SVERIGES RIKSBANK

Minutes of the Monetary Policy Meeting

June 2025

MONETARY POLICY MINUTES

Executive Board, No. 4

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PRESENT: Erik Thedéen, Chair
Anna Breman
Per Jansson
Aino Bunge
Anna Seim

Bo Broman, Chair, General Council of the Riksbank

Lena Arfalk
Charlotta Edler
Mattias Erlandsson
David Forsman
Susanna Grufman
Peter Gustafsson
Anders Gånge
Jesper Johansson
Anders Kvist
Björn Lagerwall
Mika Lindgren
David Lööv
Åsa Olli Segendorf
Annica Sandberg
Emma Sandberg
Fredrik Wange
Pernilla Wasén

Joel Birging (§1–3a)
Buster Carlsen (§1–3a)

It was noted that Jesper Johansson and Pernilla Wasén would prepare the draft minutes of the monetary policy meeting.

§3 a. 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 May.

Since the Riksbank's last monetary policy meeting, equity markets have continued to recover the decline that happened after the US administration's tariff announcements at the beginning of April. The steps taken by the US and China to reduce tensions in trade relations at least temporarily have contributed to this recovery. The parties agreed on a pause in the trade conflict and implemented significant reductions in tariffs on each other's goods. At the same time, both sides signalled a willingness to continue the dialogue. The developments have strengthened market confidence and led analysts, at least for now, to stop lowering their forecasts for US GDP growth. However, there is still considerable uncertainty and a risk of the trade conflict between the countries escalating again.

Risk sentiment has been affected upwards again after the geopolitical escalation in the Middle East, which is also visible in market developments. Initially, the oil price rose sharply but has since fallen back somewhat as news flows have signalled some scope for resuming negotiations. Commodity analysts warn that the most negative scenario, with a complete shut-off of Iran's oil deliveries, could lead to very sharply rising oil prices.

Developments in the fixed-income market have been stable in general, but the focus of investors has increasingly been directed towards the supply of government bonds. Yields on very long-term government bonds have increased, not just in the United States but also in Japan and the United Kingdom. A contributory factor is US budgetary policy, where large deficits are expected to persist in the foreseeable future. An ever-weaker US dollar has resulted in the dollar index falling to its weakest level in over three years.

Since the beginning of May and after the Federal Reserve's most recent meeting, the market has gradually discounted fewer rate cuts in the United States. The development primarily of labour market statistics has also led the market to believe that the Federal Reserve will leave the policy rate unchanged in June. The market has also reduced its expectations of rate cuts in the euro area, in light of the ECB emphasising at its June meeting that monetary policy is now appropriately designed.

Both analysts and market pricing indicate that the Riksbank will probably cut the policy rate at today's monetary policy meeting. In addition, the market also sees some probability for another rate cut in the latter part of 2025.

Financial stability – current situation and risks

David Forsman, Head of the Banking Division at the Financial Stability Department, described the situation in the financial system.

The risks in the financial system remain elevated. Volatility in financial markets has certainly decreased since May, while the value of several financial assets has recovered. Despite this, developments are still characterised by high uncertainty stemming from the prevailing trade and security policy situation. In the current environment, unexpected and sudden events can lead to renewed and significant market reactions, which in turn can expose vulnerabilities among financial actors. In a global and interconnected system, such events can rapidly have far-reaching consequences, underlining the importance of safeguarding the resilience that the improved regulations after the global financial crisis have brought.

Swish and BankID have recently been subject to denial-of-service attacks. These systems have previously shown high resilience to similar attacks. But recently the attacks have been more numerous and more sophisticated, leading to temporary interruptions in the services. To ensure the public can make payments and have access to digital services, it is important to have high resilience in both normal and turbulent times.

The major Swedish banks have high profitability and fulfil the regulatory requirements for capital and liquidity by a comfortable margin. Lending to households and companies has begun to grow slightly more quickly, although the growth rate remains low. Going forward, the demand for new loans may increase further if the global situation, and thus the outlook for growth, improves. To prevent household debt from beginning to rapidly rise again in a long-term unsustainable manner, it is important to have well-balanced macroprudential measures.

In May, fund unit holders have continued to sell funds with North American exposures and instead have bought funds with European assets. The large outflows from corporate bond funds during this spring’s market turbulence have more or less been recovered via new inflows. In this case, the redemptions had no significant impact on the functionality of the corporate bond market. But the risk of future outflows, which can have serious consequences, remains.

The current monetary policy drafting process

Mattias Erlandsson, senior adviser at the Monetary Policy Department, presented the current assessment of macroeconomic developments and the proposal for a monetary policy decision that the Monetary Policy Department judged would gain majority support in the Executive Board at today's meeting.

The background material for today's decision has been discussed by the Executive Board at meetings on 3, 4 and 9 June. The draft Monetary Policy Report was discussed and tabled at a meeting of the Executive Board on 10 June.

The Executive Board noted at its monetary policy meeting in May that the outlook for economic activity had weakened and that inflation was more likely to be lower rather than higher than in the March forecast. However, there was considerable uncertainty, and the Executive Board considered it wise to leave the policy rate unchanged and wait for more information to obtain a clearer picture of the outlook for inflation and economic activity.

One of the central questions in this drafting process has therefore been whether it has become clearer how the outlook for inflation and economic activity is affected by the elevated uncertainty and the higher import tariffs. In this context, one question has been what assumptions about import tariffs and uncertainty it is reasonably to base the forecasts on. Another question the Executive Board has discussed is the strength of the recovery in the Swedish economy in the light of new, partly divergent, information.

It is noted in the draft report that developments in the global economy are still characterised by uncertainty as a result of escalating geopolitical conflicts and a lack of clarity regarding trade policy. While financial markets have certainly shown slightly less movement recently, other measures of uncertainty remain elevated.

In the draft forecast, growth has been adjusted downwards in the United States in particular, but also the euro area. The forecasts imply that KIX-weighted growth will be subdued this year and next year and then rise towards more normal levels. The outcome for inflation in both the United States and the euro area has been somewhat lower than expected in recent months. It is assessed in the forecast that higher import tariffs will contribute to inflation in the United States continuing to be somewhat higher than the target level this year and next year. Inflation in the euro area is instead expected to be somewhat lower than in the most recent forecast, but to remain close to 2 per cent.

New information on the Swedish real economy indicates overall that the recovery in the Swedish economy has lost momentum. The labour market is still weak, although employment has risen slightly more than expected at the beginning of the year. In this context, this morning's outcome for the Labour Force Surveys in May was commented upon. Employment developed in line with the draft forecast, while the labour force showed a slightly stronger development than expected. However, monthly outcomes are volatile, especially for the labour force. No changes to the suggested forecast are therefore proposed. GDP fell somewhat in the first quarter, but at the same time, other statistics for, among other things, household consumption and business confidence indicated a somewhat stronger development. The picture of the development of demand in the Swedish economy is therefore not entirely unambiguous.

There are favourable conditions for stronger economic activity going forward, but the uncertainty resulting from geopolitical conflicts and the US trade policy is assessed to also hold back growth in the near term. The draft forecast entails a downward adjustment to GDP growth this year. Not until the end of the year is economic activity expected to strengthen again and unemployment to fall.

Inflation is currently somewhat elevated, but new information has strengthened the picture that the upturn is temporary.[1] In recent months, inflation has developed in line with the March forecast and as described in the draft report, indicators point to inflation being in line with the target going forward. The fact that the economic outlook is weaker, and the krona is stronger than expected contributes to a slight downward adjustment of inflation in the draft forecast, compared to the March forecast. But there are still risks regarding the inflation outlook, and several factors could contribute to inflation being either higher or lower than expected.

There are still many question marks regarding the design of economic policy in Europe and the United States, which contributes to the uncertainty over the outlook for inflation and economic activity abroad. In addition, the geopolitical risks also remain significant. Russia's invasion of Ukraine continues and in recent days the conflict in the Middle East has escalated, with war between Israel and Iran. The oil price has risen, but the upturn is so far assessed to have limited economic effects. In a scenario where the war escalates even further, the oil price could rise much more and have significant consequences for the outlook for inflation and economic activity.

The proposal for a monetary policy decision that the Monetary Policy Department judged would gain a majority in the Executive Board at today's meeting is described in Annex A to the minutes. The proposal entails cutting the policy rate by 0.25 percentage points to 2 per cent. The forecast for the policy rate implies some probability of a further cut this year.

[1] See also the analysis “Few factors behind the rise in inflation” in the draft report.

§3b. The economic situation and monetary policy

Deputy Governor Aino Bunge

I support both the proposal to cut the policy rate to 2 per cent at this meeting and the forecasts and assessments made in the draft Monetary Policy Report.

The international situation and conditions for economic developments going forward are still undoubtedly affected by worsened international trade relations and the ongoing geopolitical conflicts. This is illustrated not least by the very serious escalation of the conflict in the Middle East in recent days. In Sweden, the economic outlook is weak, partly due to the uncertainty, at the same time as there has been a shift in the risk outlook for inflation. This motivates an easing of monetary policy. An economic recovery is a necessary condition for inflation to remain around the target going forward, and I therefore support our taking action now by cutting the policy rate.

Having said this, and given the difficulty of assessing the situation, there is every reason to continue to take into account different scenarios for both economic activity and inflation.

With regard to economic activity, tariffs and uncertainty were also a part of our analysis in May. Already at that time, we assessed that the dominant effect in Sweden would be lower demand, and that the weaker economic outlook pointed to somewhat lower inflation slightly further ahead. However, we also emphasised the considerable uncertainty linked to this assessment. When it comes to the economic outlook this time, the forecasts in the draft report entail a clear downward revision of growth in Sweden compared with our most recent forecast in March.

I believe that the signs we saw in May of weaker economic activity in Sweden have been confirmed. The basic conditions for a recovery are in place, not least in the form of rising real wages and increased purchasing power for households. But the recovery is proceeding more slowly than expected, which is shown in the outcome for the first quarter's National Accounts. Our own Business Survey supports this picture, with companies talking about weak economic conditions and a gloomier view of the future. The labour market has also shown signs of weakness, in the form of signs of lower demand for labour, such as fewer newly registered vacancies and reduced recruitment plans.

However, there is at the same time some discrepancy between 'soft' and 'hard' data that is important to monitor, not least with regard to household consumption. With regard to the households, the uncertain international situation contributes to a more pessimistic view of the future. The most recent Tendency

Survey from the National Institute of Economic Research shows that households are still very pessimistic.[2] At the same time, we see that the retail trade has picked up somewhat (see Figure 11 in the draft report). This picture is supported by Statistics Sweden's monthly indicator for consumption in April. Perhaps the view not least of their own finances is more negative than is warranted, given the improved purchasing power. It is not surprising that a very troubling international situation with war and turbulence on the financial markets is creating uncertainty. One possible reason for households having become so pessimistic in the surveys is also the rising food prices. But, as described in the draft report, we can see both a slower rate of increase in food prices recently and some recovery in equity markets from the heavy falls in April, even if this is not the case if converted to kronor. It will become important to follow not only sentiment, but also how households react in the current situation to an improvement in the economy; will they increase their savings or their consumption?

I now intend to discuss the change in the inflation outlook, and the conclusion regarding the risk outlook that we point out in the draft report. There is increased confidence that the elevated inflation we have had since the start of the year is temporary, and that this has been confirmed by the recent inflation outcomes being in line with our earlier forecast (see the analysis "Few factors behind the rise in inflation" in the draft report). The weaker demand also reduces the scope for companies to raise prices. I think that the economic outlook in itself entails a risk for inflation being below target further ahead. In addition, the strengthening of the krona during the spring will have a dampening effect on import prices.

But there are certainly still risks on the upside, even if they have declined. Apart from the security policy threats, the development of tariffs and trade barriers is still very uncertain. Here we still do not have any clear picture of the future trade relations, and further different announcements on this issue can be expected shortly (see the Fact Box "Developments in trade policy between the United States and the rest of the world" in the draft report). As I said, our forecast reflects the assessment that the negative impact of uncertainty about demand will dominate over the risk of price increases linked to tariffs. It is worth pointing out that a central assumption behind the assessment is that the response from the EU to US tariffs will be limited. If this is not the case, inflation could be higher than in the forecast. The escalated conflict in the Middle East in recent days is an example of the risk of supply shocks linked to geopolitics. It has already led to a rise in the oil price, but conflicts also risk affecting the energy infrastructure, for instance, and important trade routes going forward, in addition to human suffering.

[2] See Minor changes in sentiment - National Institute of Economic Research.

All in all, however, we currently see before us tariffs that are lower than those announced at the beginning of April and companies have demonstrated a capacity to manage new challenges as well. Overall, I therefore share the assessment that the risks of persistent higher inflation have declined somewhat. Stable inflation expectations and well-functioning wage formation support the assessment in an uncertain situation.

Moving on to the question of how this should affect the policy rate going forward. A large part of the discussion on monetary policy in general, like my own considerations regarding today's decision, naturally concerns the uncertainty and sharp shifts in economic policy and security policy taking place around the world at the moment. We need to think through various scenarios and be prepared for developments to be very different from our current forecast and earlier experiences. Our alternative scenarios from March are still relevant to a large degree, but the draft report this time also illustrates a scenario where global turmoil and weakened economic activity coincide with a stronger krona. This could lead to the exchange rate, in contrast to its historical pattern, reinforcing the downturns in economic activity and inflation. The dollar exchange rate and the demand for US assets that are normally regarded as secure in turbulent times, are currently affected by concern over the sustainability of US public finances (see for instance, increased term premiums on government bonds in Figure 8 of the draft report).

I consider that there is still reason to act gradually and have a certain stability in monetary policy when the shifts in developments abroad are as large as they are now. The evaluation of monetary policy last year discussed the question of whether we as members of the Executive Board have shown too much fear of needing to reverse monetary policy and therefore sometimes remained too passive.[3] I do not share this view, but think it is important in certain situations to await further information and to keep a cool head. Last autumn we also had a Fact Box in the Monetary Policy Report that described how the policy rate has historically often changed gradually and the reasons for this.[4]

At the same time, it is very important that we are prepared to act to stabilise inflation and not unnecessarily hamper economic developments for fear of taking decisions that may prove wrong in hindsight. This capacity to act is also central for anchoring inflation expectations further ahead. If any of the scenarios described in the draft report were to occur and lead to increased upside risks for inflation, we are prepared to act against this, too. But as the situation is now, I consider it

[3] See Swedish Monetary Policy 2024 (Report from the Riksdag 2024/25:RFR13) | Sveriges riksdag. Not yet published in English.

[4] See "The policy rate is often adjusted gradually", Fact Box in Monetary Policy Report September 2024.

may be necessary for further easing of monetary policy during the autumn, which is what is reflected in the policy rate path.

First Deputy Governor Anna Breman

I support the proposal to cut the policy rate to 2 per cent, and I also support the rate path and the monetary policy assessments presented in the draft Monetary Policy Report.

Since the last monetary policy meeting, inflation has fallen and towards our 2 per cent target. Long-term inflation expectations are well-anchored and wage formation is functioning well. At the same time, the Swedish economy is weak, and unemployment is at a high level (see Figures 3 and 12 in the draft report). Concerns about US trade policy and escalating geopolitical conflicts risk dampening household consumption and business investment.

In order for inflation to be sustainably close to the target and to provide support to Swedish economic activity, I consider it to be a well-balanced monetary policy response to cut the policy rate by 0.25 percentage points and that the rate path shows a probability of a further cut.

Having said that, I would like to focus my comments on how I see the policy rate at forthcoming meetings based on three factors: financial markets, economic activity and inflation.

First, financial markets are characterised by uncertainty and nervousness. We have seen substantial volatility in equities, bonds and currencies in recent months (see Section 1.2 of the draft report for more details). As monetary policy affects the economy through financial markets, it is also important to consider how this affects the transmission of monetary policy. The development of short-term market rates shows that Swedish households and companies have benefited from the Riksbank's rate cuts, but there is a tendency for savings rates to be reduced more than the rates households and companies have to pay to borrow. However, my overall assessment is that the transmission of monetary policy works well.

Large fluctuations in financial markets, and the uncertainty they create, affect the Swedish economy through several channels.[5] An important aspect at present is that developments in financial markets may make households and companies cautious about consumption and investment, contributing to slower growth. This brings me on to economic activity.

[5] This is described in Chapter 1.2. Two important examples are expectations of the policy rate, which affect both short and long-term market rates, and the exchange rate. For example, the recent trend of a stronger krona may lead to lower import prices and inflation, while softening demand for Swedish exports.

Second, the conditions for a favourable development of the Swedish economy are in place. Real household income will rise significantly this year (see Figure 21 in the draft report). The employment rate remains high. Employment has even increased this year, as has the labour force.[6] Swedish companies are competitive and have historically weathered difficult global crises.

However, new data paint an ambiguous picture of economic activity. Household confidence is at a low level but the latest statistics on actual consumption are mixed. Household consumption was weak in the first quarter according to the National Accounts, but other data in the form of Statistics Sweden's consumption indicator and retail trade statistics indicate relatively favourable development up to April. This applies not least to durable goods. At the same time, there are signs of weaker development in May, with, for example, Swedish Commerce's fashion index showing a sharp fall in sales of clothing and footwear and card transaction data also showed weak sales in May.

For the corporate sector, statistics and confidence indicators also provide mixed signals. The Riksbank's own Business Survey points to great uncertainty and cautious companies, while the National Institute of Economic Research's Economic Tendency Survey and PMI show relatively favourable development going forward, especially for the manufacturing industry, which is being supported by extensive defence spending. Sentiment in the services sector, on the other hand, is weak. The service sector is closely linked to domestic demand and it is important for employment.

An overall assessment is that households and companies are in a wait-and-see mode, and this is weighing on the Swedish economy in a situation where we have had weak growth for several years. In such a situation, monetary policy should support the development of the real economy unless the inflation target is threatened. This brings me on to the third part – inflation.

Third, since the previous monetary policy meeting, inflation outcomes and projections have strengthened out view of inflation being in line with the target going forward, (see, for example, Sections 1.4 and 2.3 of the draft report for more details). I would like to highlight that the inflation forecast for the CPIF is 2.4 per cent for the full year 2025 and 1.7 per cent for 2026. A few tenths above or below the target are not, in my view, deviations from the inflation target. We cannot get inflation exactly at 2 per cent - that is neither realistic nor desirable.

At the same time, there are always risks of inflation going higher or lower than in the forecast. In particular, I would like to highlight the risk of higher energy and

[6] As the labour force has increased more than employment, unemployment remains high. For more details about the labour market, see Chapter 1 in the draft report.

food prices. For example, we have seen a rising oil prices in recent days. After a significant rise in food prices earlier this year, they were broadly unchanged in the latest figures for May. However, both trade and geopolitical conflicts may have substantial effect in energy and food prices.

In addition, energy and food prices are particularly important for households' inflation expectations.[7] And we know that it is easier for companies to gain acceptance for higher prices if the increase is due to rising costs than if it is due to rising demand.[8] Given the global turbulence, we need to remain vigilant about upside and downside risks to inflation.

So what does all this mean for the policy rate at coming meetings? The alternative scenarios in Chapter 3 clearly illustrate that the policy rate can be both higher and lower than in our forecast. However, it is more likely that the rate will be cut one more time than be raised. This is illustrated in the rate path which shows some probability of another cut this year. Moreover, if economic activity continues to be weaker than expected, further interest rate cuts may be necessary to support economic activity.

Let me summarise. For inflation to be sustainably close to the target and for economic activity to gain momentum, I support the proposal to cut the policy rate by 0.25 percentage points. In turbulent times it is important that monetary policy contributes to the stability of the economy by maintaining confidence in the inflation target and contributing to stronger economic activity.

Deputy Governor Per Jansson

I support the forecasts and the monetary policy assumptions in the draft Monetary Policy Report. I therefore support the proposed decision to now cut the policy rate from 2.25 to 2 per cent. As usual, in my contribution here today I will give some personal reflections on the proposed decision at today's meeting and the prerequisites for monetary policy going forward.

Since our last monetary policy meeting in early May, we have received one new inflation outcome, for May. In addition, the regular outcome, with detailed information on developments in the sub-groups of consumer prices, for inflation in April has been published. The outcomes show that price increases continue to be slightly elevated, especially when volatile energy prices are excluded. However, as the new outcomes are well in line with our forecasts from the March Monetary Policy Report and reinforce the picture that the unexpected rise in inflation at the

[7] See the speech "The psychology of inflation", published on 4 April this year.

[8] See for example Inflation, Expectations and Monetary Policy: What Have We Learned and to What End?.

beginning of the year was temporary, I do not think that the slightly higher outcome figures are particularly worrying.

In fact, a closer look at the details of the latest outcome rather paints a picture of more underlying inflationary pressures that risk becoming too low going forward. If, in addition to energy prices, food prices, international travel prices and administratively set prices are excluded – that is, various product categories whose prices are often very volatile or relatively insensitive to changes in the demand situation – price increases are now consistently below 2 per cent, both in terms of annual percentage change and at one-, three- or six-month rates. Although developments are affected to some extent by the temporary increase in the tax deduction for ROT work[9], even adjusted for this, price increases are generally slightly lower than the target.

That inflationary pressures run the risk of becoming too low in the period ahead is also evident from a comparison of how various inflation indicators have developed since our last report in March. Comparing Figure 16 in this draft report with Figure 17 in the March Monetary Policy Report, it becomes clear that the indicators point more than before to CPIF inflation excluding energy prices eventually falling below the inflation target.

Looking at the major sub-groups of consumer prices, the growth rate for services prices, whose weight in the consumer price index is almost 45 per cent, falls broadly both in terms of annual percentage change and in terms of changes over shorter time periods, especially for various underlying measures. Here too, the temporary increase in the tax deduction for ROT work contributes to the decline, but it only explains part of the fall. Another factor is that goods prices, which together with services prices account for almost 70 per cent of the consumer price index, have been increasing relatively slowly on average for over a year. And this is even before the relatively large effects of the stronger krona exchange rate have become more noticeable in price developments. Since shortly after our monetary policy decision on 29 January, the krona has now appreciated by around 14 per cent against the US dollar. Against the euro, the appreciation is slightly more than 4 per cent.

Turning to new information on the economic situation, the data is somewhat difficult to interpret. On the one hand, GDP was weak according to the National Accounts for the first quarter. According to the outcome, the year started with shrinking GDP rather than historically fairly normal growth, which was the assumption in our March forecast. On the other hand, various indicators, such as Statistics Sweden’s monthly consumption and GDP indicators and retail sales, point to a more favourable start to the year, both in the first quarter and at the

[9] ROT is tax relief on housing services (repairs, conversion, extension) introduced in 2008.

beginning of the second quarter. Business confidence has also been maintained and is at fairly normal levels.

It is interesting that most manufacturing companies in the National Institute of Economic Research's Economic Tendency Survey in May state that they are not affected, or only slightly affected, by changes in tariffs or uncertainty about future tariff levels. This is a result that is also repeated in our own Business Survey from May.

It is possible that Statistics Sweden's figures for GDP in the first quarter slightly exaggerate the negative development and that data going forward will be revised. But even if this were to happen, the current situation for the Swedish real economy is not one in which there is any need to be concerned about a very rapid economic improvement that could ultimately create problems with excessively high demand-driven inflation.

As we know, developments in the world around us are extremely volatile and, only over the last few days, we have unfortunately seen new examples of this. So, at this point, one has to plan for a broad range of outcomes for both the real economy and inflation and be prepared for things to change very quickly. Having said that, one must of course avoid becoming completely passive and paralysed and still strive to draw conclusions that appear to be robust. I share the conclusions in the draft report that there are now many indications that both economic activity and inflation in Sweden, in the shorter term, look to be weaker than expected and that it is therefore appropriate to now slightly revise our monetary policy plan in a more expansionary direction. I consider the risk of making a major mistake in doing so to be very small.

An important assumption for the inflationary effects of tariffs in Europe and Sweden is how the EU will respond to the import tariffs in the US. Of course, the higher and more extensive tariffs the US administration chooses to impose, the more pressure there will be on the EU to respond with fairly tough countermeasures. While the uncertainty about the size and scope of US tariffs is very high at the moment, I still stand by the conclusion I drew back in March, namely that the Trump administration has now embarked on a more cautious path with the aim of finding negotiated solutions rather than imposing tariffs on every single country that has a trade surplus with the US. The fact that the legal basis for some of the White House's tariffs has been questioned may be of some importance in this context.

A more reasonable and cautious US tariff strategy also opens the way for the EU to hold back on its tariff responses to a large extent. And, as it happens, this is also basically the assumption on which the forecasts in the draft report are based. In this context, it is interesting to note that these premises for the development of the trade conflict are well in line with the assumption made by the ECB in its latest forecast.

I would like to conclude with a comment on our updated interest-rate path. According to the interest-rate path, the interest rate now falls to just under 1.9 per cent at the turn of the year 2025/2026, compared with 2.25 per cent in the March forecast. The path thus implies a probability of approximately 50 per cent of a further interest-rate cut in the second half of the year. In 2027, the policy rate then begins to rise slowly again, reaching just over 2 per cent at the end of the forecast period. The interest rate then continues to rise beyond the forecast period to eventually end up in the middle of the interval currently assessed by the Riksbank to be the long-term level of the policy rate, 1.5-3 per cent.

The uncertainty surrounding the long-term level of the policy rate is, of course, very great and it is entirely possible, even probable, that we will need to revise this level several times in our forecasts going forward. Various measures affecting the more short-term neutral interest rate, such as changes in fiscal policy, can also complicate the adjustment towards the long-term level, with both increases and cuts along the way.

However, the important message right now, as I see it, is that we see a need to have a policy rate for some time that is lower than what we assess it will be in the long term. That is why the interest-rate path starts to curve upwards in 2027. This is therefore not an expression that we now consider that monetary policy needs to be tighter than we previously assessed, but on the contrary a result of our belief that policy needs to be more expansionary for a time, with an interest rate that is below the long-term neutral rate.

Deputy Governor Anna Seim

I support the proposal to cut the policy rate by 0.25 percentage points to 2 per cent. I also support the forecasts and the deliberations in the draft Monetary Policy Report.

Global uncertainty remains very high, but my assessment is that it has partly changed character. Trade policy is still characterised by initiatives that are difficult to analyse but geopolitical tensions have escalated, and the outcome space is broad. As yet, it is too early to try to gain an overview of what effects the war between Israel and Iran may have but we are following developments closely and are prepared to act if our analysis suggests that Swedish inflation and economic activity risk being affected.

Our forecasts indicate that the interest rate path we envision gives rise to inflation in line with the target. As for the economic outlook, the picture is not clear but there are signs that the uncertainty has made households and companies cautious. As various indicators suggest stable underlying inflationary pressures but weak economic activity, I consider cutting the policy rate to be a well-balanced decision. We are continuing along a road fraught with uncertainty but are keeping the fog lights on.

Like Per, at today's meeting, I would like to comment on (i) the underlying inflationary pressures and the risks I will be monitoring particularly closely going forward and (ii) the interest rate path in relation to our estimate of the long-term neutral interest rate.

The substantial uncertainty suggests that demand will be weak and inflationary pressures moderate. However, just like earlier in the spring, my assessment is that the risk of supply shocks is elevated. Shocks may arise in the wake of the trade barriers that have been imposed but may also occur as a result of, for instance, the crisis in the Middle East, which, among other things, risks leading to rapidly rising oil prices.

In an environment that demands we stay vigilant against inflationary tendencies, it is important to study the development of individual inflation components with a keen eye for anomalies. The draft report includes such analysis, for instance in Figure 16, which shows the spread in various inflation indicators. The image shows that there are now signs of higher inflation but also signs of lower inflation. The spread has thus become slightly greater since March. A look back suggest that this kind of spread is not unusual but that what happened in the inflation surge of 2022 was partly that the upward pressure was stronger than now and partly that there were not any factors holding inflation back. At present, there is still such a mass below the blue line in the figure, which shows actual underlying inflation in terms of the CPIF excluding energy.

Figure 17 shows another way of illustrating inflationary forces in the economy. Here, we can see the distribution of price rises in the CPIF excluding energy at different points in time. At present, we observe a distribution with a mean value close to 2 per cent but with a long tail to the right in the distribution. What this captures is that a few individual components are driving the somewhat elevated level of inflation. As we write in the draft report, the rise in inflation in 2022 was characterised by the entire distribution shifting to the right. Just as now, the tail to the right also became longer in 2022 but we do not observe any shift in the distribution as a whole at present.

To understand what lies behind the distribution in Figure 17, we can also study the heat map in Figure 14. As I noted at the monetary policy meeting in March, the upturn in inflation in 2022 was characterised by high energy prices that then spread to the rest of the economy. Figure 14 shows this as the dark red field in the south-west corner of the map, which then spreads to the rest of the economy. We know that, three years later, these impulses persist in terms of higher rents that are still increasing more than normal. Other fields in the heat map, however, are mostly yellow or orange in May 2025.

To sum up, even though there are factors that could create inflationary impulses in the economy, such as rising oil prices, supply chain shocks, increased transport costs, a weaker krona or fiscal policy stimulation measures, no such tendencies can be seen in the data. Rather, there is a risk that the weaker demand caused by the uncertainty will create low inflation. But we are carefully monitoring underlying inflation and its components and are watchful for deviations that can be assumed to foreshadow an inflation rate deviating significantly from the target.

Allow me also to comment briefly on of the interest rate path in relation to our assessment of the neutral interest rate. How should we interpret the slope of the interest rate path and the fact that it turns upwards in the medium term? With today's cut and the path we see ahead of us, we wish to achieve a more expansionary policy that supports households and companies. In the long term, however, it is reasonable to assume that we are moving towards the middle of the interval in which we assess that the neutral interest rate lies. By the long term, we mean a point in time beyond our three-year forecast horizon. The slope of the interest rate path should not be taken to mean that we can decide whether the neutral interest rate is 2.25 or at some other level within the interval but it is a reasonable estimate that serves as an anchor in our forecast. However, one should be aware that, just as we adjust the interest rate path to ensure we reach our target when new shocks affect the economy, we may also change our assessment of the long-term neutral interest rate.

Finally, I note that, in this uncertain world and the prevailing situation, it is not always easy to look forward with confidence. But it is important to remember that the financial system, international institutions and the Swedish economy have proved to be resilient. Swedish households are now experiencing further rises in real disposable income, which is paving the way for stronger demand and benefiting growth. I am convinced that today's cut will further strengthen households and companies and make us even better equipped to manage whatever shocks may impact us in the period ahead.

Governor Erik Thedéen

I support the proposal to cut the policy rate by 0.25 percentage points to 2 per cent, and I endorse the assessments described in the draft Monetary Policy Report.

As in May, my deliberations ahead of today's decision have been characterised by the current global situation and, in particular, the uncertainty arising from the new US trade and security policy. Moreover, if the war between Israel and Iran escalates further, there is a risk that it will lead to major disruptions in oil supply and possibly also to a weaker global economy.

When we decided on an unchanged policy rate at our May meeting, it was based on the assessment that inflationary forces were weighing in different directions. Weaker growth pointed to a somewhat easier monetary policy, while we feared that high trade tariffs could lead to rising inflation. The outlook for Swedish inflation and growth remains difficult to assess and there is a risk that developments will be significantly different from our forecasts. Nevertheless, my judgement is that forecast uncertainty has declined somewhat over the past month or so. Despite the rise in oil prices over the past week, I now see a somewhat lower risk of inflation rising again and remaining persistently high. I also believe that the risk of a sharp economic slowdown has diminished somewhat. At the same time, the recovery is being hampered by the uncertain global situation, with the ongoing trade conflicts and the escalating conflict in the Middle East being the most obvious examples. The effect is likely to be subdued demand, which will contribute to somewhat lower inflation beyond the near term. A fragile recovery and reduced risk of high inflation together imply that there are now reasons and scope to cut the policy rate.

Over the past three months, CPIF inflation has been close to our 2 per cent target and in line with our latest published forecast, from March. This has added confidence to our assessment that the rise in inflation at the beginning of the year was temporary. Underlying inflation, measured as the CPIF excluding energy, remains above target but is expected to fall back over the coming year. We still expect it to be close to 2 per cent from the start of next year.

Our current forecast for energy prices means that CPIF inflation at the beginning of next year will be lower than inflation measured as the CPIF excluding energy and lower than the target for CPIF inflation of 2 per cent. But this is a temporary effect, and it is difficult and hardly desirable to conduct monetary policy in a way that involves adjusting the policy rate to counteract temporary fluctuations in energy prices. As is well known, these vary quite considerably over the year and the recent dramatic events in the Middle East may contribute to increased volatility, not only in the short term. In this situation, I see an advantage in adjusting monetary policy primarily in line with the forecast for CPIF inflation excluding energy. This strategy should bring CPIF inflation closer to the 2per cent target over time.

Several factors create risks and could lead to inflation being both higher and lower than forecast. It is still my assessment that the ongoing trade conflicts are unlikely to give rise to any strong inflationary impulses in Sweden. As mentioned, inflation continues to develop in line with our forecasts and we see few signs yet of the trade conflicts pushing up Swedish companies' costs in a way that would significantly affect consumer prices. The responses from purchasing managers in Swedish companies (PMI) indicate that price increases for primary products and input goods are comparatively low. In addition, in our own Business Survey, most companies either state that they have been only slightly affected by the imposed import tariffs, or that they have not been affected at all.

The development of the krona exchange rate is another factor that to some extent reduces the risk of inflation picking up again. The appreciation in the first months of the year has not yet been reversed. The Riksbank's assessment is that the krona remains undervalued and will appreciate further.

The outlook for the Swedish economy is difficult to assess, and the statistics are mixed. The GDP outcome for the first quarter was weak and is the main reason for the downward revision of growth in 2025. At the same time, however, households are continuing to purchase durable goods at a somewhat higher rate than before, and Statistics Sweden reports decent growth in both consumption and production for April. One way of describing the Swedish economy at present is that the recovery slowed down at the beginning of the year but that there are some signs that it is beginning to pick up again.

To summarise, my current assessment, and the basis for my decision to recommend a looser monetary policy, is that growth appears to be weakening somewhat, although I do not believe that the downturn will be particularly deep. However, as I perceive that the risks of inflation persistently overshooting the target have decreased somewhat, compared with the situation in May, I conclude that there are now reasons for cutting the policy rate. The outcome of EU-US negotiations on trade tariffs remains uncertain. But I take the recent developments to mean that the risk of a really unfavourable outcome, with very high tariffs, has diminished. As a result, inflationary risks should have diminished and there is therefore scope to ease monetary policy to further support growth. It will continue to be important to monitor and analyse incoming data that provide information on the strength of the recovery.

Today, we are signalling some probability that it may be warranted to cut the rate further. But I want to emphasise that this signal should not be over-interpreted, given the uncertain situation. As always, if there is reason and scope, we will adjust the policy rate so that monetary policy contributes to a balanced development of output and employment. However, the ongoing trade and geopolitical conflicts are creating risks that, if they materialise, could present monetary policy with difficult choices. These risks are not something we can act on today; what can be done is to monitor and analyse events closely, so that we can interpret them as accurately as possible.

Finally, it is worth emphasising again that our assessments are inherently uncertain and that all forecasts for the Riksbank's policy rate, including our own, therefore must be interpreted with caution. The alternative scenarios presented in the draft report illustrate this uncertainty well. We remain alert and ready to adjust our chosen course if necessary.

§4. Monetary policy decision

The Executive Board decided

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

This paragraph was confirmed immediately.

Minutes taken by

Jesper Johansson Pernilla Wasén

Verified by

Erik Thedéen Anna Breman Per Jansson

Aino Bunge Anna Seim

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