

Fast Comment Sweden

Riksbank cuts and signals further easing – Riksbank June policy decision

- The Riksbank cuts its policy rate by 25bp to 2.0 percent
- The outlook for inflation and activity has been revised downwards
- Potential for one further cut by the Riksbank

The Riksbank cuts the policy rate by 25bp to 2.0 percent

The Riksbank today delivered a widely expected 25bp rate cut to support the weakening economy. The policy rate now stands at 2.0 percent, just below the mid-point of the Riksbank's interval for the neutral interest rate of 1.5–3.0 percent. The rate cut decision is in line with expectations as the Riksbank already in May signalled a weakening economic outlook and a downward revision to inflation and that "this could suggest a slight easing of monetary policy going forward".

The key comments in today's press release are *"the forecast for the policy rate entails some probability of another cut this year"* and *"overall, the outlook for inflation and economic activity suggests some easing of monetary policy"*, with the primary motivation that *"substantial uncertainty is also expected to hamper the recovery in the near term"*. The Riksbank's policy rate forecast bottoms at 1.88 in Q2 2026 with a slow upward slope starting from Q2 2027 and a policy rate at 2.01 at the end of the forecast horizon (Q2 2027). The rate path indicates a 12 percent probability of another cut in August and a 48 percent probability of a rate cut before the end of this year. Market reactions are muted with a dovish tilt towards marginally lower rates and a slightly weaker SEK.

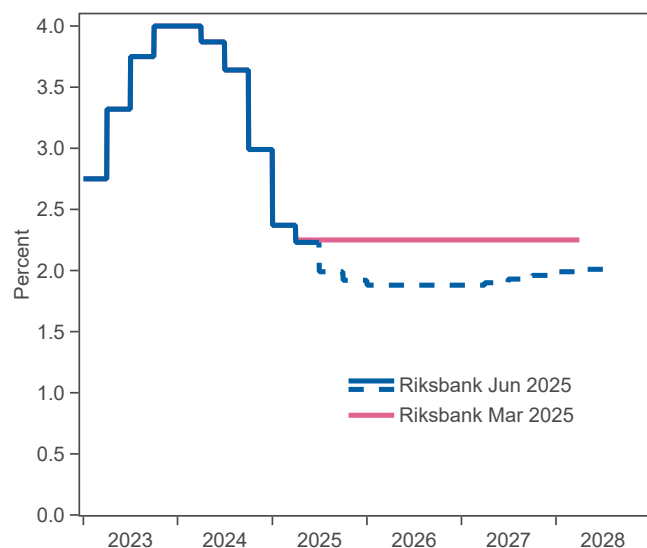
The outlook for inflation and activity has been revised downwards

The Riksbank expects the weaker demand to contribute to inflation being lower going forward, and assesses that upside risk to inflation "has come down a bit". The CPIF forecast averages 1.7 percent next year, down from 1.9 percent in the March forecast. GDP growth for this year is revised down from 1.9 percent in the previous forecast to 1.2 percent, and unemployment is revised slightly upwards for 2026 and 2027. The krona exchange rate is weaker compared to the March forecast.

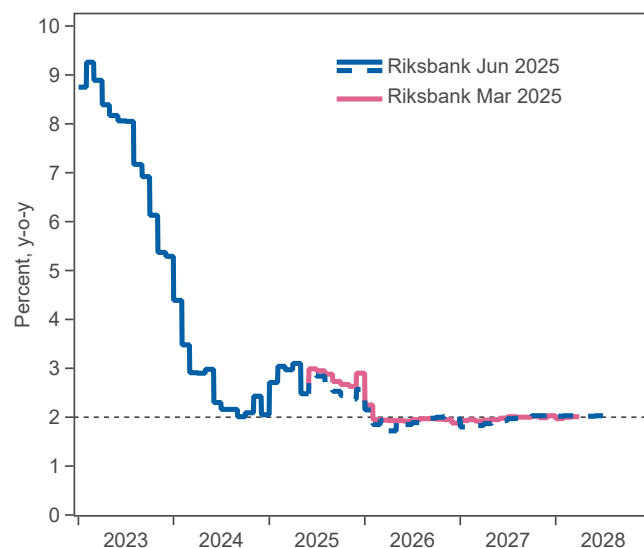
Potential for one further cut by the Riksbank

During today's announcement, our primary focus was on signs of any further rate moves. The main focus for the Riksbank is to strike a balance between support for the weakening recovery and to safeguard the inflation target. While the economic outlook has clearly weakened, inflation remains above 2 percent, price expectations among businesses are elevated, and households' inflation expectations have risen. Uncertainty abounds – in particular around the trade war and global geopolitical tensions – and there are risks to inflation in both directions.

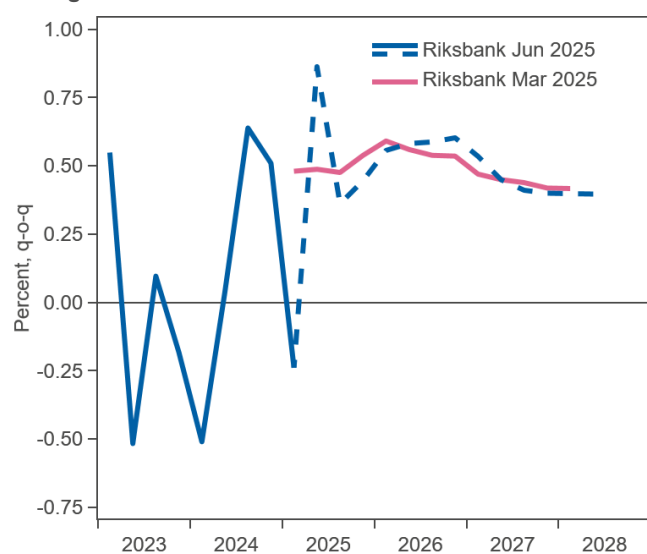
Overall, we share the Riksbank's view that uncertainty will likely hamper the recovery in the near term. In our view, the weakening economic outlook – combined with the stronger krona – will help dampen cost pressures and limit the scope for price increases. Against this background, we think the data will support another rate cut in August, but the exact timing remains open.

Policy rate

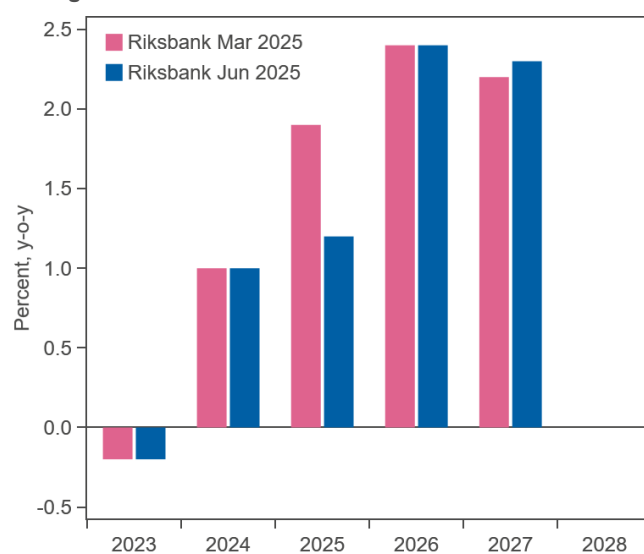
Sources: Macrobond, Riksbanken and Handelsbanken

Inflation, CPIF excluding energy

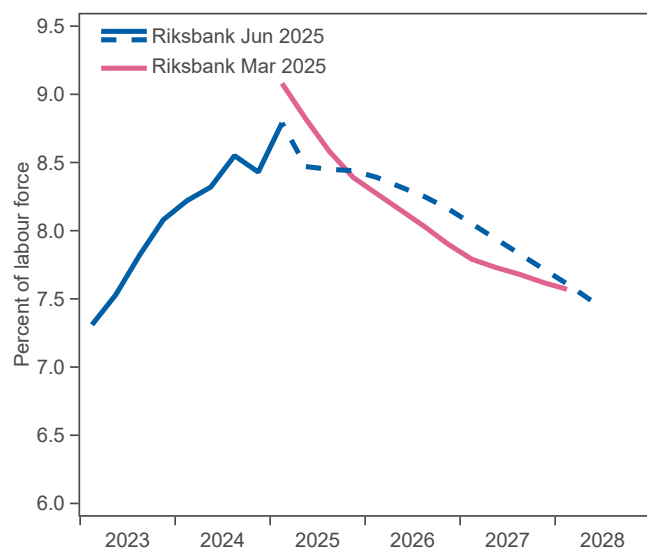
Sources: Macrobond, Riksbanken and Handelsbanken

GDP growth

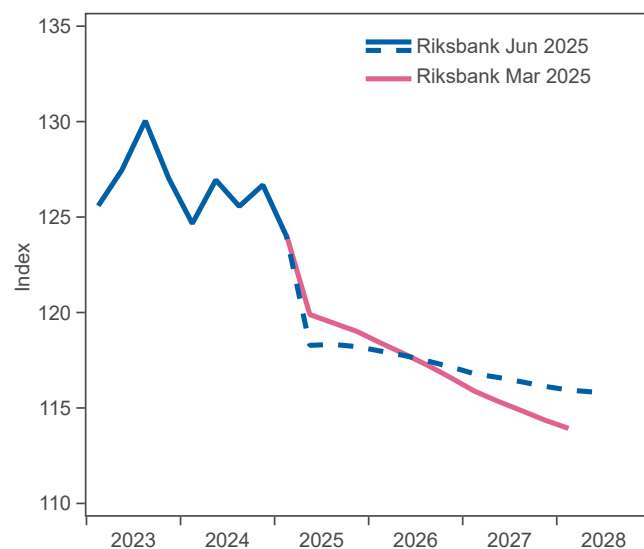
Sources: Macrobond, Riksbanken and Handelsbanken

GDP growth

Sources: Macrobond, Riksbanken and Handelsbanken

Unemployment

Sources: Macrobond, Riksbanken and Handelsbanken

Krona exchange rate

Sources: Macrobond, Riksbanken and Handelsbanken

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