

## No 9:3

### Separate minutes of the Executive Board meeting on 5 July 2001

Present: Urban Bäckström, Chairman  
Lars Heikensten  
Eva Srejber  
Villy Bergström  
Lars Nyberg  
Kristina Persson  
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Johan Gernandt, Vice-Chairman of the General Council

Claes Berg  
Mårten Blix  
Hans Dellmo  
Jörgen Eklund  
Mats Galvenius  
Kerstin Hallsten  
Björn Hasselgren  
Leif Jacobsson  
Ann-Kristin Johnsson  
Javeria Ragnartz  
Annika Svensson  
Åsa Sydén  
Anders Vredin  
Martin Ådahl

#### **§ 1. Preparation for the Executive Board decision on foreign exchange interventions on 14 June 2001 (separate minutes § 1)**

In connection with the monetary policy meeting on 5 July 2001, First Deputy Governor Lars Heikensten proposed that an assessment of the recently implemented foreign exchange interventions should be made during the autumn. Heikensten also explained that he intended to return with a proposal as to how interventions should be prepared, decided on and communicated in future. This would be similar to the presentation of proposals for a system for repo rate decisions that he made in January 1999.

Villy Bergström stated in this context that:  
"Making interventions on the foreign exchange market to strengthen the krona rate under a floating exchange rate regime involves a new strategy for the Riksbank. In my opinion, a new strategy of this nature requires meticulous preparation. Given this, I welcome the fact that the Executive Board will have the opportunity to take a stand on a

proposed system for preparation for interventions. There should be an aim to find a system that we can all support. This would help to avoid some of the concern that arose in connection with the decisions in June. A high degree of openness is also desirable in connection with foreign exchange interventions for monetary policy purposes, even if such interventions are different in many respects from repo rate adjustments.

As reported in the minutes of the meeting held on 14 June 2001, I was sceptical that the foreign exchange interventions could be implemented successfully. The fact that the krona is weak, despite an economy where central government finances are sound and there is a substantial current account surplus, seems to be partly due to the current, temporary portfolio adaptations to foreign shares and other securities by pension funds and other portfolio managers. Under these circumstances it is very unlikely that it would be possible to strengthen the krona rate significantly and over a long period of time. There is a risk that the Riksbank's monetary policy will appear unclear.

For these reasons I recommended that the decision on foreign exchange interventions should be postponed. Not even an interest rate hike would strengthen the exchange rate significantly and durably. For that reason, and taking into account the declining economic activity, I am now against raising the interest rate."

The Executive Board decided that an assessment of the interventions would be implemented in the autumn in accordance with Lars Heikensten's proposal.

Minutes by:

A-K Johnsson

Checked by:

Urban Bäckström

Lars Heikensten

Eva Srejber

Villy Bergström

Lars Nyberg

Kristina Persson