



**SVERIGES
RIKSBANK** No. 1 9 January 1996

Press Release

THE RIKSBANK LOWERS THE REPO RATE BY 0.25 PERCENTAGE POINTS

The repo rate is to be lowered by the Riksbank from 8.91 per cent to 8.66 per cent. Inflationary pressure in the economy has eased. There is therefore an increased probability that in the coming years the rate of inflation will be in line with the price stability target.

Signs of weakening economic activity, in Sweden as well as internationally, have appeared at the end of 1995. This creates conditions for a lower rate of price increases.

The Swedish krona has strengthened and this is mirrored in, for instance, a retardation of producer price increases. Wage drift is also likely to become more subdued. But the Riksbank still considers that the krona is undervalued.

Inflation expectations, as reported in various surveys, have shown a favourable tendency during the autumn and winter. Like the fall in bond rates and the stronger krona, this is an expression of the better outlook as regards inflation.

The increased confidence in economic policy and a lower rate of inflation provide a good foundation for more sustained and balanced growth in the coming years.

The lower repo rate becomes effective in connection with today's scheduled reverse repo.

A press conference will be held at the Riksbank (entrance at Malmskillnadsgatan 7) today, Tuesday, at 13.00 hours.

Please note that a press card is required for admission.

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