



PRESS RELEASE

DATE 6 February 2004

NO. 6

CONTACT Tomas Lundberg, Press Officer, tel. +46 8 787 02 15

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

■ Repo rate lowered by 0.25 percentage points

At its meeting on Thursday, 5 February, the Executive Board of the Riksbank decided to lower the repo rate from 2.75 to 2.50 per cent. This decision, which will apply from Wednesday, 11 February, is based on the picture of inflation prospects presented in the Riksbank's Inflation Report in December and the new information about economic developments received since then.

On the whole, the economic outlook in Sweden and abroad is approximately the same as in the December Inflation Report. Growth in the US may prove somewhat higher than assumed at that time, partly due to the increasingly weaker dollar. The outlook for Latin America, Asia and central and eastern Europe also appears somewhat brighter. At the same time, the strengthening of the euro may result in a slightly more sluggish upswing in Europe. Thus, a continued gradual recovery in the world economy and in Swedish export markets is still expected in the years ahead.

Signs that economic activity is on the road to improvement are also becoming increasingly clear in Sweden. Export growth at the end of last year was stronger than forecast in December, and there may be reason to be somewhat more optimistic about developments in the period ahead. However, new estimates of the public finances indicate that public consumption may be slightly weaker this year and next year. In all, the outlook for demand is essentially the same as in December, and it is expected that growth will continue to strengthen in the period ahead.

Despite a mainly unchanged economic outlook, domestic cost pressures are judged to be somewhat lower than previously forecast. Labour market growth has been weak, and most factors indicate that there is reason to be somewhat more pessimistic about employment in the period ahead. Partly as a result of this, the rate of wage increases may be slightly more subdued than assumed in the Inflation Report. At the same time, productivity growth has continued to be unexpectedly positive, and there is reason to believe that productivity will also be



■ somewhat higher this year and next year than in the previous assessment. Inflation has also fallen slightly more than expected, with the CPI and UND1X standing at 1.4 and 1.7 per cent, respectively, in December. Excluding energy prices, the CPI and UND1X rose by 0.6 and 1.2 per cent year-on-year. International price pressures may prove lower during the forecast period compared with the assessment in December.

In all, economic activity has been roughly in line with expectations and the upswing has become more firmly rooted. The risk of weaker international activity appears thereby to have lessened somewhat. At the same time, it seems that domestic and international cost pressures will be slightly more subdued. The risks of further rises in electricity prices are also somewhat lower. Inflation, both including and excluding energy prices, is therefore expected to be somewhat lower over the entire forecast period compared with the forecast in December. Against this background, the Executive Board of the Riksbank decided to lower the repo rate by 0.25 percentage points.

The future stance of monetary policy will depend on the new information received about economic developments in Sweden and abroad and on how this affects inflation prospects in Sweden.

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 19 February 2004.

A press conference with Governor Lars Heikensten and Deputy Governor Irma Rosenberg will be held at 11 a.m. at the Riksbank, Brunkebergstorg 11. Press cards must be shown. The press conference will be broadcast live on the Riksbank's website, <http://www.riksbank.se>.