

Riksbank set to hold but further easing still in play

We expect the Riksbank to keep rates on hold at 2.0% on 23 September, in line with expectations. Markets are pricing in a less than one-in-three chance of a cut. Rate projections may well be kept unchanged but could still suggest some possibility of another cut. Our call for now is for no more easing. Sweden's krona has room to appreciate into year-end



Inflation news should keep Riksbank on hold

Sweden's Riksbank meets on 23 September, and we share the market's view that rates will be kept on hold, with pricing implying only a 30% chance of a cut. But the tone of the meeting will be important, especially after August's inflation surprise.

CPIF rose to 3.2% in August, the highest reading since the start of 2024, and 0.5pp above the Riksbank's forecast. Admittedly, core inflation, a less volatile measure, is a little more reassuring. CPIF excluding energy fell to 2.9%.

Still, the recent uptick in headline inflation and growing signs that the European Central Bank's cutting cycle may be over reduce the pressure on the Riksbank to lower rates further. We're not expecting any further cuts from here.

But the labour market is still a concern

That said, the much-anticipated economic recovery this year, driven by lower interest rates, has yet to fully materialise.

There are some bright spots, including the latest manufacturing PMIs, which have risen to the highest levels this year. Monthly GDP fell 0.2% in July, but consumer confidence has been rising since April, with July consumption up 2.4% year-on-year and business sector production is up 4% YoY.

The major concern is the jobs market, where the unemployment rate is still elevated at 8.8% (even if the data has been horrendously volatile recently).

That alone suggests that another rate cut is a tangible risk at some point down the line. But for now, we think the Riksbank's easing cycle is done.

SEK outlook remains solid

The rebound in EUR/SEK above 11.0 is in line with our latest call on the pair based on the short-term undervaluation shown in our model. Upward momentum can take EUR/SEK up to the 11.15 level into the Riksbank meeting.

As we expect no change in rates and markets are pricing in roughly 7bp of easing for September, there are some upside risks to SEK on the day of the announcement. However, it's likely that the Riksbank will keep its rate path unchanged, signalling a 1.88% average rate ahead, which embeds some chance of another cut and should prevent large hawkish repricing.

We continue to expect EUR/SEK to return below 11.0 by year-end and target 10.50 for the summer of 2026.

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