



Minutes of the Monetary Policy Meeting

June 2026

MINUTES OF THE MONETARY POLICY MEETING

Executive Board, No. 4

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INFORMATION CLASS: R B P U B L I C

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

Bo Broman, Chair, General Council of the Riksbank
Tomas Eneroth, Vice Chair, General Council of the Riksbank

Björn Andersson
Lena Arfalk
Charlotta Edler
Mattias Erlandsson
Caroline Flodberg
Susanna Grufman
Peter Gustafsson
Ellen Kockum
Anders Kvist
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David Lööv
Stefania Mammos
Åsa Olli Segendorf
Emma Sandberg
Olof Sandstedt
Anna Sjulander
Viking Waldén
Anne-Catherine Worth

Joel Birging (§1-3a)
Maria Johansson (§1-3a)

It was noted that David Lööv, Stefania Mammos and Viking Waldén would prepare the draft minutes of the monetary policy meeting.

§3 Monetary policy review

§3a Economic developments

Market developments since the last monetary policy meeting

Joel Birging, senior market economist at the Markets Department, began by presenting developments in the financial markets since the previous monetary policy meeting in May.

Since the monetary policy meeting in May, financial markets have generally been characterised by two major themes: firstly, the situation in the Middle East, with a particular focus on when oil shipments through the Strait of Hormuz can return to normal; and secondly, the ongoing expansion of AI.

The price of oil has fallen, and the front-month Brent crude futures contract is currently around USD 83 a barrel. According to information about the Memorandum of Understanding between the United States and Iran, the Strait of Hormuz is to remain open whilst negotiations continue. Many details remain to be clarified, but pricing in energy markets suggests that investors expect oil shipments through the Strait of Hormuz to return to normal. Commodity price indices have also fallen and are now at their lowest levels since the outbreak of the war in the Middle East.

The fixed-income market has also been influenced by news of developments in the Middle East, and government bond yields have fallen significantly over the past week. Even if oil shipments through the Strait of Hormuz return to normal, market pricing continues to suggest that several policy rates will be raised in the coming months. It can be noted that the European Central Bank (ECB) and the Bank of Japan (BOJ) are examples of G10 central banks that have already raised their policy rates. Swap rates indicate that a rate rise by the Federal Reserve is not expected until towards the end of 2026. The US dollar has strengthened since the beginning of the war, and a key question for investors now is whether the trend towards a weaker dollar that began at the start of the year will resume.

During the same period, stock market indices have risen to new record highs and risk appetite among investors can be described as strong. AI remains a major theme, and companies that are suppliers to the expansion of AI infrastructure, such as semi-conductor manufacturers, have benefited from the ongoing developments. Overall, capital investments by listed companies are at historically high levels, and there are as yet no clear signs that this trend is slowing down; if anything, the opposite is true.

Expectations among analysts and in market pricing indicate that the Riksbank will hold the policy rate unchanged at its June meeting. For the whole of 2026, market pricing continues to suggest that the Riksbank will raise the policy rate by at least 25 basis points. As regards the krona's performance, it has weakened since the monetary policy meeting in May but has strengthened recently, partly as a result of an expectation of an end to the war in the Middle East.

Financial stability – current situation and risks

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

Risks to financial stability in Sweden have been elevated for an extended period of time owing to the uncertain global situation, not least as a result of the US Administration's unpredictable trade and foreign policies, as well as the war in the Middle East. Although the recent statements from both sides in the conflict have given rise to cautious optimism, particularly in financial markets, uncertainty remains regarding the content of and support for the Memorandum of Understanding. The Swedish financial system has shown resilience and key funding markets and infrastructure have functioned well. At the same time, the ongoing risk outlook depends to a large extent on how the peace talks progress and how long-lasting the effects of previous supply shocks turn out to be.

Despite the uncertain global situation, risk premiums on several financial assets have fallen and are at historically low levels. Several major global companies have also, buoyed by the current high valuations, chosen to raise new capital on various funding markets in order to strengthen their possibilities of meeting expectations regarding future profit growth. Following a prolonged period of high asset valuations, this – combined with adverse events or changing expectations – can lead to sharp corrections in asset prices, resulting in rising risk premiums and increased volatility in financial markets. In a tightly interconnected global financial system, such reactions could be amplified by existing vulnerabilities, including high and rising public debt in several major economies and risks associated with the expanding non-bank sector. This may challenge the resilience of the financial system, both globally and in Sweden.

However, Sweden is well equipped to manage a deterioration in economic conditions. Sweden's stable public finances provide better conditions for managing such a situation than in many other countries. Overall, the Swedish financial system is assessed to be well placed to withstand and manage shocks. The major Swedish banks are profitable and have ample margins down to the requirements for capital and liquidity, and thus the prerequisites to maintain lending to the real economy even during shocks. The major banks also still have good access to US dollars, and in addition limited exposures to both the Middle

East and the energy-intensive companies in Sweden. At the same time, threats related to cyberattacks have increased in light of the uncertain geopolitical situation. This underlines the need for strengthened operational preparedness among all key participants in the financial system.

The current monetary policy drafting process – new data and forecasts

Peter Gustafsson, Adviser at the Monetary Policy Department, presented the current assessment of macroeconomic developments and the proposed 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 policy-rate decision has been discussed with the Executive Board on 2, 3 and 5 June. The draft Monetary Policy Report was discussed and tabled at a meeting of the Executive Board on 9 June.

At the monetary policy meeting in May, the Riksbank left the policy rate unchanged at 1.75 per cent. Although the risk of higher inflation in the wake of the war in the Middle East was considered to have increased slightly, an initial position of below-target inflation and weak economic activity was assessed to provide some scope to wait for a clearer picture of the war's effects and related supply shocks.

In light of developments in the Middle East, key issues in the drafting process have continued to focus on the war's implications for global and Swedish inflation and economic outlook. But they have also concerned how external factors should be weighed against domestic economic conditions, and how monetary policy should be formulated when developments are particularly difficult to predict. Alternative scenarios have again been given considerable weight in the preparation of the monetary policy decision.

Despite the news of a Memorandum of Understanding between the US and Iran, the outlook for developments in the Middle East remains uncertain. Oil prices are still high, prices of other commodities have increased, and the Swedish business sector are experiencing higher cost pressures. The Riksbank's assumptions regarding the effects of supply shocks on the inflation and economic outlook in the baseline scenario are highly uncertain, and the Monetary Policy Report therefore discusses scenarios that could lead to a monetary policy different from that in the baseline scenario.

The global financial conditions are approximately the same as at the time of the monetary policy decision in May. Increasingly high stock valuations, particularly for AI-related companies, have been offset by rising interest rates. The ECB raised

its policy rate in June, and the market is expecting rising inflation and a further increase in the policy rate by the ECB.

In Sweden, economic conditions remain somewhat weaker than normal and inflation is below the target. However, inflationary pressures have increased slightly but long-term inflation expectations are firmly anchored close to the target. Although the effects of the war are expected to subdue growth slightly, rising household purchasing power will help to strengthen economic activity going forward. The current situation still leaves some scope to wait for a clearer picture of developments and their impact on the Swedish economy. At the same time, events in the Middle East have contributed to an increased risk of too high inflation, which has led to the likelihood of a rate rise later this year now being assessed as higher than in the March forecast.

Given the uncertainty surrounding both the development and the effects of the supply shocks, monetary policy may need to be adjusted to safeguard the inflation target going forward. The effects of the war also risk interacting with other underlying vulnerabilities in the global economy, such as high public debt and highly valued stock markets. This could ultimately change the conditions for monetary policy more significantly.

The monetary policy proposal that the Monetary Policy Department assesses will gain majority support in the Executive Board at today's meeting is set out in Annex A to the minutes. The proposal entails leaving the policy rate unchanged at 1.75 per cent at today's meeting. At the same time, the policy-rate forecast has been revised upwards slightly compared with the Monetary Policy Report in March.

§3b The economic situation and monetary policy

Deputy Governor Göran Hjelm

I support the proposal to leave the policy rate unchanged at 1.75 per cent and the draft Monetary Policy Report. I would like to begin by thanking the departments that have, among other things, provided instructive presentations and innovative analyses, and highlighted issues that have been particularly relevant during the drafting of this report.

As at the previous two monetary policy meetings, the war in the Middle East is the main focus of my deliberations. I have divided my comments into three areas: monitoring of indicators linked to the analytical framework I have described previously, assessment of the risk outlook, and appropriate monetary policy.

The war in the Middle East has now been ongoing for just over three and a half months, with varying intensity. The two key questions are still how significant the direct and indirect effects are on inflation likely to be, and at what magnitude of these effects is there a risk of second-round effects. To analyse these issues, I focus in particular on three areas: the credibility of the inflation target, indicators of the scale of the shocks, and situation-specific factors. As far as credibility is concerned, things continue to look good. Inflation expectations in slightly longer term are in line with the target. Furthermore, I interpret statements from the social partners as indicating that the inflation target will be the starting point for forthcoming collective bargaining negotiations, even if the supply shocks from the war were to cause inflation to temporarily exceed the target. In addition, price plans in the services sector, which has not yet been affected by a significant rise in costs, remain largely unchanged. All things considered, I therefore consider the risk of second-round effects via wage and price formation to be insignificant at present.

When it comes to the assessment of the extent of the shocks from the war, there is a great deal of new data to take into account, both in terms of indicators and official statistics. Since the meeting in May, another month and a half has passed with elevated oil prices. However, I assess that the oil market has so far proved more resilient than many experts had predicted. Increased oil production in countries such as the US, China's significant reduction in oil imports, and falling stock levels in other countries are key factors explaining this. The development in futures and prices for other affected commodities has been mixed; however, the commodity price index has continued to rise at roughly the same rapid pace that began in 2025. Overall, international price developments have contributed to a rise of almost 10 per cent in Sweden's producer import price index in March and April, compared with an increase of around 40 per cent from the summer of 2021 and one year onwards. The 10-percent increase in March and April is alarmingly high. At the same time, one difference compared with 2021–2022 is that the increase is clearly driven by fuel prices. This index can therefore be expected to fall back if the Memorandum of Understanding due to be formally signed on Friday between the US and Iran, and any subsequent peace agreement, are deemed credible. Furthermore, there are worrying signs for global supply chains; the *Global Supply Chain Pressure Index* rose in April to almost two standard deviations above its historical average and remained at that high level in May.¹ In December 2021, the index was more than twice as high as it is today. The key difference, however, is that this index was at that time on average around three standard deviations above its historical average for almost a year and a half, from February 2021 to July 2022. As is well known, this led to very high inflation, which

¹ See the Federal Reserve Bank of New York's website for monthly updates of this index.

is why it will be important to monitor how this index develops over the coming months.

As far as qualitative measures are concerned, there are also worrying signs, although the picture is somewhat mixed. Price plans in the National Institute of Economic Research's Economic Tendency Survey show the strongest rise in the retail sector, followed by the manufacturing industry, whilst price plans in the services sector, as I mentioned above, remain essentially unchanged. Companies' price plans have also risen in the Riksbank's Business Survey, but at the same time most companies state that they are planning normal price changes in terms of both magnitude and frequency. My overall assessment is that the available data suggest that the shocks so far can, to use the terminology I have employed earlier, be regarded as somewhere between small and medium-sized.² As we have a high degree of credibility at the outset, I therefore believe that whether monetary policy needs to take action depends on situation-specific factors; in this case, primarily the starting point for underlying inflation and resource utilisation, as well as expectations regarding fiscal policy and wage formation.³

Both underlying inflation and resource utilisation are lower than normal at the outset, although the differences compared with normal levels should not be overstated. This starting point allows monetary policy to await further information regarding the likely effects of the shocks on the economy. As regards fiscal policy, the fiscal policy framework implies that it will need to be tightened in both 2027 and 2028. The framework also states that *if* supply-driven inflation were to become a problem, fiscal policy should not impede monetary policy – a principle that fiscal policy adhered to when inflation was high. As regards of wage formation, as I mentioned above, I do not see any significant risks. All in all, given the current situation regarding inflation and resource utilisation, and based on reasonable assumptions about fiscal policy and wage formation, the risk that supply shocks of the current magnitude will lead to a broad and persistent rise in inflation is limited.

I shall now move on to discussing the risk outlook. During the monetary policy drafting process, I considered a limited upward adjustment to the interest-rate path to be reasonable. This remains the case, even though the aforementioned Memorandum of Understanding between the US and Iran means that the risk outlook needs to be viewed in a slightly more nuanced light. In my view, a slight upward revision of the interest-rate path is warranted given that, after nearly four months of war, we are inexorably approaching a point – or *choke point* – where, among other things, reduced oil stock levels could more abruptly lead to sharp

² See my speech "Monetary policy trade-offs and the economic policy interactions in the face of supply shocks" on Riksbank.se.

³ By 'underlying inflation', I mean inflation excluding energy prices and temporary effects from fiscal policy.

price rises, even though expert opinion is divided on exactly when this might happen. If the war were to escalate in this situation and deemed likely to cause a significant delay in the achievement of a lasting peace, there would be a risk of considerably greater effects on oil prices and other commodity prices. Although the risk of such a scenario is small, its potential impact would be significant; consequently, in terms of expectations, there is a risk of inflation being too high relative to the baseline scenario. If such a scenario were to materialise, the policy rate would, of course, need to be raised considerably more than the rate path suggests. With the Memorandum of Understanding due to be signed on Friday, this risk has reasonably been reduced for the time being. However, the parties have several difficult issues to resolve over the next 60 days, and there is a relatively high risk of setbacks and a resumption of the conflict.

This brings me to what I consider to be appropriate monetary policy under the current circumstances. I believe, fundamentally, that the policy-rate path set out in the March forecast remains reasonable if developments are assessed to be broadly in line with the baseline scenario, given that the risk outlook becomes more balanced. The rate path from March, like the path in the baseline scenario now in June, would stabilise underlying inflation at close to 2 per cent from the turn of the year onwards, once base effects in individual months are disregarded. In the current forecast, underlying inflation is a few tenths of a percentage point higher in 2027 compared with the forecast in March, but this is due to slightly greater indirect effects from the supply shocks, which I believe monetary policy should not respond to, for reasons I have outlined in various contexts. Furthermore, the development of resource utilisation in the baseline scenario is also similar to the March forecast, albeit somewhat weaker. The likelihood of the baseline scenario unfolding has increased, whilst the likelihood of the risk scenario I described above has decreased following the expected Memorandum of Understanding between the US and Iran. This implies a lower risk of too high inflation and, consequently, less need for an upward revision of the rate path, although some upward revision may still be justified given the complexity of the conflict. I believe that monetary policy should only take into account events that might occur in exceptional cases; in other words, it should not forecast that new shocks will happen. As I have indicated, however, I do believe it was justified on this occasion; it remains to be seen whether the risk outlook will be more balanced at the next monetary policy decision.

In conclusion, I would like to point out that there is still a risk that a variant of the first alternative scenario in the report could become a reality this autumn. In this scenario, the conflict unfolds in much the same way as in the baseline scenario, with futures prices falling back; in other words, not entirely dissimilar to what might result from a forthcoming Memorandum of Understanding and a forthcoming peace agreement between the US and Iran. The difference, however,

is that in the alternative scenario, the indirect effects of existing shocks are assumed to be significantly greater; this, combined with a weaker krona, risks triggering second-round effects, and the Riksbank therefore raises the policy rate. In my view, however, the indirect effects would need to be assessed as being *significantly* greater than in the baseline scenario for rate rises to become necessary, since monetary policy, circumstances permitting, should see through temporarily elevated inflation when, as in the scenario, it is clearly supply-driven.

First Deputy Governor Aino Bunge

I support both the proposal to leave the policy rate unchanged at 1.75 per cent at this meeting, and the forecasts and assessments made in the draft Monetary Policy Report.

Let me begin by commenting on the war in the Middle East, which has been going on for nearly four months. There are now hopes for peace and a reopening of the Strait of Hormuz, but many questions remain, not least regarding access to nuclear technology. At this monetary policy meeting, just as in March, the war and its impact on the global economy have made it particularly difficult to forecast growth and inflation, both abroad and in Sweden. The discussions before today's meeting and the Monetary Policy Report, has therefore placed particular emphasis on the alternative scenarios and the possible need to adjust monetary policy based on future developments, which I believe is important.

There is now hope for peace, but it is too early to sound the all-clear. Supply shocks will continue to affect the inflation outlook even if the war were to end immediately, and it will take time for oil and gas production in the region to return to normal. Our alternative scenarios clearly illustrate the considerable uncertainty surrounding the indirect effects of supply shocks (see also the analysis "The impact of the war in the Middle East on Swedish inflation" in the draft report). It is difficult to know how much of the impact we are seeing on producer prices globally that will filter down into consumer prices in Sweden. Our own Business Survey does indeed suggest that price plans are pointing upwards, but it does not indicate any change in pricing behaviour, in the sense that companies generally plan to change their prices more frequently or by a greater margin (see the Fact box "The Riksbank's Business Survey, May 2026" in the draft report). There is therefore a significant difference compared with how companies viewed the situation at the start of 2022.⁴

The war in the Middle East has dominated the discussion in recent months and is the main reason for a slight upward adjustment to the interest-rate path. I believe

⁴ See, for example, [The Riksbank's Business Survey: "I've never before experienced customers accepting price increases so easily"](#), February 2022.

that the potential impact of supply shocks on inflation is well described in the draft report, and that the arguments remain valid even in light of developments over the past few days. If anything, the outlook now becomes somewhat more optimistic that the effects of the supply shock we have seen really do turn out to be as limited as the forecast shows. However, there is still considerable uncertainty.

In addition to this, I would like to outline my thoughts on three other matters: our target variable, a somewhat more positive view of the economic recovery, and the significance of the exchange rate for future inflation.

One factor that has given us a little more patience to wait for further information on the effects of the war in the Middle East is that inflation in Sweden is strikingly low at the outset. This is a significant difference compared with several other countries and regions, not least the euro area and the United States. Although the latest inflation outcome for May reflected a slight reversal of the very low outcome for April, it was still below our forecast from March and also well below the target of two per cent. We also see that long-term inflation expectations remain firmly anchored in line with the inflation target.

In the draft report, however, we describe how the temporary fiscal measures – such as a 50-percent reduction in VAT on food, lower fuel tax and a 50-percent reduction in the price of monthly public transport passes – will complicate the inflation outlook for some time to come (see the Fact box “The impact of temporary fiscal measures on inflation”). During the forecast period, the measures will initially have a downward effect on inflation and subsequently an upward one. I fully agree with the assessment in the draft report that, for this reason, it currently makes more sense to look at inflation excluding energy and the direct effects of temporary fiscal policy measures in order to assess underlying inflationary pressures going forward.

But that does not alter the fact that our target variable is the CPIF. And there are good reasons why this is the case. The most important one I would say is that our target variable must be a relevant reflection of the price developments faced by households. Stripping out essential expenditure items such as energy and food easily raises questions such as: “What sort of inflation measure is this when you can neither eat, drive a car or heat your home?” We must make it clear – not least ahead of the upcoming collective bargaining negotiations between the social partners – that when we strip out various components that have a temporary impact on inflation, the aim is precisely to assess underlying inflationary pressures. Our idea is that this leads to better monetary policy decisions that stabilise inflation in the slightly longer term. The target for monetary policy, going forward and earlier, is 2 per cent inflation measured by the CPIF.

As regards the real economy and growth in Sweden, we have anticipated a recovery driven by domestic demand. We are now revising down our forecast for the current year, but this is mainly because developments have been weaker than expected at the start of the year, rather than because the outlook has deteriorated. My view is that the recovery in the Swedish economy is continuing. We have previously noted that the weak development of household consumption in recent years can primarily be explained by the weak development of real incomes and, when these rise again, consumption is expected to follow suit. We also see that consumption has been rising at a healthy pace for some time and is also showing signs of continuing to do so in the second quarter so far – despite household sentiment having been below normal. There are also signs of improvement in the housing market, with both turnover and prices rising. In addition, investment is expected to pick up, whilst public consumption is being buoyed by defence spending. I mentioned the impact of the temporary fiscal measures on inflation earlier. The measures will also have a positive impact on growth, as households will have more money in their pockets going forward, even though the measures will contribute to a weakening in public finances. If we now see a lasting peace in the Middle East, thereby reducing geopolitical tensions and uncertainty to some extent, this should also have a positive impact on growth both globally and in Sweden. Hopefully, we will then see the continued improvement in the labour market that is needed to maintain household confidence. That is something I'll be keeping a close eye on.

Finally, I would like to highlight the impact of the krona exchange rate on inflation in recent years. The low inflation we are seeing today is due, in addition to the temporary fiscal policy measures, largely to last year's sharp appreciation of the krona. The krona has remained fairly stable amid the geopolitical turmoil of the spring. Our forecast is based on a further slight strengthening of the krona. However, it could be both weaker and stronger than expected, and thereby either amplify or counteract the impact of supply shocks on Swedish inflation. Several risk factors could cause the krona exchange rate to deviate from our forecast. One such factor is the fluctuation in risk appetite in financial markets, as we saw the other week amid concerns about the performance of AI investments. In addition, a tighter monetary policy than expected in other countries could affect the krona exchange rate. These risk factors may also materialise in combination with one another, making it difficult to assess future developments.

So what is then the overall conclusion of my reasoning here today? In my view, it remains an appropriate monetary policy to leave the policy rate unchanged at this meeting. Our interest-rate path suggests there is some likelihood of a rate hike this autumn, but we will have to revisit that matter after the summer. We will then have further information, amongst other things on developments in the Middle East and the situation in the Strait of Hormuz.

Deputy Governor Per Jansson

I support the proposed decision in the draft Monetary Policy Report to now leave the policy rate unchanged at 1.75 per cent. A favourable inflation outlook, combined with an economic situation that is somewhat weaker than usual, means that, in my view, a wait-and-see approach remains the best monetary policy strategy for the time being. The somewhat weaker-than-usual economy is in itself a reason for holding off on raising the policy rate in the current situation. However, it also reduces the risk of inflation rising rapidly and substantially, which, too, suggests there is no rush to raise the rate.

With regard to the policy-rate forecast in the draft report, I would like to put forward the following. As stated in the introductory section of the draft, the economic assessments and forecasts set out therein are based on a cut-off date of 11 June. This means that the news in recent days of a Memorandum of Understanding working towards a peace agreement between the United States and Iran, and the economic implications of this, have not been taken into account in the preparation of the report. So far, the changes in economic conditions are not dramatic, and it is impossible to know whether the progress made is sustainable or, as so many times in the past, will soon be followed by setbacks.

It is significant in this context that the policy-rate forecast in the draft report implies only a marginal upward revision of the rate over the forecast period. It is not until towards the end of next year that a policy-rate rise, from 1.75 per cent to 2 per cent, is fully factored into the draft forecast. This is a couple of quarters earlier than in the policy-rate forecast from March.

If developments over the past few days had been taken into account in the preparation of the report, all other things being equal, the risk of inflation becoming too high in the future might have been assessed as slightly lower than it now is according to our assumptions. In that case, it would probably have put marginal downward pressure on the policy-rate forecast. However, it is worth emphasising that we are talking here about very minor effects on our forecasts. At any rate, this is how I see it and how I assess the situation.

I therefore generally support the assessment that we should not, at this stage, make any significant upward revision to our policy-rate forecast. That was my view of the situation too, before we received the new information about a Memorandum of Understanding aiming at a peace agreement. The developments now have marginally strengthened my belief that this assessment is sound and reasonable. However, the most important reason why I stand by this assessment remains the same as in March and May, namely that I fundamentally take an optimistic view of Swedish inflation.

Admittedly, inflation rose quite sharply in May, both including and excluding energy prices, to 1.5 and 0.5 per cent respectively, compared with 0.8 and 0 per

cent in April. But the contribution from fuel prices of between 0.5 and 0.6 percentage points is not strikingly large yet, either from a historical perspective or when compared with the situation in other countries. And it is, of course, important to bear in mind that new tax cuts on petrol and diesel will soon push down the fuel component of the consumer price index quite significantly. The direct impact associated with this temporary fiscal policy measure should not be regarded as part of more underlying inflation. However, these tax cuts will also somewhat offset the indirect effects of higher oil prices.

In addition, inflation excluding energy prices was driven up primarily by larger price rises for services, which can be assumed to be related to factors other than supply shocks and rising energy prices. That this interpretation may be reasonable is underlined by the fact that various measures of underlying price rises for services have, for the most part, remained flat so far this year.

The draft report notes that several indicators point to inflationary pressures having increased and now being higher than normal. This is an important assertion that we must remain vigilant about. However, it is also worth noting that, given the current situation – with below-target inflation – a certain increase in inflationary pressures is, in fact, desirable. Furthermore, by no means do all indicators support the conclusion that inflationary pressures are currently abnormally high. The so-called ‘heat map’, which is not included in the draft report this time but featured in the slides shown at the press conference following our latest monetary policy meeting on 6 May, rather gives the impression that the indicators pointing to higher inflationary pressures are quite evenly balanced with those pointing to unchanged or lower pressures.

It is important not to interpret my essentially quite optimistic view of Swedish inflation as meaning that I believe we can sound the all-clear regarding the risk of more serious problems arising from too high inflation. There is certainly still such a risk. However, I believe it remains fairly low, and this is, of course, a key reason why I do not see a need for any major revision of our policy-rate forecast.

Another reason why I do not see such a need is that I’m rather sceptical about so-called ‘insurance hikes’ of the interest rate. Such hikes may be justified if there are concerns that the inflation target has a credibility problem, and a clear signal is needed that the inflation target takes priority. But I find it hard to see that we have such a credibility problem in Sweden, at least at the moment.

We have managed both to bring inflation up when it consistently remained below target for a prolonged period in the 2010s, and to bring it down when it was well above target in 2022–2023. During both of these periods, we were at times heavily criticised for the monetary policy we pursued. However, our focus was always clearly on bringing inflation back to 2 per cent, so that confidence in the target could be maintained. This leads me to believe that there is currently a high

level of confidence in our inflation target and that we need not immediately become extremely concerned when risks of higher inflation arise.

One factor to bear in mind when considering ‘insurance hikes’ to the policy rate is that, without clear signs that there actually is a serious inflation problem, it will hardly be possible to raise the rate by very much. One, or perhaps two, quarter-point increases might be feasible, but I don’t think it is possible to justify much more than that on insurance grounds.

I believe the important thing is, rather, to communicate clearly in advance that we will act forcefully and decisively if we become convinced that the inflation problem is set to get serious. Looking back at the period of high inflation in 2022–2023, during which I generally believe that monetary policy was, on the whole, conducted very successfully, the Riksbank, as I see it, should not be criticised so much for starting to raise interest rates too late – the small interest-rate hikes that might possibly have been made before April 2022 would, in my view, not fundamentally have been able to prevent the rise in inflation that occurred at that time. A more valid criticism might be that the Riksbank waited too long before it began raising the rate by larger increments than the usual 0.25 percentage points. It was not until the end of June that the rate was raised by 0.5 percentage points, and not until the latter part of September that there was an increase of a full percentage point. At that point, inflation as measured by the CPIF and the CPIF excluding energy prices was already 9 and just under 7 per cent respectively.⁵

My reasoning here is, of course, speculative. We will never know how much more effective a monetary policy that opted for larger rate hikes at an early stage would have been. But for my part, I certainly see much better prospects for such a monetary policy having been able to counter the rise in inflation a little earlier than a policy that had relied on one or two minor ‘insurance hikes’ before April. For the time being, this is the perspective I will be bringing to our upcoming discussions on how best to counteract a potential, more significant rise in inflation.

Deputy Governor Anna Seim

I support the proposal to leave the policy rate unchanged at 1.75 per cent and endorse the draft Monetary Policy Report.

Reports that the Strait of Hormuz may be opened following the Memorandum of Understanding regarding a peace agreement between the US and Iran, which is reportedly due to be signed on Friday 19 June, have led to falling oil and gas prices and slightly lower long-term interest rates. If a lasting solution is found to the war in the Middle East, and shipping through the strait is enabled, the outlook for the

⁵ This refers to the figures for August 2022, which were the most recent figures available at the time of the monetary policy decision on 19 September 2022.

global economy will improve significantly. However, the situation remains highly uncertain, and my view is that the risks of inflation becoming too high persist. Apart from the fact that an extended ceasefire must be regarded as fragile, it is unclear what damage the war, which has lasted almost four months, has already caused. It may be some time before we fully understand the long-term supply effects of this spring's events, and I do not rule out the possibility of some form of scarring that could disrupt production networks further down the line.

Although the likelihood of the Strait of Hormuz opening is now greater than what is reflected in the forecasts in the draft report, my assessment is that the analysis stands up well and provides a sound basis for our decision today. I still believe that the risks of inflation becoming too high have increased since March and therefore consider that an upward revision of the interest-rate path is justified.

If the war in the Middle East is permanently resolved and the Strait of Hormuz remains open, the main cause of the higher prices for oil, gas and certain commodities will no longer exist. However, I consider it likely (i) that the situation will then enter a fragile phase with a high risk of continued disruptions and (ii) that the damage the war has already caused will have indirect effects for some time to come that are not yet apparent in the data. In addition to this, there are a few factors that are currently causing me concern. One is that inflation has risen abroad, a phenomenon that preceded the surge in inflation in 2022. Another is that it is always difficult to assess resource utilisation, in particular during supply shocks, and in this crisis, I can see at least two reasons for this. One is that potential supply can decrease as a result of disruptions in value chains, and a shortage in any upstream sector can lead to shortages downstream. Second, expansionary fiscal policy, whilst it may keep inflation artificially low for a time, could have more expansionary effects than we anticipate in our baseline scenario. Fiscal policy is generally very expansionary, and the tax cuts on fuel that have been introduced or announced could, moreover, release an unexpectedly large amount of purchasing power if, for example, petrol prices were to fall once a Memorandum of Understanding is in place. If growth in demand were to be stronger than in the main forecast, whilst supply is held back by fractures in supply chains, resource utilisation could rise and contribute to stronger inflationary pressures.

The impact of a supply shock on inflation depends to a large extent on the strength of demand, as this determines whether companies can pass on their costs to consumers. In terms of economic theory, the slope of the Phillips curve, which captures the relationship between inflation and the GDP gap, may be state-dependent and vary over time. If the Phillips curve becomes steeper – as studies suggest it did during the period of high inflation in 2022 and 2023 – even a small

increase in economic activity can lead to relatively strong inflationary effects.⁶ In such a situation, low supply could interact with unexpectedly strong demand to create unfavourable inflationary dynamics, which could be exacerbated if companies' pricing behaviour also changes and more frequent price changes act as a catalyst.

Regardless of whether a lasting peace agreement is concluded in the near future or not, I therefore believe that the risk of inflation becoming too high has increased. Before advocating a rate hike at any of our forthcoming meetings, I would like to see reliable signs that the mounting global cost pressures will have a worrisome impact on Swedish inflation. If the Strait of Hormuz is opened, cost pressures could be significantly eased, thereby reducing the likelihood that we will have to take action.

As usual, forward-looking indicators are particularly important. I keep a close eye on changes in behaviour and monitor companies' price plans very closely. As always, we stand ready to adjust monetary policy should the outlook for inflation and economic activity warrant it.

Governor Erik Thedéen

The economic impact of the war in the Middle East is now clearly visible in several indicators of price pressure, both in Sweden and among our most important trading partners. Producer prices have begun to rise at a faster pace, companies' pricing plans are elevated in many countries and global food prices are continuing to increase. Higher energy prices pushed CPI inflation in the United States above 4 per cent in May, and in the euro area inflation rose to just over 3 per cent. Several central banks have raised their policy rates, including Norges Bank, the European Central Bank and the Bank of Japan. In some countries, such as the United Kingdom, there have been significant reversals in market expectations of the future policy rate, although this has been somewhat dampened recently.

The higher fuel prices put upward pressure on the rate of price increase also in Sweden, but several other – temporary – factors are at the same time pushing down CPI inflation. One important such factor is the overall effect of fiscal policy measures put forth by the government, and which significantly subdue inflation readings this year. When the measures come to an end, they will instead contribute to upward pressure on inflation.

⁶ See, for example, Hobbijn, B., Miles, R., Royal, J. and J. Zhang (2023), "The Recent Steepening of Phillips Curves", Chicago Fed Letter 475, 2023 and Gudmundsson, T., Jackson, T. and R. Portillo (2024), "The Shifting and Steepening of Phillips Curves During the Pandemic Recovery: "International Evidence and Some Theory", International Monetary Fund Working Paper 24/7.

My assessment is that these temporary fiscal policy measures will only have a small effect on the underlying inflationary pressures. This means that the lasting effect on CPIF inflation will also be small and I see no reason to use monetary policy to attempt to parry the fitful and transient effects on the rate of price increase caused by these types of measure. In my deliberations on monetary policy I have therefore focused on measures of underlying inflation that exclude these effects.

Of course, what is decisive for the more long-term inflation outlook in Sweden is the outlook for growth, wages and overall cost developments in the business sector. Some indicators point to a little weakening in the demand for labour and during the first quarter of the year GDP growth was unexpectedly low. We are also adjusting our GDP forecast downwards somewhat. But the overall development in recent quarters nevertheless shows that domestic demand is still relatively strong. This interpretation is supported by the GDP indicator for April and the relatively strong retail trade sales. My assessment is that we are once again surprised by the resilience of the global economy, and this also includes the Swedish economy. Although consumer confidence is low, rising real wages will contribute to households' real disposable incomes increasing by over 3 per cent this year, which should give continued support to the recovery. This gives good reasons to believe that unemployment will fall.

The risks to the inflation outlook are marked to a great degree by the war in the Persian Gulf. The hopes of a rapid end to the war that existed in March did not come to fruition and my fears that events would be protracted were unfortunately confirmed. Now there are signs that the war is coming to an end but the agreement between the United States and Iran that has been announced would appear rather fragile. The decisive question regarding Iran's uranium enrichment appears to be still unresolved and considerable uncertainty remains, for several reasons. Even if the Strait of Hormuz were to open for traffic, it would likely take some time before the flow of oil and other commodities returns to normal levels. At the same time, the news of a coming agreement has pushed down the price of oil, which if it lasts, could contribute to dampening the inflation risks.

This is a complicated situation in which to make decisions and it will probably remain so for some time to come. On the one hand, it can be argued that if the conflict comes to an end, the global inflation risks will decline, and the external inflationary impulses will then weaken for Sweden.

But on the other hand, there are also reasons to worry that inflationary impulses can spread. As I mentioned earlier, several indicators point to rising cost pressures in the business sector. At least some of these will probably be passed on to the consumers.

Inflation in Sweden is affected by a number of temporary factors but excluding temporary fiscal policy measures our target variable, CPIF inflation, is now up at around 2.4 per cent, and excluding energy it is 1.4 per cent. It may be the case that many analysts perceive the current situation to be better than it actually is; the temporary effects complicate the inflation analysis. It can be added that the low inflation readings during the first half of 2026 were also pushed down by the krona appreciation that took place in 2025. This effect will wane going forward. In addition, growth could surprise us by being stronger than we now expect.

It is fully possible that we will have a smaller impact on inflation in Sweden than in many other countries. One reason for this is that resource utilisation in Sweden is low, which reduces the risks of more extensive indirect effects as a result of rising energy prices. This maybe what we are seeing now. But given that the inflationary impulse comes from outside, it is nevertheless difficult to imagine that Sweden would have a completely different inflation trend than the world around us. If there were to be a broad and more general upturn in the rate of price increase in our neighbouring area, then Sweden would also be affected. This is in any case a lesson we learned from the upturn in inflation in the period 2022 to 2023 and thus a reasonable assumption when we analyse the inflation risks. There is a risk that we will become too concerned with evaluating the details of the more domestic inflation risks and thus miss the broader international events. To put it another way: *there is a risk that we will not see the wood for the trees.*

Overall, the situation is thus very difficult to assess, and I think the draft Monetary Policy Report with the two scenarios reflects this rather well. It is a balanced policy to hold the interest rate unchanged for now, but it is also reasonable to indicate that it is now somewhat more likely that we will raise the policy rate in the future. I think that this forecast is still reasonable, given the signals now coming with regard to a solution to the war between Iran and the United States. Any agreement will, as I said, be fragile and there will still be considerable uncertainty. I thus support the proposal to hold the policy rate unchanged at 1.75 per cent today and to revise the forecast for the policy rate upwards somewhat. And I also support the other assessments made in the draft report.

As always, we stand prepared to adjust our monetary policy in terms of tightening or easing if this proves necessary. We will continue to closely follow and assess the strength of the inflationary impulse now spreading through the business sector, in Sweden and abroad. An important factor going forward is the krona exchange rate, which in an unfavourable scenario could strengthen that impulse. Today's decision means that we are shifting the earlier course in a slightly tighter direction. But the rudder angle remains small - it can be quickly either increased or decreased depending on the evolution of inflationary risks.

§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 enclosure Monetary Policy Report).

This paragraph was confirmed immediately.

Minutes taken by

David Lööv

Stefania Mammos

Viking Waldén

Verified by

Erik Thedéen

Aino Bunge

Per Jansson

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Göran Hjelm



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