

PRESS RELEASE

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■ Repo rate left unchanged at 2 per cent

At its meeting on 28 April, 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 in line with the Riksbank's target a couple of years ahead. However, during a large part of the coming two-year period inflation is anticipated to remain low.

In the Inflation Report published on 15 March, GDP growth was forecast to continue, albeit at a slower rate. Despite gradually increasing resource utilisation, international price pressures were expected to be modest in the period ahead. This outlook is broadly unchanged. However, new statistics suggest that growth in the euro area will be somewhat weaker than expected. Recent data regarding the United States is mixed and is adding to uncertainty over the strength of international growth. Meanwhile, the oil price has been unexpectedly high. All in all, this points to a somewhat slower global economic upswing than anticipated at the previous monetary policy meeting in March.

The Riksbank's assessment in the latest Inflation Report was that economic activity would enter a somewhat slower growth phase in Sweden as well. New data point to a slightly weaker performance than expected. Swedish exports of goods and industrial production appear to be increasing less than forecast. At the same time, most factors indicate that growth in domestic demand is in line with the forecast in March. Firm growth in real incomes and low interest rates are contributing to favourable developments in private consumption. However, employment growth in the first quarter was somewhat weaker than anticipated, which means that the uncertainty over the strength of the Swedish economic upswing has increased. Taken together, these developments give cause for a marginal downward revision of the GDP forecast this year and next year.

CPI and UND1X inflation have remained low, standing in March at 0.1 and 0.5 per cent, respectively. That was somewhat higher than the Riksbank expected in the latest Inflation Report and is explained in part by the rise in the oil price. Over the coming year, too, the oil price is forecast to contribute to somewhat higher



■ inflation than assumed in March. For the period thereafter the inflation forecast is largely unchanged.

The Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent. The overall assessment is that UND1X inflation a couple of years ahead will be line with the target but that it will remain low during a large part of the coming two-year period. At the same time, expansionary economic policy is expected to contribute to strong growth in consumption and investment. The currently low interest rates have also led to a rapid rise in household borrowing and house prices. Since the publication of the Inflation Report, however, economic prospects have become somewhat more uncertain. It is important to monitor whether the slackening tendencies seen in economic activity recently are temporary or more persistent. The future stance of monetary policy will depend as usual on new information regarding economic developments in Sweden and abroad and on the Riksbank's assessment of the inflation outlook.

The decision to leave the repo rate unchanged will apply from Wednesday, 4 May.

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 17 May.