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Riksbank Minutes – June 2025

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Riksbank review – June 2025 Minutes

Conclusion

- We find the minutes from the June meeting to be “neutral” relative to the decision and MPR. That said, the June MPR was more dovish than we expected ahead of the meeting, and the overall impression of the minutes supports our assessment after the June MPR that the Riksbank is quite comfortable with the inflation forecast, despite the current elevated price plans and core inflation.
- The geopolitical risks and the impact on households and companies are debated heavily. The main conclusion is that the upside risks to the tariff-negotiations have diminished compared to the May meeting. Combined with the weaker Q1 GDP data this gives support to the decision to cut.
- There is little discussions around the conditions for delivering another rate cut. Thedéen says that the signal in the rate path should not be “*over-interpreted*”, but our assessment would be that the Riksbank is more focused on the growth recovery, and if we don’t see any inflation pressures from geopolitical developments and growth remains weak, the Riksbank is seemingly ready to act.

Anna Breman

- Inflation is behaving as expected and moving lower whereas the economy is weaker than expected which allows for a cut. She mentions three areas of focus: 1) Financial markets are impacted by uncertainty and nervousness, but transmission of monetary policy works well. 2) Economic activity: whereas the foundation looks good with real household income growth and healthy employment rates, the companies and households' confidence are low and consumption picture mixed. Whereas April data showed some strength in consumption, May-data showed more weakness. She points towards the great uncertainty within the corporate sector and finds that the Riksbank's Business Survey points towards a weaker picture than the NIER and PMI's do. 3) Inflation: CPIF is “in line” with the target even if it's a few tenths off (2.4% for 2025 and 1.6% for 2026 seems fine to her). High energy and food prices provide some risks going forward, and they are of high importance for inflation expectations of households and companies. Interestingly she does not mention the CPIFexE measure at all and is not worried about levels close to 3% in that measure during the coming summer months.
- She thinks that a further interest rate cut is more likely than a hike and might be necessary to improve economic activity.

Aino Bunge

- Weak economic outlook domestically and a shift in the risk outlook for inflation motives an easing of monetary policy. Implicitly sees risks of inflation being too low, as she underlines that “*an economic recovery is a necessary condition for inflation to remain around the target*”.
- Previous signs of weaker economic activity in Sweden have been confirmed through the Q1 National Accounts, but also the Riksbank's own Business Survey. However, discrepancy between “soft” and “hard” data is worth monitoring, especially relating to household consumption.
- Increased confidence in elevated inflation being temporary, which has been confirmed by recent outcomes. Weaker demand reduces the scope for price increases.
- An aggressive EU response to the US tariffs remains an upside risk to inflation, but base case is that the demand effects (negative) will prevail.
- Ends by stating that it “may be necessary for further easing of monetary policy during the autumn”.

Riksbank review – June 2025 Minutes

Per Jansson

- A lot on of focus on inflation details where he makes the assessment that the composition of the inflation outcomes is indicating low underlying inflation pressures. Those subgroups that are elevated tend to be the more volatile ones, whereas when removing those volatile groups, the inflation numbers fall below 2%. He therefore sees risks of inflationary pressures becoming too low.
- The economic situation is difficult to assess with somewhat weak but also inconsistent data. Jansson looks at the risks from an inflation angle where he judges the probability of risking a rapid surge in demand-driven inflation due to a rate cut to be small and therefore concludes that some more stimulus is welcome at this point and possibly more could be done going forward.
- Therefore, a further cut could be reasonable if inflation and economic activity turns out to be weaker than expected, not the least as he judges the risks of a renewed trade-war escalation to be small.

Anna Seim

- Supports the main message in the MPR with the rate path and policy. While she acknowledges upside risks to inflation stemming from the geopolitical uncertainty, her assessment is that no such tendencies can be seen in the inflation data, and she rather see a risk that the weaker demand caused by uncertain will create low inflation.
- Seim does not deliberate on any additional cut from here beyond her support for the rate path. The slight upward slope towards the end of the path makes sense as she finds the mid point of the 1.5%-3.0% range for the neutral rate to be a reasonable long-term anchor. She does however acknowledge that the assessment of the neutral rate may change, saying *“as we adjust the interest rate path to ensure we reach our target when new shocks affect the economy, we may also change our assessment of the long-term neutral interest rate.”*

Erik Thedéen

- Thedéen now deems that both inflation and growth risks have eased somewhat since the May meeting, whilst acknowledging that Swedish recovery looks fragile.
- Subdued demand will contribute to somewhat lower inflation beyond the near-term, and the reduced risk of high inflation and the fragility of the economic recovery gives the Riksbank scope to cut the policy rate.
- Recent outcomes have added confidence to the Board's inflation assessment. Given the volatility of energy prices, Thedéen sees an advantage in adjusting monetary policy primarily in line with the CPIF ex energy forecasts.
- Unlikely that the ongoing trade conflicts will give rise to any strong inflationary impulses in Sweden, but rather the opposite.
- The June cut was primarily motivated by a somewhat weaker growth outlook, although he does not foresee a deep downturn. The signaled probability of another cut should not be over-interpreted according to Thedéen, emphasizing the uncertainty surrounding theirs and others' forecasts.



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