



PRESS RELEASE

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■ Repo rate cut to 4.25 per cent

The Executive Board of the Riksbank has today decided to cut the repo rate by 0.50 percentage points to 4.25 per cent. The global financial crisis threatens to reinforce the current slowdown in economic growth with diminished inflationary pressures as a result. Several central banks are today announcing reductions in policy rates in a coordinated action to dampen the consequences of the ongoing financial crisis.

Joint statement by central banks

Throughout the current financial crisis, central banks have engaged in continuous close consultation and have cooperated in unprecedented joint actions such as the provision of liquidity to reduce strains in financial markets.

Inflationary pressures have started to moderate in a number of countries, partly reflecting a marked decline in energy and other commodity prices. Inflation expectations are diminishing and remain anchored to price stability. The recent intensification of the financial crisis has augmented the downside risks to growth and thus has diminished further the upside risks to price stability.

Some easing of global monetary conditions is therefore warranted. Accordingly, the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve, Sveriges Riksbank and the Swiss National Bank are today announcing reductions in policy interest rates. The Bank of Japan expresses its strong support of these policy actions.

Weaker economic growth in Sweden

The Executive Board of the Riksbank makes the assessment that economic growth in Sweden is slowing down and that inflationary pressures are diminishing as an effect of the financial crisis. This has led to higher interest rates for companies and households, lower capital wealth and increased uncertainty. The Riksbank's forecast for both inflation and GDP will therefore be revised down.



■ The labour market is also showing clearer signs of weakening. The downturn in economic activity and lower oil and other commodity prices indicate that inflationary pressures will be lower in the future.

Although developments in Sweden to some extent differ from those in other countries, a cut in the repo rate is warranted here. The fact that the cut is a joint action together with other central banks increases confidence and the likelihood that it will have positive effects. Closer analyses and forecasts of developments in Sweden will be presented after the Executive Board's next monetary policy meeting, which will take place on 22 October.

Changed terms for six-month loans in SEK

As a result of the cut in the repo rate of 0.5 percentage points, the Executive Board has also decided to make a 0.5 percentage point cut in the interest rate on the loans allocated in the auction of six-month loans held today. Bidders will also be given the opportunity to withdraw their bids.

The minutes from the Executive Board's monetary policy discussion will be published on 15 October. The decision on the repo rate will apply from 15 October.

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 2 p.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.

Links to other central banks

Bank of Canada (<http://www.bankofcanada.ca/en/>)

Bank of England (<http://www.bankofengland.co.uk/>)

European Central Bank (<http://www.ecb.int/>)

Federal Reserve (<http://www.federalreserve.gov/>)

Swiss National Bank (<http://www.snb.ch/>)