

Press Release

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Good grounds for less expansionary monetary stance

Monetary policy in the near future will be constructed with the sights on price tendencies during 1999 in particular. If the repo rate remains unchanged, the 2 per cent inflation target will probably be exceeded during 1999. This is evident from the Inflation Report which the Riksbank is publishing today.

In the present cyclical phase in Sweden's economy, it is important that the monetary stance does not remain expansionary for too long. Because of the time lag before monetary policy measures affect the economy, a realignment in a less expansionary direction must be made in good time. While such an adjustment of the monetary stance will tend to dampen growth in the coming years, its long-term result will be better conditions for a sustained increase in production and employment.

With an unchanged repo rate, annual CPI inflation is judged to be about 1 per cent in 1997, about 2 per cent in 1998 and about 2.5 per cent in 1999. Underlying inflation is also expected to move up and reach over 2.5 per cent at the end of 1999.

Compared with the September assessment, this is a certain upward revision for 1999. For monetary policy it is of more practical importance that the forward shift of one quarter brings the time perspective into a phase when capacity utilisation and inflationary pressure are somewhat higher.

If the Riksbank were to wait before realigning monetary policy, there would be a risk of inflationary pressure becoming too strong. All in all, there are good grounds for a monetary policy adjustment in a less expansionary direction.

A press conference on the Inflation Report, with Lars Heikensten, Claes Berg and Hans Lindblad, is scheduled for 10 a.m. at the Riksbank. Admission by press card at the entrance at 7 Malmskillnadsgatan.

Copies of the Inflation Report can be ordered on the Internet (www.riksbank.se), by e-mail (info@riksbank.se), fax (Int. +46 8 787 05 26) or telephone (Int. +46 8 787 01 00), or collected from the entrances at 7 Malmskillnadsgatan and 11 Brunkebergstorg. The Report is also available on the Internet (www.riksbank.se) in HTML as well as PDF format (the latter can be downloaded).

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