



Monetary policy minutes

21 April 2020



MINUTES OF MONETARY POLICY MEETING

Executive Board, No. 6

DATE: 21 April 2020
TIME: 15:30

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Present: Stefan Ingves, Chair, by telephone
Per Jansson, Deputy chair
Cecilia Skingsley, by telephone
Anna Breman, by telephone
Martin Flodén, by telephone
Henry Ohlsson

Susanne Eberstein, Chairperson of the General Council
Michael Lundholm, Vice Chairperson of the General Council, by telephone

Meredith Beechey Österholm, by telephone
Heidi Elmér, by telephone
Dag Edvardsson
Mattias Erlandsson
Frida Fallan
Anders Gånge, by telephone
Jesper Hansson, by telephone
Magnus Jonsson
Sofia Kåhre
Pernilla Meyersson
Marianne Nessén, by telephone
Carl-Fredrik Pettersson
Cecilia Roos-Isaksson
Simon Rörborn, by telephone
Olof Sandstedt
Per Selldén, by telephone
Mithra Sundberg
Ulf Söderström, by telephone
Fredrik Wallin, by telephone

It was noted that Magnus Jonsson would prepare the draft minutes of the monetary policy meeting.

§3. Monetary policy review

Carl-Fredrik Pettersson from the Markets Department informed the meeting of developments on the financial markets. Significant upturns have occurred on stock markets in Sweden, the euro area and the United States over the last month, partly as a result of major fiscal and monetary policy measures. However, increasing unease on oil markets caused the stock markets to turn downwards today. For example, the price of WTI oil for delivery in May fell to around -40 USD/barrel yesterday. Several commodity currencies such as the Norwegian krone, the Russian rouble and the Canadian dollar have depreciated significantly in the past two days.

Long government bond yields in Sweden, core European countries and the United States are stable, but some stress in peripheral euro countries can be noted, especially in Italy. The Italian 10-year government bond yield is around 2 per cent today, which is 2.5 percentage points higher than its German equivalent. The conflict particularly between Italy and other European countries about how to fund the costs of the corona pandemic remains unresolved. Added to this, support for the EU has weakened in Italy and the sustainability of the monetary union has once again been called into question on the markets. Furthermore, on Friday 24 April, S&P Global will make a new assessment of Italy's credit rating, which is currently only two steps above junk status.

In conjunction with the publication of the Monetary Policy Report next week, the Riksbank is expected to communicate looser monetary policy. Pricing on the market (RIBA contracts) indicates an approximate 50-percent probability of a repo rate cut. SEB's investor survey among participants on the fixed-income and foreign exchange markets shows that four out of five think that the repo-rate path will be lowered. The Swedish krona has been relatively stable this past month, given the high degree of uncertainty.

Mattias Erlandsson, Deputy Head of the Monetary Policy Department, informed the meeting about general economic developments. By and large, the economies of Europe and the United States continue to be shut down. The spread of infection has slowed in a number of areas, and in some places, restrictions are being eased in small steps. The economic consequences of the shutdowns around the world will be very considerable, with substantial falls in GDP. There is still major uncertainty, however, about how deep and prolonged the downturn may be. The Swedish economy is being hit very hard. So far, in March and April, about 60,000 employees have been laid off, 260,000 have been furloughed and 95,000 have registered as unemployed at the Swedish Public Employment Service. The Riksbank's contacts with companies in the Business Survey indicated last week a continued weak position with signs of a deterioration in demand beginning to spread in the economy.

Mattias Erlandsson presented a basis for the Executive Board's decision to initiate purchases of municipal bonds, within the framework of the previously adopted programme on 16 March that the Riksbank shall purchase bonds for up to SEK 300 billion during the period March–December

2020. The proposal involves the Riksbank purchasing bonds issued by Swedish municipalities and regions and by Kommuninvest i Sverige AB for a total nominal amount of SEK 15 billion between 27 April and 30 June.

The Risk Division's assessment is that the overall risks associated with the programme for *municipal bond purchases for monetary policy purposes* have been dealt with. Purchases of municipal bonds contribute in particular to increased interest-rate risk and operational risk, although both these risks are considered manageable for the Riksbank.

§4. Monetary policy decision

The Executive Board decided

- on monetary policy measures and that these measures be applied in accordance with what is stated in Annex A to the minutes Municipal bond purchases for monetary policy purposes,
- to publish the monetary policy decision with the motivation for it in a press release on Wednesday, 22 April 2020, at 09.30 hours.
- to publish the minutes from today's meeting on Monday 4 May 2020 at 09.30 hours.

This paragraph was verified immediately.

Minutes taken by

Mithra Sundberg

Verified:

Stefan Ingves

Cecilia Skingsley

Anna Breman

Martin Flodén

Per Jansson

Henry Ohlsson



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