



Introduction on monetary policy

The Riksdag Committee
on Finance
8 November 2012

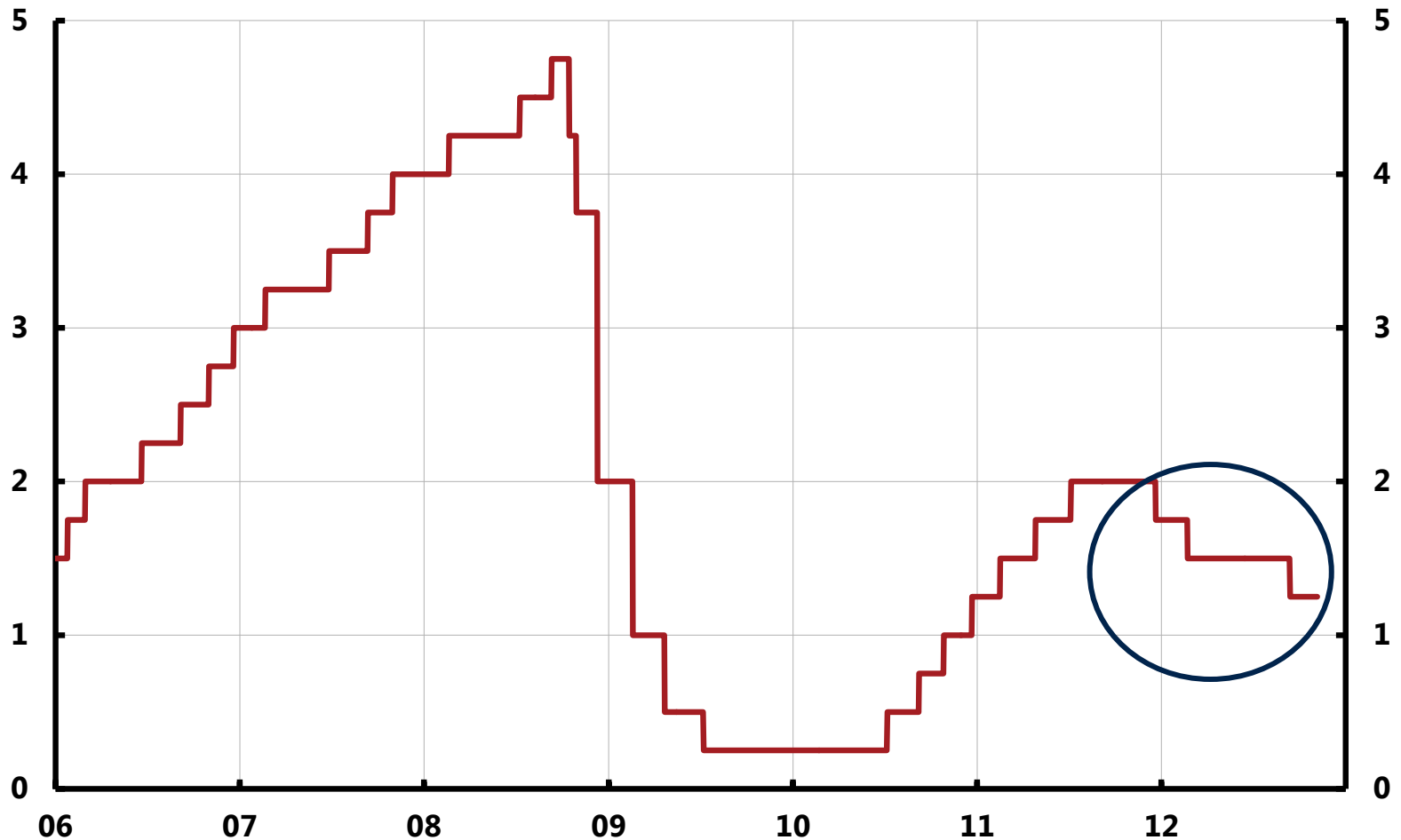
Governor Stefan Ingves

Today's presentation

- Developments and monetary policy over the last 12 months
 - Weaker growth prospects and low inflationary pressures
 - Monetary policy increasingly expansionary
- Current monetary policy
 - Ongoing low repo rate stimulating the economy
 - Inflation rising towards the target

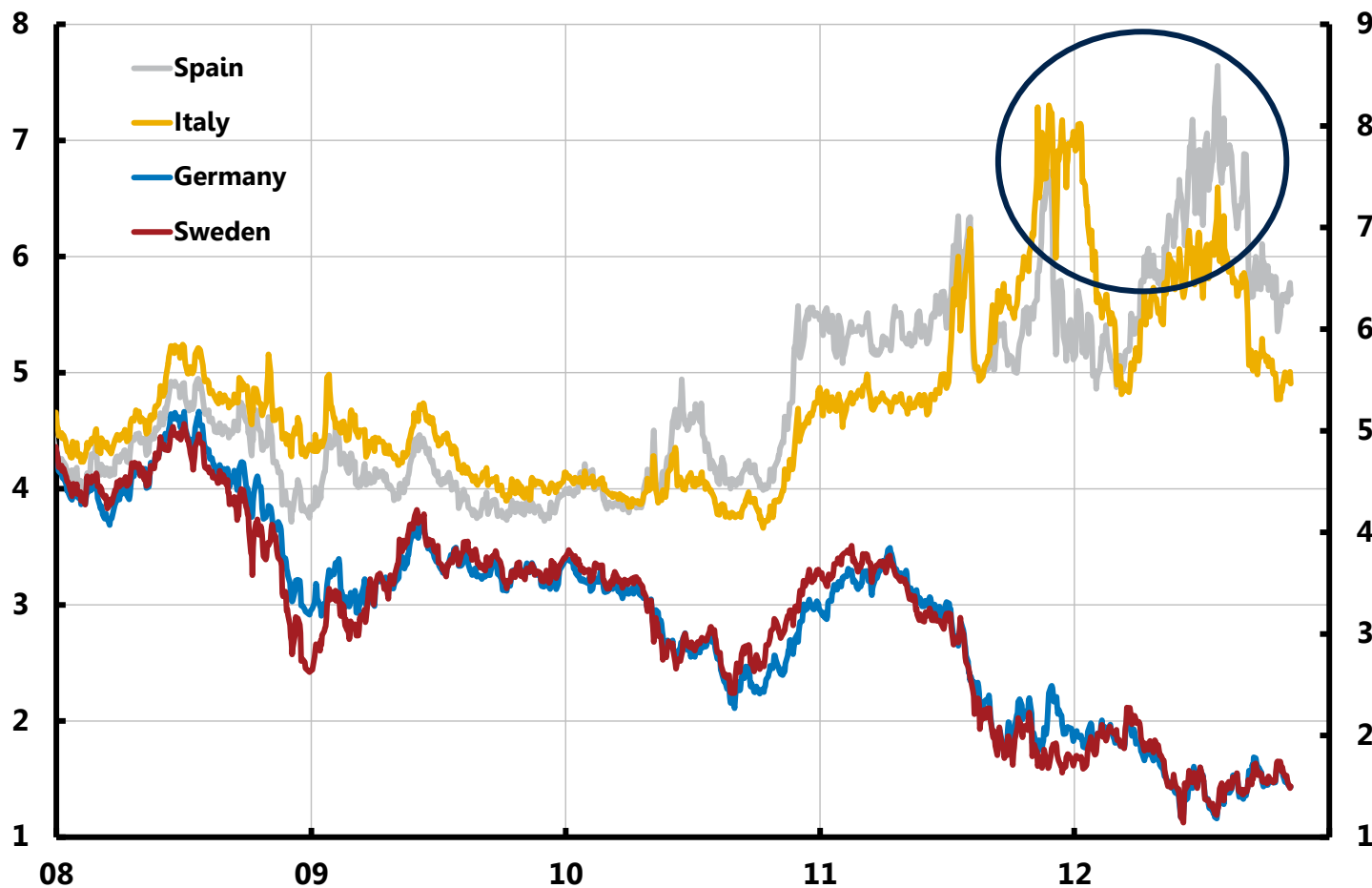
Monetary policy increasingly expansionary over the last 12 months

Repo rate



Development marked by the debt crisis in Europe

Government bonds in Sweden and in countries in the euro area



Note. 10 years to maturity, per cent.

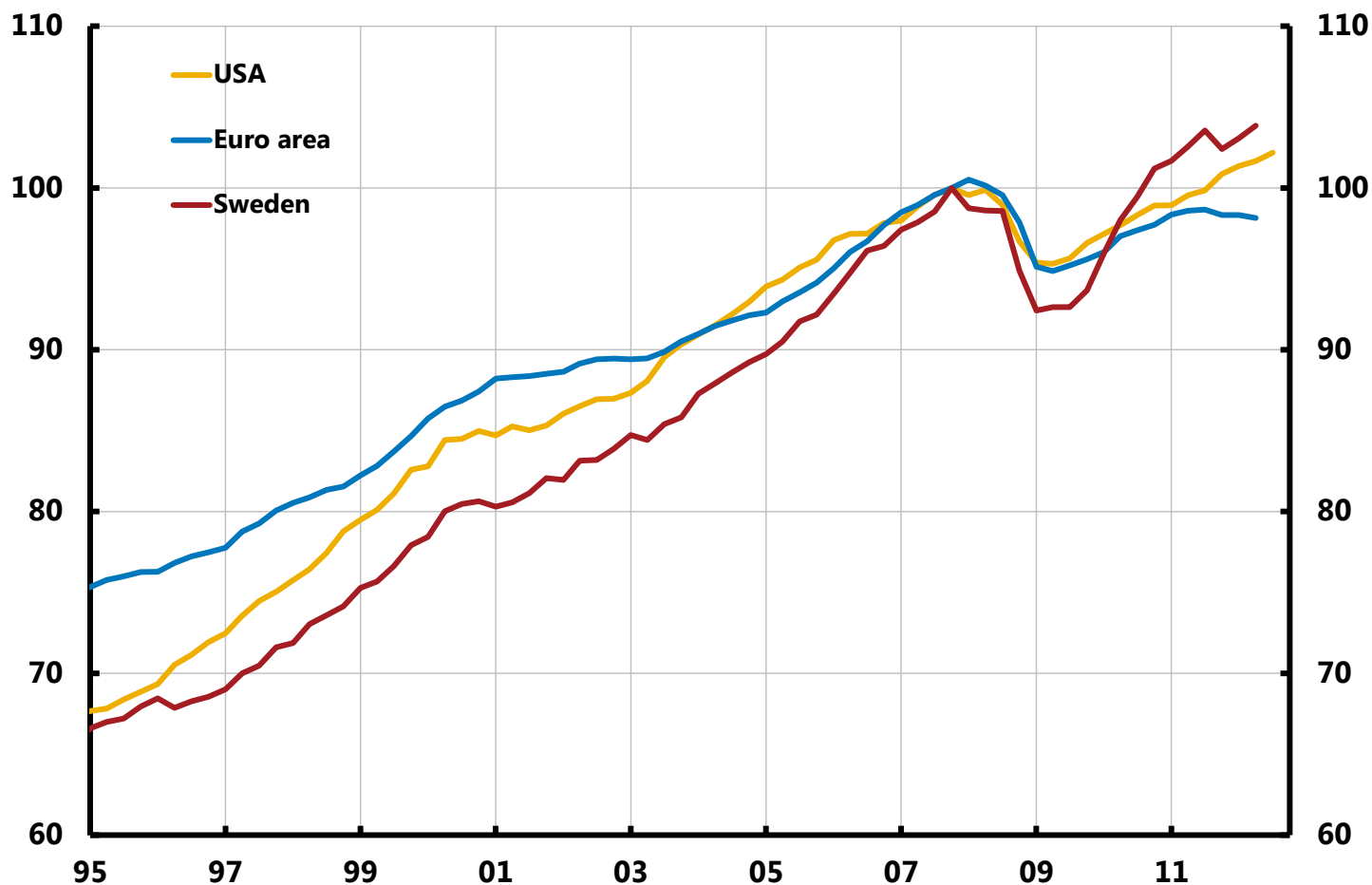
Source: Reuters EcoWin

Major challenges in the euro area...

- Weak competitiveness
 - Public finance problems
 - Problems in European banks
 - Political decisions still to be taken
 - At the EU level
 - At the national level
-

The slowdown in the euro area is affecting the Swedish economy

GDP

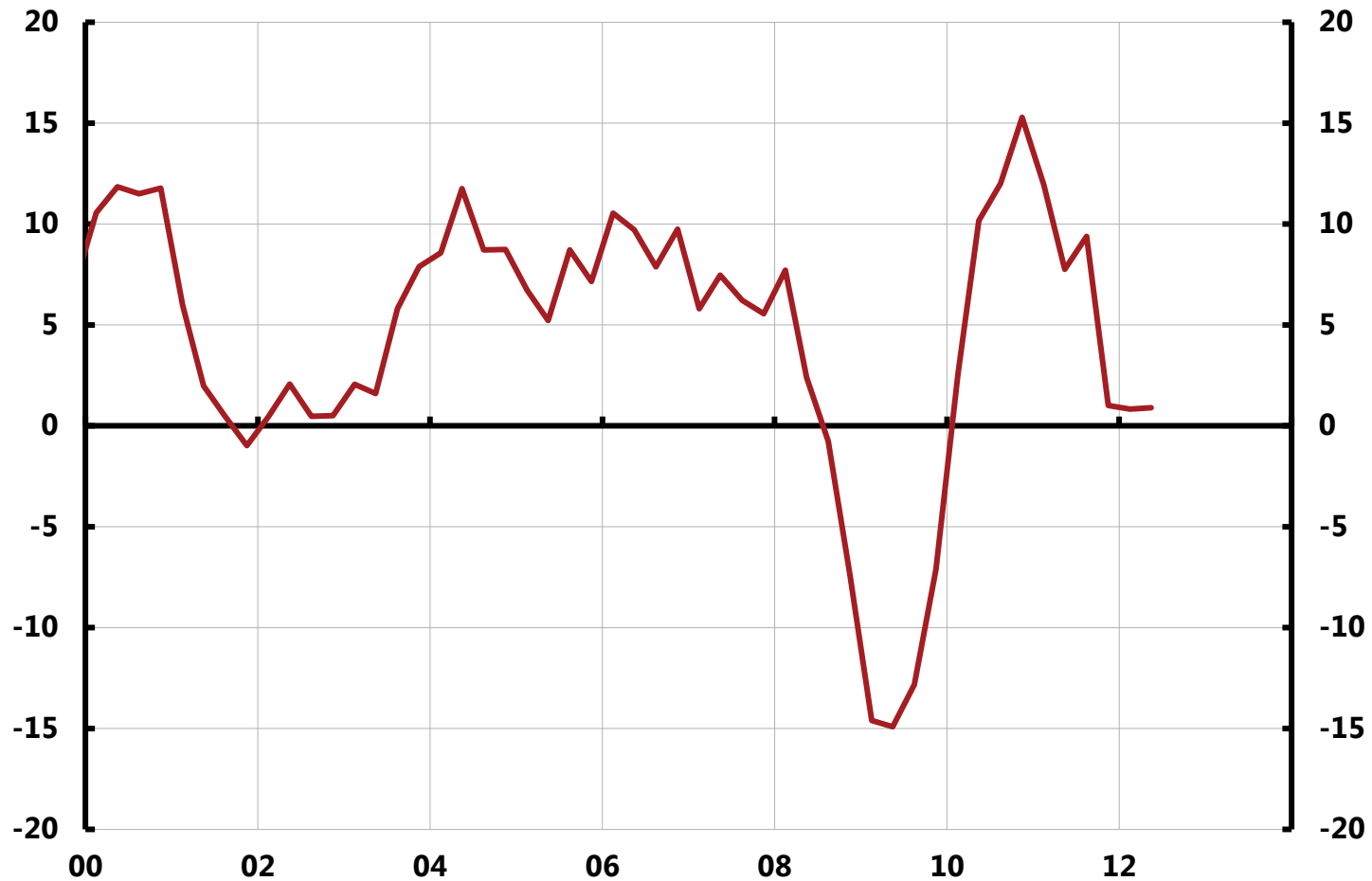


Note. Index, 2007 Q4 = 100.

Sources: Bureau of Economic Analysis, Eurostat and
Statistics Sweden

Decline in Swedish exports

Total exports

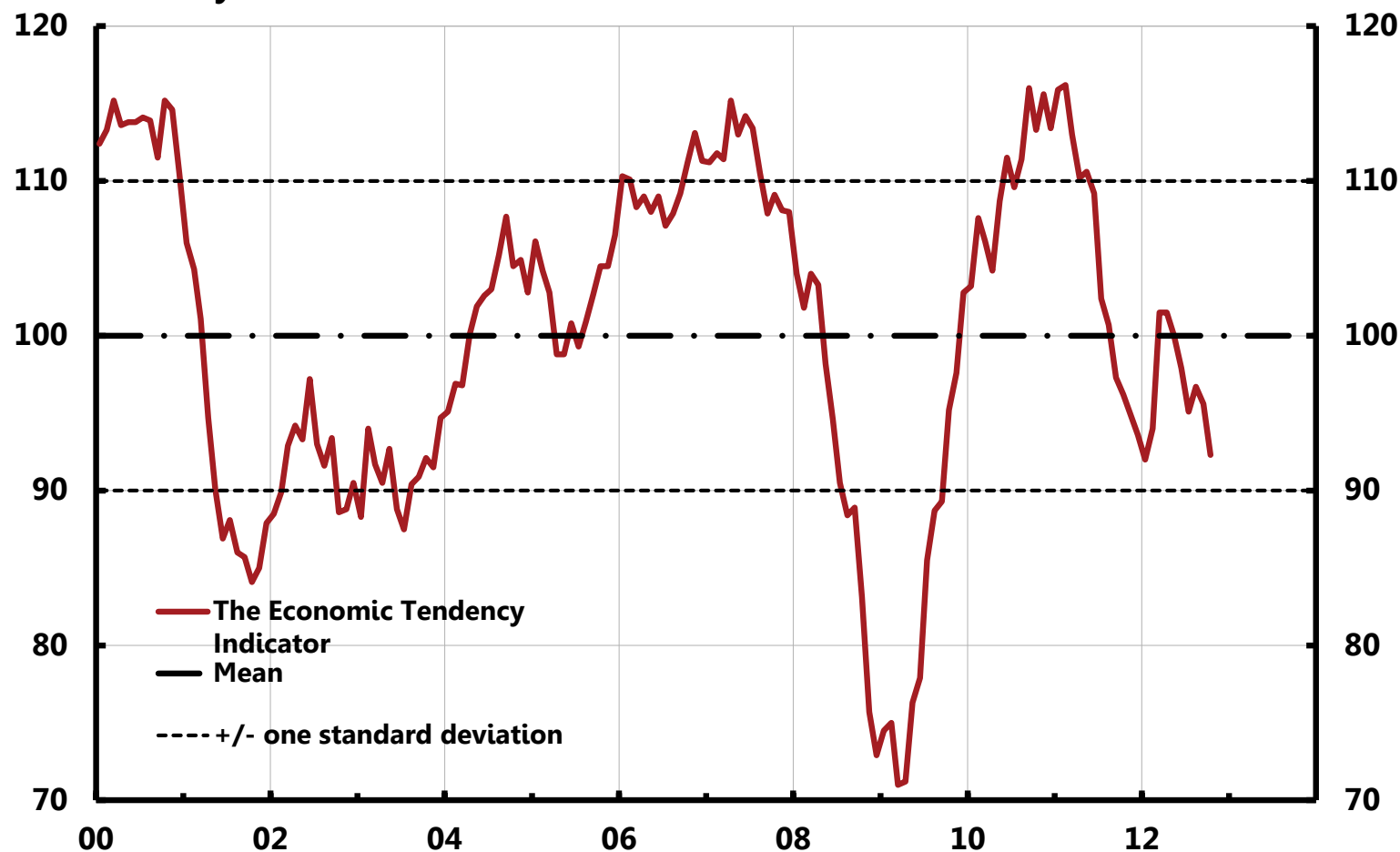


Note. Annual percentage change, calendar-adjusted data.

Sources: Statistics Sweden and
the Riksbank

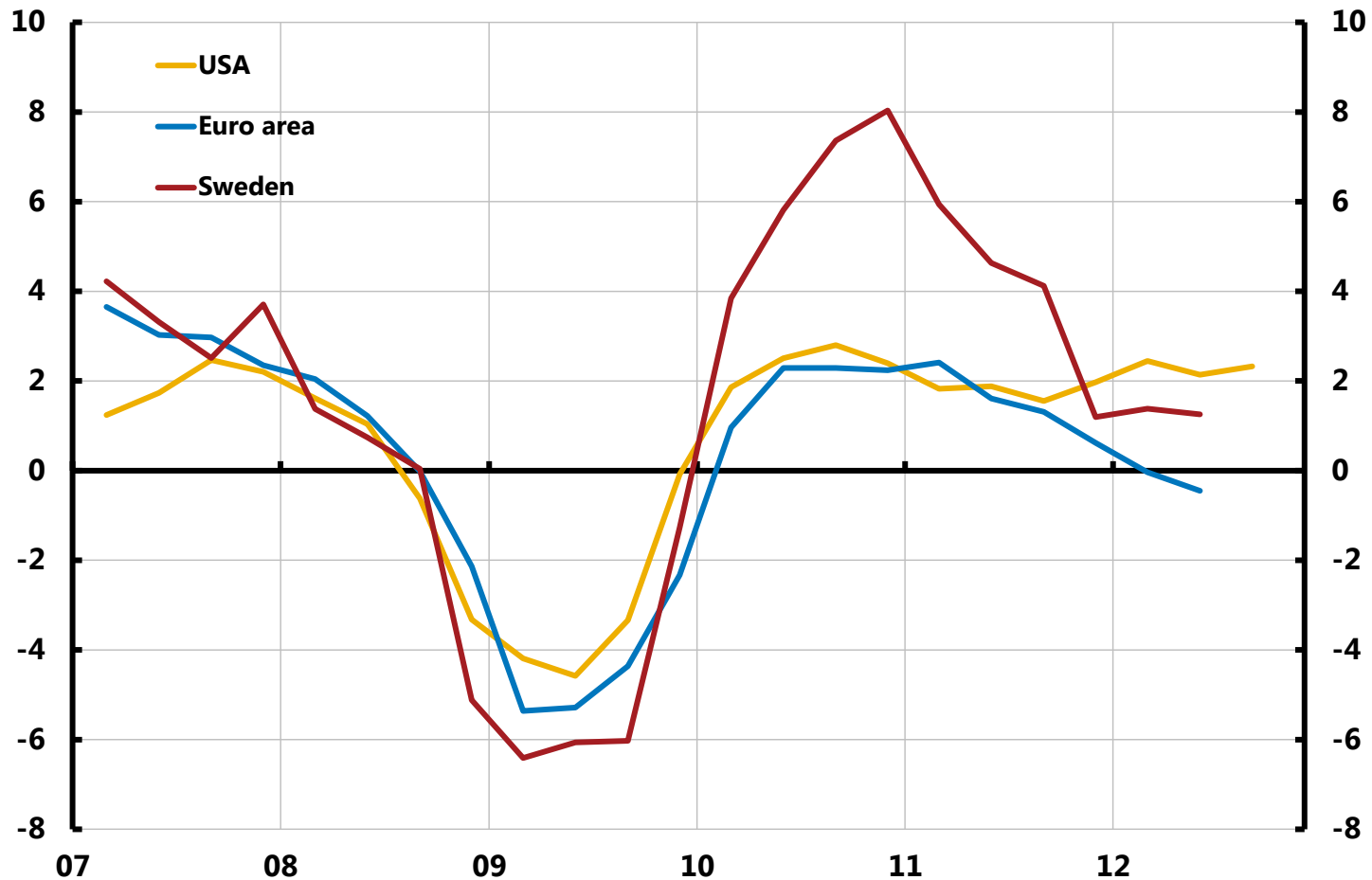
Companies and households less confident about the future

Economic Tendency Indicator of the National Institute of Economic Research



Nevertheless, the Swedish economy has shown relatively strong resilience

GDP growth

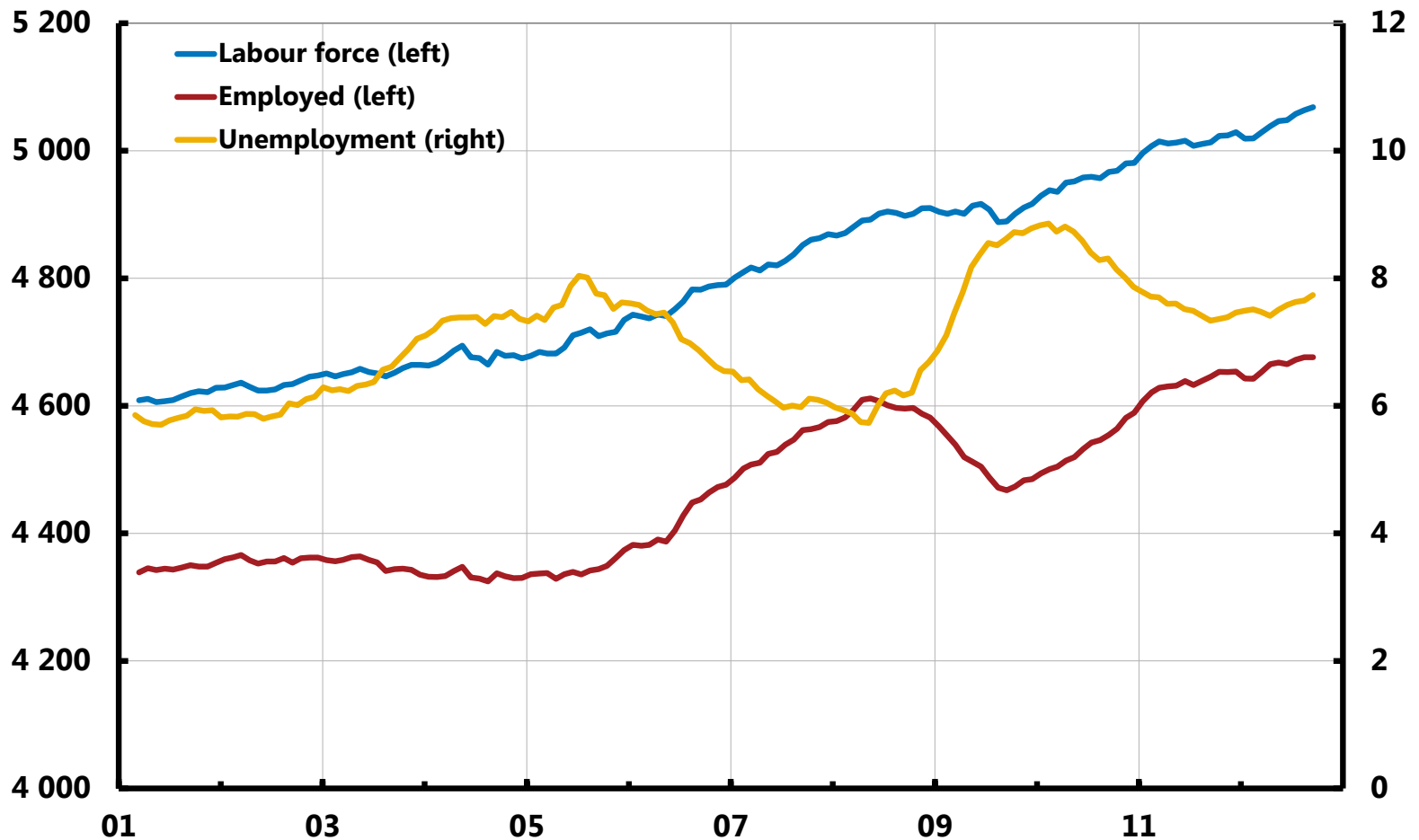


Note. Annual percentage change.

Sources: Bureau of Economic Analysis, Eurostat and Statistics Sweden

Resilient Swedish labour market

Individuals (thousands) and percentage of labour force, 15-74 age group

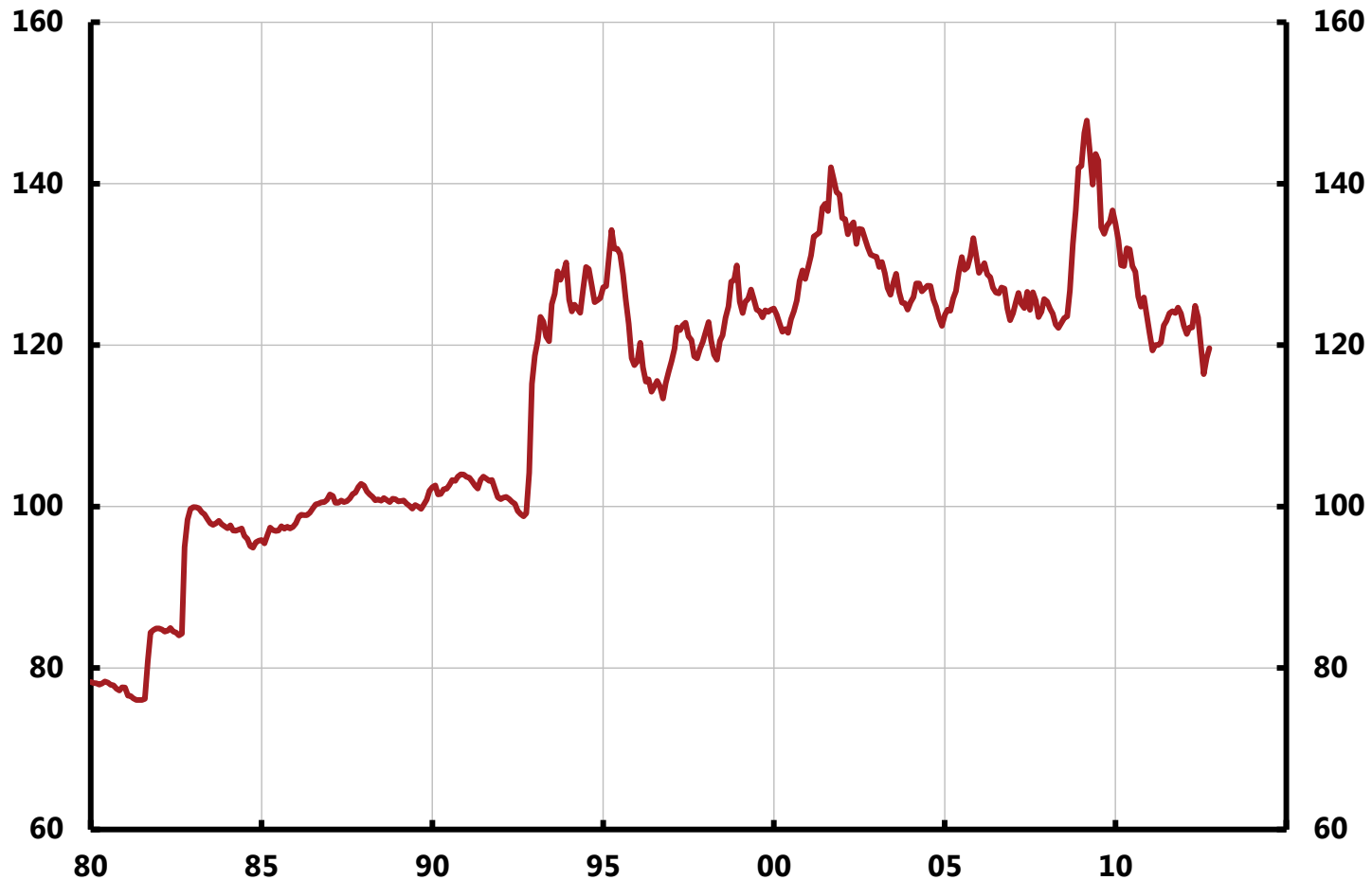


Note. Seasonally-adjusted data, three-month moving average.

Sources: Statistics Sweden and the Riksbank

Stronger krona has reduced cost pressures

Trade-weighted exchange rate, nominal TCW

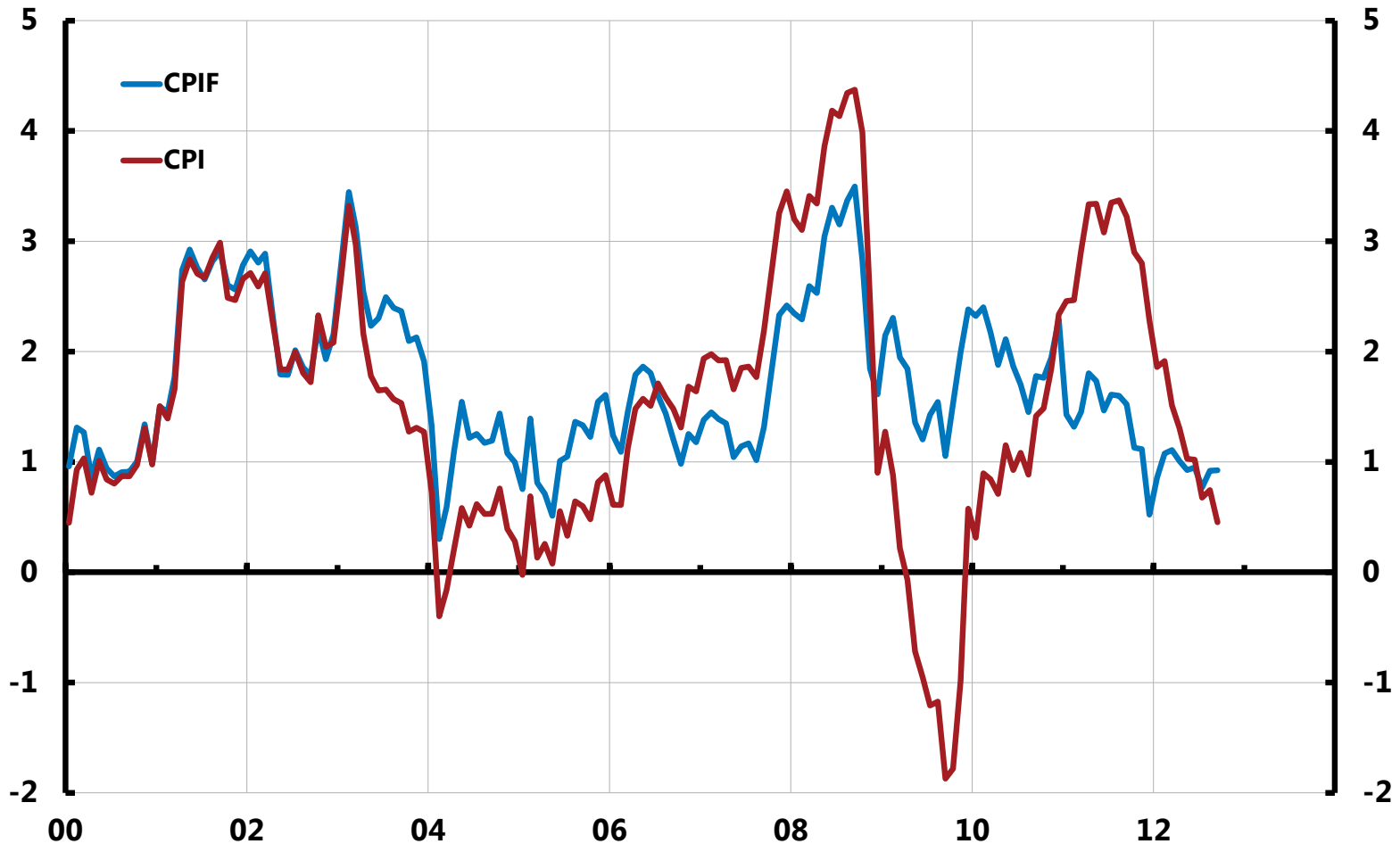


Note. Monthly data, Index 18 November 1992 = 100.

Source: The Riksbank

Declining rate of inflation

Inflation measured in terms of the CPI and the CPIX

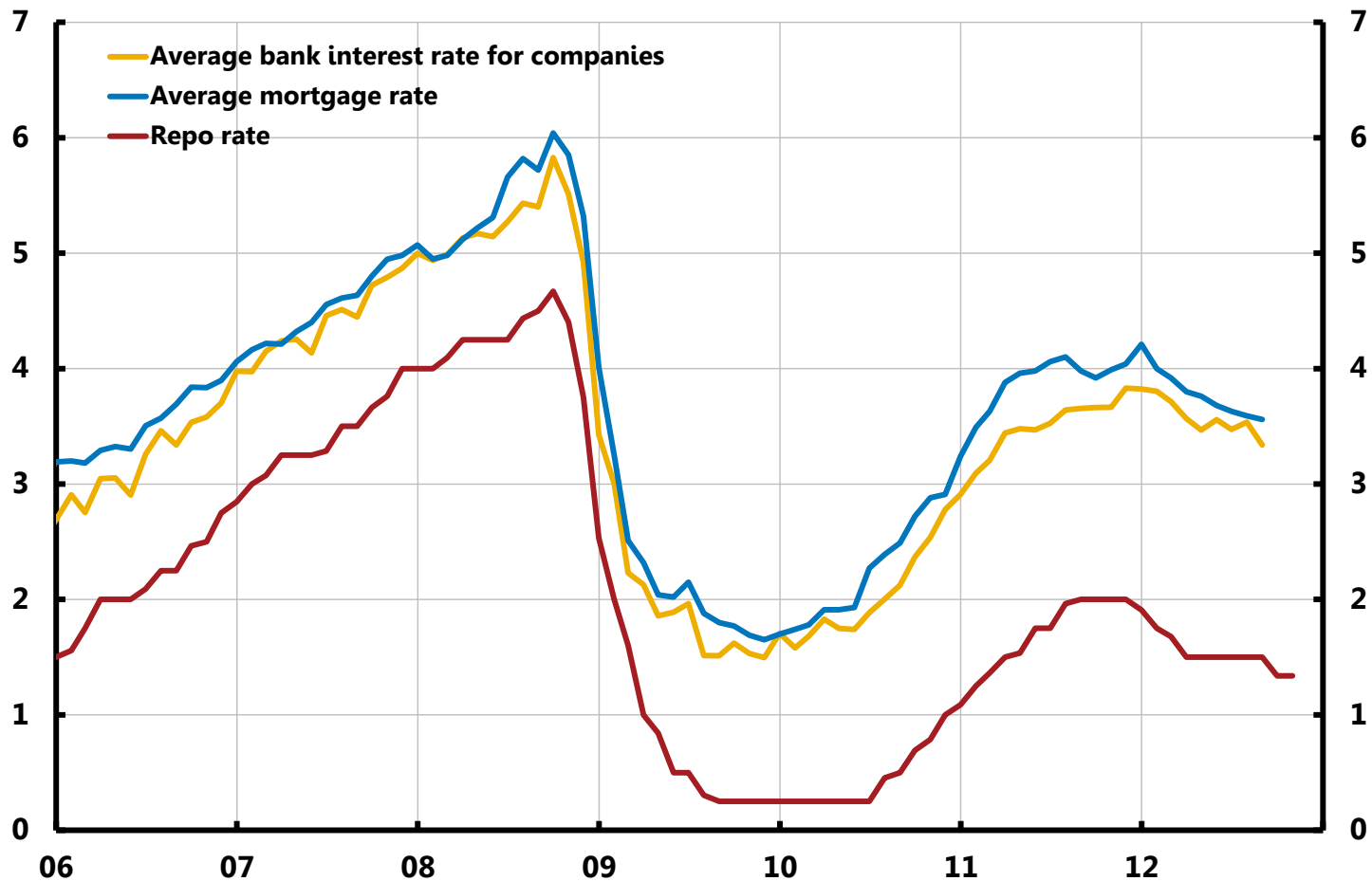


Note. Annual percentage change. The CPIX is the CPI with a fixed mortgage rate.

Source: Statistics Sweden

Low repo rate stimulating the economy

Repo rate, mortgage rates for households and bank interest rates for companies



Note. Per cent, monthly averages. Average mortgage rates for households and bank rates for companies (new agreements) and the repo rate.

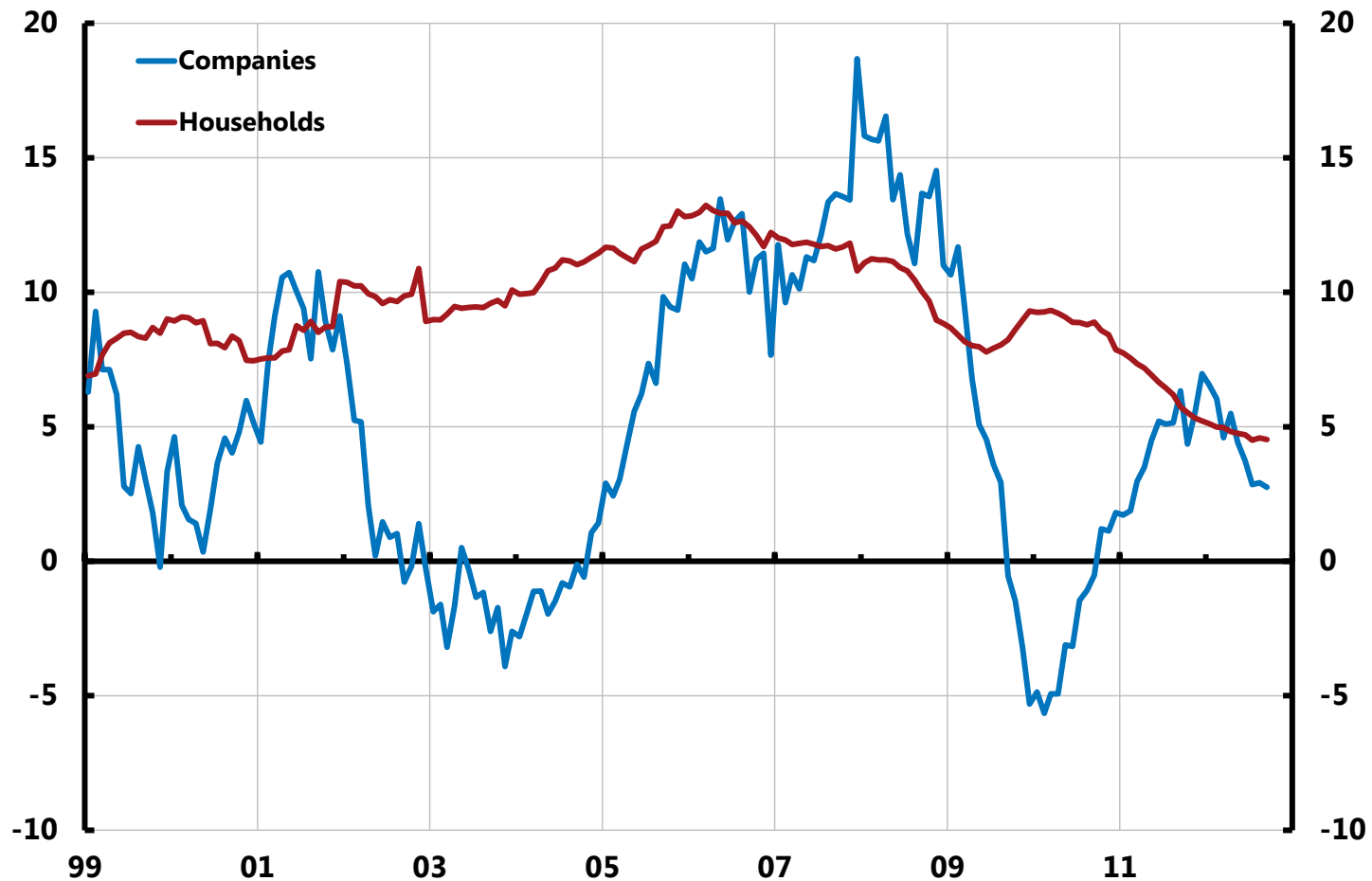
Sources: Statistics Sweden and the Riksbank

Risks must be taken into account

- High indebtedness makes the economy vulnerable – can have devastating consequences
 - Shrinking economy
 - Accelerating unemployment
 - Problems attaining the inflation target
 - Few other measures in place today
 - **The risks of high indebtedness need to be taken into account in monetary policy**
-

Lending to households has increased more slowly...

Lending to companies and households

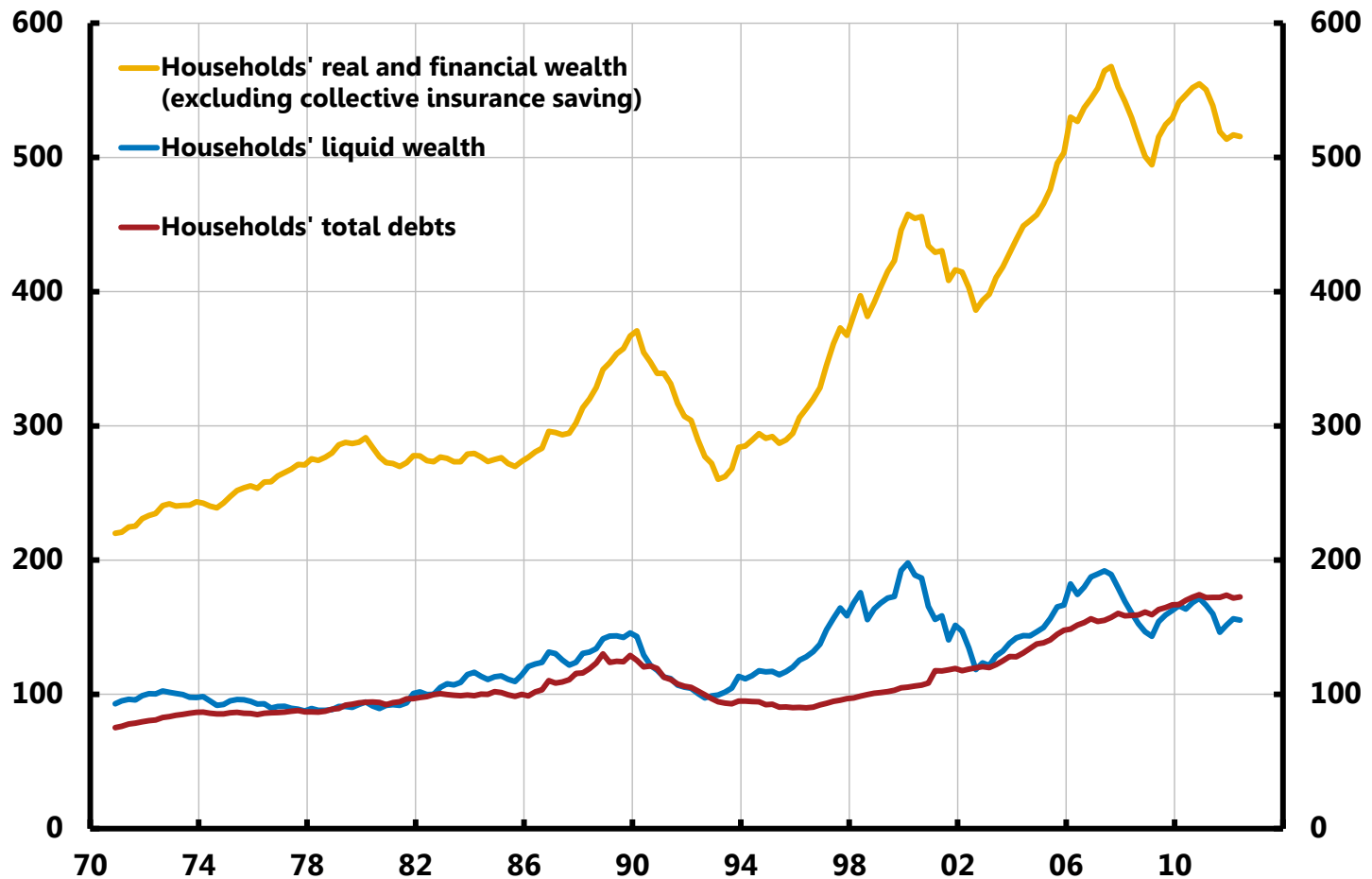


Note. Annual percentage change.

Source: Statistics
Sweden

... but household debt must be carefully monitored

Household wealth and debt, percentage of disposable income



Note. Households' real and financial wealth refers to the Riksbank's estimate of the households' financial assets and housing assets. Liquid wealth here refers mainly to cash, bank deposits, bonds and shares.

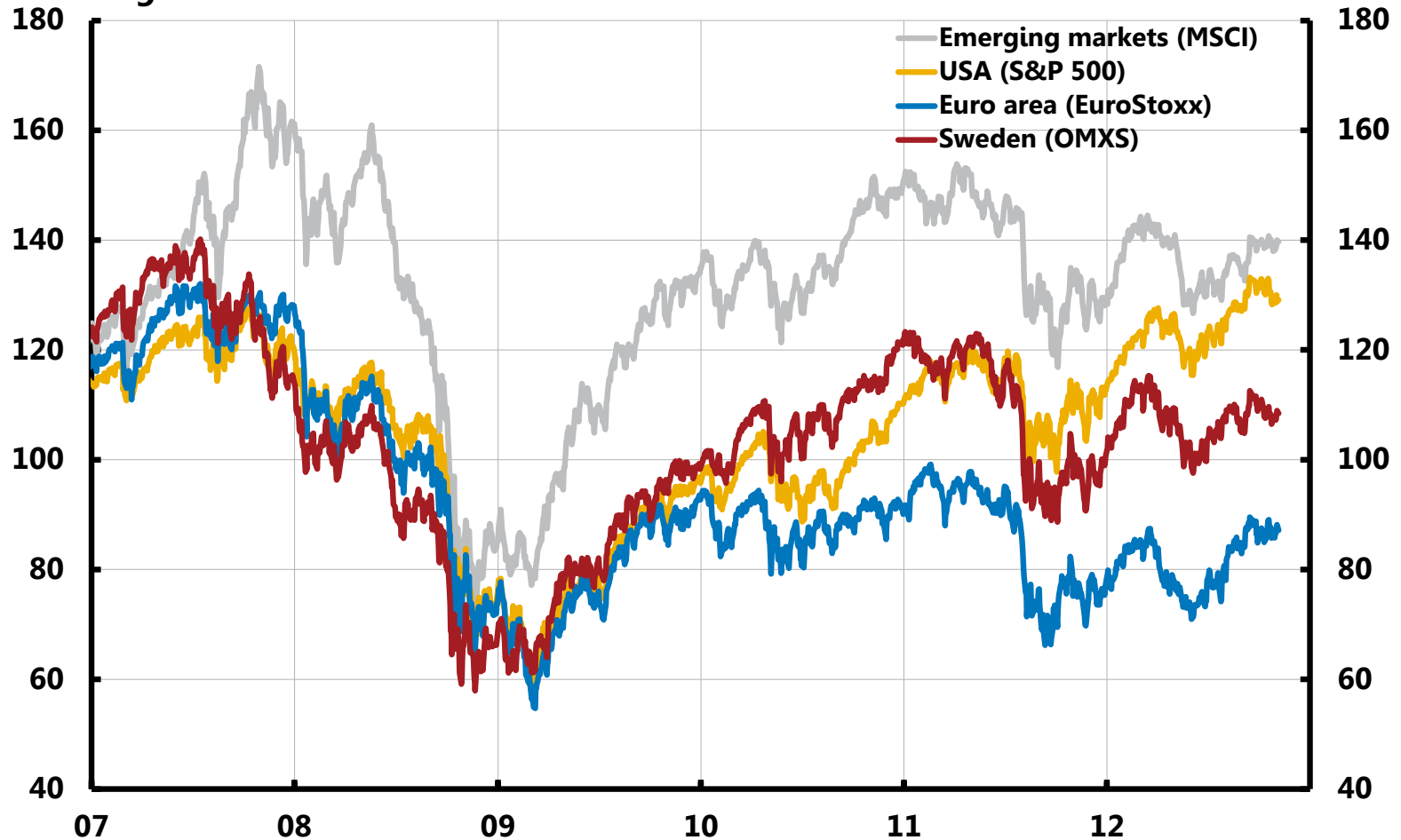
Sources: Statistics Sweden and the Riksbank

Current monetary policy

Low repo rate stimulating the Swedish economy

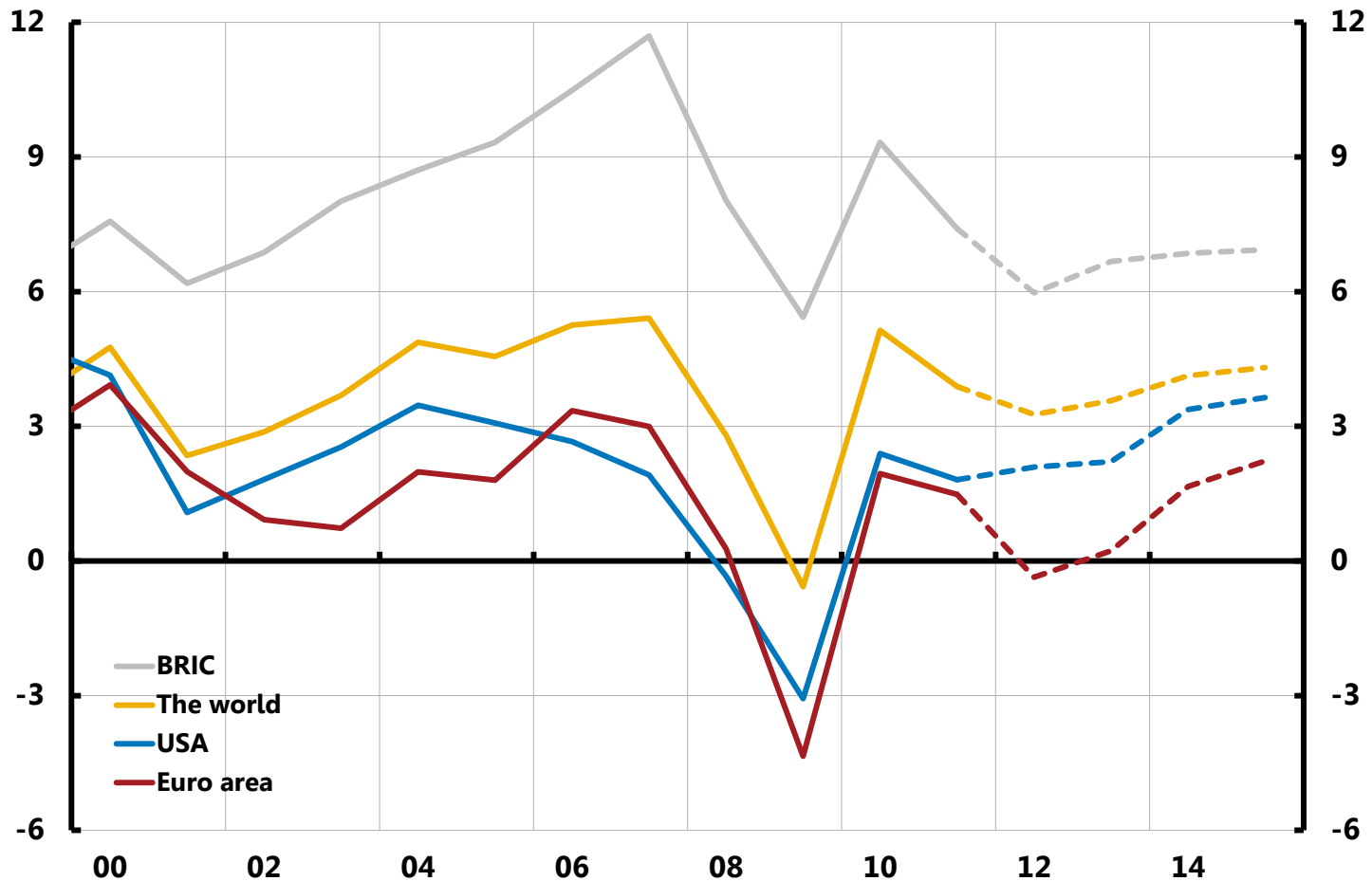
Some improvement on the financial markets

Stock exchange movements



Slow recovery in the euro area

GDP growth in different parts of the world

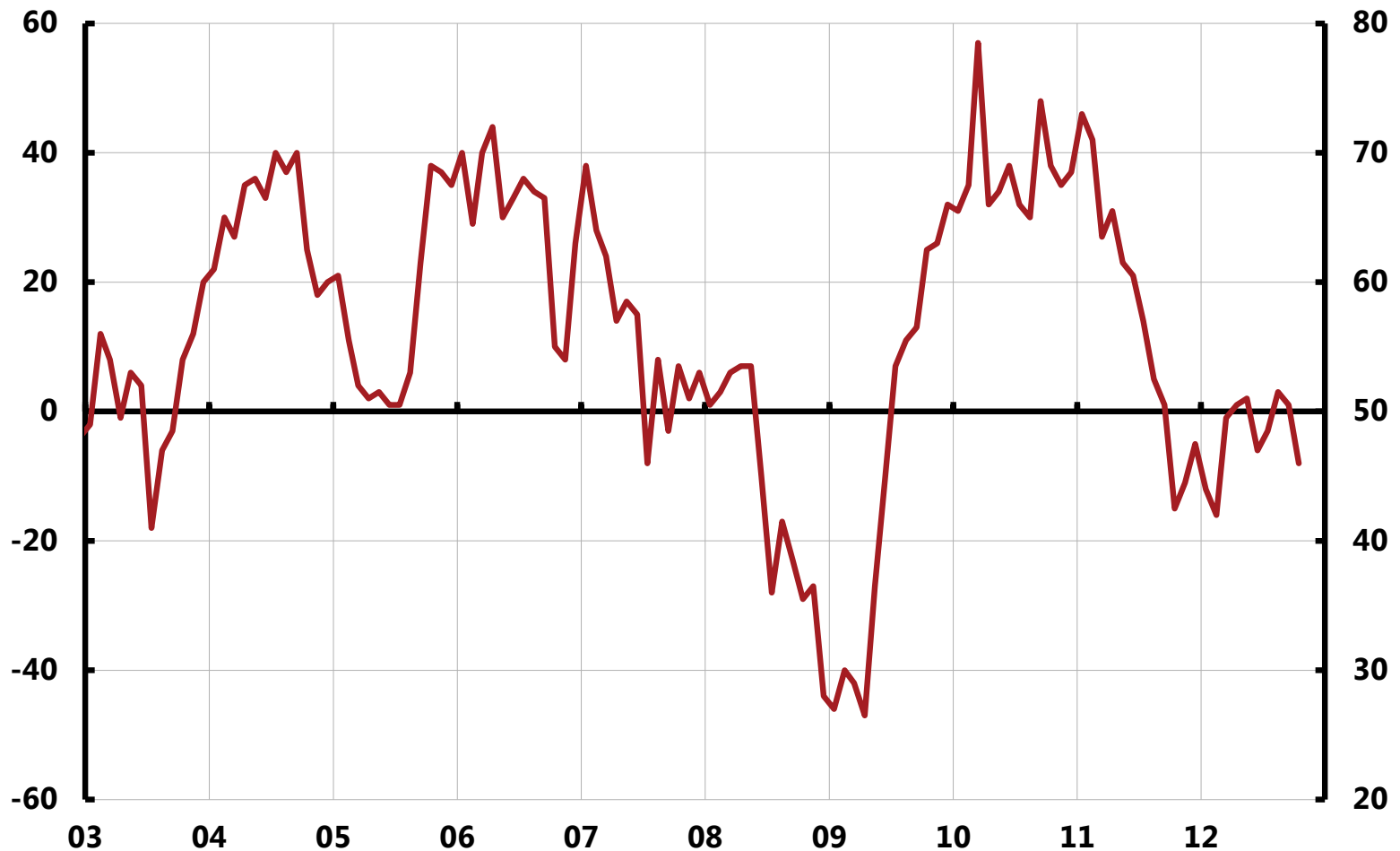


Note. Annual percentage change.

Sources: Bureau of Economic Analysis, Eurostat, IMF and the Riksbank

Weak demand for Swedish exports ...

New export orders

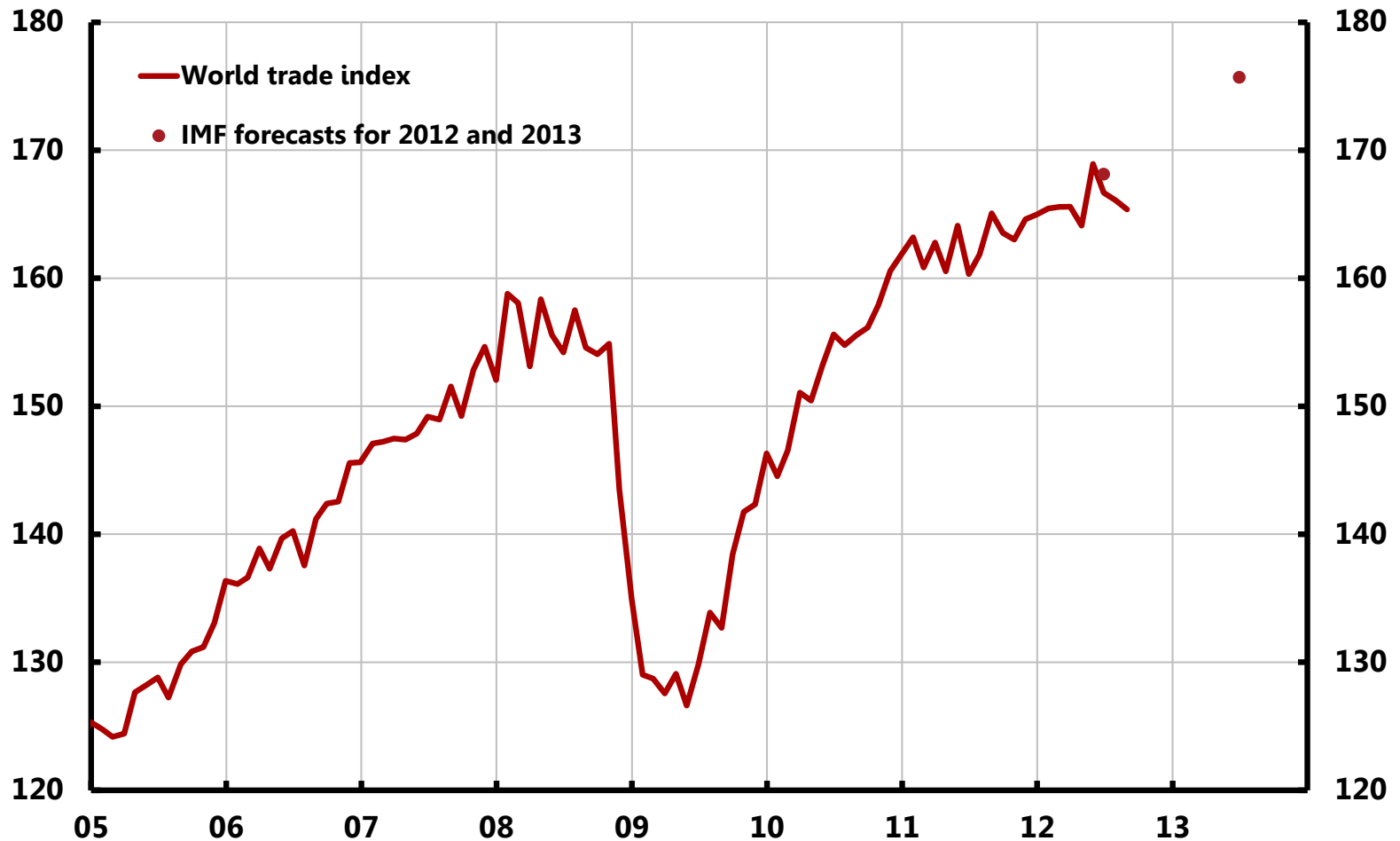


Note. Net figures.

Source: National Institute of Economic Research

... but no dramatic fall in world trade

World trade index

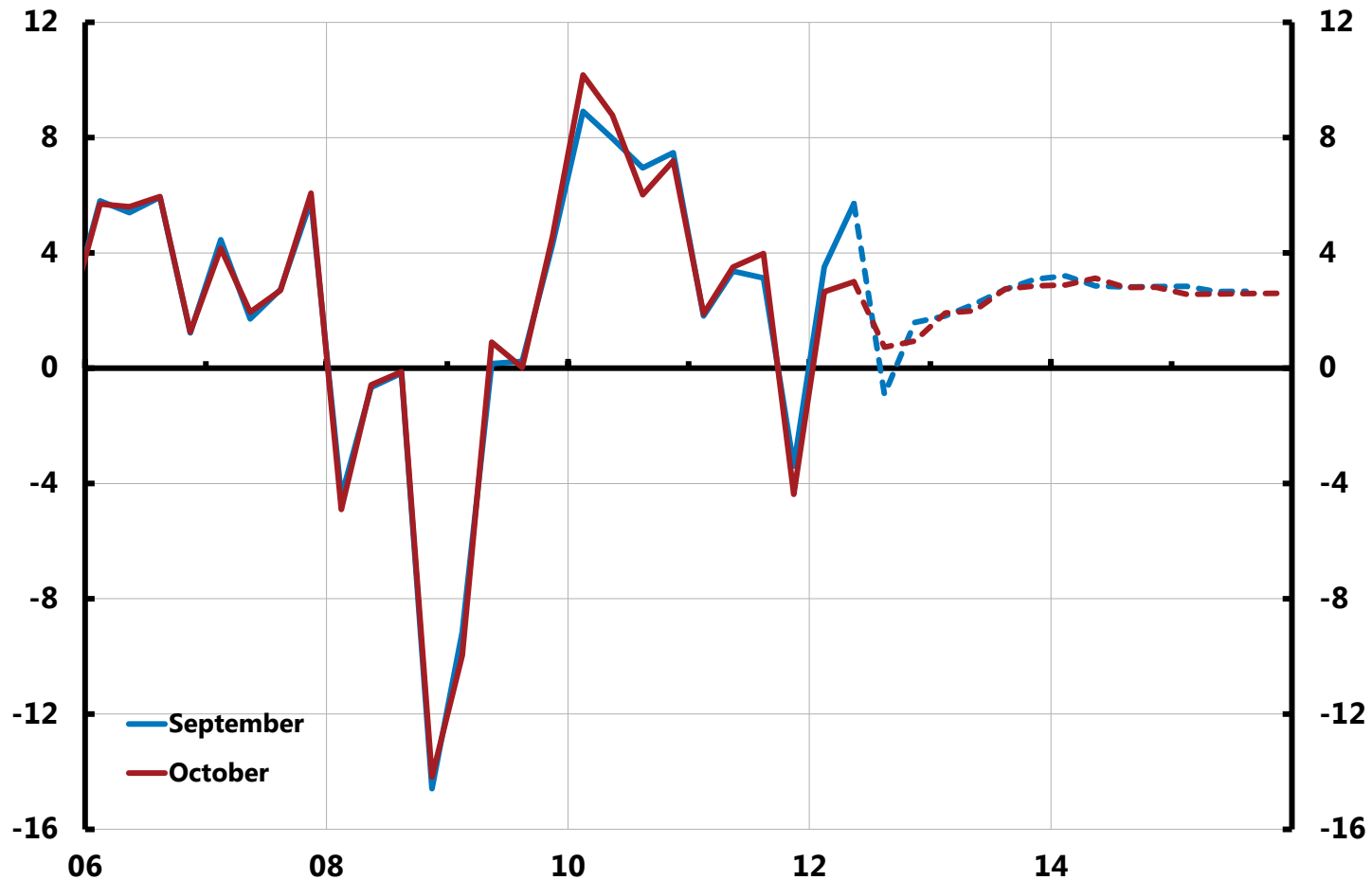


Note. Index 2000=100, seasonally-adjusted.
Points show IMF forecast from October 2012.

Sources: CPB Netherlands Bureau for
Economic Policy Analysis and the IMF

Swedish economy slowing down

GDP growth

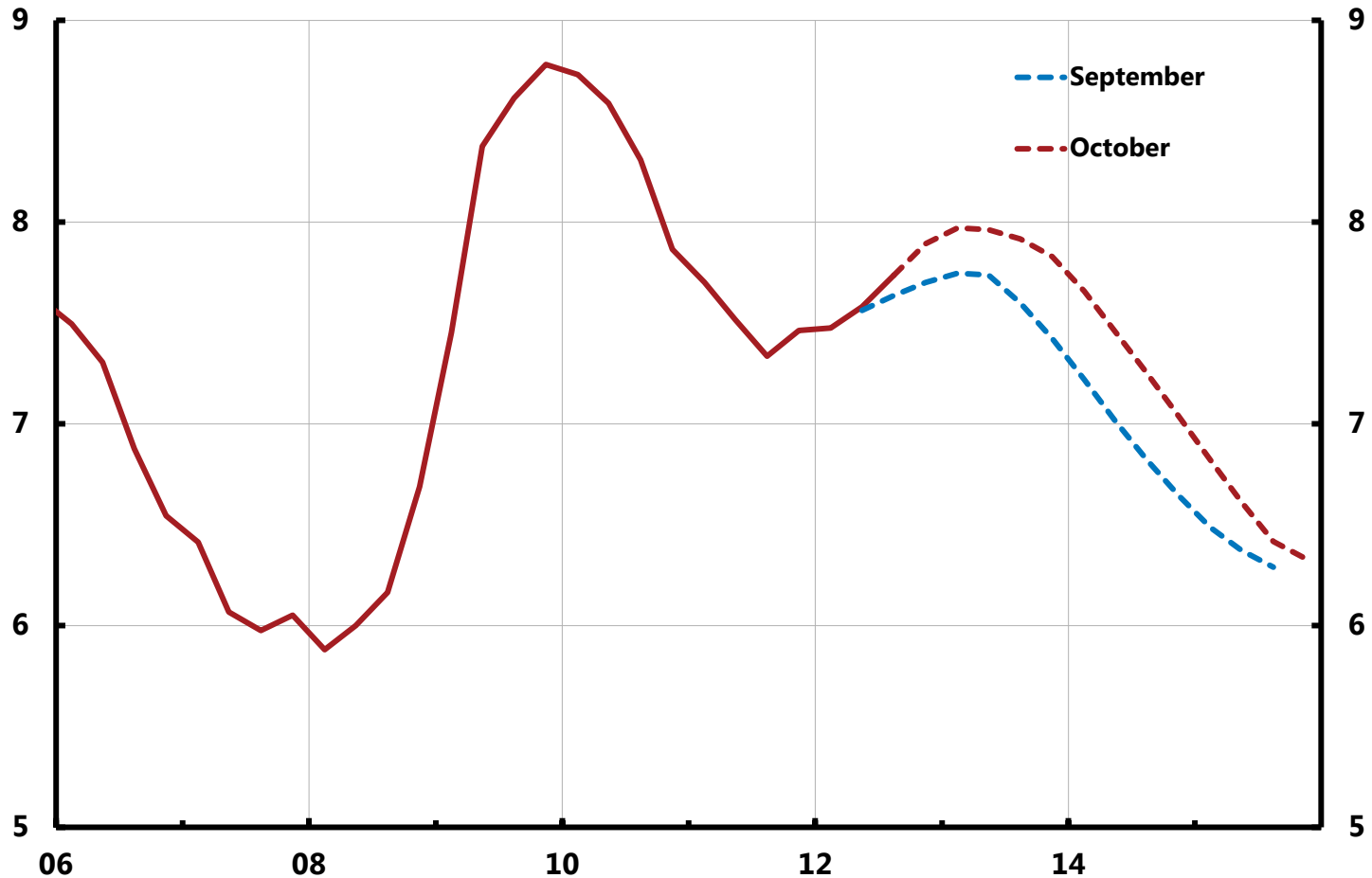


Note. Quarterly changes calculated as annual rate, seasonally-adjusted data

Sources: Statistics Sweden and the Riksbank

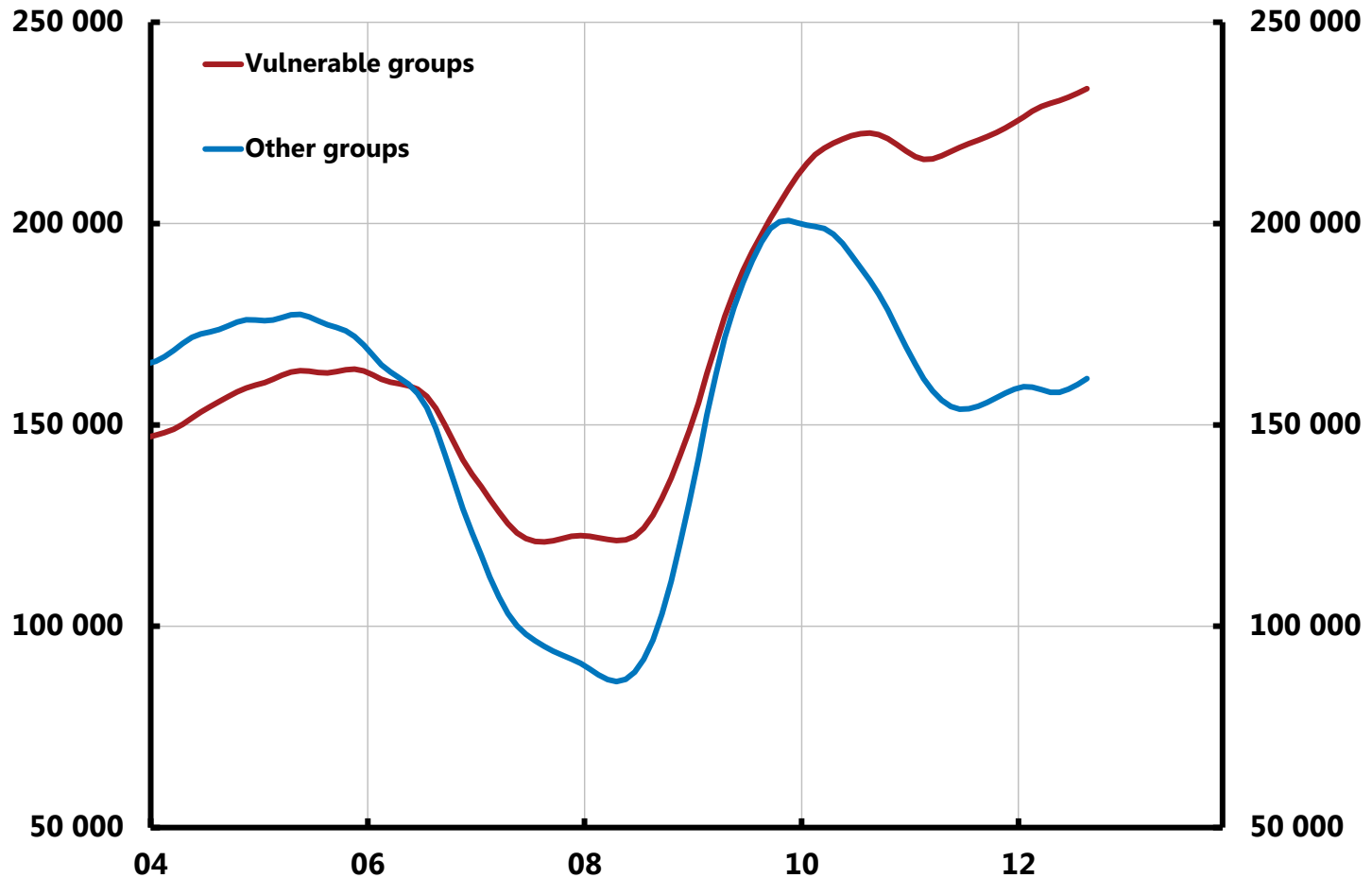
Slower recovery on the labour market

Unemployment



Signs of poorer matching on the labour market

Total of registered unemployed in vulnerable groups and total other registered unemployed

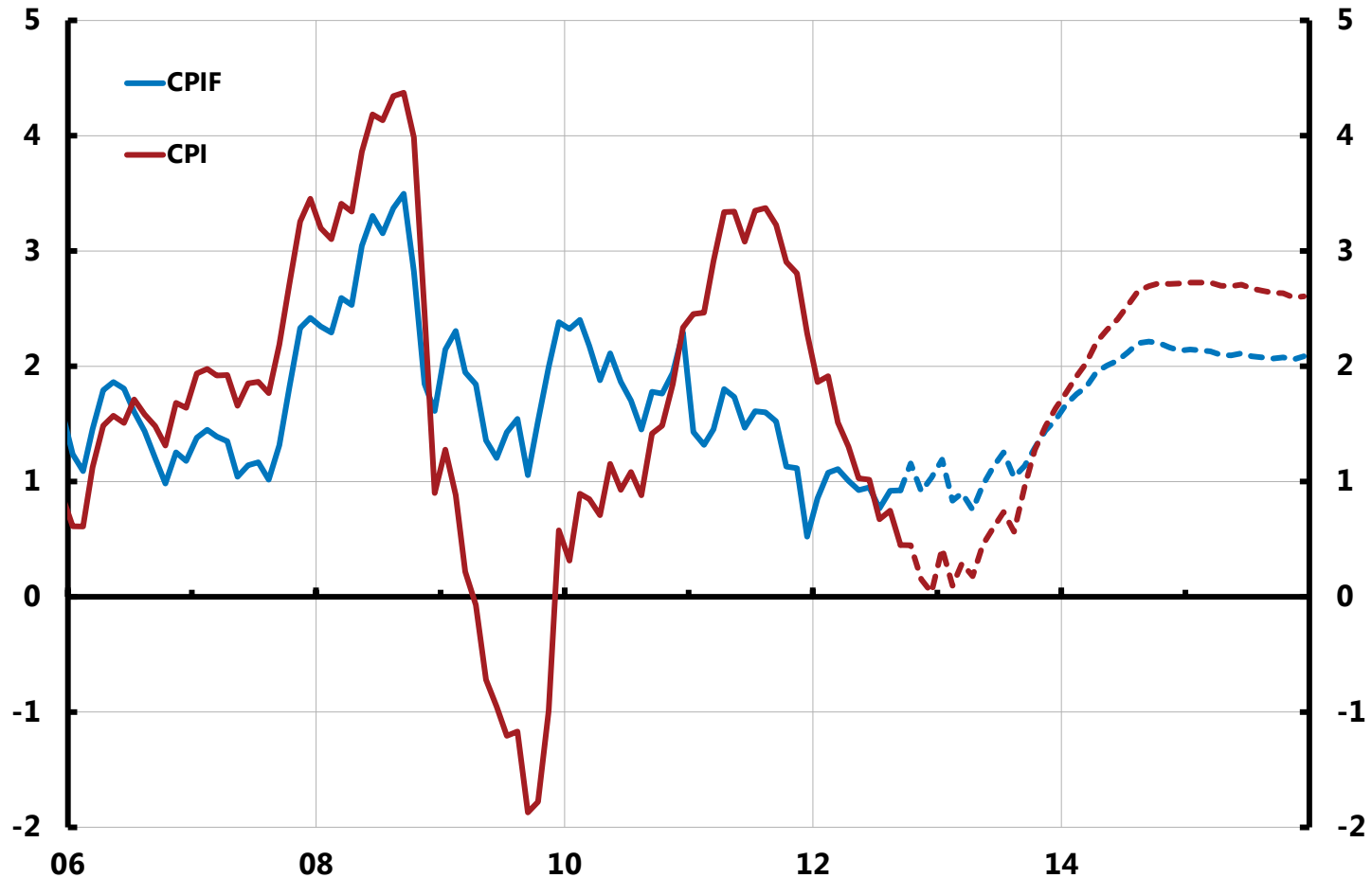


Note. Trend-adjusted values. No. of remaining job-seekers at end of month.

Source: Public Employment Office

Low but rising inflation

Inflation measured in terms of the CPI and CPIF



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

Sources: Statistics Sweden and the Riksbank

Repo rate still low to attain the inflation target

Repo rate

