

# Global Macro Forecast

## Muddling through

- World economy in disarray, but growth will eventually pick up pace again
- Fiscal policy a help and a hindrance – worrisome public finances driving up interest rates
- Unemployment expected to rise, albeit moderately and only in the shorter term

Macro Research • Global Macro Forecast

9 September 2025



**Handelsbanken**

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## Global backdrop

# Muddling through

Growth will be dampened as the effects of the trade war gradually take hold, but the size of the final bill remains unclear as conflicting forces are at play. Actual tariffs are rising towards announced levels and hurting world trade, while supportive economic policy and favourable financial conditions are pulling the other way. Overall, we see a prolonged slowdown in growth, whereby Europe shifts up a gear while the US shifts down. The labour market is weakening and is set to soften further before some unemployment decline follows. Inflation is rising in the US, but mostly declining elsewhere. We expect some policy rate cuts but stick with our forecast for still-high long-term interest rates, now further fuelled by rising term premiums in the wake of worsening government debt worries.

## Growth dampened as effects of the trade war gradually hit home

Recent global economic activity reflects a pull between conflicting forces, making it difficult to pin down a clear underlying growth trend. Since late last year, US tariff threats have clouded the last stretch of the soft landing, weighing on household and business sentiment. The drag from uncertainty has been partly offset by frontrunning to avoid tariffs, as well as support from past and ongoing monetary easing and the recovery in household purchasing power. In Europe, the outlook has brightened as Germany announced significant fiscal stimulus. But as the trade war shifted from threats to implementation, the result was even higher US tariffs, hurting global demand. And with both the lingering tariff threats from US president Trump and the absence of a final US-China trade deal, uncertainty still abounds.

Global GDP growth was stable in the second quarter. However, current higher frequency data shows an ongoing slowdown, while forward-looking growth indicators have at least partially recovered from the worst declines in the spring (see graph below). Not least, world trade and global industrial production are cooling down after the spring's tariff frontrunning temporarily boosted economic activity. And while the growth-hampering effect of trade policy *uncertainty* has diminished as we gain clarity about future tariff levels, the *direct* negative impact of the tariffs is increasing.

Nonetheless, the global economy has proven relatively resilient thus far, and as the fog around the tariffs issue has dissipated, risk appetite in the markets has increased. The stock market in particular has strengthened significantly. Market optimism also implies more favourable financial conditions for companies and households, which should support GDP growth in the short term.

This development is in line with the outlook we projected in our [May Global Macro Forecast](#), although China's exports and hence global goods demand have exceeded our forecasts, and market optimism has strengthened remarkably.

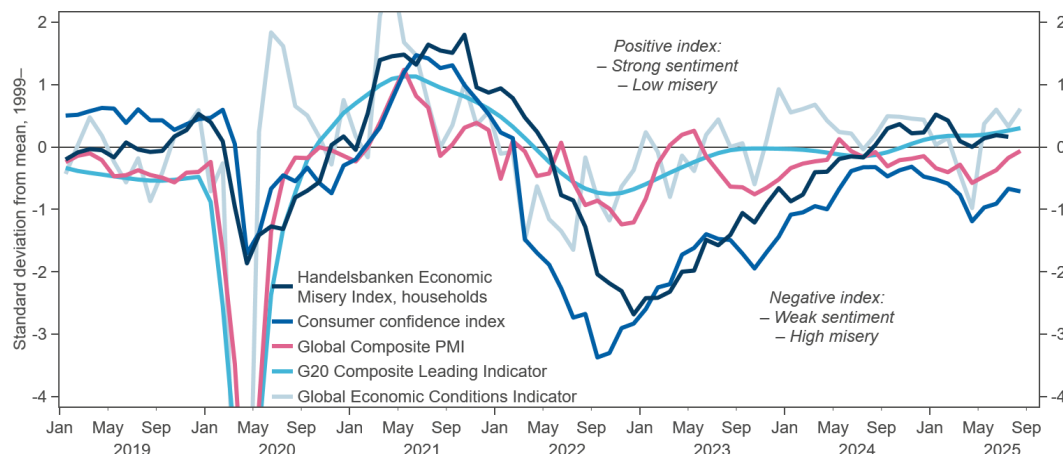
Conflicting forces makes it difficult to pin down underlying growth trend

After a stable second quarter, growth is slowing as tariffs start to hit trade...

...although relative resilience and clarity on tariffs have lifted markets

On the whole, in line with our May forecast

## Global economic indicators



Sources: Macrobond, national sources, the OECD, S&P Global, C. Baumeister et al. (2022) and Handelsbanken

Note: Misery index and CCI refers to the common factor in indices for the eurozone, Finland, Norway, Sweden, the UK and the US

Forward-looking indicators are mixed - depressed sentiment among households set against positive financial conditions which boost composite indicators such as that of the OECD



## From uncertainty to unease: calculating the final trade war bill

US import tariffs have unfortunately ended up rising by as much as 15pp to an average of above 17 percent – significantly higher than our already upwardly revised May assumption of between 10 and 15 percent. On a positive note, however, the US's trading partners have almost consistently chosen not to escalate the trade war with tariff hikes of their own. Our assumption is that the current tariff policy will remain unchanged, i.e. these levels apply throughout our forecast period (see *Key trade conflict assumptions* box). Earlier uncertainty about the tariffs is now deemed to be largely behind us, replaced by woes about how heavily the tariffs will weigh on global GDP and the world economy.

We consider a number of factors that may affect the size of the final trade war bill in relation to the overall economic outlook:

- **Effective US tariffs** – i.e. duties paid in relation to the total value of imports – are soaring, but are still significantly lower than the calculated level based on announced tariffs and last year's import composition (see graph below). Several factors help explain the lag: duty payment is not made on the day of import; businesses have been frontrunning orders to mitigate the impact of high tariffs; importers have been using bonded warehouses to avoid temporary tariff hikes; authorities' rushed implementation has not been flawless; uncertainty about the exact customs rules. All told, the effective tariff level will inevitably continue to rise. This increases the cost pressure and means the economy will be hit harder as US imports and domestic demand decline, with export demand in the rest of the world waning. However, if US importers can substitute high-tariff goods with lower-tariff equivalents, then the rise in effective tariffs will be curbed and will never fully reach the calculated announced level.
- **Household ability and appetite to spend** play a key role in driving demand. According to our economic misery index, households' financial situations have deteriorated somewhat so far this year, after a protracted recovery in recent years had finally culminated in a brighter-than-normal level in H2 2024. The recent step-down is explained by both inflation and unemployment inching up, while wage growth has cooled, the stock market has been on a rollercoaster ride, and the recovery in house prices has been interrupted – the only clear positive for households' wallets has been the ongoing policy rate cuts. This momentum loss in household finances together with this year's rise in economic uncertainty dampens consumer demand growth in the short term and contributes to the slowdown in GDP growth, which in turn should spill over to the labour market and investment demand.
- **Stabilisation policy** is expected to counteract the dampened economic conditions, but there is uncertainty about the ability of economic policy to successfully navigate the situation in the coming years. Fiscal policy will move in a more expansionary direction during the forecast period driven by China, Germany and the US, but concerns about a lack of sustainability in debt-laden public finances may put a spanner in the works (see theme article *Fears of impending fiscal crises have grown*). Monetary policy is facing a conflict of objectives in several countries – especially in the US, where the stagflationary impulse from the tariff shock means that only limited stimulus is expected to be injected into the economy so that the threat of inflation can be avoided – while other central banks are expected to cut policy rates somewhat further and maintain relatively low rates going forward.
- **Market risk appetite** has increased and the currently favourable financial conditions are also expected to counteract the slowdown in growth in the short term. However, we expect this tailwind to subside, as the surprisingly positive markets will likely partially rebound if the macroeconomic weakening forecast for the autumn materialises. In addition, despite the substantial decline in trade policy uncertainty, economic policy uncertainty, geopolitical risk and macroeconomic uncertainty remain elevated, which could also trigger a decline in risk appetite in the market and a tightening of financial conditions.

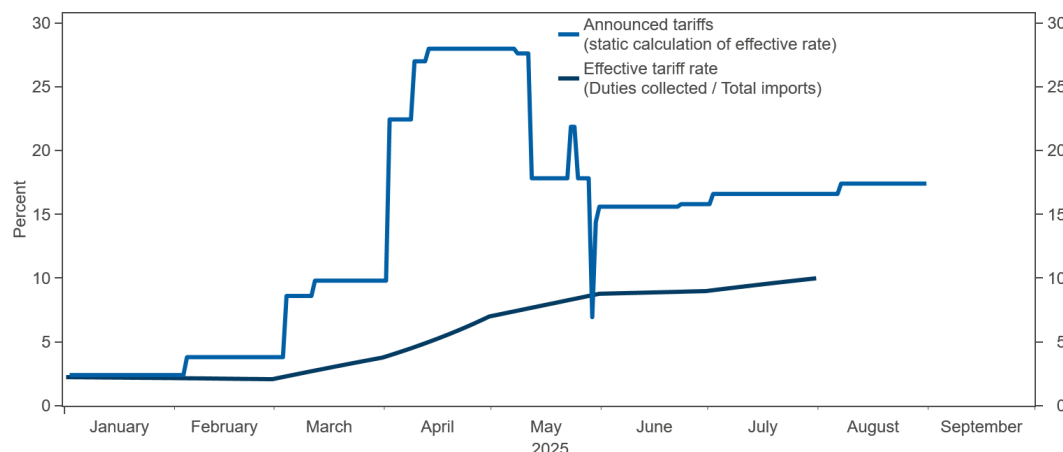
While tariff levels are now clearer, the extent to which they will affect growth remains unclear

The trade war will dampen GDP further as actual tariffs rise towards announced levels and hurt world trade – while consumption and investment are losing steam and adding to the slowdown, supportive economic policy and favourable financial conditions are pulling the other way

As highlighted in previous Global Macro Forecast editions, the trade war-related dampening of global GDP growth will gradually take hold during a prolonged period spread over both 2025 and 2026.

Prolonged slowdown in growth overall

#### Effective versus announced tariffs



Actual tariffs are rising inexorably toward announced levels

Sources: Macrobond, The Budget Lab at Yale, US Census Bureau and Handelsbanken

#### Key trade conflict assumptions

- Our basic assumption in our May Global Macro Forecast of a partial de-escalation of the trade conflict in 2025 was directionally correct overall, and overly optimistic in terms of the level of US tariff. US tariff announcements in the wake of consultations with trading partners imply an average import tariff of above 17 percent for the US – significantly higher than an already very high level that we assumed would be reached in our May report, i.e. somewhere between 10 and 15 percent (all figures statically calculated with 2024 import composition). On the other hand, the retaliatory tariffs from the EU were lower than expected, more precisely non-existent, which softens the blow to world trade.
- We believe the US is nearing the end of its tariffs reshaping journey. Our new basic assumption is that current tariff levels will apply for an indefinite period of time, i.e. for the entire forecast period 2025–27.
- While the US tariff level may be higher due to the imposition of additional sector-specific tariffs that have been signalled (e.g. in pharmaceuticals, semiconductors and electronics), the effective weighted average tariff level may be lower as trade patterns adjust to the new tariff landscape by substituting high-duty goods and finding new trade routes to reduce tariff exposure.
- We also analysed the macroeconomic effects of the trade conflict in our Global Macro Forecast published in [May](#) (see especially theme article, pages 12–17) and [January](#) (see theme article, pages 9–14), as well as in our interim forecast update from [9 April](#).

#### Europe is shifting up a gear while the US is shifting down

We expect global GDP growth to gradually pick up over the course of 2026 and 2027, although cyclical developments among countries will differ. In particular, we expect the European economy to accelerate and close its negative GDP gap, but the US economy to decelerate from its positive GDP gap starting point – a picture that has remained the same since before the White House's unexpectedly sharp escalation in the trade conflict (see e.g. our [January Global Macro Forecast](#)).

Global growth set to eventually pick up, but there is a large contrast between the US and Europe

A number of factors lie behind the turnaround in global GDP in 2026–27. World trade will shift up again as this year's tariff shock gradually subsides, but given the permanently higher trade barriers, a full recovery is on the cards. Monetary policy will gradually provide more support, partly as policy easing in 2024–25 in not least the eurozone will reach full effect, and partly because further easing is expected ahead (e.g. in the US). Fiscal policy is forecast to turn somewhat more expansionary despite the unsustainable outlook for public finances in many countries (see theme article *Fears of impending fiscal crises have grown*). Uncertainty will ease and bolster economic sentiment,

World trade will accelerate, monetary policy will provide support, fiscal policy will turn more

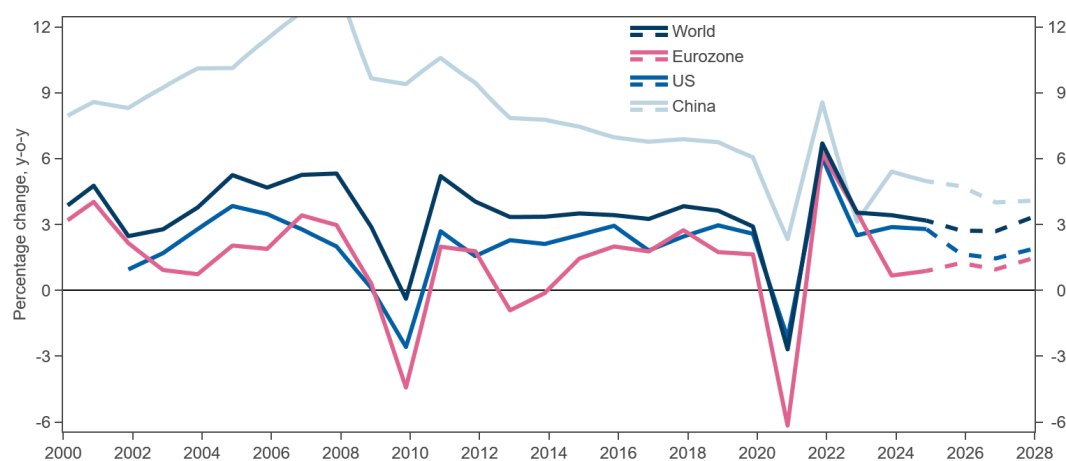
contributing to a pickup in consumption and investment, against the backdrop of pent-up demand. The household saving rate will decline from the currently high levels in many countries, which, together with continued real income growth, will drive consumption growth. However, the contrasts are large, with US households expected to restore their unusually low saving rate of recent years, dampening consumption growth there.

expansionary, uncertainty will ease, and households will cut back on saving

Overall, we forecast that global GDP will grow by 2.9 percent per year in 2025–26, with a pickup in 2027 when we expect 3.1 percent growth (see graph below). Although the differences between the various years may seem small, it is important to note that the forecast change of direction over the course of these years spells a clearer business cycle – the slowdown is now underway and stabilisation will follow, after which economic activity will pick up. We highlight, however, that the risks to this forecast remain significant (see alternative scenarios in the *Risks to the outlook* box).

Global growth will slow initially, but we expect it to stabilise and gradually pick up in the coming years

### Global GDP forecast



Sources: Macrobond, IMF and Handelsbanken

## Major economies overview

**Eurozone** – Refer to the *Eurozone* article later in this report.

### China

- In midst of a paused trade war with the US, front-loading of shipments contributed to stronger-than-expected exports in the second quarter, pushing quarterly GDP growth above the annual target. The pause has been extended by another 90 days, i.e. until mid-November. Data indicates that exports to the US have greatly declined on a yearly basis, while there has been a rerouting to other regions of the world, including the EU.
- China's economy continues to be domestically challenged by weak consumer demand, a real estate sector in decline, and the threat of deflation. In the long term, a negative demographic trend adds to the challenges.
- While the growth rate is expected to decelerate during the remainder of the year, together with waning exports, the annual growth will end up closer to target than previously anticipated. We now expect 2025 GDP growth to hit 4.7 percent, a decline in 2026 from a strong previous year in the midst of trade-related and domestic challenges, followed by a slight recovery in 2027.

## USA

- The economic slowdown is forecast to be more gradual but also more protracted than previously foreseen. The first half-year rollercoaster in total GDP masked downshifting underlying growth. The previously positive output gap is closing in the wake of a still-high policy rate and waning fiscal stimulus in 2025. And following recent even sharper tariff increases, this will weigh further on the outlook this autumn and as we enter 2026.
- The tariffs hurt competitiveness and exports. This, together with the elevated level of uncertainty, has caused companies to cut back on their investment and hiring plans. Consumption growth is dampened by declining real incomes, as tariffs fuel inflation and the labour market weakens. In addition, we expect the low saving rate of recent years to rebound. Overall, we predict slightly weaker GDP growth and slightly higher unemployment than the consensus.
- The Fed has expected to be able to "see through" the inflationary impulse from the tariffs' one-time price level increase. But a merely gradual slowdown in GDP growth coupled with inflation stubbornly hovering around 3 percent suggest that the Fed will focus on the inflation part of its dual mandate. Our long-held view of a policy rate cut in September stands, and beyond that we see another cut before year-end but only cautious cuts in 2026–27. The federal budget is expansionary and counteracts the tariff hit, but overall the deficit will increase, fanning both public finances worries and high long-term interest rates.

## Unemployment rising but inflation diverges down two paths

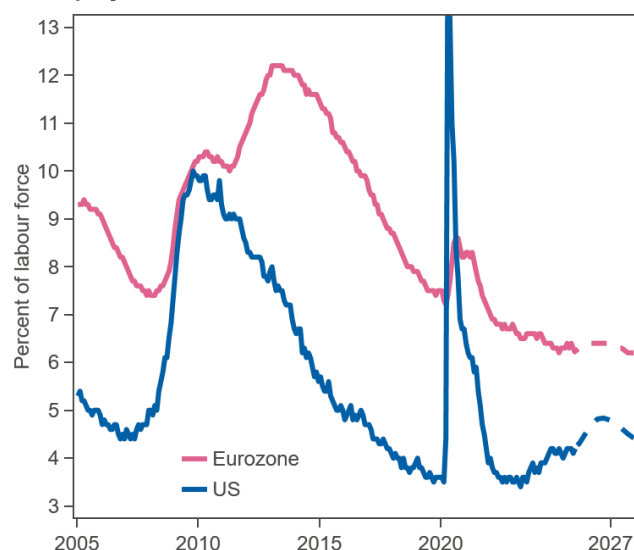
The labour market has begun to weaken overall, and we expect it to deteriorate further over the next few quarters. However, we forecast only a moderate increase in unemployment based on soft new hiring and restrictive replacement recruitment for resignations rather than outright layoffs. The contrast between the upshift in GDP growth in Europe and the downshift in the US implies a corresponding difference in labour demand, but we do not expect this to be fully reflected in the unemployment figures going forward (see graph below). This is partly because companies in Europe have hoarded staff over several weak years and can utilise existing resources more rather than significantly increasing headcounts, and partly because labour force growth in the US is slowing down on reduced immigration, which keeps relative unemployment down. In conclusion, we forecast an increase in unemployment in the short term but a slight decline during the latter part of 2026 and in 2027.

In line with expectations, inflation has turned upwards in the US, but has remained under control elsewhere, with some exceptions. The reason is largely that the trade war appears to have opposite effects on inflation in the US versus the rest of the world, as we concluded in our [May Global Macro Forecast](#) (see theme article on inflation, pages 12–17). However, there has not been a straight path between higher tariffs and rising consumer price inflation in the US, leading us to the conclusion that the inflation peak will be lower but more protracted. In Europe, the decline in inflation continues, although the UK has suffered setbacks, Norway continues to show persistence and Sweden has had a temporary summer spike. In 2026, we still expect US inflation to be above the Fed's target for a sixth consecutive year, while we forecast inflation in the eurozone to fall slightly below the ECB's target. We do not expect inflation to stabilise around the 2 percent target until 2027 (see graph below).

The labour market is weakening and is set to soften further before unemployment declines slightly in the coming years

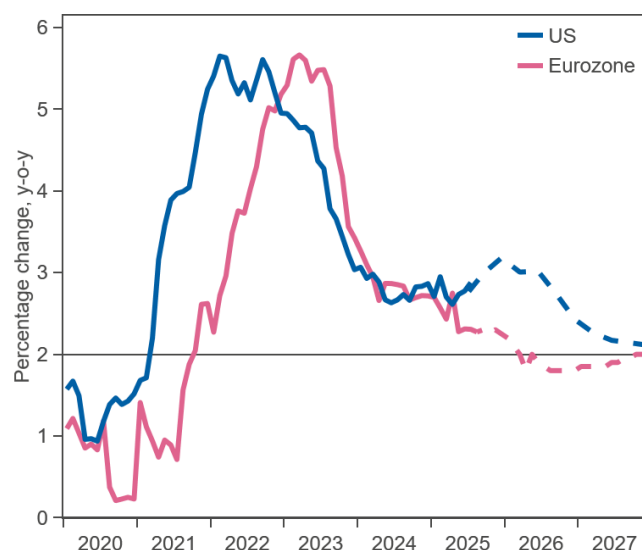
Inflation is rising in the US, but mostly declining elsewhere

## Unemployment



Sources: Macrobond, BLS, Eurostat and Handelsbanken

## Inflation



Sources: Macrobond, Eurostat, BEA and Handelsbanken

## Long-term interest rates remain high despite policy rate cuts

As expected, central banks have cut policy rates since the spring, with the Fed the big exception. Beyond the US, central banks have generally drawn the same conclusion about US tariffs as our long-held view that the slowdown in growth will be the dominant factor for their monetary policy decisions. In the wake of the stagflationary impulse caused by the trade war in the US, the Fed has instead focused on the rise in inflation and awaited further information on its strength before resuming rate cuts (see the *Major economies overview* box).

We expect the Fed, the Bank of England and Norges Bank to cut their policy rates during our forecast period, but only cautiously given inflation problems and in some cases to gain credibility and better anchor inflation expectations at 2 percent. We expect the ECB and the Riksbank to implement a further cut each before their cutting cycles come to an end at mildly expansionary levels. Another reason for cautious action by central banks going forward is that we expect fiscal policy to move in a more expansionary direction and stimulate economic activity and inflation. In addition, we assume that the lifted trajectories for public indebtedness means that the neutral policy rate will turn out slightly higher in the medium- to longer term than previously estimated (see *Lax fiscal policy leads to higher neutral interest rate* box). However, this step up in the neutral rate is uncertain and may not be significant for monetary policy until closer to or beyond our forecast horizon in 2027, when the current shocks to the economy have subsided and economic activity is approaching equilibrium.

The forecasts for longer-term market interest rates mainly reflect the differences in the policy rate outlook. A slight decline in two-year interest rates is expected in countries where central banks will implement cuts in the coming years. However, in Germany, for example, the decline in longer-term rates is deemed to already be over for this cycle. We maintain that the longer-term market interest rates will be consistently significantly higher towards the end of the forecast period (2027) than during the previous decade, with ten-year rates rising further from current levels (see graph below). This is partly due to higher policy rates, driven by our assumptions of higher neutral rates, which, as mentioned above, we have nudged up again, albeit marginally. In addition, we stand by our long-held view that term premiums are on the rise. We expect that the more worrying outlook for public finances around the world will further fuel these developments, but since our May Global Macro Forecast, the market has not been permeated by a continued rise in premiums. However, yields on really long-term government bonds (e.g. 30 years) have risen sharply – a curve steepening that is judged to partly reflect higher term premiums.

Central banks have cut policy rates, but the Fed has been dealt another hand

The Fed, the Bank of England and Norges Bank are expected to implement cautious cuts, while the ECB and the Riksbank have almost reached the end of the cycle

Long-term interest rates remain higher than in the previous decade, due to higher neutral policy rates and rising term premiums in the market



## Lax fiscal policy leads to higher neutral interest rate

The neutral interest rate in the longer term looks set to be slightly higher than the levels in the upward revision of our assumptions launched in the spring of 2025 (see macro comment [Rising  \$r^\*\$  revisited – Phoenix or Icarus?](#)). The reason is that public debt is on the rise in many parts of the world, in contrast to the consolidation of public finances we weighed in last year's assessments. Governments' rising volumes of debt issuance are driving up the supply of "safe" assets, representing increasing demand for capital in the economy. This upsets the global balance between savings and investments, which over time lifts the neutral rate everywhere. The assessment is uncertain, not only because the neutral rate is not directly observable and must be estimated. It is also difficult to distinguish the effect of the government debt worries on the neutral rate from their effect on the term premium, and to weigh in any neutral rate dampening effects from the trade war's blow to potential GDP. Lastly, several other drivers of the neutral rate could be on the verge of surprising ahead, such as productivity during the AI boom and demographics in the wake of the crisis years. Overall, we raise our medium-term assumptions for nominal neutral interest rates marginally, by 0.25pp in 2030, while our long-term global anchor in 2055 remains unchanged (see table).

### Handelsbanken neutral rate of interest assumptions

	Medium term 2030		Long term 2055
	Real	Nominal	
US	1.0	3.0 (2.75)	Real 1.0 Nominal 3.0
EZ	0.25	2.25 (2.0)	
NO	0.5	2.5 (2.25)	
SE	0.5	2.5 (2.25)	
GB	0.75	2.75 (2.5)	

Source: Handelsbanken

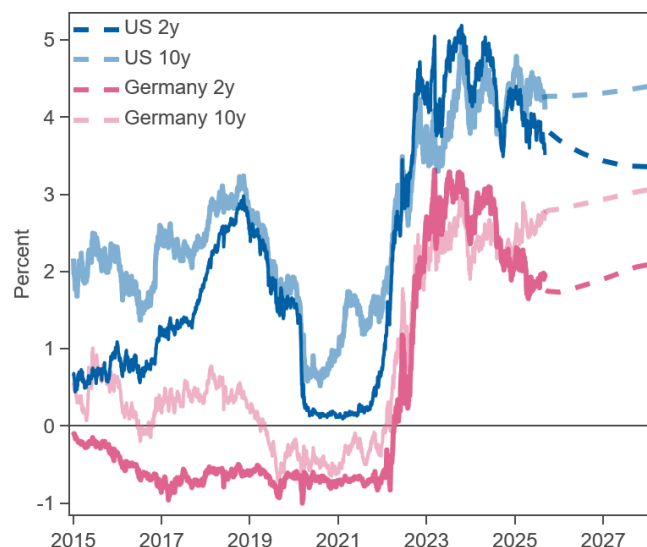
Note: Nominal assumptions from May 2024 in parentheses

## Dollar continues to slide

The USD has continued to weaken, even slightly more than we had forecast in the spring. Despite this, we expect further depreciation of the USD as we head into 2026, against both the EUR and the JPY, as well as against the CNY (see graph below). The drivers include the relative weakening of the US economic outlook and interest rates, as well as additional US risk premiums in the wake of the country's stagflationary impulse (see our [May Global Macro Forecast](#), pages 8–10, for a more detailed analysis of the forecast drivers, including a discussion of the dollar's role as the world's dominant currency and safe haven).

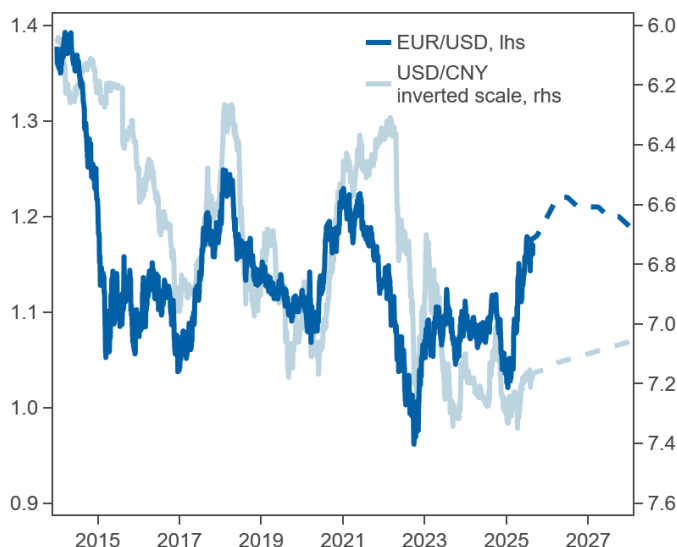
The dollar has weakened more than expected and a further decline is on the cards

### Government bond yields



Sources: Macrobond and Handelsbanken

### Key major currencies



Sources: Macrobond and Handelsbanken

## Risks to the outlook: Balanced but wide spectrum

We reiterate our assessment from our May Global Macro Forecast that the risks to the economy are broadly balanced, but with a wide spectrum of tails. Our baseline scenario reflects our best judgment of how the tariff shock unfolds, including effects on demand, prices, and trade flows. The US economy has so far proved resilient, but surprises can cut both ways. Households' willingness to consume and the dynamics of the "last mile" of disinflation are also central to our forecast, again with risks on both sides. Larger deviations from our baseline could stem from geopolitical conflicts, shifts in productivity trends, questioning of fiscal prudence, or swings in market confidence.

- The trade war is not over, not least US–China rivalry, implying risks of renewed tariff escalation and global supply chain disruptions for key components like semiconductors and rare earths.
- Households and businesses may remain more resilient in the face of current shocks, giving rise to a faster confidence recovery and higher growth.
- Russia's war in Ukraine and tensions in the Middle East may create new macroeconomic shocks, especially in energy markets. Conversely, any meaningful de-escalation could provide a significant boost to sentiment and the economy.
- High and rising public debt across the world's major economies – combined with mounting spending needs for defence, the green transition, and ageing populations – risks pushing up interest rates through sovereign risk premia, if bond markets lose confidence (see theme article *Fears of impending fiscal crises have grown*).
- Concerns over the Fed's independence and a loss of its inflation-fighting credibility could drive higher bond market term premia, dollar volatility, and tighter global financial conditions.
- Risks linked to China's heavily indebted real estate sector have evolved rather than disappeared. While acute systemic risks have eased thanks to policy support, the structural drag on growth remains significant and may complicate authorities' efforts to avoid a deflationary spiral.
- AI is a potentially strong driver of productivity which may drive higher growth than our baseline scenario, but on the other hand the pace of technological progress and adoption remains uncertain. Disappointment or shifts in comparative advantage between firms and regions could trigger volatility in financial markets, with fallout for the wider economy.

## Theme - Fiscal sustainability

## Fears of impending fiscal crises have grown

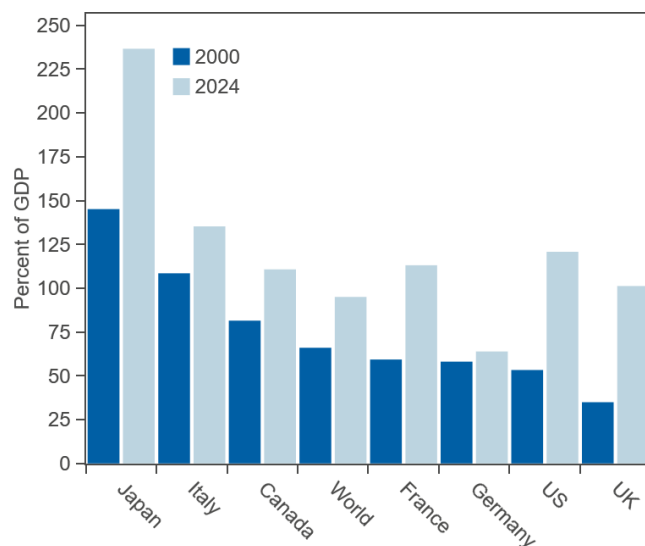
Several G7 countries are on an unsustainable fiscal path with record debt levels, large deficits and rising borrowing costs. There are no shortcuts – ultimately, deficits must be reduced. However, so far, there are few signs of ambitions to shift fiscal policy in a more sustainable direction. Market concerns have therefore increased and are reflected in rising term premiums in market interest rates, which increases the pressure on debt-ridden economies. If highly indebted countries, such as France and the US, do not reduce their deficits, there is a risk that policy mistakes or other crises will ultimately trigger a fiscal crisis, with interest rates rising to the point that policymakers are forced to implement extensive austerity measures to regain market confidence.

### Global public debt is high and rising...

Global public debt has grown gradually since the turn of the millennium, with debt levels in several G7 countries reaching historical peacetime highs. The rise in debt levels is partly due to the two major shocks that the global economy has experienced over this period: the financial crisis and the Covid pandemic. But in the aftermath of these crises, debt levels in several advanced economies have also continued to rise. Major economies, such as the US, France and the UK, have not had a single year with a balanced budget in the past 25 years, even excluding interest payments (i.e. running permanent primary deficits). However, the picture is not homogeneous. The rise in debt levels in advanced economies has been driven by major G7 countries, such as Japan, the US, the UK and France. Some EU countries, such as Sweden, have strong public finances, and Spain, Greece and Portugal have shifted their fiscal policy to a more sustainable direction after the euro crisis, with stable or declining debt levels.

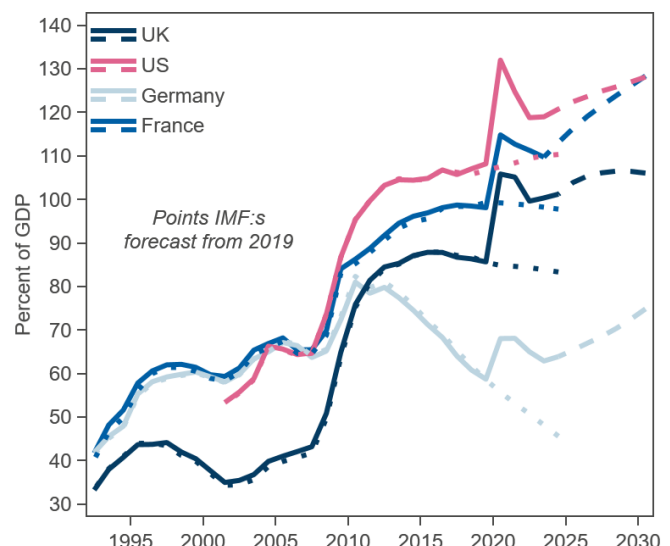
The rise in debt levels in advanced economies has been driven by major G7 countries, such as Japan, the US, the UK and France

### High and rising public debt in most G7 countries...



Sources: Macrobond and IMF

### ...and the upward trend is likely to continue

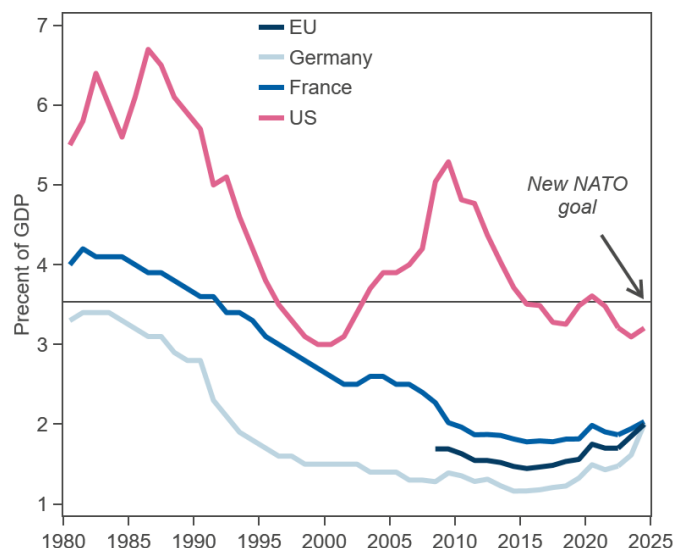


Sources: Macrobond and IMF

The upward trend in public debt levels in several already highly indebted G7 countries is likely to continue in the coming years, with global debt nearing 100 percent of GDP by the end of the decade, according to IMF forecasts. Previous tailwinds from low debt servicing costs and low defence spending are reversing and will compound structural spending pressures related to population ageing and the transition to greener energy. Government borrowing costs in the US has increased to almost 4 percent of GDP, which represents 20 percent of the government's total revenue and more than the amount spent on defence.

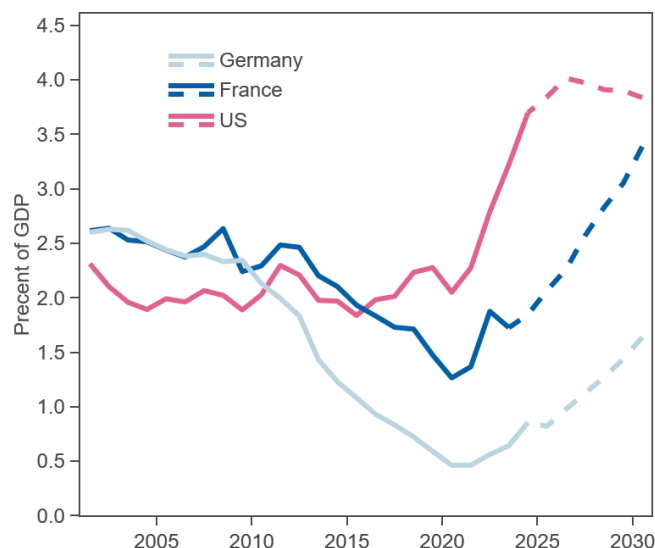
Previous tailwinds from low debt servicing costs and low defence spending are reversing

## European defence spending on the rise



Sources: Macrobond and Nato

## Higher borrowing costs



Sources: Macrobond and IMF

During the era of low interest rates, governments could reduce their debt-to-GDP ratios even when running primary deficits (i.e., deficits excluding payments), thanks to favourable growth-interest rate dynamics (i.e. positive snowball effect). Higher interest rates and subdued growth prospects have led to significantly poorer debt dynamics, and some G7 countries now need to run a primary surplus to stabilise their debt-to-GDP ratios. At the same time, there are no signals that politicians in highly indebted countries, such as France and the US, are planning major austerity measures to put fiscal policies on a sustainable trajectory. Trump's fiscal policy will likely contribute to an increase in public debt. In the EU, the fiscal flexibility has increased to enable further debt-financed defence investments in the coming years, and Germany has made a fiscal U-turn that will enable more debt-financed spending on military and infrastructure. All in all, this raises fresh concerns about long-term fiscal sustainability in several G7 countries.

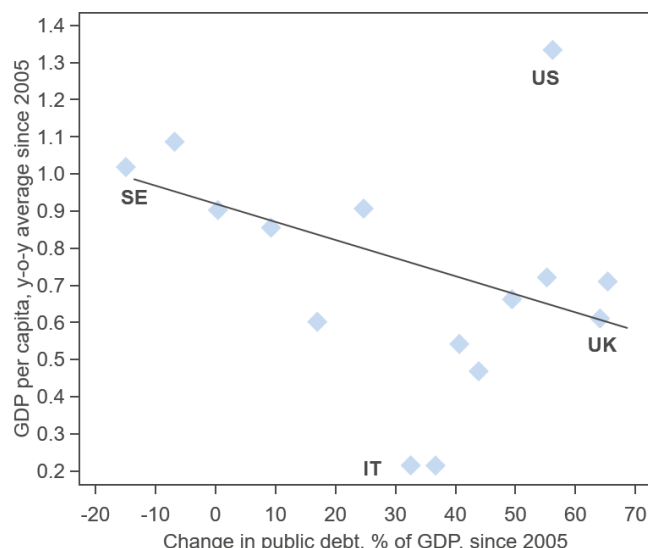
No signals from politicians in heavily indebted countries, such as France and the US, that they are planning major austerity measures to put fiscal policy on a sustainable path

## ...inhibiting growth and leading to higher long-term rates

In the short run, expansionary fiscal policy and rising public debt ratios can stimulate growth by boosting demand and investment, particularly during economic downturns. In addition, debt-financed investments in infrastructure can improve long-term productivity and GDP. However, high and permanently rising public debt levels can hinder long-term growth. One transmission mechanism is that when a government borrows heavily, this can drive up interest rates if investors' demand for government bonds does not increase at the same rate as supply, making it more expensive for both government and businesses to borrow and invest. This tends to dampen investment and hinder long-term growth. A recent empirical analysis by the IMF (Furceri, Goncalves and Li 2025) found that long-term rates rise by 20 to 30 basis points in the US in response to a 10 percentage point increase in the projected debt-to-GDP ratio. Within the EU, too, member states with higher debt-to-GDP ratios tend to pay higher premiums on long-term yields. Moreover, the expectation of a rising and ultimately unsustainable debt trajectory can weigh on growth already today. Firms and households, anticipating future fiscal adjustment through higher taxes or lower public spending, may restrain investment and consumption.

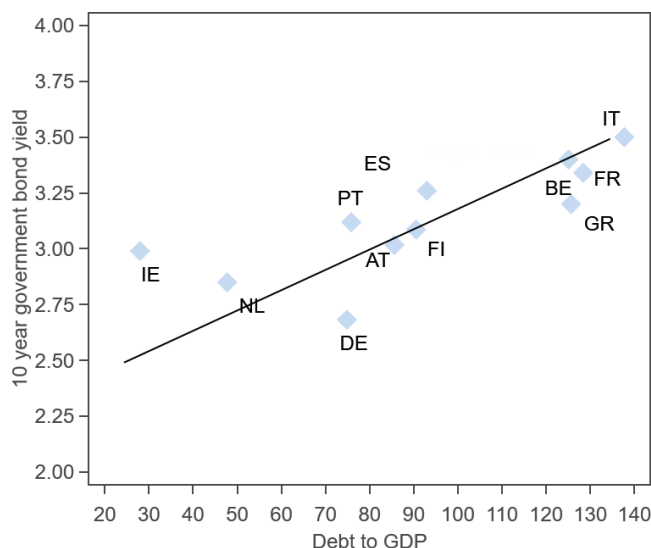


### High public debt can hinder long-term growth...



Sources: Macrobond and IMF

### ...and lead to higher borrowing costs



Sources: Macrobond and Eurostat

In order to strengthen both public finances and the growth potential of the economy, many highly indebted countries would need to implement structural reforms that both strengthen the long-term growth and at the same time improve public finances. However, structural reforms such as reduced social benefits and increased retirement age tend to be very unpopular and are difficult to get through Parliament or, if implemented, often cause the government in question to lose the next election. To be able to implement such reforms, a cross-bloc agreement is usually required, and this often only happens when the country is heading into a fiscal crisis, with great pressure from the bond market.

Austerity often only happens when a country is heading into a fiscal crisis, with great pressure from the bond market

### There are no shortcuts: austerity is necessary

There are several ways – often combined – that public finances can return to a more sustainable path. Higher growth and financial repression help governments deleverage over time. However, ultimately, governments must address their fiscal challenges by raising taxes, cutting spending, or doing both:

- **Higher inflation** can in the short term erode debt as a share of GDP but tends to bear significant risk and be counterproductive in the long term. More permanent higher inflation is typically only possible when central bank independence is compromised, which undermines the central bank's monetary policy and damages fiscal credibility. Attempts to use inflation to erode the value of the debt would likely lead markets to expect ever higher inflation and, in turn, bond yields, which would push up governments' borrowing costs and could ultimately cause the fiscal trajectory to deteriorate further.

Ultimately, governments must address their fiscal challenges by raising taxes, cutting spending, or both

- **Higher growth** has a clearly positive effect on the economy and tends to improve fiscal sustainability. The adoption of artificial intelligence has the potential to boost productivity growth in the coming decade, but it is unlikely that higher productivity growth alone would be enough to put debt on a sustainable trajectory in countries such as the US and France. The CBO estimates that even if productivity growth was 0.5 percentage points faster than assumed in the baseline in the coming decades, the debt-to-GDP ratio in the US would not stabilise. Higher productivity leads to higher wages, consumption and profits, which increases tax revenue. However, this is partly counteracted by the fact that higher wages in the public sector increase government spending. Furthermore, higher productivity growth tends to lead to higher real interest rates in the long run, causing government's borrowing costs to surge.

• **Financial repression** – lowering government interest rates below market clearing levels by means of regulatory or central bank invention helps a government to deleverage over time. It was common in the post-war decades, and it can also be argued that it was used to avoid and lessen the impact of the Eurozone fiscal crisis. Also, in future fiscal crises, it is likely that financial repression will be used to keep borrowing costs manageable while governments present austerity measures to restore market confidence and put public finances back on a more long-term sustainable path. But using financial repression to help governments deleverage over time tends to carry significant risk, as it can curtail central bank independence and lead to higher inflation in the long run.

• **Some form of default or bailout** tends to be the last resort, and it is an unlikely scenario for a G7 country. A default in an advanced economy would most likely result in a global financial crisis, with severe repercussions for the private sector, and would ultimately require extensive fiscal austerity and structural reforms to regain market access.

During the Eurozone sovereign debt crisis in 2009–12, many struggling European countries were forced to implement austerity measures in exchange for financial bailouts from institutions like the IMF and the EU and to build up trust in the financial markets. These policies involved tax increases, spending cuts, pension reforms and public sector job reductions. The austerity package faced widespread public backlash, with large-scale protests and criticism over its harsh impact on citizens' living standards and contributed to a prolonged economic stagnation in countries like Greece, Spain, and Portugal. Greece's recession was one of the worst in peacetime in the past 35 years, with GDP declining by 25 percent between 2008 and 2013 and unemployment soaring to 28 percent over the same period. However, in recent years, countries such as Greece and Spain have shown significant improvement and strengthened their public finances, with both economies demonstrating robust growth, declining debt-to-GDP ratios, and improved budget balances.

During the eurozone sovereign debt crisis many struggling European countries were forced to implement austerity measures

## Sovereign-bond investors put pressure on politicians

Central banks' holdings of domestic government bonds have decreased in recent years due to quantitative tightening (QT). This has resulted in a higher supply of bonds that must be absorbed by the market, leaving the public sector more exposed to market sentiment. In OECD countries, central banks' holdings of domestic government bonds fell from 29 percent in 2021 to 19 percent in 2024, while foreign investors' share grew from 29 percent to 34 percent, according to the OECD. Combined with increased concerns about the sustainability of public finances, this has contributed to higher term premiums in the US and several other G7 countries. In the eurozone, French government bond yields have risen sharply compared to German yields in recent years and may soon be higher than those in Italy, due to weak public finances and low confidence in politicians capability and willingness to shift fiscal policy in a more sustainable direction.

Higher term premiums in the US and several other G7 countries

Sovereign bond investors often react to political events and have the power to force changes in policy. The UK mini-budget crisis of 2022 and Trump's paused plans to impose "reciprocal" tariffs on several counties in April are examples of this. Politicians presented policies leading to larger public deficits and/or expected major negative effects on the economy. The bond market reacted, causing bond yields to surge, and policies were withdrawn.

Sovereign bond investors have the power to force changes in policy

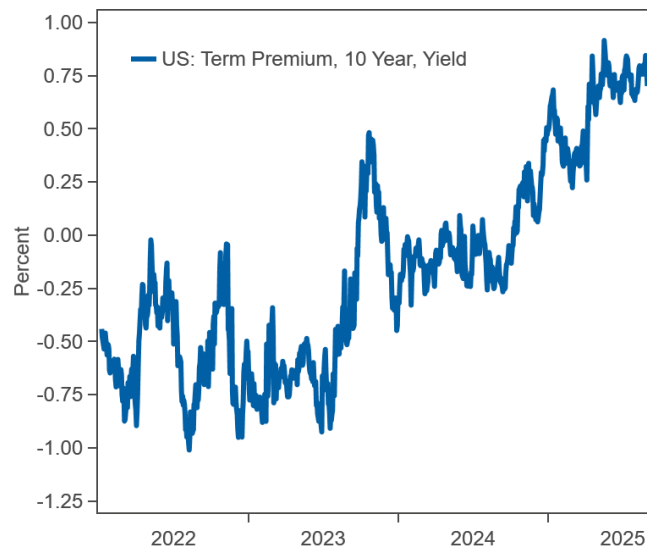
However, market pressure to shift fiscal policy to a more sustainable direction is still relatively weak, especially in the US. Term premiums are still relatively low in the longer term, and in the US, premiums have been relatively stable since April, despite Trump's push for higher tariffs, the "Big Beautiful Bill" budget, while attacks on US institutions, not least the Federal Reserve, have intensified. Instead, it is France and the UK that have felt the market's turmoil recently. A new government crisis in France has emerged as a direct effect of attempts to reduce the budget deficit. The market has responded by pushing up French government yields. This development is hardly unexpected given the fragmented composition of the French parliament. But a majority in parliament is no guarantee of calm markets, as Labour in the UK has experienced – just like the Conservatives almost three years ago. During the summer, the market stepped up the pressure on the Labour government ahead of the autumn budget.

France and the UK felt the market pressure

Looking ahead, there is little to suggest that fiscal policy will shift in a more long-term sustainable direction in France or the US, which suggests that risk premiums may increase further. If the market takes on board the criticism directed at the White House's attempt to influence the Federal Reserve, there is also a risk that inflation expectations will become less anchored in the US and that investors will therefore demand higher compensation to bear the inflation risk.

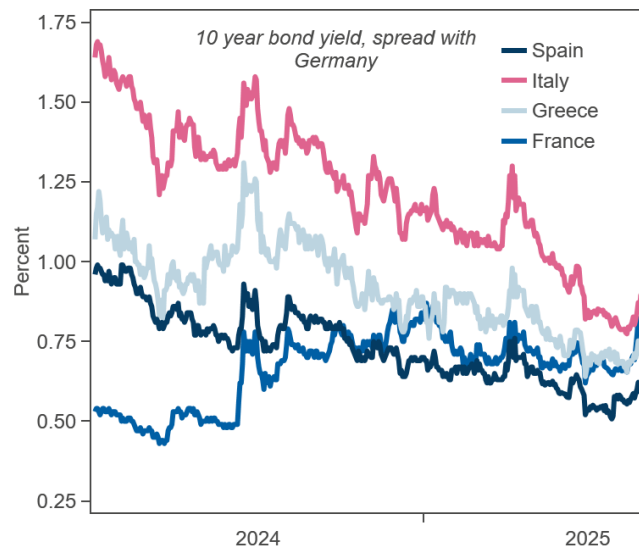
**Term premiums may increase further**

**Gradually increasing term premium in the US**



Sources: Macrobond and New York Fed

**French borrowing costs closing in on Italy's**



Source: Macrobond

## Fiscal pressure in the US and France pose risks to the global outlook

With public debt exceeding 100 percent of GDP in several G7 countries and debt expected to be on a continued upward trajectory in coming years, fears of impending fiscal crises have grown. However, there is no general "tipping point" that indicates when debt levels trigger crises. In Japan, public debt has been above 200 percent of GDP for a decade without causing a fiscal crisis. Rather, a combination of high debt levels, debt in an upward trajectory and a lack of fiscal credibility tend to combine to cause investors to gradually lose faith in governments' commitments to fiscal rectitude. Many of these conditions are now in place in several G7 countries.

**In the next decade there is a fairly high risk that policy mistakes or other crises could trigger a fiscal crisis in a G7 country, causing bond yields to rise sharply**

Japan's situation is in many ways unique compared to the US and France, for example, and Japan's conditions are probably better for managing a large public debt and permanent primary deficits: the public deficit is more than covered by a private savings surplus, the Bank of Japan finances about half of the outstanding Japanese government bond stock and Japan's interest rate situation is lower than in other G7 countries. The US, France and UK need to attract capital from abroad because of a current account deficit, which makes them more exposed to market sentiment and raises the risk of major shifts in bond yields if many foreign investors pull out of the market at times of high risk. However, the US in particular benefits from the fact that the dollar is a so-called reserve currency, i.e. the threshold for a foreign capital flight is higher for the US than elsewhere.

All in all, in the next decade there is a fairly high risk that "policy mistakes" or other crises, such as a banking crisis, can trigger a fiscal crisis in a G7 country, causing bond yields to rise sharply. This would probably result in emergency measures from the central bank to stabilise the bond markets. By doing so, this would provide governments with a window to reassure markets that a default is not on the table by presenting a plan for steady fiscal consolidation. Even if a government acts quickly, it could still result in an economic downturn as a result of market turbulence and fiscal austerity.

## Eurozone

## Resilience with limited momentum

The eurozone economy continues to face both structural and cyclical challenges. We assess current economic activity to be broadly balanced and expect growth to average 1.2 percent over 2025-27, with momentum subdued into early next year and a peak projected for late 2026 to early 2027. The gradual acceleration in growth is supported by improving confidence, the lagged impact of past monetary policy easing, and a fiscal boost to public investment. While we anticipate a slight uptick in unemployment, labour market resilience should provide a foundation for demand. With inflation and wage pressures easing, we expect a final 25bp rate cut in December, taking the policy rate to 1.75 percent, prompted by concerns over inflation undershooting and rising unemployment.

### Supply constraints cap the scope for an acceleration in growth

After a strong – but largely temporary – first-quarter GDP print, growth slowed in the second quarter, and leading indicators point to muted near-term momentum. This sluggishness reflects both structural and cyclical headwinds. We estimate trend growth at 1.0–1.2 percent, excluding additional medium-term challenges from higher US tariffs, which weigh on EU export demand, and rising competition from rerouted Chinese exports.

Sluggish growth reflects both structural and cyclical headwinds

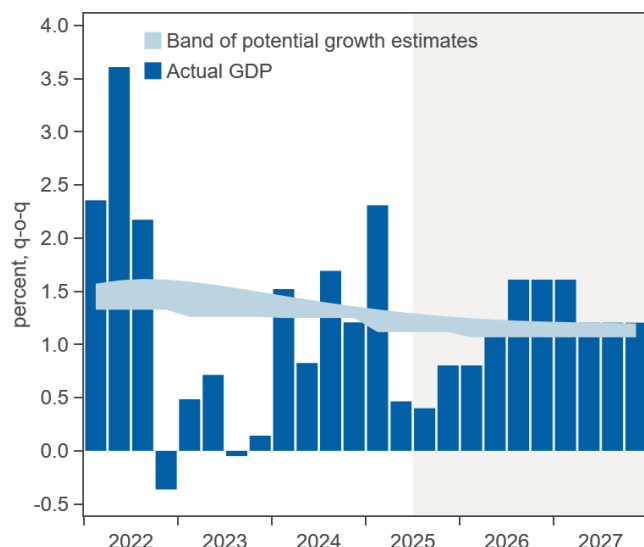
A key factor in assessing the outlook is gauging the remaining slack and the economy's capacity to absorb stronger demand. Based on potential growth estimates and resource utilisation indicators, overall activity appears close to balance after a 1.4 percent expansion y-o-y recorded in the second quarter. While slow productivity growth partly reflects labour hoarding and residual production slack within firms, unemployment remains at record lows, and labour markets are tight. The labour hoarding indicator – measuring the share of firms expecting output to fall while employment remains stable or increases – peaked in 2022, reflecting understaffing. Since then, it has gradually normalised and has recently dipped below trend, suggesting that companies are increasingly able to meet demand with their existing workforce. Overall, we assess that structural supply constraints – stemming from demographics, labour market rigidities, and muted productivity trends – cap the scope for an acceleration in growth without triggering inflationary pressure.

Overall activity is close to balance

We forecast that GDP growth will average 1.2 percent over 2025–27. Momentum is set to remain weak into early next year, with the business cycle trough expected around mid-2026 and a peak in growth, q-o-q, around year-end 2026 or early 2027.

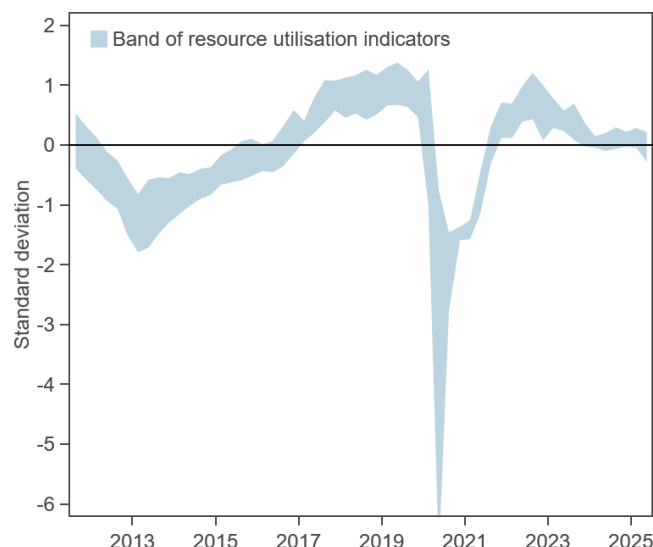
Momentum set to remain weak up until early next year

**GDP growth forecast close to estimates of potential**



Sources: Eurostat, European Commission, Macrobond and Handelsbanken  
Note: Potential estimates based on European commission, OECD and HP filter

**Resource utilisation is close to normal**



Sources: European commission, OECD, Macrobond and Handelsbanken  
Note: RU refers to estimates of GDP gap and unemployment gap, and weighted indicators of labour shortages and capacity utilisation



### The key short-term concern is weak demand

However, with current growth rates – second quarter outcome and third quarter indicators – around 0.5 percent annualised q-o-q, the key short-term concern is arguably muted demand. Higher US tariffs weigh on export demand – spilling over to export demand and increased competition for market shares from other trade partners, in particular from China – on top of a stronger euro exchange rate. The value of eurozone goods exports (to non-member states) was roughly unchanged in June compared to a year earlier, with negative contributions from the US and China, after a frontloading-driven spike in exports to the US in the first quarter. According to the Purchasing Managers' Index (PMI), momentum in new export orders has climbed steadily, but the index remains just below normal levels and, according to the European Commission business survey, export order books are low. In the ECB's recent contact with companies, respondents in the transport and logistics sector have consistently pointed to strong growth in imports and a decline in exports.

Goods exports were roughly unchanged in June y-o-y, after a frontloading-driven spike in the first quarter

### Easing uncertainty and policy stimulus to demand

We identify two key influences that could support an acceleration in domestic demand: easing uncertainty and policy stimulus. The outlook for global and domestic demand is closely intertwined, with tariffs and geopolitical tensions also representing major sources of uncertainty for domestic activity. This is currently weighing on both companies and households, potentially delaying investment and consumption, but we expect the drag to ease somewhat in the second half of the year. Nonetheless, even though recent trade agreements have narrowed the potential final tariff range – providing better ground for planning – the rise in tariffs is massive, and the consequences are hard to grasp.

Tariffs and geopolitical tensions are also major sources of uncertainty for domestic activity

### Private capital investment to pick up but not lead an acceleration in demand

Capital expenditure on machinery and dwellings has dropped since 2023 and should pick up as general demand accelerates. However, we expect investment beyond government-supported defence and infrastructure to lag, rather than trigger, an acceleration in demand. This view is supported by an ECB survey of large companies carried out in April/May, which suggested a more subdued outlook for eurozone investment ahead compared to outcomes for 2025. However, the cyclical recovery in investment remains an important contribution to growth in 2026-27.

The ECB's survey of large companies suggests a subdued outlook for investment

### Household consumption is key to support rising demand

Household real consumption has risen by about 4 percent since early 2022, broadly in line with real income growth, as households have been reluctant to reduce savings further and dip into pandemic-era accumulated savings. Since mid-2023, the household saving rate has been rising again, reaching around 15 percent in the first quarter – well above the 12–13 percent average in the five years preceding the pandemic.

Since mid-2023, the household saving rate has been rising again

Precautionary savings remain a tentative headwind to faster growth, while a reversion to pre-pandemic savings behaviour would represent a meaningful upside risk. That said, any additional boost to spending from a drawdown of accumulated buffers now looks increasingly unlikely. The ECB's estimates had previously only suggested a modest remaining effect by late 2022, noting that excess savings had become increasingly concentrated among wealthier households and were largely tied up in relatively illiquid assets such as housing wealth and loan repayments.<sup>[1]</sup>

Additional boost to spending from drawdown of accumulated buffers looks increasingly unlikely

Our baseline assumption implies that consumption will receive modest gradual support from lower savings. This reflects the fact that the current elevated household saving rate is partly driven by temporary factors – such as efforts to rebuild real wealth, uncertainty over employment and income prospects, and a delayed consumption response to strong income growth – which are likely to fade over time. However, this occurs in parallel with easing wage growth, and we expect no marked acceleration in consumption growth.

We expect lower savings to modestly bolster consumption

## Broadly neutral fiscal stance over 2026–27

The massive fiscal stimulus rolled out in response to the pandemic and the energy price shock has gradually been withdrawn as demand has become more self-sustaining. Looking ahead, we expect the fiscal stance for the eurozone as a whole to be broadly neutral in 2026–27. Germany's debt brake reform provides significant and welcome support relative to a no-reform scenario, although the additional boost compared to 2024–25 is less pronounced and partly offset by fiscal consolidation in other member states. Overall, however, higher public investment in defence and infrastructure should support growth in 2026–27.

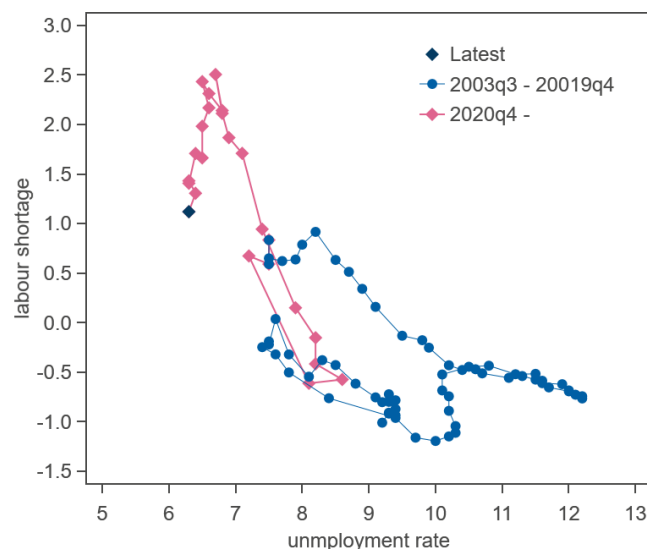
Germany's debt brake reform provides significant and welcome support relative to a no-reform scenario

## A modest uptick in unemployment

While labour shortages persist, labour hoarding behaviour is also present, and weak demand poses a risk to the labour market. Both the PMI employment component and the Commission's Employment Expectations Indicator (EEI) remain slightly below normal, although they have stabilised in recent months. Taken together, the signals point to broadly flat employment in the second and third quarters of this year. We forecast a modest uptick in unemployment from today's record-low 6.2 percent as companies already have sufficient staff to meet the current subdued pace of demand. We expect unemployment to peak around the end of this year at 6.4 percent before falling back again during 2027 as productivity slack gradually fades.

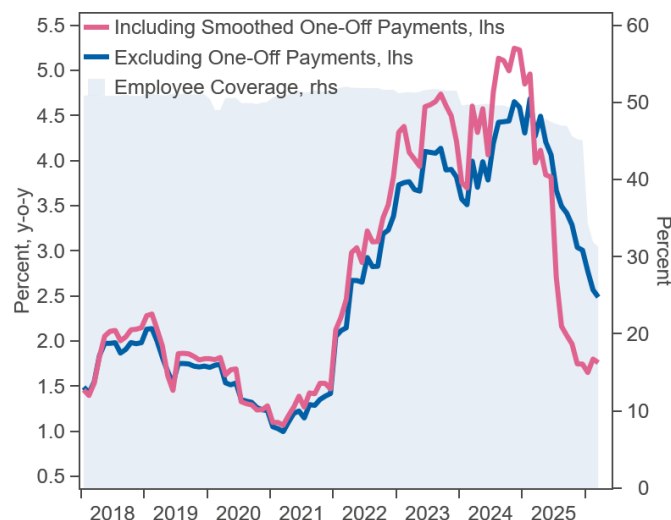
Weak demand poses a risk to the labour market

### Labour markets remain tight



Sources: Eurostat, European Commission, Macrobond and Handelsbanken  
Note: Labour shortage refers to employment weighted average for industry, construction and services

### ECB wage tracker shows easing wage growth



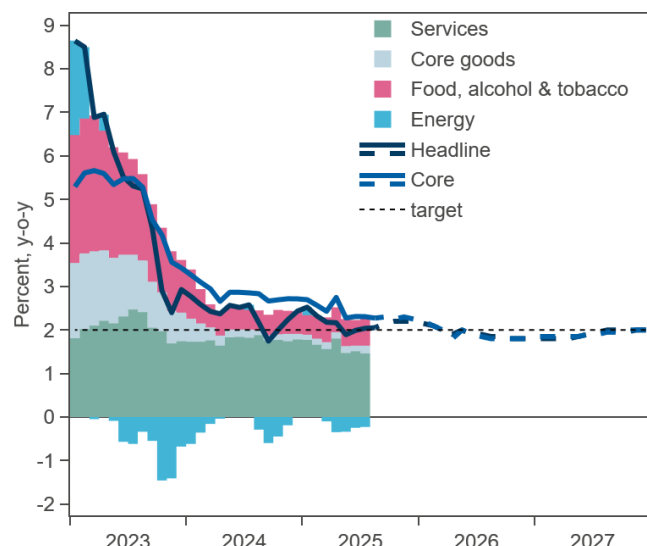
Sources: ECB, Macrobond and Handelsbanken

## Inflation continues to moderate but cost pressure concerns persist

The August print showed headline inflation at 2.0 percent, helped by falling energy prices. Core inflation, however, remains somewhat elevated at 2.3 percent, driven by services, while goods inflation is close to historical averages. Importantly, service inflation eased in July to its lowest level since early 2022, and fading wage growth suggests easing cost pressure ahead. In parallel, higher US tariffs are set to intensify competition in third markets – particularly from Chinese exporters – adding downward pressure on eurozone goods prices, reinforced by the stronger euro exchange rate. Any remaining lagged effects from the earlier inflation surge (including compensation demands and indexation) should also, at the margin, support further disinflation. Lastly, subdued demand limits the scope for higher profit margins in the near term.

Service inflation eased in July to its lowest level since early 2022

### Inflation close to target



Sources: Eurostat, Macrobond and Handelsbanken

### Price expectations remain high



Sources: European Commission, Macrobond and Handelsbanken

Note: Standardisation based on sample 2003-19

We expect inflation to continue to ease before bottoming out at around 1.8 percent for both headline and core by the middle of next year. Thereafter, inflation should slowly normalise, with growing demand providing scope for price increases, and we forecast a return to the 2 percent target in the second half of 2027.

We expect inflation to continue easing

### The ECB challenge is now to maintain the status quo

With activity broadly in balance, unemployment at record lows, and inflation close to target, the eurozone economy is in a relatively solid position. The ECB's challenge is now to balance the risk of lingering cost pressures against weak demand momentum. Near-term, business surveys continue to flag elevated service sector price pressures, and tight labour markets remain a potential source of wage-driven costs. That said, the recent easing in service inflation and forward-looking wage indicators, which point to continued moderation, should reinforce the ECB's confidence in a continued disinflation trend.

The ECB's challenge is to balance the risk of lingering cost pressures against weak demand

On the business cycle outlook – and by extension the medium-term inflation path – the ECB will weigh weak current signals against the ongoing pass-through of past monetary easing and the expected support from German fiscal stimulus. We expect a final 25bp cut in December, bringing the policy rate to 1.75 percent. The move would be prompted by risks of inflation undershooting and concerns that companies could cut staff to restore margins if demand fails to re-accelerate, causing a rise in unemployment. Policy easing would act as a pre-emptive measure to avoid such a scenario.

We continue to expect a final 25bp cut in December, bringing the policy rate to 1.75 percent

### Policy rate set to return to 2 percent in 2027

Looking further ahead, we expect the ECB to target a policy rate of around 2 percent. While the timing of hikes will depend more on assumptions about the recovery than on hard forecasts, our baseline view is that economic and inflation dynamics should stabilise over the next year, paving the way for gradual normalisation. Hence, we forecast that the first rate increase will come in September 2027.

First rate increase likely to take place in September 2027

### French political instability is driving yield premiums

Uncertainty over the ability of French policymakers to address the country's unsustainable fiscal deficit – the largest in the eurozone – is driving yield premiums and further increasing already high debt-servicing costs. Political instability is also weighing on investment and consumption. Inaction is not an option: a loss of market confidence would have serious consequences for the French economy, with potential spill-over effects across the wider eurozone.

## Norway

## Norges Bank still struggling to bring inflation down

Growth in the Norwegian economy has strengthened, surprising on the upside over the past six months. Part of this can likely be attributed to higher potential growth, driven by stronger productivity gains. At the same time, wage growth remains elevated and is likely to exceed this year's negotiated settlement. Despite stronger productivity, this continues to keep inflation above target. Following Norges Bank's surprise rate cut in June - which also contributed to a weaker Norwegian krone - the central bank should move cautiously with further policy normalisation. We still expect one rate cut in the second half of the year, in September, although we see a risk that it could be postponed until December.

### Stronger growth capacity in the Norwegian economy

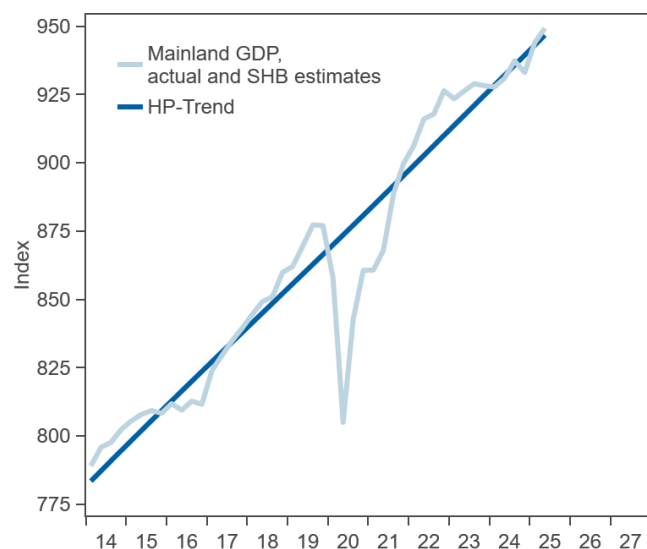
Economic activity in Norway picked up strongly in the first half of the year and has exceeded expectations. While the figures have been influenced by volatile factors such as power supply and fisheries and aquaculture, Mainland GDP grew by nearly 1 percent q-o-q in both the first and second quarters – even when adjusted for these factors. This is clearly above what firms themselves had anticipated in advance, according to Norges Bank's Regional Network survey of production expectations.

Solid GDP growth, partly reflecting a stronger potential.

Robust investment activity in the petroleum sector has boosted the supplier industry, while traditional exports and household goods consumption have increased. Construction activity remains weak, but residential investment appears to have passed its trough. As noted previously, the Norwegian economy is also likely to be relatively unaffected by higher US tariffs, as the US accounts for only a small share of total Norwegian exports. Overall, we now expect Mainland GDP to grow by 1.8 percent this year, after 0.6 percent last year.

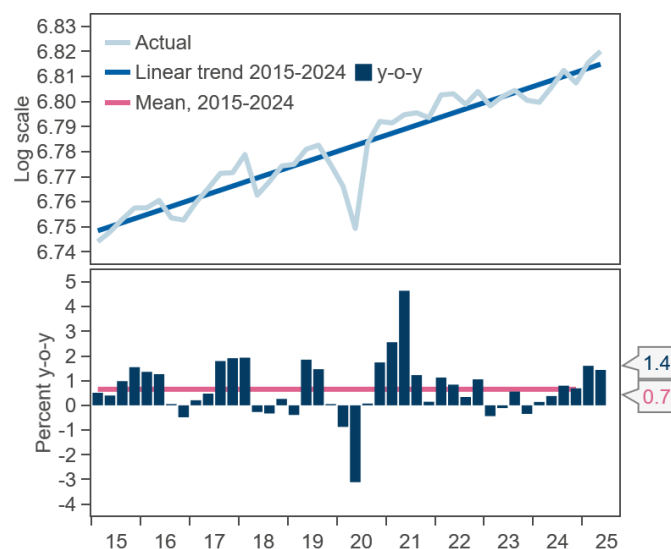
At the same time, there are signs that the underlying growth capacity of the Norwegian economy has strengthened. As a result, the upward revision to the growth outlook cannot be fully translated into a corresponding increase in capacity utilisation (the output gap). Productivity growth has accelerated, running above the average of the past decade over the past few quarters. The increase has been particularly strong in recent months, though caution is warranted in placing too much weight on the latest preliminary figures from the national accounts.

Mainland GDP, actual and expected



Sources: Macrobond and Handelsbanken

Mainland GDP, labour productivity



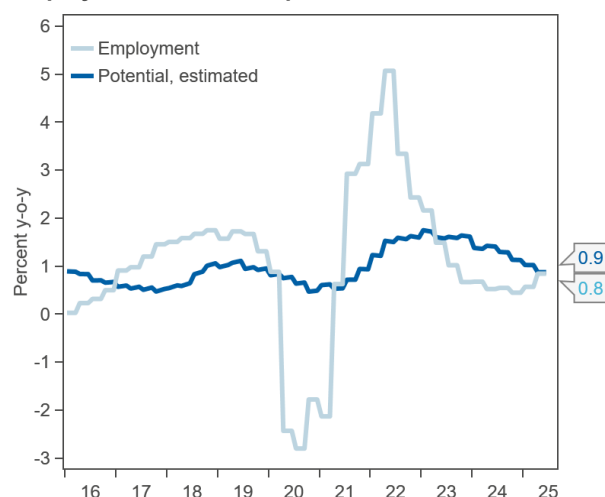
Sources: Macrobond and Handelsbanken



On the labour supply side, growth in the working-age population – which was particularly strong in 2023 – has now peaked and is trending down. Meanwhile, labour force participation has risen significantly in recent years, especially among younger people. This has led to higher unemployment in the Labor Force Survey (LFS), but also a higher employment-to-population ratio for the working age population. Actual employment growth now appears broadly in line with potential. We also note that registered unemployment has changed little, consistent with the relatively stable unemployment rate among those aged 25 and older in the LFS.

Taken together, the data point to somewhat stronger growth capacity in the economy. We have therefore slightly raised our assessment of overall capacity utilisation, even though our forecasts for Mainland GDP growth has only been revised upwards. In our view, capacity utilisation still appears close to normal levels.

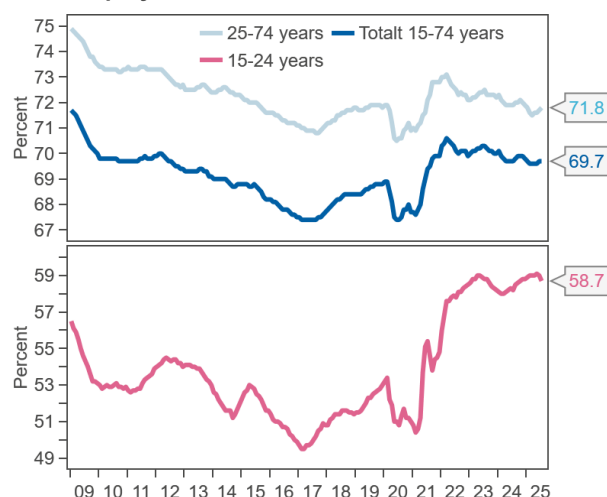
### Employment, actual and potential



Sources: Macrobond, Norges Bank and Handelsbanken

Note: Working age population adjusted for trend participation rate and structural unemployment

### LFS: Employment ratios



Source: Macrobond

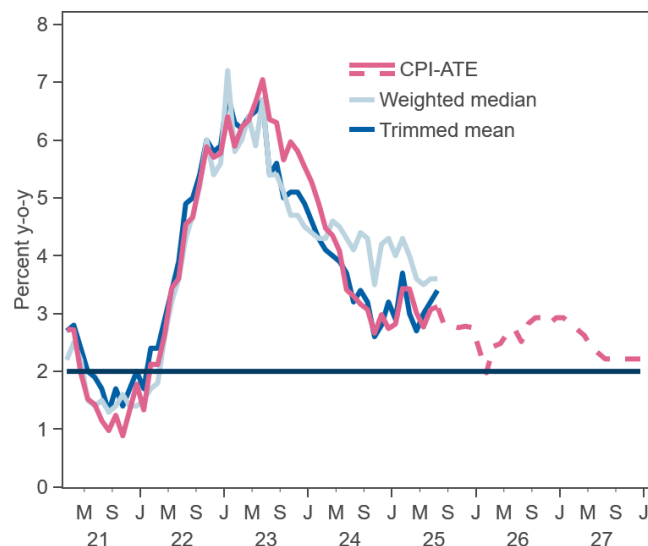
## Norges Bank's inflation challenge

Stronger productivity growth helps to offset inflationary pressures from still-high wage growth. This is important, as the agreed wage settlement of 4.4 percent this year looks set to be exceeded. While the social partners recently estimated wage growth at 4.3 percent, according to Norges Bank's latest Expectations Survey, developments in cash wages so far point to growth of closer to 5 percent.

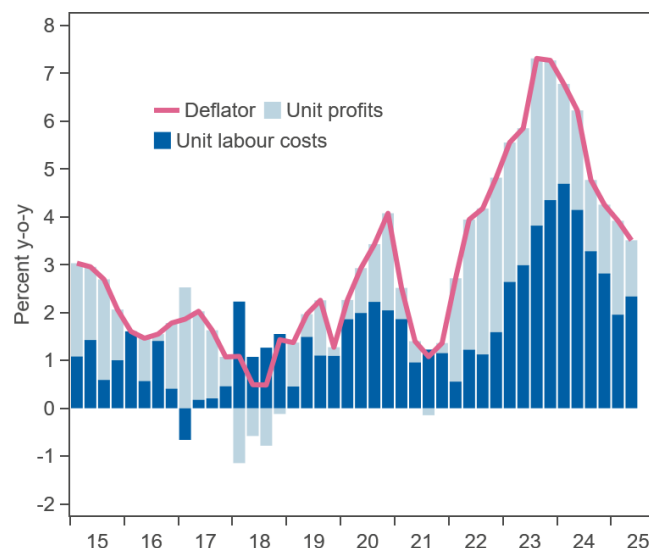
Sticky core inflation, and wage growth remains elevated

A key backdrop is the low labour share in manufacturing ("frontfaget"), also confirmed by the latest national accounts figures. According to Norway's wage-setting model, value added in the tradable sector is to be distributed evenly over time between labour and capital. A low labour share therefore enables higher nominal wage growth going forward – also spilling over to non-tradable sectors with lower profitability, which may be forced to be compensated for by raising consumer prices. While part of this wage growth may be absorbed by higher productivity, overall cost growth remains elevated. The national accounts also showed that the slowdown in unit labour cost growth – and its contribution to price growth – has lost momentum.

This forms an important backdrop, as we also observe that core inflation (CPI-ATE) has flattened further. The same pattern is visible in other measures of underlying inflation, such as the trimmed mean and weighted median. Underlying inflation has remained slightly above 3 percent over the past year. Cuts in kindergarten fees following the revised 2025 budget agreement will temporarily push CPI-ATE somewhat lower from August, but this will have little lasting effect on inflation.

**Core inflation, various measures and SHB estimates for the CPI-ATE**

Sources: Macrobond and Handelsbanken

**Mainland GDP deflator and contributions, smoothed**

Sources: Macrobond and Handelsbanken

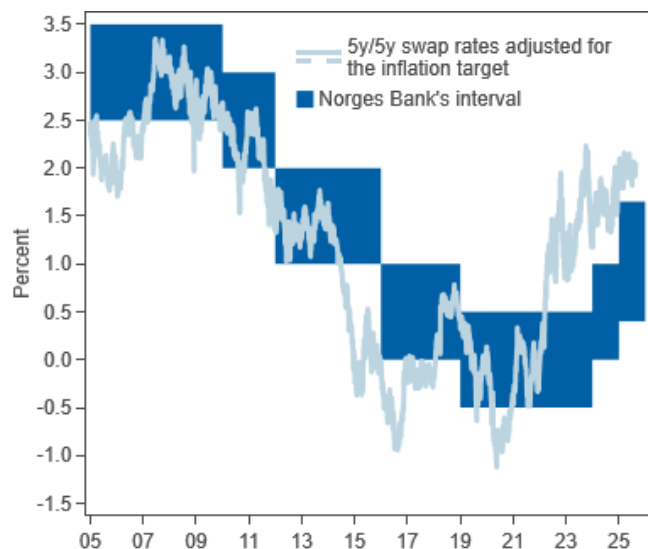
Note: Mainland Norway excluding general government and power supply

## Norges Bank to proceed cautiously

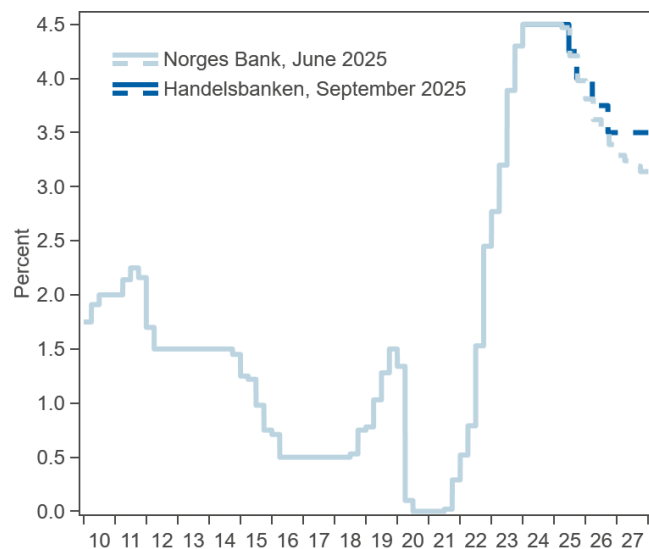
Stronger economic growth, high employment, elevated wage growth, and sticky core inflation all argue for Norges Bank to proceed cautiously when normalizing the key policy rate. The June rate cut surprised both analysts and markets, and the krone weakened in its aftermath. Recent developments in key indicators and economic drivers have created some uncertainty around Norges Bank's planned September rate cut. While we maintain our forecast of a cut this month, we stress that it could be postponed until December. Regardless of the exact timing, we believe there is unlikely to be more than one rate cut in the second half of the year. We see scope for some strengthening of the Norwegian krone, with EUR/NOK expected to trade at around 11.40 over the next three- to six months.

We maintain our view of a rate cut in September but see a risk that it could be postponed to until December

Looking further ahead, we expect Norges Bank to cut rates in March and September next year, bringing the policy rate down to 3.50 percent. We also believe this will mark the end of the cycle. Part of the explanation also lies in Norges Bank's gradual upward revision of its estimate of the neutral rate. Both model estimates and market pricing suggest that this process is not yet complete – Norges Bank tends to lag somewhat behind the market. We therefore expect the policy rate to settle at 3.50 percent. In comparison, Norges Bank currently expects the key policy rate to gradually decline towards 3.00 percent.

**Norges Bank's assessment of the real neutral rate,  $r^*$** 

Sources: Bloomberg, Macrobond and Norges Bank

**Expectations for Norges Bank's key policy rate path**

Sources: Macrobond and Handelsbanken

Sweden

## Recovery needs a helping hand

The Swedish economy is in a protracted downturn. Tariffs, subdued global growth and continued low housing construction are likely to weigh on next year's growth as well. However, an expansionary fiscal policy, rate cuts, and rising real wages are set to bolster households' purchasing power, paving the way for a consumption-driven recovery. Defence rearmament in Sweden and the rest of Europe will also stimulate growth in the coming years. Inflation has been a headache for the Riksbank during the summer, but our assessment is that the increase is mainly due to temporary effects and that inflation will move closer to 2 percent around year-end. Against a backdrop of easing inflationary pressure and a weak economy, we expect the Riksbank to cut its interest rate to 1.75 percent in September.

### Subdued growth and high unemployment

The Swedish economy is in a prolonged downturn, with subdued growth and high unemployment. After some optimism at the end of 2024, the trend turned downwards again in the first half of 2025. Consumer confidence fell sharply at the beginning of the year, while inflation rose and uncertainty around US trade policy and global demand has pushed companies to postpone investments. Household consumption has thus not recovered at the pace previously expected. Although there have been cautious signs of stabilisation in recent months, forward-looking indicators point to continued weak growth in the second half of the year. Overall, we expect GDP growth for 2025 to land at 1.1 percent, down 0.4 percentage points compared with our forecast in May.

Expecting GDP growth for 2025 to land at 1.1 percent

### Expansionary policy needed to boost purchasing power and thus growth

Tariffs, subdued global growth and low housing construction are likely to continue to weigh on growth next year. Household purchasing power has improved since the beginning of 2024 thanks to rising real wages and lower interest costs. However, next year, real wages are expected to increase by about 1.5 percent (excluding VAT cuts), which in itself is not sufficient to provide a consumption-led recovery. We therefore believe that additional stimulus is needed to boost growth. An expansionary fiscal policy with tax cuts and increased subsidies aimed at households is expected to increase households' real disposable income by over 1.0 percent next year.

Expansionary fiscal policy set to boost households purchasing power

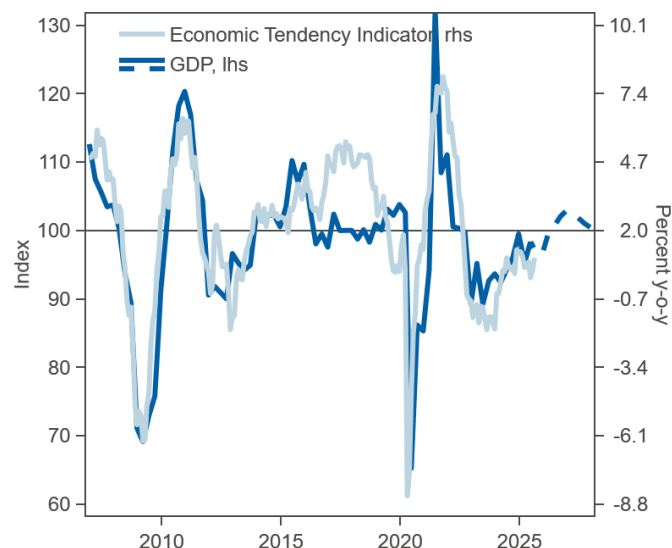
The improvement in household purchasing power suggests that households will gradually become more optimistic and that household consumption will increase at a good pace in both 2026 and 2027. However, the increase in consumption is hampered by the fact that the saving ratio is expected to remain at historically high over the coming years. We believe that the large and unforeseen fluctuations in the economy in recent years, with the pandemic, high inflation and sharply rising interest rates, are contributing to households becoming more cautious and therefore seeking to secure a larger financial buffer. At the same time, government consumption and investment are increasing, especially in defence. All in all, we expect GDP to increase by 2.4 percent in both 2026 and 2027.

We expect GDP to increase by 2.4 percent in both 2026 and 2027

The labour market remains weak. Employment grew slightly at the beginning of the year, but growth has come to a halt. Forward-looking indicators such as hiring plans and newly reported jobs indicate continued weak development during the second half of 2025. However, as the growth outlook improves, it will also be reflected in the labour market, with employment gradually rising and falling unemployment rates in 2026 and with unemployment close to normal levels towards the end of 2027.

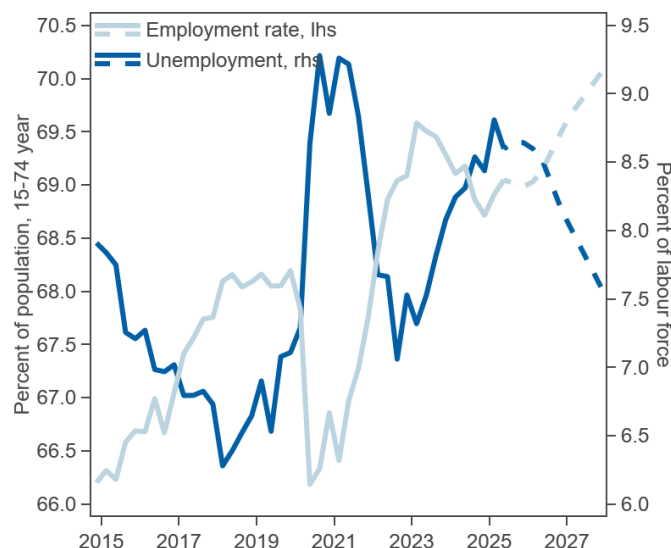
Unemployment expected to revert to more normal levels towards the end of 2027

### Subdued growth this year, recovery next year



Sources: Macrobond, Statistics Sweden, NIER and Handelsbanken

### Labour market remains weak



Sources: Macrobond, Statistics Sweden and Handelsbanken

## Expansionary fiscal policy set to boost growth next year

Ahead of election year 2026, the Minister of Finance has announced an expansionary fiscal policy with unfunded reforms of approximately SEK 80bn, in addition to support for Ukraine and defence investments. Just over half of the reforms are aimed at households, including among other things reduced income tax and food VAT (down to 6 percent). In addition, we expect a more normal spring budget of about SEK 10bn. Earlier this year, the government and the opposition agreed that defence spending will reach 3.5 percent of GDP by 2030, and that in the coming years it will be financed through loans to the tune of SEK 300bn (about 4.5 percent of GDP). By 2035, these expenses will be financed through reprioritisation or tax increases. Officially, a balance target still applies, but in practice fiscal policy will be guided by a deficit target of around 0.5 percent of GDP in 2026–34. Despite this, public debt will remain low, in line with the debt anchor of 35 percent of GDP in the coming years.

## Inflation exaggerated in recent data; weakening expected ahead

Inflation stood at 3.3 percent, y-o-y, in August, according to Statistics Sweden's flash estimate. For the first time in two and a half years, headline CPIF inflation exceeds CPIF excluding energy, as energy prices have stopped falling and contributing negatively. Inflation remains broad-based, including service prices rising faster than normal. However, our conclusion is that the inflation figures are exaggerating the underlying inflation trend in the economy, partly owing to a temporary bigger-than-expected summer bump in some prices, and partly because of the CPI's technical basket re-weighting effect which dampened inflation in 2024 but boosted it in 2025 – the *inflation rate* truth probably lies somewhere in between for these years (while today's index number is the most accurate read on the *price level* to our knowledge).

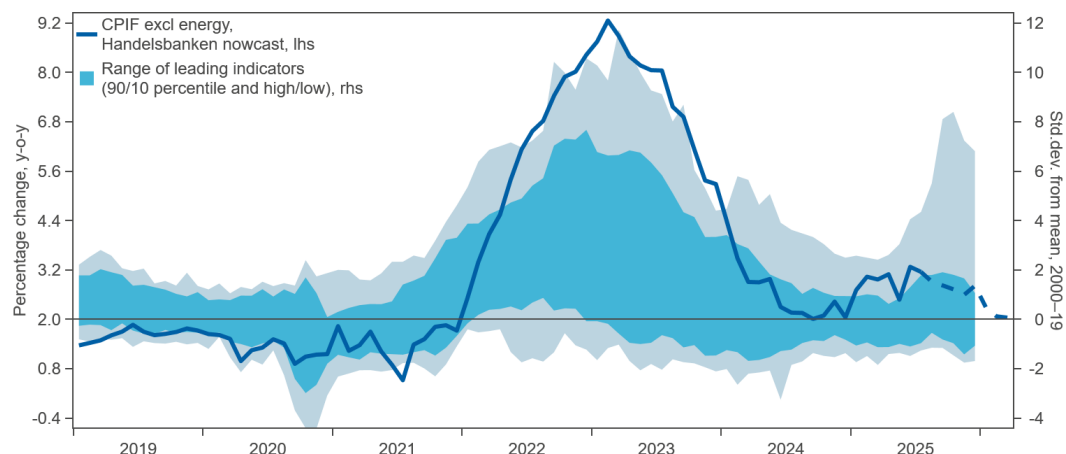
And while inflation prints soared during the summer, leading indicators for inflation have actually softened since our *Global Macro Forecast* in May, reinforcing our conclusion of a temporary inflation high. Weak economic activity lies behind the softening and the trade war is adding to this through both its blow to the economy and its dampening of global prices – factors we expect to be felt more ahead. The krona has strengthened this year – even considering a setback during the summer – and this is helping to ease import price pressure.

Inflation is broad-based, but the high recent figures are exaggerating the underlying trend

Weak economy, stronger krona and trade war weighing on inflation



### Leading indicators for inflation



Sources: Macrobond and Handelsbanken

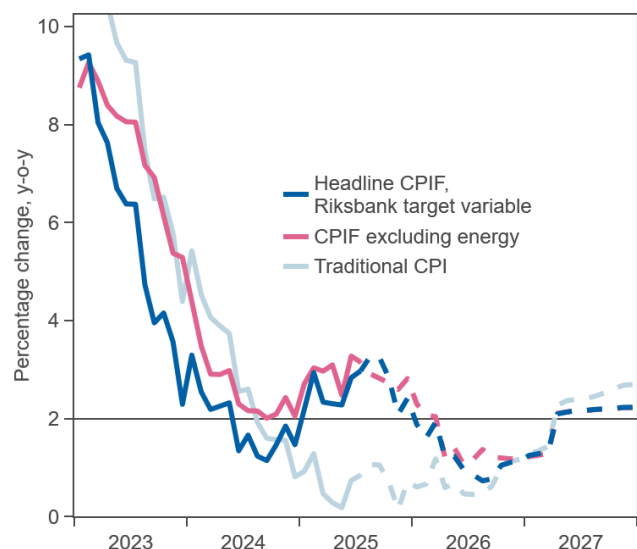
Note: Arbitrary 6 month lag applied to all indicators. By setting indicator value 0 equal to inflation of 2 percent, this graph assumes average inflation of 2 can be achieved in the future. Pre-pandemic average was 1.4 percent.

Forward-looking indicators have softened since spring

The expansionary budget will boost inflation slightly overall, a few tenths in a couple of years time. But it is policy effects of a static, technical character that are the focus of the inflation forecast. The reduction in food VAT from 12 to 6 percent is assumed to be passed on more or less fully to consumers, which will result in a one-off price level adjustment of just over -5 percent. We calculate that this will pull the inflation rate down by 0.7 percentage points in one fell swoop, from April 2026 and for a year thereafter, until the effect wears off, and the inflation rate rebounds to the underlying inflation trend, all else equal. All told, we forecast on average 2.6 percent CPIF inflation this year, followed by 1.2 and 2.0 percent in 2026–27, respectively, but developments would be different excluding the VAT impact (see graph).

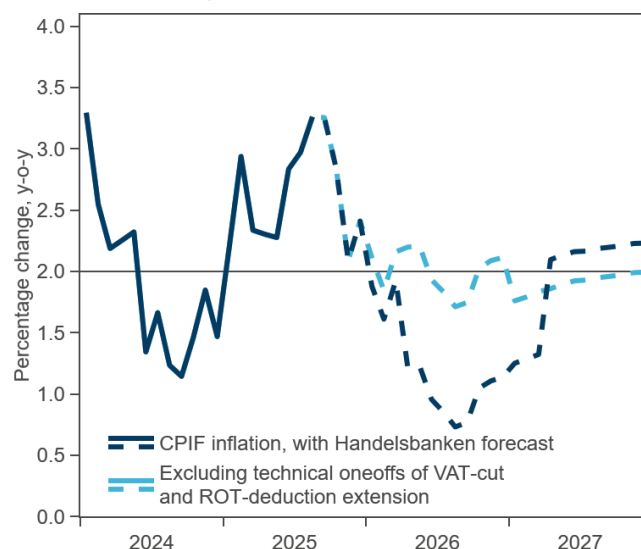
Inflation drops below 1 percent with VAT cut, but expansionary budget in the end slightly inflationary and in 2027 inflation stabilises close to Riksbank target

### Handelsbanken inflation forecasts



Sources: Macrobond, Statistics Sweden and Handelsbanken

### Inflation excluding technical effect of VAT cut



Sources: Statistics Sweden and Handelsbanken

### Riksbank to cut its policy rate to 1.75 percent in September...

We expect the Riksbank to cut the policy rate to 1.75 percent in September. Although inflation remains above the Riksbank's 2-percent target, the trend is easing, and monetary policy is forward-looking. Key considerations include forecasts for the economic outlook and analysis of the breadth and persistence of current high inflation. So far, there are strong indications that temporary factors helped fuel the elevated inflation over the summer, as highlighted in the Riksbank's own analyses. From an economic perspective, no further slowdown is required to justify a rate cut – the mere absence of clear signs of accelerating growth is sufficient. Like us, the Riksbank sees potential for a Swedish recovery, but we also believe it shares our view that the economy needs additional support and that the recovery can be accelerated without endangering the inflation target.

The inflation trend is easing, and monetary policy is forward-looking

The policy rate has already been reduced from 4 percent in May last year to 2 percent in June, placing it at the lower end of the Riksbank's estimated neutral rate range. The effects of the upcoming 2026 fiscal stimulus will gradually feed through over the next year, and the combined impact of monetary and fiscal policies should provide a strong growth impulse from the second quarter onward. There is scope for stronger domestic demand given persistently high unemployment and subdued external demand. A slow recovery risks entrenching high unemployment and keeping inflation below target in the longer term. A rate cut in September would also provide timely support to the economy before the fiscal measures come into effect.

Our interest rate forecast carries risks in both directions. Concerns about high inflation and the forthcoming economic support from expansionary fiscal policy are good reason for the Riksbank to remain at 2 percent, but more than one rate cut may also be needed to kick-start the prolonged economic recovery. In this context, it is natural for the Executive Board to carefully weigh the pros and cons before implementing another cut.

### ...aiming for the neutral rate as inflation stabilises in the medium term

In the latter stages of our forecast period, we expect the Riksbank to raise the policy rate towards the midpoint of its neutral rate range. In that perspective, 2.25 percent is a likely level once the economy has stabilised, but at the same time our assumption is that medium-term neutral is slightly higher at 2.5 percent (see box *Lax fiscal policy leads to higher neutral interest rate* in Global backdrop). All told, we expect the gradual stabilisation of inflation prospects to justify an initial hike in the first quarter of 2027, followed by another hike to 2.25 percent towards the end of that year.

The combined impact of economic policies should provide a strong growth impulse next year

Policy rate assumed to be raised toward normal when inflation outlook stabilises in 2027

## United Kingdom

# Something of a slog

The UK economy is set to continue languishing, with growth driven primarily by strong government spending. Inflation has proved stickier than investors anticipated, leaving interest rates to fall only slowly, while questions around the sustainability of government financing continue to push long-term rates up. There are demands for more government spending, but with the budget in deficit and taxes set to rise from what is already a peacetime high, the Chancellor faces significant challenges in this autumn's budget.

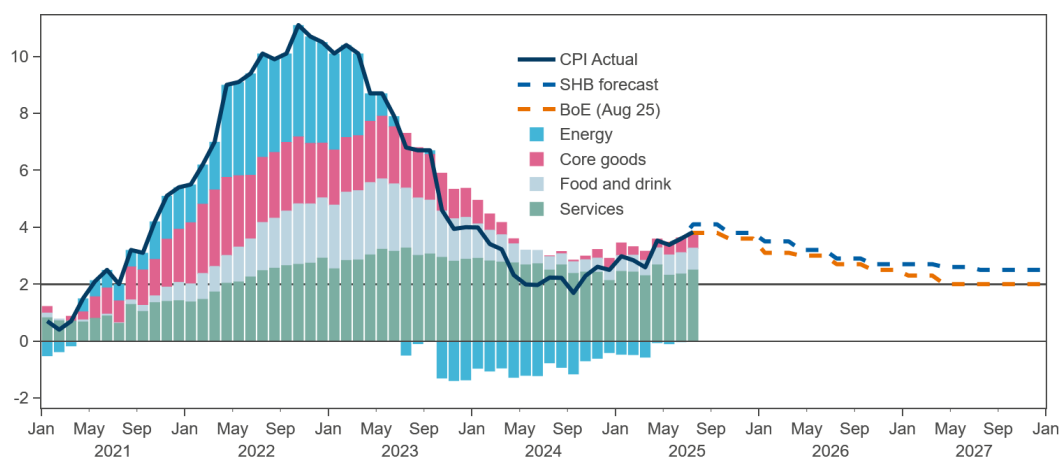
## Focus on growth

Like many advanced economies, the UK is facing a number of challenges. Chancellor Reeves has repeatedly made clear her determination to focus on growth. This makes entire sense in that economic growth would be by far the best way to balance the government's competing priorities of increasing state spending and reducing its budget deficit and debt more generally while containing tax rises. However, growth at the pace necessary to deliver on these ambitions is far from guaranteed. Our expectation over the past year has been that overall economic growth would likely be lethargic throughout 2025 and 2026. We maintain this view in this forecast. We thus see GDP growing by 1.4 percent in 2025, followed by 1.1 percent in both 2026 and 2027. Breaking down our forecast, we expect consumer spending (two thirds of GDP) to remain subdued, growing by just 0.8 percent in 2025 and 0.9 percent in 2026 (historical normal is 1.9 percent) and business investment to remain cautious, growing by 1.6 percent in 2025 but remaining flat next year. Meanwhile, government spending is set to remain the driver of what growth we do see in the coming two years, expanding by 2.9 percent in 2025 but slowing to 1.5 percent in 2026 and 1.2 percent in 2027.

Meeting the government's growth priority is set to be a significant challenge

What scope there is for more robust growth would require a surge in consumer and business confidence. Consumer confidence, while improving, is still at -19, well below its long-run average of -10. Our view is that were consumer confidence to improve, it could rapidly result in higher consumer spending as households reduced their current high rate of savings and potentially spent some of the savings accumulated over the past six years. As for business confidence, the composite PMI is in positive territory at 51.5. However, this is not a level that would suggest strong growth, rather that an outright recession remains unlikely.

## UK Inflation



Source: ONS, Macrobond

In our view, inflation will not fall to its two percent target before 2028

## Interest rates respond to sticky inflation

Inflation has clearly been a significant challenge in the past few years. The hope now is that inflationary expectations will subside rather than lead to demands for higher wages which would leave inflation elevated. The difficulty is that the longer inflation persists, and it has been above its two percent target since May 2021, the more people look back not just over the last 12 months, but over the whole inflationary episode and expect compensation. Encouragingly, earnings growth has been slowing markedly over the course of 2025; it is now 4.6 percent in nominal terms, thus only 0.8 percent in real terms. That said, services inflation, which came in at 5.2 percent in June, remains well above the level consistent with the Bank of England's two percent inflation target. We continue to forecast that inflation will decline as autumn progresses and expect it will remain sticky, falling to 2.5 percent first at the end of 2027.

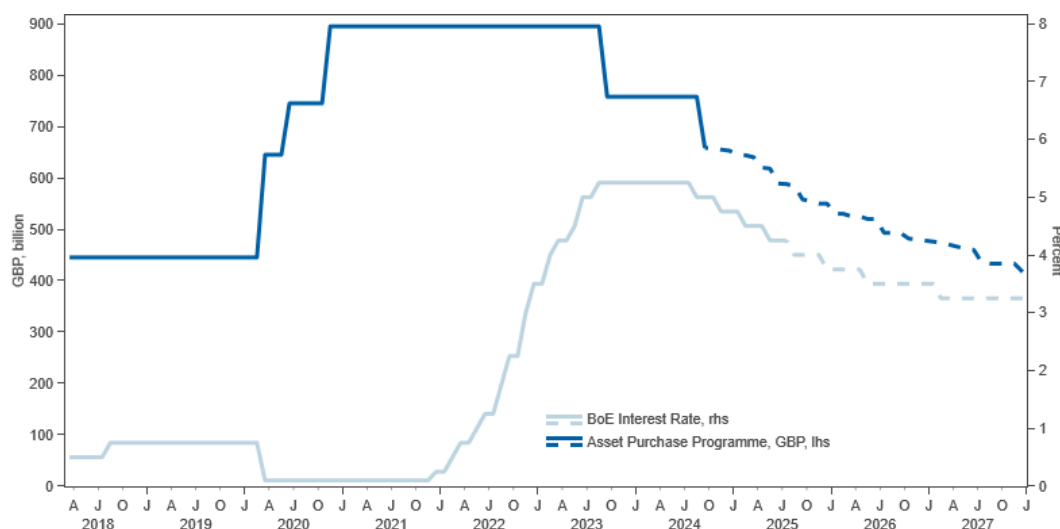
Sticky inflation means interest rates fall slowly - the ten-year Gilt is set to revert to a premium over the Bank of England base rate as investors question the sustainability of government finances

In contrast with inflation, the UK's employment market has been a beacon of stability over the past few years. While unemployment has risen from its summer 2022 low of 3.6 percent, we forecast that it will peak at the relatively historically low level of 5.6 percent in April 2026. Thereafter, we assume unemployment will fall only slowly to 5.3 percent by the end of 2027 on a combination of the 6.7 percent rise in the National Living Wage, the already enacted increase in payroll taxation, and the impending employment rights bill, which will together contribute to a higher non-accelerating rate of inflation unemployment.

As to what this means for the cost of money, Handelsbanken is revising its interest rate forecast. The rapid reductions in interest rates hoped for at the start of the year have not materialised as a result of sticky inflation, although our forecast has always been more hawkish and less optimistic about the potential speed of interest rate cuts. We now expect a 25bp reduction in interest rates in December this year, and another in June of next year, with a further reduction in February 2027, taking the terminal rate to 3.25 percent. This slow pace of cuts is based on our expectation that inflation remains above its 2% target through the end of 2026. But there is more to the cost of money than the Bank of England's base rate. We also forecast an end to a decade of exceptionalism, whereby ten-year-long bond rates were at times below the Bank of England's base rate, and on average less than 60bp above the base rate. Our expectation is for a steepening of the sovereign yield curve and the ten-year Gilt to move towards a premium of over 140bp above the base rate, reflecting a reversion to normal time value of money expectations and investor concerns over the sustainability of government finances.

Lastly, while there is little scope for Sterling strength resulting from a booming economy, interest rates and Gilt yield differentials are likely to remain fairly elevated versus the eurozone, thus we expect Sterling to slowly strengthen against the euro, from 0.86 to 0.84 by the end of 2027.

UK base rate and APF forecast



Sources: Macrobond, Bank of England and Handelsbanken

## Precarious government finances

The most significant economic event in the coming year is almost certain to be the Chancellor's budget this autumn. Chancellor Reeves had hoped that her October 2024 budget, which raised taxes by GBP 40bn, would give her ample fiscal room for the remainder of this Parliament. But the rising cost of debt has put paid to that idea, and she is now left trying to ensure she can maintain her fiscal rules of debt/GDP falling in five years and only borrowing to invest. She (we believe correctly) sees these rules as being critical to investor confidence. The challenge is that the Chancellor is under pressure to meet at least some of the spending expectations of her Parliamentary colleagues, most notably within health. Our GDP forecast reflects this government stimulus, although how effective such spending is in enhancing the productive capacity of the broader economy remains to be seen.

The real question centres around taxes. The tax rises implemented on 1 April this year took the tax/GDP burden to a peacetime-high of 37 percent. Some stark choices await. Should the Chancellor seek to increase the tax burden still further on the narrow tax base of the wealthy? Could she meet her revenue requirements through rises in a variety of minor excise taxes? Or should she opt to break a manifesto pledge and chose the least economically distortive option and raise broadly based income taxes? Much will depend on how much revenue she is seeking to raise. We believe rises in excise taxes are a given, and that the Chancellor will be particularly reluctant to increase the broad taxation base, while the already implemented reaction to steep increases to taxation of wealth are proving to be more negative than the Chancellor anticipated. That said, further increases in wealth taxation are more likely than income tax hikes or VAT.

Already at a peacetime high, taxes are set to rise once again this autumn, impacting consumer confidence



## Data appendix

## Key forecasts

Our Global Macro Forecast from 21 May 2025 is shown in parentheses.

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

	2024	2025	2026	2027
World	3.3 (3.2)	2.9 (2.7)	2.9 (2.7)	3.1 (3.3)
Advanced economies	1.8 (1.8)	1.5 (1.2)	1.4 (1.1)	1.6 (1.6)
Emerging economies	4.3 (4.1)	3.9 (3.7)	3.9 (3.8)	4.0 (4.1)
China	5.0 (5.0)	4.7 (4.2)	4.0 (3.8)	4.1 (4.1)
Eurozone	0.9 (0.8)	1.3 (1.0)	1.0 (1.1)	1.4 (1.4)
Norway, mainland economy	0.6 (0.6)	1.8 (1.5)	1.6 (1.4)	1.6 (1.4)
Sweden	0.8 (0.9)	1.1 (1.5)	2.4 (2.1)	2.4 (2.6)
United Kingdom	1.1 (1.1)	1.4 (1.0)	1.1 (1.1)	1.1 (1.4)
United States	2.8 (2.8)	1.7 (1.2)	1.5 (1.0)	1.9 (1.8)

Sources: Macrobond, IMF, national sources and Handelsbanken

## Unemployment, percent of the labour force

	2024	2025	2026	2027
Eurozone	6.4 (6.4)	6.3 (6.3)	6.4 (6.4)	6.3 (6.4)
Norway, registered NAV	2.0 (2.0)	2.1 (2.1)	2.1 (2.1)	2.1 (2.1)
Sweden	8.4 (8.4)	8.7 (8.6)	8.4 (8.4)	7.8 (7.8)
United Kingdom	4.3 (4.3)	4.9 (5.1)	5.5 (4.8)	5.4 (4.6)
United States	4.0 (4.0)	4.3 (4.4)	4.8 (5.1)	4.6 (5.0)

Sources: Macrobond, national sources and Handelsbanken

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

	2024	2025	2026	2027
Eurozone	2.4 (2.4)	2.2 (2.2)	1.9 (1.9)	1.9 (1.9)
Norway	3.1 (3.1)	3.1 (2.8)	2.2 (2.7)	2.3 (2.4)
Sweden, CPIF	1.9 (1.9)	2.6 (2.6)	1.2 (2.0)	2.0 (2.0)
United Kingdom	2.3 (2.5)	3.5 (3.4)	3.1 (3.4)	2.6 (3.1)
United States, PCE deflator	2.5 (2.5)	2.7 (3.1)	2.6 (2.9)	2.1 (2.0)

Sources: Macrobond, national sources and Handelsbanken

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

	2024	2025	2026	2027
Eurozone				
– Policy rate	3.00 (3.00)	1.75 (1.75)	1.75 (1.75)	2.00 (2.00)
– 2y	2.2 (2.2)	1.9 (2.0)	2.1 (2.1)	2.2 (2.2)
– 5y	2.3 (2.3)	2.3 (2.3)	2.4 (2.4)	2.6 (2.4)
– 10y	2.4 (2.4)	2.7 (2.6)	2.8 (2.6)	2.9 (2.6)
Norway				
– Policy rate	4.50 (4.50)	4.00 (4.25)	3.50 (3.50)	3.50 (3.25)
– 2y	4.1 (4.2)	3.9 (4.1)	3.7 (3.7)	3.7 (3.7)
– 5y	3.9 (3.9)	4.0 (4.0)	3.9 (3.9)	3.9 (3.9)
– 10y	3.8 (3.9)	4.1 (4.1)	4.1 (4.0)	4.1 (3.9)
Sweden				
– Policy rate	2.50 (2.50)	1.75 (1.75)	1.75 (1.75)	2.25 (2.25)
– 2y	2.4 (2.4)	2.0 (2.0)	2.3 (2.3)	2.5 (2.4)
– 5y	2.5 (2.5)	2.4 (2.3)	2.6 (2.5)	2.8 (2.6)
– 10y	2.7 (2.7)	2.8 (2.6)	3.0 (2.8)	3.1 (2.8)
United Kingdom				
– Policy rate	4.75 (4.75)	3.75 (3.75)	3.50 (3.25)	3.25 (3.00)
– 2y	4.3 (4.3)	4.0 (4.1)	3.7 (3.6)	3.8 (3.5)
– 5y	4.1 (4.1)	4.3 (4.1)	4.2 (4.0)	4.3 (4.0)
– 10y	4.1 (4.1)	4.7 (4.2)	4.8 (4.4)	4.9 (4.6)
United States				
– Policy rate	4.38 (4.38)	3.88 (4.13)	3.38 (3.38)	3.13 (2.88)
– 2y	4.1 (4.1)	3.5 (3.8)	3.2 (3.2)	3.1 (2.9)
– 5y	4.0 (4.0)	3.5 (3.7)	3.4 (3.3)	3.4 (3.2)
– 10y	4.1 (4.1)	3.7 (4.0)	3.7 (3.6)	3.7 (3.5)

Sources: Macrobond, Bloomberg, national sources and Handelsbanken

**Government bond yields, year-end, percent**

		2024	2025	2026	2027
Germany					
–	2y	2.1 (2.1)	1.7 (1.9)	1.9 (2.0)	2.1 (2.1)
–	5y	2.2 (2.2)	2.2 (2.2)	2.4 (2.3)	2.5 (2.3)
–	10y	2.4 (2.4)	2.8 (2.6)	2.9 (2.6)	3.1 (2.6)
Norway					
–	2y	3.9 (4.1)	3.7 (3.8)	3.5 (3.4)	3.5 (3.4)
–	5y	3.8 (3.8)	3.8 (3.8)	3.7 (3.7)	3.7 (3.7)
–	10y	3.8 (3.8)	4.0 (4.0)	4.0 (3.9)	4.0 (3.8)
Sweden					
–	2y	2.1 (2.1)	1.8 (1.8)	2.1 (2.0)	2.3 (2.1)
–	5y	2.2 (2.2)	2.2 (2.0)	2.5 (2.3)	2.6 (2.3)
–	10y	2.4 (2.4)	2.7 (2.3)	2.9 (2.5)	3.0 (2.6)
United Kingdom					
–	2y	4.4 (4.4)	4.1 (4.1)	3.6 (3.4)	3.6 (3.1)
–	5y	4.2 (4.2)	4.5 (4.3)	4.3 (3.9)	4.3 (3.8)
–	10y	4.6 (4.6)	5.0 (4.6)	4.9 (4.5)	4.9 (4.5)
United States					
–	2y	4.3 (4.3)	3.7 (4.0)	3.4 (3.4)	3.4 (3.2)
–	5y	4.4 (4.4)	3.9 (4.1)	3.8 (3.7)	3.8 (3.6)
–	10y	4.6 (4.6)	4.3 (4.5)	4.3 (4.2)	4.4 (4.2)

Sources: Macrobond, national sources and Handelsbanken

**Exchange rates, year-end**

	2024	2025	2026	2027
EUR/USD	1.04 (1.04)	1.20 (1.18)	1.21 (1.19)	1.19 (1.18)
EUR/GBP	0.83 (0.84)	0.86 (0.83)	0.84 (0.82)	0.84 (0.82)
GBP/USD	1.25 (1.24)	1.40 (1.42)	1.44 (1.45)	1.42 (1.44)
USD/JPY	157.00 (157.00)	144.00 (142.00)	136.00 (134.00)	128.00 (126.00)
USD/CNY	7.30 (7.30)	7.15 (7.27)	7.10 (7.18)	7.06 (7.10)
EUR/CHF	0.94 (0.94)	0.95 (0.95)	0.96 (0.96)	0.97 (0.97)
EUR/NOK	11.80 (11.60)	11.60 (11.30)	11.10 (11.10)	10.90 (10.90)
EUR/SEK	11.48 (11.48)	11.05 (10.80)	10.75 (10.65)	10.55 (10.50)

	2024	2025	2026	2027
USD/SEK	11.05 (11.05)	9.21 (9.15)	8.88 (8.95)	8.87 (8.90)
EUR/SEK	11.48 (11.48)	11.05 (10.80)	10.75 (10.65)	10.55 (10.50)
CHF/SEK	12.19 (12.19)	11.63 (11.37)	11.20 (11.09)	10.88 (10.82)
NOK/SEK	0.97 (0.99)	0.95 (0.96)	0.97 (0.96)	0.97 (0.96)
GBP/SEK	13.83 (13.66)	12.85 (13.01)	12.80 (12.99)	12.56 (12.80)
JPY/SEK	7.04 (7.04)	6.39 (6.45)	6.53 (6.68)	6.93 (7.06)
CNY/SEK	1.51 (1.51)	1.29 (1.26)	1.25 (1.25)	1.26 (1.25)

	2024	2025	2026	2027
USD/NOK	11.35 (11.35)	9.67 (9.58)	9.17 (9.33)	9.16 (9.24)
EUR/NOK	11.80 (11.80)	11.60 (11.30)	11.10 (11.10)	10.90 (10.90)
CHF/NOK	12.53 (12.53)	12.21 (11.89)	11.56 (11.56)	11.24 (11.24)
GBP/NOK	14.21 (14.21)	13.49 (13.61)	13.21 (13.54)	12.98 (13.29)
SEK/NOK	1.03 (1.03)	1.05 (1.05)	1.03 (1.04)	1.03 (1.04)
JPY/NOK	7.23 (7.23)	6.71 (6.74)	6.75 (6.96)	7.16 (7.33)
CNY/NOK	1.56 (1.56)	1.35 (1.32)	1.29 (1.30)	1.30 (1.30)

Sources: Macrobond, national sources and Handelsbanken

## Footnotes

**1** ECB, 2023, "The consumption impulse from pandemic savings – does the composition matter?", ECB Economic Bulletin, Issue 4/2023. [↩](#)

# Research disclaimer

## Risk warning

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