

PRESS RELEASE

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

*After several years of high growth, the Swedish economy, similar to economies abroad, has entered a calmer phase. Since the beginning of 2017, inflation has been close to the target of 2 per cent. Even though economic activity has slowed down a little faster than expected, resource utilisation continues to be higher than normal and is helping inflation stay close to the target. The Executive Board has decided to hold the repo rate unchanged at **-0.25 per cent**. As before, the interest rate is expected to be raised towards the end of the year or at the beginning of next year. However, low interest rates abroad and worsened sentiment mean that the interest rate is expected to be increased at a slower pace thereafter than in the previous forecast.*

Global economic activity slowing down, lower global interest rates

GDP growth abroad, which has been strong for several years, has now slowed and is expected in the coming years to be approximately in line with a historical average. During the year, however, sentiment has worsened, due in part to the trade conflict between the United States and China and the uncertainty surrounding the United Kingdom's exit from the EU. Market rates have fallen substantially and inflation expectations have also fallen, above all in the euro area. Several central banks have cut their policy rates or communicated that monetary policy may be made more expansionary. Monetary policy stimuli are giving support to the global economic outlook.

Strong Swedish economy entering a calmer phase

For some time, the Riksbank has held the view that economic activity in Sweden would peak in 2018 and thereafter slow down. Compared with the forecast in the Monetary Policy Report in July, GDP growth is expected to be a little lower and the slowdown on the labour market seems to be taking place slightly faster than previously assessed. However, economic activity is still strong. Since the beginning of 2017, inflation has been close to the target of 2 per cent and the latest inflation outcomes have, if anything, been slightly higher than expected.

Inflation still on target with rate increases at a slower pace

The fact that developments have largely been in line with the Riksbank's forecast



argues in favour of keeping, at present, to the previously communicated direction of monetary policy over the next six months. In line with the forecast in July, the repo rate is therefore being held unchanged at –0.25 per cent and, as before, the forecast indicates that the interest rate will be raised towards the end of the year or at the start of next year. However, market rates have fallen substantially and global interest rates are expected to remain low for a longer period of time. Together with the worsened sentiment, this underlines the importance of proceeding cautiously with monetary policy. The economic prospects are based on the repo rate being raised at a slower rate in the period ahead than in the previous forecast. In accordance with the decision from April 2019, the Riksbank will purchase 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 regarding economic developments

There are still major risks that may affect economic developments. The forecasts consider that sentiment has deteriorated but assume that there will not be any further significant downturns in confidence among households and companies abroad and in Sweden. If the economic outlook and inflation prospects were to change, monetary policy will be adjusted.

Important to have measures to reduce the 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 (1.8)	1.9 (2.2)	2.1 (2.6)
CPIF	2.1 (2.1)	1.7 (1.7)	1.7 (1.8)	1.8 (1.9)
GDP	2.4 (2.4)	1.5 (1.8)	1.5 (1.6)	1.9 (1.8)
Unemployment, per cent	6.3 (6.3)	6.6 (6.3)	6.7 (6.5)	6.8 (6.6)
Repo rate, per cent	-0.5 (-0.5)	-0.3 (-0.2)	0.0 (0.1)	0.2 (0.5)

Note. The assessment in the Monetary Policy Report in July 2019 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)	-0.23 (-0.19)	0.04 (0.14)	0.20 (0.52)	0.37 (0.90)

Note. The assessment in the Monetary Policy Report in July 2019 is shown in brackets.
Source: The Riksbank



The decision on the repo rate will apply from 11 September 2019. The minutes from the Executive Board's monetary policy meeting will be published on 17 September. 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.