

# PRESS RELEASE



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## **Monetary policy decision: Asset purchases and zero interest rate support the recovery and inflation**

*Despite the spread of the coronavirus having increased again, the Swedish economy has developed relatively well, supported by extensive economic policy measures. The economic outlook is slightly brighter now than it was in February, but the pandemic is not over, and inflationary pressures remain low. Monetary policy needs to remain expansionary to support the economy and for inflation to be close to the target of 2 per cent more permanently. The Riksbank is therefore continuing to purchase securities within the envelope of SEK 700 billion. The repo rate is being held unchanged at zero per cent.*

### **Brighter prospects for global economic activity**

Although the spread of infection has increased over the spring, the global economy is well on the way to recovery, not least due to the major fiscal and monetary policy support. World trade and industrial production have rapidly rebounded from the severe falls last year, but parts of the service sectors are still weighed down by the restrictions. An increasing number of people are being vaccinated and as soon as restrictions are eased, the conditions will be right for demand in the hard-hit contact-intensive service industries to rapidly return. However, there is still considerable uncertainty and the speed of the recovery will vary substantially between different sectors and countries.

Towards the summer, GDP growth is expected to gear up in Sweden and abroad. However, the differences between various sectors and groups on the labour market are expected to remain substantial. The Riksbank assesses that total economic activity in Sweden will approach more normal levels towards the end of the year. The labour market will strengthen and when resource utilisation increases the conditions will be right for inflation to rise. However, it will take time before inflation is more permanently close to the target of 2 per cent.

### **Monetary policy needs to be sustained**

In a time of uncertainty, the Riksbank's measures have contributed to keeping the level of interest rates low and ensuring the supply of credit functions smoothly, which has



mitigated the effects of the pandemic on the economy. The recovery of the Swedish economy is well on the way, but a continued expansionary monetary policy will be needed over the next few years to support the economy and bring inflation close to the target more permanently. The Riksbank is therefore continuing to purchase assets within the envelope of SEK 700 billion and to offer liquidity within all the programmes launched. The Executive Board assesses that the envelope for asset purchases will be fully utilised by the end of 2021, and that the size of the holdings will be maintained at least until the end of 2022. The Executive Board has now decided how the purchases will be allocated between different asset types during the third quarter of 2021, and to hold the repo rate unchanged at zero per cent. The repo rate is expected to remain at this level during the forecast period.

### Extensive economic policy support over a long time

Extensive economic policy support will be needed over a long period of time, from both fiscal and monetary policy. The Riksbank will continue to design monetary policy so that it supports the recovery and inflation as long as necessary. Asset purchases and measures that promote lending in the economy remain important tools. It is also entirely possible to cut the repo rate, particularly if confidence in the inflation target were under threat. The combination of appropriate monetary policy measures is constantly evaluated and adjusted to economic developments.

### Forecast for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, annual and quarterly averages respectively

	2020	2021	2022	2023	2024 Q2*
CPI	0.5 (0.5)	1.4 (1.3)	1.5 (1.3)	1.7 (1.8)	2.1
CPIF	0.5 (0.5)	1.5 (1.5)	1.4 (1.3)	1.7 (1.7)	2.0
GDP	-2.8 (-2.8)	3.7 (3.0)	3.6 (3.9)	2.0 (2.4)	2.0
Unemployment, per cent	8.3 (8.3)	8.6 (8.5)	7.7 (7.9)	7.4 (7.4)	7.2
Repo rate, per cent	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.00

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

\*Calendar-adjusted GDP growth and seasonally adjusted LFS unemployment in 2024 Q2.

Sources: Statistics Sweden and the Riksbank

### Forecast for the repo rate

Per cent, quarterly mean values

	2021 Q1	2021 Q2	2022 Q2	2023 Q2	2024 Q2
Repo rate	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00

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

Source: The Riksbank

The decision on the repo rate will apply with effect from 28 April. The minutes from the Executive Board's monetary policy meeting will be published on 10 May. Further information on the asset purchases can be found in the annexes to the minutes at [www.riksbank.se](http://www.riksbank.se).



A digital press meeting with Governor Stefan Ingves 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 on +46 (0)8-787 0200 or by email at [susanne.meyer@riksbank.se](mailto:susanne.meyer@riksbank.se) no later than 10.00 on 27 April.