



PRESS RELEASE

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■ Repo rate raised by 0.25 percentage points to 1.5 per cent

The Swedish economy is continuing to grow strongly. Underlying inflationary pressures are still low in Sweden, but are expected to increase as economic activity strengthens. Rising energy and commodity prices also contribute to higher inflation. To stabilise inflation close to the target of 2 per cent and to avoid resource utilisation being too high, the repo rate needs to gradually increase. The Executive Board of the Riksbank has therefore decided to raise the repo rate by 0.25 percentage points to 1.5 per cent. The assessment is also that the repo rate needs to be raised somewhat faster in the coming period.

Balance in the economy requires continued repo-rate increases

The Swedish economy remains strong, and the labour market situation is steadily improving. Exports and investment are increasing, and so is household consumption. Growth in the world economy as a whole is also good, and prospects in the United States look somewhat brighter. Developments in Europe are still uncertain, as a result of the fiscal problems in several European countries. On the whole, the prospects for continued high growth in Sweden are good.

International growth is contributing to rising energy and commodity prices. The higher prices temporarily push up inflation in Sweden, but are also expected to indirectly continue affecting inflationary pressures throughout the forecast period. At the same time, inflationary pressures are low, as a result of the strong Swedish krona and low domestic cost pressure. They are expected to rise, however, as wages increase at a faster rate and the spare capacity in the economy declines. To stabilise inflation close to the target of 2 per cent and to avoid resource utilisation being too high, there is a need to gradually increase the repo rate.

The Executive Board of the Riksbank has therefore decided to raise the repo rate by 0.25 percentage points to 1.5 per cent, and to adjust the forecast for the repo rate upwards in relation to the December forecast. A gradual rise in



the repo rate reduces the risk of imbalances building up in the Swedish economy, and may also contribute to a slower growth in household borrowing.

Good growth – but there are risks

As always, the forecasts for the economy and monetary policy are based on the information currently available and new information further ahead may lead to changes in these forecasts. If inflation in Sweden increases as a result, for example, of higher energy prices abroad or stronger domestic demand, monetary policy may need to be tightened more than in the main scenario of the Monetary Policy Report. If, on the other hand, productivity improves unexpectedly quickly or the krona strengthens further so that inflation is lower than expected, it may be necessary to increase the repo rate at a slower rate in the future.

Forecasts for inflation in Sweden, GDP and the repo rate

Annual percentage change, annual average

	2009	2010	2011	2012	2013
CPI	-0.3	1.3 (1.3)	2.5 (2.2)	2.1 (2.0)	2.6 (2.6)
CPIF	1.9	2.1 (2.1)	1.9 (1.7)	1.5 (1.4)	2.0 (1.9)
GDP	-5.3	5.5 (5.5)	4.4 (4.4)	2.4 (2.3)	2.5 (2.4)
Repo rate, per cent	0.7	0.5 (0.5)	1.8 (1.7)	2.8 (2.6)	3.4 (3.3)

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

Forecast for the repo rate

Per cent, quarterly averages

	Q4 2010	Q1 2011	Q2 2011	Q1 2012	Q1 2013	Q1 2014
Repo rate	1.0	1.4 (1.4)	1.7 (1.6)	2.5 (2.2)	3.2 (3.1)	3.6

Note. The assessment in the December 2010 Monetary Policy Update is shown in brackets.
Source: The Riksbank

Deputy Governor Karolina Ekholm and Deputy Governor Lars E.O. Svensson entered a reservation against the decision to raise the repo rate by 0.25 percentage points to 1.5 per cent and against the repo rate path of the main scenario in the Monetary Policy Report.

They preferred a repo rate equal to 1.25 per cent and a repo rate path that then gradually rises to 3.25 per cent by the end of the forecast period. Such a repo rate path implies a CPIF inflation closer to 2 per cent and a faster reduction of unemployment towards a longer-run sustainable rate.

The minutes from the Executive Board's monetary policy discussion will be published on 28 February 2011. The decision on the repo rate will apply with effect from 16 February. 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. 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.