



Introduction on monetary policy

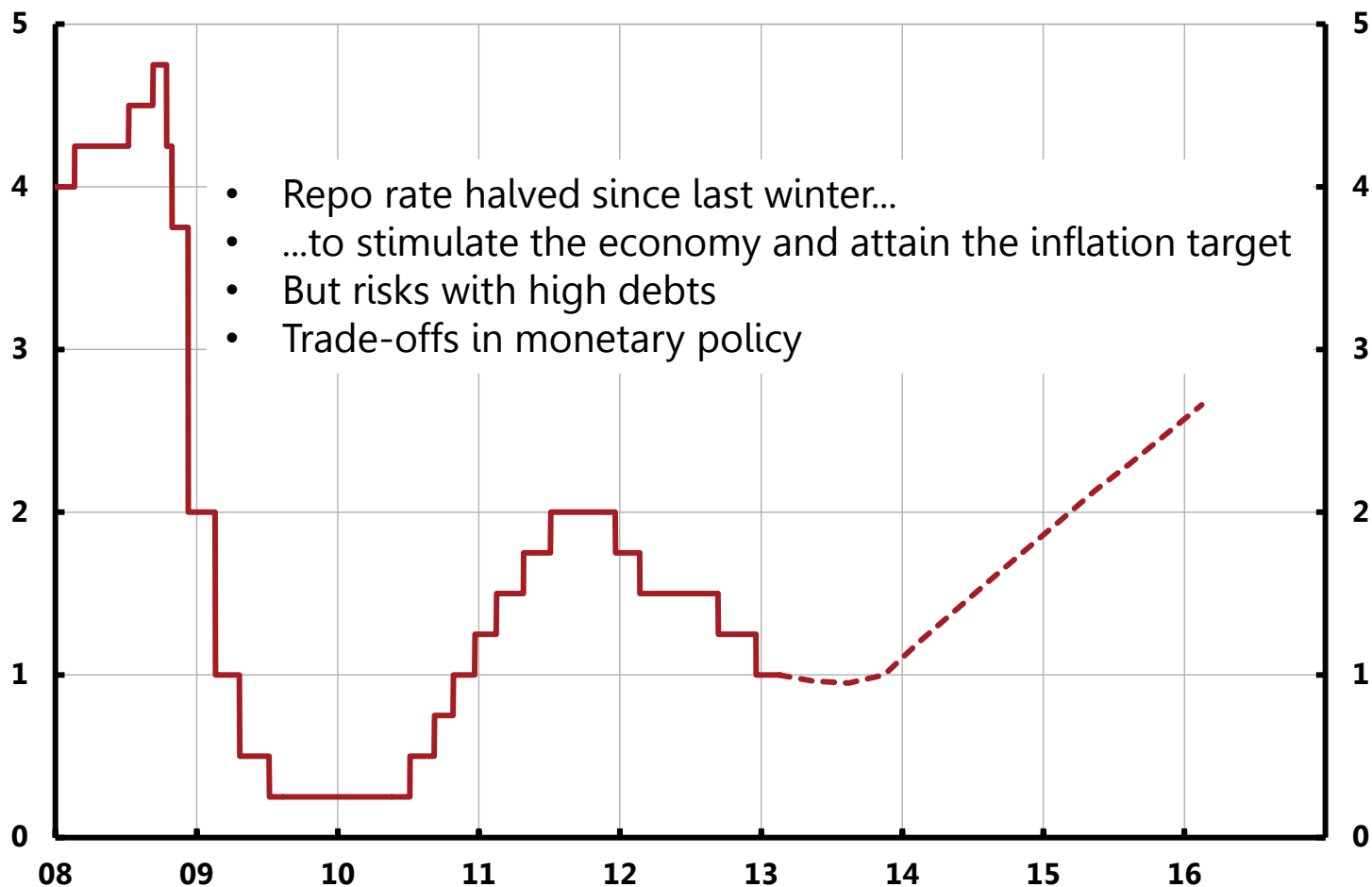
Riksdag Committee on
Finance

7 March 2013

Governor Stefan Ingves

An appropriate balance in monetary policy

Repo rate

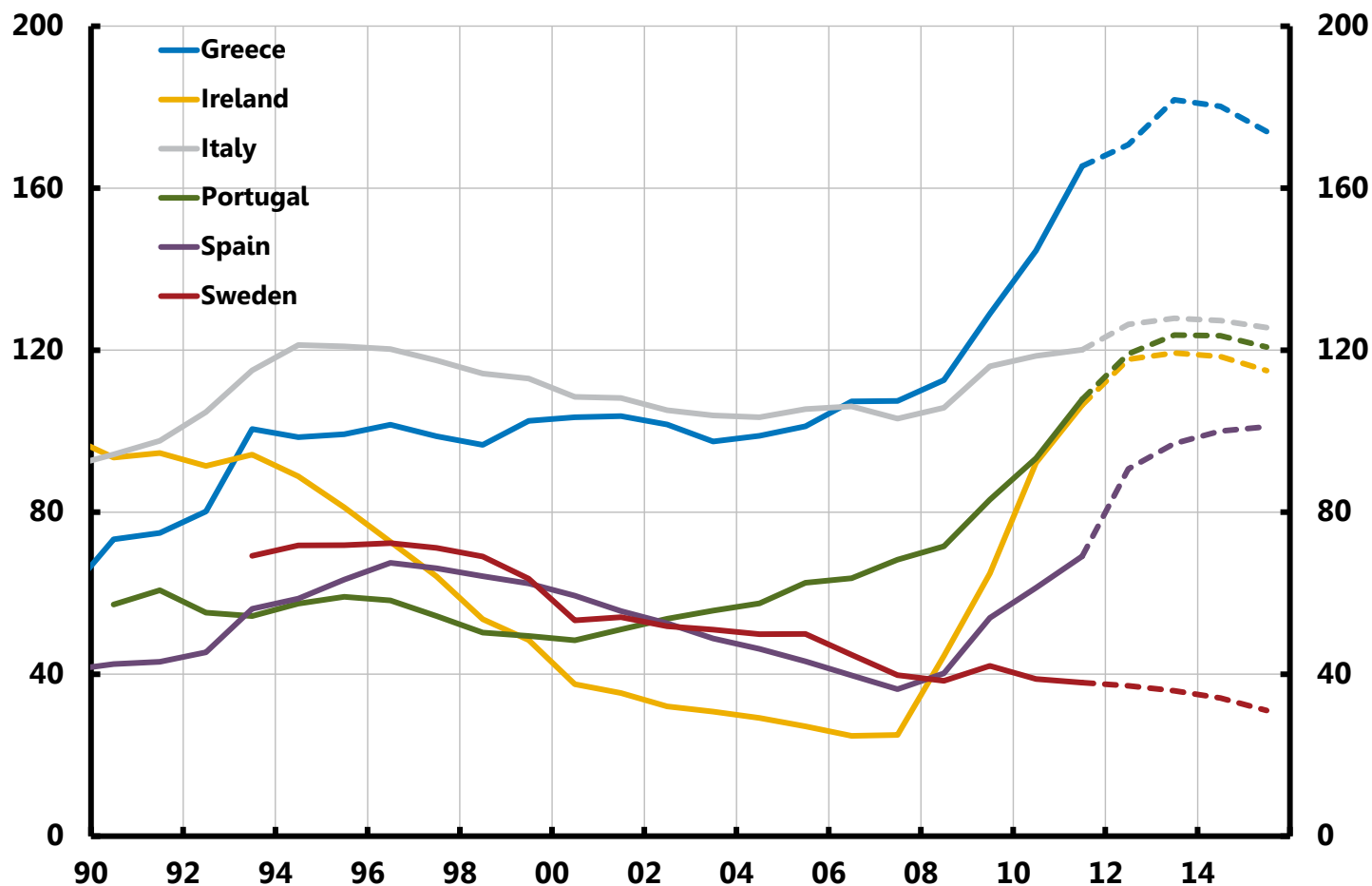


Background



The financial crisis became a debt crisis in Europe

Development of sovereign debts in various countries

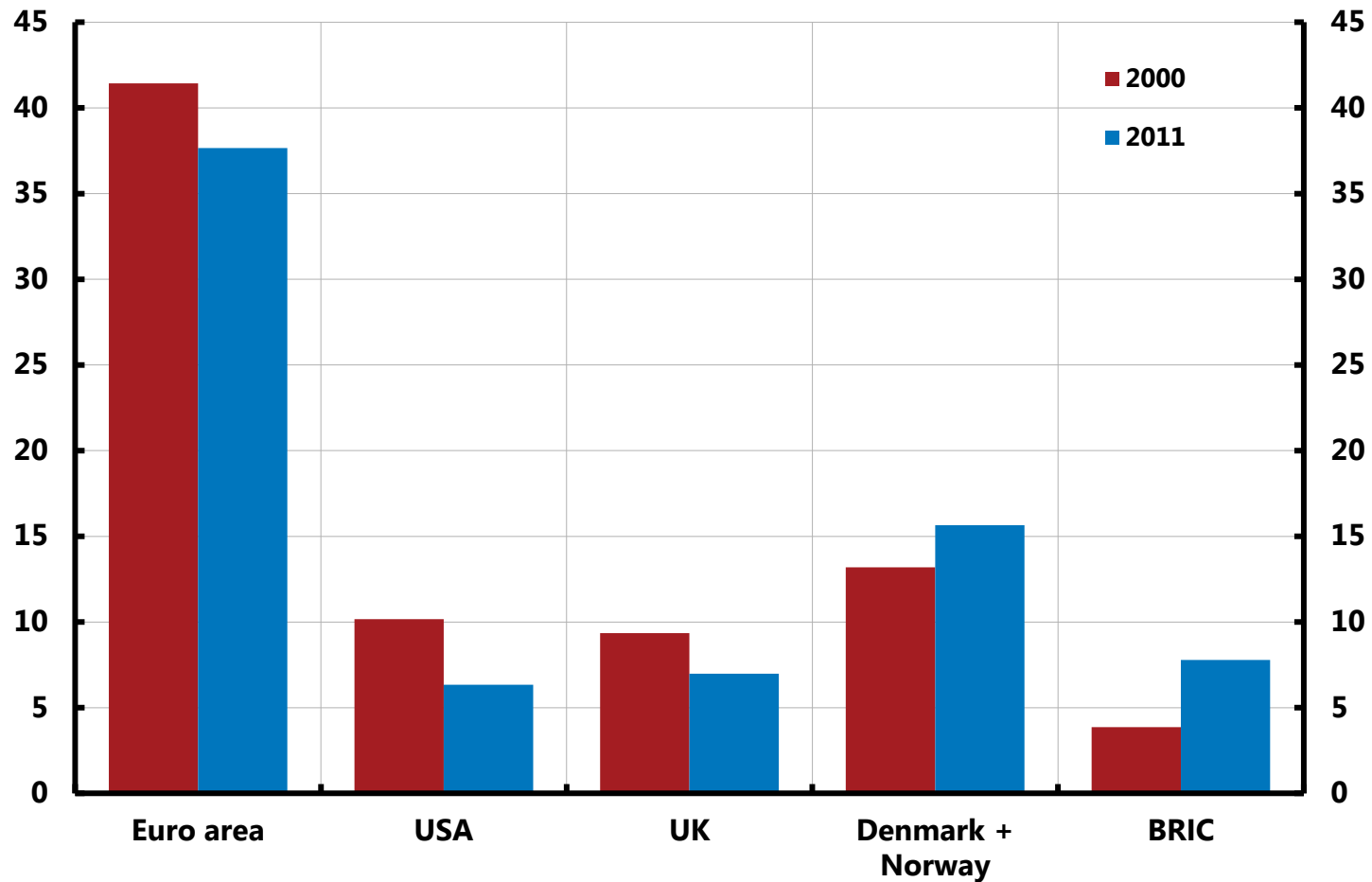


Note. Gross public debt as a percentage of GDP.
The broken lines represent IMF forecasts.

Source: IMF

Weak development in the euro area is affecting Sweden's exports...

Sweden's export markets

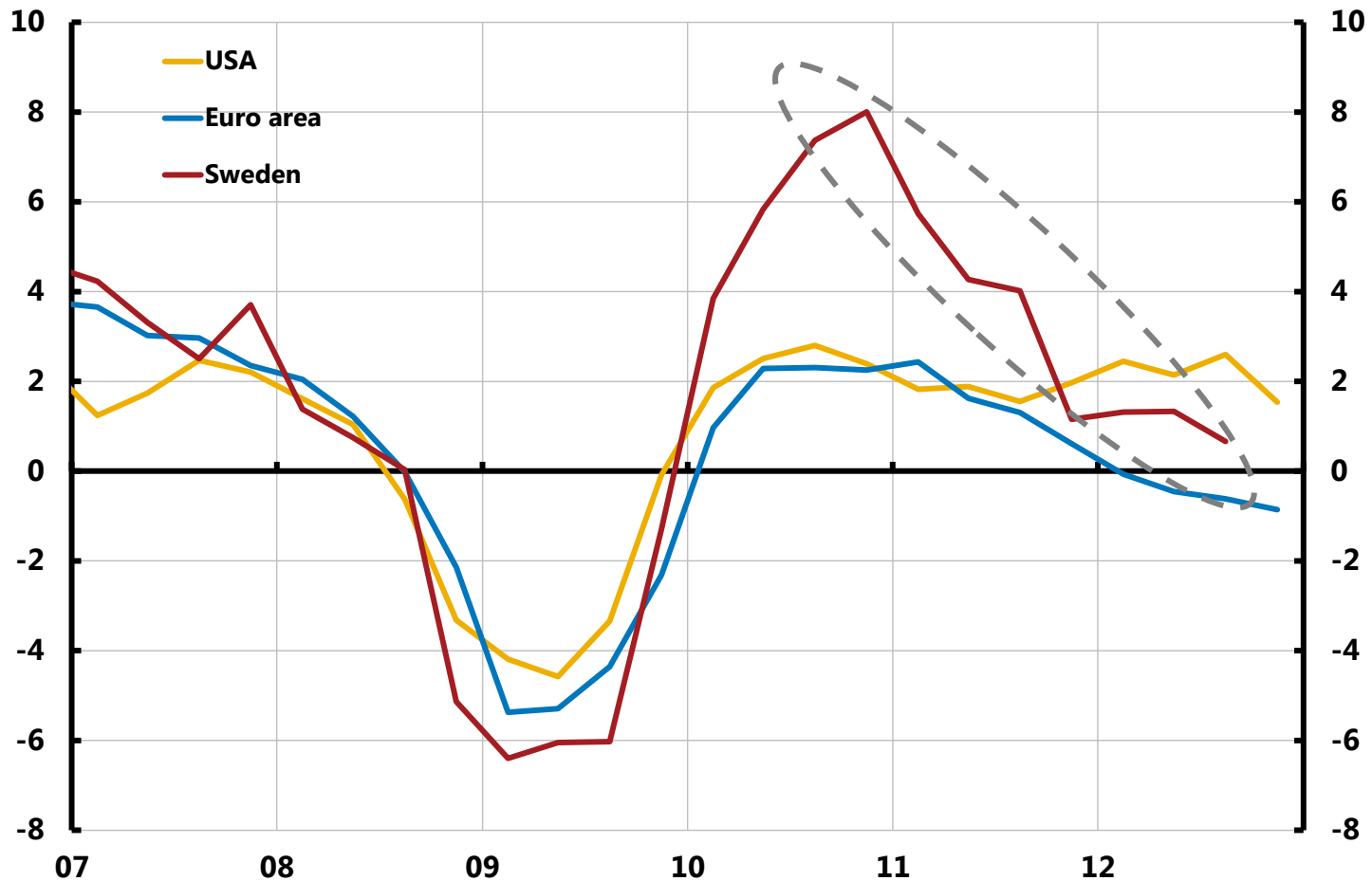


Note. Percentage of Sweden's total goods exports. These figures do not total 100 per cent, as not all countries have been included.

Source: Statistics Sweden

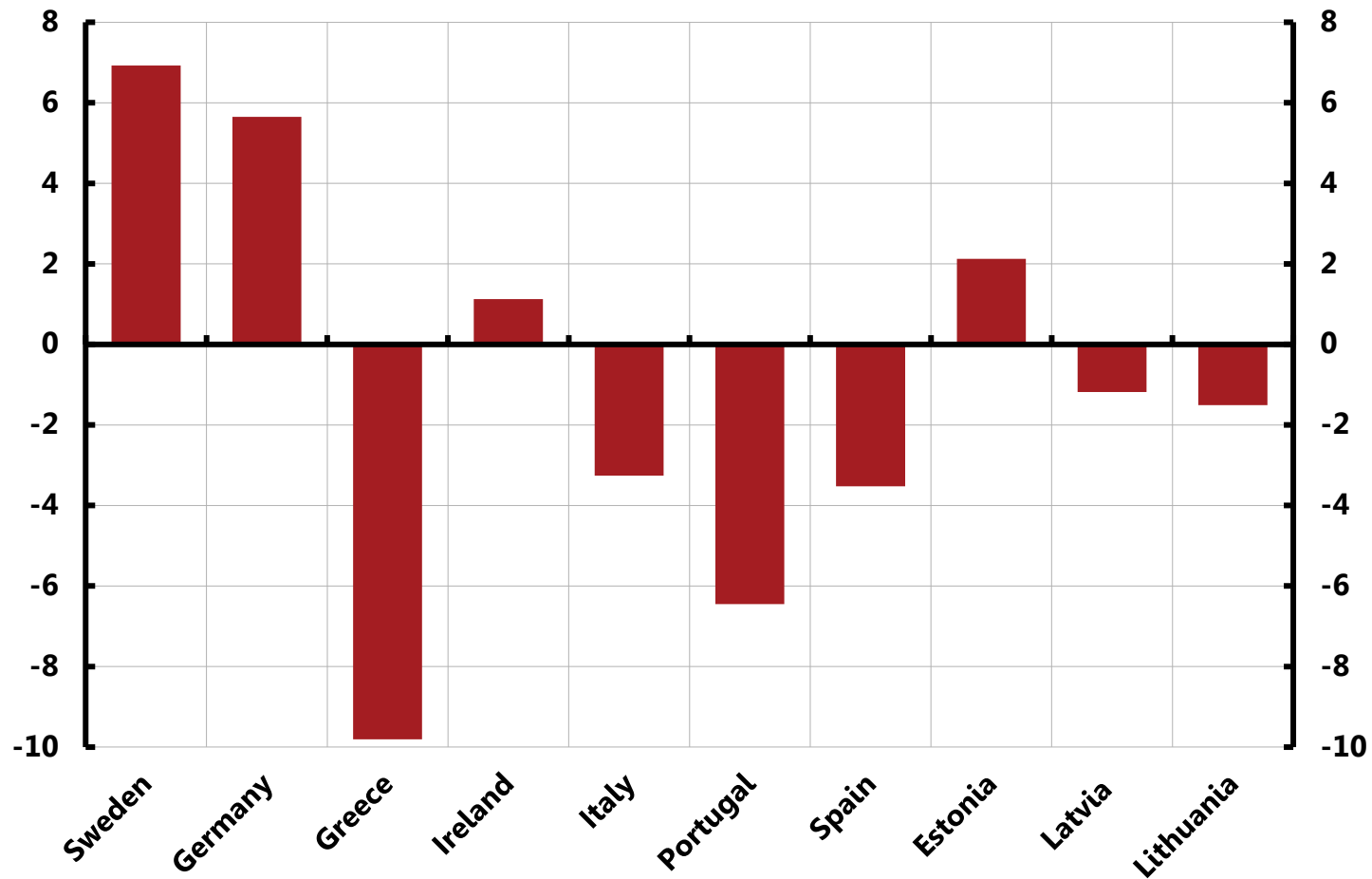
...and growth has slowed down

GDP in Sweden and abroad



Sweden's economy has coped relatively well with the financial and debt crises

Current account 2011



The krona has strengthened, but real exchange rate around long-term level

Real trade-weighted exchange rate, KIX

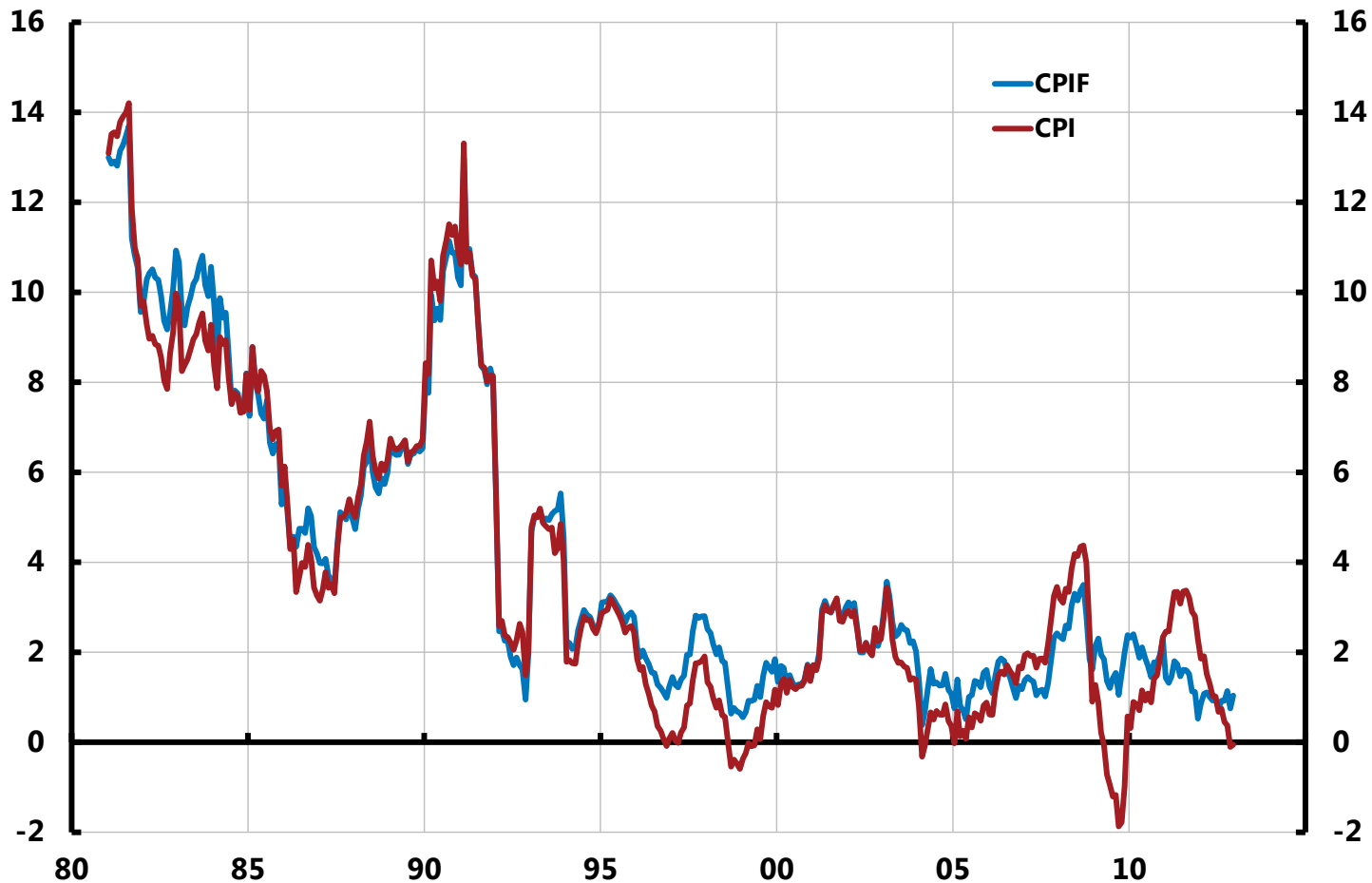


Note. Index, 1992-11-18=100. KIX refers to an aggregate of Sweden's most important trading partners.

Source: The Riksbank

Perspectives on the development of inflation

CPI and CPIF

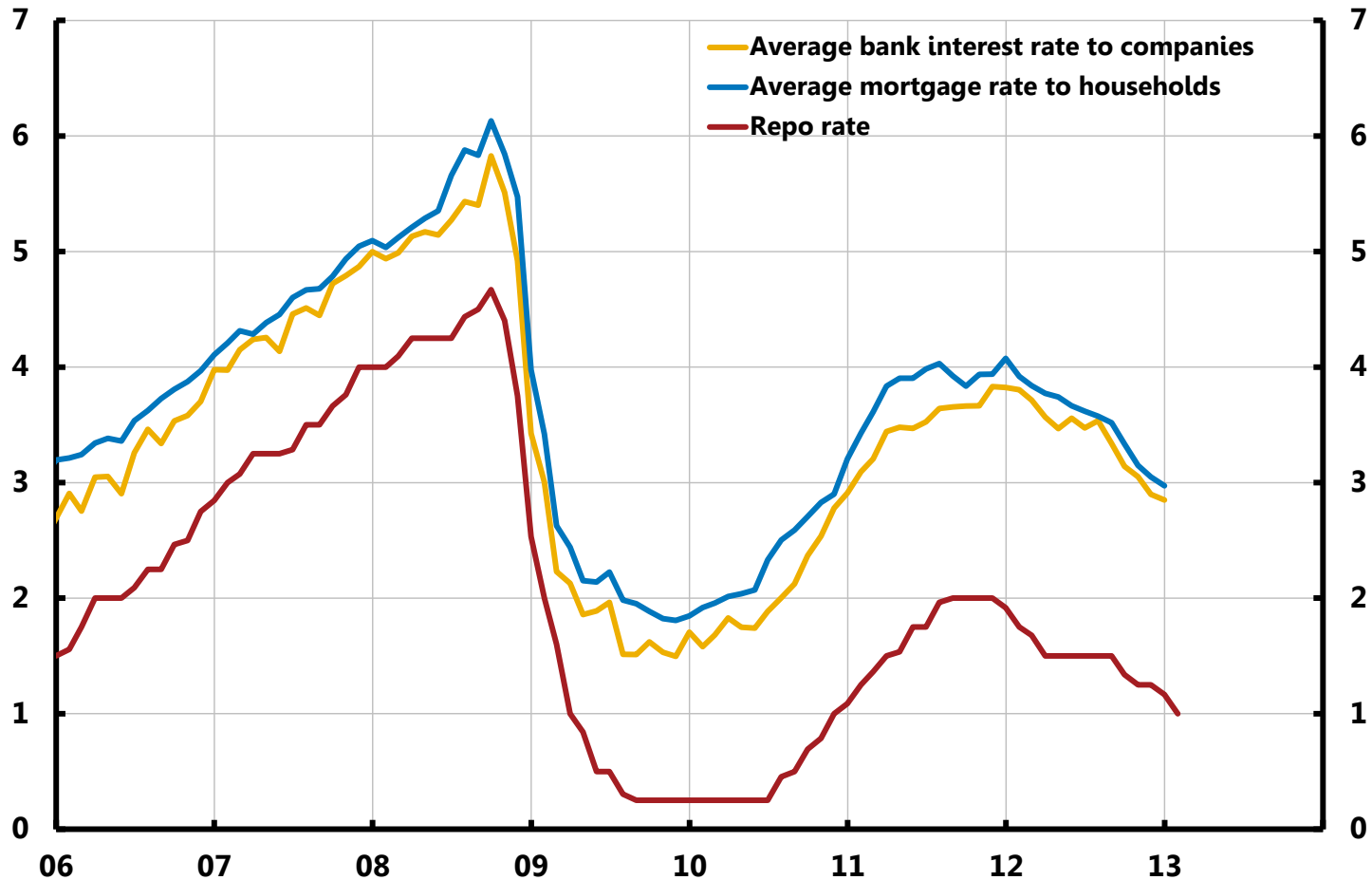


Note. Annual percentage change. Outcome refer to "real-time data", i.e. without regard to the change in the calculation implemented in 2005. The CPIF is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

Repo rate halved over the last year or so – to attain the inflation target and support economic activity

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



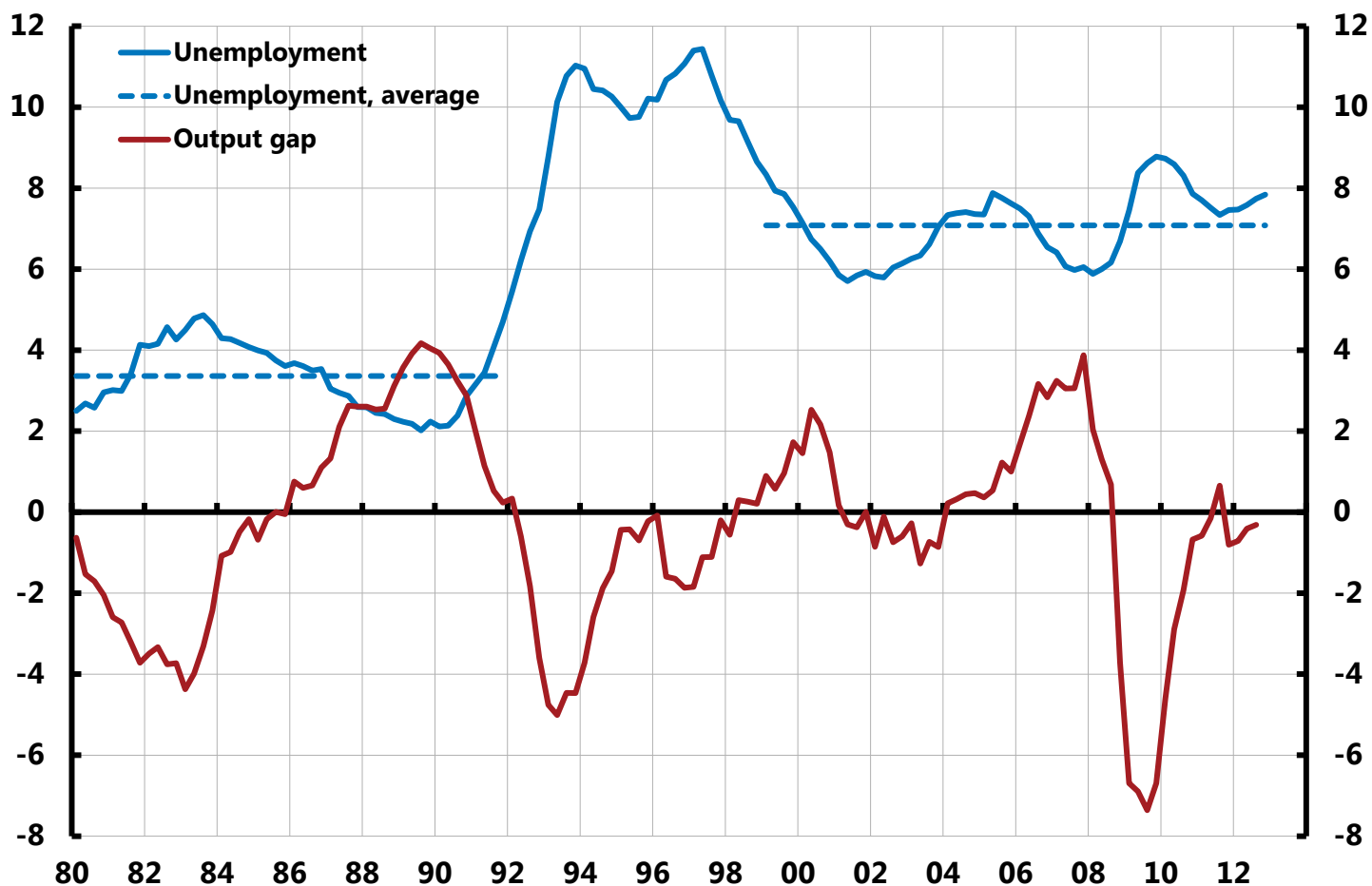
Note. Per cent, monthly averages. Average mortgage rates for households and bank interest rates for companies on new agreements, and the repo rate.

Sources: Statistics Sweden and the Riksbank

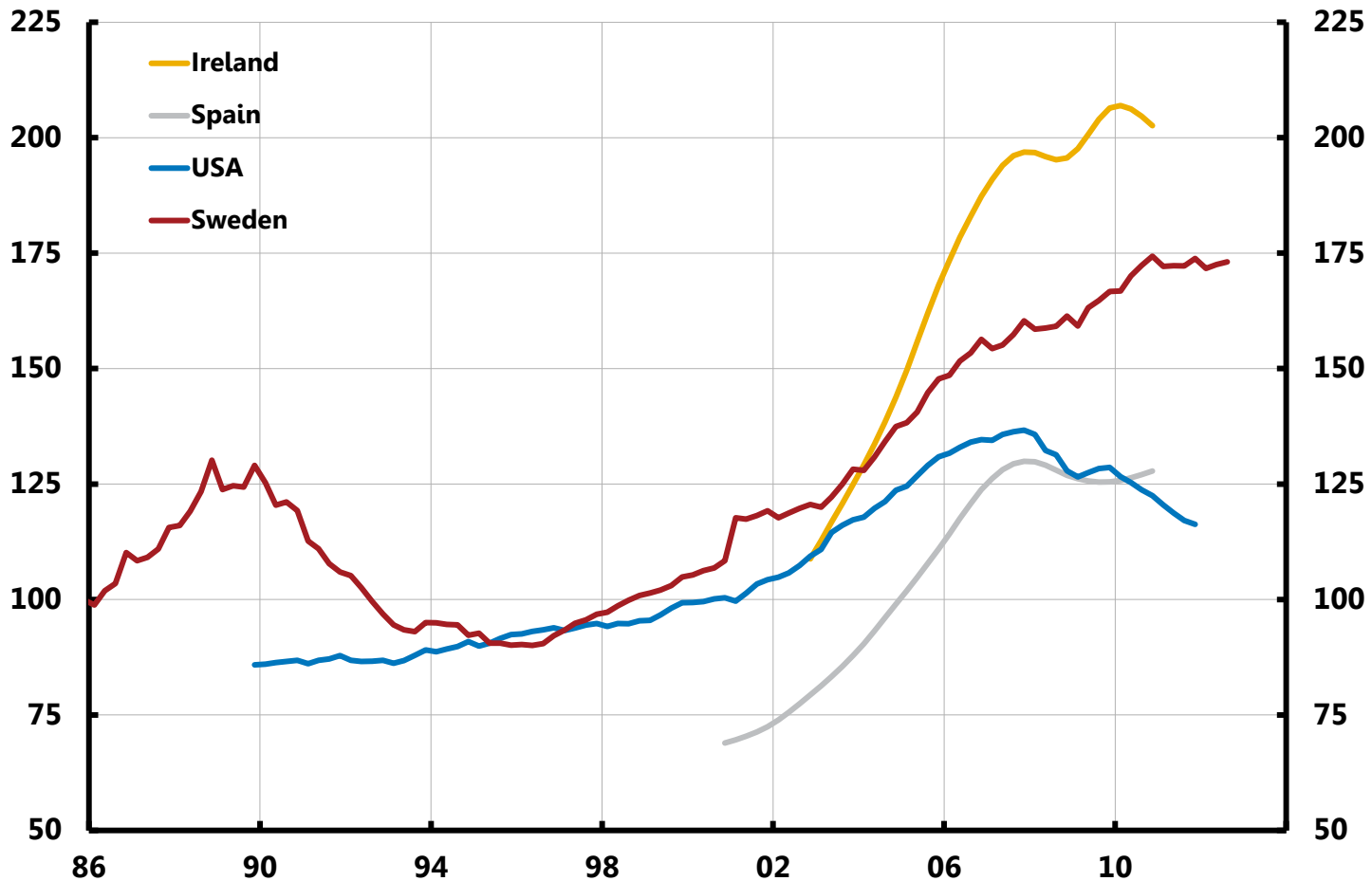
Is an even lower repo rate a cure for unemployment?

Unemployment reflects not only low demand, but also structural problems

Unemployment and output gap, per cent

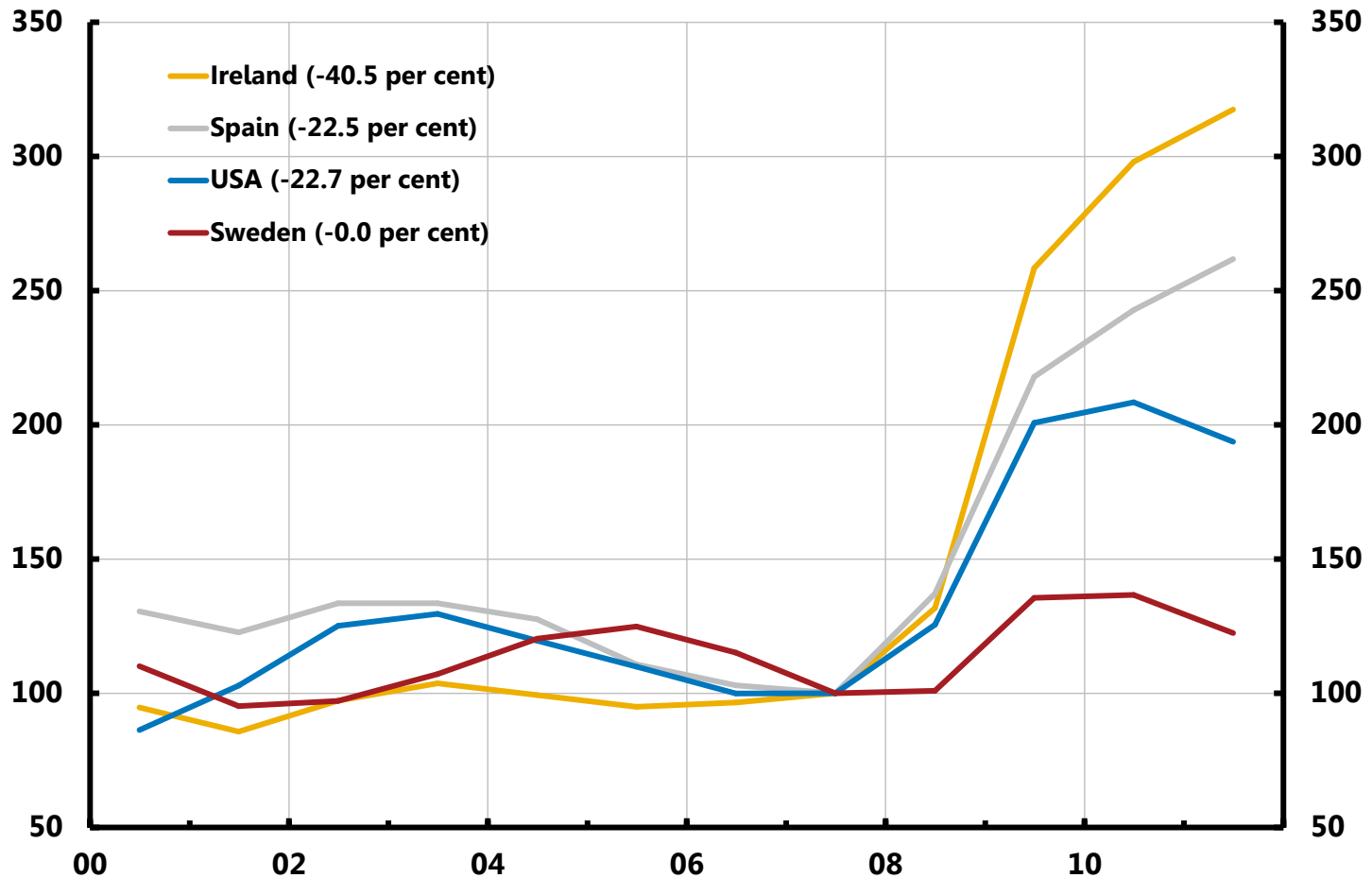


A high level of household indebtedness may have serious consequences...



...not least for unemployment

Unemployment in countries affected by corrections on the housing market

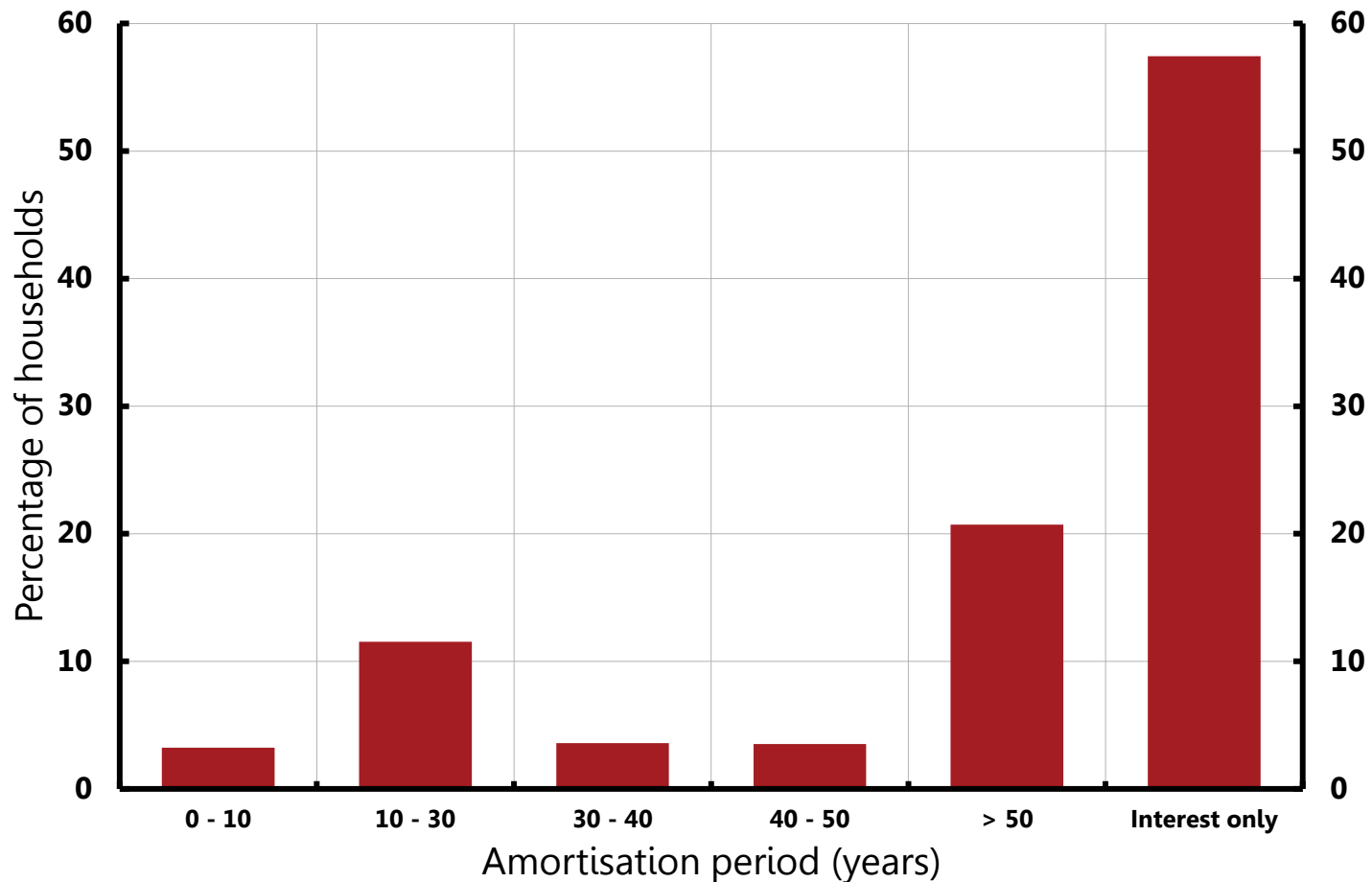


Note. Unemployed as a percentage of the labour force, index, 2007 = 100. The figures in brackets refer to the fall in real house prices from the peak to the trough.

Source: OECD

Several conceivable tools for managing household indebtedness – amortisation requirements one example

Amortisation periods for new borrowers



Note. Percentage of households. Amortisation period in years.
Figures refer to the mortgage survey in March 2012.

Source: Finansinspektionen

Trade-offs in monetary policy

- We have gradually lowered the repo rate over the last 12 months to stimulate the economy and attain the inflation target
 - But trade-offs are necessary
-

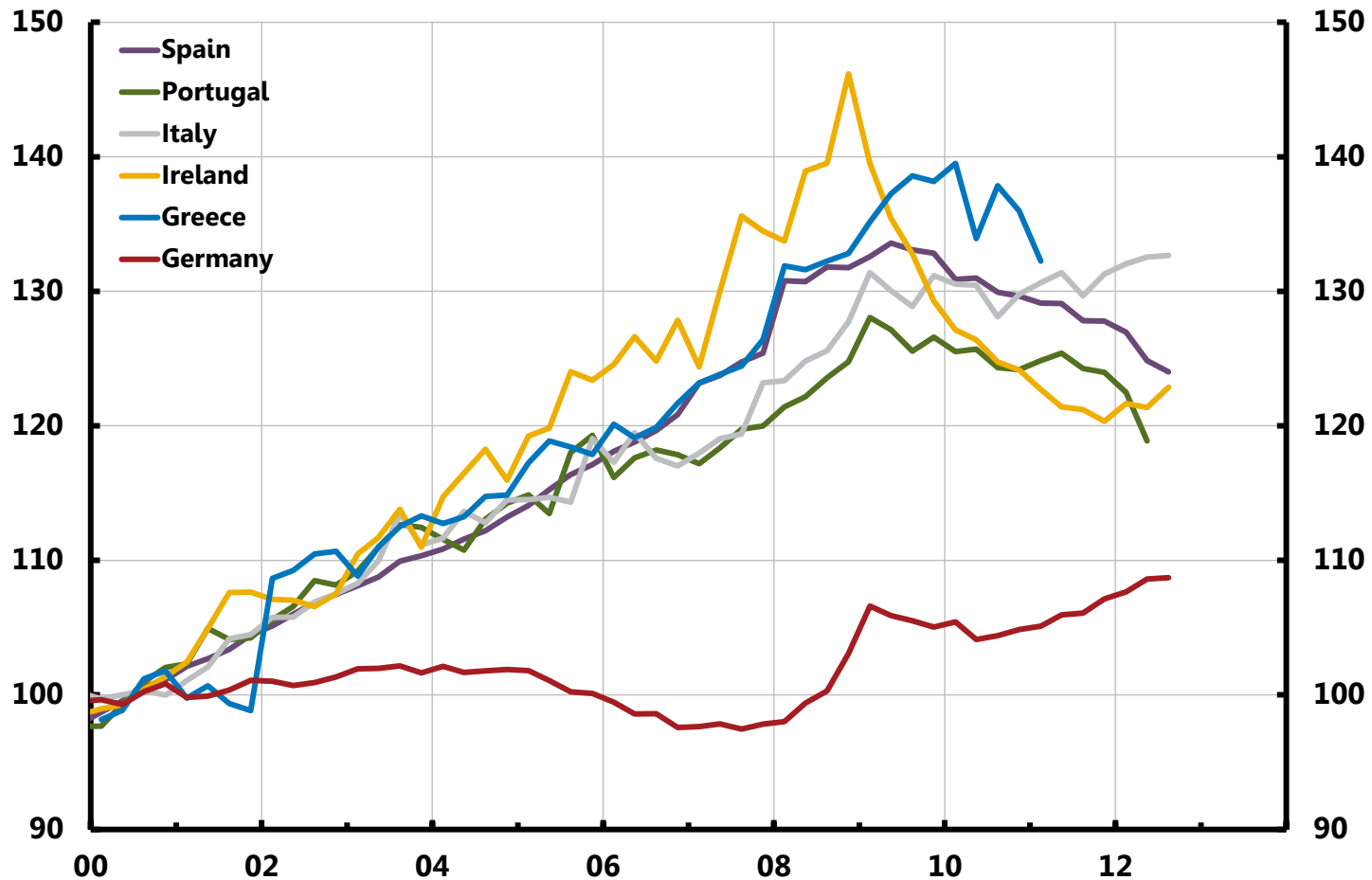
Current monetary policy

- *Where are we now?*
- *Where are we going?*



Major challenges remain in several euro countries, not only with regard to sovereign debts

Unit labour costs

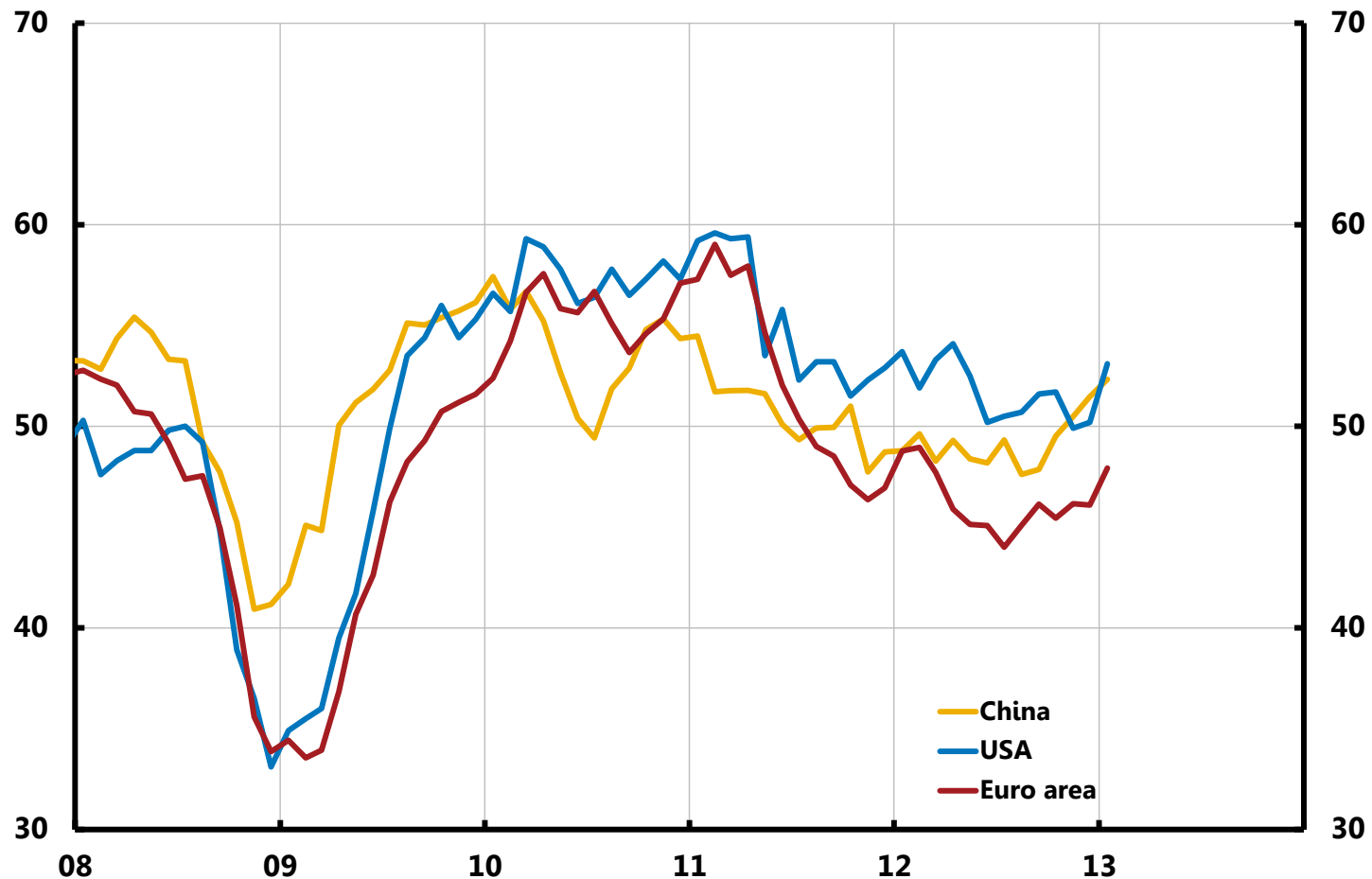


Note. Index 2000 = 100, seasonally-adjusted data. For Greece there is only seasonally-adjusted data up to the end of the first quarter of 2011.

Source: OECD

But there are positive signals: signs of a turnaround abroad...

Purchasing managers' index in the manufacturing sector



Note. Values above 50 indicate growth.

Sources: Institute for Supply Management and Markit Economics

...and in Sweden

Purchasing managers' index in the manufacturing sector



Note. Index, seasonally-adjusted data. Values above 50 indicate growth.

Source: Swedbank/Silf

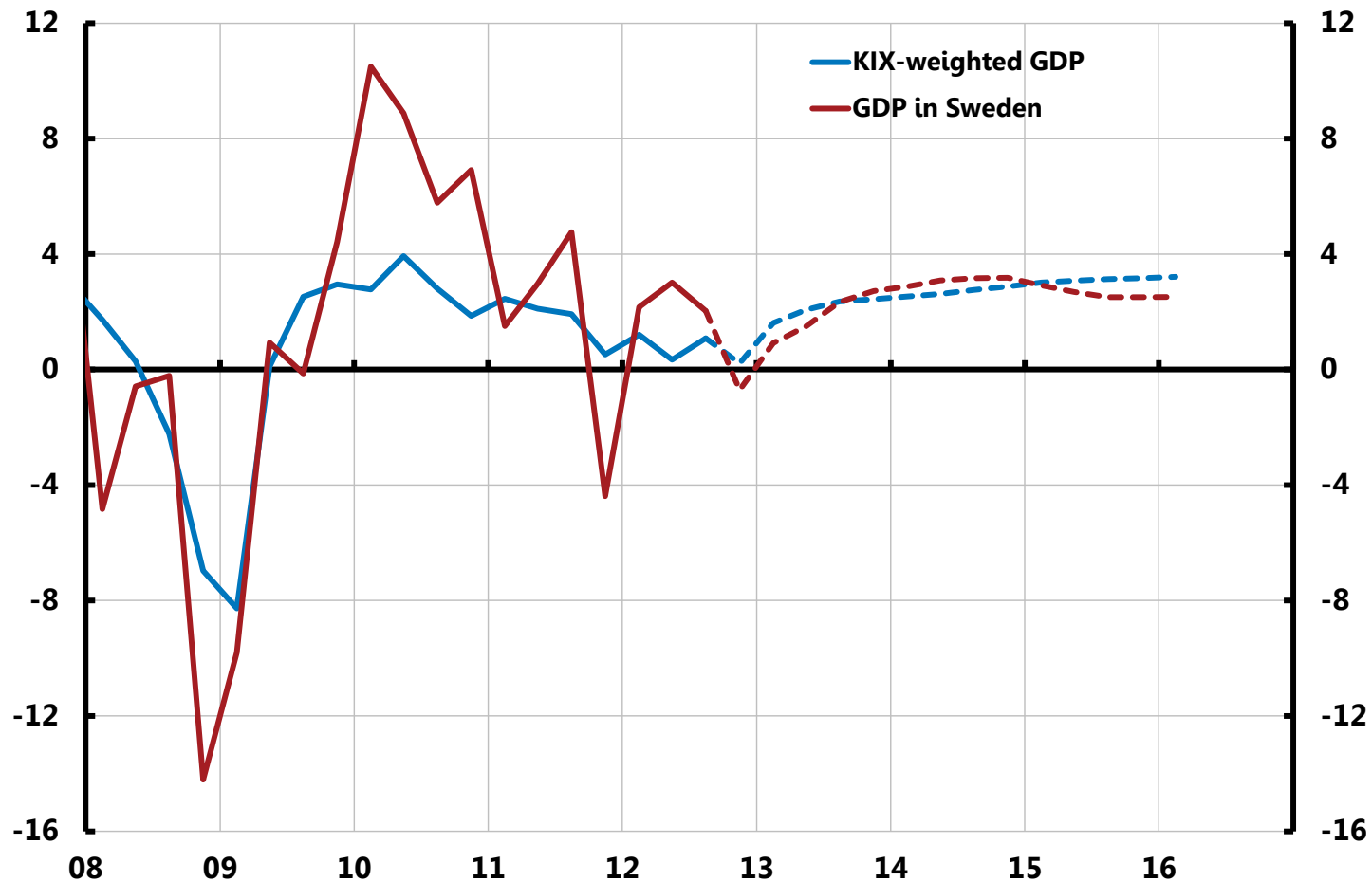
Current monetary policy

- *Where are we now?*
- *Where are we going?*

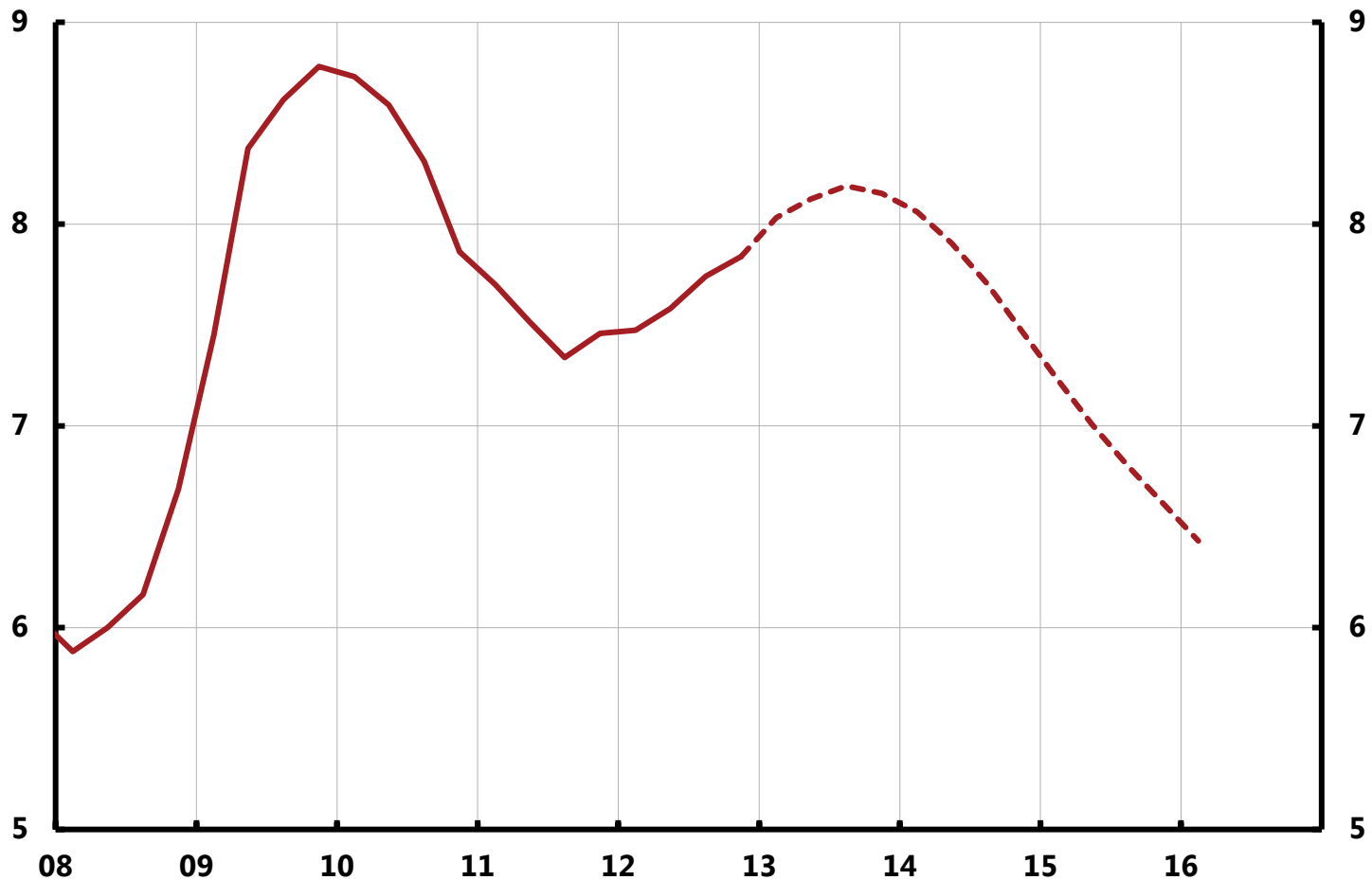


Weak development in the euro area is restricting growth in Sweden

GDP in Sweden and abroad (KIX)

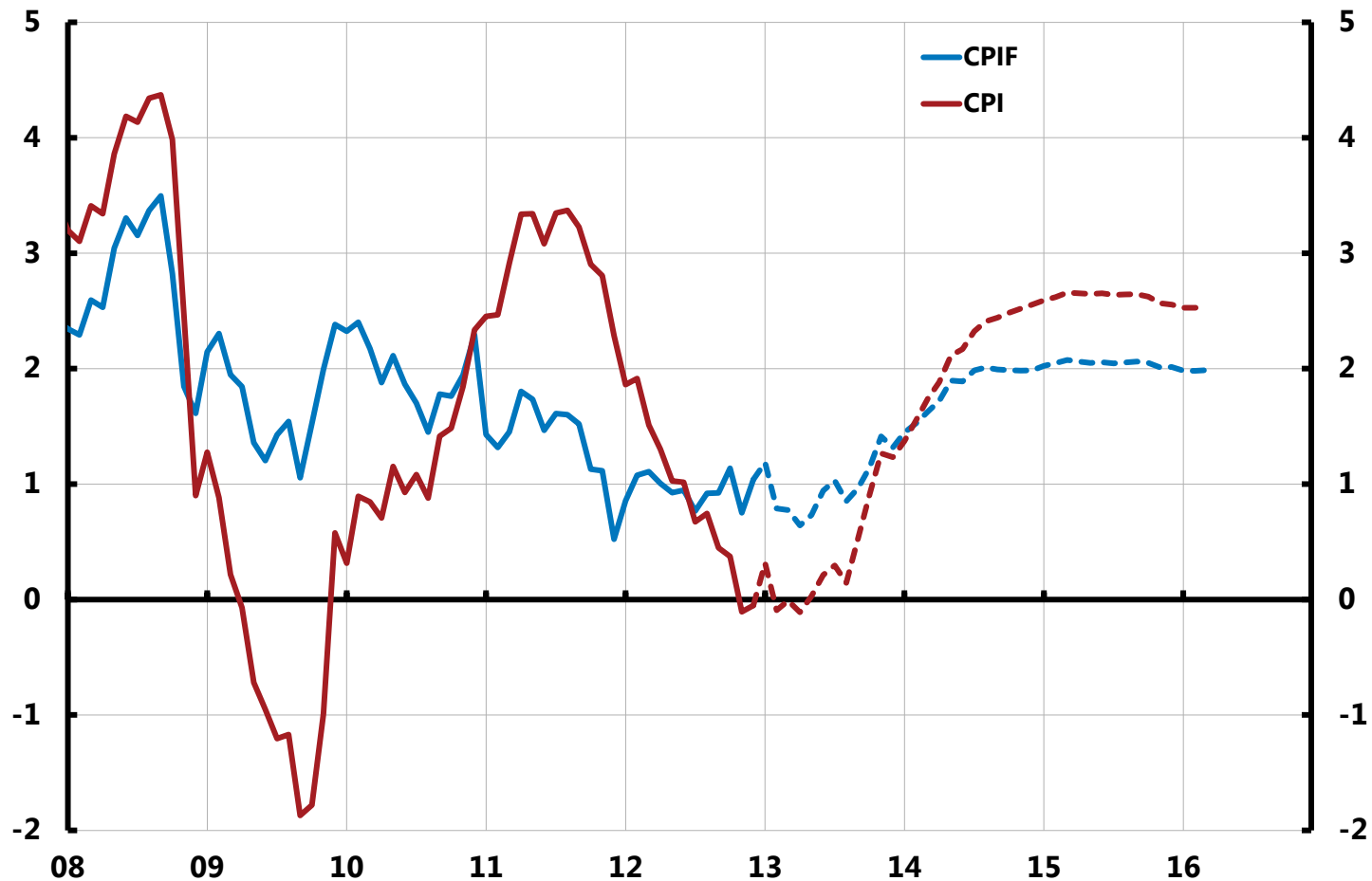


Unemployment will rise before it falls



Inflation will gradually approach the target of 2 per cent

CPI and CPIF

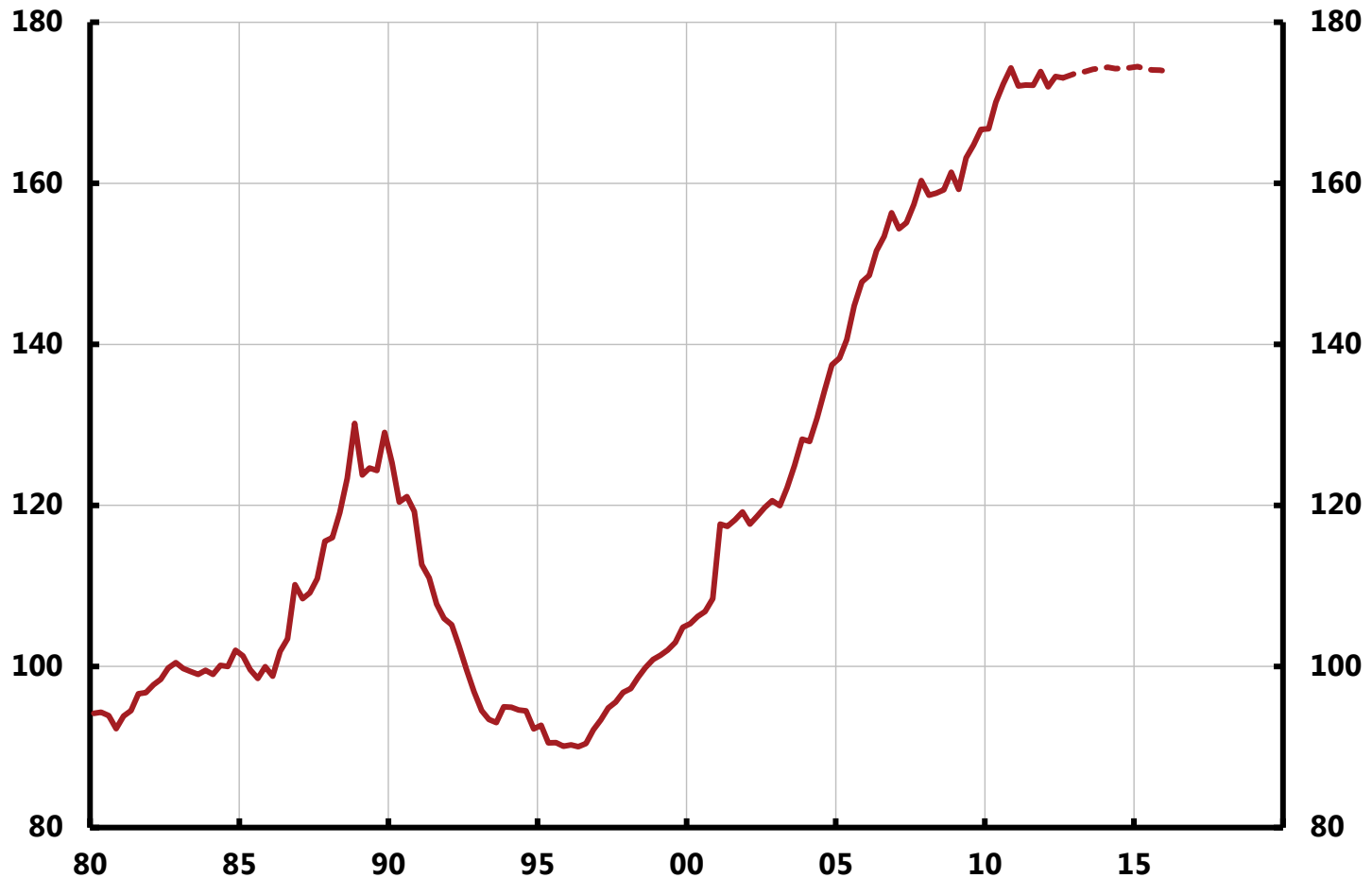


Note. Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

Household indebtedness will level out

Percentage of disposable income



An appropriate balance in monetary policy

Repo rate

