



PRESS RELEASE

DATE: 18 April 2012
NO. 7
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■ Repo rate unchanged at 1.50 per cent

Following the sharp slowdown in the Swedish economy towards the end of last year, it is now possible to discern some positive signs. At the same time, inflation is low and expected to remain so over the coming year. Monetary policy needs to remain expansionary to support the recovery. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at 1.50 per cent. The repo-rate path is also unchanged.

Some positive signs for the Swedish economy

The world economy as a whole is growing at a relatively good pace and the US economy has improved. However, the situation on the financial markets in Europe is fragile, and much work remains to be done before sustainable solutions to the problems in the debt-ridden euro countries have been implemented. Economic growth in the euro area is therefore expected to be weak during the coming period.

Swedish GDP fell during the final quarter of last year, which was connected with very weak exports. However, there are now signs that prospects have brightened and that exports and domestic demand in the Swedish economy are increasing again. The sentiment among households and companies is more positive and exports of goods have recently increased. However, growth in the Swedish economy will be relatively slow this year, and then pick up speed in 2013. The weak economic developments will have an impact on the labour market, and unemployment will rise slightly in the coming period.

Low inflation

Inflation is low, which is mainly due to cost pressures being low and the krona having strengthened in recent years. Inflation will remain low over the coming year. However, cost pressures will increase and contribute to inflation rising towards 2 per cent in 2013.

Repo rate remains low

Monetary policy needs to remain expansionary to support the recovery. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at 1.50 per cent. The repo rate is expected to remain at this low level for just over a year. Later on, when inflationary pressures increase, the repo rate will need to be gradually raised. This repo-rate path will contribute to stabilising inflation around 2 per cent and resource utilisation in the economy



around a normal level. All in all, the economic prospects and outlook for inflation are largely unchanged from February and the repo-rate path is also unchanged.

Economic developments are uncertain

There is considerable uncertainty about economic developments abroad. The situation in the euro area is still problematic, and the public debt problems could worsen and have further negative effects on the Swedish economy. In this situation, the repo rate may need to be lower. However, it is also possible that confidence in economic developments could return sooner than expected, which could lead to higher demand in the Swedish economy. This would call for a higher repo-rate path.

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

Annual percentage change, annual average

	2011	2012	2013	2014
CPI	3.0 (3.0)	1.2 (1.4)	1.9 (1.9)	2.9 (2.9)
CPIF	1.4 (1.4)	1.1 (1.1)	1.7 (1.7)	2.0 (2.1)
GDP	3.9 (4.5)	0.4 (0.7)	1.9 (2.1)	2.8 (3.2)
Unemployment, aged 15-74, per cent	7.5 (7.5)	7.7 (7.7)	7.7 (7.7)	6.9 (7.0)
Repo rate, per cent	1.8 (1.8)	1.5 (1.5)	1.7 (1.7)	2.5 (2.5)

Note. The assessment in the Monetary Policy Report in February 2012 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	2012 Q1	2012 Q2	2013 Q1	2014 Q1	2015 Q1
Repo rate	1.6 (1.6)	1.5 (1.5)	1.5 (1.5)	2.2 (2.2)	3.0 (3.0)

Note. The assessment in the Monetary Policy Report in February 2012 is shown in brackets.

Source: The Riksbank

Deputy Governors Karolina Ekholm and Lars E.O. Svensson entered reservations against the decision to keep the repo rate unchanged and against the repo-rate path in the Monetary Policy Update. They both advocated a lowering of the repo rate to 1.0 per cent and a lower repo-rate path than in the Monetary Policy Update.

Karolina Ekholm preferred a repo-rate path that stays at 1 per cent to the third quarter of 2013, and then rises to 2.25 per cent by the end of the forecast period. This was justified by her assessment that a repo-rate path that is associated with a higher forecast of CPIF inflation and a lower forecast of unemployment constitutes a better-balanced monetary policy.

Lars E.O. Svensson preferred a repo-rate path that stays at 0.75 per cent from the third quarter of 2012 through the third quarter of 2013, and then rises to 2 per cent by the end of the forecast period. This was justified by his assessment



■ that the Update's forecasts of foreign policy rates further ahead and euro area growth are too high and that his repo-rate path is associated with a forecast of CPIF inflation that is closer to the inflation target and a forecast of unemployment that is closer to a long-run sustainable rate and therefore constitutes a better-balanced monetary policy.

The minutes of the Executive Board's monetary policy discussion will be published on 2 May 2012. The decision on the repo rate will apply with effect from 25 April. A press conference with Governor Stefan Ingves and Marianne Nessén, 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.