

Riksbank preview: Strong growth to keep easing out of the picture

The Riksbank and the ECB are both in a 'good place'. However, the risks that rates will be lowered again in Sweden are even lower than in the eurozone, as the growth outlook continues to improve and the Riksbank already took rates below 2% in September. We don't expect any new guidance at this meeting, and the krona's outlook remains good into 2026



The Governor of Sweden's Riksbank, Erik Thedén

On course for a prolonged hold

The Riksbank is in a comfortable spot on rates, just like the ECB. The 25bp cut in September wasn't driven by a clear data surprise, but framed as a move to support activity amid muted inflation risks. That surprise cut has raised the bar for any further easing.

At the 5 November meeting, we don't expect new guidance. In September, the Monetary Policy Report outlined two alternative scenarios to the baseline, which sees rates unchanged well into 2027. The scenario projecting another cut by year-end is externally driven: a sharp equity market correction (realistically in the US) that hits Swedish household confidence, lowers inflation, but doesn't weaken the krona—mirroring this Spring's moves.

By emphasising external risks, the Riksbank is signalling it won't be swayed by domestic inflation or activity data in the near term. We think it would take persistent CPIF undershooting or clear recession risks for policymakers to reconsider their current stance.

There's no sign we're heading in that direction. CPIF and CPIF excluding energy slowed in September but remain above target at 3.1% and 2.7%. Meanwhile, 3Q growth surprised to the upside at 1.1% QoQ (2.4% YoY), and more recent indicators point to continued strength. Consumer confidence is back to pre-Liberation Day levels, and the Economic Tendency Indicator is at its highest since 2022. This reflects how rate changes have an amplified effect on Swedish households, given their high exposure to variable rates.

SEK outlook strengthened by good growth

Strong activity data in Sweden has helped the krona perform well in the last part of October. EUR/SEK is finding stability below 11.00 as a result, with the euro's softish momentum also assisting. The pair is around 1% undervalued relative to our short-term fair value, and might not be ready for another big leg lower just yet.

Nevertheless, the outlook for SEK remains good for the new year. Good Swedish growth should make up for sub-2% interest rates, and high-beta currencies like the krona tend to benefit from improved liquidity conditions when the Fed cuts rates. Our target for mid-2025 is 10.50 for EUR/SEK.

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