

Press Release

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Developments in line with latest inflation report

"It's still too early for a detailed evaluation of all the information of importance for inflation in Sweden that has flowed in during the summer. But developments do seem to be broadly in line with the assessment in the latest inflation report."

Deputy Governor Lars Heikensten had this to say at a meeting today arranged by Svenska Handelsbanken.

One of the positive features is a stable situation in international demand. Activity in Europe is turning upwards and the US economy remains strong. There is also the prospect of persistently subdued inflation in the world around us.

After a weak start to 1997 activity in the Swedish economy picked up again in the second quarter. Domestic demand appears to be recovering. Households have increased their purchases of durable goods, consumers are becoming more optimistic, investment is turning upwards and both exports and imports are rising strongly.

Inflation and its determinants have developed broadly in accordance with the assessment that was presented in the June inflation report. The Swedish economy still has unutilised resources. This is an important reason why we can have relatively good growth that is compatible with low inflation, according to Mr. Heikensten.

Business sector productivity, moreover, is continuing to rise in a way that is favourable as regards inflation. Since the June inflation report the krona's exchange rate, expressed in terms of the TCW index, has appreciated a couple of per cent.

Preliminary wage statistics for the private and the public sector show that the rate of wage increases has slowed successively since the summer of 1996. For employment it is important that wage formation's adjustment to an economy with low inflation continues, Mr. Heikensten pointed out.

The year's third inflation report is to be published on September 23rd.

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