All Signal, No Noise

MARKET ANALYSIS

MNI Norges Bank Review: September 2025

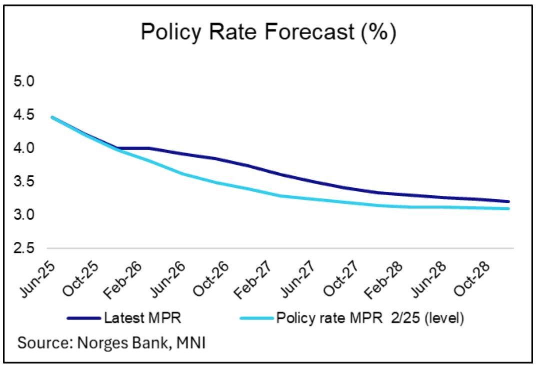
Key Link: Rate decision including Monetary Policy Statement, Monetary Policy Report and Press Conference (in Norwegian)

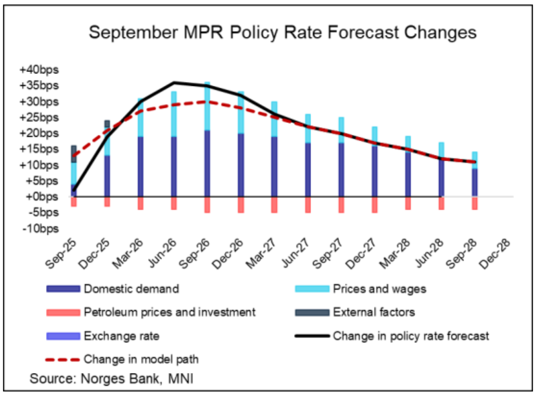
Key Dates

- September CPI Report: 10 October, 2025
- Next Monetary Policy Decision (not including MPR): 6 November, 2025

MNI Point of View – Hawkish Undertones

18 September, 2025, by Emil Lundh





Norges Bank cut rates by 25bps to 4.00% in September, in a decision that is widely being described as a "hawkish cut". The rate decision was in line with consensus, but a solid minority of analysts including ourselves had looked for a hold.

The rationale for the rate cut was that "a cautious easing of monetary policy will pave the way for returning inflation to target without restraining the economy more than needed". **This came alongside a material upward revision to the September MPR rate path relative to June. On balance, upward revisions were larger than the estimates we had seen ahead of the decision**. In the policy statement, Governor Wolden Bache said that the forecast presented today is consistent with one rate cut per year in the coming three years", implying a slow burn to a terminal rate of around ~3.25%.

In the press conference, the Governor avoided any timeframe-specific guidance**. That will keep NOK markets to sensitive incoming data releases, with significant uncertainty around the timing and pace of future rate reductions**.

Overall, the signals from the September decision feel consistent with the developments since June. The mainland economy is not in desperate need of a deep easing cycle. To some extent, the September decision can be considered an insurance cut, but ultimately, a cut in September and a hold in December is not that different for the economy compared to a hold in September and a cut in December. The September MPR rate path assigns a very low implied probability of another cut this year.

The end of the policy statement featured a familiar set of two-way risks:

> *"If the outlook indicates that inflation will remain elevated for longer than projected, a higher policy rate than currently envisaged may be required. If the outlook indicates that inflation will return to target faster or labour market conditions weaken, the policy rate may be lowered faster."*

It's notable that while the "dovish" scenario implies a *faster* easing of monetary policy, it does not suggest rates could be cut to a *lower level* than currently assumed.

The knee-jerk reaction to the rate decision was dovish, with the 25bp rate cut not fully priced ahead of the decision. That saw EURNOK rise to a session high of 11.6496 and the 2-year NOK swap rate fall 8bps to ~3.90%. However, as the hawkish rate path signals were digested, EURNOK quickly returned to pre-decision levels before moving lower on the day. The 2-year swap rate meanwhile reversed over 10bps higher to above 4%.

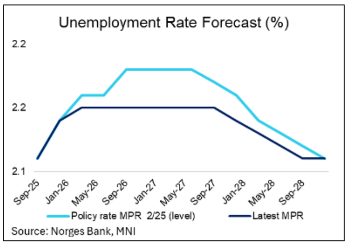
Based on the initial reviews we have seen, no analyst expects a December cut. Terminal rate expectations continue to range between 3.00-4.00%.

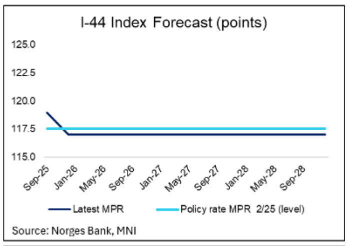
Domestic Factors Drive Rate Path Revisions

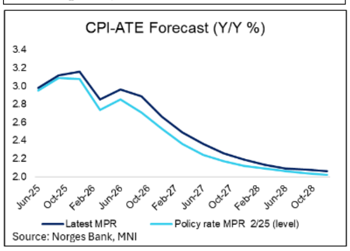
As noted above, the September MPR rate path revisions were more hawkish than expected, peaking at +36bps in Q2 2026. Notably, the "judgement factor", i.e. the difference between the model implied path and the actual MPR policy rate forecast was hawkish in 2026. The model implied path had called for a +13bps upward revision to the Q3 2025 rate path point, but this was tempered by the judgement factor to a +2bps revision to be consistent with today's rate cut. Across components, developments were broadly as expected, with upward revisions from domestic demand and prices and wages offset a little by a downward revision to petroleum prices and investment.

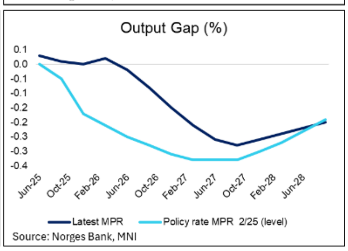
Prices and Wages added up to 15bps to the September MPR rate path relative to June. The MPR notes that "CPI-ATE inflation has been as projected in the June Report, despite the contribution to lower inflation from the reduction in daycare prices. Underlying inflationary pressure is therefore assumed to be slightly higher than envisaged in June". We had thought that the impact of the child daycare policy would have been enough to tilt the Committee in favour of a hold in September, but instead this hawkish impetus was reserved for the rate path. Additionally, Norges Bank revised up its wage growth projections to 4.7% in 2025 (vs 4.5% in June) and 4.2% in 2026 (vs 4.1% in June). Alongside the high wage outturns in H1 2025, the MPR states that "In the model, the upward revision of wage growth is explained by the upward revision of underlying productivity and a slightly higher output gap than in the June Report."

Domestic demand contributed up to 21bps to the September rate path revisions. This component was expected to be a positive contributor following the resilient Q2 GDP report and Q3 Regional Network Survey. However, there were some interesting developments around Norges Bank's productivity/output gap assumptions. Norges Bank revised up its estimate of capacity utilisation, which has a hawkish impact on the September MPR rate path. In particular, the Q3 Regional Network Survey (where the number of firms reporting labour shortages inched higher) was cited as a factor behind this assessment. While the revision relative to June was hawkish, a negative output gap is still expected to open up from 2026 because Norges Bank believes recent increases in productivity are temporary. It's interesting to us that higher H1 '25 productivity has driven an upward revision to potential output estimates, even though Norges Bank believes a lot of the recent increases are likely to be temporary.









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MARKET ANALYSIS

Sell Side Reviews

Summary of Analyst Views (Sorted A-Z)

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Institution	Rate Outlook
Danske Bank	In light of today's announcement, we modify our NB call as we no longer pencil in a December 2025 rate cut. Given our economic projections we now pencil in four 25bp rate cuts in 2026, namely in March, June, September and December, which would bring the policy rate to 3.0% by end-2026 (unchanged from previously).
DNB	Our previous forecast was for an unchanged policy rate in September, followed by cuts in December 2025 and June 2026. We now expect one final cut in June 2026, leaving the policy rate at 3.75% from that point onwards.
Handelsbanken	We now expect a prolonged pause from Norges Bank, with the next rate cut not arriving until September next year – in line with the latest signals – followed by a final cut in March 2027, bringing the rate down to 3.50 percent. And that, in our view, is where the rate will remain. We doubt that Norges Bank has scope to lower rates further beyond that point, especially as markets increasingly believe that policy rates among Norway's trading partners will be on their way back up by then.
ING	We are changing our call from December to January for the next Norges Bank move, which is still more dovish than the Bank's projections. But we think it's too early to entirely rule out a cut by the end of this year. Also, we expect the inflation picture to become benign enough in the coming quarters to justify at least another follow-up rate cut in 2026.
JP Morgan	The new rate path has strengthened our conviction of a 4% terminal rate (by end-2026), well-above market pricing in ahead of today's meeting. We basically see little need for a deep easing cycle, which Norges Bank appears to be agreeing with.
Nomura	Instead of three more cuts occurring at a quarterly pace, we now expect a half-yearly pace, with the next cut occurring in March 2026 (followed by September 2026 and March 2027). Importantly, we forecast that by the March 2026 decision, inflation will have slowed and CPI inflation will be at or close to the 2.0% target, allowing a cut sooner than Norges Bank currently projects.
Nordea	Norges Bank cut its key rate to 4% but revised up its rate path quite significantly. They now indicate one cut per year the next three years, with the next cut in one years time. We are strengthened in our view that this was the last cut.
SEB	We expect the bank to take a pause and evaluate the impact of the two reductions already made, as well as judging the need for further policy stimulus on the back of incoming data. We continue to project a faster moderation in inflation compared to Norges Bank's trajectory and thus see potential for a final rate cut next year.

Source: Analyst previews/reviews and MNI.

MNI Policy Team View

Norges Bank Governor Ida Wolden Bache talks to MNI about meeting-specific guidance and productivity estimates - On MNI Policy MainWire now, for more details please contact sales@marketnews.com

MNI NORGES WATCH: Hawkish Cut As Policy Path Raised

By David Robinson

Sep 18, 2025

OSLO - Norges Bank cut its policy rate by 25 basis points to 4.0% but raised its in-house rate path at its September meeting, suggesting that if things evolved as expected it would only cut by 25bp a year over the next three years.

The rate path showed only a slight chance of a further cut this year, with the policy rate predicted at 3.9% in 2026, up 0.3 percentage points on the June forecast, 3.5% in 2027, also up 0.3 pp and 3.3% in 2028, up 0.2 points

"We do not envisage a large decrease in the policy rate ahead. The forecast ... is consistent with one rate cut per year in the coming three years," Governor Ida Wolden Bached said.

Norges Bank's Monetary Policy and Financial Stability Committee reaffirmed its commitment to a policy of "cautious normalisation," with inflation forecast to stay above target. (See MNI NORGES WATCH: Cut Could Come Now, Or Later This Year)

INFLATION, GROWTH

Inflation on the target CPI-ATE core inflation measure was forecast to hold pretty steady this year, at 3.2% in September and only dipping to 3.1% by December. It was forecast to be 2.8% in 2026 and 2.3% in 2027, both up 0.1 percentage point on the previous forecast, and 2.1% in 2028.

But Norges Bank envisages weakness in economic activity. Mainland, or non-oil and gas, growth was expected to rally in 2025 to 2.0% but to slow to 1.5% in 2026 and 1.3% in 2027 and 2028, both down 0.1 percentage point from the previous forecast. Overall GDP growth was forecast to fall to just 0.2% in 2027 and to contract 0.3 percentage points in 2028.

For monetary policy purposes "our focus is on mainland GDP," Wolden Bache said in response to a question from MNI, adding that officials expected productivity to pick up from recent low levels and that increased demand would underpin activity.

Petroleum investment is expected to decline in coming years, and Norges Bank only envisages modest growth in exports over the period while public sector spending is anticipated to rise in 2026 before gradually declining.

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