

PRESS RELEASE

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

The Swedish economy has recovered quickly and inflation is expected to become temporarily higher than 2 per cent in the coming year, before falling back again. Monetary policy needs to remain expansionary for inflation to be lastingly close to the target going forward. The Executive Board has therefore decided to hold the repo rate unchanged at zero cent and it is expected to remain at zero for the entire forecast period. The Riksbank will also continue to purchase securities during the fourth quarter, in line with the earlier decisions. The Executive Board's forecast is that the holdings of securities will be more or less unchanged during 2022.

Strong recovery with temporarily high inflation

As an increasing number of people have been vaccinated, and restrictions around the world have been eased, global growth has risen, supported by economic policy. However, in many poorer countries with little access to vaccines, the pandemic is still very problematic. Rising global demand and transport problems have led to consumer prices increasing at a fast pace in several areas. However, the price upturns are assessed to be largely temporary. When growth enters a calmer phase, the bottlenecks are expected to resolve and inflation to slow down.

Swedish growth has been higher than expected, but it is primarily inflation that has been surprisingly high in relation to the forecasts in July. The inflation forecast has been revised upwards in the near term. Swedish inflation, which has been fairly close to the inflation target in recent months, is expected to be higher than 2 per cent in the coming year. However, the upturn is assessed as temporary and primarily due to electricity prices having risen substantially. Core (trend) inflation is lower and it will take a couple more years before CPIF inflation is more lastingly close to 2 per cent.

Zero interest rate and large holdings of securities support inflation

The expansionary monetary policy contributes to strengthening economic activity and is thus a prerequisite for inflation to be lastingly close to the target of 2 per cent even in the longer term. The Executive Board has therefore decided to hold the repo rate at zero per cent. It is expected to remain at zero per cent for the entire forecast period, which stretches until the third quarter of 2024. The Riksbank will also continue to purchase securities during 2021 in line with the earlier decisions. This means that the purchasing



rate will continue to be reduced but that the envelope for the Riksbank's asset purchases will be utilised to the full up in 2021. The Executive Board's forecast is that holdings of securities will be more or less unchanged during 2022. The Executive Board has also decided to close today the lending facilities that were launched during the pandemic and to restore at the turn of the year the requirements for the collateral the banks have to provide when borrowing from the Riksbank. The measures were implemented in the acute initial stage of the crisis to guarantee access to liquidity in the financial system. But the demand for these programmes has been low for some time.

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 might 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)	2.0 (1.6)	2.1 (1.7)	1.8 (1.8)	2.2 (2.3)
CPIF	0.5 (0.5)	2.3 (1.8)	2.1 (1.7)	1.8 (1.8)	2.1 (2.1)
GDP	-2.8 (-2.8)	4.7 (4.2)	3.6 (3.7)	2.0 (1.9)	1.8 (1.8)
Unemployment, per cent	8.3 (8.3)	8.8 (8.7)	7.6 (7.4)	7.2 (7.1)	7.0 (6.9)
Repo rate, per cent	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)

Note. The assessment in the Monetary Policy Report in July 2021 is shown in brackets. *Percentage change in calendar-adjusted GDP compared with the corresponding quarter in the previous year and seasonally-adjusted LFS unemployment.

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 (0.00)

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

Source: The Riksbank

The decision on the repo rate will apply with effect from 22 September. The loan facilities will be concluded on 21 September 2021. The collateral requirements will be restored with effect from 3 January 2022. The offer of loans in USD will cease when the current decision expires on 30 September 2021. The minutes from the Executive Board's monetary policy meeting will be published on 30 September. Further information on the Executive Board's decision can be found in the annexes to the minutes at [riksbank.se](https://www.riksbank.se). A digital press conference with Governor Stefan Ingves and Jesper Hansson, Head of the Monetary Policy Department, will be held today at 11.00. The press conference will be broadcast live on [riksbank.se](https://www.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 10.00 on 21 September.