



Swedish monetary policy spring 2015

Högskolan i Jönköping
19 February

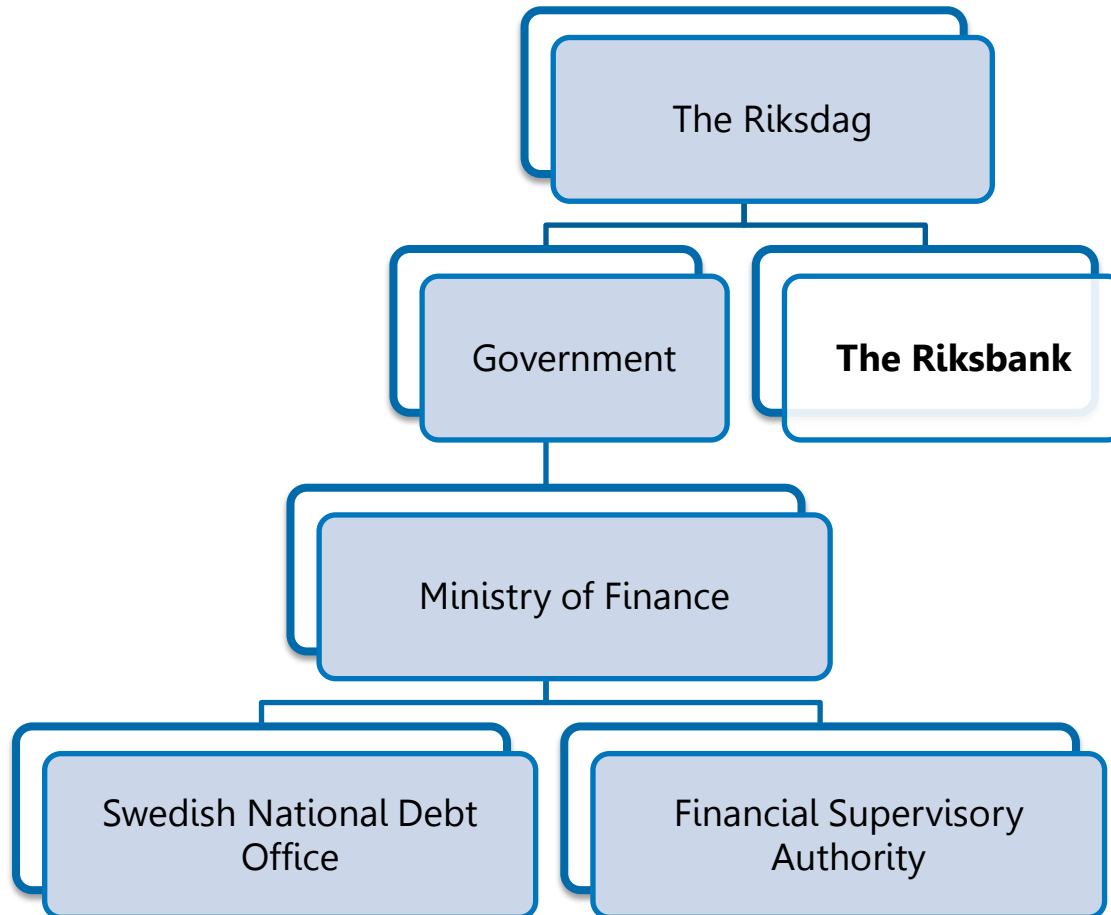
Deputy Governor Per Jansson

Topics I will discuss today

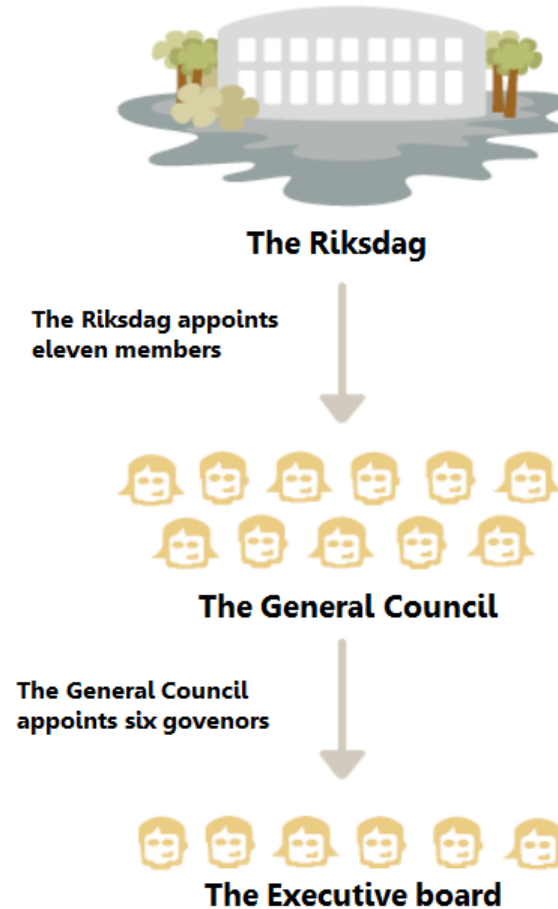
- Some basic facts about the Riksbank
- Recent monetary policy (including the most recent decision on 11 February)



Authority under the Riksdag



The governance of the Riksbank



The Executive Board



Governor
Stefan Ingves



First Deputy Governor
Kerstin af Jochnick



Deputy Governor
Per Jansson



Deputy Governor
Martin Flodén



Deputy Governor
Cecilia Skingsley



Deputy Governor
Henry Ohlsson

The Riksbank's main tasks

*Maintain price
stability*

Monetary Policy

*Promote a safe
and efficient
payment system*

Financial Stability

The role of the Riksbank

**Responsible for
banknotes and
coins**



**Overseeing the
financial system**
Four major banks



**Managing the RIX
payment system**

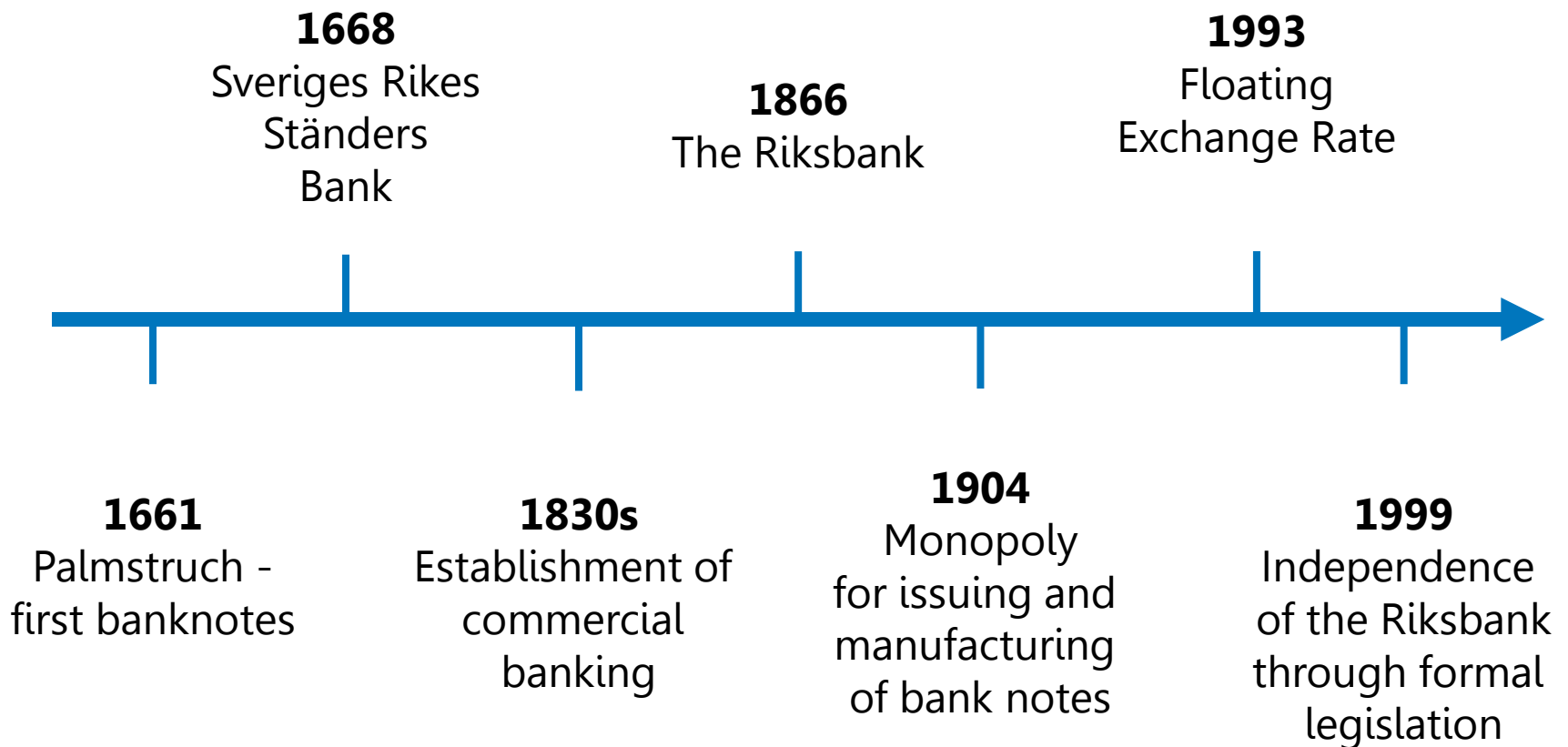


**Emergency
liquidity assistance**

Lender of last resort



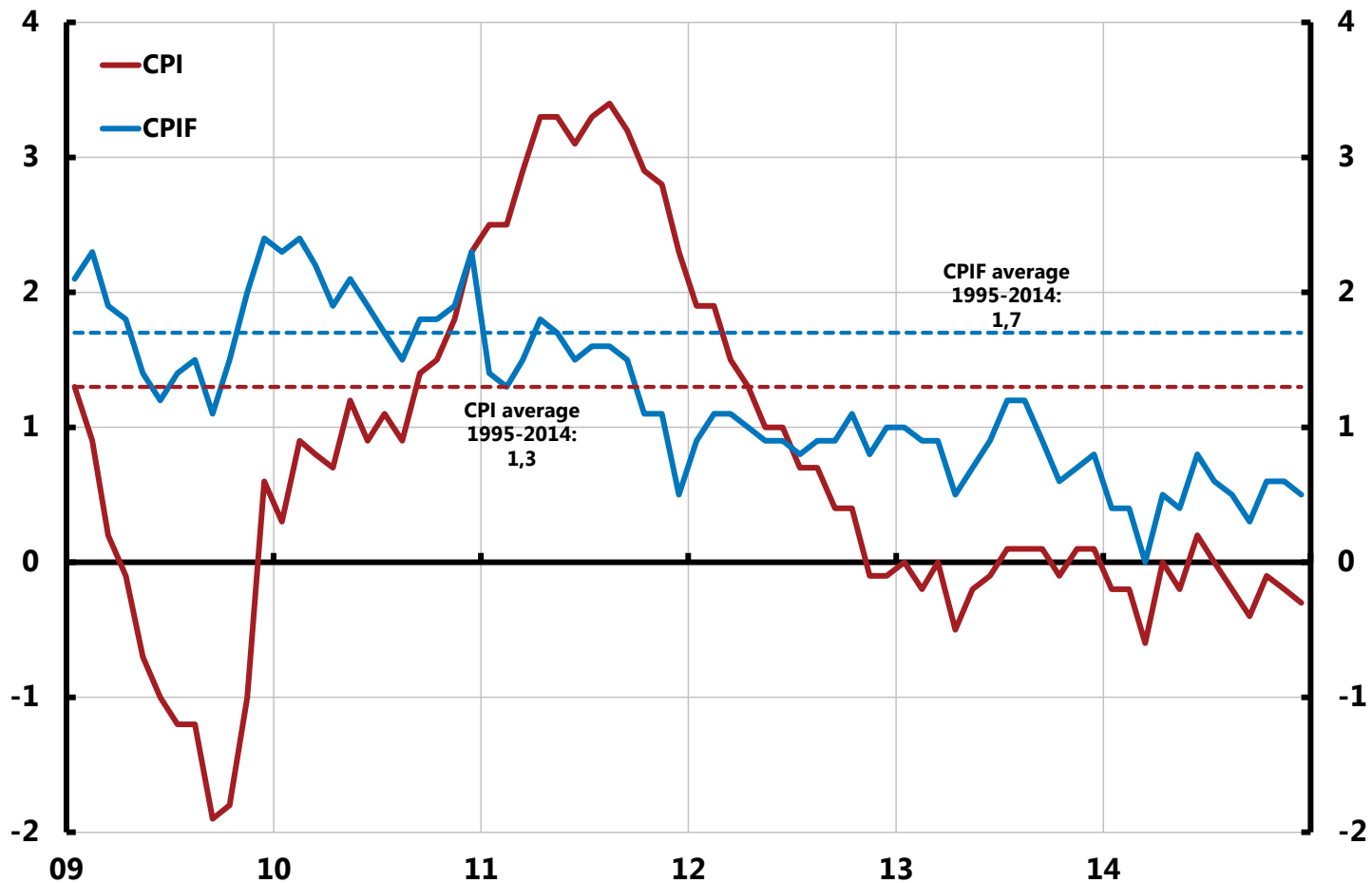
The oldest central bank



The Swedish inflation target

- Press Release on 15 January 1993:
 - In 1993 and 1994 "aim at preventing the inflationary impulse, due to the depreciation of the Krona and changes in indirect taxes, from causing an increase in the underlying rate of inflation"
 - In 1995 and onwards "the objective of monetary policy is to limit the annual increase in the consumer price index [...] to 2 per cent"
 - Other measures of inflation matter as well, in particular the CPIF
 - No "inflation nutter": flexible inflation targeting
 - Open issues after the financial crisis 2008-2009, e.g. whether monetary policy should lean (more) against financial imbalances
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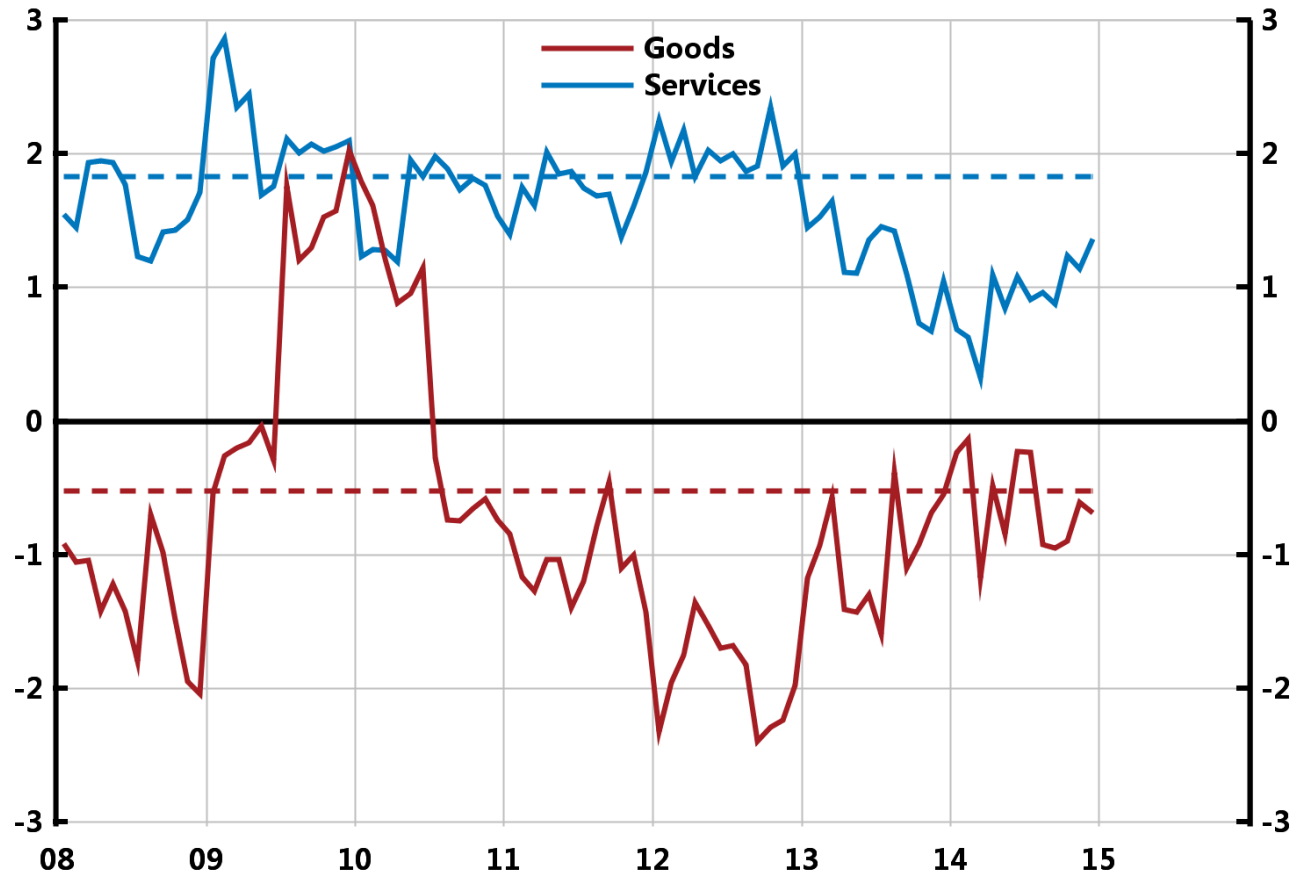
Low inflation over several years



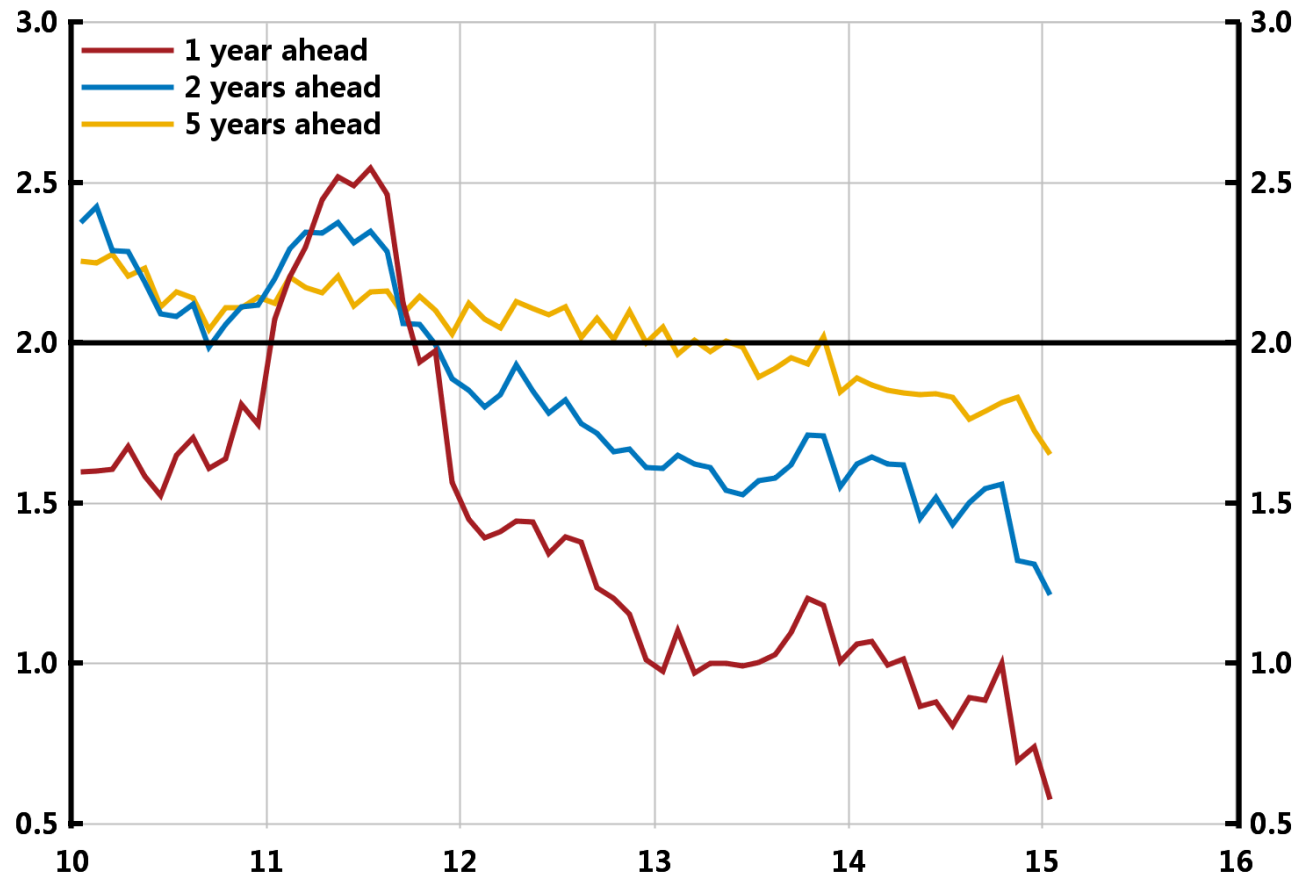
Note. Annual percentage change. The CPIF is the CPI with a fixed mortgage rate. Broken lines represent real-time averages since 1995.

Sources: Statistics Sweden and the Riksbank

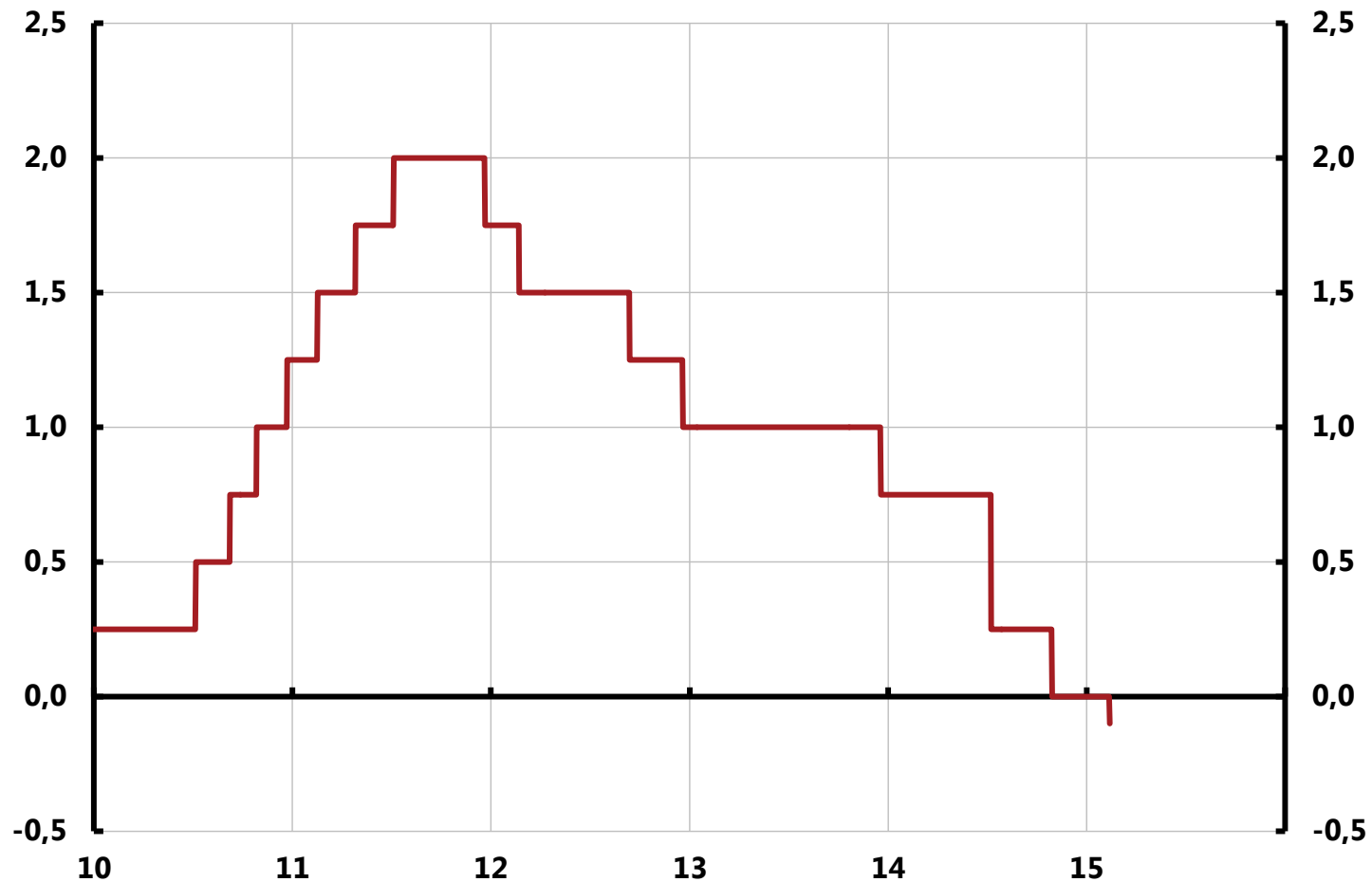
Development of service prices worrying and difficult to understand



Inflation expectations have fallen



Monetary policy has reacted decisively



**Low interest rates support
upturn in inflation**

Readiness to do more

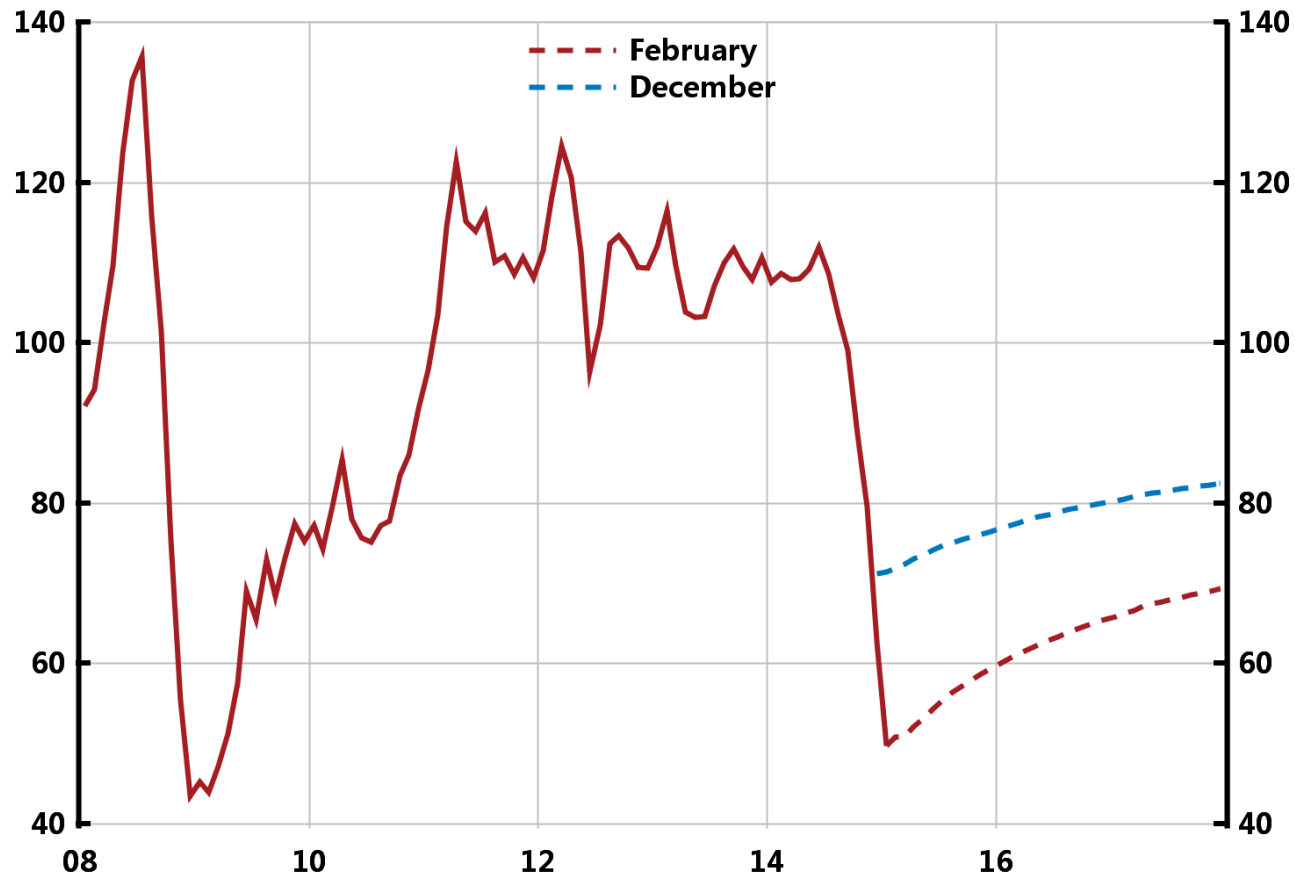
Monetary policy decision on 11 February



- Economic activity and inflation roughly as expected
 - But uncertainty abroad has increased

 - Monetary policy measures undertaken now underline the Riksbank's determination to safeguard the role of the inflation target as a nominal anchor
 - To ensure that inflation rises towards the target, the Riksbank is prepared, should the need arise, to quickly do more
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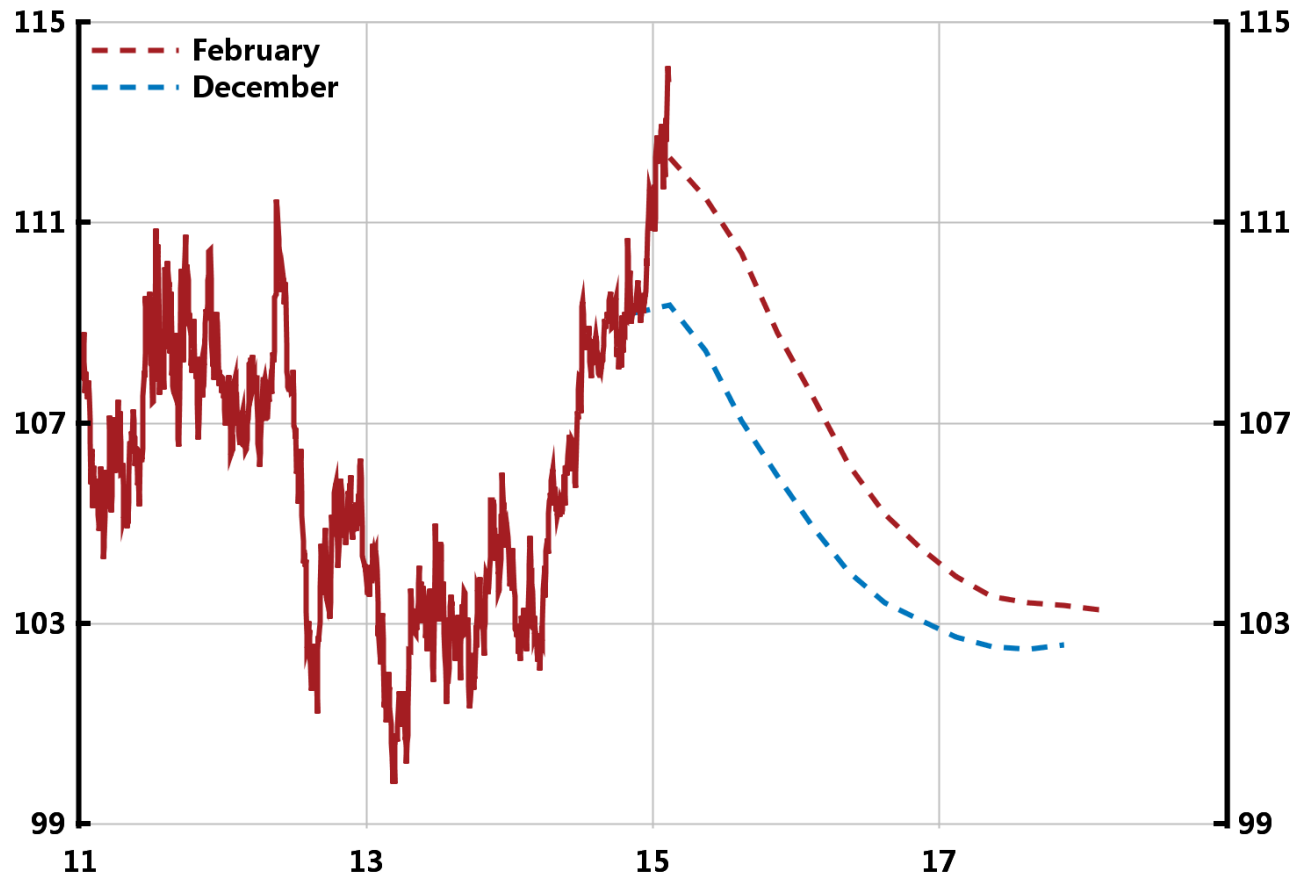
Oil price continues to fall



Note. Brent oil, forward rates are calculated as a 15-day average.
Outcome refers to monthly averages of spot prices.

Sources: Macrobond and the Riksbank

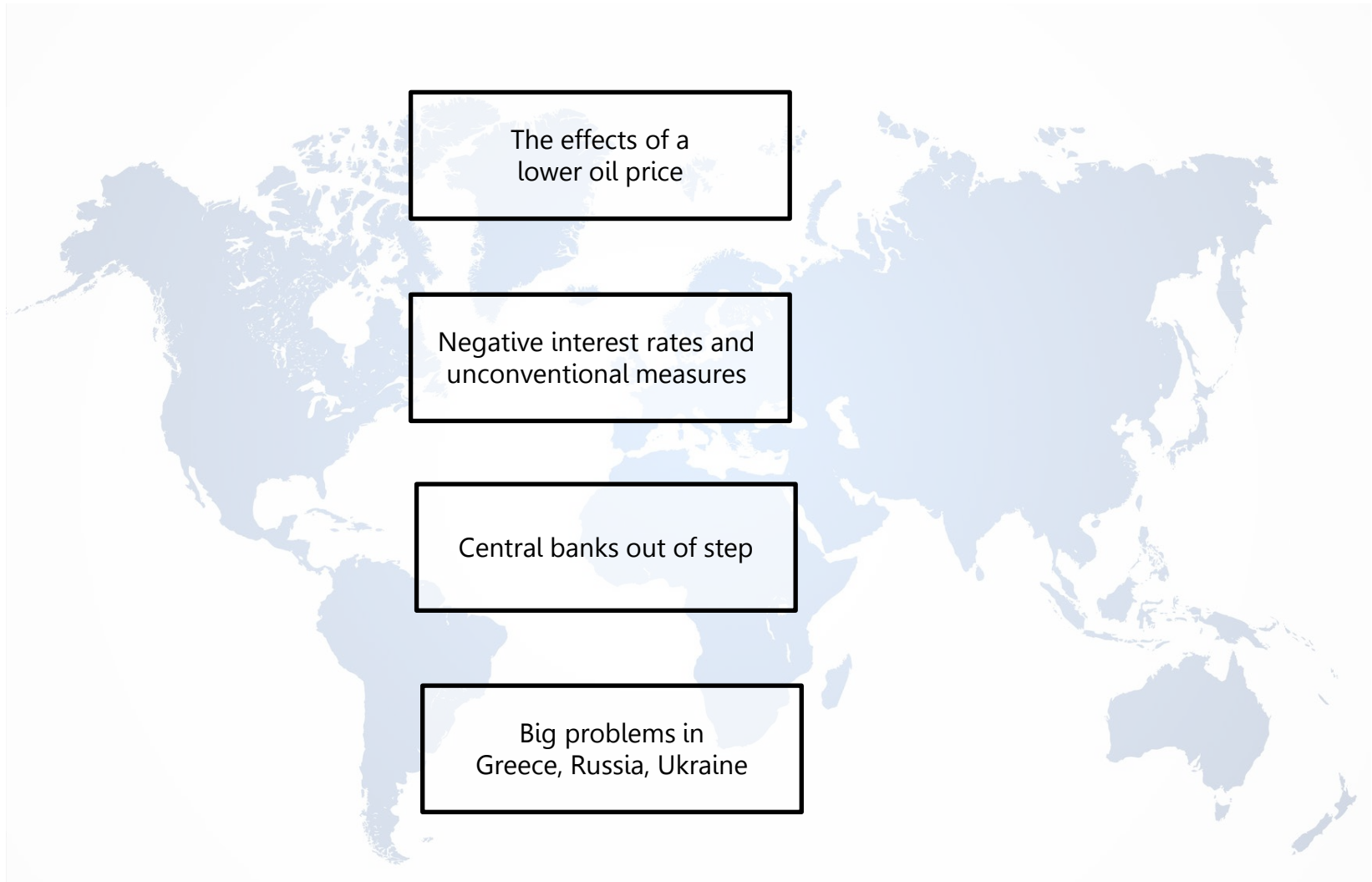
The krona has weakened



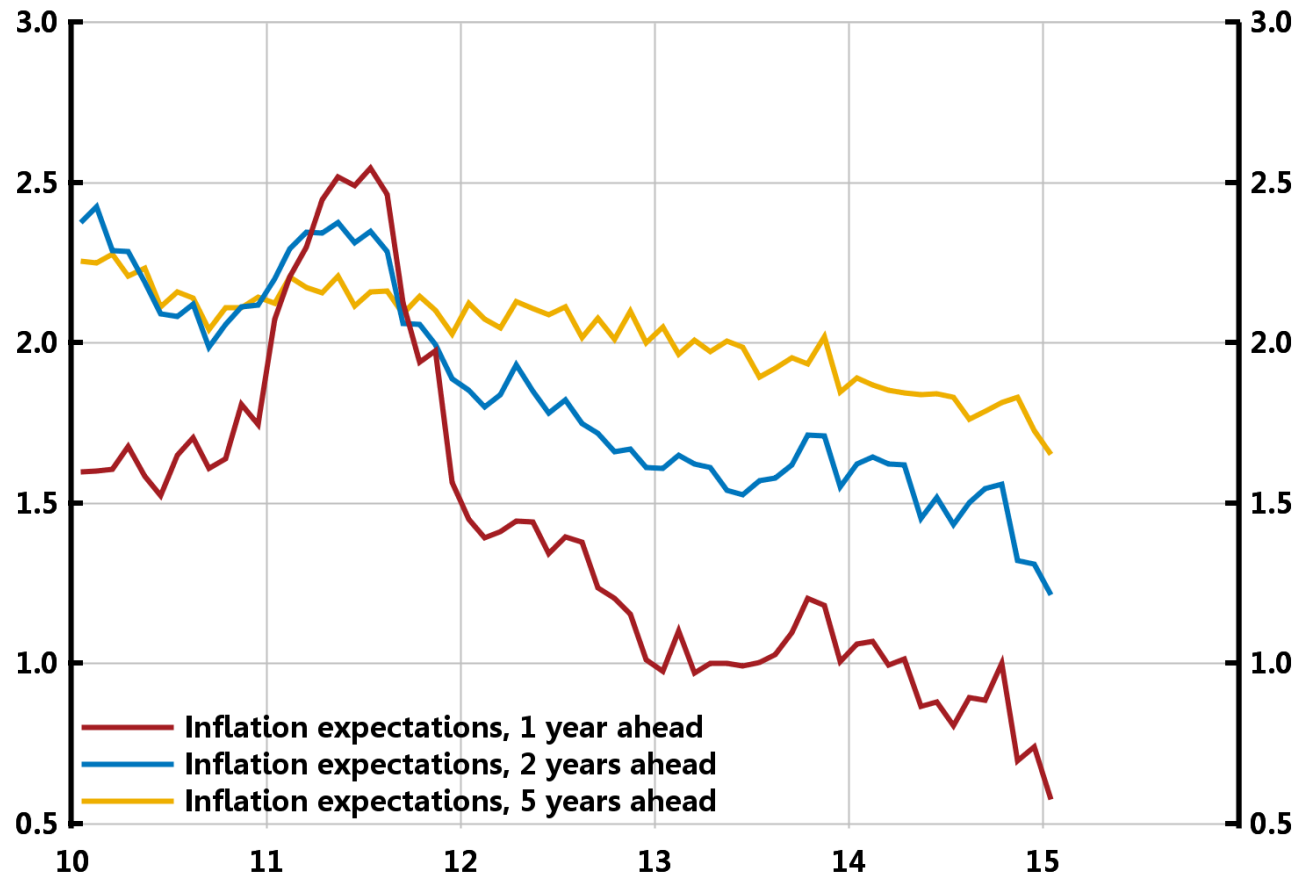
Note. Outcomes are daily rates and forecasts refer to quarterly averages, index. KIX is an aggregate of the countries that are important to Sweden's international transactions.

Source: The Riksbank

Increased uncertainty abroad – big risks that are hard to quantify



Important that inflation expectations in the longer term are anchored

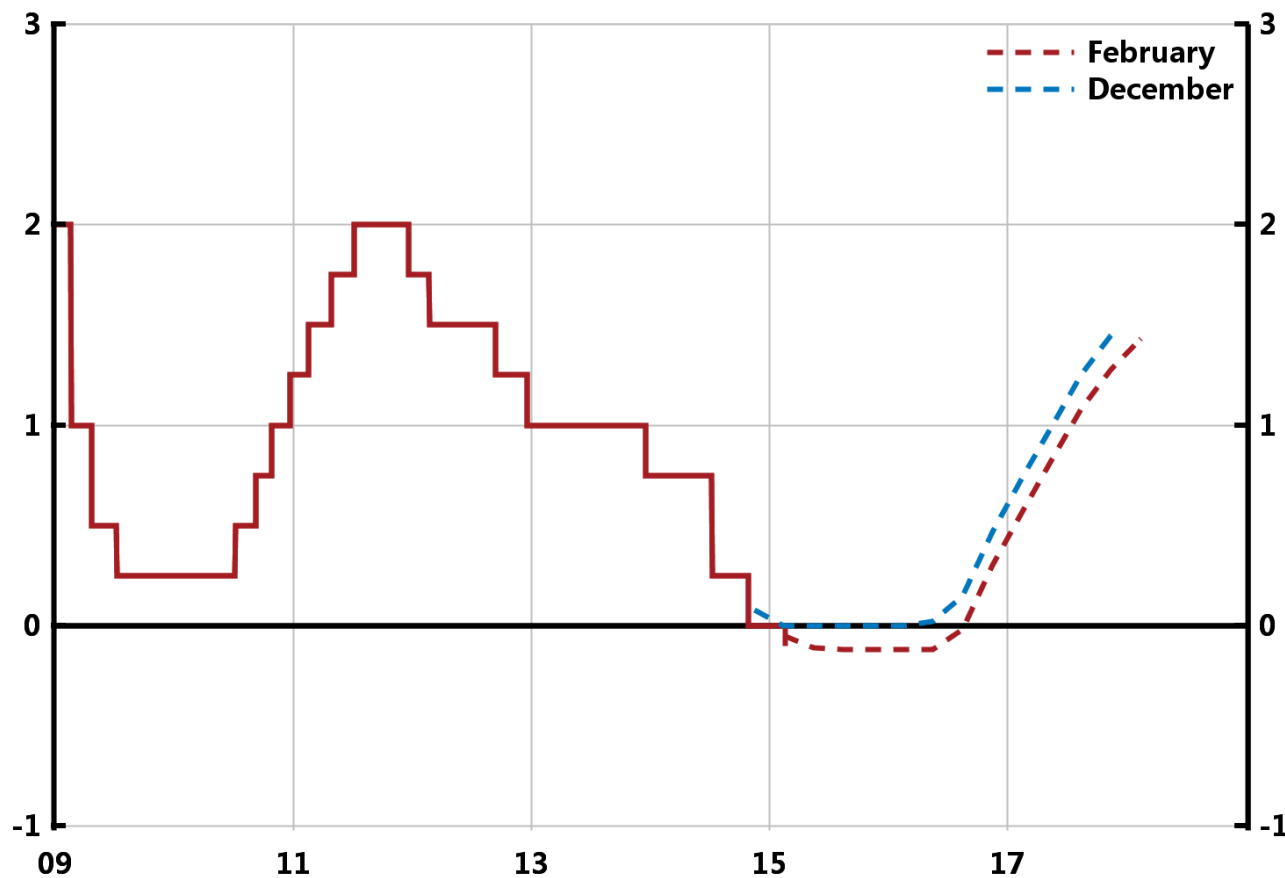


More expansionary monetary policy to support the upturn in inflation



- Cut repo rate to -0.10 per cent
 - Lower forecast for the repo rate
 - Restore interest rates for fine-tuning transactions to repo rate +/- 0.1 percentage points
 - Purchase government bonds for SEK 10 billion
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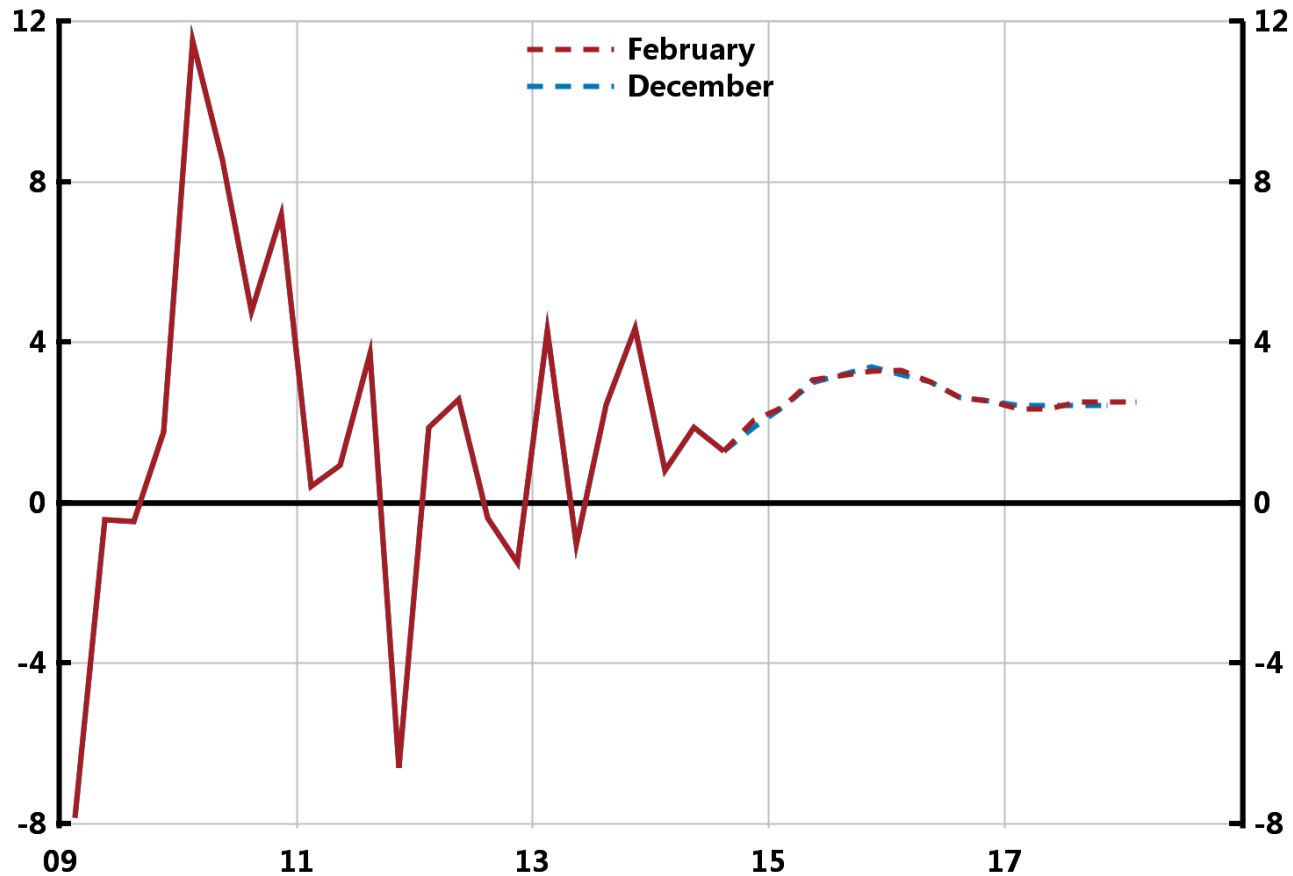
Repo rate and forecast for repo rate lowered



Note. Repo rate, per cent. Forecast refers to quarterly mean values, outcome refers to daily data.

Source: The Riksbank

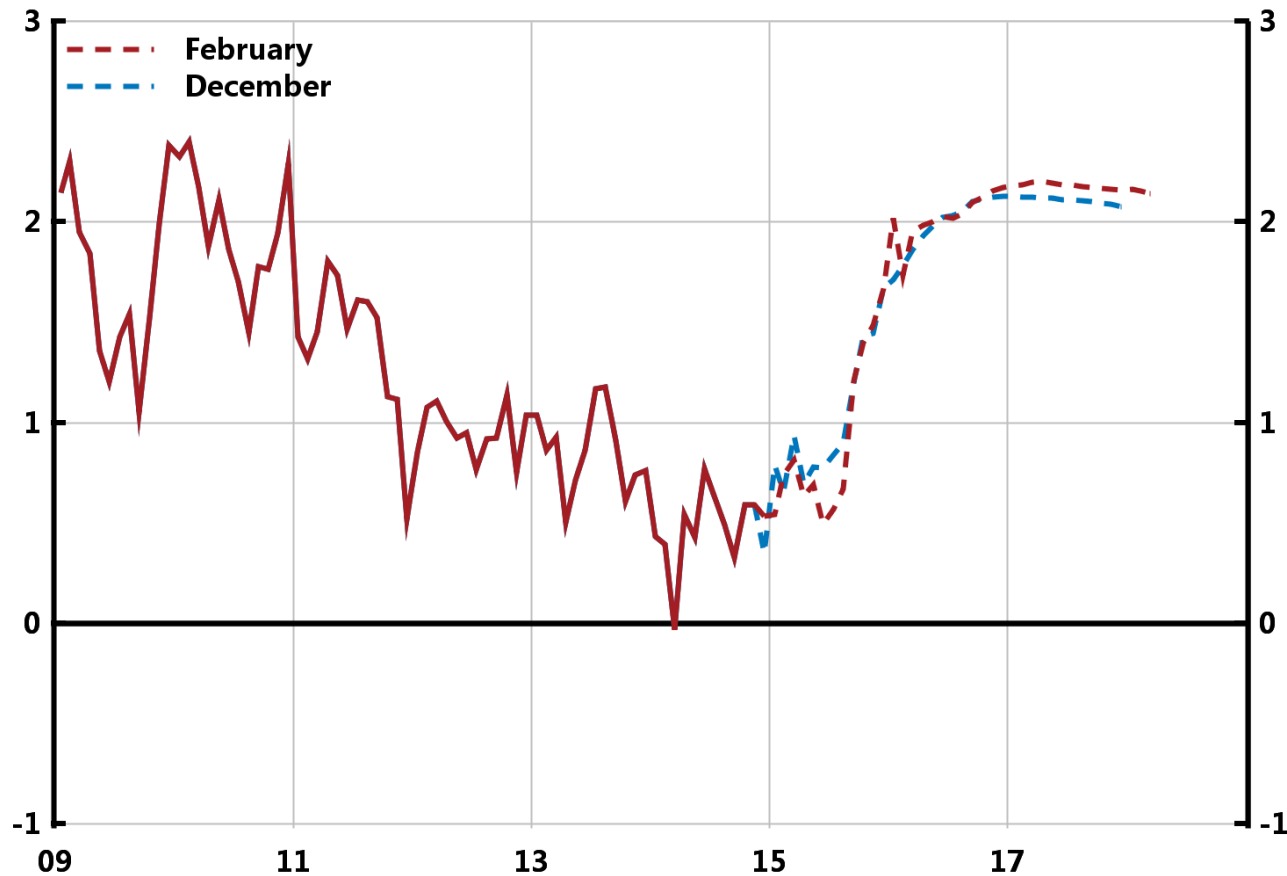
In sum, small revisions to the forecast for GDP growth



Note. Quarterly change in per cent, calculated as an annual percentage change, seasonally-adjusted data

Sources: Statistics Sweden and the Riksbank

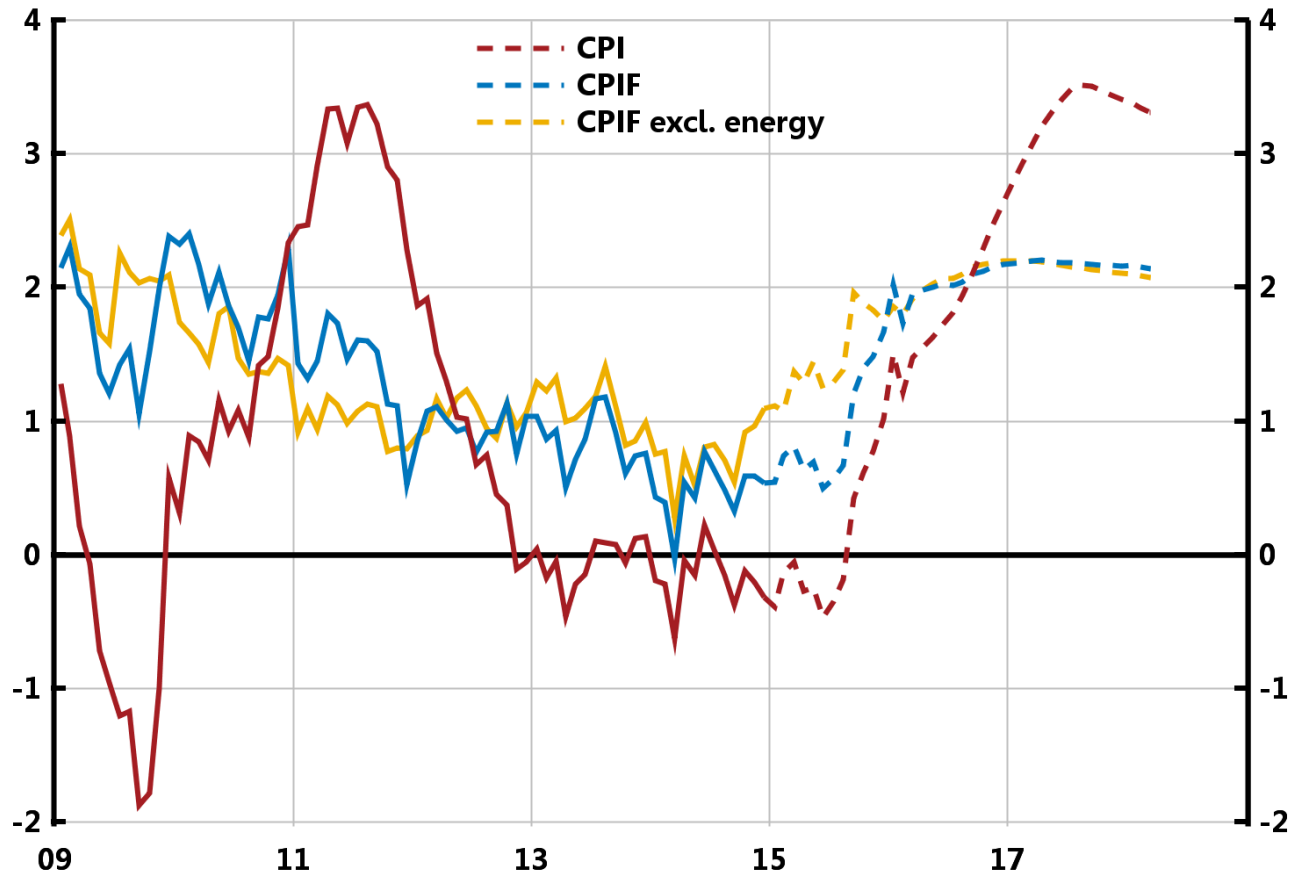
CPIF forecast pretty stable too



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

Sources: Statistics Sweden and the Riksbank

Rising inflation but big differences between different measures



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

Sources: Statistics Sweden and the Riksbank

If more is required, we will do more

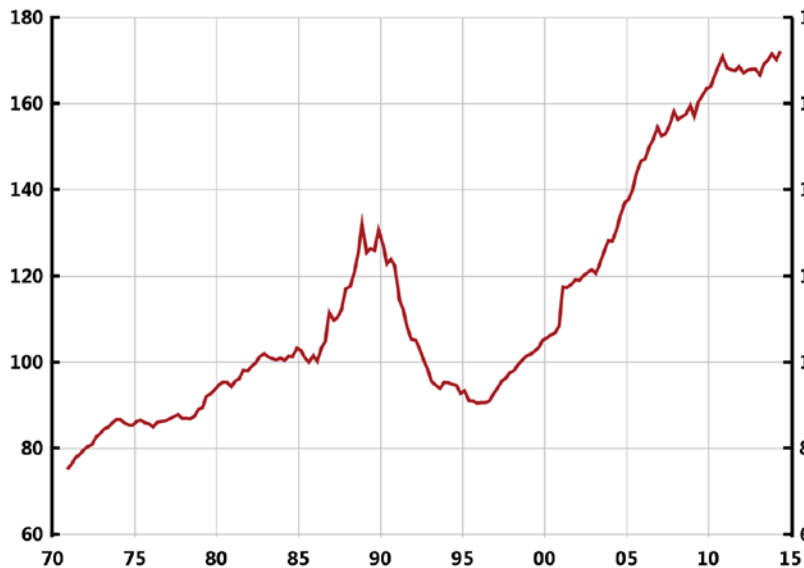
- If needed to get inflation to rise towards the target
 - Cut the repo rate and lower the repo-rate path
 - Extend purchase of government bonds
 - Lend to companies via banks
 - Depending on the situation: other measures, e.g. interventions on the foreign exchange market
 - Monetary policy can be made more expansionary quickly, even between the ordinary monetary policy meetings
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Household debt continues to pose a risk but must be managed by others

Debt as a percentage of disposable income



All households



Only indebted

