



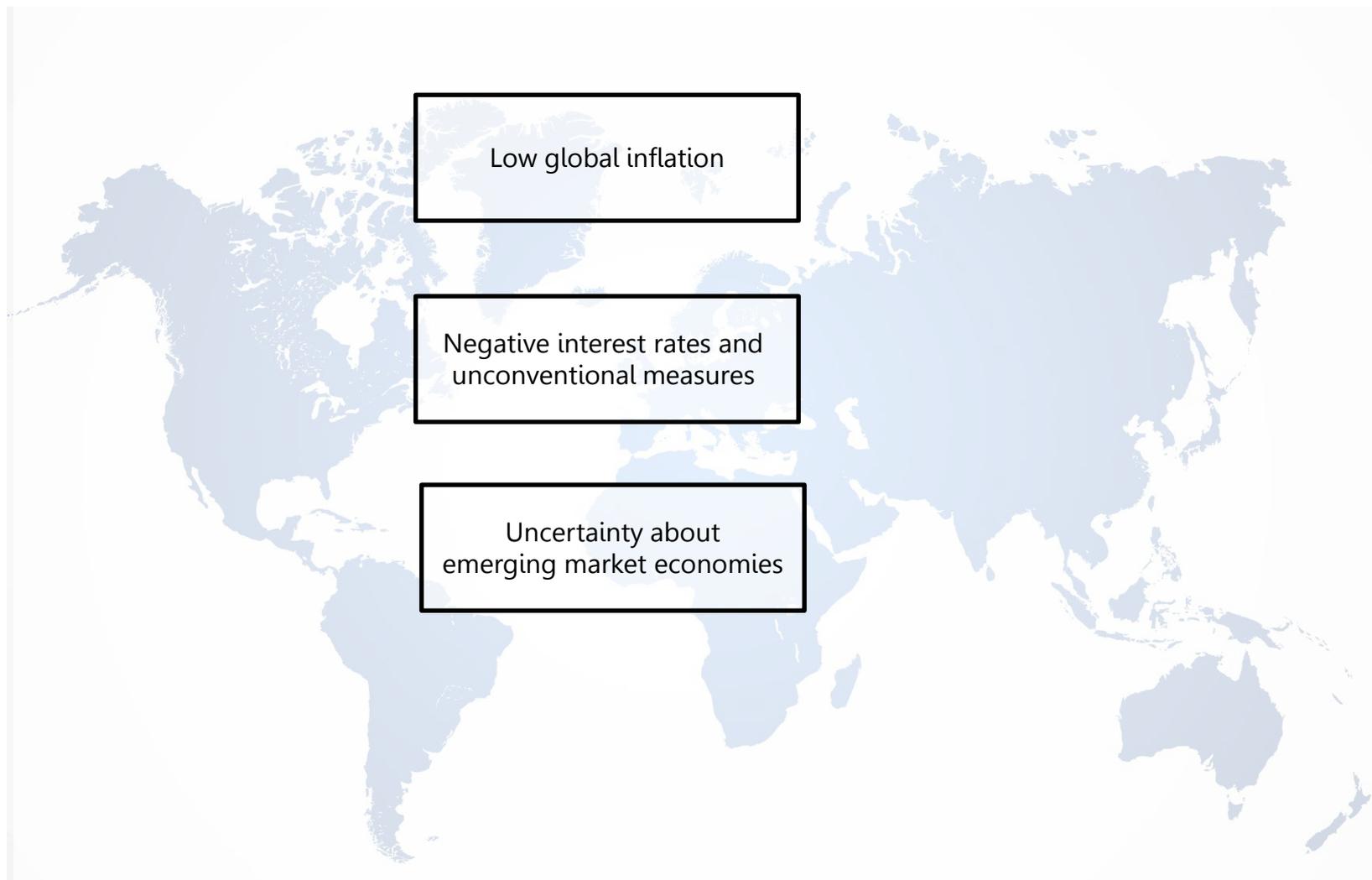
# Introduction on monetary policy

Riksdag Committee on  
Finance

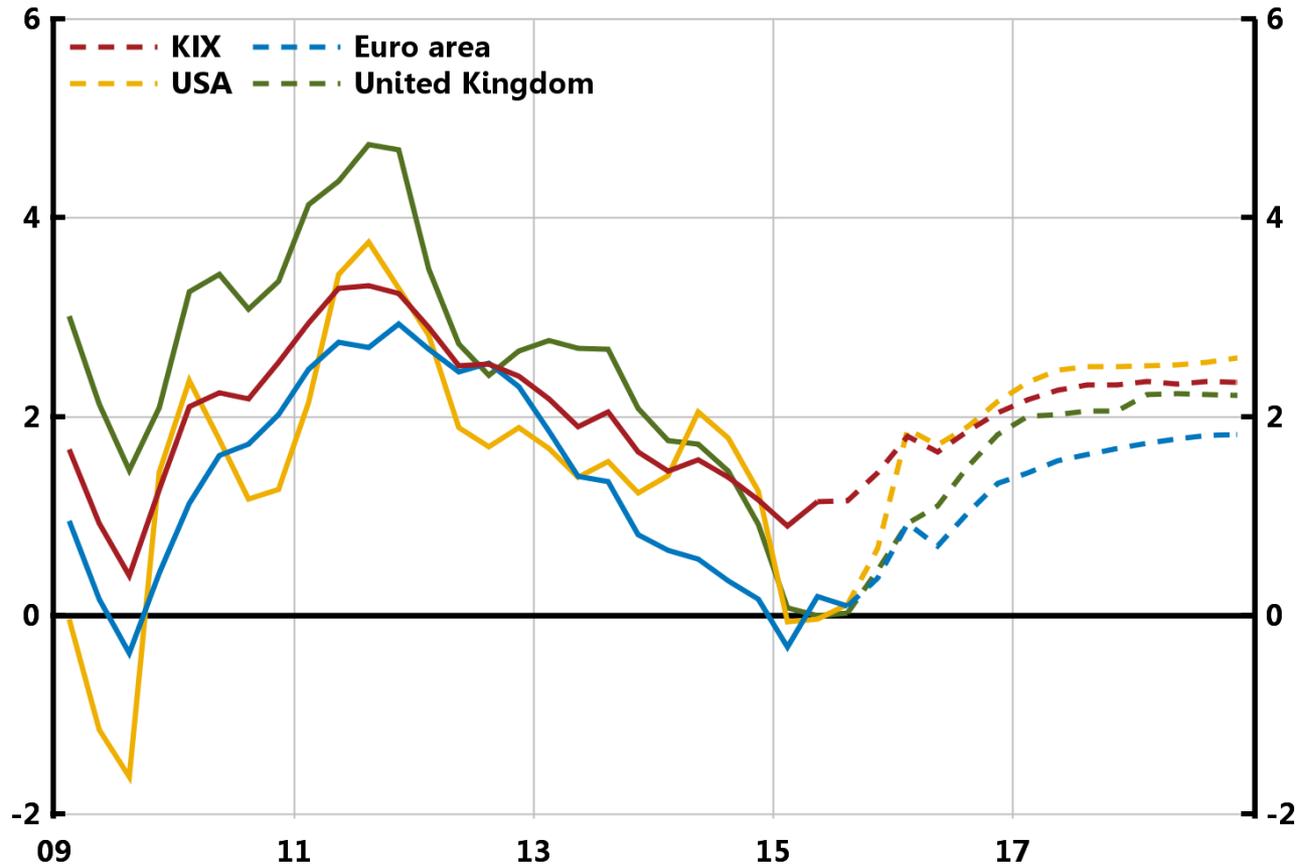
12 November 2015

Governor Stefan Ingves

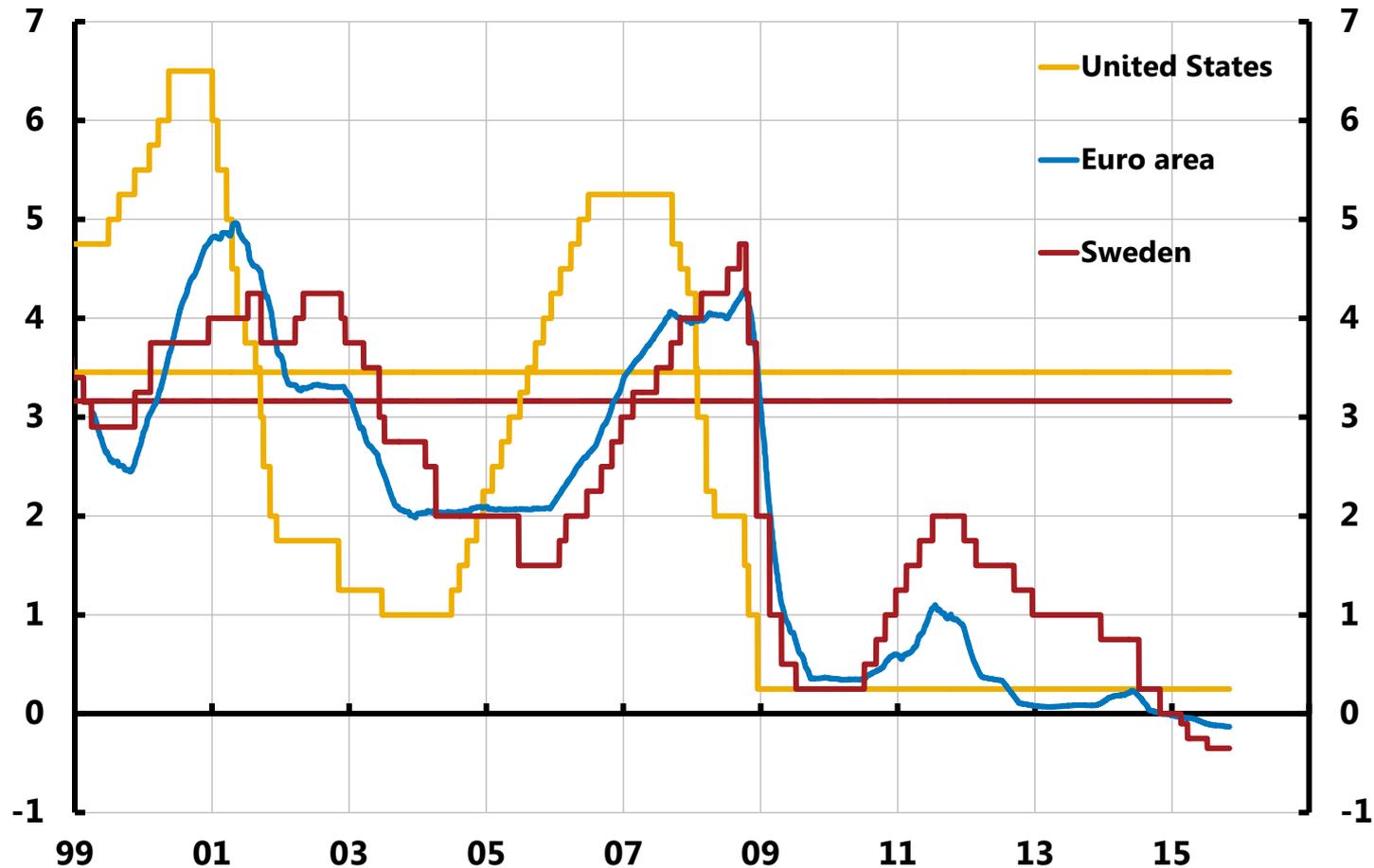
# We must take events in the rest of the world into account



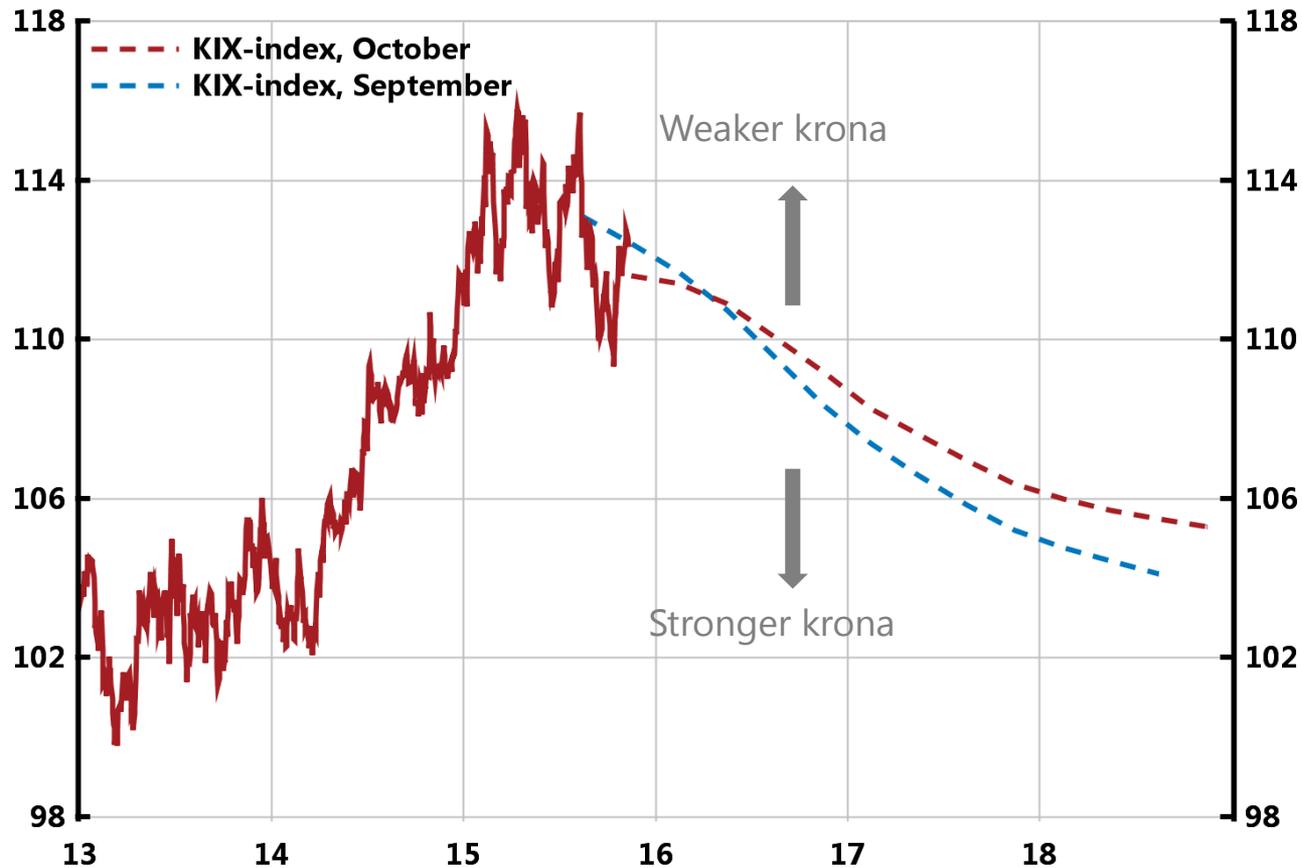
# Weak demand and falling energy prices have led to low inflation abroad



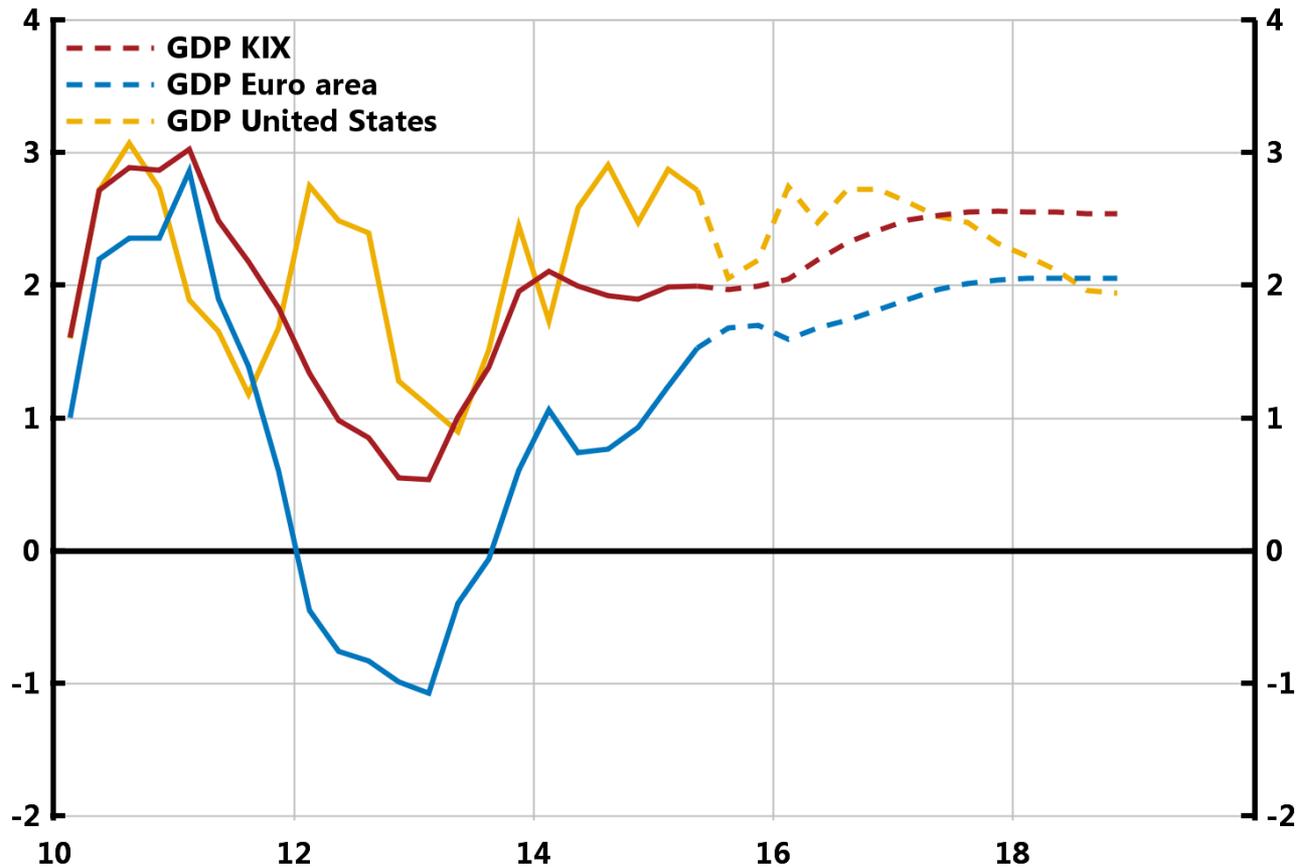
# Historically very low policy rates both in Sweden and abroad



# The krona important for the upturn in inflation in Sweden



# Global recovery - question marks regarding emerging market economies



Annual percentage change, seasonally-adjusted data. The KIX is an aggregate of the countries that are important for Sweden's international transactions.

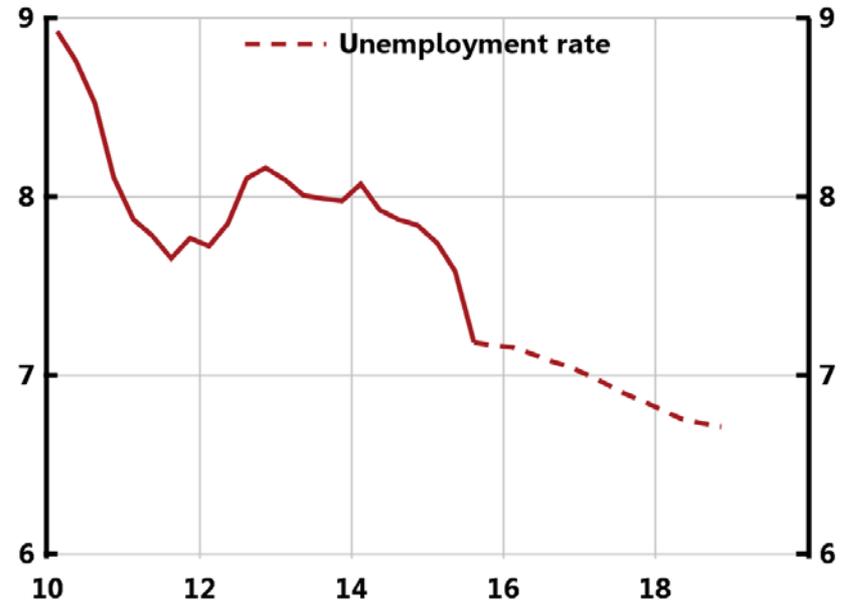
Sources: Bureau of Economic Analysis, Eurostat, national sources and the Riksbank

# Low interest rates are contributing to the strong Swedish economy

## Good GDP growth



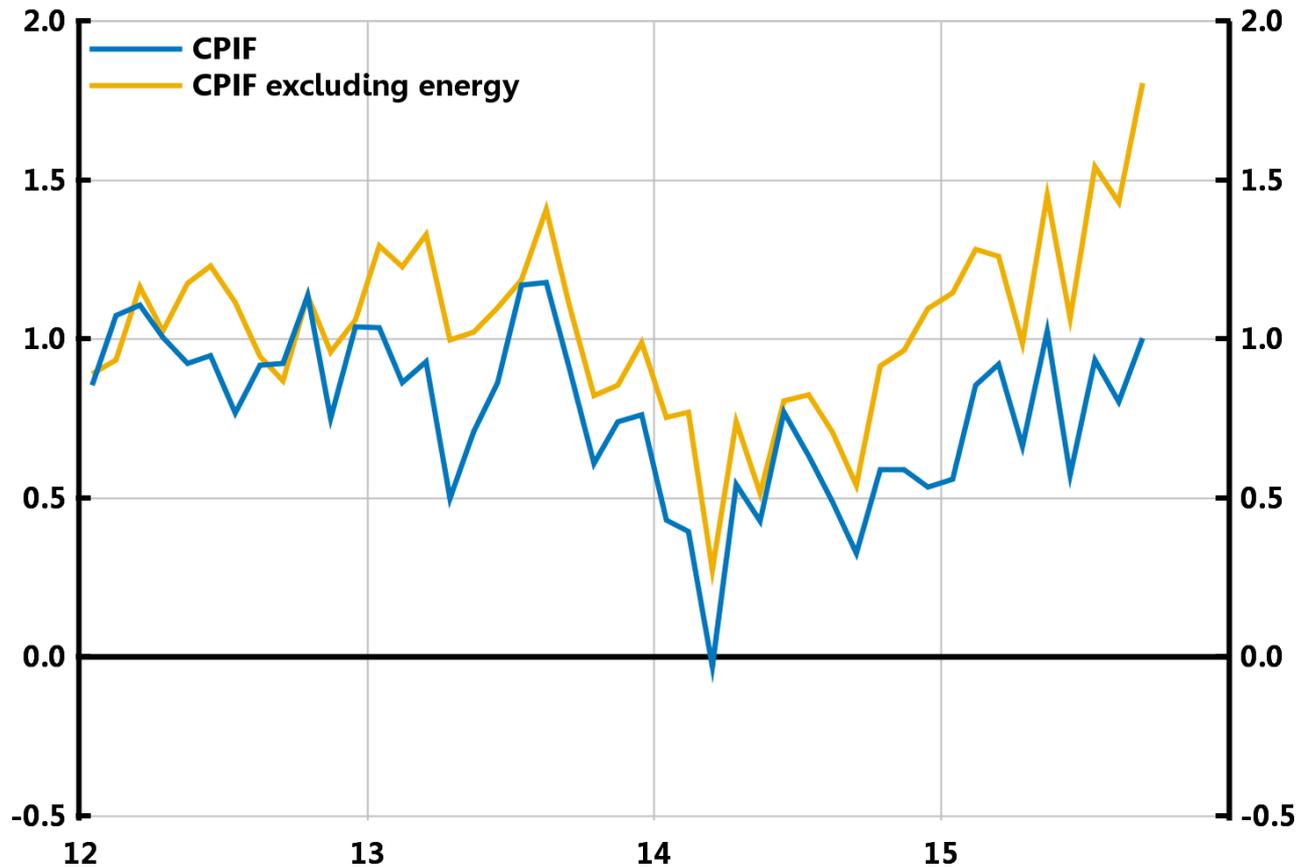
## Unemployment is falling



# Effects of the refugee crisis hard to assess

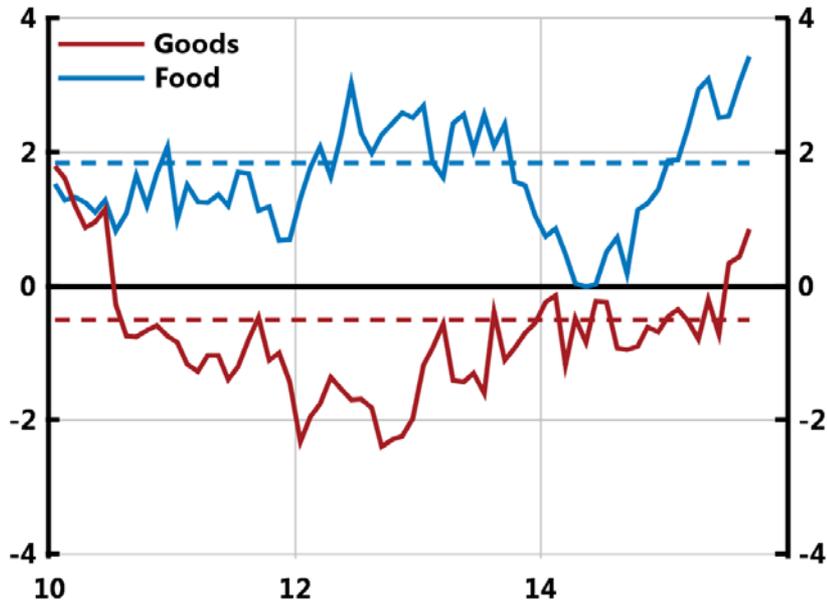
- Sharp increase in people seeking refuge in Europe
  - Too early to assess the macroeconomic effects
  - Forecasts will gradually have to be adjusted
-

# Clear rise in inflation

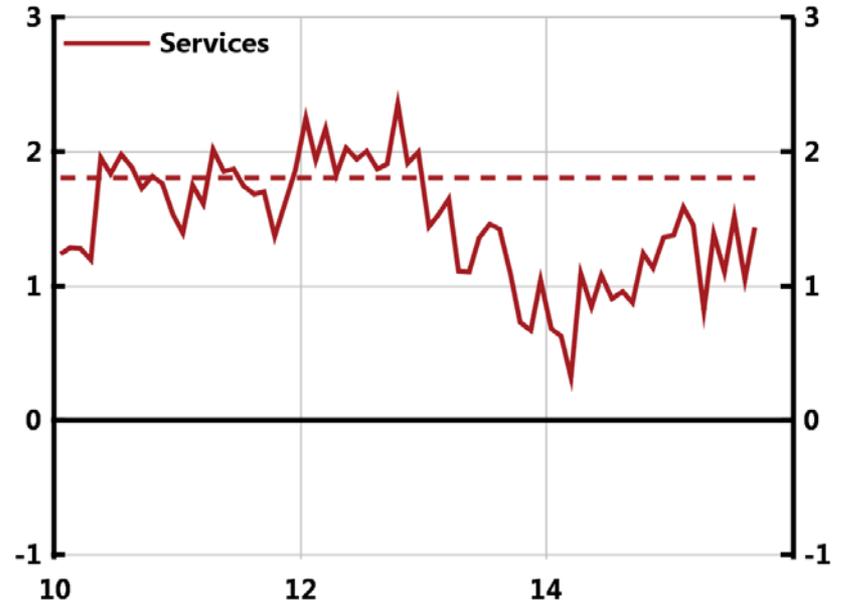


# The upturn in inflation

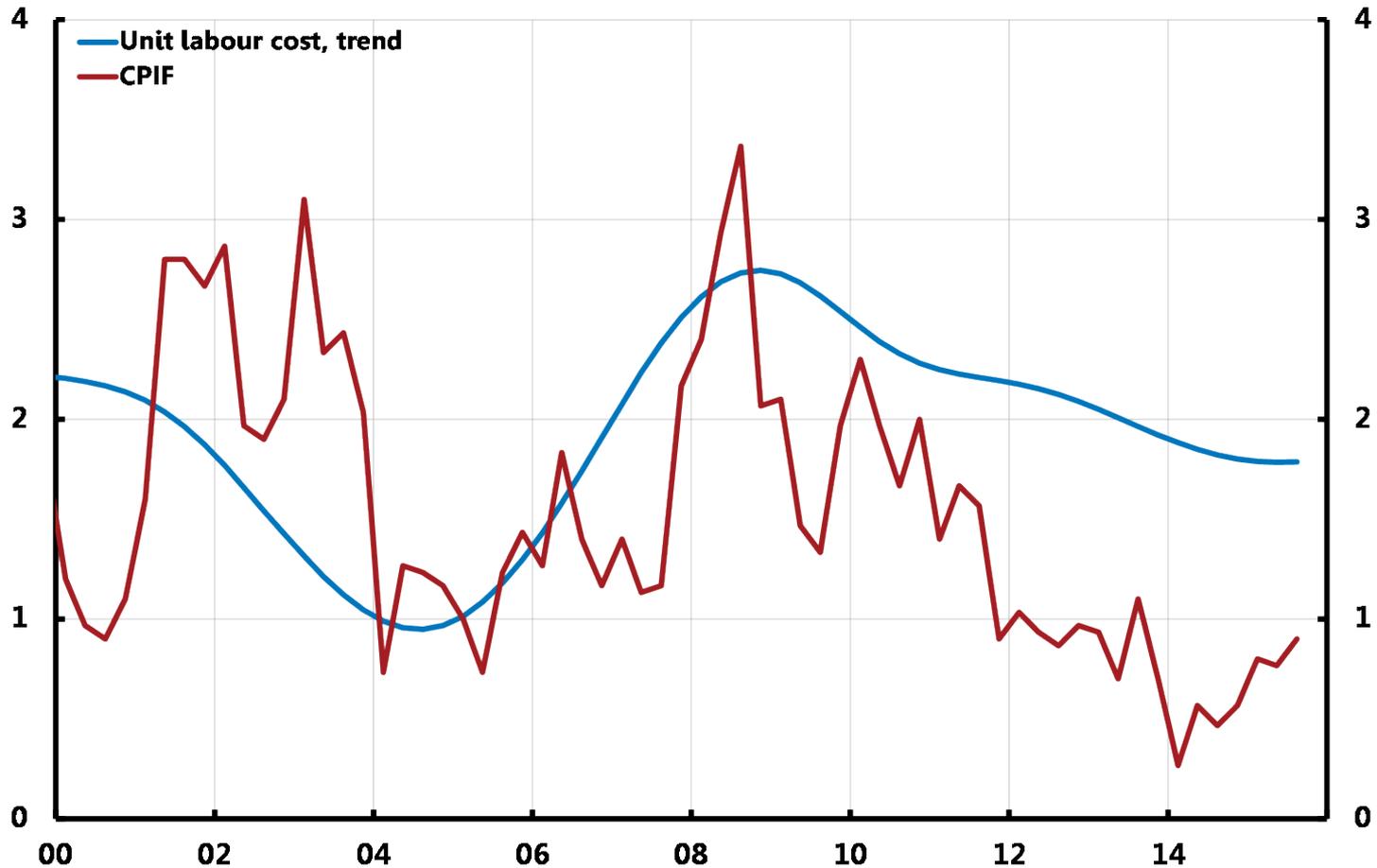
Clear in prices with more import content



Cautious in more domestic prices



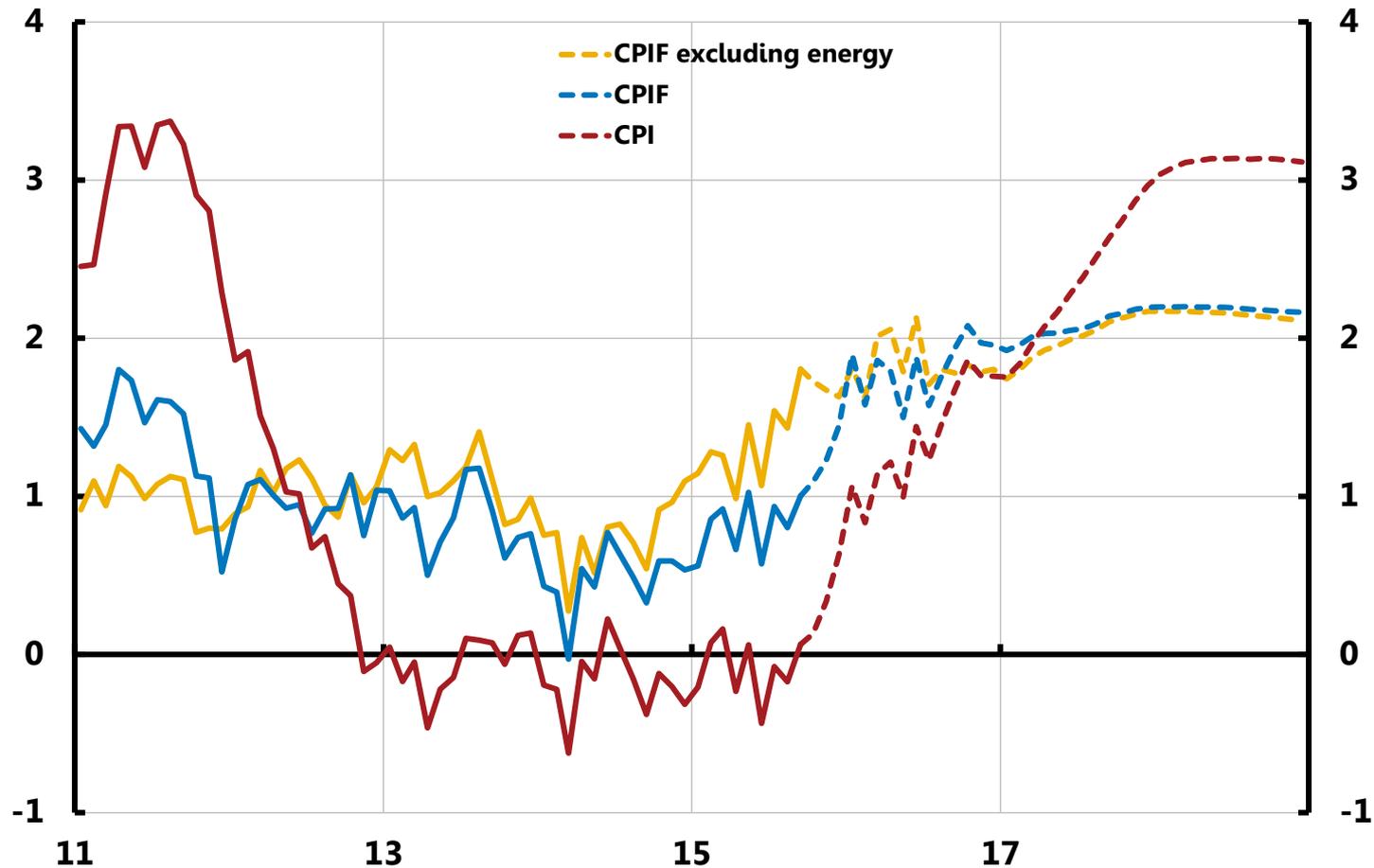
# Higher inflation when companies increase their prices more in line with their costs



The trend in unit labour costs has been calculated via a so-called HP filter. The trend has been calculated using the Riksbank's forecast from October 2015.

Sources: Statistics Sweden  
and the Riksbank

# Inflation rising towards the target

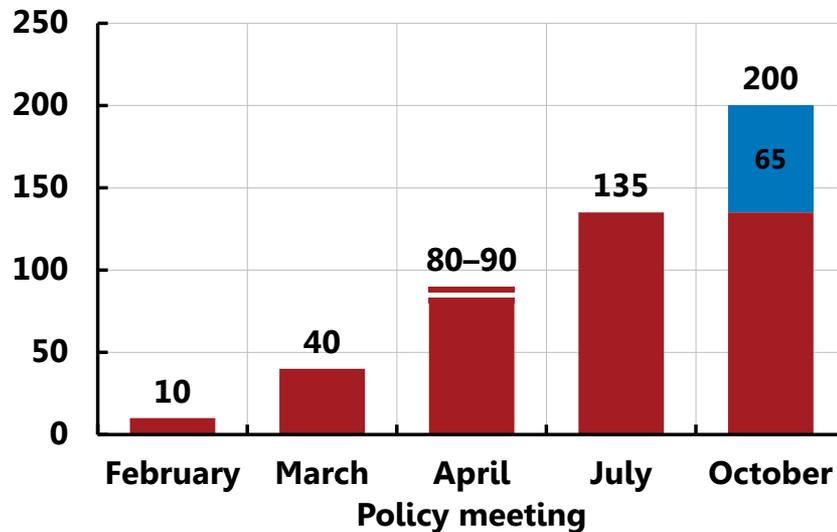


Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

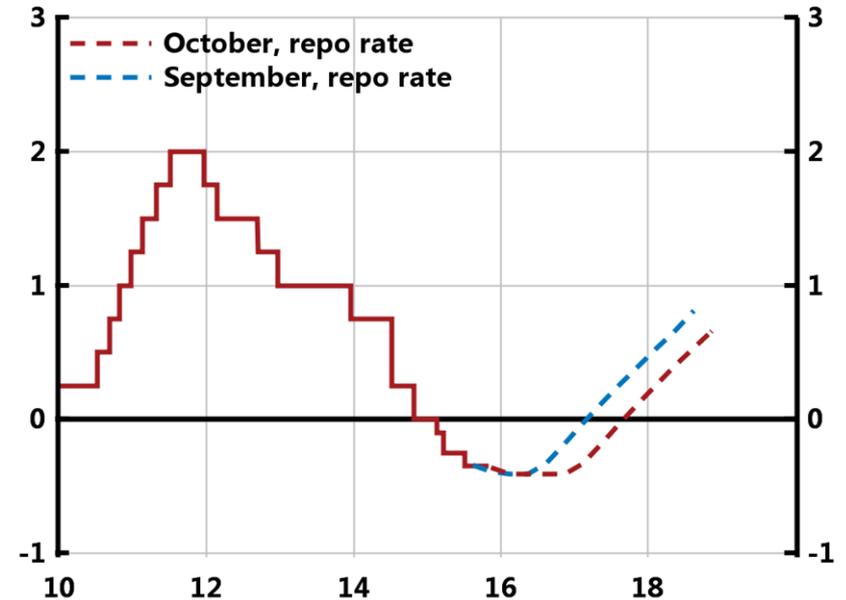
Sources: Statistics Sweden and the Riksbank

# So that the positive trend continues

## Extending purchases of government bonds



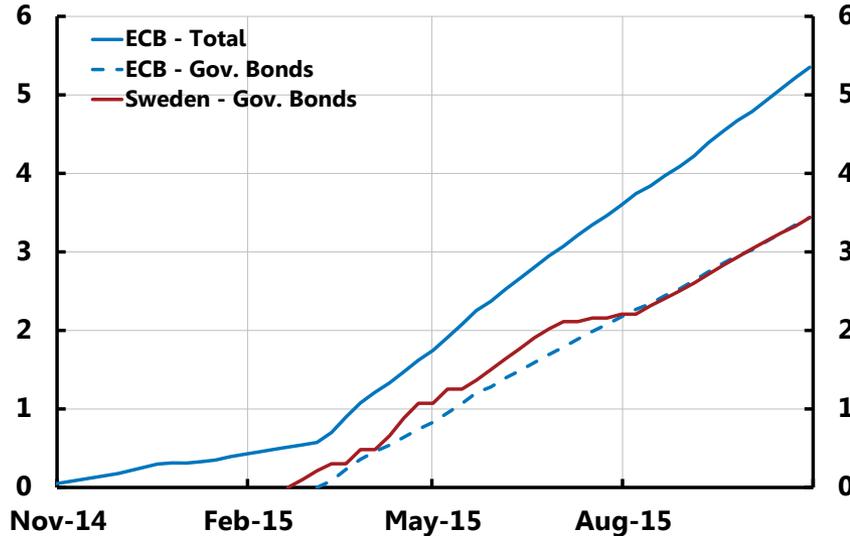
## Deferring increases



# Purchases of government bonds have increased rapidly in line with the ECB

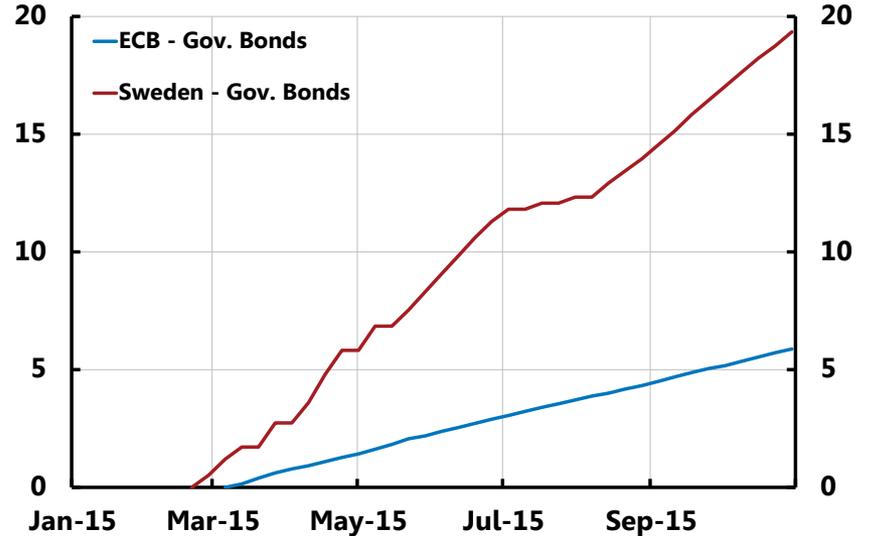
## Share of GDP

Per cent



## Share of stock

Per cent



## Continued high level of preparedness

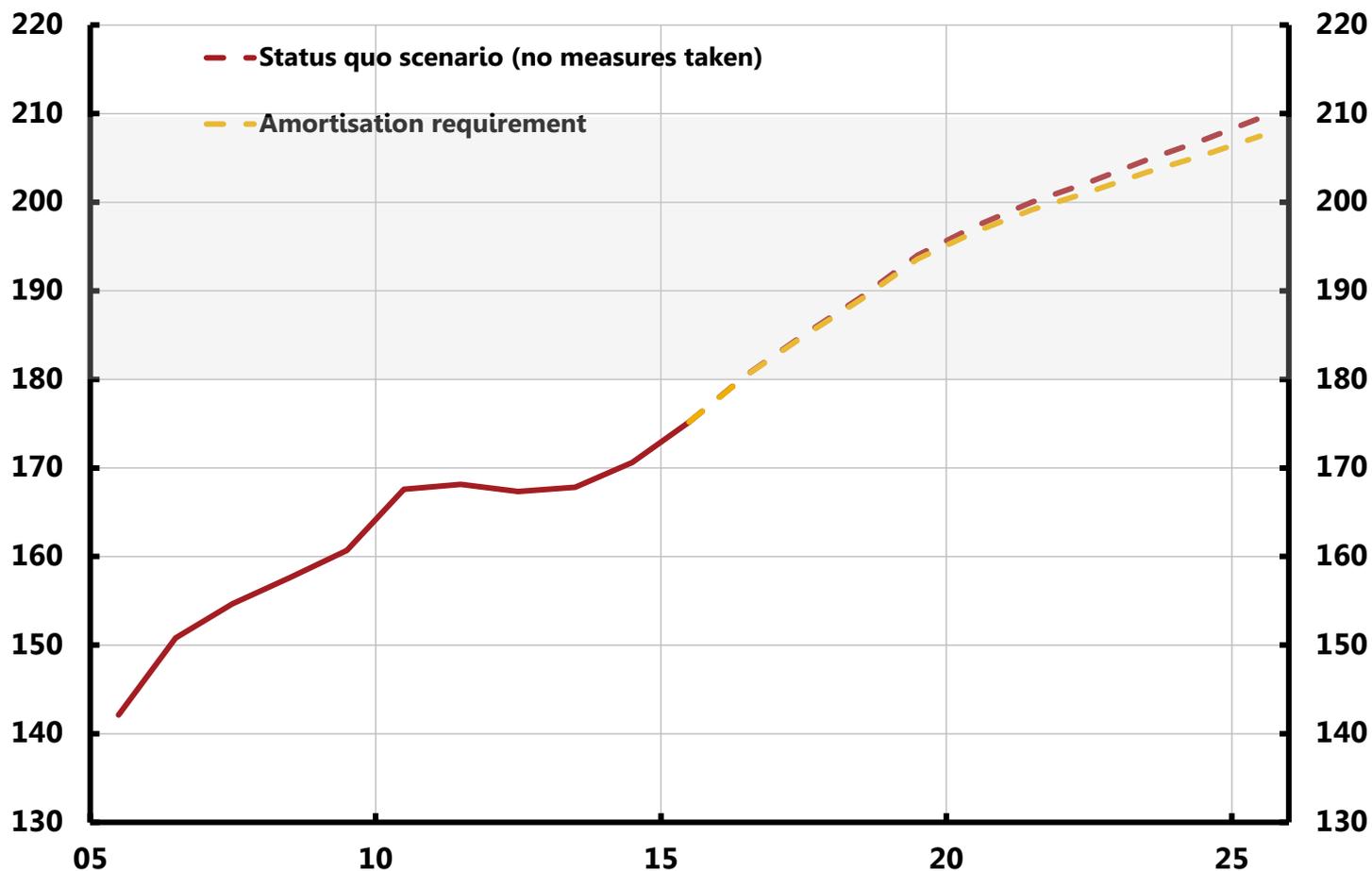
- Important that the upward trend in inflation continues
  - Ready to act even between ordinary meetings
    - Cut the repo rate
    - Buy more securities
    - Intervene on the foreign exchange market
    - Lend to companies via banks
-

# The low interest rate is necessary

- The inflation target is worth defending
    - Stable expectations have created the conditions for favourable economic development
    - The Riksbank has the task and the tools to influence inflation
  
  - The risks of low interest rates
    - Low level of interest rates in Sweden and abroad can lead to excessive risk-taking
    - The housing market and high household indebtedness – measures urgently required
-

# High and growing household indebtedness must be managed

Household debt as a percentage of disposable income, per cent



Broken red line shows a possible development over the next 10 years without further measures. Shaded area indicates a feasible lower limit for when the risks are elevated in the economy. Broken yellow line shows the estimated effect of an amortisation requirement. See "Financial Stability Report 2015:2".

Sources: Statistics Sweden  
and the Riksbank

**Inflation is rising**

**but needs support in an uncertain world**

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