

MNI Riksbank Review: December 2025

Key Links: Policy Statement | Monetary Policy Report | Press conference (in Swedish)

Key Dates:

- December meeting minutes: December 30, 2025.
- December Flash CPI: January 8, 2025 (final January 15, 2025)
- Next Monetary Policy Decision (not including MPR): January 29, 2025

MNI Point of View – Holding Steady

18 December 2025, by Emil Lundh

The Riksbank held the policy rate at 1.75% as unanimously expected. The statement re-iterated that the policy rate is likely to remain at this level for "some time to come". This was supported by the December MPR rate path, which was steady at 1.75% for the first three quarters through Q3 2026. A reminder that the first three quarters of the path are "owned" by the Executive Board, and therefore constitute a policy signal.

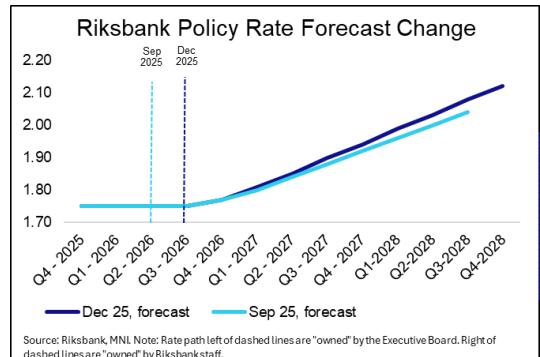
Beyond the first three quarters, the rate path is "owned" by staff, so is an output from models. The path was revised a little higher relative to September – in line with expectations, trending towards the nominal neutral anchor of 2.25% at a slightly steeper rate.

The Riksbank acknowledged that since September, "growth has been higher and economic activity is assessed to be stronger". Meanwhile, underlying inflation pressures are expected to remain in line with the target going forward. The Riksbank assesses that "a policy rate at its current level helps to strengthen domestic demand and thus also economic activity. This, in turn, provides the conditions for inflation to stabilise close to the target in the medium term".

Overall, the decision was broadly in line with expectations. We thought the Q3 2025 point on the rate path may have been nudged away from 1.75% on account of improving economic activity, but were cognisant that the risk was for a flat path through the policy relevant horizon. The market reaction was very marginally dovish, with 2-year SEK swap rates falling 3bps at the time of writing. This may reflect a lack of endorsement of market pricing which assigns an ~80% implied probability of a hike next year in the rate path and press conference.

Analysts generally expect the policy rate to remain at 1.75% throughout next year, with most hike expectations reserved for 2027. Danske Bank retain their call for a hike in December 2026, followed by another in March 2027.

There were no decisions on the Riksbank's "secondary" rates in December. A reminder that the Board is considering (amongst other tweaks) whether to widen the interest rate corridor between the deposit and lending rates to encourage more interbank liquidity management. From the MPR: "A well-functioning redistribution of reserves among monetary policy counterparties is important for both the implementation of monetary policy and financial stability. The Riksbank is therefore monitoring developments closely and is considering a number of measures to encourage banks to be more active in their liquidity balancing, as the Riksbank announced earlier this year". Governor Thedeen noted in an interview with the MNI Policy Team in November that the Board was not operating on a "fixed timetable" for these decisions, but did note that recent volatility "has pushed a little bit of momentum into the question ... It's something that we need to produce some kind of outcome in the medium-to-short term". As expected, the Riksbank confirms that sales of nominal government bonds have concluded.



Updated Forecasts: Stronger Growth Not Expected To Generate Inflationary Pressure

As a result of the stronger-than-expected growth momentum in the second half of this year, the Riksbank has revised up its output gap projections relative to September. Consumption is still expected to drive the economic recovery going forward, due to “continued rising real wages, rising employment and the measures aimed by the Government towards households in the budget bill”.

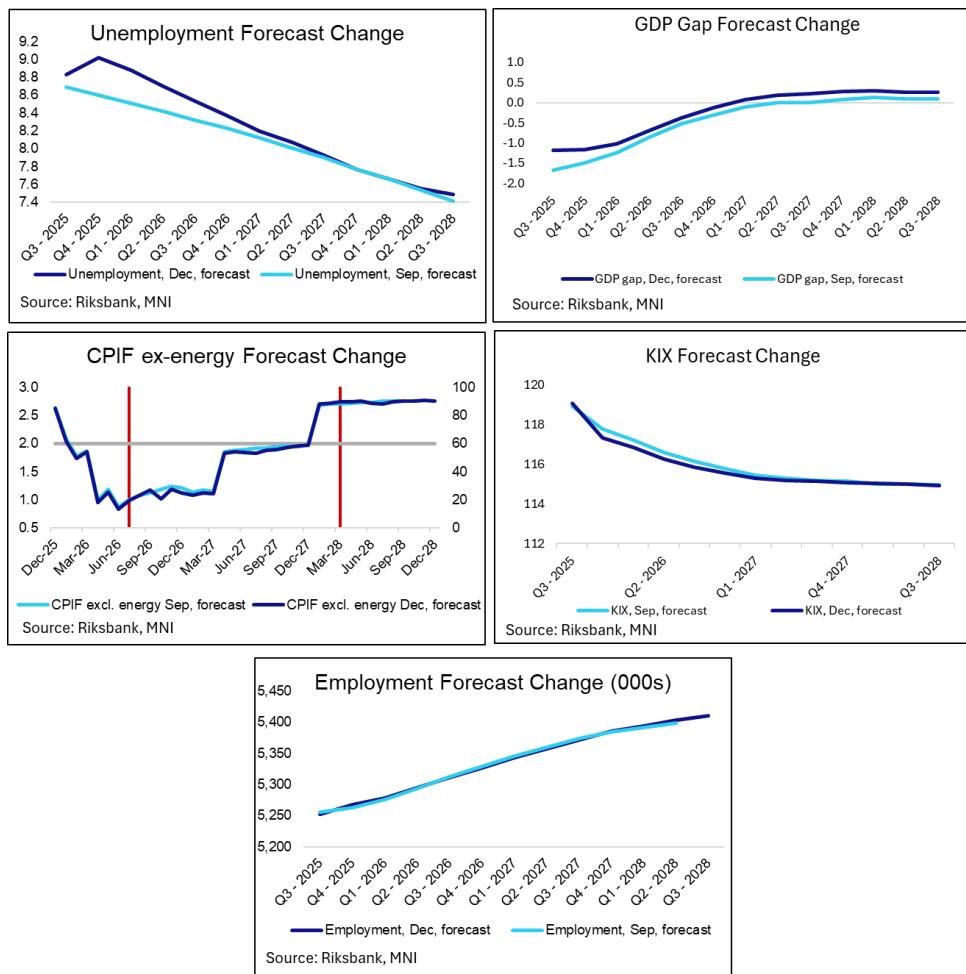
The Riksbank believes “the high growth in the third quarter had some temporary elements”, and therefore assesses “the economy has continued to grow in the fourth quarter, albeit at a slower pace than in the third quarter”. Meanwhile, the Riksbank estimates that “there is still plenty of spare capacity in the Swedish economy, with the GDP gap expected to close around the end of next year”.

The stubbornly high unemployment rate was highlighted in the MPR, but the Riksbank has confidence that it will start to fall at the beginning of next year. In the press conference, Governor Thedeen pushed back on suggestions that the weak labour market could provide a rationale for another cut, noting it is a lagging indicator.

The inflation forecasts were little changed relative to September. The Riksbank continues to assess that “although the VAT changes will have major direct effects on CPIF inflation....more underlying inflation will not be affected to any significant extent”. Given GDP grew at a faster rate than employment and hours worked in Q2 and Q3, unit labour cost developments have been soft. As such, “the recent stronger growth is thus not expected to generate a higher cost pressure in the economy”.

The Riksbank assess inflation expectations remain well-anchored for now. Asked by the MNI Policy Team in the press conference on this topic, Governor Thedeen noted that the Board would not react to single month deviations of inflation expectations below target, only more sustained evidence of deanchoring.

Despite strengthening notably through this year, the Riksbank still believes the krona will appreciate more in the period ahead, and therefore exert downward pressure on inflation,



Alternative Scenarios: A Useful Illustration Of Potential Reaction Functions

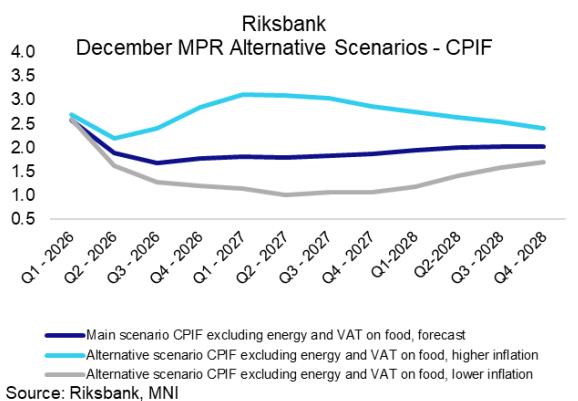
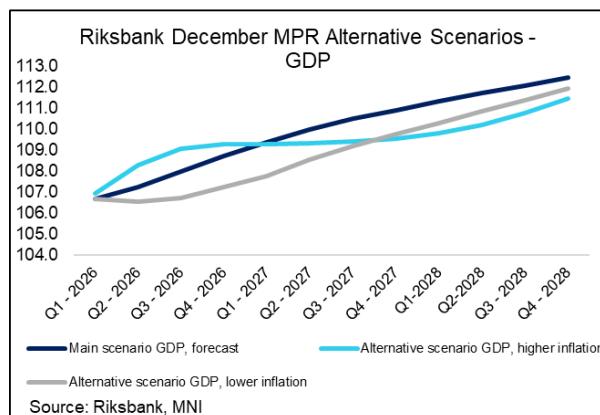
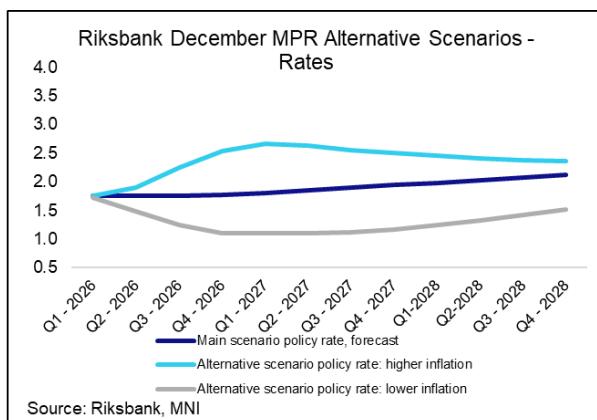
As always, the Riksbank MPR contains alternative scenarios for the policy rate, CPIF and GDP. These shouldn't be considered "guidance", but more an illustration of what risks the Board is thinking about, and the possible reaction function the Board would ex ante employ to respond to them.

Scenario 1: "A faster recovery in household consumption in Sweden and global supply shocks lead to higher inflation"

- "The combination of higher domestic demand and global supply shocks will cause inflation to rise and be higher than in the main scenario. The inflation effect is amplified by the high domestic demand leading to certain bottlenecks in the production of consumer-facing services"
- "As a result, the Riksbank changes its monetary policy stance in spring 2026 and begins a series of policy rate increases. An alternative to this would be to delay policy rate increases, but that would mean that the Riksbank would be forced to raise the policy rate even more further ahead, with significant costs for households and companies as a result."
- "When the Riksbank sees that the development is beginning to reverse, and both inflation expectations and underlying inflation are falling back again, it will begin a series of interest rate cuts towards a less contractionary level"

Scenario 2: "Scenario: An AI-related stock market decline leads to lower inflation"

- "The risk of US stock markets falling at the same time as a certain credit crunch occurs in financial markets as a result of a revaluation of US companies with AI-related operations is mentioned. That risk materialises in this scenario."
- "This development also affects Sweden. First, Swedish households are both directly and indirectly invested in the US stock market. Second, the credit crunch also affects Swedish financial conditions, which become tighter"
- "Normally, global economic downturns cause the krona to depreciate. But in the spring, the krona appreciated sharply despite an increase in global uncertainty. The scenario assumes that the exchange rate does not depreciate, despite the global economic downturn."
- "A new series of policy-rate cuts is initiated in 2026 in order to support a recovery and prevent inflation from continuing to fall"



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