



PRESS RELEASE

DATE: 21 April 2016
NO: 8
CONTACT: Press Office, tel. +46-(0)8-7870200

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel. +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

Riksbank to purchase government bonds for a further SEK 45 billion and repo rate held unchanged at -0.50 per cent

The Riksbank's monetary policy has contributed to stronger economic activity and rising inflation. But although inflation is rising, the upturn is fitful. At the same time, there is still uncertainty over global developments and monetary policy abroad is very expansionary. To safeguard the rising trend in inflation, monetary policy in Sweden needs to continue to be expansionary. The Executive Board has decided to purchase government bonds for a further SEK 45 billion during the second half of 2016. This will reduce the risk of the krona appreciating faster than in the forecast and of a break in the upturn in inflation. The purchases cover both nominal and real government bonds, corresponding to SEK 30 and SEK 15 billion, respectively. The repo rate is at the same time held unchanged at -0.50 per cent. There is still a high level of preparedness to make monetary policy even more expansionary if this is needed to safeguard the inflation target.

Stronger economic activity but continued uncertainty

The expansionary monetary policy, with repo-rate cuts and purchases of nominal government bonds, has contributed to the continued strengthening in economic activity in Sweden. Both GDP growth and inflation have become higher than expected. But although inflation is rising, the upturn is fitful and inflation is expected to undershoot the target in 2016, too.

At the same time, the prospects for global economic activity are still uncertain and several central banks are conducting highly expansionary monetary policies so that economic activity improves and inflation rises. With continued expansionary monetary policy abroad, there is a risk that the krona will appreciate earlier and faster than in the forecast. This could dampen growth and inflation in Sweden and affect confidence in the inflation target.

Expansionary monetary policy to safeguard the rising trend in inflation

To ensure the positive development of the Swedish economy and that the rising trend in inflation continues, the Executive Board has decided to continue purchasing securities for a further SEK 45 billion during the second half of 2016, so that the purchases will total SEK 245 billion at the end of 2016. To achieve a broad impact on different interest rates, the purchases will cover both nominal and real government bonds corresponding to SEK 30 billion and SEK 15 billion respectively. The strong development of the Swedish economy justifies these purchases taking place at a somewhat slower pace than previously, however.



The continued asset purchases will reduce the risk of the krona appreciating faster than in the forecast and of a break in the upturn in inflation. The Riksbank will also continue to reinvest maturities and coupons from the government bond portfolio until further notice. The repo rate is held unchanged at -0.50 per cent and will start to be raised slowly in the middle of 2017, when CPIF inflation is expected to be close to 2 per cent.

Readiness to do more

Even if it is less likely that further monetary policy stimulation will be needed in the period ahead, as economic activity strengthens and inflation approaches the target, negative surprises may lie ahead. Whether, and if so how, monetary policy will then react depends on how the outlook for inflation is affected. The important thing for monetary policy is for the trend in inflation to come closer the target and for confidence in the inflation target not to be weakened.

In light of this, the Executive Board is still therefore highly prepared to make monetary policy even more expansionary if necessary, even between the ordinary monetary policy meetings. There is still scope to cut the repo rate further. If necessary, the Riksbank could also adopt measures in the framework for the implementation of monetary policy to support monetary policy. In addition, the asset purchases could be extended. The Riksbank is also prepared to intervene on the foreign exchange market if the krona appreciates so quickly as to threaten the upturn in inflation.

Risks linked to household indebtedness must be managed

The Riksbank has highlighted the risks associated with the low interest rates in Sweden and abroad on many occasions. To reduce the risks linked to household indebtedness, different reforms are needed that both create a better balance between supply and demand on the housing market and reduce the incentives or scope for households to take on debt. It is also important that Finansinspektionen's mandate for macroprudential policy is clarified. If no measures are taken, this, in combination with the low interest rate level, will further increase the risks. Such a development could ultimately be very costly for the national economy.

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

Annual percentage change, annual average

	2015	2016	2017	2018
CPI	0.0	1.0 (0.7)	1.9 (2.1)	2.9 (2.9)
CPIF	0.9	1.4 (1.3)	2.0 (2.1)	2.2 (2.1)
GDP	4.1 (3.7)	3.7 (3.5)	2.7 (2.8)	2.3 (2.5)
Unemployment, ages 15-74, per cent	7.4	6.8 (6.8)	6.6 (6.7)	6.7 (6.9)
Repo rate, per cent	-0.3	-0.5 (-0.5)	-0.4 (-0.4)	0.2 (0.2)

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

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	2015 Q4	2016 Q1	2016 Q2	2017 Q2	2018 Q2	2019 Q2
Repo rate	-0.35	-0.42 (-0.43)	-0.51 (-0.52)	-0.45 (-0.45)	0.14 (0.14)	0.67

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

Source: The Riksbank



Deputy Governor Cecilia Skingsley entered a reservation against the decision to purchase further bonds to a value of SEK 45 billion. She advocated an unchanged monetary policy with reference to the economic situation in Sweden.

The decision will apply with effect from 27 April. The minutes from the Executive Board's monetary policy discussion will be published on 4 May. Further information on the Riksbank's purchases of government bonds can be found in an annex to the minutes at www.riksbank.se. A press conference with Governor Stefan Ingves and Mattias Erlandsson, Head of the Riksbank's Forecasting Division, will be held today at 11 a.m. in the Riksbank. Press cards must be shown. The press conference will be webcast live on www.riksbank.se.