



# PRESS RELEASE

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## ■ Riksbank initiates cooperation with external researchers on exchange rate determinants

The Riksbank has initiated cooperation with a number of external researchers as a complement to the bank's regular research to make a broader, more in-depth analysis of the development of the Swedish krona and its determinants.

There have been relatively sharp short-term fluctuations in the exchange rate. In a longer perspective, however, the main question is why the real exchange rate has fallen over the past decade, despite good economic growth and a properly functioning stabilisation policy regime. Other important questions are why Sweden has such large surpluses in the trade balance and current account, how long these will persist and what consequences they will have for the future development of the krona. With the aim of increasing knowledge of both short-term and long-term fluctuations in the krona, the Riksbank has asked experts to examine, in addition to traditional questions such as the significance of growth, inflation and the current account for the exchange rate, also more micro economic aspects of the foreign exchange market. These include, for instance, the driving forces behind companies' foreign direct investment and other capital flows between different countries and the use of different currencies in pricing and payments.

The Riksbank does not have a target for the exchange rate, but the krona, together with a number of other factors, including inflation expectations, wages, productivity, demand growth and capacity utilisation, is an important factor for forecasts of future inflation.

The results of the project will be reported during the second half of 2006.

The external researchers recruited to the projects so far are: Nicolas Coeurdacier and Philippe Martin, Université Paris-I-Panthéon-Sorbonne; Richard Friberg and Fredrik Wilander, Stockholm School of Economics; Galina Hale, Yale University; Ethan Kaplan, UC Berkeley and the Institute for International Economic Studies at Stockholm University; Philip Lane, University of Dublin; and Dagfinn Rime, Norges Bank.