

Press release

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No recovery without households

Households are expected to see increased disposable income in 2026, as real wages continue to rise and the government ramps up spending ahead of the election, according to Handelsbanken's latest economic forecast.

At the same time, Swedish exports and investments continue to be weighed down by the global environment.

"Domestic demand will be all the more important for growth in the coming years", says Handelsbanken's Chief Economist, Christina Nyman.

The Swedish economy is still in a protracted slowdown. Following a setback earlier this year, household confidence declined, and many companies postponed investments. However, Handelsbanken's macroeconomists now detect signs of relief – particularly for households – and the bank's latest economic forecast assumes that a consumption-led recovery will begin next year. For 2025, the bank's macroeconomists estimate that GDP will increase by 1.1 percent and thereafter rise by 2.4 percent per year in 2026 and 2027. "The situation is improving step by step. Households have been cautious after several years of repeated setbacks. But now purchasing power is strengthening as real wages are rising, interest rates have come down and fiscal policy is becoming more expansionary. This indicates that consumption will increase and the labour market will improve in 2026", says Christina Nyman.

Subdued Swedish exports

World trade and the global economy are slowing down after US import tariffs were raised to an average of above 17 percent. The US economy is decelerating, while we expect the European economy to accelerate. For Sweden, this means more subdued exports and investments. The uncertain economic and political situation, as well as high and growing public debt – driven not least by debt-financed defence rearmament – are contributing to rising market interest rates. However, Sweden stands out with comparatively low national debt.

Unusually expansionary budget

Ahead of the elections in 2026, Handelsbanken's macroeconomists expect an unusually expansionary budget. Overall, we expect general government deficit to amount to just over 1.5 percent of GDP in 2026 and 2027, but government debt to remain in line with the debt anchor.

The government has announced unfunded reforms of around SEK 80bn, in addition to support for Ukraine and loan-financed defence investments. We estimate that just over half of the reforms will be aimed at households: lower income and electricity taxes, as well as cuts to food VAT and childcare fees are all signalled.

Growth in real wages next year will not be enough to fuel a consumption-led recovery, unless households also cut back on their savings, which Handelsbanken's economists see no signs of. Further stimulus aimed at households is therefore needed for a recovery.

"The temporary reduction in food VAT may contribute to higher consumption without driving up inflation next year, but there is a risk of it becoming permanent, eroding tax revenue later on", says Christina Nyman.

Households the winners after this year's setback

According to Handelsbanken's economists, inflation being higher than expected this year has weighed on household purchasing power by a total of around SEK 25bn. The government's announced proposals targeting households amount to just over SEK 46bn, corresponding to roughly SEK 800 more per month for an average household. For a family with children, the effect could be more than twice as large. Combined with rising real wages and lower mortgage rates, a family with children could see an increase in purchasing power of over SEK 3,000 per month next year. Overall, this policy leads to real incomes rising faster than usual, allowing household consumption to rebound next year — even as households maintain a high saving rate.

Additional interest rate cut in September

Inflation has been a headache for the Riksbank during the summer. However, the increase is considered to have been mainly temporary, and we expect inflation to move closer to 2 percent towards the end of the year. A cut in food VAT will have a relatively large downward effect on inflation in April 2026, but excluding this one-off effect, CPIF inflation would be close to the target for the next two years. Against the background of easing inflationary pressure and a weak economy, Handelsbanken's economists expect the Riksbank to cut the interest rate one last time on 23 September to around 1.75 percent.

"Foreseeing the Riksbank's next move is currently a bit like flipping a coin. If it doesn't cut the policy rate in September, it's highly doubtful whether there will be any more cuts", says Christina Nyman.

Sweden's strong government finances and low-valued currency suggest a continued gradual strengthening of the krona as interest rates and economic differentials with other countries narrow. At the end of 2027, the bank's economists expect one euro to cost 10.60 kronor and one dollar 8.90 kronor.

Greater optimism and easing mortgage requirements mean higher house prices

Handelsbanken's economists expect the average floating interest rates on mortgages to bottom out at around 2.6 percent at the end of the year, although the housing market continues to be characterised by long selling times. As households' purchasing power strengthens and mortgage requirements ease, we expect the temperature of the housing market to rise.

"We expect housing prices to rise by 5–6 percent per year in 2026 and 2027 and that the government's proposal to raise the mortgage cap to 90 percent and abolish the stricter amortisation requirement will be approved and contribute to the upturn", says Christina Nyman.

Labour market to remain weak

Companies have primarily opted to reduce overtime and temporary employment rather than laying off permanent staff. However, unemployment will not begin to go down until next year. As growth picks up, we expect employment to gradually increase. "We do not expect unemployment to normalise until the end of 2027", comments Christina Nyman.

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For links to the webinar, the Sweden report and the full global report, please see [here](#).
For more information about Handelsbanken, please visit: www.handelsbanken.com

GDP forecast	Annual average			
	2024	2025p	2026p	2027p
Sweden*	0.8	1.1 (1.5)	2.4 (2.1)	2.4 (2.6)
Sweden, actual	1.0	0.9 (1.3)	2.6 (2.3)	2.5 (2.8)
Norway, mainland*	0.6	1.8 (1.5)	1.6 (1.4)	1.6 (1.4)
Eurozone	0.9	1.3 (1.0)	1.0 (1.1)	1.4 (1.4)
United Kingdom	1.1	1.4 (1.0)	1.1 (1.1)	1.1 (1.4)
USA*	2.8	1.7 (1.2)	1.5 (1.0)	1.9 (1.8)
China	5.0	4.7 (4.2)	4.0 (3.8)	4.1 (4.1)

*Calendar adjusted

Policy rate forecast	End of year			
	2024	2025p	2026p	2027p
USA	4.375	3.875 (4.125)	3.375 (3.375)	3.125 (2.875)
Eurozone	3.00	1.75 (1.75)	1.75 (1.75)	2.00 (2.00)
Sweden	2.50	1.75 (1.75)	1.75 (1.75)	2.25 (2.25)
United Kingdom	4.75	3.75 (3.75)	3.50 (3.25)	3.25 (3.00)
Norway	4.50	4.00 (4.00)	3.50 (3.50)	3.50 (3.25)

FX forecast	End of year			
	2024	2025p	2026p	2027p
EUR/SEK	11.48	11.05 (11.10)	10.75 (10.65)	10.55 (10.50)
USD/SEK	11.05	9.21 (9.25)	8.88 (8.95)	8.87 (8.90)
GBP/SEK	13.66	12.85 (12.91)	12.80 (12.99)	12.56 (12.80)
NOK/SEK	0.99	0.95 (0.96)	0.97 (0.96)	0.97 (0.96)
EUR/USD	1.04	1.20 (1.20)	1.21 (1.19)	1.19 (1.18)

Source: Handelsbanken

In parentheses: Handelsbanken Global Macro Forecast 21 May 2025