

MNI Norges Bank Preview: May 2026

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MNI Point of View – Patience May Not Prevail

May 5, 2026, by Emil Lundh

Norges Bank laid the foundations for rate hikes at the March decision, and we expect the first to be delivered in May, bringing the deposit rate to 4.25%. Such a move would go against analyst consensus for a hold at 4.00%, though rates markets lean slightly in favour of a hike. The March decision was hawkish, with the policy statement noting that “it will likely be appropriate to raise the policy rate at one of the forthcoming monetary policy meetings” and the Summary of Deliberations flagging that two Board members were considering a hike at that time.

Norges Bank are primarily concerned about high domestic inflation, with the Iran war providing a separate hawkish impulse to the outlook given Norway’s status as an energy exporter. **As such, we don’t see much value in the Board waiting till June to hike rates – elevated inflation has been flagged as a concern for some time now, and the March guidance was quite clear that the Committee is ready and willing to act.**

Arguments for a more patient approach include tentative hopes of a US-Iran war ceasefire (which have nonetheless faded in recent weeks), a continued strengthening of the exchange rate, and the fact that the March MPR rate path, in theory, assigned a slightly higher implied probability to a June move.

Governor Bache provided rare intermeeting commentary on April 15. While there has been domestic pushback against the idea of renewed rate hikes in Norwegian media, **Bache’s hawkish stance was resolute**. She did note that the Board emphasises employment outcomes alongside inflation, but labour market data since those comments have not pointed to material weakness.

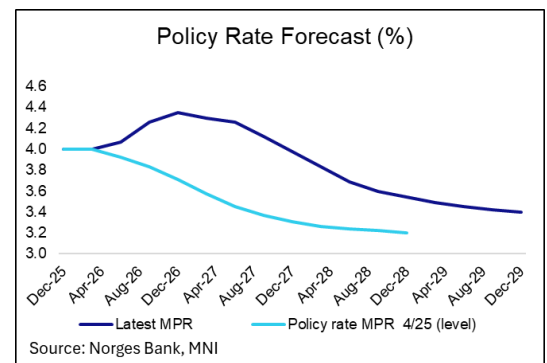
Of the 14 analyst previews we have seen, 6 expect a rate hike in May and 8 expect a hold. Notably, of the 6 Scandinavian bank previews we have seen, 4 expect a hike (Danske, Handelsbanken, SEB, Swedbank) and 2 expect a hold (DNB, Nordea). Looking ahead, analysts are split on whether Norges Bank will hike once or twice this year, but a number expect this tightening to be unwound starting in 2027.

Despite analyst consensus leaning towards a hold, NOK rates markets price around 15bps of hikes through May. **That leaves scope for a knee-jerk move on the decision no matter the outcome.** Markets currently assign a much higher implied probability of rate hikes at quarterly projection meetings versus interim counterparts. If a May hike is delivered, it would signal that interim decisions are certainly in play and likely drive a bear flattening of the NOK curve. However, to have a material impact on year-end pricing for 70bps of hikes, guidance would have to be quite strong. Overall, we aren’t sure the Board will feel pressured to hike more than twice to restrain underlying inflation pressures, especially with rates already in restrictive territory. While that leaves scope for an unwind of this pricing over the coming months, global forces on front-end rates markets stemming from the Middle East should remain a consideration. That suggests cross-market positions are likely to be preferable to outright plays.

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Macro Update: Enough Reasons To Follow Through With Hikes

Norwegian CPI-ATE inflation was 3.03% Y/Y in March, unchanged from February. This was a tenth below the Bloomberg median forecast, but in line with Norges Bank's March MPR projection. Underlying services inflation remains sticky, and seasonally adjusted 3m/3m CPI-ATE inflation remains elevated at 3.74% Y/Y. **Given the hawkish signals from the March decision/rate path, the reading keeps hikes firmly on the table - even if Middle East ceasefire hopes are realised.**

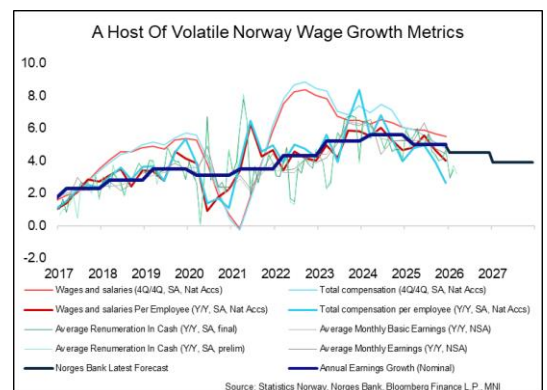
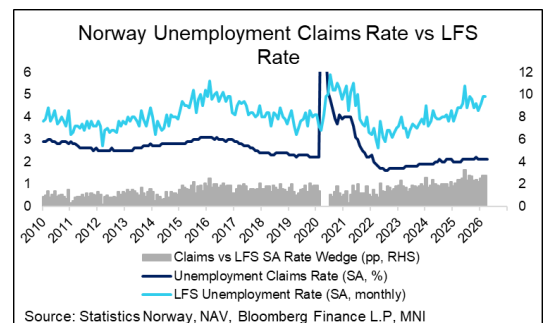
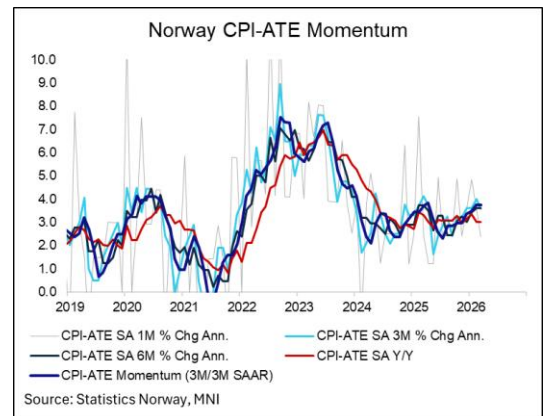
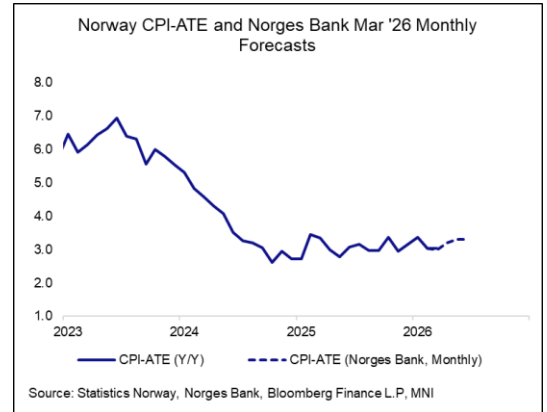
The Confederation of Norwegian Enterprise and major trade unions agreed on a 4.4% nominal wage norm for 2026. Norges Bank projected nominal wage growth at 4.5% in the March MPR. **However, the wage norm is likely to set a floor to overall wage growth, so Norges Bank's concerns around high domestic inflation won't be significantly eased.** A reminder that the wage norm was also 4.4% in 2025, and annual wage growth ended the year at 4.9% - comfortably above Norges Bank's start-of-year projections. One potential offset comes from the remuneration data in the LFS, for which the preliminary March print pointed to a soft 3.2% Y/Y reading (vs 3.5% prior).

The Norwegian seasonally adjusted registered unemployment rate was unchanged at 2.1% in April. It has been at this level for five consecutive months, indicating fairly stable labour market conditions. **While technically a tenth above Norges Bank's March MPR forecast, we don't think it's enough to dampen the bank's hawkish stance.**

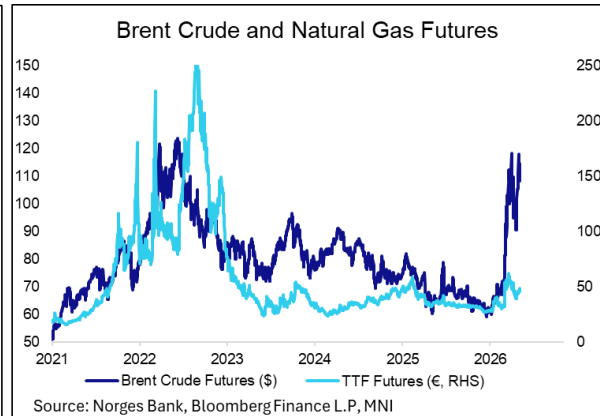
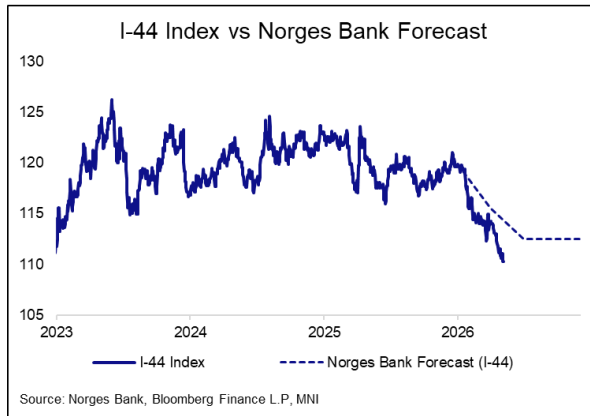
Vacancies eased to 1,954 after a notable rise to 2,169 in March. While down 10% Y/Y, they remain above 2025 average levels. NAV noted that "the demand for labor thus remains at a high level". LFS data for March was also relatively steady, with the trend-adjusted unemployment rate unchanged at 4.7% and 3m/3m employment growth remaining positive.

There are some signs of softening mainland growth momentum emerging, with 3m/3m retail sales ex-vehicles and fuel tracking at -0.2% as of March, non-financial corporate credit growth pulling back to 3.7% in March (vs 4.1% in Feb) and the Q1 industrial confidence reading easing a little. **However, these developments won't be too concerning yet, with the inflation outlook remaining the primary focus.**

The Norwegian krone has been well supported by a hawkish central bank stance and strong rises in energy prices. The I-44 effective exchange rate index is currently at 110.3, close to a four-year low and well below March MPR projections (which deliberately assume an unchanged exchange rate through the forecast horizon). This should weigh on imported inflation ahead. **However, we don't think it's enough to deter a near-term rate hike, but rather a factor that could limit the number of hikes through this year. Norges Bank's primary concern is domestically generated, not imported, inflation.**



Continued rises in energy prices amid the ongoing Strait of Hormuz closure remain a hawkish input to Norges Bank's hypothetical rate path, providing an impulse to the offshore sector which may filter into mainland economic outcomes.



Sell Side Previews (A-Z)

Summary of Analyst Views (Sorted A-Z)



Institution	May Decision	Rate Outlook
Bank of America	Hold	"We think a move at one of the next meetings is almost a done deal - our base case remains for a hold in May, followed by a hike at the June meeting"... "Looking into next year, we see scope for two cuts (March/June), bringing the policy rate back to 3.75%"
Danske Bank	Hike	"Our call for policy rates in Norway is a 25bp hike next week followed by a second – and we believe final - hike in June. We still pencil in four quarterly rate cuts in 2027 and a final rate cut in March 2028 which would bring the policy rate to 3.25%"
DNB	Hold	DNB forecast a 25bp hike in June and Q3 2026.
Goldman Sachs	Hold	Goldman Sachs forecast a 25bp hike in June and then cuts in Q4 2027 and Q1 2028 to 3.75%
Handelsbanken	Hike	
ING	Hike	ING forecast a single hike in May, before cuts in Q2 2027 and Q3 2027 to 3.75%
JP Morgan	Hold	JP Morgan forecast a 25bp hikes in June and September, followed by cuts in Q2 2027 and Q4 2027.
Morgan Stanley	Hold	Morgan Stanley forecast a 25bp hike in June, and then cuts in Q2 2027 and Q3 2027 to 3.75%
Nomura	Hold	"We believe a June rate rise alongside the next forecasts is more likely than one in May, as policymakers continue to assess the economic situation.... Looking further ahead, we pencil in a September 2027 cut, as we forecast inflation to slow closer to 2.0% by then and the central bank to begin withdrawing policy restriction. But, this rate cut could occur earlier, especially if a stronger NOK adds to disinflation"
Nordea	Hold	"What we are not uncertain about is that we will not get two hikes before summer, only one. "
SEB	Hike	"While we have argued for two hikes, we would not rule out a third should elevated energy prices spill over into broader inflation. For now, however, we stick to a front-loaded approach, expecting hikes in both May and June – acknowledging that this would require supportive guidance at the upcoming decision"
Swedbank	Hike	"We believe that Norges Bank will increase its policy rate to 4.25% on its next meeting on May 7th and keep the rate unchanged throughout 2026. In January 2027, we believe Norges Bank will decrease the rate to 4.00% as it will find that the rate increase has achieved its purpose of reducing inflation"
TD Securities	Hold	
UniCredit	Hike	UniCredit forecast a 25bp hike in Q2 and Q3 2026, to a terminal rate of 4.50%

Source: Analyst previews. Rate outlook taken from Bloomberg survey if available, otherwise left blank.

Bank of America

- **May decision:** Hold at 4.00%
- **Rate outlook:** “We think a move at one of the next meetings is almost a done deal - our base case remains for a hold in May, followed by a hike at the June meeting. After that, we would expect Norges Bank to retain a hawkish bias, keeping the door clearly open for an additional hike in 2H26 should the data warrant it. Our growth and core inflation projections for 2H26 are below Norges Bank's new forecasts, making us sceptical that it will ultimately deliver a second hike that would take rates back to the 2024 peaks. Looking into next year, we see scope for two cuts (March/June), bringing the policy rate back to 3.75%.”

Danske Bank

- **May decision:** Hike to 4.25%
- **May guidance:** “We are aware that the committee expressed great uncertainty in its risk assessment and that they ‘... therefore want to await further information on the prospects for inflation’, which may be an argument for postponing the decision until June. However, since inflation in March came out exactly as expected, and not least that the wage settlement clearly bears the hallmark of a demand for price compensation, we believe that much of the doubt has disappeared. We also think that this indicates that NB will signal that the policy rate most likely will be raised again at the meeting in June, which is also our base call.”
- **Rate outlook:** “Our call for policy rates in Norway is a 25bp hike next week followed by a second – and we believe final - hike in June. We still pencil in four quarterly rate cuts in 2027 and a final rate cut in March 2028 which would bring the policy rate to 3.25%.”

DNB

- **May decision:** Hold at 4.00%
- **Rate outlook:** “The case for an unchanged rate rests on the March rate path pointing more clearly to June than May, and the development in short-term indicators. On the other hand, markets are pricing in around 16bp for May, and if Norges Bank is already aiming for a higher policy rate, the question is why wait? Moreover, energy prices have remained elevated and have even moved higher since March”

Goldman Sachs

- **May decision:** Hold at 4.00%
- **Rate outlook:** “As the domestic data, which seem to provide a more important input into their current stance reassessment, have come in as or slightly better than expected, we think that Norges Bank can afford to wait until the June 18 meeting to see two additional monthly inflation prints (April print on May 11, May print on June 10) and the Q1 GDP print and act on the basis of the most updated set of forecasts then. We, however, see this as a close call and see a hike in May as very possible. In this case, however, we would not expect them to hike again in June, while another hike later in the year remains possible.”

Handelsbanken

- **May decision:** Hike to 4.25%
 - “Norges Bank's latest rate path implies around a 30 percent probability of a hike in May, with full probability only priced in by the June meeting. In a world without new shocks or disturbances, this would suggest waiting until June. However, we would argue that when the direction is clear, there is a case for moving at the first opportunity. More importantly, we believe the arguments for hiking have strengthened since March.”

ING

- **May decision:** Hike to 4.25%
- **May guidance:** “We also expect Norges Bank to keep the door wide open to further tightening, with an outside risk that officials explicitly indicate another hike could be likely over the coming meetings.”
- **Rate outlook:** “In our current forecast, we do not assume a follow-up hike after May, but the risks are increasingly skewed toward a more hawkish profile.”

JP Morgan

- **May decision:** Hold at 4.00%
- **May guidance:** “We look for more direct language that suggests the policy rate is likely to be increased “at the next policy meeting” assuming it doesn’t hike next week. “
- **Rate outlook:** “For a June hike not to materialize, we would need to see either a significant de-escalation in the political situation or a sudden turn in either the growth or inflation data. We continue to look for another hike in September and expect the Norges Bank to allude to the likelihood that further tightening is likely to be required in 2H26. The Norges Bank would be prepared to hike by more than we currently expect if there is further sustained upward pressure on oil prices.”

Morgan Stanley

- **May decision:** Hold at 4.00%
- **May guidance:** “We expect the Norges Bank to clearly indicate that as long as data comes in as expected, a 25bp rate hike will be delivered in June. We think the statement will underscore that the Committee deems that a more restrictive monetary policy is likely needed, and that more data on assessing underlying inflationary pressures will be available in June.”
- **Rate outlook:** “We expect Norges Bank to deliver a rate hike in June”

Nomura

- **May decision:** Hold at 4.00%
- **May guidance:** “We expect it to repeat guidance from the last meeting that “it will likely be appropriate to raise the policy rate at one of the forthcoming monetary policy meetings”.
- **Rate outlook:** “We now believe one 25bp rate rise this year is likely, in light of communication from Norges Bank suggesting it has lost patience with sticky inflation and the continuing Iran war raising energy costs. However, we believe a June rate rise alongside the next forecasts is more likely than one in May, as policymakers continue to assess the economic situation.”
 - “Looking further ahead, we pencil in a September 2027 cut, as we forecast inflation to slow closer to 2.0% by then and the central bank to begin withdrawing policy restriction. But, this rate cut could occur earlier, especially if a stronger NOK adds to disinflation. “

Nordea

- **May decision:** Hold at 4.00%
 - “Since March, most of the information received has been in line with their forecast, apart from the exchange rate that is now a good 1% stronger. A pure technical rate path is therefore slightly lower than in March and points in the direction of staying put now and hike in June.”
- **May guidance:** “There are arguments both ways of moving now rather than June. We think they stay put now and signal clearly an intention to hike in June. But we are uncertain”.
- **Rate outlook:** “What we are not uncertain about is that we will not get two hikes before summer, only one. For Norges Bank to hike both in May and June, new information needs to come in pointing towards much stronger

inflation pressures than anticipated, either by a significantly weaker NOK and/or much higher inflation readings for April and May. The market is pricing in a 50/50% chance of two hikes by June, we see this probability much lower and close to 0%.”

SEB

- **May decision:** Hike to 4.25%
- **May guidance:** “An unchanged policy rate would likely be accompanied by a clear reference to a June hike. In the event of a hike, whether the Committee signals scope for a back-to-back move in June or a more gradual approach will be key. “
- **Rate outlook:** “While we have argued for two hikes, we would not rule out a third should elevated energy prices spill over into broader inflation. For now, however, we stick to a front-loaded approach, expecting hikes in both May and June – acknowledging that this would require supportive guidance at the upcoming decision.”

Swedbank

- **May decision:** Hike to 4.25%
- **Rate outlook:** “We believe that Norges Bank will increase its policy rate to 4.25% on its next meeting on May 7th and keep the rate unchanged throughout 2026. In January 2027, we believe Norges Bank will decrease the rate to 4.00% as it will find that the rate increase has achieved its purpose of reducing inflation.”

TD Securities

- **May decision:** Hold at 4.00%
- **Rate outlook:** “Norges Bank did signal an upcoming hike, but we believe that more time and an additional set of projections makes June more likely.”

UniCredit

- **May decision:** Hike to 4.25%
 - “We expect the Norwegian central bank to deliver a 25bp rate hike as early as next week, with inflation still hovering around 3% and upside risks building amid the recent surge in oil prices triggered by the ongoing conflict in Iran. “

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