

ARTICLE – Changes in the Riksbank’s monetary policy communication

Open and clear communication facilitates the evaluation of monetary policy. It also makes it easier for economic agents to understand and anticipate the Riksbank’s actions, which in turn leads to a better pass-through of monetary policy. Based on the experience of the large up- and downturns in inflation in recent years, the Riksbank has made some changes in its communication of monetary policy. More specifically, the Riksbank divides the forecast for the policy rate into two time horizons. The Riksbank has also increased its use of alternative scenarios to illustrate that the forecast is uncertain and to make the decisions more robust. In addition, the assessment of the long-term level of the neutral interest rate has been updated. Other changes are that the Riksbank has increased the number of ordinary monetary policy meetings to eight, that the report has been redesigned and that the minutes of the meetings are published more quickly.

The Riksbank strives for open and clear communication

The Riksbank’s decisions affect people’s private finances and the national economy. At the same time, the Riksbank has strong constitutional independence, which makes it particularly important that its activities are characterised by a high degree of transparency. This is emphasised by the fact that the Sveriges Riksbank Act specifies the information that the Riksbank shall provide to the Riksdag and the public.⁴⁶ As part of being transparent, the Riksbank strives for open and clear communication.⁴⁷ This makes it easier for the Riksdag to scrutinise and evaluate the Riksbank’s activities and for households and companies to make sound financial decisions. Clearly describing analyses, considerations and reasons for the Riksbank’s monetary policy makes it easier for economic agents to understand and anticipate the Riksbank’s actions. Good communication can improve the conditions for monetary policy.⁴⁸ For this reason among others, communication is an integral part of the monetary policy strategy.

The communication of monetary policy takes place mainly in connection with monetary policy decisions. Previously, the Riksbank has held five ordinary monetary policy

⁴⁶ See Chapter 11 of the Sveriges Riksbank Act (2022:1568).

⁴⁷ The Riksbank’s communication policy is described on the Riksbank’s website (www.riksbank.se). The Riksbank was ranked the most transparent central bank out of more than a hundred in a recent survey, see N. Dincer, B. Eichengreen and P. Geraats (2022), “Trends in Monetary Policy Transparency: Further Updates”, *International Journal of Central Banking*, vol. 18.

⁴⁸ See Y. Akkaya, L. Bitter, A. Grasso and B. Amorim Cabaco (2025), “From press conferences to speeches: the impact of the ECB’s monetary policy communication”, *ECB Economic Bulletin*, Issue 1 for a survey of how communication can affect the pass-through of monetary policy.

meetings per year and published a Monetary Policy Report in connection with them.⁴⁹ The reports describe the current macroeconomic situation and financial conditions in Sweden and abroad and include forecasts for important macroeconomic variables. The forecasts include an interest rate path that has been calculated on the basis of the Executive Board’s assessment of how the policy rate needs to develop in order to achieve the inflation target, and to contribute to a balanced development of the real economy.⁵⁰ To emphasise that the interest rate path is a forecast, it was previously illustrated as the midpoint of an uncertainty range that grew over the forecast period as the forecast became increasingly uncertain. A separate section of the report discussed various risk factors that contributed to the uncertainty. How these might affect monetary policy was described qualitatively.

It is important that the risks and uncertainties about the outlook are clearly communicated

The large up- and downturns in inflation in recent years posed challenges for the communication of monetary policy. In 2022, it became increasingly clear that there had been a change in companies’ pricing behaviour, with the pass-through from cost increases to price increases accelerating, partly via a weaker krona. In connection with the large and unexpected rise in inflation, the Riksbank had to revise its forecasts upwards several times and at the same time raise the policy rate more than previously announced. This was criticised both by those who believed that the Riksbank acted too slowly and was too optimistic about the inflation outlook, and by those who on the contrary argued that the Riksbank overreacted to the rise in inflation.

Although inflation started to fall back in 2023, there was still considerable uncertainty about the underlying inflation outlook and thus about the future course of monetary policy. The Riksbank’s forecasts were, as usual, at the centre of the economic debate, but given the considerable uncertainty, longer-term developments and the link between inflation and interest rate forecasts received particular attention (see also Chapter 3). The discussion centred both on the plausibility of specific interest rate paths and, more generally, on the level to which the policy rate might return in the long term and the Riksbank’s assumptions about this level.

Based on the experience gained in 2022 and 2023, the Executive Board concluded that there were opportunities to improve the communication of monetary policy in a few ways. The basic approach is to maintain a high degree of transparency, which includes publishing the Riksbank’s own forecast for the policy rate. The challenge is to convey a message about monetary policy in a way that also clearly captures risks and uncertainty about the outlook. The Executive Board recognised that this part of the communication needed to be more nuanced and concrete. There was also reason to

⁴⁹ The number of ordinary meetings has varied. As has the appearance of the Monetary Policy Report. Prior to 2020, the Riksbank held six ordinary monetary policy meetings for many years. Between 2007 and 2014, a Monetary Policy Report was published at three of these meetings. On the other three occasions, a Monetary Policy Update, which contained forecasts but was shorter than the Report, was published. From 2015 to 2023, a Monetary Policy Report was published at each ordinary meeting.

⁵⁰ The Riksbank is one of the few central banks that publishes a forecast for its own policy rate (an interest rate path).

update and clarify the Riksbank’s view of the long-term level of the interest rate. In addition, the Executive Board saw an advantage in having more regular monetary policy meetings per year.⁵¹ With more meetings per year, the Riksbank can adjust monetary policy more quickly and improve the conditions for effective communication, at times when the situation changes rapidly.

The Riksbank has changed its communication in a few ways

This section describes in more detail how the Riksbank’s communication has changed. All changes were implemented in 2024, with the exception of the publication of alternative scenarios, which was resumed in April 2023.⁵²

The Reports split the policy rate forecast into two time horizons

The future level of the policy rate is uncertain at any horizon. However, there is generally greater uncertainty about developments further ahead, as the likelihood of new shocks hitting the economy increases over time.⁵³ The earlier uncertainty interval based on historical forecasting errors showed that the uncertainty increases over time, but failed to convey the uncertainty linked to inflation prospects at the specific time of the decision.⁵⁴ Starting in the Monetary Policy Report in March 2024, the Riksbank began to communicate the forecast for the policy rate in a new way that clarifies the difference in how the Executive Board views the forecast for the policy rate in the near future and the forecast for the longer term.⁵⁵ The purpose of the change is to increase the information value in communication about developments in the short term, where there is less uncertainty. At the same time, the greater uncertainty about developments in the longer term is evident.

More specifically, the first section of the report, “Monetary policy considerations”, presents the considerations that are important for the current monetary policy decision. The section shows the entire interest rate path, but the focus is on the Executive Board’s assessment of the policy rate for the next three quarters.⁵⁶ As there is more information about economic developments in the near future, the Executive Board can forecast the near-term monetary policy decisions with somewhat more certainty than those further ahead. The final chapter of the Report contains a more detailed monetary policy analysis, which also discusses developments over the entire three-year forecast period.

⁵¹ While it is possible for the Executive Board to hold extraordinary monetary policy meetings, these have been reserved mainly for crises.

⁵² Until April 2015, the Monetary Policy Reports contained a separate chapter illustrating possible alternative scenarios.

⁵³ There is a high degree of uncertainty in longer-term forecasts, see, for example, F. Petropoulos et al (2022), “Forecasting: theory and practice”, *International Journal of Forecasting*, vol. 38.

⁵⁴ The most recent occasion the uncertainty interval was used was in the Monetary Policy Report in February 2023.

⁵⁵ The change was presented in a Fact Box in the Monetary Policy Report in March 2024.

⁵⁶ The interest rate path for the entire three-year forecast period is illustrated together with a close-up view of the forecast for the policy rate in the short term.

The Riksbank has updated its assessment of the neutral interest rate

The most common definition of the neutral interest rate is a policy rate level that has neither a stimulating nor a contractionary effect on the economy. It is an estimate of the interest rate level that is appropriate and consistent with a balanced real economy. In monetary policy, the neutral interest rate is therefore important as a benchmark for current monetary policy and also for the outlook. At the same time, there are factors that limit the usefulness of estimates of a neutral rate in practice. First, it varies over time, which means that a neutral level in the short term is different from a neutral level in the long term. A neutral rate cannot be seen directly in any statistics; one must instead try to assess its level using estimates of models and other relevant information. Assessments of a neutral rate level are therefore associated with a significant degree of uncertainty.

In 2024, the Riksbank presented an updated assessment of the neutral rate after reviewing international studies, assessments from other central banks, pricing and surveys from financial markets and estimating various models on Swedish data. Based on this analysis, the Riksbank assesses that the long-term neutral policy rate is probably between 1.5 and 3 per cent.⁵⁷

To illustrate uncertainty and make monetary policy more predictable, alternative scenarios are used to a greater extent in communication

From the Monetary Policy Report in April 2023 onwards, the Riksbank publishes continuously alternative scenarios in each Monetary Policy Report.⁵⁸ The scenarios are alternative in the sense that they illustrate possible alternative developments of the economy compared to the forecast in the Report.⁵⁹ Analysis of alternative scenarios is an important part of the basis for monetary policy decisions, for example to identify important risks that the Executive Board needs to take into account quantitatively in its forecasts and to weigh into its decisions. In addition, the scenarios indicate how the policy rate could change if the uncertainty factors materialise. The scenarios can thus make the Board's decisions more robust and improve its readiness to act in a situation where one of the scenarios is realised. Highlighting alternative scenarios in monetary policy communication helps to illustrate that developments are uncertain. It also helps to point to uncertainties that are highly likely to occur, and

⁵⁷ The new assessment was presented by Deputy Governor Anna Seim in her speech “Neutral interest rate - meaning, limitations and assessment” on 26 November 2024. See also the article “The Riksbank’s monetary policy development work” for published background analysis. In addition to these references, a few more studies will shortly be published as *Staff Memos*: H. Lundvall, I. Strid and D. Vestin, “The neutral rate of interest – theory and evidence for Sweden”, and V. Corbo and I. Strid, “Forecasts and narratives for the policy rate in a macroeconomic model with a real interest rate trend”.

⁵⁸ The use of alternative scenarios was one of the recommendations in Ben Bernanke’s evaluation of the forecasting process at the Bank of England, see B. Bernanke (2024), “Forecasting for monetary policy making and communication at the Bank of England: a review”, Bank of England. CeMoF has also suggested that scenarios can be used to facilitate communication regarding uncertainty, see J. Hassler, P. Krusell and A. Seim (2023), “*Evaluation of monetary policy 2022*”, Reports from the Riksdag 2022/23:RFR5. However, communication using alternative scenarios had already been proposed by E. Leeper (2003), “An Inflation Reports Report”, *Economic Review* 2003:3, Sveriges Riksbank.

⁵⁹ The forecast in the Report is often referred to as the “main scenario” but should not be interpreted as the scenario that the Executive Board considers most likely. Rather, the forecast should be seen as an average of many different scenarios that have been weighted together according to how likely they are deemed to be.

which the Riksbank has particular focus on at the time of the decision in question. The scenarios also provide economic agents with more guidance on how the Riksbank might act if various risks should occur.⁶⁰

The number of meetings has increased from five to eight, the Report has been redesigned and the minutes of the meetings are published more quickly

At the beginning of 2024, the Riksbank switched from having five regular monetary policy meetings per year to having eight meetings per year.⁶¹ More opportunities for decision-making make it easier for the Riksbank to quickly adapt monetary policy to the prevailing situation and to more frequently communicate a collective view of economic developments. It provides more information about monetary policy and can make it more predictable. The changeover also means that the Riksbank is following a practice that exists at other similar central banks.

At four of the eight monetary policy meetings, the Riksbank publishes a Monetary Policy Report. This means that the number of reports with forecasts has decreased from five to four per year. To justify a new set of forecasts, it is important that there is enough new information and, under normal circumstances, the added value of making five full forecasts per year is not obvious. At the remaining four meetings, the Riksbank publishes a Monetary Policy Update – a shorter document that does not contain any new forecasts. In other ways, there is no difference between the meetings and the Executive Board can adjust the policy rate even with the shorter Update as its decision guidance.⁶²

To facilitate comparability between the different documents, the Riksbank has also changed the format of the Monetary Policy Reports as from March 2024. The reports now start with a section on monetary policy considerations. In this section, the Executive Board summarises the majority’s assessment of how new information affects the outlook for economic activity, inflation and monetary policy. In the section, the Executive Board also summarises its reasons for the monetary policy decision. This section is structured in the same way as in the Monetary Policy Updates, allowing for comparability over time. The reports then include a chapter on the economic situation. The chapter describes the current state of the global and Swedish economy based on macroeconomic statistics and information from financial markets. The forecasts are presented in a separate chapter and the reports conclude with a chapter on monetary policy analysis. The analysis consists of a more detailed discussion of the monetary policy decision and the Executive Board’s trade-offs and standpoints. This final chapter also discusses risks and uncertainties and presents alternative scenarios.

A further change in the Riksbank’s communication in 2024 was to shorten the time between a monetary policy meeting and the publication of the minutes of the meeting to around five working days. The minutes are important for the communication of

⁶⁰ See the article “Alternative scenarios in the Monetary Policy Report” in *Account of Monetary Policy 2023*, Sveriges Riksbank.

⁶¹ Decision 2023- 01059, “Eight monetary policy meetings per year”.

⁶² As in the past, the Riksbank can also hold extraordinary monetary policy meetings if necessary.

monetary policy, as it is in their contributions at the monetary policy meetings that the members of the Executive Board document their views on the economic situation and their own monetary policy positions. The contributions provide the Executive Board members with the opportunity to add nuance to their reasoning regarding various trade-offs and risks. The individual considerations also help to create a clearer picture of how monetary policy might develop in the future. The change in the timing of the publication of the minutes provides economic agents and those who scrutinise monetary policy with faster information on these positions.⁶³

Positive experience so far of the new communication on the interest rate path

Most of the changes described above were implemented by the Riksbank in 2024 and it is still too early to say with certainty how they have worked. So far, however, the experience is positive.

In recent years, several central banks, including the Riksbank, have emphasised more than before that monetary policy will be determined by new information on the economic and inflation outlook. The reason for this is the considerable uncertainty about the inflation propensity. While some central banks have simultaneously chosen to tone down their communication about future interest rate decisions, the Riksbank has continued with such guidance, with the change described above. In 2024 expectations about central bank policy rates shifted quite considerably in line with new information on the economic and inflation outlook, particularly in the United States. In Sweden, however, expectations were comparatively stable. This can be partly explained by the fact that new information pointed relatively clearly to a stable decline in underlying inflation. At the same time, the Executive Board’s continued guidance and a clearer focus on the development of the interest rate in the coming quarters should have helped to reduce near-term interest rate uncertainty. This is particularly true in the light of the increased risks to the global economic outlook last year.

Despite the fact that a shorter Monetary Policy Update is published at every other monetary policy decision, the possibilities for effective monetary policy communication do not seem to have been affected. For example, an Update was published in February 2024 when the Riksbank reorganised its monetary policy communication, and in May of the same year when the Riksbank started to cut the policy rate. Financial market reactions did not indicate any greater surprise on these occasions than at previous monetary policy decisions.⁶⁴

⁶³ Other central banks that publish similar monetary policy minutes to the Riksbank usually publish them with a long time delay, often five or ten years. A short summary of the discussion at the meeting may be published shortly after the monetary policy meeting, but usually without reproducing what each member said.

⁶⁴ However, it should be noted that the decisions, based on the February and May 2024 Updates, were in line with market expectations in both cases. A database of changes in interest rates and other financial prices during a short time window in connection with the publication of the Riksbank’s monetary policy decisions, known as monetary policy surprises, is available on the Riksbank’s website. See also J. Almerud, D. Krygier, H. Lundvall and M. Njie (2024), “Measuring Riksbank Monetary Policy: Shocks and Macroeconomic Transmission”, Working Paper Series 445, Sveriges Riksbank.

The alternative scenarios have been useful in the monetary policy analysis and have facilitated and clarified the communication of monetary policy. In 2024 the alternative scenarios illustrated, among other things, that monetary policy could react differently to higher domestic inflationary pressures depending on what happens to companies’ pricing behaviour. Uncertainty about developments abroad was also illustrated, with scenarios showing, among other things, a possible monetary policy response to shocks caused by geopolitical turmoil or trade tariffs.