

PRESS RELEASE

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Repo rate raised to **-0.25 per cent**

Economic activity is strong and the conditions are good for inflation to remain close to the inflation target in the period ahead. As inflation and inflation expectations have become established at around 2 per cent, the need for a highly expansionary monetary policy has decreased slightly. The Executive Board has therefore decided to raise the repo rate from -0.50 per cent to -0.25 per cent. The forecast for the repo rate indicates that the next rate rise will probably occur during the second half of 2019. With a repo rate of -0.25 per cent, monetary policy is still expansionary and will thereby continue to support economic activity.

Economic activity entering a more mature phase with rising cost pressures

The global economy, which has grown rapidly in recent years, is now entering a phase of more subdued GDP growth, which is in line with the Riksbank's earlier forecasts. Cost pressures are gradually rising abroad, and monetary policy is moving in a less expansionary direction. However, there is still considerable uncertainty over global economic developments, not least with regard to the effects of Brexit and the trade conflict between the United States and several other countries.

Economic activity in Sweden is still strong, although GDP growth and inflation have been weaker than expected. The employment rate is historically high, companies are reporting major shortages of labour and cost pressures are rising. The strong economic activity has contributed to inflation rising gradually since 2014 and being close to the 2 per cent target in recent years.

Conditions remain good for inflation close to 2 per cent

Even though inflation has been lower than expected, the conditions remain good for inflation to stay close to the inflation target going forward. As inflation and inflation expectations have become established at around 2 per cent, the need for a highly expansionary monetary policy has decreased slightly. The Executive Board has therefore decided to raise the repo rate from -0.50 per cent to -0.25 per cent. The inflation forecast assumes that monetary policy stimulation will be decreased slowly.

Monetary policy needs to proceed cautiously

It is important that economic activity continues to be strong and has an impact on price increases. With a repo rate of -0.25 per cent, monetary policy is still expansionary and will thereby also continue to support economic activity. The pacing



of rate rises in the period ahead will be adjusted according to the development of the economic outlook and inflation prospects. The fact that inflation has been lower than expected recently illustrates that there is uncertainty over the strength of inflationary pressures. The forecast for the repo rate therefore indicates that the next rate rise will probably occur during the second half of 2019. After this, the forecast indicates approximately two rate rises per year by 0.25 percentage points each time. Reinvestments of principal payments and coupons in the government bond portfolio will continue until further notice.

Important with 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. It is essential, to ensure that the development of the Swedish economy is sustainable in the long term, that measures are taken in housing policy and taxation policy and that macroprudential policy is designed appropriately.

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

Annual percentage change, annual average

	2017	2018	2019	2020	2021
CPIF	2.0 (2.0)	2.1 (2.2)	1.9 (2.1)	1.8 (1.9)	2.0 (2.0)
GDP	2.1 (2.1)	2.2 (2.3)	1.5 (1.9)	2.0 (2.0)	1.8 (1.8)
Unemployment, per cent	6.7 (6.7)	6.3 (6.3)	6.3 (6.4)	6.5 (6.5)	6.6 (6.6)
Repo rate, per cent	-0.5 (-0.5)	-0.5 (-0.5)	-0.2 (-0.1)	0.3 (0.4)	0.8 (1.0)

Note. The assessment in the October 2018 Monetary Policy Report is shown in brackets.
Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2018 Q3	2018 Q4	2019 Q4	2020 Q4	2021 Q4
Repo rate	-0.50	-0.50 (-0.50)	-0.02 (0.09)	0.48 (0.66)	0.98 (1.23)

Note. The assessment in the October 2018 Monetary Policy Report is shown in brackets.
Source: The Riksbank

Deputy Governor Per Jansson entered a reservation against the decision to raise the repo rate and did not support the repo-rate path in the Monetary Policy Report. Mr Jansson referred to the considerable uncertainty remaining over the strength of the more persistent rate of inflation and, given this, sees no need to raise the repo rate at present, considering it better to await further information and proceed cautiously with an unchanged repo rate for now.

The decision on the repo rate will apply from 9 January 2019. The minutes from the Executive Board's monetary policy meeting will be published on 9 January. 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.