



Minutes of the Monetary Policy Meeting

March 2026

MINUTES OF THE MONETARY POLICY MEETING

Executive Board, No. 2

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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
Irina Andone Rosén
Lena Arfalk
Alexander Czarnota
Charlotta Edler
Mattias Erlandsson
Caroline Flodberg
Susanna Grufman
Peter Gustafsson
Jesper Johansson
Ellen Kockum
Anders Kvist
Åsa Olli Segendorf
Annica Sandberg
Olof Sandstedt
Anna Sjulander
Anne-Catherine Worth

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

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

§3 Monetary policy review

§3a Economic developments

Market developments since the last monetary policy meeting

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

Since the Riksbank's monetary policy decision in January, financial market conditions have changed at a rapid pace. The US and Israeli attack on Iran, as well as Iran's attacks on strategic targets in the region, have led to large market movements. Attacks on infrastructure and cargo ships as well as restricted access to the Strait of Hormuz have resulted in major supply constraints, particularly for oil, gas and related products. Traffic in the Strait of Hormuz, through which around 20 per cent of the world's oil supply normally passes, has been severely restricted in March. This has led to a variety of measures to ease the strained supply situation, including the sale of strategic oil reserves, the easing of sanctions on Russian oil and the increased use of infrastructure that does not pass through the Strait of Hormuz.

Oil and gas prices have been particularly affected, but other commodities exported from the Middle East have also risen significantly in price. The key question for the market is how long the conflict will last, as a protracted conflict risks sustained disruptions to energy supply. Long-dated crude oil futures have so far reacted relatively moderately, reflecting the view that the impact of the conflict on supply is currently expected to be temporary.

But the rising commodity and energy prices have nevertheless, in a short space of time, contributed to a changed view of central bank monetary policy going forward. In both the US and Europe, interest rates have risen significantly. One interpretation made by the market is that there are inflationary factors that central banks need to counteract with tighter monetary policy. Government bond yields have risen significantly across the yield curve, but especially at shorter maturities. However, market pricing so far suggests that the impact on longer-term inflation expectations in both the US and Europe has been fairly limited.

Alongside developments in the Middle East, the period has also been characterised by growing market turmoil regarding the future development of AI and its economic implications. This has resulted in broad sales pressure on stocks in certain sectors, including the software sector. The US Supreme Court ruled that the IEEPA (International Emergency Economic Powers Act) does not give the

President the power to unilaterally impose tariffs of unlimited scope. There remains considerable uncertainty surrounding the Administration's tariff policy. Broad equity indices have retreated from historically high valuations, while credit spreads have increased from previously having indicated low risk levels in both the US and Europe.

At today's meeting, the Riksbank is expected to leave the policy rate unchanged, according to both analysts and market pricing. Forward pricing regarding the Riksbank's policy rate has, in line with international tendencies, risen against the background of the inflationary effects of higher energy and commodity prices, and now indicates an expectation of one policy-rate increase towards the end of the year. Since the start of the war in the Middle East, the krona has weakened, particularly against the dollar, and measured as KIX, it is now trading at levels closer to the Riksbank's forecast in December.

Financial stability - current situation and risks

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

The uncertain global situation has for some time now posed heightened risks to financial stability in Sweden. In this context, the US Administration's unpredictable trade and foreign policies have played a particularly significant role. Recently, the international situation has changed significantly and uncertainty about economic developments has increased further as a result of the war in the Middle East. So far, developments have primarily led to a sharp rise in oil and natural gas prices. This in turn has led to higher market interest rates, falling stock markets and greater volatility. The US dollar, which weakened significantly last year, has now strengthened somewhat. This can be explained partly by the US being a net exporter of oil and partly by US assets still being perceived as a safe haven for investors.

Increased market movements may lead to higher margin requirements. This can increase the risk of central counterparty participants having liquidity problems. Although intraday margin requirements for Nasdaq Clearing participants have periodically been somewhat higher than normal, participants have not yet had any problems meeting them. In this context, it may be worth clarifying that Nasdaq Clearing transferred its clearing activities for Nordic electricity derivatives to the Italian CCP Euronext Clearing in mid-March. Although financial conditions have tightened somewhat, central funding markets are still functioning smoothly, and there have been no disruptions to the Swedish financial system so far.

The potential impact on financial stability in Sweden will depend, among other things, on the extent and duration of the war in the Middle East. Market pricing

suggests that market participants believe the conflict will not be too prolonged. Should there be signs of the conflict becoming more protracted and widespread, this could lead investors to rapidly reduce their risk appetite and reallocate their capital. This could lead to further falls in asset prices, risk premiums continuing to rise and even greater volatility in financial markets. Such market reactions could be amplified in a tightly interconnected global financial system, via the various vulnerabilities that exist. Examples of such vulnerabilities are high and growing public debt in several major economies, high asset valuations and risks associated with the growing non-bank sector. Increased redemptions and write-downs in several global private credit funds also indicate elevated market turmoil. All of this calls for vigilance.

The major Swedish banks are still well able to manage various types of disruptions in the financial markets. Their high profitability and margins relative to capital and liquidity requirements mean that they have the buffers and prerequisites to maintain the supply of credit to the real economy. Banks continue to have good access to US dollars and the negative effects of the conflict in the Middle East are currently considered manageable for the major Swedish banks.

The current monetary policy drafting process

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

The background material for today's policy-rate decision has been discussed with the Executive Board on 4, 5 and 6 March. In addition to these discussions, the Executive Board has been regularly updated on developments regarding the war in the Middle East. The draft Monetary Policy Report was discussed and tabled at a meeting of the Executive Board on 11 March.

At the monetary policy meeting in January, the Riksbank left the policy rate unchanged at 1.75 per cent. On the basis of new information, the Executive Board concluded that, although the range of possible future outcomes had widened, the outlook for inflation and economic activity had not clearly changed, and it was therefore possible to adhere to the previous plan to leave the policy rate unchanged.

When drafting this decision, key issues have centred on the economic consequences of the outbreak of war in the Middle East and how the outlook for inflation and economic activity in Sweden and the risk of the outlook surrounding these are affected. But how monetary policy should respond to the highly unpredictable developments has, of course, also been a key issue. This has

resulted in alternative scenarios based on different assumptions about the course and effects of the war being given a more prominent role in the drafting process.

Recent events have rapidly and significantly changed the conditions for economic developments in the global economy. Energy prices have risen sharply and are expected to push up inflation in the near term in many countries. Uncertainty about future developments has contributed to significant price fluctuations in fixed income, foreign exchange and equity markets. In the forecast in the draft report, energy prices are assumed to follow current forward pricing and the upturn will therefore be relatively short-lived with moderate impact on inflation and resource utilisation abroad.

In Sweden, the fundamentals are favourable for a continued recovery and an inflation outlook consistent with the target in the medium term. Prior to the outbreak of war, the Swedish economy continued to recover and inflationary pressures were subdued. A cold winter with high electricity prices and a slight rise in global energy prices before the outbreak of war contributed to CPIF inflation still being slightly higher at the beginning of the year than in the Riksbank's December assessment. This contrasts with CPIF inflation excluding energy prices, which was instead slightly lower than expected.

The war in the Middle East adds to the uncertainty of the outlook. Assuming that energy prices fall back and that the Riksbank's monetary policy follows the previously announced plan, the more underlying drivers of inflation are nevertheless expected to eventually lead to close-to-target inflation. Recent developments are contributing to the recovery in the Swedish economy taking slightly longer than in the Riksbank's previous assessment, while inflation will be higher this year and lower in 2027, when energy prices have fallen back. Some indirect effects of rising energy prices this year will contribute to slightly higher core inflation this year and next year. The draft report describes in more detail the forecasts resulting from the monetary policy proposal.

Building on the uncertainty surrounding the outlook for inflation and economic activity, the alternative scenarios in the draft report highlight that monetary policy may need to be adjusted depending on the evolution of the war and the impact on supply and demand conditions. There are also several other risk factors that could lead to a different development than in the draft forecast.

The forecast in the draft report is based on the monetary policy proposal that the Monetary Policy Department assesses will be supported by a majority of the Executive Board at today's meeting, and which is described in Annex A to the

minutes. The proposal means that the policy rate is left unchanged at 1.75 per cent and remains at this level for some time to come.

Changes to the operational framework

Anna Sjulander, Head of the Markets Department, presented proposals for decisions on changes to the operational framework.

In recent years, there has been substantial liquidity in the banking system. Now, as the Riksbank reduces its balance sheet, the amount of liquidity in the system is also decreasing. The banks that are the Riksbank's monetary policy counterparties must have the operational capacity to actively borrow and lend among themselves on the overnight market. This is important to ensure that the Riksbank's management of interest rates functions smoothly. Banks should also be able to borrow from the Riksbank's standing lending facilities when the need arises.

To facilitate banks' adjustment to less liquidity in the banking system, it is proposed that the Executive Board decide on changes to the supplementary liquidity facility, where loans are provided against collateral such as covered bonds. This is part of the Riksbank's long-term work on facilitating the banks' adjustment to an environment with less excess liquidity.

The interest rate in the supplementary liquidity facility has been equal to the policy rate plus 0.75 percentage points since the introduction of the facility in 2022. We consider the current mark-up of 0.75 percentage points to be too high in relation to the pricing in the market for loans or repos with equivalent collateral. To strengthen the incentives for banks to use the facility, we propose to lower the interest rate to the policy rate plus 0.30 percentage points.

Today, there is also a restriction that collateral for loans in the supplementary facility may consist of a maximum of 60 per cent covered bonds. It is proposed that this restriction now be removed.

The removal of the restriction, combined with a lower interest rate mark-up, is expected to reduce the threshold for the Riksbank's monetary policy counterparties to utilise the supplementary liquidity facility when needed. This promotes good interest-rate setting in the money market, with short-term market rates close to the policy rate, and the efficient functioning of the monetary policy transmission.

§3b The economic situation and monetary policy

Deputy Governor Per Jansson

I support the forecasts and the monetary policy assumptions in the draft Monetary Policy Report. This means that I support the assessment in the draft report that the current level of the policy rate and an unchanged policy-rate forecast compared with the Monetary Policy Report in December is at present a well-balanced monetary policy.

The Iran war, which broke out on 28 February, will change the conditions for monetary policy both in Sweden and abroad in a rather radical way, at least in the short term and, in the worst case, for a prolonged period of time. Unfortunately, we are once again forced to recognise that war and geopolitical conflicts have become a regular feature of our reality. First and foremost, of course, this causes great human suffering. But it also makes economic developments very uncertain and hazardous, even in countries not directly involved in the conflicts.

For my part, I feel that uncertainty is currently so elevated that I actually find it difficult to identify a clear main scenario among all the possible development paths ahead. I therefore think it is appropriate that, in the preparations for this monetary policy meeting, we have put considerable effort into analysing and discussing alternative scenarios alongside our main scenario. This is also reflected in the draft report, where, unusually this time, the section on our monetary policy considerations is based on three different scenarios, all of which contain important information for understanding our reasoning and conclusions regarding monetary policy. In this way, the situation is reminiscent of April 2020, when, due to the outbreak of the coronavirus pandemic, we decided not to present a main scenario but to work with two parallel scenarios.

This time we have not gone so far as to completely refrain from presenting a main scenario, but it is important to emphasise that all three scenarios are needed to obtain a complete picture of monetary policy. The main scenario can be seen as a result of weighing together many different development paths, where in particular the slightly more extreme envisaged outcomes are currently assigned a low probability. As a result, the war in this scenario has a moderate impact on the forecasts for the economic activity and inflation, and therefore does not lead to a revision of our monetary policy plan from December.

A couple of more extreme development paths are illustrated in more detail in the two alternative scenarios. Although the economic effects in these scenarios are quite substantial, actual outcomes could, as noted in the draft report, be even more severe in practice. But there is also the possibility that the scenarios could play out in a slightly milder form, or even to some extent in combination. All this

emphasises that the range of potential outcomes going forward is now very wide.

At our more recent monetary policy meetings, my focus has largely been on the risk of inflationary pressures in Sweden becoming too low. In January, I went so far as to state that “it cannot be ruled out that I may vote for a rate cut at our next monetary policy meeting on 18 March”. Since our January meeting, we have received two new inflation outcomes, for January and February, and these have only reinforced the picture of Swedish inflationary pressures becoming lower.

But with the developments that have taken place in recent weeks, historical inflation outcomes must now be seen in a new light. Much of my concern about problematically low inflationary pressures has so far been linked to the recent strong appreciation of the krona.

In this respect, since the outbreak of the war there has been a fairly clear shift in trend, with a weaker rather than stronger krona. In fact, the krona weakened even before the outbreak of war, at least partly reflecting the Riksbank’s communication in connection with the monetary policy meeting in January being perceived as soft. Since shortly after the publication of our January decision, the krona has depreciated by around 5 per cent against the US dollar and around 1 per cent against the euro.

These developments naturally have implications for the risks of inflationary pressures continuing to decline going forward. It is not unreasonable to believe that a depreciation of the krona, in a situation with relatively sharply rising energy and input prices, and disruptions and breaks in important logistics chains in the Gulf region, will feed through into consumer prices relatively quickly. The situation is not yet as dramatic as it was during the 2022-2023 inflation surge, but it is important to learn the lessons from that episode.

And this, of course, also applies to the risk of indirect and second-round effects occurring as a result of the supply disruptions. We all remember how quickly inflation rose in 2022 once pricing behaviour had changed. Seen in this light, the currently still too low inflationary pressures may actually turn out to be an advantage rather than a problem. This means that we can tolerate a certain increase in inflationary pressures without them becoming too high. Against this background, it is also very welcome that the economic recovery already gained some momentum last year.

Let me conclude. International developments in recent weeks have been dramatic. This has led to a completely new monetary policy situation. The range of potential outcomes is now very wide.

In this situation, it is important not to act hastily and then have to make a U-turn, or to be late and fall behind the curve. However, finding the right timing and balance in monetary policy is, of course, a formidable challenge under current circumstances.

For now, everyone agrees that a wait-and-see approach is the best strategy. Sweden is a net importer of oil and natural gas, which is not an advantage in the current situation. However, our dependence on fossil fuels has decreased significantly in recent decades and there is therefore reason to believe that the direct impact of higher oil and gas prices may be somewhat smaller in Sweden than in many other countries. This applies to the effects on both inflation and economic activity.

In addition, we have a relatively favourable starting position in that inflationary pressures have now fallen to a low level and the economic recovery already gained traction last year. The fact that we have also lowered the policy rate to what we believe is a mildly expansionary level is also an advantage. This allows us to adjust monetary policy promptly, if necessary, to make it either more expansionary or contractionary.

Deputy Governor Anna Seim

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

The war in the Middle East and its effects impact a global economy that has been resilient but subject to severe challenges for some time. At our meeting in January, I argued that the trade policy of the past year may have given rise to opaque adjustments and squeezed profit margins on the supply side. Rising energy prices, which drive up production costs further, can now aggravate the situation and give rise to negative supply effects and potential disruptions in complicated production networks.

I support the interest-rate path described in the draft report but am considerably more concerned that inflation will be too high than that it will be too low. I have therefore given considerable thought to whether we ought to add some probability of a rate increase in the near term to the interest-rate path. The reasons why I nevertheless choose to support the decision to leave the policy rate and interest-rate path unchanged are that (i) our estimates and available data suggest underlying inflationary pressures in line with the target, (ii) there are also scenarios that would warrant a lower policy rate, and (iii) reliable signals drown in the massive noise currently characterising the information flow. My assessment is

that our decision today is what is most robust in that it probably gives rise to acceptable outcomes even if the economy does not develop as we anticipate.

I am very positive to our giving the alternative scenarios an especially prominent role in the monetary policy process and in the draft report this time, as they help convey our reaction function. I see the alternative scenarios as possibilities that span a broad range of potential outcomes. In this very complex world, a stylised model of aggregate supply and demand can help us to process our thoughts. Through this lens, one may view our main scenario as the path forward if the war in the Middle East constitutes a temporary, negative supply shock that is reversed before it has second-round effects on the economy. In our scenario with lower inflation, I imagine that we supplement the supply shock with a negative shift in aggregate demand due to, for instance, increased precautionary saving or negative wealth effects stemming from financial markets. In the scenario with higher inflation, the supply shock is more persistent and affects prices and expectations in the economy. The reality is of course considerably more complex and there is a set of much more sophisticated models that form the basis for our forecasts, but I believe that fundamental economic theory can often help us with qualitative statements on where we are heading.

It is said that generals always prepare to fight the last war and therefore miss the fact that conditions have changed. At present, there is scarcely any central bank governor who is not thinking about the upturn in inflation 2021/2022. At the meetings in March and December last year, I reflected on how the conditions over the past year have differed from those prevailing after the pandemic. I therefore confine myself to noting that we are now in terms of monetary stance closer to a neutral interest rate than we were then, and that we are not facing a pent-up demand supported by extensive household savings. However, the picture is currently further complicated by the unpredictable consequences of trade barriers and the war on global value chains and the effects of AI on financial stability and long-term variables such as potential GDP and the neutral interest rate.

To illustrate the scope of the uncertainty, I note that in modern times it is possible to find examples of episodes with supply shocks in line with all of our three scenarios. When Iraq invaded Kuwait in 1990, the price of oil rose significantly, but the effects were temporary.¹ During the pandemic, central banks maintained an expansionary monetary policy, despite negative supply shocks. At the other end of the spectrum, the oil price shocks in the 1970s gave rise to problematic second-round effects that became very costly for the economy. The time series

¹ See, for instance Ohlsson, H. (2022), "Monetary policy and inflation in times of war", speech at the Department of Economic History, Uppsala University, 17 May 2022.

for inflation were then *twin peaked*.² Although contemporary frameworks and conditions differ fundamentally from those of the 1970s, we cannot rule out the possibility of a supply shock also paving the way for future price increases if companies' pricing behaviour is affected. Economic research shows that it is easier for companies to gain acceptance for price increases when it can be considered justified by visibly higher costs, and supply shocks can thus make prices more upwardly mobile. Microdata also confirm that prices in Sweden were raised more often than they were cut during the inflation upturn that began in 2021/2022.³ The relative price change frequency has normalised since then, but I do not rule out the possibility that the experiences of recent years have made companies more inclined to react quickly.

Although my assessment is that the risk of a more serious inflation scenario justifies intense vigilance, I am hopeful that the war and its effects will be transitory. Our economic policy framework and the inherent strength of the Swedish economy create security and room for manoeuvre. The conditions are favourable for us to stabilise inflation at the target in the slightly longer term and thus provide the nominal anchor that the economy needs. Today's slightly expansionary but close-to-neutral interest rate constitutes a good starting point to, once more reliable signals are available, adjust monetary policy if deemed warranted.

Deputy Governor Göran Hjelm

I would like to begin by thanking my colleagues at the Riksbank for producing such a solid basis for decision-making in the face of rapidly changing circumstances.

I support the forecasts and monetary policy outlined in the draft Monetary Policy Report. This means that I support the proposed decision to leave the policy rate unchanged at 1.75 per cent and to keep the interest rate path unchanged compared with December. As I will return to later, my position is based both on the main scenario in the draft and on the significantly heightened uncertainty that currently exists. As this is my first monetary policy decision, I shall begin by briefly outlining my view of the monetary policy framework and its application. Based on this view, I will then explain my position regarding the interest rate path in the main scenario and discuss the monetary policy considerations should the risks described in the report's alternative scenarios materialise.

² For an illustration of the inflation dynamics in the 1970s in relation to the 2020s, see Jesper Rangvid's blog: [Are we heading for a new inflation surge? – Rangvid's Blog](#).

³ See [Database of price changes in Swedish consumer prices | Sveriges Riksbank](#) for updated time series, and Klein, M., K. Strömberg and O. Tysklind (2024), "Inflation dynamics in the high inflationary period: insights from microdata", Economic Commentaries No. 14, Sveriges Riksbank.

Concerning the price stability objective, the Riksbank is tasked to maintain sustainably low and stable inflation. Credibility regarding the inflation target in the long term is probably a central bank's greatest asset, and key indicators of credibility are longer-term inflation expectations, not least those based on the views expressed by the social partners. Credibility provides greater room for manoeuvre, both in terms of the extent to which the real economy can be taken into account and the measure of inflation that should guide monetary policy in the short term. As regards the measure of inflation, the target is expressed in terms of the CPIF; however, as I will return to later, fluctuations in the CPIF are sometimes due to temporary effects that should not guide monetary policy in the short term. In such cases, monetary policy should instead be guided by measures that better reflect more persistent, underlying inflationary pressures.

Transparency regarding the choice of an appropriate measure in the shorter term, combined with high credibility for the inflation target, promotes both nominal and real stability. The link between credibility and the degree of consideration for the real economy is best illustrated by a situation in which the inflation target has lost its credibility; in such a case, the central bank needs, even in the short term, to focus solely on ensuring that inflation reaches the target level, regardless of the real economic consequences of the monetary policy that must then be pursued.

With regard to consideration of the real economy, the Riksbank shall contribute to a balanced development of output and employment, without, however, compromising the price stability objective. As neither the Sveriges Riksbank Act nor its preparatory works specify any weighting, I attach equal weight to these real variables. Furthermore, it is not only the timing of when real economic equilibrium is reached that is important, but also the path to that point, particularly during a recession. This is because it is the accumulated yearly output that affects the aggregate income of economic agents. In a recession with low inflation, it is therefore not enough for monetary policy to help bring about a recovery; the pace of the recovery also matters. Furthermore, prolonged recessions can be particularly costly, as they can have a negative impact on output and employment even in the longer term. The freedom of action I have briefly described here is, however, a freedom that comes with responsibility; account must be taken of both situation-based inflation measures and the real economy only to the extent that the credibility of the price stability objective is maintained.

I will now turn to the main scenario. As I mentioned at the outset, I believe that an unchanged interest rate and interest-rate path since December are appropriate. An important reason for this is that, in the picture painted in the main scenario, I believe that monetary policy should be adjusted over the coming years with regard to the CPIF, excluding the direct effects of both energy prices and changes in VAT. In what follows, I refer to this price development as core inflation. Electricity prices have been high this winter due to the cold weather,

and oil and gas prices have now risen as a result of the war in the Middle East. However, energy-related prices are expected to fall back in the main scenario and contribute to low CPIF inflation in 2027. However, it is not appropriate to adjust monetary policy in response to these temporary fluctuations in energy prices. By the same token, monetary policy should not be adjusted in response to the direct effects of planned changes to VAT on food.

Inflationary pressures have eased recently, and core inflation is clearly below 2 per cent. However, core inflation is expected to rise during the year, reaching 2 per cent around the turn of the year and remaining at roughly this level throughout the forecast period. If we look at the real economy, the economic downturn is now in its fourth year, but a clear recovery began in the second quarter of last year. However, certain outcomes and indicators suggest that the pace of the recovery has slowed. In addition, the war in the Middle East is expected to dampen growth in the short term. Given low core inflation in 2026 and an economic downturn in terms of output and employment well into 2027, the question arises as to whether a lower policy rate than the one in the main scenario would be appropriate. When the measure of inflation that I believe should guide monetary policy in the shorter term is, as it is now, close to 2 per cent within just two to three quarters, I believe the threshold for a different monetary policy should be relatively high. Low resource utilisation during the forecast period could outweigh this, even if a lower policy rate were to cause core inflation to rise slightly for a time. Overall, however, I believe that both core inflation and measures of resource utilisation will return sufficiently close to normal levels within a reasonable time-frame with the interest-rate path on which the baseline scenario is based; at the same time, I would like to emphasise that my assessment applies particularly to the current situation, which is characterised by significantly heightened uncertainty – a point I shall now turn to.

The war in the Middle East has significantly increased uncertainty regarding inflation and near-term economic developments, and this is a further reason why I recommend an unchanged policy rate and interest-rate path. The war can rapidly alter the conditions for monetary policy, and making a change in either direction at this stage – which there is a relatively high probability will need to be reversed in the near future – is generally not a good strategy. The first alternative scenario illustrates these significantly changed conditions, and I would like to comment in particular on how the monetary policy considerations in that scenario relate to my view on the application of the monetary policy framework. In this scenario, it is assumed that the war will lead to larger and more widespread price increases, as companies pass on a significant proportion of the increased costs they face. These “indirect effects” lead to higher underlying inflationary pressures. Monetary policy would then need to be tightened in order both to moderate these indirect effects and to prevent credibility issues from arising that could lead to second-

round effects via wage and expectation formation. I would like to emphasise that monetary policy does not offset the entire rise in core inflation. A faster adjustment towards the target through an even tighter monetary policy would cause the downturn to worsen further. It should also be noted that the tightening takes place gradually, reflecting the fact that, although the shock is widespread, there will still be considerable uncertainty regarding its effects in real time. I would also like to emphasise that the initial position at the time of the shock, in terms of inflationary pressures and resource utilisation, influences the appropriate monetary policy response. Overall, the scenario illustrates both that the Riksbank is pursuing flexible inflation targeting and that striking the right balance in monetary policy in the face of supply shocks is far from straightforward.

As illustrated in the second alternative scenario, there is also a possibility that the policy rate may need to be cut this year and next year. In this scenario, the conflict unfolds in the same way as in the main scenario, but it contributes to a marked deterioration in sentiment among businesses and households. It is also assumed that, as in 2025, the krona will strengthen despite global turmoil. I would like to note here that the exchange rate plays a central role in the current regime, as it influences inflationary pressures through several channels, with its impact perhaps being greatest about one year ahead, after which its effect begins to wane. I therefore believe that monetary policy should normally take account of more significant exchange-rate movements, as these, unlike fluctuations in energy prices, are rarely expected to reverse quickly. In this scenario, underlying inflationary pressures ease and the economic downturn deepens. In this situation, there is what is known as *divine coincidence*, whereby the monetary policy's aim of increasing inflation goes hand in hand with increasing resource utilisation. The policy rate is therefore cut with a view to reducing the deviations of inflation, output and employment from their desired levels. I would, however, like to emphasise that even when *divine coincidence* is at play, quantitative considerations are not absent. In this scenario, the deviations from target are both significant and persistent despite rate cuts, suggesting that an even more expansionary monetary policy appears to be appropriate. However, as with the first alternative scenario, there would still be considerable uncertainty even if a variant of this scenario were to materialise, which is why, once again, a gradual adjustment of monetary policy is reasonable.

Let me conclude. The marked increase in uncertainty regarding the direction monetary policy may need to take in the near future is a strong argument for leaving the policy rate unchanged. Furthermore, if the effects of the war subside as in the main scenario, an unchanged monetary policy is reasonable, as underlying inflationary pressures and resource utilisation will return to near-normal levels within about a year. The credibility of the inflation target will be

particularly helpful should major shocks occur, as it provides monetary policy with greater room for manoeuvre to safeguard economic developments whilst ensuring sustainable low and stable inflation.

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.

Even though not much time has passed since our meeting in January, my own monetary policy considerations have already managed to go through two different phases. Initially, I mostly felt concerned that we were going to see a too low inflationary pressure in the period ahead, even disregarding the effects of the lower VAT on food. This was primarily connected with three factors: first, the latest low inflationary outcomes, particularly excluding energy; second, the krona seemed to continue to strengthen; and third, that it was doubtful whether the economic signals in the Swedish economy were as strong as we had hoped for. While we saw that rising electricity prices was having an impact on CPIF inflation early in the year, this was not assessed to affect underlying inflationary pressures. An upturn in energy prices linked to a short period of cold weather is not something we should try to counter with monetary policy.

Unfortunately, however, as already mentioned several times, the playing field has since then changed due to the war that has broken out in the Middle East, which has led to globally rising oil and gas prices, increased uncertainty and a significant risk of more widespread supply shocks. Energy prices and shocks in the oil and gas market also affect many parts of the economy through indirect effects and thus also the prices faced by consumers. This may include everything from more expensive taxi fares to higher bread prices, as described well in the analysis “Rising energy prices will lead to higher inflation this year” in the draft report.

How great the impact will be on inflation depends on how long the war lasts and how rapidly production in the region can be resumed, which is very difficult to assess at present. In theory, central banks should disregard temporary supply shocks and only react with monetary policy if there is a risk for more persistent deviations from the inflation target or an impact on inflation expectations. But reality seldom conforms with such ‘textbook examples’. One central issue for monetary policy now focuses on maintaining the credibility of the inflation target in uncertain times.

In my opinion, a robust and reasonable monetary policy in these circumstances is to wait for more information. We recently published the Account of Monetary Policy 2025. The Account explains that this was the strategy we applied in conjunction with the turbulence around the US tariff announcements last April

and that we therefore left the policy rate unchanged in May. Later, as the view cleared, we moved ahead with a couple of policy rate cuts in 2025.⁴ It remains to be seen what our next step will be this time. The alternative scenarios in the draft report illustrate well that developments may be radically different, depending on how the war develops. This could lead to a need for either a higher or a lower policy rate than in our main scenario and I rule out neither alternative.

Here, I would like to take the opportunity for a few more detailed reflections:

My first reflection regards the starting position of the Swedish economy as we are being impacted by global supply shocks in the form of rising energy prices. One advantage I see is that, before the rise in energy prices, inflation according to our target variable, the CPIF, was close to target and looked like being distinctly below target later this year. If the supply shocks can be constrained in time, they will not necessarily require a tighter monetary policy. On the contrary, they may result in inflation closer to the target during the year, precisely because inflation otherwise would have been low.

We are also facing supply shocks in an economy where there is still spare capacity. This is a significant difference compared with the situation in 2022, where the shocks took place in combination with major changes in demand for goods and services in the aftermath of the pandemic. Pricing behaviour also changed among companies, who were able to pass cost increases along to a significant extent. We are now in a situation where economic activity has been weak for a long period and remains so, even though it strengthened last year. Previously, we have 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 also rise.⁵ But the choice of saving or consumption can be affected by uncertainty, above all if it is directly noticeable it in the consumer wallets, for example in the form of rising electricity prices or falling values for investments in shares. It will be extremely important for us to monitor how households react to the current situation, as well as how inflation expectations and pricing behaviour among companies develop.

My second reflection concerns the effects on inflation of the substantial movements in the exchange rate in recent years. The strengthening of the Swedish krona at the start of the year has reversed and the exchange rate now is at about the same level as in December. In many respects, this is because the US dollar has again strengthened in a time of great turmoil. This is more in line with historical patterns and different from the turbulence connected with tariff

⁴ See "[Account of Monetary Policy 2025 | Sveriges Riksbank](#)" published on 5 March.

⁵ See the analysis "Consumption is expected to increase at a good pace going forward" in the Monetary Policy Report, December 2025.

announcements last spring, when the dollar instead weakened. But it is worth remembering that the krona is significantly stronger than at the start of last year, which is still having an impact on import prices. The krona's movements in the period ahead may both strengthen and counteract the effects of the supply shocks on Swedish inflation.

Finally, it is worth pointing out that the volatility in the financial markets and in stock prices must also be seen in light of the recent AI-related investment boom. Beyond the movements on the financial markets lies the underlying issue of the structural transformation of the economy that AI may bring about, as well as which professions, companies and even countries will be winners or losers. This week, the National Institute of Economic Research released a survey of Swedish households' AI usage, coordinated within the EU, and we had a number of questions about AI in our Business Survey.⁶ It is clear that we are in an early phase of AI use and that a greater impact can be expected in the years to come. But expectations are extremely high, and we have previously warned of the risk of backfires and turbulence after a period of high-risk propensity and heightened asset valuations. So far, the financial system is functioning well despite the large fluctuations in asset prices. But, as you have just heard, we have seen developments such as high credit spreads (albeit from a low level; see Figure 6 in the draft report) and withdrawals from private credit funds in the US. There is a risk that the geopolitical turbulence will lead to more generally increased risk aversion in the market that could have major repercussions going forward and lead to tighter financial conditions.

After these reflections, it is time for me to conclude. At present, I consider it best to wait and maintain the direction of monetary policy but, at the same time, maintain a high preparedness to act should the prospects change. In the uncertain international situation, it is an advantage that the starting position of the Swedish economy is good with inflation close to target and an economic recovery under way. Our task is to try to contribute to keeping developments in the period ahead along this path.

Governor Erik Thedéen

The war in the Middle East has already had significant economic consequences, primarily due to increased uncertainty regarding access to oil and natural gas as well as other important intermediate goods, such as fertiliser. If the geopolitical situation around the Gulf of Persia does not improve significantly in the near term, the prices of these intermediate goods will probably remain elevated for a

⁶ See "[Article: Hushållens AI-användning](#)" (Household IA Use), in Economic Tendency Survey, March, National Institute of Economic Research and "[The Riksbank's Business Survey, February 2026](#)", Sveriges riksbank.

longer period of time. In such a scenario it is likely that inflation in Sweden and Europe will be pushed up and that GDP growth will be dampened. The risk of this type of lasting negative supply shock is, from a monetary policy perspective, the most important change since we last made a decision on the policy rate.

Higher global market prices on goods such as oil, natural gas and fertiliser mean that the price of Sweden's imports rises in relation to the price of our exports, that is, our terms of trade deteriorate. Economic stabilisation policy cannot remedy this type of change in our terms of trade with the rest of the world – it necessarily has a negative effect on our economic welfare. The direct effect for consumers is higher prices on fuel, and for companies this means higher costs for necessary intermediate goods. In the short term it is often difficult – almost impossible – to replace these intermediate goods and therefore both households' purchasing power and companies' production are negatively impacted.

Neither fiscal policy nor monetary policy is capable of making these negative effects on the economy disappear. The question for the Riksbank is instead how to shape monetary policy to attain a suitable balance between the forces pushing inflation upwards and the negative effects that slow down economic activity. If the supply shock is short-lived, a flexible inflation-targeting policy will normally mean that monetary policy sees through the inflationary impulse, that is, it does not need to react. But when the shocks are caused by a war, one can fear, for good reason, that the economic consequences as well as the human suffering will be both extensive and profound. A strategy that is adapted to short-term supply shocks will then appear less appropriate.

I see three factors as being central to the shaping of monetary policy in the current situation: the size and cause of the supply shock, its longevity and our assessment of the initial economic situation.

It is possible that the war against Iran will be short-lived or that the intensity of the fighting will decline fairly soon, and that exports from the region will soon rise towards more normal volumes. With this type of short-term supply shock, the effects on the Swedish economy will probably be limited. If that is the case, I assess that the outlook for inflation and economic activity will largely be the same as that prevailing at the end of January, when we last made a monetary policy decision. The conditions for a continued recovery are then essentially good.

The conditions for an inflation rate in line with the target are also favourable. Inflation measured by the CPIF and the CPIF excluding energy fell in February, to 1.7 and 1.4 per cent respectively. Several factors indicate that core inflation will remain low in the coming quarters, but that it will then rise. For example, inflation on goods is still being dampened by the earlier exchange rate appreciation, an

effect that should decline going forward. This year, inflation will also be held back by some temporary effects, which are expected to cease next year. The more long-term determinants also indicate, in our main scenario, that CPIF inflation will in the slightly longer term stabilise at the target of 2 per cent. Given this background, I support the proposal to leave the policy rate unchanged at 1.75 per cent today, and I support the forecasts and assessments described in the draft Monetary Policy Report.

However, the risk outlook around our main scenario has changed significantly since the end of January. This can be illustrated in different ways. The draft report contains two quantified scenarios, where one shows the potential consequences for monetary policy if the war leads to extensive, severe supply shocks. In this scenario the effects on CPIF inflation are rapid and substantial and the Riksbank would therefore need to begin a series of policy rate increases in the summer, so that the policy rate is at just over 2.5 per cent at the beginning of next year.

One cannot rule out the possibility of such dramatic developments and this is one way of illustrating the risks that have now arisen. Of course, it is possible to imagine several different scenarios in which the war has negative consequences for Sweden's economy. Let me try and paint a picture in words of a scenario that I believe to be somewhat more probable.

My assessment is that what is happening in the Middle East now is not a temporary supply shock, such as if a freight ship gets stuck in the Suez Canal, or if a security incident leads to the closure of a nuclear power station. Given how long the crisis has been under way and the already fairly substantial effects on the energy infrastructure, I fear that lasting repercussions may arise regarding the oil and natural gas supply in the world. The war in the Middle East may also further sharpen the existing geopolitical tensions, which increases the risk of continued disruptions in the global economy. Even if it enters a somewhat calmer phase, the crisis can lastingly impact activity in the global economy.

Even if we do not have such a strong stagflationary process as described in one of the alternative scenarios in the draft report, we may experience something in that direction, with higher inflation and lower growth in Sweden and the rest of the world. This would mean that monetary policy faces a difficult trade-off. On the one hand there is the risk that inflation will once again lastingly overshoot the target of 2 per cent. If we wait before reacting until underlying inflation has begun to rise clearly above our forecast, companies' pricing behaviour may be affected, and inflationary impulses may be strengthened. On the other hand, there is the possibility that inflation risks are being overestimated. If we adjust monetary policy in a tighter direction at an early stage, we could find ourselves in a situation where the economic recovery is delayed.

So what is my conclusion? One insight from recent years is that it is risky for a central bank to assume that it is possible to see through supply shocks. In this situation, our task is clearly to safeguard the credibility of the inflation target. Our starting point with low inflation gives us some respite until we have a clearer picture of the economic consequences of the war. At present, it is too early to determine how the outlook for inflation and economic activity in Sweden will be affected. But if the risk of high inflation and a lasting deviation from target increases, we may find ourselves in a situation where monetary policy needs to act to prevent these risks materialising. We are maintaining a steady course, but are ready to swerve if necessary.

§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).
- in accordance with [Annex B](#) to the minutes Lower interest rate for the supplementary liquidity facility and cancelled limit rules for covered bonds.

This paragraph was confirmed immediately.

Minutes taken by

Alexander Czarnota Jesper Johansson

Verified by

Erik Thedéen Aino Bunge Per Jansson

Anna Seim Göran Hjelm



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