

# PRESS RELEASE

DATE: 01 July 2020  
NO. 34  
CONTACT: Press Office, tel. +46 (0)8-7870200



SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

## Further measures to alleviate the economic consequences of the pandemic

*To avoid an unnecessarily prolonged and deep decline in the economy and inflation, the Executive Board has decided on several measures. The framework for the asset purchases made by the Riksbank since the crisis began is being extended from SEK 300 billion to SEK 500 billion up to the end of June 2021. In September, the Riksbank will also begin purchasing corporate bonds. The Executive Board has further decided to cut interest rates and extend maturities on lending to banks. At the same time, the repo rate is held unchanged at zero per cent. The measures are helping to keep down general interest rates in the economy and to maintain access to low-cost funding. In this way, the Riksbank is providing support to the recovery in the economy and inflation.*

### Sharp fall in GDP but signs of the beginnings of a recovery

Despite robust economic policy stimulus, the negative consequences of the coronavirus pandemic are very substantial all around the world. Several countries have recently begun to withdraw their restrictive measures, and there are signs of a recovery. However, developments are very uncertain and the Riksbank assesses that it will take time before the global economy is back at pre-crisis activity levels.

The Swedish economy is also being substantially affected by the crisis, which is evident not least in the labour market, where unemployment is expected to continue to rise. Inflation has fallen considerably, primarily as a result of falling energy prices and other price changes connected in various ways to the pandemic. Even if the economy gradually recovers in the coming years, it will take some time before resource utilisation in the Swedish economy, as in other countries, is back at more normal levels. The Riksbank's measures will help inflation rise gradually towards 2 per cent. However, the depth of the crisis means that it will take time before inflation returns to the target.

### Further measures for continued low interest rates in the Swedish economy

The measures taken by the Riksbank and other central banks since the start of the crisis have helped to gradually stabilise developments on financial markets, with lower interest rates and better functionality as a result. But the situation is still judged to be fragile.



To avoid an unnecessarily prolonged and deep decline in the economy and inflation, monetary policy needs to continue to contribute to the smooth functioning of credit supply in the economy and to keeping interest rates low. The Executive Board has therefore decided to extend the framework for asset purchases from SEK 300 billion to SEK 500 billion up the end of June 2021. The Riksbank will continue to purchase government bonds, municipal bonds and mortgage bonds as well as commercial paper. In September, the Riksbank will also begin purchasing corporate bonds. The Executive Board has further decided to cut interest rates and extend maturities for lending to banks. At the same time, the repo rate is held unchanged at zero per cent. All of the measures that have been decided upon are listed below.

All in all, the Riksbank's measures mean that there will be comprehensive monetary policy stimulus in the form of low interest rates and a large amount of liquidity for the foreseeable future. This creates the conditions for a recovery in the Swedish economy and will help inflation rise towards the target of 2 per cent towards the end of the forecast period. The combination of appropriate measures is constantly being evaluated and will be adjusted to economic developments. The Riksbank is prepared to continue to use the tools at its disposal to provide support to the economy and inflation. The repo rate can also be cut, if this is assessed to be an effective measure.

### Interplay between policy areas the most effective to alleviate the effects of the crisis

The Government, the Riksdag and other authorities have implemented a long series of historically extensive measures. The Riksbank's measures are a complement to many of these, by supporting the general economic policy objectives.

#### Forecast for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, average annual and quarterly averages

	2019	2020	2021	2022	2023 Q3*
<b>CPI</b>	1.8 (1.8)	0.5 (1.4)	1.4 (1.8)	1.4 (2.1)	1.9
<b>CPIF</b>	1.7 (1.7)	0.4 (1.3)	1.4 (1.7)	1.4 (1.9)	1.8
<b>GDP</b>	1.2 (1.2)	-4.5 (1.3)	3.6 (1.8)	4.1 (2.0)	2.9
<b>Unemployment, per cent</b>	6.8 (6.8)	8.7 (7.0)	9.2 (7.1)	8.3 (7.1)	7.5
<b>Repo rate, per cent</b>	-0.3 (-0.3)	0.0 (0.0)	0.0 (0.0)	0.0 (0.1)	0.0

Note: The assessment in the Monetary Policy Report in February 2020 is shown in brackets. In April, the situation was so uncertain that the Riksbank did not publish a forecast.

\* Calendar-adjusted GDP growth and seasonally adjusted unemployment in 2023 Q3.

Sources: Statistics Sweden and the Riksbank

#### Forecast for the repo rate

Per cent, quarterly averages

	2020 Q2	2020 Q3	2020 Q4	2021 Q3	2022 Q3	2023 Q3
<b>Repo rate</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.08)	0.00

Note: The assessment in the Monetary Policy Report in February 2020 is shown in brackets.

Source: The Riksbank

**The following decisions were taken by the Executive Board of the Riksbank yesterday:****Asset purchases:**

- Extend the framework for asset purchases from SEK 300 to SEK 500 billion. Extend the period for purchases to 30 June 2021.
- Within this framework, purchase government bonds, mortgage bonds and municipal bonds for SEK 100 billion between 1 October and 31 December 2020. During the same period, offer weekly purchases of commercial paper up to holdings of a maximum of SEK 32 billion.
- Within this framework, offer to purchase corporate bonds for SEK 10 billion up to 30 June 2021. These purchases will be initiated in September.
- Apply an issuer limit to not own more than 70 per cent of an individual issuer's total outstanding volume of commercial paper in SEK.

**Lending to banks:**

- Cut the interest rate on the standing loan facility from the repo rate plus 0.2 percentage points to the repo rate plus 0.1 percentage points.
- Cut the interest rate and offer longer maturities on the weekly extraordinary loans to banks. The interest rate is cut from the repo rate plus 0.2 percentage points to the repo rate. Loans are offered at maturities of three months and six months.
- Extend the maturity on loans to banks for onward lending to companies from two to up to four years.
- Cut the interest supplement that applies if the requirement for onward lending to Swedish companies is not met, from 0.20 percentage points to 0.10 percentage points.

**The repo rate:**

- Hold the repo rate unchanged at 0 per cent.

More information on the Executive Board's decisions on the various measures can be found in the annexes to the minutes on riksbank.se.

The decision on the repo rate will apply with effect from 8 July. The minutes from the Executive Board's monetary policy meeting will be published on 10 July.

A press conference with Governor Stefan Ingves and Jesper Hansson, Head of the Monetary Policy Department, will be held today at 11.00 at the Riksbank. Press cards must be shown. The press conference will be broadcast live on riksbank.se. Owing to the coronavirus, the following applies to visitors to the Riksbank: you must be in good health and have been free of symptoms for at least two days. We have removed many of the seats from the press conference room, so a maximum of two people from each editorial office may attend. Media who are unable to attend physically may call in by telephone. In that case, please contact our Press Office, tel. +46 (0)8 787 02 00.