



Monetary Policy Update

May 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 11, 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 for the Monetary Policy Updates. Monetary Policy Report no. 2 2026 will be published on 17 June 2026.

Monetary policy considerations

The war in the Middle East is continuing to impact developments around the world and the longer it continues, the greater is the risk of inflation rising and negative effects on economic developments. The price of oil is still elevated and has varied substantially as a result of various statements by the parties in the war. Prices of other commodities have also been affected by the war and according to surveys, parts of the business sector are experiencing higher cost pressures. As expected, it is primarily higher fuel prices that have been the most tangible economic effect of the war so far. On the financial markets there is still an expectation that the oil price will fall back this year.

In March, the Riksbank assessed that there are fundamentally favourable conditions in place for stronger economic activity, but that the war is dampening the economic outlook somewhat in the near term. Since then, there have been signs that growth was weaker than expected at the start of the year. In addition, the risk of higher inflation in the wake of the war is assessed to have increased somewhat. At the same time, inflation is currently below the target and the recent inflation outcomes have been clearly lower than the Riksbank's forecast both including and excluding energy prices. This together with the weak economic activity at the outset means that there is scope to wait until there is a clearer picture of the effects of the war and the supply shocks it entails.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. The current level of the policy rate gives the Riksbank a good initial position to adjust monetary policy if required to safeguard the inflation target.

There is considerable uncertainty and the developments call for vigilance. If the war were assessed to have large effects on the global economy and lead to a broad and persistent upturn in inflation, the Riksbank would need to raise the policy rate. At the same time, economic activity has been weaker than expected and domestic inflationary pressures are currently low. In addition to the war in the Middle East, there are also several other risks that could affect the outlook for inflation and economic activity. The range of potential outcomes for what can happen going forward is wide and the Riksbank is monitoring developments closely.

International developments

The war in the Middle East is continuing to impact developments abroad. The Strait of Hormuz is still closed, which affects a large portion of the world's energy transport and also freights of certain commodities. Moreover, the war and the destruction of energy-related infrastructure mean that less oil and natural gas can be produced in the region. So far, increased oil production in other countries and the use of stored resources has to some extent compensated for the reduced supply.

The oil price is still elevated. The price of oil has varied considerably after various statements by the parties in the war (see Figure 1). Prices of oil futures have been volatile, which reflects the considerable uncertainty on the market, and at present they are higher than the futures on which the Riksbank's latest forecast was based. The price of natural gas has fallen back since the upturn that followed the outbreak of war and futures pricing are now in line with the March forecast.

Disruptions to global value chains are so far moderate. So far, it is primarily the costs for transporting oil by tanker that have increased, as have prices of jet fuel (see Figure 2). Prices of some commodities affected by the production of oil and natural gas in the Middle East have also risen to high levels.¹ The war has not entailed any global shortages yet, but some Asian countries that have a large dependency on supplies from the region have been hit relatively harder. As expected, the indirect effects of rising prices on input goods are so far limited and futures pricing on food, for instance, have not risen tangibly.

The upturn in the oil price has contributed to rising prices, and inflation is higher than the target in several countries. In the euro area, HICP inflation rose in both March and April, and is now 3 per cent. However, with energy excluded, inflation was in principle unchanged at just over 2 per cent (see Figure 3). In the United States, CPI inflation rose to 3.3 per cent in March and excluding energy it was still at a level around 2.5 per cent. However, PCE inflation excluding energy and food, which is an important measure of inflation for the Federal Reserve, rose to 3.2 per cent.

Global financial conditions are overall approximately as at the time of the monetary policy decision in March. After some tightening at the beginning of the war, global financial conditions have stabilised somewhat. However, they are not as expansionary as prior to the outbreak of war, primarily due to higher interest rates. Stock markets around the world appear to have taken on board other factors than the war in the Middle East, such as developments in AI, and have recovered from the initial falls after the outbreak of war.

Compared with the monetary policy decision in March, the financial markets are expecting more contractionary monetary policy abroad. The Federal Reserve, ECB and Bank of England left their policy rates unchanged at the end of April (see Figure 4). Market expectations have varied substantially recently. At present, the financial markets are expecting an unchanged policy rate in the United States. At the same

¹ This applies, for instance to the prices of urea, naphtha and aluminium. Urea is used as a fertiliser, for instance, and is an important input in the production of food. Naphtha is a petrochemical product that is used in plastics production, for instance.

time, the ECB and the Bank of England are expected to raise their policy rates three times over the year.

Economic developments abroad prior to the outbreak of war were somewhat weaker than expected. According to preliminary data, growth in the euro area slowed down during the first quarter (see Figure 3). In the United States, GDP growth was weak during the fourth quarter of 2025, but as expected growth was somewhat higher in the first quarter of this year. Unemployment in both the euro area and the United States declined in March.

Following the outbreak of war, cost pressures in the manufacturing industry have increased significantly and household sentiment has deteriorated. In both March and April, costs of input goods to the manufacturing industry increased tangibly in both the United States and the euro area, according to the Purchasing Managers' Index. This also showed that business sector sentiment deteriorated in the euro area in April, but remained roughly unchanged in the United States. Surveys show that at the same time, sentiment in the household sector deteriorated clearly in both the United States and the euro area.

There are major risks linked to the global economic outlook. There is still uncertainty about the extent to which the war in the Middle East will affect both economic activity and inflation. Volatile financial prices could lead to broader disruptions in the financial markets. Additional risk factors include the high equity valuations of US technology companies, the development of corporate sector borrowing outside of the banking sector and the risks associated with the sustainability of public finances in several countries. Moreover, the war in Ukraine is a risk factor.

Developments in Sweden

Monthly statistics indicate that GDP developed weakly at the beginning of the year. Preliminary GDP statistics from Statistics Sweden indicate that growth in the first quarter was 1.6 per cent compared with the same quarter in 2025, which was significantly weaker than in the Riksbank's forecast (see Figure 5).² However, monthly statistics indicate that consumption has developed largely as expected.

Sentiment in the economy has deteriorated somewhat. Household sector sentiment has been relatively unchanged for some time at a lower level than normal but deteriorated markedly in April (see Figure 6). In the business sector, sentiment deteriorated in the manufacturing industry and the construction sector in April, but it is at a normal level. On the other hand, sentiment in the retail trade and services sectors improved. During interviews with the Riksbank, a number of larger companies express concern over the effects of the war. But at the same time, they emphasise that they have built up some resilience to supply shocks following the experiences of recent years.

At the beginning of the year, the labour market improved in line with the Riksbank's forecast. Employment increased and unemployment fell as expected during the first

² The preliminary statistics are based on a smaller amount of data than the National Accounts and should therefore be interpreted with caution.

quarter (see Figure 7). However, the number of persons registered as unemployed at the Swedish Public Employment Service has stopped falling in recent months and remained unchanged. Companies' recruitment plans are at the same time still positive, although they have fallen somewhat in recent months, as has the number of newly-registered vacancies (see Figure 7).

The war dampens the economic outlook somewhat in the near term, but there are fundamentally favourable conditions for the economy to strengthen. New statistics and indicators point to the Swedish economy developing more weakly than expected at the beginning of the year. However, the situation is very uncertain. It is still unclear what effects the war will have on the real economy.

The krona is broadly unchanged in relation to the time of the monetary policy decision in March. The krona began to weaken against both the US dollar and the euro in connection with the outbreak of war at the end of February (see Figure 8). It continued to weaken after the decision in March but has since strengthened from the beginning of April.

Lower VAT on food in April and higher energy prices affect inflation. The CPIF increased by 0.8 per cent in April as an annual percentage change, compared with 1.6 per cent in March (see Figure 9). The CPIF excluding energy was 0.0 per cent, which can be compared to a rate of increase of 1.1 per cent in March. The downturn was largely due to food prices falling substantially after the VAT on food was cut on 1 April. The reason for CPIF inflation not falling further was that the lower VAT was counteracted by higher energy prices. The outcome for underlying inflation in April was clearly lower than in the Riksbank's most recent forecast, largely due to a smaller contribution than expected from prices on services and food. The Flash CPI outcome contains limited detail, as usual, so it is not yet possible to say with certainty what explains the low outcome.

As expected, few signs are visible yet of indirect effects of the war on consumer prices. Indirect inflationary effects of rising prices on oil and other commodities come with a time lag and so far it is the direct effects of higher fuel prices that have pushed up inflation. Producer prices, especially prices of imports, rose clearly in March, however, and the Purchasing Managers' Index shows that the costs of input goods to the manufacturing industry rose in April. According to the Riksbank's interviews with a number of larger companies, they are not experiencing any shortages of input goods, but they have experienced increased costs. According to the National Institute of Economic Research's Economic Tendency Survey in April, companies' price plans rose and are now overall somewhat above their historical average (see Figure 10).

Inflation has been clearly lower than was forecast in March, but at the same time the risks of higher inflation going forward have increased somewhat. A number of indicators point to inflationary pressures being largely normal (see Figure 11). However, they are expected to rise gradually when the krona is no longer pushing down inflation to the same extent and economic activity grows ever stronger. The upturn is also expected to be driven by some pass-through of higher energy prices to other prices, and this pass-through can be expected to become larger the longer the war in

the Middle East continues. The more long-term inflation expectations are well anchored around the target (see Figure 10).

In addition to the major risks linked to the war in the Middle East, there are other risks that could affect developments. The Swedish economy has so far proved resilient to unfavourable events abroad, but conditions can deteriorate rapidly. There are also risks to the outlook for inflation linked to how the krona develops and to companies' pricing behaviour. In addition, it is still unclear to some extent which fiscal policy measures will be taken as a result of the war and what effects fiscal policy will have on demand and inflation.

Policy rate held unchanged at 1.75 per cent

The risk of higher inflation is assessed to have increased somewhat, at the same time as there are signs of weaker economic activity. Indicators point to growth having been weaker than expected and the recent inflation outcomes have been below the target and clearly lower than the Riksbank had forecast. The most tangible effect of the war on the Swedish economy so far is higher fuel prices. However, there are also signs of rising cost pressures among companies and price plans have increased. The risk of higher inflation in the wake of the war is assessed to have increased somewhat in relation to the forecast in March.

The war makes the economic outlook more uncertain. Sweden has a relatively small oil dependence compared to many other countries, which is an advantage during this type of disruption. But Sweden is very dependent on foreign trade, and if inflation abroad rises, it will probably spill over to Swedish prices. The impact is also affected by the development of the krona, which is difficult to predict. At the same time, the economic activity in Sweden is weak at the outset and inflation is low. This means that there is scope to wait until there is a clearer picture of the effects of the war and the supply shocks it entails.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. The current level of the policy rate gives the Riksbank a good initial position to adjust monetary policy if required to safeguard the inflation target.

The Riksbank is prepared to rapidly adjust its monetary policy. The longer the war continues, the greater is the risk that inflation will rise and economic developments will be negatively impacted. Even when the Strait of Hormuz opens, the aftermath of the war will probably continue to affect global price developments for some time to come. If the effects on the global economy were assessed to become large and lead to a broad and persistent upturn in inflation, the Riksbank would need to raise the policy rate, despite economic activity being dampened.³

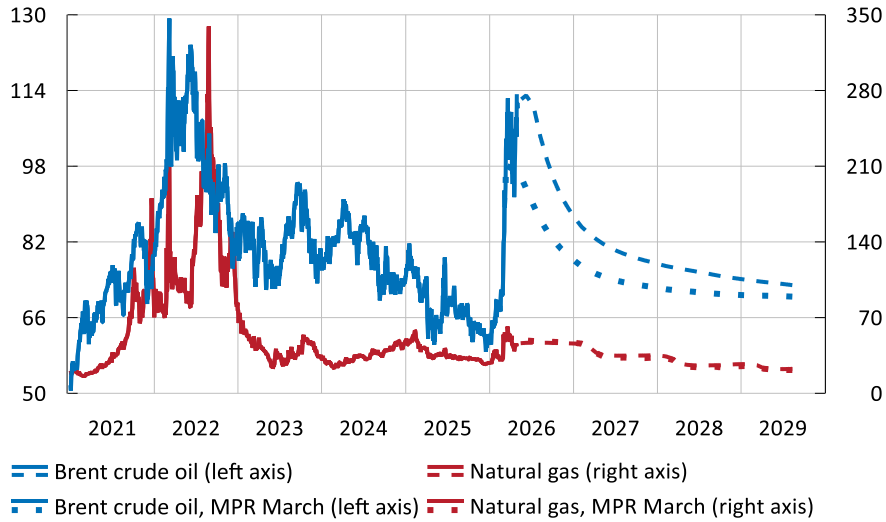
There is considerable uncertainty and the developments call for vigilance. In addition to the war in the Middle East, there are also several other risks that could affect the outlook for inflation and economic activity. One cannot rule out the possibility that the war will interact with other more underlying vulnerabilities in the global

³ Such an alternative scenario is described in the Monetary Policy Report published in March 2026.

economy. The range of potential outcomes for what can happen going forward is wide and the Riksbank is monitoring developments closely.

Figures

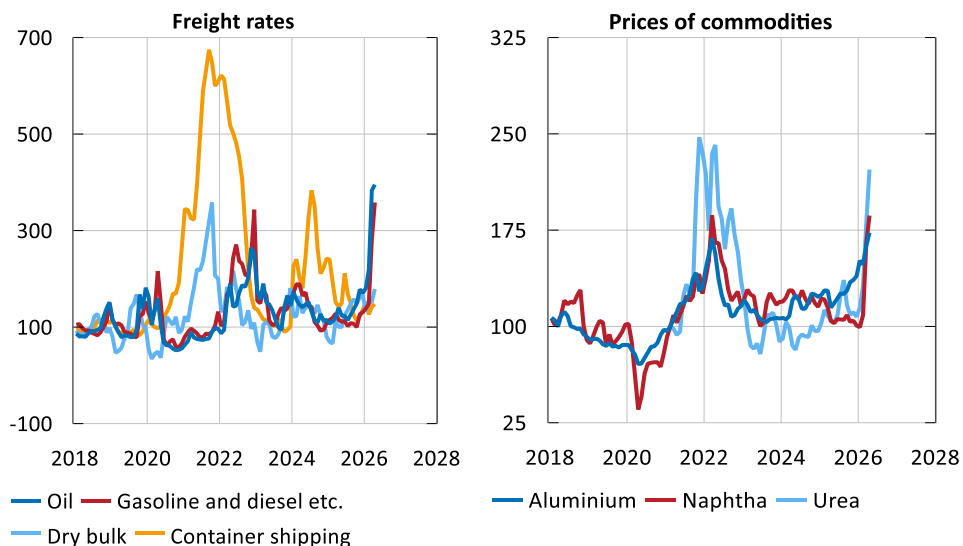
Figure 1. The price of oil and natural gas
USD/barrel (oil) and EUR/MWh (natural gas)



Note. 5-day average. Solid lines refer to outcomes and dashed/dotted lines refer to futures pricing. Outcome and current futures prices up to 5 May 2026. Futures prices at the time of the Monetary Policy Report (MPR) in March up to 16 March 2026.

Source: Intercontinental Exchange.

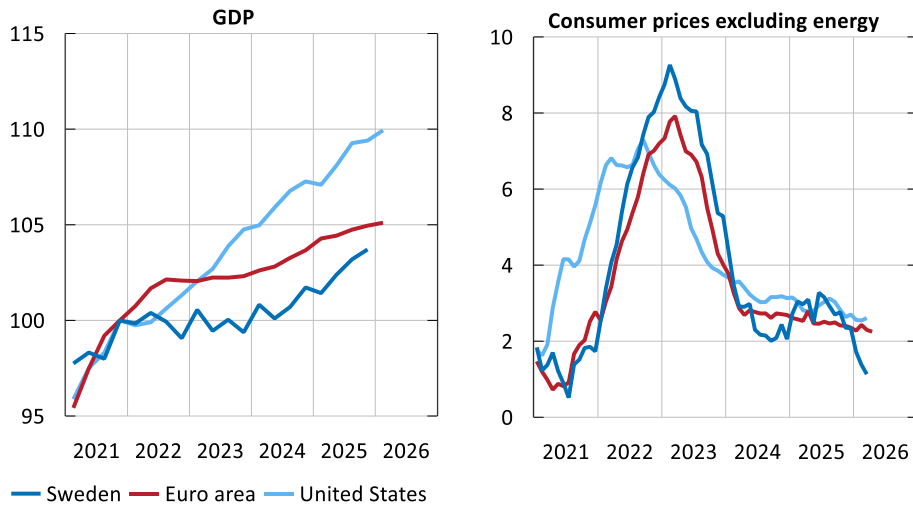
Figure 2. Freight rates and prices of commodities affected by the energy market
Index, 2018 = 100 (left) and index, February 2021 = 100 (right)



Note. Refers to freight rates for ships carrying various goods measured in US dollars. Oil refers to Brent crude oil. Dry bulk refers, for example, to grain and ore (left). Dollars per tonne, monthly average. Urea is used as a fertiliser and is an important commodity in the production of food. Naphtha is a petrochemical product that is used in the production of plastics (right).

Sources: Baltic Exchange, CME Group, Drewry Shipping Consultants Ltd, London Metal Exchange and Singapore Exchange.

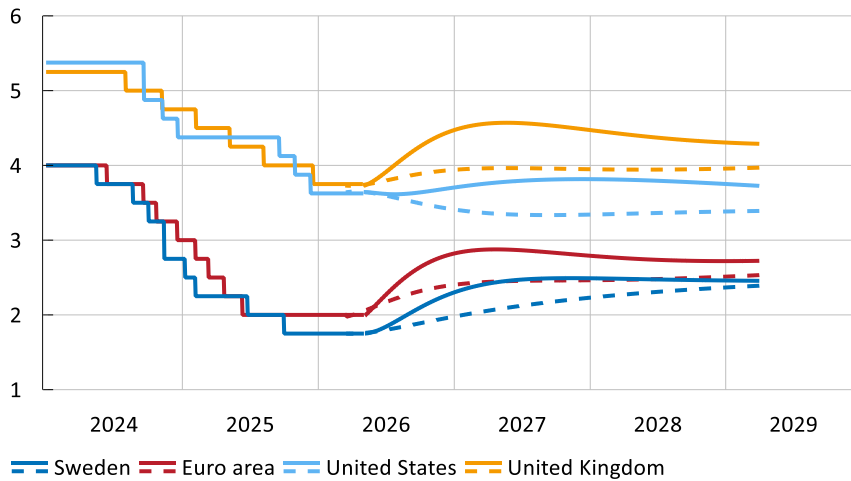
Figure 3. GDP and consumer prices excluding energy
Index, 2021 Q4 = 100 (left) and annual percentage change (right)



Note. Seasonally adjusted data (left). Refers to CPIX excluding energy for Sweden, HICP excluding energy for the euro area and CPI excluding energy for the United States (right).
Sources: Eurostat, Statistics Sweden, US Bureau of Economic Analysis and US Bureau of Labor Statistics.

Figure 4. Market expectations of policy rates

Per cent

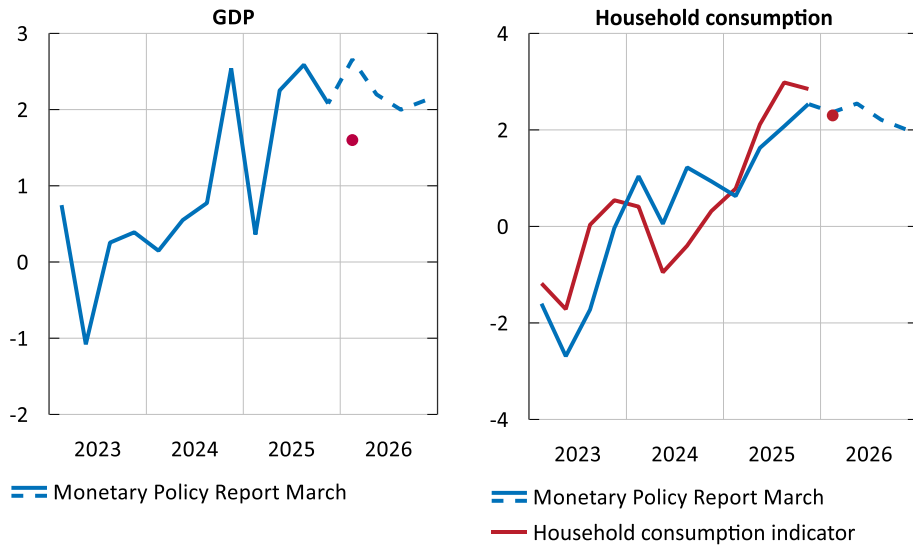


Note. The figure shows policy rates and market-based expectations according to futures pricing. Solid lines represent expectations on 5 May 2026. Dashed lines represent expectations immediately prior to the monetary policy meeting in March.

Sources: National central banks and the Riksbank.

Figure 5. GDP and household consumption

Annual percentage change

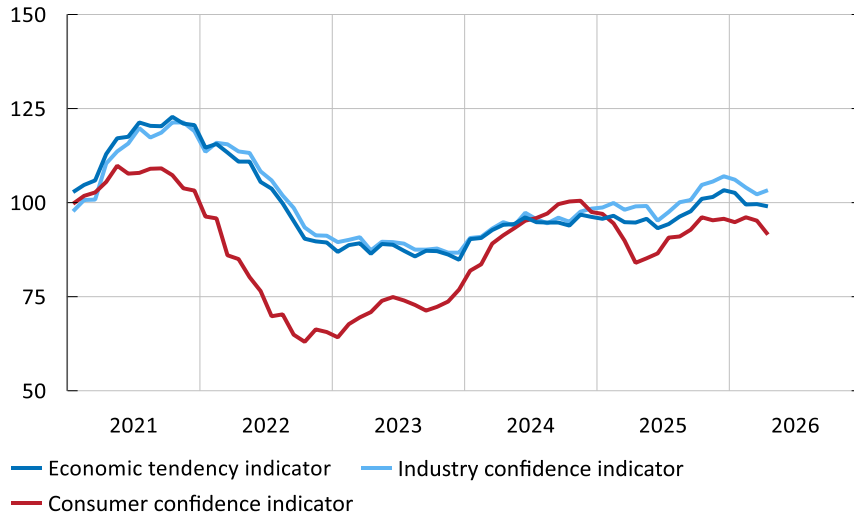


Note. Calendar adjusted quarterly data. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in March. The red line refers to the outcome of the household consumption indicator. Red dots refer to the outcome for the GDP indicator for the first quarter (left) and an average for January and February regarding the household consumption indicator (right).

Sources: Statistics Sweden and the Riksbank.

Figure 6. Confidence indicators in the Economic Tendency Survey

Index, average = 100, standard deviation = 10

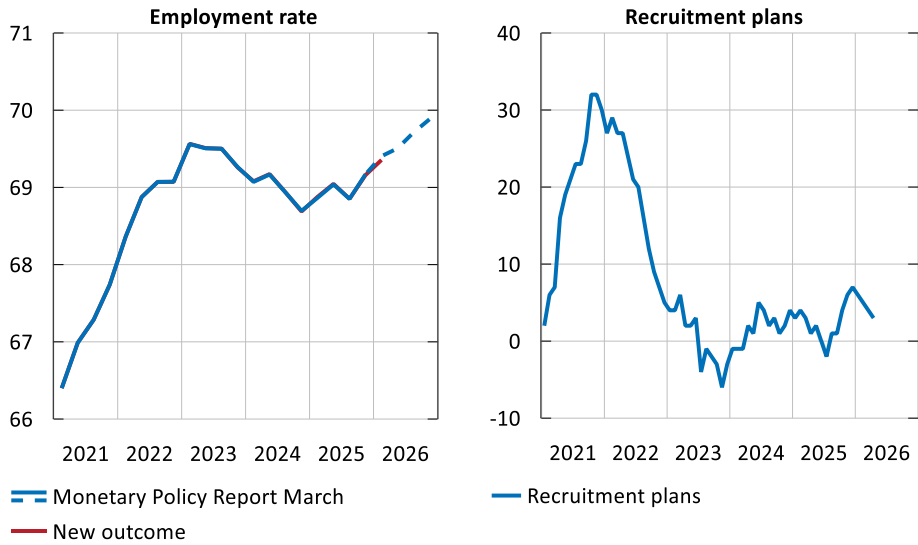


Note. The confidence indicators are calculated as the mean value of net figures for a number of questions concerning the economic situation and future prospects.

Source: National Institute of Economic Research.

Figure 7. Employment rate and recruitment plans

Percentage of population (left) and net figures (right)

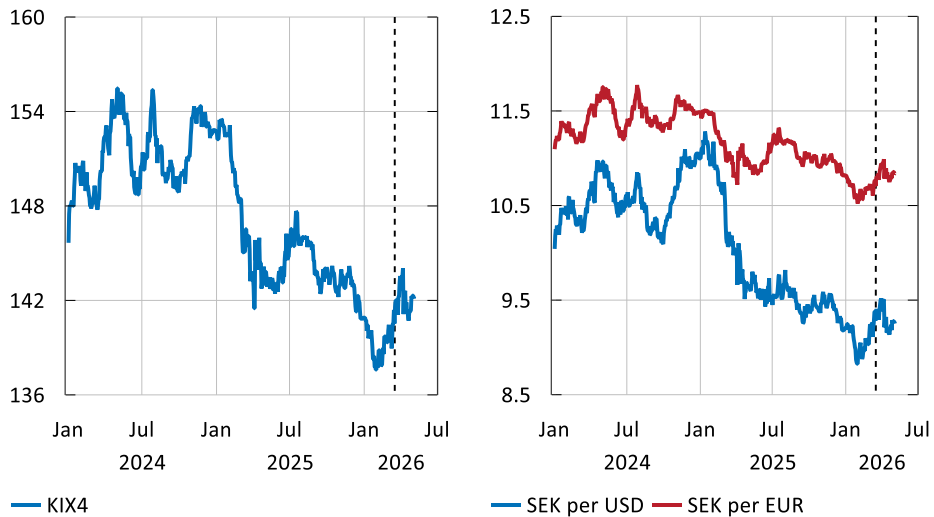


Note. Seasonally adjusted data. Refers to persons aged 15–74. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in March. Red line refers to the outcome for the first quarter of 2026 (left). Net figures for number of companies responding that they plan 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 8. Nominal exchange rate for the Swedish krona against KIX4 and the dollar and euro

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

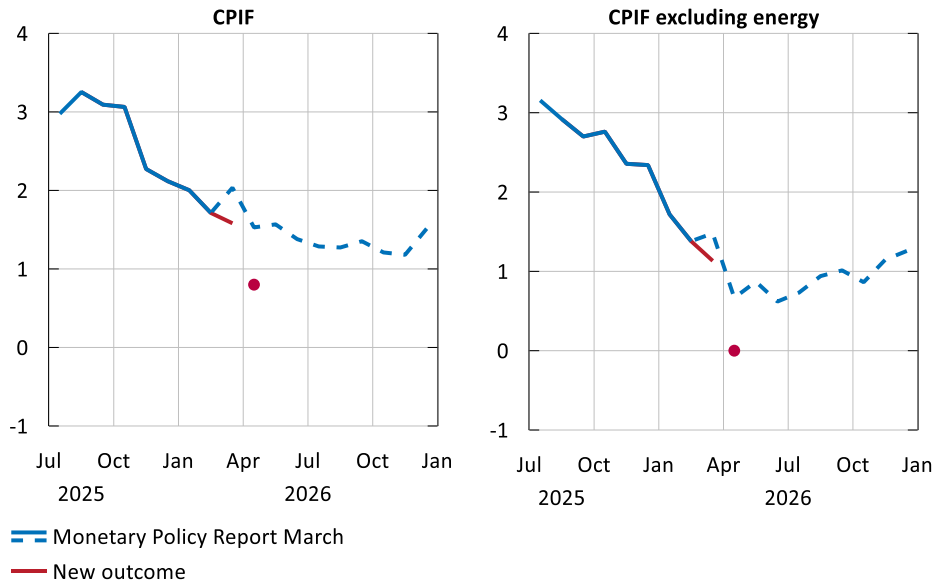


Note. The KIX4 (krona index) is a weighted average against the US dollar, the euro, pound sterling and Norwegian krone. A lower value indicates a stronger exchange rate. The dashed vertical line marks the date of the monetary policy meeting in March.

Source: The Riksbank.

Figure 9. CPIF and the CPIF excluding energy

Annual percentage change

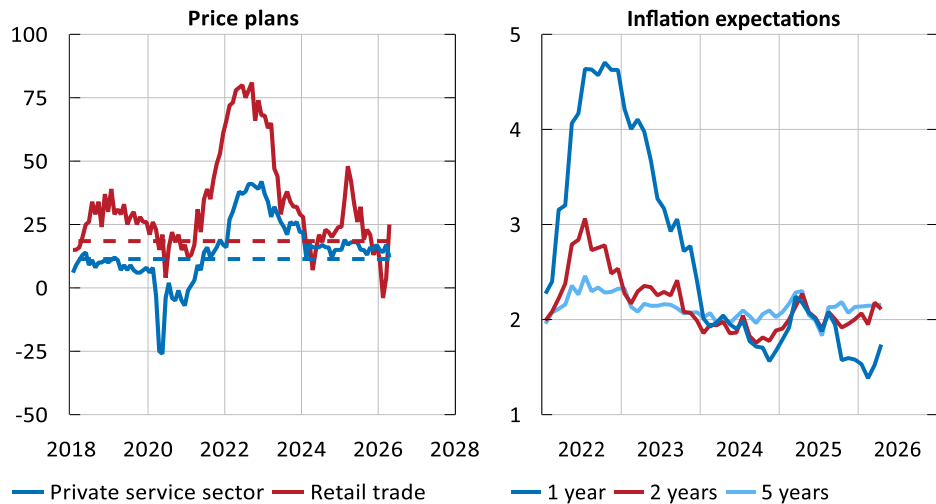


Note. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in March. Red lines refer to the outcomes for March. Red dots refer to the preliminary outcomes for April.

Sources: Statistics Sweden and the Riksbank.

Figure 10. Price plans and inflation expectations

Net figures (left) and per cent (right)

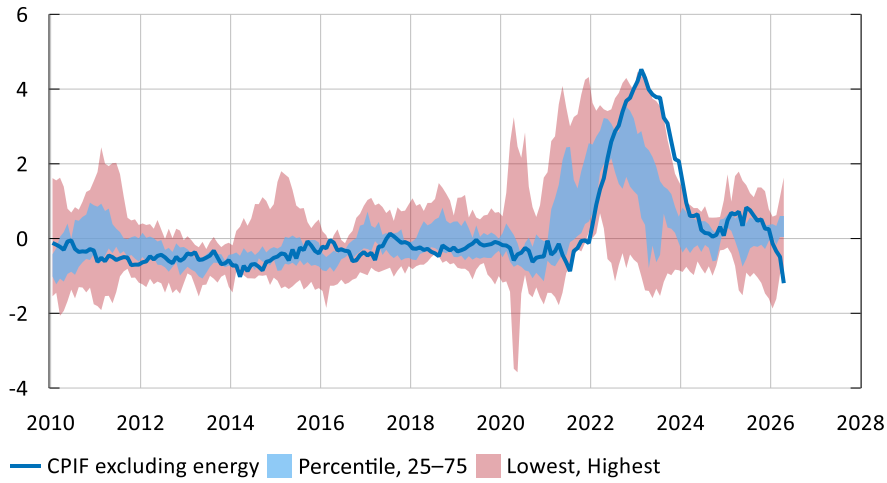


Note. Seasonally adjusted data. Net figures of how many firms responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months. The dashed lines represent the average for the period 2000–2026 (left). The lines in the figure show money market participants' expectations at the time of measurement for CPIF inflation in 1, 2 and 5 years ahead (right).

Sources: National Institute of Economic Research and Origo Group.

Figure 11. 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 and consumer goods sector, producer price index for consumer goods (ITPI, IMPI and HMPI), the CPI excluding energy in the United States, the HICP excluding energy in the euro area, the KIX, The Economist's commodity index and the Global Supply Chain Pressure Index. The light-blue area shows the indicators in the 25th and 75th percentiles. The price index is expressed as an annual percentage change.

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



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