

## Sweden's Riksbank to wait-and-see a while longer

Sweden's central bank meeting on Wednesday is unlikely to see a change in policy stance



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### Some positive news from global growth

Since December, there has been very little news on the domestic front. The last inflation print was slightly weaker than anticipated at 1.9% on the CPIF measure (consumer price index with a fixed interest rate), compared to the Riksbank's 2.0% forecast. The forward-looking survey data has softened a bit but remains at high levels indicating solid growth at the start of 2018. House prices have continued to fall, but there is little to suggest the Riksbank will change its soft-landing assumption.

The main news has been on the international front, where the global cyclical upswing continues to build momentum. It is likely that the Riksbank will have upgraded growth forecasts for its trading partners, which will probably more than off-set any downgrades on the domestic front. However, we don't expect this to lead to a significant change to the Riksbank's forecast or policy guidance at this point.

### And plenty of excitement in financial markets

The big story over the past ten days has been the large swings in financial markets, with equity

markets suffering the largest correction for several years. One side effect has been that the Swedish krona, which had started the year on the front foot, has reversed all its gains this year.

On the one hand, the Riksbank will not mind the currency weakening – by the end of January, the KIX trade-weighted index was close the level the Riksbank forecast for Q2. But on the other hand, there may be a certain amount of concern that markets have been so keen to sell SEK in response to a generalised risk-off episode. That suggests worries around the Swedish housing market remain significant.

That said, overall we expect that the Riksbank will look through the recent bout of volatility, in line with the general approach we've seen from central bank communication over the past week or so.

## But the Riksbank will keep its cards close

At its last meeting in December, the Riksbank called an end to its QE programme, though small purchases will continue in 2018. The next step in the policy normalisation process is to increase rates. That decision is likely to come into sharper focus at the July and September meetings, as the Riksbank has signalled it will wait for more clarity on the ECB's next step towards exiting its QE programme. That will also allow more time to confirm that inflation is sustainably back to target and that the housing market is on track for a soft landing. For now, the Riksbank is unlikely to change its stance.

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