



# PRESS RELEASE

DATE 24 June 2004  
NO. 41  
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## ■ Repo rate left unchanged at 2 per cent

At its meeting on Wednesday, 23 June, the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent. The recovery in Sweden and abroad is progressing largely as anticipated. A favourable cost situation means that the assessment is for a moderate rise in inflation. The assessment of inflation remains essentially unchanged from the May Inflation Report, and inflation is expected to be in line with the Riksbank's target two years from now.

International real economy developments are progressing largely as was expected in the May Inflation Report. It is possible that the new information received gives reason to be slightly more optimistic with regard to economic growth this year. Recently, international inflation has risen slightly more rapidly than expected. Nevertheless, the view of future international inflation has not changed significantly. Over the coming years, growth and inflation in the world economy are still expected to increase.

The view of the Swedish economy is also largely unchanged. Growth during Q1 increased as expected, according to the most recent National Accounts figures. Various indicators are also pointing to a continued rise in production during April and May, in line with the earlier assessment. As expected, there has been no clear rebound in the labour market as yet. Productivity growth remains high.

Inflation continued to rise in May, with CPI inflation amounting to 0.7 per cent and UND1X to 1.4 per cent. The upturn was slightly larger than expected, which was largely due to prices of oil products and other imported goods rising slightly more than forecast. This has affected the view of short-term inflation.

Inflation is expected to rise in the future, as resource utilisation in Sweden and abroad intensifies. However, favourable cost conditions mean that the rise in inflation is expected to be relatively moderate. Developments in oil prices over the past month give no reason to change the forecasts made in the May Inflation Report. The assessment of inflation one to two years ahead remains essentially unchanged since May. At the end of the forecast period, UND1X inflation, which is currently perceived to provide the best picture of underlying, cyclical



- inflationary pressure, is expected to be in line with the Riksbank's inflation target. Against this background the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent.

As the Riksbank has indicated earlier, the repo rate is low in historical terms, which indicates that it will need to be raised in future. However, the future stance of monetary policy will as usual depend on new information regarding economic developments in Sweden and abroad and the effects these developments may have on Swedish inflation prospects.

The decision to leave the repo rate unchanged will apply from Wednesday, 30 June.

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 8 July 2004.