SVERIGES RIKSBANK

Monetary Policy Update April 2009

The Executive Board of the Riksbank has decided to cut the repo rate to 0.5 per cent, with some probability of a further cut in the future. The repo rate is expected to remain at this low level until the beginning of 2011. The deterioration in global economic activity is hitting Sweden hard. Exports fell heavily towards the end of last year and the labour market situation has deteriorated. The statistics received in recent months point to the economic downturn being even deeper than the Riksbank forecast in February. But as the functioning of the global financial system begins to improve demand from abroad and in Sweden will increase. The low repo rate and the fiscal policy measures taken will also contribute to the recovery. GDP growth is expected to be positive in 2010, but the labour market will lag behind and employment will not begin to rise until 2011. Inflation is being held up by low productivity and a weak krona. If the effects of changes in mortgage rates are excluded, inflation will be close to the target of 2 per cent for the greater part of the forecast period. The lower interest rate path will slow down the fall in production and employment and contribute to attaining the inflation target of 2 per cent. The repo rate is now close to its lower limit. However, if economic activity deteriorates more than expected in the future, the Riksbank has the possibility to resort to further measures.

Figure 1. Repo rate with uncertainty bands
Per cent, quarterly averages

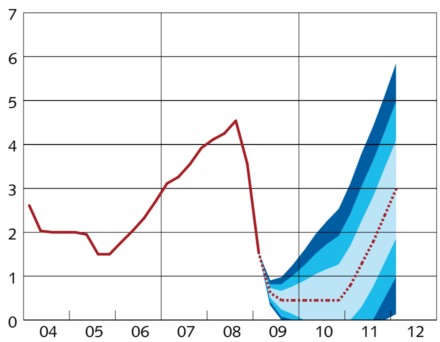


Figure 2. CPI with uncertainty bands
Annual percentage change

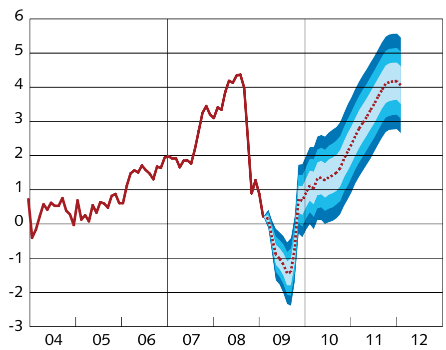
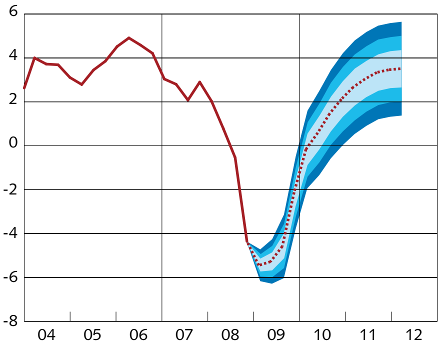


Figure 3. GDP with uncertainty bands
Annual percentage change, seasonally-adjusted data



Outcome
Forecast
90%
75%
50%

Note. The uncertainty bands in the figures are based on historical forecast errors. See the article "Calculation method for uncertainty bands" in MPR 2007:1 The uncertainty bands for the repo rate are based on the ability of risk-adjusted market rates to forecast the future repo rate.

As the repo rate cannot be negative, the normally symmetrical uncertainty distribution instead has a proportion of possible outcomes equal to zero, which grows when the repo rate approaches the lower limit. This has the technical effect that the mean value of the distribution does not coincide with the forecast.

Sources: Statistics Sweden and the Riksbank

New information since the February Monetary Policy Report

- Since the Monetary Policy Report was published in February global economic activity has continued to weaken very rapidly. Several central banks have reacted to the severe weakening in economic activity and the risk of deflation by cutting their policy rates and taking other measures. In Sweden, short market rates, in the form of interbank and mortgage rates, have fallen almost as much as the repo rate. The TED and basis spreads in Sweden, which measure the risk premium in borrowing between banks, are thus at around the same levels as in February.

- Since the Riksbank cut the repo rate to 1.0 per cent in February the Bank of England, the ECB, Norges bank and the Swiss National Bank have cut their policy rates. Market participants are expecting further cuts by, for instance, the ECB and the Riksbank.

- A number of other measures have also been taken to facilitate the supply of credit. The US central bank, the Federal Reserve, has increase its purchases of mortgage-related assets in particular, and has also announced purchases of government securities with longer maturities to a total of USD 300 billion. In the United Kingdom and Japan the central banks have announced that they will buy debt securities. The Swiss National Bank has, as well as purchasing government bonds and covered bonds, also intervened in the foreign exchange market to prevent the Swiss franc appreciating. The Riksbank is currently lending around SEK 145 billion and USD 30 billion to the Swedish banks against various forms of collateral.

- The Swedish stock market has shown stronger development than the other European and US stock markets since the Monetary Policy Report was published in February. However, when measured in the same currency the differences are smaller. Share prices have risen in particular with regard to companies where export income benefits from a weak krona. Since the February report the Swedish krona has weakened to new all-time lows in a very volatile foreign exchange market. Turnover in the foreign exchange market has remained low, which means that small currency flows have been able to cause large exchange rate fluctuations. After a return to stronger levels in March, the krona was on average around 2 per cent weaker than forecast in the February Monetary Policy Report during the first quarter of 2009, when measured in trade-weighted terms (TCW).

- Surveys carried out in Sweden, the United States and the euro area indicate that the credit terms for companies are still restrictive. It is difficult to estimate to what extent the credit crunch is due to problems in the financial sector, and to what extent credit granting has been curbed as a result of the global economic downturn. According to the Riksbank's survey on companies' funding, most companies state that they are receiving the funding they need, although the funding situation is considered to be strained. The official Swedish statistics on the banks' total lending to households and companies up to the end of February do not as yet show any signs of an increasing credit crunch. The rate of increase in the banks' lending is still not showing any great tendency to slow down. However, companies' possibilities to borrow in the Swedish and international capital markets are still limited.

- Recent statistics indicate that developments in the US economy are still weak. Employment is falling rapidly and unemployment is rising. The total decline in employment since autumn 2008 is the largest since the current employment statistics were introduced in 1939. GDP fell by 6.3 per cent on an annual rate in the fourth quarter of 2008. Consumer confidence, measured against the Conference Board index, rose marginally in March after having fallen in February to the lowest level measured since the index was introduced in 1967. At the same time, companies' expectations remain subdued. The purchasing managers' index for the manufacturing industry rose slightly in both February and March, but it fell for the services sector. The indexes are still at historically very low levels. The credit terms for companies have continued to be tightened, according to the Federal Reserve's most recent Senior Loan Officer Opinion Survey. The housing market remains weak, but there are some positive tendencies in the form of increased sales of both new and existing housing in February.

- In the euro area GDP fell by 6.2 per cent calculated as an annual rate during the fourth quarter of 2008. This was weaker than forecast in the February Monetary Policy Report. New statistics imply that the downturn in GDP has continued during the first months of this year and the indicators received point to a much weaker development during the first half of the year than the assessment made by the Riksbank in February. The banks' lending to the private sector has continued to slow down in January and February. Industrial production fell in February compared with the month before. Confidence among households and companies continued to fall in March and is now down at new all-time lows. The situation in the labour market has deteriorated in recent months and unemployment has risen rapidly. Business tendency surveys also show that households have become increasingly concerned that they may face unemployment over the coming year.

- Since the Monetary Policy Report was published in February, inflation has fallen both in the United States and in the euro area. In the United States CPI inflation fell to -0.4 per cent in March, from 0.2 per cent in February. When adjusted for energy and food prices, however, inflation stood still at 1.8 per cent. In the euro area HICP inflation was 0.6 per cent in March, which is a halving of the inflation rate compared to February. However, HICP inflation adjusted for energy, food, alcohol and tobacco declined by only 0.2 percentage points, to 1.5 per cent.

- Production in the world economy is continuing to fall rapidly and the deterioration has been faster than the Riksbank was expecting in the February Monetary Policy Report. Output and demand are falling rapidly, particularly in the industrial sector. Industrial production fell heavily at the beginning of the year in the United States, the euro area and the Nordic countries, as well as a number of emerging markets in Asia. Expectations in the manufacturing industry are still below the borderline for growth. World trade fell by almost 10 per cent in December, compared with the same month in the previous year, which is the largest decline since at least the end of the 1940s.

- In Sweden GDP fell by 9.3 per cent during the fourth quarter of 2008 compared with the previous quarter and calculated at an annual rate (seasonally-adjusted). Compared with the fourth quarter of 2007, GDP fell by 4.9 per cent. Swedish GDP for the whole year 2008 fell by 0.2 per cent. The outcome for the fourth quarter was much weaker than the assessment made by the Riksbank in February, which is largely explained by an exceptionally large negative contribution from stocks, together with a large fall in household consumption.

- Indicators that summarise the situation in the Swedish economy, such as the National Institute of Economic Research's Economic Tendency Survey and the purchasing managers' index for manufacturing, point unanimously to the beginning of 2009 having been very weak. The Economic Tendency Survey for March shows a new all-time low, while the purchasing managers' index has shown a slight upturn in recent months. The household confidence indicator is still at a very low level and the view of the economy is at its weakest since 1993. Statistics Sweden's investment survey published in March indicates that business sector investment in 2009 is declining more than was predicted in the corresponding survey in November 2008. Foreign trade in goods up to the end of February shows a sharp fall. Statistics on industrial production and orders also indicate a continued weakening in business sector activity during the first quarter of 2009. All in all the outcome and indicators point to GDP also falling heavily during the first quarter of the year. Given this, the GDP forecast for 2009 has been revised down compared with the assessment published in the February Monetary Policy Report.

- The labour market weakened in January and February, largely as expected in the Monetary Policy Report published in February. Labour market indicators point to a continued deterioration in the labour market. In March almost 16,000 persons were given notice of redundancy. The number of persons given notice of redundancy has now been at a very high level six months in a row. Since October a good 106,000 persons have been given notice of redundancy. This is the largest number of people given notice of redundancy during such a short period of time since comparable statistics were introduced in the 1970s. At the same time, the number of new job vacancies registered is continuing to decline and the National Institute of Economic Research's Business Tendency Survey for March shows that employment plans in the business sector are still negative.

- The number of hours worked declined by 1.3 per cent (calendar-adjusted) during the fourth quarter of 2008, compared with the corresponding quarter in the previous year. This development was weaker than the Riksbank was expecting in February. But as GDP fell even more, labour productivity in the fourth quarter of 2008 was much weaker than anticipated. Last year labour productivity in the whole economy fell by 1.5 per cent, which was 0.6 percentage points lower than the Riksbank's assessment in February.

- According to the National Accounts for the fourth quarter of 2008 labour costs per hour increased by 3.8 per cent compared with the same period in the previous year. This was in line with the Riksbank's assessment in February. However, the weak labour productivity means that unit labour costs increased much more quickly than expected. They increased by 5.7 per cent on average in 2008, which was 1 percentage point higher than the assessment made in February. Growth in unit labour costs is also expected to be much higher during the first half of 2009 than was forecast in February, which is primarily due to much weaker productivity.

- Households' inflation expectations one year ahead rose from 1.4 per cent in February to 2.0 per cent in March, according to the National Institute of Economic Research's Consumer Tendency Survey. Inflation expectations according to Prospera's survey would instead appear to have fallen marginally in recent months. At one, two and five years ahead inflation is expected to be 0.9, 1.5 and 2.2 per cent respectively. In the previous survey, which was published in January, inflation of 1.1 per cent one year ahead was expected, with 1.5 per cent two years ahead and 2.3 per cent five years ahead.

- Since the Monetary Policy Report was published in February the inflation outcomes for January, February and March have been published. The annual rate of increase in the CPI amounted to 0.2 per cent in March, which was around 0.3 of a percentage point higher than expected in the Report. The forecast deviation is mainly due to households' interest expenditure not having fallen as much as anticipated. However, household interest expenditure fell by almost 25 per cent in March compared with the same month last year, and is thereby contributing to the low CPI inflation. The rate of increase in the CPIF, where mortgage rates are held constant, amounted to 1.9 per cent in March, which was as expected. When adjusted for energy prices, the rate of increase in the CPIF was 2.1 per cent, which was also largely as expected.

■ The economic outlook and inflation prospects

The Riksbank's picture of economic and inflation prospects is based on the assessment made in the Monetary Policy Report in February and the update to the forecasts presented in this Monetary Policy Update. The forecasts are based on the repo rate being cut to 0.5 per cent in April, with some probability of a further cut in the future. The repo rate is expected to remain low for a long time to come. It will not rise again until the beginning of 2011 and is expected to be around 3 per cent at the beginning of 2012.

■■ Continued deterioration in international economic activity

The Riksbank's forecast for international growth has once again been revised down substantially. All in all, the world economy is expected to shrink by 1.1 per cent this year. Although there are no directly comparable statistics available that far back, this will probably be the weakest development in the world economy since 1946. During earlier economic downturns in recent decades the world economy as a whole has instead grown.

It will take a relatively long time before the recovery begins, as the problems in the financial markets will probably remain for some time to come. The world economy is expected to begin a recovery towards the end of 2010. Low interest rates and major government initiatives to strengthen demand and normalise the situation in world credit markets are expected to contribute to recovery.

The forecast for US growth has been revised down for both 2009 and 2010. The outcome statistics and confidence indicators point to the economy continuing to decline rapidly at the beginning of the year. However, the largest fall is expected to have occurred during the fourth quarter of last year. The growth rate in the US economy is not expected to reach a more normal level again until the end of 2010. The economic downturn is expected to continue much longer than is normally the case in the United States.

GDP in the euro area fell by a good 6 per cent calculated on an annual rate in the fourth quarter of last year. Outcome statistics and confidence indicators point to the downturn being even larger during the first quarter of this year. GDP is then expected to have fallen by around 6.5 per cent calculated on an annual rate. Euro area GDP is not expected to begin to increase again until the first quarter of 2010. However, 2010 will also be a very weak year. It is not until the middle of 2011 that the growth rate in the euro area is expected to reach more normal levels. The recovery in the euro area will therefore be much slower than in the United States.

■■ Swedish economy will shrink by more than 4 per cent in 2009

Sweden has been hard hit by the deep economic downturn abroad, which is reflected not least in the fact that GDP fell heavily in the fourth quarter of last year. Indicators of developments during the first quarter of 2009, such as the Economic Tendency Survey and the purchasing managers' index, point to continued weak developments during the first quarter with GDP still falling and steep falls in exports, imports and investment. GDP is expected to have fallen by 6.5 per cent calculated on an annual rate in the first quarter of this year. GDP will also fall in the second and third quarters, but will then begin to rise slightly with effect from the fourth quarter of this year. The same factors that contribute to a recovery abroad also apply to Sweden. In addition, the weak krona stimulates the economy. When demand abroad picks up, growth in Sweden will benefit and GDP is expected to grow by a good 3.5 per cent calculated on an annual rate towards the end of the forecast period.

This means that GDP in Sweden will fall by around 4.5 per cent in 2009 compared with 2008. This would be the largest decline in Swedish GDP in an individual year since 1940 when it fell by just over 9 per cent. During the economic crisis at the beginning of the 1990s GDP in Sweden fell in total by around as much as is happening in the current economic downturn, although that fall took place over several years. The forecast is that Swedish GDP will increase by just over 1 per cent in 2010 and by around 3 per cent in 2011. The forecast for GDP growth has been revised down for the entire forecast period, compared with the February Monetary Policy Report.

■■ Exports and investment will fall heavily this year

All of the demand components in the national accounts will fall this year. Investment will fall by a good 10 per cent. Low demand and lower profitability will contribute to a fall in investment both this year and next year. The fact that some companies may experience difficulties obtaining loans may also contribute. It is primarily the forecast for business sector investment that has been adjusted downwards for 2009 and 2010 since February. Investment is expected to fall by almost 6 per cent in 2010 to then increase by just over 5 per cent in 2011.

Both exports and imports are expected to fall substantially in 2009. When international economic activity improves, Swedish exports should be in a relatively good position as Sweden exports a lot of investment goods. In 2010 exports are expected to increase again slightly, but it is not until 2011 that the rate of increase will once again reach more normal levels. Sweden has a large surplus on its current account and this is expected to remain the case throughout the forecast period.

Household consumption is expected to fall by a good 1 per cent this year. A weaker labour market situation together with weaker income growth is expected to hold back household consumption. The uncertainty over economic developments will at the same time lead to households increasing their saving. However, low interest rates and tax cuts will mean that the rate of increase in consumption recovers and that saving declines with effect from the end of 2010 onwards.

■■ Resource utilisation is lower than normal during the entire forecast period

Monetary policy is aimed at stabilising inflation and resource utilisation. Resource utilisation also affects future inflation. However, there is no clear-cut measure of resource utilisation. The Riksbank uses a number of different indicators to assess the total utilisation of resources in the economy. The National Institute of Economic Research's Economic Tendency Survey indicates that capacity utilisation and labour shortages in the business sector are at low levels. The level of GDP, employment and the number of hours worked in relation to their long-term trends also point to resource utilisation falling rapidly and being lower than normal for the entire forecast period. Resource utilisation will then rise towards the end of the period. The forecast for all measures of resource utilisation has been revised down since February.

■■ Fiscal policy will become more expansionary

The Riksbank's fiscal policy forecasts are based on the normal historical relationship between public sector financial saving and economic activity. Weaker economic activity automatically leads to poorer finances as a result of lower tax income and increased expenditure for unemployment insurance, for instance. But in economic downturns the Government usually also decides, for example, to increase public sector investment, cut tax rates and increase labour market policy measures.

GDP and employment will fall in 2009, which will lead to reduced tax income from households and companies at the same time as expenditure for unemployment increases, for instance. In addition, the Riksbank's assessment is that the Government, in accordance with earlier patterns, will present further measures, in addition to those described in the Spring Fiscal Bill, to reduce public sector saving somewhat in 2010. Public sector financial saving will thereby decline from 2.5 per cent of GDP in 2008 to -3.9 per cent in 2010, which is approximately 1.5 percentage points lower than the Riksbank's forecast from February.

Despite the central government contributions to local governments notified by the Government in its Spring Fiscal Bill, public sector consumption is only expected to increase in line with the demographic needs during the forecast period. This is because the falling employment will lead to a decline in local government tax income. Local governments will therefore be restrictive in their consumption and investment.

■■ Continued deterioration in the labour market

The labour market situation has deteriorated during the year, largely in line with the assessment made by the Riksbank in February. Employment has fallen in recent months, while unemployment has risen rapidly. Indicators such as companies' employment plans and notices of redundancy point clearly towards a continuing rapid deterioration in the labour market situation. The deeper economic downturn is expected to lead to a larger fall in employment than was assumed in the February report. Unemployment is expected to rise from a good 6 per cent in 2008 to almost 11 per cent in 2011, which is almost 2 percentage points higher than the assessment in the most recent Monetary Policy Report. Employment is not expected to begin increasing again until 2011.

■■ High but falling cost pressures during the forecast period

The central wage agreements signed by the social partners earlier for 2009 mean that wages are expected to be adjusted downwards at a slower rate than would otherwise be justified by the poorer labour market situation. The scope of the new local wage agreements, which contain the possibility of wage cuts, is so far limited. The rate of wage increase in the economy as a whole is expected to be 3.5 per cent in 2009, which is unchanged compared with the forecast in February.

Labour productivity fell in 2007 and 2008 and is expected to fall further in 2009. Together with wage increases determined by existing wage agreements, the falling productivity means that companies' unit labour costs will continue to rise at a high rate.

The deterioration in the labour market situation means that the outcome of the central wage bargaining rounds in 2010-2011 is now expected to be much lower than was forecast in the February Monetary Policy Report. The negotiations will be held in a situation with high unemployment, which is expected to contribute to much lower outcomes than in the previous wage bargaining rounds. All in all, wages in the economy as a whole are expected to increase by 2.3 per cent in 2010 and by 2.6 per cent in 2011, which are the lowest rates of wage increase since the beginning of the 1990s. During the same period growth in productivity is expected to be around 3 per cent annually, which means that unit labour costs will fall.

■■ CPI inflation will fall rapidly over the coming months

Inflation has fallen rapidly over the past six months. The annual rate of increase in the CPI amounted to 0.2 per cent in March 2009, which can be compared with the average CPI inflation rate of 3.4 per cent last year. Over the coming months CPI inflation will fall further and is expected to amount to -0.3 per cent on average this year. The most important reason for such a rapid fall in CPI inflation in 2009 is that mortgage rates and energy prices will fall quickly measured as an annual percentage change.

When mortgage rates and energy are excluded, inflation is instead expected to rise over the coming year. Unit labour costs have increased rapidly over the past two years and particularly rapidly during the final quarter of last year. The rate of increase in unit labour costs is also expected to be high this year. At the same time, the krona has weakened in recent months, which also pushes up inflation. Inflation measured in terms of the CPIF, where mortgage rates are held unchanged, is expected to amount to on average 1.9 per cent this year. The corresponding figure for the CPIF from which energy prices have also been excluded is 2.4 per cent.

From the beginning of 2010 the rate of increase in the CPI will quickly rise again and be over 4 per cent towards the close of the forecast period. The reason for the rapid increase in CPI inflation is that mortgage rates will first stop falling and then start rising at the same time as the Riksbank will begin to raise the repo rate again. At the same time, energy prices will cease falling and begin to rise slightly. During the forecast period the oil price is expected to rise from the present level of just under USD 50 a barrel up to about USD 70 a barrel towards the end of 2011, which is in line with the pricing in the forward market.

However, the rate of increase in the CPIF excluding energy will slow down in 2010 as a result of unit labour costs falling. The krona is also expected to strengthen during the forecast period, roughly in line with the description in the most recent Monetary Policy Report. Towards the end of the forecast period the rate of increase in the CPIF excluding energy will rise slightly once again when the economy strengthens. The rate of increase in the CPIF is expected to be just over 2 per cent towards the end of the forecast period. Rising mortgage rates will thus contribute to a difference of almost 2 percentage points between CPI inflation and CPIF inflation towards the end of the forecast period. In the longer term, beyond the forecast horizon, when the repo rate stabilises at a more normal long-term level, the CPI and CPIF rates of increase will, however, coincide.

■■ Repo rate and repo rate path cut further

The forecasts in this report are based on the repo rate being cut to 0.5 per cent in April, with some probability of a further cut in the future. With a repo rate at this level, the traditional monetary policy has largely reached its lower limit. When the repo rate approaches zero, there may be negative effects on the functioning of the financial markets. However, there is little experience of how the financial markets function when interest rates are so low.

The repo rate will not rise again until the beginning of 2011 and is expected to be around 3 per cent towards the end of the forecast period. In other words, the assessment is that the repo rate will need to be low for a relatively long period of time. The real interest rate will also be low seen from an historical perspective. The real interest rate is expected to be negative in the coming years. The repo rate fluctuates to an unusually great extent in the forecast. First the repo rate is cut to 0.5 per cent, and then it is gradually raised to around 3 per cent. This means that CPI inflation will fluctuate considerably during the forecast period. The CPIF, which is not directly affected by the Riksbank's interest rate adjustments, provides a better picture of the more underlying inflation trend during the forecast period.

Keeping the repo rate low counteracts the restraining effect on the real economy and inflation in Sweden of the global economic downturn and the financial crisis, and the economy will gradually return to a more normal state. If the effects of changes in mortgage rates are excluded, CPI inflation is expected to be close to the target of 2 per cent towards the end of the forecast period. However, resource utilisation will be lower than normal for the entire forecast period although it will rise in 2011.

By extending the period during which the repo rate is expected to be kept at a low level, which the Riksbank's interest rate path now indicates, interest rates at longer maturities may also fall. If the prospects for economic activity deteriorate further in relation to the Riksbank's current forecast there is a possibility to supplement the regular monetary policy with purchases of government bonds and possibly also mortgage bonds, as is already being done in a number of other countries. This could be regarded as a means of actively supporting and creating confidence in an interest rate forecast where the repo rate remains low for a long period of time. This would mean monetary policy is more expansionary.

Tables

The figures in parentheses show the forecast from MPR February 2009.

Table 1. Inflation, annual average
Annual percentage change

	2008	2009	2010	2011
CPI	3.4	-0.3 (-0.5)	1.3 (1.6)	3.2 (3.2)
CPIF	2.7	1.9 (1.6)	1.8 (1.6)	2.0 (1.8)
CPIF excl. energy	2.0	2.4 (2.2)	2.1 (1.8)	2.0 (1.7)
CPIX	2.5	1.5 (1.3)	1.5 (1.2)	1.7 (1.5)

CPIF is CPI with fixed interest rate. CPIX is CPI inflation excluding household mortgage interest expenditure and the direct effects of changes in indirect taxes and subsidies.
Sources: Statistics Sweden and the Riksbank

Table 2. Inflation, 12-month average
Annual percentage change

	Mar-09	Mar-10	Mar-11	Mar-12
CPI	0.2 (-0.1)	1.1 (1.4)	2.6 (2.9)	4.1 (3.3)
CPIF	1.9 (1.9)	1.9 (1.7)	2.0 (1.8)	2.3 (1.9)
CPIF excl. energy	2.1 (2.0)	2.2 (1.9)	2.0 (1.7)	2.2 (1.9)
CPIX	1.5 (1.6)	1.7 (1.3)	1.7 (1.5)	2.0 (1.6)

CPIF is CPI with fixed interest rate. CPIX is CPI inflation excluding household mortgage interest expenditure and the direct effects of changes in indirect taxes and subsidies.
Sources: Statistics Sweden and the Riksbank

Table 3. Repo rate forecast
Per cent, quarterly average values

	Q1 2009	Q2 2009	Q1 2010	Q1 2011	Q1 2012
Repo rate	1.5	0.6 (0.9)	0.5 (0.8)	0.8 (1.6)	3.0 (3.2)

Source: The Riksbank

Table 4. Summary of financial forecasts, annual average
Per cent, unless otherwise specified

	2008	2009	2010	2011
Repo rate	4.1	0.8 (1.0)	0.5 (0.9)	1.6 (2.2)
10-year rate, Government bond rate	3.9	3.1 (2.9)	3.7 (3.6)	4.2 (4.1)
Exchange rate, TCW-index, 18 November 1992=100	127.2	142.7 (140.0)	134.8 (134.5)	132.4 (131.9)
General government net lending*	2.5 (2.3)	-2.9 (-1.7)	-3.9 (-2.6)	-2.6 (-1.3)

* Per cent of GDP
Sources: Statistics Sweden and the Riksbank

Table 5. International conditions
Annual percentage change, unless otherwise specified

GDP	2008	2009	2010	2011
USA	1.1 (1.3)	-3.2 (-2.0)	0.7 (1.0)	3.0 (3.2)
Japan	-0.7 (0.0)	-6.0 (-2.3)	-0.3 (0.2)	1.6 (1.6)
Euro area	0.7 (0.8)	-3.6 (-2.0)	0.1 (0.4)	1.6 (1.7)
OECD	0.9 (1.1)	-3.6 (-1.9)	0.6 (0.9)	2.4 (2.5)
TCW-weighted	0.8 (0.9)	-3.6 (-1.8)	0.1 (0.6)	1.9 (2.0)
World	3.2 (3.4)	-1.1 (0.4)	2.1 (2.6)	3.8 (3.9)

CPI	2008	2009	2010	2011
USA	3.8	-0.8 (-0.5)	1.2 (1.8)	2.0 (2.2)
Japan	1.4	-0.9 (0.0)	-0.2 (0.5)	0.5 (1.0)
Euro area (HICP)	3.3	0.3 (0.8)	1.0 (1.4)	1.6 (1.8)
OECD	3.5 (3.6)	0.3 (0.8)	1.3 (1.7)	1.9 (2.0)
TCW-weighted	3.3 (3.2)	0.3 (0.8)	1.1 (1.5)	1.6 (1.8)

	2008	2009	2010	2011
Crude oil price, USD/barrel Brent	97	52 (50)	63 (59)	68 (63)
Swedish export market growth	1.2 (1.7)	-9.5 (-3.0)	-0.5 (1.6)	7.5 (5.4)

Note. Market growth for Swedish exports refers to growth in imports of goods for around 70 per cent of the countries that are recipients of Swedish exports. The forecast is weighted together on the basis of each country's share of Swedish export of goods.
Sources: IMF, Intercontinental Exchange, OECD and the Riksbank

Table 6. GDP by expenditure
Annual percentage change, unless otherwise specified

	2008	2009	2010	2011
Private consumption	-0.2 (0.8)	-1.2 (-0.6)	1.6 (1.9)	2.0 (2.5)
Public consumption	1.3 (0.9)	0.4 (0.7)	0.6 (0.8)	0.7 (0.8)
Gross fixed capital formation	3.5 (3.9)	-10.3 (-5.4)	-5.6 (-1.2)	5.5 (4.2)
Inventory investment*	-0.7 (-0.2)	-1.1 (0.2)	0.7 (-0.2)	0.2 (0.1)
Exports	1.7 (2.0)	-14.2 (-6.0)	2.3 (3.2)	6.2 (6.4)
Imports	3.0 (3.3)	-14.3 (-5.6)	1.0 (1.4)	5.4 (5.3)
GDP	-0.2 (0.7)	-4.5 (-1.6)	1.3 (1.7)	3.1 (3.2)
GDP, calendar-adjusted	-0.5 (0.4)	-4.4 (-1.4)	1.0 (1.4)	3.1 (3.2)
Current account (NA), % of GDP	8.2 (8.2)	8.1 (7.8)	8.5 (8.4)	8.9 (8.9)

*Contribution to GDP growth, percentage points
Note. The figures show actual growth rates that have not been calendar-adjusted, unless otherwise stated. NA refers to the National Accounts.
Sources: Statistics Sweden and the Riksbank

Table 7. Production and employment
Annual percentage change, unless otherwise stated

	2008	2009	2010	2011
Population, aged 16-64	0.8 (0.8)	0.5 (0.5)	0.2 (0.2)	0.0 (0.0)
GDP, calendar-adjusted	-0.5 (0.4)	-4.4 (-1.4)	1.0 (1.4)	3.1 (3.2)
Number of hours worked, calendar-adjusted	0.9 (1.2)	-2.6 (-2.1)	-2.2 (-1.5)	0.5 (0.4)
Employed (EU definition)	1.2 (1.2)	-2.7 (-2.0)	-2.9 (-1.6)	-0.3 (0.0)
Labour force (EU definition)	1.2 (1.3)	-0.1 (-0.1)	-0.7 (-0.5)	-0.3 (0.0)
Unemployment , aged 15-74* (EU definition)	6.2 (6.2)	8.7 (8.0)	10.7 (9.1)	10.7 (9.0)

* Per cent of labour force
Source: Employment Service, Statistics Sweden and the Riksbank

Table 8. Labour cost for the economy as a whole

Annual percentage change, unless otherwise specified, calendar-adjusted data

	2008	2009	2010	2011
Hourly wage, NMO	4.3 (4.3)	3.5 (3.5)	2.3 (2.9)	2.6 (3.1)
Hourly wage, NA	4.8 (4.9)	3.6 (3.6)	2.4 (3.0)	2.8 (3.4)
Employer's contributions*	-0.7 (-1.0)	-0.1 (-0.1)	0.1 (0.1)	0.1 (0.1)
Hourly labour cost, NA	4.2 (3.9)	3.5 (3.5)	2.4 (3.1)	2.9 (3.4)
Productivity	-1.5 (-0.8)	-1.8 (0.6)	3.2 (2.9)	2.6 (2.7)
Unit labour cost	5.7 (4.7)	5.4 (2.8)	-0.8 (0.1)	0.2 (0.7)

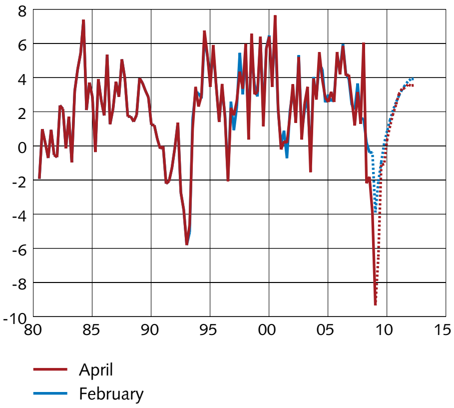
* Contribution to the increase in labour costs, percentage points

Note. NMO is the National Mediation Office's short-term wage statistics and NA is the National Accounts. Labour cost per hour is defined as the sum of actual wages, collective charges and wage taxes divided by the seasonally adjusted total number of hours worked. Unit labour cost is defined as labour cost divided by seasonally adjusted value added at constant prices.

Sources: National Mediation Office, Statistics Sweden and the Riksbank

Figures

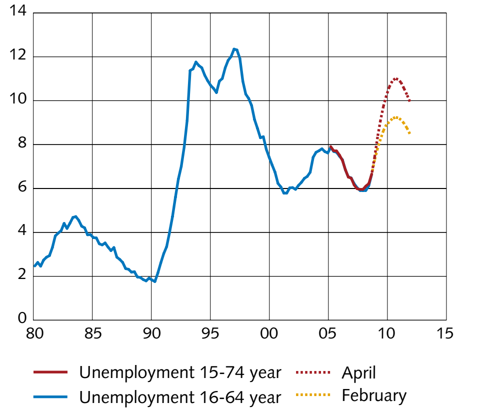
Figure 4. GDP
Quarterly changes in per cent calculated in annualised terms, seasonally adjusted data



Note. Broken lines represent the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank

Figure 5. Unemployment
Percentage of the labour force, seasonally-adjusted data



Note. Broken lines represent the Riksbank's forecast, 15-74 year. Pre-1993 data has been spliced by the Riksbank.

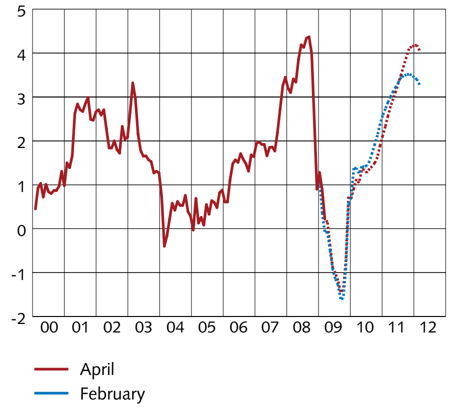
Sources: Statistics Sweden and the Riksbank

Figure 6. Labour force and number of employed
Thousands, seasonally-adjusted data

Note. Broken lines represent the Riksbank's forecast, 15-74 year. Pre-1993 data has been spliced by the Riksbank.

Sources: Statistics Sweden and the Riksbank

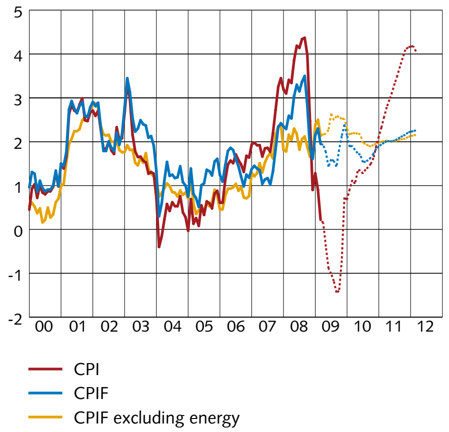
Figure 7. CPI
Annual percentage change



Note. Broken lines represent the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank

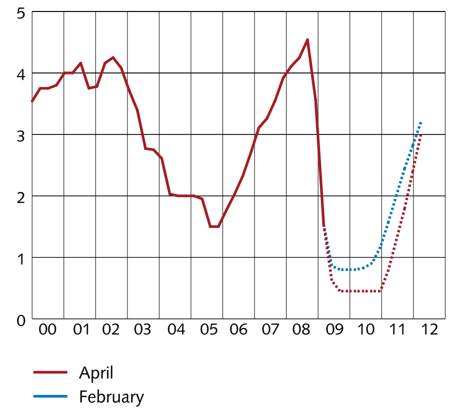
Figure 8. CPI, CPIF and CPIF excluding energy
Annual percentage change



Note. CPIF is CPI inflation excluding household mortgage interest expenditure. Broken lines represent the Riksbank's forecasts.

Sources: Statistics Sweden and the Riksbank

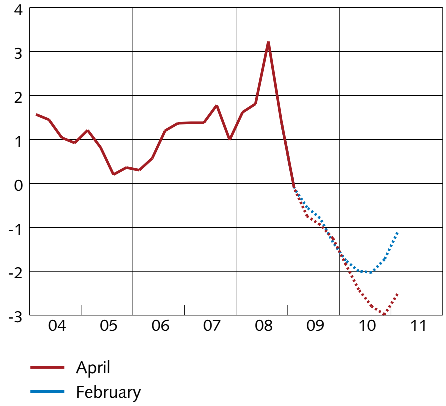
Figure 9. Repo rate
Per cent, quarterly averages



Note. Broken lines represent the Riksbank's forecast.

Source: The Riksbank

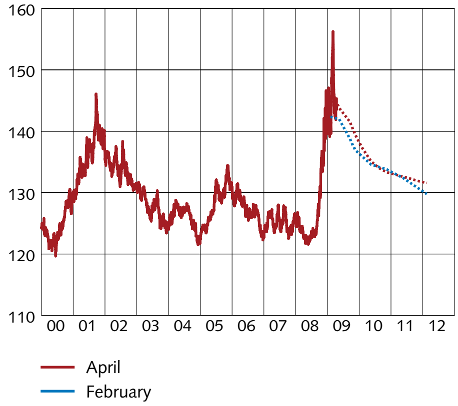
Figure 10. Real repo rate
Per cent, quarterly averages



Note. The real repo rate is calculated as an average of the Riksbank's repo rate forecasts for the coming year minus the inflation forecast for the corresponding period.

Source: The Riksbank

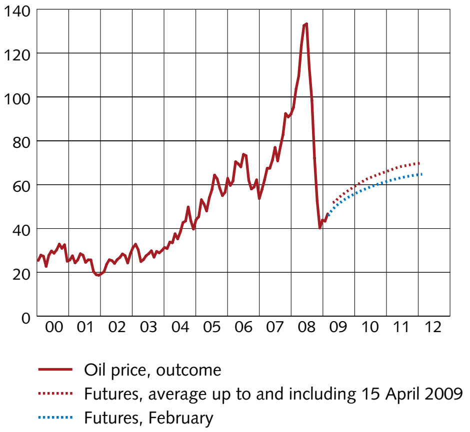
Figure 11. TCW-weighted exchange rate
Index, 18.11.92 = 100



Note. Outcomes up to 15 April 2009 represent daily rates and forecasts refer to quarterly averages. Broken lines represent the Riksbank's forecast.

Source: The Riksbank

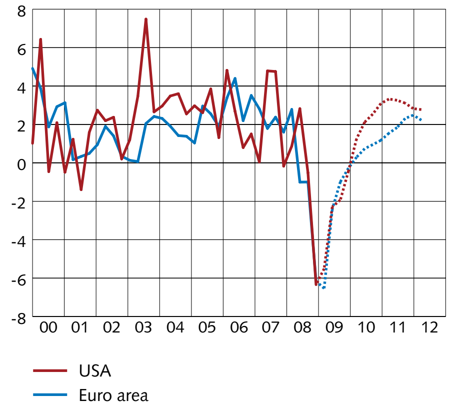
Figure 12. Oil price, Brent crude
USD per barrel



Note. Futures are calculated as a 15-day average. Outcomes represent monthly averages of spot prices.

Sources: Intercontinental Exchange and the Riksbank

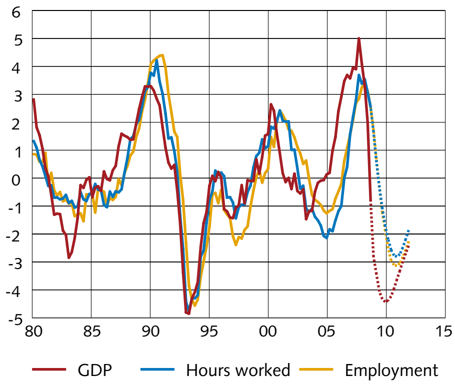
Figure 13. GDP in the USA and the euro area
Quarterly changes in per cent calculated in annualised terms, seasonally adjusted data



Note. Broken lines represent the Riksbank's forecast.

Sources: Bureau of Economic Analysis, Eurostat and the Riksbank

Figure 14. Estimated gaps
Percentage deviation from the HP trend, seasonally adjusted data



Note. Broken lines represent the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank