

PRESS RELEASE

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Repo rate raised to zero per cent

Inflation has been close to the Riksbank's target of 2 per cent since the start of 2017, and the Riksbank assesses that conditions are good for inflation to remain close to the target going forward. Therefore, in line with the assessment in October, the Executive Board has decided to raise the repo rate from -0.25 per cent to zero per cent. The forecast for the repo rate is unchanged, and the repo rate is expected to remain at zero per cent in the coming years.

Inflation on target

Similar to economies abroad, the Swedish economy has entered a phase with lower growth. However, the slowdown is occurring after several years of high growth and strong developments on the labour market, and overall it means that the Swedish economy is going from a stronger-than-normal cycle to a more normal situation. Inflation has been close to 2 per cent since the beginning of 2017. After an expected decline over the summer, it has once again risen to just under 2 per cent.

Monetary policy remains expansionary

Developments since the monetary policy meeting in October have on the whole been as the Riksbank expected. The economic prospects and outlook for inflation are largely unchanged. The Executive Board has therefore decided to raise the repo rate from -0.25 per cent to zero per cent, in line with the forecast from October. The forecast for the repo rate is unchanged, and the rate is expected to remain at zero per cent in the coming years. In accordance with the decision from April 2019, the Riksbank is purchasing government bonds for a total nominal amount of SEK 45 billion, with effect from July 2019 to December 2020. With this expansionary monetary policy, the economy is expected to be balanced in the coming years and conditions are deemed good for inflation to remain close to the target going forward.

Monetary policy adjusted according to outlook

If the economic outlook and inflation prospects were to change, monetary policy may need to be adjusted. Improved prospects would 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)	1.8 (1.9)	1.8 (1.8)	2.1 (2.1)
CPIF	2.1 (2.1)	1.7 (1.7)	1.7 (1.8)	1.7 (1.8)	1.9 (2.0)
GDP	2.2 (2.3)	1.1 (1.3)	1.2 (1.2)	1.7 (1.6)	1.9 (1.8)
Unemployment, per cent	6.3 [6.3]	6.8 [6.8]	6.9 (6.9)	7.0 (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 October 2019 Monetary Policy Report is shown in brackets. Following the identification of quality problems, Statistics Sweden has published revised labour market statistics. The figures that are based wholly or partly on statistics published earlier are shown in italics in square brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2019 Q3	2019 Q4	2020 Q4	2021 Q4	2022 Q4
Repo rate	-0.25 (-0.25)	-0.25 (-0.25)	0.00 (0.00)	0.00 (0.00)	0.13 (0.13)

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

Source: The Riksbank

Deputy Governors Anna Breman and Per Jansson entered reservations against the decision to raise the repo rate now.

Ms Breman considers that waiting before raising the repo rate in the near term would increase the probability of maintaining inflation close to the target in the longer run and also increase the possibility of slow repo-rate increases over the coming years. Ms Breman would prefer a repo-rate path that indicates an increase during the first half of 2020, on condition that economic activity has stabilised then, and that the repo rate is then raised about once per year in 2021 and 2022.

Mr Jansson advocated a repo-rate path that indicates the repo rate will instead be raised some way into the forecast period, in a situation where it can be assumed that the conditions for attaining the inflation target going forward look better than they do now.

The decision on the repo rate will apply from 8 January 2020. The minutes from the Executive Board's monetary policy meeting will be published on 8 January. 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 www.riksbank.se.