



# PRESS RELEASE

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## ■ Repo rate held unchanged at 2.0 per cent

*The concern over public finances abroad has increased and global growth prospects have deteriorated. The slowdown in the Swedish economy is thus expected to be more pronounced than was forecast in July. The Executive Board of the Riksbank has therefore decided to now hold the repo rate unchanged at 2 per cent and to postpone continued increases slightly.*

### **Unrest in the financial markets**

During the summer, concern over public finances in the United States and the euro area has increased, and the prospects for global growth have deteriorated. This in turn has contributed to heavy stock market falls. Fiscal policy tightening will dampen economic growth in the United States and the euro area in the coming years. The growth rate in several Asian countries will also slow down somewhat, but the recovery in the world as a whole is nevertheless expected to continue.

### **Swedish growth slows down in the short term**

The Riksbank assessed in the July Monetary Policy Report that growth in the Swedish economy would slow down over the year. The poorer world prospects now contribute to reinforcing the slowdown. Both households and companies are more cautious and the labour market is slowing down. But next year Swedish growth is expected to rise again. However, this is on condition that decisions on fiscal policy measures programmes are made abroad and that consumer and household confidence returns.

### **Repo-rate increases postponed**

There is little inflationary pressure in the Swedish economy. Although CPI inflation is still relatively high as a result of rising mortgage rates, underlying inflation is low. Inflationary pressures are expected to increase gradually over the coming years, as the spare capacity in the economy declines and the rate of wage increase rises. However, one condition for the inflation forecast is that



wage formation results in wage increases that are compatible with the inflation target, as it has done over the past 15 years.

Given the assumption that the slowdown in the Swedish economy is expected to be more pronounced, the Executive Board of the Riksbank assesses it is appropriate to now hold the repo rate unchanged at 2 per cent and to postpone continued increases somewhat. A lower repo-rate path will gradually stabilise inflation around the target of 2 per cent and resource utilisation around a normal level.

### Great uncertainty over economic developments

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. There is currently considerable uncertainty over economic developments. One cannot rule out the possibility that the problems abroad could be greater than anticipated and thus have more tangibly negative effects on the Swedish economy. This could increase the need for more expansionary monetary policy. On the other hand, the financial unrest may subside sooner than expected, and the slowdown in the economy may be less prolonged. This would reduce the need for more expansionary monetary policy.

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

Annual percentage change, annual average

	2010	2011	2012	2013
<b>CPI</b>	1.2 (1.2)	3.0 (3.1)	2.1 (2.7)	2.6 (2.8)
<b>CPIF</b>	2.0 (2.0)	1.5 (1.6)	1.5 (1.7)	2.0 (2.1)
<b>GDP</b>	5.7 (5.7)	4.5 (4.4)	1.7 (2.2)	2.4 (2.5)
<b>Repo rate, per cent</b>	0.5 (0.5)	1.8 (1.8)	2.4 (2.8)	2.9 (3.4)

Note. The assessment in the Monetary Policy Report in July 2011 is shown in brackets.  
Sources: Statistics Sweden and the Riksbank

### Forecast for the repo rate

Per cent, quarterly averages

	2011 Q2	2011 Q3	2011 Q4	2012 Q3	2013 Q3	2014 Q3
<b>Repo rate</b>	1.7	2.0 (2.0)	2.1 (2.3)	2.4 (2.9)	3.0 (3.4)	3.6 (3.8)

Note. The assessment in the Monetary Policy Report in July 2011 is shown in brackets.  
Source: The Riksbank

The Executive Board of the Riksbank decided unanimously to hold the repo rate unchanged at 2 per cent. However, Deputy Governor Karolina Ekholm and Deputy Governor Lars E.O. Svensson entered a reservation against the repo-rate path in the Monetary Policy Update.

They preferred a repo rate path that stays at 2 per cent until mid-2013, and then rises to 3 per cent by the end of the forecast period. This was justified by their assessment that the Update's forecasts of foreign policy rates and Swedish resource utilisation were both too high. This repo rate path then implies 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 20 September 2011. The decision on the repo rate will apply with effect from 14 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. **Please note that entrance is through the bank's personnel entrance at Malmskillnadsgatan 7, and that it may take longer than normal to enter the bank.** Press cards must be shown. The press conference will be broadcast live on the Riksbank's website, [www.riksbank.se](http://www.riksbank.se).