

November 2026

Swedbank Economic Outlook

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Recording date of price data: 2026-11-06.

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Resilience risks fading away

So far, so good. The global economy has remained remarkably resilient despite mounting headwinds. Risks to growth are rising, and the global economy appears increasingly fragile. Fiscal space is all but exhausted in many countries, while central banks will remain constrained by the need to contain inflation.

Turmoil in the Middle East has worsened since August, pushing oil prices higher. As a result, global inflation is picking up again, prompting financial markets to reassess the outlook for monetary policy. Central banks are now expected to raise policy rates in the coming months, with rates set to peak at higher levels than previously anticipated. Moreover, the risks for inflation remain tilted to the upside.

Rising inflation and expectations of tighter monetary policy have also pushed long-term yields significantly higher, bringing concerns about sovereign debt sustainability into sharper focus among investors. Fiscal policy, through higher public debt, has been one of the main tools governments have used to cushion economies against the fallout from turmoil in the Middle East. It's an option that is becoming increasingly unviable for many countries.

In too many countries, public debt is on an unsustainable trajectory. France is particularly vulnerable in the current environment, following years of excessively loose fiscal policy. The worst may still lie ahead for France with an upcoming election, and there is a risk of contagion to other highly indebted countries in the euro area. A significant rise in bond yields would be a blow to economic growth.

Uncertainty surrounding AI has increased further in recent weeks, contributing to greater volatility on the financial markets and a sharp rise in the cost of credit protection. This matters even more now that US economic growth has become increasingly reliant on AI-related investments. AI valuations may turn out to be a bit stretched, and a sharp correction in AI valuation would impact global growth negatively.

Climate change and extreme weather events pose further risks to the global economy. A potentially stronger El Niño could disrupt supply chains, adding to inflationary pressures and weighing on economic growth.



Mattias Persson
Group Chief Economist

2.3%

US GDP growth will remain high in 2027

4.9%

US 10-year government bond yield, December 2026

2.25%

Riksbank policy rate peak, February 2027

Two

more rate hikes from the Fed and ECB

Data centres

Where to build them? (page 28)

Oil

lower prices ahead

2027 outlook

Finland

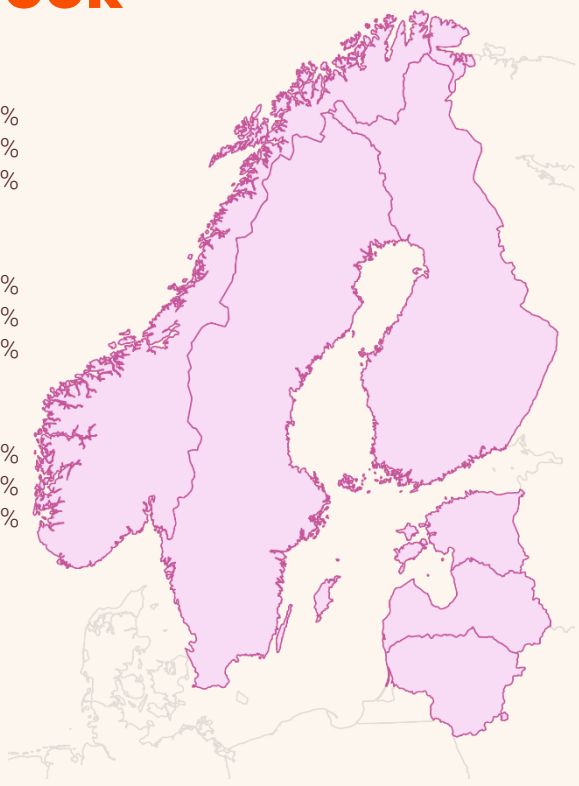
GDP:	2.0%
Inflation:	2.6%
Unemployment:	9.7%

Sweden

GDP:	1.9%
Inflation (CPIF):	2.3%
Unemployment:	8.3%

Norway

GDP (mainland):	0.9%
Inflation:	2.6%
Unemployment (NAV):	2.3%



Estonia

GDP:	2.2%
Inflation:	3.0%
Unemployment:	6.6%

Latvia

GDP:	2.2%
Inflation:	3.7%
Unemployment:	6.9%

Lithuania

GDP:	1.8%
Inflation:	3.3%
Unemployment:	6.9%



Global outlook

Surprisingly strong resilience

The global economy has so far weathered higher energy prices and interest rates well. We expect this resilience to hold up in the coming years, although temporarily higher inflation and policy rates are expected to dampen economic activity somewhat. Overall, the growth outlook remains relatively bright.

Euro area: steady growth

Despite the elevated inflation, economic growth has been solid. We expect the euro area economy to grow by just over 1% per year in 2027–2028, driven by investments and household consumption. Rising indebtedness, fiscal and political turmoil in France, and trade tensions between the EU and China are the key challenges facing the euro area.

AI drives US growth

Economic growth is expected to remain solid in the near term. Strong business investment boosted by AI and resilient consumer spending will support economic activity. We expect annual GDP growth of more than 2% in 2026–2028. The outcome of the midterm elections will generate increased legislative gridlock and a reduction in major fiscal initiatives.



Financial markets

Tighter monetary policy

A stable growth outlook and elevated inflation will mean higher policy rates. We expect both the Fed and the ECB to raise policy rates in December and again in Q1 2027. The Fed will start cutting rates at the end of 2027, while the ECB will wait until the second half of 2028.

Elevated bond yields

Market expectations of higher policy rates, combined with increased corporate bond issuance due to the AI-related investment boom, have led to higher yields. Yields are nearing their peak and are expected to ease somewhat during our forecast horizon.

A weaker US dollar ahead

The war in the Middle East has strengthened the dollar. The euro has been weighed down by France's fiscal and political challenges. We expect the dollar to depreciate gradually as uncertainty around energy prices subsides. The SEK is projected to strengthen moderately.



Nordics

Steady Nordic growth

Growth is expected to ease in Sweden following a rapid recovery this year, remain steady in Finland, and be somewhat weaker in Norway as restrictive monetary policy weighs on activity. Overall, however, growth prospects in the Nordic countries remain favourable.

Elevated inflation in 2027

Higher energy prices will continue to boost inflation in the Nordics next year. While the direct effects will fade gradually, in line with futures prices, the indirect effects will build during the coming months. In Norway, meanwhile, inflation is expected to moderate somewhat on the back of strict monetary policy.

Divergence among central banks

To tackle high inflation, Norges Bank raised its policy rate already in May and September, while Sveriges Riksbank hiked in November. For 2027, we forecast one more hike by the Riksbank in February. We expect Norges Bank to lower its policy rate in the second half of 2027.



Baltics

Estonia

Estonia's economic conditions have improved, and growth is primarily driven by domestic demand. Fiscal policy will keep supporting the economy, but its stimulative effect is expected to weaken. Next year the unemployment rate will decline, while inflation will ease further. GDP is expected to grow by 2.2–2.4% during the forecast horizon.

Latvia

Latvia's GDP growth will reach 3.0% in 2026. Economic growth will continue next year, albeit at a slightly slower pace, in part due to a less supportive fiscal stance. Inflation is expected to increase in 2027 owing to higher prices for energy and food. Unemployment will decline in 2027–2028.

Lithuania

After prolonged rapid GDP growth, further boosted by one-off factors, the economy is cooling down. GDP growth is expected to slow to below 2% in 2027. Following high inflation in 2026, price development is projected to moderate in the coming years. General government deficit is above 3% of GDP and is expected to increase further.



Global

Growth on thin ice

The global economy has so far weathered higher energy prices and bond yields surprisingly well. Overall, we expect this resilience to hold up in the coming years, although a temporary rise in inflation and policy rates is expected to dampen economic activity somewhat.

The global economy continues to show resilience amid strained energy markets. The rise in interest rates this year has not yet caused any visible harm in the real economy; fixed investments and household consumption continue to grow in most economies. Economic momentum has continued on a relatively strong footing during the autumn, and we are revising our GDP forecasts up for this year for the major economies, as well as for most of the Nordic and Baltic ones.

Looking into 2027 and 2028, we expect growth to moderate somewhat in many countries. Higher energy prices, and their effect on the prices of other consumer goods and services, will boost inflation temporarily this year and in 2027, dampening household purchasing power. Also, higher short- and long-term interest rates are expected to hold back consumption and investments somewhat. All in all, however, the outlook for growth remains relatively bright, and most economies are still expected to grow at a decent pace. That said, it is growth on thin ice, and there is plenty of uncertainty surrounding the forecasts. We elaborate on known risks on page 15.

US – AI-driven growth continues

The US economy continues to show remarkable resilience. AI-related investments remain an important growth driver, boosting not only spending on chips and data centres, but increasingly also follow-on investment in power generation and other supporting infrastructure.

Swedbank's GDP forecast

Annual % change, calendar-adjusted	2025	2026F		2027F		2028F	
US	2.3	2.4	(2.2)	2.3	(2.1)	2.2	(2.0)
China	5.0	4.6	(4.6)	4.3	(4.3)	4.2	(4.2)
Euro area	1.3	1.1	(0.9)	1.2	(1.3)	1.2	(1.4)
Germany	0.3	1.0	(0.9)	1.0	(1.0)	1.1	(1.2)
France	0.9	0.3	(0.6)	0.4	(0.9)	0.8	(1.1)
Italy	0.7	0.8	(0.9)	0.7	(0.7)	0.7	(0.7)
Spain	2.6	2.6	(2.5)	2.0	(1.9)	1.7	(1.7)
Estonia	1.3	2.4	(2.0)	2.2	(2.5)	2.4	(2.4)
Latvia	2.2	3.0	(2.3)	2.2	(2.3)	2.5	(2.5)
Lithuania	3.0	2.7	(3.0)	1.8	(2.3)	2.4	(2.5)
Finland	0.8	1.8	(2.2)	2.0	(1.8)	1.8	(1.8)
Sweden	1.6	2.6	(2.0)	1.9	(2.0)	1.7	(1.8)
Norway (mainland)	1.7	0.9	(1.5)	0.9	(1.3)	1.6	(1.8)
United Kingdom	1.2	1.3	(1.1)	1.1	(1.1)	1.4	(1.3)

Preceding forecast in parentheses.

Source: Swedbank Research

Although employment growth moderated in 2025 and 2026, the prime-age employment-to-population ratio (number of employed as a share of the population aged 25–54 years) remains high. Also, unemployment has stayed low. Thus, the labour market remains resilient, and we expect unemployment to rise only marginally during our forecast horizon.

Economic growth is expected to remain solid in the near term, with strong business investment and resilient consumer spending continuing to support activity. The pace of AI-related investment is expected to moderate somewhat, but the level of investment should remain high and continue to provide support to economic activity. We expect the economy to keep growing by more than 2% per year during our forecast horizon, despite stubbornly elevated inflation and higher interest rates. Compared with our August economic outlook, we have revised our growth forecasts up somewhat for all years. Inflation is expected to remain high in the near term but gradually decline, reaching 2.0% in December next year. Prices for some AI-specific items have risen markedly this year (see chart below), but the impact on consumer price inflation has been limited.

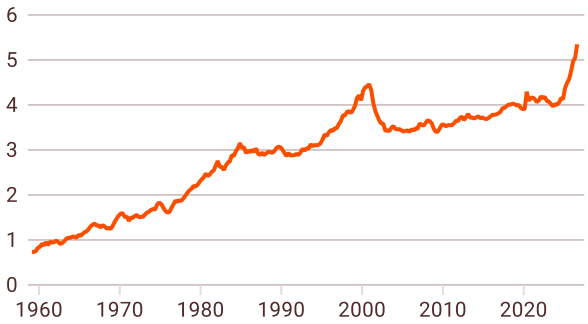
Political gridlock is likely to increase

The midterm elections resulted in a divided government, with the Democrats winning majorities in both the Senate and the House of Representatives. This outcome is likely to increase legislative gridlock and reduce the scope for major fiscal initiatives in either direction. Fiscal policy is therefore expected to have a limited impact on the economic outlook in the coming years. At the same time, President Trump retains considerable authority

through executive actions, particularly on trade and foreign policy, meaning that tariffs and other regulatory measures remain an important source of uncertainty.

AI boosts digital infrastructure investments

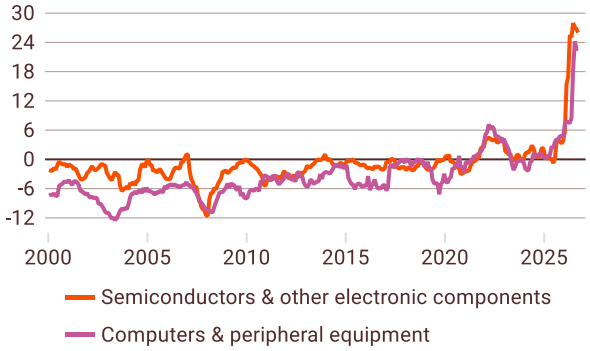
% of GDP, information processing equipment and software



Sources: Swedbank Research & Macrobond

Electronics prices rise in pace with AI demand

y/y %, PPI for electronics manufacturing



Sources: Swedbank Research & Macrobond

Euro area – steady but unimpressive growth

The euro area has faced the energy-driven inflation shock better than expected – GDP growth surprised on the upside in both the second and third quarters. In the third quarter, Germany's GDP was 1.3% higher than a year ago (the fastest annual growth in four years), while France disappointed as its economy shrank during the year. Retail trade has stagnated in most of the euro area's large economies in recent months, suggesting that inflation may be starting to bite. The labour market has remained solid even though unemployment has stopped declining (and has increased somewhat in Germany and France). We forecast that GDP growth in the euro area will remain slightly above 1%, driven mainly by defence and AI-related investments. Businesses will continue to face increasing competition from China, while households will struggle with higher inflation. Tighter monetary conditions, more restrictive credit, and narrow fiscal space do not leave a lot of room for optimism. Despite recent resilience, the risk to the outlook remains tilted to the downside.

Europe lags behind the US and China in terms of AI model development and the expansion of data centres, but some statistics suggest that the region's AI adoption or usage is not lower than it is in the US. In the medium term, this situation should have a positive impact on productivity and potential growth rates. The immediate threat for Europe's industry remains intensifying competition and a widening trade deficit with China. The EU has already imposed duties on electric vehicles (EVs), some metals, chemicals and other goods, and China has retaliated. Recently, the EU and China reached a tentative agreement to cap imports of Chinese hybrid vehicles at 350,000 a year, roughly half of this year's expected level (for more details on EU-China trade imbalances, read our recent Macro Focus).

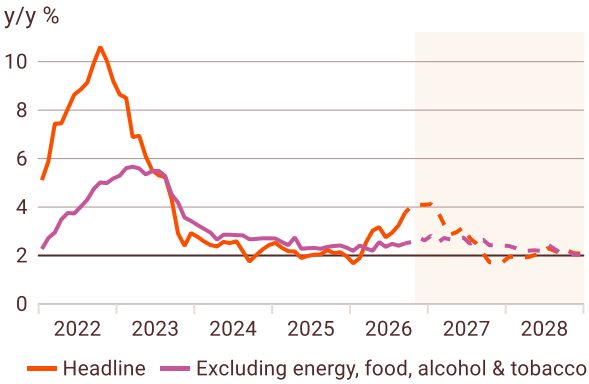
Looking at the larger individual countries, the outlook differs. The German economy has weathered this year's higher energy prices relatively well, and

we have revised our forecast up. GDP growth is forecast at 1% for 2026, and we expect growth to remain slightly above 1% in 2027 and 2028. The growth mix is lopsided, however. Exports increased by 4.4% during the first eight months of this year (mainly intra-EU, and mainly computer, electronics and optical products) and public spending has risen by 2.6% this year. However, private consumption is expected to increase by a meagre 0.3% as inflation bites.

Quel bordel!

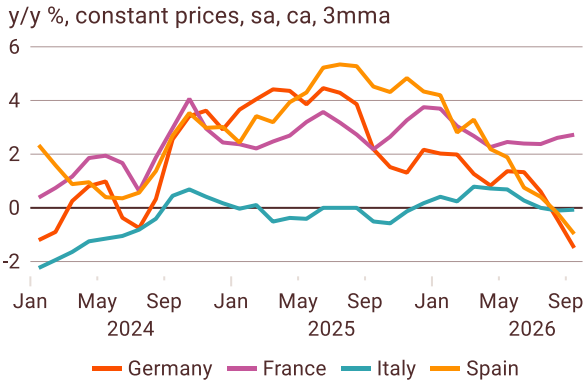
The French economy is stagnating, and forward-looking indicators suggest no turnaround. The 2027 draft budget targets a 5% deficit – a slight consolidation after an expected 5.4% in 2026, but with a minority government, the passage of the budget remains a key event risk. Public debt, already close to 120% of GDP, is projected to continue to rise. Bond markets have responded, and the 10-year yield has risen to above 5%, a level last seen in 2002. We forecast that French GDP will grow by 0.3% this year and that growth will remain well below 1% during our forecast horizon.

Euro area inflation: elevated, but likely to ease



Sources: Swedbank Research & Macrobond

Inflation saps retail trade



Sources: Swedbank Research & Macrobond

Poland: an outperformer facing mounting challenges

Poland's GDP has increased by about 20% since the start of this decade – well above the EU average and that of most other countries in the region. Behind this performance were rapid investment growth (not least thanks to the EU's Recovery and Resilience Facility, RRF), positive net migration (especially since 2022), strong export growth, and a continued transformation towards higher value-added services and manufacturing. Services exports have more than doubled since 2020, with ICT, financial and professional services growing fastest.

Poland's economy is well integrated into the rest of Europe – almost three quarters of its exports are sold within the EU, with Germany the single biggest market, accounting for 27% of Poland's goods exports. Historically, Poland has benefited from both German investment and trade with Germany, but recent challenges in Europe's largest economy have started to take their toll. Poland's exports to Germany reached a record 15% of its GDP five years ago, but have fallen to around 11% this year. A quarter of Poland's goods exports to Germany consists of machinery and electrical equipment, followed by transport equipment, metals, chemicals and food products.

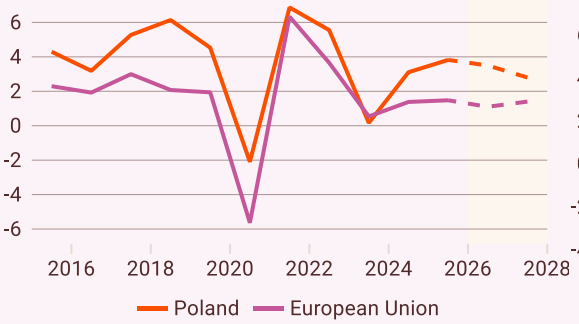
Some of Poland's strong growth is on borrowed time – last year, the country ran a budget deficit of 7.3% of GDP, and the deficit is expected to remain at 6.5% of GDP in 2026. Although public debt, at 65% of GDP this year, remains below the EU average, fiscal consolidation looms and will bite into growth. A significant share of government expenditure is financed by EU funds. However, the EU-funded fiscal impulse is expected to weaken in 2027, mainly because the RRF is coming to an end. Poland had absorbed around 70% of the available grants and loans, equivalent to EUR 42 billion, or 4.6% of its annual GDP for 2025.

Poland has been in political gridlock since the middle of last year, and tensions have increased recently. Prime Minister Donald Tusk's pro-EU coalition faces President Karol Nawrocki, a Eurosceptic aligned with the Law and Justice (PiS) party, and a record use of vetoes. The coalition lacks the three-fifths majority needed to override a presidential veto, so a de facto opposition veto now limits much of its agenda. The main implication is on fiscal policy – plans to narrow the deficit have been hindered by the President, who can veto laws and has opposed several fiscal measures, including tax increases. The vetoes have also affected defence financing: Nawrocki blocked a bill for almost EUR 44 billion in loans for defence spending from the EU's Security Action for Europe (SAFE) programme, and Fitch has said that the standoff supports its negative outlook for Poland.

At 3.2%, Poland's unemployment rate is among the lowest in the EU and, together with strong wage growth, has fuelled household consumption. This is now changing – real wage growth slowed to 2.4% in the second quarter, compared with 10% two years ago. An ageing society, a shrinking labour force, increasing competition in the EU market (not least from China), a decline in EU financial support, and fiscal consolidation will drag on Poland's growth, but it is still expected to be about twice the EU average. For a more in-depth look at the Polish economy, see our recent report.

Real GDP: steady outperformance

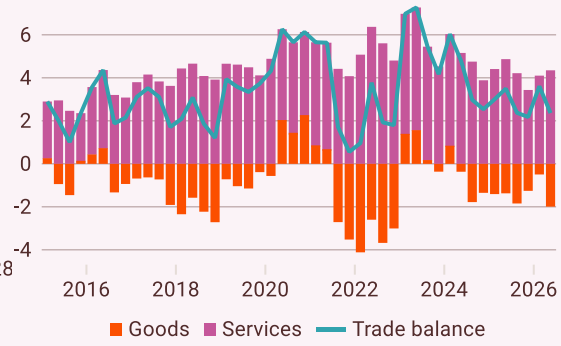
y/y %, sa



Note: Forecast numbers are from European Commission
Sources: Swedbank Research, European Commission & Macrobond

Healthy trade balance

% of GDP



Sources: Swedbank Research & Macrobond

China – meeting its targets

The Chinese economy remains divided between weak domestic demand and strong external demand. Growth in exports of EVs, batteries, robotics and other technology-intensive products has been rapid, reflecting both strong demand from the rest of the world and increasing competitiveness in higher-value-added industries – and suggesting that China's long-term efforts to upgrade its industrial base and expand advanced manufacturing are gaining traction.

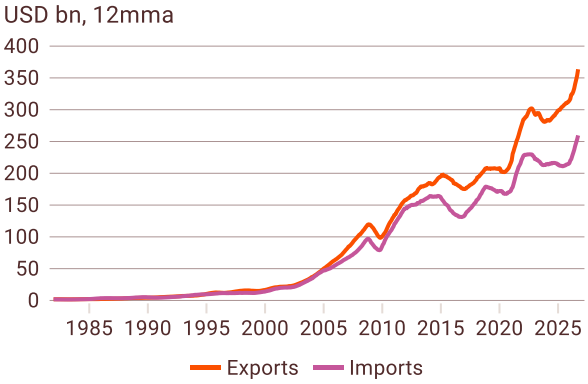
36%

Export growth in September

Booming exports, particularly of advanced manufacturing and technology products, have also increased trade frictions with major trading partners. The Xi-Trump summit held in September extended the trade truce and reduced the risk of a near-term escalation, but made little progress on broader bilateral issues. Trade tensions with the EU also remain elevated.

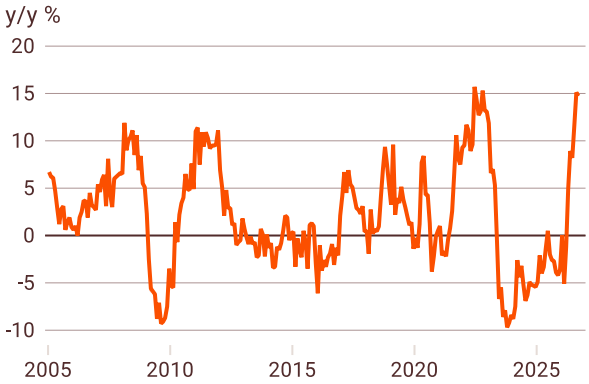
China's GDP growth picked up to 4.5% year-on-year in the third quarter, suggesting that this year's growth target of 4.5-5% will be met. Domestic demand is expected to remain subdued, but continued export strength and gains in higher-value-added manufacturing should partly offset this weakness. Fiscal policy support should help China achieve growth close to its official targets, but is unlikely to fully address the economy's structural challenges. As a result, we are leaving our GDP growth forecasts unchanged at 4.6% in 2026, 4.3% in 2027 and 4.2% in 2028.

China's trade surplus continues to rise



Sources: Swedbank Research & Macrobond

China's export prices are rising rapidly



Sources: Swedbank Research & Macrobond

United Kingdom – a balance between fiscal consolidation and stimulations

The UK continues to grapple with weak growth, while renewed inflation pressures are expected to push headline inflation back towards 4% in the coming months. At the same time, signs of stabilisation can be seen on the labour market, reducing the risk of a sharper slowdown in household demand. Going forward, GDP growth is expected to remain around 1–1.5% in 2027–2028.

During Prime Minister Andy Burnham's campaign this summer, the central pledge was to deliver stronger growth across all parts of the country. However, higher bond yields have significantly narrowed the government's fiscal flexibility. This constraint was reflected in the modest budget presented at the end of October, highlighting the trade-off between supporting growth and maintaining market confidence.

Looking further ahead, the debate on the UK's relationship with the European Union is likely to remain an important issue. While a full return to EU membership appears unlikely, closer economic cooperation could gradually gain traction if UK growth continues to disappoint.

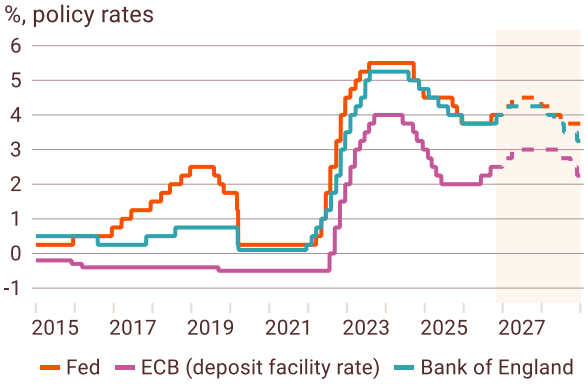
Central banks – a balancing act, but with a clear bias towards further tightening

Core inflation is likely to edge higher in the coming months as growth prospects remain broadly stable while energy prices continue to rise. Since 2021, core inflation has remained above central banks' targets across most major economies. Faced with the risk of persistent and potentially higher inflation, major central banks have adopted a more hawkish stance. We expect both the Fed and the ECB to raise policy rates in December and again in the first quarter of next year. However, the ECB faces a difficult balance between achieving its inflation target more quickly and supporting economic activity; the latter is being dampened by higher bond yields. Uncertainty is particularly high because three out of six members of the ECB Executive Board – Christine Lagarde, Philip Lane and Isabel Schnabel – will be replaced before the end of May next year.

Assuming crude oil prices evolve in line with current futures and begin to decline before year-end, underlying inflationary pressures should gradually ease during the winter. Economic growth is also likely to moderate as fiscal support becomes less expansionary than in 2026. This leaves central banks facing a delicate balancing act: inflation is still well above target, while economic momentum is slowing.

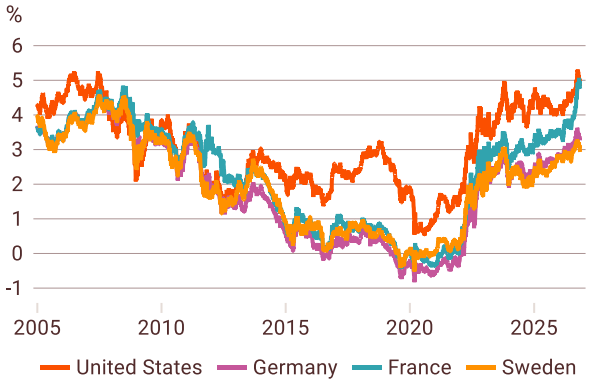
Our assessment is that central banks will remain forward-looking and focus primarily on the inflation outlook rather than current inflation readings. As underlying price pressures begin to ease, we believe policymakers will refrain from further rate increases. By late 2027, or in 2028, when headline inflation has moved close to target and core inflation is clearly on a downward trajectory, central banks are likely to begin easing monetary policy through gradual rate cuts.

Central banks in a hiking mode



Sources: Swedbank Research & Macrobond

10-year government bond yields



Sources: Swedbank Research & Macrobond

Bond yields have risen markedly this year, but the peak may be near

Rising government bond yields have been one of the defining market themes this autumn. European corporate bond spreads have also risen during September and October to levels above their previous peak in March. This situation is contributing to tighter financial conditions, hampering growth in Europe.

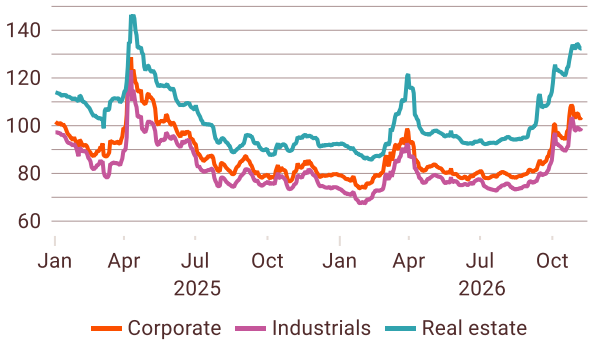
The increase in government bond yields has been particularly pronounced in France, reflecting mounting concerns about the sustainability of public finances and heightened political uncertainty, including widespread protests against low quality in education and a high cost of living. Addressing these issues risks further deterioration of public finances. The ECB could potentially provide a backstop to rising French bond yields if the situation threatens the "transmission mechanism" of monetary policy. However, the ECB would likely require an agreement between the French government and the European Commission on a fiscal consolidation programme before deciding to act.

Other factors have also pushed bond yields higher. Rising energy prices have led markets to price in higher real policy rates, while strong demand for financing AI-related investment has increased competition for investor capital. We expect both effects to fade gradually, helping to moderate yields during 2027.

Taken together, these factors suggest that bond yields may stay elevated in the near term. However, given that inflation pressures are easing, central bank tightening cycles are coming to an end, and the pace of AI-driven investment is maturing, we believe yields will decline somewhat.

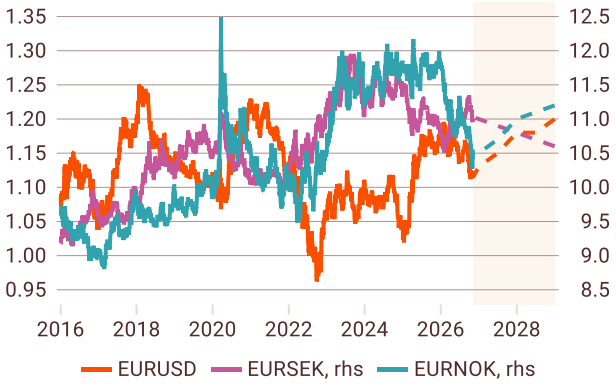
Rising European corporate bond spreads

Basis points, spreads vs swap rates



Sources: Bloomberg, Swedbank Research & Macrobond

Weaker USD and NOK when oil prices fall



Sources: Swedbank Research & Macrobond

The dollar will remain strong until geopolitical tensions diminish

On the financial markets, uncertainty related to the war in the Middle East has persisted, strengthening the US dollar. During the autumn, the euro has been weighed down by France's fiscal and political challenges, which appear to be spreading to other EU countries. Reduced geopolitical tensions and uncertainty surrounding energy prices, which we assume in our baseline scenario, should contribute to a gradual weakening of the dollar.

The Swedish krona has experienced a volatile year, but has recently recovered somewhat. Its recovery is likely due in part to markets recognising Sweden's strong public finances, and the fact that Swedish economic growth has surprised on the upside. These factors, together with the general dollar weakening, are expected to strengthen the krona going forward.

The Norwegian krone has strengthened significantly during a period of high oil prices. If oil prices decline in line with futures prices, which is our assumption, and if Norges Bank does not raise its policy rate further, we expect the Norwegian krone to weaken going forward.

What could possibly go wrong?

Our forecast is surrounded by uncertainty; below we elaborate on four known risks and their possible impact on the forecast. Growth faces both downside and upside risks, but our overall assessment is that risks are tilted downwards.

- Middle East

  Developments in the Middle East have a major impact on energy prices and thereby on the outlook for inflation and growth. In our forecast, we assume that oil and gas prices develop in line with futures, i.e., that they gradually fall from current levels. Should the war in the Middle East drag on for much longer, or escalate further, there is a risk that energy prices will continue to increase. Substantial transport disruptions could also occur in the Red Sea. More persistent inflation globally, together with rising policy rates, would certainly weigh significantly on growth.

  Conversely, should the war in the Middle East deescalate markedly, we would probably see rapidly falling energy prices as well as lower inflation expectations and interest rates.

Oil prices have continued to rise

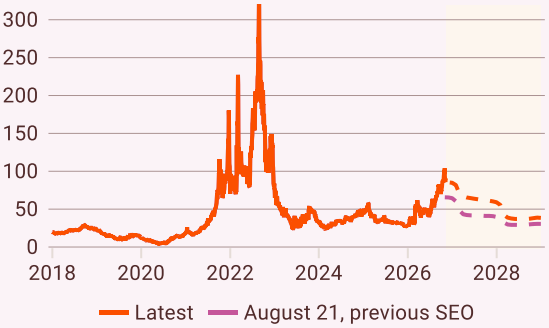
USD/barrel, Brent oil price incl. futures



Sources: Swedbank Research & Macrobond

European natural gas prices at year-highs

EUR/MWh, ICE Dutch TTF natural gas price incl. futures



Sources: Swedbank Research & Macrobond

- AI investments

  Enormous AI investments are expected ahead, mainly in the US. If these expectations are not met, the situation will pose a risk to the global economy. A marked slowdown in AI investments would not only directly dampen economic activity in the US, but also weigh on the global economy, as global trade and equity prices would most likely take a severe hit. Lower equity prices would also weigh on other investment and consumption in the Nordic-Baltic region, although looser monetary and fiscal policy could somewhat mitigate the adverse effects.

AI also poses upside risks. If momentum in the tech sector remains as strong as it is today, it will not only boost short-term GDP via higher investments and equity prices, but could also spur long-term productivity gains.

- Trade barriers and fragmentation
  Global trade has continued to rise and has so far been relatively resilient to protective trade measures, most notably higher US import tariffs. These measures have hit specific sectors and companies hard, however. As trade relations between the three major trading blocs (the US, EU and China) remain strained, an escalation in protective measures risks flaring up again in 2027 and 2028. Such a development would harm global growth and trade. Looking specifically at the EU, tariffs or quotas vis-à-vis China to protect European producers might be justified, and even beneficial in the long run. They would also come at a cost, however – by raising prices or even limiting the supply of Chinese goods for European households and firms. Also, there is an obvious risk of Chinese retaliation measures, which would hurt European exporters.

- Strained public finances
  Public debt has risen markedly in many countries in recent years and is now at very high levels. This situation, together with rising government bond yields, has already increased public-sector expenditures significantly, and there is a risk that the trend will continue. An increased debt burden could crowd out other more productive public expenditures, such as investments, or reduce the scope for lowering growth-distorting taxes. High public debt could therefore weigh on growth. Also, should governments manage to tighten fiscal policy and thereby push down bond yields, it would likely come at a short-term cost by lowering demand in the economy.

  Within the EU, France looks most vulnerable as regards public finances, and there seems to be no easy way out of the situation. It is easy to sketch a scenario in which European and French policymakers clash on support measures. While France would probably like to be assured that the ECB will do whatever it takes to hold French bond yields down, the ECB and European policymakers would likely require France to attempt serious budget revisions first (which appears politically tricky, to say the least). This tension could come to a head in the coming year, or even in the coming months.



Nordics

Same neighbourhood, three different moods

The outlook for the Nordic economies remains favourable, but growth is becoming more uneven. Sweden is moving from rapid expansion to more moderate growth, while Finland is increasingly driven by investment and Norway continues to grow at a slower pace amid persistent inflation pressures.

Sweden stands out for its strong growth this year. GDP growth is expected to reach 2.6%, supported by a rebound in domestic demand and strong export performance, particularly in services. However, growth has likely passed its peak. Rising inflation, higher interest rates and less expansionary economic policy are expected to moderate activity going forward. The labour market continues to strengthen gradually, while house price growth is set to slow. The Riksbank has begun to tighten monetary policy, and we expect one additional rate hike to 2.25% in early 2027 as inflation temporarily moves above target.

Norway is chugging along. Growth is slowing down and the labour market is neither stellar nor alarming. Wages are rising briskly in nominal terms, contributing to keeping inflation stubbornly high. Norges Bank has hiked again, but the signs of progress towards lower inflation are not so easy to spot. Current fiscal policy offers little help to curb inflation, as Norway's latest budget leans heavily on oil money. The situation is a fair illustration of how hard it can be to be prudent when you are rich. Households are carrying a lot of debt and businesses are in a cautious mood, so the outlook is best described as grey.

Finland is enjoying solid growth. Growth this year is the fastest since 2021, driven mainly by exports. Also, a construction boom for data centres will support economic activity during our forecast period. Cheap electricity, a cool climate, available land and reliable infrastructure have made the country an attractive place for data centres, and they already account for almost a third of building permits granted in the last 12 months. Exports and manufacturing orders are rising, and unemployment should come down during the forecast period. Higher interest rates have delayed the housing recovery once more, and public finances remain tight. In 2027, a debt brake will be introduced; the aim is to strengthen fiscal discipline during future parliamentary terms.

In short, the Nordics share a favourable medium-term outlook, but their growth stories differ markedly: Sweden's recovery is maturing, Finland's expansion is increasingly investment-led, and restrictive monetary policy weighs on Norwegian growth.

Sweden – growth has passed its peak

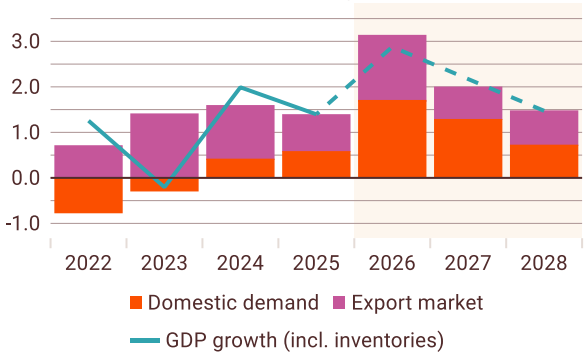
Following a stronger-than-expected expansion this year, growth is expected to moderate as economic policy becomes less expansionary and inflation rises. The labour market is projected to improve steadily, while house price growth is expected to slow next year.

Growth has been stronger than expected, with GDP projected to expand by 2.6% this year. Domestic demand has strengthened significantly as both consumption and investment have picked up. At the same time, exports have performed strongly, particularly services exports. Growth is expected to continue next year, but at a slower pace. As inflation rises and interest rates increase, household purchasing power is set to grow more slowly, dampening domestic demand. Export growth is expected to slow in the coming years, as much of this year's strong performance reflects temporarily elevated exports of pharmaceuticals and refined petroleum products. At the same time, the expanding defence industry is providing increasing support to exports and manufacturing production.

Sweden (%)	2026	2027	2028
Real GDP	2.6	1.9	1.7
CPIF inflation	1.5	2.3	1.3
Unemployment	8.7	8.3	7.8
Policy rate (EOP)	2.00	2.25	2.25

Domestic demand back as an engine of growth

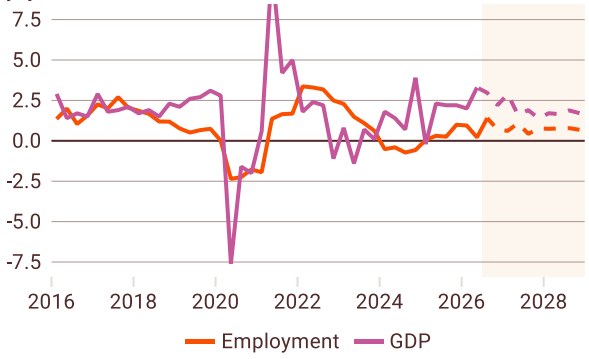
%, pp, constant prices, import-adjusted



Sources: Swedbank Research & Macrobond

Productivity-driven recovery

y/y %



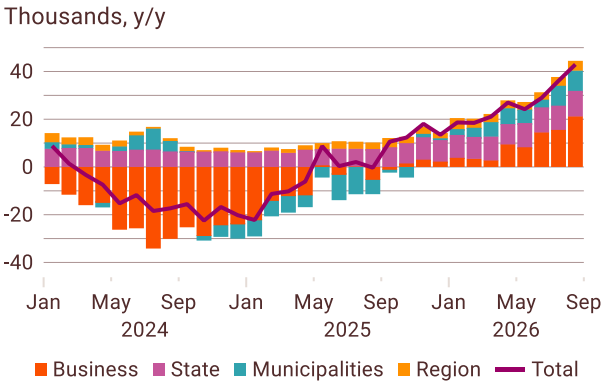
Sources: Swedbank Research & Macrobond

The recovery to date has been driven primarily by productivity growth, but Sweden's labour market has also improved gradually. Employment was 1.4% higher in the third quarter than a year earlier, and the upturn has broadened across industries, including construction. At the same time, employment in IT services continues to decline. Looking ahead, the cyclical improvement in the labour market is expected to continue, although structural changes associated with AI are likely to become increasingly important. While no major effects on overall employment have yet been observed, recent studies indicate that labour mobility is unusually weak in the most AI-exposed parts of the economy, and that graduates from AI-exposed fields are finding it harder to gain a foothold in the labour market. Overall, employment is expected to grow at broadly the same pace in 2027 and 2028 as this year, corresponding to an annual growth rate of 0.7%, while unemployment is projected to decline gradually to 7.6% by the end of 2028.

7.6%

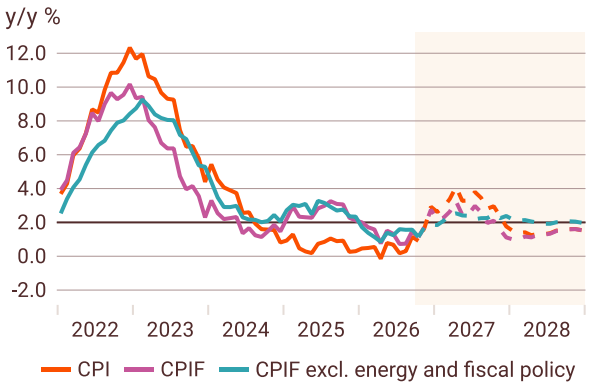
Unemployment at the end of 2028

Broader-based employment growth



Sources: Swedbank Research & Macrobond

Rising inflationary pressures



Sources: Swedbank Research & Macrobond

Inflation in Sweden remains low by European standards. CPIF inflation stood at 1.1% in October but is expected to rise further in the coming months. The increase is being driven by higher electricity and fuel prices, as well as indirect effects from the war in the Middle East. The global prices of several commodities have increased since the beginning of this year. Together with higher production and transport costs, as well as weaker harvests, this is expected to push up food prices, contributing to higher inflation ahead. The krona has also weakened this year, adding to cost pressures for goods. Overall, we estimate that underlying inflation, measured by CPIF excluding energy and direct effects of temporary fiscal policy, will rise from 1.1% in October to around 2.5% in spring 2027 before declining to nearly 2% in 2028.

Less expansionary economic policy ahead

Swedish economic policy is expected to become less expansionary in the period ahead. In response to the economic recovery and rising inflation, the Riksbank raised the policy rate to 2.0% at its meeting early in November. We expect the policy rate to be hiked only once more during the current cycle, to 2.25% in February next year. However, the risks are tilted to the upside. Higher energy and commodity prices or greater spillover effects from the war in the Middle East could lead to additional rate increases, while weaker economic activity or lower energy prices would cause a change in the opposite direction. Fiscal policy is also expected to become less expansionary in the coming years. Following the general election in September, it remains unclear which coalition will form Sweden's next government. The previous governing majority has lost its support in parliament, while the opposition has yet to agree on an alternative. Regardless of the next government, we assess that fiscal policy will be less expansionary during the coming parliamentary term, as the structural budget balance is significantly below the balanced budget target and therefore requires gradual consolidation. Continued budget deficits, together with the Riksbank's revised funding of the foreign exchange reserves, will push Maastricht debt above 40% of GDP.

The housing market continues to be characterised by high activity, and prices have risen by 3.5% so far this year. However, higher interest rates are expected to moderate developments somewhat next year, resulting in house price growth slowing to around 2% per year in 2027–2028.

Norway – chugging along

The Norwegian economy is growing at a slower but measured pace. The labour market is neither stellar nor cause for alarm. Inflation remains stubbornly high and is keeping Norges Bank worried; the central bank's latest hike demonstrates that it is willing to use its available tools. Still, it's difficult to see much progress in the fight against inflation.

While growth has been sluggish, nominal pay increases have not. This year's coordinated wage negotiations yielded a 4.4% increase. Given that wages affect domestic prices, there is good reason for Norges Bank to be worried about inflation. The central bank hiked the policy rate in September, from 4.25% to 4.50%. Statistics published on 9 October show that there is more work to be done: Norway's headline inflation rate stood at 3.4% and core inflation 3.0% in September. We forecast that Norges Bank will succeed in bringing inflation down to 2.6% in 2027.

Norway (%)	2026	2027	2028
Mainland GDP	0.9	0.9	1.6
Inflation	3.3	2.6	2.2
Unemployment	2.1	2.3	2.1
Policy rate	4.50	4.25	4.00

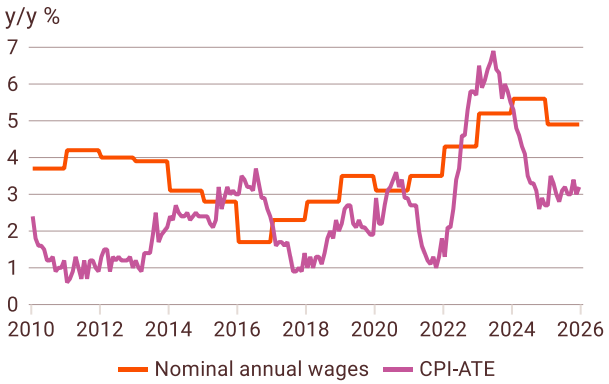
Current Norwegian fiscal policy is not offering much help to monetary policy. Although the government budget proposal announced in October was relatively neutral in its stimulating effect, it still included substantial use of oil money – 12.6% of mainland trend GDP. It can be seen as evidence of the challenge of being fiscally prudent even while one is wealthy.

4.4%

Wage increases in coordinated negotiations in 2026

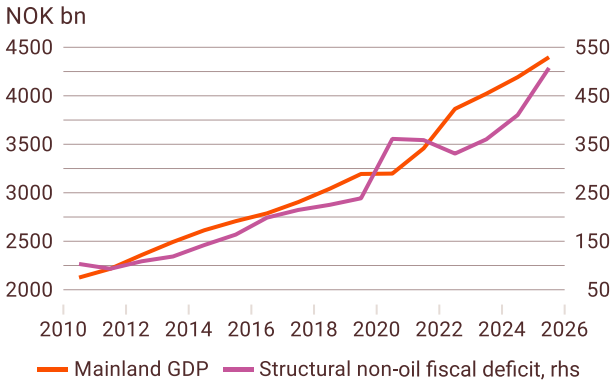
Some Norwegian economic indicators point to an economic downturn, while others do not. This mixed economic message, combined with persistently high inflation, restrictive monetary policy, highly indebted households and somewhat downbeat prospects reported from businesses, has led us to put forward modest growth forecasts for mainland GDP: 0.9% for 2026 and 2027. Consumption is usually a surefire growth engine in Norway; it tends to tick upward no matter what. It is still moving upwards, but the grey economic environment leads us to forecast household consumption growth of only 1.1% for 2026 and 2027. The monetary tightening is constraining household consumption. Higher interest rates are starting to bite.

Pay increases are more than decent



Sources: Swedbank Research & Macrobond

A well-oiled machine



Sources: Swedbank Research & Macrobond

Finland – data centres are set to boost economic growth

Solid economic growth has continued in 2026. We expect Finland's economy to grow by an average of slightly below 2% during our forecast period. A boom in data-centre construction will support economic activity during the period, creating an upside risk to the outlook. Higher energy prices will, however, boost inflation.

Finland (%)	2026	2027	2028
Real GDP	1.8	2.0	1.8
Inflation	2.0	2.6	2.0
Unemployment	10.3	9.7	9.2
Wage growth	3.5	3.5	3.3

Despite the elevated uncertainty in the global economy, the outlook for Finland's economy is promising. This year, GDP has been growing at its fastest pace since 2021. According to Statistics Finland's flash estimate, GDP grew by 0.5% in Q3 from the preceding quarter.

During our forecast period, household consumption and investments will support economic activity. Despite somewhat elevated price pressures, wage growth will outpace inflation. Moreover, an improving labour market will support household consumption. The data-centre boom makes the investment outlook very promising. Affordable energy, a cool climate, suitable land and well-developed, reliable infrastructure are advantages for Finland when it comes to attracting data-centre investments. Currently, building permits for data centres account for almost a third of the total permits granted during the last 12 months. Investments in defence and the green transition are also increasing. Higher interest rates will mean that a long-awaited recovery in the housing market and residential construction will be postponed again, until 2027.

16.4%

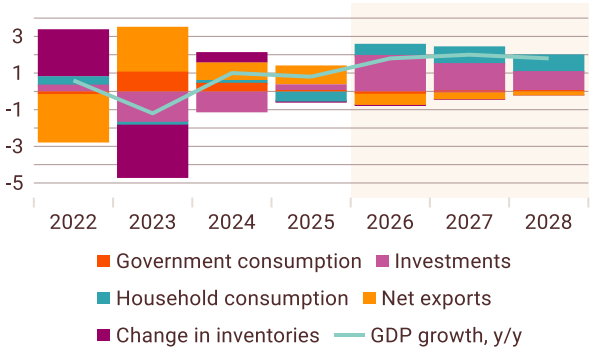
Increase in manufacturing new orders so far in 2026

The outlook for exports is favourable as well. Exports have been increasing since 2024, and in January-August the value of new manufacturing orders rose by 16.4% from the preceding year.

Employment rose in the third quarter as more jobs were created in the service sector. The private sector's employment expectations are positive, and we expect that broad-based

Broad-based economic growth

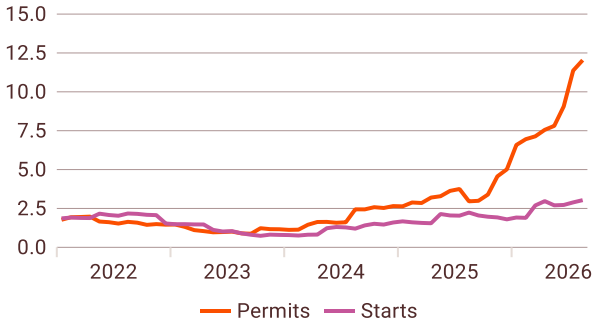
%, pp



Sources: Swedbank Research & Macrobond

Surge in building permits for data centres

Million cubic metres, 12-month moving sum

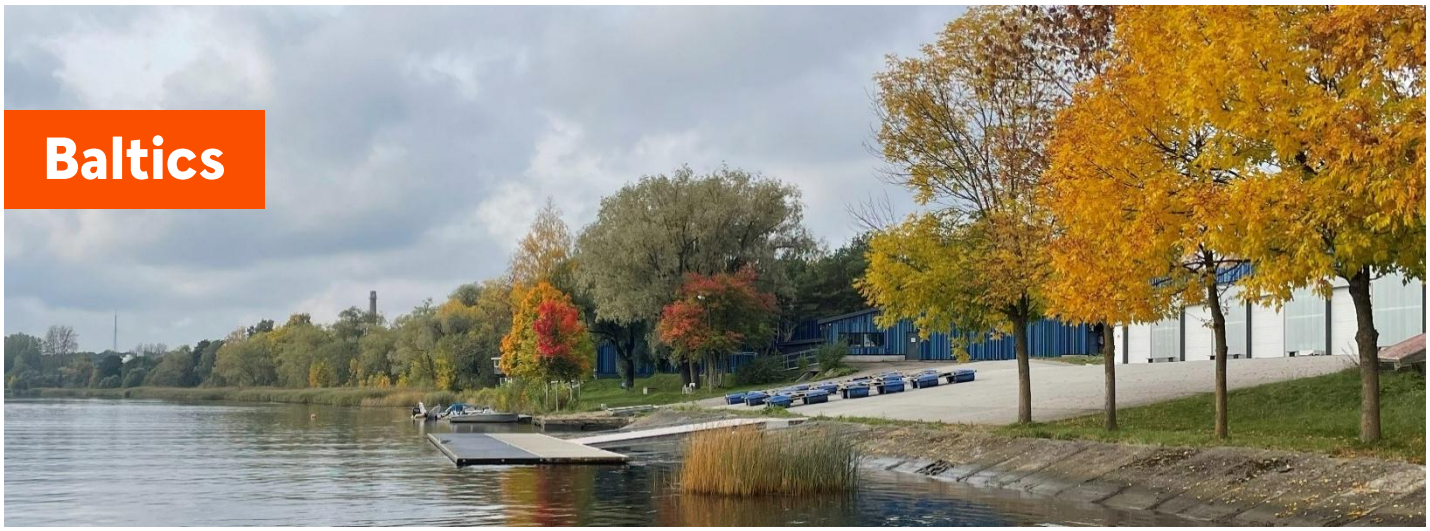


Note: Data for transport and communications buildings
Sources: Swedbank Research & Macrobond

economic activity will lead to higher employment. We forecast that the unemployment rate will decline to 9.2% in 2028.

Despite a better economic outlook, Finland's fiscal position will remain challenging throughout our forecast period. The introduction of a debt brake in 2027 is expected to establish a credible long-term fiscal framework spanning successive governments.

Baltics



Same, same, but different

After several years of divergence, the Baltic countries are all growing this year. Next year, GDP growth is likely to slow. In Latvia and Estonia, the slowdown will be due to lower public-sector support to the economy, as well as somewhat softer growth in private consumption. In Lithuania, it will be linked to the pension-fund withdrawal hangover. Inflation will pick up this winter but should slow during 2027.

In 2021, Baltic inflation dynamics were steep and synchronised, but the start of energy crisis 2.0 has been different. Energy inflation has increased notably this year, while declining food prices have put a lid on overall Baltic inflation. This explains why, in October, inflation in both Estonia and Latvia was lower than the euro area average. However, when it comes to Lithuania, the "lid" has not been sufficient. A continued steep wage increase, combined with the domestic demand boost that followed the second-pillar pension withdrawals, has pushed inflation to the highest rate in the euro area. Things will likely get worse before they get better. The Baltics are expected to see higher inflation during the next couple of quarters as housing costs rise this winter due to increasing heating tariffs and electricity prices. We will also see this year's food-price declines revert to food inflation in 2027, following global dynamics. Therefore, although inflation will slow down again during the course of 2027, we have raised our inflation forecasts for next year.

At first glance, economic growth has been much more synchronised in the Baltics in 2026 than during the previous few years. This marks a strong acceleration in both Estonia and Latvia. After years of strong growth and despite the additional boost to domestic demand from the pension withdrawals, Lithuania's growth decelerated this year, especially in the third quarter. Private consumption has been rather strong in all three Baltic states this year. Baltic export volumes are growing, but the individual stories differ. Excellent services growth is pushing export volumes up in Lithuania, while in Latvia, goods exports are driving the increase, rebounding after several years of stagnation.

EU funds as well as infrastructure and defence-related projects have supported investment in 2026. Rather sizeable government deficits are expected during our forecast horizon, mainly due to a ramp-up in defence spending and little appetite for higher taxes. Fiscal consolidation is needed, but in Lithuania and Estonia it is unlikely until after the next elections. In Latvia, there are strong signs that the newly elected government is likely to rein in spending. This situation, as well as the end of the EU Recovery and Resilience Facility projects, will likely mean less public-sector support to the Latvian economy during our forecast period. Higher expected interest rates will dampen private investment activity, although in Estonia, long-delayed business investments to improve efficiency and expand capacity are still expected.

Estonia – green shoots, red ink

We forecast moderate economic growth in Estonia during our forecast period. Inflation has picked up, but is expected to gradually ease as from next year. At the same time, the government will face the major challenge of reducing the excessive budget deficit.

Estonian economic conditions have improved. According to preliminary estimates, real GDP expanded by 2.3% year-on-year in the first three quarters of this year, and in September, the number of job vacancies was 25% higher than a year earlier. Although inflation has picked up in recent months, it has risen more slowly overall this year than last year. Improved purchasing power will continue to support private consumption, while higher energy prices and interest rates will dampen its growth.

Estonia (%)	2026	2027	2028
Real GDP	2.4	2.2	2.4
Inflation	3.4	3.0	2.3
Unemployment	7.2	6.6	5.9
Wage growth	5.9	5.5	5.2

Export growth has slowed this year, while foreign demand has remained decent. At the same time, Estonia's export share in total EU imports has remained stable. Labour productivity has begun to recover as value added grows faster than employment, helping to restore cost competitiveness. Export growth is expected to pick up, although the recovery will be constrained by global trade friction.

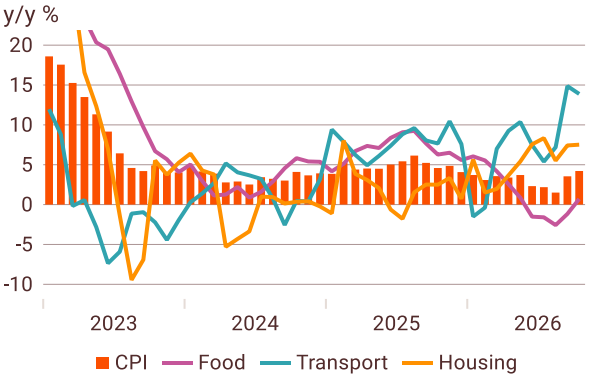
Despite strong lending to businesses and households, private investment contracted in the first half of the year. Investment is expected to recover next year as businesses expand capacity and improve efficiency, households invest in housing, and the government continues to spend on defence and infrastructure.

Fiscal policy is supporting demand this year and is expected to continue doing so in 2027, although its stimulative effect may weaken. Public finances remain under pressure; Estonia's deficit is projected to exceed 4% of GDP during our forecast period. The fiscal outlook will depend on the outcome of the March 2027 general elections and the resulting government coalition.

>4%

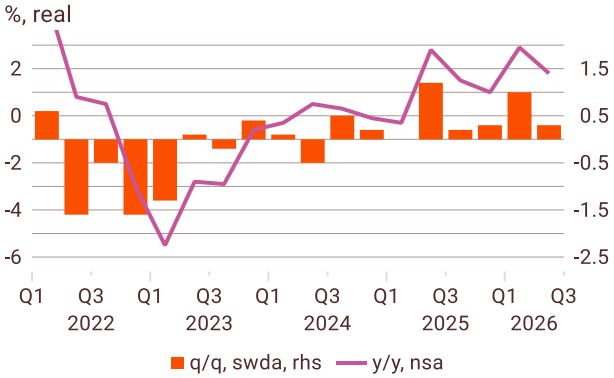
government deficit in 2027 and 2028

Inflation has slowed



Sources: Swedbank Research & Macrobond

Economic growth has picked up



Sources: Swedbank Research & Macrobond

Latvia – a strong economy, surprisingly low inflation

Food price declines will turn into inclines next year, pushing overall inflation higher. The latest data suggest GDP growth will reach 3.0% in 2026 and growth will continue ahead, albeit at a slower pace. More limited governmental support will contribute to the slowdown.

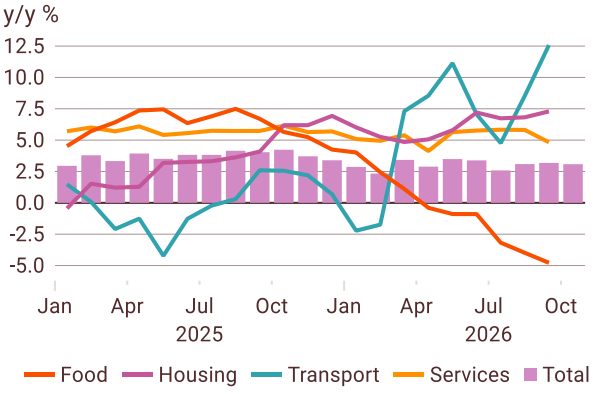
Latvia (%)	2026	2027	2028
Real GDP	3.0	2.2	2.5
Inflation	3.3	3.7	2.3
Unemployment	7.1	6.9	6.7
Wage growth	5.0	5.3	6.0

With food deflation dragging overall inflation down this year, consumer price levels will rise less than in 2025. Food inflation will return next year as global food prices are on the rise again, and Latvia's temporary reduction in VAT for selected food products will end in July. Recent global spikes in energy prices will continue to push up heating and gas tariffs. Electricity prices will rise, but households will feel the increase only gradually, as 85% have fixed-rate contracts. As a result, inflation will pick up this winter. Price growth will slow during the course of 2027 but is forecast to average above this year's level.

Latvia's economy surprised on the upside in 2026 with credit and investment growth continuing, goods exports finally growing and the manufacturing sector expanding robustly. In the first half of 2026, GDP increased by 3.2% on the year, with the largest positive contribution coming from private consumption. This occurred despite a notable and broad-based slowdown in wage growth and a resulting slower increase in purchasing power. The most pronounced slowdown was in the public sector and was due to government-imposed wage restraint, which we expect to continue in 2027. Private-sector wages may accelerate, reflecting the recent strengthening of economic activity.

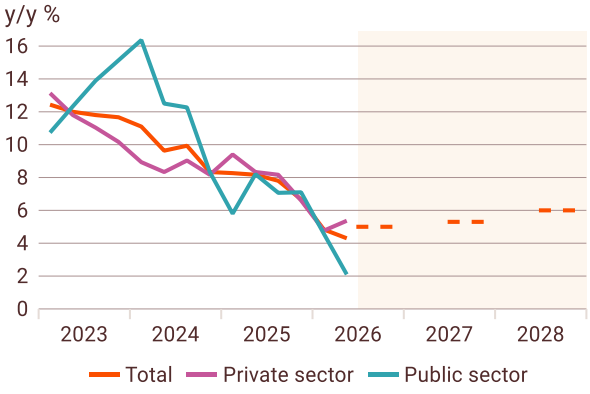
The decisive election victory of incumbent Prime Minister Andris Kulbergs' party strengthens its mandate to implement spending restraint while continuing to prioritise defence. A less supportive fiscal stance than expected, combined with an anticipated decline in EU funding for investment as Recovery and Resilience Facility (RRF) financing ends and the 2021–2027 programming period draws to a close, suggests weaker public-sector support for the economy going forward.

Food prices fall as fuel prices soar



Sources: Swedbank Research & Macrobond

Wage growth slower than previously



Sources: Swedbank Research & Macrobond

Lithuania – a mild hangover after the party

After prolonged rapid growth, further boosted by withdrawals from the second-pillar pension funds earlier this year, Lithuania is now seeing a sharp cooldown. Many growth drivers are expected to fade next year, when GDP growth is likely to ease below 2%.

Lithuania's GDP fell by 1% in the third quarter compared with the second quarter but was still 1.8% higher than a year ago. Second-quarter GDP was boosted to artificially high levels by household withdrawals from second-pillar pension funds, and consumption is now returning to more natural levels. However, the construction and transport sectors, and possibly weaker investment, also seem to have contributed to the larger-than-expected dip in economic activity. Exports of higher value-added services (ICT, financial, other business services) increased by more than 10% this year, while manufacturing growth was close to 6% (and accelerated in September). Business confidence, however, has weakened in recent months, and export growth is likely to weaken in 2027.

Lithuania (%)	2026	2027	2028
Real GDP	2.7	1.8	2.4
Inflation	5.6	3.3	2.5
Unemployment	6.7	6.9	6.9
Wage growth	9.2	7.5	7.0

6.1%

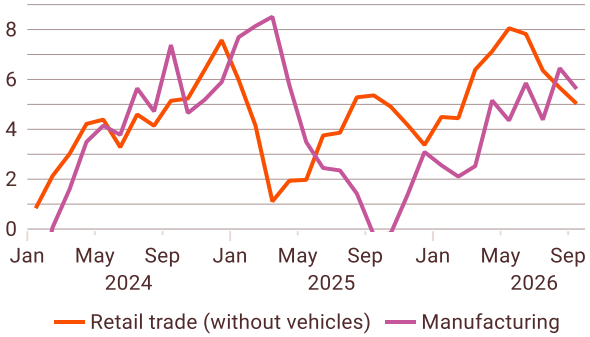
Inflation in October, the highest in the EU

The temporary boost to domestic demand has also added to inflationary pressures. Inflation accelerated to 6.1% in October, but had little effect on consumer confidence and household consumption. The effect of household withdrawals from second-pillar pension funds has faded, but retail trade growth remained among the fastest in the EU. One reason consumers stayed relatively unfazed was that inflation was mostly concentrated in energy (and some services), while food prices were lower than a year earlier. At the same time, wage growth remains above 9% and has continued to boost household purchasing power. Admittedly, consumer confidence dipped in October, and household consumption growth is likely to weaken substantially going forward.

The Lithuanian government has drafted next year's budget, with a deficit expected to increase to 3.8% (we estimate it will be even

Frothy consumers and busy producers

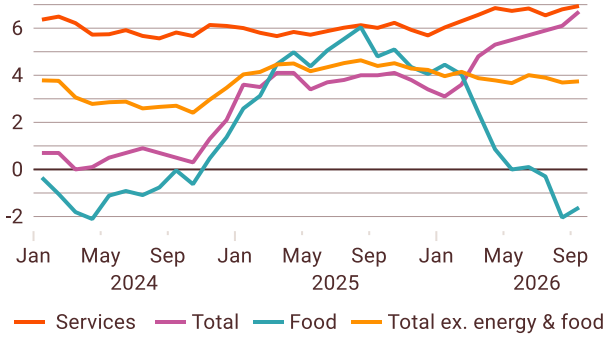
y/y %, 3mma, constant prices



Sources: Swedbank Research & Macrobond

Food prices offer relief

y/y %, CPI



Sources: Swedbank Research & Macrobond

higher). The main reason for the higher deficit is the phasing out of EU RRF funds. While many expenditures will grow more slowly than in previous years, they will grow more rapidly than budget revenues, increasing government borrowing needs. The minimum monthly wage will increase by 8%, while pensions will rise by 10.4%. Defence spending will remain largely unchanged in absolute terms but will still exceed 5% of GDP. General government debt is expected to rise to 51.7% of GDP by 2028, up from 39.5% last year. Although still well below the EU average, Lithuania's government debt is on an unsustainable path, and fiscal consolidation looms, though it is likely to occur only after the parliamentary elections at the end of 2028.



AI everywhere, data centres anywhere but here?

When grid constraints and local opposition pose challenges to the expansion of data centres, as in parts of the United States, developers increasingly look to locations with cheap power, ample land and fewer objections, such as the Nordic countries. While host countries stand to gain investment and jobs, they must also weigh the demands on electricity, water and land.

Ahead of the November midterms, President Donald Trump warned that places that resist data centres risk ending up "backwards and poor", but his message appeared to be losing its audience even among his own voters. According to a pre-midterm analysis by The Economist, voters who backed Trump in 2024 and lived near a data centre were increasingly turning to the Democrats, far more so than his voters elsewhere.

The backlash against data centres has an economic logic. Data centres are among the fastest-growing sources of electricity demand; they use around 5% of US electricity today – a share that is expected to double by 2030. The effect is starting to show in the electricity bills in regions where data centres are located. Globally, more than half of the electricity used by data centres still comes from natural gas and coal. The International Energy Agency estimates that electricity use by data centres generated around 180 Mt of CO_2 emissions in 2024 and projects that these emissions will roughly double by 2035. The 2024 figure is slightly higher than the annual fossil CO_2 emissions of all the Baltic and Nordic countries combined.

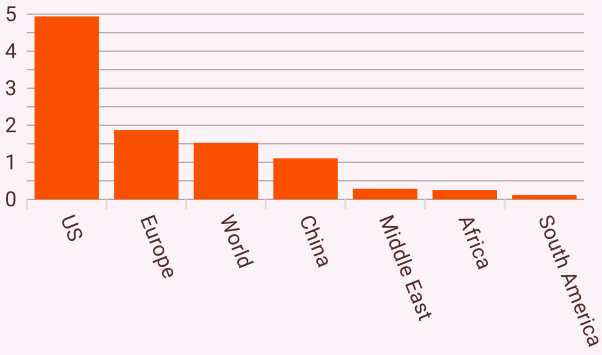
But there are other costs as well. Those living near proposed sites worry about noise and the loss of farmland. For instance, Amazon's Project Rainier in Indiana occupies roughly 500 hectares of former farmland, about the area of 700 football pitches. Water is another source of local pressure – the largest data centres can use up to 19 million litres a day for cooling, equal to the daily consumption of a US town of 10,000 to 50,000 people. Unsurprisingly, opposition is contributing to the slowdown of the expansion: at least 45 projects in the US, representing about USD 68 billion in proposed investment, were blocked or delayed in the second quarter of 2026 alone.

The benefits, by contrast, are harder to establish. Brookings researchers have found that data centres do add local jobs, but usually fewer than promised by the industry. In a typical US county that receives a large data centre, Brookings estimates a gain of roughly 100 to 200 permanent jobs, depending on the type of facility.

Barriers to data-centre expansion also pose risks for financial markets. Valuations of the largest US tech firms depend on expectations that today's investments will generate substantial AI revenues within a few years. Local resistance and slow grid connections can delay those revenues and inflate costs, putting valuations under pressure. With borrowing increasingly financing the expansion, a downturn would affect both equity and credit markets and have a negative impact on global growth.

Electricity demand of data centres

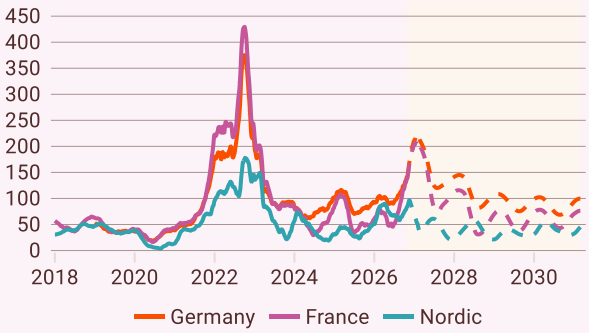
% of total electricity demand, 2025



Sources: International Energy Agency, Ember

Electricity futures

EUR/MWh



Note: Nordic=Sweden, Norway, Finland, Denmark.
Sources: Swedbank Research & Macrobond

These obstacles, therefore, are also shaping where developers choose to build. Desirable locations have reliable grids, cheap electricity, ample land and water, and local acceptance. The Nordic countries' cool climate, which lowers cooling costs, has added to the region's appeal, helping it emerge as an attractive European data-centre hub during the past three years.

The Nordic countries continue to attract multibillion-euro data-centre investments, and major projects are planned across the region, including Brookfield's investment of about EUR 9 billion in an AI campus in Sweden. In Finland, Google has announced its largest European investment to date: at least EUR 13 billion in data centres and supporting infrastructure. However, work at two of its sites has already been halted by the Finnish authorities due to environmental concerns. Sweden, Norway, Finland and Denmark each already have more than 30 conventional data centres that host servers and cloud services. The number of data centres built specifically for AI is much lower, but interest in building them has grown rapidly. A key attraction is the region's relatively cheap, low-carbon electricity.

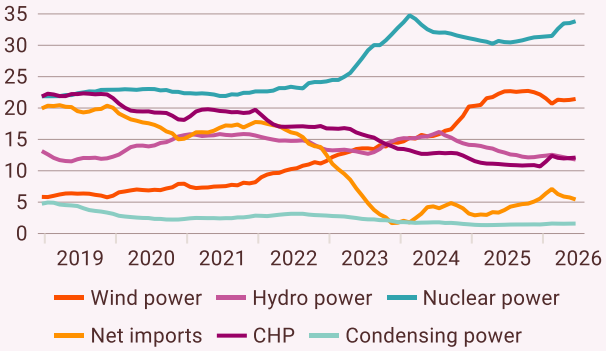
Around 96% of the electricity generated in the Nordics is fossil-free, mainly from hydro, wind and nuclear power. Fossil fuels account for only about 2%. As hydro, wind and nuclear power are cheap to run once built, prices remain relatively low, but the rapid growth in data centres is starting to test the system. As an example, Finland produces about 94% of the electricity it uses in a year, mostly from carbon-free sources with low variable costs, and it both imports and exports power depending on the weather. Demand is growing fast, however: during the past 12 months, the country has used almost 5% more electricity than a year earlier. Much of this growth has come from new data centres that run non-stop. On cold, windless days, Finland will therefore need to import more electricity, pushing up prices across the region and leaving less cheap electricity available for its neighbours. Estonia is especially exposed through its direct cable links with Finland, but higher Finnish demand could also lift prices in Sweden's SE1 (far north) and SE3 (middle) bidding zones, which are directly connected to Finland. The scale of the impact will depend on how quickly new wind and solar capacity, along with storage, is connected to the grid.

Yet new demand is not necessarily bad news. As wind and solar capacity grows, prices can fall to zero or below during windy periods, and producers then earn less than it costs to build and run their plants. Steady demand from data centres, combined with more flexible demand from users such as electric boilers and batteries, could help support prices and make new renewable projects profitable.

Additionally, data centres' excess heat can be put to use. In May 2026, two large heat-pump plants in Finland became operational. They will capture waste heat from Microsoft's new data centres and feed it into the district heating network. At full capacity, the scheme is expected to meet around 40% of the heating needs of some 250,000 district heating users, or around 2.6% of Finland's total heating demand in 2025. Under the right circumstances, therefore, data centres not only add to electricity demand, but can also be used in an energy system that is at least partly circular.

Electricity supply in Finland

TWh, 12-month moving sum



Note: CHP=Combined Heat & Hydropower. Sources: Macrobond

However, at the beginning of October, work at two data centres in Finland was halted due to environmental concerns, as Google failed to carry out environmental impact assessments and felled forested areas without permission. Finland, inspired by Denmark, will also launch a review of policies for new grid connections; policymakers are concerned about data centres negatively impacting other grid users. The plan is to review the "first come, first served" process and instead prioritise projects that support electrification and the energy transition over data centres.

The competition with green industrialisation is a specific challenge in Finland and Sweden. Data centres compete with steel, battery and hydrogen projects for the same grid capacity, power and specialised labour. Which of the technologies will create most value? In a short-term national perspective, green technologies probably outperform the data centres, but adding data security and sovereignty to the equation makes it a harder nut to crack.

A large share of data-centre investment goes towards imported servers and chips, making these projects' GDP contributions smaller than headline investment figures suggest. Profits may also be booked abroad, limiting the corporate tax base of the host country. However, building and site infrastructure work can be sourced locally, supporting construction and employment at a time when high interest rates are weighing on residential construction. Finland's construction industry association estimates that around a quarter of data-centre investment goes towards construction. The wider economic benefits, however, depend on the facility's type and location, with hyperscale data centres near cities potentially generating greater local spillovers.

The opposition emerging in the region shows that a lasting welcome cannot be taken for granted here either. For the Nordic countries, the challenge now is to turn the data-centre investment boom into lasting economic gains. The size of an investment pledge says little about how much value will stay in the host country or whether it justifies the use of grid capacity, land and electricity. Projects that support new power generation, reuse heat and deliver clear local benefits will gain a stronger case for public support.



Appendix

SWEDEN: Key economic indicators, 2025-2028

Annual % change unless stated otherwise	2025	2026F		2027F		2028F	
Real GDP growth (calendar-adjusted)	1.6	2.6	(2.0)	1.9	(2.0)	1.7	(1.8)
Real GDP growth per capita (calendar-adjusted)	1.5	2.5	(1.9)	1.8	(1.9)	1.7	(1.8)
Real GDP growth	1.4	2.9	(2.2)	2.2	(2.2)	1.5	(1.6)
Household consumption	2.0	2.5	(2.2)	1.7	(2.0)	1.6	(1.6)
Government consumption	1.2	1.9	(1.9)	2.0	(1.8)	1.1	(1.0)
Gross fixed capital formation	2.2	3.9	(3.8)	3.7	(3.2)	2.3	(2.5)
private excluding housing	1.3	3.9	(1.8)	3.2	(2.7)	1.8	(2.4)
public & NPISH	8.1	5.3	(9.9)	5.2	(3.9)	3.5	(2.6)
housing	-2.7	1.7	(2.7)	3.7	(4.5)	3.1	(3.1)
Exports, goods and services	3.7	4.4	(4.0)	3.0	(3.0)	3.0	(2.8)
Imports, goods and services	4.6	3.6	(5.0)	3.6	(2.8)	3.4	(2.9)
Change in inventories (contribution to GDP)	0.2	-0.3	(0.2)	0.2	(-0.1)	0.0	(0.0)
Domestic demand, excl. inventories (contribution to GDP)	1.8	2.6	(2.4)	2.2	(2.2)	1.6	(1.6)
Net exports (contribution to GDP)	-0.4	0.5	(-0.4)	-0.2	(0.1)	-0.1	(0.0)
CPI (annual average)	0.7	0.8	(0.9)	3.1	(2.8)	1.4	(1.7)
CPIF (annual average)	2.6	1.5	(1.5)	2.3	(2.1)	1.3	(1.6)
CPIF excluding energy (annual average)	2.8	0.7	(0.9)	2.1	(2.2)	2.0	(2.0)
Riksbank policy rate (December)	1.75	2.00	(2.00)	2.25	(2.25)	2.25	(2.25)
Unemployment (% of labour force, 15-74)	8.8	8.7	(8.6)	8.3	(8.0)	7.8	(7.5)
Labour force (15-74)	0.9	0.6	(0.4)	0.4	(0.4)	0.2	(0.3)
Employment (15-74)	0.4	0.8	(0.6)	0.7	(1.1)	0.7	(0.8)
Employment rate (% of population, 15-74)	69.0	69.4	(69.2)	69.9	(70.0)	70.4	(70.6)
Number of hours worked (calendar-adjusted)	-0.3	0.2	(0.4)	0.7	(1.5)	0.7	(0.6)
Nominal hourly wage (NMO, whole economy)	3.6	3.3	(3.4)	3.3	(3.2)	3.3	(3.2)
Household real disposable income	0.4	2.2	(2.6)	1.1	(1.6)	2.3	(1.5)
Household own savings (% of disposable income)	5.5	5.2	(6.4)	4.6	(6.1)	5.3	(6.1)
Balance of goods and services (% of GDP)	2.5	2.1	(1.7)	1.5	(1.7)	1.3	(1.7)
Current account balance (% of GDP)	5.6	5.4	(4.6)	4.5	(4.4)	4.0	(4.3)
General government budget balance (% of GDP)	-1.6	-1.6	(-1.9)	-1.6	(-1.8)	-0.8	(-1.3)
General government debt (Maastricht, % of GDP)	35.4	36.4	(36.3)	39.0	(36.6)	40.3	(37.7)

Preceding forecast in parentheses
Sources: Statistics Sweden & Swedbank Research

NORWAY: Key economic indicators, 2025-2028

Annual % change unless stated otherwise	2025	2026F		2027F		2028F	
Real GDP	1.1	1.4	(1.5)	1.2	(1.3)	1.5	(1.7)
Household consumption	2.6	1.1	(2.0)	1.1	(1.8)	1.8	(2.2)
Governmental consumption	2.4	1.9	(1.8)	1.9	(1.8)	1.9	(2.0)
Investments	0.8	0.1	(0.9)	0.1	(0.7)	1.0	(1.1)
Imports	2.6	1.4	(2.2)	1.7	(2.2)	2.1	(2.3)
Exports	2.7	2.1	(1.7)	1.8	(1.5)	1.7	(1.8)
Mainland real GDP	1.7	0.9	(1.5)	0.9	(1.3)	1.6	(1.8)
CPI	3.1	3.3	(3.1)	2.6	(2.6)	2.2	(2.2)
Unemployment (% of labour force, registered)	2.1	2.1	(2.1)	2.3	(2.2)	2.1	(2.1)
Nominal annual wages	4.9	4.4	(4.4)	3.7	(3.8)	3.9	(3.9)
Policy rate (December)	4.00	4.50	(4.25)	4.25	(4.00)	4.00	(3.75)

Preceding forecast in parentheses
Sources: Statistics Norway, Norges Bank & Swedbank Research

FINLAND: Key economic indicators, 2025-2028

Annual % change unless stated otherwise	2025	2026F		2027F		2028F	
Real GDP	0.8	1.8	(2.2)	2.0	(1.8)	1.8	(1.8)
Household consumption	-1.1	1.2	(1.5)	1.8	(1.8)	1.8	(1.9)
Government consumption	0.3	-0.5	(-0.5)	0.2	(0.2)	0.3	(0.3)
Gross fixed capital formation	1.4	8.5	(8.5)	6.2	(3.7)	4.2	(2.6)
Exports of goods and services	5.2	6.0	(4.5)	5.0	(3.0)	3.5	(3.4)
Imports of goods and services	2.9	7.5	(6.0)	6.0	(3.1)	4.0	(3.1)
CPI (average)	0.3	2.0	(1.7)	2.6	(2.0)	2.0	(2.0)
Unemployment (% of labour force, 15-74)	9.7	10.3	(10.3)	9.7	(9.7)	9.2	(9.2)
Employment (15-74)	-0.5	-0.2	(-0.4)	0.5	(0.5)	0.4	(0.4)
Employment rate (% of population, 20-64)	76.0	75.2	(75.1)	75.5	(75.3)	75.6	(75.5)
Nominal hourly wage (whole economy)	3.1	3.5	(3.1)	3.5	(3.3)	3.3	(3.3)
Current account balance (% of GDP)	1.0	-0.6	(1.1)	-0.6	(0.8)	-1.0	(1.2)
General government budget balance (% of GDP)	-3.8	-4.1	(-4.0)	-4.0	(-4.0)	-3.5	(-3.5)
General government debt (% of GDP)	88.4	91.2	(90.5)	92.0	(92.0)	93.0	(93.0)

Preceding forecast in parentheses
Sources: Statistics Finland & Swedbank Research

ESTONIA: Key economic indicators, 2025-2028

Annual % change unless stated otherwise	2025	2026F		2027F		2028F	
Real GDP	1.3	2.4	(2.0)	2.2	(2.5)	2.4	(2.4)
Household consumption	-0.3	2.7	(3.0)	2.3	(2.5)	2.5	(2.5)
Government consumption	2.4	2.5	(4.0)	1.5	(2.0)	2.0	(1.0)
Gross fixed capital formation	2.4	-2.0	(5.0)	6.0	(6.0)	5.0	(5.0)
Exports of goods and services	4.8	2.0	(2.0)	3.0	(3.0)	3.5	(3.5)
Imports of goods and services	4.7	2.5	(3.0)	4.0	(4.0)	4.0	(4.0)
CPI (average)	4.8	3.4	(3.4)	3.0	(2.7)	2.3	(2.2)
Unemployment (% of labour force)	7.5	7.2	(6.7)	6.6	(6.3)	5.9	(5.9)
Employment	-0.8	-0.3	(-0.1)	0.2	(0.2)	0.3	(0.2)
Gross monthly wage	5.6	5.9	(6.0)	5.5	(5.4)	5.2	(5.2)
Nominal GDP (billion euro)	41.9	44.0	(43.9)	46.4	(46.2)	48.7	(48.4)
Exports of goods and services (nominal)	8.5	5.8	(6.1)	6.1	(6.1)	6.1	(6.1)
Imports of goods and services (nominal)	6.9	6.6	(8.1)	7.1	(7.1)	6.6	(6.6)
Balance of goods and services (% of GDP)	1.1	0.4	(-0.5)	-0.3	(-1.3)	-0.7	(-1.7)
Current account balance (% of GDP)	0.3	-0.7	(-1.6)	-1.5	(-2.3)	-1.9	(-2.7)
General government budget balance (% of GDP)	-2.2	-4.2	(-3.7)	-4.3	(-4.4)	-4.2	(-4.2)
General government debt (Maastricht, % of GDP)	24.0	25.9	(26.1)	28.6	(29.6)	32.9	(32.3)

Preceding forecast in parentheses
Sources: Statistics Estonia & Swedbank Research

LATVIA: Key economic indicators, 2025-2028

Annual % change unless stated otherwise	2025	2026F		2027F		2028F	
Real GDP	2.2	3.0	(2.3)	2.2	(2.3)	2.5	(2.5)
Household consumption	1.2	2.4	(1.9)	2.0	(2.2)	2.5	(2.6)
Government consumption	1.7	3.5	(2.4)	1.3	(2.1)	1.7	(2.0)
Gross fixed capital formation	9.9	5.3	(3.5)	2.0	(2.0)	2.8	(2.8)
Exports of goods and services	1.8	3.6	(3.2)	2.6	(3.2)	3.4	(3.4)
Imports of goods and services	6.8	2.4	(2.8)	2.4	(2.9)	3.3	(3.3)
CPI (average)	3.7	3.3	(3.4)	3.7	(3.2)	2.3	(2.7)
Unemployment (% of labour force)	6.9	7.1	(6.9)	6.9	(6.6)	6.7	(6.6)
Employment	0.6	-0.5	(-0.3)	-0.3	(-0.3)	-0.4	(-0.6)
Gross monthly wage	7.7	5.0	(6.0)	5.3	(6.7)	6.0	(6.7)
Nominal GDP (billion euro)	43.6	46.8	(45.6)	49.5	(48.0)	52.1	(50.7)
Exports of goods and services (nominal)	3.9	6.1	(5.1)	3.2	(4.3)	4.7	(4.8)
Imports of goods and services (nominal)	8.2	6.5	(6.4)	1.7	(3.4)	3.8	(4.2)
Balance of goods and services (% of GDP)	-5.6	-5.8	(-5.4)	-4.8	(-4.7)	-4.1	(-4.3)
Current account balance (% of GDP)	-5.2	-5.1	(-4.1)	-4.6	(-4.0)	-3.9	(-4.1)
General government budget balance (% of GDP)	-2.5	-2.8	(-2.9)	-3.9	(-4.1)	-4.9	(-5.1)
General government debt (Maastricht, % of GDP)	46.2	46.5	(47.8)	50.3	(51.8)	51.1	(52.7)

Preceding forecast in parentheses
Sources: Statistics Latvia & Swedbank Research

LITHUANIA: Key economic indicators, 2025-2028

Annual % change unless stated otherwise	2025	2026F		2027F		2028F	
Real GDP	3.0	2.7	(3.0)	1.8	(2.3)	2.4	(2.5)
Household consumption	4.1	3.8	(4.8)	2.2	(2.4)	2.6	(2.6)
Government consumption	1.1	1.2	(1.5)	1.2	(1.2)	1.0	(1.0)
Gross fixed capital formation	6.6	5.5	(9.0)	7.0	(7.5)	5.0	(5.0)
Exports of goods and services	5.1	5.8	(3.5)	3.0	(3.4)	3.5	(3.5)
Imports of goods and services	7.1	6.5	(4.8)	3.8	(4.5)	4.2	(4.2)
CPI (average)	3.8	5.6	(5.3)	3.3	(2.8)	2.5	(2.5)
Unemployment (% of labour force)	6.9	6.7	(6.7)	6.9	(6.9)	6.9	(6.9)
Employment	-0.3	0.4	(0.6)	0.2	(0.0)	0.0	(0.0)
Gross monthly wage	8.4	9.2	(8.6)	7.5	(7.0)	7.0	(6.7)
Nominal GDP (billion euro)	85.1	92.0	(90.9)	96.4	(95.3)	101.2	(100.1)
Exports of goods and services (nominal)	5.1	11.3	(7.8)	4.5	(5.0)	4.7	(4.7)
Imports of goods and services (nominal)	7.7	12.6	(9.2)	4.2	(4.7)	5.0	(5.0)
Balance of goods and services (% of GDP)	2.8	2.1	(3.0)	2.3	(3.2)	2.1	(3.0)
Current account balance (% of GDP)	-1.0	-0.3	(0.6)	0.5	(1.4)	0.4	(1.3)
General government budget balance (% of GDP)	-1.8	-3.4	(-2.9)	-4.0	(-3.0)	-4.7	(-3.0)
General government debt (Maastricht, % of GDP)	39.5	44.8	(44.8)	49.0	(48.1)	51.7	(50.5)

Preceding forecast in parentheses

Sources: Statistics Lithuania & Swedbank Research

Swedish interest rate forecasts (%)

	Outcome 2026 06 Nov	Forecast 2026 31 Dec	2027 30 Jun	2027 31 Dec	2028 31 Dec
STIBOR 3m	2.19	2.30	2.45	2.45	2.45
Government bond yields					
2y	2.62	2.65	2.50	2.40	2.40
5y	2.78	2.80	2.70	2.70	2.70
10y	2.98	3.10	3.00	3.00	3.00
Swap rates					
2y	2.82	2.90	2.70	2.60	2.60
5y	2.98	3.00	2.90	2.90	2.90
10y	3.14	3.30	3.20	3.20	3.20

Sources: Swedbank Research & Macrobond

Interest and exchange rate forecasts	Outcome 2026 06 Nov	Forecast 2026 31 Dec	2027 30 Jun	2027 31 Dec	2028 31 Dec
Policy rates (%)					
Federal Reserve, USA (upper bound)	4.00	4.25	4.50	4.25	3.75
European Central Bank (refi rate)	2.65	2.90	3.15	3.15	2.40
European Central Bank (deposit rate)	2.50	2.75	3.00	3.00	2.25
Bank of England	4.00	4.00	4.25	4.25	3.25
Riksbank	2.00	2.00	2.25	2.25	2.25
Norges Bank	4.50	4.50	4.50	4.25	4.00
Government bond rates (%)					
US 2y	4.51	4.50	4.40	4.00	3.70
US 5y	4.64	4.70	4.50	4.20	4.00
US 10y	4.86	4.90	4.80	4.50	4.50
Germany 2y	2.98	3.00	2.90	2.70	2.50
Germany 5y	3.06	3.10	3.00	2.80	2.70
Germany 10y	3.24	3.30	3.20	3.00	3.00
Exchange rates					
EUR/USD	1.11	1.13	1.15	1.18	1.20
EUR/GBP	0.83	0.83	0.84	0.85	0.85
EUR/SEK	11.03	11.00	10.90	10.80	10.60
EUR/NOK	10.53	10.50	10.70	11.00	11.20
USD/SEK	9.88	9.73	9.48	9.15	8.83
USD/CNY	6.68	6.65	6.63	6.60	6.55
USD/JPY	158.3	157.0	153.0	147.0	145.0
NOK/SEK	1.05	1.05	1.02	0.98	0.95
KIX (trade-weighted SEK)	120.7	120.1	118.4	116.4	113.8

Sources: Swedbank Research & Macrobond

Swedbank Research

Mattias Persson
Global Head of Research and Group Chief Economist
mattias.persson@swedbank.se

Axel Zetherström
Assistant
axel.zetherstrom@swedbank.se

Sweden

Andreas Wallström
Head of Forecasting
Head of Macro Research Sweden
andreas.wallstrom@swedbank.se

Jana Eklund
Senior Econometrician
jana.eklund@swedbank.se

Anders Eklöf
Chief FX Strategist
anders.eklof@swedbank.se

Linn Hansen
Economist
linn.hansen@swedbank.se

Jesper Hansson
Senior Economist
jesper.hansson@swedbank.se

Pernilla Johansson
Senior Economist
pernilla.johansson@swedbank.se

Pär Magnusson
Chief FI Strategist
par.magnusson@swedbank.se

Glenn Nielsen
Economist
glenn.nielsen@swedbank.se

Emma Paulsson
Economist
emma.paulsson@swedbank.se

Maria Wallin Fredholm
Economist
maria.wallin-fredholm@swedbank.se

Norway

Erling Røed Larsen
Chief Economist Norway
erling.roed.larsen@swedbank.no

Finland

Timo Hirvonen
Chief Economist Finland
timo.hirvonen@swedbank.fi

Estonia

Tõnu Mertsina
Chief Economist Estonia
tonu.mertsina@swedbank.ee

Liis Elmik
Senior Economist
liis.elmik@swedbank.ee

Marianna Rõbinskaja
Economist
marianna.robinskaja@swedbank.ee

Latvia

Līva Zorgenfreija
Chief Economist Latvia
liva.zorgenfreija@swedbank.lv

Agnese Buceniece
Senior Economist
agnese.buceniece@swedbank.lv

Oskars Niks Mālnieks
Economist
oskars.niks.malnieks@swedbank.lv

Lithuania

Nerijus Mačiulis
Deputy Group Chief Economist
Chief Economist Lithuania
nerijus.maciulis@swedbank.lt

Greta Ilekytė
Senior Economist
greta.ilekyte@swedbank.lt

Vismantas Žukas
Economist
vismantas.zukas@swedbank.lt

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Swedbank C&I, Swedbank AB (publ), SE-105 34 Stockholm.

Visiting address: Malmskillnadsgatan 23, 111 57 Stockholm.


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