

PRESS RELEASE

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Repo rate unchanged at –0.50 per cent, reinvestment of redemptions brought forward

The strong economic activity has contributed to inflation being close to 2 per cent for a period of time. Monetary policy needs to remain expansionary for inflation to continue to be close to the target. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at –0.50 per cent and is expecting, as before, to begin slowly raising the repo rate in the middle of 2018. The Executive Board has also decided to begin reinvesting in January 2018 the bonds that mature in 2019.

International economic activity is strengthening further. The relatively subdued inflationary pressures mean, however, that monetary policy abroad will remain expansionary in the years ahead.

The economic prospects and outlook for inflation in Sweden are largely unchanged from October. Economic activity is strong and the employment rate is high. Although the decline in housing prices is expected to dampen housing investment in the coming years, the effects on GDP growth will be partly counteracted by the stronger demand from abroad.

Continued expansionary monetary policy to keep inflation close to the target

Although inflation has now been close to 2 per cent for some time, prior to this it was below the target for a long time. It has required a great deal of support from monetary policy to bring up inflation and inflation expectations. Economic activity needs to remain strong for inflation to continue to be close to the target. It is also important that the krona does not appreciate too quickly.

The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at –0.50 per cent and is expecting, as before, to begin slowly raising the repo rate in the middle of 2018. The Riksbank's net purchases of government bonds will amount to a nominal value of SEK 290 billion at the end of 2017. Redemptions and coupon payments in the government bond portfolio will be reinvested until further notice. Large redemptions, amounting to around SEK 50 billion, will occur during the first half of 2019. In addition, there are coupon payments totalling around SEK 15 billion from January 2018 to June 2019. To retain the Riksbank's presence on the market and attain a relatively even rate of purchase going forward, the reinvestments of these redemptions and coupon payments will begin as early as January 2018 and continue until the middle



of 2019. This means that the Riksbank's holdings of government bonds will increase temporarily in 2018 and the beginning of 2019.

Just as before, the Riksbank is prepared to implement further monetary policy easing if necessary to stabilise inflation and safeguard the inflation target. All of the tools that the Riksbank has described earlier can be used if necessary.

Monetary policy safeguards the inflation target's role as nominal anchor for price and wage formation and thereby contributes to the positive development of the economy. But the low interest rates at the same time contribute to increasing the risks linked to high and rising household indebtedness. To achieve long-term sustainable development in the Swedish economy, these risks need to be managed via measures within housing policy, taxation policy and, if necessary, macroprudential policy.

Forecasts for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, annual average

	2016	2017	2018	2019	2020
CPI	1.0	1.8 (1.8)	2.0 (1.9)	2.8 (2.8)	3.1 (3.1)
CPIF	1.4	2.0 (1.9)	2.0 (1.8)	2.0 (2.1)	2.0 (2.1)
GDP	3.2	2.5 (2.9)	2.9 (2.9)	1.7 (2.0)	2.1 (1.9)
Unemployment, 15-74 years, per cent	6.9	6.7 (6.7)	6.5 (6.5)	6.5 (6.5)	6.5 (6.5)
Repo rate, per cent	-0.5	-0.5 (-0.5)	-0.4 (-0.4)	0.0 (0.0)	0.6 (0.6)

Note. The assessment in the October 2017 Monetary Policy Report is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly means

	2017 Q3	2017 Q4	2018 Q4	2019 Q4	2020 Q4
Repo rate	-0.50	-0.50 (-0.50)	-0.27 (-0.27)	0.24 (0.24)	0.75 (0.75)

Note. The assessment in the October 2017 Monetary Policy Report is shown in brackets.

Source: The Riksbank

Deputy Governors Martin Flodén and Henry Ohlsson entered reservations against the decision to begin reinvesting in January 2018 the bonds that mature in 2019. They advocated that the Executive Board should at a later stage take a stance on if and when the bonds maturing in 2019 should be reinvested.

The decision on the repo rate will apply from 3 January 2018. The minutes from the Executive Board's monetary policy meeting will be published on 10 January. Further information on the reinvestment can be found in a separate annex to the minutes at www.riksbank.se. A press conference with Governor Stefan Ingves and Jesper Hansson, 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 webcast live at www.riksbank.se.