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Riksbank – May 2025: Unchanged as expected at 2.25%

Riksbank more worried about the economy than inflation

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Danske Bank



Unchanged as expected at 2.25%

- Riksbank more worried about the economy than inflation

- Summary.** The policy rate was left unchanged at 2.25%, as expected. In the communication, the Riksbank took small steps towards easier policy saying *'it is somewhat more probable that inflation will be lower than that it will be higher than in the March forecast. This could suggest a slight easing of monetary policy going forward.'* However, compared to how the Riksbank has previously guided for upcoming rate cuts, this is far from a 'promise'. The vague wording was also confirmed by Thedéen in the press conference to be intentional.
- For a rate cut to eventually be delivered, a possible scenario could be that the Riksbank lowers the inflation forecast in June (based on communication above), which then would imply that a rate cut could be delivered in August or September. We are, however, not as convinced as the Riksbank that the inflation picture indeed does look better at this point compared to the March MPR. By and large though, we are still of the opinion that the risks to our forecast of unchanged policy rate of 2.25% is on the downside, so here our view is similar to the Riksbank's, but not yet to the extent that we pencil in cuts in our forecast. Again, given the wording in today's press release we find a June cut unlikely, unless data clearly deteriorates by then.
- FX.** The impact on EUR/SEK was muted which makes sense given that the dovish tilt was already (more than) priced in. We are tactically neutral on the cross for the moment seeing the cross around 11.00 in the next three months.
- FI.** Market pricing has been roughly unchanged following the announcement, with 2bp added to Riksbank pricing for this year. The June meeting is priced at 15bp, which again, looks excessive in our view and IF a cut is delivered, it seems more likely in August or September as we see it.

Marginal changes in market pricing

Announcement date	2025-05-08	2025-06-18	2025-08-20	2025-09-23	2025-11-05	2025-12-18	Accumulated 2025
Implied Change (bp)	0	-15	-12	-8	-3	-2	-40
Implied level (%)	2.25	2.10	1.98	1.90	1.87	1.85	
Priced change before announcement (bp)							
	0	-14	-12	-8	-3	-2	-39

Note: Past performance is not a reliable indicator of future results
Sources: Danske Bank, Riksbank

The Riksbank has been much more explicit in previous meetings about upcoming rate cuts:

- Mar-24:** 'It is likely that the policy rate can be cut in May or June if inflation prospects remain favourable.'
- May-24:** 'If the outlook for inflation still holds, the policy rate is expected to be cut two more times during the second half of the year.'
- Jun-24:** 'If inflation prospects remain the same, the policy rate can be cut two or three times during the second half of the year.'
- Aug-24:** 'If the inflation outlook remains the same, the policy rate can be cut two or three more times this year.'
- Sep-24:** 'If the outlook for inflation and economic activity remains unchanged, the policy rate may also be cut at the two remaining monetary policy meetings this year. A cut of 0.5 percentage points is possible at one of these meetings. Moreover, the forecast indicates one or two further rate cuts during the first half of 2025.'
- Nov-24:** 'If the outlook for economic activity and inflation remains the same, the policy rate may also be cut in December and during the first half of 2025, in line with what was communicated in September.'
- Dec-24:** 'If the outlook for inflation and economic activity remains unchanged, the policy rate may be cut once again during the first half of 2025.'

May-25: 'The assessment of the Executive Board is that it is somewhat more probable that inflation will be lower than that it will be higher than in the March forecast. **This could suggest a slight easing of monetary policy going forward.**'



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