



PRESS RELEASE

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■ Repo rate unchanged at 4.25 per cent

At its meeting on 22 April, the Executive Board of the Riksbank decided to hold the repo rate unchanged at 4.25 per cent. The repo rate path remains the same as in February. Inflation is high while economic activity remains good, but there are signs of slackening. 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 and at the same time contribute to a balanced development in production and employment. However, there is considerable uncertainty regarding the economic outlook and inflation prospects.

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. The Monetary Policy Update April 2008 contains revised versions of the most important forecasts.

Weaker international activity and financial turmoil

The financial market turmoil has persisted since the monetary policy meeting in February. It has contributed to subduing households' and companies' expectations for the future in many countries. At the same time, energy and food prices have risen more than expected. All in all, this means that economic activity abroad will be weaker. The United States is heading towards a more sudden downturn than the Riksbank had previously anticipated. The euro area is also affected by developments in the US economy and growth there will slow down in the coming years.

High inflation and good economic activity in Sweden

Economic activity is still good in Sweden, with high growth in consumption and employment. Exports have also shown good growth. The weaker international economic activity will contribute to a slowdown in the Swedish economy. Rising energy and food prices lead to a high inflation rate, and it is expected to be slightly higher next year than was forecast in February.



Interest rate path unchanged

The Riksbank has the same view of the interest rate path as in February, which means that the repo rate is expected to remain at 4.25 per cent in 2008. As before, the Riksbank has to take into account different counteracting factors. On the one hand, inflation is still high, as are inflation expectations. On the other hand, the weaker international economic activity will have an effect on Swedish growth and inflation. The interest rate path is a forecast and not a promise. The future direction for monetary policy will depend on how new information on economic developments abroad and in Sweden will affect the prospects for inflation and economic activity in Sweden.

Table 1. 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 (4.3)	4.3 (4.3)	4.3 (4.3)	4.3 (4.3)	4.3 (4.3)	4.3 (4.3)

Note. The assessment in the most recent Monetary Policy Report in February is shown in brackets.

Source: The Riksbank

Table 2. Inflation and GDP forecasts, annual averages

Annual percentage change

	2007	2008	2009	2010
CPI	2.2	3.5 (3.4)	2.8 (2.5)	2.3 (2.3)
CPIX	1.2	2.6 (2.5)	2.4 (2.2)	2.0 (2.1)
GDP	2.6 (2.5)	2.6 (2.4)	1.8 (2.0)	2.8 (2.8)

Note. The assessment in the most recent Monetary Policy Report in February is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Table 3. Inflation forecast, 12-month rate

Annual percentage change

	Mar 08	Mar 09	Mar 10	Mar 11
CPI	3.4 (3.4)	2.9 (2.6)	2.4 (2.4)	2.2 (2.2)
CPIX	2.3 (2.3)	2.5 (2.2)	2.1 (2.1)	1.9 (2.0)

Note. The assessment in the most recent Monetary Policy Report in February is shown in brackets.

Sources: Statistics Sweden and the Riksbank

The minutes of the Executive Board's monetary policy discussion from yesterday's meeting will be published on 7 May. The decision on the repo rate will apply from Wednesday, 30 April.

A press conference with Riksbank Governor Stefan Ingves and First Deputy Governor Irma Rosenberg 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 on the Riksbank's website, www.riksbank.se.