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Reports from the Riksdag **2025/26:RFR17**

The Committee on Finance

Sweden's monetary policy 2025

Martin B Holm, Karin Kinnerud
and Roine Vestman

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Martin B Holm
Oslo University

Karin Kinnerud
BI Norwegian Business School in Oslo

Roine Vestman
Stockholm University

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Center for Monetary Policy and Financial Stability (CeMoF)
Stockholm University

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Foreword by the Committee on Finance

The Committee on Finance has tasked the Center for Monetary Policy and Financial Stability (CeMoF) at Stockholm University with evaluating monetary policy with a focus on the most recent calendar year, that is, 2025. The CeMoF has in turn appointed Roine Vestman at Stockholm University, Martin Blomhoff Holm at Oslo University, and Karin Kinnerud at the BI Norwegian Business School in Oslo to carry out the evaluation on behalf of the Committee on Finance. The researchers' report *Sweden's Monetary Policy 2025* is the fourth of its kind and serves as a basis for the Committee on Finance's annual evaluation of Sweden's monetary policy.[1]

The Riksbank's strongly independent status is laid down in the Constitution of Sweden. This places great demands on the democratic scrutiny of the Riksbank, and the Committee on Finance has an important role to play here. According to the Riksdag Act, the Committee on Finance shall follow up and evaluate the activities of the Riksbank regarding the fulfilment of its objectives and its efficiency. This applies particularly to monetary policy, as price stability is the overall objective for the Riksbank.

Since the mid 00s, the Committee on Finance has commissioned independent, more long-term evaluations of Sweden's monetary policy approximately every five years. For the purpose of these evaluations, the Committee on Finance has appointed international researchers and former governors of central banks. So far, five such evaluations of monetary policy have been carried out.[2]

The Committee on Finance hopes that the current report focusing on monetary policy in 2025 will further stimulate public debate on Swedish monetary policy. The authors are personally responsible for the content and conclusions of the report.

Stockholm, May 2026

Edward Riedl (Moderate Party)
Chair of the Committee on Finance

Mikael Damberg (Social Democratic Party)
Deputy Chair of the Committee on Finance

Mikael Åsell
Head of Secretariat

[1] See list of previous reports in Annexe 1.
[2] See list of previous long-term evaluations in Annexe 2.

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Foreword by the authors

This is the fourth report on Sweden's monetary policy written by the Center for Monetary Policy and Financial Stability (CeMoF). The assignment from the Committee on Finance is as before: to evaluate the Riksbank's monetary policy during the previous year, and more specifically comment on the fulfilment of objectives and weighing up of monetary policy decisions. We hope that the report can both contribute to the discussion on monetary policy and increase understanding of the Riksbank's role in the economy.

This year's report is written by Martin Blomhoff at Oslo University, Karin Kinnerud at the BI Norwegian Business School in Oslo, and myself. We especially want to thank the doctoral students on the Monetary Economics course at Stockholm University who discussed monetary policy at a seminar, Göran Hjelm in his role at the time as Head of the Swedish Fiscal Policy Council and last but not least, all the employees at the Riksbank who have helped to produce data and answer questions of a factual nature. Iida Häkkinen Skans and Björn Lagerwall at the Riksbank checked the factual content of a draft of the report.

We are personally responsible for the content of the report, and the conclusions do not necessarily represent the views of other researchers connected with CeMoF.

Stockholm April 2026

Roine Vestman
Professor, Department of Economics, Stockholm University
Head of CeMoF

1 Summary

Background and assignment

This report evaluates the Riksbank's monetary policy in 2025. Our task is to assess whether the Riksbank's measures can be assumed to have led to the intended results, whether the measures have been more far-reaching than necessary and whether the results have been in reasonable proportion to the costs and risks that the various measures have entailed. In addition to this overall evaluation, we have conducted an in-depth examination this year of how the Riksbank analysed the macroeconomic effects of the 2026 Budget Bill.

Macroeconomic developments in 2025

Two circumstances distinguished the Swedish economy in 2025. Firstly, inflation was above the inflation target for much of the year: CPIF (consumer price index with a fixed interest rate) inflation amounted to 2.6 per cent on average for 2025 (compared to 1.9 per cent in 2024), while CPIF excluding energy amounted to 2.8 per cent. Inflation was especially high during the summer, before falling back towards target in the autumn. In December 2025, CPIF inflation was 2.1 per cent and CPIF excluding energy was 2.3 per cent.

Secondly, economic recovery was weaker and slower than expected. GDP growth admittedly reached 1.5 per cent for 2025, which is an improvement compared to 0.9 per cent for 2024, but it was clearly lower than the Riksbank's previous forecasts. There was a further weakening of the labour market during the year, and unemployment rose to 8.8 per cent during the third quarter. The rise was primarily explained by the fact that the labour force grew more rapidly than employment. During the fourth quarter, there were increasing signs that recovery was under way, and the previous GDP outcome was revised upwards.

Monetary policy 2025

The Riksbank lowered the policy rate on three occasions during the year – in January, June and September – from 2.50 per cent at the start of the year to 1.75 per cent at the end of the year. On the five other occasions, the policy rate was left unchanged. The decisions were characterised by three overarching factors: i) the rise in inflation at the start of the year was primarily assessed to be temporary and driven by technical effects as well as specific price movements, rather than being broadly demand driven; ii) the real economy continued to be weak, in particular in the labour market; and iii) international uncertainty increased markedly, primarily as a result of US trade policy and geopolitical tensions. The Executive Board successively became more convinced that inflation would fall back and that recovery was under way. In connection with the monetary policy decision in September, there was disagreement

within the Executive Board of the Riksbank, based primarily on the risk of a vulnerable supply side combined with an unexpectedly strong demand.

Fulfilment of objectives

Our assessment is that fulfilment of objectives was good in 2025. Inflation was admittedly above target seen across the whole year but fell clearly towards target in the second half of the year. The Riksbank's assessment that the rise in inflation mainly depended on temporary factors appears to have been correct.

The long-term inflation expectations were well-anchored around the inflation target. According to the Riksbank's survey of expectations, the median for expected inflation in a five-year perspective was 2.0 per cent in all groups (social partners, purchasing managers and monetary market actors), with moderate spread. This is perhaps the single most important indicator that the monetary policy framework is perceived as credible, which cannot be taken for granted.

Was monetary policy well considered?

Our overall assessment is that monetary policy in 2025 was well considered. A successively more expansionary monetary policy appears reasonable given the need to support recovery in the economy while inflation expectations remained stable. The Riksbank found itself in a complicated situation with a certain conflict of goals: inflation was persistently above target at the same time as resource utilisation was low. The Riksbank chose to interpret the higher inflation as driven by temporary factors and lowered the policy rate on three occasions. The fact that the decisions at several of the meetings were not obvious indicates that a different decision on the policy rate on a single occasion would probably have had small socioeconomic costs.

The Budget Bill for 2026 and analytical capacity

We have particularly examined how the Riksbank analysed the 2026 Budget Bill, which involved a more expansionary fiscal policy than forecast in June, with expenditure increases and tax reductions of approximately SEK 79 billion in 2026 (91 billion including defence expenditure). Our assessment is that the Riksbank's approach – using previous estimates of fiscal multipliers – was reasonable, as neither the MAJA model nor the BVAR model is well suited for detailed fiscal policy analysis. The upward revision of the GDP forecast for 2026 by 0.2 percentage points appears to have been a cautious but reasonable assessment.

However, we have two objections. Firstly, the scenario analysis seems to have been weak. In the monetary policy group, a positive demand shock was analysed, but not a negative supply shock, which feels like a missed

opportunity in view of the disagreement within the Executive Board. Involving the Executive Board in the design of scenarios from an early stage might help to clarify where assessments differ, which could be of value for both internal analysis and external communication.

Secondly, we would have liked to see a robustness analysis. The single greatest change between the June and September assessments concerned the item indirect taxes, where the multiplier that was used (0.35) is more consistent with the National Institute of Economic Research's (KI's) Selma model than with many empirical estimates. A higher, but nevertheless reasonable multiplier would have produced a significantly different forecast. Given the notable uncertainty regarding fiscal multipliers, a robustness test would have been justifiable.

The Riksbank's view of the exchange rate

We have a further objection regarding the Riksbank's view of the value of the Swedish krona. The Swedish krona was strengthened in 2025 in line with the Riksbank's forecasts. Seen in a more long-term perspective, however, a systematic pattern emerges: at least since 2013, the Riksbank has expected a strengthening of the krona while the trend has been a weakening. The basic problem is that existing models cannot reliably predict the development of the exchange rate. Our perception is that the Riksbank could gain confidence by adopting a more neutral stance to the development of the krona.

Conclusions

In summary, 2025 was a year when the Riksbank had to deal with a complex and in part contradictory economic outlook. The framework functioned as it should, long-term inflation expectations remained anchored, and monetary policy contributed to Sweden's economic recovery. The areas of improvement that we point out – scenario analysis, robustness analysis of fiscal policy effects and exchange rate assessments – should be regarded as marginal adjustments rather than fundamental criticisms.

2 Introduction

The purpose of this report is to evaluate the Riksbank's monetary policy in 2025, and the extent to which the bank achieved the objective of price stability and contributed to a balanced development of output and employment. More specifically, the task includes assessing whether: i) the Riksbank's measures can be assumed to have led to the intended results; ii) the measures have not been more far-reaching than necessary; and iii) the intended results have been in reasonable proportion to the costs and risks that each measure has entailed for the Riksbank's and central government finances.

Our analysis can be regarded as an applied research report based on the Riksbank's decisions and communication connected to these, as well as a general economic analysis. We have specifically studied the Riksbank's own accounts of the policy it has pursued in the form of records of monetary policy meetings, reports and updates in connection with decisions, and the Riksbank's Account of Monetary Policy 2025 (the Riksbank, 2026). We have furthermore studied documentation from the internal drafting meetings held at the Monetary Policy Department prior to the decisions. In addition, we have used external material, mainly the National Institute of Economic Research's (KI) economic activity forecasts in 2025.

The report has the following structure. Section 3 gives the background and describes the theory and empirical data of particular relevance for monetary policy in 2025. In Section 4, macroeconomic developments during the year are presented, where we specifically focus on events with a bearing on our evaluation. The monetary policy pursued is then summarised in Section 5, after which our evaluation is presented in Section 6. Section 7 wraps up with our overall conclusions.

3 Background: The Riksbank's tasks, theory and empirical data

This section provides an overview of the Riksbank's conditions and of current research on monetary policy. In addition to a brief summary of various monetary policy tools, our emphasis has been on a review of stabilisation policy, coordination between fiscal policy and monetary policy, and the effects of fiscal policy on economic activity and inflation.

3.1 The conditions and tools of monetary policy

This section describes the conditions, objectives and tools of monetary policy.

The inflation target, inflation and utilisation of resources

The Riksbank and most other central banks with the task of conducting an independent monetary policy have an inflation target of 2 per cent. In order to steer inflation towards the inflation target, the central bank needs to have an overview of whether utilisation of resources in the economy is higher or lower than the potential level that would be compatible with a stable inflation in line with the inflation target. Examples of measurements of utilisation of resources include the GDP gap, employment gap and unemployment gap. These measurements show the current situation in relation to the potential of the economy. The Phillips curve shows how much inflation changes when GDP deviates from the potential output of the economy. When the GDP gap is positive, this means that companies tend to increase prices more than is compatible with the inflation target. The opposite applies when the GDP gap is negative.

Inflation expectations

One of the Riksbank's central objectives is to keep inflation expectations anchored around the inflation target. The inflation process contains elements of self-fulfilling mechanisms: if wage earners and companies expect higher inflation, salaries and prices tend to be set accordingly, which can lead to an actual rise in inflation, without any growth in the real economy.[3]

If the long-term inflation expectations exceed the target, vigorous tightening may be required in order to restore price stability, often with the effect of a downturn in the economy and higher unemployment. It is therefore crucial that the more long-term inflation expectations remain close to target, even if inflation temporarily deviates. A credible monetary policy that gives early

[3] Textbooks often describe the long-term Phillips curve as vertical, that is, that potential GDP is the same regardless of the long-term inflation level.

signals of how inflation is to stabilise can therefore prevent costly future increases in the interest rate. In practice, however, it is difficult to produce exact models of how expectations are formed and how quickly they change.[4] The inflation expectations in 2025 are further analysed in Section 6.

The policy rate

The Riksbank's foremost tool is the policy rate. The policy rate determines the nominal rate at which commercial banks can borrow and deposit with the Riksbank. When the Riksbank changes the policy rate, this in turn affects the rest of the economy in that the interest rate at which companies and households can invest and save is affected. In this way, the Riksbank can influence demand in the economy. The real interest rate that is compatible with stable inflation around the target and an economy in balance (neither positive nor negative gaps in utilisation of resources) is known as the neutral interest rate. A real interest rate that is higher than the neutral interest rate has a contractionary effect on the economy, and a lower real interest rate has a stimulating effect.

The interest rate path and forward guidance

Expectations regarding future policy rates are central to the way in which monetary policy affects the economy. Companies' and households' decisions are affected by expectations regarding interest rates in a more long-term perspective, and not just by the current policy rate. Actual changes in expectations can also affect demand in the economy even when no actual changes to interest rates are made.

Communication from the central bank about future interest rate developments – forward guidance – is therefore an important tool. One way of communicating is by publishing interest rate paths. The Riksbank has published such forecasts since 2007, and in an international perspective, it is one of the more transparent central banks in this regard. Since 2024, the Riksbank has placed special emphasis on the coming nine months, which reflects the horizon identified by the Executive Board as the most relevant in the monetary policy decision-making process.

Quantitative easing

For the past 15 years, the neutral interest rate has been at a historically low level. In this low-interest environment, central banks in many countries, including the Riksbank, have had limited scope to stimulate the economy purely by lowering the interest rate. This is why unconventional monetary policy has been used, primarily in the form of quantitative easing (QE).

[4] A shortcoming connected with macroeconomic models is that they, as a rule, assume that long-term inflation expectations will be stable, which is a limitation if inflation deviates significantly from target.

The first QE programmes mainly meant that central banks purchased government bonds with longer terms to maturity in the secondary market. This reduced the private sector's interest rate risk, which was replaced by liquid assets with the central bank. When the central bank takes over part of the interest rate risk, it is reasonable for the price of this to fall, which tends to reduce long-term interest rates and thereby stimulate investments and demand. Empirical studies show that such QE programmes have had a certain impact on interest rates and economic activity, but the impact in normal times is assessed to be relatively limited and difficult to measure in a longer perspective. In summary, a reasonable assessment is that inflation became somewhat higher and unemployment somewhat lower when the Riksbank purchased securities prior to the pandemic.

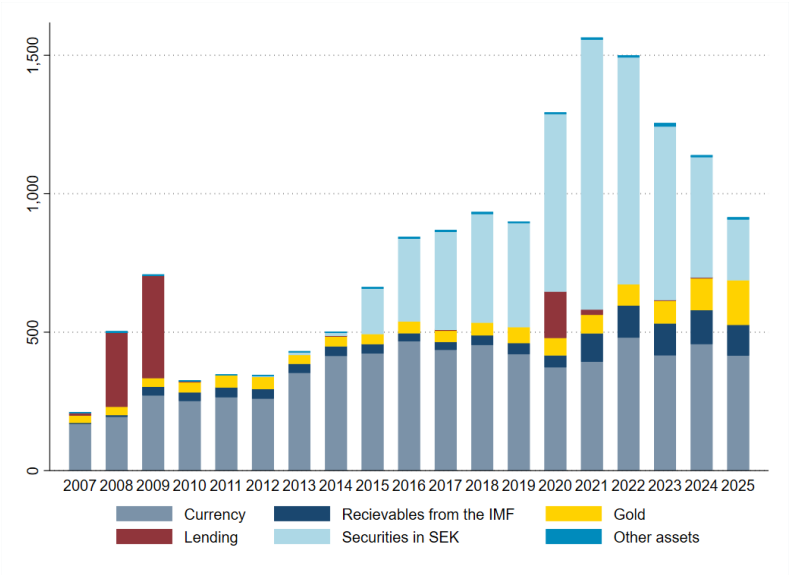
Another form of QE programme is the one launched by the Riksbank during the pandemic. At that time the Riksbank primarily purchased other interest-bearing securities with the purpose of reducing the risk premiums (that is, lowering the interest rate) on, for example, covered bonds. Such QE programmes have proven to have considerable impact on risk premiums if they are correctly designed and are initiated at times of great pressure on the financial markets.

The Riksbank's balance sheet

The Riksbank uses its balance sheet to implement monetary policy and perform its financial stability tasks. In 2025, the Riksbank continued to shrink its balance sheet. Figure 3.1 illustrates this. At the end of the year, the balance sheet total was SEK 915 billion, which can be compared to the peak value of SEK 1,564 in 2021. Compared to 2014, however, the balance sheet is still large. This depends partly on the gold reserves, which amounted to SEK 161 billion at the end of the year (as recently as 2021, the value was just SEK 67 billion). It also depends on the interest-bearing securities that the Riksbank still owns as a result of its QE programmes. At the end of the year, the value of these holdings was SEK 219 billion. For the first time in many years, however, the foreign currency reserves were once again the largest item at SEK 415 billion.

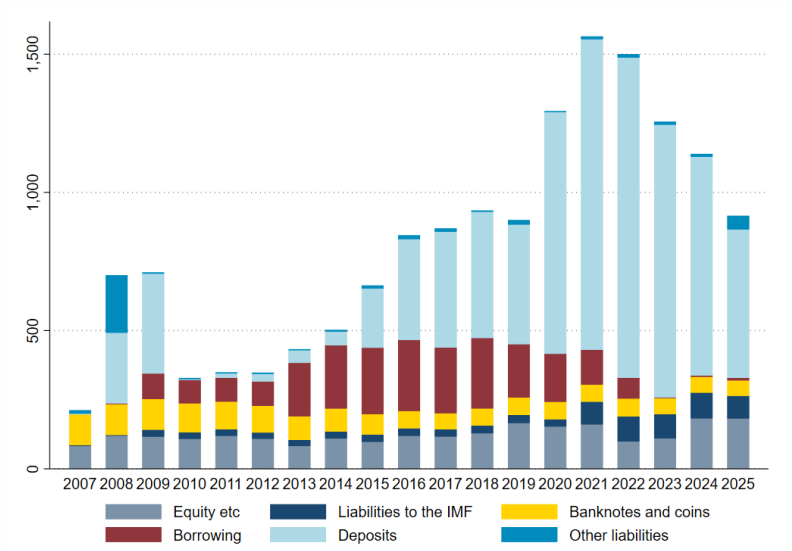
Figure 3.2 shows the liabilities side of the Riksbank's balance sheet. The reduction in assets since 2024 is primarily reflected by deposits from the private financial sector (which represents a liability in Swedish kronor). Equity amounted to SEK 23 billion at the end of 2025, but in total, equity and revaluation accounts (which consists of unrealised gains) amounted to SEK 181 billion.

Figure 3.1 The Riksbank's assets 2007–2025



Notes: Values from the annual report. SEK billion.
Source: The Riksbank.

Figure 3.2 The Riksbank's liabilities (2007–2025)



Notes: The item "equity" is the sum of equity, revaluation accounts, provisions and the result for the year. The item "borrowing" refers to loans from the National Debt Office. SEK billion.
Source: The Riksbank.

3.2 The interaction between fiscal and monetary policy and the Swedish framework

Fiscal policy also affects central macroeconomic variables, such as inflation, economic activity and the real costs of the central government debt. In principle, both fiscal policy and monetary policy can be used to stabilise the economy. The interaction between fiscal and monetary policy is therefore important and can take different forms, as we discuss below.

Economic theory distinguishes between monetary policy dominance and fiscal dominance. In the case of monetary policy dominance, the central bank prioritises price stability, while fiscal policy is adapted in order to secure long-term, sustainable public finances. With fiscal dominance, monetary policy is instead adapted to enable funding of public deficits, which risks leading to high inflation. As economic agents are forward-looking, central government finances need to be sustainable in the long term, which means that one or the other type of economic policy needs to dominate.

A well-known policy problem is that a system of explicit monetary policy dominance can glide over into fiscal dominance if the fiscal policy is not perceived as sustainable in the long term. In this case, monetary policy will in the end need to be adapted to ensure funding of fiscal policy, with significant costs to the real economy as a consequence. In order to counteract this, a clear division of labour is required: the central bank should safeguard price stability, and fiscal policy should follow credible rules for expenses and liabilities.

Since 1992, Sweden has had an institutional framework corresponding mainly to monetary policy dominance.[5] The Riksbank conducts monetary policy with a 2 per-cent inflation target, while fiscal policy is controlled by rules, for example, on surpluses and indebtedness.

Recently, however, a couple of changes have been introduced. The Riksdag has replaced the surplus target with a balance target as from 2027, and the new Sveriges Riksbank Act from 2023 allows slightly greater scope for real economy considerations. According to Ravn and Wilkens (2026), these changes entail a slight weakening of the strict monetary policy dominance, but the framework is still assessed to include monetary policy dominance and therefore to safeguard long-term price stability.

3.3 Fiscal multipliers and their impact on inflation

In recent years, fiscal policy has been used more actively as a stabilisation policy tool in many countries. For central banks, it therefore becomes more important to understand how fiscal policy affects what is a well-considered monetary policy. If Sweden's fiscal policy involves a greater deviation from

[5] In most developed economies, the central banks have a high degree of independence, and monetary policy dominance has long been the norm. At the same time, this arrangement has been challenged in connection with crises, when fiscal policy has had a more prominent role.

the fiscal policy framework, the demands on the Riksbank to assess the impact of its fiscal policy measures increase.

The key method of measurement in this context is the fiscal multiplier, which measures the impact on GDP of fiscal policy measures. In academic literature, the effect of fiscal stimulus measures is often summarised with this multiplier, defined as the change in GDP divided by the change in the fiscal policy deficit in a given period. In September, for example, the Government presented a Budget Bill containing increased expenditure and tax decreases corresponding to SEK 79 billion (excluding defence expenditure) for 2026. The multiplier shows the effect on GDP, which in turn is important when making inflation forecasts. As the multiplier is so central to monetary policy considerations, we will give a summary of both the theoretical and the empirical literature.

Macroeconomic models

Simple Keynesian models show large multipliers, often above 1. This means that each extra krona in temporary deficit increases GDP temporarily by more than 1 krona. This sizeable effect is due to positive consequences on the economy of public stimulus. At the same time, more modern theories with forward-looking households indicate that the effects may be significantly smaller if the fact that today's deficits must be financed in some way is taken into account. Households adapt their savings on the basis of expected future taxes ("Ricardian equivalence").

Modern macro models of the kind used by the Riksbank (e.g. the MAJA model) position themselves somewhere in between these extremes. They generally indicate that the multiplier is moderate, around 1 or lower in the short term, and even lower in the long term, and are particularly affected by the transparency of the economy. For small, open economies, such as Sweden, the effects are limited by import leakage. In practice, the multiplier also depends on the type of fiscal measure. In both models and empirical studies, the multiplier is generally greater for public investments and expenditure than for changes in taxes.[6] The assumptions that are made about how the central bank responds to fiscal policy in the model is also of considerable importance. Other assumptions in the models also affect the size of the multipliers, e.g. the degree of complementarity between public and private consumption and how great frictions are for private investments. On account of all these uncertainties and decisive model assumptions, empirical studies of the size of fiscal multipliers are important.

[6] In a new class of models with heterogeneous households ("HANK models"), the fiscal multipliers are often greater than in macro models such as MAJA. For an overview, see for example Table 3 in Druedahl, Ravn, Sunder-Plassmann, Sundram and Waldstrøm (2025).

Empirical studies

There is extensive empirical literature that estimates fiscal multipliers. Earlier studies used structural VAR models and found multipliers around or below 1. Later studies use exogenous events, such as increases in military expenditure, and find multipliers between 0.6 and 1.5. A separate category of literature studies tax changes and sometimes finds larger effects, but the results are uncertain. The effects of tax changes are generally difficult to assess as such fiscal policy measures are not independent of the economic situation.

More recent research uses microdata and regional variations to identify causal links. For example, Nakamura and Steinsson (2014) compare regions with different exposures to military expenditure. However, these studies identify relative multipliers, which requires model assumptions in order to translate them into aggregate effects. Swedish estimates of fiscal multipliers generally show that expenditure-based measures (public consumption and investments) have a greater effect on GDP than transfers and reductions of direct and indirect taxes. Hjelm and Stockhammar (2016) estimate multipliers during the inflation target period and find that the multipliers for most types of expenditure and tax decreases are mainly around 1, even if the results are uncertain. Czarnota and Stockhammar (2026) use the same method as Hjelm and Stockhammar (2016) on a longer selection. They find somewhat lower multipliers, but the level of uncertainty is still great.

The impact of fiscal policy on prices

For the central bank it is naturally important to understand the impact of fiscal policy not just on the real economy, but also on inflation. An approach that is often taken when assessing the impact of fiscal policy on inflation is to make use of the Phillips curve. As previously mentioned, the Phillips curve describes the correlation between economic activity (GDP) and inflation. By specifying the size of the fiscal multiplier, the Phillips curve can in turn be used to estimate the effect of fiscal policy on inflation.

In practice, the correlation between economic activity and inflation is not always that clear and can vary over time. There are several reasons for this. Firstly, the correlation can depend on the functioning of the economy. If the pricing behaviour of companies, or the way in which salary negotiations are conducted, changes, this can affect the gradient of the Phillips curve. The correlation can also depend on whether activity in the economy is high or low (for example, inflation may be affected more by changes in the economy if unemployment is low). Secondly, there are methodological problems associated with measuring the gradient of the Phillips curve. Several studies have shown that changes in inflation expectations can easily be mistaken for changes in the gradient of the Phillips curve. This means that if the credibility of the inflation target fluctuates over time (as it did, for example, in the USA in the 1970s and 1980s), there is no stable correlation to estimate. This means that the correlation between economic activity and inflation may be weaker than previously

believed (see, for example, Hazell et al., 2022 who find that if unemployment is reduced by 1 percentage point, inflation increases by 0.03 percentage points). It is also worth mentioning that economic theory shows that the relationship between utilisation of resources (the GDP gap) and inflation is not completely unambiguous. The type of shock that the economy is exposed to has an impact on how inflation is affected. This applies, for example, to the Riksbank's MAJA model.

It is not always possible to obtain a Phillips curve with a clear gradient, so the correlation between economic activity and inflation depends on the current stage of the economic cycle and the kind of policies that are pursued. That is why the Riksbank does not have a clearly communicated opinion on the gradient of the Phillips curve (in contrast, for example, to the neutral interest rate).

In Section 6.3 we discuss the Riksbank's tools for assessing the impact of fiscal policy measures on GDP and inflation in greater detail.

4 Macroeconomic developments in 2025

Two circumstances characterised the Swedish economy in 2025. Firstly, inflation was above target for a large part of the year. Secondly, the recovery of the economy remained weaker and more protracted than expected, especially during the first six months of the year. The fact that recovery was weaker than expected is similar to the development in 2024.

As regards the year as a whole, CPIF inflation amounted on average to 2.6 per cent, compared to 1.9 per cent in 2024, while CPIF excluding energy amounted to 2.8 per cent. At the same time, real economic growth was subdued. GDP increased by 1.5 per cent during the year, which was admittedly an improvement compared to 0.9 per cent in 2024 but was still considerably lower than previously forecast by the Riksbank. The labour market also weakened further during the year. Even though the number of people in employment increased, unemployment rose to 8.8 per cent during the third quarter of 2025, which can primarily be explained by the fact that the labour force increased more rapidly than employment.

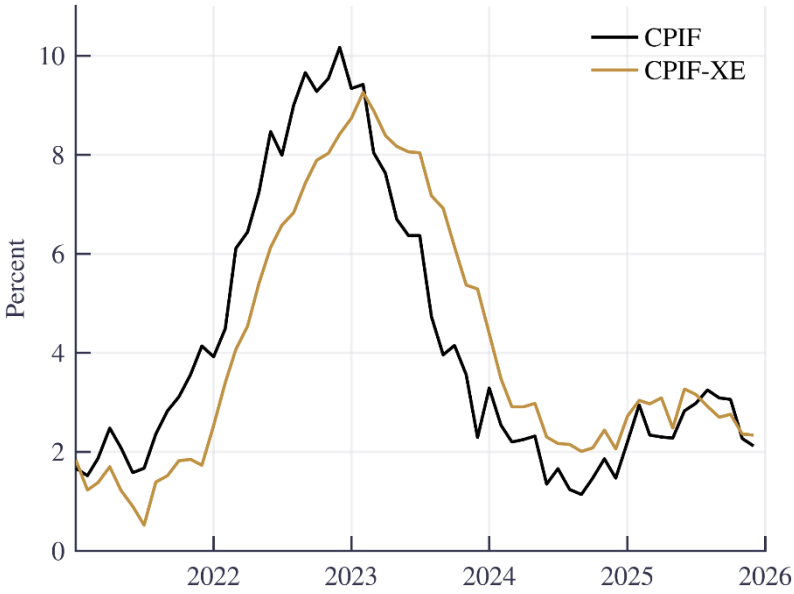
The following section discusses macroeconomic developments during the year on a quarterly basis.

First quarter 2025

At the end of 2024, the Riksbank's assessment was that inflation would stabilise close to target in 2025, while the Swedish economy would gradually recover following the interest rate cuts in 2024. ln forecasts from 2024, GDP growth for 2025 was estimated at 1.8 per cent on average, and CPIF inflation was expected to be around 1.8 per cent. The main scenario was therefore that the real economy would successively strengthen, at the same time as inflation would be compatible with the 2 per-cent inflation target.

The first significant deviation from this scenario was that inflation rose at the beginning of the year. Figure 4.1 shows that CPIF inflation rose once again above 2 per cent, after having been below target during the second half of 2024. In March, CPIF inflation was 2.3 per cent and CPIF excluding energy amounted to 3.0 per cent. However, the Riksbank made the assessment that the rise did not reflect the fact that inflationary pressure generally increases as a result of heavy demand. Instead, the rise was primarily assessed to depend on Statistics Sweden's updated CPI weights, rising food prices, rent increases and certain administratively set prices. Its assessment was therefore that the period of higher inflation would not continue for long.

Figure 4.1 CPIF and CPIF-XE inflation



Notes: The figure shows the inflation outcomes for CPIF and CPIF-XE.
Source: The Riksbank (2026).

Second quarter 2025

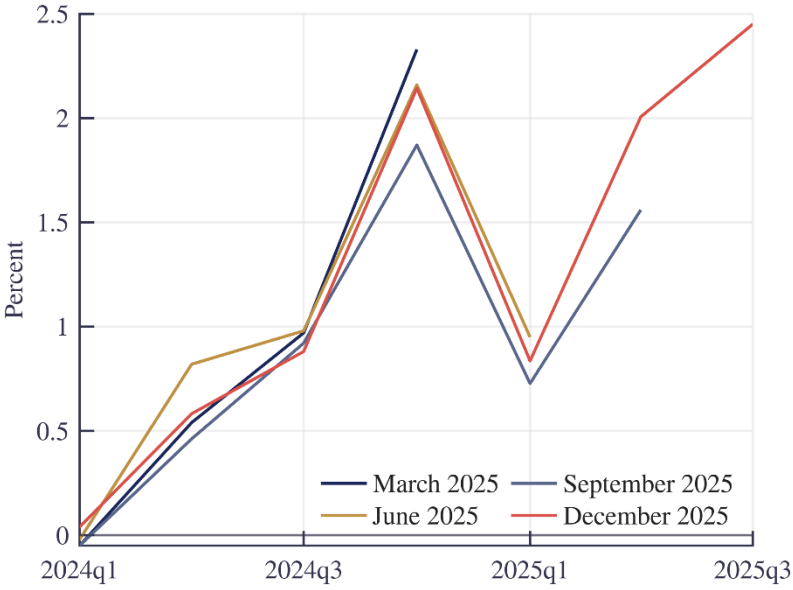
The second quarter was dominated by heavily increased international uncertainty. In early April, the US Administration announced significant increases in import tariffs, which led to considerable financial turbulence and falling stock markets. An especially notable element during this period was the developments in the currency market. Figure 4.2 shows that the trade-weighted exchange rate index KIX was strengthened from 124 to 118 during the second quarter as a result of appreciation of the Swedish krona, both against the US dollar and the euro as well as several other currencies. This deviated from a historical pattern where small currencies such as the Swedish krona are usually weakened during periods of financial unease.

Figure 4.2, KIX

Notes: The figure shows the development of the competition-weighed exchange rate index (KIX). A higher value means a weaker krona.
Source: The Riksbank (2026).

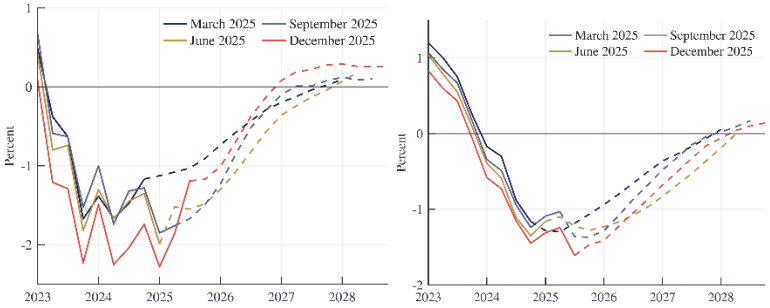
At the same time, new domestic statistics were published that indicated that the development of the economy was weaker than expected. Figure 4.3 shows that when the national accounts for the first quarter were published at the end of May, GDP growth had fallen to approximately 1 per cent during the first quarter of the year. This was a clear indication that recovery was more sluggish than the Riksbank and other actors had previously anticipated. Figure 4.4 shows that the Riksbank revised its view of the GDP and employment gap significantly downwards in June. Furthermore, consumer confidence in the economy fell rapidly during the spring, at the same time as the labour market continued to develop in a weak direction. Inflation had also come in lower until May at between 2 and 2.5 per cent (see Figure 4.1).

Figure 4.3 GDP growth



Notes: The figure shows GDP growth at each statistics publication. Note that GDP is revised backwards.
Source: The Riksbank (2025i, 2025j, 2025k, 2025l).

Figure 4.4 Measurement of economic activity: the GDP gap (left) and employment gap (right)



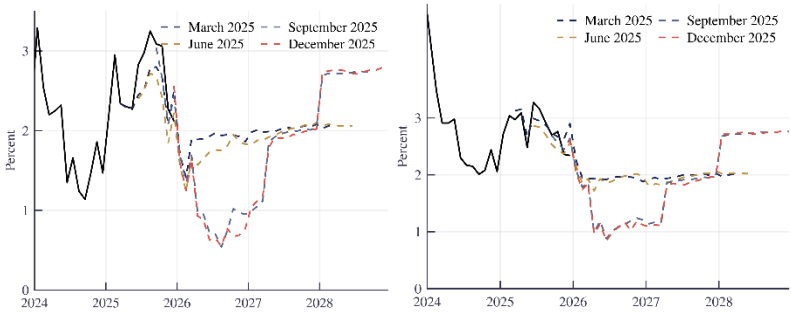
Notes: The figure shows the Riksbank's GDP gap (left panel) and employment gap (right panel) with forecasts.
Source: The Riksbank (2025i, 2025j, 2025k, 2025l).

Third quarter 2025

During the summer, inflation once again increased more than expected. Figure 4.5 shows that CPIF inflation in June was 2.8 per cent while the Riksbank's most recent forecast was 2.4 per cent. CPIF inflation then remained above the June forecast by 0.5 percentage points in July and August. Inflation excluding energy was around 3 per cent during the summer months. The Riksbank chose to stick to the interpretation that the rise was mainly temporary as the increase

in inflation was driven by a limited number of factors, including technical effects related to index weights and certain price increases in food and services.

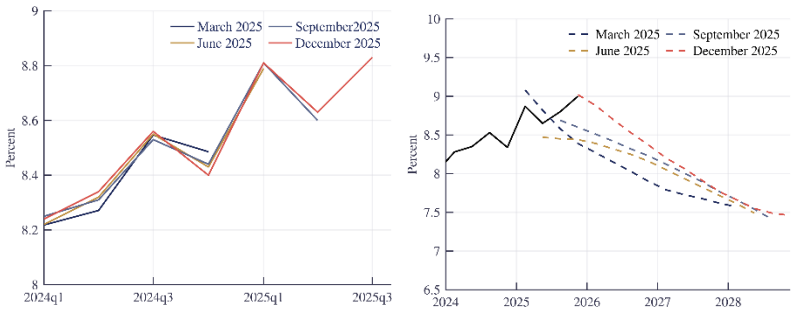
Figure 4.5 Inflation outcome and the Riksbank's forecasts – CPIF (left) and CPIF-XE (right)



Notes: The figure shows the inflation outcome (solid line) as well as the Riksbank's forecasts for CPIF (left panel) and CPIF-XE (right panel).
Source: The Riksbank (2025i, 2025j, 2025k, 2025l).

In parallel, the development of the economy continued to be surprisingly negative. New information indicated that household consumption continued to develop weakly and that recovery of demand was on hold. GDP growth remained weak, at the same time as growth during the fourth quarter of 2024 and first quarter of 2025 had been adjusted downwards somewhat. Nor did the labour market show any clear signs of improvement. Even though employment figures were relatively high, unemployment was high and rising among people who usually have a strong position in the labour market, which indicates that the problems in the labour market were not just structural (the Riksbank, 2025k). The panel to the left in Figure 4.6 shows unemployment during the year (including backward revisions) and how it gradually increased.

Figure 4.6 Unemployment – new statistics (left), outcome and the Riksbank's forecasts (right)



Notes: The figure shows unemployment at the time of each statistics publication including backward revisions (left panel) and unemployment with the Riksbank's forecasts (right panel).
Source: The Riksbank (2025i, 2025j, 2025k, 2025l).

Fourth quarter 2025

During the last quarter of the year, it became clearer that the global economy had been more resilient to the ongoing uncertainty than previously feared. Despite increased US tariffs, geopolitical tensions and uncertainty regarding future trade policy decisions, world trade continued to develop relatively well.

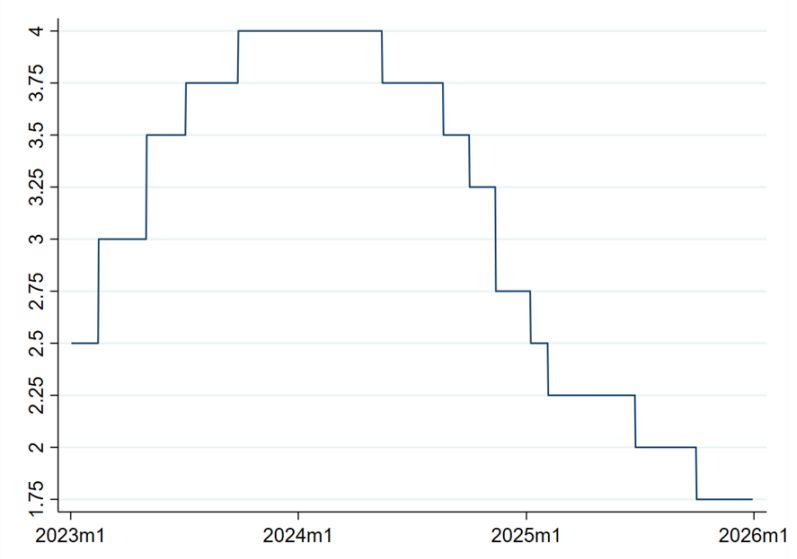
For Sweden, there were growing signs during the autumn that economic recovery was finally under way. New statistics indicated that economic activity was increasing at the same time as previous GDP outcome was also revised upwards.

However, the labour market continued to be weak. Despite the fact that the number of people in employment increased, unemployment also continued to rise and reached 8.8 per cent during the third quarter of 2025. For the year, the employment rate was around 69 per cent. The reason why unemployment increased was that the labour force grew more rapidly than the number of people in labour. The panel to the right in Figure 4.6 shows that the Riksbank revised its forecast for unemployment upwards during the year. Towards the end of the year, inflation fell back towards target. In December 2025, CPIF amounted to 2.1 per cent, while CPIF excluding energy amounted to 2.3 per cent.

5 Monetary policy 2025[7]

The Riksbank's monetary policy decisions in 2025 were characterised by three overriding factors. Firstly, the rise in inflation at the start of the year was largely assessed to be temporary, driven by technical effects and certain specific prices, and it was not assessed to reflect a broad increase in prices. Secondly, the Swedish real economy continued during much of the year to be weak, especially in the labour market, even though signs of recovery gradually became stronger. Thirdly, international uncertainty increased considerably, primarily as a result of US trade policy, geopolitical conflicts and matters related to the sustainability of public finances in several major economies. During the year, the Riksbank therefore switched between interest rate decreases and biding its time. Figure 5.1 shows that the policy rate was lowered on a total of three occasions from 2.5 to 1.75 per cent.

Figure 5.1 The Riksbank's policy rate in 2023–2025



Notes: Current data. Per cent. In 2025, the policy rate was lowered in January, June and September. At the five other meetings, it was left unchanged.
Source: The Riksbank.

Monetary policy meeting in January 2025

At its monetary policy meeting on 28 January 2025, the Riksbank decided to lower the policy rate by 0.25 percentage points to 2.25 per cent. The new information that had been obtained since the December meeting was essentially

[7] This section is based on the Riksbank (2026) and all the monetary policy reports and minutes from 2025 (the Riksbank, 2025a-l).

not assessed to change the picture regarding the prospects for inflation and the economy. Inflationary pressure was considered to be associated with inflation around the 2 per-cent target, at the same time as the development of Swedish economic activity continued to be weak, despite certain indications of recovery. The Riksbank's interpretation was therefore that the risk of high inflation was limited, while the need to support demand in the Swedish economy remained. The decision to lower the interest rate was therefore supported by the fact that a stronger economy was regarded as important both in itself and as a condition for stabilisation of inflation around target in the coming period.

Monetary policy meeting in March 2025

At its meeting of 19 March 2025, the Riksbank left the policy rate unchanged at 2.25 per cent. The most important new information ahead of this meeting was that inflation had been higher than expected at the start of the year. In February, CPIF inflation amounted to 2.9 per cent and CPIF excluding energy to 3.0 per cent. At the same time, the international situation had become more dramatic, with mounting trade policy tensions, especially in relation to the USA, and plans for increased defence expenditure in Europe. Despite this, the Riksbank assessed that the rise in inflation was mainly temporary. This was explained primarily by the CPI basket effect, that is, more rapid price increases on certain foods and certain particularly relative price movements. In a more long-term perspective, inflation prospects were thus considered to be largely unchanged. The Riksbank's assessment was that this overall picture still applied in December. It therefore chose to follow the monetary policy plan communicated earlier and to let the policy rate remain unchanged. In its report, the Riksbank explicitly stated that the interest rate path from December remained unchanged and that the policy rate was expected to remain at the current level.

Monetary policy meeting in May 2025

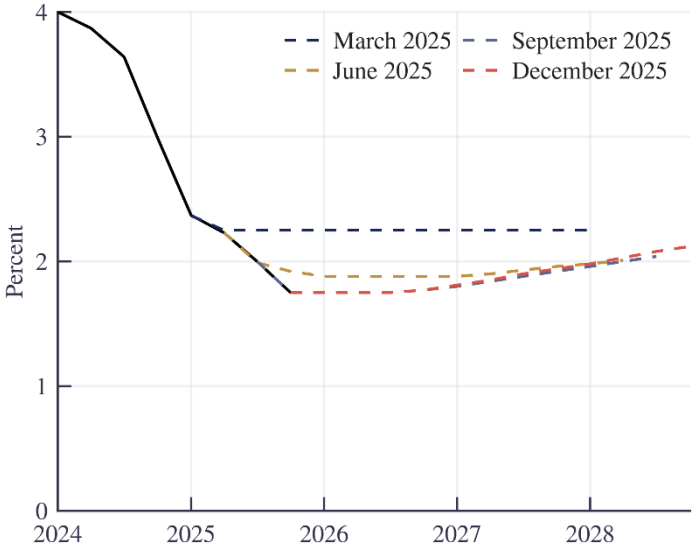
At its meeting of 7 May 2025, the Executive Board decided to leave the policy rate unchanged at 2.25 per cent. The new information was dominated by greatly increased global uncertainty in the wake of the new US trade policy. Information about tariffs and countermeasures had given rise to considerable movements in financial markets, and prospects for growth had declined both in the USA and in Europe. For Sweden, growth prospects were somewhat weaker than in the March forecast. Consumer confidence had fallen markedly, while business confidence remained relatively stable, even if anecdotal information was beginning to indicate growing pessimism among companies too. At the same time, inflation was still somewhat elevated, but the Riksbank's assessment was that new information supported the March assessment that the rise in inflation was temporary. The Executive Board therefore believed that it was wise to wait for more information before making any monetary policy

changes. Despite this, the assessment was that it was somewhat more probable that inflation would be lower than predicted in the March forecast.

Monetary policy meeting in June 2025

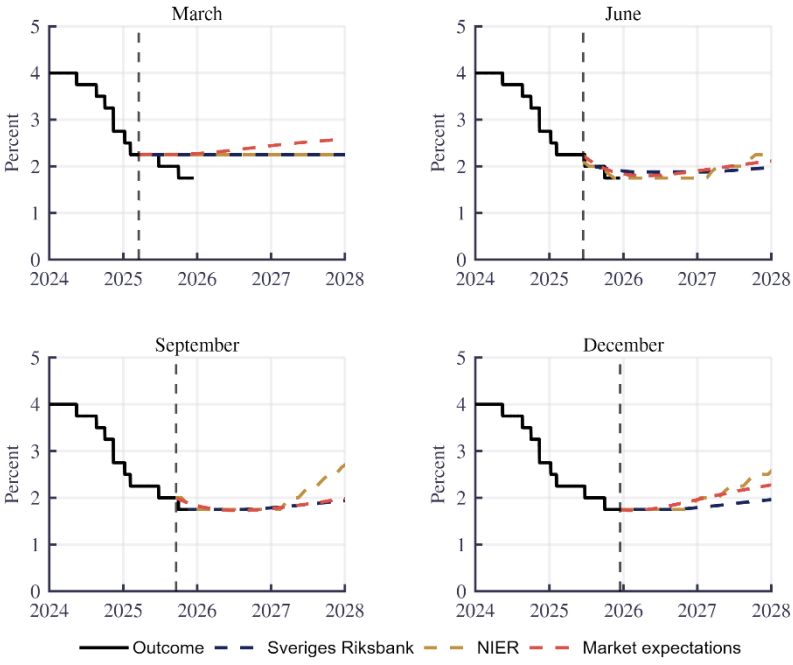
At its monetary policy meeting on 17 June 2025, the Riksbank lowered the policy rate by 0.25 percentage points to 2.00 per cent. The new information showed that the Swedish economy was recovering at a slower rate than expected. GDP had weakened somewhat during the first quarter, and the labour market continued to be weak. At the same time, inflation had fallen and developed in accordance with the March forecast. The previous assessment that the rise in inflation at the start of the year was temporary was therefore reinforced. The Riksbank's interpretation was that the economy needed more support, while the medium-term inflation outlook had been dampened. This argued in favour of a somewhat more expansionary monetary policy. The Executive Board therefore decided to lower the interest rate and signalled that a further reduction was likely during the year. The meeting therefore involved both a direct reduction of the interest rate and signals of continued preparedness to support the economy if recovery was to take time. Figure 5.2 shows that this was manifested as a large downward revision of the interest rate path (the largest revision of the year). Hassler, Krusell and Vestman (2024) and Hassler et al. (2025) pointed out that the Riksbank's interest rate paths in 2023 and 2024 deviated significantly from market expectations. Figure 5.3 shows that this was not the case in 2025. However, there was relatively great market uncertainty ahead of the interest rate announcements in June and September.

Figure 5.2 The policy rate with the Riksbank's interest rate paths



Notes: The figure shows the policy rate together with the Riksbank's interest rate paths.
Source: The Riksbank (2025i, 2025j, 2025k, 2025l).

Figure 5.3 The policy rate with the Riksbank's and the National Institute of Economic Research's interest rate paths as well as market expectations



Notes: The figure shows the policy rate together with the Riksbank's and National Institute of Economic Research's interest rate paths and market expectations.
Source: The Riksbank (2025i, 2025j, 2025k, 2025l), the National Institute of Economic Research (2025a, 2025b, 2025c, 2025d).

Monetary policy meeting in August 2025

At the meeting of 19 August 2025, the policy rate was left unchanged at 2.00 per cent. During the summer, inflation had been higher than expected, especially in June and July. At the same time, new information showed that growth continued to be low and that households remained careful in their consumption. The labour market did not show any clear signs of improvement either. Despite higher inflation, the Riksbank interpreted the outcome as primarily temporary. The Executive Board especially highlighted volatile summer prices, such as foreign travel and other seasonal services, as well as the effects of changed weights for CPI calculations. As economic recovery remained slow, the signal from June remained of a probability of a further decrease later in the year if the outlook continued in the same direction.

Monetary policy meeting in September 2025

At its meeting on 22 September 2025, the Riksbank lowered the policy rate by 0.25 percentage points to 1.75 per cent. New information during the summer had provided further support to the prediction that inflation would fall back in the coming period, even if it would still be too high. Companies' price-setting

plans had decreased, and the Swedish krona was strengthened, which contributed to a more restrained view of inflation in the coming period. At the same time, GDP growth was still low in a more long-term perspective, and the development of the labour market continued to be weak, with new unemployment outcomes that were somewhat worse than the June forecast. Furthermore, the Government had announced considerable tax changes for 2026, including a 50 per-cent cut in VAT on food, which would push down inflation without to any great extent changing the underlying inflationary pressure. The Riksbank's interpretation remained that inflation was only temporarily above target, but that the medium-term inflation picture was compatible with the target, which is reflected in the September forecast, as shown in Figure 4.5.[8] The high inflation outcome combined with the weak economic development meant that there was unusually great uncertainty about the Riksbank's decision prior to its meeting, and there was an unusually great spread in the assessments (see, for example, Hultman and Vujic, 2025).

Monetary policy meeting in November 2025

At its meeting in November 2025, the Executive Board decided to keep the policy rate unchanged at 1.75 per cent. The new information since September showed that inflation had fallen, roughly as forecast. At the same time, new data indicated that GDP growth in the third quarter had been somewhat stronger than expected, and that consumption had also developed slightly more than expected. However, the labour market remained weak, even if there were certain indications of a future improvement. The Riksbank interpreted this information as further confirmation of the fact that the rise in inflation earlier in the year had been temporary, and that economic recovery was now under way. The overall picture of the economy had therefore been confirmed and the Executive Board followed its previously communicated plan where the policy rate was expected to remain at 1.75 per cent for the coming period.

Monetary policy meeting in December 2025

At the last monetary policy meeting of the year, on 17 December 2025, the policy rate was left unchanged at 1.75 per cent. New statistics showed that Sweden's GDP in the third quarter had been clearly stronger than expected and previous GDP outcomes were also revised upwards. Inflation in November was close to the forecast from September, and indicators showed that inflationary pressure was close to target. The labour market remained weak, but the signs of improvement were increasing. The Riksbank made the assessment that recovery was even more established than earlier, while the inflation outlook was essentially unchanged. The interest rate level was therefore regarded

[8] The mechanical effects on inflation as a result of the change in the VAT rate amount to 0.7 per cent. In Figure 4.5, this can be seen as the large revisions in the Riksbank's forecasts from September and December.

to be well-considered. In the interest rate path, the policy rate remained at 1.75 per cent for much of 2026 before it was gradually expected to be raised as utilisation of resources was restored to balance.

Summary

The Riksbank's monetary policy in 2025 was characterised by gradual easing, in an environment where inflation was temporarily above target, at the same time as economic development was weak. The policy rate was lowered in January, June and September, from 2.50 per cent at the start of the year, to 1.75 per cent. It was kept unchanged at the other meetings. The Executive Board became successively more convinced that inflation would fall back and that recovery of the Swedish economy, despite being slow, had nevertheless started. However, the Riksbank emphasised throughout that there was considerable uncertainty, both as regards domestic demand and international risks. Monetary policy during the entire year was therefore a balancing act between supporting the real economy and ensuring that inflation returned and remained close to target in the medium term.

6 Evaluation

We will begin by studying the fulfilment of objectives, that is what has happened as regards inflation and inflation expectations during the year, after which we will assess whether we consider the monetary policy decisions to be appropriate and well-considered. We have placed particular emphasis on examining how the 2026 Budget Bill was analysed and on the Riksbank's analytical capacity in terms of fiscal policy in general, as well as on the Riksbank's view of the currency.

6.1 Fulfilment of objectives

Inflation expectations in 2025 were well-anchored around target. This is based on the survey conducted by the Riksbank among three different categories of actors: the social partners, purchasing managers and monetary market actors. Table 6.1 shows an extract from the survey.

Table 6.1 Inflation expectations according to the CPIF, five years ahead (December 2025)

	Mean (%)	Median (%)	Lowest (%)	Highest (%)	Standard deviation	Responses (numbers)	Response rate
All interviewees	2.09	2.00	1.00	3.80	0.38	66	54%
Employees' organisations	2.04	2.00	2.00	2.40	0.13	10	77%
Employers' organisations	2.08	2.00	1.80	2.50	0.21	11	65%
Purchasing managers, manufacturing	2.21	2.00	1.90	3.10	0.42	8	35%
Purchasing managers, trading	1.85	2.00	1.00	2.50	0.56	8	31%
Monetary market actors	2.13	2.00	1.50	3.80	0.41	29	66%

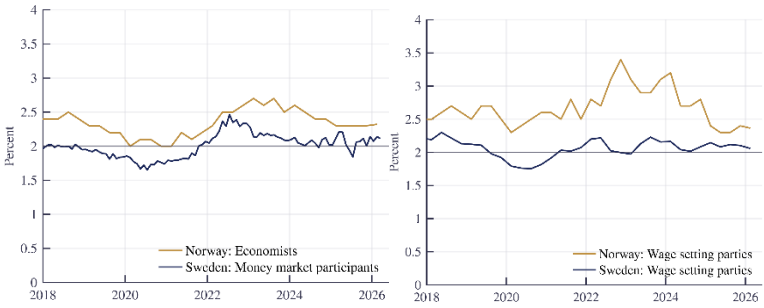
Source: https://www.origogroup.com/riksbanken/?date=2025.

In each respondent category, the median for expected inflation is 2 per cent during the coming five years. The average is also close to 2 per cent, and the cross-sectional variation in expectations is moderate, with a standard deviation of 0.1–0.6 percentage points depending on which actor you look at.

The fact that long-term inflation expectations are stable around the inflation target is perhaps the single most important indicator that the monetary policy framework and the central bank's monetary policy are perceived as credible. Since this has been the case in Sweden for long periods of time, it is easy to take it for granted. In various contexts, it has been pointed out that the Swedish wage formation model is likely to contribute to the Riksbank being able to

ignore short-term supply shocks to a greater extent than other central banks and still retain the credibility of the inflation target (see e.g. Hassler et al., 2024). An important precondition for this is that the social partners' inflation expectations also remain intact when the economy is subjected to major disruptions. To illustrate this, we can make a comparison with Norway where a similar wage formation model is used. The panel to the left in Figure 6.1 shows inflation expectations (according to CPI) in Norway and Sweden. It is clear that expectations in Norway are systematically higher than in Sweden, even though the inflation target is also two per cent there. The higher expectations apply especially to the social partners. In Norway, there has recently been a debate on whether the social partners take sufficient account of the inflation target.[9]

Figure 6.1 Five-year inflation expectations – a comparison with Norway



Notes: The figure shows five-year CPI inflation expectations for Sweden and Norway. The left panel shows expectations among monetary market actors in Sweden and economists in Norway. The right panel shows expectations among wage-setting parties in each country.
Source: The Riksbank's and Norges Bank's survey of expectations.

Another important aspect of the fulfilment of objectives is the inflation outcome during the year. We share the Riksbank's assessment (2026) that the fulfilment of objectives was relatively positive in this respect. As shown in figure 4.1, inflation over the whole of 2025 was slightly above target. In particular during the summer months, inflation was surprisingly high. From September onwards, CPIF inflation fell clearly back and in December it was 2.1 per cent. Underlying inflation also continued to decline in the latter half of the year. The Riksbank's assessment that inflation was above target due to temporary factors that were not linked to generally higher inflationary pressure thus seems to have been correct, even though it is not possible to rule out that the fall in inflation may also be due to other factors.

6.2 Was monetary policy well-considered?

In our assessment of whether monetary policy was well-considered, we first make an overall assessment of monetary policy during the year. We then look

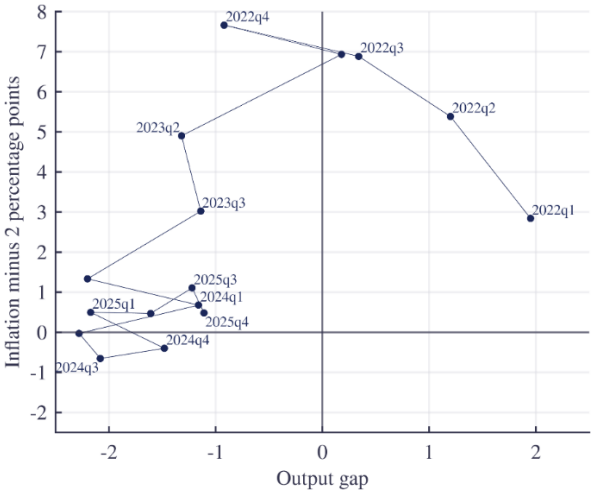
[9] See Holm and Storesletten (2026), Holm and Jasinski (2026) and Bjørnstad (2026) for some opinion pieces on the situation in Norway.

more closely at the September meeting, where new information about the central government budget for 2026 was added and prior to this meeting there was an unusually large amount of uncertainty in the market and among analysts about what the Riksbank would do. In addition, Deputy Governor Anna Seim entered a reservation against the decision.

One way of thinking about the Riksbank's pre-conditions for monetary policy is to consider whether there is any conflict of interest between achieving the inflation target and promoting resource utilisation in the economy. If, for example, both demand and inflation are too high, there is no conflict of interest in raising the policy rate. However, if inflation is too high but resource utilisation is low, there is a conflict between supporting the economy and keeping inflation close to target. The latter was particularly pronounced in 2023, when factors primarily related to supply led to excessively high inflation while demand was low, but the problem has also partly returned in 2025.

Figure 6.2 shows how inflation (measured as CPIF) and resource utilisation (measured as the Riksbank's assessment of the GDP gap) have been in the Swedish economy since 2022. The figure shows that inflation was elevated in 2022–2023, and that the recession gradually deepened and resource utilisation decreased. During the latter part of 2024, the economy ended up in a situation where resource utilisation was low and CPIF inflation was below target. This gave rise to criticism that the Riksbank had not lowered interest rates earlier (see Hassler et al, 2025 for an overview). From 2025, the economic situation was once again more complicated. CPIF inflation was permanently above the inflation target and at the same time resource utilisation was low due to a weak and delayed recovery in the economy. As we have reported, the Riksbank chose to interpret the higher inflation rate as being driven by temporary factors and lowered the policy rate on two occasions during the first half of the year, which was positive for the recovery of the economy.

Figure 6.2 Inflation and the GDP gap (2022–2025)



Notes: The figure shows the GDP (output) gap and CPIF minus 2 percentage points.
Source: The Riksbank (2026).

When the Riksbank has to deal with a situation characterised by a conflict of interest, it is more difficult to assess whether monetary policy was well-considered. The Riksbank is also transparent about this, see for example the Riksbank (2026). The fact that the decisions at the various meetings were rarely obvious indicates that a different decision on the policy rate on a single occasion would probably have had small socioeconomic costs.

The September meeting and the Budget Bill for 2026

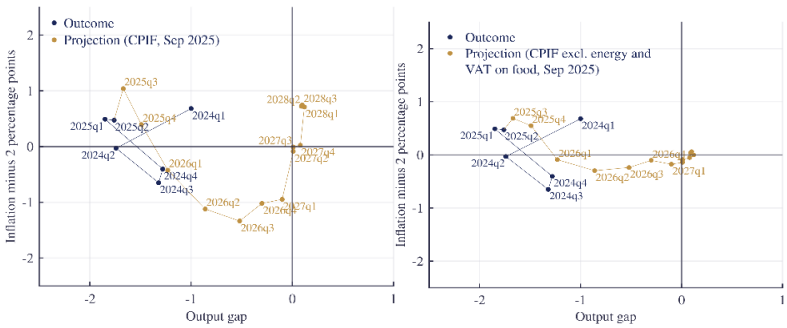
In September, important new information on fiscal policy was added. The 2026 Budget Bill entailed a more expansionary fiscal policy than the Riksbank had forecast in June (Table A3 summarises the reform table, that is the main increases in expenditure.) In the Monetary Policy Report from September, the Riksbank presented the most likely effects of this. As a direct consequence, the forecast for GDP growth was revised upwards by 0.2 percentage points. The forecast for CPIF was adjusted downwards in the short term as a result of the reduction in VAT on food, but in a fact box forecasts for CPIF inflation were also presented adjusted for the direct effect of lower VAT on food. Figure 6.3 shows the forecast for the GDP (output) gap and inflation according to the CPIF and the CPIF excluding energy prices and adjusted for the effect of the decrease in VAT on food from September 2025 until the second quarter of 2028. The Riksbank made the assessment that inflation would be slightly above target initially and then closer to the target excluding the mechanical effect of lower VAT on food from the second half of 2026.[10] In the Riksbank's main scenario, the indirect effect of fiscal policy on inflation was judged to be

[10] Figure A1 shows the corresponding information with the GDP gap replaced by the employment gap.

small and a majority of the Executive Board decided on a third cut in the policy rate at the September meeting.[11]

We address two potential objections to the decision in September. The first would be if the Budget Bill and the previously announced deviation from the fiscal policy framework were to threaten Sweden's stabilisation policy framework where monetary policy has the main responsibility. Even though, for example, the Swedish Fiscal Policy Council (Swedish Fiscal Policy Council, 2026) criticised fiscal policy, we do not see the Budget Bill for 2026 as such a threat that it justifies a shift in monetary policy. The second objection would be if the Monetary Policy Report underestimates the effects of fiscal policy on the real economy. After having examined both the Monetary Policy Report and the documentation from internal meetings (two meetings internally known as "the large PBG1" and "the large PBG2"), our view is that it was reasonable to lower the policy rate in September.[12] However, we believe that the Riksbank's assessment of the effects of the Budget Bill on economic activity could have been more detailed, which we discuss in more detail in the next section.

Figure 6.3 Inflation and the output gap (CPIF and adjusted CPIF-XE)



Notes: The figure shows the output gap and the CPIF minus two percentage points (left panel) and the CPIF excluding energy and VAT on food minus 2 percentage points (right panel).
Source: The Riksbank (2025k).

6.3 The Riksbank's analytical capacity regarding fiscal policy

As a result of our examination of the response of monetary policy to the Budget Bill, we have also examined the Riksbank's analytical capacity in terms of fiscal policy decisions. The Riksbank's ability to analyse issues relating to fiscal policy is particularly important in times when the policy rate is close to its lower limit (when the value of coordination between monetary and

[11] Anna Seim entered a reservation against the decision as her assessment was that the risks of inflation being too high as a result of a vulnerable supply side had not been credited with sufficient importance in the Riksbank's main scenario (the Riksbank, 2025f).
[12] Here, too, we assess that the costs would have been small if Deputy Governor Anna Seim's line with an unchanged interest rate had been followed.

fiscal policy is particularly great, see for example Ravn and Wilkins, 2026) and if fiscal policy were to have greater discretionary elements.[13]

The Riksbank has two main methodological approaches when it comes to analysing events in the economy (shocks). The model-based approach is based on the Maja model. In the monetary policy group, Maja is used mainly to provide support to the revision of forecasts by means of analysis of revision patterns. Maja is a further development of earlier models (Ramses I and II) and priority was given to developing how the outside world affects the Swedish economy. In relation to other parts of the model, fiscal policy is therefore not very well described in Maja. An analysis of the effects of the 2026 Budget Bill at a detailed level corresponding to the information in Table A3 cannot therefore be made in a simple way.[14] The second, more empirical, approach is based on a BVAR model consisting of eleven variables describing the economy. However, none of these variables describe fiscal policy. This means that the BVAR model would not currently be an obviously suitable analysis tool for analysing the 2026 Budget Bill or fiscal policy in general. At the monetary policy group meeting in September, the Riksbank therefore used previous estimates of fiscal multipliers (in line with the estimates of Hjelm and Stockhammar, 2016, and Laun, 2025), which led to a revision of the forecast for GDP growth in 2026 by 0.2 percentage points. We believe that this was a reasonable approach, given that neither the Maja nor the BVAR model was well-suited. We also believe that it is not self-evident that better-developed fiscal aspects in either model would have added greater precision to the forecast in view of the fundamental uncertainty associated with both approaches (see previous discussion in Section 3.3).

We thus have no criticism of the Riksbank's approach to revising the main scenario of the forecast in September. However, we do have two points of view concerning the scenario analysis that was carried out and the lack of robustness analysis.

Scenario analysis – a missed opportunity?

At the large PBG1, the tricky issue was raised of how to weigh up the risk that recovery may not start against the risk that overall economic policy may turn out to be quite expansionary. The fact that overall economic policy will be more expansionary than expected in the main scenario may in turn be due to several different factors. One reason may be a (positive) demand shock or a (negative) supply shock. In the monetary policy group meeting in September, the effect of higher demand among households was analysed. However, the effect of a negative supply shock was not analysed. In retrospect, in relation to the Executive Board's disagreement over the monetary policy decision and

[13] Examples of discretionary elements include spending outside of budget, such as the increase military spending in 2026-2034.
[14] The model includes an exogenous process for public consumption, but concepts such as national debt and budget balance are not well defined.

Anna Seim's justification for her reservation in the minutes, the scenario analysis appears to be weak.[15] It may be the case that this was a missed opportunity to use scenario analysis to more accurately understand the differences in the assessments, also internally, and to possibly also communicate about them using scenarios. This may be due to a time or resource shortage. If so, this highlights the value of early involvement of the members of the Executive Board in the scenario analysis (see discussion on this in Flodén, 2024, and Breman and Seim, 2025). But it may also be the case that the scenario envisaged in the reservation is difficult to analyse with existing methods. We do not have enough knowledge about the tools to determine if this was the case.

Lack of robustness analysis

Given the large uncertainty around the size of fiscal multipliers, we believe that it would have been reasonable to subject the main scenario to a robustness test. Our closer examination of the Riksbank's assumptions regarding the Budget Bill as early as June shows that the single largest change between June and September concerned the item indirect taxes, where the budget turned out to be SEK 14 billion more expansionary compared with the June forecast. At the same time, a fairly low multiplier was used for this item (0.35), which is more consistent with the National Institute of Economic Research's model Selma than with many empirical estimates.[16] If the Riksbank had used a higher but still reasonable multiplier, the forecast would have been significantly higher. This point about robustness analysis is reinforced by the fact that earlier assessments from the Riksbank also contain analyses of fiscal policy effects. We are lacking a discussion about this in the monetary policy group. One can express doubt as to whether the large PPG1 is the right forum for such a discussion, but a robustness analysis and general questioning of existing methods, in which particular weaknesses and uncertainties are highlighted, are important for the development of internal policy and methodology and perhaps especially since an overly expansionary economic policy was considered to be a significant risk. By illustrating uncertainties in the methods in the presence of the Executive Board, it is possible to secure broad support and gain legitimacy for necessary development work, which in the long run is an important element for reducing the risk of major policy mistakes.

Ravn's and Wilkin's views on the analytical capacity of fiscal policy

Finally, we would like to relate our discussion of analytical capacity to Ravn and Wilkins (2026). In their more comprehensive assessment of the Riksbank,

[15] In the minutes from September, Anna Seim argues that the main scenario does not sufficiently reflect the probability that inflation could rise surprisingly due to a vulnerable supply side in combination with, for example, an expansionary fiscal policy in 2026.
[16] For example, the fiscal multiplier for indirect taxes is around 1.25 in Hjelm and Stockhammar (2016), and around 0.50 in Czarnota and Stockhammar (2026).

they describe several model limitations and propose, for example, that Maja should be further developed as regards the housing market – *and* fiscal policy. They also discuss known weaknesses in the methodological approaches used by the Riksbank (i.e. BVAR and Maja), but where current research does not offer any direct solutions in the form of further development of the models. One of their proposals is to develop and adapt the scenario analysis to allow for limitations of the models. We believe that the uncertainties surrounding the effects of fiscal policy are a good example of this. These uncertainties will not be reduced by developing fiscal policy analysis within the framework of Maja, as many overall model assumptions will still determine the size of the fiscal multipliers. In addition, fundamental changes to the whole model would be required to develop a reasonable description of fiscal policy, such as the introduction of heterogeneity among the actors involved in the model. A more appropriate approach would instead be to carry out the scenario and robustness analysis described above.[17]

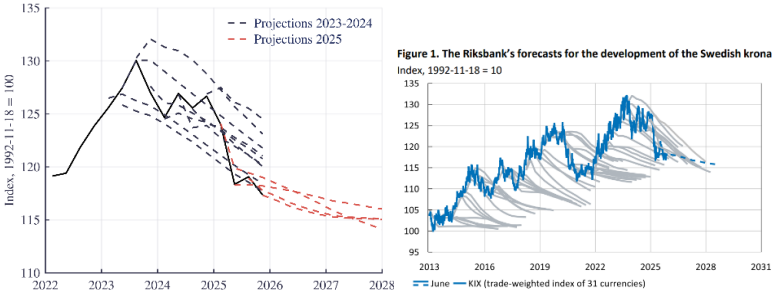
6.4 The Riksbank's view of the exchange rate

Early evaluations by CeMoF have discusssed the Riksbank's view of the exchange rate. In 2024, the Riksbank feared a weakening of the krona if more reductions in the policy rate were to be implemented than those implemented by other central banks. Hassler et al. (2025) believed that the strong correlation between changes in the policy rate and the exchange rate that the Riksbank seemed to believe in, did not actually exist. The Riksbank has also argued in recent years that the krona is undervalued (e.g. Thedéen, 2023 and the Riksbank, 2023).

In 2025, the krona was strengthened (see Figure 4.2), which was in line with the Riksbank's forecasts shown as red lines in the panel to the left in Figure 6.4. If we look at the left panel in isolation, we can also interpret the development in such a way that the Riksbank forecasts from 2023 to 2024 were finally confirmed. However, the panel to the right shows that this type of forecast seems to be systematic for the Riksbank. The panel shows that at least since 2013 the Riksbank has expected a strengthening of the krona against other currencies, while the trend has been that the krona has weakened.

[17] A further example where a robustness analysis or a developed scenario analysis would have been particularly valuable was when the major inflation shock occurred in 2022. A well-known limitation in the Riksbank's two main models (Maja and BVAR) is that they are less reliable in the event of major disruptions that have not previously been observed. This is also highlighted by Ravn and Wilkins (Ravn and Wilkins, 2026). When a seemingly unusually large disruption occurs, the value of a robustness or scenario analysis is therefore significantly greater.

Figure 6.4 KIX [the "krona index"] – forecasts since 2023 (left) and since 2013 (right)



Notes: The figures show the competitive exchange rate (KIX) and the Riksbank's forecast. The first panel shows developments since 2022. The second panel shows developments since 2013 (Figure 1 in Rosén and Vredin, 2025).
Source: The Riksbank (2025i, 2025j, 2025k, 2025l, 2026)) and Rosén and Vredin (2025).

The basic problem with the Riksbank's forecasts is that the models on which they are based perform poorly, in principle no better than the prediction that tomorrow's exchange rate will be equal to that of today. This was also the message from Olav Syrstad at a seminar on driving forces behind the development of the krona with Deputy Governor Anna Seim in November 2025. The Deputy Governor of the Riksbank stated at the same seminar on the development of the krona that "financial markets are so complex, and the disruptions that affect them and the macroeconomy so extensive and frequent, that forecasts about the future rarely come into effect" (the Riksbank, 2025m). One reason for this is that purchasing power parity as an anchor for the exchange rate only applies in such a long-term perspective that it lacks practical significance for a more short-term forecast. Ravn and Wilkins (2026) also discuss the Riksbank's forecasts and views on the exchange rate and argue that it is not self-evident that the krona has gradually been undervalued. Our view is that the Riksbank could have much to gain in terms of confidence by having a more neutral view of the development of the krona. Norges Bank, for example, uses the current rate as a currency forecast, provided that the interest rate path presented at their meeting is in line with market expectations.[18]

[18] See the in-depth article on "Kronekursen"in Norges Bank (2026).

7 Conclusions

In 2025, Sweden's economy was characterised by a prolonged recession in which GDP growth remained low and the development in the labour market was weak. At the same time, for much of the year, inflation was above the Riksbank's target of 2 per cent. The Riksbank was thus in a difficult situation where the benefit from stimulating the real economy had to be weighed up against the risk that inflation would become entrenched at too high a level. The Riksbank chose to reduce the interest rate gradually during the year from 2.50 per cent to 1.75 per cent. Decisions to lower the interest rate were motivated by the need to stimulate the real economy to ensure that inflation would not fall too much below target in the long term. At the same time, the excessively high level of inflation was judged to be mainly due to temporary factors and not to reflect strong demand or broad underlying inflationary pressure.

Our assessment is that during the year monetary policy fulfilled its objectives and was well-considered. We agree with the Riksbank's assessment that a gradually more expansionary monetary policy was reasonable in order to support the recovery in the economy. At the same time, the long-term inflation expectations were well anchored around the inflation target, despite inflation exceeding the target, which clearly indicates that monetary policy was perceived as credible.

We have three comments regarding the Riksbank's decision-making process and analysis. Firstly, we would like to see extended use of scenario analysis. Especially when the Executive Board disagrees on the setting of the interest rates, it should be possible to use the scenario analysis to a greater extent to clarify the differences. Secondly, we believe that the analysis of the more expansionary fiscal policy announced during the year could have been more detailed. Here, we believe that there are major model uncertainties regarding the effects of various fiscal policy measures on the real economy and inflation. Therefore, it is reasonable to allow for this in a robustness analysis, e.g. the size of fiscal multipliers, in order to clarify uncertainties in forecasts. Thirdly, we find that the Riksbank's credibility could increase if its stance on the value of the krona was more neutral. However, these recommendations should be regarded as marginal adjustments rather than fundamental criticisms.

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9 Appendix

Table A1 Monetary policy decisions 2025

Date of meeting	Policy rate		Grounds for the decision*
	Change	New level	
29 January (U)	-0.25	2.25	*Inflationary pressures are deemed consistent with inflation of around 2 per cent. At the same time, economic activity is weak, although there are signs of a rebound. The Executive Board has decided to cut the policy rate from 2.5 to 2.25 per cent. The forecast for the policy rate made in December essentially holds, but the Executive Board is prepared to act if the outlook for inflation and economic activity changes.*
30 March (R)	0	2.25	*Despite the substantial global turbulence, the outlook for inflation and economic activity in Sweden is expected to remain broadly intact. The recovery of the Swedish economy has begun, but activity is still weak. Inflation is expected to be between 2 and 3 per cent this year, and then to fall and stabilise close to the target. The Executive Board has decided to keep the policy rate unchanged at 2.25 per cent and assesses that the rate will remain at this level going forward. The Riksbank monitors developments closely and will act if the outlook for inflation and economic activity so requires.*
8 May (U)	0	2.25	*The increased uncertainty abroad implies that the economic outlook appears to be slightly weaker than in the March forecast. The impact on inflation is more difficult to assess. The Executive Board considers that monetary policy is currently well-balanced and that it is wise to await further information to obtain a clearer picture of the outlook. The policy rate is therefore held unchanged at 2.25 per cent. The assessment of the Executive Board is that it is somewhat more probable that inflation will be lower than that it will be higher than in the March forecast. This could suggest a slight easing of monetary policy going forward.*
18 June (R)	-0.25	2.00	*The economic recovery that began last year has lost momentum, and inflation is expected to be somewhat lower than in the previous forecast. The Executive Board has therefore decided to cut the policy rate by 0.25 percentage points to 2 per cent. The forecast for the policy rate entails some probability of another cut this year. The lower*

Date of meeting	Policy rate		Grounds for the decision*
	Change	New level	
			interest rate will stabilise inflation at the target and contribute to strengthening economic activity.
20 August (U)	0	2.00	*Inflation has risen more than expected over the summer and is somewhat above the target. However, the upturn is assessed to be due to temporary factors. At the same time, economic activity remains weak. Although developments have deviated somewhat from the Riksbank's forecast in June, the Executive Board assesses that the outlook remains largely the same. The Executive Board has therefore decided to leave the policy rate unchanged at 2 per cent and still sees some probability of a further interest rate cut this year.*
23 September (R)	-0.25	1.75	*To provide further support to economic activity and to stabilise inflation at the target in the medium term, the Executive Board has decided to cut the policy rate by 0.25 percentage points, to 1.75 per cent. If the outlook for inflation and economic activity holds, the policy rate is expected to remain at this level for some time to come.*
5 November (U)	0	1.75	*The elevated inflation has begun to fall back, at the same time as economic activity is on its way to recovery. The outlook for inflation and economic activity thus remains largely unchanged and the Executive Board 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.*
18 December (R)	0	1.75	*The prospects for the Swedish economy are looking brighter. Although it will take time before economic activity returns to normal, the recovery is under way. At the same time, inflation has approached 2 per cent. The Executive Board of the Riksbank has decided to leave the policy rate unchanged at 1.75 per cent and the rate is expected to remain at this level for some time to come.*

Notes: * Quotes from the summaries in the press releases and minutes. "U" and "R" respectively denote whether the occasion coincided with a monetary policy update or report.

Table A2 Monetary policy decisions 2024

Date of meeting	Policy rate		Grounds for the decision*
	Change	New level	
31 January (U)	0	4.0	*The Riksbank's rate increases have contributed to a fall in the earlier high inflation. However, when energy prices are excluded, inflation is still too high and there is a risk of setbacks. The Executive Board has decided to leave the policy rate unchanged at 4 per cent. The assessment is that contractionary monetary policy is still needed to stabilise inflation close to target. At the same time, the Executive Board now assesses that there is less risk of inflation becoming entrenched at levels that are too high. The policy rate can therefore probably be cut sooner than was indicated in the November forecast. The pace of government bond sales increased to 6.5 billion per month.*
26 March (R)	0	4.0	*Inflation is in the process of stabilising at the target, but inflationary pressures are still somewhat elevated. The Executive Board has therefore decided to leave the policy rate unchanged at 4 per cent. It is likely that the policy rate can be cut in May or June if the outlook for inflation remains favourable.*
7 May (U)	-0.25	3.75	*Inflation is approaching the target while economic activity is weak. The Riksbank can therefore ease monetary policy. The Executive Board has decided to cut the policy rate by 0.25 percentage points to 3.75 per cent. If the outlook for inflation still holds, the policy rate is expected to be cut two more times during the second half of the year.*
26 June (R)	0	3.75	*Inflation is close to the target and economic activity is weak. The Executive Board considers that monetary policy should be adjusted gradually and has decided to hold the policy rate unchanged at 3.75 per cent. If inflation prospects remain the same, the policy rate can be cut two or three times during the second half of the year.*
19 August (U)	-0.25	3.50	*Inflation is in the process of stabilising at the target, and economic activity is weak. The Executive Board has decided to cut the policy rate by 0.25 percentage points to 3.5 per cent. If the inflation outlook remains the same, the policy rate can be cut two or three more times this year, which is somewhat faster that the Executive Board assessed in June.*
24 September (R)	-0.25	3.25	*The Executive Board has decided to cut the policy rate by 0.25 percentage points to 3.25 per cent. If the outlook for inflation and economic activity remains unchanged, the policy rate may also be cut*

Date of meeting	Policy rate		Grounds for the decision*
	Change	New level	
			at the two remaining monetary policy meetings this year. A cut of 0.5 percentage points is possible at one of these meetings. Moreover, the forecast indicates one or two further rate cuts during the first half of 2025. The policy rate is thus expected to be cut at a clearly faster pace than was previously communicated, which contributes to stronger economic activity and an inflation rate close to the target.
6 November (U)	-0.50	2.75	*To provide further support to the economy and help inflation stabilise at the target, the Executive Board has decided to cut the policy rate by 0.5 percentage points to 2.75 per cent. If the outlook for economic activity and inflation remains the same, the policy rate may also be cut in December and during the first half of 2025, in line with what was communicated in September.*
18 December (R)	-0.25	2.50	*To provide further support to the economy and help inflation stabilise at the target, the Executive Board has decided to cut the policy rate by 0.25 percentage points to 2.5 per cent. If the outlook for inflation and economic activity remains unchanged, the policy rate may be cut once again during the first half of 2025.*

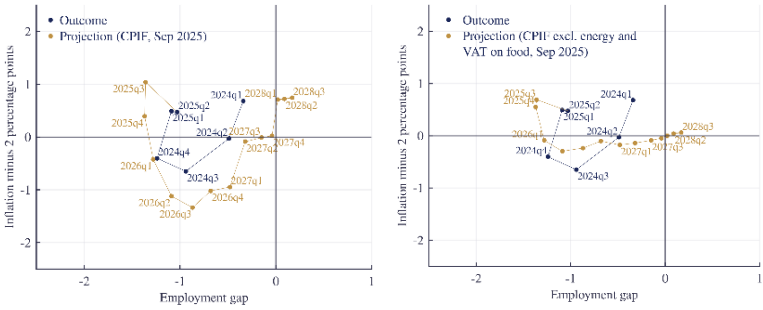
Notes: * Quotations from the summaries in m * Quotations from the summaries in n * Quotations from the summaries in press releases and minutes of meetings. "U" and "R" respectively denote whether the occasion coincided with a monetary policy update or report.

Table A3 Reform table – Budget Bill 2026

	2026	2027	2028	News item in the media
Reduced tax on work and pensions	21.4	21.4	21.4	8 September
Temporarily reduced VAT on food	15.9	21.3	0	1 September
Additional funding to defence	12.1	16.2	18.1	Agreement in June
Reduced tax on electricity	6.52	6.6	6.68	8 September
Reduction of employer contributions for young people	6.1	5.6	0	10 September
Schools	3.1	1.9	0	
Other matters	25.78	33.4	38.32	
Total	**90.9**	**106.4**	**84.5**	

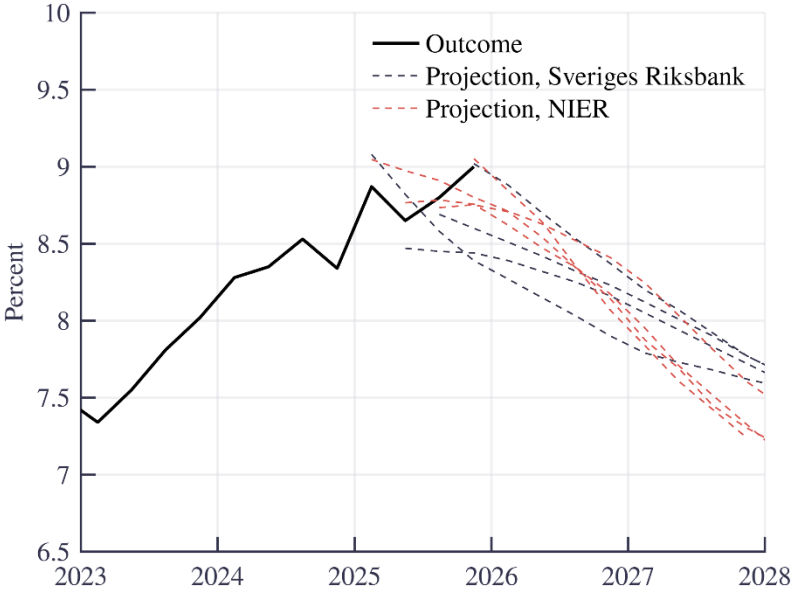
Notes: Amounts in SEK billion. Source: 2026 Budget Bill (Govt. bill 2025/26:1), Table 1.1

Figure 9.1. Inflation and the employment gap (2024Q1-2025Q2)



Notes: The figure shows the employment gap and the CPIF minus 2 percentage points (left panel) and the CPIF excl energy and VAT on food (right panel).
Source: The Riksbank (2025k).

Figure 9.2 Unemployment with forecasts from the Riksbank and the National Institute of Economic Research



Notes: The figure shows unemployment and the forecasts from the Riksbank and the National Institute of Economic Research.
Source: The Riksbank (2025i, 2025j, 2025k, 2025l), the National Institute of Economic Research (2025a, 2025b, 2025c, 2025d).

ANNEXE 1

Annual evaluations of Swedish monetary policy

2022/23:RFR5 Evaluation of monetary policy 2022
by John Hassler, Per Krusell and Anna Seim

2023/24:RFR15 Swedish monetary policy 2023
by John Hassler, Per Krusell and Roine Vestman

2024/25:RFR13 Swedish monetary policy 2024
by John Hassler, Karin Kinnerud and Roine Vestman

ANNEXE 2

Evaluations of monetary policy in a more long-term perspective

	Evaluation period	Evaluators
2006/07: RFR1, committee report 2006/07:FiU27	1995–2005	Francesco Giavazzi and Frederic Mishkin
2010/11: RFR5, committee report 2012/13: FiU12	2005–2010	Charles Goodhart and Jean-Charles Rochet
2015/16: RFR6, committee report 2015/16:FiU41	2010–2015	Marvin Goodfriend and Mervyn King
2021/22: RFR4, committee report 2021/22:FiU24	2015–2020	Patrick Honohan and Karnit Flug
2025/26: RFR8, committee report 2025/26:FiU27	2015–2024	Morten Ravn and Carolyn Wilkins

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