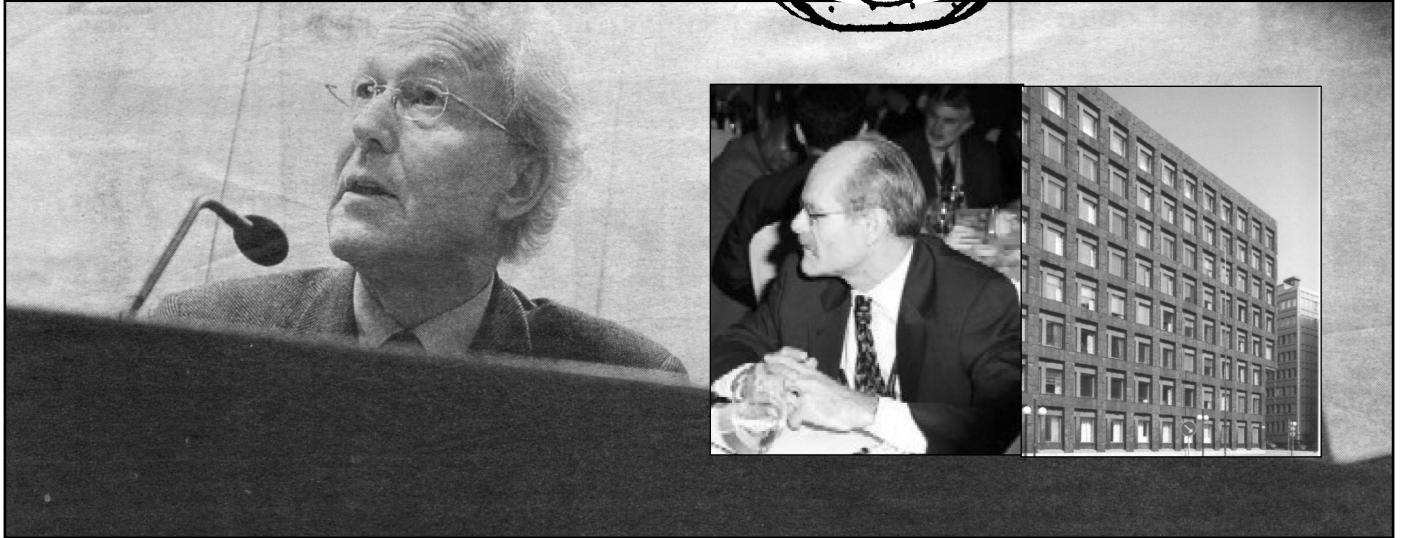


Swedish Press

NYA SVENSKA PRESSEN EST. 1929



HEAD OF CENTRAL BANK LEAVES PREMATURELY

Sweden's central bank, the Riksbank, has named Stefan Ingves as its new governor.

Ingves, 52, holds a doctorate in economics and, since 1999, has been the head of the department of monetary and financial systems at the International Monetary Fund. He has also served as Deputy Governor of the Riksbank for a few years in the 1990s.

Ingves has been part of banking crisis trouble shooting teams in Asia and Latin America, during his time at the IMF. He was also involved in helping solve Sweden's own banking crisis in the early 1990s.

The appointment has been widely welcomed by analysts and politicians who expect the move to lead to little change in monetary policy.

Ingves is considered to be politically neutral. And this goes down well with politicians from the opposition parties, who had been very critical of the departure of Lars Heikensten from the top job, suggesting that he had been forced out for political reasons.

The appointment of Stefan Ingves did come as somewhat of a surprise to most experts. Present Riksbank Deputy Governor Irma Rosenberg was considered to be a favorite, among economists and investors, to succeed Lars Heikensten and

become the first woman to lead the world's oldest central bank.

Lars Heikensten announced his resignation on September 29. He has been governor since 2003 and is not serving out his six-year term. A former economics lecturer and economist, he entered the bank in 1995. Heikensten has accepted a nomination as Swedish representative at the European Court of Auditors and hence will step down by March.

"Naturally, it has not been an easy decision to leave the Riksbank," Heikensten said in a statement. "However, the decision was made easier by the fact that the situation in the Swedish economy today feels stable."

Heikensten oversaw uninterrupted growth and slashed rates six times to revive inflation. The latest rate cut in June came after several months of criticism of the bank, particularly by labour unions, for not lowering rates fast enough as unemployment rose. In retrospect some analysts say the 50 basis point cut the Bank made in June was too deep.

Heikensten's surprise resignation had prompted speculation that the government wanted a more malleable head of the bank and that it offered the Riksbank chief the EU job to get rid of him. Dagens Nyheter asked in an editorial if "this was the gov-

(Above) Lars Heikensten announcing his resignation and (inset) Stefan Ingves and the Riksbank building in Stockholm

ernment's way of showing its discontent over the repo rate not being cut quickly enough." Critics also asked why Heikensten was given only one day to make a decision on the EU job.

"In this case only one day was needed," said Finance Minister Pär Nuder.

It will now be up to Stefan Ingves to steward the largest economy in the Nordic region, which is growing at twice the pace of the 12 euro nations while annual inflation has lagged the bank's 2 percent target since September 2003.

The most pressing task of the new governor will be whether to raise interest rates from a record low of 1.5 percent as growth and inflation accelerate.

Sweden's economy will expand 2.4 percent this year and 3.1 percent next year, according to government projections. Unemployment will drop to 4.8 percent from 5.9 percent. The government last month proposed to boost spending by 5 percent to create jobs before next year's general election.

The Riksbank, established in 1668, gained its independence under Swedish law in 1999. It has six board members.