

Press Release

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“Repo rate should not be changed at present”

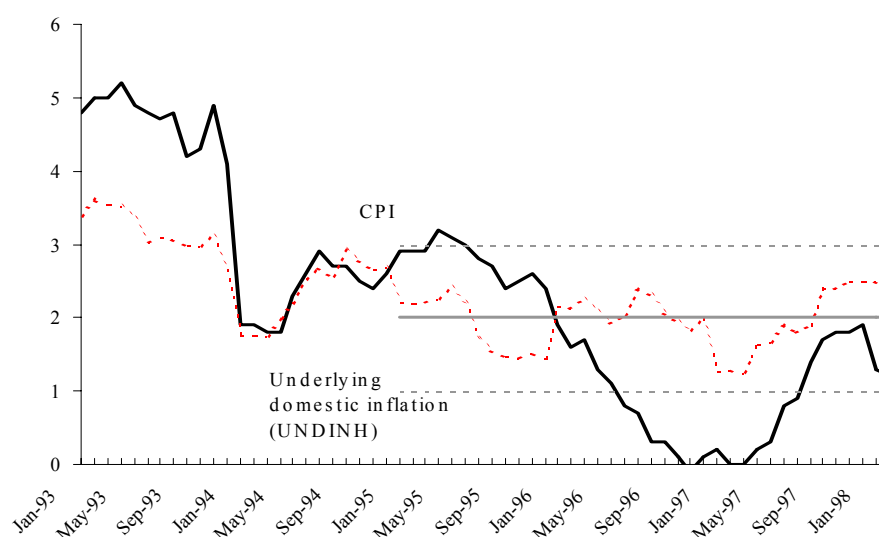
“The conclusion in the Inflation Report published at the beginning of March still holds. The report stated that the repo rate should not be altered at present but that a cautious tightening can be called for in the year ahead. The information that has become available since the publication of the report does not alter that assessment,” Urban Bäckström, Governor of Sveriges Riksbank, said today during a visit to Skåne. Mr Bäckström was speaking at a breakfast meeting arranged by Sparbanken Gripen in Margretetorp as well as at a seminar in Helsingborg arranged by Företagarna i Skåne.

The statistics show that Sweden's economy is in a phase of rising activity; at the same time according to Mr. Bäckström we need to be alert to the possibility of downward effects stemming from the problems in Asia. In the March Inflation Report the Riksbank's inflation forecast was adjusted downwards for both 1998 and 1999. The factors behind the reassessment were the crisis in Asia, wage settlements, rent agreements and falling interest rates.

The February outcome for inflation was below the Riksbank's earlier prediction. The main reasons are that house mortgage rates have gone on falling and that clothing and footwear prices have been lower than expected. Underlying inflation however broadly agrees with earlier assessments.

So price developments are again being affected by factors which are temporarily retarding CPI inflation. Different indicators of underlying and trend inflation are broadly in line with the price stability target, Mr. Bäckström pointed out.

CPI and underlying inflation



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