

# PRESS RELEASE

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

*Economic developments in Sweden and abroad have entered a phase of lower growth. Although growth is more subdued, economic activity is still strong. The conditions for inflation to remain close to 2 per cent in the coming years have not changed to any great extent. The Executive Board has therefore decided to hold the repo rate unchanged at -0.25 per cent. As in December, the forecast for the repo rate indicates that the next increase will be during the second half of 2019, provided that the economic outlook and inflation prospects are as expected.*

### **Good economic activity despite mixed signals**

Growth abroad has slowed down, but economic activity will continue to be good over the next few years, with low unemployment and rising wage growth in many countries. There is still substantial uncertainty about the strength of the international economy.

Although indicators point to sentiment in the household and corporate sectors having dampened in Sweden, the picture of strong economic activity remains. Developments on the labour market have been slightly stronger than expected and unemployment is at its lowest level in a decade. Both inflation and inflation expectations have become established at around 2 per cent.

### **Good conditions for inflation close to 2 per cent going forward**

The strong economic activity and rising cost pressures both in Sweden and abroad mean that the conditions are good for inflation to remain close to the target in the coming years. This outlook has not changed to any great extent since December. The Executive Board has therefore decided to hold the repo rate unchanged at -0.25 per cent. Monetary policy thus continues to be expansionary and provide support to economic activity.

Reinvestments of principal payments and coupons in the government bond portfolio will continue until further notice.

### **Monetary policy needs to proceed cautiously**

Several factors indicate that monetary policy needs to proceed with caution. As in December, the forecast for the repo rate indicates that the next increase will be



during the second half of 2019, on condition that the economic outlook and inflation prospects are as expected. The Executive Board assesses that the repo rate needs to be raised at a slow pace even after that, roughly twice a year by 0.25 percentage points on each occasion, for inflation to remain close to 2 per cent. However, there is uncertainty over developments abroad and the strength of domestic demand. It is the economic outlook and inflation prospects that will determine future monetary policy.

In January 2016, the Executive Board adopted a mandate that facilitates rapid intervention on the foreign exchange market. The mandate has been extended several times since then, but the Executive Board chose not to extend it further when it expired on 12 February.

### 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. Reducing the risks linked to household indebtedness and addressing the structural problems on the Swedish housing market requires measures within housing and tax policy and an appropriate macroprudential policy.

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

Annual percentage change, annual average

|                               | 2017        | 2018        | 2019        | 2020      | 2021      |
|-------------------------------|-------------|-------------|-------------|-----------|-----------|
| <b>CPIF</b>                   | 2.0 (2.0)   | 2.1 (2.1)   | 2.0 (1.9)   | 1.8 (1.8) | 2.0 (2.0) |
| <b>GDP</b>                    | 2.1 (2.1)   | 2.2 (2.2)   | 1.3 (1.5)   | 1.9 (2.0) | 1.8 (1.8) |
| <b>Unemployment, per cent</b> | 6.7 (6.7)   | 6.3 (6.3)   | 6.3 (6.3)   | 6.5 (6.5) | 6.6 (6.6) |
| <b>Repo rate, per cent</b>    | -0.5 (-0.5) | -0.5 (-0.5) | -0.2 (-0.2) | 0.3 (0.3) | 0.8 (0.8) |

Note. The assessment in the December 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 Q4 | 2019 Q1       | 2019 Q2       | 2020 Q1     | 2021 Q1     | 2022 Q1 |
|------------------|---------|---------------|---------------|-------------|-------------|---------|
| <b>Repo rate</b> | -0.50   | -0.27 (-0.27) | -0.24 (-0.24) | 0.10 (0.10) | 0.60 (0.60) | 1.10    |

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

Source: The Riksbank

The decision on the repo rate will apply from 20 February 2019. The minutes from the Executive Board's monetary policy meeting will be published on 22 February. 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](http://www.riksbank.se).