



Monetary policy minutes

26 March 2020



MINUTES OF MONETARY POLICY MEETING

Executive Board, No. 5

DATE: 26 March 2020
TIME: 10:00

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Present: Stefan Ingves, Chairman
Cecilia Skingsley, by telephone
Anna Breman, by telephone
Martin Flodén
Per Jansson, by telephone
Henry Ohlsson

Susanne Eberstein, Chairperson of the General Council
Michael Lundholm, Vice Chairperson of the General Council, by
telephone

Meredith Beechey Österholm, by telephone
Dag Edvardsson, by telephone
Heidi Elmér, by telephone
Mattias Erlandsson
Jesper Hansson, by telephone
Mia Holmfeldt
Martin W Johansson, by telephone
Magnus Jonsson
Pernilla Meyersson
Marianne Nessén, by telephone
Jonas Niemeyer, by telephone
Amanda Nordström
Tommy Persson
Olof Sandstedt, by telephone
Per Selldén, by telephone
Albina Sultanaeva
Mithra Sundberg, by telephone

It was noted that Magnus Jonsson would prepare the draft minutes of the monetary policy meeting.

§3. Monetary policy review

Amanda Nordström from the Markets Department informed the meeting of developments on the financial markets since yesterday. The US Senate has approved a stimulus package of around USD 2,000 billion. The interest rates on long-term government bonds rose by a few basis points but there have not been any dramatic movements. Like their German equivalent, Swedish government bond rates were relatively unchanged compared with the day before. Developments on the US stock markets have been relatively calm with small increases, although the volatility is expected to continue. Asian markets have also been calm but there are some signs of a rise in the demand for safe assets. European stock markets have opened with minor falls and US forwards are pointing downwards. On the Stockholm stock market, the OMXS30 index opened just over 1 per cent down having risen yesterday. The Swedish krona has recently depreciated as currencies that are seen as safe in times of turmoil have appreciated and despite some appreciation in recent days, the krona remains at weak levels. Demand for US dollars in the global banking system continues to be high, which means that dollar funding is still expensive. Yesterday, a large Swedish company issued on the Swedish primary market for corporate bonds. A smaller issuer with no credit rating has instead decided to utilise its credit line at a bank to refinance its bond loans.

Mattias Erlandsson, Deputy Head of the Monetary Policy Department, and **Mia Holmfeldt**, Deputy Head of the Financial Stability Department, informed the meeting about general economic developments. The spread of covid-19 continues to increase at a rapid rate and the economies of Europe are still closed. The United States has also introduced tighter restrictions to reduce the spread of the virus, while China is lifting some of its restrictions. We see clear signs of very severe declines in economic activity in Sweden and that the service sector is particularly badly affected. Substantial redundancy notices are being announced each day. The statistics are uncertain, but so far in March just under 20,000 workers have been laid off, which can be compared with around 4,000 lay-offs in a more normal month. This is also in line with the responses for the Riksbank's Business Survey last week which indicated a sharp decline in the situation. With few exceptions, companies noted that liquidity in the markets for corporate bonds and commercial paper is very low.

Contacts with participants in the financial markets indicate that a virtually non-existent secondary market has created problems for fund managers and funds as well as made it difficult for companies to issue on the primary market. At the same time, the need for loans is substantial in order to bridge over the acute period, not least in industries hit disproportionately hard by the fall in demand. The market for covered bonds in Sweden has also been affected with increased spreads and reduced activity. In addition, global credit markets are functioning poorly and have been characterised by a global "dollar shortage" in recent weeks, which has affected the ability of many banks to issue securities in USD.

Erlandsson presented a basis for the Executive Board's decision to initiate purchases of commercial paper, in accordance with the Executive Board's decision from 19 March that the Riksbank, during the period March–December 2020, will buy bonds and paper issued in Swedish kronor by Swedish non-financial corporations within the framework of the bond-purchasing programme. The proposal means that the Riksbank, on 2 April, will initiate purchases of commercial paper issued in Swedish krona by non-financial corporations to a nominal amount of SEK 4 billion.

Albina Soultanaeva, Deputy Head of the Markets Department, presented a basis for the Executive Board's decision on a temporary increase in the number of monetary policy counterparties. The proposal means that the Riksbank will allow Swedish credit institutions under the supervision of Finansinspektionen to become temporary monetary policy counterparties, and that such temporary monetary policy counterparties may participate in the programme for lending to companies via monetary policy counterparties.

Per Sellén, Senior Risk Analyst at the General Secretariat, presented a risk assessment of the proposed measures and noted that there is a high level of awareness regarding the risks and an effective approach to risk management in the organisation. The increased risk level resulting primarily from the purchase of commercial paper is therefore considered to be manageable for the Riksbank.

§4. Monetary policy decision

The Executive Board decided

- on monetary policy measures and that these measures be applied in accordance with what is stated in Annex A to the minutes Purchases of commercial paper and Annex B to the minutes The Riksbank allows temporary monetary policy counterparties,
- to publish the monetary policy decision with the motivation for it in a press release on Thursday, 26 March 2020, no later than 14:00 hours,
- to publish the minutes from today's meeting on Tuesday 7 April 2020 at 09:30 hours.

This paragraph was verified immediately.

Minutes taken by

Magnus Jonsson

Verified:

Stefan Ingves

Cecilia Skingsley

Anna Breman

Martin Flodén

Per Jansson

Henry Ohlsson



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