No. 23

SEPARATE
MINUTES of the Executive Board meeting on 11 November 1999

Present: Urban Bäckström, Chairman
Lars Heikensten
Eva Srejber
Villy Bergström
Kerstin Hessius
Lars Nyberg

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Johan Gernandt, Vice Chairman of the Governing Council

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Claes Berg
Mårten Blix (§1)
Hans Dillén (§1)
Björn Hasselgren
Per Jansson (§1)
Hans Lindberg
Hans Lindblad (§1)
Christina Lindenius
Helena Öström (§1)
Åsa Sydén
Michael Wallin
Staffan Viotti

§1. Monetary policy discussion

It was noted that Christina Lindenius and Hans Lindberg would draft the minutes of §§1 and 2 on the agenda.

The meeting began with discussions of the factors in economic developments in Sweden and the rest of the world that are of importance for inflation prospects and the formation of monetary policy (section 1). The discussion of each aspect started from analyses and assessments that had been put together in the Economics Department and the Monetary & Exchange Rate Policy Department, and were based on the technical assumption that the Riksbank's repo rate is unchanged at 2.90 per cent up to the end of 2001 Q3. Thereafter the Executive Board discussed inflation prospects (section 2) and finally drew its conclusions about the monetary policy situation (section 3).

1. Economic developments in Sweden and elsewhere

1.1 Prices in Sweden

The Board began by noting that the path of consumer prices in September and October is broadly in line with the main scenario in the October Inflation Report.

The 12-month rates of CPI and UND1X inflation in October 1999 were 0.8 and 1.7 per cent, respectively, which completely agrees with the main scenario. At 1.5 per cent, domestic underlying inflation, as measured by UNDINHX, is, however, somewhat lower than expected. This is partly because food prices were somewhat lower than had been estimated and there was some underestimation of price effects from the deregulation of telecommunications.

The Board also considered the recent development of producer prices and concluded that, in time, this development could lead to a somewhat stronger consumer price trend compared with the main scenario, partly via higher import prices. Price pressure at producer level is still subdued on the whole, but it is rising. The import price rise in September was higher than foreseen in the main scenario, to some extent because oil prices were unexpectedly high. With rising international prices for commodities and intermediate goods, the price trend for manufactured imports has also been stronger than allowed for in the main scenario. The domestic market price rise in September was likewise somewhat higher than expected. This is partly explained by price increases for petroleum products, but it also reflects growing price pressure on consumer and investment goods. Moreover, the September business tendency survey from the National Institute of Economic Research shows that more and more firms are planning price increases.

1.2 International activity and inflation

In the Inflation Report, annual GDP growth in the OECD area in the period 1999–2001 was judged to be almost 2.5 per cent. Inflation in the OECD area was judged to move up gradually in this period, from 1.4 per cent in 1999 to 2.0 per cent in 2001.

The Board noted that at 4.2 per cent in annual terms, Q3 GDP growth in the US economy remained strong. The increase in consumption was somewhat slower than in Q2, but the saving ratio continued to fall. The level of consumer confidence remains historically high, though recently it has tended to slacken. This has been accompanied by improved export prospects and persistently high investment levels. In the coming year, growth in the US economy may therefore be somewhat stronger than foreseen in the Inflation Report. There are future risks, however, in the growing current account deficit, which to an increasing extent is being financed with short capital movements, and the increasingly negative private saving ratio. To this should be added the risk of an abrupt correction in US stock market.

The Board also judged that the upward phase in the euro area could be somewhat stronger than foreseen in the main scenario in October. The leading indicators for manufacturing have strengthened unexpectedly rapidly and this has been accompanied by increased output. Moreover, activity has picked up again in the United Kingdom and consumption there is rising more strongly than expected. The economic recovery in Japan also looks somewhat more robust than before. Industrial production was unexpectedly high in both August and September, manufacturers have become more confident and there was some reduction of unemployment in September. Even so, consumer confidence in Japan is still weak, mainly because large companies are continuing to give notice of major personnel cuts.

All in all, the Board found that, compared with the assessment in the Inflation Report, international economic prospects had become somewhat more positive and that this can lead to somewhat stronger external price tendencies. One Board member pointed out that recent developments could be said to confirm the member's divergent assessment of international prospects at the Executive Board meeting on 5 October before the publication of the Inflation Report. This member's view of international economic activity was still somewhat more optimistic than that of the other Board members.

1.3 Financial markets

The Board noted that since the publication of the Inflation Report bond rates in the euro area and the United States had tended to fall. The tendency had been upwards initially in the light of stronger economic statistics for Italy and Germany, as well as for the US economy. This was followed by a fall in rates, however, when market players began to count on an imminent repo rate increase in the euro area and US inflation in September turned out to be lower than expected. In Japan, the overall long-term interest rate tendency has been upwards, partly due to an expected increase in the supply of Japanese treasury bonds to finance additional stimulatory measures.

In Sweden, bond rates have followed the international trend, with an upward movement early in October and a downward tendency since then. The Swedish ten-year rate is now approximately 0.3 percentage points lower than at the time of the October Inflation Report. This has been accompanied by a further narrowing of the interest rate differential with Germany, from around 0.6 to about 0.45 percentage points.

The Board noted that the ECB had raised its interest rate 0.50 percentage points and that the reception in financial markets had been favourable, with falling long-term rates, for example. Following ECB statements, market players seem to expect the instrumental rate in the euro area to be unchanged for a time. The Bank of England raised its instrumental rate another 0.25 percentage points at the beginning of October; market players appear to count on further interest rate increases in the

United Kingdom but expect the Bank of England to wait until after the turn of the year.

The Board noted that more and more observers believe that the Riksbank will soon raise the repo rate. Analysts have taken note of the strong retail statistics and the signals from Board members that a future monetary policy tightening is on the agenda. Survey data show that virtually all analysts believe that at today's meeting the Riksbank will decide to raise the repo rate 0.25 percentage points.

The general stock market unrest at the beginning of October probably contributed to the weakening of the krona at that time. Since then the krona has appreciated once more and against the euro it is now somewhat stronger than at the beginning of October. Against the US dollar, however, the krona has depreciated 2.5 per cent, as well as becoming somewhat weaker in effective terms.

All in all, the Board found no grounds for any sizeable revision of the forecasts for interest rates and the exchange rate that were incorporated in the Inflation Report's assessment of inflation prospects. But in view of the stronger international economic activity and the somewhat more restrictive monetary stance in the rest of the world, it may be reasonable to assume that the krona's short-run path will be marginally weaker than envisaged in the Report's main scenario. The assessment that in the coming two years the krona will become successively stronger still holds.

The Board observed that stock markets in the United States and other countries, including Sweden, have recently shown renewed strength. The high stock market prices in the United States continue to constitute a risk for economic and inflation prospects.

1.4 Import prices

In the main scenario for the Inflation Report it was judged that the consumer price trend for imported goods in 2000 and 2001 would be very weak, mainly due to a restrained international price tendency and a successive appreciation of the krona. The weak outlook for import prices was in turn the main explanation for the assessment that at the end of the forecast period both CPI and UND1X inflation would be only marginally above the inflation target despite the appreciably faster increase that was assumed for domestic underlying inflation, measured as UNDINHX.

The Board noted that during the autumn, prices for commodities and intermediate goods had risen more than expected. In the Inflation Report's main scenario the barrel price of crude oil had been judged to move up to about USD 21 this autumn and then gradually fall back to just over USD 17 by the end of 2001. This autumn the oil price has, on average, been about USD 1 higher than expected. Moreover, forward oil prices have risen, particularly for contracts maturing in up to a year. In view of this, the Board found that prices for oil and other commodities may exceed the levels that in the Inflation Report were considered probable in the coming two years. In the opinion of one Board member, in the forecast period the barrel price of oil may fluctuate around USD 20.

In light of the somewhat more positive international economic prospects and higher prices for commodities and intermediate goods, the Board concluded that external price pressure will be somewhat stronger than foreseen in the Inflation Report. Together with a somewhat weaker short-term path for the krona, this means that prices for consumer imported goods will probably be higher than according to the main scenario.

1.5 Demand and supply

Sweden's GDP growth rate was judged in the October Inflation Report to be 3.6 per cent in 1999, 3.8 per cent in 2000 and 3.0 per cent in 2001. In turn, rapidly expanding demand was judged to mean that the economy's unutilised resources would be successively brought into production in the coming two years.

Exports have followed the path in the Inflation Report's main scenario this autumn, but the increase in imports of goods reported by Statistics Sweden is still remarkably low. Figures from Statistics Sweden indicate that export orders in manufacturing continued to weaken in August, while the opposite—a further strong inflow—is indicated by the National Institute's business tendency survey and Föreningssparbanken's purchasing managers index (ICI).

An increase in the growth of public consumption in the second half of 1999 was assumed in the main scenario. According to Statistics Sweden, however, the Q3 number of hours worked in the public sector was down on Q2, above all in the local government sector. This could be an indication that the growth of public consumption during 1999 will be somewhat lower than assumed earlier.

The retail sales trend has remained strong since the latest Inflation Report. As previously, the increase is coming in particular from so-called specialised products. Moreover, the August increase in retail turnover according to Statistics Sweden was unexpectedly high. However, a weaker September outcome according to the Wholesale & Retail Research Institute suggests that the increase is slackening.

New car registrations as well as credit aggregates are still rising steadily. Money supply growth is strong. The ratio of households' gross debt to disposable income has been rising since 1996, but is still considerably lower than in the late 1980s. At present households are historically optimistic about their own economic situation as well as Sweden's economy and the labour market.

The Board concluded that recent information does not occasion any change in the appraisal of household consumption.

No new statistics on investment and stocks have been published since the Inflation Report. The Q3 business tendency survey from the National Institute suggests, however, that the strengthening of activity is continuing, in line with the main scenario, in almost the whole of manufacturing as well as the service industries. The picture of a relatively favourable development of manufacturing activity is confirmed, moreover, by Föreningssparbanken's purchasing managers index (ICI). Doubts are raised by Statistics Sweden's preliminary data on manufacturing orders and output, which show falls of 2.7 and 1.3 per cent, respectively, in June–August from the preceding three-month period. However, these data are uncertain and sizeable revisions are frequent; moreover, the downward tendency seems to have been concentrated to a single industry, which suggests that it may represent a temporary effect. The Board therefore concluded that, all in all, the assessment of investment and stockbuilding in the Swedish economy remains unchanged.

Labour market developments to date this year are broadly in line with the picture in the Inflation Report's main scenario. The number in employment and hours worked are still rising in annual terms, but at a somewhat diminishing rate. The interpretation of the statistics is uncertain; it is conceivable that this autumn's increase in employment is marginally weaker than expected.

Summing up, the Board found that the recent statistics give a picture of economic activity that is somewhat more varied than at the turn of August/September. Still, there is no cause at present to alter the appraisal of growth prospects in the Swedish economy. Manufacturing output, export orders and employment seem to have developed more weakly than expected. But most other indicators, such as retail turnover and money and credit aggregates, suggest that activity is continuing to strengthen in line with the Inflation Report's main scenario. In the opinion of one Board member, however, GDP growth will probably be higher than in the main scenario, partly because the international economic trend will be stronger.

Capacity utilisation in manufacturing, as measured by the business tendency surveys, moved up from 84 per cent in June to 85 per cent in September. At the same time, the proportion of firms reporting machinery and plant capacity as the main obstacle to increased production rose from 19 to 21 per cent and the proportion with labour as the primary obstacle increased from 6 to 9 per cent. On the whole, therefore, capacity utilisation in manufacturing cannot be said to have been remarkably high in September, though it is worth noting that the proportion of firms with shortages of skilled labour had moved up to 23 per cent, which is the highest figure since 1990.

Some service industries continue to report shortages of personnel with the relevant competence. In computer consultancy and computer services, however, these shortages have clearly decreased, though this may be a temporary effect in that preparations for the turn of the millennium are nearing completion and firms are waiting until the new year before they initiate new projects.

All in all, the Board found no cause to alter the assessment of current resource utilisation in the economy. It was noted that resources those unutilised at present will be brought into production in the coming two years as demand grows.

1.6 Wages

The overall wage level was judged in the Inflation Report's main scenario to rise 3.4 per cent in 1999, 4.2 per cent in 2000 and 4.5 per cent in 2001. This was accompanied by a perceived risk of labour shortages that in time might lead to wage increases being more marked than in the main scenario.

Since the publication of the Inflation Report the wage tendency has been weaker, if anything, than expected. The statistics are difficult to interpret, partly because some wage agreements involve wage adjustments at intervals of more than twelve months, but tendencies in the labour market, including new wage settlements and wage demands, do confirm a risk of rising wage pressure. New wage agreements were concluded recently for construction workers and electricians; they cover about 80,000 employees, apply until March 2001 and give somewhat higher negotiated increases than allowed for in the main scenario. Wage agreements for about another 420,000 employees expire during 2000. In some sectors of the labour market for which agreements will be negotiated in the coming year labour demand is strong.

The Board concluded that there was no cause to alter the depiction of wage developments presented in the Inflation Report. There is still a risk of more marked labour shortages and higher wage pressure. One Board member pointed out that people in general, as well as labour market organisations, appear to have confidence in the inflation target and that this favours restrained wage agreements. Moreover, wage negotiations may be favourably influenced by major real wage increases in recent years as a result of low inflation and fiscal policy's less restrictive impact on households. Another member also underscored the inflation target as a stabilising factor in wage formation, but argued that this could contribute to a somewhat weaker wage trend than in the main scenario. A third member noted that wages in Sweden are still rising faster than in competitor countries and emphasised the risk of more pronounced labour shortages, partly due to regional imbalances and low geographical mobility among job-seekers.

1.7 Price effects from deregulation, trade liberalisation, political decisions and interest expenditure

Deregulation and trade liberalisation were judged in the October Inflation Report to have a downward price effect in the forecast period of between 0.1 and 0.3 percentage points per annum. Changes in indirect taxes and subsidies, together with altered household interest costs, were judged to hold back CPI inflation in 1999 and 2000 by 0.8 and 0.3 percentage points, respectively, followed by no appreciable effect in 2001.

The Board noted that since the Inflation Report no new information has been received about the consumer price effects of deregulations and trade liberalisation. Neither have there been any new political decisions that are likely to affect prices. Nor does the development of interest rates occasion any appreciable deviations from the Report's main scenario.

1.8 Inflation expectations

Four surveys of inflation expectations have been published since the October Inflation Report. Taken together, they show expectations of rising inflation in the coming year and virtually unchanged expectations for the longer run.

In October, according to Statistics Sweden, households expected CPI inflation one year ahead to be 1.3 per cent. The corresponding expectations in September among manufacturers and service industries according to the National Institute were 1.5 and 1.3 per cent, respectively. Compared with the June survey, this is an increase of about 0.5 and 0.3 percentage points, respectively.

In the October survey by Prospera, average expectations of price increases in the coming years had been adjusted upwards since August by all the interviewed groups. The consumer price rise one year ahead was judged to be between 1.4 and 1.9 per cent, depending on the surveyed category. The average expectation of inflation one to two years ahead was between 1.6 and 2.1 per cent, while three to five years ahead it was between 1.8 and 2.2 per cent.

The Board concluded that the rising short-term expectations of inflation confirm the Riksbank’s view of inflation. The medium and longer-term expectations remain anchored around two per cent.

2. The Board's assessment of inflation prospects

The 12-month change in CPI inflation was judged in the Inflation Report’s main scenario to be 1.1 per cent in September 2000 and 2.0 per cent in September 2001. The corresponding assessments of underlying inflation, measured as UND1X, were 1.8 and 2.1 per cent, respectively. There was, however, a perceived risk of labour shortages being more marked than foreseen in the main scenario and this in turn could lead to higher wage increases and stronger inflationary pressure. Taking the risk spectrum into account, the mean inflation assessment was therefore 0.1 percentage point higher than the forecast in the main scenario; in other words, 2.2 per cent.

2.2 The monetary policy group’s appraisal

The Board’s discussion was preceded by an account of a corresponding discussion in the Bank's monetary policy group. [1]

The policy group had considered that statistical data received recently pointed to inflation one to two years ahead being marginally higher than foreseen in the main scenario, mainly due to rising prices for commodities and intermediate goods. But there was no reason to revise the view of economic activity in Sweden. As in the Inflation Report, the most evident risk to inflation prospects was judged to come from labour shortages and rising demands for wage increases.

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[1] The group is made up of Riksbank staff and is headed by one of the deputy governors.

2.2 The Board's discussion

To start with, the Executive Board noted that in the ensuing discussion of inflation prospects and the formation of monetary policy, in the present situation it was reasonable to disregard the calculated effects of indirect taxes, subsidies and interest expenditure because these factors were not judged to exert a permanent effect on either inflation or inflation expectations. Thereafter the discussion accordingly focused on inflation measured by UND1X.

Four Board members concluded that UND1X inflation one to two years ahead will be marginally higher than foreseen in the Inflation Report, above all as a consequence of higher international prices for commodities and intermediate goods. On the whole, the view that the Swedish economy is in a strong, broad upswing has been confirmed recently. Demand is growing and unutilised resources are being brought into production successively. This means that underlying inflationary pressure in the economy is also rising. As previously, the most evident risk in this context is that labour shortages become more marked. That in turn can lead to higher wage increases and stronger inflationary pressure than now foreseen. So the risk spectrum was judged to be broadly unchanged.

A fifth Board member adhered to the overall assessment of inflation at the time of the October Inflation Report. Since then, oil prices have admittedly followed a path that is somewhat stronger than in the Report's main scenario, but the member considered that, on the other hand, there was now reason to believe that the wage forecast was somewhat too high.

A sixth Board member stood firm on the divergent assessment of inflation prospects that this member had expressed at the Board meeting on 5 October before the publication of the Inflation Report. This Board member continued to believe that, assuming an unchanged repo rate, inflation measured by UND1X would probably rise to 2.1% in September 2000 and 2.6% one year later.

3. The Board's assessment of the monetary policy situation

3.1 The monetary policy group's assessment

The monetary policy group had noted that the economy is in a strong, broad upswing and that inflationary pressure can be expected to grow as the unutilised resources are brought into production. Moreover, rising prices for commodities and intermediate goods were judged to result in inflation being marginally higher than foreseen in the Inflation Report. Inflation two years ahead was therefore expected to exceed the inflation target by a somewhat wider margin than had been calculated in the Inflation Report. A repo rate increase had been signalled, moreover, by Riksbank representatives to the financial markets and the general public. On the whole, therefore, the policy group was of the opinion that the time was now ripe for monetary policy to take a less expansionary direction.

The group had discussed the magnitude of the repo rate adjustment that was judged to be called for and whether there were grounds for altering the deposit and/or the lending rate, that is, the interest rate corridor. On the latter point the group considered the deposit and lending rates should remain unchanged. The interest rate corridor is broad at present and provides considerable room for future repo rate increases. Neither was there judged to be reasons for influencing expectations of future monetary policy by adjusting the corridor.

In the opinion of the policy group, the inflation prospects made it most natural to raise the repo rate by 0.25 percentage points. The outlook for inflation had not changed substantially since the publication of the Inflation Report. So an increase of more than 0.25 percentage points is neither motivated nor expected. Moreover, the development of bond rates and the exchange rate has been stable and positive even after the ECB raised its interest rate. The policy group had, however, discussed two circumstances that might favour a somewhat larger repo rate increase in this situation. Now that monetary policy is to be conducted in a less expansionary direction, there could be an inherent advantage in the Board agreeing on a common line. The other circumstance that might speak for a somewhat larger increase than 0.25 percentage points was that the next occasion for a monetary policy decision is at the beginning of December and thus relatively close to the turn of the year. The policy group had considered that although everything points to the financial markets not being disturbed by the millennium changeover, there might be cause to eliminate any financial market uncertainty about monetary policy during this period.

3.2 The Board’s discussion

Considering the successive increase in inflationary pressure during the strong, broad upswing and the assessment that inflation is now judged to be marginally stronger than envisaged in the Inflation Report’s main scenario, four Board members were of the opinion that the time had now come to pursue a less expansionary monetary policy. This conclusion also rested on the view that the inflation assessment still contained an upside risk, mainly in the form of a stronger development of wage costs. A fifth Board member drew the same conclusion about the need to raise the repo rate, but did so from the standpoint that inflationary pressure is stronger than that perceived by other members. A sixth member considered that inflation prospects had not changed since the October Inflation Report and the repo rate should be held unchanged at least until the December Report.

The Board’s discussion focused mainly on four issues: the significance of the risk spectrum for the monetary policy decision; the recent monetary policy signalling; the turn of the millennium and any consequences for the monetary policy decision; and, finally, the size of the repo rate increase.

Several members underscored that the overall assessment of risks is an integral part of the monetary policy decision. In the Inflation Report’s main scenario, some increase in inflation was foreseen in the coming years and, given an unchanged repo rate, inflation would be marginally above the Riksbank’s target two years from now. The overall risk assessment, however, had pointed to somewhat higher inflation. The most evident risk was that labour shortages would lead to higher wage increases and stronger inflationary pressure. Thus, at the time of the Inflation Report, arguments already existed for raising the repo rate and it had really been a question not of *whether* monetary policy would be made less expansionary but of *when* this would happen.

Several Board members considered that by refraining from a repo rate increase directly after the publication of the Inflation Report, time had been provided for participating in the debate and preparing people for the need to give monetary policy a less expansionary direction, and thereby contribute to the continuation of a favourable economic development characterised by stable prices and sustainable growth. Financial market players had also been given time in which to adjust to the prospect of a repo rate increase. But there were also Board members who considered that the signalling to the market may have created the impression that the timing of the repo rate increase is self-evident.

In the discussion of monetary policy in the light of the millennium changeover, the Board members noted that concern about the changeover had subsided considerably and that everything pointed to the changeover occurring without any essential disturbances in financial markets. Some members added that it is reasonable for the Riksbank to contribute to a reduction of any uncertainty about monetary policy and that this favours holding the repo rate unchanged close to the turn of the year unless something exceptional were to happen. In the opinion of one Board member, however, the millennium changeover does not constitute a reason for not deferring any repo rate increase until December.

One Board member stated that, given the present picture of monetary policy expectations in financial markets, a repo rate increase will probably reduce uncertainty about the formation of monetary policy, which may decrease risk premia in long-term interest rates. If the repo rate is held unchanged, on the other hand, uncertainty in financial markets may increase instead.

Four Board members considered that, taken by itself, the picture of inflation and risks favoured a repo rate increase of 0.25 percentage points. In the Inflation Report's main scenario, inflation two years ahead was judged to be marginally above 2 per cent. Moreover, the risk spectrum indicated somewhat higher inflation than this. There has now been some upward revision of inflation. Furthermore, the time horizon in the assessment has shifted somewhat further ahead, which in an upward phase implies somewhat stronger inflationary pressure. The four members also argued that considerations of another kind might favour a somewhat larger increase of 0.35 percentage points. They considered it would be valuable to 'clear the air' for the time being and thereby reduce market uncertainty about the direction of monetary policy up to the turn of the year. They also saw an advantage in the current situation in achieving as much support as possible on the Board for the decision that would be taken. According to one of these members, however, the timing of the increase was not self-evident and the picture of inflation could still warrant holding the repo rate unchanged for a further period.

A fifth Board member considered that the inflation prospects pointed to an immediate repo rate increase of 0.5 percentage points on the grounds that another increase in

December should be avoided because of the millennium changeover. This member underscored that at present monetary policy is markedly expansionary at a time when the Swedish economy is in a strong, broad upswing. In view of the economic prospects, another matter to consider in this context was the pace at which the repo rate should be moved towards the level that can be regarded as neutral. At the same time, the member set great store by achieving a consensus on the Board about the size of the repo rate increase and could therefore, as a compromise, agree to a decision to raise the repo rate 0.35 percentage points.

One of the four Board members mentioned earlier pointed out that as the relationship between growth and inflation is still uncertain, the time has not yet come to form an opinion about the level of the repo rate that is desirable in the somewhat longer run. There may be grounds for deferring any further repo rate increases until more concrete signs of inflationary impulses start to appear.

The sixth Board member considered that the repo rate should be held unchanged, at least until the December Inflation Report. This member underscored that the prospects for inflation have not changed since the October Report. An increase should wait until further analyses have been made for the next Inflation Report and that these analyses show that the inflation target is exceeded.

§2. Monetary policy decision

The Chairman summarised the monetary policy discussion under §1 and noted that a majority of the members of the Executive Board considered that the repo rate should be increased by 0.35 percentage points.

The Chairman then proposed that the Executive Board decides

– that the repo rate is increased by 0.35 percentage points, from 2.90 to 3.25 per cent, and that this decision be effective from 17 November, and

– that the decision to increase the repo rate be announced at 9.30 a.m. on 12 November 1999 with the motivation and wording contained in the draft of Press Release no. 74 1999, Annex A to the minutes.

The Executive Board decided in accordance with the proposal.

Deputy Governor Villy Bergström entered a reservation against the decision to raise the repo rate at the present time and stated that the repo rate should be held unchanged. He stood firm on the overall inflation assessment in the October Inflation Report. Since then, oil prices had admittedly risen somewhat more strongly than had been foreseen in the Report, but he considered there were now grounds for believing that the wage forecast was somewhat too high. There is still unutilised capacity, as well as high unemployment, and inflation two years ahead was judged to be on target. In his opinion, it is important not to break the positive trend. An increase should wait until there are clear signs that the inflation target is in danger of being exceeded.

This minute was immediately confirmed.