

PRESS RELEASE



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Repo rate unchanged at –0.50 per cent – bond purchases according to plan

Economic activity is strong and inflation is close to the target of 2 per cent. Monetary policy needs to remain expansionary for inflation to continue to be close to 2 per cent. 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, not to raise it until the middle of 2018. The purchases of government bonds will continue during the second half of 2017, as decided by the Executive Board in April.

The economic signals from abroad are good, but global inflation remains subdued. Compared with the forecast in July, there are now expectations of a somewhat more expansionary monetary policy in many countries that are important to Sweden.

Economic activity in Sweden is strong; GDP grew rapidly in the second quarter and the employment rate is at a historically high level. Inflation has continued to rise and in recent months been higher than expected. The outcomes are partly explained by temporary factors, but even disregarding this, inflation has been stronger than expected.

However, it has taken time and a great deal of support from monetary policy to bring up inflation and inflation expectations. Although there has been a broader increase in prices for services recently, economic activity needs to continue to make an impact on price development. This is underlined by, for instance, weak growth in cost pressures so far this year. It is also important for the development of inflation that the krona exchange rate does not appreciate too quickly. This could happen if, for example, the Riksbank's monetary policy deviates too far from that of other countries.

Continued expansionary monetary policy for inflation close to the target

Given this, the Executive Board of the Riksbank has decided to hold the repo rate unchanged at –0.50 per cent and does not expect to raise it until the middle of 2018. Purchases of government bonds will continue during the second half of 2017, as



decided in April. At the end of the year, the purchases of government bonds will thus amount to a total of SEK 290 billion, excluding reinvestments. Maturities and coupon payments will be reinvested until further notice. CPIF inflation is expected to be close to 2 per cent in the coming years, with continued support from monetary policy.

Just as before, the Executive Board 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, as always, be used if necessary.

Monetary policy needs to be expansionary to safeguard the role of the inflation target as nominal anchor for price-setting and wage formation. 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 targeted measures within housing policy, taxation policy and macroprudential policy.

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

Annual percentage change, annual average

	2016	2017	2018	2019
CPI	1.0	1.8 (1.6)	2.1 (2.0)	2.9 (2.9)
CPIF	1.4	2.0 (1.8)	1.9 (1.7)	2.1 (2.0)
GDP	3.2	3.2 (2.2)	2.7 (2.4)	2.0 (2.1)
Unemployment, 15-74 years, per cent	6.9	6.7 (6.7)	6.5 (6.6)	6.5 (6.7)
Repo rate, per cent	-0.5	-0.5 (-0.5)	-0.4 (-0.4)	0.0 (0.0)

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

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly means

	2017 Q2	2017 Q3	2017 Q4	2018 Q3	2019 Q3	2020 Q3
Repo rate	-0.50	-0.50 (-0.50)	-0.50 (-0.50)	-0.40 (-0.40)	0.11 (0.11)	0.62

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

Source: The Riksbank

The decision on the repo rate will apply with effect from 13 September. The minutes from the Executive Board's monetary policy meeting will be published on 21 September. A press conference with Governor Stefan Ingves and Anders Vredin, acting Head of the Monetary Policy Department, will be held today at 11 a.m. in the Riksbank. **Please note that entrance is through the bank's personnel entrance at Malmkillnadsgatan 7, and that it may take longer than normal to enter the bank.** Press cards must be shown. The press conference will be webcast live at www.riksbank.se.