



# PRESS RELEASE

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CONTACT Press service, tel. +46-8-787 0200

SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

## ■ Repo rate raised by 0.25 percentage points to 4.25 per cent

*At its meeting on 12 February, the Executive Board of the Riksbank decided to raise the repo rate to 4.25 per cent. Inflation is expected to be high, while economic activity remains good. A repo rate of around 4.25 per cent over the coming year will contribute to bringing inflation back towards the target of 2 per cent a couple of years ahead. It will also lead to a balanced development in production and employment. However, there is still considerable uncertainty regarding the economic outlook and inflation prospects.*

### **Good economic development**

The Riksbank's assessment of the economic outlook and inflation prospects for the Swedish economy remains largely the same as in December. Economic activity in Sweden remains good and the labour market is strong. GDP growth will slow down over the year and the increase in employment will slacken. Resource utilisation in the economy will nevertheless be higher than normal.

### **Inflation above the target**

Inflation has risen rapidly in Sweden in 2007 and will remain high over the coming year. The inflation rate has been pushed up by higher energy and food prices, but there are also high cost pressures in the background. Inflation expectations have also risen.

### **Financial turmoil**

The turmoil in the financial markets has continued and there is great uncertainty over economic developments in the United States and the contagion effects abroad. Recent developments in the financial markets mean that the risk of weaker growth in the world economy has increased.



## ■ Largely unchanged interest rate path

The Riksbank has largely the same view of how the repo rate will develop in the future as in December. The repo rate needs to be raised to 4.25 per cent and the assessment is that it will remain at roughly the same level over the coming year. But there is considerable uncertainty in this assessment. Monetary policy must take into account different forces that offset one another. On the one hand, inflation and domestic cost pressures are high. On the other hand, there are risks linked to the turmoil in the international financial markets and to slower international economic activity. The future direction for monetary policy will depend on how new information on economic developments abroad and in Sweden will affect the prospects for economic activity and inflation in Sweden.

**Table 1. Inflation and GDP forecasts, annual averages**

Annual percentage change

	2007	2008	2009	2010
CPI	2.2 (2.2)	3.4 (3.6)	2.5 (2.4)	2.3 (2.2)
CPIX	1.2 (1.2)	2.5 (2.7)	2.2 (2.1)	2.1 (2.0)
GDP	2.5 (2.6)	2.4 (2.4)	2.0 (2.1)	2.8 (2.8)

Note. The assessment in the most recent Monetary Policy Update in December 2007 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

**Table 2. Inflation forecast, 12-month rate**

Annual percentage change

	Mar 08	Mar 09	Mar 10	Mar 11
CPI	3.4 (3.6)	2.6 (2.6)	2.4 (2.3)	2.2
CPIX	2.3 (2.6)	2.2 (2.2)	2.1 (2.0)	2.0

Note. The assessment in the most recent Monetary Policy Update in December 2007 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

**Table 3. Repo rate forecast**

Per cent, quarterly averages

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q1 2010	Q1 2011
Repo rate	4.1 (4.1)	4.3 (4.2)	4.3 (4.3)	4.3 (4.4)	4.3 (4.4)	4.3 (4.3)	4.3

Note. The assessment in the most recent Monetary Policy Update in December 2007 is shown in brackets.

Source: The Riksbank

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 25 February. The decision on the repo rate will apply from Wednesday, 20 February.

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