

PRESS RELEASE

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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**

*Economic activity is strong and inflation is close to the target of 2 per cent. As earlier, however, inflationary pressures are moderate. Monetary policy needs to continue to be expansionary for inflation to remain close to target. The Executive Board has therefore decided to hold the repo rate unchanged at **-0.50 per cent**. The forecast for the repo rate is also unchanged and indicates as before that slow repo rate rises will be initiated towards the end of the year.*

International economic activity is strengthening but uncertainty has increased

Economic developments abroad remain favourable. However, uncertainty over future developments has risen as a result of factors such as increased trade restrictions and economic policy developments in Italy. Inflation abroad is moderate but will rise this year due to higher oil prices. Normalisation of monetary policy abroad is taking place slowly.

Strong Swedish economic activity, moderate inflationary pressures

In Sweden, economic activity is high, the labour market strong and inflation on target. As in other countries, higher energy prices have contributed to rising inflation. The krona exchange rate has developed more weakly than expected and together with more rapid energy price increases, this will contribute to higher inflation in the year ahead compared with in the previous assessment. In the longer term, however, the forecast for CPIF inflation is unchanged.

Measures of underlying inflation, which provide an indication of where inflation is heading, still suggest that inflationary pressures are moderate. For inflation to remain close to 2 per cent in the period ahead, it is important that economic activity continues to be strong and has an impact on price increases. The exchange rate is expected to strengthen gradually in the coming years but there is uncertainty surrounding the forecast. It is important that the krona exchange rate develops in a manner compatible with inflation remaining close to target.

Expansionary monetary policy for continued on-target inflation going forward

Overall, the Executive Board deems it appropriate to keep monetary policy unchanged. The Executive Board has therefore decided to leave the repo rate at **-0.50 per cent**. The forecast for the repo rate is also unchanged and indicates as before that slow repo rate rises will be initiated towards the end of the year. The Riksbank's holdings of



government bonds amount to about SEK 330 billion, expressed as a nominal amount. Until further notice, redemptions and coupon payments will be reinvested in the bond portfolio.

If the conditions for the development of inflation were to change, the Executive Board is prepared to adjust monetary policy. The risks of excessively low inflation merit particular attention, as at the prevailing interest rate levels, excessively low inflation is more difficult to manage than excessively high inflation.

The Executive Board has also decided to extend the mandate that facilitates rapid intervention on the foreign exchange market. The krona has weakened in the past year. But in the years ahead, it is expected to strengthen and the exchange rate remains a source of uncertainty as regards the development of inflation. An excessively rapid appreciation of the krona would make it more difficult to stabilise inflation.

Important to have measures to reduce the risks associated with household indebtedness

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

Forecast for Swedish inflation, GDP, unemployment and the repo rate

Annual percentage change, annual average

	2017	2018	2019	2020
CPI	1.8	2.0 (1.8)	2.7 (2.6)	2.9 (2.9)
CPIF	2.0	2.1 (1.9)	2.1 (1.9)	1.9 (2.0)
GDP	2.3	2.5 (2.6)	1.9 (2.0)	2.1 (2.1)
Unemployment, per cent	6.7	6.2 (6.3)	6.3 (6.4)	6.4 (6.4)
Repo rate, per cent	-0.5	-0.5 (-0.5)	-0.1 (-0.1)	0.5 (0.5)

Note. The assessment in the April 2018 Monetary Policy Report is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2018 Q2	2018 Q3	2018 Q4	2019 Q3	2020 Q3	2021 Q3
Repo rate	-0.50	-0.50 (-0.50)	-0.43 (-0.43)	0.01 (0.01)	0.57 (0.57)	1.15

Note. The assessment in the April 2018 Monetary Policy Report is shown in brackets.

Source: Sveriges Riksbank

Deputy Governor Martin Flodén entered a reservation against the repo rate path in the Monetary Policy Report. He advocated a repo rate path that indicated an initial increase of the repo rate by 0.25 percentage points in September or October this year but that coincided with the report's repo rate path as from the third quarter of 2019.



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.

Deputy Governors Martin Flodén and Henry Ohlsson entered reservations against the decision to extend the mandate for foreign exchange interventions. Mr Flodén cited the same reasons as he did regarding previous decisions on the mandate. Mr Ohlsson considered that in a situation with inflation and inflation expectations close to the target level, potential interventions on the foreign exchange market can be managed without a special mandate.

The decision on the repo rate will apply from 4 July 2018. The minutes from the Executive Board's monetary policy meeting will be published on 12 July. Further information on the Executive Board's decision on the mandate for foreign exchange interventions can be found in a separate annex to the minutes at www.riksbank.se. 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 broadcast live on www.riksbank.se.