



[PREVIEW] Norges Bank Policy Decision on Thursday, 7th May

- There are mixed views on whether the Bank will keep rates on hold at 4.00%, or deliver a 25bps hike. SEB see a hike, whilst Nordea pencil in a hold.
- Previous guidance suggested that it will "likely be appropriate" to raise rates "at one of the forthcoming" meetings, to bring inflation back to target.
- Inflation remains near the Bank's forecast, playing in favour of a hold in May, whilst the Middle East conflict poses upward risks to inflation.

Overview: Views are split on whether Norges Bank will keep rates on hold at 4.00% or hike by 25bps. This follows March's decision to hold rates, alongside guidance suggesting it would "likely be appropriate" to raise rates "at one of the forthcoming" meetings to bring inflation back to target. On that front, inflation remains elevated, but broadly in line with the Bank's forecast, though analysts highlight risks are tilted to the upside. Against this backdrop, SEB expects Norges Bank to deliver a 25bps hike in May. After the announcement, focus will turn to the press conference at 09:30BST.

Data: Recent inflation metrics have remained sticky and elevated; in March, CPI-ATE printed at 3% (prev. 3%), in line with the Bank's own estimate. However, external indicators suggest risks are tilted to the upside, with wage growth remaining elevated and the ongoing Middle East crisis boosting energy prices. Elsewhere, the jobless rate remained stable at 2.1% (prev. 2.2%).

Bank Commentary: SEB believes policymakers will opt to raise rates in May rather than waiting until June, arguing the ongoing Middle East conflict poses upside risks to the inflation outlook, outlining that "delaying would risk unnecessary lag and increase the risk of rising inflation expectations". By contrast, Nordea views a hold in May as more likely, expecting the board to clearly signal its intention to hike in June; however, Nordea remains uncertain on this call.

Last Meeting: Norges Bank kept rates on hold at 4.00% in March, as expected. The MPR and accompanying commentary was hawkish, noting that "it will likely be appropriate to raise the policy rate at one of the forthcoming monetary policy meetings". This was also reflected by the updated MPR, whereby the end-2026 rate was raised to 4.35% (prev. 3.71%).

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