

November 2025

Swedbank Economic Outlook



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Global resilience prevails for now, but risks are lurking

Global growth has been more resilient than expected so far this year, despite the impact of new tariffs and a high level of uncertainty. Economic growth has slowed down in the US and China, but the global outlook appears slightly more positive for the near future, although it remains subdued. In the Nordic and Baltic economies, the outlook is brighter, with growth expected to pick up more noticeably in the years to come.

The global economy is still adjusting to an economic environment that is being reshaped by new policy measures and changes to trade flows. Uncertainty remains extensive, and financial markets, with equities reaching new highs and credit spreads tight, appear priced for perfection. The outlook could change rapidly on the back of the risk of stretched asset valuations, escalated trade tension between the US and China, and US Supreme Court rulings on tariffs and on the independence of the Federal Reserve.

Fiscal vulnerabilities have increased globally as debt levels have continued to rise. According to the International Monetary Fund, debt levels are forecasted to increase even further. Global public debt is forecasted to rise above 100% by 2029, the highest level since 1948. Furthermore, the risk is that debt accumulation will take

place even faster, and public finances are already strained in many economies.

Debt accumulation will continue to rise in many countries due to increased spending on defence and security. Furthermore, rising expenditure related to natural disasters, climate change and shifting demographics will add to public spending demands. Also, in some countries pension systems may not be sustainable, putting additional strain on public finances.

Yield curves have steepened sharply, and their path forward is highly uncertain. Larger debt-servicing costs are already making an impact, and there is a risk that excessive debt could constrain monetary policy in a few years' time if debt levels become unsustainable.



Mattias Persson

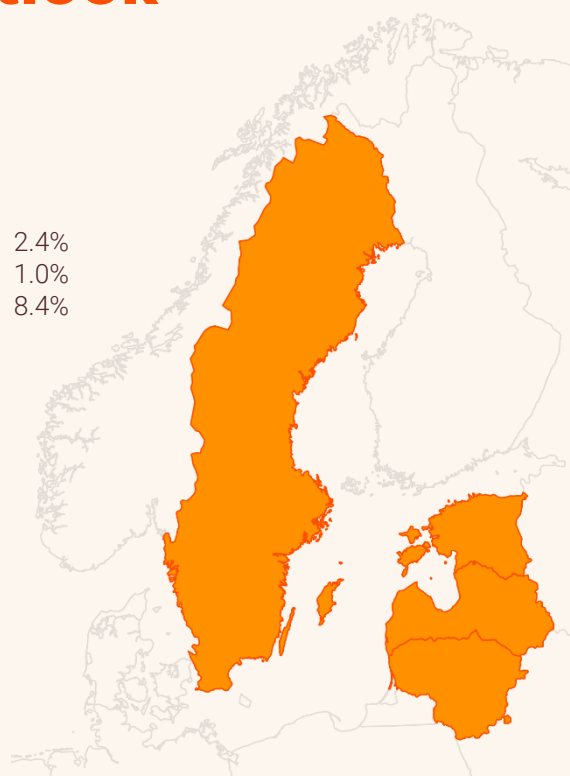
Group Chief Economist, Swedbank

1.1%GDP growth in 2026
in the euro area**15-20%**Assumed average
US tariffs on
trading partners**4.0%**US government
bond yield,
December 2026**1.75%**ECB deposit rate
(after final cut in
March 2026)**Recovery**Higher GDP growth in
2026 in Sweden
and the Baltics**1.20**EUR/USD,
December 2026

2026 Outlook

Sweden

GDP: 2.4%
Inflation (CPIF): 1.0%
Unemployment: 8.4%



Estonia

GDP: 2.3%
Inflation: 3.0%
Unemployment: 7.3%

Latvia

GDP: 2.3%
Inflation: 3.0%
Unemployment: 6.4%

Lithuania

GDP: 3.2%
Inflation: 3.3%
Unemployment: 7.1%



Global outlook

Tariffs and uncertainty

On average, US import tariffs have increased from 2.4% at the beginning of this year to 15-20% at the end of October. We assume that current tariff levels will remain in effect during our forecast horizon. The uncertainty regarding terms and conditions for trade will, however, continue.

Subdued global growth

Global trade tensions and strained public finances are expected to weigh on global growth ahead, although the macroeconomic effects have so far been milder than anticipated. Growth in the US, euro area and China is set to slow in 2026.

Euro area – decent prospects

Although many manufacturers are struggling to adapt to new US tariffs while facing increased competition from China, the prospects are better for domestic demand. The latter will grow due to low inflation, lower interest rates and rising defence expenditures.



Financial markets

Fed will continue to ease rates

Although inflation remains somewhat elevated, and will most likely edge even higher, we forecast that the Fed will continue to cut rates on the back of a weakening labour market. In the euro area, the inflation outlook remains benign, and we expect the ECB to make a final cut for this cycle in March 2026.

Bond yields will be unchanged

Bond yields are expected to remain largely unchanged at current levels during our forecast horizon. Lower growth and policy rates in the US will put downward pressures on yields, while continued large budget deficits, both in the US and in Europe, will work in the other direction.

US dollar to depreciate more

We expect the dollar to depreciate further on the back of continued Fed rate cuts and lower US growth. The SEK is expected to continue to strengthen somewhat going forward, also vis-à-vis the euro, thanks to a relatively more benign growth outlook in Sweden compared with the euro area.



Sweden

The recovery has begun

The economy has improved during the autumn and will gain further momentum ahead. Stronger household purchasing power will boost consumption while investments grow further, particularly within the public sector. However, export growth is projected to remain relatively low. The labour market will recover gradually as from next year.

Fiscal easing in 2026

Ahead of next year's elections, the government bill for the 2026 budget included unfunded measures amounting to SEK 80 billion (1.2% of GDP), excluding increased spending on defence and Ukraine. The expansionary budget bill will provide a temporary boost to growth. The Riksbank will stay on hold until the end of 2027.

Sleepy housing market

The housing market remains lukewarm. A continued high supply on the secondary market is keeping a lid on prices, but as household purchasing power strengthens further, we see a rise in housing prices – by 2% next year and 4% in 2027. A pick-up in construction does not seem imminent, and we expect only modest growth ahead.



Baltics

Domestic demand-driven growth

Household consumption will start growing in Latvia and Estonia next year and will accelerate further in Lithuania (partially thanks to withdrawals from second-pillar pension funds). Inflation is expected to ease somewhat but will remain at or slightly above 3% in all three countries.

More investments

Supported by real wage growth and lower rates, household investments in housing have recovered rapidly and are likely to continue growing. Public and private investments are also likely to continue growing, not least because of larger investments in defence.

Ballooning deficits

All three Baltic countries will increase their defence spending to around or above 5% of GDP in 2026. Much of this rapid ramp-up in spending will be financed by larger budget deficits. Debt-to-GDP ratios will remain among the EU's lowest, but the reckoning on how to balance public finances will have to start sooner rather than later.

Foggy outlook, frothy markets

Global trade tensions and strained public finances are expected to weigh on global growth going forward, although the macroeconomic effects have so far been milder than anticipated. Growth in the US, euro area and China is set to slow in 2026. The Federal Reserve will continue along its easing path, while the European Central Bank is almost at the end of its rate-cutting cycle.

So far, so good

The global economy has shown remarkable resilience so far this year. In the US, GDP has exceeded expectations thanks to accelerating investments in artificial intelligence, although there are signs that the economy has cooled down this year. The euro area economy expanded during the first three quarters of the year, and recent activity indicators suggest that the region remains on a steady growth trajectory. Meanwhile, China's economy has slowed this year but has still grown with sufficient resilience to be on track to reach the target of "around 5%" growth.

Global trade has held up well, even in the face of rising tariffs and geopolitical tensions. In the first quarter, trade was buoyed by pre-tariff shipments to the US, and since then growth has increasingly shifted towards markets outside the US, reflecting a reorientation of trade flows. Countries such as China, Canada and Germany have experienced sharp declines in exports to the US but have simultaneously strengthened trade ties with other regions. The full impact of tariffs set by the US has yet to materialise.

More headwinds ahead

Trade tensions escalated during the autumn. The US President announced new sectoral tariffs on products such as pharmaceuticals and wood. The EU has also added to the trade tensions, with the European Commission proposing increased tariffs on steel imports in an effort to protect European producers.

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

After the US expanded its export control restrictions to include subsidiaries of companies that were already facing controls, China announced more export controls on rare-earth metals and related technologies. Stricter Chinese export controls on rare earth metals would disrupt supply chains across key sectors such as automotives, defence and technology. China mines around 70% of the world's rare earth metals and refines nearly all of them, as highlighted in our [analysis earlier this year](#). While the short-term GDP impact should be limited, the long-term consequences may be larger, including lower investment and higher input costs.

The recent meeting between US President Trump and Chinese President Xi resulted in a temporary ceasefire and, seemingly, an agreement to pause the abovementioned controls for a year. This is good news, although trade tensions will remain elevated.

A fragile ceasefire

Fiscal dominance is back on the agenda, as almost all G7 countries face unsustainable fiscal paths, marked by large deficits and rising borrowing costs. In France, fiscal pressures have intensified the political turbulence. The new Prime Minister's proposal to suspend the pension reform implemented in 2023 has led to short-term political stability, but at the cost of medium-term fiscal sustainability. In the UK, a widening deficit reflects higher debt-service costs and the reversal of planned welfare cuts, compounded by a downgrade in potential productivity growth.

Fiscal worries

Assumptions

- US tariffs on imports are expected to average 15-20% during our forecast horizon.
- The EU-US trade agreement with a maximum US tariff rate of 15% is expected to broadly hold. The EU will not introduce sweeping tariffs, although higher steel tariffs will be implemented next year.
- The recent de-escalation in the trade conflict between the US and China is expected to hold during the forecast period, although the uncertainty surrounding bilateral trade between the countries is likely to persist and the trade war could very well flare up again.
- The Federal Reserve will remain independent, continuing to base its decisions on the macroeconomic outlook.
- The US government shutdown is assumed to have limited economic impact, with lost activity almost fully recovered in the quarter following the end of the shutdown.

The UK's autumn budget, due at the end of November, is expected to be contractionary, likely including tax hikes and backloaded spending cuts to avoid weighing too much on near-term growth. In the US, the budget deficit will widen further as tariff revenues will not be large enough to offset upcoming tax cuts.

On the whole, public finances remain under strain in many countries and could face renewed scrutiny in sovereign bond markets, although central banks will likely intervene to avoid distressed markets. In the longer term, higher inflation may become a more tempting tool for policymakers to soften the debt burden, thus raising the risk of political pressure on central banks to tolerate it.

Overall, the global outlook remains subdued, as trade barriers, strained public finances and elevated geopolitical uncertainty are expected to weigh on growth. Risks remain skewed to the downside. Record-high stock markets are vulnerable to a sharp correction if AI-related earnings and expected productivity gains fall short, potentially ending the current investment boom and posing risks to financial stability. Renewed stress in the US regional banking sector re-emerged in mid-October. If further signs of underlying fragilities appear, they could trigger a risk-off episode in financial markets.

US institutional stability is also under scrutiny, with the Supreme Court set to rule on two key cases that could redefine presidential powers—one concerning tariff authority, and another involving the attempted dismissal of Federal Reserve Governor Lisa Cook. These decisions could have far-reaching implications for Fed independence and executive authority.

Downside risks

There are also upside risks to our forecast. Productivity growth could surprise positively, particularly if AI adoption proves more impactful than expected. Additionally, growth could be stronger if households in Europe or the US become more inclined to spend.

Global trade resilient so far

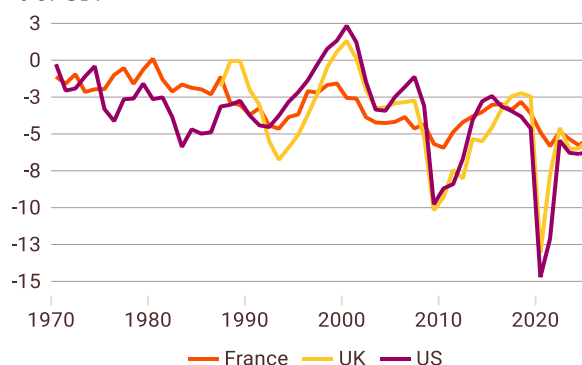
Index (2019=100), volume, sa



Sources: Swedbank Research & Macrobond

Budget deficits are growing

% of GDP



Sources: AMECO, CBO, Swedbank Research & Macrobond

The US, China, and euro area will slow down in 2026

The US economy is expected to grow at around or slightly below 2% this year and in 2026, somewhat higher than our latest projections, but still at a slower pace than in recent years. The tariff-induced slowdown has so far been milder than expected, as AI and tech investments have been propping up growth together with a solid rise in consumption.

Going forward, the contribution from businesses' fixed investments to growth is assumed to ease as the pre-tariff frontloading of equipment investments fades, while high interest rates and tariffs as well as the associated trade policy uncertainty weigh more broadly on overall investments. We also believe that the impact from tariffs and reduced immigration will become more visible and weigh on the economy in both the short and long term.

In addition, the US labour market has clearly weakened, although the most recent data has not yet been published due to the government shutdown. Together with slower real disposable income growth, this will weigh on household spending in the near term. On the other hand, lower interest rates, relaxed regulations and tax cuts will support both firms and households next year, which will help soften the slowdown.

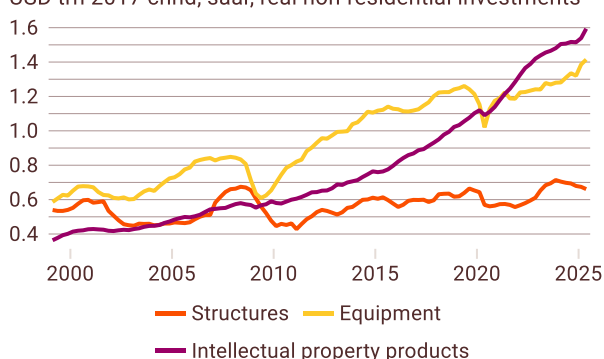
We forecast that euro area GDP growth will slow down slightly to 1.1% in 2026, before accelerating in 2027. Lower inflation, lower interest rates and record-high employment are supporting a recovery in household consumption. The pickup in 2027 will be driven by a faster rollout of public investments in defence and infrastructure. So far, investment growth has been led by Spain and Italy, supported by the EU Recovery and Resilience Facility. With a large share of funding still to be disbursed, some southern European economies as well as the Baltic countries are likely to gain momentum next year. In contrast, German investments have declined in

recent years but are expected to recover rather robustly. Germany's cumulative deficits are projected to exceed 15% of GDP during the next four years, echoing the size of the fiscal stimulus that took place during the years after reunification. However, bureaucratic hurdles and labour shortages may slow the pace of recovery.

The Chinese economy is on track to grow 5% this year, although recent data suggests that the economy has cooled. While domestic demand has weakened, China's export sector has continued to benefit from trade restructuring. We still expect to see gradually lower growth in the coming years, notably because demographic headwinds such as a shrinking population are expected to weigh on potential growth.

Booming AI investments in the US

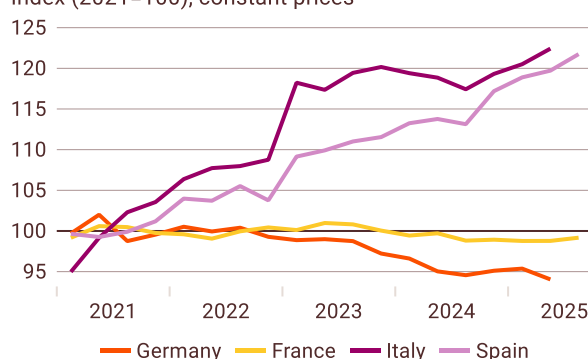
USD trn 2017 chnd, saar, real non-residential investments



Sources: Swedbank Research & Macrobond

Investment boom in Southern Europe

Index (2021=100), constant prices



Sources: Swedbank Research & Macrobond

Fed continues easing path, ECB nears end of rate cuts

Core goods prices are rising in the US, indicating that tariffs are already having an impact. We expect further pass-through from tariffs, which will likely maintain their upward pressure on goods prices in the coming months. However, services inflation is expected to ease due to weaker wage growth and easing housing inflation, which will put a lid on the overall inflation rate. We forecast that core inflation will edge slightly higher and remain elevated at just over 3% in the first half of next year. In the euro area, meanwhile, inflation pressures are expected to ease in 2026, supported by falling import prices, a strong euro and slower wage growth. The increase in steel tariffs will have only a minor impact, as steel imports account for less than 2% of the EU's total imports, while the redirection of Chinese exports from the US to Europe could put downward pressure on goods prices.

While the Fed resumed rate cuts in September and October, the ECB remains in wait-and-see mode. Markets no longer expect the ECB to cut rates during this cycle, but we are still forecasting one more cut in March of 2026. Growth risks remain tilted to the downside in our view, particularly due to persistent trade tensions that could weigh on exporters. Also, we expect inflation to surprise the ECB on the downside next year. The Fed, meanwhile, has flagged risks to the labour market. Given our expectation

3

**more cuts
from the Fed**

that labour market conditions will continue to weaken, we anticipate another Fed rate cut in December and two additional cuts in 2026, even as inflation remains elevated.

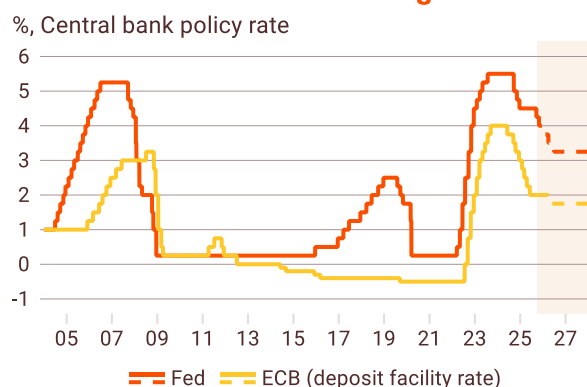
Stable bond yields despite continued large budget deficits

Government bond yields are expected to remain at around current levels during our forecast horizon, although short-term volatility may be high. Lower growth and policy rates in the US are expected to hold down yields, while continued large budget deficits in the US, as well as in many EU countries, could put upward pressure on yields.

We expect the dollar to depreciate further during our forecast horizon on the back of slowing US growth and Fed rate cuts. Continued domestic policy uncertainty could also weigh on the dollar's value. The Swedish krona is expected to continue to strengthen somewhat going forward, also vis-à-vis the euro, thanks to a relatively benign growth outlook.

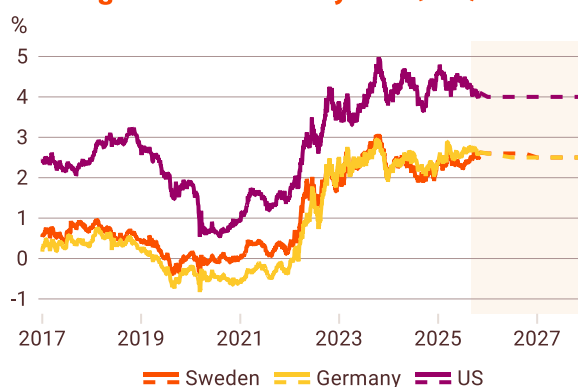
USD expected to weaken further

Central banks maintain an easing bias



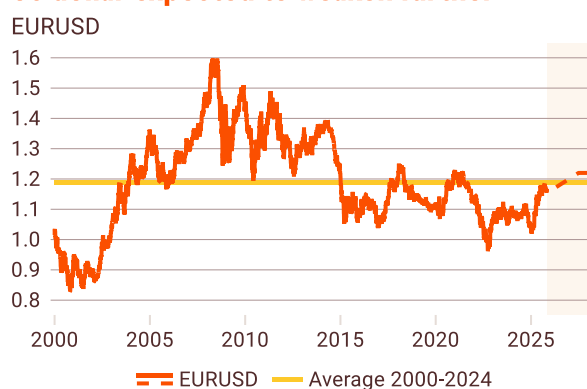
Sources: Swedbank Research & Macrobond

Stable government bond yields (10Y)



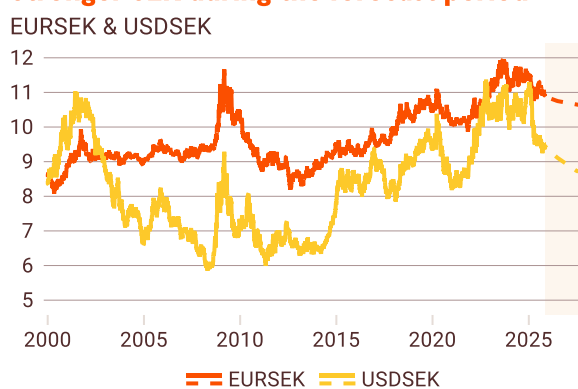
Sources: Swedbank Research & Macrobond

US dollar expected to weaken further



Sources: Swedbank Research & Macrobond

Stronger SEK during the forecast period



Sources: Swedbank Research & Macrobond

The recovery has begun

The economy has improved during the autumn, and the recovery is expected to continue in 2026 and 2027. Declining inflation and interest rates, combined with tax reductions, are contributing to increased household purchasing power. Investment activity is accelerating, particularly within the public sector. However, it will take until the end of 2027 before resource utilisation normalises and the Riksbank raises the policy rate. Inflation prospects are benign, and the krona is expected to appreciate a bit more.

GDP boost

Despite the impact of tariffs and global uncertainty, world trade and Swedish exports have remained resilient so far. Total export volumes of goods increased somewhat between the second and third quarter this year. Thus, there are no clear indications of a slowdown in total exports following the tariffs introduced in the spring, although exports to the United States and in certain sectors have declined. Looking ahead, however, export growth is expected to weaken due to the impact of the tariffs and a subdued outlook among several key trading partners. Exports of goods and services are projected to grow by approximately 2.5% annually, which is below the ten-year average of 4%.

Investment activity is expected to accelerate in the coming period. In 2026, public investment as a share of GDP is forecasted to reach its highest level since at least 1980, driven by substantial spending on defence, security, and transport infrastructure. Municipal investments, including in water and sewage systems, are also increasing. Following a weak performance in 2025, business investment is recovering and is expected to grow by around 3% per year. After several years of stagnation, increasingly clear signs indicate that household consumption has begun to recover.

Sweden (%)	2025	2026	2027
Real GDP	1.2	2.4	2.2
CPIF inflation	2.6	1.0	1.8
Unemployment	8.7	8.4	7.8
Policy rate (EOP)	1.75	1.75	2.00

Record-high public investments

In August, household consumption rose by 2.5% compared with the corresponding month last year, while retail trade increased by 4.4%. Household sentiment has improved, and purchasing power is expected to strengthen further due to rising wages, tax reductions and declining interest expenses. Household consumption is projected to grow by 3% in the coming year. This aligns with income developments, implying that the household savings ratio—savings as a share of disposable income—will remain at a historically elevated level.

**Household savings
remains high**

According to preliminary data, GDP was 2.4% higher in the third quarter compared with the corresponding period last year. The economy is expected to continue growing slightly above trend for the remainder of the year. The recovery is anticipated to continue in 2026, with GDP growth forecast at 2.4%, followed by 2.2% in 2027 (calendar-adjusted).

Residential construction will remain subdued

Housing investment has not yet shown signs of recovery. Although interest rates have declined, construction firms continue to face financial challenges due to elevated material costs and extended lead times. According to Statistics Sweden, the weighted construction cost for an apartment building in September was 34% higher than five years ago, while material costs have increased by 43% during the same period. Meanwhile, housing demand remains subdued, and the number of homes listed on the secondary market continues to be high. The need for new residential construction is further constrained by slower population growth.

29 000

**Housing starts
expected in 2026**

Overall, housing starts are now expected to total 29,000 units in 2026 and 31,000 units in 2027. This is slightly below previous projections and represents only a modest increase compared with the pace of construction in recent years. House prices have been rather stable in 2025. The large number of houses and apartments for sale is expected to keep prices down in the near term, but we expect gradually rising prices in 2026 and 2027 as household finances improve. We forecast that housing prices will increase by 2% next year and by another 4% in 2027.

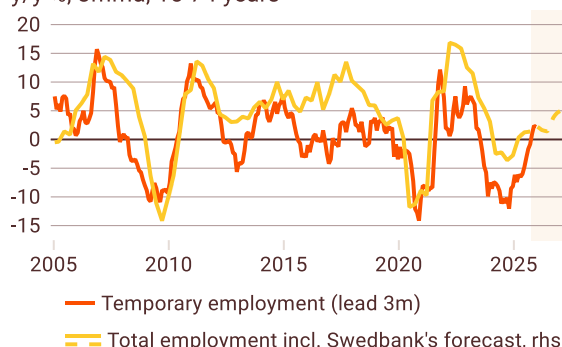
The labour market will improve in 2026

Following several years of rising unemployment and declining employment, the labour market appears to have stabilised. In recent months, both the employment rate and the unemployment rate have remained relatively unchanged. An increase has begun to be seen again in the number of temporary workers, which has historically served as a reliable indicator of broader employment trends. In addition, employment has risen in Sweden's three metropolitan regions so far this year. Nevertheless, most indicators—such as employment plans within the business sector—do not suggest that a rebound is imminent. A gradual improvement in the labour market is therefore expected to begin next year, once the economic recovery has gained traction. However, it will take until 2028, after our forecast period, before unemployment returns to the level seen in the beginning of 2023 when the upswing began.

**Unemployment will
remain high
in 2026 and 2027**

Temporary employment is finally increasing

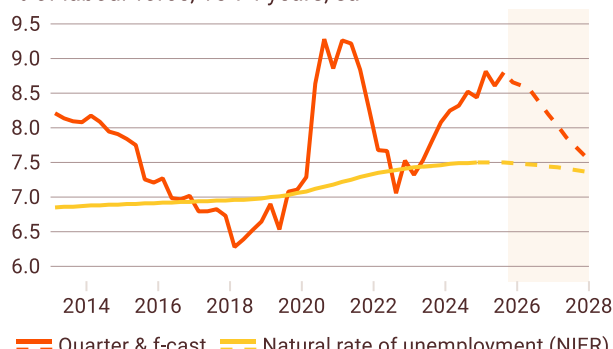
y/y %, 3mma, 15-74 years



Sources: Swedbank Research & Macrobond

Unemployment will decrease - still elevated

% of labour force, 15-74 years, sa



Sources: Swedbank Research & Macrobond

Lower inflation, Riksbank in standby mode

The inflation outlook has improved. Following temporarily elevated inflation during the summer, the inflation rate has declined. Headline inflation, measured by CPI, is expected to fluctuate between 0% and 1% during the coming year. However, this is largely attributable to falling interest rates. Inflation measured by the Riksbank's target variable—CPI with a fixed interest rate—is expected to decline well below 2% next year. The appreciation of the krona is contributing to reduced inflationary pressures. The halving of value-added tax (VAT) on food, from 12% to 6%, which will take effect in April next year, is expected to have a near-complete pass-through to food prices and will therefore temporarily lower inflation further. The Riksbank is, however, expected to disregard this, and the underlying inflation, excluding energy and food VAT, is expected to stay close to 2% throughout the forecast horizon.

With inflation near target and economic activity clearly improving in 2026, there will be no reason for the Riksbank to adjust the policy rate. The policy rate is therefore expected to remain unchanged at 1.75% until the end of 2027. At that time, we anticipate an increase to 2.00%, which is also our view of a normal policy rate for Sweden. Even in the event of stronger-than-expected growth, a rate hike in 2026 is unlikely, due to low resource

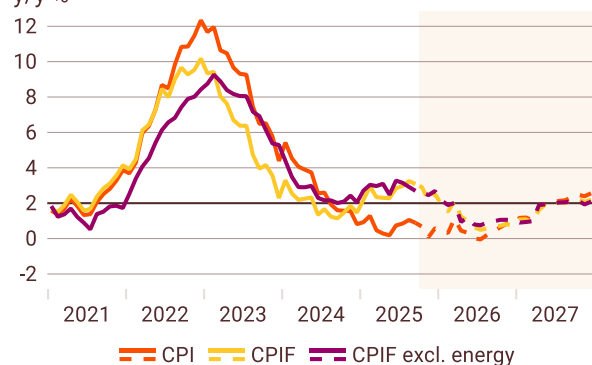
The Riksbank
will leave the
policy rate at

1.75%

until end-2027

Bright inflation outlook

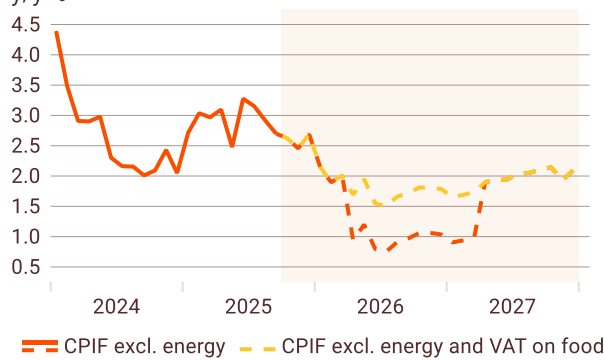
y/y %



Sources: Swedbank Research & Macrobond

Underlying inflation close to Riksbank's target

y/y %



Sources: Swedbank Research & Macrobond

utilisation and a favourable inflation outlook. Supply-side shocks—such as rising costs for energy, raw materials or freight—that could also affect service prices and inflation expectations would likely be required for the Riksbank to consider raising the policy rate in 2026. Conversely, a rate cut could become relevant if the recovery in household consumption stalls. During the next 12 months, the likelihood of a rate cut is assessed to be greater than that of a rate hike.

Generous fiscal policy for the 2026 election year

Fiscal policy is expected to be expansionary in 2026. The government's budget, which includes substantial tax reductions, increased support for Ukraine, and loan-financed military rearmament, will contribute to a rise in the public sector deficit to just over 2% of GDP next year. Following the Swedish election, budget-weakening measures—excluding debt-financed expenditures on defence and support for Ukraine—are projected to total a more modest SEK 20 billion in 2027. As a result, the budget deficit is expected to decline slightly in that year. Public sector debt, measured as Maastricht debt, is forecast to increase from 34% of GDP in 2026 to 37% of GDP in 2027.

2%
budget deficit in
2026

Kick-starting the economy with fiscal stimulus

Estonian economic growth has remained modest this year, but stronger private consumption and government investments will boost it in 2026. Although the massive fiscal stimulus will help speed up economic growth in the short term, it will also increase the budget deficit markedly, making the economy more vulnerable in the longer term.

The Estonian economy emerged from recession in the first quarter of this year, while, according to the preliminary data, GDP grew only 0.4% year-on-year in the first three quarters.

Manufacturing output has increased at a moderate pace, while a drop in energy production has made a dent in total industrial sector output. Goods exports of Estonian origin soared in the first quarter of the year, but their year-on-year growth has slowed since then. The continued decline in Swedbank card payments, in real terms, suggests that private consumption remained weak in the third quarter of this year. Retail sales volumes deteriorated, while the situation in domestic trade is even bleaker if we add the drop in car sales that occurred after a vehicle tax was introduced in the beginning of this year.

On a more positive note, the demand for new loans has picked up swiftly, as interest rates have fallen. New loans to non-financial corporations increased by 46% and new mortgage loans by 29% year-on-year in the first nine months of 2025. Such credit growth, in turn, is expected to increase investments and improve economic activity. Economic sentiment is stronger than a year ago, but it is still weaker than the long-term average.

Despite trade frictions, foreign demand will increase moderately, and the Estonian export sector will be able to sell more of its

Estonia (%)	2025	2026	2027
Real GDP	0.6	2.3	2.6
Inflation	5.1	3.0	2.5
Unemployment	8.0	7.3	6.2
Wage growth	6.0	5.7	5.2

29%

Increase in new mortgage loans, first nine months of 2025

goods and services next year. However, Estonian exporters' cost competitiveness needs improvement, as their prices have increased faster than those of several major trading partners in the last four years. Terms of trade have become more favourable this year, as the growth in export prices has exceeded the growth in import prices. This has already had a positive impact on competitiveness.

The government's larger fiscal stimulus in 2026 will give substantial momentum to economic growth. Although Estonia's share of government sector investments in GDP is already one of the largest in the EU, increasing public investments in defence and infrastructure (Rail Baltica, four-lane highways, local railways) will raise this rate even further in 2026, to above 8% of GDP. The use of EU funds will peak next year, while public investments are expected to fall from a high level in 2027.

>8%
Rate of public
investments in GDP

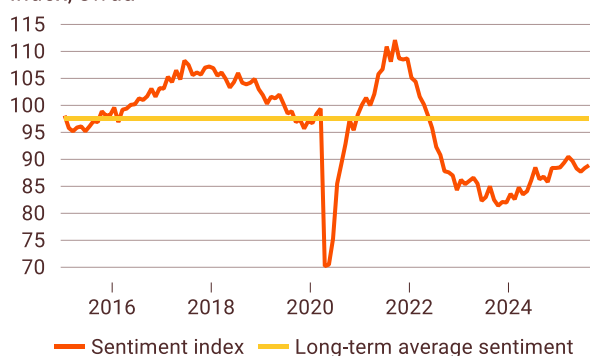
In addition to the previously agreed increase in the personal income tax exemption level and its equalisation across all salary levels, the government has decided to cancel the 2-percentage point income tax hike and to reduce the vehicle tax for families with children in 2026. Despite the promised austerity, wages in several areas of the public sector will be increased and so will pensions. Together with the expected ease in inflation, this will improve households' purchasing power and will give an additional boost to consumption growth next year.

Such a large increase in spending will, however, push the government budget deficit to 4.4% of GDP – i.e., almost up to the maximum permitted rate under temporary EU regulations – and will raise the government's debt going forward. Although this will help to speed up economic growth in the short term, it could worsen the government's ability to cope with unexpected shocks, thus making the economy more vulnerable in the longer term.

Government budget
deficit increases to
4.4%

Economic sentiment is recovering

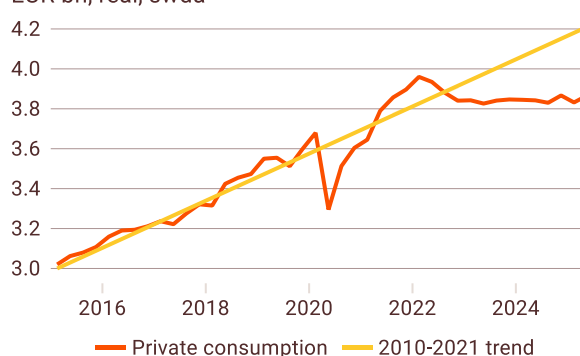
Index, swda



Sources: Swedbank Research & Macrobond

Private consumption is far below the trend

EUR bn, real, swda



Sources: Swedbank Research & Macrobond

Recovery in progress

The Latvian economy is in a recovery phase. Consumption remains stagnant, but household purchasing power is improving, and a consumer spending recovery is expected in the coming quarters. GDP growth will be supported by domestic demand, while export growth will be limited by global trade spats. The elevated inflation seen this year will decline going forward while remaining close to 3%.

The Latvian economy grew by 1.3% in the first half of 2025. A large boost came from investments, with the construction sector exhibiting one of the strongest contributions to growth. The increase in investment is being driven largely by the public sector, and will remain strong next year, as projects linked to the EU Recovery and Resilience Facility will need to be completed. In 2027, key public sector investments will be linked to Rail Baltica and defence. The increase in private investment this year has been much weaker than on the public side. Aided by lower interest rates, bank credit to non-financial corporations (NFCs) was up by around 15% year-on-year in September; however, as a share of GDP it was still among the lowest in the EU. The pace of lending growth is likely to slow going forward, given that ECB interest rates are close to their lows in this cycle.

Exports have been a drag on the economy so far in 2025, but developments vary among sectors. Services exports have been strong – especially computer, ICT and other business services. Weaker re-export flows and – in the third quarter – poor domestic harvests have weighed on goods exports. At the same time, manufacturing sector output, of which more than 65% is exported, was up by nearly 8% in the third quarter. Export orders are around their long-term average. Going forward, global trade tensions will likely leave a mark on export prospects.

Latvia (%)	2025	2026	2027
Real GDP	1.3	2.3	2.5
Inflation	3.8	3.0	2.8
Unemployment	6.7	6.4	6.2
Wage growth	8.0	8.0	7.5

Exports to the US have declined sharply, but their share of Latvia's total exports is small. The wood sector, which is among the more exposed to the US market, started to face higher tariffs only in mid-October. However, tariffs on EU wood exporters are currently much lower than those faced by Canadian competitors, potentially giving an edge to exporters in the EU, including Latvia. Overall, though, larger trade barriers are a net negative for global growth, and the dampening impact on Latvian exports will mostly come from indirect effects via lower growth in Europe.

Current fiscal policy is supporting the economy. Spending on defence will reach 4.9% and 5% of GDP in 2026 and 2027, respectively. Budget deficits will rise to 3.3% and 3.9% over the next couple of years, and debt levels will increase materially. Currently there is no clear plan for how to rein in the deficit once the EU's escape clause is deactivated.

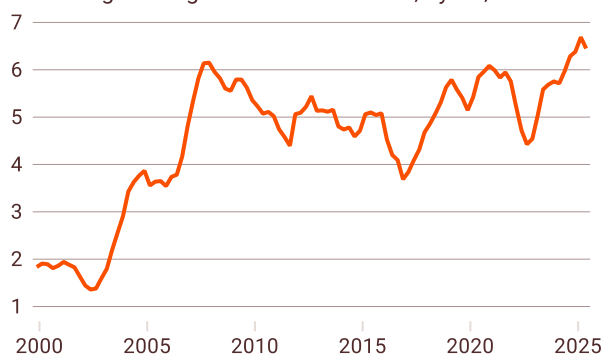
**Spending on defence
to rise to
5%
of GDP**

Household consumption remained stagnant in the first half of 2025. The uptick in retail trade during the summer might have been supported by tourist flows, as commercial bank customer card data did not seem to indicate a notable increase in real spending. A pick-up in consumption in the coming quarters is expected, given the rising household purchasing power. The labour market is resilient and will tighten, with unemployment falling from 6.7% in 2025 to 6.4% in 2026. Gross wage growth has slowed, but is strong and will remain close to 8% in the coming years.

Consumer confidence exceeded the long-term average in October, but has been hurt this year by high and increasing price levels, especially for food. Food prices are above average EU levels and continue to rise faster than in the EU overall. Ahead of autumn 2027 elections, the government decided to lower VAT on selected food products for one year, starting from July 2026. This will lower inflation by a couple of basis points during the next two years. Service inflation is expected to slow as wage growth has decelerated. However, we have increased our inflation forecasts for 2026 somewhat, as a result of higher excise taxes and rising housing costs – higher heating tariffs in Riga and greater electricity costs following the decoupling from Russia's electricity network.

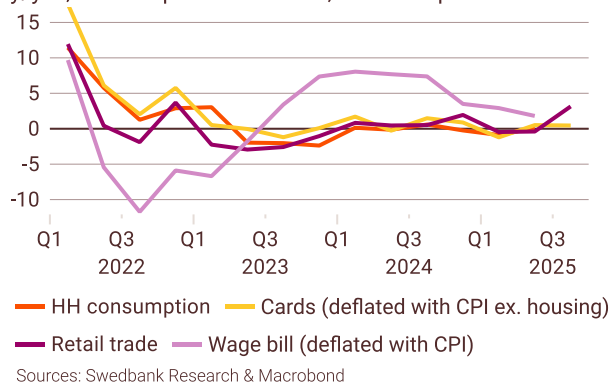
Public investment share of GDP rising

GFCF of general government % of GDP, 1yma, sa



Household consumption expected to pick up

y/y %, consumption indicators, constant prices





Lithuania

Guns and butter

The divergence between domestic and exporting sectors has continued – retail trade has reaccelerated, while manufacturing growth has ebbed. GDP growth will accelerate in 2026, driven by domestic demand, partly due to the opportunity for savers to withdraw their money from second-pillar pension funds. The new government has drafted a budget with a large increase in social and defence spending.

Manufacturing output in the third quarter was slightly lower than a year ago. There was large divergence across sectors. Manufacturing of vehicles and of auto parts dropped by almost one fifth, while production of chemicals, plastics and furniture also started to fall. Other sectors remained more resilient – manufacturing of food products, electronics and optical equipment accelerated. Industrial confidence and export orders have declined in recent months, and given global challenges and more intense competition, we do not expect an imminent recovery in manufacturing and exports.

At the same time, household consumption reaccelerated. Retail trade in durable goods during the last three months was 13% higher than a year ago, while trade in vehicles increased by 30%. The number of residential real estate transactions increased sharply and is approaching the record highs reached in 2022, while apartment price growth has also picked up, with an increase of close to 10%. Household consumption and activity in the housing market are likely to remain strong next year, and not only because of a one-off boost in income (the opportunity for people to withdraw savings from the second-pillar pension funds). Although inflation will remain somewhat elevated next year, the real wage bill will increase by almost 5%. Net migration is easing but will remain positive (close to 15 000 per year), and

Lithuania (%)	2025	2026	2027
Real GDP	2.5	3.2	2.3
Inflation	3.8	3.3	3.0
Unemployment	7.1	7.1	7.1
Wage growth	8.7	8.0	6.7

11%

**Increase in
minimum wage
in 2026**

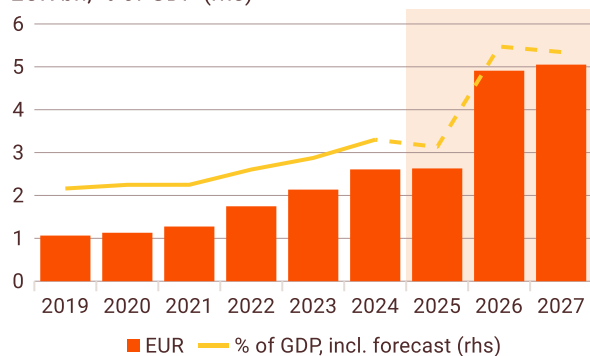
will be sufficient to fully offset the otherwise declining labour force. Thus, employment will remain close to record highs.

The new government has approved the 2026 budget, which includes plans to increase defence spending to more than 5% of GDP. Minimum monthly wage will be increased by 11% to EUR 1153, while average retirement pensions will be increased by 12%. In sum, this budget is strongly focused on guns and butter – defence and social benefits.

The budget deficit is expected to increase, but it will remain slightly below 3% of GDP. There are some accounting nuances – defence expenditure is accounted on an accrual basis, meaning that the expenditure and deficit will be accounted for when the defence equipment has been imported (which will happen only in a few years' time), not when it is paid for (next year). Since most of the defence spending will be funded by debt, the Lithuanian budget deficit on cash basis accounting in 2026 will reach 4.7% of GDP. We forecast that the ratio of public debt to GDP will increase from 40% this year to 48% in 2027. Admittedly, government debt will remain well below the level seen in most other EU countries, and there were few good financing options to rapidly increase spending on defence (personal and corporate income taxes were increased, but further increases would have been counterproductive). Nevertheless, the increase in deficit and public debt is very steep, and the reckoning on how to balance public finances should start sooner rather than later.

Lithuanian expenditure on defence

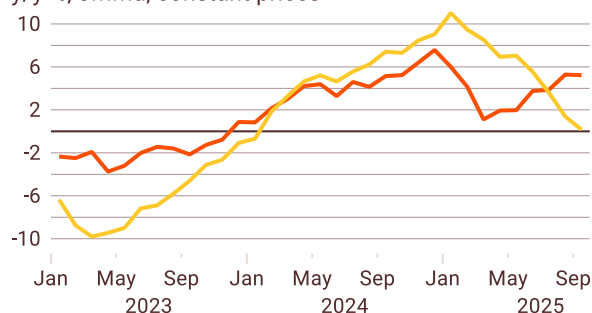
EUR bn; % of GDP (rhs)



Sources: Swedbank Research & Macrobond

Accelerating retail and stalling manufacturing

y/y %, 3mma, constant prices



Sources: Swedbank Research & Macrobond

Progress and gaps since the Paris Agreement

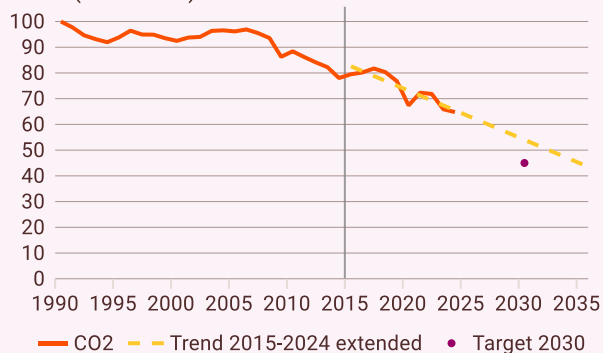
A decade after the Paris Agreement, the EU has made progress in cutting emissions and increasing the use of renewables. But the path to the 2030 target remains tough. EU emissions are now about 35% below 1990 levels, but the pace of reductions will have to be doubled to reach the 55% target. The accelerating energy transition fuelled by record renewable investments contrasts with uneven progress in efficiency and circularity, highlighting Europe's ongoing but challenging climate transition. Further investments may be crowded out by the strong focus on defence.

Paris Agreement – progress since 2015 in emissions and renewables

A decade after the signing of the Paris Agreement, Europe remains on a challenging climb towards its climate goals – like scaling a towering tree whose upper branches are finally within sight but still demand time, strength and persistence to reach. The EU's target is to reduce greenhouse gas emissions by at least 55% by 2030 (compared to 1990 levels). Since 2015, when the agreement was signed, Europe has made undeniable progress: emissions are falling, renewable energy is transforming power systems, and policies such as the European Green Deal are in place. While global progress has been uneven, the EU continues to lead the way. Already in 2015, when the Paris Agreement was signed, the EU had reduced its emissions by 20% compared to 1990 levels. Between 2015 and 2024, emissions declined by another 15 percentage points, bringing the total reduction to around 35%.

CO2 emissions, EU

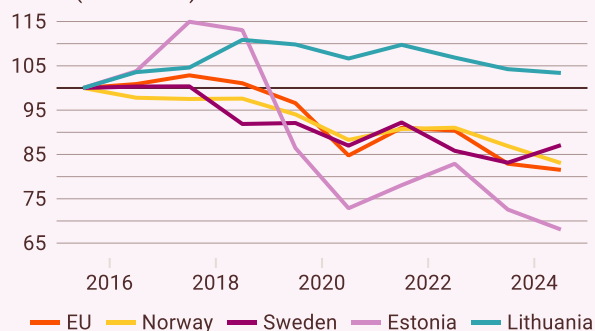
Index (1990=100)



Sources: Swedbank Research & Macrobond

CO2 emissions

Index (2015=100)



Note: Data for Latvia and Finland not available separately.

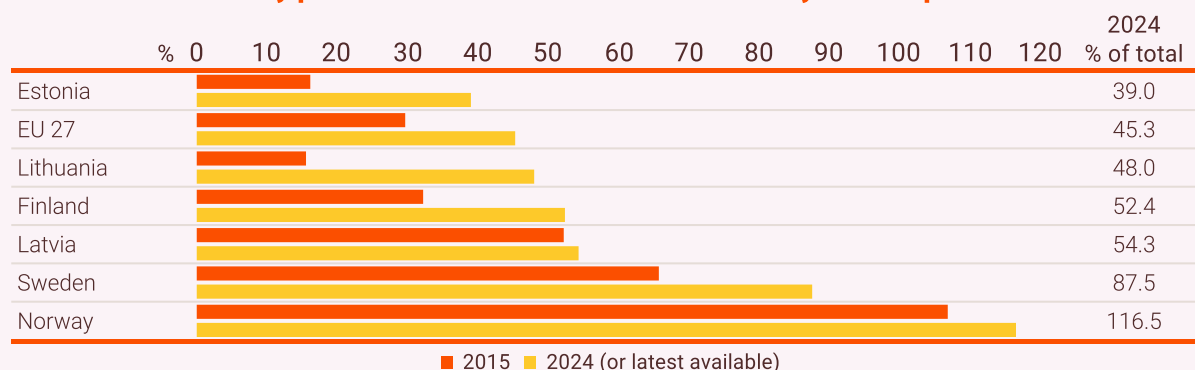
Sources: Swedbank Research & Macrobond

With only five years left until 2030, emission cuts would need to proceed at twice the current pace for the EU to fully achieve its 55% reduction target. If the current trend continues, emissions are projected to fall by about 40% by 2030 – a significant reduction, though short of the target. If emissions continue to decline at the 2015–2024 rate, the reduction target will be reached in 2035 instead. However, this assumes no pushback against climate action or against emission reductions. The risk likely leans toward reaching the emission reduction target even later than in 2035.

In most of the Nordic-Baltic region, emissions have been on a clear downward sloping trend since the signing of the Paris Agreement. In Estonia, emissions have fallen the most – by 32% since 2015. This decline is primarily linked to reduced shale-oil extraction. In Sweden, emissions decreased by 17% in 2023, but rose in 2024, largely due to a lowered greenhouse gas reduction mandate on motor vehicle fuels. In Lithuania, emissions have been steadily increasing since 2015, although the growth in emissions has slowed. This can be attributed to strong economic and industrial growth, along with rising emissions from the [transport sector](#). Lithuania's car fleet is among the oldest and least efficient in the European Union.

During the past decade, the share of renewables in total electricity consumption has risen across most of the Nordic-Baltic region – above all in Lithuania and Estonia, where renewable generation has more than doubled. In particular, investments in renewable energy accelerated following the energy crisis triggered by Russia's full-scale invasion of Ukraine in 2022. Lithuania has pledged to meet 100% of its annual electricity demand using renewable sources by 2030. Norway now produces more renewable electricity than its total consumption (the surplus is exported), driven largely by hydropower, while Sweden follows with 87.5% of its electricity needs met through renewable sources, supported by robust hydropower, wind and bioenergy power. Finland and Latvia have also surpassed the halfway mark – at 52.4% and 54.3%, respectively – reflecting steady growth in bioenergy and hydropower.¹

Renewable electricity production as a share of total electricity consumption



Sources: Swedbank Research & Macrobond

A reversal of political developments – but some trends have their own momentum

This year, the US administration again announced its intention to withdraw from the Paris Agreement (the first withdrawal occurred in 2020), and more political leaders appear to be wavering in their climate commitments. The EU [may](#) backtrack on previously agreed targets, such as the 2035 ban on new combustion engine cars. Nevertheless, some trends have gained significant momentum and are likely to continue unless policy changes are made specifically to halt them.

One of those trends is the transition to electric vehicles (EVs) that has accelerated rapidly across the Nordics. In 2024, Norway was the world's most advanced EV market, with nearly 90% of all newly registered cars fully electric. Sweden and Finland have also seen strong growth, with electric vehicles accounting for roughly 40% and 30% of new car sales, respectively, driven by supportive tax incentives and the expansion of charging infrastructure. In Sweden, sales of EVs slowed after tax incentives were

¹ Both Finland and Sweden have substantial amounts of nuclear power generation, which is not classified as renewable energy.

removed at the end of 2022. All Baltic states have begun to scale up from a low starting point and have shown a noticeable increase in EV uptake in the past few years as infrastructure improves and costs decline. While the overall gap between the Nordic and Baltic countries remains significant, the trend is clear: electric mobility is gaining momentum and will, together with an increasing share of renewable energy in final electricity consumption, play a central role in achieving 2050 climate targets.

For some parts of the transition, acceleration will depend on policy changes

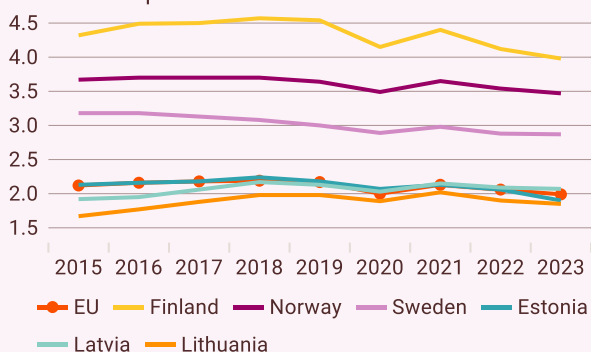
For the EU, final energy consumption decreased by 5% between 2015 and 2023. However, progress is uneven between member states, and the EU's decrease in final energy consumption has not been on a clear downward trend despite the agreed climate targets. In fact, the International Energy Agency (IEA) [projects](#) that EU electricity demand will grow by 1.5% in 2026. Many growing industries are energy-intensive. In addition, buildings still rely on outdated systems, and the progress of updates is slow. There is also a risk that investments needed for the transition to accelerate will be crowded out by the focus on investing in defence and security (read more in our [previous analysis](#)).

In per-capita terms, Estonia, Sweden and Finland have reduced their total energy consumption by about 10% since 2015, Latvia and Lithuania have seen increases of a similar amount. However, the Nordic countries still have higher per-capita energy consumption than the Baltic countries and the EU average.

Another area of the transition, which unfortunately has shown little progress since 2015, is use of circular materials (CMR). The EU average for CMR – the share of material recovered and reused from waste in the total amount of materials used in an economy – has remained at around 11–12%, as consumption patterns and recycling systems face structural limits. Sweden has seen only a slight improvement, likely due to high use of industrial resources, while Estonia stands out with a sharp rise to more than 20% between 2015 and 2022. Barriers include standards for existing buildings and products, which were originally designed for virgin materials, and are usually not shaped to promote the use of recycled materials. Although EU initiatives are being used to update these frameworks, full alignment between circular materials and regulatory standards is still evolving. Overall, this reflects the complex and gradual nature of Europe's shift toward a more circular economy.

Final energy consumption per capita

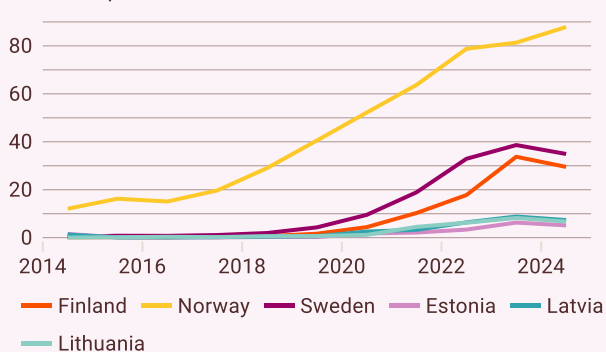
Tonnes oil equivalent



Sources: Swedbank Research & Macrobond

EVs as a share of newly registered cars

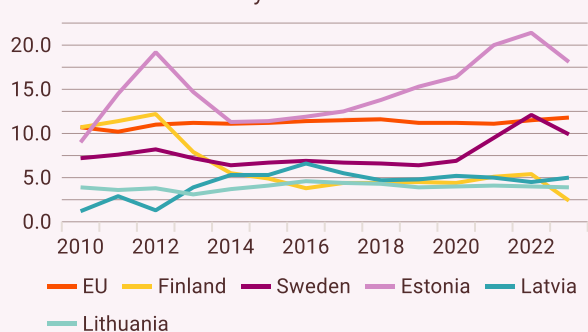
% of total, in selected countries



Sources: Swedbank Research & Macrobond

Rate of use of circular materials

% of total materials recycled and reused in the economy



Note: Data for Norway not available.

Sources: Swedbank Research & Macrobond

Appendix

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

ESTONIA: Key economic indicators, 2024-2027

Annual % change unless stated otherwise	2024	2025F	2026F	2027F
Real GDP	-0.1	0.6 (0.6)	2.3 (2.0)	2.6 (2.3)
Household consumption	0.1	0.0 (-0.5)	2.0 (2.0)	2.5 (2.5)
Government consumption	1.8	1.5 (1.0)	2.0 (1.0)	1.0 (1.0)
Gross fixed capital formation	-6.5	4.5 (4.5)	7.5 (5.0)	4.0 (6.0)
Exports of goods and services	-1.5	3.0 (2.5)	2.0 (2.0)	3.5 (3.0)
Imports of goods and services	0.4	3.0 (2.5)	3.5 (3.0)	3.5 (4.0)
CPI (average)	3.5	5.1 (5.5)	3.0 (3.7)	2.5 (2.5)
Unemployment (% of labour force)	7.6	8.0 (7.8)	7.3 (6.8)	6.2 (5.7)
Employment	0.6	-1.1 (-1.0)	0.8 (0.6)	0.2 (0.2)
Gross monthly wage	8.1	6.0 (6.1)	5.7 (5.7)	5.2 (5.0)
Nominal GDP (billion euro)	39.8	41.7 (42.1)	43.9 (44.4)	46.2 (46.6)
Exports of goods and services (nominal)	1.1	6.1 (5.0)	4.6 (4.6)	6.1 (5.6)
Imports of goods and services (nominal)	1.9	5.6 (4.1)	5.6 (5.1)	6.1 (6.6)
Balance of goods and services (% of GDP)	0.3	0.7 (0.9)	-0.1 (0.6)	-0.1 (-0.2)
Current account balance (% of GDP)	-1.2	-0.3 (0.3)	-1.2 (-0.2)	-1.2 (-0.9)
General government budget balance (% of GDP)	-1.7	-1.2 (-1.7)	-4.4 (-4.3)	-4.4 (-4.1)
General government debt (Maastricht, % of GDP)	23.5	23.2 (22.8)	25.7 (25.8)	29.0 (27.0)

Preceding forecast in parentheses

Sources: Statistics Estonia & Swedbank Research

LATVIA: Key economic indicators, 2024-2027

Annual % change unless stated otherwise	2024	2025F	2026F	2027F
Real GDP	0.0	1.3 (0.9)	2.3 (2.3)	2.5 (2.5)
Household consumption	0.1	0.1 (0.4)	2.3 (2.5)	2.7 (2.8)
Government consumption	-0.4	2.3 (2.0)	2.0 (1.6)	2.0 (1.7)
Gross fixed capital formation	-7.0	10.6 (12.8)	3.2 (4.4)	2.9 (3.2)
Exports of goods and services	0.1	0.0 (1.5)	2.1 (2.7)	3.3 (3.3)
Imports of goods and services	-1.8	4.9 (4.9)	2.2 (3.3)	3.4 (3.4)
CPI (average)	1.3	3.8 (3.7)	3.0 (2.8)	2.8 (2.7)
Unemployment (% of labour force)	6.9	6.7 (6.7)	6.4 (6.3)	6.2 (6.1)
Employment	-0.8	0.3 (0.4)	0.6 (0.8)	-0.2 (-0.3)
Gross monthly wage	9.7	8.0 (7.5)	8.0 (7.5)	7.5 (7.5)
Nominal GDP (billion euro)	40.4	42.2 (42.0)	44.4 (44.2)	46.9 (46.6)
Exports of goods and services (nominal)	1.0	2.2 (3.3)	3.3 (3.9)	4.5 (4.5)
Imports of goods and services (nominal)	-2.0	6.4 (6.0)	2.9 (4.0)	4.1 (4.1)
Balance of goods and services (% of GDP)	-1.6	-4.3 (-4.3)	-3.9 (-4.3)	-3.7 (-4.0)
Current account balance (% of GDP)	-1.6	-3.1 (-3.6)	-3.3 (-3.6)	-3.0 (-3.4)
General government budget balance (% of GDP)	-1.8	-3.0 (-3.0)	-3.3 (-3.0)	-3.9 (-3.9)
General government debt (Maastricht, % of GDP)	46.6	48.8 (48.3)	51.2 (50.0)	54.9 (53.9)

Preceding forecast in parentheses

Sources: Statistics Latvia & Swedbank Research

LITHUANIA: Key economic indicators, 2024-2027

Annual % change unless stated otherwise	2024	2025F	2026F	2027F
Real GDP	3.0	2.5 (2.6)	3.2 (3.2)	2.3 (2.0)
Household consumption	3.1	3.5 (3.6)	5.8 (5.8)	2.8 (2.8)
Government consumption	1.6	1.5 (1.5)	1.5 (1.5)	1.0 (1.0)
Gross fixed capital formation	-1.7	8.0 (7.8)	9.2 (9.2)	5.5 (5.5)
Exports of goods and services	2.6	3.8 (4.0)	2.0 (2.0)	3.5 (3.5)
Imports of goods and services	2.4	6.5 (6.2)	4.8 (4.8)	4.0 (4.0)
CPI (average)	0.7	3.8 (3.8)	3.3 (3.5)	3.0 (3.0)
Unemployment (% of labour force)	7.1	7.1 (7.1)	7.1 (7.1)	7.1 (7.3)
Employment	1.6	0.2 (0.2)	0.2 (0.4)	0.1 (0.0)
Gross monthly wage	10.4	8.7 (8.8)	8.0 (8.0)	6.7 (6.5)
Nominal GDP (billion euro)	79.0	84.0 (83.7)	89.7 (89.4)	94.5 (93.9)
Exports of goods and services (nominal)	3.5	2.7 (4.9)	3.3 (3.6)	4.0 (4.5)
Imports of goods and services (nominal)	1.0	3.2 (6.8)	5.2 (6.0)	5.0 (5.5)
Balance of goods and services (% of GDP)	5.1	4.6 (3.9)	3.3 (2.2)	2.6 (1.6)
Current account balance (% of GDP)	2.5	2.3 (1.5)	1.6 (0.5)	1.1 (0.0)
General government budget balance (% of GDP)	-1.3	-2.3 (-2.8)	-2.9 (-3.0)	-2.9 (-3.0)
General government debt (Maastricht, % of GDP)	38.0	40.3 (42.9)	44.6 (44.6)	48.1 (45.3)

Preceding forecast in parentheses

Sources: Statistics Lithuania & 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	1.97	1.90	1.70	1.70	1.80
Germany 5y	2.23	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	7.12	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

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