



PRESS RELEASE

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■ Repo rate raised by 0.25 percentage points

At its meeting on 19 January, the Executive Board of the Riksbank decided to raise the repo rate from 1.5 per cent to 1.75 per cent. This decision is based on the picture of inflation prospects presented in the Riksbank's Inflation Report in December and the new information on economic developments received since then.

The assessment in the December Inflation Report was that international growth this year and during the coming years would be good but would decrease slightly. The new information received since then indicates that developments will be slightly stronger than expected.

The assessment for Sweden was that growth would increase this year and then slow down somewhat. New statistics indicate that GDP growth was slightly stronger at the end of 2004 and beginning of 2005 than was previously estimated. Several economic indicators also point to somewhat stronger growth than expected in the future. There may thus be justification for some upward revision of the forecasts for GDP growth in 2005 and 2006.

The situation in the Swedish labour market appears to have brightened somewhat. The number of persons employed is increasing and the number of new job vacancies has continued to rise. On the other hand, the number of hours worked has shown surprisingly weak development and productivity growth in the business sector has therefore been stronger than expected. This indicates that cost pressure will be dampened, despite stronger production growth.

In December, CPI and UND1X inflation were 0.9 per cent and 1.2 per cent respectively, which was in line with the forecast in the Inflation Report. The assessment in December was that inflation would gradually rise and approach the target of 2 per cent as capacity utilisation increased. This forecast assumed that gradual increases in the repo rate would begin early in 2006.

New information points to slightly stronger growth in Sweden and abroad. The assessment is that inflation will rise in line with the earlier forecast. Given the information currently available, an increase in the repo rate, approximately in line with market expectations over the past weeks, is thus reasonable. As before,



■ there is also reason to observe that household indebtedness and house prices are continuing to rise rapidly. Against this background, the Executive Board decided to raise the repo rate by 0.25 percentage points at yesterday's meeting.

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 minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 2 February 2006. The interest rate decision will apply from Wednesday, 25 January.

A press conference with Deputy Governor Irma Rosenberg and Anders Vredin, Head of the Monetary Policy Department, will be held at 11 a.m. today at the Riksbank. Entry via the bank's main entrance, Brunkebergstorg 11. Press cards must be shown. The press conference will be broadcast live (in Swedish) on the Riksbank's website, www.riksbank.se.