

# Handelsbanken

## Press release

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### **Sweden in pole position as economy picks up pace**

**After three weak years, the Swedish economy is now entering a clear period of recovery, but significant risks persist, not least given the latest tariff threats from the US, according to Handelsbanken's latest economic outlook. Household purchasing power is strengthening, consumption is picking up pace, and investment in defence and AI is increasing. Sweden is therefore set to achieve the strongest GDP growth among comparable countries in the coming years.**

**"The Swedish economy is more volatile than the eurozone, both on the way up and down, but fundamentally, Sweden is stronger than many assume", says Christina Nyman, Chief Economist at Handelsbanken.**

Despite a turbulent geopolitical start to the year, Handelsbanken's economists expect 2026 to mark a solid recovery. Households will have more disposable income and are likely to increase consumption broadly in line with income growth. Meanwhile, corporate investment has exceeded expectations, particularly within machinery and defence equipment, and will remain an important driver of growth. So far, exports have held up well despite tariffs and global uncertainty, although a modest slowdown can be expected over the next year. While geopolitical tensions strongly affect the countries directly involved, the global economy – and Sweden's export markets – has been more resilient. However, following reports that the US is considering introducing punitive tariffs on European countries (including Sweden) opposed to its purchase of Greenland, Swedish exporters face heightened uncertainty. The EU is preparing countermeasures, raising the risk of an escalating trade conflict.

Handelsbanken forecasts GDP growth of 2.7 percent in 2026, up from 1.8 percent in 2025. Growth is then expected to ease towards 2.2 percent in 2027 and 1.7 percent in 2028 as resource utilisation normalises and fiscal policy becomes less expansive.

"A strong recovery in Sweden this year is what's needed for the labour market to improve, and we expect conditions to turn around in the first quarter", Christina Nyman says.

### **The Krona continues to strengthen**

The Swedish krona appreciated significantly in 2025, and is expected to advance further in 2026, particularly against the US dollar. Stronger Swedish growth, smoother financial market functioning, and the krona's continued undervaluation all support this trend. Inflation is set to remain low in 2026, driven by falling food prices and reduced cost pressures after several years of economic weakness.

"With low inflation, the Riksbank can afford to be patient and allow the recovery to gather momentum before raising rates in 2027", Christina Nyman explains.

### **Defence investments set to support the construction sector**

Tariff-related uncertainties persist for companies engaged in global trade. Businesses affiliated with the defence industry, including technology suppliers, enjoy robust demand and strong order books, benefiting subcontractors. Parts of the construction sector are also

supported by defence-related infrastructure, increased municipal spending on water and sewage systems, and rising demand for datacentres. Residential construction, however, remains weak. Consumer-focused businesses benefit from stronger purchasing power and rising demand for discretionary goods and services, while the reduction in food VAT provides an additional lift.

“The entire country stands to gain from the improving economic environment, and we expect unemployment to fall accordingly. However, regional labour markets will be affected differently by AI depending on their industry composition”, says Christina Nyman.

### **Purchasing power is returning**

Real household incomes are set to increase by just over 3 percent this year – the fastest pace in a decade apart from the pandemic year 2021. Despite high inflation, real household incomes have grown since 2019, with incomes rising about 30 percent and prices by around 25 percent. Variable mortgage rates are expected to be roughly 2.6 percent in 2026, rising to just above 3 percent towards the end of 2027. Housing prices are forecast to increase by around 6 percent per year in 2026–27, with roughly 2 percentage points per year related to less stringent mortgage requirements.

“This year, the lower food VAT adds roughly SEK 600 per month to a family’s budget”, Christina Nyman notes.

### **How AI will affect the Swedish labour market**

AI is becoming an increasingly important productivity driver for companies, while labour market effects will largely depend on the pace of adoption. Handelsbanken’s economists believe several barriers will slow rapid AI deployment, leading to a gradual adoption process over ten years. As a result, the impact on unemployment is expected to be modest, as both businesses and workers will have time to adjust, and new roles will emerge.

Unlike previous technological shifts, when industrial jobs decreased sharply, service-sector workers will be most affected this time. Regions such as Stockholm County and Västra Götaland, with their concentration of knowledge-intensive services, finance, insurance, and R&D activities, face greater AI exposure.

“Being more exposed to AI doesn’t automatically make you a winner or a loser. AI creates new specialised roles even as others disappear. Each sector needs its own assessment. We estimate that over the next decade around 150,000 jobs will disappear in Sweden and roughly the same number will emerge. Increased risks and opportunities go hand in hand”, Christina Nyman says.

### **Lack of skills, data and energy slow AI expansion**

Energy supply constraints are hindering the rapid development of AI. Datacentres consume a growing share of electricity in several countries, creating demands on capacity and renewable production as AI usage increases. Companies’ ability to deploy AI also varies. Skills shortages are often the biggest obstacle. Access to and quality of data is another challenge – especially in sectors with large volumes of non-integrated data, such as finance. Regulatory uncertainty also affects development.

If these obstacles are reduced, AI adoption could accelerate. In an alternative scenario, productivity is assumed to be significantly higher, and nearly 500,000 jobs would disappear over ten years. At that pace, the labour market would not have time to adjust, and

unemployment would increase at least during a transition period, while higher productivity boosts growth and tax revenues.

“A rapid increase in AI use would require government measures to mitigate negative effects on the labour market”, says Christina Nyman.

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For the full report, please see. Global Macro Forecast, and [In-depth Sweden report](#) (in Swedish).

For more information on Handelsbanken, please visit: [www.handelsbanken.com/en](http://www.handelsbanken.com/en)

GDP forecast	Annual average			
	2025	2026	2027	2028
Sweden*	1.9 (1.1)	2.7 (2.4)	2.2 (2.4)	1.7
Sweden, actual	1.6 (1.3)	2.9 (2.6)	2.4 (2.5)	1.5
Norway, mainland*	1.6 (1.8)	1.5 (1.6)	1.6 (1.6)	1.2
Eurozone	1.4 (1.3)	0.9 (1.0)	1.4 (1.4)	1.2
United Kingdom	1.4 (1.4)	0.8 (1.1)	1.3 (1.1)	1.5
United States*	2.2 (1.7)	2.4 (1.5)	2.0 (1.9)	1.8
China	5.0 (4.7)	4.5 (4.0)	4.3 (4.1)	4.0

\*Calendar adjusted

Interest rate forecast	End of year			
	2025	2026	2027	2028
United States	3.625 (3.625)	3.375 (3.375)	3.125 (3.125)	3.125
Eurozone	2.00 (2.00)	2.00 (1.75)	2.00 (2.00)	2.00
Sweden	1.75 (1.75)	1.75 (1.75)	2.25 (2.25)	2.25
United Kingdom	3.75 (3.75)	3.25 (3.50)	3.25 (3.25)	3.25
Norway	4.00 (4.00)	3.50 (3.50)	3.50 (3.50)	3.50

Exchange rate forecast	End of year			
	2025	2026	2027	2028
EUR/SEK	10.83 (11.05)	10.50 (10.75)	10.30 (10.55)	10.10
USD/SEK	9.21 (9.21)	8.68 (8.88)	8.58 (8.87)	8.56
GBP/SEK	12.44 (12.85)	12.21 (12.80)	11.84 (12.56)	11.48
NOK/SEK	0.91 (0.95)	0.91 (0.97)	0.90 (0.97)	0.89
EUR/USD	1.18 (1.20)	1.21 (1.21)	1.20 (1.19)	1.18

Source: Handelsbanken

In parenthesis: Handelsbanken Global Macro Forecast 11 September 2025