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# Annex to the minutes

DATE: 25/06/2019  
DEPARTMENT: Monetary Policy Department

## Five monetary policy meetings per year

### Proposal for Executive Board decision

The Executive Board decides to hold five ordinary monetary policy meetings a year instead of six. The decision will apply with effect from 2020.

### The matter at hand

The number of monetary policy meetings and the design and frequency of the Monetary Policy Reports published has varied over time. Since 2008 the Executive Board of the Riksbank has held six ordinary monetary policy meetings a year. An important component of the analysis that forms the basis for the monetary policy decision is a detailed forecast for the Swedish economy in the coming three years, which is published after each monetary policy meeting in the Monetary Policy Report. However, the added value of carrying out six extensive macro forecasts a year is limited. Five monetary policy meetings over the course of the year, more evenly distributed, would be an appropriate number to continue conducting a well balanced monetary policy. By reducing the number of monetary policy drafting processes, resources are freed up that can be used for in-depth monetary policy analysis. It also creates scope for more meetings and discussions around the country. If anything were to occur that had a major impact on the prospects for inflation and the conditions for monetary policy between the ordinary monetary policy meetings, the Executive Board can, as before, decide to hold an extraordinary monetary policy meeting.

### Considerations

#### Not unusual to review the number of monetary policy meetings and reports

It is natural and not particularly unusual for central banks to review the number of monetary policy meetings and reports every now and then. Since the Riksbank introduced the inflation target in 1993, both the number of monetary policy meetings

and the number of Monetary Policy Reports have been changed several times. Over the years, the number of ordinary meetings has become fewer, while the drafting process and the material published in connection with each meeting has become more thorough and more uniform.

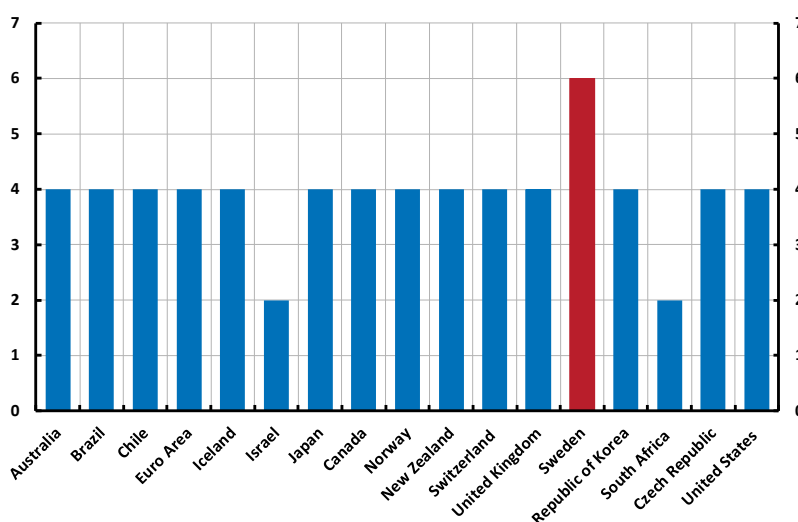
In 1999, 20 monetary policy meetings were held. Since then the number of monetary policy meetings has been gradually reduced. During the years 2000-2002, nine monetary policy meetings a year were held. During the years 2002-2004, eight monetary policy meetings a year were held and then in 2005-2007 the number was reduced to seven meetings a year. The current system, with six ordinary meetings a year, came into force in 2008.

The Inflation Report was published four times a year in the period 1999-2005. 2006 was something of an in-between year, when only three Inflation Reports were published. There were once again four reports published a year when the report changed its name in 2007 and the shorter Monetary Policy Updates were introduced. In 2007, three Monetary Policy Reports were published containing complete forecasts, and one Monetary Policy Update. During the period 2008-2014, three Monetary Policy Reports and three Monetary Policy Updates were published per year. This division was abandoned in 2015 and instead the Riksbank began publishing six Monetary Policy Reports every year, that is, once report after each monetary policy meeting.

The Riksbank has fewer monetary policy meetings than other central banks, but publishes more Monetary Policy Reports.

In a comparison with other central banks, the Riksbank is relatively alone in publishing six Monetary Policy Reports and six complete forecasts a year (see Figure 1). Even compared with other Swedish analysts, the Riksbank publishes a greater number of forecasts.

**Figure 1. Number of published monetary policy reports/forecasts**



The Riksbank's basis for decisions comprises a large number of forecasts for the Swedish economy, such as the prospects for GDP, employment and inflation, in the coming three years. One important reason why the Riksbank publishes more forecasts than other

central banks is that the Riksbank, unlike many other central banks, publishes a forecast for its own policy rate. The forecasts are thus an integral part of the Executive Board's decision-making process and a decisive tool in reaching a monetary policy decision. By publishing and giving detailed justification for the forecasts, including those for the repo rate, the Riksbank wishes to explain clearly the reasons for the monetary policy decision. The choice of number of monetary policy meetings is therefore linked to the number of complete forecasts that is considered appropriate.

Many central banks have more monetary policy meetings than the Riksbank, but it is unusual that central banks publish forecasts and reports at each meeting. However, there is some value in publishing a Monetary Policy Report and a press release and holding a press conference after each monetary policy meeting. Not least because there would otherwise be the risk of an expectation that monetary policy would be held unchanged on those occasions when no report was published. In addition, the Riksbank publishes within ten days detailed minutes of the monetary policy meetings, which clearly show how the individual board members have reasoned and argued. By publishing Monetary Policy Reports, forecasts and minutes after each monetary policy meeting, the Riksbank wishes to create transparency with regard to the decisions to justify and explain the monetary policy conducted.

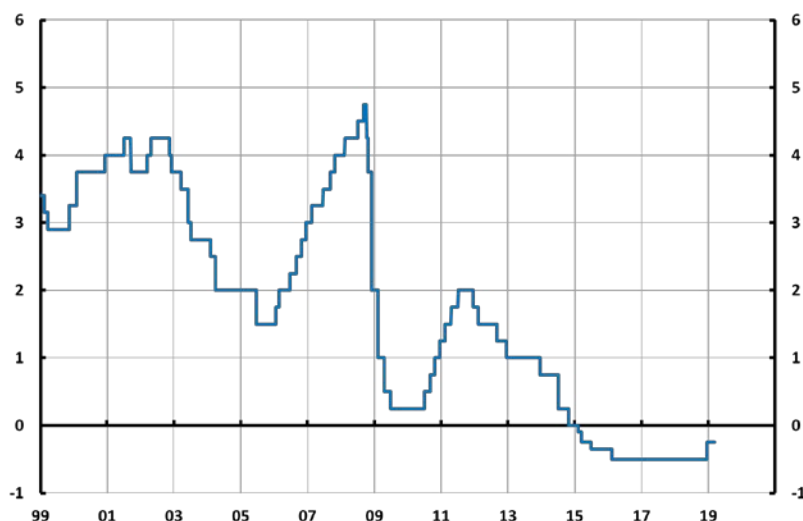
### Five meetings a year is an appropriate number for a well balanced monetary policy

Five monetary policy meetings are considered sufficient to be able to conduct a well-balanced monetary policy. Monetary policy has few opportunities to fine tune inflation, and five monetary policy meetings divided evenly over the year can also contribute to reducing the focus on individual monthly outcomes. An individual monthly outcome is rarely sufficient to assess whether the most recent development comprises a break in the trend or whether it is a one-off event. Any adjustment to the macro forecasts should therefore be based on more than one month of new information.

Over the past 20 years the repo rate has been raised and cut during three longer episodes (see Figure 2). It has happened, but is relatively unusual, that the Riksbank has adjusted the repo rate more than five times during a 12-month period. For instance, the repo rate was cut at six monetary policy meetings in a row, starting in October 2008.

**Figure 2. Repo rate**

Per cent



The fact that it is relatively unusual for the Riksbank to adjust the repo rate more often than five times a year indicates that five ordinary monetary policy meetings in one year is an appropriate number. But even with five monetary policy meetings a year, monetary policy can be adjusted if anything important occurs. If anything were to occur that had a major impact on the prospects for inflation and the conditions for monetary policy between the ordinary monetary policy meetings, the Executive Board can hold an extraordinary monetary policy meeting. This happened most recently in January 2016. It is also possible to adjust the repo rate by more or less than 0.25 percentage points at a time, which has happened several times in the past 20 years.

### Creates scope for more in-depth monetary policy analysis and greater local presence

The monetary policy decision-making processes are between six and eight weeks long, and involve around 25 people. By reducing the number of monetary policy meetings, resources are freed that can be used for in-depth monetary policy analysis and increased interaction with various agents in the Swedish economy.

The world has undergone major changes since the financial crisis ten years ago, which has raised new questions that require further analysis. Examples of such question are: How are labour market functioning, wage formation and inflation affected by structural changes such as digitalisation, competition, migration and demographics? What monetary policy strategies and instruments are available in a world of low interest rates?

Fewer monetary policy meetings also entails more time to meet with various agents in Swedish society. Meetings and discussions with various target groups are important for the Riksbank's analysis of various events in the Swedish economy and create opportunities to explain the Riksbank's work. It is important not just for confidence in



the Riksbank that that the general public understands how the Riksbank thinks and reasons, it is also a necessary condition for monetary policy to be effective.

### The decision will apply from 2020

The timing of the monetary policy decisions may have significance for market pricing of several financial instruments, such as interest rates and foreign exchange contracts. A change in the number of meetings should therefore be notified in good time. The decision to change the number of monetary policy meetings will therefore apply from 2020. It is proposed that the meetings in February, April and July 2020 will remain at around the same points in time as before. It is proposed that the meeting in September be somewhat later than before, and that the meeting in October will be cancelled and the meeting in December will be brought forward. To further facilitate the change, it is recommended that the Executive Board shall also decide on the dates for the monetary policy meetings in the second half of 2020, six months earlier than normal.