

PRESS RELEASE

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Zero policy rate and extended asset purchases

The increased spread of infection and tighter restrictions will lead to a new downturn in the Swedish economy. To give further support in an uncertain time, improve the conditions for a recovery and help inflation rise towards the target of 2 per cent, the Executive Board has decided to expand and extend the Riksbank's asset purchases from SEK 500 billion to up to SEK 700 billion up to 31 December 2021. The repo rate is held unchanged at zero per cent and is expected to remain at this level in the coming years. By expanding and extending the asset purchase programme, the Riksbank is making it clear that comprehensive monetary policy support will be available as long as it is needed.

Spread of infection increasing – new downturn in Swedish economy

The coronavirus pandemic is continuing to dominate developments in the global economy. A second wave of infection is now sweeping across many countries and tougher restrictions have been introduced to dampen the spread of infection. The already hard-hit services sector is strongly affected by the restrictions. Growth forecasts have been revised down for the coming six months, for Sweden and abroad. Inflation prospects are also assessed as a little weaker over the coming years.

Once the spread of infection declines and the restrictions are withdrawn, the economy will begin to recover again. Developments during the summer showed that demand can then quickly return. But after such a deep crisis, one can expect it will take time before GDP is back at the same level as before the crisis. The Riksbank's assessment is, as in the September Monetary Policy Report, that CPIF inflation is not likely to lastingly attain 2 per cent until 2023.

Asset purchases extended and envelope expanded

To improve the conditions for a recovery, the Executive Board has decided to expand the envelope for the asset purchases by SEK 200 billion, to a total nominal amount of up to SEK 700 billion, and to extend the asset purchase programme to 31 December 2021. The Executive Board has also decided to increase the pace in the asset purchases during the first quarter of 2021, in relation to the fourth quarter of 2020. The programme now also includes treasury bills, and sovereign and municipal green bonds to ensure the broadest possible impact on rate-setting. The Executive Board has moreover decided



that the Riksbank will only offer to buy corporate bonds issued by companies deemed to comply with international standards and norms for sustainability. The Riksbank at the same time continues to offer liquidity within all of the programmes launched so far this year. The repo rate is held unchanged at zero per cent and is expected to remain at this level in the coming years.

The Riksbank's measures contribute to low interest rates and to the financial markets functioning smoothly and not causing further uncertainty in the already strained situation. In this way, the economic recovery is facilitated, and this will contribute to inflation rising towards the target of 2 per cent.

Extensive economic policy support over a long time

Extensive economic policy support will be needed over a long period of time, from both fiscal and monetary policy. The combination of appropriate monetary policy measures is constantly being evaluated and will be adjusted to economic developments. The Riksbank is prepared to continue use the tools at its disposal to provide support to the economy and inflation. The repo rate can be cut if this is assessed to be an effective measure, particularly if confidence in the inflation target were to be threatened.

Forecast for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, per cent, annual average

	2019	2020	2021	2022	2023
CPI	1.8 (1.8)	0.4 (0.6)	0.8 (1.1)	1.2 (1.3)	1.8
CPIF	1.7 (1.7)	0.4 (0.5)	0.9 (1.2)	1.2 (1.3)	1.7
GDP	1.3 (1.3)	-4.0 (-3.6)	2.6 (3.7)	5.0 (3.7)	2.2
Unemployment, per cent	6.8 (6.8)	8.4 (8.6)	9.4 (9.2)	8.5 (8.4)	7.7
Repo rate, per cent	-0.3 (-0.3)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0

Note. The assessment in the September 2020 Monetary Policy Report is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2020 Q 3	2020 Q4	2021 Q4	2022 Q4	2023 Q4
Repo rate	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00

Note. The assessment in the September 2020 Monetary Policy Report is shown in brackets.

Source: The Riksbank

Deputy Governors Anna Breman and Martin Flodén entered reservations against the decision to expand the Riksbank's asset purchase programme by SEK 200 billion and to include treasury bills in the programme. Ms Breman advocated that the programme should instead be expanded by SEK 100 billion during the second half of 2021. Mr Flodén thought that the Riksbank should pledge that monetary policy will remain expansionary as long as necessary without deciding now on purchase sums for the second half of 2021. They both supported the other decisions at today's meeting.

The decision on the repo rate will apply with effect from 2 December. The minutes from the Executive Board's monetary policy meeting will be published on 7 December.



Further information on the asset purchases can be found in the annex to the minutes at www.riksbank.se.

A digital press meeting with Governor Stefan Ingves will be held today at 11 am. The press conference will be broadcast live on riksbank.se. Preregistered journalists will be able to ask questions via Zoom. Press cards or similar are required. For registration, contact Susanne Meyer of the press office by telephone at 08-787 0200 or by email at susanne.meyer@riksbank.se no later than 10 am on 26 November.