

# MNI Norges Bank Review: December 2025

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

## Key Dates

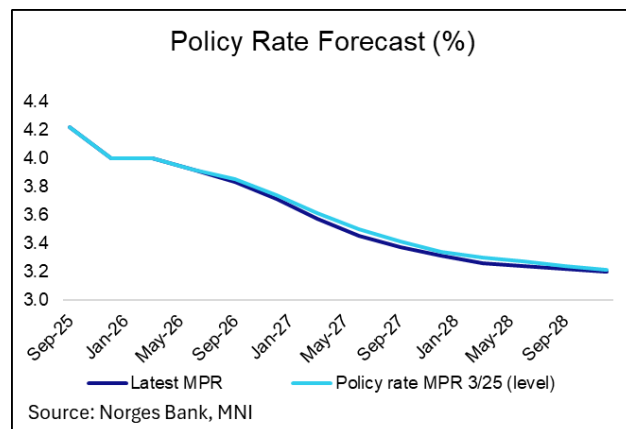
- December CPI Report: 9 January, 2026
- Next Monetary Policy Decision (not including MPR): 22 January, 2026

## MNI Point of View – Not In A Rush

19 December, 2025, by Emil Lundh

**Norges Bank held the policy rate at 4.00% as unanimously expected**, and continued to guide that “the outlook is uncertain, but if the economy evolves broadly as currently projected, the policy rate will be reduced further in the course of the coming year”

**The December MPR rate path saw a smaller downward revision than had been expected by analysts, prompting a modest hawkish reaction in NOK markets.** The 2-year NOK swap rate rose 7.5bps following the decision, before closing up 4.5bps on the session at 3.99%. Meanwhile, EURNOK fell about 0.3%. The policy statement re-iterated that Norges Bank is “not in a hurry to reduce the policy rate”, with restrictive policy still needed to bring inflation back towards the target.



**The revised rate path was consistent with 1-2 rate cuts next year, according to Governor Wolden Bache.** Our calculations suggest the path leans in favour of two cuts (with a 100% implied probability of a cut by Q3), but the lack of endorsement in official communication suggests this should not be considered a base case. Overall, the rate path revisions were a little more hawkish than we had expected, but the overall guidance (i.e. that 2x25bp cuts is not the base case) met our expectations heading into the decision.

Following the decision, we've seen a few analyst forecast changes:

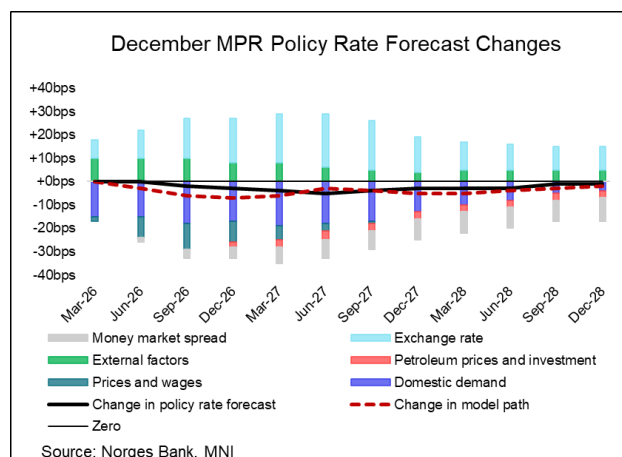
- Danske Bank no longer expect a March cut, revising their end-2026 and terminal rate to 3.25%.
- Goldman Sachs no longer expect a June cut, but still see cuts in March and September. They also pencil in a cut in Q1 2027, allowing for an unchanged terminal of 3.25%.
- Nomura no longer expect a March cut, expecting reductions in June 2026, December 2026 and June 2027 to a terminal of 3.25%.

Elsewhere, Morgan Stanley still pencil in a March cut, while JP Morgan maintain their base case of no cuts for now.

There were no announcements around the introduction of central bank certificates.

### Rate Path Revisions Less Dovish Than Expected

The December MPR rate path was revised down by at most 5bp (in June 2027), a smaller magnitude than analyst expectations we had seen. The Q1 '26 point was unchanged at 4.00%, suggesting no (if not a very small) probability of a cut in March. The Q2 '26 point was also unchanged at 3.92% - suggesting if there is a Q2 cut it is skewed towards June. We had seen analyst point estimates of 3.87% (Nordea) and 3.91% (JP Morgan). The Q4 '26 point was revised down 3bps to 3.71%. Our back of the envelope calculation suggests this leans in favour of 2 cuts (rather than 1), though the policy statement guidance doesn't make that distinction. We note that the judgement factor (i.e. the difference between the actual rate path and the model implied path) was a hawkish contributor at the front of the path, seemingly an explicit decision from the Board to push back on 2026 easing expectations.



Summarising the key drivers of the revisions:

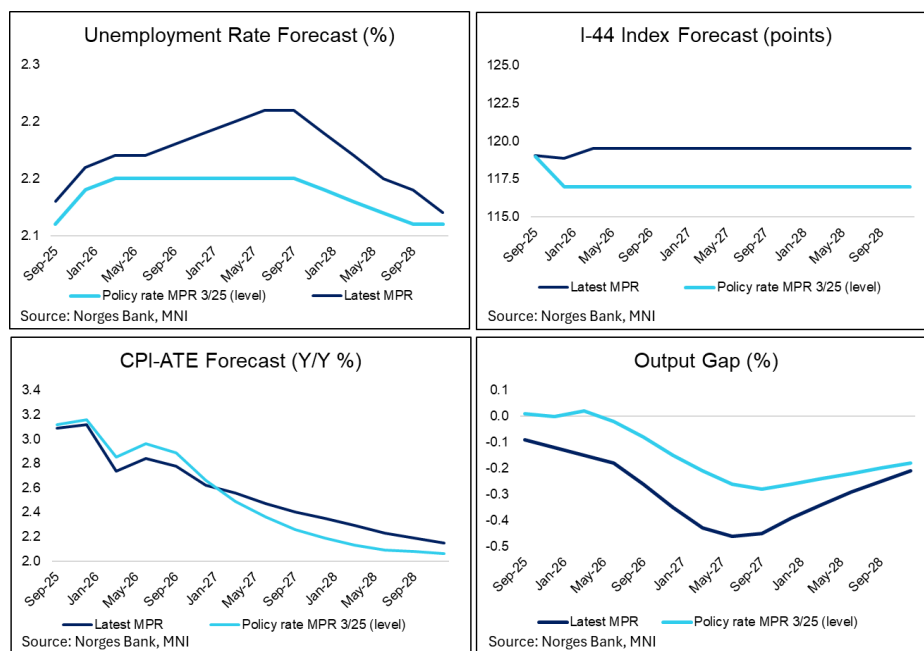
- **Exchange Rate – upward contribution, more hawkish than expected:** “The krone exchange rate is weaker than assumed in the September Report and a weaker krone is also projected ahead”.... “The exchange rate therefore pushes up the model-based path”
- **Prices and Wages – downward contribution through to Q3 2027, a little more dovish than we expected:** “Underlying inflation has been broadly as projected in the September Report, and the projections for 2026 are little changed.... On the whole, prices and wages pull down the model-based path in the first half of the forecast horizon”
- **Domestic demand – downward contribution, broadly as expected:** “The output gap projection has been revised down, partly owing to developments in the labour market and in the capacity utilisation indicators reported by the Regional Network that were weaker than previously assumed.”... “Domestic demand pulls down the model path”
- **Petroleum prices and investment – small downward contribution, slightly less so than we had expected.**
- **External factors – upward contribution, more hawkish than expected:** “Norges Bank now projects slightly higher growth in demand from Norway’s trading partners in the near term. Market expectations of policy rates abroad have also risen.”
- **Money market premium – downward contribution, as expected:** “In the model framework, the spread widens from 0.15 percentage point in 2026 Q1 to 0.20 percentage point in Q2 and to 0.25 percentage point from Q3”. A reminder that a higher spread tightens financial conditions, and is compensated with a lower modelled policy rate.

While Norges Bank’s model-implied path is generated using an optimal loss function in its NEMO forecasting model, a Box in the December MPR also introduces a new, policy rule-based path (called GEORG). It has been developed to “so that the model dynamics in NEMO are approximately the same for both methods of generating the model-based path”, and will allow Norges Bank to “produce an alternative presentation of the decomposition based on changes in the forecasts”. As a result, “GEORG may be useful as an aid to better communicate the relationship between Norges Bank’s forecasts and the model’s policy rate path. The aim is to apply this new presentation of the decomposition in future monetary policy reports”.

## December MPR Forecasts: More Spare Capacity, But Inflation Lingers

Briefly summarising the updated December MPR forecasts:

- CPI-ATE inflation has been revised lower through 2026, but higher further out the curve. The MPR notes that "The wage growth projections have been revised up somewhat for 2025, and productivity growth has been somewhat lower than expected in the September report". The weaker-than-expected exchange rate also pushes up inflation through the forecast horizon.
  - 2025 wage growth has been revised up 2 tenths to 4.9%, while the 2026 forecast is unchanged at 4.2%. Norges Bank writes that "Historically, third-quarter register-based data have provided a more reliable indication of wage growth than fourth-quarter survey-based wage expectations"
- The output gap is more negative through the projection horizon. Norges Bank made a small downward revision to its potential output estimates, but less than the overall change in expected GDP.
  - Norges Bank assesses that the higher-than-expected registered unemployment print in October/November is "slightly above the level consistent with output at potential".



## Sell Side Reviews

### Summary of Analyst Views (Sorted A-Z)

Institution	End-26 Policy Rate	Rate Outlook
Danske Bank	3.25 (3.00)	Given our economic projections, we now pencil in three 25bp rate cuts in 2026, in June, September and December, which would bring the policy rate to 3.25% by end-2026.
DNB	3.75	We maintain our call for Norges Bank to cut to 3.75% in June 2026, then pause.
Goldman Sachs	3.50	We thus now see Norges Bank cutting two times next year, in March and September, and one more time in 2027Q1 to an unchanged terminal rate of 3.25% (vs. quarterly 25bp cuts from Q1 next year).
JP Morgan	4.00	Together with the hawkish rate path, this has strengthened our conviction of no easing in 2026. The risk of a cut in June remains elevated, though
Morgan Stanley	3.25	"We maintain our call that Norges Bank will restart the cutting cycle in March 2026, and outline data signposts which will need to be met for the rate cut to occur then. As before, we flag that the main risk to our call is a slower cutting cycle." We assume Morgan Stanley's terminal projected is still unchanged at 3.25%
Nomura	3.50	In response to the slightly more hawkish policy rate projection than we expected, we are pushing out our forecast for Norges Bank policy rate cuts by three months, and now expect reductions in June 2026, December 2026 and June 2027.
SEB	3.50	"We reiterate our view that wage growth developments will be decisive and thus stick with our call for a June cut." SEB also still see another cut in December.

Source: Analyst reviews. Brackets indicate pre-December forecast if call has since changed

## MNI Policy Team View

### **MNI NORGES WATCH: Holds, Foresees Very Gradual Easing**

*By David Robinson*

*Dec 18, 2025*

LONDON - Norges Bank left its policy rate on hold at 4.0% at its December meeting and published an updated rate path that pointed to only very gradual easing ahead.

"We are not in a hurry to reduce the policy rate," Governor Ida Wolden Bache said, with the policy committee stating that if things evolved as expected the rate would be lowered in the course of 2026.

The new rate path in the Monetary Policy Report showed it dipping to 3.92% by the end of the second quarter of 2026 and 3.71% by year end, then down to 3.2% by the end of the three-year projection.

The Committee stated that restrictive monetary policy was still needed and that it envisaged "a cautious normalisation of the policy rate."

It said that the forecast was compatible with one to two cuts in 2026, with the detailed forecast providing no clear steer between the two possibilities.

The expected real interest rate was little changed from the September Report and was at the top end of Norges Bank's estimated real R-Star range at 1.5%. (See MNI INTERVIEW: Norges Bank More Restrictive Than Implied By R\* )

#### **FORECASTS**

In the Monetary Policy Report, inflation was forecast to hold above the 2% target on the core CPI-ATE (ex-tax) measure throughout the three-year forecast.

It was shown at 2.7% in 2026, down 0.1 percentage point from the previous projection in September, and at 2.4% in 2027 and 2.2% in 2028, both up 0.1 point.

Norges Bank described its economic forecasts as little changed from September, and Wolden Bache said "We will finish the job and ensure that inflation is brought all the way back to 2%."

The bank's mainland, or ex-offshore energy sector, GDP growth projections were lowered to 1.6% for 2025 from 2.0% previously and 1.3% for 2026, down from 1.5%.

Norges Bank said that "there is now slightly more spare capacity in the economy than projected in September" citing higher-than-expected unemployment and a pick-up in potential growth, based on temporary factors including population increase with a large inflow of Ukrainian refugees.

A small negative output gap, with actual output below potential, was forecast to open up from next year onwards.

The krone was assumed to hold steady on its I-44 import weighted index.

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# MARKET ANALYSIS

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