Monetary Policy Report

June 2026

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 16 June 2026.

[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.

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Monetary policy considerations

The global economy is still being affected to a large degree by the war in the Middle East.[2] The tense situation around the Strait of Hormuz has reduced the supply of, among other things, oil products and pushed up prices on energy and fuel. Inflation abroad has risen and cost pressures have increased in the Swedish business sector. The Riksbank bases its forecasts on oil futures prices, which indicate that supply will begin to normalise in the near term and that oil prices will fall. If this occurs, the upturn in import prices and pass-through of the higher costs to consumer prices are expected to be limited. But there is still considerable uncertainty surrounding the forecast. The supply disruptions have now lasted for almost four months and the longer they continue, the greater the risk of inflation effects, and they may be reinforced by changes in pricing behaviour.

Inflation in Sweden is still low, largely due to the dampening effects of fiscal policy measures. Economic activity is somewhat weaker than normal and growth was lower than expected in the first quarter. Moreover, the recovery in the labour market is tentative. However, household consumption has continued to increase at a solid pace, while purchasing power has strengthened. The supply shocks caused by the war in the Middle East are dampening economic developments somewhat, but, in the forecast, growth is expected to be higher this year than last year and economic activity strengthens.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. Underlying inflation is low and economic activity is somewhat weaker than normal, but at the same time the supply disruptions have led to a rise in inflationary pressures and increased the risks of inflation being too high. Against this backdrop, the Riksbank has raised the policy-rate forecast somewhat, but assesses that it is well-balanced to leave the policy rate unchanged at present. The forecast means that the probability of the rate being raised later this year has increased compared to the assessment in March.

[2] The forecasts and reasoning in this report are based on the information that was available on 11 June, but data in the figures have been updated to the time of the decision. The developments in the Middle East since 11 June, and in particular the Memorandum of Understanding announced by the United States and Iran, have thus not been taken into account in the forecasts and reasoning in the report. There is still considerable uncertainty regarding developments and the Riksbank assesses that the report still provides a good basis for monetary policy.

There is considerable uncertainty and the developments call for vigilance. In addition to the war in the Middle East, there are also other risks that could affect the outlook for inflation and economic activity. There is also a possibility that the effects of the war will interact with other more underlying vulnerabilities in the global economy, such as high equity valuations and high public indebtedness. The range of potential outcomes for what can happen going forward is wide and the Riksbank is highly prepared to adjust monetary policy.

International developments

Stocks compensate to some extent for the disruption in the supply of oil products from the Middle East, but they are declining rapidly. The Strait of Hormuz remains closed in practice and production capacity in the region is reduced. Oil futures prices have varied substantially but still indicate that the price is expected to fall relatively quickly from the current high level. However, options on oil futures indicate that agents see a risk of a much higher price going forward.[3] Even if the supply begins to normalise in the near term, the markets for oil products are expected to be strained for most of 2026.

Companies are adjusting but there are signs of disruptions in global value chains. Prices of some oil products have fallen somewhat as have prices of several of the commodities affected by the uncertain situation, which is partly due to adjustments in production. However, prices are still higher than they were before war broke out. The same applies to the costs for shipping, although they have also declined somewhat recently. More companies are stating that delivery times have become longer and producer prices have risen in many countries. Indirect effects from rising commodity prices occur with a lag and so far, only a small pass-through to underlying inflation has been visible.

The large upturn in energy prices has contributed to higher inflation. In the United States, inflation rose to 4.2 per cent in May and in the euro area it rose to 3.2 per cent according to preliminary statistics. Both direct and indirect effects of higher energy prices are expected to contribute to higher inflation abroad this year and next year. On condition that the Strait of Hormuz opens within a not-too-distant future, however, the direct effects of energy-related consumer prices are expected to wane relatively quickly and the pass-through to other prices is expected to be moderate.

Market rates have risen, at the same time as stock markets have recovered. Global financial conditions have been affected by counteracting factors, but overall the conditions are roughly unchanged since the Riksbank's monetary policy decision in May. Developments have been volatile, but the conditions are still assessed as more contractionary than prior to the outbreak of war. The stock market rise has been

[3] See the Fact box "Options indicate heightened uncertainty about oil prices" in this report.

largely driven by higher valuations of AI-related companies, while market rates have risen as a result of expectations of higher policy rates.

Financial markets are assuming that monetary policy abroad will be tightened. Several central banks, including the Federal Reserve, have so far waited to adjust their monetary policy but emphasised the inflation risks linked to the situation in the Middle East. The market is pricing in some probability that the Federal Reserve will hike the rate this year. However, some central banks have already tightened monetary policy to restrain inflation. For example, the ECB raised its policy rate at its meeting in June and the market expects the rate to be raised at least once this year. Norges Bank has also raised its policy rate.

Since the outbreak of war, sentiment in many countries has deteriorated significantly among households, but not among companies. Consumption increased at a slower pace in the United States and the euro area during the first quarter. Overall, GDP declined in the euro area, but this was driven by poor developments in Ireland. In the United States, GDP increased faster than at the end of 2025, but growth was nevertheless subdued in a historical perspective. Despite a strong development in employment in the United States in recent months, consumption continued to be weak in April. Going forward, the effects of the supply shocks are expected to dampen growth in both the euro area and the United States.

There are major risks linked to the global economic outlook. There is considerable uncertainty surrounding the economic effects of the war in the Middle East. Volatile financial prices could lead to broad shocks in financial markets. The high equity valuations of US tech companies highlight an underlying vulnerability. In addition, there are risks linked to the sustainability of several countries' public finances, driven by high debt levels and large budget deficits, combined with rising yields on long-term government bonds. As before, unpredictable US trade and foreign policies, as well as the war in Ukraine resulting from Russia's full-scale invasion, are important risk factors.

Developments in Sweden

GDP declined in the first quarter. GDP increased by 2.0 per cent in the first quarter compared with the same quarter in 2025 but decreased by 0.2 per cent compared with the previous quarter. This was weaker than in the Riksbank's March forecast. After a very strong fourth quarter, the contributions from public sector consumption and investment declined. Unexpectedly large imports also provided a negative contribution to growth during the quarter. However, household consumption continued to increase at a healthy pace.

Indicators suggest that the economic upturn will resume in the second quarter. According to the GDP indicator, economic activity increased in April. Despite the war in the Middle East, sentiment in the business sector is roughly normal. According to the Riksbank's Business Survey, companies are concerned that the war will dampen household consumption, but so far, they have seen no signs of this.[4] Consumption has

[4] See also the Fact box "The Riksbank's Business Survey, May 2026" in this report.

instead continued to increase at a relatively healthy pace so far during the second quarter, despite household sentiment deteriorating clearly in April and remaining at a level below normal in May.

Tentative recovery in the labour market. After having fallen for a couple of months, employment picked up in May.[5] However, unemployment increased as well, due to higher labour force participation. However, unemployment increased as well, due to higher labour force participation. The number of newly registered job openings has declined and according to the Economic Tendency Survey, companies' recruitment plans have fallen back in recent months. However, the number of redundancy notices has fallen and is now at a low level.

Stronger domestic demand is expected to strengthen economic activity going forward. Households' finances are expected to continue improving this year as a result of a stronger labour market situation and rising real wages, but also due to the measures by the Government. The rising real incomes contribute to higher consumption, at the same time as the housing market strengthens. Investment is expected to accelerate and public consumption, not least due to the defence spending, will also continue to make a positive contribution to growth. Overall, GDP growth is expected to increase from 1.5 per cent last year to around 2 per cent this year and next year.

Fiscal policy is expected to be tighter with effect from next year. The more expansionary fiscal policy will make a positive contribution to growth this year, but further unfunded measures will also weaken public finances.[6] It is important for the credibility of the fiscal policy framework that public net lending is strengthened in the coming years, and that it is communicated without delay how this will be achieved.

Inflation is low, largely due to fiscal policy measures. CPIF inflation rose from 0.8 per cent in April to 1.5 per cent in May. Excluding energy, inflation was 0.5 per cent. An important explanation for this is the halving of VAT on food, although reduced taxes on fuel and increased dental care subsidies have also held back inflation. In May, these measures taken together reduced CPIF inflation by just over one percentage point. Moreover, the krona appreciation last year is still dampening the inflation rate by holding down prices of goods and food with a relatively large import content. When adjusted for temporary fiscal policy measures, the CPIF was around 2.4 per cent and the CPIF excluding energy was around 1.4 per cent.

Several indicators point to inflationary pressures having increased and now being higher than normal. The elevated prices of oil products, other important commodities and transports entail higher costs for companies. However, inflationary pressures from domestic labour costs are subdued. According to the Economic Tendency Survey, companies' price plans rose in both April and May, and there are more companies than normal stating that they will raise prices rather than reduce them. At the

[5] Statistics Sweden had technical difficulties in March and April which meant that employment probably was underreported.

[6] See the Fact box "Spring amending budgets" in this report.

same time, the Riksbank's Business Survey shows that most companies in the survey are planning normal price changes.

Fiscal policy measures will complicate the inflation outlook in the coming years. The halving of VAT on food is one of several temporary fiscal policy measures that will first hold down inflation and then raise it when the measure comes to an end.[7] During the third quarter this year, these temporary measures will push down CPIF inflation by at most around 1.5 percentage points. With effect from the middle of 2027 and until the end of 2028, the measures will then gradually come to an end. This means that inflation will be around 0.8 percentage points higher than it would otherwise have been. In the main scenario, CPIF inflation will therefore be below the target of 2 per cent this year, but above the target in 2028.

Inflation is judged to rise in the coming years. CPIF inflation will be temporarily sustained at a higher level this year by the direct effects of higher energy prices. They will also push up other prices of Swedish and imported goods. Such indirect effects will raise inflation going forward, although the effects are assessed as limited.[8] When economic activity improves and the effect of the krona appreciation in 2025 wears off, this will also contribute to higher inflation. Excluding energy and the direct effects of temporary fiscal policy measures, inflation is expected to rise from just over 1 per cent at the outset to at most around 2.5 per cent in spring 2027, to then fall back to 2 per cent.

In addition to the major risks linked to the war in the Middle East, there are other risks that could affect developments. The question mark regarding the strength of domestic demand means that it is uncertain how quickly the Swedish economy will recover. In addition, it is still not clear what effects fiscal policy will have on demand and inflation. There are also risks to the outlook for inflation linked to the krona's development and to companies' pricing behaviour.

Policy rate held unchanged at 1.75 per cent

Economic activity in Sweden is still somewhat weaker than normal. In addition, growth was lower than expected during the first quarter and the recovery in the labour market is tentative. However, household consumption has continued to increase at a solid pace, while purchasing power has strengthened. In the forecast, economic activity improves despite the supply disruptions as a result of the war in the Middle East restraining growth somewhat.

Temporary fiscal policy measures complicate the outlook for inflation. The halved VAT on food has reduced inflation significantly. Going forward, several of the temporary measures announced by the Government will first hold back inflation and then push up it up when they come to an end. Inflation will therefore vary substantially in the coming years. However, as long as the effects of these temporary measures do not spread and affect other prices too much, they will not affect the inflation forecast

[7] See the Fact box "The effect of temporary fiscal policy measures on inflation" in this report.

[8] See the analysis "The impact of the war in the Middle East on Swedish inflation" in this report.

in the medium term. Stripping out these temporary effects therefore gives a better picture of the more persistent component of inflation.

Due to the initial situation the indirect effects on inflation of the increase in oil prices are assessed as limited. Demand in the Swedish economy is somewhat weaker than normal, which means that it is more difficult for companies to pass on increased costs to consumers. In addition, the war has primarily affected the price of oil, rather than natural gas and electricity prices, which were important factors in the upturn in inflation in Europe 2022 and pushed up Swedish import prices at that time. On the other hand, the oil price has a more direct impact on inflation, especially via fuel prices.

The risk has increased that inflation will become too high. Supply disruptions have pushed up prices of energy and fuel. Inflation abroad has risen and cost pressures have increased in the Swedish business sector. The Riksbank bases its forecasts on oil futures prices, which indicate that supply will begin to normalise in the near term and that oil prices will fall. If this occurs, the upturn in import prices and pass-through of the higher costs to consumer prices will be limited. However, the supply disruptions have now lasted for almost four months and the longer they continue, the greater the inflation effects could be, and they may be reinforced by changes in pricing behaviour.[9]

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. Inflation is low and economic activity is somewhat weaker than usual. This initial position, combined with a high level of confidence in the inflation target, provides some scope to await a clearer picture of developments and their impact on the Swedish economy. At the same time, the supply shocks have led to higher inflationary pressures, and the risks of too high inflation have increased. Against this backdrop, the Riksbank has raised the policy-rate forecast somewhat, but judges that it is well-balanced to leave the policy rate unchanged at the present time (see Figure 1). The forecast means that the probability of the rate being raised later this year has increased compared to the assessment in March.

The Riksbank is highly prepared to adjust monetary policy. There is considerable uncertainty regarding the main scenario and in this situation the Riksbank therefore allocates considerable significance to different alternative scenarios (see Figures 2 and 3 and Chapter 3). In an alternative scenario where the supply shocks are assessed to have significantly larger indirect effects on inflation and the risk of impact on other prices and inflation expectations increases, the Riksbank would need to act sooner and more powerfully than in the main scenario. But nor is it possible to rule out a scenario where the indirect effects on inflation will be smaller than in the main scenario, at the same time as demand weakens. The Riksbank would then need to cut the policy rate further ahead.

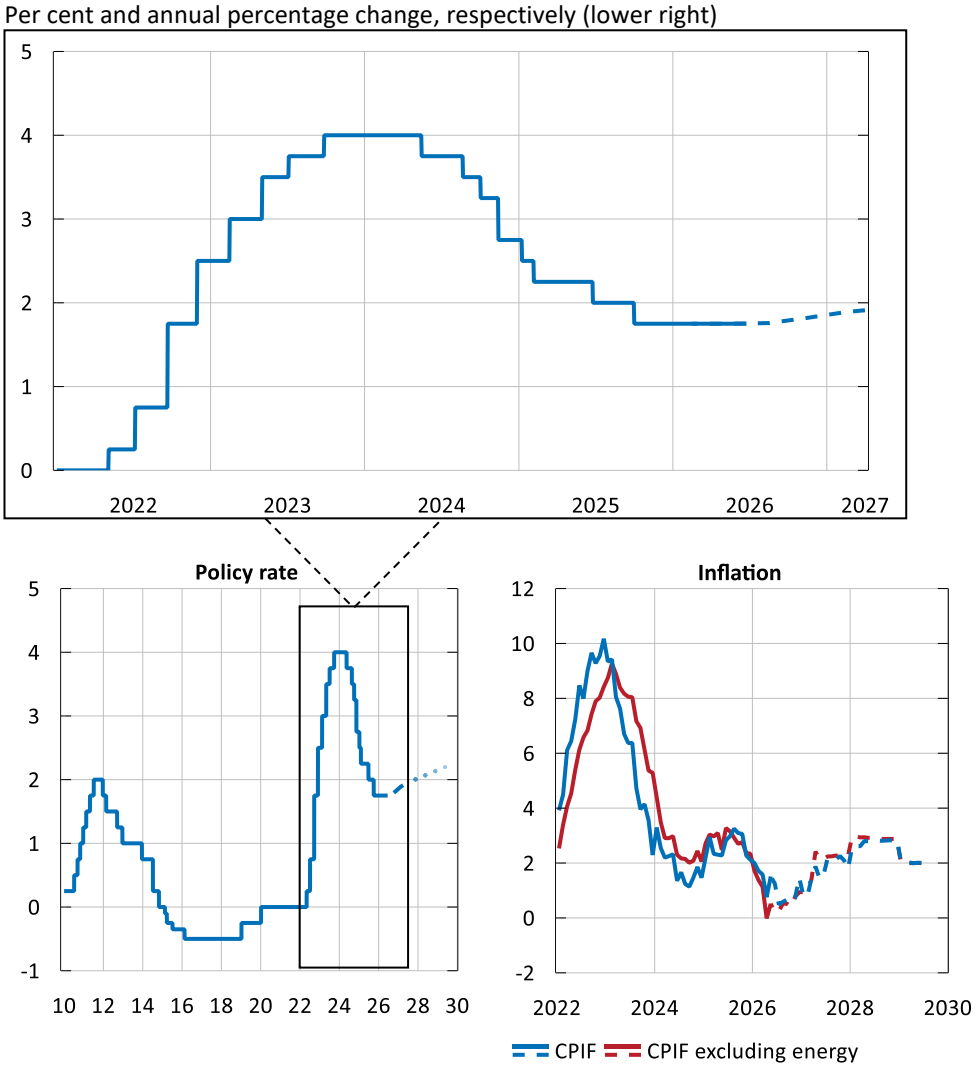
There is considerable uncertainty and the developments call for vigilance. In addition to the war in the Middle East, there are also other risks that could affect the

[9] See the analysis “Economic effects of supply shocks” in this report.

outlook for inflation and economic activity. The possibility that the effects of the war will interact with other more underlying vulnerabilities in the global economy cannot be ruled out. The range of potential outcomes for what can happen going forward is wide and the Riksbank is monitoring developments closely.

Figure 1. Swedish policy rate and inflation

Per cent and annual percentage change, respectively (lower right)

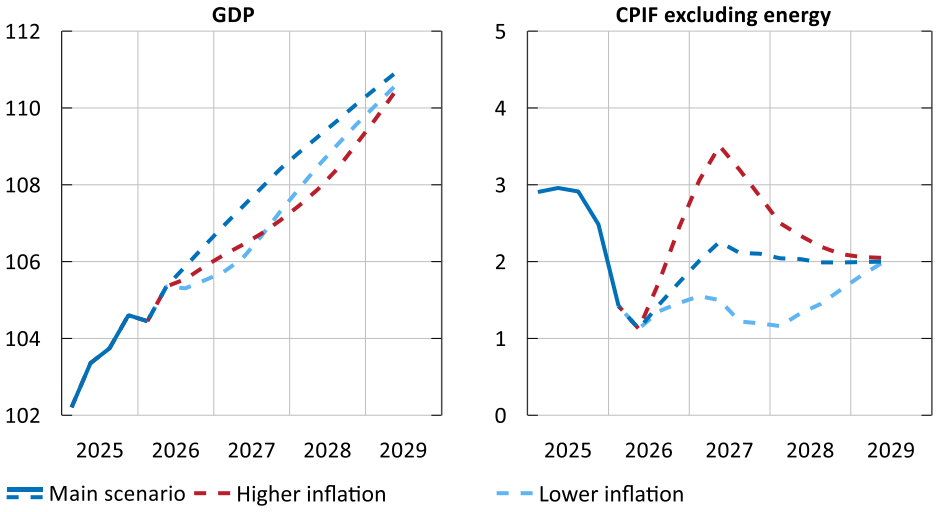


Note. Solid line refers to outcome, dashed/dotted lines represent the Riksbank's forecast. Outcomes for the policy rate are daily data, and the forecasts refer to quarterly averages. The upper image shows the forecast for the policy rate in the short run and is based on the long-term policy rate path 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 based on the forecast for the policy rate.

Sources: Statistics Sweden and the Riksbank.

Figure 2. Main and alternative scenarios for GDP and CPIF excluding energy and direct effects of temporary fiscal policy measures

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

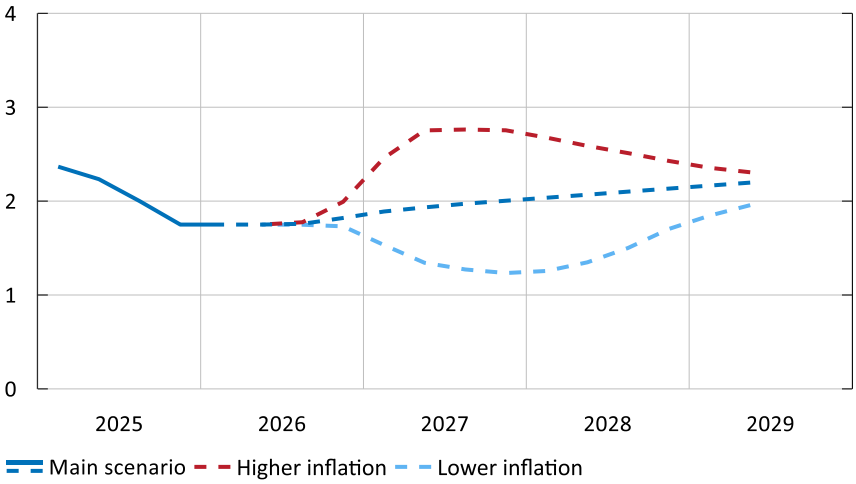


Note. Quarterly averages. Seasonally adjusted data (left). In the main and the alternative scenarios for the CPIF excluding energy, the direct effect on the price level of temporary tax reductions on food and fuels and the temporary reduction in public transport fares implemented during 2026 have been excluded (right). Solid lines refer to outcomes and dashed lines refer to main and alternative scenarios.

Sources: Statistics Sweden and the Riksbank.

Figure 3. Main scenario and alternative scenarios for the policy rate

Per cent



Note. The deviations from the main scenario in the alternative scenarios are not necessarily symmetrical, as they illustrate the monetary policy response to specific shocks to the economy. Any asymmetry should therefore not necessarily be interpreted as the Riksbank seeing the risks surrounding the policy rate in the main scenario as unbalanced. Solid line refers to outcomes and dashed line refers to main scenario and alternative scenarios.

Source: The Riksbank.

ANALYSIS – Economic effects of supply shocks

The economy is regularly affected by shocks, that is to say unexpected disruptions. On the supply side, a shock can arise when an unexpected event changes the conditions for producing and selling goods and services within one or more sectors. What effects this has on the economy will depend, for instance, on how large and important the sector is and how easily the shortfall can be replaced. If the shock is expected to be relatively short-lived, there may be motivation for the central bank to 'see through' it. But if the shock risks being prolonged, the central bank may need to act to clearly signal that it will not allow inflation to persistently exceed the target level.

Supply shocks tend to spread problems further

A supply shocks is an unexpected event that changes the scope for producing and supplying certain goods and services. It therefore affects the supply of certain goods and can be positive or negative. This analysis will mostly focus on negative shocks, which reduce the supply in the economy.

The world has recently been hit by several negative supply shocks. In 2020, for instance, a worldwide shortage of semiconductors arose as a consequence of the coronavirus pandemic. This affected a very large number of global industries and resulted in widespread price increases and long delivery times for these goods. Another current example is the war in the Middle East, which during spring 2026 caused a large shortage in the supply of oil, leading to considerable turbulence in commodity markets. One example of a positive supply shock could be when new technology makes it much cheaper to produce a particular product, such as electric cars.

Typically, supply shocks first affect the companies' production of goods, services or both. Households are directly affected if they themselves buy the goods affected by the supply shocks. They are otherwise indirectly affected when the prices and the supply from companies change. Households were affected directly, for instance, by the shocks in the supply of oil, but indirectly by the shocks leading to the shortage of semiconductors.

Even when a supply shock only affects one or a few sectors, it can have significant spillover effects on the rest of the economy. It is precisely these spillover effects that make supply shocks important to central banks. The way the economy is affected by a supply shock in a specific sector is, in simple terms, due to three things, which are

described below.[10] The first is the economic size of the sector. The second is to what extent the economy can manage to replace the products there is a shortage of. The third is how important the sector is to the economy as a whole. The size of the effects therefore varies substantially between economies.

The larger the sector, the greater the effects

The economic size of the sector can be measured as the size of its sales in relation to GDP.[11] The larger the share of the whole economy the sector represents, the greater the pass-through of shocks in the sector to GDP. But even though it may seem obvious that the size of the sector is important for how large the spread will be, this factor alone is not enough to bring about particularly large effects. The oil sector's sales in relation to GDP, for instance, are on average only a few per cent in many countries, and if it was only a question of the size of the sector, oil price shocks would not have a particularly large impact on the economy. But this contrasts with the widespread turbulence that oil price shocks tend to create in markets, stock exchanges and in the media. This leads us into the other two components.

The economy is less flexible in the short term than the long term

The way that a supply disruption affects the economy as a whole also depends on how easy or difficult it is to adapt to the shortfall of the affected sector’s products. The more difficult it is to replace the shortfall from this sector, the larger the pass-through will be to GDP. The pass-through will typically have the greatest effect in the short term, that is, directly after the disruption has occurred. One reason for this is quite simply that disruption often disappear of their own accord relatively quickly, as the causes behind them are often fairly short-lived. Conflicts in economically important regions, which are often peacefully resolved fairly quickly, are a good example of this.

Another reason why the effects are greatest immediately after the disruption is that it has often been unexpected. Companies have not expected it and therefore have not prepared for the shortfall when they made their production plans. In the short term, the economy is often a little rigid, which can make it difficult to adjust: contracts have been signed and it takes time to find new suppliers and change production.

In the slightly longer run, there are several ways to alleviate or even entirely eliminate the effects of the supply disruption. The goods that there is now a shortage of can, for instance, be replaced by other similar goods. Economists talk about substitutability, which is measured with the aid of what is known as the *substitution elasticity* for the product concerned. Substitution can occur in several ways. If a supply disruption in the commodity market only affects certain producers, for instance, the ones that are not affected can in some cases increase their production to compensate for the shortfall. When negative supply disruptions have affected important oil suppliers, for

[10] See D. Baqaee and E. Fahri (2019), "The Macroeconomic Impact of Microeconomic Shocks: Beyond Hulten's Theorem", *Econometrica* 87 (4).

[11] This insight is known as Hulten's theorem, as it was proved by Charles Hulten in 1978. See C. Hulten (1978): “Growth accounting with Intermediate Inputs”, *Review of Economic Studies*. 45 (3).

example, Saudi Arabia has on several occasions been able to increase its production to reduce the shortage of oil. This happened during the Kuwait war, which mitigated both the increase in the oil price and the negative effects. But it took around three months to compensate for most of the shortfall. The oil price remained very elevated for a whole nine months, as it was not possible to quickly replace the entire shortfall. This gave rise to lower GDP than would otherwise have been the case.

Another way of substituting is that new producers of the same product, or a variation of it, enter the market. How quickly this can happen varies substantially between sectors, but it will not be able to happen immediately in any case. When the shortage of semiconductors arose, the forecast was that it would take several decades to get production of semiconductors underway in Sweden or Europe.

The economy can also adapt through technological advances. When negative supply shocks reduce the supply of oil and the oil price soars, this increases the incentives to speed up technological developments and, in this way, make the economy less oil-dependent.[12] This leads to more energy-efficient cars and machinery and better opportunities to heat houses. It is partly this technology development that has led to oil intensity – that is, the oil consumed in relation to the size of the economy – being much lower now that it was in the 1970s. Economies are therefore not as sensitive to oil shortages today as they were in the 1970s. A negative supply disruption can therefore entail something positive, but this does not come for free. Increasing energy-efficiency has historically had a cost in terms of lower economic growth during and after periods with disruptions to the oil supply.

If more people need the goods the effects are greater

The third factor that is important for what effects a supply shock will have is how important the affected sector's products are for the economy. A sector with many branches in the economy is classed as more important. The more important a sector is, the greater the impact on GDP when this sector suffers a supply disruption. Disruptions concerning oil and energy differ in principle from all other supply shocks because the sector is so important. As energy and oil are used by all companies and consumers, supply disruptions in this sector can potentially have a large impact on GDP. Goods that are only one other company, for instance an industrial chemical, are less important. Semiconductors are fairly important, but less so than oil.

So what do supply disruptions imply for monetary policy?

For a central bank, a shock on the supply side is more difficult to manage than a demand shock. Monetary policy affects demand in the economy through various transmission mechanisms but cannot solve the problem with the shortfall generated by the supply shock. If monetary policy responds to the higher inflationary pressures

[12] See J. Hassler, P. Krusell, and C. Olovsson. 2021, "Directed Technical Change as a Response to Natural-Resource Scarcity", *Journal of Political Economy*, 129 (11).

that supply shocks typically cause, it risks distorting demand.[13] As a negative supply shock also means that activity in the economy declines, a clear trade-off arises for the central bank. If the policy rate is cut to support the economy, there is a risk that inflation will increase further. If the policy rate is instead raised to push down inflation, it will slow down the already low activity in the economy even further.

A further aspect is that the price of many commodities, such as oil and gas, can change rapidly. As described above, changes in commodity prices are often temporary and then do not require any monetary policy measures. Moreover, monetary policy works with a lag, which means that it takes time before it has an impact on inflation and the real economy. The oil price, on the other hand, is relatively flexible, and can in many cases already have fallen back when monetary policy actually begins to have an impact. These arguments indicate that central banks, in cases where the shock is assessed to be short-lived and have a low risk of spillover effects, should 'see through' supply shocks and not react to them.

Even if the supply shocks can correct themselves faster than during the horizon within which monetary policy acts, it is difficult to know in advance whether a supply shock will be short-lived or prolonged. The problem for central banks arises when supply shocks risk becoming prolonged, and the economy's ability to adapt (as described above) is expected to be slow. Then the risk increases that the shock and the price upturn will spread broadly to other prices, to inflation expectations and wages, that is, that indirect effects and secondary effects will arise. As monetary policy acts with a lag, it must therefore be based on forecasts of future economic developments. If the assessment is that the supply shock risks being prolonged and the economy's ability to adapt is low, with increased risk of a broad price upturn, it may thus be motivated for the central bank to act to safeguard the inflation target.

[13] Moreover, the price increase that follows on from a supply shock is economically efficient: if the supply of oil falls while demand is unchanged, the price needs to rise for demand to be able to match supply. The supply shock gives rise to a real phenomenon, where the price of the affected product rises to signal an increased shortage.

1 The economic situation

The war in the Middle East has now lasted for almost four months. Stocks of petroleum products have been used to make up for some of the shortfall from the region. Estimates of the size of the stocks and how long they will last are uncertain, but they are dwindling rapidly. At the same time, companies are trying to adjust production to the situation, and prices for oil products have fallen slightly in recent times. The same applies to the prices of several of the commodities that have been heavily affected by the uncertain situation. In general, however, prices are still higher than they were when war broke out. The higher costs for companies are beginning to be reflected in producer prices. For consumers, the shocks are mostly noticeable in the form of higher fuel prices, and inflation has risen significantly at a global level.

In Sweden, GDP fell in the first quarter as public consumption and investment declined following a very strong performance in the fourth quarter of last year. By contrast, household consumption grew at a healthy pace, and this trend has continued into the second quarter. The recovery in the labour market is tentative, as reflected, among other things, in the fact that companies are planning fewer new hires. CPIF inflation has been significantly lower than expected this spring but rose in May partly due to higher energy prices. Temporary fiscal policy measures and the earlier appreciation of the Swedish krona counteracted the rise in inflation. At the same time, inflationary pressures have been driven up by factors linked to supply shocks and are considered to be slightly higher than normal.

1.1 Economic developments abroad

The global economy continues to be heavily affected by the war in the Middle East and the tense situation in the Strait of Hormuz, despite negotiations between the United States and Iran. Both sides have been blocking the strait, and commercial traffic remains severely restricted, affecting a large proportion of the world's energy shipments as well as the transport of certain raw materials.

Stocks, which are helping to offset the lower oil supply from the Middle East to some extent, are decreasing rapidly

The reduced supply of oil products from the Middle East has only been partially offset by increased production in countries such as the United States, Canada, Brazil and Norway and by the use of alternative transport routes from the region. Global stocks

of petroleum products have been used to make up for the shortfall, but they are dwindling rapidly.[14] However, it is unclear both how large the stocks are and how quickly they are being depleted.[15] The situation regarding aviation fuel and naphtha, for example, is more strained than it is for oil, even though production has been adjusted.[16] There are also geographical differences, and many Asian countries are particularly vulnerable to disruptions in the Middle East, as they are relatively heavily dependent on supplies from this region. Oil consumption has fallen as a result of sharp price rises and fuel-saving measures, and demand is likely to fall further this year due to a more subdued global economic situation. Even if the supply shocks come to an end in the near future, it will be some time before the situation returns to normal. Estimates suggest that, in that case, supply may be sufficient to meet demand by the final quarter of this year at the earliest, at which point stocks can begin to be replenished.[17]

Prices for oil products and related commodities remain at elevated levels, but some prices have fallen recently

The oil price is still elevated (see Figure 4). It has fluctuated considerably since the war began but is now lower than at the time of the monetary policy decision in March. However, oil futures prices are currently higher than the futures on which the Riksbank's forecasts were based at that time. However, as before, futures suggest that the price of oil is expected to fall relatively quickly.

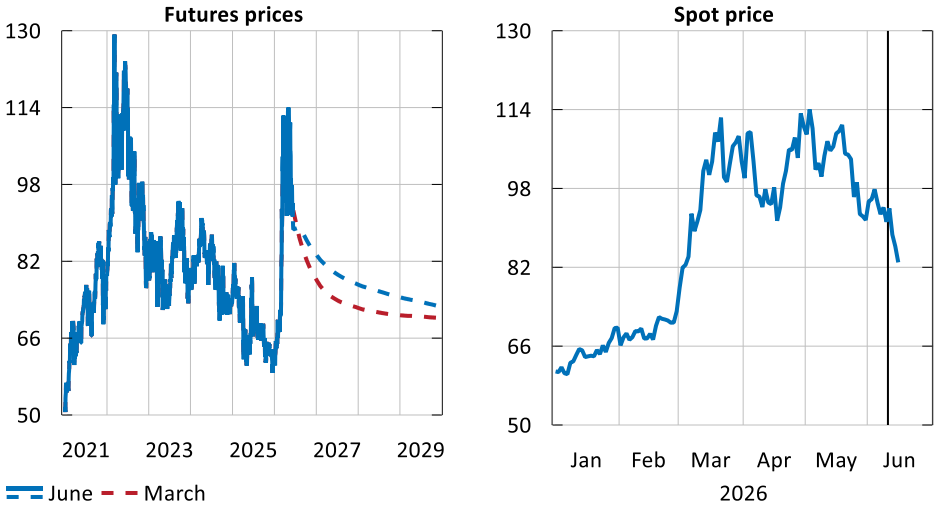
[14] International Energy Agency (2026), "Oil Market Report", 13 May.

[15] See, for example Y. Zhestkova Grigsby et al. (2026), "Running Out of Oil? A Large But Still Mostly Local Product Risk", Report, 4 May, Goldman Sachs.

[16] Naphtha is a petrochemical product that is used in plastics production, for instance.

[17] International Energy Agency (2026), "Oil Market Report", 13 May.

Figure 4. The price of oil
USD/barrel



Note. 5-day average. Solid line refers to outcome and dashed lines represent futures prices. Outcome and current futures prices up to 15 June 2026. Futures prices at the time of the Monetary Policy Report in March are up to 16 March 2026. The solid vertical line marks 10 June, which is the last observation included in the Riksbank's forecasts. Refers to Brent crude oil.

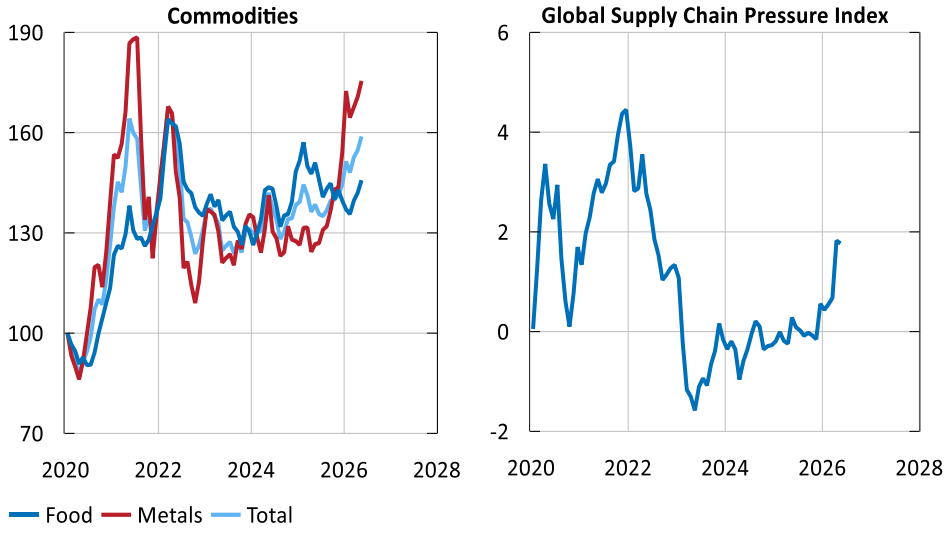
Sources: Intercontinental Exchange och Macrobond Financial AB.

The price of natural gas is slightly lower than at the time of the monetary policy decision in March, as are the prices of refined petroleum products such as diesel and jet fuel. Following the outbreak of war, prices rose for the commodities needed in the production of goods of global importance. Prices of commodities such as sulphur have continued to rise, whilst the prices of aluminium and urea, a common fertiliser, have fallen significantly in recent times. In general, however, prices for oil products and commodities remain higher than at the outbreak of the war, and this has begun to have some impact on broader commodity price indices (see Figure 5).

There are signs of disruptions in global value chains

The cost of transporting oil products by tanker has fallen significantly from the high levels seen at the start of the war. However, recently the costs of other types of shipping, including dry cargo such as agricultural products, have risen slightly. More companies also report that delivery times have become longer. Overall, there are signs of disruptions in global value chains (see Figure 5). So far, however, the disruptions have been considerably less severe than those that occurred following the pandemic.

Figure 5. Commodity price indices and index for disruptions in global value chains
Index, January 2020 = 100 (left) and standard deviation (right), respectively



Note. Commodities refer to The Economist's import-weighted index based on futures pricing (monthly averages) for food crops, industrial metals and a composite of industrial metals, industrial agricultural products and food crops (left). Global Supply Chain Pressure Index summarises indicators for global value chains, including freight costs and PMI-based measures of delivery times, order backlogs and inventories across a selection of major economies (the euro area, the United Kingdom, the United States, Taiwan, South Korea, Japan and China). The index is standardised so that 0 corresponds to a historical average from 1997, with higher (lower) values indicating greater (less) disruption than normal (right).

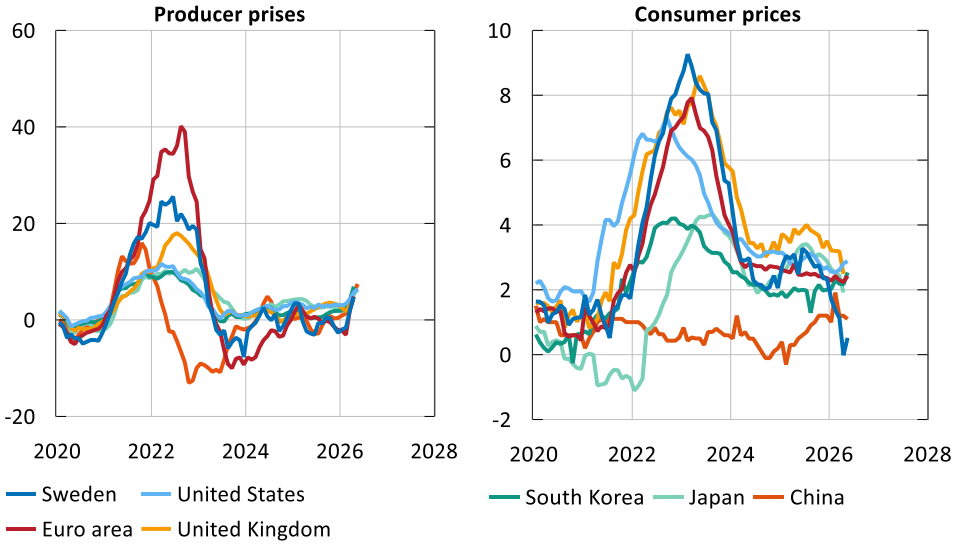
Sources: The Economist and Federal Reserve Bank of New York.

Supply disruptions are beginning to show up in producer prices, but for consumers they are mostly felt in the form of higher fuel prices

Producer prices have risen in many parts of the world (see Figure 6). Although the rise so far has been modest from a historical perspective, it is clear that the higher prices of oil products, commodities and transport are beginning to affect companies' costs. For consumers, however, the shocks have so far been mostly felt in the form of higher fuel prices. Excluding energy, inflation in the United States and in several European and Asian countries has remained relatively unchanged since the start of the war in the Middle East (see Figure 6).

However, including energy, inflation has risen significantly at a global level as a result of the rise in oil and fuel prices. But in many countries fiscal policy measures have probably helped to mitigate the upturn. HICP inflation in the euro area rose to 3.2 per cent in May according to preliminary statistics. In the United States, PCE inflation rose to 3.8 per cent in April and CPI inflation increased to 4.2 per cent in May. Asian countries have relatively high exposure to the supply shocks. Despite this, inflation there has in general risen moderately, partly due to fuel price caps and other fiscal policy measures. China, which has traditionally been a major importer of oil from the Middle East, has used large reserves of oil and coal, which has held back the rise in oil prices. For some time now, China has also been investing in green energy in order to reduce its dependence on oil.

Figure 6. Producer prices and consumer prices excluding energy abroad
Annual percentage change



Note. Producer prices are measured using the Producer Price Index (PPI) for all countries (left). For Sweden, the euro area, the United Kingdom and the United States, consumer prices are shown excluding energy, whilst consumer prices for other countries are shown excluding energy and food. Refers to the CPIF for Sweden, the HICP for the euro area and the CPI for the United States, the United Kingdom, South Korea, Japan and China (right).

Sources: Bank of Japan, Bank of Korea, China National Bureau of Statistics, Eurostat, Korean Ministry of Data and Statistics, Japanese Statistics Bureau, Statistics Sweden, U.K. Office for National Statistics and US Bureau of Labor Statistics.

In many countries, sentiment has deteriorated clearly among household but not among companies

In the euro area, GDP declined in the first quarter, but this was driven by weak developments in Ireland (see Figure 7).[18] The labour market has remained stable. In the United States, investment in the expansion of AI infrastructure grew strongly during the first quarter. By contrast, household consumption increased at a slower pace, and overall growth in the US economy was subdued (see Figure 7). The weak development in consumption appears to have continued in April. Recent developments in the labour market are sending somewhat more positive signals, but unemployment has remained virtually unchanged (see Figure 7).

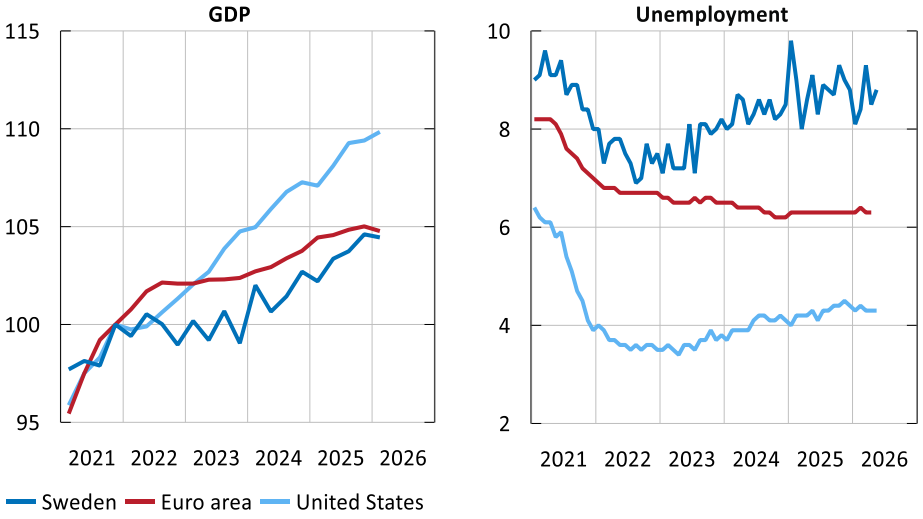
In both the euro area and the United States, sentiment among households has deteriorated significantly, but this is not the case among companies. Similar differences between households and companies are also evident in surveys conducted in many other countries. In the euro area, household sentiment deteriorated significantly in April. Although there was a slight improvement in May, sentiment remains well below

[18] Periodically, GDP statistics in the euro area are substantially affected by developments in Ireland, despite the country's economy comprising a relatively small part of the entire euro area. Ireland's exports and GDP can be significantly affected by developments within a small number of multinational companies, primarily in the pharmaceutical and technology sectors. Since a significant proportion of these companies' profits, which are reported in Ireland, accrue to owners in countries outside the euro area, this may give an inflated picture of economic activity in both Ireland and the euro area as a whole.

normal levels. Among companies, sentiment has remained largely unchanged and slightly below normal levels in recent months. In the United States, households became noticeably more pessimistic in May, but sentiment improved somewhat in June. The Purchasing Managers' Index for May shows that sentiment among companies in the manufacturing sector improved slightly. By contrast, the situation deteriorated to some extent among services companies.

Figure 7. GDP and unemployment abroad

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



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

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

1.2 Financial conditions

Stock markets have recovered despite the war pushing up interest rates

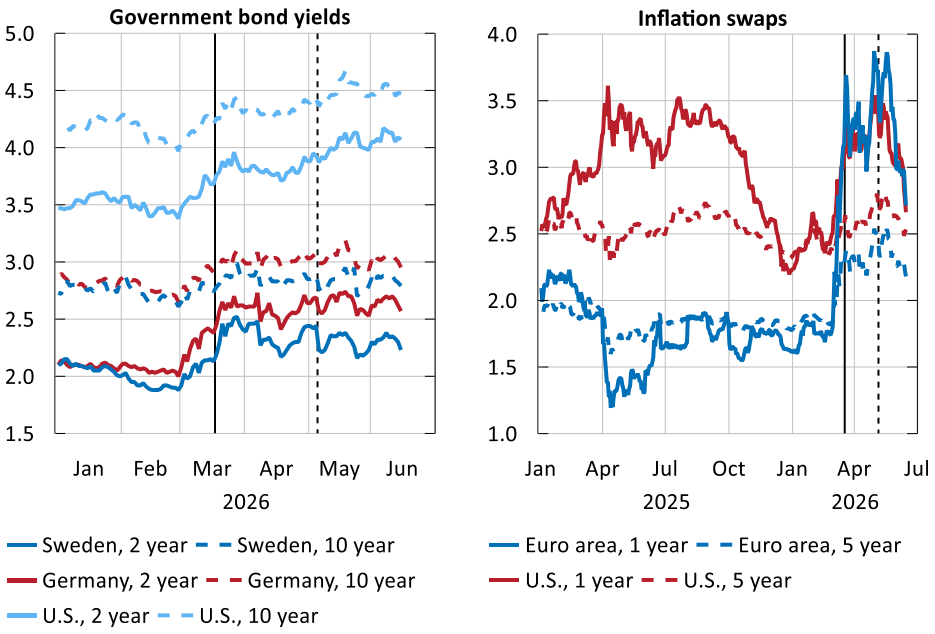
Global financial conditions remain largely unchanged since the monetary policy meeting in May. According to the central banks' own measures, financial conditions are assessed to be expansionary in the United States and somewhat contractionary in the euro area.[19] Following the outbreak of war in the Middle East, they were tightened as stock markets fell sharply and market interest rates rose. Since then, conditions have improved again, although the situation has fluctuated depending on how the war has progressed. The improvement is mainly due to the recovery of the stock markets and the narrowing of credit spreads following the sharp rise that occurred when the war broke out.

[19] According to the Federal Reserve's *Financial Conditions Impulse on Growth* (FCI-G) index and the ECB's *Macro-Finance Financial Conditions Index* (FCI).

Market rates have remained at a higher level since the beginning of the war. The higher rates are mainly due to a rise in inflation expectations (see Figure 8).[20] For the euro area, long-term pricing have risen significantly and indicates that inflation is expected to exceed 2 per cent. This has led the market to anticipate a tighter monetary policy and, consequently, higher interest rates (see Figure 8).[21] Furthermore, when the war broke out, term premiums rose, reflecting increased uncertainty regarding inflation, growth and geopolitical developments. Recently, however, term premiums have fallen slightly.

Figure 8. Government bond yields and inflation swaps

Per cent



Note. Inflation expectations are based on 1-year and 5-year inflation swaps linked to HICP in the euro area and CPI in the United States (right). Solid and dashed lines mark the time immediately prior to the monetary policy meetings in March and May respectively.

Sources: Bloomberg Finance LP, Federal Reserve and Macrobond Financial AB.

At the same time, global stock markets have recovered (see Figure 9). In the United States, the stock market has reached new record highs, whilst the European and Swedish stock markets are around the peak levels recorded before the outbreak of the war. This difference is mainly attributable to AI-related companies in the United States, whose valuations continue to rise, whilst the performance of other US listed companies is more in line with stock market movements in Europe and Sweden (see Figure 9). Credit spreads for companies in the United States and the euro area have

[20] According to market-based measures of inflation expectations, so called 'inflation swaps'. 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 the expected average inflation over the period), while the other party pays the actual inflation realised during the period.

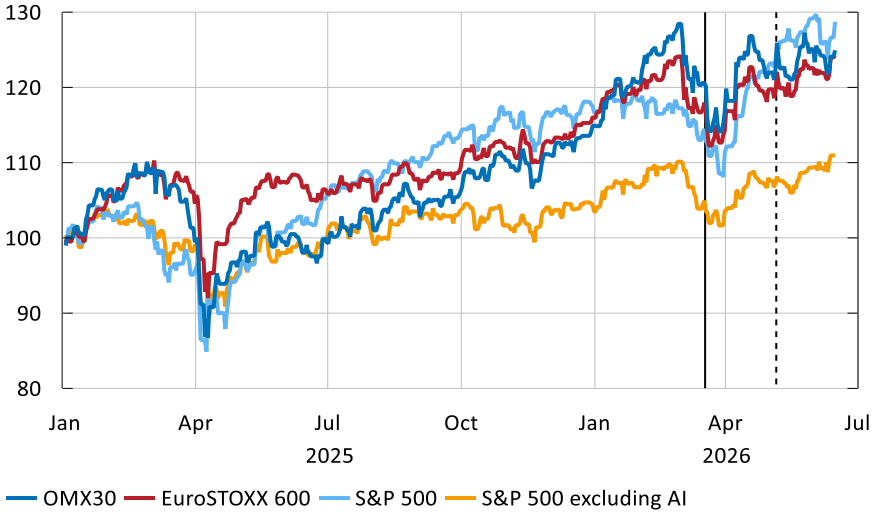
[21] Chapter 3 describes the risks that rising government bond yields pose to economic developments.

also fallen back to pre-war levels. Overall, this suggests that investors' risk appetite has recovered following the downturn that followed the outbreak of the war.

In Sweden, lending to Swedish households and companies continues to grow at a steady pace. Average deposit rates are largely unchanged compared with the Monetary Policy Report in March, whilst lending rates have risen slightly. Swedish government bond yields are largely unchanged since the monetary policy decision in May, but the development has been characterised by sharp fluctuations downwards and upwards, as hopes of a peace agreement and the reopening of the Strait of Hormuz have risen and faded (see figure 8). At the same time, credit spreads have narrowed following the initial sharp rise. The Swedish krona is at around the same level as the monetary policy meeting in May, although it has fluctuated in line with developments in the war. Overall, financial conditions in Sweden are considered to be somewhat expansionary, although the situation remains volatile and could change rapidly depending on how the war unfolds.

Figure 9. Stock market movements

Index, 2 January 2025 = 100



Note. OMX30 is the stock exchange index for Sweden, Eurostoxx 600 the index for the euro area and S&P 500 the index for the United States. Solid and dashed line mark the time immediately prior to the monetary policy meetings in March and in May respectively.

Sources: Bloomberg Finance LP, Morgan Stanley, Nasdaq OMX Nordic, S&P Global and STOXX.

The market expects central banks to raise their policy rates in the coming period

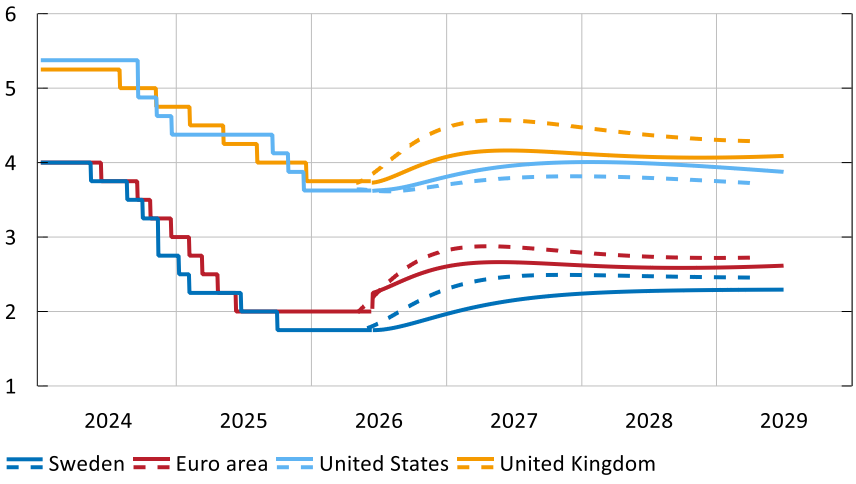
Several central banks have indicated that they wish to await further information on the economic impact of the war before adjusting their monetary policy, but that they are prepared to raise policy rates if necessary. In several countries, inflation was already elevated before the war broke out. Rising oil prices, which are expected to lead to higher inflation, have led the market to anticipate higher policy rates abroad (see figure 10).

The Federal Reserve left its policy rate unchanged in the interval 3.50–3.75 per cent at its latest meeting on 29 April, but at the same time emphasised that there is a risk of higher inflation as a result of tariffs and rising energy prices linked to the war. The market is pricing in some probability of a policy-rate increase this year. Bank of England also left its policy rate unchanged at 3.75 per cent at its meeting on 29 April. The central bank emphasised that the weak economic climate and tighter financial conditions argue in favour of a wait-and-see approach, despite high inflation. It was also communicated that monetary policy has limited possibilities to prevent global energy prices from rising. Despite this, the market expects the policy rate to be raised at least once during 2026. The ECB raised its policy rate at its meeting on 11 June. The decision was justified on the grounds that the energy shock caused by the war in the Middle East has generated inflationary pressures that have begun to spread to the rest of the economy. The market now expects the ECB to raise the policy rate at least one more time this year.

Somewhat unexpectedly, Norges Bank raised its policy rate from 4 to 4.25 per cent at its latest meeting on 7 May. The increase was justified on the grounds that inflation had already been high before the war in the Middle East, which has reduced the scope for waiting for further information. The Reserve Bank of Australia also decided at its meeting on 5 May to raise its policy rate by 0.25 percentage points to 4.35 per cent, against a backdrop of persistently high inflation and a strong economy.

Figure 10. 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 15 June 2026. Dashed lines represent expectations immediately prior to the monetary policy meeting in May.

Sources: National central banks and the Riksbank.

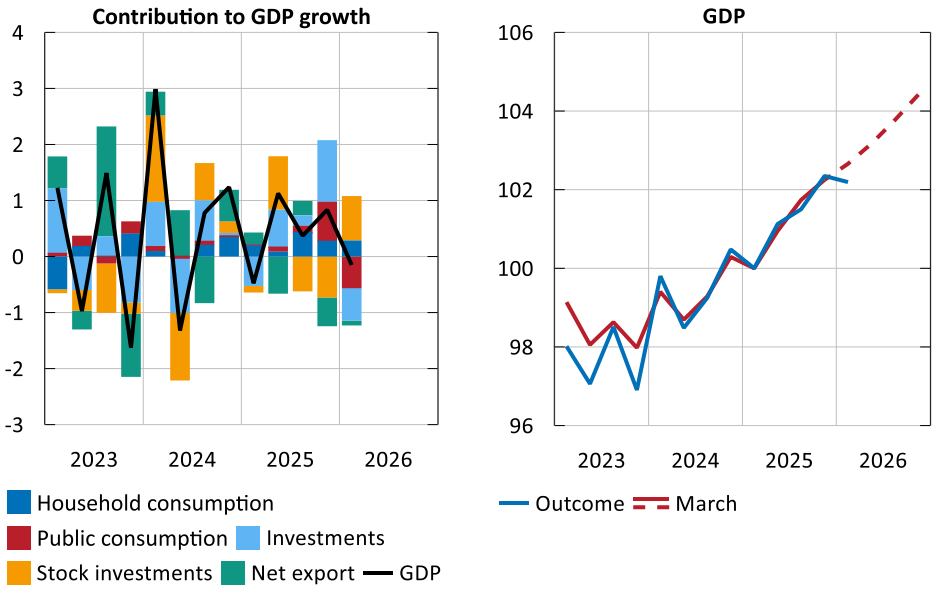
1.3 Swedish real economy

GDP fell in the first quarter

GDP increased by 2.0 per cent in the first quarter compared with the same quarter in 2025 and decreased by 0.2 per cent compared with the previous quarter (see Figure 11). The development was weaker than in the Riksbank's forecast in March. Public consumption and investment fell after a very strong fourth quarter and made a negative contribution to growth in the first quarter. Exports grew strongly, but due to an even stronger and broad rise in imports, net exports made a slightly negative contribution to growth. Household consumption, on the other hand, grew at a healthy pace, even though, according to the Economic Tendency Survey, household confidence was weaker than usual.[22]

Figure 11. GDP growth

GDP as a percentage change, quarterly rate and contributions to GDP growth in percentage points (left) and index, 2025 Q1 = 100 (right)



Note. Seasonally adjusted data. Solid lines refer to outcomes and the dashed line refers to the Riksbank's forecast from March (right).

Sources: Statistics Sweden and the Riksbank.

[22] Stock investments, particularly in the manufacturing sector, also made a significant positive contribution to growth in the first quarter. Some defence investments are initially recorded as stock in the private sector and are then reclassified as public investment when the completed asset is put into use, as was the case in the fourth quarter. In the coming years, the National Accounts are likely to show an initial build-up of stocks in the private sector, which will then shift to public investment.

Indicators suggest that the economic recovery will resume in the second quarter

After two months of decline, the household confidence indicator rose marginally in May, but sentiment remained below normal levels. Despite this, turnover in the housing market has increased and house prices have risen. Household consumption has continued to rise at a relatively healthy pace during the second quarter as well. Business confidence has been relatively unchanged in recent months. According to the Economic Tendency Survey, business sentiment is normal across all sectors of the economy except for the retail sector, where it is stronger than normal. According to the GDP indicator, economic activity increased in April. The companies participating in the Riksbank's Business Survey in May describe the economic situation as still weak and state that the war in the Middle East has increased uncertainty and risks delaying the economic recovery (see the Fact box "The Riksbank's Business Survey, May 2026"). However, the retail and hospitality sectors' view of the economic situation has continued to improve at a slow pace, and it is judged that the war has not had any significant impact on willingness to consume so far. Overall, indicators suggest that the economic recovery will resume in the second quarter, supported by a more expansionary fiscal policy.

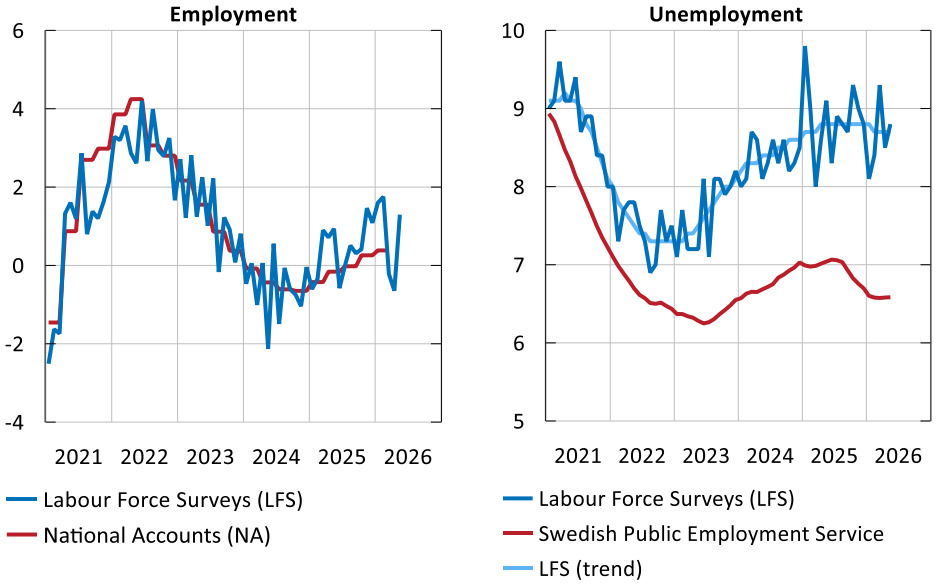
Tentative recovery in the labour market

Employment rose in the first quarter according to both the Labour Force Survey and the National Accounts, but the recovery in the labour market has been tentative in recent months (see Figure 12). Employment fell in March and April, but Statistics Sweden experienced technical difficulties that may have led to an underestimation of the number of persons employed.[23] In May employment rose again. Unemployment rate also rose in May as a result of higher labour force participation. Indicators and other statistical sources support the picture of a relatively weak labour market. The number of registered unemployed with the Swedish Public Employment Service has stopped falling and has remained unchanged in recent months. Furthermore, the number of newly-registered vacancies has declined, and companies' recruitment plans in the Economic Tendency Survey have fallen back in recent months. However, the number of redundancy notices has fallen and is now at a low level.

[23] See the statistical news release "Subdued labour market conditions in April", 2026, Statistics Sweden. Labour Force Surveys April 2026 | Statistics Sweden (scb.se)

Figure 12. Employment and unemployment

Annual percentage change (left) and percentage of labour force (right)



Note. The Public Employment Service's measure refers to registered persons in the age group 16–64 years up to end of 2022, 16–65 years in 2023–2025 and 16–66 as from the beginning of 2026. The LFS refers to persons aged 15–74 and the NA it refers to all ages. Employment according to the NA is based on register data from BAS (the population labour market status). Trend value for unemployment according to the LFS, calculated by Statistics Sweden.

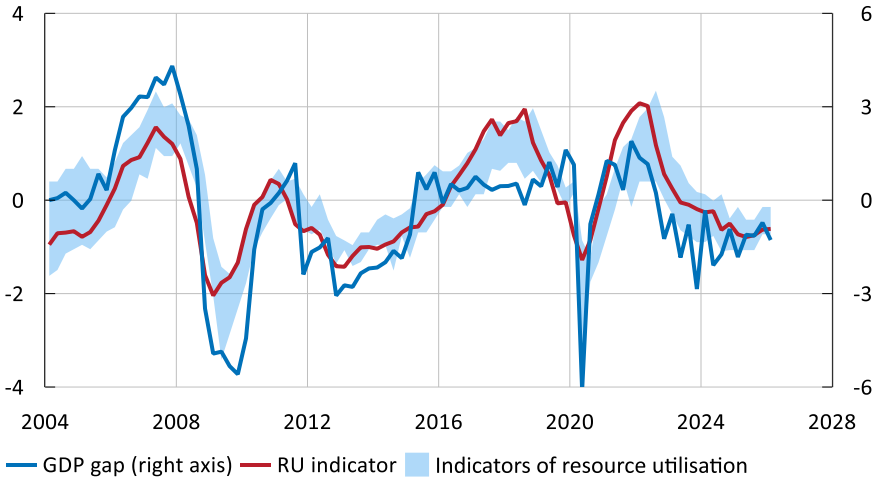
Sources: Swedish Public Employment Service (SPES) and Statistics Sweden.

Resource utilisation is somewhat lower than normal

There is no individual measure that provides a complete picture of how much spare capacity there is in the economy. The Riksbank therefore uses a number of different indicators of resource utilisation (see Figure 13). The Riksbank's resource utilisation indicator, which is a summary measure of different indicators, is negative and has remained unchanged in recent quarters. Resource utilisation, as measured by the GDP gap, began to recover last year, but fell back somewhat in the first quarter. Overall, several indicators point to there still being ample spare capacity, not least in the labour market, and that resource utilisation in the Swedish economy is somewhat lower than normal.

Figure 13. Indicators of resource utilisation

Standard deviation and per cent (GDP gap)



Note. Seasonally adjusted data. The GDP gap (per cent) refers to the deviation of GDP from the Riksbank's assessed trend. The RU indicator is a statistical measure of resource utilisation. The RU indicator and the indicators are standardised from the year 2004 so that the mean value is 0 and the standard deviation is 1. The field shows the highest and lowest outcome for standardised indicators of resource utilisation. The series included are the share of companies reporting labour shortages, capacity utilisation in the manufacturing sector, and the state of demand and profitability assessments in the business sector.

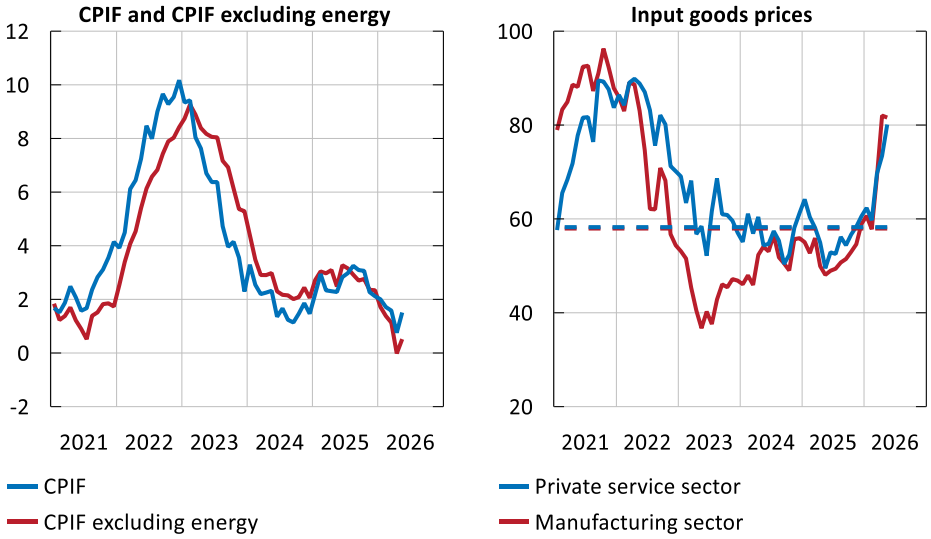
Sources: National Institute of Economic Research, Statistics Sweden and the Riksbank.

1.4 Swedish inflation

Inflation is low, partly due to fiscal policy measures

Inflation fell during the spring to a significantly lower level than expected (see Figure 14). However, higher rates of increase in prices for energy and services pushed up inflation in May, and CPIF inflation rose from 0.8 per cent to 1.5 per cent. Stripped of energy prices, inflation was 0.5 per cent in May. One important explanation for the low inflation is that VAT on food was halved in April, but lower fuel taxes also counteracted the effects of higher oil prices to some extent. The direct impact of temporary fiscal policy measures reduced CPIF inflation by just under 1 percentage point in April and May (see the Fact box "The effect of temporary fiscal policy measures on inflation"). Permanent fiscal policy measures, such as dental care subsidies, dampen inflation somewhat further. Moreover, the krona appreciation last year is still holding back the inflation rate by restraining the rate of increase in goods and food prices with a relatively large import content. Indirect inflationary effects of rising prices on oil and other commodities come with a time lag and so far, it is above all the direct effects of higher fuel prices that have pushed up inflation. Food prices have fallen more than expected, even when taking into account the effects of the reduced VAT rate on food. Service prices have also increased somewhat less than expected.

Figure 14. CPIF and CPIF excluding energy and prices of input goods
Annual percentage change (left) and index (right)



Note. The purchasing managers' assessment of how prices of intermediate goods have changed in recent months. An index figure above 50 indicates growth, while a figure below 50 indicates a downturn. Dashed lines represent the average for the period 2005–2026 (right).

Sources: Statistics Sweden and Swedbank.

Supply shocks are increasing inflationary pressures

Inflation has been lower than in the Riksbank's forecast in March, but at the same time, inflationary pressures from factors linked to supply shocks have increased. Global food prices have started to rise, albeit from a low level. As described above, energy prices and the prices of certain other key commodities have risen, and there are signs of disruptions in global value chains (see Figure 4 and Figure 5). Futures prices for electricity and oil point to higher prices also in the coming period compared with the March forecast. This puts increased cost pressure on companies. Companies' assessment of input prices, as measured by the Purchasing Managers' Index, has also risen in recent months (see Figure 14). According to the Riksbank's Business Survey, companies that sell to other companies are already facing increased costs, while companies selling to households are not yet affected as much. Companies expect the cost increases to be felt more clearly in the autumn and early 2027. However, it is unclear how large the pass-through to selling prices will be, and most companies in the survey are planning normal price changes (see the Fact box "The Riksbank's Business Survey, May 2026").

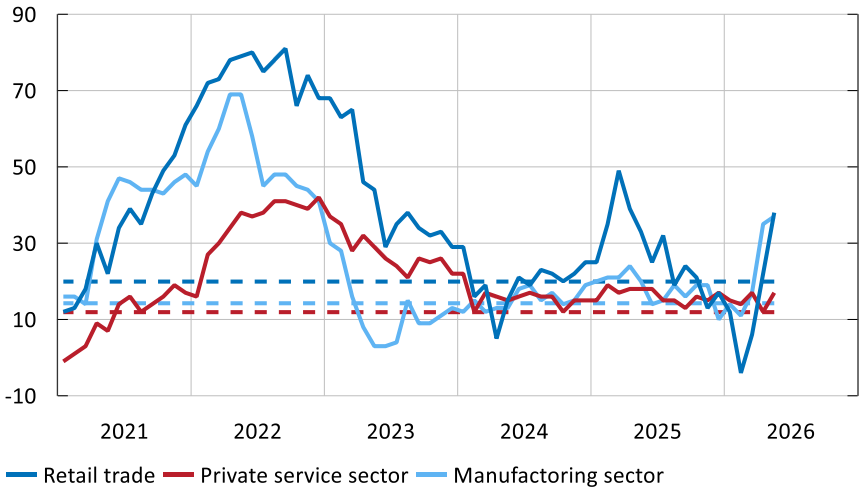
Companies' price plans have risen sharply in retail and the manufacturing sector and there are more companies than normal stating that they will raise prices rather than lower them (see Figure 15).[24] At the same time, futures prices suggest that oil prices are nevertheless set to fall relatively fast, and lower public transport fares and reduced fuel taxes are expected to curb price rises for both companies and consumers in

[24] In the retail sector, the sharp shift from companies previously expecting price cuts to now anticipating price rises is likely linked to the reduction in VAT on food in April.

Sweden over the coming months. This reduces the risk of price rises spreading to other parts of the economy. Inflationary pressures from domestic labour costs and resource utilisation also remain subdued.

Figure 15. Price plans

Net figures



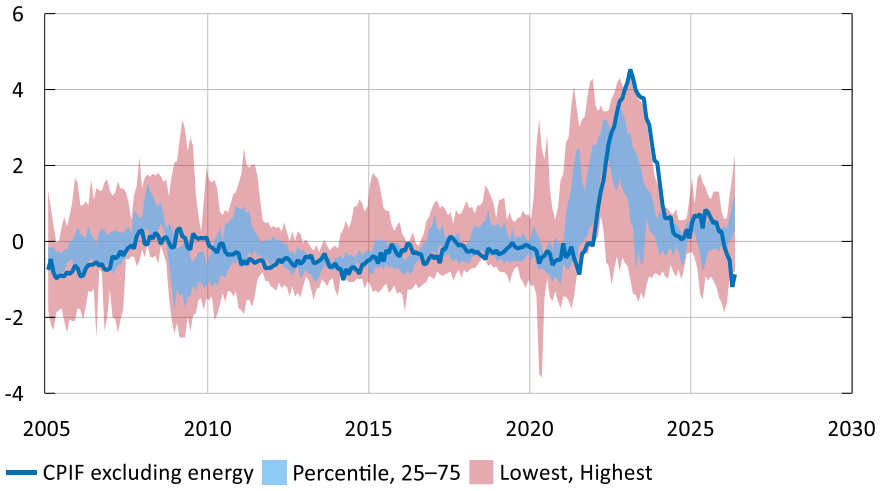
Note. The net figures for how many companies responded that they plan to increase their prices rather than reduce them in the coming three months according to the Economic Tendency Survey. Seasonally adjusted data. The dashed lines represent the average for the period 2005–2026.

Source: National Institute of Economic Research.

In summary, a wide range of indicators suggests that inflationary pressures have been driven up by factors linked to supply shocks, whilst inflationary pressures linked to domestic factors are more subdued. Overall, inflationary pressures are now judged to be slightly higher than normal (see Figure 16).

Figure 16. CPIF excluding energy with indicators

Standard deviation



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, 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 light-blue area shows the indicators in the 25th and 75th percentiles. The price index is expressed as an annual percentage change. The series are standardised from the year 2000 so that the mean value is 0 and the standard deviation is 1.

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

FACT BOX – The Riksbank's Business Survey, May 2026[25]

Companies describe a situation with continued weak economic activity. In the previous survey in February, prior to the outbreak of war in the Middle East, companies perceived a cautious improvement in economic activity. So far, the war has not had any significant impact on this picture. But uncertainty has increased again, and the war is being described as "a new black swan" that risks delaying an already prolonged and fragile economic recovery.

The contrasts among companies that sell to other companies remain. Those with operations or customers in data centres, defence, aviation and mining continue to face strong demand. Others say, "We're managing, but things are not good." The wood and pulp industry continues to face tough times, partly due to the slow pace of housing construction. Among those who are dissatisfied with current demand, the war in the Middle East is seen as a risk that could further dampen customers' willingness to invest.

The retail and hospitality sectors' view of the economic situation has gradually improved over the past year as households have consumed more. This trend has continued, but at a slow pace. The non-durable goods segment is seeing increased sales volumes following the temporary reduction in food VAT, but other sectors are also experiencing an improved sales trend. So far, the war has had little impact on willingness to consume. However, there is widespread concern that household consumption will be affected in the future if inflation and interest rates rise.

A clear majority of companies are being affected by the war in the Middle East, primarily through gradually rising costs. They state that the effects of the war have so far been manageable. This is partly because companies have taken steps to improve their resilience to various types of disruption following the crises of recent years. Several mention that they have strengthened their supply chains via, for example, short delivery chains and using multiple suppliers for critical goods. Companies that sell to other companies are also making greater use of various types of contractual clauses to make it easier to pass on unexpected cost increases to their customers.[26] Another reason why the effects of the war have so far deemed to be manageable is that cost pressures have been weaker during the autumn and earlier during the spring, particularly among companies selling to households. This means that companies are now able to absorb certain cost increases. However, several companies believe that the longer the war goes on, the greater the impact and the difficulties in managing the situation will be.

Overall, companies selling to other companies are already seeing increased costs, while companies selling to households are not yet affected as much. However, all sectors expect the cost increases to be felt more clearly in the autumn and early 2027.

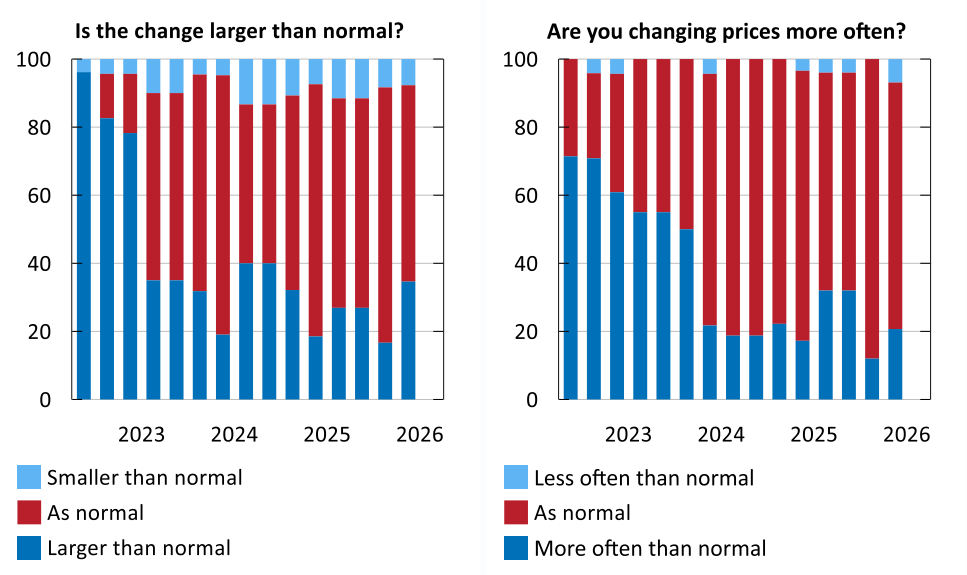
[25] For further information, see the full report, *"The Riksbank's Business Survey, May 2026"*.

[26] For example, companies are highlighting index clauses, clauses that can trigger renegotiation during the current contract period, and clauses that allow companies to levy a temporary surcharge. Some industries have used clauses for material costs for a long time, but since the pandemic, transport and energy cost clauses have also become more common.

One business leader states: “Even if there is peace today, there are cost increases that will have to be paid.” But it is uncertain how large the pass-through to selling prices will be. Companies intend to raise prices over the coming year, but the size of the price rises will depend on how costs and demand develop: “We will of course try to pass it on to the end customer, but it’s a bit too early to say where we will land there.” Even companies that have contractual clauses covering unforeseen costs state that the ability to raise prices depends on demand. If there is “still quite weak pressure, prices don’t automatically go up.” Compared with February, a slightly higher proportion now plan to raise prices by more than usual (see Figure 17). But most say that prices will not change more often and they “don't see that there will be any major price increases”.

Figure 17. Size and frequency of planned price change

Per cent



Note. The figures show the share of companies who responded that they had increased or are planning to increase selling prices in the current quarter, the coming quarter or the coming 12 months.

Source: The Riksbank’s Business Survey, May 2026.

2 Outlook for the coming years

It is still difficult to assess what impact the supply shocks linked to the war in the Middle East will have on the economy. As in March, futures prices suggest that the supply of oil will begin to normalise in the near future and that prices will then fall, albeit to higher levels than the Riksbank had assumed in its March forecast. Inflation is set to rise significantly globally this year due to higher energy and fuel prices, as well as certain indirect effects resulting from the supply shocks. Both this year and next, global GDP growth will be subdued by the shocks and uncertainty surrounding future developments.

Swedish GDP growth is being held back by both higher energy prices and weaker global developments. Stronger domestic demand is expected to drive growth in the Swedish economy in the coming years, and, with some lag, the labour market will also improve. Resource utilisation is expected to rise gradually, and it will not be until the end of the forecast period that the economy comes close to a normal economic cycle. Various temporary fiscal policy measures and volatile energy prices mean that inflation will fluctuate significantly in the coming years. When energy and the direct effects of temporary fiscal policy measures are excluded, inflation will rise from around 1 per cent to just over 2 per cent in spring 2027, before falling back to 2 per cent thereafter.

Key assessments and assumptions in the forecast

- The forecast period stretches until the end of the second quarter of 2029.
- Energy prices are assumed to follow futures pricing. The energy price forecast is based on a 5-day average for the oil price and electricity price futures calculated up to and including 10 June 2026.
- The rise in oil prices is expected to have a limited negative impact on potential GDP.
- Resource utilisation in the Swedish economy is now deemed to be somewhat lower than normal.
- The temporary fiscal policy measures are not expected to affect underlying inflation to any great extent.
- Fiscal policy is expected to be expansionary in 2026 and somewhat contractionary in 2027 and 2028 when it will be adjusted so that general government net lending increases. The ‘new’ defence spending is expected to be financed via borrowing in

the coming years before gradually moving towards being financed within the budget after 2030.[27]
- Import tariffs between the United States and the EU, and thereby Sweden, are assumed to remain at approximately their current level.
- The long-term neutral policy rate is expected to be between 1.5 and 3 per cent.

Monetary policy outlook: The policy rate is left unchanged in June. The forecast implies that the policy rate will be increased during the forecast period towards the midpoint of the Riksbank's currently assessed interval for the long-term policy-rate level.

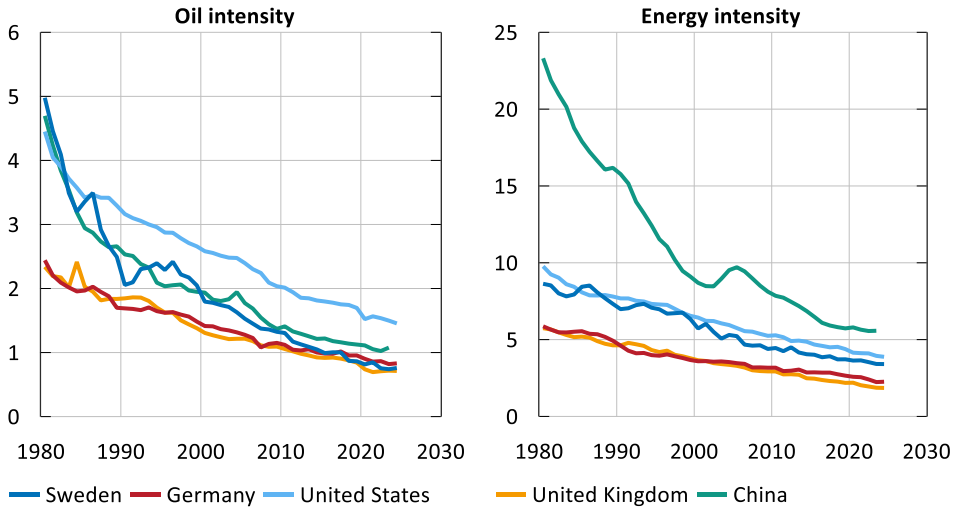
2.1 The economic outlook abroad

There remains considerable uncertainty regarding the production and supply of oil products and other commodities from the Middle East. It therefore remains difficult to assess the impact on the outlook for inflation and economic activity. Oil futures pricing is subject to uncertainty and has fluctuated significantly since the war began (see the Fact box "Options indicate heightened uncertainty about oil prices"). In recent times, futures prices have remained relatively stable over the slightly longer term. As previously, futures prices suggest that oil supply will begin to normalise in the near term, causing oil prices to fall in the second half of the year. However, compared with the starting point for the Riksbank's forecasts in March, futures indicate that prices will be at a higher level going forward (see Figure 4).

The impact of higher energy prices depends, among other things, on the proportion of the energy supply that is made up of oil and natural gas. The greater the proportion, the larger the effect on inflation and growth. Global consumption of oil as a share of GDP, but also of energy in general, has fallen sharply over a long period, but oil intensity has fallen more than energy intensity (see Figure 18). The reduced dependence on oil as an energy source has made the global economy less vulnerable to rises in oil prices.

[27] 'New' defence spending refers to spending decided on after the defence policy bill in autumn 2024 (2024/25:35). See the Swedish Fiscal Policy Council's report *Swedish Fiscal Policy 2026*, Chapter 2 (Not yet available in English).

Figure 18. Oil and energy consumption in relation to GDP growth
Megajoule/USD



Note. Oil intensity and energy intensity are calculated as the consumption of oil and energy, respectively, in relation to GDP. GDP is expressed in PPP-adjusted USD at 2020 prices.

Sources: Energy Institute and OECD.

Inflation abroad is set to rise this year, whilst growth is slowing down

The substantial rises in energy and fuel prices mean that global inflation is rising significantly this year. In financial markets, participants expect higher inflation going forward, with expectations having risen more in the euro area than in the United States (see Figure 8). The Riksbank has also revised up its inflation forecast for abroad (see Table 1).[28] This is because recent outcomes have been higher than expected, and because oil futures are higher than they were at the starting point for the March forecast. Inflation excluding energy has also been revised upwards, as higher prices for oil products and commodities are expected to lead to some pass-through to other prices. However, these effects are expected to be moderate provided that the shocks subside over the course of the year.

Global GDP growth this year is being adversely affected by supply disruptions and uncertainty about future developments (see Table 1).[29] When inflation rises, households' real wages fall, which temporarily dampens consumption growth. In the slightly longer term, real wages and investment linked to AI and defence spending continue to drive development in many parts of the world. However, growth is at the same time being held back by structural factors, such as unfavourable demographic trends and the fact that many countries have weak public finances.

[28] Estimates suggest that the US trade tariffs introduced in 2025 are now having their full impact on inflation in the United States, pushing it up by around 0.8 percentage points; see R. Minton, M. Ray and M. Somale (2026), "Detecting Tariff Effects on Consumer Prices in Real Time – Part II", Fed Notes 8 April, Federal Reserve.

[29] In 2026, euro area GDP is adversely affected by weaker developments in Irish industrial sectors dominated by multinational companies. See also footnote 16 in Chapter 1.

Table 1. International key performance indicators

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

	2025	2026	2027	2028
GDP, euro area	1.5 (1.5)	0.3 (1.2)	1.2 (1.3)	1.3 (1.2)
GDP, United States	2.1 (2.1)	2.0 (2.2)	1.9 (2.0)	2.2 (2.1)
HICP, euro area	2.1 (2.1)	2.9 (2.5)	2.3 (1.9)	2.0 (2.0)
CPI, United States	2.6 (2.6)	3.8 (3.3)	2.8 (2.5)	2.2 (2.3)

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

2.2 The economic outlook in Sweden

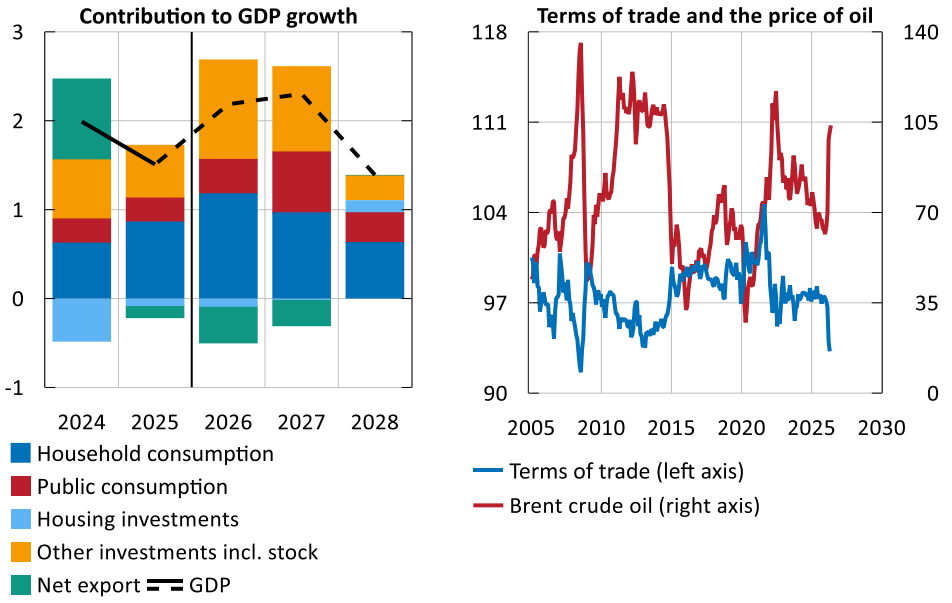
The Riksbank judges that the recovery in the Swedish economy has weakened and will take longer. The effects of the in the Middle East are impacting the Swedish economy in through a number of channels. Higher oil prices are dampening global demand, reducing Swedish households' real purchasing power and increasing costs for companies. Sweden's terms of trade are also clearly linked to the price of oil (see Figure 19). A deterioration in the terms of trade means that Sweden needs to export more in order to finance the same volume of imports. This results in lower real incomes for the economy as a whole, which also dampens growth.

Despite the war in the Middle East, stronger domestic demand is expected to bolster the economy going forward, and GDP growth this year and next year is expected to be higher than last year. In the forecast, GDP grows by 2.2 per cent in 2026 and 2.3 per cent 2027 before shifting downwards (see Figure 19 and Table 2).

Fiscal policy is more expansionary in 2026 than the Riksbank's previous assessment. Most of the new measures consist of tax cuts on fuel and other support for households. The more expansionary fiscal policy will make a positive contribution to growth this year but also weaken public finances further (see the Fact box "Spring amending budgets"). According to the Riksbank's forecast, the public sector's net lending deficit this year is close to three per cent of GDP. It is important for the credibility of the fiscal policy framework that public net lending is strengthened in the coming years and that the Riksdag (Swedish parliament) does not wait too long to set out a plan for how the increased defence spending and other unfunded fiscal policy measures are to be financed in the long term.

Figure 19. Contributions to GDP growth, terms of trade and the price of oil

Per cent (GDP) and percentage points (contribution to GDP), and ratio (terms of trade) and USD/barrel (oil price)



Note. Contribution to annual percentage change in GDP in fixed prices. Vertical solid line marks the start of the Riksbank's forecast (left). The terms of trade are defined as the ratio of the export deflator to the import deflator (right).

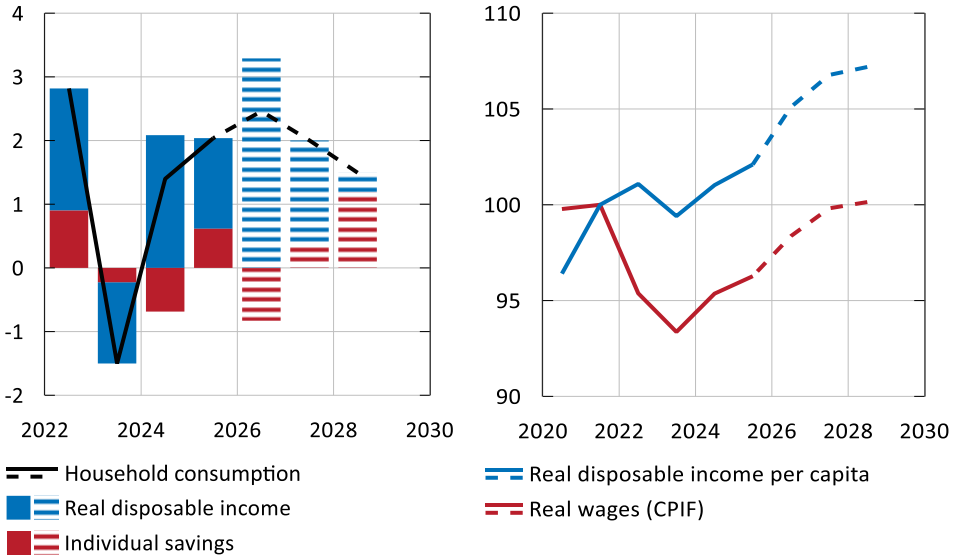
Sources: Macrobond Financial AB, Statistics Sweden and the Riksbank.

In the forecast, growth in the coming years will be driven primarily by domestic demand. Household purchasing power has been bolstered by rising real wages since 2023 and real disposable income is receiving further support this year from fiscal policy (see Figure 20). Household finances are also being boosted by a stronger labour market situation. In the forecast, household consumption is expected to increase against the backdrop of continued growth in real disposable income and a slight decline in household savings going forward (see Figure 20).

According to the Riksbank's forecast, public consumption and public investment continue to grow at a relatively rapid pace, partly as a result of rising defence expenditure. Housing investment is also expected to rise from low levels. However, slower population growth is holding back demand for housing, and the upturn in housing investment is expected to be modest. Slower global growth is hampering exports, which, in the forecast, are expected to rise in line with the forecast for export market growth. Imports are expected to grow more strongly than exports, and foreign trade will therefore make a negative contribution to GDP growth in 2026 and 2027 (see Figure 19).

Figure 20. Contributions to household consumption, real wages and real disposable income per capita

Annual percentage change and percentage points (left) and index, 2021 = 100 (right)



Note. Household consumption refers to the annual percentage change and the contributions of real disposable income and households' own savings are measured in percentage points (left). Real wages are calculated as the ratio between the nominal wage level and the CPIF (right). Real disposable income (per capita) is calculated as the ratio between disposable income and the household consumption deflator, which usually increases at approximately the same rate as the CPIF. Solid lines/bars refer to outcomes, dashed lines/bars refer to the Riksbank's forecast.

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

The labour market is expected to improve, and resource utilisation is expected to rise slowly

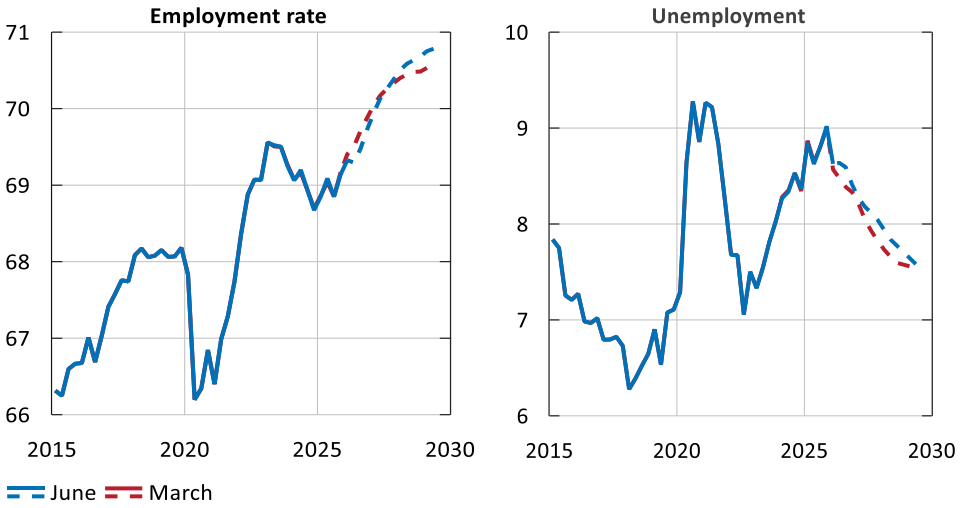
The labour market tends to follow GDP trends with some lag, and the slower recovery is also holding back labour market developments. However, following a somewhat weaker development in the second quarter of this year, the labour market is expected to improve, with the employment rate rising and unemployment falling (see Figure 21 and Table 2).[30] At the end of the forecast period, unemployment is expected to amount to 7.6 per cent.

Resource utilisation, measured by the GDP gap and the employment gap, is expected to rise slowly, but it will not be until the end of the forecast period that the economy comes close to a normal economic cycle (see Figure 22).

[30] The number of persons employed has been revised downwards, but compared with the March Monetary Policy Report, the employment rate is roughly the same at the end of the forecast period due to lower population growth in Statistics Sweden's new population forecast. The population forecast is based on the Temporary Protection Directive that applies until March 2027 and assumes that Ukrainians who have fled to Sweden will return thereafter. However, as it is unclear how long the war will last and the directive may be extended, the Riksbank assumes that a large proportion of the Ukrainians who have fled the war to Sweden will remain here. This affects the assessment of the economy's potential.

Figure 21. Employment rate and unemployment

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

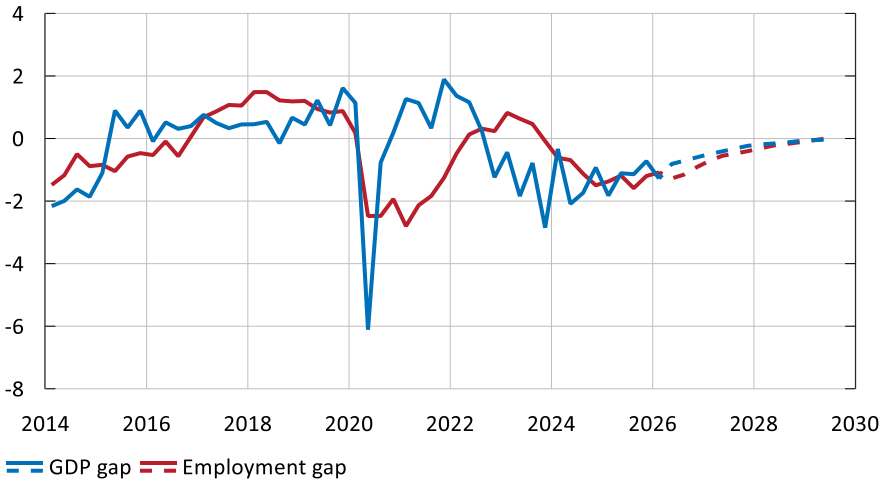


Note. Seasonally adjusted data. Refers to persons aged 15–74. Solid lines refer to outcomes and dashed lines to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Figure 22. Measures of resource utilisation

Per cent



Note. The gaps refer to the deviation in GDP and employment from the Riksbank's projected trends. Solid lines refer to outcomes and dashed lines refer 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 are from the forecast from the previous Monetary Policy Report.

	2025	2026	2027	2028
GDP	1.5 (1.5)	2.2 (2.5)	2.3 (2.6)	1.4 (1.3)
Employed persons	0.4 (0.4)	0.8 (1.1)	1.0 (0.9)	0.6 (0.6)
Unemployment*	8.8 (8.8)	8.6 (8.4)	8.2 (8.0)	7.8 (7.6)
GDP gap**	-1.2 (-1.5)	-0.8 (-0.8)	-0.4 (-0.1)	-0.1 (0.0)
General government net lending***	-1.3 (-1.5)	-2.7 (-2.5)	-2.2 (-2.1)	-1.4 (-1.3)

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

Sources: Statistics Sweden and the Riksbank.

FACT BOX – Spring amending budgets

The spring amending budget and the supplementary amending budgets that have been announced since the Riksbank's latest forecast in March contain temporary, unfunded measures for 2026 totalling SEK 25 billion.[31] This amounts to just under 0.4 per cent of GDP and is more than the average spring amending budget between 2009 and 2019. This is also more than the Riksbank assumed in the forecast in March.

The measures in the budgets mean that public sector revenue will fall by around SEK 9 billion, mainly as a result of reduced fuel tax, whilst public expenditure will rise by just over SEK 16 billion, largely due to reduced public transport fares and electricity and gas price subsidies for households.

The measures in the amending budgets will be implemented in addition to the unfunded measures in the 2026 Budget Bill, which amounted to approximately SEK 90 billion, excluding aid to Ukraine. In total, the Government is thereby implementing measures worth SEK 115 billion this year, equivalent to 1.7 per cent of GDP.

The effects of fiscal policy on the economy are uncertain and depend on a number of factors, including policy design.[32] The effects on GDP can be estimated using what are known as fiscal multipliers. There are several different studies that estimate the size of multipliers and the results of the studies vary.[33] Since the March forecast, the

[31] The latest supplementary amending budget also contains new information regarding Sweden's support for Ukraine. The support forms part of the 2026 framework adopted in the Budget Bill and was included in the Riksbank's latest forecast. The amending budget means most of the remaining funds under the 2026 framework will be used to finance expenditure for the period 2027–2034. The real economic impact of this expenditure is uncertain, but it is not expected to have a significant effect on domestic demand during the forecast period.

[32] See also the discussion on uncertainty associated with fiscal policy in Chapter 3.

[33] For a summary of the conclusions of various studies, see National Institute of Economic Research (2021), "Fiscal multipliers in Sweden - A quantitative model perspective", special study in Wage formation report 2021, National Institute of Economic Research.

Riksbank has revised growth upwards for the last three quarters of 2026 by an average of just under one-tenth of a percentage point per quarter, following new information on fiscal policy.[34,35] Some of the new fiscal policy measures also have a direct effect on inflation (see the Fact box "The effect of temporary fiscal policy measures on inflation" for further discussion).

The fiscal policy framework, which, among other things, aims to ensure the long-term sustainability of fiscal policy, covers the surplus target which involves one-third of a percentage point of GDP on average being saved over an economic cycle. In 2027, this target will be changed to a balanced budget target, which means that, on average, public revenue and expenditure shall be equal over a business cycle.[36] In addition, the EU's Stability and Growth Pact stipulates, among other things, that Member States' budget deficits must not, as a general rule, exceed 3 per cent of GDP. Overall, this year's measures will contribute to an increase in the public sector net lending deficit from 1.3 per cent of GDP in 2025 to around 2.7 per cent in 2026, according to the Riksbank's forecast. Next year, the deficit is expected to fall to 2.2 per cent of GDP as a result of improving economic activity and tighter fiscal policy. The deficit is due, among other things, to higher defence spending and aid to Ukraine. Under a parliamentary agreement, these expenditure items are to be financed by borrowing initially, after which the borrowing will be phased out gradually by 2035.

[34] Other factors, including a weaker-than-expected GDP outcome in the first quarter of 2026 and lower global growth, mean that GDP growth for 2026 has nevertheless been revised downwards compared with the Riksbank's latest forecast in March.

[35] To support its estimates of the macroeconomic effects of fiscal policy, the Riksbank uses what is known as a structural vector autoregressive model (SVAR) estimated using Bayesian methods. The model is based on one of the Riksbank's main macroeconomic models, BVAR11. Structural shocks are identified using sign restrictions, in line with Mountford, A. and H. Uhlig (2009), "What are the effects of fiscal policy shocks?" Journal of Applied Econometrics, 24(6), pp. 960–992.

[36] See also the box "Balance target for public net lending" in Monetary Policy Report, December 2024.

2.3 Inflation outlook in Sweden

Due to the initial situation the indirect effects on inflation of the increase in oil prices are assessed as limited

However, the higher energy prices are also expected to have some indirect effects on underlying inflation via rising costs for companies and higher prices for imported goods. Given the nature of the energy shock and the economic conditions, these effects are expected to be limited, but there is considerable uncertainty (see the analysis “The impact of the war in the Middle East on Swedish inflation”). Demand in the Swedish economy is somewhat weaker than normal, which means that it is more difficult for companies to pass on increased costs to consumers. In addition, the war has primarily affected oil prices, rather than natural gas and electricity prices, which were important factors in the upturn in inflation in Europe 2022 and pushed up Swedish import prices at that time. However, the price of oil has a direct impact on inflation, primarily through fuel prices.

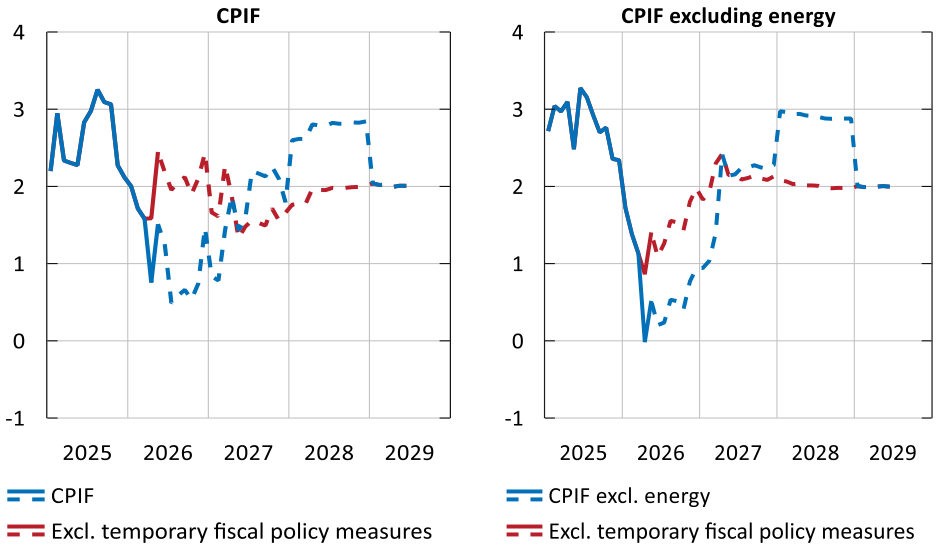
Temporary fiscal policy measures subdue inflation in the short term

Various temporary fiscal policy measures and volatile energy prices mean that inflation will fluctuate significantly in the coming years (see the Fact box “The effect of temporary fiscal policy measures on inflation”). The effects of tax cuts and other fiscal policy measures on inflation is historically large. The temporary measures will have the greatest impact on CPIF inflation in July this year, when they are expected to push inflation down by 1.5 percentage points (see Figure 25). From mid-2027 to the end of 2028, inflation will then rise by around 0.8 percentage points as the measures are gradually phased out. CPIF inflation will therefore be clearly below the target of 2 per cent this year but above the target in 2028 (see Figure 23 and table 3). Towards the end of the forecast period, CPIF inflation is expected to be close to target again. When energy and the direct effects of temporary fiscal policy measures are excluded, inflation will rise from just over 1 per cent at the outset to at most just under 2.5 per cent in spring 2027 and then fall back to 2 per cent (see Figure 23).

Higher market prices for energy are contributing to higher CPIF inflation this year, but these effects are being counteracted by tax cuts on fuel. Adjusted for the direct effects of rising energy prices, inflation is expected to be low in 2026 (see Figure 23). The indirect effects of higher energy prices are also being mitigated to some extent by the temporary fiscal policy measures, and in the Riksbank’s forecast these effects are expected to be limited (see the analysis “The impact of the war in the Middle East on Swedish inflation”).

Figure 23. Inflation including and excluding temporary fiscal measures

Annual percentage change



Note. For the indices excluding temporary fiscal policy measures, the direct effect on the price level of temporary tax reductions on food and fuels and the temporary reduction in public transport fares implemented in 2026 have been excluded. Solid lines refer to outcomes and dashed lines refer to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Inflation is expected to rise gradually as the strengthening of the krona in 2025 ceases to subdue inflation and the economy gains momentum. The krona is projected to strengthen marginally over the forecast period, and the effect on inflation is expected to be small from the start of 2027 (see Figure 24). Over the coming years, wages and productivity in Sweden are expected to increase at a rate that its compatible with inflation pressures close to target (see Table 3). The firm anchoring of long-term inflation expectations at 2 per cent also contributes to the Riksbank's assessment that inflation will be close to the target in the medium term.

Table 3. Key performance indicators for inflation

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

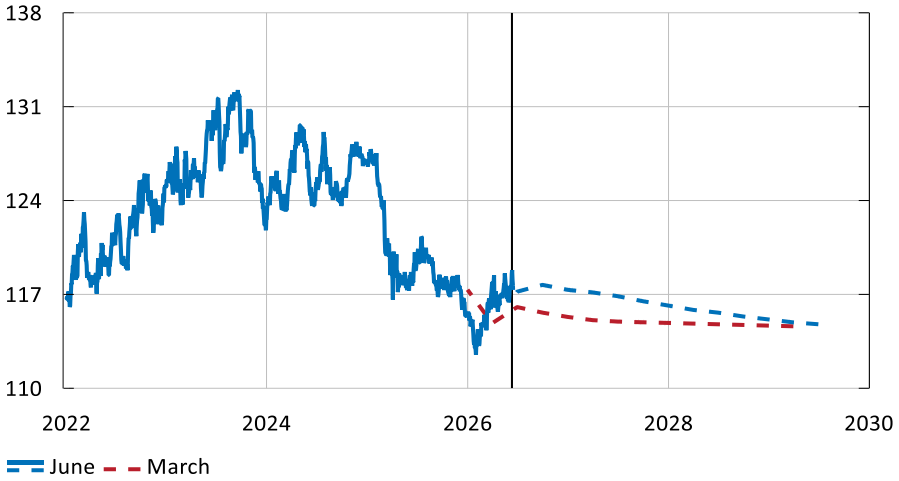
	2025	2026	2027	2028
CPIF	2.6 (2.6)	1.1 (1.5)	1.7 (1.3)	2.8 (2.7)
CPIF excluding temporary fiscal measures	2.6	2.0	1.6	1.9
CPIF excluding energy	2.8 (2.8)	0.7 (1.1)	2.0 (1.7)	2.9 (2.8)
CPIF excluding energy and temporary fiscal measures	2.8	1.4	2.1	2.0
CPI	0.7 (0.7)	0.6 (0.8)	2.7 (2.0)	3.4 (3.5)
Wages, NMO	3.6 (3.7)	3.3 (3.4)	3.2 (3.2)	3.1 (3.1)

Note. NMO is the National Mediation Office's short-term wage statistics.

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

Figure 24. Nominal exchange rate

Index, 18 November 1992 = 100



Note. The KIX (krona index) is a weighted average of the currencies in 31 countries that are important for Sweden's international trade. A lower value indicates a stronger exchange rate. Solid line refers to outcome and dashed lines refer to the Riksbank's forecast. The solid vertical line marks 11 June, which is the last observation included in the Riksbank's forecasts.

Source: The Riksbank.

FACT BOX – The effect of temporary fiscal policy measures on inflation

The measured rate of inflation is directly affected by fiscal policy measures such as changes to VAT rates, changes to excise and environmental taxes, and changes to tax relief schemes such as the ROT (Repairs, Conversion, Extension) and RUT (Cleaning, Maintenance, Laundry) schemes. Measures of this kind are usually permanent and have historically had limited direct effects on overall inflation. As inflation is usually measured as the annual percentage change in a price index, these measures will affect inflation over the course of a year, after which the effect will wear off. However, the government has recently announced several temporary fiscal policy measures that are leading to lower prices and which, taken together, are having a significant impact on inflation. Furthermore, when the measures are temporary, they have a double impact on inflation. When the measure is introduced, it helps to reduce inflation, and when it is subsequently reversed, it instead contributes to higher inflation. The temporary measures introduced this year will therefore affect measured inflation for almost the entire forecast period.

In addition to the direct effects, tax changes can affect inflation indirectly via different channels. They free up household spending power and thus contribute to demand that is higher than it otherwise would have been and, consequently, to higher inflation at the margin. Lower fuel taxes may also mitigate indirect effects on inflation of higher fuel prices as cost pressures for companies decrease (see the analysis "The

impact of the war in the Middle East on Swedish inflation"). The changes could also have second-round effects on inflation, for example via inflation expectations and companies' pricing behaviour. However, the fact that the measures are temporary and apply to clearly specified goods and services suggests that these effects will be minor.

Full pass-through of the reduction in VAT on food

On 1 April, VAT on food was reduced from 12 per cent to 6 per cent. In the event of full pass-through to customers, prices for the products concerned will, all else equal, fall by 5.4 per cent. CPI data from Statistics Sweden for April show that prices for most food items fell in line with the implications of the VAT reduction. This is also supported by higher-frequency data, which allows analysis of the price changes immediately around the turn of the month. This data also suggests full pass-through. According to Statistics Sweden's data, the total effect on CPIF inflation of the reduction in VAT on food amounts to approximately 0.8 percentage points and is in line with the contribution previously assumed by the Riksbank in previous forecasts.

Temporary reductions in fuel taxes and halved public transport fares

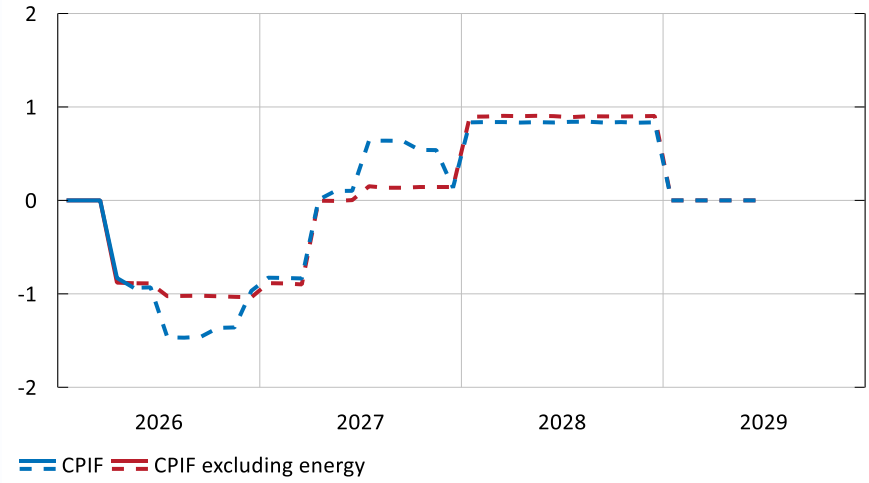
Since the Monetary Policy Report in March, further temporary measures have been announced which will bring down inflation this year. One of the measures involves two temporary reductions in fuel duty: a small reduction between May and September, and a larger reduction of SEK 3 for both petrol and diesel between July and November. Together, they are expected to help reduce CPIF inflation by up to 0.5 percentage points. Another measure is to temporarily halve the price of public transport season tickets throughout Sweden. This will reduce inflation by just over 0.1 percentage points in the second half of this year.

These temporary measures will complicate the inflation picture throughout the forecast period

In total, the temporary fiscal measures will at most reduce the annual growth rate in the CPIF excluding energy by around 1 percentage point and in the CPIF by around 1.5 percentage points in the third quarter of 2026. When these measures come to an end, they will instead contribute to an increase in inflation in both 2027 and 2028. VAT on food is scheduled to be restored in January 2028 and will then push up the inflation rate by just over 0.8 percentage points during the year. As for the other temporary measures, the impact on inflation is somewhat more difficult to interpret. First, inflation will revert when the measure itself expires. Subsequently, the rate of inflation will rise temporarily in 2027 during the corresponding months in which the measures were in effect this year. This is because the annual rates for these months will be calculated in relation to the temporarily lower price levels in 2026. Overall, this means that CPIF inflation will be around 0.8 percentage points higher than it would otherwise have been from mid-2027 to the end of 2028 (see Figure 25).

Figure 25. The effect of temporary fiscal policy measures on the CPIF and the CPIF excluding energy

Percentage points



Note. The effect of temporary fiscal policy measures refers to the direct effect on the price level of temporary tax reductions on food and fuels and the temporary reduction in public transport fares implemented in 2026 have been excluded. Solid lines refer to outcomes and dashed lines to the Riksbank's forecast. Latest outcome refers to May 2026.

Sources: Statistics Sweden and the Riksbank.

It is not unusual for inflation to be affected by temporary price changes that are of less significance for developments in the medium term. The Riksbank therefore takes into account various measures of more underlying inflation that strip out temporary price changes. At present, it is considered that inflation measures which strip out the direct effects of temporary fiscal policy measures provide a better picture of the level of the more persistent component of the measured inflation rate.

ANALYSIS – The impact of the war in the Middle East on Swedish inflation

According to the Riksbank's forecast, inflation is expected to be higher than it would otherwise have been this year and next year as a result of the war in the Middle East. Rising oil prices affect inflation both directly, through fuel prices, and indirectly, through higher costs for companies. The indirect effects are likely to be non-negligible but are not directly discernible in the statistics, and different methods of estimating them yield different results. The war has also driven up prices for other commodities from the region, which may also fuel inflation, particularly through imported goods. At the same time, however, fuel tax cuts have both been implemented and announced, which reduces the costs increases faced by companies.

The war in the Middle East is affecting inflation both directly and indirectly

The most immediate consequence of the war in the Middle East was a rise in oil prices. Oil prices have a direct impact on CPIF inflation, as petrol and diesel prices are included in it. If, for example, the price of crude oil rises from USD 70 to USD 100 per barrel, as it did when the war broke out, the CPIF increases by 0.4–0.5 per cent immediately in the same month. However, rising oil prices also have an indirect impact on inflation, as they increase companies' costs, which are then usually passed on to end customers to a greater or lesser extent. The indirect effects are likely to be non-negligible but are not directly discernible in the statistics.

The indirect effects can be estimated using an input-output model

Using a so-called input-output model, it is possible to calculate how a change in the price of oil spreads through the economy. These calculations suggest that an oil price increase from USD 70 to USD 100 per barrel, could have an indirect effect that is twice as large as the direct effect and push up the CPIF excluding energy by a maximum of around 0.9 per cent.[37]

One advantage of an input-output model is that it is based on companies' actual costs and the proportion of those costs attributable to oil products. It also takes into account the impact of oil being used in other products, such as plastics. The analysis therefore provides an indication of the possible total magnitude of the price changes

[37] The estimate has been retrieved from an input-output model that analyses prices based on companies' intermediate consumption and labour costs, see Glans, E. (2019) "PRIOR – NIER's input-output based cost-push price model", Other publication, National Institute of Economic Research, September 2019. See also the discussion in "Price and Cost Trends 2019–2023: Analysis with a price model", Special studies, December 2023, National Institute of Economic Research.

in the consumer channel if companies were to choose to pass on the full cost increase. However, it provides no information on how quickly or to what extent companies have previously adjusted their prices in response to a rise in the price of crude oil. Nor does it capture second-round effects arising from, for example, rising inflation expectations, changes in pricing behaviour or higher rates of wage growth. At the same time, the analysis assumes that prices will remain permanently higher, and disregards the fact that the impact would be less if oil prices were to fall again.

Indirect effects can also be estimated using econometric methods

Another way of estimating the indirect effects is to use models based on historical data. Rather than assuming a direct and complete pass-through, an econometric method is used to calculate the average historical relationship between oil prices and inflation.

The Riksbank published such an estimate from a VAR model in 2008. It suggested that, on average, the indirect effects had been roughly as large as the direct effects but spread over two years.[38] The National Institute of Economic Research reported similar results in a study from 2016.[39] Both studies estimated the impact on inflation of a permanent 10 per cent change in the price of oil. According to them, the CPIF excluding energy could rise by 0.4–0.5 per cent if the price rose from USD 70 to USD 100. However, the assumption that oil prices will remain permanently higher is not particularly realistic, and the effect would be less significant if oil prices were to fall again.

A more recent study by the Riksbank estimates the effects of oil price shocks.[40] In it, the pass-through of a change in oil prices to the CPIF excluding energy is roughly twice as large as the direct effect on the CPIF. If the price of oil rises from USD 70 to USD 100, this could push up the CPIF excluding energy by around 0.9 per cent after about a year. However, the result is sensitive to the estimation period chosen. If the estimates are based on data from the period prior to the year with high inflation 2022 and 2023, the effects are smaller and more in line with previous econometric studies.[41]

Prices are affected to varying degrees and at different speeds

Different prices are affected to varying degrees and at different speeds by a change in the price of oil. Figure 26 presents the results of model estimates showing that transport prices (where fuel costs are included) are affected relatively directly, while prices for other, more service-intensive consumption are affected at a later stage.

[38] See M. Bjellerup and M. Löf, "The effects of the oil price on inflation in Sweden", Economic Commentaries no. 4, 2008, Sveriges Riksbank.

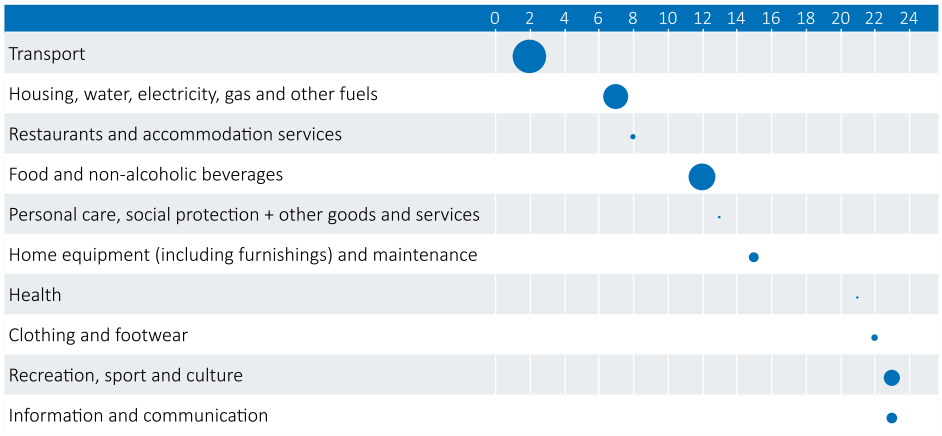
[39] See Article: “The significance of crude oil prices for consumer prices”, Swedish Economy Report, March 2016. National Institute of Economic Research.

[40] See A. Czarnota (2026), “The Effects of Oil Price Shocks on the Swedish Economy”, Staff Memo, June, Sveriges Riksbank

[41] The data suggests that the pass-through may be greater during periods of high inflation. We have recently been in a “hyperinflationary regime” where business costs and demand have fluctuated more than usual, and companies have passed on more of their costs to their selling prices to a greater extent than before. See, for example, S. Durakovic, J. Johansson and O. Tysklind (2025), “Lessons from the hyperinflationary period”, article in Economic Review, 2025:2, Sveriges Riksbank and C. Borio, M. Lombardi, J. Yetman and E. Zakrajšek (2023), “The two-regime view of inflation”, BIS papers No 133, Bank for International Settlements.

Changes in transport prices have the greatest impact on inflation, followed by food prices and housing costs.

Figure 26. Estimated effects of oil prices on various components of the CPIF
Time to maximum effect (months) and relative effect magnitude



Note. The figure shows the time lag between a change in the oil price and the point at which the maximum effect on the price level is reached. The size of the bubble indicates the contribution to total CPIF inflation, calculated as the maximum effect multiplied by the weighting of the respective index. The maximum effect is based on calculations in the Staff Memo 'The Effects of Oil Price Shocks on the Swedish Economy', June 2026, Sveriges Riksbank.

Sources: Statistics Sweden and the Riksbank.

The war has also affected other commodity prices

Since the war broke out, prices for other commodities produced in the Middle East have also risen. This also applies to commodities that do not normally rise in price alongside oil prices, such as natural gas, helium, sulphur and urea. There is also a risk of shortages of certain inputs arising. All this could fuel inflation.

However, whilst commodity prices have risen, energy taxes have been cut, both in Sweden and abroad. The government is expected to cut taxes further, which means that fuel prices in Sweden will return to levels close to those seen before the war broke out. This helps to prevent companies' energy costs from rising as a result of the war and reduces their need to raise prices for end customers.

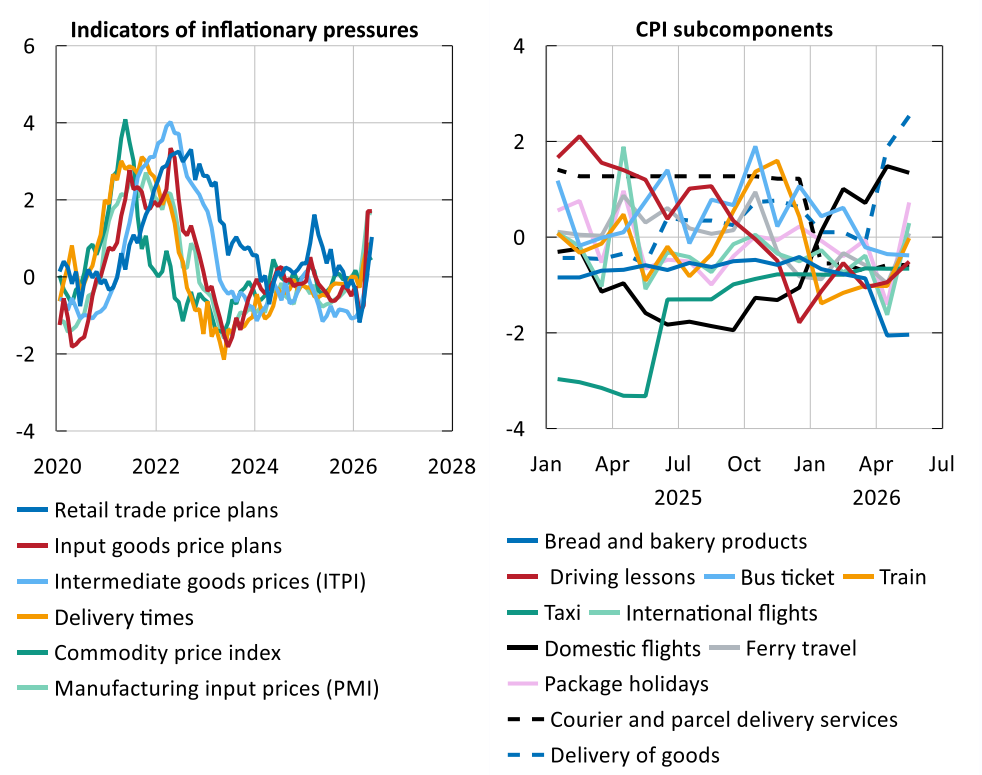
Indicators point to increased cost pressures at an early stage

Survey data up to and including May shows an increase in the monthly indicators of price developments in the early stages of production. These indicators should provide an early indication of whether inflationary pressures are on the horizon. For example, Figure 27 shows that price plans among input-producing companies and the companies' assessments of their own input prices have risen. Companies also report that delivery times have increased slightly, which may be an indication of a shortage of certain inputs. However, the increases are not as significant as those seen in 2021 and 2022 following the pandemic and Russia's invasion of Ukraine, and there are as yet no clear signs of unusual price rises in more consumer-facing sectors. In the Riksbank's

Business Survey, companies state that there is no shortage, but that costs have risen, which they are expected to pass on, in part, to end customers.[42]

It is also possible to track price developments on a more detailed level in the consumer channel, where the pass-through of higher costs should first become apparent. The statistics up to and including May show no clear signs yet that consumer prices have started to rise more rapidly for any particularly energy-intensive goods (see Figure 27).

Figure 27. Indicators of price pressures and energy-intensive sub-groups in the CPI
Standard deviation



Note. Inputs in the producer channel (ITPI) and the commodity price index are measured as annual percentage change, Purchasing Managers' Index (PMI) as an index and price plans as net figures (left). Sub-groups in the KPI are measured as an annual percentage change (right). The series have been standardised from year 2000.

Sources: The Economist, National Institute of Economic Research, Statistics Sweden, Swedbank and the Riksbank.

War in Middle East contributes to reduced risk-taking

Overall, the war in the Middle East and rising energy prices are expected to have some, albeit limited, indirect effects on Swedish inflation. The evidence suggesting the effects will be limited is that demand is subdued and that, according to futures pricing, oil prices are only expected to be high temporarily. Furthermore, longer-term inflation expectations are well anchored. In addition, there are several other factors

[42] See "A new black swan delaying the recovery", The Riksbank's Business Survey, May 2026.

keeping inflation down this year, including the tax cuts on fuel that have been implemented and announced, which, among other things, are reducing fuel costs for both households and companies. The indirect effects are expected to push up CPIF inflation by at most around 0.4 percentage points in 2027.

3 Monetary policy analysis

The Riksbank has decided to hold the policy rate unchanged at 1.75 per cent. The policy-rate forecast has been revised upwards somewhat and indicates that the probability of a rate rise later this year has increased.

The Riksbank's main scenario is vulnerable to developments in the Middle East. In another scenario, supply shocks resulting from the war give rise to significantly larger indirect effects and lead to a broader and more lasting upturn in inflation. The war could instead help to also dampen demand both abroad and in Sweden, with smaller indirect effects on inflation as a consequence. In such scenarios, the Riksbank would need to adjust its monetary policy to prevent inflation from deviating more persistently from the target.

In addition to the war, there are other risks that could affect the outlook. Moreover, the possibility that the effects of the war interact with other more underlying vulnerabilities in the global economy cannot be ruled out. The range of potential outcomes for what can happen going forward is therefore wide.

Monetary policy is forward-looking

Monetary policy acts with a lag and must therefore be based on forecasts of future economic developments. The forecasts are in turn influenced by the assumptions made about monetary policy, that is, how it is assumed the policy rate and the Riksbank's other monetary policy tools will develop. 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 perquisite for inflation to be close to the target over time, however, is that households and companies have confidence that any deviations from the target are not too long lasting. It is easier to make long-term plans when inflation is stable and economic agents all have a common view of how prices will develop in the future. This in turn creates conditions for favourable economic growth over time.

3.1 Monetary policy in Sweden

The Riksbank has held the policy rate unchanged at 1.75 per cent since September 2025. At the end of 2025 and the beginning of 2026, inflation was approaching 2 per cent at the same time as the Swedish economy was assessed to be growing at a relatively good pace, and the labour market showed signs of improvement. But since the end of February, the war in the Middle East has substantially increased uncertainty in the global economy. At the monetary policy meetings in March and May, the Executive Board assessed that there was scope to await a clearer picture of how supply shocks from the war affect inflation and economic activity. The March Monetary Policy Report also contained scenarios linked to the war in the Middle East.[43] Supply shocks have not, so far, had the impact on the Swedish economy that was assumed in those scenarios.

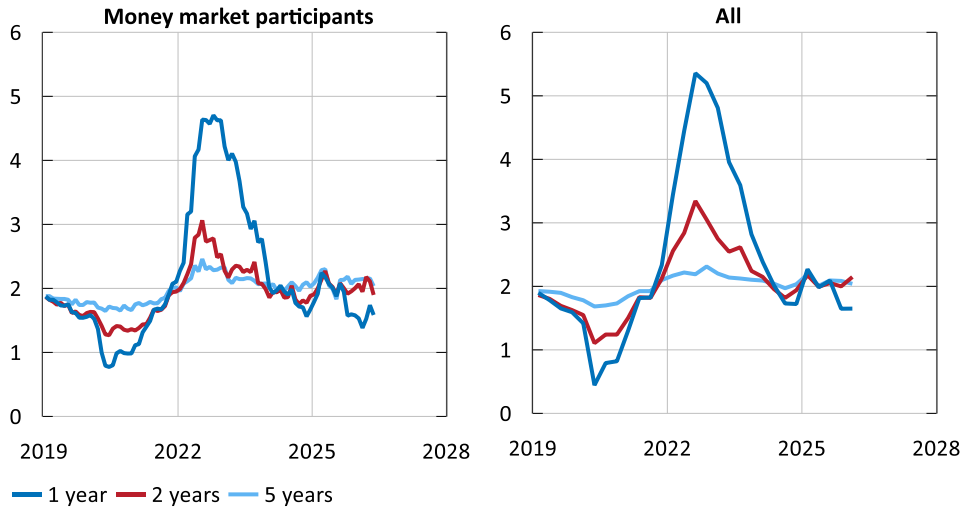
The upturn in energy prices and the supply shocks linked to the war in the Middle East mean that inflation abroad is expected to be higher this year, at the same time as growth slows down. This has caused several central banks to signal a concern for excessively high inflation, but that they want to await further information on the economic effects of the war before changing monetary policy. Some central banks, such as the ECB, have already raised their policy rate and signalled that further increases are possible this year. Pricing in financial markets points to expectations of higher policy rates abroad in the coming period (see Section 1.2).

In Sweden, inflation is currently low, due largely to effects of temporary fiscal policy measures, the earlier krona appreciation in 2025 and slightly lower-than-normal resource utilisation. According to measurements of inflation expectations, inflation is predicted to be below, but relatively close to, the target in the short term (see Figure 28). Inflation expectations in the longer term are well anchored. The mean value for inflation expectations 5 years ahead in Origo's survey is close to target and the spread in the respondents' answers is narrow compared with what it was during the pandemic and the period of high inflation (see Figure 29).

[43] In one of the scenarios, supply shocks led to a broader and more persistent upturn in inflation in Sweden, at the same time as the krona weakened and the economic recovery slowed down. In the other scenario, the energy price development was similar to the main scenario, but the war was assumed to have much greater negative effects on global demand.

Figure 28. Inflation expectations

Per cent

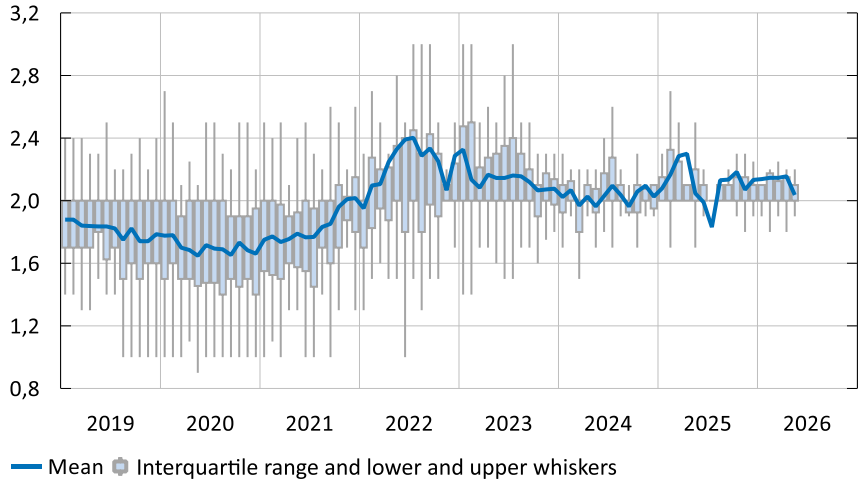


Note. The lines in the figure show the expectations at the time of measurement of different agents about CPIF inflation 1, 2 and 5 years ahead. Monthly data (left) and quarterly data (right).

Source: Origo Group.

Figure 29. Dispersion in 5-year ahead inflation expectations, money market participants

Per cent



Note. Monthly data. The blue line represents average expectations, the light-blue bars show the range between the 25th and 75th percentiles and the grey lines outside the bars indicate the range of variation in expectations, excluding outliers.

Sources: Origo Group and the Riksbank.

Slightly higher policy rate in the years ahead

Inflation in Sweden is low, and economic activity is somewhat weaker than normal. Given the current situation and the well-anchored inflation expectations, there is still some scope to wait for a clearer picture of developments and their impact on the

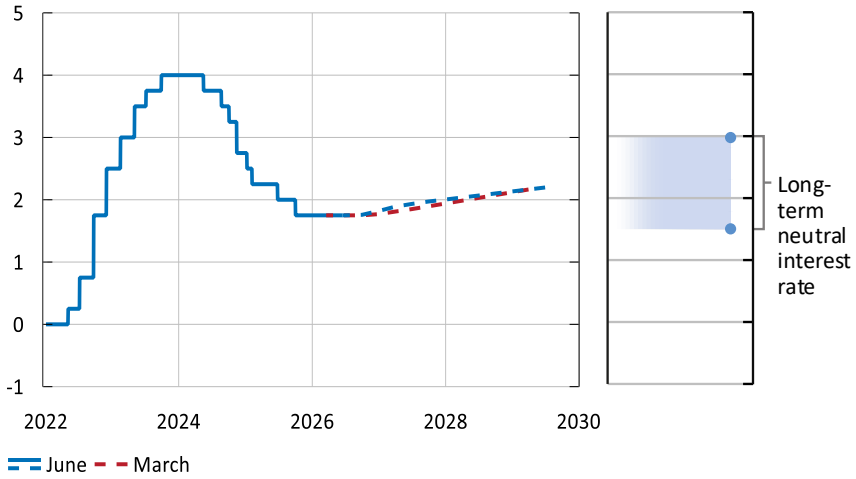
Swedish economy. The Riksbank therefore considers it well-balanced to leave the key interest rate unchanged in the current situation.

However, the Riksbank's assumption that oil prices will fall and supply will return to normal in the near future is highly uncertain. The disruptions in the Strait of Hormuz have continued, and the risks of too high inflation have increased. In the Riksbank's main scenario, supply shocks linked to the war subdue growth and contribute to higher inflation as companies' costs rise. The indirect effects on inflation are expected to be somewhat greater than in the March forecast.

As the risk of inflation becoming too high is assessed to have increased, the policy-rate forecast has been revised upwards somewhat compared with the Monetary Policy Report in March, and the probability that the Riksbank will raise the policy rate later this year has increased (see Figure 30). Thereafter, the policy rate will continue to rise towards the middle of the Riksbank's estimated interval for the long-term policy-rate level.[44] The policy-rate forecast is consistent with a real policy rate that will be close to zero during the forecast period (see Figure 31). By the end of the forecast period, under the assumptions made in the main scenario, resource utilisation is expected to be broadly in balance and thus consistent with close-to-target inflation in the medium term.

Figure 30. Forecast for the policy rate

Per cent



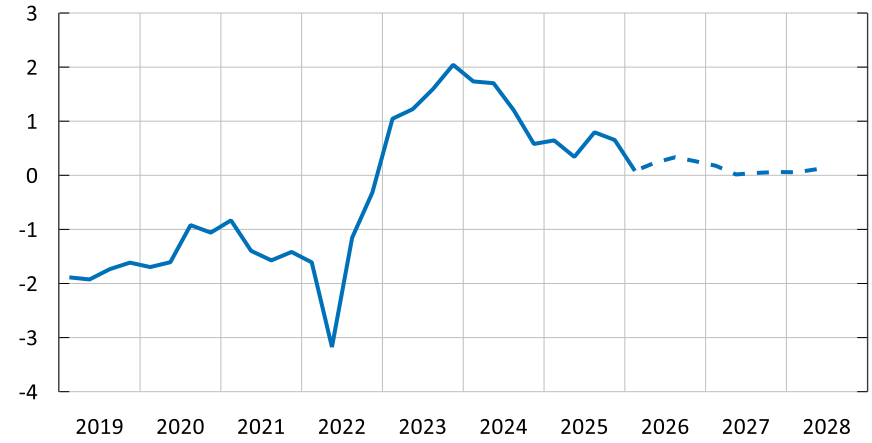
Note. Outcomes are daily rates and forecasts are quarterly averages. Shaded area shows the estimated interval for the long-term neutral policy rate. Solid line refers to outcome and dashed line refers to the Riksbank's forecast.

Source: The Riksbank.

[44] Various estimates of the so-called long-term neutral policy rate 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 equilibrium and not exposed to any shocks. In reality, however, the economy is regularly exposed to various shocks, but since we cannot predict future shocks, these types of estimates can serve as an 'anchor' for the long-term policy-rate forecast. The Riksbank's assessment is that the long-term neutral policy rate 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, Sveriges Riksbank.

Figure 31. 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 excluding direct effects of temporary fiscal measures for the corresponding period. The forecast therefore only extends to the second quarter of 2028. As the real policy rate is forward-looking, outcomes are calculated using the forecasts published at the time.

Source: The Riksbank.

The economy is regularly subjected to shocks that mean the conditions for monetary policy can change swiftly. It is therefore important to be prepared for the possibility that future developments can differ and that inflationary pressures may be either higher or lower going forward. This applies not least now, when the forecasts are unusually uncertain due to the effects of the unpredictable developments in the Middle East. Alternative scenarios are therefore given greater weight in this Monetary Policy Report as well. By illustrating alternative courses of events, the Riksbank can clarify how monetary policy will need to be adjusted if the economy develops in a different way than in the main scenario.[45]

Alternative scenario: Larger indirect effects of the war in the Middle East push up inflation

It is very uncertain how large the macroeconomic effects of the supply shocks from the war in the Middle East will be. It is also uncertain how oil prices will develop going forward and they could become higher than in the main scenario.[46] An increased spread in the distribution of options on oil futures after the outbreak of the war indicates an increased uncertainty regarding market pricing (see the Fact box "Options indicate heightened uncertainty about oil prices"). A larger upturn in the oil price could reinforce the effects described in this section.

So far, the closure of the Strait of Hormuz has contributed to higher oil prices, which directly affect fuel prices and prices of other input good. When the companies pass on

[45] The alternative scenarios have been constructed in the Riksbank's macroeconomic model MAJA, partly with the aid of general supply shocks and shocks that affect the long-term productivity in the economy (see Corbo and Strid, 2020). 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.

[46] See the alternative scenario with higher inflation, *Monetary Policy Report*, March 2026, Sveriges Riksbank.

these costs at a later stage, indirect costs also arise. In this scenario, the indirect effects of the shock are assumed to be significant and greater than in the main scenario, where they raise the price level by at most 0.4 per cent over the forecast period. The indirect effects are assumed to be particularly significant abroad, where shortages of key inputs are affecting production and supply chains in some regions, leading to increased imported inflation in Sweden.

Higher prices abroad push up the prices of imported goods and services for Swedish companies. Moreover, it is assumed in the scenario that the krona weakens, which increases cost pressures further. Mounting cost pressures lead companies to raise their selling prices faster and more than in the main scenario to try to maintain their profit margins. There is also a risk that companies not facing significantly higher costs increase their selling prices. When households face rapid and broad price increases on day-to-day products such as energy and food, the risk that they will expect higher inflation going forward increases. Thus, second-round effects can arise, where an initial commodity price increase transitions into a broader and more lasting upturn in inflation. Overall, therefore, both the indirect effects on inflation and also the risk of second-round effects become greater than in the main scenario. Figure 32 Illustrates the development of inflation in the scenario, measured by the CPIF excluding energy and direct effects of temporary fiscal policy measures.

The real economy is also negatively affected, both in Sweden and abroad (see Figure 32). Households' purchasing power is undermined by rising consumer prices, which reduces consumption. At the same time, companies' profit margins are squeezed by higher purchasing costs and lower global demand in the manufacturing industry, which dampens investments. While the potential in the economy becomes lower in relation to the main scenario due to the supply shocks, GDP is affected even more negatively due to weaker demand. Taken together, this increases the amount of spare capacity.

When forward-looking indicators point to the inflationary effects becoming significant and when inflation risks persistently overshooting the target, the Riksbank raises the policy rate (see Figure 33). This admittedly occurs in a situation where resource utilisation is somewhat lower than normal, but the alternative – to wait longer before raising the policy rate – would entail a risk of a more powerful tightening further ahead, which could create even greater costs for households and companies. If, moreover, the delay in adjusting monetary policy were to undermine confidence in the inflation target, and this confidence needs to be restored, the costs to households and companies could be particularly high. The policy rate would then need to be raised further and stay higher for a longer period.

By tightening monetary policy, the Riksbank safeguards the inflation target, which provides better conditions for good economic developments over time. In this scenario, the Riksbank therefore raises the policy rate earlier and more than in the main scenario. A series of policy rate increases begins in autumn 2026 when the outlook for inflation is rapidly adjusted upwards. The monetary policy tightening breaks the trend and counteracts the emergence of secondary effects. As its peak, inflation is lower than it would otherwise have been and it starts to fall back during

the second half of 2027. When the Riksbank sees that inflation is beginning to fall back, it starts to gradually cut the policy rate again.

Alternative scenario: Smaller indirect effects from the war in the Middle East and weaker demand lead to lower inflation

There are also risks that could lead to inflation being lower than in the Riksbank's main scenario. This alternative scenario is based on the same oil price development as the main scenario, but the indirect effects are assumed to be smaller, while demand is expected to weaken. A more significant decline in the oil price would reinforce the effects described in this section.

In this scenario, global and domestic demand are weaker than in the main scenario, which makes it more difficult for companies to pass on cost increases to households. There are several channels through which the war can affect demand.[47] For example, by reducing their consumption, households can increase their precautionary savings in order to build up buffers ahead of future crises. The weaker demand from abroad has a negative effect on the Swedish export industry, which is amplified by companies delaying their investments. Overall, Swedish GDP therefore has a weaker performance in the autumn (see Figure 32). The weak real economic development entails lower demand for labour and unemployment rises. The recovery is interrupted and resource utilisation falls.

This scenario assumes that the krona strengthens and the exchange rate therefore does not function as a shock absorber for the Swedish economy. This means that GDP growth is even weaker and leads to lower import prices, which contributes to lower domestic cost pressures. CPIF inflation excluding energy and the direct effects of temporary fiscal policy measures is significantly lower than in the Riksbank's main scenario (see Figure 32).

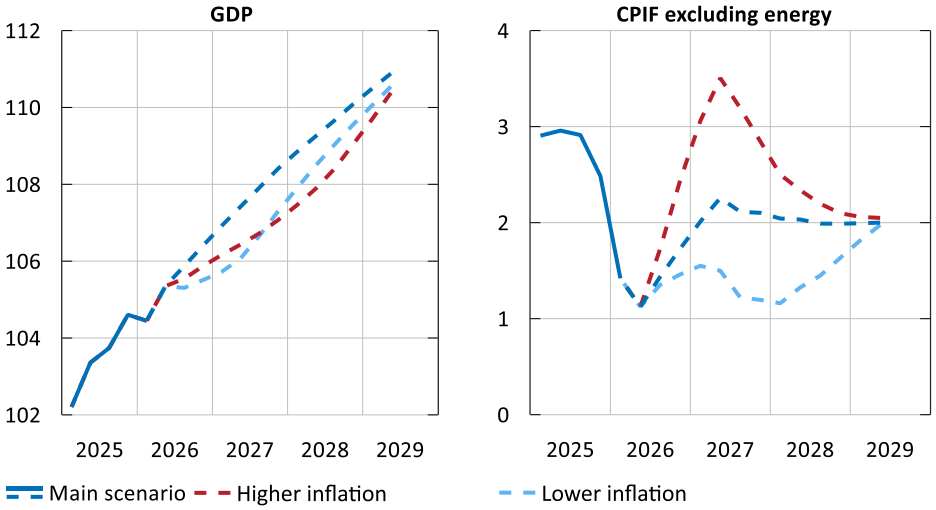
Forward-looking indicators point at an early stage in the scenario to weaker real economic developments. However, it takes time before the subdued economic activity has a clear impact on the outlook for inflation. Given the uncertainty surrounding the effects of the shocks, the Riksbank chooses at first to leave the policy rate unchanged. Towards the end of the second half of the year, however, the decline becomes more evident. When outcome data, companies' dampened price plans and other forward-looking indicators point to lower inflationary pressures, the Riksbank cuts the policy rate (see Figure 33).

Cutting the policy rate holds up demand and contributes to raising inflationary pressures in the economy. Inflation is at its lowest at the beginning of 2028 and when the outlook for inflation points to it resuming to rise towards the target, the Riksbank begins normalising monetary policy. The policy rate is raised gradually over the rest of the forecast period.

[47] For a more comprehensive analysis of the effects of war on the countries affected and how these spill over to other economies, see *World Economic Outlook*, April 2026, IMF.

Figure 32. Main and alternative scenarios for GDP and CPIF excluding energy and direct effects of temporary fiscal policy measures

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

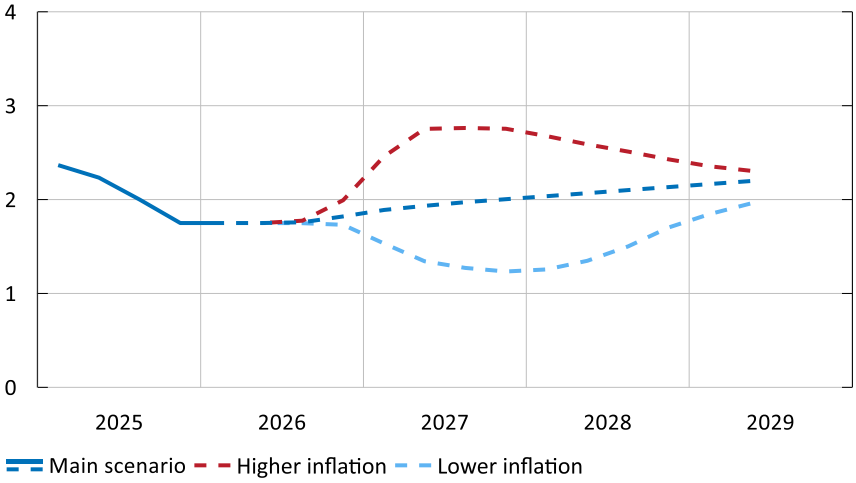


Note. Quarterly averages. Seasonally adjusted data (left). In the main and the alternative scenarios for the CPIF excluding energy, the direct effect on the price level of temporary tax reductions on food and fuels and the temporary reduction in public transport fares implemented during 2026 have been excluded (right). Solid lines refer to outcomes and dashed lines refer to main and alternative scenarios.

Sources: Statistics Sweden and the Riksbank.

Figure 33. Main scenario and alternative scenarios for the policy rate

Per cent



Note. The deviations from the main scenario in the alternative scenarios are not necessarily symmetrical, as they illustrate the monetary policy response to specific shocks to the economy. Any asymmetry should therefore not necessarily be interpreted as the Riksbank seeing the risks surrounding the policy rate in the main scenario as unbalanced. Solid line refers to outcomes and dashed line refer to main scenario and alternative scenarios.

Source: The Riksbank.

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

Between the Riksbank's monetary policy meetings, new information comes in that is used to update its view of the economic situation and inflation. When the Riksbank decides on the policy rate, new information, together with updated analyses of economic correlations and trends in the economy, are important pieces of the puzzle. However, a quantified forecast is only done at four of the eight meetings of the year, 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.

CPIF inflation has been slightly lower than expected in recent months. This is largely due to food prices being lower than expected, even accounting for the effects of the halved VAT on food. Service prices have also increased more slowly than expected. Various temporary fiscal policy measures introduced this year, and volatile energy prices entail that the forecast for CPIF inflation varies significantly in the coming years (see the Box "The effect of temporary fiscal policy measures on inflation"). Compared with March, inflation as measured by both the CPIF and the CPIF excluding energy has been revised downwards for 2026 and upwards for 2027 and, to some extent, 2028.

Overall, the recovery is expected to take longer, and the GDP gap is expected to be more negative than in the March forecasts. GDP was weaker than expected during the first quarter of 2026 and growth this year has been revised downward as a consequence. Moreover, energy prices are higher than in March and global demand is lower. The labour market follows the development of GDP and is somewhat weaker during the forecast period.

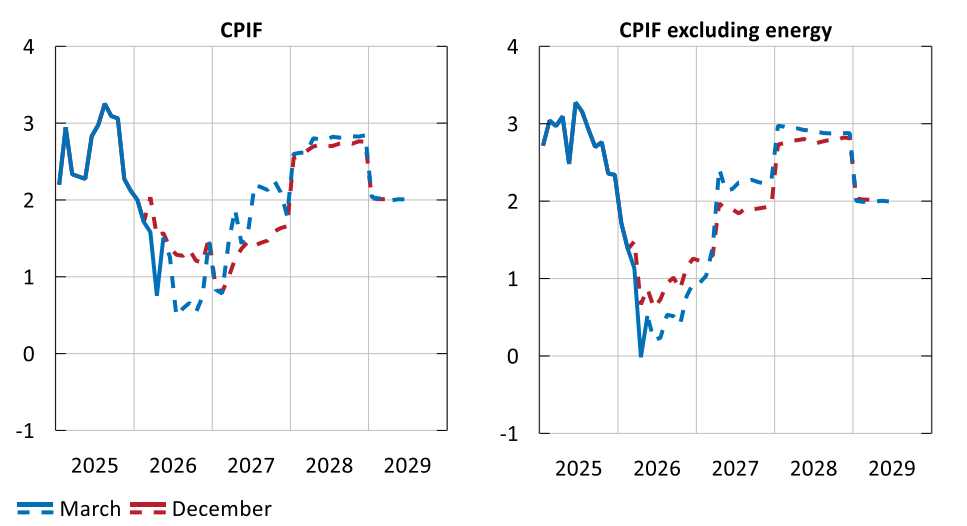
In April, Statistics Sweden revised down its population forecast, mainly due to lower labour and asylum immigration, but also due to higher emigration.[48] Going forward, the labour supply is therefore expected to grow more slowly than in the Riksbank's earlier forecast. This implies that potential GDP is expected to increase somewhat more slowly going forward.[49]

[48] See Statistics Sweden's demographic report, April 2026. The future population of Sweden 2026–2070, Statistics Sweden.

[49] Statistics Sweden's population forecast is based on the Temporary Protection Directive, which applies until March 2027; after that, it is assumed that Ukrainians who have fled to Sweden will emigrate. The Riksbank's forecast assumes that the Temporary Protection Directive will be extended; consequently, the labour supply and potential GDP are not affected by Statistics Sweden's assumption regarding Ukrainians.

Figure 34. Forecasts for inflation

Annual percentage change

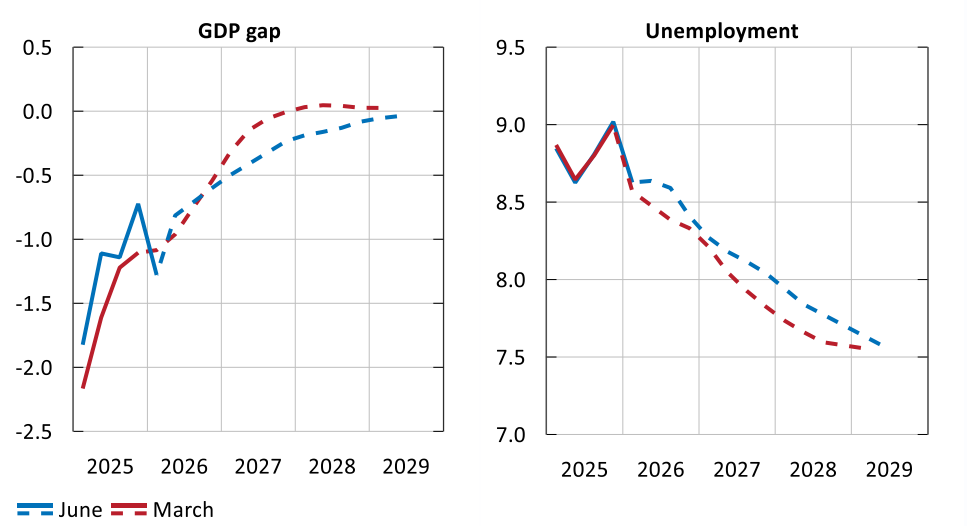


Note. Solid lines refer to outcomes and dashed lines to the Riksbank's forecast.

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 lines refer to outcomes and dashed lines to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

3.2 Uncertainty and risks

The monetary policy assessment is complicated by the unusually large risks around the Riksbank's forecasts. The Riksbank normally endeavours to ensure that the risk outlook is balanced regarding prospects for inflation. However, it becomes more difficult when the conditions for monetary policy change rapidly. Even where the risk outlook is balanced, the Riksbank may, in certain circumstances, need to give particular consideration to risks that are perceived as very serious and for which it wishes to make provision in advance when conducting monetary policy. It is important that monetary policy is predictable and contributes to stability in a very uncertain situation, at the same time as it can quickly be adjusted if necessary. The uncertainty calls for a high level of vigilance to ensure that confidence in the inflation target is maintained.

The following section describes a number of risk factors in the global and Swedish economies that complement the two alternative scenarios outlined earlier. In some cases, these are factors that may influence the economic outcomes of the scenarios; in others, they are factors that do not directly affect the scenarios but may nevertheless be of great significance.

Underlying vulnerabilities in the global economy are increasing uncertainty

Developments in the Middle East dominate the risk outlook. International politics in the wake of the war in the Middle East are difficult to predict and there is a risk that trade policy tensions and the ongoing geopolitical fragmentation will intensify. It already has a negative effect on global value chains and risks leading to more costly adjustments of supply chains.[50] An unpredictable economic policy risks dampening investment and leading to lower productivity in the longer run. How global trade and international relations develop in the future will thus play a major role in various supply and demand conditions and can therefore lead to a different development of inflation than in the Riksbank's main scenario.[51]

Several major economies have high levels of public debt, which are expected to rise further in the coming period. If government bond yields were to begin rising more significantly, investors might start to question the sustainability of these countries' public finances, which could push yields up even further. It limits the countries' possibilities to use fiscal policy to counterbalance an economic downturn. These problems can be exacerbated by non-banks – especially hedge funds – which may get a sudden liquidity need in the event of sharp interest rate fluctuations and be forced to sell government bonds.[52] Consolidation may be necessary, but would require fiscal policy

[50] Calculations indicate that a broad escalation of tariffs between the United States, China and the euro area could reduce global GDP by up to 0.7 per cent in the longer run, see *World Economic Outlook*, April 2026, IMF

[51] For a more detailed review of the effects that various possible developments linked to US trade policy may have on the policy rate, see *Monetary Policy Report*, June 2025, Sveriges Riksbank.

[52] See *Financial Stability Report 2026:1*, Sveriges Riksbank.

tightening, resulting in weaker demand and lower inflation. It would also have an impact on the Swedish economy.

High valuations of technology companies also pose a risk. The stock market is being pushed up by a few technology companies with high valuations, with AI companies expected to generate enormous profits, but where funding increasingly occurs via the bond market. If valuations fell sharply, itcould trigger a broad market correction.[53] Volatile financial prices could lead to broader shocks in financial markets and, ultimately, pose a risk to monetary policy.[54]

The possibility that the effects of the war interact with underlying vulnerabilities in the global economy cannot be ruled out. It is more difficult to conduct monetary policy when several shocks occur at once and reinforce one another.[55] A significant deterioration in the outlook abroad could trigger a rapid and disorderly development with extensive spillover effects.

Uncertainty surrounding the effects of fiscal policy and the development of the Swedish krona

The temporary fiscal measures, which have a clear impact on prices, entail that inflation will fluctuate and may lead economic agents to misinterpret inflation developments (see the Fact box “The effect of temporary fiscal measures on inflation”). The measures are assessed on the margin to contribute to reducing the indirect inflationary effects of rising energy prices, but to the extent that they stimulate demand, they could instead contribute to rising prices. There is also uncertainty regarding how the introduction and phase-out of the measures relate to the persistence of global supply shocks.

It is also uncertain how households’ consumption and saving behaviour will develop, in the light of the most recent monetary tightening cycle. In the face of uncertainty about future interest rate developments, households and companies may choose to build up their savings buffers. In a highdebt society such as the Swedish one, this could be a risk to the outlook for inflation and economic activity.

Swedish fiscal policy is currently assessed to be expansionary, with unusually comprehensive fiscal stimulus measures during 2026. Based on the fiscal policy framework, it is expected to be contractionary in the coming years (see the Fact box “Spring amending budgets”). It is difficult to assess how this will affect household consumption and savings. There is also a lack of clarity regarding how Swedish defence spending is to be financed beyond the near term. At present, parts of it are debt-financed. How the financing will ultimately be designed, and when the plan for financing will be

[53] For a more detailed review of the effects an AI-linked stock market decline could have on the policy rate, see the alternative scenario with lower inflation in *Monetary Policy Report*, December 2025, Sveriges Riksbank.

[54] See the speech by A. Bunge (2026), 19 May 2026, Sveriges Riksbank. How can AI influence the economy and monetary policy? | Sveriges Riksbank.

[55] For a description of how risks linked to high asset valuations, unsustainable public finances and “private credit” could materialise simultaneously, see the letter from A. Bailey (2026), 13 April 2026, Financial Stability Board. To G20 Finance Ministers and Central Bank Governors | Financial Stability Board.

communicated, has significance not only for economic developments but also for the confidence in the fiscal policy framework. At the same time, the interaction between fiscal and monetary policy is important for the economic outlook. An expansionary fiscal policy with broad stimulus measures, increases the risk of higher inflation, which in turn can increase the need for a tighter monetary policy.

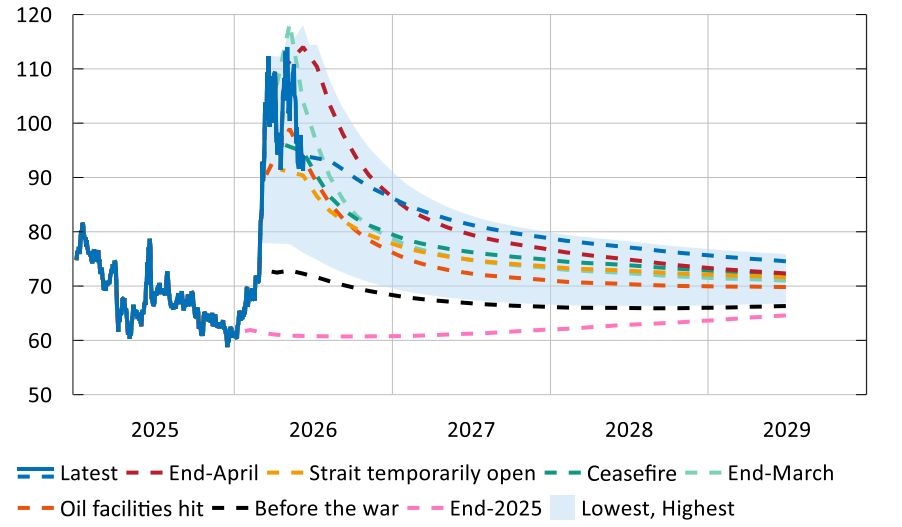
As Sweden is a small, open economy, the exchange rate of the krona is key determinant for Swedish inflation. If it clearly deviates from the Riksbank's forecast, it will affect the outlook for inflation. It is very difficult to predict the future development of the krona, and several of the risks discussed in this section could, if they materialise, have an impact. Both variations in investors' risk appetite and adjustments in monetary policy abroad can have exchange-rate effects and contribute to exacerbating unfavourable inflationary pressures.

FACT BOX – Options indicate heightened uncertainty about oil prices

The way the oil price will develop during the forecast period is a central assumption in the Riksbank's forecasts, as the oil price affects inflation both directly and indirectly via production costs. The Riksbank bases its forecast for the oil price on futures, that is agreements entered into today on what the price of oil will be in future deliveries – a practice the Riksbank shares with many other central banks.[56] Since the outbreak of war in the Middle East, oil futures have risen significantly and varied substantially, which reflects the uncertainty regarding the length of the conflict and its effects on production and transport routes (see figure 36). This has made the oil price assumption an important source of uncertainty in the current forecast.

Figure 36. Futures prices on Brent crude oil at different points in time

USD/barrel



Note. The light-blue shades area shows the interval for future curves since the war broke out, up to the most recent observation. The dashed lines show the forward curve on selected dates. End-2025 (pink) and 27 February, before the war, (black), show how the market priced oil prior to the outbreak of war. Oil facilities were hit directly for the first time on 9 March (orange). At the end of March (light green) the conflict expanded. A truce was announced on 8 April (dark green) and the Strait of Hormuz was temporarily opened on 17 April (yellow). At the end of April (red), price reached their highest level during the conflict. The latest observation refers to 10 June, which is the last observation included in the Riksbank's forecasts (blue).

Sources: Intercontinental Exchange and Macrobond Financial AB.

Options on oil futures can be used to gauge how the market prices this uncertainty.[57] Figure 37 shows what are known as option-implied probability distributions for

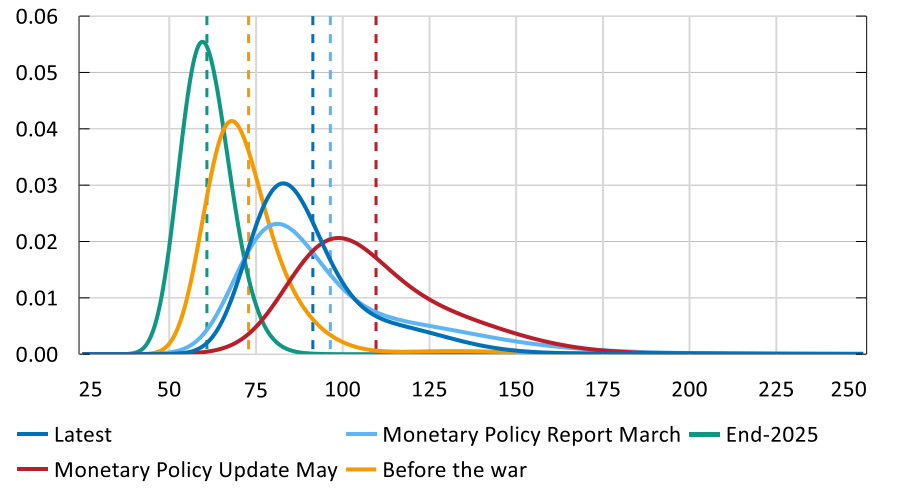
[56] The ECB, Bank of England and Norges Bank are some of the many central banks to use oil futures as technical assumptions in their forecasts.

[57] An option gives the holder the right, but not the obligation, to buy or sell an oil futures contract at a previously-agreed price. Prices of options across a full range of strike prices over a whole spectrum of prices can be used to derive a probability distribution for the future price of oil, which shows how the market prices the likelihood of various outcomes. These are risk-neutral distributions and reflect both the market's expectations and investors' risk compensation.

futures prices on oil, on certain selected dates before and during the war. At the end of 2025 (green), the distribution was narrow and centred around approximately 60 USD per barrel. But even before the war at the end of February 2026 (yellow), it had begun to shift to the right and widen. As the conflict unfolded, the distribution moved to markedly higher price levels and widened significantly, with a long tail that extending towards increasingly higher prices. This shows that market participants saw a risk that the oil price would rise to much higher levels, compared with both the time before the conflict began and the current level. Such outcomes could change if the war becomes prolonged, if production capacity is shown to be damaged or if important shipping routes remain disrupted.

Figure 37. Option-implied probability distribution for Brent crude oil

Probability density per USD/barrel



Note. The curves show the option-implied probability distribution for selected dates. Each curve is based on options on the three-month Brent crude oil futures contract. At the end of 2025 (31 December) and prior to the outbreak of war (27 February) shows where the market priced oil prior to the conflict and immediately prior to the outbreak of war. Monetary Policy Report March, Monetary Policy Update May and most recent refer to 5-day average calculated up to 16 March, 5 May and 10 June respectively.

Sources: Bloomberg Finance LP and the Riksbank.

This illustrates that the central assumption in the forecast – that the oil price will develop in line with futures prices – is surrounded by significant uncertainty. The option-implied distributions show that the right tail has grown considerably, which points to an increased risk of a very high oil price, albeit with a low probability. A more severe or prolonged supply disruption than the futures pricing implies would raise energy prices even more and, if sustained, risk having a broader impact on consumer prices. The way the oil price develops going forward is subsequently one of the most important risks associated with the inflation forecast.

Forecast tables

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

Table 4. Policy rate forecast

Per cent, quarterly averages

	2026Q1	2026kv2	2026Q3	2027kv2	2028kv2	2029kv2
Policy rate	1.75 (1.75)	1.75 (1.75)	1.76 (1.75)	1.93 (1.85)	2.07 (2.03)	2.20

Source: The Riksbank.

Table 5. Inflation

Annual percentage change, annual average

	2025	2026	2027	2028
CPIF	2.6 (2.6)	1.1 (1.5)	1.7 (1.3)	2.8 (2.7)
CPIF excl. energy	2.8 (2.8)	0.7 (1.1)	2.0 (1.7)	2.9 (2.8)
CPI	0.7 (0.7)	0.6 (0.8)	2.7 (2.0)	3.4 (3.5)
HICP	2.6 (2.6)	0.8 (1.4)	1.7 (1.3)	2.8 (2.7)

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

Sources: Statistics Sweden and the Riksbank.

Table 6. GDP and demand

Annual percentage change unless otherwise specified

	2025	2026	2027	2028
Household consumption	1.9 (1.6)	2.6 (2.4)	2.1 (2.6)	1.4 (1.5)
Public consumption	1.0 (0.7)	1.5 (2.5)	2.6 (2.6)	1.3 (1.1)
Gross fixed capital formation	2.1 (2.0)	3.3 (3.5)	3.7 (3.8)	1.7 (1.4)
Stock investments*	0.0 (0.2)	0.2 (-0.3)	0.0 (0.0)	0.0 (0.0)
Exports	3.8 (3.9)	3.5 (3.4)	3.1 (3.5)	2.5 (2.5)
Imports	4.3 (4.3)	4.5 (3.1)	3.8 (4.2)	2.6 (2.6)
GDP	1.5 (1.5)	2.2 (2.5)	2.3 (2.6)	1.4 (1.3)
GDP, calendar-adjusted	1.8 (1.8)	1.9 (2.2)	2.0 (2.3)	1.7 (1.6)
Final domestic demand**	1.7 (1.4)	2.4 (2.6)	2.6 (2.8)	1.4 (1.3)
Net exports*	-0.1 (-0.1)	-0.4 (0.2)	-0.3 (-0.3)	0.0 (0.0)
Current account (NA), percentage of GDP	5.8 (5.2)	4.7 (5.4)	4.2 (5.3)	4.7 (5.7)

* Contribution to GDP growth, percentage points

** Contribution to GDP growth from household consumption, public consumption and gross fixed capital formation, 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 7. Production and employment

Annual percentage change unless otherwise specified

	2025	2026	2027	2028
Population, aged 15–74	0.4 (0.4)	0.1 (0.2)	-0.1 (0.1)	0.0 (0.2)
Potential employment	0.8 (0.7)	0.6 (0.6)	0.4 (0.4)	0.3 (0.3)
Potential hours worked	0.7 (0.9)	0.6 (0.7)	0.4 (0.5)	0.3 (0.4)
Potential GDP	1.7 (1.6)	1.6 (1.5)	1.5 (1.6)	1.4 (1.5)
GDP, calendar-adjusted	1.8 (1.8)	1.9 (2.2)	2.0 (2.3)	1.7 (1.6)
Hours worked, calendar-adjusted	-0.4 (-0.4)	0.7 (1.3)	1.6 (1.5)	0.6 (0.7)
Employed persons	0.4 (0.4)	0.8 (1.1)	1.0 (0.9)	0.6 (0.6)
Labour force	0.9 (0.9)	0.5 (0.7)	0.6 (0.4)	0.2 (0.2)
Unemployment*	8.8 (8.8)	8.6 (8.4)	8.2 (8.0)	7.8 (7.6)
Employment gap**	-1.3 (-1.3)	-1.1 (-0.8)	-0.5 (-0.3)	-0.2 (0.0)
Hours gap**	-1.7 (-1.9)	-1.7 (-1.2)	-0.5 (-0.3)	-0.2 (0.0)
GDP gap**	-1.2 (-1.5)	-0.8 (-0.8)	-0.4 (-0.1)	-0.1 (0.0)

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

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

Sources: Statistics Sweden and the Riksbank.

Table 8. Wages and labour costs for the economy as a whole

Annual percentage change, calendar-adjusted unless otherwise specified

	2025	2026	2027	2028
Hourly wage, NMO	3.6 (3.7)	3.3 (3.4)	3.2 (3.2)	3.1 (3.1)
Hourly wage, NA	4.0 (3.4)	3.6 (3.4)	3.2 (3.2)	3.1 (3.1)
Hourly labour cost, NA	2.2 (2.1)	3.4 (3.4)	3.2 (3.2)	3.1 (3.1)
Productivity	2.1 (2.2)	1.3 (0.9)	0.4 (0.8)	1.0 (0.9)
Unit labour cost	0.3 (0.1)	2.2 (2.5)	2.7 (2.3)	2.0 (2.2)

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 9. International forecasts

Annual percentage change unless otherwise specified

GDP	PPP weights	KIX weights	2025	2026	2027	2028
Euro area	0.11	0.47	1.5 (1.5)	0.3 (1.2)	1.2 (1.3)	1.3 (1.2)
United States	0.15	0.10	2.1 (2.1)	2.0 (2.2)	1.9 (2.0)	2.2 (2.1)
China	0.20	0.09	5.0 (5.0)	4.5 (4.4)	4.2 (4.2)	4.1 (4.1)
KIX weighted	0.75	1.00	2.1 (2.1)	1.5 (1.8)	1.8 (1.9)	2.0 (1.9)
The World (PPP-	1	-	3.4 (3.2)	3.0 (3.2)	3.2 (3.2)	3.3 (3.2)

Note. Calendar-adjusted growth rates. PPP weights refer to purchasing-power adjusted GDP weights in the world for 2026, according to the IMF. KIX weights refer to weights in
the Riksbank's krona index (KIX) for 2026. 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	2025	2026	2027	2028
Euro area (HICP)	2.1 (2.1)	2.9 (2.5)	2.3 (1.9)	2.0 (2.0)
United States	2.6 (2.6)	3.8 (3.3)	2.8 (2.5)	2.2 (2.3)
KIX weighted	2.7 (2.7)	3.1 (2.8)	2.5 (2.3)	2.2 (2.3)

	2025	2026	2027	2028
International policy rate, per cent	2.8 (2.8)	2.7 (2.5)	2.9 (2.4)	2.8 (2.5)
Crude oil price, USD/barrel Brent	68.0 (68.0)	89.4 (85.3)	81.1 (74.5)	76.6 (71.4)
Swedish export market	2.7 (2.8)	2.1 (2.7)	2.7 (3.0)	2.8 (3.0)

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

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

Table 10. Summary of financial forecasts

Per cent unless otherwise stated, annual average

	2025	2026	2027	2028
The Riksbank's policy rate	2.1 (2.1)	1.8 (1.8)	1.9 (1.9)	2.1 (2.1)
10-year rate	2.5 (2.5)	2.8 (2.8)	2.9 (2.8)	2.9 (2.8)
Exchange rate, KIX, 18 Nov 1992 = 100	119.7 (119.7)	116.8 (115.5)	116.7 (115.0)	115.5 (114.7)
General government net lending, per cent of GDP	-1.3 (-1.5)	-2.7 (-2.5)	-2.2 (-2.1)	-1.4 (-1.3)

Sources: Statistics Sweden and the Riksbank.

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