

Monetary Policy Report

September 2026



Monetary Policy Report

Regularly or upon request, the Riksbank shall submit an account of monetary policy operations to the Riksdag's 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 policy¹. The report includes a description of the future prospect 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 23 September 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.

Contents

	Monetary policy considerations	5
1	The economic situation	12
1.1	Economic developments abroad	12
1.2	Financial conditions	17
1.3	Swedish real economy	21
	FACT BOX – Significant differences between industries within the goods sector	28
	FACT BOX – The Riksbank’s Business Survey, August 2026	30
1.4	Swedish inflation	32
	FACT BOX – Higher volatility in inflation statistics	36
	ANALYSIS – Factors behind the recent rise in long-term interest rates	38
2	The outlook for the coming years	42
2.1	The economic outlook abroad	43
2.2	The economic outlook in Sweden	44
2.3	Inflation outlook in Sweden	48
	ANALYSIS – The impact of extreme weather on inflation	51
3	Monetary policy analysis	54
3.1	Monetary policy in Sweden	55
	FACT BOX – How the Riksbank’s forecasts have changed since the previous report	59
3.2	Uncertainty and risks	61
	Forecast tables	69

Monetary policy considerations

The supply shocks from the war in the Middle East remain and global cost pressures are still elevated. But the global economy has to some extent been able to adapt to the situation so far.

Swedish inflation in August was in line with the Riksbank's forecast in June. The measured rate of inflation is low, largely due to the direct effects of temporary fiscal policy measures. Adjusted for these, inflation is relatively close to 2 per cent. Indicators point to inflationary pressures still being above normal, and inflation is expected to rise in the near term. GDP grew faster than expected during the second quarter, but this is to some extent assessed to have been due to temporary factors. At the same time, the economic upturn appears to be broad and sentiment in the economy has improved further. Indicators point to some improvement in the labour market.

There are still risks that inflation may be higher than in the forecast. As the war is continuing, the fundamental reason for the supply shocks also remains. The price of oil, electricity and fuel has risen recently, and the krona has also continued to weaken. Moreover, the supply shocks can have larger effects on prices in an economy characterised by stronger demand.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. There is still spare capacity in the economy, and measures of underlying inflation excluding the direct effects of temporary fiscal policy measures are relatively close to 2 per cent. At the same time, the Riksbank considers that the combination of stronger economic activity and continued supply shocks means that the policy rate should be raised more than projected in the June forecast to stabilise inflation around 2 per cent. If the outlook for inflation and economic activity remains unchanged, the Riksbank assesses that the increases in the policy rate will begin this year.

The developments call for vigilance. In addition to the war in the Middle East, there are also other risks that could, individually or jointly, affect the outlook for inflation and economic activity. If there were to be signs of a larger and more persistent upturn in inflation, the Riksbank would raise the policy rate at a faster pace than in the current forecast.

International developments

The shocks to the supply of oil products from the Middle East remain. This means that prices of energy and some intermediate goods remain at elevated levels. The global market prices for oil and refined oil products have also risen recently. The markets for oil products remain more strained than the crude oil market. According to futures prices, however, expectations on the market are that petrol and diesel prices, as well as crude oil prices, will fall going forward. Although the supply and demand for oil has been able to adapt to the situation to some extent, it is uncertain how long and how much this will subdue the pressure on the oil price going forward.

Natural gas and electricity prices in Europe have increased. The shocks from the war in the Middle East have pushed up the price of natural gas. The electricity price has also risen. This is partly linked to the higher gas price, but also to disruptions in electricity production as a result of the extreme weather in Europe leading to low water levels. Futures pricing indicates that the electricity price in Europe will continue to rise and stay high some way into next year.

Global cost pressures remain elevated. Energy prices have risen at the same time as prices of metal and agricultural commodities overall have fallen since the spring. However, some of these prices are still at relatively high levels and the global market prices of some foods, such as corn and wheat, have increased relatively substantially. Companies in both the United States and Europe assess that prices of intermediate goods are still at elevated levels, even if they have fallen since the spring, according to Purchasing Managers' Indices.

Excluding energy, inflation has been largely unchanged in both the United States and the euro area. The indirect effects of higher energy and commodity prices appear to have been limited so far. Including energy, inflation in the euro area increased again during the summer and was 3.2 per cent in August. In the United States, CPI inflation has been relatively unchanged and in August it was 3.4 per cent. Going forward, inflation abroad is expected to fall as a result of higher policy rates and a smaller contribution from energy prices.

The global economy has been stronger than expected. In the euro area, exports contributed to GDP increasing faster than expected in the second quarter.² Household consumption also increased noticeably. In the United States, AI investments and household consumption continued to contribute to growth in the second quarter. Sentiment in both the euro area and the United States improved over the summer. Although there are still question marks regarding domestic demand in China, overall the global economy is expected to grow in line with its historical average.

Financial markets are expecting tighter monetary policy abroad. In September, both the Federal Reserve and the ECB raised their policy rates. The market is expecting the Federal Reserve to raise its rate once more this year and twice more next year. The ECB is expected to raise its policy rate three more times up to the end of 2027.

² However, a large part of the strong GDP growth is explained by a large contribution from Irish GDP growth. This contribution can vary substantially from one quarter to another.

Financial conditions are still expansionary. Prices on the financial markets have varied substantially but overall the conditions are slightly tighter than in August. Long-term interest rates have risen sharply. This is partly due to poorer prospects for inflation and public finances and also to better economic prospects than expected, particularly in Europe. At the same time, risk appetite among investors has declined somewhat since August. Despite some downturns recently, stock markets have risen overall since June. Technology shares have been affected by concern as to whether the AI-boom is sustainable, but strong company profits have generally supported the valuations.

There are major risks linked to the global economic outlook. There is still considerable uncertainty surrounding the war in the Middle East. In addition, the high share valuations and rising indebtedness among US technology companies constitute an underlying vulnerability. In several countries with high debts, large budget deficits and rising long-term yields on government bonds, there are also major risks regarding the sustainability of their public finances. As before, the unpredictable US trade and foreign policies, as well as the war in Ukraine resulting from Russia's invasion, are significant risk factors. The economic effects of extreme weather, such as an unusually strong El Niño this year, are also difficult to assess.

Developments in Sweden

Growth was stronger than expected in the second quarter. GDP increased by 1.6 per cent compared with the first quarter of this year. The upturn was broad, but it was primarily business sector investment that increased substantially. Investment increased in several industries, but the upturn was particularly large in data and IT as well as property. Household consumption also increased slightly more than normal during the second quarter. In addition, net export provided a positive contribution to GDP growth.

Sentiment is continuing to improve. Sentiment among households is now normal, while in the business sector it is stronger than normal. Companies are more optimistic about household consumption, according to the Riksbank's Business Survey. According to monthly statistics, consumption was strong in July and August. The strong growth during the second quarter is assessed to have been due to temporary factors to some extent, and growth in the third quarter is therefore not expected to be as strong.

New information points to the labour market having strengthened recently.

According to the LFS, employment has increased, while unemployment has remained largely unchanged. Statistics from the Swedish Public Employment Service show that the number of persons registered as unemployed has declined somewhat. Companies' recruitment plans have increased somewhat and indicate that companies are more inclined to employ staff. However, according to the Riksbank's Business Survey, companies are saying that they are still cautious with regard to new recruitment.

The Swedish economy is approaching normal economic conditions. Growth has increased and the business sector assesses that both demand and profitability are at

normal levels, according to the Economic Tendency Survey in August. There is still spare capacity in the labour market, but it is normal for the labour market to improve with some time lag when economic activity increases.

Domestic demand is expected to strengthen economic activity going forward.

Households' finances are expected to improve further this year as real wages continue to rise and the labour market strengthens, but also as a result of fiscal policy measures. The rising real incomes contribute to higher consumption, at the same time as the housing market is picking up. Moreover, investment and public expenditure are continuing to provide a positive contribution to growth, not least as a result of the investments in defence. Overall, GDP growth is expected to be 2.8 per cent this year and 2.4 per cent in 2027.

The krona has continued to weaken during the summer. After strengthening substantially during 2025, the krona has weakened in trade-weighted terms since February this year. So far this year, the krona has weakened about half as much as it strengthened last year. Compared with the start of 2025, the krona is still much stronger against the dollar but at roughly the same level against the euro. During the forecast period, the krona is expected to strengthen again, which is expected to have a somewhat dampening effect on inflation in the slightly longer term.

Inflation was unchanged in August, compared with July. In August, CPIF inflation was 0.7 per cent and CPIF inflation excluding energy was 0.5 per cent, in line with the June forecast (see Figure 1). The low inflation is largely due to the direct effects from temporary fiscal policy measures. If they are excluded, inflation in August was 2.2 per cent in terms of the CPIF and to 1.6 per cent in terms of the CPIF excluding energy. The rate of increase in service prices was still unexpectedly high in August, but prices of goods and food increased less than expected.

The overall picture painted by a large set of indicators is that inflationary pressures are higher than normal. That prices of oil products, other important commodities and transport are elevated leads to higher costs for companies. The price increases on intermediate goods are still elevated, which largely reflects global cost pressures and inflation abroad. Moreover, the krona has weakened, which increases companies' import costs. According to the Economic Tendency Survey, there are still more companies than normal stating that they will increase prices than there are companies saying they will reduce them.

Higher energy prices and stronger economic activity are assessed to push up inflation going forward. As a result of the higher energy prices, inflation is expected to be slightly higher in the near term, compared with the forecast in June. When energy and the direct effects of the temporary fiscal policy measures are excluded, inflation is expected to stabilise around 2 per cent at the beginning of next year (see Figure 2). CPIF inflation will vary substantially and be above the target in 2028, as a result of the temporary fiscal policy measures being withdrawn in 2027. After 2028, CPIF inflation will fall and stabilise around 2 per cent.

In addition to the large risks in the global economy, there are also risks in Sweden that can affect the outlook. There are question-marks surrounding developments on

the labour market. On top of this, there is uncertainty about how future fiscal policy will be shaped in relation to the fiscal policy framework. The weak development of the krona and its impact on inflation also comprise risks to the outlook for inflation. The same applies to companies' price-setting behaviour.

Policy rate held unchanged at 1.75 per cent

The policy rate has been unchanged for a year. The Riksbank has assessed that the current level of the policy rate contributes to a recovery in the economy. The forecasts have indicated that the economy would approach normal economic conditions and that monetary policy would need to tighten gradually from the end of this year to stabilise inflation at the target in the slightly longer term. However, geopolitical events have been creating uncertainty for a long time and there has been a strong need to await reliable information.

Economic conditions are assessed to be normal next year. GDP grew faster than expected during the second quarter, but this is to some extent assessed to have been due to temporary factors. At the same time, the economic upturn appears to be broad and sentiment in the economy has improved further. The Riksbank assesses that economic conditions will be in balance sooner than was forecast in June. There is still spare capacity in the labour market, but the situation there is expected to improve noticeably going forward (see Figure 2).

Indicators point to inflationary pressures still being above normal. The higher inflationary pressures from supply shocks, combined with stronger economic activity, will contribute to higher inflation in the near term. In the medium term, it will stabilise around 2 per cent, partly due to the expected strengthening of the Swedish krona and less expansionary monetary policy gradually dampening inflationary pressures.

There are still risks that inflation may be higher than in the forecast. As the war in the Middle East is continuing, the fundamental reason for the supply shocks also remains. Prices for oil and diesel have risen recently, and the krona has also weakened significantly. Moreover, the supply shocks can have greater effects on prices in an economy characterised by stronger demand and if the krona exchange rate continues to be weak.

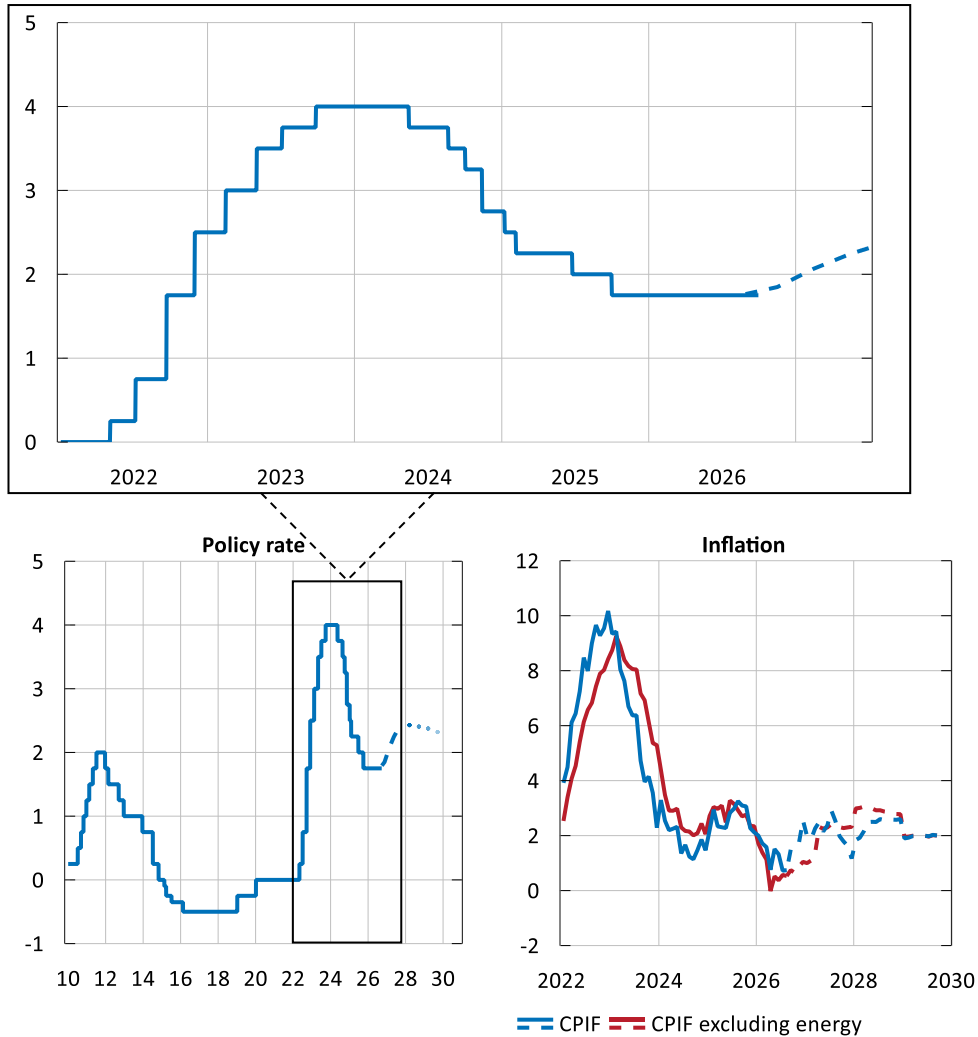
The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. There is still spare capacity in the economy, and measures of underlying inflation excluding the direct effects of temporary fiscal policy measures are relatively close to 2 per cent. At the same time, the Riksbank considers that the combination of stronger economic activity and continued supply shocks means that the policy rate should be raised more than projected in the June forecast to stabilise inflation around 2 per cent. If the outlook for inflation and economic activity remains unchanged, the Riksbank assesses that the increases in the policy rate will begin this year.

The developments call for vigilance. In addition to the war in the Middle East, there are also other risks that could, individually or jointly, affect the outlook for inflation and economic activity. If there were to be signs of a larger and more persistent upturn

in inflation, the Riksbank would raise the policy rate at a faster pace than in the current forecast. The Riksbank monitors developments closely and will adjust monetary policy if the outlook for inflation and economic activity so requires.

Figure 1. Swedish policy rate and inflation

Per cent and annual percentage change respectively (lower right)

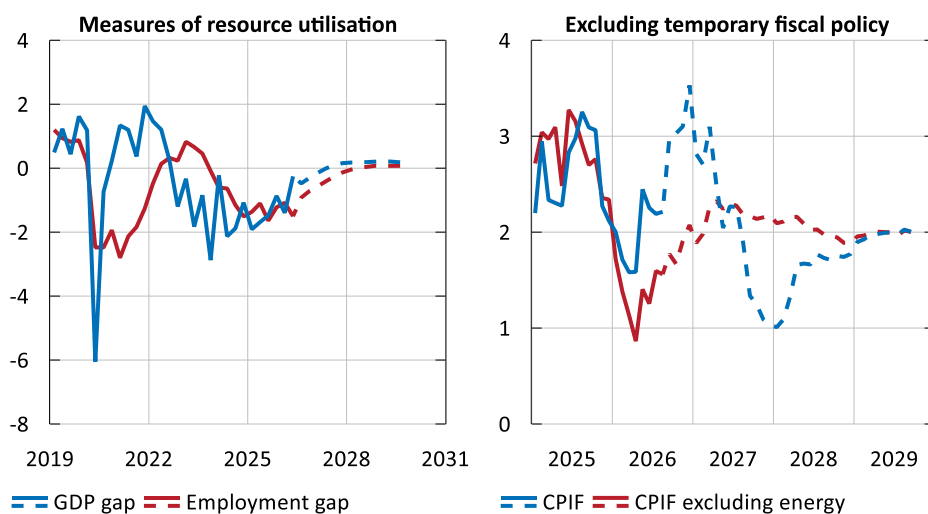


Note. Solid line refers to outcome, dashed/dotted lines represent the Riksbank's forecast. Outcomes for the policy rate are daily data and the forecasts refer to quarterly averages. The upper image shows the forecast for the policy rate in the short run and is based on the long-term policy rate path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

Per cent (left) and annual percentage change (right)



Note. The gaps refer to the percentage deviations of GDP and employment from the Riksbank's assessed potential levels (left). Excluding temporary fiscal policy measures means that the direct effects on the price level of the temporary tax reductions on food and fuels and the temporary reduction in public transport fares implemented in 2026 are excluded (right). Solid lines refer to outcomes and dashed lines refer to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

1 The economic situation

Supply shocks linked to the war in the Middle East still remain. Prices of oil products have risen recently. Oil futures in the longer term are at around the same level as the Riksbank's forecasts assumed in June were based on, however. In Europe, other energy prices have also risen during the summer. The global economy has so far performed better than expected and the expansion of the AI infrastructure has been a driving factor. Inflation in the United States and the euro area is still elevated. Excluding energy, inflation has been relatively unchanged.

The inflation risks resulting from the war, together with unexpectedly strong economic signals, have led to market rates and expectations of future policy rates rising. Developments on the stock markets have recently been subdued, after being characterised by investors' high risk appetite during the summer.

The Swedish economy is approaching normal economic conditions. GDP growth was stronger than expected in the second quarter, primarily due to large investments in the business sector, a solid development in household consumption and strong exports. The economic upturn appears to have been broad, and sentiment among households and companies has also continued to improve during the third quarter. At the same time, there is still spare capacity in the labour market, although employment has increased and companies' recruitment plans have risen somewhat recently. Inflation is still low as a result of the direct effects of the fiscal policy measures, but several indicators suggest that inflationary pressures are higher than normal.

1.1 Economic developments abroad

The disruptions to the oil market have become more protracted, but the effects have so far been less than feared

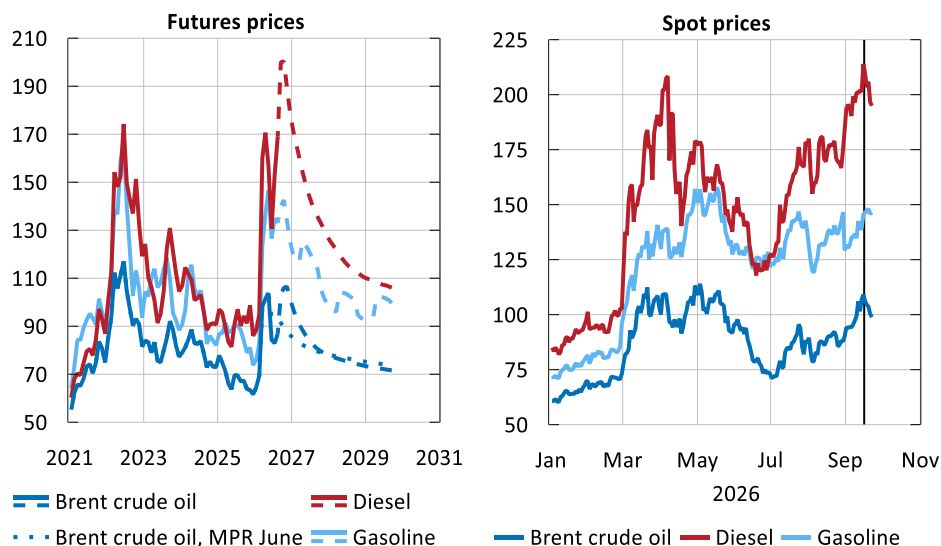
The war in the Middle East has now lasted for more than six months. After the peace negotiations between the United States and Iran ran aground at the beginning of July, new attacks have been made, which have caused the oil price to rise again. It has varied considerably over the summer and recently the spot price has risen. But oil futures in the longer run have remained around the same levels as those the Riksbank based its June forecast on (see Figure 3).

There are still disruptions in the production and transport of oil. However, both the supply and demand for oil have adapted to a prolonged conflict with a tense situation in the Strait of Hormuz to a greater extent than was expected – even though the conflict has become more protracted and the oil price has been at a high level for longer than futures prices indicated. Production in the Gulf states has entered the market to a greater extent than in the spring. Moreover, a clearly lower demand from China, increased production in other countries and the use of oil stocks has so far reduced the upward pressure on the oil price. However, it is uncertain how long and to what extent this will dampen price developments going forward.

Compared with crude oil, the supply of refined oil products has been more strained recently because of problems with bottlenecks in production and crippled production capacity in Russia. Global market prices for diesel and petrol have therefore increased more than for oil (see Figure 3). The price of jet fuel has also risen.

Figure 3. Prices of oil, diesel and gasoline

USD per barrel



Note. Futures prices are calculated as five-day moving averages of daily data, converted into a monthly average. Solid lines refer to outcomes and dashed/dotted lines represent futures prices. Outcome and current futures prices up to and including 16 September 2026. Futures prices at the time of the Monetary Policy Report (MPR) in June are up to and including 10 June 2026 (left). Daily spot prices up to 22 September 2026. The solid vertical line marks 16 September, which is the last date for outcomes to be included in the Riksbank's forecast (right).

Sources: Intercontinental Exchange and the Riksbank.

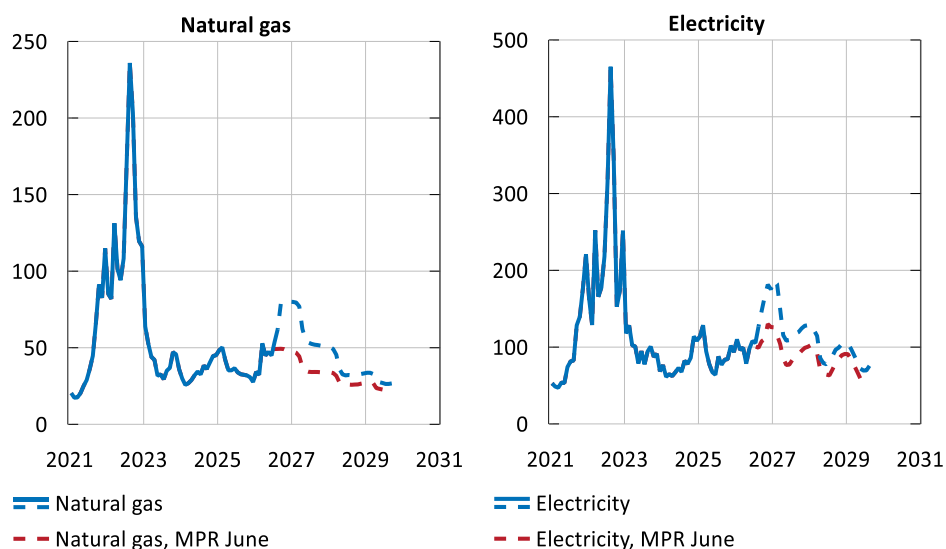
Natural gas and electricity prices in Europe have increased

The war in the Middle East has also pushed up the price of natural gas in Europe. Futures prices are higher than those the Riksbank based its June forecasts on and they indicate that the price will remain elevated until the beginning of 2027 (see Figure 4). The higher gas price has also contributed to European electricity prices rising in the summer. Electricity prices have also been pushed up by disruptions in electricity

production in nuclear power stations as a result of the extreme heat reducing water levels in rivers. Electricity futures are also higher than in June and indicate that the price will continue to rise and stay high some way into next year (see Figure 4).

Figure 4. Prices of natural gas and electricity

EUR per MWh



Note. Futures prices are calculated as five-day moving averages of daily data, converted into a monthly average. Solid lines refer to outcomes and dashed lines represent futures prices. Outcome and current futures prices up to and including 16 September 2026. Futures prices at the time of the Monetary Policy Report (MPR) in June are up to and including 10 June 2026.

Sources: Intercontinental Exchange and the Riksbank.

Global cost pressures are still elevated

Metal prices have generally come down since the spring but are still at a high level in a historical perspective, and food prices have risen (see Figure 5). Prices of certain agricultural products such as wheat, rice and corn have increased relatively substantially, partly due to the extreme weather during the summer (see further the Analysis “The impact of extreme weather on inflation”). However, futures pricing on several of the products does not indicate that the prices will continue to rise.

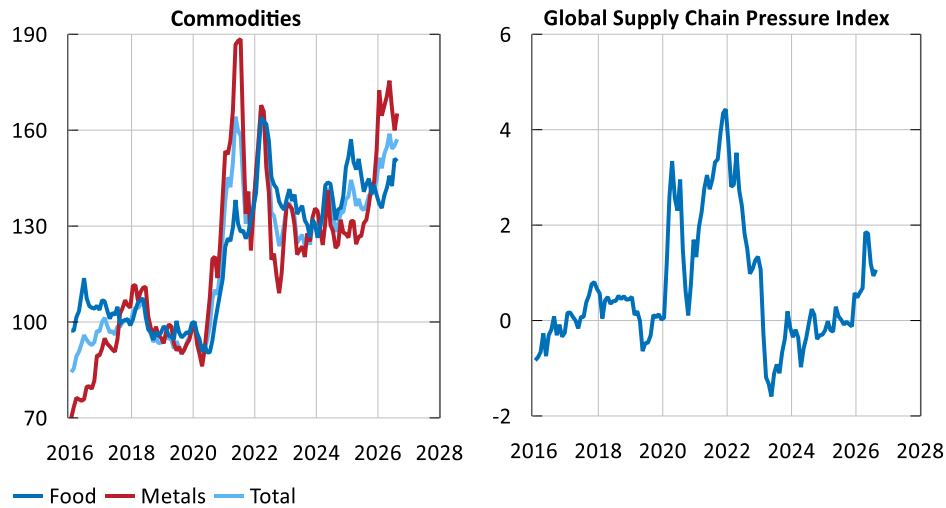
A measure that weighs together indicators of disruptions of global supply chains, including freight prices and assessments of delivery times for manufacturing companies in different countries, was largely unchanged at a higher level than normal in August (see Figure 5). Manufacturing companies’ assessments of the prices of intermediate goods have fallen since the spring, but are still at elevated levels, according to the Purchasing Managers’ Indices for both the United States and the euro area.

Producer prices abroad increased rapidly in the spring, and compared with the corresponding period in 2025, the rate of increase has remained high during the summer (see Figure 6). However, the price increase from month to month was moderate in June and July in several countries, although the rising price of natural gas

contributed to a higher rate of increase in the euro area in July. The upturn in energy prices has also led to somewhat higher rate of increase in August in the United States and United Kingdom, among others.

Figure 5. Commodity price indices and disruptions in global supply chains

Index, January 2020 = 100 (left) and standard deviation (right)



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

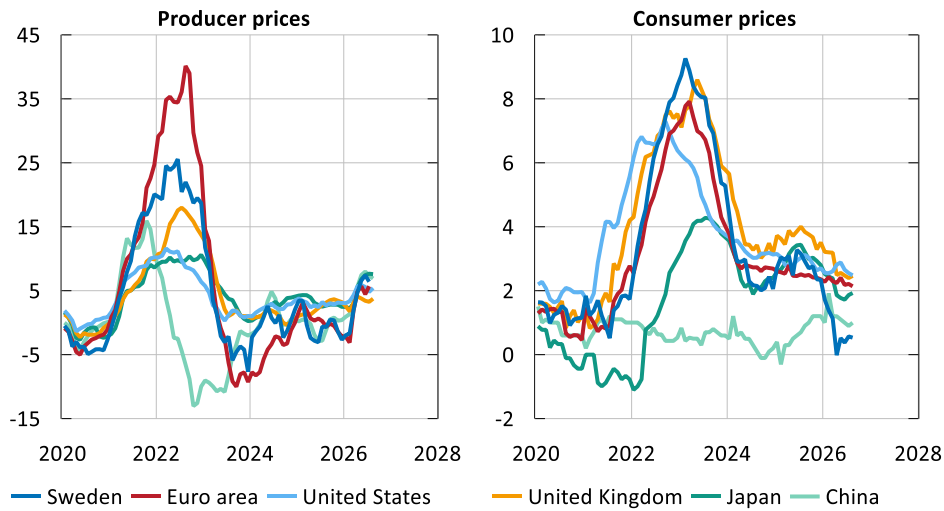
Sources: Federal Reserve Bank of New York and The Economist.

Inflation excluding energy has been more or less unchanged abroad

During the spring, inflation was pushed up by rapidly-rising energy prices in many countries. In the euro area, inflation fell in June but has since increased again and was 3.2 per cent in August. In the United States, too, inflation fell in June, but unlike the euro area, it has since remained at around the same level. In August, CPI inflation was 3.4 per cent. Indirect effects of higher energy and commodity prices, on the other hand, appear to have affected other consumer prices to a limited extent so far. Inflation excluding energy prices has largely remained unchanged during the summer in the United States and the euro area (see Figure 6). This also applies to the United Kingdom, Japan and China.

Figure 6. Consumer prices excluding energy and producer prices 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, Japan and China (right).

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

The global economy has been stronger than expected

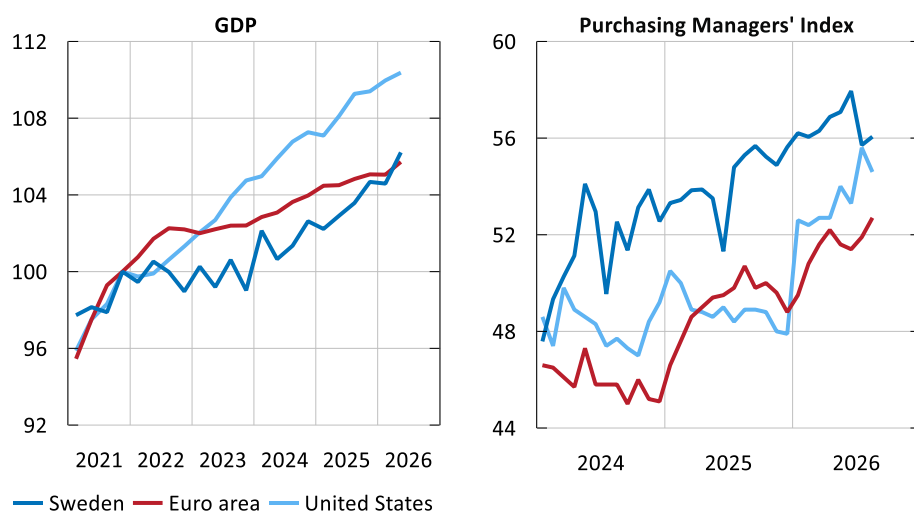
Supply shocks linked to the war in the Middle East have now lasted for more than six months. But the global economy has so far been more resilient to them than expected and GDP growth has been stable. However, the disruptions have had varying impact on economies. The ongoing AI expansion around the world has been a counteracting factor, not least for several Asian countries with large electronics production. In China, however, economic activity has been hampered by weakening domestic demand. For instance, developments in the Chinese retail trade have been subdued for a long time now and housing investment has declined.

In the United States, GDP increased by 0.4 per cent during the second quarter in relation to the first (see Figure 7). This was slightly weaker than expected, but household consumption increased tangibly and investment, especially AI-related investment, continued to provide a positive contribution to GDP. Sentiment among companies, particularly those in the services sector, has improved and the number of persons employed showed a tangible increase in August. There are signals of continued growth in the manufacturing industry, according to the Purchasing Managers' Index (see Figure 7). However, households became less optimistic in August.

In the euro area, GDP growth was 0.6 per cent during the second quarter, which was stronger than expected. Excluding Ireland, growth was 0.3 per cent.³ The largest contribution came from exports, but household consumption also showed a clear increase. In the euro area, sentiment in the corporate sector improved during the summer, including the manufacturing industry. Unemployment is low in a historical perspective, and households became less pessimistic in August.

Figure 7. GDP and Purchasing Managers' Index in the manufacturing industry abroad

Index, 2021 Q4 = 100 (left) and index (right)



Note. Seasonally adjusted data. Purchasing Managers' Index is an indicator of economic activity where an index figure above 50 indicates growth, while a figure below 50 indicates a downturn (right).

Sources: Eurostat, Institute for Supply Management, S&P Global, Statistics Sweden, Swedbank and the US Bureau of Economic Analysis.

1.2 Financial conditions

Global financial conditions have been characterised by counteracting tendencies

During the summer, market rates have continued to rise in the short and long term, at the same time as risk appetite has been high and stock market prices have reached new record levels, despite higher interest rates and geopolitical tension. Since the monetary policy meeting in August, however, the strong stock market growth has

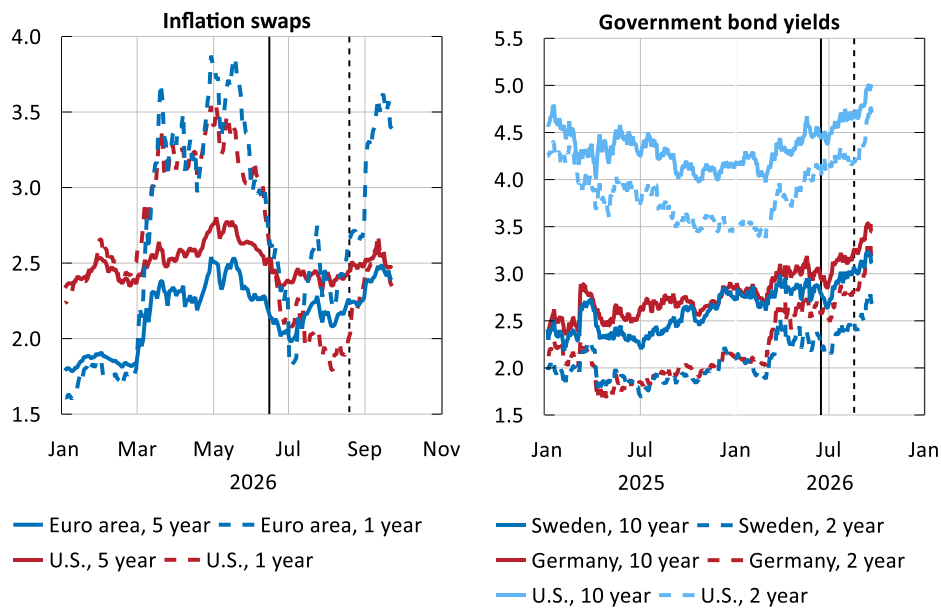
³ Periodically, GDP statistics in the euro area are substantially affected by developments in Ireland, despite the country's economy comprising a relatively small part of the entire euro area. Ireland's exports and GDP can be affected substantially by developments in a few multinational companies, primarily within the pharmaceuticals and technology sectors. As a substantial part of these companies' profits, which are reported in Ireland, fall to owners in countries outside of the euro area, this can give an exaggerated picture of economic activity in both Ireland and the euro area as a whole.

slowed down somewhat. Financial conditions are also assessed to have tightened in the Euro area and, to some extent, in the United States.⁴

The higher market rates are explained by, for instance, rising inflation expectations in the wake of the war in the Middle East. After a decline in the early summer, short-term inflation expectations in particular have risen once again, which can be seen in the pricing of inflation swaps, as the prospects of peace in the near term have deteriorated. At the same time, economic indicators from the euro area in particular, have been unexpectedly strong, which has further contributed to increased inflation expectations. Short-term inflation expectations in the euro area are now clearly above the ECB's target of 2 per cent. The development with rising long-term rates has also continued since August (see Figure 8). The trend that began in early 2025 was initially primarily due to higher risk premiums, but more recently expectations of higher short-term rates in the near term, among other things, have become an increasingly important explanation (see the Analysis "Factors behind the recent rise in long-term interest rates").

Figure 8. Inflation swaps and government bond yields

Per cent



Note. Inflation expectations based on 1-year and 5-year inflation swaps linked to the HICP in the euro area and the CPI in the USA (left). Solid and dashed vertical lines mark the time immediately prior to the monetary policy meetings in June and August, respectively.

Sources: Bloomberg Finance LP, Macrobond Financial AB and the US Department of the Treasury.

Despite higher market rates and rising inflation expectations, willingness to invest has remained high. Credit spreads, which rose significantly at the outbreak of war in the spring, have increased somewhat in recent weeks, but are still generally at low levels.

⁴ According to the ECB's Macro-Finance Financial Conditions Index (FCI) and the Federal Reserve's index Financial Conditions Impulse on Growth (FCI-G).

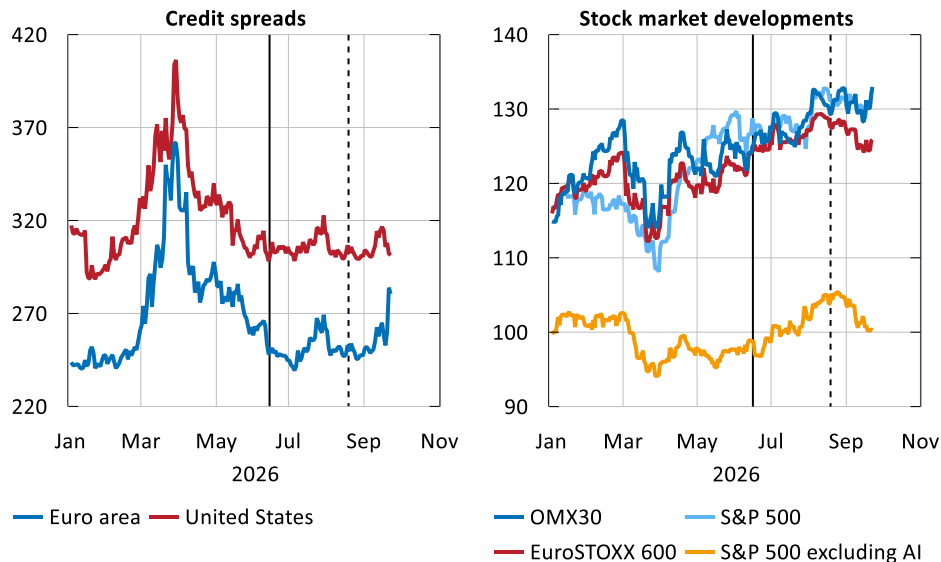
However, since the monetary policy meeting in August, stock market developments have slowed down somewhat following the new record levels during the summer in both the United States and Europe (see Figure 9). The decline applies primarily to shares that are not related to AI, while many of the AI-related shares have continued to perform strongly. The risks linked to high valuations within these companies are being increasingly highlighted, although large profits have provided support for some of the companies' valuations.

Financial conditions in Sweden are largely unchanged since June

In Sweden, too, there has been a large risk appetite and the stock market performed strongly over the summer, resulting in new record highs. Lending to households and companies has also continued to increase at a stable pace and loan conditions are favourable with largely unchanged interest rates since August. During the same period, the Swedish krona has weakened further, which contributes to the expansive developments via exports. However, the recent upturn in long-term market rates has a restraining effect on financial conditions. Despite Swedish households and companies in general having shorter interest-fixation periods on their loans, higher interest rates are dampening the willingness to invest and pushing down valuations of assets, such as property.

Figure 9. Credit spreads and stock market developments

Basis points (left) and index, 2 January 2025 = 100 (right)



Note. Spread against swap. Euro area credit spreads are measured using the iTraxx Xover index, which consists of 75 equally weighted credit default swaps (CDS) for companies with low/medium credit ratings. CDS in the United States refers to 100 North American companies divided into BB and B ratings (left). OMX30 refers to the stock exchange index for Sweden, EuroSTOXX 600 to the euro area and S&P 500 to the USA (right). Solid and dashed vertical lines mark the time immediately prior to the monetary policy meetings in June and August, respectively.

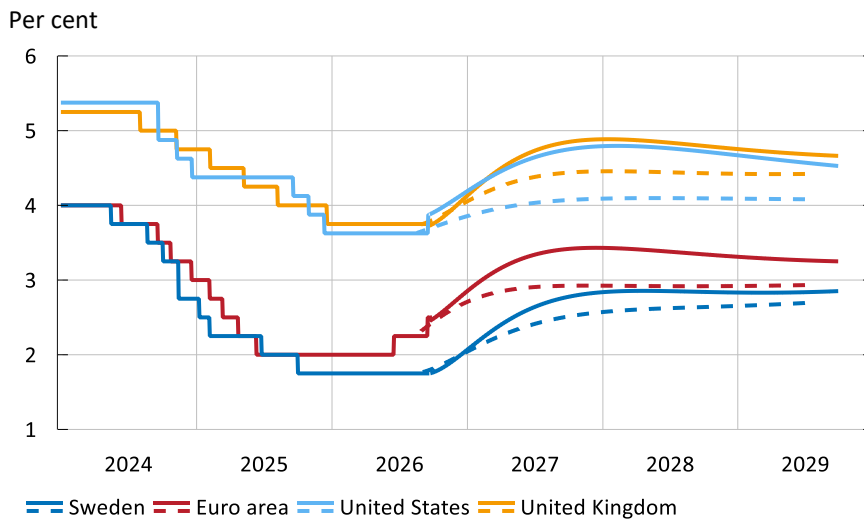
Sources: Bloomberg Finance LP, Morgan Stanley, Nasdaq OMX Nordic, S&P Global and STOXX.

Several central banks have raised their policy rates to curb inflation

The protracted war in the Middle East and the risks of higher inflation it entails have led to tighter monetary policy abroad. The ECB decided on 10 September to raise the policy rate once again by 0.25 percentage points to 2.5 per cent. They motivated the increase with reference to the conflict in the Middle East continuing to lead to higher inflation and that inflation would clearly overshoot the target for some time to come. Their communication was interpreted as indicating that monetary policy will become tighter than was previously expected. The market is now expecting a further increase this year and two more increases during 2027 (see Figure 10).

The Federal Reserve also raised its policy rate by 0.25 percentage point to the interval 3.75–4.0 per cent at its most recent meeting. The decision was taken unanimously by all members of the Federal Open Market Committee (FOMC) and a majority of them are expecting a further increase this year. Market expectations of the US policy rate going forward also rose in connection with the announcement and a further raise is now expected this year and then two increases during 2027. The Bank of Japan also raised its policy rate by 0.25 percentage points to 1.25 per cent at its September meeting, while the Bank of England left its policy rate unchanged at 3.75 per cent.

Figure 10. Market expectations of policy rates



Note. The figure shows policy rates and market-based expectations according to futures pricing. Solid lines represent expectations on 22 September 2026. Dashed lines represent expectations immediately prior to the monetary policy meeting in August.

Sources: National central banks and the Riksbank.

The krona has continued to weaken during the summer

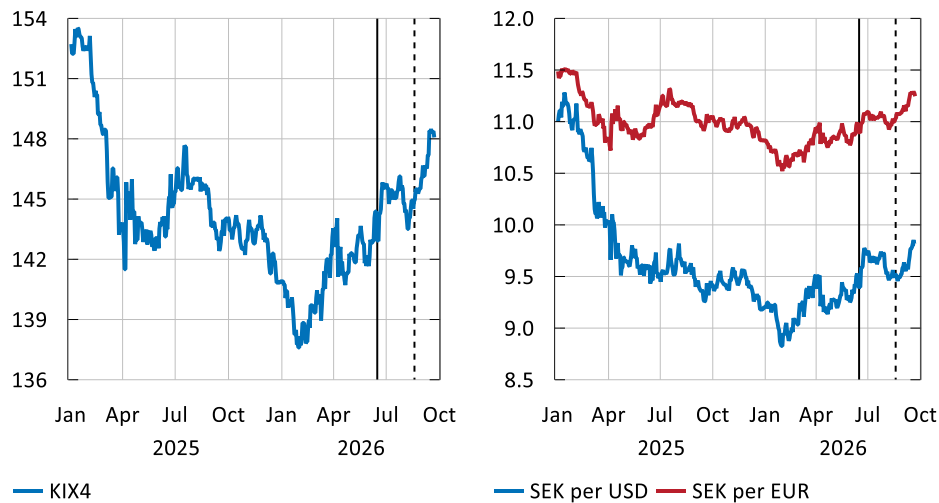
After strengthening substantially during 2025, the krona has weakened fairly continuously since February this year.⁵ Since the monetary policy meeting in June, the weakening has amounted to almost 4 per cent in trade-weighted terms and since the

⁵ During 2025, the krona appreciated by around 16 per cent against the dollar and around 6 per cent against the euro.

meeting in August to just above 2 per cent (see Figure 11).⁶ So far this year, the krona has weakened about half as much as it strengthened last year. Compared with the dollar, however, the krona is still stronger than at the start of 2025, while it compared with the euro it has now begun to approach the levels that prevailed then. The strengthening during 2025 coincided with expansionary financial conditions and high risk appetite, which usually benefits the krona. The weakening over the past year has instead occurred in an environment of growing expectations of tighter monetary policy abroad.

Figure 11. Nominal exchange rate for the Swedish krona against KIX4 and against the dollar and the euro

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



Note. The KIX4 (krona index) is a weighted average against the US dollar, the euro, the pound sterling and the Norwegian krone. A lower value indicates a stronger exchange rate. Solid and dashed vertical lines mark the date of the monetary policy meeting in June and August, respectively.

Source: The Riksbank.

1.3 Swedish real economy

Stronger growth than expected during the second quarter

Following a weak first quarter, GDP increased by 1.6 per cent during the second quarter of 2026, compared with the previous quarter (see Figure 12). Overall, GDP growth during the first half of the year was higher than its historical average. As in the rest of the world, the Swedish economy appears to have been well able to adapt to the disruptions associated with the war in the Middle East.

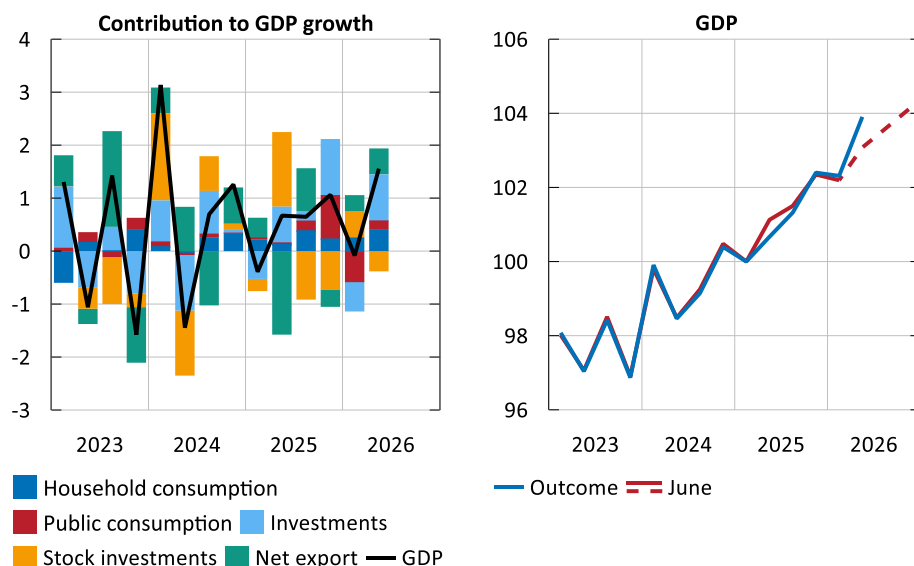
The GDP outcome for the second quarter was stronger than in the Riksbank's June forecast, although it may have been affected to some extent by temporary factors. It

⁶ This refers to KIX4 (krona index) which is a weighted average against the US dollar, the euro, the pound sterling and the Norwegian krone.

was primarily business sector investment that increased more than normal. Investment rose in both the data and IT sector and the property sector, despite continued weak growth in housing investments. Investments in data centres, among other things, contributed to the strong development. There was also an increase in investment in other machinery and weapons systems during the second quarter (see Figure 13). The upturn in investment can be related to major investments in defence and AI technology, which have also been highlighted by the companies responding to the Riksbank's most recent Business Survey (see the Fact box "The Riksbank's Business Survey, August 2026"). Developments in the business sector were also reflected in productivity, which was somewhat higher than expected during the second quarter and has had a solid growth rate over the past year (see Figure 13).

Figure 12. GDP growth

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

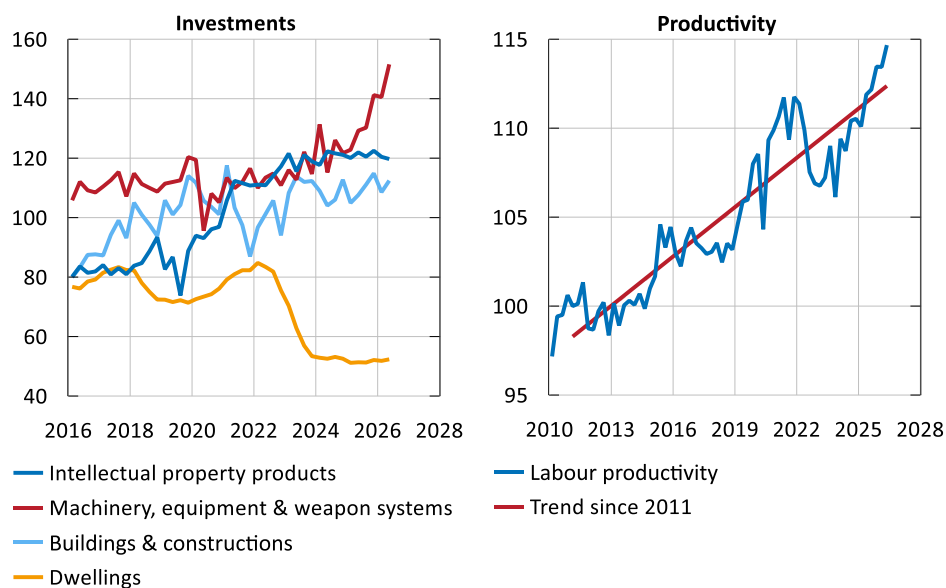


Note. Seasonally adjusted data. Solid lines refer to outcomes and the dashed line refers to the Riksbank's forecast from June (right).

Sources: Statistics Sweden and the Riksbank.

Figure 13. Investments and productivity

SEK billions (left) and index, 2011 Q1 = 100 (right)



Note. The trend is calculated for the period 2011–2026 (right).

Sources: Statistics Sweden and the Riksbank.

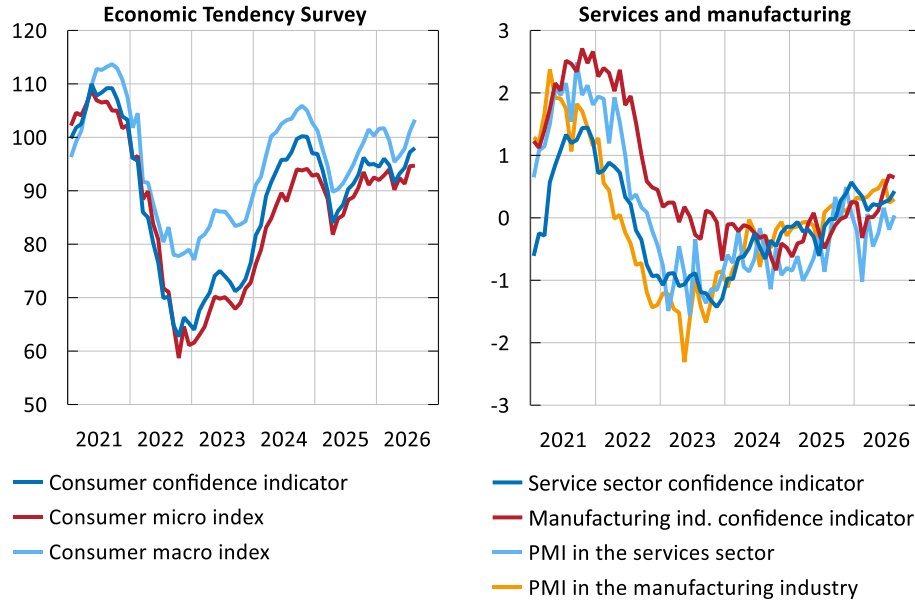
Household consumption also increased rapidly during the second quarter. Consumption of goods, and particularly furniture, continued to rise while consumption of services showed weaker development. The reduction in VAT on food increased household purchasing power and probably contributed to the higher food consumption. In addition, net export made a positive contribution to GDP growth. Overall, the economic upturn appears to have been broad.

Sentiment among households and companies continues to improve

According to the Economic Tendency Survey, household confidence rose in August, for the fourth month in a row and is now at a normal level for the first time since November 2024 (see Figure 14). At the same time, the household consumption indicator suggests that consumption grew at a faster rate than normal in July and August. Turnover on the housing market also continued to increase in August.

Figure 14. Household confidence indicator and sentiment in the services sector and manufacturing industry

Index, average = 100 and standard deviation = 10 (left) and standard deviation (right)



Note. The confidence indicators are calculated as the mean value of net figures for a number of questions concerning the economic situation and future prospects. Micro index summarises households' views of their own finances. Macro index summarises households' views of the development of the Swedish economy (left). PMI refers to Purchasing Managers' Index. The series are standardised from the year 2000 so that the mean value is 0 and the standard deviation is 1 (right).

Sources: National Institute of Economic Research and Swedbank.

Companies have also become more optimistic during the summer. According to the Economic Tendency Survey, companies expect the economy to continue to strengthen (see Figure 14). Sentiment in both the services sector and all segments of the retail trade sector is now stronger than normal, which may have been affected by indicators for tourism in Sweden being at high levels during the summer.⁷ Particularly positive signals are coming from the durable goods segment, which normally benefits when economic activity strengthens. In the business sector as a whole, the demand situation is now assessed to be in line with its historical average. A similar picture is painted in the Riksbank's Business Survey, where the companies assess that economic activity is now somewhat over its historical average (see the Fact box 'The Riksbank's Business Survey, August 2026'). The companies state that the war in the Middle East has not dampened demand in the economy, but that economic activity has instead improved somewhat since May. In addition, the Purchasing Managers' Index for August points to higher growth than normal (see Figure 14).

⁷ According to statistics from the Swedish Agency for Economic and Regional Growth, the number of overnight stays by foreign visitors in Sweden increased by 10 per cent in July, compared with the same month in the previous year. At the same time, data from Swedavia shows that the number of international passengers at Arlanda Airport reached its highest level ever for the month of July. In addition, according to the Riksbank's Business Survey in August, Swedish companies in the retail trade and tourism industry reported strong sales in July due to increased tourism. Companies in the Swedish travel and aviation industries also experienced positive developments during the summer.

Overall, the indicators suggest that sentiment in the Swedish economy having strengthened. However, there are signs that growth during the third quarter has been somewhat weaker than during the second quarter. For example, the large investments during the second quarter are assessed to have been driven by temporary factors to some extent. The GDP indicator for July also indicates a weaker development compared to the second quarter, although the indicator is volatile.

Some upturn in the labour market recently

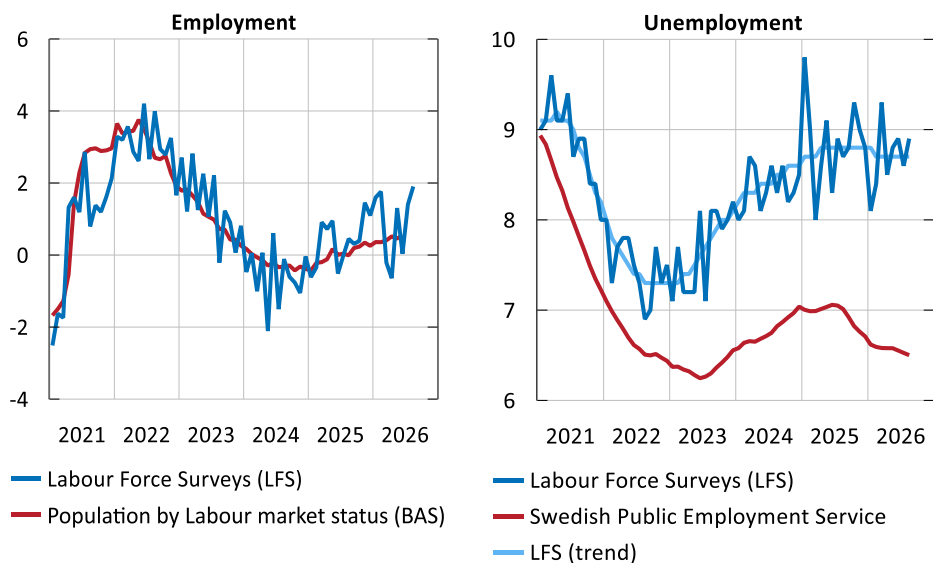
Employment has increased gradually since the beginning of 2025. However, the increase has not been particularly strong, especially not in the business sector, and it has not been sufficient to bring unemployment back down. According to the Labour Force Survey (LFS), employment increased in July and August and was higher than in the second quarter, while unemployment remained largely unchanged (see Figure 15). The monthly outcomes according to the LFS usually vary quite a lot. But statistics from the Swedish Public Employment Service show that the number of persons registered as unemployed has fallen somewhat during the summer (see Figure 15).

Some indicators now suggest that the labour market situation is gradually improving. Companies' recruitment plans and the number of newly registered vacancies at the Swedish Public Employment Service have risen somewhat, indicating a greater willingness to hire. However, according to the Riksbank's Business Survey, companies are saying that they are still cautious with regard to new recruitment. Several companies report that new technology and AI are leading them to reconsider certain recruitment decisions to a greater extent, although their staffing levels have not yet been affected. Recruitment companies, which can be regarded as an early indicator of the labour market situation, are at the same time seeing signs that demand for labour can increase going forward, particularly in segments with connections to the growing defence industry. At the same time, the number of redundancy notices in July and August was lower than normal. Overall, the situation on the labour market appears to have improved somewhat recently.

There is still spare capacity in the labour market. Unemployment is relatively high, the average hours worked are low, the share of those who are underemployed remains at a high level and a small amount of companies report that they are experiencing a labour shortage (see Figure 16). It is normal that improvements in the labour market lag behind an economic recovery, as the demand for labour does not usually pick up until both companies' production and their sales have increased for some time.

Figure 15. Employment and unemployment

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

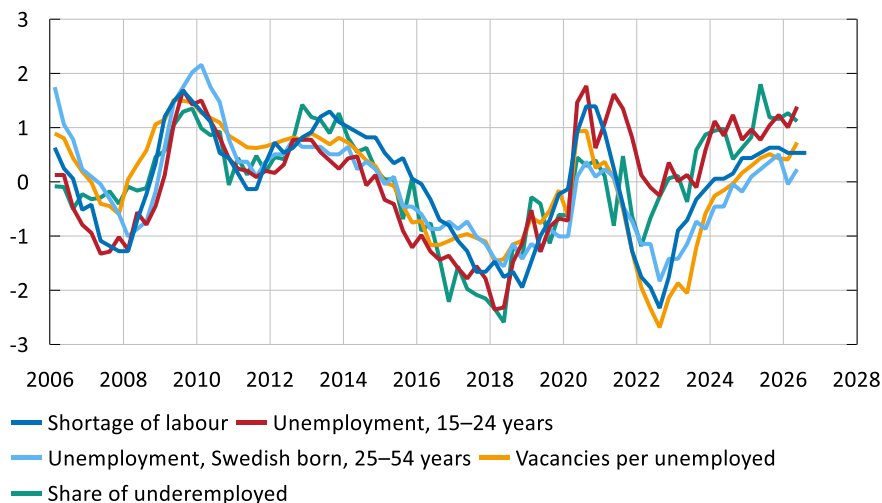


Note. The Labour Force Surveys (LFS) and the Population by Labour market status (BAS) refer to ages 15–74 years. The Public Employment Service's measure refers to registered persons in the age group 16–64 years up to end of 2022, 16–65 years in 2023–2025 and 16–66 years as from the beginning of 2026. Trend value for unemployment according to the LFS, calculated by Statistics Sweden.

Sources: Swedish Public Employment Service and Statistics Sweden.

Figure 16. Different measures of the spare capacity in the labour market

Standard deviation



Note. Seasonally adjusted data. Shortage of labour refers to the share of companies responding that they have experienced a shortage of labour. Underemployed refers to people in employment who work less than they would like to. Shortage of labour and job vacancies per unemployed person are inverted. The series are standardised from the year 2005 so that the mean value is 0 and the standard deviation is 1.

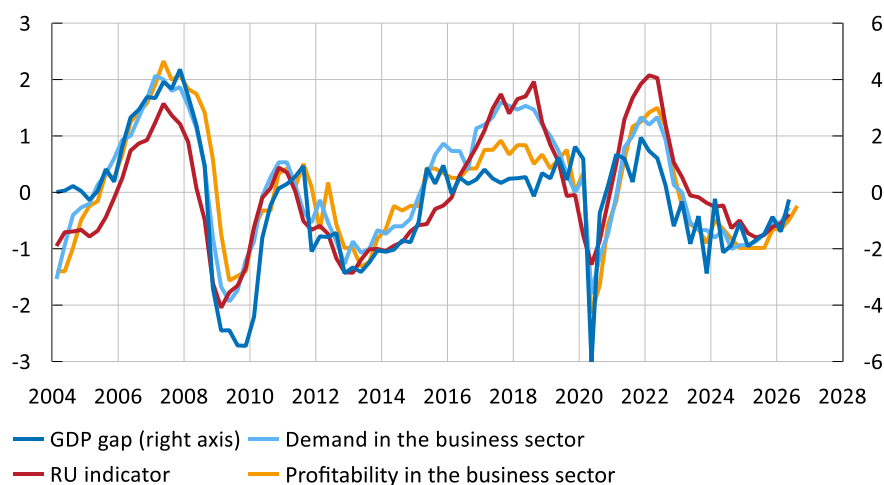
Sources: National Institute of Economic Research, Statistics Sweden, Swedish Public Employment Service and the Riksbank.

The Swedish economy is approaching normal economic conditions

Several indicators suggest that, after several years of subdued economic activity, the Swedish economy is approaching normal economic conditions. As no individual measure provides a complete picture of the amount of spare capacity in the economy, the Riksbank's assessment of resource utilisation is based on several indicators (see Figure 17). The Riksbank's indicator of resource utilisation, which summarises information from survey data, is still negative but has risen somewhat over the past year. At the same time, GDP growth has been higher than normal over the past quarters, which means that resource utilisation measured in terms of the GDP gap has increased. The demand situation in the business sector is also continuing to strengthen. Overall, the indicators suggest that resource utilisation is gradually approaching a normal level, after being lower than normal for a longer period of time. However, there is still spare capacity in the labour market (see Figure 16).

Figure 17. Indicators of resource utilisation

Standard deviation and per cent (GDP gap)



Note. Seasonally adjusted data. The GDP gap refers to the percentage deviation from the Riksbank's assessed potential level (right axis). The RU indicator is an aggregate of different survey data that measure resource utilisation. The series are standardised so that the mean value is 0 and the standard deviation is 1.

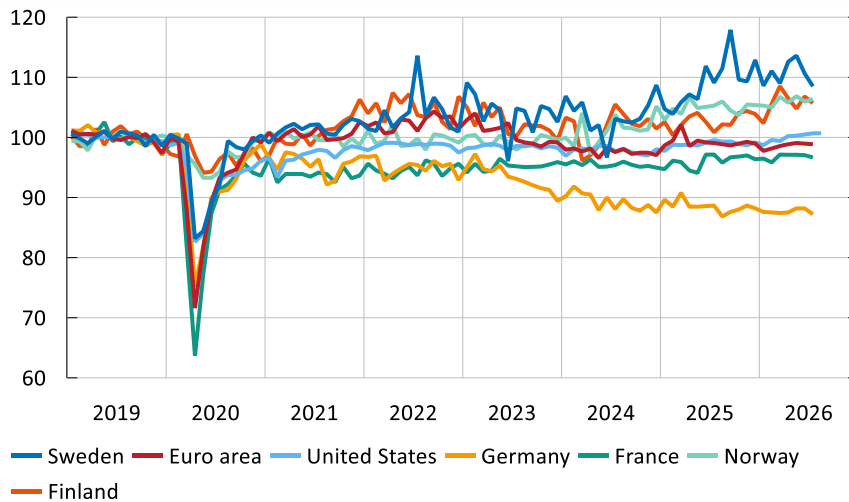
Sources: National Institute of Economic Research and the Riksbank.

FACT BOX – Significant differences between industries within the goods sector

Industrial production has grown more strongly in Sweden than in many other countries in the western world (see Figure 18). The production of Swedish industrial goods is currently around 14 per cent higher than in 2019. In the euro area and the United States, production has shown zero growth over the same period, whilst in Germany it has fallen by more than 10 per cent. Industrial value added – calculated as an industry's production minus intermediate consumption – has grown at a slower rate than industrial production in Sweden, primarily due to rising intermediate consumption.⁸

Figure 18. Industrial production in comparable countries

Index, 2019 = 100



Note. Seasonally adjusted data.

Sources: Eurostat, Federal Reserve, National Institute of Statistics and Economic Studies, German Federal Statistical Office, Statistics Finland, Statistics Norway and Statistics Sweden.

Behind Sweden's industrial growth lie differences between various industries (see Figure 19). Growth in the industrial sector has been concentrated in a small number of highly productive and technology-intensive industries, which have contributed substantially to the increase in both industrial production and value added. Value added growth has been particularly strong in refining, chemicals and pharmaceuticals, and in the manufacture of other means of transport, which includes combat vehicles. In these industries, the value added is now more than 80 per cent higher than in 2019. Manufacture of computers and electronics has also experienced strong growth and value added is now around 50 per cent larger than in 2019. This industry may benefit from the expansion of AI and data services, but also from military rearmament.⁹ These

⁸ See "[Skillnader i den ekonomiska statistiken \[Differences in economic statistics\]](#)", Statistics Sweden, 16 April 2024. In Swedish only.

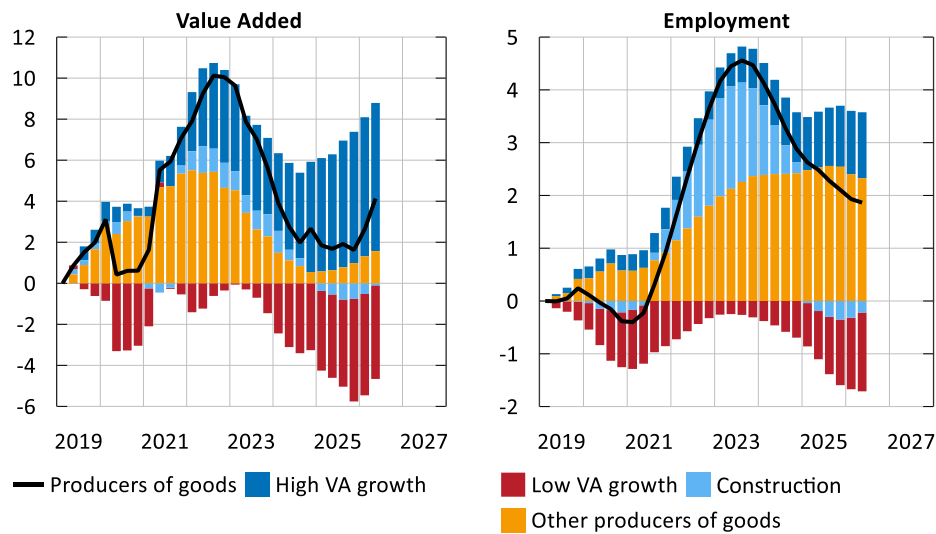
⁹ The manufacture of radar equipment, among other things, may fall within this industry.

industries account for around 16 per cent of the growth in value added since 2019, despite accounting for 4.2 per cent of value added in 2019.¹⁰

Other industries, often in traditional Swedish branches of industry, have seen weak growth in the same period. Value added in both the steel and metals industry, and in motor vehicle manufacturing, is more than 35 per cent and 10 per cent lower than in 2019, respectively, whilst growth in the wood and paper industry has been weak.

Figure 19. Contribution to growth in value added and employment in the goods sector

Percentage change since 2019 Q1



Note. Quarterly data. One-year moving average. Cumulative contributions to growth in value added (left) and employment (right) in the goods sector since 2019 Q1. High and low VA growth refer to industries with high and low value added growth, respectively. Industries with high VA growth include the manufacture of refined petroleum products, chemicals and pharmaceuticals (C19–C21), the manufacture of computers, electronics and optical equipment (C26), and the manufacture of other transport equipment (C30). Industries with low VA growth include timber, pulp, paper and printing (C16–C18), steel and metal manufacture (C24–C25) and motor vehicle manufacture (C29).

Sources: Statistics Sweden and the Riksbank.

The industries that have seen the strongest growth have high productivity. Although they account for just under 5 per cent of the business sector's value added in 2025, they employ only just over 2 per cent of the business sector's workforce. As a result, the rise in employment in these industries has had only a limited impact on the employment rate across the economy as a whole in recent years. Industries with weak value-added growth, on the other hand, employ almost three times as many people. The decline in the number of employees in these industries (red bars) is entirely offset by the increase in the growth industries (dark blue bars); see Figure 19. This concentrated industrial growth may therefore partly explain the limited impact on employment as a whole.

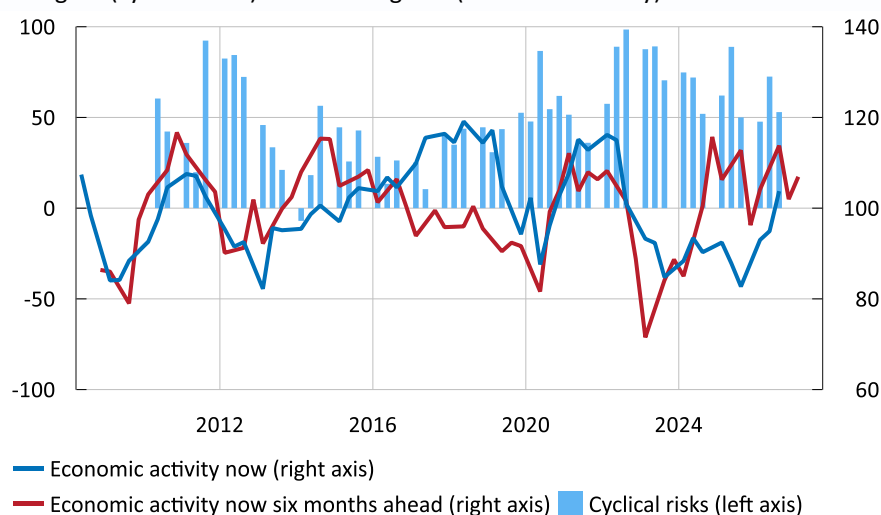
¹⁰ They accounted for 4.8 per cent of Swedish value added in 2025.

FACT BOX – The Riksbank’s Business Survey, August 2026¹¹

The economic situation has improved since the survey in May. At the time, the companies expressed concern that the war in the Middle East would delay an already sluggish recovery. However, despite the fact that the war has continued, companies do not feel that the economic impact has been particularly significant. The recovery experienced by companies prior to the outbreak of war has gained fresh momentum, and for the first time since September 2022, they now assess that economic activity is above its historical average (see Figure 20). Cyclical risks have eased somewhat, and companies are taking a more optimistic view of developments going forward.

Figure 20. Economic activity and cyclical risks

Net figure (cyclical risks) and index figures (economic activity)



Note. The bars (left axis) show weighted net figures for companies that say that the risks to economic developments are currently greater or smaller than normal. Economic activity (right axis) shows a standardised value (mean = 100 and standard deviation = 10) of weighted net figures for companies that say that the economic situation is currently good or bad and those that say that the economic situation will be better or worse in six months' time. The red line, the economic situation in six months' time, has been moved forward two quarters.

Source: The Riksbank's Business Survey, August 2026.

In the retail and hospitality sectors, most report that demand has been strong over the summer. "People are thrifty in their day-to-day lives but willing to spend on their leisure time and holidays" is a quote that sums up the thinking of many companies. Just as in May, the non-durable goods segment has seen a rise in sales and a shift from low-price to premium products as a result of the temporary reduction in VAT on food. However, many in the retail and hospitality sectors also believe that underlying demand has strengthened, and there is now a more widespread optimism about consumption growth than there was in May.

¹¹ For further information, see the full report, "The Riksbank's Business Survey, August 2026".

Cyclical developments for companies that sell to other companies are largely driven by structural changes in society. There is strong and growing demand for goods and services used for the defence industry, data centres and the energy transition. However, economic activity remains relatively weak for the timber and pulp industries, and in those industries, they do not see any sign of a turnaround in the near future.

Over the past three years, companies have reported gradual cutbacks in their workforces. Fewer companies are now planning to reduce the number of employees. However, they are still focusing on efficiency improvements, and there is a degree of restraint when it comes to replacing staff. Several believe that new technology, for instance AI, is leading them to consider to a greater extent whether they need to make certain recruitments. According to recruitment agencies, the labour market is starting to pick up, linked primarily to increased demand, particularly from the defence industry and their subcontractors.

The war in the Middle East has, above all, driven up fuel prices, which is affecting companies' transport costs. In addition, material and purchasing costs are rising due to high prices for, amongst other things, certain commodities and metals. It is particularly those companies that sell to other companies that say that the increased costs have already had an impact. These companies have raised their selling prices and are also planning further price rises, though no more than usual.

Within the retail and hospitality sectors, it takes longer for rising purchasing prices to affect costs. The cost increases are not expected to take effect until the end of the year. Overall, companies feel that the cost increases are manageable. They are planning to pass on some of them to customers, but they believe it will not be possible to pass on all of them. Within the non-durable goods segment, however, there are no plans to raise prices, which means that pricing plans for the retail and hospitality sectors are falling overall. Other retail and hospitality companies are planning to raise their selling prices, but a larger proportion of companies say these are normal price rises.

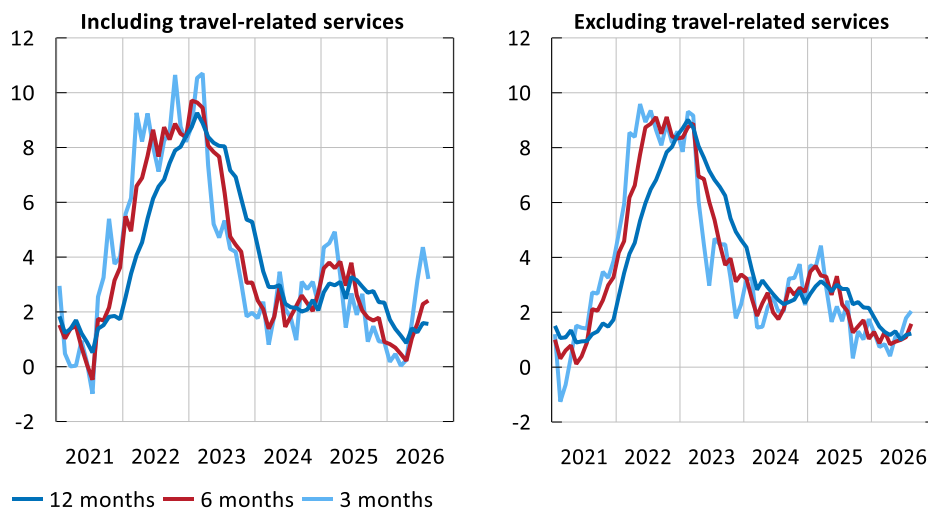
1.4 Swedish inflation

Inflation has evolved largely as expected

In August, CPIF inflation stood at 0.7 per cent and CPIF inflation excluding energy at 0.5 per cent, which was in line with the Riksbank's June forecast. The fact that CPIF inflation remains low is mainly due to the direct effects of temporary fiscal policy measures keeping inflation down.¹² Excluding these measures, CPIF inflation was 2.2 per cent in August, while CPIF inflation excluding energy was 1.6 per cent. Prices for goods and food rose less than expected, but the rate of increase in services prices was unexpectedly high. Travel-related services prices once again rose significantly, but not as much as in July (see Figure 21).

Figure 21. CPIF excluding energy and temporary fiscal policy measures

Annual percentage change and three-month and six-month percentage change, calculated as an annual rate



Note. Seasonally adjusted data. Excluding temporary fiscal policy measures means that the direct effects on the price level of the temporary tax reduction on food and the temporary reduction in public transport fares implemented in 2026 are excluded. Travel-related services include, amongst other things, package holidays, flights, hotels and car hire.

Sources: Statistics Sweden and the Riksbank.

The rapid rises in airfares over the summer can be partly explained by the fact that aviation fuel prices have risen as a result of the war in the Middle East. However, prices for other travel-related services also rose more rapidly than usual. One explanation is thought to be changing seasonal patterns, which may be linked to companies adjusting their prices more closely to fluctuations in demand (see the Fact box "Higher volatility in inflation statistics"). Prices of travel-related services fell back slightly in August. Tourism in Sweden has been unusually high this summer, which has

¹² Direct effects of temporary fiscal policy measures are the effects on the price level of the temporary tax reductions on food and fuels and the temporary reduction in public transport fares implemented in 2026. For further details, see the Fact box "The effect of temporary fiscal policy measures on inflation", *Monetary Policy Report*, June 2026, Sveriges Riksbank.

led to a strong demand for travel-related services. For example, hotel prices rose rapidly in connection with major international concerts. If travel-related services are excluded, inflation remains low, and measures of price changes over periods shorter than 12 months continued to rise at a slower rate in August than in July (see Figure 21).

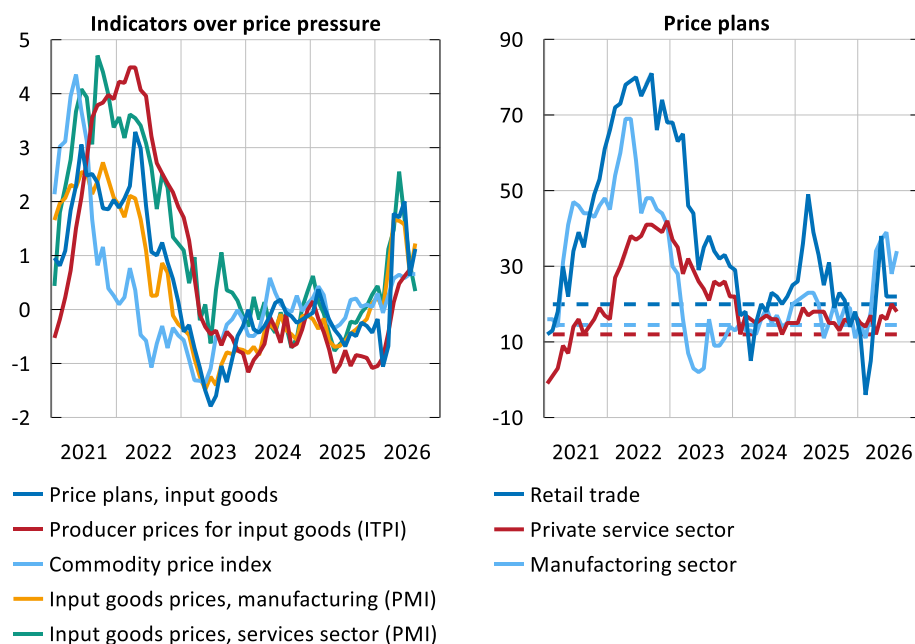
Indicators point to higher-than-normal inflationary pressures

The global rise in fuel prices has had an impact on inflation in Sweden, but this effect has so far been mitigated by a temporary reduction in fuel tax. The war in the Middle East has also contributed to higher prices for, amongst other things, aviation fuel, and the prices of certain commodities and industrial inputs.

The increased cost pressures within industry are also reflected in companies' pricing plans. After declining in June and July, companies' pricing plans have risen slightly again in the manufacturing sector and are now above normal levels (see Figure 22). In the services sector, however, companies consider that price developments for inputs have been more normal (see Figure 22). However, across the business sector as a whole, a higher proportion of companies than usual expect to raise their selling prices going forward, according to the Economic Tendency Survey.

Figure 22. Indicators of inflationary pressures

Standard deviation (left) and net figures (right)



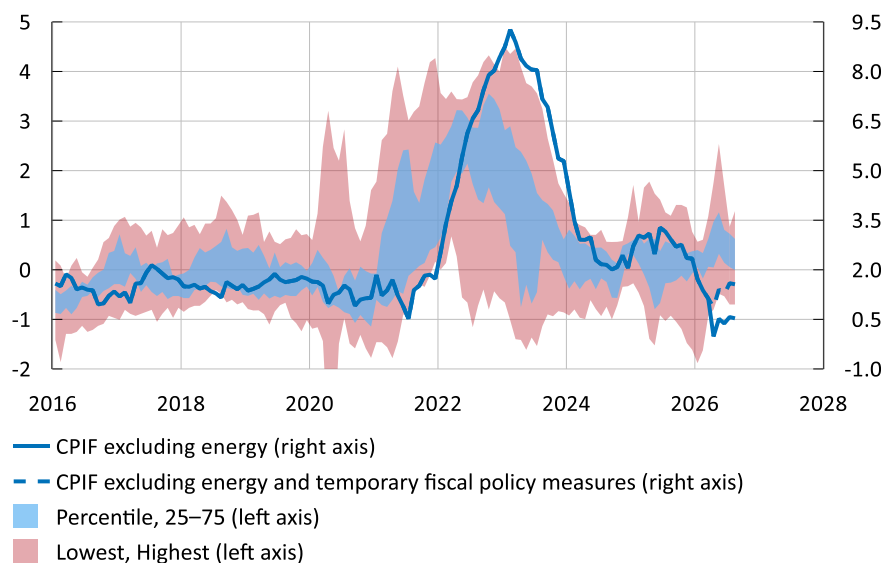
Note. The left-hand chart shows standardised values for price plans from the Economic Tendency Survey, purchasing managers' assessment of input prices (PMI), input prices in the producer market from the price index for domestic supply (ITPI), and The Economist's commodity price index. The series are standardised from 2005 so that the mean is 0 and the standard deviation is 1. Dashed lines represent the average for the period 2005–2026 (right). Price plans and PMI refer to seasonally adjusted data.

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

The Riksbank's Business Survey also indicates higher costs for, among other things, fuel, metals and other commodities. However, plans to raise prices vary between different types of company (see the Fact box "The Riksbank's Business Survey, August 2026"). A wide range of contemporary and forward-looking indicators relevant to inflationary pressures show, taken together, that these pressures are currently higher than normal, which will contribute to higher inflation in the period ahead (see Figure 23).

Figure 23. CPIF excluding energy with indicators

Standard deviation and annual percentage change (price indices)



Note. The red field shows the range between the highest and lowest standardised value for the following indicators: households' inflation expectations, price plans in the retail trade, consumer goods sector and services sector, Purchasing Managers' Index for the services sector and manufacturing sector, producer price index for consumer goods (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 indices are expressed as annual percentage changes. The series are standardised from the year 2000 so that the mean value is 0 and the standard deviation is 1.

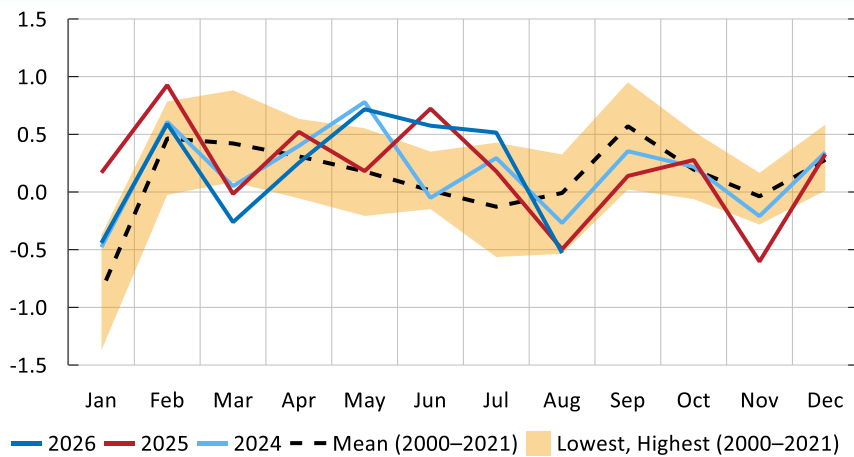
Sources: Eurostat, Federal Reserve Bank of New York, National Institute of Economic Research, Statistics Sweden, Swedbank, The Economist, US Bureau of Labor Statistics and the Riksbank.

FACT BOX – Higher volatility in inflation statistics

Historically, important measures of inflation, such as the CPIF and the CPIF excluding energy, have followed a clear seasonal pattern throughout the year. The monthly change in a given year will then, depending on inflationary pressures and temporary fluctuations, vary around what is normal for the season. Figure 24 shows monthly changes in the CPIF excluding energy and direct effects of temporary fiscal policy measures. The shaded range shows the range within which all observations for a given month fell between 2000 and 2021. The lines show the outcomes for the corresponding months from 2024 up to the present day.

Figure 24. Monthly changes in the CPIF excluding energy and temporary fiscal policy measures

Percentage monthly change



Note. The range shows the span of the monthly changes for each month between 2000 and 2021. Excluding temporary fiscal policy measures means that the direct effects on the price level of the temporary tax reduction on food and the temporary reduction in public transport fares implemented in 2026 are excluded.

Sources: Statistics Sweden and the Riksbank.

The monthly changes, particularly in 2025 and 2026, have been significant from a historical perspective and have deviated from the normal variation (see Figure 24). In more than half of the months in these two years, the outcomes have been at the edge of, or completely outside, the historical interval.

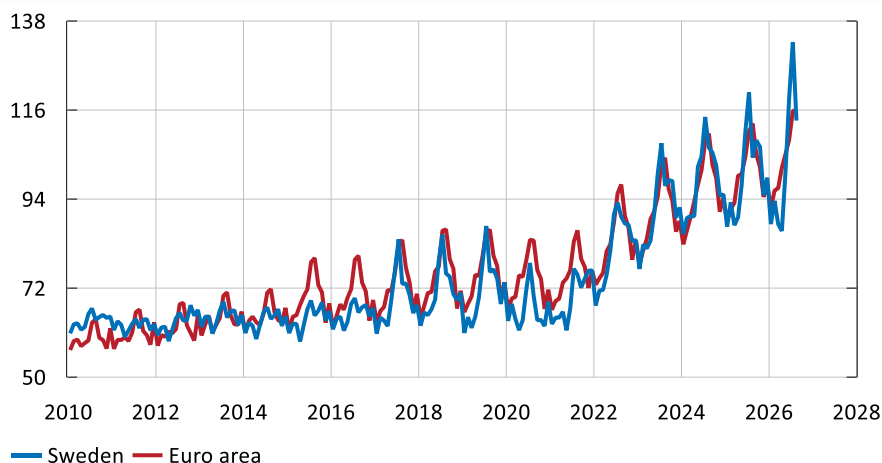
This increased variation is largely explained by price developments in certain services where dynamic pricing is commonplace, such as air travel, package holidays, hotels and car hire. To some extent, the increased variation in these indices can be explained by new methods and data sources used to calculate the CPI; however, as similar volatility is also evident in other countries, this is unlikely to be the whole explanation.

Figure 25 shows the trend in an HICP index that includes accommodation and package holidays for Sweden and the euro area. Here we can see that volatility has increased in the euro area as well, but that the scale of the increase is greater in Sweden. As a result, the contribution to CPIF inflation from these components now fluctuates by

several tenths of a percentage point from month to month, even though their weight only constitutes a few per cent of the total.

Figure 25. Price developments for package holidays and overnight stays in the HICP

Index, 2025 = 100



Note. The figure shows the non-seasonally adjusted index development for the HICP aggregate referred to by Eurostat as “Services Related to Package Holidays & Accommodation”.

Source: Eurostat.

One possible explanation is the influence of dynamic pricing has increased, as companies with the help of new technology and data may have become quicker to adjust prices after fluctuations in demand. As a result, the month-on-month movements become larger and vary more in line with temporary fluctuations in demand.

It also makes it more difficult both to forecast and to interpret individual monthly inflation outcomes. It is therefore important not to draw overly far-reaching conclusions from movements – whether downwards or upwards – in individual months. Particularly if these are driven by the very components where dynamic pricing occurs.

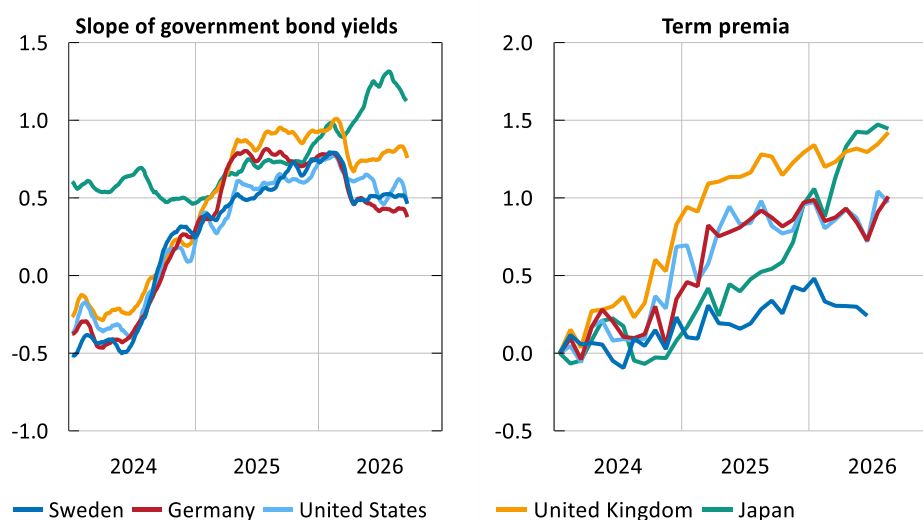
ANALYSIS – Factors behind the recent rise in long-term interest rates

Long-term interest rates have been rising markedly both in Sweden and abroad since the beginning of 2025. The rise initially took place against a backdrop of increased uncertainty and a greater supply of government bonds. However, in 2026, expectations of higher short-term interest rates became more significant, as inflation was expected to rise and economic data came in stronger than expected. Higher long-term interest rates tend to tighten financial conditions, as they increase borrowing costs and reduce asset valuations.

Since 2025, the Swedish ten-year government bond yield has risen by around 0.7 percentage points. In the United States, the United Kingdom, Germany and Japan, ten-year government bond yields have risen by between just over 0.4 and 1.8 percentage points. Long-term interest rates rose in 2025 despite the Riksbank and several other central banks cutting their policy rates, making yield curves considerably steeper (see Figure 26).

Figure 26. Slope of government bond curves and term premia

Percentage points



Note. The difference between the yields on 10-year and 2-year government bonds. One-month moving average (left). The development of the term premium for 10-year government bond yields since 2024, estimated according to Adrian, Crump and Moench (2013), 'Pricing the Term Structure with Linear Regressions', Journal of Financial Economics, 110 (right).

Sources: Bloomberg Finance LP, Macrobond Financial AB and the Riksbank.

A long-term interest rate reflects both the shorter-term interest rates that market participants expect over the bond's maturity and the additional compensation that investors require for holding a long-term bond, the so-called term premia.

Expectations regarding the development of short-term interest rates change when economic agents expect monetary policy to change, for example due to new information about inflation or the real economy. Term premia compensate investors for the risks associated with holding long-term bonds. They vary over time and depend, among other things, on the degree of uncertainty surrounding the outlook, as well as on supply and demand conditions for long-term bonds.¹³

According to model estimates, long-term interest rates in Sweden were driven up mainly by higher term premia in 2025, and continued to rise in 2026 as short-term interest rates were expected to increase.

The rise in term premia during 2025 was a global phenomenon.¹⁴ The upturn was driven by an increased supply of government bonds and greater uncertainty surrounding the outlook for inflation and growth in several countries. The shifts in US trade and economic policy, as well as increased geopolitical risks probably contributed to the uncertainty. At the same time, private investors increased their holdings of government bonds. This was because central banks continued to normalise their balance sheets, whilst several countries increased their government borrowing (see Figure 27).¹⁵

In 2026, market participants revised their expectations of future policy rates in several economies. At the end of February 2026, war broke out in the Middle East, causing major shocks to energy supply and drove up both energy prices and inflation expectations. The upward pressure on interest rates was reinforced by stronger-than-expected economic data in several countries. In Sweden, for example, growth in the second quarter was higher than the Riksbank had forecast in June.

Since the Monetary Policy Report in June, long-term interest rates have continued to rise globally. In addition to stronger-than-expected economic data, the upturn has probably also been driven by concern for the fiscal policy outlook and the large financing needs for borrowing and investment in the AI sector in the United States. In August, the 30-year US government bond yield reached its highest level since 2007, having risen by just over 0.4 percentage points since June. This occurred despite the

¹³ Neither the term premium nor the expected short-term interest rate component can be observed, both must be estimated, and such estimates are model-dependent. They should be interpreted with some caution, even though they are a useful indication of the relative importance of the factors driving long-term interest rates. See the Article "Perspectives on monetary policy expectations and forward rates" in *Monetary Policy Report*, February 2013, Sveriges Riksbank.

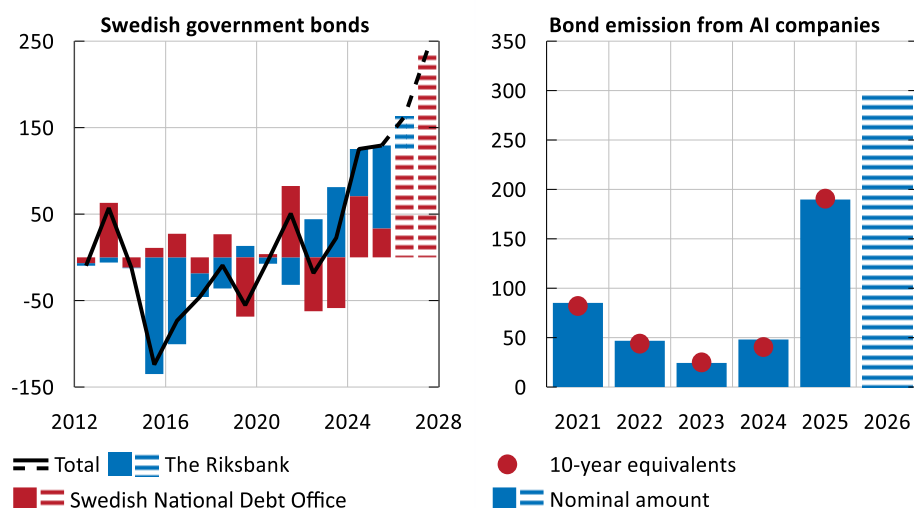
¹⁴ A common factor based on the term premia in the United States, Germany, the United Kingdom and Japan explains approximately 75 per cent of the daily variation in the Swedish term premium since 2010, which is consistent with a BIS study that found substantial international spillovers from shocks in the US term premium to long-term interest rates. See J. Kearns, A. Schrimpf och F. D. Xia (2018), "Explaining Monetary Spillovers: The Matrix Reloaded", BIS Working Papers nr 757, Bank for International Settlements, and A. Mehrotra, R. Moessner och C. Shu (2019), "Interest Rate Spillovers from the United States: Expectations, Term Premia and Macro-Financial Vulnerabilities", BIS Working Papers nr 814, Bank for International Settlements

¹⁵ Fiscal policy developments generally pointed towards an increase in the supply of debt securities. Germany established a EUR 500 billion infrastructure fund in 2025; US tax legislation that came into force in the same year led to higher projected deficits and increased federal borrowing; the United Kingdom was already facing an unusually large issue of government bonds; and Sweden increased its defence spending and its borrowing requirements.

US Treasury relying extensively on short-term government securities, while issuance of longer-term bonds remained largely unchanged.

Figure 27. Supply of bonds in Sweden and the United States

SEK billions, annual change (left) and USD billions, new issuances (right)



Note. Change in the supply of nominal government bonds, calculated as the net change in outstanding stock and in the Riksbank's holdings (with the sign reversed), including official forecasts from the respective institutions (left). USD bonds in a basket comprising AI-related companies, according to the Dallas Fed Economics report, 'How AI Debt Financing Impacts Duration Supply and Interest Rates', by De Vere et al. (2026). A forecast is reported for the full year 2026 (right).

Sources: Federal Reserve Bank of Dallas, Macrobond Financial AB and the Riksbank.

The rapid expansion of debt-financed investment in AI is leading to a significant increase of long-term corporate bonds issuance. In the first half of 2026, issuance by US non-financial companies was approximately 70 per cent higher than in the same period last year. Borrowers in the technology and AI sectors now account for almost 40 per cent of US bond issuances with an investment-grade rating and maturities of more than ten years.¹⁶ According to a study, this AI-related issuance could affect market interest rates by roughly as much as an additional USD 360 billion worth of 10-year government bonds issuances in 2026 (see Figure 27).¹⁷ Furthermore, AI-related borrowing has increasingly been undertaken in currencies other than the US dollar, contributing to the increase in the global supply of long-term bonds.¹⁸ It is difficult to quantify the impact of this additional bond issuance on government bond yields. However, this development is also relevant for Sweden, as long-term interest rates tend to move together across countries.

¹⁶ See Federal Reserve Board (2026), "New Security Issues, U.S. Corporations", and J. Cortese et al. (2026), "2026 Mid-Year Credit Outlook", Apollo Global Management.

¹⁷ This corresponds to roughly one-eighth of the total supply at that maturity. See H. De Vere, S. Ramaswamy and S. Searls (2026), "How AI debt financing impacts duration supply and interest rates", Federal Reserve Bank of Dallas.

¹⁸ See Y. Bahceli (2026), "AI debt sales reshape global corporate bond markets", Reuters, 1 June. Issues denominated in currencies other than the US dollar are estimated to account for around 30 per cent of hyperscalers' bond issues in 2026.

Higher long-term interest rates can affect the Swedish economy through several channels

The recent rise in long-term interest rates is affecting the Swedish economy, despite the short interest-rate fixation periods on household and corporate debt.¹⁹ Many Swedish borrowers have short interest-rate fixation periods, so changes in long-term interest rates may have a smaller direct effect on their interest expenses than changes in short-term interest rates. Households and companies should, nevertheless, expect higher borrowing costs in the future if long-term interest rates rise as a result of expectations about higher future short-term interest rates.

Long-term interest rates also affect the economy through other channels. Higher interest rates can tighten financial conditions by reducing the valuations of equities, real estate and other long-term assets, as future income has a lower present value when the interest rate used to value it rises. A higher cost of capital may also reduce firms' incentive to invest. For firms, higher interest rates raise the return required for an investment to be profitable, which means that fewer investment projects are undertaken.

Lower asset values and tighter financing conditions may dampen demand and economic activity. However, it is difficult to determine in advance how significant the macroeconomic effects will be. Empirical estimates show that movements in longer-term interest rates have a somewhat smaller effect on unemployment, inflation and the exchange rate than movements in shorter-term interest rates.²⁰

¹⁹ Around 95 per cent of the monetary financial institutions' lending to Swedish households has a remaining interest-rate fixation of less than two years and around 80 per cent of mortgages that are newly taken out or renegotiated have a three-month interest rate. See "Higher interest-rate sensitivity in the Swedish economy" in Monetary Policy Report, September 2022 and "The impact of monetary policy on interest-sensitive sectors in a European perspective", *Monetary Policy Report*, September 2023, Sveriges Riksbank.

²⁰ The empirical estimates are based on a proxy SVAR model estimated using Swedish monthly data for the period 2010–2026, including unemployment, KPIF inflation, the KIX exchange rate and Swedish swap rates at various maturities. Shocks are identified using external variables from a daily financial Bayesian VAR model (Akkaya, Brès and Canova, forthcoming working paper, Sveriges Riksbank).

2 The outlook for the coming years

Inflation abroad is expected to continue to rise for the rest of 2026 due to the large increases in energy prices. In 2027, however, it is expected to fall significantly as energy prices fall back in line with futures pricing. A tighter monetary policy will also help to bring inflation down. Despite shocks caused by the war in the Middle East, global GDP growth is expected to be close to its historical average.

Swedish GDP is expected to continue growing at a solid pace going forward, mainly driven by strong domestic demand. Resource utilisation is therefore expected to return to normal in 2027. Following a tentative recovery in the first half of 2026, the labour market will also strengthen in the second half of the year, and labour market conditions are expected to normalise in 2028. Temporary fiscal policy measures will hold inflation down this year. Excluding energy prices and the direct effects of the fiscal policy measures, CPIF inflation is expected to remain close to 2 per cent over the forecast period.

Key assessments and assumptions in the forecast

- Energy prices are assumed to follow futures pricing. The forecasts for the prices of oil, petrol, diesel and electricity are based on a 5-day average of the futures prices for each commodity, calculated up to and including 16 September 2026.²¹
- Resource utilisation, measured in terms of the GDP gap in the Swedish economy, is estimated to be close to a normal level at the outset. It is assessed that there is still spare capacity in the labour market.
- 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 2030.²²
- The import tariffs between the United States and the EU, and thereby Sweden, are assumed to remain at approximately their current levels.
- The long-term neutral policy rate is expected to be between 1.5 and 3 per cent.

²¹ Previously, the Riksbank's forecast for fuel prices was based on a 5-day average of oil price futures. The new method is considered to better capture the fuel prices paid by consumers.

²² '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).

The forecast period stretches until the end of the third quarter of 2029.

Monetary policy outlook: The policy rate is left unchanged in September. 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

Abroad, inflation is expected to fall and growth to be close to its historical average

The unstable situation in the Middle East makes the outlook for energy prices particularly uncertain. As before, oil, petrol and diesel futures suggest that prices will fall in the coming period (see Figure 3). The large energy price increases so far mean that inflation is expected to continue to rise for the rest of the year. However, in 2027, it is predicted to fall significantly towards 2 per cent in both the United States and the euro area (see Table 1). This is partly due to a smaller contribution from energy prices, but also to a tighter monetary policy. Inflation excluding energy is expected to fall gradually and be around 2 per cent in 2028.

Despite shocks linked to the war in the Middle East, global trade is expected to grow at a healthy rate and GDP growth is expected to be close to its historical average going forward. As before, investment in AI and defence initiatives will be a key driver of development in many parts of the world. A stable labour market with relatively low unemployment and rising real incomes also suggests that household consumption will grow at a good pace going forward in both the United States and the euro area. Fiscal policy is, however, expected to become gradually less expansionary going forward, and in several countries, there is a need for greater consolidation of public finances. Further ahead, growth will also be held back by structural factors such as low population growth.

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	1.3 (1.5)	0.9 (0.3)	1.0 (1.2)	1.3 (1.3)
GDP, United States	2.1 (2.1)	2.1 (2.0)	2.0 (1.9)	2.1 (2.2)
HICP, euro area	2.1 (2.1)	3.1 (2.9)	2.5 (2.3)	1.8 (2.0)
CPI, United States	2.6 (2.6)	3.5 (3.8)	2.6 (2.8)	2.1 (2.2)

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

2.2 The economic outlook in Sweden

Domestic demand to drive GDP growth going forward

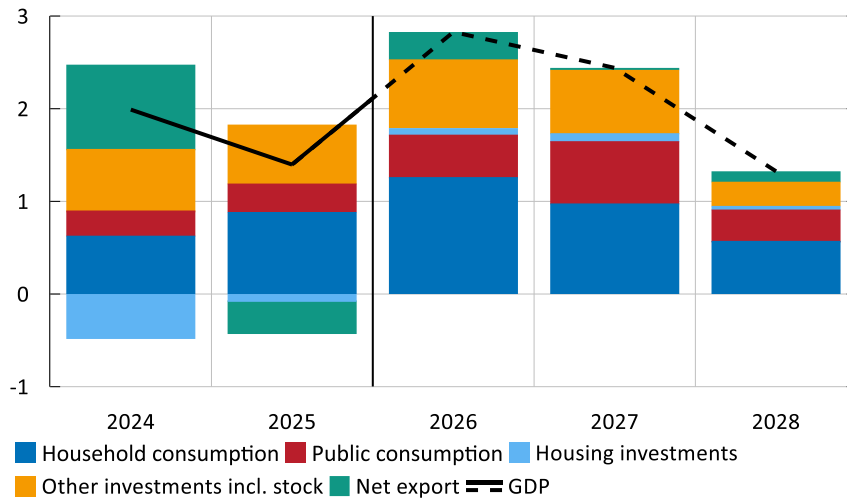
Like economies abroad, the Swedish economy has demonstrated strong adaptability, and supply disruptions do not appear to have hampered the recovery. The Riksbank assesses that the impact of the war in the Middle East on the real economy will continue to be relatively limited. This picture is supported by both the National Institute of Economic Research's Economic Tendency Survey and the Riksbank's Business Survey. To some extent, however, demand is being dampened this year by the higher oil price. This is because companies' costs are expected to rise as a result of higher import prices, and because Swedish households' purchasing power is being subdued to some extent, as the tax cuts on fuel have not fully offset the price increases.

At present, the Swedish economy is close to normal economic conditions. Following an expected slowdown in the third quarter, GDP is projected to grow at a rate that will lead to a continued increase in resource utilisation. In 2026, GDP is expected to rise by 2.8 per cent, after which the growth rate will slow, and GDP will rise by 2.4 per cent in 2027 (see Figure 28). This can be compared with the previous forecast, in which GDP was projected to grow by 2.2 per cent and 2.3 per cent respectively. The Riksbank still considers that it is primarily domestic demand that is driving GDP growth.

Fiscal policy has been expansionary in 2026 and thus contributed to GDP growth. It is expected to continue to support growth for the rest of the year but will be somewhat contractionary in 2027. The deficit in general government net lending will remain substantial next year as well but is expected to decrease as fiscal policy is assumed to be conducted in line with the fiscal policy framework. It is important for the credibility of the fiscal policy framework that general government net lending is strengthened in the coming years and that a detailed plan is set out as soon as possible for how increased defence spending and other unfunded fiscal policy measures are to be financed in the long term.

Figure 28. Contributions to GDP growth

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



Note. Contribution to annual percentage change in GDP in fixed prices. Solid and dashed parts of the line refer to outcome and forecast, respectively. Vertical solid line marks the start of the Riksbank's forecast.

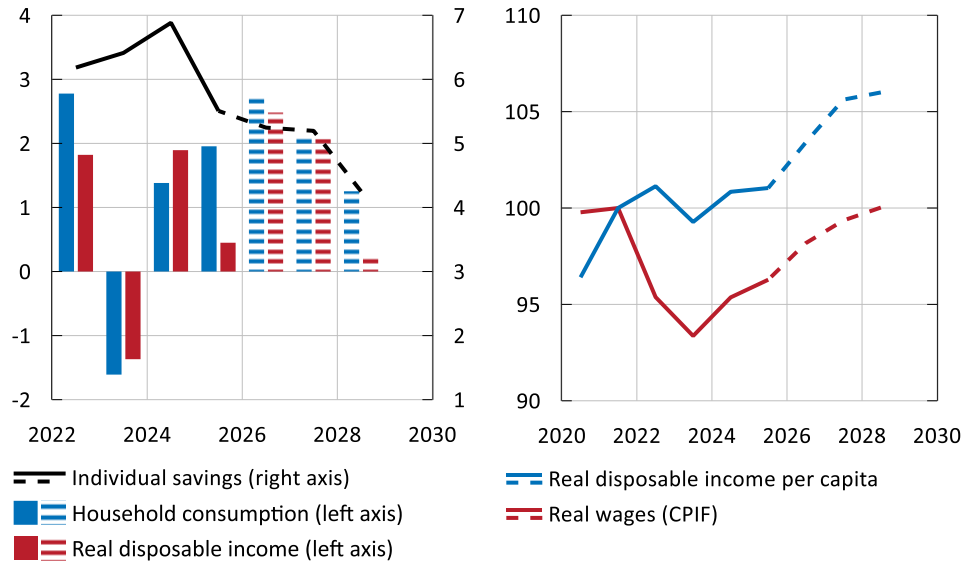
Sources: Statistics Sweden and the Riksbank.

Investment is expected to remain at a historically high level throughout the forecast period, although the growth rate will slow somewhat from the second half of 2026 onwards. Above all, investment linked to AI technology is expected to continue to rise, as is defence-related public investment. Housing investment is also expected to rise, albeit from low levels.

In the Riksbank's forecast, household consumption continues to grow at a faster-than-normal pace this year. Household purchasing power has improved due to real wages having risen since 2023, whilst fiscal policy is providing support for real disposable income in 2026. An improvement in the labour market is also boosting household finances. Overall, this is expected to contribute to higher-than-normal growth in household consumption. Later in the forecast period, the growth rate in real disposable income is expected to slow and households will smooth their consumption by reducing their savings (see Figure 29).

Figure 29. Household consumption, real wages and real disposable income per capita

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



Note. Household consumption and real disposable income refer to annual percentage changes and individual savings refers to savings as a proportion of disposable income, excluding pension savings (left). 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. Real wages are calculated as the ratio between the nominal wage level and the CPIF (right). Solid lines/bars refer to outcomes and dashed lines/bars refer to the Riksbank's forecast.

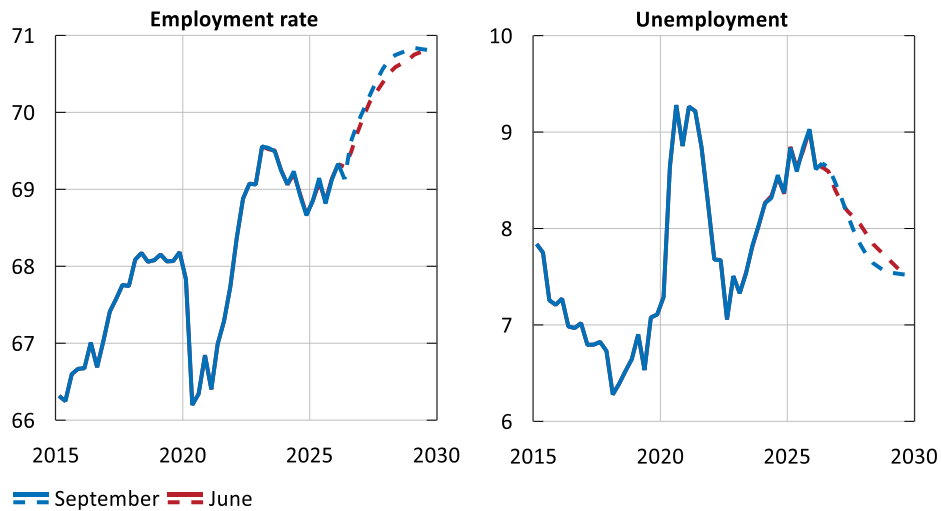
Sources: Statistics Sweden and the Riksbank.

The labour market is strengthening, and resource utilisation is approaching a normal level

The labour market follows GDP development with some lag, and the prolonged economic downturn has left its mark on the labour market. However, following the tentative recovery in the first half of the year, the labour market is expected to improve in the second half of the year, as demand in the economy increases. Compared with the June forecast, the employment rate is expected to rise more rapidly, and the fall in unemployment is then also expected to occur at a slightly faster pace (see Figure 30 and Table 2). At the end of the forecast period, the third quarter of 2029, unemployment is expected to be 7.5 per cent.

Figure 30. Employment rate and unemployment

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



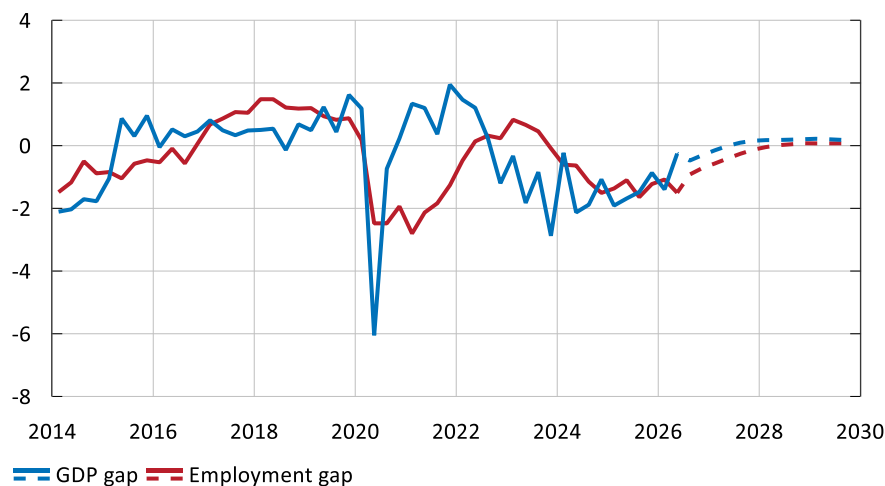
Note. Seasonally adjusted data. Refers to persons aged 15–74. Solid lines refer to outcomes and dashed lines refer to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Resource utilisation is expected to rise gradually and normalise in 2027, as economic activity increases and the labour market improves. Measured by the GDP gap, resource utilisation is expected to return to normal somewhat faster than the Riksbank has previously forecast, reaching a normal level in early 2027 (see Figure 31). The employment gap is also widening, but slightly more slowly, and normalises about a year later.

Figure 31. Measures of resource utilisation

Per cent



Note. The gaps refer to the percentage deviations of GDP and employment from the Riksbank's assessed potential levels. 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	1.4 (1.5)	2.8 (2.2)	2.4 (2.3)	1.3 (1.4)
Employed persons	0.4 (0.4)	0.9 (0.8)	1.1 (1.0)	0.6 (0.6)
Unemployment*	8.8 (8.8)	8.6 (8.6)	8.1 (8.2)	7.6 (7.8)
GDP gap**	-1.5 (-1.2)	-0.6 (-0.8)	0.0 (-0.4)	0.2 (-0.1)
General government net lending***	-1.6 (-1.3)	-2.4 (-2.7)	-2.0 (-2.2)	-1.2 (-1.4)

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

Sources: Statistics Sweden and the Riksbank.

2.3 Inflation outlook in Sweden

Energy prices and temporary fiscal policy measures will affect inflation for some time

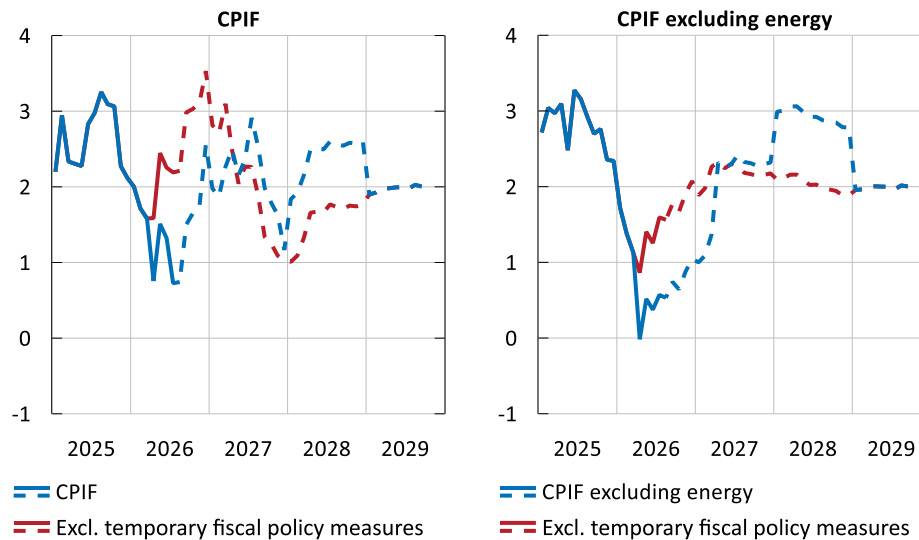
Higher-than-normal inflationary pressures, partly resulting from supply disruptions caused by the war in the Middle East, are expected to push up inflation over the coming year. But the temporary fiscal policy measures, such as lower taxes on fuel and food, will keep measured inflation down this year and next year. Over the coming months, this means that CPIF inflation will remain around 1.5 percentage points lower than it would otherwise have been. The Riksbank assumes in its forecast that all temporary fiscal policy measures will have ceased by the end of 2027. In the second half of 2027, inflation will be driven up by the temporary reduction in fuel tax. The increased VAT on food is expected to push up measured inflation throughout 2028, making it higher than it would otherwise have been (see Figure 32).

Rising electricity and fuel prices will keep CPIF inflation elevated over the coming year. Futures pricing suggests that energy prices will fall back over the forecast period, which will help to keep CPIF inflation down from the end of next year onwards. In the Riksbank's forecast, the indirect effects of the war are expected to continue to be limited.²³ When energy prices and the direct effects of the temporary fiscal policy measures are stripped out, inflation will be close to 2 per cent from next year onwards (see Figure 32).

²³ The indirect effects are expected to push up CPIF inflation by at most around 0.4 percentage points in 2027. For further information, see the Analysis box 'The impact of the war in the Middle East on Swedish inflation', *Monetary Policy Report*, June 2026, Sveriges Riksbank..

Figure 32. Inflation including and excluding temporary fiscal policy measures

Annual percentage change



Note. For the indices excluding temporary fiscal policy measures, the direct effects on the price level of the 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 close to target in the medium term

Stronger economic activity and a higher rate of increase in unit labour costs are expected to contribute to rising inflation over the coming year. Beyond the near term, productivity and wages are expected to evolve at a pace that is compatible with the inflation target. Long-term inflation expectations are also well anchored around 2 per cent.

Another factor contributing to a rise in CPIF inflation going forward is the development of the krona. The strengthening that took place in 2025, which has dampened inflation this year, will decline, while the recent weakening of the krona will gradually increase inflationary pressures in 2027. However, during the forecast period, the krona is expected to strengthen again, which is expected to have a somewhat dampening effect on inflation in the slightly longer term (see Figure 33). However, there is uncertainty surrounding the krona's pass-through to inflation. A somewhat less expansionary monetary policy is also expected to ease inflationary pressures. Overall, inflation is expected to remain close to the target after 2028, when the temporary reduction in VAT on food will no longer affect the development.

Figure 33. 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 16 September, which is the last date for outcomes to be included in the Riksbank's forecast.

Source: The Riksbank.

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)	1.5 (1.1)	2.1 (1.7)	2.4 (2.8)
CPIF excluding temporary fiscal policy measures	2.6 (2.6)	2.4 (2.0)	2.0 (1.6)	1.6 (1.9)
CPIF excluding energy	2.8 (2.8)	0.8 (0.7)	2.0 (2.0)	2.9 (2.9)
CPIF excluding energy and temporary fiscal policy measures	2.8 (2.8)	1.5 (1.4)	2.2 (2.1)	2.0 (2.0)
CPI	0.7 (0.7)	0.9 (0.6)	3.2 (2.7)	3.1 (3.4)
Wages, NMO	3.6 (3.6)	3.5 (3.3)	3.3 (3.2)	3.1 (3.1)

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

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

ANALYSIS – The impact of extreme weather on inflation

In June and July, western Europe experienced its warmest period ever recorded. Parts of France, Spain, Germany and the United Kingdom have been hit by a severe lack of rain and widespread drought, resulting in poor harvests. Heatwaves and other extreme weather events can also affect the Swedish economy, for example if they cause food prices to rise. However, the Riksbank's analyses show no clear impact of weather shocks on inflation in Sweden.

In Europe, prices of cereals, maize, sunflowers, olive oil and certain fruits and vegetables risk rising following a hot summer with drought that has reduced harvests. Furthermore, agricultural production in South America, Asia and Africa is at risk of being affected by the recurring El Niño climate phenomenon, which is expected to peak at the end of the year. As Sweden imports many food products, there is a risk that higher food prices will drive up Swedish inflation.

Extreme weather in the form of drought can also affect waterways and lead to shocks in global trade.²⁴ It may also affect energy prices, but these effects have not been confirmed in the scientific literature. One study shows that weather phenomena caused by El Niño lead to higher and more volatile energy prices, and that these effects last for between 6 and 16 months.²⁵

Research on the effects of the weather on inflation is not conclusive

Scientific studies analysing the economic implications of the weather focus on temperature anomalies and extreme weather events, such as extremely high or low temperatures, drought and torrential rain. A study analysing the effects on prices in Germany, France, Italy and Spain between 1997 and 2023 shows that these effects vary considerably depending on the season in which the temperature deviates.²⁶ Food prices rise, for example, if the temperature is particularly high in the summer, but fall when it is high during other seasons. However, the study shows that the impact on inflation is negligible overall.

Another study notes that most countries in Europe use significantly more heating than cooling in buildings.²⁷ Warmer weather in autumn, winter and spring reduces the

²⁴For example, a study shows that the drought in the Panama Canal in 2022–2023 led to widespread delays in shipping traffic, see P. Jung, K. Kim, A. Jo and J. Cho (2025), "Panama Canal Drought and Supply Chain Disruptions in Asia–United States Trade", ADB Economics Working Paper No. 822. Another study shows that low water levels in the Rhine have been linked to significantly lower production in German industry (see M. Ademmer, N. Jannsen and S. Mösele (2000), "Extreme weather events and economic activity: The case of low water levels on the River Rhine", Kiel Institute Working Paper, No. 2155).

²⁵ See P. Cashin, K. Mohaddes and M. Raissi (2017), "Fair weather or foul? The macroeconomic effects of El Niño", *Journal of International Economics*, 106.

²⁶ See M. Cicarelli, F. Kuik, and C. Martínez-Hernández (2024), "The asymmetric effects of temperature shocks on inflation in the largest euro area countries", *European Economic Review* 168.

²⁷ See F. Lucidi, M. Pisa and M. Tancioni (2024), "The effects of temperature shocks on energy prices and inflation in the Euro Area", *European Economic Review* 166.

need to heat buildings. This could lead to lower electricity and gas prices, which would help to curb inflation. However, the authors of the study note that it is difficult to predict whether temperature anomalies will push inflation up or down.

A similar study by the ECB, which also includes developing countries, shows that higher prices for agricultural products following high temperatures lead to higher inflation in developing countries.²⁸ However, the effect is not significant in advanced economies in terms of overall agricultural prices, and therefore has no impact on inflation either. This is probably because food accounts for a smaller proportion of the inflation basket in advanced economies than in developing countries. An IMF study also shows that the effects of extreme weather, in the form of droughts and storms, drive up inflation more persistently in developing countries than in advanced economies. This is because developing countries are more dependent on agriculture, while at the same time having weaker infrastructure and poorer institutional capacity to manage and recover from shocks than advanced economies.²⁹

Sweden's food imports may be affected by global weather shocks

Sweden imports a large quantity of goods, some of which are vulnerable to weather shocks. If prices rise as a result of a global heatwave, this could, for example, lead to higher prices in Sweden as well. Indications of certain agricultural products have already risen following the hot summer in Europe in 2026, but it is unclear whether this is really due to the drought and the heat.³⁰ Futures pricing for commodities exposed to extreme weather, such as soya beans, wheat, maize and rice, does not indicate a greater price rise over the next six months than over the next month.³¹

Figure 34 shows the extent to which various Swedish food products are dependent on imports and sensitive to weather conditions. Each item is displayed as a bubble, and the size of the bubble reflects the item's weight in the CPI. Among other things, the figure shows that coffee is in the top right-hand corner, as it is a product that Sweden imports and which is highly sensitive to weather conditions. However, the food categories that are heavily reliant on imports and are very sensitive to weather conditions represent only around 2 per cent of the overall CPI basket.

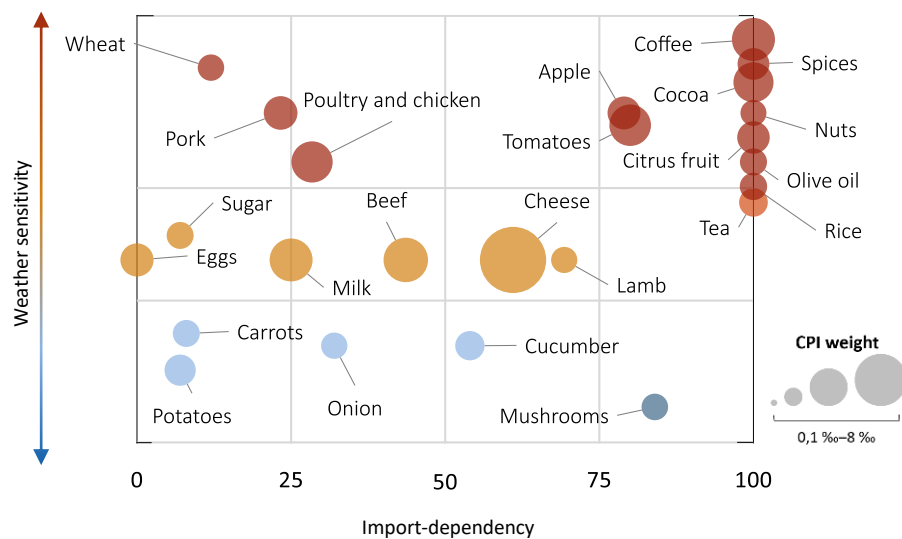
²⁸ See D. Faccia, M. Parker and L. Stracca (2021), "Feeling the heat: extreme temperatures and price stability", ECB Working Paper No 2626.

²⁹ Cevik, S., and J. T. Jalles (2023) "Eye of the Storm: The impact of climate shocks on inflation and growth." IMF Working Paper No. 2023/087.

³⁰ Prices of agricultural products are based on the Bloomberg Agricultural Index and The Economist Agriculture Food Price Index.

³¹ Futures prices for soya beans, wheat, maize and rice are data from the CME Group, Euronext and Intercontinental Exchange.

Figure 34. The import-dependency of food products and their weather sensitivity
Percentage (import-dependency) and per mille (CPI weight)



Note. The figure shows the import-dependency of food products (x-axis, import as a percentage of consumption) and their weather sensitivity (y-axis). The degree of weather sensitivity is indicated by colour, where the same colour corresponds to the same degree of sensitivity regardless of its position on the y-axis: dark blue = low, light blue = medium-low, orange = medium, darker orange = medium-high and red = high. The size of the bubbles is proportional to the product's CPI weight (per mille).

Sources: Swedish Board of Agriculture, Statistics Sweden and the Riksbank.

The Riksbank's analyses indicate that global temperature anomalies and extreme weather events do not have a direct impact on Sweden's overall CPIF inflation and food prices. However, Swedish prices for individual categories of imported goods may be affected indirectly through the impact that weather shocks have on global prices. For example, the prices of coffee, cocoa and electricity increase significantly following corresponding price rises on the global market. However, global price rises may also be driven by factors other than weather shocks. Geopolitical conflicts, changes in supply and demand, and increased energy and transport costs are examples of factors that may contribute to higher prices.

In summary, extreme weather may in the short term lead to temporary price increases for certain goods, but the impact on overall inflation is expected to be very small and only indirect in Sweden. In the longer term, however, there is a risk that climate change could lead to more frequent and severe episodes of extreme weather, which could affect the supply and prices of food and energy. This could make it more difficult to predict how inflation will develop. The Riksbank therefore monitors developments in global food and energy markets on an ongoing basis and adjusts its forecasts when necessary.

3 Monetary policy analysis

Recently, economic activity has picked up more rapidly than expected, and global supply shocks persist. Therefore monetary policy needs to be adjusted in a contractionary direction. However, there are still spare capacity in the economy, and measures of underlying inflation excluding the direct effects of temporary fiscal policy measures are relatively close to 2 per cent. The Riksbank has therefore decided to hold the policy rate unchanged at 1.75 per cent. But the forecast for the policy rate has been revised upwards, implying that the policy rate will be raised more than was projected in the June forecast over the course of the forecast period. If the outlook holds, the Riksbank expects to begin raising the policy rate this year.

The outlook for inflation and economic activity is uncertain, and there are both global and domestic risks to the Riksbank's main scenario. In an alternative scenario, prolonged supply shocks, combined with stronger demand, lead to higher inflation. Domestic drivers of real economic growth in Sweden could also weaken, particularly if demand abroad also turns out to be weaker than expected. In such scenarios, the Riksbank would need to adjust monetary policy to prevent inflation from deviating from the target more persistently.

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 prerequisite 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 prevailing view was that Swedish economy was growing at a relatively good pace. The Riksbank assessed at the time that the level of the policy rate was helping to strengthen domestic demand and that the policy rate should normalise as resource utilisation became more balanced. However, during the spring, the war in the Middle East led to a sharp increase in the risks surrounding global economic development. At its monetary policy meeting in June, the Riksbank communicated that the risk of inflation becoming too high had increased, and the forecast for the policy rate was revised upwards. However, the assessment was that there was some scope to wait for a clearer picture of how the supply shocks caused by the war affect inflation and economic activity, and the policy rate was left unchanged in June and at the meeting in August.

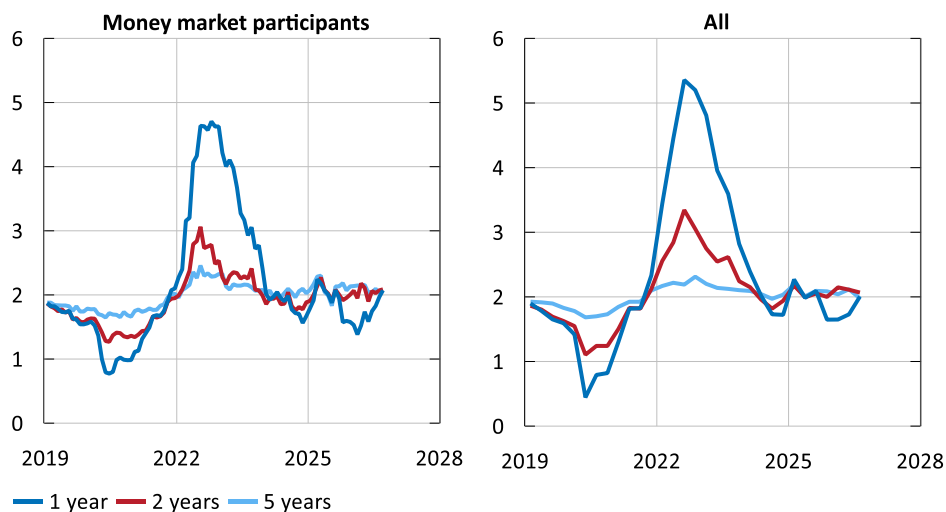
As Sweden is a small, open economy that is strongly influenced by international developments, the assessment of the outlook for inflation and economic activity, together with assumptions about monetary policy abroad, are key conditions for the Swedish forecast. Inflation abroad is expected to be higher this year, but the forecast suggests that inflation in the euro area and the United States will ease next year. This is a result of both falling energy prices and monetary policy being tightened there. The global economy has so far been able to adapt to the shocks that have occurred and, despite disruptions associated with the war in the Middle East, global growth going forward is expected to be in line with its historical average. Several central banks have now raised their policy rates, and pricing in the financial markets indicates expectations of higher policy rates abroad going forward (see Section 1.2). The forecast for policy rates abroad has therefore been revised upwards.

In Sweden, GDP grew more rapidly than expected in the second quarter, although it may have been affected to a certain extent by temporary factors, and several indicators suggest that the economy is approaching normal economic conditions. At the same time, developments in the labour market during the first half of the year have been subdued, and there is still spare capacity. Over the summer, however, there has been some improvement in the labour market, and indicators suggest a continued strengthening. In the near term, the direct effects of the temporary fiscal policy measures are still keeping inflation down in Sweden. Excluding these effects, inflation is relatively close to 2 per cent, and indicators suggest that inflationary pressures remain above normal. Since February this year, the krona has weakened in trade-weighted terms by roughly half the extent to which it strengthened last year.

According to Origo's measurements of inflation expectations, inflation is expected to remain close to the target in the short term (see Figure 35). Inflation expectations in the longer term remain well anchored. The mean value for inflation expectations 5 years ahead has increased somewhat but continues to be close to target, and the dispersion in respondents' answers is comparatively narrow (see Figure 36).

Figure 35. Inflation expectations

Per cent

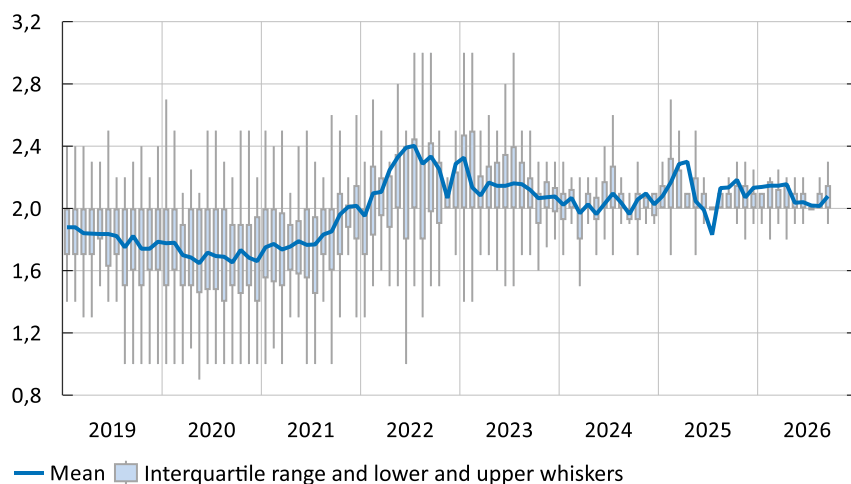


Note. The lines in the figure show the expectations at the time of measurement of different agents about CPI inflation 1, 2 and 5 years ahead. Monthly data (left) and quarterly data (right).

Source: Origo Group.

Figure 36. 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.

The Riksbank is raising its forecast for the policy rate

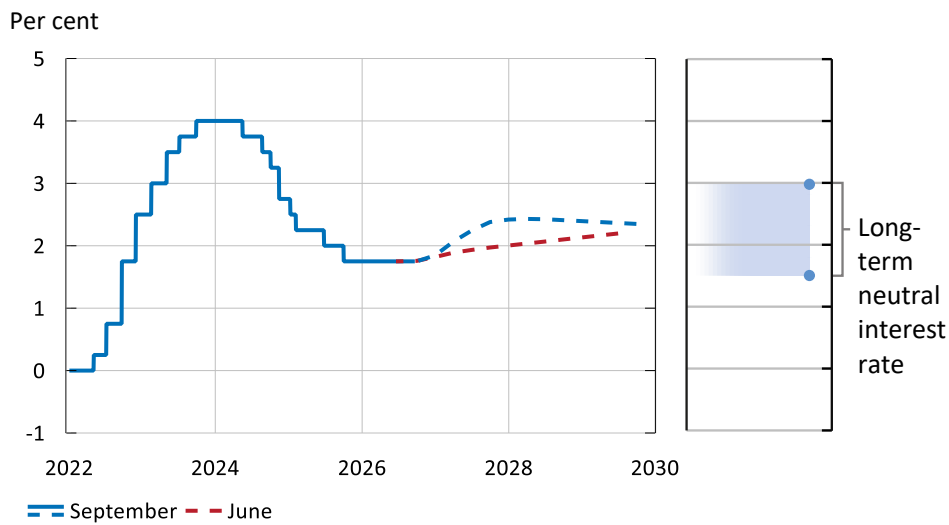
Capacity utilisation is expected to return to a normal level sooner than forecast in June (see the Fact box “How the Riksbank’s forecasts have changed since the previous report”). This means that, all else equal, the economy no longer needs the same support from monetary policy. At the same time, global supply shocks persist, posing risks of too high inflation. The combination of these two factors means that monetary policy needs to be adjusted in a more contractionary direction in order to stabilise inflation around 2 per cent.

However, at the outset, there is spare capacity in the economy, and measures of underlying inflation excluding the direct effects of the temporary fiscal policy measures are relatively close to 2 per cent. The Riksbank therefore considers it well-balanced to leave the policy rate unchanged at this point in time. At the same time, the Riksbank considers that the combination of stronger economic activity and continued supply shocks means that the policy rate should be raised more than projected in the June forecast. The forecast for the policy rate has therefore been revised upwards and, if the outlook holds, the Riksbank expects to begin raising the policy rate this year (see Figure 37).

The policy-rate forecast implies that it will continue to rise throughout 2027. From 2028 onwards, it will begin to fall gradually back towards the middle of the Riksbank’s estimated interval for the policy rate’s long-term level.³² However, as the interval illustrates, there is considerable uncertainty regarding the assessment of what a normal policy rate will be in the long term.

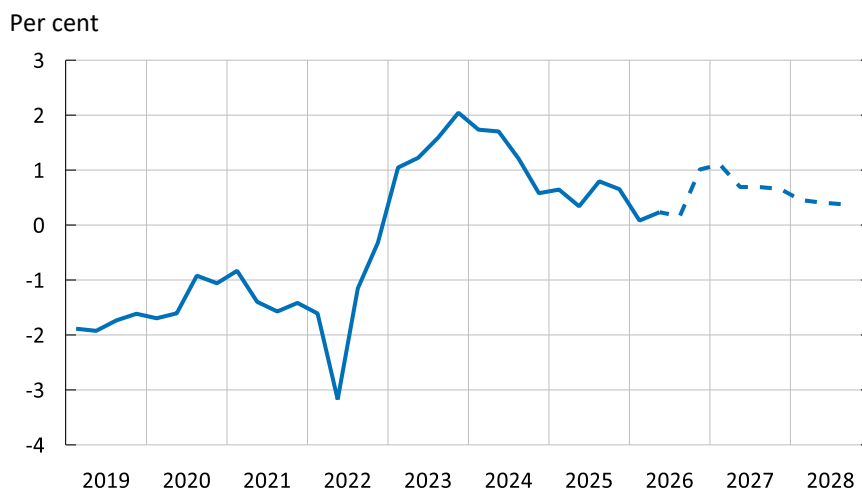
The policy-rate forecast implies that the real policy rate is expected to be positive over the forecast period (see Figure 38). The upward revision to the policy-rate forecast means that the forecast for the real policy rate is also higher than in the June forecast. Overall, monetary policy helps to normalise resource utilisation in the economy as a whole and in the labour market (see Figure 40). In the main scenario, resource utilisation is expected to be broadly in balance next year, which is assessed to be consistent with close-to-target inflation in the medium term.

³² Various estimates of the so-called long-term neutral interest rate provide the Riksbank with guidance on what the policy rate would need to be in the longer term 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 this type of estimate 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 37. Forecast for the policy rate

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 lines refer to the Riksbank's forecast.

Source: The Riksbank.

Figure 38. Forecast for the real policy rate

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 policy measures for the corresponding period. The forecast therefore only extends to the third quarter of 2028. As the real policy rate is forward-looking, outcomes are calculated using the forecasts published at the time.

Source: The Riksbank.

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

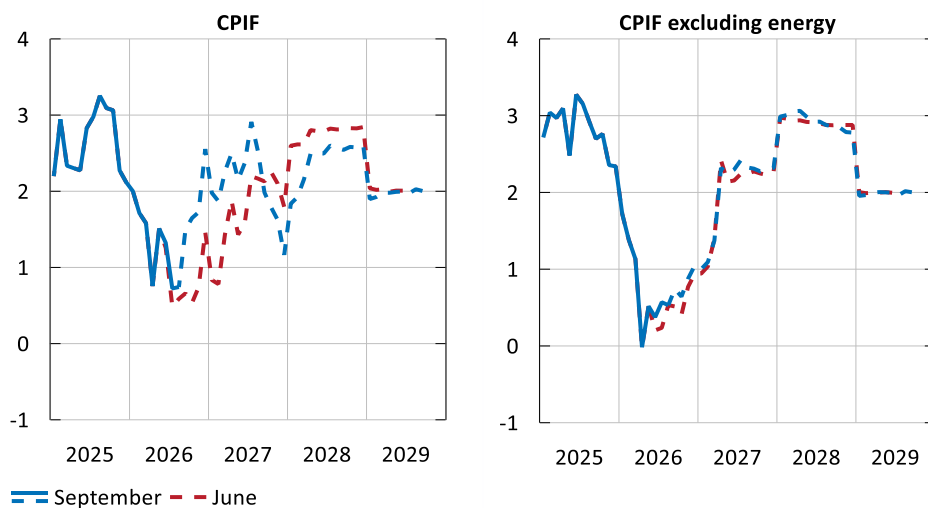
Between the Riksbank's monetary policy meetings, new information comes in that is used to update its view of developments in the economy and inflation. When the Riksbank decides on the policy rate, new information, together with updated analyses of economic correlations and trends in the economy, are important pieces of the puzzle. A quantified forecast update is made at four of the eight meetings of the year, in conjunction with the Monetary Policy Reports. Figure 39 and Figure 40 describe how the key forecasts have changed since the previous Monetary Policy Report in March. The forecasts take into account the monetary policy assumed in the two reports.

CPIF inflation in June and July has been somewhat higher than the Riksbank's forecast in June. This is largely due to prices for travel-related services having risen faster than expected. In August, inflation was in line with the June forecast. Compared with June, the inflation forecast for 2026 has been revised upwards. The forecast for inflation, as measured by the CPIF, has been revised upwards for 2027 and downwards for 2028.

GDP growth was stronger than expected in the second quarter 2026. Following a slowdown in the growth rate during the third quarter, GDP is expected to increase at a rate that will lead to a continued increase in resource utilisation. The GDP gap is therefore expected to close somewhat faster than forecast in June. The labour market follows GDP development with a slight lag and also recovers more quickly than in the June forecast.

Figure 39. Forecasts for inflation

Annual percentage change

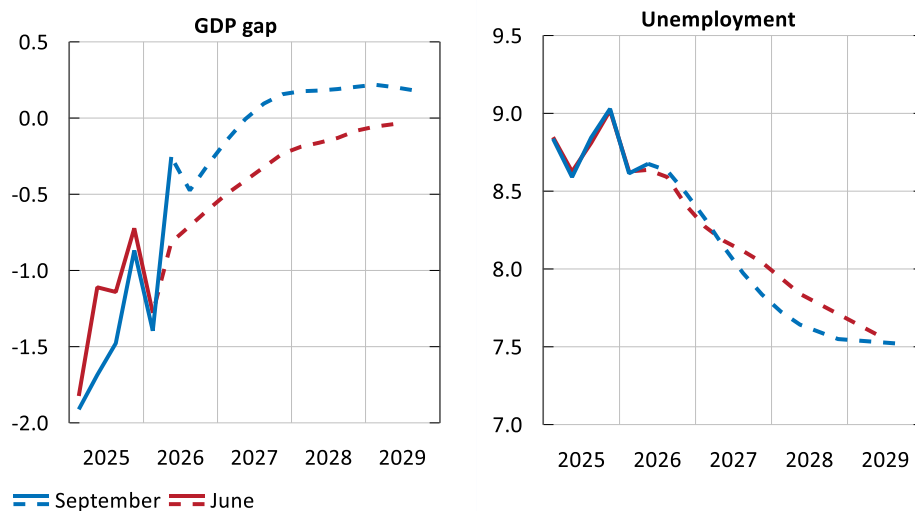


Note. Solid lines refer to outcomes and dashed lines refer to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Figure 40. Forecasts for real economic growth

Per cent



Note. The GDP gap refers to the percentage deviation from the Riksbank's assessed potential level. Unemployment refers to persons aged 15–74. Seasonally adjusted data. Solid lines refer to outcomes and dashed lines refer to the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

The predictability of monetary policy³³

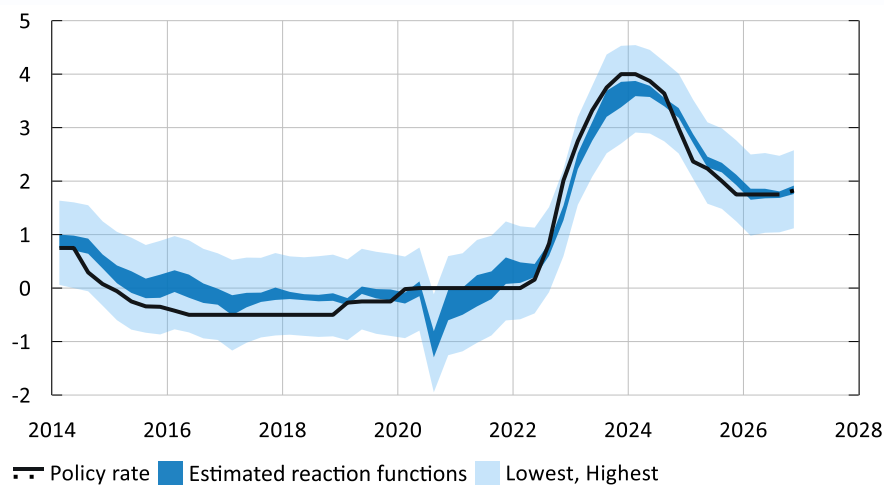
If economic agents understand how the central bank adjusts the policy rate in the light of new information, the transmission of monetary policy becomes more effective. Market interest rates may change even before the Riksbank adjusts policy, and the pass-through of monetary policy therefore becomes faster. A predictable monetary policy also helps to avoid unnecessary volatility in, for example, expectations, interest rates and exchange rates. There are various ways of assessing the predictability of monetary policy. One way is to compare the monetary policy forecast with the expectations of external forecasters and market expectations. Another approach is to compare the forecast with the results of an estimated reaction function, in which the development of the policy rate is explained by the variables that the central bank is tasked with stabilising. Figure 41 shows results from such estimated reaction functions compared with the policy rate in the forecast. The dark blue area in the figure shows the projected policy rate based on a number of estimated reaction functions. The light blue area shows the confidence intervals for these projections. The figure shows that the policy-rate forecast is well in line with the results from the reaction functions.

³³ For a detailed description of estimated reaction functions, see P. Gustafsson and M. Nessén (2026), "Has Riksbank monetary policy been predictable? Evidence from estimated reaction functions", *Economic Review*, 2026:1, Sveriges Riksbank.

It is important to emphasise that estimated reaction functions are strong simplifications of how monetary policy is conducted. For example, monetary policy is often guided to a large extent by forecasts. There may also be good reasons why the policy rate deviates from the estimated reaction functions – for example, if conditions not captured by a reaction function change, or if there is a shift in the risk outlook. However, even though forward-looking inflation targeting cannot be fully captured by a reaction function, they can be used to, to some extent, capture the systematic component of monetary policy. If monetary policy deviates significantly, it should be possible to explain and give reasons for the deviation.³⁴

Figure 41. Estimated reaction functions

Per cent



Note. The dark blue field shows the range between the highest and lowest policy rate for all estimated reaction functions. The light blue area shows the highest and lowest value of the policy rate, based on 95 per cent confidence intervals from the different estimations. The reaction function since the Monetary Policy Report in March is based on forecasts of inflation measures excluding direct effects of the temporary fiscal policy measures.

Source: The Riksbank.

3.2 Uncertainty and risks

It is desirable that monetary policy should be predictable, avoids unnecessary, sudden fluctuations and contributes to stability (see the Box “The predictability of monetary policy”). At the same time, the Riksbank needs to be prepared to adjust monetary policy swiftly if necessary to safeguard the inflation target.

The economy is constantly affected by unexpected events that alter the conditions for monetary policy. Nor are the initial position of the economy and the effects of monetary policy directly observable and the Riksbank therefore needs to regularly review its estimates of these. Taken together, these factors influence the outlook for inflation and economic activity, and the monetary policy that the Riksbank considers

³⁴ See J. Almerud, C. A. Claussen and M. Kilström (2026), “A checklist for well-balanced monetary policy – a proposal and an illustration”, *Economic Review*, 2026:1, Sveriges Riksbank.

appropriate. Against this background, it is important that economic agents are prepared for the possibility that the outlook for the economy may change rapidly.

The Riksbank normally aims to conduct a monetary policy that is consistent with a balanced risk profile regarding the outlook for inflation. In certain circumstances, however, monetary policy may need to take particular consideration of risks that are perceived as very serious, such as when the credibility of the inflation target is under threat. In the current situation, monetary policy does not need to take any particular consideration.

A number of risk factors in the global and Swedish economies that affect the Riksbank's forecast are described below. Although the Riksbank endeavours to maintain a balanced risk outlook in its forecasts, it is very difficult to measure the probabilities and/or effects of certain risk factors on the outlook for inflation and economic activity. This applies, for example, to the risk of a highly prolonged conflict in the Middle East, with clearly non-linear effects arising from the associated supply shocks.

International developments are still uncertain

During the spring, developments in the Middle East dominated the risk landscape. The economic effects have so far been smaller than was initially feared. However, as the war is still ongoing, the underlying cause of the shocks affecting production and prices remains, and developments are uncertain. Among other things, it is unclear how long the global economy can compensate for the loss of, for example, gas and oil products. The forecast assumes that energy prices will follow futures pricing which indicates an expectation that the impact of the shocks will diminish going forward. However, the unstable situation in the Middle East makes the outlook for energy prices particularly uncertain.³⁵ The risks discussed in the alternative scenarios in the monetary policy reports published in March and June therefore remain relevant, even though developments to date have not had the impact on the Swedish economy that was assumed in these scenarios.

In addition, further shocks have occurred in several parts of the world. In Europe, for example, low river levels have caused disruptions to goods transport and electricity generation. The Riksbank's assessment is that these disruptions will not have any significant impact on inflation in Sweden (see the Analysis "The effect of extreme weather on inflation"). The assessment is, however, uncertain.

The unpredictability of international politics and trade policy is another risk factor characterising the global economy. So far, the global economy has displayed greater adaptability than initially feared in the face of tariffs, war and supply shocks. A rapid improvement in the geopolitical situation would lead to an even better outlook for the global economy going forward. However, for the time being, there remains a risk that trade policy tensions and the ongoing geopolitical turmoil will intensify, which could, among other things, lead to more extensive effects on supply chains.

³⁵ See, for example, the Fact box "Options indicate heightened uncertainty about oil prices" in *Monetary Policy Report*, June 2026, Sveriges Riksbank.

There are also continuing risks associated with AI investment and high valuations of technology companies. The Riksbank's forecast suggests that investment linked to areas such as AI will continue to have a significant impact on economic developments in many parts of the world. If developments exceed expectations, this could lead to significant productivity gains and stronger global economic growth. However, a more pessimistic view of the economic impact of AI could lead to a downward revision of the growth outlook, and if the technology fails to live up to investors' expectations, this could lead to corrections on global stock markets and widespread disruption in financial markets. The alternative scenario with lower inflation, set out below, describes a situation in which a loss of confidence in the development of AI contributes to weaker demand.

Yields on long-term government bonds have risen significantly since the start of 2025, a development which can be linked to several of the risk factors discussed in this section (see also the Analysis "Factors behind the recent rise in long-term interest rates").

Public debt is expected to continue to increase in several major economies that are already highly indebted.³⁶ If investors begin to question the sustainability of public finances in major economies, this could lead to a significant rise in government bond yields. This, in turn, would further worsen the public finance situation and necessitate significant fiscal policy tightening. This would in turn result in weaker economic growth, with repercussions for the outlook for inflation and economic activity, as well as for monetary policy, in Sweden.

Neither can the possibility be ruled out of various risk factors interacting with each other and being reinforced by underlying vulnerabilities in the global economy. Recent years have been characterised by a number of major shocks to the global economy. If ongoing supply shocks contribute to even higher inflation in countries where it has been above target for some time, this may also affect confidence in the inflation target in these economies.³⁷

Uncertainty regarding the strength of domestic demand and the development of the Swedish krona

The Swedish economy is assessed to be approaching normal economic conditions, and, in the Riksbank's forecast, stronger domestic demand contributes to economic conditions being normalised in 2027. However, there is uncertainty regarding the strength of domestic demand, and economic activity may turn out to be either stronger or weaker than forecast.

Strong demand may interact with other risk factors and thus have a greater impact on the outlook for inflation. The extent to which rapidly rising demand affects inflation

³⁶ See also the Analysis "The interaction between fiscal policy and monetary policy" in *Monetary Policy Report*, September 2025, Sveriges Riksbank.

³⁷ Inflation expectations may become more sensitive to further deviations from the inflation target if households and companies base their inflation expectations largely on the economic developments that they have experienced themselves. See U. Malménider and S. Nagel (2026), "Seemingly Anchored Inflation Expectations", NBER Working Paper 35395, National Bureau of Economic Research.

depends partly on whether it occurs in an environment with supply shocks that lead to cost increases and which may limit production. The extent to which companies are able to pass on their cost increases also has an impact on inflation. Such developments could affect the conditions for monetary policy.

But there are also risks in the labour market. The recovery in the labour market was subdued during the first half of the year, and the assessment is that there is still spare capacity. It is normal for the labour market to follow the evolution of GDP with a certain time lag. However, it is uncertain to which extent the stronger demand in the economy will affect the labour market, and how fast. If companies are able to meet the higher demand without employing new staff – for example, by becoming more productive due to investment in AI, or if the growth is driven by sectors with high value added – employment may be lower than expected. Such a development could also lead to lower inflationary pressures.

The interaction between fiscal and monetary policy is important for economic developments. To be compatible with the fiscal policy framework, Swedish fiscal policy is expected to be contractionary in the coming years, but there is uncertainty regarding both the design of future fiscal policy and the pace at which it will be adjusted to comply with the fiscal policy framework.³⁸ If fiscal policy were to become more expansionary than in the forecast, this may increase the risk of higher inflation, which could lead to a need to tighten monetary policy.

The krona's exchange rate is a key determinant of the development of inflation in Sweden, but it is very difficult to predict. The Riksbank assesses that the krona is weaker than its long-term determinants indicate, and the krona therefore strengthens in the forecast.³⁹ If the krona's movements deviate significantly and persistently from the Riksbank's forecast, this will affect the outlook for inflation and, consequently, the conditions for monetary policy. The design of monetary policy in Sweden and abroad influences exchange rate movements, as do several of the risks discussed in this section. Exchange rate developments may help to mitigate the impact of various shocks, but in certain circumstances the movements in the krona may instead contribute to amplifying adverse changes in inflationary pressures.

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. Two alternative scenarios are described below.⁴⁰ They aim to illustrate

³⁸ For an overview of fiscal policy in 2026, see the Fact box "Spring amending budgets", *Monetary Policy Report*, June 2026, Sveriges Riksbank.

³⁹ In the long term, developments in the commodities market and international trade flows are considered to be important for the exchange rate. Developments in, for example, productivity and changes in income levels relative to other countries also play a role. See, for example, C-J. Belfrage, P. Gustafsson and R. Nilavongse (2025). "The development and trend of the real exchange rate", *Staff Memo*, November, Sveriges Riksbank.

⁴⁰ The alternative scenarios are constructed using the Riksbank's macroeconomic model MAJA, among other things with the aid of general demand and supply shocks. See V. Corbo and I. Strid (2020), "MAJA: A two-region DSGE model for Sweden and its main trading partners", *Working Paper* No 391, Sveriges Riksbank. The scenarios also used estimated effects of monetary policy, like those reported in the Analysis "Effects of monetary policy" in *Monetary Policy Report*, September 2024, Sveriges Riksbank.

how some of the risks surrounding the main scenario could affect the Swedish economy and monetary policy going forward.

Alternative scenario: Stronger demand, combined with supply shocks, is driving up inflation

Resource utilisation in the Swedish economy is assessed to be approaching a normal level, but there is uncertainty regarding the strength of demand going forward. In this scenario, the real economy develops more strongly than expected, whilst inflation rises. The Riksbank therefore tightens monetary policy more than in the main scenario.

In the scenario, demand in Sweden evolves significantly more strongly than expected. There are several possible factors that can contribute to this. In the scenario, the labour market is assumed to improve more rapidly than in the main scenario during the second half of 2026, which helps to boost consumption. The expansionary fiscal policy, with unusually extensive fiscal policy stimulus measures in 2026, also have greater economic effects than in the main scenario. During the autumn, forward-looking indicators reinforce the picture of stronger real economic development.

Strong domestic demand is bolstered in the scenario by a more positive global development, via stronger sentiment and continued high levels of investment in areas such as AI and defence. The stronger demand abroad also has a positive effect on the Swedish export industry, which sells more goods and services to other countries. Swedish GDP rises faster than expected and Sweden enters an economic boom (see Figure 42).

The stronger growth in the real economy contributes to higher inflationary pressures. At the same time, supply shocks linked to the war in the Middle East persist, and their impact on energy production, cargo rates and global food production is expected to be slightly greater than in the main scenario. This causes costs to rise, which in turn makes companies increase their prices to consumers. The higher prices are reflected both in companies' pricing plans and in inflation outcomes, and the outlook for inflation deteriorates (see Figure 42).

When forward-looking indicators suggest that both inflationary pressures and resource utilisation are significantly higher than expected, the Riksbank raises the policy rate to stabilise inflation at the target. The policy rate is raised more than in the main scenario. The tighter monetary policy helps to stabilise the real economy and bring inflation back to target (see Figure 43). The series of policy-rate hikes is taking place in a situation where resource utilisation is higher than normal, which means that there are no conflicting objectives between stabilising inflation and stabilising the real economy. Once the Riksbank sees that inflation is beginning to fall back, a gradual normalisation of the policy rate will begin.

Alternative scenario: Weaker demand, combined with smaller indirect effects from supply shocks, leads to lower inflation

In Sweden, economic activity has been weaker than usual for some time, and there are factors that could lead to weaker economic growth and lower inflationary pressures than projected in our forecast. In this scenario, both economic activity and inflation turn out weaker than expected, and the Riksbank therefore pursues a more expansionary monetary policy than in the main scenario.

In the scenario, factors such as reduced willingness to invest contribute to weaker demand abroad. A more pessimistic view of the valuation of large companies linked to AI and the sustainability of investments in this sector leads to revaluations in both equity and bond markets.⁴¹ This, in turn, leads to a loss of confidence in AI development and tighter financial conditions, with rising risk premiums and some credit tightening. Companies cut back on their AI investment, which has a negative impact on growth in this scenario. Stock market declines reduce household wealth. Furthermore, household confidence weakens and the willingness to consume is subdued. Business confidence also falls. In the scenario, not only is investment in AI curbed but businesses' willingness to invest is also affected negatively in general, which adversely affects the labour market.

In Sweden, the economy slows down significantly and the situation in labour market deteriorates. Unemployment rises during the second half of 2026, which contributes to a further slowdown in consumption. Furthermore, in the scenario it is assumed that the scope of fiscal policy being able to support the economy is limited. During the autumn, forward-looking indicators point to weaker economic growth, and the outlook for inflation starts to look weaker. The Swedish economy slows down, and GDP stagnates in the second half of 2026 (see Figure 42).

Lower demand helps to reduce inflationary pressures. In the scenario, it is also assumed that the indirect effects of the supply shocks linked to the war in the Middle East are reduced. This further dampens inflationary 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 42). In the scenario, the krona weakens and the exchange rate acts as a shock absorber for the Swedish economy, partly because higher import prices lead to greater domestic cost pressures.⁴² Inflation therefore falls less than it otherwise would have done.

To support the real economy and stabilise inflation at the target in the medium term, the Riksbank leaves the policy rate unchanged for the rest of this year. The weaker krona makes the need for interest rate cuts less urgent, but when the Riksbank sees continued signs of low inflationary pressures in early 2027, the policy rate is cut to bring inflation back towards the target more quickly (see Figure 43).

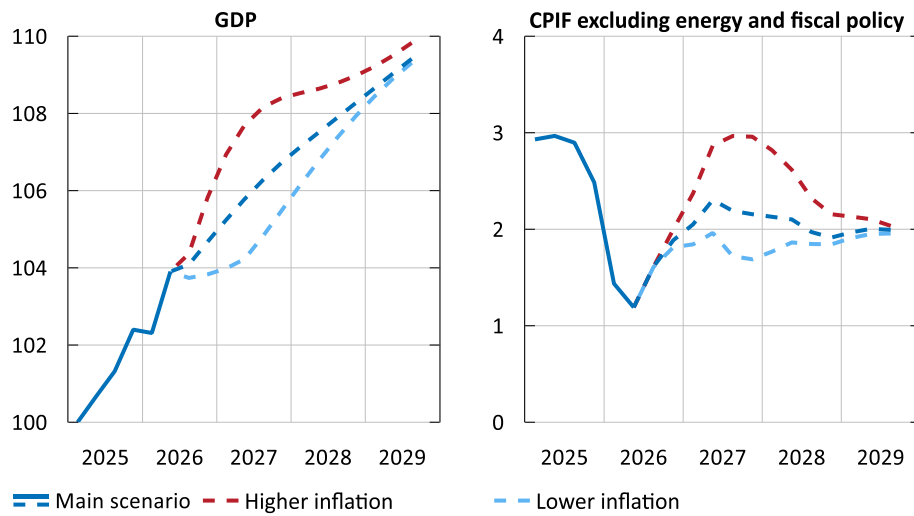
⁴¹ See also the alternative scenario involving lower inflation linked to an AI-related stock market downturn, *Monetary Policy Report*, December 2025, Sveriges Riksbank.

⁴² A negative correlation has been found between the exchange rate and lower global demand. See Corbo, V. and P. Di Casola (2022), "Drivers of consumer prices and exchange rates in small open economies", *Journal of International Money and Finance* 122 (2022), 122.

Several central banks abroad, which are also encountering lower demand, adjust their monetary policy in a more expansionary direction. This helps to cushion the downturn in the international economic conditions. The fact that the Riksbank pursues a more expansionary monetary policy than in the main scenario cushions the fall in domestic demand and contributes to higher inflationary pressures. Inflation begins to rise back towards the target in 2028. In mid-2028, when the outlook for inflation suggests that a less expansionary monetary policy is consistent with on-target inflation, the Riksbank begins to normalise the policy rate.

Figure 42. Main and alternative scenarios for GDP and CPIF excluding energy and temporary fiscal policy measures

Index, 2025 Q1 = 100 (left) and annual percentage change (right)

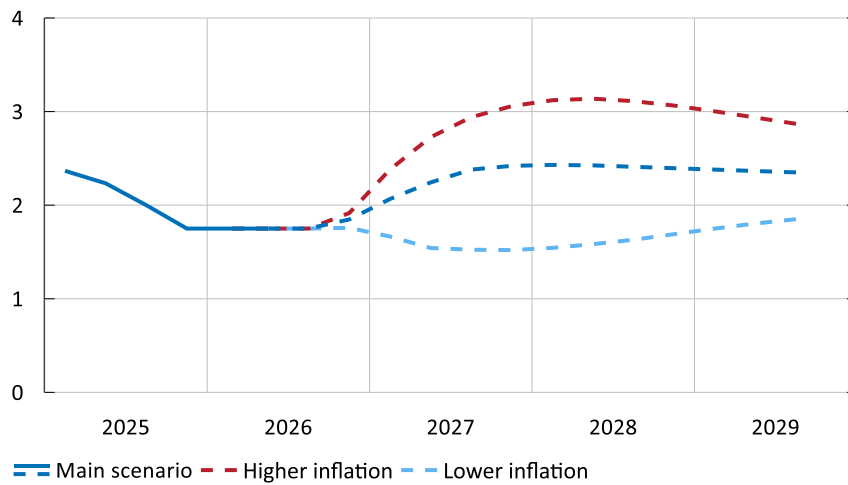


Note. Quarterly averages. Seasonally adjusted data (left). In the main and alternative scenarios for the CPIF excluding energy, the direct effects on the price level of the temporary tax reduction on food and the temporary reduction in public transport fares implemented during 2026 have been excluded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

Sources: Statistics Sweden and the Riksbank.

Figure 43. 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 lines refer to main scenario and alternative scenarios.

Source: The Riksbank.

Forecast tables

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

Table 4. Policy rate forecast

Per cent, quarterly averages

	2026Q2	2026Q3	2026Q4	2027Q3	2028Q3	2029Q3
Policy rate	1.75 (1.75)	1.75 (1.76)	1.85 (1.82)	2.38 (1.97)	2.41 (2.10)	2.35

Source: The Riksbank.

Table 5. Inflation

Annual percentage change, annual average

	2025	2026	2027	2028
CPIF	2.6 (2.6)	1.5 (1.1)	2.1 (1.7)	2.4 (2.8)
CPIF excl. energy	2.8 (2.8)	0.8 (0.7)	2.0 (2.0)	2.9 (2.9)
CPI	0.7 (0.7)	0.9 (0.6)	3.2 (2.7)	3.1 (3.4)
HICP	2.6 (2.6)	1.1 (0.8)	2.0 (1.7)	2.4 (2.8)

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	2.0 (1.9)	2.7 (2.6)	2.1 (2.1)	1.3 (1.4)
Public consumption	1.2 (1.0)	1.8 (1.5)	2.6 (2.6)	1.3 (1.3)
Gross fixed capital formation	2.2 (2.1)	4.9 (3.3)	3.3 (3.7)	1.2 (1.7)
Stock investments*	0.0 (0.0)	-0.4 (0.2)	-0.1 (0.0)	0.0 (0.0)
Exports	3.7 (3.8)	4.7 (3.5)	3.5 (3.1)	2.5 (2.5)
Imports	4.6 (4.3)	4.3 (4.5)	3.6 (3.8)	2.5 (2.6)
GDP	1.4 (1.5)	2.8 (2.2)	2.4 (2.3)	1.3 (1.4)
GDP, calendar-adjusted	1.6 (1.8)	2.6 (1.9)	2.2 (2.0)	1.6 (1.7)
Final domestic demand**	1.7 (1.7)	2.9 (2.4)	2.5 (2.6)	1.2 (1.4)
Net exports*	-0.3 (-0.1)	0.3 (-0.4)	0.0 (-0.3)	0.1 (0.0)
Current account (NA), percentage of GDP	5.6 (5.8)	4.8 (4.7)	4.1 (4.2)	4.8 (4.7)

* 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)	0.2 (0.1)	-0.1 (-0.1)	0.0 (0.0)
Potential employment	0.8 (0.8)	0.6 (0.6)	0.4 (0.4)	0.3 (0.3)
Potential hours worked	0.7 (0.7)	0.6 (0.6)	0.5 (0.4)	0.4 (0.3)
Potential GDP	1.8 (1.7)	1.7 (1.6)	1.5 (1.5)	1.4 (1.4)
GDP, calendar-adjusted	1.6 (1.8)	2.6 (1.9)	2.2 (2.0)	1.6 (1.7)
Hours worked, calendar-adjusted	-0.3 (-0.4)	0.6 (0.7)	1.7 (1.6)	0.7 (0.6)
Employed persons	0.4 (0.4)	0.9 (0.8)	1.1 (1.0)	0.6 (0.6)
Labour force	0.9 (0.9)	0.6 (0.5)	0.5 (0.5)	0.2 (0.2)
Unemployment*	8.8 (8.8)	8.6 (8.6)	8.1 (8.2)	7.6 (7.8)
Employment gap**	-1.3 (-1.3)	-1.1 (-1.1)	-0.3 (-0.5)	0.0 (-0.2)
Hours gap**	-1.5 (-1.7)	-1.5 (-1.7)	-0.2 (-0.5)	0.1 (-0.2)
GDP gap**	-1.5 (-1.2)	-0.6 (-0.8)	0.0 (-0.4)	0.2 (-0.1)

* 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 (3.6)	3.5 (3.3)	3.3 (3.2)	3.1 (3.1)
Hourly wage, NA	3.4 (4.0)	3.7 (3.6)	3.3 (3.2)	3.1 (3.1)
Hourly labour cost, NA	1.5 (2.2)	3.6 (3.4)	3.3 (3.2)	3.1 (3.1)
Productivity	2.0 (2.1)	2.0 (1.3)	0.4 (0.4)	0.9 (1.0)
Unit labour cost	-0.2 (0.3)	1.7 (2.2)	2.9 (2.7)	2.2 (2.0)

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	1.3 (1.5)	0.9 (0.3)	1.0 (1.2)	1.3 (1.3)
United States	0.15	0.10	2.1 (2.1)	2.1 (2.0)	2.0 (1.9)	2.1 (2.2)
China	0.20	0.09	5.1 (5.0)	4.5 (4.5)	4.2 (4.2)	4.1 (4.1)
KIX weighted	0.75	1.00	2.1 (2.1)	1.8 (1.5)	1.8 (1.8)	1.9 (2.0)
The World (PPP-	1	-	3.4 (3.4)	3.0 (3.0)	3.2 (3.2)	3.3 (3.3)

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)	3.1 (2.9)	2.5 (2.3)	1.8 (2.0)
United States	2.6 (2.6)	3.5 (3.8)	2.6 (2.8)	2.1 (2.2)
KIX weighted	2.7 (2.7)	3.0 (3.1)	2.5 (2.5)	2.1 (2.2)

	2025	2026	2027	2028
International policy rate, per cent	2.8 (2.8)	2.7 (2.7)	3.4 (2.9)	3.3 (2.8)
Crude oil price, USD/barrel Brent	68.0 (68.0)	92.4 (89.4)	85.2 (81.1)	75.4 (76.6)
Swedish export market	3.4 (2.7)	2.1 (2.1)	2.5 (2.7)	2.9 (2.8)

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)	2.3 (1.9)	2.4 (2.1)
10-year rate	2.5 (2.5)	2.9 (2.8)	3.1 (2.9)	3.0 (2.9)
Exchange rate, KIX, 18 Nov 1992 = 100	119.7 (119.7)	118.7 (116.8)	121.0 (116.7)	118.5 (115.5)
General government net lending, per cent of GDP	-1.6 (-1.3)	-2.4 (-2.7)	-2.0 (-2.2)	-1.2 (-1.4)

Sources: Statistics Sweden and the Riksbank.



SVERIGES RIKSBANK

Tel +46 8 - 787 00 00

registratorn@riksbank.se

www.riksbank.se

PRODUCTION SVERIGES RIKSBANK