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All Signal, No Noise

MARKET ANALYSIS

MNI Riksbank Preview: August 2025

Statement / Monetary Policy Update release: 08:30BST / 09:30CET, Wednesday 20 August 2025
Press conference (in Swedish): 10:00BST / 11:00CET, Wednesday 20 August 2025

MNI Point of View – Inflation Interpretation Key

Contents

18 August 2025, by Emil Lundh

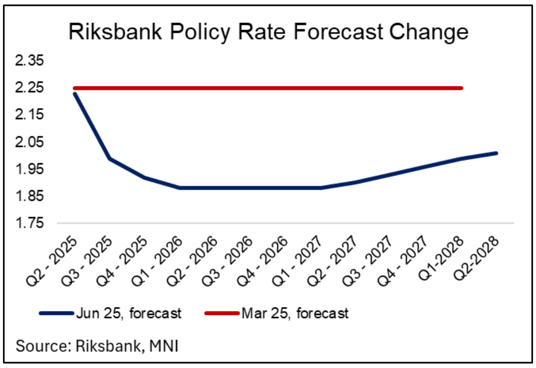
The Riksbank is expected to hold rates at 2.00% on Wednesday, in an interim decision that includes a concise Monetary Policy Update instead of a new MPR or rate path projection. **That will leave focus on the policy statement guidance.**

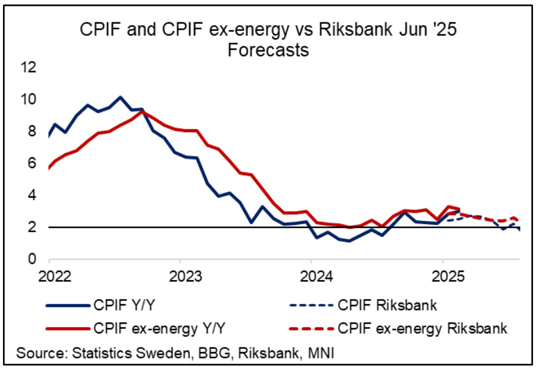
Heading into the August decision, the Board will need to weigh higher-than-expected spot inflation pressures against continued softness in labour market and activity data, alongside a higher-than-expected EU-US tariff outcome. **The large upward inflation surprise in June, which was mostly consolidated in July, should guard against a surprise rate move**. However, the Riksbank is sensitive to economic activity and has demonstrated a willingness to lend support with monetary easing already this year. **This dovish bias will likely be reaffirmed if the Board views the summer inflation uptick as temporary (in a similar fashion to Q1).**

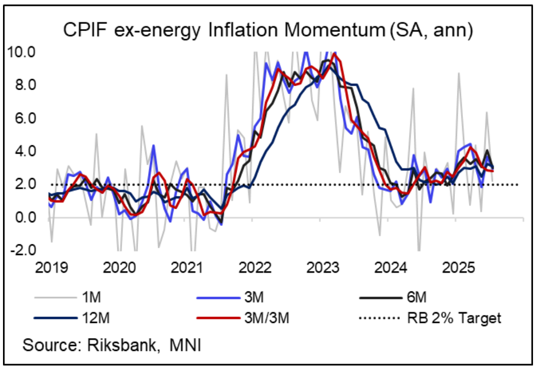
After cutting rates in June, the Riksbank's MPR rate path entailed "*some probability of another cut this year*", because *"the outlook for inflation and economic activity suggests some easing of monetary policy".* **We expect this wording to be retained, perhaps with some additional conditionality on inflation returning back to the June MPR projection profile.** We don't expect meeting-specific guidance to be utilised.

Markets price around a 50% implied probability of a September rate cut, which may be susceptible to a dovish surprise if the June guidance is repeated. The Riksbank has generally followed through on dovish signals this cycle, with the Board often highlighting concerns around the economic outlook in even if monthly inflation prints are higher than expected. The strong performance of the exchange rate this year also provides a reason to be dovish, even if the Board still considers SEK to be undervalued at current levels. Finally, we wrote in our June decision **review** that there were signs the Riksbank staff's macroeconomic framework had turned structurally more dovish in June relative to March.

Analysts are unanimous in expecting rates to remain on hold at 2.00% in August, but there is more of a divide for the September decision. Of the 13 previews we have seen, eight expect a final 25bp cut to 1.75% in September, while five expect no further cuts. JP Morgan and Goldman Sachs explicitly suggest the risks are skewed towards more easing after a cut to 1.75%. Scandinavian banks do not exhibit any bias towards a particular outcome (SEB, Swedbank and Handelsbanken expect one more cut, while Danske, DNB and Nordea expect a terminal of 2.00%).

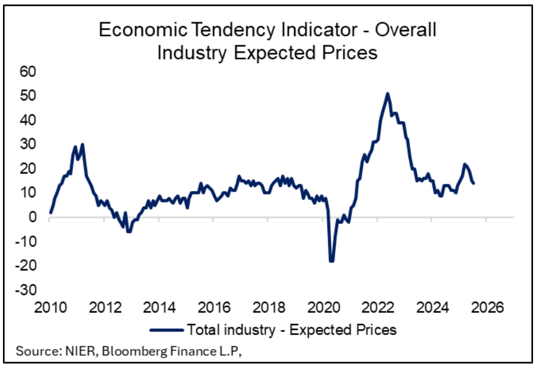






Macro Update – Stagflationary Dynamics Complicate August Decision

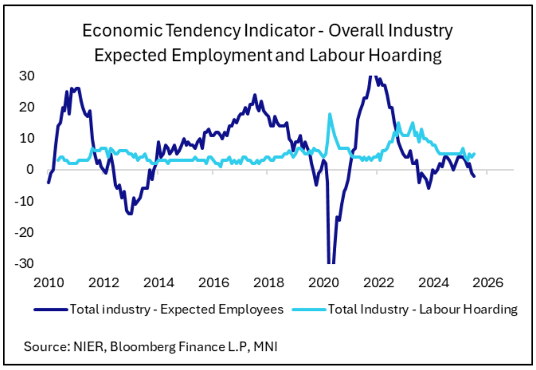
Inflation – June/July Uptick Could Be Viewed As Temporary



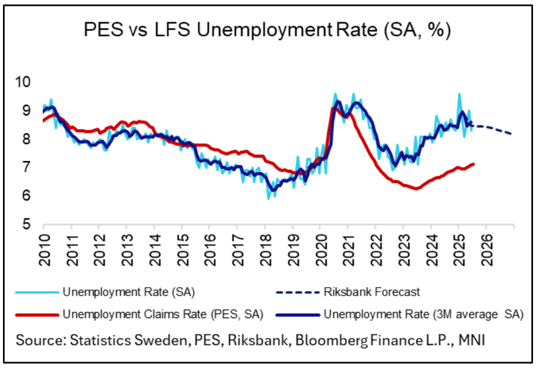
CPIF ex-energy inflation was 42bps higher than expected in June, rising 3.28% Y/Y versus the Riksbank's 2.86% Y/Y projection. Although there was a small unwind in July to 3.15% Y/Y, underlying inflation is still around 3 tenths higher than expected. Such a forecast error is too large to ignore, and has all but removed the tail risk of an August cut. **The key focus will be on the Riksbank's characterisation of the June/July inflation data. We sense the Board may tentatively assume the recent rise is likely to be temporary**. The June spike was in large part driven by package holidays and car rental prices. Both categories were likely impacted by summer seasonality, with the former's contributions exacerbated by a much larger weight in the 2025 CPI basket compared to 2024. Additionally, our measure of underlying inflation momentum (3m/3m seasonally adjusted annualised CPIF ex-energy rate) remains on a broadly downward trend.

While 5-year ahead money market player CPIF inflation expectations rebounded to 2.1% Y/Y in August, from 1.8% in July, we don't think it presents a hawkish argument for the August decision. The Origo (previously Prospera) expectations measure has exhibited more volatility than usual in recent months, with August's rise following a two tenth decline in July. The Board may pay more attention to firm expectations.1-year ahead firm inflation expectations from the Economic Tendency Indicator have a reasonably good correlation with actual inflation rates when lagged 4 quarters. In Q2, 1-year ahead expectations fell to 1.6% Y/Y from 2.7% in Q1. The Economic Tendency Indicator's expected prices series has also eased from its May highs.

Growth – Signals Remain Soft



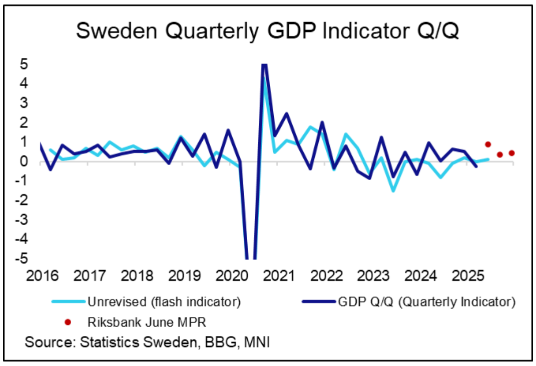
200bps of rate cuts and increasing fiscal support have not yet translated into better economic activity metrics nor labour market outcomes. **Continued concerns around the outlook, particularly for household consumption, should allow the Board to keep its easing bias intact at the August decision.**



Most of the concerns ahead of the August decision come from the labour market, which is an important determinant of aggregate household consumption. Monthly LFS unemployment data are volatile, but the 8.60% average unemployment rate in the 3 months to June was above the Riksbank's 8.47% June MPR projection. Although this was mostly a result of labour force changes (employment is broadly in line with June MPR projections), indicators of labour demand remain weak. The Economic Tendency Indicator's expected employment metric turned negative for the first time since February 2024 in June, while vacancies from the Public Employment Service's (PES) series are down 22% Y/Y. The PES unemployment claims rate also continues to gradually inch higher.

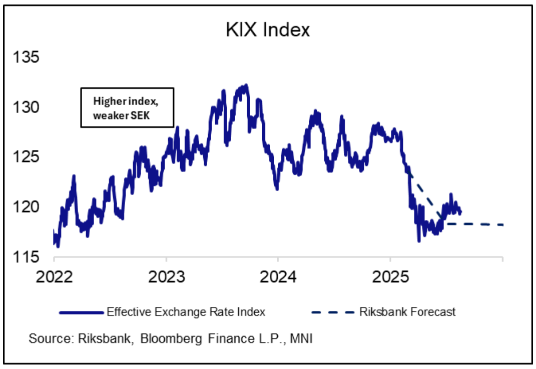
Sentiment according to the Economic Tendency Indicator remains below the neutral 100 level, signalling weak growth momentum. Additionally, while consumer confidence is off its April lows, it remains below the 2024 average. Retail sales momentum is also negative for the first time in over a year, following a historically weak May report.

Finally, while trade policy uncertainty has fallen since the EU-US tariff agreement at the end of July, the baseline 15% tariff rate on EU exports is still more onerous than previously assumed.



The Q2 flash GDP indicator was 0.1% Q/Q, well below consensus of 0.3% Q/Q and the Riksbank June MPR's optimistic 0.9% projection. **While the reading keeps risks to growth (relative to Riksbank projections) tilted to the downside, it somewhat paradoxically supports arguments for an August hold.** The flash indicator can be heavily revised and is often a poor predictor of actual GDP outcomes. June monthly activity data, where private sector production rose an impressive 2.0% M/M, suggests the flash reading could see an upward revision in the final report due August 29. **The Riksbank will want to see the details of the Q2 national accounts before deciding whether another rate cut is appropriate.**

Exchange Rate



The KIX effective exchange rate index has moved slightly above the Riksbank's June MPR profile through July and August, currently ~1% weaker than expected. However, given the extent of SEK strengthening through this year, we think this is very unlikely to be used as a hawkish argument going forward, barring a substantial reversal. We expect the Riksbank to maintain that it views the SEK as undervalued at current levels.

mni Central Bank Watch - Riksbank

August 18, 2025

MNI Riksbank Data Watch List

		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
CPI	% y/y	0.8	0.3	↑	0.90	↓					-0.94
CPIF	% y/y	3.0	2.3	↑	2.20	↑					0.55
CPIF Excl Energy	% y/y	3.2	3.1	↑	2.7	↑					-0.18
PPI	% y/y	-3.1	-0.3	↓	2.0	↓					-0.65
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Monthly GDP Indicator	Index	0.5	0.8	↓	0.3	↑					0.54
Private Sector Production	% y/y	4.9	-1.3	↑	3.00	↑					2.64
Economic Tendency Survey	Index	94.3	94.7	↓	96.90	↓					0.41
Swedbank Service PMI	Index	48.8	48.8	→	49.90	↓					-0.87
Swedbank Manuf PMI	Index	54.2	54.1	↑	53.1	↑					1.06
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
M3 Money Supply	% y/y	4.22	2.23	↑	0.52	↑					1.68
Lending to HH	% y/y	2.40	2.03	↑	1.60	↑					1.88
Lending to Non-Fin Corp	% y/y	1.30	-0.08	↑	-0.54	↑					0.50
Avg. new HH loan rate	%	3.34	3.84	↓	4.48	↓					-2.05
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales YoY	% y/y	2.05	3.24	↓	4.23	↓					0.89
Consumer Confidence	Index	90.7	82.0	↑	98.1	↓					0.27
Unemployment Rate	%	8.3	8.1	↑	8.50	↓					-0.10
Household Consumption	% y/y	2.1	1.2	↑	0.80	↑					1.74
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity Market (OMXS30)	Index	2641	2434	↑	2671	↓					0.64
Sweden 10-Y Govt Bond	%	2.52	2.32	↑	2.26	↑					0.52
SEK Yield Curve (2s-10s)	bps	69.2	47.7	↑	38.9	↑					1.28
SEK KIX TWI	Index	119.58	118.31	↑	127.07	↓					-1.28

Source: MNI, Bloomberg

Sell Side Previews (A-Z)

Bank of America

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "We think the guidance will remain broadly similar to what we got in the June Monetary Policy Report, with some additional emphasis on data dependence"…." The (justified) concerns over the weak growth data and fragile labour market should prevent a hawkish pivot, but we think the Board will still be quite non-committal on the timing of the possible easing".
- **Rate Outlook**: "Our base case remains one last cut in September. The disappointing data on the growth side and persistent weakness in the labour market should be enough to trigger another 25bp cut in tandem with the new forecast update. Higher inflation is likely to keep the Board careful next week, but we would expect the August print (4 Sep) to show enough signs of normalisation to reassure the Board on a cut in September".
    - "We are quite confident that some more easing is coming but it's difficult to be confident on the timing - the balance of risks is somewhat tilted towards a delay. In particular, we see three main upside risks to our September cut call: 1) a large upward revision of GDP in the 2Q25 final release (29 Aug); 2) a strong August inflation print that lifts the 4Q CPIF profile (4 Sep); and 3) a particularly hawkish outcome in the ECB September meeting (11 Sep)."

Danske Bank

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "Had the Riksbank been aware of the 3.3% YoY core inflation for June (0.4pp above their forecast) at the time, we doubt that the June rate cut would have materialised."
    - "The Riksbank is in a tough spot where inflation is too high to motivate rate cuts, while the economy is weaker than expected, which motivates more rate cuts. Had it not been for inflation, we could easily see more than one rate cut ahead".
    - "We would expect the Riksbank to still have some downside bias in their communication, although they will not precommit to any further rate cut(s)"
- **Rate Outlook**: "For now, we maintain our call for an unchanged rate from the Riksbank. As odd as it may sound with core inflation expected to remain around 3% for the rest of the year, there are downside risks to this call later this year if the economy does not pick up."

DNB

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "The new rate path implies roughly a 50/50 probability of an additional cut late this year, which we interpret as an emergency option rather than a base-case scenario".
- **Rate Outlook**: "Based on our economic outlook - anticipating a gradual recovery alongside persistently high inflation - we judge that further rate cuts are unlikely, though not entirely ruled out. We also maintain our view that the Riksbank will need to raise the policy rate early in 2027 to address elevated inflation".

Goldman Sachs

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "Combined with the Riksbank's increased openness to further easing signalled in June, we believe the Riksbank could consider cutting as early as next week. However, with the policy rate already at 2%—below the mid-range of the Riksbank's estimate of neutral—the hurdle for further rate cuts is higher. Waiting until September would allow for a new round of projections and additional data to confirm whether the inflation spike is short-lived".
- **Rate Outlook**: "We therefore now expect a 25bp cut to 1.75% in September (vs August before) to mark the end of the Riksbank's cutting cycle, although a cut next week remains possible. We see risks as skewed towards more easing later in the year".

Handelsbanken

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: ""Although some economic indicators have come in weaker than expected, this is unlikely to prompt immediate policy action in the current inflation environment".
    - "At its August meeting, the board also lacks updated staff forecasts, which may be needed to assess the outlook with enough confidence to look past the current inflation overshoot. A full report also offers additional scope to explain the rationale for a rate cut even as inflation remains elevated. Lastly, with the markets pricing a low probability – less than 10 percent – of an August rate cut, a pause could be in line with monetary policy and contribute to stability in turbulent times".
- **Rate Outlook**: "We forecast that the Riksbank will deliver another rate cut in September to support economic activity and guard against inflation falling too far going forward".

ING

- **August Rate Decision**: Hold at 2.00%
- **Rate Outlook**: "Our view is that the Riksbank's easing cycle is over".

JP Morgan

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "We expect the Board to deem the latest rate path still viable, while at the same time not pushing back against the more dovish market pricing"..."Higher-than-expected inflation should be used as an argument for a "wait-and-see"-stance, though we expect the Board to consider the recent upturn temporary"…."The Riksbank should instead express more concern about growth, thereby sending an overall slightly dovish message"
- **Rate Outlook**: "We still expect a final cut in September, with the risk skewed toward more easing"

Morgan Stanley

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "We expect the Riksbank to recognise that inflation came in higher than anticipated, which raises the bar for further easing. However, we anticipate the narrative from June to be maintained: the inflation prints above target in 2025 are temporary in nature, and we should see inflation falling towards and below the target in the medium term"…" "In our view, together with lacklustre growth in 2Q, and risks around the growth outlook tilted to the downside, it should allow the Riksbank to signal that the policy rate could be lowered again this year".
- **Rate Outlook**: "We maintain our call for one more rate cut in September, bringing the policy rate down to 1.75%".

Nomura

- **August Rate Decision**: Hold at 2.00%
- **Rate Outlook**: "Looking further ahead, even as inflation likely slows towards the end of the year, we forecast economic activity to pick up, meaning the Riksbank should not cut its policy rate again".

Nordea

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: "We expect the Riksbank to repeat its message from June. This keeps the door slightly ajar for a rate cut in the second half of the year, but without any clear signal as to when it might happen
    - "In the near term, inflation is too high for a rate cut. Further ahead, we expect domestic demand to recover sufficiently so that additional stimulus is not considered necessary. Fiscal policy is also likely to be expansionary during the election year of 2026".
- **Rate Outlook**: "In our view the Riksbank will not lower its policy rate this year, nor the next"….."A risk to our policy rate forecast, which means that a rate cut is possible this year, is the labour market. Outcomes have been in line with the Riksbank's forecast, but several indicators of labour demand have weakened unexpectedly".

SEB

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: “We expect that the Riksbank will assess the high inflation to be temporary while weaker than expected growth highlights the need for further easing later this year. We predict the press release to signal that the rate path from June, indicating 12bps lower policy rate by the end of this year, still is valid. We expect the message in the press release that “outlook for inflation and economic activity suggests some easing of monetary policy” will be reiterated”.
- **Rate Outlook**: “We continue to expect the Riksbank to cut again in September on the back of the weak economic growth and labour market, provided that inflation slows again after summer”.

Swedbank

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: “Communication on the rate decision will be dovish, however, and the Riksbank may signal now in August that the probability of a rate cut this autumn has increased since the June meeting”
- **Rate Outlook**: “We are maintaining our forecast that the policy rate will be lowered to 1.75% in September and remain at that level until the end of 2026. However, the risk has increased that the weak economic development will force the Riksbank to cut the policy rate once more later this year”

Wells Fargo

- **August Rate Decision**: Hold at 2.00%
- **August Guidance**: “While subsequent activity and survey data have been a bit mixed, we view them as consistent overall with slower growth momentum”…“CPIF ex-energy inflation has since receded slightly to 3.2% year-over-year in July, while moderate wage growth should be consistent with a further ebbing in underlying inflation over time. While that should ultimately see the Riksbank cut rates further, the central bank may want to see some further slowing in core inflation before doing so. As a result, we expect the Riksbank to remain on hold at next week's monetary policy meeting”.
- **Rate Outlook**: “We see the central bank delivering a final 25 bps rate cut to 1.75% at its September announcement”.

MNI Policy Team View

MNI RIKSBANK WATCH: Hold Seen In Aug, Data Interpretation Key

By David Robinson

Aug 15, 2025

LONDON - The Riksbank is mainly expected to leave its policy rate on hold at 2.0% in August but analysts are divided over whether recent upside inflation and downside growth surprises will allow the Swedish central bank to signal a continuation of its easing cycle with a further cut next month.

August is an interim meeting for the Riksbank's Executive Board, with no new forecast round, but its interpretation of the conflicting data should come in its economic update and press conference.

Its June Monetary Policy Report showed an average policy rate of 1.99% in Q3 and 1.92% in Q4, consistent with around a 50% chance of one more cut in H2, and with the terminal point, three years out, at 2.01%. Unsurprisingly, analysts have diverged over what will happen next, but Governor Erik Thedeen and colleagues will have the option following the policy announcement of giving a clear steer towards or away from a September cut or still leaving it open.

Deputy Governor Anna Breman is also due to speak on Aug 21, the day after next Wednesday's announcement.

MIXED SIGNALS

On the target price measure, CPI with a fixed interest rate (CPIF), inflation rose 0.2 percentage point to 3.0% on the year in July while ex-energy it was 3.2%, both readings markedly above the Riksbank's expectations. A key question is whether the bank sees these overshoots as likely ephemeral and if policymakers instead place greater weight on the weaker than anticipated economic activity.

In the June Monetary Policy Report the Riksbank said that both CPIF and CPI ex-energy would fall back to around 2.5% for the rest of 2025 as previous increases had been largely due to temporary factors, such as prices of some food items.

While inflation has surprised to the upside economic activity appears to have been even softer than the Riksbank assumed, with the flash estimate of Q2 GDP up just 0.1% on the quarter. While upward revisions in subsequent estimates of Q2 GDP are plausible, based on past experience, the central bank's estimate for growth in 2025, while weak, may still turn out to be too rosy. The June MPR saw this year's growth at 1.2%, weighed down by uncertainty, before rising to 2-2.5% in the following years.

The krona, having appreciated markedly on the Riksbank's KIX index in the first part of the year, has declined by around 2% since the start of June, with a higher index reading indicating a depreciation. Currency weakness would put a soft growth and stickier inflation scenario back into play although the currency has rallied somewhat since the start of August.

In June Thedeen said a plausible scenario was one where growth was weak and the krona remained strong, as funds flowed out of U.S. dollars into the domestic currency. (See MNI INTERVIEW: Risk Of Strong Krona, Weak GDP - Riksbank Head)

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MNI INTERVIEW: Risk Of Strong Krona, Weak GDP - Riksbank Head

By David Robinson

Jun 18, 2025

STOCKHOLM - There is already evidence of U.S.-driven turbulence directing funds into krona assets, raising the risk of a scenario which sees a strong currency even as Sweden's economic growth is weak and the central bank continues to cut its policy rate, Riksbank Governor Erik Thedeen told MNI.

The Riksbank lowered its policy rate by 25 basis points to 2.0% on Wednesday, and released a central projection showing a roughly even chance of one more 25bp cut this year, but one of its two alternative scenarios showed it continuing to ease in 2026 as uncertainty abroad sapped demand and confidence while the krona strengthened, amplifying the downturn.

While stressing that that alternative scenario is much more severe than what has been witnessed so far, Thedeen already sees evidence of these dynamics.

"We have built in this stronger krona, because typically when we have these [downside] scenarios it's weak, but maybe now, with the dollar dynamic and also the krona dynamic we could foresee ... a scenario where we have inflows, capital inflow, and hence, a strong currency," he said in an interview. (See MNI INTERVIEW: Swedish Household Demand Frail - FI Econ Head)

The krona has recently been among the strongest performing currencies, partly reflecting U.S.-policy-linked fund flows.

"We see some evidence" in mutual funds where "Swedes are selling foreign funds, which is very much U.S. assets, and buying Swedish ones," Thedeen said, adding that similar activity was occurring in other European countries.

"Anecdotally, we also hear that the pension industry ... are preparing decisions to reallocate some of their U.S. exposures ... and that maybe not be Sweden only, of course, but Europe, including Sweden," he said.

Despite its recent rallies, the Riksbank once again stated that the krona is undervalued, a view Thedeen defended.

"We argued [previously] that it was substantially undervalued, and it was also partly flow driven. And you could argue that ... we have been proved right," he said. (See MNI INTERVIEW: Riksbank's Bunge Sees Less Krona Pass-Through)

Still, trends for weak growth and krona strength would have to become more pronounced to make the prolonged rate cutting scenario a reality, he added, despite the reduction in the central projection for 2025 growth in the June Monetary Policy Report to 1.4%.

“Yes, it's weaker than 1.9, that we had in our previous forecast, but it's not a severe downturn," Thedeen said, noting that the alternative scenario envisaged economic contraction. “That's a severe downturn. And then, of course, we have to have substantially different, or more negative sentiment numbers."

HEADING BELOW NEUTRAL

The Riksbank’s central rate path in its June MPR saw its policy rate at 2.01% by the end of the projection period in Q1 2028, below the 2.25% which is the mid-point of the central bank's revised 1.5-3% range for the neutral rate and which marked the trough of its previous quarterly forecast. Thedeen said that the 2.25% anchor was still in place but the rate will only return to that level beyond the projection’s timeline.

"The rationale is to point to that [2.25%] mid-point in some distant future, and that is actually was what we're doing here. So if you look on the graph we actually [go] down to 1.90, or whatever, and then up and in this three-year [forecast] period it's not up to 2.25, but we have a graph showing that it will go to this interval... We have still this concept that this [2.25%] is an anchor, but we don't want to overdo it - that we need to be back there in three years," Thedeen said.

Before a return to 2.25%, "the whole idea is that we would be in stimulative territory," Thedeen said.

QT WORKING

Despite having lowered its policy rate fairly rapidly compared to other central banks, the Riksbank has managed to press ahead with bond sales and the natural run-off of its securities portfolio, and is on track to complete its quantitative tightening plan this year while other central banks are under pressure to go easy on asset sales.

"We started this with a situation where there was a lack of supply. So ... we are increasing supply in a market that was structurally demanding more supply. In other markets, [the] UK, U.S., they have too much supply, and then they're adding supply. So maybe it's not that we are so brilliant. It's basically, that the environment in Sweden was much more favourable. And hence ... it's been a success," Thedeen said. (See MNI INTERVIEW: Swedish DMO Unfazed By Bond Market Volatlity)

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