

Press Release

23RD SEPTEMBER 1997 NO. 45

Inflation in the coming years in line with target

CPI inflation will average about 1 per cent in 1997 and around 2 per cent in 1998 and 1999, with some upward tendency in 1998-99. Broadly the same picture is presented by different indicators of underlying inflation. The assessments start from unchanged instrumental rates and some appreciation of the exchange rate.

This is contained in the Riksbank's Inflation Report, published today.

As in the June report, GDP growth is estimated to be around 2 per cent in 1997 and around 3 per cent in 1998, followed by some further increase to over 3 per cent in 1999.

It is foreseen that the comparatively strong growth in the coming years can be combined with low inflation. The main reason lies in capacity utilisation's relatively low initial level. Other factors are the existing stabilisation of inflation expectations and the confidence that Sweden's economic policy now enjoys. Conditions in the rest of the world, where it is generally considered that good growth can be combined with low inflation, also contribute.

A number of factors that might affect the Riksbank's main scenario are discussed in the report. One important consideration at present is the interaction of inflation expectations and wage formation. In recent years, major sources of uncertainty have been the level of capacity utilisation and the Swedish economy's inflation propensity. To these should be added uncertainty about the strength of the economic upswing, which is compounded by the time lag before the interest rate cuts in recent years have their full effect on economic activity.

In the light of the main scenario for inflation and the current spectrum of risks, the monetary stance is judged to be well balanced. At the same time, the ongoing economic upswing makes it particularly important that incoming information is carefully monitored to detect any changes in the picture of inflation.

A press conference on the inflation report, with Lars Heikensten, Claes Berg and Tor Borg, will be held at 10 a.m. at the Riksbank. Admission by press card from no. 7 Malmskillnadsgatan.

The Inflation Report is available on the Internet (<http://www.riksbank.se>) in HTML as well as PDF format (the latter can be downloaded electronically). Copies of the Inflation Report can also be ordered from the Riksbank's Information Centre (e-mail: infocent@riksbank.se; telefax no. +46 8 787 05 26; telephone no. +46 8 787 01 00) or collected from either reception (no. 7 Malmskillnadsgatan or no. 11 Brunkebergstorg).

SVERIGES RIKSBANK

Telephone
+46 8 787 00 00

Telefax
+46 8 21 05 31

E-mail
registratorn@riksbank.se