MNI Norges Bank Review: August 2025

Key Link: Rate decision including Monetary Policy Statement, Committee Assessment and Press Conference (in Norwegian)

Key Dates

- August CPI Report: 10 September, 2025
- Q3 Regional Network Survey: 11 September, 2025
- Next Monetary Policy Decision (including MPR): 18 September, 2025

MNI Point of View – June Outlook Still Intact

14 August 2025, by Emil Lundh

Norges Bank held rates at 4.25% as unanimously expected, **while the guidance language was essentially unchanged compared to June – in line with MNI's expectations.** Norges Bank continues to expect the policy rate "*will be reduced further in the course of 2025*", if "*the economy evolves broadly as currently envisaged*". The June rate path that indicated "*one or two additional rate cuts in the course of the year*" is still appropriate.

Although the communication lacked a clear signal for a September cut, it certainly didn't rule out such a move. The Committee seems quite content in keeping its options open, which isn't surprising given this year Norges Bank have already gone back on prior guidance in March (rate hold at 4.50%) and went against market consensus in June (rate cut to 4.25%).

There were some hawkish elements within the Committee's Monetary Policy Assessment, which likely drove the initial market reaction alongside the absence of meeting-specific guidance. 2-year NOK swap rates rose 4bps, while EURNOK and NOKSEK moved ~0.5% in the krone's favour in the 30 minutes following the decision. However, these moves quickly faded. **The bottom line is that the policy rate outlook presented in June has not actually changed that much following the August decision.**

We haven't seen any analyst view changes since the decision. Consensus remains in favour of cuts at the September and December MPR decisions, which is in line with market pricing.

Q2 mainland GDP is due next Thursday. Norges Bank projected 0.3% Q/Q growth in the June MPR. Ahead the September decision (Sep 18), more attention should be paid to labour market data, the next inflation report (Sep 10) and the Q3 Regional Network Survey (Sep 11).

Some Hawkish Elements In Committee's Assessment

The decision to play down the likely downward revision to near-term inflation forecasts in the September MPR and a lack of attention to the rise in the LFS unemployment rate **leant slightly hawkish, in our view.**

- **Slightly playing down the downward impact of Child Daycare prices, which were not incorporated into the June MPR inflation forecast**: "As provided in the Revised National Budget 2025, child daycare prices were reduced from 1 August 2025 and will thus be lower than assumed in the June Report. The reduction in child daycare prices will lead to lower 12-month inflation in the coming year and a modest improvement in household purchasing power but will probably have little impact on inflation further out".
- **Not placing too much weight on the recent sharp increase in LFS unemployment:** "Labour market developments appear to be in line with the projections in the June Report**.** Employment has risen further, and the number of advertised vacancies is still high. LFS data show a continued increase in unemployment. Due to a break in data series, there is uncertainty as to the interpretation of the number of registered unemployed.

Based on the number of persons receiving unemployment benefits, which has increased a little recently, registered unemployment is assessed to have moved broadly as projected."

- **Not drawing any conclusions from recent krone weakness at this stage:** "There have been relatively small movements in financial markets over the summer"…"International interest rate expectations have overall shown little change"…."Norwegian interest rate expectations fell, and the krone depreciated after the publication of the policy rate decision in June"…. "The krone weakened further at the end of June at the same time as oil prices fell, but the krone has since held largely steady".

Sell Side Reviews

Summary of Analyst Views (Sorted A-Z)

Institution	Post August Commentary
CIBC	We expect the bank to remain cautious in terms of the policy narrative, hence we would expect the bank to consider an additional cut in this cycle, taking the target rate down to 4.00%. Absent a material labour loosening and correction in wage growth we would view market assumptions of a terminal rate below 3.50% as excessive.
DNB	We maintain our forecast for rate cuts in September and December, to 3.75%
Goldman Sachs	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.
Handelsbanken	While we expect a rate cut in September, we are not convinced that a second cut will follow before year-end.
HSBC	HSBC expects two further cuts (September and December) this year and a final cut in Q1 2026.
JP Morgan	After September, we expect two more cuts in December and March 2026. 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.
Nomura	We forecast Norges Bank to cut its policy rate at a quarterly pace until next summer (i.e. September, December, March and June 25bp reductions). As the economy has developed in line with Norges Bank's expectations, the September cut implied in its policy rate forecast seems likely.
SEB	We reiterate our expectations of a rate cut in both September and December, followed by two additional cuts in 2026 implying a terminal rate of 3.25%.

Source: Analyst reviews

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