SVERIGES RIKSBANK

Monetary Policy Report

June 2025

Monetary Policy Report

Regularly or upon request, the Riksbank shall submit an account of monetary policy operations to the Riksdag Committee on Finance (Chapter 11, Section 1, Sveriges Riksbank Act [2022:1568]). These accounts are presented both in specific material for assessing monetary policy and in the Monetary Policy Reports and Updates.

The Riksbank's Monetary Policy Report is published four times a year. The purpose of the report is to summarise the basis for the monetary policy decisions and the assessments made by the Executive Board of the Riksbank. The report describes the deliberations made by the Executive Board when deciding on an appropriate monetary policy[1]. The report includes a description of the future prospects for inflation and economic activity based on the monetary policy that the Executive Board currently considers to be well-balanced.

Through the Monetary Policy Reports, the Riksbank also informs the general public about monetary policy, which makes it easier for external parties to follow, understand and evaluate the Riksbank's actions.

The Executive Board made a decision on the Monetary Policy Report on 17 June 2025.

[1] See "Monetary policy in Sweden – The Riksbank's strategy" on the next page for a description of the monetary policy strategy and what can be regarded as an appropriate monetary policy.

Monetary policy in Sweden – the Riksbank's strategy

- According to the Sveriges Riksbank Act, the overriding objective of monetary policy is to maintain sustainably low and stable inflation. The Riksbank has defined the objective as a target of 2 per cent for the annual change in the consumer price index with a fixed interest rate (the CPIF). The inflation target should function as a benchmark for price- and wage-setting in the economy.
- Without neglecting the inflation target, the Riksbank shall moreover contribute to a balanced development of production and employment. The Riksbank thus conducts a policy of flexible inflation targeting. In connection with each monetary policy decision, the Executive Board assesses which monetary policy is well-balanced. If inflation deviates from the inflation target, it is normally a question of finding a balance between how rapidly it shall be brought back to target and the effects on real economic developments.
- It is neither possible nor desirable to conduct a monetary policy that always keeps inflation at exactly 2 per cent. Changes occur constantly in the economy that make inflation vary in a way that cannot be predicted with sufficient precision or counteracted in the short term. The important thing is that households and companies have confidence in the target. Prolonged deviations from the target risk affecting expectations of the normal level of inflation in the economy.
- As it takes a long time before monetary policy has a full impact on inflation and the real economy, monetary policy is guided by forecasts of economic development. There is no general answer to the question of how quickly the Riksbank aims to bring inflation back to 2 per cent if it deviates from the target. Too rapid a return may in some situations have very negative effects on production and employment, while too slow a return may weaken the credibility of the inflation target.
- The Riksbank can weigh risks linked to developments in the financial markets into its monetary policy decisions as long as confidence in the inflation target is clearly anchored, and expected and overall target achievement regarding inflation, production and employment is improved when viewed over a longer horizon. With regard to preventing an unbalanced development of asset prices and indebtedness, however, it is of prime importance that there is an efficient financial regulatory framework and effective supervision.
- The Riksbank's main monetary policy tool is the policy rate. When necessary, this can be supplemented with other measures, including purchases or sales of government securities, for example to ensure that monetary policy impacts effectively on the interest rates faced by households and companies. The Riksbank can buy and sell assets other than government securities if there are exceptional grounds. Such exceptional grounds may arise during times of financial turmoil or crisis, for example.
- The Riksbank strives for open and clear communication. This makes it easier for economic agents to make sound economic decisions. Monetary policy will also be easier to evaluate. The Riksdag Committee on Finance, the National Audit Office and the General Council of the Riksbank monitor and evaluate the monetary policy conducted in different ways within their respective remits.
- The Executive Board normally holds eight monetary policy meetings a year. After four of these meetings, a Monetary Policy Report with forecasts will be published. At the other four meetings, the Executive Board's assessments and motives for its monetary policy decisions are described in a shorter document, a Monetary Policy Update. Just under a week after each monetary policy meeting, minutes from the meeting are published, which set forth the reasoning of the different Executive Board members.

Table of contents

Monetary policy considerations

Geopolitical conflicts and announcements on tariffs are continuing to shape developments abroad. Although financial markets have exhibited slightly less variation recently, and the import tariffs are expected to be lower than was announced at the beginning of April, growth is expected to be hampered in the short term. There is still considerable uncertainty over future developments, not least as a result of the escalating conflict in the Middle East.

There are favourable conditions for stronger economic activity in Sweden going forward, partly due to rising real wages for households. However, the recovery is proceeding more slowly than expected. New information shows that growth in the Swedish economy is weak, at the same time as unemployment remains high. The substantial uncertainty is also expected to hamper the recovery in the near term.

Inflation has fallen since the upturn at the beginning of the year and has, in recent months, developed in line with the forecast in March. The weaker demand is expected to contribute to inflation being somewhat lower going forward than in the latest forecast. Overall, the outlook for inflation and economic activity suggests some easing of monetary policy.

The Executive Board has therefore decided to cut the policy rate by 0.25 percentage points to 2 per cent. The forecast for the policy rate entails some probability of another cut this year. The lower interest rate will stabilise inflation at the target and contribute to strengthening economic activity.

However, the outlook for inflation and economic activity is uncertain. There are significant risks linked to the trade policy and the geopolitical tensions, not least due to the escalating conflict in the Middle East that can affect economic developments abroad. These risks and the questions about the strength of domestic demand mean that it is uncertain how quickly the Swedish economy will recover. New information, and how it is expected to affect the outlook for inflation and economic activity, will determine how monetary policy is designed going forward.

International developments

Geopolitical conflicts and announcements on tariffs are continuing to shape developments abroad. The United States administration's import tariff announcements at the beginning of April meant that the economic uncertainty attained historically high levels, which also caused major turbulence on the financial markets. Although financial markets have exhibited somewhat less variation recently and the import tariffs are expected to be lower than was announced at the beginning of April, growth abroad is expected to be hampered in the short term. There is still considerable uncertainty over future developments.

The stock markets have recovered from the heavy falls at the beginning of April. However, the earlier scepticism among investors with regard to investments in United States assets still remains, which is reflected in the weak dollar exchange rate, for instance. The high and growing public debt in the United States, combined with increased uncertainty regarding economic policy, are probably behind the rise in risk premiums on United States government bonds.

The US economy is showing clearer signs of a slowdown. GDP fell somewhat in the first quarter in the United States. To some extent, this can be explained by temporarily strong imports to forestall the risk of higher import tariffs going forward, but another explanation is that consumption grew more slowly than before. Household confidence has declined significantly, in the wake of the increased economic uncertainty, while corporate sector confidence has also fallen, but to a lesser extent. Growth in the United States economy is now assessed to be lower and unemployment somewhat higher than in the forecast in March.

Growth in the euro area is also negatively affected by the uncertainty. Although GDP in the euro area grew during the first quarter, confidence among households and companies has remained at low levels. The increased uncertainty is expected to slow down the recovery in the economy, and the forecast for growth this year and next year has been adjusted down in relation to March. As in the United States, unemployment has remained at a low level but is expected to rise as a result of the weaker growth. A more expansionary fiscal policy in the euro area is expected to contribute to growth in the medium term.

Inflation is expected to rise in the United States but to fall in the euro area. In the United States, CPI inflation was 2.4 per cent in May and remained at 2.8 per cent measured as CPI excluding energy. In the euro area, inflation has continued to fall. According to preliminary figures, HICP inflation was 1.9 per cent in May, while underlying inflation was 2.3 per cent. It is assumed in the forecast that the United States import tariffs will be much higher than before, while other countries are expected to respond to a limited degree. The higher tariffs are expected to contribute to somewhat higher inflation in the United States, primarily in the short run. In the euro area, the tariffs are instead expected to contribute to inflation being lower as a result of weaker demand.

The expectations of monetary policy in the United States and the euro area reflect the differences in the inflation outlooks. In May, the Federal Reserve held its policy rate unchanged in the interval 4.25-4.50 per cent. The ECB cut is policy rate to 2 per cent at its most recent meeting in early June. The risk of higher inflation in the United States has led to market participants expecting almost two rate cuts from the Federal

Reserve this year, which is somewhat fewer than expected in May. The ECB is now expected to make one more cut this year which is also slightly fewer than expected in May.

There is still considerable uncertainty about economic developments abroad. The geopolitical tensions are continuing to cause risks for the growth and inflation outlooks. It is still not clear how United States trade policy will be conducted and to what extent other countries will introduce retaliatory measures. A further uncertainty factor concerns the sustainability of United States government finances. Additionally, the war in Ukraine and the escalating conflict in the Middle East are contributing to uncertainty also regarding economic developments. The deterioration in the security situation in Europe has led to concrete plans for increased investment in defence, but the effects on the economy are uncertain.

Developments in Sweden

GDP fell in the first quarter. Falling investment and consumption were partly counteracted by higher export growth. The downturn is to some extent assessed as due to temporary factors. Household sector confidence has fallen substantially since the end of last year. At the same time, households' purchasing power strengthens, and Statistics Sweden's monthly indicator point to a somewhat stronger development in consumption in April. Corporate sector confidence has also been close to normal levels. The picture of how demand in the Swedish economy will develop is therefore not entirely unambiguous.

The labour market is still weak. Unemployment was 8.8 per cent in the first quarter, which was somewhat lower than the forecast in March. Employment increased more than expected, but indicators of demand for labour, such as newly registered vacancies and recruitment plans in the Economic Tendency Survey, have recently fallen somewhat.

The recovery of the Swedish economy has lost momentum. The Riksbank's overall assessment is that economic activity is weaker than expected. The uncertainty resulting from geopolitical conflicts and the United States trade policy is expected to hold back growth somewhat also in the near term. It is not until the end of the year that economic activity is expected to strengthen again and unemployment to begin falling.

Inflation has fallen back after a rise at the beginning of the year. The Riksbank has earlier assessed that the upturn in inflation at the beginning of the year was primarily explained by temporary factors.[2] This picture has been reinforced by inflation having developed in line with the March forecast during recent months. Measured as the CPIF, inflation was 2.3 per cent in May and, measured as the CPIF excluding energy, it was 2.5 per cent.

The krona has shown stronger development than expected. It has strengthened significantly against the dollar, and during the year also against other currencies. One

[2] See the analysis "Few factors behind the rise in inflation" in this report.

possible explanation for the appreciation is that investors have reduced their United States holdings and instead purchased Swedish assets, for instance. Since May the krona exchange rate has been relatively stable, but the Riksbank's forecast entails a continued strengthening of the krona exchange rate in the coming years.

Indicators point to inflation being in line with the target in the long term. According to the National Institute of Economic Research's Economic Tendency Survey, companies' pricing plans remain elevated, while the Riksbank's own Business Survey paints a more divided picture.[3] At the same time, there are several factors indicating moderate inflationary pressures: inflation expectations are anchored close to the target, input and commodity prices are developing in a stable manner, the krona has strengthened and inflation abroad has slowed down. The collective wage bargaining rounds earlier this year also resulted in wage increases that are assessed to be in line with an inflation rate of 2 per cent.

Inflation is expected to be lower than was forecast in March. The recovery of the Swedish economy is weaker than expected. The forecast assumes that tariffs against the United States will be increased to a limited extent. The effect on inflation will thus be dominated by the assumption that the increased uncertainty will hold back demand going forward. But there are still risks regarding the inflation forecast, and several factors could contribute to inflation being either higher or lower than expected.[4]

Policy rate cut by 0.25 percentage points to 2 per cent

The recovery of the Swedish economy is proceeding more slowly than expected. Although there are favourable conditions for stronger economic activity going forward, partly due to rising real wages for households, new information shows that growth in the economy is weak, at the same time as unemployment remains high. The substantial uncertainty is also expected to hamper the recovery in the near term.

The assessment that the higher inflation this year is temporary has been reinforced. In recent months, inflation has developed in line with the forecast in March. The weaker demand is expected to contribute to inflation being lower going forward than in the most recent forecast. There is still a risk of the trade conflict leading to higher inflation, but it is assessed to have declined. For instance, there are as yet no clear signs of disruptions to supply chains that could lead to higher inflation in the short term. Overall, the outlook for inflation and economic activity suggest some easing of monetary policy.

The Executive Board has therefore decided to cut the policy rate by 0.25 percentage points to 2 per cent. The forecast for the policy rate entails some probability of a another cut this year. The lower interest rate stabilises inflation at the target and contributes to strengthening economic activity.

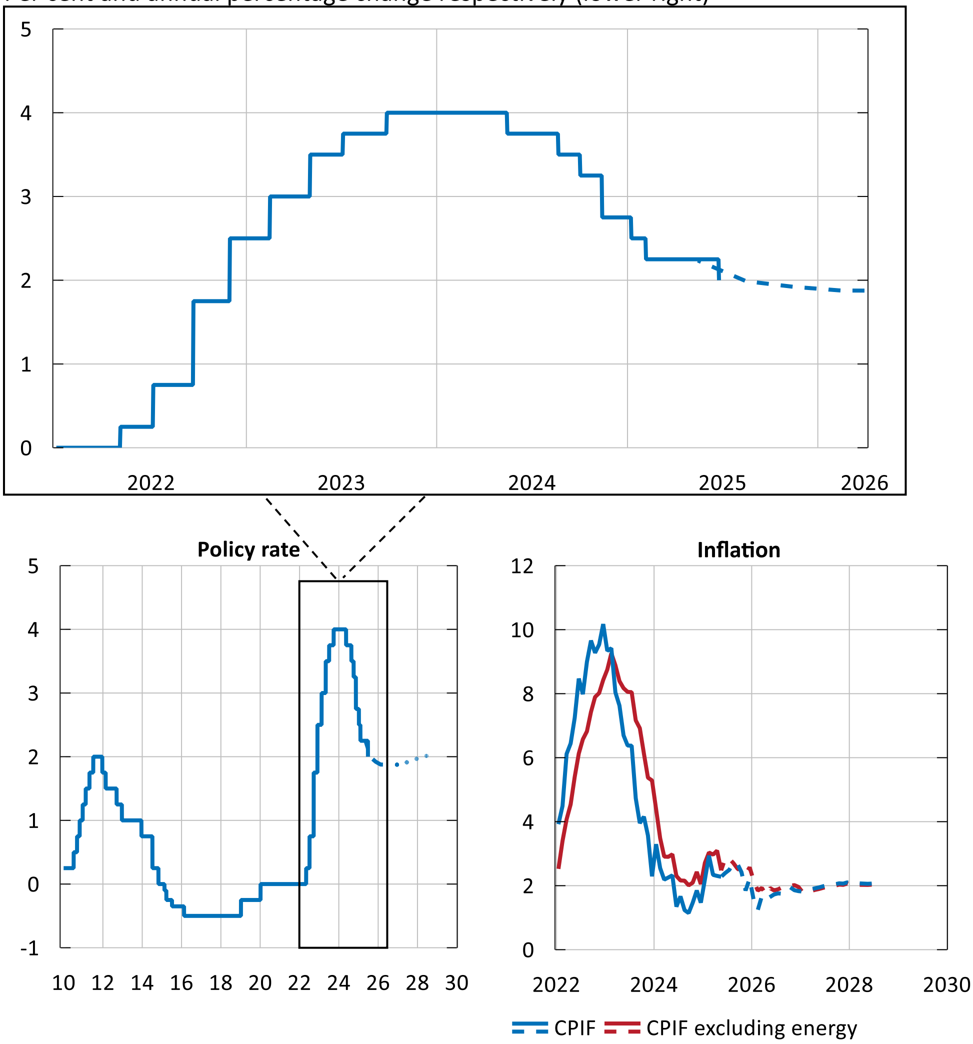
[3] See the Fact Box "The Riksbank's Business Survey in May" in this report.

[4] See also the alternative scenarios in Chapter 3.

However, the prospects for inflation and economic activity are uncertain. Both an escalated global trade conflict and increased geopolitical conflicts could result in higher import prices and new supply shocks, leading to weaker growth and higher inflation. Uncertainty has increased with the escalating conflict in the Middle East. There is also considerable uncertainty regarding public finances in the United States and the economic effects of defence investments in Europe. These risks and the questions about the strength of domestic demand mean that it is uncertain how quickly the Swedish economy will recover. New information, and how it is expected to affect the outlook for inflation and economic activity, will determine how monetary policy is designed going forward.

Figure 1. Swedish policy rate and inflation

Per cent and annual percentage change respectively (lower right)



Note. Solid line refers to outcome, and dashed/dotted lines represent the Riksbank's forecast. Outcomes for the policy rate are daily data, and the forecasts refer to quarterly averages. The upper image shows the forecast for the policy rate in the short run and is based on the long-term policy rate path in the lower left figure. The dotted line illustrates the fact that the forecast for the policy rate in the longer run is very uncertain, which is discussed further in Chapter 3. The inflation forecast is assessed to be constistens with the forecast for the policy rate.

Sources: Statistics Sweden and the Riksbank.

1 The economic situation

Uncertainty in the global economy remains high, partly due to the new US trade policy. The impact of the tariffs is still unclear, but GDP in the United States declined marginally in the first quarter. In the euro area, on the other hand, GDP increased. Inflation in the United States has not yet risen as a result of the tariffs, but it remains above target. In the euro area, however, inflation has fallen and is now on target. Stock markets have recovered after a sharp decline in April, and financial markets expect rising inflation in the United States but continued slower price increases in Europe.

The recovery in the Swedish economy has lost momentum, but incoming data do not provide a clear picture of economic developments. GDP fell in the first quarter. However, this may have been partly due to temporary factors and other statistics point to slightly stronger economic developments. Employment has risen at the beginning of the year, but the labour market remains weak, and unemployment is high. Inflation remains somewhat elevated as a result of a few temporary factors, such as the basket effect and the sharp rise in the prices of some food products. On the other hand, indicators of inflationary pressures are all in all assessed to be consistent with inflation close to the target.

1.1 The real economy and inflation abroad

Uncertainty in the global economy remains high

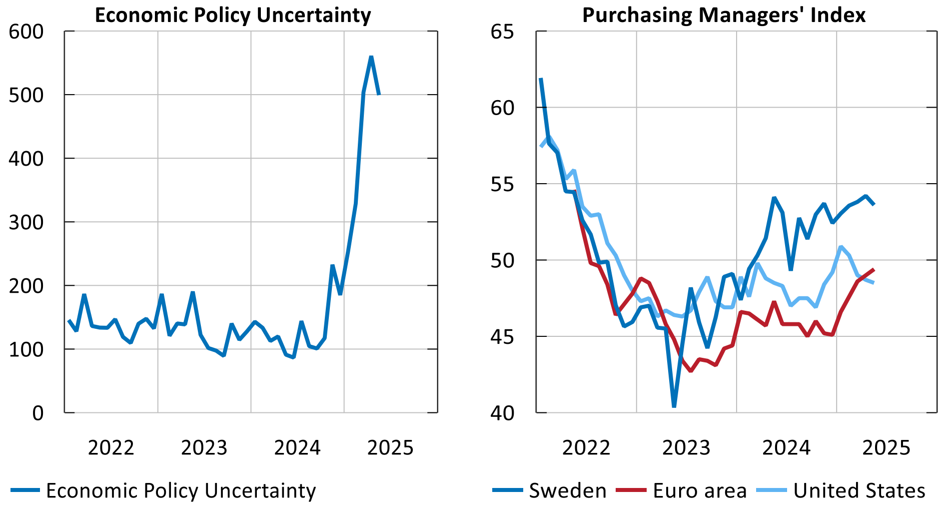
Geopolitical tensions have significantly increased global economic uncertainty this spring, not least as a result of the US administration's announcement of sharply increased tariffs on other countries. April and May were characterised by recurring tariff announcements and financial market turbulence. Since then, announcements have been replaced by negotiations and the variation on the financial markets has decreased. However, it is still unclear how trade policy will develop going forward which contributes to continued high uncertainty (see the Fact Box “Developments in trade policy between the United States and the rest of the world” in this report).

The trade conflict has led to expectations of weaker growth going forward, particularly in the United States but also in other countries. Business confidence has not made any dramatic movements, and, given the uncertainty, global economic developments have been relatively stable so far (see Figure 2). No significant disruptions to global supply chains are visible so far but the tariff announcements have led to a certain rise in freight prices between China and the United States recently.

In addition to trade policy, the war in Ukraine continues to contribute to uncertainty about how both security policy and the economy will develop in Europe and the rest of the world. One of the issues that are difficult to assess is how European defence spending will be designed and its impact on the European economy. The recent intensification of the conflict in the Middle East also contributes to increased uncertainty around the development of energy prices.

Figure 2. Economic Policy Uncertainty Index and Purchasing Managers' Index in the manufacturing sector

Index



Note. Economic Policy Uncertainty is a normalised index of the number of news articles in the United States mentioning economic policy uncertainty. The Purchasing Managers' Index is an indicator of economic activity where an index figure above 50 indicates growth, while a figure below 50 indicates a downturn. Seasonally adjusted data (right). Latest outcome refers to May 2025.

Sources: Economic Policy Uncertainty, Institute for Supply Management, S&P Global and Swedbank.

International growth is shaped by developments in trade

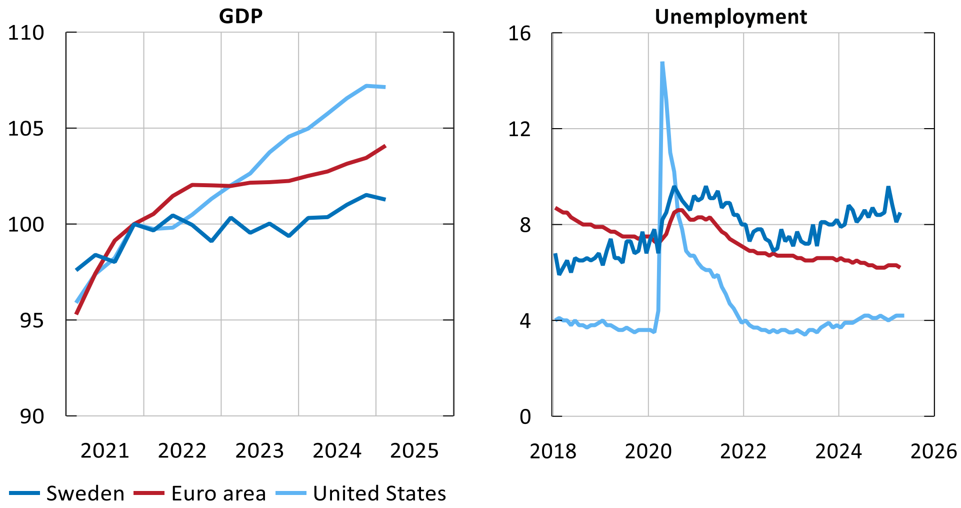
The threat of increased tariffs led many US companies to quickly import more in the beginning of the year to avoid higher costs in the future. Imports increased sharply, causing the contribution of net exports to growth to turn clearly negative. In addition to the decline in net exports, household consumption also weakened slightly. This means that US GDP fell in the first quarter after a longer period of economic growth in the United States (see Figure 3). Imports to the United States then fell back in April after tariffs increased came into force. In the euro area, GDP increased by 0.6 per cent during the first quarter, compared with the previous quarter. The unexpectedly stronger outcome can largely be explained by Ireland, where the national accounts were affected by activities related to multinational corporations.

Incoming data does not yet provide a clear picture of how uncertainty will affect the global economy. In the euro area, the services PMI fell for the second consecutive month in May, to below 50. This suggests a decline in services output. At the same time, the manufacturing PMI rose slightly, which may be due to increased exports before higher tariffs come into force in some sectors. However, there are no visible shifts overall in confidence among European businesses and households. In contrast, US households have become more pessimistic about the economic outlook, and many firms report say they have plans to reduce investment.

Unemployment remains low in both the United States and the euro area (see Figure 3). However, in the United States, both job openings and new recruitments have been declining for some time, while wage growth has eased somewhat. Recent statistics on job growth also support the picture of a slowdown in the labour market. In the euro area, unemployment fell slightly in April compared with the previous month.

Figure 3. GDP and unemployment abroad

Index, 2021 Q4 = 100 (left) respective percentage of labour force (right)



Note. Seasonally adjusted and calendar-adjusted data (left). Unemployment among those aged 15-74 in Sweden and the euro area, and those aged 16 and older in the United States. Seasonally adjusted data (right).

Sources: Eurostat, Statistics Sweden, US Bureau of Economic Analysis and US Bureau of Labor Statistics.

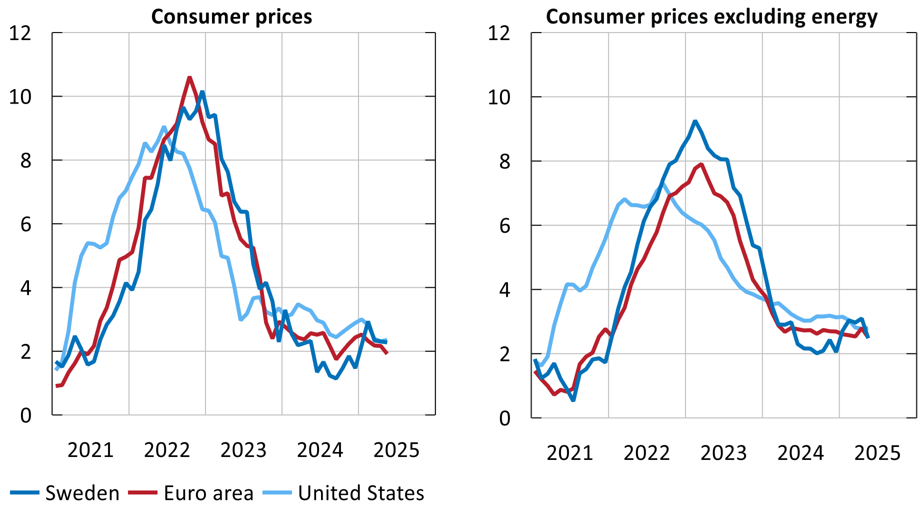
There are signs that the US tariffs have affected Chinese industry. For example, China's exports to the United States declined in April compared with the same month the year before, and the PMI shows some slowdown in Chinese industry. In the first quarter, however, China's GDP continued to grow, mainly driven by manufacturing, while domestic demand remained subdued.

Elevated inflation in the US, lower in the euro area

In the United States, CPI inflation was 2.4 per cent in May and the CPI excluding energy was 2.8 per cent (see Figure 4). That underlying inflation is above 2 per cent is mainly due to a higher-than-normal rate of price increase for services, in particular for rents. Inflation in the euro area has continued to fall. According to preliminary figures, HICP inflation was 1.9 per cent in May, while inflation excluding energy was 2.5 per cent (see Figure 4). The easing wage growth, combined with a stronger euro, has contributed to lower inflationary pressures. In Norway, inflation rose unexpectedly sharply in May, but underlying inflation continued to fall. A certain upturn in inflation was also noted in Denmark, at the same time as underlying inflation remained unchanged.

Figure 4. Consumer prices abroad

Annual percentage change



Note. Prices are measured using the CPIF for Sweden, the HICP for the euro area and the CPI for the United States.

Sources: Statistics Sweden, Eurostat and US Bureau of Labor Statistics.

FACT BOX - Developments in trade policy between the United States and the rest of the world

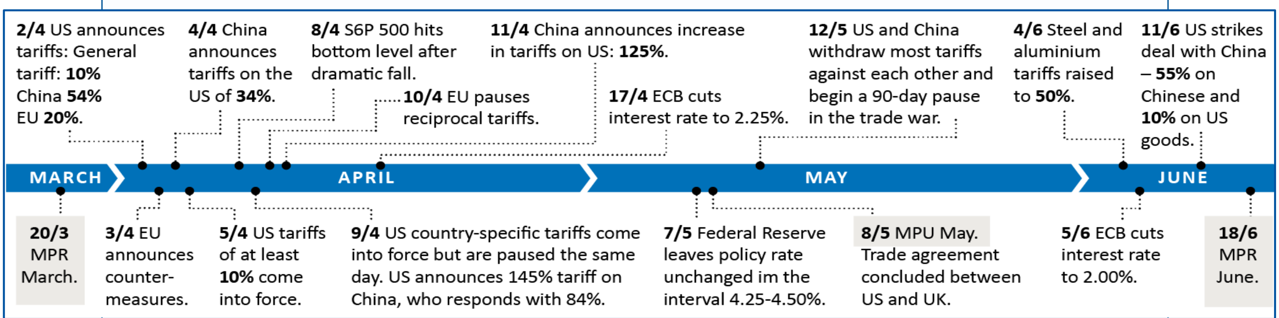
April and May 2025 – tariffs and countermeasures

On 2 April, US President Donald Trump announced the new tariffs that would apply to goods imported into the United States. The tariffs were both more extensive and higher than many had expected. A general tariff of 10 per cent was to be imposed on the rest of the world and, for many countries, even more. Tariffs totalling 54 per cent were announced for China and 20 per cent tariffs were announced for the EU. The announcements led to substantial reactions from other countries, large stock exchange falls and interest-rate movements. The period that followed has been characterised by new tariff announcements, pauses in some tariffs, stock exchange rebounds and varying degrees of success in negotiations between the United States and other countries. The timeline below contains a selection of events linked to the elevated trade conflict.

June 2025 – tense situation but some optimism

The ultimate result of the tariff announcements remains uncertain. Since 2 April, many of the tariffs have either been reversed or paused. The EU-specific tariffs have been put on hold until 9 July. During the pause, Donald Trump has made several critical statements about the EU and threatened higher tariffs, while the EU in turn has prepared possible counter-tariffs. The US tariffs have also faced legal opposition, with a New York trade court judging some of the tariffs illegal. The case might be heard all the way to the Supreme Court. On 11 June, Trump announced that an agreement had been reached with China in which US tariffs on China would be 55 per cent and Chinese tariffs on the United States would be 10 per cent. It remains to be seen whether the statement will result in an actual deal with tariffs at the levels mentioned.

In addition to tariffs on individual countries, the United States has also imposed tariffs on specific products. Motor vehicles and car parts from other countries have been subject to import duties of 25 per cent and import tariffs on steel and aluminium were recently increased to 50 per cent. There are also ongoing investigations into the imposition of tariffs on other products such as pharmaceuticals, timber, copper, engines, semiconductors, commercial aircraft and certain minerals. If tariffs are introduced on these products, they are assumed to also be 25 per cent.



1.2 Financial conditions

Different expectations of inflation and policy rates in the United States and Europe

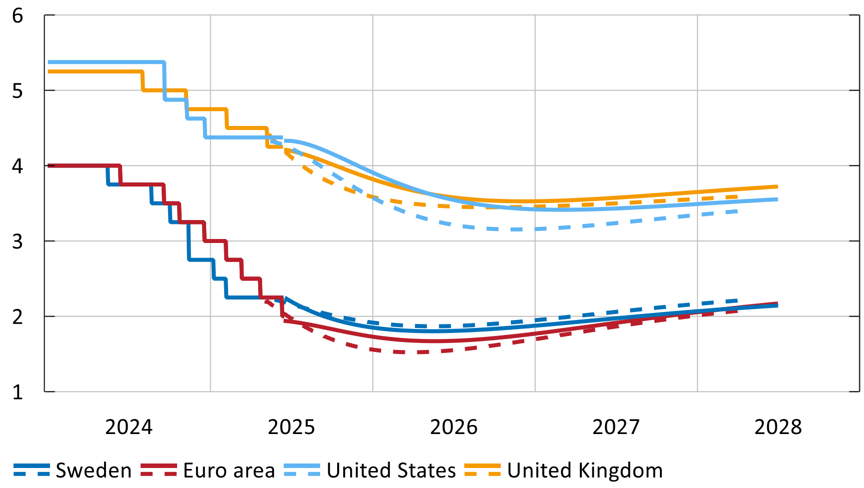
The Federal Reserve left the policy rate unchanged in the range of 4.25–4.50 per cent at its monetary policy meeting in early May. Considering that uncertainty is high over tariffs and economic policy, the Federal Reserve emphasised the importance of waiting for more data. Market expectations of the future US policy rate now point to just two rate cuts of 0.25 percentage points each during the year. This is slightly fewer than at the time of the monetary policy meeting in May (see Figure 5).

The ECB continued to cut the deposit rate by 0.25 percentage points to 2 per cent at its latest meeting in June. The ECB again emphasised that it remains data dependent prior to upcoming interest rate announcements. Inflation is considered to be at the target, and underlying inflation is expected to move towards 2 per cent going forward. However, the ECB pointed out that tariffs and uncertainty may lead to both lower growth and inflation in the euro area. The market now expects just one additional rate cut this year from the ECB rate cut, which is somewhat fewer than expectations in May (see Figure 5).

Market-based measures of inflation expectations also indicate that US inflation is expected to remain at elevated levels over the coming 12 months as a result of the tariffs (see Figure 6). After this, inflation is expected to fall back towards the Federal Reserve's target For the euro area, on the other hand, they show that inflation will be below 2 per cent in the short term, before being around the target in the longer term. Inflation expectations among European households have also fallen recently.

Figure 5. Market expectations of policy rates

Per cent



Note. The figure shows policy rates and market-based expectations according to forward pricing. Solid lines represent expectations on 16 June 2025. Dashed lines represent expectations immediately prior to the monetary policy meeting in May.

Sources: National central banks and the Riksbank.

Figure 6. Inflation swaps

Per cent

Note. Inflation expectations are based on 1-year and 5-year inflation swaps linked to the euro area HICP and the United States CPI. An inflation swap is a financial contract whereby two parties exchange payments over a set period of time. One party pays a fixed percentage (representing expected average inflation over the period), while the other party pays the actual inflation realised over the period. The dashed vertical line marks the time immediately before the monetary policy meeting in May.

Source: Bloomberg.

Stock markets have recovered despite uncertainty

Equity markets have recovered after the sharp declines that followed the United States' announcement on elevated tariffs at the beginning of April (see Figure 7). Despite some tariffs having already been imposed and the considerable uncertainty regarding the levels that will apply in the future, stock exchanges are still at about the same levels or higher than before the tariff announcement on 2 April.[5]

The recovery may be explained by the expectation that future trade agreements will reduce the negative impact of tariffs on growth. European stock exchanges in particular have performed strongly, which is also explained by expectations that European countries will pursue more expansionary fiscal policies in the future with increased defence spending. The slowdown in demand for US assets has also led to increased capital flows to European markets.

Credit spreads in both the United States and the euro have decreased after the turbulence that arose in early April causing them to rise sharply (see Figure 7).[6] The subsequent fall in credit spreads indicates that the risks are assessed to have decreased. Credit spreads in Sweden did not rise to the same extent but have also gradually decreased. The downturn is particularly evident in the covered bond

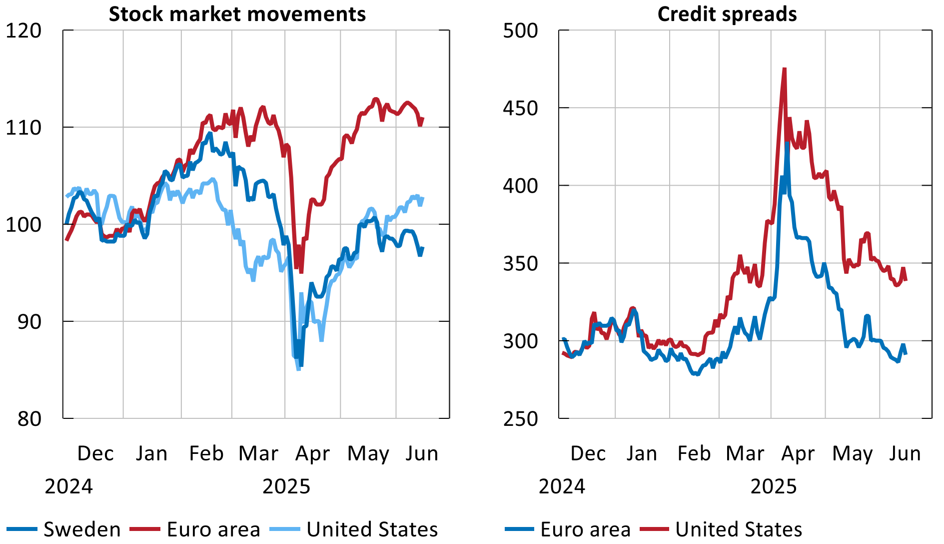
[5] For example, equities on the US S&P 500 are trading just below the peak levels recorded in March, while OMX Stockholm is at levels comparable to the end of 2024. The European equity market has been the strongest performer, rising by 7 per cent since the beginning of the year.

[6] Credit spread is the extra interest rate that a bond with credit risk must offer over a "risk-free" benchmark of similar maturity.

market, which is an important market for the pricing of mortgage rates. There, the credit spread is now lower than it was at the beginning of the year.

Figure 7. Stock market movements and credit spreads

Index, 2 Jan 2025 = 100 (left) and index (right)



Note. Stock exchange indices refer to OMXS for Sweden, STOXX for the euro area and S&P 500 for the United States. Euro area credit spreads are measured using the iTraxx index, which consists of 75 equally weighted credit spreads for companies with low/medium credit ratings. Credit spreads in the United States refer to 100 North American companies divided into BB and B ratings.

Sources: Bloomberg, Nasdaq OMX Nordic, S&P Global, STOXX and the Riksbank.

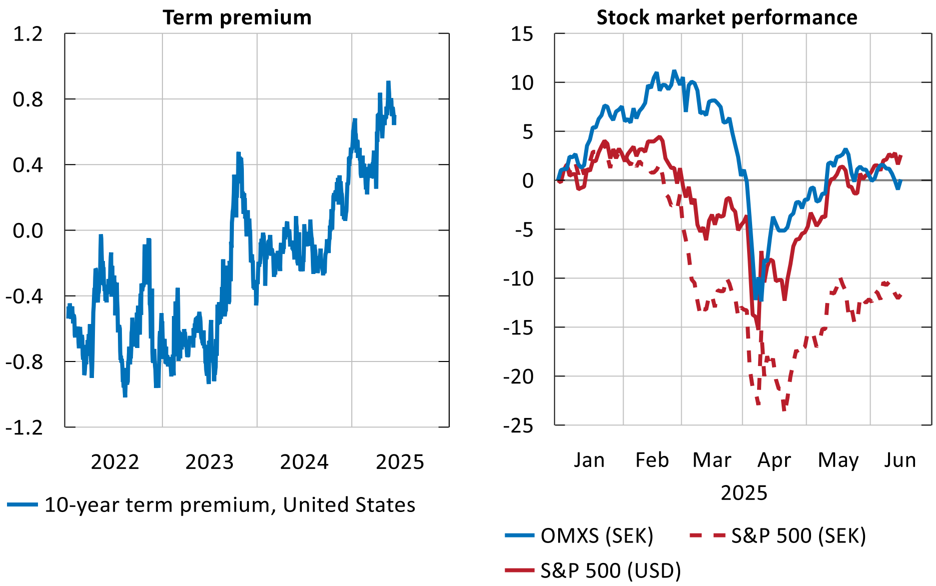
Lower demand for US assets

Although equity and credit markets have recovered, interest rate developments suggest that investors have become more cautious than before about buying US Treasuries. This is reflected, for example, in the fact that the premium on US long-term Treasuries rose rapidly in the wake of the April tariff announcements and have also continued to rise thereafter (see Figure 8). This development can be interpreted as reduced confidence in the US economy and its public finances. A further sign of this is that the US dollar, which normally strengthens in periods of global uncertainty, has instead weakened against several other currencies.

Swedish investors and savers are also showing a reduced willingness to invest in US assets. During the first quarter, Swedes' holdings of US equities declined, which may indicate that investors and households are reviewing their exposures to the United States. At the same time, the sharp stock exchange falls in April contributed to a decline in households' equity wealth, reinforced by the weakening of the US dollar, which reduced the value of US holdings (see Figure 8).

Figure 8. US 10-year term premium and US stock market performance in dollars and Swedish kronor

Per cent



Note. The term premium for US 10-year Treasury notes. A maturity premium is a type of compensation demanded by investors for investing in assets, for example, government bonds. OMXS refers to the performance of the Swedish equity market measured in Swedish kronor. The solid red line refers to the performance of the United States S&P 500 in dollars and the dashed red line refers to the stock exchange performance in Swedish kronor.

Sources: Federal Reserve, Nasdaq OMX Nordic, S&P Global and the Riksbank.

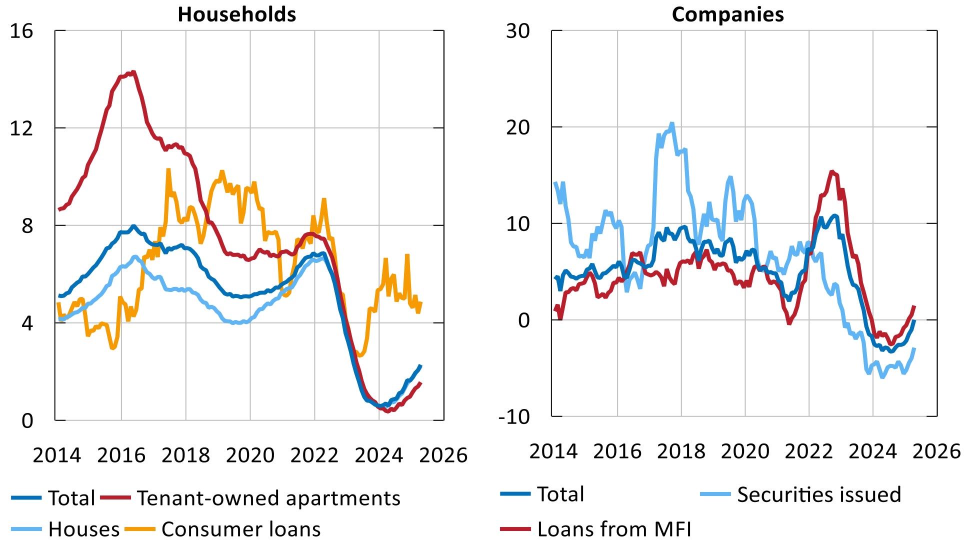
Continued low credit growth and a hesitant housing market

The interest rates faced by Swedish households and companies have gradually fallen as the Riksbank cut the policy rate in 2024 and early 2025. Despite this, credit growth remains on low levels, even though lending to households has continued to increase and lending to companies is no longer decreasing (see Figure 9).

Since 2022, the loan-to-value ratio among Swedish households has declined as higher mortgage rates have contributed to lower lending. Price developments in the housing market are strongly linked to credit growth in mortgages. If housing prices increase more slowly than previously, this may lead to a slower rate of credit growth. Since March, turnover in the housing market has decreased slightly, while the supply of housing is high. More homes are being sold at reduced prices, showing that more and more sellers are accepting lower prices than initially asked.

Figure 9. Swedish household and corporate borrowing

Annual percentage change



Note. Lending by monetary financial institutions (MFIs) to households and non-financial corporations adjusted for reclassifications and bought and sold loans. Securities issued by non-financial companies have been adjusted for currency impact. Loans from MFIs constitute about two thirds of total lending to companies, while securities issues constitute around a third.

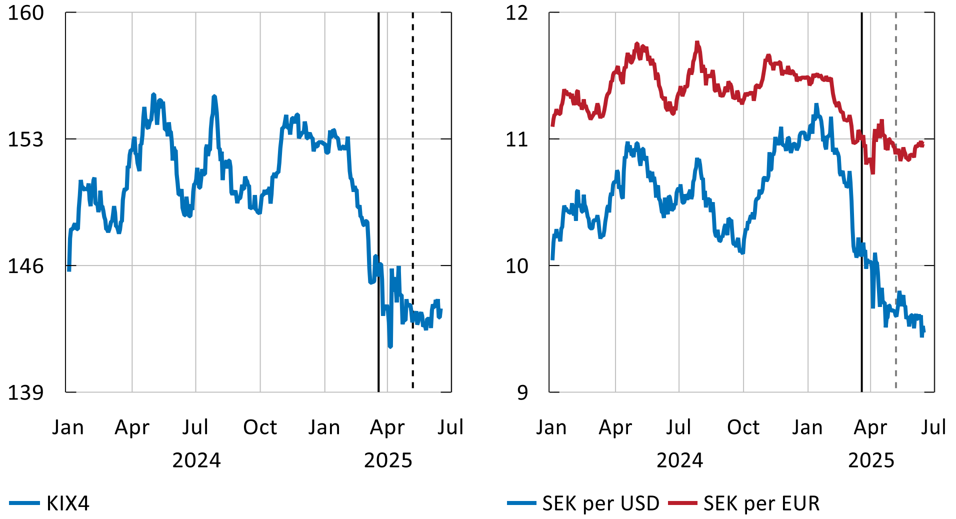
Source: Statistics Sweden.

The krona has continued to strengthen against the dollar

The trend of a stronger krona that started at the beginning of the year has continued, albeit at a calmer pace. Recently, the krona has strengthened further against the US dollar but has stabilised against other important currencies for Sweden. The appreciation against the dollar can probably be explained by the drop in demand for US assets following the announcement of the new US trade policy (see Figure 10). Another possible explanation is that Swedish assets are considered relatively attractive. If investors plan to reduce their exposure against US assets further in favour of Swedish assets, there may be a further strengthening of the krona.

Figure 10. Nominal exchange rate against KIX4, the dollar and the euro

Index, 18 November 1992 = 100 (left), and kronor (right)



Note. A higher value indicates a weaker exchange rate. The KIX4 (krona index) is a weighted average against the US dollar, euro, pound sterling and Norwegian krone. The solid line marks the date of the monetary policy meeting in March. The dashed line marks the time immediately before the monetary policy meeting in May.

Sources: Macrobond Financial AB and the Riksbank.

1.3 Swedish real economy

The recovery that started in 2024 has lost momentum

According to the latest outcome, GDP increased by 0.9 per cent in the first quarter compared with the same quarter in 2024 but decreased by 0.2 per cent compared with the previous quarter. The weak GDP outcome is judged to be partly due to temporary factors, including low investment, with investment in buildings and construction in particular showing a marked decline (see Figure 11). Other indicators of GDP growth point to a slightly better development in the beginning of the year. It is therefore difficult to interpret how the latest GDP outcome reflects developments.

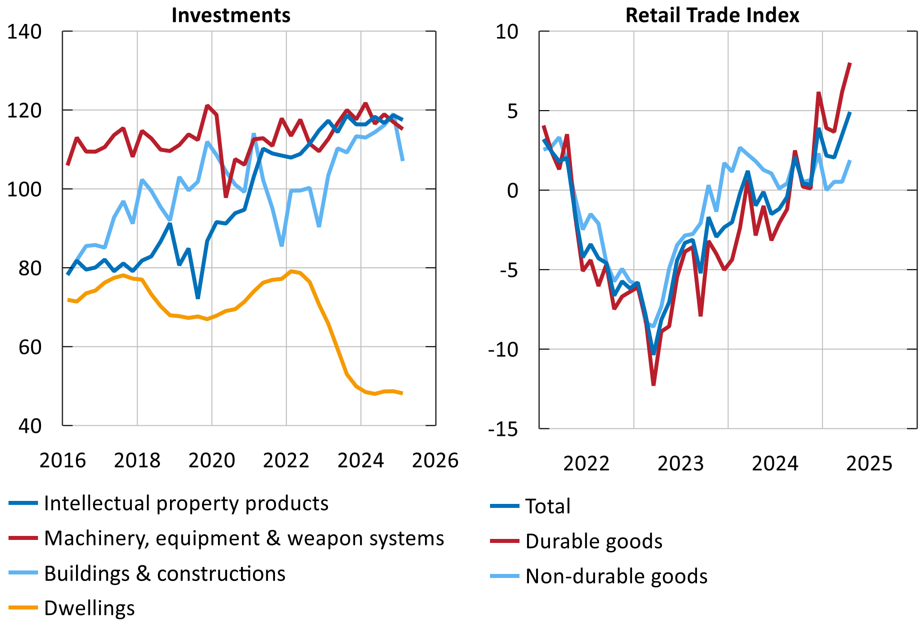
Although the GDP outcome shows a slight decline in consumption in the first quarter, other statistics indicate that consumption is not following the same development. Retail sales have developed positively since the end of last year, with durable goods in particular having developed strongly (see Figure 11). This is also confirmed by the monthly indicator of household consumption. However, consumption has probably been subdued to some extent by the weakened household confidence. Households have a very pessimistic view of both their own finances and the Swedish economy, according to the National Institute of Economic Research's Economic Tendency Survey (NIER) in May.

Business confidence has been relatively unchanged in recent months. In the NIER's Economic Tendency Survey in May, most manufacturing companies state that they are not affected or only slightly affected by changes in tariffs or uncertainty about future tariff levels, which is also confirmed by the Riksbank's Business Survey. Exports also rose strongly in the first quarter but both goods exports and new orders in the export market fell in April. Surveys of export companies also provide signals of subdued development in the second quarter.

According to the GDP indicator, economic activity increased slightly in Sweden in April. This confirms the mixed picture for the start of the second quarter, which indicate a somewhat positive development for household consumption at the same time as the export sector seems to be a little more subdued.

Figure 11. Investments and Retail Trade Index

SEK billion (left) and annual percentage change (right)



Note. Latest outcome refers to 2025 Q1. Seasonally adjusted data (right).

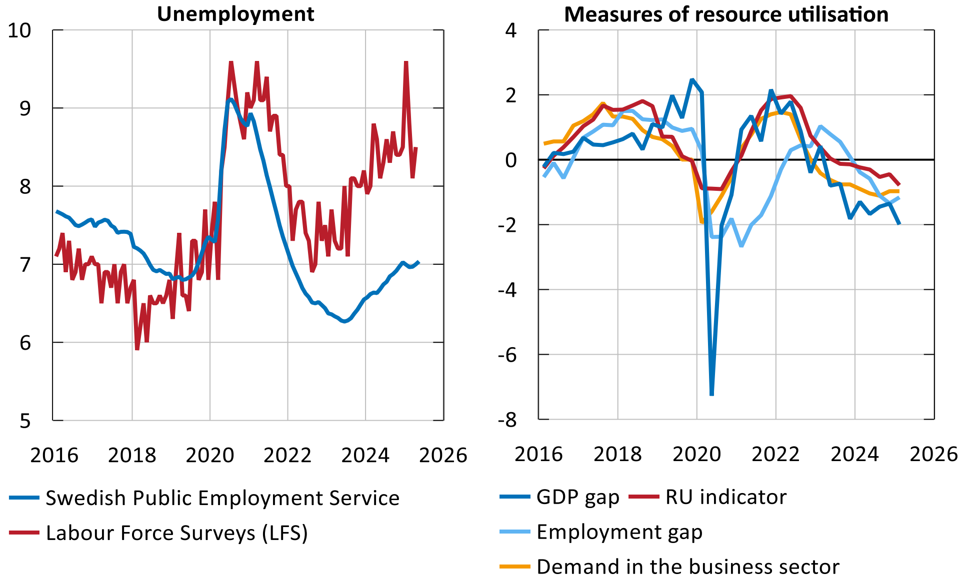
Sources: Statistics Sweden and the Riksbank.

Indicators for labour market and resource utilisation remain weak

Despite strong employment growth at the beginning of the year, the labour market remains weak, with unemployment remaining elevated (see Figure 12). The number of newly registered job openings is also lower than at the start of the year and continued to decrease in May. Recruitment plans have also declined, indicating that companies plan to keep their workforce relatively unchanged in the coming months. The number of redundancies and bankruptcies also remains elevated, as it usually is in a period of relative economic weakness.

The fact that the labour market, together with other indicators measuring spare capacity, is weaker than normal means that the Riksbank assesses that the Swedish economy is in a mild recession (see Figure 12). Resource utilisation cannot be measured directly but must be estimated using various indicators. A summary measure of various indicators of resource utilisation among companies, the Riksbank's resource utilisation indicator (RU indicator), fell slightly in the first quarter. The GDP gap also narrowed slightly in the first quarter after a slight recovery last year.

Figure 12. Unemployment and different measures of resource utilisation
Percentage of the labour force (left) and percentage and standard deviation (right)



Note. Seasonally adjusted data (left). The LFS refers to persons aged 15-74 and the Swedish Public Employment Service refers to 16-65 years. The GDP and employment gaps refer to the deviation in GDP and employment from the Riksbank's projected trend. The RU indicator is a statistical measure of resource utilisation. The demand situation in the business sector has been standardised so that the mean value is 0 and the standard deviation is 1.

Sources: Employment Service, National Institute of Economic Research, Statistics Sweden and the Riksbank.

1.4 Swedish inflation

Elevated inflation partly due to temporary effects

Inflation rose sharply at the beginning of the year after falling to close to 2 per cent last year. CPIF inflation remains slightly elevated and was unchanged at 2.3 per cent in May. Even measured as the CPIF excluding energy, the price increases are elevated but fell markedly in May and amounted to 2.5 per cent (see Figure 13).

The somewhat above-target inflation in the early part of the year is assessed to be due to a few temporary factors. One is that prices of some food products have risen sharply. Another factor is that rents and administratively set prices, which are largely due to past cost increases, are still rising unusually fast (see Figure 14).[7] The annual update of the weights in the CPIF, the basket effect, will also contribute to an

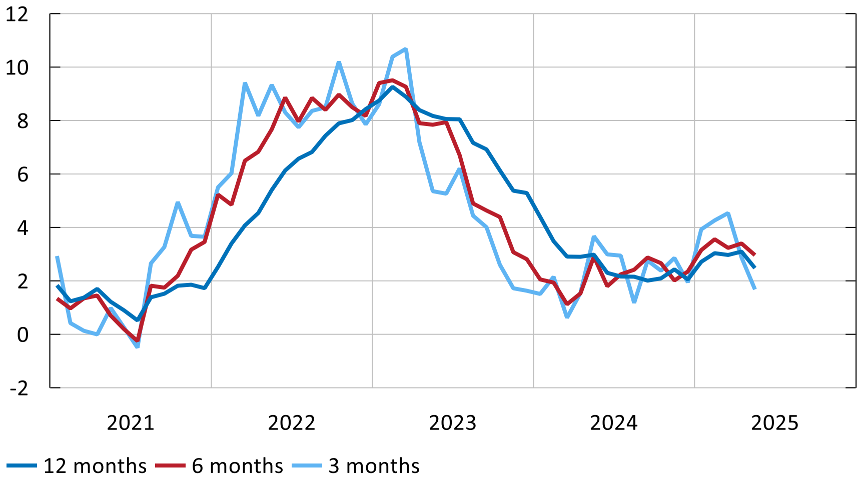
[7] Administratively set prices are prices that are not determined in a normal market but are set by a regulating party such as the state, an authority or the municipality. Administratively set prices are often affected by past cost increases with a lag. Examples of administratively set prices are municipal waste collection, public transport, medical care and prices for elderly care and childcare.

increased inflation rate throughout 2025.[8] The upturn in January, which is partly explained by the basket effect, has less of an impact on price changes in recent months when measured over shorter time horizons, and thus the seasonally adjusted three-month change in annualised terms has fallen in the latest outcomes (see Figure 13). The Riksbank considers all these factors that have driven the rise in inflation in recent months to be temporary and not to reflect a broad upturn in inflation (see the analysis “Few factors behind the rise in inflation”).

Various methods can be used to exclude or reduce the effect of individual or volatile prices and thereby attempt to estimate underlying inflation. Despite falling in May, inflation excluding energy remained elevated. But if you also exclude rents and administratively set prices, as well as the basket effect, inflation was lower at just over 2 per cent.

Figure 13. CPIF excluding energy

Annual percentage change and three and six-month change calculated in annualised terms



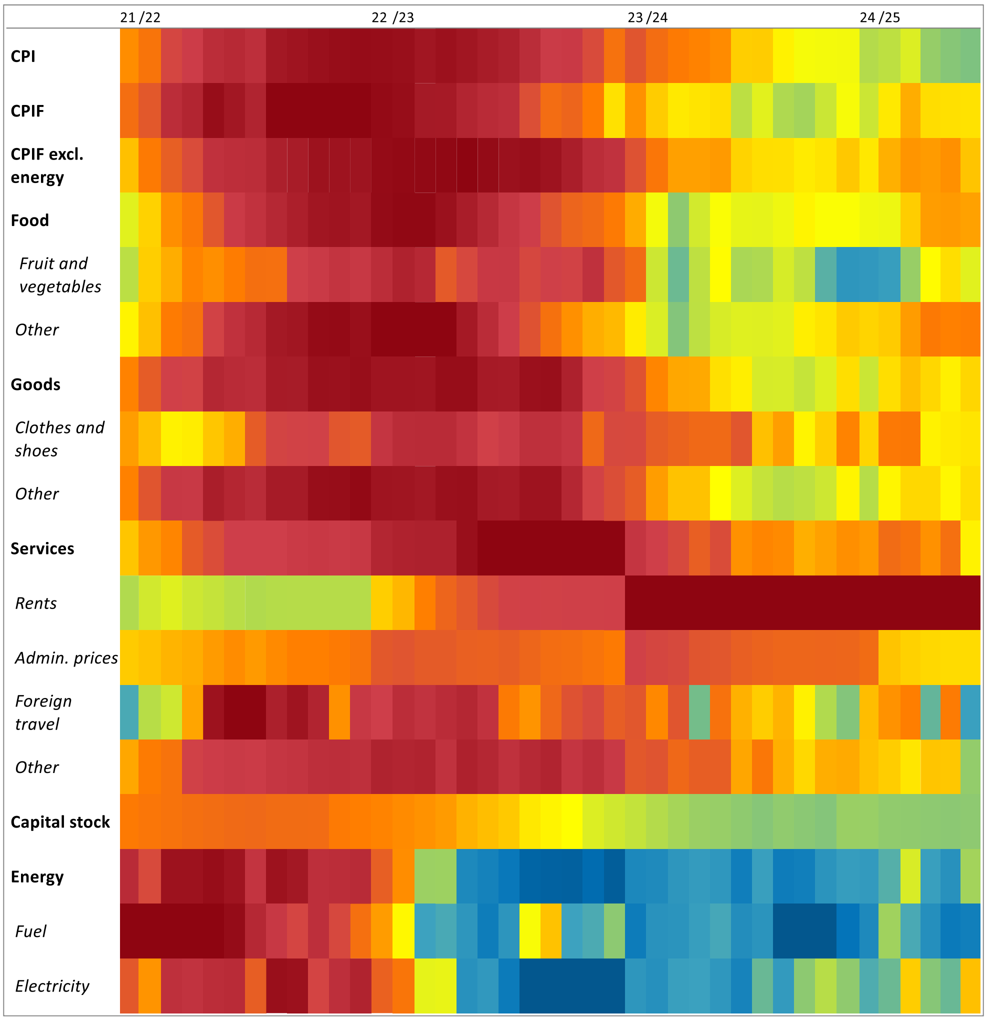
Note. Seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

[8] See Fact Box “Inflation effects of new weights in the CPIF” in *Monetary Policy Report*, March 2025.

Figure 14. Heat map CPIF

Standardised values



Note. The heat map shows standardised values based on annual percentage change for the different sub-indices between 1995 and 2025. The map shows deviations in the period December 2021 to May 2025. Green indicates that the annual percentage change is close to its historical average. Red indicates that the rate of increase has been higher than its historical average and blue that it has been lower. The stronger the red (blue) colour is, the higher (lower) the rate of increase has been.

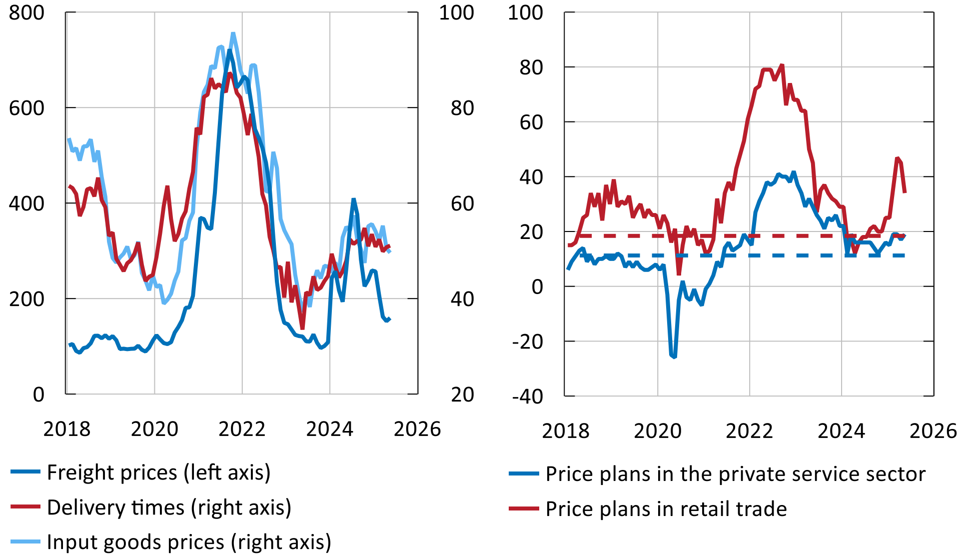
Sources: Statistics Sweden and the Riksbank.

Still few signs of disruptions in global trade

There are several channels through which uncertainty in global trade policy could affect price pressures in Sweden. The Riksbank is therefore closely monitoring data that could indicate increased disruptions in global trade and broader problems in supply chains and price plans. So far, there are few signs in the data of increased price pressures linked to supply chain disruptions, such as rapidly rising input prices or longer delivery times (see Figure 15). Freight prices to Europe have been relatively stable following a downturn at the start of the year.

Figure 15. Delivery times, prices for freight and input goods, and price plans in the Economic Tendency Survey

Index, 2019 = 100 (freight prices) and index (prices for freight and input goods) and net figures (price plans) respectively



Note. Freight prices refer to the cost of container freight. Delivery times and input costs are taken from the manufacturing PMI. Input prices, delivery times and price plans refer to seasonally adjusted data. The right-hand figure shows net balances for how many firms responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months. The dashed lines represent the average for the period 2000–2025.

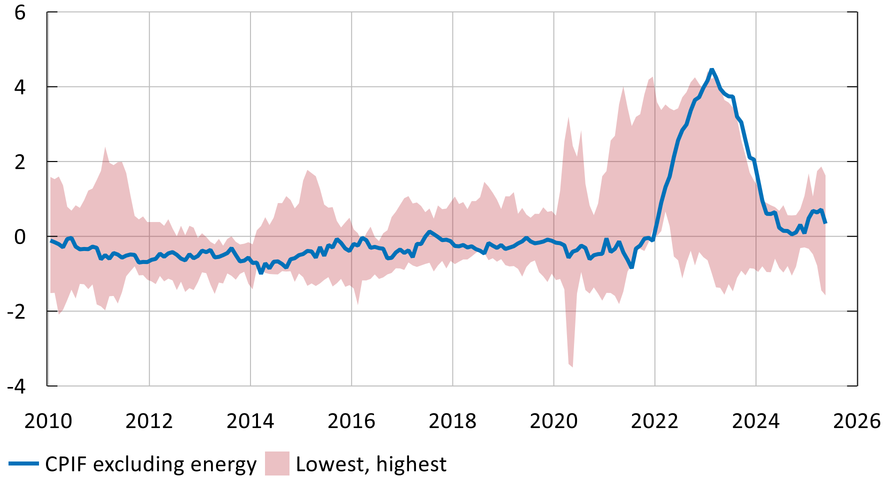
Sources: Drewry Shipping Consultants Ltd, National Institute of Economic Research, Swedbank and the Riksbank.

Inflation is slightly elevated, but indicators are compatible with inflationary pressures on target

The development of inflationary pressures going forward is illustrated with various indicators in Figure 16. The appreciation of the krona, as well as input and commodity prices, point to lower-than-normal inflationary pressures going forward. During earlier inflationary upturns, indicators suggesting lower inflationary pressures than normal have decreased. Now, we can instead see a greater downward spread in the red field. However, companies' price plans remain elevated, despite a slight decline in May. In particular, price plans in the non-durable and durable goods segments remain higher than normal. However, they are still far from being as high as they were in 2021 and 2022. Taking this into account, together with the absence of signs of supply chain disruptions, the indicators for inflationary pressures are judged to be consistent with inflation of 2 per cent.

Figure 16. CPIF excluding energy with indicators

Standardised values



Note. The red field shows the range between the highest and lowest standardised value for the following indicators: households' inflation expectations, price plans in the retail trade, consumer goods sector and services sector, Purchasing Managers' Index for the services sector and manufacturing sector, Producer Price Index for consumer goods (ITPI, IMPI and HMPI), the CPI excluding energy in the United States, the HICP excluding energy in the euro area, the KIX, the Economist's Commodity Index and the Global Supply Chain Pressure Index. The price index is expressed as an annual percentage change.

Sources: The Economist, Eurostat, Federal Reserve, National Institute of Economic Research, Statistics Sweden, Swedbank, the US Bureau of Labor Statistics and the Riksbank.

The new industrial agreement provides conditions for wages to continue to rise

The faster wage growth and lower inflation have pushed up real wages. Wage growth has slowed somewhat recently and fell sharply in March. A new industrial agreement came into force on 1 April, providing wage increases totalling 6.4 per cent over two years, divided into 3.4 per cent the first year and 3 per cent the second year. A two-year agreement at this level provides favourable conditions for real household wages to continue to rise while contributing to inflation in line with the target.

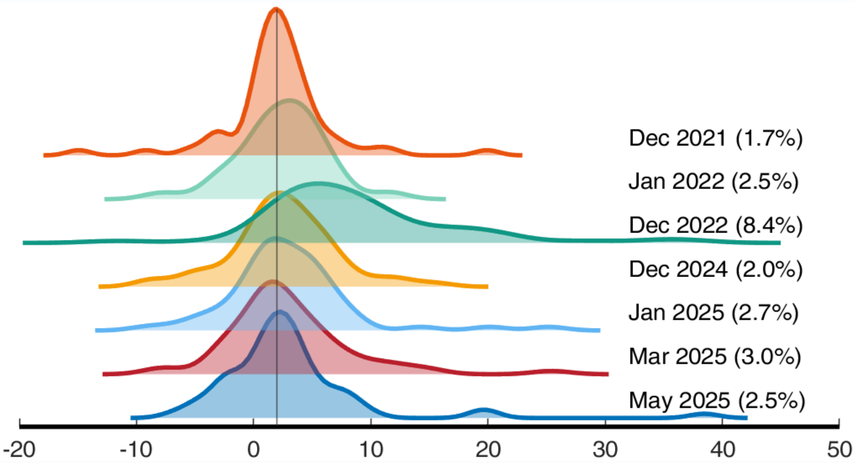
ANALYSIS - Few factors behind the rise in inflation

At the beginning of the year, inflation has risen and become higher than the Riksbank expected beforehand. The higher inflation rate is assessed to be transitory. The fact that it is mainly explained by technical factors and price increases in a few individual products indicates that it is not a broad price increase. Among the products that have increased significantly in price are primarily certain foodstuffs, the prices of which had previously risen substantially on the world market. None of these factors are deemed to be long-lasting and therefore inflation is expected to fall back early next year.

Inflation has been rising since the end of last year and, measured as the CPIF excluding energy, was close to 3 per cent at the beginning of the year. The price increases have now fallen back slightly but are expected to remain around 2.5 per cent for the rest of 2025, measured both as the CPIF and the CPIF excluding energy. The Riksbank's assessment is that the upturn is largely explained by temporary factors that do not affect inflationary pressures in the longer term.

Figure 17 shows the distribution of price developments, in annual percentage change, for 66 different sub-indices that together make up the CPIF excluding energy at various different times. When inflation picked up speed in January 2022, the entire distribution shifted to the right, meaning that it was price rises for many products that together were pushing up the rate of inflation. In January, we saw a similar upturn as in January 2022 for the rate of price increase for the CPIF excluding energy. However, now it was not being driven by a shift in the entire distribution but instead the rate of price increase for certain products had increased to a relatively large extent while remained stable for the greater part of them (the tail to the right has become longer). Following this, the central part of the distribution has, if anything, shifted downwards (left). The high rate of price increases in a few products has thus not broadened into generally higher price pressures among a greater number of product groups.

Figure 17. The dispersion of price increases in the CPIF excluding energy
Distribution of annual percentage change in product groups in the CPIF excluding energy



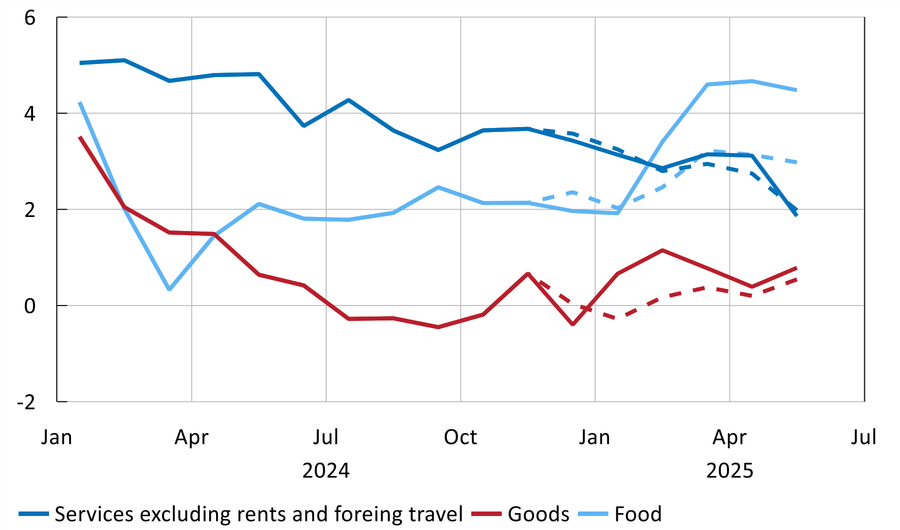
Note. The figures show the distribution of the annual percentage change in the 66 different sub-indices that make up the CPIF excluding energy. Vertical line marks 2 per cent.

Sources: Statistics Sweden and the Riksbank.

Another way of looking at this is to study developments in the major sub-aggregates that make up the CPIF excluding energy. Figure 18 shows the development of goods, foodstuffs and services excluding international travel and rents. Prices for travel are excluded as they are very volatile, and rents are excluded as their development is largely based on earlier cost increases. Here we compare with the forecast from the December 2024 Monetary Policy Report to capture developments throughout the year. It shows that total developments in both services and goods prices have been relatively well in line with the forecast, while food prices have been much higher than we expected at the time.

Figure 18. Developments in the sub-indices compared with the forecast in the December 2024 MPR

Annual percentage change



Note. The solid line refers to the outcome for each component and the dashed line refers to the forecast in the December 2024 Monetary Policy Report (MPR).

Sources: Statistics Sweden and the Riksbank.

In foodstuffs, large price increases for individual commodities such as coffee, chocolate and dairy products at the beginning of the year explain almost all of the forecast error. Global coffee and cocoa prices rose significantly in the second half of 2024, while compensation for milk to dairy farmers and global dairy prices also increased. The pass-through of these changes to retail prices was underestimated in the Riksbank's forecasts. Since the beginning of the year, however, things have changed. Global market prices for both coffee and cocoa have turned lower over the year, while compensation to dairy farmers has remained the same. At the same time, the prices of other key agricultural commodities have in general had a downward trend for some time. As a result, we expect consumer price increases to be moderate in the future and, if the trend continues, we can also expect some downward adjustments in the short term for certain products such as coffee.

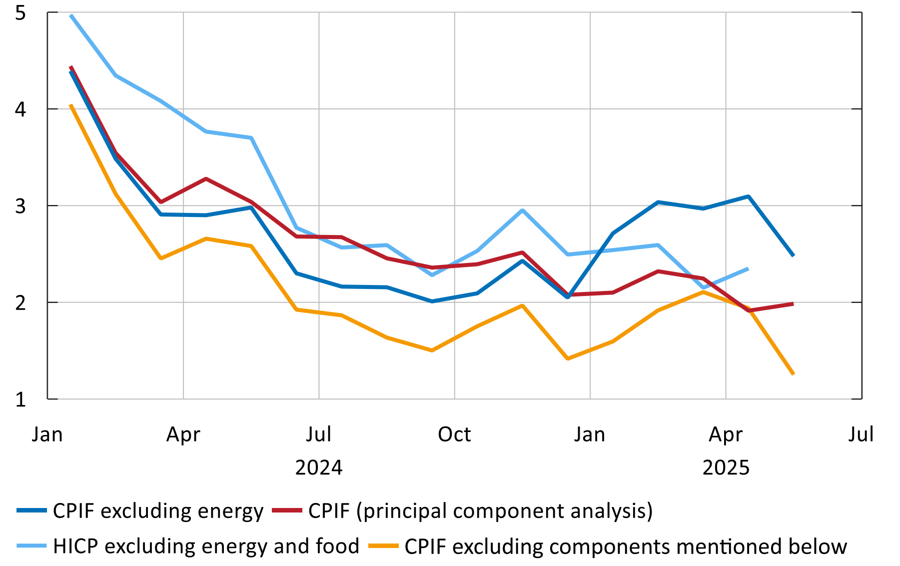
For services and goods prices, developments over the period have been well in line with the December 2024 forecast. However, some differences can be observed in developments in individual months, particularly for goods prices. This is related to the fact that month-on-month price changes have deviated relatively significantly from the period's historical pattern. In January, prices of goods generally tend to fall, mainly driven by large sales on clothes and shoes. This year, this decline was clearly smaller than it has been historically. This in turn was offset by lower price increases in March and April.

On top of this, there are continuing to come a lot of lagging effects from past price and interest-rate rises. Rents continued to rise rapidly this year and have been marginally higher than expected. Other more administratively set prices also continue to increase at a relatively fast rate. These prices are little affected by demand right now, and price increases for these products are expected to gradually slow down going forward. The assessment is supported by the fact that a relatively large number of rent agreements for 2026 have already been finalised and indicate lower rent increases next year.

As explained in the March Monetary Policy Report, the annual update of the weights in the CPI also contributed to developments. Weight changes dragged down inflation at the end of 2024 and made a positive contribution to the inflation rate in 2025. The effect of changing weights thus explains a relatively large part of the increase at the beginning of the year. One effect of the new weights is that inflation will also be higher during the summer as a result of the sharp increase in the weight placed on international travel compared with last year. Figure 19 shows measures of underlying inflation that reduce the impact of the above factors to varying degrees. In contrast to the CPIF excluding energy, they show stable, if slightly declining, rates of price increase since the end of last year.

Figure 19. Measures of underlying inflation

Annual percentage change



Note. The yellow line refers to the CPIF excluding energy, rents, administratively set prices, coffee and chocolate, expressed in fixed weights from 2024. In the series for fixed weights, the logged index levels with the base year of 2024 have been weighed together with the weights from the CPIF from 2024.

Sources: Eurostat, Statistics Sweden and the Riksbank.

Although the main scenario is that the pick-up in inflation is temporary, there are reasons for vigilance. Retail price plans remain at slightly high levels. There is also great uncertainty connected to the ongoing trade conflict and the escalating conflict in the Middle East that could potentially have major effects on inflation.

2 Outlook for the coming years

International growth will slow down this year and will continue to be lower than its historical average. Growth in the United States is being impacted by both trade tariffs and increased uncertainty, while the slowdown in the euro area is mainly being driven by continued uncertainty. In the United States, inflation is expected to rise relatively rapidly this year due to the raised import tariffs, while, in the euro area, it is expected to stabilise close to 2 per cent this year.

The recovery of the Swedish economy is also being weighed down by the increased uncertainty in the next quarters, primarily through hampering investment and consumption. However, these dampening factors are expected to ease gradually over the year, meaning that the recovery will pick up again and economic activity will strengthen. Inflation is expected to be slightly above 2 per cent this year but close to the target from 2026 onwards.

Key assessments and assumptions in the forecast

- The forecasts for the Swedish real economy and inflation are based on the assessment that growth abroad will slow down in 2025 before recovering over the next few years.
- US import tariffs on several countries are assumed to be on a significantly higher level than in previous years. Other countries are also assumed to respond with their own tariffs on the United States, albeit to a restricted extent and primarily with a focus on certain sectors or product groups.
- Energy prices are assumed to follow forward pricing. The forecast for energy prices is based on 15-day average for oil prices and electricity futures.
- Resource utilisation in the Swedish economy is now assessed to be lower than normal.
- Swedish fiscal policy is expected to be mildly expansionary in 2025 and 2026. Thereafter, it is expected to be adjusted approximately as normal with regard to the level of net lending and the economic situation. The assessment takes into account that increased defence expenditure will be financed via borrowing in the coming years, before gradually transitioning to be financed within the budget after 2030.
- The Riksbank assesses that the neutral policy rate over the long term will be between 1.5 and 3 per cent.
- The forecast period stretches until the end of the second quarter of 2028.

Forecast for monetary policy: The policy rate is cut by 0.25 percentage points in June. The forecast entails some probability of another cut this year. It also implies that the policy rate will slowly be raised from 2027 onwards so that it reaches about 2 per cent at the end of the forecast period.

2.1 The economic outlook abroad

International growth is being weighed down by elevated uncertainty and tariffs, especially in the United States

Growth is expected to slow down in both the United States and the euro area during the year. Growth in the United States is being impacted by both trade tariffs and increased uncertainty, while the slowdown in the euro area is mainly being driven by continued uncertainty.

The US economy is expected to enter a period of slowed growth in the coming year. Increased tariffs on China and other trade partners are expected to weigh on foreign trade and hamper companies' willingness to invest. Consumption is expected to slow down due to rising inflation, the weak development of real incomes and a weakened labour market. At the same time, households are expected to become more cautious and increase their savings due to the increased uncertainty. Next year, the growth rate is expected to increase, partly driven by an expansionary fiscal policy. That said the US economy is expected to continue growing at a slower rate than in previous years.

In the euro area, GDP growth is expected to be restrained by weaker future prospects among both households and companies, which will hold back both consumption and investment in the coming quarters. However, the relatively strong labour market, rising real incomes and delayed effects of a lower policy rate are factors that are expected to counteract the slowdown in consumption going forward. The increased defence spending and investments in infrastructure are expected to strengthen European growth, in particular in the manufacturing sector. In light of this, growth in the euro area is expected to rise gradually in 2026 and 2027.

Inflation is expected to rise in the United States but fall in the euro area

Inflation in the United States is expected to rise relatively rapidly this year due to the rising costs for importing companies related to the increased tariffs. Underlying inflation is expected to rise to close to 3.5 per cent at the end of the year but fall back next year and stabilise just above 2 per cent at the beginning of 2027. In the euro area, inflation is expected to stabilise close to the target of 2 per cent in the second half of the year. An assumption in the forecast is that the EU's response to US tariffs will be limited. Lower wage growth going forward will ease the development of services prices, which has sustained inflation in the euro area for some time.

Table 1. International key performance indicators

Annual percentage change, unless otherwise specified. The figures in brackets refer to the forecast from the previous Monetary Policy Report.

	2024	2025	2026	2027
GDP, euro area	0.8 (0.8)	1.0 (1.0)	1.1 (1.5)	1.5 (1.5)
GDP, United States	2.8 (2.8)	1.4 (2.0)	1.5 (1.9)	2.0 (1.8)
HICP, euro area	2.4 (2.4)	2.0 (2.2)	1.7 (1.9)	2.0 (2.0)
CPI, United States	3.0 (3.0)	2.7 (2.9)	2.7 (2.4)	2.3 (2.3)

Sources: Eurostat, US Bureau of Economic Analysis, US Bureau of Labor Statistics and the Riksbank.

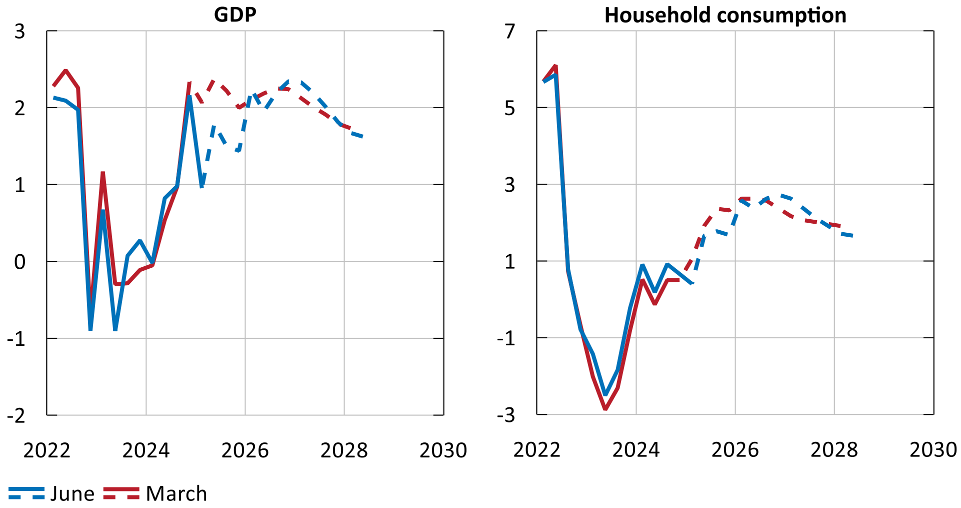
2.2 The economic outlook in Sweden

The increased uncertainty is expected to weigh on growth in the Swedish economy this year

Global developments are expected to dampen the recovery of the Swedish economy in the next few quarters, primarily by hampering investment and consumption. Due to the prevailing uncertainty, households are expected to remain cautious, which will hold back both consumption and imports. At the same time, companies are expected to continue to postpone investment decisions while awaiting a more stable economic outlook and clarity regarding future trade barriers. Dampened consumption abroad will also lead to exports growing at a subdued pace in going forward. On the other hand, the direct effect on Sweden of the introduction of higher tariffs is expected to be limited (see the Fact Box “The Riksbank’s Business Survey, May 2025” and the analysis “Sweden’s trade with the United States” in this report). Overall, this means that the weak domestic demand will continue to hold back GDP-growth in Sweden. However, these dampening factors are expected to ease gradually over the year, making it possible for the recovery to pick up again later this year (see Figure 20).

Figure 20. GDP and consumption in Sweden

Annual percentage change



Note. Seasonally adjusted data. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

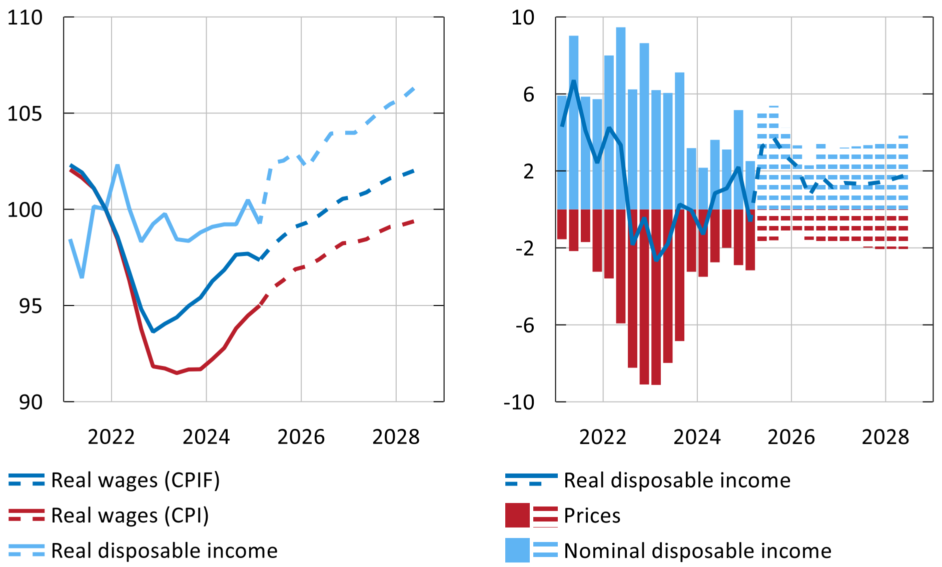
Sources: Statistics Sweden and the Riksbank.

Rising real wages and support from fiscal policy are strengthening Swedish growth prospects

The rapid wage growth and the lower inflation meant that real wages started to rise last year, which has increased households purchasing power. The financial situation for households is expected to continue to improve going forward as real disposable incomes rise (see Figure 21). This is expected to create a basis for the recovery in consumption to gain momentum in the second half of 2025. For several years, household buffer saving has been high, albeit unevenly distributed. The need for further saving is therefore assessed to be limited despite the increased uncertainty. There may therefore be scope to use a larger share of the income growth for increased consumption. The subdued consumption seen for a number of years may also suggest that there is a pent-up need for consumption.

Figure 21. Real wages and real disposable income

Index, 2021 Q4 = 100 (left), and contribution and annual percentage change (right)



Note. Real wages are calculated as the ratio between the nominal wage level and the CPIF and CPI respectively. Real disposable income is income adjusted for changes in the deflator of household consumption expenditure, which usually increases at the same rate as the CPIF. Seasonally adjusted data (left). Solid line and bars refer to outcome and dashed line and bars represent the Riksbank's forecast.

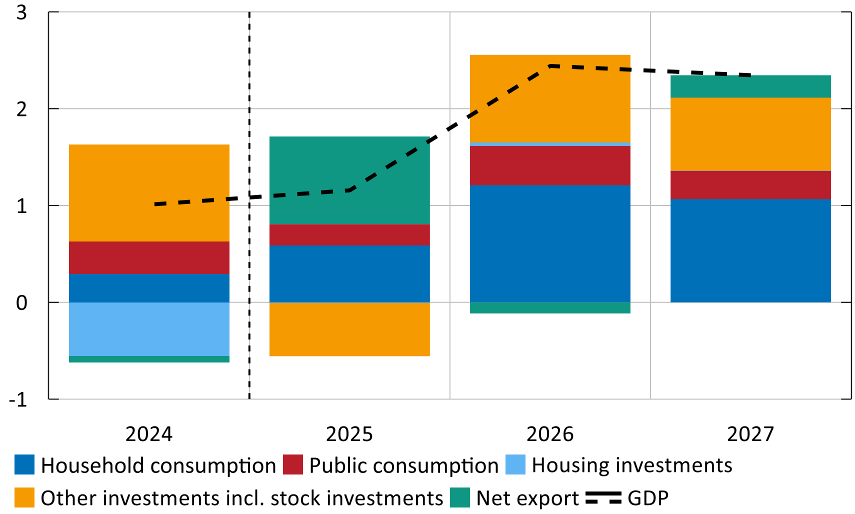
Sources: National Mediation Office, Statistics Sweden and the Riksbank.

Growth will also be supported by fiscal policy. The slightly expansionary fiscal policy is partly reflected by increased public sector investment. Increased defence investment will contribute to relatively rapid growth in public sector investment over the coming years. Despite that the export sector is also expected to benefit from increased defence spending and to continue to grow strongly, the contribution of net exports to GDP growth will decrease from next year onwards as a result of increased imports. Housing investment is expected to remain at about the same level and thus not to contribute to growth in the period ahead as demand for housing will be dampened by slower population growth going forward.

Overall, GDP growth in 2025 is expected to be weighed down by the uncertainty and to remain relatively low at 1.2 per cent. Thereafter, growth is expected to pick up and be between 2 and 2.5 per cent in the coming years, primarily driven by increased household consumption, with investment and public consumption also contributing more (see Figure 22).

Figure 22. Contribution to GDP growth

Per cent (GDP) and percentage points (GDP contribution)



Note. Contribution to annual percentage change in GDP in fixed prices. Vertical dashed line marks the start of the Riksbank's forecast.

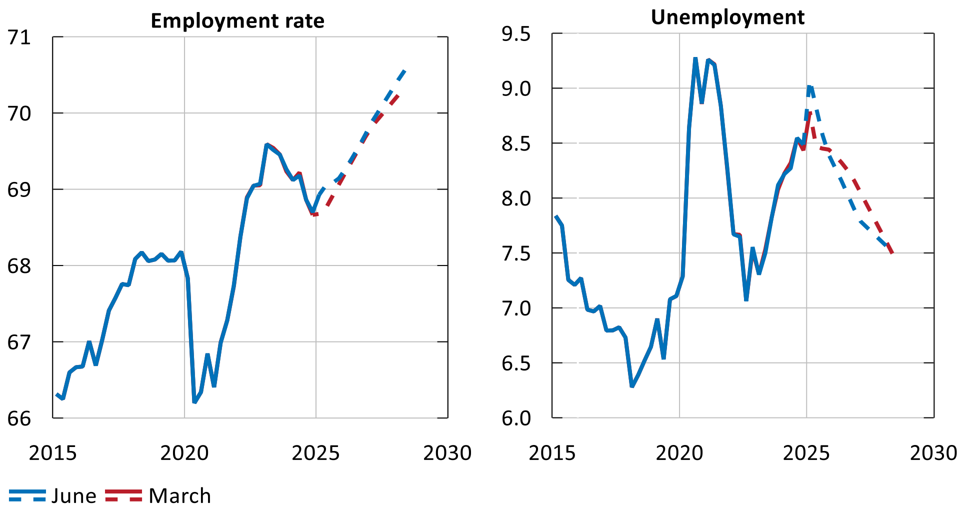
Sources: Statistics Sweden and the Riksbank.

The labour market will strengthen going forward

The muted recover of the economy is expected to lead to a weak development of the labour market in the near term. Even though the number of redundancy notices decreasing since the end of last year, indicators point to a slowdown in labour demand. Both companies' recruitment plans and the number of newly registered job openings have declined, indicating a slow recovery in the labour market. Unemployment, which rose in the first quarter of 2025, is therefore expected to remain at a relatively high level for some time to come. As growth rises in 2026 and 2027, employment is expected to increase, which will gradually contribute to unemployment also falling towards 7.5 per cent in 2028 (see Figure 23).

Figure 23. Employment rate and unemployment

Percentage of population (left) and percentage of labour force (right)



Note. Seasonally adjusted data. Refers to persons aged 15–74. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

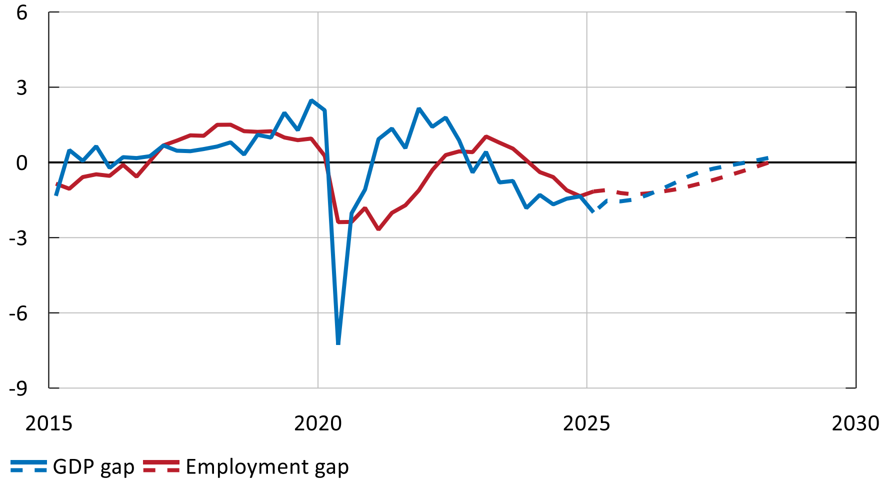
Sources: Statistics Sweden and the Riksbank.

Resource utilisation set to normalise the coming years

Resource utilisation is lower than normal and is expected to remain weak this year. By the end of the year, the successively higher demand is expected to lead to resource utilisation increasing and returning to balance at the end of 2027 (see Figure 24). The gradually increasing resource utilisation will also help keep inflation from becoming too low so that it stabilises around 2 per cent. Resource utilisation measured with the employment gap is also expected to rise, albeit at a slower pace, and is expected to be in balance in 2028.

Figure 24. Measures of resource utilisation

Per cent



Note. The gaps refer to the deviation in GDP and employment from the long-term trend assessed by the Riksbank. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Table 2. Key performance indicators for Sweden

Annual percentage change, unless otherwise specified. The figures in brackets refer to the forecast from the previous Monetary Policy Report.

	2024	2025	2026	2027
GDP*	1.0 (1.0)	1.4 (2.2)	2.2 (2.2)	2.1 (2.0)
Employed persons	-0.6 (-0.6)	0.5 (0.2)	0.7 (1.2)	1.0 (1.1)
Unemployment**	8.4 (8.4)	8.5 (8.7)	8.3 (8.1)	7.9 (7.7)
GDP gap***	-1.4 (-1.4)	-1.6 (-1.0)	-0.9 (-0.5)	-0.2 (-0.1)
General government net lending****	-1.5 (-1.5)	-1.2 (-1.3)	-1.0 (-1.1)	-0.7 (-0.9)

*Calendar adjusted **Per cent of labour force. ***Percentage deviation from the Riksbank's assessed potential levels. ****Per cent of GDP.

Sources: Statistics Sweden and the Riksbank.

2.3 Inflation outlook in Sweden

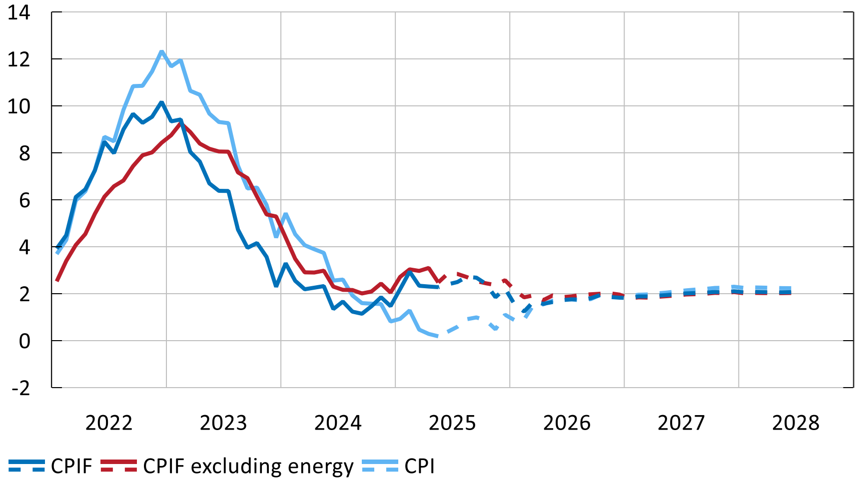
Inflation is temporarily somewhat elevated

Inflation has been elevated in the early part of the year and is expected to remain above 2 per cent for the rest of the year (see Figure 25). The increase in some food prices and administratively set prices at the beginning of the year, together with the basket effect, will contribute to inflation remaining slightly elevated over the coming months. But these effects will diminish during the autumn, leading to inflation falling back. The increased deduction on home repair and maintenance (ROT) that came into effect in May is also expected to temporary contribute to approximately 0.2 percentage point lower inflation in 2025. Although inflation is expected to remain above

2 per cent over the rest of the year, underlying inflationary pressures are still considered consistent with the inflation target. CPI inflation will be below 1 per cent this year due to previous rate cuts but is then expected to rise gradually towards 2 per cent (see Figure 25).

Figure 25. CPIF, CPIF excluding energy and CPI

Annual percentage change



Note. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

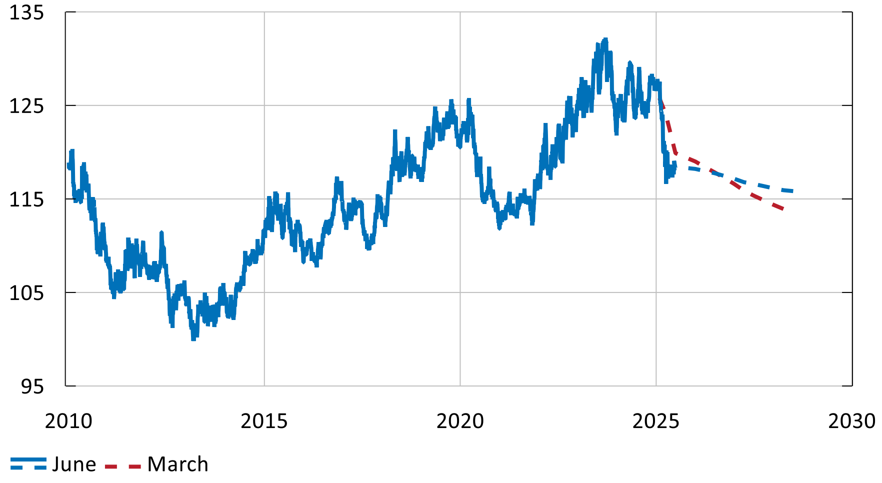
Inflation is expected to fall back and stabilise close to the target as of next year

As of 2026, inflation is expected to be close to target. A normal basket effect is expected next year, which entail a negative effect on the measured rate of inflation. The rate of price increase on food has been high at the start of the year but is assumed to return to more normal levels. As the earlier high food price rises drop out of the annual changes, food prices are expected to help curb inflation at the start of next year. Finalised rental agreements indicate that rent increases will be more moderate in 2026 and contribute to lower inflation. In addition, a stronger krona is expected to continue to subdue the prices of imported goods, thereby contributing to lower inflation (see Figure 26). At the same time, the rising resource utilisation will push up demand-driven inflation slightly, preventing price rises from being too low going forward.

Wage growth is expected to slow from 3.7 per cent this year to 3.5 per cent in 2026. This process is in line with the new industrial agreement, which provides for 6.4 per cent wage increases over two years, divided into 3.4 per cent in the first year and 3 per cent in the second year. A two-year agreement at this level provides predictability in wage development. Over the coming years, wages and productivity in Sweden are expected to increase at a rate that its consistent with inflation at the target. Together with long-term inflation expectations being well anchored around 2 per cent, these factors are contributing to the Riksbank's assessment that inflation will be close to target as of next year.

Figure 26. Nominal exchange rate

Index, 18 November 1992 = 100



Note. The KIX (krona index) is a weighted average of the currencies in 32 countries that are important for Sweden's international trade. Since 28 March 2022, the index has been calculated against 31 countries following the exclusion of the Russian rouble. A higher value indicates a weaker exchange rate. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Source: The Riksbank.

Table 3. Key performance indicators for inflation

Annual percentage change, unless otherwise specified. The figures in brackets refer to the forecast from the previous Monetary Policy Report.

	2024	2025	2026	2027
CPIF	1.9 (1.9)	2.4 (2.5)	1.7 (1.9)	2.0 (2.0)
CPIF excluding energy	2.6 (2.6)	2.7 (2.9)	1.9 (2.0)	1.9 (2.0)
CPI	2.8 (2.8)	0.7 (1.0)	1.6 (1.8)	2.1 (2.1)
Wages, NMO	4.1 (4.0)	3.7 (3.6)	3.5 (3.6)	3.2 (3.4)

Note. KL refers to the short-term wage statistics.

Sources: Statistics Sweden and the Riksbank.

FACT BOX – The Riksbank’s Business Survey May 2025

The economic situation is perceived to be weak and has deteriorated since the February survey. In particular, expectations of economic growth are much more pessimistic than before. The quote “Things that were moving in the right direction have fizzled out” reflects the situation well. The more pessimistic assessment of economic growth can mainly be explained by the high level of uncertainty currently prevailing as a result of increased trade policy tensions.

Industrial activity is weak and has deteriorated during the spring, which can partly be explained by the uncertainty surrounding global trade. The uncertainty means that customers are holding off on purchases and investments, which is making manufacturing companies particularly negative about the development of the economy. “There are signs of a wait-and-see attitude in many markets,” summarises one respondent. They still have a backlog of orders to fulfil but are now seeing a slowdown in new orders at the same time as the strengthening of the krona is impacting their earnings.

Construction companies’ views on economic developments have also been dampened by the prevailing uncertainty. They point out that it will take longer than previously thought for demand in the housing market to pick up. However, continued strong new orders in public construction, facilities and infrastructure are making them slightly more positive than previously about the current situation.

The economic situation in the retail trade sector is generally satisfactory and several companies have noticed that sales volumes have increased during the spring. But they are concerned that the uncertainty could dampen demand. Some respondents argue that households have already become more cautious, while others say that this is a risk that has not yet materialised. The restaurant industry is the sector that is already seeing the effects of the uncertainty on sales.

Companies selling to households are planning to increase prices, pointing in particular to higher purchase costs as a driver of price growth. On the whole, they are not planning to raise prices more or more often than normal. A stronger krona is expected to partly offset higher purchasing costs, but the effects are being delayed due to seasonal purchases and currency hedging. Among business-to-business sellers, fewer than before are planning to increase prices over the next year. In particular, weaker demand will make it more difficult to raise prices in the period ahead.

A majority of companies state that they have been affected by the import tariffs introduced, most of them to a minor extent via indirect effects. Several companies consider that too little time has passed to see the effects and expect that they will be affected in the period ahead. This means that they are prepared and are reviewing their trade flows. In the long run, many see a risk that the trade policy tensions will lead to subdued global demand.

ANALYSIS – Sweden’s trade with the United States[9]

The Swedish economy is closely linked to the United States economy both directly and indirectly and via global value chains. Exports from Sweden to the United States have also grown rapidly in recent years. Industries that sell a relatively large share of their output to the United States – such as motor vehicles, pharmaceuticals and machinery – may be affected particularly strongly by the raised tariffs. All in all, however, the direct effects on Swedish exports and GDP of the US tariffs, at the levels currently being discussed, are expected to be relatively limited. At the same time, the tariffs have created uncertainty about future trade policy and the conditions for economic development. If this increased uncertainty restrains global growth, it will probably have greater consequences for the Swedish economy.

The United States is an important trade partner for Sweden and exports there have increased rapidly in recent years as regards both goods and services. Motor vehicles, machinery and pharmaceuticals are among the industries exporting the most goods to the United States. The country’s role as a trading partner is even more important when it comes to services exports. Adding goods and services together, the United States is currently Sweden’s largest single export country. Swedish companies also have significant operations in the United States. Swedish direct investment in the United States, measured as total assets, has increased rapidly in recent years and the country is now clearly the largest recipient of such investments. Sweden is also one of the countries with the largest direct investments in the United States in absolute terms.

Which industries could be affected most by higher tariffs in the United States?

According to traditional export statistics, the United States is thus Sweden’s largest export market. However, these statistics can sometimes provide a misleading view of a country’s exposure to another country, as they measure the entire export value, including foreign input goods. On the other hand, the OECD’s database TiVA (Trade in Value Added) distinguishes between domestic and foreign value added – in which value added is the difference between the value of output and the cost of inputs. Table 4 shows the proportion of Swedish value added exported to the United States, in total and broken down by sector. In 2019, 2.4 per cent of Swedish value added was exported to the United States, which made the United States Sweden’s most

[9] This analysis is based on J. Camacho, C. Flodberg, M. Löf and B. Petersson (2025), “Increased import tariffs in the United States: What is the extent of Swedish exports to the USA and which sectors could be most affected?”, Staff memo, May, Sveriges Riksbank

important export country after Germany (2.6 per cent).[10, 11] Compared with the service sector, the manufacturing sector generally exports a significantly larger share of its value added to the United States (see table 4).

Table 4. Swedish value added exported to the United States
Year 2019

Sector	Per cent of sector's created value added
Motor vehicles	14.0
Pharmaceuticals	13.9
Other machinery	11.6
Chemical products	10.2
Manufacturing industry	**8.4**
Services	**1.4**
Total	**2.4**

Note. The table shows how much Swedish value added the exporting sector exports to the United States.

Source: TiVA (OECD).

The United States has recently raised import tariffs to 25 per cent for motor vehicles and to 50 per cent for steel and aluminium – two sectors with high exports to the United States.[12] The United States government has also started investigating higher tariffs on pharmaceutical imports, imports of timber and wood products and other imports. The pharmaceutical sector has particularly strong ties to the United States and exports 14 per cent of its value added there (see table 4). However, a large part of this sector's exports consists of services that will probably not be subject to tariffs, which should reduce the negative effect.

Exports to the United States can also be routed through other countries

The US tariffs are determined by product type and country of origin. As Sweden participates in global value chains, Swedish value added is exported to the United States both directly and via intermediate countries. Understanding the tariffs' impact on the Swedish economy also requires indirect exports of Swedish value added be taken into account. Data from TiVA shows that 69 per cent of the Swedish value added exported to the United States in 2019 went there directly, while the rest went indirectly via other countries. The statistics also show that Ireland, Denmark and Germany were the countries that exported the most Swedish value added to the

[10] Due to the extensive data set included in the calculations, the TiVA database only contains data up to 2020. As trade and global value chains were substantially affected by the pandemic in 2020, data for 2019 is therefore used in this analysis instead.

[11] In total, 31.2 per cent of Swedish value added was exported in 2019.

[12] With import tariffs of 50 per cent, the consequences for the steel and aluminium sector will probably be very considerable. However, the effects may be smaller for those companies that already have production in the United States and that are able to allocate a larger part of production there. This could bring revenues to the parent company in Sweden but also risks production in Sweden being relocated to the United States. One example is SSAB, which is one of the most significant actors in the global steel industry. However, the Swedish metal industry is significantly more dependent on demand in Germany than in the United States.

United States. These are followed by Mexico, Canada, China and the United Kingdom, which may all face different tariffs than Sweden.

The TiVA data also shows how large a share of Swedish employment is tied, directly or indirectly, to the production of goods and services that are exported to the United States. In 2019, such production employed about 2.1 per cent of the total number of employees in Sweden (just over 100,000 people). An additional almost one percentage point of total employment is linked to exports reaching the United States via a third country.

Sweden imports a large share of services from the United States

The United States is also important for Swedish imports. Last year, the United States was the fifth largest country of provenance for Swedish imports. Most of these imports consisted of services, particularly business services, fees for intellectual property, and telecommunication, data and information services. These prices could increase if the EU were to introduce reciprocal tariffs on the United States. And, even if the EU does not raise its tariffs on imports, possible price rises in the United States due to US tariffs on the rest of the world could still affect Swedish prices through higher prices for US imports. According to TiVA data from 2019, imports from the United States were only responsible for 1.9 per cent of Sweden's total consumption (public and private). This means that relatively large price rises for goods and services imported from the United States would be needed for them to have any particularly substantial effect on Swedish inflation.[13] All in all, this suggests that the direct effect on Swedish inflation from this channel will be relatively limited.

Probably relatively small direct tariff effects on Swedish growth but greater negative confidence effects

Swedish exports to the United States are significant and particularly high in sectors such as motor vehicles, pharmaceuticals and machinery – but total exports of value added to the United States from these sectors still only corresponded to 0.7 per cent of total Swedish value added in 2019. More updated traditional trade statistics indicate that this proportion has increased at the same time as some exports are taking place via intermediate countries. But a large part of these exports, not least in the pharmaceutical sector, are services that are not subject to tariffs. The effects may be substantial for individual companies, not least for those without established operations in the United States, but, all in all, the direct macroeconomic effect of higher tariffs, at the levels currently being discussed, should be relatively limited.[14] However, the greater uncertainty to which the tariffs have contributed will continue to affect confidence among companies and households, which is expected to lower inter-

[13] If the prices of all goods and services imported from the United States were to rise by 10 per cent, with the entire increase being passed on to consumers, the rate of inflation in Sweden would increase by 0.2 percentage points (0.02 x 10) in the short term, according to a very rough degree estimate in which everything else, such as exchange rate effects and indirect effects via global value chains, is held constant.

[14] If, in a simplified calculation, it is assumed that 3.0 per cent of Swedish value added is exported directly to the United States to begin with and that demand for these goods and services subsequently falls by 10 per cent as a result of higher tariffs and price increases, and furthermore that these exports cannot be replaced by exports to any other area, GDP growth in Sweden would be 0.3 percentage points lower (0.1 × 3.0).

national demand. This assessment is consistent with the results of the Riksbank's latest business survey, in which the proportion of companies reporting that they will probably primarily be affected by indirect effects, such as a general deterioration of the economy, is larger than the proportion expecting to be affected directly (see "The Riksbank's Business Survey, May 2025" in this report).

3 Monetary policy analysis

In recent months, inflation has developed in line with the Riksbank's forecasts. This development supports the earlier assessment that it is mainly temporary factors that explain why inflation is somewhat elevated this year.

At the same time, Swedish economic activity is judged to be weak and the uncertainty surrounding global developments will weigh further on the economic outlook going forward. This, together with a continued appreciation of the krona and normalisation of the relatively high rate of increase in administratively set prices, is helping to dampen the inflation outlook beyond the coming year.

There is still considerable uncertainty surrounding international developments. However, the risk of strong inflationary impulses, for example from trade barriers giving rise to extensive disruptions in supply chains or an escalating trade conflict, are judged to have declined somewhat from the situation at the time of the Monetary Policy Update in May.

To ensure that inflation in Sweden stabilises at the target in the coming years, the Executive Board has decided to cut the policy rate to 2 per cent. The forecast entails some probability of a further cut this year.

However, the prospects for inflation and economic activity are uncertain. Developments abroad play an important role in supply and demand conditions in the Swedish economy, and it is uncertain how quickly domestic demand will recover. Inflation could therefore be either higher or lower than in the Riksbank's forecast.

Monetary policy is forward-looking

Monetary policy acts with a lag and therefore needs to be based on forecasts of future economic developments. The forecasts are in turn influenced by the assumptions made about monetary policy, i.e. how one assumes that the policy rate and the Riksbank's other monetary policy tools will develope. This chapter discusses the assumptions about monetary policy that, in the Riksbank's assessment, will provide a desirable target fulfilment for inflation, taking into account the effects on the development of the real economy.

A basic condition for inflation to be close to the target over time, however, is that households and companies have confidence in any deviations from the target not lasting too long. It is easier to make long-term plans when inflation is stable and economic agents have a common view of how prices will develop in the future. This in turn creates good conditions for favourable economic growth over time.

3.1 Monetary policy in Sweden

When the US administration announced significant policy shifts in several areas in the spring, the risks to the economic outlook and inflation prospects increased significantly also in Sweden. The Riksbank therefore communicated at its previous monetary policy meeting in May that it was ready to adjust monetary policy as more information clarified the picture of how the Swedish economy might be affected.

Weak economic outlook and a shift in the risk outlook justify a lower policy rate

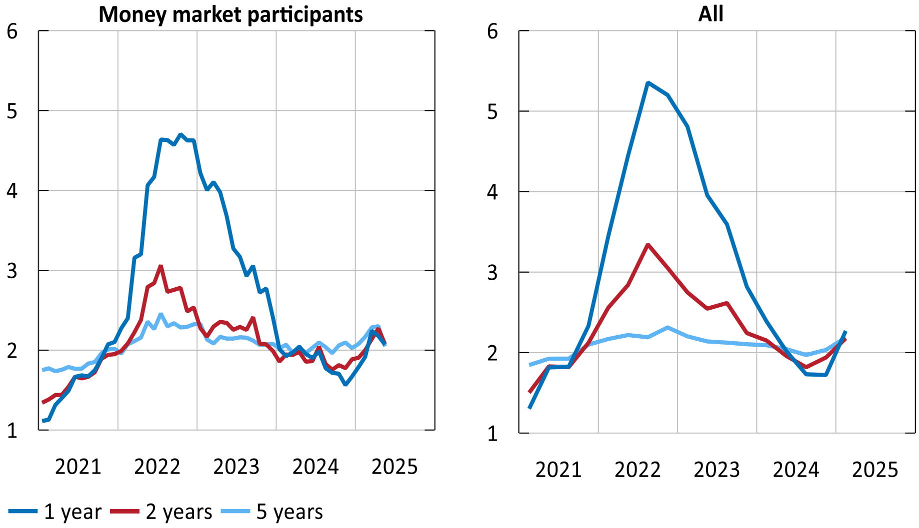
The Riksbank’s updated forecasts are now pointing to economic activity abroad weakening following the shift in US trade policy and the uncertainty it has caused. The impact is expected to be greatest in the United States, where growth is clearly slowing as a result of the tariffs imposed on other countries. The cost increases caused by the tariffs also mean that inflation in the US economy will rise. Uncertainty is also expected to hamper economic developments in the euro area in the near term but rising real wages and a lower policy rate are supporting a recovery and helping inflation to stabilise close to 2 per cent. An important assumption for the development of inflation in Europe is that the EU is not contributing to escalating the trade conflict.

Since the monetary policy decision in May, Statistics Sweden has published its summary of GDP in Sweden for the first quarter. This paints a picture of weaker developments, but at the same time it is difficult to interpret and is considered to be partly explained by temporary factors. While employment grew unexpectedly strongly in the first quarter, labour demand indicators have declined somewhat recently. The Riksbank’s overall assessment is nevertheless that Swedish economic activity is weaker compared with the assessment in May.

At the same time, Swedish inflation is slightly above target initially. In recent months, it has developed in line with the Riksbank’s earlier forecast and confirmed the assessment that inflation will temporarily exceed the target this year. In the longer term, inflation expectations are well anchored (see Figure 27). Wage increases equivalent to around 3.5 per cent per year in 2025–2027 and a somewhat stronger krona will contribute to companies' costs increasing at a rate that is judged to be compatible with inflation close to 2 per cent in the coming years.

Figure 27. Inflation expectations

Per cent



Note. The lines in the figure show the expectations at the time of measurement of different agents about CPIF inflation 1, 2 and 5 years ahead. Monthly data (left) and quarterly data (right).

Source: Origo Group.

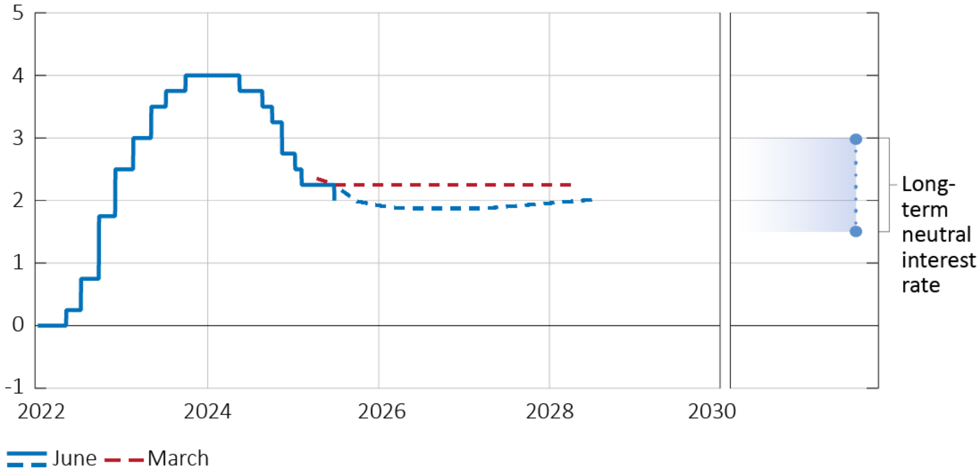
The uncertainty surrounding the Riksbank's assessments at the time of the decision in May remains to a large extent. As in the May assessment, the Riksbank expects the uncertainty that characterises developments abroad to contribute to a weaker economic outlook. Moreover, with economic activity now judged to be somewhat weaker, the recovery is expected to take longer, making it more difficult for companies to fully pass on rising costs to consumers.

Since the decision in May, CPIF inflation excluding energy has clearly fallen, in line with the Riksbank's earlier forecast. Nor are there any signs that price pressures will increase in the wake of more serious supply-related problems abroad and the Riksbank assesses that the risk of the trade conflict rapidly escalating has declined. The risk of higher inflation is therefore assessed to be somewhat lower.

All in all, these factors contribute to the Riksbank now seeing clearer grounds for cutting the policy rate than it did in May. It is against this background that the Executive Board is deciding to cut the policy rate to 2 per cent. The Riksbank's forecast for resource utilisation and inflation is conditional on the forecast for the policy rate, which reaches somewhat below 1.9 per cent at the end of the year. To stabilise inflation close to the target, it is considered appropriate for the policy rate to rise again slowly in 2027 towards the middle of what the Riksbank currently considers to be the interval of the long run policy rate.[15] The forecast for the nominal policy rate, together with the inflation forecast, implies that the real policy rate will decrease further this year (see Figure 28).

Figure 28. Policy rate forecast

Per cent



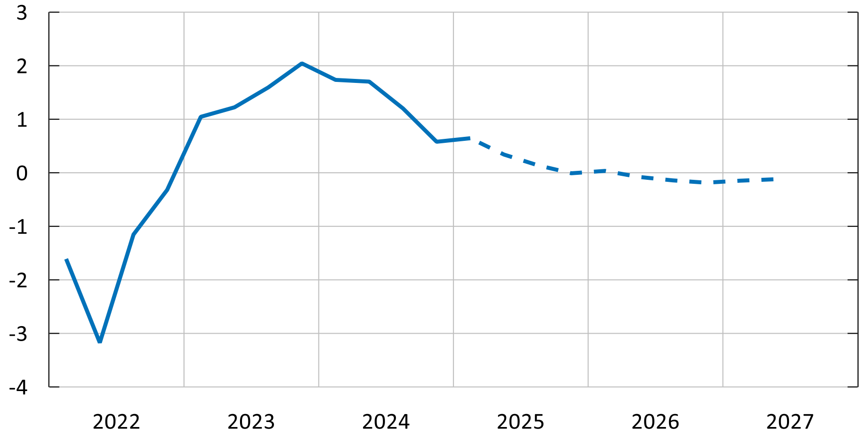
Note. Solid line refers to outcome, dashed line refers to the Riksbank's forecast. The shaded area shows the assessed interval for the neutral policy rate in the long run. Outcomes are daily rates and the forecasts refer to quarterly averages.

Source: The Riksbank.

[15] Various estimates of the so-called neutral policy rate in the long run provide the Riksbank with guidance on what the policy rate would need to be to stabilise inflation at 2 per cent in a fictitious state in which the economy is in cyclical balance and is not exposed to any shocks. In reality, however, the economy is subject to different shocks on a regular basis, but as we cannot predict shocks in the future, this type of estimate can still serve as an "anchor" for the forecast of the policy rate in the long run. The Riksbank's current assessment is that the neutral policy rate in the long run lies in the interval 1.5-3 per cent; see the analysis "Assessment of the long-term neutral interest rate" in *Monetary Policy Report*, December 2024.

Figure 29. Forecast for the real policy rate

Per cent



Note. The real policy rate is calculated as a quarterly average of the Riksbank's forecast for the policy rate one year ahead minus the forecast for CPIF inflation for the corresponding period. The forecast therefore only extends to 2027 Q2. As the real policy rate is forward-looking, outcomes are calculated using the latest published forecasts at the time.

Source: The Riksbank.

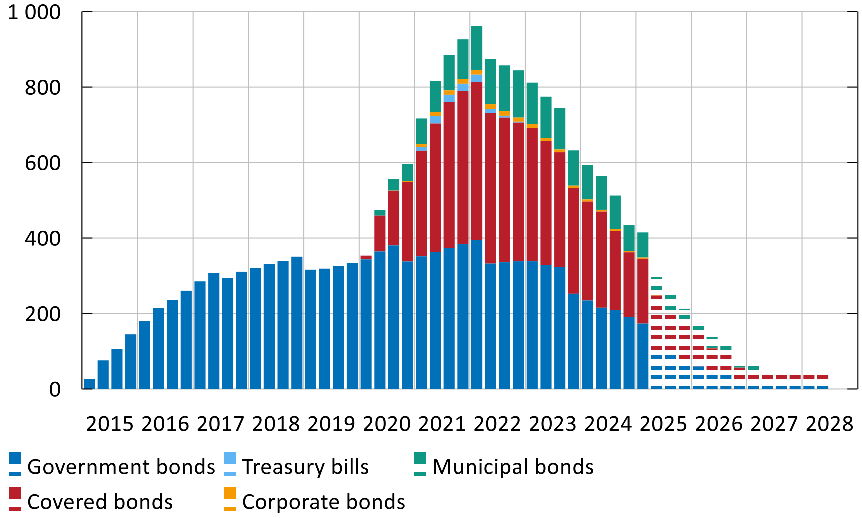
The Riksbank's government bonds sales expected to end this year

The Riksbank's balance sheet is normalising as the Riksbank sells off and allows bonds to mature (see Figure 30). The Riksbank's sales will continue in accordance with the decision in January 2024 and are expected to have a limited impact on both the exchange rate and the interest rates faced by households and companies. The sales reduce the risk on the Riksbank's balance sheet and contribute to a better-functioning bond market. In November last year, the Executive Board decided to maintain a long-term holding of nominal government bonds totalling SEK 20 billion. The decision means that the ongoing sales of nominal government bonds are expected to end at the end of 2025.[16]

[16] See decision on trading in Swedish nominal government bonds, Annex B to the minutes, Dnr 2024-01249, 6 November 2024.

Figure 30. The Riksbank's asset holdings

Nominal amounts, SEK billion



Note. The striped bars are a projection of the Riksbank's securities holdings based on an assumption that sales of nominal government bonds will continue until December 2025 and then be concluded, as well as on a technical assumption regarding the sale of various issues of nominal government bonds. These assumptions may be adjusted to some extent in 2025. The series in the figure end in the second quarter of 2028, which is the last quarter of the Riksbank's three-year forecast horizon.

Source: The Riksbank.

3.2 Uncertainty, risks and alternative scenarios

The economy is regularly exposed to shocks that change the conditions for monetary policy. Moreover, the effects of monetary policy on inflation and the real economy are uncertain and may vary over time. Households and companies therefore need to plan their finances on the basis that the policy rate may be either higher or lower than in the Riksbank's forecast.

The recent, periodically turbulent developments abroad show with particular clarity that the Riksbank may need to reconsider its monetary policy if conditions and the risks to the outlook change. In the March Monetary Policy Report, the Riksbank illustrated in two alternative scenarios how monetary policy could be affected if the economy does not develop in line with the Riksbank's forecast. One scenario illustrated a development where the Riksbank would need to raise the policy rate if a large and widespread trade conflict caused prices to rise rapidly, while another scenario illustrated how increased uncertainty could dampen demand and lead to lower inflation and a lower policy rate than in the March forecast.

The risks illustrated in the scenarios are still assessed to be relevant. Despite the fact that US tariffs have been raised substantially since March, the actual developments differ from the first scenario in several respects. For example, it is still uncertain both which goods and countries will ultimately be subject to tariffs and how high the tariffs will be. It is also uncertain how the EU and other countries will respond to them. In contrast to the assumption in the scenario, increases in prices from producers and prices on input goods have recently slowed down and nor are there any clear signs of a large shift in trade patterns. The uncertainty that was assumed to contribute to weaker demand from abroad in the second scenario, did inceed increase significantly during the spring according to several measures, but has since fallen back, particularly on the financial markets. The signs of weaker economic prospects abroad assumed in the scenario have not been clear, either, as companies in particular appear to be more resilient so far than was assumed in the scenario.

The monetary policy assessment is made more difficult at present by the unusually large risks surrounding the Riksbank's forecasts. However, the probability that inflation will be higher than in the forecast is assessed as roughly the same as the probability that it will be lower. Although the risk outlook for inflation is assessed to be broadly balanced, the Riksbank may need to pay particular attention to risks that threaten to lower confidence in the inflation target and lead to more lastingly high or low inflation.

The section below discusses the main risks surrounding the Riksbank's forecast.

International developments are still very uncertain

The risk of global supply disruptions remains high, partly due to Russia's invasion of Ukraine. Since the decision in May, the situation in the Middle East has also deteriorated, with an escalating conflict between Israel and Iran. This led to a rapid rise in oil prices. Even though the price increase is not insignificant the impact on the inflation outlook is expected to be limited. In a scenario where the conflict in the Middle East escalates further, with a larger increase in oil prices, the consequences for energy prices in Sweden are also likely to be greater. In such a scenario, the economic outlook would also be affected and the Riksbank would then need to assess the overall effects on Swedish inflationary pressures.

Since the change of US president, it has also become much more uncertain how our world will develop. The fact that the United States has changed its foreign and trade policies have had a major global impact, but it is difficult to know which policy will ultimately be conducted, how other countries will adapt to this and what the economic effects of these changes will be. The development is of great importance for various supply and demand conditions and inflationary pressures could therefore just as easily be higher as lower than in the Riksbank's forecast.

The drastic changes in US policy probably mean that many households and companies see the future as very uncertain. On the one hand, this uncertainty could mean that households and companies postpone consumption and investment, both in Sweden and abroad. If this occurs, it could lead to lower inflation than in the Riksbank's forecast, in particular because Sweden's economy is relatively sensitive to variations in international demand. On the other hand, the new US trade policy could entail higher inflation going forward. The increases in the import tariffs already announced may lead to disruptions in supply chains and could initiate a more protectionist development in other countries that increases inflationary pressures globally via, for instance, higher import prices and cost-driven changes in companies' global value chains.

Both of these potential cases give rise to a weaker development in demand, but the latter case would entail more difficult considerations for monetary policy. This is because it could be necessary to raise the policy rate in a situation where the real economy is clearly weakening and unemployment is rising, to counteract the rapidly rising inflation spreading via price-setting and wage formation. The alternative – not raising the policy rate – would risk reducing confidence in the inflation target. This could markedly worsen the situation, requiring larger rate increases causing a deeper and more prolonged recession.

Higher trade barriers could also indirectly lead to unexpectedly positive supply effects and lower inflation in Europe to the extent that in particular Chinese exports that previously went to the United States are redirected to European markets. However, it is difficult to assess how European decision-makers would react to this type of development and how great the economic effects would ultimately be.

The new US foreign policy has also given rise to significant international reactions on a security policy level. The deterioration in the security situation in Europe has led to concrete plans for increased investment in defence, but the effects on the economy are uncertain. It is not unthinkable that the investments will contribute to stronger demand and higher inflation than in the Riksbank's forecast. Monetary policy might then need to be adjusted to cool down economic activity and thereby ensure that inflation develops in line with the target.

The US administration's economic policy indicates that the United States' budget deficit will continue to grow, which has contributed to new question marks regarding the long-run sustainability of US public finances. There are scenarios where US government bond yields rise substantially as market participants question the sustainability more tangibly. This could require a significant tightening of fiscal policy and a heavy fall in US demand, which would probably have significant negative repercussions on Swedish economic activity and inflation (see the Fact Box "Current account and savings in the United States" in this report).

One explanation for the upturn in inflation at the beginning of the year was that global food prices rose rapidly. This was partly due to droughts that led to poor harvests. Although the price increase has slowed down recently, given the climate changes the cost of food production could be expected to increase and over time contribute to higher inflation. Even if the Riksbank is unable to influence global food prices, it is important to prevent that periodically large fluctuations in these prices spread to other prices or make a lasting impression on more long-term inflation expectations.

The Riksbank has assessed for a long time now that the krona is weaker than what is indicated by more long-term determinants. Recently, the krona has appreciated significantly, particularly as a result of lower demand for US assets. The Riksbank still assesses that the krona is somewhat undervalued, and it strengthens further in the forecast. At the same time, it is notoriously difficult to predict the development of the krona in a slightly shorter-term perspective, and if it clearly deviates from the Riksbank's forecast this may affect the inflation outlook. Several of the risks discussed in this section can affect the development of the krona. Depending on which risks are realised, the krona can under certain circumstances contribute to strengthening changes in inflationary pressures.

Uncertainty regarding the recovery in domestic demand

There are also risks more closely related to domestic developments. Ever since the Riksbank began to cut the policy rate in spring 2024, it has been uncertain at what level the policy rate contributes to a balanced economic development. Swedish economic activity is still weak, and in the forecast the recovery is now expected to take even longer. The fact that economic activity stagnated during the first quarter of this year could be a sign that it takes longer for the real economy to be affected by rate cuts than the Riksbank has expected. There is also a risk that the current policy rate level is too high to stabilise resource utilisation in the economy. If this is the case, the economy will continue grow slower than expected going forward, which could require the Riksbank to cut the policy rate further. One explanation for the modest recovery could be that households have adapted their behaviour to lower interest rates, in line with what they were in the decade prior to the sharp rise in inflation. In that case, households may now want to more lastingly increase their precautionary saving and build up larger buffers prior to the next phase of rate increases.

If the recovery is taking too long, there is also a risk that this in itself will have a negative impact on economic activity. The situation on the Swedish labour market is weak, and if demand recovers more slowly than companies have expected, they may need to reduce their workforces. In turn, this could risk dampening demand further and ultimately also contribute to lower inflation. The housing market may also be negatively affected by an unfavourable development in the labour market, so that both household consumption and housing investment become weaker than in the forecast.

It is very difficult to determine how the trade conflict now taking place will end, and what the consequences will be for international trade in goods and services. Several factors, such as reduced specialisation, weaker competition, lost economies of scale and reduced spread of knowledge, indicate that a decline in international trade could contribute to dampening economies' underlying productivity growth and thereby increase cost pressures. In the forecast, productivity in the Swedish economy is assessed to gradually become lower, but the effect is assumed to be relatively limited. If the negative productivity effects become greater than assumed in the forecast, it will contribute to a faster increase in cost pressures and higher inflation.

We describe two alternative scenarios below. The scenarios aim to illustrate how some of the risks discussed above could affect the Swedish economy and monetary policy going forward.

Scenario: Extended trade conflict can lead to higher inflation

The announcements by the US administration in the spring have entailed clear departures from the rule-based, multilateral system for international trade that was built up during the post-war period within the frameworks of GATT and the WTO.[17] It is still highly uncertain what the announcements will result in, especially as the pause in the tariffs notified in April will expire at the beginning of July.[18] How new potential trade barriers between the United States and the European Union would affect the Swedish economy will depend on several different factors, such as their scope, their duration and which sector they are aimed at. It is moreover probable that the United States' actions will also affect trade between other regions and countries in the world; one risk is that new trade patterns will give rise to increased protectionism and ultimately to various countries raising new trade barriers to other countries than the United States.

It is assumed in the scenario that several of the ongoing negotiations between the United States and its trading partners will fail to reach an agreement.[19] The consequence is that the United States will raise its import tariffs against several regions and countries during the summer, including the EU. These measures will in turn lead to counter measures; the EU is expected to notify significant increases in import tariffs against the United States for several important categories of goods. At the same time, concerns are increasing in many parts of the world, including Europe, that increased imports from other countries and continents will make it difficult for their own companies to remain competitive on their domestic markets. In many countries the idea of a more general protectionist trade policy is gathering support and soon import tariffs are raised on a broader scale, also against other countries than the United States. As the international collaboration on trade questions rapidly deteriorates, more and more governments will be concerned over the future supply of energy, metals and food, for example. During the autumn, therefore, several countries announce that they are introducing export restrictions, which cause world market prices of several commodities to rise rapidly.

During the third quarter of this year, rising commodity prices and tariffs entail significant cost increases on many goods that are imported to Sweden, and soon several indicators of an imminent rise in the rate of consumer price increase become visible. To counteract the upturn in inflation, the Riksbank begins to tighten monetary policy

[17] For a discussion, see Petros C. Mavroidis, "Reciprocal tariffs: what's in a word?", analysis published by Bruegel on 27 February 2025. The General Agreement on Tariffs and Trade (GATT) is a multilateral agreement that regulated international trade in goods. The first version of the agreement came into force in 1948, and it has since been modified on several occasions. The World Trade Organisation, WTO, was formed in 1995 and then replaced GATT. The WTO aims to simplify international trade in goods, services and intellectual property rights.

[18] See also the Fact Box "Developments in trade policy" in this report.

[19] The scenario has been constructed in the Riksbank's macroeconomic model MAJA, partly with the aid of general supply shocks and disruptions that affect the long-term productivity of the economy. Here the estimated effects of monetary policy are also used, like those reported in the analysis "Effects of monetary policy" in the Monetary Policy Report from September 2024. The purpose of the scenario is to illustrate the uncertainty regarding the overall consequences for the Swedish economy of potential new, extensive trade barriers and to show how monetary policy might react if there is a significant, lasting rise in the rate of price increase. Some of the assumptions are similar to those made in the scenario section in the March 2025 Monetary Policy Report, but there are also differences, for instance with regard to the long-term effects on productivity in the business sector.

as early as September. However, the changes in the policy rate occur with a time lag and cost pressures remain high at the beginning of the new year. During 2026, the policy rate is therefore raised on one further occasion.

How much and for how long monetary policy needs to be tightened will depend on several different factors. One central factor is, of course, the scope and duration of the international trade conflict, which in turn affects the impact on import prices, demand and households' and companies' expectations. It is assumed in the scenario that the EU and several of its most important trading partners gradually succeed in calming the atmosphere and avoid further escalation. World market prices on some important commodities will then fall. However, the average tariff on imports of goods to the union will remain higher throughout the forecast period, which entails negative effects on the allocation of resources in the business sector.

The fact that the import tariffs are not raised further means that the cost increases in the business sector will gradually wane. The higher price level and the tighter monetary policy will also contribute to dampening demand, which will also reduce companies' incentives to further increase prices. During the second half of 2026, inflation will fall back and some way into 2027 the Riksbank can begin a gradual easing of monetary policy. Despite this, GDP will remain relatively low, as productivity in the business sector continues to deteriorate as a result of reduced international trade.[20]

Scenario: Uncertainty regarding developments abroad leads to weaker demand and lower inflation

In Sweden, as in many other countries, household confidence has been significantly dampened in recent months and within the business sector there is concern regarding the effects of the trade conflict on demand. Several companies responding to the Riksbank's Business Survey in May stated that their customers were postponing purchasing and investment; companies in the manufacturing sector in particular have a negative view of economic activity. It is not clear how long this pessimism will remain and to what extent it will affect how households and companies actually act.

In the scenario it is assumed that the uncertainty regarding the trade conflict and the security policy situation will gradually lead to increasingly large falls in confidence among households and companies. The effects on economic activity will become clear during the third quarter of this year, when several different growth indicators, in Sweden and abroad, show weaker growth. Global industrial activity deteriorates and investment falls, which affects many Swedish export companies and further dampens demand in Sweden.

[20] Increased trade barriers are expected to create incentives for companies abroad and in Sweden to change suppliers, move production between different continents and countries and to change their strategy with regard to the countries and regions where they market their products. These different changes, which together are assumed to lead to a deterioration in productivity, can take different lengths of time for different countries. It is assumed in the scenario that the average productivity will be negatively affected for several years.

Historically, the krona usually weakens in times of global unease. One of the alternative scenarios in the Monetary Policy Report in March therefore illustrated the monetary policy consequences of a scenario where demand declined, and the krona weakened. Such a development is in clear contrast to the recent development where the krona strengthened significantly despite increasing global unease. The scenario therefore illustrates the risk of the international economic slowdown coinciding with a stronger krona. The krona's atypical development means that the exchange rate amplifies the downturn in the economy and inflation, as opposed to the dampening effects assumed in the scenario in March.[21]

In the scenario, it becomes clear during the autumn that growth slows down, while indicators of inflation, such as companies price plans, suggest a weaker development of inflation going forward. At the same time, the krona exchange rate appreciates. The lower demand and the stronger krona will reduce companies' incentives for price increases and lead to lower inflation than in the Riksbank's forecast (Figure 32).[22] Because of the weak inflation outlook and the weak resource utilisation, the Riksbank will pursue a more expansionary monetary policy during the fourth quarter. The policy rate will then continue to be lowered in 2026 in order to support a recovery and prevent inflation from continuing to fall (see Figure 33). Several central banks abroad are taking similar action, which will help to mitigate the downturn in the international economy.

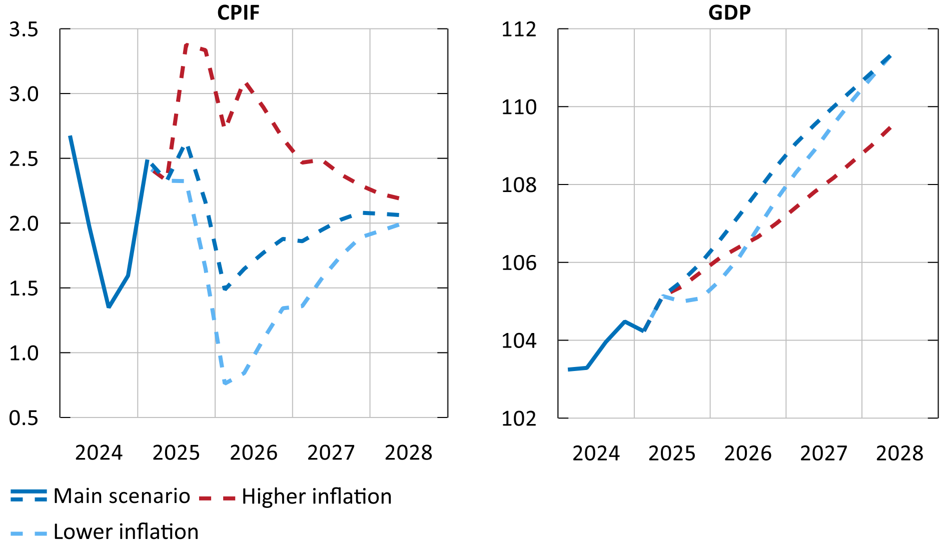
Eventually, confidence among both households and companies improves and demand start to rise again as early as around the turn of the year 2025/26. But significant support from monetary policy is required for resource utilisation to normalise and for inflation to start rising again. The Riksbank will therefore continue to cut the policy rate during the first half of 2026. Only at the beginning of 2027, when CPIF inflation is around 1.5 per cent and indicators point to continued upturns, will slow increases start.

[21] This scenario has also been constructed in the Riksbank's macroeconomic model MAJA. In several respects, the assumptions are similar to the assumptions made in a scenario in the Monetary Policy Report in March 2025, regarding the driving forces behind the lower demand. To achieve a depreciation of the krona exchange rate, exogenous shocks to the risk premia that influence investors' choice between assets denominated in foreign and Swedish currency respectively are used here.

[22] The exchange rate appreciation is assumed to occur as early as during the third quarter of the year, when the krona's nominal, competitiveness-weighted exchange rate is slightly less than 3 per cent stronger, compared with the forecast in the main scenario. The krona continues to be stronger, compared with the forecast, during the entire forecast period, but the deviation gradually decreases.

Figure 31. Forecast and alternative scenarios for CPIF and GDP

Annual percentage change (left) and index respectively, 2019 Q4 = 100 (right)

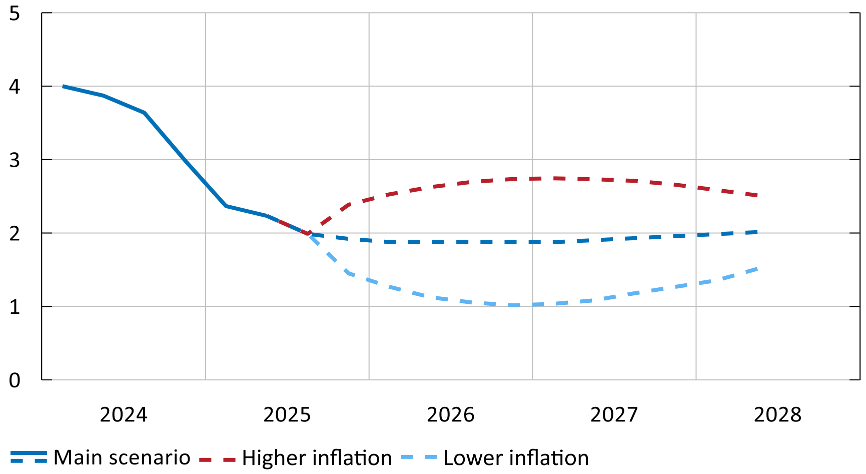


Note. Quarterly averages. Seasonally adjusted data (right). Solid line refers to outcome and dashed lines to forecasts and scenarios.

Sources: Statistics Sweden and the Riksbank.

Figure 32. Forecast and alternative scenarios for the policy rate

Per cent



Note. Solid line refers to outcome and dashed lines to forecasts and scenarios. The deviations from the forecast in the alternative scenarios are not necessarily symmetrical as they illustrate the monetary policy response to specific disruptions to the economy. Any asymmetry shall therefore not necessarily be interpreted as the Riksbank seeing the risk surrounding the forecasts for the policy rate as unbalanced.

Source: The Riksbank.

FACT BOX – Current account and savings in the United States

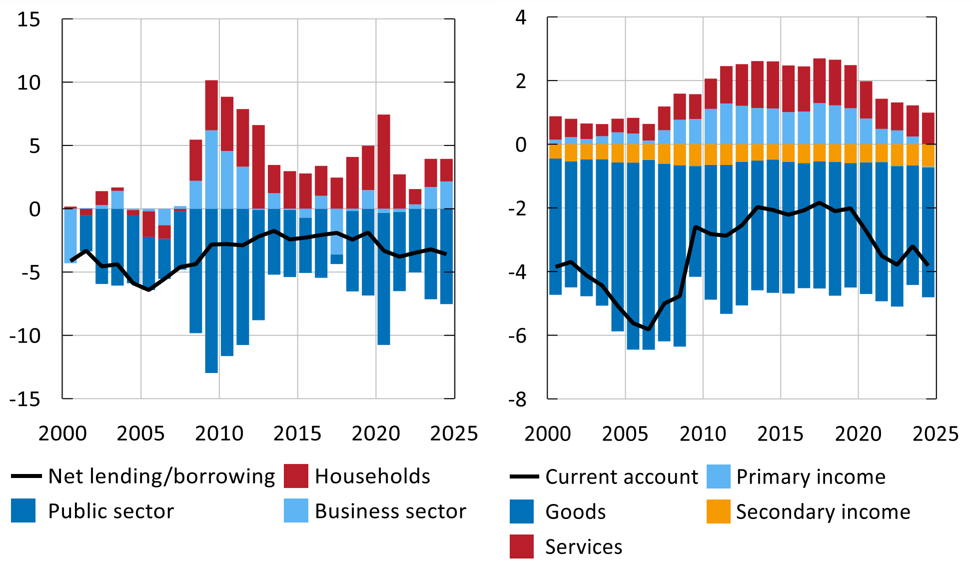
The current account shows the difference between a country's exports and imports of goods and services, and the net income from abroad in the form of interest, salaries and contributions. A deficit in the current account means that total savings are lower than total investment in a country. This means that the country consumes more than it produces itself and that investment to some extent needs to be financed through capital inflows from abroad.

In the United States, investment as a share of the country's GDP has been on average 2.7 percentage points higher than domestic savings since 1980. This difference has been funded via capital inflows from other countries, which have had a surplus on their current accounts. The large capital inflows to the US economy are often explained by it being regarded as dynamic and growth-friendly with well-developed capital markets that can absorb large volumes of foreign savings.

The deficit in the financial savings has been primarily concentrated on the public sector. The federal state has for a long time under-financed the budget. Households' and companies' financial savings have been positive since the financial crisis but have not been sufficiently high to compensate for the low financial saving in the public sector (see Figure 33).

Figure 33. Contribution to financial saving and current account in the United States

Per cent of GDP



Note. Bars refer to contributions to total financial saving and the total current account. Primary income consists of salaries, yield on financial assets and liabilities abroad. Secondary income refers to transfers with nothing in return, such as aid to developing countries. Latest outcome refers to the year 2024.

Sources: US Bureau of Economic Analysis and the Riksbank.

The US deficit in savings has caused a lasting deficit in the current account, which was 3.9 per cent of GDP in 2024. This deficit is mainly explained by the trade balance (that is trade in goods) showing a deficit, while a positive balance of trade in services and primary income from abroad partly counteracts this (see Figure 33). The low US saving has been partly possible because of the dollar's role as reserve currency, which has contributed to in particular US government bonds being regarded as safe and liquid. Foreign central banks and investors have therefore demanded US assets, which has created a stable and extensive capital inflow to the US economy. This capital often comes from countries with a high level of saving, such as China and Japan, which have invested in for instance US government bonds. Even countries with negative current accounts, such as Canada and the United Kingdom, are large owners of US government securities. Other countries, such as Germany, have also made substantial direct investments in the United States. The inflow of foreign savings has held back US interest rates, which has made it possible for both the state and the private sector to borrow at relatively low interest rates. The demand to invest in US assets and government bonds has at the same time increased the value of the dollar.

Low public loan costs have made it possible for the United States to conduct an expansionary fiscal policy with continuous budget deficits. This has driven up domestic demand, which together with the strong dollar has led to a high level of imports of goods and a larger deficit in the current account. This relationship is sometimes called the “twin deficits”. The new US administration regards the deficit in the balance of trade as a high priority issue, partly for security policy reasons. If the trade balance strengthens, this could lead to a strengthening of the current account. However, achieving this through the announced import tariffs is clearly contested.[23]

The continuous deficit in the current account can continue as long as the rest of the world has confidence in the US economy and as long as other countries have a savings surplus to invest in the United States. The new administration’s shift in policy in many areas, including trade policy, has had a negative impact on the image of the United States as a stable and secure country for investment. The sustainability of the US public finances has also been increasingly called into question, resulting in a well-publicised reduction of the United States’ credit rating, among other things. If confidence in the United States as a country for investment weakens enough, or if the saving surpluses of other countries decrease, capital flows to the United States may decrease even more. One possible effect of such a scenario would be that the reduced capital inflows lead to higher US interest rates, reduced investment and a weaker dollar, which would in turn lead to weaker demand and lower growth.

If the capital inflows were to decline as described above, it could result in a stronger US current account, but if the sequence of events is rapid, it could also have major negative consequences for financial stability and growth in both the US and the global economies.

[23] See, for instance, R. Baldwin (2025), “The Great Trade Hack: How Trump’s trade war fails and global trade moves on”, CEPR Press, Paris & London. https://cepr.org/publications/books-and-reports/great-trade-hack-how-trumps-trade-war-fails-and-global-trade-moves.

FACT BOX – How the Riksbank's forecasts have changed since the previous report

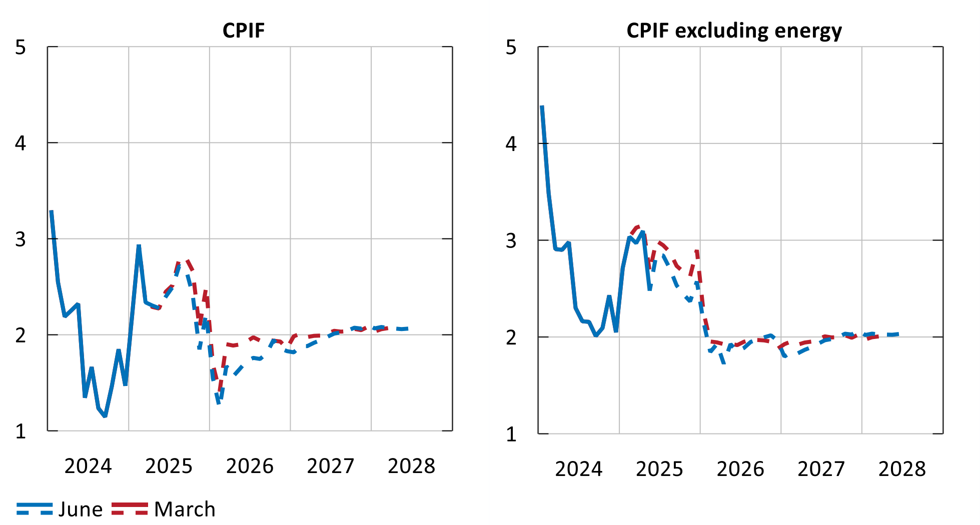
Between its monetary policy meetings, the Riksbank receives new information that is used to update its view of the economic situation and inflation. When the Riksbank conducts monetary policy, new information, together with new analyses of economic relations and trends in the economy, are important pieces of the puzzle. However, a fully quantified forecast update is only done at four of the year's eight meetings, in conjunction with the Monetary Policy Reports. Figure 34 and Figure 35 describe how key forecasts have changed since the previous Monetary Policy Report in March.

In recent months inflation has evolved in line with the Riksbank's previous forecast. However, the Riksbank assesses that the inflation outlook is weaker in 2026 and to some extent 2027, even with a lower policy rate. This primarily stems from economic activity being assessed to be weaker, the higher uncertainty following the change in the US policy contributing to a weaker economic outlook and to some extent also from the krona appreciating more than expected.

The Riksbank assesses that resource utilisation in the economy, measured by an output gap, is somewhat lower initially, given that GDP was weak during the first quarter. A weaker development in the near term in the wake of the increased uncertainty means that the economic recovery will only pick up next year. The forecast for unemployment has been adjusted downwards for this year, given that employment increased faster than in the Riksbank's previous forecast during the first quarter. However, the weaker economic prospects mean that a clear downturn in unemployment will not begin until next year. A lower policy rate will facilitate the recovery and contribute to resource utilisation returning to normal towards the end of the forecast period.

Figure 34. Forecasts for inflation

Annual percentage change

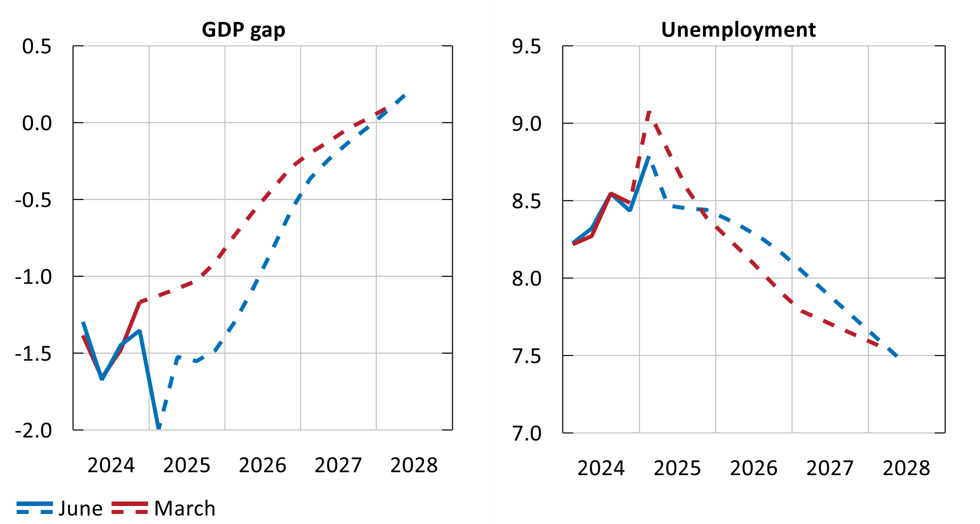


Note. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Figure 35. Forecasts for real economic growth

Per cent



Note. GDP gap refers to the deviation from the Riksbank's assessed long-term trend. Unemployment refers to persons aged 15–74. Seasonally adjusted data. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Forecast tables

The assessment in the previous Monetary Policy Report is given in brackets.

Table 1. Policy rate forecast

Per cent, quarterly averages

	2025Q1	2025Q2	2025Q3	2026kv2	2027kv2	2028kv2
Policy rate	2.37 (2.37)	2.23 (2.25)	1.99 (2.25)	1.88 (2.25)	1.90 (2.25)	2.01

Source: The Riksbank.

Table 2. Inflation

Annual percentage change, annual average

	2024	2025	2026	2027
CPIF	1.9 (1.9)	2.4 (2.5)	1.7 (1.9)	2.0 (2.0)
CPIF excl. energy	2.6 (2.6)	2.7 (2.9)	1.9 (2.0)	1.9 (2.0)
CPI	2.8 (2.8)	0.7 (1.0)	1.6 (1.8)	2.1 (2.1)
HICP	2.0 (2.0)	2.3 (2.3)	1.8 (1.9)	2.0 (2.0)

Note. The HICP is an EU-harmonised index for consumer prices.

Sources: Statistics Sweden and the Riksbank.

Table 3. GDP and demand

Annual percentage change unless otherwise specified

	2024	2025	2026	2027
Household consumption	0.6 (0.3)	1.3 (1.8)	2.7 (2.6)	2.3 (2.1)
Public consumption	1.3 (1.2)	0.8 (1.4)	1.5 (1.6)	1.1 (1.2)
Gross fixed capital formation	0.2 (-1.1)	-0.7 (2.0)	3.7 (3.2)	2.9 (2.6)
Stock investments*	0.4 (0.3)	-0.4 (-0.2)	0.0 (0.0)	0.0 (0.0)
Exports	2.0 (2.3)	3.6 (2.5)	3.1 (3.7)	3.8 (3.8)
Imports	2.2 (1.7)	2.0 (1.8)	3.5 (3.9)	3.6 (3.6)
GDP	1.0 (1.0)	1.2 (1.9)	2.4 (2.4)	2.3 (2.2)
GDP, calendar-adjusted	1.0 (1.0)	1.4 (2.2)	2.2 (2.2)	2.1 (2.0)
Final domestic demand*	0.2 (0.2)	0.6 (1.7)	2.5 (2.4)	2.1 (1.9)
Net exports*	0.1 (0.4)	0.9 (0.5)	-0.1 (0.1)	0.2 (0.3)
Current account (NA), percentage of GDP	5.4 (7.0)	5.0 (7.7)	4.8 (7.8)	5.0 (7.9)

* Contribution to GDP growth, percentage points

Note. The figures show actual growth rates that have not been calendar-adjusted, unless otherwise stated. NA is the National Accounts.

Sources: Statistics Sweden and the Riksbank.

Table 4. Production and employment

Annual percentage change unless otherwise specified

	2024	2025	2026	2027
Population, aged 15-74	0.2 (0.2)	0.3 (0.4)	0.1 (0.3)	0.1 (0.3)
Potential employment	0.9 (0.9)	0.8 (0.8)	0.6 (0.7)	0.5 (0.6)
Potential hours worked	1.0 (1.0)	0.9 (0.9)	0.8 (0.8)	0.6 (0.6)
Potential GDP	1.7 (1.8)	1.6 (1.8)	1.5 (1.7)	1.3 (1.5)
GDP, calendar-adjusted	1.0 (1.0)	1.4 (2.2)	2.2 (2.2)	2.1 (2.0)
Hours worked, calendar-adjusted	-0.3 (-0.3)	0.4 (0.5)	1.2 (1.1)	1.0 (1.0)
Employed persons	-0.6 (-0.6)	0.5 (0.2)	0.7 (1.2)	1.0 (1.1)
Labour force	0.2 (0.2)	0.6 (0.6)	0.4 (0.5)	0.5 (0.6)
Unemployment*	8.4 (8.4)	8.5 (8.7)	8.3 (8.1)	7.9 (7.7)
Employment gap**	-0.9 (-0.6)	-1.2 (-1.2)	-1.1 (-0.7)	-0.6 (-0.2)
Hours gap**	-0.6 (-0.6)	-1.1 (-0.9)	-0.7 (-0.6)	-0.3 (-0.2)
GDP gap**	-1.4 (-1.4)	-1.6 (-1.0)	-0.9 (-0.5)	-0.2 (-0.1)

* Per cent of labour force
**Percentage deviation from the Riksbank's assessed potential levels

Note. Potential hours worked, potential employment and potential GDP refer to the long-run sustainable level according to the Riksbank's assessment.

Sources: Statistics Sweden and the Riksbank.

Table 5. Wages and labour costs for the economy as a whole

Annual percentage change, calendar-adjusted unless otherwise specified

	2024	2025	2026	2027
Hourly wage, NMO	4.1 (4.0)	3.7 (3.6)	3.5 (3.6)	3.2 (3.4)
Hourly wage, NA	3.9 (4.2)	3.8 (3.7)	3.5 (3.6)	3.2 (3.3)
Hourly labour cost, NA	4.7 (4.7)	3.6 (3.7)	3.5 (3.6)	3.2 (3.3)
Productivity	1.3 (1.3)	1.0 (1.6)	1.0 (1.1)	1.0 (0.9)
Unit labour cost	3.5 (3.4)	2.7 (2.0)	2.4 (2.5)	2.1 (2.4)

Note. NMO is the National Mediation Office's short-term wage statistics and NA is the National Accounts. Labour cost per hour is defined as the sum of actual wages, social-security charges and wage taxes (labour cost sum) divided by the number of hours worked by employees. Unit labour cost is defined as labour cost sum divided by GDP in fixed prices.

Sources: National Mediation Office, Statistics Sweden and the Riksbank.

Table 6. International forecasts

Annual percentage change unless otherwise specified

GDP	PPP weights	KIX weights	2024	2025	2026	2027
Euro area	0.11	0.46	0.8 (0.8)	1.0 (1.0)	1.1 (1.5)	1.5 (1.5)
United States	0.15	0.08	2.8 (2.8)	1.4 (2.0)	1.5 (1.9)	2.0 (1.8)
China	0.20	0.11	5.0 (5.0)	4.3 (4.6)	4.1 (4.2)	4.2 (4.0)
KIX weighted	0.75	1.00	1.8 (1.8)	1.7 (1.9)	1.7 (2.0)	2.0 (2.0)
The World (PPP-weighted)	1.00	—	3.3 (3.3)	2.8 (3.2)	2.9 (3.3)	3.2 (3.2)

Note. Calendar-adjusted growth rates, PPP weights refer to purchasing-power adjusted GDP weights in the world for 2025, according to the IMF, KIX weights refer to weights in the Riksbank's krona index (KIX) for 2025. The forecast for GDP in the world is based on the IMF's forecasts for PPP weights. The forecast for KIX-weighted GDP is based on an assumption that the KIX weights will develop in line with the trend during the latest five years.

CPI	2024	2025	2026	2027
Euro area (HICP)	2.4 (2.4)	2.0 (2.2)	1.7 (1.9)	2.0 (2.0)
United States	3.0 (3.0)	2.7 (2.9)	2.7 (2.4)	2.3 (2.3)
KIX weighted	3.0 (3.0)	2.7 (2.7)	2.3 (2.3)	2.3 (2.3)

	2024	2025	2026	2027
International policy rate, per cent	4.1 (4.1)	2.8 (2.8)	2.3 (2.5)	2.4 (2.5)
Crude oil price, USD/barrel Brent	79.7 (79.7)	67.0 (73.7)	64.0 (70.0)	64.9 (68.6)
Swedish export market	1.4 (1.1)	2.3 (2.4)	2.7 (3.2)	3.3 (3.3)

Note. The policy rate abroad is an aggregate of rates in the US, the euro area, Norway and the United Kingdom.

Sources: Eurostat, IMF, Intercontinental Exchange, national sources, OECD and the Riksbank.

Table 7. Summary of financial forecasts

Per cent unless otherwise stated, annual average

	2024	2025	2026	2027
The Riksbank's policy rate	3.6 (3.6)	2.1 (2.3)	1.9 (2.3)	1.9 (2.3)
10-year rate	2.2 (2.2)	2.2 (2.1)	1.8 (2.0)	1.8 (1.9)
Exchange rate, KIX, 18 Nov 1992 = 100	126.0 (126.0)	119.7 (120.6)	117.6 (117.5)	116.5 (115.1)
General government net lending, per cent of GDP	-1.5 (-1.5)	-1.2 (-1.3)	-1.0 (-1.1)	-0.7 (-0.9)

Sources: Statistics Sweden and the Riksbank.

SVERIGES RIKSBANK
Tel +46 8 - 787 00 00
registratorn@riksbank.se
www.riksbank.se

PRODUCTION SVERIGES RIKSBANK