



# PRESS RELEASE

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## ■ Repo rate raised by 0.25 percentage points to 0.75 per cent

*The Swedish economy is continuing to show strong growth. Inflationary pressures are currently low, but are expected to increase as economic activity strengthens. The repo rate needs to be raised gradually towards more normal levels to attain the inflation target of 2 per cent and create the right conditions for stable growth in the real economy. The Executive Board of the Riksbank has therefore decided to raise the repo rate by 0.25 percentage points to 0.75 per cent. The forecast for the repo rate is the same as in July.*

### **Strong development of the Swedish economy**

The Swedish economy has developed strongly so far this year. World trade has increased rapidly, which has contributed to an acceleration in exports and investment. There has also been a substantial improvement in the labour market. Households are optimistic about the future, which is leading to an increase in consumption.

At the same time, there are signs that the recovery in the United States will take slightly longer than previously expected. GDP growth in the eurozone has been unexpectedly high, but the recovery there is expected to take its time, partly as a result of the extensive fiscal policy tightening in several European countries. Continuing modest activity in the eurozone and a more protracted recovery in the United States are expected to dampen developments in Sweden somewhat in the long run.

### **Repo rate increases continuing from a low level**

Inflationary pressures continue to be low in the Swedish economy, but are expected to rise as the labour market improves and economic activity strengthens. The repo rate needs to be raised gradually towards more normal levels to attain the inflation target of 2 per cent and at the same time contribute to a stable development of the economy. The Executive Board of the Riksbank has therefore decided to raise the repo rate by 0.25 percentage points to 0.75 per



cent. Another factor is that household indebtedness has increased significantly in recent years.

During the summer two of the three fixed-interest rate loans issued to the banks in 2009 reached maturity. The fact that these loans have matured and not been replaced by new loans at a low, fixed-interest rate is also a part of the normalisation process for monetary policy.

The forecast for the repo rate remains unchanged in relation to the July Monetary Policy Report, as the total revisions to the forecasts are minor.

As always, the forecasts made regarding the economy and monetary policy are based on the information currently available and new information further ahead may lead to changes in these forecasts.

#### Forecasts for inflation in Sweden, GDP and the repo rate

Annual percentage change, annual average

	2009	2010	2011	2012
CPI	-0.3 (-0.3)	1.1 (1.2)	1.9 (2.0)	2.5 (2.4)
CPIF	1.9 (1.9)	2.0 (2.0)	1.3 (1.4)	1.7 (1.6)
GDP	-5.1 (-5.1)	4.1 (3.8)	3.5 (3.6)	2.6 (2.8)
Repo rate, per cent	0.7 (0.7)	0.5 (0.5)	1.9 (1.9)	3.0 (3.0)

Note: The assessment in the Monetary Policy Report in July 2010 is shown in brackets.  
Sources: Statistics Sweden and the Riksbank

#### Forecast for the repo rate

Per cent, quarterly averages

	2010 Q2	2010 Q3	2010 Q4	2011 Q3	2012 Q3	2013 Q3
Repo rate	0.25	0.5 (0.5)	0.9 (0.9)	2.1(2.1)	3.1 (3.1)	3.8 (3,8)

Note: The assessment in the Monetary Policy Report in July 2010 is shown in brackets.  
Source: The Riksbank

Deputy Governor Lars E.O. Svensson entered a reservation against the decision to raise the repo rate by 0.25 percentage points to 0.75 per cent and against the repo rate path in the Monetary Policy Update. Deputy Governor Karolina Ekholm entered a reservation against the repo rate path.

Deputy Governor Lars E.O. Svensson preferred a repo rate of 0.50 per cent and a low repo rate path that then gradually rises to 1.75 per cent at the end of the forecast period. The higher repo rate path in the main scenario of the Monetary Policy Update would, if it becomes credible and is incorporated in market expectations, imply a considerable tightening of the current actual monetary policy with a substantial increase in market interest rates of longer maturity and a substantial appreciation of the krona, which would lower the already low CPIF inflation and increase the already high unemployment during the forecast period.

Deputy Governor Karolina Ekholm advocated a flatter repo rate path with a repo rate at the end of the forecast horizon that is around one percentage point lower than the adopted repo rate path. Her main grounds for this were that weaker



■ development abroad can be expected to reduce growth and inflation in Sweden too in the period ahead and that a slower increase of the repo rate should therefore bring inflation closer to the inflation target and resource utilisation closer to a normal level.

The minutes from the Executive Board's monetary policy discussion will be published on 15 September. The decision on the repo rate will apply with effect from 8 September. A press conference with Governor Stefan Ingves and Per Jansson, Head of the Monetary Policy Department, will be held today at 11 a.m. in the Riksbank, 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).