

Press Release

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Repo rate lowered 0.5 percentage points to 3.75 per cent

The Executive Board of the Riksbank decided at an extraordinary meeting on Monday 17 September to lower the repo rate by 0.5 percentage points from 4.25 per cent to 3.75 per cent. The Board's decision should be seen in the light of the tragic events in the USA and the interest rate reductions implemented by other central banks. Today's decision will apply from Wednesday, 19 September.

The repo rate was left unchanged in August, as it was judged that inflation two years ahead would develop approximately in line with the inflation target. A weaker development in the euro area and Japan indicated that the global slowdown will be slightly more marked and prolonged than earlier assumed. GDP growth in Sweden was also expected to be slightly poorer during this year and next year. The assessment then was that there could be more free resources available over the coming years than was previously estimated, which also implied that inflation would be slightly lower.

The uncertainty occasioned by last week's act of terrorism creates the risk of a further dampening of global demand. It is difficult in the present situation to assess the collective consequences for the international economy and thus inflation prospects in Sweden over the next few years. There is a risk that confidence in the future will decline in both the corporate sector and the household sector, which could result in a deeper and more prolonged economic slowdown. This would indicate that inflation two years' ahead, with an unchanged repo rate, would be lower than the Riksbank's target. The shape taken by future developments will depend partly on the economic policy measures taken now.

It was for this reason that the Executive Board decided to lower the repo rate by 0.5 percentage points from 4.25 to 3.75 per cent. The deposit and lending rates will be changed from 3.5 per cent and 5 per cent respectively to 3.0 per cent and 4.5 per cent.

The minutes of the Executive Board's monetary policy discussion during Monday's meeting will be published on 4 October.

A press conference with Riksbank Governor Urban Bäckström and First Deputy Governor Lars Heikensten will be held at 2030 hours on Monday 17 September at the Riksbank, Brunkebergstorg 11. Press cards must be shown.

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