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Riksbank review: Easing bias – but longer out

Marketing communication

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The Riksbank cut the policy rate today but is in no hurry to cut rates again.

Today the Riksbank cut the policy rate by 25bp to 2.00%, as expected. In the press release, the Riksbank motivates the rate cut by slower economic recovery than expected and a downward revision of the inflation forecast.

The Riksbank's rate path is gradually falling during the course of this year, and the trough is at 1.88% in December this year. According to our calculations, the rate path has only a minor bias, some 2bp, for an additional rate cut in August. Thus, a rate cut in August seems unlikely. The probability for a rate cut in Q3 is somewhat larger at around 5-8bp, or around 20-30%. Notably, the rate path start to rise again as from Q2 2027 and the end-point is 2.01% in Q2 2028, i.e. somewhat lower than in the March report (2.25%).

The Executive Board was unanimous in its decisions.

The inflation forecast is revised downwards and is well in line with our view. The Riksbank sees some uncertainty regarding inflation in the near term, which probably is a reason why the bank is not in a hurry to cut rates again.

As expected, the GDP forecast was revised down for 2025 but is largely unchanged for 2026. The Riksbank plays down the weak Q1 GDP reading as temporary factors were at play. The Riksbank recognizes the mixed trends for households and companies, but expects the gradually recovery in the Swedish economy to continue.

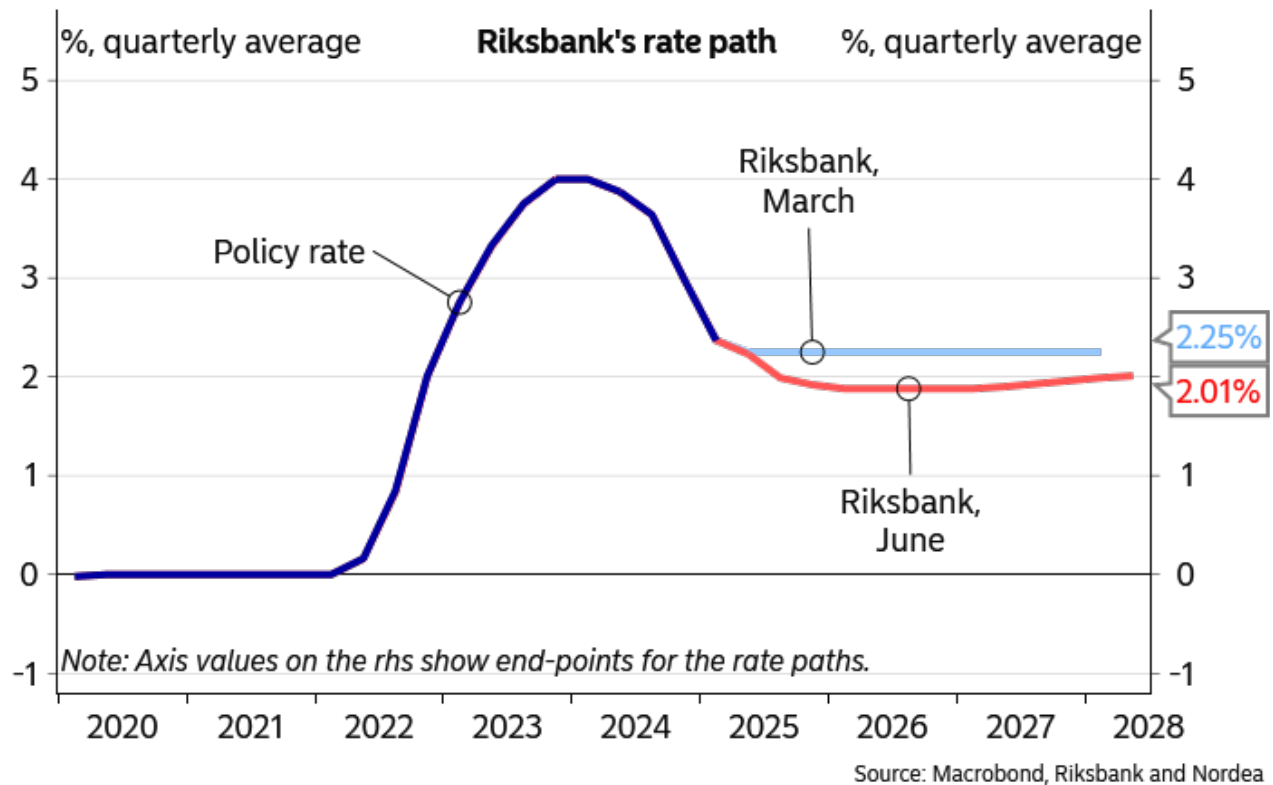
Forecasts for the labour market are revised to the better in the near term, mainly due to better than expected outcomes according to the volatile Labour Force Survey, but the Riksbank sees a soft patch in the near term as demand for labour is modest.

All in all, today's message from the Riksbank was largely as we had expected. The Riksbank cut the policy rate as the bank is more confident that inflation will drop and as growth has been weaker than expected. The Riksbank has a bias for a rate cut, but it is later this year. In our view, the economic recovery will continue,

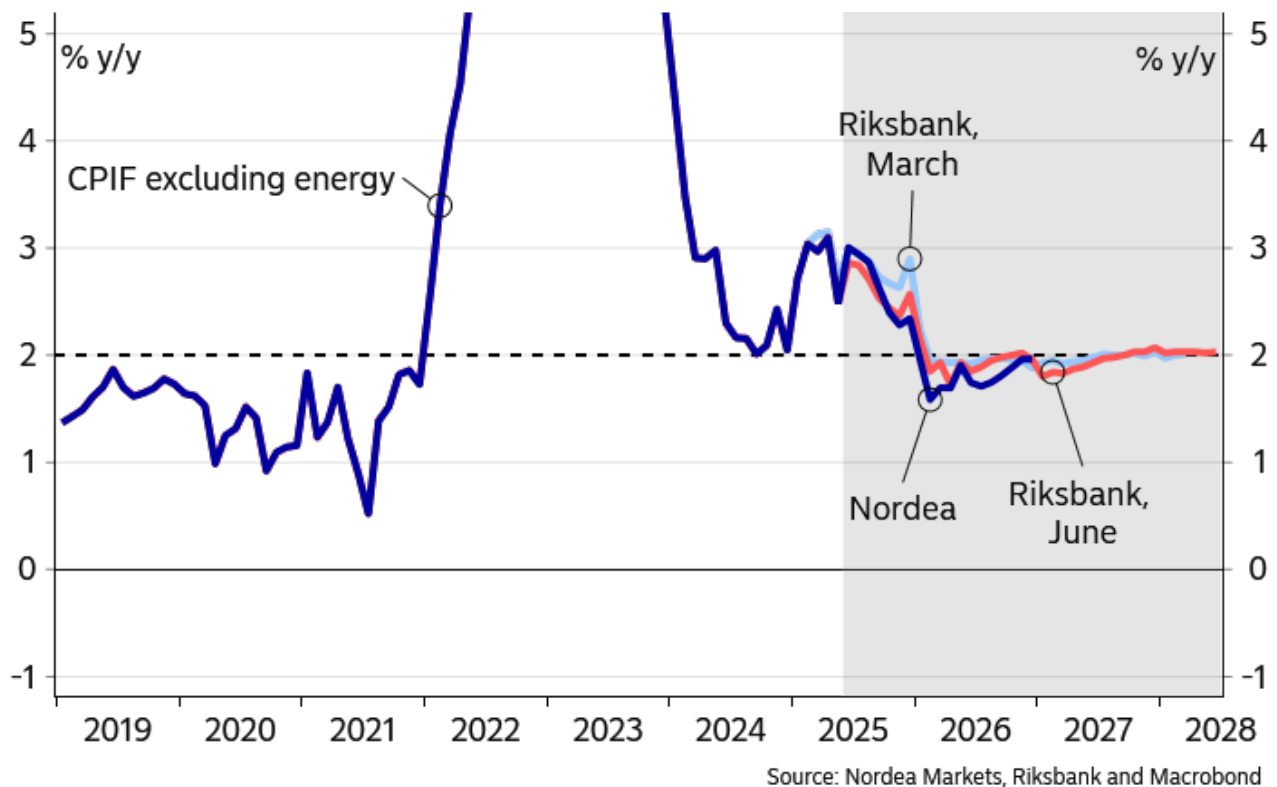
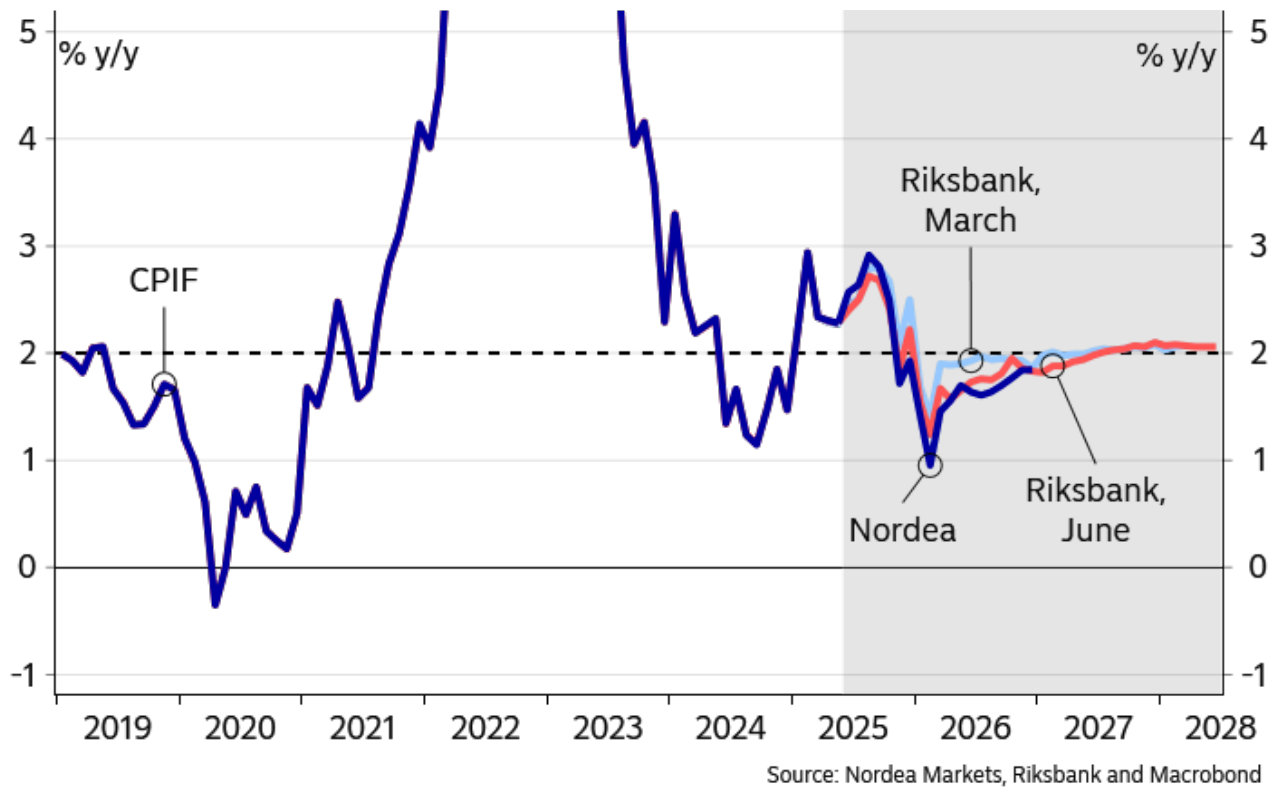
reducing the need for additional rate cuts. In addition, inflation is close enough to 2% target next year and the ECB is probably done cutting rate cuts, suggesting that the Riksbank's policy rate will bottom out at 2.0%, we think.

Now we await the press conference at 11.00 today (CET).

The minutes from the Riksbank's monetary policy meeting will be published on Wednesday 25 June.



Nordea



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% y/y	2025			2026		
	Nordea ¹	Riksb. Jun.	Riksb. Mar.	Nordea ¹	Riksb. Jun.	Riksb. Mar.
GDP (cal. adjusted)	1.8	1.4	2.2	2.5	2.2	2.2
Employment (LFS)	0.2	0.5	0.2	0.8	0.7	1.2
Unemployment (LFS) ²	8.7	8.5	8.7	8.3	8.3	8.1
Hourly wages	3.7	3.7	3.6	3.5	3.5	3.6
CPIF	2.4	2.4	2.5	1.6	1.7	1.9
CPIF excl. Energy	2.7	2.7	2.9	1.8	1.9	2.0

¹ Nordea's Economic Outlook May. The inflation forecast was updated on 16 June.
² Percentage of labour force.
 *Sources: SCB, Riksbank and Nordea.

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