

PRESS RELEASE

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Repo rate unchanged at –0.50 per cent

Economic activity is strong and inflation is close to the target of 2 per cent. Monetary policy needs to remain expansionary for inflation to continue to be close to 2 per cent. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at –0.50 per cent and is expecting, as before, not to raise it until the middle of 2018. The purchases of government bonds will continue during the second half of 2017, as decided by the Executive Board in April. As the present asset purchase programme will run for the remainder of the year, it will provide an opportunity to await further information that could affect a decision in December to possibly extend the purchases. The Executive Board has also taken a decision to extend the mandate that facilitates a quick intervention on the foreign exchange market.

Developments since September have been in line with the Riksbank's forecasts both abroad and in Sweden. The international recovery is continuing, but global inflationary pressures are subdued and the level of interest rates is low. The normalisation of monetary policy abroad is expected to take time.

The Riksbank's monetary policy has contributed to economic activity in Sweden being strong. The employment rate is historically high. Inflation has risen and was 2.3 per cent in September. Above all, prices for services have increased rapidly, which reflects the way in which the strong economic activity is having a greater impact on the rate of price increases.

Economic activity needs to continue to have an impact on prices

Part of the upturn in inflation in recent months is explained by temporary factors, however. Inflation is expected to fall back slightly in the period ahead but will remain close to 2 per cent in the coming years. It has taken time and a great deal of support from monetary policy to bring up inflation and inflation expectations. It is therefore important that the strong Swedish economic activity continues to have an impact on price developments so that inflation expectations remain anchored at the target. For inflation to remain close to target, it is also important that the krona exchange rate does not appreciate too quickly. This could happen if, for example, the Riksbank's monetary policy deviates clearly from that of other countries.



Expansionary monetary policy to keep inflation close to target

Against this background, the Executive Board of the Riksbank has decided to hold the repo rate unchanged at -0.50 per cent. The Executive Board is expecting, as before, to let the repo rate remain at this level until mid-2018, after which slow increases will be initiated. Purchases of government bonds will continue in 2017, as decided in April. As the asset purchase programme will run for the remainder of the year, it will provide an opportunity to await further information that could affect a decision in December to possibly extend the purchases. The Executive Board has also taken a decision to extend the mandate that facilitates a quick intervention on the foreign exchange market.

Just as before, the Riksbank is prepared to implement further monetary policy easing if necessary to stabilise inflation and safeguard the inflation target. All of the tools that the Riksbank has described earlier can be used if necessary.

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 contribute at the same time to increasing the risks linked to high and rising household indebtedness. To achieve long-term sustainable development in the Swedish economy, these risks need to be managed via measures within housing policy, taxation policy and 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)	1.9 (2.1)	2.8 (2.9)	3.1
CPIF	1.4	1.9 (2.0)	1.8 (1.9)	2.1 (2.1)	2.1
GDP	3.3	2.9 (3.2)	2.9 (2.7)	2.0 (2.0)	1.9
Unemployment, ages 15-74, per cent	6.9	6.7 (6.7)	6.5 (6.5)	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

Note. The assessment in the September 2017 Monetary Policy Report is shown in brackets.
Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly means

	2017 Q 3	2017 Q 4	2018 Q 1	2018 Q 4	2019 Q 4	2020 Q 4
Repo rate	-0.50	-0.50 (-0.50)	-0.50 (-0.50)	-0.27 (-0.27)	0.24 (0.24)	0.75

Note. The assessment in the September 2017 Monetary Policy Report is shown in brackets.
Source: The Riksbank

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 motivation as he did at the meetings in January, February and July 2016, and in February 2017. Mr Ohlsson considered that, in a situation with inflation and



inflation expectations close to the target level, potential interventions on the foreign exchange market could be managed without a special mandate.

The decision on the repo rate will apply with effect from 1 November. The minutes from the Executive Board's monetary policy meeting will be published on 9 November. 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 Mattias Erlandsson, Acting Deputy Head of the Monetary Policy Department, will be held today at 11 a.m. at the Riksbank. Press cards must be shown. The press conference will be webcast live at www.riksbank.se.