

The Riksbank and Monetary Policy

Sverigefinska folkhögskolan

Haparanda
26 May 2015

Deputy Governor Martin Flodén



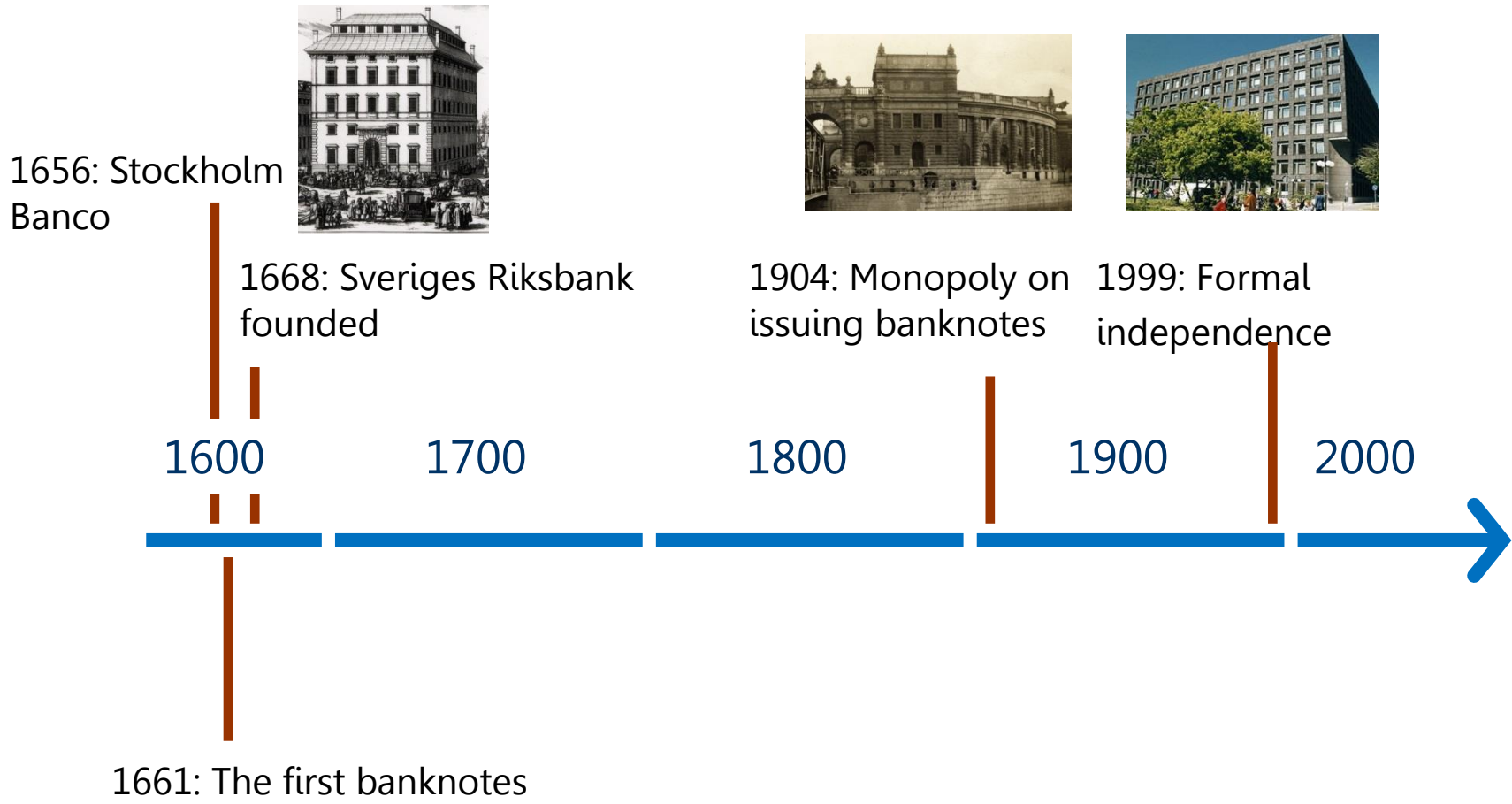
Agenda

- About the Riksbank
 - The inflation target
 - Recent monetary policy: minus repo rate and asset purchases
 - Financial stability
-

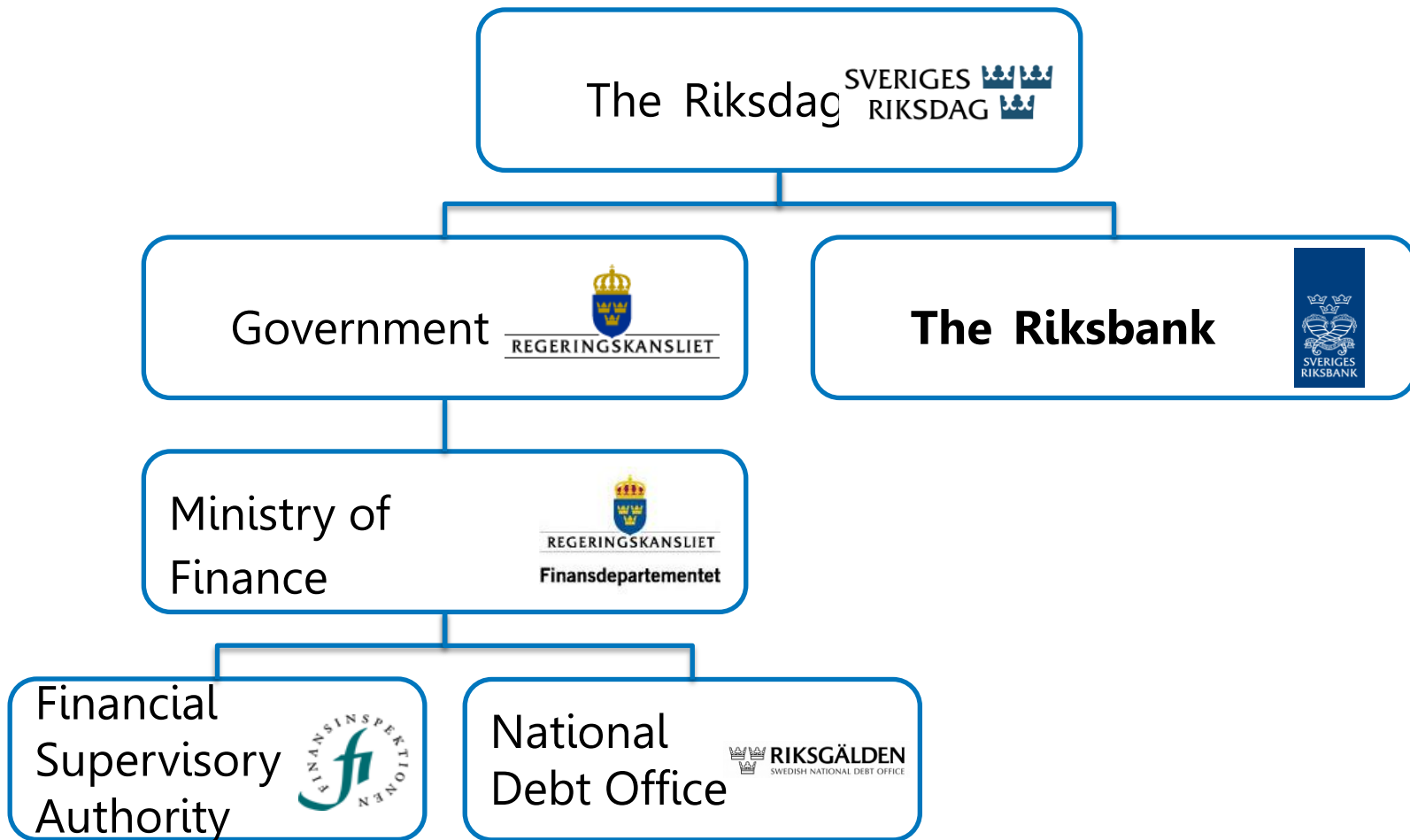


About the Riksbank

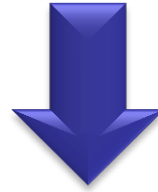
Historical perspective



Public authority under the Riksdag



The Riksdag



The General Council



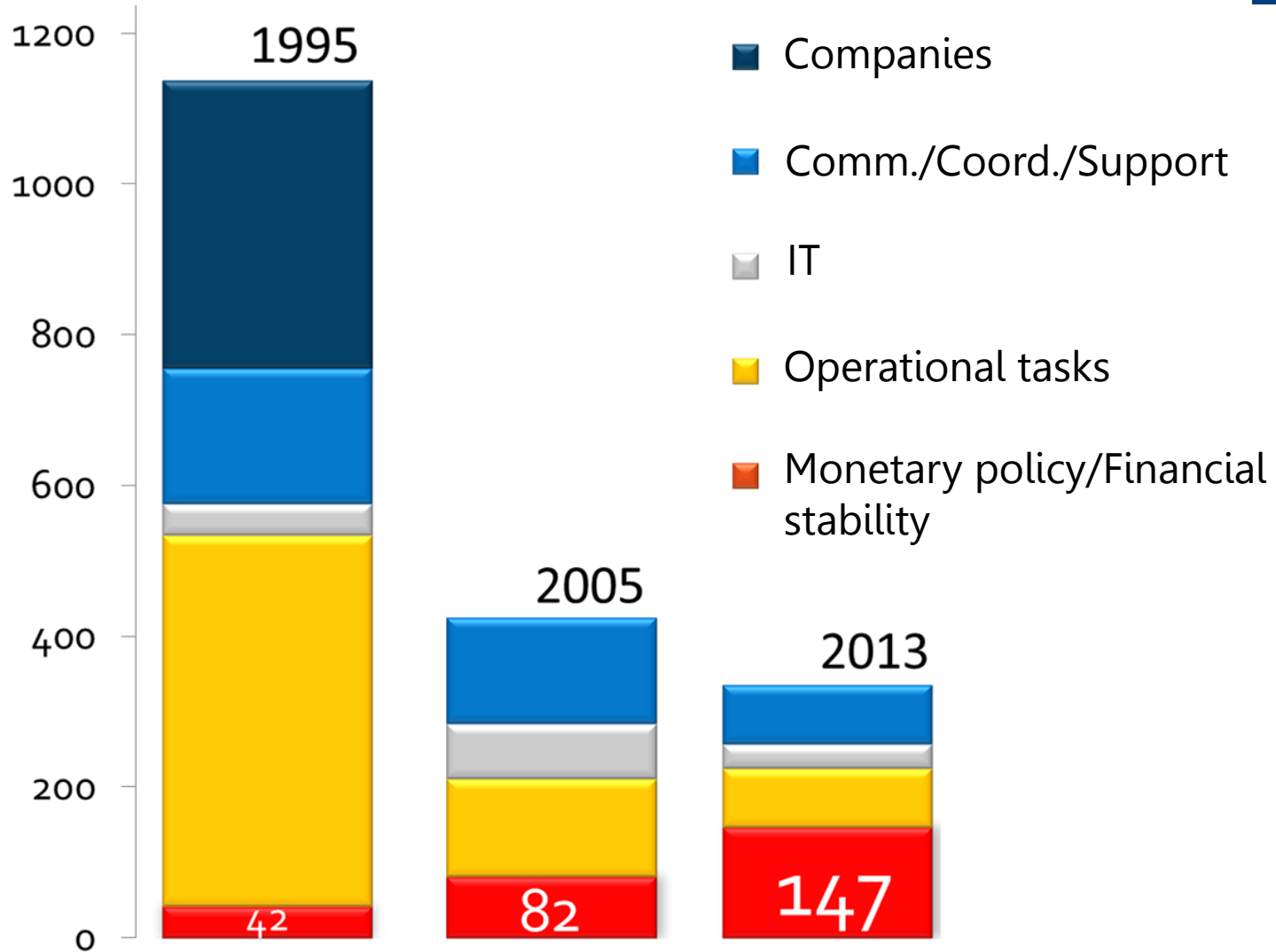
The Executive Board



**The Riksdag
Committee on
Finance**



Personnel 1995-2013



The Riksbank's international work



180 international working groups

1,000 trips abroad per year



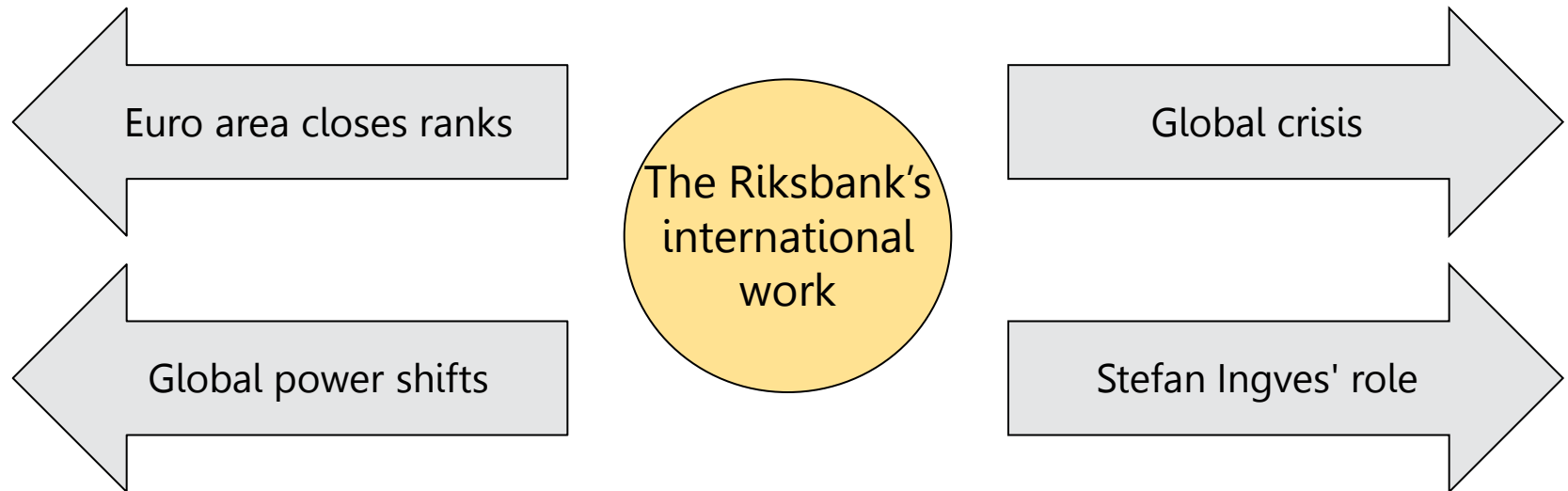
Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS



norden

Forces that affect the Riksbank's international work



The Riksbank's tasks according to the Sveriges Riksbank Act



**Maintaining
price stability**



Monetary policy

**Promoting a
safe and efficient
payment system**



Financial stability





The inflation target

Why is it important to maintain the value of money – price stability?

- Low and stable inflation
 - Makes it easier for households and companies to make financial decisions
 - Creates the conditions for good and long-term sustainable growth
- High and varying (volatile) inflation, on the other hand, creates problems...
- ... as does very low or negative inflation long period of time



Why 2 per cent?

- Gives scope for adjustments in prices and wages
 - Gives monetary policy scope to take action
 - Common inflation target internationally
-

The inflation target is the economy's nominal anchor

Credible inflation target



Better wage formation



The inflation target is the economy's nominal anchor

Credible inflation target

Better wage formation



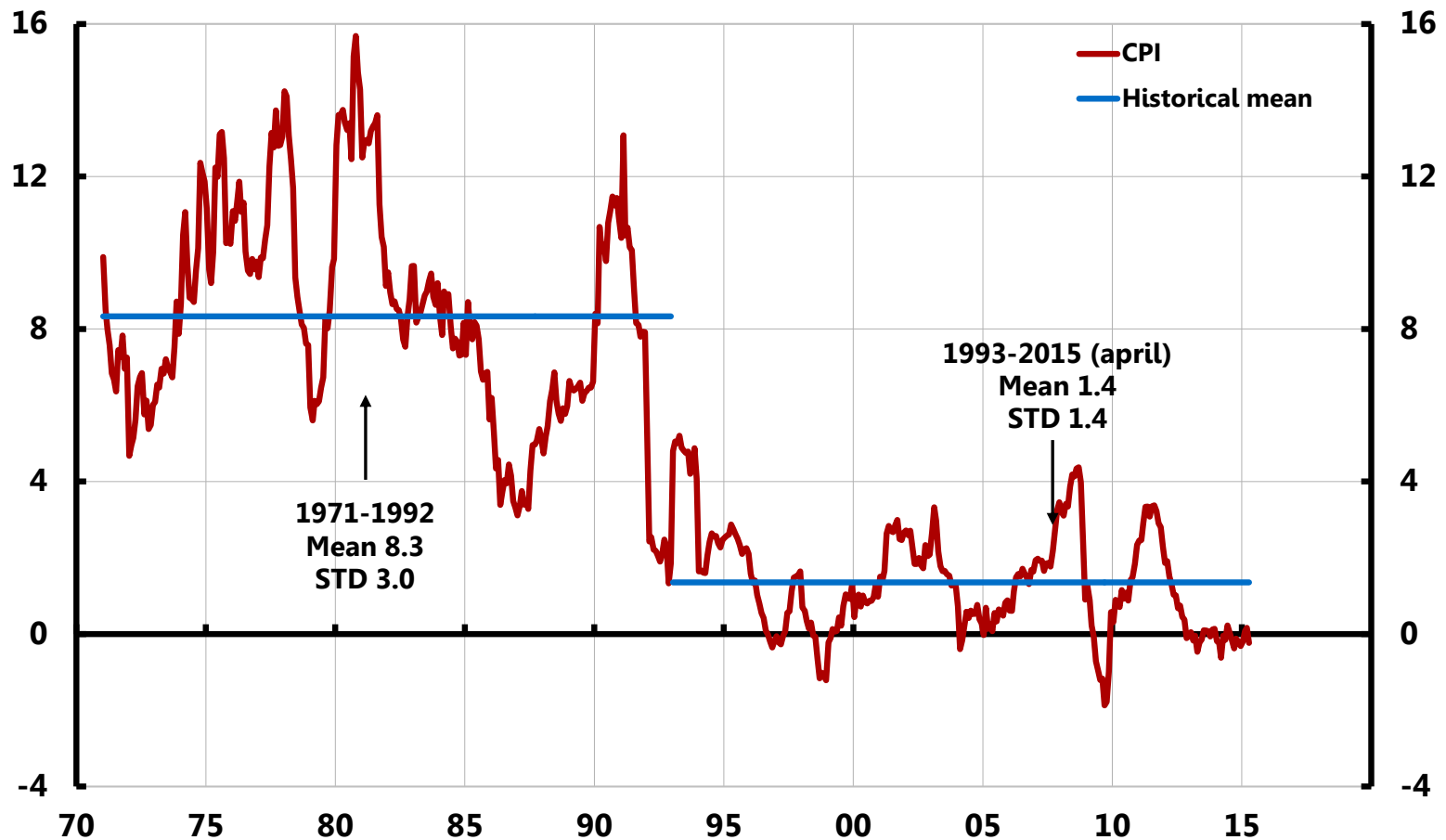
Easier to attain
the inflation target

Monetary policy can
give greater
consideration to
the state of the
economy



Lower and more stable inflation since the inflation target was introduced

CPI, annual percentage change

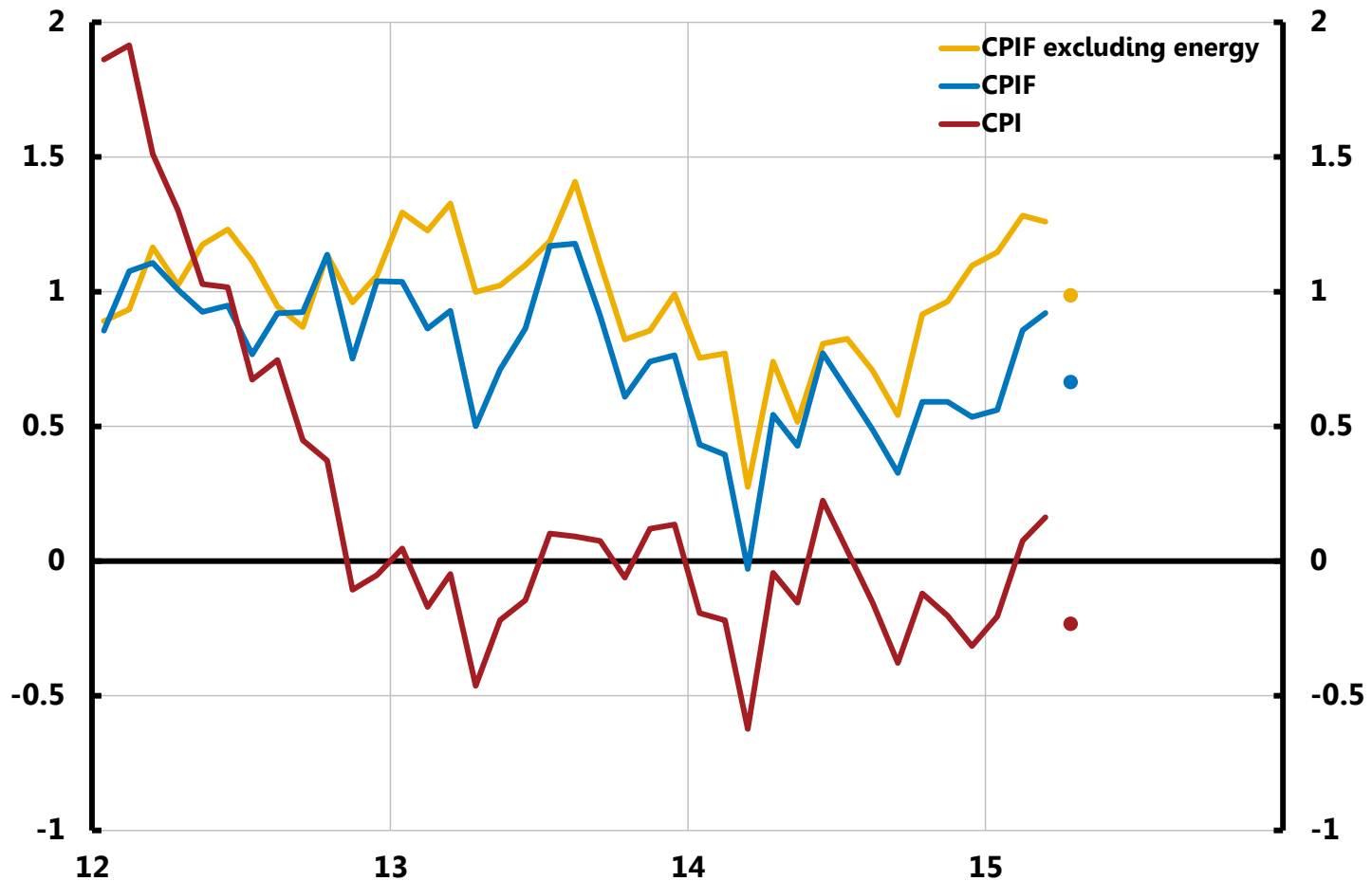




Recent
developments in
monetary policy

Inflation is too low

Annual percentage change



Note. The CPIF is the CPI with a fixed mortgage rate.

Source: Statistics Sweden

Expansionary monetary policy to ensure that inflation rises

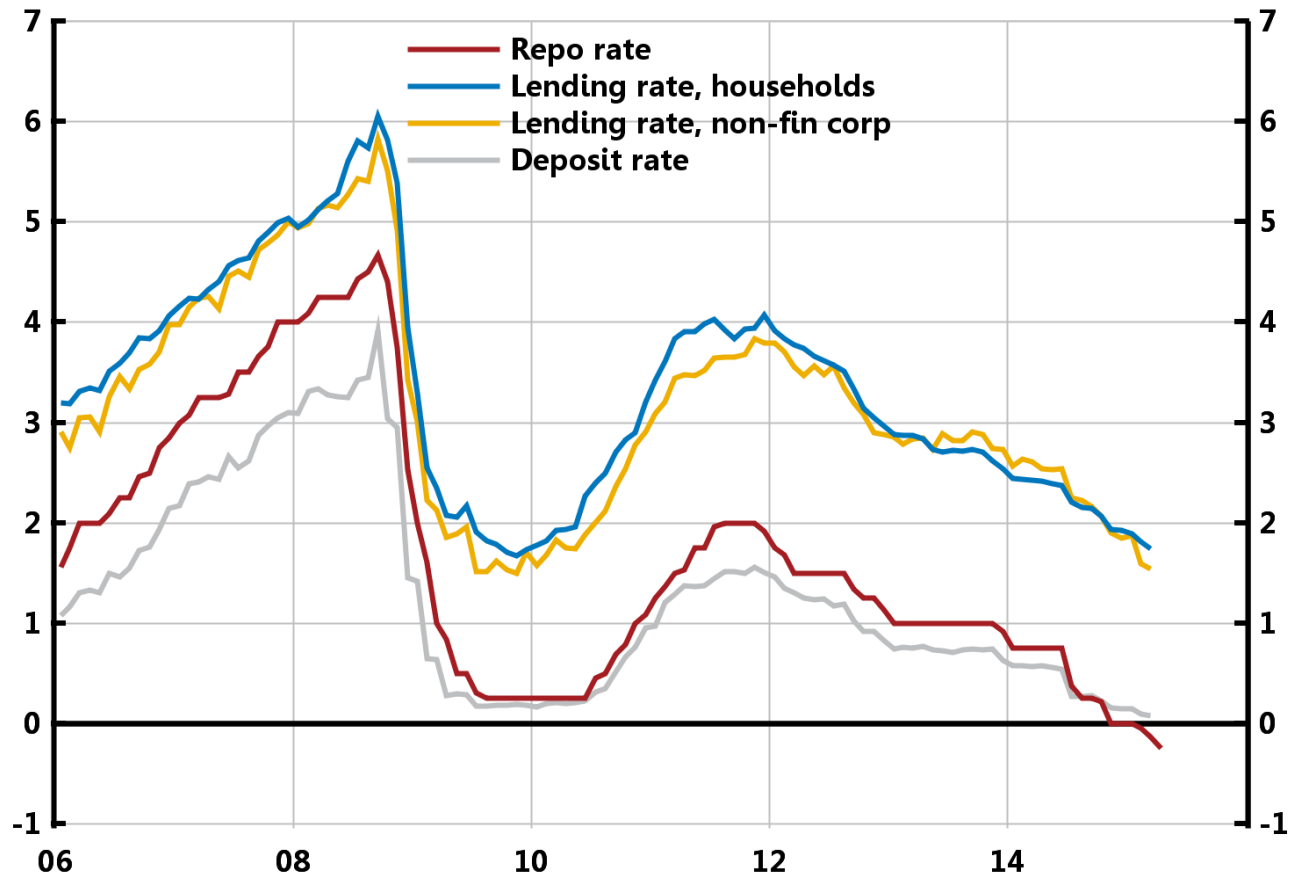


- Repo rate has been cut to -0.25 per cent
- We are buying government bonds
- We are prepared to do more



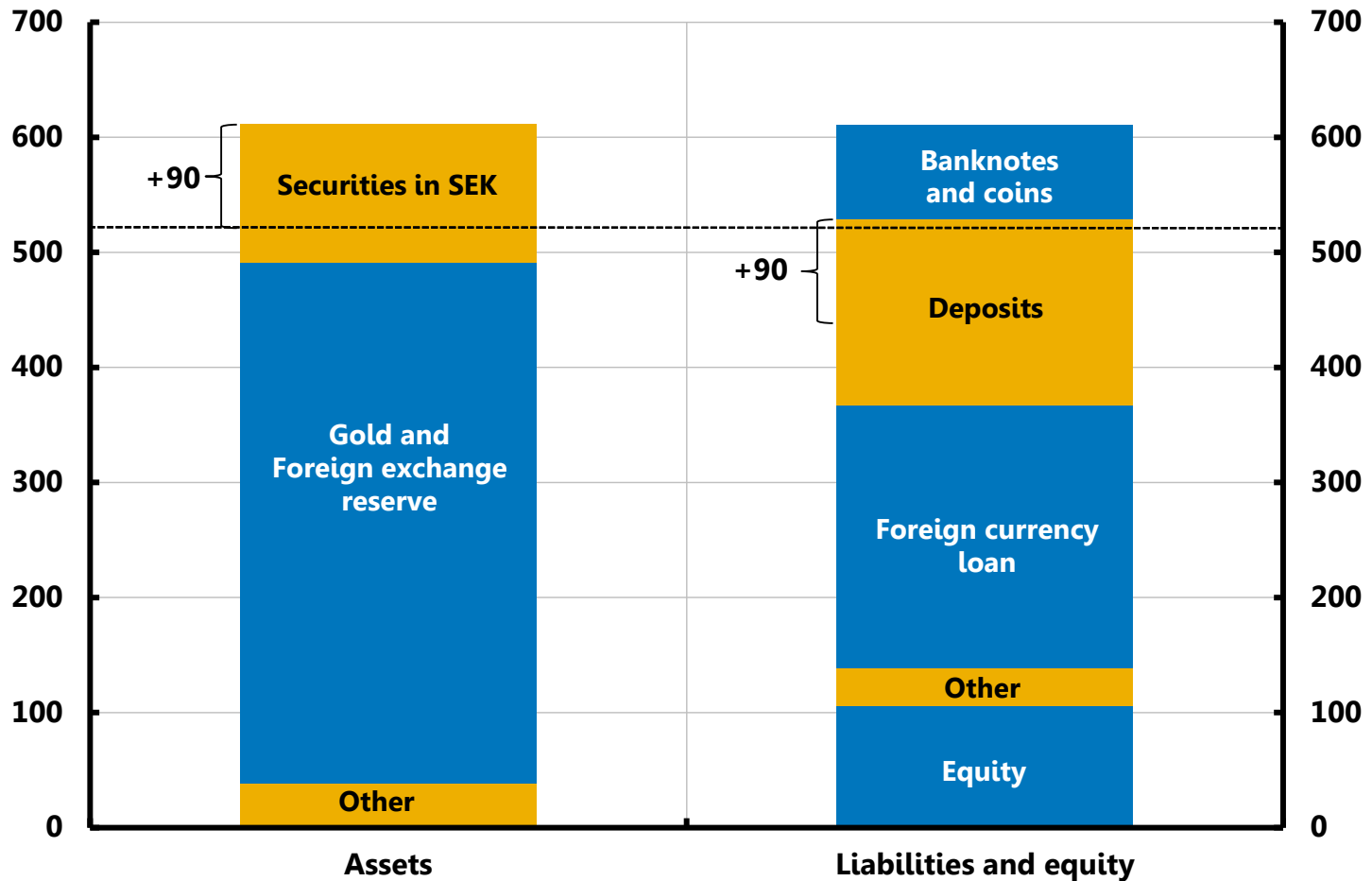
Lending and deposit rates

Per cent



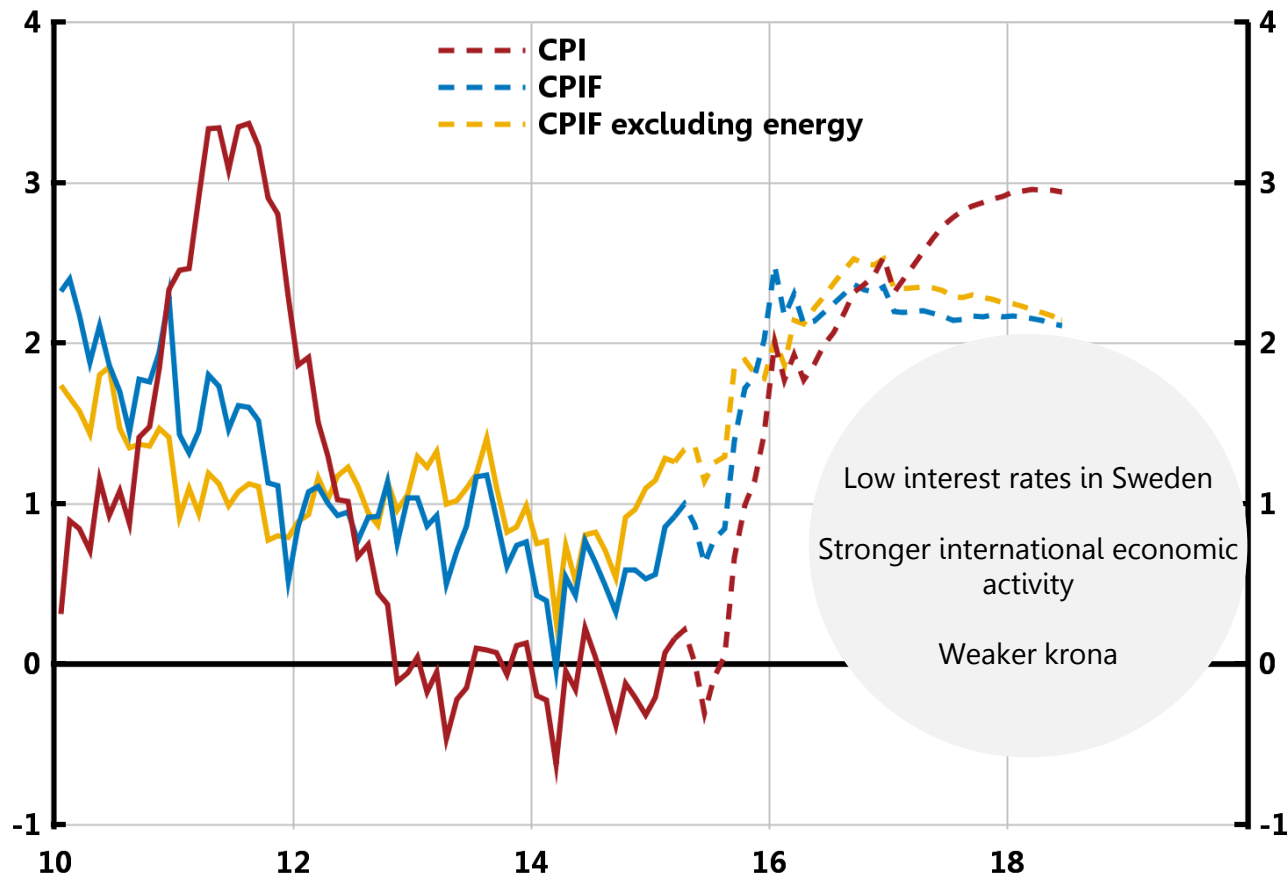
The Riksbank balance sheet

Billion SEK



Good conditions for inflation to rise towards the target

Annual percentage change



Sources of concern

Low inflation for a long time.
How quickly will inflation
rise?

Central banks out of step

Rapid appreciation of the
krona - a risk to the
upturn in inflation

Uncertainty about
international
developments



Financial Stability

Focus on the main tasks of monetary policy and financial stability

**Maintaining
price stability**



Monetary policy

**Promoting a
safe and efficient
payment system**



Financial stability



The role of the Riksbank

**Responsible for
banknotes and
coins**



**Oversees the
financial system
Four major banks**



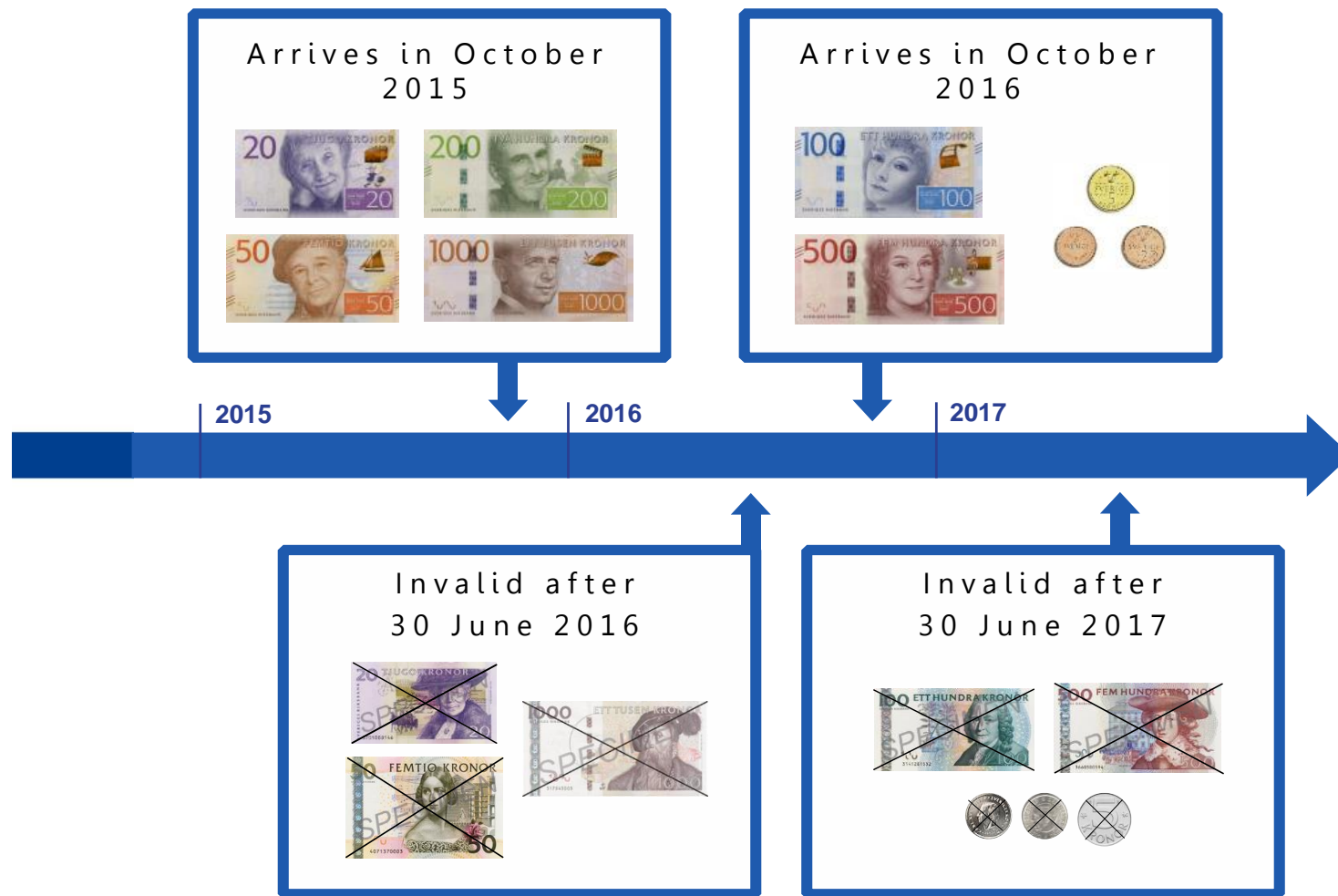
**Manages the RIX
payment system**



**Emergency
liquidity
assistance
Lender of last resort**



New banknotes and coins



The banks are central to the system, but...

...banks are unstable

Savings



Lending

...and financial problems can spread



Tools in a stable situation – preventive

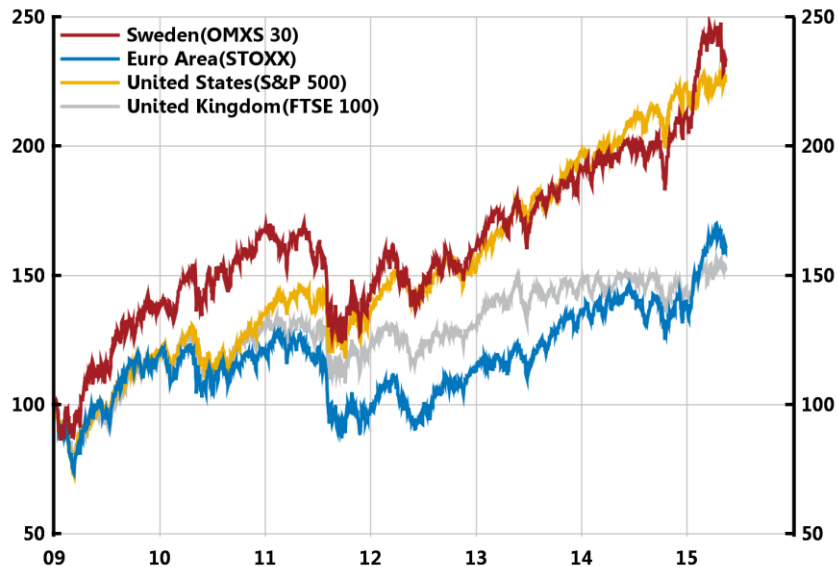
- International work
- Cooperation with other authorities
- Crisis management exercises
- Analysis – what are the risks?
 - Financial Stability Report, twice a year
 - Dialogue with the banks



Stock market and housing prices increasing

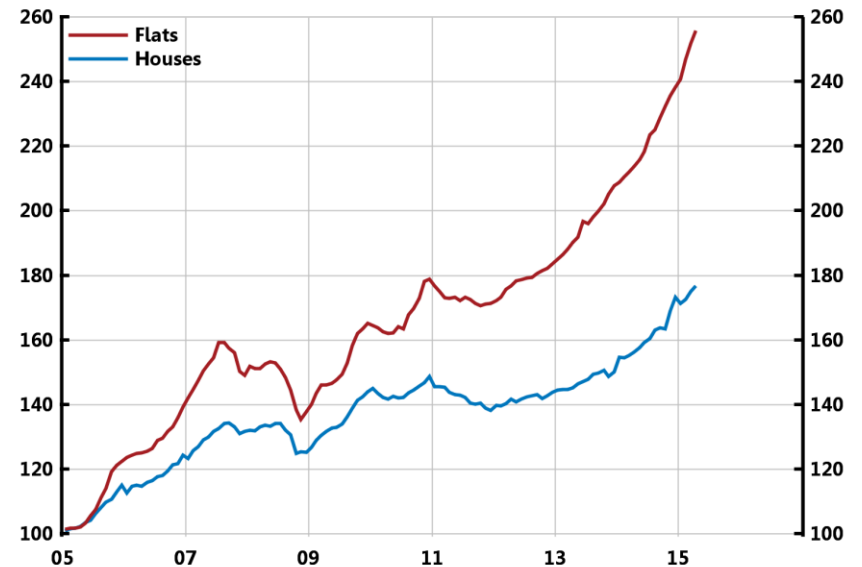
Stock markets

Index, 2 January 2009 = 100



Housing prices

Index 2005 = 100, seasonally adjusted data



Tools in a financial crisis

- Various possibilities to quickly supply liquidity
 - Loans and foreign exchange reserve
- Loans against collateral/minimal loss risks
- The central bank: "Lender of last resort"





Thank you!