

DECISION

DATE: 7 May 2025
DEPARTMENT: Monetary Policy Department
Ref.no.: 2025-00691
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Policy rate decision

The Riksbank's decision

1. The Riksbank sets the policy rate at 2.25 per cent, which means that it is held unchanged. The policy rate decided on shall apply as from 14 May 2025.
2. The Riksbank adopts the Monetary Policy Update, annex Monetary Policy Update.

As the Riksbank decided earlier (ref.no. 2024-01029), the minutes from the monetary policy meeting on 07 May 2025 shall be published on 14 May 2025 at 9.30 am.

Grounds for the decision

Legal basis

Under Chapter 2, Section 1 of the Sveriges Riksbank Act (2022:1568), the primary objective of the Riksbank is to maintain low and stable inflation (the price stability objective). Without prejudice to the price stability objective, the Riksbank shall also contribute to a balanced development of production and employment (consideration for the real economy). The Riksbank has defined the price stability objective as a target of 2 per cent for the annual increase in the consumer price index with a fixed interest rate (the CPIF) (ref. no. 2017-00691).

The Riksbank's main monetary policy tool for achieving the price stability objective is the policy rate. The Riksbank shall determine the policy rate for its

deposits, its credits and its repurchase agreements in financial instruments (Chapter 2, Section 4, second paragraph of the Sveriges Riksbank Act).

Policy rate held unchanged at 2.25 per cent

To stabilise inflation close to the target, the Riksbank began a series of policy rate cuts in May 2024, from 4 per cent to 2.25 per cent in January 2025. The Riksbank held the policy rate unchanged at its meeting in March this year and assessed that the policy rate does not need to be cut further as long as the outlook for inflation and economic activity does not change.

Since the decision in March, there has been increased uncertainty over US trade policy, for instance, which has caused large fluctuations on financial markets and a deterioration in growth prospects in both the United States and Europe. Higher tariffs are expected to lead to higher inflation in the US economy. In Europe, the lower demand could instead dampen inflation. It is very difficult to assess future developments, but the economic outlook in Sweden looks somewhat weaker than in the Riksbank's forecast in March. Inflation is somewhat elevated at the outset. New information supports the March forecast that the higher inflation this year is transitory. The weaker economic outlook suggests lower inflation beyond the near term. At the same time, for example, disruptions in supply chains or a generally more protectionist trade policy could instead lead to inflation being higher than expected. The Riksbank assesses that it is somewhat more probable that inflation will be lower than that it will be higher than in the March forecast. If so, this could speak in favour of a slight easing of monetary policy going forward. At the same time, the Riksbank considers that monetary policy is currently well-balanced and that it is wise to await further information to obtain a clearer picture of the outlook for economic activity and inflation. As part of attaining the price stability objective, the Riksbank therefore assesses that under the prevailing circumstances and taking into account the consequences for the real economy and the functioning of the financial markets, it is appropriate to hold the policy rate unchanged at 2.25 per cent.¹ The effects of the monetary policy decision are also considered to be in reasonable proportion to the costs and risks that the decision entails for the finances of the Riksbank and the State. The Riksbank therefore considers that the decision is compatible with the principle of proportionality in Chapter 1, Section 8 of the Sveriges Riksbank Act.

This decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Anna Breman and Deputy Governors Per Jansson, Aino Bunge and Anna Seim) following a presentation by advisor Peter Gustafsson. The Head of

¹ This is developed further in the Monetary Policy Update, see annex.

the Monetary Policy Department Åsa Olli Segendorf and General Counsel Annica Sandberg took part in the final processing work.