SVERIGES RIKSBANK

Monetary policy minutes

April 2020

S V E R I G E S   R I K S B A N K

Summary

At the monetary policy meeting on 27 April 2020, the Executive Board of the Riksbank decided on continued purchases of government and mortgage bonds up to the end of September 2020 and to leave the repo rate unchanged at zero percent.

The board members supported the assessments and analyses presented in the draft Monetary Policy Report. The corona pandemic has hit the world hard and restrictions to curb the spread of infection have substantially reduced activity in the global economy. Developments going forward are extremely uncertain and depend largely on the spread of the virus and the restrictions imposed to slow it down. The draft Monetary Policy Report therefore describes possible developments in two scenarios instead of in a single detailed forecast.

Inflation is expected to be low this year. This is largely due to a sharp fall in the oil and electricity price. The members therefore assessed that the decline in inflation should be temporary. It is emphasised, however, that it will be difficult to measure and interpret inflation in the prevailing situation. Several members also pointed out the importance of longer-term inflation expectations not being affected by the temporary decline in inflation but remaining anchored close to the inflation target.

The changed economic conditions have been reflected in substantial movements on the financial markets. Different markets have periodically functioned poorly, making it more difficult for banks and companies to fund their activities and for monetary policy to have an impact. To ensure that problems on the financial markets do not aggravate the situation further, the members felt that monetary policy needed just now to focus on measures that provide liquidity to the financial system and improve market functionality. This also creates the right conditions for a faster recovery when the economy begins to open up again. Ultimately, it also means that the possibilities to attain the inflation target improve. The members stressed that, since the ordinary monetary policy meeting in February, they have taken decisions on several different occasions on comprehensive measures which facilitate credit supply in the economy in different ways, and prevent interest rates offered to companies and households from rising when uncertainty increases.

All members supported the purchase of government and mortgage bonds for SEK 18 and SEK 85 billion respectively up until the end of September 2020, within the previously adopted framework decision. All of them also backed the decision to leave the repo rate unchanged. The members discussed why they did not consider it justified to cut the repo rate at this current time. However, they did not want to rule out the possibility of the repo rate being cut later on to stimulate demand in the recovery phase, and thereby safeguard price stability. The members underlined the importance of adapting the combination of measures to the economic situation. Several also stressed that managing the economic consequences

of the crisis occurs in a collaboration among different policy areas, where not least fiscal policy is a central aspect.

MINUTES OF MONETARY POLICY MEETING
Executive Board, No. 7

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DATE: 27 April 2020

TIME: 09:00

PRESENT: Stefan Ingves, Chairman
Cecilia Skingsley, by telephone
Anna Breman
Martin Flodén, by telephone
Per Jansson, by telephone
Henry Ohlsson, by telephone

Susanne Eberstein, Chairperson, General Council of the Riksbank
Michael Lundholm, Deputy Chairperson, General Council of the Riksbank, by telephone
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Mattias Ankarhem
Vesna Corbo, by telephone
Hans Delmo, by telephone
Charlotta Edler, by telephone
Dag Edvardsson, by telephone
Heidi Elmér, by telephone
Mattias Erlandsson, by telephone
Jesper Hansson
Marika Hegg, by telephone
Jens Iversen, by telephone
Sofia Kåhre
Petra Lennartsdotter, by telephone
Tomas Lundberg
Pernilla Meyersson
Marianne Nessén, by telephone
Åsa Olli Segendorf, by telephone
Simon Rörborn, by telephone
Olof Sandstedt, by telephone
Per Selldén, by telephone
Maria Sjödin, by telephone
Ulf Söderström, by telephone
Anders Vredin, by telephone
Ingrid Wallin Johansson (§ 1-3a)

It was noted that Mattias Ankarhem and Marika Hegg would prepare the draft minutes of the monetary policy meeting.

§3a. Economic developments

Market developments since the last monetary policy meeting

Ingrid Wallin Johansson of the Markets Department began by presenting the latest developments on the financial markets. Since the previous, extraordinary monetary policy meeting on 21 April, the development of the oil price has been in focus on the financial markets. Weaker demand, rapidly decreasing available storage capacity and the fact that supply has not adapted so much in the short term have driven prices down in recent weeks. This development was reinforced last week when futures for May expired at the same time as recipient capacity for oil was very low, which resulted in the price of WTI oil turning negative for a period. However, the acute turbulence seems to have subsided although imbalances do remain. There has also been considerable focus on the funding need in the euro area this past week. The gap between government bond yields inside the euro area increased. However, the ECB's announcement that it will, with regard to the collateral accepted by the central bank, introduce exemptions for issuers whose credit ratings have been downgraded had a certain calming effect. The fact that the credit rating agency S&P chose to leave Italy's credit rating unchanged was also met by relief from market participants.

On other financial markets, it has been relatively calm overall over the last week. The major stock market indices have been stable or weakened by just a few per cent and government bond yields in Sweden, Germany and the United States have been virtually unchanged. Exchange rates, including the Swedish krona rate, have on the whole shown stable development over the past week.

Short-term interbank rates in dollars have continued to fall during the past week, while equivalent rates in euro have risen further. A minor decline has also occurred in interbank rates in Swedish kronor, which, however, are still on an elevated level compared with the repo rate

As regards Swedish monetary policy, many market participants consider the situation to be difficult to assess prior to today's monetary policy meeting. Pricing on the forward rate market indicates approximately the same probability for a cut of the repo rate by 0.25 percentage points as for the repo rate being left unchanged. Analysts are also divided. A few participants expect a cut in the repo rate while a majority of analysts expect the policy rate to be left unchanged.

The current monetary policy drafting process

Jesper Hansson, Head of the Monetary Policy Department, began by describing the monetary policy drafting process since the ordinary monetary policy meeting in February. During the period, there have largely been daily meetings with the Executive Board regarding the spread of the coronavirus and developments on the financial markets. In addition to these, there have been several follow-up meetings, where the Executive Board has discussed economic developments and monetary policy. The content of the Monetary Policy Report has been prepared on 26 March, 1, 6, 7, 14 and 16 April. The draft Monetary Policy Report was discussed and tabled at a meeting with the Executive Board on 21 April. During this period, monetary policy decisions have been taken on 11 occasions, five of which have been extraordinary monetary policy meetings on 12, 16, 19 and 26 March and 12 April.

Over the last seven weeks, the Riksbank has taken comprehensive measures to facilitate credit supply and support market functionality. These measures include loans to banks of up to SEK 500 billion for onward lending to companies, the purchasing of securities for up to SEK 300 billion, the offer of loans to banks in US dollars and unlimited access to three-month loans in Swedish kronor against collateral. The Riksbank's balance sheet would increase by up to SEK 1,400 billion if all the measures are utilised to the full, and even more if banks choose to make use of the offer of unlimited three-month loans.

The Riksbank's measures have helped dampen the increases in yields on some markets. However, corporate bond yield is still higher than at the turn of the year. Policy rates in most advanced economies have been cut close to zero per cent and left unchanged in those countries that already had policy rates around zero before the pandemic. Forward pricing indicates that market participants expect largely unchanged policy rates for several years to come.

The effects of the coronavirus on economic developments are difficult to estimate at this point in time. Developments are very uncertain as we don't know either how long the spread of infection will continue or how long the control measures need to be in place. There is little point in using models based on historical correlations when we see such extreme movements in macro statistics as now. In the United States, for example, the number of new applications for unemployment support has risen to record-high levels, almost 7 million in the last week in March, which is approximately as many as the total number of unemployed in February. In this situation, we consider the best basis for decision is to present possible scenarios – not regular forecasts.

Two scenarios are presented in the draft Monetary Policy Report. The first scenario, A, is based on Sweden and other countries entering a phase in which the spread of infection decreases and restrictions on society already start to be lifted in the near term and even more significantly during the summer. The return to a more normal situation will still be relatively prolonged. In the second scenario, B, the measures to limit the spread of infection also need to be in place to a significant extent during the summer, which leads to an even more prolonged crisis. It also means that the crisis will have greater negative effects in the longer term.

GDP abroad falls by 8 and 11 per cent respectively this year according to these scenarios.[1] In Scenario A, the GDP level at the start of 2023 is still somewhat lower than in the forecast from the Monetary Policy Report in February. In Scenario B, the GDP level is about 5 per cent lower. It is also important to remember that the scenarios do not illustrate imaginary extreme scenarios; developments may be both better and worse.

In Sweden, as in other countries, the service industry is being hit the hardest. Turnover in the restaurant industry, for example, is predicted to have decreased by about 70 per cent. Hotels, air travel, shipping companies, taxis, hairdressers, cinemas and events are other industries in which control measures are directly contributing to sharply reduced turnover. Although most other industries are also being impacted indirectly by the fall in demand. The labour market in Sweden has also been very substantially affected, with record-high redundancy notices – over 40,000 in March and about 18,000 up until 17 April. At the same time, support for short-time work has been granted to over 250,000 employees.

As abroad, it is very uncertain how deep and prolonged the economic decline will be in Sweden. Sweden has somewhat better pre-conditions, including a business sector structure in which the tourism sector is not as important. Furthermore, control measures are slightly less strict here than in other countries. The decline is therefore expected to be slightly less in Sweden than in other countries: Swedish GDP falls by 7 and 10 per cent respectively in 2020 in the two scenarios. In Scenario B, it takes longer before control measures are withdrawn and there are more extensive spillover effects into the Swedish housing market and the commercial property market. Fiscal policy softens the decline. Fiscal policy measures already adopted will probably be complemented, especially in the more prolonged Scenario B. General government net lending is expected to fall this year to -7 and -9 per cent of GDP respectively. Unemployment is expected to rise to about 9 and just over 10 per cent this year according to the scenarios – levels we have not seen since the crisis in the 1990s.

Inflation is also projected to be lower, but the effects in the longer term are expected to be limited. This year, the CPIF will be subdued by sharply falling energy prices. Already prior to the corona pandemic, electricity prices had fallen sharply and in the past month, the oil price has fallen to very low levels. The CPIF increased by just 0.6 per cent in March compared with the same month in 2019, and excluding energy the increase was 1.5 per cent. The negative

[1] GDP abroad refers to KIX2, that is the euro area and the United States combined with their respective relative KIX-weights (approximately 0.8 and 0.14 respectively).

contribution from energy prices is expected to be even greater up until the summer. As from next year, energy prices are not expected to affect inflation as much and the CPIF then rises to about 1.5 per cent. Weaker demand is also expected to subdue the CPIF in the longer term, but the uncertainty is considerable. Inflation may very well be higher as a result of supply restrictions and reduced globalisation.

Jesper Hansson concluded by presenting a proposal for a monetary policy measure. It is proposed that, within the framework of the securities purchases adopted in March, the Executive Board decides on continued purchases during the period 1 May to 30 September. The proposal is for the Riksbank to purchase nominal Swedish government bonds for SEK 18 billion in addition to the purchases decided in April 2019, in accordance with what is stated in Annex B, and mortgage bonds for SEK 85 billion in accordance with what it stated in Annex C.

PerSelldén, Senior Risk Analyst at the General Secretariat, presented a risk assessment of the proposed measures and noted that the total operational and financial risks associated with the proposal for the purchase of government and mortgage bonds for monetary policy purposes have been dealt with. The assessment is therefore unchanged from the risk assessment made in mid-March regarding the general decision to purchase securities in Swedish kronor.

§3b. The economic situation and monetary policy

First Deputy Governor Cecilia Skingsley:

The eleven weeks that have passed since the last ordinary monetary policy meeting on 11 February are unprecedented. The corona pandemic and its global effects are devastating the lives of countless people, in terms of their health and their scope for having a decent life financially.

Based on the Riksbank's mandate and tools, our task is to do what is possible to mitigate the macroeconomic consequences of the pandemic for Sweden. The corona pandemic is primarily a health crisis and health measures are being prioritised while overall economic policy is aimed at mitigate the effects.

Our modern economies require well-functioning financial systems. The ability of the financial system to mediate payments, channel saved capital into funding, and manage risks must be maintained. Now when economic activity has come to a sudden halt, households, companies and the public sector still assume that payments can be made safely and at the right time. Both individual savers and large institutional fund managers wish to continue to be able to choose the composition of their investment portfolios and borrowers want to have reasonable credit terms. The sharply reduced social activity is causing a globally synchronised economic shock. It is then vital that the financial system can help to absorb the shock and not become part of the problem that further aggravates the economic shock.

The increased uncertainty in the economy causes interest rates to rise and impairs credit facilities. However, the Riksbank has tools that can reduce the risk of everything becoming a self-reinforcing spiral of credit tightening that threatens the ability of the economy to recover.

The decisions taken at the extra monetary policy meetings in March and April have opened a number of standing facilities that have several different purposes:

- By supplying liquidity in different ways, the Riksbank is enabling credit institutions to continue their lending.
- By purchasing securities, mortgage bonds and soon also municipal and regionally issued bonds, the expansionary monetary policy is being supported.
- By providing dollar loans to credit institutions, they can cover their own dollar needs and the needs of their customers, for example fund managers who want to own assets denominated in dollars, but without having to own dollars.
- And by purchasing securities issued by non-financial corporations, the Riksbank is facilitating the access of viable companies to funding during the corona pandemic. An important aim of the purchases is to reduce the need of these companies to instead apply for loans via banks, something which otherwise could squeeze the credit supply to smaller companies.

I agree that these various facilities, which are described in more detail in the draft Monetary Policy Report, will need to remain in their current forms. I'm also open to the possibility that the various properties in the facilities may need to be adjusted and extended to improve their effectiveness.

From the decisions we have taken, I now move on to the economic prospects and my thoughts on appropriate monetary policy.

It is currently unknown how long the fight against the coronavirus will last and the prospects for an economic recovery are therefore rather unclear. The draft Monetary Policy Report therefore contains two scenarios: A, where the measures taken to combat the spread of infection start to be lifted before the summer and recovery begins in the third quarter, and B, where the measures are unchanged for the majority of the summer and recovery begins later and is slower. It is not currently possible to know which course of events will arise, it may also be better or worse than the presented scenarios, but it is possible to say something about what I will take into account as regards our future monetary policy.

To begin with, all macrodata is and will be exceedingly difficult to interpret for a number of quarters ahead. This was also something I reflected on at the last ordinary meeting on 11 February. There will be considerable challenges when it comes to measuring and interpreting inflation. Major price changes have occurred in both directions and price changes may also continue, for example when companies go bankrupt and competition decreases in various sectors. Furthermore, the different ways countries have managed the pandemic will also make international comparisons more difficult. As far as Sweden is concerned, however, many price changes should be able to be regarded as temporary. Although inflation expectations need to be followed vigilantly, my starting point is that they will not move too far away from the 2-percent target. The Riksbank has previously displayed considerable perseverance when it comes to restoring and safeguarding confidence in the inflation target and this should give inflation expectations some stability.

Given the major uncertainty about the cyclical path going forward, the Riksbank needs to continue to conduct an expansionary monetary policy and using the various facilities to support the transmission mechanism which goes from the Riksbank's policy decisions out into the broader economy. An important question is then whether a repo rate cut would add further stimulus. Regarding this question, I would like to say the following:

As the sharp downturn in consumption, investment and exports is due to the shutdown of the economy and people's concern about the spread of the coronavirus, I support the assessment that trying to increase demand by cutting the repo rate is not justified in the current situation. It may however become relevant at a later stage, when we reach a recovery phase that needs support.

One aspect to take into account then is that for a rate cut to have the desired effect, it must provide more expansionary financial conditions. If the rate is cut and thus taken into negative territory, it will then be necessary to consider the technical circumstance that the banking system will then have to pay interest on the liquidity surplus that increases as the adopted Riksbank measures take effect. Increased costs for the banking sector would not be a particularly positive contribution to the Riksbank's efforts to keep interest rates low, either in the current acute crisis or later on in the recovery phase. My conclusion is therefore that careful considerations will be needed before it might be appropriate to adjust the repo rate.

Deputy Governor Henry Ohlsson:

To begin with, I would like to say that I support the proposal to leave the repo rate unchanged at zero. I also support holding the repo rate path horizontal for a while. Finally, I support the proposals concerning the purchase of government bonds and mortgage bonds.

The period since the monetary policy meeting in February has been fundamentally different compared to my previous experiences since joining the Executive Board of the Riksbank at the start of 2015. My address at this monetary policy meeting will also be different from my earlier addresses: more personal, partly retrospective but also partly forward-looking.

At the start of the 1980s, I was accepted for postgraduate studies in economics at Umeå University. The first research project I was involved in dealt with evaluating the labour market measures taken in conjunction with the large staff cutbacks at mining company LKAB's facilities at Malmfälten. Now, almost four decades later, it feels as though I have returned to where it all started as I consider the latest developments on the Swedish labour market.

I do not intend to present an overview of research into corporate closures and staff cutbacks today. Instead, I will present some of my experiences from the research projects in the area in which I have participated. At the turn of the millennium, I was appointed professor of economics at the University of Gothenburg. There, I became colleagues with Donald Storrie, who had obtained his doctorate with a thesis on the effects for employees of shipbuilder Uddevallavarvet AB when its shipyard was closed in 1985. We were both interested in the more long-term effects on employees of closures and staff cutbacks. This turned into an application for a project, which received funding, and we recruited a research student, Marcus Eliason, to the project. In addition to the employees of the shipyard and the mines, we also collected data on all employees losing their jobs as a result of corporate closures in 1987.

In a paper, Marcus and Donald found that those losing their jobs in 1987 were not just affected by lower incomes and tougher labour market situations in the short term, but that this continued for over ten years.[2] Seniority is important in many sectors of the Swedish labour market, both formal seniority and informal seniority. Once this has been lost, it can take a long time to regain it. Last in, first out.

[2] Eliason, M., & Storrie, D. (2006). Lasting or latent scars? Swedish evidence on the long-term effects of job displacement. *Journal of Labor Economics*, *24*(4), 831-856.

In another paper, they found that mortality rates among men increased heavily in the first four years after a closure.[3] They also found that the negative effects on health were considerable. Marcus has also published a paper whose title speaks for itself: "Lost jobs, broken marriages"[4].

But how did things go then for the former shipyard and mine employees? Development for them turned out to be approximately the same as it was for the group losing their jobs in 1987, until a few years into the 1990s. Incomes then started to rise more rapidly, employment became higher and unemployment lower for the former shipyard and mine employees. There was one thing that separated them from the other group – education. Several of the former shipyard and mine employees had gone from having no upper secondary education at the time they lost their jobs to completing upper secondary education a few years into the 1990s.[5]

For me, education is key to counteracting, over the long term, the negative labour market effects entailed by the coronavirus pandemic. We are now witnessing a sharp increase in applications to universities and colleges; downturns in general mean upswings for higher education. It is important here that higher education can be expanded without lowering quality. It is also likely that many of those entering universities and colleges will have a different background to those studying on a higher level under normal economic circumstances. In good times, it does not matter to most people whether they fall a few points short of a full university degree; in bad times, these missing points can be decisive for whether there is a job to go to.

It could be imagined that the lack of formal education could be compensated for by staff training at the workplace. There are two fundamental problems here, however.[6] Firstly, during good times, the employees are needed in the ordinary operations, while, during bad times, there are no funds for staff training. This means that there is too little staff training. The second problem is that an employee can switch jobs. A company investing in comprehensive staff training risks the return from this training not accruing to the company paying for the training but to other employers. This provides one more reason for why education is largely a public responsibility.

On the other hand, the labour market parties have long since signed agreements in many areas on readjustment insurance and have set funds aside for this insurance. This includes actors such as TRR, for example. The aim is to contribute to readjustment for employees during closures and cutbacks before the employees become unemployed. I consider it important to remind ourselves that this insurance exists. It will play a very important role in the period ahead.

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[3] Eliason, M., & Storrie, D. (2009). Does job loss shorten life?. *Journal of Human Resources*, *44*(2), 277-302.
[4] Eliason, M. (2012). Lost jobs, broken marriages. *Journal of Population Economics*, *25*(4), 1365-1397.
[5] Ohlsson, H., & Storrie, D. (2012). Long-term effects of public policy for displaced workers in Sweden. *International Journal of Manpower*.
[6] Ohlsson, H., & Storrie, D. (2006). Friställd eller anställd? Strukturomvandling från individens perspektiv. (Laid off or employed? Structural transformation from the perspective of the individual) *Ekonomisk debatt*, *34*(7), 5-19.

Once the financial markets and companies have received their share in the form of liquidity, loans, contributions, guarantees and so on, it must be the turn of human capital. The long-term economic policy task will concern people. Their incomes and labour market situations are important parts of living a good life.

I will now move on to my monetary policy considerations. In recent months, monetary policy has focused completely on getting the financial markets to function. The Riksbank has taken a series of decisions aimed at supplying liquidity to the financial system in various ways. The mirror image of this is that the size of the Riksbank's balance sheet has increased strongly. My assessment is that this focus will remain for some time to come.

The most recent inflation figure in March showed an annual rate of increase in the CPIF of 0.6 per cent. However, the situation in the coronavirus pandemic is very special. For some groups of goods and services there are, quite simply, no prices. Furthermore, household consumption patterns have changed considerably. This means that the actual consumption pattern of today deviates heavily from the consumption pattern assumed via the weights used when the consumer price index is calculated. Both of these effects are temporary; over time, the missing prices will return and the weights in the CPI will correspond better with the actual consumption pattern. At that point, it will again become relevant to discuss appropriate monetary policy in the way we did until a couple of months ago.

To summarise, I support the proposal to hold the repo rate unchanged at zero. I also support holding the repo rate path horizontal for a while. Finally, I support the proposals concerning the purchase of government bonds and mortgage bonds.

Deputy Governor Martin Flodén:

I support the analyses and considerations presented in the draft Monetary Policy Report. I also support the proposals to continue with asset purchases and to leave the repo rate unchanged at zero per cent.

Developments in the last two months have, of course, been dominated by the coronavirus pandemic. In this environment, it is difficult to look forward. The economic conditions are now changing on a daily basis, as reflected by the amount of monetary policy decisions taken by the Riksbank and other central banks recently.

Activity in large parts of the economy is now heavily limited or at a complete halt as a consequence of the pandemic. Stabilisation policy can therefore not prevent the downturn from being very deep. But stabilisation policy can mitigate the downturn to a certain extent, and also create the conditions for a more rapid recovery when the economy opens up again after the pandemic.

So far, the Riksbank's measures have primarily focused on maintaining the supply of credit in the economy. Lending to companies and households by the banking system should not be limited by a lack of liquidity. Markets for corporate and mortgage bonds should continue to function. And increased credit risk and uncertainty should not push market rates up, thereby increasing borrowing costs for companies and households, in a way that makes the risks self-fulfilling.

The Riksbank's measures are important elements in the management of the economic crisis. But a functioning credit supply and continued low interest rates are just two of several necessary parts of the crisis management puzzle. Fiscal policy measures are even more important during the economic shutdown as the Government can help companies, households and municipalities with measures to reduce their costs and support their incomes.

The Riksbank's main task is to maintain price stability which we interpret as meaning that inflation should be 2 per cent. But it is impossible to design and plan monetary policy to steer inflation at the same time as the foundations of the economy are shaking. In addition, as we describe in an article in the Monetary Policy Report, even measuring inflation is now more difficult. The focus for monetary policy in the near term must be on contributing to the general stabilisation policy to get the economy to stand more firmly.

After the dust has settled, we will probably see that much has changed - or, at least, that it will be a long journey back to what we had earlier considered normal. In the Monetary Policy Report, we present two scenarios for how the economy may develop over the coming years. In the description of the scenarios, we take up several factors that may be important during the recovery phase. I would like to develop my reasoning over a few factors here.

First, I anticipate that balance sheet effects will impede the recovery for a long time to come. Many companies are now making major losses and are being forced to take on increasing amounts of debt. With less equity and more debt, companies will probably be cautious with investment and recruitment, even if demand for their products returns. The balance sheet effects also apply to households and states, but in a way that is more typical for economic downturns.

Second, many companies will be eliminated before the crisis is over. In some sectors, new companies will be established relatively quickly when demand returns and will then replace the companies that were eliminated. In other sectors, for example the clothing and aviation sectors, the crisis has probably hastened a structural transformation that was already in progress. It is not likely that the recovery phase will see these sectors moving towards the situation that prevailed before the crisis.

Third, the crisis could affect our behaviour and our preferences and thereby bring economic change in a way that is currently difficult to predict. Such structural changes can certainly bring a lot of good but, at the same time, they can entail problems over a transitional period. For example, the financial sector can be affected by increased credit losses if it has major exposures to sectors that unexpectedly start to languish.

All in all, combined with the analysis underlying the scenarios in the draft Monetary Policy Report, this means that the economic downturn will be unusually large this year. It also means that it is unlikely that the economy will swiftly return to something resembling the normal situation prior to the crisis.

It is also clear that uncertainty over the future economic outlook is high and that many economic relationships may change in the years to come. Despite this, I am convinced that our inflation target will hold firm. It is to our advantage that we had rebuilt good confidence in the inflation target ahead of the crisis. This will facilitate monetary policy when the economy opens up and inflation again stands at the top of our agenda.

Finally, allow me to say a few words on how I see the monetary policy toolbox going forward, and particularly the possibility of stimulating the economy with the help of a lower repo rate if additional stimulus becomes necessary. On earlier occasions, including at the monetary policy meeting in February, I have said that the repo rate is close to its effective lower bound. Where this effective lower bound lies is, of course, difficult to say with any precision. When the repo rate is very low, the pass-through of monetary policy is not equally strong in the different channels of the transmission mechanism, and, in addition, the impact in each channel can vary according to the economic circumstances.

Our interest rate policy has an effect via an exchange rate channel, an interest rate channel, a credit channel and an expectations channel. The impact of the repo rate on the exchange rate is probably just as strong when the repo rate is negative as it is when it is positive. But as the krona is now very weak, an even weaker krona would risk bringing imbalances and uncertainty that would not benefit the development of the Swedish economy.

The impact of the repo rate in the interest rate and credit channels is probably more dependent on the economic circumstances. Our previous interest rate cuts to negative levels had a good impact on important market rates, at least down to a repo rate of -0.25 per cent. But it is conceivable that the impact of a negative policy rate would be weaker if there is stress on the financial markets or if the banks' profitability is weakened.

My assessment is that lowering the repo rate today would have been counterproductive. The economy would not benefit from an even weaker krona. The impact on lending rates would be uncertain as stress on the financial markets is high. And, in addition, stimulating general demand is of doubtful value when the economy has largely been shut down.

The monetary policy toolbox does not just consist of the policy rate. The Riksbank has in recent months worked with various lending facilities in combination with asset purchases. The primary aim has been to ensure that the credit supply in the economy continues to function. But these tools can also complement our policy rate by affecting the yields of specific asset types and maturities. Asset purchases become particularly effective if they include assets that are deemed to be riskier than central bank money.

Right now, there are indeed factors that suggest that a policy rate cut would not be an effective way of conducting monetary policy. At the same time, the increased uncertainty and stress on the financial markets mean that asset purchases, primarily purchases of mortgage and corporate bonds, have become more effective and more justifiable. If necessary, we can easily increase the scope of the purchase programme further, and this applies particularly to purchases of mortgage bonds.

But the monetary policy conditions may, of course, change in the period ahead. The policy rate is usually the absolutely most effective monetary policy tool to affect the demand side of the economy and, ultimately, to affect the development of inflation. Consequently, I do not rule out the possibility that it can be motivated to lower the repo rate to negative levels once the economy has started to open up.

Deputy Governor Per Jansson:

I would like to begin by saying that I support the economic assessments and the monetary policy assumptions in the draft Monetary Policy Report. I would also like to express my heartfelt thanks to all employees at the Riksbank who have worked on and contributed to this draft report, under very difficult circumstances, and which I consider has turned out very well.

We are living in unusual times. This is also reflected in the draft Monetary Policy Report, which on this occasion has a fairly different format and content. If one searches words linked to "inflation" and "repo rate", the Monetary Policy Report in February provides 176 more hits than the draft report for April we have here now. Expressed as a percentage, the difference is as great as 150 per cent![7] This could give the impression that the Riksbank's monetary policy framework, with focus on steering inflation by adjusting the repo rate, has undergone a rather dramatic change in just two months. I would like to use my time at this meeting to make it clear that this is definitely not the case, and to explain in my own words, why it is not actually so strange that we at the moment are talking less about inflation and the repo rate than we usually do. To create a good structure, I will divide up my discussion, beginning by addressing the questions that relate to inflation and then moving on to the aspects that concern the policy rate.

With regard to inflation, perhaps the key question is whether the coronavirus pandemic has led us to no longer consider it as important to attain the inflation target but are instead aiming for other objectives, such as improving the functioning of various financial markets and preventing a rise in borrowing costs for the government, municipalities, the banks and, perhaps first and foremost, companies. To begin with, it is important to realise that the functioning of the financial markets and the rate setting on various sub-markets are phenomena that are central to the Riksbank's ability to fulfil the inflation target. If financial markets are functioning poorly and various borrowing rates are being pushed up, or down, by different risk premiums, in the worst case driven by irrational "animal spirits", then monetary policy will not be able to influence aggregate demand in the economy in a satisfactory manner. And then, ultimately, nor can it have very much impact on inflation. There is thus no contradiction between on the one hand endeavouring to attain the inflation target, and on the other hand wanting to ensure that financial markets are functioning smoothly and that various lending rates are not rising rapidly and in an unjustified way. Properly functioning financial markets and rate setting on various sub-markets are instead a necessary condition for monetary policy to be able to reach the inflation target.

Further, the need to focus on and discuss developments in inflation is of course also linked to how problematic the inflation situation is perceived to be. Do we believe that the deviation from the inflation target will be substantial and persist for a long time? Or are we assuming that it is largely a question of temporary deviations, perhaps to a large degree driven by variations in certain specific prices that should not normally be regarded as important to more underlying developments in inflation? While it is now clear that the consequences of the coronavirus pandemic for the real economy will be very negative, it is not at all obvious that inflation should for that reason fall sharply, at least not when energy prices are disregarded.

[7] This comparison is based on the draft Monetary Policy Report for April, which was available on the morning of 23 April.

While the inflation picture is currently very difficult to analyse, partly because there are still only a handful of data observations that cover the period of time with the epidemic[8], I nevertheless feel that there is so far reason for some optimism. The outcome for CPIF inflation in March was 0.6 per cent, which was almost 0.8 percentage points lower than expected. This is without doubt a very large forecast error, but if one discounts the contribution from energy prices, then the inflation rate amounts to a decent 1.5 per cent. This is also lower than expected in the February Monetary Policy Report, but the forecast error is now reduced to a little less than –0.3 percentage points.

If we look at the Riksbank's different measures of the trend, or core, inflation rate, these too suggest that a large part of the fall in inflation in March is a temporary phenomenon. The median for the measures is at 1.5 per cent, which can be compared with 1.8 per cent at the monetary policy meeting in February. The two measures that have been shown in an empirical evaluation to be best at predicting future CPIF inflation, UND24 and CPIFPC, amounted in March to 1.5 and 1.8 per cent respectively.[9] These figures have not changed significantly since the February meeting, either.

An important part of the inflation picture is inflation expectations. If they fall sharply, then even a shock that initially had only temporary effects can begin to affect inflation more lastingly. In this context, it is especially the more long-term expectations that are of importance. Since our previous meeting, Prospera has published three new outcomes of inflation expectations, for February, March and April. The April survey was carried out during a period when the epidemic had become a pandemic, and it was clear that the economic effects would be very severe. The survey in March was completed just prior to the WHO declaring a pandemic. And the February survey was made during a period when there was still hope that the spread of the virus could be limited and that it would not be too serious.

To gain an idea of the significance of the pandemic for the more long-term inflation expectations, it may be of particular interest to now study how the survey responses changed between February and April. In this time perspective, we only have access to data for money market participants at present. For these, Prospera reported a fall in the long-run, five-year expectations of a little less than one tenth of a percentage point.[10] This is a relatively small decline, which so far therefore supports the interpretation that the downturn in inflation ought to be temporary. If data from the most recent larger quarterly survey is included, which unfortunately only covers

[8] Various compilations date the time of the coronavirus outbreak in Sweden to the beginning of March. The WHO declared that it was a pandemic on 11 March.
[9] See the article "Why measures of core inflation?" in the Monetary Policy Report, October 2018.
[10] I am focusing here on the expectations for CPI inflation rather than for CPIF inflation, as the response rate for CPIF inflation is very low.

March and a short period of the epidemic, then the levels for long-run inflation expectations are in the interval of just over 1.7 per cent to slightly below 2 per cent, that is, not too far from the inflation target. As pointed out in the draft Monetary Policy Report, it is primarily the market-based measures of inflation expectations that are now showing the largest and most worrying downturns. However, I share the view expressed in the draft report that such measures are difficult to interpret in a situation with considerable uncertainty on the financial markets.

The draft Monetary Policy Report contains two scenarios for economic developments in coming years. In the first scenario, called Scenario A, CPIF inflation is certainly notably lower going forward than was forecast in the February Monetary Policy Report. But it is worth pointing out that the downward revision is temporary and that inflation excluding energy prices never becomes lower than 1.5 per cent. The second, labelled Scenario B, is slightly more pessimistic and puts inflation on average a further few tenths of a percentage point lower. But here, too, the largest effect comes from energy prices that are temporarily pushed down, and inflation makes its way back up towards the target, albeit fairly slowly.

The Riksbank is not alone in regarding the dampening effects of the coronavirus pandemic on inflation as largely transitory. An interesting analysis by Goldman Sachs uses three different approaches to quantify the effects of the pandemic on underlying inflation in the euro area.[11] All of these approaches – a historical case study of similar exogenous shocks, an empirical Philips curve and a structural econometric model that explicitly identifies supply and demand movements – predict that the downturn in inflation will be temporary and that it is mostly price developments in 2020 that will be affected. The results of the Goldman Sachs study could even justify a slightly more optimistic view of inflation prospects than is now shown in the Riksbank's scenarios. In these, it takes longer for CPIF inflation excluding energy prices to turn upwards and the return to the earlier inflation path prior to the coronavirus pandemic is also more drawn out. As Goldman Sachs point out, and is also noted in the draft Monetary Policy Report, one cannot rule out the possibility that inflation might eventually overshoot its earlier pre-pandemic path. In this time perspective, both the supply and the demand sides of the economy will probably contribute to rising inflationary pressures.[12]

With this, I will move on to briefly discuss a few points related to the policy rate. As I said at the beginning, our main focus at present is not on the repo rate and the repo rate path. The reason for this is fairly simple and relates, as described in detail in the draft Monetary Policy Report, to

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[11] See C. Schnittker and K. Saxena, "The Coronavirus Impact on Euro Area Inflation", Goldman Sachs, 19 April 2020.
[12] L. Fornaro and M. Wolf, "Coronavirus and macroeconomic policy", VOX, CEPR Policy Portal, 10 March 2020, discuss this possibility within the framework of a simple theoretical New Keynesian model.

the fact that so far in this crisis other monetary policy measures have been assessed as more important.

The measures taken by the Riksbank so far have mainly been aimed at avoiding problems in the credit supply aggravating the economic situation further. This is a question of both measures to ensure that the banks do not need to tighten their lending due to a liquidity shortage, and measures to safeguard the impact of monetary policy on interest-rate setting and prevent an unwarranted rise in rates on individual markets. Having the view that traditional monetary and fiscal policy stimuli are not particularly effective when large parts of the economies around the world have closed down and people are staying at home due to illness or fear of contagion is hardly controversial, and appears to be shared by many policy makers and analysts. In this type of environment, there is every indication that it is better to aim economic policy at specifically making things easier for companies hit particularly hard and limiting the direct loss of income for individuals who lose their jobs. I have received the impression that this is a way of thinking that has also acted as guidance for the Government's crisis management so far.

When it comes to the Riksbank's repo rate, there is an additional circumstance, namely that the repo rate is already at a very low level and that the scope for rate cuts is therefore not without limits. This means that each adjustment to the repo rate must be considered very carefully so as not to unnecessarily waste the ammunition we have left. My view is that the conditions for repo-rate cuts will improve when the rate of spread of the virus starts to decline and society gradually begins to open up. A significant factor in my thoughts on the need to cut the repo rate in future is how inflation and inflation expectations develop. As I have explained, developments so far give some cause for optimism, but the crisis is far from over and we do not even have complete information about the current situation.

Deputy Governor Anna Breman:

I would like to begin by saying that I support all of the measures the Riksbank has taken during the five extraordinary monetary policy meetings held since the most recent ordinary monetary policy meeting in February. These measures include loans to banks of up to SEK 500 billion for onward lending to companies, purchases of securities of up to SEK 300 billion and offering loans to the banks in US dollars. I also support the proposals at today's meeting, that is, to extend the purchases of government bonds and mortgage bonds until September, to hold the repo rate unchanged at zero per cent, the proposed repo rate path and the scenarios presented in the draft Monetary Policy Report.

Since the previous ordinary monetary policy meeting in February, extensive measures have been taken in Sweden and the rest of the world to dampen the spread of the virus and enable the world to manage the extraordinary burden the corona pandemic entails. The pandemic is first and foremost a health crisis, but it fundamentally changes the economic prospects in Sweden and abroad. The corona crisis is different from many other economic crises in several ways. It is a shock to both the demand and supply sides of the economy. The economic decline is a result of restrictions that have been introduced and it is reinforced by uncertainty over the future, which means that households and companies are reducing their consumption and investment. Moreover, almost all of the world is being affected by the crisis simultaneously. We cannot know how deep and how prolonged the crisis will be. A couple of many possible scenarios are illustrated in the draft Monetary Policy Report. The strength of these scenarios is that the underlying assumptions are clearly described so that we can easily update the scenarios when we receive further information on developments.

Today I want to discuss the measures the Riksbank has taken to alleviate the effects of the corona pandemic on the Swedish economy, why I consider it is not appropriate to cut the repo rate at today's meeting and how I think we should proceed with monetary policy going forward.

One important aspect for me throughout the crisis is that the corona pandemic risks having serious consequences in addition to the deep economic downturn caused by the restrictions. The widespread financial market turbulence can in itself help trigger a financial crisis, problems with public finances, not in Sweden, but in many other countries, and/or, as we have seen in recent weeks, an oil crisis. This could further reinforce the already deep decline we are seeing in the economy. Our crisis management therefore needs to take into account the effects on the real economy and for financial stability and the interplay between them. The corona pandemic is an example of how it is difficult in practice in a crisis situation to differentiate between what is support for financial stability and what is monetary policy.

More specifically for Swedish conditions, the financial market turbulence means that companies are finding it difficult to obtain the financing they need to survive the crisis. This applies to financing both via the corporate bond market and loans directly from banks. The banks risk increased credit losses, which tends to lead to a credit crunch, which in turn can fuel the downturn in the economy. The crisis has also led to yields on mortgage bonds rising, despite an unchanged policy rate, which, in the long run, risks contributing to higher mortgage rates for households. For this reason, the Riksbank's measures aim to supply liquidity to the financial system and improving market functioning. This is necessary to enable monetary policy to reach households and companies, what we usually call the monetary policy transmission mechanism. It is important to have this perspective when we look at the measures we have implemented in recent weeks. Many of the Riksbank's measures function as a kind of insurance, so that banks, companies and households can be sure that there is solid funding at a reasonable cost. This creates the conditions for a good recovery in the Swedish economy, which is a necessary condition for low and stable inflation.

During 2020, we will probably see a continued low rate of CPIF inflation, primarily due to lower energy prices. This is a temporary downturn in CPIF inflation, and not a long-term threat to price stability. We also need to take into account the fact that it will be difficult to measure inflation in the near term, which is described well in the Monetary Policy Report. For me, the important thing is to continue following the conditions for inflationary pressures, that is, that we can see stabilisation and a recovery in the economy in the longer run, that inflation expectations are firmly anchored close to the inflation target and that various measures of underlying inflation are stable. If we were to see tendencies in the longer run towards a more permanent downturn in inflation, we will take powerful action to safeguard price stability.

Let me now talk about the repo rate and the repo rate path. I do not consider it would be right to cut the repo rate below zero at today's meeting for several reasons. Firstly, I assess that it is not justified at present to try to increase demand by cutting the repo rate when the downturn in the economy is due to the restrictions introduced and to people’s concern over the spread of the disease. This is the single most important factor to me at present. At the same time, we also need to take into account the possibility that a rate cut could lead to undesired side-effects. One aspect to take into account is the exchange rate. The Swedish krona, which has weakened since the outbreak of the corona pandemic, would probably weaken further if the repo rate was cut. This could affect industries that are already vulnerable, such as the retail trade, at the same time as it would probably not give any major advantage to the export industry when the restrictions are limiting demand. Another aspect is how the banks will respond to a lower policy rate when capitalisation and profitability weaken. The impact on interest rates in general risks being less than in the case of earlier rate cuts. All in all, these factors will continue to be important to how I view a repo rate cut going forward. However, I would like to emphasise that I do not in any way exclude the possibility of a rate cut in the future. For me it is not a question of “saving our ammunition”, but of implementing the monetary policy measures that create the best conditions for a good recovery in the Swedish economy in the long run.

In the same context, I would also like to comment on the repo rate path being unchanged over the coming year. The repo rate path could have contained a probability of a rate cut, for instance, in the autumn. The problem with this is that it could give the impression of a precision that we cannot have at present; the uncertainty over the development of the pandemic and its effects on the economy are too great. Instead I would advocate that we continue with the measures that are in place, at the same time as maintaining constant preparedness to use all of our tools.

This leads me on to the final point I wish to make. What monetary policy strategy should the Riksbank have going forward? It is as important now as always that monetary policy should be forward looking. However, it is not possible to clearly signal what the next step will be, as we gradually learn more about the development of the pandemic and its effects on the economy, and we therefore need to have flexibility to be able to adapt our measures accordingly. This means, as I have already mentioned, that our strategy should be based on three parts. Firstly, constant preparedness to use all of the Riksbank's tools; secondly, to be ready to implement new measures at very short notice and thirdly; to continue regularly following up and adapting the measures so that the impact is as effective as possible. In addition to the measures I mentioned initially, we have implemented several other decisions, such as amendments to collateral requirements and temporarily extending the circle of monetary policy counterparties, which improves the effectiveness of the other measures.

In the long run, it will be important to adapt monetary policy to support overall demand in the economy. Policy measures may include rate cuts, but it may also be more effective to continue with extensive bond purchases to contribute to low interest rates over a long period of time. The most important thing is that the combination of appropriate measures is adapted to economic developments. Furthermore, the monetary policy measures that are appropriate will also depend on what kind of measures are implemented in other policy areas. It is reasonable to expect that fiscal policy will be important to the recovery both in Sweden and abroad.

Before I summarise, I would like to draw attention to the Riksbank’s staff and the crisis management ability and professionalism they have shown under pressure. In addition to the five extraordinary monetary policy meetings, we have had 38 extraordinary meetings to draft these decisions. Each such meeting requires a large amount of new information and analysis – always at short notice – and in addition, with a large majority of staff working from home. It is a well-known fact among economists that it is difficult to measure productivity in general, and in the public sector in particular. Just think how much hospitals and health care workers have increased not only capacity, but also productivity during this crisis. I believe that these extraordinary measures being made within the public sector risk being underestimated in the National Accounts, which is a further example of measurement problems related to economic data during the corona crisis. We are focusing a lot on the downturn in the economy, but let us not forget that many people have never worked as much and as intensively as they are doing now. This is my way of saying a big thank you to all of you.

Let me summarise. I support the proposal to extend the purchases of government bonds and mortgage bonds and to hold the repo rate unchanged. The Riksbank has acted with strength and security and implemented a large number of measures to deal with the crisis. I feel confident that the Riksbank stands ready to use all the tools available, to implement new measures at short notice, and to regularly follow up and adapt the measures to ensure their impact is as effective as possible.

Governor Stefan Ingves:

Since our ordinary monetary policy meeting in February, about two and a half months ago, the economic situation has changed dramatically. During this period, the Executive Board has taken monetary policy decisions on 11 occasions, 5 of which were formal extraordinary monetary policy meetings, in order to mitigate the effects of the coronavirus on the Swedish economy in different ways. The aim of our decisions has been to safeguard credit supply, keep interest rates low and maintain financial stability. Today's meeting, this year's second ordinary monetary policy meeting, is a part of this sequence. Today, we have to consider the proposal to extend our purchases of government bonds and mortgage bonds. But we also have a draft Monetary Policy Report to make a decision on. Between February and today, the assessments of economic developments in the draft report have been changed to an extent rarely seen before. And the structure of the report has also changed. All this is another sign of how different the situation is now compared to previously.

The corona pandemic is overshadowing everything else in the global economy. Humanity has been affected by pandemics before but never have measures to such a serious extent, and basically simultaneously, been taken globally to try to stop or reduce the spread of infection. The consequence of these necessary measures is an exceptional shock in the global economy, greater than during the financial crisis about ten years ago.

The recession in which the global economy now finds itself is very troubling, as it is both deep and synchronised, that is to say it is happening virtually simultaneously in all major economies and currency areas. The assessment in the draft Monetary Policy Report for GDP development in the parts of the world most important to Swedish trade this year is a decline of between 8 and 11 per cent, which is in the same ball-park as the IMF's forecast. For Sweden, a small open economy with considerable dependence on foreign trade and well-integrated product, service and financial markets, this is a very substantial and difficult change.

The situation is completely different now compared with just a few months ago and there is also very considerable uncertainty about the future. This uncertainty has several dimensions.

Firstly, there is uncertainty about the spread of infection. We see how the virus is spreading over large parts of the world, but when will it stop? Will there be a second wave in the autumn or next year? If we listen to the public health authorities in various countries, I think that they are all, in different ways, saying approximately the same thing – we don't know how long it will go on for.

For economic forecasters, the task is almost impossible. Every scenario for the spread of the virus is associated with several possible development paths for economic activity. If we add different combinations of measures from authorities, the sample space has increased very substantially. There is little point in making traditional forecasts in this situation, in my view. The focus of our analysis work prior to today's meeting has therefore been on the short term, and a number of different real-time indicators have been developed to help us see how large the fall in economic activity is likely to be. Some of these new indicators are in the draft Monetary Policy Report. In the more forward-looking analysis work, our reasoning this time is based on different scenarios. The draft report presents two of these and they differ in, for example, their assumptions of how the spread of infection will continue. Both scenarios project large falls in GDP this year – around 7 per cent in Scenario A, and about 10 per cent in Scenario B. Unemployment will rise, from 6.8 per cent last year to around 9 and 10 per cent respectively in the two scenarios. And inflation will fall this year, something which I will come back to.

Once again, I would like to emphasise that there is considerable uncertainty. Developments can be entirely different to those projected in the scenarios. Worse, if the spread of the virus and its consequences are more prolonged, but better if, for example, the spread abates earlier than we have assumed and economic activity picks up. It would perhaps have been more direct to say that we actually don't know how deep and prolonged the recession will be.

The uncertainty has also affected our decision-making. As I said, the focus of the analysis has shifted to the current situation, and we have taken several decisions in order to maintain credit supply and safeguard confidence in the financial system. With these measures, which are described in a table in the draft Monetary Policy Report, we have created a safety-net, a kind of insurance against extremely bad outcomes, and helped to keep interest rates down. All these measures, which are basically aimed at ensuring there is enough liquidity in the economy, are classic central bank measures. They are also similar to the measures taken by other central banks in other parts of the world. So far, my assessment is that the measures taken by the Riksbank have worked well, both as insurance and as active measures to prevent even worse developments. And we are ready to scale them up if economic developments prove it to be necessary.

So, a few words about the development of inflation. The huge supply and demand shocks that we are now seeing will obviously affect inflation, globally and in Sweden. For instance, we have seen an unprecedented fall in the price of oil. The overall assessment in the draft Monetary Policy

Report is that inflation this year will be significantly lower than previously expected. CPIF inflation, which is strongly influenced by falling energy prices, is expected this year to fall to 0.6 per cent on average. But the effects of the oil price fall are temporary and should not affect CPIF inflation next year, and inflation should then rise. At the same time, let me add that although our measures these past weeks have been focused on credit supply, they have been necessary measures for us to be able to fulfil the inflation target in the slightly longer term. In this respect, the monetary policy now being conducted is pulling in exactly the same direction as before.

The immense strain to which the Swedish and the international economy are under may lead to both lower and higher prices in the period ahead. Statistics Sweden has also indicated that it will become more difficult to measure inflation correctly under the current special circumstances. We obviously have to follow all this meticulously.

In the coming weeks, we will get more information and statistics that can hopefully dispel some of the prevailing uncertainty and give us guidance on how accurate our assessments are. From our side at the Riksbank, we need to continue to constantly be ready to adjust our policy measures to new requirements. We can scale up our measures if developments turn out to be worse than expected. And as the situation stabilises, we may need to develop and clarify the durability of the various action programmes we have launched up to now.

However, it is primarily fiscal policy that can mitigate the effects of the pandemic on the Swedish economy. Fiscal policy can take measures that are aimed more directly at companies and households, and many measures like this have been taken since the pandemic arrived in Sweden. Developments will determine whether more fiscal policy measures will be necessary.

Common to many of the measures taken by the Government and various authorities is that socioeconomic risk is being transferred to the public sector, that is, primarily to the state but also to the Riksbank. After a long period of healthy economic development, Swedish public finances are on very stable ground compared with many countries in for example, the rest of Europe. Unfortunately, however, the Swedish economy is also vulnerable due to the imbalances on the housing market and the high level of household indebtedness.

To sum up, I support the draft Monetary Policy Report. The economic situation remains uncertain, and I therefore support the proposal to purchase government bonds to a value of SEK 18 billion and mortgage bonds to a value of SEK 85 billion up until 30 September 2020. Both these measures are within the framework amount adapted on 16 March 2020 and can easily be scaled up if necessary. I support the proposal to leave the repo rate unchanged at 0 per cent. Together, the measures imply a monetary policy aimed fully at trying to mitigate the major negative effects of the corona pandemic in the Swedish economy. Finally, allow me to note that over the course of the last decade, we have had a negative repo rate, negative real interest rates, negative electricity prices, most recently negative oil prices and we are currently struggling with the economic consequences of a pandemic. In other words, we have been quite far from any kind of normal situation. In order to be able to act and make the best of a bad situation, it is very important that the Riksbank, in addition to setting the repo rate, is able to fully utilise its balance sheet.

§4. Monetary policy decision

The Executive Board decided

- to hold the repo rate unchanged at zero per cent and that this decision shall apply with effect from Wednesday 29 April 2020.
- to adopt the Monetary Policy Report according to the proposal, Annex A to the minutes.
- on monetary policy measures and that these measures be applied in accordance with what is stated in Annex B to the minutes and Annex C to the minutes.
- to publish the monetary policy decision and the Monetary Policy Report with the motivation and wording contained in a press release at 09.30 on Tuesday, 28 April 2020.
- to publish the minutes from today's meeting at 09.30 on Monday, 11 May 2020.

This paragraph was verified immediately.

Minutes taken by

Sofia Kåhre

Verified:

Stefan Ingves	Cecilia Skingsley	Anna Breman
Martin Flodén	Per Jansson	Henry Ohlsson

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