



# PRESS RELEASE

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## ■ Repo rate raised to 4.75 per cent

*The Executive Board of the Riksbank has decided to raise the repo rate by 0.25 percentage points to 4.75 per cent. The repo rate is expected to remain at this level during the year. Inflation has continued to rise in Sweden and the rate increase is necessary to prevent the high inflation from becoming entrenched. A higher repo rate will mean that inflation declines and is close to the 2 per cent target within a couple of years.*

The Riksbank's current assessment of the economic indicators and inflation prospects is based on the assessment presented in the July Monetary Policy Report and on the updated forecasts presented in the Monetary Policy Update.

### **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. These prices have recently fallen. Inflation expectations have also dampened, but are still high. At the same time, productivity growth has been unexpectedly weak, which has increased cost pressures.

### **Economic activity slowing down**

Growth has declined more than anticipated, both in Sweden and abroad. One reason for this is the international financial turbulence we have been experiencing 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, for instance, measured in terms of capacity utilisation in industry or the labour shortage, is still slightly higher than normal but will fall during the forecast period.



## Repo rate raised

Inflation has continued to rise in Sweden, inflation expectations are still high and cost pressures have increased. It is necessary to raise the repo rate now to prevent the increases in energy and food prices from spreading to other areas. A higher repo rate will mean that inflation will decline and be close to the target of 2 per cent within a couple of years.

Compared with the assessment made in July, the future repo rate path has been lowered. This is partly because the oil price and other commodity prices have fallen. Moreover, growth has slowed down more than expected both in Sweden and abroad.

There is as usual uncertainty over future economic developments and thus there is also uncertainty as to how the repo rate will develop in the future. The repo rate may, for instance, be higher if cost pressures are higher than expected. However, if the economic developments in Sweden and abroad continue to be weaker than expected, the interest rate may instead need to be lower.

### Forecast for inflation and GDP

Annual percentage change

	2007	2008	2009	2010
CPI	2.2	3.9 (3.9)	3.2 (3.5)	2.0 (2.3)
GDP	2.7 (2.7)	1.4 (2.1)	0.8 (1.2)	2.6 (2.7)

Note. The assessment in the most recent Monetary Policy Report in July 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	4.4 (4.6)	2.7 (3.0)	1.9 (2.2)	2.0 (2.1)

Note. The assessment in the most recent Monetary Policy Report in July 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 (4.5)	4.7 (4.8)	4.6 (4.9)	4.3 (4.6)	4.3 (4.4)

Note. The assessment in the most recent Monetary Policy Report in July 2008 is shown in brackets.

Source: The Riksbank

The minutes from the Executive Board's monetary policy discussion will be published on 17 September. The decision on the repo rate will apply from Wednesday, 10 September.

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/)