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■ Repo rate left unchanged at 2 per cent

At its meeting on 19 August the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent. There are numerous reasons to believe in a slightly more rapid GDP growth this year than was assumed in May and June. This motivates a slight upward revision of the inflation forecast. However, favourable cost conditions mean that the inflation rate is expected to be moderate over the coming years. Inflation is still expected to be in line with the Riksbank's inflation target a couple of years from now.

The assessment in the May Inflation Report was that international economic activity would continue to strengthen this year and over the coming two years. It was observed at the monetary policy meeting held at the end of June that there might be reason for slightly greater optimism regarding economic growth this year. New data on the whole confirm the June assessment and indicate that the upswing will be slightly stronger than anticipated in the May Inflation Report. Although the higher oil prices have a subduing effect on international growth, and there have been some less than positive signals from the United States recently, this is counterbalanced by stronger growth than anticipated in other parts of the world.

At the same time, international inflation has been slightly higher than was expected in the Inflation Report. This is to some extent connected with the unexpectedly high oil prices. Consequently, it appears reasonable to make some revisions to the forecasts for international price pressure in the near future. There is also reason to believe that oil prices will be higher over the next few years than was previously anticipated. Nevertheless, it is still assumed that oil prices will fall again in the future, which is also indicated by pricing in the futures markets.

Compared with other analysts, the Riksbank has been relatively optimistic in its view of the Swedish economy over the past year. There is nevertheless reason to believe in a higher growth rate for the Swedish economy this year than was assessed in May and June. New National Accounts data indicate unexpectedly strong GDP growth during the first half of the year. This is mainly due to stronger export growth than anticipated. Another positive signal is signs of the beginning of an upturn in investment. Consumption is showing stable growth. The labour market remains weak and productivity growth is at a high level.

Inflation remains low, with CPI inflation amounting to 0.7 per cent and UND1X to 1.1 per cent in July. This outcome is in line with the forecast in the May Inflation Report. The strong growth rate indicates that inflation will be slightly higher in the future than was assessed in May and June. However, a favourable cost situation means that inflation is still expected to be moderate in the future. Developments in oil prices during the past month do not at present motivate any substantial revisions to the inflation outlook over the coming years. However, the decisive factors are that the rise in oil prices does not become permanent, spread throughout the economy, or lead to higher inflation expectations. UND1X inflation, which is currently perceived to provide the best picture of underlying, cyclical inflationary pressure, still looks to be in line with the inflation target a couple of years ahead. Against this background, the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent.

The repo rate is low in an historical perspective, as the Riksbank has pointed out earlier. This suggests that it will need to be raised in the long run. 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, 25 August.

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 2 September.