

PRESS RELEASE

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Repo rate unchanged at –0.50 per cent

Inflation is rising and the Swedish economy is developing strongly. However, there is still considerable uncertainty abroad. The outlook for economic activity and inflation remains largely unchanged since July. A continued expansionary monetary policy is needed to maintain the rising trend in inflation. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at –0.50 per cent. Not until the second half of 2017 does the Executive Board consider it to be appropriate to begin slowly increasing the repo rate. The purchases of government bonds will continue during the second half of 2016, as decided in April.

The international recovery is fraught with uncertainty

The international recovery is proceeding at a moderate rate. Economic policy uncertainty continues to be high, among other reasons due to the result of the British referendum. Economic signals following the referendum result have not been clear-cut and it is still too early to draw any clear conclusions regarding the effects.

The Swedish economy is strong

Supported by the expansionary monetary policy, the Swedish economy has strengthened rapidly and activity is expected to continue to be strong over the next few years. CPIF inflation has shown a rising trend since 2014 and is now just below 1.5 per cent. The situation on the labour market has continued to improve and unemployment is falling. These developments will continue to have an effect on inflation with some time lag. Conditions are thus good for a continued rise in inflation.

Expansionary monetary policy to maintain the rising trend in inflation

The prospects for economic activity and inflation in Sweden remain largely unchanged since the monetary policy meeting in July and now, like then, the assessment is that a continued expansionary monetary policy is needed to maintain the rising trend in inflation. The Executive Board has therefore decided to hold the repo rate unchanged at –0.50 per cent. Not until the second half of 2017 does the Executive Board consider it to be appropriate to begin slowly increasing the repo rate, when inflation is expected to be close to 2 per cent. In accordance with previous decisions, purchases of nominal and real government bonds will continue so that these amount to SEK 245 billion at the end of 2016. Until further notice, maturities and coupon payments on the holdings in the government bond portfolio will be reinvested.



Readiness to do more

There are several factors that create uncertainty in the inflation forecast. These include international developments, among others the effects of the result of the British referendum and weaknesses in the European banking system. Another factor is the development of the krona. The Executive Board therefore remains, as before, highly prepared to make monetary policy even more expansionary if necessary, even between the ordinary monetary policy meetings.

Monetary policy needs to be expansionary to safeguard the role of the inflation target as nominal anchor for price-setting and wage formation. But the low interest rate levels also entail risks, such as increased household indebtedness. To achieve long-term sustainable development in the Swedish economy, these risks need to be managed via targeted measures within macroprudential policy, housing policy and fiscal policy.

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

Annual percentage change, annual average

	2015	2016	2017	2018
CPI	0.0	1.1 (1.0)	1.7 (1.7)	2.5 (2.6)
CPIF	0.9	1.5 (1.5)	1.9 (1.8)	2.0 (2.0)
GDP	4.2	3.2 (3.6)	2.2 (2.2)	2.4 (2.4)
Unemployment, ages 15-74, per cent	7.4	6.9 (6.9)	6.7 (6.7)	6.7 (6.7)
Repo rate, per cent	-0.3	-0.5 (-0.5)	-0.5 (-0.5)	0.0 (0.0)

Note. The assessment in the Monetary Policy Report in July 2016 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	2016 Q2	2016 Q3	2016 Q4	2017 Q3	2018 Q3	2019 Q3
Repo rate	-0.50	-0.50 (-0.51)	-0.52 (-0.53)	-0.45 (-0.45)	0.06 (0.06)	0.57 (0.57)

Note. The assessment in the Monetary Policy Report in July 2016 is shown in brackets.

Source: The Riksbank

The decision on the repo rate will apply with effect from 14 September. The minutes from the Executive Board's monetary policy discussion will be published on 21 September. 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.