



DECISION

DATE: 24 September 2024
DEPARTMENT: Monetary Policy Department
DNR: 2024-01019
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Policy rate decision

The Riksbank's decision

1. The Riksbank sets the policy rate at 3.25 per cent, which means that it is cut by 0.25 percentage points. The new level of the policy rate shall apply as from 2 October 2024.
2. The Riksbank adopts the Monetary Policy Report, annex Monetary Policy Report.
3. This decision will be published at 09:30 on 25 September 2024.
4. The minutes of the monetary policy meeting on 24 September 2024 will be published at 09:30 on 1 October 2024.

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 inflation target, the Riksbank shall moreover contribute to a balanced development of production and employment. 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 3.25 per cent

The Riksbank has gradually eased monetary policy during 2024, by cutting the policy rate in both May and August and by communicating that further rate cuts can be expected.

Inflationary pressures have fallen over the year and are now assessed to be compatible with an inflation rate of 2 per cent. Since last spring there has also been an evident shift in the balance of risks for the outlook for inflation and economic activity. The risk of inflation becoming too high has gradually declined. At the same time, the economic recovery appears to be proceeding somewhat more slowly than expected. It is important in itself that economic activity strengthens, but it is also a necessary condition for inflation to stabilise close to the target. As part of attaining the price stability target, the Riksbank therefore 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 to cut the policy rate to 3.25 per cent.¹ The effects of the monetary policy decision are also considered to be in reasonable proportion to the costs and risks that it 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.

Given the clear shift in the balance of risks for the outlook and a slower economic recovery, the Riksbank also assesses that the policy rate may be cut faster than previously communicated. If the outlook for inflation and economic activity remains unchanged, the policy rate may also be cut at the two remaining meetings this year. The forecast for the policy rate reflects that a cut of 0.5 percentage points at one of the coming meetings is possible. The forecast also indicates one or two further rate cuts may be made during the first half of 2025.

The 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 Jakob Almerud, senior economist at the Monetary Policy Department. Head of 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.