

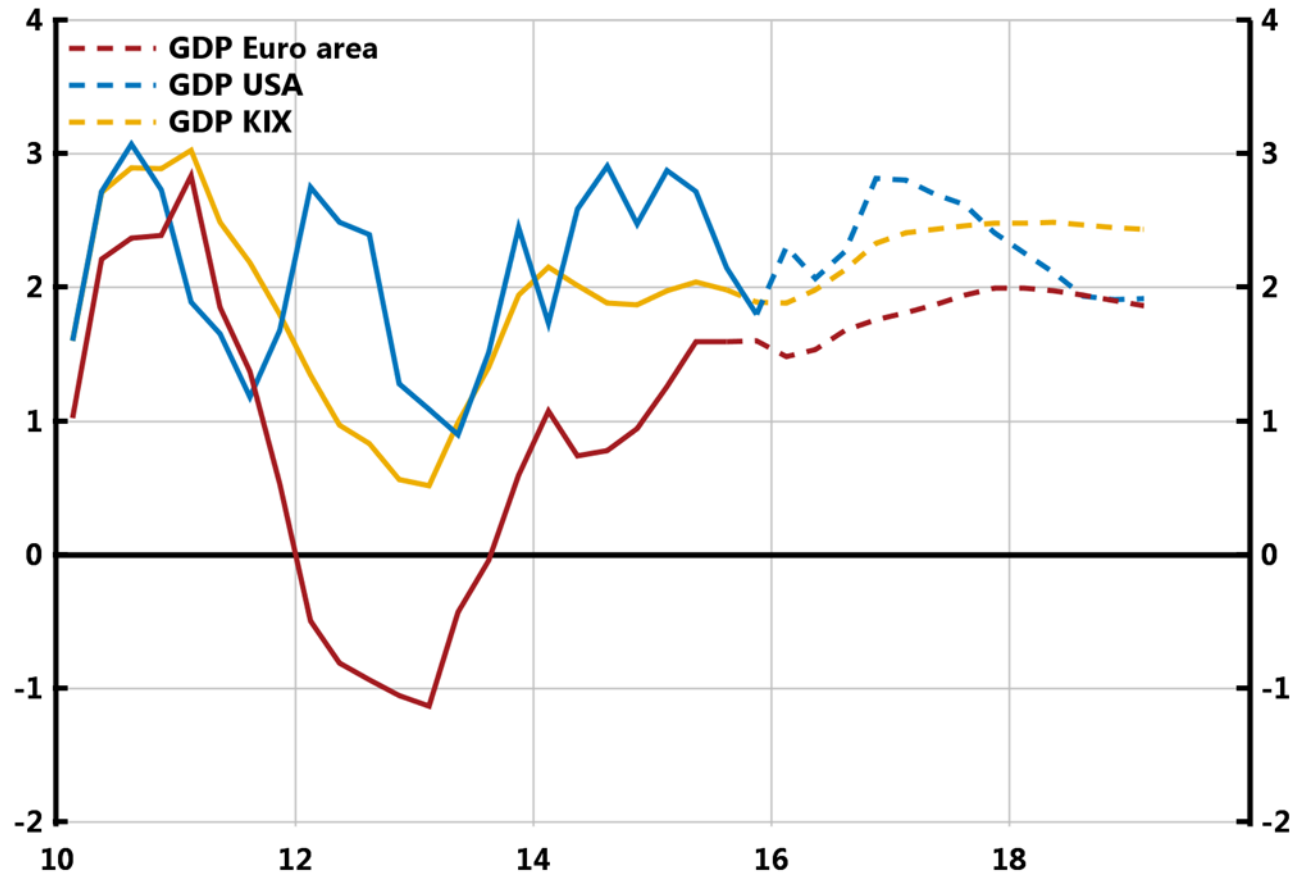


The economic situation
–
Starting point for current
monetary policy

Governor of the Riksbank
Stefan Ingves
Affärsvärlden, Bank & Finans 2016

Modest recovery abroad

Annual percentage change



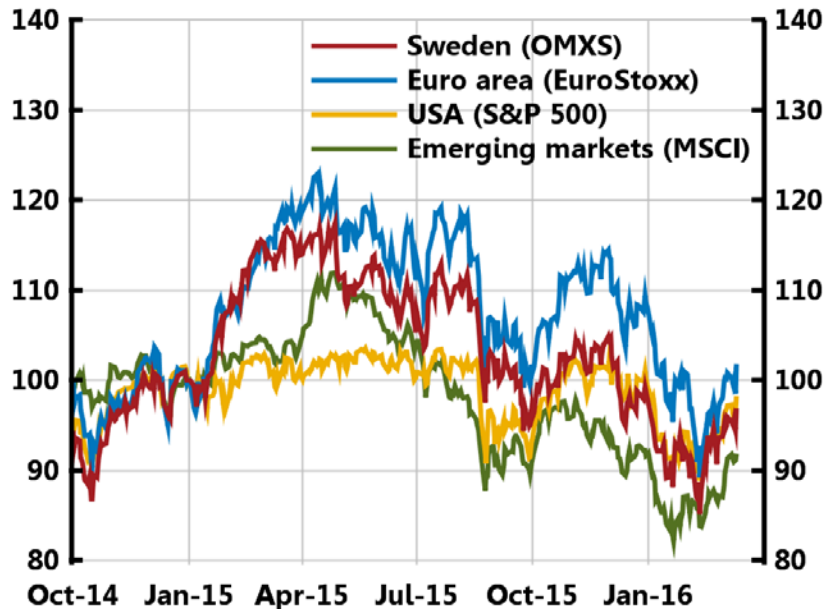
Note. The KIX is an aggregate of the countries that are important to Sweden's international transactions.

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

Uncertainty due to...

...falling equity prices

Index, 2 January 2015 = 100



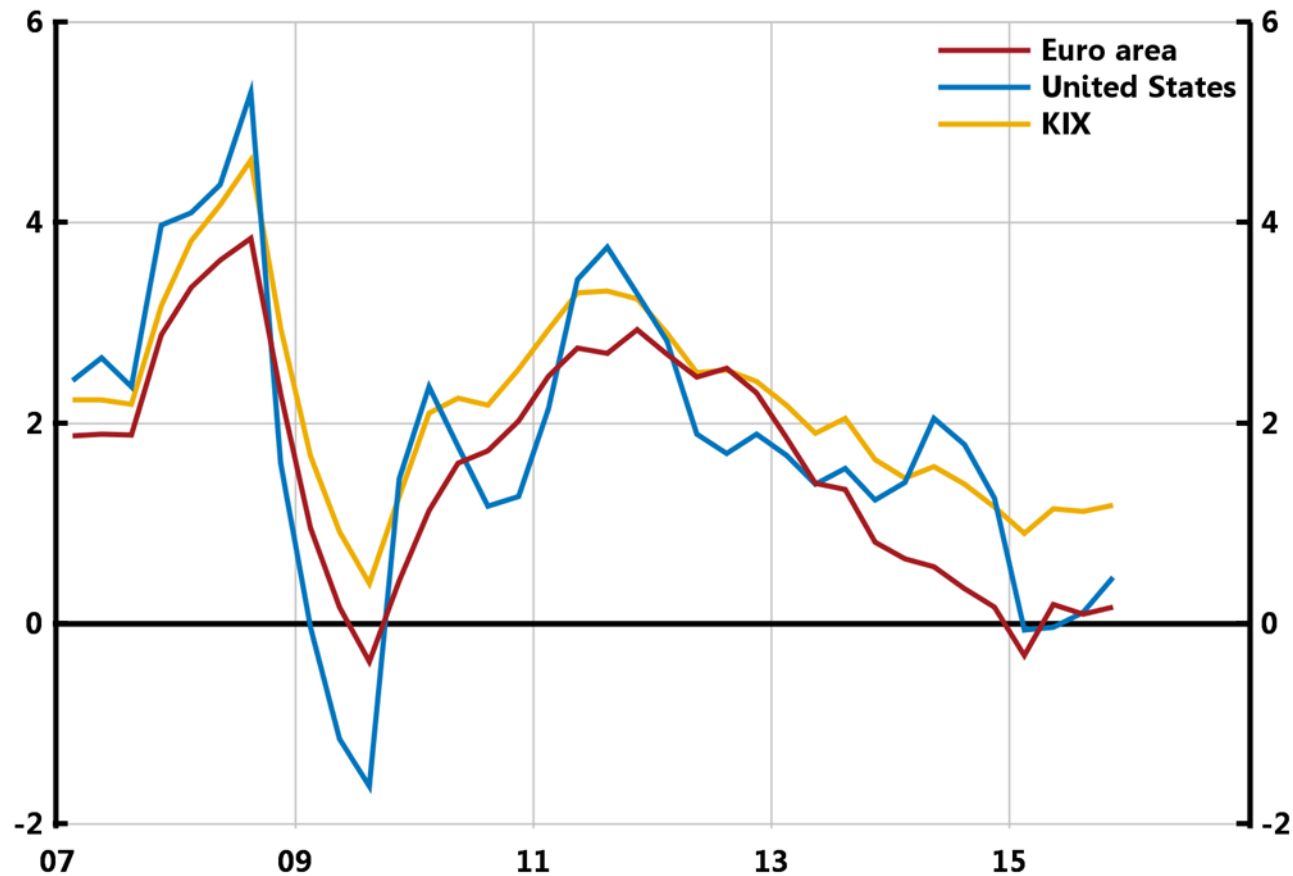
...and oil prices

USD per barrel



Low inflation abroad

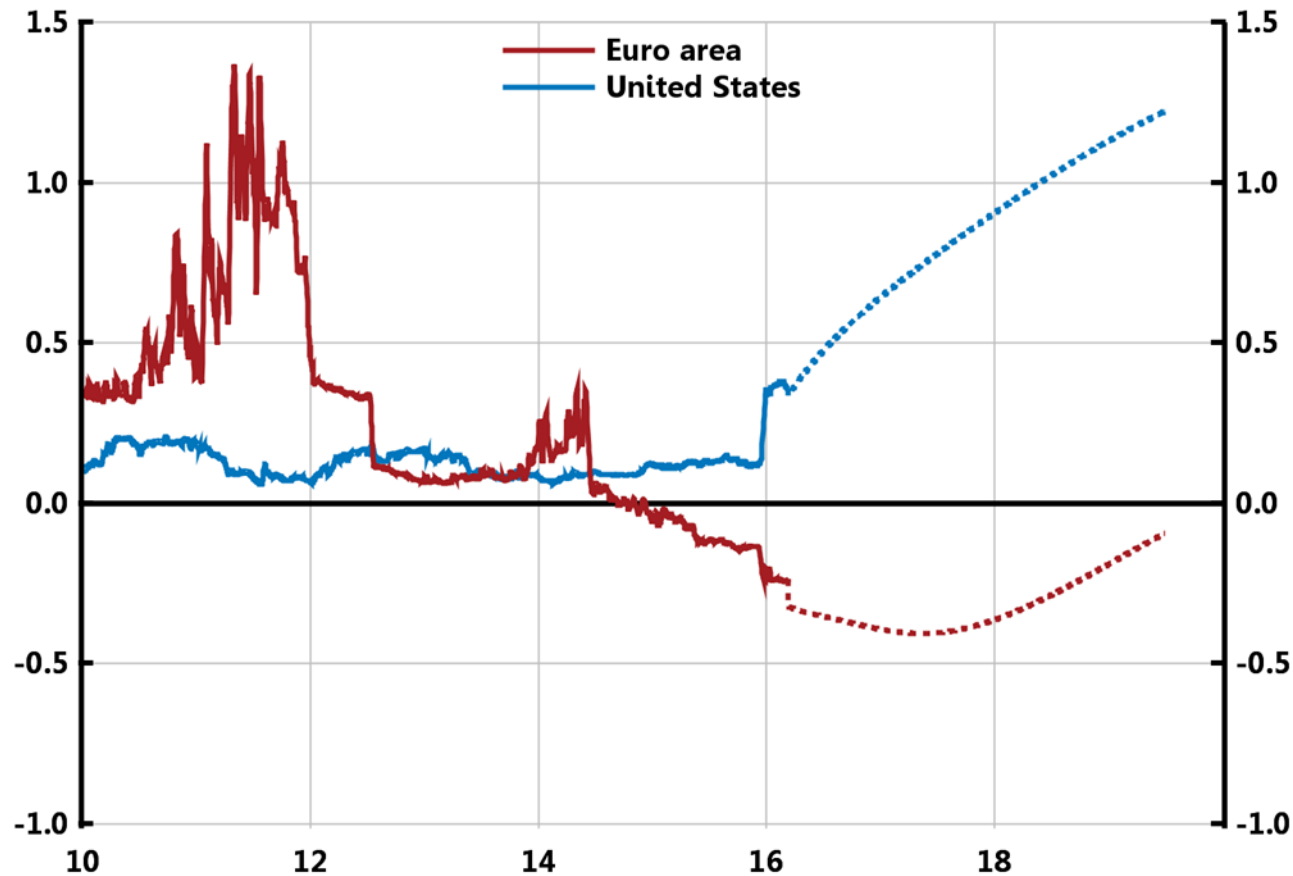
Annual percentage change



Note. The HICP for the euro area and the CPI for others

Sources: The Bureau of Labor Statistics, Eurostat and the Riksbank

Continued expansionary monetary policy in the euro area and the US



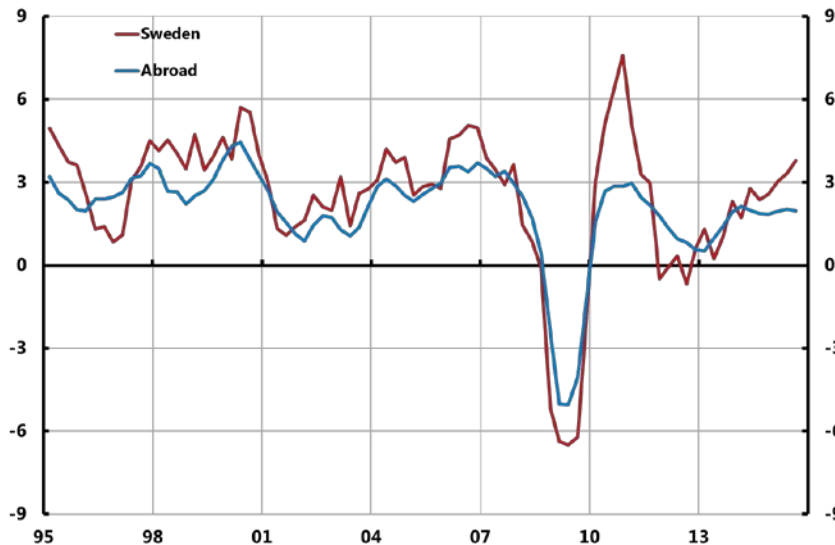
Note. Outcome is 10-day moving average, EONIA for the euro area and effective federal funds rate for the US. Broken lines are market expectations according to forward pricing on 10 March 2016.

Sources: ECB, Federal Reserve and Thomson Reuters

Sweden must relate to its strong international dependence

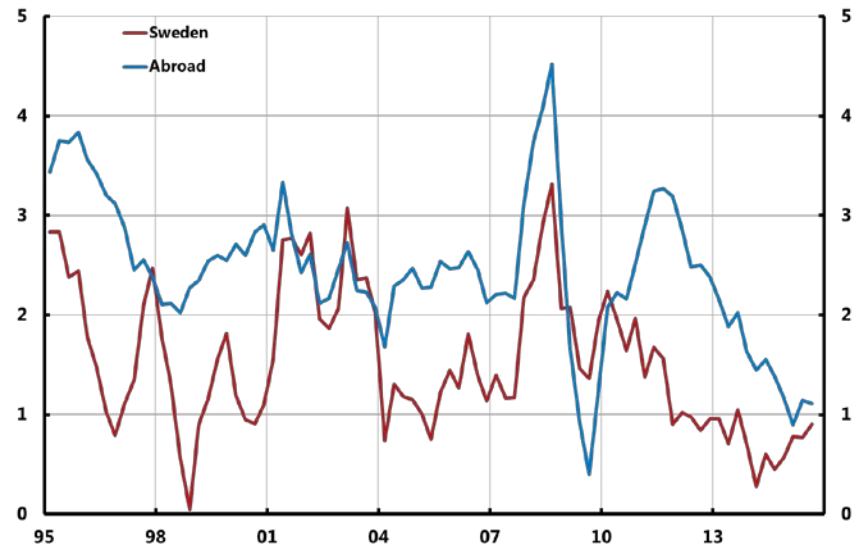
GDP

Annual percentage change

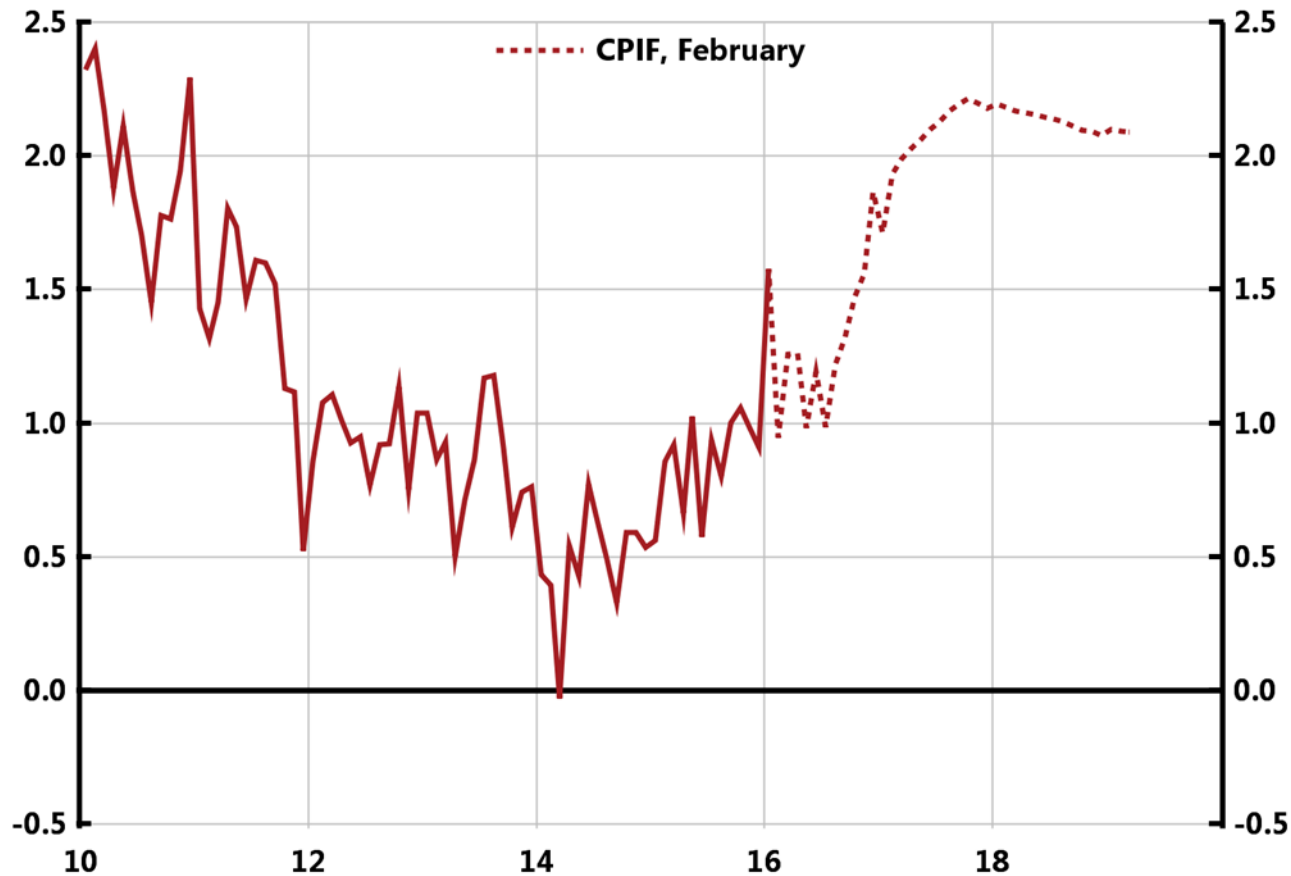


Inflation

Annual percentage change



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



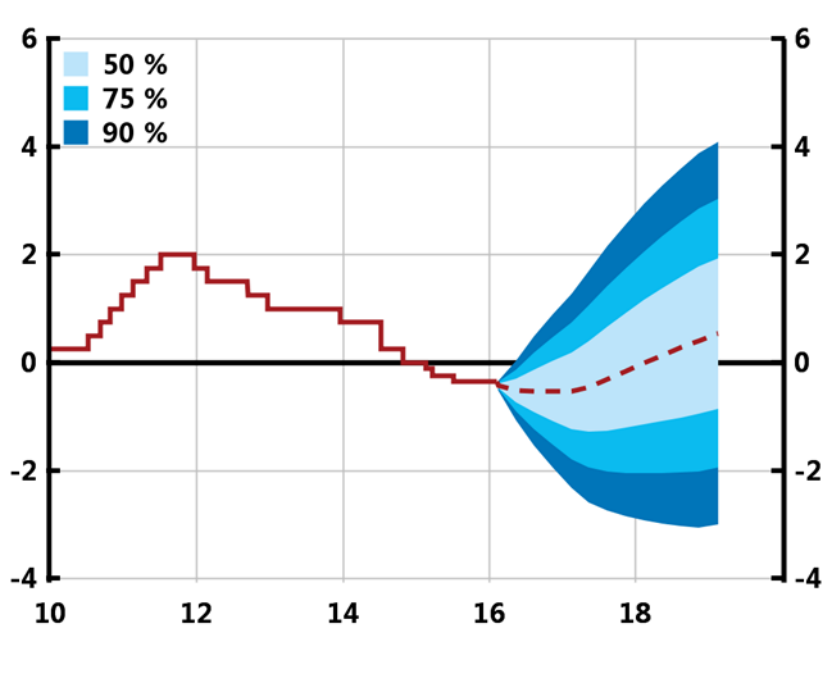
It is important to defend the inflation target



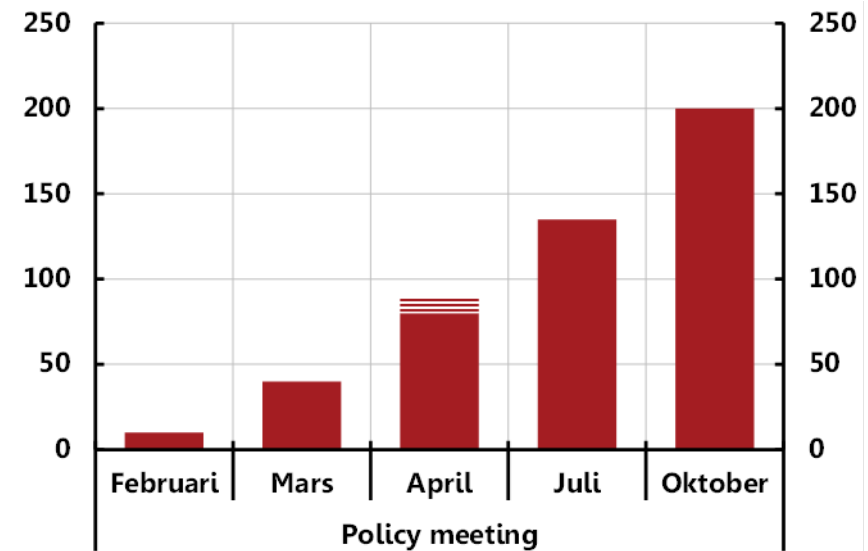
- A cornerstone of Swedish economic policy
 - Common benchmark creates stable ground rules
 - Compare with the 1970s and 1980s, when prices and wages varied substantially
 - Makes it easier for households and companies to make financial decisions
 - Creates the conditions for good and long-term sustainable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

To safeguard the inflation target

The repo rate was cut



Purchases of government bonds



Low interest rates important explanation for...

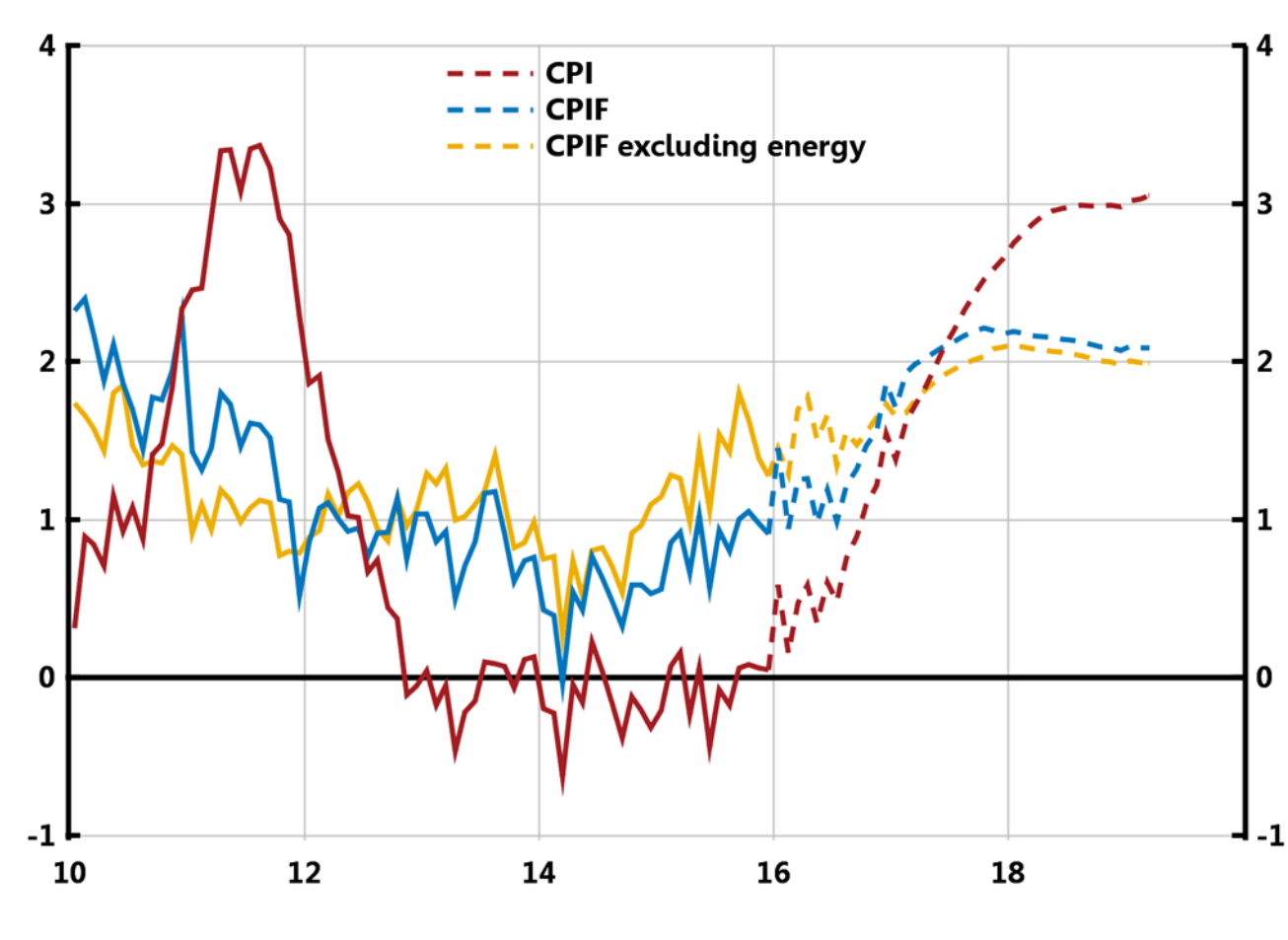
Good growth



Lower unemployment



Inflation expected to stabilise around 2 per cent in 2017



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

Sources: Statistics Sweden and the Riksbank

Where are we now?

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

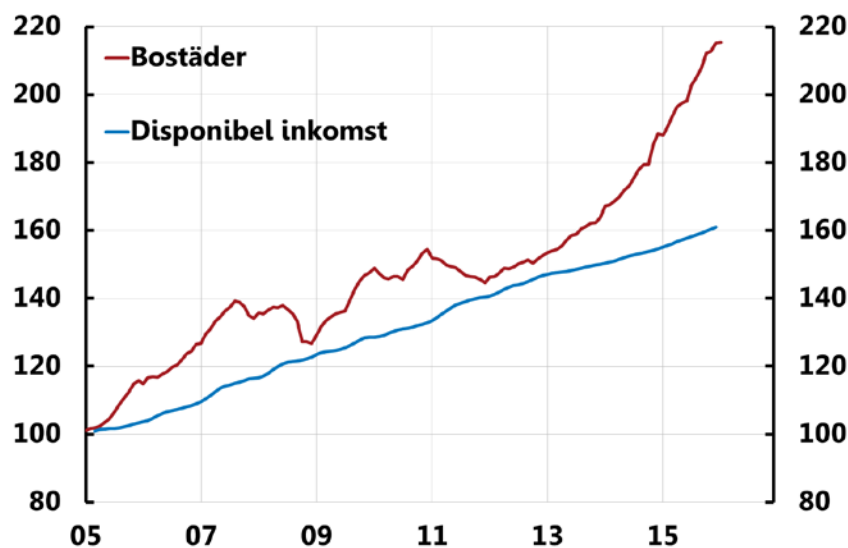
But

- 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
 - Increased risk of household indebtedness
-

Rapidly rising housing prices and ever-increasing indebtedness

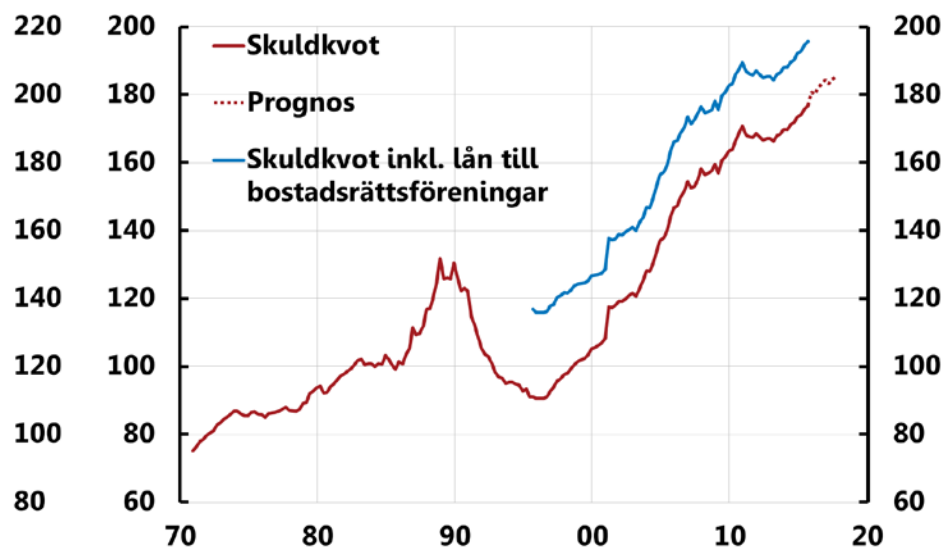
Housing prices in Sweden

Index, January 2005 = 100



Household debt in Sweden

Debt as a percentage of disposable income, per cent



As monetary policy needs to be clearly expansionary...



... it will be even more important to take measures in other policy areas to reduce the risks associated with household indebtedness.





Thank you!