

PRESS RELEASE

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Repo rate unchanged at **-0.25 per cent**

*Economic activity in Sweden remains strong and inflation is close to the target of 2 per cent. Uncertainty abroad has increased but new information since the monetary policy decision in April has not led to any major revisions of the forecasts overall. With continued support from monetary policy, the conditions for inflation to remain close to the target in the period ahead are considered good. The Executive Board has decided to hold the repo rate unchanged at **-0.25 per cent**. The forecast for the repo rate is also unchanged and indicates that it will be increased again towards the end of the year or at the beginning of next year. However, the risks surrounding developments abroad can have a bearing on the prospects for Sweden, which emphasises the importance of proceeding cautiously with monetary policy.*

Good economic activity but increased uncertainty abroad

Developments both in Sweden and abroad are largely in line with the Riksbank's forecasts. However, increasing unease over further deterioration in trade relations and a faster decline in global economic activity have clearly affected pricing on the financial markets, where interest rates on the whole have fallen. But growth abroad is relatively good and confidence among both households and companies indicates normal growth in the coming period. With the information now available, the Riksbank assesses that there is no reason to make any major adjustments to the forecasts for international inflation and growth.

Activity in the Swedish economy has remained high since the monetary policy meeting in April. Resource utilisation is expected to be high even though developments on the labour market will enter a calmer phase in the years ahead. Inflation has been close to 2 per cent since the beginning of 2017. In line with the Riksbank's forecast, CPIF inflation amounted to 2.1 per cent in May.

The economic outlook and inflation prospects remain good. Overall, the new information since the monetary policy meeting in April has not changed the assessment of the conditions for inflation to remain close to 2 per cent. The Executive Board has therefore decided to leave the repo rate unchanged at **-0.25 per cent**. The forecast for the repo rate is also unchanged and indicates that it will be increased again towards the



end of the year or at the beginning of next year. This means that inflation will receive continued support from monetary policy to remain close to 2 per cent. In accordance with the decision in April, the Riksbank will purchase government bonds for a nominal amount of SEK 45 billion, with effect from July 2019 to December 2020.

Monetary policy needs to proceed cautiously

However, the risks concerning international developments may have a bearing on the economic outlook and inflation prospects for Sweden as well. The downturn in international bond yields can indicate that global interest rates going forward will be low for a longer period to come. This underlines the importance of proceeding cautiously with monetary policy. If the conditions for inflation change were to change, monetary policy will be adjusted.

Important to have measures to reduce risks associated with household indebtedness

Swedish households are highly indebted and therefore sensitive to changes in economic conditions, such as rising interest rates or higher unemployment. 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
CPI	2.0 (2.0)	1.8 (2.0)	2.2 (2.3)	2.6 (2.6)
CPIF	2.1 (2.1)	1.7 (1.8)	1.8 (1.8)	1.9 (1.9)
GDP	2.4 (2.3)	1.8 (1.7)	1.6 (1.9)	1.8 (1.8)
Unemployment, per cent	6.3 (6.3)	6.3 (6.4)	6.5 (6.5)	6.6 (6.6)
Repo rate, per cent	-0.5 (-0.5)	-0.2 (-0.2)	0.1 (0.1)	0.5 (0.5)

Note. The assessment in the April 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 Q2	2019 Q3	2019 Q4	2020 Q3	2021 Q3	2022 Q3
Repo rate	-0.25 (-0.25)	-0.25 (-0.25)	-0.19 (-0.19)	0.14 (0.14)	0.52 (0.52)	0.90

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

Source: The Riksbank

The decision on the repo rate will apply from 10 July 2019. The minutes from the Executive Board's monetary policy meeting will be published on 12 July. 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.