

Article | 15 August 2025

SWEDEN

# Riksbank to keep rates on hold as inflation heats up

Sweden's Riksbank is unlikely to cut in August as inflation overshoots and recovery stalls, despite lingering market hopes



Sweden's Riksbank Governor Erik Thedeén

Sweden's Riksbank meets on 20 August. And while a rate cut at this meeting is unlikely – markets are pricing a 20% probability – there's the lingering question of whether the central bank needs to ease policy again later this year. The Riksbank's June statement cryptically suggested that there is “some probability” of another cut in 2025.

We are less sure – our view is that the Riksbank's easing cycle is over.

Partly that's because inflation has been coming in well above the Riksbank's expectations. July's CPIF hit 3%, well above the central bank's 2.5% projection. That's tracking a lot closer to the central bank's “high inflation” scenario, which the latest set of forecasts indicated could conceivably even require policy tightening by early next year.

That would be an extreme interpretation of the recent data. Much of the spike is likely to be temporary, though not all of it. Just as we've seen in other parts of Europe, food prices are beginning to add more pressure.

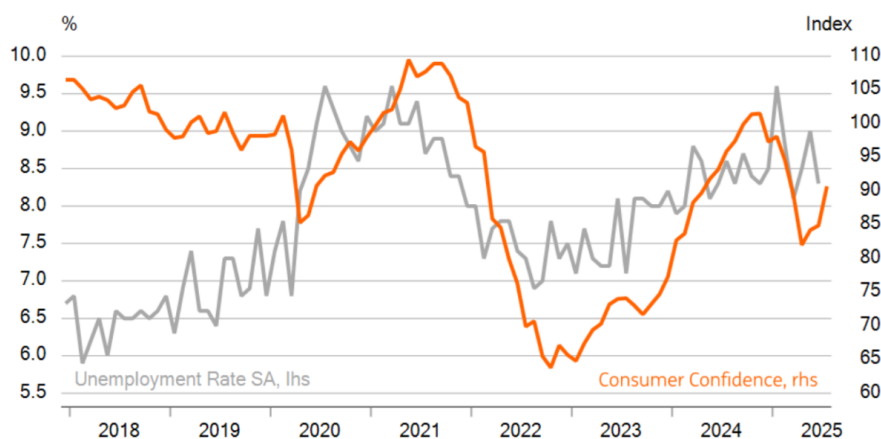
That's the main thing preventing the Riksbank from easing further at this point, though it's

worth saying that Sweden's recovery has disappointed this year. The rapid string of rate cuts last year was supposed to promote a cyclical upswing, more so than in other developed economies, due to Sweden's greater prevalence of variable-rate lending.

Being a nation highly dependent on trade (exports make up 55% of GDP), the tariff war and the uncertainty associated with it have delayed the recovery. That led the Riksbank to revise down its 2025 GDP forecast from 1.9% to 1.2%.

The jobs market also remains in a precarious position. The unemployment rate has fallen to 8.3% from 9% in May, though the data is highly volatile. That's still above pre-Covid levels, and vacancies are at their lowest since November 2020.

### Growing confidence despite labour market weakness



Source: Macrobond, ING

The good news, at least, is that consumer confidence has begun to recover, having dipped through the spring. Household spending rose in June after a weak May. Remember too that Sweden is disproportionately likely to benefit from greater EU defence spending over the next couple of years, given it hosts some of the largest equipment manufacturers.

In short, it's a mixed economic picture, but one which doesn't scream a need for additional monetary support just yet. Remember too that at 2%, Swedish rates are the same as the eurozone. A September cut narrowly remains our base case for the ECB, but unless we see more material divergence, there's little need for the Riksbank to react in kind.

### FX: We are still constructive on SEK

We think Riksbank could sound a bit more hawkish than market expectations at this August meeting, and therefore expect a moderately positive SEK reaction.

We have recently revised our EUR/SEK forecast modestly higher but we retain a bearish view

on the pair on the back of our more hawkish view on Riksbank relative to pricing and fundamental overvaluation. We target 11.00 by year-end.

Any advancements towards a ceasefire in Ukraine should also help SEK. While that would be more evident in other crosses (e.g. lower USD/SEK), we think EUR/SEK should still be trading lower too in a broad geopolitical de-escalation due to the krona's usually higher beta.

### Author

#### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

#### Francesco Pesole

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).