



Monetary Policy Update

September 2009

There have been increasing signs of a recovery in the economy. For example, GDP growth during the second quarter was slightly stronger than expected both in Sweden and abroad. At the same time, the situation in the financial markets has continued to improve. But future developments are still uncertain. Sweden has been hard hit by the deep recession abroad and the recovery in economic activity is from a low level. The repo rate needs to be low over a long period of time to come to enable a stable recovery in the economy and to attain the inflation target of 2 per cent. The Riksbank has therefore decided to hold the repo rate unchanged at 0.25 per cent. The repo rate is expected to remain at this low level until autumn 2010. Although the situation in the financial markets has improved, it is still not normal. Supplementary measures are necessary to ensure that monetary policy has the intended effect. The Riksbank has therefore decided to offer further loans totalling SEK 100 billion to the banks at a fixed interest rate and with a maturity of approximately 12 months. This should contribute to continued lower interest rates on loans to companies and households. The low repo rate, together with the economic upturn abroad, will contribute to positive GDP growth in Sweden towards the end of the year. However, the labour market will lag behind and employment will not begin to rise until 2011. As economic activity recovers, the repo rate will be raised during 2011 and 2012 to more normal levels to attain a balanced development of the economy and an inflation rate in line with the target. Changes in the repo rate affect mortgage rates, which are included in the consumer price index (CPI). There will thus be large fluctuations in the CPI in the future. The CPIF underlying inflation rate (the CPI with fixed mortgage rates) will on the other hand remain stable close to 2 per cent during the forecast period.

Figure 1. Repo rate with uncertainty bands
Per cent, quarterly averages

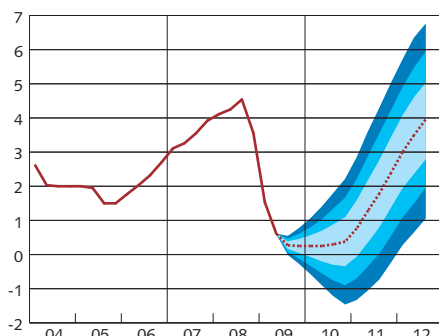


Figure 2. CPI with uncertainty bands
Annual percentage change

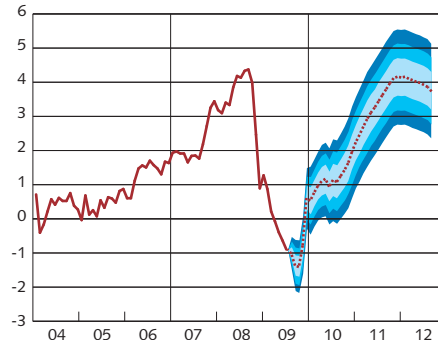
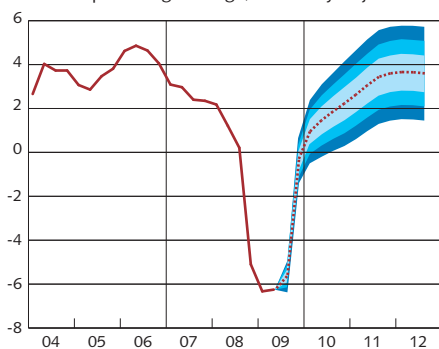


Figure 3. GDP with uncertainty bands
Annual percentage change, seasonally-adjusted data



— Outcome ■ 90%
 Forecast ■ 75%
 ■ 50%

Note. The uncertainty bands in the figures are based on historical forecast errors. See the article "Calculation method for uncertainty bands" in MPR 2007:1. The uncertainty bands for the repo rate are based on the ability of risk-adjusted market rates to forecast the future repo rate. This uncertainty band does not take into account the fact that there may be a lower bound for the repo rate.

Sources: Statistics Sweden and the Riksbank

■ New information since the July Monetary Policy Report

- The situation in the financial markets has continued to improve, although it has not yet normalised, since the Monetary Policy Report was published at the beginning of July. Statistics on GDP growth during the second quarter in numerous countries points to the period of large falls in production now being over. Indicators of future developments point to the recovery continuing. At the same time, there is concern over the stability of the recovery, partly because temporary government stimulation packages and extraordinary measures implemented by the central banks will be gradually phased out.
- Several central banks have taken specific measures to facilitate the supply of credit. The Bank of England decided at its most recent monetary policy meeting to increase the size of its asset purchase programme from GBP 125 billion to GBP 175 billion. The ECB has begun its purchases of covered bonds, which are planned to continue until the end of June 2010. In addition, the ECB will offer fixed-rate loans with a maturity of approximately one year during the autumn. The Riksbank has lent SEK 100 billion to the Swedish banks over one year at a fixed interest rate. The Riksbank is currently lending a total of just over SEK 300 billion and USD 8 billion to the Swedish banks against various forms of collateral.
- Since the monetary policy meeting in July there has been an improvement in the functioning of the financial markets in Sweden and abroad. The TED and basis spreads have continued to decrease, and are now almost back at the levels prevailing prior to the financial crisis intensifying in autumn 2008. Various other types of risk premium have also fallen during the summer, which has been indicated by lower interest rate differentials between government bonds and corporate bonds. Companies can now find funding in the market to a greater degree than prior to the summer. It is now possible for companies to find funding at longer maturities and at lower interest rates. The Riksbank's loans of SEK 100 billion at a fixed interest rate over one year have probably contributed to pushing down interest rates on certain sub-markets.
- However, the situation in the financial markets can still not be regarded as normal. Risk premiums are still high in a historical perspective. At the same time, the various extraordinary measures taken by central banks and authorities around the world mean that there is a good supply of liquidity in the financial system. Although risk propensity has increased during the summer, it is uncertain whether this would remain without the various forms of support and special measures by government authorities. For example, information from the Swedish Export Credits Guarantee Board (EKN) indicates demand from companies for government credits and guarantees is at present much higher than before.
- The financial markets are expecting policy rates in Sweden and most other countries to remain at very low levels for some time to come. This is connected with the fact that there is still great uncertainty over how long it will take before economic activity picks up. However, in several countries market pricing implies that they expect interest rate increases to begin during the first half of 2010.

- The Swedish equity market has developed strongly. The upturn on the Stockholm stock exchange has been stronger than those, for instance, in Frankfurt and New York. The market turmoil appears to have waned, at the same time as the number of potential investors is increasing. At the same time, the krona has appreciated. The flight from smaller to larger currencies that came in the wake of the intensified financial crisis and the global economic downturn in the autumn appears to have declined since the first quarter of 2009. In trade-weighted terms (the TCW index), the krona is now back at the levels prevailing at the beginning of November 2008. Since its weakest point at the beginning of March, the krona has strengthened by almost 15 per cent in terms of the TCW. However, when compared with the beginning of last year, the krona is a good 5 per cent weaker.

- Statistics on Swedish banks' lending up to the end of July indicate that lending to households and companies has not been very much affected by the economic downturn. Although the annual rate of increase in lending has slowed down over the past year, lending to households was almost 8 per cent higher in July, compared with the previous year. The rate of annual increase in lending to companies has also slowed down, and rose by just under 4 per cent in July, compared with the previous year. In recent months lending to companies has declined.

- The situation in the world economy has improved compared with the situation at the beginning of the year. The positive signs are particularly apparent in Asia, where production showed a rapid increase during the second quarter in several countries, in contrast to the substantial fall in the first quarter. An increase in domestic demand in China, stimulated by expansionary fiscal and credit policy, has contributed to a rise in Chinese imports. This has had positive effects on growth in other Asian countries that are major exporters to China. Moreover, domestic demand has strengthened in several Asian countries. Other countries than China experiencing strong GDP growth in the second quarter were Korea, Taiwan, Indonesia and Singapore.

- Following large falls at the beginning of the year there are now clear signs of stabilisation in world trade. For example the "World trade monitor index" shows that the world trade volume rose in June compared with May.

- According to preliminary statistics, GDP in the US economy fell by 1.0 per cent calculated as an annual rate between the first and second quarters, which was a smaller fall than the Riksbank predicted in July. The historical trend has also been revised. GDP growth was much lower in the first three quarters of last year than was previously reported. GDP growth for the whole year 2008 was revised down from 1.1 per cent to 0.4 per cent.

- In the United States the labour market continued to weaken, although at a much slower rate than earlier this year. In July employment fell by 247,000 jobs, which can be compared with 443,000 in June and almost 700,000 on average per month during the first quarter of this year. However, unemployment fell by 0.1 of a percentage point in July, to 9.4 per cent, which was mainly due to 267,000 unemployed persons leaving the workforce.

- The situation in the US housing market has stabilised. Sales of both newly-produced and older housing have risen for four months in a row, up to the end of July. Statistics indicate that the fall in house prices came to a halt during the spring, and price rose in June according to the Case Shiller Index. Stocks of unsold houses are declining rapidly and the time taken to sell property has also fallen. However, it still takes a relatively long time to sell housing. Residential construction has stabilised in recent months, following a fall of around 75 per cent compared with the beginning of 2006.
- In the eurozone GDP fell by 0.4 per cent in the second quarter of this year, calculated as an annual rate and according to a preliminary GDP outcome. This was a much smaller fall than was predicted in the July Monetary Policy Report. Several of the larger eurozone countries are reporting positive GDP growth for the second quarter of this year. For instance, German exports rose substantially in June, compared with May. Confidence indicators among households and companies have also continued to rise in recent months. The purchasing managers' index in the eurozone rose to 50.0 in August, which is the highest level since May last year. However, the labour market continued to deteriorate, although at a slower pace than during the first quarter. Unemployment in the eurozone rose to 9.5 per cent in July.
- Inflation abroad has continued to fall. According to preliminary statistics, HICP inflation in the eurozone was -0.2 per cent in August. Inflationary pressures in the US economy are also very low. CPI fell by 1.9 per cent in July compared with the same month last year. The underlying CPI inflation rate excluding energy and food fell from 1.7 per cent in June to 1.6 per cent in July. During the spring commodity prices began to rise again following the rapid downturn in autumn 2008. This upturn has continued during the summer.
- According to the preliminary version of the National Accounts, GDP in Sweden in the second quarter was unchanged from the previous quarter. Compared with the second quarter of 2008, GDP fell by 6.2 per cent (calendar-adjusted). The outcome for the second quarter was slightly stronger than the Riksbank anticipated in July. Household consumption was the main component that proved stronger than expected. The fall in foreign trade at the end of 2008 and in the first quarter of 2009 has slowed down, which was also expected. Both exports and imports fell during the second quarter, but much less than previously.
- Newly-received data concerning the Swedish economy shows that the recovery has continued, but many indicators are still far from what can be termed normal levels. The National Institute of Economic Research's Business Tendency Survey for August showed, for instance, that companies in the private service sector and the manufacturing industry still state that the situation remains very weak. However, according to the Consumer Tendency Survey, households have become more optimistic about the future. The retail trade and car sales also point to positive developments over the summer. The purchasing managers' index indicates that the manufacturing industry has improved steadily in recent months. Swedish indicators are largely following the same development as indicators in other countries, although for instance the purchasing managers' index has risen slightly more quickly in Sweden in recent months.

- The number of persons employed fell slightly more slowly in June and July than was forecast in the July Monetary Policy Report. However, the number of unemployed persons has been slightly fewer than expected. Unemployment as a share of the labour force amounted to 8.4 per cent in July (according to the Riksbank's seasonal adjustment). Labour market indicators point to the situation continuing to weaken, but at a slightly slower rate than forecast in the July Monetary Policy Report. The rapid fall in the number of new job vacancies registered over the past year has slowed down in recent months. At the same time, the number of persons given notice of redundancy has fallen from the historically-high levels reported at the start of the year. Statistics on vacancies up to the end of the second quarter of 2009 point to a continued fall in recruitment activity in the business sector. According to the National Institute of Economic Research's Business Tendency Survey for August, companies are expecting continued staff cuts.
- The number of hours worked declined by 4.0 per cent (calendar-adjusted) during the second quarter of 2009, compared with the corresponding quarter in the previous year. This fall was much less than the Riksbank was expecting in July, which means that growth in labour productivity was weaker than forecast. However, labour productivity rose in relation to the first quarter.
- Preliminary wage outcomes up to the end of June have been published using the short-term wage statistics from the National Mediation Office. Wages in the whole economy are expected to increase by 3.3 per cent this year, which is slightly higher than the assessment in the most recent Monetary Policy Report. The central wage agreements signed by the social partners earlier for 2009 mean that wages will be adjusted downwards at a slower rate than would otherwise be justified by the poorer labour market situation.
- Around 300 local wage agreements have been signed in the manufacturing industry that contain wage cuts and shorter working hours for around 100,000 employees this year and at the beginning of next year. Working hours are being cut more than monthly salaries, which leads to higher wages per hour. However, these agreements are only expected to have marginal effects on the wage outcomes as measured in the short-term wage statistics. The rate of increase in work costs per hour is expected to be affected slightly more, and is thus now expected to be slightly higher this year than was forecast in July.
- Households' inflation expectations for one year ahead fell from 1.9 per cent in July to 1.5 per cent in August, according to the National Institute of Economic Research's Consumer Tendency Survey. Companies' inflation expectations one year ahead rose from 0.6 per cent in April to 0.9 per cent in July. Breakeven inflation, that is, the difference between nominal and real bond rates with a five-year maturity, has risen slightly since the Monetary Policy Report was published in July, and is now around 2 per cent.
- Since the July Report the outcome for CPI inflation in June and July has been published. The annual percentage change in the CPI for July was -0.9 per cent, which was slightly lower than expected. The lower outcome was primarily due to mortgage rates falling more than expected. Energy prices have also fallen slightly more than expected. However, the rate of increase in other goods and services prices rose during July. The annual percentage change in the CPIF, where mortgage rates are held constant, amounted to 1.8 per cent in July, which was in line with the July forecast. Inflation measured in terms of the HICP was also 1.8 per cent in July.

■ The economic outlook and inflation prospects

The Riksbank's picture of economic and inflation prospects is based on the assessment made in the Monetary Policy Report in July and the forecasts presented in this Monetary Policy Update. The forecasts are based on the assumption that the repo rate will remain at 0.25 per cent until autumn 2010. After this the repo rate will rise and be around 4 per cent towards the end of 2012.

■ ■ International economic activity will improve

Although the uncertainty over the recovery in the world economy remains, the positive signals noted in July have strengthened. The financial crisis has waned, which is reflected in the continued fall in credit spreads in most areas, such as the United States and the eurozone. At the same time, both outcomes and indicators of future economic growth have stabilised or shown an upturn in most regions. In Asia in particular economies have begun to grow markedly during the second quarter. The forecast for growth in the world economy has been revised up slightly both for this year and for the coming years. The world economy is nevertheless expected to shrink by around 1 per cent this year, which is a very weak economic development in historical terms.

In the United States, GDP growth is expected to be positive in the third quarter of this year after four quarters of falling GDP. Household consumption will be temporarily stimulated during the third quarter by the fact that the US state provides subsidies to those who change over to cars with lower fuel consumption. After that GDP growth is expected to fall slightly when the stimulation from car sales ceases. At the beginning of next year growth will accelerate again. A very low policy rate and fiscal policy stimulation packages will contribute to the upturn. However, the growth rate in the US economy is not expected to reach more normal levels until the end of 2010.

Both statistical outcomes and indicators point to growth in the eurozone being higher over the coming quarters than was forecast in July. The current forecast is for zero growth during the third quarter of this year, followed by an increase in GDP during the fourth quarter, which is an upward revision compared with the assessment in July. During 2010, too, GDP is expected to grow at a slightly faster rate than was expected in July. Nevertheless, 2010 will be a weak year and the recovery in the eurozone will come later than the recovery in the United States. In the eurozone, too, economic policy stimulation will contribute to growth accelerating again.

■ ■ Sweden's economy will begin to grow

Growth in Sweden will recover in line with other countries. Sweden has so far been hard hit by the deep international recession and GDP has fallen five quarters in a row. But with effect from the third quarter of 2009, GDP growth is again expected to be positive. Indicators for developments in the third quarter, such as the purchasing managers' index and the Economic Tendency Survey, point to a recovery slightly sooner than was expected in July. The forecast for growth during the remainder of 2009 is therefore being revised upwards slightly. This means that Sweden's GDP will fall by 4.9 per cent this year compared with last year. Despite the upward revision, this is the largest decline in Swedish GDP in an individual year since 1940.

As a result of the stronger developments abroad, the forecasts for GDP growth in 2010 and 2011 are also being revised upwards slightly. The upturn will be partly counteracted by the fact that the krona is assessed to be stronger than was expected in July. Sweden's GDP is expected to grow by 1.9 per cent in 2010 and by 3.2 per cent in 2011, which is slightly higher than the assessment in July.

■ ■ Consumption, exports and investment will fall this year

All of the components of demand, with the exception of public sector consumption, are expected to fall this year compared with last year. Although household consumption rose during the first two quarters of the year compared with the previous quarter (according to the Riksbank's seasonal adjustment) after having fallen very rapidly at the end of last year, the level of consumption will be lower in 2009 than in 2008. Indicators of future growth, such as the Consumer Tendency Survey and the retail trade index, point to household consumption increasing slightly more quickly over the coming quarters than was assessed in July. However, households have nevertheless reduced their consumption over the past year and instead saved a greater share of their incomes than last year. When asset prices rise and households' confidence returns, saving is expected to decline. Consumption is also stimulated by the fact that the interest rate is low during the forecast period.

Investment has fallen substantially during the first two quarters of this year. A rapid recovery is not to be expected as capacity utilisation in manufacturing is very low. Companies are expected to wait before investing until demand has begun to rise. Investment is therefore expected to fall in 2010, too, but at a slower rate than this year. However, public sector investment will continue to increase. Total investment is not expected to begin to increase again until 2011, as economic activity improves.

The forecasts for exports and imports have been adjusted upwards slightly for the coming quarters as newly-received statistics, such as orders from the export market, point to a slightly stronger outcome in the future. However, the stronger krona slightly counteracts the upturn in exports. In 2010 and 2011 exports are expected to increase faster than imports. It is initially intermediate goods that will account for the upturn, but exports of investment goods will gradually accelerate.

■ ■ Resource utilisation lower than normal during the entire forecast period

Monetary policy is aimed at stabilising inflation and resource utilisation. Resource utilisation also affects future inflation. However, there is no unequivocal measure of resource utilisation and the Riksbank uses a number of different indicators to assess the total utilisation of resources in the economy. The National Institute of Economic Research's Business Tendency Survey shows that capacity utilisation and labour shortages in the business sector are at low levels. Various statistical measures can also be used as indicators of resource utilisation, even if these measures are very uncertain. The levels of GDP, employment and the number of hours worked are low in relation to their long-term trends. The overall picture is therefore that resource utilisation is very low and will remain lower than normal during the entire forecast period. Resource utilisation will rise towards the end of the forecast period. The forecasts for all measures of resource utilisation have been revised upwards somewhat since July.

■ ■ Continuing weak labour market

Despite the slightly brighter prospects for production, the labour market is expected to remain weak over the coming period. Companies still have a need to reduce their staff. Unemployment is rising and both employment and the number of hours worked are falling. The indicators also point to a continuing fall in the demand for labour. Unemployment is expected to rise from an average of 8.6 per cent in 2009 to an average of 10.8 per cent in 2010, which is 0.2 percentage points lower than the assessment in July. Employment is not expected to begin increasing again until 2011.

■ ■ Fiscal policy normal given the economic situation

General government net lending has long been positive but during 2009 and 2010 it will weaken substantially. The main reason for this is that weak economic activity will reduce public revenues at the same time as expenditure will increase partly as a result of the rise in unemployment.

General government net lending will fall, at most, to -3.5 per cent of GDP in 2010. Since July the forecasts for public finances have improved slightly as a result of the slightly better prospects for GDP and the labour market. Moreover, the Riksbank's assessment is that the Government will propose new reforms for 2010 in its autumn budget bill, which will contribute to reducing net lending. The scope of the reforms is expected to be roughly as forecast in July.

■ ■ Low outcomes in wage agreements in 2010 and falling cost pressures

Next year will see the start of new central wage bargaining rounds in a large part of the labour market. The deterioration in the labour market, low company profits and the negative productivity growth in recent years are all factors contributing to an expectation that the outcomes of the wage bargaining rounds will be low. In 2010 and 2011 wages are expected to increase by an average of 2.3 per cent a year according to short-term wage statistics. During the same period, growth in productivity is expected to be around 3 per cent a year, which means that unit labour costs will fall. Despite relatively low nominal wage increases in 2010, real wages will rise as CPI inflation will at the same time be very low. However, in 2011 real wages will fall when CPI inflation begins to rise again.

■ ■ CPIF inflation close to 2 per cent during the forecast period

CPI inflation has fallen rapidly since the end of last year, and is expected to continue to fall over the coming months. After this, CPI inflation will rise rapidly again. When measured as an annual percentage change, the CPI will fall by at most around 1.5 per cent during autumn 2009. After that the rate of increase will gradually rise and is expected to be more than 4 per cent at the beginning of 2012. One important reason for the variation in CPI inflation is that mortgage rates will first fall and then rise as a result of the Riksbank's changes to the repo rate.

CPIF inflation, which is not directly affected by changes in households' mortgage rates, is much more stable during the forecast period. This inflation rate is expected to be on average 1.6 per cent and 1.9 per cent respectively during 2010 and 2011. Compared with the assessment in July, inflation is expected to be slightly lower during the forecast period. One important reason for this is that the krona is expected to be stronger and to contribute to a lower rate of increase in import prices. However, this is expected to be partly counteracted by slightly higher energy prices. Forward prices for both oil and electricity have risen slightly since July.

■ ■ Repo rate held unchanged at 0.25 per cent

Monetary policy aims to stabilise both inflation and resource utilisation. The low resource utilisation and the low inflationary pressures mean that the repo rate needs to be kept at a low level for an unusually long period of time. The low interest rate is a necessary condition for a recovery in the economy. Resource utilisation will begin to rise in 2011, but will nevertheless be lower than normal throughout the forecast period. The repo rate is expected to remain at 0.25 per cent up to autumn 2010. After that, when economic activity recovers, the repo rate will be raised fairly quickly to more normal levels to prevent inflation becoming too high. The real interest rate will be low and even negative over the coming years.

The forecasts in this report are based on the assumption that the repo rate and the repo rate path will remain at the same level as in July. GDP growth has been revised upwards slightly compared with the forecast from July. At the same time, the stronger krona will lead to slightly lower inflation. Resource utilisation is still expected to be very low throughout the forecast period. All in all, the assessment is the same as that made in July; that the repo rate needs to remain low over a long period of time.

The considerable changes in the repo rate will contribute to large fluctuations in CPI inflation. The CPIF, which is not directly affected by the Riksbank's interest rate adjustments, provides a better picture of the more underlying inflation trend during the forecast period. In the longer term, beyond the forecast horizon, when the repo rate stabilises at a more normal long-term level, the CPI and CPIF rates of increase will, however, coincide.

In connection with the interest rate decision the Riksbank has also decided, as it did in July, to lend SEK 100 billion to the banks at a fixed interest rate and with a maturity of around 12 months. Offering the banks loans with such a long maturity at low and predetermined interest rates should contribute to maintaining lower interest rates on loans to companies and households. This measure is implemented in the light of the situation in the financial markets still not being normal and for the purpose of improving the chances of monetary policy having the desired effect.

■ Tables

The figures in parentheses show the forecast from Monetary Policy Report July 2009.

Table 1. Repo rate forecast

Per cent, quarterly average values

	2009 Q2	2009 Q3	2009 Q4	2010 Q3	2011 Q3	2012 Q3
Repo rate	0.6	0.3 (0.3)	0.3 (0.3)	0.3 (0.3)	1.8 (1.8)	4.0 (4.0)

Source: The Riksbank

Table 2. Inflation, annual average

Annual percentage change

	2008	2009	2010	2011
CPI	3.4	-0.3 (-0.2)	1.2 (1.4)	3.3 (3.2)
CPIF	2.7	1.9 (1.9)	1.6 (1.9)	1.9 (2.0)
CPIF excl. energy	2.0	2.3 (2.3)	1.8 (2.0)	1.9 (2.0)
HICP	3.3	1.9 (2.0)	1.6 (1.8)	1.9 (1.9)

Note. CPIF is CPI with fixed interest rate. The HICP is an EU-harmonised index for consumer prices, which does not include households' mortgage interest expenditure.

Sources: Statistics Sweden and the Riksbank

Table 3. Inflation, 12-month average

Annual percentage change

	Sept. -08	Sept. -09	Sept. -10	Sept. -11	Sept. -12
CPI	4.4	-1.4 (-1.2)	1.3 (1.5)	3.8 (3.7)	3.7 (3.7)
CPIF	3.5	1.5 (1.5)	1.4 (1.7)	2.0 (2.0)	2.2 (2.2)
CPIF excl. energy	2.1	2.4 (2.3)	1.7 (2.0)	1.9 (2.0)	2.1 (2.1)
HICP	4.2	1.6 (1.6)	1.3 (1.6)	1.9 (1.9)	2.2 (2.1)

Note. CPIF is CPI with fixed interest rate. The HICP is an EU-harmonised index for consumer prices, which does not include households' mortgage interest expenditure.

Sources: Statistics Sweden and the Riksbank

Table 4. Summary of financial forecasts

Annual average, per cent, unless otherwise specified

	2008	2009	2010	2011
Repo rate	4.1	0.7 (0.7)	0.3 (0.3)	1.6 (1.6)
10-year rate	3.9	3.3 (3.4)	3.9 (4.1)	4.5 (4.6)
Exchange rate, TCW-index, 1992-11-18=100	127.2	139.5 (141.8)	130.9 (134.8)	129.5 (132.4)
General government net lending*	2.5	-2.5 (-2.9)	-3.5 (-4.0)	-2.1 (-2.6)

* Per cent of GDP

Sources: Statistics Sweden and the Riksbank

Table 5. International conditions

Annual percentage change unless otherwise specified

GDP	2008	2009	2010	2011
USA	0.4	-2.9 (-3.1)	1.5 (0.9)	3.3 (3.0)
Japan	-0.7	-5.9 (-6.3)	1.2 (0.6)	2.0 (1.6)
Euro area	0.6	-4.1 (-4.8)	0.7 (0.0)	1.7 (1.6)
OECD	0.6	-3.7 (-4.0)	1.3 (0.7)	2.7 (2.5)
TCW-weighted	0.6	-4.0 (-4.4)	0.8 (0.2)	2.0 (1.9)
World	3.2	-1.1 (-1.2)	2.8 (2.3)	3.9 (3.8)
CPI	2008	2009	2010	2011
USA	3.8	-0.5 (-0.8)	1.8 (1.4)	2.0 (2.0)
Japan	1.4	-1.2 (-1.0)	-0.6 (-0.6)	0.5 (0.5)
Euro area (HICP)	3.3	0.4 (0.4)	1.2 (0.9)	1.7 (1.6)
OECD	3.6	0.5 (0.5)	1.7 (1.3)	1.9 (1.9)
TCW-weighted	3.3	0.5 (0.4)	1.3 (1.0)	1.7 (1.6)
	2008	2009	2010	2011
Crude oil price, USD/barrel Brent	97	62 (62)	78 (76)	81 (79)
Swedish export market growth	0.5	-10.7 (-11.7)	3.2 (0.3)	7.5 (7.5)

Note. Export market growth refers to a weighing-up of imports of goods for approximately 70 per cent of the countries to which Sweden exports. The forecast is weighed in relation to the respective country's share of Swedish goods exports.

Sources: Eurostat, IMF, Intercontinental Exchange, OECD and the Riksbank

Table 6. GDP by expenditure

Annual percentage change unless otherwise specified

	2008	2009	2010	2011
Private consumption	-0.2	-1.1 (-1.8)	1.8 (1.6)	2.0 (2.0)
Public consumption	1.5	1.1 (1.2)	0.6 (0.4)	0.6 (0.6)
Gross fixed capital formation	2.7	-17.1 (-16.6)	-5.7 (-6.1)	5.4 (5.6)
Inventory investment*	-0.6	-0.9 (-0.8)	0.5 (0.7)	0.2 (0.2)
Exports	1.8	-14.7 (-16.1)	4.2 (2.0)	7.0 (6.6)
Imports	3.0	-16.1 (-17.0)	1.9 (0.3)	6.0 (5.6)
GDP	-0.2	-4.9 (-5.4)	1.9 (1.4)	3.2 (3.1)
GDP, calendar-adjusted	-0.4	-4.7 (-5.2)	1.6 (1.1)	3.2 (3.1)
Final domestic demand*	0.8	-3.5 (-3.8)	0.1 (-0.2)	2.0 (2.0)
Net exports*	-0.4	-0.4 (-0.8)	1.3 (0.9)	1.0 (0.9)
Current account (NA)	8.3	7.2 (7.1)	8.1 (7.6)	8.6 (8.1)

*Contribution to GDP growth, percentage points

Note. The figures show actual growth rates that have not been calendar-adjusted, unless otherwise stated. NA refers to National Accounts.

Sources: Statistics Sweden and the Riksbank

Table 7. Production and employment

Annual percentage change, unless otherwise stated

	2008	2009	2010	2011
Population, aged 16-64	0.8	0.6 (0.6)	0.3 (0.3)	0.2 (0.2)
GDP, calendar-adjusted	-0.4	-4.7 (-5.2)	1.6 (1.1)	3.2 (3.1)
Number of hours worked, calendar-adjusted	0.9	-3.2 (-3.9)	-2.0 (-2.4)	0.5 (0.4)
Employed, aged 15-74	1.2	-2.4 (-2.7)	-2.9 (-3.1)	-0.3 (-0.3)
Labour force, aged 15-74	1.3	0.1 (0.0)	-0.6 (-0.8)	-0.3 (-0.3)
Unemployment, aged 15-74*	6.2	8.6 (8.8)	10.8 (11.0)	10.7 (10.9)

* Per cent of labour force

Sources: Employment Service, Statistics Sweden and the Riksbank

Table 8. Wages and unit labour costs for the economy as a whole

Annual percentage change unless otherwise stated, calendar-adjusted data

	2008	2009	2010	2011
Hourly wage, NMO	4.3	3.3 (3.2)	2.2 (2.2)	2.4 (2.4)
Hourly wage, NA	4.9	3.6 (3.0)	2.1 (2.3)	2.6 (2.6)
Employer's contribution*	-0.7	-0.4 (-0.4)	0.1 (0.1)	0.1 (0.1)
Hourly labour costs, NA	4.2	3.2 (2.5)	2.2 (2.3)	2.7 (2.7)
Productivity	-1.3	-1.6 (-1.3)	3.7 (3.5)	2.6 (2.6)
Unit labour costs	5.5	4.8 (3.9)	-1.5 (-1.2)	0.0 (0.0)

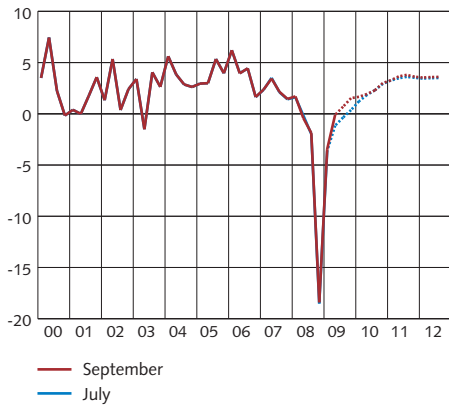
* Contribution to the increase in labour costs, percentage points.

Note. NMO is the National Mediation Office's short-term wage statistics and NA is the National Accounts. Labour costs per hour is defined as the sum of actual wages, collective charges and wage taxes divided by the seasonally adjusted total number of hours worked. Unit labour costs is defined as labour costs divided by seasonally adjusted value added at constant prices.

Sources: National Mediation Office, Statistics Sweden and the Riksbank

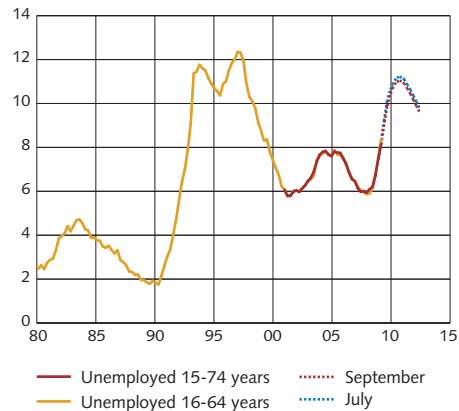
Figures

Figure 4. GDP
Quarterly changes in per cent calculated in annualised terms, seasonally-adjusted data



Note. Broken lines represent the Riksbank's forecast.
Sources: Statistics Sweden and the Riksbank

Figure 5. Unemployment
Percentage of the labour force, seasonally-adjusted data



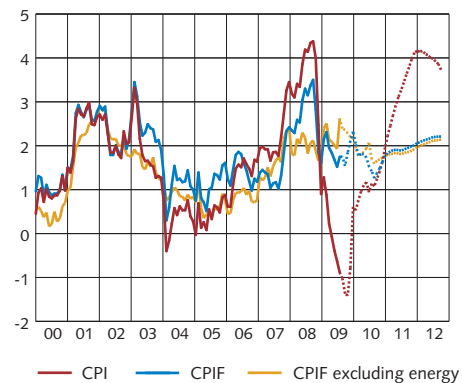
Note. Pre-1993 data has been spliced by the Riksbank.
Broken lines represent the Riksbank's forecast, 15-74 years.
Sources: Statistics Sweden and the Riksbank

Figure 6. Labour force and number of employed
Thousands, seasonally-adjusted data



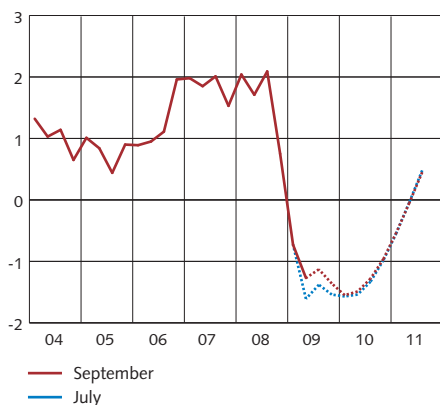
Note. Pre-1993 data has been spliced by the Riksbank.
Broken lines represent the Riksbank's forecast, 15-74 years.
Sources: Statistics Sweden and the Riksbank

Figure 7. CPI, CPIF and CPIF excluding energy
Annual percentage change



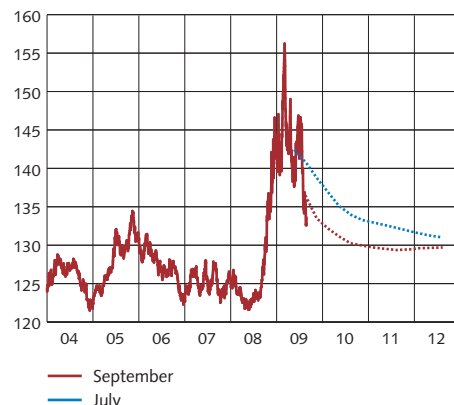
Note. CPIF is CPI with fixed interest rate. Broken lines represent the Riksbank's forecast.
Sources: Statistics Sweden and the Riksbank

Figure 8. Real repo rate
Per cent, quarterly averages



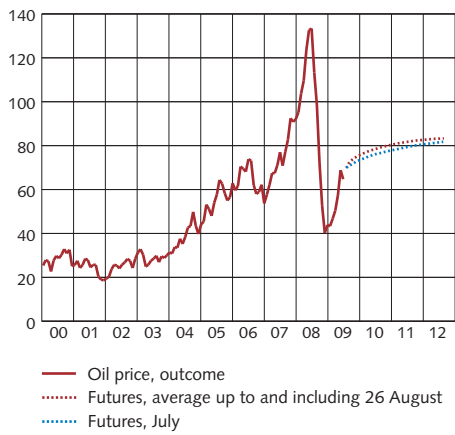
Note. The real repo rate is calculated as an average of the Riksbank's repo rate forecasts for the coming year minus the inflation forecast (CPIF) for the corresponding period. Broken lines represent the Riksbank's forecast.
Source: The Riksbank

Figure 9. TCW-weighted exchange rate
Index, 18.11.92 = 100



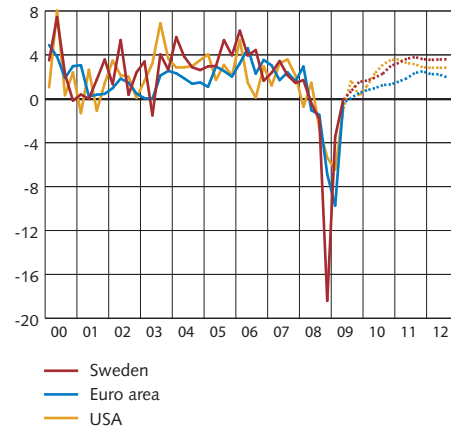
Note. Outcome data are daily rates up to 26th of August 2009 and the forecasts are quarterly averages. Broken lines represent the Riksbank's forecast.
Source: The Riksbank

Figure 10. Oil price, Brent crude
USD per barrel



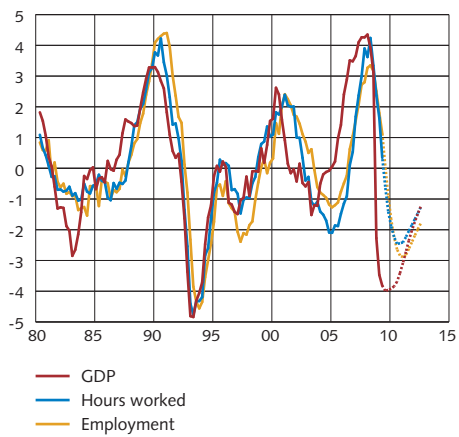
Note. Futures are calculated as a 15-day average. Outcomes represent monthly averages of spot prices.
Sources: Intercontinental Exchange and the Riksbank

Figure 11. Development of GDP in different regions and countries
Quarterly changes in per cent calculated in annualised terms, seasonally adjusted data



Note. Broken lines represent the Riksbank's forecast.
Sources: Bureau of Economic Analysis, Eurostat, Statistics Sweden and the Riksbank

Figure 12. Estimated gaps
Percentage deviation from the HP trend



Note. These gaps should not necessarily be interpreted as the Riksbank's overall assessment of resource utilisation. Broken lines represent the Riksbank's forecast.
Sources: Statistics Sweden and the Riksbank