

DECISION

DATE: 19 August 2024
DEPARTMENT: Monetary Policy Department
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Policy rate decision

The Riksbank's decision

1. The Riksbank sets the policy rate at 3.5 per cent, which means that it is cut by 0.25 percentage points. The new level of the policy rate shall apply as from 21 August 2024.
2. The Riksbank adopts the Monetary Policy Update, annex Monetary Policy Update.
3. This decision will be published at 09:30 on 20 August 2024.
4. The minutes of the monetary policy meeting on 19 August 2024 will be published at 09:30 on 26 August 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).

Policy rate is cut to 3.5 per cent

Over the year, monetary policy has been gradually adjusted to an improved inflation outlook. In May 2024, the Riksbank decided to cut the policy rate from 4 to 3.75 per cent. In June, the Riksbank decided to hold the policy rate unchanged but communicated that if the inflation outlook holds, the policy rate could be cut two or three times during the second half of the year.

Since then, inflation has continued to fall in line with the Riksbank's forecast, and the picture of inflation stabilising close to the target has been further reinforced. The conditions are also good for inflation being in line with the target going forward. At the same time, economic activity is weak, with a subdued development in the labour market. As part of attaining the price stability target, the Riksbank therefore assesses that under the prevailing circumstances and taking into account the consequences for the real economy and the functioning of the financial markets, a well-balanced decision is to cut the policy rate to 3.5 per cent.¹ The effects of the monetary policy decision are also considered to be in reasonable proportion to the costs and risks that it entails for the finances of the Riksbank and the State. The Riksbank therefore considers that the decision is compatible with the principle of proportionality in Chapter 1, Section 8 of the Sveriges Riksbank Act.

In light of an increasingly favourable inflation outlook and new information that indicates a somewhat weaker outlook for growth in Sweden and abroad, the Riksbank assesses that the policy rate can be cut somewhat faster than was assessed in June 2024. If the inflation outlook remains the same, the policy rate can be cut a further two or three times during the remainder of the year.

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

¹ This is developed further in the Monetary Policy Update, see enclosure.