

Press Release

3RD DECEMBER 1998, NO. 53

Inflation somewhat below target in next 1–2 years

The international economic slowdown is expected to result in lower growth in Sweden and a rate of inflation 1–2 years ahead somewhat below the target. It is therefore concluded that there may be some room for a monetary policy adjustment in a more expansionary direction.

These assessments are contained in this year's fourth Inflation Report, which the Riksbank presents today.

- In the main scenario, GDP growth is estimated to be between 2.5 and 3 per cent in 1998, followed by between 2 and 2.5 per cent in 1999 and about 2.5 per cent in 2000. The lower growth outlook implies some downward effect on wage drift, for example, and two years ahead the economy should still have unutilised resources. The Riksbank's interest rate cuts and the krona's depreciation, however, will have an expansionary effect on total demand and will help to counteract a sharp deterioration of the Swedish economy.
- The weaker growth prospects are judged to result in an underlying inflation rate, measured as UNDIX, below 2 per cent in one to two years time. The same applies to the internationally harmonised index of consumer prices (HICP), which is expected to be 1.7 per cent in the fourth quarter of both 1999 and 2000. Transitory effects, such as changes in indirect taxes and subsidies, exert a further downward effect on inflation; CPI inflation is judged to be 1.2 per cent at the end of 1999 and 1.4 per cent in twenty-four months time.
- All in all, the balance of risks in the inflation assessment seems to be somewhat on the downside.

A press conference, attended by Deputy Governor Lars Heikensten, Claes Berg, Head of Economics Dept., Hans Lindberg, Deputy Head of Economics Dept. and Hans Lindblad, Head of Price Analysis Division, is to be held at 9 a.m. today at the Riksbank. Entrance by press card at 7 Malmskillnadsgatan.

The publication date for the first Inflation Report in 1999 is a matter for the Riksbank's new Executive Board; a date will be announced as soon as it has been decided.

Copies of Inflation Report 1998:4 can be ordered on the Internet (www.riksbank.se), by e-mail (info@riksbank.se), fax (+46 8 787 05 26) or phone (+46 8 787 01 00), or collected from the Riksbank (7 Malmskillnadsgatan or 11 Brunkebergstorg). The Report is also available on the Internet (www.riksbank.se).

SVERIGES RIKSBANK

Telephone
+46 8 787 00 00

Telefax
+46 8 21 05 31

E-mail
registratorn@riksbank.se