

# Press release

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## Repo rate remains unchanged at 4 per cent

The Executive Board of the Riksbank decided at its meeting on Thursday, 1 February, to leave the repo rate unchanged at 4 per cent. This decision, which will apply from Wednesday, 7 February, is based on the assessment of inflation made in the most recent Inflation Report, the raising of the repo rate in December and on analyses of information regarding economic trends received since then.

The overall assessment in the Inflation Report was that the rate of inflation one to two years ahead would be somewhat above the Riksbank's target. The inflation forecast in the Report's main scenario envisaged relatively strong, but gradually declining domestic growth and assumed that oil prices would fall gradually and that the Swedish krona would appreciate in the long term. There was considered to be a risk of higher inflation in the event of a less favourable development in oil prices, a weaker krona and higher wage rises than anticipated in the main scenario. These upside risks were only partly balanced by such factors as the risk of international activity being weaker than assumed. Given the above, the repo rate was raised by 0.25 percentage points.

The Inflation Report anticipated some slowdown in economic activity, both in Sweden and internationally. Since the Report was published, however, international activity has weakened more rapidly than assumed in the main scenario. The weaker demand trend could lead to lower price pressure from abroad than was foreseen in the Inflation Report. It is estimated that the weaker international growth will also lead to a less strained utilisation of resources in Sweden and this is supported by several leading domestic indicators. The slowdown in economic activity, together with the Riksbank's raising of the repo rate in December, is expected to subdue price pressure in the Swedish economy.

Developments in recent months also indicate that the risk picture has changed somewhat. Oil prices have fallen and the slowdown in international economic activity could contribute to a relatively subdued development in oil prices in the future. The central wage negotiations have so far developed in line with the Riksbank's assessment. The risk of inflation becoming much higher than estimated in the Inflation Report appears to have been reduced somewhat. However, any

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estimates of final wage rises are uncertain and wage trends still comprise a slight inflationary risk.

The decision to leave the repo rate unchanged should therefore be considered primarily in the light of the slightly weaker international activity that has repercussions on the Swedish economy. The spontaneous slowdown in economic activity is expected to facilitate the adjustment of Swedish domestic growth to levels sustainable in the long term.

The minutes of the Executive Board's monetary policy discussion at yesterday's meeting will be published on 15 February.