

Minutes of the Monetary Policy Meeting

November 2026

MINUTES OF THE MONETARY POLICY MEETING

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

Tomas Eneroth, Chair, General Council of the Riksbank

Jakob Almerud
Björn Andersson
Lena Arfalk
Mattias Erlandsson
Susanna Grufman
Rebecka Hallerby
Matilda Kilström
Ellen Kockum
Anders Kvist
Henrik Lundvall
Annica Sandberg
Olof Sandstedt
Åsa Olli Segendorf
Anna Sjulander
Anne-Catherine Worth

Buster Carlsen (§1-3a)
Maria Johansson (§1-3a)

It was noted that Hans Dellmo and Jesper Johansson would prepare the minutes of the monetary policy meeting.

§3 Monetary policy review

§3a Economic developments

Financial market conditions

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

The war in the Middle East and unrest around the Strait of Hormuz remain a dominant driver of developments in financial markets. Higher costs for, among other things, oil, freight and food are assessed to dampen economic growth, particularly in energy-importing economies, and to contribute to increased market volatility. Gas prices in Europe have tripled in 2026 as a result of the war and lower-than-average European gas storage levels for this time of year.

The combination of disrupted product flows resulting from the conflict around the Strait of Hormuz, Ukrainian attacks on Russian refineries and postponed refinery maintenance has driven up the price differential between crude oil and refined petroleum products to historically high levels. Analysts assess that the strained market situation for refined products may persist well into 2027. However, the situation has improved slightly recently.

Equity market performance was mixed in October. Broad European indices and equal-weighted US indices have risen, while the tech-heavy Nasdaq fell sharply towards the end of the month, after previously reaching record levels. The decline was driven by increased concerns about large-scale AI-related investment. These developments have also led market participants to question how far central banks can tighten monetary policy without harming the economy.

The US mid-term elections are another source of uncertainty for markets. Opinion polls suggest that the Republicans could lose control of at least one of the two chambers of Congress, which could limit President Trump's ability to implement his economic policy.

Rising inflationary pressures have caused several of the large central banks to tighten their monetary policies. Since the beginning of September, most G10 countries' central banks have raised their policy rates. US and European government bond yields have continued to rise from already high levels in early October, before falling back somewhat. As investors have become more cautious and shown lower appetite for risk, demand for safer assets has increased, contributing to lower government bond yields in some countries. However, market turbulence in France has continued, driven by concerns over the long-

term sustainability of public finances and a difficult political situation. This has increased French government bond yields, as investors demand higher risk premiums to hold French assets.

Analysts expect the Riksbank to raise the policy rate to 2 per cent at today's monetary policy meeting, an expectation also reflected in market pricing. The spread between yields in the euro area and Sweden narrowed during October, which contributed to a stronger krona. However, the krona continues to be the G10 currency that has weakened the most against the US dollar this year.

The banking sector and financial stability

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

The risks to financial stability remain elevated. The global environment is characterised by considerable uncertainty about geopolitical developments and continued disruptions in the global energy market. Energy prices in Europe have continued to rise, putting pressure on households and companies and increasing risks to the economy. Furthermore, long-term government bond yields have risen further during the autumn, particularly in countries with weak public finances. This rise in yields has been especially pronounced for French government bonds. A broader crisis of confidence in some countries' fiscal positions could lead to turbulence in financial markets, which could be amplified by the actions of highly leveraged non-banks. Despite these global conditions, key funding markets have functioned well.

Optimism surrounding AI has contributed to high valuations and a greater concentration of exposures in global equity indices and among asset managers, while AI investment is increasingly being financed by borrowing. The complex funding structures make it difficult to assess the risks and increase the risk of spillover effects if the high expectations for AI companies are not met. Risk premiums have generally increased slightly, particularly for non-financial companies with lower credit ratings and for AI-related companies, although they remain low by historical standards.

Credit in Sweden has grown in line with the real economy, and at present, there is no clear build-up of cyclical systemic risks linked to private sector borrowing. The easing of mortgage rules has contributed to more households taking larger loans relative to the value of their homes, but so far, aggregate debt is growing in line with incomes. The property sector, to which banks have large exposures, continues to benefit from favourable funding conditions but is weighed down by a weak rental market and high vacancy rates. The banking system remains resilient, primarily because the major banks are profitable and have margins extending

down to liquidity and capital buffers. However, the threat of cyberattacks continues to grow against the backdrop of rapid technological developments and the uncertain security situation. This underscores the need to strengthen operational preparedness among all participants in the financial system.

Macroeconomic developments and material for the Executive Board's discussion based on the draft Monetary Policy Update

Jakob Almerud, senior economist at the Monetary Policy Department, presented the latest assessment of macroeconomic developments and the proposal for a monetary policy decision that the Monetary Policy Department judges will command majority support on the Executive Board at today's meeting.

The basis for today's interest rate decision was discussed with the Executive Board at preparation meetings on 22 October. The draft Monetary Policy Update was discussed on 26 October.

At the monetary policy meeting in September, the Riksbank left the policy rate unchanged at 1.75 per cent. The forecast at the time was that labour market conditions would improve markedly and that economic activity would return to normal next year. Stronger economic activity, combined with continued supply disruptions, was expected to contribute to inflation rising above the inflation target next year. Against this backdrop, the policy-rate forecast was revised upwards, and the Riksbank assessed that policy-rate increases should begin this year.

A central question in preparing for today's monetary policy decision has been whether the September outlook for Swedish inflation and economic activity remains valid in the light of both new information and potential shifts in the risk outlook. The focus has continued to be on supply disruptions linked to the war in the Middle East, as well as on developments in the Swedish economy. Another important issue has been how to view global financial conditions in the light of, for example, uncertainty about AI developments and weak public finances in several countries.

The draft Update sets out proposed assessments of the international and Swedish economies. The draft shows that new outcomes and indicators confirm the assessment made in September. Economic activity continues to strengthen and is expected to return to normal next year, while indicators of inflationary pressures remain elevated. Labour market conditions are also expected to continue to improve. The combination of stronger economic activity and cost increases resulting from supply disruptions, as well as the fact that the krona has weakened this year, is expected to contribute to both CPIF inflation and measures of underlying inflation rising above 2 per cent next year. However, the direct effects

of temporary fiscal policy measures will continue to dampen inflation for some time. Excluding these effects, CPIF inflation was already 3 per cent in September.

The risk outlook continues to be shaped by the war in the Middle East and the resulting supply disruptions. There are also risks to the domestic economy. The possibility that the recovery will happen faster than expected cannot be ruled out, but at the same time, there is uncertainty regarding the strength of developments in the labour market. Further risks to the outlook stem from weak public finances in several countries and from the uncertainty linked to the large AI investment.

The proposal for a monetary policy that the Monetary Policy Department judges will command a majority in the Executive Board at today's meeting is described in Annex A to the minutes. The proposal entails that the policy rate is raised by 0.25 percentage points to 2 per cent and that the policy-rate forecast from the September Monetary Policy Report remains valid.

§3b The economic situation and monetary policy

Deputy Governor Per Jansson

I endorse the economic and monetary policy assessments presented in the draft Monetary Policy Update. This means that I support the proposed decision to raise the policy rate by 0.25 percentage points to 2 per cent, as well as the communication regarding future monetary policy contained in the draft Update.

Over the course of the year, the central question for monetary policy has increasingly been when to begin normalising the policy rate from its current, mildly expansionary level. For my part, I have reasoned largely in terms of a trade-off between, on the one hand, moderate inflation at the outset and, on the other hand, the risk of a fairly substantial rise in inflation in the period ahead. The concern here is that inflation could rise sharply as a result of the interaction between rising demand and bottlenecks on the supply side of the economy, combined with a noticeable weakening of the krona exchange rate. This trade-off has also been decisive for my monetary policy conclusions at this meeting, and in my remarks today, I would therefore like to explain how I currently view the situation.

Since the monetary policy meeting in September, we have received one new inflation outcome, for that same month. The most striking feature is the strong upward pressure on inflation from rising energy prices. The contribution of energy prices increased from 0.3 percentage points in August to a full percentage point in September, which was also slightly higher than expected. Given this, CPIF inflation rose to 1.5 per cent, compared with 0.7 per cent in August.

Excluding energy prices, inflation remained low and showed no signs of rising. In both August and September, it was 0.5 per cent. The September outcome was even a few tenths of a percentage point lower than forecast.

As before, I believe there are strong reasons to disregard the inflation effects of temporary fiscal policy measures in monetary policy. The timing of the introduction and phase-out of these measures is known in advance, which means their direct effects on CPIF inflation can be calculated quite accurately. Since the measures are temporary and limited to specific components of consumer prices, it is also unlikely that they will lead to any substantial indirect effects on other prices. If the effects of these measures are excluded, inflation in September was 1.6 per cent excluding energy prices and 3.0 per cent including energy prices.

The fact that inflation excluding energy prices continues to be well below 2 per cent, even when the effects of the temporary fiscal policy measures are removed, is of course reassuring given the upside risks to inflation in the period ahead. Although price increases for this measure over the past three and six months are slightly above 2 per cent, the trend is rather towards a slowdown. In both August and September, for example, the monthly increase was significantly lower than 2 per cent.

More concerning is that inflation excluding these temporary fiscal policy measures now clearly exceeds 2 per cent when energy prices are not excluded. As mentioned, the September outcome was 3 per cent, which was nearly one percentage point higher than in August. For this inflation measure, price developments over shorter periods are also considerably more worrying. Over the past three and six months, the rates of increase recorded in September were above 4.5 per cent, and the monthly increase peaked as high as just over 7.5 per cent. While such high-frequency measures are highly volatile and must be interpreted with caution, the overall picture of price developments nonetheless raises concerns.

At the same time, futures prices for various energy products – in line with the trend throughout the year – indicate relatively rapid and steep price falls ahead. If these falls materialise, the current high level of CPIF inflation excluding the temporary fiscal policy measures is less alarming. However, futures prices have systematically underestimated energy prices during the year, and there is, of course, a risk that this will continue to be the case. This is particularly true as there is still no apparent path towards peace, either in the Middle East or in Ukraine following Russia’s invasion.

During the year, it has become increasingly clear that the sharp increases in energy prices have driven up costs for companies. Even excluding energy prices, producer prices are clearly rising. The fact that costs have been on an upward

trend for some time increases the risk that they will eventually be passed on to consumers. In a more adverse scenario, companies' pricing behaviour could change so that the cost pass-through becomes the rule rather than the exception. This is what happened during the 1970s and 1980s, when large wage increases over many years forced companies to regularly offset these increases by raising the prices of their goods and services. At that point, cost increases become an integral part of a more underlying inflationary spiral. Breaking such a spiral can require very sharp interest-rate increases, placing significant strain on the real economy. Fortunately, we are not there yet, but there are worrying signs that developments are moving in that direction.

Let me now turn to my current view on the interaction between demand and supply, as well as the krona exchange rate. It is becoming increasingly clear that the Swedish economy is now recovering, with robust growth in aggregate demand.

After a very strong second quarter – when all expenditure components apart from inventory investment contributed positively to GDP growth – new preliminary statistics from Statistics Sweden suggest that growth was also solid during the third quarter. Growth even appears to have been somewhat stronger than we anticipated in the September Monetary Policy Report.

While preliminary statistics can be volatile, the picture of a solid economic upturn is supported by a broad set of indicators. This gives good reason to believe that the figures are broadly reliable. Sentiment among households, as measured by the National Institute for Economic Research's Economic Tendency Survey, did fall quite sharply in October. However, household consumption has previously developed strongly despite dampened sentiment. The decline may have specific explanations, such as the significant rise in electricity prices in September and the expectation that prices will remain high during the winter, but it is also possible that the protracted process surrounding the formation of the government is playing a role. In the business sector, however, sentiment is stronger than normal and continues to improve. Optimism is significantly higher than normal in both manufacturing and retail.

Regarding the supply side, I have already mentioned that the wars continue and that it is currently difficult to see a peaceful resolution within reach. I have also commented on the increasingly evident and growing upward pressure that the wars have put on companies' costs. US trade and foreign policy, together with extreme weather resulting from climate change, also continue to pose a risk of new problems emerging rapidly. So far, as far as we can assess, the indirect effects of the supply disruptions are not particularly large, but we know from the high-inflation period of 2022–2023 that developments can quickly take a turn for the worse.

As for the krona, developments since our last monetary policy meeting in September have been slightly more favourable than earlier in the year. Since shortly after the announcement of the September decision, the krona has strengthened by nearly 3 per cent against the euro and approximately 1 per cent against the US dollar. This is welcome. But taking a slightly longer perspective, since the outbreak of the war in the Middle East on 28 February, the krona remains significantly weaker and will soon begin to exert quite substantial upward pressure on inflation. This could occur at a time when the demand and supply dynamics are already problematic for inflation.

Let me summarise my conclusions regarding the inflation picture and monetary policy from this discussion. As for current inflation, the picture has become more complicated since our meeting in September. As the supply disruptions persist and have an increasing impact on companies' costs, it is increasingly uncertain whether energy-price increases should be excluded or included in the more underlying, genuine, inflation process. At the same time, upside inflation risks continue to increase against a backdrop of both an increasingly robust economic recovery and persistent problems on the supply side. In addition, the significant weakening of the krona during the year does nothing to reduce the risk of a fairly substantial rise in inflation in the period ahead.

The changes compared to September are not large, but even in that forecast there was a relatively high probability that a rate increase might be appropriate at today's meeting. What has happened since then is sufficient to convince me that it is appropriate to act at today's meeting rather than wait any longer.

As I mentioned, regarding our plan for monetary policy in the period ahead, I support the communication contained in the draft Update. I therefore consider it likely that the policy rate will be raised further over the coming year, in line with our monetary policy plan from September. To me, the expectation that future policy-rate increases will be 'in line with' the September forecast rather relates to the total number of increases envisaged in September – namely just under two further increases – than their exact timing. This means, among other things, that I do not believe that raising the policy rate now more or less rules out the possibility of also needing to raise it at our meeting in December.

Having said that, I would like to emphasise that, even if it becomes appropriate to raise the policy rate slightly faster than envisaged in the September forecast, this is still a matter of a relatively cautious normalisation of monetary policy. Such a path has been in our forecasts for quite some time, indeed, since before the war in the Middle East broke out. There is therefore nothing dramatic about this, and the increases we expect to make do not reflect a perceived need to address a very large rise in inflation in the period ahead – that would require significantly larger rate increases. As should be clear from my remarks here today, I do not believe

that such a risk can be ruled out, but for now it remains just that: a risk. For the time being, I still have high hopes that the increases in our current monetary policy plan will be sufficient to eventually stabilise inflation around the target. As always, however, we should remain highly prepared to adjust monetary policy if the inflation and economic outlook warrant it.

Deputy Governor Göran Hjelm

I support the proposal to raise the policy rate by 0.25 percentage points to 2 per cent, as well as the assessments made in the draft Monetary Policy Update.

The overall picture is that the driving forces on especially the supply- ,but also on the demand side have further strengthened in recent months. The probability of larger inflation impulses stemming from supply-driven cost increases and of resource utilisation normalising over the coming year has risen. To moderate the pass-through from the cost increases to Swedish consumer prices, monetary policy should, in this situation and with a margin of safety, keep resource utilisation in check and remain vigilant regarding the development of the exchange rate. Therefore, the normalisation of monetary policy that has been announced should begin now in November.

The supply disruptions originating in the Middle East are continuing, and it is reasonable to assume that the coming months will also be characterised by continued supply-driven cost increases. So far, prices for consumer goods excluding energy have not been significantly affected in either the producer or consumer stages. However, the price increases on fuel, natural gas and inputs at the producer level have been substantial. The import price index rose by approximately 4.5 per cent in September compared with August, primarily due to fuel-related products. The upturn in import prices since the outbreak of the war is now nearly 15 per cent, which can be compared with the upturn of around 40 per cent between the summer of 2021 and the summer of 2022. The price upturn at the producer level for goods consumed in Sweden is, however, broader than just energy. Prices of inputs in the price index for domestic supply (ITPI), which exclude direct effects from energy-related products, increased by nearly 1.5 per cent last month. Since the outbreak of the war, these prices have increased by approximately 10 per cent, and the annual growth rate is roughly one standard deviation higher than normal. The correlation between producer prices and consumer prices has on average been weak, but in the event of larger movements, a positive correlation is more likely. Given companies' elevated pricing plans according to the Economic Tendency Survey, it is reasonable to assume that consumer prices will rise faster than normal going forward, due to the increased costs companies are facing. Furthermore, indicators that include qualitative aspects of supply disruptions remain at elevated levels, with the Global

Supply Chain Pressure Index having turned upwards again and now standing at 1.3 standard deviations above the normal level.

The driving forces on the demand side regarding AI, defence and the climate transition remain strong, and statistics on real economic developments have recently been somewhat higher than expected on the upside, both internationally and in Sweden. The economic strengthening that became clearer at the mid-year point in Sweden has been repeatedly confirmed during the autumn, and the upturn has broadened to all parts of demand. From the production side, it is now more evident that the outlook is also improving for the construction sector, which expects both increased building activity and more employees in the near term. The combination of low labour shortages in the business sector according to the Economic Tendency Survey, and spare capacity in the labour market, indicates that companies can meet higher demand and thereby increase resource utilisation in terms of both production and employment. According to the confidence indicator and the Purchasing Managers' Index for the manufacturing sector in the Economic Tendency Survey, sentiment in the business sector has strengthened slightly further from an already high level, implying continued higher-than-normal growth in the near term.

I assess that the primary risk that demand does not develop as expected lies with household consumption. Consumption has developed strongly over the past year, but this has been partly influenced by fiscal policy stimuli, the scale of which is likely to decrease in the coming year. Furthermore, sentiment among households fell clearly in October in the Economic Tendency Survey, which was due to poorer expectations for both the Swedish economy and their own finances. While a single month should not be over-interpreted, one reason for this change may be that households have begun to anticipate higher expenditure for fuel, electricity and mortgages — this hypothesis is supported by the fact that household inflation expectations rose clearly in the same survey. Overall, however, I assess that the risks surrounding household consumption are, with some margin, offset by the fact that companies' already optimistic expectations have increased slightly further.

There is nevertheless a risk that the expected demand development will not be strong enough for the spare capacity in the labour market to be put to use, both in terms of unemployed persons who are ready to take a job and part-time workers who wish to increase their working hours. This particularly concerns developments within the service sector, as it accounts for just over 50 per cent of employment in the business sector. According to the Economic Tendency Survey, recruitment plans in the sector are still lower than normal and need to increase in the near term for employment to rise in line with our September forecast. However, the prerequisites are in place for this to happen, as companies'

assessments of order volume have risen to near normal, while sentiment within the sector, which is an indicator of future growth, is approximately one standard deviation above the normal level. Additionally, there are indicators that the productivity level in the business sector as a whole is temporarily high (so-called negative labour hoarding), which, given the expected demand development, provides ground for expecting higher employment ahead. However, should demand develop roughly as expected without the spare capacity in the labour market being utilised to the expected extent, it would be a sign that the permanent productivity level is higher than our assessments. If that were the case, it would suggest that the policy rate is less expansionary than I currently assess it to be.

Turning to inflation. It is striking how limited the indirect effects of supply disruptions have been so far. Measures of underlying inflation in both the United States and the euro area have barely increased since the outbreak of the war. In Sweden, underlying inflation excluding energy and the effects of temporary fiscal policy measures has risen since March, but this is likely primarily due to the fading effects of the krona appreciation in 2025, as well as rising prices for certain transport and electronic products, the latter being a result of strong international demand for memory cards. This underlying inflation now stands at 1.6 per cent with a rising trend in the six-month figures, even excluding volatile travel services. As I mentioned above, price increases for fuel and inputs at the producer level have been substantial. Additionally, rising electricity prices contribute to even higher costs for companies. Overall, it is reasonable to expect that companies will pass on increased costs to the consumer level to a greater extent than they have done so far. Increased resource utilisation and the weakening of the krona this year also contribute to underlying inflation rising next year, partly by increasing the pass-through from supply disruptions. Price increases should, however, be limited to some extent by the fact that companies have for a time experienced a favourable development in unit labour costs thanks to high productivity growth.

I assess that upside risks dominate relative to the inflation forecasts from September. There are a number of explanations for this. Price increases at the producer level have, as mentioned, increased more than expected recently. Furthermore, there is a risk that the conflict in the Middle East will both escalate in the near term and become more protracted than is expected according to the market pricing of crude oil and fuel. Additionally, there is a risk that the international AI boom continues to increase prices for electronic products more than expected, which affects Swedish inflation through several channels.

Turning to my monetary policy trade-offs. The policy rate has remained unchanged since September 2025, but for some time the Riksbank has been clear that the next step is an increase. There is no drama in this, though the timing

should be carefully considered at each decision meeting. In my opinion, until now there has been an option value in awaiting more information regarding the strength of the economic recovery, the development of underlying inflation, and the scale of cost increases that supply disruptions may entail. Considering the horizon within which monetary policy operates, there are in my view three main reasons why it is now appropriate to raise the policy rate. As I have stated previously, I assess the current level of the policy rate — regardless of the extraordinary demand-related driving forces currently present — to be mildly expansionary, making a normalisation to a slightly higher rate level appear reasonable as the economic situation strengthens. A more important reason is that the economic recovery, *including the aforementioned driving forces*, has become even clearer, while several indicators point to a continued strengthening of the economy. Lastly, and most importantly for my assessment at this meeting, is that the supply disruptions and the cost increases they entail have become larger and lasted longer than previously feared. As I have argued before, it is appropriate, within reasonable limits, to look through supply-driven inflation provided that inflation expectations are anchored and that wage formation and fiscal policy are not assessed to hinder monetary policy. However, in such a situation, monetary policy should, with a margin of safety, keep resource utilisation in check, as the price pass-through from cost increases can increase non-linearly when resource utilisation is higher than normal. Furthermore, monetary policy vigilance is needed regarding the exchange rate, where it may be necessary to counter a weaker rate than is justified by the relative development of inflation and the real economy compared to the rest of the world. It remains to be seen to what extent the policy rate needs to be raised to achieve this overall, but I assess a further increase as likely given the current outlook.

If, in a parallel universe, we had had the same forecast picture for inflation and resource utilisation but without the cost-driving supply disruptions and the risk profile they entail, the option value of waiting further with a rate hike would have outweighed other factors. It would then have been appropriate to await even clearer signs that the idle resources in the labour market would be utilised before the policy rate needed to be raised. However, we are now here, and therefore I support the draft Monetary Policy Update.

Deputy Governor Anna Seim

I support the proposal to raise the policy rate by 0.25 percentage points to 2 per cent. I also endorse the considerations presented in the draft Monetary Policy Update.

My decision rests on arguments I have put forward at previous meetings. The causes of the supply disruptions that have hit the global economy persist, prices for several commodities and freight services are elevated, inflation has risen in

several parts of the world, and domestic inflationary pressures are stronger than normal. When the direct effects of temporary fiscal policy measures are removed, underlying inflation excluding volatile energy prices is 1.6 per cent, while inflation measured by our target variable, the CPIF, is 3 per cent. Our September forecast also indicates that inflation will remain elevated over the coming year. Since the September meeting, new data also provide clear evidence of rising prices for electronic products linked to the development of AI, which could further increase cost pressures and have a broader impact on the economy in the period ahead.

Furthermore, the economic upturn appears to be robust and is characterised by a strong industrial sector and optimistic companies. The labour market is expected to strengthen going forward, and household consumption has grown faster than normal this year. As I mentioned at the monetary policy meeting in September, there is, however, uncertainty about the strength of demand, as real household incomes have been temporarily boosted by fiscal policy stimuli that are now being gradually phased out. After rising steadily for a period, household sentiment fell sharply in October, according to the Economic Tendency Survey. This could, for example, be because the sample varies between surveys – and one should never draw far-reaching conclusions from a single outcome – but it could also be a sign that households are worried that the economy is entering a new phase. Media headlines suggesting that households face a 'cocktail' of tighter fiscal policy, higher interest rates, inflation and higher electricity prices easily bring to mind the inflation surge of 2022–2023, and in such an environment, a backlash in household optimism is not surprising.

In this context, it is essential to (i) remind ourselves why curbing inflation in good time is crucial, and (ii) emphasise that the rate increases included in the September policy-rate path should be seen as a normalisation of monetary policy, not as a dramatic tightening.

High inflation is harmful for several reasons. The higher it becomes, the more it tends to fluctuate and become entrenched, thereby making it more difficult for companies and households to plan for the future. Furthermore, it redistributes wealth between savers and borrowers unpredictably. However, what I primarily wish to highlight today are what might be termed the first-order effects of high inflation – the reduction in real incomes and the erosion of our purchasing power. High inflation affects everyone – students, employees, entrepreneurs and pensioners. It is therefore in the interest of society as a whole that inflation does not become too high. Sweden is an economy with a high degree of interest-rate sensitivity, and it is often pointed out that a rise in the policy rate increases borrowing costs for mortgage holders and companies; however, we should recognise that the erosion of real incomes caused by inflation affects everyone in the economy even more directly. The impact of inflation also tends to be greater

as a share of income, for low-income earners than for high-income earners, as spending on essential goods accounts for a larger share of their income. Research therefore generally suggests that inflation is regressive and tends to hit households with limited financial margins the hardest.[1]

Since monetary policy transmission takes time and our September forecasts suggest that inflation will be elevated next year, my assessment is that we should now make monetary policy less expansionary so that the economy does not grow too quickly and create a more serious inflation problem. I believe that acting early reduces the risk that we will need to act more forcefully later. I see today's decision and the increases included in the September policy-rate path as a natural part of a normal economic cycle and a gradual move towards a monetary policy stance that safeguards the inflation target and keeps the real economy in balance. This kind of forward-looking policy preserves the value of money over time and provides the economy with a nominal anchor that enables real wage increases that reflect productivity growth and are conducive to broad increases in prosperity.

Uncertainty in the global environment remains considerable. In addition to the risks we mention in the draft Monetary Policy Update, we can only speculate on how the outcome of the US mid-term elections later today may affect US foreign and trade policy, the stability of the US economy and cross-border financial flows. All these factors can, to varying degrees, affect the krona, economic activity and the dynamics of Swedish inflation in the period ahead. We will publish new forecasts in December and, as always, remain fully prepared to adjust monetary policy should this prove warranted.

First Deputy Governor Aino Bunge

I support both the proposal to raise the policy rate by 0.25 percentage points to 2 per cent at this meeting, and the assessments made in the draft Monetary Policy Update.

The recovery in the Swedish economy is continuing on a broad front, and the economic situation is approaching a normal level. The global environment is at the same time characterised by stronger growth, but also considerable geopolitical uncertainty, ongoing wars and continued disruptions in the energy markets, which in turn affect inflation both directly and indirectly. Overall, the krona has performed weakly during the year, which will affect Swedish import prices going forward. As described in the draft Update, all these factors contribute to the assessment that both CPIF inflation and the more underlying inflation rate will rise

[1] See, for example, Cicek, K., Pico-Mejia J. C., Poplawski Ribeiro, M. and A. Tumino (2026), "Distributional Impacts of Inflation Accounting for Behavioral Effects and Real Assets", IMF Working Paper No. 2026/022, International Monetary Fund, for a microdata study of the effects of the 2021–2022 inflation surge.

and exceed the target of 2 per cent next year. This justifies a tighter monetary policy.

I also support the assessment in the draft Update that it is likely that the policy rate will be raised further over the coming year, in line with our previous forecast in September. However, I want to emphasise that this really presupposes that the outlook for inflation and economic activity holds. Given the uncertainty surrounding the outlook, I envision a gradual adjustment of monetary policy, which allows us to evaluate each step. Today, I want to highlight a few factors to watch closely during this evaluation, which could also lead to a different monetary policy than the one we envision today.

The inflation outlook remains complex. The current low outcomes for our target variable, the CPIF, are largely a result of the temporary fiscal policy measures to support households. But as these measures are phased out, the trend will reverse, and inflation will instead be pushed up. Direct effects of fiscal policy measures are something we have clearly communicated that we will see through in monetary policy. Similarly, we normally disregard energy prices, which tend to vary significantly. However, experience from 2022 shows that there is, of course, a risk that, in addition to direct effects, unexpectedly large indirect effects on other prices and changes in corporate pricing behaviour may arise. So far, it is difficult to see large such effects from the rising energy prices, both globally and in Sweden.

But since our previous meeting, energy prices have been higher than expected, and there is still no solution to the war in the Middle East. A further factor that has increased in importance during the year is that the AI boom is pushing up prices on certain electronic products, which could also give rise to indirect effects on other prices. The recent sharp increases in producer prices cause some concern in this context. Corporate pricing plans also reflect expectations of price increases to a greater extent than normal. If we begin to see signs of changed pricing behaviour, it could strengthen the need for a tighter monetary policy and require swifter action from us. And the risk of this is greater if we start from a position of strong demand.

Regarding the krona exchange rate, it is somewhat stronger than at our last monetary policy meeting. But this follows a rather sharp weakening earlier in the year. Overall, the effects in the form of higher import prices are expected to increase inflation next year, which could therefore reinforce the upward pressure on inflation from supply disruptions and a stronger economy.

This leads me to the economic outlook in Sweden. Fundamentally, it is of course positive that we are now, as described so well in the draft Update, seeing more and more signs of stronger economic activity. The labour market, however, has

been a question mark, as we have not seen a real turnaround in its development. The conditions for an improved labour market nevertheless look good, including the fact that companies' recruitment plans have continued to rise. But this will need to be monitored.

Household consumption has continued to develop strongly, which is in line with our expectations, following a longer period of rising real incomes. However, the latest Economic Tendency Survey showed a sharp fall in household confidence (see Figure 8 in the draft Update). It is still difficult to know if this is a temporary dip in the curve, but it is clear that we need to follow the developments closely. Households risk becoming cautious as several factors now affect personal finances in a tighter direction — fiscal policy, energy prices, and inflation in general. In addition, the interest rate is expected to rise. But the extent to which that happens is, of course, influenced by our own monetary policy. If household demand becomes weaker than expected, companies' possibilities to raise their prices will also decline, and this can reduce the need to continue tightening monetary policy.

Regarding the risk outlook globally, geopolitics is of course in focus, not least the outcome of today's mid-term elections in the United States and any diplomatic negotiations regarding the war in the Middle East. Another issue I am thinking a lot about is the uncertainty surrounding AI's impact on the global economy.[2] My assessment is that it seems obvious that our lives and our economy will be greatly affected by AI. The IMF states that the world economy stands between a supply disruption created by the war in the Middle East on one hand, and a demand disruption created by the investment boom linked to AI infrastructure on the other.[3]

The speed of the roll-out of the new technology and the fact that investments are now being debt-financed in a higher interest rate environment create clear risks of setbacks. Risks to global financial stability are currently elevated, which in the long run could affect monetary policy. A combination of AI anxiety, reduced risk appetite, rising credit spreads, and the government debt problems we see in several large countries could become a truly bitter cocktail for the world economy to swallow. And we know from experience, not least from the financial crisis of 2008, that the Swedish economy is not isolated from global financial unrest.

Let me move on to summarise my considerations today: Overall, I believe it is reasonable to raise the interest rate now, but as I mentioned at our previous meeting in September, we should apply a gradual approach going forward. The

[2] I discussed AI's effects on the economy and monetary policy more extensively in my speech in May: Bunge: AI is now everywhere, but how does it affect monetary policy? | Sveriges riksbank.

[3] See World Economic Outlook, October 2026: Resilience Under Strain, Urgent Choices

Swedish economy is moving towards a normal economic situation, which also suggests that monetary policy should be normalised. But the future outlook is uncertain, and many factors can affect inflation in unexpected ways ahead, not least globally: geopolitics, rising energy prices, and the effects of the AI boom on the economy.

Another important factor to consider in the monetary policy trade-off ahead is that the Swedish economy, not least the household sector, is sensitive to interest rates, and the strength of the recovery could be tested if we proceed too quickly with rate increases.

Our goal is to stabilise inflation at 2 per cent, but this should be done with the minimum possible cost to the real economy. This is why I find reason to repeat that we should carefully evaluate the need for each step going forward. That said, the direction is clear, and a tighter monetary policy will likely be needed going forward to keep inflation at the target.

Governor Erik Thedéen

New information since the monetary policy meeting in September confirms our view of a stronger Swedish economy and supports our forecast that GDP will grow by nearly 3 per cent this year. For example, both the Economic Tendency Survey and responses in the Purchasing Managers' Index point to continued strong sentiment in the business sector. In recent months, the employment rate and labour force participation have also continued to rise, and in September we saw a welcome decline in youth unemployment.[4]

A decline in confidence among households, as shown in the latest Economic Tendency Survey, admittedly creates some increase in uncertainty regarding the continued growth in consumption. So far this year, however, household consumption has risen at a good pace, sales of durable goods were almost six per cent higher in September than in the same month last year.[5]

Unfortunately, several circumstances also point to continued elevated risks that, going forward, high world market prices for energy and rising prices for other inputs could push up inflationary pressures in Sweden. Since the end of June/beginning of July, when the price of crude oil was just over USD 70 per barrel, the price has risen by approximately 50 per cent, and world market prices for petrol and diesel have also remained high. This takes place against the backdrop of signals from Washington that there is a readiness to carry out new attacks on Iran. Once again, we are forced to conclude that expectations of a

[4] Regarding the employment rate and labour force participation, I refer here to the seasonally adjusted and smoothed series reported by Statistics Sweden.

[5] Refers to durable goods in the retail trade.

wind-down of the conflict, and of soon-to-occur falls in world market prices for energy, have proven misplaced.

The arguments for a higher policy rate that I discussed at the September meeting — a stronger economy and elevated inflation risks — therefore remain. It is thus appropriate to now begin normalising the level of the policy rate, and I support the proposal to raise the policy rate today, from 1.75 to 2.0 per cent. I also support the assessments made in the draft Monetary Policy Update.

Indicators suggest that inflationary pressures are elevated, while several factors continue to push down inflation readings at present. It is therefore worth reminding ourselves again of the importance of focussing on the measures of underlying inflation that, according to our assessment, provide the best guidance as to how consumer prices will develop over time.

Measured in terms of the CPIF excluding energy and effects of temporary fiscal policy measures, underlying inflation in September was 1.6 per cent, which was slightly lower than the forecast from the September Monetary Policy Report of 1.8 per cent. If we also include energy prices, the rate of price increase in September was 3 per cent.

As always, we have reason to carefully monitor and evaluate the development in various sub-indices of the CPI. The slightly lower underlying inflation in September was due, among other things, to an unexpectedly low rate of increase in prices for travel, and this hardly changes the assessment of the more fundamental driving forces of inflationary pressure, which are pointing upwards. Among these driving forces, I include the current strengthening in economic activity, which drives up corporate costs and increases companies' ability to pass these costs on to their customers.

When we lowered the policy rate just over a year ago, from 2.25 to 1.75 per cent, the primary purpose was to provide support to what was then a tentative recovery. It is now clear that the economic upturn is relatively strong and broad, and this strengthens my assessment that it is appropriate to now adjust monetary policy in a less expansionary direction. Furthermore, my view is that the policy rate path from September, which indicates gradual increases in the policy rate next year, is still reasonable. It will thus likely be appropriate to raise the rate further over the coming year, provided that the outlook for economic activity and inflation holds.

Those who closely follow economic developments know, of course, that our forecasts and those of other analysts are uncertain. The precision of our policy rate forecasts should therefore not be overstated; rather, it is the arguments and assessments behind the forecasts that can provide valuable guidance as to how

monetary policy may be shaped over the coming months and quarters. Let me therefore explain how I view the forecast and the significant risks it contains.

As at the September meeting, I see today a significant risk that continued supply-related cost increases, linked to the geopolitical situation globally, will interact with an increasingly strong economy, both in Sweden and abroad. The consequence could be that inflationary impulses from abroad are accelerated by stronger domestic demand and spread from one industry to another. In such a scenario, it is entirely possible that the policy rate would need to be raised a few times more to ensure that inflation does not end up clearly above the target of 2 per cent and risk becoming entrenched there.

We still have few concrete signs that such a development will become a reality. However, there are worrying circumstances that call for vigilance. I am thinking, for example, of the fact that world market prices for petroleum products remain high and that the price of natural gas, which affects Swedish electricity prices, has also risen significantly. But I am also concerned by certain measures of the rate of price increase at the producer level, which indicate that cost pressures are now spreading more broadly. Corporate pricing plans are also at relatively high levels, according to the Economic Tendency Survey. However, the stabilisation of the krona exchange rate that we have seen recently dampens inflation risks somewhat.

So far, we have been surprised that the rate of price increase at consumer level has not risen more, neither in Sweden nor globally. It is possible that firms have increased their ability to adapt to such an extent that they manage to avoid significant price increases, despite higher prices for many inputs. The result could then be that underlying inflation rises less than expected.

Such a development would appear more likely if demand over the coming quarters rises less than expected, resulting in a somewhat more dampened economic trajectory. The weaker the consumer demand, the more difficult it is for companies to push through price increases. In a scenario with weaker growth compared to the assumption in the main scenario, and with a slower increase in underlying inflation, the policy rate would likely not need to be raised to the extent indicated in our latest forecast.

I view the policy rate forecast from September as a weighting of a few such different scenarios. The main scenario implies a probable continued normalisation of monetary policy. If no major surprises occur that lead us to reconsider the main features of the outlook for economic activity and inflation, I expect that we will raise the policy rate in line with our September forecast over the coming six months or so.

Overall, we are continuing to make good progress, but the risk of shallower waters ahead makes it appropriate to have a slightly smaller sail area further ahead. But even then, we will maintain good speed. In other words: with low and stable inflation, we lay the foundation not only for good growth, but for *sustainably* good growth.

§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 verified immediately.

Minutes taken by

Hans Dellmo Jesper Johansson

Verified by

Erik Thedéen Aino Bunge Per Jansson

Anna Seim Göran Hjelm



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