



# Introduction on monetary policy

Riksdag Committee on Finance  
15 November 2016

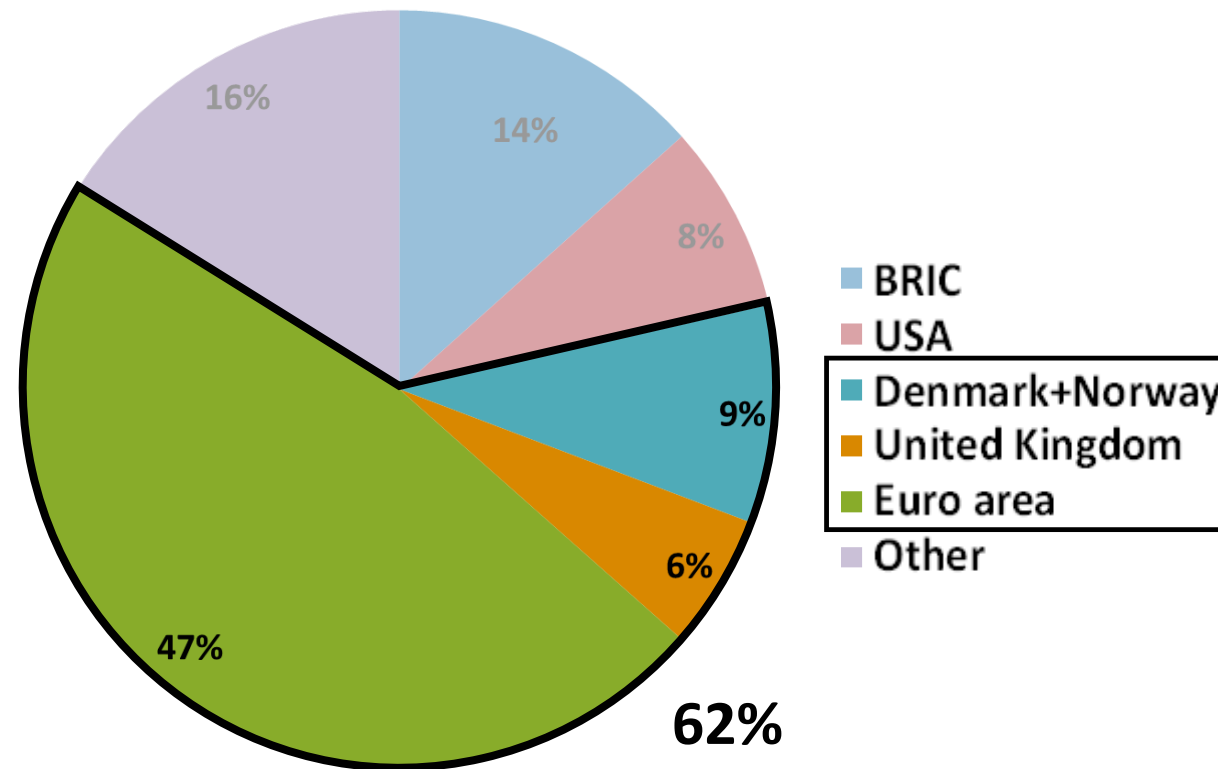


Stefan Ingves  
Governor of the Riksbank

S V E R I G E S R I K S B A N K

# Sweden – a small, open economy

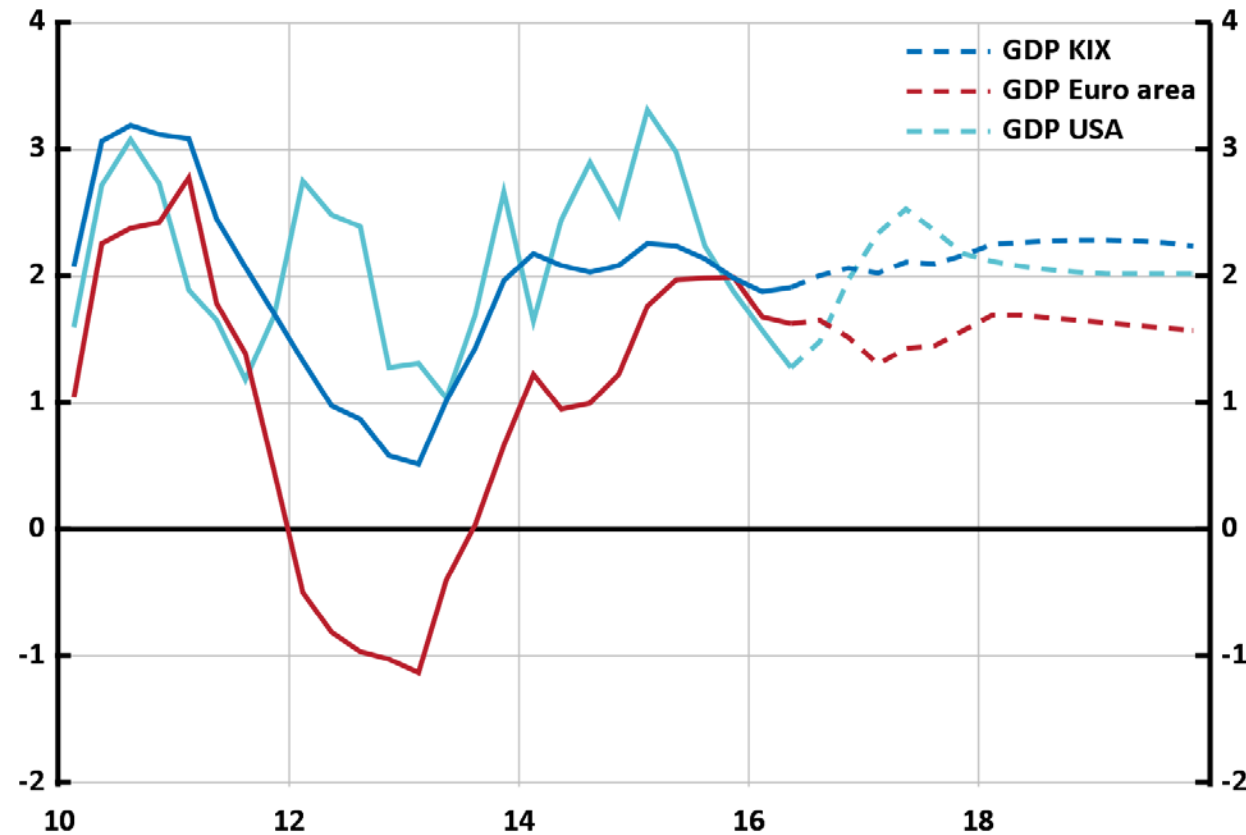
Percentage of Sweden's total goods exports



Note. Percentage in KIX, which is an aggregate of the countries that are important to Sweden's international transactions.

Source: Sveriges Riksbank

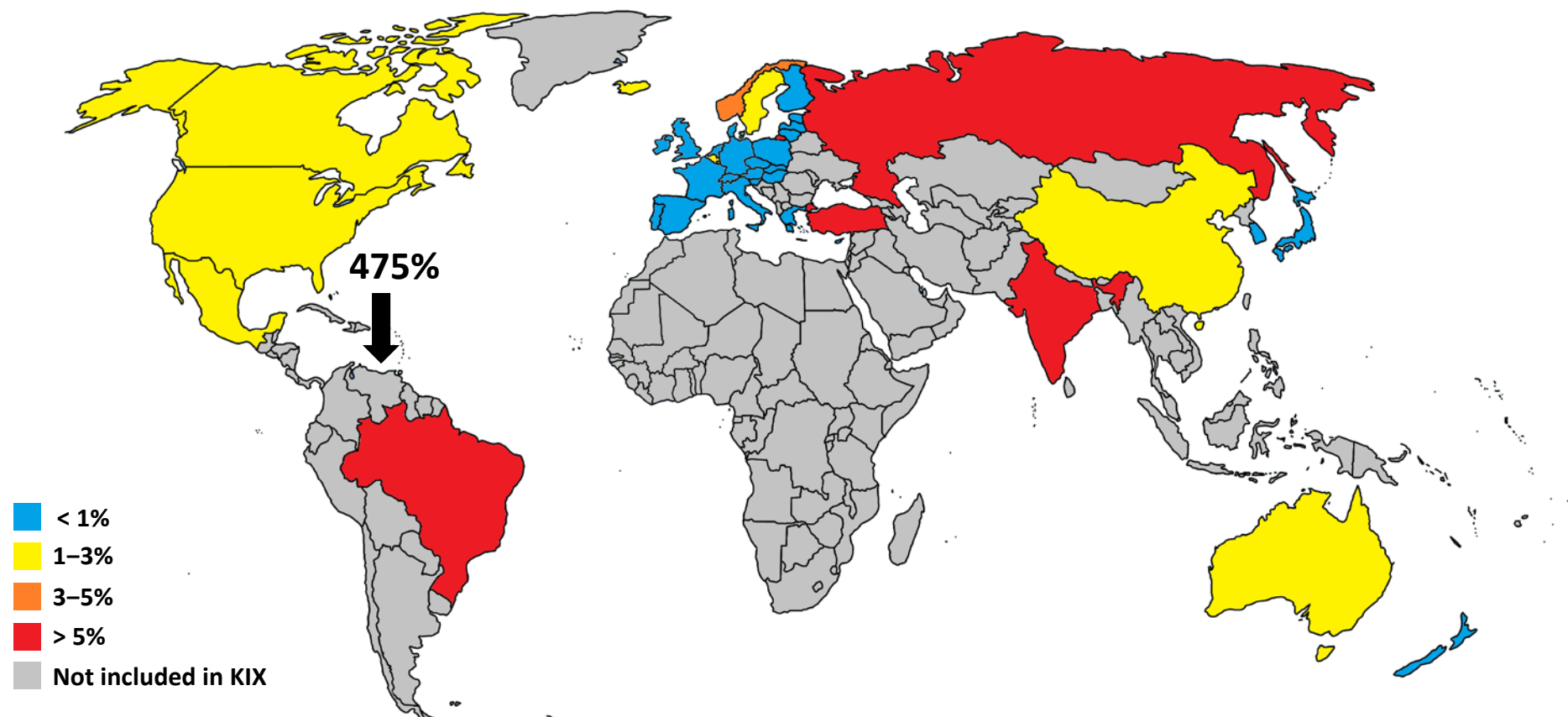
# The international recovery is proceeding at a moderate rate



Note. Annual percentage change. 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 inflation among Sweden's most important trading partners

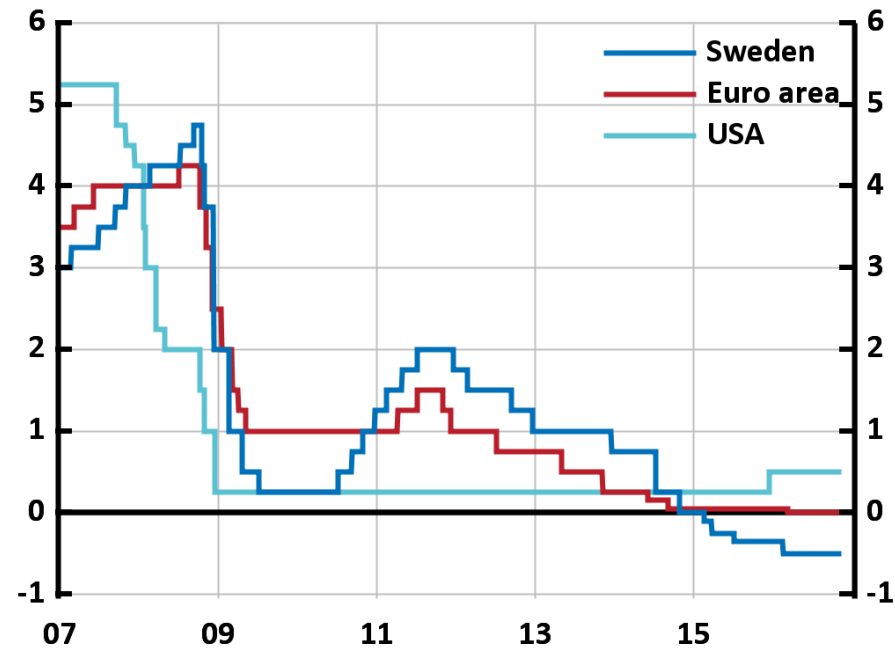


Note. Annual percentage change, average for 2016. The sample refers to the countries that are important for Sweden's international transactions (KIX). For the euro area, inflation is measured as the HICP. The CPIF is used for Sweden and the CPI for other countries.

Sources: Eurostat and national sources

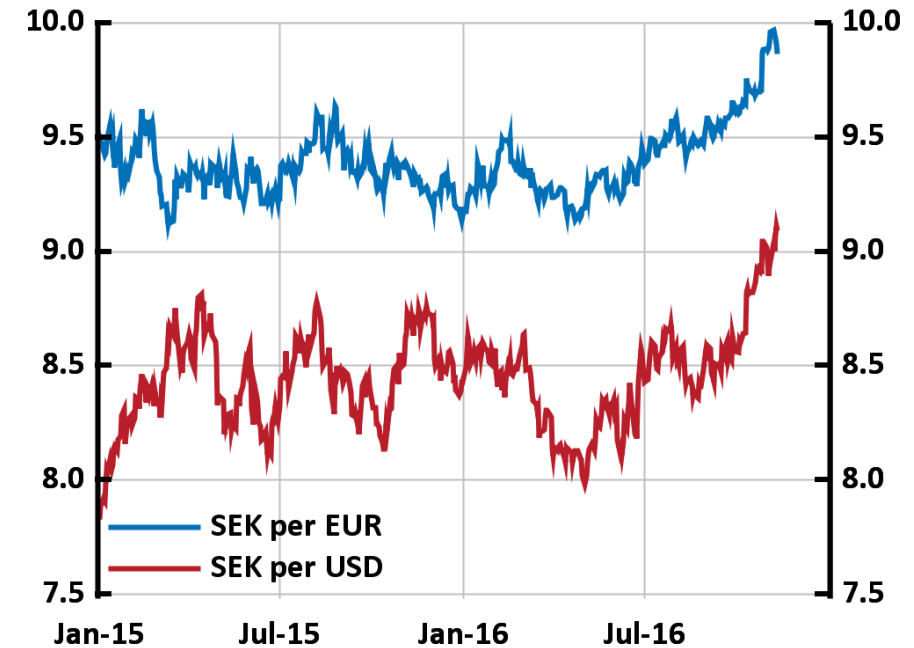
# Low interest rates and weak krona

## Policy rates



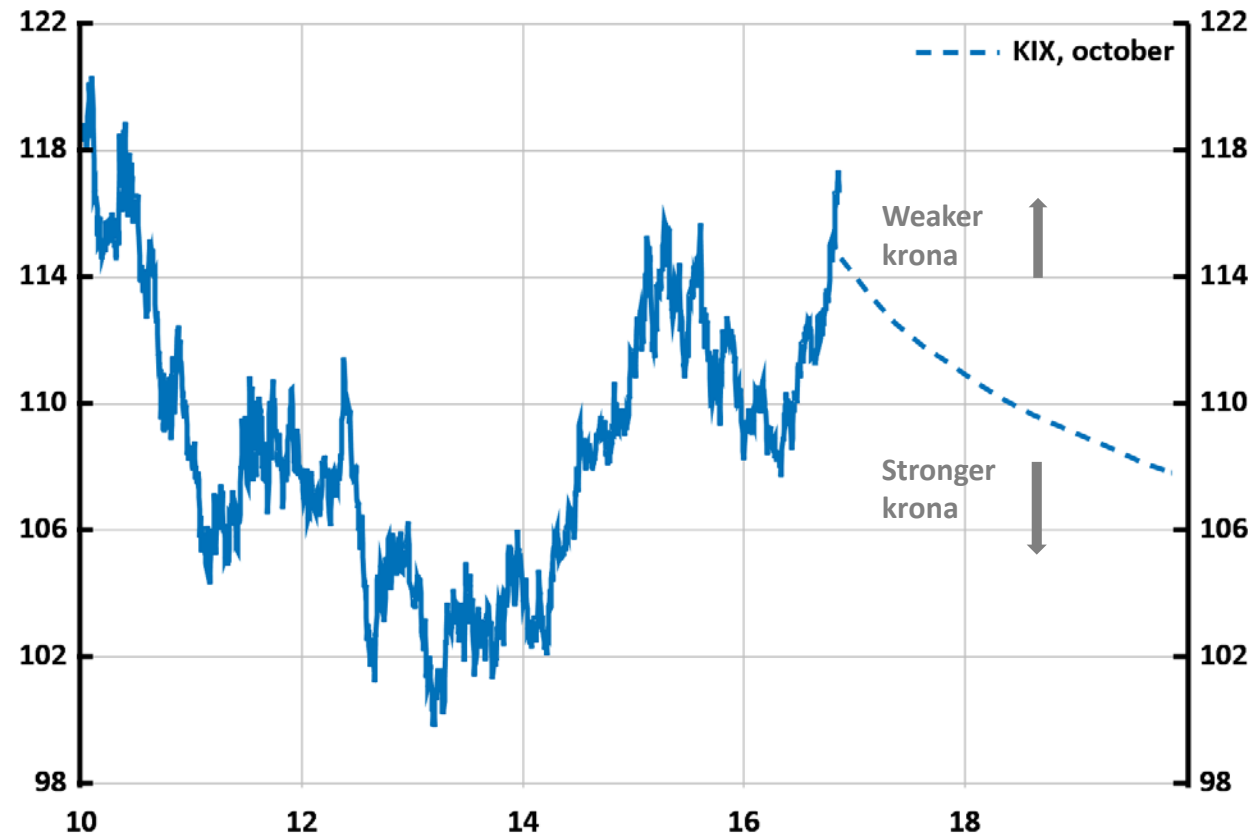
Note. Policy rates are given as a percentage.

## The krona exchange rate



Source: Macrobond

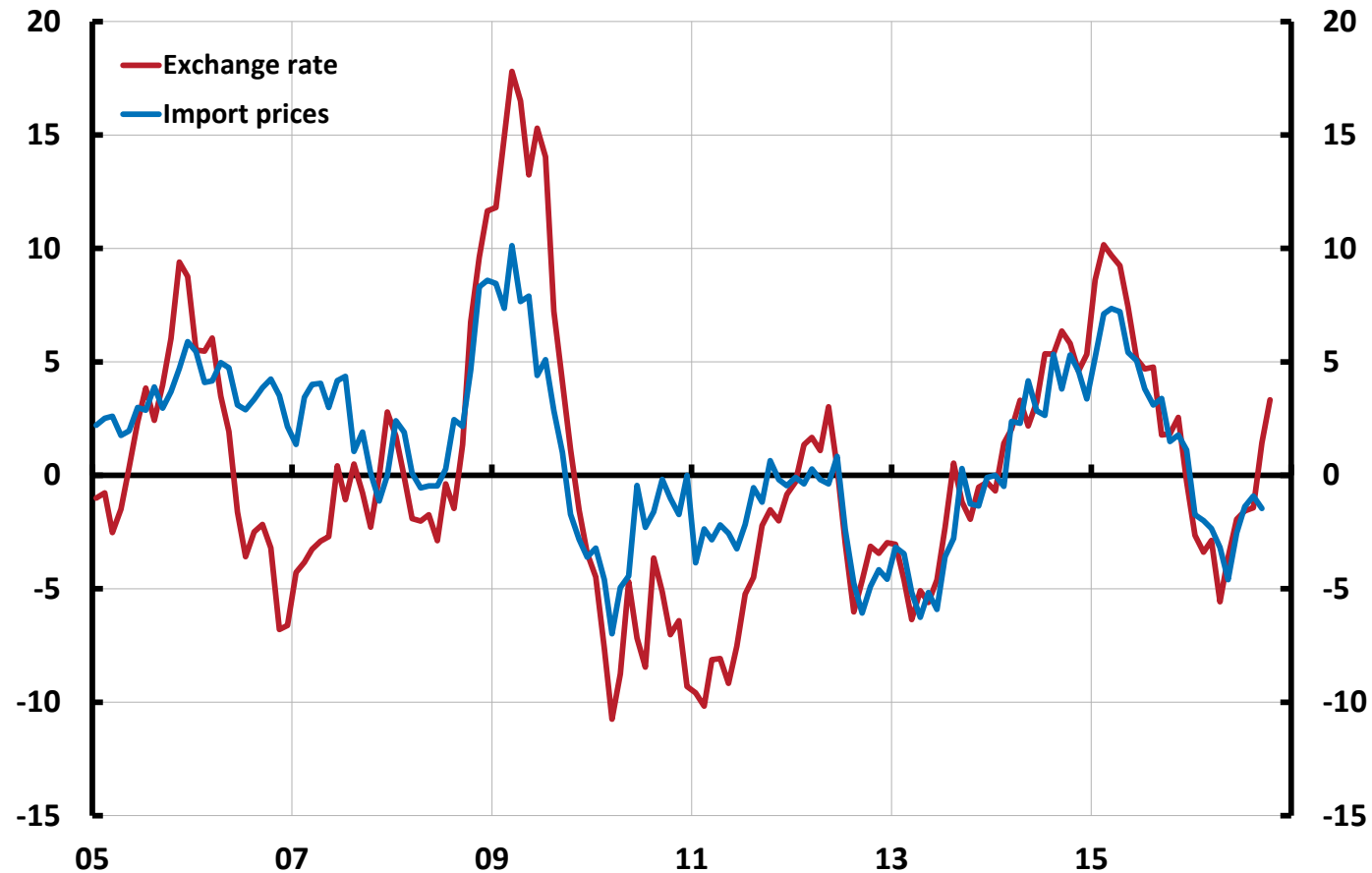
# The krona affects inflation, so it is important it does not appreciate too quickly



Note. Index, 18 November 1992 = 100. The KIX is an aggregate of the countries that are important for Sweden's international transactions.

Sources: National sources and the Riksbank

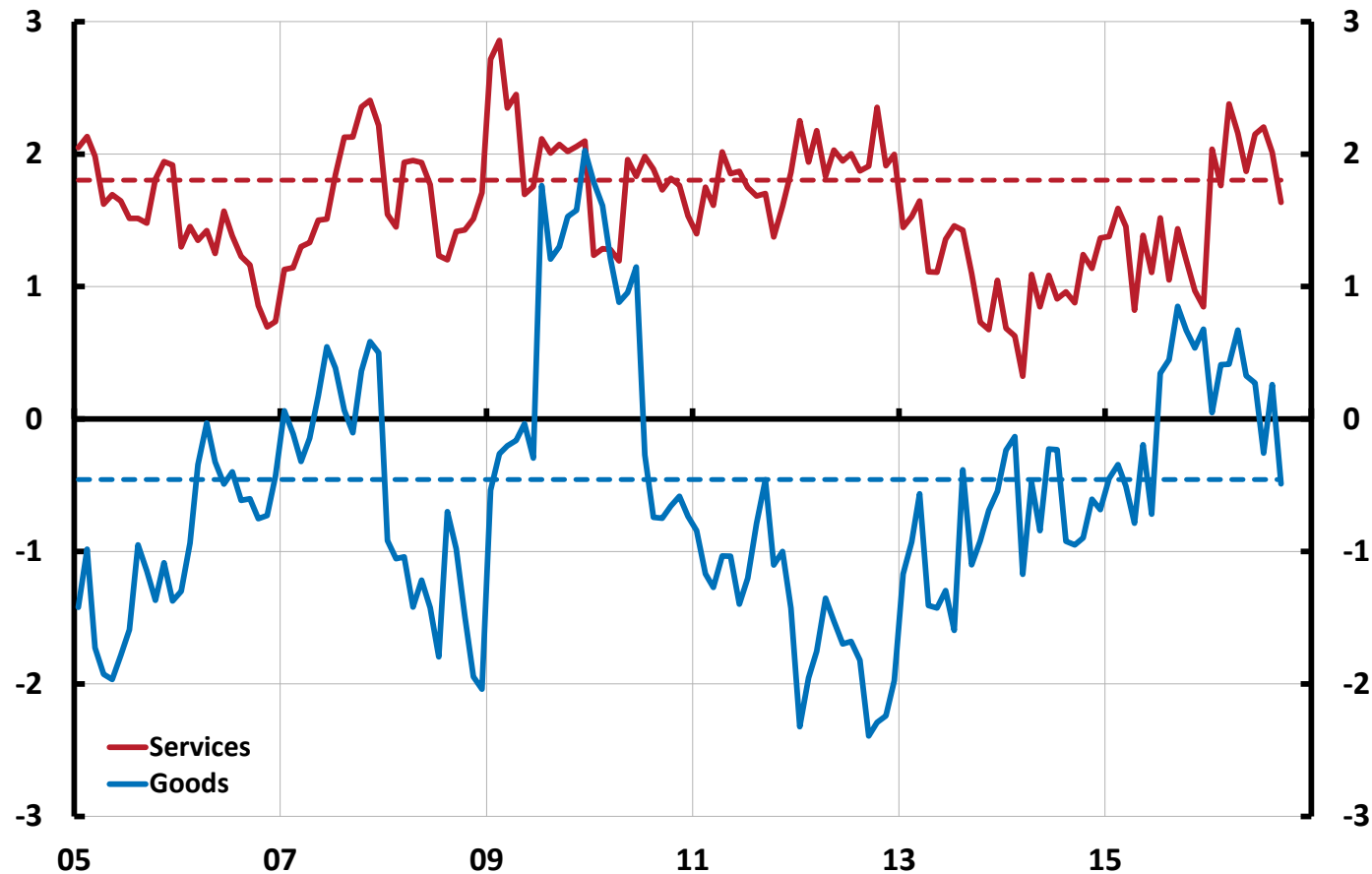
# Import prices clearly covary with the exchange rate



Note. Annual percentage change. The exchange rate refers to the KIX index. Import prices refer to producer channels, excluding energy.

Sources: Statistics Sweden and the Riksbank

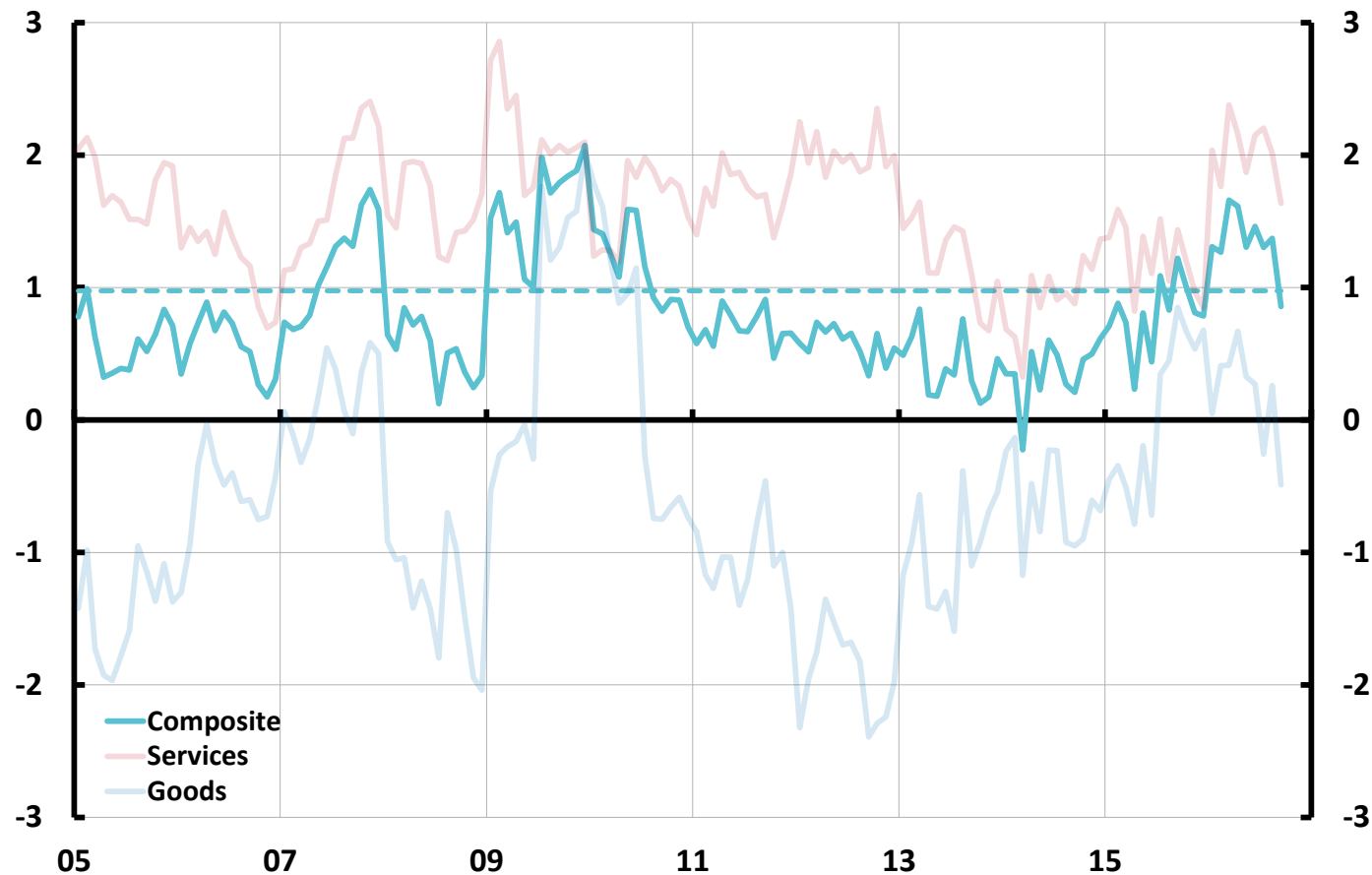
# Goods prices have a large import content



Note. Annual percentage change. The sub-aggregate goods does not include food. The weights of the sub-aggregates are 45 (services) and 26 (goods) per cent respectively of the total CPI basket. Broken lines refer to the average from the year 2000.

Sources: Statistics Sweden and the Riksbank

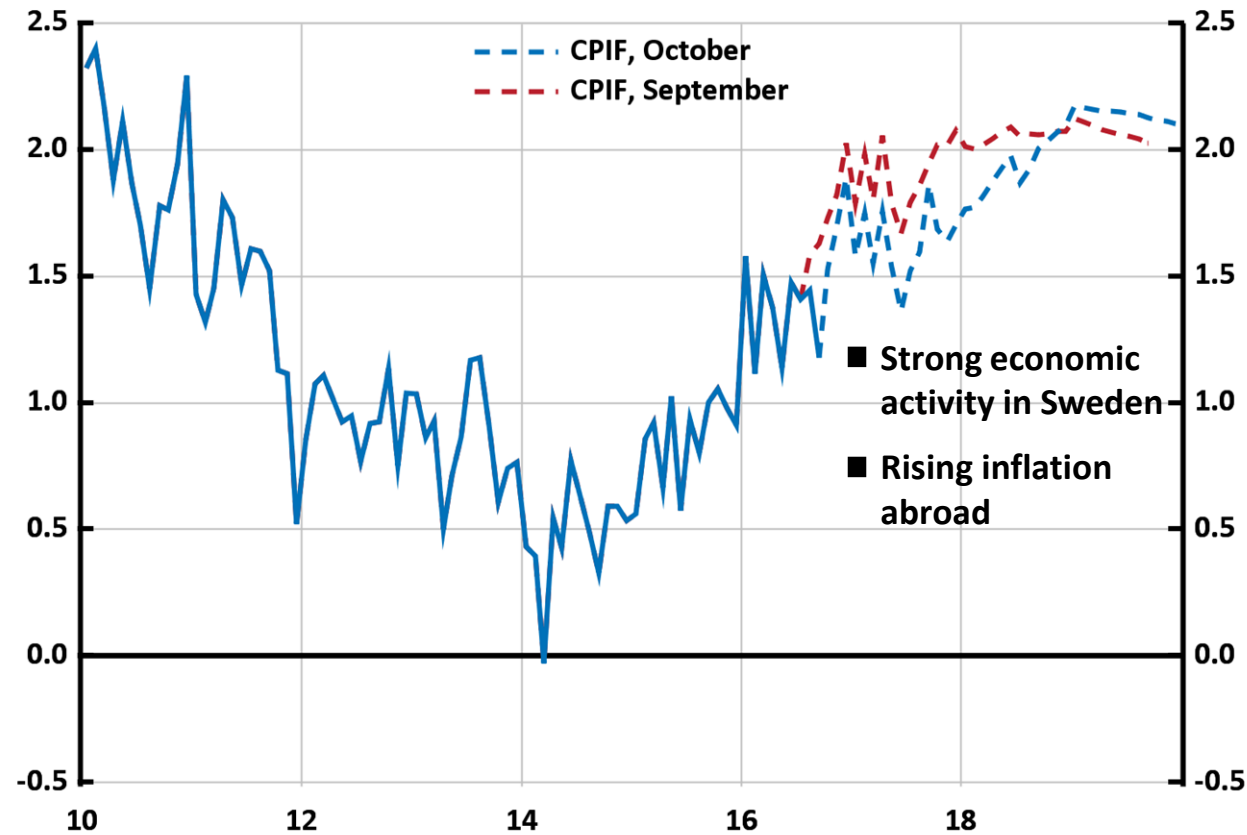
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Sources: Statistics Sweden and the Riksbank

# Inflation in Sweden is rising but it will take longer to reach 2 per cent

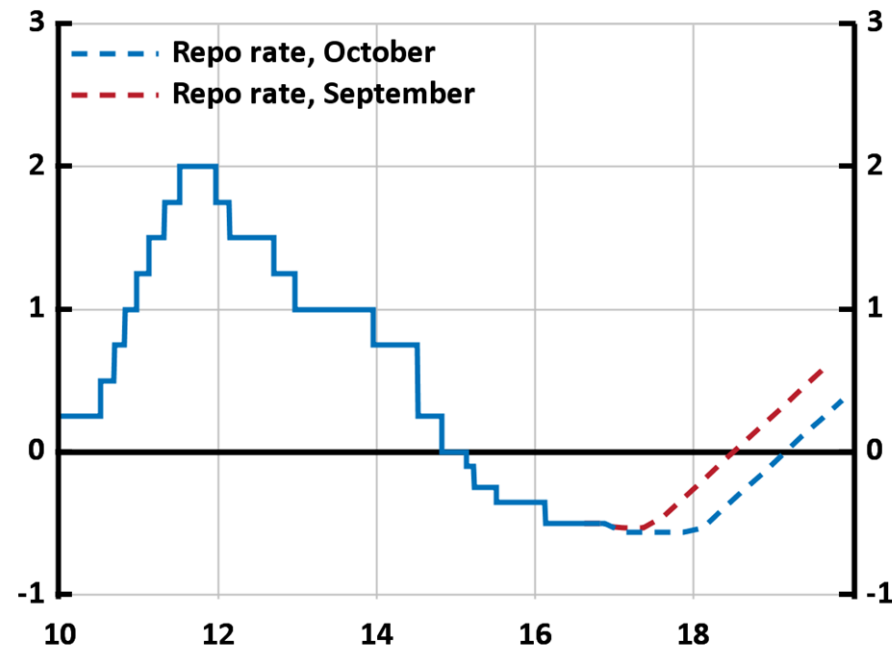


Note. Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

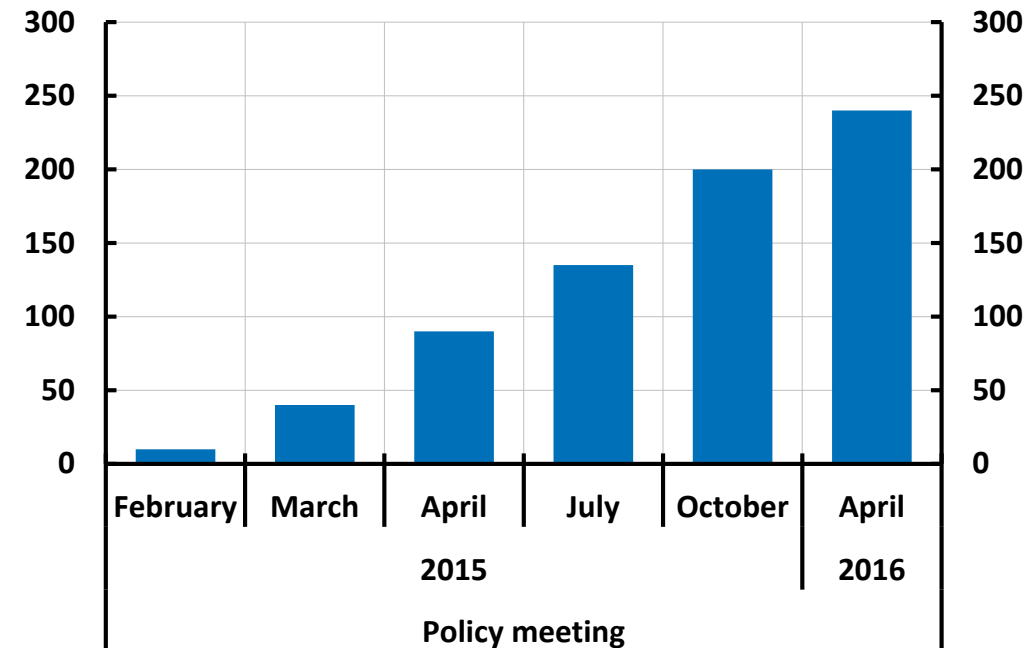
Sources: Statistics Sweden and the Riksbank

# Inflation needs continued strong support

The repo rate will be -0.50% or lower for a longer period



Prepared to extend purchases of government bonds



Note. Per cent and SEK billion.

Source: The Riksbank

# Monetary policy an important explanation for the strong economic activity

## Continued good GDP growth



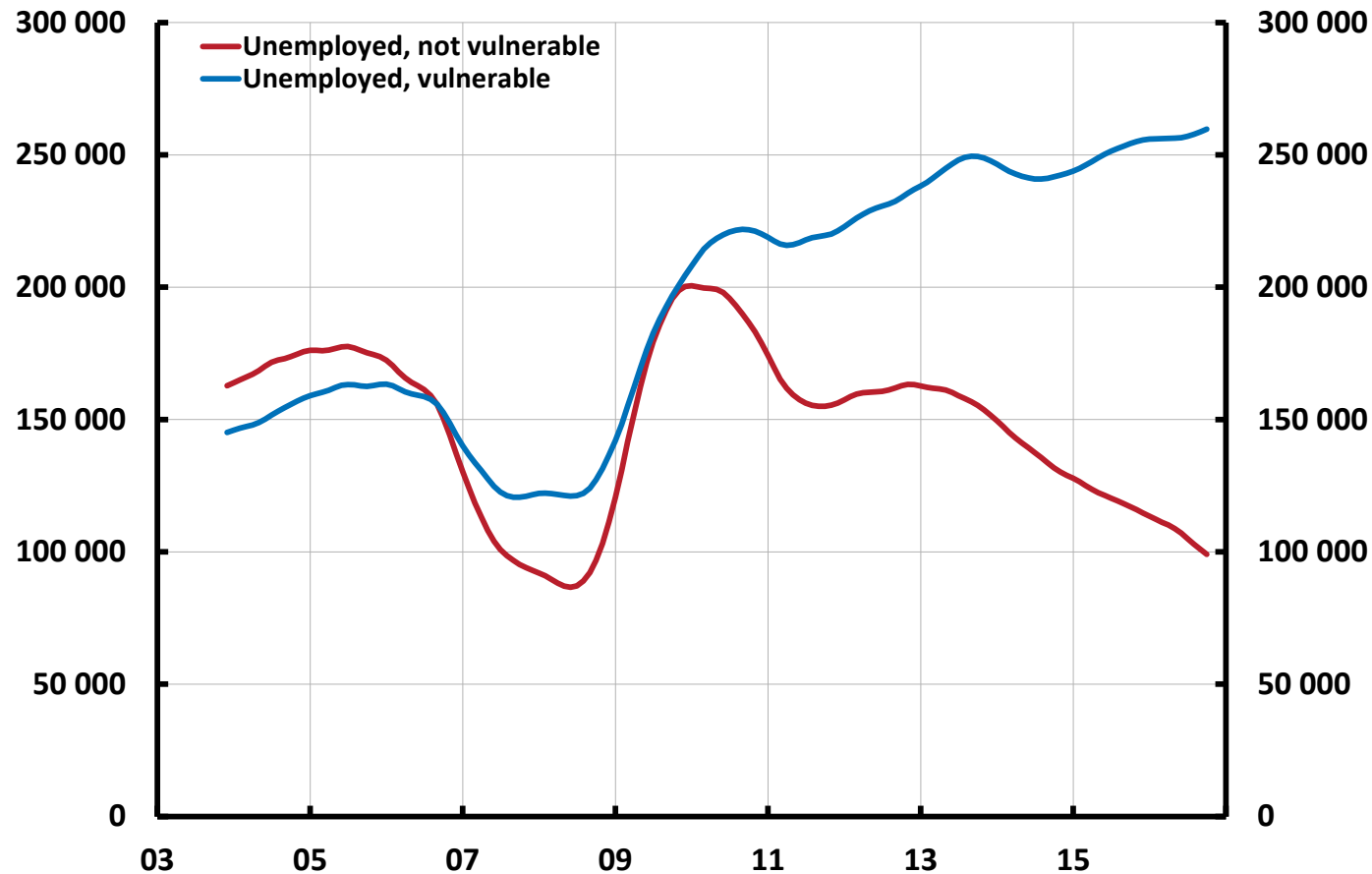
## Lower unemployment



Note. Annual percentage change and proportion of labour force, 15–74 years.

Sources: Statistics Sweden and the Riksbank

# Divided Swedish labour market

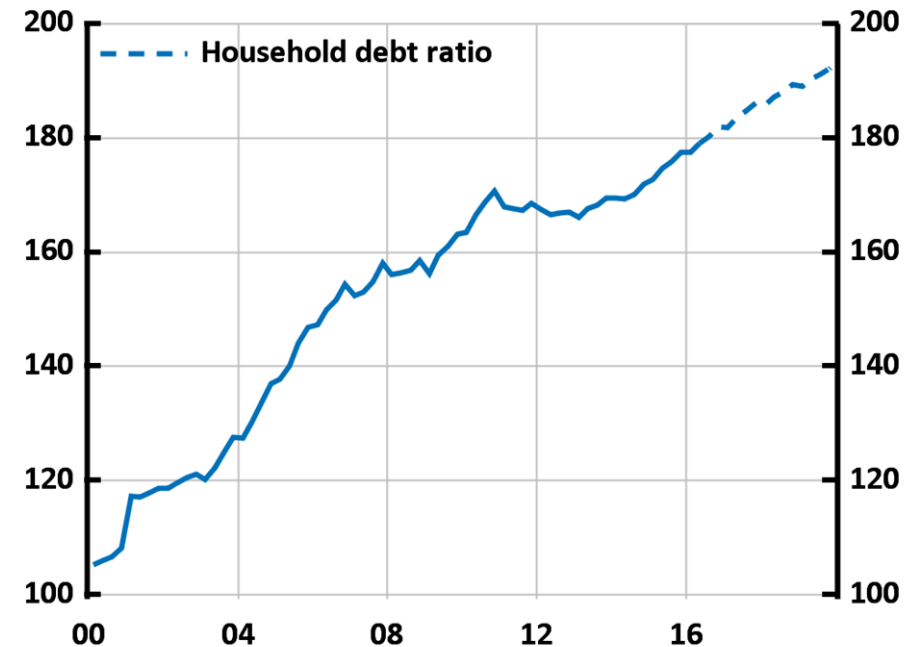


Note. Number of people registered with employment service, trend values.  
Vulnerable groups means older people between 55 and 64, those without upper-secondary educations, those born outside Europe and persons with disabilities.

Source: Arbetsförmedlingen

# Low interest rates are needed – risks must be managed

- Household debt high and rising – a risk to the national economy
- Targeted measures needed from other policy areas, e.g. debt-to-income limit and review of tax reductions for interest expenses
- Rising inflation may also cause interest rates to increase



Note. Total household debt as a share of disposable income.

Sources: Statistics Sweden and the Riksbank

**The upturn in inflation  
needs continued strong support**