No. 1

SEPARATE
MINUTES of the Executive Board meeting on 3 February 2000

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

Sven Hulterström, Chairman of the Governing Council
Johan Gernandt, Vice Chairman of the Governing Council

Kerstin Alm
Mikael Apel
Claes Berg
Mårten Blix (§1.1)
Hans Dellmo
Hans Dillén (§1.1)
Björn Hasselgren
Per Jansson (§1.1)
Hans Lindberg
Hans Lindblad (§1.1)
Åsa Sydén
Staffan Viotti
Michael Wallin
Helena Öström (§1.1)

§ 1. Monetary policy discussion

It was noted that Mikael Apel, Hans Dellmo 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 relevant for inflation prospects and the formulation of monetary policy (section 1). The discussion of each aspect started from analyses and assessments compiled by the Economics Department and the Monetary & Exchange Rate Policy Department. A technical assumption in these analyses is that the Riksbank's repo rate is held unchanged at 3.25 per cent up to the end of 2001 Q4. After that the Board discussed inflation prospects (section 2) and finally drew conclusions about the monetary policy situation (section 3).

1. Economic developments in Sweden and elsewhere

1.1 Prices in Sweden

The Board noted initially that consumer price tendencies in November and December were broadly in line with the main scenario in the latest Inflation Report, published in December 1999.

The 12-month changes in the CPI and UND1X in December 1999 were 1.2 and 1.9 per cent, respectively, which is 0.1 percentage point higher than envisaged in the main scenario. At 1.5 per cent in December, underlying domestic inflation, as measured by UNDINHX, is also marginally higher than expected. The upward shift in inflation in recent months is largely explained by higher prices for petrol and domestic heating oil in connection with rising world market prices for crude oil. In other respects, consumer price tendencies have been subdued.

Producer prices have gone on rising. The increases in import and home market prices in November and December exceeded expectations, mainly due to price increases for oil and other energy products. Moreover, the December business tendency survey from the National Institute of Economic Research indicates that price increases are being planned by a growing number of manufacturers. All in all, the Board concluded that the rising producer prices can lead to somewhat higher inflationary pressure and in time have some impact on consumer prices.

1.2 International activity and inflation

In the December Inflation Report, annual GDP growth in the OECD area in the period 1999–2001 was judged to average around 2.7 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 the economic trend in the United States remains strong. Consumer confidence and share prices both rose to new records in December. With the strong domestic demand, the trade deficit has gone on growing markedly and unemployment is still falling. Even so, the consumer price tendency remains subdued. In December the 12-month change in the official index of underlying inflation, which excludes energy and food prices, was the lowest since the 1960s. All in all, GDP growth in the United States in the coming years was judged to be somewhat higher than foreseen in the Inflation Report. At the same time, Board members were considerably concerned about the accumulated imbalances in the U.S. economy. Growth in the United Kingdom was likewise judged to be somewhat higher than expected earlier.

The upswing in the euro area was also judged to be marginally stronger than allowed for in the main scenario. Euro area activity has become increasingly balanced, as rising exports accompany the continuation of strong domestic demand. In recent months the rate of HICP inflation has moved up, to 1.7 per cent in December; this is mainly explained by higher oil prices, together with some contribution from a weaker euro.

In Japan the economic recovery has tended to falter since the time of the December Inflation Report. Private consumption has been weak, partly due to a marked fall in annual bonus wages; export growth has been subdued by the strong yen and investment is still falling. Compared with 1999, moreover, the government's stimulatory package is smaller for 2000. The Board judged that growth in Japan will be lower than was assumed in the Inflation Report.

Summing up, the Board noted that international economic prospects showed some improvement compared with assessments in the December Report and this may lead to a somewhat stronger external price trend. A Board member pointed out that the upward international trend is relatively synchronised. Price increases for commodities and intermediate goods have been followed, as usual during a broad upswing, by rising prices for agricultural products as well. External inflationary pressure is therefore moving up and is probably stronger than the majority of Board members perceive.

1.3 Financial markets

The Board noted that bond rates in the United States and the euro area have risen in recent months, partly in view of persistently strong growth and improved economic prospects, respectively. Bond rates in Japan have risen in connection with large issues and signals that monetary policy will become more restrictive during the year if growth picks up.

Swedish bond rates have followed the international trend but have not risen as much as elsewhere. Since the publication of the December Inflation Report the Swedish ten-year rate has moved up around 0.4 percentage points but the differential with the German rate has narrowed from about 0.5 to 0.4 percentage points. The upward shift in both Swedish and international bond rates since the December Report is larger than had been expected. The Board found it reasonable to expect that the level of Swedish and international long-term rates this year will presumably be somewhat higher than assumed in the December Report.

Instrumental rates have been raised since the turn of the year by a number of central banks. While the meeting was in progress, the ECB announced an instrumental rate increase of 0.25 percentage points. The Federal Reserve recently raised its instrumental rate by 0.25 percentage points and the latest statements from that quarter are leading market players to expect further increases in the coming months. The Bank of England raised its repo rate by 0.25 percentage points in the middle of January and in view of tendencies in markets for labour and housing, market players appear to count on further increases.

The Board noted that, according to survey data, virtually all market analysts expect that at today's meeting the Riksbank will raise the repo rate by at least 0.25 percentage points. The analysts' considerations include higher-than-expected inflation in December, higher inflation expectations and statements by the Riksbank Governor to the effect that a monetary tightening is on the future agenda.

In recent months the TCW exchange rate index has fluctuated between 124 and 125, which is a marginally weaker tendency than foreseen in the December Inflation Report. A Board member noted that potential growth in the United States may have moved up in recent years, in which case the dollar may remain high for longer than assumed earlier.

Under these circumstances and the assessment that international growth may be somewhat stronger than forecast earlier, the Board considered that the krona may appreciate somewhat more slowly than foreseen in the Report's main scenario.

The Board noted that share prices in Sweden have gone on rising since the turn of the year and that stock markets in the United States and several other countries have been volatile.

1.4 Import prices

In the main scenario for the Inflation Report it had been judged that in 2000 and 2001 the import price trend for consumer goods would be weak, mainly due to a restrained international price tendency and a successive appreciation of the krona. Moreover, the barrel price of crude oil had been expected to move up to about USD 25 towards the end of 1999 and then fall back by degrees to about USD 19 in 2001. The Board noted that the oil price had continued to rise in December and the average outcome had been about USD 1 higher than forecast. Since then the price has fluctuated around an average level of USD 26. Forward oil prices have risen but still indicate a downward tendency. Two Board members pointed out that the oil price rise in the past year has mainly reflected the OPEC decision to cut oil output but that recent tendencies have come to a greater extent from rising international demand. A third member considered that such a marked oil price rise as in the past year may lead to OPEC production quotas being broken so that the price falls back. The Board concluded that in the coming two years the average price of oil will probably be somewhat higher than was foreseen in the December Report, though the future price is highly uncertain.

The Board then noted that other commodity prices have also been stronger than expected. Considering the probability that international growth will be somewhat stronger than foreseen in the December Report, the Board judged that other international prices may also rise somewhat more than expected earlier. Together with a somewhat slower appreciation of the krona, this implies that import prices for consumer goods will probably be stronger than assumed in the latest Inflation Report.

1.5 Demand and supply

Sweden's GDP growth rate was judged in the December Inflation Report to be 3.4 per cent in 1999, 3.7 per cent in 2000 and 3.3 per cent in 2001. The rapid expansion of total demand was judged successively to bring the unutilised resources into production.

The Board noted that exports during 1999 seem to have been broadly in line with the assessment in the December Report. The somewhat better international prospects, together with a slower appreciation of the krona and higher international export prices, are expected to have a slight positive effect on Swedish exports in 2000 and 2001. Judging from the national accounts and new statistics on trade in goods, the outcome for imports in 1999 was weaker than assumed in the Inflation Report.

Household consumption in the first three quarters of 1999 rose 4 per cent from the corresponding period the year before. The increase was particularly strong in the third quarter. Household confidence is high and spending plans as surveyed by Statistics Sweden point to a continuation of strongly rising consumption. Similar indications are found in the November retailing figures from Statistics Sweden and the December figures from the Wholesale & Retail Research Institute.

New car registrations in December 1999 were 48 per cent higher than a year earlier, the largest increase in the 1990s. Car sales contribute more than one percentage point to private consumption's estimated annual growth in 1999. Factors behind the steeply rising car sales in 1999 probably include an old stock of cars, falling relative prices and the prospect of some tax increases in 2000. But the trend for car sales is expected to remain strong this year.

The 12-month change in the narrow money supply (M0) moved up from 9 per cent in November to 12 per cent in December. The upward tendency points to a continuation of the strong trend for retailing in particular.

The Board concluded that the recent information calls for an upward revision of the consumption forecast compared with the main scenario in the December Report. A Board member noted that the strong stock market has generated high asset values that are likely to result in increased private consumption in the coming years. Another member pointed out that in addition to the strong price trend for shares and real estate, fiscal policy is less restrictive than before and this can also be expected to strengthen private consumption. A third member underscored the significance in this context of the budget work in the spring. In the political parties that support the Government there seem to be strong advocates of increased public expenditure; this will now be considered in relation to the targets that the Riksdag (Sweden's parliament) has established for government finances. A fourth member observed that the rapid growth of various money and credit aggregates indicates a continuation of strong private consumption.

The national accounts for 1999 Q3 present a fairly extensive revision of the outcome for gross fixed capital formation in the first half-year. With the marked downward revision of the Q2 volume of manufacturing investment, the change from the same quarter a year earlier is negative for both Q2 and Q3. The outcomes for the energy sector and the public authorities in the first two quarters have also been revised downwards. This means that the volume trend for gross fixed investment in 1999 was probably weaker than foreseen in the December Report. For 2000 and 2001, however, investment prospects are substantially unchanged. Interest rates for longer maturities may be higher than envisaged in the December Report but this should mainly be a consequence of the better international activity and its effects on economic activity in Sweden. For stockbuilding, on the other hand, the picture in the national accounts for the first three quarter of 1999 is in line with the assessment in the Inflation Report and future prospects are unchanged.

All in all, the Board concluded that the new information since the December Report reinforces the picture of a strong and broad economic upswing. GDP growth in 1999 may have been marginally higher than foreseen in the main scenario and growth prospects for 2000 and 2001 have also improved.

Labour market tendencies are broadly in line with assessments in the December Report; employment rose during most of 1999, though at a declining rate. Increased employment contributed to a weakening of labour productivity in 1998 and probably in 1999 as well. However, the assessment in the December Report may have underestimated the path of labour productivity in 1999, partly because the increase in employment towards the end of the year was somewhat less than had been expected. Still, with a continuation of the strong increase in the number of new job vacancies in the latter part of 1999, the Board found support for a good employment trend in 2000. At 33,000, the number of new vacancies in December was the highest for this month since 1989.

Manufacturing activity, which had slackened temporarily during 1998, seems to have recovered, with a stabilisation towards the end of 1999. The December business tendency survey, like the purchasing managers index (ICI) for November and December, point to good industrial activity with no signs of increased capacity shortages. The shortage figure for skilled labour in manufacturing, which had risen appreciably in the three preceding business tendency surveys, stabilised in December. The shortage of salaried technicians was also unchanged from the previous survey. In some manufacturing sectors, however, there were signs of other types of capacity restrictions that may have been due to rearrangements in production and delayed deliveries of inputs, for example. Capacity utilisation in manufacturing declined from 85 per cent in September to 83 per cent in December.

All in all, the Board saw no reason to alter the assessment of current resource utilisation in manufacturing. It was noted that the economy’s unutilised resources at present will be brought into production as demand grows. One

Board member found it probable, however, that the stock of unutilised resources is already more or less exhausted. One sign of this is that the labour market situation is already comparatively strained, for instance due to educational factors and an insufficient geographical mobility among job seekers.

1.6 Wages

The overall wage level was judged in the Inflation Report's main scenario to rise 3.2 per cent in 1999, 4.2 per cent in 2000 and 4.5 per cent in 2001.

Since the publication of the December Report, the wage tendency has been marginally weaker than expected. But as some wage agreements involve wage adjustments at intervals of more than twelve months, the statistics are difficult to interpret. New wage data suggest that the rate of wage increases is lower, if anything, than forecast earlier. Still, the Board found no grounds at present for revising the picture of wage developments in the latest Inflation Report.

1.7 Rents, interest expenditure and price effects from deregulations, trade liberalisation and political decisions

Deregulations and trade liberalisation were judged in the December Inflation Report to have an annual downward price effect in 2000 and 2001 of between 0.1 and 0.3 percentage points. Changes in indirect taxes and subsidies, together with altered household expenditure on interest, were judged to hold back CPI inflation in 1999 and 2000 by 0.6 and 0.2 percentage points, respectively, followed by an upward effect of 0.3 percentage points in 2001.

The Board noted that no new information had been received about consumer price effects from indirect taxes and subsidies but higher mortgage rates may make the contribution from households' interest expenditure somewhat higher than in the December Report's main scenario.

The Board drew attention to indications that downward price pressure on telecommunication products in 2000 may be somewhat greater than assumed earlier. Price cuts have been announced by Telia, together with a decision to open the access net in 2000 Q1. In that subscribers' freedom to choose call operators is extended to the choice of access operator, the increased competition is expected to subdue prices.

The public housing utilities' rent negotiations for 2000 are still in progress but rent increases in January 2000 may be lower than assumed in the December Report. The contribution to CPI inflation may then be 0.1–0.2 percentage points less than expected earlier. However, the lower rent increases in January may be followed by a higher rate later on, due to rising long-term interest rates and higher oil prices. Still, it looks on the whole as though the rent trend in the near future will be weaker than foreseen in the Inflation Report.

1.8 Inflation expectations

Two surveys of inflation expectations have been published since the December Inflation Report. Taken together, they show an upward shift in expectations of inflation one year ahead. No new information is available about expectations of inflation in the medium and longer term.

Households' expectations of inflation one year ahead have moved up since the December Report and were 1.9 per cent in January as against 1.3 per cent in the November survey. The one-year rates expected by manufacturers and service industries in December were 1.7 and 1.5 per cent, respectively, which in both cases is an upward shift of 0.2 percentage points from the September survey.

The Board concluded that to a high degree the rising short-term expectations of inflation have been governed by the current increase in inflation and largely confirm the Riksbank's appraisal of inflation.

2. The Board's assessment of inflation prospects

In the main scenario of the December Inflation Report it was considered that the 12-month rate of CPI inflation would be 1.4 per cent in December 2000 and 2.3 per cent in December 2001. The corresponding rates of underlying inflation, measured as UND1X, were judged to be 1.8 and 2.2 per cent. There was a perceived risk, however, of labour market shortages, for example, being more pronounced than assumed in the main scenario and of the import price trend being stronger. This in turn could generate higher inflationary pressure. The overall assessment, including the risk spectrum, was therefore that the mean level of UND1X inflation would be 0.1 percentage point higher than in the main scenario, that is, 1.9 per cent one year ahead and 2.3 per cent after two years.

2.1 The monetary policy group's view

The Board's discussion of inflation prospects was preceded by a presentation of a corresponding discussion in the Bank's monetary policy group.[1]

In the light of the material that had been assembled for the Board meeting, a majority of the members of the monetary policy group had considered that the recent statistics pointed to inflation being marginally higher than in the main scenario, mainly as a result of somewhat better economic prospects in Sweden and elsewhere. In the short run, however, it seemed that UND1X inflation would probably be somewhat lower than in the main scenario, chiefly because rent increases would be lower than expected earlier and downward pressure on telecommunications prices would be stronger.

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[1] The group is made up of Riksbank staff and is headed by one of the deputy governors. The main features of the group's discussion are presented at the Board meeting. The opinions expressed in the minutes are not necessarily shared by all the members of the group, including the chairperson.

2.2 The Board's discussion

The Board noted to begin with that in the ensuing discussion of inflation prospects and the formation of monetary policy, it is reasonable in the current situation to disregard the calculated effects from indirect taxes, subsidies and interest expenditure because these factors are not judged to exert a permanent effect on either inflation or inflation expectations.

In the past year the rising price of oil has played an important part in inflation's upward trend. At the same time, the comparatively moderate increase in UND1X inflation that is foreseen in the coming two years presupposes that oil prices fall back. The Board noted that difficult issues are involved when determining how oil price movements ought to influence the formation of monetary policy. In certain cases, oil price movements can be seen as a supply shock with effects on inflation that are mainly transitory; in such cases they should be accorded secondary importance in the formation of monetary policy. In other cases, oil price movements may mirror a shift in international and domestic demand. It is also conceivable that their impact will be more permanent, for example through knock-on effects in later stages of processing and ultimately in the formation of expectations. The possibility of determining the characteristics of an oil price movement and its consequences in advance are no doubt very limited. All in all, the Board considered that in the present situation the different aspects of the oil price rise cannot be distinguished satisfactorily. Neither can oil price effects on prices in general be entirely disregarded, for instance because the recent prise rise for oil is partly connected with the global economic improvement. The following discussion of inflation prospects therefore focused on UND1X inflation.

Four Board members concluded that within the Riksbank's target horizon, UND1X inflation will be somewhat higher than foreseen in the Inflation Report. In the near future, however, inflation may be lower than envisaged in the main scenario, mainly as a consequence of a subdued rent trend and strong price competition in the telecommunications market. The new information in recent months has reinforced the impression of a strong, broad economic upswing in Sweden as well as abroad. A GDP growth rate around 4 per cent this year seems entirely feasible. A stronger trend than expected earlier is foreseen not least for domestic private consumption, partly in view of greatly increased asset values. At the same time, somewhat higher international price pressure means that inflation in Sweden will probably be less subdued by this factor. These members considered that growth will probably be somewhat stronger and inflation somewhat higher than in the assessment that a majority of the monetary policy group had supported.

A fifth Board member shared the view that economic prospects have improved and that UND1X inflation will probably be higher than foreseen in the December Report's main scenario but considered that these revisions are probably somewhat smaller than the majority's assessment implies and more in line with the opinion of the monetary policy group.

The sixth Board member considered that the acceleration of inflation will exceed the majority's assessment by around two tenths of a percentage point, partly due to stronger external inflationary pressure and the Swedish economy being close to full capacity utilisation.

In this context a Board member pointed out that while external price pressure has admittedly become stronger than the Riksbank envisaged last autumn, the overall consumer price trend has been largely in line with earlier assessments. So other prices must have followed a weaker path than expected earlier. Why this has happened despite stronger growth is an interesting question. One would expect to see higher wage drift as well as growing price pressure in more and more markets for goods, not least now that the economy's unutilised resources are coming to an end. There are certain signs of increased price pressure but they are limited. Wage tendencies are weaker, if anything, than the Board's majority counted on. Against this background it is important to evaluate new information continuously and be prepared to reassess earlier relationships if that is called for.

Another Board member considered that domestic inflation's fairly restrained path to date should not be seen as a sign of far-reaching structural changes in a positive direction. When a country has a credible policy for price stability, inflation probably occurs relatively late in the business cycle.

A number of Board members expressed concern about the extent to which the supply side of the economy will be capable of adapting to the comparatively strong demand that is foreseen. One Board member pointed out that so far there are few signs of a counterpart to the very strong investment trend in the United States, where it has probably contributed to the high productivity and restrained development of prices in recent years. The member considered that this might indicate that improved productivity growth in Sweden in recent years is more of a temporary phenomenon than in the case of the United States. Another Board member pointed out, however, that comparisons with the United States in this respect are difficult, partly because capacity utilisation in the U.S. economy has been high for so long.

3 The Board's assessment of the monetary policy situation

3.1 The monetary policy group's view

The monetary policy group had noted that the December inflation forecast could have motivated a repo rate increase. However, the rate had not been raised, partly out of consideration for the millennium transition. The information since then had reinforced the impression of a strong, broad upswing which could be expected to lead to growing inflationary pressure as unutilised resources are brought into production. Both domestic and international activity were judged to be marginally stronger than foreseen in the Inflation Report and this was expected to contribute to marginally higher inflation in two years' time. Even with the repo rate increase last November, monetary policy must still be regarded as expansionary. All in all, the policy group had therefore found grounds for continuing to make monetary policy less expansionary.

The policy group had discussed the size of the repo rate adjustment that was called for and whether there were grounds for adjusting the lending and/or deposit rate (the repo rate corridor). As regards the latter question, the group had considered that the lending and deposit rates should not be changed because there is still clearly enough room in the corridor for future repo rate increases. Neither were there reasons for adjusting the corridor in order to influence expectations of future monetary policy. Today, communication in the form of the Inflation Report and minutes of Board meetings, for instance, is just as effective in this respect.

The policy group's dominant, though not entirely unanimous, opinion had been that a repo rate increase of 0.25 percentage points appeared most natural, even allowing for the shift in inflation expectations in a marginally more pessimistic direction. The main reason for not raising the repo rate by more than 0.25 percentage points was that there had been no substantial upward revision of inflation prospects. Moreover, an increase of this magnitude was considered to be most in line with how the Riksbank had acted earlier.

3.2 The Board's discussion

All the Board members noted that there had been a continuation of the already favourable economic trend in Sweden as well as internationally and that there seems to have been some improvement in growth prospects since the December Inflation Report. The current expansionary monetary stance is tending to reinforce the overall growth of domestic demand. This is not sustainable in the longer run and is liable to lead to overheating and the negative effects that this often has on real economic activity when it is followed by an abrupt downturn. A gradual realignment to less expansionary conditions is therefore necessary in order to provide a good foundation for the continuation of a favourable economic trend with stable prices, sustainable growth and increased employment. The Board members accordingly agreed that a continued monetary policy realignment to less expansionary conditions is needed and much of the subsequent discussion focused on a repo rate increase's appropriate magnitude.

One Board member considered that repo rate increases of both 0.25 and 0.50 percentage points are conceivable. Inflation prospects have admittedly not been revised all that much but even an increase of 0.50 percentage points would probably bring inflation two years ahead approximately into line with the target because there was some 'leeway' from December to make up for. Real interest rates are low and the picture of activity suggests that further repo rate increases will be needed. In this situation the size of the increase is partly a tactical matter. There is something to be said for a clear declaration of intent. But if the rate is raised 0.50 percentage points, it is important that this is not presented in a manner that seems alarming because there are no reasons for that.

Three Board members agreed with this and stated that increases of both 0.25 and 0.50 percentage points can be considered. In the opinion of one these members, an increase in between 0.25 and 0.5 percentage points is also conceivable. The members also underscored the importance of clarifying that in the event of an increase of 0.50 percentage points, this should not be interpreted as a signal from the Riksbank that inflation prospects have been reassessed more substantially.

One Board member considered that inflation prospects call for a repo rate increase of 0.50 percentage points. The monetary stance is markedly expansionary at the same time as fiscal policy is becoming less restrictive. Economic activity, which is already strong, is then liable to generate unduly strong demand pressure two years ahead. The member considered that in the present cyclical phase, monetary policy ought to be appreciably closer to a neutral stance. Otherwise, more vigorous monetary policy measures may be necessary at a later stage in the business cycle, in which case there would be a risk of monetary policy accentuating cyclical movements instead of contributing to sustainable growth with stable prices.

A number of Board members also considered that the present repo rate is probably a bit below what might be regarded as a neutral level and that, in view of the strong activity, taking a comparatively large step towards more normal conditions would be worthwhile. One Board member cited the rising inflation expectations and the resultant fall in real short-term interest rates as an argument for a sizeable increase.

Five Board members concluded that the repo rate ought to be raised 0.5 percentage points. They emphasised that the increase is not to be taken to represent a dramatic reassessment of inflation prospects in a more pessimistic direction but as an ambition to avoid the necessity of more vigorous measures at a later stage.

The sixth Board member considered that in the present situation a repo rate increase of 0.25 percentage points would be preferable. If the current tendencies continue or are reinforced, this increase could soon be followed by further increases. At the same time, the member pointed out that this position did not represent a fundamentally different view of the need for a monetary policy tightening and that even after an increase of 0.25 percentage points, monetary policy would be expansionary. Under these circumstances, the member saw no strong reasons for entering a reservation against the majority view.

An adjustment of the deposit and lending rates (the repo rate corridor) was not found to be called for in this situation.

The Board finally concluded that a repo rate increase of 0.50 percentage points, to 3.75 per cent, would lead to a moderate increase in UND1X inflation so that within the Riksbank's target horizon, this would be approximately in line with the target.

§ 2. Monetary policy decision

The Chairman summarised the monetary policy discussion under §1 and noted that the members of the Executive Board considered that the repo rate should be raised 0.50 percentage points.

The Chairman then proposed that the Executive Board decides

– that the repo rate be raised 0.50 percentage points, from 3.25 to 3.75 per cent, and that this decision be effective from Wednesday 9 February, and

– that the decision to raise the repo rate be announced at 9.30 a.m. on 4 February 2000 with the motivation and wording contained in the draft of Press Release no. 8:2000, Annex A to the minutes.

The Executive Board decided in accordance with the proposal.

This minute was immediately confirmed.