

PRESS RELEASE



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CONTACT: Press Office, tel. +46 8-7870200

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

Repo rate unchanged at **-0.50 per cent**

Economic activity in Sweden is strong and inflation is close to the target of 2 per cent. Rapidly rising energy prices have helped to push up inflation. If energy prices are disregarded, inflationary pressures are still moderate. As it is important for economic activity to continue to be strong and have an impact on price growth, monetary policy needs to remain expansionary. The Executive Board has therefore decided to hold the repo rate unchanged at -0.50 per cent. If the economy develops as expected, there will soon be scope to slowly reduce the support from monetary policy. The forecast for the repo rate indicates that it will also be held unchanged at the monetary policy meeting in October and then raised by 0.25 percentage points either in December or February.

Favourable economic activity, Swedish inflation on target

The overall economic outlook remains largely unchanged since the Monetary Policy Report in July. Global economic activity remains favourable, although there is considerable uncertainty over future developments. International inflationary pressure are moderate, but expected to rise going forward. Monetary policy abroad is expansionary.

The Swedish economy has been strong over a long period of time. Inflation is close to the target of 2 per cent, but this is largely due to the rapidly rising energy prices. Different measures of underlying inflation indicate that inflationary pressures are still moderate. However, the strong economic activity creates good conditions for inflationary pressures to rise. CPIF inflation is therefore expected to stay close to the target even when the rate of increase in energy prices slows down.

If developments are as expected – soon scope to slowly reduce support from monetary policy

It is important that economic activity continues to be strong and has an impact on price increases. Monetary policy therefore needs to remain expansionary and the Executive Board has decided to hold the repo rate unchanged at -0.50 per cent, in line with the forecast in July. If the economy develops as expected, there will soon be scope to slowly reduce the support from monetary policy. The forecast for the repo rate indicates that it will also be held unchanged at the monetary policy meeting in October, and then raised by 0.25 percentage points, either in December or February. The Riksbank's holdings of government bonds amount to a good SEK 330 billion, expressed as a nominal amount. Until further notice, redemptions and coupon payments will be reinvested in the bond



portfolio. All in all, monetary policy will continue to be expansionary for a long period of time.

Monetary policy needs to proceed cautiously

The Riksbank continues to exercise considerable vigilance as regards the development of inflationary pressures in the economy. The krona exchange rate also has a bearing on inflation, and it is important that the krona develops in a manner compatible with inflation remaining close to the target. In addition, there is still considerable uncertainty regarding international developments. The risks of excessively low inflation merit particular attention, as at the prevailing interest rate levels, excessively low inflation is more difficult to manage than excessively high inflation. If the conditions for inflation were to change, the Executive Board is prepared to adjust monetary policy.

Important to have measures to reduce the risks associated with household indebtedness

The low interest rates are exacerbating the risks linked to high and rising household indebtedness, while the fundamental causes of the high indebtedness still remain. Achieving long-term sustainable development in the Swedish economy therefore requires measures within housing policy, taxation policy and, where necessary, macroprudential policy.

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

Annual percentage change, annual average

	2017	2018	2019	2020
CPIF	2.0	2.2 (2.1)	2.1 (2.1)	1.9 (1.9)
GDP	2.3	2.9 (2.5)	2.0 (1.9)	2.1 (2.1)
Unemployment, per cent	6.7	6.2 (6.2)	6.3 (6.3)	6.4 (6.4)
Repo rate, per cent	-0.5	-0.5 (-0.5)	-0.1 (-0.1)	0.4 (0.5)

Note. The assessment in the Monetary Policy Report in July 2018 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2018 Q2	2018 Q3	2018 Q4	2019 Q3	2020 Q3	2021 Q3
Repo rate	-0.50	-0.50 (-0.50)	-0.50 (-0.43)	-0.05 (0.01)	0.52 (0.57)	1.09 (1.15)

Note. The assessment in the Monetary Policy Report in July 2018 is shown in brackets.

Source: The Riksbank

Deputy Governor Martin Flodén entered a reservation against the repo-rate path in the Monetary Policy Report. He advocated a repo-rate path that indicates it is likely that the repo rate will be raised by 0.25 percentage points at the monetary policy meeting in October, but which coincides with the report's repo-rate path as from the third quarter of 2019. He thought that the communication of such a repo-rate path would entail sufficient tightening of monetary policy today.

Deputy Governor Henry Ohlsson entered a reservation against the decision to maintain the repo rate at its current level and against the repo-rate path in the Monetary Policy Report. He



advocated raising the repo rate to –0.25 per cent with reference to the strong economic growth in Sweden and abroad.

The decision on the repo rate will apply from 12 September 2018. The minutes from the Executive Board’s monetary policy meeting will be published on 17 September. 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 broadcast live on www.riksbank.se.