



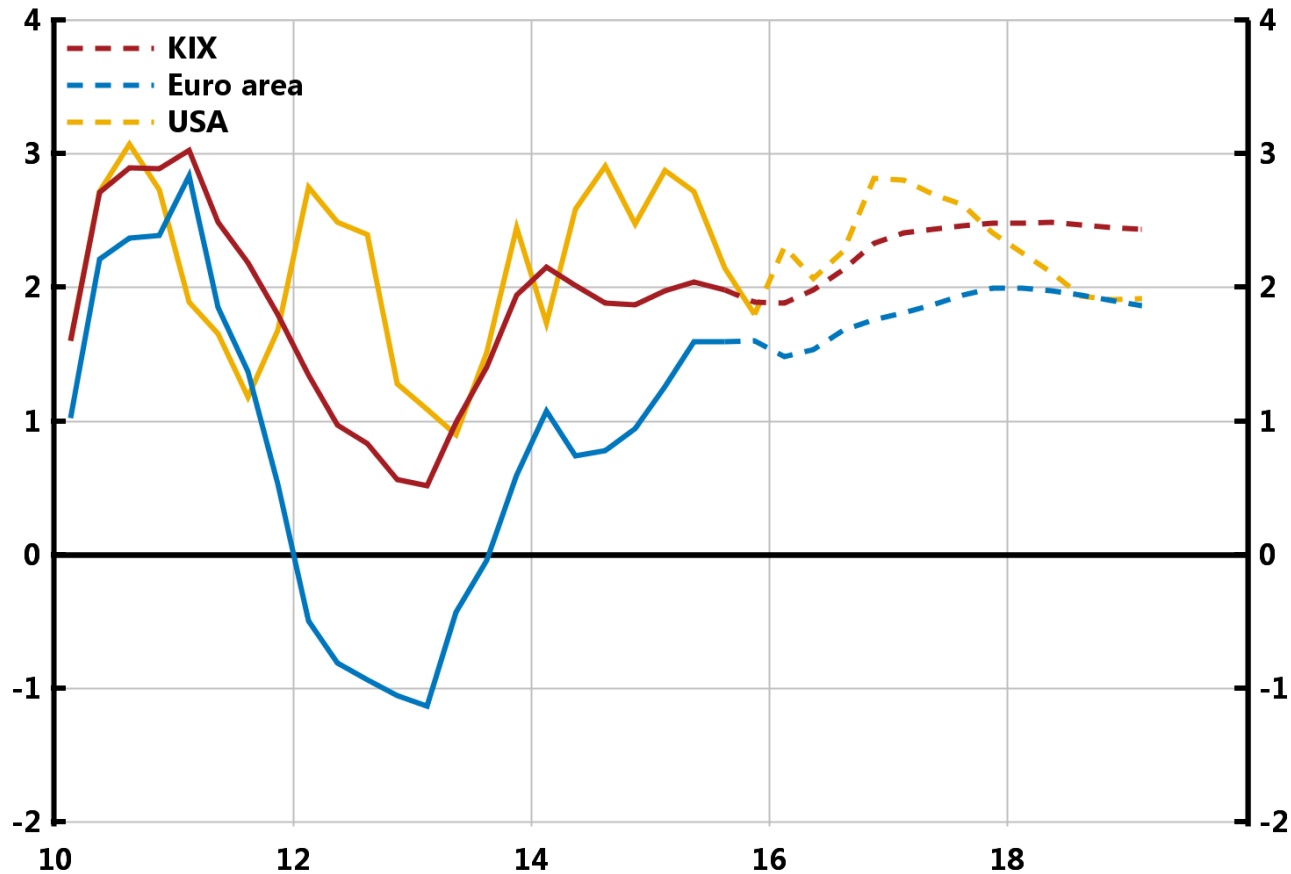
Introduction on monetary policy

Riksdag Committee on
Finance
23 February 2016

Governor Stefan Ingves

Modest recovery abroad

Annual percentage change



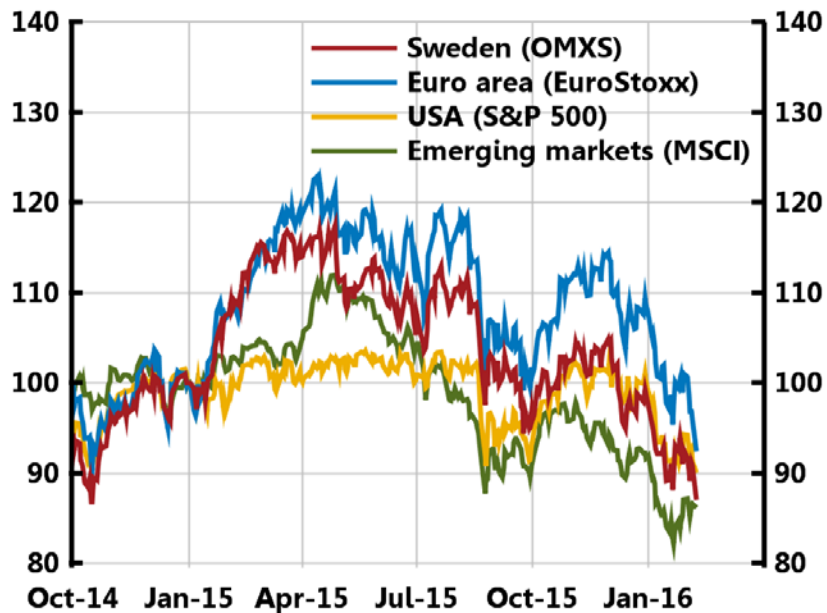
Note. The KIX is an aggregate of the countries that are important to Sweden's international transactions.

Sources: Bureau of Economic Analysis, Eurostat, national sources, the Office for National Statistics and the Riksbank

Renewed uncertainty with...

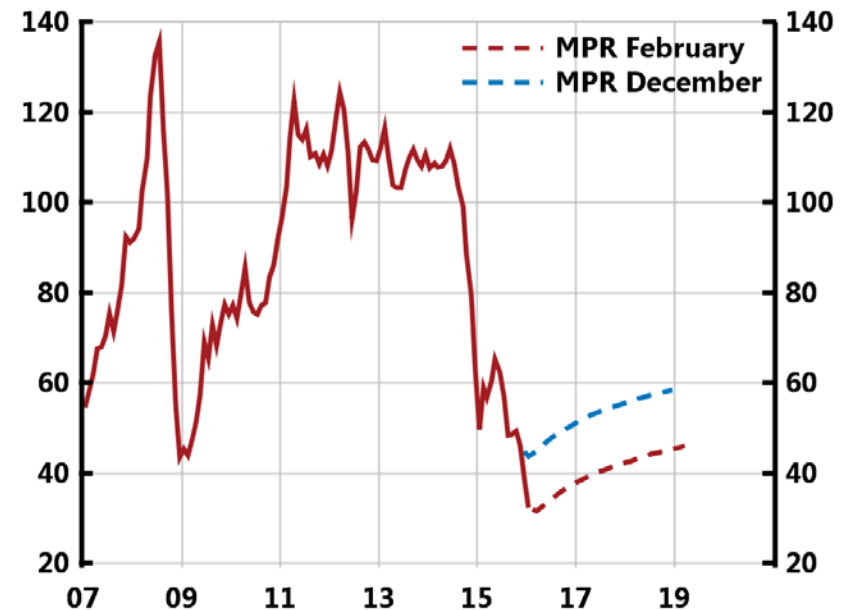
...falling equity prices

Index, 2 January 2015 = 100



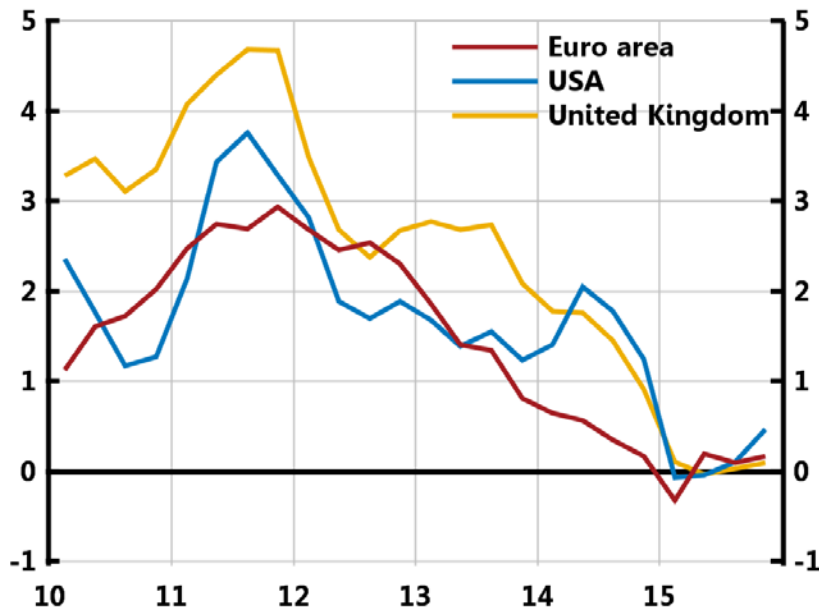
...and oil prices

USD per barrel



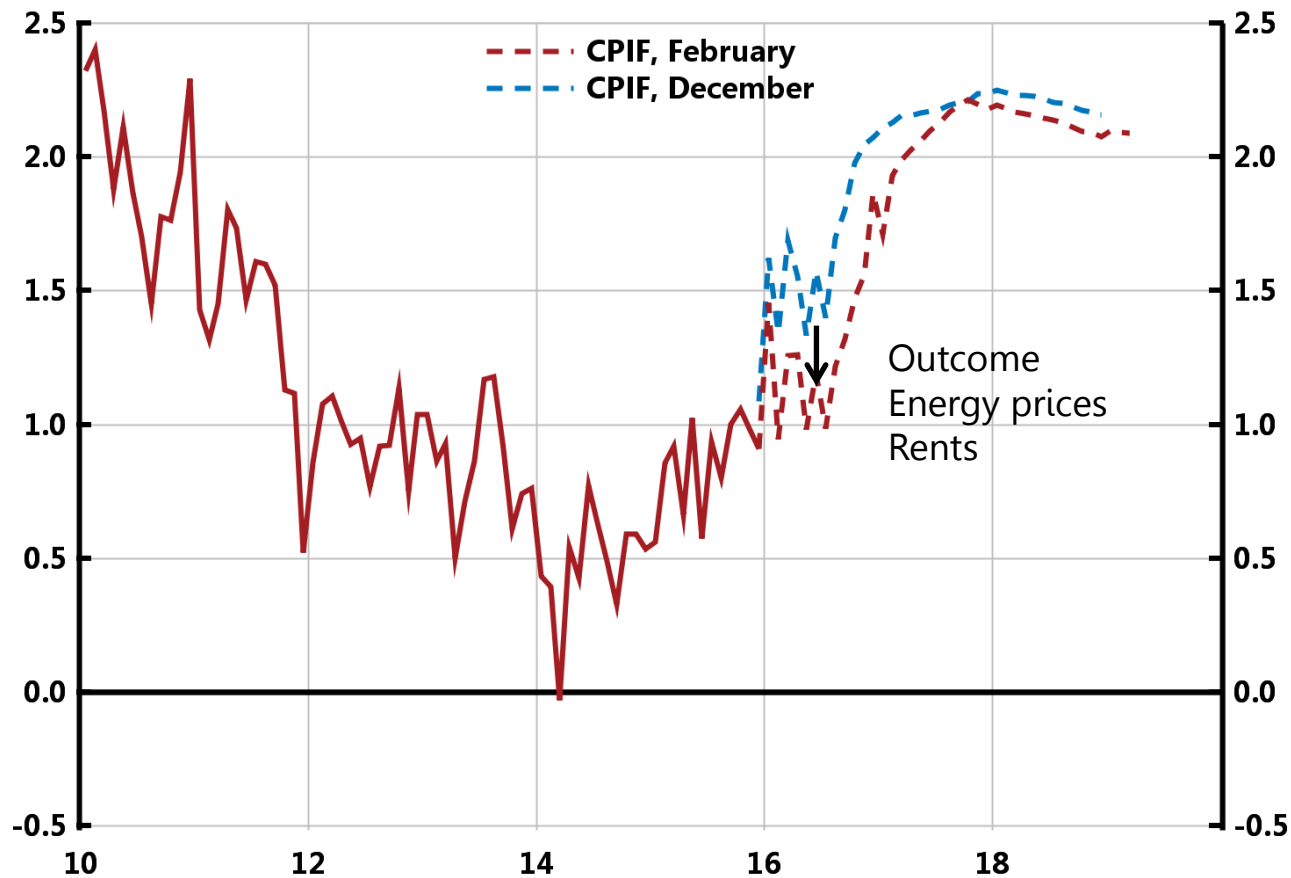
Low inflation abroad

Inflation for some important trading partners



- Not only these regions that have low inflation
- 6 out of 10 important trading partners have an inflation rate below 1 per cent

The period with low inflation will be longer in Sweden, too



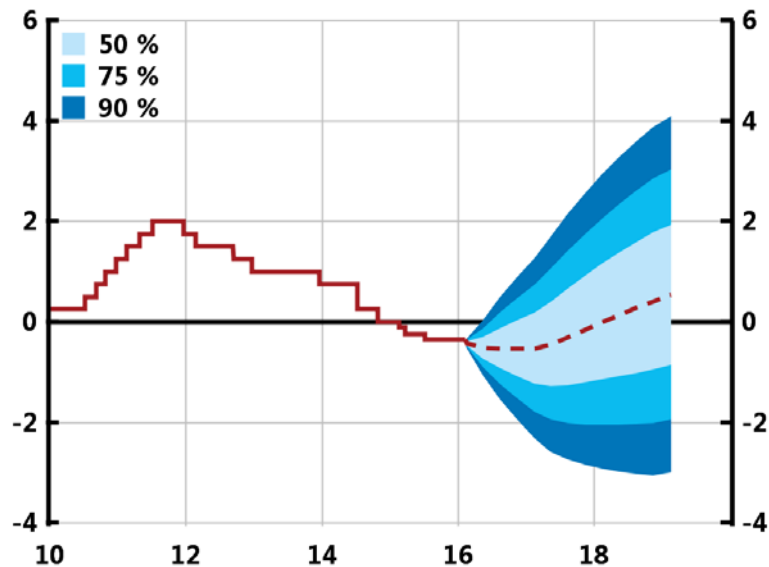
It is important to defend the inflation target



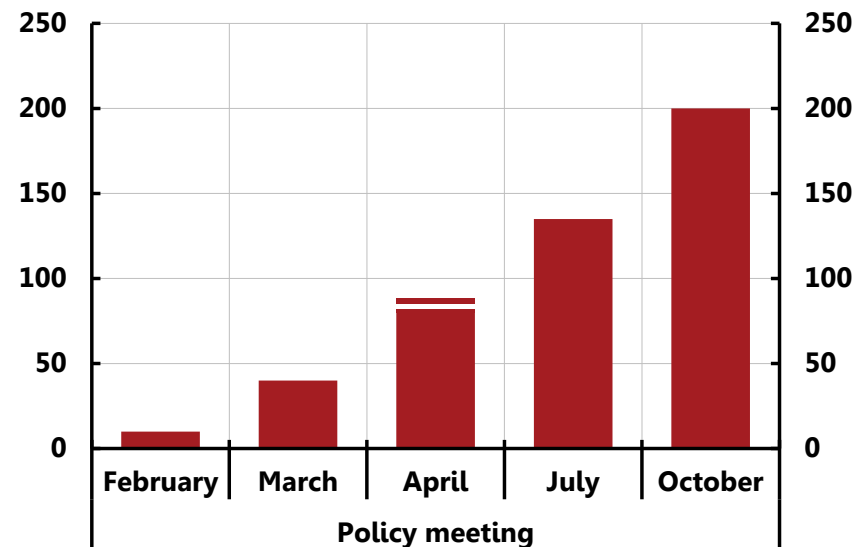
- A cornerstone of Swedish economic policy
- Common benchmark creates stable ground rules
 - Compare with the 1970s and 1980s, when prices and wages varied substantially
 - Makes it easier for households and companies to make financial decisions
 - Creates the conditions for good and long-term sustainable growth
- Expansionary monetary policy to defend the inflation target

The policy rate is being cut to safeguard the inflation target

Cutting the repo rate

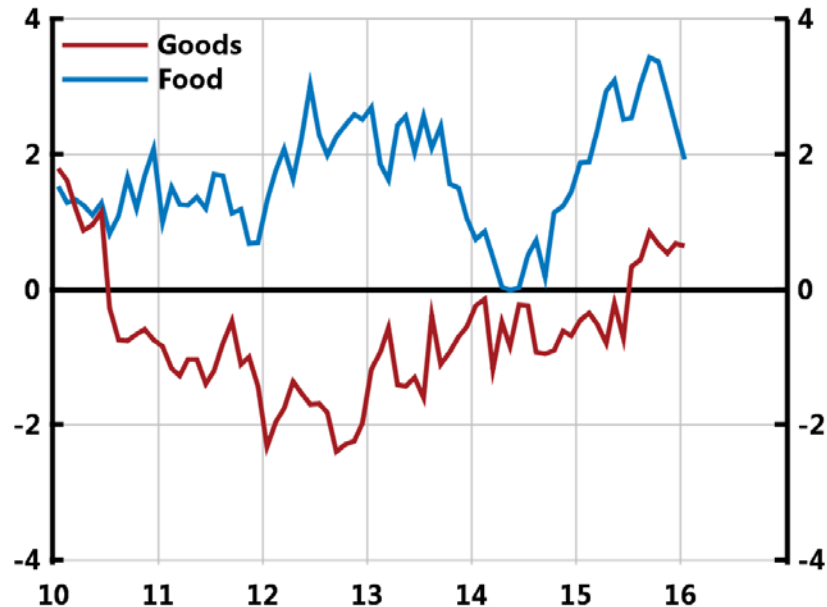


Buying government bonds

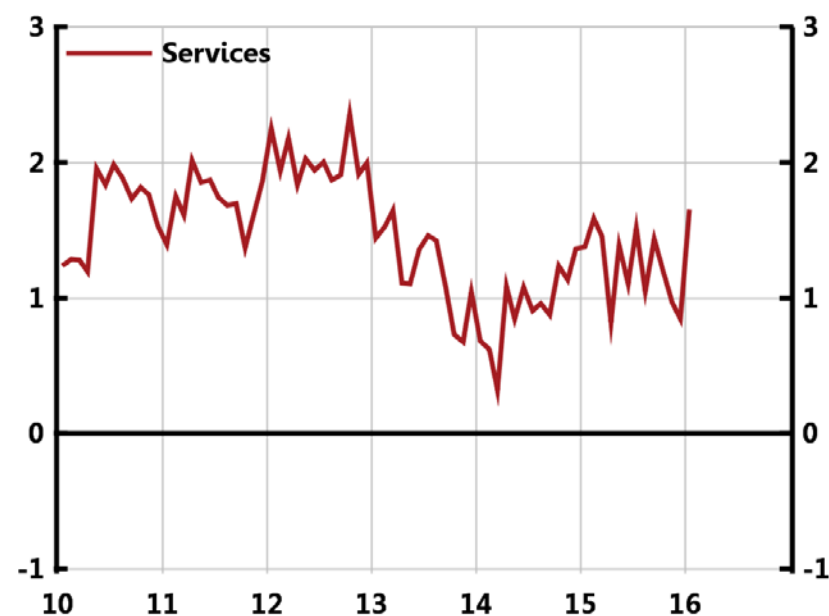


The upturn in inflation has so far been driven by the weak krona

Clear upturn in prices with more import content



More cautious upturn in domestic prices



A stronger economy leads to higher inflation

Good growth



Lower unemployment



No straightforward decision

- Swedish economy growing stronger
- Inflation and inflation expectations have risen
- Forecast revised down largely as a result of lower energy prices and rents
- “Fundamentals” in place for inflation to be close to 2 per cent

But

- Considerable uncertainty about the situation abroad, including monetary policy
 - Dependent on weak krona until more domestically generated inflation takes hold
 - Inflation and inflation expectations below target for a long time
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Ready to do more

There may be setbacks for inflation

If and how monetary policy reacts depends on the inflation prospects

It is important that inflation continues to show a positive trend

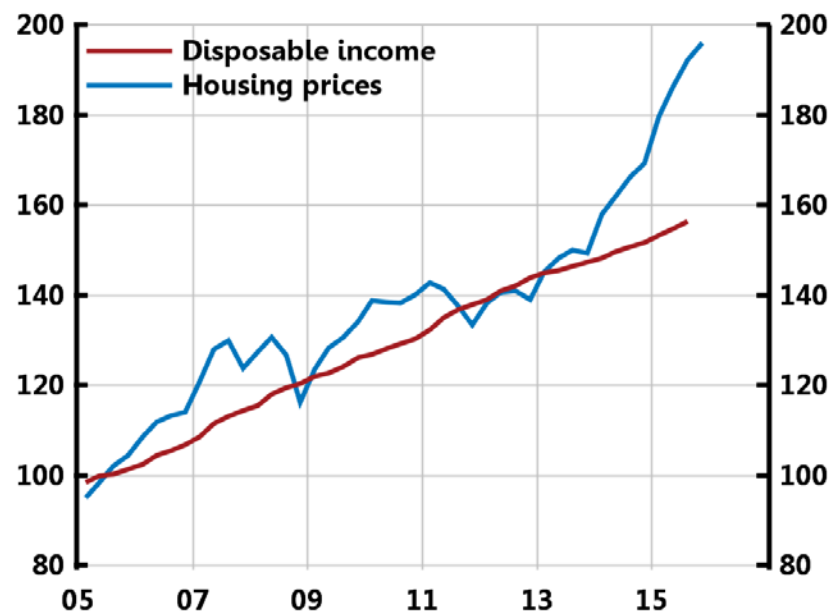
- Still scope for cutting the repo rate
- Analysing measures in the policy framework
- Purchases of securities can be extended
- Prepared to intervene on the foreign exchange market

Scope to act even between ordinary monetary policy meetings

Rapidly rising housing prices and increasing indebtedness

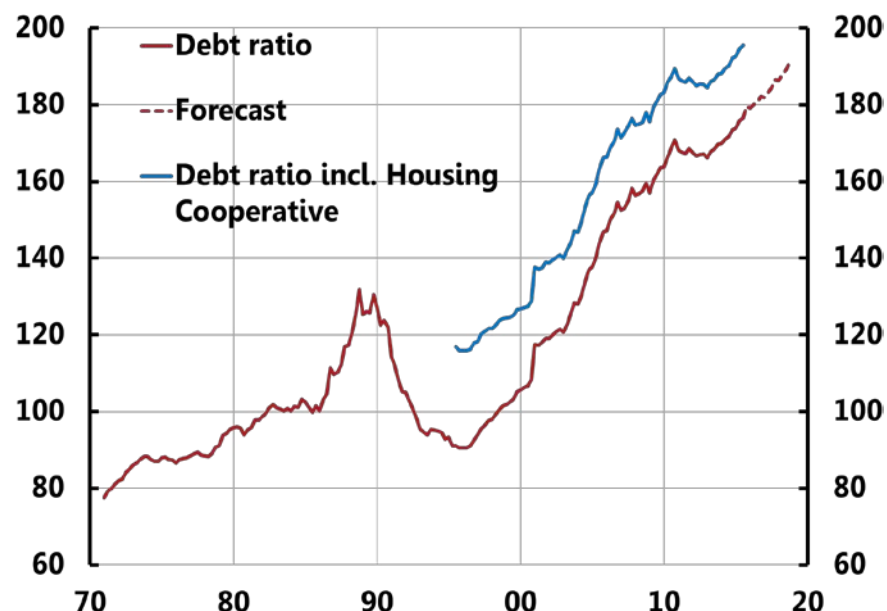
Housing prices in Sweden

Index, January 2005 = 100



Swedish households' debts

Debt as a percentage of disposable income, per cent



Important issues for 2016

- Continued work on deepening analysis of inflation
 - Divided labour market
 - Evaluation of macroprudential policy measures
 - Goodfriend & King
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Thank you!