

PRESS RELEASE

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Riksbank raises policy rate by 0.5 percentage points and, starting in April, will begin selling government bonds

Inflation is far too high and has continued to rise. For inflation to fall and stabilise around the target within a reasonable time, the Executive Board has decided to raise the Riksbank's policy rate by 0.5 percentage points to 3.0 per cent. The policy rate will probably be raised further during the spring. Further, the Executive Board decided that the Riksbank will, with effect from April, sell government bonds to reduce asset holdings at a faster pace.

High global inflation and rising policy rates

Central banks around the world have rapidly raised their policy rates to bring down inflation. The global economy has so far proved to be relatively resilient to rising prices and interest rates. However, this year global economic activity will slow down. This, together with the recent sharp downturn in energy prices, is expected to contribute to a clear downturn in inflation going forward.

As in other countries, economic activity was high in Sweden at the beginning of last year and the employment rate rose to a historically high level. Towards the end of the year, however, demand fell clearly and the downturn looks likely to continue this year. Swedish inflation is very high and increased more than expected to just over 10 per cent in December, much due to energy prices. However, even disregarding energy prices, inflation is high and rising.

Important to return to low and stable inflation

The high inflation undermines households' purchasing power and makes it difficult for them and for companies to plan their finances. It is important for confidence in the inflation target that inflation falls back clearly this year and there are many indications that it will do so. However, it is uncertain whether inflation will fall sufficiently quickly and far, not least given the fact that underlying inflation is still rising. Moreover, if the krona continues to be weak, it will be considerably more difficult for the Riksbank to sustainably return inflation to the target. In the current situation, a stronger krona would be desirable.



Tighter monetary policy to safeguard the inflation target

The Executive Board assesses that monetary policy needs to be tightened to bring down inflation and safeguard the inflation target, and has therefore decided to raise the policy rate by 0.5 percentage points to 3.0 per cent. The forecast indicates that the policy rate will probably be raised further during the spring. Incoming data and how they affect inflation prospects will continue to be important for the conduct of monetary policy.

The Executive Board has also decided to reduce the Riksbank's asset holdings at a faster pace, by selling until further notice nominal and real government bonds with longer maturities at a nominal value of SEK 3 billion and SEK 0.5 billion respectively per month, starting in April. The Riksbank may alter the volumes and terms if market conditions are unfavourable. The Riksbank is not planning to sell its holding of non-government bonds. Furthermore, the Executive Board has decided to offer larger volumes of Riksbank Certificates, corresponding to the entire liquidity surplus in the banking system, in the weekly monetary policy operations.

Both the sales of government bonds and the increased volume of Riksbank Certificates are expected to primarily contribute to risk-free market rates rising somewhat and to an increase in the volume of safe and liquid assets on the Swedish market. This may facilitate foreign investment in Swedish assets and also improve the functionality of the financial markets. All in all, this can contribute to a stronger krona and improve the Riksbank's capacity to reduce inflation.

The measures constitute a step towards normalising the Riksbank's balance sheet and operational framework for monetary policy, now that the support measures during the coronavirus crisis have been phased out and monetary policy is being tightened with a higher policy rate.

Important for monetary policy to act when inflation is too high

Rising prices and higher interest costs are noticeable for households and companies, and many households will face significantly higher living costs. However, it would be even more costly for households and the Swedish economy in general if inflation were to remain at the current high levels. By tightening monetary policy more now, the Riksbank is reducing the risk that the high inflation will remain for a longer period and thus that even greater tightening would be needed further ahead.

With the current and predicted monetary policy stance, inflation is expected to fall back this year and to stabilise close to 2 per cent from 2024.



Forecast for Swedish inflation, GDP, unemployment and the policy rate

Annual percentage change, annual and quarterly averages respectively

	2022	2023	2024	2025	2026 Q1
CPI	8.4 (8.3)	8.6 (9.3)	3.6 (3.0)	2.4 (2.4)	2.2
CPIF	7.7 (7.6)	5.5 (5.7)	1.9 (1.5)	1.9 (2.0)	2.0
GDP	2.5 (2.7)	-1.1 (-1.2***)	0.9 (1.0)	1.9 (1.7)	2.4
Unemployment, per cent	7.5 (7.4)	8.0 (7.9)	8.4 (8.3)	8.4 (8.3)	8.1
Policy rate, per cent	0.8 (0.7)	3.2 (2.8)	3.3 (2.8)	3.3 (2.8)	3.3

Note: Assessment in the November 2022 Monetary Policy Report in brackets. Calendar-adjusted GDP growth and seasonally adjusted LFS unemployment in 2026 Q1. *** Correction: The GDP forecast for 2023 from the Monetary Policy Report in November 2022 has been corrected. The correct figure is -1.2 and not -1.0 as stated in the previous publication.

Sources: Statistics Sweden and the Riksbank

Forecast for the policy rate

Per cent, quarterly mean values

	2022Q4	2023Q1	2023Q2	2024Q1	2025Q1	2026Q1
Policy rate	2.01 (2.00)	2.75 (2.64)	3.21 (2.82)	3.33 (2.84)	3.33 (2.84)	3.33

Note: Assessment in the November 2022 Monetary Policy Report in brackets.

Source: The Riksbank

The decision on the policy rate will apply with effect from 15 February. The minutes from the Executive Board's monetary policy meeting will be published on 20 February. Further information on the Executive Board's decision can be found in an annex to the minutes at riksbank.se. A press conference with Governor of the Riksbank Erik Thedén and Jesper Hansson, Head of the Monetary Policy Department, will be held today at 11:00 at the Riksbank, but pre-registered journalists can also participate and ask questions via Zoom. Press cards or the equivalent are required to participate. The press conference will be broadcast live at riksbank.se. Journalists who wish to participate and ask questions via Zoom must pre-register with the press office, either by telephone 08-787 0200 or by e-mail to susanne.meyer@riksbank.se, no later than 10:00 on 9 February.