

PRESS RELEASE

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Repo rate unchanged at –0.25 per cent

Activity in the Swedish economy is high and inflation is close to the target of 2 per cent. The strong economic activity in Sweden indicates that inflation will remain close to target going forward but recent outcomes suggest that inflationary pressures are slightly weaker than expected. The Executive Board has decided to hold the repo rate unchanged at –0.25 per cent and assesses that the rate will remain at this level for a somewhat longer period of time than was forecast in February. The repo rate is expected to be raised again towards the end of the year or at the beginning of next year and rate rises thereafter are expected to occur at a somewhat slower pace. The Executive Board has also decided that the Riksbank will purchase government bonds for a nominal value of SEK 45 billion from July 2019 to December 2020.

Good economic activity despite lower growth rates

The good global economic activity is continuing and as expected has entered a phase with lower growth rates. However, inflation abroad has been unexpectedly weak, especially in the euro area. Several central banks have communicated a more expansionary monetary policy. There is still considerable uncertainty over international developments.

Activity in the Swedish economy is high and growth was unexpectedly rapid in the fourth quarter. The high level of demand in recent years has led to strong developments on the labour market with a historically high employment rate. Economic prospects continue to look good despite the economy entering a phase of lower growth than previously.

Inflation close to target but slightly weaker inflation prospects

Inflation and inflation expectations have been close to 2 per cent for about two years. Although inflation is expected to temporarily fall back this year, due to the assessment that energy prices will not increase as quickly as last year, the strong economic activity in Sweden and rising inflationary pressures abroad indicate that inflation will continue to remain close to the target going forward. However, outcomes in recent months suggest that inflationary pressures are slightly weaker than expected and, overall, inflation is now expected to be somewhat lower over the next few years compared with the previous forecast.



Rate increases at a somewhat slower pace

Unexpectedly low inflation both in Sweden and abroad, low interest rates abroad and uncertainty over global developments emphasise that there is a need to proceed with caution in monetary policy. The Executive Board has decided to hold the repo rate unchanged at –0.25 per cent and assesses that the rate will remain at this level for a somewhat longer period of time than was forecast in February. The repo rate is expected to be raised again towards the end of the year or at the beginning of next year. Increases in the repo rate thereafter are expected to occur at a somewhat slower pace, compared with the assessment in February.

The Executive Board has also decided that the Riksbank will purchase government bonds for a nominal value of SEK 45 billion from July 2019 to December 2020. This corresponds to around half of the principal payments and coupons that the Riksbank will receive from the bond portfolio during this period. The purchases will take place in order to maintain an appropriate level of holdings and the Riksbank's presence in the market.

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 an 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)	2.0 (2.2)	2.3 (2.6)	2.6 (3.0)
CPIF	2.1 (2.1)	1.8 (2.0)	1.8 (1.8)	1.9 (2.0)
GDP	2.3 (2.2)	1.7 (1.3)	1.9 (1.9)	1.8 (1.8)
Unemployment, per cent	6.3 (6.3)	6.4 (6.3)	6.5 (6.5)	6.6 (6.6)
Repo rate, per cent	-0.5 (-0.5)	-0.2 (-0.2)	0.1 (0.3)	0.5 (0.8)

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

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly mean values

	2019 Q1	2019 Q2	2020 Q2	2021 Q2	2022 Q2
Repo rate	-0.27 (-0.27)	-0.25 (-0.24)	0.04 (0.23)	0.42 (0.73)	0.80

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

Source: The Riksbank

Deputy Governors Martin Flodén and Henry Ohlsson entered reservations against the decision to purchase government bonds from July 2019 to December 2020. They consider that further purchases will not contribute to monetary policy target



attainment in a clear way, but that there are risks associated with additional purchases. They also referred to their previous reservations in connection with the Riksbank's decisions on bond purchases, most recently in December 2017.

The decision on the repo rate will apply from 8 May 2019. The minutes from the Executive Board's monetary policy meeting will be published on 7 May. Further information on the bond purchases 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 11.00 at the Riksbank. Press cards must be shown. The press conference will be broadcast live on www.riksbank.se.