



# PRESS RELEASE

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## ■ Repo rate unchanged at –0.35 per cent - still highly prepared to act

*Developments in the Swedish economy have been somewhat stronger than expected, while uncertainty remains globally. There has been an upward trend in inflation since last year, but it is not yet on a firm footing. To safeguard the resilience of the upturn in inflation, monetary policy needs to remain very expansionary. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at –0.35 per cent. Purchases of government bonds will continue for the first six months of 2016 as was decided in October. The Board is also highly prepared to make monetary policy even more expansionary, even between the ordinary monetary policy meetings.*

### **Economic activity is stronger**

The Riksbank's very expansionary monetary policy is contributing to good growth, falling unemployment and an upward inflation trend. The sharp increase in the number of asylum seekers coming to Sweden is expected to lead to an increase in public expenditure, which will contribute to higher GDP growth and lower unemployment in the coming years. The consequences for monetary policy in the coming period are deemed to be minor, however.

### **Inflation not yet on a firm footing**

There is now a broad economic upturn, there has been an upward trend in inflation throughout the year and inflation expectations have stabilised and begun to rise. The upturn in inflation is volatile, however, as is illustrated by the unexpectedly weak outcome for November. The fact that inflation is rising is still mainly due to the weak krona, which has contributed to a rise in the prices of imported goods and services. The contribution to inflation made by the depreciation of the krona is expected to decrease next year. In order to also support an upturn in more domestically-generated inflation, continued high levels of demand are therefore needed in the Swedish economy.

It is true that the global recovery is making progress, but inflation is low globally and many central banks are pursuing a very expansionary monetary policy. The level of international interest rates is therefore expected to remain very low in the period ahead, which means that Swedish monetary policy also needs to be expansionary. Otherwise the krona exchange rate is at risk of strengthening earlier and at a faster rate than in the forecast, which would make it harder to get inflation up and stabilise it around 2 per cent.

### **Continued very expansionary monetary policy**

To safeguard the strength of the upturn in inflation, the Executive Board of the Riksbank has decided to hold the repo rate at –0.35 per cent. Purchases of government



bonds will continue in line with the decision in October. Purchases will thereby amount to a total of SEK 200 billion at the end of June 2016. The Executive Board deems that the repo rate will not be raised until CPIF inflation has stabilised around 2 per cent during the first half of 2017.

### Still highly prepared to act

The Executive Board remains highly prepared to make monetary policy even more expansionary, even between the ordinary monetary policy meetings. The repo rate can be cut further, which is reflected in the repo rate path, and the Riksbank can purchase more securities. The Riksbank is also ready to intervene on the foreign exchange market if the upturn in inflation should be threatened as the result of a problematic market development, for example. Moreover, the Riksbank is prepared to launch a programme of lending to companies via the banks.

### Risks associated with household indebtedness must be managed

The Riksbank has highlighted the risks associated with the low interest rate level on many occasions. In order to reduce the risks of household indebtedness, different reforms are needed that both create a better balance between supply and demand on the housing market and reduce the incentives for households to take on debt. It is also of the utmost importance that Finansinspektionen's mandate for macroprudential policy is clarified. If no measures are taken, this, in combination with the low interest rate level, will further increase the risks. Such a development could ultimately be very costly for the national economy.

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

Annual percentage change, annual average

	2014	2015	2016	2017	2018
<b>CPI</b>	-0.3	0.0 (0.0)	1.3 (1.4)	2.5 (2.4)	3.0 (3.1)
<b>CPIF</b>	0.5	0.9 (0.9)	1.7 (1.8)	2.2 (2.1)	2.2 (2.2)
<b>GDP</b>	2.3	3.7 (3.3)	3.6 (3.0)	2.9 (2.7)	2.5 (2.3)
<b>Unemployment, ages 15-74, per cent</b>	7.9	7.4 (7.4)	6.8 (7.1)	6.7 (6.9)	6.9 (6.8)
<b>Repo rate, per cent</b>	0.5	-0.3 (-0.3)	-0.4 (-0.4)	-0.1 (-0.1)	0.5 (0.5)

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

### Forecast for the repo rate

Per cent, quarterly averages

	2015 Q3	2015 Q4	2016 Q4	2017 Q4	2018 Q4
<b>Repo rate</b>	-0.34	-0.35 (-0.36)	-0.41 (-0.41)	0.12 (0.12)	0.66 (0.66)

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

The decision on the repo rate will apply with effect from 16 December. The minutes from the Executive Board's monetary policy discussion will be published on 8 January. A press conference with Governor Stefan Ingves and Marianne Nessén, 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.