



# PRESS RELEASE

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## ■ Repo rate unchanged at **-0.35 per cent**

*Economic activity in Sweden is strengthening and inflation is showing a clear upward trend. Even though uncertainty continues to be high internationally, the economic outlook and inflation prospects remain largely unchanged since the monetary policy decision published in July. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at -0.35 per cent. The expansionary monetary policy, with a negative interest rate and the previous decision to purchase government bonds until the end of the year, is supporting the continued positive development of the Swedish economy so that CPIF inflation can be expected to be close to 2 per cent in 2016. The Riksbank remains highly prepared to make monetary policy even more expansionary in the event of inflation prospects deteriorating.*

### **Recovery in an uncertain world**

The recovery abroad is continuing. Growth improved in the United States and the United Kingdom in the second quarter, at the same time as the euro area continued to grow at a moderate pace. However, uncertainty over economic developments abroad remains high. This is illustrated by the summer's fall in oil prices and the recent wide fluctuations on the equity and foreign exchange markets resulting, among other things, from unease over developments in China and other emerging markets.

### **Monetary policy is having an effect - inflation is rising**

The expansionary monetary policy in Sweden is contributing to the continuing strengthening of economic activity and the gradual improvement of the situation on the labour market. Inflation has risen since last autumn and CPIF inflation was 0.9 per cent in July. Excluding energy, CPIF inflation amounted to 1.5 per cent. The trend of rising inflation is expected to continue. It is true that the fall in oil prices and the low electricity prices in Sweden will restrain CPIF inflation in the near future, but inflation is nevertheless expected to rise clearly. The forecast for the CPIF excluding energy remains basically unchanged from the Monetary Policy Report in July.

### **Low repo rate so inflation can rise towards the target**

Inflation is rising, the Swedish economy is developing strongly and revisions to the forecasts are small overall. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at -0.35 per cent. In addition, the Riksbank will continue to purchase government bonds until the end of the year, according to the plan announced in July. The repo rate is expected to be -0.35 per cent for about one year, while the repo-rate path reflects the possibility of lowering the repo rate further.



## Risks for inflation

Developments abroad entail continued risks to the development of inflation. The recent weeks' turbulence on the financial markets is creating uncertainty, making it difficult to assess the development of the krona in this environment. There is also a risk that the fall in oil prices could affect long-term inflation expectations in a more substantial way. However, the risk of this is deemed to be smaller now than earlier this year, when inflation was lower and inflation expectations had been falling for a time.

## Readiness to do more

It is important that inflation continues to rise and come closer to 2 per cent. Such a development helps to create long-term inflation expectations that are compatible with the inflation target. The Riksbank consequently continues to maintain a high level of preparedness to rapidly make monetary policy even more expansionary, even between the ordinary monetary policy meetings, if this becomes necessary. The repo rate can be cut further and the government bond purchases can be extended. The Riksbank is also prepared to intervene on the foreign exchange market if the upturn in inflation should be threatened as the result, for instance, of a very problematic development in the markets. The purchase of other types of securities and the launch of a programme for lending to companies via the banks may also come into question.

## Risks associated with household indebtedness must be managed

Monetary policy now needs to be very expansionary to bring inflation towards the target and to reduce the risks associated with a situation in which inflation is too low. At the same time, however, the low interest rates contribute to the trends of rising house prices and increasing indebtedness in the Swedish household sector continuing. Current debt levels already pose a substantial risk to the Swedish economy. It is thus essential that the Riksdag (the Swedish parliament), the Government and other authorities implement measures to reduce this risk. If no measures are taken, this, in combination with the low level of interest rates, will further increase the risks, which may ultimately be very costly for the economy.

## Forecast for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, annual average

	2014	2015	2016	2017
<b>CPI</b>	-0.2	0.0 (0.2)	1.8 (2.0)	2.8 (2.7)
<b>CPIF</b>	0.5	0.9 (1.1)	2.0 (2.1)	2.2 (2.1)
<b>GDP</b>	2.3	3.1 (2.9)	3.4 (3.6)	2.6 (2.6)
<b>Unemployment, ages 15-74, per cent</b>	7.9	7.6 (7.7)	7.2 (7.3)	6.9 (7.0)
<b>Repo rate, per cent</b>	0.5	-0.3 (-0.3)	-0.3 (-0.3)	0.2 (0.2)

Note. The assessment in the Monetary Policy Report in July 2015 is shown in brackets.  
Sources: Statistics Sweden and the Riksbank

## Forecast for the repo rate

Per cent, quarterly average

	2015 Q2	2015 Q3	2015 Q4	2016 Q3	2017 Q3	2018 Q3
<b>Repo rate</b>	-0.25	-0.34 (-0.37)	-0.39 (-0.41)	-0.33 (-0.33)	0.26 (0.26)	0.81 (0.81)

Note. The assessment in the Monetary Policy Report in July 2015 is shown in brackets.  
Source: The Riksbank



■ The decision on the repo rate will apply with effect from 9 September. The minutes from the Executive Board's monetary policy discussion will be published on 16 September. A press conference with Governor Stefan Ingves and Christina Nyman, Deputy Head of the Monetary Policy Department, will be held today at 11 a.m. in the Riksbank. Press cards must be shown. The press conference will be broadcast live on the Riksbank's website, [www.riksbank.se](http://www.riksbank.se), where it will also be available to view afterwards.