

PRESS RELEASE

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Repo rate unchanged at **-0.50** per cent

Economic activity in Sweden is strong and inflation is at the target of 2 per cent. Since the monetary policy decision in September, developments have for the most part been as expected and the forecasts remain largely unchanged. Consequently, in line with the previous forecast, the Executive Board has decided to hold the repo rate unchanged at -0.50 per cent. If the economy develops in a way that continues to support the prospects for inflation, the Executive Board assesses that it will soon be appropriate to start raising the repo rate at a slow pace. The forecast for the repo rate is the same as in September and indicates that the repo rate will be raised by 0.25 percentage points either in December or February.

Favourable economic activity, Swedish inflation on target

Global economic developments continue to be positive and in line with the Riksbank's forecasts, even though, for example, developments in Italy and the escalated trade conflict between the United States and China mean that uncertainty over the prospects for the global economy has increased. In the wake of the stronger economic activity, inflationary pressures are expected to continue rising and monetary policy abroad to move in a less expansionary direction.

In Sweden, too, economic developments have been largely as expected and economic activity has been good for a long period of time. The labour market situation is expected to remain strong, even if GDP growth slows down going forward. Inflation increased to 2.5 per cent in September, partly as a result of rapidly rising energy prices. Different measures of underlying inflation are lower and inflationary pressures are still assessed to be moderate. However, there are signs that inflationary pressures are rising and the conditions are good for inflation to remain close to the target of 2 per cent in the coming years.

If inflation prospects hold up, it will soon be appropriate to start raising the repo rate

The overall picture of the economic outlook and inflation prospects remains largely unchanged since the September Monetary Policy Report. Consequently, in line with the previous forecast, the Executive Board has decided to hold the repo rate unchanged at -0.50 per cent. If the economy develops in a way that continues to support the prospects for inflation, the Executive Board assesses that it will soon be appropriate to start raising the repo rate at a slow pace. The forecast for the repo rate is unchanged since the monetary policy meeting in September and indicates that the repo rate will be



raised by 0.25 percentage points either in December or February. Reinvestments of principal payments and coupon payments in the government bond portfolio will continue until further notice.

Monetary policy needs to proceed cautiously

The Riksbank continues to exercise vigilance as regards the development of inflationary pressures in the economy. In this context, it is also important that the krona exchange rate develops in a manner compatible with inflation remaining close to target. All in all, the assessment of the Executive Board is that monetary policy needs to proceed cautiously and be expansionary for a long period of time to come.

Measures needed to reduce the risks associated with household indebtedness

The low interest rates are exacerbating the risks linked to high and rising household indebtedness, while the fundamental causes of the high indebtedness still remain. It is essential, to ensure that the development of the Swedish economy is sustainable in the long term, that measures are taken in housing policy and taxation policy and that macroprudential policy is designed appropriately.

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

Annual percentage change, annual average

	2017	2018	2019	2020	2021
CPIF	2.0 (2.0)	2.2 (2.2)	2.1 (2.1)	1.9 (1.9)	2.0
GDP	2.1 (2.3)	2.3 (2.9)	1.9 (2.0)	2.0 (2.1)	1.8
Unemployment, per cent	6.7 (6.7)	6.3 (6.2)	6.4 (6.3)	6.5 (6.4)	6.6
Repo rate, per cent	-0.5 (-0.5)	-0.5 (-0.5)	-0.1 (-0.1)	0.4 (0.4)	1.0

Note. The assessment in the September 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 Q3	2018 Q4	2019 Q1	2019 Q4	2020 Q4	2021 Q4
Repo rate	-0.50	-0.50 (-0.50)	-0.33 (-0.33)	0.09 (0.09)	0.66 (0.66)	1.23

Note. The assessment in the September 2018 Monetary Policy Report is shown in brackets.
Source: The Riksbank

Deputy Governors Martin Flodén and Henry Ohlsson entered reservations against the decision to hold the repo rate unchanged and advocated raising the repo rate to -0.25 per cent. Mr Flodén referred to the upturn in inflation and the strengthened confidence in the inflation target and advocated a repo-rate path that coincides with the path in the report with effect from the third quarter of 2019. Mr Ohlsson referred to the strong economic outcome in Sweden and abroad and advocated bringing forward the repo-rate path with the same gradient as the repo-rate path in the Monetary Policy Report.

The decision on the repo rate will apply from 31 October 2018. The minutes from the Executive Board's monetary policy meeting will be published on 2 November. 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.