

Press release

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Swedbank Economic Outlook: Towards better times

Uncertainty has risen again following the threat of new tariffs against several EU member states, including Sweden. The impact on the global economy and on security is uncertain, but the Swedish economic recovery will continue, driven by rising household consumption and investment, according to Swedbank Economic Outlook.

The threat of new tariffs against European countries – in response to their support of Denmark and Greenland – has led to increased uncertainty regarding the economic outlook.

“The Swedish economic recovery will continue despite the threat of new tariffs from the US administration. It’s the domestic economy that will drive the recovery in Sweden. But if tariffs are imposed, together with potential retaliation, the risk is that they will weaken the recovery. Overall, downside risks dominate,” says Mattias Persson, Group Chief Economist, Swedbank.

Lower inflation, higher wages and tax cuts will cause household purchasing power to increase by almost 3 per cent in 2026. This will provide scope for higher consumption in Sweden.

“Household consumption has picked up, and the conditions for a continued increase appear favourable going forward. Household incomes are rising relatively quickly, and we expect consumption to rise in line with incomes. This will be an important driver for growth. At the same time, savings will remain on a historically high level,” says Mattias Persson, Group Chief Economist, Swedbank.

The Swedish labour market gains strength on a broad scale

Unemployment is high, but the situation on the Swedish labour market will brighten in 2026 as the economic recovery continues.

“It will take time for the Swedish labour market to recover. Rising employment will contribute to a decline in the unemployment rate, to 7.8 per cent at the end of 2027. The economic recovery will only reduce unemployment to a certain extent and additional policy measures will be needed to reduce structural unemployment,” says Mattias Persson.

A lukewarm housing market in Sweden

Housing prices were relatively stable during 2025, and Swedbank expects continued cautious price developments early this year. During the second half of the year, housing

prices will pick up somewhat, supported by stronger purchasing power and the easing of mortgage regulations.

“The high supply of unsold apartments is holding prices down,” says Mattias Persson. “However, as households’ financial position improves, we can expect to see a gradual rise in prices during the next two years. In 2027, we anticipate that Swedish housing prices will rise by about 4 per cent. We expect a cautious recovery for the housing market, given that households have recently experienced rapid increases in inflation and interest rates.”

The Riksbank is not in a hurry

The inflation outlook for Sweden is bright. The temporary reduction in the value-added tax on food, combined with the appreciation of the Swedish krona, will cause inflation to remain below the inflation target of 2 per cent. The Riksbank will disregard the temporary effect of the reduction in VAT on food and will focus on the inflation outlook for 2027.

“Stronger Swedish growth will mean that the Riksbank has no reason to hike the policy rate in the near future,” says Mattias Persson. “The recession won’t be over until towards the end of 2026, when resource utilisation will have normalised, and we won’t see a clear economic upswing until the end of 2027. That’s why we expect the Riksbank to leave the policy rate unchanged until September 2027, when it will hike the rate to 2 per cent. At the same time, the escalating conflict between the US and the EU could have an impact on circumstances for the Riksbank and motivate a lower policy rate.”

Swedish fiscal policy will become more expansive; investments gain momentum

Swedish fiscal policy will be expansive this year, and given that it is an election year, Swedbank expects additional measures amounting to SEK 5–10 billion in the spring budget. Next year, the scope for reform in the budget, in addition to already approved increases in spending, will be limited to approximately SEK 20 billion.

“Expansive fiscal policy will provide much-needed support for household consumption as well as for investments, leading to a brighter outlook for the Swedish economy,” says Mattias Persson. “We expect a significant increase in public investment, driven primarily by increased investments in defence but also by investments in infrastructure.”

The Swedish economy gears up

Driven by household consumption and public investment, the Swedish economy is heading towards better times and high growth in an international context. Swedbank expects the Swedish economy to grow by 2.6 per cent in 2026 and by 2.2 per cent in 2027.

The report is attached to this press release and is available on Swedbank’s website, www.swedbank.com/seo.

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Tabellbilaga.

Swedbank's GDP forecast

Annual % change, calendar-adjusted	2024	2025F	2026F	2027F
US	2.8	2.2 (2.0)	2.4 (1.7)	2.0 (2.0)
China	5.0	5.0 (5.0)	4.5 (4.3)	4.2 (4.0)
Euro area	0.8	1.5 (1.4)	1.2 (1.1)	1.5 (1.6)
Germany	-0.5	0.3 (0.3)	0.9 (0.8)	1.4 (1.6)
France	1.1	0.8 (0.8)	0.9 (0.7)	1.1 (1.1)
Italy	0.5	0.6 (0.5)	0.6 (0.4)	0.9 (0.9)
Spain	3.5	2.9 (2.8)	2.2 (1.9)	1.7 (1.6)
Estonia	-0.1	0.6 (0.6)	2.3 (2.3)	2.6 (2.6)
Latvia	0.0	1.7 (1.3)	2.3 (2.3)	2.5 (2.5)
Lithuania	3.0	2.5 (2.5)	3.5 (3.2)	2.5 (2.3)
Finland	0.4	0.1 (-)	1.2 (-)	1.6 (-)
Sweden	1.0	1.8 (1.2)	2.6 (2.4)	2.2 (2.2)
Norway	0.6	1.6 (2.0)	1.4 (1.5)	1.4 (1.5)
United Kingdom	1.1	1.4 (1.5)	1.0 (0.9)	1.5 (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	1.8 (1.2)	2.6 (2.4)	2.2 (2.2)
Real GDP growth per capita (calendar-adjusted)	0.6	1.6 (1.0)	2.4 (2.2)	2.1 (2.1)
Real GDP growth	0.9	1.5 (1.0)	2.9 (2.7)	2.5 (2.4)
Household consumption	0.6	1.5 (1.4)	3.0 (3.0)	2.4 (2.7)
Government consumption	1.0	0.5 (0.6)	2.4 (2.3)	2.0 (1.9)
Gross fixed capital formation	0.2	0.9 (0.0)	3.5 (3.4)	4.1 (3.6)
private excluding housing	2.7	0.7 (-0.4)	3.4 (3.0)	3.1 (3.0)
public & NPISH	2.6	1.1 (0.1)	5.0 (5.0)	6.5 (4.6)
housing	-15.1	1.7 (1.5)	2.4 (2.5)	5.0 (5.0)
Exports, goods and services	2.4	5.2 (4.1)	4.2 (2.6)	3.0 (2.5)
Imports, goods and services	2.4	4.7 (4.6)	4.3 (3.1)	3.5 (3.0)
Change in inventories (contribution to GDP)	0.4	0.1 (0.4)	-0.1 (0.0)	0.0 (0.0)
Domestic demand, excl. inventories (contribution to GDP)	0.6	1.1 (0.8)	2.9 (2.8)	2.6 (2.6)
Net exports (contribution to GDP)	0.0	0.4 (-0.1)	0.1 (-0.2)	-0.2 (-0.2)
CPI (average)	2.9	0.7 (0.7)	0.4 (0.5)	1.6 (1.9)
CPIF (average)	1.9	2.6 (2.6)	1.0 (1.0)	1.5 (1.8)
CPIF excluding energy (average)	2.7	2.8 (2.8)	1.1 (1.2)	1.8 (1.7)
Riksbank policy rate (December)	2.50	1.75 (1.75)	1.75 (1.75)	2.00 (2.00)
Unemployment (% of labour force, 15-74)	8.4	8.8 (8.7)	8.7 (8.4)	8.0 (7.8)
Labour force (15-74)	0.2	0.8 (0.7)	0.7 (0.3)	0.3 (0.4)
Employment (15-74)	-0.6	0.3 (0.3)	0.9 (0.7)	1.0 (1.0)
Employment rate (% of population, 15-74)	69.0	68.9 (68.9)	69.4 (69.3)	70.1 (69.9)
Number of hours worked (calendar-adjusted)	-0.3	0.0 (-0.2)	1.3 (1.1)	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	0.9	2.0 (2.3)	3.2 (2.8)	2.1 (2.4)
Household own savings (% of disposable income)	6.7	7.1 (7.2)	7.3 (6.9)	7.0 (6.6)
Balance of goods and services (% of GDP)	2.8	2.6 (2.2)	2.6 (2.2)	2.2 (2.1)
Current account balance (% of GDP)	6.0	6.0 (5.4)	5.3 (5.0)	4.6 (4.7)
General government budget balance (% of GDP)	-1.6	-0.8 (-0.9)	-2.0 (-1.9)	-2.2 (-1.7)
General government debt (Maastricht, % of GDP)	34.0	34.2 (34.2)	35.5 (35.3)	36.6 (36.5)

Preceding forecast in parentheses

Sources: Statistics Sweden & Swedbank Research



Interest and exchange rate forecasts

	Outcome 2026 19 Jan	Forecast 2026 30 Jun	2026 31 Dec	2027 30 Jun	2027 31 Dec
Policy rates (%)					
Federal Reserve, USA (upper bound)	3.75	3.50	3.25	3.25	3.25
European Central Bank (refi rate)	2.15	2.15	2.15	2.15	2.15
European Central Bank (deposit rate)	2.00	2.00	2.00	2.00	2.00
Bank of England	3.75	3.50	3.25	3.25	3.25
Riksbank	1.75	1.75	1.75	1.75	2.00
Norges Bank	4.00	3.75	3.50	3.25	3.25
Government bond rates (%)					
US 2y	3.59	3.40	3.40	3.40	3.40
US 5y	3.82	3.70	3.60	3.60	3.60
US 10y	4.24	4.20	4.20	4.20	4.20
Germany 2y	2.08	2.10	2.10	2.20	2.20
Germany 5y	2.38	2.40	2.40	2.40	2.40
Germany 10y	2.79	2.80	2.80	2.80	2.80
Exchange rates					
EUR/USD	1.16	1.18	1.20	1.21	1.22
EUR/GBP	0.87	0.88	0.87	0.86	0.86
EUR/SEK	10.73	10.70	10.60	10.55	10.50
EUR/NOK	11.73	11.50	11.40	11.30	11.20
USD/SEK	9.23	9.07	8.83	8.72	8.61
USD/CNY	6.97	6.80	6.70	6.70	6.70
USD/JPY	158.1	150.0	145.0	140.0	135.0
NOK/SEK	0.91	0.93	0.93	0.93	0.94
KIX (trade-weighted SEK)	115.1	114.8	113.6	112.9	112.2

Sources: Swedbank Research & Macrobond

Swedish interest rate forecasts (%)

	Outcome 2026 19 Jan	Forecast 2026 30 Jun	2026 31 Dec	2027 30 Jun	2027 31 Dec
STIBOR 3m	1.96	1.85	1.85	1.85	2.10
Government bond yields					
2y	2.06	2.00	2.10	2.10	2.20
5y	2.40	2.40	2.40	2.40	2.40
10y	2.85	2.80	2.80	2.80	2.80
Swap rates					
2y	2.15	2.20	2.30	2.30	2.40
5y	2.53	2.60	2.60	2.60	2.60
10y	2.90	2.90	3.00	3.00	3.00

Sources: Swedbank Research & Macrobond