



PRESS RELEASE

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■ Repo rate held unchanged at 0.25 per cent

After the deep global financial crisis the Swedish economy will grow this year and there appears to have already been a turnaround in the labour market. The Executive Board of the Riksbank assesses that the repo rate needs to remain at a low level to support production and employment and to attain the inflation target. Increases in the repo rate towards a more normal level will begin in the summer or early autumn. The forecast for the repo rate is therefore the same as in February.

Swedish economy growing this year and labour market has turned

The Swedish economy was very weak last year, but GDP growth is expected to be positive again in 2010. The recovery in the world economy is continuing and orders are rising, which points to a turnaround in Swedish exports. At the same time, the low interest rate and an expansionary fiscal policy will mean that consumption continues to rise. Thus, the conditions are also right for investment to gradually begin to increase. In addition, lending to companies has declined, at the same time as lending to households has increased at a rapid rate and their indebtedness has risen to high levels. All in all, the recovery is occurring from a low level and it will take time before the recent years' fall in GDP has been recovered.

One sign that the Swedish economy is recovering is that employment has begun to increase and unemployment has stopped rising, which indicates a labour market turnaround. This is surprisingly early, given the heavy fall in GDP. But unemployment is still at a high level, and this means that wages will increase relatively slowly in the future. Together with higher productivity and a stronger krona this will contribute to inflationary pressures being relatively low over the coming years. Underlying inflation is expected to be close to 2 per cent towards the end of the forecast period.

From crisis interest rate to monetary policy in a recession

The repo rate needs to remain low for inflation to attain the target of 2 per cent, and to support the recovery of the economy. Given this, the Executive Board of the Riksbank has decided to hold the repo rate unchanged at 0.25 per cent.



The financial markets are more stable now and the recovery in the economy is continuing. It is therefore appropriate to gradually move towards a more normal monetary policy. The Executive Board's assessment is that it will begin to increase the repo rate in the summer or early autumn. Another element in the normalisation of monetary policy is that the three fixed-interest rate loans granted in 2009 will mature.

As always, the forecasts made now 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, GDP and the repo rate

Annual percentage change, annual average

	2009	2010	2011	2012
CPI	-0.3 (-0.3)	1.1 (1.6)	2.1 (2.9)	2.9 (3.1)
CPIF	1.9 (1.9)	2.0 (1.9)	1.3 (1.4)	1.8 (1.8)
GDP	-4.9 (-4.5)	2.2 (2.5)	3.7 (3.4)	3.1 (3.1)
Repo rate, per cent	0.7 (0.7)	0.4 (0.4)	1.8 (1.8)	3.3 (3.3)

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

Forecast for the repo rate

Per cent, quarterly averages

	Q1 2010	Q2 2010	Q1 2011	Q1 2012	Q1 2013
Repo rate	0.25	0.25 (0.25)	1.1 (1.1)	2.8 (2.8)	4.0 (4.0)

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

Deputy Governor Lars E.O. Svensson entered a reservation against the repo rate path and advocated a repo rate path with a repo rate of 0.25 per cent through the fourth quarter of 2010 and then a return to the repo rate path in the main scenario. Such a repo rate path results in about the same effects as the lower repo rate path that he has previously advocated, that is, a better outcome for both resource utilization and inflation, with both higher resource utilization and CPIF inflation closer to the target.

The minutes from the Executive Board's monetary policy discussion will be published on 3 May. The decision on the repo rate will apply with effect from 21 April. A press conference with First Deputy Governor Svante Öberg and Per Jansson, the 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.