

[PREVIEW] Riksbank Policy Decision on Thursday, 7th May

- Riksbank to keep rates steady at 1.75%. Some probability that the Bank signals upside risks to the rate path .
- Inflation has underscored the region's disinflation process, whilst growth/jobs metrics are showing signs of softening .
- Further out, Nordea and SEB see steady rates through-2026, whilst Danske Bank see two hikes .

Overview: Riksbank is expected to keep its policy rate steady at 1.75%, a view corroborated by an SEB survey in which all respondents expect the policy rate to be unchanged. This would be in line with guidance from the last meeting, which suggested the rate would be held "for some time to come". Aside from the decision, there is a chance the Bank signals upside risks to the rate path. Recent inflation metrics have underscored the region's disinflation process, while growth and labour market indicators are showing early signs of stalling. The current Middle East situation will keep the Bank away from cuts in the near term, while a prolonged conflict could see markets begin to price in hikes. Focus will then turn to the press conference at 10:00 BST.

Data: Inflation reports continue to underscore Sweden's disinflation process, evidenced in both March and April. On the latter, core CPIF Y/Y printed at 0.00% (prev. 1.1%) and well below the Riksbank's own view. On the activity front, GDP slowed in Q1, with the economy contracting 0.2% Q/Q and rising 1.6% Y/Y (prev. 2.1%). Overall, the data point to weak conditions in the region and highlights initial slack emerging in the economy, though a jump in March retail sales (3.1% M/M) perhaps offers some optimism for policymakers. Elsewhere, the labour market is also showing signs of stalling, with the unemployment rate in March remaining elevated and rising to 9.7% (prev. 8.8%).

Bank commentary: Banks are broadly aligned in expecting the Riksbank to remain on hold at the May meeting. SEB believes the board will reiterate guidance set out in March, when it said the rate would be held "for some time to come" and that risks to the outlook are balanced. However, a respondent survey by the Swedish firm suggests a large majority (74%) expect the Bank to signal upside risks. Elsewhere, Nordea shares SEB's view of unchanged policy and a reiteration of March guidance, but assigns some probability that policymakers will stress they are ready to act swiftly if necessary. Further out, SEB and Nordea both expect rates to remain on hold through 2026, though the latter does not rule out a hike. In contrast, Danske Bank expects two hikes this year, in June and August.

Last Meeting: In March, the Bank opted to keep rates on hold and kept its optionality open on whether the Middle East shock will lead to tighter or looser monetary policy – a point evidenced by the scenario analysis provided. Additionally, the forecast adjustment for 2026 underscored this with the CPIF view increased while growth was cut. Despite this, the Bank kept its policy path projection unchanged from the last MPR.

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