



Annex B to the minutes

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DEPARTMENT: Markets Department, Monetary Policy Department and Financial Stability Department

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The Riksbank's asset purchases during the fourth quarter of 2021

Decision by the Executive Board

The Executive Board decides

1. that the Riksbank within the scope of the asset purchase programme for monetary policy purposes to a nominal amount of up to SEK 700 billion shall, between 1 October and 31 December 2021,
 - a. purchase Swedish nominal and real government bonds and the Swedish state's green bonds to a total nominal amount of SEK 10 billion,
 - b. purchase Swedish treasury bills to such a nominal total amount that the Riksbank's holdings of treasury bills amount to SEK 20 billion,
 - c. purchase bonds issued by Swedish municipalities and regions and by Kommuninvest i Sverige AB for a nominal amount of SEK 12.5 billion, which may also include purchases of green municipal bonds,
 - d. purchase covered bonds issued in Swedish krona by Swedish credit institutions to a nominal amount of SEK 45 billion,
 - e. purchase bonds issued in Swedish krona by Swedish non-financial corporations to a nominal amount of SEK 1 billion, and
 - f. offer to purchase, from monetary policy counterparties, commercial paper issued in Swedish krona by Swedish non-financial corporations to such a nominal amount that the Riksbank's holdings of commercial paper acquired within the scope of the asset purchase programme at each time of purchase do not exceed SEK 32 billion,
2. to give the Head of the Markets Department the task of determining, with the right to delegate this to another, after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for each of these department heads to delegate this

to another, to decide on the exact dates and offered amounts at each auction and purchase offer, and on the details regarding the terms and conditions for, and information on, the Riksbank's purchases of the respective type of asset included in the purchase programme,

3. that the Head of the Markets Department, with the right to delegate this to another, shall at least once every second month consult with the Executive Board regarding guidelines for the Riksbank's purchases of the respective type of asset to be made in the period up to the next consultation, and
4. to publish this decision on Thursday, 1 July 2021, at 9.30 am.

Background

As part of the measures to counteract the effects of the coronavirus pandemic on the Swedish economy, the Riksbank has been implementing, since March 2020, an extensive asset purchase programme for monetary policy purposes. The programme, which has been adjusted a number of times since March 2020, includes, with effect from 1 January 2021, purchases of Swedish treasury bills and government bonds, bonds issued by Swedish municipalities and regions and Kommuninvest i Sverige AB (below also called municipal bonds), covered bonds issued by Swedish credit institutions and bonds and commercial paper issued by Swedish non-financial corporations. Within the scope of this programme, the Riksbank is purchasing the Swedish state's green bonds and green municipal bonds. Moreover, the purchases of corporate bonds are limited to bonds issued by companies deemed to comply with international standards and norms for sustainability.

The Riksbank's measures have contributed to developments on the financial markets gradually stabilising, resulting in lower interest rates and better functionality. This has enabled robust companies to ensure their financing during the crisis. The scope and focus of the measures have continually been adapted to changes in the economic outlook. On 25 November 2020, the Executive Board decided that the Riksbank's programme for purchasing assets for monetary policy purposes would be extended to 31 December 2021, and would include purchases of securities issued in Swedish krona to a total nominal amount of up to SEK 700 billion (ref.no. 2020-00861). On 26 April 2021, the Executive Board adopted a plan for the Riksbank's purchases of securities during the third quarter of 2021 (ref.no. 2021-00573).

From the start of the asset purchase programme in March 2020 until 29 June 2021, the Riksbank has, within the scope of this programme, purchased government bonds for SEK 71.0, municipal bonds for SEK 83.5 billion, covered bonds for SEK 340.0 billion and corporate bonds for SEK 10.0 billion. By 29 June 2021, the Riksbank's purchases of treasury bills and commercial paper had resulted in holdings of treasury bills that amounted to SEK 17.5 billion and in holdings of commercial paper that amounted to SEK 0.3 billion. Through the asset purchase programme, the Riksbank's holdings of securities had, up to 29 June 2021, increased by SEK 522.3 billion.

In this decision, the Executive Board returns with its considerations regarding continued purchases during the fourth quarter of 2021.

Considerations

The grip of the pandemic appears to have lightened somewhat during the spring and early summer. More and more people have been vaccinated against COVID-19, at the same time as the spread of infection has decreased significantly and restrictions have begun to be phased out. However, the pandemic is not over, and there are new variants of the virus that are creating continued uncertainty with the risk of setbacks. Optimism among households has risen rapidly and confidence is also high among companies, even in the hard-hit service sector. Economic policy is still very expansionary and economic activity has picked up again in many countries.

In Sweden, the Government has presented a plan for how the measures combating COVID-19 can gradually be withdrawn, depending on the way the pandemic develops. Indicators of growth in Sweden are on very high levels. The National Institute of Economic Research's Economic Sentiment Indicator rose in May and June to its highest-ever level, which indicates that both households and companies are more optimistic than usual about developments going forward. This year, the Swedish economy is expected to grow unusually rapidly and in the third quarter, GDP is projected to be back on the same level as before the outbreak of the pandemic. However, it will take a little longer before GDP returns to the trend development expected before the pandemic. The high growth also means that spare capacity in the labour market will gradually be put to use, and that unemployment will fall.

The Riksbank's overall assessment is that financial conditions in Sweden are still expansionary. Economic activity is close to the levels that prevailed prior to the pandemic. However, inflationary pressures are still assessed as moderate, and it is expected to take until next year before inflation rises more permanently. To avoid jeopardising the prospects for inflation, it is important that the financial conditions are not tightened too quickly.

The Riksbank's measures have mitigated the economic effects of the crisis and facilitated the recovery in the Swedish economy. Although inflation has risen, inflationary pressures are still moderate. Continued expansionary monetary policy in the years ahead is a necessary condition for inflation to be lastingly close to the target.

Purchases of assets during the fourth quarter of 2021

In that the Riksbank continues to purchase securities within the scope of the extended and expanded purchase programme in accordance with the decision by the Executive Board on 25 November 2020, the Swedish economy is assessed to have the necessary support from monetary policy also after 30 September 2021. The scope of the purchases carried out in the fourth quarter of 2021 is in line with the Riksbank's previous communication and with expectations among market participants. The Executive Board's decision on continued asset purchases means that the Riksbank is maintaining the expansionary monetary policy, which contributes to low interest rates and good access to liquidity and credit for companies and households. Monetary policy is thereby supporting the continued recovery of the economy.

The purchases included in this decision shall be implemented with such an allocation and according to such terms and conditions that they can be assessed as compatible with the appropriate provisions regarding the prohibition of monetary financing, in

accordance with the instructions in the Executive Board decision dated 9 February 2021 (ref.no. 2021-00257). This means that the purchase programme will continue to be designed based on the principle that the Riksbank should not hold a predominant share of the total outstanding stock of securities issued by the Swedish state, Swedish municipalities and regions, as well as Kommuninvest i Sverige AB and publicly-owned companies.

It is therefore appropriate that between 1 October and 31 December 2021, the Riksbank purchases nominal and real Swedish government bonds and the Swedish state's green bonds for a total nominal value of SEK 10 billion, municipal bonds for a nominal amount of SEK 12.5 billion, and covered bonds issued in Swedish krona by Swedish credit institutions for a nominal amount of SEK 45 billion. Within the amount allocated for purchases of municipal bonds, the Riksbank may continue to purchase green municipal bonds.

Correspondingly, it is appropriate that the Riksbank continues to purchase Swedish treasury bills during the same period. The treasury bills the Riksbank has purchased so far in 2021 have, to some extent, fallen due and will continue to fall due in the fourth quarter of 2021. It is therefore appropriate that between 1 October and 31 December 2021, the Riksbank purchases these securities to such a nominal total amount that the total holdings of treasury bills in the Riksbank's securities portfolio amounts to SEK 20 billion, in accordance with the instructions in the Executive Board decision dated 9 February 2021 (ref.no. 2021-00257).

In addition to the purchases of bonds and treasury bills stated above, the Riksbank shall during the fourth quarter of 2021 purchase bonds issued in Swedish krona by Swedish non-financial corporations for a nominal amount of SEK 1 billion. The Riksbank shall also offer to buy commercial paper issued in Swedish krona by Swedish non-financial corporations to such an extent that the Riksbank's total holdings of these securities on each occasion do not exceed SEK 32 billion.

The Riksbank's asset purchases are justified in terms of monetary policy and are made with the support of Chapter 6, Article 5 of the Sveriges Riksbank Act (1988:1385). Continued offers to purchase bonds, treasury bills and commercial paper are contributing to a broad pass-through of monetary policy on interest rate formation.

Instructions for purchases in the fourth quarter and risk assessment

For the Riksbank to ensure that the asset purchases have a broad pass-through on rate-setting, they should continue to be made in a market-neutral way and through bid procedures on the secondary market. Purchases of corporate bonds can also be made on the secondary market in the form of bilateral purchases; see the instructions conferred by the Executive Board decision of 31 August 2020 (ref.no. 2020-00861) and 6 November 2020 (ref.no. 2020-01133). Purchases of corporate bonds shall also comply with the instructions in the Executive Board decision on sustainability dated 25 November 2020 (ref.no. 2020-00861).

The Riksbank's purchases of government bonds shall be in accordance with the instructions in the Executive Board decision on government bond purchases dated 27 April 2020 (ref.no. 2020-00380). At the time of this decision, the Riksbank's holdings largely consist of nominal government bonds with a maturity of under 10 years.

Consequently, until further notice, purchases of nominal government bonds should mainly be allocated at longer maturities. The Swedish National Debt Office began issuing a government bond with a 50-year maturity in June this year. It will be necessary to evaluate how the market reacts to the new government bond. This bond may be part of the Riksbank's purchases of nominal government bonds.

The Riksbank's offer to purchase municipal bonds shall be in accordance with the instructions in the Executive Board decision dated 15 May 2020 (ref.no. 2020-00511). This means that the Riksbank shall offer to buy municipal bonds so that the holdings over time as far as possible reflect the outstanding stock of bonds with regard to, for example, issuer, maturity and credit-rating.

The purchase of green government bonds and green municipal bonds shall follow the instructions in the Executive Board's decision dated 25 November 2020 (ref.no. 2020-00861), which means that they shall be managed according to the same conditions as apply to the other government bonds and the municipal bonds within the scope of this purchase programme.

Purchases of covered bonds shall be made in accordance with the instructions in the Executive Board decision on purchases dated 27 April 2020 (ref.no. 2020-00401) and shall include bonds with maturities of over one year.

Purchases of treasury bills shall be made in accordance with the instructions in the part of the Executive Board's decision dated 25 November 2020 that refers to these securities (ref.no. 2020-00861).

Purchases of commercial paper shall comply with the instructions in the Executive Board decisions dated 8 May 2020 (ref.no. 2020-00418) and 6 November 2020 (ref.no. 2020-01133).

The Riksbank's measures normally have several different, and partly uncertain, consequences for the national economy and the Riksbank's own finances. The benefits of the respective measures have to be weighed against their potential drawbacks and risks. In the same way as for the corresponding assessment in the decisions dated 30 June, 31 August, and 25 November 2020, and also 9 February and 26 April 2021, the purchases to be made in accordance with this decision are deemed to entail slightly increased financial and operational risks for the Riksbank. At the same time, the increase in the financial risks is counteracted to some extent by norm-based negative screening when purchasing corporate bonds. The Riksbank deems that the advantages following from the various asset purchases will outweigh any possible disadvantages. The current risks are still deemed to be manageable.

Detailed design of the purchase programme

It is the responsibility of the Head of the Markets Department, with the right to delegate to another person, to determine the exact date and offered amounts at each auction and offer to purchase, and on the details regarding terms and conditions for, and information on the Riksbank's purchases of assets included in this programme. The decisions shall be taken after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for each of them to delegate to another person.



The Head of the Markets Department, or person to whom the Head of the Markets Department has delegated, shall also consult with the Executive Board. The consultations with the Executive Board shall be held at least once every second month and refer to guidelines for the purchases of the respective type of asset in the period up to the next consultation, on condition that market conditions at any particular time do not give rise to a need for more frequent consultation.

The Head of the Markets Department, or person to whom the Head of the Markets Department has delegated, shall also inform the Executive Board if developments on the financial markets motivate an amendment to the Riksbank's asset purchase programme.

Monetary policy needs to be constantly adapted to changes in the economic outlook and inflation prospects. 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 could be justified if there were a risk that inflation would significantly and lastingly overshoot the target.