

DECISION

DATE: 19 March 2025
DEPARTMENT: Monetary Policy Department
DNR: 2025-00357
DOCUMENT CLASSIFICATION: RB STRICTLY CONFIDENTIAL

Policy rate decision (to be announced 20 March 2025 at 09.30 a.m.)

The Riksbank's decision

1. The Riksbank sets the policy rate at 2.25 per cent, which means that it is held unchanged. The policy rate decided on shall apply as from 26 March 2025.
2. The Riksbank adopts the Monetary Policy Report, annex Monetary Policy Report.

As the Riksbank decided earlier (ref.no. 2024-01029), the minutes from the monetary policy meeting on 19 March 2025 shall be published on 26 March 2025 at 9.30 am.

Grounds for the decision

Legal basis

Under Chapter 2, Section 1 of the Sveriges Riksbank Act (2022:1568), the primary objective of the Riksbank is to maintain low and stable inflation (the price stability objective). Without prejudice to the price stability objective, the Riksbank shall also contribute to a balanced development of production and employment (consideration for the real economy). 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) (ref. no. 2017-00691).

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 held unchanged at 2.25 per cent

To stabilise inflation close to the target, the Riksbank began a series of policy rate cuts in May 2024, from 4 per cent to 2.25 per cent in January this year. In its January decision, the Riksbank also assessed that the policy rate does not need to be cut further as long as the outlook for inflation and economic activity does not change.

Since the decision, inflation has become higher than expected, and the Riksbank is counting on inflation remaining between 2-3 per cent during 2025. The upturn in inflation at the beginning of the year is assessed to not fully reflect actual price increases. This is because the upturn is largely a consequence of Statistics Sweden's annual update of the consumer weights in the CPIF for 2025 giving rise to an abnormally large positive effect on the CPIF, which will impact the annual percentage increase throughout the year.¹ Another partial explanation for the upturn in inflation is that certain food prices have risen rapidly at the start of the year. The Swedish economy is in a recovery phase, but the turnaround in the labour market will take a little longer. The Riksbank expects inflation to return to being close to 2 per cent next year. This is a consequence of the expectation that Statistics Sweden's update of the consumer weights for 2026 will entail a more normal effect on inflation, but also expectations of gradually lower price increases on food and a stronger krona and stable inflation expectations. All in all, the Riksbank assesses that earlier estimates of the outlook for inflation and economic activity largely hold with an unchanged policy rate in the coming years. 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 hold the policy rate unchanged at 2.25 per cent.² The effects of the monetary policy decision are also considered to be in reasonable proportion to the costs and risks that the decision 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.

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 Senior Economist Matilda Kilström.

¹ This is discussed in more detail in the Fact Box "Inflationary effects of new weights in the CPIF" in the Monetary Policy Report, see annex.

² This is developed further in the Monetary Policy Report, see annex.

The Head of the Monetary Policy Department Åsa Olli Segendorf and General Counsel Annica Sandberg took part in the final processing work.