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■ Repo rate kept unchanged at 3.25 per cent

At its meeting on 3 May, the Executive Board of the Riksbank decided to keep the repo rate unchanged at 3.25 per cent. The assessment made at the same time was that the repo rate needs to be raised gradually and more in the future than was forecast in February, in order for inflation to develop in line with the target and to attain a balanced development in the real economy. One reason for needing to raise the rate more is that wages are expected to increase at a faster rate than was previously forecast.

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.

It was observed at the monetary policy meeting in March that economic activity in Sweden and abroad remained strong. The new information received since then does not alter this picture to any great extent. Compared with the assessment made in February, growth looks to be slightly lower in the United States, but slightly stronger in the euro area. In Sweden, the recently presented fiscal policy proposals may increase production and demand in the Swedish economy further. Developments in the labour market remain strong. Both employment and the labour force are increasing at a good rate and unemployment is continuing to fall. Lending and house prices are continuing to increase rapidly, although the rates of increase have slowed down somewhat.

In March, CPI inflation amounted to 1.9 per cent and UND1X inflation was 1.2 per cent. This was slightly higher than expected in February, which is primarily explained by rising oil prices.

The outcome of the wage bargaining rounds so far indicates that wage increases will be higher than was forecast. The stronger economic prospects in Sweden also indicate this. All in all, inflationary pressures are now expected to be slightly higher than was forecast in February.

At the same time, there are still several factors holding back inflation. Abroad, the price pressures of recent years are expected to remain. Cost pressures are held



■ back by the continuing good growth in productivity. Companies' price increases may also be dampened by competitive pressure and good profits.

Given this, the Executive Board decided at yesterday's meeting to leave the repo rate unchanged. The assessment made at the same time was that the repo rate needs to be raised gradually and more in the future than was forecast in February, in order for inflation to develop in line with the target and to attain a balanced development in the real economy. One reason for needing to raise the rate more is that wages are expected to increase at a faster rate than was previously forecast.

It is important to point out that, as always, there is great uncertainty over future economic developments. It is therefore also uncertain how the repo rate will develop in the future. This 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 18 May. The decision on the repo rate will apply from Wednesday, 9 May. The next monetary policy meeting will be held on 19 June.