

Press release

26 August 2025

Swedbank Economic Outlook: Growth will pick up, but uncertainty will remain

Additional policy rate cuts by the Riksbank and supportive fiscal policy will cause the Swedish economy to gain momentum next year despite the turbulent global environment. Higher tariffs and the uncertainty generated by US politics will dampen global trade, according to Swedbank Economic Outlook.

Households will drive the Swedish economic recovery

Sentiment in the household sector is weak at the moment. Swedish households are holding back on their spending, with a high rate of savings. Household purchasing power will gain further strength in the coming years, however, and rising consumption is expected to drive higher Swedish growth starting in 2026.

“Swedish households have strengthened their balance sheets thanks to a high rate of savings. Rising incomes, lower interest rates and supportive fiscal policy will further strengthen the financial situation for households, paving the way for increased consumption,” says Mattias Persson, Group Chief Economist, Swedbank.

A stronger Swedish labour market next year

Sweden’s labour market is being weighed down by the prolonged economic downturn, and it is expected to remain weak during the rest of this year. The turnaround on the Swedish labour market will take place later.

“The labour market is weak, and it will recover as economic growth picks up. Rising employment will contribute to a decline in unemployment, which we expect to fall to 7.7 per cent by the end of 2027,” says Mattias Persson.

A delayed recovery for the Swedish housing market

The Swedish housing market has stalled, and weak performance is expected during the rest of the year. The number of listings is high, sales processes are long, and the level of bidding activity is low. When mortgage regulations are eased next year, the housing market is expected to gain momentum with more completed transactions and higher prices, but the recovery will be delayed.

“Lower mortgage rates, stronger purchasing power and a recovering labour market will support the Swedish housing market. Altogether, housing prices are expected to rise by 3-5 per cent annually in 2026 and in 2027, in line with income growth,” says Mattias Persson.

The Riksbank will make more cuts in the near term

In Sweden, inflation was unexpectedly high during the summer due to temporary factors, but it is expected to fall towards the inflation target, in part because the Swedish krona is gaining strength.

“With inflation nearing the target, the Riksbank will be able to focus on supporting the Swedish economy. The Riksbank will cut the policy rate twice more this year, down to 1.50 per cent. The cuts will be important to get the economy going. If growth picks up speed, the Riksbank could hike the rate in 2027,” says Mattias Persson.

Swedish fiscal policy will provide a growth impulse

Sweden’s military rearmament and defence-related investments, financed through increased government borrowing, will support economic growth. Swedbank expects a government budget including SEK 75 billion in unfunded measures in 2026, with more than half of the amount consisting of increased household transfers and tax cuts.

“This fiscal policy will provide much-needed support to get Swedish growth going. At the same time, Swedish state finances will remain strong. This could be important for supporting the Swedish economy going forward if the global economic situation weakens further,” says Mattias Persson.

The Swedish economy will pick up speed

When household finances and confidence gain strength, consumption will get a boost. Exports and corporate investments will, however, be subdued as a result of weak global manufacturing conditions and significant increases in US tariffs. Swedbank expects the Swedish economy to grow by 1 per cent in 2025, and that growth will pick up to 2.3 per cent and 2.2 per cent in 2026 and 2027, respectively.

The report is included as an attachment to this press release and is also available on Swedbank’s website at <http://www.swedbank.com/seo>.

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Appendix.

Swedbank's GDP forecast

Annual % change, calendar-adjusted	2024	2025F	2026F	2027F
US	2.8	1.6 (1.0)	1.4 (1.2)	1.7
China	5.0	4.8 (4.1)	4.3 (4.0)	4.0
Euro area	0.9	1.2 (0.8)	1.2 (0.9)	1.6
Germany	-0.5	0.4 (0.1)	0.8 (0.8)	1.6
France	1.1	0.5 (0.3)	0.7 (0.7)	1.2
Italy	0.5	0.5 (0.5)	0.6 (0.7)	0.9
Spain	3.2	2.4 (2.1)	1.8 (1.4)	1.8
Estonia	-0.1	0.6 (1.2)	2.0 (2.0)	2.3
Latvia	-0.4	0.9 (1.5)	2.3 (2.5)	2.5
Lithuania	2.8	2.6 (2.8)	3.2 (2.3)	2.0
Sweden	1.0	1.0 (1.5)	2.3 (2.5)	2.2
Norway	0.6	1.8 (1.1)	1.6 (1.2)	1.6
United Kingdom	1.1	1.2 (1.1)	1.1 (1.0)	1.4

Preceding forecast in parentheses.

Source: Swedbank Research



SWEDEN: Key economic indicators, 2024-2027

Annual % change unless stated otherwise	2024	2025F	2026F	2027F
Real GDP growth (calendar-adjusted)	1.0	1.0 (1.5)	2.3 (2.5)	2.2
Real GDP growth per capita (calendar-adjusted)	0.7	0.8 (1.3)	2.1 (2.3)	2.0
Real GDP growth	1.0	0.8 (1.3)	2.5 (2.7)	2.4
Household consumption	0.6	0.7 (1.4)	2.9 (2.9)	2.7
Government consumption	1.3	0.7 (1.5)	2.2 (2.6)	1.8
Gross fixed capital formation	0.2	-2.4 (1.4)	3.1 (3.1)	3.8
private excluding housing	2.6	-3.9 (0.7)	2.0 (1.7)	3.0
public & NPISH	2.9	0.5 (3.4)	4.4 (5.2)	4.6
housing	-15.0	0.8 (1.5)	6.7 (6.1)	6.1
Exports, goods and services	2.0	3.5 (2.3)	2.0 (2.4)	2.5
Imports, goods and services	2.2	1.7 (1.9)	2.7 (2.7)	3.1
Change in inventories (contribution to GDP)	0.5	-0.2 (-0.3)	0.2 (0.0)	0.0
Domestic demand, excl. inventories (contribution to GDP)	0.7	-0.1 (1.3)	2.6 (2.7)	2.6
Net exports (contribution to GDP)	-0.1	1.0 (0.3)	-0.3 (0.0)	-0.3
CPI (average)	2.9	0.5 (0.5)	0.6 (1.4)	2.2
CPIF (average)	1.9	2.5 (2.4)	1.5 (1.8)	2.2
CPIF excluding energy (average)	2.7	2.8 (2.8)	1.8 (2.1)	2.1
Riksbank policy rate (December)	2.50	1.50 (1.75)	1.50 (2.00)	1.75
Unemployment (% of labour force, 15-74)	8.4	8.7 (8.7)	8.5 (8.4)	7.9
Change in labour force (15-74)	0.2	0.7 (0.5)	0.3 (0.4)	0.4
Change in employment (15-74)	-0.6	0.3 (0.1)	0.5 (0.7)	1.0
Employment rate (15-74)	69.0	68.9 (68.7)	69.2 (69.0)	69.8
Number of hours worked (calendar-adjusted)	-0.3	0.3 (0.1)	0.7 (1.0)	1.0
Nominal hourly wage (NMO, whole economy)	4.1	3.6 (3.7)	3.4 (3.4)	3.3
Household real disposable income	0.7	2.8 (2.7)	2.5 (2.2)	2.6
Household own savings (% of disposable income)	6.3	8.2 (7.9)	7.9 (7.4)	7.8
Balance of goods and services (% of GDP)	2.8	2.9 (4.3)	3.0 (4.1)	3.0
Current account balance (% of GDP)	5.4	5.5 (6.9)	5.5 (6.5)	5.1
General government budget balance (% of GDP)	-1.5	-1.1 (-0.6)	-1.2 (-0.9)	-1.0
General government debt (Maastricht, % of GDP)	33.5	33.7 (33.6)	34.2 (33.9)	34.4

Preceding forecast in parentheses

Sources: Statistics Sweden & Swedbank Research



Interest and exchange rate forecasts

	Outcome 2025 22 Aug	Forecast 2025 31 Dec	2026 30 Jun	2026 31 Dec	2027 31 Dec
Policy rates (%)					
Federal Reserve, USA (upper bound)	4.50	4.00	3.50	3.25	3.25
European Central Bank (refi rate)	2.15	1.90	1.65	1.65	1.65
European Central Bank (deposit rate)	2.00	1.75	1.50	1.50	1.50
Bank of England	4.00	3.75	3.25	3.25	3.25
Riksbank	2.00	1.50	1.50	1.50	1.75
Norges Bank	4.25	4.00	3.50	3.25	3.25
Government bond rates (%)					
US 2y	3.68	3.70	3.40	3.40	3.40
US 5y	3.76	3.70	3.60	3.50	3.50
US 10y	4.26	4.20	4.10	4.00	4.00
Germany 2y	1.94	1.80	1.70	1.70	1.90
Germany 5y	2.27	2.20	2.10	2.10	2.30
Germany 10y	2.72	2.60	2.50	2.50	2.50
Exchange rates					
EUR/USD	1.17	1.20	1.20	1.22	1.22
EUR/GBP	0.87	0.88	0.87	0.87	0.85
EUR/SEK	11.18	11.00	10.90	10.80	10.70
EUR/NOK	11.83	11.70	11.50	11.40	11.30
USD/SEK	9.63	9.17	9.08	8.85	8.77
USD/CNY	7.17	7.12	7.10	7.10	7.10
USD/JPY	146.8	140.0	135.0	135.0	130.0
NOK/SEK	0.94	0.94	0.95	0.95	0.95
KIX (Trade-weighted SEK)	119.7	117.0	116.1	114.7	113.8

Sources: Swedbank Research & Macrobond

Swedish interest rate forecasts (%)

	Outcome 2025 22 Aug	Forecast 2025 31 Dec	2026 30 Jun	2026 31 Dec	2027 31 Dec
STIBOR 3m	2.09	1.60	1.60	1.60	1.85
Government bond yields					
2y	1.87	1.70	1.70	1.80	2.20
5y	1.97	1.90	1.90	2.00	2.40
10y	2.42	2.30	2.30	2.30	2.50
Swap rates					
2y	2.00	2.00	2.00	2.10	2.50
5y	2.28	2.20	2.20	2.30	2.70
10y	2.66	2.60	2.60	2.60	2.80

Sources: Swedbank Research & Macrobond