

PRESS RELEASE



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The Riksbank to increase asset purchases and take measures to facilitate credit supply

To support economic developments and avoid problems in credit supply further exacerbating the economic consequences of the pandemic, the Executive Board has decided on a package of measures. The Riksbank is offering increased loans to banks on favourable terms. During the year, the Riksbank also intends to buy securities for up to an additional SEK 300 billion. The decision was taken at an extraordinary monetary policy meeting today. In this way, the Riksbank will help to facilitate credit supply and mitigate the downturn in the economy. The Riksbank is prepared to take additional measures if necessary.

Credit shortage shall not exacerbate the downturn on the economy

The corona pandemic will inevitably have clearly negative effects on economic activity, although it is too early to say how serious these consequences will be and how long they will last. In all likelihood, the developments will also affect credit supply in the economy.

The Riksbank can act in various ways to limit the negative effects of the pandemic on the economy. Continued turbulence on financial markets means that credit supply in the Swedish economy can rapidly deteriorate. This could aggravate the downturn in the economy and lead to prolonged negative consequences for output, employment and inflation in Sweden.

Measures to facilitate credit supply

To provide support to economic development, the Executive Board of the Riksbank has taken a decision on a package of measures:

- Increase purchases of securities by up to SEK 300 billion this year. If necessary, the purchases will include government, municipal and mortgage bonds. More precise details will be decided by the Executive Board shortly. The purchases of government bonds will be initiated immediately.
- Reduce the lending rate for overnight loans to banks from 0.75 to 0.20 percentage points above the repo rate. The repo rate remains at zero per cent.



- Offer banks to borrow an unlimited amount of money on a weekly basis against collateral at three months' maturity at an interest rate of 0.20 percentage points above the repo rate.
- Increase flexibility with regard to the collateral banks can use when they borrow money from the Riksbank, which will, among other things, give banks more scope to use mortgage bonds as collateral.

The measures mean that banks can borrow money from the Riksbank at a lower interest rate, that additional liquidity will be supplied to the Swedish financial system and that the functionality of the fixed-income market will improve.

The Riksbank is prepared to take further measures

Economic developments and the situation on financial markets, both in Sweden and other countries, are now deteriorating very rapidly. Given this, the Riksbank is prepared to take further measures and supply the necessary liquidity even between the ordinary monetary policy meetings. All the Riksbank's tools can be put to use. Purchases of bonds issued by non-financial corporations may also be considered. How the tools will be used depends on future developments.

More information about the decision by the Executive Board can be found on the Riksbank's website, riksbank.se.