

# Sweden: VAT for food is lowered

## Marketing communication

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The government today announced a reduction on VAT for food to 6% from 12%, which will have a major impact on the inflation path.

The reduction of VAT on food is part of the generous fiscal package at a total of SEK 80bn for the election year 2026 that was announced last week. The lowered VAT is temporary and will take effect April 2026 and up to and including December 2027.

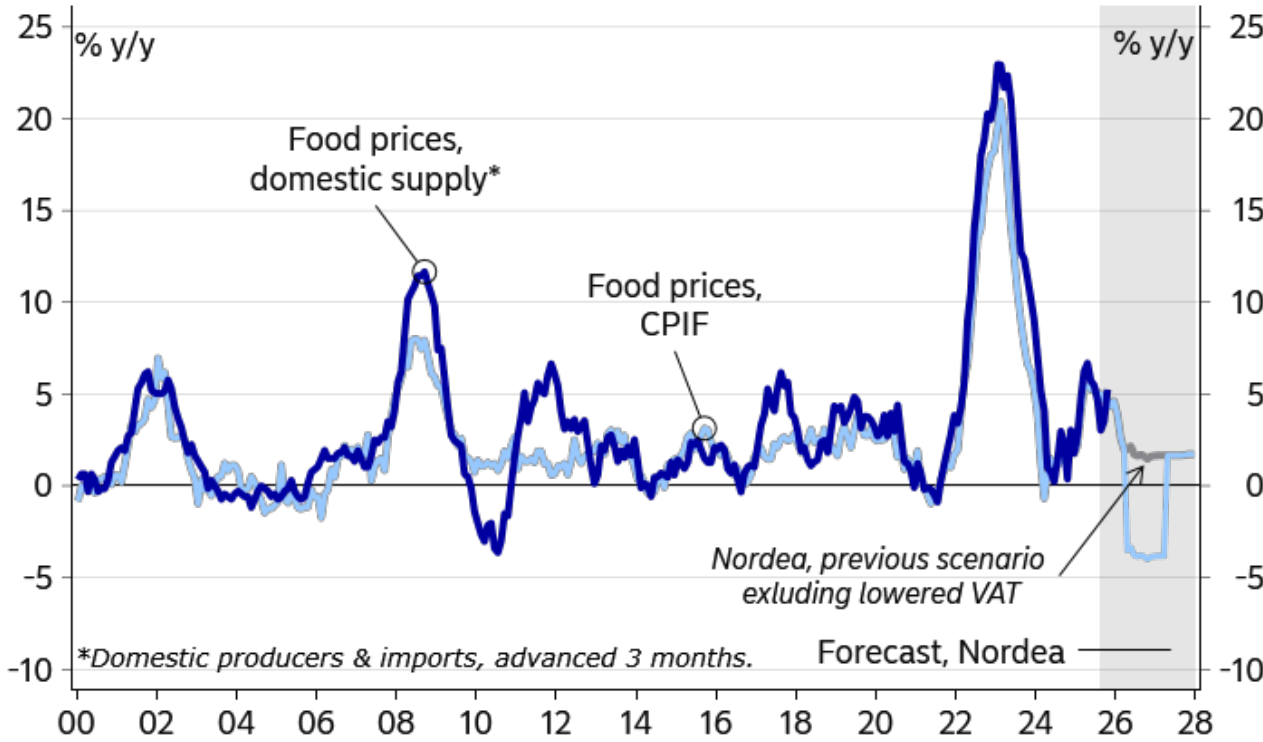
The impact on inflation is -0.8% point in April 2026, see chart. In the chart, we have also assumed that the deduction for renovation of domestic buildings will be extended for 2026 (current decision is that it will stop in January 2026).

As for the Riksbank, the measure has a dovish tilt. The reason is that the lower inflation could pull down short-term inflation expectations and reduce compensation demand from wage earners, easing the Riksbank's concerns that the current too high inflation will be sticky.

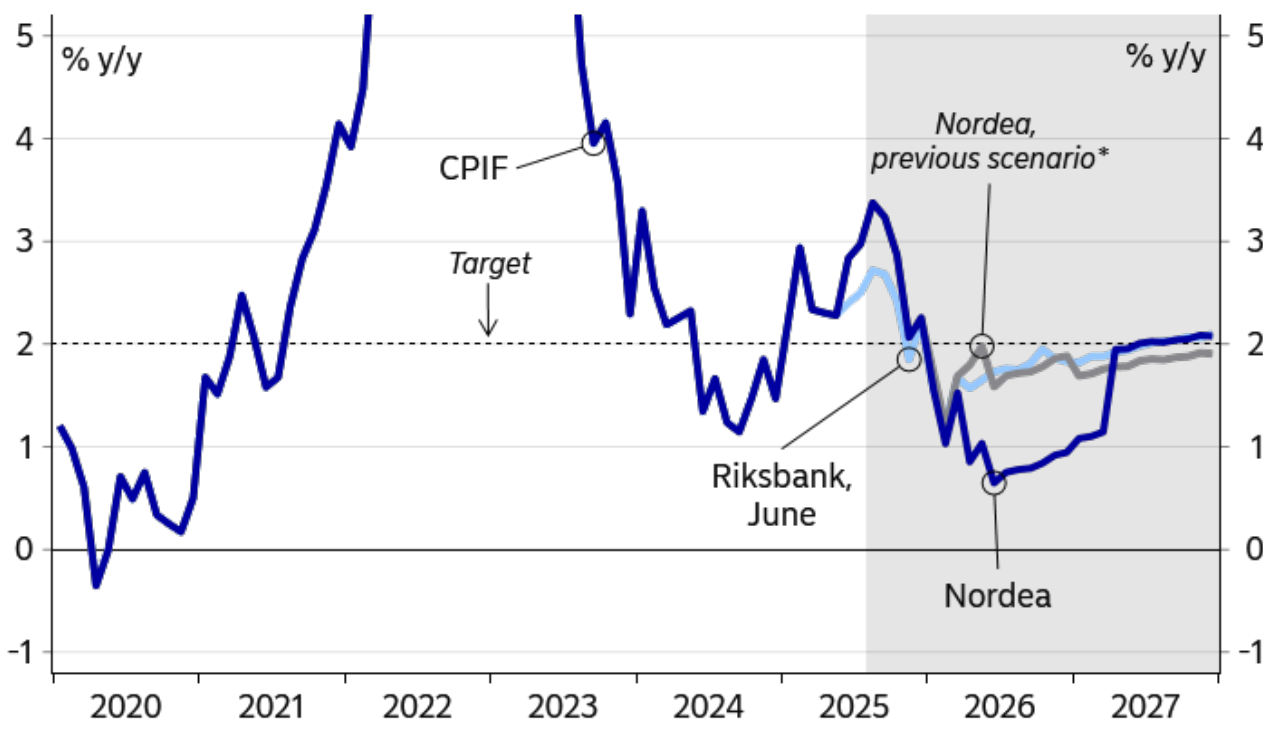
However, it is not clear cut how the Riksbank will respond. After all, it will boost domestic demand and GDP growth. Moreover, overall fiscal policy is unusually expansionary, by 1% of GDP in 2025 and even more expansionary 2026, see chart. It is simply a lot of money going in to the economy currently. As the lowered VAT is temporary, inflation will rise by as much in January 2028, which most likely will not result in a rate hike at that point. For the same reason, the Riksbank will probably see through the lowering effect next year. Notably, the Riksbank's inflation forecast will be up to and including Q3 2028 in the September report.

For now, we keep our forecast that the Riksbank will stay on hold with the policy rate at 2.00%.

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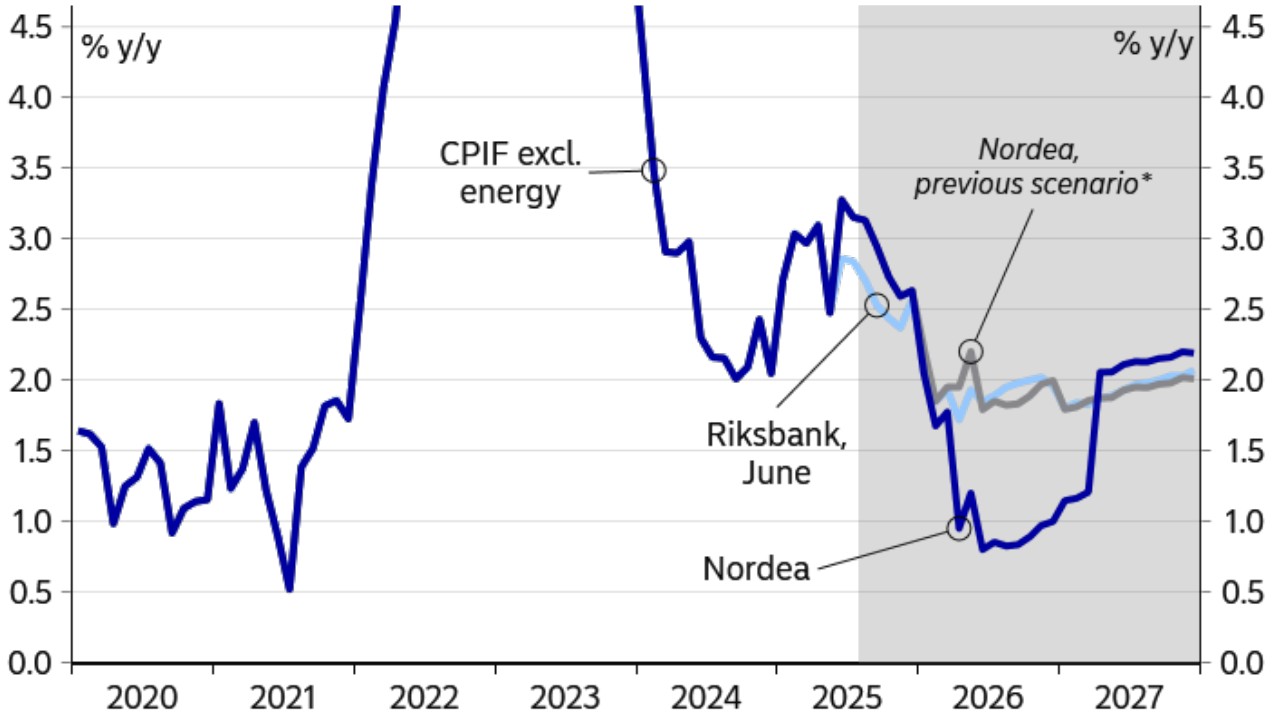
Source: Nordea Markets and Macrobond



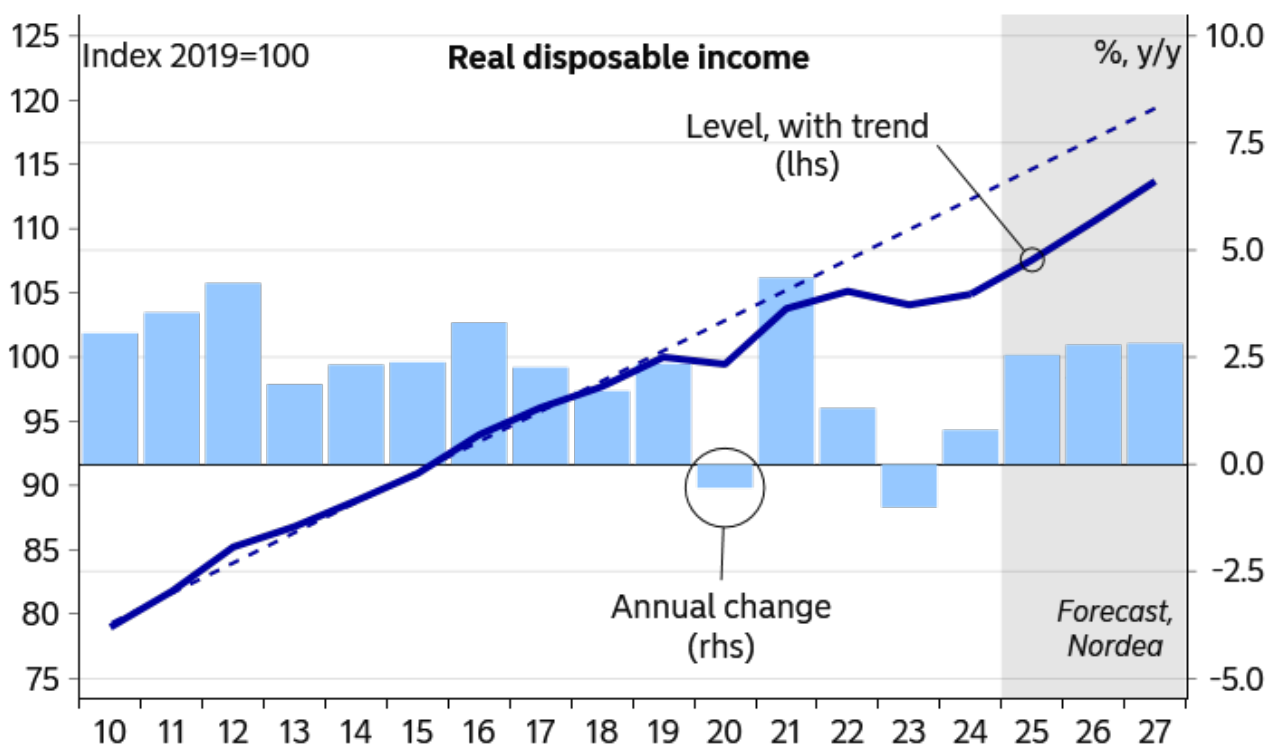
Sources: Nordea Markets, SCB, Riksbanken and Macrobond

\*Note.: Previous scenario is excluding lower VAT on food and extended deduction for repair of domestic buildings ("ROT")

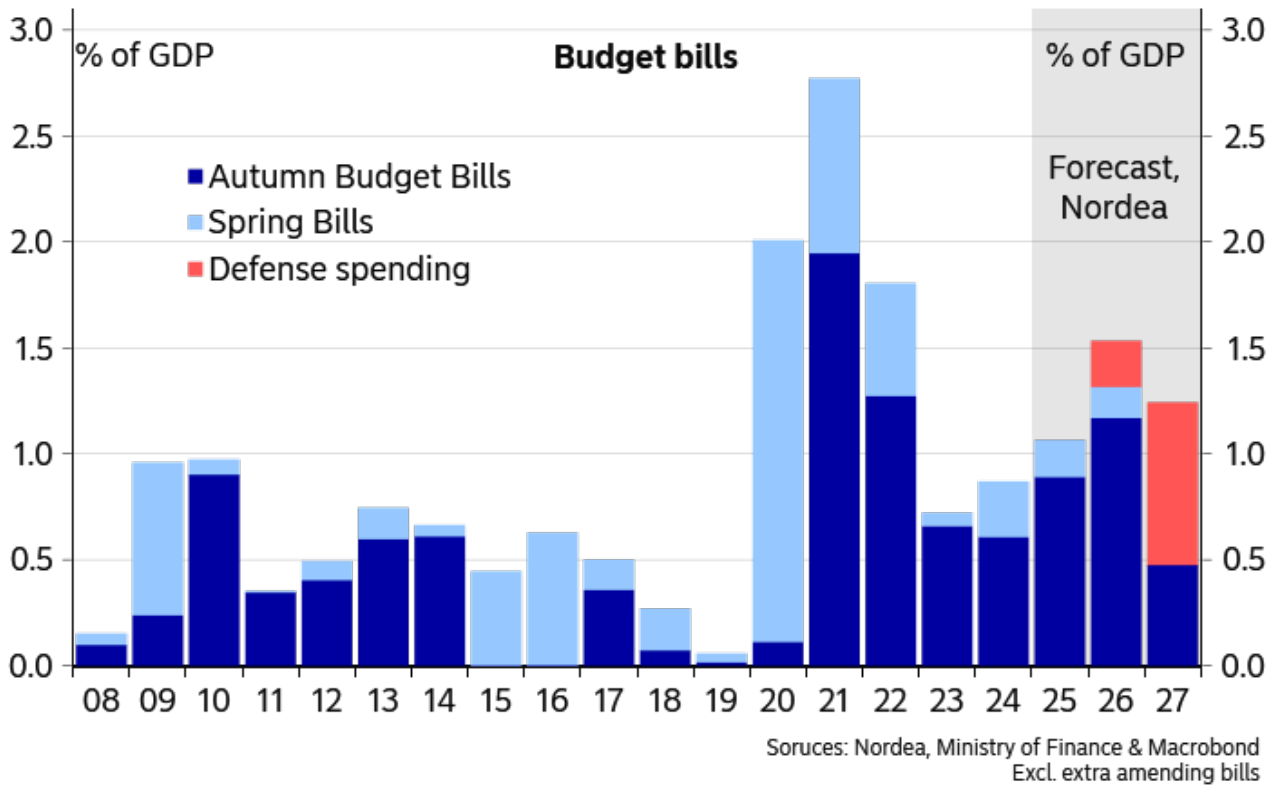
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Sources: Nordea Markets & Macrobond.  
 \*Note.: Previous scenario is excluding lower VAT on food and extended deduction for repair of domestic buildings ("ROT")



Source: Macrobond and Nordea



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