

Press Release

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Prospects of somewhat more subdued inflation

Current inflation prospects suggest a somewhat more subdued tendency than at the time of the Inflation Report in December 1997. But the main scenario does involve rising economic activity, with a gradual increase in capacity utilisation and thereby some accentuation of inflationary pressure. This speaks for a cautious tightening of the monetary stance in the year ahead.

With the crisis in Asia, however, inflation may prove to be lower. Moreover, the uncertainty about future inflation has been compounded by the exchange rate tendency. All this suggests that the repo rate should not be altered at present. With the uncertainties in the assessment, there are strong reasons for appraising the construction of monetary policy continuously as new information becomes available.

The Riksbank makes this assessment in the year's first Inflation Report, published today.

GDP growth in the main scenario is expected to strengthen to just over 2.5 per cent in 1998 and about 3 per cent in 1999, which is somewhat lower than foreseen in December. In 2000 growth is judged to remain comparatively good. This points to rising capacity utilisation and the output gap may close in the course of 2000.

Inflation in the main scenario is judged to average 1.6 per cent in 1998 and 2.1 per cent in 1999. Various indicators of underlying inflation suggest that during the forecast period inflationary pressure will gradually grow.

Inflation expectations point to price movements in the coming years that are in line with the inflation target. It seems that confidence in the Riksbank's price stability target is being established.

A press conference on the Inflation Report, with Lars Heikensten, Claes Berg, Hans Lindberg and Hans Lindblad, will be held at the Riksbank at 10 a.m. Admission by press card at No. 7 Malmskillnadsgatan.

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

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