



PRESS RELEASE

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■ Repo rate raised 0.25 percentage points to 4.5 per cent

The Executive Board of the Riksbank has decided to raise the repo rate to 4.5 per cent. Inflation has continued to rise in Sweden and is now at its highest level since the mid-1990s. Over the year the repo rate will need to be raised further on a couple of occasions to prevent the high inflation rate from becoming entrenched. A higher repo rate will mean that inflation declines and is close to the 2 per cent target a couple of years ahead. Resource utilisation is falling but is expected to be normal at the end of the forecast period.

High inflation

Inflation has risen substantially and is at its highest level since the mid-1990s. The main reason for the high inflation is that energy and food prices in the world market have increased so much. But increasingly high domestic resource utilisation in recent years has also contributed to rising inflation. At the same time, inflation expectations remain high.

Economic activity slowing down

Resource utilisation is still slightly higher than normal. However, growth in Sweden and abroad is slackening. One reason for this is the international financial turbulence which has prevailed since last year. It is still not possible to say when the situation on the financial markets will return to normal.

Economic activity will continue to slow down and the labour market situation will slacken. The Riksbank's assessment is that resource utilisation will be normal at the end of the forecast period.

Higher repo rate

Monetary policy has the task of stabilising inflation. The substantial rises in food and oil prices risk leading to other prices rising too quickly. The Riksbank's



assessment is therefore that the repo rate needs to be raised now and on a couple of further occasions during the year to bring inflation back towards the target a couple of years ahead.

But there is considerable uncertainty in this assessment. The repo rate may be lower if commodity prices fall or if the financial market turbulence worsens. The opposite may apply if the high inflationary pressures persist. The future direction for monetary policy will therefore depend on how new information on economic developments abroad and in Sweden affects the prospects for inflation and economic activity in Sweden.

Forecast for inflation and GDP

Annual percentage change

	2007	2008	2009	2010
CPI	2.2	3.9 (3.5)	3.5 (2.8)	2.3 (2.3)
GDP	2.7	2.1 (2.6)	1.2 (1.8)	2.7 (2.8)

Note. The assessment in the most recent Monetary Policy Update in April 2008 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Inflation forecast, 12-month figures

Annual percentage change

	Sept. 08	Sept. 09	Sept. 10	Sept. 11
CPI	4.6 (3.8)	3.0 (2.6)	2.2 (2.2)	2.1

Note. The assessment in the most recent Monetary Policy Update in April 2008 is shown in brackets.

Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	Q2 2008	Q3 2008	Q4 2008	Q3 2009	Q3 2010	Q3 2011
Repo rate	4.25	4.5 (4.3)	4.8 (4.3)	4.9 (4.3)	4.6 (4.3)	4.4

Note. The assessment in the most recent Monetary Policy Update in April 2008 is shown in brackets.

Source: The Riksbank

The minutes from the Executive Board's monetary policy discussion will be published on 16 July. The decision on the repo rate will apply from Wednesday, 9 July.

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/