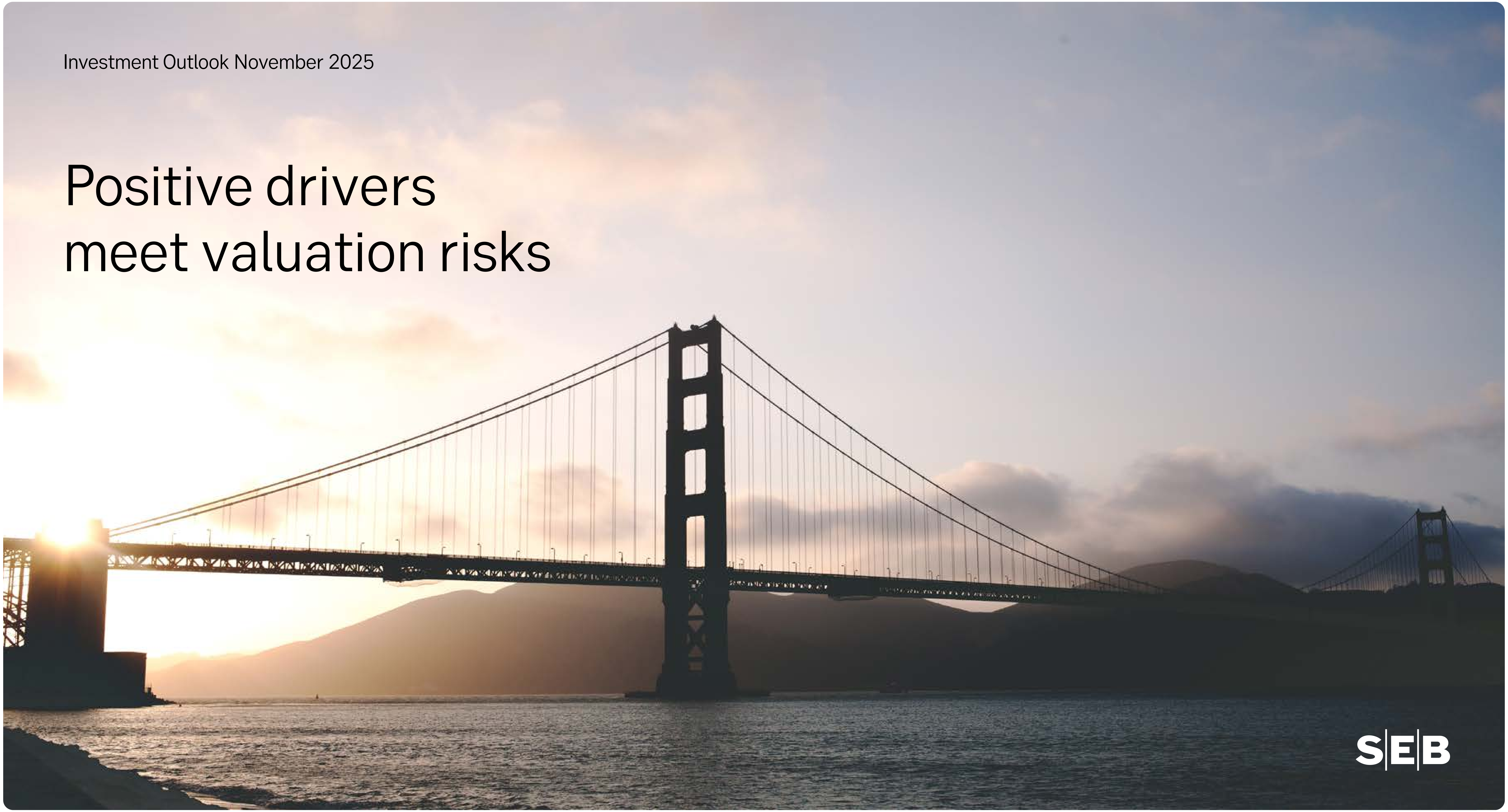
Investment Outlook November 2025

Positive drivers meet valuation risks



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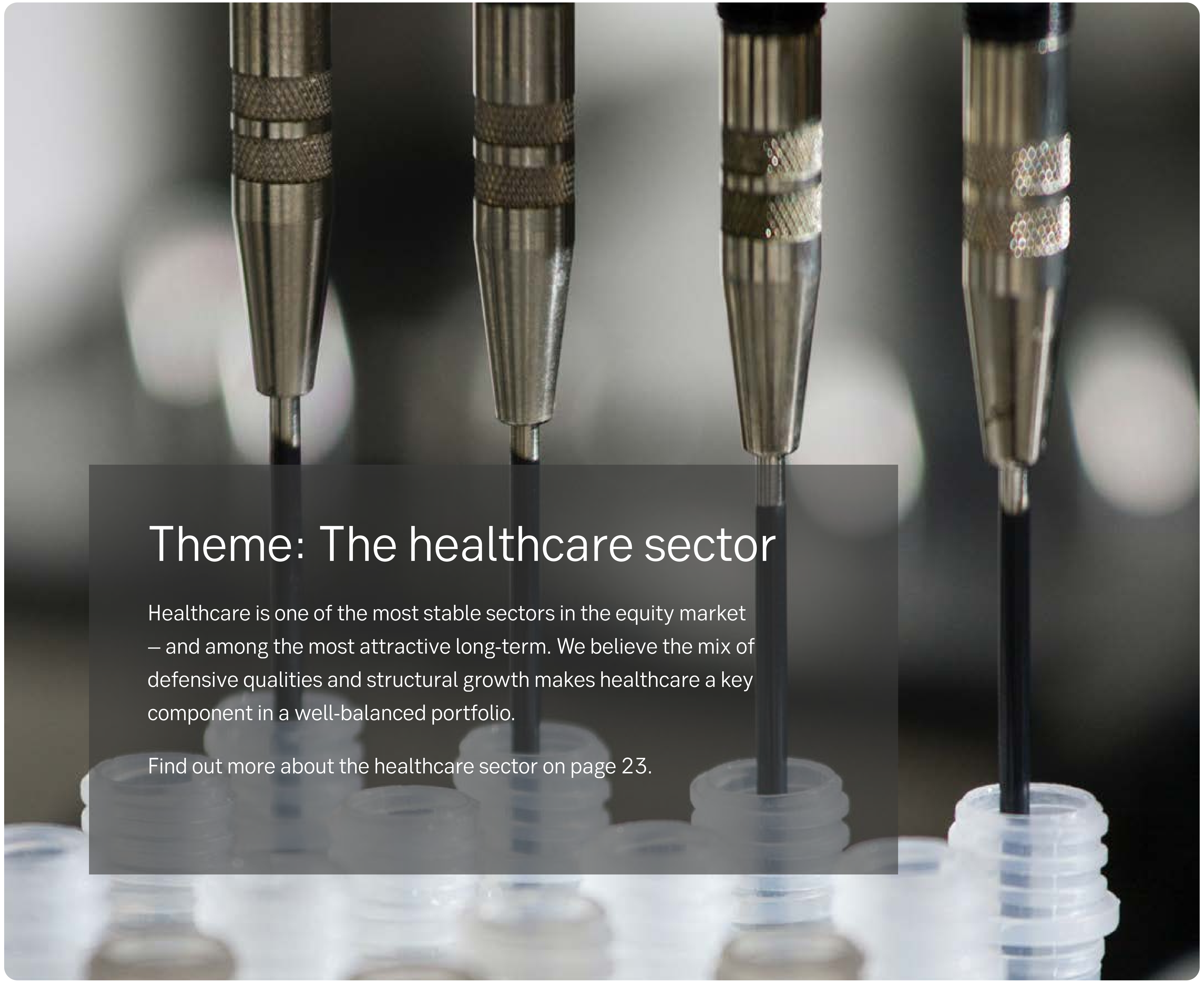

Theme: The healthcare sector
Healthcare is one of the most stable sectors in the equity market – and among the most attractive long-term. We believe the mix of defensive qualities and structural growth makes healthcare a key component in a well-balanced portfolio.
Find out more about the healthcare sector on page 23.

Positive drivers meet valuation risks

"A correction after sharp gains and stretched valuations is not surprising."

Fredrik Öberg
Investment Officer, Investments

Anyone predicting tariff chaos, a slowdown in the U.S. economy, continued geopolitical tensions, and weak consumer sentiment at the turn of the year would hardly have forecast equity gains of 15–30 percent for broad regional indices globally, in local currency – yet that is today's reality. Few also expected such a rapid and strong appreciation of the Swedish krona, which has materially reduced the translated value of these gains for Swedish investors.

After an uninterrupted rally following the spring's tariff turmoil, recent weeks have been marked by volatility and market pullbacks. The trigger has been growing concern over potential overinvestment in AI-related infrastructure by U.S. tech giants, coupled with renewed doubts about an anticipated Fed rate cut in December. A correction after sharp gains and stretched valuations is not surprising; whether this signals a more sustained trend reversal remains to be seen. Additional clouds loom, notably the risk of a deeper U.S. slowdown if labor markets and private consumption weaken more than expected.

There are, however, positive forces supporting equities. Several tail risks have eased, such as recession fears in the U.S. and the prospect of crippling tariffs on global trade. Lower interest rates overall, economic resilience – particularly in the U.S. – upward revisions to growth forecasts, hopes for productivity gains from digitalization and AI, and increased demand through infrastructure and defense investments all point to solid earnings ahead. Moreover, profits are likely to broaden across sectors and regions after years of U.S. tech dominance. In our view, the outlook for equities is finely balanced. Much depends on whether leading tech giants can capitalize on their massive investments and whether the rest of the global corporate sector can deliver on current earnings expectations for next year.

In our portfolios, we maintain a slight overweight in equities, supported by the gradually more stable picture that has emerged since the spring's turmoil. Given today's uncertainties and the significant price swings across asset classes, regions, sectors, and companies, we favor a broadly diversified, risk-aware approach. A more detailed recommendation is available in the full publication.

As customary, this edition includes two thematic sections. The first examines the current state and outlook for the healthcare sector, which offers solid growth and reasonable valuations after a challenging 2025. The second explores private debt – a type of fixed-income investment not traded on public markets. These instruments are more complex but can serve as a complement to traditional bond portfolios, often with higher return potential.

Summary

3.1%
Global growth in 2025

1.3%
Swedish growth in 2025

1.9%
US growth in 2025

Our market view

Global growth has remained resilient despite trade wars and significantly elevated tariffs in parts of the economic system. This, in turn, has triggered an inflationary impulse that we view as transitory. Monetary and fiscal policies continue to stimulate the economy but are also contributing to rising debt levels. The corporate sector has demonstrated strong adaptability to these new conditions, delivering better earnings than expected – particularly in the U.S., where profit growth has surpassed even high forecasts. Investors remain highly focused on structural forces within AI; growth is impressive, yet the scale of investments raises concerns. The tech industry continues to generate substantial profits while committing to massive capital expenditures. Will these commitments pay off? The past two quarters have seen sharply rally in equity markets and a notable increase in risk appetite among investors. Overall, several positive structural drivers are at play, even as the risk landscape remains complex and valuations demand strong performance through 2026.

Our portfolio

The economic situation has gradually stabilized since the concerns surrounding Liberation Day. Monetary and fiscal initiatives remain supportive, helping to stabilize the economy, while the corporate sector once again demonstrates a remarkable degree of adaptability. Equity markets are pricing in 2026 as a year with positive prospects for corporate earnings – both in terms of growth and in the broadening of regions and sectors contributing to these gains. Investor risk appetite and asset valuations have increased markedly, even as significant uncertainty around 2026 persists. We balance this environment with a portfolio slightly overweight in equities, complemented by a cautious allocation to fixed-income instruments and liquid alternative investments. We advocate a broadly diversified approach, anticipating periods of heightened volatility throughout the year.

Equities and valuations

After a strong first half, equity markets have lost momentum in November, weighed down by delayed rate cuts and concerns surrounding massive AI-related investments. Hyperscalers such as Microsoft, Amazon, and Alphabet are making substantial AI investments – capital flows that now drive both equity markets and the U.S. economy. The key question is whether these investments will generate returns sufficient to justify current valuations. Earnings growth remains robust, particularly in tech and financials, but the heavy concentration in a handful of stocks poses challenges for portfolio managers. Europe continues to trail with weaker growth, while Asia dominates among emerging markets. Looking ahead, European earnings are expected to rise by just over 10% next year, in line with the U.S. and global benchmarks. Global economic growth will likely remain steady, though insufficient to boost profits through higher sales. However, gains in productivity driven by digitalization and AI, combined with increased defense and infrastructure spending, support expectations for continued solid earnings growth.

Risks

Uncertainty around tariff effects remains, while growth forecasts hinge on cautious consumers increasing spending. Inflation must not remain elevated in the U.S., as this could delay expected rate cuts and weigh on consumption. Stretched earnings expectations and already high valuations raise the risk of disappointment if momentum falters. Massive AI-related investments fuel bubble concerns, while U.S. political turbulence – including Trump's tariff litigation – adds to the noise. Hidden risks from large public deficits and rising debt could trigger financial imbalances or force tighter fiscal policy. Despite these challenges, we do not see them dominating the outlook or justifying a more defensive portfolio stance.

Summary

Global equities

- Strong market performance with the tech sector in the lead
- U.S. earnings show robust growth while European earnings remain flat
- AI-related mega-investments spark bubble concerns
- Small-cap indices continue to lag IT-heavy large-cap benchmarks
- Broad global earnings growth expected next year

Nordic equities

- A frothy tech sector brings both opportunities and risks
- Helsinki leads, Copenhagen lags
- Pharmaceuticals continue to rise and attract interest
- Earnings forecasts have stabilized
- High expectations for 2026

Fixed income investments

- U.S. shutdowns leave the Fed in temporary fog
- Long-term yields in Europe pushed higher by increased supply
- Further rate cuts in the U.S. anticipated next year
- Credit spreads edge up from historically low levels

Theme: Healthcare

- Healthcare supported by demographic trends
- Innovation and technology strengthen the sector
- Defensive profile with stable cash flows
- Long-term growth despite political uncertainty
- Attractive valuation after weak 2025

Theme: Private credit

- Private credit – a growing part of the credit market
- Private credit offers attractive return potential with strong cash flows
- An alternative to high-yield bonds
- A compelling addition to a well-diversified portfolio

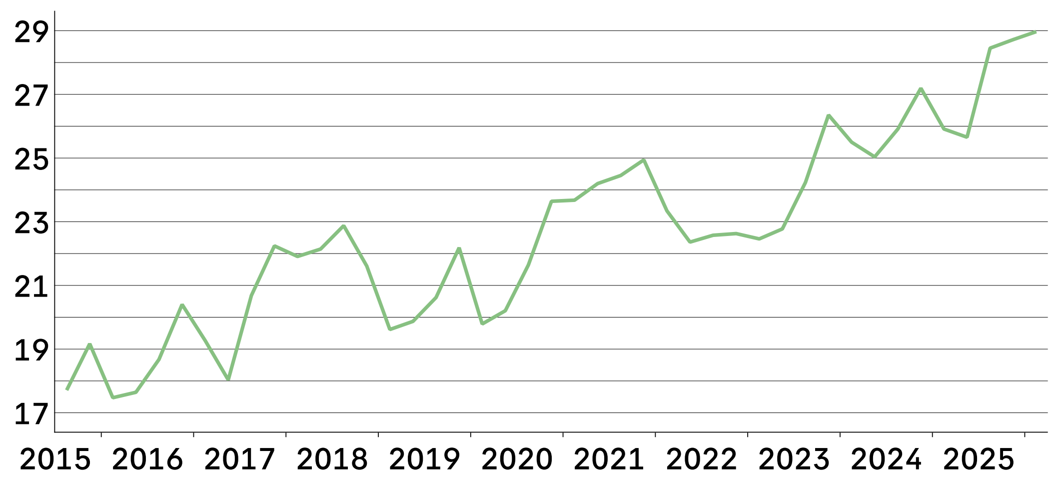
Global equities

Equities have delivered strong performance over the past six months but have slowed in November, primarily due to delayed U.S. rate cuts and concerns surrounding massive AI-related investments. Since "Liberation Day" on April 2, the technology sector and emerging markets have driven gains, while defensive sectors and undervalued stocks have lagged. Future performance hinges on whether Hyperscalers' large-scale investments generate returns sufficient to justify today's elevated valuations.

Record investments lift markets amid risks

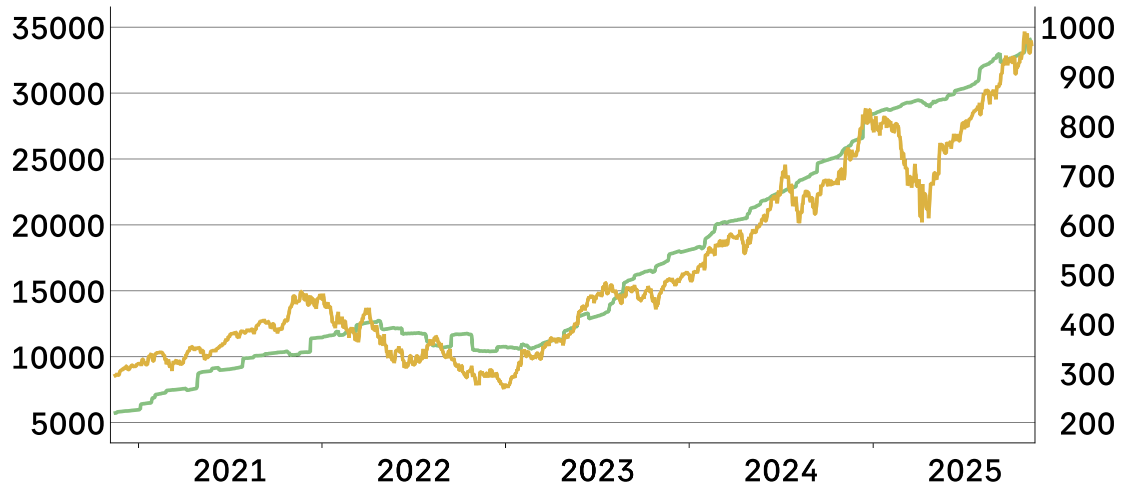
After a strong first half, equity markets have lost momentum in November, weighed down by delayed rate cuts and concerns surrounding massive AI-related investments. Since "Liberation Day" in April, the technology sector and emerging markets have led the advance, while defensive sectors have lagged. Hyperscalers such as Microsoft, Amazon, and Alphabet are making substantial AI investments – capital flows that now drive both equity markets and the U.S. economy. The key question is whether these investments will generate returns sufficient to justify current valuations. Earnings growth remains robust, particularly in tech and financials, but the heavy concentration in a handful of stocks poses challenges for portfolio managers. Europe continues to trail with weaker growth, while Asia – led by Korea and Taiwan – dominates among emerging markets. Looking ahead, European earnings are expected to rise by just over 10% next year, in line with the U.S. and global benchmarks. Global economic growth will likely remain steady, though insufficient to boost profits through higher sales. However, gains in productivity driven by digitalization and AI, combined with increased defense and infrastructure spending, support expectations for continued solid earnings growth.

Steady margin gains among U.S. technology companies



Source: Bloomberg

Performance and earnings move in tandem for the Magnificent 7



Source: Bloomberg

Kai Svensson
Portfolio Manager, Investments

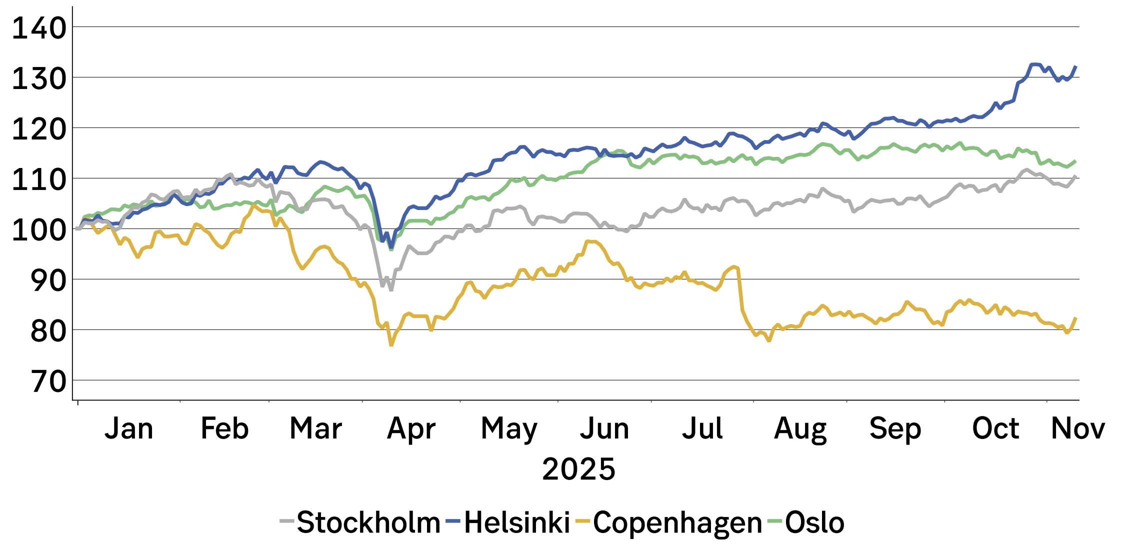
Nordic equities

The Nordic equity market lacks the major AI players currently driving U.S. stock performance, yet the tech boom overseas continues to shape sentiment here. In the short term, U.S. market swings will be decisive for Nordic developments. Q3 earnings reports were relatively encouraging, and the trend of downward revisions may be turning, but stronger economic growth in 2026 will be needed to support forecasts. Given today's elevated valuations, markets will likely need consistent positive earnings revisions going forward.

Nordic equities influenced by the AI boom

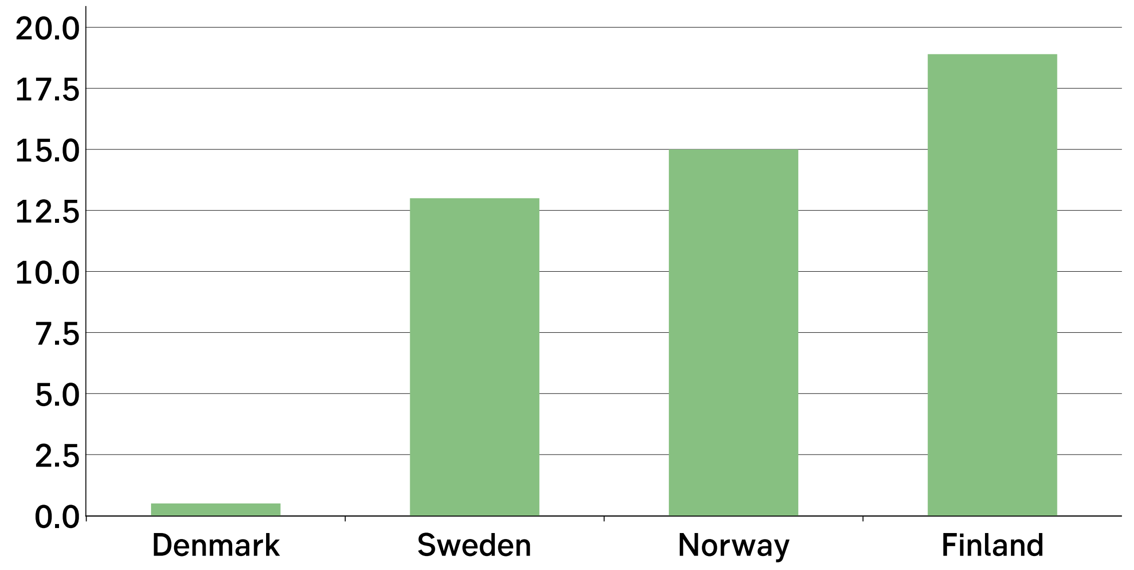
In the short term, sentiment toward U.S. tech stocks will largely dictate market performance in the Nordics, particularly in Stockholm and Helsinki. Elevated valuations and significant AI investments – absorbing much of the free cash flow of major IT companies – create downside risk if investor confidence falters, a scenario that could spill over to Nordic exchanges. One sector that stands out as attractively valued, with solid earnings growth and now considerably lower

Bullish in Helsinki, bearish in Copenhagen



Source: Bloomberg

Expected earnings growth in 2026 for listed companies across the Nordic region



Source: SEB Equities

political risk, is pharmaceuticals. Wide disparities in valuations and price performance across Nordic markets make it difficult to speak of a unified Nordic equity market this year. Earnings forecasts have stabilized recently after sharp downward revisions earlier in the year. We continue to expect strong profit growth in 2026, especially within cyclical sectors. However, this outlook hinges on improved economic conditions, and markets will likely need to see signs of recovery soon to avoid a correction.

Esbjörn Lundevall
Equity Analyst, Investments

Fixed income investments

An extended period without reliable U.S. economic data has left the Federal Reserve and the bond market effectively flying blind. The result has been muted market movements, as investors lack clear signals to act on.

U.S. shutdown leaves the Fed in a policy vacuum

Rates and credit markets have seen limited movement as the lack of reliable U.S. data following government shutdowns leaves the Federal Reserve and investors without clear guidance. The Fed is expected to continue cutting rates, but cautiously, amid political pressure and rising public debt. Long-term U.S. yields remain range-bound, while European rates are trending slightly higher, driven by fiscal expansion and increased bond supply.

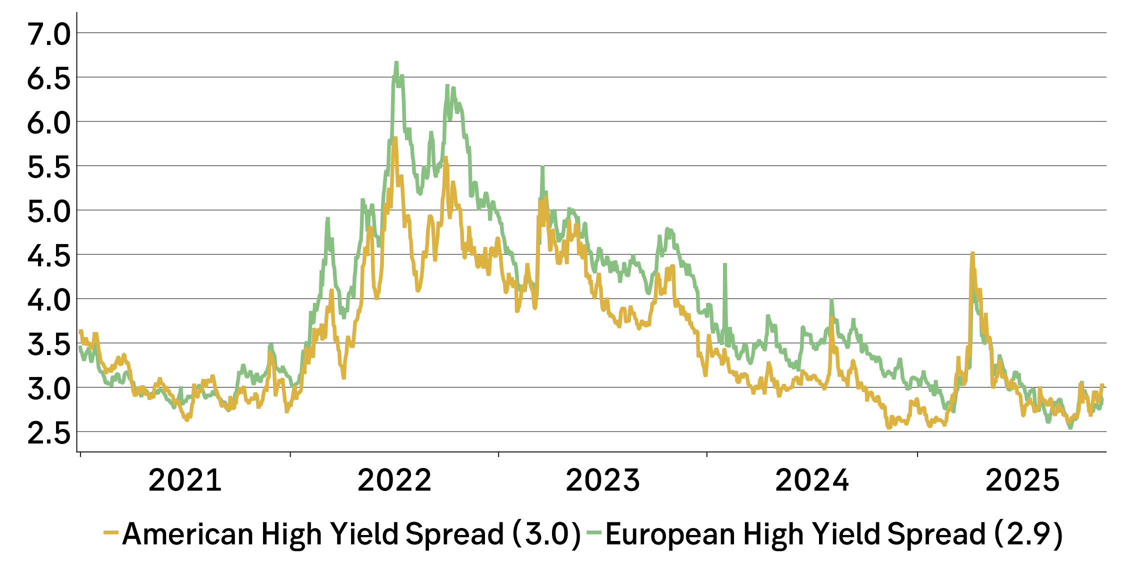
In Sweden, yields edge up as government borrowing rises and early signs of recovery emerge. Credit spreads hover near historic lows but have ticked up in the U.S., while isolated defaults in private lending raise concerns about risks in unregulated markets. For fixed-income funds, returns are likely to track current yield levels, with limited upside surprises ahead.

Forecasts of central bank interest rates

	6 Nov	2025	2026	2027
Federal Reserve	4,00	4,00	3,00	3,00
European Central Bank	2,00	2,00	2,00	2,00
Bank of England	4,00	4,00	3,00	3,00
Norges Bank (Norway)	4,00	4,00	3,50	3,50
Riksbank (Sweden)	1,75	1,75	1,75	1,75

Source: SEB, Bloomberg

High-yield credit spreads remain at low levels



Source: Macrobond

Tomas Rydin
Fund Analyst, Investments

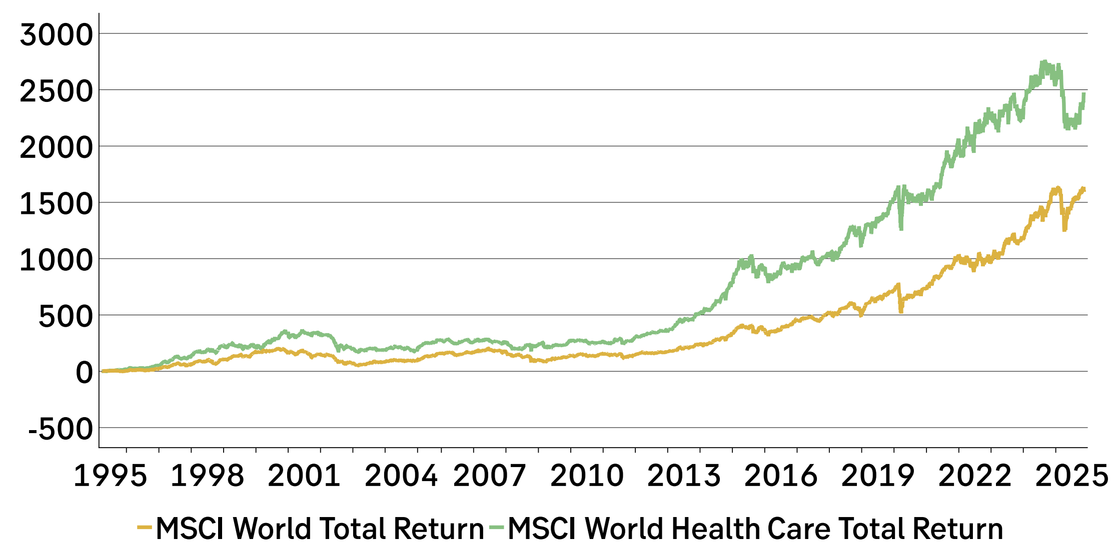
Theme: The healthcare sector

Healthcare is one of the most stable sectors in the equity market – and among the most attractive long-term. It is defined by steady demand, strong innovation, and companies combining high profitability with predictable earnings. This makes the sector a reliable hedge against economic cycles and periods of uncertainty. We believe the mix of defensive qualities and structural growth makes healthcare a key component in a well-balanced portfolio.

Stable growth at an attractive price

The healthcare sector remains a defensive segment driven by structural factors such as demographic trends and strong innovation. It offers stable demand, high and predictable profitability, and low sensitivity to economic cycles. Despite its historically strong returns, the sector has underperformed broader markets in 2025—primarily due to Donald Trump's policies. He has imposed mandates for lower drug prices, threats of high tariffs, and pushed for increased investments in the U.S. Agreements have now been reached between the Trump administration and major companies such as Pfizer and AstraZeneca, under which these firms accept MFN pricing within Medicaid and commit to significant U.S. investments. In the short term, these changes have dampened sentiment, but over the longer term, the sector is expected to benefit from continued innovation, digitalization, AI integration, and growing demand for quality healthcare. We view the healthcare sector as an attractive long-term investment, offering stability, sustainable growth, and strong potential for revaluation

Strong long-term returns



Source: Macrobond

Theme: Private credit

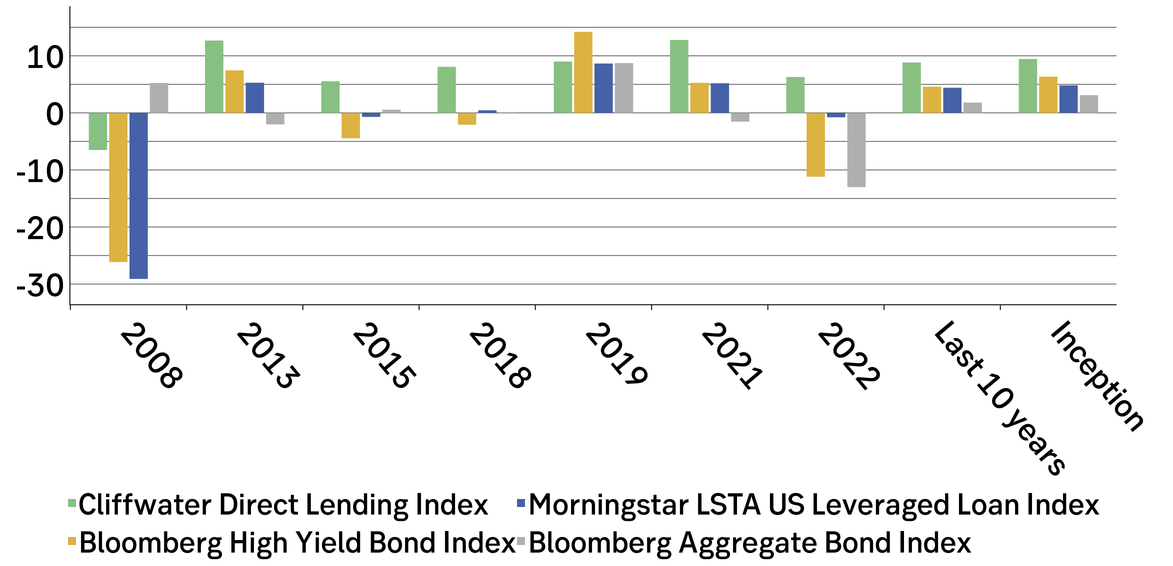
Private credit has evolved from a niche for specialized investors and institutions into a core component of modern investment portfolios. Offering higher expected returns than traditional fixed-income investments and historically lower volatility than public credit markets, the asset class provides both stability and control through to direct borrower relationships.

A growing force in modern credit markets

Private credit expanded rapidly after the financial crisis, as tighter banking regulations created a structural need for alternative financing sources. Today, it encompasses multiple strategies, with direct lending as the largest segment, alongside asset-backed lending, real estate and infrastructure loans, and distressed debt. Returns are primarily cash-flow driven, derived from base rates, credit spreads, and an illiquidity premium paid to investors for committing capital. Floating rates make the asset class resilient during periods of rising interest rates, while the absence of daily market pricing adds stability in volatile times.

Key risks include credit risk, illiquidity, and manager selection. For long-term investors seeking yield, diversification, and steady cash flows, private credit has become a natural portfolio building block – and all indicators suggest its importance will continue to grow in the years ahead

Direct lending has demonstrated resilience across market cycles



Source: Cliffwater , J.P Morgan, Bloomberg, Morningstar 2005-2023

Glimmers of light despite slowing economy

3.3% Global growth in 2025

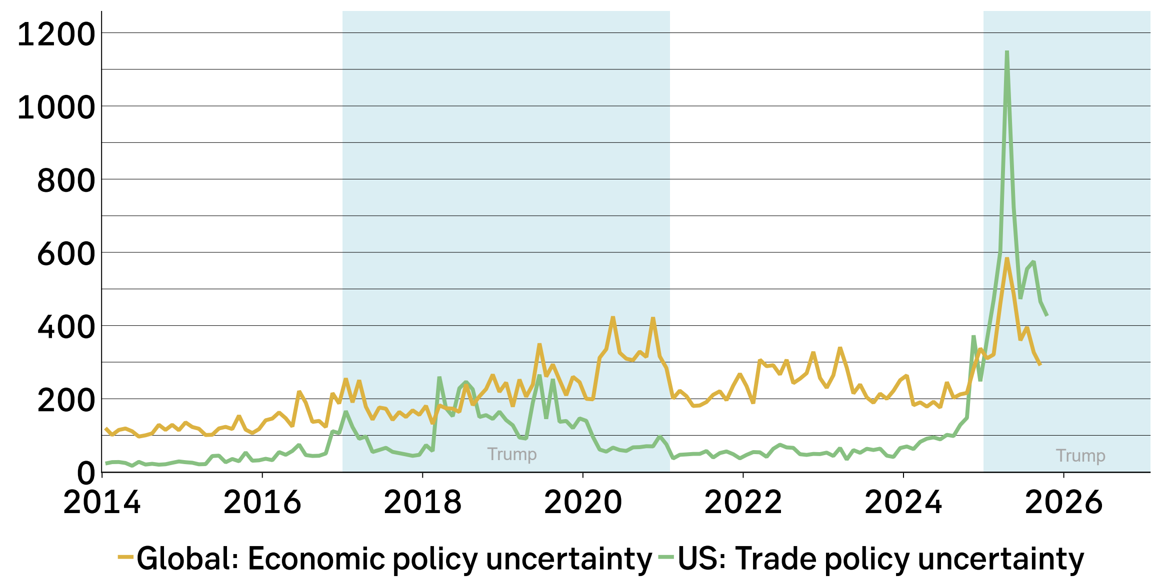
1.3% Swedish growth in 2025

1.9% US growth in 2025

"International overview" is an excerpt from the *Nordic Outlook* macroeconomic report; find the full report at seb.se/nordicoutlookreport. Global growth is slowing down, albeit with positive growth surprises, chiefly in the US. World GDP increases by 3 per cent annually and the risks are still slightly higher on the downside than on the upside.

Trade policy uncertainty has diminished but is still constraining growth. The tariff shock dealt by the US in the spring has, over the summer and autumn, been replaced by negotiations and a number of new "trade deals." The geopolitical conflict situation remains severe. Russia's war of aggression against Ukraine continues, while the ceasefire between Israel and Hamas gives some hope of a declining conflict level across the region.

Lower, but still high, uncertainty



Source: Matteo Iacoviello, Economic Policy Uncertainty, Macrobond, SEB

Market optimism despite high tariff levels

Several stock markets have hit new highs despite US tariffs now being the highest since the 1930s, and despite uncertainty about both the exact content and terms of the "agreements". In the coming months, the US Supreme Court will also decide on the President's trade policy power in relation to Congress which – at least under the Constitution – decides on general trade policy.

The fact that uncertainty has nonetheless declined is welcome, making it easier for households, companies and investors to make consumption and investment decisions. However, it would be wise to anticipate a continuing tense relationship between the US and China, which is competing for global leadership in a growing number of areas. One aspect that has also been made clear of late is the power and influence held by countries that can access and produce resources such as rare earth metals and advanced computer chips. Yet, White House policy is not the only source of uncertainty. Elsewhere, the EU and China need to find a constructive way to cooperate, and several countries are experiencing major tensions in domestic policy.

Global GDP growth
Year-on-year percentage change

	2024	2025	2026	2027
United States	2.8	1.9	1.9	2.0
Japan	0.1	1.1	0.7	0.7
Germany	-0.5	0.3	1.2	1.4
China	5.0	5.0	4.5	4.5
United Kingdom	1.1	1.4	1.0	1.3
Euro area	0.9	1.4	1.2	1.4
Nordics	1.7	1.0	2.0	2.0
Sweden	1.0	1.3	2.8	2.9
Baltics	1.5	1.9	2.7	2.3
OECD	1.8	1.7	1.6	1.7
Emerging markets	4.4	4.2	4.0	4.2
World, PPP	3.3	3.1	3.0	3.1

Source: OECD, IMF, SEB. PPP=Purchasing Power Parity

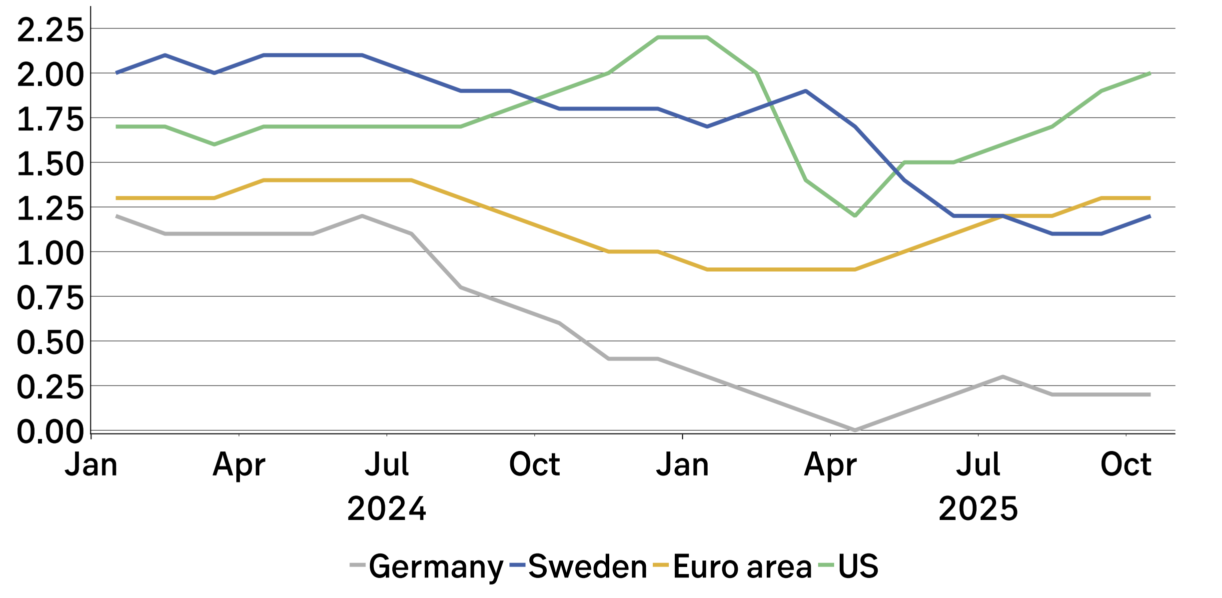
Introduction
Summary
Global equities
Nordic equities
Fixed income investments
Themes
International overview

Over the past year, assessments of the economic effects of an altered global political and economic landscape have dominated the forecasting environment – but has there perhaps been too much focus on politics? In this report, we also revise our global growth forecast upwards, albeit moderately. The main, but not only, driver is that the slowdown in the US is milder than expected.

Global GDP increases by just over 3 per cent annually during 2025–2027. This is a couple of tenths above our August forecast and in line with the OECD's potential growth rate estimate. Tariff-driven export and import frontloading in the spring has affected many countries' growth profiles, with a stronger start to the year and weaker towards the end. Our global growth forecast for 2025–2026 is now close to the one we presented a year ago, despite the drastic tariff policy and global unease of the past ten months.

Too early to dismiss the tariff shock. The negative effects of the tariff shock have been milder than expected so far, and our forecast from the spring in particular was overly pessimistic. This is partly explained by trade agreements having been put in place, providing at least some degree of predictability. Also, other countries – apart from China – have chosen not to respond with counter tariffs, and a weaker dollar has kept a lid on inflation among the US' trading partners and eased the impact on its exports. However, it is too early to dismiss the effects of tariffs, and important to remember that multiple forces are at play in the economy simultaneously. For the US, this concerns not least its considerable AI investment, and heightened defence spending for Europe. Tariffs and trade barriers are denting growth in several ways – altered import terms are forcing companies into costly adjustments in value chains, higher prices are dampening consumer demand and heightened uncertainty is weighing on investment decisions.

GDP 2025: Slight forecast changes compared with a year ago

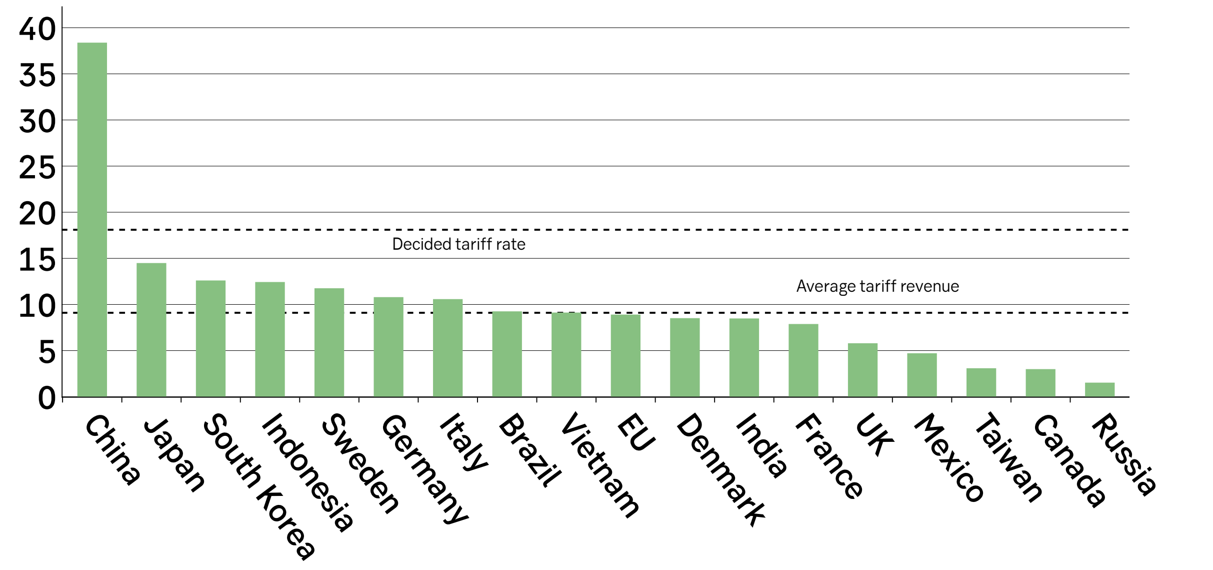


Source: Consensus economics, Macrobond, SEB

The effects appear to be milder but more protracted than previously feared. Other aspects of new US policy, for example reduced immigration, are offset by reduced labour demand. At the same time, there are numerous forces pulling in the opposite direction. Central banks and governments have refocused policy in a more expansionary direction. Besides, companies' and households' adaptability has once again been surprisingly positive. Surging stock markets and compressed credit spreads have contributed to expansionary financial conditions, lubricating the growth engine.

We continue to assume that 15 per cent is the baseline level for US import tariffs. These are supplemented by higher levels on certain countries, sectors and goods. While actual tariff levels (tariff revenue/imports) are still below the theoretical (contractual) level, supporting the scenario of milder-than-feared effects from the tariffs, this might also be a warning that the full effect is still to come. Partly, the low actual tariff level can be explained by stockpiling prior to introducing the tariffs, and that imports have been redirected towards purchasing from countries with lower tariffs. At the same time, the import price trend suggests that the tariff effects have so far mainly affected importers, through reduced margins, and end consumers. Exporters have borne the costs to only a minor extent.

Actual tariffs not as high



Source:U.S Census Bureau, Macrobond, SEB

Several countries – including China, the US, Germany and the UK – are facing both structural and cyclical challenges, while asset prices and public debt in some countries are at historical highs. Elevated stock market valuations and other signs of high risk appetite are a cause for concern, and there is a risk of a toxic growth cocktail emerging in the event of an unexpected rise in inflation, higher government bond yields, a stock market slump or signs of expected corporate profits and productivity gains from high AI investments failing to transpire.

On the positive side of the scale is, at the same time, companies' impressive ability to solve problems and adapt to disruptions, along with the underlying growth momentum driven by the need for extensive global investment in security, infrastructure, technology and the energy transition. In its World Economic Outlook from October, the IMF's estimates show that the situation could have been even better. Reduced policy uncertainty, lower tariffs and positive AI effects – which boost productivity – could each push up global GDP by 0.3–0.4 per cent.

Global disinflationary forces are considered to be sufficiently strong to bring inflation back to inflation targets within a reasonable timeframe. Disinflationary forces stem from falling Chinese export prices, persistently lower commodity and energy prices, efficiency gains supported by AI and, for several countries, a stronger currency. Yet, there are exceptions. In the UK, the drop in inflation is delayed by sustained high wage increases, and in the US tariffs are causing a temporary spike in inflation. The tariff effect on US inflation is visible in the statistics, although the limited impact so far indicates that the process has only just begun. American households' real purchasing power will therefore face some headwinds in 2026 also.

After halving the policy rate, the ECB has hit a 2.00 per cent rate trough. The Riksbank is also considered to have troughed in its rate-cutting cycle, with an interest rate of 1.75 per cent. The Fed faces a greater dilemma, with the combination of a renewed upturn in inflation and a weakened labour market and growth. Stable inflation expectations, focus on the labour market and indications of only moderate and transitory tariff inflation will lead the Fed to implement a 25bps rate cut in December, and cuts of a further 75bps in 2026 to 3.00 per cent (upper limit of the Fed's range). This means that the ECB, the Fed and the Riksbank are expected to be at largely neutral policy rate levels at the end of 2026. However, growth disappointments can quickly increase the need for lower policy rates, and none of the central banks have their doors closed to further rate cuts. The dollar continues to weaken, but with less momentum than before as the relative view concerning the US compared with Europe, for example, is not as dollar negative.

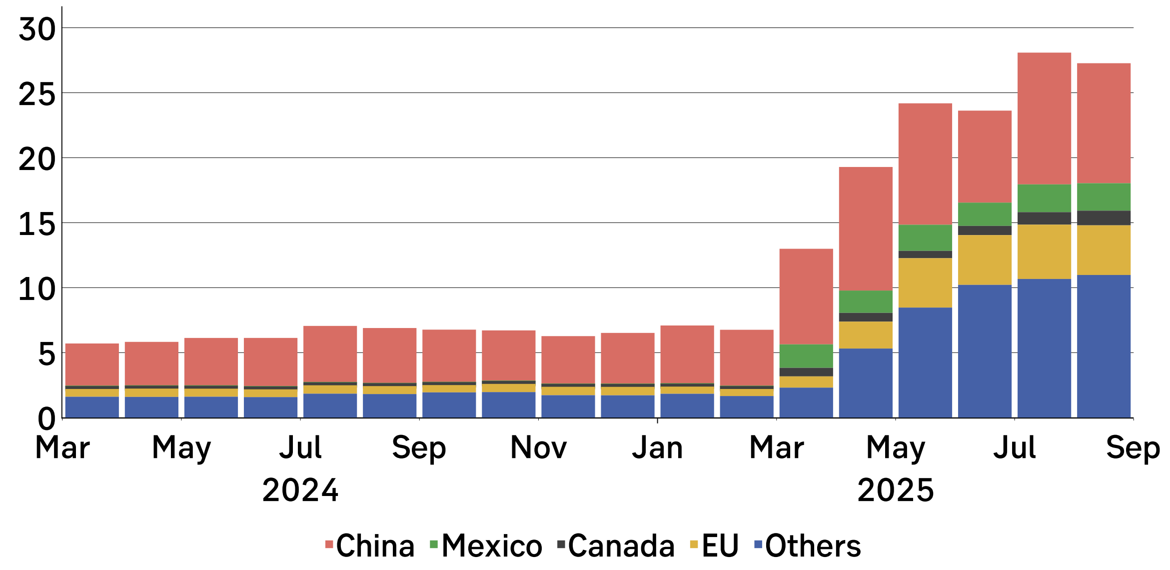
Strained public finances

High and still rising public debt – in an environment with generally higher government bond yields – raises questions about the fiscal sustainability of different countries. For various reasons – security policy, industrial policy and support for demand – public deficits remain substantial in many places. The debt problem is a focal point for the financial market, and for countries with uncertain political governance capabilities and execution capacity – such as France and the UK – we expect to see elements of jittery markets and, at least, temporarily rising interest rates.

> "The milder slowdown we now expect in 2025 is mainly due to better-then-expected incoming statistics in several countries, particularly for the US."

Varying scope for action. Different countries thus have varying scope for action, with those with lower public debt and more credible fiscal policy – such as Germany (at least compared with the other major economies in the euro area) and the Nordic countries – able to pursue more expansionary fiscal policy. Even the US, with the dollar's unique position as global reserve currency, has more degrees of freedom, and tariff revenue makes a welcome contribution when budget deficits are high. The issue of the legality of the tariffs is an uncertainty factor linked to fiscal policy; tariff revenue has increased considerably and funds much of Trump's tax cuts. However, if the US Supreme Court rejects some of the tariffs (primarily against individual countries), we believe the administration will find other ways to reap this revenue. Countries with the greatest strains on their public finances are those with a combination of high public debt and an already elevated tax ratio.

US tariff revenue



Source:U.S Census Bureau, Macrobond, SEB

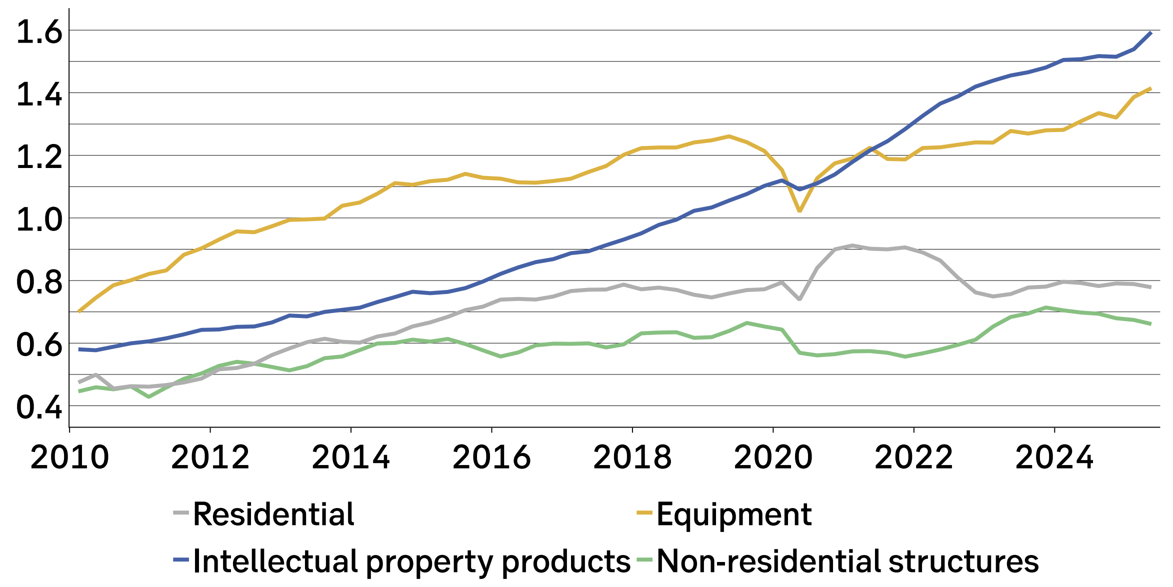
Japan stands out with public debt at 230 per cent of GDP following many years of stimulus policy to encourage growth. Nevertheless, government bond yields have been low in both a historical and international perspective, an important reason being that the debt is financed domestically. Yet, Japan too is feeling the challenges of high debt. In 2024–2025, Japan's 10- and 30-year government bond yields have risen 1–1.5 percentage points, which challenges the debt equation. Japan enters 2026 with a newly elected head of government, Sanae Takaichi, whose mandate is based on promises to revitalise the economy through (once again) more expansionary fiscal policy, for example investment in defence, digitalisation and targeted support for households with tight real income. However, the stimulus is expected to be met with considerable opposition in parliament – there are growing fears about the effects of high debt. We expect the political fragmentation of parliament will both delay and dilute policy, keeping in check a new build-up of debt in Japan.

Better than feared, worse than desirable

The milder slowdown we now expect in 2025 is mainly due to better-then-expected incoming statistics in several countries, particularly for the US. Growth progression in 2026–2027 is only marginally adjusted. However, these slight adjustments conceal complex underlying forces in trade and geopolitics. The industrial cycle is weaker than that of the service sector, which is no wonder given that the tariffs affect the industrial sector most. However, we are also seeing some improvement in industrial sentiment. A missing factor in many countries is still that household consumption needs to pick up; a resilient labour market in several countries is nonetheless buoying consumption. Recent months' statistics have surprised the upside in the US and the euro area, according to data "Surprise Indexes".

The US economy is fragmented and the slowdown is milder than feared. Extensive AI and tech investments give demand a much-needed boost and provide the means for sustained high productivity growth. At the same time, questions arise about the sustainability of growth if either AI investment slows or household consumption growth loses momentum – consumption is currently driven mainly by smaller, high-income household groups – and the saving ratio is low. Few new jobs are being created, and few are being lost; growth is occurring without an increase in employment. When migration is tightened, which in itself reduces the potential growth rate, unemployment increases only moderately.

US: Private investment is driven by intangible assets

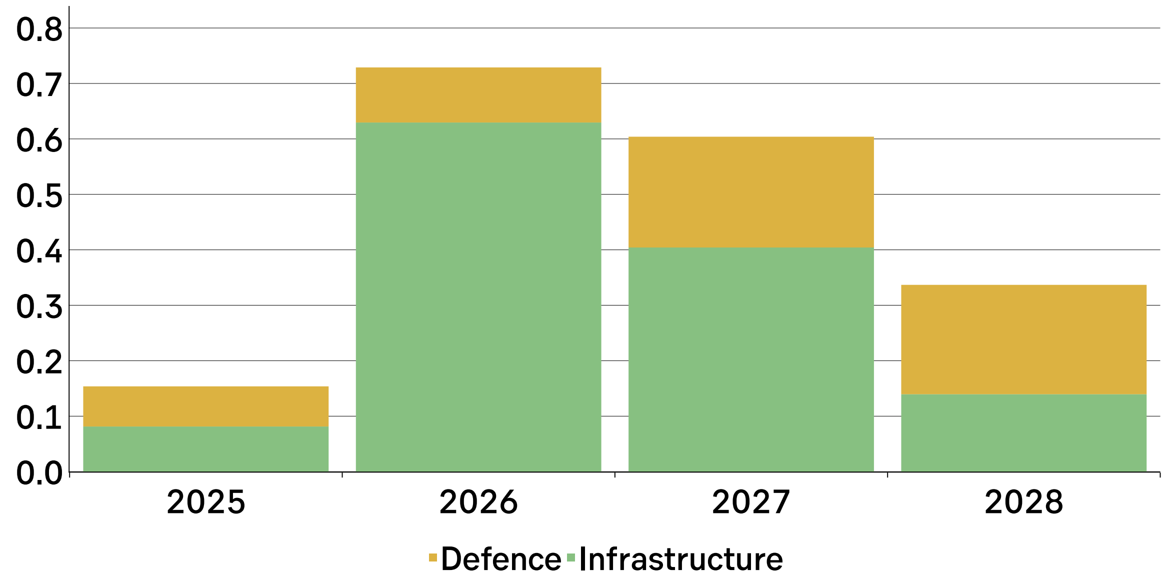


Source: U.S Bureau of Economic Analysis (BEA), Macrobond, SEB

The expected impact on growth from US tariffs has been milder than feared. Indicators point to some upward shift, driven by German defence and infrastructure spending (which will have the greatest impact on GDP in 2026 according to our calculations), and by rising real income. Political uncertainty in the region, such as the difficulties in France in passing a budget for 2026 and the challenges for the German government in steering through its new proposals, risk hampering growth. Besides, long-term structural headwinds persist from a rapidly ageing population, weak productivity growth and low investment. Spain remains the region's fastest-growing economy, although French GDP was surprisingly strong in the third quarter,

> ”The expected impact on growth from US tariffs has been milder than feared.”

Growth impact on German GDP från defence and infrastructure spending



Source: Macrobond, SEB

partly driven by temporary factors. The German economy stagnated in the third quarter of this year and 2025 looks to be yet another lost year in anticipation of stimulus effects.

China will reach its growth target this year and is focusing on both developing industry and stimulating household consumption. The "trade agreement" with the US provides a year of breathing space. China has managed to rework its exports, redirecting trade to other countries while it has fallen to the US by around 30 per cent year-on-year. Without additional fiscal support, however, growth is set to slow in 2026–2027. Goods price deflation continues. India is slowing down with the economy growing by around 6.5 per cent annually as fiscal support wanes and becomes more constrained by deficit and debt. High US tariffs are problematic and many parts of the economy – such as lending, profits and industrial production – are showing signs of weakness.

Risks still on the downside

The risk of a worse scenario slightly outweighs that of a better one. We also still see reason to believe that a worse scenario means a greater departure from the main scenario than a better one. Reasons for this include a limited amount of unutilised resources to start with, mainly in the labour market. Unemployment in the euro area, for example, is at a historically low level, and the level is also low in the US, despite a slight upturn. We associate the negative scenario with trade uncertainty and geopolitics, but also with the risks arising from high stock market valuations mainly in the US. An intensified tariff war, disruptions in trade and transport chains, or rising energy prices could quickly cause higher inflation and lower growth. Such developments would likely lead initially to higher policy rates and falling asset prices which, combined, create a negative domino effect in an environment with limited scope for fiscal support when debt is already high and priority needs to be given to defence spending.

Scenarios for the OECD countries

GDP growth, %

	2024	2025	2026	2027
Main scenario	1.8	1.7	1.6	1.7
Negative scenario		1.6	-0.1	1.2
Positive scenario		1.7	2.7	1.9

Source: SEB

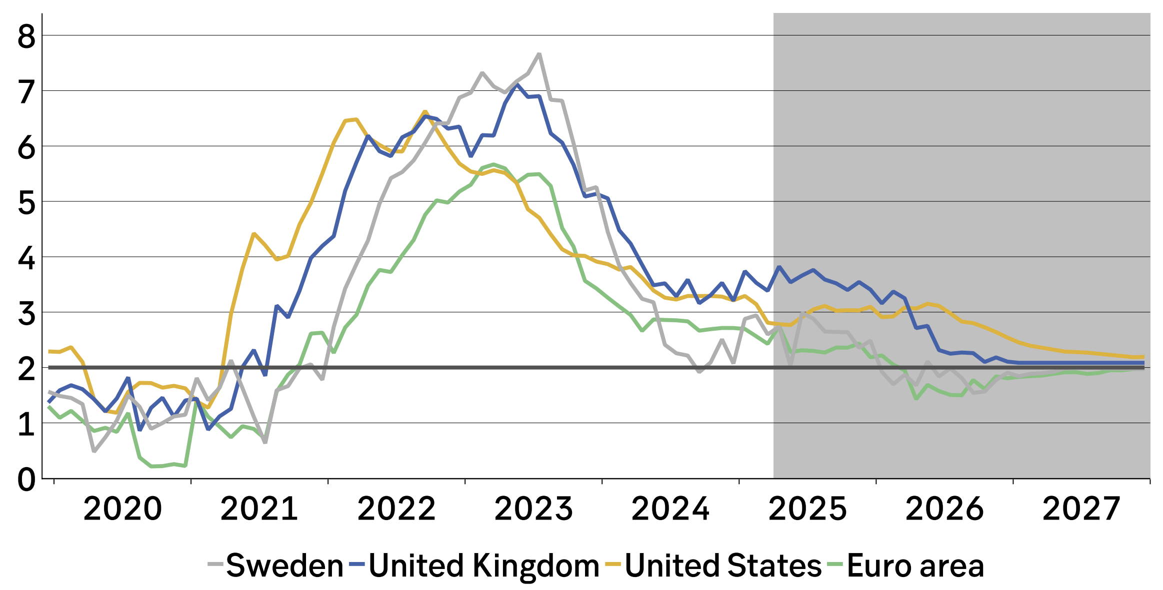
One reason for economic activity having hit setbacks in many places is cautious households. If a period of a calmer trade environment emerges, confidence could return, demand could rise and growth could pick up faster and stronger. If, for example, the investments we are now seeing in AI and tech help to boost productivity, or if European defence and infrastructure spending generates stronger multiplier effects, this could boost growth more than we assume in our main scenario.

"The inflation trend has been better than expected in many cases over recent months."

Inflation: Headed towards targets

The inflation trend has been better than expected in many cases over recent months. However, the picture varies between countries, both in terms of the drivers of inflation and its starting point.

Core inflation headed down, but at varying pace



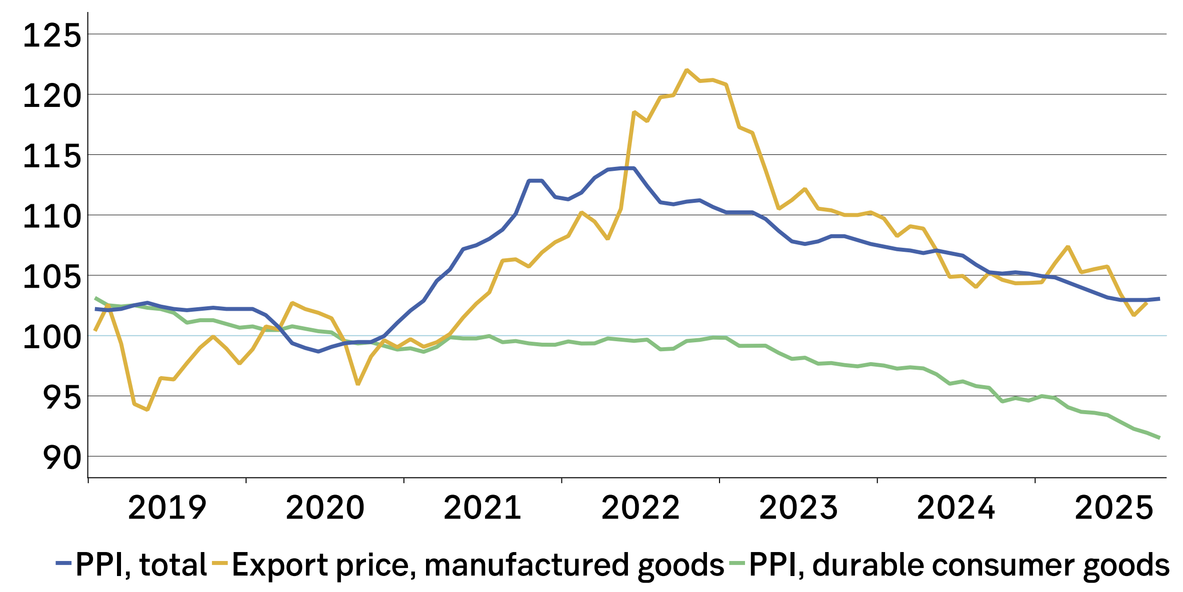
Source: Macrobond, SEB

TThe tariff effect on US goods inflation has been milder than expected. Effects are taking more time and will subside somewhat when demand slows down and households do not appear to accept large price increases. Besides, tariffs seem to be increasing slightly less than expected, although considerable uncertainty still persists. International prices have generally headed in a favourable direction. Many commodity prices have remained unchanged, the oil price remains at the current level in the coming year and we have started to see slight price growth in consumer goods. For food, the situation has improved even though prices are still rising for some product groups. International commodity price indices have fallen back in recent months and producer prices for food in the US and Europe have levelled out.

Service prices remain the main driver of inflation; in several countries, this reflects a relatively tight labour market and high past wage increases. In Sweden and the euro area, the inflation rate has declined and is around the target, and is even heading to slightly below in 2026. Taxes and fees leave their mark on the inflation figures. Food VAT will be cut in Sweden in 2026 and several fees or administratively set prices are rising in, for example, the UK.

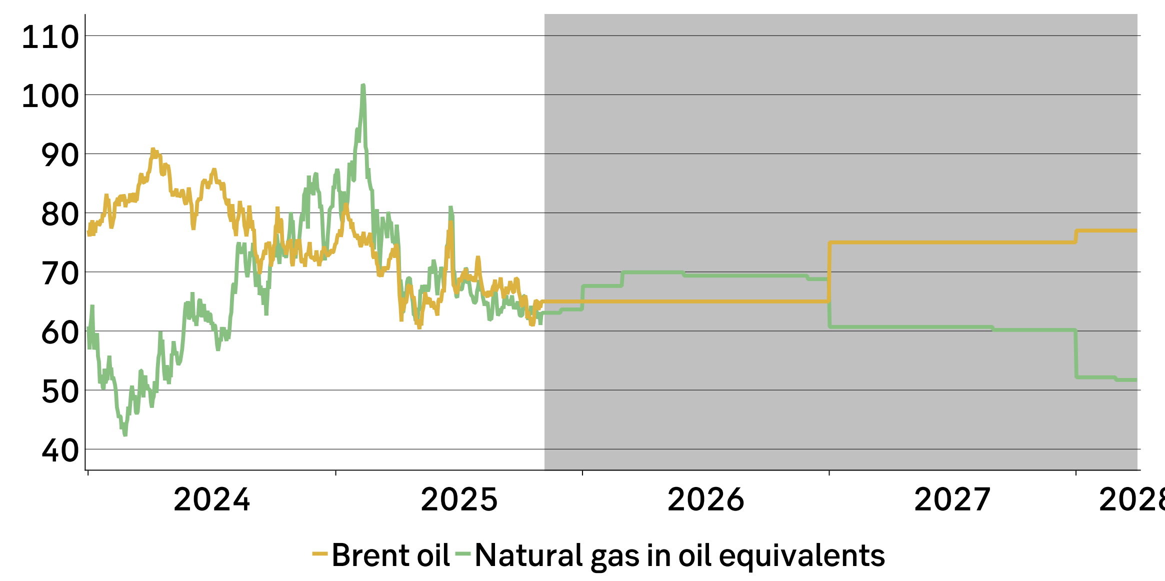
Global inflation effects from Chinese price pressure. China's longstanding overcapacity has resulted in export-driven price pressure and deflation. Compared with the 2022 peak in Chinese producer and export prices, both have since fallen (with export prices down by around 20 per cent). Aggregating the direct effect (on consumer goods) and the indirect effect (that Chinese goods are used as inputs in other countries, and that lower Chinese prices constrain prices elsewhere), we estimate that Chinese price pressures have reduced the inflation of many countries by around 1–2 tenths annually. Plenty of affordable oil is in the cards for 2026, at least in the absence of any unexpected supply disruptions. OPEC+ continuously controls supply to keep oil prices at a level at which they recoup market share, while at the same time the cartel wants to avoid a price collapse. The five-year contract price has been stable at about USD 68/barrel (Brent) for the past 3–4 years and OPEC+ is now prepared to sell at a lower price level for a while to recoup market share. As Ukraine has become more proficient at destroying Russian refineries, the price risk is rather on oil products. While there is plenty of crude oil at affordable prices available, oil products such as diesel, petrol and jet fuel can be relatively expensive. We expect Brent to cost an average of USD 65/barrel during the forecast period, while diesel, for example, may have a premium of USD 30/barrel versus Brent.

Chinese price pressure on other countries



Source: China National Bureau of Statistics, Macrobond, SEB

Oil and natural gas prices



Source: Macrobond, SEB

Upside risk for natural gas ahead of the winter, but new supply incoming. The natural gas price is more uncertain ahead of the winter and, with fairly low storage levels in Europe, a cold winter could increase the price, mainly in Europe. However, plenty of new supply is incoming in 2026 and 2027. A winter-related rise in natural gas prices would thus likely be limited both geographically and time-wise.

Awaiting renewed but limited dollar weakness

In our *Nordic Outlook* August edition, our main scenario was that EUR/USD would continue to move higher, i.e. a weaker dollar, driven by the Fed's resumed rate-cutting cycle, brighter growth prospects in the euro area (supporting the euro), while the US faced an uncertain economic slowdown (a drag on the USD). That view held true until factors such as fiscal concerns once again came into focus in France, while US growth surprised on the upside and market expectations concerning the Fed were scaled back. We still expect a rate cut in December, and more cuts than the market.

Exchange rates

	6 nov	2025	2026	2027
EUR/USD	1.15	1.17	1.19	1.18
USD/JPY	153	150	140	141
EUR/GBP	0.88	0.89	0.91	0.90
EUR/SEK	11.06	10.85	10.45	10.35
EUR/NOK	11.80	11.85	11.45	11.35

Source: Bloomberg, SEB

We still anticipate a weaker dollar towards the end of this year, but not by as much as we previously expected. The same applies to developments in 2026, for which we now expect a lower peak, at around 1.21 for EUR/USD, by end of the first quarter in 2026. A renewed weakening of the dollar probably requires more than just an increased probability of Fed rate cuts. A brighter view of euro area growth outlook is needed in addition to the support from a narrowed spread. This factor has gained importance as the dollar-negative impact from increased currency hedging by companies and institutions – which we have seen as a key driver in our forecast – is encountering greater and greater positive dollar effects stemming from heightened investment flows into the US.

The Swedish krona is the currency that has strengthened most against the dollar so far this year. We expect this to continue, albeit with lesser momentum. Factors that continue to support further strengthening and normalisation of the Swedish krona include: (1) a continued, albeit slower, upward movement in the EUR/USD; (2) relatively strong Swedish growth; (3) a gradual increase in currency hedge ratios as the USD weakens and narrowed spreads make hedging less costly; and (4) the fact that elements of the "natural currency hedge" historically provided by the Swedish krona to Swedish investors in US equities appears to be working less and less efficiently. In the near term there is also a positive seasonal pattern for the Swedish krona, which during December has strengthened against the EUR in 12 of the latest 15 years, by on average 1.3 per cent.

The Norwegian krone faces short-term headwinds from a seasonal pattern and is weakening in the final quarter of the year. This is also supported by a lower oil price towards the end of the year. At the beginning of next year and going forward, outlook for the NOK is brighter, although it will appreciate more slowly than the SEK. A positive seasonal pattern at the beginning of the year, combined with a higher oil price and anticipated substantial NOK purchasing by Norges Bank ought, to underpin the currency in early 2026.

We see continued structural headwinds for the pound sterling and major challenges for the economy. Yet, there is some probability of a short-term strengthening of the pound sterling if the government budget presented on 26 November surprises positively. A new Prime Minister in Japan with ambitions for substantial fiscal stimulus and less restrictive monetary policy has weakened the yen in the autumn. Without own majority, the expansionary extent of fiscal policy is limited, and for this reason we find that the weakening of the yen has been somewhat excessive. Also, it is primarily US long-term yields that usually steer the JPY, so the yen should strengthen vs the USD, once our scenario with further Fed rate cuts gains traction in the market.

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