

PRESS RELEASE

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Repo rate unchanged at -0.50 per cent

Economic activity in Sweden is strong and inflation is close to the target of 2 per cent. But the forecast for inflation in the coming year has been revised down slightly. Monetary policy needs to remain expansionary for inflation to stabilise close to the target going forward. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at -0.50 per cent. The forecast for the repo rate is unchanged since December and indicates that slow repo rate rises are set to be initiated during the second half of this year.

Good economic prospects but somewhat lower inflation in the coming year

Global economic activity is strengthening further and since December market participants have been expecting slightly less expansionary monetary policy abroad. Recent falls on equity markets do not change the picture of a good economic outlook.

In Sweden, growth is high, the labour market is strong and inflation is close to the target of 2 per cent. The strong economic activity has contributed to service prices increasing faster. But in recent months the rate of increase has declined. In addition, wages have increased at a slower pace than expected. This indicates that inflationary pressures are lower than was previously forecast. The inflation forecast has therefore been revised down slightly, primarily for 2018. From 2019 onwards, inflation is expected to be close to 2 per cent.

Inflation close to target with an expansionary monetary policy

For inflation to remain close to target going forward, it is important that economic activity continues to be strong and has an impact on price development, and that the Swedish krona does not strengthen too quickly. Monetary policy therefore still needs to be expansionary.

In light of this, the Executive Board has decided to hold the repo rate unchanged at -0.50 per cent. The forecast for the repo rate is unchanged since December and indicates that slow increases are set to be initiated during the second half of this year. The Riksbank's net purchases of government bonds amount to just over SEK 310 billion, expressed as a nominal amount. Until further notice, redemptions and coupon payments will be reinvested in the bond portfolio.

Monetary policy needs to proceed cautiously

According to the Riksbank's forecast, the appropriate time is approaching to slowly begin raising the repo rate. But it is important not to raise the rate too early. Economic



activity is strong and inflation has been close to 2 per cent for some time, but the lower inflationary pressures create uncertainty over how inflation will develop going forward. It is also important that the krona does not appreciate too quickly. It has taken a long time to bring inflation and inflation expectations back to 2 per cent, and the uncertainty surrounding the development of inflation means that monetary policy needs to proceed cautiously. If conditions were to change, the Executive Board is, as before, prepared to implement further monetary policy easing.

Important with measures to reduce the risks linked to household indebtedness

Monetary policy safeguards the inflation target's role as nominal anchor for price and wage formation and thereby contributes to the positive development of the economy. But the low interest rates at the same time contribute to increasing the risks linked to high and rising household indebtedness. To achieve long-term sustainable development in the Swedish economy, the risks linked to the high household indebtedness need to be managed via 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

	2016	2017	2018	2019	2020
CPI	1.0	1.8 (1.8)	1.7 (2.0)	2.6 (2.8)	3.1 (3.1)
CPIF	1.4	2.0 (2.0)	1.8 (2.0)	1.9 (2.0)	2.0 (2.0)
GDP	3.2	2.5 (2.5)	2.8 (2.9)	1.8 (1.7)	2.1 (2.1)
Unemployment, 15-74 years, per cent	6.9	6.7 (6.7)	6.4 (6.5)	6.4 (6.5)	6.5 (6.5)
Repo rate, per cent	-0.5	-0.5 (-0.5)	-0.4 (-0.4)	0.0 (0.0)	0.6 (0.6)

Note. The assessment in the December 2017 Monetary Policy Report is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly means

	2017 Q4	2018 Q1	2018 Q2	2019 Q1	2020 Q1	2021 Q1
Repo rate	-0.50	-0.50 (-0.50)	-0.50 (-0.50)	-0.15 (-0.15)	0.36 (0.36)	0.88

Note. The assessment in the December 2017 Monetary Policy Report is shown in brackets.

Source: The Riksbank

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.

The decision on the repo rate will apply from 21 February 2018. The minutes from the Executive Board's monetary policy meeting will be published on 23 February. A press conference with Deputy Governor Per Jansson 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 webcast live at www.riksbank.se.