



Monetary Policy Update

January 2026

Monetary Policy Update

The Executive Board normally holds eight monetary policy meetings a year. In connection with each of the meetings, a monetary policy decision is published, along with the motives for the decision. In connection with four of the meetings, a Monetary Policy Report is published, which describes the considerations behind the Riksbank's assessment of an appropriate monetary policy. The report includes a forecast of the outlook for inflation and economic activity three years ahead, based on the monetary policy that the Riksbank currently considers to be well-balanced. A shorter Monetary Policy Update is published after the other four meetings. This describes the considerations made by the Riksbank and economic developments in relation to the Riksbank's most recent forecast.

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

Regularly or upon request, the Riksbank shall submit an account of its monetary policy operations to the Riksdag Committee on Finance, pursuant to Chapter 1, Article 1 of the 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 monetary policy decisions and accompanying Report or Update can be downloaded as PDF files on the Riksbank's website, www.riksbank.se.

No new forecasts are produced in connection with the Monetary Policy Updates. Monetary Policy Report no. 1 2026 will be published on 19 March 2026.

Monetary policy considerations

Geopolitical developments have been dramatic at the beginning of 2026, not least due to the US administration's foreign policy conduct. It is unclear what the concrete and more lasting consequences will be, both geopolitical and economic, and conditions can change rapidly. Despite some volatility, the financial markets have shown limited reaction, but the US dollar has continued to weaken, including against the Swedish krona.

Despite the high level of uncertainty, the Swedish economy grew at a solid pace at the end of last year. New information indicates that household consumption continued to rise and that economic developments as a whole have been somewhat stronger than expected. The labour market situation remains weak, but there are increasingly clear signs of improvement. Inflation was lower than expected in December, and is now close to the target of 2 per cent. Overall, the outlook for inflation and economic activity from December remains largely unchanged.

The Riksbank assesses that the current level of the policy rate contributes to economic activity strengthening and inflation stabilising around the target in the longer term. The Riksbank has therefore decided to leave the policy rate unchanged at 1.75 per cent. The policy rate is expected to remain at this level for some time to come, in line with the forecast in December.

However, the uncertainty regarding the outlook for inflation and economic activity has increased. Recent developments, for instance in relation to US trade and foreign policy, have widened the range of potential outcomes for what can happen going forward. The Swedish economy has so far proved resilient to the uncertainty related to the geopolitical situation and higher tariffs, but sentiment in the household and corporate sectors can deteriorate rapidly. Further uncertainty factors include the development of the krona and its effects on inflation, as well as how the more expansionary fiscal policy in Sweden and other countries affects the economy going forward. The Riksbank is vigilant with regard to developments and is prepared to adjust monetary policy if the outlook changes.

International developments

The beginning of 2026 has been dramatic from a geopolitical perspective. The US administration's claims on Greenland have led to an increase in tension between the United States and Europe, which has created considerable uncertainty. In connection with this, the United States has threatened, but then withdrawn the threat, to increase tariffs against a number of European countries, including Sweden. The continued war in Ukraine, the protests and violence in Iran and the United States' actions in Venezuela as well as rhetoric directed against other countries have contributed to the uncertainty. It is difficult to assess the effects that recent events will have on the global economy, and the conditions could change rapidly.

So far, these developments have had limited effects on the financial markets. There has been some volatility in stock market developments and the US dollar has weakened recently. The oil price has varied somewhat but is still at a relatively low level (see Figure 1). On the other hand, prices of both precious metals and industrial metals have risen substantially. Global financial conditions are still expansionary.

US GDP grew more than expected during the third quarter of 2025. US household consumption was a contributory factor, while the contribution from the large AI-related investment slowed down. Although there is some optimism in the services sector, indicators show that sentiment among households and companies is in general subdued. Unemployment fell somewhat in December, but labour market indicators do not show a clear picture of developments. Inflation has been lower than expected, but in December it was slightly over 2 per cent (see Figure 2).¹

Inflation in the euro area has remained close to the ECB's target of 2 per cent. However, underlying inflation remained slightly above 2 per cent in December (see Figure 2). Indicators of developments during the fourth quarter of 2025 so far point to a growth rate close to a historically normal level. Unemployment remains at a low level. On the other hand, household sector sentiment is still below normal.

Market participants' expectations of policy rates are roughly the same as in December. The uncertainty regarding monetary policy in the United States has so far not affected expectations of the US policy rate. Market expectations indicate that two cuts may be on the cards by the Federal Reserve this year (see Figure 3). The ECB left its policy rate unchanged in December and is not expected to change it this year. In Japan, expectations are instead aimed at central bank raising its policy rate during the year. There has been considerable volatility in Japanese market rates recently, partly as a result of political uncertainty.

Uncertainty about economic developments abroad has increased. The United States' unpredictable trade policy and foreign policy conduct and pressures have among other things increased the risks of a re-escalation of the trade conflict with European countries. Moreover, the war in Ukraine and other geopolitical conflicts are continuing. On top of this, there are the protests in Iran and the regime's violent counter-measures. The US administration's actions against the Federal Reserve also

¹ As a result of the earlier federal lockdown, there are no outcomes for some economic statistics.

contribute to the uncertainty. Further risk factors are the sustainability of several countries' public finances, and the risks linked to the very high equity valuations of US technology companies.

Developments in Sweden

Indicators point to growth having been stronger than expected at the end of 2025.

According to Statistics Sweden's monthly indicator for GDP, activity in the Swedish economy increased in November (see Figure 4). Sentiment in the household sector is still subdued, but consumption is continuing to rise nevertheless (see Figures 4 and 5). Indicators in the business sector show that sentiment has improved further and is now more positive than normal. Moreover, orders to the manufacturing sector increased, not least in the export sector.

New information supports the assessment that the labour market is improving.

Employment increased tangibly in the fourth quarter, although the labour market is still weak and unemployment rose to 9.1 per cent (see Figure 6). The percentage of people registered as unemployed with the Swedish Public Employment service continued to decline in December. At the same time, companies continued to expand their recruitment plans and the number of newly-registered vacancies also increased (see Figure 6).

Overall, the assessment of the outlook for the economy remains largely unchanged from December. Household finances will improve during the year, partly supported by an expansionary economic policy, which paves the way for a stable increase in consumption.² Indicators point to the economic recovery continuing and the labour market improving.

Yields on Swedish government bonds remain at about the same level as in December.

During autumn 2025, these yields increased tangibly, probably due to an improved economic outlook in Sweden and a larger supply of Swedish government bonds. Higher premiums on foreign government bonds in general have probably also affected the Swedish ones. Despite the upturn, financial conditions in Sweden are assessed overall to be expansionary, with favourable loan terms for households and companies.

Inflation was lower than expected in December. The CPIF and the CPIF excluding energy increased by 2.1 and 2.3 per cent respectively as an annual percentage change (see Figure 7). The deviation from the December forecast was partly the result of energy prices increasing more slowly than expected. But a broad downturn in goods prices also contributed to the surprisingly low outcome. Other prices, including service prices, were also somewhat weaker. This could be a sign that inflationary pressures could be somewhat lower for some time to come than the Riksbank's earlier assessment (see Figure 8).

² See the analysis "Consumption is expected to increase at a good pace going forward" in the Monetary Policy Report, December 2025, Sveriges Riksbank.

The krona appreciation has contributed to the weaker development in goods prices.

During 2025, the krona strengthened by almost 10 per cent against the KIX4 index (see Figure 9).³ In recent months, goods prices have fallen tangibly and more than expected. This could indicate that the strengthening of the krona has had a somewhat sooner and larger dampening effect on inflation than the Riksbank had expected. However, it is assessed that the krona will have a gradually declining effect on inflation going forward, as the krona appreciation is expected to wane. Developments are uncertain, however, and during the recent turmoil the krona has continued to strengthen, not just against the dollar but also against other currencies.

The outlook for inflation in the long term still remains largely unchanged. A more normal weight effect on the CPI and the temporary reduction in VAT on food with effect from April are expected to contribute to inflation falling tangibly this year. In addition, domestic cost pressures will be subdued in the near term, partly due to the stronger krona. Companies' price plans at the same time remain at normal levels and the slightly more long-term inflation expectations are close to 2 per cent (see Figure 10). In the slightly longer term, the stronger economic activity is expected to contribute to inflationary pressures normalising in line with the assessment in December.

Changes in taxes mean that inflation will vary substantially in the coming years. The lower VAT on food will affect CPIF inflation for one year, when food prices with a lower VAT rate are compared each month with food prices with a higher VAT rate in the previous year. The reintroduction of VAT on food to its present level in January 2028 will have the opposite effect, and inflation will then be higher for a year. The Riksbank's overall assessment is that these VAT changes will probably have substantial direct effects on CPIF inflation, while the underlying inflation rate will not be affected to any significant extent.

There is still considerable uncertainty over economic developments in Sweden as well. Although the Swedish economy has so far proved resilient to unfavourable events abroad so far, sentiment in the household and corporate sectors can deteriorate rapidly. A further uncertainty factor is how inflation will be affected by the krona, the development of which is notoriously difficult to predict. The lower VAT on food could also mean that inflation becomes more lastingly lower if it affects inflation expectations and the way that companies set their prices. But it will also stimulate demand, which can instead push up inflation faster than expected. How large this effect will be depends on households' consumption behaviour, which also affects how much fiscal policy will help strengthen economic activity.

Policy rate left unchanged at 1.75 per cent

Inflation has fallen and is close to the target of 2 per cent. It has been elevated in 2025, but the most recent outcomes support the picture that the higher inflation was transitory. In December 2025, inflation was lower than in the Riksbank's most recent

³ The KIX4 (krona index) is a weighted average against the US dollar, euro, pound sterling and Norwegian krone. The krona strengthened by 16 per cent against the dollar and 6 per cent against the euro in 2025.

forecast. The outcome could be a sign that inflationary pressures will be somewhat lower for some time to come than the Riksbank's earlier assessment. However, the new information does not change the picture of inflationary pressures being in line with the target in the slightly longer term.

The Swedish economy is continuing to grow at a solid pace. New information indicates that household consumption is continuing to rise and that economic developments as a whole were somewhat stronger than expected in the fourth quarter of 2025. The labour market situation remains weak but is showing increasingly clear signs of improvement. Overall, the outlook for economic activity remains largely unchanged from December.

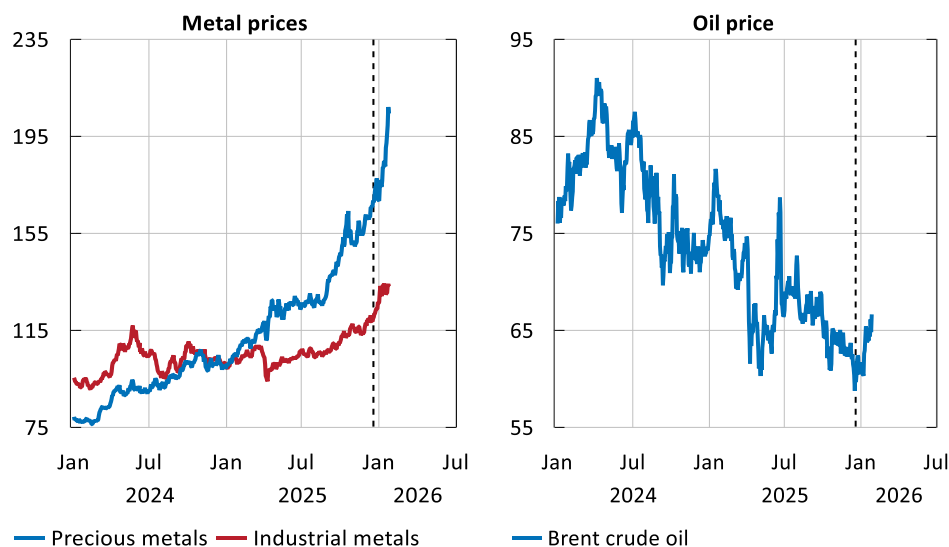
The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. The policy rate is expected to remain at this level for some time to come, in line with the forecast in December. The Riksbank assesses that the current level of the policy rate contributes to economic activity strengthening and inflation stabilising around the target in the longer term.

The uncertainty regarding the outlook for inflation and economic activity has increased. Recent developments abroad have led to geopolitical tensions increasing, which can have considerable consequences for economic developments, both globally and in Sweden. It is unclear what the concrete and more lasting consequences will be, and the conditions can change rapidly. But it is clear that the range of potential outcomes for what might happen in the future has widened, both in terms of economic activity and inflation. The Riksbank is vigilant with regard to developments and is prepared to adjust monetary policy if the outlook changes.

Figures

Figure 1. Metal prices and oil price

Index, 01 January 2025 = 100 (left), and USD per barrel (right)

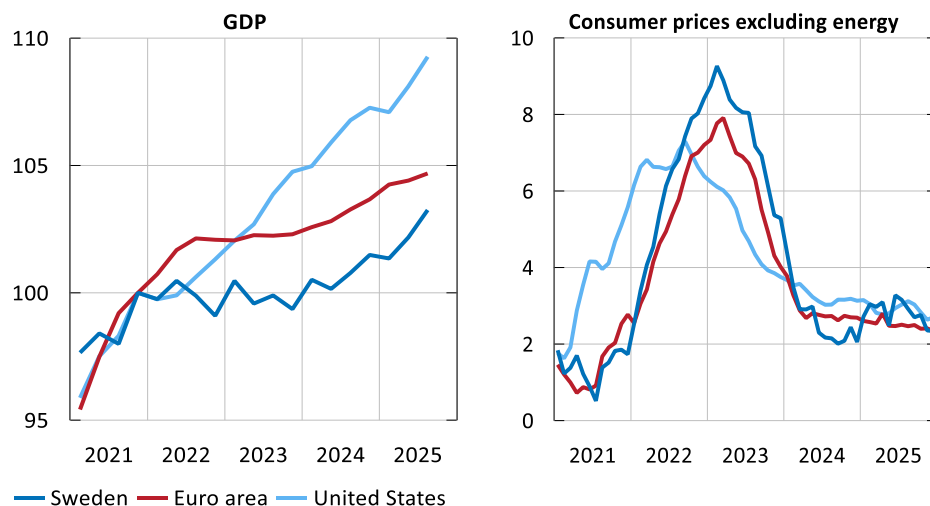


Note. Dashed vertical line marks the date of the monetary policy meeting in December.

Sources: Intercontinental Exchange and S&P Global.

Figure 2. GDP and consumer prices excluding energy

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

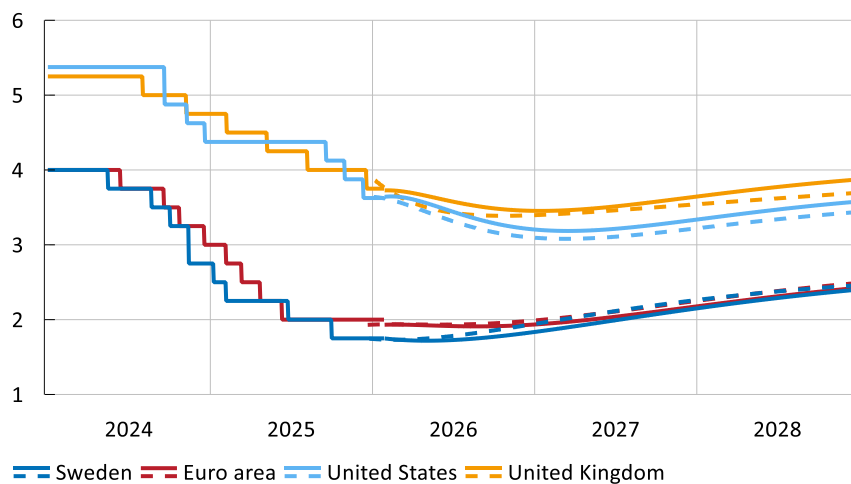


Note. Seasonally adjusted data (left). Refers to CPIF excluding energy for Sweden, HICP excluding energy for the euro area and CPI excluding energy for the USA (right).

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

Figure 3. Market expectations of future policy rates

Per cent

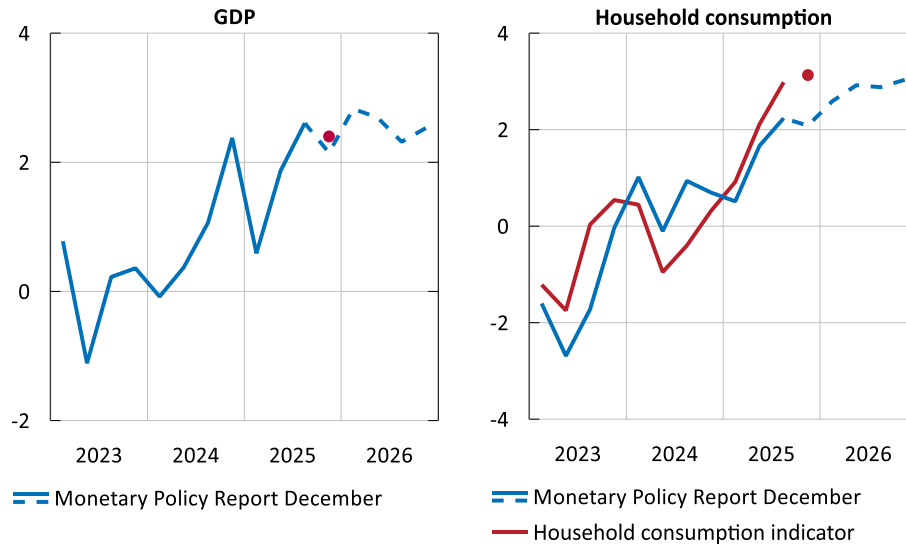


Note. The figure shows policy rates and market-based expectations according to forward pricing. Solid lines represent expectations on 27 January 2026. Dashed lines represent expectations immediately prior to the monetary policy meeting in December.

Sources: National central banks and the Riksbank.

Figure 4. GDP and household consumption

Annual percentage change

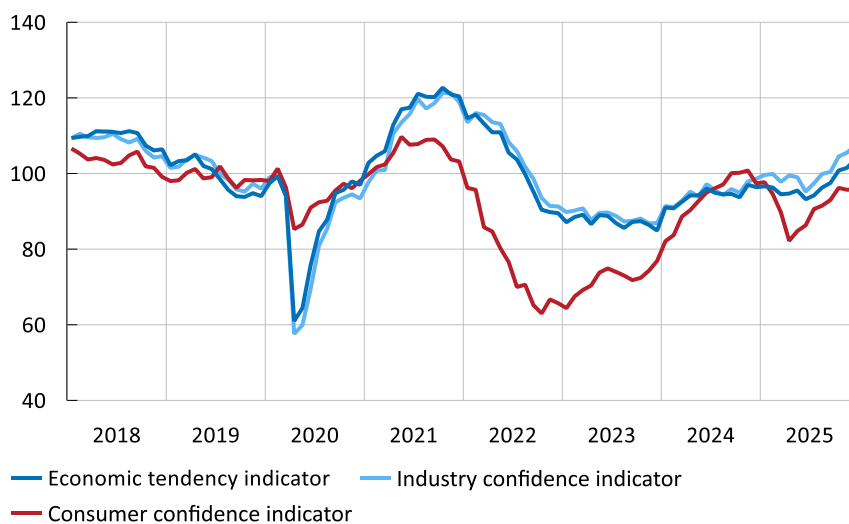


Note. Calendar adjusted quarterly data. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in December. Red dots refer to the average of the GDP indicator (left) and household consumption indicator (right) for October and November.

Sources: Statistics Sweden and the Riksbank.

Figure 5. Confidence indicators in the Economic Tendency Survey

Index, mean value = 100, standard deviation = 10

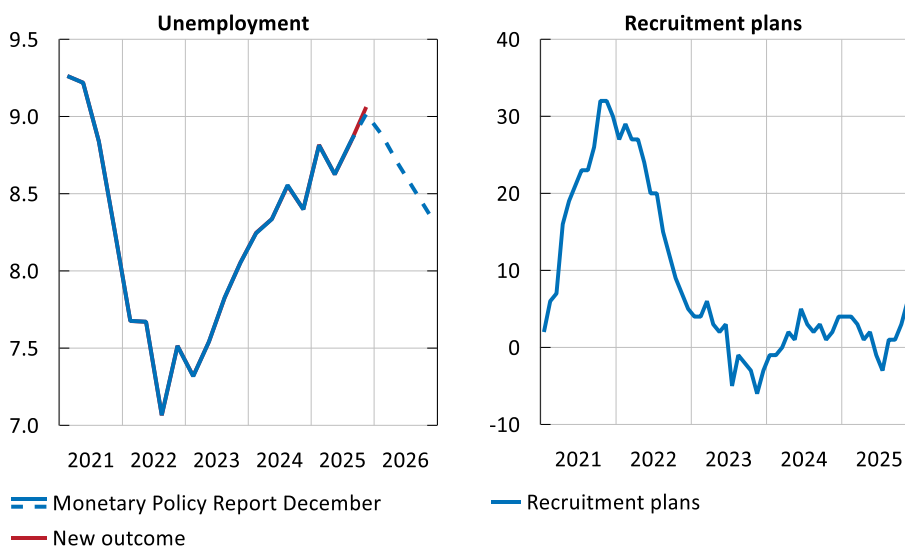


Note. The confidence indicators are based on net figures of the responses to a number of questions concerning the current economic situation and future prospects.

Source: National Institute of Economic Research.

Figure 6. Unemployment and recruitment plans

Percentage of labour force (left) and net figures (right)

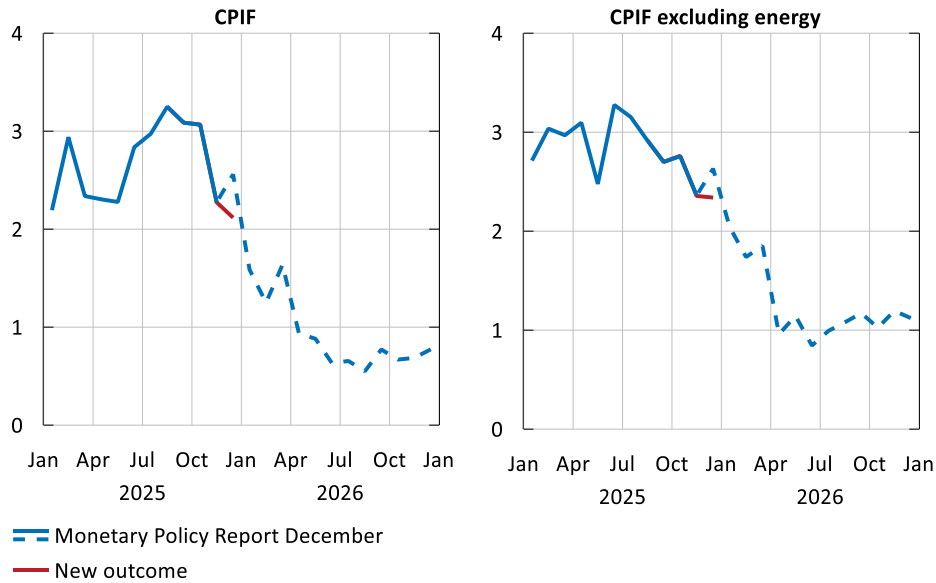


Note. Seasonally adjusted data. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in December. Red line refers to outcome for the fourth quarter (left). Net figures for number of companies responding that they plan to increase employee numbers compared with how many plan to reduce employee numbers in the coming three months (right).

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

Figure 7. CPIF and the CPIF excluding energy

Annual percentage change

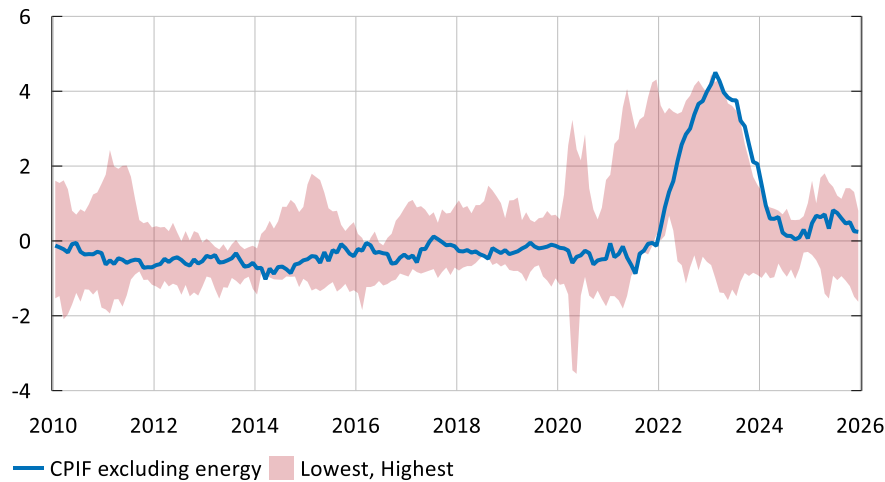


Note. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in December. Red lines refer to the outcome for December.

Sources: Statistics Sweden and the Riksbank.

Figure 8. CPIF excluding energy with indicators

Standard deviation

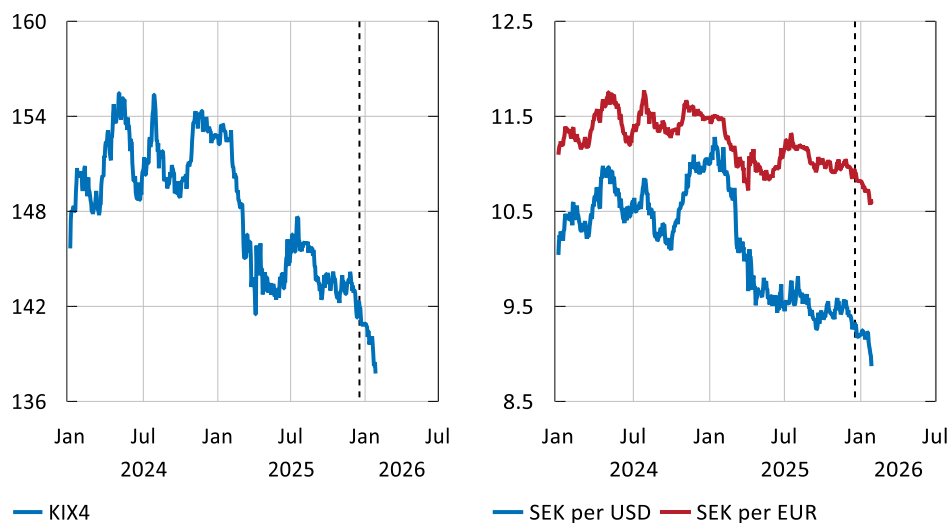


Note. The red field shows the range between the highest and lowest standardised value for the following indicators: households' inflation expectations, price plans in the retail trade, consumer goods sector and services sector, Purchasing Managers' Index for the services sector and manufacturing sector,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

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

Figure 9. Nominal exchange rate for the Swedish krona against KIX4, the US dollar and the euro

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

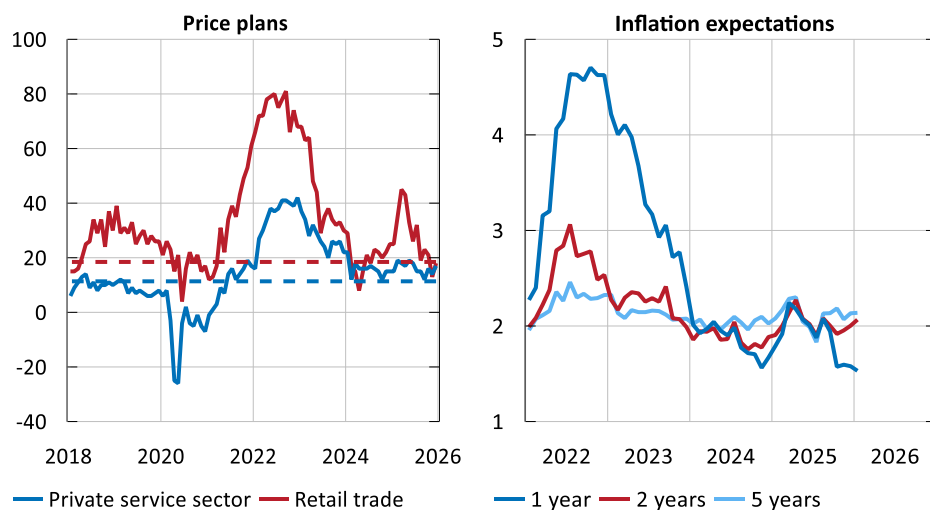


Note. The KIX4 (krona index) is a weighted average against the US dollar, euro, pound sterling and Norwegian krone. A lower value indicates a stronger exchange rate. Dashed vertical line marks the date of the monetary policy meeting in December.

Source: The Riksbank.

Figure 10. Price plans and inflation expectations

Net figures (left) and per cent (right)



Note. Seasonally adjusted data. Net figures of how many companies responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months. Dashed lines represent the average for the period 2000–2025 (left). Inflation expectations refer to money market participants' expectations of the CPI (right).

Sources: National Institute of Economic Research and Origo Group.



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