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■ Repo rate held unchanged at 1.5 per cent

At its meeting on Monday, 23 August, the Executive Board of the Riksbank decided to hold the repo rate unchanged at 1.5 per cent. Its assessment was that GDP growth would be slightly higher than was forecast in June, partly due to more expansionary monetary policy. This, together with higher oil prices, motivates some upward revision of the inflation forecast. The current low inflation rate is expected to return to the target level a couple of years ahead.

The assessment in the June Inflation Report was that international growth would be relatively strong this year and over the coming two years. Recent statistics on the whole confirm this view. At the same time, international inflation has been slightly higher than expected. 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 prices in the near future.

The June Inflation Report contained a relatively substantial downward revision of the forecast for GDP growth in Sweden. However, the assessment was that the low growth in Q1 was a temporary slowdown. Growth was expected to be higher during the remainder of the forecast period. Developments at the beginning of the year nevertheless indicated that resource utilisation was expected to fall this year and then rise slowly. This outlook remains largely unchanged. Revised statistics show that growth at the beginning of the year was stronger than was indicated earlier, which implies that growth this year will be stronger than was forecast in June. The forecast for GDP growth over the coming years has been revised upwards slightly, partly due to more expansionary monetary policy. In line with this, the labour market is also expected to make a somewhat swifter recovery. Household sector borrowing and house prices have continued to rise at a rapid rate.

Inflation remains low, with CPI inflation amounting to 0.3 per cent and UND1X to 0.7 per cent in July. The outcome for UND1X is slightly higher than expected in the June Inflation Report, which is mainly due to the oil price. Stronger GDP growth and the high oil price indicate that the inflation forecast should be revised upwards somewhat for the entire forecast period, compared with the June forecast. UND1X inflation, which is currently considered to provide the best picture of underlying, cyclical inflationary pressures, is expected to return to



■ target level a couple of years ahead. Given this, the Executive Board decided to leave the repo rate unchanged at 1.5 per cent.

The inflation outlook indicates that raising the repo rate is not urgent. As has been the case earlier during the year, there is reason to also take into account the continued developments in household borrowing and house prices and the consequences these may have for the future development of the economy. The future stance of monetary policy will as usual depend on new information received, and the effects this has on the Riksbank's assessments.

The decision to leave the repo rate unchanged will apply from Wednesday, 31 August.

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 12 September 2005.