

Press Release

20 MARCH 1997 No 15

Inflation remains low

In the inflation report that is being published today the Riksbank envisages that inflation in 1997 and 1998 will be lower than was expected in the December report. Towards the end of 1996 and early in 1997 inflation has been lower than had been foreseen, mainly as a result of transitory effects such as decreased house mortgage costs. This means that the average level of inflation in the coming year is expected to be lower than estimated earlier. The path of consumer prices since the December report also provides further support for the view that the Swedish economy has developed a decreased inflation propensity.

In the main scenario the Riksbank now considers that, in terms of the CPI, inflation in 1997 will average around 0.5 per cent, followed by somewhat less than 2 per cent in 1998. This assessment starts from unchanged instrumental rates and some appreciation of the TCW exchange rate from the level of 119.

The Riksbank judges that in the coming years economic growth will strengthen. In the main scenario, the assessment of total growth in 1997 and 1998 combined is much the same as in the December report, with rounded GDP growth rates of 2 and 3 per cent. This should not give rise to capacity restrictions that would be liable to generate rising inflation.

The monetary stance is well balanced. Major changes have occurred in the past year, for instance in the repo rate. Time is needed to evaluate their effects. Developments in financial markets in recent months also have to be considered. This warrants a cautious line in monetary policy.

A press conference on the inflation report, with Lars Heikensten, Claes Berg and Jonas Ahlander, will be held today at 10.30 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.

The Inflation Report is also available on the Internet (<http://www.riksbank.se>) in HTML as well as PDF format; the latter can be downloaded electronically.

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