



PRESS RELEASE

DATE 16 December 2009
NO. 103
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■ Repo rate held unchanged at 0.25 per cent

The recovery in the economy is continuing and inflationary pressure will be low in the coming period. To attain the inflation target of 2 per cent and to support the economic recovery, the Executive Board of the Riksbank has decided to hold the repo rate unchanged at 0.25 per cent. The forecast for the repo rate is also held unchanged. The repo rate is expected to remain at this low level until autumn 2010 and then to be raised towards more normal levels.

Recovery continuing

The recovery from the severe recession is continuing. The financial markets are improving all the time and the measures taken by central banks and public authorities are having an effect. The world economy is continuing to improve and this benefits economic developments in Sweden. Households and companies have become more optimistic regarding future developments and consumption is increasing. However, the picture is not clear-cut. For example, industrial production is still weak.

Low inflationary pressure

The recovery is from a low level and there will be ample spare capacity over the coming years. The labour market does not appear to be as weak as was forecast in October. But unemployment is nevertheless expected to rise over the coming year. The labour market situation will mean that wages rise slowly. This will contribute to low inflationary pressure. At the same time, inflation is expected to be lower than was forecast in October. This is mainly because inflation abroad will be lower, and the krona will be slightly stronger, which will hold back import prices.

Continued low repo rate

The repo rate needs to be low over a long period of time to attain the inflation target of 2 per cent and to support the economic recovery. The Executive Board of the Riksbank has therefore decided to hold the repo rate unchanged at 0.25 per cent and the repo rate is expected to remain at this level until autumn 2010. After this the repo rate will be raised towards more normal levels. The forecast for the repo rate is the same as in October. Changes in the repo rate affect mortgage rates, which are included in the consumer price index (CPI). There will thus be large fluctuations in the CPI in the future. The CPIF underlying inflation rate (the



CPI with a fixed mortgage rate) is on the other hand more stable, and will be close to 2 per cent at the end of the forecast period.

The future direction for monetary policy will depend, as always, on how economic developments abroad and in Sweden will affect the prospects for inflation and economic activity in Sweden.

Forecasts for inflation, GDP and the repo rate

Annual percentage change, annual average

	2009	2010	2011	2012
CPI	-0.3 (-0.4)	0.8 (0.9)	3.0 (3.3)	3.6 (3.7)
CPIF	1.9 (1.8)	1.2 (1.3)	1.5 (1.9)	1.9 (2.1)
GDP	-4.5 (-4.6)	2.7 (2.5)	3.4 (3.4)	3.5 (3.7)
Repo rate, per cent	0.7 (0.7)	0.3 (0.3)	1.6 (1.6)	3.6 (3.6)

Note. The assessment in the Monetary Policy Report in October 2009 is shown in brackets. Sources: Statistics Sweden and the Riksbank

Forecast for the repo rate

Per cent, quarterly averages

	Q3 2009	Q4 2009	Q4 2010	Q4 2011	Q4 2012
Repo rate	0.25 (0.25)	0.25 (0.25)	0.4 (0.4)	2.4 (2.4)	4.1 (4.1)

Note. The assessment in the Monetary Policy Report in October 2009 is shown in brackets. Source: The Riksbank

Deputy Governor Lars E.O. Svensson entered a reservation against the decision and advocated cutting the repo rate to 0 per cent and a repo rate path 0.25 per cent below the path of the main scenario until the third quarter of 2010. He maintained that such a repo rate path entails a better-balanced monetary policy, with lower unemployment, higher resource utilisation and a CPIF inflation rate closer to the target, without causing any problems for the functioning of the financial markets or for financial stability.

Deputy Governors Lars Nyberg and Barbro Wickman-Parak supported the decision to hold the repo rate unchanged at 0.25 per cent, but entered reservations against the repo rate path in the Monetary Policy Update. Their stance was motivated with reference for instance to a slightly more positive view of growth prospects and that economic activity is now starting to become normalised. They considered that it would be necessary to raise the interest rate sooner than indicated by the proposed interest rate path, but that the path would then not need to be so steep during the remaining forecast period.

The minutes from the Executive Board's monetary policy discussion will be published on 4 January 2010. The decision on the repo rate will apply with effect from 23 December. The deposit rate will at the same time be held unchanged at -0.25 per cent and the lending rate at 0.75 per cent. A press conference with Governor Stefan Ingves and Jesper Hansson, acting 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/.