



# PRESS RELEASE

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## ■ Repo rate raised by 0.25 percentage points to 1.75 per cent

*The Swedish economy is continuing to grow at a good pace and the labour market is improving steadily. Underlying inflation is currently low, but is expected to increase as economic activity strengthens. At the same time, CPI inflation is now high as a result of rising mortgage rates. The Executive Board of the Riksbank has decided to raise the repo rate by 0.25 percentage points to 1.75 per cent to stabilise inflation close to the target of 2 per cent and to avoid resource utilisation becoming too high. The forecast for the repo rate is held unchanged.*

### **The Swedish economy remains strong**

The Swedish economy is continuing to grow at a good pace. Both exports and domestic demand are developing strongly. Investment has taken off and is growing fast. The labour market climate is also improving and is expected to lead to a rising rate of wage increase.

Growth in the world as a whole remains high, despite the natural disasters in Japan and the political unease in North Africa and the Middle East. Developments in Asia are particularly strong, but Europe and the United States are also continuing to recover. However, the strong developments in Asia and unease in the oil-producing countries are leading to an increase in energy and commodity prices. Prospects in Europe are still uncertain, as a result of the fiscal problems in several European countries.

### **Repo rate increases will continue**

Underlying inflation is still low in Sweden, but is expected to rise as the rate of wage increase accelerates and the spare capacity in the economy declines. Moreover, the rising energy and commodity prices will contribute to higher inflation in Sweden during the forecast period. At the same time, CPI inflation is high at the moment as a result of rising mortgage rates. This effect is expected to be transitory.



To stabilise inflation close to the target of 2 per cent and to avoid resource utilisation becoming too high, the repo rate needs to increase gradually towards more normal levels. The Executive Board has therefore decided to raise the repo rate by 0.25 percentage points to 1.75 per cent. A gradually increasing repo rate may also help to slow down the growth of household borrowing.

### Repo rate path held unchanged

The overall picture of economic prospects remains largely the same as in February. The forecast for the repo rate is therefore unchanged in relation to the Monetary Policy Report. One important condition for not raising the forecast for the repo rate is that the currently high CPI inflation does not make a more significant impact on various agents' long-term inflation expectations and on wage formation. 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.

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

Annual percentage change, annual average

	2009	2010	2011	2012	2013
<b>CPI</b>	-0.5 (-0.3)	1.2 (1.3)	3.2 (2.5)	2.8 (2.1)	2.7 (2.6)
<b>CPIF</b>	1.7 (1.9)	2.0 (2.1)	1.6 (1.9)	1.7 (1.5)	2.0 (2.0)
<b>GDP</b>	-5.3	5.5 (5.5)	4.6 (4.4)	2.3 (2.4)	2.5 (2.5)
<b>Repo rate, per cent</b>	0.7	0.5 (0.5)	1.8 (1.8)	2.8 (2.8)	3.4 (3.4)

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

### Forecast for the repo rate

Per cent, quarterly averages

	2011 Q1	2011 Q2	2012 Q1	2013 Q1	2014 Q1
<b>Repo rate</b>	1.4 (1.4)	1.7 (1.7)	2.5 (2.5)	3.2 (3.2)	3.6 (3.6)

Note. The assessment in the Monetary Policy Report in February 2011 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 1.75 per cent and against the repo rate path of the Monetary Policy Update.

They preferred a repo rate equal to 1.5 per cent and a repo rate path that first rises slower and then faster than that of the Update, to about 3.9 per cent by the end of the forecast period. Such a repo rate path 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 3 May 2011. The decision on the repo rate will apply with effect from 27 April. 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](http://www.riksbank.se).