

Press Release

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Comments on the minutes of the monetary policy meeting held in August

The minutes, published today, of the Executive Board meeting on 12 August 1999 show that Deputy Governors Kerstin Hessius and Eva Srejber entered reservations against the majority view that the repo rate should be left unchanged. The minutes detail the arguments behind each of these Board members' assessments that a less expansionary direction of monetary policy ought to have begun in August.

Kerstin Hessius today comments: 'In all essentials I shared the rest of the Board's view of the economic situation but had a different opinion about the formulation of monetary policy. I considered that in a situation with high growth figures in Sweden and appreciably improved international economic prospects, the present level of the repo rate, 2.90 per cent, was too low. I therefore judged that early action was important so as to create conditions for sustained growth, even though in the short run I was not particularly worried about strongly rising prices. Since the August meeting I do not see that developments have called for any factual reappraisal. However, I test this continuously in the monetary policy process and will be forming the next definite standpoint in connection with the Inflation Report and the monetary policy meeting on 5 October.'

Eva Srejber today comments: 'I judged that the growth rates in Sweden and internationally, with rising resource utilisation in Sweden, are leading to increased inflationary pressure. That suggests that with an unchanged, expansionary monetary stance, in twelve to twenty-four months time inflation will be above 2 per cent. The trade-off between growth and inflation is difficult to assess but it is clear to me that, considering the current phase of the business cycle, the present level of the repo rate, 2.90 per cent, is very low. As the high growth rate to date this year has not had any sizeable impact on inflation, I considered that the adjustment to a less expansionary monetary stance could begin with a small step.' She adds, 'The new economic information since then has not given me cause to change my opinion.'

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