

PRESS RELEASE

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Policy rate unchanged at 4 per cent

The Riksbank's rate increases have contributed to a fall in the earlier high inflation. However, when energy prices are excluded, inflation is still too high and there is a risk of setbacks. The Executive Board has decided to leave the repo rate unchanged at 4 per cent. The assessment is that contractionary monetary policy is still needed to stabilise inflation close to the target. At the same time, the Executive Board now assesses that there is less risk of inflation becoming entrenched at levels that are too high. The policy rate can therefore probably be cut sooner than was indicated in the November forecast.

Continued tighter monetary policy for low and stable inflation

The Riksbank's rate increases have contributed to lower inflationary pressures and to inflation expectations being firmly anchored around the 2 per cent inflation target. In November and December, inflation continued to fall, and when measured in terms of the CPIF excluding energy, it was lower than expected. Indicators point to inflationary pressures continuing to decline going forward.

The Executive Board has decided to leave the repo rate unchanged at 4 per cent. The Riksbank's assessment is that contractionary monetary policy is still considered necessary to stabilise inflation close to the target.

Inflation developments on more solid ground

At the same time, the Executive Board assesses that there is less risk of inflation becoming entrenched at levels that are too high. Following a longer period during which inflation was much higher than expected, inflation has recently fallen in line with the Riksbank's forecasts. This creates greater certainty in the assessment of inflation. Activity in the Swedish economy has slowed down, and inflation has fallen significantly. In addition, inflation expectations are close to the target and wages are increasing moderately. The policy rate can therefore probably be cut sooner than was indicated in the November forecast. If the prospects for inflation remain favourable, the possibility of the policy rate being cut during the first half of the year cannot be ruled out.

Risk of setbacks – monetary policy needs to be adjusted cautiously

The conditions are thus right for low and stable inflation. However, the Executive Board also emphasises that there are risks that could mean inflation rises again, for example renewed supply shocks resulting from the geopolitical unease, company



pricing behaviour not yet having normalised, or the krona weakening substantially once again. Monetary policy therefore needs to be adapted cautiously to ensure that inflation is stabilised sustainably close to the target. New information and how it is assessed to affect the prospects for the economic outlook and inflation is decisive in determining the monetary policy stance.

As part of the process of normalising the Riksbank's balance sheet, the Executive Board has also decided to increase the sales of nominal government bonds from SEK 4.2 billion to SEK 5.7 billion per month, as of February this year. This means that, in total, the pace of the sales is being increased from SEK 5 billion to 6.5 billion per month.

No new forecasts in February

A short Monetary Policy Update is published in connection with the monetary policy decision, containing the Executive Board's assessment of how new information affects economic prospects and monetary policy. The update does not contain any new forecasts. The next Monetary Policy Report containing forecasts will be published on 27 March.

The decision on the policy rate will apply with effect from 7 February. The minutes from the Executive Board's monetary policy meeting will be published on 7 February. A press conference with Governor Erik Thedéen, and Åsa Olli Segendorf, Head of the Monetary Policy Department, will be held today at 11.00 at the Riksbank. Press cards or the equivalent are required to participate. The press conference will be broadcast live on riksbank.se.