

Press Release

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Inflation relatively well in line with the target

There are mainly two—contrary—factors on which inflation prospects and the future construction of monetary policy will hinge.

- On the one hand, international economic developments may be weaker than foreseen in the Riksbank's main scenario. That could lead to lower inflation.
- On the other hand, there is the increased uncertainty about the exchange rate, for instance. A more permanently weak exchange rate that does not mirror a weaker real economic trend could lead to increased inflationary pressure.

In addition, the financial turbulence in the global economy complicates the assessment.

Against this background the Riksbank is continuing to analyse the course of events and appraise the construction of monetary policy on an ongoing basis in the light of new information.

These are extracts from this year's third Inflation Report, which the Riksbank presents today.

In the main scenario in the Report, CPI inflation is judged to be somewhat below the 2 per cent target in the time horizon that is most relevant for the construction of monetary policy, i.e. twelve to twenty-four months. Underlying inflation (UND1) moves up successively to around 2 per cent. All in all, this means that at the end of the period under review, inflation is relatively well in line with the Riksbank's target.

The inflation assessment in the main scenario assumes a successive appreciation of the krona in the years ahead. Even so, economic activity will still receive a stimulatory effect both from low interest rates and an exchange rate that is relatively weak for much of the period.

GDP growth is expected to be almost 3 per cent a year. Compared with the June Report, however, the time profile is somewhat different; growth is now expected to be strongest during 1998, followed by a slight slow down.

A press conference with Lars Heikensten, Claes Berg, Hans Lindberg and Hans Lindblad is scheduled for 9.30 a.m. at the Riksbank, No. 7 Malmskillnadsgatan. Admission by press card. **The final Inflation Report for 1998 will be presented on 3 December 1998.**

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 No. 7 Malmskillnadsgatan and No. 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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