



PRESS RELEASE

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■ Repo rate unchanged at 0.25 per cent

The Executive Board of the Riksbank has decided to hold the repo rate unchanged at 0.25 per cent to contribute to the low inflation rate rising towards the inflation target of 2 per cent. As in the previous forecast, it is assessed to be appropriate to begin raising the repo rate towards the end of 2015, when inflation is clearly higher.

Economic activity strengthening

Growth abroad is on the whole expected to rise gradually over the coming years. Signals regarding economic activity from the United States and the United Kingdom are still strong. At the same time, economic prospects for the euro area have deteriorated as the result of unexpectedly weak GDP growth in the second quarter and of the ongoing conflict in Ukraine. The forecast for international GDP growth is therefore somewhat lower than the assessment made in July.

Lower growth in the euro area will dampen the already weak development in exports in Sweden. This contributes to the assumption that GDP growth will be somewhat lower, compared with the earlier assessment. At the same time, consumption and housing investment are expected to continue increasing at a good pace. The labour market has developed somewhat better than expected over the summer and unemployment has begun to decline.

Low but rising inflation

Inflation remains low, but has been a little higher than expected in recent months. The forecast for inflation in the near term has been revised upwards slightly as the result of a weaker krona and somewhat higher labour costs. The low repo rate will contribute to demand in the economy increasing, which will cause inflation to rise. As in July, the forecast is that CPIF inflation will attain 2 per cent at the beginning of 2016.

Repo rate still low so inflation will rise towards the target

The overall picture of the economic outlook and inflation prospects for Sweden remains largely unchanged since the July Monetary Policy Report. The repo rate needs to remain low for a long period of time for inflation to rise towards the target. It is therefore being held unchanged at 0.25 per cent. As in the previous forecast, it is assessed to be appropriate to begin raising the repo rate towards the end of 2015, when inflation is clearly higher.

The weaker international developments abroad mean that the repo-rate path is marginally lower from the middle of 2016, compared with the assessment made in July. At the end of the forecast period, the repo rate is expected to be just over 2 per cent. From an historical perspective, this is an unusually low repo rate in a stage where economic activity is relatively good and CPIF inflation is close to 2 per cent.

Risks associated with household indebtedness remain

The low interest rates still entail risks linked to the high level of household indebtedness. Reducing these risks requires further measures aimed directly at household demand for credit. In addition, reforms are needed for a better-functioning housing market. The responsibility for this lies with the Government and other public authorities.

Forecasts for Swedish inflation, GDP unemployment and the repo rate

Annual percentage change, annual average

	2013	2014	2015	2016
CPI	0.0	0.0 (-0.1)	1.3 (1.3)	2.9 (3.0)
CPIF	0.9	0.6 (0.6)	1.7 (1.6)	2.0 (2.0)
GDP	1.6	1.7 (2.2)	3.0 (3.3)	3.1 (3.1)
Unemployment, ages 15-74, per cent	8.0	7.9 (8.0)	7.3 (7.3)	6.7 (6.7)
Repo rate, per cent	1.0	0.5 (0.5)	0.3 (0.3)	1.2 (1.3)

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

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	2014 Q2	2014 Q3	2014 Q4	2015 Q3	2016 Q3	2017 Q3
Repo rate	0.75	0.29 (0.29)	0.23 (0.22)	0.25 (0.25)	1.38 (1.45)	2.25 (2.35)

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

Source: The Riksbank

The minutes from the Executive Board's monetary policy discussion will be published on 17 September. The decision on the repo rate will apply with effect from 10 September. A press conference with Governor Stefan Ingves and Mattias Erlandsson, Head of the Riksbank's Forecasting Division, 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.