

PRESS RELEASE

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Policy rate cut by 0.25 percentage points to 2.25 per cent

Inflationary pressures are deemed consistent with inflation of around two per cent. At the same time, economic activity is weak, although there are signs of a rebound. The Executive Board has decided to cut the policy rate from 2.5 to 2.25 per cent. The forecast for the policy rate made in December essentially holds, but the Executive Board is prepared to act if the outlook for inflation and economic activity changes.

For some time, inflationary pressures have been deemed consistent with inflation of around two per cent. There are signs that an economic rebound is on the way, but activity remains weak. Last year's interest rate cuts have had a positive impact on households' and companies' finances. But they have yet to reach full impact on interest expenses and demand in the economy. New information since December indicates that the outlook for inflation and economic activity remains largely the same.

In December, the Executive Board assessed that the policy rate could be cut once again during the first half of this year. Given that the risk of inflation becoming too high is limited, at the same time as economic activity is weak, the Executive Board assesses that it is appropriate to cut the policy rate now. A stronger economy is important in its own right, but it is also a necessary condition for inflation to stabilise close to the target going forward.

The Executive Board has therefore decided to cut the policy rate by 0.25 percentage points to 2.25 per cent. This means that the policy rate has been cut by a total of 1.75 percentage points since May. The lower interest rate will gradually provide an increasingly positive contribution to demand in the Swedish economy. The Executive Board assesses that the forecast for the policy rate made in December essentially holds, but is prepared to act if the outlook for inflation and economic activity changes.

S V E R I G E S R I K S B A N K

Monetary policy is forward-looking and guided by a tentative approach. The Riksbank will carefully evaluate the need for future interest rate adjustments, in light of the effects of earlier cuts and other information relevant to the outlook for inflation and economic activity.

There are several factors that could affect economic developments and thereby also the policy rate going forward. There is particular uncertainty regarding developments abroad, for instance with regard to economic policy in the United States and Europe and the geopolitical tensions. There are also risks linked to the recovery in the Swedish economy and the krona exchange rate.

The decision on the policy rate will apply with effect from 5 February. The minutes from the Executive Board's monetary policy meeting will be published on 4 February. A press conference with Governor Erik Thedéen, and Åsa Olli Segendorf, Head of the Monetary Policy Department, will be held today at 11.00 at the Riksbank. Press cards or the equivalent are required to participate. Advance registration is required, to press officer Susanne Meyer, susanne.meyer@riksbank.se no later than 10.00 on 29 January. The press conference will be broadcast live on riksbank.se.

About the Monetary Policy Update

A Monetary Policy Update is published in connection with the policy rate decision, containing the Executive Board's assessment of how new information affects economic prospects and monetary policy. The update does not contain any new forecasts. The next Monetary Policy Report containing forecasts will be published on 20 March.