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CONTACT Press service, tel. +46-(0)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

■ The economic situation

The picture presented in July largely remains unchanged; with lower growth and high inflation. But GDP growth has so far this year been weaker than anticipated. Inflation is at its highest level since the mid-1990s. However, oil and other commodity prices have fallen. At the same time, productivity has been lower and resulted in increased wage costs. These comments were made by Deputy Governor Svante Öberg in his speech on the economic situation at the KOMMEK fair in Malmö today.

"The statistics published since the monetary policy meeting at the beginning of July confirm the picture that growth in the Swedish economy is slowing down and that inflation is still high. One example of this is the GDP statistics for the second quarter, which were weaker than expected. Productivity continued to decline during the first half of the year. We had assumed that productivity would increase. This indicates that wage costs per produced unit have so far this year increased more than we had anticipated."

"The Economic Tendency Survey in July was also weak. It fell and now indicates that the Swedish economy is much weaker than normal. This is the most pessimistic that households have been about the Swedish economy for 15 years. Prices in the wholesale and retail trade continued to increase to a large extent and are expected to do so in the third quarter. Households' and companies' inflation expectations continued to rise. However, inflation expectations as measured in the bond market have fallen."

"Inflation rose a tenth of a percentage point or so more than expected, to 4.4 per cent in July. It was primarily electricity prices that were higher than estimated. Food prices increased by 8 per cent, which is more than in almost all of the countries in the euro area. This could indicate that what started out as price increases in the world market has begun to spread to other goods. However, oil and other commodity prices have fallen, which may dampen inflation in the future."

"At the Riksbank we are now working hard on producing new forecasts for the coming years. At the beginning of September my colleagues and I will take a new monetary policy decision. We will then once more take a stance on economic developments and on how the interest rate should be set to attain our inflation rate of 2 per cent," concluded Svante Öberg.

Read the entire speech on the Riksbank's website: www.riksbank.se