

# The Riksbank's objectives, mandate and the process behind a monetary policy decision

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In recent years, there have been some changes that have affected the Riksbank's work prior to monetary policy decisions. For example, a new Sveriges Riksbank Act entered into force in January 2023, more ordinary monetary policy decisions have been taken since 2024 and, not least, the period of major shocks to the economy has provided new experiences. This article is an update of a previously published description of the monetary policy decision-making framework.

The overall process ahead of a monetary policy decision is broadly the same and the need for flexibility remains. The Executive Board of the Riksbank now normally takes eight monetary policy decisions a year and, for every other decision, when a Monetary Policy Report is published, the process takes around five weeks. When a Monetary Policy Update is published it takes around three weeks. The drafting process can be roughly divided into four stages: (i) the phase before the Monetary Policy Department presents proposals for the main and alternative scenarios and monetary policy to the Executive Board; (ii) the actual preparatory meetings with the Executive Board; (iii) the phase after these meetings, when the Executive Board's feedback are incorporated, and finally; (iv) the monetary policy decision and the communication associated with it.

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## 1 An independent central bank with high transparency

### 1.1 Statutory independence and price stability objective

The inflation target is one of Sweden's economic objectives because low and stable inflation creates good conditions for favourable economic growth. The Riksbank is responsible for the task of keeping inflation sustainably low and stable through monetary policy. The Riksbank is an independent central bank and an autonomous

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authority under the Riksdag, and this independence has been a fundamental principle since 1 January 1999.<sup>1</sup>

The task of monetary policy to maintain price stability is defined in the Sveriges Riksbank Act. However, it is the Riksbank and its Executive Board that decide not only how the target is to be achieved, but also how the target is to be specified - that is, what the intended target variable is and what level it should be at. When the inflation target was introduced in 1993, it was specified as an annual change in the consumer price index (CPI) of 2 per cent. In 2017, the Riksbank decided the consumer price index with a fixed interest rate, the CPIF, to be the formal target variable but without changing the target level.<sup>2</sup> An amendment introduced in the new Sveriges Riksbank Act is that if the Riksbank wishes to change the specification of the inflation target, the Riksdag must now formally approve this.<sup>3</sup> The inflation target and its current specification have broad political support.<sup>4</sup>

While the overriding task of monetary policy is to fulfil the inflation target, the Riksbank shall also contribute to a balanced development of production and employment.<sup>5</sup> This is usually called "flexible inflation-targeting" (See Svensson 1999 and Svensson 2011). There is no general answer to the question of how quickly inflation should be brought back to 2 per cent if it deviates from the target. It depends, among other things, on how far from the target inflation is at the outset, the type of shock that has occurred and the trade-offs that monetary policy needs to make. Normally the trade-off is a question of finding a balance between how rapidly inflation shall be brought back and the effects on real economic developments. Monetary policy affects the real economy and inflation through different channels, which means that different mechanisms operate simultaneously. Some of these affect inflation relatively quickly while others take longer.

## 1.2 The Executive Board takes the monetary policy decisions

The Riksbank is led by an Executive Board which since 2023 consists of five full-time members, appointed by the General Council of the Riksbank. Their term of office is

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<sup>1</sup> A key element of independence is what is known as the prohibition on instructions, which is enshrined in the Instrument of Government. This means that no public authority may determine how the Riksbank shall decide in matters for which it is responsible and that the Riksbank may not seek or take instructions from anyone.

<sup>2</sup> See Sveriges Riksbank (1993). The change in the formulation of the target did not change how monetary policy is conducted but it provided more clarity regarding how the Riksbank interprets its task of maintaining price stability. See [Press release: CPIF the target variable for monetary policy](#)

<sup>3</sup> The current Sveriges Riksbank Act (2022:1568) came into force on January 1 2023 and replaced the act from 1988 (1988:1365).

<sup>4</sup> An example of this is that the Government comments in the bill to the Sveriges Riksbank Act that (p.88): "The current specification of the price stability objective - two per cent inflation per year, measured by the consumer price index with a fixed interest rate (CPIF) - should be an appropriate specification of the objective for the time being." See Government of Sweden (2021).

<sup>5</sup> This wording was introduced in the new act. In practice, the meaning is the same as the one the Riksbank had in its previous strategy: that the Riksbank aims to stabilise output and employment around long-term sustainable development paths. The amendment therefore had no practical implications for the monetary policy strategy but was a formalisation of existing practice. See also the Sveriges Riksbank (2023).

five or six years.<sup>6</sup> One of the members is appointed Governor of the Riksbank and is Chair of the Executive Board. The other members are Deputy Governors, with one acting as First Deputy Governor. The Executive Board takes monetary policy decisions by majority vote, with each members vote carrying equal weight.<sup>7</sup>

The Riksbank normally holds eight meetings a year, at which the Executive Board decides on the policy rate and, if they deem it appropriate, other monetary policy measures.<sup>8</sup> However, if there is a need for more monetary policy decisions, the Executive Board may meet more frequently. The initial acute phase of the 2020 coronavirus pandemic is an example of this: Between 12 March and 21 April 2020, five extraordinary monetary policy meetings were held to decide on various measures.<sup>9</sup>

In connection with all monetary policy decisions, the Riksbank publishes a decision document in which the Executive Board justifies the decision.<sup>10</sup> At every other meeting, four times a year, the Riksbank's forecasts are published in a *Monetary Policy Report*, which summarises the data on which the current decision is based. The report reflects the Executive Board's views on economic developments and on what constitutes a well-balanced monetary policy. At the other four meetings, the Riksbank publishes a shorter document without new forecasts, a *Monetary Policy Update*. It contains a qualitative description of the impact of new information on the Executive Board's assessment of the outlook for economic activity, inflation and monetary policy, together with a justification for the monetary policy decision.

When the monetary policy decision is made public, the Riksbank also publishes a press release that briefly describes and justifies the decision. If any member of the Executive Board has entered a reservation to the decision, this is stated in both the decision document and the press release. The more detailed reasoning of the members is published in the monetary policy minutes approximately five working days after the decision meeting. The minutes also clarifies if and how members' views differ. Once the minutes are published, the members can also publicly express their own views on the decision.<sup>11</sup> The individual board members' protocol entries and

<sup>6</sup> Between 1999 and 2023, the Executive Board consisted of six members, and the Governor had a casting vote in decision-making. The Executive Board fulfils several roles that, in many other central banks, are performed by different groups of decision-makers. For example, at the ECB, the Bank of England and the Federal Reserve, different groups run operations in the organisation and make monetary policy decisions.

<sup>7</sup> At the same time, each member has an individual responsibility, which is reflected in the fact that the Executive Board is not expected to be unanimous in its decisions. The Executive Board is usually described as an individualistic monetary policy committee that, as opposed to a collegial committee, does not seek consensus and openly reports dissenting opinions once the decision has been taken. See for example Blinder (2007).

<sup>8</sup> The number of ordinary monetary policy meetings per year has varied over time. Between 2008 and 2020, there were normally six meetings per year. In 2020 the Riksbank moved to five meetings per year and in 2024 to eight meetings per year. The rationale for eight ordinary meetings was to be able to adjust monetary policy more quickly to the prevailing situation and to communicate more frequently a collective view of economic developments, while aligning with international practice.

<sup>9</sup> See the Riksbank's website for the minutes of monetary policy meetings [Minutes of the Executive Board's monetary policy meetings | Sveriges Riksbank](#). The Executive Board also took six "per capsulam" decisions during this period. In total, decisions were taken on more than 20 different occasions in 2020.

<sup>10</sup> As of 2023, monetary policy decision documents are published in their current form as part of an adjustment to the new Sveriges Riksbank Act. Previously, decisions on the policy rate were included in the Monetary Policy Reports and the Monetary Policy Minutes, but not in separate decision documents.

<sup>11</sup> See also [The Riksbank's communication policy | Sveriges Riksbank](#).

communication clarify their individual responsibilities, which also facilitates an evaluation of monetary policy.

### 1.3 Independence requires the Riksbank to be scrutinised and evaluated

As the Riksbank has an independent role in relation to the Riksdag, it is particularly important that it is possible to carefully scrutinise and evaluate the Riksbank's administration, not least to preserve trust and support for the Riksbank's independence and mandate. In order to hold the Executive Board accountable for its decisions, high transparency plays a central role.<sup>12</sup> Communicating monetary policy openly and clearly not only makes it easier for economic agents to make good economic decisions but also makes monetary policy easier to evaluate.

The Riksbank is scrutinised in several ways. The formal scrutiny of activities, decisions and the Executive Board is carried out by the Riksdag (the Swedish Parliament), the Swedish National Audit Office, the General Council and its audit function. The Riksbank's administration is audited by the Swedish National Audit Office every year, on the basis of the Annual Report. In the Riksdag, the Committee on Finance monitors and evaluates the Riksbank's activities, including through open hearings with the members of the Executive Board.

The Riksdag Committee on Finance evaluates monetary policy annually and, as a basis for this review, the Riksbank compiles the publication *Account of Monetary Policy*. Since 2023, the Committee on Finance has also commissioned an annual independent expert evaluation by Swedish researchers in economics. Every five years or so, the Committee on Finance also commissions two prominent foreign economists to review the monetary policy conducted by the Riksbank in a longer-term perspective. The first review was published in 1999 and the latest in 2026.<sup>13</sup>

The basis for monetary policy decisions is also evaluated internally. For example, the Riksbank continuously evaluates its forecasts to see how well they capture economic developments.<sup>14</sup>

### 1.4 The Riksbank's monetary policy tools

The policy rate is the main monetary policy tool used by the Riksbank to stabilise inflation at the target of 2 per cent. By raising or cutting the policy rate, the Riksbank affects other interest rates in Sweden. This in turn affects demand in the Swedish economy and thus inflation.<sup>15</sup>

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<sup>12</sup> The Riksbank is often ranked highly in surveys of central bank transparency, see for example Dincer et al. (2022).

<sup>13</sup> See the Committee on Finance's website for all the evaluations, both the annual ones and those with a longer time perspective [The Committee on Finance's evaluations of monetary policy | Sveriges Riksdag](#)

<sup>14</sup> For the latest published evaluation of the forecasts, see Sveriges Riksbank (2026).

<sup>15</sup> This is usually referred to as the interest rate channel. Monetary policy also affects inflation and the real economy through other channels. These are usually referred to as the exchange rate channel, the asset price channel, and the expectations channel.

Under certain circumstances, the Riksbank may need to use other monetary policy measures, especially if the policy rate is already very low or even negative. If the Riksbank in such situation for example needs to lower interest rates further to stimulate the economy, this can be done by, for example, buying Swedish government bonds. Such securities purchases typically push down government bond yields, which then spread to other interest rates in the economy. There are other measures that the Riksbank could use, including purchases of other types of securities and interventions on the foreign exchange market. However, in accordance with the Sveriges Riksbank Act, there must be exceptional grounds for the Riksbank to buy and sell securities other than Swedish government securities for monetary policy purposes.<sup>16</sup>

Open and clear communication is also an important monetary policy tool for a central bank. When taking decisions about consumption and investment, households and companies are influenced by current interest rates, but also by how they expect interest rates to develop in the future. If they can anticipate the future monetary policy stance, it facilitates their economic planning. Monetary policy is therefore more effective if it is predictable. The Riksbank has chosen to be more open in its monetary policy communication than many other central banks. This includes the design of the monetary policy minutes but also publishing the forecast for the policy rate and alternative scenarios.<sup>17</sup>

## 1.5 The importance of monetary policy communication

The Riksbank tries to make monetary policy predictable in several ways. One way is to be clear about the objectives of monetary policy. Another way is to try to be clear about how monetary policy will be conducted to achieve these objectives.<sup>18</sup> The Riksbank has published forecasts for inflation and various real economic variables since the late 1990s. In 2007, the Riksbank began to also make its own forecast for the policy rate. The reason was, among other things, that the forecasts for inflation, the real economy and monetary policy would be more clearly linked, based on the principle that the other forecasts are conditioned on the forecast for the policy rate.<sup>19</sup> To increase transparency, the Riksbank decided to also publish its policy-rate forecast, together with the forecasts for economic developments that this monetary policy is expected to result in.<sup>20</sup>

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<sup>16</sup> The previous Sveriges Riksbank Act was more general in terms of the tools that the Riksbank may use for monetary policy purposes.

<sup>17</sup> These three elements fulfil different functions, but they also create conditions for and interact with each other. See Breman and Seim (2025).

<sup>18</sup> One way to retrospectively discuss whether monetary policy has been predictable is to study deviations between the policy conducted and estimated so-called reaction functions, which aim to capture how the Riksbank historically set interest rates given developments in key economic conditions. Justifying the identified deviations in the Riksbank's communication when they occur can be expected to strengthen the predictability of monetary policy. This is discussed by Gustafsson and Nessén (2026).

<sup>19</sup> Working with policy rate forecasts also improves internal discussions, as the effects of different monetary policy options can be more easily analysed and illustrated. See Sveriges Riksbank (2017).

<sup>20</sup> It is still relatively unusual for central banks to publish forecasts for their policy rates.

The forecast provides information to actors in the economy on the behavioural pattern of the Executive Board: If the economy develops as the Riksbank expects, it shows what the Riksbank is likely to do and what impact it will have on economic activity and inflation. The policy-rate forecast thus reflects the monetary policy that in the end, in the Executive Board's view, is deemed consistent with good target attainment.

In 2024, the Riksbank began to communicate more clearly the difference between how the Executive Board views the forecast for the policy rate in the near term compared with the longer-term forecast. The aim was to signal that there is more information, and therefore somewhat more reliability, in the forecast for economic developments in the short term, while the outlook further ahead is increasingly uncertain, as new shocks continuously hit the economy.<sup>21</sup>

Since 2007 the Riksbank has also produced alternative scenarios. The scenarios are part of the internal analysis and have also become a supplementary tool for communicating how the policy rate might develop. With the scenarios the Riksbank can illustrate the uncertainty surrounding the economic outlook but also provide information on the risks that the Executive Board perceives as important and what the policy-rate forecast might look like if the scenarios materialise. Compared to uncertainty bands based on historical forecasting errors, scenarios provide a clearer view of the uncertainty surrounding the outlook at a given decision point. Alternative scenarios are also likely to be most valuable when the economic outlook is highly uncertain. Therefore, the Riksbank has seen a greater need to illustrate alternative development paths for the economy in recent years, as there have been several large shocks. That is why the scenarios have been highlighted more in the Riksbank's monetary policy communication.<sup>22</sup>

## 2 The monetary policy drafting process

### 2.1 Eight monetary policy decisions per year

It is mainly the Monetary Policy Department (APP) that prepares a basis for the monetary policy decision, with important participation also from the Markets Department (AFM), the Financial Stability Department (AFS) and the Legal Secretariat (RÄT). To provide a research perspective in the monetary policy analysis, the head of the research division and several researchers also participate in the drafting process.

Four times a year, ahead of the March, June, September and December decisions, APP produces a thorough baseline scenario with forecasts for economic activity, inflation and the policy rate, as well as detailed alternative scenarios. Based on the forecasts, a broader and more comprehensive basis is provided for the Executive Board to discuss

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<sup>21</sup> See Sveriges Riksbank (2024) for more details on the change.

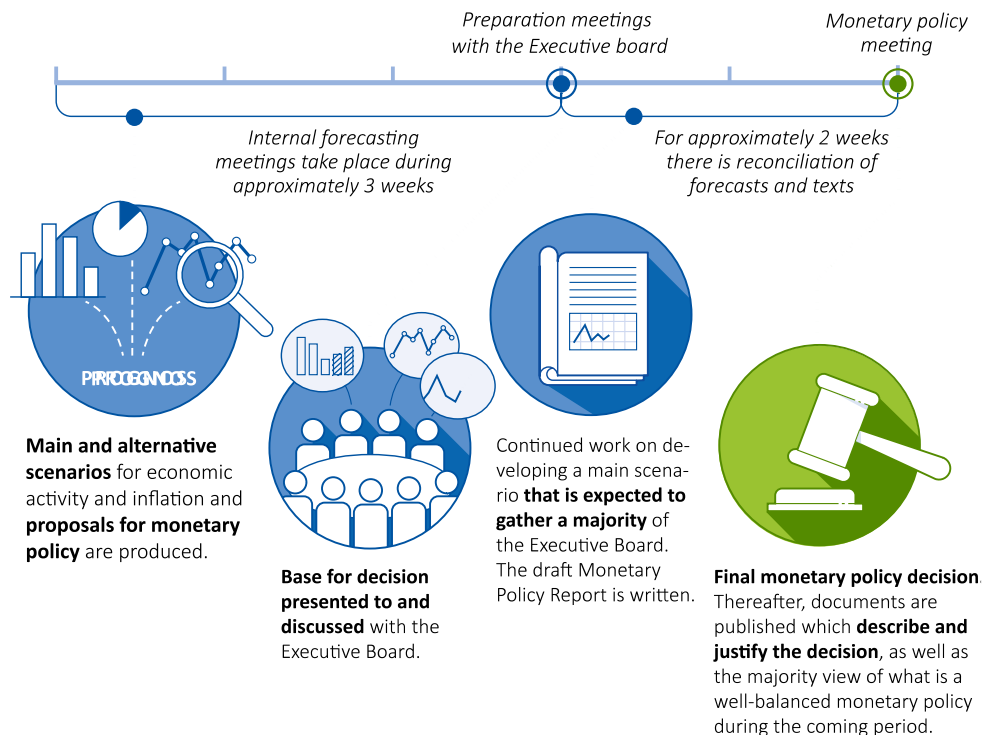
<sup>22</sup> Between 2007 and 2015, the alternative scenarios had their own chapter in the Monetary Policy Report. When the report was remodelled, the alternative scenarios were published less frequently but continued to be used in internal discussions. Since 2023, they have again been a regular feature of the Monetary Policy Report.

risks, uncertainties and different monetary policy options. Ahead of the other four decision occasions, APP does not produce forecasts but normally provides a more qualitative update on economic developments since the last forecast, an assessment of changes in the risk outlook and a basis for the Executive Boards' monetary policy considerations.

This means that the process leading up to a monetary policy decision is longer when a Monetary Policy Report is published than when a Monetary Policy Update is published. The longer process lasts around five weeks and can be roughly divided into four stages (see Figure 1): the phase before APP presents the basis for the decision to the Executive Board, the preparatory meetings with the Executive Board, the phase after these meetings and, finally, the monetary policy meeting and the related communication. These stages are summarised below.

The process ahead of a Monetary Policy Update lasts for around three weeks - about two weeks before the preparatory meeting with the Executive Board and then another week before the monetary policy meeting. Basically, the process is similar but more compressed since no forecasts are produced nor a monetary policy report is written.

**Figure 1. Schematic image of the monetary policy process in March, June, September and December**



## 2.2 The process before preparatory meetings with the Executive Board

### 2.2.1 The interplay between forecasting models and assessments in constant evolution

As it takes time before monetary policy has a full impact on inflation and the economy at large, forecasts of economic developments are an important basis for the decision. The forecasts are in turn affected by the assumptions made about monetary policy, that is, assessments about how the policy rate and the Riksbank's other monetary policy instruments will develop. Therefore, analyses of the impact of monetary policy - for example on the financial markets, the real economy and inflation - are also important in the decision-making basis.

The Riksbank uses several models to make the best possible analyses of the current economic situation and produce forecasts for economic developments beyond the next few quarters. These models are based on economic theory, empirical studies and different relationships in the economy. But there is no single tool that can fulfil all analytical needs, and both the needs and the tools change over time. The Riksbank is therefore continuously reviewing its models and working methods with the aim of improving the model support for forecasting and monetary policy analysis.<sup>23</sup>

To form an opinion about where the economy is at the outset, the Riksbank uses outcome data and a range of quantitative indicators related to actual activity, such as statistics on production, consumption and labour market conditions, as well as survey data that, for example, measures price plans and the confidence of households and businesses. When short-term forecasting (usually forecasts for the current quarter and one to two quarters ahead), more emphasis is typically placed on time series- and indicator models since they often have good short-term forecasting ability. Longer-term projections are to a greater extent based on bigger and more theoretically based macroeconomic models and trend assumptions, which, together with certain assumptions about how monetary policy react to economic developments, provide a coherent view on inflation and economic outlook. In addition, the Riksbank uses smaller, partial, models that are better suited to analyse certain specific relationships in the economy.

In addition to different time series models, such as Bayesian VAR models, the Riksbank uses the macroeconomic model Maja, a model for general equilibrium analysis, in its forecasting work.<sup>24</sup> Maja is a model that captures dependencies between different sectors and actors in the economy, but also between Sweden and the rest of the world. Maja can be used to explain both the events in the economy and how market mechanisms and economic policies can bring the economy back to its normal state (long-term equilibrium) after a shock. For example, the model can interpret the extent to which inflation is driven by productivity, the exchange rate and

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<sup>23</sup> This includes further developing macro models, evaluating and improving current models, and developing new methods for short-term forecasting based on AI and machine learning.

<sup>24</sup> Maja is a New Keynesian DSGE model ("Dynamic Stochastic General Equilibrium model"), see Corbo and Strid (2020) and Ringqvist et al. (2020).

other factors. It is also an important tool for studying alternative economic scenarios and how monetary policy tends to respond to shocks over time.

Models are necessarily simplifications of the complex economy, but with their grounding in both theory and data, model forecasts provide a good starting point that helps to structure the monetary policy discussions. However, models assume, to varying degrees, that history repeats itself or that economic relationships are stable over time. Therefore, they need to be complemented by analyses and assessments by experts who have insights into mechanisms and events in the economy that the models have difficulty taking into account. The model forecasts are weighed together with this information and assumptions about monetary policy into final forecasts of economic developments. Expert assessments become particularly important when unusual events or structural changes that alter the functioning of the economy take place. Over the past years, major economic shocks have occurred, making it difficult for analytical methods based on historical relationships observed in more stable times to provide relevant support for decision-making. The pandemic, Russia's invasion of Ukraine and the period of high inflation are all examples of times when it has been particularly important to complement the models with different assessments.

An important lesson has been that inflation dynamics can be very different in an environment with many and large shocks, and that it is important to be able to identify such an environment as quickly as possible (see Durakovic et al. 2025). In order for the Riksbank to best assess the current situation and near-term developments, high-frequency are needed.<sup>25</sup> These are now an important tool in the assessment.<sup>26</sup> A greater need but also greater access to data has made the analysis of inflation, the real economy and the effects of monetary policy become more detailed. For example, the Riksbank continuously analyses detailed financial data and data on securities borrowing and lending. In the analysis of inflation, it has become important to study more high-frequency measures of inflation than the 12-month figures, data from the Food Price Index and data on the frequency of price-setting by firms. The Riksbank's business survey has long provided important information, but in recent years, these contacts with business actors have been closer. These discussions have provided the Riksbank with in-depth information on how companies perceive the current situation and how they intend to act.

### **2.2.2 Proposals for the baseline scenario and monetary policy are drafted**

At the start of the monetary policy process, APP holds a meeting with the Executive Board to discuss specific questions and themes on which the drafting should focus. The aim is to obtain guidance from the Executive Board on whether the department's prioritisation proposal is appropriate and meets the needs of the Executive Board. The current and main sources of uncertainty and the risks surrounding economic

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<sup>25</sup> In the Riksbank's overall strategic plan, one of the shifts is to harness the potential of data. This is about streamlining and improving the conditions for working with data, both in forecasting and policy analysis, and exploring how new data sources can help the Riksbank understand the economy in new ways. See the Riksbank's website, [The Riksbank's Strategic Plan 2024-2027](#).

<sup>26</sup> Some examples used during the pandemic are indicators of community mobility measured from mobile phone data, hotel and restaurant booking status, and card transaction data. See Ewertzh et al. (2020).

developments and monetary policy are discussed. APP proposes preliminary alternative scenarios for publication in the forthcoming report. The Executive Board may also ask for further in-depth analyses prior to the decision. This work is sometimes published as analysis or fact boxes in the Monetary Policy Report or in other Riksbank publications. The discussions on the meeting mainly concern the work ahead of the upcoming monetary policy decision but can also include longer-term planning.

For about three weeks, APP then works internally to draft a baseline scenario for the development of economic activity and inflation in Sweden which include a well-balanced monetary policy. In the first stage, it is necessary to clarify the *conditions* for the forecast, i.e. what happens irrespective of how the Executive Board chooses to conduct monetary policy at the next monetary policy meeting. Overall, this concerns developments abroad, the financial conditions and the current state of the Swedish economy.

Sweden's strong external dependence means that analysing and discussing developments abroad is important, with a particular focus on Sweden's main trading partners such as Europe, the United States and China. In Maja, the external environment is later conditioned by APP's projected outlook for economic activity, inflation and monetary policy for the euro area and the United States. Current financial conditions are analysed, and exchange rate and interest rate developments are important elements in these discussions, not least to assess the pass-through of monetary policy. At a meeting on the current economic situation in the Swedish economy, new information since the previous monetary policy meeting is discussed in detail and its implications for the Riksbank's short-term forecasts for GDP, the labour market and inflation. As new information is published on a continuous basis, APP updates these assumptions about the external environment and the current situation throughout the drafting process.

In the next stage, APP uses macroeconomic models and assessments to produce a *proposed baseline scenario* for the entire forecast period, that is the next three years. By discussing the plausibility of the models' interpretation of the new information, conclusions can be drawn about the expected impact on forecasts beyond the next few quarters. When factors that the models cannot fully take into account are also considered, APP agrees on a consistent forecast for policy rate, inflation, GDP, unemployment and exchange rate. This forecast still relies on a monetary policy determined by an estimated monetary policy rule in the models. The Riksbank normally aims for the risks surrounding the inflation outlook to be balanced, i.e. it is equally probable that inflation will be too high as that it will be too low. The main scenario should therefore not be interpreted as the scenario that the Riksbank considers most likely. But it is challenging to make forecasts where the risks are fully balanced, especially when the conditions for monetary policy changes fast.

Thereafter, a monetary policy iteration takes place to arrive at a *proposal for monetary policy*. The monetary policy is calibrated to be well balanced, which may lead to further adjustments to the forecasts for real activity and inflation. The policy-rate forecast prepared is well balanced in the sense that it shows a development of

the policy rate that is judged to stabilise inflation at the target and contribute to a balanced development of output and employment. There may be several different forecasts for the policy rate that achieve this, while, for example, the timing of inflation stabilizing at the target differs. In choosing between these options, APP emphasizes monetary policy also being effective, robust, and predictable (see Almerud et al. 2026). To arrive at such monetary policy, scenario analysis is an important element. For example, APP produces monetary policy options to illustrate both the monetary policy trade-offs and the potential impact of different monetary policy strategies on the outlook for economic activity and inflation.

Among other things, the monetary policy proposal prepared by APP reflect the way in which the Executive Board has normally chosen to act on the basis of the outlook for economic activity and inflation. Of course, this becomes more complex when the economy is hit by unusual shocks, or if the Riksbank uses supplementary tools in parallel with the policy rate. In such situations, cooperation with other departments at the Riksbank is particularly important.

Building on the risk discussion with the Executive Board at the start of the process, APP also develops proposals for *alternative scenarios* to be published in the Monetary Policy Report. These scenarios are used to illustrate the uncertainty surrounding the economic outlook, provide information on the risks that the Executive Board deem to be particularly important at the time of decision-making, and convey how monetary policy might be conducted if the scenarios materialise.

### **2.3 Preparatory meetings with the Executive Board**

Approximately two weeks before the decision is to be taken, the monetary policy decision basis is presented to the Executive Board at preparatory meetings lasting one or two days. The meetings aim to provide the Executive Board with the information it needs to start forming a view on future economic developments and monetary policy. To bring in new perspectives and avoid groupthink, time is also allocated for a researcher or other senior Riksbank staff member to discuss the decision basis and act as a kind of “devil’s advocate” at these meetings.

Initially, several staff members from APP, AFS, AFM and the Communication Division participate. APP presents different types of modelling results together with the forecasts, the rationale behind them and the monetary policy the forecasts rely on. Particular emphasis is placed on current issues and the assessment of the current state of the global and Swedish economy. The results of the in-depth analyses identified at the beginning of the process are also presented. Once APP has presented the baseline and alternative scenarios, the members of the Executive Board and the officials involved in the preparation discuss key assumptions and factors affecting the economic outlook. These may include, for example, developments abroad, financial conditions or specific domestic factors that affect the real economy or inflation. The Executive Board can ask detailed questions directly to experts and commission further analyses prior to the decision.

After that, the focus shifts to the monetary policy discussion, with a more limited number of participants. To achieve a structured discussion of the current monetary policy considerations, APP justifies the monetary policy assumption the presented forecasts are based on and discusses monetary policy options. Based on the material presented at the meetings, individual members then, in an even smaller group, give their views on the forecasts and monetary policy.

## **2.4 The process after the preparatory meetings with the Executive Board**

After the preparatory meetings with the Executive Board, APP follows up on any further requests, continues to monitor new incoming information and develops a proposal for forecasts and monetary policy that is believed to gather a majority in the Executive Board. The Executive Board of the Riksbank consists of members with different backgrounds, experiences and knowledge so that decisions on monetary policy are based on several different perspectives. This also means that there may be different views on which monetary policy is most appropriate. Sometimes these are merely nuanced differences, but other times the members' views differ more significantly, for example on how inflation and the real economy will develop or whether the risk outlook is reflected in a fair manner. Even if there is a consensus on the economic outlook, there may be different views on what constitutes a well-balanced monetary policy. If there are different opinions within the Executive Board, it is the majority view that is expressed in the decision and in the Monetary Policy Report. The texts of the Monetary Policy Report prepared by APP thus reflect what the department judges a majority of the Executive Board will agree on regarding monetary policy, the outlook for economic activity and inflation and the main motives for the current monetary policy decision.

Less than a week after the preparatory meetings, the Executive Board receives a draft of the monetary policy report, and at an Executive Board meeting, the members then discuss how the forecasts and monetary policy should be presented. The draft report is tabled, and the editorial work continues after the meeting. In the run-up to the monetary policy meeting, officials will continue to monitor how new information affects the baseline scenario and how risks surrounding the forecasts develop. The text is only finalised at the monetary policy meeting, as this is when the forecasts and monetary policy are set.

## **2.5 The monetary policy decision**

### **2.5.1 The decision meeting**

In addition to the Executive Board, the monetary policy meetings are normally attended by the Chief of Staff, the General Counsel, the Director of Communication, the Chief Risk Officer, the Heads of APP, AFS and AFM, and some additional staff members from APP, AFM and the Communications Division. The Chairman and Vice Chairman of the General Council also regularly participate in the meetings of the Executive Board and thus have direct insight into the work of the Board. They have the right to express opinions, but not the right to put forward proposals or take any decisions.

During the drafting process, the members of the Executive Board have formed their own opinions, but it is at this meeting that they take the final decision on the policy rate and, if appropriate, other monetary policy measures. They shall also agree on a view of future monetary policy and economic developments by adopting the monetary policy report.

First, AFM presents a brief update on market developments since the previous monetary policy meeting. After that, AFS describes the situation in the financial system. APP then presents the forecast that the department judges will be supported by a majority of the Executive Board, and the monetary policy proposal on which it is based. APP also sets out the issues that were discussed in particular detail during the drafting process.

Each member of the Executive Board then gives their personal view on the economic situation, the outlook and various aspects on monetary policy conduct. Thereafter the Executive Board decides on the proposal for the policy rate that gathers a majority and also adopts the Monetary Policy Report, with any amendments necessary to reflect the discussions at the meeting fairly.

### **2.5.2 Communication after the decision**

The monetary policy decision is normally made public the day after the Executive Board formally takes it. The press release is then published, including any reservations, and the Riksbank holds a press conference. The Governor of the Board and the head of the monetary policy department briefly outline the economic situation and the reasons behind the decision made based on the monetary policy report, after which journalists can ask the Governor questions. The Riksbank then undertakes a range of other communication activities to reach key target groups, such as several media interviews, meetings with market participants and chats on various media's websites, where the public can ask the Governor questions.

Immediately after the publication of a monetary policy decision, only the majority view is communicated by the Riksbank. Approximately five working days after a monetary policy meeting, the minutes are published, setting out the reasoning behind each member's decision. Thereafter, the members can present their own positions in the economic debate.

## **3 Concluding comment**

The inflation target in its current form was introduced in 1993, making Sweden one of the first countries in the world to conduct monetary policy with a floating exchange rate and a numerical inflation target. Today, the Riksbank's independence is statutory, and therefore it is also particularly important to have high transparency. Being open and clear means that it is possible to carefully scrutinise and evaluate the Riksbank's activities. For the Riksbank, this is important to preserve support for its independence, build confidence in the inflation target, and create credibility for monetary policy.

This article aims to provide an understanding of the Riksbank's mandate, objectives, and the process of monetary policy decision-making. In recent years, certain changes have occurred that have affected the Riksbank's work ahead of monetary policy decisions. Overall, the process is largely the same, but today it takes into account experiences from the period of major economic shocks, a new Riksbank Act since January 2023, and the fact that eight monetary policy decisions are now normally made each year. In an ever-changing world, monetary policy constantly faces new challenges, and it will continue to be important with a flexible process preparing the monetary policy decision. It contributes to the Riksbank's ability to adapt in various ways to attain the inflation target and build confidence in the Riksbank's activities.

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