



PRESS RELEASE

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■ Zero repo rate for a longer period

For inflation to rise towards the target sufficiently quickly and to reduce the risk of longer-run inflation expectations continuing to fall, monetary policy needs to become more expansionary. The Executive Board of the Riksbank therefore assesses that the repo rate needs to remain at zero per cent for a slightly longer period than was forecast earlier. It is not until the second half of 2016, when CPIF inflation is close to 2 per cent, that it will be appropriate to begin raising the repo rate. If monetary policy needed to become even more expansionary, this would primarily entail continuing to postpone a first increase of the repo-rate. The Riksbank is also preparing further measures that can be used to make monetary policy more expansionary. Such measures, were they necessary, could be presented at the next monetary policy meeting.

Low oil price stimulates growth and subdues inflation

The recovery in economic activity abroad is continuing, but there are large differences in growth between countries. In the United States and the United Kingdom, growth is good while the economic outlook for the euro area remains subdued. The oil price has fallen heavily. The lower oil price is expected to give some positive stimulation to growth in many countries. At the same time, the price fall means that the forecast for inflation abroad is lower.

Economic activity strengthening but inflation is too low

Economic activity in Sweden is continuing to improve. Since October, economic developments have been in line with the Riksbank's forecasts. GDP and employment are expected to continue rising.

However, inflation is too low and is expected to be somewhat lower for a period of time, primarily due to the falling oil price. In addition, inflation expectations in the longer run have fallen slightly further and are below the inflation target of 2 per cent. For inflation to rise towards the target sufficiently quickly and to reduce the risk of longer-run inflation expectations continuing to fall, monetary policy needs to become more expansionary.

Zero repo rate until inflation is close to 2 per cent

The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at zero per cent and assesses that the repo rate needs to remain at zero for a longer period of time, compared with the forecast in October. The expansionary



monetary policy underlines the Riksbank's aim to safeguard the role of the inflation target as nominal anchor for price-setting and wage-formation.

The low repo rate, together with rising demand from abroad, is expected to lead to an increase in economic activity in Sweden in the years immediately ahead. Companies will then be able to raise their prices and in this way pass on their cost increases to consumers to a greater extent. This should mean that inflation rises. The new repo-rate path means that the repo rate will remain at zero per cent until CPIF inflation is close to 2 per cent. The assessment is that it will be appropriate to begin increasing the repo rate in the second half of 2016.

If monetary policy needed to become even more expansionary, this would primarily entail continuing to postpone a first increase of the repo-rate. The Riksbank is also preparing further measures that can be used to make monetary policy more expansionary. Such measures, were they necessary, could be presented at the next monetary policy meeting.

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

Annual percentage change, annual average

	2013	2014	2015	2016	2017
CPI	0.0	-0.2 (-0.2)	0.3 (0.4)	2.0 (2.1)	3.2 (3.2)
CPIF	0.9	0.5 (0.5)	1.0 (1.2)	2.0 (2.0)	2.1 (2.0)
GDP	1.3	1.8 (1.9)	2.6 (2.7)	3.3 (3.3)	2.3 (2.3)
Unemployment, ages 15-74, per cent	8.0	7.9 (7.9)	7.5 (7.4)	6.9 (6.9)	6.6 (6.6)
Repo rate, per cent	1.0	0.5 (0.5)	0.0 (0.0)	0.2 (0.3)	1.1 (1.4)

Note. The assessment in the October 2014 Monetary Policy Report is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly average

	2014 Q3	2014 Q4	2015 Q4	2016 Q4	2017 Q4
Repo rate	0.3	0.1 (0.1)	0.0 (0.0)	0.5 (0.8)	1.5 (1.8)

Note. The assessment in the October 2014 Monetary Policy Report is shown in brackets.

Source: The Riksbank

The decision on the repo rate will apply with effect from 17 December. The deposit rate will be held unchanged at -0.75 per cent and the lending rate at 0.75 per cent. The interest rate for fine-tuning operations will be held unchanged at 0 per cent.

A press conference with Governor Stefan Ingves and Ulf Söderström, Deputy 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.

The minutes from the Executive Board's monetary policy discussion will be published on 8 January.