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All Signal, No Noise

MARKET ANALYSIS

MNI Riksbank Review: June 2025

Key Links

- Monetary Policy Statement
- Monetary Policy Report
- Press conference (in Swedish)

Key Dates

- June meeting minutes released: 25 June, 2025
- Next Monetary Policy Decision: 20 August, 2025

MNI Point of View – Rate Path Shifts Lower

18 June 2025, by Emil Lundh

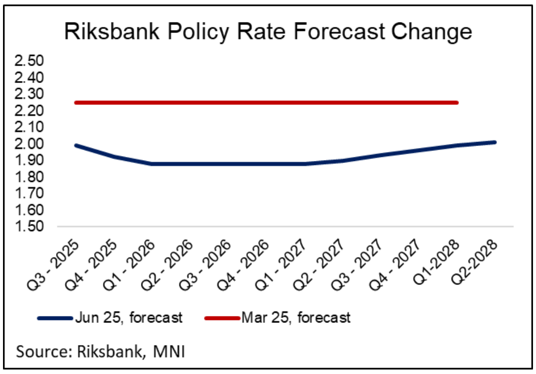
The Riksbank cut rates by 25bp to 2.00% as widely expected. The June policy statement noted that “*the economic recovery that began last year has lost momentum, and inflation is expected to be somewhat lower than in the previous forecast*". As such, the June rate path was revised lower through the policy horizon.

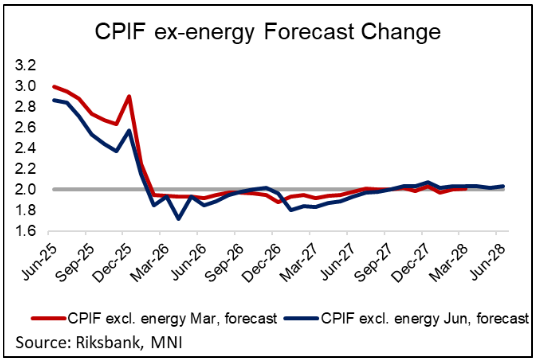
In the press conference, Governor Thedeen noted that inflation, wages and the krona were not posing upside risks to the rate outlook. As such, it made sense to lend a little more support to economic activity with another rate cut in June, following through on the slight dovish tilt made in May.

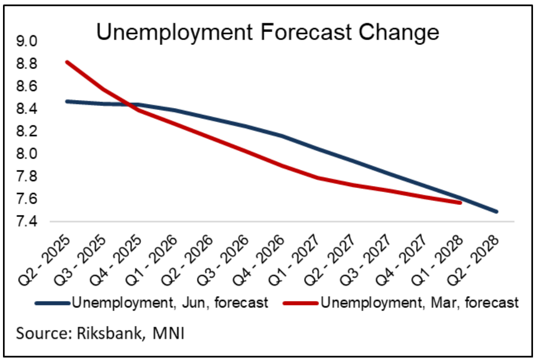
The updated rate path assigns an average policy rate of 1.99% in Q3 and 1.92% in Q4. This is broadly in line with some of the analyst estimates we had seen ahead of the decision, and is consistent with a ~50% probability of one more 25bp cut in H2 2025. In the press conference, Governor Thedeen sought to play down the dovish signal from the front-end of the path, noting that is the “*best assessment*” of the outlook ahead and not a promise.

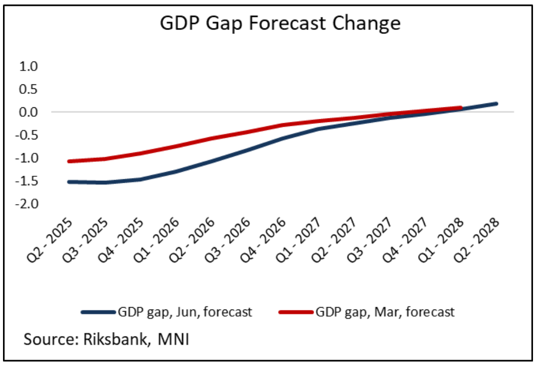
However, the back-end of the rate path was also revised lower, a more dovish development relative to expectations. The “terminal” point of the rate path in Q1 2028 was 2.01%, well below the 2.25% level that had anchored long-end projections since the September 2024 decision. A reminder that the first three quarters of the rate path represent the Executive Board's best assessment of policy rates, while further out the path is an output of staff's macroeconomic models. As such, it may not be prudent to read too much into the rate path beyond the first three quarters (in line with a recent speech from Governor Thedeen). The June meeting minutes (released June 25) will provide more details on individual Executive Board member’s opinions on this front.

Despite that caveat, the long-end revision is still notable in the context of the June MPR's updated macroeconomic projections. The medium-term forecasts for unemployment, the GDP gap and CPIF ex-energy are all relatively unchanged compared to March. Meanwhile, the long-term KIX effective exchange rate forecast is actually higher than before (which indicates a weaker exchange rate and all else equal would be a hawkish rate path input). Overall, the June projections suggest the Riksbank staff’s macroeconomic framework is structurally more dovish compared to March, with uncertainty-related weakness in the next year or two needing to be compensated with lower rates through the projection horizon.

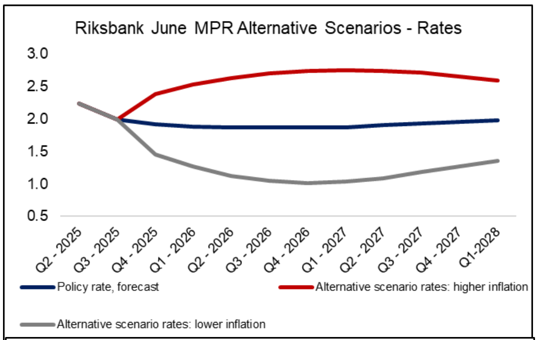


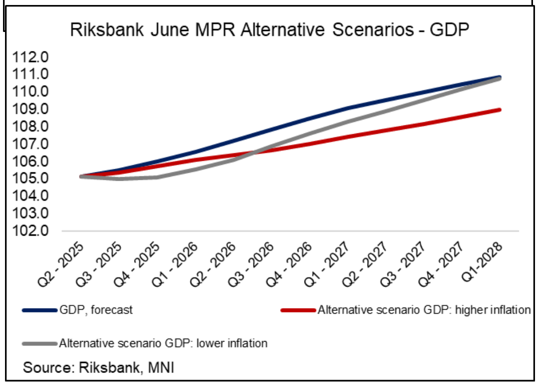


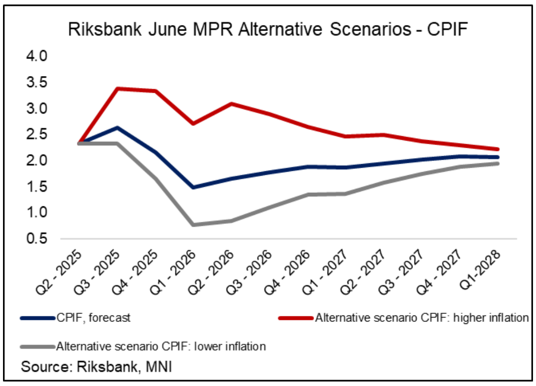




SEK knee-jerked weaker following the decision, and the move extended through the morning. The 2-year SEK swap rate similarly fell by almost 6bps.







As usual, the June MPR contains alternative scenarios. In the dovish scenario, "*increased uncertainty could dampen demand and lead to lower inflation*" and rates are seen troughing around 1% in late 2026. In the hawkish scenario, "*large and widespread trade conflict caused prices to rise rapidly*", and rates are seen peaking at 2.75% in early 2027. Notably, the hawkish scenario is one of stagflation, where the level of GDP is permanently below the baseline and dovish scenario in the latter half of the forecast horizon.

- Upside scenario: "*It is assumed in the scenario that several of the ongoing negotiations between the United States and its trading partners will fail to reach an agreement"..." These measures will in turn lead to counter measures"*
    - *"During the third quarter of this year, rising commodity prices and tariffs entail significant cost increases on many goods that are imported to Sweden,".*
    - *"The Riksbank begins to tighten monetary policy as early as September"…"During 2026, the policy rate is therefore raised on one further occasion"*
- Downside scenario: *"It is assumed that the uncertainty regarding the trade conflict and the security policy situation will gradually lead to increasingly large falls in confidence among households and companies. The effects on economic activity will become clear during the third quarter of this year"*
    - "At the same time, the krona exchange rate appreciates"
    - "Because of the weak inflation outlook and the weak resource utilisation, the Riksbank will pursue a more expansionary monetary policy during the fourth quarter. The policy rate will then continue to be lowered in 2026".

In the press conference, the MNI Policy Team asked Governor Thedeen on the downside scenario:

Q: "You have two alternative scenarios. The downside is for falling business confidence as a result of uncertainty and a stronger krona. Isn't this the current scenario we are in?"

A: "The scenario is actually a more severe downturn in confidence than we are currently seeing. So we are currently kind of on the starting point of that scenario. For sure consumer confidence is very weak, but business confidence is better right now. So that scenario incorporates a downturn in business confidence and confidence in the global economy more generally."

Despite the dovish leaning nature of the decision, the Riksbank still notes that "*the probability that inflation will be higher than in the forecast is assessed as roughly the same as the probability that it will be lower*". Meanwhile, the Riksbank also provided an early opinion on the latest Israeli/Iran escalation: "*Even though the [oil] price increase is not insignificant the impact on the inflation outlook is expected to be limited. In a scenario where the conflict in the Middle East escalates further, with a larger increase in oil prices, the consequences for energy prices in Sweden are also likely to be greater. In such a scenario, the economic outlook would also be affected and the Riksbank would then need to assess the overall effects on Swedish inflationary pressures*."

Sell Side Reviews

Of the analyst reviews we have seen following the decision, consensus remains split between a terminal rate at current levels (2.00%) and another 25bp cut to 1.75%. Within those calling for a cut, there is also uncertainty around whether this will be delivered in August, or at the next MPR meeting in September.

Summary of Analyst Views (Sorted A-Z)

Institution	Pre-Riksbank	Post-Riksbank
Danske Bank	Should everything fall out as we (and the Riksbank) expect during the summer months, the data and the communication would be well aligned for a cut after the summer	While we previously expected a cut in August (which was delivered this June instead), we now expect the Riksbank to remain on hold at 2.0%. The main reason is that we have a more positive view of the economy and believe inflation is too high. That said, we believe there is downside risk to the call given the Riksbank's communication
DNB	We maintain our forecast of a 25bps cut of the policy rate to 2.00% at next week's monetary policy meeting. The Riksbank may also indicate a minor possibility for future easing, but we regard that as unlikely unless the outlook for the Swedish economy worsens further	For now, we maintain our forecast that further easing is unlikely unless the outlook for the Swedish economy worsens further. Since we also expect core inflation to stay elevated, we forecast two hikes in early 2027, bringing the policy rate to 2.50%.
Goldman Sachs	We then still see them cutting one more time in August to a terminal rate of 1.75%, which is close to market pricing but notably below the Riksbank's latest policy rate path, which we expect to show some probability of further easing when presented next week	Given the Riksbank's increased openness to easing rates further, together with our assessment that the trade policy related hit should start to come through in the Q2 data, and thus a weaker growth forecast, we continue to expect the Riksbank to cut rates one more time in August to a terminal rate of 1.75%, for now, but we see risks as skewed towards more easing.
Handelsbanken	In addition to our forecast that the Riksbank will cut interest rates in June, we project a further cut in August	Overall, we share the Riksbank's view that uncertainty will likely hamper the recovery in the near term. In our view, the weakening economic outlook – combined with the stronger krona – will help dampen cost pressures and limit the scope for price increases. Against this background, we think the data will support another rate cut in August, but the exact timing remains open.
JP Morgan	In terms of our Riksbank forecast, we have previously had a cut in August, but we took this out after US tariffs were significantly lowered in mid-May. At present, we think there is a greater risk of another cut in September than in August. This reflects the Board's wait-and-see rhetoric, lower risk of an imminent global recession, and the fact that our US and Euro areas teams have pushed out expectations for the next cuts (to December and September, respectively)".	Together with a still pretty optimistic growth forecast for the remainder of the year, today's meeting was slightly more dovish than we envisaged. In response to this, we add back a cut in September into our forecast. We have had a 1.75% for the majority of the year, but we took one cut out of our forecast after US tariffs were significantly lowered in mid-May"
Nordea	The rate cut is an isolated event in our opinion. The recovery in the Swedish economy continues and inflation will deviate just moderately from the 2% target next year, which reduces the need of further stimulus. Nordea's view is that the ECB is done cutting rates, which also supports our view that the Riksbank's policy rate will bottom out at 2.0%".	The Riksbank has a bias for a rate cut, but it is later this year. In our view, the economic recovery will continue, reducing the need for additional rate cuts. In addition, inflation is close enough to 2% target next year and the ECB is probably done cutting rate cuts, suggesting that the Riksbank's policy rate will bottom out at 2.0%, we think.
SEB	Disappointing growth and uncertainty about both the Swedish and international recovery implies that the Riksbank will indicate 10bps (40% probability) for another rate cut in September or November"…" The rate path is likely to indicate that the policy rate in 2028 will return to 2.25%, in line with the Riksbank current estimate for the long-term neutral rate"	The policy rate path was slightly lower than we expected and we revise our own forecast and now predict the policy rate to be lowered to 1.75% in September.
Swedbank	We expect outcomes and indicators to remain weak this summer and that there will be another cut in September. If the Riksbank still chooses not to cut in June, which is not impossible, we believe the rate path will indicate a strong probability of a cut in August".	We expect macro data and indicators to remain weak this summer and that the Riksbank therefore will cut the policy rate again in September to 1.75%. Today's communication indicates lower tolerance for economic underperformance and hence increases the likelihood of further monetary policy easing beyond September.

Source: Analyst previews/reviews and MNI

MNI Policy Team View

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

Riksbank Governor Erik Thedeen speaks to MNI in an interview.- On MNI Policy MainWire now, for more details please contact sales@marketnews.com

By David Robinson

STOCKHOLM

MNI BRIEF: Riksbank Cuts 25bps, Sees Chance Of Another Cut

By David Robinson

STOCKHOLM

The Riksbank cut its policy rate by 25 basis points to 2% at its June meeting and left the door open to taking the rate lower still.

The June cut was seen as increasingly likely by analysts in recent weeks in light of soft activity data even though the Riksbank, after lowering the policy rate pretty rapidly from 4% last May to 2.25% in January, had previously signalled that 2.25% could be the trough. The Riksbank cut its growth and inflation forecasts in the June Monetary Policy Report and its rate forecast showed some chance of another 25bp cut this year.

The policy rate was shown edging down in coming quarters, though another full 25bp cut was not priced into the three-year projection, with the rate hitting a low of 1.88% in Q2 2026. The path was lower than in the previous quarterly forecast which had the rate flatlining at 2.25% throughout the projection period.

Inflation on the target CPIF measure was seen at 1.7% in 2026, down from 1.9% previously, while the GDP forecast for 2025 was cut sharply, to 1.2% from 1.9% and left at 2.4% for 2026.
