

MNI Norges Bank Review: June 2025

Key Links

- [Monetary Policy Statement](#)
- [Monetary Policy Report](#)
- [Press conference \(in Norwegian\)](#)

Key Dates

- Next Monetary Policy Decision (not including MPR): 14 August, 2025

MNI Point of View – Cut Delivered Against All Odds

19 June 2025, by Emil Lundh

Norges Bank surprisingly delivered a 25bp cut to 4.25%, going against analyst expectations and market pricing that were overwhelmingly in favour of a hold. Higher confidence in the inflation outlook was the key driver of the pivot, with some attention also given to gradually rising unemployment rates. The policy statement noted that *“if the economy evolves broadly as currently projected, the policy rate will be reduced further in the course of 2025”*.

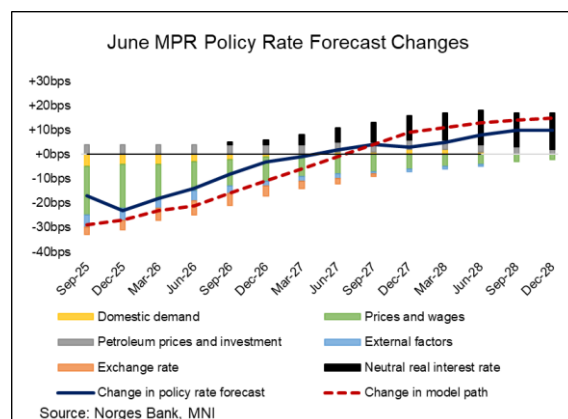
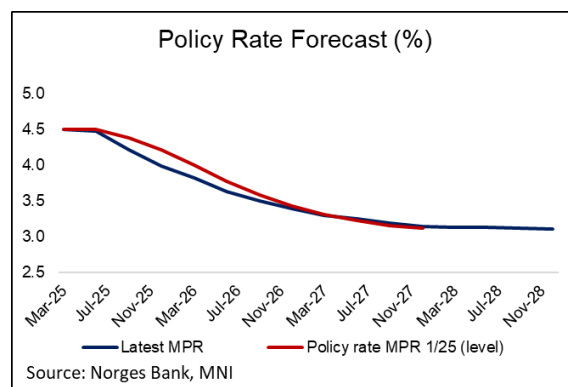
Clearly, the pullback in inflationary pressures after the Q1 acceleration (which prompted a U-turn on prior guidance for a March cut) provided the Board with sufficient confidence to start its easing cycle. Zooming out, the decision to cut one quarter earlier than expected is unlikely to have a meaningful impact on macroeconomic outcomes, or the likely medium-term terminal rate. **The problem for markets is that Norges Bank’s credibility must be called into question for future decisions, given the March rate path and recent guidance offered little to suggest a June cut was a material possibility. Although inflation was lower than expected heading into the June decision, it was similarly softer than projected throughout 2024, when Norges Bank consistently disappointed on expectations for a dovish pivot.** The fact Norges Bank essentially enter a communication blackout between rate decisions also doesn’t help with preparing markets ahead of policy decisions.

The June MPR rate path was revised up to 23bps lower compared to March (Q4 2025 average at 3.98% versus 4.21% in March). See below for a more detailed review of those changes – many of which were somewhat surprising. In the press conference, Governor Wolden Bache detailed that the new rate path was consistent with one or two more cuts this year. Analyst calculations on the rate path suggest that the MPR meetings (September and December) are the most likely meetings for additional cuts to be delivered. Analysts generally expect 25bp cuts in September and December, though ING interestingly expect cuts at the interim August and November meetings.

The rate path settled at a terminal of 3.10% in 2028, towards the upper end of Norges Bank’s updated nominal neutral rate range of 2.25% - 3.50%.

Analyst terminal rate expectations that we have seen range from 3.00-3.50%, though Nordea is a hawkish outlier expecting only a 25bp cut in September for a terminal of 4.00%.

NOK snapped weaker on the announcement, with NOKSEK pulling back to a temporary knee-jerk low of 0.9561. Importantly, the trendline drawn from the April 9 was unchallenged, keeping bullish technical conditions prevalent in the cross for now. The NOK rates curve bull steepened, with front-month FRA rates down up to 20bps on the session.



Surprising Rate Path Contributions; Neutral Rate Est Revised Up

Looking a little closer at the June rate path revisions, there were plenty of surprising developments. Domestic demand made a dovish contribution through December 2026. We, alongside most other analysts, had expected this component to at least partially offset some of the dovish contributions from prices/wages and foreign factors. In fact, the "judgement factor" was hawkish through Q2 2027, meaning Norges Bank had to temper the dovish signal implied by its model forecasts.

Domestic demand pulled down the rate path by up to 5bps through Dec'26, before making a slightly positive contribution through to 2028. This was due to a revised potential output estimate: *"Overall, GDP growth has been higher than projected, but potential output has been revised up somewhat more in the short-term horizon, resulting in a slight downward revision of the output gap. This implies a lower model-based path"*.

- Additionally, Norges Bank appears to be a little concerned by the recent rise in the unemployment rate: *"Unemployment has increased a bit more and been slightly higher than we had envisaged. This may indicate that there is a little more spare capacity in the economy than we assumed in March"*.
- The MPR noted that *"the potential output estimate has been revised up in 2025 due to somewhat higher expected growth in underlying productivity and N"*

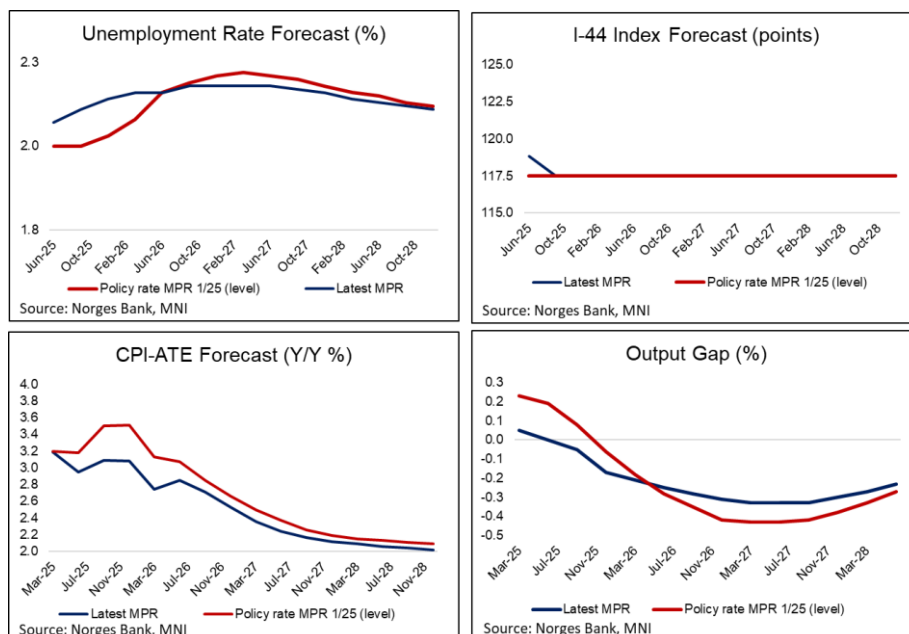
Prices and wages pulled the path down throughout the forecast horizon, most notably at the front-end (-20bps in Q3 2025; -2bps in Q4 2028). This was broadly expected by analysts. The tone of Governor Wolden Bache's press conference suggest Norges Bank has been relieved that the Q1 acceleration in inflationary pressures appears to have been temporary.

External factors pulled the path down by 5bps, again an expected development.

The **exchange rate** had a dovish impact, even though the average I-44 index was above (i.e weaker) than Norges Bank's Q2 forecast from the March MPR. The press conference and monetary policy report suggested Norges Bank has assigned considerably weight to spot exchange rate outcomes, rather than the Q2 average, in determining rate path revisions.

The **petroleum price and investment** channel was a marginally hawkish contributor. We had expected a slightly dovish contribution due to lower oil prices (prior to the latest Middle East escalation). Instead, Norges Bank highlight that *"Projected petroleum investment have been revised up somewhat since the March Report"*.

Meanwhile, Norges Bank has revised its **real neutral rate estimate** to 0.25-1.50% (vs 0.00-1.00% prior). This seems to be due to the incorporation of term premium models in its estimates: *"The term premium is a risk premium that partly reflects uncertainty about future interest rate levels and is the investor's compensation for assuming higher risk. Norges Bank has therefore expanded its model portfolio to include models that will control for term premiums in the estimate of r^* . In the models, the term premium is estimated to have increased in recent years, in line with estimates from other countries"*. The neutral rate is now included as a hawkish rate path contributor in the latter part of the rate path projection.



Sell Side Reviews

Summary of Analyst Views (Sorted A-Z)



Institution	June Review
Danske Bank	In light of today we also front-load our call for rate cuts by calling for two additional rate cuts this year (Sep and Dec) and three cuts next year, bringing the sight deposit rate to 3.00% - which is the same endpoint forecast as we had prior to the announcement
DNB	We maintain our forecasts for rate cuts in September and December, to 3.75%
Goldman Sachs	With today's decision and guidance, which could indicate that since the Committee opted for an earlier start of the cutting cycle, they might see Norges Bank as being slightly behind the curve, we maintain our forecast for two more rate cuts this year, in September and December, and quarterly cuts thereafter to a terminal rate of 3% in 2026Q3 (vs 2026Q4 before), with risks skewed towards more easing.
Handelsbanken	We now assume another rate cut in September, with no further cuts until March 2026. Furthermore, we assume a total of two rate cuts during 2026, bringing the policy rate to 3.50 percent by the end of next year – the same level we had previously anticipated. For the endpoint of our forecast horizon, which is the end of 2027, we still assume the policy rate will be 3.25 percent.
ING	We expect two more 25bp cuts this year, in August and November. That's because we think 2Q growth may well prove sluggish and underlying inflation should re-stabilise below 3.0%.
JP Morgan	In terms of our forecast, we look for a next cut in September, followed by a quarterly easing pace down to 3.5%. Our terminal rate forecast is thus unchanged, though obviously reached sooner than previously envisaged
Morgan Stanley	We expect Norges Bank to deliver two more rate cuts in 2025 at projection meetings (September and December) in line with the published policy rate path (more on that below), reaching 3.75% by the end of the year. In 2026, we maintain our view that Norges Bank will cut down to 3.0%, in 25bp rate cut increments being delivered at projection meetings. As per our forecast prior to last week's revision, we expect the terminal rate to be reached in September 2026.
Nomura	We still expect two 25bp policy rate cuts from Norges Bank this year, in September and December. However, we now expect two, rather than three 25bp cuts in 2026, maintaining our terminal rate forecast of 3.25%.
Nordea	After today's rate cut we think Norges Bank will cut again in September to 4.0% but be on hold thereafter. The economy will be much more stimulated by rate cuts than Norges Bank assumes. The number of cuts will be fewer than Norges Bank signals.
SEB	As we continue to expect a faster normalization of inflation relative to Norges Bank we expect a 25bps rate cut in both September and December, followed by two additional cuts to 3.25% in 2026.
Swedbank	For long we have argued that a policy normalisation is warranted as everything else in the economy has normalised over the past year and a half. But we were not expecting Norges Bank to let go of their 'judgement' and rip the band aid off today. Additionally indicating almost two more cuts this year and two more next year. A clear frontloading of cuts and indeed a pleasant surprise
Source: Analyst previews/reviews and MNI	

MNI Policy Team View

MNI INTERVIEW: Cut Surprise Just Timing Issue -Norges Governor

Governor Ida Wolden Bache talks to MNI about Norges Bank's surprise 25bp June cut.- On MNI Policy MainWire now, for more details please contact sales@marketnews.com

MNI BRIEF: Norges Bank Delivers Surprise Policy Rate Cut

By David Robinson

OSLO

Norges Bank finally started its easing cycle, cutting the policy rate by 25bp to 4.25%, stating that if the economy evolved broadly as expected that the rate would be reduced further this year.

The policy rate was set at 4.50% back in December 2023 and stayed there until now and analysts were largely anticipating another no change decision in June. (see MNI NORGES WATCH: Seen On Hold, Eyes On September Cut Guidance)

Governor Ida Wolden Bache, however, said that the near term inflation outlook was softer than previously assumed and "a cautious normalisation of the policy rate will pave the way for inflation to return to target without restricting the economy more than necessary."

The forecasts in the Monetary Policy Report showed the policy rate easing gradually, to 3.6% in 2026, 3.2% in 2027 and 3.1% in 2028 with inflation on the target CPI-ATE measure 2.7% next year, down from 2.9% and 2.2% in 2027, down from 2.3% and unchanged at 2.1% in 2028.

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