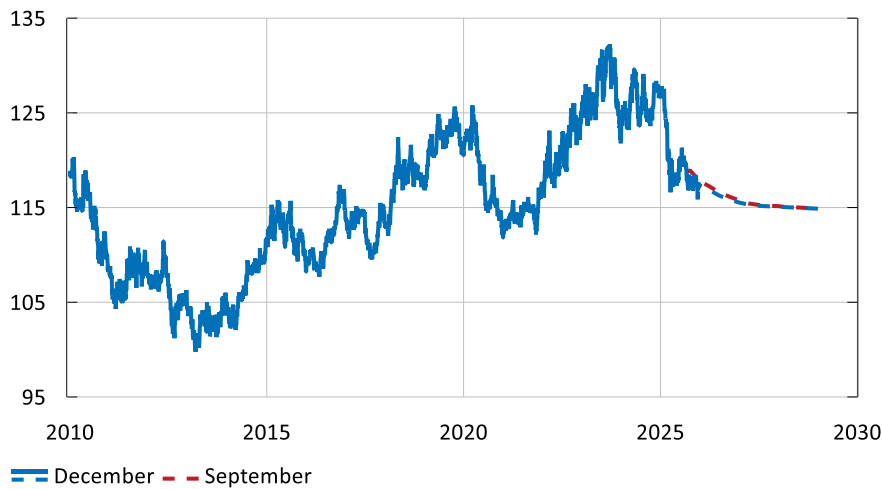
Sources: Statistics Sweden and the Riksbank.

Factors affecting inflation in the slightly longer term, such as resource utilisation, labour costs and the krona exchange rate, indicate normal inflationary pressures going forward. Resource utilisation is rising but remains low at present, and costs are increasing slowly. It will take until 2027 before the economy as a whole is expected to be in cyclical balance. In the coming years, unit labour costs are expected to increase at a normal rate again, which reflects the fact that wages and productivity all in all are rising at a rate consistent with an inflation rate close to 2 per cent. Following the large appreciation against the US dollar in particular at the start of the year, the krona has continued to appreciate somewhat during the autumn. The Riksbank assesses that it will appreciate slightly more in the period ahead (see Figure 28).

All of this points to underlying inflation in line with the target going forward. The firm anchoring of more 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 28. Nominal exchange rate

Index, 18 November 1992 = 100



Note. The KIX (krona index) is a weighted average of the currencies in 32 countries 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.

Tax changes will contribute to significant fluctuations in inflation over the next three years

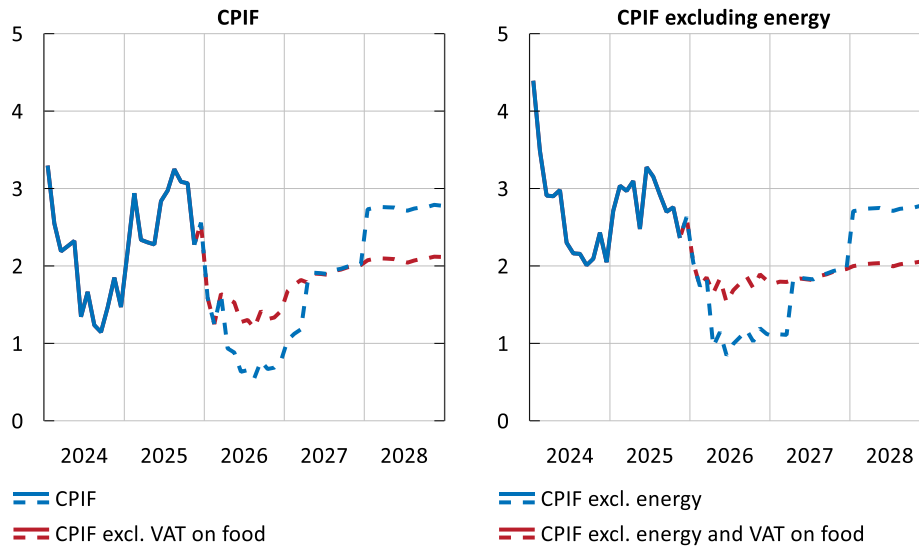
Although underlying inflation remains close to 2 per cent, several announced measures in the Government's budget will have major direct effects on measured rate of inflation next year.²⁵ The Government proposes halving the VAT on food that will enter into force in April next year and contribute to a sharp decline in inflation. According to the Riksbank's forecast, it is expected to be below 1 per cent in the middle of next year (see Figure 29). With VAT on food returning to its current level in January 2028, inflation is expected to rise again and exceed 2.5 per cent in 2028, before returning to the target level. As inflation describes price changes on an annual basis, the changes in VAT no longer affect CPIF inflation with effect from the start of 2029.

The VAT changes are thus mainly expected to have direct and transitory effects on inflation and not to affect underlying inflationary pressures. Adjusted for the tax changes, inflation next year measured as the CPIF is expected to be close to 2 per cent from mid-2027. Excluding energy, the deviations from 2 per cent are small, even during 2026 (see Figure 29).

²⁵ See also the Fact Box "Direct effects of tax changes on the rate of inflation" in *Monetary Policy Report*, September 2025, Sveriges Riksbank.

Figure 29. Inflation including and excluding the direct effect of the changed VAT on food

Annual percentage change



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

Sources: Statistics Sweden and the Riksbank.

The VAT cut is temporary and the large direct effects on food prices mean that inflation will vary considerably over the next three years (see Figure 29). The lower inflation next year is expected at the margin to also have indirect effects, for example on rents and certain administratively priced services linked to earlier price changes. In the Riksbank's forecast, the VAT cut will help to stimulate demand, but the effect of this on broader inflation is assessed to be moderate. In addition, the temporary changes in food prices are assessed to have limited effects on inflation via, for example, inflation expectations, wage growth and companies' pricing.

ANALYSIS – Consumption is expected to increase at a good pace going forward

Consumption has been weak in recent years and was at the same level in the third quarter of this year as in the second quarter of 2022.

Consumption has thereby hardly grown at all in three years, which has not happened in Sweden since the crisis of the 1990s. The weak development has raised the question of whether the slow recovery can be explained by more cautious households, and whether it risks being further delayed. The Riksbank's analysis shows that it is probably mainly a weak development in incomes in the wake of the global inflation crisis that explains the development. Consumption is therefore expected to grow more quickly going forward when real incomes strengthen.

Rising inflation in 2021 and 2022 has weighed on consumption

The weak consumption of recent years has followed a strong rise in inflation in 2021 and 2022, which was mainly driven by global factors such as higher energy and food prices.²⁶ To combat the higher inflation, monetary policy was tightened in Sweden and other countries and demand became tangibly lower. However, the impact of the higher inflation on real wage growth and the way the tighter policy has affected room for consumption varies from country to country. Consumption in Sweden has fallen more and the recovery has been slower than in the United States and euro area, but it has been more like the development in our neighbouring countries, where households are also more interest-rate sensitive.²⁷

One way of analysing how a global inflation shock affects for example interest rates, house prices, disposable incomes, consumption is to use what is known as a structural VAR model. Figure 30 shows how consumption according to the model has deviated from its trend since the third quarter of 2021 and how external shocks and domestic shocks respectively have contributed to this.²⁸ In the model, the global upturn in inflation leads to a tightening of monetary policy abroad and in Sweden. In Sweden, the negative effects on consumption are reinforced by real wage growth being slower than expected given international developments. In particular, consumption of durable goods decreases as this reacts strongly to rising interest rates and subdued

²⁶ See M. Löf and P. Stockhammar (2024), "What drove the surge in inflation?", *Staff memo*, June 2024, Sveriges Riksbank.

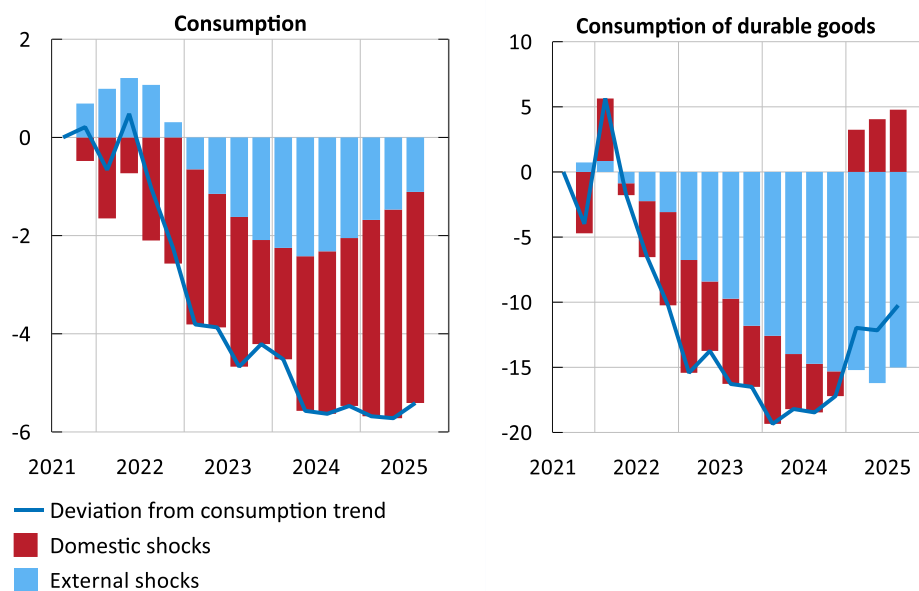
²⁷ See article by National Institute of Economic Research "Svensk konsumtionsutveckling sticker inte ut jämfört med liknande länder" (Swedish consumption growth does not stand out compared with similar countries), September 2025.

²⁸ This uses a Bayesian VAR model with three external variables (GDP, inflation and policy rate) and eight domestic variables (CPIF inflation, consumption of durable goods, consumption, disposable income, GDP, house prices, policy rate and real exchange rate). Sweden is assumed not to affect the rest of the world, meaning that external variables can be treated as block exogenous in a recursive decomposition that allows us to identify to which extent shocks can be attributed as external or domestic. The model estimate has been calculated at a quarterly frequency with four lags from 1995 Q1 to 2025 Q3.

incomes and wealth.²⁹ The figure shows that consumption is still being restrained by the shocks. As these now fade, consumption is expected to increase rapidly for a period of time.

Figure 30. Contribution to deviation from consumption trend

Percentage points



Note. The line show deviations from the model's-estimated trend since the third quarter of 2021 and the bars show the contribution made by domestic and external shocks respectively. The model is estimated using data from the first quarter of 1995 onwards.

Sources: Statistics Sweden and the Riksbank.

Consumption is determined by household incomes and saving

Consumption theory often assumes that households wish to smooth their consumption over time on the basis of their expected lifetime incomes and wealth. Temporary falls in income that are not thought to affect lifetime income to any great extent therefore lead, when possible, to lower saving rather than lower consumption. However, households without buffers or access to credit do not have the possibility to smooth their consumption which therefore declines in line with their incomes. In addition, households that normally have buffers may need to restore these to the desired level later on through a period of higher saving.

An unexpected fall in income can also make households more cautious by increasing their experienced uncertainty around future incomes, boosting in turn their propensity to save for a buffer, even in a longer term. The level of interest rates also affects how households allocate their incomes between consumption and saving. As the conditions differ much between households, their consumption and saving reactions will also vary. However, by studying how aggregate incomes and saving have

²⁹ For a comparison of how different components of consumption are affected by interest rate adjustments, see E. Berggren and I. Strid (2025) "How sensitive are different components of consumption to interest rates?" *Economic Commentaries No. 4*, Sveriges Riksbank.

developed makes it possible to obtain a picture of how households in total have adjusted their consumption and thus also gain an indication of how consumption may develop in the period ahead.

Weak income growth has dampened consumption

On the aggregate level, consumption usually develops in line with real disposable income and the Riksbank's forecast from the end of 2021 expects this pattern to continue (see Figure 31). A comparison of income growth in recent years with the Riksbank's forecast from the end of 2021, just before inflation started to pick up, shows how the components of household disposable income have developed compared with the forecast (see Figure 31).³⁰ Even though the nominal wage increase became higher than expected (light blue bars), they were significantly lower than the large price rises in the corresponding years (dark blue bars). Swedish households' relatively high borrowing and short interest-rate fixation periods have also made monetary policy particularly effective in restraining demand and room for consumption to combat inflation.^{31, 32} However, capital revenue has become significantly higher than the forecast, which has counteracted this to some extent.³³ All in all, however, real disposable incomes have fallen noticeably, which has led to a heavy reduction of room for consumption.

Households' financial saving has increased in recent years

The saving ratio, which was at a historically high level after the pandemic, decreased slightly in 2021, 2022 and the start of 2023 but has since risen somewhat (see Figure 31). There has also been a clear shift in its composition in which own financial saving, that is, saving in equities and funds or savings accounts, for example, has grown significantly, while real saving, largely consisting of housing investment, has fallen. This kind of shift could be a reaction to higher interest rates having contributed to housing investment becoming less attractive relative to other savings, at the same time as some households have wished to strengthen their financial situation. In the last quarter, however, own financial saving, and thus the saving ratio, has fallen slightly again.

Consumption is expected to continue to grow

When the global inflation shock reduced real disposable incomes, the saving ratio initially also fell slightly, which is in line with the theory that households seek to

³⁰ According to this forecast, disposable income is expected to grow in line with the earlier trend, GDP abroad and GDP in Sweden.

³¹ The potential effects of the higher interest rate on Swedish consumption were also analysed by the Riksbank when interest rates started to be raised; see, for example, *Monetary Policy Report*, September 2022, Sveriges Riksbank.

³² A Norwegian study shows that it is highly indebted households that are reducing their consumption the most, see M. Gulbrandsen et al. (2005) "Revisiting imputed consumption expenditure during the recent tightening cycle in Norway", *Staff Memo*, November, Norges Bank.

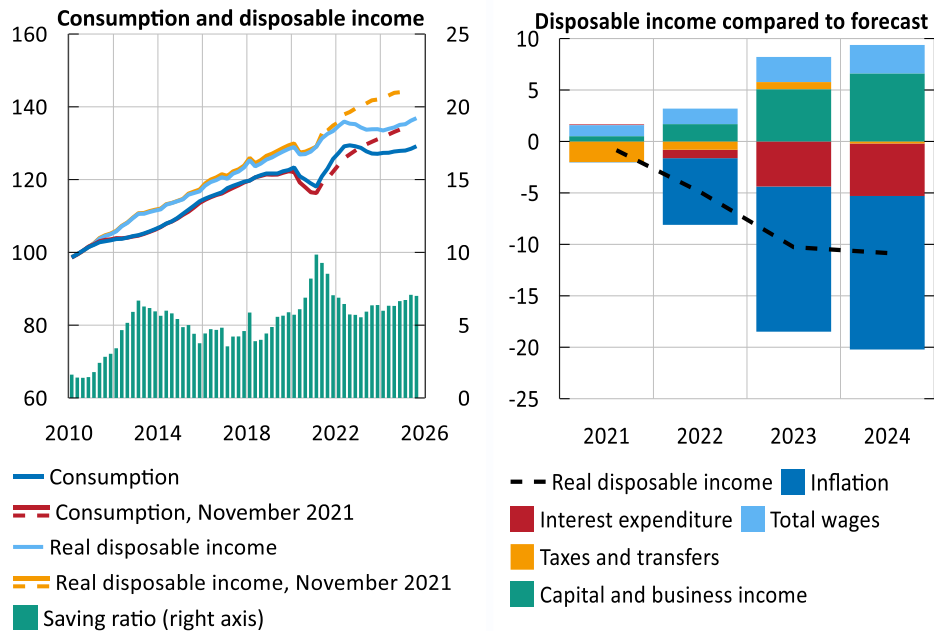
³³ A large part of capital revenues falls to a group that generally has high incomes and is often assumed to have a low marginal propensity to consume. However, studies show that this correlation does not always apply, see for instance E. Savoia (2023) "The effects of labor income risk heterogeneity on the marginal propensity to consume", *Working Paper* No 2866, ECB.

smooth their consumption. However, many households either had limited opportunities or preferred not to smooth more when their incomes fell. At the same time, the higher interest rates meant that saving became more attractive relative to consumption. This led consumption to fall heavily and in line with real disposable incomes. The fact that consumption strongly follows income growth can also be seen in the recovery, where the recent strong consumption growth has coincided with rising real wages and lower interest expenditures. In the model analysis too, consumption seems to increase as the effects of the shocks that cut household incomes abating. In addition, the findings of the Consumer Tendency Survey that households have started to take a more positive view of purchases of capital goods suggest that they are seeing less of a need to build up even larger buffers. This could imply that potential “scars” from the developments of recent years will not continue to weigh down consumption growth. There are, of course, differences between households, but overall the strengthening of households’ finances that we now see indicates that consumption in Sweden will develop relatively strongly going forward. Compared with many other countries, consumption is now growing strongly in Sweden and, in the Riksbank’s forecast for 2026, consumption rises by 3 per cent, which is the strongest growth since the pandemic restrictions were dropped in 2021.³⁴

³⁴ However, there are of course uncertainties linked to consumption growth; see the Uncertainty, risk and alternative scenarios in Chapter 3 of this report.

Figure 31. Consumption, disposable income and saving ratio, as well as development of disposable income compared with the forecast from November 2021

Index 2010 = 100 (left) and per cent (right)



Note. 12-month moving average. Red and yellow lines refer to outcome and the Riksbank's forecast respectively. Saving ratio refers to how much of disposable income is saved (left). The percentage difference in real disposable income together with the components' contribution in nominal terms compared with the forecast at the monetary policy meeting in November 2021 (right).

Sources: Statistics Sweden and the Riksbank.

3 Monetary policy analysis

The economy grew faster than expected in the third quarter and indicators suggest a continued recovery thereafter. Economic activity is thus stronger at present than was implied by the forecast in September. The growth forecast has not been significantly revised but overall, the economic outlook has improved slightly compared to September.

At the same time, the inflation outlook from September is assessed to remain the same. November inflation was in line with the September forecast, and indicators support the view of inflationary pressures being consistent with close-to-target inflation going forward.

The economy is in a recovery phase but remains weak. The Riksbank therefore assesses that the economic development still needs some support from monetary policy. An economy in balance creates conditions for inflation to gradually stabilise close to the target.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. The Riksbank assesses that a policy rate at its current level helps to strengthen domestic demand so that the economy strengthens. In the forecast, the policy rate remains at 1.75 per cent for some time to come before starting to rise slowly, as resource utilisation becoming more balanced.

But the outlook for inflation and economic activity 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. The Riksbank is monitoring developments closely and is prepared to adjust monetary policy if the outlook changes.

Monetary policy is forward-looking

Monetary policy acts with a lag. Therefore, it needs to be based on forecasts of future economic developments. The forecasts are in turn influenced by the assumptions made about monetary policy, that is, assumptions about how 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 conditions for favourable economic growth over time.

3.1 Monetary policy in Sweden

In September, the Riksbank cut the policy rate to 1.75 per cent, to lend further support to the economy and help to stabilise inflation at the target in the medium term. In total, the Riksbank has cut the rate by 0.75 per cent over the course of the year. According to the forecast in September, the rate will be left unchanged for some time to come. The policy rate was also left unchanged in November, as the outlook for inflation and economic activity was assessed to be more or less unchanged.

In November, inflation fell and was 2.3 per cent measured as the CPIF and 2.4 per cent measured as the CPIF excluding energy. This development was in line with the forecast in September and confirms the view that the increase in inflation earlier this year was driven by temporary factors. Inflation is expected to fall further after the turn of the year. Indicators suggest that inflationary pressures are consistent with close-to-target inflation going forward. Furthermore, longer-term inflation expectations are firmly anchored around 2 per cent (see Figure 32). Measured inflation will continue to vary somewhat, primarily due to direct effects on the price level from the forthcoming temporary tax cut on food.³⁵ But the effect on more underlying inflation and inflationary pressures from the VAT cut is assessed to be small. However, it is important to carefully monitor the emergence of any secondary effects, which could cause inflation to start to deviate more persistently from the target. The forecast for inflation in 2026 and 2027 is more or less unchanged from September (see the Fact Box “How the Riksbank’s forecasts have changed since the previous report”).

At the same time, economic activity, both in terms of GDP and the labour market, is weak. But GDP growth has recently been higher than expected. The initial position in the economy is therefore stronger than forecasted in September. The economy is now in a recovery phase. The stronger initial position means that the economy will reach balanced resource utilisation slightly faster than in the forecast in September. The labour market situation remains weak, but an increasing number of positive signs are being observed. Indicators point to a turnaround in the labour market early next year as economic activity improves, but it will take until late 2027 before it is in balance.

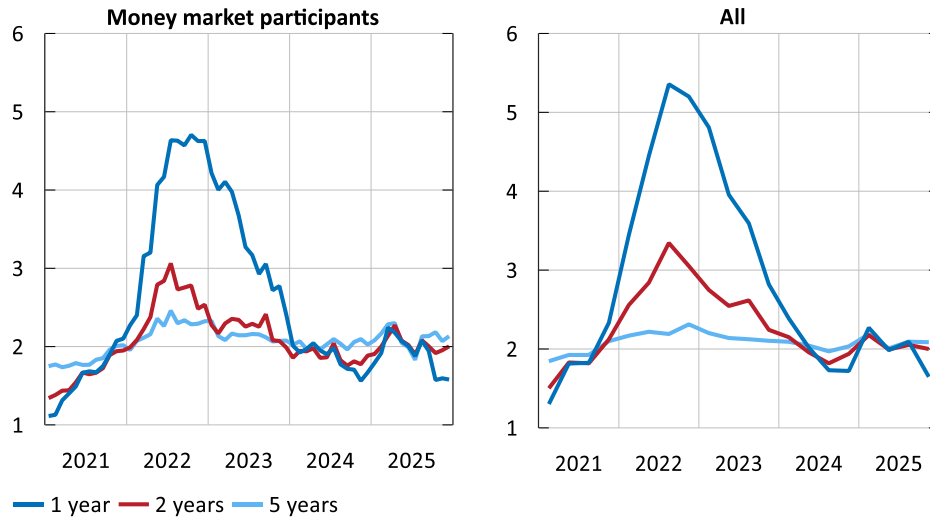
Growth prospects abroad are now slightly stronger than in September, and the financial conditions are expansionary. Market participants expect further rate cuts from the US Federal Reserve in 2026, while the policy rate in the euro area is

³⁵ The fact that the tax cut is temporary means, however, that measured inflation is predicted to exceed the target in 2028 due to base effects. From 2029 onwards, CPIF inflation is expected to be close to 2 per cent.

expected to remain unchanged. However, these expectations are about the same as at the monetary policy meeting in September.

Figure 32. Inflation expectations

Per cent



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

Source: Origo Group.

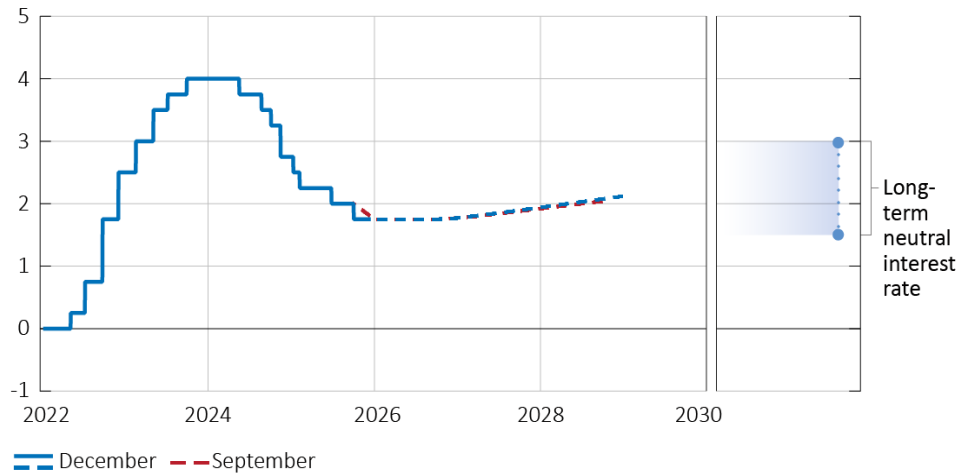
The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent.

The economy has now started to recover. However, it is still assessed to need some support from monetary policy. The underlying drivers of economic developments going forward remain more or less unchanged since September and the outlook for on-target inflation in the medium term is favourable. The Riksbank has therefore decided to leave the policy rate unchanged at 1.75 per cent, in line with previous communication. In the forecast, the policy rate remains at its current level for most of 2026. Thereafter, it starts to rise slowly, as the real economy begins to approach equilibrium (see Figure 33). Monetary policy is assessed to contribute to the economic recovery, and to balanced resource utilisation during the forecast period. Balanced resource utilisation provides, in turn, favourable conditions for inflation to stabilise at 2 per cent in the medium term.

The forecast for the policy rate is marginally higher than in September. This is linked to the fact that new information has made the Riksbank more confident in its assessment that a recovery is now under way. Despite GDP growth being more or less unchanged going forward, the stronger developments this year have led to a brighter economic position at the outset. Resource utilisation measured in terms of the GDP gap is thereby expected to reach a normal level somewhat earlier than in the September forecast.

Figure 33. Forecast for the policy rate

Per cent



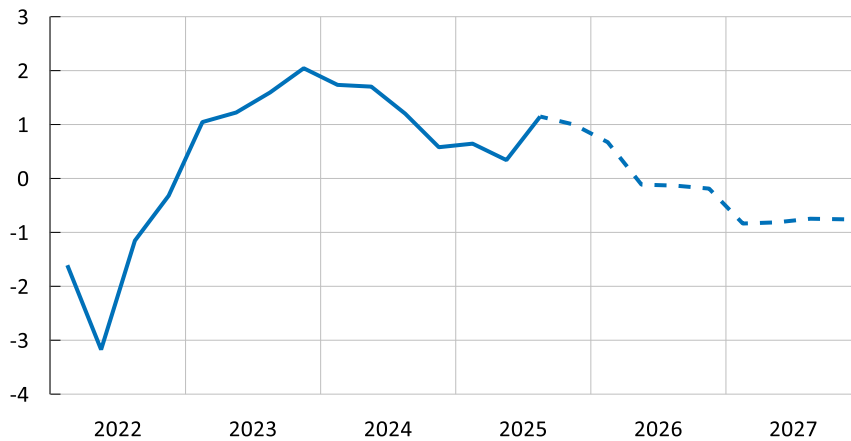
Note. Outcomes are daily rates and forecasts are quarterly averages. The shaded area shows the estimated interval for the long-term neutral policy rate. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Source: The Riksbank.

Monetary policy causes the real policy rate to fall slightly during the forecast period, except for an initial rise as a result of the direct effects on inflation of temporarily lower VAT on food (see Figure 34). There is reason to believe that the actors in the economy will see through this initial rise, as the tax cut only applies to a very particular type of goods. The level of the real policy rate is assessed to help the economy continue to recover and stabilise close to balance.

Figure 34. 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 CPI inflation for the corresponding period. The forecast therefore only extends to the fourth quarter of 2027. As the real policy rate is forward-looking, outcomes are calculated using the latest published forecasts at the time.

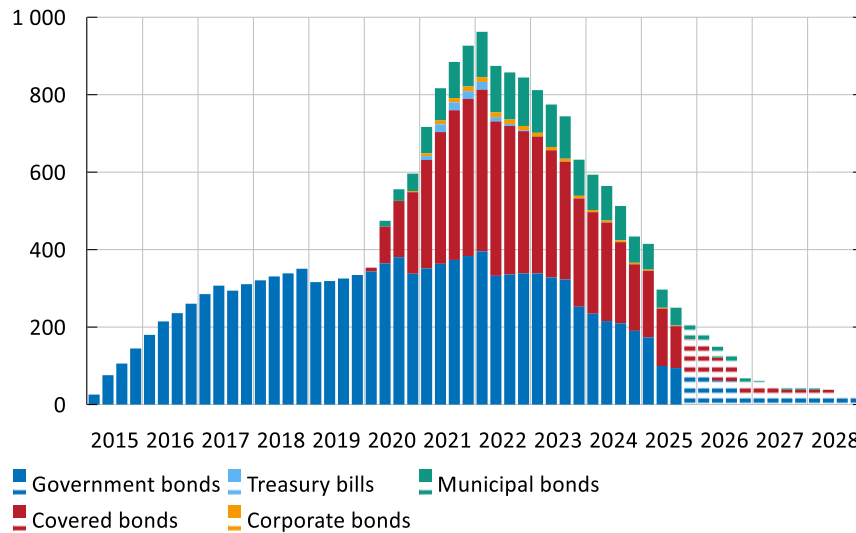
Source: The Riksbank.

The Riksbank's sales of nominal government bonds has been concluded

The Riksbank has continued to normalise its balance sheet by selling off and letting bonds mature (see Figure 35). The sales of nominal government bonds have now been concluded, while real government bonds are still being sold off according to the decision in January 2024. In November last year, the Riksbank decided to retain a long-term holding of nominal government bonds worth SEK 20 billion.³⁶ The sales are assessed to have contributed to a better-functioning bond market and have reduced the market risk on the Riksbank's balance sheet. Further, they are assessed to have had a limited effect on the exchange rate and the interest rates met by households and companies.

Figure 35. The Riksbank's asset holdings

Nominal amounts, SEK billion



Note. The striped bars are a projection of the Riksbank's securities holdings. The projection is based on maturities and the monthly sale of real government bonds for a nominal value of SEK 0.8 billion. The series in the figure end in the fourth quarter of 2028, which is the final 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.

³⁶ See decision on trade in Swedish nominal government bonds, Annex B to the minutes, Ref. no. 2024–01249, 6 November 2024. In September 2025, an addendum was added allowing the holdings to fluctuate within an interval of SEK 18–22 billion for short periods, see decision on the Riksbank's securities portfolio in Swedish krona, Annex B to the minutes, Ref. no. 2025–01116, 22 September 2025.

The risk outlook for inflation is assessed to be balanced. But even with a balanced risk outlook for inflation, the Riksbank in certain cases may need to pay special attention to risks that could damage confidence in the inflation target and lead to more persistently high or low inflation. Right now, the assessment is that monetary policy does not need to pay such special attention.

In September, the Riksbank presented two alternative scenarios. The risks described in those scenarios have not as yet materialised, but the Riksbank assesses them to be still relevant. In one of the scenarios, household consumer demand rose sharply in the autumn, while global conditions for economic policy gradually worsened and led to supply shocks. In wake of these developments, inflation rose to become higher than in the Riksbank's forecast. Although household consumption has been stronger than expected, it is still not possible to see any signs of high demand-driven domestic inflation or new bottlenecks in the global economy. In the second scenario, the development of global demand was significantly weaker, and inflation did therefore become lower than in the forecast. The cause was a major global stock market decline, which led to lower confidence in economic developments among households and companies in both Sweden and other countries. In the wake of this development, the real economy weakened while inflation became lower.

The risk outlook for inflation is not assessed to have shifted in any material direction since September. Many of the risks evident then still remain. The section below discusses the main risks surrounding the Riksbank's forecast.

International developments are still very uncertain

In light of the economic policy and geopolitical uncertainty, the risk for global supply shocks remains high. Although negotiations linked to the war in Ukraine are ongoing, it is highly uncertain if they will actually lead to a ceasefire in the short term. And even if such a ceasefire were to be achieved, it is difficult to predict exactly what would be the effects on the European and Swedish economies. Relations between China and the United States also continue to contribute to the uncertainty. Although these countries have reached a time-limited agreement on trade between them, there is still a risk of developments taking a turn for the worse. Tensions have also emerged in relations between China and Japan, which, if they escalate, could lead to disruptions in production.

The unpredictability of US foreign and trade policy is another risk factor for the global economy. One example is that many of the tariffs introduced by the US Administration could prove to be illegal, and therefore invalid. Even if there are other ways of achieving the same duty rates, it could affect both policy and the global economy. How global trade and international relations develop in the future will play a major role for various supply and demand conditions. This is therefore a possible source of both higher or lower inflationary pressures than in the Riksbank's forecast.³⁷

³⁷ For a more detailed review of what effects on the policy rate may arise from potential developments linked to US trade policy, see *Monetary Policy Report*, June 2025, Sveriges Riksbank.

Another risk is linked to the US Administration's actions regarding the Federal Reserve. Representatives for the Administration have expressed a willingness for monetary policy to be conducted under greater political control. If economic actors 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 both the US economy and the global economy.

US economic policy will likely lead to the country's budget deficit remaining large, which has raised questions about the sustainability of US public finances. There are scenarios in which US treasury yields rise sharply when market participants question sustainability. This could force significant fiscal tightening and cause a sharp fall in US demand. This would, in turn, likely have significant negative repercussions for the Swedish economy and inflation. An alternative development, where the national debt is not consolidated via fiscal tightening, could instead lead to political pressure on the Federal Reserve to keep interest rates lower than levels that are justified from a monetary policy perspective and thereby to significantly higher inflation in the United States.³⁸

Several countries in Europe are also struggling with high public debt. There is a risk that these debt levels will be considered unsustainable in the future, and require public-sector austerity measures that will weaken economic growth in a similar manner as for the US economy. For example, France, Italy and the United Kingdom have high public debt levels at the outset coupled with expected deficits, which means that their debts as a percentage of GDP will probably grow further going forward.³⁹

The deterioration in the security situation in Europe has led to increased defence spending, but its effects on the economy are difficult to assess. It is not unthinkable that the spending will contribute to stronger demand and higher inflation than in the Riksbank's forecast.

There are also risks linked to AI. Global growth is currently relatively strong, driven by large investments linked to AI, in the form of, for example, large data centres. Furthermore, the strong stock market performance in the United States is driven by a few companies active in AI in various ways. These companies have so far financed their investments from their own cash reserves, but have now begun to finance additional investments via the bond market. If the technology fails to meet investors' expectations, or if the companies that have issued these bonds find it difficult to capitalise on the investments, this could lead to sharp falls in stock market values, but also to some turbulence in the financial markets. Such a development would primarily affect the US economy but ultimately also many other countries' economies. This would also affect Swedish households and funds, whose assets are partly linked to the US stock market.

³⁸ See the analysis "The interaction between monetary policy and fiscal policy" in *Monetary Policy Report*, September 2025, Sveriges Riksbank.

³⁹ For example, the European Commission forecast in November 2025 a general government deficit in 2026 of 2.8 per cent of GDP in Italy, 4.9 per cent in France and 4.2 per cent in the United Kingdom.

For a long time now, the Riksbank has assessed that the krona is weaker than indicated by more long-term determinants. The krona has appreciated over the year, primarily against the US dollar. The Riksbank still assesses the krona to be slightly undervalued, and it appreciates somewhat 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 also 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. One such risk is that it is difficult to know exactly how large the effect on the Swedish economy will be of the upcoming fiscal policy stimulus measures, which are unusually extensive in 2026. If the effect is greater or comes earlier than expected, or both, the economy will improve faster than the Riksbank has anticipated. The opposite applies if the effects on the economy are less 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. How the financing will ultimately be designed will not only be of significance for economic developments but also for confidence in Swedish fiscal policy.

The extent to which rapidly rising demand affects inflation depends partly on whether it occurs in an environment where problems arise with bottlenecks on the supply side. The inflation effect would be reinforced in such an environment.

Another risk is linked to the fact that inflation has been elevated during a large part of the year, and which still remains somewhat elevated. The Riksbank's assessment is that inflation will fall back at the beginning of next year. However, there is a risk of inflation being higher than expected also going forward. If this occurs, it could lead to secondary effects on pricing, and the elevated inflation could then deviate more persistently from the target. On the other hand, the impact of the reduced VAT on food on measured inflation will cause CPIF inflation to be very low in mid-2026. In a similar manner to the risk of the temporarily elevated inflation this year becoming more persistently high, there is a risk of inflation in the period ahead being more persistently low, for example if longer-term inflation expectation are pushed down more than expected by the temporarily lower VAT on food.

It is also highly difficult to determine how the trade conflicts now taking place will evolve going forward, 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. If the negative productivity effects become greater than assumed in the forecast, it will contribute to rising cost pressures and higher inflation in several countries, including Sweden.

On the other hand, AI technology brings with it potential productivity improvements that both reduce costs and affect the economic potential in the medium term. It is very difficult to assess how great the effect of AI will be on the productivity of Swedish companies and how rapidly the effect will emerge. This in turn makes it difficult to produce reliable forecasts on the potential of the economy. The introduction of AI technology may also affect the labour market. However, exactly in what way and how much is currently impossible to say, something which is discussed in the analysis “Ample spare capacity in the labour market”.

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

GDP grew more rapidly than expected in the second and third quarter, but the outlook for growth going forward remains more or less unchanged. In this scenario, household demand rises more rapidly than in the forecast, due in part to fiscal policy having a greater impact than the Riksbank expected. Household confidence strengthens, and household consumption and GDP are initially higher than in the Riksbank's forecast (see Figure 36).

Parallel to this development, geopolitical developments are assumed to go in a direction that will further deteriorate international relations between major economies and increase geo-economic fragmentation. After a while, this starts to have a negative effect on the global economy in the form of various supply shocks, such as disruptions in supply chains. These disruptions also hit the Swedish economy and economic activity slows down again in the second half of 2026. From the beginning of 2027, GDP is lower than in the main scenario. The combination of higher domestic demand and global supply shocks will cause inflation to rise and be higher than in the main scenario. The inflation effect is amplified by the high domestic demand leading to certain bottlenecks in the production of consumer-facing services. Figure 36 illustrates the development of inflation in the scenario. Inflation is shown excluding energy and excluding the direct effect on the price level of the cut in VAT on food. The reason is that this measure better reflects the more underlying inflation and inflationary pressures.

As inflation does not fall back as expected, inflation expectations in the longer term also rise. Although measured inflation is temporarily suppressed by the reduced VAT on food, more underlying inflation is nevertheless high. In an environment where inflation is more volatile than it was before the covid-19 pandemic, it is particularly important to anchor inflation expectations and bring inflation back towards the target within a reasonable time frame. As a result, the Riksbank changes its monetary policy stance in spring 2026 and begins a series of policy rate increases (see Figure 37). An alternative to this would be to delay policy rate increases, but that would mean that the Riksbank would be forced to raise the policy rate even more further ahead, with significant costs for households and companies as a result.

When the Riksbank sees that the development is beginning to reverse, and both inflation expectations and underlying inflation are falling back again, it will begin a series of interest rate cuts towards a less contractionary level. The policy rate is gradually reduced in 2027 and 2028, as inflation moves towards the target.

Scenario: An AI-related stock market decline leads to lower inflation

In the second scenario, both the real economy and inflation are weaker than expected. The Riksbank thus pursues a more expansionary monetary policy than in the main scenario. Earlier in this chapter, the risk of US stock markets falling at the same time as a certain credit crunch occurs in financial markets as a result of a revaluation of US companies with AI-related operations is mentioned. That risk materialises in this scenario. In the scenario, a more pessimistic view of the potential ROI in large companies linked to AI leads to a revaluation of these companies on both the stock market and the bond market. This does in turn leads to rising risk premiums and some credit tightening more generally within the banking sector. The lack of investment and the credit tightening leads to a slowdown in both the US economy and the global economy.

This development also affects Sweden. First, Swedish households are both directly and indirectly invested in the US stock market. Second, the credit crunch also affects Swedish financial conditions, which become tighter. This in turn has a negative impact on an already vulnerable housing market. The pace of investment also slows down as companies adopt a wait-and-see approach due to rising financing costs. In the scenario, the Swedish economy slows down and GDP flatlines in the first half of 2026 (see Figure 36). In other words, the recovery is interrupted, the recession becomes deeper and unemployment rises.

Normally, global economic downturns cause the krona to depreciate. But in the spring, the krona appreciated sharply despite an increase in global uncertainty. The scenario assumes that the exchange rate does not depreciate, despite the global economic downturn. In other words, it is assumed that the traditional pattern does not apply in today's economic environment. 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.

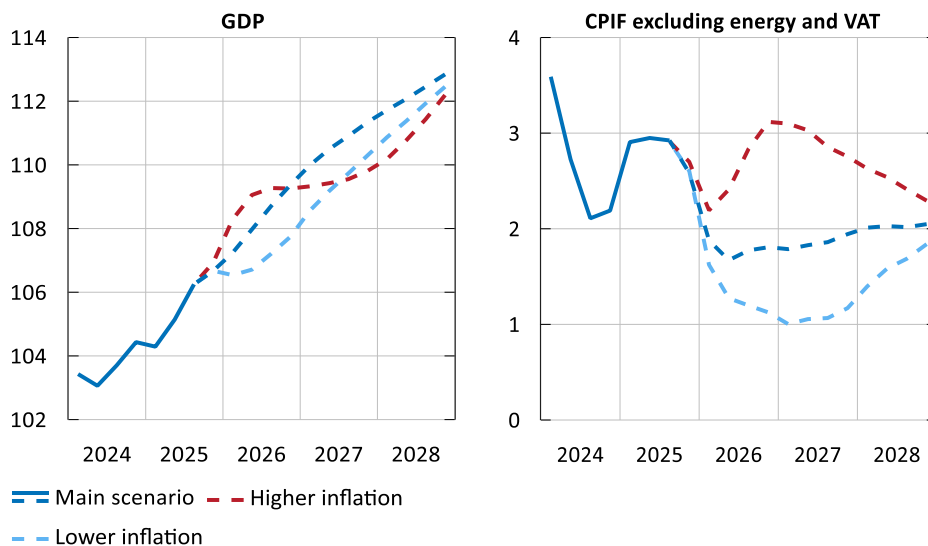
The lower demand makes it more difficult for companies to raise their prices and to lower inflation than in the Riksbank's forecast (see Figure 36). The deteriorated inflation outlook and weak resource utilisation lead the Riksbank to shift its monetary policy at the end of the year. A new series of policy-rate cuts is initiated in 2026 in order to support a recovery and prevent inflation from continuing to fall (see Figure 37). Several central banks abroad take similar action, which helps to mitigate the downturn in the international economy.

Gradually, monetary policy starts to have an impact on the economy, and contributes to a recovery. Inflation (excluding the direct effect on the price level of the cut in VAT on food) bottoms out in early 2027 before gradually rising back towards 2 per cent. In the second half of 2027, when inflation has again started to rise, and the economy is

once more in a recovery phase, the policy rate begins to be brought back towards a level where it neither stimulates nor tightens the economy.

Figure 36. Forecast and alternative scenarios for GDP and CPIF excluding energy and the direct effect of the changed VAT on food

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

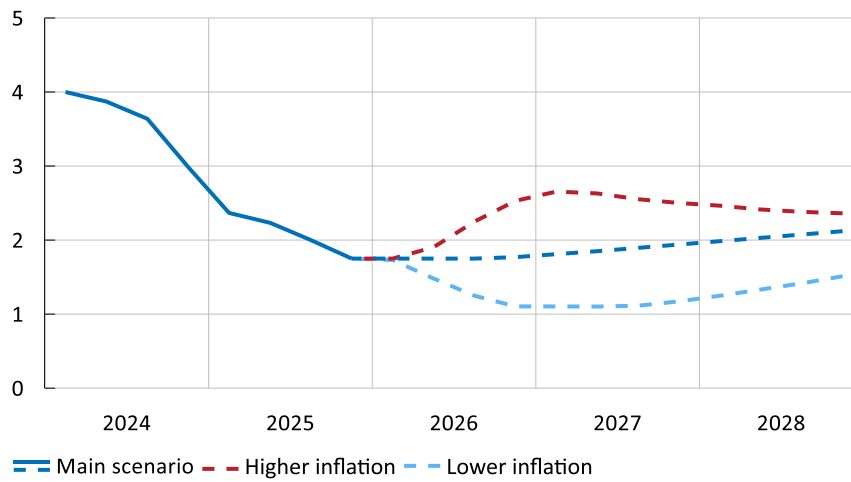


Note. Quarterly averages. Seasonally adjusted data (left). In the forecast and alternative scenarios for the CPIF excluding energy, the direct effects on the price level from the change in VAT on food has been excluded (right). Solid line refers to outcome and dashed lines to forecasts and scenarios.

Sources: Statistics Sweden and the Riksbank.

Figure 37. Forecast and alternative scenarios for the policy rate

Per cent



Note. The deviations from the forecast in the alternative scenarios are not necessarily symmetric, 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 lines to forecasts and scenarios.

Source: The Riksbank.

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

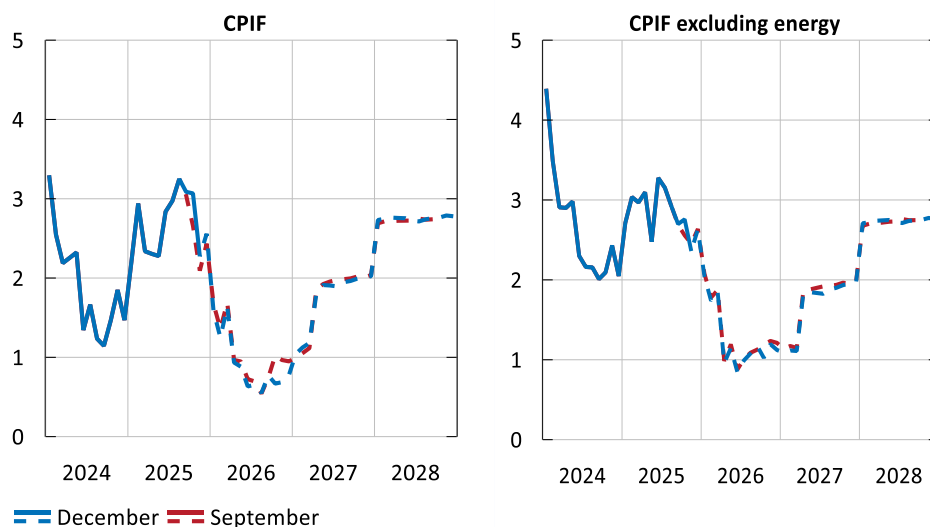
Between the Riksbank's monetary policy meetings, new information comes to light that is used to update the view of the economic situation and inflation. When the Riksbank formulates monetary policy, new information, together with new analyses of economic correlations and trends in the economy, are important pieces of the puzzle. However, a fully quantified forecast update is only done at four of the year's eight meetings, in conjunction with the Monetary Policy Reports. Figures 38 and 39 show how key forecasts have changed since the previous Monetary Policy Report in September.

Inflation in November was in line with the September forecast. The forecast for inflation going forward is also more or less unchanged compared to the September forecast (See Figure 38). The inflationary effects of somewhat stronger economic activity in the forecast is offset by higher productivity that subdues companies' cost pressures and thereby has a dampening effect on inflation.

GDP grew more rapidly than expected in the third quarter of this year, and the level of GDP for the second quarter this year has been revised upwards. However, the assessment of the potential in the economy has also been adjusted upwards, although not as much as actual GDP. Overall, the GDP gap is closed one quarter earlier in the current forecast compared with the September forecast, in the first quarter of 2027. Despite this, unemployment is higher at the outset than in the September forecast. This is primarily an effect of a higher labour supply. Unemployment in the December forecast gradually approaches the September forecast and connects to it in the latter part of the forecast (see Figure 39).

Figure 38. Forecasts for inflation

Annual percentage change

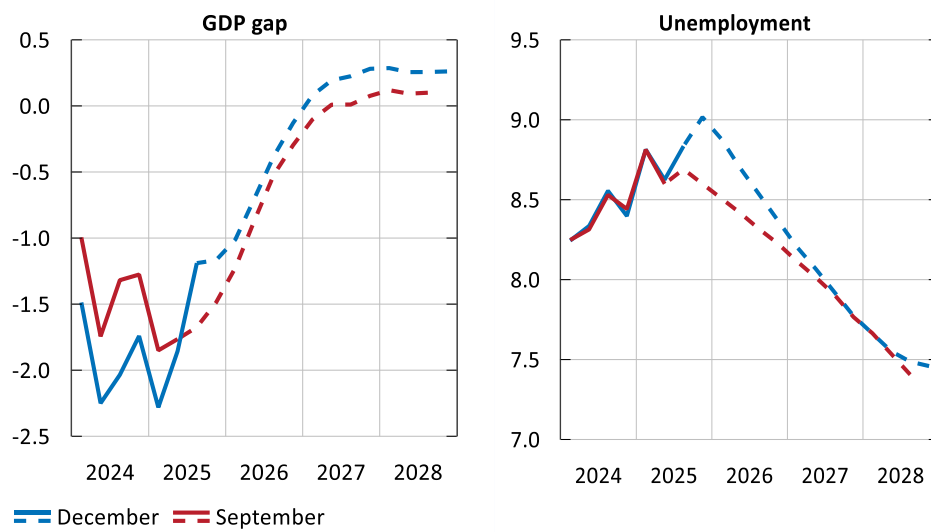


Note. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Figure 39. 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.

FACT BOX – Banks need to be more active in balancing liquidity among themselves

The Riksbank's policy rate affects economic activity and inflation by, among other things, constituting an anchor for other interest rates in the credit market. The first step in this process comprises the Riksbank's operational framework for monetary policy implementation, the aim of which is to establish the shortest money market rates close to the policy rate.

In practice, this is achieved by the Riksbank being prepared to accept deposits from, and grant loans to, the banks that make up the Riksbank's monetary policy counterparties.⁴⁰ Since the banks' customers make payments to each other, the banks' short-term liquidity varies both during the day and over time. This means that the banks need to both make forecasts for their liquidity and manage any shortfalls in central bank reserves, since all payments between banks are made in central bank reserves. The fundamental idea behind the Riksbank's operational framework is that banks should manage any surpluses or shortfalls in reserves by conducting transactions with each other at an interest rate that is more favourable to both parties than the terms offered by the Riksbank in its facilities. These transactions involve the redistribution of reserves between banks, i.e. the banks balance their liquidity among themselves. They also constitute the first step in the interest-rate formation money market.

A consequence of the Riksbank now normalising its balance sheet by winding down large parts of its securities holdings (see Figure 35) is that the banking system's total liquidity surplus in relation to the Riksbank is decreasing relatively quickly.⁴¹ This entails a transition for the Riksbank's monetary policy counterparties. The liquidity surplus has been very large over the last decade, which has meant that banks have less frequently had a deficit of reserves at the end of the day. A smaller amount of excess liquidity therefore places higher demands on the banks' liquidity planning and requires them to actively redistribute reserves between each other. There are some signs that banks have begun such a transition and that they are taking measures to adapt to such an environment. For example, turnover between monetary policy counterparties in short-term money markets has increased in recent years. In dialogue with the money market, the Riksbank also notes a number of commendable initiatives for better liquidity management.

However, in order for further improvement to take place, it is essential that all monetary policy counterparties, regardless of size or business model, actively

⁴⁰ Here, the term 'bank' is used synonymously with the term 'monetary policy counterparty'. In its standing facilities, the Riksbank offers the banks the opportunity to borrow or deposit central bank reserves overnight at an interest rate that is slightly above or below the policy rate. Central bank reserves are account-based means of payment in the Riksbank. The monetary policy counterparties are also offered the opportunity to invest every week at an interest rate corresponding to the policy rate in Riksbank Certificates. These securities withdraw central bank reserves from the banking system during the term of the certificates, which is usually one week.

⁴¹ The banking system's total liquidity surplus in relation to the Riksbank consists of central bank reserves and issued Riksbank Certificates and is now around SEK 550 billion. At its highest, it was just below SEK 1,200 billion at the turn of the year 2022/2023. At the beginning of 2015, before the Riksbank began its bond-purchasing programme, the liquidity surplus amounted to just over SEK 50 billion.

participate in the daily liquidity balancing in the market, so that short-term market rates remain established at a level close to the policy rate. This means that they must be prepared to both lend and receive liquidity from other banks. At the same time, it is also important that they use the Riksbank's lending facilities to cover temporary liquidity shortfalls when necessary. This is how the operational framework is intended to function.

The Riksbank views positively the fact that banks choose to use several different types of money market instruments to redistribute reserves among themselves.⁴² Today, it is mainly in the FX swap market⁴³ that the larger banks balance liquidity, i.e. they exchange liquidity in different currencies with each other. On a few occasions during the year, implicit krona rates in very short-term FX swaps have risen sharply. These temporary peaks have occurred when the available volume of reserves after the issuance of Riksbank Certificates has been lower than usual and/or unevenly distributed among the banks. The peaks are a symptom of the fact that there is still some friction in the banks' liquidity balancing and that some monetary policy counterparties are reluctant to use the Riksbank's lending facilities when they have a temporary shortage of reserves in Swedish kronor.

A well-functioning redistribution of reserves among monetary policy counterparties is important for both the implementation of monetary policy and financial stability. The Riksbank is therefore monitoring developments closely and is considering a number of measures to encourage banks to be more active in their liquidity balancing, as the Riksbank announced earlier this year.⁴⁴

⁴² Unsecured deposits, repos and FX swaps are different types of money market instruments that are used to varying degrees by monetary policy counterparties to redistribute liquidity among themselves. The instruments differ, for example, in terms of counterparty risk exposure, impact on banks' regulatory measures and the latest possible time of day for entering into a transaction.

⁴³ An FX swap is an agreement to swap one currency for another during a certain period of time. The price of an FX swap reflects interest differentials in the respective currencies. If there is considerable demand for Swedish kronor, the interest level that can be calculated on the basis of the swap prices and the interest rate in foreign currency rises. This interest level is referred to as the implied rate.

⁴⁴ Erik Thedéen "The banks need to have more active liquidity management", 11 September 2025.

Forecast tables

The assessment in the previous Monetary Policy Report is given in brackets.

Table 1. Policy rate forecast

Per cent, quarterly averages

	2025Q3	2025Q4	2026Q1	2026kv4	2027kv4	2028kv4
Policy rate	2.00 (2.00)	1.75 (1.75)	1.75 (1.75)	1.77 (1.77)	1.94 (1.92)	2.12

Source: The Riksbank.

Table 2. Inflation

Annual percentage change, annual average

	2024	2025	2026	2027	2028
CPIF	1.9 (1.9)	2.7 (2.6)	0.9 (1.0)	1.7 (1.7)	2.8
CPIF excl. energy	2.6 (2.6)	2.8 (2.8)	1.3 (1.3)	1.7 (1.7)	2.7
CPI	2.8 (2.8)	0.7 (0.8)	0.6 (0.9)	2.1 (2.1)	3.2
HICP	2.0 (2.0)	2.7 (2.6)	1.0 (1.1)	1.7 (1.7)	2.8

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	2028
Household consumption	0.6 (0.6)	1.5 (1.3)	3.0 (2.9)	2.5 (2.5)	1.3
Public consumption	1.0 (1.2)	0.5 (0.4)	1.7 (1.6)	1.6 (1.4)	0.8
Gross fixed capital formation	0.2 (0.0)	1.0 (-0.5)	4.0 (3.3)	3.3 (2.9)	1.2
Stock investments*	0.3 (0.4)	0.1 (0.1)	0.0 (-0.2)	0.0 (0.0)	0.0
Exports	2.4 (2.0)	5.2 (4.0)	4.2 (3.4)	3.6 (4.0)	2.5
Imports	2.4 (2.3)	4.7 (3.8)	4.3 (3.0)	3.7 (4.0)	2.5
GDP	0.9 (0.8)	1.5 (0.9)	2.9 (2.7)	2.5 (2.4)	1.2
GDP, calendar-adjusted	1.0 (0.8)	1.8 (1.1)	2.6 (2.5)	2.2 (2.1)	1.4
Final domestic demand*	0.6 (0.6)	1.1 (0.6)	2.8 (2.6)	2.4 (2.2)	1.1
Net exports*	0.0 (-0.1)	0.4 (0.2)	0.1 (0.3)	0.0 (0.1)	0.1
Current account (NA), percentage of GDP	6.0 (5.4)	5.8 (5.2)	6.3 (5.9)	6.6 (6.2)	6.8

* 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	2028
Population, aged 15–74	0.2 (0.2)	0.4 (0.3)	0.1 (0.1)	0.1 (0.1)	0.2
Potential employment	0.9 (0.9)	0.7 (0.8)	0.6 (0.6)	0.4 (0.4)	0.3
Potential hours worked	1.0 (1.0)	0.9 (0.9)	0.7 (0.8)	0.5 (0.6)	0.4
Potential GDP	1.6 (1.6)	1.6 (1.6)	1.5 (1.5)	1.4 (1.3)	1.4
GDP, calendar-adjusted	1.0 (0.8)	1.8 (1.1)	2.6 (2.5)	2.2 (2.1)	1.4
Hours worked, calendar-adjusted	-0.3 (-0.3)	0.0 (-0.2)	1.2 (1.6)	1.1 (1.2)	0.8
Employed persons	-0.6 (-0.6)	0.3 (0.3)	0.9 (0.9)	1.2 (1.2)	0.8
Labour force	0.2 (0.2)	0.8 (0.6)	0.6 (0.5)	0.5 (0.7)	0.3
Unemployment*	8.4 (8.4)	8.8 (8.7)	8.6 (8.4)	8.0 (7.9)	7.5
Employment gap**	-1.0 (-0.8)	-1.4 (-1.2)	-1.1 (-1.0)	-0.4 (-0.2)	0.1
Hours gap**	-0.7 (-0.4)	-1.5 (-1.5)	-1.0 (-0.6)	-0.4 (0.0)	0.0
GDP gap**	-1.9 (-1.3)	-1.6 (-1.7)	-0.6 (-0.7)	0.2 (0.0)	0.3

*Per cent of labour force

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

Note. Potential hours worked 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	2028
Hourly wage, NMO	4.1 (4.1)	3.7 (3.7)	3.4 (3.4)	3.2 (3.2)	3.1
Hourly wage, NA	3.9 (3.9)	3.4 (3.6)	3.4 (3.4)	3.2 (3.2)	3.1
Hourly labour cost, NA	5.0 (4.9)	2.5 (3.1)	3.4 (3.4)	3.2 (3.2)	3.1
Productivity	1.2 (1.1)	1.8 (1.3)	1.4 (0.8)	1.0 (0.9)	0.6
Unit labour cost	3.9 (4.0)	0.8 (1.9)	2.0 (2.5)	2.1 (2.3)	2.5

Note. NMO 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	2028
Euro area	0.11	0.46	0.8 (0.8)	1.4 (1.3)	1.2 (1.1)	1.4 (1.4)	1.2
United States	0.15	0.10	2.8 (2.8)	1.9 (1.7)	1.8 (1.6)	1.9 (2.0)	1.9
China	0.20	0.10	5.0 (4.9)	5.0 (4.8)	4.4 (4.2)	4.3 (4.2)	4.0
KIX weighted	0.75	1.00	1.8 (1.8)	2.0 (1.9)	1.9 (1.8)	2.0 (2.0)	1.9
The World (PPP-	1.00	—	3.3 (3.3)	3.2 (3.0)	3.1 (3.0)	3.2 (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	2028
Euro area (HICP)	2.4 (2.4)	2.1 (2.1)	1.8 (1.8)	1.8 (1.9)	2.0
United States	3.0 (3.0)	2.8 (2.8)	2.9 (2.9)	2.3 (2.3)	2.3
KIX weighted	3.0 (3.0)	2.7 (2.7)	2.3 (2.3)	2.2 (2.3)	2.3

	2024	2025	2026	2027	2028
International policy rate, per cent	4.1 (4.1)	2.8 (2.8)	2.5 (2.4)	2.4 (2.4)	2.5
Crude oil price, USD/barrel Brent	79.7 (79.7)	68.1 (69.1)	62.1 (66.1)	62.3 (66.1)	63.7
Swedish export market	1.9 (1.6)	1.6 (2.0)	1.8 (2.7)	3.1 (3.1)	2.9

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	2028
The Riksbank's policy rate	3.6 (3.6)	2.1 (2.1)	1.8 (1.8)	1.9 (1.9)	2.1
Government bond yield, 10 years	2.2 (2.2)	2.5 (2.4)	2.9 (2.4)	2.9 (2.3)	2.9
Exchange rate, KIX, 18 Nov 1992 = 100	126.0 (126.0)	119.7 (119.8)	116.1 (116.4)	115.2 (115.3)	115.0
General government net lending, per cent of GDP	-1.6 (-1.6)	-1.0 (-1.2)	-2.0 (-2.3)	-1.2 (-1.4)	-0.6

Sources: Statistics Sweden and the Riksbank.



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