



Monetary Policy Update

November 2025

Monetary Policy Update

The Executive Board normally holds eight monetary policy meetings a year. In connection with each of the meetings, a monetary policy decision is published, along with the motives for the decision. At four of the meetings, a Monetary Policy Report is published, which describes the deliberations made by the Executive Board when deciding on an appropriate monetary policy. The report includes a forecast of the outlook for inflation and economic activity three years ahead, based on the monetary policy that the Executive Board currently considers to be well-balanced. A shorter Monetary Policy Update is published in connection with the other four meetings. The update describes the considerations made by the Executive Board and economic developments in relation to the Riksbank's most recent forecast.

Through the Monetary Policy Reports and Updates, the Riksbank also informs the general public about monetary policy, which makes it easier for external parties to follow, understand and evaluate the Riksbank's actions.

Regularly or upon request, the Riksbank shall submit an account of its monetary policy operations to the Riksdag Committee on Finance, pursuant to Chapter 11, Section 1 of the Sveriges Riksbank Act (2022:1568). These accounts are presented both in specific material for assessing monetary policy and in the Monetary Policy Reports and Updates.

The Monetary Policy Reports and Updates can be downloaded as a PDF from the Riksbank's website, www.riksbank.se, where more information about the Riksbank can also be found.

No new forecasts are produced for the Monetary Policy Updates. Monetary Policy Report no. 4 2025 will be published on 18 December 2025.

Monetary policy considerations

Although inflation is still above the target, it has fallen in line with the forecast made in September. This reinforces the assessment that the elevated inflation is transitory. New information also supports the Riksbank's forecast that the economy is on its way to recovery. Growth was somewhat stronger than expected during the third quarter, according to preliminary statistics. At the same time, the labour market is still showing weak development, although there are now some signs that a turnaround is on its way. Overall, the outlook for inflation and economic activity remains largely unchanged.

Thus, the Riksbank is following the previously communicated plan for monetary policy and has decided to leave the policy rate unchanged at 1.75 per cent. The policy rate is expected to remain at this level for some time to come, in line with the forecast in September. This is assessed to help strengthen economic activity and stabilise inflation close to the target in the medium term.

At the same time, the outlook for inflation and economic activity is uncertain. There are risks both in Sweden and abroad that could affect economic developments and thereby also the policy rate going forward. One uncertainty factor concerns household consumption behaviour and how the more expansionary fiscal policy will affect economic activity and inflation. The risk picture abroad is still marked by geopolitical conflicts, uncertainty regarding trade policy, high asset valuations on financial markets and weak public finances in several countries.

International developments

Despite the considerable uncertainty, the global economy has developed largely as expected. The uncertainty in the international economy continues to be high. However, world trade has so far been resilient to the increased trade barriers. At the same time, the global financial conditions remain expansionary, for instance in the form of good financing conditions for banks and companies.

The import tariffs have so far affected the US economy less than expected. The Riksbank previously assessed that the higher tariffs would dampen growth and raise inflation in the United States, and this development has been confirmed to some extent.¹ However, growth in consumption and GDP look somewhat stronger than

¹ As a result of the federal lockdown in the United States, there are no current outcomes for some economic statistics.

expected. Inflation, on the other hand, has developed in line with the Riksbank's forecast (see Figure 1). The average effective tariff rate has risen and is expected to rise further (see Figure 2). Prices of several imported goods are already rising faster than before and this development is expected to continue, as the tariffs gradually have a greater impact on consumer prices.

The euro area economy has developed in line with the forecast. Growth in the euro area has slowed down over the year, which can be linked to trade policy. After a large increase during the first quarter, the euro area's goods exports to the United States have declined, at the same time as consumer confidence remains low. Despite the modest GDP growth, unemployment has remained around the lowest levels in the history of the euro area. Inflation has been stable at close to 2 per cent (see Figure 1).

Market participants are expecting a lower policy rate in the United States, but not in the euro area. At the end of October, the Federal Reserve cut the target interval for its policy rate by 0.25 percentage points to 3.75–4 per cent. Market participants' expectations indicate a relatively high probability of another interest rate cut this year. The ECB, on the other hand, held its policy rate unchanged at 2 per cent at its meeting at the end of October. Both the ECB's communication and market participants' expectations indicate that the policy rate will remain at this level for some time to come (see Figure 3).

The uncertainty about economic developments abroad is still high. The war in Ukraine and tensions in the Middle East are still contributing to the uncertainty. US trade policy is also contributing, as it can change unexpectedly once again. The sustainability of several large countries' public finances, including the United States and France, are also contributing to uncertainty. Additionally, there is a risk that the very high equity valuations of several large US technology companies will result in a significant stock market correction going forward, which could affect risk appetite in general on the financial markets, and ultimately also the Swedish economy.

Developments in Sweden

New information indicates somewhat stronger growth than expected. GDP rose by 1.1 per cent during the third quarter compared with the previous quarter, according to preliminary statistics from Statistics Sweden (see Figure 4).² Monthly indicators point to consumption growth also being somewhat higher than expected. Not least household consumption of durable goods has recently shown a rapid rise. The overall sentiment among households and companies has also improved, according to the Economic Tendency Survey, and is now at a normal level (see Figure 5). However, the Riksbank's Business Survey paints a subdued picture, particularly among manufacturing industry companies.³

The labour market is continuing to be weak, although it now shows some signs of improvement. Unemployment rose to 8.8 per cent during the third quarter, which is

² The preliminary statistics are based on a smaller amount of data than the National Accounts, and should therefore be interpreted with caution.

³ See The Riksbank's Business Survey, September 2025, Sveriges Riksbank.

an historically high level (see Figure 6). Although the demand for labour is weak, some indicators point to the situation on the labour market being on the verge of a turnaround, in line with the Riksbank's forecast. The number of newly-registered vacancies and companies' recruitment plans have increased somewhat. At the same time, redundancy notices are close to normal levels (see Figure 6).

Economic activity is expected to improve going forward, in line with the assessment in September. Households' purchasing power strengthens when interest costs fall and real wages rise. Together with a more expansionary fiscal policy next year, this is expected to lead to a continuing recovery in consumption. It will contribute to growth rising in 2026. As demand in the Swedish economy strengthens, the labour market is also expected to begin to recover at the beginning of next year.

Inflation fell in September. CPIF inflation was 3.1 per cent and CPIF inflation excluding energy was 2.7 per cent (see Figure 7). Inflation is still above the target, but has fallen in line with the forecast made in September. Prices of services are still increasing faster than normal. On the other hand, prices of goods and food have increased at a gradually slower pace, partly due to the stronger krona. All in all, the new inflation figures strengthen the Riksbank's earlier assessment that the elevated inflation is transitory.

Indicators suggest inflationary pressures in line with the target going forward. According to the National Institute of Economic Research's Economic Tendency Survey, pricing plans were near normal levels in the retail trade and service sector in October (see Figure 8). On the other hand, pricing plans among producers of consumer goods rose and thus remain higher than normal. A view of current price developments can be obtained by measuring price changes over a shorter period than 12 months. These have fallen and are now close to or below 2 per cent (see Figure 9). A broader set of indicators implies that inflation will be in line with the target going forward (see Figure 10). Long-term inflation expectations are also firmly anchored around 2 per cent (see Figure 11).

The krona exchange rate is at about the same level as in September. However, compared with the beginning of the year, the krona is at a much stronger level (see Figure 12). The Riksbank assesses that the krona will continue to strengthen somewhat going forward and contribute to dampening inflation.

The outlook for inflation still remains largely unchanged. Inflation is expected to continue to fall going forward, but to remain above 2 per cent during the remainder of the year, largely due to the changes in weights in the CPI.⁴ The temporary halving of VAT on food will push inflation down significantly with effect from April next year (see Figure 13). The reason for the substantial effect is that food comprises such a large part of the CPI basket. However, the underlying inflationary pressures are not

⁴ See also the fact box "Inflation effects of new weights in the CPIF" in the Monetary Policy Report, March 2025.

assessed to be materially affected.⁵ This is the same assessment as the Riksbank made in September.

There is still uncertainty regarding the outlook for economic activity and inflation. In addition to risks linked to events abroad, there are also domestic risks. The downward effects on inflation of the cut in VAT on food could be greater and last longer than expected if, for instance, inflation expectations and price-setting behaviour are affected. The effects could also be smaller than expected, if the cut in VAT strengthens household demand more than expected. Overall, it is not certain how much households will choose to consume when their incomes rise going forward, which could affect how much the fiscal policy stimulus boosts economic activity.

Policy rate held unchanged at 1.75 per cent

Since spring 2024 the policy rate has been cut by 2.25 percentage points in total.

The interest rate cuts have had a clear impact on market rates and contributed to lower interest rates for households and companies. There are now also signs that the lower interest rates are yielding a positive impact on household consumption, although it will take longer before monetary policy has its full impact.

The outlook for inflation and economic activity remains largely unchanged. Although inflation is still above the target, it has fallen in line with the forecast made in September. This reinforces the assessment that the elevated inflation is transitory. New information also supports the Riksbank's earlier forecast that the economy is on the way to recovery. Indicators point to somewhat stronger growth than expected during the third quarter. On the other hand, the labour market is continuing to show weak development, although there are now some signs that a turnaround is on its way. Overall, the outlook for inflation and economic activity remains largely unchanged. The Riksbank will therefore follow its previously communicated monetary policy plan.

The Riksbank has therefore decided to leave the policy rate unchanged at 1.75 per cent. The policy rate is expected to remain at this level for some time to come, in line with the forecast in September. A policy rate at the current level is assessed to help strengthen economic activity and keep inflation stable close to the target in the medium term.

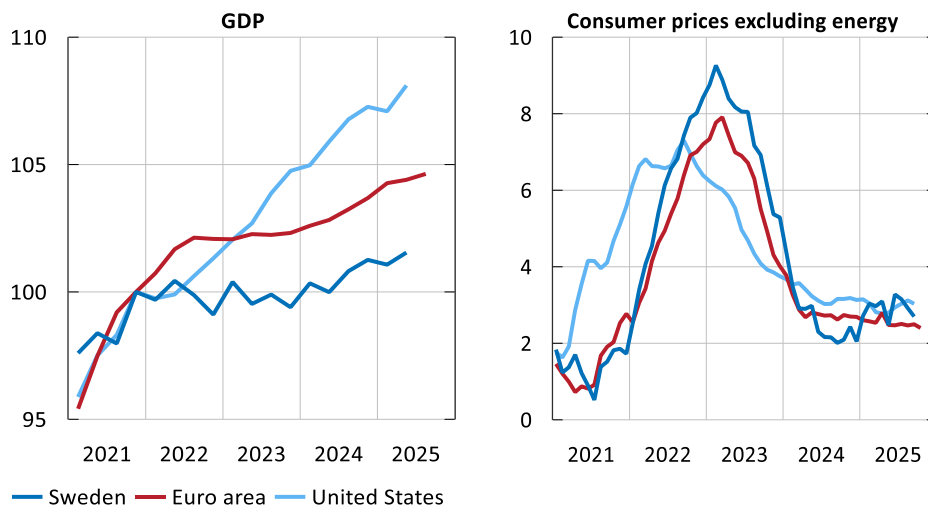
At the same time, the outlook for inflation and economic activity is uncertain. There are risks both in Sweden and abroad that could affect economic developments and thereby also the policy rate going forward. The overall risk picture is not assessed to have shifted to any significant extent since September, but the Riksbank is still vigilant regarding developments.

⁵ See also the fact box "Direct effects of the tax changes on the rate of inflation" in the Monetary Policy Report, September 2025.

Figures

Figure 1. GDP and consumer prices excluding energy

Index, 2021 Q4 = 100 (left), and annual percentage change (right)



Note. Seasonally adjusted data (left). Refers to CPIF excluding energy for Sweden, HICP excluding energy for the euro area and CPI excluding energy for the USA (right).

Sources: Eurostat, Statistics Sweden, US Bureau of Economic Analysis and US Bureau of Labor Statistics.

Figure 2. Average effective tariffs in the United States

Per cent

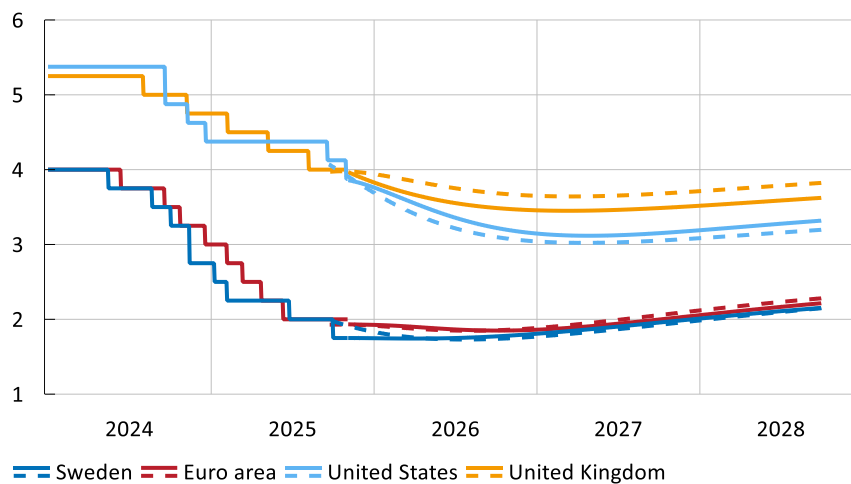


Note. The average effective tariff rate is calculated as the ratio between tariff income and total goods imports.

Sources: US Census Bureau and US Department of Treasury.

Figure 3. Market expectations of future policy rates

Per cent

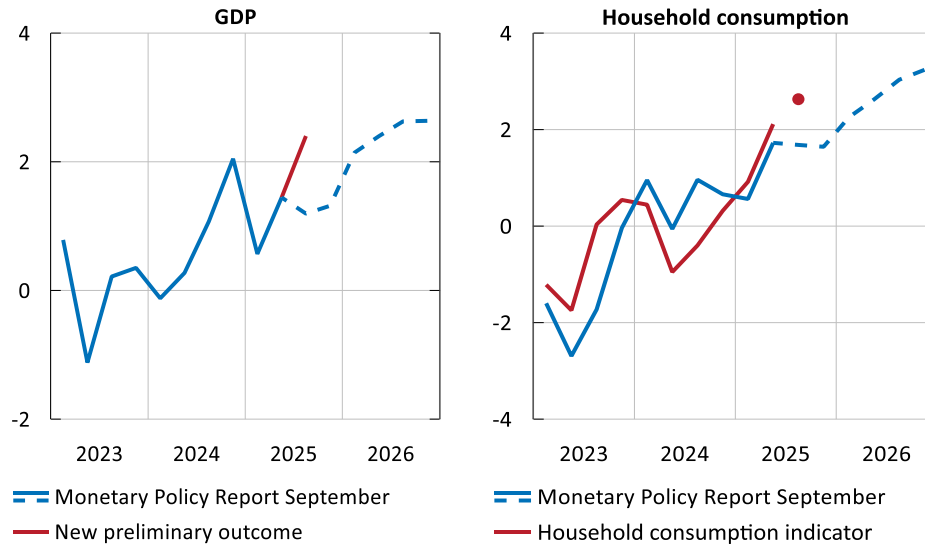


Note. The figure shows policy rates and market-based expectations according to forward pricing. Solid lines represent expectations on 3 November 2025. Dashed lines represent expectations immediately prior to the monetary policy meeting in September.

Sources: National central banks and the Riksbank.

Figure 4. GDP and household consumption

Annual percentage change

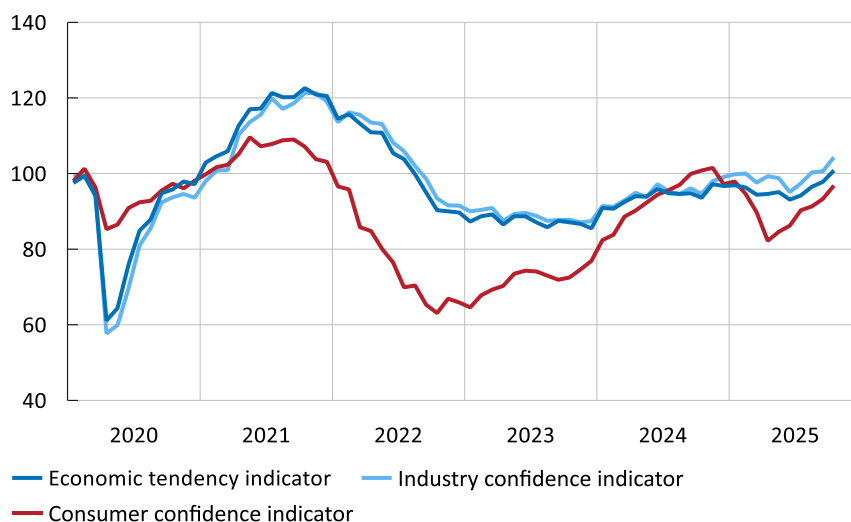


Note. Calendar adjusted quarterly data. Solid and dashed blue lines refer to outcomes and forecasts respectively at the monetary policy meeting in September. The preliminary outcome for GDP refers to the GDP indicator (left). The red dot refers to the average of the household consumption indicators for July and August (right).

Sources: Statistics Sweden and the Riksbank.

Figure 5. Confidence indicators in the Economic Tendency Survey

Index, mean = 100, standard deviation = 10

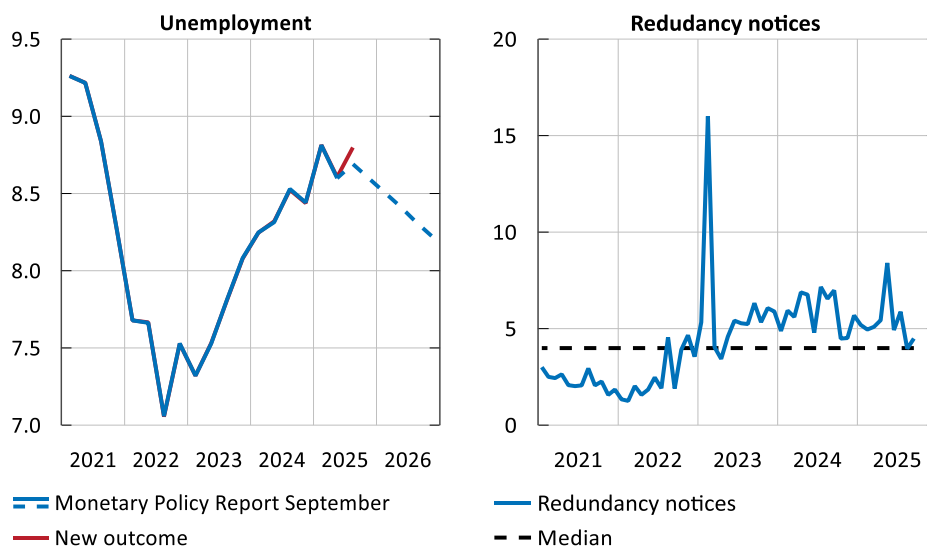


Note. The confidence indicators are calculated as the mean value of net figures for a number of questions concerning the current economic situation and future prospects.

Source: National Institute of Economic Research.

Figure 6. Unemployment and redundancy notices

Percentage of the labour force (left) and thousands (right)

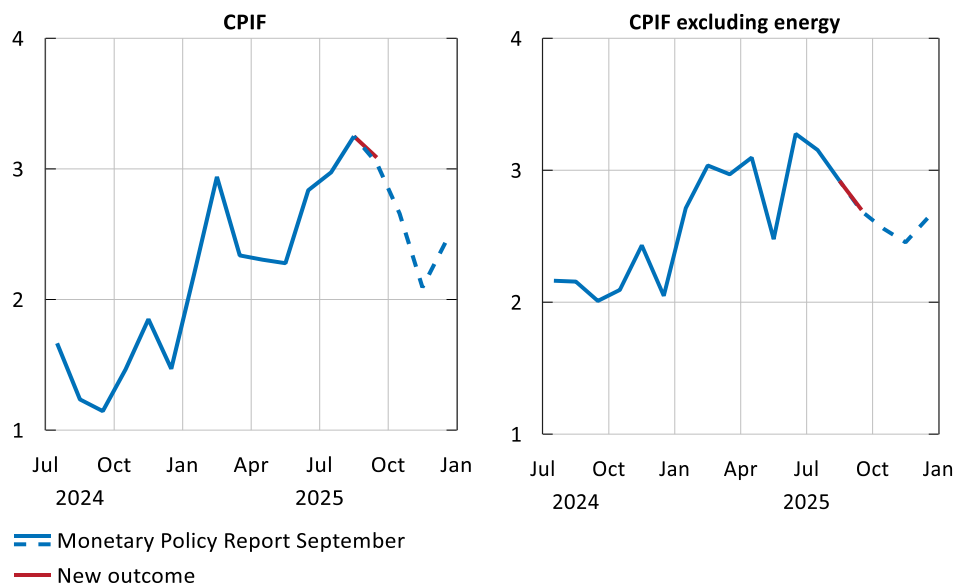


Note. Seasonally adjusted data. Solid and dashed blue lines refer to outcomes and forecasts respectively at the monetary policy meeting in September, while the red line refers to the outcome for the third quarter (left). The dashed black line represents the median for the period 2010–2025 (right).

Sources: Statistics Sweden, Swedish Public Employment Service and the Riksbank.

Figure 7. CPIF and CPIF excluding energy

Annual percentage change

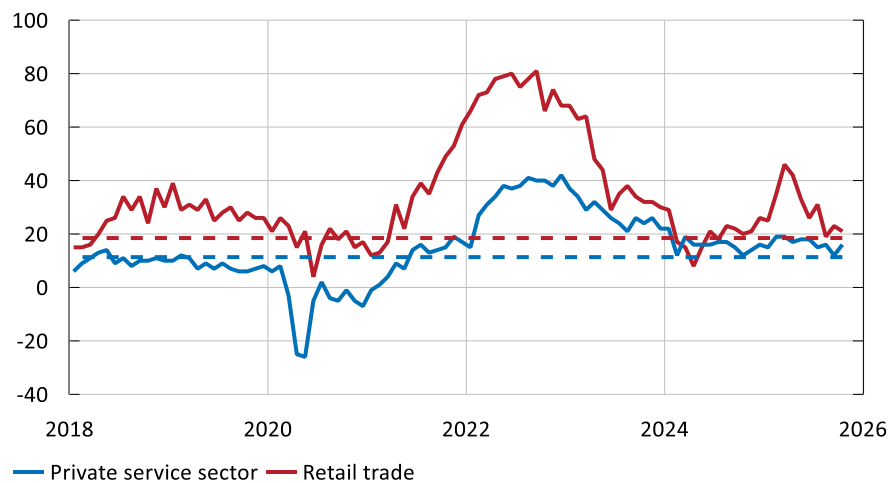


Note. Solid and dashed blue lines refer to outcomes and forecasts respectively at the monetary policy meeting in September. Red lines refer to the outcome for September.

Sources: Statistics Sweden and the Riksbank.

Figure 8. Price plans

Net figures

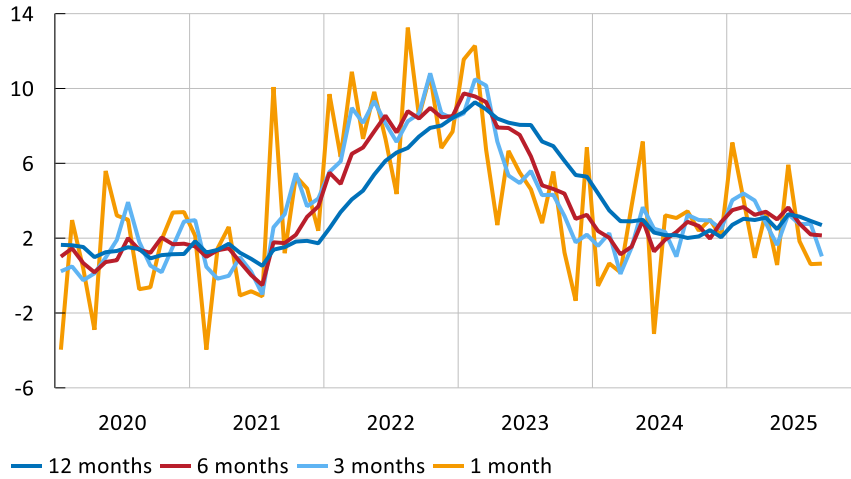


Note. Seasonally adjusted data. The figure shows net balances of how many firms responded that they plan to increase their prices compared with how many plan to reduce them in the coming three months. The dashed lines represent the average for the period 2000–2025.

Source: National Institute of Economic Research.

Figure 9. CPIF excluding energy

Annual percentage change and one-, three- and six-month change, calculated in annualised terms

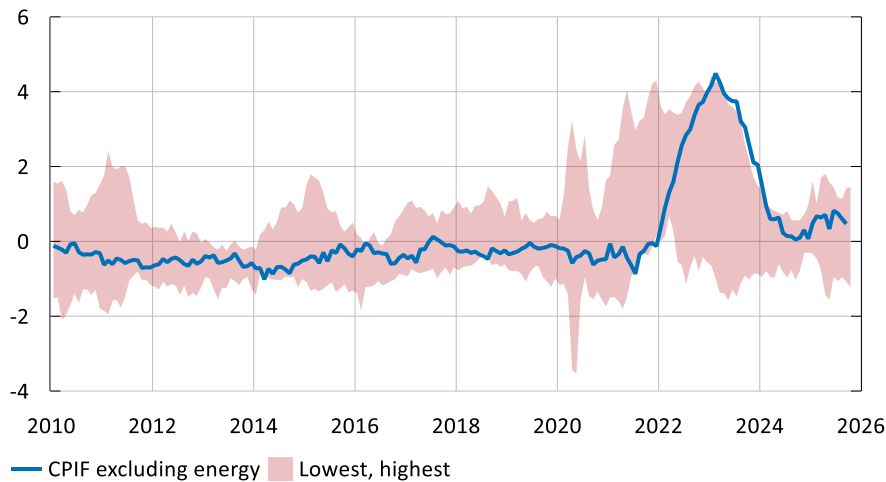


Note. Seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

Figure 10. CPIF excluding energy with indicators

Standardised values

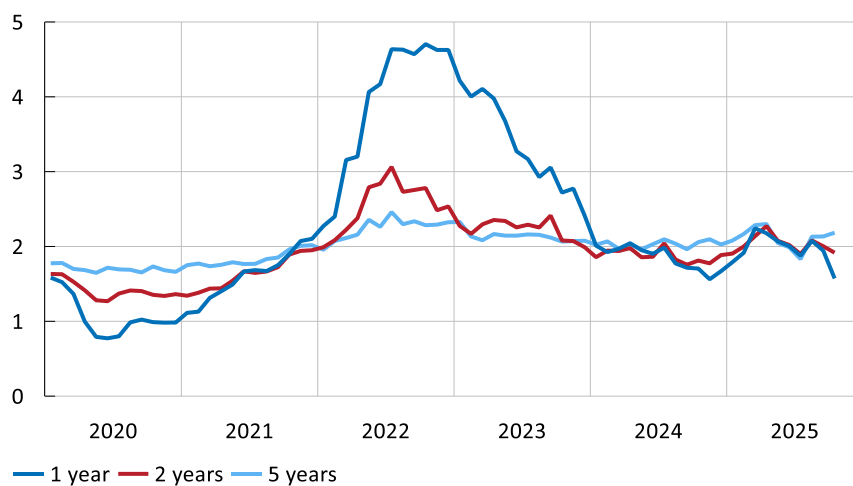


Note. The red field shows the range between the highest and lowest standardised value for the following indicators: households' inflation expectations, price plans in the retail trade, consumer goods sector and services sector, Purchasing Managers' Index for the services sector and manufacturing sector, producer price index for consumer goods (ITPI, IMPI and HMPI), the CPI excluding energy in the United States, the HICP excluding energy in the euro area, the KIX, the Economist's commodity index and the Global Supply Chain Pressure Index. Price index expressed as annual percentage change.

Sources: The Economist, Eurostat, Federal Reserve, NIER, Statistics Sweden, Swedbank, US Bureau of Labor Statistics and the Riksbank.

Figure 11. Inflation expectations

Per cent

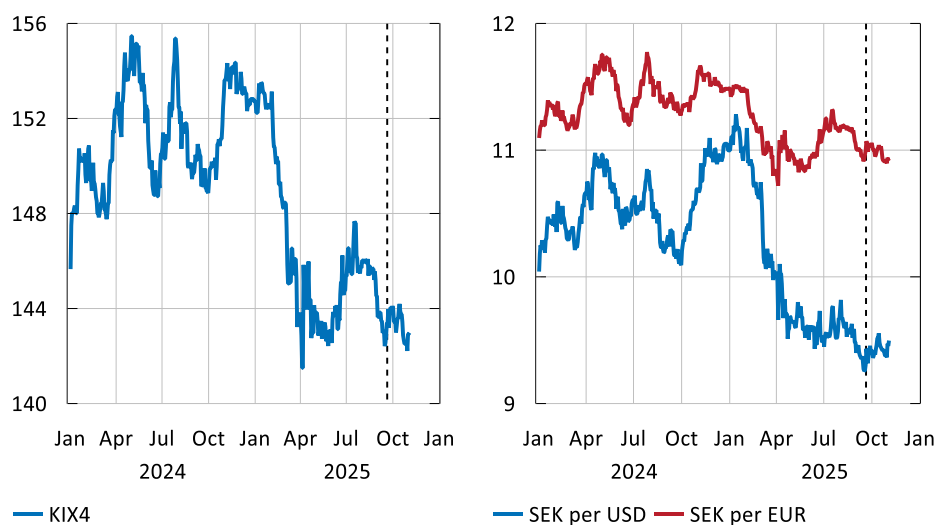


Note. Expectations refer to the CPIF. Money market agents.

Source: Origo Group.

Figure 12. Nominal exchange rate for the Swedish krona against KIX4 and the dollar and euro

Index, 18 November 1992 = 100 (left) and kronor (right)

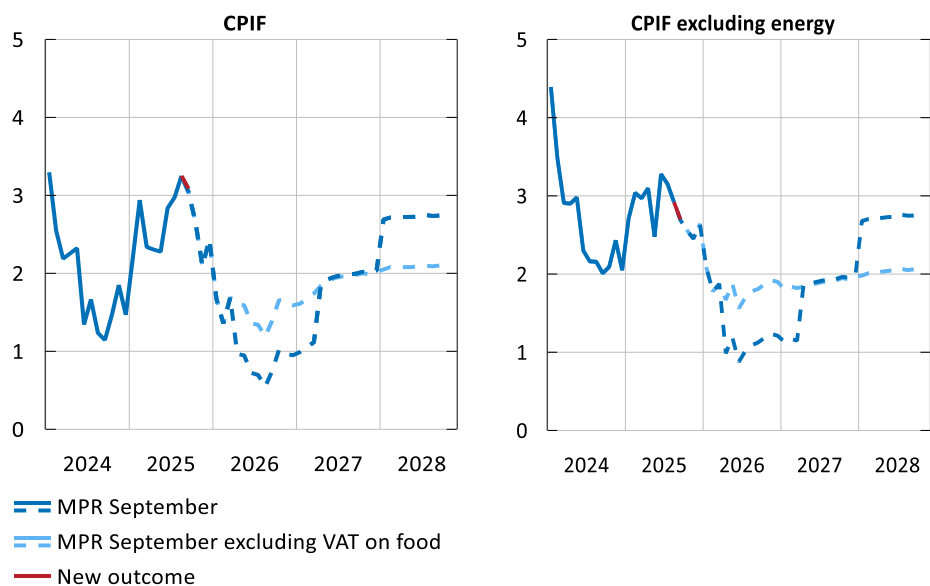


Note. The KIX4 (krona index) is a weighted average against the US dollar, the euro, the British pound and the Norwegian krone. A higher value indicates a weaker exchange rate. The dashed vertical line marks the date of the monetary policy meeting in September.

Source: The Riksbank.

Figure 13. Inflation including and excluding the direct effect of the changed VAT on food

Annual percentage change



Note. MPR refers to the Monetary Policy Report. For the indices excluding VAT on food, the direct effect on the price change in food has been excluded. Solid and dashed lines refer to outcomes and forecasts respectively at the monetary policy meeting in September. Red lines refer to the outcomes for September.

Sources: Statistics Sweden and the Riksbank.



SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 - 787 00 00
Fax +46 8 - 21 05 31
registratorn@riksbank.se
www.riksbank.se