



Minutes of the Monetary Policy Meeting

September 2026

MINUTES OF THE MONETARY POLICY MEETING

Executive Board, No. 6

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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

Jakob Almerud

Lena Arfalk

Charlotta Edler

Mattias Erlandsson

Susanna Grufman

Ellen Kockum

Anders Kvist

Mika Lindgren

Tomas Lundberg

Henrik Lundvall

David Lööv

Åsa Olli Segendorf

Annica Sandberg

Olof Sandstedt

Anna Sjulander

Maksat Allaberdyev (§1-3a)

Maria Johansson (§1-3a)

It was noted that Mika Lindgren and David Lööv would prepare the minutes of the monetary policy meeting.

§3 Monetary policy review

§3a Economic developments

Market developments since the last monetary policy meeting

Maksat Allaberdyev, market economist at the Markets Department, began by presenting developments in financial markets since the previous monetary policy meeting in August.

The war between the United States and Iran continues to shape developments in financial markets. Since the monetary policy meeting in August, disruptions to Saudi Arabia's export infrastructure and a worsened security situation around the important Bab el-Mandeb shipping route have pushed oil prices above 100 US dollars per barrel. Diplomatic efforts to stabilise the situation are under way, but passage through the Strait of Hormuz remains restricted, although it is not completely blocked. In connection with the UN meeting in New York, the United States and Iran have discussed reopening the Strait of Hormuz. According to reports, Iran is prepared to reopen it within seven days if the United States eases military pressure and lifts its blockade of Iranian vessels. This, together with reports that Saudi Arabia may soon resume exports, has caused oil prices to fall recently. However, they remain at an elevated level.

The Federal Reserve raised its policy rate by 0.25 percentage points at its meeting on 16 September, the first increase since 2023. The decision was unanimous, and the so-called "dot plot" of projections by members of its policymaking committee, the FOMC, signals at least one further increase in 2026. The ECB also raised its policy rate by 0.25 percentage points at its meeting on 10 September. It also revised up its growth and inflation forecasts. Since the start of the war in the Middle East, market-implied expectations for policy rates two years ahead in the United States and the euro area have risen by more than one percentage point, with a marked acceleration in September. This indicates that markets now expect, to a greater extent, a global environment with higher interest rates. Inflation expectations according to market pricing have risen in the shorter term but have been reasonably stable in the longer term. This suggests that markets expect inflation to gradually return to central bank inflation targets.

After rising until mid-September, yields on 10-year government bonds have fallen back somewhat. The US yield curve has flattened while the term premium has declined. A similar development can be seen in Europe and Japan.

France's public finances have also been in focus recently. France is expected to miss its target of a budget deficit of 5 per cent of GDP in 2026. Uncertainty over

fiscal policy has pushed up French government bond yields and widened the spread to German yields to around one percentage point, the highest level since the euro crisis.

Markets expect the Riksbank to leave the policy rate unchanged in September following the low inflation outcome in August. But they also expect the Riksbank to increase the policy rate path and several bank analysts have brought forward their forecasts for a rate rise to November or December. Market pricing indicates around five rate increases by the Riksbank by December 2027.

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 remain in an uncertain global environment. For some time, the international situation has been marked by considerable unpredictability, not least as a result of the US administration's trade and foreign policies and the ongoing war in the Middle East. Oil prices have risen again to the levels seen this spring and remain a factor that creates volatility in global financial markets, including equity markets. However, the Swedish financial system has proved resilient and key funding markets and financial infrastructure have functioned well. At the same time, the risk outlook is characterised to a large degree by how the war develops and how long-lasting the effects of supply disruptions are expected to be.

Several countries' government bond yields are at high levels and have continued to rise since the summer, particularly at longer maturities. This reflects, among other things, expectations of higher policy rates but also a deterioration in the outlook for public finances in some economies. The sustainability of public finances in several countries is under increasing pressure as public interest expenditure as a share of GDP is rising from already high levels. High asset valuations, combined with optimistic expectations regarding the potential of AI, have led several major AI-related companies to raise significant amounts of capital, not least through new loans. Debt financing introduces complex interconnections within the AI ecosystem and further increases market concentration around these companies. The increased indebtedness in combination with complex funding solutions in several cases places greater demands on the ability of investors to assess the risks associated with lending to the sector. Corporate bond risk premia generally remain low, but have risen for AI-related companies, especially for bonds at longer maturities.

Despite turbulence abroad, the overall assessment is that the Swedish financial system is well suited to withstand disruptions. The banking system is highly

resilient, mainly because the major banks are profitable, have solid liquidity and substantial capital buffers. However, the threat of cyberattacks continues to grow against the backdrop of rapid technological developments and the uncertain security situation. This underlines the need for all key participants in the financial system to strengthen their operational preparedness.

The current monetary policy drafting process – new data and forecasts

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

The background material for today's policy rate decision has been discussed by the Executive Board at meetings on 8, 9 and 11 September. The draft Monetary Policy Report was discussed and tabled at a meeting of the Executive Board on 16 September.

At the monetary policy meeting in August, the Riksbank left the policy rate unchanged at 1.75 per cent but assessed that there was still some probability of a rate increase later this year. The Riksbank noted that both growth and inflation had been higher than expected over the summer, and that the war in the Middle East was continuing and posed a risk of inflation becoming too high. At the same time, measured inflation was low and unemployment high.

Given the continued instability in the Middle East, a key issue in the preparation of this decision has again been how the protracted war is affecting inflation globally and in Sweden. Another has been the implications for monetary policy of the Swedish economy strengthening more than expected. This may also affect the size of the inflationary effects of supply disruptions. The Executive Board has also discussed how higher long-term interest rates and upward revisions to expectations for policy rates abroad affect the outlook for the Swedish economy through the krona exchange rate and other channels.

The draft Monetary Policy Report gives proposals for current assessments of and forecasts for the international economy and the Swedish economy. Compared with the previous forecast in June, GDP growth and resource utilisation in the Swedish economy are now assessed to be higher. There is still spare capacity in the labour market, but the assessment that the labour market will strengthen over the forecast period remains unchanged. The krona has weakened and, although it is expected to strengthen ahead, the forecast implies a weaker krona over the next few years compared with the forecast from June. The inflation outcome for August was in line with the June forecast, but stronger growth and a

weaker krona are together assessed to contribute to somewhat higher inflationary pressures going forward.

The risk outlook continues to be shaped by the war in the Middle East, which could quickly cause sharp fluctuations in energy prices and means that the risk of too high inflation remains. At the same time, the outlook for domestic demand is uncertain, as illustrated by the alternative scenarios in the draft report.

The monetary policy proposal that the Monetary Policy Department judges 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. The probability of the policy rate being increased this year has risen, and the policy rate path has been revised upwards compared with the June forecast. If the outlook for inflation and economic activity holds, rate increases are expected to begin this year.

§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 to a large degree the assessments presented in the draft Monetary Policy Report.

The driving forces behind developments in Sweden and abroad are essentially the same and consist of supply and demand-related factors, where the combination of these constitutes the current challenge for monetary policy. On the supply side, the disruptions due to the war in the Middle East are still dominant, leading to continued higher prices on important commodities and disruptions to global supply chains. The war has developed into a protracted, low-intensity conflict with a risk of fewer deliveries from the area over a longer period of time. In addition, limited capacity at refineries has led to even higher fuel prices. European households and companies have been hit particularly hard as gas prices have risen a lot as a consequence of the war. Europe has also been affected by supply disruptions as a result of heatwaves and droughts, which have contributed to rising futures prices for electricity and food. High futures prices for electricity in Europe, which are also driven by higher gas prices, are contributing to increased futures prices for electricity in Sweden.

The main reason why the real economy has developed well despite these supply shocks is that there are demand-related driving forces running parallel to this that have increased economic activity. In particular, investment and production related to the development of AI have attracted attention, also in Sweden. In addition, both demand from abroad and domestic demand are being driven by a

significant expansion of defence spending, as well as public and private investments related to the green transition.

This combination – negative supply shocks and strong driving forces on the demand side – is the main challenge faced by central banks, including the Riksbank. As I emphasised earlier, the monetary policy calibration is affected by country-specific factors, and I will return to these. However, I would like to emphasise already at this point that, with the combination of driving forces we are now seeing, resource utilisation will play an even more central role for monetary policy. When an economy is affected by negative supply shocks that lead to elevated inflation and poorer economic developments, the standard recipe is to ‘see through’ the higher inflation if well-established conditions are met.¹ This recipe is justified because it is expensive in terms of production and employment if monetary policy is to reduce an already low resource utilisation for the purpose of bringing down inflation, the so called “sacrifice ratio” is high in this situation.² On the other hand, if resource utilisation is high despite the supply shocks, monetary policy should be tightened to reduce, via lower resource utilisation, the indirect and secondary effects on inflation. In such a situation this may be done at a relatively low cost to the real economy, as the sacrifice ratio is then smaller.

The Swedish economy thus essentially has the same supply and demand-related driving forces as other countries. The way that these affect the conditions for monetary policy in Sweden depends on well-known factors where my focus this time lies with the initial situation in the economy, the expected effects of the disruptions and monetary policy abroad.

I assess the initial situation for the real economy and the outlook going forward to be stronger and more robust than earlier this year. The upturn, which is confirmed by several sources³, is broad from the expenditure approach and most sectors assess that the demand situation has improved and is now close to normal. The combination of spare capacity in the labour market and low labour shortages within primarily private services and the retail trade indicates that the labour supply can meet the increased demand as expected. At the same time, it is not likely that we are dealing with some sort of “spring fever”; various confidence indicators have been at much higher levels than now over the past decade. Further, from the production approach it is mainly companies that benefit from the above-mentioned driving forces that are clearly growing, while companies in, for instance, basic industries and the construction sector are experiencing tougher

¹ See my speech [“Monetary policy trade-offs and the economic policy interactions in the face of supply shocks”](#), 22 May this year.

² See, for example, Isabel Schnabel’s speech and the references therein, ‘Keeping a steady hand in an unsteady world’, 10 May 2025.

³ National Accounts, Economic Tendency Survey, the Riksbank’s Business Survey, PMI (Swedbank/Silf).

times. It can be added that the very strong growth during the second quarter was probably due to some extent to temporary factors.

When it comes to the effects of these driving forces on inflation, they have so far been limited. The supply shocks have of course entailed higher energy prices and some indirect effects, particularly related to transports. But so far both goods prices and food prices have shown weak development despite supply shocks and strong driving forces on the demand side. The underlying measure of inflation that excludes energy and the effects of temporary fiscal policy measures was 1.6 per cent in August. When the notoriously volatile prices of travel-related services are excluded, inflation was 1.2 per cent. However, it rose from 1.1 per cent in July to 1.5 per cent expressed as price changes during the past six months, annualised. All of the supply and demand-related driving forces mentioned and the weakening of the krona during 2026 point to higher inflation next year. Nevertheless, the forecast for the above-mentioned measure of underlying inflation is only 2.2 per cent for 2027. Without the somewhat elevated policy rate path, inflation would have been somewhat higher but the difference from 2 per cent could still be entirely explained by the indirect effects of supply shocks that I assess to be contained in the forecast.

When measures of underlying inflation are below 2 per cent and there is spare production capacity, increased resource utilisation is a central means for monetary policy to stabilise inflation at the target level in the longer term. The exchange rate is also a central means for monetary policy in such a situation. This applies in particular if underlying inflation and resource utilisation are lower in Sweden than in relevant currency areas. I assess that a not insignificant part of the weakening of the krona during the year against, for instance, the euro is reasonable given the relevant monetary policy macroeconomic differences that exist. In addition, the war in the Middle East has probably *in itself* had a negative effect on the krona. Increased resource utilisation and a weaker krona are thus natural contributions to inflation adapting to the target. The picture is complicated, however, by the fact that the aforementioned supply shocks also contribute to higher inflation, making it important that resource utilisation does not become too strong and the krona too weak.

I think that the risk outlook in general is balanced with regard to real economic developments. I am very hopeful that the increased demand will result in a clear increase in employment in the private sector, too. However, there is a risk that demand will not become sufficiently strong in the sectors that are not directly affected by the demand-related driving forces. As several of these are employment-intensive, there is thus a risk of continuing high cyclical unemployment. If the driving forces on the demand side that I mention above

were to wane next year, economic developments could be weaker than expected. This would prolong an already long period of cyclically low employment.

I assess that the risks with regard to inflation are largely on the upside. The fact that the effects on inflation have so far been limited does not need to have a solely positive interpretation with regard to resilience; the cost increases that have already occurred may gradually be passed on to the consumers to a greater extent than before. Further, there is a risk that the high energy prices will become more lasting than is indicated by futures pricing, as there are few signs of a rapid solution to the war in the Middle East. In addition, there is a risk that the krona will weaken more than is justified by differences in the outlook for inflation and economic activity in relation to other currency areas.

Despite the relatively strong driving forces, there is no drama for monetary policy in Sweden. Over the past year, monetary policy has been somewhat expansionary, and the assessment has been that it will gradually normalise at a somewhat higher level. In June, the policy rate forecast was raised somewhat because the war in the Middle East was assessed to comprise a risk that inflation would become too high. I assess that this risk remains. The past months have shown clear signs that the economic upturn is on firmer ground and that resource utilisation for production and employment is approaching normal levels faster than expected. It is therefore natural to bring forward the normalisation of the policy rate. If the outlook in the draft report remains unchanged, including the risk outlook I described above, I consider a policy rate increase to 2 per cent to be reasonable during 2026, given that monetary policy has an impact with a time lag.

I think that it is worth pausing here to reflect on the fact that since the outbreak of war, including at this monetary policy meeting, we have been able to wait and see before raising the policy rate. High credibility and well-functioning wage formation mean that we still have the possibility to “see through” some supply-driven inflation. Correspondingly, we still have the conditions to act with consideration when it comes to improvements in economic activity. Not least the recovery on the labour market should be taken into account. After several years of high cyclical unemployment, the forecast shows that normal resource utilisation on the labour market is within reach. However, the cost of using unemployment in the current situation as a means to reduce supply-driven inflation should not be underestimated. The combination of negative supply shocks and rising resource utilisation and the risk of a weak exchange rate that is not motivated by monetary policy at the same time calls for vigilance.

Overall, I assess that the policy rate path is slightly high, given the developments in the forecast, although some probability that the policy rate will need to be raised again during the first half of 2027 seems reasonable. Of course, this is merely a difference in nuances, and we need to test our way forward. My

assessment is therefore that the driving forces behind inflation have significance for what monetary policy that is appropriate. With regard to consideration to the real economy, I take into account, as I have stated earlier⁴, indicators of resource utilisation for both production and employment.

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.

At our previous meeting, I said that we needed to set our sights to a greater extent towards domestic economic developments and other factors. This comes after a period with considerable focus on the effects of the war in the Middle East. One reason for this was the more positive view of the Swedish economy that reinforced the assessment that it was approaching normal economic conditions. Since the meeting in August, we have received further confirmation of this assessment, both in terms of hard data and forward-looking indicators. This in itself indicates that the policy rate should be raised from its current level going forward.

Unfortunately, we can also note that the war in the Middle East has now been going on for more than six months, and that the supply disruptions are continuing. This means that we need to maintain focus on this. In addition, the krona has weakened. Overall, this points to an increased risk of higher inflation going forward, which also justifies tighter monetary policy.

The important monetary policy question to take a stance on is when the policy rate should be raised and by how much. I think that the policy rate path in the draft report reflects a reasonable trade-off between our main objective of keeping inflation close to 2 per cent and our endeavour to also promote a stable development of the real economy. Having said this, I think that we will need to test our way forward with regard to exactly how much the policy rate will need to be raised going forward, and there the assessments will be more uncertain the further ahead they apply.

This is the overall summary of my considerations. But despite it being only a short period of time since our previous monetary policy meeting, a lot has happened, so allow me to give a slightly more detailed description.

Inflation is still being strongly held back by the temporary fiscal policy measures. In August, CPIF inflation was 0.7 per cent, and excluding energy it was 0.5 per cent. Measured in terms of the EU-harmonised measure, HICP, it was even lower,

⁴ See my contribution to the monetary policy meeting in March 2026.

at 0.3 per cent, clearly the lowest level among member states, which has attracted considerable attention. If the direct effects of the fiscal policy measures are disregarded, inflation was much higher in August: 2.2 per cent measured with the CPIF and 1.6 per cent with the CPIF excluding energy. But these are also low figures in an international perspective. A comparison with the euro area, our largest trading partner, shows that both with and without tax effects we are dealing with a lower rate of inflation. In the euro area, inflation has varied around 3 per cent recently, measured in terms of the HICP. We can also note that behind the overall figure for the euro area, there are variations between countries. This is not something that the ECB can take into account.

We shall of course make good use of the fact that we have an independent monetary policy that can be conducted according to the specific conditions for the Swedish economy. The starting point with relatively low inflation is, in my opinion, a reason why we have been able to wait before raising the policy rate until we have more information about economic developments and the effects of the supply disruptions.

However, it is not possible to ignore the fact that we are currently facing joint global challenges, with rising energy prices and a risk that they will spread to other prices and lead to a more general problem with inflation. It is important in such a situation not to be lulled into a false sense of security by inflation being low at present. As is well known, monetary policy should be forward-looking. A large set of indicators give the overall picture that inflationary pressures are higher than normal (see, for instance, Figure 23 in the draft report).

According to the Economic Tendency Survey, companies' price plans are elevated. Our own Business Survey shows a slightly more mixed picture, where companies selling to other companies say that the increased costs have already had an impact on selling prices, while those selling to households say that the costs affect the prices with a larger delay. Companies in the retail trade sector plan to pass on some of their higher costs to customers, but at the same time believe that competition limits the possibilities for a full pass-through. The weakening of the krona also puts upward pressure on import prices. More than half of the krona strengthening that we saw in 2025 has now been reversed and here, also, we will closely follow how quickly and how much of an impact it will have on companies' pricing.

Price plans will be an important factor to follow going forward, as they can give us clues with regard both to how cost increases may spread and to possible changes in pricing behaviour. Overall, I am more worried about how the cost increases will affect companies' behaviour in an environment where economic activity is strong and demand is increasing.

This leads me to the economic situation and economic activity. As I mentioned earlier, we are now seeing signs of a long-awaited economic upturn in Sweden, which also appears to be broadly divided across different sectors. Since our last meeting in August, we have received both a very strong GDP outcome for the second quarter and data in the form of forward-looking indicators that strengthen our view that the recovery is ongoing. But, as also mentioned in the draft report, our assessment is that there is still spare capacity in the economy, especially in the labour market. We have a lingering high level of unemployment, at the same time as companies, including those in our Business Survey, are signalling caution with regard to new recruitment. This, together with the low inflation at the outset, is the reason why I am not advocating an increase of the policy rate today. There are essentially good conditions for a stronger labour market going forward and the assessment of the amount of spare capacity will become important when we approach normal economic conditions.

Let me conclude with a few comments on our alternative scenarios. The scenarios in the report, together with the scenarios on supply disruptions that we published in the Monetary Policy Report in June, provide a good picture of the uncertainty factors that I personally have given a lot of thought this time. The situation in the Middle East is still difficult, with very few signs of a lasting peace. We have seen that the global economy has a remarkable ability to adapt, but it has also been built on the use of stocks and alternative flows for oil and other products. If these are now curtailed, the more negative scenarios we have had with significant disruptions to supply may arise again. We could then see a more negative development for both inflation and the real economy.

One risk that has been added lately is that inflation is increasing faster than expected in an economy that is growing more strongly than expected. This is exactly what the first alternative scenario in the draft report focuses on. The scenario illustrates how monetary policy may need to be tightened in such a situation. Fiscal policy may also play a role here. The policy rate path we have outlined in the draft report is based on fiscal policy tightening from next year and a gradual return to the fiscal policy framework, not of economic stimulus to households.

The second alternative scenario this time illustrates the risks related to AI that could lead to a clear decline in risk appetite. Behind the conclusion in the draft Monetary Policy Report that the financial conditions for Sweden are largely unchanged since June, there is already some drama concealed. We have seen a global upturn in long-term interest rates and at the same time continued optimism on stock markets. The combination of a concentration of investments in AI and rising government debt will now face a completely different level of interest rates than in the past. Here, there are clear risks of setbacks, and if risk

appetite declines, it could lead to us also needing to adjust monetary policy in a more expansionary direction.

But this is not what our forecast and our policy rate path reflect, instead it is based on strong economic activity and elevated inflationary pressures that motivate an initial increase in the policy rate during this year.

Overall, I think that it is reasonable to wait and not change the policy rate today but at the same time to clearly communicate that it is likely that the policy rate will be increased before the end of the year. The current policy rate is in my opinion somewhat expansionary and has contributed to supporting the recovery in the Swedish economy. The policy rate path in the draft report also reflects what I think is a reasonable assessment of how monetary policy should be tightened going forward. But as I mentioned initially, the exact amount that the policy rate needs to be raised is something we will have to test our way forward. When we began to cut the policy rate in 2024, after the high-inflation period, we often emphasised the importance of taking a learning approach.⁵ And I believe that this is a good starting point also now that we are moving towards raising the policy rate in an uncertain environment.

Deputy Governor Per Jansson

At the monetary policy meetings in June and August, I discussed the inflation picture in Sweden, concentrating primarily on three factors. These were: the prevailing inflation rate at the outset; the strength of demand-driven inflation; and the inflationary effects associated with supply shocks in the global economy, with a primary focus on the war in the Middle East. I still regard these factors as crucial to our inflation picture and therefore intend to update my views on them in my comments today.

As regards inflation at the outset, we have received one new inflation outcome since our last meeting, for August. Having been higher than expected in both June and July, inflation in August was broadly in line with our latest quantitative forecast from the Monetary Policy Report in June. In terms of the CPIF, inflation was 0.7 per cent and in terms of the CPIF excluding energy prices, it was 0.5 per cent. In essence, the outcomes showed a sideways development for both measures compared with the July figures. It was particularly pleasing that price rises excluding energy prices, which had surprised significantly on the upside in July, were entirely in line with our June forecast in August. Adjusted for the direct effects of the temporary fiscal policy measures, which we try to see through in monetary policy, the corresponding figures for inflation including and excluding

⁵ See, for instance, my speech: [Aino Bunge: Inflation is in the process of stabilising at the target, but the way forward is not entirely smooth | Sveriges Riksbank](#).

energy prices were 2.2 and 1.6 per cent. These, too, imply a sideways development compared with July.

At the same time, measures of short-term price changes – to which I attach quite considerable importance in my monetary policy considerations – have not continued to rise as alarmingly rapidly as they did earlier in the summer. As regards the key inflation measure which excludes energy prices and temporary fiscal policy measures the outcome at an annualised rate for the last six months does still remain some way above 2 per cent, and there are as yet no signs of a downward turn in this measure. However, the upturn since July is small, and when calculated over the last three months, the corresponding price increases have fallen significantly, from nearly 4.5 per cent to just over 3 per cent. This is of course positive.

It is still primarily travel-related services that play a major role in the development of the inflation measures at higher frequencies. One explanation is probably the high level of tourism in Sweden this summer. It may also have been combined with so-called dynamic pricing, where companies use new technology to quickly adjust prices in line with demand. If this is what has driven up the prices of many travel-related services, there is every reason to believe that the upturn is temporary and that prices will fall back in the autumn as demand from tourism declines.

However, the price rises may also be due to unexpectedly large indirect effects of the supply disruptions, such as more expensive jet fuel. The conflict in the Middle East shows no signs of abating – quite the opposite, in fact. Consequently, prices for energy components have continued to rise since our August meeting. I'll come back to this development in a moment. If this is largely the reason behind the higher prices for travel-related services, the price rises may well remain at an elevated level during the autumn.

With that, I move on to the second factor: the strength of demand-driven inflation. At our meeting in August, I concluded that we did not yet need to worry about the Swedish economy overheating, but that the risk of a slightly faster demand-driven inflation had increased.

The conclusion was based on several indicators showing that the economic upturn was on firmer ground. Since the August meeting, Statistics Sweden has published National Accounts for the second quarter, and they confirm that GDP growth has been both strong and broad-based. The outcome was even higher than Statistics Sweden's already strong early monthly statistics. Seasonally adjusted quarterly growth came in at 1.6 per cent, compared with 1.4 per cent in the monthly statistics.

Admittedly, it cannot be ruled out that the rapid growth was partly due to one-offs. However, the upturn was broad-based – all expenditure components of GDP, apart from inventory investment, contributed to it. Furthermore, the Economic Tendency Survey, Purchasing Managers' Indices and the Riksbank's Business Survey all show indicators on healthy and improved levels. This makes me feel relatively optimistic about the conditions for growth in the Swedish economy going forward. As I mentioned in August, part of the picture is that fiscal policy is unusually expansionary. There is a risk of it becoming even more expansionary in the light of election pledges with unclear funding. It is also worth noting that activity in the labour market has now gradually begun to pick up.

My conclusion from this reasoning about economic developments is that the risk of a demand-driven rise in inflation has increased further since August. One relevant circumstance in this context is that this is happening at the same time as conditions on the supply side of the economy are deteriorating.

As I have mentioned previously, prices for several energy components have continued to rise since August, including crude oil, gas, petrol, diesel and jet fuel. Electricity prices – which are of considerable importance in Sweden – have fluctuated sharply and, overall, also shown a slight upward trend.

This price development is largely due to the path to peace in the Middle East having become increasingly distant. Instead, the conflict has escalated, with more parties involved and a wider geographical dispersion. Alongside the war in the Middle East, other significant supply disruptions – related to, among other things, US trade and foreign policy, Russia's war in Ukraine and extreme weather – are doing little to alleviate concerns about the supply side of the economy.

From an inflationary perspective, the combination of rising demand and supply-side constraints and shortages is a dangerous phenomenon. We all remember how inflation rose more or less unchecked in 2022, when a very rapid surge in demand following the pandemic coincided with rising costs for businesses in connection with Russia's invasion of Ukraine. The situation was unique in many respects, and it is unlikely that it will be repeated in exactly the same way. But today there are similar elements that require vigilance. Although the inflation levels seen in 2022 were exceptional, developments at that time underline how quickly inflation can rise sharply in an adverse scenario.

Let me summarise my conclusions from this review for the inflation picture and monetary policy. As regards inflation at the outset, I see no major shifts – either in a better or a worse direction – since our meeting in August. It is, of course, positive that the forecasting error which arose in June and July largely disappeared in August. However, the picture regarding price rises over a shorter time horizon than the usual twelve months is broadly the same as before, with

somewhat elevated price rises for the key inflation measures that exclude the direct effects of the temporary fiscal policy measures. Overall, however, I still assess the initial position as mainly favourable.

What has clearly deteriorated since August, however, is the inflation risk arising from the interaction between demand and supply. One factor that, in this context, makes this development a little extra worrying in Sweden is that the ongoing conflict in the Middle East is obviously not favourable for the krona exchange rate. In fact, it has been depreciating more or less continuously since the outbreak of the war. Against the euro, we are now just some per cent away from reversing the entire appreciation from 2025. Against the US dollar, the krona is still considerably stronger than at the beginning of last year, but there is a clear and persistent trend towards depreciation here too. Since shortly after the announcement of the August monetary policy decision alone, the krona has depreciated by around 2 per cent against the euro and by slightly more than 4 per cent against the US dollar.

Against this backdrop, I support the decision to now revise up our policy-rate forecast relatively significantly, in line with the proposal set out in the draft Monetary Policy Report. The upward revision to the policy-rate path is greatest in the second half of 2027, when the policy rate is now expected to be just under 0.5 percentage points higher than in the June forecast. The reason I am not advocating an interest-rate increase at today's meeting is that inflation at the outset remains relatively moderate overall. In a world of considerable uncertainty, it is prudent to make full use of the scope this provides to wait before taking further monetary policy action. I therefore also support the proposal for a decision in the draft report to leave the policy rate unchanged at 1.75 per cent, as well as the forecasts and analyses presented in the draft.

I would like to conclude by briefly commenting on my view of the policy-rate rises that I now support, in light of the critical stance I have previously expressed regarding insurance hikes in the policy rate. My scepticism about insurance hikes does not, of course, mean that I believe we should disregard the forecasts for inflation altogether and focus solely on actual inflation outcomes, waiting until these outcomes have risen to very high levels before taking action.

Rather, the point is that we need to have sufficient confidence that the forecasts will prove broadly accurate. There is clear evidence in the data that economic activity is continuing to strengthen while supply-side conditions are deteriorating. The same applies to the continued depreciation of the Swedish krona and, indeed, to the concerns that the interaction between demand and supply could generate particularly strong inflationary pressures.

So I do not believe that the interest-rate rises which I now consider necessary stem from a more or less vague argument about the need for some kind of insurance. For some time now – ever since last summer – the policy-rate forecast has shown a slightly upward trend, as a result of the expected normalisation of the policy rate in an economic upturn. The forecast is now being revised somewhat higher, as the economic recovery has become more stable and stronger, and there are, in addition, several clearly identifiable upside risks surrounding the future development of inflation. The revision to the forecast is not insignificant, but nor is it dramatically large. Essentially, it still reflects a normalisation of the policy rate in an economy that is gradually improving.

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 deliberations in the draft Monetary Policy Report.

I have learnt that in military contexts people often speak of the importance of *situation awareness* – the need to establish a common view of the situation before deciding what actions to take. This also seems to be a sensible starting point for monetary policy decision-making, particularly when the state of the economy is difficult to assess. Let me therefore begin by conveying my view of the economic situation.

Media reports still give the impression that inflation in Sweden is very low. In August, measured inflation in terms of our target variable, the CPIF, was 0.7 per cent. But we need to recognise that it is artificially low because of the direct effects of the temporary fiscal measures, particularly the halving of the VAT on food, the reduction in fuel tax and subsidies for local public transport. Excluding these, CPIF inflation is 2.2 per cent. Looking instead at the more underlying inflation excluding volatile energy prices, it was 1.6 per cent in August. Inflationary pressures are also stronger than normal (see Figure 22 in the draft report), with strong momentum (see Figure 21 in the draft report).⁶

As regards the risk outlook, I continue to see a risk of inflation being higher than in our forecast. Globally, a resolution of the conflict in the Middle East appears to be a long way off. Traffic through the Strait of Hormuz remains severely restricted, Saudi Arabia has closed an important east-west oil pipeline, and the situation is highly volatile around the Bab el-Mandeb Strait by the Red Sea – another chokepoint for world trade. The highly charged conflict in the Middle East has now lasted for more than six months, and oil prices have fluctuated sharply and risen significantly since our monetary policy meeting in August.

⁶ Measures of shorter-term inflation have, however, fallen back somewhat since July, when they were fuelled by unusually rapid price increases in travel-related services.

Swedish food prices have risen at a moderate pace since the VAT on food was halved in April, and the first report by the Food Price Commission, presented in early September, suggests that the VAT cut led to a 5.5 per cent decline in food prices and was fully passed on to consumers.⁷ The underlying price increases that I expressed concern about last autumn therefore did not materialise. This issue has received considerable attention in the public debate, and my impression is that food companies have made an effort to pass on the VAT reduction and deliver lower prices. Over time, however, I see a significant risk of higher food prices in the wake of the supply disruptions and cost increases of the past year.

As regards inflationary pressures, forward-looking indicators are particularly important, and I note that Swedish companies' price plans are elevated. Figure 23 in the draft report, which presents a broad range of inflation indicators, supports the view that inflation is currently artificially low as a result of the direct effects of the temporary fiscal measures. Over the ten years covered by the figure, actual outcomes for the CPIF excluding energy have mostly been within the shaded area spanned by the various indicators. In recent months, however, inflation outcomes have been significantly below even the lowest values of these indicators. When inflation accelerated in 2022–2023, the figure shows that the mass below the blue line disappeared, and a similar tendency can be seen for the summer months of this year.

Weak global supply conditions, and the risks surrounding them, are now interacting with stronger domestic demand in Sweden. GDP grew more than expected in the second quarter, and there are also signs that the labour market is now improving, which is of course a very positive development. The economic upturn appears to be broad-based, as respondents to our Business Survey also attest. As I have said before, I consider the current level of the policy rate to be expansionary. If the neutral rate has risen, or is set to rise going forward, as a result of factors such as substantial investment in AI and government consumption, the current monetary policy may be even more stimulative. GDP growing faster than in our forecasts is consistent with that view, although expansionary fiscal policy has also strengthened household purchasing power and contributed to recent developments.

Since inflationary pressures are higher than normal and the economy is now approaching normal resource utilisation, I consider it appropriate to adjust monetary policy in a tighter direction, in line with the policy rate forecast we present in the draft report. Given the major shifts in monetary policy over the past fifteen years – with a policy rate that was first 0 or negative from autumn 2014 to spring 2022, then raised by 4 percentage points over the course of a year

⁷ See <https://www.regeringen.se/pressmeddelanden/2026/09/livsmedelspriserna-sjonk-med-55-procent-efter-halveringen-av-matmomsen/>

and a half to combat the high inflation in 2022–2023 – it is understandable if the adjustments we now see before us raise concerns. But I want to emphasise that the hikes indicated by the policy rate path, if the outlook for inflation and economic activity holds, are part of a normal economic cycle. The policy rate forecast is always highly uncertain. My assessment, however, is that, provided conditions do not deteriorate, this would be a gradual adjustment towards somewhat tighter monetary policy, cooling the economy slightly over a one- to two-year horizon so that inflation and resource utilisation stabilise.

Given that I believe the policy rate should be raised – and have previously argued that an early increase could reduce the risk of more forceful tightening later – why am I not advocating an increase today? I have wrestled with this question, and today's decision was not an easy one. But after several years of a prolonged economic downturn and persistently high unemployment, I have preferred to give the economy the benefit of the doubt and have seen a strong need to wait for reliable signals. The recovery appears robust, but the economy is supported to some extent by subsidies that make it difficult to gauge the strength of demand pressures. My overall assessment, nevertheless, is that we are now approaching normal resource utilisation, warranting somewhat tighter monetary policy to achieve inflation at the target over time and a real economy in balance.

Unless something happens to overturn my current view of the economic outlook, I will therefore advocate a first policy rate increase at our meeting in November. But it is pertinent to once again point out that the policy rate path is a forecast, not a promise. As always, we stand ready to adjust monetary policy if circumstances warrant it.

Governor Erik Thedéen

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

The key question ahead of today's decision has not been whether the policy rate will eventually be increased. The question has instead been: how urgently do we need to increase the policy rate? The answer depends, as so often with regard to monetary policy decisions, on how one weighs different risks against one another.

When we cut the policy rate in June and September last year, from 2.25 to 1.75 per cent, the primary purpose was to support the recovery. Even then our forecast was that it would be appropriate in the longer run to raise the policy rate again. But in practice this concerned a future normalisation of interest rates and not an assessment by the Executive Board of the appropriate stance for monetary policy.

The outbreak of war in the Persian Gulf led to increased risks of high inflation, primarily through higher import prices for both companies and consumers. Global cost pressures increased and many economists, including myself, envisaged that GDP growth would slow down. Growth did actually slow down at the beginning of the year and the outlook remained uncertain. But cost pressures in Sweden rose relatively little during the spring and the rate of price increase remained low. In a situation with low inflation readings and high unemployment, there were reasons to wait before raising the policy rate and thus provide continued support to the recovery.

During the summer there were several signs that growth in Sweden was accelerating and that growth prospects in the euro area had improved. New statistics published after our monetary policy meeting in August confirm and reinforce this picture. GDP grew more strongly than expected during the second quarter, by 3.3 per cent compared with the same period last year, and the upturn in economic activity is broad according to the National Accounts. All parts of domestic demand are contributing to growth, exports are growing at a solid pace and companies in the manufacturing industry state that export orders are strong.

Once again, the economy appears to be surprisingly resilient. The current proposed forecast entails growth in Sweden being almost 3 per cent this year, despite the war in the Middle East, Russia's full-scale war against Ukraine and ongoing trade conflicts. At the same time, we cannot disregard the risk of coming disruptions to economic developments if the conflicts persist.

In August, underlying inflation was 1.6 per cent, measured as the CPIF excluding energy and direct effects of temporary fiscal policy measures. The level is roughly unchanged from July and well in line with the forecast we made in June. As in June, the currently proposed forecast implies that underlying inflation will rise this year and at the beginning of next year, so that it will then be just over 2 per cent. Changes in the underlying price level over the past three and six months also indicate that inflation is now rising (see Figure 21 in the draft report).

If underlying inflation this year and next develops roughly as in the forecast, conditions are favourable for CPIF inflation to stabilise at the 2 per cent target in the longer term. What I am worried about is the risk outlook around the forecast; the longer the high oil-related prices remain, the greater is the risk that it will give rise to a broader upturn in inflation.

We assume in our forecasts that the prices of petroleum-based products will fall again. This follows from the fact that we use the market's forward-looking pricing, as expressed in futures contract pricing. But such forward-looking prices have several times this year proved to be fairly poor forecasts; instead of falling, the prices have remained high. And if futures prices continue to be wrong, so that

high prices on oil-related products persist, the risk of rising inflationary pressures increases. Given that the conflict between the United States and Iran is ongoing, we must take into account in our calculations that global market prices for energy and several commodities may remain high well into next year.

My worry is largely concerned with the risk that the combination of supply-related cost increases and strong demand will begin to affect companies' pricing on a broader front. It is quite possible that demand in the Swedish economy will continue to grow rapidly and faster than in our forecast. Then, at some point next year, we may see signs that capacity constraints are starting to bind in some sectors. If companies' costs are simultaneously pushed up by persistent effects of supply shocks, companies may pass on the cost increases to prices charged to customers. The overall result can be that inflation is persistently pushed up to well above 2 per cent.

In addition, there is risk linked to the weakening of the krona exchange rate that has occurred this year. Our inflation forecast is based on the assumption that the weakening is temporary and that the KIX-weighted exchange rate will strengthen again starting the first quarter of next year. If the krona were instead to continue weakening, the risk of higher inflation in the coming years would of course increase.

The two most recent outcomes in Statistics Sweden's Labour Force Survey have been strong in the sense that both employment and the labour supply have increased. As the supply has stayed apace with employment, however, unemployment has remained high. The forecast in the draft report entails employment going forward growing somewhat faster than the labour force and unemployment therefore falling, which I think is probable. There is of course uncertainty over how long it will take before unemployment begins to decline more significantly. But, as I have said, the growth outlook is favourable, and hiring will probably increase as the economy strengthens further.

Another risk factor that needs to be closely monitored is the rapid upturn we have seen in yields on bonds with long maturities. Rising long-term interest rates can, via various channels, have a negative impact on the outlook for economic activity and inflation around the world. These developments may have a negative effect on asset prices, increase the costs of loans with longer fixed-interest periods and worsen government finances in many countries that are highly indebted, such as the United States, the United Kingdom and France. Countries with low government debt are less vulnerable. From a Swedish perspective, this development underlines the importance of maintaining the fiscal policy framework in future government budgets.

Let me conclude by explaining how I have weighed the risks I have discussed here. The outlook for economic activity in Sweden is continuing to strengthen; the current proposed forecast entails resource utilisation, measured in terms of the GDP gap, normalising much earlier than we thought in June. This means that the need to support the recovery, which was the motive for cutting the policy rate from 2.25 to 1.75 per cent last year, no longer exists. At the same time, the supply shocks that were previously pushing up global cost pressures still remain, and once again the earlier futures prices for crude oil, for instance, have proved to be too optimistic. These circumstances, combined with a weak krona, indicate that the risks that inflation will be higher than the target of 2 per cent have increased. There are thus strong reasons to raise the policy rate to 2 per cent in the near term and also to revise up the forecast for the policy rate.

My assessment today is that it is reasonable to raise the policy rate as early as in November. The forecast for the policy rate next year, which indicates further increases, is also reasonable yet associated with considerable uncertainty. For now, we can still sail in full sail, but in November we probably need to reduce the sail area. The speed will probably remain the same; Swedish growth is broad and solid.

§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 verified immediately.

Minutes taken by

Mika Lindgren

David Lööv

Verified by

Erik Thedéen

Aino Bunge

Per Jansson

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Göran Hjelm



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