

Press Release

4 November 2025

Swedbank Economic Outlook: The recovery has begun

The Swedish economy has begun to recover. Uncertainty remains high, but despite the global turbulence, Swedish growth will pick up in 2026. Lower inflation and interest rates, combined with tax cuts, will strengthen household purchasing power. Household consumption, together with public investments, is expected to drive Swedish growth in the next two years, according to Swedbank Economic Outlook.

Swedish household consumption has begun to rise

Recent monthly data for household consumption and for retail turnover indicates that consumption is beginning to pick up speed in Sweden. Swedbank expects purchasing power to strengthen further, and that household consumption will increase by 3 per cent next year, which is in line with income developments. This would mean that household spending as a share of income – the savings ratio – would remain on a historically high level.

“We’re seeing clearer indications that Swedish household consumption has started to increase, and that sentiment has improved. Going forward, household purchasing power will get even stronger thanks to lower inflation, tax cuts and a decline in interest expenses, which will give consumption and the Swedish economy a boost,” says Mattias Persson, Group Chief Economist, Swedbank.

A stronger Swedish labour market in 2026

After a few years of rising unemployment and declining employment, the Swedish labour market appears to have stabilised. In 2026, the labour market will gain strength in pace with the economic recovery, but it will take time for unemployment to fall.

“We expect a gradual improvement in the labour market to begin next year, when the economic recovery has taken hold. Rising employment will contribute to a drop in unemployment, to 7.7 per cent at the end of 2027,” says Mattias Persson.

The Riksbank will leave the policy rate unchanged

Following a temporary rise in inflation this summer, the pace of inflation has declined in Sweden. In the coming year, inflation is expected to be lower than the Riksbank’s 2 per cent target, with a margin. In April 2026, the value-added tax on food will be halved; a near-complete pass-through to food prices is expected, which will temporarily lower inflation. A stronger Swedish krona will also lead to lower inflation through lower import prices.

“With inflation near the target and economic activity clearly improving in 2026, there will be no reason for the Riksbank to cut the policy rate. However, even though growth appears to be picking up, resource utilisation is low, and it will take time for the situation on the labour market to normalise. As a result, we expect the Riksbank to leave the policy rate unchanged at 1.75 per cent until the end of 2027, when it will hike the rate. At the same time, the risk is that Sweden’s economic performance will be weaker rather than stronger, so a rate cut is more likely than a hike in the coming year,” says Mattias Persson.

A slow recovery for the Swedish housing market

The number of homes for sale on the Swedish market remains high, and prices have been at a near standstill this year. The recovery of the housing market will take time, but lower interest rates and stronger household purchasing power will support it.

“The large number of homes for sale is expected to keep prices down in the near term, but we still expect to see a gradual increase in prices next year as household finances get stronger. In 2026 and 2027, we expect Swedish housing prices to rise by 2 and 4 per cent, respectively,” says Mattias Persson.

Fiscal policy will be expansionary, with high levels of public investment

The Swedish government’s autumn budget, which includes substantial tax cuts, increased support for Ukraine, and loan-financed military rearmament, will contribute to a rise in the public-sector deficit to just over 2 per cent of GDP next year. In 2026, Swedish public investments as a share of GDP will reach their highest level since at least 1980. Extensive investments in defence, security and transport infrastructure will contribute to the increase.

“Fiscal policy will provide a much-needed boost to get the Swedish economy moving, with tax cuts and public investments playing a role,” says Mattias Persson.

The Swedish economy will gain momentum

Driven by household consumption and by public investment, the Swedish economic recovery has begun. The recovery will gain additional momentum next year, and Swedbank expects the Swedish economy to grow by 2.4 per cent in 2026 and by 2.2 per cent in 2027.

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

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Appendix.

Swedbank's GDP forecast

Annual % change, calendar-adjusted	2024	2025F	2026F	2027F
US	2.8	2.0 (1.6)	1.7 (1.4)	2.0 (1.7)
China	5.0	5.0 (4.8)	4.3 (4.3)	4.0 (4.0)
Euro area	0.8	1.4 (1.2)	1.1 (1.2)	1.6 (1.6)
Germany	-0.5	0.3 (0.4)	0.8 (0.8)	1.6 (1.6)
France	1.1	0.8 (0.5)	0.7 (0.7)	1.1 (1.2)
Italy	0.5	0.5 (0.5)	0.4 (0.6)	0.9 (0.9)
Spain	3.5	2.8 (2.4)	1.9 (1.8)	1.6 (1.8)
Estonia	-0.1	0.6 (0.6)	2.3 (2.0)	2.6 (2.3)
Latvia	0.0	1.3 (0.9)	2.3 (2.3)	2.5 (2.5)
Lithuania	3.0	2.5 (2.6)	3.2 (3.2)	2.3 (2.0)
Sweden	0.8	1.2 (1.0)	2.4 (2.3)	2.2 (2.2)
United Kingdom	1.1	1.5 (1.2)	0.9 (1.1)	1.4 (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)	0.8	1.2 (1.0)	2.4 (2.3)	2.2 (2.2)
Real GDP growth per capita (calendar-adjusted)	0.5	1.0 (0.8)	2.2 (2.1)	2.1 (2.0)
Real GDP growth	0.8	1.0 (0.8)	2.7 (2.5)	2.4 (2.4)
Household consumption	0.6	1.4 (0.7)	3.0 (2.9)	2.7 (2.7)
Government consumption	1.2	0.6 (0.7)	2.3 (2.2)	1.9 (1.8)
Gross fixed capital formation	0.0	0.0 (-2.4)	3.4 (3.1)	3.6 (3.8)
private excluding housing	2.4	-0.4 (-3.9)	3.0 (2.0)	3.0 (3.0)
public & NPISH	2.6	0.1 (0.5)	5.0 (4.4)	4.6 (4.6)
housing	-15.0	1.5 (0.8)	2.5 (6.7)	5.0 (6.1)
Exports, goods and services	2.0	4.1 (3.5)	2.6 (2.0)	2.5 (2.5)
Imports, goods and services	2.3	4.6 (1.7)	3.1 (2.7)	3.0 (3.1)
Change in inventories (contribution to GDP)	0.4	0.4 (-0.2)	0.0 (0.2)	0.0 (0.0)
Domestic demand, excl. inventories (contribution to GDP)	0.6	0.8 (-0.1)	2.8 (2.6)	2.6 (2.6)
Net exports (contribution to GDP)	-0.1	-0.1 (1.0)	-0.2 (-0.3)	-0.2 (-0.3)
CPI (average)	2.9	0.7 (0.5)	0.5 (0.6)	1.9 (2.2)
CPIF (average)	1.9	2.6 (2.5)	1.0 (1.5)	1.8 (2.2)
CPIF excluding energy (average)	2.7	2.8 (2.8)	1.2 (1.8)	1.7 (2.1)
Riksbank policy rate (December)	2.50	1.75 (1.50)	1.75 (1.50)	2.00 (1.75)
Unemployment (% of labour force, 15-74)	8.4	8.7 (8.7)	8.4 (8.5)	7.8 (7.9)
Change in labour force (15-74)	0.2	0.7 (0.7)	0.3 (0.3)	0.4 (0.4)
Change in employment (15-74)	-0.6	0.3 (0.3)	0.7 (0.5)	1.0 (1.0)
Employment rate (15-74)	69.0	68.9 (68.9)	69.3 (69.2)	69.9 (69.8)
Number of hours worked (calendar-adjusted)	-0.3	-0.2 (0.3)	1.1 (0.7)	1.0 (1.0)
Nominal hourly wage (NMO, whole economy)	4.1	3.6 (3.6)	3.4 (3.4)	3.3 (3.3)
Household real disposable income	0.8	2.3 (2.8)	2.8 (2.5)	2.4 (2.6)
Household own savings (% of disposable income)	6.4	7.2 (8.2)	6.9 (7.9)	6.6 (7.8)
Balance of goods and services (% of GDP)	2.7	2.2 (2.9)	2.2 (3.0)	2.1 (3.0)
Current account balance (% of GDP)	5.4	5.4 (5.5)	5.0 (5.5)	4.7 (5.1)
General government budget balance (% of GDP)	-1.6	-0.9 (-1.1)	-1.9 (-1.2)	-1.7 (-1.0)
General government debt (Maastricht, % of GDP)	34.0	34.2 (33.7)	35.3 (34.2)	36.5 (34.4)

Preceding forecast in parentheses

Sources: Statistics Sweden & Swedbank Research



Interest and exchange rate forecasts

	Outcome 2025 31 Oct	Forecast 2025 31 Dec	2026 30 Jun	2026 31 Dec	2027 31 Dec
Policy rates (%)					
Federal Reserve, USA (upper bound)	4.00	3.75	3.25	3.25	3.25
European Central Bank (refi rate)	2.15	2.15	1.90	1.90	1.90
European Central Bank (deposit rate)	2.00	2.00	1.75	1.75	1.75
Bank of England	4.00	3.75	3.25	3.00	3.00
Riksbank	1.75	1.75	1.75	1.75	2.00
Norges Bank	4.00	4.00	3.50	3.25	3.25
Government bond rates (%)					
US 2y	3.60	3.50	3.40	3.40	3.40
US 5y	3.71	3.60	3.50	3.50	3.50
US 10y	4.11	4.00	4.00	4.00	4.00
Germany 2y	1.98	1.90	1.70	1.70	1.80
Germany 5y	2.25	2.20	2.10	2.10	2.20
Germany 10y	2.63	2.60	2.50	2.50	2.50
Exchange rates					
EUR/USD	1.15	1.16	1.18	1.20	1.22
EUR/GBP	0.88	0.87	0.87	0.87	0.86
EUR/SEK	10.93	10.85	10.75	10.70	10.60
EUR/NOK	11.65	11.50	11.40	11.30	11.20
USD/SEK	9.46	9.35	9.11	8.92	8.69
USD/CNY	7.11	7.12	7.10	7.10	7.10
USD/JPY	154.0	150.0	147.0	144.0	135.0
NOK/SEK	0.94	0.94	0.94	0.95	0.95
KIX (Trade-weighted SEK)	117.2	116.4	115.0	114.0	112.6

Sources: Swedbank Research & Macrobond

Swedish interest rate forecasts (%)

	Outcome 2025 31 Oct	Forecast 2025 31 Dec	2026 30 Jun	2026 31 Dec	2027 31 Dec
STIBOR 3m	1.94	1.85	1.85	1.85	2.10
Government bond yields					
2y	1.94	1.90	1.90	1.90	2.20
5y	2.22	2.20	2.20	2.30	2.40
10y	2.63	2.60	2.60	2.50	2.50
Swap rates					
2y	2.09	2.10	2.10	2.10	2.50
5y	2.36	2.40	2.40	2.50	2.70
10y	2.68	2.70	2.80	2.70	2.80

Sources: Swedbank Research & Macrobond