



PRESS RELEASE

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■ Repo rate unchanged at 0.75 per cent

The prospects for 2014 are good, economic activity is strengthening and the labour market is improving. Nevertheless, inflation is expected to be low over the coming year. The repo rate needs to remain low to enable inflation to attain the target of 2 per cent. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at 0.75 per cent. The repo rate needs to remain at this level until inflation picks up and the recovery is on firmer ground. As before, the repo rate is not expected to be raised until the beginning of 2015.

Good prospects for 2014

The economic outlook and inflation prospects in Sweden and abroad are well in line with the Riksbank's forecast from December. The recent financial market turbulence has had limited contagion effects and is not expected to prevent a recovery in the global economy. GDP growth in the United States is expected to remain high and the euro area will recover, albeit slowly. At the same time, inflation in these areas is expected to remain low for a further period.

After just over a year of weak growth, the prospects for the Swedish economy are now good. The labour market situation has improved and confidence among Swedish households and companies has risen to levels better than normal. This, together with a gradual increase in demand abroad creates the conditions for GDP growth to rise and labour market to improve further this year.

Low inflation in the coming year

Although economic activity is strengthening, inflation in Sweden will remain low for some time. The decline in inflation in recent years has been broad and price increases have been low in relation to developments in companies' costs. As demand in Sweden and abroad increases, however, companies are expected to gradually raise their prices. The Riksbank's expansionary monetary policy will contribute to supporting economic activity. CPIF inflation is thus expected to attain 2 per cent in 2015.

Low interest rate until inflation picks up

The revisions to the forecasts are minor in relation to the assessment in December. The risks linked to household indebtedness have not changed very much either. The repo rate and repo-rate path are therefore held unchanged. The repo rate needs to remain at a low level until inflation picks up and the recovery is on firmer ground. Slow increases in the repo rate will not begin until the start of 2015.



For some time now, monetary policy has involved balancing how low the repo rate needs to be for inflation to approach the target soon enough against the increased risks linked to households' high indebtedness that can stem from a low interest rate. The low inflationary pressures justify a clearly expansionary monetary policy, despite the high household indebtedness still entailing a risk for long-run sustainable economic development. Several policy areas need to cooperate to manage the risks linked to high household indebtedness.

Forecasts for Swedish inflation, GDP unemployment and the repo rate

Annual percentage change, annual average

	2012	2013	2014	2015	2016
CPI	0.9	0.0 (-0.1)	0.6 (0.6)	2.5 (2.5)	3.0 (3.0)
CPIF	1.0	0.9 (0.8)	0.9 (1.0)	1.8 (1.8)	2.0 (2.0)
GDP	0.9	0.9 (0.9)	2.4 (2.5)	3.6 (3.7)	2.8 (2.8)
Unemployment, ages 15-74, per cent	8.0	8.0 (8.0)	7.8 (7.8)	7.2 (7.1)	6.6 (6.5)
Repo rate, per cent	1.5	1.0 (1.0)	0.7 (0.7)	1.4 (1.4)	2.4 (2.4)

Note. The assessment in the December 2013 Monetary Policy Update is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	2013 Q4	2014 Q1	2014 Q2	2015 Q1	2016 Q1	2017 Q1
Repo rate	0.96	0.75 (0.73)	0.72 (0.71)	0.89 (0.89)	2.10 (2.10)	2.71

Note. The assessment in the December 2013 Monetary Policy Update is shown in brackets.

Source: The Riksbank

The minutes from the Executive Board's monetary policy discussion will be published on 26 February. The decision on the repo rate will apply with effect from 19 February. A press conference with Governor Stefan Ingves and Marianne Nessén, 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 the Riksbank's website, www.riksbank.se, where it will also be available to view afterwards.