

# Publishing the Repo Rate Path

Panel discussion, Riksbank  
conference on Forward Guidance

12 May 2017

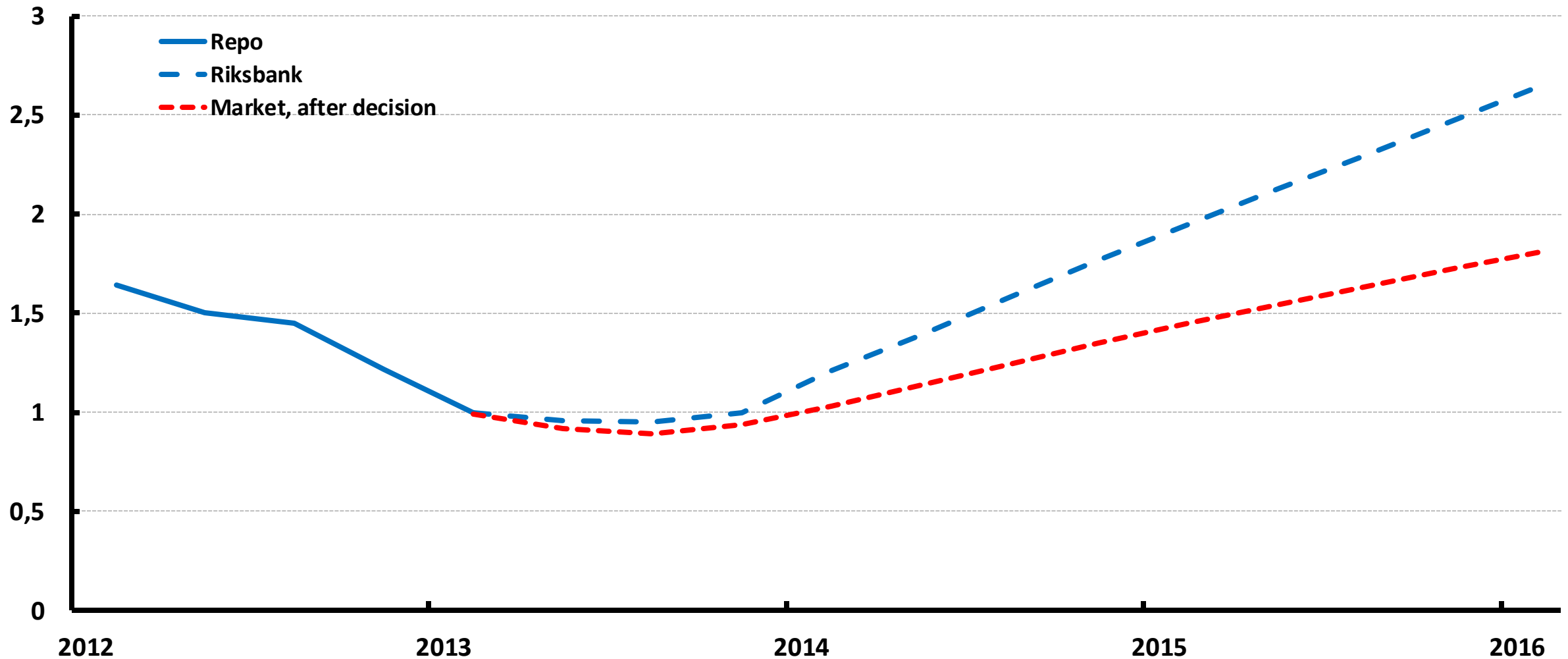
S V E R I G E S R I K S B A N K

Deputy Governor  
Martin Flodén

# The repo rate path

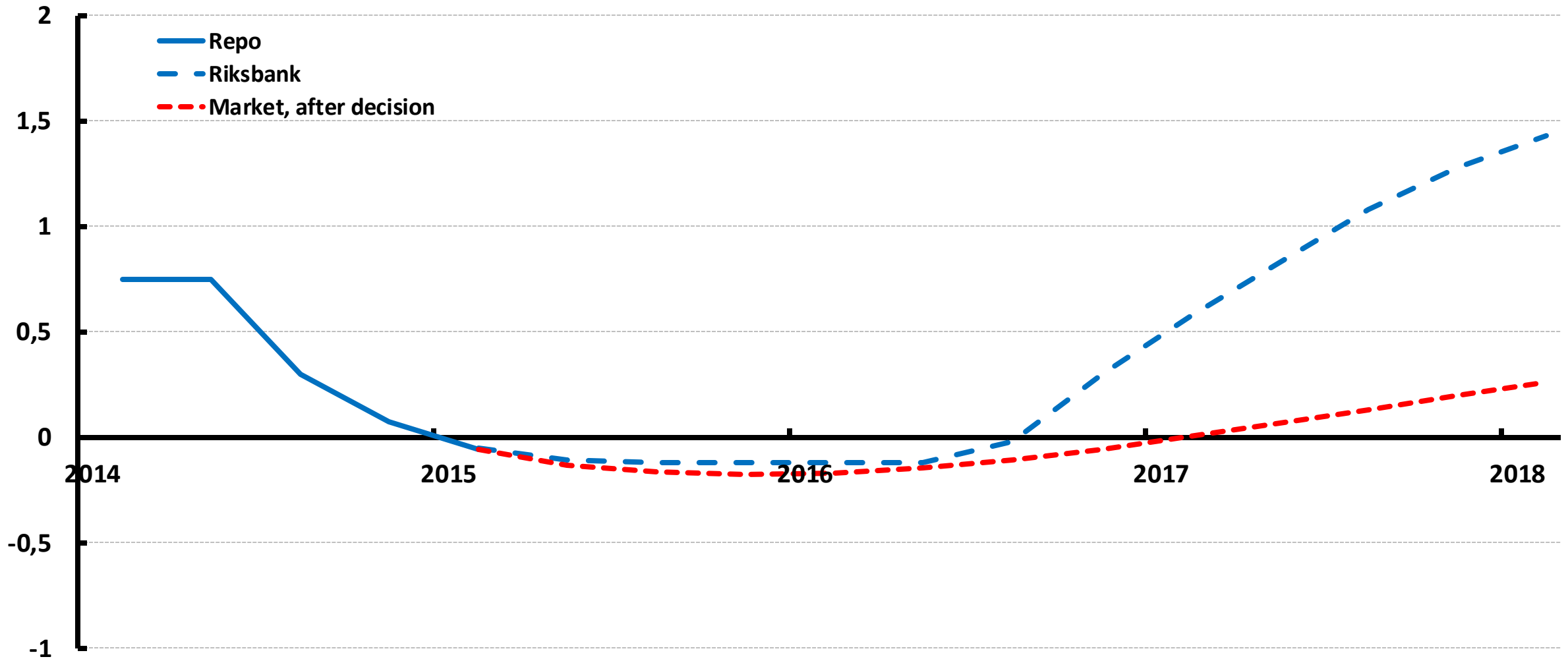
- Is this forward guidance?
  - No explicit commitment (“a forecast – not a promise”)
  - Some elements of conditional commitment
- The Riksbank has not seen much *need* for commitment
  - Not restricted by ELB 2011-2014
  - Market expected lower future rates than the Riksbank 2010-2016

# Market pricing lower than the repo path ...



Repo rate, the Riksbank's repo rate path, and market pricing in February 2013. Percent.

## ... even when UMP was launched

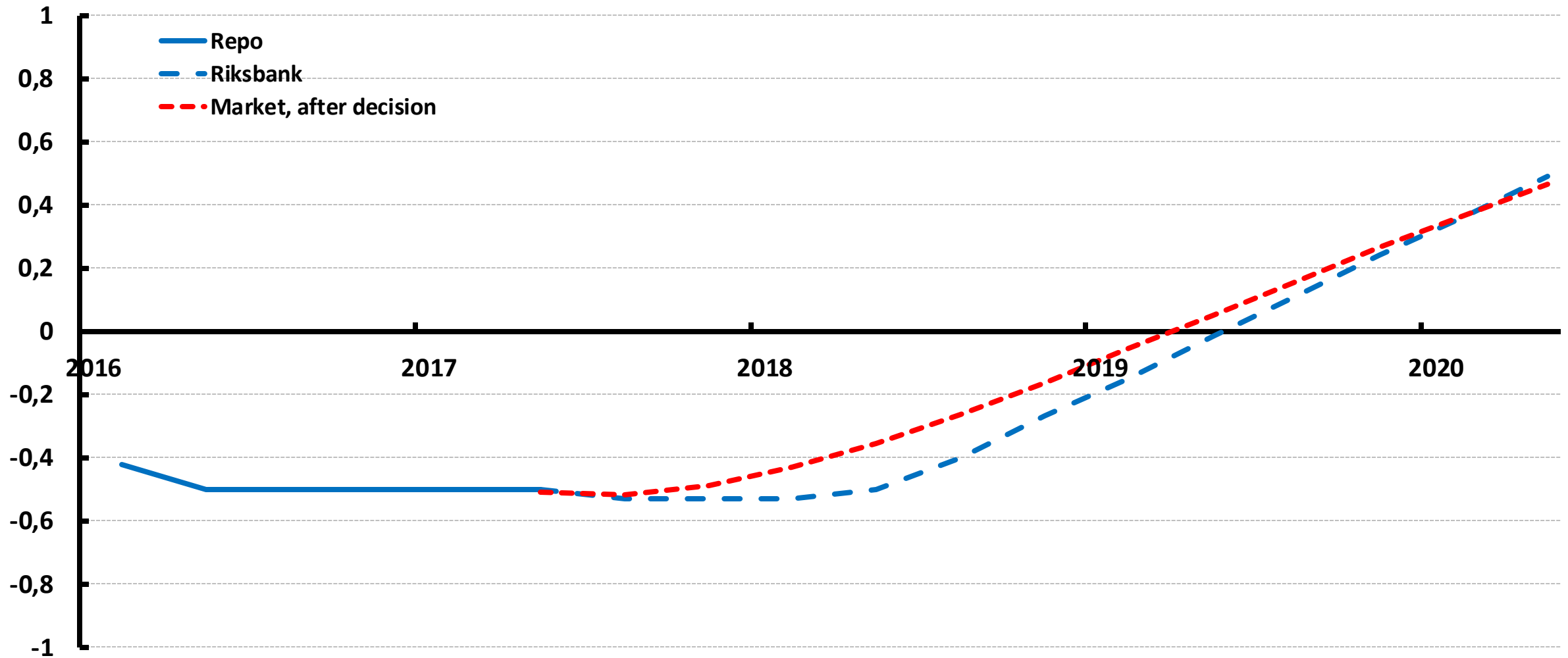


Repo rate, the Riksbank's repo rate path, and market pricing in February 2015. Percent.

# Would policy have been more expansionary if the repo path had not been published?

- Impact on market expectations?
  - Difficult to know
  - Should not be confused with outcome if the Riksbank's forecasts and monetary plans had been different
- Impact on repo rate decisions?
  - Some indications that it has been easier to decide on changes in the repo forecast than in the repo rate.
  - Has the path been an unhelpful substitute for repo rate decisions?

# Different situation today – market pricing now indicates earlier rate hike



Repo rate, the Riksbank's repo rate path, and market pricing in April 2017. Percent.

# Different situation today

- Market pricing now indicates earlier rate hike than the Riksbank's forecast
- So, stronger argument for committing to the path today
  - But I cannot see myself committing unconditionally
  - And committing with escape clauses is basically what we already do (repo path + report + minutes + other statements)
- There are other ways to push market prices (and expectations) closer to our path if that becomes an issue
  - E.g. lending at fixed rate at longer horizons as in 2009
  - ...

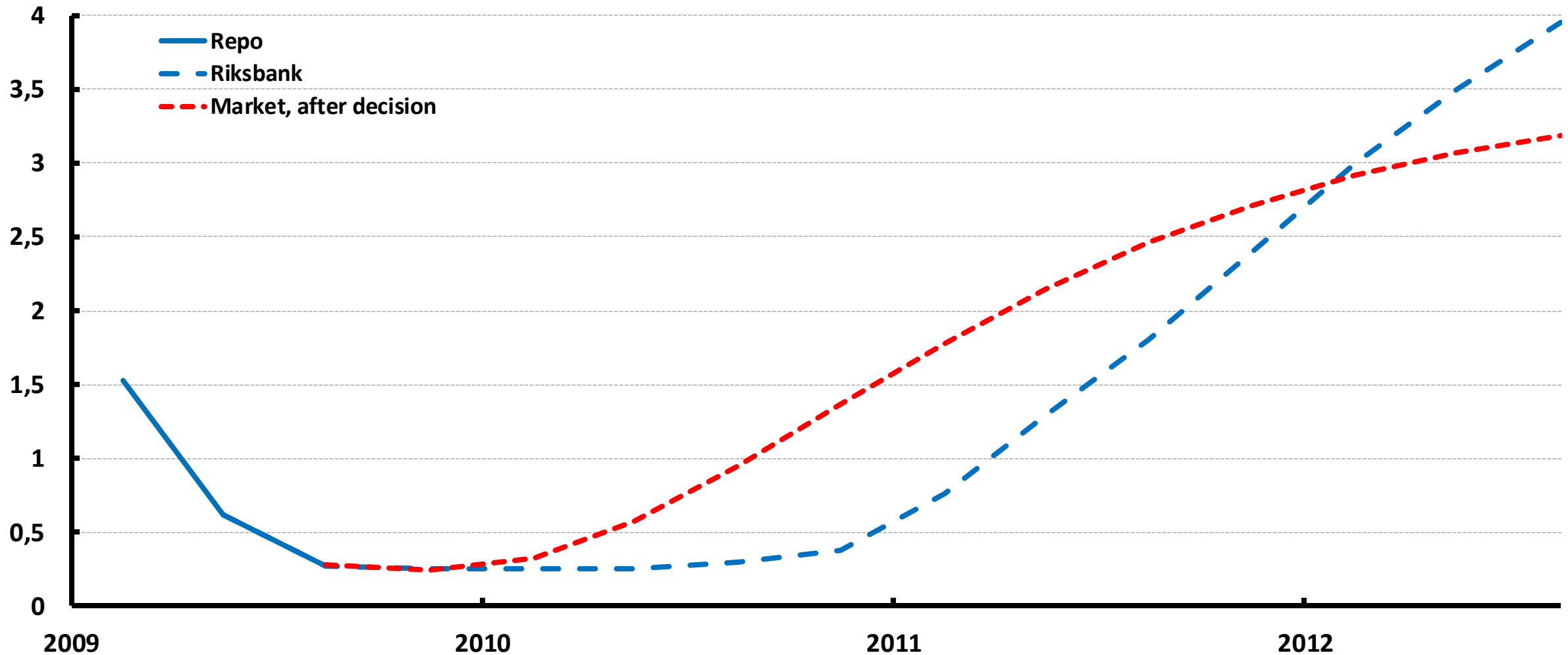
# So why publish the repo forecast?

- Facilitates communication
  - Compare e.g. with complicated use of “code words” by some other central banks
  - Important part of our forecast
- Better external, often critical, discussion of monetary policy
- Not a powerful high-frequency tool for monetary policy, but still helpful for illustrating reactions function



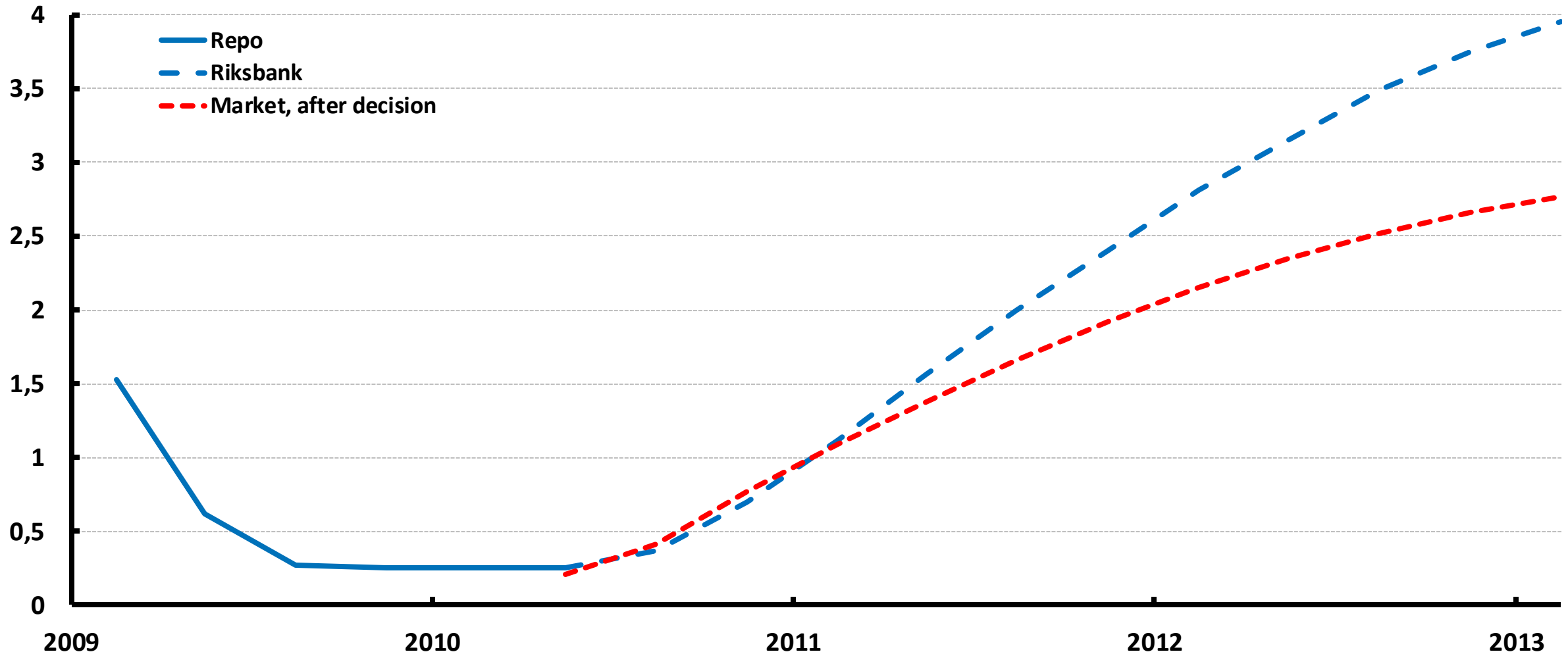
# Thanks!

# Market pricing *above* repo path, July 2009



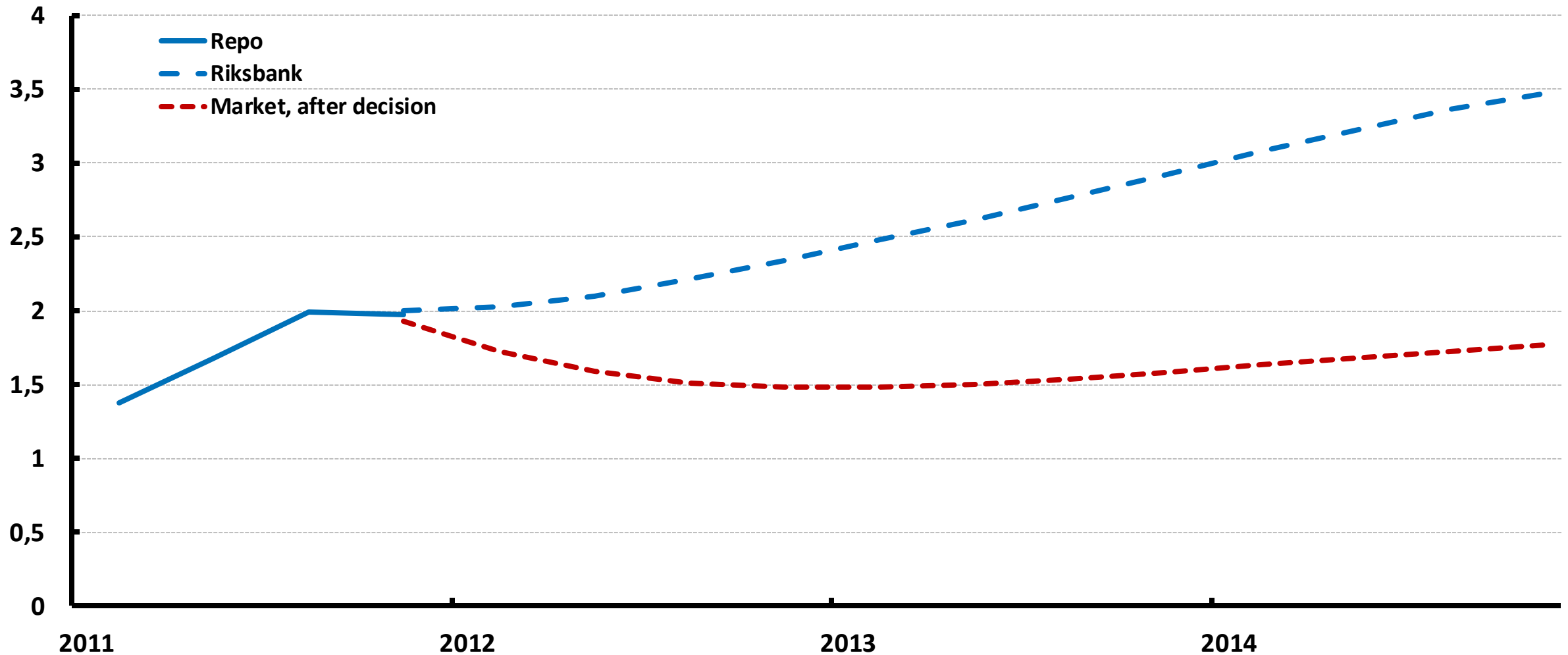
Repo rate, the Riksbank's repo rate path, and market pricing in February 2009. Percent.

# Market pricing below repo path, February 2010



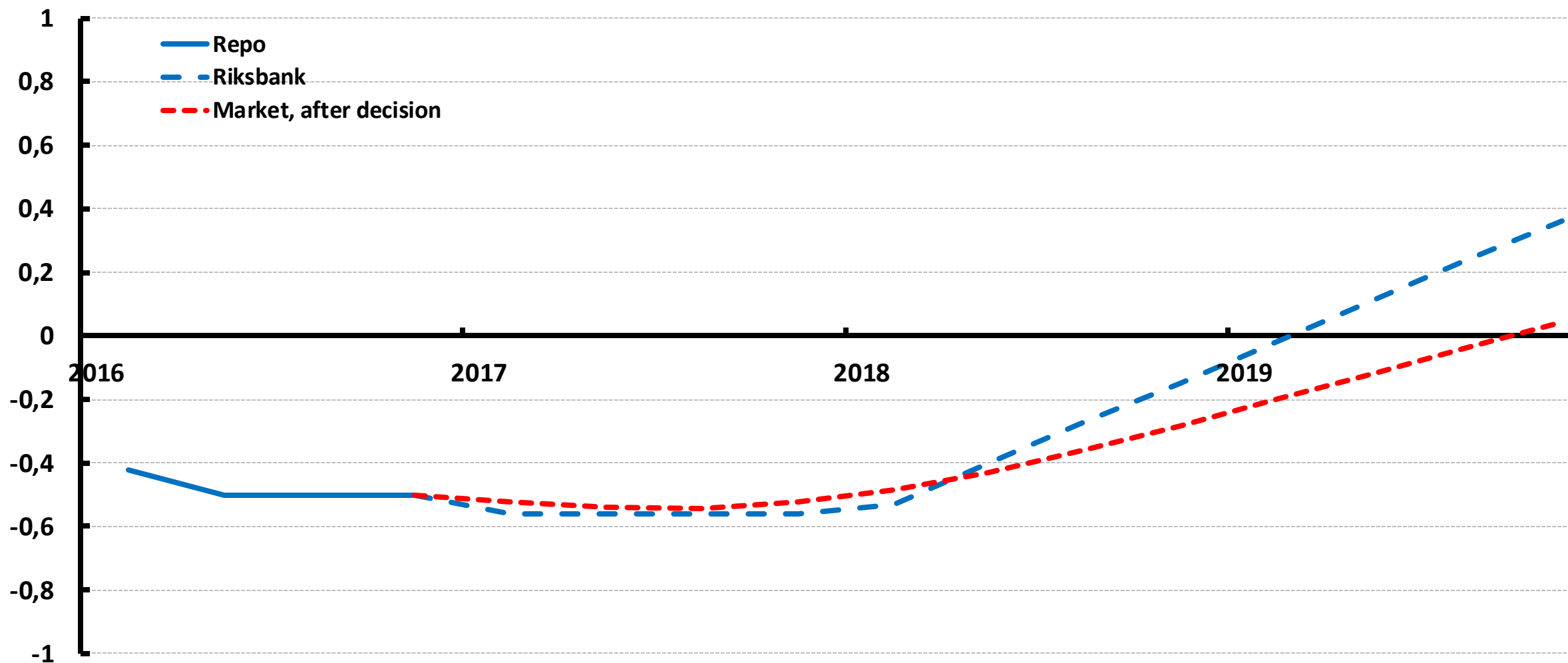
Repo rate, the Riksbank's repo rate path, and market pricing in February 2010. Percent.

# Market pricing below repo path, October 2011



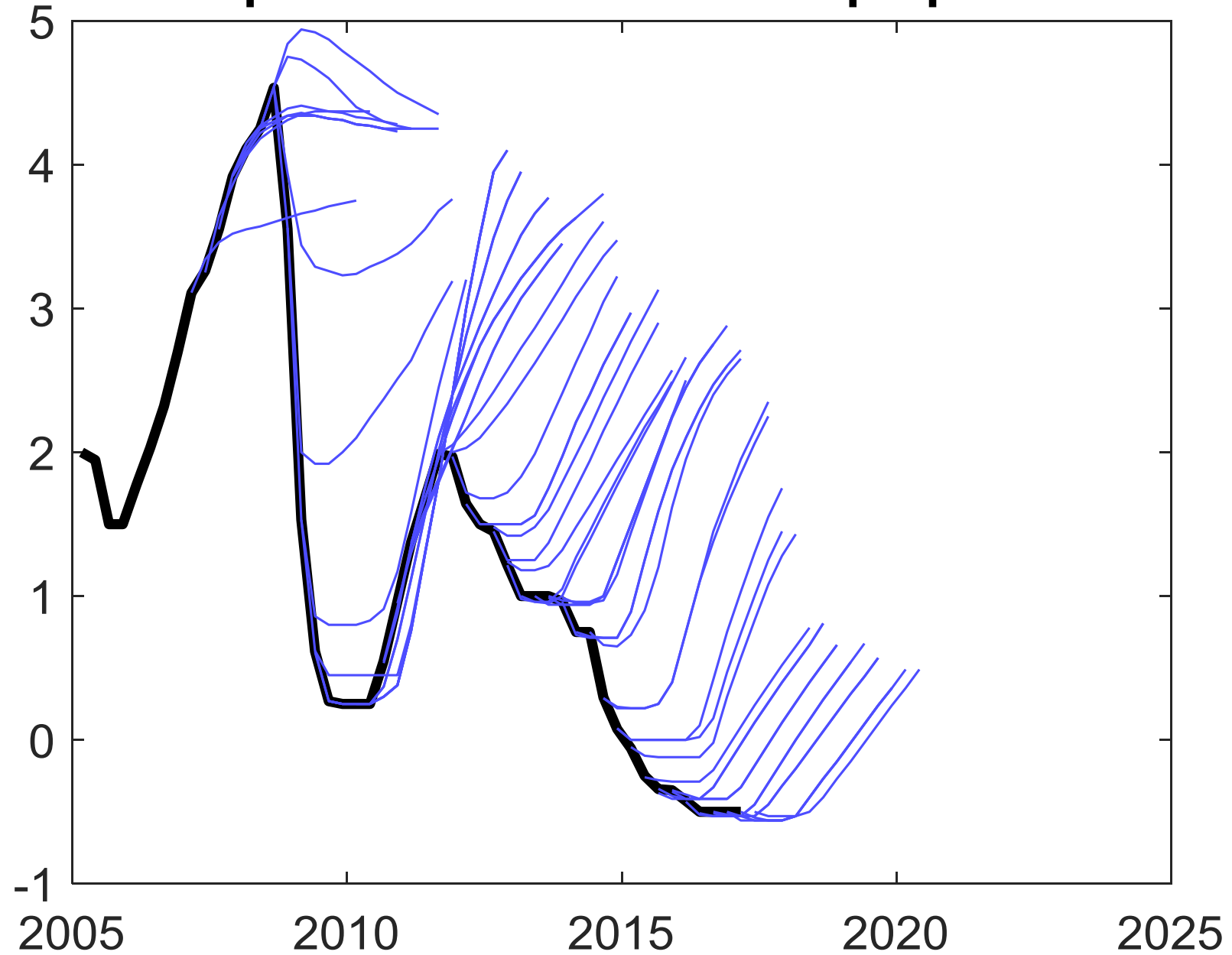
Repo rate, the Riksbank's repo rate path, and market pricing in October 2011. Percent.

# Market pricing below repo path, October 2016

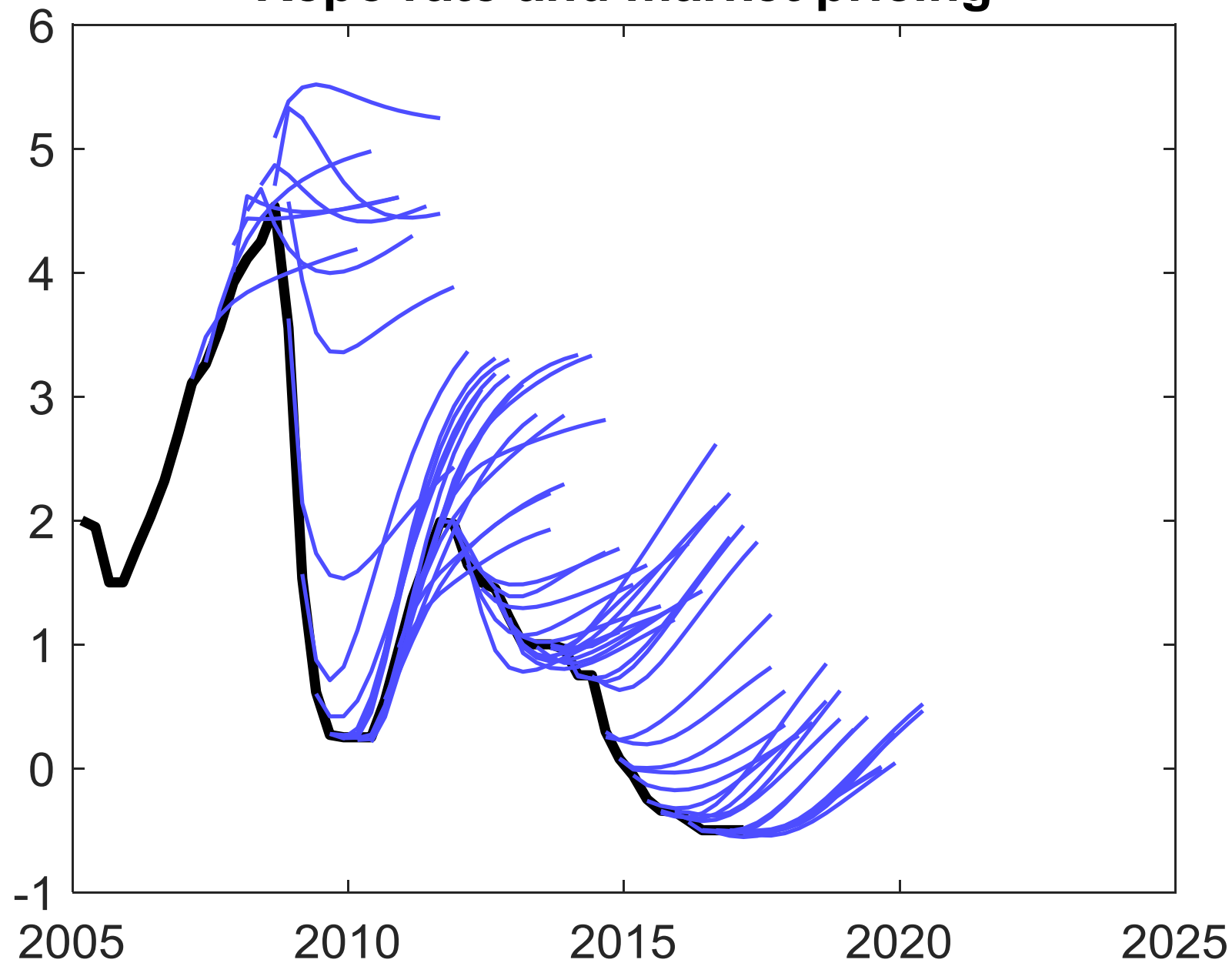


Repo rate, the Riksbank's repo rate path, and market pricing in October 2016. Percent.

# Repo rate and Riksbank repo paths



# Repo rate and market pricing



# Riksbank repo path - market pricing

