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MACRO PICTURE

Sweden: Elections, Politics and Economic Outlook

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Executive Summary

Politics and the 2026 Election

- ✦ In 2022, Ulf Kristersson's centre-right Moderates relied on the Sweden Democrats to form a minority government, giving the SD significant influence over immigration and crime policy.
- ✦ Sweden's political landscape has shifted right on immigration and criminal justice, while NATO membership and continued support for Ukraine enjoy broad political backing.
- ✦ The September 2026 election gave the left-leaning bloc a narrow 176–173 seat majority. The Social Democrats remained the largest party with 28.0% of the vote, while the Sweden Democrats fell to 17.5%.
- ✦ Kristersson resigned following the defeat, allowing Social Democratic leader Magdalena Andersson to begin government formation talks.
- ✦ Coalition negotiations could prove difficult as the Centre Party opposes governing with the Left, while the Left is demanding cabinet representation.

Economic Recovery

- ✦ Sweden's economy expanded 1.6% q-o-q in Q2 2026 after contracting 0.1% in Q1, marking the strongest quarterly growth since early 2024.
- ✦ Investment led the rebound, with gross fixed capital formation rising 3.5%, while exports, recovering household consumption and fiscal support are broadening the expansion.
- ✦ Inflation remained subdued at 0.3% y-o-y in August, while wages rose 3.7% y-o-y in June and unemployment stood at 8.5%.
- ✦ The Riksbank expects GDP growth of 2.8% in 2026 and 2.4% in 2027, although unemployment is projected to remain relatively high.

Riksbank Turns Towards Tightening

- ✦ The Riksbank held its policy rate at 1.75% in September but signalled that rate hikes are likely before year-end as stronger growth, a weaker krona and higher energy prices increase inflation risks.
- ✦ The central bank forecasts CPIF inflation at 1.5% in 2026 and 2.1% in 2027, with its projected policy rate rising to 2.07% in Q1 2027 and 2.24% in Q2.
- ✦ The policy focus is shifting from supporting the recovery towards containing renewed inflationary pressures as economic slack diminishes.

Key Picture: Swedish Elections 2026

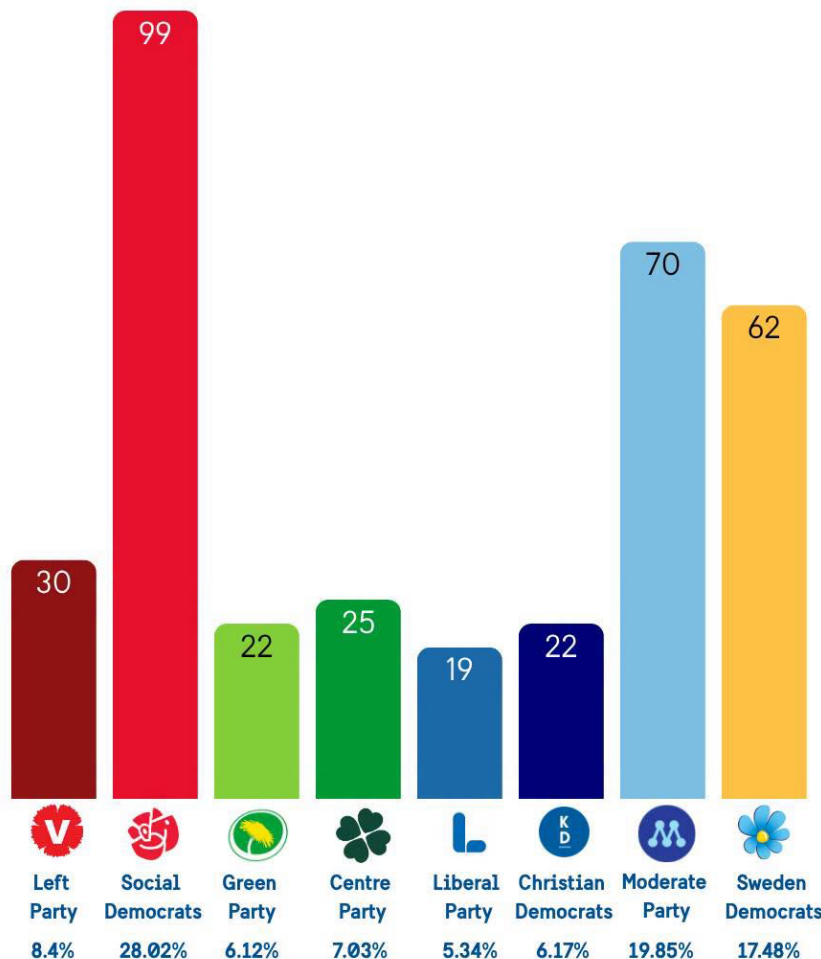
The Swedish
Parliament has

349 seats
distributed
between 8 parties

8.05 million people had the right
to vote in the 2026 elections
to parliament

84.9% of them
actually
voted

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Source: [Riksdagen](#)

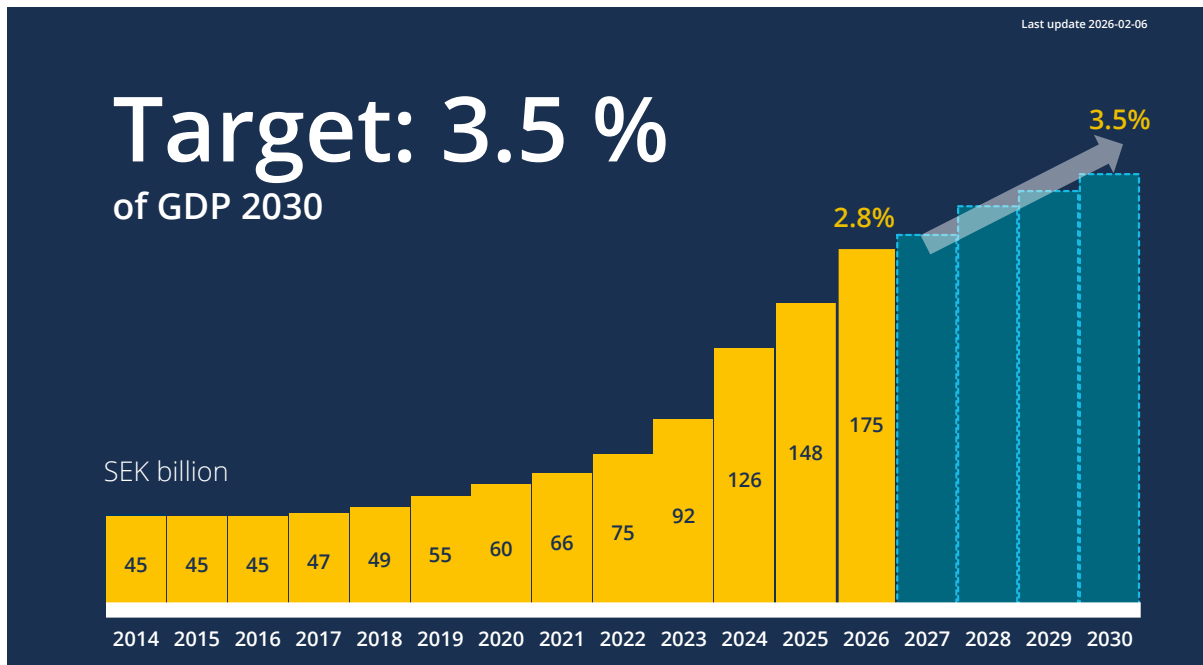
Politics: Sweden's Shift To The Right

In 2022, former Prime Minister Ulf Kristersson's center-right Moderates broke [a longstanding taboo](#) by relying on the anti-immigration Sweden Democrats (SD) to form a minority government, giving party significant influence over crime and immigration policy. Kristersson also promised three SD ministerial posts if re-elected. Meanwhile, the SDs have shifted right on crime, immigration and integration, largely embracing the restrictive approach of the right, as [their Danish counterparts have](#).

Both former PM Kristersson and the Sweden Democrats strongly backed Sweden's departure from its longstanding policy of military non-alignment, strongly supporting NATO membership and continued military assistance to Ukraine. Concern over the security threat from Russia is shared across much of the Swedish political spectrum.

The rise of the Sweden Democrats mirrors the broader growth of populist parties across Europe and the US. Sweden, like Germany, has experienced a marked slowdown in economic growth over recent decades, particularly since 2008, providing part of the economic backdrop to shifting political preferences.

Figure 1: Military Expenditure



Source: [Government Offices of Sweden](#)

Election: A Narrow Victory For The Left

Sweden held [general elections](#) on September 13, 2026, the first since joining NATO in 2024. The final results gave the left-leaning opposition a narrow three-seat majority, with 176 seats against 173 for the outgoing centre-right bloc. The Social Democrats remained the largest party with 28.0% of the vote and 99 seats, despite recording their worst result in more than a century. The Sweden Democrats, meanwhile, saw their vote share fall for the first time since entering parliament, to 17.5%, leaving them with 62 seats.

[Prime Minister Ulf Kristersson resigned](#) following the defeat, and Social Democratic leader Magdalena Andersson has been tasked with exploring the formation of a new government. Kristersson and his ministers will remain in office in a caretaker capacity until a new government is formed.

Despite the left's parliamentary majority, forming a stable government could prove difficult. [Andersson must reconcile differences between the Left and Centre parties](#): the Centre Party opposes a government that includes the Left, complicating efforts to unite the four opposition parties. If Andersson fails, the centre-right could seek an alternative majority, although the Centre Party's opposition to governing with the Sweden Democrats limits Kristersson's options. The process could therefore be prolonged; after the 2018 election, government formation took 134 days.

Victory does not guarantee an easy government

The centre-left victory ends four years of centre-right government but is unlikely to reverse Sweden's shift towards tougher immigration and criminal justice policies, as the Social Democrats support retaining much of the outgoing government's approach. Foreign policy is also likely to remain broadly unchanged, with the main parties supporting NATO membership and continued assistance to Ukraine.

The greater uncertainty surrounds government formation. The Centre Party refuses to join a government with the Left, while the Left is demanding cabinet representation in return for its support. The parties also differ over wealth taxation and migration policy. These divisions could complicate Andersson's efforts to translate the left's narrow parliamentary majority into a stable government and potentially prolong coalition negotiations.

Economy: Recovery Gains Momentum

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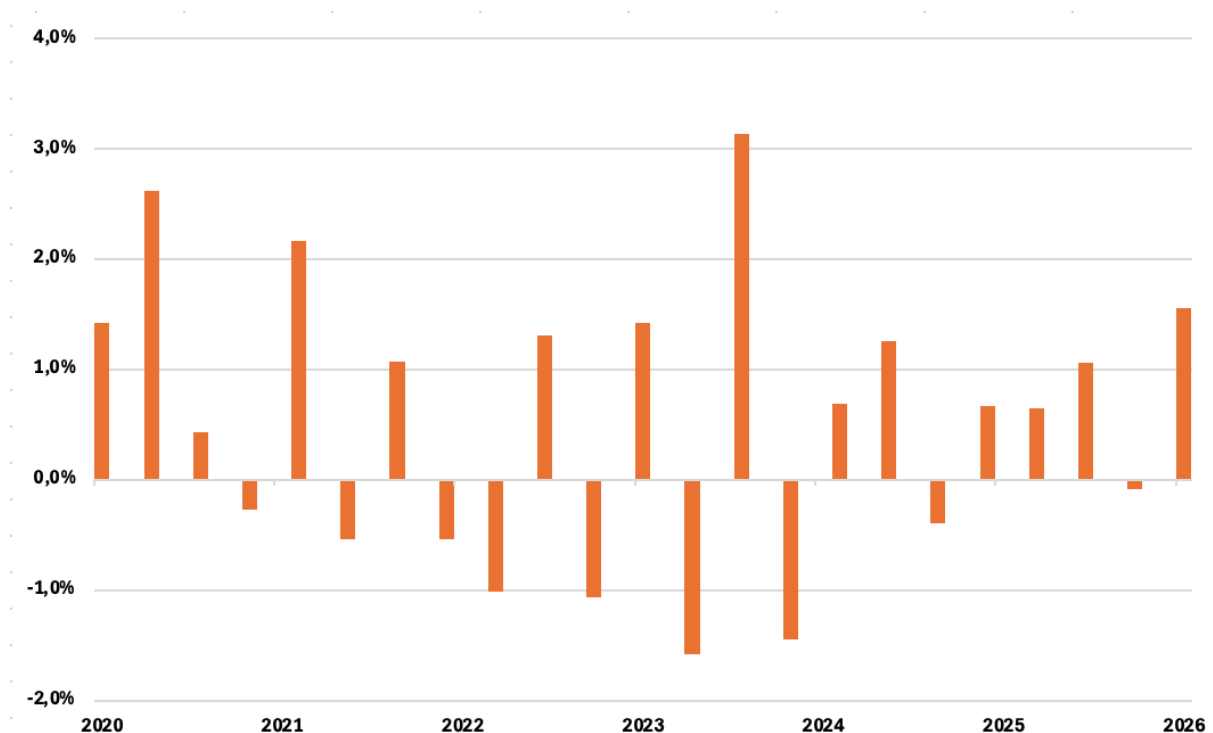
Sweden's economic recovery accelerated in the second quarter of 2026, with GDP expanding 1.6% q-o-q following a 0.1% contraction in Q1, marking the strongest quarterly growth since early 2024. The rebound was driven largely by a 3.5% increase in gross fixed capital formation, particularly investment in machinery, equipment and defence. More broadly, the recovery is becoming increasingly broad-based, supported by manufacturing and services exports, recovering household consumption and expansionary fiscal policy.

Inflation remains low, with headline CPI rising just 0.3% y-o-y in August, although higher electricity and fuel prices have increased price pressures in housing and transport. Wage growth remained comparatively strong at 3.7% y-o-y in June, while the labour market continues to lag the broader recovery, with unemployment at 8.5% in August.

The near-term outlook has nevertheless strengthened considerably. The Riksbank now expects GDP to expand by 2.8% in 2026, up sharply from its 2.2% June forecast, followed by 2.4% growth in 2027. However, unemployment is projected to remain relatively high at 8.6% this year before declining to 8.1% in 2027.

Over the medium term, growth is likely to moderate as resource utilisation rises and policy support diminishes. Sweden's potential growth has also weakened compared with the pre-pandemic period, partly reflecting slower population growth. External weakness remains a downside risk, while a stronger recovery in household consumption could provide further upside.

Figure 2: Sweden GDP q-o-q



Source: Fred

Riksbank: Rate Hikes Move Closer

The strengthening recovery is changing the monetary policy outlook. On September 24, [the Riksbank held its policy rate at 1.75%](#) but signalled that rate increases are likely to begin before the end of the year if the outlook evolves as expected. Stronger domestic activity, a weaker krona and higher energy prices linked to continuing Middle East supply disruptions are expected to push inflation higher from currently subdued levels.

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Measured inflation remains low partly because of temporary fiscal measures, but the [Riksbank estimates](#) that inflation adjusted for these effects is already relatively close to its 2% target. Its September forecasts put CPIF inflation at 1.5% in 2026 and 2.1% in 2027, while the projected policy-rate path rises from an average 1.85% in Q4 2026 to 2.07% in Q1 and 2.24% in Q2 2027. The central bank also warned that a larger or more persistent inflation rebound could require faster tightening.

The combination of accelerating growth and prospective monetary tightening therefore marks a shift in Sweden's macroeconomic cycle: the focus is moving from supporting the post-pandemic recovery towards managing emerging inflationary pressures as economic slack diminishes.