

Press release

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Bergström: Conflicting trends in the Swedish economy

"There are currently conflicting trends in the Swedish economy. The improvements in the situation on the labour market have led to slightly higher demands in the central wage agreements than last time, although these demands have not yet given rise to any great concern over inflation. The question is whether the labour market can adjust the relative wages for groups lagging behind that have recruitment problems, without triggering any demands for compensation and excessively high wage increases." This was the message from Villy Bergström, Deputy Governor of the Riksbank, during a speech to members of the Swedish Shareholders Association in Örebro.

"Demand is still growing more quickly than long-term sustainable growth, which means that available resources are being utilised. If the increase in demand continues at a rapid rate, sooner or later inflation will begin to rise and force increases in interest rates. However, the growth in demand is probably on the verge of slowing down somewhat."

"Previously we have noted strong price rises on the stock exchange at the same time as share ownership through mutual funds and direct purchases of shares has spread to new population classes. The rise in prices was based on expectations in relation to IT companies; expectations that have not yet been justified in terms of production, real wages and profits. This comprised a threat to inflation, partly through pushing up private consumption and property prices. The fact that share prices have fallen recently has also subdued the inflationary threat."

"A definitive assessment of the situation in the Swedish economy will be presented in the Riksbank's 4th Inflation Report on 7 December", concludes Villy Bergström.

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