Monetary Policy Update

August 2026

Monetary Policy Update

The Executive Board normally holds eight monetary policy meetings a year. In connection with each of the meetings, a monetary policy decision is published, along with the motives for the decision. In connection with four of the meetings, a Monetary Policy Report is published, which describes the considerations behind the Riksbank's assessment of an appropriate monetary policy. The report includes a forecast of the outlook for inflation and economic activity three years ahead, based on the monetary policy that the Riksbank currently considers to be well-balanced. A shorter Monetary Policy Update is published after the other four meetings. This describes the considerations made by the Riksbank and economic developments in relation to the Riksbank's most recent forecast.

The Riksbank informs the general public about monetary policy through the Monetary Policy Reports and Updates, which makes it easier for external parties to follow, understand and evaluate the Riksbank's actions.

Regularly or upon request, the Riksbank shall submit an account of its monetary policy operations to the Riksdag Committee on Finance, pursuant to Chapter 11, Article 1 of the Sveriges Riksbank Act (2022:1568). These accounts are presented both in specific material for assessing monetary policy and in the Monetary Policy Reports and Updates.

The monetary policy decisions and accompanying Report or Update can be downloaded as PDF files on the Riksbank's website, www.riksbank.se.

No new forecasts are produced for the Monetary Policy Updates. Monetary Policy Report no. 3 2026 will be published on 24 September 2026.

Monetary policy considerations

The uncertainty over developments in the Middle East is still considerable, and there is as yet no peace agreement between the United States and Iran. The war is continuing to affect the global economy, but the economic effects have so far been smaller than initially feared. The oil price and certain other commodity prices have come down since the spring and there are signs that markets and companies have been able to adapt to the situation. But as the war is still going on, the underlying cause of the supply disruptions remains and there is still a risk of inflation becoming too high.

During the summer, inflation has been higher than in the Riksbank's forecast in June. The more underlying inflation that excludes both energy prices and the direct effects of the temporary fiscal policy measures is relatively close to 2 per cent. However, the measured rate of inflation is low, largely due to the temporary fiscal policy measures. At the same time, there are signs that GDP growth has developed stronger than in the forecast and sentiment in the economy has clearly improved. However, labour market developments have been somewhat weaker than expected.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. The measured rate of inflation is still low and unemployment is high. However, both growth and inflation have been higher than in the June forecast, and there is still a risk of underlying inflation becoming too high in the wake of the supply shocks. However, the picture is not clear-cut; for instance, companies' price plans have been subdued and disruptions in global supply chains have declined. Overall, the outlook for the economy remains largely unchanged.

The Riksbank therefore assesses that it is well-balanced to leave the policy rate unchanged, and that the probability of a rate increase later this year remains. If the unexpectedly high inflation during the summer were to be the start of a larger and more lasting upturn in inflation, the Riksbank would adjust its monetary policy in a tighter direction.

At the same time, there is considerable uncertainty and the developments call for vigilance. In addition to the war in the Middle East, there are several other risks that could affect the outlook for inflation and economic activity.

International developments

The tense situation in the Middle East persists. Supply shocks linked to the war in the Middle East have now lasted for almost six months. Negotiations between the United States and Iran still appear to be ongoing, but developments over the summer show that the parties have considerable difficulties in reaching agreement. At present, shipping through the Strait of Hormuz appears to be at a low level, but the picture is complicated by some of the traffic having low traceability and transparency.

Despite the war continuing, the effects on the oil market have been less than in the spring. The oil price has varied substantially over the summer, but futures prices are now roughly at the same level as when the Riksbank made its forecasts in June (see Figure 1). There has been a greater ability to adapt both supply and demand than many expected at the beginning of the conflict. This is partly due to the use of stocks and increased production in other countries having compensated for the loss of oil, and partly due to markedly lower demand from China reducing the upward pressure on the oil price. Oil from the Middle East is now also being exported to a greater extent than in the spring via other routes than the Strait of Hormuz.

The markets for refined petroleum products are under greater pressure. This is reflected in particular in the price of diesel, but also the price of petrol having increased more than the price of crude oil (see Figure 2). The price of natural gas has also risen somewhat. Price increases on several input goods that were previously affected by the situation in the Middle East, such as urea, which is used in fertilisers, have probably been held back by markets and companies being able to adapt.

Measures of supply shocks in global supply chains have declined. Indicators of these shocks are almost back at the levels that prevailed before the war (see Figure 2). Delivery times have in general shortened recently and companies' assessments of input good prices have declined, according to the Purchasing Managers' Index. However, the disruptions in the Middle East are still keeping up the prices of some input goods.

At the same time other factors are also affecting global cost pressures. There are disruptions in other regions that affect global prices, such as attacks on Russian refineries. Moreover, the drought in several European countries during the summer has entailed new disruptions, for instance for transport along several rivers in Europe. The extreme heat has also pushed up the price of electricity, partly due to increased use of air conditioning and difficulties in cooling nuclear power plants. In addition, large investments in AI have meant that prices of memory cards have increased substantially, which has in turn begun pushing up the price of other electronic products.

Overall, global financial conditions have remained roughly unchanged since June. Long-term interest rates have risen tangibly abroad (see Figure 3). In Europe, developments have been mainly driven by expectations of higher short-term interest rates. In the United States, this is probably mainly due to higher term premiums, which can reflect an increased uncertainty regarding inflation and weak public finances, for instance. At the same time, the global stock markets are strong, but marked by the volatility linked to expectations concerning the implementation of AI and valuations of

AI companies (see Figure 3). However, credit spreads have remained relatively low and investors have become more inclined to take risks.

Market participants are still expecting interest rate increases abroad this year. Since the Riksbank's policy rate decision in June, the Federal Reserve and the ECB have held their policy rates unchanged. However, some central banks have raised their policy rates, for instance the Bank of Japan. The market is now expecting that the ECB will raise its policy rate further on one or two occasions before the end of the year, while the Federal Reserve is expected to raise its policy rate approximately once (see Figure 4). Expectations of policy rates in the longer run have increased somewhat compared with June.

Inflation has been largely unchanged in the euro area and fallen in the United States during the summer. The preliminary inflation outcome for July in the euro area shows that inflation rose marginally to 2.9 per cent, after having fallen in June. Excluding energy prices, inflation has been relatively stable and amounted to 2.2 per cent in July (see Figure 5). In the United States, inflation measured as the PCE slowed down somewhat in June, but remained above 3 per cent. In July, CPI inflation was 3.4 per cent and excluding energy prices it was 2.6 per cent.

Global GDP growth has been stable. According to preliminary statistics, GDP increased in both the euro area and the United States by 0.4 per cent during the second quarter in relation to the first (see Figure 5). In the euro area, all of the major countries made a positive contribution to developments. GDP growth in the United States was weaker than expected, but household consumption increased significantly in relation to the first quarter and IT investment continued to provide a positive contribution to GDP growth.

Sentiment in both the United States and the euro area has improved during the summer. However, the confidence indicators for households are still clearly below normal levels. In the United States, it was primarily service companies that became more optimistic in July. US employment has been weak in recent months and fell in July, but as the labour force also declined, unemployment fell somewhat. In the euro area, unemployment has remained at a low level in a historical perspective.

There are major risks linked to the global economic outlook. There is considerable uncertainty surrounding the war in the Middle East. In addition, the high equity valuations of US tech companies comprise an underlying vulnerability. Moreover, there are risks linked to the sustainability of several countries' public finances, driven by high debt levels and large budget deficits, combined with rising yields on long-term government bonds. As before, unpredictable US trade and foreign policies, as well as the war in Ukraine resulting from Russia's full-scale invasion, are significant risk factors. Extreme weather conditions, such as the summer's drought, also comprise a risk for the outlook.

Developments in Sweden

Monthly statistics indicate that GDP developed more strongly than expected during the second quarter. According to preliminary statistics from Statistics Sweden, GDP increased by 1.4 per cent in relation to the first quarter and by 2.8 per cent in relation to the second quarter of 2025 (see Figure 6).[1] This is clearly stronger than in the Riksbank's forecast. Household consumption, on the other hand, appears to have increased in line with the June forecast (see Figure 6). At the same time, industrial production was strong in the second quarter and orders have increased strongly over the summer.

According to several indicators, the economy is approaching normal activity. The business sector assesses that both demand and profitability are now close to normal levels, according to the Economic Tendency Survey in July (see Figure 7). Companies' expectations also indicate that the economic situation will strengthen further going forward. Following a clear upturn in June, the Purchasing Managers' Index fell somewhat in July, but is still at a level that indicates growth in both the manufacturing industry and the services sector. Household confidence indicators rose further and were close to a normal level in July (see Figure 8).

The labour market has developed somewhat weaker than was assessed in June. During the second quarter, both employment and unemployment were somewhat weaker than expected (see Figure 9). Although some indicators of the labour market situation, such as recruitment plans, have improved somewhat, these are still small movements and companies continue to hold off on hiring new staff (see Figure 9). In addition, companies report that the shortage of labour is lower than normal. Overall, there is still spare capacity in the labour market. However, it is normal for the labour market to improve with some lag when economic activity increases.

Inflation was higher than expected over the summer. In July, inflation was 0.7 per cent measured in terms of the CPIF and 0.6 per cent when measured as the CPIF excluding energy (see Figure 10). Inflation is being held down by direct effects of temporary fiscal policy measures. If they are excluded, inflation in July amounted to 2.2 per cent in terms of the CPIF and to 1.6 per cent in terms of the CPIF excluding energy. Much of the forecasting error can be explained by travel-related services prices that usually vary significantly, for instance for air travel, package holidays and hotel nights, while prices for other services and goods overall increased in line with the forecast made in June.

Fiscal policy measures will complicate the inflation outlook in the coming years. The temporary fiscal policy measures that have been introduced, including lower tax on fuel and food, are currently holding down inflation. During the coming months, the measures will result in CPIF inflation being around 1.5 percentage points lower than it would have been otherwise. At the turn of the year 2028, all measures will have

[1] The preliminary statistics are based on a smaller amount of data than the National Accounts, and should therefore be interpreted with caution.

expired, which will affect the measured rate of inflation for the whole of 2028, and result in higher inflation than would otherwise be the case.

Inflationary pressures are still higher than normal. Measures of price changes over a shorter period than 12 months have increased significantly (see Figure 11). This is largely driven by travel-related services prices. According to some indicators, inflationary pressures have declined during the summer, but they are still higher than normal (see Figure 12). Price increases on commodities and input goods are also still elevated, but price plans for input goods fell in July according to the Economic Tendency Survey (see Figure 13). At the same time, futures pricing for electricity has risen.

Financial conditions in Sweden are assessed to be roughly unchanged since June. Yields on Swedish government bonds have increased recently in line with the upturn in yields on foreign government bonds (see Figure 3). At the same time, the Swedish stock market has performed strongly and risk appetite has increased. In addition, credit spreads are low and households and companies in Sweden still have good loan terms and lending is rising. The krona has been relatively unchanged against the dollar and the euro since June, but has weakened somewhat against the Norwegian krone (see Figure 14).

In addition to the risks linked to supply shocks, there are still other risks that could affect developments. There are question marks regarding the strength of the economy and in particular developments on the labour market. In addition, there is uncertainty regarding the design of future fiscal policy and its adjustment to the fiscal policy framework. There are also risks to the outlook for inflation linked to the krona's development and to companies' pricing behaviour.

Policy rate held unchanged at 1.75 per cent

Growth appears to have been stronger than expected, but developments on the labour market are somewhat weaker. The GDP indicator for the second quarter points to growth having been higher than in the June forecast. In addition, sentiment in both the household and corporate sectors improved significantly during the summer. However, employment has been somewhat lower than expected and altogether there is spare capacity in the labour market. Overall, the assessment that economy activity will continue strengthening still stands.

Inflation has been higher than expected. The more underlying inflation that excludes both energy prices and the direct effects of the temporary fiscal policy measures is relatively close to 2 per cent. Measures of price changes in the shorter term have increased significantly, primarily driven by travel-related services prices. The measured rate of inflation is low, largely due to the temporary fiscal policy measures.

Indicators point to inflationary pressures still being above normal. The price increases on commodities and input goods are still elevated. But the economic effects of the war in the Middle East have so far been smaller than was initially feared, and there are signs that markets and companies have been able to adapt to the situation. But as the war is still going on, the underlying cause of the supply disruptions remains and there is still a risk of inflation becoming too high.

The Riksbank has decided to leave the policy rate unchanged at 1.75 per cent. The measured rate of inflation is still low and unemployment is high. However, both growth and inflation have been higher than in the June forecast, and there is still a risk of underlying inflation becoming too high in the wake of the supply shocks. However, the picture is not clear-cut; for instance, companies' price plans have been subdued and disruptions in global supply chains have declined. Altogether, the outlook is largely unchanged, and the Riksbank therefore assesses that it is well-balanced to leave the policy rate unchanged.

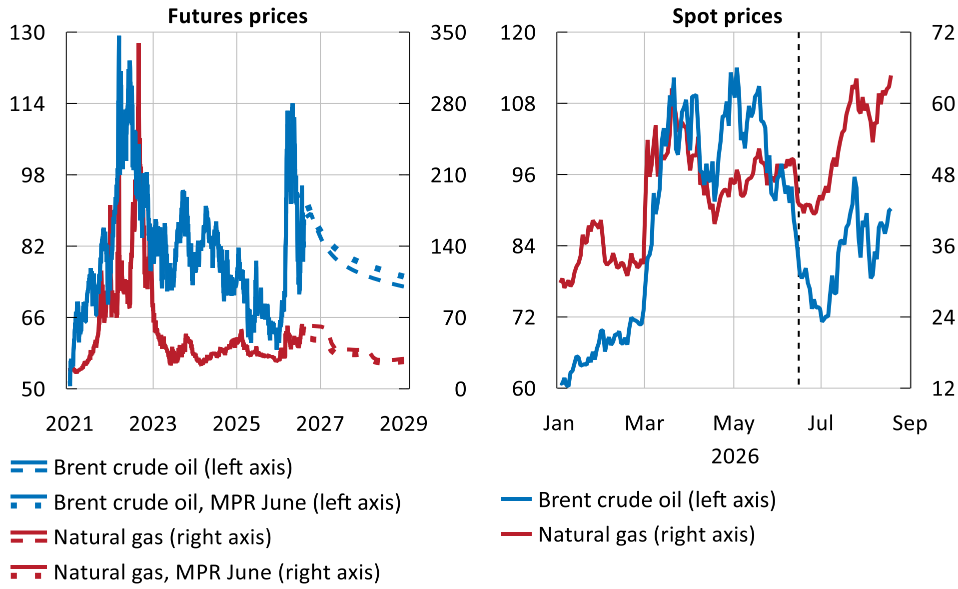
The probability of a rate increase later this year remains. If the unexpectedly high inflation during the summer were to be the start of a larger and more lasting upturn in inflation, the Riksbank would adjust its monetary policy in a tighter direction.

There is a considerable amount of uncertainty. In addition to the war in the Middle East, there are several other risks that could affect the outlook for inflation and economic activity. The possibility that the effects of the war will interact with other more underlying vulnerabilities in the global economy cannot be ruled out.

Figures

Figure 1. Oil and natural gas prices

USD/barrel (oil) and EUR/MWh (natural gas)

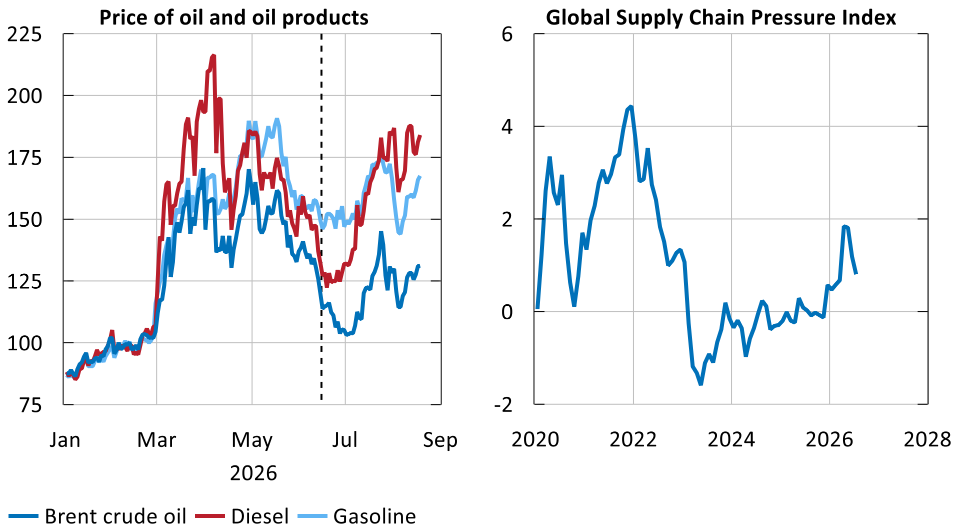


Note. 5-day average. Solid lines refer to outcomes and dashed/dotted lines represent futures prices. Outcome and current futures prices up to 18 August 2026. Futures prices at the time of the Monetary Policy Report (MPR) in June up to 10 June 2026 (left). Daily spot prices for oil and natural gas up to 18 August 2026. Dashed vertical line marks the date of the monetary policy meeting in June (right).

Sources: Intercontinental Exchange and Macrobond Financial AB.

Figure 2. World market prices of oil and oil products and global supply disruptions

Index, February 2026 = 100 (left) and standard deviation (right)

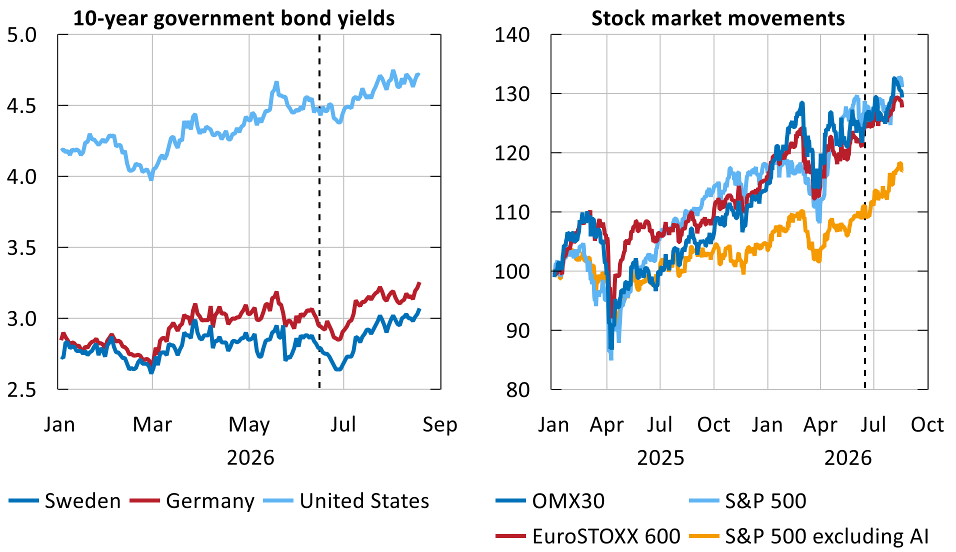


Note. World market prices at the wholesale level. Dashed vertical line marks the date of the monetary policy meeting in June (left). Global Supply Chain Pressure Index summarises indicators for global supply chains, including freight costs and PMI-based measures of delivery times, order backlogs and inventories in the euro area, the United Kingdom, the United States, Taiwan, South Korea, Japan and China. The index is adjusted for demand factors and standardised so that 0 corresponds to a historical average from 1997, with higher (lower) values indicating greater (less) disruption than normal (right).

Sources: Federal Reserve Bank of New York and Intercontinental Exchange.

Figure 3. Government bond yields and stock market movements

Per cent (left) and index, 2 January 2025 = 100 (right)

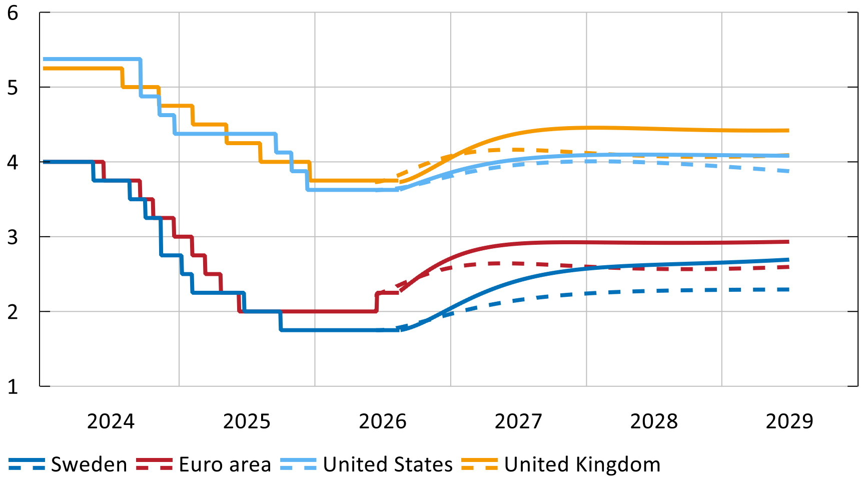


Note. OMX30 is the stock market index for Sweden, EuroSTOXX 600 the index for the euro area and S&P 500 the index for the United States. Dashed vertical lines mark the date of the monetary policy meeting in June.

Sources: Bloomberg Finance LP, Macrobond Financial AB, Morgan Stanley, Nasdaq OMX Nordic, S&P Global, STOXX and U.S. Department of the Treasury.

Figure 4. Market expectations of policy rates

Per cent

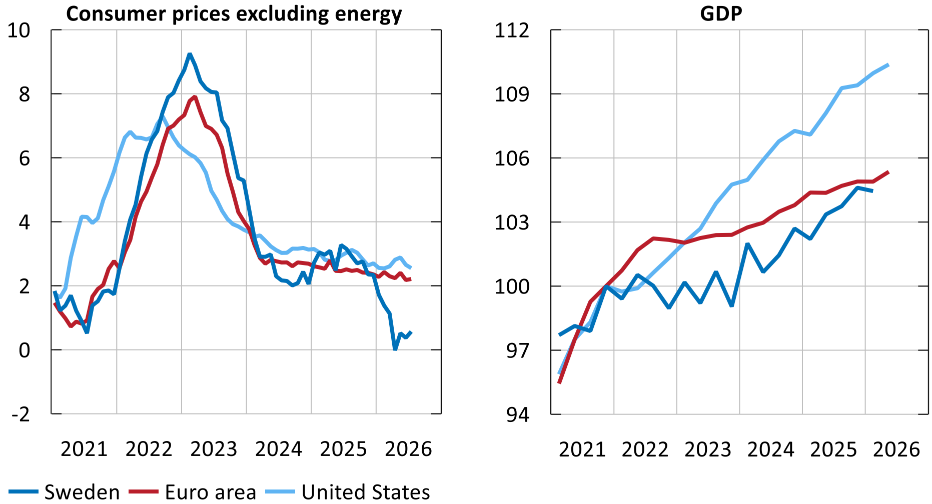


Note. The figure shows policy rates and market-based expectations according to futures pricing. Solid lines represent expectations on 18 August 2026. Dashed lines represent expectations immediately prior to the monetary policy meeting in June.

Sources: National central banks and the Riksbank.

Figure 5. Consumer prices excluding energy and GDP

Annual percentage change (left) and index, 2021 Q4 = 100 (right)

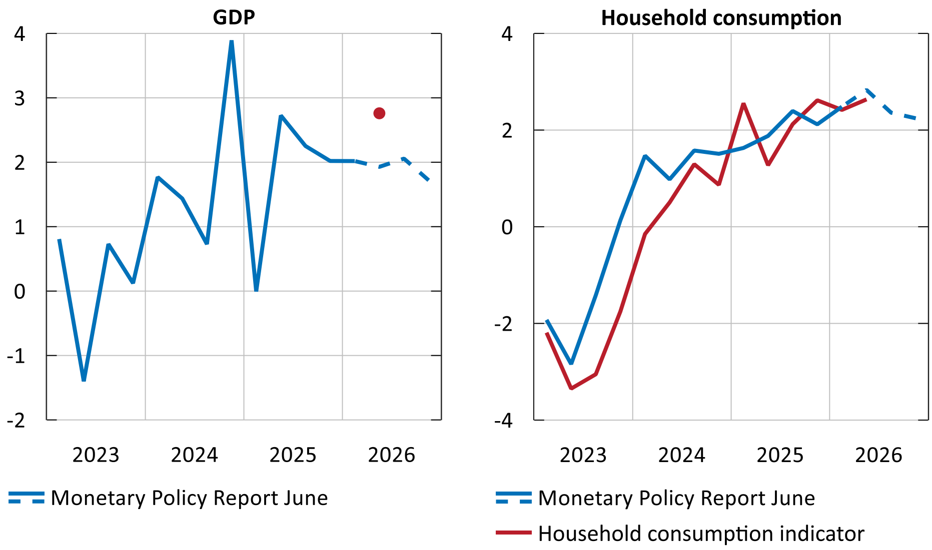


Note. Refers to CPIF excluding energy for Sweden, HICP excluding energy for the euro area and CPI excluding energy for the United States (left). Seasonally adjusted data (right).

Sources: Eurostat, Statistics Sweden, U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics.

Figure 6. GDP and household consumption

Annual percentage change

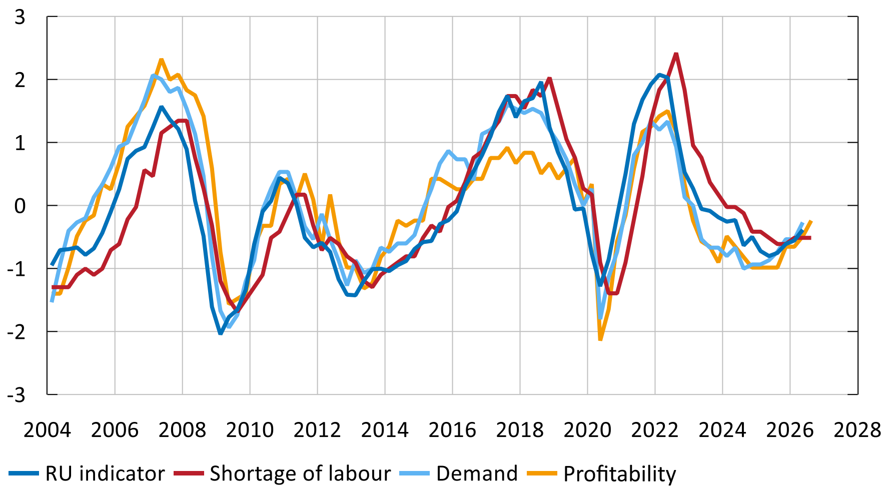


Note. Calendar-adjusted quarterly data. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in June. Red dot refers to outcome for the GDP indicator in the second quarter (left). Seasonally adjusted data. Red line refers to the outcome for the household consumption indicator (right).

Sources: Statistics Sweden and the Riksbank.

Figure 7. Indicators of the resource utilisation in the business sector

Standard deviation

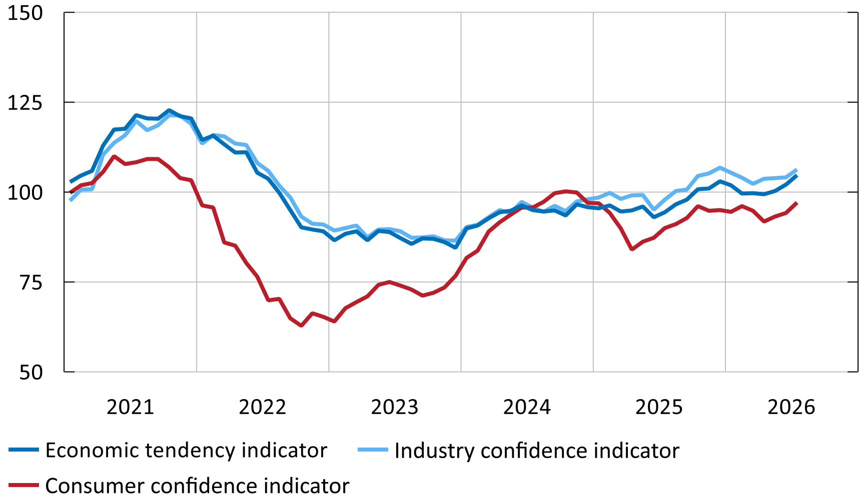


Note. Seasonally adjusted data. The RU indicator is an aggregate of different survey data that measure the resource utilisation. The series are standardised so that the mean is 0 and the standard deviation is 1.

Sources: The National Institute of Economic Research and the Riksbank.

Figure 8. Confidence indicators in the Economic Tendency Survey

Index, mean = 100, standard deviation = 10

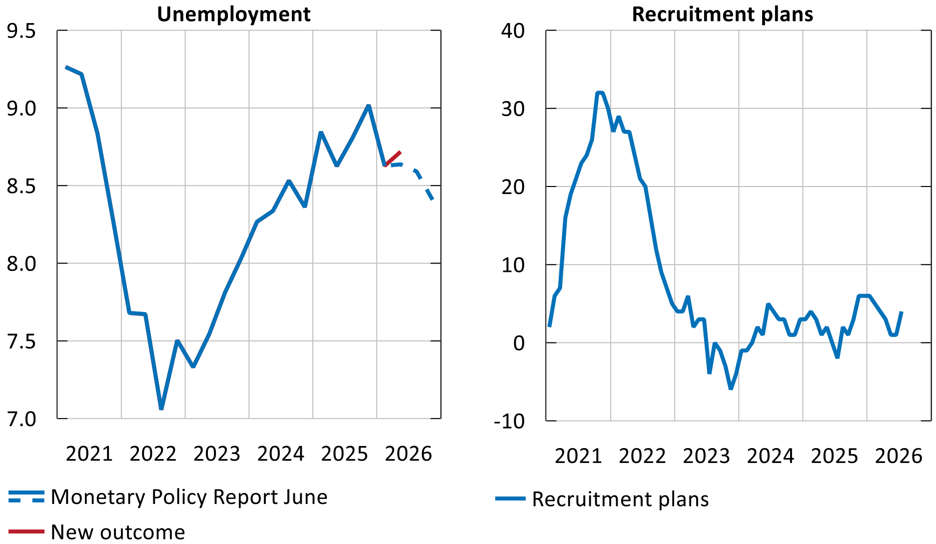


Note. The confidence indicators are calculated as the mean value of net figures for a number of questions concerning the economic situation and future prospects.

Source: National Institute of Economic Research.

Figure 9. Unemployment and recruitment plans

Percentage of the labour force (left) and net figures (right)

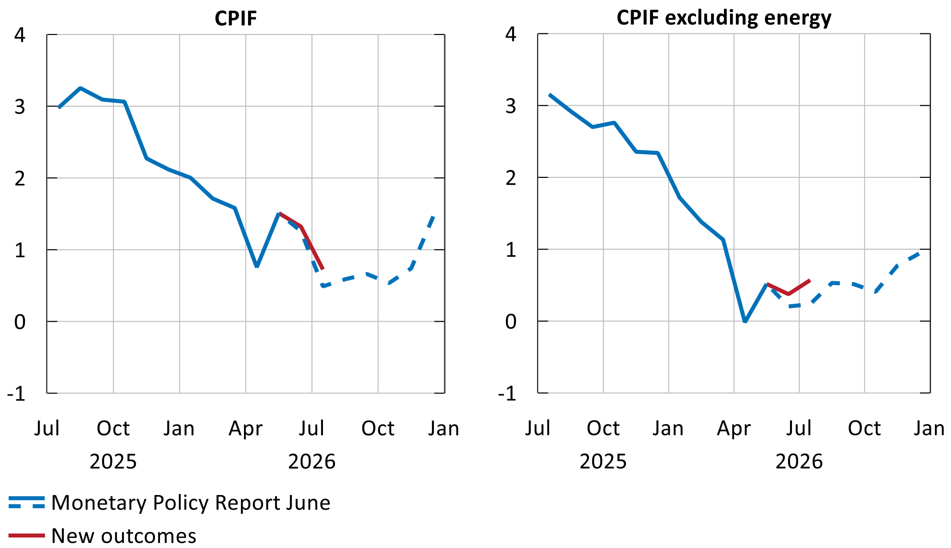


Note. Refers to persons aged 15–74. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in June. Red line refers to outcome for the second quarter (left). Net figures for number of companies responding that they plan to increase employee numbers compared with how many plan to reduce employee numbers in the coming three months (right). Seasonally adjusted data.

Sources: National Institute of Economic Research, Statistics Sweden and the Riksbank.

Figure 10. CPIF and CPIF excluding energy

Annual percentage change

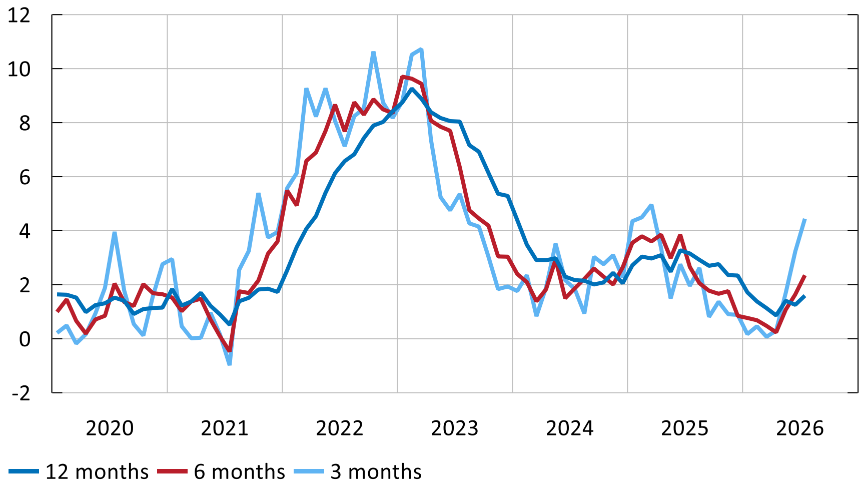


Note. Solid and dashed blue lines refer to outcome and forecast respectively at the monetary policy meeting in June. Red lines refer to outcomes for June and July.

Sources: Statistics Sweden and the Riksbank.

Figure 11. CPIF excluding energy and temporary fiscal policy measures

Annual percentage change and three-month and six-month percentage change, calculated as an annual rate

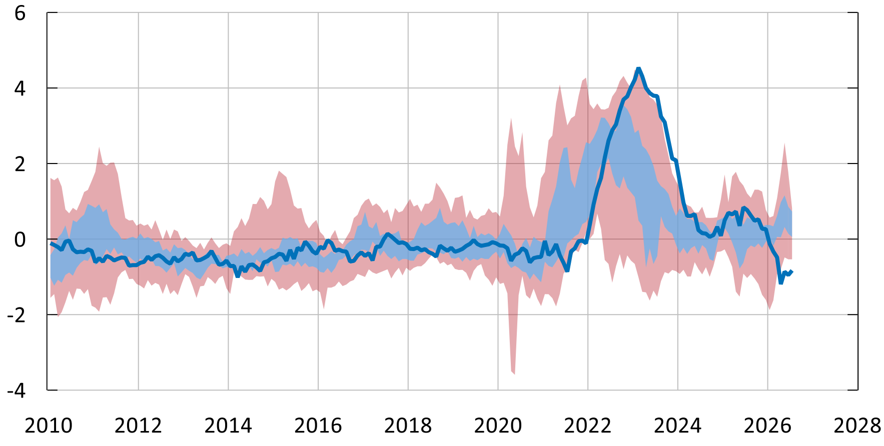


Note. Seasonally adjusted data. The direct effect on the price level of temporary fiscal policy measures has been excluded. Temporary fiscal policy measures refers to the temporary reduction in VAT on food and the temporary reduction in public transport prices implemented in 2026.

Sources: Statistics Sweden and the Riksbank.

Figure 12. CPIF excluding energy with indicators

Standard deviation

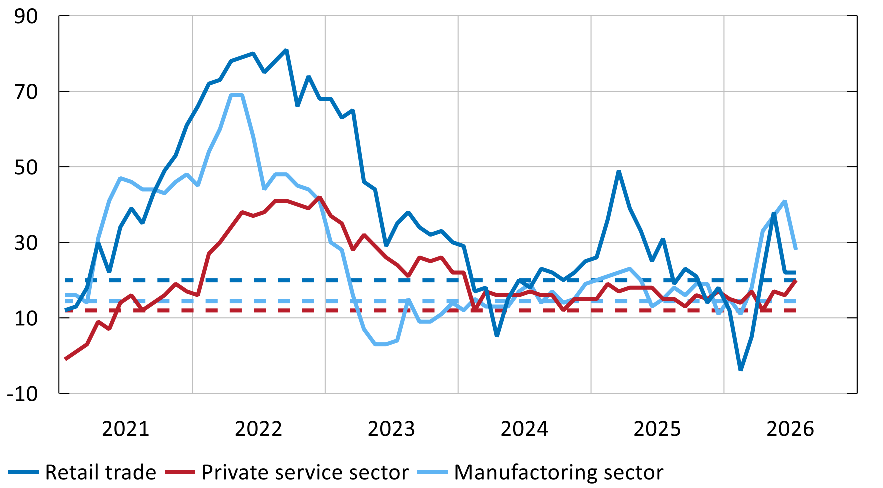


Note. The red field shows the range between the highest and lowest standardised value for the following indicators: households' inflation expectations, price plans in the retail trade, consumer goods sector and services sector, Purchasing Managers' Index for the private service sector and manufacturing sector, producer price index for consumer goods (IMPI and HMPI), CPI excluding energy in the United States, HICP excluding energy in the euro area, KIX, The Economist's commodity-price index and Global Supply Chain Pressure Index. The light-blue area shows the indicators between the 25th and 75th percentiles. The price index is expressed as an annual percentage change. The series are standardised from the year 2000 so that the mean value is 0 and the standard deviation is 1.

Sources: Eurostat, Federal Reserve Bank of New York, National Institute of Economic Research, Statistics Sweden, Swedbank, The Economist, U.S. Bureau of Labor Statistics and the Riksbank.

Figure 13. Price plans

Net figures



Note. Seasonally adjusted data. The net figures for how many companies responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months according to the Economic Tendency Survey. The dashed lines represent the average for the period 2005–2026.

Source: National Institute of Economic Research.

Figure 14. Nominal exchange rate for the Swedish krona against KIX4 and against the dollar and the euro

Index, 18 November 1992 = 100 (left) and kronor (right)

Note. The KIX4 (krona index) is a weighted average against the US dollar, the euro, the pound sterling and the Norwegian krone. A lower value indicates a stronger exchange rate. Dashed vertical lines mark the date of the monetary policy meeting in June.

Source: The Riksbank.

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