

PRESS RELEASE

DATE: 12 February 2020
NO.: 4
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Repo rate unchanged at zero per cent

The strong economic activity in Sweden has slowed and become more balanced. Both the global and the Swedish economies have developed in line with the Riksbank's forecasts in December and the prospects for inflation and economic activity are largely unchanged. Although falling energy prices are expected to dampen inflation this year, it is the Riksbank's assessment that it will thereafter be close to the target of 2 per cent. The Executive Board has therefore decided to hold the repo rate unchanged at zero per cent. The forecast for the repo rate is the same as in December. The repo rate is expected to remain at zero per cent during almost the entire forecast period, which will contribute to good economic development and close-to-target inflation.

Global economy on slightly firmer ground

Global industrial activity has slowed, but various growth indicators have stabilised in recent months and some of the uncertainty that has weighed on global development for some time has decreased somewhat. Inflation abroad is still subdued, especially in the euro area, and global interest rates continue to be low. The effects of the coronavirus are expected to reduce global growth in the short term, but it is difficult at present to fully assess the economic consequences.

Balanced economic situation in Sweden

After several years of high economic growth, the economic situation in Sweden has become more balanced. It is the Riksbank's assessment that GDP growth will be modest this year and then increase gradually from the end of 2020 when demand abroad stabilises at the same time as investment and consumption in Sweden increase slightly more rapidly. The employment rate is expected to remain high from both a historical and international perspective.

Inflation dampened by low energy prices this year

Inflation has been close to the Riksbank's target of 2 per cent since the beginning of 2017. The unusually mild winter and lower oil prices are contributing to falling energy prices, keeping inflation down in 2020. Various measures of underlying inflation have been relatively stable at just below 2 per cent in recent years. This suggests inflation will be close to 2 per cent once the effects of low energy prices subside.

Low interest rate for a long time for close-to-target inflation

Developments since the monetary policy meeting in December have largely been as the Riksbank expected and the revisions of the economic outlook and inflation



prospects in the slightly longer term are minor. The Executive Board has therefore decided to leave the repo rate unchanged at zero per cent, in line with the forecast from December. The forecast for the repo rate is the same as in December and the rate is expected to be unchanged during almost the entire forecast period. In accordance with the decision from April 2019, the Riksbank will purchase government bonds for a total nominal amount of SEK 45 billion, with effect from July 2019 to December 2020. The assessment is that the expansionary monetary policy is creating the conditions for a balanced economy and close-to-target inflation.

Monetary policy adjusted according to the outlook

If the economic outlook and inflation prospects change, monetary policy may need to be adjusted. Improved prospects could justify a higher interest rate. But if the economy were instead to develop more weakly than forecast, the Executive Board could both cut the repo rate and take other measures to make monetary policy more expansionary.

Important with measures to mitigate risks linked to household indebtedness

Swedish households are heavily indebted and thereby sensitive to changes in economic conditions. In order to reduce the risks linked to household indebtedness and address the structural problems on the Swedish housing market, measures within housing and tax policy and appropriate macroprudential policy are required.

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

Annual percentage change, annual average

	2018	2019	2020	2021	2022
CPI	2.0 (2.0)	1.8 (1.8)	1.4 (1.8)	1.8 (1.8)	2.1 (2.1)
CPIF	2.1 (2.1)	1.7 (1.7)	1.3 (1.7)	1.7 (1.7)	1.9 (1.9)
GDP	2.2 (2.2)	1.2 (1.1)	1.3 (1.2)	1.8 (1.7)	2.0 (1.9)
Unemployment, per cent	6.3 (6.3)	6.8 (6.8)	7.0 (6.9)	7.1 (7.0)	7.1 (7.1)
Repo rate, per cent	-0.5 (-0.5)	-0.3 (-0.3)	0.0 (0.0)	0.0 (0.0)	0.1 (0.1)

Note. The assessment in the December 2019 Monetary Policy Report is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2019 Q4	2020 Q1	2020 Q2	2021 Q1	2022 Q1	2023 Q1
Repo rate	-0.25 (-0.25)	-0.02 (-0.02)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.18

Note. The assessment in the December 2019 Monetary Policy Report is shown in brackets.

Source: The Riksbank

The decision on the repo rate will apply from 19 February 2020. The minutes from the Executive Board's monetary policy meeting will be published on 21 February. A press conference with Governor Stefan Ingves and Jesper Hansson, Head of the Monetary Policy Department, will be held today at 11.00 at the Riksbank. Press cards must be shown. The press conference will be webcast live on riksbank.se.