



DECISION

DATE: 26 March 2024
DEPARTMENT: Monetary Policy Department
DNR: 2024-00413
DOCUMENT CLASSIFICATION: RB PUBLIC

Policy rate decision

The Riksbank's decision

1. The Riksbank sets the policy rate at 4 per cent, which means that it is held unchanged.
2. The Riksbank adopts the Monetary Policy Report, annex Monetary Policy Report.
3. This decision will be published at 09:30 on 27 March 2024.
4. The minutes of the monetary policy meeting on 26 March 2024 will be published at 09:30 on 4 April 2024.

Grounds for the decision

Legal basis

Under Chapter 2, Section 1 of the Sveriges Riksbank Act (2022:1568), the overriding objective of the Riksbank is to maintain low and stable inflation (the price stability objective). Without neglecting the inflation target, the Riksbank shall moreover contribute to a balanced development of production and employment. The Riksbank has defined the price stability objective as a target of 2 per cent for the annual increase in the consumer price index with a fixed interest rate (the CPIF).

The Riksbank's main monetary policy tool for achieving the price stability objective is the policy rate. The Riksbank shall determine the policy rate for its deposits, its credits and its repurchase agreements in financial instruments (Chapter 2, Section 4, second paragraph of the Sveriges Riksbank Act).

Unchanged policy rate

Low and stable inflation is a necessary condition for good economic development. After the Riksbank began raising the policy rate, with effect from April 2022, from 0 per cent to 4 per cent in September 2023, the policy rate has been left unchanged.

The more contractionary monetary policy has contributed to CPIF inflation falling from a peak of around 10 per cent in December 2022 to 2.5 per cent in February 2024. Forward-looking indicators point to a continuation of the good development and inflation approaching 2 per cent. Long-term inflation expectations are still firmly anchored close to the target and wage increases are moderate. The risk of inflation becoming entrenched at levels that are too high is continuing to decline, but inflationary pressures are still somewhat elevated.

Given the very high inflation in recent years and changed pricing behaviour, the Riksbank wants, prior to a decision to cut the repo rate, further confirmation that inflation will stabilise close to the target. The Riksbank therefore decides to leave the policy rate unchanged at 4 per cent.

If the inflation prospects remain favourable, the policy rate may well be cut in May or June. But there is a risk of setbacks. For example, there is uncertainty over the development of the krona exchange rate and companies' pricing behaviour. The geopolitical unease could also increase and lead to renewed supply shocks.

Assessment of proportionality

The Riksbank assesses that an unchanged policy rate will contribute to inflation stabilising close to the target within a reasonable period of time. Taking into account the consequences for the real economy, the functioning of the financial markets and the risks to public finances, the Riksbank assesses that the decision to leave the policy rate unchanged is a well-balanced measure. The effects of the decision are also considered to be in reasonable proportion to the costs and risks that the measures entail for the finances of the Riksbank and the State. The Riksbank therefore considers that the decision to hold the policy rate unchanged is compatible with the principle of proportionality in Chapter 1, Section 8 of the Sveriges Riksbank Act.

The decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Anna Breman and Deputy Governors Per Jansson, Martin Flodén and Aino Bunge) following a presentation by Carl-Andreas Claussen, senior advisor at the Monetary Policy Department. Head of Department Åsa Olli Segendorf and General Counsel Ulrika Söderberg took part in the final processing work.