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Riksbank Minutes – August 2025

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Danske Bank

Riksbank review – August 2025 Minutes

Conclusion

- The Board still seems convinced that the most recent inflation uptick will eventually prove temporary, however there is a higher degree of *vigilance* this time around. The door for a further rate cut is still left ajar, but our impression is that the most recent inflation outcomes have raised the bar for said cut (as we have previously communicated).
- From a pure economic standpoint, the Board seems to agree that the Swedish recovery would benefit from further monetary policy support. However, said policy support must not come at the expense of a loss of credibility in the Riksbank's inflation target. Thus, the Board most likely see an inflation downturn over the coming readings as a necessity for a rate cut being firmly in play.
- In our view, the Minutes support our reasoning that inflation is basically too high currently for the Riksbank to comfortably cut the policy rate already at the September meeting, barring any sizeable surprise in the August figures. However, as the Board agrees that the real economy is in need of further support, there might well be room to cut rates further ahead, but only when inflation is back trending lower in a more plausible manner.

Anna Breman

- The Swedish economy is still weak, aside from industrial production that is doing well. Households are cautious and labour market shows no sign of improvement which would indicate need for further cuts. That said she admits that inflation was higher than expected and that there is large uncertainty going forward, not only w.r.t to inflation but other important measures such as productivity, potential GDP or neutral interest rate. She therefore mentions the possibility of more than one cut during fall, but also the risk for a completely different outcome. Basically no clear guidance or any clear stance where she really think Sweden stands in terms of what the correct policy rate is here, if anything a slight easing bias can be detected. The international discrepancies in inflation and subsequently policy rate levels makes it even more difficult to predict outcomes going forward, as historic correlations do not hold.

Aino Bunge

- With respect to the inflation misses over the summer, Bunge says that it is not possible to avoid temporary deviations from the target, and she partially blames the higher-than-anticipated prints on temporary factors. That said, they are cause for higher vigilance, and thus it was the right decision to keep rates unchanged at the august meeting. She stresses that the economy, first and foremost for the households, is still weak and that the recovery in the labour market will take longer. Regarding future actions, she says that further monetary policy easing may be needed this year which is the same message as in June. The caveat being a strong turnaround in the economy and that elevated inflation proves to be transitory.

Riksbank review – August 2025 Minutes

Per Jansson

- Although acknowledging that the most recent inflation outcomes have been *substantially* higher than expected, Jansson still read quite relaxed. In no way whitewashing the inflation uptick, he see the details as supportive of the Board's previous assessment that the overshoot ought to be temporary. Citing for instance the updated CPI-weights, other underlying measures excluding the most volatile components and a declined dispersion of inflation indicators, he still find the analysis of this year's inflation upturn as temporary to be convincing.
- As for the economic activity, he see the Swedish recovery as progressing slowly. Notably, he states that *"if on looks at economic activity, then it would probably be desirable to have an interest-rate cut right now, at today's meeting"*.
- Albeit still convinced that the recent inflation uptick will prove temporary, he emphasizes that it is indeed important that inflation begins to fall in the coming months. And although Jansson deems it desirable to provide the real economy with further policy support, it must in no way be at the cost of putting the credibility of the inflation target at stake. However, unless the next inflation print(s) diverges further from the Riksbank forecast, Jansson seems to be leaning towards a cut at any of the upcoming meetings.

Anna Seim

- Seim highlights that the full impact of previous rate cuts has yet to be realized and anticipates an improvement in economic activity going forward.
- Seim also addresses the upside risks to inflation and expresses concern that inflation may continue to surprise on the upside. She view the inflation risks as supply-driven but mentions that it is difficult to estimate potential GDP during turbulent times. She notes that the actual GDP gap might be significantly less negative than the data suggests, which could also contribute to inflationary pressures. Seim also express concern that companies price plans *"are elevated and have been for some time"*. She stresses that this *"raise questions about pricing behaviour and may reflect a general view that it is possible to raise prices in an inflationary environment"*
- She mentions the likelihood of another rate cut this year but emphasizes her concern about inflation. *"There is some probability of a further cut this year if the outlook for inflation and economic activity remains the same. But for this to be possible, I would like to feel confident that the inflation risks I have mentioned here will not be realized."*

Erik Thedéen

- Thedéen supports the decision but voices greater uncertainty about the inflation outlook compared to the meeting in June. The main thesis remains that the inflationary uptick is temporary and that the basket effect has led to *"that the rate of inflation measured to some extent overestimates the underlying rate of price increase."*
- Regarding the economy, the outlook is mixed, according to Thedéen. However, he concludes that *"there is at present probably more spare capacity in the economy than we had assessed in June."*
- Thedéen considers the risk of persistently high inflation to be low but underscores his supports for the emphasis on *"vigilance"* included in the Update. The weak economic outlook justifies the decision to leave *"door ajar to one further cut in the interest rate – given that the inflation outlook remains favourable."*
- However, Thedéen expresses concern that new surprises could undermine credibility in the inflation target, noting that *"it is still too early to draw this conclusion with certainty"* that inflation will fall back during the autumn. According to the minutes, Thedéen would likely need a significantly lower inflation figure to support a rate cut in September.



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