

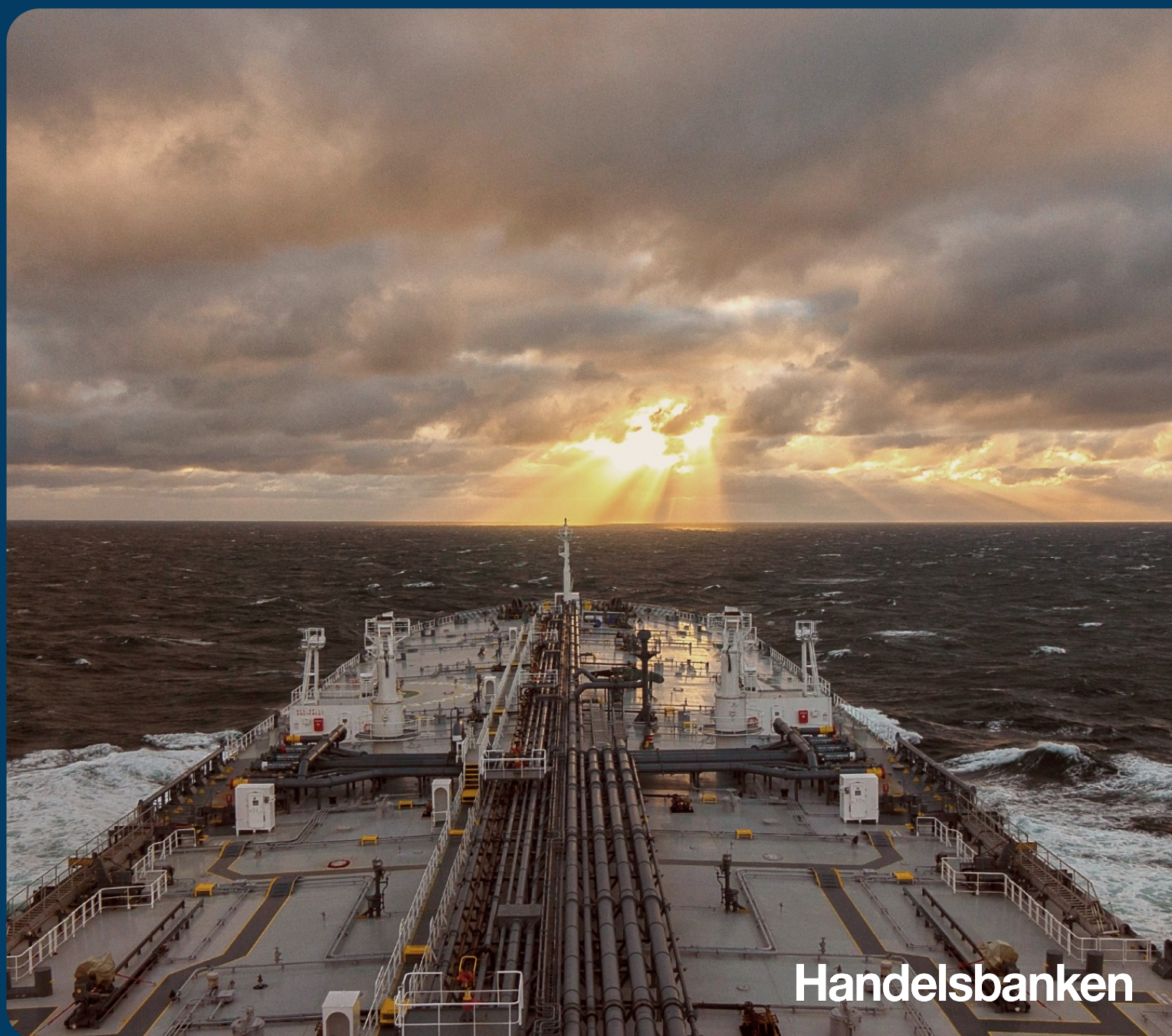
Global Macro Forecast

Dire straits: navigating a narrow path to stability

- The Middle East war has disrupted global economic momentum, raising inflation and hurting growth
- Main scenario – economic growth resumes, as the conflict, energy prices and uncertainty ease
- Downside risks loom large, with a worse stagflationary impulse and rate hikes in an adverse scenario

Macro Research • Global Macro Forecast

28 April 2026



Handelsbanken

Table of Contents

Global backdrop: Recession risk reversal replay	3
Theme article: Hormuz uncertainty - downside risks dominate	9
Eurozone: Resilience amid temporary challenges	16
Norway: Inflationary pressures must be addressed	19
Sweden: Temporary setback - recovery resumes later this year	24
United Kingdom: Subdued growth is as good as it gets	28
Data appendix: Key forecasts	31
Footnotes	32
Research disclaimer	34
Contact information	37

Global backdrop

Recession risk reversal replay

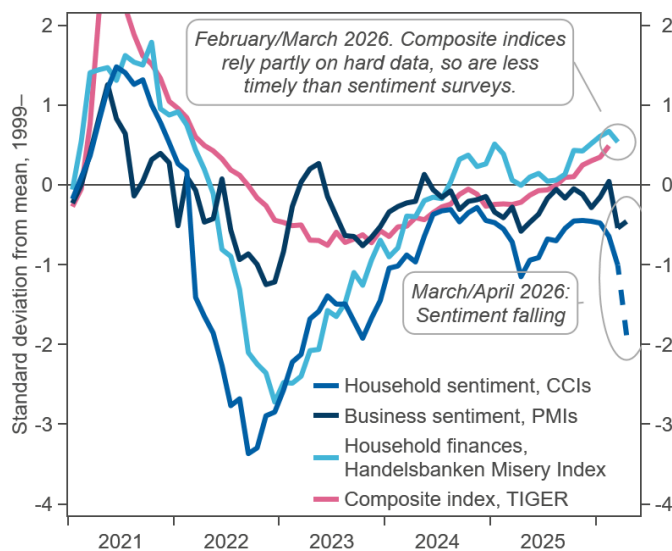
The repercussions of the war in the Middle East are spiking inflation and disrupting GDP growth - the second serious cost-push shock in as many years. The war poses a more acute short-term threat to the global economy than last year's tariff shock and risks loom large, but our main scenario assumes a de-escalation and hence a replay of the rapid recession risk reversal of last spring. The economy stabilises and the delayed growth recovery resumes, as oil and gas deliveries normalise, energy prices ease, confidence returns, and fiscal efforts partly shield households and businesses. Inflation is rising now, but is forecast to remain anchored medium-term, so central banks will mostly refrain from rate hikes. In contrast, longer-term bond yields keep rising on the back of risk premia.

The global economy was strengthening in early 2026...

Leading indicators for global economic activity were generally improving during the start of the year, and both the OECD and the IMF have stated that they had been on track to upgrade their economic outlooks until the war between US/Israel and Iran broke out on 28 February. Global PMIs were in an upswing, financial conditions were expansionary and various broad composite indicators were picking up (see graph below). Households' finances strengthened according to our proprietary misery index, but despite this, consumer confidence indices started the year in muted fashion, partly owing to a late January sentiment blow from woes around international relations and tariffs.

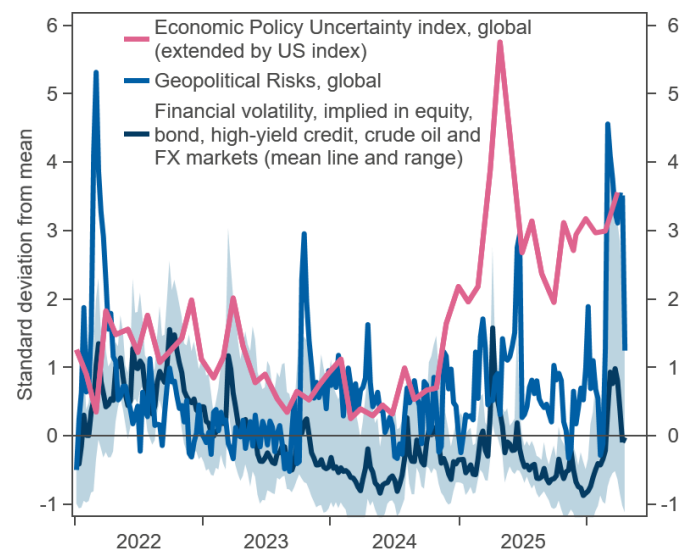
From gain...

Global growth indicators dipping after strong start to 2026



Sources: Macrobond, national sources, Brookings / Financial Times, S&P Global and Handelsbanken

Risk, uncertainty and market volatility all spiked



Sources: Macrobond, Bloomberg, Caldara and Iacoviello (2021), CBOE, EPU, ICE, J.P. Morgan, and Handelsbanken

...but the growth recovery has been disrupted by the war

The repercussions of the Middle East war – first and foremost a negative supply shock with surging energy prices – are now spiking inflation and disrupting GDP growth, in turn impeding the global economic recovery. This second serious "cost-push shock" in as many years – hot on the heels of the 2025 US tariff increases – is evident in the first batch of macro data released since the start of the war: PMIs signal a stagflationary impulse of lower order intake and production, combined with higher prices and longer supplier delivery times; consumer confidence has declined due to economic pessimism and rising inflation expectations; and financial markets are following suit with higher short- and longer-term interest rates – consistent with rising central bank rates and inflation premiums – while many stock markets have declined.

...to pain

On top of this, uncertainty has increased, as illustrated by indicators on geopolitical risk and economic policy uncertainty, as well as rising volatility in various financial markets, with financial volatility now higher than the 2025 average (see graph above). This will curb household spending and business investment, so macro data may deteriorate further ahead.

Risk, uncertainty and market volatility now higher than in 2025

Outlook for major economies

Eurozone – see also separate article in this report.

- The energy shock is leaving a clear but temporary mark on the eurozone outlook. Higher inflation is eroding purchasing power, and renewed uncertainty is weighing on household demand, delaying but not derailing the pickup in momentum that was underway before the crisis.
- Slowing activity and a modest rise in unemployment limits the risk of any significant second-round wage effects.
- Beyond 2026, the principal constraints on growth are structural, limiting the scope for a pronounced cyclical upswing even as the energy shock unwinds.
- With inflation set to recede as the energy shock fades and activity gradually recovering, the ECB is under no pressure to act in either direction.

US

- Overall the economy has cooled since the boom years of 2023–24, with a marked contrast between the AI boom and subdued activity elsewhere. AI-related investment, higher-income households' spending and growth in some high-productivity industries are strong. Housing and office construction, exports, and low- and middle-income households' spending face headwinds.
- We forecast growth of around 2 percent per year for 2026–2028. The AI boom is expected to continue, and fiscal stimulus is driving GDP. However, the impact of higher tariffs has yet to be fully felt and will likely dampen future growth. Consumption growth suffers a setback as the energy price shock dampens households' real disposable income growth.
- As we foresaw in January, the labour market has troughed, with for example positive outcomes in employment. Unemployment will slowly fall towards equilibrium at around 4.3 percent in 2028.
- The protracted period of unchanged policy rate we have previously forecast is expected to be even longer due to the inflationary impulse from the war. Not until 2027 do we see a couple of rate cuts, toward the longer-term normal level. The situation is nonetheless uncertain, as the Fed remains under political pressure to cut rates, while Washington is mulling over further fiscal expansion. It cannot therefore be ruled out that the Fed's next move will be a rate hike.

China

- The new Five-Year Plan focuses on new technological breakthroughs in strategic industries, while simultaneously further strengthening self-reliance. The importance of domestic consumption for economic growth is also emphasised, and measures to boost household wealth will include support for employment, income growth, child- and elderly care. However, short-term economic growth will depend on exports and investment, since property market woes continue to weigh on the economy.
- In the short term, the Middle East impact is limited by large strategic reserves of oil and coal and a temporary export ban on fuel. Exports – the country's main growth driver – would suffer if the war disruptions spread to global trade, having already been challenged by US tariffs.
- The year started off strongly overall, but this has been offset by the GDP blow from the war. All told, our growth forecast is largely unchanged at 4.5 percent for 2026, the lower end of the government's new target range of 4.5–5.0 percent. For 2027 and 2028, we expect a gradual decline to 4.3 and 4.0 percent, respectively.

War de-escalation paves way for reversal of the worst risk scenarios

Our main scenario assumes a de-escalation in the Middle East war in the coming months, including a continued ceasefire, enabling a gradual normalisation of supply conditions. This includes reparation of both production capacity and supply chains. We expect such developments to pave the way for a fairly rapid reversal of severe risk scenarios such as recession and runaway inflation – resembling a replay of events following last spring's US "liberation day" tariff shock. We expect the economy to stabilise, with the now delayed growth recovery resuming as supply chains improve, energy prices ease, confidence returns, and various fiscal policy efforts are implemented to shield households and businesses from the fallout of the war (see also theme article *Horzum uncertainty – downside risks dominate*).

Our main scenario is a fairly rapid reversal of severe risk scenarios such as recession and runaway inflation

We lower our forecast for the global GDP moderately, to growth of 2.9 and 3.0 percent for 2026–27, respectively, from 3.1 and 3.2 percent previously. The flip side of this relatively shallow slowdown is that subsequently we expect just a gradual pickup for 2028; with only limited global economic slack, we forecast growth of 3.3 percent (see graph).

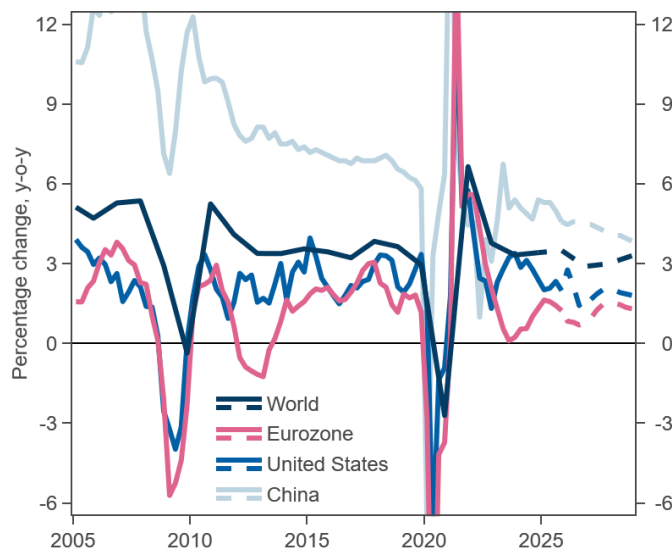
Expecting only a gradual global GDP pickup in 2028

Mild employment growth setback expected

As has been the case several times in recent years, we expect labour markets to once again weather the storm, on the whole remaining resilient against the renewed rise in uncertainty. In the short term, the economic setback decreases demand for labour, and we forecast that employment growth will slow down on both sides of the Atlantic. In the eurozone, unemployment should inch up but remain close to the recent record lows, whereas in the US, we expect it to be roughly unchanged, as labour force growth has ground to a halt (see graph below). If and when the Middle East uncertainty fades and the economic recovery is once again firmly underway, we expect unemployment rates to resume their declines in both the US and the eurozone.

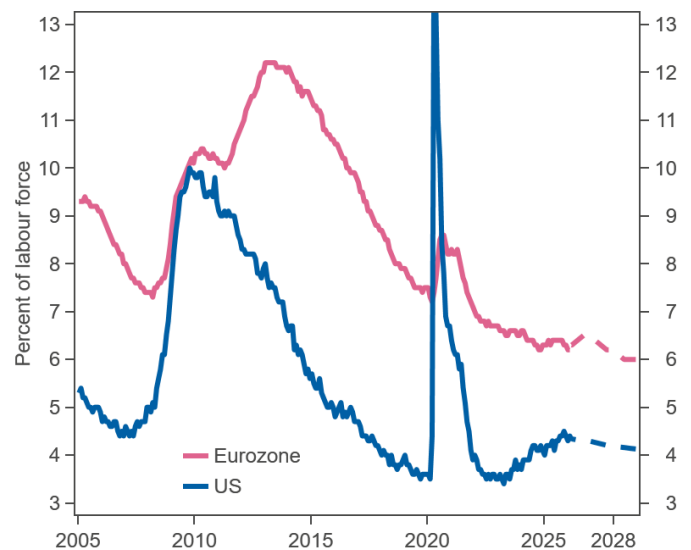
Overall, the labour market appears to be weathering the current uncertainty

Global GDP growth slowing before recovery resumes



Sources: Macrobond, BEA, Eurostat, IMF, NBS and Handelsbanken

Unemployment still resilient, staying low



Sources: Macrobond, BLS, Eurostat and Handelsbanken

Inflation spikes but still anchored to central bank targets

Our analysis of the energy shock shows that the inflation spike will be a bit more than twice the size of the blow to GDP growth in percentage terms at their respective peak impacts. The inflation rise has already started due to a surge in fuel prices, and we expect it to continue and broaden ahead, on average reaching a +0.8pp difference in around Q4 2026/Q1 2027 versus our pre-war outlook. Beyond that point, we forecast that the inflation spike will subside quickly, with a gradual normalisation toward lower fuel prices instead dampening headline inflation rates. However, these direct negative energy contributions are partly offset by lingering indirect effects and small second-round effects, which underpin underlying inflation somewhat, resulting in a 2027–28 inflation level close to our pre-war outlook.

Inflation spike expected to be a bit more than twice the size of the blow to GDP growth...

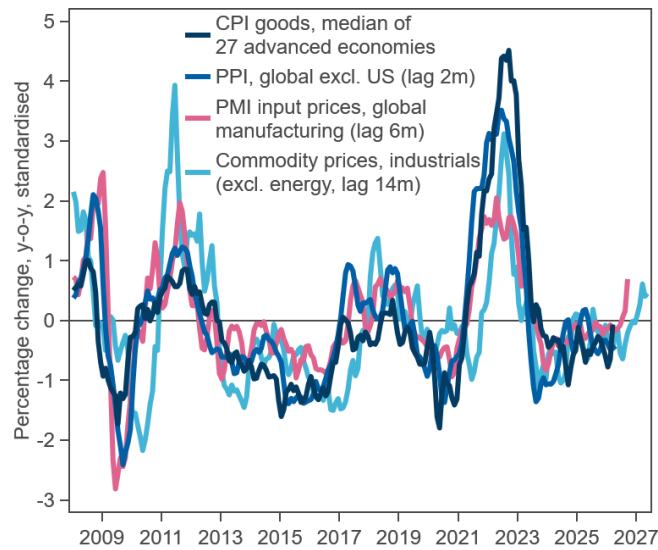
Our main scenario is thus a long way off the inflation impulses rippling through the economy and the persistent wage-price interactions seen in the inflation crisis years 2021–23. Our view is based on a) inflation expectations staying anchored, helped by some central bank vigilance in the face of today's shock; b) resource utilisation in the global economy being lower at the outset and hence less conducive to inflation propagation; c) less stimulus from fiscal policy. A more adverse scenario is analysed in the Middle East economic fallout theme article.

...but a long way off the inflation crisis seen in 2021–23

All told, recent leading indicator prints support our view: commodity prices outside the energy category are partly picking up; PMIs show that businesses are facing higher input prices, mainly energy; supply chain pressures are increasing with longer delivery times and higher freight prices, not least shipping rates. Admittedly these price pressures are expected to partly pass through to downstream producer prices and eventually to consumer prices (see graph below). But weighing against this, we note that companies' pricing plans have risen by significantly less than input cost indices, and that medium- to long-term inflation expectations remain close to inflation targets.

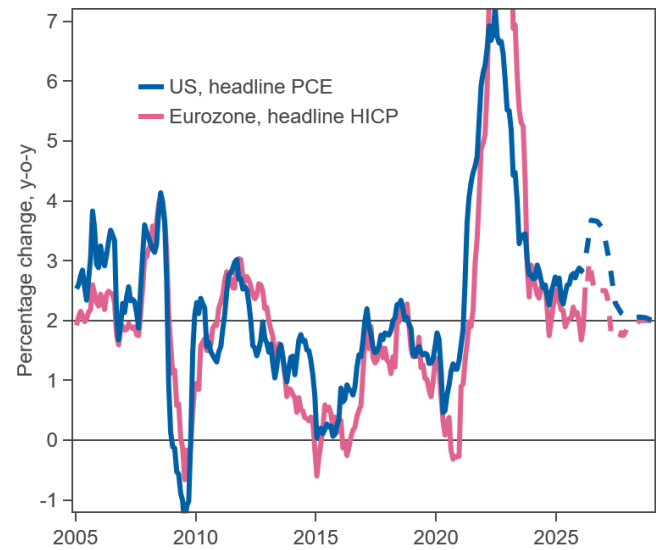
The most recent leading indicator prints support our view

Leading indicators signal inflation pickup ahead



Sources: Macrobond, Dallas Fed, IMF, S&P Global and Handelsbanken

Inflation forecast to fall back in the medium term



Sources: Macrobond, Eurostat, BEA and Handelsbanken

"See through" monetary policy response to inflation spike

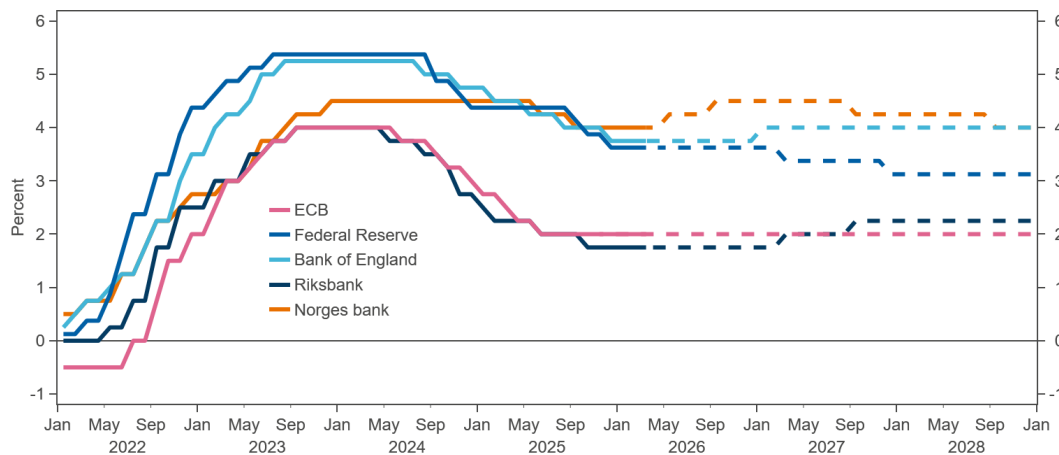
Overall, we lift our policy rate outlooks. In our main scenario, central banks are by and large "seeing through" the inflation rise caused by the energy price spike, with their policy responses only being mildly hawkish. While we expect the direction to be similar from central banks under our coverage, the degree will differ, ranging between a) delaying a previously signalled cut, b) fully removing cutting bias in guidance, and c) cautiously implementing a hike (see graph below).

Central banks to by and large "see through" the current inflation spike

Markets are pricing in a significantly larger monetary policy response than our main scenario assumes. Globally, expectations for central banks shifted higher in the wake of the war in the Middle East, but have come down somewhat following the initial ceasefire agreement in early April. Ahead of the war, market pricing pointed to the Federal Reserve cutting rates by around 0.6 percentage points by year-end. Currently, markets instead indicate that US policy rates will remain unchanged for the rest of the year. For the ECB, the shift has been even more pronounced, from some probability of a rate cut to now pricing in close to three hikes.

Markets pricing in much more hawkish monetary policy response than in our main scenario

Policy rates revised up somewhat as central banks respond to inflation increase



Sources: Macrobond, Bank of England, Federal Reserve, ECB, Norges Bank, Riksbank and Handelsbanken

Rising fiscal concerns, but overall limited rise in long yields

Long-term government bond yields have moved in the same direction as short-term rates in recent months, rising after the outbreak of the war in the Middle East and falling back somewhat following the temporary ceasefire. However, moves at the long end have been more muted, resulting in flatter yield curves compared with pre-war levels.

[Flatter yield curves](#)

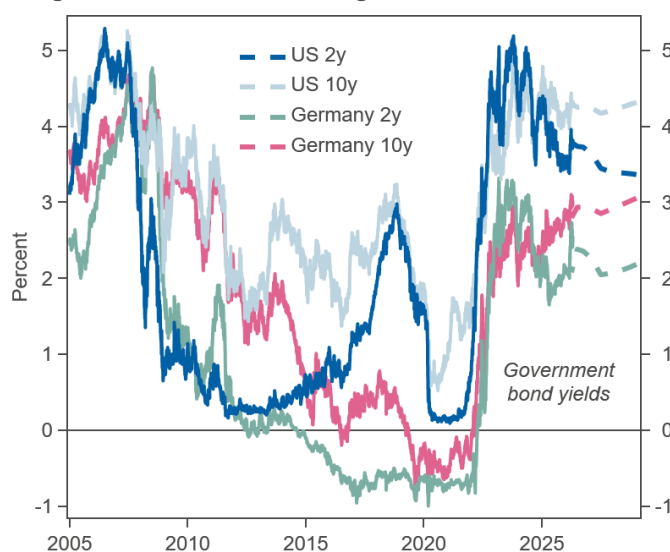
The rise in long-term yields is being driven by both higher expected short rates and increases in term premia. The term premium is the additional compensation investors demand for holding long-term bonds, and it tends to increase as government bond supply rises. Against this backdrop, expectations of fiscal support to counter the effects of the war are lifting borrowing needs, adding upward pressure on yields. The UK stands out with a marked increase in 10-year gilt yields, while Sweden has seen a smaller rise, with the contrasting moves reflecting fragile public finances and a higher term premium in the former and the opposite in the latter. In the US, long-term yields are broadly unchanged since the start of the year following earlier declines and some recent volatility.

[The UK stands out with a marked increase in 10-year gilt yields, while Sweden has seen a smaller rise](#)

Looking ahead, we expect bond yields to decline slightly in the near term, hand-in-hand with declines in market-priced central bank rate hikes and risk premia, given the continuation of the ceasefire that we assume. Beyond that, we forecast that longer-term yields will edge higher again, mainly driven by the trend rise in term premia, as fiscal deficits remain elevated in both Europe and the US.

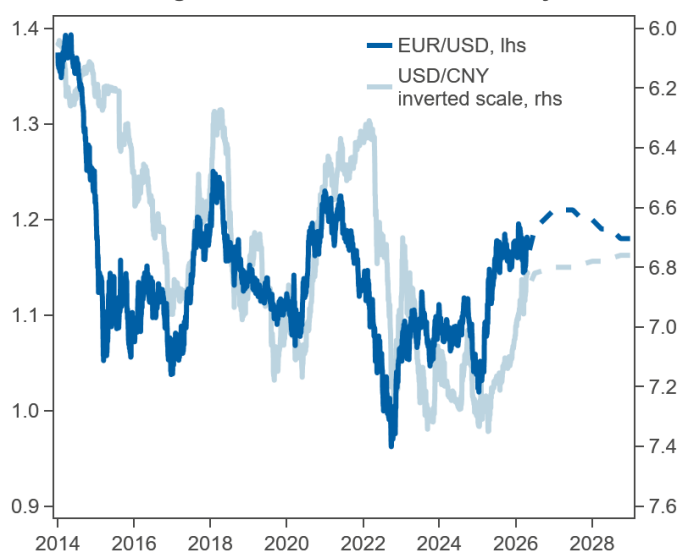
[Fiscal deficits to remain elevated, underpinning the bond yield outlook](#)

Longer-term interest rates rising further



Sources: Macrobond and Handelsbanken

USD weakening to resume when market volatility fades



Sources: Macrobond and Handelsbanken

FX markets driven by risk sentiment and energy prices

Currency markets have moved sharply since the outbreak of the Middle East war. The US dollar strengthened initially, reflecting its role as a safe haven, while more cyclical currencies such as the Swedish krona have weakened. Since the temporary ceasefire, we have seen a partial reversal of these moves. At the same time, commodity-linked currencies such as the Norwegian krone have performed relatively well, supported by higher energy prices. The Chinese yuan has also been resilient, partly reflecting stronger energy supply conditions when the Middle East shock hit.

Sharp currency moves and significant heterogeneity

Three key drivers explain the current cross-sectional FX variation and will shape the outlook: 1) *Risk sentiment* has driven safe-haven flows into the USD but also other reserve currencies such as the EUR and GBP; 2) *terms of trade* changes have favoured energy exporters such as Norway and weighed on importers such as the eurozone, UK and Sweden; and 3) economies' *domestic energy mixes* affect how forcefully higher oil and gas prices translate into stagflationary impulses, challenging the economy and adding policy uncertainty.

Three key drivers: risk sentiment, terms of trade and domestic energy mixes

Looking ahead, these drivers are likely to normalise at different speeds, pointing to asymmetric FX repricing, benefiting the SEK while acting as headwinds for the USD as well as the GBP and EUR (see also our FX Pilot [here](#)). Overall, we expect the US dollar to weaken ahead, reflecting both a reversal of safe-haven flows and a renewed focus on US-specific risks, including fiscal policy, policy credibility, and concerns around central bank independence.

Overall, we expect the US dollar to weaken once the Middle East shock fades

Risks to the outlook: Downside shock brings broad two-sided risks

Since our January report, our previous key assumption of a gradual waning of the severe uncertainty shock in 2025 has failed to materialise, and the explicit downside risk from the Iran geopolitical flashpoint became a reality – hence our less optimistic main scenario. This negative supply shock could worsen further, but there is also scope for a quicker-than-assumed improvement. To explore this two-sided risk outlook, we analyse alternative Middle East war scenarios in the theme article *Hormuz uncertainty – downside risks dominate*.

Other risks to the economic outlook include:

- **Two-sided risks:** We assume that the economic impact of Russia's war against Ukraine remains broadly unchanged, with risks of higher or lower global growth if conflict de-escalates or escalates markedly. We assume governments have a slow, stop-gap approach to strained public finances, where insufficient consolidation could lift short-term growth but undermine investor confidence and lift term premia, while excessive tightening could hurt the fragile economy. Any major change in trade relations with China could be impactful, with a likelihood of new measures to counter its rising trade surplus, but also of improved working relations.
- **Downside risks:** Private credit – non-bank, non-public debt market lending, often with terms tailored to the borrower, often held in funds – largely exists outside financial sector regulation, but is unlikely to pose systemic risk, authorities judge. However, it has grown into a multi-trillion dollar asset class and risks amplifying the next economic downturn. In early 2026, investor doubts about asset quality drove outflows above withdrawal limits of several major funds. That is a problem given the assets are fundamentally illiquid loans, so if withdrawal pressure mounts – "a run on the funds" – then disorderly unwinding of the private credit market could follow and cause wider liquidity stress and tighter credit conditions, which would dampen the overall economy, and feed back to further worries about private credit fund asset quality.
- **Upside risks:** Faster or larger AI-driven productivity gains would lift growth (see theme article in [Global Macro Forecast January 2026](#)). And a stronger recovery in depressed household confidence and spending is another prospect given recently high saving rates.

Theme article

Hormuz uncertainty - downside risks dominate

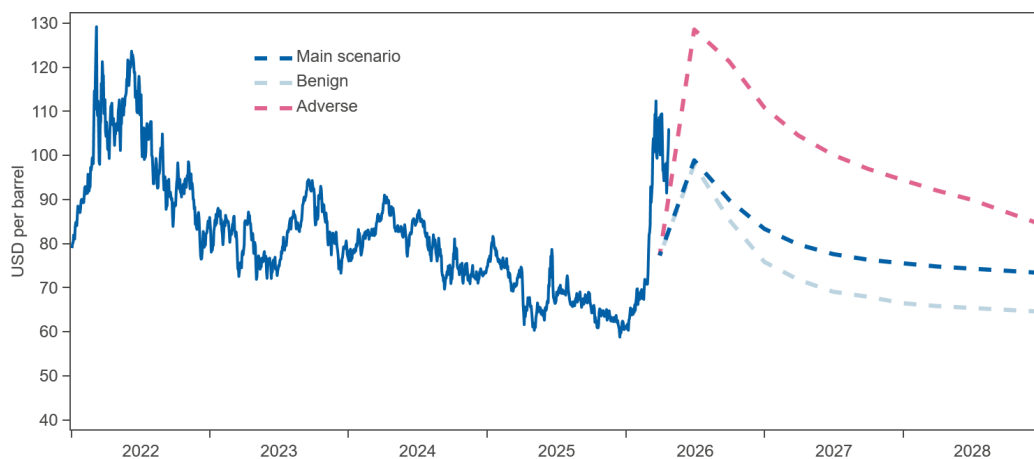
After two months of war, the outlook for a stabilisation allowing Strait of Hormuz transits to resume remains highly uncertain. We outline two alternative scenarios. In the benign scenario, transits normalise by mid-year. In the adverse scenario, there is no improvement before mid-year and the subsequent recovery in transits is delayed by prolonged security concerns, pushing oil prices higher for longer. Beyond the direct energy shock, the strait closure disrupts key intermediate goods flows, with additional transmission through supply chains, sentiment, financial conditions, and policy. The benign scenario is broadly close to our baseline. In the adverse scenario, the hit to GDP is significant and inflation materially higher - even if this does not represent a worst-case outcome.

Uncertainty in the Middle East remains high

The importance of the Strait of Hormuz for global energy markets cannot be overstated. The volume of supply potentially at risk far exceeds any previous supply disruption. After two months of war, the outlook for when and to what extent transits can and will resume remains very uncertain, with the prospect of a lasting negotiated settlement to the conflict unclear. Against this background, we outline two alternative scenarios around our main scenario. We base the scenarios on assumptions about oil prices, implicitly assuming that this is representative of natural gas prices as well as the broader disruption caused by the conflict.

Supply at risk far exceeds any previous disruption

Oil price scenarios



Three scenarios for oil prices

Sources: Bloomberg, Macrobond and Handelsbanken
 Note: Forecasts based on quarterly average

Hormuz transit return scenarios

A key assumption underlying both our main scenario and our alternative scenarios is that oil price dynamics are primarily driven by supply-side conditions – specifically the flow of oil through the Strait of Hormuz. The adverse scenario implies a slower normalisation of transit flows relative to the baseline, while the benign scenario conversely assumes a swifter resumption of transits.

Supply-driven oil price dynamics imply that oil prices fall alongside strengthening economic activity. By contrast, in a demand destruction scenario – whereby collapsing activity weighs on oil consumption – downward pressure on prices would occur alongside deteriorating economic conditions. We do not argue that oil prices are immune to slowing economic activity or substitution towards other energy sources, but any significant structural shift in demand would probably require a disruption more severe or persistent than our adverse scenario envisions. Based on income elasticity estimates from the literature, every 1 percent fall in global GDP reduces oil demand by roughly 0.5 percent, or around 0.5 million barrels per day. While not negligible, this is modest relative to the scale of the current supply shock, with global oil supply declining by more than ten million barrels per day in March.

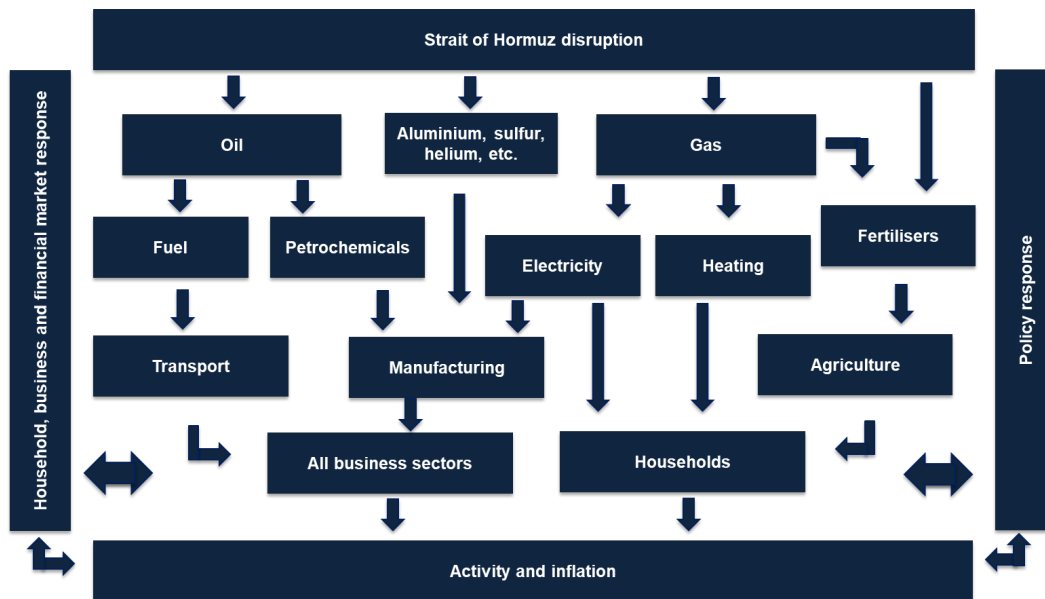
Demand destruction is modest relative to the scale of the current supply shock

The macroeconomic impact manifests through several channels

In parallel to the energy shock – through fuel, heating and electricity – the disruption also affects a range of other key intermediate products, such as petrochemicals, fertilisers, aluminium and liquid helium, propagating through supply chains in manufacturing, agriculture and construction, and further squeezing profit margins and household purchasing power. Financial markets – including commodities, equities, sovereigns, money markets, credit, and foreign exchange – may either amplify or partially absorb the pass-through of the shock. In parallel, heightened uncertainty weighs on investment, hiring and consumption. Higher cost pressure may feed into inflation expectations and further to wage and price-setting dynamics, complicating the inflation outlook considerably. Lastly, economic policy responses introduce an additional layer of complexity: fiscal support measures to cushion the activity downturn, monetary tightening to contain inflation, and the prospect of rationing and export controls each carry their own second-round effects, primarily on a national level but with tentative global spillovers.

The disruption affects a range of products in parallel to the energy shock, echoing through supply chains and financial markets

The Strait of Hormuz disruption affects the economy through various channels



From oil production to economic activity and inflation

Source: Handelsbanken

Main scenario: continued ceasefire and a gradual stabilisation

Our main scenario is based on the futures curve as of 22 April, with Brent prices having peaked in March and falling to somewhat above USD 80 by year-end before flattening and settling close to USD 75 by end-2028. The futures curve incorporates both supply/demand expectations and risk premia across a range of possible outcomes.

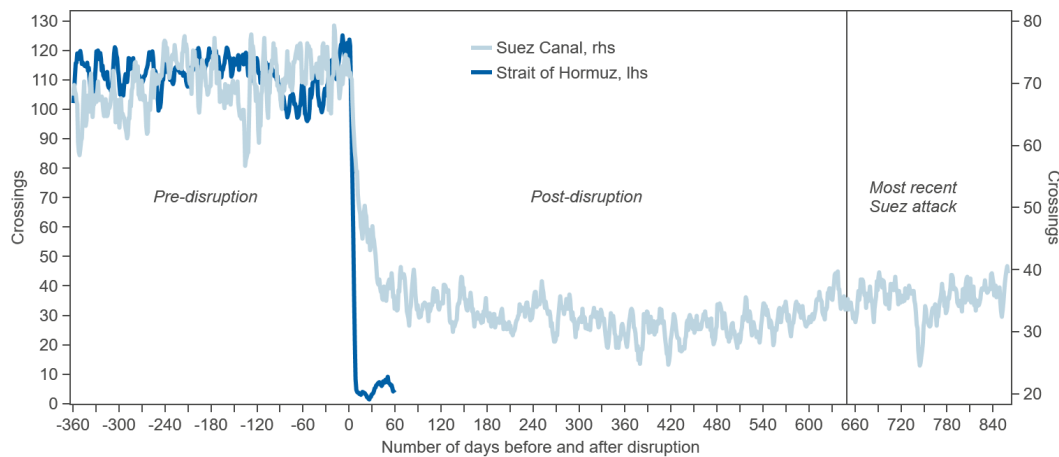
Our main scenario is based on the futures curve...

In our main scenario, the price path is consistent with a scenario of a fragile ceasefire that nonetheless holds and a gradual process of de-escalation leading towards a credible and durable resolution to the conflict in the second half of the year. The subsequent normalisation of supply conditions is hampered by lingering uncertainty, significant supply losses owing to disrupted logistics, and damage to energy infrastructure, with transits through the Strait of Hormuz only gradually resuming to normal levels in early 2027.

...and is consistent with transits resuming to normal levels in early 2027

For example, the IEA estimates that around 80 percent of Gulf upstream fields can return to pre-war production levels within approximately six weeks. However, the remaining 20 percent face more complex restart challenges, and both the IEA and IMF have flagged that constrained sovereign financing, elevated risk premia, and persistent uncertainty may delay investment decisions and push back the full return to pre-war production capacity beyond what physical repair timelines alone would imply.

Commercial cargo ship vessel transit



Sources: Bloomberg, Macrobond and Handelsbanken

Transits through the Suez Canal remain low despite a complete cessation of attacks since September 2025

In addition, concerns about security and political stability mean that producers, shippers, and insurers are likely to remain hesitant even as the formal ceasefire holds. The Baltic Dirty Tanker Index reaching a record high (approximately 50 percent above its previous peak in 2022) and spiking insurance premiums for vessels confirm the current logistics challenges. The Suez Canal may offer an instructive parallel: container transits remained approximately 60 percent below pre-crisis levels as of early 2026 despite a complete cessation of attacks since September 2025. A similar pattern of drawn-out normalisation is a risk for Hormuz, given the complexity of the conflict.

The restoration of production and transport capacity is delayed due to lingering uncertainty

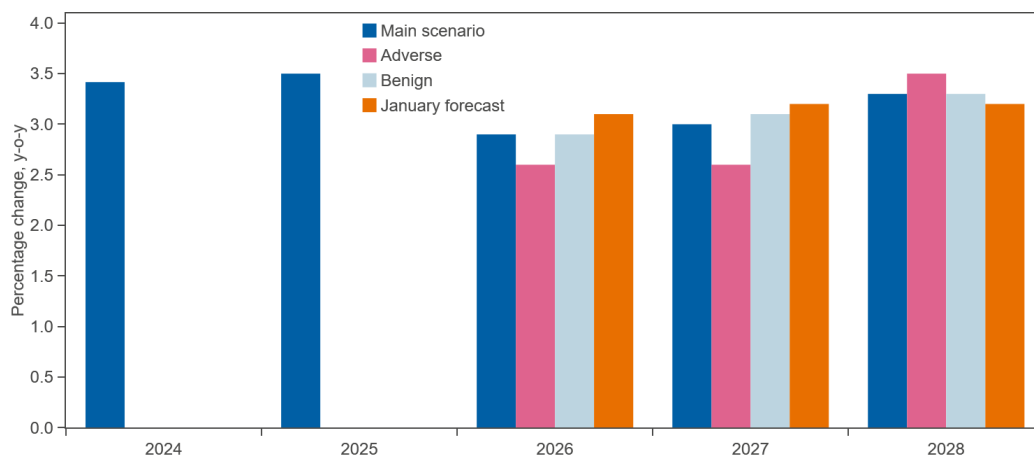
Next to supply-side restrictions, refilling global inventories contributes to withdrawing supply and holding oil prices elevated with inventories outside the Gulf already been drawn down by more than 200 million barrels.

Rising inflation but a modest hit to the global economy

All told, global GDP falls about 0.3 percent due to the supply disruption caused by the war, with a gradual recovery from around mid-year 2027 and close to a full recovery at the end of 2028, which marks the end of our forecast period. The surge in energy prices adds about 0.7pp to global inflation before falling out of the annual growth rates in the second quarter of next year and then reverts to being slightly negative (see global backdrop section).

The surge in energy prices adds about 0.7pp to global inflation

Global GDP growth



Sources: IMF, Macrobond and Handelsbanken

Benign scenario – still within reach

The benign scenario assumes a credible and durable resolution to the conflict by mid-year, creating conditions for Hormuz transits to normalise during the third quarter. Infrastructure damage is more limited than in the main scenario and reconstruction proceeds more quickly, supporting an earlier and smoother recovery in supply conditions. We view this as a near best-case supply outcome.

Benign scenario:
Hormuz transits to normalise in Q3 2026

Global outlook remains largely intact

The benign scenario does not differ markedly from the baseline in economic terms – even a swift normalisation leaves some marks. Pass-through to pump prices is already being felt by households and transport-intensive sectors, some supply chain pressures are underway, and there has already been a limited negative impact on business and consumer confidence. However, the effects are somewhat more modest overall, energy inflation eases more quickly, financial conditions improve more quickly, and sentiment recovers faster, supporting an earlier return to the pre-war growth trajectory.

Economic impact not entirely avoided – small differences from the main scenario

The adverse scenario

The adverse scenario assumes the conflict continues to severely restrict Hormuz transits throughout Q2 2026. A gradual de-escalation with initial steps toward a durable resolution takes place in the second half of the year, but the subsequent supply recovery is significantly delayed by prolonged security concerns and political instability.

The longer the disruption persists, the more complex and time-consuming production resumption becomes, as capacity, logistics networks, and supply chains must be rebuilt from a lower base. Restarting output from shuttered facilities requires substantial effort – skilled labour and critical components must be relocated and reassigned, while shipping capacity remains constrained by vessels redeployed to alternative routes. Meaningful delays are thus likely even after de-escalation. The strait only becomes functionally operational again towards mid-2027, followed by a slow recovery in Gulf production and shipping capacity, with transits not fully restored until early 2028.

Adverse scenario:
Hormuz transits to normalise during beginning of 2027

Status quo in Hormuz implies rising prices

Oil prices could rise above current levels for several reasons. In our adverse scenario, we assume the increase is driven by the absence of any near-term stabilisation allowing transits to gradually resume (our interpretation of current market expectations). A price increase could also be driven by conflict escalation and further destruction of production capacity. However, our adverse scenario does not assume any further reduction in Middle East flows beyond current levels – for example through destruction of production capacity that has been rerouted since the onset of the conflict.

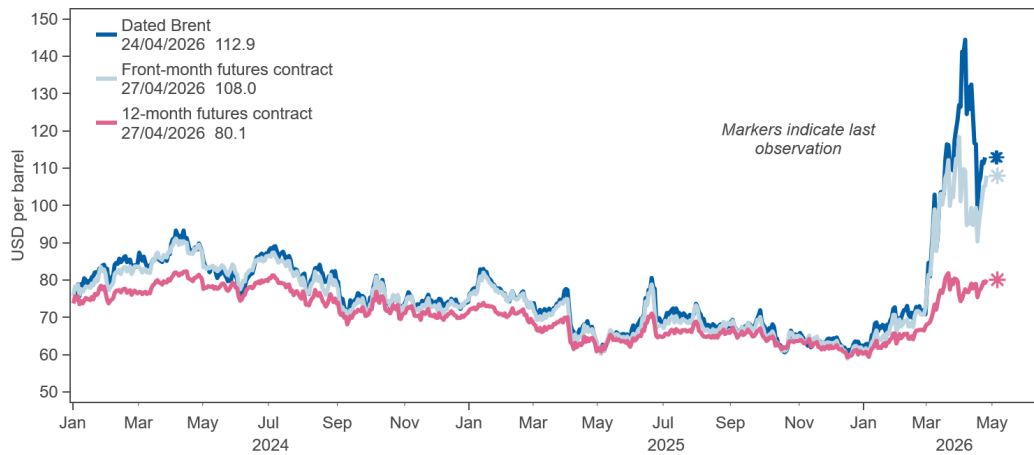
Oil prices set to rise if market expectations of imminent improvement are not met

So far, market expectations of a near-term stabilisation appear to have contained the rise in “financial” oil prices (futures market) to a level that looks modest relative to the scale of disruption implied by a near-complete closure of the Strait of Hormuz. There are, however, price signals that suggest that the physical oil market has been more constrained, where buyers of physical barrels have paid substantial premiums over financial market prices. This is captured in Dated Brent – the physical spot benchmark and a more direct indicator of immediate real world supply tightness – which traded approximately USD 30 above the front-month futures contract in April, peaking at around USD 145 ahead of the April 8 ceasefire. We think this signals where prices may be heading, in a scenario in which the Strait of Hormuz remains near-closed.

The impact of the supply disruption has also been partly offset by drawdowns of oil stocks, which only provide temporary relief. In March alone, inventories outside the Middle East Gulf declined by around 205 million barrels, equivalent to roughly 6.6 million barrels per day. As these buffers are depleted, the underlying supply tightness would increasingly feed through into higher prices.

Oil reserves offer only temporary relief

Oil price for physical deliveries versus financial contracts



Sources: Bloomberg, Macrobond and Handelsbanken

The price of physical oil deliveries has reacted more than the price of future contracts

A prolonged disruption materially amplifies the economic fallout

As flows remain constrained and reserves are progressively drawn down, further production cutbacks become increasingly likely – whether binding or precautionary, exogenous or self-imposed – reinforcing the initial output loss. This generates additional bottlenecks across global value chains and strengthens the pass-through from higher oil prices to costs throughout the production chain and ultimately to consumers.

Global value-chain bottlenecks amplify the cost pass-through from higher oil prices

The price pass-through is also amplified. Indirect effects intensify as sustained high oil prices make it harder for companies to absorb elevated input costs. Companies across the value chain are thus forced to cut costs – including employment and investment – or raise prices. Longer-dated futures would also rise, removing the partial hedge that large energy users – such as utilities and airlines – have so far benefitted from, intensifying the pass-through of higher prices to the wider economy. For households, a more persistent disruption implies that wholesale electricity prices increasingly feed through to consumers who were previously shielded by fixed-price retail contracts.

A significant hit to global GDP

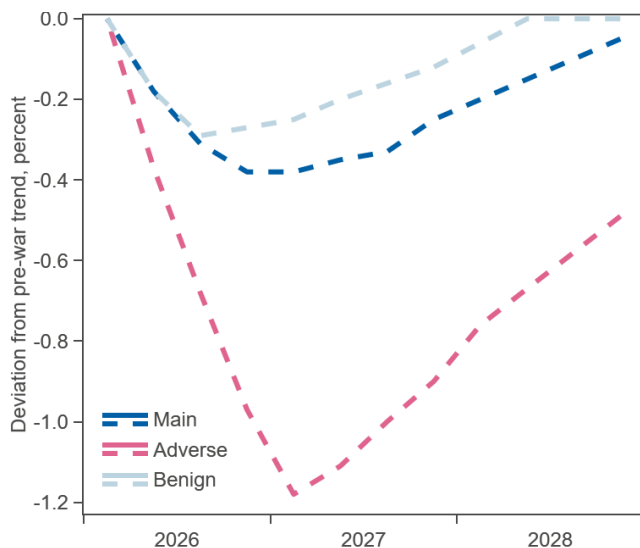
Central banks respond with tighter monetary policy, dampening demand and limiting companies' ability to pass on higher costs. Households are squeezed simultaneously by higher prices and interest rates, while weakening labour markets constrain wage growth. As prospects for near-term improvement fade, confidence deteriorates, financial conditions tighten further, and growth slows. Fiscally constrained governments face limited scope to respond as markets demand discipline amid rising deficits due to weakening activity.

Higher interest rates and falling confidence amplify the decline in GDP

The hit to GDP is substantial, with output bottoming out almost 1% below the main scenario in early next year – around three quarters after the peak in oil prices – while inflation peaks at more than 2pp above the main scenario. Thereafter, stabilisation in the Middle East and the resumption of transfers through the Strait of Hormuz trigger improving financial conditions and a sharp decline in energy inflation in the second quarter of next year. This allows central banks to ease monetary policy, providing further relief to both companies and households, and a gradual recovery in confidence supports a positive feedback loop between demand, sentiment, and financial conditions. While inflation returns to target relatively quickly, the recovery in real activity is more protracted. Output remains around 0.5 percent below the main scenario by the fourth quarter of 2028, which marks the end of our forecast period.

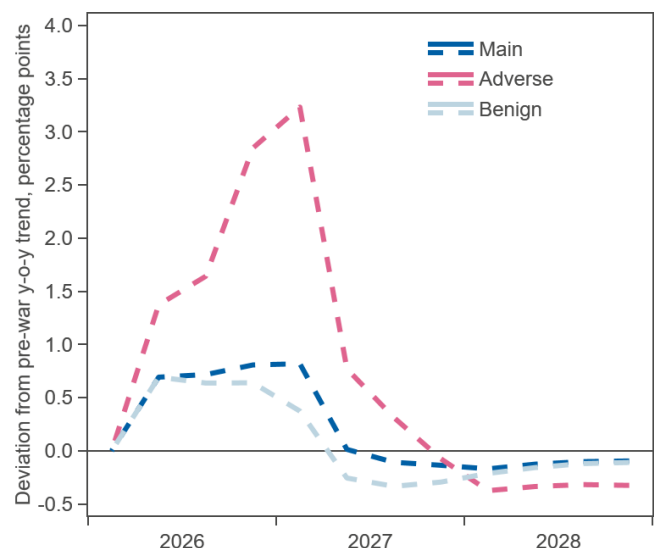
Substantial hit in adverse scenario: inflation peaks at more than 2 percentage points above the main scenario

Middle East impact on global GDP by scenario



Sources: Macrobond and Handelsbanken

Middle East impact on global inflation by scenario



Sources: Macrobond and Handelsbanken

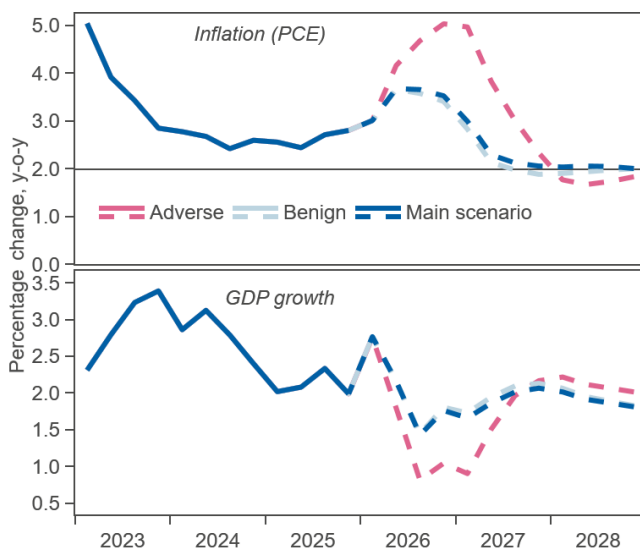
US and eurozone: different preconditions, similar impact

The US and the eurozone face very different preconditions in terms of absorbing an energy price shock. The US is a large producer and net exporter of energy, whereas the eurozone is a net importer with relatively high reliance on oil and natural gas. However, absent a severe physical energy crisis – whereby net exporters prioritise domestic needs by means of export restrictions – the macroeconomic impact mainly manifests through the price channel. This channel is inherently global for oil, while natural gas prices have remained largely insulated in the US. In our scenario analysis, we assume that the oil price channel dominates. For the US, the main upside comes through improved margins rather than a material boost to real GDP through higher production, given limited near-term supply responsiveness. As a result, the macroeconomic impact is broadly similar across the two economies.

Similar impact: barring a severe physical energy crisis, the macroeconomic impact mainly operates through the price channel

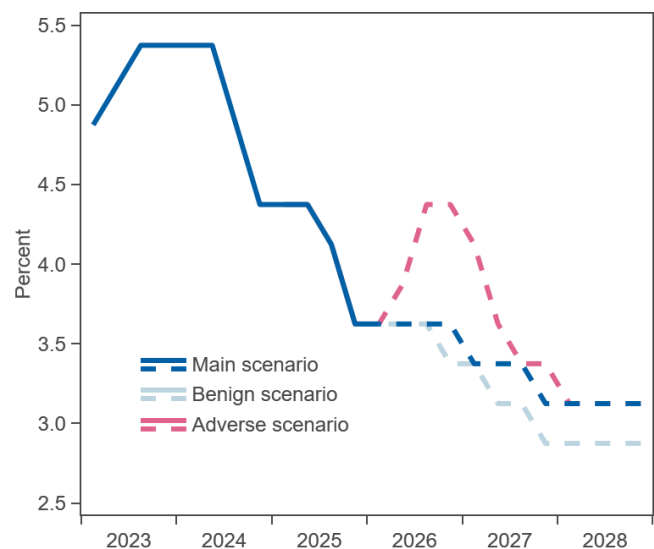
In the benign scenario, the economic outcome is only slightly better than in the main scenario in both the US and the eurozone. In the adverse scenario, GDP bottoms out around ¾ of a percent below the main scenario in both economies, followed by a gradual recovery bringing GDP close to, albeit still below, the main scenario forecast. Inflation peaks at close to 5 percent around year-end in both economies before receding relatively quickly over the course of the year, reaching the target towards the end of the year.

US – GDP and inflation



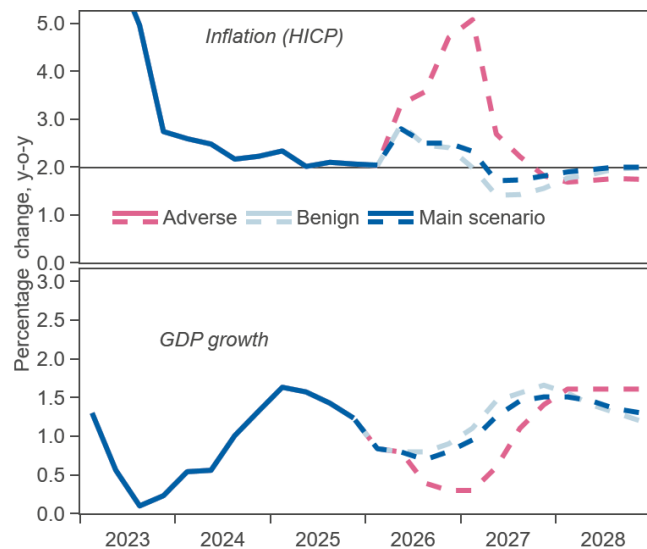
Sources: Macrobond and Handelsbanken

Fed policy rate



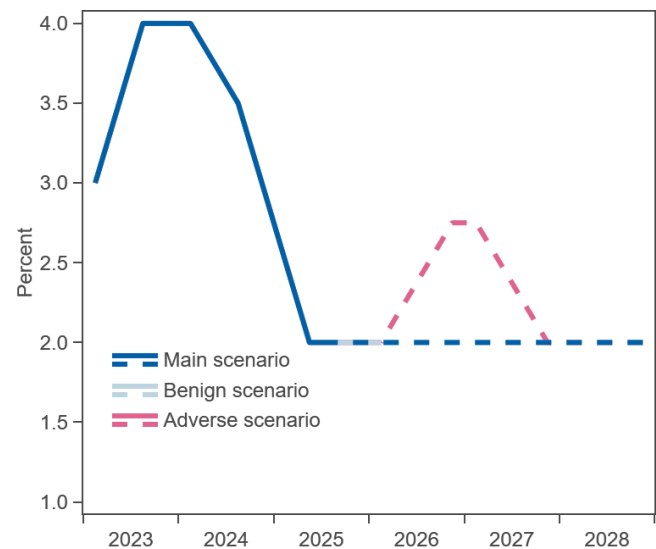
Sources: Fed, Macrobond and Handelsbanken

Eurozone – GDP and inflation



Sources: Eurostat, Macrobond and Handelsbanken

ECB policy rate



Sources: ECB, Macrobond and Handelsbanken

The Fed and ECB respond in broadly synchronised fashion, each delivering three rate hikes before year-end to contain second-round inflation effects. As oil prices retreat and energy inflation eases, the tightening cycle gives way to easing – with the Fed cutting rates first at the start of next year, followed by the ECB before mid-year. Weakening activity and continued disinflation justify four cuts by the Fed and three by the ECB over the course of next year, leaving the Fed funds rate at 2.75–3.00 percent and the ECB deposit rate at 2.0 percent.

A more severe scenario cannot be ruled out

Our adverse scenario is not a worst case in terms of oil prices or in the extent of pass-through to activity and inflation. A further escalation involving physical supply destruction or a more prolonged disruption could instead push the global economy into a severe stagflationary outcome, combining persistently high inflation with a global recession, as energy shortages lead to soaring prices and forced production shutdowns.

While such a severe and prolonged oil price shock cannot be ruled out, it would be in no one’s interest. All parties – including major global actors not directly involved in the conflict – therefore have strong incentives to avoid such an outcome. Even so, policy missteps, a de-anchoring of inflation expectations, or a sharp loss of confidence could still trigger a negative feedback loop for the global economy.

Lastly, the risks extend well beyond energy markets. A particularly serious risk in the event of a prolonged closure of the Strait of Hormuz relates to food production – especially for lower-income countries. FAO estimates that between 20 and 45 percent of key agricultural inputs typically transit the strait and, unlike oil, there are no coordinated strategic reserves of fertilisers. Fertiliser prices have already risen sharply. FAO assesses that the impact of a disruption of up to one month would remain contained but warns that pressure will intensify in May, as farmers make critical decisions on planting choices and land allocation for 2026 and beyond based on the outlook for fertiliser availability and energy costs. A prolonged disruption could therefore translate into lower crop yields later this year and into 2027 – with elevated food commodity prices and persistently higher retail food inflation likely to follow in the coming years.

Adverse scenario is not the worst case: a more severe and prolonged oil price shock cannot be ruled out

Food production is a particularly serious risk in a scenario with prolonged closure of the Strait of Hormuz

Eurozone

Resilience amid temporary challenges

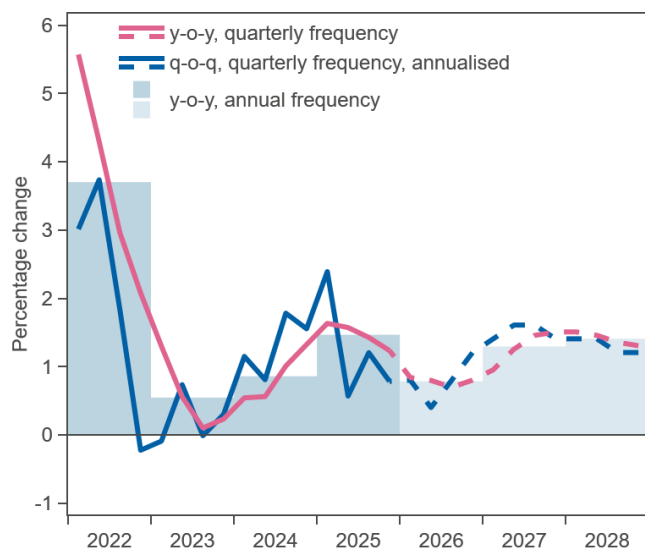
The Middle East energy shock is leaving a clear but temporary mark on the eurozone outlook. Higher inflation is already eroding purchasing power, and renewed uncertainty is weighing on household demand, delaying, but not derailing, the gradual recovery that was underway before the crisis. Households retain the balance sheet capacity to support a resumption of growth as the conflict eases and energy prices recede. Slowing activity and a modest rise in unemployment limits the risk of any significant second-round wage effects. With inflation set to recede as the energy shock fades and activity gradually recovering, the ECB is under no pressure to act in either direction.

Growth delayed, not derailed

We expect the energy shock to delay, but not derail, the gradual improvement in growth momentum. Growth in 2026 was already set to be modest following the unwinding of tariff-related frontloading, meaning the shock is prolonging an existing soft patch rather than interrupting a robust expansion. We project eurozone GDP to expand by just 0.8 percent this year – well below potential growth of around 1.2 percent – before recovering to 1.3 percent in 2027 and 1.4 percent in 2028, leaving resource utilisation broadly close to balance by the end of our forecast horizon.

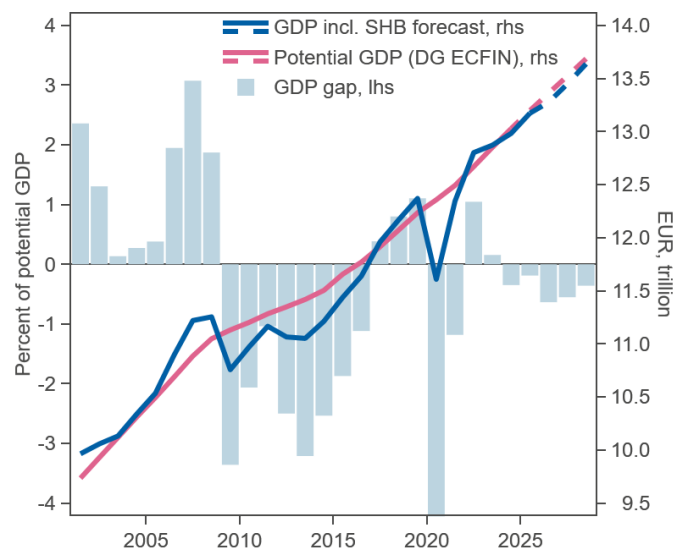
Growth momentum delayed in 2026, rebounds in 2027

GDP growth



Sources: Eurostat, Macrobond and Handelsbanken

GDP level and GDP gap



Sources: DG ECFIN, Eurostat, Macrobond and Handelsbanken

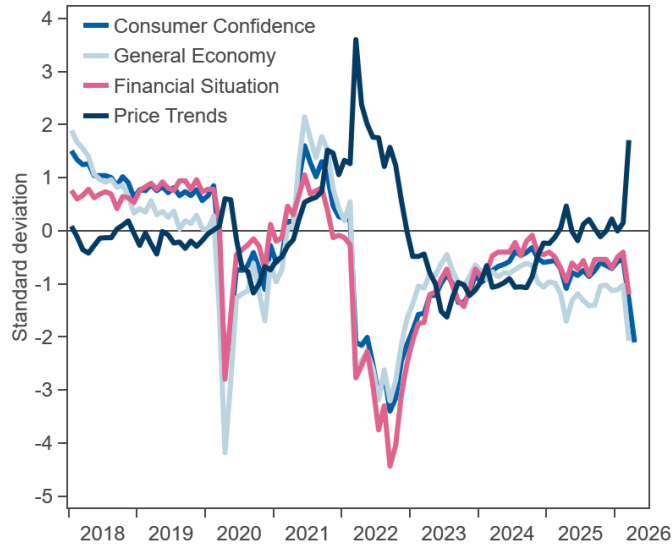
Prior to the Middle East energy shock, the gradually improving momentum was supported by household demand and the fiscal stimulus package in Germany, and we expect these drivers to remain broadly intact. With a near-term stabilisation, the Middle East war should have limited durable impact on eurozone household finances, policy rate hikes can likely be avoided, and the labour market outlook remains broadly solid. That said, higher inflation is eroding purchasing power, and renewed uncertainty is making households less willing to draw down on their already elevated savings – dampening what should have been a key engine of stronger growth.

With a near-term stabilisation, the Middle East war should have limited durable impact on household finances

The impact on sentiment has been immediate, signalling that households and companies are sensitive to renewed supply shocks. Purchasing managers signal markedly higher price increases and lengthening delivery times, consistent with supply chain stress, and falling service sector activity clouds resilience in manufacturing activity. Household inflation expectations jumped sharply in March, while the hit to sentiment was reflected by sharp declines in forward-looking assessments of the broader economy and personal finances. The April flash estimate of consumer confidence deteriorated further in April, matching the lows recorded during the global financial crisis and the eurozone debt crisis. Overall, sentiment indicators send a clear signal of rising cost pressures and deteriorating domestic demand.

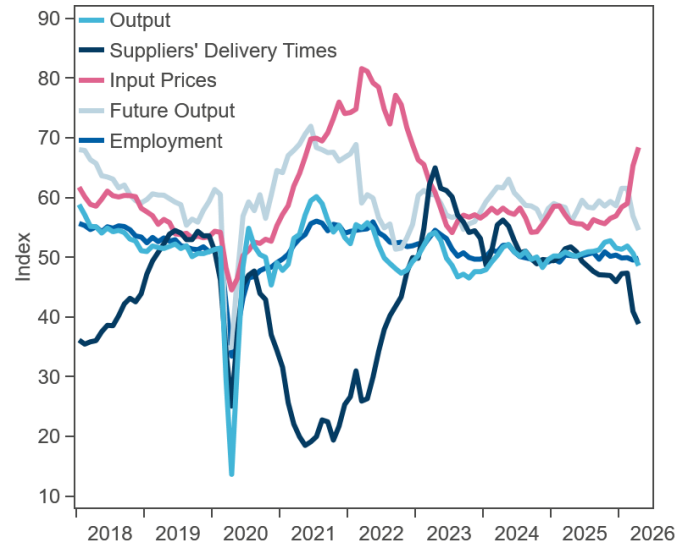
The energy shock has already left a significant mark on price expectations and sentiment

Consumer confidence



Sources: EU Commission, Macrobond and Handelsbanken
 Note: Sub-indexes refer to expectations over the next 12 months

Eurozone PMI



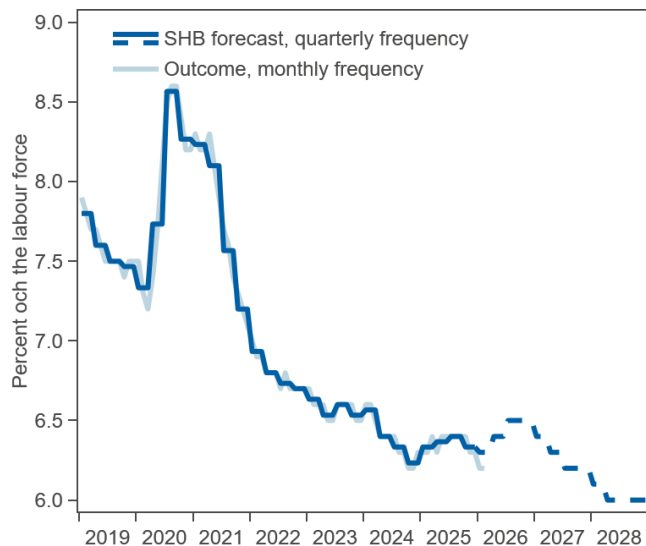
Sources: S&P Global, Macrobond and Handelsbanken
 Note: Composite index for all components but suppliers' delivery times, which refer to manufacturing

Structural constraints cap growth

Beyond 2026, the principal constraints on growth are structural, limiting the scope for a pronounced cyclical upswing even as the energy shock unwinds and sentiment recovers. Subdued productivity growth and slowing labour force expansion have long constrained the eurozone's potential, and the current crisis has thrown an additional structural vulnerability into sharp relief: Europe's dependence on relatively expensive energy, with persistently high electricity costs weighing on industrial competitiveness. This compounds existing concerns that Europe is failing to capture a meaningful share of the AI-driven productivity boost reshaping other advanced economies. External headwinds add further drag, with eurozone exporters – Germany's in particular – facing the dual pressure of higher US tariffs and intensifying competition from China.

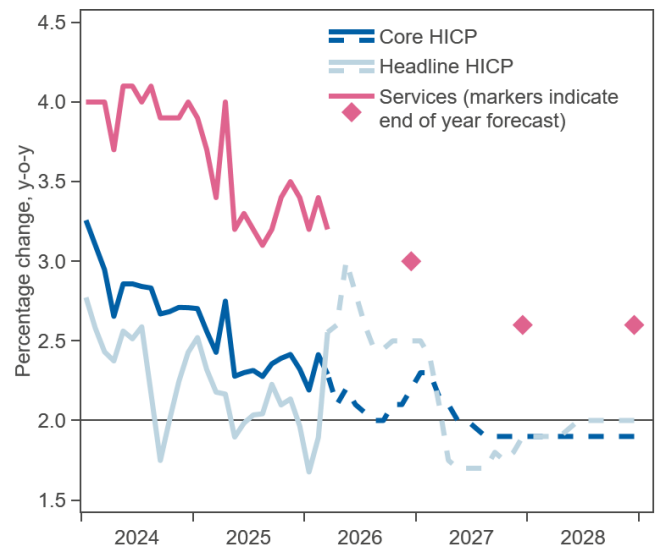
Structural headwinds include productivity, labour supply, and energy costs

Unemployment forecast



Sources: Eurostat, Macrobond and Handelsbanken

Inflation forecast



Sources: Eurostat, Macrobond and Handelsbanken

The labour market remains resilient

The structural challenges are significant and well-documented. Yet the eurozone has also demonstrated notable resilience to successive shocks in recent years, with unemployment having fallen to record lows in the aftermath of the inflation crisis. We expect employment to prove relatively resilient provided that the energy shock remains temporary. However, elevated energy costs further compress the margins, limiting the space for companies to absorb higher unit labour costs through labour hoarding. Faced with subdued demand limiting pricing power, firms are increasingly left with the harder choice of reducing headcount or hours worked. We therefore expect a small rise in unemployment, albeit only temporary and from a historically low base.

We expect a modest and temporary rise in unemployment from a low base

Temporary impact of the energy shock on inflation

The direct inflationary impact of the energy shock is unavoidable. This was confirmed by the March HICP print, where rising pump prices drove a sharp jump in energy inflation, and the print is set to rise further in April as the full pass-through of higher oil prices materialises. Indirect effects via global supply chains are also emerging, already signalled by PMI input price indices. However, with oil and gas prices having peaked, and a gradual decline embedded in the futures curve, we expect the direct inflationary impulse to be temporary and the indirect effect to remain modest.

With gradually easing oil and gas prices, the inflationary effects of should be temporary

Somewhat weaker activity, even against a backdrop of still-tight labour markets, also limits second-round effects through wages. Overall, our forecast implies headline inflation peaks in Q2 2026 before falling back sharply in Q2 2027, as the currently elevated energy prices become the base for year-on-year comparisons. Beyond the immediate energy shock, strong global competition – particularly from Chinese exporters – exerts persistent downward pressure on eurozone goods prices and manufacturing labour costs. The key pillar of our core inflation forecast, however, remains further easing of services inflation, which largely hinges on labour cost dynamics. In this respect, the ECB wage tracker continues to point to moderating negotiated wage growth in 2026.

Our inflation forecast is predicated on a continued easing of services inflation, as evidenced by labour cost indicators

ECB remains on the sidelines

We expect the ECB to remain on hold until the end of 2028, the horizon for our forecast. As with most central banks, the stagflationary nature of the shock limits scope for easing without risking an adverse inflation outcome. But the hold primarily reflects the ECB being in a comfortable position rather than a constrained one. In the near term, there is little need for rate hikes: the post-2022 disinflation process is in its final phase and inflation expectations remain well anchored. As the energy shock fades, an unchanged policy rate is justified by inflation returning to target against a backdrop of activity broadly near potential and unemployment remaining low, leaving the ECB with no material policy trade-off to resolve.

Beyond the near-term energy shock, the ECB has no material policy trade-off to resolve

Norway

Inflationary pressures must be addressed

Norges Bank faces a significant inflation challenge that predates the conflict in the Middle East. Even before the conflict, there were clear signs that price growth remained elevated, broad-based, and persistent. Without a firm monetary response, core inflation could drift even further away from target. This has necessitated a sharp shift in the monetary policy stance. At its March meeting, Norges Bank signalled its readiness to act: the policy rate could be raised at any of the upcoming meetings, and the Bank now points to one to two rate hikes over the course of the year. In our view, Norges Bank has little choice but to follow through. We expect the policy rate to be raised in Q2 and Q3 this year, bringing it back to 4.50 percent.

A persistent inflation challenge

Norges Bank is facing a significant inflation challenge, and we therefore raise our policy rate projections markedly in this report. We now expect the policy rate to be increased in both Q2 and Q3 this year, bringing it back to 4.50 percent, before gradually declining to 4.00 percent over the course of 2027 and 2028. The background is twofold. First, inflation at the start of the year was clearly higher than expected, even before the US and Israel launched their attack on Iran. Second, the conflict in the Middle East will contribute to higher global inflation, at least in the short run, with spillover effects in Norway.

Norges Bank to bring its key policy rate back to 4.50 percent

The problems started well before the conflict

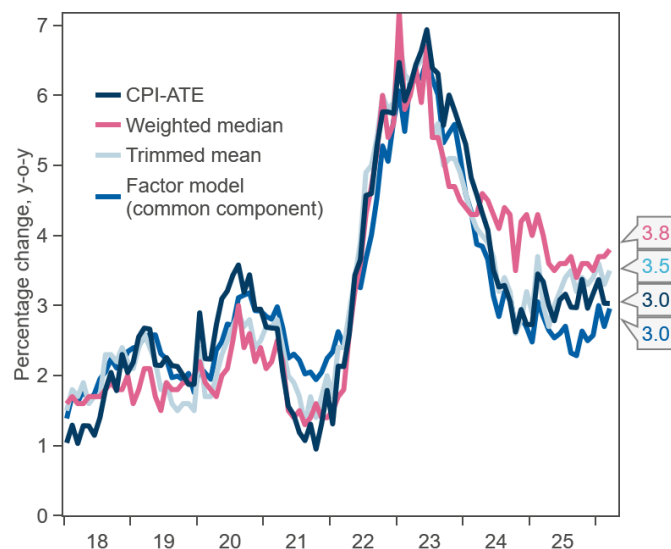
We analyse this in two steps. First, we assess the information content of inflation data prior to the outbreak of war, the underlying drivers, and how these drivers in isolation are likely to affect future domestic inflation. We then adjust our projections to account for the expected global inflationary impact from higher energy, commodity, and transport prices. A key insight is that core inflation in Norway had already begun to show signs of turning upward in the months preceding the outbreak of the conflict. A broad range of indicators for underlying inflation point in the same direction: the decline in core inflation has stalled and, if anything, appears to have reversed.

Underlying price pressures were building even before the conflict in the Middle East

There are also methods to measure not only the breadth of price growth but also its persistence – that is, how durable the increase in prices is. Our calculations show that the persistent component of inflation has remained elevated in recent years (since 2022–23), albeit somewhat below its peak. These estimates point to a consistent conclusion: underlying inflation is broad-based and clearly above target, while the common, persistent inflation impulse has remained elevated long after the most direct shocks have faded.

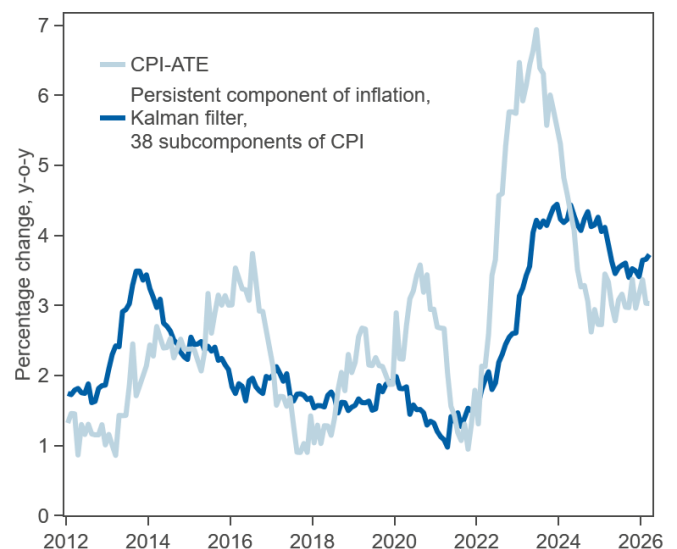
Underlying inflation is broad-based and clearly above target

Core inflation, different measures



Sources: Macrobond and Handelsbanken

CPI-ATE and persistent inflation



Sources: Macrobond and Handelsbanken

Inflation forecasts lifted materially

Regarding the more direct effects of the conflict in the Middle East, the Norwegian Technical Calculation Committee for Wage Settlements (TBU) published its latest CPI estimate on 13 March, one month after its previous projection and shortly after the outbreak of the war at the end of February. The latest TBU estimate pointed to headline inflation of 3.2 percent this year and core inflation of 3.1 percent. By comparison, Norges Bank expects headline inflation of 3.4 percent and core inflation of 3.3 percent, based on information available up to 20 March.

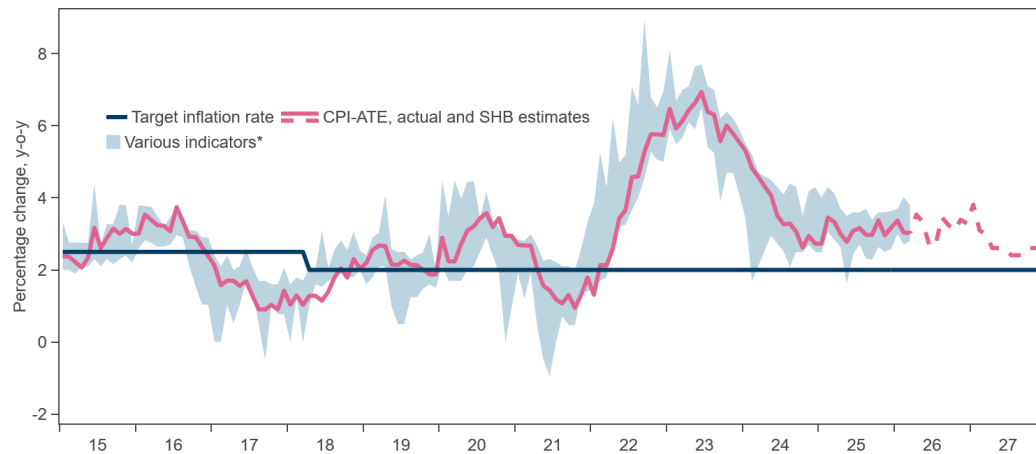
At the same time, developments in both oil prices and the exchange rate since the publication of the TBU and Norges Bank forecasts must be taken into account. We also adjust for the Norwegian Parliament’s decision to reduce fuel taxes from 1 April to 1 September. All in all, we now estimate that CPI will increase by 3.0 percent this year, while CPI-ATE will rise by 3.2 percent.

Furthermore, it is important to distinguish between the short- and medium-term effects of an oil price shock. In the short term, higher energy and commodity prices will push inflation higher. At the same time, a real appreciation of the Norwegian krone may dampen imported inflation. However, higher oil prices will keep inflation elevated over time.

In Norges Bank’s macroeconomic model, NEMO, an oil price shock (in isolation) has an expansionary effect on the Norwegian economy, partly through increased activity in the oil and supplier industries. This gradually raises domestic cost pressures, leading to higher overall inflation as activity and wage effects feed through.

Overall, we raise our inflation projections significantly for the next two years.

CPI-ATE, actual and expected



Sources: Macrobond and Handelsbanken

Note: Trimmed mean, weighted median, factor model (common component), seasonally adjusted annual rate (CPI-ATE), three- and six-month moving average

The conflict in the Middle East may add to inflationary pressures

We lift our estimates for the CPI-ATE markedly

Norway benefits from higher oil prices

The starting point before the war was a well-balanced Norwegian economy. Mainland GDP increased by 1.8 percent last year, broadly in line with trend growth. Contacts in the Regional Network, whose latest report was largely collected prior to the war, also expected only minor changes in growth going forward – if anything, slightly stronger growth than in the previous round (December). According to these contacts, capacity utilisation has remained close to normal levels, although it has eased somewhat.

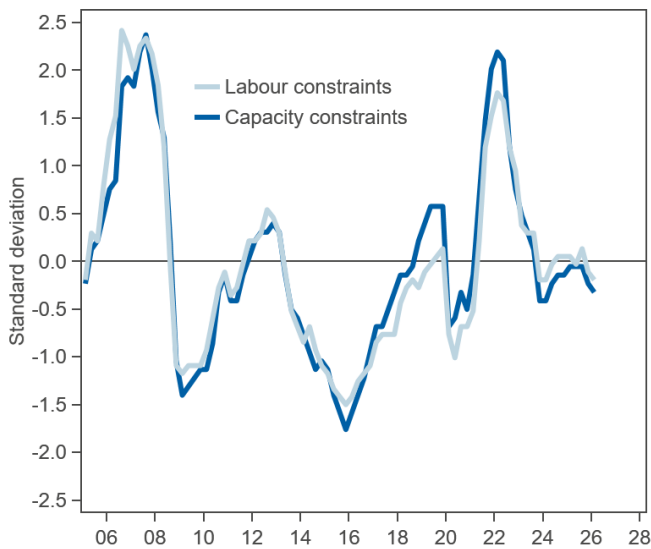
What, then, are the consequences of the conflict and rising energy prices? On the one hand, higher inflation will dampen household purchasing power. On the other hand, households are shielded from some of the effects, for example through electricity price support schemes and the temporary reduction in fuel taxes. Increased profitability in energy-related sectors will also support wage growth and, in turn, purchasing power.

On the margin, the Norwegian economy benefits from the conflict in the Middle East

Excluding the supplier industry, however, more traditional export sectors will be affected by weaker external demand and a stronger Norwegian krone. Overall, the net effect of higher oil prices is still expected to be somewhat positive for the Norwegian economy, consistent with simulations in the NEMO model.

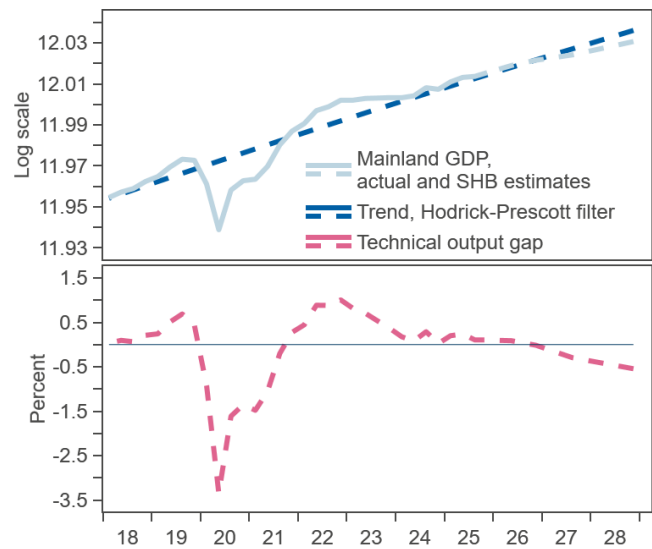
It may thus seem counterintuitive that we cut our GDP growth projections. However, this reflects strong underlying inflationary pressures, which are further amplified by higher energy prices. As a result, monetary policy must be tightened significantly to bring inflation back under control.

Capacity utilisation



Sources: Macrobond and Handelsbanken

Mainland GDP, actual and expected



Sources: Macrobond and Handelsbanken

Norges Bank to hike its key policy rate back to 4.50 percent

According to Norges Bank’s own analysis, both inflation and activity (the output gap) would have been stronger had it maintained the December rate path, which indicated one to two rate cuts this year. Given already elevated inflation, global inflation risks, and the expansionary effects of higher energy prices, monetary policy needs to be tightened significantly.

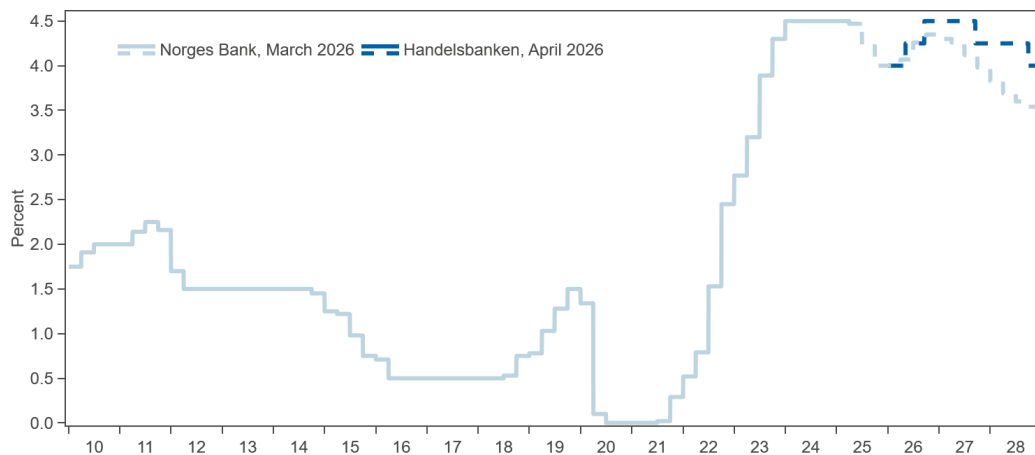
Norges Bank will have to address the strong inflationary pressures

Following the high inflation readings early in the year, we have already abandoned expectations of rate cuts, with risks now tilted towards rate hikes. The conflict in the Middle East has further strengthened the upward pressure on the rate path.

Norges Bank ultimately kept the policy rate unchanged, but the minutes indicate that a rate hike was discussed, with some members arguing for an immediate increase. The Committee nevertheless opted to hold rates unchanged at that meeting. At the same time, the rate path was revised sharply upward and now signals one to two rate hikes this year, with guidance suggesting that a hike could come at one of the upcoming meetings.

The upward revision was broadly in line with our expectations, and we assume that Norges Bank will follow through. We expect the policy rate to be raised to 4.25 percent in Q2 and further to 4.50 percent in Q3. Thereafter, we expect only a gradual decline to 4.00 percent over the course of 2027 and 2028.

Norges Bank's key policy rate path



Sources: Macrobond and Handelsbanken

The outlook for the Norwegian krone

The Norwegian krone has increasingly behaved like a global “macro asset”, driven by risk sentiment, commodity prices, and energy exposure. A strong global risk appetite and rising energy prices have supported the currency, while improved terms of trade have made NOK relatively more attractive. However, this support is partly supply-driven and therefore less robust. Norway’s role as an energy exporter further amplifies this dynamic: higher energy prices boost income and strengthen the krone, but also increase its dependence on persistently elevated energy prices.

We foresee the EUR/NOK at 11.00 over the next three to six months

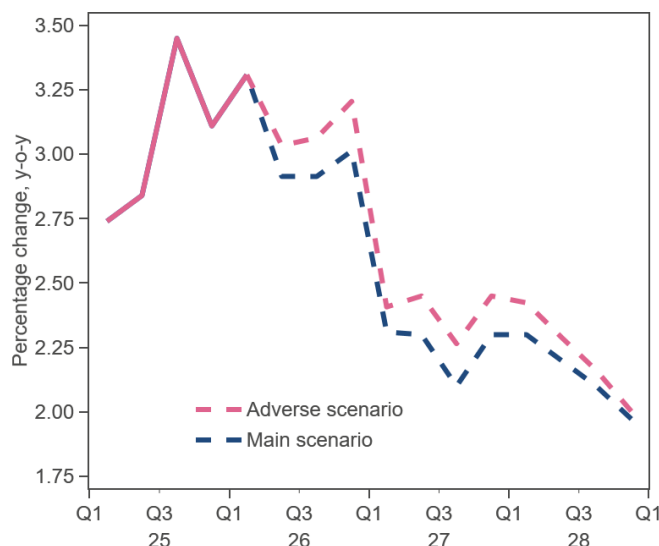
Alternative scenarios for activity, inflation and interest rates

In this report, we also analyse alternative paths for oil prices (see theme article: *Hormuz uncertainty – downside risks dominate*). In a benign scenario, in which oil prices develop more weakly than in the baseline, the differences are limited. This reflects the fact that Norges Bank was already facing a substantial inflation challenge before the conflict materialised, implying that rates would have to rise in any case.

The policy rate could be hiked to 4.75 percent if oil prices surprise on the upside

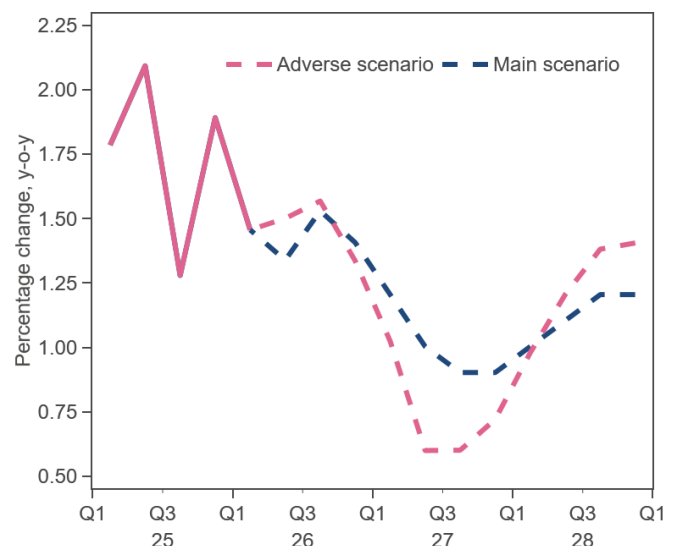
However, in an adverse scenario whereby oil prices increase significantly more than expected, Norges Bank would need to tighten further and would likely raise the policy rate to around 4.75 percent during the autumn. This would result in a sharper real tightening, with interest rates rising even more relative to expected inflation. In turn, this would dampen activity more markedly – despite the initial positive impulse from higher oil prices – compared with the baseline scenario. In the figures below, we simulate the effects on inflation, GDP growth, and the policy rate, comparing the baseline with an adverse scenario in which oil prices rise more than expected.

Inflation, under various assumptions



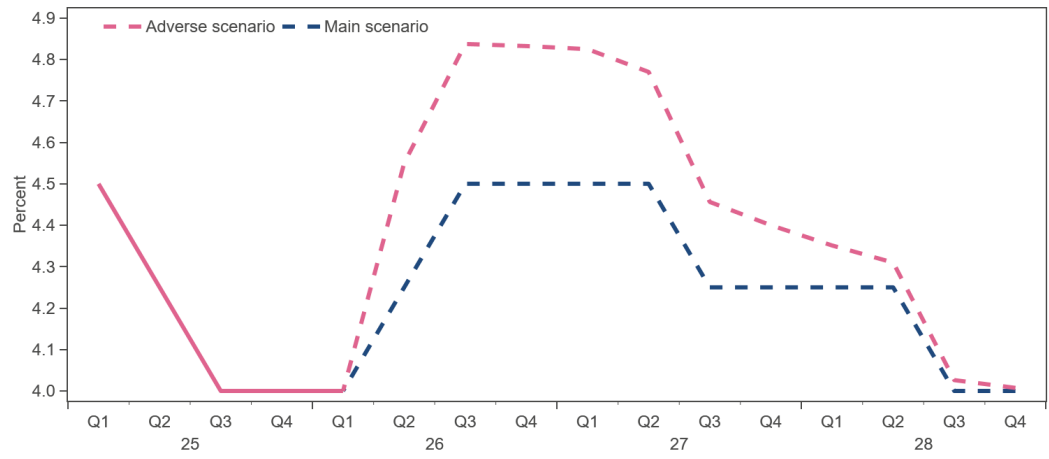
Sources: Macrobond and Handelsbanken

Mainland GDP, under various assumptions



Sources: Macrobond and Handelsbanken

Key policy rate, under various assumptions



Sources: Macrobond and Handelsbanken

Sweden

Temporary setback - recovery resumes later this year

Higher energy prices and increased uncertainty in the wake of the war in the Middle East are weighing on near-term growth. We expect there to be a pause in the recovery in the first half of 2026, but economic activity should pick up again in the second half of the year as uncertainty eases and households' purchasing power strengthens. Taxes and subsidies drag down inflation, but underlying inflation is also weak. We therefore assess that the Riksbank will leave the policy rate unchanged at 1.75 percent this year.

The war in the Middle East is hampering near-term growth

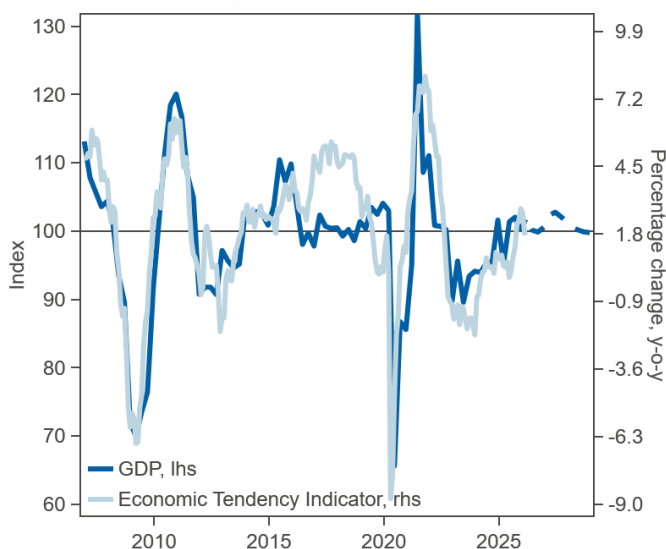
Last year, the Swedish economy began to recover, driven by stronger domestic demand, with rising real disposable income and lower interest rates contributing to an upturn in household consumption. Government consumption and investments have also been strong, largely driven by the defence build-up. At the beginning of this year, however, the recovery had a setback even before the war in the Middle East broke out. Statistics Sweden's indicators for GDP and household consumption pointed to weaker economic activity in January and February, probably partly as a result of high electricity prices. At the same time, sentiment in the business sector has weakened somewhat in recent months, and households remain pessimistic about their personal finances, according to the NIER's Economic Tendency Survey.

The recovery suffered a setback even before the war in the Middle East broke out

The war in the Middle East will have a dampening effect on the Swedish economy in the near term, primarily due to an increase in inflation, as higher energy prices reduce households' purchasing power and increase companies' production costs. In addition, we expect the increased risk of a scenario of sharply rising inflation and higher interest rates to somewhat dampen the willingness of businesses to invest and households to consume in the near term. However, in our main scenario we expect the macroeconomic effects to be quite limited and believe the recovery will resume in the second half of this year. The deterioration in households' purchasing power caused by higher energy prices is dampened by the fact that underlying inflation has been unexpectedly low in the first months of the year. In addition, we expect the low underlying inflation to contribute to the Riksbank leaving the policy rate unchanged this year, which should also enable a gradual easing of interest rate uncertainty for households and businesses. Overall, we expect GDP growth to land at 2.1 percent this year, down 0.6 percentage points compared with our January forecast.

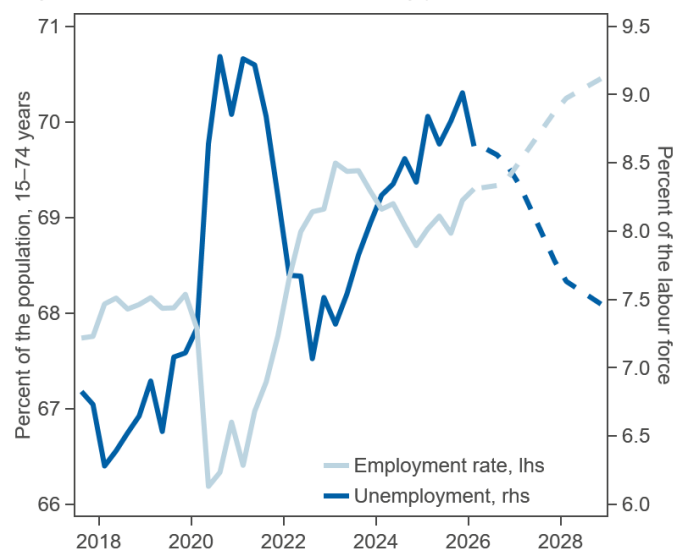
Higher energy prices and increased uncertainty are hampering near-term growth

GDP and NIER survey



Sources: Macrobond, NIER, Statistics Sweden and Handelsbanken

Higher labour demand in the coming years



Sources: Macrobond, Statistics Sweden and Handelsbanken

Growth to pick up later this year

We expect growth to pick up in the second half of this year as the fuel price shock and uncertainty subside. Rising real wages, combined with tax cuts and a gradually stronger labour market, will strengthen households' purchasing power, and we hence expect household consumption to increase at a solid pace, in line with real incomes in the coming year, with the household saving ratio remaining historically high. The military rearmament will also lead to an increase in public consumption and investment in combination with expanded production in the defence industry. At the same time, resource utilisation in the Swedish economy is low, which means that growth can be high without inflation accelerating or there being a shortage of labour. All in all, we expect GDP to increase by 2.5 percent in 2027 and thereafter slow down as resource utilisation normalises and both monetary and fiscal policy become broadly neutral.

Fundamentally favourable conditions for a continued recovery once the fuel price shock and uncertainty subside

Gradually improving labour market over the coming year

The labour market has started to improve, with rising employment and unemployment decreasing slightly. Forward-looking indicators point to continued employment growth in the near term. For example, employment plans are at a level that signals that employment will continue to increase somewhat in the coming months, although it fell back slightly at the beginning of this year. However, the setback in the economic recovery will also mute labour demand in the near term. Overall, we expect unemployment to be broadly unchanged in the coming months. As the growth outlook improves later this year, this will also be reflected in the labour market, with rising employment and lower unemployment. There are currently many people who want to and can work, but who do not have a job, as well as people who want to work more than they do today. We therefore expect that it will take until 2028 before the resource utilisation in the labour market gets back to normal.

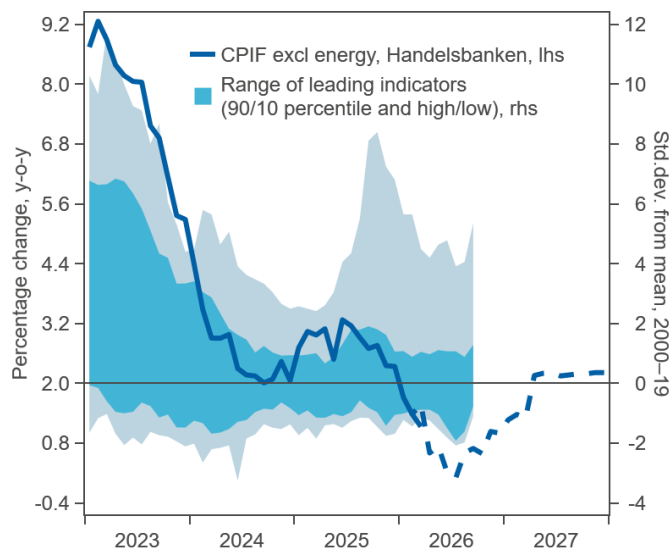
Weaker economic activity will dampen labour demand in the near term

Inflation is bottoming out but remains shackled

Underlying inflation continued to surprise on the downside in recent months, a tendency accentuated by a record price cut by the dominant dairy product supplier, Arla. An electricity price spike in January–February made headline CPIF inflation print higher than expected, only for it to land on the low side of the Riksbank's 2-percent target in March – at 1.6 percent to be exact – despite Middle East war-driven fuel price rises. However, part of the decline has been caused by increased subsidies and lowered taxes in 2026, implying that CPIF inflation excluding these effects was 1.9 percent. The wedge between headline inflation and the adjusted measure is set to explode with the April CPI report, when the food VAT cut lowers headline inflation by another 0.7 pp.

Taxes and subsidies drag down inflation, but the underlying trend is also surprisingly weak

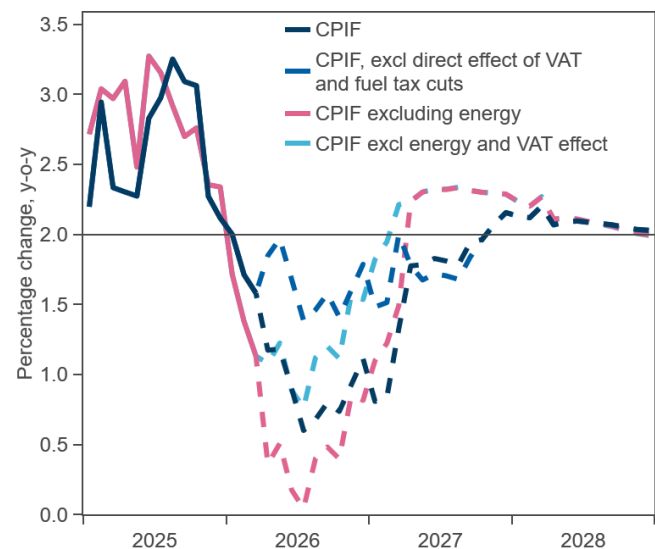
Leading indicators pick up but remain close to normal



Sources: Macrobond and Handelsbanken

Note: Arbitrary six-month lag applied to all indicators. By setting indicator value 0 equal to inflation of 2 percent, this graph assumes average inflation of 2 percent can be achieved. The pre-pandemic average was 1.4 percent.

Inflation excl. energy and effect of VAT and fuel tax cuts



Sources: Macrobond, Statistics Sweden and Handelsbanken

Looking ahead, inflation momentum is picking up again. The commodity price rises from the Middle East war are rippling through the economy, with some pass-through to producer and wholesale prices, and all the way to the Swedish consumer. After some krona depreciation since the start of 2026, we expect the trend appreciation to resume but to be more gradual than in 2025, with the disinflationary impact on consumer prices fading from mid-2026. Companies' pricing plans are mostly rising (with a notable exception of the retail sub-sector affected by the food VAT cut). In 2027, we expect demand in the economy to have picked up pace and pricing power to have improved, but energy prices to be in decline by then. All told, we forecast it will take time for CPIF inflation to return to the Riksbank's target (H2 2027), while underlying inflation reaches slightly above 2 percent earlier (see graph below).

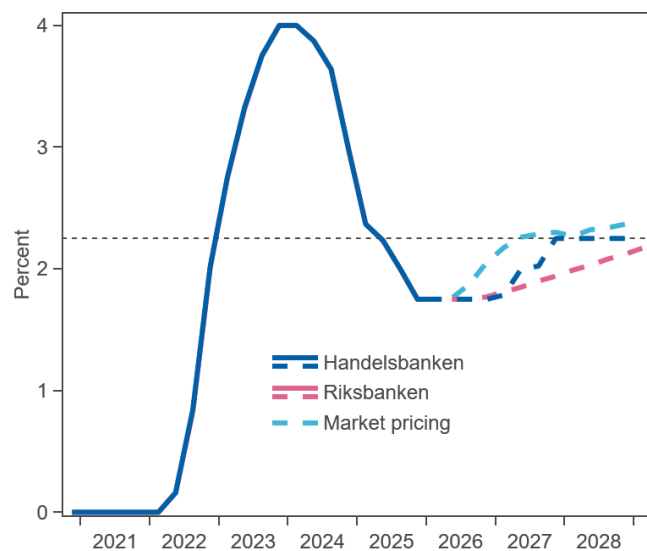
Inflation momentum to bottom out soon, but it will take time for CPIF inflation to reach the Riksbank's target

With inflation in check, the Riksbank leaves the policy rate unchanged

Given that underlying inflationary pressures are low and economic activity weak, we assess that the Riksbank will leave the policy rate unchanged at 1.75 percent this year. If oil prices fall back in line with our main scenario, we expect the indirect effects of the higher oil price increase to be small, and we do not see any risk of a price and wage spiral. Nonetheless, the Riksbank needs to be on its toes and prepared to act if inflationary pressures increase significantly. Over the course of 2027, we expect the Riksbank to gradually raise the policy rate to 2.25 percent as underlying inflationary pressures edge upwards and the economic situation improves. The krona has weakened since the outbreak of war, but we still see potential for a stronger krona going forward.

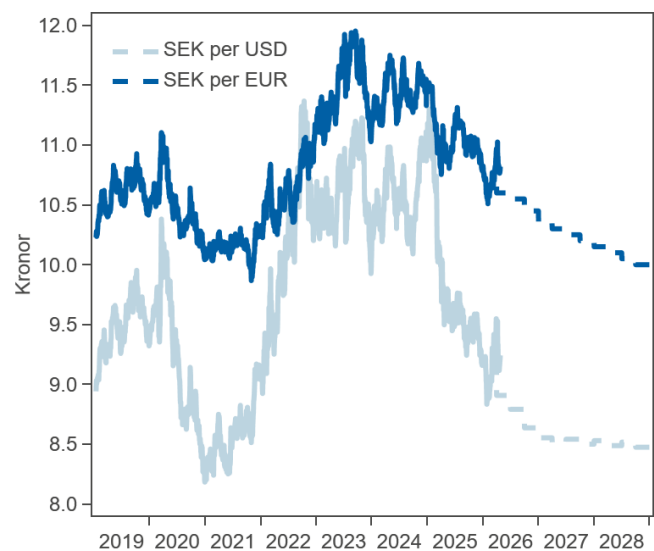
Policy rate unchanged at 1.75 percent this year

The policy rate



Sources: Macrobond, Riksbank and Handelsbanken

Stronger krona going forward



Sources: Macrobond and Handelsbanken

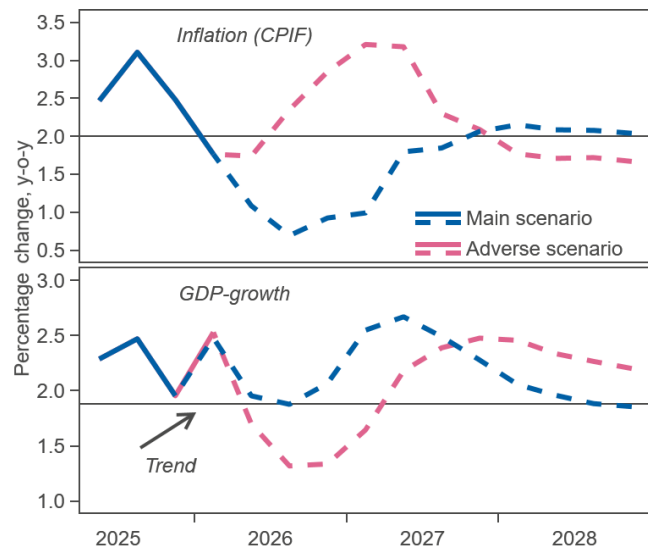
Adverse scenario - the Riksbank hikes rates due to higher oil prices

In the theme article *Hormuz uncertainty – downside risks dominate* we analyse alternative paths for oil prices. In the adverse scenario with higher oil prices, CPIF inflation rises to just over 3 percent at the end of 2026 as a result of higher energy prices, increased production costs in the wake of supply constraints and cost increases, and a weaker krona. The rise in inflation is dampened by the fact that we expect the government to reduce petrol and diesel taxes by SEK 3 per litre for five months, in line with the application the government has submitted to the European Commission. In light of the higher inflationary pressures, the Riksbank will begin a series of interest rate hikes during the summer that will continue in the autumn. We expect the policy rate to peak at 2.50 percent at the end of 2026 in our adverse scenario. Higher inflation and rising interest rates weigh on household consumption, corporate investment and exports. Overall, in this scenario, the economic situation would weaken this year, with subdued growth and unemployment rising slightly.

Riksbank hikes to 2.50 percent in an alternative scenario with higher oil prices

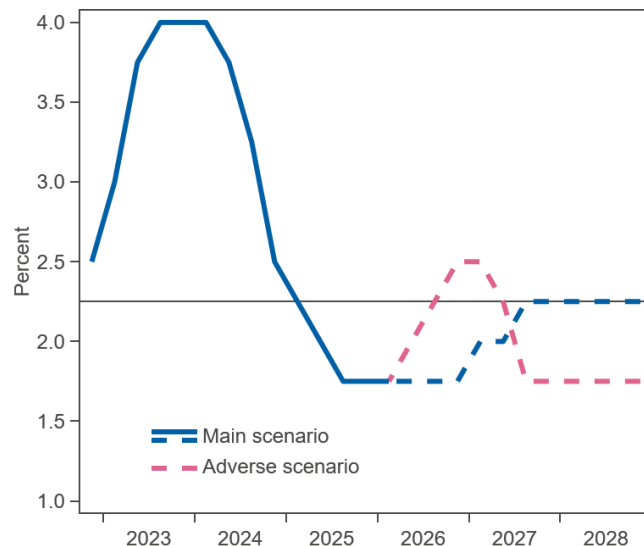
As the conflict in the Middle East subsides and oil prices fall back, inflationary pressures fade and a weaker economy contributes to inflation declining next year. In our adverse scenario, the lower inflationary pressures make it possible for the Riksbank to cut interest rates and fiscal policy is more expansionary in 2027. More expansionary economic policy and lower inflation also lead to a turnaround in the economy in 2027, but we expect the downturn to be more protracted than in our main scenario.

Inflation and GDP growth, under various assumptions



Sources: Macrobond, Statistics Sweden and Handelsbanken

Policy rate, under various assumptions



Sources: Macrobond, Riksbank, and Handelsbanken

United Kingdom

Subdued growth is as good as it gets

Our outlook for the UK economy, as outlined in our January forecast, was for anaemic growth over the course of 2026 and 2027, driven by cautious consumers and sticky inflation permitting only a slow reduction in interest rates. However, with the onset of a fresh crisis in the Middle East, even this somewhat gloomy forecast is looking too optimistic. An energy-induced inflationary impulse is now certain and second-order effects from continued subdued consumer confidence to the rising cost of government debt and yet more tax increases are set to have an impact even if a peace deal is rapidly reached.

General economic outlook

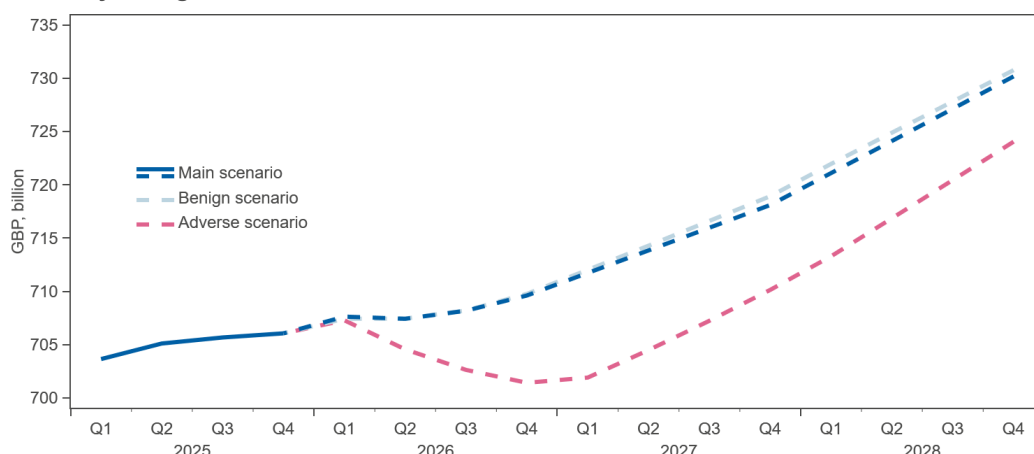
Headwinds ranging from geopolitical uncertainty to energy prices to the government's fiscal position are all conspiring to keep the broad macroeconomic outlook subdued. The key to growth, as always, is consumer expenditure, which accounts for approximately 60 percent of GDP. This, in turn, highlights the importance of consumer confidence, which has been running below its long-term average since the onset of the COVID-19 pandemic in early 2020. There are three major factors underpinning the depressed consumer outlook: persistent inflation, rising taxes, and softening house prices. These issues all form a backdrop against which we put forward our base-case forecast, as well as the more optimistic benign and the more pessimistic adverse scenarios.

Anaemic growth remains a best-case scenario, as consumers choose to save rather than spend

Growth proves elusive

Given the developments in the Middle East and the consequential energy price spike, the scenarios set out in this forecast all come in below those we outlined in January. Our base case assumes the ongoing uncertainty in the Middle East will keep energy prices elevated until mid-year, which leads to consumer spending turning negative in Q2 2026. Since the government is unlikely to be able to lessen the burden of these costs (as has been done during previous energy price spikes) owing to already strained public finances, any government support is likely to be targeted at only the poorest households. We expect government spending to continue to expand by 1.5 percent in 2026 and 1.3 percent in 2027, while we forecast business investment will stall in the spring of this year, but recover to trend (2.2 percent) by early 2028. In our base case, the eventual broader recovery is driven by rising consumer confidence, which triggers consumers to shift from saving to spending.

Quarterly GDP growth forecasts



Slow growth is as good as it gets

Sources: UK Office for National Statistics and Handelsbanken

Economic details

Consumer caution remains

Consumer confidence was already below its long-term average before this latest crisis emerged. The decrease in confidence was driven by residual concerns over inflation, a series of tax increases, concerns around rising unemployment and sagging house prices. The good news is that this gloom has boosted the saving rate, which is now at 9.9 percent, while indebted households and corporates have been paying down their debt. These moves give scope for a sustainable resurgence in consumer spending as and when there is a revival in confidence.

Recent gloom has boosted the saving rate, creating scope for an eventual revival in spending

Creeping sclerosis in the labour market

The UK labour market has undergone considerable change in the past few years. The National Living Wage has risen by 49 percent since 2022, making it one of the highest in the world. Alongside this, there have been rises in employer National Insurance taxes and the government has recently introduced a controversial Employment Rights Act, the thrust of which is to give workers enhanced rights, often from their first day of employment. The Office for Budget Responsibility (OBR) remains confident that these changes will have little effect. Its forecast in the Spring Statement was that unemployment will peak at 5.4 percent in late 2026, and then fall to 4.2 percent by 2029. We do not agree; we forecast that economic growth will be too weak to generate substantial job creation, and thus our base-case forecast sees unemployment rise to 6.4 percent in Q2 2027, before falling modestly to 6.0 percent in late 2028.

Unemployment is set to rise due to the impact of legislation and low growth

Sticky inflation persists

The energy shock we are experiencing underpins inflation rising to 3.9 percent by Q3 2026. Given that the UK imports approximately 44 percent of its energy, and over 50 percent of its oil and gas, the country is particularly exposed to global energy price movements. While energy prices do decline in our base-case scenario, sticky wages prove an impediment to rapidly lowering the overall inflation rate, which only falls to 2.4 percent by the end of 2028. As a backdrop to all of our inflation scenarios, we note that the broad money supply is only seeing modest 3-4 percent growth, a level that does not suggest a strong or sustainable inflationary surge of the sort experienced in 2022 and 2023. That said, over our forecast horizon, none of our scenarios see inflation falling to the Bank of England's 2 percent target.

Sticky wages impede further interest rate cuts

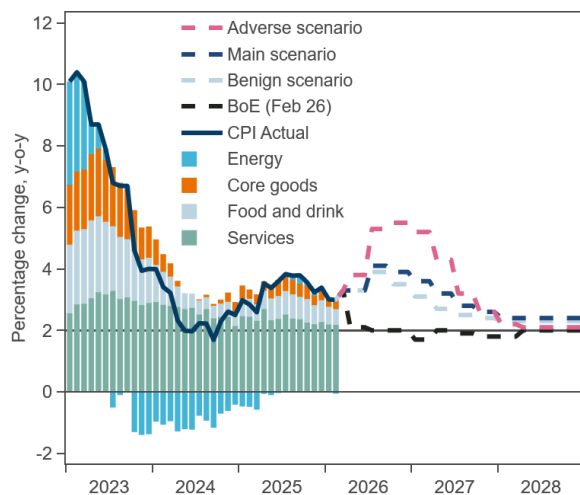
Financials

Interest rate paths remain uncertain

Market expectations of multiple interest rate hikes over the course of 2026 have proven too febrile. While the Bank of England is unlikely to simply look through a spate of energy-induced inflation, it will set this inflationary pressure against a broader economic slowdown, and we forecast that interest rates will rise by 25bp this winter and then be held at a moderately restrictive 4 percent.

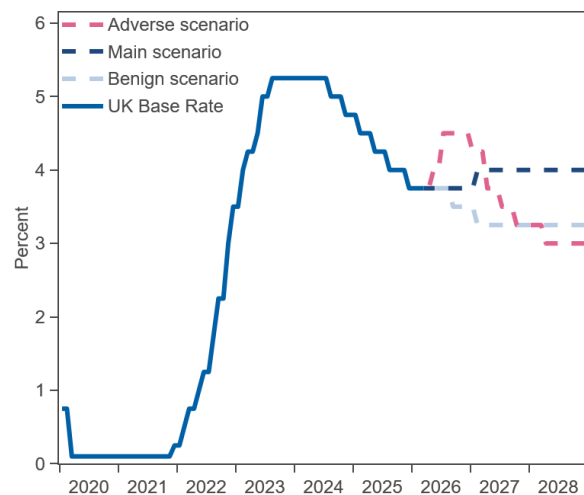
We expect interest rates to rise by 25bp this winter

Inflation forecasts



Sources: Macrobond, Bank of England and Handelsbanken

Base-rate forecasts



Sources: Macrobond, Bank of England and Handelsbanken

Cost of capital remains crucial for government

Under all scenarios, the cost of government financing is a key consideration and there is a fraught three-way balance between unavoidable debt servicing costs, the government's desire to increase welfare spending, and further increases in taxation. Striking the right balance is the key to growth prospects, with debt servicing costs, as always, being the most volatile of these three key elements. This volatility has been made more acute as there is an increasingly narrow and demanding pool of gilt investors^[1]. Our base case sees the two-year gilt continuing to rise, reaching 4.7 percent by the end of 2028, while the ten-year gilt rises to 5.2 percent.

The ten-year gilt still a key figure to watch

Alternative scenarios

Benign

Rapid fading of energy prices allows inflation to peak at 3.9 percent in Q3 2026. An absence of further inflationary impulses and continued easing of earnings growth allows a gradual reduction in inflation to 2.4 percent by the end of 2028. Consumer confidence recovers, underpinned by falling inflation and no further tax increases, encouraging consumers to spend rather than save. Government spending continues to expand at its trend rate (1.5 percent), while business investment recovers to 2.2 percent growth by early 2027. The pace of regulatory change in employment settles down, and as the economy begins to recover based on lower energy prices, companies look to modestly expand employment, with unemployment falling to 5.2 percent over our forecast horizon.

With significant uncertainties in the price of energy, alternative macro scenarios must be considered

Interest rates remain at 3.75 percent into the autumn of 2026, but as energy prices fall, so too does inflation, and a series of 25bp interest rate cuts resumes and by early 2027 interest rates are at 3.25 percent. This level is slightly restrictive and with persistent (albeit mild) inflation, interest rates remain at this level throughout 2028. The two-year gilt peaks at 4.4 percent while the ten-year gilt hits 5.0 percent. This scenario benefits from economic growth reducing pressure on government spending, while moderating inflation keeps investors happy. For currencies, the easing of 'flight to dollar safety' will boost the value of the euro, and to a lesser extent Sterling. This will mean a slight weakening of Sterling against the euro, from 0.87 currently to 0.88 by the end of 2029.

Adverse

Energy prices remain elevated, driving inflation to 5.5 percent by Q3 2026. The UK's high dependence on imported energy keeps inflation elevated until Q3 2027. These high energy prices trigger a prolonged, three-quarter downturn in consumer expenditure taking annualised GDP into negative territory in both 2026 and 2027. Government spending grows by 1.3 percent in 2026 and 1.2 percent in 2027, while business investment turns negative in spring 2026 and does not grow until the second half of 2027. Consumer caution means the saving rate stays high, with private sector balance sheets continuing to be healthy. In contrast, government finances remain weak as rising gilt yields strain fiscal rules and necessitate further tax increases. The saving rate remains near 10 percent, double its normal level. Unemployment rises to 7.4 percent by spring 2027, labour market rigidities result in unemployment falling only very slowly to 7.0 percent by autumn 2029. As for currency movements, high energy prices will further add to the current account deficit and put renewed pressure on Sterling, with GBPEUR moving towards 0.90.

Dependence on imported energy could push inflation well above target

Higher energy prices lead to more persistent inflation, which triggers a more robust central bank reaction. Interest rates thus rise to 4.5 percent by the end of 2026, declining only slowly over the subsequent two years. While inflation peaks in Q3 2026, it is still double the target at the end of 2028. High energy prices, a faltering economy and unsustainable fiscal policies drive gilt yields towards levels last seen in the aftermath of the 2007 Global Financial Crisis. By the end of 2028, the two-year gilt has risen to 5.3 percent, while the ten-year gilt has hit 5.9 percent.

See also theme article *Hormuz uncertainty – downside risks dominate*.

Data appendix

Key forecasts

Our January 2026 Global Macro Forecast estimates are shown in parentheses.

Gross domestic product, percentage change, y-o-y

	2025	2026	2027	2028
World	3.5 (3.2)	2.9 (3.1)	3.0 (3.2)	3.3 (3.2)
Advanced economies	1.9 (1.7)	1.6 (1.7)	1.6 (1.8)	1.8 (1.7)
Emerging economies	4.3 (4.3)	3.8 (4.0)	4.0 (4.0)	4.1 (4.1)
China	5.0 (5.0)	4.5 (4.5)	4.3 (4.3)	4.0 (4.0)
Eurozone	1.5 (1.4)	0.8 (0.9)	1.3 (1.4)	1.4 (1.2)
Norway, mainland economy	1.8 (1.6)	1.4 (1.5)	1.0 (1.6)	1.1 (1.2)
Sweden	1.8 (1.8)	2.1 (2.7)	2.5 (2.2)	1.9 (1.7)
United Kingdom	1.4 (1.4)	0.4 (0.8)	0.9 (1.3)	1.5 (1.5)
United States	2.1 (2.2)	2.0 (2.4)	1.9 (2.0)	1.9 (1.8)

Sources: Macrobond, IMF, national sources and Handelsbanken

Unemployment, percent of the labour force

	2025	2026	2027	2028
Eurozone	6.4 (6.4)	6.4 (6.5)	6.3 (6.3)	6.0 (6.0)
Norway, registered NAV	2.1 (2.1)	2.1 (2.2)	2.2 (2.2)	2.3 (2.2)
Sweden	8.8 (8.8)	8.6 (8.5)	8.1 (8.0)	7.5 (7.6)
United Kingdom	4.9 (4.9)	5.5 (5.8)	6.3 (5.7)	6.1 (5.5)
United States	4.3 (4.3)	4.3 (4.4)	4.2 (4.3)	4.2 (4.3)

Sources: Macrobond, national sources and Handelsbanken

Headline consumer price index, percentage change, y-o-y

	2025	2026	2027	2028
Eurozone	2.1 (2.1)	2.5 (1.8)	1.9 (1.9)	2.0 (2.0)
Norway	3.0 (3.1)	3.0 (2.4)	2.3 (2.6)	2.1 (2.3)
Sweden, CPIF	2.6 (2.6)	1.1 (1.2)	1.7 (1.7)	2.1 (2.1)
United Kingdom	3.4 (3.4)	3.6 (2.8)	3.0 (2.6)	2.4 (2.4)
United States, PCE deflator	2.6 (2.6)	3.5 (2.7)	2.4 (2.3)	2.0 (2.1)

Sources: Macrobond, national sources and Handelsbanken

Policy rate and longer-term swap rates, year-end, percent

	2025	2026	2027	2028
Eurozone				
– Policy rate	2.00 (1.75)	2.00 (2.00)	2.00 (2.00)	2.00 (2.00)
– 2y	2.3 (1.9)	2.5 (2.1)	2.2 (2.2)	2.3 (2.3)
– 5y	2.6 (2.3)	2.6 (2.4)	2.5 (2.5)	2.6 (2.6)
– 10y	2.9 (2.7)	2.9 (2.8)	2.9 (2.9)	2.9 (2.9)
Norway				
– Policy rate	4.00 (4.00)	4.50 (3.50)	4.25 (3.50)	4.00 (3.50)
– 2y	4.1 (4.1)	4.8 (4.1)	4.6 (4.1)	4.4 (4.1)
– 5y	4.0 (4.0)	4.7 (4.1)	4.5 (4.1)	4.4 (4.1)
– 10y	4.1 (4.1)	4.4 (4.2)	4.4 (4.2)	4.3 (4.2)
Sweden				
– Policy rate	1.75 (1.75)	1.75 (1.75)	2.25 (2.25)	2.25 (2.25)
– 2y	2.2 (2.2)	2.4 (2.3)	2.4 (2.4)	2.5 (2.5)
– 5y	2.6 (2.6)	2.6 (2.6)	2.7 (2.7)	2.8 (2.8)
– 10y	3.0 (3.0)	2.9 (2.9)	3.0 (3.0)	3.1 (3.1)
United Kingdom				
– Policy rate	3.75 (3.75)	3.75 (3.25)	4.00 (3.25)	4.00 (3.25)
– 2y	3.5 (3.5)	4.6 (3.5)	5.0 (3.6)	5.0 (3.6)
– 5y	3.7 (3.7)	4.8 (3.9)	5.2 (4.0)	5.2 (4.0)
– 10y	4.0 (4.0)	5.0 (4.4)	5.3 (4.4)	5.3 (4.5)
United States				
– Policy rate	3.63 (3.63)	3.63 (3.38)	3.13 (3.13)	3.13 (3.13)
– 2y	3.3 (3.3)	3.5 (3.2)	3.2 (3.2)	3.1 (3.1)
– 5y	3.5 (3.5)	3.5 (3.4)	3.4 (3.4)	3.4 (3.4)
– 10y	3.8 (3.8)	3.8 (3.7)	3.7 (3.7)	3.7 (3.7)

Sources: Macrobond, Bloomberg, national sources and Handelsbanken

Government bond yields, year-end, percent

	2025	2026	2027	2028
Germany				
– 2y	2.1 (2.1)	2.3 (2.0)	2.1 (2.0)	2.2 (2.2)
– 5y	2.4 (2.4)	2.5 (2.4)	2.4 (2.5)	2.6 (2.6)
– 10y	2.9 (2.9)	2.9 (2.8)	2.9 (2.9)	3.1 (3.1)
Norway				
– 2y	3.8 (3.9)	4.5 (3.9)	4.3 (3.9)	4.1 (3.9)
– 5y	3.9 (3.9)	4.5 (4.0)	4.3 (4.0)	4.2 (4.0)
– 10y	4.1 (4.1)	4.3 (4.2)	4.3 (4.2)	4.2 (4.2)
Sweden				
– 2y	2.0 (2.0)	2.2 (2.2)	2.3 (2.3)	2.4 (2.4)
– 5y	2.4 (2.4)	2.4 (2.4)	2.5 (2.5)	2.6 (2.6)
– 10y	2.8 (2.8)	2.8 (2.8)	2.9 (2.9)	3.0 (3.0)
United Kingdom				
– 2y	3.7 (3.7)	4.4 (3.4)	4.7 (3.4)	4.7 (3.4)
– 5y	4.1 (4.1)	4.7 (3.9)	5.0 (3.9)	5.0 (3.9)
– 10y	4.5 (4.5)	5.0 (4.5)	5.2 (4.5)	5.2 (4.5)
United States				
– 2y	3.5 (3.5)	3.7 (3.4)	3.4 (3.4)	3.4 (3.4)
– 5y	3.7 (3.7)	3.8 (3.7)	3.7 (3.7)	3.8 (3.8)
– 10y	4.2 (4.2)	4.2 (4.1)	4.2 (4.2)	4.3 (4.3)

Sources: Macrobond, national sources and Handelsbanken

Exchange rates, year-end

	2025	2026	2027	2028
EUR/USD	1.18 (1.18)	1.21 (1.21)	1.20 (1.20)	1.18 (1.18)
EUR/GBP	0.87 (0.87)	0.86 (0.86)	0.87 (0.87)	0.88 (0.88)
GBP/USD	1.35 (1.35)	1.41 (1.41)	1.38 (1.38)	1.34 (1.34)
USD/JPY	156.88 (156.88)	152.00 (149.00)	147.00 (144.00)	143.00 (140.00)
USD/CNY	7.00 (7.00)	6.80 (6.93)	6.78 (6.89)	6.76 (6.85)
EUR/CHF	0.93 (0.93)	0.95 (0.96)	0.97 (0.97)	0.99 (0.99)
EUR/NOK	11.84 (11.84)	11.00 (11.55)	10.80 (11.40)	10.60 (11.40)
EUR/SEK	10.83 (10.83)	10.45 (10.50)	10.20 (10.30)	10.00 (10.10)

	2025	2026	2027	2028
USD/SEK	9.21 (9.21)	8.64 (8.68)	8.50 (8.58)	8.47 (8.56)
EUR/SEK	10.83 (10.83)	10.45 (10.50)	10.20 (10.30)	10.00 (10.10)
CHF/SEK	11.62 (11.62)	11.00 (10.94)	10.52 (10.62)	10.10 (10.20)
NOK/SEK	0.91 (0.91)	0.95 (0.91)	0.94 (0.90)	0.94 (0.89)
GBP/SEK	12.44 (12.44)	12.15 (12.21)	11.72 (11.84)	11.36 (11.48)
JPY/SEK	5.87 (5.87)	5.68 (5.82)	5.78 (5.96)	5.93 (6.11)
CNY/SEK	1.32 (1.32)	1.27 (1.25)	1.25 (1.25)	1.25 (1.25)

	2025	2026	2027	2028
USD/NOK	10.08 (10.08)	9.09 (9.55)	9.00 (9.50)	8.98 (9.66)
EUR/NOK	11.84 (11.84)	11.00 (11.55)	10.80 (11.40)	10.60 (11.40)
CHF/NOK	12.72 (12.72)	11.58 (12.03)	11.13 (11.75)	10.71 (11.52)
GBP/NOK	13.61 (13.61)	12.79 (13.43)	12.41 (13.10)	12.05 (12.95)
SEK/NOK	1.09 (1.09)	1.05 (1.10)	1.06 (1.11)	1.06 (1.13)
JPY/NOK	6.42 (6.42)	5.98 (6.41)	6.12 (6.60)	6.28 (6.90)
CNY/NOK	1.44 (1.44)	1.34 (1.38)	1.33 (1.38)	1.33 (1.41)

Sources: Macrobond, national sources and Handelsbanken

Footnotes

1 Fiscal Risks and Sustainability, OBR, July 2025 [↔](#)

Research disclaimer

Risk warning

All investments involve risks and investors are encouraged to make their own decision as to the appropriateness of an investment in any securities referred to in this report, based on their specific investment objectives, financial status and risk tolerance. The historical return of a financial instrument is not a guarantee of future return. The value of financial instruments can rise or fall, and it is not certain that you will get back all the capital you have invested. At times, the expected total returns may fall outside of the above stated ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management.

Research disclaimers

Svenska Handelsbanken AB (publ) (collectively referred to herein as 'SHB'), is responsible for the preparation of research reports. SHB is regulated in Sweden by the Swedish Financial Supervisory Authority, in Norway by the Financial Supervisory Authority of Norway and in Finland by the Financial Supervisory Authority of Finland. All research reports are prepared from trade and statistical services and other information that SHB considers to be reliable. SHB has not independently verified such information.

In no event will SHB or any of its affiliates, their officers, directors or employees be liable to any person for any direct, indirect, special or consequential damages arising out of any use of the information contained in the research reports, including without limitation any lost profits even if SHB is expressly advised of the possibility or likelihood of such damages.

The views contained in SHB research reports are the opinions of employees of SHB and its affiliates and accurately reflect the personal views of the respective analysts at this date and are subject to change. There can be no assurance that future events will be consistent with any such opinions. Each analyst identified in this research report also certifies that the opinions expressed herein and attributed to such analyst accurately reflect his or her individual views about the companies or securities discussed in the research report. This research report does not, and does not attempt to, contain everything material that there is to be said about the company or companies described herein. For additional information about our research methodology please visit, handelsbanken.researchonline.se/disclaimers/equity.

Research reports are prepared by SHB for information purposes only. The information in the research reports does not constitute a personal recommendation or personalised investment advice and such reports or opinions should not be the basis for making investment or strategic decisions. This document does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. Past performance may not be repeated and should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and investors may forfeit all principal originally invested. Investors are not guaranteed to make profits on investments and may lose money. Exchange rates may cause the value of overseas investments and the income arising from them to rise or fall. This research product will be updated on a regular basis.

No part of SHB research reports may be reproduced or distributed to any other person without the prior written consent of SHB. The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

The report does not cover any legal or tax-related aspects pertaining to any of the issuer's planned or existing debt issuances.

Please be advised of the following important research disclosure statements: SHB employees, including analysts, receive compensation that is generated by overall firm profitability. Analyst compensation is not based on specific corporate finance or debt capital markets services. No part of analysts' compensation has been, is or will be directly or indirectly related to specific recommendations or views expressed within research reports.

From time to time, SHB and/or its affiliates may provide investment banking and other services, including corporate banking services and securities advice, to any of the companies mentioned in our research.

We may act as adviser and/or broker to any of the companies mentioned in our research. SHB may also seek corporate finance assignments with such companies.

We buy and sell securities mentioned in our research from customers on a principal basis. Accordingly, we may at any time have a long or short position in any such securities. We may also make a market in the securities of all the companies mentioned in this report. [Further information and relevant disclosures are contained within our research reports.] SHB, its affiliates, their clients, officers, directors or employees may own or have positions in securities mentioned in research reports.

In conjunction with services relating to financial instruments, the Bank may, under certain circumstances, pay or receive inducements, i.e. fees and commission from parties other than the customer. Inducements may be both monetary and non-monetary benefits. If inducements are paid to or received from a third party, it is required that the payment must aim to improve the quality of the service, and the payment must not prevent the Bank from safeguarding the customer's interests. The customer must be informed about such remuneration that the Bank receives. When the Bank provides investment research, the Bank receives minor non-monetary benefits. Minor non-monetary benefits consist of the following:

- Information or documentation about a financial instrument or an investment service that is general in character.
- Written material produced by a third party that is an issuer to market a new issue.
- Participation at conferences and seminars regarding a specific instrument or investment service.
- Corporate hospitality up to a reasonable amount.

The Bank has adopted Guidelines concerning Research which are intended to ensure the integrity and independence of research analysts and the research department, as well as to identify actual or potential conflicts of interests relating to analysts or the Bank and to resolve any such conflicts by eliminating or mitigating them and/or making such disclosures as may be appropriate. As part of its control of conflicts of interests, the Bank has introduced restrictions ("Information barriers") on communications between the Research department and other departments of the Bank. In addition, in the Bank's organisational structure, the Research department is kept separate from the Corporate Finance department and other departments with similar remits. The Guidelines concerning Research also include regulations for how payments, bonuses and salaries may be paid out to analysts, what marketing activities an analyst may participate in, how analysts are to handle their own securities transactions and those of closely related persons, etc. In addition, there are restrictions in communications between analysts and the subject company. According to the Bank's Ethical Guidelines for the Handelsbanken Group, the board and all employees of the Bank must observe high standards of ethics in carrying out their responsibilities at the Bank, as well as other assignments. For full information on the Bank's ethical guidelines, please see the Bank's website www.handelsbanken.com and click through to About the Group – Policy documents and guidelines – Policy on ethical standards. Handelsbanken has a ZERO tolerance of bribery and corruption. This is established in the Bank's Group Policy on Bribery and Corruption. The prohibition against bribery also includes the soliciting, arranging or accepting bribes intended for the employee's family, friends, associates or acquaintances. For full information on the Bank's Policy against corruption, please see the Bank's website www.handelsbanken.com and click through to About the Group – Policy documents and guidelines – Policy on ethical standards.

When distributed in the UK

Research reports are distributed in the UK by SHB.

SHB is authorised by the Swedish Financial Supervisory Authority (Finansinspektionen) and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request.

UK customers should note that neither the UK Financial Services Compensation Scheme for investment business nor the rules of the Financial Conduct Authority made under the UK Financial Services and Markets Act 2000 (as amended) for the protection of private customers apply to this research report and accordingly UK customers will not be protected by that scheme.

This document may be distributed in the United Kingdom only to persons who are authorised or exempted persons within the meaning of the Financial Services and Markets Act 2000 (as amended) (or any order made thereunder) or (i) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (ii) to high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) to persons who are professional clients under Chapter 3 of the Financial Conduct Authority Conduct of Business Sourcebook (all such persons together being referred to as "Relevant Persons").

When distributed in the United States

Important Third-Party Research Disclosures:

SHB and its employees are not subject to FINRA's research analyst rules which are intended to prevent conflicts of interest by, among other things, prohibiting certain compensation practices, restricting trading by analysts and restricting communications with the companies that are the subject of the research report.

SHB research reports are intended for distribution in the United States solely to "major U.S. institutional investors," as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Each major U.S. institutional investor that receives a copy of research report by its acceptance hereof represents and agrees that it shall not distribute or provide research reports to any other person

Reports regarding fixed-income products are prepared by SHB and distributed by SHB to major U.S. institutional investors under Rule 15a-6(a)(2). Reports regarding equity products are prepared by SHB and distributed in the United States by Handelsbanken Markets Securities Inc. ("HMSI") under Rule 15a-6(a)(3). When distributed by HMSI, HMSI takes responsibility for the report. Any U.S. person receiving these research reports that desires to effect transactions in any equity product discussed within the research reports should call or write HMSI. HMSI is a FINRA Member, telephone number (+1-212-326-5153).

Contact information

<p>Christina Nyman Head of Economic Research Sweden & Chief Economist christina.nyman@handelsbanken.se</p>	<p>Helena Bornevall Deputy Head of Economic Research, Sweden helena.bornevall@handelsbanken.se</p>
<p>Claes Måhlén Chief Strategist claes.mahlen@handelsbanken.se</p>	<p>Johan Löf Head of Forecasting johan.lof@handelsbanken.co.uk</p>
<p>Charlotte Asgermyr Chief FI Strategist, Sweden charlotte.asgermyr@handelsbanken.se</p>	<p>Anders Bergvall Senior Economist, Sweden anders.bergvall@handelsbanken.se</p>
<p>Camila Da Souza Albistur Data Scientist, Sweden camila.da.souza.albistur@handelsbanken.se</p>	<p>Magnus Lindskog Senior Economist, Sweden magnus.lindskog2@handelsbanken.se</p>
<p>Martin Nilsson Economist, Sweden martin.nilsson2@handelsbanken.se</p>	<p>Tommy von Brömsen FX Strategist, Sweden tommy.von.bromsen@handelsbanken.se</p>
<p>Michel Gubel FX Strategist, Sweden michel.gubel@handelsbanken.se</p>	<p>James Sproule Chief Economist, UK james.sproule@handelsbanken.co.uk</p>
<p>Daniel Mahoney Senior Economist, UK daniel.mahoney@handelsbanken.co.uk</p>	<p>Marius Gonsholt Hov Chief Economist, Norway marius.gonsholt.hov@handelsbanken.no</p>
<p>Karine Alsvik Nelson Senior Economist, Norway karine.nelson@handelsbanken.no</p>	<p>Nils Kristian Knudsen Chief Strategist, Equity, FX & Rates nils.knudsen@handelsbanken.no</p>

