

PRESS RELEASE

DATE: 26/04/2018
NO. 8
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, increase not expected until towards end of year

Economic activity in Sweden is still strong and inflation has been close to the target for the past year. However, underlying inflation has been somewhat lower than expected recently, which raises questions regarding the strength of the development in inflation. If inflation is to remain close to the target going forward, continued support is needed from monetary policy. The Executive Board has therefore decided to hold the repo rate unchanged at –0.50 per cent and assesses that the rate will begin to be raised towards the end of the year, which is somewhat later than previously forecast.

Strong economic activity abroad and in Sweden

The overall picture of the economic outlook and inflation prospects remains largely unchanged since the monetary policy meeting in February. Economic activity abroad is continuing to strengthen. However, despite growth being at a high level and unemployment having fallen, inflationary pressures remain moderate, particularly in the euro area.

Conditions in the Swedish economy are strong; the employment rate is high and unemployment has fallen to the lowest level since the financial crisis. Inflation has been close to the target over the past year. In March, CPIF inflation was 2.0 per cent.

Weaker krona but lower underlying inflation

One reason why inflation is now 2 per cent is that energy prices have increased rapidly. Underlying inflation, on the other hand, has been unexpectedly low recently, which raises questions regarding the strength of the development in inflation. The weakening of the krona exchange rate in recent months is contributing to higher inflation, but if CPIF inflation is to remain close to the target going forward, it is important that economic activity is strong and has an impact on price developments. It is also important that the krona exchange rate develops in a way compatible with inflation stabilising close to the target.



Inflation needs continued support from monetary policy

Monetary policy therefore needs to remain expansionary and the Executive Board has decided to hold the repo rate unchanged at –0.50 per cent. Given the questions regarding underlying inflation, the forecast for the repo rate has been revised down somewhat and indicates that the rate will start to be raised at a slow pace towards the end of the year. The Riksbank’s holdings of government bonds amount to just over SEK 320 billion, expressed as a nominal amount. Until further notice, redemptions and coupon payments will be reinvested in the bond portfolio.

Monetary policy needs to proceed cautiously

It has taken a long time to bring up inflation and inflation expectations, and there is considerable uncertainty over the development of inflation. Monetary policy thus needs to proceed cautiously. If the conditions for inflation were to change, the Executive Board is prepared to adjust monetary policy. The risks of too low inflation merit particular attention, as at the prevailing interest rate levels this is more difficult to manage than inflation that is too high.

Important with measures to reduce risks linked to household indebtedness

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

Forecast 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 (1.7)	2.6 (2.6)	2.9 (3.1)
CPIF	1.4	2.0	1.9 (1.8)	1.9 (1.9)	2.0 (2.0)
GDP	3.2	2.4 (2.5)	2.6 (2.8)	2.0 (1.8)	2.1 (2.1)
Unemployment, per cent	6.9	6.7	6.3 (6.4)	6.4 (6.4)	6.4 (6.5)
Repo rate, per cent	–0.5	–0.5	–0.5 (–0.4)	–0.1 (0.0)	0.5 (0.6)

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

Forecast for the repo rate

Per cent, quarterly means

	2017 Q4	2018 Q1	2018 Q2	2019 Q2	2020 Q2	2021 Q2
Repo rate	–0.50	–0.50 (–0.50)	–0.50 (–0.50)	–0.13 (–0.02)	0.42 (0.49)	1.01

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

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 2 May 2018. The minutes from the Executive Board's monetary policy meeting will be published on 8 May. 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.