Minutes of the Monetary Policy Meeting

November 2025

S V E R I G E S R I K S B A N K

MONETARY POLICY MINUTES

Executive Board, No. 7

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PRESENT:	Erik Thedéen, Chair Aino Bunge Per Jansson Anna Seim --- Bo Broman, Chair, General Council of the Riksbank Tomas Eneroth, Vice Chair, General Council of the Riksbank --- Jakob Almerud Irina Andone Rosén Lena Arfalk Charlotta Edler Mattias Erlandsson Susanna Grufman Anders Gånge Ellen Kockum Anders Kvist Björn Lagerwall David Lööv Hilkka Nyberg Åsa Olli Segendorf Annica Sandberg Anne-Catherine Worth --- Buster Carlsen (§1–3a)

It was noted that David Lööv and Irina Andone Rosén would prepare the minutes of the monetary policy meeting.

§3 Monetary policy review

§3a Economic developments

Market developments since the last monetary policy meeting

Buster Carlsen, economist at the Markets Department, began by presenting developments in the financial markets since the previous monetary policy meeting in September.

Since the Riksbank's monetary policy announcement in September, markets have been affected by developments in the trade conflict between the United States and China. In early October, new tensions arose in the trade relations between the countries. These were a consequence of China's announcement of rare earth export controls and increased threats of tariffs from the United States. However, the communication following the recent meeting between the two countries' presidents gave a clear signal that both sides have acted to avoid a major escalation, contributing to renewed optimism in financial markets.

Developments in global equity markets continue to be driven by strong financial results in technology and AI companies, to a large extent. The reporting season has shown that large sums continue to be invested in AI infrastructure. High expectations have helped push up valuations further. Credit spreads rose temporarily in early October, partly owing to lending losses at US regional banks, but remain at low levels by historical standards.

The assessment of economic developments in the United States is hampered by the delay in the publication of official statistics due to the government shutdown. In line with market expectations, the US central bank, the Federal Reserve, has continued to cut the policy rate, but the latest decision in October revealed a growing division among policymakers on the Federal Reserve Open Committee (FOMC). At the press conference in connection with the decision, Federal Reserve Chair Powell stressed that another rate cut in December was not a "foregone conclusion". The statement surprised the market and contributed to rising US treasury yields and forward rates. In addition to the interest-rate decision, it was also announced that the Federal Reserve's reduction of its balance sheet will end on 1 December.

In Europe, fiscal policy remains in focus. In France, government bond yields have fallen back slightly and are now closer to other corresponding European yields. But uncertainty around the country's public finances remains high after Prime Minister Lecornu proposed to pause the 2023 pension reform until after the presidential election in the spring of 2027. At its latest meeting, the European Central Bank (ECB) held the policy rate unchanged at 2 per cent for the third consecutive meeting, in line with market expectations.

The price of gold has risen sharply since September, in part driven by demand from investors who see it as a safe haven in times of high government debt, geopolitical uncertainty, and interest rate cuts by the Federal Reserve. However, increased selling pressure partly from speculative investors has pushed the price back from its peak.

Recently, there has on occasion been increased volatility in short-term Swedish money market rates. This volatility is a consequence of it becoming more common again to have less liquidity in the banking system, as the Riksbank reduces its balance sheet. The development means that banks need to start balancing liquidity between themselves again, to counteract the increased variation in short-term interest rates. However, these movements have been short-lived, and interest rates have continued to track the policy rate closely over time.

The Riksbank is expected to leave the policy rate unchanged at today's meeting according to both market pricing and analysts. Going forward, the expectations are also that the policy rate will be kept at its current level.

Financial stability – current situation and risks

Olof Sandstedt, Head of the Financial Stability Department, described the situation in the financial system.

The uncertain global environment means that there are still risks to financial stability in Sweden. The security policy situation remains serious, and it is not yet clear how permanent the current, slightly less conflict-ridden direction of trade policy will be as well as what the impact of the increased trade barriers will be. In addition, there is also considerable uncertainty surrounding economic policies in the United States more generally and public debt continues to grow in several major economies, at the same time as a high risk appetite has contributed to high asset prices. Taken together, this makes the financial system vulnerable to sudden changes in market sentiment and to a rapid revaluation of assets or higher risk premia, which can have extensive spillover effects in a globally interconnected financial system. Moreover, the growing role of the non-bank sector in the global financial system, including through credit intermediation, may amplify these effects.

For a small open economy like Sweden’s, with a well-developed but interdependent financial system, many of these risks are relevant, and external shocks can quickly affect Swedish actors via trade, financing and asset channels.

However, the major Swedish banks are resilient, with strong profitability and high margins in relation to current capital and liquidity requirements. This gives them the capacity to maintain the supply of credit to the real economy, even if market conditions were to deteriorate. Banks have also had good access to borrowing in US dollars. Just over 20 per cent of the banks' covered bonds in Swedish kronor are owned by foreign actors, which largely finance themselves via repos. It is therefore important that banks maintain the trust of foreign investors, given that a large part of their funding is in foreign currency.

As mentioned above, pricing in the money market, mainly for foreign exchange derivative transactions, has on a number of occasions exhibited elevated interest rates, which have exceeded the level for loans in the Riksbank's standing facilities. A better ability and willingness of monetary policy counterparties to use the overnight market and the Riksbank's lending facilities would promote the balancing of liquidity between banks and reduce volatility in short-term market rates.

The build-up of cyclical systemic risks associated with household and corporate indebtedness is currently assessed to be low. At the same time, several significant vulnerabilities remain. This is particularly relevant in the commercial real estate sector, where increasing vacancy rates in some segments, especially offices, coupled with a reliance on corporate bond funds, continue to make many real estate firms vulnerable.

The current monetary policy drafting process

Jakob Almerud, senior economist at the Monetary Policy Department, presented the current assessment of macroeconomic developments and the proposal for the monetary policy decision that the Monetary Policy Department judges will gain majority support in the Executive Board at today’s meeting.

The basis for today’s decision has been discussed with the Executive Board at drafting meetings on 24 October. The draft Monetary Policy Update was discussed at the drafting meeting on 27 August.

In September, the Executive Board decided to cut the policy rate by 0.25 percentage points to 1.75 per cent. It was noted at that time that growth had been weak for a long time, and that the timing of the expected recovery had been gradually pushed forward. The policy rate was cut to provide additional support to the recovery and to stabilise inflation at the target beyond the near term.

In light of this, a key question in the drafting process has been how weak the economy is and whether the recovery is now underway. Another key question has been whether the Riksbank's assessment that the higher inflation this year is transitory still stands. Finally, it has also been discussed whether there have been any shifts in the risk picture that affect the prerequisites for monetary policy.

Economic growth looks to have been slightly stronger than expected in the third quarter of this year, according to preliminary statistics from Statistics Sweden. Monthly indicators point to consumption growth also being somewhat higher than expected. The overall sentiment among households and companies has also improved, according to the Economic Tendency Survey, and is now at a normal level. This reinforces the picture that the economy is on the way to recovery. Furthermore, there are signs that a turnaround is on the way in the labour market, although it has remained weak in the third quarter. Labour market developments are described in more detail in the draft Update. Overall, the outlook for the economy remains largely unchanged.

Inflation is still above the target but has fallen in line with the forecast in September. CPIF inflation was 3.1 per cent in September and CPIF inflation excluding energy was 2.7 per cent. Services prices are still rising more rapidly than normal, while goods and food prices are increasing at a gradually slower pace, partly due to a stronger krona. A broad set of indicators points to inflationary pressures in line with the target. All in all, the new inflation figures strengthen the Riksbank’s earlier assessment that the elevated inflation is transitory.

Developments in the global economy have also been approximately as expected. The Federal Reserve lowered its policy rate interval by 0.25 percentage point to 3.75–4 per cent at the end of October, while the ECB kept its policy rate unchanged at 2 per cent at its last meeting, also held at the end of October. Market expectations of future policy rates for the two central banks are largely in line with expectations at the monetary policy meeting in September.

Finally, to uncertainty and how it affects the conditions for monetary policy. The risks surrounding economic developments remain high. One domestic uncertainty factor concerns household consumption behaviour and how an expansionary fiscal policy will affect economic activity and inflation. Risks to the outlook abroad are still shaped by geopolitical conflicts, uncertainty regarding trade policy, high asset valuations in financial markets and weak public finances in several countries. However, the overall risk picture is not assessed to have changed in any significant way since September.

The proposal for a monetary policy decision that the Monetary Policy Department assesses will gain a majority in the Executive Board at today’s meeting is described in Annex A to the minutes. The proposal entails holding the policy rate unchanged at 1.75 per cent. The policy rate is expected to be at this level for some time to come, in line with the forecast from September.

§3b The economic situation and monetary policy

Deputy Governor Per Jansson

I support the economic and monetary policy assessments presented in the draft Monetary Policy Update. This means that I support the proposed decision to now leave the policy rate unchanged at 1.75 per cent and also envisage the interest rate remaining at this level for some time to come, in line with the forecast in September.

"We are in a good place." This is how ECB President Christine Lagarde on several occasions this autumn has described her current view of the monetary policy situation in the euro area. I think that this description of monetary policy also captures in a good way how the monetary policy situation can currently be viewed here in Sweden.

Although still elevated, inflation has started to fall in line with our September forecast. In September it was 3.1 per cent including and 2.7 per cent excluding energy prices. That inflation continues to overshoot the target and is also expected to do so in the remaining months of the year is, as we have pointed out on several occasions during the year, largely due to the weight changes in the index construction for consumer prices. With unchanged weights from 2024, inflation excluding energy prices was just below 2 per cent in September.

That the current inflation outcomes significantly overestimate the more genuine inflationary pressures is also evident from our inflation indicators, various measures of underlying inflation and, most visibly, rates of price increases over a period of less than twelve months.

As regards inflation indicators, as illustrated in Figure 10 of the draft Update, only a few indicators currently point to upside risks from the prevailing level of inflation. The most alarmist of these is the price plans in the consumer goods sector, an indicator that has often been shown to perform less well empirically.[1]

The one-, three- and six-month measures of price growth convey a picture of an inflation rate that rather risks being too low going forward. Particularly low are goods-price increases one and three months ahead, where it can be assumed that the rather large appreciation of the krona so far this year is now starting to have some impact. However, it is important to note that these types of shorter-term rates of price increase are very volatile, especially one and three months ahead.

[1] The other two indicators signalling some upside risks are household inflation expectations and domestic producer prices for consumer goods.

Six months ahead, the development is a little more stable, and at this frequency there are also fewer price increases significantly below 2 per cent.

Summing up the inflation situation, the assessment that the currently elevated inflation is transitory has thus been strengthened, as is noted in the draft Update. A little further ahead, there may even be a risk of inflationary pressures being too low. It is important to emphasise that this is not about the temporary reduction in VAT on food, which, although it will have large direct effects on measured inflation, in our current assessment is not expected to have any impact on more genuine inflationary pressures. My view that there are a limited number of upside risks to inflationary pressures, while downside risks are gradually becoming more important in the future, is an important starting point for my monetary policy considerations and I will return to this in a moment.

The real economy is also developing broadly as expected, possibly with some element of positive surprises, at least for GDP growth.

According to preliminary data from Statistics Sweden, GDP increased by 1.1 per cent during the third quarter, compared with the previous quarter. Although the preliminary data are shaky, this was a much stronger development than in our forecast in September, where the corresponding increase in GDP was predicted to be 0.5 per cent. New data from the production side suggests that several sectors of the economy are contributing to growth. This, together with new rather strong monthly indicators of consumption growth in the form of HUKO for August and retail trade for August and September, reinforces the impression that GDP growth has now gained more momentum and thus also the reliability of the preliminary GDP statistics.

But even if we were to have to revise our forecast for growth upwards in the future, and perhaps ultimately also for the labour market, I am not worried that the recovery will be so strong that it will lead to problems with too high inflation. It will in any event take time to restore households' purchasing power, and the uncertain and unpredictable international situation means that households and businesses will probably continue to be fairly cautious about their consumption and investment.

In addition, companies will certainly think twice before making any more significant increases in their prices, beyond what is necessary to deal with tariffs and perhaps some other more permanent cost increases. A not insignificant factor here is the relatively large appreciation of the krona exchange rate that has taken place during the year and where it can neither be ruled out that the development with a stronger krona exchange rate will continue for some time.

To summarise, therefore, I think it can be said that we at the Riksbank are now also “in a good place” and I see conditions for this favourable situation to prevail for some time to come.

The key issue in the short term is that inflation continues to fall from its currently still too high level. And there are increasingly clear signs that it is doing so. The economy looks a little stronger and we may need to revise our forecasts for the development of the real economy upwards slightly in the future. But as long as this does not entail any major risks of excessively high inflationary pressures, such a development is of course only good news and something to be welcomed.

As regards the risks to more genuine inflationary pressures, my concern, as I have explained, is that they in the future rather will be too low than too high. As has become clear from what I have said here today, there are several reasons for this, including that various measures of more underlying price increases are steadily declining, that I do not believe that demand-driven inflation will be problematically high and that the contribution to inflation from previous cost increases will gradually diminish in the future.

But it will take some more time for these risks to appear more clearly on our monetary policy radar. And of course, the economy can also be hit by new shocks that change what is expected based on currently available information. Although I myself am currently more worried about downside risks than upside risks, it is important to be flexible and prepared at all times to act in all directions in monetary policy.

First Deputy Governor Aino Bunge

I support both the proposal to leave the policy rate unchanged at 1.75 per cent at this meeting, and the assessments made in the draft Monetary Policy Update. As described in the draft Update, we are now following the previously communicated monetary policy plan. The assessment is based on the outlook for inflation and monetary policy remaining broadly unchanged and there being no major shifts in the risk picture.

The information we have received since the previous monetary policy meeting in September is not very comprehensive, but it has been positive to the extent that it continues to indicate that inflation will be close to the target in the medium term, at the same time as we see signs that economic activity is strengthening. Let me discuss inflation and the question of whether the recovery in economic activity we have expected is now here.

At the previous meeting our forecast was that the measured rate of inflation according to our target variable, the CPIF, would vary during the coming years as a result of more temporary factors. This primarily concerns the effect of the reduced VAT on food (see Figure 13 in the draft Update). There is every reason to repeat the message we had then that we should see through this effect and continue to analyse the underlying inflationary pressures with a forward-looking approach. Having said that, we should also closely monitor the impact on expectations and behaviour that ensues from economic agents facing a low inflation rate next year – according to our forecast in September, CPIF inflation is expected to be under 1 per cent for large parts of 2026.

If we look at rates of price increases in periods shorter than 12 months, they are now close to, or just below, 2 per cent (see Figure 9 in the draft Update). A broad set of indicators of inflationary pressures also point to inflation close to the target going forward (see Figure 10 in the draft Update). We are seeing a lower rate of price increase on food and goods, which is probably closely linked to the recent strengthening of the krona now having an impact at the consumer stage. At the same time, it will be important to follow pricing behaviours among companies and their pricing plans when we see that households' purchasing power and willingness to consume increase. We can already see, for instance, a higher rate of increase in prices of services, such as foreign travel and hotels and restaurants, which indicates rising demand in these sectors. But overall, I think that the outlook for an inflation rate close to the target going forward is good.

At the same time, we have been clear in our communication that the forecast of an inflation rate close to the target going forward is based on a recovery in economic activity. The signs have become clearer since September that this recovery is on the way, both in terms of actual outcomes as well as confidence among households and businesses. As described in the draft Update, GDP growth was stronger than expected during the third quarter, according to preliminary statistics, with an annual rate of 2.4 per cent (see Figure 4 in the draft Update). Statistics Sweden's monthly indicator also implies that consumption has strengthened and is somewhat higher than expected. The National Institute of Economic Research's (NIER) Economic Tendency Survey shows that household confidence is rising, although it is still lower than normal (see Figure 5 in the draft Update). The main factor bringing down sentiment is households' attitude to purchasing capital goods.

At our previous meeting, I expressed concern over households' continued pessimism as shown in various surveys. This concern is to some extent confirmed by companies interviewed in our own Business Survey.[2] They have had their hopes dashed earlier, and they want to see a clear turnaround before making new

[2] See *The Riksbank's Business Survey,* September 2025.

investments or recruitments. One telling quote is “it feels like consumers have a fatter wallet, but they don’t feel any richer”.

However, at the same time the NIER’s Economic Tendency Survey, which covers both households and companies, rose for the fourth month in a row in October, and is now at a normal level (see Figure 5 in the draft Update). Sentiment among companies is now stronger than normal. NIER's Economic Tendency Survey covers considerably more companies than our own survey, which is one possible explanation for the differences in results.

If confidence among households is to continue rising and the recovery is to begin in earnest, I think it is important that the labour market also develops in line with our expectations. There, the signals are rather more mixed, with indicators pointing in different directions. I think it is understandable that companies have taken a cautious stance with regard to recruitment after a long period of weak economic activity. The conclusion in the draft Update, which I also share, is that there are now signs that developments are taking a turn for the better.

Regarding the risk picture, it still remains largely the same, although there have been some changes. I have already mentioned domestic risks and uncertainty over the strength of household demand. Internationally, the geopolitical situation is still strained, but the ceasefire in Gaza, for instance, will hopefully contribute to a somewhat calmer climate. The uncertainty over trade policy still remains, although the agreement between the United States and China last week dispersed some of the fog.

I would like to once again point out that we are seeing a high risk appetite on financial markets, despite the uneasy situation. In the draft Update we highlight the risk connected to the high valuations in the US tech sector, and that negative news in this sector could trigger a more general adjustment of valuations on financial markets and even result in rising credit spreads.

To summarise, I feel secure with both the decision to leave the policy rate unchanged and the assessment that it is expected to remain at the current level for some time to come, in line with the forecast in September. I think that the outlook for inflation and economic activity still holds, and at the same time the risk picture feels balanced, with both upside and downside factors.

Deputy Governor Anna Seim

I support the proposal to leave the policy rate unchanged at 1.75 per cent. I also support the assessments made in the draft Monetary Policy Update.

At our meeting in September, I entered a reservation against the decision to cut the policy rate to 1.75 per cent, with the motivation that the expansionary fiscal policy next year, together with supply-side risks, can create inflationary pressures going forward. Although I then advocated an unchanged policy rate of 2 per cent, this does not mean I would suggest raising the rate to that level today. We normally aim to avoid this type of erratic monetary policy and, given that the policy rate was actually cut, I assess that the current level provides the best conditions for a stable development going forward.

Inflation is still elevated, but current data implies that it will fall back in line with our forecast. At the same time, there are signs that economic activity is now picking up. Today I would like to elaborate on some of my arguments from the previous meeting and raise three reasons why I still see some risk that inflation could be higher than expected next year. These are (i) the risk that the announced cut in VAT on food in April next year does not have the impact on consumer prices that we assumed in our forecast in September; (ii) that actual sentiment and demand pressure in the economy are not yet visible in the outcome data we have access to; and (iii) that lower public and private saving going forward could mean that the neutral interest rate becomes somewhat higher.

In the forecasts we made in September, which we essentially believe still hold, we assume a strong degree of pass-through from the announced cut in the VAT to consumer prices. This means that inflation will be low from April 2026 until the end of 2027. We have said that we will see through the direct effects of the cut in the VAT in our monetary policy but will monitor the underlying inflationary pressures. I primarily see two reasons why the cut in VAT could lead to inflationary pressures that warrant vigilance.

At our previous meeting I argued that the VAT cut will lead to a visible increase in purchasing power. Although it is not particularly large in actual monetary terms at an individual level, it can be symbolically important and contribute to an optimism that will have behavioural effects and in turn contribute to increased consumption. As I noted last time, the cut in the VAT will benefit all households, including those higher up the income ladder, who account for a large share of aggregate consumption.

There is also a risk that the cut in the VAT will have a smaller impact on the rate of price increases than in other countries that have taken similar measures. The reason being that this cut, unlike the one in Portugal, for instance, which we referred to in the September Monetary Policy Report, has been announced six months in advance.[3] There is thus a risk that food retailers will gradually raise their prices before April to increase their profit margins without losing market

[3] In Portugal, the VAT cut was announced on 24 March 2023 and introduced less than a month later, on 18 April. It also came as a surprise, see Bernardino, T., Gabriel, R.D., Quelhas, J. and Márcia Silva-Pereira (2025), "The full, persistent, and symmetric pass-through of a temporary VAT cut", *Journal of Public Economics*, Vol. 248.

shares. The Government has commissioned the Swedish Consumer Agency along with other authorities to monitor price developments and, for the reason I mention here, this should occur immediately, before the cut is actually implemented. We are following this closely and continuously studying detailed price data to detect early signs of stronger inflationary pressures. One important detail in this context is that if this type of behavioural effect ensues, it will have lasting effects on price levels, unlike a temporary cut in the VAT. If food retailers raise their prices during the spring because they assess that the cut in the VAT gives them scope for higher prices without reducing demand, these prices will become the new equilibrium level. When the VAT is then halved and eventually returned to normal, it will be relative to this new price level.

Let me now comment on the level of economic activity. The recovery in economic activity that has been hampered by the high level of uncertainty and high saving, now shows signs of accelerating. Last week, the GDP indicator, which admittedly is not very reliable, came in far above our forecast for the third quarter. At the same time, unemployment is high and companies pessimistic in our most recent Business Survey. There is a possibility that the budget proposition and the most recent interest rate cut have not yet been internalized by households and companies, and therefore have not influenced the outcome data we currently have access to. I suspect that the expansionary budget for 2026, combined with the interest rate cuts of a total of 2.25 percentage points that we have implemented since May 2024, and which are still trickling down through the economy, could be what finally turns pessimism to optimism. Further, the easing of mortgage-based macroprudential measures that is proposed to be introduced next year will increase activity and optimism on the housing market and thereby be a catalyst for the recovery.

Finally, I would like to comment on the neutral interest rate. Our assessment is still that the long-term neutral interest rate is somewhere in the interval of 1.5–3 per cent. The current policy rate of 1.75 per cent is thus in the lower part of the interval. The expansionary fiscal policy in coming years will reduce government net lending, at the same time as the proposed easing of the amortisation requirements next year is likely to reduce private saving. Although, for instance, positive effects of AI on investment are pulling in the opposite direction, my assessment is that the lower saving can push up the neutral interest rate. Since a higher neutral interest rate means that a given policy rate becomes more expansionary, this indicates that the monetary policy we are now pursuing will indeed strengthen economic activity.

Stronger domestic economic activity, combined with a supply side plagued by geopolitical risks could, for the reasons I have mentioned above, make negative GDP gaps positive. This could create stronger inflationary pressures next year. But there are also a number of factors that could lead to weaker developments in inflation and economic activity than we expect. For instance, there are still question marks regarding developments abroad, the labour market and Swedish households' saving behaviour. As usual we will closely monitor incoming data and look for signs of where we are headed, so that we can conduct a forward-looking monetary policy. We will return in December with a full round of forecasts, and are always prepared to adjust our monetary policy if the outlook for economic activity and inflation changes.

Governor Erik Thedéen

New information since the monetary policy meeting in September has largely confirmed the outlook for inflation and economic activity we described in the Monetary Policy Report at the time. Price growth remains above the 2 per cent target, but underlying inflation is falling back. In the coming years, CPIF inflation, adjusted for the direct effects of the VAT changes, is expected to be just below or close to 2 per cent. The economy was weak in the first half of this year, but GDP growth is picking up and our forecast is that unemployment will soon start to fall back. The forecasts are based on the monetary policy we formulated in September, which means that the policy rate is expected to remain at 1.75 per cent for some time to come. My assessment is still that such monetary policy represents a reasonable trade-off between the risk of continued high inflation and the risk of inflation falling below the target. Furthermore, the proposed monetary policy will give continued support to the economic recovery, and thereby to a slightly stronger labour market. I therefore support the draft Monetary Policy Update and the proposal to leave the policy rate unchanged today at 1.75 per cent.

As forecasts are inevitably uncertain, different risks must be weighed against each other. This involves both identifying possible risk scenarios and assessing their likelihood.

Let me first sketch a possible negative scenario for the Swedish economy where inflation falls faster and further, compared to the September forecast.

Despite positive signals about the economy, it is feasible that demand in the coming quarters will be unexpectedly low. One can imagine several scenarios in which external risks materialise and lead to weaker growth in Swedish exports than we and other forecasters have assumed. In addition, Swedish households have so far been cautious in their consumption, which has pushed up the saving ratio and is now creating continued uncertainty about the strength of domestic demand. So there is a risk that inflation will eventually fall below our target. Moreover, continued weak economic developments would keep unemployment elevated, which, in a low-inflation environment, could justify a somewhat looser monetary policy stance.

In the light of such a scenario, one might wonder whether today's high unemployment, combined with inflation that is heading down towards the target and possibly falling below it, does not already justify a lower policy rate. In my opinion, one main reason for not cutting the interest rate further is that we are now seeing clear signs of rising growth and improved economic prospects, for example in Statistics Sweden's GDP indicator and NIER's Economic Tendency Survey. Another reason is the overall economic policy direction, which will be clearly stimulative next year, not least due to an expansionary fiscal policy. Despite the risks, I am therefore hopeful that the forecast for a better economic situation next year, with higher growth and falling unemployment, will materialise.

Let me now describe another negative scenario with rising inflation.

In recent years, we have seen several examples of significant supply-side shocks in the economy, such as during the covid-19 pandemic and in the context of Russia's invasion of Ukraine. These have pushed up the prices of various commodities but also affected companies' complex supply chains, often resulting in higher cost pressures. One risk is that lingering effects of these shocks may have contributed to sustaining inflation in the recent past. If we were to be hit by new shocks, there is a risk that the economy today, via inflation expectations and companies' pricing behaviour, is more sensitive than before to such supply problems and that the impact on inflation would therefore be greater. If, as in this scenario, inflation was to remain elevated and the outlook were to deteriorate further owing to continued supply-side shocks, this might warrant a higher policy rate.

The various risks I have discussed could thus, if they materialise, lead to changes in monetary policy, in a tighter or looser direction. Despite these risks, I am relatively confident that the interest rate path we published in September still holds up well. As I said, new information has broadly confirmed our view of inflation and economic developments, although the overall growth outlook now looks somewhat stronger. A policy rate of 1.75 per cent means that monetary policy provides support to the recovery and next year fiscal policy will provide further stimulus. So I see no reason to change the policy rate, either upwards or downwards, for some time to come. Moreover, I believe that the trade-off we have made provides some confidence in our forecasts and our monetary policy plan; my threshold for a change in the policy rate in the near term, as expressed in the interest rate path, is somewhat higher now than it was previously. However, monetary policy does not run on autopilot; as always, we must be prepared to adjust monetary policy if there are changes in the risk outlook. But for now, I envisage that we will stick to the compass course we set in September.

§3c Discussion

There was no ensuing discussion.

§4 Monetary policy decision

The Executive Board decided

- in accordance with Annex A to the minutes Policy rate decision (including the annex Monetary Policy Update).

This paragraph was confirmed immediately.

Minutes taken by

David Lööv Irina Andone Rosén

Verified by

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