



**SVERIGES
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Press Release

GOOD OUTLOOK FOR INFLATION IN THE COMING TWO YEARS

Today the Riksbank has lowered the repo rate by 0.25 percentage points, from 4.35 to 4.10 per cent. Both Christmas Eve and New Year's Eve coincide with the regular dates for the Riksbank's repos, so the announced repo will run for three weeks.

In the inflation report that is being published today the Riksbank's assessment of the outlook for inflation is somewhat more optimistic than in the report last September. The Riksbank now judges that the rate of inflation in 1997 will be just under 1.5 per cent, followed by about 2 per cent in 1998. For 1996 the rate of inflation will be some tenths of a percentage point below the inflation target's lower tolerance interval. This largely stems from transitory effects of decreased interest costs and lower import prices. These tendencies reflect an enhancement of economic policy's credibility.

The information obtained since the September report confirms the picture of an economic recovery in Sweden during 1996. The main factors have been strongly rising exports and investment. Still, it is not considered likely that in the coming two years economic activity will rise above the level of resource utilisation at which inflation is liable to pick up. The expected increase in the rate of inflation is mainly explained by diminishing effects of lower interest rates and a stronger exchange rate.

The Riksbank's main scenario for the coming two years suggests that the monetary stance is relatively well balanced. The additional room that may exist for lowering the repo rate is limited.

The Riksbank's analyses of the conditions for inflation will be decisive for monetary policy. These analyses are based on incoming information about variables that are strategic for the course of inflation, together with the Riksbank's general assessment of how the economy's inflation propensity is developing. How the picture that emerges relates to the analysis in today's inflation report will determine whether the repo rate is lowered still further or kept unchanged.

A press conference on the inflation report, with Lars Heikensten, Claes Berg and Jonas Ahlander, will be held today at 10 a.m. in the Riksbank; admission by press card from No. 7 Malmskillnadsgatan.

*Copies of the inflation report can be ordered from the Riksbank's Information Centre
(fax: Int. +46 8 787 05 26;
phone: Int. +46 8 787 01 00)
or collected from the Riksbank entrances at
No. 7 Malmskillnadsgatan and No. 11 Brunkebergstorg.*

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