Monetary Policy Update September 2008

SVERIGES RIKSBANK

The Executive Board of the Riksbank has decided to raise the repo rate by 0.25 percentage points to 4.75 per cent. The repo rate is expected to remain at this level during the year. Inflation has continued to rise in Sweden and the rate increase is necessary to prevent the high inflation from becoming entrenched. A higher repo rate will mean that inflation will decline and be close to the target of 2 per cent within a couple of years.

Compared with the assessment made in July, the future path for the interest rate is now slightly lower. This is partly because the oil price and other commodity prices have fallen. Moreover, growth has slowed down more than expected both in Sweden and abroad.

But there is considerable uncertainty in this assessment. The repo rate may be higher if, for instance, productivity continues to be weak and if commodity prices rise again. The opposite may be the case if economic developments in Sweden and abroad are weaker than expected and if the financial market turbulence worsens.

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

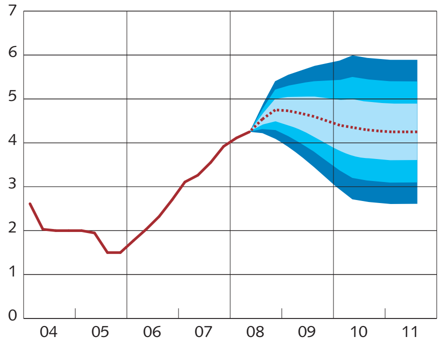


Figure 2. CPI with uncertainty bands
Annual percentage change

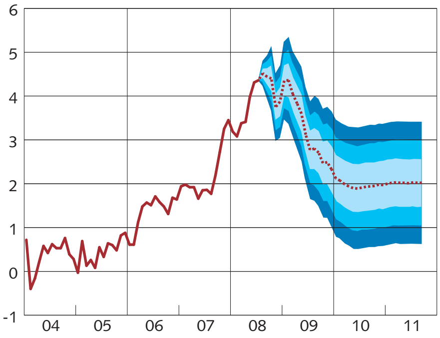
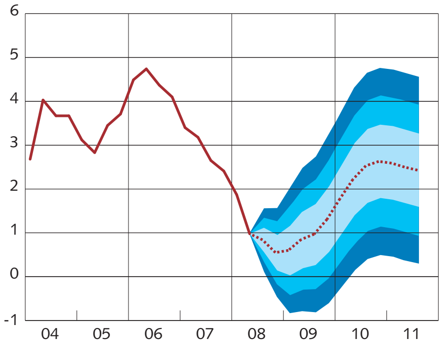


Figure 3. GDP with uncertainty bands
Annual percentage change, seasonally-adjusted data



Outcome 90%
Forecast 75%
50%

Note. The uncertainty bands in figures 1-3 are based on historical forecast errors. See the in-depth article entitled "Calculation method for uncertainty bands" in MPR 2007:1.

Sources: Statistics Sweden and the Riksbank

New information since the July Monetary Policy Report

- Oil prices on the world market have fallen since the most recent Monetary Policy Report. In August the spot price was on average USD 113 per barrel, which is around USD 20 lower than forecast. Forward rates, on which the Riksbank bases its forecasts, have also fallen by around USD 20 to USD 119 per barrel. Forward prices on electricity fell slightly during the summer but have since risen again and are now slightly higher than at the beginning of July. Other commodity prices have fallen.

- The period since the Monetary Policy Report has been marked by continued unease in the financial markets. The mortgage crisis in the United States is continuing, for instance, several banks have defaulted due to bad loans. Government support measures have been implemented to guarantee the liquidity and solvency of the two largest mortgage institutions, Fannie Mae and Freddie Mac. The difference between the interbank rate and the expected repo rate, what is known as the basis spread, is largely unchanged in the United States, the United Kingdom and the euro area, compared with the beginning of July.

- In Sweden the risk premium in the interbank market has fallen slightly since the July monetary policy meeting. However, the spreads are still much higher than prior to the start of the turbulence just over a year ago. The variable mortgage rates charged to households rose after the monetary policy meeting in July and have since then remained relatively unchanged. There does not appear to have been any further tightening during the summer, in the form of higher margins on short-term loans. However, the spreads between 5-year mortgage and treasury bonds have risen.

- In Sweden, the euro area and the United States expectations of future policy rates have been adjusted downwards, according to forward pricing and various surveys published since July.

- Stock markets have remained volatile since the Monetary Policy Report was published, as a result of oil price fluctuations, continued high inflation and the weak macroeconomic statistics received from around the world. The broad share indices in Sweden, Europe and the United States are now largely back at the same levels as in early July.

- In the United States, GDP during the second quarter increased by 3.3 per cent on an annual rate, which is a much stronger result than expected. This was mainly due to a large upswing in the construction of commercial property and a strong increase in exports. However, both of these factors are assessed to be largely temporary. Households' disposable incomes have risen significantly as a result of the fiscal policy stimulation package, which has contributed to keeping up household consumption expenditure despite the high oil price. Productivity continued to increase strongly during the second quarter. However, the labour market situation continued to weaken in June and July as the number of persons employed fell and unemployment rose. The housing market is also still weak, both house prices and housing construction have fallen and it still takes a long time to sell houses.

- Developments in the euro area during the second quarter were weaker than expected. According to the first flash estimate, GDP in the large economies of Germany, France and Italy fell, but so far it is only Spain which is also showing a clear deterioration in the labour market situation. Survey-based indicators such as company and household surveys indicate continued weakening in growth in the euro area over the coming period. In Japan growth fell in the second quarter, in the United Kingdom growth slowed down more than expected and indicators also point to weaker developments in the Nordic countries.

- Inflation has continued to rise both in the United States and the euro area, largely due to the rapid upswing in the oil price. In the United States CPI inflation amounted to 5.6 per cent in July, which is an increase from 4.9 per cent in June. When adjusted for energy and food the figure was 2.4 per cent. In the euro area HICP inflation amounted to 4.0 per cent in July. Excluding energy, food, alcohol and tobacco inflation was 1.7 per cent. According to the flash estimate, inflation in the euro area was 3.8 per cent in August.

- Since the beginning of July the dollar has strengthened against the euro by around 6 per cent. The krona has weakened against the dollar but the exchange rate with the euro remains roughly unchanged. In trade-weighted terms (TCW), the krona has weakened and is lower valued than the forecast presented in the most recent Report.

- According to the initial version of the National Accounts, there was zero growth in Sweden during the second quarter. Compared with the second quarter of last year GDP increased by 0.7 per cent in calendar-adjusted terms. This was a much poorer result than the assessment in the July Monetary Policy Report, where GDP was expected to have increased by 2.1 per cent. Most of the demand components showed weaker growth than expected, apart from the stocks contribution, which was unusually large. Statistics Sweden has not revised the figures for earlier quarters in actual terms, but as a new seasonal adjustment has been made, the most recent quarters' growth appears much weaker.

- The National Institute of Economic Research's Economic Tendency Survey fell further in July and August. According to the survey, the situation is now assessed as "much weaker than normal" and the level is at its lowest since July 2003. It is primarily the mood of households that has deteriorated (the consumer confidence indicator has not been so low since the mid-1990s), but almost all parts of the business sector are contributing to the decline. The assessment of a continued weakening in activity in the business sector is also confirmed by data received regarding industrial production, orders and the purchasing managers' index.

- The number of persons employed according to the AKU (labour force surveys) increased at a slightly slower rate in June and July than was assumed in July. At the same time, the labour force has increased more than expected, which has led to higher unemployment. The labour market indicators point to a coming slowdown in the labour market. The number of newly-reported vacancies has continued to decline. At the same time, the number of redundancy notices has risen substantially in recent months, although from a low level. According to the Economic Tendency Survey, employment plans also indicate that companies are counting on lower employment.

- The number of hours worked rose slightly more than expected during the second quarter, which together with the weak production meant that the expected recovery in labour productivity did not occur. On the contrary, productivity fell once again. From an historical perspective, productivity has now shown a very weak development for an unusually long time.

- Wages increased less than expected during the first half of the year according to the short-term wage statistics from the National Mediation Office. In the economy as a whole the preliminary wage increase was 4.0 per cent on an annual basis. The relatively low outcome is judged to be partly a temporary effect due to the structure of the agreements. As productivity growth was much weaker than expected during the second quarter, the labour costs per unit produced are calculated to have been higher than expected. Despite the lower wage outcomes, the assessment of domestic cost pressures is therefore higher than in the previous forecast.

- Households' inflation expectations one year ahead, as measured in the National Institute of Economic Research's Consumer Tendency Survey, rose in July and then fell back in August, when they amounted to 2.9 per cent. This is a decline of 0.4 percentage points compared with the June figure. According to the National Institute of Economic Research's survey companies' inflation expectations rose during the second quarter to 2.9 per cent. Inflation expectations reflected in pricing in the bond market, what is known as break-even inflation[1] have fallen by approximately 0.2 percentage points since July, and are now around 2.4 per cent.

- The annual rate of increase in the CPI amounted to 4.4 per cent in July, which was almost 0.1 percentage point higher than expected. Electricity prices increased at a slightly faster rate than anticipated, while prices of oil products and other goods and services increased more slowly. Some of the upswing in inflation can be explained by rising mortgage rates. The rate of increase in the CPIF, where mortgage rates are held constant, was 3.4 per cent in July. Energy and food prices have risen substantially over the past year while prices of other goods and services are still increasing slowly. When adjusted for energy and food, the annual rate of increase in the CPI was 0.8 per cent in July.

1 The difference between rates on nominal and inflation-linked bonds calculated on 5-year interest rates.

The economic outlook and inflation prospects

The Riksbank's current assessment of economic and inflation prospects is based on the assessment made in the Monetary Policy Report in July and the update to the forecasts presented in this Monetary Policy Update.

Continued turbulence in the financial markets and weaker international economic activity

The financial turbulence has continued since the monetary policy meeting in July, and this together with the high oil prices has severely dampened households' confidence in many countries around the world. It is still uncertain what will happen in the financial markets in the future, and this uncertainty will probably persist for some time to come. It will probably be necessary for the housing market in the United States to stabilise before the financial turbulence wanes. For Sweden the developments in the Baltic states are also important, as Swedish banks have substantial operations there. A more prolonged slowdown in economic activity in the Baltic countries could lead to greater unease and higher financing costs for Swedish banks and therefore more expensive loans for Swedish households and companies.

International economic activity has slowed down more than was expected in the July Monetary Policy Report. However, growth in the United States has been maintained with the aid of fiscal policy stimulation and an expansionary monetary policy. However, the fiscal policy stimulation will be phased out in the future at the same time as the construction of commercial property is expected to decline significantly. In the coming quarters growth in the US economy is expected to be weak with a continued fall in employment and with rising unemployment. However, the housing market is expected to gradually stabilise. Falling house prices and low interest rates will contribute to an increasing number of households being able to afford to buy their own homes in the future. The start of a recovery is predicted for the United States next year, when the situation in the housing market will improve and lower inflation will increase the scope for consumption. Despite the problems in the housing market and in the financial sector, both companies' and households' balance sheets are strong from an historical perspective.

Growth in the euro area is also expected to be weak during the third and fourth quarters. Orders have declined and both households' and companies' confidence has deteriorated. The growth rate is not expected to approach its long-term level until the second half of 2009. When the US economy recovers it is expected to be an important driving force behind the recovery in the euro area. As households' saving is relatively high, there should also be scope for higher growth in household consumption in the future. All in all, the forecast for international GDP growth has therefore been revised downwards somewhat for both this year and next year.

High energy and food prices have contributed to high international inflation. But the oil price has fallen since the peak at the beginning of July. At the same time, other commodity prices have also begun to fall. A decline in resource utilisation and lower commodity prices will contribute to falling inflation in 2009.

Sharp slowdown in growth in the Swedish economy

in line with developments in other countries, growth in the Swedish economy has slowed down substantially during the first half of this year. Developments were much weaker than assumed in the July Monetary Policy Report. The weakening was on a broad front. Growth in household consumption and investment as well as exports has slowed down. The weakening has been accentuated by the fall in public sector consumption. The weak GDP outcomes and the available forward-looking indicators are now pointing towards a further deterioration in the future and the forecast for GDP growth has therefore been revised down for the coming quarters.

During the first half of 2009 growth is also expected to be weak; a recovery is not expected to begin until the second half of 2009. Increased demand from abroad and lower inflation are important components in the recovery. Also contributing to this is the fact that fiscal policy is expected to stimulate the economy, for instance through tax reductions and increased public sector investment. During 2009 and 2010 export growth will increase in line with international demand. Household consumption should also begin to recover in 2009. Households currently have a relatively high level of saving, which indicates that growth in consumption will recover over the coming years when the uncertainty wanes and inflation declines. Compared with the July Monetary Policy Report, the forecast for GDP growth has been revised down with regard to both this year and the coming two years.

■ ■ Labour market will slow down

On the whole, the labour market developed largely as expected during the second quarter. However, labour market indicators and the weaker demand in the Swedish economy in 2008 and 2009 point to the situation in the labour market weakening slightly faster than was expected in July. There will be a turnaround in the labour market during the second half of 2008, when both the number of hours worked and the number of persons employed will begin to decline. Employment will fall in 2009, but the decline will to some extent be subdued by a rise in public sector employment. In 2010 employment will stabilise when demand increases more quickly.

Compared with the July Monetary Policy Report, the forecast for the employment rate is now lower during the forecast period. As the demand for labour declines, the number of persons in the labour force is also expected to fall. Because of the slowdown in employment, unemployment is expected to be higher during the forecast period than was forecast in the July Monetary Policy Report.

Resource utilisation is currently assessed to be higher than normal and roughly in line with the assessment in the most recent Monetary Policy Report. This is supported by various measures of resource utilisation including high capacity utilisation in industry, a continued shortage of labour and the deviations in GDP and employment from the trend. However, during the forecast period the labour market is expected to weaken more than was previously assumed. At the same time, the forecast for GDP growth has been revised down. The overall assessment is that resource utilisation will fall more quickly and be slightly lower during the forecast period than was assumed in the previous forecast.

■ ■ Weak productivity contributes to continued high domestic cost pressures

Wage increases have been slightly lower than expected and the forecast for wages is therefore being revised downwards with regard to this year. The wage forecast for next year is also revised down as a result of a weaker labour market situation. At the same time, productivity has been weaker than expected. Productivity has now fallen for eight quarters in a row, which is an unusually long period of weak productivity. A weak increase in productivity is expected over the coming quarters. Productivity growth is not expected to return to its trend level until some point in 2009. As productivity growth increases, domestic cost pressures will decline. All in all, the weaker productivity means that unit labour costs will increase more rapidly, particularly this year, than was forecast in the July Monetary Policy Report.

■ ■ High inflation which will fall in 2009

CPI inflation is expected to remain high over the coming six months and then to fall rapidly over the course of 2009. The high inflation rate is linked to a rapid rise in energy and food prices and to an increase in unit labour costs. At the beginning of 2010 inflation is expected to be close to the target of 2 per cent. Energy and food prices will not increase as quickly as before and domestic cost pressures will decline. Moreover, households' interest expenditure will increase more slowly during the forecast period.

Compared with the July Monetary Policy Report the inflation forecast is being revised down for the entire forecast period. This is mainly because oil prices are expected to be lower. The lower oil prices will affect CPI inflation directly, partly through lower petrol prices. In addition, inflation will be indirectly affected, through lower costs for companies.

■ ■ Repo rate raised but repo rate path lowered

the Executive Board of the Riksbank has decided to raise the repo rate to 4.75 per cent. The assessment is that the repo rate will remain at this level for the rest of the year. It may then need to be lowered. Inflation has continued to rise in Sweden, inflation expectations are still high and cost pressures have increased. It is necessary to raise the repo rate now to prevent the increases in energy and food prices from spreading to other areas. A higher repo rate will mean that inflation declines and is close to the 2 per cent target within a couple of years. Resource utilisation is falling but is expected to be roughly normal at the end of the forecast period. From an historical perspective the repo rate is not expected to be at a particularly high level over the coming years. The same applies to the real repo rate, which will rise until the middle of 2009 and then fall back to around 2.25 per cent in 2010.

Compared with the assessment made in July, the future repo rate path has been lowered. This is partly because the oil price and other commodity prices have fallen, Moreover, growth has slowed down more than expected, both in Sweden and abroad.

There is as usual uncertainty over future economic developments and thus there is also uncertainty as to how the repo rate will develop in the future. For example, the Riksbank might need to raise the repo rate more if cost pressures become higher than expected. However, if the economic developments in Sweden and abroad continue to be weaker than expected, the interest rate may instead need to be lower.

The future direction for monetary policy will depend, as usual, on how new information on economic developments abroad and in Sweden will affect the prospects for inflation and economic activity in Sweden.

Tables

The figures in parentheses show the forecast stated in the previous Monetary Policy Report (MPR 2008:2).

Table 1. Inflation, annual average
Annual percentage change

	2007	2008	2009	2010
CPI	2.2	3.9 (3.9)	3.2 (3.5)	2.0 (2.3)
CPIX	1.2	2.9 (3.0)	2.6 (2.8)	1.7 (2.0)
CPIX excl. energy	1.5	1.9 (2.0)	2.0 (2.2)	1.9 (2.2)
CPIF	1.5	3.1 (3.1)	2.9 (3.1)	2.0 (2.3)

Note. CPIX is CPI inflation excluding household mortgage interest expenditure and the direct effects of changes in indirect taxes and subsidies.
CPIF is CPI inflation holding household mortgage interest expenditure constant.
Sources: Statistics Sweden and the Riksbank

Table 2. Inflation, 12-month rate
Annual percentage change

	Sept. 07	Sept. 08	Sept. 09	Sept. -10	Sept. 11
CPI	2.2	4.4 (4.6)	2.7 (3.0)	1.9 (2.2)	2.0 (2.1)
CPIX	1.0	3.6 (3.8)	2.2 (2.4)	1.7 (2.0)	1.7 (1.9)
CPIX excl. energy	1.4	2.2 (2.4)	2.0 (2.2)	1.9 (2.2)	1.8 (2.0)
CPIF	1.3	3.7 (3.9)	2.5 (2.7)	1.9 (2.2)	2.0 (2.1)

Note. CPIX is CPI inflation excluding household mortgage interest expenditure and the direct effects of changes in indirect taxes and subsidies.
CPIF is CPI inflation holding household mortgage interest expenditure constant.
Sources: Statistics Sweden and the Riksbank

Table 3. Repo rate forecast
Per cent, quarterly average values

	Q 2 2008	Q 3 2008	Q 4 2008	Q 3 2009	Q 3 2010	Q 3 2011
Repo rate	4.25	4.5 (4.5)	4.7 (4.8)	4.6 (4.9)	4.3 (4.6)	4.3 (4.4)

Source: The Riksbank

Table 4. Summary of financial forecasts
Per cent, annual average

	2007	2008	2009	2010
Repo rate	3.5	4.4 (4.4)	4.6 (4.9)	4.3 (4.6)
10-year rate	4.2	4.2 (4.3)	4.6 (4.7)	4.8 (5.0)
Exchange rate. TCW index, 19 November 1992=100	125.2	123.4 (122.8)	122.2 (121.9)	121.9 (121.9)
General government net lending*	3.5 (3.4)	2.9 (3.1)	1.2 (1.3)	0.6 (0.9)

* Per cent of GDP
Sources: Statistics Sweden and the Riksbank

Table 5. International conditions
Annual percentage change

GDP	2007	2008	2009	2010
USA	2.0 (2.2)	1.5 (1.4)	1.6 (1.6)	3.0 (3.0)
Japan	2.0 (2.0)	0.9 (1.4)	1.0 (1.5)	1.6 (1.6)
Euro area	2.6 (2.6)	1.3 (1.7)	0.9 (1.2)	1.9 (1.9)
OECD	2.6 (2.7)	1.7 (1.8)	1.6 (1.8)	2.6 (2.6)
TCW-weighted	2.7 (2.8)	1.6 (1.8)	1.2 (1.4)	2.1 (2.0)
World	4.9 (4.9)	3.9 (4.0)	3.8 (3.9)	4.4 (4.4)

CPI	2007	2008	2009	2010
USA	2.9	4.1 (4.3)	2.7 (2.8)	2.2 (2.2)
Japan	0.0	1.4 (1.0)	1.0 (1.0)	0.5 (0.5)
Euro area (HICP)	2.1	3.7 (3.7)	2.7 (2.7)	2.3 (2.3)
OECD	2.4	3.6 (3.6)	2.6 (2.6)	2.2 (2.2)
TCW-weighted	2.0	3.6 (3.4)	2.5 (2.5)	2.1 (2.1)

	2007	2008	2009	2010
Crude oil price. USD/barrel Brent	73	114 (123)	119 (137)	119 (136)
Swedish export market growth	4.0 (3.9)	3.9 (5.1)	3.5 (3.9)	5.9 (5.7)

Note. Market growth for Swedish exports refers to growth in imports of goods for around 70 per cent of the countries that are recipients of Swedish exports. The forecast is weighted with respect to each country's share of Swedish export of goods.
Sources: IMF, Intercontinental Exchange, OECD and the Riksbank

Table 6. GDP by expenditure
Annual percentage change, unless otherwise specified

	2007	2008	2009	2010
Private consumption	3.0 (3.0)	1.8 (2.2)	1.7 (2.0)	3.0 (3.0)
Public consumption	1.1 (1.1)	-0.7 (0.4)	0.7 (1.0)	1.2 (1.2)
Gross fixed capital formation	8.0 (8.0)	3.6 (5.6)	1.2 (1.1)	2.1 (2.6)
Inventory investment *	0.7 (0.7)	0.1 (-0.6)	-0.3 (0.0)	0.1 (0.1)
Exports	6.0 (6.0)	5.0 (6.6)	2.9 (3.4)	5.5 (5.6)
Imports	9.6 (9.6)	6.0 (6.5)	3.6 (4.4)	5.5 (5.6)
GDP	2.7 (2.7)	1.4 (2.1)	0.8 (1.2)	2.6 (2.7)
GDP. calendar-adjusted	2.9 (2.9)	1.1 (1.9)	0.9 (1.4)	2.3 (2.4)

*Contribution to GDP growth, percentage points
Note. The figures show actual growth rates that have not been calendar-adjusted, unless otherwise stated.
Sources: Statistics Sweden and the Riksbank

Table 7. Production and employment
Annual percentage change, unless otherwise specified

	2007	2008	2009	2010
Population aged 16-64	0.9 (0.9)	0.8 (0.8)	0.4 (0.4)	0.2 (0.2)
GDP, calendar-adjusted	2.9 (2.9)	1.1 (1.9)	0.9 (1.4)	2.3 (2.4)
Number of hours worked. calendar-adjusted	3.5 (3.5)	1.6 (1.3)	-0.6 (-0.5)	-0.3 (0.0)
Employment (EU definition)	2.5 (2.5)	1.4 (1.4)	-0.6 (-0.4)	-0.3 (-0.1)
Labour force (EU definition)	1.5 (1.5)	1.4 (1.2)	0.1 (0.2)	-0.2 (0.0)
Unemployment (EU definition)*	6.1 (6.1)	6.2 (5.9)	6.8 (6.5)	6.9 (6.5)
Labour market programmes*	1.8 (1.8)	1.6 (1.8)	1.8 (1.8)	1.9 (1.9)

*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, calendar-adjusted data

	2007	2008	2009	2010
Hourly wage, NM	3.3 (3.3)	4.2 (4.4)	3.6 (3.7)	3.7 (3.8)
Hourly wage, NA	3.3 (3.3)	4.4 (4.7)	3.9 (4.0)	4.0 (4.0)
Employer's contributions*	0.4 (0.4)	-1.2 (-1.2)	0.7 (0.7)	0.1 (0.1)
Hourly labour costs, NA	3.7 (3.7)	3.2 (3.5)	4.6 (4.7)	4.0 (4.1)
Productivity	-0.6 (-0.6)	-0.5 (0.6)	1.5 (1.9)	2.6 (2.4)
Unit labour cost	4.3 (4.3)	3.7 (2.9)	3.0 (2.8)	1.4 (1.6)

*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.
Sources: National Mediation Office, Statistics Sweden and the Riksbank

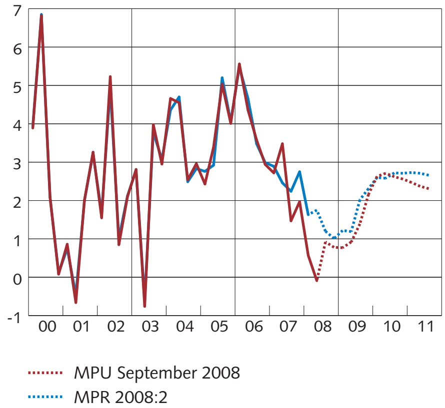
Table 9. Latest outcome and previous forecasts for central forecast variables
Annual percentage change, unless otherwise specified

Key figures	Period	Outcome	MPR 2008:2
GDP, calendar adjusted	Q2	0.7	2.1
Hours worked, calendar adjusted	Q2	2.0	1.7
Employment (EU definition)	Q2	1.8	1.9
Unemployment (EU definition)*	Q2	6.8	6.5
Exchange rate, TCW index, level**	Q3	123.5	122.3
CPI	July	4.4	4.3
CPIF	July	3.4	3.4
CPIX	July	3.2	3.3
CPIX excluding energy	July	2.0	2.2

*Percentage of the labour force, seasonally adjusted
**Outcome for Quarter 3 refers to the mean value for July and August.
Sources: Statistics Sweden and the Riksbank

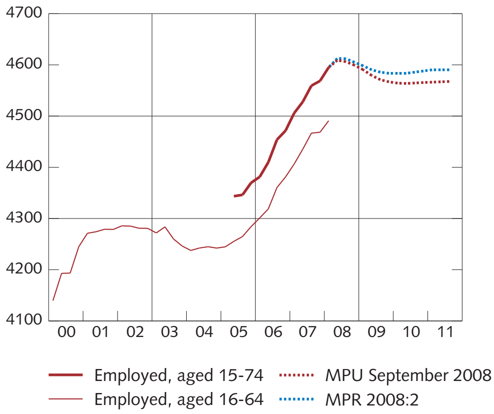
Figures

Figure 4. GDP
Quarterly changes in per cent calculated as an annual rate, seasonally-adjusted data



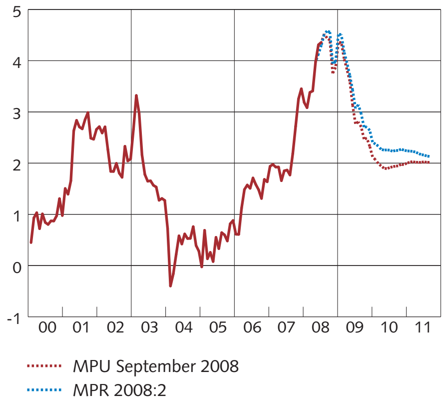
Sources: Statistics Sweden and the Riksbank

Figure 5. Number of employed
Thousands of persons, seasonally adjusted data



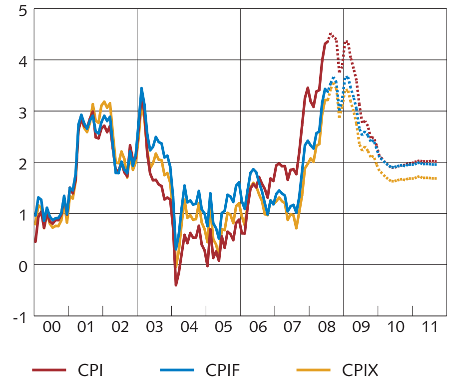
Sources: Statistics Sweden and the Riksbank

Figure 6. CPI
Annual percentage change



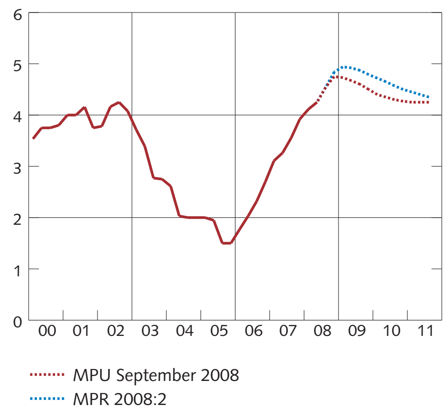
Sources: Statistics Sweden and the Riksbank

Figure 7. CPI, CPIF and CPIX
Annual percentage change



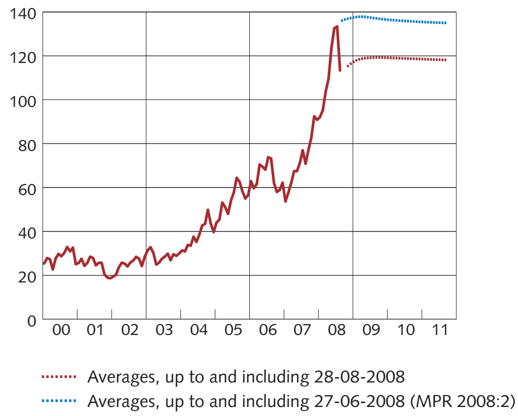
Sources: Statistics Sweden and the Riksbank

Figure 8. Repo rate
Per cent, quarterly averages



Source: The Riksbank

Figure 9. Oil price, Brent crude
USD per barrel, future prices

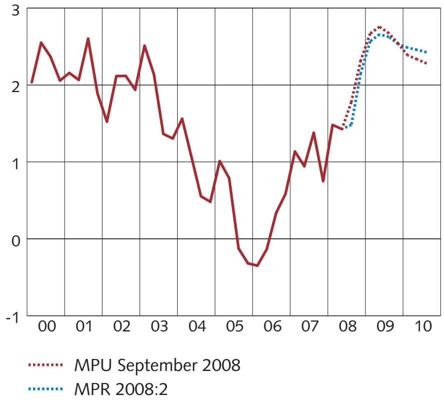


Note. Futures are calculated as a 15-day average.

Sources: Intercontinental Exchange and the Riksbank

Note. MPU refers to the Monetary Policy Update and MPR refers to the Monetary Policy Report. Broken lines represent the Riksbank's forecast.

Figure 10. Real repo rate
Per cent, quarterly averages



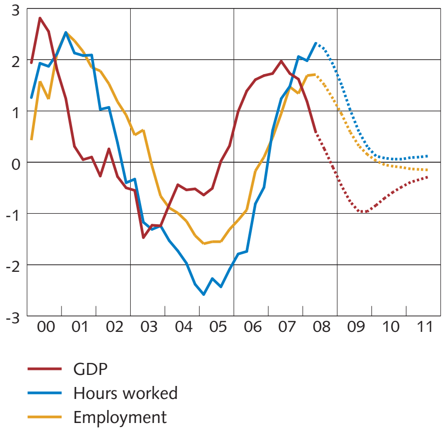
Note. Real repo rate is calculated using the Riksbank's one-year inflation forecasts.

Source: The Riksbank

Figure 11. CPIX excluding energy and food
Annual percentage change

Source: Statistics Sweden

Figure 12. Estimated gaps
Percentage deviation from the HP trend



Sources: Statistics Sweden and the Riksbank

Note. MPU refers to the Monetary Policy Update and MPR refers to the Monetary Policy Report. Broken lines represent the Riksbank's forecast.