

# Press Release

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## Repo rate left unchanged at 3.75 per cent

The Executive Board of the Riksbank resolved at its meeting on Thursday 4 May to retain the repo rate unchanged, at 3.75 per cent. This decision will come into force as of Wednesday 10 May. The Executive Board's decision should be seen in the light of the inflation assessment made in the latest Inflation Report and of the analysis made of economic developments since then.

The conclusion in the Inflation Report was that the inflation rate, when adjusted for transitory effects from indirect taxes, subsidies and house mortgage interest expenditure (UNDIX), would amount to 1.6 per cent in a year's time and to 2.1 per cent in two years' time given an unchanged level of the repo rate. At the same time, the balance of risks was considered to be symmetrical, which meant that the inflation forecast in the main scenario and the risk-adjusted inflation forecast coincided. In view of the fact that the inflation rate was expected to fall short of the inflation target during most of the next one to two years, the repo rate was left unchanged.

The main scenario in the Inflation Report estimated that, with an unchanged repo rate, growth in GDP will amount to 4.0 per cent in 2000, 3.5 per cent in 2001 and 2.6 per cent in 2002. Since the publication of the Inflation Report, the upward trend in the global economy has consolidated and even strengthened slightly. In Sweden, retail sales and industrial activity have improved further, while the expansion in employment has slowed somewhat. Long-term interest rates have fallen, while there has been unease on the stock exchanges. Recent developments do not give cause for any significant reappraisal of growth prospects for the next few years.

Inflation measured as UNDIX and CPI amounted to 1.6 per cent and 1.4 per cent respectively in March. This was marginally lower than forecast in the Inflation Report. The deviation is due partly to prices on electrical products and telecom products falling somewhat more than expected. Prices of imported goods have also developed somewhat less strongly than expected. During the remainder of 2000, UNDIX inflation is expected to continue to fall slightly. There is currently no reason to make any notable change to the forecasts made in March for 2001 and 2002.

On the whole, the current assessment calls for the repo rate to remain unchanged for a further period of time. At the same time it should be noted that the picture of a steady, strong upturn in the Swedish economy remains.

The Riksbank's next Inflation Report will be published on 8 June. In connection with this the Executive Board of the Riksbank will hold its next monetary policy meeting. In the Inflation Report a comprehensive assessment of the inflation outlook will be presented.

The minutes of the Executive Board's monetary policy discussions during yesterday's meeting will be published on 22 May.

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