



Minutes of Monetary Policy Meeting

April 2015

Summary

At its monetary policy on 28 April, the Executive Board of the Riksbank decided to purchase government bonds for a further SEK 40-50 billion. In addition, the repo-rate path was lowered significantly compared with the decision in February. The repo rate was left unchanged at -0.25 per cent but may be cut further. Slow increases in the repo rate are not expected to begin until the second half of 2016. These measures and the readiness to do more underline that the Riksbank is safeguarding the role of the inflation target as a nominal anchor for price setting and wage formation.

It was noted at the meeting that the Executive Board agreed on the picture of economic prospects and the inflation outlook described in the draft Monetary Policy Report.

Global economic activity is gradually improving. Although there is still considerable uncertainty over economic developments abroad, the recovery in the euro area appears to be on firmer ground.

The expansionary monetary policy is considered to have a positive effect on the Swedish economy. CPIF inflation has begun to rise and in recent months has become somewhat higher than was forecast by the Riksbank. GDP growth during the fourth quarter of 2014 was also higher than expected.

In an environment where monetary policy abroad is out of step, it is difficult to assess exchange rate developments. The krona has weakened substantially, which supports inflation. If the krona were to appreciate rapidly or international developments were poorer than expected, there is a risk that the rise in inflation would come to a halt.

The Executive Board was unanimous that a more expansionary monetary policy is required to ensure that inflation rises towards the target sufficiently quickly. Inflation is expected to reach 2 per cent at the turn of the year 2015-2016.

All of the members of the Executive Board advocated extending the purchases of government bonds by SEK 40-50 billion during the period May to the end of September, holding the repo rate unchanged at -0.25 per cent and revising the repo-rate path down substantially in relation to the decision in February.

Inflation has been low for a long time and the Riksbank's monetary policy reflects the fact that there is very limited tolerance for low inflation. There is thus still a high level of preparedness to make monetary policy even more expansionary if this should prove necessary, also between the ordinary monetary policy meetings; for instance, by cutting the repo rate further, buying more government bonds, beginning to lend money to companies via the banks, or intervening on the foreign exchange market.

Several Executive Board members expressed concern over the risks linked to a very expansionary monetary policy. These are coupled, for instance, to household indebtedness and

the rapid rise in housing prices. The Board members pointed out that it is now urgent that the Government and other authorities implement measures to reduce these risks. In this context, they emphasised the importance of clarifying Finansinspektionen's mandate and tools and investigating the conditions for an amortisation requirement as soon as possible. They also pointed out that rapid price increases on high-risk financial assets also require increased vigilance in the period ahead.



MINUTES OF MONETARY POLICY MEETING

Executive Board, No. 2

DATE: 28 April 2015
TIME: 09.00

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■ PRESENT: Stefan Ingves, Chair
Martin Flodén
Per Jansson
Kerstin af Jochnick
Henry Ohlsson
Cecilia Skingsley

Susanne Eberstein, Chair of the
General Council
Michael Lundholm, Vice Chair of the
General Council

Claes Berg
Charlotta Edler
Heidi Elmér
Lena Eriksson
Eric Frieberg
Christoffer Grände (§ 1)
Tobias Helmersson (§ 1)
Martin W Johansson
David Kjellberg
Anna Lidberg
Henrik Lundvall
Ann-Leena Mikiver
Marianne Nessén
Christina Nyman
Maria Sjödin
Ulf Söderström
Sara Tägtström
David Vestin
Anders Vredin

It was noted that Anna Lidberg and Sara Tägtström would prepare draft minutes of § 2, and 3 of the Executive Board's monetary policy meeting.

§1. Economic developments

Tobias Helmersson of the Markets Department began by presenting the developments on the financial markets. The focus since the monetary policy meeting in February has been on the measures taken by the ECB and on the developments in Greece. Long-term government bond yields abroad have fallen. Swedish government bond yields are currently lower than US and British ones, and the difference in relation to German yields has declined.

There have also been large fluctuations in the krona exchange rate. In trade-weighted terms, it is slightly weaker now than at the time of the February monetary policy meeting. Most analysts are expecting a repo-rate cut at today's meeting and that the Riksbank will extend its asset purchases by SEK 30-50 billion. A few analysts also believe there will be a loan programme for companies and purchases of municipal and/or mortgage bonds.

Marianne Nessén, Head of the Monetary Policy Department, presented the draft Monetary Policy Report which, in the assessment of the Monetary Policy Department, would gain the support of the majority of the members of the Executive Board. She began by noting that the forecasts in the draft Report were discussed by the Executive Board at meetings held on 10 and 13 April and on 20 and 21 April. The draft Monetary Policy Report was tabled at a meeting of the Executive Board on 23 April.

Economic activity abroad has continued to improve gradually in line with the forecasts made by the Riksbank in February. The forecast for KIX-weighted GDP is largely unchanged at an aggregate level, compared with February. However, the composition of growth has changed, with expectations of a somewhat stronger economic development in the euro area and weaker economic developments in the United States.

The inflation outcomes for January-March have generally been higher than was expected in the February Monetary Policy Report. The underlying inflation rate, illustrated by the CPIF excluding energy, has begun to rise and was 1.3 per cent in March. CPIF inflation rose in the same month to 0.9 per cent and CPI inflation to 0.2 per cent. Inflation expectations have also risen.

The Swedish krona has weakened in trade-weighted terms since February and is expected to remain at the current levels for a further period before slowly appreciating. Compared with the assessment in February, the krona is weaker both at the start and at the end of the forecast period.

GDP growth in Sweden is expected to be higher 2015-2017 than was assumed in February. Employment is expected to continue to increase. At the same time, the labour force will increase, which means that unemployment will fall slowly. Revisions of outcomes regarding household debt and disposable income have meant that the level of the household debt ratio (debt as a share of disposable income) has been revised down

in accordance with outcome data, but the picture of a rising debt ratio during the forecast period still remains.

Despite a more expansionary monetary policy and a weaker krona, there has only been a small revision to the forecast for inflation. The assessment is that a more expansionary monetary policy is now required to ensure that inflation rises sufficiently quickly and in roughly the same way as in February.

The repo rate is expected to remain at -0.25 per cent until the second half of 2016, after which it will be slowly raised to 0.8 per cent in the middle of 2018. This repo-rate path is much lower than the one published in February. The new repo-rate path is in line with the decision in March, and the forecast is also based on purchases of government bonds for a further SEK 40-50 billion during the period of May to the end of September. The repo-rate path also reflects the fact that it is possible to cut the repo rate further.

§2. The economic situation and monetary policy

Deputy Governor **Cecilia Skingsley** began by saying that she supported the picture of economic developments, the assumptions and the forecasts presented in the draft Monetary Policy Report.

Developments in recent months indicate that the monetary policy easing has had effects on inflation in Sweden. However, this progress is made in an environment still dominated by the risk of setbacks in both macroeconomic and financial developments.

The ECB's asset purchase programme is an important event on the international financial markets. The programme supports a recovery in the euro area, which also has positive effects on the Swedish economy. However, it is a large measure over a long period of time with few predecessors. It will not be possible to quantify the effects of the programme on economic growth and other variables until later, according to Ms Skingsley. This also applies to the contagion effects to the Swedish economy. The foreign exchange market is dominated by speculations about the Federal Reserve's changing monetary policy stance.

According to Ms Skingsley, this results in an environment that makes it unusually difficult to forecast the sequence of events for the krona and interest rates in Sweden. The draft Monetary Policy Report assesses that a gradual appreciation of the krona will occur during the forecast period. But if the appreciation were to come sooner or be stronger than expected, she felt this could entail a significant risk to inflation prospects.

The revised macro forecast that is currently on the table entails the forecast for CPIF inflation overshooting 2 per cent with effect from the turn of the year 2015/2016. However, it is uncertain how quickly inflation will really rise, according to Ms Skingsley, as the forecast is made in an environment that is more difficult to assess than usual. As an

example, she mentioned that inflation has surprised all of the analysts on 9 occasions since the beginning of 2013. Reviews of inflation outcomes show that the downturns have been broad-based and within several price groups the outcomes have been extreme, from an historical perspective.

Ms Skingsley continued to discuss the difficulties of making forecasts at present. In principle, the Riksbank's forecasts endeavour to take into account all relevant uncertainty so that the risks are balanced around the forecast. But the current Swedish combination of relatively high GDP growth, low inflation and negative interest rates is an environment where forecasting models need a relatively large element of judgement and where the risks are difficult to capture in a good way. The inflation situation in Sweden is still such that she gives additional importance to avoiding a weaker development in either actual or forecast inflation. She therefore supports the proposal for further quantitative easing.

The changes in monetary policy proposed in the draft Monetary Policy Report consist of buying government bonds for a further SEK 40-50 billion up to the end of September and changing the Riksbank's forecast regarding future monetary policy as expressed in the repo-rate path. The adjustment to the repo-rate path at the end of the forecast horizon is one of the larger adjustments the Riksbank has made since it began publishing such a path.

Given the forecasting uncertainty Ms Skingsley just described, she now finds it reasonable to add further quantitative easing. At the same time, the relatively favourable trends on the financial markets and in the real economy mean that a slower pace is justified for the purchases.

Ms Skingsley considered that, given that the Riksbank has other tools and that the experiences of policy rates in negative territory are still fairly limited, both in Sweden and abroad, there is justification for waiting before making further policy-rate cuts until the Riksbank's experiences of minus interest rates and those of other central banks have been analysed further. She felt that holding the repo rate unchanged today did not exclude the possibility of supporting a repo-rate cut in the future, if this was assessed as appropriate.

Ms Skingsley concluded by noting that the Executive Board of the Riksbank had been pointing out for quite a long time that the need to conduct a monetary policy aimed at low interest rates over a long period of time to attain the inflation target also entails some minor undesirable side-effects, such as an increase in private sector debt.

She emphasized that the Executive Board had been clear in recent years about the rising macroeconomic risks stemming from a growing percentage of vulnerable households needing to be managed by other policy areas than monetary policy. This must be done within the scope of macroprudential policy, which is implemented by Finansinspektionen, as well as general economic policy. As Finansinspektionen recently had to withdraw its

proposal for an amortisation requirement with reference to the uncertain legal situation, a clarification of the authority's mandate is needed urgently, said Ms Skingsley. In her opinion, the uncertainty that had arisen over the amortisation requirement had made it even more important to have a clear agenda containing concrete changes in this field.

Deputy Governor **Martin Flodén** began by noting that economic developments both in Sweden and abroad had been mostly as expected since the monetary policy meeting in February. Swedish GDP growth for the fourth quarter of 2014 was stronger than expected, while outcomes for inflation and the labour market were close to the Riksbank's forecasts. Nevertheless, the Riksbank decided at an extraordinary monetary policy meeting on 18 March to make monetary policy more expansionary by cutting the repo rate and communicating that the rate would remain low for a long time, and also extending the purchases of government bonds. Today it is proposed that the purchases of government bonds should be extended further. Mr Flodén wished to develop his motives for these monetary policy decisions.

Mr Flodén began by noting that the inflation forecast remains largely unchanged, despite monetary policy being much more expansionary in the draft Monetary Policy Report for April than the forecast in February. The Riksbank has thus revised down the forecast for underlying inflationary pressures. And as the economic outcomes since February have been roughly in line with the Riksbank's forecast, it is not direct data outcomes that are behind this revision.

Mr Flodén thinks that the explanation for the new assessment of underlying inflationary pressures can be divided into three parts. The first, in his opinion, is the assessment of which exchange rate developments in the near term are compatible with an inflation rate that rises sufficiently quickly in the coming year. The krona has become weaker than in the February forecast and is now expected to remain on this level for a further period and then slowly appreciate, without this having any clear impact on the inflation forecast.

The second is how monetary policy in Sweden needs to relate to monetary policy in other parts of the world, in both the short and long term. In the short term, it is a question of ensuring that the ECB's expansionary monetary policy, with large asset purchases, does not mean that the krona strengthens so quickly that the upturn in inflation is threatened. When the ECB began implementing its purchases of government bonds there were tendencies towards a krona appreciation, and this was one of the reasons behind the decision to make monetary policy more expansionary on 18 March.

In the longer run, it is a question of how interest rates in Sweden develop in relation to those abroad. The Riksbank has long had a forecast in which it is assumed that the repo rate will be raised much faster than policy rates abroad at the end of the forecast period. In February, market forward pricing indicated that the repo rate would be around 0.2 percentage points lower than KIX-weighted policy rates abroad at the beginning of 2018,

while the Riksbank's forecast entailed the repo rate being 0.7 percentage points higher than KIX-weighted policy rates abroad at that time. Now that the repo-rate path has been revised down, almost the entire difference disappears. Both market forward pricing and the Riksbank's forecasts indicate that the repo rate will be marginally lower than policy rates abroad at the beginning of 2018. It now becomes clearer that monetary policy in Sweden must adapt to the expansionary monetary policy with low interest rates abroad, not just in the short term, but also in the longer term.

The third part concerns how the Riksbank's reaction function is perceived, and how this in turn affects market expectations of future monetary policy. Mr Flodén has pointed out on several occasions that monetary policy cannot at present follow normal patterns. Inflation has been low for a long time and the credibility of the inflation target will be threatened if inflation does not rapidly rise to higher levels. It is much worse if inflation becomes lower than expected than vice versa, in Mr Flodén's opinion. In his opinion, it would be desirable for inflation to rise faster than in the forecast, and he would not see it as a problem if inflation temporarily overshoots the forecast. Mr Flodén said that, given this reasoning, he should perhaps advocate an even more expansionary monetary policy, to then gain a more balanced view of inflation developments. But here the catch is of course that making monetary policy even more expansionary in the current situation could entail costs and problems. He said that the way monetary policy develops in the near term will probably be affected more by an evaluation of such costs and problems than by new data outcomes, at least as long as the data outcomes do not clearly show that inflation will be quickly and permanently established at a much higher level than in recent years.

This links to the monetary policy decision on 18 March. At the end of February and the beginning of March, the outcomes for the Swedish economy were surprisingly strong, particularly the GDP figures for the fourth quarter of 2014 and the inflation outcome for February. This probably contributed to the upturn in Swedish long-term interest rates that took place during the same period, but in that case the Riksbank has failed to communicate what the monetary policy reaction function now is. Even if short-term data outcomes are surprisingly positive, monetary policy will need to remain expansionary for a long time to come, in Mr Flodén's opinion. Such data outcomes would moreover indicate that the expansionary monetary policy is having the desired effects and thus reinforce his conviction that the measures decided on are correct, even if they entail some negative side-effects. The upturn in Swedish long-term government bonds yields risked threatening the upturn in inflation that was forecast. For Mr Flodén the monetary policy decision in March therefore aimed to push down interest rates both through the measures decided on and through clearer signalling regarding the Riksbank's reaction function.

He wanted to develop what he had mentioned regarding the expansionary monetary policy having the desired impact but that there could also be problems linked to these

measures. One indication that monetary policy is effective is that inflation has stopped falling and that various measures of underlying inflation have begun to rise. This is despite the continued downward pressure from abroad on inflation. A further indication that monetary policy is working is, in his opinion, that the repo-rate cuts have had the expected impact on market rates. Above all, the banks' lending rates have fallen roughly as they usually do when the repo rate is cut. The expansionary monetary policy therefore does not push up inflationary pressures merely through a weaker exchange rate, but also through the traditional interest-rate channel. This stimulates consumption and investment, which contributes to higher demand and ultimately to higher consumer prices.

The problems of a negative interest rate have so far been limited and have primarily concerned technical and legal difficulties on certain bond markets. But if the repo rate were to be cut even lower, clearer problems might arise, according to Mr Flodén. It is conceivable that the banks' lending rates will not then fall as far as normal, as their funding costs do not decline in the same way when deposit rates are stable. The monetary policy gains of a repo-rate cut are then smaller. At the same time, the technical and legal problems on the bond markets would probably become more tangible, and there is a risk that there would also be undesirable effects on households' behaviour. The costs connected with a repo-rate cut would thus be larger. He underlined that this does not mean he is excluding further repo-rate cuts, but such a decision would need to be based on achieving a balance between gains and costs. Given the developments in inflation and the market that are now being forecast, he sees no justification for cutting the repo rate today, but he would consider a further repo-rate cut if the inflation outlook deteriorates.

Another problem linked to the low repo rate that is often emphasised is that it creates a search for nominal yield, which leads to higher risk-taking on the financial and housing markets. Mr Flodén, too, feels some concern over the rapid rise in asset prices and debt. But he does not consider a tighter monetary policy to be the solution to such problems. A higher repo rate would entail lower inflation, a stronger exchange rate and weaker growth in Sweden. Both the lower inflation and the lower growth would mean that nominal interest rates fell in the long run. Mr Flodén says we must simply accept that interest rates in the global economy are very low and that an expansionary monetary policy is the way back to a higher rate of inflation and a normal level of economic activity and thus lastingly higher nominal interest rates.

In conclusion, Mr Flodén wanted to discuss the Riksbank's decision in March to buy government bonds for SEK 30 billion, and the proposal for a decision today to extend the purchases by SEK 40-50 billion. In February, he entered a reservation against the Executive Board's decision to buy government bonds to a value of SEK 10 billion, but he supported the decision in March and he also supports the proposal for a decision today.

His main objection to the decision in February was that the Riksbank bought government bonds with the aim of pushing down long-term interest rates at the same time as the Riksbank's forecast for the repo rate was much higher than the expectations priced by the market in these bonds. The discrepancy between the repo-rate path and the will to push down long-term interest rates risked making monetary policy unclear and reducing the effects of the bond purchases. This discrepancy between the Riksbank's repo-rate path and market pricing declines significantly when the repo-rate path is now revised down. As he pointed out earlier, the difference between the Riksbank's forecast and the market's forecast as to how the repo rate will develop in relation to policy rates abroad is also eliminated. He therefore considers that, with the new repo-rate path, the bond purchases will be a way of providing some support for market prices that are in line with expectations that the Swedish policy rate will not rise too quickly in relation to international rates. One of the reasons behind the monetary policy decision in March, with a repo-rate cut and extended bond purchases, was that long-term interest rates in Sweden began to rise rapidly in relation to those abroad. And the proposal today to extend the bond purchases is aimed at keeping Swedish long-term interest rates at a level close to international rates, and it should be seen in the light of the ECB's continued purchases of assets and the effects these will have on, for example, German rates.

Finally, Mr Flodén considers it good that the Riksbank is now presenting a plan for bond purchases in the slightly longer term than when the decisions were made in February and March. The knowledge that the Riksbank will remain as buyer on the market at least until the end of September should hold down bond yields during this period of time.

Mr Flodén concluded by summarising that he supports the proposal for a monetary policy decision and the Monetary Policy Report as a whole.

Deputy Governor **Per Jansson** began by saying that since the Monetary Policy Report was published in February, three new inflation outcomes have been released, for January, February and March. The outcomes have in general been higher than the Riksbank's forecasts. However, with regard to March the deviation was small. At the meeting in February, the assessment was that CPIF inflation for March would amount to 0.81 per cent. The outcome was 0.92 per cent, that is, around one tenth of a percentage point higher than expected. When adjusted for the volatile energy prices, inflation was even somewhat lower than expected, 1.26 per cent compared with forecasted 1.37 per cent. However, given that the March outcome was affected by, for instance, an unusually large book sale, Mr Jansson felt that the inflation outlook since February was nevertheless a little brighter than expected.

Mr Jansson went on to say that inflation expectations were also moving in a positive direction. Since February, three new surveys have been published, two monthly surveys and one quarterly survey. With regard to expectations of inflation in five years' time among the social partners, which are only measured in the quarterly surveys, it is possible

to detect a marginal upswing thanks to somewhat higher expectations among employer organisations. For the latter, expected inflation in five years' time increased from 1.69 to 1.76 per cent. This is a small but important increase, said Mr Jansson. For all groups in the quarterly survey for March the five-year expectations remained largely unchanged, at around 1.7 per cent.

Mr Jansson stressed that expectations of inflation five years ahead among participants in the money market, who are surveyed in both monthly and quarterly surveys, had risen substantially, however. At the meeting in February, the survey for January showed that participants in the money market believed that inflation would be 1.65 per cent in five years' time. The corresponding figure in February was 1.72 per cent. In March and April the figure had risen further, to 1.87 and 1.86 per cent respectively. It should be noted that the upswing is substantial and also appears to be persistent. This is of course very pleasing, said Mr Jansson.

All in all, developments in both inflation and inflation expectations indicate that the Riksbank's expansionary monetary policy is having an effect. But of course it is necessary to ensure that this development continues and is not interrupted. With an actual inflation rate at around 1 per cent and more long-run inflation expectations a number of tenths of a percentage point below 2 per cent, there is no time for complacency. Mr Jansson pointed out that the draft Monetary Policy Report contains discussions of several risks that could create setbacks for the development of inflation.

One of these risks, continued Mr Jansson, concerns the krona exchange rate beginning to appreciate strongly and quickly, particularly against the euro. This is a risk, which according to Mr Jansson, deserves considerable attention at the moment. In this context he wished to point out that a large appreciation of the krona within a short period of time could create problems even if the exchange rate were undervalued in relation to what is reasonable in the long run.

One important reason why a strong and rapid appreciation of the krona at present could become a particularly large problem is that it risks pushing down the already fairly low more long-term inflation expectations. If this happens, it will become much more difficult to attain the inflation target within a reasonable time perspective. This point is illustrated very well in one of the articles in the draft Monetary Policy Report, said Mr Jansson.

One factor that might significantly strengthen the negative effects on inflation and inflation expectations in this context is if the social partners decide during the wage bargaining rounds in 2016 on collective wage agreements that are not based on an inflation rate in line with the target. This risks leading to a negative spiral, where inflation and inflation expectations put downward pressure on one another in a mutual interaction. Such a development would mean not only a very serious threat to the inflation target, but could ultimately also have substantial negative consequences for GDP and employment,

and in the worst case put Sweden into a deflation spiral. This must of course be prevented at any cost, argued Mr Jansson.

He noted that to be on the safe side it was proposed in the draft Monetary Policy Report at this point that monetary policy should become even more expansionary. The proposal does not include cutting the repo rate on this occasion. As he saw it, while it would certainly have been possible to cut the repo rate further now, this can also be done quickly at a later date if the need arises. He thus supported both the macro forecast and the monetary policy presented in the draft Monetary Policy Report.

Mr Jansson noted that the inflation forecast has only been revised up slightly, despite a much more expansionary monetary policy and a fairly significantly weaker forecast for the krona compared with February. The fact that the inflation forecast has not been revised up further is partly linked to inflation previously having surprised on the downside on several occasions. There is therefore an uncertainty regarding how quickly inflation may rise and experiences indicate that this mostly is about inflation picking up slower than anticipated. But it can also be interpreted to mean that there is a safety margin built into the forecast that illustrates that it is currently much better to have an inflation rate that is higher than the forecast, rather than lower. For his own part, Mr Jansson said he has a high tolerance for an inflation rate that rises faster than is now expected.

As he pointed out, there are a number of serious risks linked to an inflation rate that is too low. And it is precisely to deal with these risks that the Riksbank is now conducting its current monetary policy. But a very expansionary monetary policy not only has advantages, but can also entail negative side-effects. The high indebtedness among Swedish households and price developments in the housing market have long been discussed in this context. But as monetary policy is made increasingly expansionary and this stance is maintained for a long period of time, further risks may arise, emphasised Mr Jansson.

Investors in financial markets look for yield and this can create exaggerated rises in asset prices and excessive risk-taking. This in turn can have substantial negative consequences in the slightly longer run for the macro economy if an adjustment occurs. In principle, the Riksbank should of course try to take into account both short-term and more long-term threats to macroeconomic stability in its monetary policy. But in the present situation, with low inflation over a long period of time and more long-term inflation expectations showing a falling trend, there is no scope to take such considerations into account. On the contrary, monetary policy is, as Mr Jansson explained, contributing to an increase in this type of risk. This means that considerable demands are made of other policy areas to take measures urgently. Of course, this is a message that has been put forward by the Riksbank over a fairly long period of time.

Given this, Mr Jansson expressed great worries about the fact that Finansinspektion's amortisation requirements cannot now be implemented as planned as the legal grounds for such a decision have been questioned. This is not only a problem with regard to the introduction of the amortisation requirement, but can ultimately also entail a more general limitation of Finansinspektionen's possibilities to conduct macroprudential policy at all. The fact that the legal situation in this area is unclear is of course very unfortunate and means that the Swedish economy is exposed to substantial and unnecessary risks. He considered that the Government should therefore promptly return on this issue and take action to clarify Finansinspektionen's mandate and tools so that the authority can conduct macroprudential policy in the manner intended.

Having said this, the Riksbank of course cannot in its monetary policy take into account the fact that the legal situation for macroprudential policy has become uncertain, said Mr Jansson. It does not change the Riksbank's need to bring up inflation and to safeguard the role of the inflation target as nominal anchor for price-setting and wage formation. The right solution would of course instead be, as he already had noted, for the Government to resolve the legal question as soon as possible.

Mr Jansson wished to conclude by briefly commenting on future monetary policy. He is quite convinced that developments are now moving in the right direction and that the expansionary monetary policy is having an effect. The safety margin that has been built into the forecast on this occasion contributes to his optimism. The improvements that can be seen abroad, not least in the euro area, are also an important factor in this context.

At the same time, inflation developments have previously been disappointing on several occasions. This of course leaves a mark and means that one cannot relax until it is "mission accomplished", he said. Given this, there must still be a high level of preparedness to do more if necessary. And this must continue to apply between the ordinary monetary policy meetings. The measures include intervening on the foreign exchange market if the upswing in inflation is threatened, for instance, by a very troublesome market development, cutting the repo rate further and postponing future increases in the rate, extending the purchases of government bonds and buying other securities, and launching a programme for lending to companies via the banks.

First Deputy Governor **Kerstin af Jochnick** shared the assessment of developments abroad and in Sweden presented in the draft Monetary Policy Report. She supported the proposal to extend the purchases of government bonds by SEK 40-50 billion to boost demand in the economy and support the upturn in inflation. She also supported the proposal to adjust the repo-rate path downwards.

Ms af Jochnick wanted to comment first on international developments. She envisaged a slow improvement in economic activity abroad, roughly as outlined in the February forecast. In the euro area, the ECB's expansionary monetary policy has contributed to a

slight upward revision of the GDP forecast. The recovery is continuing in the United States, but the forecast for GDP growth has been revised downwards somewhat. In the emerging economies, a slight slowdown in GDP growth has been noted. All-in-all, however, the GDP forecast for Sweden's most important trading partners is unchanged. She said that an important factor behind this recovery is the assumption that the KIX-weighted policy rate will remain close to zero per cent until the second half of 2016 and that it will thereafter rise towards 1 per cent at the end of the forecast period.

Ms af Jochnick noted that the Swedish economy is developing relatively well. Swedish household incomes have been developing well for some time in conjunction with an increase in household wealth in terms of both financial and real assets. This has led to optimistic households and solid consumption growth. At the same time, Swedish exports are steadily rising and investment is increasing. All-in-all, this means that GDP will develop relatively strongly in Sweden both this year and next year. She pointed out that this course of development would normally be followed by higher interest rates but, as inflation is low, monetary policy needs to continue to be expansionary to ensure that inflation reaches 2 per cent within a reasonable period of time.

Ms af Jochnick's assessment is that the measures taken to make monetary policy more expansionary have contributed to the current rise in inflation and to the fact that inflation expectations now appear to have bottomed out. However, it is too soon to sound the all clear and she therefore supported the proposal to purchase more government bonds to further boost the development that has begun. She said that as inflation outcomes have on many occasions been lower than the Riksbank's forecasts, it is important that monetary policy is sufficiently expansionary to clearly lift inflation towards the target.

Ms af Jochnick pointed out that the weakening of the krona has contributed to inflation beginning to rise. The krona is now expected to remain at its current level for some time to come. Service prices are increasing faster than last year, but low energy prices are expected to dampen CPIF inflation for some time to come. A more expansionary monetary policy is needed to ensure that inflation rises sufficiently quickly. This will contribute to a gradual increase in resource utilisation and make it easier for companies to raise their prices. It is positive that both actual inflation and inflation expectations now appear to be pointing upwards, but it is also important to emphasise that there is still a lot of uncertainty abroad that can change the forecasts, she said.

Ms af Jochnick reminded the meeting that in the February report the Riksbank identified a number of areas that give rise to uncertainty about the future course of development and she said that these areas continue to generate uncertainty about developments on the financial markets and in the real economy. This relates to uncertainty about the euro area's ability to recover and the management of the acute crisis in Greece, to the fact that the monetary policy conducted by different central banks is out of step, and to the ECB's extensive asset-purchase programme, which has contributed to lower interest rates and a

weaker euro. In addition, there are the geopolitical risks associated with Russia and Ukraine and the Middle East.

Ms af Jochnick noted that markets, companies and households dislike uncertainty and that it therefore leads to cautious decisions on investment and consumption and probably to lower demand than would otherwise be the case. Uncertainty is probably one of the reasons why the growth in world trade following the financial crisis has been lower than normal. Lingering uncertainty may also be one of the reasons why inflation has been lower than expected in recent years. It is therefore important that this uncertainty subsides and that confidence in the future grows stronger.

Ms af Jochnick pointed out that the Riksbank must continue to develop its analysis of the factors underlying the low level of inflation, as there may be several reasons why historical relations between GDP growth and inflation appear to have changed. An important part of this analysis is to examine the effects of the ECB's current major asset purchases on the Swedish krona.

Ms af Jochnick is prepared to discuss the possibility of making monetary policy even more expansionary if needed. There is still scope to lower the repo rate and the repo-rate path further. The Riksbank can also purchase larger volumes of government securities and launch a programme for loans to companies if it is considered that this would contribute to higher demand and lower interest rates. It is also possible to conduct foreign exchange interventions if considered appropriate.

Ms af Jochnick emphasised that the inflation target is important as an anchor for price setting and wage formation in Sweden and that this justifies the expansionary monetary policy. At the same time, it is important in the current situation that other policy areas work to counteract the imbalances that may arise as a result of low interest rates over a long period of time. There is otherwise a risk that financial imbalances will arise that may be difficult to manage.

Ms af Jochnick has previously expressed concern about what low interest rates over a long period of time may entail for financial stability and the development of the real economy in the longer term, and she now wished to do so again. She said that she is worried about what is happening on the housing market at the moment. Over the last 12 months, prices for tenant-owned apartments have increased by 18.7 per cent in Sweden as a whole, by 19.4 per cent in central Stockholm and by 23.7 in Göteborg according to April statistics from Valuegard. There are of course reasons why prices increase when demand is greater than supply, but it is worrying that the high housing prices are leading to increasingly indebted households. The low interest rates and the signal that they will remain low for a long time to come probably mean that households are becoming increasingly insensitive to increasing housing prices and higher debts.

Given that the Riksbank is now making monetary policy even more expansionary with the aim of reaching the inflation target of two per cent, it is also even more urgent to take a holistic view of household debt and to take measures to limit the growth of the debt stock as soon as possible, said Ms af Jochnick. In this situation, with low interest rates over a long period of time, macroprudential policy plays a particularly important role. The search for yield can lead to new behaviours and increased risk taking, and not just in the household sector. It is therefore important to quickly ensure that Finansinspektionen, as the authority responsible for macroprudential policy, has the legal powers required to be able to take appropriate measures.

The Governor of the Riksbank **Stefan Ingves** began by saying that he shared the view of developments abroad and the Swedish economy presented in the draft Monetary Policy Report and that he supported the proposal to increase the purchases of government bonds by a further SEK 40-50 billion, to lower the repo-rate path and to leave the repo rate unchanged at -0.25 per cent.

He then went on to review some of the events that had occurred since the previous monetary policy meeting. Already when the ECB announced its expanded asset-purchase programme at the end of January it was clear, in his opinion, that conditions abroad were changing and that this could have an impact on Swedish monetary policy over and above the regular assessment of economic activity and the scheduled monetary policy meetings. Moreover, this applies not only to Sweden but also to several other countries bordering on the euro area such as Denmark, Switzerland and the Czech Republic. At the monetary policy meeting on 11 February, the Riksbank decided to make monetary policy more expansionary by cutting the repo rate to -0.10 per cent and adjusting the repo-rate path downwards somewhat. The Riksbank also announced that it would purchase government bonds for SEK 10 billion.

On 18 March there were signs that inflation had bottomed out and was rising. However, the appreciation of the krona since the monetary policy meeting in February risked halting this trend. The Riksbank therefore decided to cut the repo rate to -0.25 per cent and estimated that it would remain at this level until the second half of 2016. The Riksbank also decided to extend the purchases of government bonds by a further SEK 30 billion. The aim of the decisions was to support the upturn in inflation.

So what is our assessment of the situation now? The recovery is continuing abroad, although a slight temporary slowdown can be noted in the United States. The forecast for GDP growth in the United States this year and next year has therefore been revised downwards somewhat. Inflationary pressures in the United States will be low in the near term. It remains to be seen how this will affect the starting point for the Federal Reserve's policy rate increases. In the euro area it appears that the recovery is progressing somewhat better than expected as a result of the ECB's asset-purchase programme and a

weaker exchange rate. The GDP forecast for the euro area has been revised upwards slightly and inflation is expected to rise to 1.4 per cent in 2016. This will also have a positive impact on inflation in Sweden, said Mr Ingves. Growth in the emerging economies has slowed down somewhat this year at the same time as the differences between countries have increased. Mr Ingves also pointed out that a stronger US dollar may lead to problems in some emerging economies depending on their external balances and the funding situation.

He noted that the KIX-weighted international GDP forecast, which covers the countries of most importance to Swedish trade, remains largely unchanged, but that the composition differs somewhat from the assessment in February. Inflation abroad is still low, but a weaker euro and an upturn in the price of oil futures contributes to a slight upward revision of the KIX-weighted inflation forecast for the years ahead.

Mr Ingves said that there was still a great deal of uncertainty abroad. One source of uncertainty is Greece, which is experiencing an acute crisis. However, he said that it was very difficult to forecast how this could indirectly affect the Swedish economy. The geopolitical risks in Russia and Ukraine still remain, but here too it is difficult to quantify what the direct consequences will be for neighbouring countries and what the indirect consequences will be for the Swedish economy. The oil price continues to be an unpredictable joker in the pack that is affected by both demand and supply factors globally, said Mr Ingves. A deterioration in the geopolitical situation in the Middle East may, for example, contribute to rising oil prices, while a final agreement on Iran's nuclear-energy programme may contribute to lower oil prices.

Mr Ingves then went on to discuss the development of economic activity in Sweden. He noted that financial conditions have become more expansionary since the previous Monetary Policy Report. Interest rates are lower as a result of the fall in international interest rates and the Riksbank's more expansionary monetary policy. The exchange rate is somewhat weaker and asset prices continue to rise.

GDP growth was higher than expected in the fourth quarter of 2014, which has contributed to an upward revision of the forecast for GDP growth in 2015. Mr Ingves noted that the recovery in Sweden has to date mainly benefited from increased consumption, while weak demand abroad has held back exports. In the forecast, GDP growth continues to benefit from good consumption as a result of low real interest rates. At the same time, increased international demand is expected to contribute to faster growth in exports and to investment picking up speed. Compared with the forecast in February, GDP growth is now expected to be higher in 2015-2017.

As several members had already pointed out, different measures of underlying inflation have stopped falling and now indicate a slow upturn, said Mr Ingves. The outcomes have been higher than expected. The rate of change in goods prices is now around the

historical average. The rate of increase in service prices has continued to increase but is still somewhat lower than the average. There has been a clear upturn in food prices and the rate of increase is now higher than the average.

One reason for the recent upturn in underlying inflation is the weakening of the krona that has occurred since the spring of 2014. The Riksbank now expects the krona to remain at its present level a while longer before it begins to slowly strengthen. A weak krona helps to increase inflation in the short term. At the same time it is reasonable to assume that the krona will strengthen when economic activity picks up speed abroad. There is no simple trade-off here between the short and the long term, but Mr Ingves said that it was important that the krona does not strengthen in the near term.

Mr Ingves believes that the more expansionary monetary policy will help to ensure that inflation rises sufficiently quickly. He pointed out that the revision of the inflation forecast is limited despite a more expansionary monetary policy and a weaker krona. In his opinion, however, this reflects the fact that we are still rather a long way from what can be regarded as normal times.

Mr Ingves then went on to comment on the various components of the proposed monetary policy decision. Part of the proposal is to extend the purchases of government bonds by a further SEK 40-50 billion. These purchases will be conducted during the period May to September and will comprise maturities up to 25 years. The proposal also entails a significant lowering of the repo-rate path compared with February to the effect that repo-rate increases will begin at the end of 2016 and at a slower pace than in the repo-rate path adopted in February. It is also proposed to hold the repo rate unchanged at -0.25 per cent. This is a reasonable balance given the other expansionary measures, said Mr Ingves.

The purchases of government securities will contribute to lower interest rates and a weaker krona. In addition, liquidity in the economy will increase in relation to other assets, which will benefit consumption and investment. Mr Ingves also mentioned that when the announced purchases have been completed the liquidity surplus, that is deposits with the Riksbank, will amount to approximately SEK 150 billion.

He said that the exchange rate is currently a central factor as it is important to inflation, partly because it is affected by developments abroad. The ECB's asset-purchase programme will help to boost growth in the euro area, which is also positive for the Swedish economy. In the short term, however, there is a risk that the krona will appreciate as a result of the ECB's measures, which would hold back the upswing in inflation that the Riksbank is trying to achieve. In one way or another, the Riksbank must therefore address what is happening in the euro area. Mr Ingves emphasised that this requires the Riksbank to be ready to act in several ways, even between the regular monetary policy meetings, if things seem to be moving in a direction contrary to that predicted in the forecasts.

He said that there is a strange mix of financial and real conditions in the Swedish economy at present. The repo rate is negative, the Riksbank is buying government securities and GDP growth is solid, but inflation is low. This is a combination of macro data and measures that no one could have imagined five or ten years ago. Inflation has fallen below the levels estimated by the Riksbank and other analysts and expectations of when inflation will begin to rise have been postponed several times.

Monetary policy is therefore exceptionally expansionary, according to Mr Ingves. The Swedish State gets paid for borrowing at maturities of just over five years. The yield for Swedish ten-year government bonds is almost down to the extremely low levels that prevail in Germany and is lower than in the KIX-weighted countries.

All-in-all, Mr Ingves believes that the forecasts are highly uncertain and that there are risks that are difficult to quantify. Although resource utilisation is increasing in the manufacturing industry in the euro area, investment is still well below trend. This has held back Swedish exports for some time. The assessment of growth in the euro area has now been revised upwards. However, setbacks can not be excluded, for example due to remaining imbalances in both the private and public sectors. The application of the Stability and Growth Pact has also raised questions about the handling of the criteria for excessive budget deficits and public debt in certain countries.

In addition, global trade as a whole is still growing more slowly than normal. Global trade fell dramatically in connection with the financial crisis and recovered thereafter. But the recovery of the rate of growth in global trade has been unusually weak in relation to the growth in global GDP. One reason for this may be lingering uncertainty about economic policy. If so, there should be an upturn in the growth of trade (relative to GDP growth) as uncertainty wanes, said Mr Ingves. Another potential explanation of the weak development of global trade is that there has been a weakening trend in globalisation since the crisis. If this is the case, there is a risk that growth in global trade will remain low for some time to come.

However, monetary policy can not fully compensate for all of this, said Mr Ingves. However, the Riksbank is ready to use all the tools at its disposal to ensure that inflation rises sufficiently quickly towards the target. Great vigilance is needed with regard to the downside risks for inflation, for example as a result of a stronger exchange rate.

Mr Ingves then commented on Finansinspektionen's decision to not progress with an amortisation requirement at present. He said that the issue of an amortisation requirement is just as urgent as before. It is one of a range of measures that should be taken to reduce the risks associated with household indebtedness and to increase resilience in the Swedish economy. But it needs to be implemented as soon as possible. It is therefore important that Finansinspektionen's mandate is clarified and that the preconditions for an amortisation requirement are now investigated promptly. Moreover,

the Riksbank has pointed out on several occasions that there is a long list of other measures that can be taken. Tax deductions for mortgage-interest payments should gradually be reduced, as various international organisations such as the IMF and the OECD have also pointed out. Accelerating and braking at the same time may seem contradictory, and there are no simple choices or solutions here. Monetary policy is the policy area that in the short term can most effectively influence the exchange rate and inflation. It is therefore very important that other policy areas deal with the mortgage market. He emphasised that rising asset prices and a negative real interest rate are not without risks. Without further measures, there are threats to the Swedish economy in the longer term. This will also hamper monetary policy and the general development of the Swedish economy.

Deputy Governor **Henry Ohlsson** began by saying that he supported the proposal to adjust the repo-rate path downwards and to purchase more government bonds to a value of SEK 40-50 billion.

He noted that eleven weeks have passed since the previous monetary policy meeting. During that interval, the Executive Board decided on further monetary policy measures at a meeting on 18 March. The repo rate was then cut by 0.15 percentage points to -0.25 per cent and the purchases of government bonds were increased by SEK 30 billion. The Executive Board also said that the repo rate is expected to remain at -0.25 per cent at least until the second half of 2016. Mr Ohlsson supported all of these proposals. The background to his stance at that time was that movements on the foreign exchange markets posed a threat to the upturn in inflation.

Mr Ohlsson believes that further monetary policy measures are needed now too. In reaching the conclusion that monetary policy should be more expansionary he attached particular importance to three factors:

First, although it is true that there are an increasing number of signs that the rate of inflation has bottomed out, there are still several threats to inflation's upswing towards the inflation target. The ECB has initiated a more expansionary monetary policy for the euro area. There is a risk that this will lead to an appreciation of the Swedish krona. In his opinion, it is doubtful whether the Riksbank's inflation target can be reached within the intended period of time unless monetary policy is made more expansionary.

Second, he pointed out that inflation expectations are below the inflation target on all of the three time horizons studied. In 2014, inflation expectations tended to fall on all time horizons. In the latest surveys, this fall seems to have come to a halt. The expected annual inflation rate five years ahead among money market participants is now just under 1.9 per cent. Although this is an upturn, expectations are still below the inflation target of 2 per

cent. This could be interpreted to mean that the inflation target is not perceived as credible. The need to increase the credibility of the inflation target is also an argument in favour of a more expansionary monetary policy, he said.

Third, Mr Ohlsson noted that unemployment is still high and has fallen only slightly over the last 12 months. The labour force surveys report a (not seasonally adjusted) unemployment rate of 8.0 per cent in March 2015, compared to 8.6 per cent in March 2014. Another measure is to only look at those who qualify for unemployment benefit. Their position on the labour market is relatively strong. The percentage of openly unemployed members of unemployment funds was 2.7 per cent in 2015, according to statistics from the Swedish Public Employment Service. This represents a fall of 0.4 percentage points compared to the corresponding month last year. Mr Ohlsson said that the still high rate of unemployment is another reason to make monetary policy more expansionary.

He emphasised that monetary policy's ability to affect unemployment is limited. There are significant matching problems on the Swedish labour market at present. According to Statistics Sweden, the number of vacancies as a percentage of the labour force is now at approximately the same level as just before the financial crisis began in 2008.

Unemployment, on the other hand, is almost 2 percentage points higher than during the first part of 2008. Another way of illustrating the matching problems is to look at the Economic Tendency Survey of the National Institute of Economic Research. This shows an increasing shortage of labour. He said that policy areas other than monetary policy are more able to influence these matching problems.

So what monetary policy instruments are the most appropriate in the current situation? Mr Ohlsson said that it was natural to adjust the repo-rate path downwards compared to the path that was adopted in February. But he believed that more measures were needed in addition to this and saw four main alternatives: cutting the repo rate further, purchasing more government bonds, beginning to lend to companies through the banks or intervening on the foreign exchange market.

After weighing up the advantages and disadvantages of these different measures, his conclusion was that the best alternative at present is to purchase more government bonds. He said that the results of the purchases conducted so far were good. Another reason is that this is precisely the form of expansionary monetary policy that the ECB is now conducting.

In short, Mr Ohlsson believed that the proposals to adjust the repo-rate path downwards and to purchase more government bonds represent a very well-balanced monetary policy

in the current situation in the Swedish economy. He concluded by saying that he also supports the draft Monetary Policy Report.

§3. Discussion

Given that several members of the Executive Board had raised the issue of low interest rates over a long period of time possibly leading to the build-up of imbalances in the financial system, First Deputy Governor **Kerstin af Jochnick** wished to underline the importance of the Riksbank continuing to develop the analysis of financial stability. The low interest rates and the search for yield may lead to behaviours that entail increased risk-taking. She was thinking not only of household mortgages; there are also other markets that require greater focus. While awaiting clarification of Finansinspektionen's mandates and instruments, it is important that the Riksbank sharpens its stability analysis. It should also be considered whether the possibility to issue recommendations in the Financial Stability Reports can be used to a greater extent to strengthen financial stability and reduce the vulnerability of the Swedish economy.

Deputy Governor **Per Jansson** agreed entirely with what Ms af Jochnick had just said. Although the Riksbank has no macroprudential policy instruments at its disposal and has made it clear that monetary policy in the present situation has no scope to do other than push up inflation, it should actively participate in these discussions and raise the issues as often as possible. Perhaps the most important contribution is to conduct a good analysis that illustrates which imbalances are building up and what the consequences will be if they are not addressed. In this connection the Riksbank should also present its view of the measures that can be deployed to counteract the imbalances. Mr Jansson emphasised that the Riksbank is very well equipped to contribute constructively in this area and that he fully shared Ms af Jochnick's suggestion that the Riksbank should consider issuing recommendations in the Financial Stability Reports to a greater extent.

Deputy Governor **Martin Flodén** agreed with the comments made by Ms af Jochnick and others about the need to quickly put an effective framework for macroprudential policy in place, and that this is particularly important in a low interest-rate environment. As Mr Ingves mentioned in his comments, it may appear contradictory to call for stricter regulations at the same time as the Riksbank is trying to use monetary policy to stimulate the economy, but Mr Flodén did not see this as being particularly problematic. In the public debate, the aim of the expansionary monetary policy is sometimes presented as being to drive up asset prices and generate higher financial risk taking. He does not really see it this way. In his view, the main aim is to continue to support the consumption demand of the households and to provide good conditions for the companies to increase their investment, which will ultimately lead to higher inflation. Investment should increase when interest rates are low as projects with a lower expected return then become

profitable. Rising asset prices and increased financial risk taking may, however, be side effects of monetary policy, he said.

The Executive Board often points out that responsibility for preventing an unsustainable development on the financial markets lies with the government and other authorities, said Mr Flodén. But of course market participants, both households and institutions, who may be searching for a normal nominal return on their investments also have a responsibility. Expectations and yield requirements, as well as incentives schemes linked to yield, must of course be adapted to the reality in which we live. Mr Flodén therefore thinks that it is important to remind market participants that both nominal and real interest rates are low in the present global environment and can be expected to remain so for some time to come. In this environment one can hardly expect that it is only the return on relatively safe investments, for example savings accounts and government bonds, that are low, concluded Mr Flodén.

Governor **Stefan Ingves** wished to add to his earlier comments. In the best of worlds, both consumption and investment increase when monetary policy becomes more expansionary. The question is how to bring about an appropriate distribution of demand increases. That only asset prices rise is not a desirable effect of the expansionary monetary policy. He noted, however, that monetary policy is general and it is difficult to control this distribution. He said that this is probably something that will be discussed for many years to come.

Governor **Stefan Ingves** then summarised the discussion. He noted that the Executive Board agreed on the picture of economic prospects and the inflation outlook described in the draft Monetary Policy Report.

Global economic activity is gradually improving. Although there is still considerable uncertainty over economic developments abroad, the recovery in the euro area appears to be on firmer ground.

The expansionary monetary policy is considered to have a positive effect on the Swedish economy. CPIF inflation has begun to rise and in recent months has become somewhat higher than was forecast by the Riksbank. GDP growth during the fourth quarter of 2014 was also higher than expected.

In an environment where monetary policy abroad is out of step, it is difficult to assess exchange rate developments. The krona has weakened substantially, which supports inflation. If the krona was to appreciate rapidly or international developments were poorer than expected, there is a risk that the rise in inflation would come to a halt.

The Executive Board was unanimous that a more expansionary monetary policy is required to ensure that inflation rises towards the target sufficiently quickly.

All of the members of the Executive Board advocated extending the purchases of government bonds by SEK 40-50 billion during the period May to the end of September, holding the repo rate unchanged at -0.25 per cent and revising the repo-rate path down substantially in relation to the decision in February.

Inflation has been low for a long time and the Riksbank's monetary policy reflects the fact that there is very limited tolerance for low inflation. There is thus still a high level of preparedness to make monetary policy even more expansionary if this should prove necessary, also between the ordinary monetary policy meetings; for instance, by cutting the repo rate further, buying more government bonds, beginning to lend money to companies via the banks, or intervening on the foreign exchange market.

Several Executive Board members expressed concern over the risks linked to a very expansionary monetary policy. These are coupled, for instance, to household indebtedness and the rapid rise in housing prices. The Board members pointed out that it is now urgent that the Government and other authorities implement measures to reduce these risks. In this context, they emphasised the importance of clarifying Finansinspektionen's mandate and tools and investigating the conditions for an amortisation requirement as soon as possible. They also pointed out that rapid price increases on high-risk financial assets also require increased vigilance in the period ahead.

§4. Decision on the Monetary Policy Report and the repo rate

The Executive Board decided after voting

- to adopt the Monetary Policy Report according to the proposal, Annex A to the minutes, and
- to hold the repo rate at -0.25 per cent and that this decision would apply from Wednesday, 6 May 2015,

§5. Decision to purchase government bonds

Heidi Elmér presented this agenda item.

The Executive Board decided in accordance with the proposal, Annex B to the minutes.

§6. Other decisions

The Executive Board decided

- to publish the decision under §4 and §5 at 9.30 a.m. on Wednesday 29 April 2015 with the motivation and wording contained in a press release, and

- to publish the minutes of today's meeting on Tuesday, 12 May 2015 at 9.30 a.m.

§4 - 6 were verified immediately.

Minutes by:

Lena Eriksson

Verified:

Stefan Ingves

Martin Flodén

Per Jansson

Kerstin af Jochnick

Henry Ohlsson

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