

Press Release

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Inflation relatively well in line with the target

“Domestic demand in the coming twenty-four months is judged to be broadly in line with the Riksbank's earlier assessment. This is foreseen against a background of weak international inflationary pressure, low inflation expectations, comparatively restrained wage agreements and improved government finances. All in all, this implies that at the end of the period under review, inflation will be relatively well in line with the Riksbank's target.”

This is a quotation from Deputy Governor Lars Heikensten's prepared speech for a panel discussion that Finansforum is arranging this evening at Växjö Concert Hall.

“During the summer, consumer prices have largely moved as the Riksbank expected. Partly on account of the Asian crisis, however, prices for crude oil and other raw materials have continued to fall. International economic prospects now look somewhat weaker, for example on account of the widespread financial unrest. At the same time, the repo rate cut last June and the weakening of the krona are having a stimulatory effect on our economy,” Mr. Heikensten says.

“There is considerable uncertainty about the future. International economic activity may be weaker than expected, which could lead to lower inflation. On the other hand, there is now more uncertainty about the krona's exchange rate; a more permanently weak exchange rate could lead to increased inflationary pressure. The financial turbulence in the global economy makes the situation difficult to assess,” according to Mr. Heikensten.

“The Riksbank will continue to analyse the course of events and appraise monetary policy continuously in the light of new information. The Riksbank will return to the assessment of inflation prospects and their effect on the future construction of monetary policy in the Inflation Report that is to be published on 28 September,” Mr. Heikensten concludes.

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