



PRESS RELEASE

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■ Repo rate held unchanged at 2 per cent

At its meeting on 27 April, the Executive Board of the Riksbank decided to leave the repo rate unchanged at 2 per cent. This decision is based on the inflation assessments presented in the Riksbank's Inflation Report in February and the new information on economic developments received since then.

The Riksbank's assessment in the February Inflation Report was that international growth would be good this year and during the coming years. The new data received since then indicate that developments are slightly stronger than expected. However, the continued rise in oil prices and other commodity prices is an uncertainty factor with regard to prospects for both economic activity and inflation.

The assessment for Sweden made in February was that GDP growth would increase this year and then slow down somewhat. The National Accounts show that growth was slightly weaker at the end of 2005 than indicated in previous assessments. However, according to several economic indicators, the slowdown is temporary. The situation in the Swedish labour market has at the same time continued to improve and indicators show that employment will continue to increase. The view of economic activity in Sweden therefore remains largely unchanged from February.

In March, consumer price index (CPI) inflation was 1.1 per cent and underlying inflation according to UND1X was 1.2 per cent. This outcome was higher than the forecast in the Inflation Report, which is mainly due to unexpectedly high energy prices. The assessment is that the oil and electricity price will continue to be higher than was assumed in February. There is thus justification for an upward revision in the inflation forecast for the coming year. The view of inflation in the longer term remains largely unchanged.

On the whole, UND1X inflation is expected to rise moderately and to be close to target level a couple of years ahead. This means that gradual increases can be made in the repo rate. Given this, the Executive Board decided to hold the repo rate unchanged at yesterday's meeting. The outlook for economic activity and inflation indicates that it will soon be appropriate to bring monetary policy onto a less expansionary path, roughly as the market has expected in recent weeks, to



■ ensure that inflation is in line with the target a couple of years ahead. As before, it is important to follow developments in household indebtedness and house prices.

The future stance of monetary policy will as usual depend on new information received 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 11 May. The decision on the repo rate will apply from Wednesday, 3 May 2006.