

MNI Norges Bank Preview: August 2025

Statement / Monetary Policy Assessment release: 09:00BST / 10:00CET, Thursday 14 August 2025

Press conference (in Norwegian): 09:30BST / 10:30CET, Thursday 14 August 2025

MNI Point of View – Slow and Steady

12 August 2025, by Emil Lundh

Norges Bank is unanimously expected to keep the policy rate on hold at 4.25% on Thursday, while continuing to guide towards further cuts in H2.

After surprising markets with a 25bp cut in June, macroeconomic data has broadly confirmed Norges Bank's outlook. With the June MPR rate path consistent with "one or two" more cuts in H2 and implied probabilities tilted in favour of easing at the September and December MPR meetings, there appear few reasons to go against market consensus in August.

We expect the primary guidance language from June to be maintained in the policy statement:

- "If the economy evolves broadly as currently projected, the policy rate will be reduced further in the course of 2025".
- "The Committee judges that a cautious normalisation of the policy rate will pave the way for inflation to return to target without restricting the economy more than necessary".

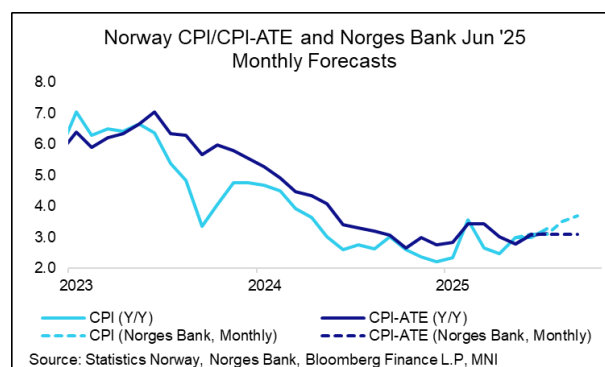
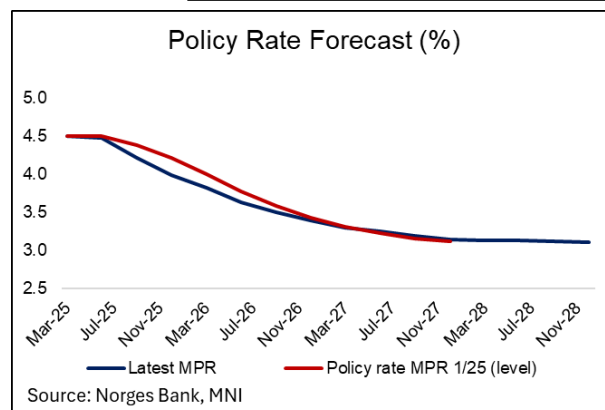
Although CPI-ATE inflation confirmed Norges Bank's June MPR forecasts in June and July, the underlying rate remains above 3%. **Combined with a weakening effective exchange rate and positive signals from Norges Bank's latest Bank Lending Survey, this should push back against the need for firmer guidance towards a September cut** despite some signs of a loosening labour market and more dovish Fed pricing since June.

Quarterly cuts in September and December remains the base case amongst analysts. Terminal rate forecasts we have seen ahead of the August decision range from 3.00% to 3.50%. This is broadly consistent with Norges Bank's June MPR rate path, which troughed at ~3.1% by 2028, implying a very slow and steady easing cycle.

With a rate hold fully priced and unanimously expected, a significant market reaction would require material deviations from the guidance language above, either in the policy statement or post-decision press conference. FX vol markets do not assign a high chance of such a reaction, with 1-week EURNOK implied vols tracking below the YTD average since capturing Thursday's decision.

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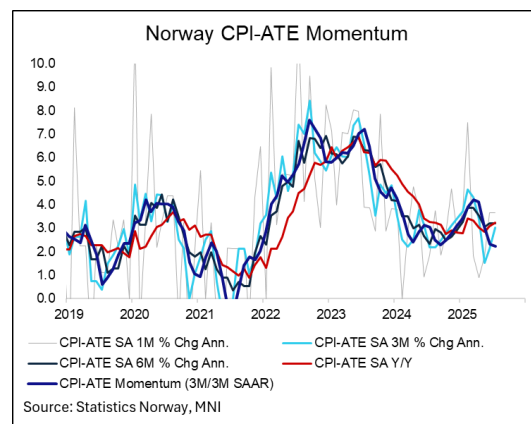


Macro Since June Decision – Broadly Confirming June Outlook

Inflation In Line With June MPR; Underlying Pressures Still Persistent

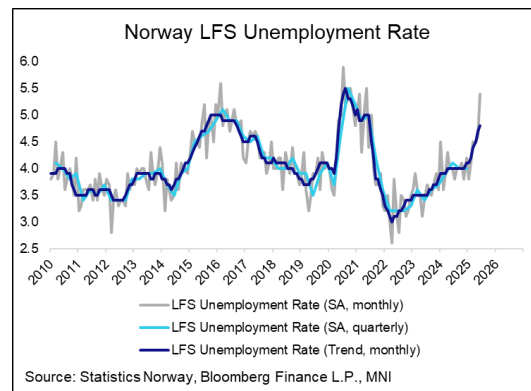
CPI-ATE inflation has confirmed the June MPR projections over the last two months, despite month-to-month volatility from travel- and holiday-related components. While these developments favour unchanged guidance at the August decision, measures of inflation momentum suggest underlying price pressures remain a little persistent.

- July CPI-ATE at 3.12% Y/Y was higher than expected by consensus (3.0% Y/Y) but in line with Norges Bank's June MPR projections. Food prices rose 4.53% M/M and 5.57% Y/Y (vs 4.35% prior) - above some of the estimates we had seen, and likely the main driver behind the higher-than-expected CPI-ATE reading (at least versus analyst projections). Headline CPI (3.27% Y/Y) saw a larger upward surprise (vs 3.0% cons, 3.1% Norges Bank) on the back of a rise in fuel prices.
- CPI-ATE inflation momentum, measured as a 3m/3m seasonally adjusted annualised rate (using Stats Norway data) eased to 2.22% in July (vs 2.33% prior), the lowest since December 2021. However, this measure will likely rebound in August barring a significant downward surprise, as February's 0.61% M/M SA reading drops out of the calculation. Between March and May, SA CPI-ATE inflation averaged 0.13% M/M. Sequential inflation has been 0.30% M/M in both June and July.



More Dovish Signals From Caveated Labour Market Data

Somewhat more dovish developments have come from the labour market, which was one factor behind Norges Bank's decision to cut rates in June. The SA LFS unemployment rate jumped to 5.4% in June (vs 4.6% prior), implying a 4.8% 3mma rate (vs 4.5% prior). However, this reading was driven by an increase in labour force participation (and not a decrease in employment), and in any case is caveated by the LFS survey's regular monthly volatility. Meanwhile, the NSA registered unemployment rate rose to 2.2% in July (vs 2.0% prior), though ongoing changes in NAV's systems hamper comparability with prior values (and prevent an SA series from being published). A key question come September will be how much weight Norges Bank assigns to these caveated labour market data.



Decent Bank Lending Survey, No Updates On Q2 GDP Yet

Elsewhere, the Q2 Bank Lending Survey noted that *"household credit demand increased somewhat, while corporate credit demand increased slightly"*. Additionally, *"banks expect a slight further increase in both corporate and household credit demand in Q3"*. The Q2 GDP report is not due till August 21, which provides another argument for holding rates and guidance steady in August. Norges Bank projected a 0.3% Q/Q mainland GDP reading in the June MPR. This report, alongside the Q3 Regional Network Survey in September, will be important inputs into the next MPR rate path projection.

NOK Weaker But Foreign Rate Outlook More Dovish Since June

The I-44 effective exchange rate index tracks above Norges Bank's June projections (indicating a weaker NOK), currently averaging 119.71 through Q3 (current spot 120.65, NB Q3 forecast 117.52). However, from a qualitative perspective for the August decision, we think any hawkish impact from this channel is likely offset by dovish moves in implied Fed rates over the same period.



mni Central Bank Watch - Norges Bank

August 12, 2025

MNI Norges Bank Data Watch List											
Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% y/y	3.3	2.5	↑	2.3	↑					-0.03
Core CPI	% y/y	3.1	3.0	↑	2.8	↑					0.23
PPI	% y/y	-0.3	2.1	↓	18.1	↓					-0.88
Oil Price (Brent Active)	\$bn	66.33	60.32	↑	72.27	↓					0.67
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
PMI Manufacturing	Index	50.9	46.1	↑	51.1	↓					-0.08
GDP	% m/m	-0.2	-0.4	↑	0.1	↓					-0.48
Industrial Man Prod	% m/m	-0.1	0.0	↓	3.4	↓					-0.41
Monetary Analysis		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
M3 Money Supply	% y/y	8.1	7.5	↑	5.1	↑					1.74
Credit Indicator	% y/y	4.1	3.8	↑	3.4	↑					1.12
Non-Fin Corp Credit	% y/y	2.4	2.2	↑	1.5	↑					0.60
Household Credit	% y/y	4.2	4.1	↑	3.8	↑					1.02
Consumer / Labour Market		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Retail Sales	% m/m	0.0	0.7	↓	0.0	↓					-0.05
Consumer Confidence (Q)	Index	-16.4	-13.4	↓	-12.4	↓					0.53
Unemployment Rate	%	2.2	2.0	↑	2.3	↓					0.84
Ave Monthly Earnings (Q)	% y/y	5.2	5.2	→	5.2	→					-0.78
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
OBX	Index	1538	1409	↑	1428	↑					1.85
Norway 10-Year Yield	%	3.86	3.84	↑	3.83	↑					0.43
NW Yield Curve (2s-10s)	bps	34.4	22.3	↑	7.4	↑					1.35
NOK TWI	Index	74.94	74.97	↓	75.67	↓					-0.23

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg

Sell Side Previews (A-Z)

Bank of America (Before July CPI)

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** "Rates are likely to remain at 4.25%, and the dataflow since June would point to broadly unchanged guidance."
- **Rate Outlook:** "Our base case remains of rate cuts in both September and December this year. With the economy still resilient, we see risks of delays in the cuts, e.g. in case of temporary setbacks on the inflation side. Next year, we still see two additional cuts in March and June, implying a terminal rate of 3.25% mid-2026, in the upper range of their new estimate of neutral".

DNB (Before July CPI)

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** "With limited new data to alter the outlook, we expect the policy rate to remain unchanged in August and maintain our call for cuts in September and December, which is also broadly in line with current market pricing. Norges Bank's rate path from June indicates further cuts this autumn, however, the probability of a cut in August was low, suggesting Norges Bank is set to perform a gradual decrease of the policy rate and therefore wait until September".
- **Update following July CPI:** "The outcome rules out the possibility for a rate cut this week, in our view, but suggests that we remain on track for further monetary policy easing in the second half of the year. We expect two rate cuts later this year, in September and December, bringing the policy rate down to 3.75%".
- **Rate Outlook:** "We hold our call for cuts in September and December"

Danske Bank

- **Rate Outlook:** “With the [CPI] print matching Norges Banks’s forecast, the data should still support a September cut”.

Goldman Sachs

- **August Rate Decision:** Hold at 4.25%
- **Rate Outlook:** “Going forward, we continue to expect two more rate cuts this year, in September and December, and quarterly cuts thereafter to a terminal rate of 3% in 2026Q3, with risks skewed towards more easing. Our baseline remains below market pricing and the June MPR policy rate path”

Handelsbanken (Before July CPI)

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** “We expect Norges Bank to leave the policy rate unchanged next week. The central bank has signalled that it will likely cut again this year, and we maintain our call for the next move in September. The moderate rise in unemployment supports a gradual normalisation of rates, but sticky inflation still argues for caution”.
 - **Update following July CPI:** The “release is neutral for the interest rate path. We continue to expect Norges Bank to keep the policy rate unchanged on Thursday, with the next cut likely in September. The persistence of core inflation around 3 percent argues for a gradual approach to rate normalisation.
- **Rate Outlook:** “We continue to expect the next move to come in September”.

ING (Before July CPI)

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** “The implied chance of a cut at the 14 August meeting is also close to zero, but this time the chances of a surprise are also much lower, in our view”....“One final reason for a pause is the vicinity to the 8 September parliamentary vote in Norway, where the latest polls place a centre-left coalition slightly ahead.

JP Morgan (Before July CPI)

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** “We expect forward guidance to explicitly point to September”
 - “If Norges Bank decides not to explicitly mention a cut in September—when the last rate path and data clearly suggest so—it could imply that the Bank has decided to structurally change its forward guidance strategy. This could signal a step away from the typical strong commitment to upcoming decisions, and instead a move toward more data-dependence and all meetings being “live”. This would indeed also be in line with the Bank’s reaction function at the March and June meetings”.
 - “Overall, we see little change compared to the rate path presented in June. The largest contributor is a weaker NOK, but this is to a large extent offset by slightly weaker oil prices, signs of somewhat looser labor market conditions, and a fall in rates abroad (predominantly US rates)”.
 - “We see a low risk of a cut, but the decision in June created big question marks about the bank’s reaction function.”
 - **Update following July CPI:** “We do not think the fact that core inflation was held up by significantly higher-than-expected food prices, nor the outlook for a material downside surprise in August (when the above-mentioned childcare prices are lowered), are enough to motivate a cut. We see around a 15% risk of a cut on Thursday. We expect the next cut to be in September”.
- **Rate Outlook:** “We continue to see the next cut in September followed by a quarterly easing pace down to 3.5%. However, given the Bank’s seemingly new reaction function, we do see an elevated risk that the journey down to a 3.5% terminal rate will not be as orderly and predictable as seen during previous cycles. We also think the risk to our terminal rate forecast is skewed slightly to the upside rather than to the downside”.

Morgan Stanley

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** “We expect Norges Bank to remain on hold in August, and to reaffirm the policy rate path from the June meeting, pointing towards another rate cut in September”.

Nomura

- **August Rate Decision:** Hold at 4.25%
- **Rate Outlook:** “As inflation remains above target, we think another rate cut at this meeting is unlikely, instead expecting a quarterly pace of rate cuts with the next reduction in September”.

SEB

- **August Rate Decision:** Hold at 4.25%
- **August Guidance:** “We expect Norges Bank to reiterate its message from the June MPR. This would imply that the June rate path still holds and that the bank is eyeing a next rate cut in September. Current market pricing is fairly aligned with the rate path, suggesting moderate market moves to the announcement”.
- **Rate Outlook:** “We reiterate our forecast of in total three rate cuts this year followed by an additional two reductions in 2026”.

Wells Fargo (Before July CPI)

- **August Rate Decision:** Hold at 4.25%
- **Rate Outlook:** “We expect Norges Bank to maintain a once-per-quarter pace of rate cuts, with the next move likely coming at the September meeting. By then, policymakers will have greater clarity on inflation dynamics from July and August data. While inflation remains above the 2% target, the central bank appears willing to wait for additional information before proceeding with further easing”.

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