

# PRESS RELEASE

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## Repo rate unchanged at –0.25 per cent

*After several years of strong economic activity and inflation close to the target of 2 per cent, the Swedish economy is slowing down and the economic conditions are becoming more normal. In recent months, inflation has indeed fallen back, but this was expected and overall, the inflation prospects for the next year are unchanged. In line with the forecast from September, the Executive Board has therefore decided to leave the repo rate unchanged at –0.25 per cent. As before, the forecast indicates that the interest rate will most probably be raised in December to zero percent. Uncertainty over the development of economic activity and inflation abroad and in Sweden is considerable, however. The forecast for the repo rate has therefore been revised downwards and indicates that the interest rate will be unchanged for a prolonged period after the expected rise in December.*

### **Slowdown in global growth**

International GDP growth has slowed in recent years towards more normal levels. At the same time, unemployment is low in many countries. Compared with the assessment in September, the economic outlook for the euro area has deteriorated somewhat. However, expansionary monetary policy in many countries is helping to provide support to the economy. Inflation is therefore expected to rise from low levels. At the same time, the trade conflict between the United States and China and the unclear situation around the United Kingdom's withdrawal from the EU continue to create uncertainty over growth prospects.

### **Faster slowdown towards more normal economic conditions**

Similar to economies abroad, the Swedish economy has entered a phase of lower growth. The information received since the monetary policy decision in September indicates that economic activity is slowing down slightly faster than expected. However, the slowdown implies a normalisation of an economic situation that has been strong for many years with high growth and favourable development on the labour market.

### **Probable that the repo rate will be raised in December**

Even though the forecasts have been revised downwards, they are not giving a picture of a recession – either abroad or in Sweden. Since the start of 2017, inflation has been close to the inflation target. It has indeed fallen back over recent months but this was expected and overall, the inflation prospects for the next year are unchanged from September. In line with the forecast from September, the Executive Board has



therefore decided to leave the repo rate unchanged at –0.25 per cent. As before, the forecast indicates that the interest rate will most probably be raised in December to zero per cent.

However, the development of economic activity and inflation abroad and in Sweden in the coming years is very uncertain, and it is therefore difficult to say, at present, when it will be appropriate to raise the repo rate next time. The forecast for the repo rate has been revised downwards and indicates that the interest rate will be unchanged for a prolonged period after the expected rise in December. In accordance with the decision from April 2019, the Riksbank is purchasing government bonds for a nominal total amount of SEK 45 billion, with effect from July 2019 to December 2020. The low level of interest rates will continue to give support to the economic outlook and inflation.

#### Uncertainty over economic developments

If the prospects were to change, monetary policy may need to be adjusted going forward. Improved prospects would justify a higher interest rate. If the economy were instead to develop less favourably, the Executive Board could cut the repo rate or make monetary policy more expansionary in some other way.

#### Important to have measures to mitigate the risks associated with 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
<b>CPI</b>	2.0 (2.0)	1.8 (1.8)	1.9 (1.9)	1.8 (2.1)	2.1
<b>CPIF</b>	2.1 (2.1)	1.7 (1.7)	1.8 (1.7)	1.8 (1.8)	2.0
<b>GDP</b>	2.3 (2.4)	1.3 (1.5)	1.2 (1.5)	1.6 (1.9)	1.8
<b>Unemployment, per cent</b>	<i>[6.3 (6.3)]</i>	<i>[6.8 (6.6)]</i>	6.9 (6.7)	7.0 (6.8)	7.1
<b>Repo rate, per cent</b>	-0.5 (-0.5)	-0.3 (-0.3)	0.0 (0.0)	0.0 (0.2)	0.1

Note. The assessment in the September 2019 Monetary Policy Report is shown in brackets. Statistics Sweden has identified quality flaws in the LFS which mean that the statistics for unemployment in 2018 Q2–2019 Q3 are misleading. The figures directly affected by this are italicised and enclosed in square brackets.

Sources: Statistics Sweden and the Riksbank

#### Forecast for the repo rate

Per cent, quarterly mean values

	2019 Q3	2019 Q4	2020 Q1	2020 Q4	2021 Q4	2022 Q4
<b>Repo rate</b>	-0.25 (-0.25)	-0.25 (-0.23)	-0.05 (-0.05)	0.00 (0.08)	0.00 (0.24)	0.13

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

Source: The Riksbank



The decision on the repo rate will apply from 30 October 2019. The minutes from the Executive Board's monetary policy meeting will be published on 5 November. 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 broadcast live on [www.riksbank.se](http://www.riksbank.se).