



Introduction on monetary policy

Riksdag Committee on
Finance

20 September 2013

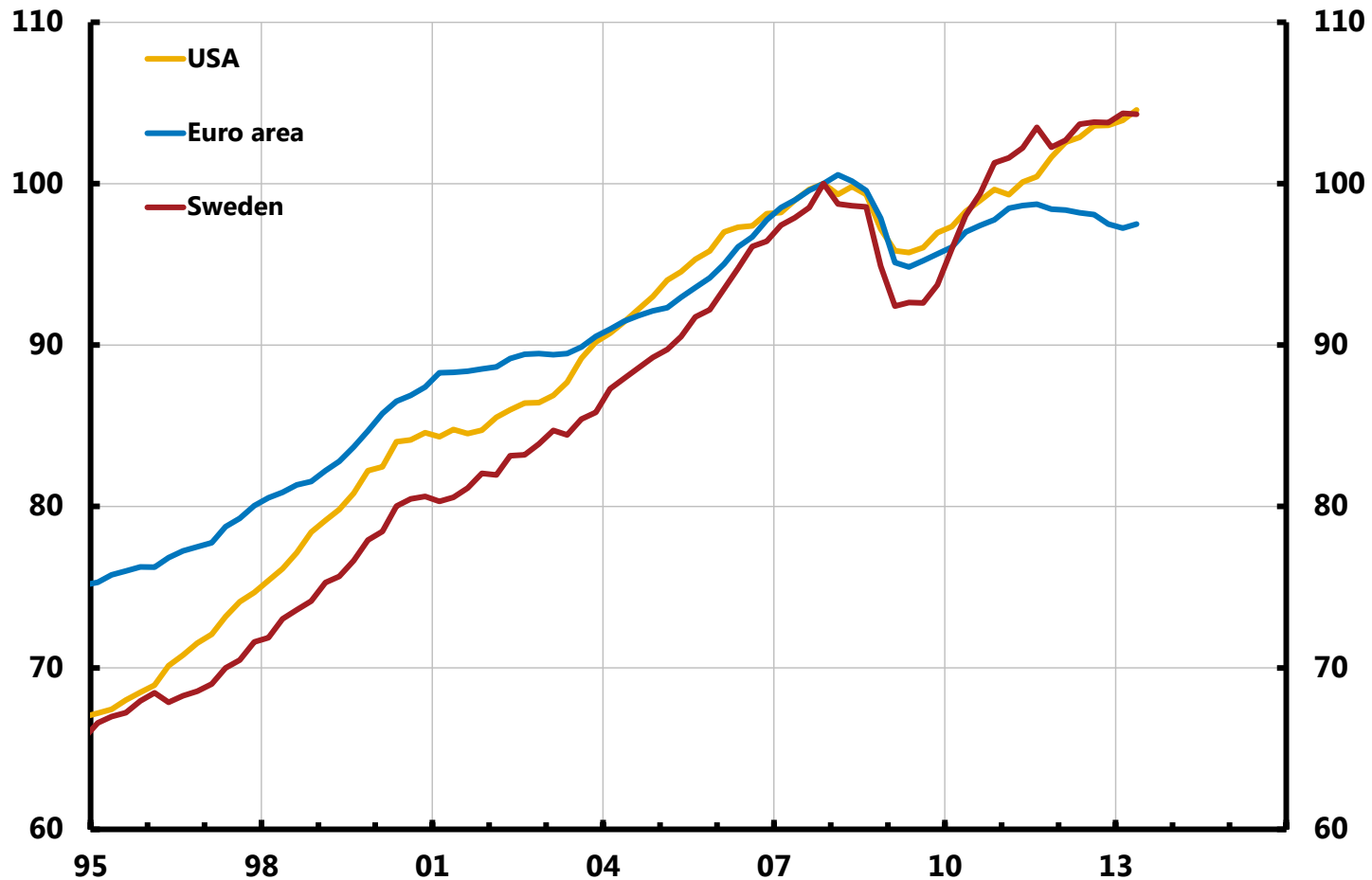
Governor Stefan Ingves

Today's presentation

- Where have we come from?
 - Where are we now?
 - Where are we going?
-

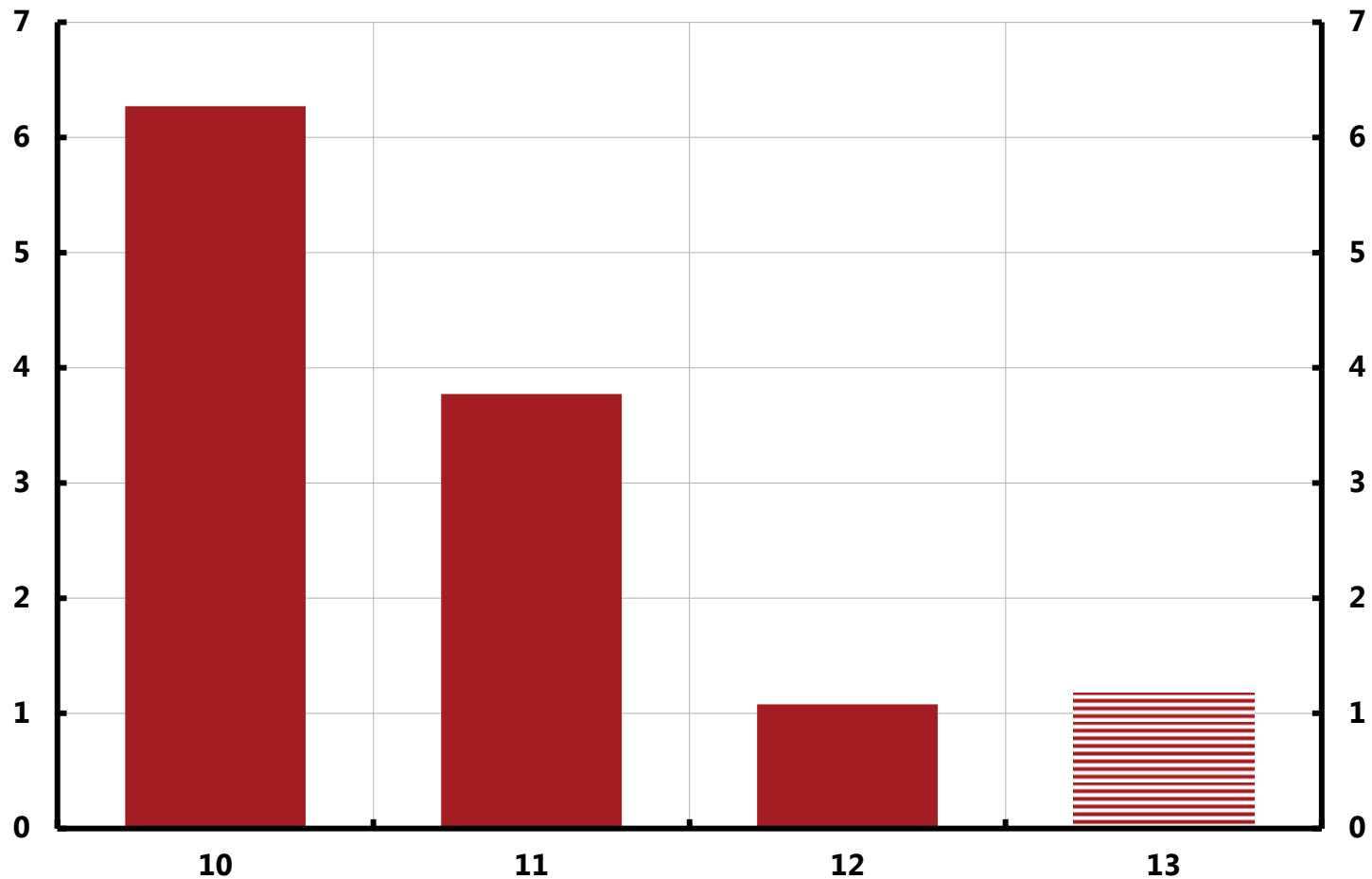
Sweden is a small, open economy – the debt crisis in the euro area has had a major impact on us

GDP in different regions and countries, index, 2007 Q4 = 100



Lower growth in Sweden in recent years

GDP, annual percentage change



Note. Calendar-adjusted data. The striped bar refers to the Riksbank's forecast in the September Monetary Policy Update.

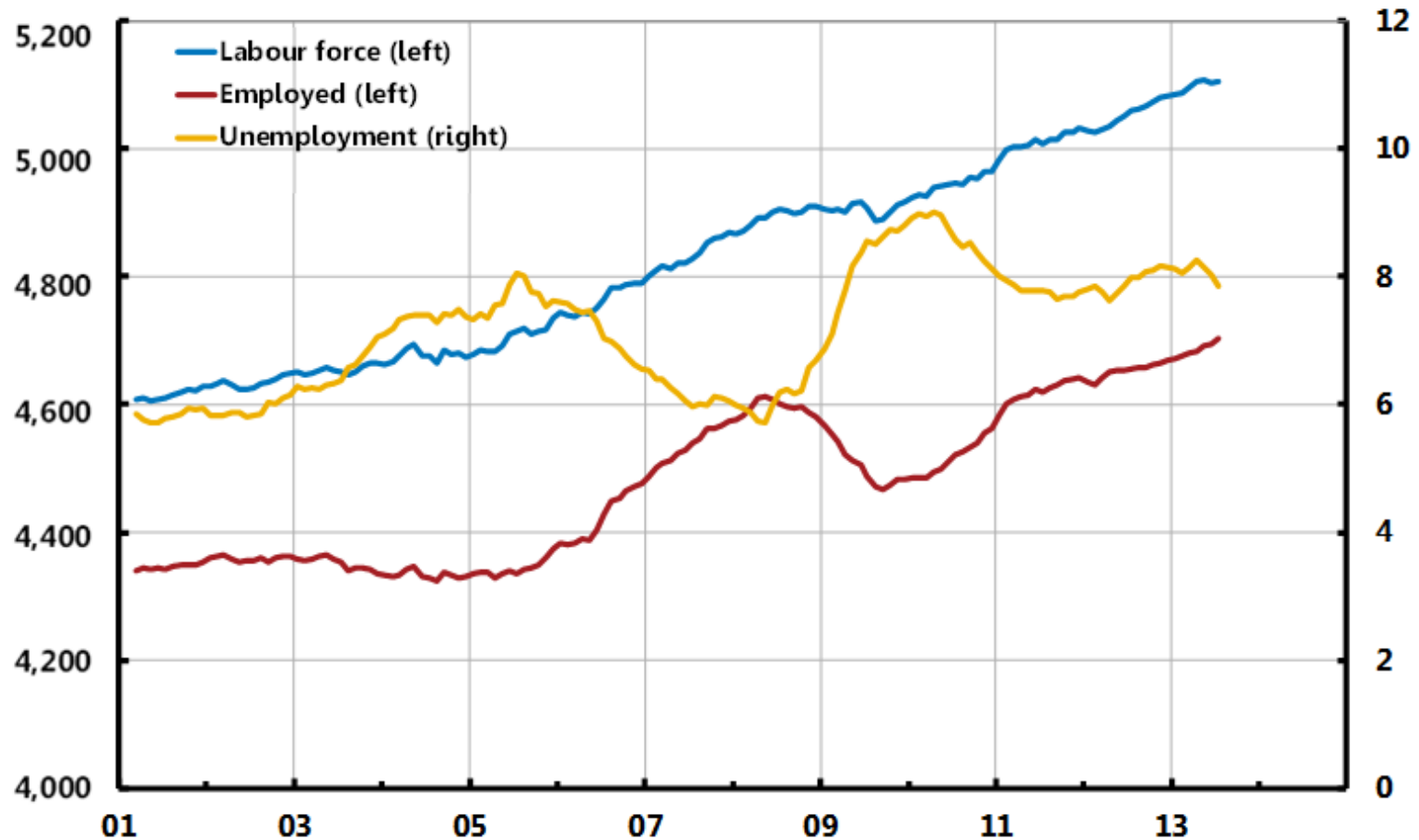
Sources: Statistics Sweden and the Riksbank

Sweden's economy has nevertheless come through the crisis relatively well

- Strong competitiveness
 - Strong productivity growth over a long period of time
 - Low inflation and improved wage formation since 1990s
 - Stable public finances
 - Current account surplus
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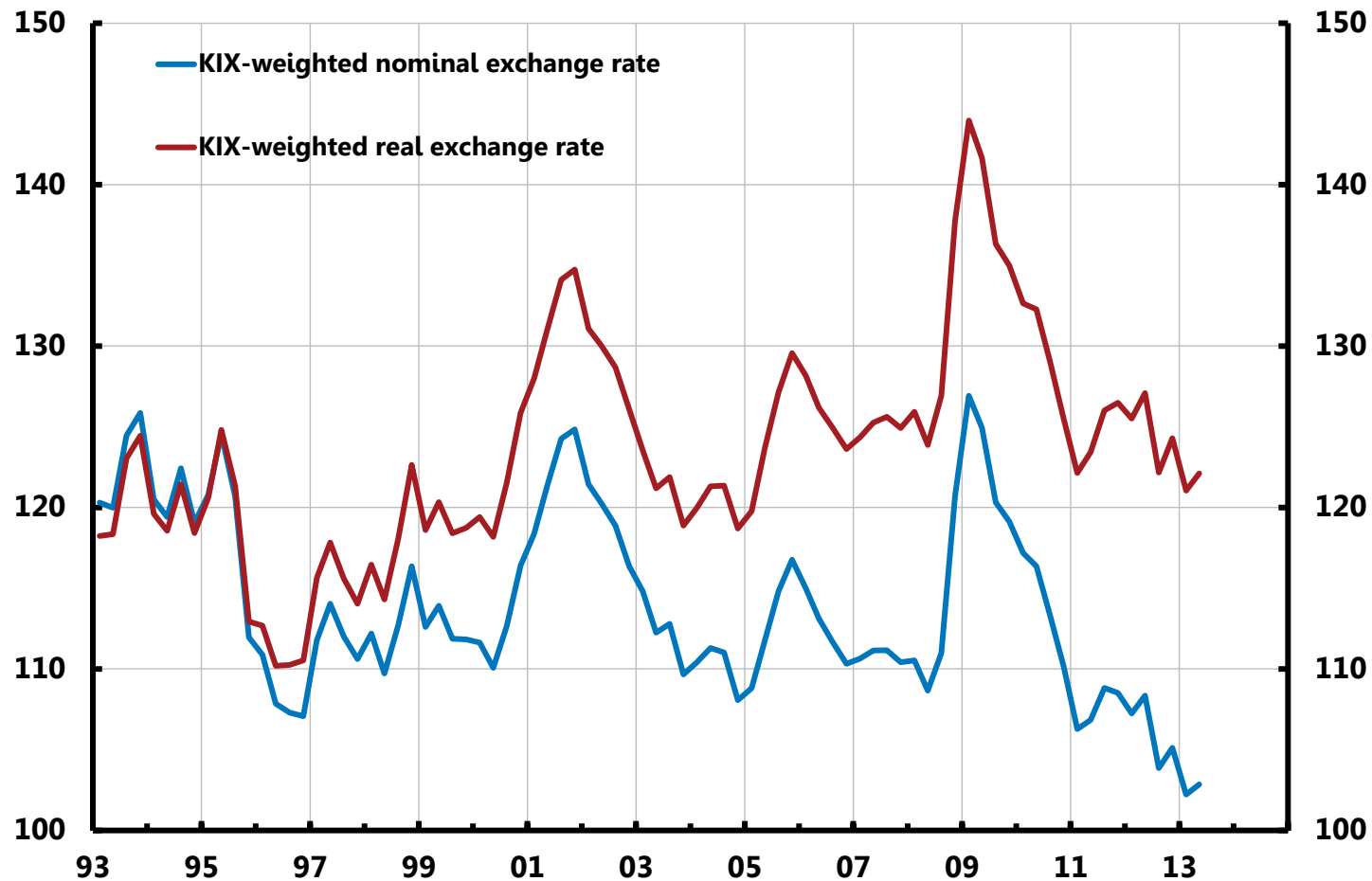
Resilience in the Swedish labour market

Employment, labour force and unemployment; thousands of people and percentage of labour force, 15-74 years



The krona appreciation in recent years reflects Sweden's relative strength

Nominal and real trade-weighted exchange rate, KIX-index, 18 November 1992=100

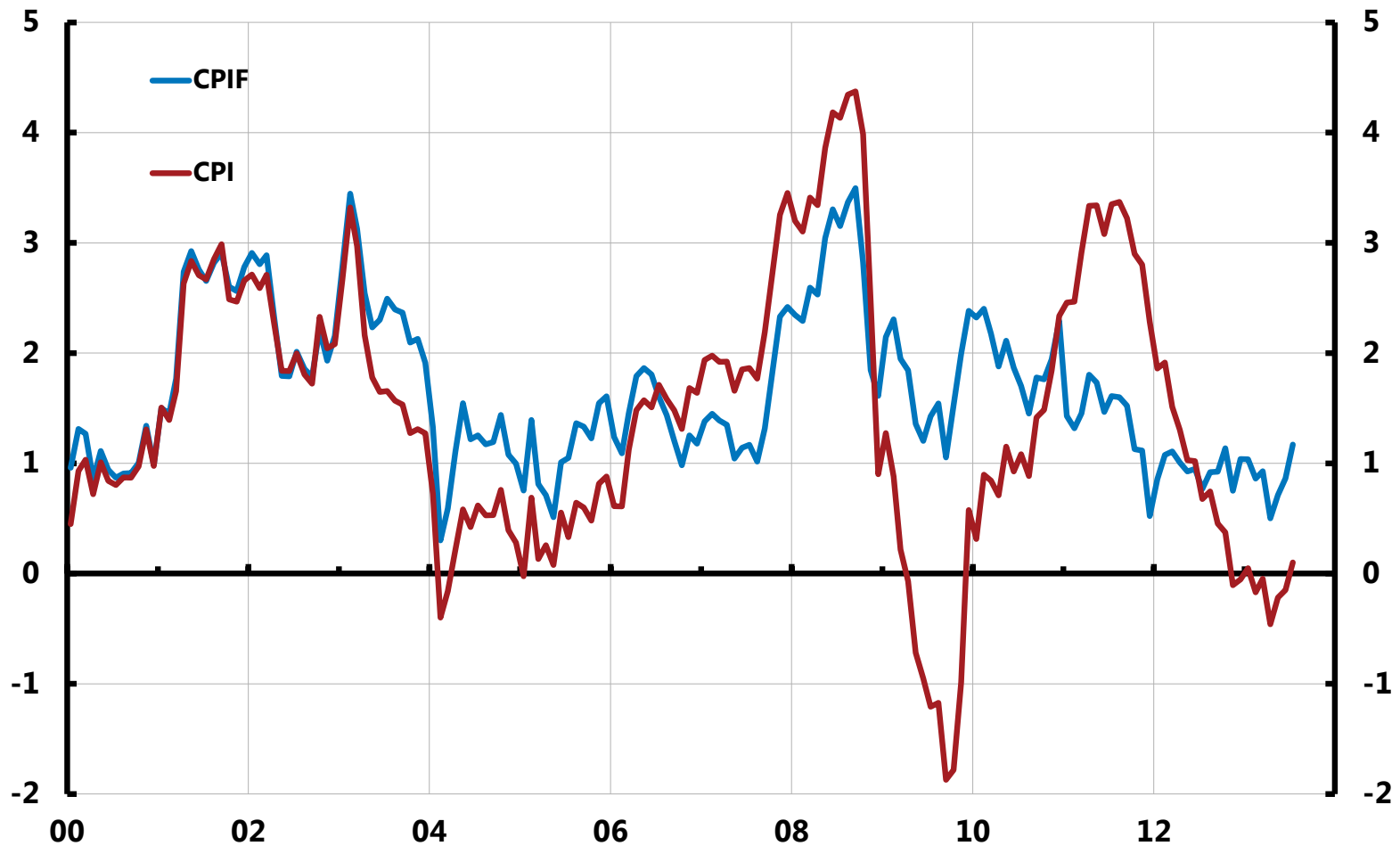


Note. Real KIX has been calculated using KIX-weighted CPI and Swedish CPIF.

Sources: Statistics Sweden and the Riksbank

Low inflationary pressures

CPI and CPIF, annual percentage change

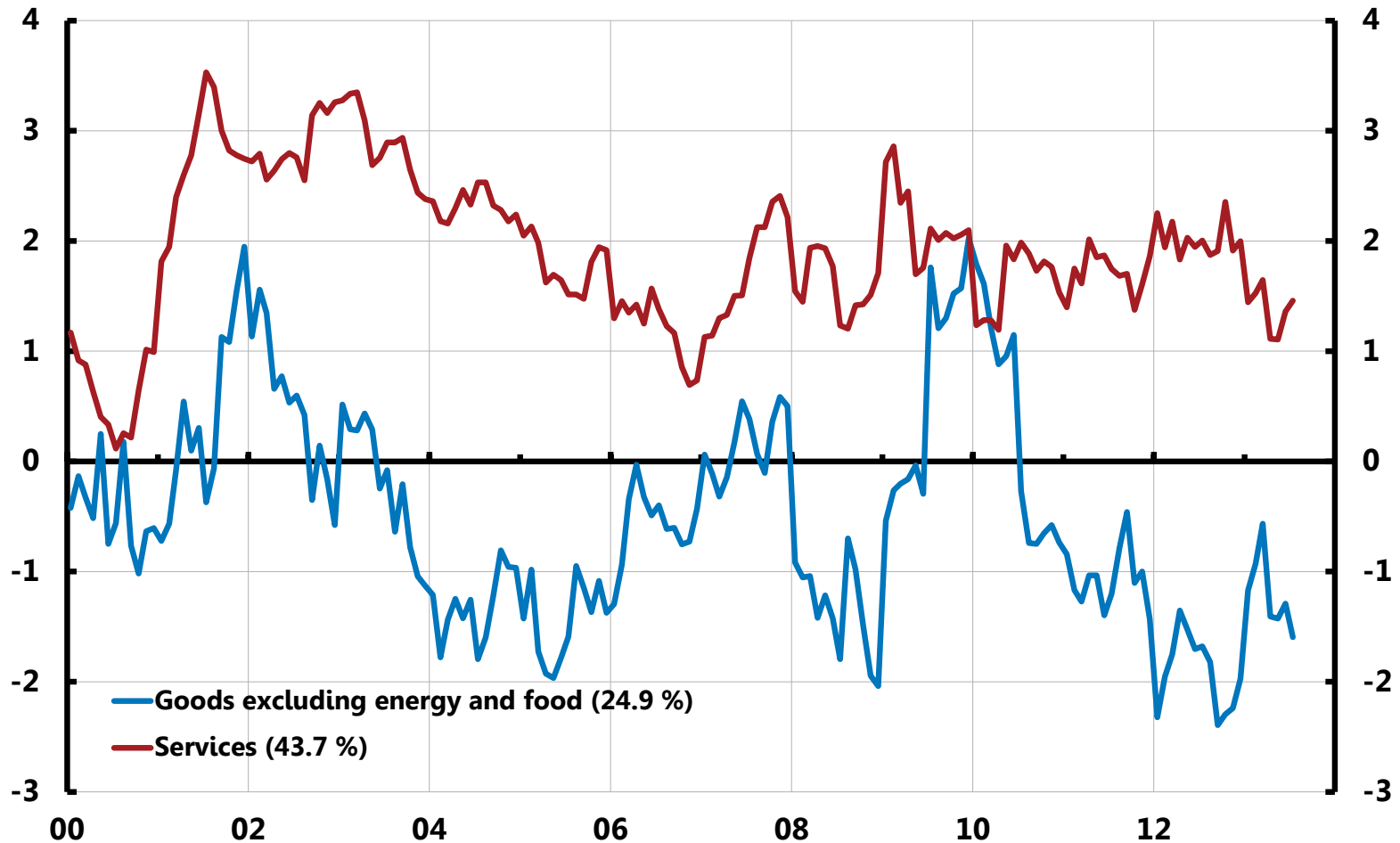


Note. The CPIF is the CPI with a fixed mortgage rate.

Source: Statistics Sweden

Falling goods prices

Goods and services prices in the CPI, annual percentage change

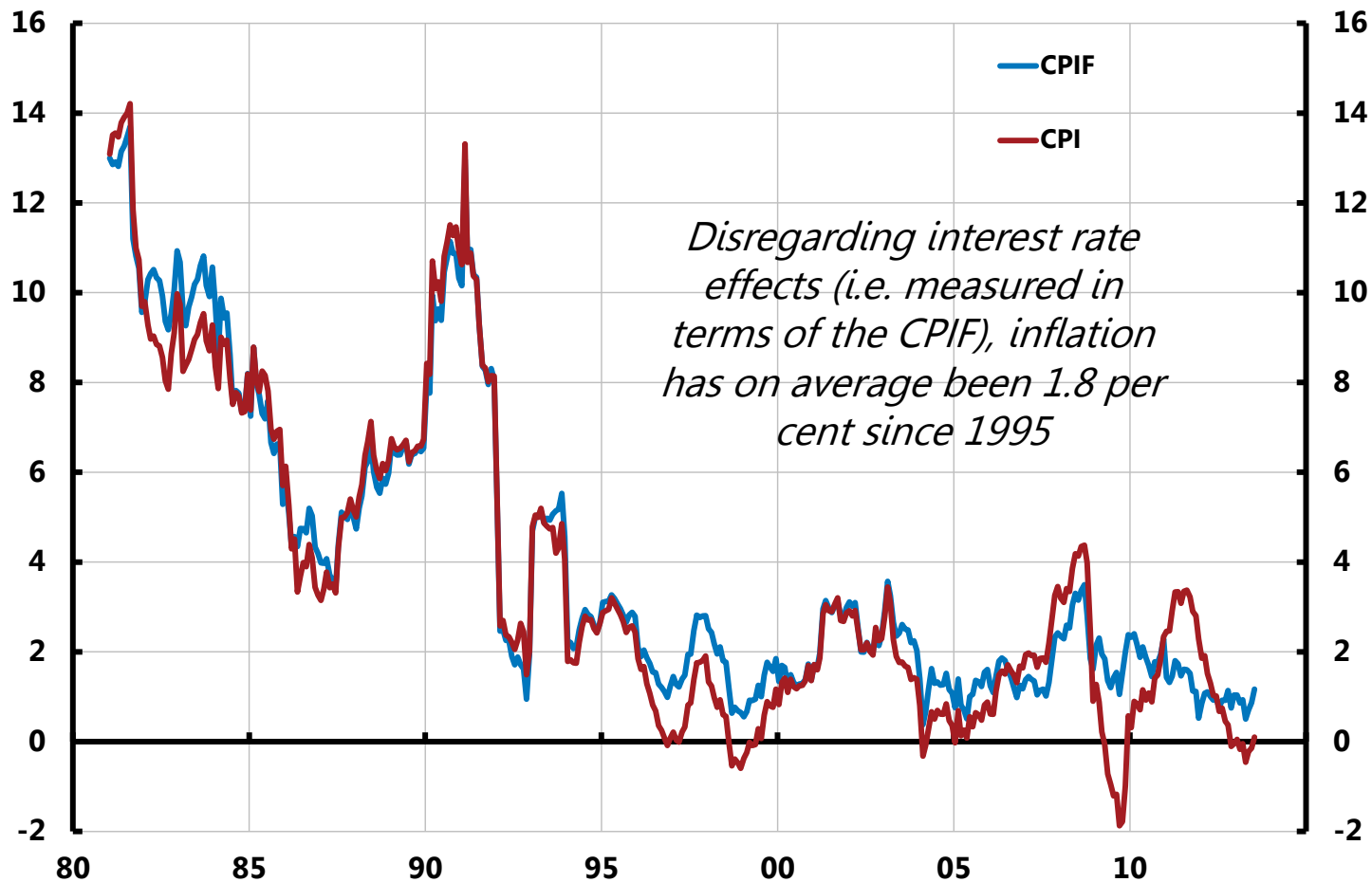


Note. The weight of the respective components in the CPI is given in brackets.

Sources: Statistics Sweden and the Riksbank

Important to have perspective on the development of inflation

CPI and CPIF

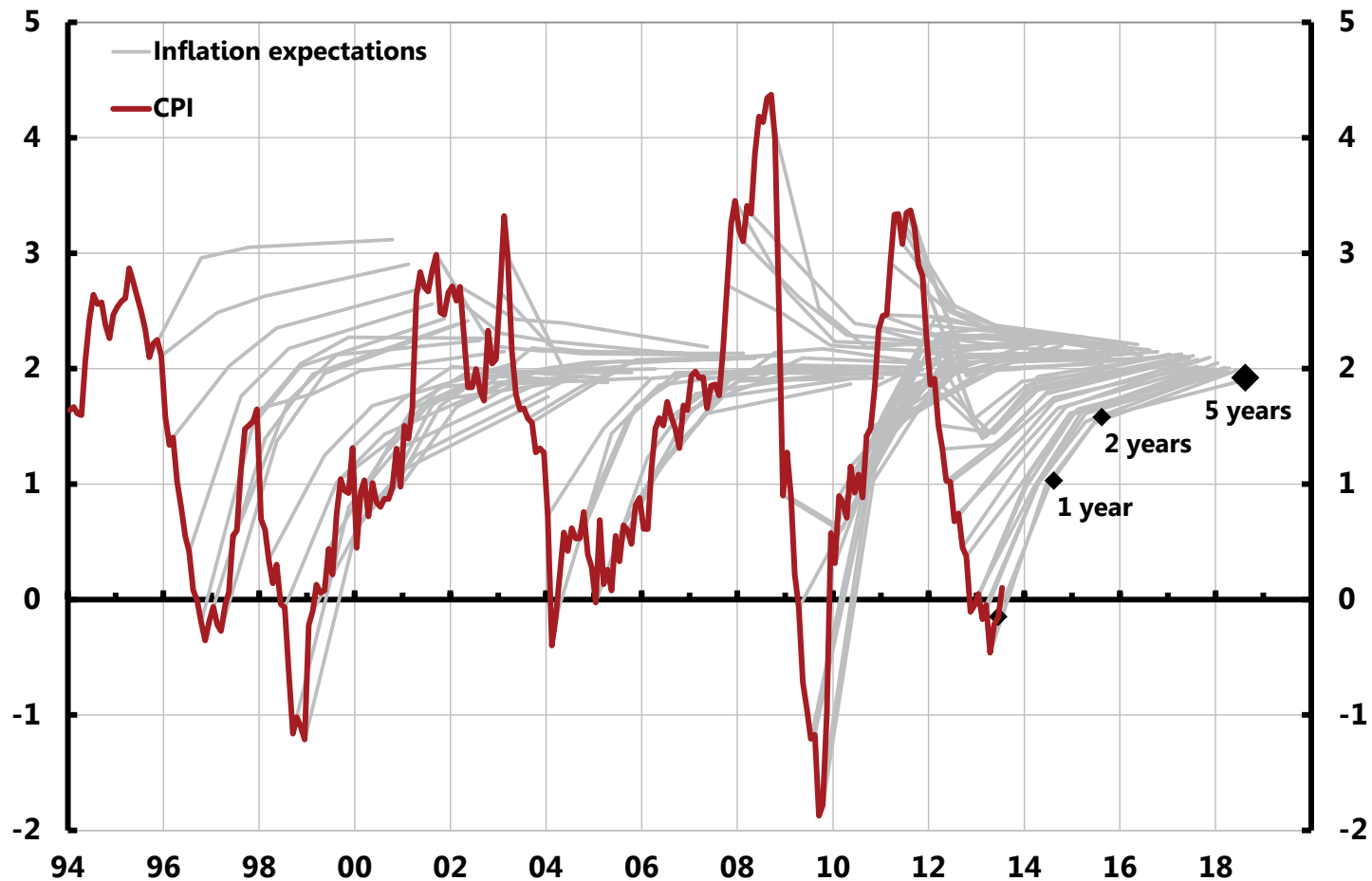


Note. The CPIF is the CPI with a fixed mortgage rate.
Monthly real-time data.

Sources: Statistics Sweden
and the Riksbank

Inflation expectations well-anchored - confidence in the inflation target

CPI in annual percentage change and inflation expectations

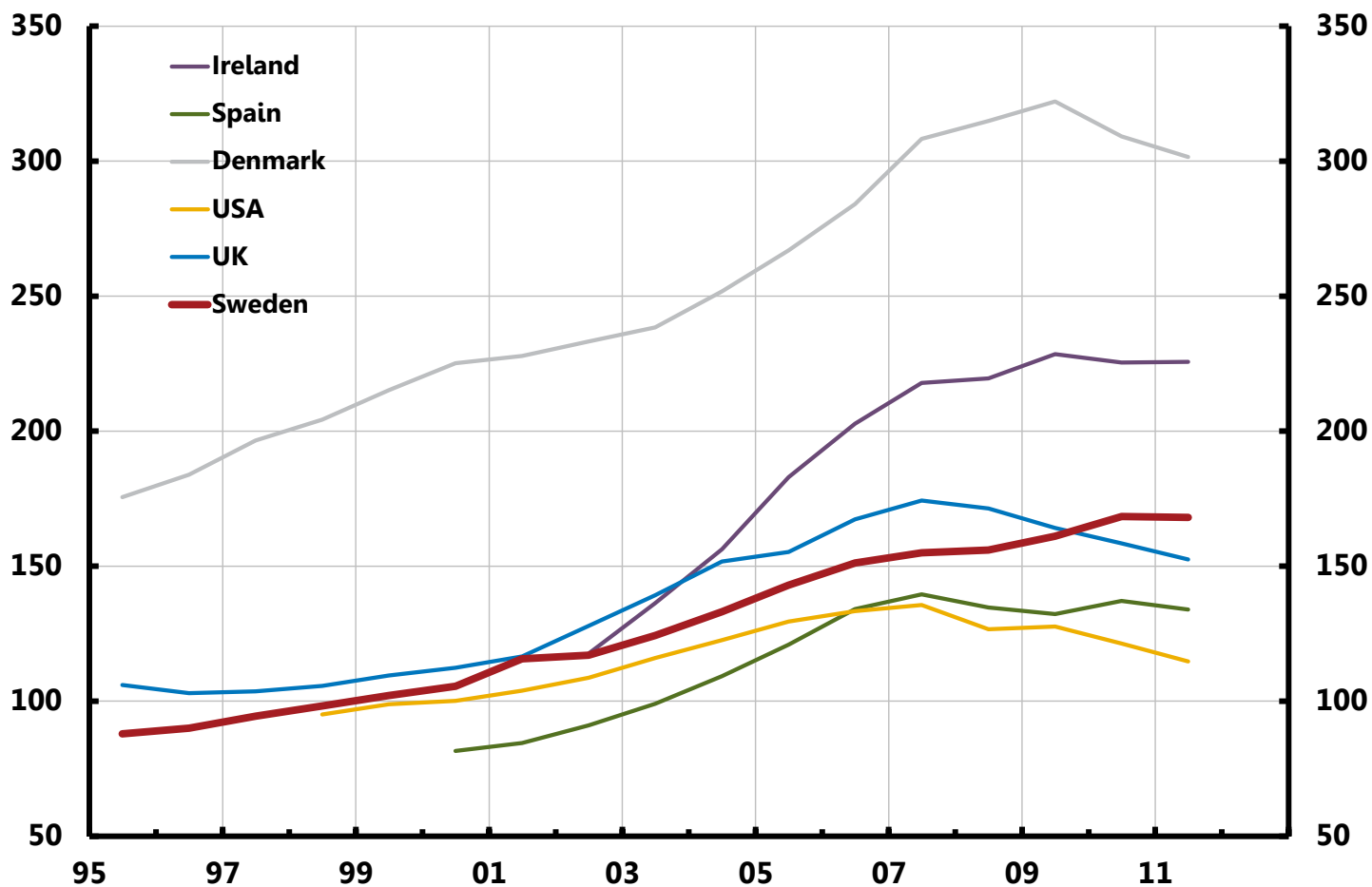


Note. Inflation expectations among money market participants 1, 2 and 5 years ahead.

Sources: Statistics Sweden and TNS SIFO
Prospera

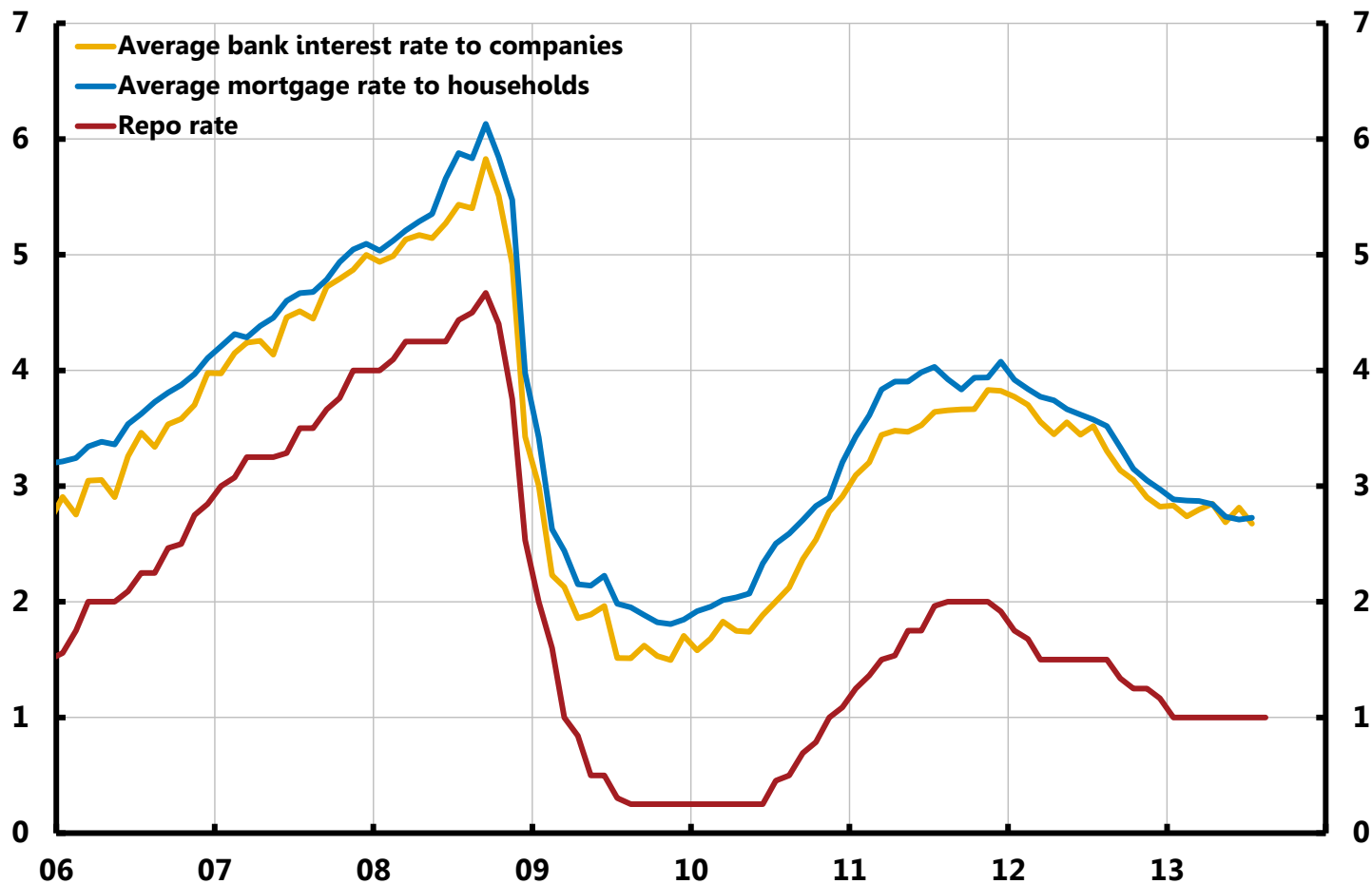
Household indebtedness comprises a risk

Percentage of disposable income



Expansionary monetary policy – but taking risks into account

The repo rate and lending rates to households and companies, per cent



Note. Average mortgage rates for households and bank interest rates for companies on new agreements, monthly mean values.

Sources: Statistics Sweden and the Riksbank

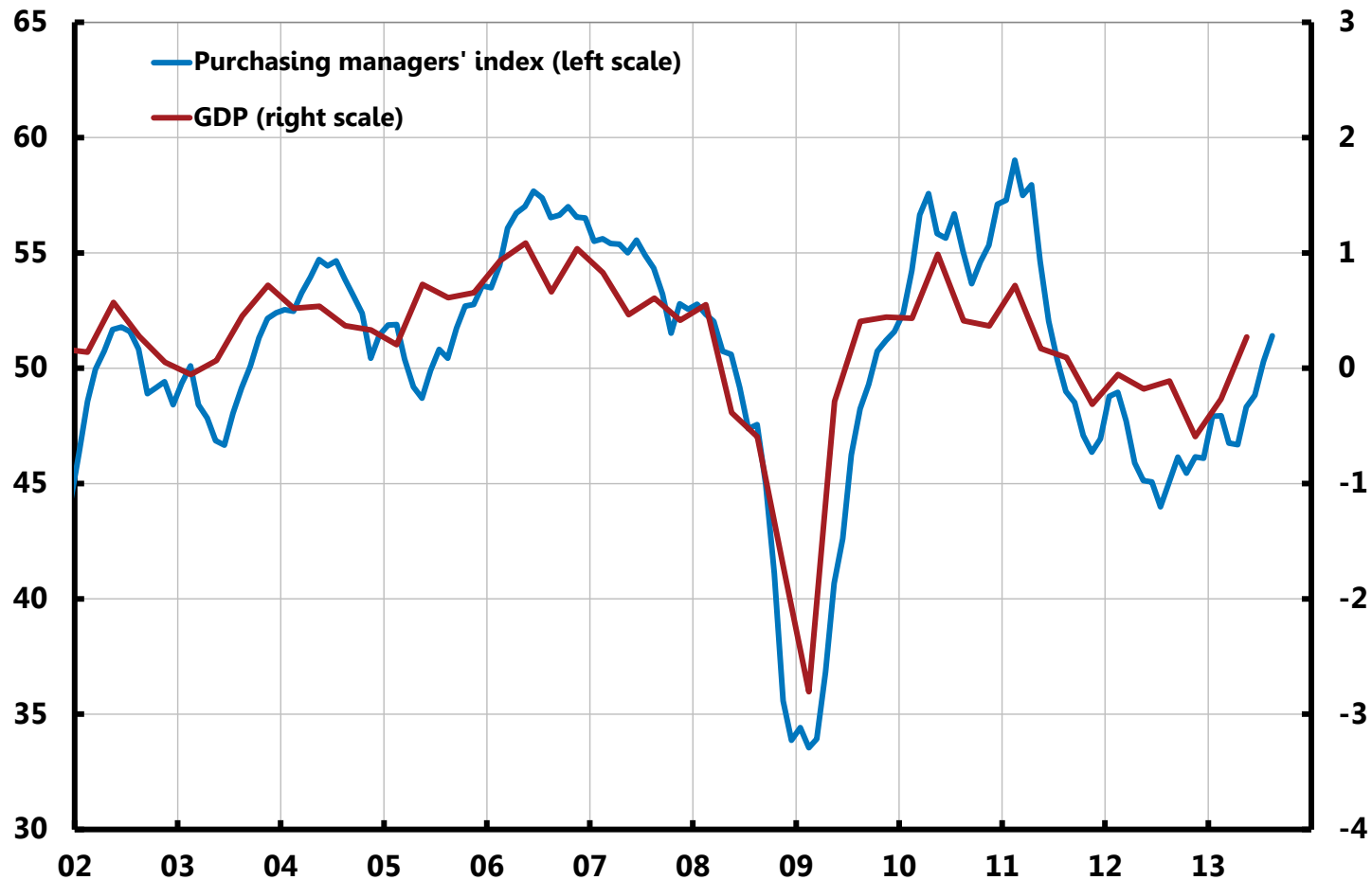
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- **Where are we now?**
- Where are we going?



Positive signs abroad – growth has returned in the euro area...

GDP in quarterly percentage change and purchasing managers' index

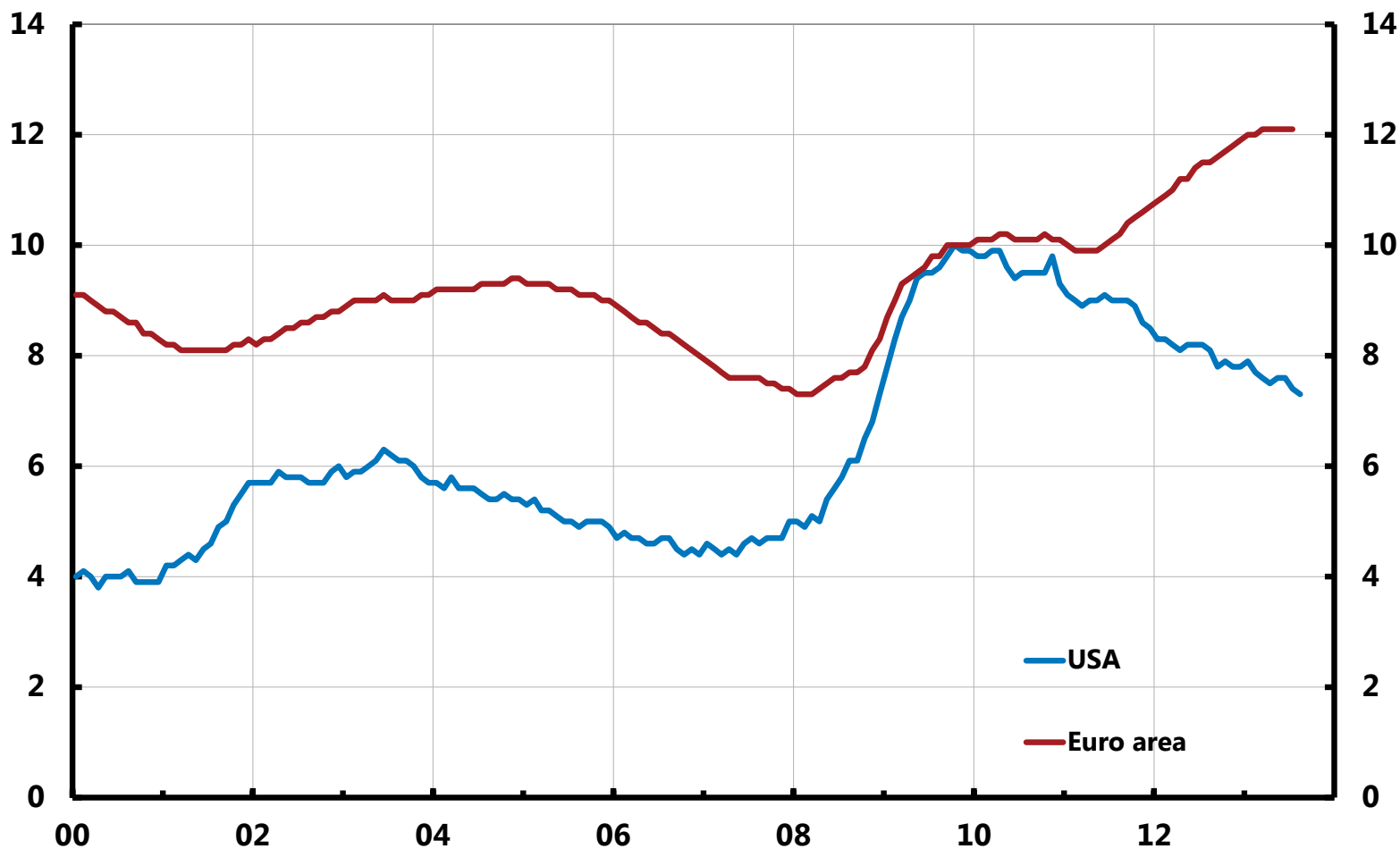


Note. GDP refers to seasonally adjusted data. Purchasing managers' index refers to manufacturing industry and values above 50 indicate growth.

Sources: Eurostat and Markit
Economics

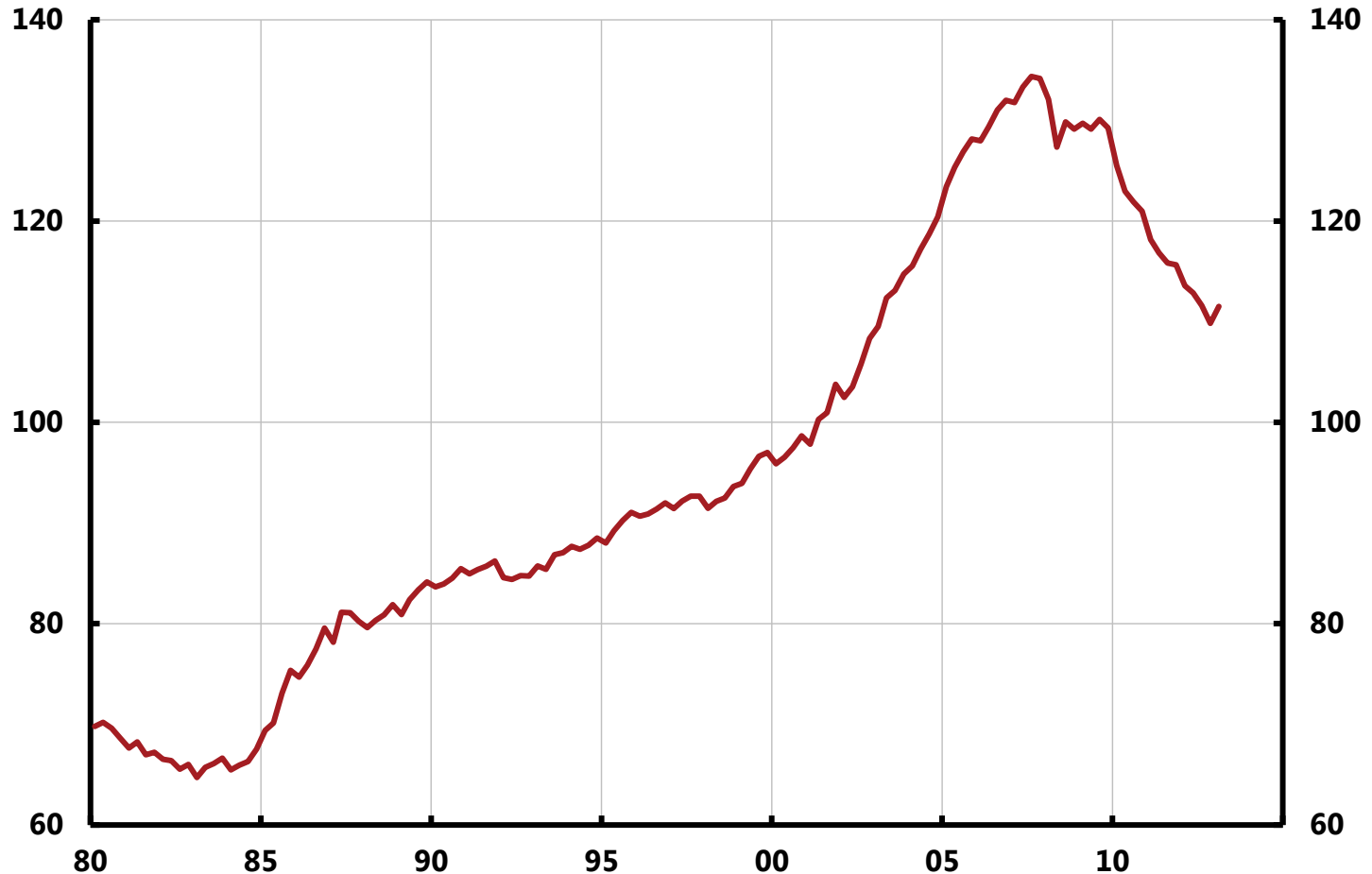
...but major challenges remain

Unemployment, per cent of labour force



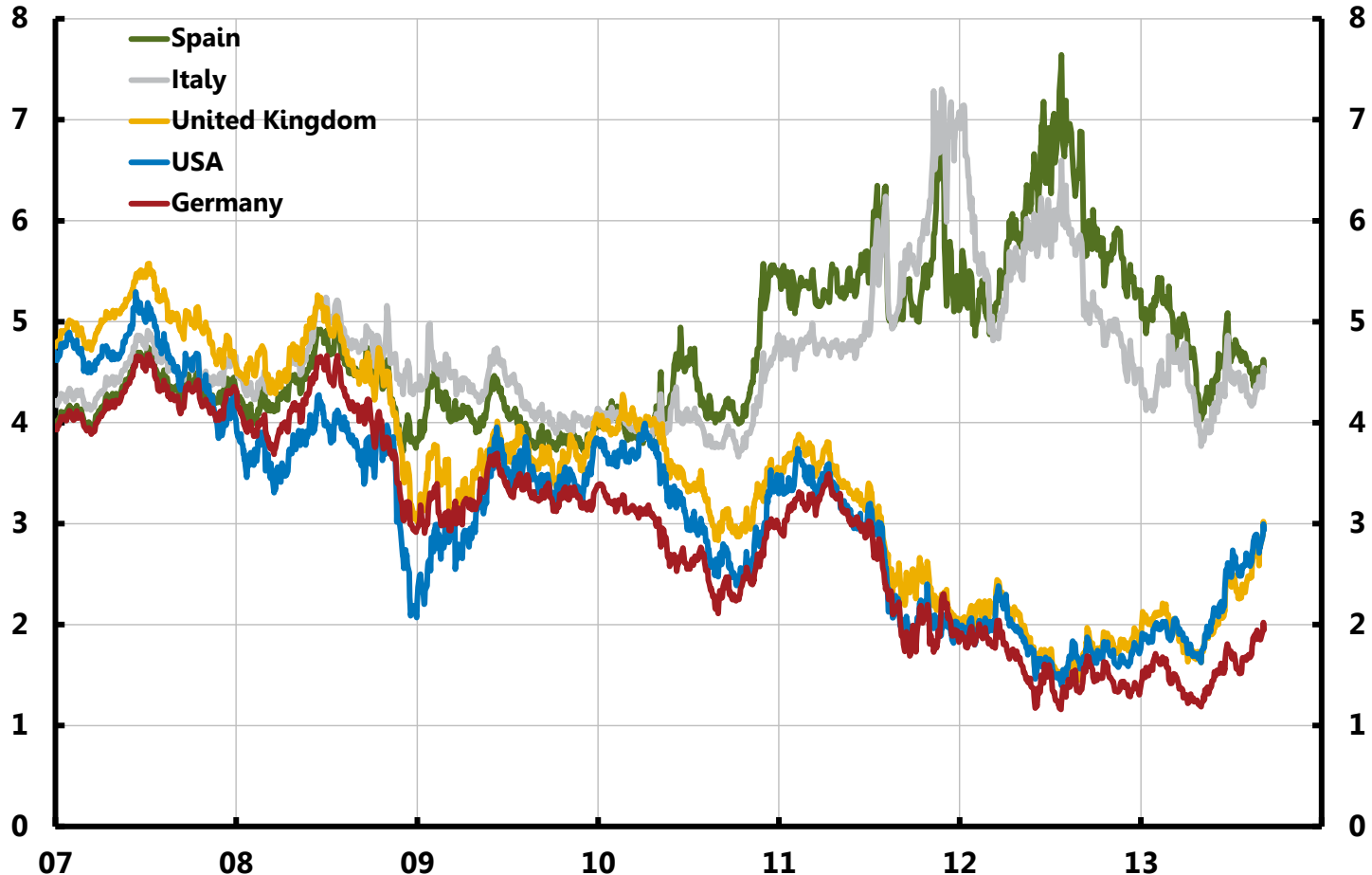
Debt burden has eased for households in the United States - scope for increased growth

Household debt as a percentage of disposable income



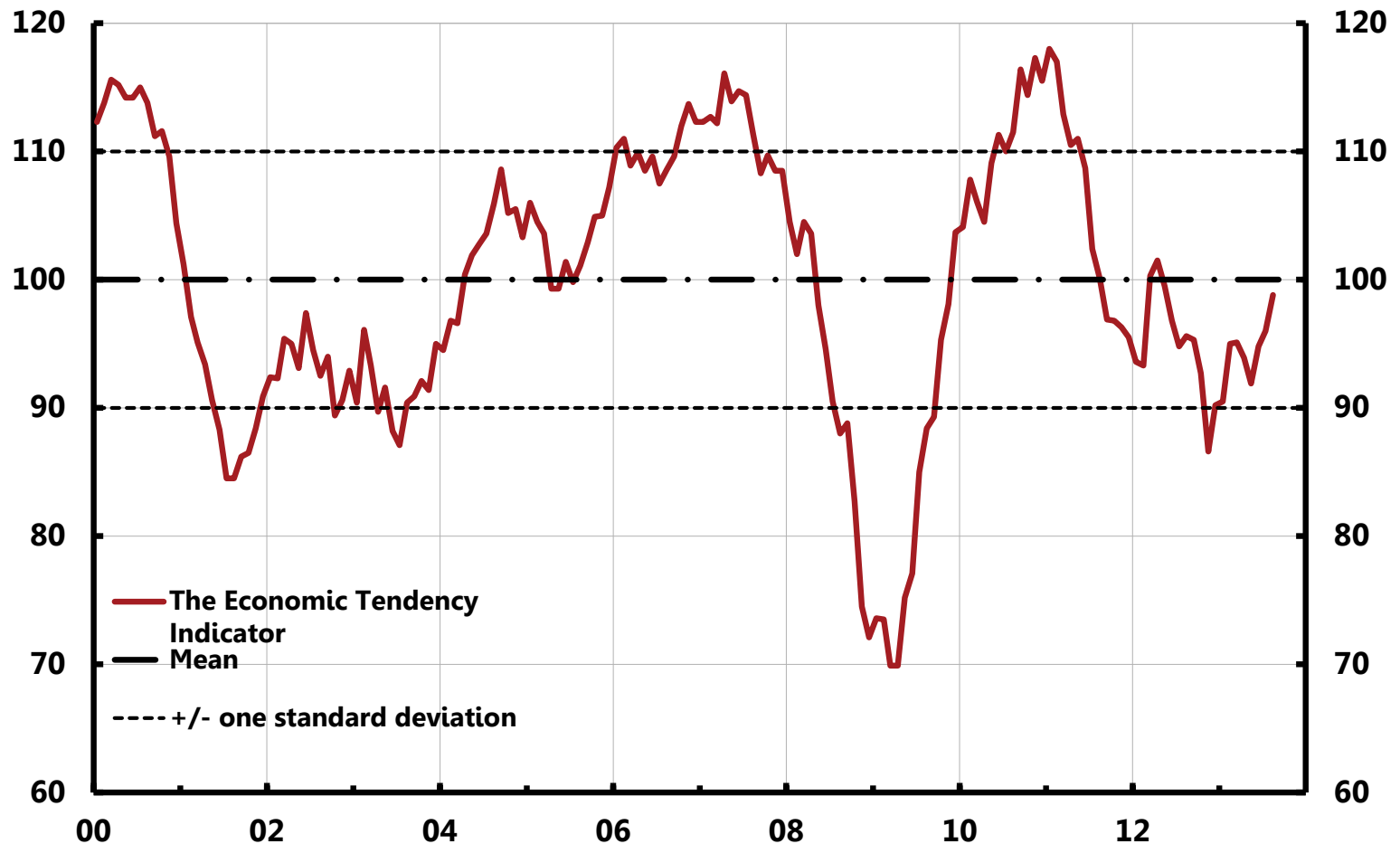
Development of long-term yields reflects more positive economic outlook

Government bond yields, 10 year maturity, per cent



Improved sentiment in the Swedish economy

Economic tendency survey. Index, average = 100, standard deviation = 10



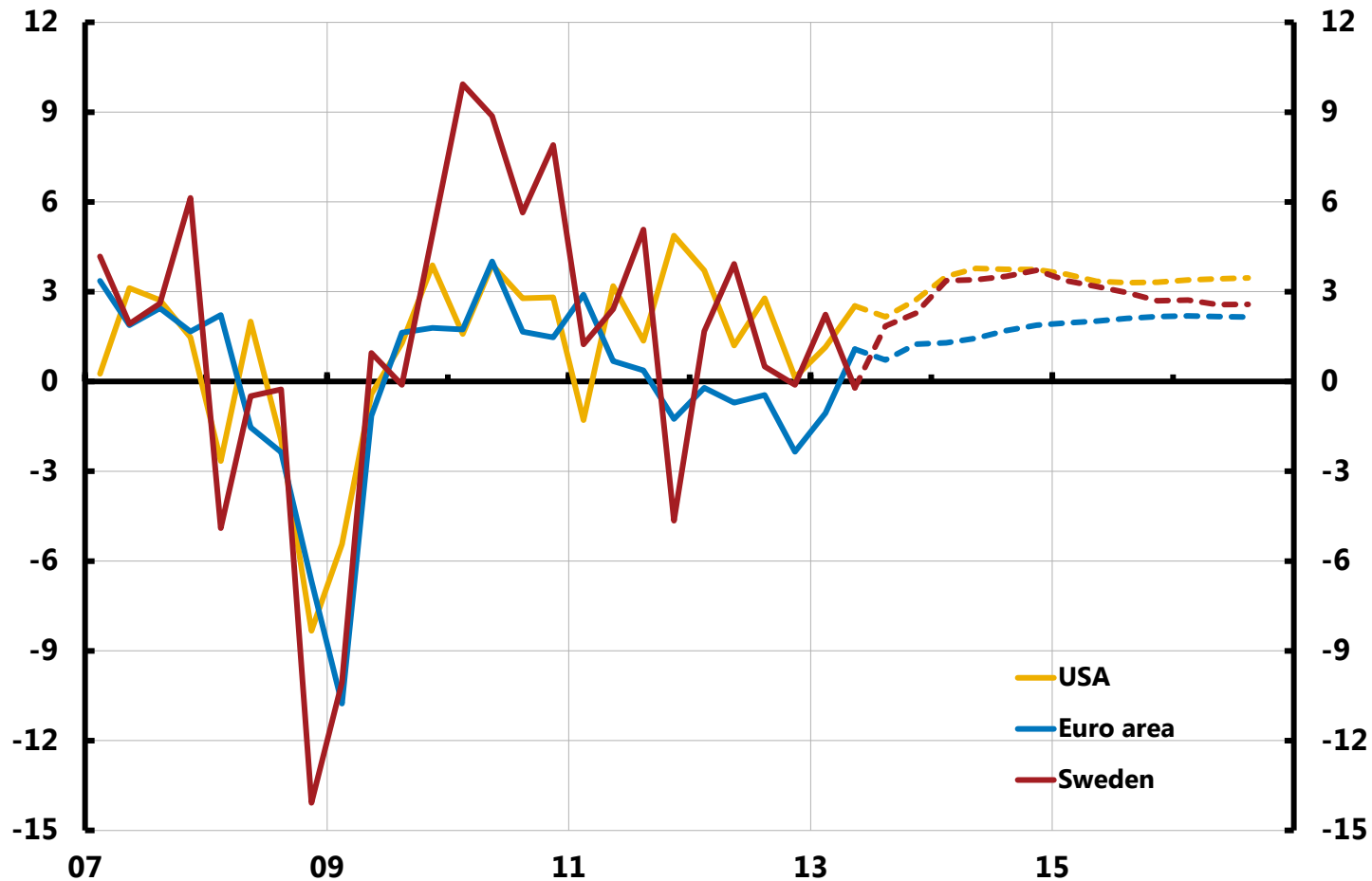
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Recovery abroad contributes to rising growth in Sweden

GDP abroad and in Sweden, quarterly changes in per cent calculated in annualised terms

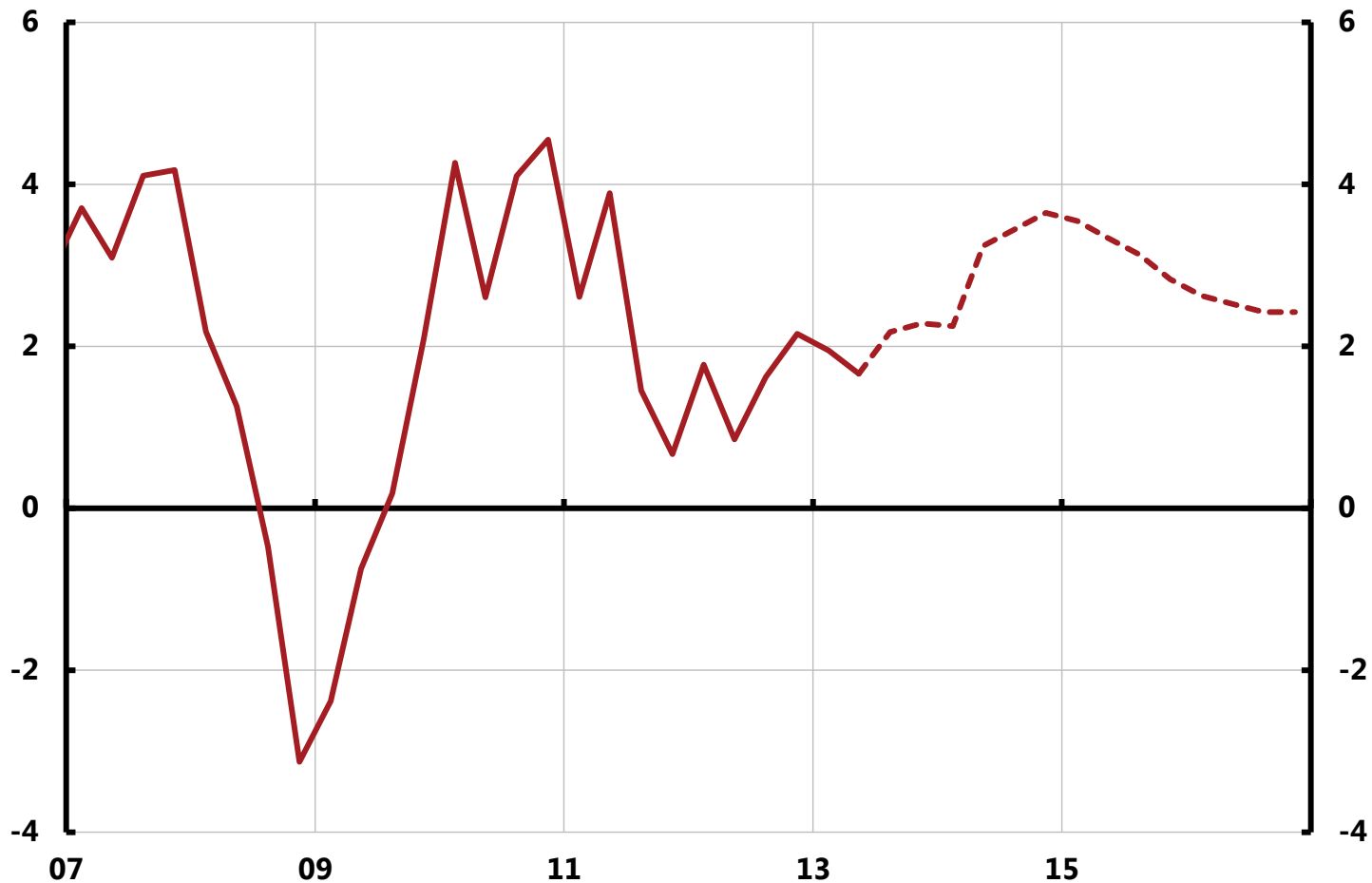


Note. Seasonally-adjusted data.

Sources: Bureau of Economic Analysis, Eurostat, national sources and the Riksbank

Increased demand among Swedish households

Household consumption, annual percentage change

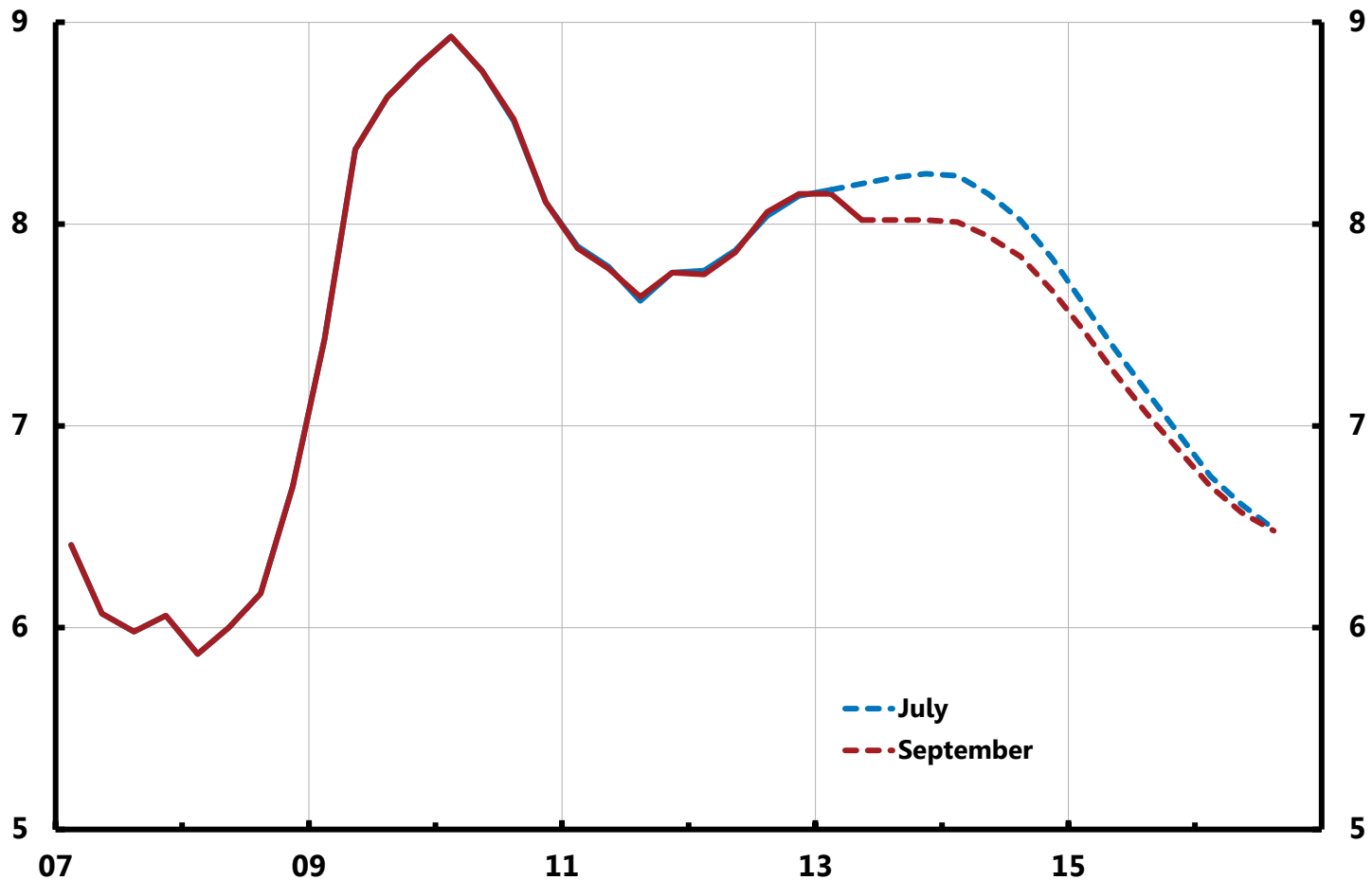


Note. Seasonally-adjusted data.

Sources: Statistics Sweden and the Riksbank

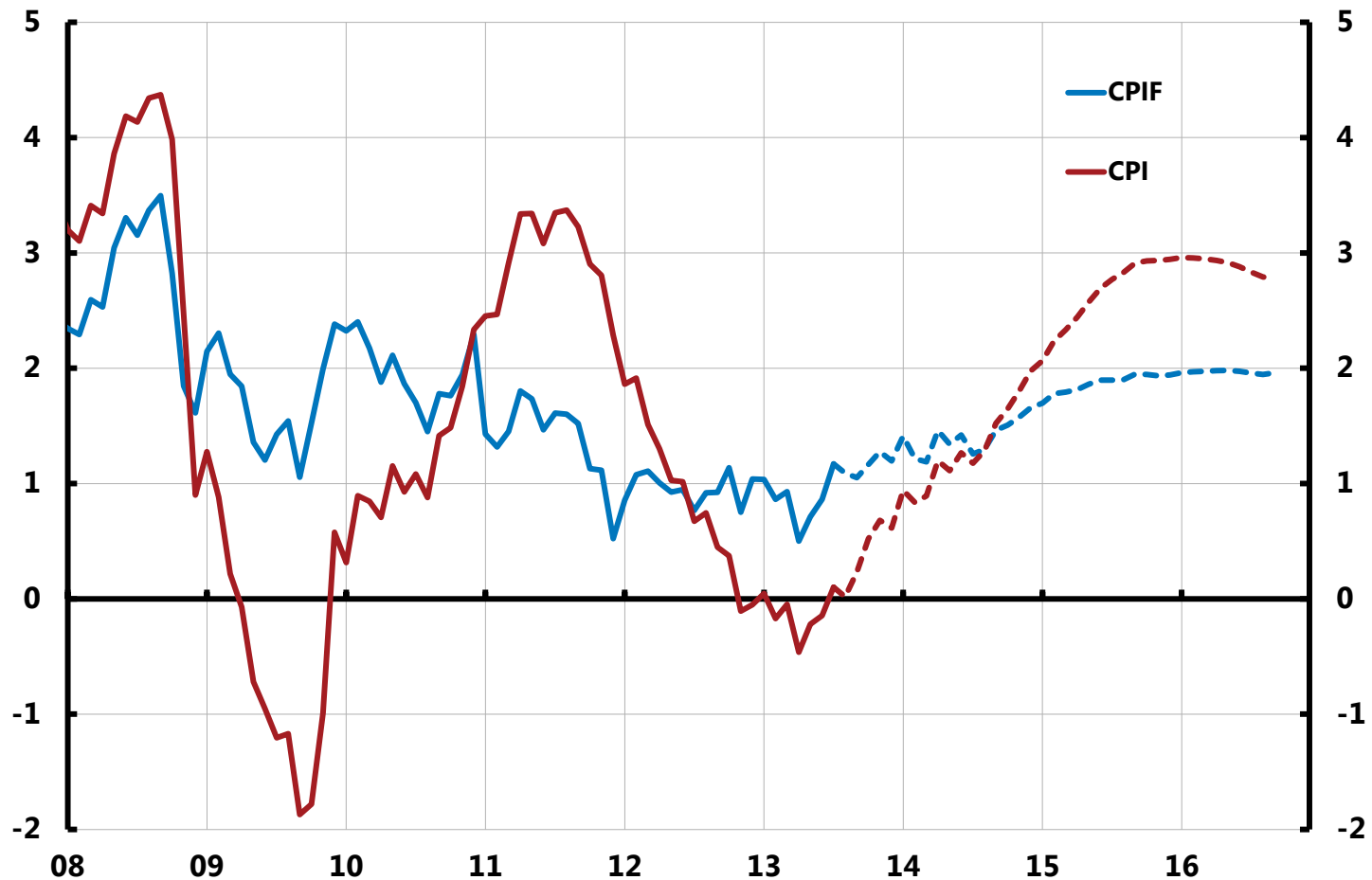
Unemployment falling

Unemployment as a percentage of the labour force, 15-74 years



Inflation rising towards the target

Inflation measured in terms of the CPI and the CPIX, annual percentage change

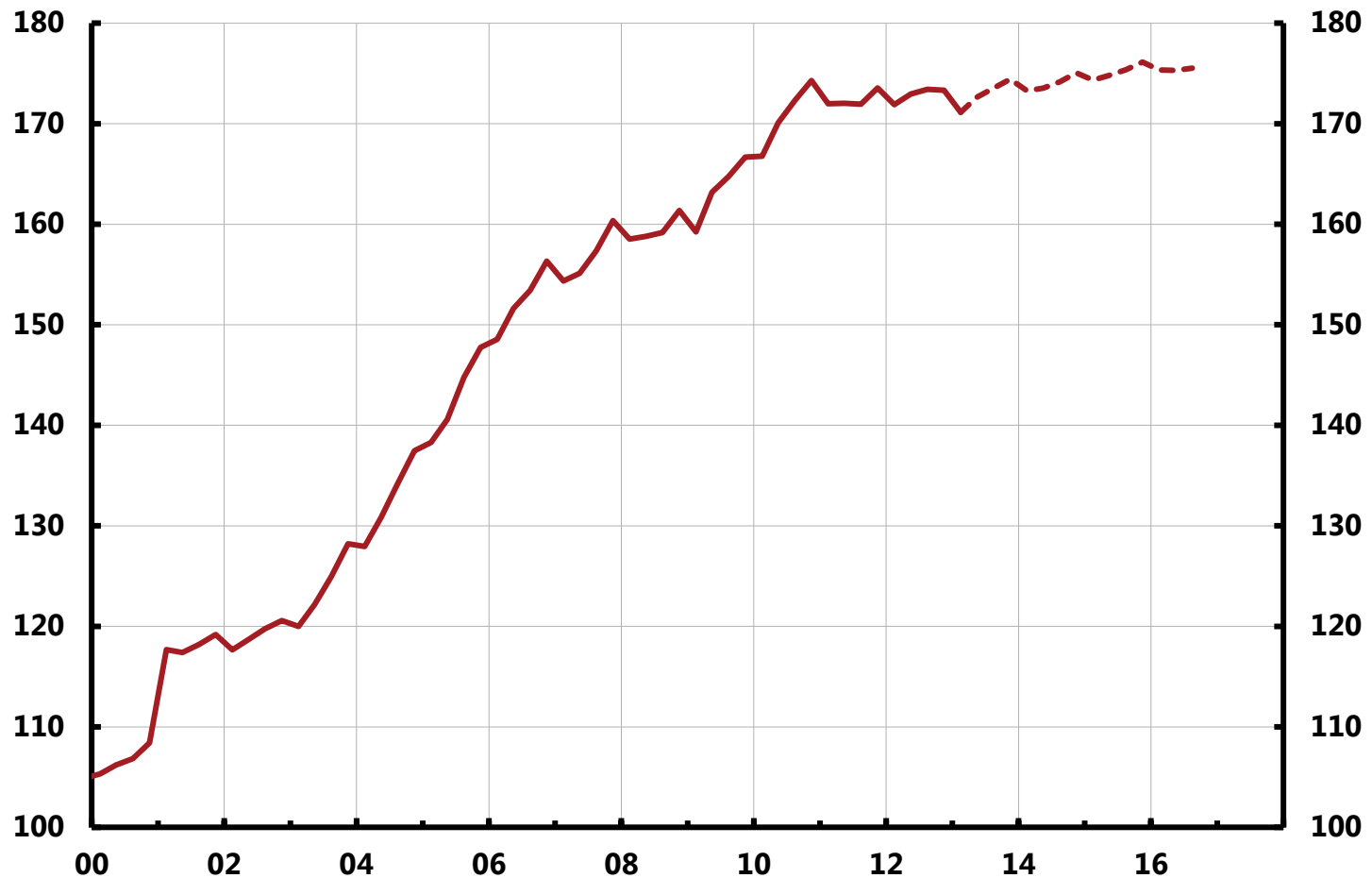


Note. The CPIX is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

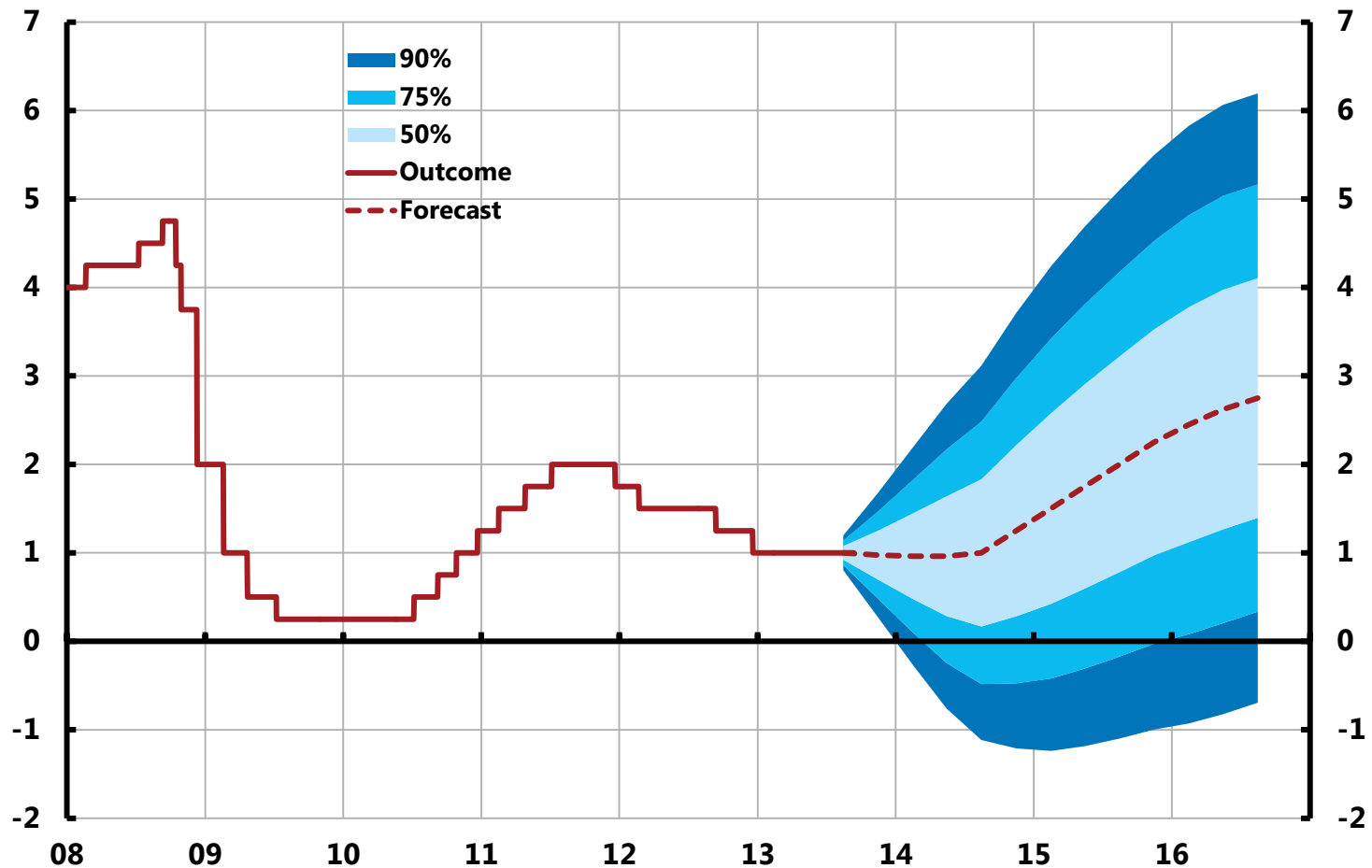
Household indebtedness is still high – the risks remain

Household debt as a percentage of disposable income



Monetary policy supports economic activity and brings inflation back on target – taking the risks into account

Repo rate, per cent



Note. Forecast refers to quarterly mean values; outcome refers to daily data.

Source: The Riksbank