



Monetary Policy Update

December 2010

The Swedish economy is performing well, and GDP grew by almost 7 per cent in the third quarter of this year, compared with the same quarter last year. The strength of the Swedish economy is also reflected in the labour market statistics. The labour market has been recovering throughout 2010 and indicators point to a continuing rapid improvement.

The world economy is expected to grow by a good 4 per cent a year in the coming years. Economic activity remains good in the emerging economies in Asia and Latin America. In both the United States and the eurozone, economic prospects look slightly better in the short run than was forecast in the October Monetary Policy Report. At the same time, the global imbalances remain and concern over public finances in several countries has increased.

Despite the relatively divided international outlook, the indicators for the Swedish economy point to continued strong growth in the coming period. GDP growth is expected to amount to 5.5 per cent in 2010 and to over 4 per cent in 2011, and then to decline. The recovery has been relatively rapid and Sweden is also expected to experience higher growth than many other countries in 2011.

Resource utilisation is currently lower than normal, but is expected to be normal or slightly above normal towards the end of the forecast period. Underlying inflation measured as the CPIF was 1.9 per cent in November. It is expected to fall at the end of 2011 and then rise again towards 2 per cent. Higher mortgage rates will lead to the CPI rising slightly faster than the CPIF and it is expected to exceed 2.5 per cent in 2013. In the longer run, when the repo rate stabilises, the two measures of inflation will coincide.

To stabilise inflation close to the target of 2 per cent and avoid resource utilisation becoming too high, there is a need to gradually raise the repo rate towards more normal levels. The repo rate is therefore being raised to 1.25 per cent. The forecast for the repo rate remains largely unchanged in relation to the forecast in the October Monetary Policy Report.

Figure 1. Repo rate with uncertainty bands
Per cent, quarterly averages

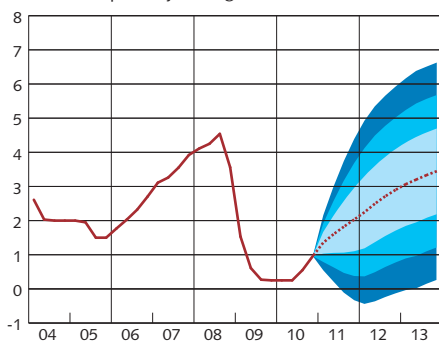


Figure 2. GDP with uncertainty bands
Annual percentage change, seasonally-adjusted data

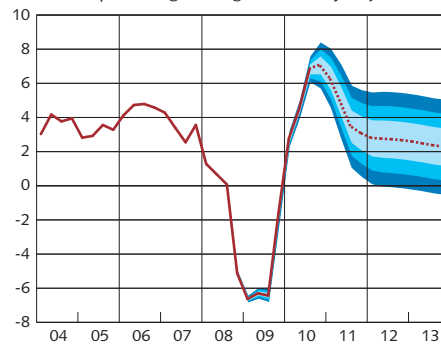


Figure 3. CPI with uncertainty bands
Annual percentage change

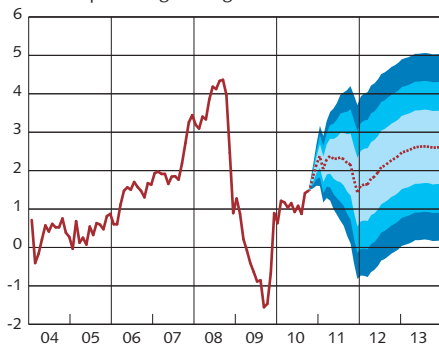
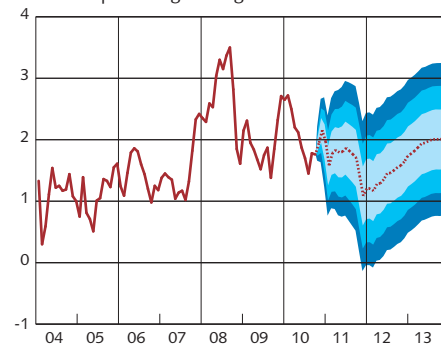


Figure 4. CPIF with uncertainty bands
Annual percentage change



— Outcome Forecast ■ 90% ■ 75% ■ 50%

Note. The uncertainty bands in the figures are based on historical forecast errors, see the article "Calculation method for uncertainty bands" in MPR 2007:1. The uncertainty band does not take into account the fact that there may be a lower limit for the repo rate.

Sources: Statistics Sweden and the Riksbank

■ The economic outlook and inflation prospects

The Riksbank's picture of economic and inflation prospects is based on the assessment made in the Monetary Policy Report in October and the updated forecasts presented in this Monetary Policy Update. The forecasts assume that the repo rate will now be raised by 0.25 percentage points to 1.25 per cent, and that, following this, it will successively be raised to more normal levels.

■ ■ Varying picture of growth prospects in the world economy

As in the October Monetary Policy Report, the world economy is expected to grow by a good 4 per cent a year in the coming years. Growth is still good in Asia and Latin America, while the recovery of the US economy is continuing. In Europe the improved growth prospects are counteracted by problems with public finances.

In the United States growth prospects look better than was forecast in October. Household consumption is continuing to rise and contributes to a more positive outlook for the economy, but developments so far indicate that the labour market will recover slowly. Employment rose only marginally in November, and unemployment increased. However, high profits in the corporate sector and the recent upturn in the purchasing managers index point to an increase in demand for labour in the coming period. At the same time, the direction of fiscal policy has become more expansionary as a result of recent agreements on tax policy for the coming two years and the GDP forecast for the United States has thus been revised upwards for both 2011 and 2012.

The improved prospects for the US economy will continue to be threatened by developments in the housing market, where house sales are still weak and new construction is at a low level. A new downturn on the housing market could lead to increased problems for the bank sector and households. Inflation is still low, but is expected to rise in the coming years as resource utilisation in the economy increases.

The recent stronger developments in the labour market and consumption in Germany, together with strong confidence indicators, point to relatively good growth in the eurozone in the coming period. All in all, this means that the growth forecast in the short term is now slightly higher than the assessment made in October. At the same time, the concern regarding public finances in several countries has grown, increasing the probability of more severe fiscal policy tightening. Tight fiscal policy in the eurozone is expected to slow down demand during 2011 and 2012.

The recent higher commodity prices and energy prices have raised HICP inflation in the eurozone to just below 2 per cent, and have led the Riksbank to revise up its forecast for inflation over the coming quarters. However, underlying inflation, which excludes energy and unprocessed foods, is much lower at the same time as unit labour costs are still falling. Inflation is therefore expected to fall back in 2011 and then to begin rising gradually again.

In the United Kingdom, the economy is expected to continue to recover in the coming years. The relatively strong growth in recent quarters will slow down soon, however, as fiscal policy tightens. Households have become less optimistic in recent months, which can be partly explained by a new fall in house prices. Inflation has been over 3 per cent all year, mainly due to the weak pound and higher VAT.

The recovery is continuing in Denmark, Norway and Finland. The GDP outcome for the third quarter was relatively strong in these countries.¹

¹ For Norway, this applies to developments in the mainland economy. Total GDP in Norway, which also includes oil-related production, fell by around 6 per cent when calculated as an annual rate, because of a production stop in the oil industry.

■■ Strong performance in Swedish economy

New figures from Statistics Sweden show that Swedish GDP grew by almost 7 per cent in the third quarter of this year, compared with the same quarter last year. This is an unusually strong growth in an historical perspective. The upturn is on a broad front, with rising consumption, investments and exports. The particularly strong growth in the third quarter can partly be explained by companies building up their stocks now that production is accelerating. The high growth in recent quarters means that the production volume is back at roughly its pre-crisis level, which is around one year earlier than was expected in the Monetary Policy Report published in December 2009.

Confidence indicators and other monthly information point to continuing strong GDP growth in the coming quarters. Swedish GDP growth is expected to be more than 5 per cent in 2010 and more than 4 per cent in 2011, and then to fall back to just over 2 per cent in 2013. The recovery has been relatively quick and Sweden is expected to experience higher growth than many other countries in 2011 too. One reason for this is Sweden's large dependency on exports. The current recovery in the world economy is beneficial to the Swedish economy. The good public finances also mean that Sweden, unlike many other countries, will not need to tighten fiscal policy. Moreover, the banks in Sweden are judged to be in better shape than those in many other countries. A further reason is that households also have a relatively high level of savings, which provide opportunities for increased consumption in the coming years.

■■ Both domestic demand and exports will contribute to good performance

During the forecast period, exports are expected to continue increasing, in line with developments on Swedish export markets. Imports are expected to increase in tandem with domestic demand and with exports in the coming years.

Household consumption has for some time now been back at a higher level than prior to the financial crisis. During the crisis, households increased their savings substantially, but they have now begun to reduce them. There is much to suggest that consumption will continue to be strong and that households will further reduce their savings. Conditions on the labour market are steadily improving, providing increased incomes for households. In addition, households' wealth will increase as both share prices and house prices are increasing.

Investment has now begun to accelerate and is expected to rise at a good pace in the coming period, as domestic demand and exports increase. The fact that capacity utilisation in the manufacturing sector has increased rapidly also points to rising investment in the coming period. At the same time, high housing prices are expected to stimulate continued rapidly increasing housing investments. Public sector investment increased strongly in 2009. A number of major projects mean that public sector investment is expected to remain at a high level in the coming years.

General government net lending deteriorated during the crisis, but is expected to return to balance already this year, unlike most other OECD countries, which still have a negative saving level. During 2011 saving is expected to rise to 2 per cent of GDP and remain there over the coming years.

■■ Labour market improving rapidly

The labour market has been recovering throughout 2010 and indicators point to a continuing rapid improvement. Unemployment is expected to decline, while the number of employed and the

number of hours worked will increase steadily. Compared with the assessment made in October, a stronger development in the number of employed and the number of hours worked in 2010. Both employment and the number of hours worked are expected to have returned to their pre-crisis levels as early as 2011, which is earlier than expected given the historical correlation to GDP. The employment rate for the 16-64 age group is expected to have returned to its pre-crisis level during 2012.

Labour supply is expected to continue to grow strongly in 2011 and then slow down somewhat. Previously implemented reforms in the pension system, the unemployment benefit system and the sickness insurance system, along with tax deductions for the employed are expected to contribute to an increase in the labour supply during the forecast period.

As the number of persons employed is expected to increase faster than the number of persons in the labour force, unemployment should gradually fall during the forecast period. Unemployment is expected to fall to 6.5 per cent in 2013, which is slightly lower than was forecast in the October Monetary Policy Report.

■ ■ Increase in resource utilisation

Monetary policy normally aims to attain a suitable balance between on the one hand keeping inflation close to the target of 2 per cent and, on the other hand, stabilising resource utilisation around a normal level. However, it is not possible to measure resource utilisation directly, which makes the assessments of its level uncertain. When the Riksbank assesses resource utilisation, it uses several different indicators and statistical measures. The most recent developments, with very strong growth in GDP and a continued improvement in the labour market, mean that resource utilisation is now expected to be slightly higher than was assumed in the October Monetary Policy Report. This view is supported by the rapid rise in capacity utilisation in the manufacturing sector, and the increase in labour shortages. Some sectors are reporting a tangible shortage of labour. Resource utilisation is expected to increase gradually in the coming period, and to be normal or slightly higher than normal at the end of the forecast period.

■ ■ Gradual increase in unit labour costs

The rate of wage increase is expected to speed up in 2012-2013 as the labour market situation improves. The strong GDP growth is currently linked to strong productivity growth. As companies' capacity utilisation rises, productivity growth will decline. During 2012 and 2013 productivity is expected to increase by 2 per cent a year. This assessment means that unit labour costs will begin to increase again in 2011 and then approach more normal rates of increase of around 2 per cent towards the end of the forecast period.

■ ■ Rising inflationary pressures

At present, underlying inflationary pressures are low, but will rise during the forecast period. In the short term, the high electricity and food prices will push up inflation. CPIF inflation, which is not directly affected by changes in households' mortgage rates, was 1.9 per cent in November. When the temporarily high electricity prices fall back, CPIF inflation will decline to around 1.5 per cent at the beginning of 2012. During 2013 CPIF inflation will reach 2 per cent. CPI inflation is expected to be more than 2.5 per cent in 2013. The upturn in CPI inflation is mainly due to higher mortgage rates. In the longer run, when the repo rate has normalised, CPI inflation will approach the target of 2 per cent.

The forecast for CPIF inflation for 2011 has been revised upwards, compared with the forecast in the October Monetary Policy Report. This is mainly because of higher electricity and food prices. However, lower unit labour costs will have a counteracting effect on CPIF inflation over the coming year.

■ ■ Normalisation of repo rate will continue

The forecasts in this report are based on the repo rate now being raised to 1.25 per cent. After that, the repo rate will be raised gradually to more normal levels. The forecast for the repo rate remains largely unchanged in relation to the October Monetary Policy Report.

The economic prospects for Sweden and abroad are roughly the same as in the forecasts published in October. The overall picture of resource utilisation is that it is slightly lower than normal at present, but will increase to a normal, or slightly above normal, level towards the end of the forecast period. Compared with the assessment in October, resource utilisation is now expected to be slightly higher throughout the forecast period.

Underlying inflationary pressures are now low as a result of the krona appreciation and the low unit labour costs. During the forecast period, inflationary pressures are expected to rise gradually as the labour market improves, the rate of wage increase rises and resource utilisation normalises. Underlying CPIF inflation is expected to reach 2 per cent during 2013. The increase in the repo rate means that mortgage rates will rise, which will push up CPI inflation above the target level of 2 per cent in 2012 and 2013. CPI inflation is also expected to be around 2 per cent in the longer run as the mortgage component stabilises.

To stabilise inflation around our target of 2 per cent and to avoid resource utilisation being too high, the Riksbank's assessment is that it is appropriate to continue the normalisation of monetary policy that was initiated in the summer. The repo rate will be raised gradually to more normal levels as resource utilisation increases and inflationary pressures rise. But even with the increases included in the Riksbank's forecast, the repo rate will be relatively low for some time to come. This is justified by underlying inflationary pressures currently being low and resource utilisation being lower than normal. Another factor that is significant to monetary policy is that household debts have increased significantly in recent years. If debts continue to increase at a much faster rate than income over a long period of time, there is a risk that imbalances will build up in the Swedish economy. A gradually rising repo rate may contribute to household borrowing developing at a slower rate.

■ New information since the October Monetary Policy Report

This section presents new information received since the Monetary Policy Report in October and the Riksbank's assessment of the economic outlook in the quarters ahead.

The international economy

- New information supports the picture that the recovery abroad has continued since October, despite renewed concern over public finances in Europe. Growth is still high in the emerging economies in Asia and Latin America after a temporary slowdown during the second quarter of 2010.
- According to revised preliminary statistics GDP in the United States rose by 2.5 per cent during the third quarter, calculated as an annual rate. All of the components of domestic demand grew slightly faster than expected. Both the purchasing managers' index and the Conference Board's index have risen and are indicating continued growth. Unemployment rose and employment fell in November, but the outcomes for October were much stronger than expected. All in all, the US labour market has improved somewhat since the October Monetary Policy Report. The US housing market, on the other hand, still looks weak and both housing construction and housing sales fell in October. Inflation in the United States is low, but is expected to rise over the coming months because of rising energy prices.
- According to preliminary statistics, GDP in the eurozone rose by 1.5 per cent in the third quarter, when calculated as an annual rate. The main contributions to growth in the third quarter were from household consumption. This may indicate that the recovery has entered a slightly more stable phase. Confidence indicators for the business sector and for households had on the whole strengthened significantly. This suggests that the recovery in the eurozone will continue. However, the labour market still looks weak, and unemployment was 10.1 per cent in October. The exception is Germany, where unemployment continued to fall in October, and growth in the third quarter was 2.8 per cent when calculated as an annual rate. Inflation in the eurozone has risen during the late autumn, with HICP inflation amounting to 1.9 per cent in November. The increase is largely due to rising energy prices.

The financial markets

- Concern relating to public finances in eurozone countries has increased again. In conjunction with this, the ECB has announced that it intends to continue purchasing government bonds and to extend its loan facility to the European banks. At the end of November the EU and the IMF also approved a joint financial assistance package for Ireland, after the country's borrowing costs had soared. Uncertainty over the final cost of the Irish bank crisis has contributed to the increase in the country's funding costs. The difference in yield between Irish and German government bond rates is therefore still high. The concern about contagion effects to other countries in the eurozone has weakened the euro and increased interest rate levels in the eurozone as a whole. It has also weakened the equity markets in several countries during the late autumn.²

² For more information about the debt crisis in Europe see the Riksbank's Financial Stability Report 2010:2.

- Given the uncertainty regarding the recovery in the United States, the Federal Reserve decided at its meeting in early November to increase its measures to stimulate the US economy by buying government bonds to a value of around USD 600 billion over the coming six months. Government bond yields fell already before this decision as the measure was largely expected. Since then, long government bond yields have risen in the United States as stronger macroeconomic statistics have become available. Long government bond yields in Sweden, the United Kingdom and Germany have also risen as a result of stronger macro statistics.
- According to market pricing, monetary policy expectations six months ahead remain in principle unchanged since the Riksbank's monetary policy decision in October. Pricing indicates that the Riksbank is expected to raise the repo rate to 1.25 per cent at the end of the year. In the longer run, pricing on the Swedish forward market indicates that monetary policy expectations have risen. Market pricing in the Eurozone remains in principle unchanged since the previous Monetary Policy Report was published. According to pricing in the United Kingdom and United States, policy rates will not be raised until 2012, but, at the same time, expectations in the longer run have risen.
- There is currently an unusual amount of uncertainty about how well market rates reflect monetary policy expectations. This particularly applies to maturities of more than one year. The large purchases of government securities in various countries entail much lower long interest rates than normal, which means that it is now difficult to assess monetary policy expectations on the basis of market rates.
- Prospera's survey regarding expectations of the repo rate indicates that expectations up to one year ahead have risen slightly compared with the previous survey. One year ahead, the repo rate is expected to average 1.9 per cent, which is in line with the forecast in this Monetary Policy Update.
- After the third fixed-rate loan matured at the beginning of October, the volumes of the Riksbank's loans to the banks still outstanding are very small. These consist of variable-rate loans and now amount to a total of SEK 500 million. They fall due in January 2011.
- The krona has been somewhat weaker than the Riksbank had forecast in October. It weakened when the repo rate path was adjusted downwards in October. This weakening then continued as concern over public sector debts in Europe intensified. However, strong Swedish macro statistics, such as GDP for the third quarter, have now contributed to strengthening the krona.

Growth in Sweden

- The National Accounts for the third quarter have been published since the previous monetary policy meeting. GDP in Sweden continued to rise rapidly in the third quarter of 2010, by 8.7 per cent, calculated as an annual rate, which was much stronger than expected. The upturn was on a broad front and all the components of the balance of resources increased. Newly-received information, such as confidence indicators and other monthly statistics, point to continued strong growth during the fourth quarter of 2010, although not as strong as in the third quarter. The forecast for GDP has thus been revised upwards for the whole year 2010, and growth is now expected to be 5.5 per cent.

- Exports continued to rise very rapidly during the third quarter of 2010. Trade in goods accounted for the largest upturn. Export orders remain high and point to good growth in the coming quarters. The high domestic demand and strong exports mean that imports will also increase in the coming quarters.
- Gross fixed capital formation rose sharply during the third quarter of this year. Investments in machinery and housing contributed the most to the increase. Large investments in infrastructure and construction projects, such as the Nya Karolinska Solna hospital, also led to a large increase in public sector investment.
- Household consumption increased substantially during the third quarter of this year. A large contribution came from household purchases of cars and retail goods. High consumer confidence indicates that consumption will continue to increase rapidly at the end of the year, too.
- The annual growth rate for lending to households was 8.6 per cent in October. Households are continuing to increase their indebtedness at almost the same high rate as earlier in the year. Lending to non-financial companies showed a positive growth rate, expressed as an annual percentage change, for the first time since August 2009.
- General government net lending in the first three quarters of 2010 was much higher than in the corresponding period in 2009. For the year 2010 as a whole, general government net lending is expected to be positive, and slightly higher than in October's forecast.

The labour market

- Employment has now been increasing for a year and is expected to be back at the pre-crisis level during the first quarter of 2011. Unemployment is falling steadily, while participation in the labour force is increasing. The most recent outcomes for the AKU labour market statistics showed that employment was slightly higher and unemployment slightly lower than we had forecast in the October Monetary Policy Report.
- Outcomes and indicators suggest that the improvement in the labour market in the coming quarters will be more rapid than previously anticipated. The Swedish Employment Agency's statistics show that the demand for labour is increasing, although the rate of increase has slowed down since the summer. According to the National Institute of Economic Research's Business Tendency Survey, employment plans are at historically high levels, and in the construction industry one in three companies states that labour shortages are the main obstacle to their activities. In some parts of the service sector too, such as the IT segment, the employers signal a shortage of labour.
- The short-term wage statistics from the National Mediation Office indicate that wages in the economy as a whole rose by 1.7 per cent as an annual percentage change during the period April-September. This figure will be revised up when retroactive wage payments are incorporated into the statistics. The slowdown in the rate of wage increase in relation to 2009 is partly due to the very low level of the new wage agreements signed this year. According to the National Accounts, wages per hour worked for the economy as a whole are, so far this year, growing much more slowly than the corresponding figures shown in the short-term wage statistics. This difference is to some extent due to the fact that changes in holidays taken and in the scheduling of work have had different effects on the two measures. It is also because

several different types of additional remuneration are included in the National Accounts but not in the short-term wage statistics; for instance, bonuses and taxable benefits.

- The record-high GDP outcome in the third quarter of 2010 means that productivity has recovered much faster than the Riksbank was forecasting in October. The rapid increase in productivity means that growth in unit labour costs will continue to be negative over the next six months.

Inflation

- Households' expectations of inflation one year ahead rose from 2.4 per cent in October to 3.2 per cent in November. The high outcome is possibly explained by households currently believing inflation to be 2.8 per cent. This in turn is probably due to the fact that commodity prices have increased. Recently, both food prices in the world market and electricity prices have risen substantially. However, inflation expectations according to Prospera's surveys are much lower, although these have also risen slightly in the most recent surveys. Prospera's quarterly survey indicates that all participants' inflation expectations one year ahead rose from 1.7 per cent in September to 1.9 per cent in December. Prospera's monthly survey of the money market's inflation expectations one year ahead shows that expectations of inflation instead fell from 1.8 per cent in November to 1.7 per cent in December. In both of Prospera's surveys, expectations of inflation five years ahead remained unchanged.
- Inflation in November was higher than expected in the October Monetary Policy Report. CPI inflation rose by 1.8 per cent compared with the same month last year. CPIF inflation, which is not directly affected by changes in households' mortgage rates, increased by 1.9 per cent. The CPIF excluding energy increased by 1.5 per cent, which was roughly in line with the forecast. Thus, energy prices provided the main contribution to the higher than expected outcome for the CPI and CPIF.
- Energy prices to the consumers are increasing, and pricing on the forward market indicates that electricity prices will continue to rise. This means that the rate of increase in the CPIF will be somewhat higher in 2011 compared with the forecast in October. In early 2011, the rate of increase in the CPIF will average almost 2.
- CPI inflation is expected to be higher than CPIF inflation next year. This is because household mortgage costs are increasing. Mortgage costs measured as an annual percentage change will continue to increase rapidly in the period ahead when the repo rate increases.

Tables

The figures in parentheses show the forecast in the previous Monetary Policy Report.

Table 1. Repo rate forecast

Per cent, quarterly average values

	2010 Q3	2010 Q4	2011 Q1	2011 Q4	2012 Q4	2013 Q4
Repo rate	0.55	1.0 (1.0)	1.4 (1.3)	2.0 (2.0)	2.9 (2.9)	3.4

Source: The Riksbank

Table 2. Inflation, annual average

Annual percentage change

	2009	2010	2011	2012	2013
CPI	-0.3	1.3 (1.2)	2.2 (1.7)	2.0 (2.2)	2.6 (2.6)
CPIF	1.9	2.1 (2.0)	1.7 (1.3)	1.4 (1.5)	1.9 (1.9)
CPIF excl. energy	2.3	1.7 (1.7)	1.6 (1.5)	1.6 (1.6)	2.0 (1.9)
HICP	1.9	1.9 (1.8)	1.5 (1.0)	1.1 (1.3)	1.7 (1.7)

Note. CPIF is CPI with fixed interest rate. HICP is an EU harmonised index of consumer prices.

Sources: Statistics Sweden and the Riksbank

Table 3. Summary of financial forecasts

Annual average, per cent, unless otherwise specified

	2009	2010	2011	2012	2013
Repo rate	0.7	0.5 (0.5)	1.7 (1.7)	2.6 (2.6)	3.3 (3.3)
10-year rate	3.3	2.8 (2.8)	3.2 (3.1)	3.8 (3.7)	4.3 (4.3)
Exchange rate, TCW-index, 1992-11-18=100	140.2	129.3 (129.1)	121.8 (121.9)	121.4 (121.4)	122.2 (122.2)
General government net lending*	-1.0	0.6 (0.4)	2.0 (1.4)	2.1 (1.6)	1.9 (1.2)

* Per cent of GDP

Sources: Statistics Sweden and the Riksbank

Table 4. International conditions

Annual percentage change

GDP	2009	2010	2011	2012	2013
Euro area (0.15)	-4.0	1.7 (1.6)	1.5 (1.3)	1.8 (1.9)	2.3 (2.2)
USA (0.20)	-2.6	2.8 (2.7)	3.0 (2.4)	3.4 (3.0)	2.9 (3.1)
Japan (0.06)	-5.3	4.3 (2.9)	1.5 (1.3)	1.7 (1.6)	1.8 (1.8)
OECD (0.57)	-3.4	2.9 (2.7)	2.5 (2.2)	2.8 (2.6)	2.7 (2.7)
TCW-weighted (0.49)	-3.9	1.9 (1.9)	1.8 (1.7)	2.1 (2.0)	2.3 (2.2)
World (1.00)	-0.7	4.7 (4.6)	4.1 (4.0)	4.3 (4.3)	4.3 (4.4)

Note. The figures in parentheses indicate the global purchasing-power adjusted GDP-weights, according to the IMF.

CPI	2009	2010	2011	2012	2013
Euro area (HICP)	0.3	1.5 (1.5)	1.5 (1.4)	1.2 (1.2)	1.8 (1.8)
USA	-0.3	1.6 (1.7)	1.5 (1.5)	1.6 (1.3)	2.0 (1.5)
Japan	-1.4	-0.9 (-0.9)	-0.3 (-0.2)	0.3 (0.2)	0.5 (0.6)
TCW-weighted	0.5	1.6 (1.6)	1.5 (1.5)	1.4 (1.3)	1.8 (1.7)

	2009	2010	2011	2012	2013
Policy rates in the rest of the world, TCW-weighted, per cent	0.7 (0.7)	0.5 (0.5)	0.8 (0.8)	1.4 (1.3)	2.5 (2.4)
Crude oil price, USD/barrel Brent	62	79 (79)	89 (86)	89 (89)	90 (90)
Swedish export market	-13.1	10.0 (10.0)	8.1 (8.0)	7.0 (6.9)	6.5 (6.4)

Note. The Swedish export market index is calculated as a weighted average of the imports of the 15 countries which are the largest recipients of Swedish exports. They receive approximately 70 per cent of Swedish exports. The weight assigned to a country is its share of Swedish exports of goods.

Sources: Eurostat, IMF, Intercontinental Exchange, OECD and the Riksbank

Table 5. GDP by expenditure

Annual percentage change, unless otherwise specified

	2009	2010	2011	2012	2013
Private consumption	-0.4	3.5 (3.5)	2.9 (2.6)	2.1 (2.1)	2.1 (2.0)
Public consumption	1.7	2.0 (1.8)	0.9 (0.9)	0.5 (0.5)	0.7 (0.7)
Gross fixed capital formation	-16.3	5.8 (5.6)	10.7 (8.4)	5.6 (5.4)	5.0 (5.1)
Inventory investment*	-1.5	2.3 (2.0)	-0.1 (0.4)	-0.2 (0.1)	0.0 (0.1)
Exports	-13.4	11.3 (11.7)	8.6 (8.5)	5.6 (5.5)	5.9 (5.8)
Imports	-13.7	13.3 (14.6)	7.8 (8.6)	5.7 (5.7)	6.3 (6.1)
GDP	-5.3	5.5 (4.8)	4.4 (3.8)	2.3 (2.5)	2.4 (2.4)
GDP, calendar-adjusted	-5.3	5.3 (4.6)	4.4 (3.9)	2.7 (2.9)	2.4 (2.4)
Final figure for domestic demand*	-3.0	3.3 (3.2)	3.6 (3.0)	2.2 (2.1)	2.2 (2.1)
Net exports*	-0.8	-0.1 (-0.4)	0.9 (0.5)	0.3 (0.2)	0.2 (0.2)
Current account (NA), per cent of GDP	6.8	6.2 (6.2)	6.7 (6.4)	6.7 (6.5)	6.6 (6.5)

*Contribution to GDP growth, percentage points

Note. The figures show actual growth rates that have not been calendar-adjusted, unless otherwise stated. NA is the National Accounts.

Sources: Statistics Sweden and the Riksbank

Table 6. Production and employment

Annual percentage change, unless otherwise stated

	2009	2010	2011	2012	2013
Population, aged 16-64	0.7	0.4 (0.4)	0.1 (0.1)	0.0 (0.0)	-0.1 (-0.1)
Potential hours worked	1.2	0.9 (0.9)	0.5 (0.5)	0.4 (0.4)	0.2 (0.2)
GDP, calendar-adjusted	-5.3	5.3 (4.6)	4.4 (3.9)	2.7 (2.9)	2.4 (2.4)
Number of hours worked, calendar-adjusted	-2.6	1.8 (1.6)	1.9 (1.5)	1.0 (0.8)	0.6 (0.5)
Employed, aged 15-74	-2.1	1.0 (0.9)	2.0 (1.7)	0.9 (0.9)	0.5 (0.6)
Labour force, aged 15-74	0.2	1.1 (1.0)	1.0 (0.7)	0.3 (0.4)	0.1 (0.2)
Unemployment, aged 15-74 *	8.3	8.4 (8.4)	7.5 (7.6)	7.0 (7.2)	6.6 (6.8)

* Per cent of labour force

Note. Potential hours refers to the long-term sustainable level for the number of hours worked.

Sources: Statistics Sweden and the Riksbank

Table 7. Wages and unit labour cost for the economy as a whole

Annual percentage change, calendar-adjusted data

	2009	2010	2011	2012	2013
Hourly wage, NMO	3.4	2.6 (2.5)	2.7 (2.7)	3.2 (3.1)	3.5 (3.4)
Hourly wage, NA	2.8	1.4 (1.7)	2.9 (2.9)	3.4 (3.4)	3.7 (3.6)
Employer's contribution*	-1.0	-0.2 (-0.1)	0.1 (0.1)	0.1 (0.1)	0.0 (0.0)
Hourly labour cost, NA	1.8	1.2 (1.6)	2.9 (3.0)	3.4 (3.4)	3.7 (3.6)
Productivity	-2.7	3.5 (2.9)	2.5 (2.3)	1.7 (2.0)	1.8 (1.9)
Unit labour cost	4.7	-2.2 (-1.2)	0.4 (0.6)	1.7 (1.3)	1.9 (1.7)

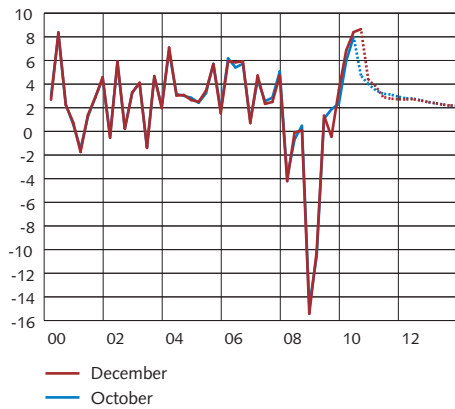
* Contribution to the increase in labour costs, percentage points.

Note. NMO is the National Mediation Office's short-term wage statistics and NA is the National Accounts. Labour cost per hour is defined as the sum of actual wages, collective charges and wage taxes divided by the seasonally adjusted total number of hours worked. Unit labour cost is defined as labour cost divided by seasonally adjusted value added at constant prices.

Sources: National Mediation Office, Statistics Sweden and the Riksbank

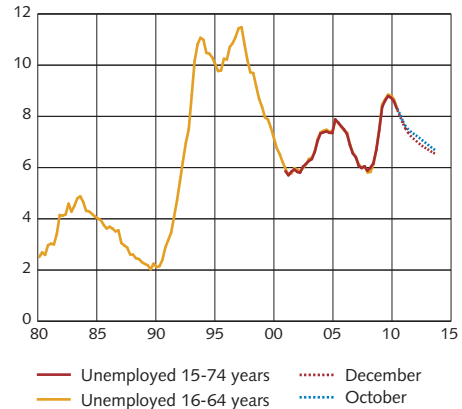
Figures

Figure 5. GDP
Quarterly changes in per cent calculated in annualised terms, seasonally-adjusted data



Sources: Statistics Sweden and the Riksbank

Figure 6. Unemployment
Percentage of the labour force, seasonally-adjusted data



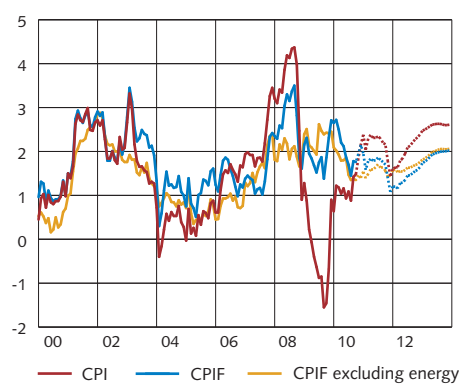
Note. Pre-1987 data has been spliced by the Riksbank.
Sources: Statistics Sweden and the Riksbank

Figure 7. Labour force and number of employed
Thousands, seasonally-adjusted data



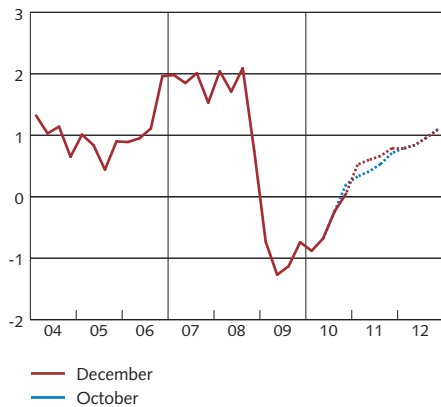
Note. Pre-1987 data has been spliced by the Riksbank.
Sources: Statistics Sweden and the Riksbank

Figure 8. CPI, CPIX and CPIX excluding energy
Annual percentage change



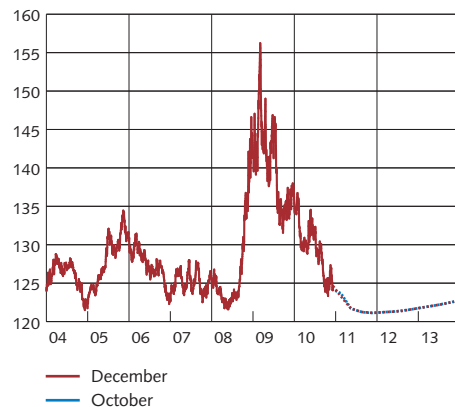
Note. CPIX is CPI with fixed interest rate.
Sources: Statistics Sweden and the Riksbank

Figure 9. Real repo rate
Per cent, quarterly averages



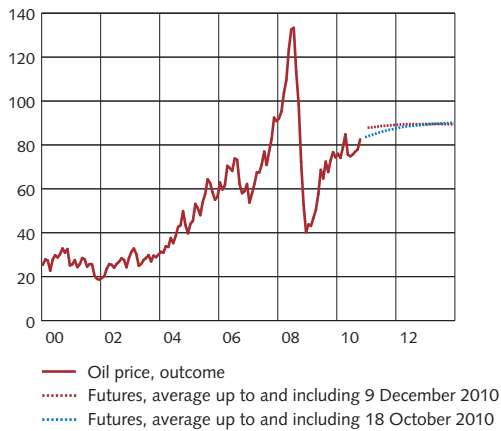
Note. The real repo rate is calculated as an average of the Riksbank's repo rate forecasts for the coming year minus the inflation forecast (CPIX) for the corresponding period.
Source: The Riksbank

Figure 10. TCW-weighted exchange rate
Index, 18.11.92 = 100



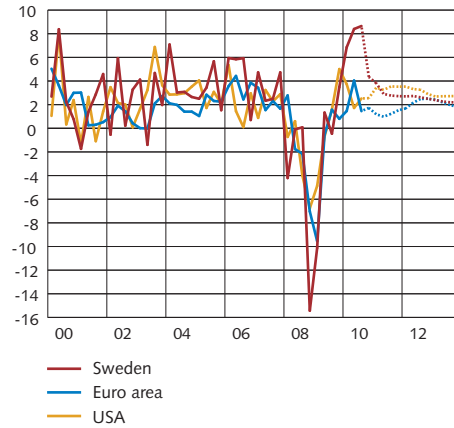
Note. Outcome data are daily rates and the forecasts are quarterly averages.
Source: The Riksbank

Figure 11. Oil price, Brent crude
USD per barrel



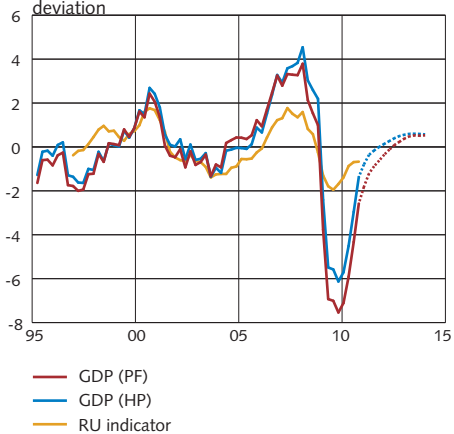
Note. Futures are calculated as a 15-day average.
Outcomes represent monthly averages of spot prices.
Sources: Intercontinental Exchange and the Riksbank

Figure 12. Development of GDP in different regions and countries
Quarterly changes in per cent calculated in annualised terms, seasonally adjusted data



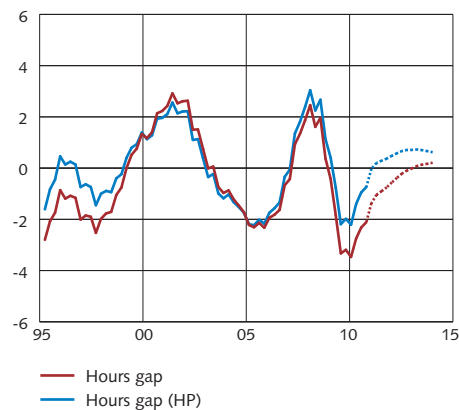
Sources: Bureau of Economic Analysis, Eurostat, Statistics Sweden and the Riksbank

Figure 13. GDP-gap and RU-indicator
Percentage deviation from potential level and standard deviation



Note. GDP-gap (HP) refers to the deviation from trend in GDP calculated with a Hodrick Prescott filter. The GDP gap (PF) refers to the deviation from trend in GDP calculated with a production function. The RU-indicator is normalized so that the mean value is zero and the standard deviation is 1.
Sources: Statistics Sweden and the Riksbank

Figure 14. Hours gap
Percentage deviation from potential level



Note. The hours gap (HP) refers to the deviation from trend in the number of hours worked calculated with a Hodrick Prescott-filter. The hours gap refers to the deviation in the number of hours worked from the Riksbank's assumed trend for the numbers of hours worked.
Sources: Statistics Sweden and the Riksbank