



PRESS RELEASE

DATE: 28 January 2005, 9.30 a.m.

NO: 7

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■ Repo rate left unchanged at 2 per cent

At its meeting on Wednesday, 27 January, the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent. Inflation, measured in terms of UND1X, is expected to be roughly in line with the Riksbank's target two years from now. However, during a large part of the coming two-year period inflationary pressures are expected to remain low. As economic growth is forecast to be high, inflation is expected to pick up during the course of 2006 and thereafter.

In the December Inflation Report the assessment was that global GDP growth had peaked. But growth was nevertheless expected to be high enough to lead to an increase in international resource utilisation in the period ahead. The data received since then largely confirm this picture. There may possibly be reason for somewhat less optimism about developments in the euro area. Economic activity in the United States, however, appears to be still strong.

In Sweden, too, growth was expected to be somewhat lower this year and next year but to be high enough for resource utilisation to continue to rise in the period ahead. New data has not changed this outlook. Employment growth has been somewhat weaker than assumed by the Riksbank in December. There has not yet been a turnaround in the labour market, but a continued strengthening of economic activity is expected to lead to a rise in employment and a drop in unemployment.

In December, CPI and UND1X inflation stood at 0.4 per cent and 0.8 per cent, respectively. This was lower than assumed in the Riksbank's December assessment and primarily a result of unexpectedly low imported inflation. The developments in imported inflation warrant a slight downward revision of the inflation forecast, particularly in the short term, compared with the most recent assessment.

It is reasonable to believe that UND1X inflation will be roughly in line with the target a couple of years ahead. During a large part of the coming two-year period inflationary pressures are likely to be low due to favourable cost



■ conditions, relatively plentiful unutilised resources initially and low imported inflation. However, during the course of 2006 and thereafter, inflation can be expected to rise owing to continued firm growth in demand, both in Sweden and abroad, and a consequently higher level of resource utilisation. Against this background the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent. The future stance of monetary policy will depend as usual on the Riksbank's assessment of the inflation outlook and on new information regarding economic developments in Sweden and abroad.

The decision to leave the repo rate unchanged will apply from Wednesday, 2 February.

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 10 February 2005.