

Press Release

3RD NOVEMBER 1998, NO. 42

Repo rate lowered 0.25 percentage points to 3.85%

The Governor of the Riksbank, having first confirmed the monetary policy guidelines with the Governing Board, has decided today to lower the repo rate 0.25 percentage points, from 4.10 to 3.85 per cent.

Since the most recent Inflation Report, published in September, new information has emerged which motivates a downward revision of inflation prospects. It is now considered that in twenty-four months time the rate of inflation will be below the Riksbank's target of 2 per cent.

- Real economic consequences of the global financial crisis are judged to be more marked. This has to do with, for example, the Russian suspension of payments in August and the collapse of the American hedge fund Long Term Capital Management at the end of September. Statistics published during the autumn and new assessments by the IMF, the OECD and others provide grounds for a further downward adjustment of future growth and inflation in the OECD area.
- Economic growth in Sweden is still expected to be relatively good in the coming years, but the weaker international outlook is a reason for a downward revision to expected capacity utilisation. Net exports are weakening, stocks are tending to accumulate and the growth of corporate borrowing is slowing down. Households, moreover, are now somewhat less positive about the future.
- The price statistics point in the same direction. Inflationary pressure is low. Transitory effects are now judged to make a smaller contribution to the change in CPI in 2000. Survey data show that inflation is expected to remain subdued. Compared with the September Inflation Report, there is now really only one factor that does not favour lower inflationary pressure, namely the weaker exchange rate. A downward revision of the krona's expected exchange rate path could be motivated by recent developments. But even allowing for this, the overall assessment is still that inflation will be below the Riksbank's target.

A press conference with Mr. Urban Bäckström, Governor of the Riksbank, and Lars Heikensten, Deputy Governor, will be held at 11 a.m. at the Riksbank. Admission by press card at No. 7 Malmskillnadsgatan.

SVERIGES RIKSBANK

Telephone
+46 8 787 00 00

Telefax
+46 8 21 05 31

E-mail
registratorn@riksbank.se