



PRESS RELEASE

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CONTACT: Press Office, telephone +46 8 787 02 00

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 cuts repo rate to **-0.25 per cent** and buys government bonds for **SEK 30 billion**

*There are signs that inflation has bottomed out and is beginning to rise, but the recent appreciation of the krona risks breaking this trend. The Executive Board of the Riksbank has decided to make monetary policy even more expansionary by cutting the repo rate by 0.15 percentage points to **-0.25 per cent** and buying government bonds for **SEK 30 billion**, to support the upturn in inflation. These measures and the readiness to do more at short notice underline that the Riksbank is safeguarding the role of the inflation target as a nominal anchor for price setting and wage formation.*

Monetary policy has an effect

The Riksbank's expansionary monetary policy has had a positive effect on the Swedish economy. GDP growth is relatively good, the labour market is strengthening gradually and there are signs that inflation has bottomed out, although it is still low.

Large fluctuations on the foreign exchange market create risks for inflation

There is still considerable uncertainty over international economic developments and the effects of the oil price. In recent weeks, there have been substantial fluctuations on the fixed-income and foreign-exchange markets. The krona has strengthened substantially, mainly against the euro, which is partly linked to the European Central Bank beginning its large asset purchases. At the same time, the Federal Reserve is moving towards its first policy rate increase, which has meant that the dollar has strengthened. It is difficult to assess the continued path for the krona in this environment. If the krona continues to strengthen in the near term, this could break off the upturn in inflation that has begun, so that it fails to rise sufficiently quickly. Low inflation over an even longer period of time increases the risk that long-term inflation expectations will fall and that the role of inflation as nominal anchor in price-setting and wage formation will weaken.

Further measures to ensure the rise in inflation

The Executive Board of the Riksbank assesses that an even more expansionary monetary policy is needed to support the upturn in inflation and ensure that long-term inflation expectations are in line with the inflation target. The Board has therefore decided to cut the repo rate by 0.15 percentage points to **-0.25 per cent**. Moreover, the Riksbank will buy nominal government bonds for the sum of **SEK 30 billion**, with maturities of up to



■ 25 years. These purchases, which will begin on 26 March and are expected to be completed at the beginning of May 2015, are an extension of the purchases made in February and March.

The repo rate is expected to remain at -0.25 per cent at least until the second half of 2016. After that, it is expected to rise gradually and at a slower pace than was forecast in the February Monetary Policy Report. The repo-rate cut and the Riksbank's purchases of government bonds will lower interest rates in general and thus contribute to an increase in demand in the economy, and thereby in inflationary pressures.

Readiness to do more

The Riksbank is still ready to make monetary policy even more expansionary, even between the ordinary monetary policy meetings, if this is necessary to ensure that inflation rises towards the target. The repo rate could possibly be cut somewhat further and the Riksbank could buy even more government bonds. In addition, the Riksbank is prepared to launch a programme of loans to companies via the banks. In addition to these measures, there are a number of other measures that the Riksbank could take. These include the possibility of interventions on the foreign exchange or buying other types of assets.

Press conference today at 3 pm

A press conference with Governor Stefan Ingves and Ms Christina Nyman, Deputy Head of the Monetary Policy Department, will be held today at 3 p.m. in the Riksbank. Press cards must be shown. The press conference will be broadcast live on the Riksbank's website where it will also be available to view afterwards.

The decision on the repo rate will apply from 25 March onwards. The interest rates on the fine-tuning transactions in the Riksbank's operational framework for the implementation of monetary policy will remain at the repo rate ± 0.10 percentage points. Further information on the Executive Board's deliberations in connection with the decision and on the Riksbank's purchases of government bonds can be found in a separate annex to the minutes on the Riksbank's website, www.riksbank.se.