

PRESS RELEASE

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Monetary policy decision: Zero interest rate and asset purchases for inflation to be more permanently close to 2 per cent

The spread of infection of the coronavirus has declined and the economic outlook is brighter. However the pandemic is not yet over, and inflationary pressures are still moderate. By conducting an expansionary monetary policy, the Riksbank contributes to continued good development of the economy and to inflation attaining the target more permanently. The Executive Board has therefore decided to hold the repo rate unchanged at zero per cent and that during the fourth quarter the Riksbank will continue purchasing assets within the envelope of SEK 700 billion.

Rising optimism, but great difference in vaccination rates between countries

The grip of the pandemic on the global economy has eased and the recovery is making good progress. More and more people have been vaccinated against COVID-19, the spread of infection has decreased and restrictions have begun to be phased out. However, the pandemic is not over, and there are new variants of the virus that are creating uncertainty with the risk of setbacks. The recovery is also proceeding at different paces in different parts of the world. Commodity prices, prices of other intermediate goods and transportation have risen substantially. But this is assessed as having a moderate and transient effect on consumer prices.

Fast recovery but moderate inflationary pressures

With the aid of extensive economic policy support, the Swedish economy has managed the crisis relatively well. The manufacturing industry quickly recovered most of last year's heavy fall. But economic activity is being held back, as certain components of household consumption are still limited by restrictions. Once these have been withdrawn, consumption will accelerate, and this should contribute to the Swedish economy growing unusually rapidly for a while. The situation on the labour market is still weaker than normal, although it has improved in recent months.

Inflationary pressures are moderate, but expected to rise in the coming years, when economic activity becomes increasingly strong. The expansionary monetary policy contributes to strengthening economic activity and is thus a prerequisite for inflation to be more permanently close to the target of 2 per cent.



Sustainability needed in monetary policy

The Riksbank continues to purchase securities and offer liquidity within all the programmes launched. The Executive Board has decided that during the fourth quarter the Riksbank will buy bonds for an aggregate nominal amount of SEK 68.5 billion. This means that the purchasing rate will continue to be tapered off but that the envelope for asset purchases of SEK 700 billion will be fully utilised up until the end of 2021. The holdings are expected to be maintained at least during 2022. The Executive Board has also decided to hold the repo rate at zero per cent. The repo rate is expected to remain at zero per cent for the entire forecast period.

Extensive economic policy support

The low interest rates and strong public finances in Sweden make it possible to continue to give extensive economic policy support to the economy. Monetary policy needs to continue to support economic activity. The Executive Board may cut the repo rate or in some other way make monetary policy more expansionary if inflation prospects weaken. This applies in particular if confidence in the inflation target were to be under threat. A less expansionary monetary policy may be justified if inflation were to risk overshooting the target significantly and persistently.

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

Annual percentage change, annual and quarterly averages respectively

	2020	2021	2022	2023	2024 Q3*
CPI	0.5 (0.5)	1.6 (1.4)	1.7 (1.5)	1.8 (1.7)	2.3
CPIF	0.5 (0.5)	1.8 (1.5)	1.7 (1.4)	1.8 (1.7)	2.1
GDP	-2.8 (-2.8)	4.2 (3.7)	3.7 (3.6)	1.9 (2.0)	1.8
Unemployment, per cent	8.3 (8.3)	8.7 (8.6)	7.4 (7.7)	7.1 (7.4)	6.9
Repo rate, per cent	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0

Note: The assessment in the April 2021 Monetary Policy Report is shown in brackets.

*Calendar-adjusted GDP growth and seasonally adjusted LFS unemployment in 2024 Q3.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2021 Q2	2021 Q3	2021 Q4	2022 Q3	2023 Q3	2024 Q3
Repo rate	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00

Note: The assessment in the April 2021 Monetary Policy Report is shown in brackets.

Source: Sveriges Riksbank

The decision on the repo rate will apply with effect from 7 July. The minutes from the Executive Board's monetary policy meeting will be published on 12 July. Further information on the asset purchases can be found in the annexes to the minutes at www.riksbank.se. A digital press meeting with Governor Stefan Ingves will be held today at 11.00. 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 on +46 (0)8-787 0200 or by email at susanne.meyer@riksbank.se no later than 10.00 on 1 July.