

DECISION

DATE: 18 December 2024
DEPARTMENT: Monetary Policy Department
DNR: 2024-01413
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Policy rate decision

The Riksbank's decision

1. The Riksbank sets the policy rate at 2.5 per cent, which means that it is cut by 0.25 percentage points. The new level of the policy rate shall apply as from 08 January 2025.
2. The Riksbank adopts the Monetary Policy Report, annex Monetary Policy Report.
3. This decision will be published at 09:30 on 19 December 2024.
4. The minutes of the monetary policy meeting on 18 December 2024 will be published at 09:30 on 2 January 2025.

Grounds for the decision

Legal basis

Under Chapter 2, Section 1 of the Sveriges Riksbank Act (2022:1568), the overriding objective of the Riksbank is to maintain low and stable inflation (the price stability objective). Without neglecting the price stability objective, the Riksbank shall also contribute to a balanced development of production and employment (consideration for the real economy). The Riksbank has defined the price stability objective as a target of 2 per cent for the annual increase in the consumer price index with a fixed interest rate (the CPIF) (doc. reg. no. 2017-00691).

The Riksbank's main monetary policy tool for achieving the price stability objective is the policy rate. The Riksbank shall determine the policy rate for its deposits, its credits and its repurchase agreements in financial instruments (Chapter 2, Section 4, second paragraph of the Sveriges Riksbank Act).

Policy rate is cut to 2.5 per cent

Over the course of the year, the Riksbank has cut the policy rate in line with the gradual improvement in the inflation outlook, and most recently in November the Riksbank cut the policy rate by 0.5 percentage points. In connection with the publication of the policy rate decision in November, the Riksbank communicated that the rate cut also be cut in December if the outlook for inflation and economic activity remains the same.

Inflationary pressures have for some time been compatible with an inflation at the target level, and indicators such as companies' pricing plans, various measures of underlying inflation and inflation expectations indicate that the conditions are good for a stable inflation close to the target. Despite some signs that economic activity is on its way to recover, it remains weak. A stronger economy is important in its own right, but also a necessary condition for inflation to stabilise close to the target. The policy rate was cut in a larger step in November and the Executive Board assesses that it is appropriate to cut the rate further to support the recovery. As part of attaining the price stability target, the Riksbank assesses that under the prevailing circumstances and taking into account the consequences for the real economy and the functioning of the financial markets, a well-balanced decision is now to cut the policy rate to 2.5 per cent.¹ The effects of the monetary policy decision are also considered to be in reasonable proportion to the costs and risks that the decision entails for the finances of the Riksbank and the State. The Riksbank therefore considers that the decision is compatible with the principle of proportionality in Chapter 1, Section 8 of the Sveriges Riksbank Act.

If the outlook for inflation and economic activity remains unchanged, the policy rate may be cut once more during the first half of 2025. There are however risks regarding the outlook for inflation and economic activity that could lead to a different monetary policy stance.²

This decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Anna Breman and Deputy Governors Per Jansson, Aino Bunge and Anna Seim) following a presentation by Senior Economist Jakob Almerud. The Head of the Monetary Policy Department Åsa Olli Segendorf and acting General Counsel Carolina Backert took part in the final processing work.

¹ This is developed further in the Monetary Policy Report, see enclosure.

² This is described further in the Monetary Policy Report, see enclosure.