

PRESS RELEASE

DATE: 25 November 2021
No: 22
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Monetary policy decision: Zero interest rate and unchanged asset holdings

Economic activity is strong and inflation has risen rapidly, largely driven by rising energy prices. The Riksbank forecasts a fall in inflation next year. The Executive Board has decided to hold the repo rate unchanged at zero per cent, and to purchase bonds during the first quarter of 2022 to compensate for forthcoming principal payments in the Riksbank's asset holdings. The Board's forecast is that the holdings will remain roughly unchanged in 2022, after which they will gradually decrease, and that the repo rate will be raised in the latter part of 2024. With this monetary policy, inflation is expected to be on target going forward.

Strong economic activity and inflation temporarily above target

In several parts of the world, infections are increasing and some restrictions have been reintroduced. The sharp fall in GDP at the beginning of the pandemic is mainly recovered, both in Sweden and abroad. The sudden fluctuations in demand that ensued when large parts of society first closed down and then opened up again have created bottlenecks. For example, commodity prices have risen, companies have problems with supplies and there is a shortage of labour in parts of the service sector. This is creating headwinds for growth in the short term and, in combination with rapidly rising energy prices, has led to upturns in inflation in many parts of the world.

Swedish inflation was 3.1 per cent in October. The Riksbank forecasts a fall in inflation next year. The most important reason is that energy prices are not expected to rise as quickly next year. Another reason why inflation will slow down is that the bottlenecks will be resolved when growth enters a calmer phase. If inflation is to be close to the target in the longer term, cost pressures need to increase more permanently. This requires continued support from monetary policy.

With the support of monetary policy, inflation is expected to be on target in the longer run

The Executive Board has decided to hold the repo rate at zero per cent. The asset purchase programme initiated in March 2020 will expire on 31 December 2021. To



compensate for forthcoming principal payments in the asset portfolio, the Executive Board has now decided that the Riksbank will purchase bonds for SEK 37 billion during the first quarter of 2022.

The Executive Board's forecast is that the asset holdings will remain approximately unchanged in 2022 and then decrease gradually. It also forecasts that the repo rate will be raised in the latter part of 2024. With this monetary policy, inflation is expected to be on target in the longer run.

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

Annual percentage change, annual and quarterly averages respectively

	2020	2021	2022	2023	2024	2024 Q4*
CPI	0.5	2.1 (2.0)	2.3 (2.1)	1.9 (1.8)	2.2	2.4
CPIF	0.5	2.3 (2.3)	2.2 (2.1)	1.8 (1.8)	2.1	2.1
GDP	-2.8	4.7 (4.7)	3.8 (3.6)	2.0 (2.0)	1.5	1.6
Unemployment	8.3	8.9 (8.8)	7.7 (7.6)	7.2 (7.2)	7.1	7.0
Repo rate	0.0	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.1	0.2

Note: The assessment in the September 2021 Monetary Policy Report is shown 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 Q3	2021 Q4	2022 Q4	2023 Q4	2024 Q4
Repo rate	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.19

Note: The assessment in the September 2021 Monetary Policy Report is shown in brackets.

Source: The Riksbank

The decision on the repo rate will apply with effect from 1 December. The minutes from the Executive Board's monetary policy meeting will be published on 6 December. 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 of the press office by telephone at 08-7870200 or by email at susanne.meyer@riksbank.se, no later than 10.00 on 25 November.