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■ Repo rate kept unchanged at 3.25 per cent

At its meeting on 29 March, the Executive Board of the Riksbank decided to keep the repo rate unchanged at 3.25 per cent. At the same time, as in February, the assessment was that the repo rate needs to be raised by a further 0.25 percentage points over the coming months and that it will after that probably be possible to pause before making a further increase. Although the good economic activity and wage bargaining rounds involve a risk of higher inflation than anticipated, a slow increase in interest rates is still expected to lead to inflation being on target a couple of years ahead and to a balanced development in the real economy.

The Riksbank's decision is based on the economic indicators and inflation assessments presented in the February Monetary Policy Report and on the new information on economic developments received since then.

Economic activity is developing strongly both in Sweden and abroad. Economic developments have in general been in line with the assessment made in February. Growth looks to be slightly lower in the United States, but slightly stronger in, for instance, the euro area. In Sweden, too, GDP growth may be somewhat stronger than expected. The same applies to developments in employment and the labour force. Lending and house prices are continuing to increase relatively rapidly, although the rates of increase have slowed down. The krona has shown a slightly weaker development than expected.

The wage bargaining rounds so far indicate that wage increases may be slightly higher than forecast. The slightly stronger economic activity also indicates this. Developments in the labour market thus entail a slightly increased risk of higher inflationary pressures than expected. At the same time, there are several factors holding back inflation. Abroad, the price pressures of recent years are expected to remain. Cost pressures will be held back by the fact that there is still relatively plentiful spare capacity in the labour market and by productivity continuing to improve at a rapid rate. Corporate profits are good.



■ In February, UND1X inflation was 1.3 per cent and CPI inflation was 2.0 per cent, which was in line with the forecast. However, it may be necessary to revise the inflation forecast for the coming year upwards as a result of the higher oil price.

The assessment of future economic activity and inflation has only marginally changed since February. It does not give any reason to change the view of the future repo rate path. Given this, the Executive Board decided to leave the repo rate unchanged. The assessment is that over the coming months the repo rate will need to be raised by 0.25 percentage points. After that it will probably be possible to pause before making a further increase. This will contribute to inflation being on target a couple of years ahead. At the same time, the real economic development is considered to be balanced.

However, it is important to point out that there is always great uncertainty over future economic developments. It is therefore also uncertain how the repo rate will develop in the future. There is a risk, for example, that the wage bargaining rounds will lead to higher wages than anticipated, which could make it necessary to conduct tighter monetary policy. The future direction for monetary policy will depend as usual on new information on economic developments in Sweden and abroad and the effects this may have on economic activity and inflation in Sweden.

The minutes from the Executive Board's meeting yesterday will be published on 16 April. The next monetary policy meeting will be held on 3 May. The decision on the repo rate will apply from Wednesday, 4 April.