

PRESS RELEASE

DATE: 10 February 2022
No: 3
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

Monetary policy decision: Zero interest rate and unchanged asset holdings

As energy prices have increased rapidly, inflation is now high but the Riksbank expects it to fall back over the year. Monetary policy needs to provide continued support for inflation to be close to the target in the medium term. The Executive Board has therefore decided to hold the repo rate at zero per cent and that the Riksbank shall purchase bonds for SEK 37 billion during the second quarter of 2022 to compensate for maturing assets in the portfolio. The Executive Board's forecast is, as before, that the holdings will remain approximately unchanged in 2022 and then decrease gradually. The forecast for the repo rate indicates that it will be raised in the second half of 2024, which is slightly earlier than the Riksbank's assessment in November.

Strong economy and inflation above target this year

The global economy has largely recovered the severe fall in GDP that took place at the beginning of the coronavirus pandemic, and growth prospects are good, both in Sweden and abroad. In several parts of the world, inflation has risen rapidly over the past year. A common feature is that a large part of the increase is due to energy prices. But there are major differences between countries. In, for instance, the United States and the United Kingdom, inflation, even adjusted for energy prices, is relatively high and both wages and prices of goods and services have risen significantly.

In Sweden, the high inflation is entirely explained by rapid increases in electricity and fuel prices. Excluding energy prices, however, inflation is close to 2 per cent. The Riksbank's assessment is that energy prices will not increase further this year and that CPIF inflation will therefore fall back. It is of course difficult to say how lasting the high inflation will be. In the forecast, however, it is expected to fall to just over 1 per cent at the end of 2022 and be close to 2 per cent from the middle of next year. Compared with the assessment in November, the inflation forecast has been revised upwards.

Continued support from monetary policy for on-target inflation in the medium term

In recent decades, inflation has on average been below the target of 2 per cent. After two years strongly marked by the pandemic, inflation prospects have now partly changed. But even if the risk of too low inflation is assessed to have declined, it still remains.



Monetary policy needs to provide continued support for inflation to be close to the target in the medium term. The Executive Board has therefore decided to hold the repo rate unchanged at zero per cent. The Riksbank's asset purchase programme initiated in March 2020 came to an end at the turn of the year. Since then, the holdings have not increased. To compensate for maturing assets, the Executive Board has decided that the Riksbank will purchase bonds for SEK 37 billion during the second quarter of this year.

The Executive Board's forecast is that the asset holdings will remain approximately unchanged in 2022 and then decrease gradually. The forecast for the repo rate indicates that it will be raised in the second half of 2024, which is slightly earlier than in the assessment in November. With this monetary policy, inflation is expected to be on target in the medium term. However, the fluctuations in inflation are unusually large and uncertainty surrounding the outlook for inflation has increased. Monetary policy needs to be constantly adapted to changes in the economic outlook and inflation prospects.

Table 1. Forecast for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, annual and quarterly averages respectively

	2021	2022	2023	2024	2025 Q1*
CPI	2.2 (2.1)	2.9 (2.3)	2.0 (1.9)	2.4 (2.2)	2.8
CPIF	2.4 (2.3)	2.9 (2.2)	1.9 (1.8)	2.2 (2.1)	2.3
GDP	5.2 (4.7)	3.6 (3.8)	2.0 (2.0)	1.7 (1.5)	1.7
Unemployment	8.8 (8.9)	7.7 (7.7)	7.2 (7.2)	7.0 (7.1)	7.0
Repo rate	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.2 (0.1)	0.3

Note. Assessment in the Monetary Policy Report in November 2021 in brackets. *Percentage change in calendar-adjusted GDP compared with the corresponding quarter in the previous year and seasonally-adjusted LFS unemployment.

Sources: Statistics Sweden and the Riksbank

Table 2. Forecast for the repo rate

Per cent, quarterly mean values

	2021 Q4	2022 Q1	2022 Q2	2023 Q1	2024 Q1	2025 Q1
Repo rate	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.06 (0.00)	0.31

Note. Assessment in the Monetary Policy Report in November 2021 in brackets.

Source: The Riksbank

Deputy Governors Anna Breman, Martin Flodén and Henry Ohlsson entered reservations against the decision and the forecast for asset purchases. They advocated purchases of government bonds, municipal bonds and covered bonds in the second quarter of 2022 for SEK 9 billion per bond type and a gradual tapering of purchases during the second half of the year. They also advocated that the Riksbank's purchases of treasury bills should cease after the first quarter of 2022 and that purchases of corporate bonds should decrease to SEK 500 million in the second quarter and then be either further tapered or discontinued completely. In their view, such a tapering of purchases is consistent with continued expansionary financial conditions, strong development of the real economy and inflation in line with the target.



The decision on the repo rate will apply with effect from 16 February 2022. The minutes from the Executive Board's monetary policy meeting will be published on 21 February 2022. Further information on the Executive Board's decision can be found in the annex to the minutes at riksbank.se. A digital press conference with Governor Stefan Ingves and Jesper Hansson, Head of the Monetary Policy Department, will be held today at 11.00. The press conference will be broadcast live on riksbank.se. Preregistered journalists will be able to ask questions via Zoom. Press cards or similar are required. For registration, contact Susanne Meyer at the Press Office by telephone on 08-7870200 or by email at susanne.meyer@riksbank.se, no later than 10.00 on 10 February 2022.