The decision-making process – how the Executive Board of the Riksbank decides on the repo rate

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The statutory objective of the Riksbank is to maintain price stability. In the preparatory works for the Sveriges Riksbank Act, it was also stated that the Riksbank, without prejudice to the price stability target, should support the goals of general economic policy with a view to maintaining sustainable growth and a high rate of employment. The Riksbank thus conducts what is generally referred to as flexible inflation targeting. To achieve this, the Riksbank decides what the level of the repo rate should be. The aim of this article is to describe the process that the Riksbank follows when making decisions about the repo rate. The article also aims to describe the factors that have an impact on the form and structure of the decision-making process.

Independent central bank

The basis for the present form of the decision-making process was established in 1999, when the statutory objective of maintaining price stability was adopted and the Riksbank was given a more independent role in relation to its principal, the Swedish Parliament. Since then, the Riksbank has been managed by an Executive Board consisting of six full-time members, one of whom acts as the Governor and Chairperson of the Executive Board. The members are appointed by the General Council of the Riksbank, usually for a period of six years at a time. Normally the periods of office for the different members overlap to create continuity in the

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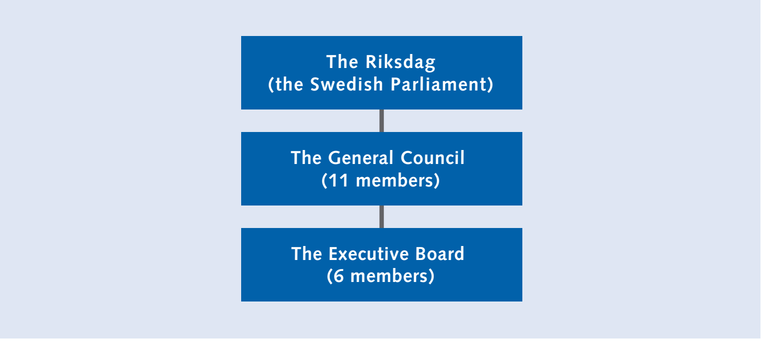
work of the Bank. The General Council is made up of 11 members and the same number of deputies, all of whom are appointed by the Swedish Parliament. Prior to 1999, the Riksbank was managed by the General Council together with the Governor. Today, the General Council has a more supervisory function.

Figure 1.



The Executive Board makes independent decisions on the repo rate and thus has what is known as instrumental independence. The objective for monetary policy – maintaining price stability – is stipulated in the Sveriges Riksbank Act. In this sense, the Executive Board is not independent in terms of the objective. However, the Executive Board does decide on the exact wording of the objective. The Executive Board also decides what interest rate should be set to achieve this objective.

The Executive Board has chosen to organise as an individualistic committee.[2] This means that the decisions are made jointly, but that each member has an individual responsibility. The interest rate decisions are made by means of a majority vote and the Chairperson of the Executive Board has the casting vote. The minutes that are published approximately two weeks after the monetary policy meetings provide a record of how each of the members reasoned and voted. Once the minutes have been published, the members may express their own views publicly, which highlights the members' individual responsibility and also makes it easier to evaluate monetary policy.

The way that a central bank chooses to organise its work is reflected in how it then communicates its monetary policy to the public. In many other central banks, the decisions are made by a collegial committee.[3] In such a committee, the members agree on a decision that is then publicly supported by all members. Any differences of opinion are kept within the

2 For a review of the different monetary policy decision-making models, see Blinder and Wyplosz (2004).
3 See, for example, Pollard (2004).

group; outwardly they speak with one voice. The European Central Bank (ECB) is an example of this type of committee. Consequently, the ECB does not publish any minutes following its monetary policy meetings.

Demands for openness and clarity

The fact that the Riksbank is independent in relation to the Swedish Parliament means that there is a particular need for the Riksbank to be open and clear – transparent – regarding the decisions that the Executive Board makes and the basis for these decisions. One component of this transparency is that the Governor of the Riksbank attends hearings held by the Parliamentary Committee on Finance twice a year on the monetary policy that the Riksbank has conducted in the immediately preceding years. In connection with one of these hearings, the Riksbank compiles data and background information for the evaluation of monetary policy.

Another component of this transparency is that in connection with each of the monetary policy meetings, which are usually held six times a year, the Riksbank publishes a report that summarises the material on which the Executive Board has based its decision, as well as the view of economic development supported by the majority of the Executive Board.[4] A press release is also published when the decision on the interest rate is announced. This contains the most important reasons for, and considerations, the majority's decision. A press conference is also held at which journalists have the opportunity to ask questions. Two weeks after every meeting, minutes are published which relate in detail how each of the members reasoned and voted. If any of the members of the Executive Board have a different view of monetary policy than the majority, they can enter a reservation against the interest rate decision and/or against the report and the forecasts presented in it. Any such reservations are recorded in the minutes.

One step the Riksbank has taken to further increase transparency is to publish its own forecast for the repo rate since the beginning of 2007. The idea is that this will make it easier for the public to understand how the Executive Board reasons when it makes decisions on monetary policy and the considerations behind these decisions. However, this has also had an impact on the way that the internal work is organised. For the Executive Board to be able to make a forecast for the repo rate, they must assess which repo rate path will provide a well-balanced monetary policy during the forecast period. This means that the members of the Executive

[4] At three of the meetings the Riksbank publishes a comprehensive Monetary Policy Report and at the remaining three a shorter version called a Monetary Policy Update.

Board participate in the work on the forecast in a more concrete way than previously.

Demands regarding background material and data

In order for the Executive Board to be able to make a decision on the repo rate path, they need background material and data that describe the current state of the economy. As there is a certain time lag before the interest rate affects the economy, they also need a description of the outlook for the period ahead. Another reason for making forecasts for a number of years ahead is that the Riksbank wants the development of inflation and the real economy – production and employment – to be stable over time. To arrive at an appropriate repo rate path, the Executive Board needs to see how different repo rate paths and different assumptions about, growth abroad, affect future economic development in Sweden. The background material is produced by the Monetary Policy Department in cooperation with the Executive Board. Below is a detailed description of how the internal work on producing background material and data as a basis for the interest rate decision of the Executive Board is conducted in a process which concludes with the publication of a Monetary Policy Report. In those cases where a Monetary Policy Update is published the process is shorter.

The forecasts represent an interplay between models and assessments

In order to form a picture of how the economy is expected to develop in the period ahead, the Riksbank uses a toolbox consisting of assessments, theory and empirical studies. These tools complement one another and have different roles in the forecast work. They are all important and necessary to make the best forecasts as possible.

As the economy is enormously complex, the Riksbank uses various macroeconomic models to create a cohesive picture of the development of the economy and how any new information that becomes available should be interpreted. These models are based on modern economic theory, empirical studies and practical experience of different correlations in the economy. If one merely studies individual correlations one misses the interdependence that exists between the different parts and sectors of the economy. There is then a considerable risk that the different parts of the analysis will not hold together.

However, models – no matter how sophisticated they may be – are only simplifications of reality. They must be supplemented with analyses and assessments by experts in different fields. These experts have important insights into the real situation that the models are unable to capture. Forecasts based on models provide a good starting point and help to structure the discussions. The experts then adjust the models' forecasts on the basis of their specific knowledge and assessments. The assessments become particularly important when unusual events and structural changes take place that alter functioning of the economy. Models that are only based on historical correlations find it hard to handle such changes.

In recent years, models have played an increasingly important role in the work on forecasts. A similar trend has also been seen at many other central banks. The reason for this is that methods have improved very quickly with regard to the empirical properties and forecasting performance of large structural macro models. There have also been major advances with regard to time series models, which focus on regularities in economic data and are based to a lesser extent on economic theory. Increasingly powerful computers have been of considerable importance in this context. They make it easier to make advanced and time-consuming calculations.[5]

The Riksbank has developed its own macro model for the Swedish economy. This is designated Ramses and now plays a very important role in the forecast work.[6] Ramses is a general equilibrium model and belongs to the group of DSGE models of the neo-Keynesian type.[7] The term "general" means that the model attempts to explain large parts of the economy and not just a single component such as private consumption or the labour market. If a particular variable changes, the entire system is adapted in the model simultaneously with the change. The fact that it is an equilibrium model means that it assumes that market mechanisms create a balance between supply and demand in the different markets of the economy.

Ramses is used, to make forecasts, interpret the development of the economy, study alternative scenarios and calculate the effects of monetary policy. Some areas, such as the credit market the credit market, are as yet not particularly well developed in general equilibrium models such as Ramses.[8] Ramses is therefore complemented by partial models that focus on certain individual variables. Bayesian VAR models are also used for forcasting. A VAR model is a system of equations that can be used to capture the average variation in data. In a Bayesian VAR model a prior is

5 For a review of the results from the models and their forecasting performance see Adolfson et al (2007a).
6 Adolfson et al. (2007b).
7 DSGE stands for Dynamic Stochastic General Equilibrium Models.
8 Extensive work is currently underway at the Riksbank to also include financial frictions in Ramses. See for example Christiano, Trabandt and Walentin (2007).

used, which is an assessment made in advance of, for example, how high the sustainable growth rate will be.[9]

In general, the further ahead we look, the more importance we give to economic theory and the assumptions of long-term equilibrium in Ramses and the Bayesian VAR models. In order to determine the current status of the economy we instead use various times series models and indicator models. These are used to make forecasts one to two quarters ahead. These short-term forecasts are then used as starting values in the large macro models.

The decision-making process develops

As pointed out above, the decision-making process has been affected by the fact that the Riksbank has an independent position and that the members of the Executive Board have an individual responsibility for monetary policy. In recent years, the process and the form of the Monetary Policy Reports have also been affected by the fact that the Riksbank presents its view of the future development of the repo rate and that this interest rate forecast forms the basis for other forecasts. In addition, there has been a relatively rapid development of methods and models at the Riksbank. This has improved the background material and data produced for the Executive Board and the structure of the Board's meetings about the forecast.

As the Executive Board is fairly small and the composition of the Board changes over time, it is also natural that the process is affected by the individuals that make up the Executive Board at any one time. The Board members do not, for example, always share exactly the same view of what is a relevant basis for the latest monetary policy decision. It is important, however, that the decision-making process is not changed too often. The aim has instead been to design the process so that it creates scope for the Executive Board to influence the assessments in a structured way.

The process begins with a discussion of alternative scenarios

The material for the monetary policy meetings is mainly produced in the Monetary Policy Department in close cooperation with the Executive Board. Figure 2 shows meetings held during a normal process and approximately when these meetings are scheduled. The process usually takes about six weeks. As can be seen in the figure, the work normally

[9] See, for example, Villiani (2005).

begins with a discussion of various risks and conceivable alternatives for the development of the economy. The Board members participate already at this first meeting together with employees of the Monetary Policy Department, some employees from other departments and a number of advisers to the Executive Board. The aim of the meeting is to discuss at an early stage, what the Executive Board and the employees at the Riksbank see as the possible course of the future development of the economy in Sweden and abroad.

It is at this meeting that the alternative scenarios described in the second chapter of each Monetary Policy Report begin to take shape. The scenarios illustrate the possible course of development if particular events occur in the economy. For example this process may involve alternative scenarios for productivity, the oil price or economic growth abroad. These scenarios can then be used in the production of the main scenario. They can also be used to reflect a scenario that an individual Executive Board member prefers as the main scenario.

The scenarios also act as a guide for external analysts as to how monetary policy may be adapted if economic development does not follow the course predicted by the Riksbank. For example, the Monetary Policy Report published in February 2007 contained an analysis of an alternative scenario in which wages developed at a faster rate than stated in the main scenario. This contributed to an upward adjustment of market expectations regarding the repo rate during the spring when it appeared that the collective bargaining process would lead to higher wage increases than predicted by the Riksbank. The Riksbank also adjusted the repo rate upwards in subsequent reports. In the first and second Monetary Policy Reports of 2008, the alternative scenarios for oil and commodity prices functioned in the same way.

Experience indicates that that the work on the alternative scenarios increases the stringency of the discussions conducted during the forecast process and facilitates the effort to draw up a main scenario that a majority of the Executive Board can support.

The discussions at this meeting are relatively unbiased and take a broad perspective. The meeting usually begins with a review of the scenarios that were described in the previous Monetary Policy Report or that have been presented internally. At the end of the meeting, the Monetary Policy Department attempts to summarise the discussion by formulating a number of possible alternative scenarios. Several more in-depth analyses may also be ordered if it is believed that these are of importance to the approaching interest rate decision. If, for example, it is decided at the meeting that it would be interesting to draw up an alternative scenario in which productivity is lower than in the previous main scenario, then it becomes necessary to investigate questions such as:

- What could lead to lower productivity?
- How long will productivity be lower?
- When can productivity be expected to be lower?
- Is productivity lower just in Sweden or in other countries too?
- How will the Riksbank react?
- Is it possible to produce scenarios in the Riksbank's general equilibrium model for the Swedish economy (Ramses) or should some other model be used?

Figure 2. The process when a Monetary Policy Report is published.

The international forecast and the current situation in Sweden are determined

After the initial risk meeting, a number of meetings are held at which new statistics and new events that have occurred in the economy since the previous monetary policy meeting are presented and analysed – has development been in line with the previous assessments and what is the current status of the economy? The exogenous conditions for the forecast reviewed those factors that are independent of the monetary policy conducted in Sweden. A small, open economy like Sweden is highly affected by events in the outside world, while the opposite is not the case. As there is of a time lag before monetary policy has an effect, development in the very short term is also relatively unaffected by the interest rate decision that the Executive Board takes at the next monetary policy meeting. The discussions at the meeting are often at a detailed and technical level. The forecasts in the main scenario begin to take shape.

Initially, an *international outlook meeting* is held at which the aim is to arrive at a preliminary international forecast. The meeting begins with a review of any important new information on international events or developments that has become available since the previous monetary policy meeting and of any important information that is expected to become available before the forecast is adopted. There is a discussion of the deviations from the main scenario that have occurred since the previous assessment and of the revisions that the new information indicates may be required. The results of several indicator models and model runs are presented. Forecasts from bodies such as the OECD and the IMF are also presented.

After this a *financial market meeting* is held. One of the purpose of this meeting is to determine a preliminary repo rate path which will be used at the beginning of the forecasting work. This is often the same path as in the previous forecast, but revisions are of course made if required in light of new information. Proposals for alternative interest rate paths are also presented. Events on the financial markets since the previous monetary policy meeting are discussed and analysed. This includes analysing the changes that have taken place in the implied forward rate path, which is assumed to reflect the markets expectations regarding the repo rate path. Developments regarding of house prices, credits, share prices, the money supply, exchange rates and international interest rates is also presented at the meeting.

Next, a *current status* meeting is held. The purpose of the current status meeting is to as certain the state of the Swedish economy as the present time. The definition of current status is relatively broad. The National Accounts, which are the most important source of statistics on the real economy, are published with a time lag. The outcomes for the preceding quarter are therefore not usually known when the forecasting work starts. Assessing the current status of the economy thus often entails making a forecast for the preceding quarter as well as for the present quarter. An important aspect in this context is the assessment of the current level of resource utilisation. As in the case of the international outlook meeting, the current status meeting begins with a review of any important new information on Sweden that has become available since the previous monetary policy meeting and of any important information that is expected to become available before the forecast is adopted. Apart from new information on the current economic situation, there are also discussions of other new information that may be important for the forecasts in the slightly longer term.

At this meeting, the results from a number of indicator models and model runs are also presented.[10] In the case of the model runs the main focus is on the current situation. For example, the actual outcomes compared to what Ramses expected are studied and analysed.

The Executive Board members are invited to intend these meetings, but they are mainly intended to be working meetings, for the personnel of the Monetary Policy Department. Members of the Executive Board who are unable to attend these meetings, or who prefer to receive a summary of the new information, may choose to attend only the first large monetary policy group meeting, which is described below.

The Monetary Policy Department establishes its forecast

Following these three introductory meetings, the Monetary Policy Department establishes its view of macroeconomic developments. The initial focus is on a number of key variables such as inflation, interest rates, GDP, number of hours worked, exchange rates and resource utilisation. The idea initially is to adopt a "top-down" approach to the forecast. This means that the first thing to do is to form a general picture of the macroeconomic situation. The forecasts are produced on the basis of the exogenous conditions; that is on the basis of the view of the current status of the economy and the forecast for developments abroad. The forecast is produced with the help of Ramses and so-called Bayesian VAR models. As pointed out above, some areas are not particularly well developed in Ramses as yet, so partial models that focus on certain specific variables are also used in the forecasting work. Finally, a wide range of assessments are made in order to arrive at the final macro forecast.

The different parts of the forecast are then chiselled out in more detail. For instance, a complete forecast is produced for the demand components in the balance of resources and in the labour market. This is more of a "bottom-up" approach and thus acts as a means of checking the macro picture. The aim is to ensure that all the parts of the forecast hold together and add up correctly. Normally, this leads to only minor revisions of the macro forecast.

[10] For a review of these see Andersson and Löf (2007).

THE MONETARY POLICY DEPARTMENT'S INTEREST RATE PATH IS NOT A RECOMMENDATION

The interest rate paths presented in the Riksbank's Monetary Policy Reports and Updates represent the view of monetary policy that the majority of the Executive Board supports on each occasion. They are, however, the final result of the entire forecasting process. When the Monetary Policy Department begins work on the forecast, it normally uses the interest rate path adopted at the previous monetary policy meeting as a starting point. The forecast for the repo rate is then gradually adjusted as the forecasting work progresses. The path produced at this stage should reflect the Executive Board's normal, historical behaviour.

An alternative to producing an interest rate path that reflects the historical behaviour of the Executive Board would be to produce an interest rate path that the management believes is an appropriate path. However, it is not obvious which type of path should be chosen here. It is of course valuable for the Executive Board to hear the management's views on monetary policy. The fact that the Riksbank conducts flexible inflation targeting means that alongside the inflation target the Riksbank also has to take into account the development of production and employment. If inflation deviates significantly from the target it is not self-evident how quickly inflation should be brought back to two per cent. To determine whether, and if so how, the repo rate needs to be changed, an analysis must be made of the causes of the deviation of inflation from the target and also of how the interest rate, inflation and the real economy interact. What may be considered to be a well-balanced monetary policy at the time is thus not immediately self-evident. It is rather a question of judgement, and the point of having an Executive Board consisting of several members is that this provides a range of perspectives and expertise. Presenting a forecast – including a path for the repo rate – that has been produced entirely by civil servants may thus be problematic. What point of view should it represent? There may also be differences of opinion among the management; if so, whose interest rate path should be presented? That of the Head of the Monetary Policy Department or an average of the views of the entire Department?

However, although there are good reasons why the management should not give the Executive Board a recommendation, it has to be admitted that ultimately it is difficult to prevent the interest rate path and other forecasts from being at least partly affected by the management's own assessments. Furthermore, it is not entirely unusual for members of the Executive Board to explicitly ask members of the Department at various meetings what they believe would be a well balanced monetary policy. The important thing, however, is not that the Executive Board finds out what various people in the Monetary Policy Department think about the interest rate forecast, but that it is made clear that it is made clear how they arrived at the different forecasts. The results that the different models have provided and the various assessments that have been made alongside the models should, for example, be made as clear as possible.

The first large monetary policy group meeting summarises new information and the forecast

When the work on the forecast has been completed at the Monetary Policy Department, the first large monetary policy group meeting is held. In the first part of the meeting, the Executive Board is updated on any new information that has become available and the international forecast is presented. In the second part, various in-depth studies and the forecast for Sweden are presented. The aim of this meeting is to provide the Executive Board with the information and data it needs to be able to begin to form a joint view of the future development of the economy and the monetary policy that should be conducted in the period ahead.

The meeting may vary in length depending on what has happened since the last meeting and how many in-depth studies have been ordered. Table 1 below shows the schedule for such a meeting, wich is approximately five hours long. These meetings are open to most of the Monetary Policy Department and to the Executive Board. Personnel from the Financial Stability Department and from the Communications Secretariat, as well as certain advisers to the Executive Board, usually also take part.

Table 1. Example of an agenda for the first large monetary policy group meeting.

Agenda	Time (minutes)	Presenters
Part 1		
Introduction and summary	5	Head of FD
Market report	30	DMAO
Housing prices etc.	30	FSD
International outlook	60	DEPA
Current status in Sweden	55	FD
Part 2		
In-depth studies	40	
The forecast	80	MD

Note. DMAO = The Division for Market Analysis and Operations, FSD = Financial Stability Department, DEPA = The Division for Economic Policy Analysis, FD = The Forecast Division and MD = The Modelling Division.

The first part of the meeting begins with the presentation of the new information that has become available since the last monetary policy meeting. This is followed by a presentation of the forecasts and how they were obtained. Initially, the forecasts produced using Ramses and the BVAR models are presented. These forcasts are based on the assessments made for the international outlook and on the new information for the present quarter. The model revisions are then presented to explain how the model forecasts have been revised between this forecasting process and the previous forecasting process. Sometimes the model revisions are also co-weighted.

If other models have been used to produce the main scenario, the results from these models are also presented, as was the case in the autumn of 2007 during early stages of the financial crisis. It was not possible to capture the consequences of the financial turbulence in Ramses. A forecast was therefore produced in another model in an attempt to capture these developments. A great deal of analysis was also required.

The next step is produce a summary in which the previous forecast, the model forecasts and the forecast in the main scenario are presented. Finally, various consistency checks are presented. For example, the entire real forecast (GDP, employment etc.) is entered into Ramses to see what inflation and interest rate forecasts then emerge from the model.

The aim of the first large monetary policy group meeting is to attempt to clarify for the Executive Board what forecasts different models generate, how the models react to the new information that has become available and, not least, what assessments the management of the Monetary Policy Department made to arrive at the final forecast. At this meeting, the members of the Executive Board also have the opportunity to ask the expert about details in the forecast.

The second large monetary policy group meeting provides more scope for discussion

The second large monetary policy group meeting is held the next day. This meeting is also divided into two parts. The first part of the meeting takes around one hour and the second part approximately two hours. Table 2 shows the agenda for such a meeting. In the first part, the scenarios that were ordered at the introductory risk meeting are presented. Scope is provided to discuss the effect of different factors on economic development. For example, how will GDP and inflation in Sweden be affected if development abroad is weaker than assumed in the main scenario? And in what way may monetary policy in Sweden need to be adapted to this scenario? We also check with the Executive Board whether the alternative scenarios cover the risks the Board sees in the period ahead and whether the Board believes that the monetary policy response seems reasonable.

All of the people who participated in the first large monetary policy group meeting are invited to attend the first part of the second meeting. However, the second part of the meeting is attended only by the Executive Board and a small number of people from the management of the Monetary Policy Department, a couple of advisers and representatives from the Communications Secretariat. The reason for limiting participation in the second part of the meeting is to allow the members of the Executive Board to discuss the issues between themselves as thoroughly and as openly as possible. The members of the Executive Board may now discuss and express opinions on the main scenario basis of their own assessments.

Table 2. Example of an agenda for the second large monetary policy group meeting.

Agenda	Time (minutes)	Presenters
Part 1		
Alternative scenarios	60	MD
Part 2		
Discussion of the forecast – different weightings	60	MD
Different repo rate paths	60	MD

Note. MD=The Modelling Division.

The Executive Board confers

In part 2 of the second large monetary policy group meeting the Executive Board plays a more active role. The various Board members present their views on the forecast. A member may, for example, express concern that the forecast for productivity is too high. If an alternative scenario for productivity has been drawn up the main scenario can be adjusted directly at the meeting by weighting the two scenarios for the growth of productivity together. The Board can then immediately see what impact this has on the forecasts for the repo rate path, inflation and, for example, the growth of GDP. Various repo rate paths that reflect different balances between inflation and the development of the real economy are also presented.

On the basis of this material, the Executive Board attempts to arrive at a repo rate path that it seems likely that the majority of the Board members can support. At this point that the Board members decide that they want to see additional alternative scenarios, or another repo rate path than the one that the one that has served as the main scenario until this time. If so, these are produced by the next day when a follow-up meeting is held with the Executive Board and some of the personnel of the Monetary Policy Department.

On the basis of this new material, the Board members can usually decide which interest rate path they prefer. It is still possible, however, for the Executive Board to amend the forecasts if it believes this is necessary. All forecasts can be changed at the Executive Board's monetary policy meeting that is held a week or so later.

Executive Board meetings on the forecasts and the texts

After the second large monetary policy group meeting the Monetary Policy Department continues its work and compiles a first draft of the Monetary Policy Report. This is done in close co-operation with the Executive Board. A formal Executive Board Meeting is held a few days after the second large monetary policy group meeting at which the forecasts are presented.

The Executive Board receives a first draft of the Monetary Policy Report as a basis for this meeting. The forecasts are those that the Board adopted at the meeting on the day after the second large monetary policy group meeting. The Board continues to discuss the forecasts and how they should be presented in the Monetary Policy Report. The editorial work on the Monetary Policy Report continues and the text is regularly checked with the members of the Executive Board.

The Executive Board then holds another formal meeting a few days later. The primary focus of this meeting is on the wording of the report, which is reviewed in detail. After this it is finally time for the monetary policy meeting.

The monetary policy meeting

The Executive Board normally holds six monetary policy meetings a year. If necessary the Board can meet more often. The number of meetings is not stipulated by law, but is determined by the Executive Board members. In addition to the Executive Board members, a number of employees from the Monetary Policy Department, the Financial Stability Department and the Communications Secretariat take part in the meeting, as well as some advisers and lawyers. The Chairman and Vice Chairman of the General Council also regularly participate in the meetings of the Executive Board and thus have a direct insight into the work of the Board. They both have the right to express opinions, but not to put forward proposals or take part in any decisions. In total, around 20 people are usually present at the meeting.

The meeting usually begins with a brief update on how the financial markets have developed, including markets expectations regarding monetary policy ahead of the meeting, and other new, important information received since the editorial meeting a few days earlier. This is followed by a summary of the main elements in the Monetary Policy Report or the Monetary Policy Update.

The Executive Board then discusses economic developments in the years ahead. First they deal with economic activity and inflation abroad and then developments in Sweden. Each member of the Executive Board now presents his or her view of the current status of the economy and of the monetary policy stance that should be adopted. There is no predetermined order as to who will begin the discussion. Although the members of the Board may have formed an opinion during the process, the final decision on the repo rate is made at this time and a majority view is formed regarding the future repo rate and economic development at this time.

The process is designed so that the forecasts and the Monetary Policy Report can be changed following the meeting. The alternative scenarios and the model results allow consistent revision of the forcasts in connection with the monetary policy meeting at the request of majority of the Executive Board. The Chairman of the Executive Board usually concludes by summarising the discussions held and the proposals that have been put forward regarding the interest rate level. The Executive Board then moves on to the decision and votes.

After the formal meeting, the Monetary Policy Report and the press release are finalised. The wording should reflect the discussions at the meeting. The repo rate decision is normally announced the day after the meeting when the press release is published. At the same time, the Monetary Policy Report is published on the Riksbank's website. The printed version of the report is published slightly later. Approximately two weeks after the monetary policy meeting, minutes are published which relate in detail how the different Board members have reasoned and voted. The Monetary Policy Department draws up draft minutes that the Executive Board may then amend.

To sum up, this article has highlighted and discussed the changes that have taken place in recent years in the way that the background data and material for the interest rate decisions are produced. Some of these changes stem from the fact that forecasting methods have developed. Other changes relate to the specific conditions that apply in Sweden where the independent position of the Riksbank raises high demands for openness and transparency. The Riksbank's decision to begin publishing its own forecast for the repo rate is part of the effort to increase transparency and to further improve the analyses. This also means that the members of the Executive Board have become more involved in the forecasting process. The Riksbank continually evaluates its forecasts to determine how well they have managed to predict actual developments as part of its efforts to constantly improve its working methods.

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