



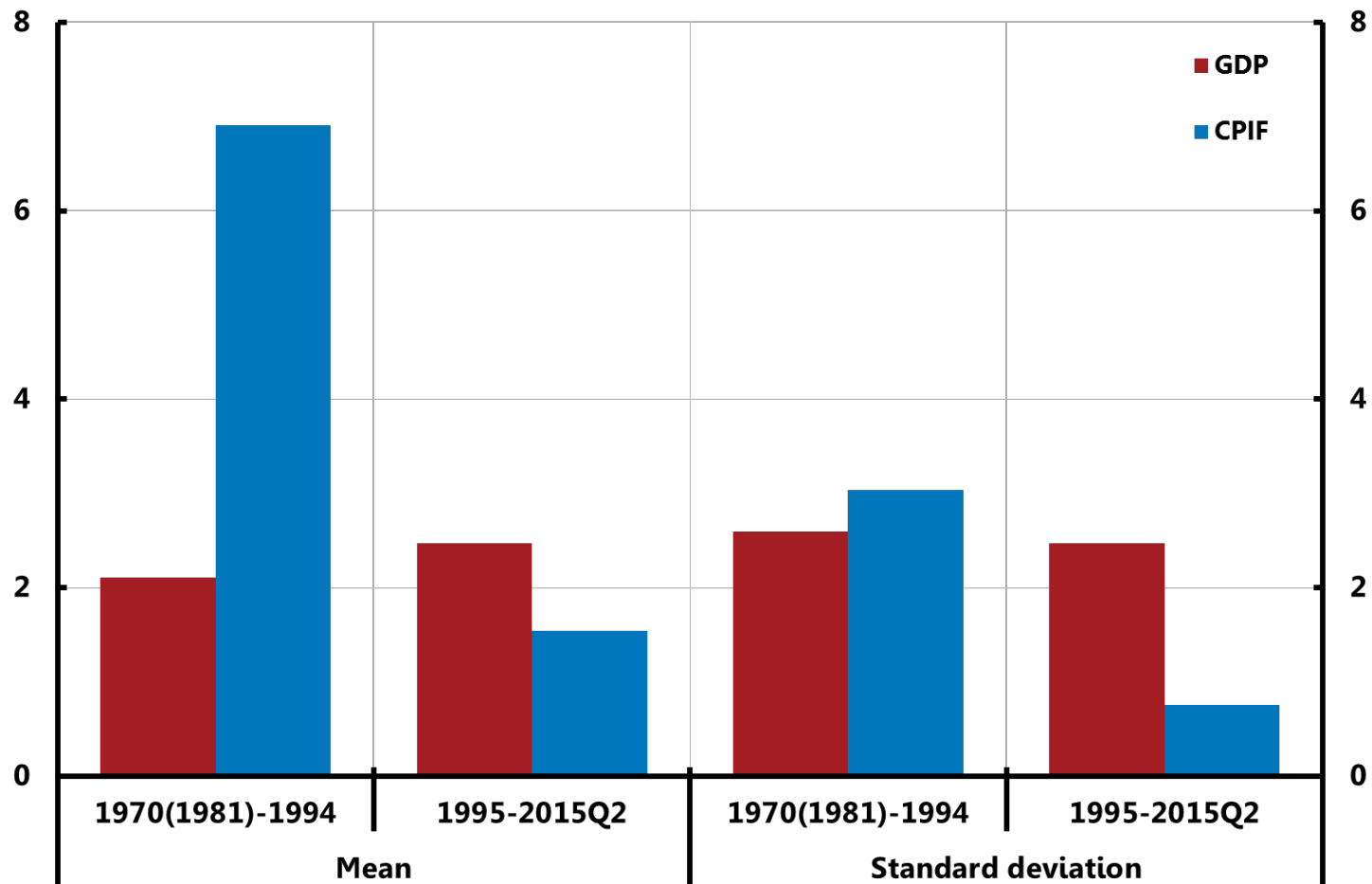
# Monetary policy and wage formation

Deputy Governor Per Jansson

# Today's theme

- Wage formation and monetary policy
    - Over a longer perspective
    - Aspects of the approaching round of collective bargaining
  
  - The most recent monetary policy decision (2 September)
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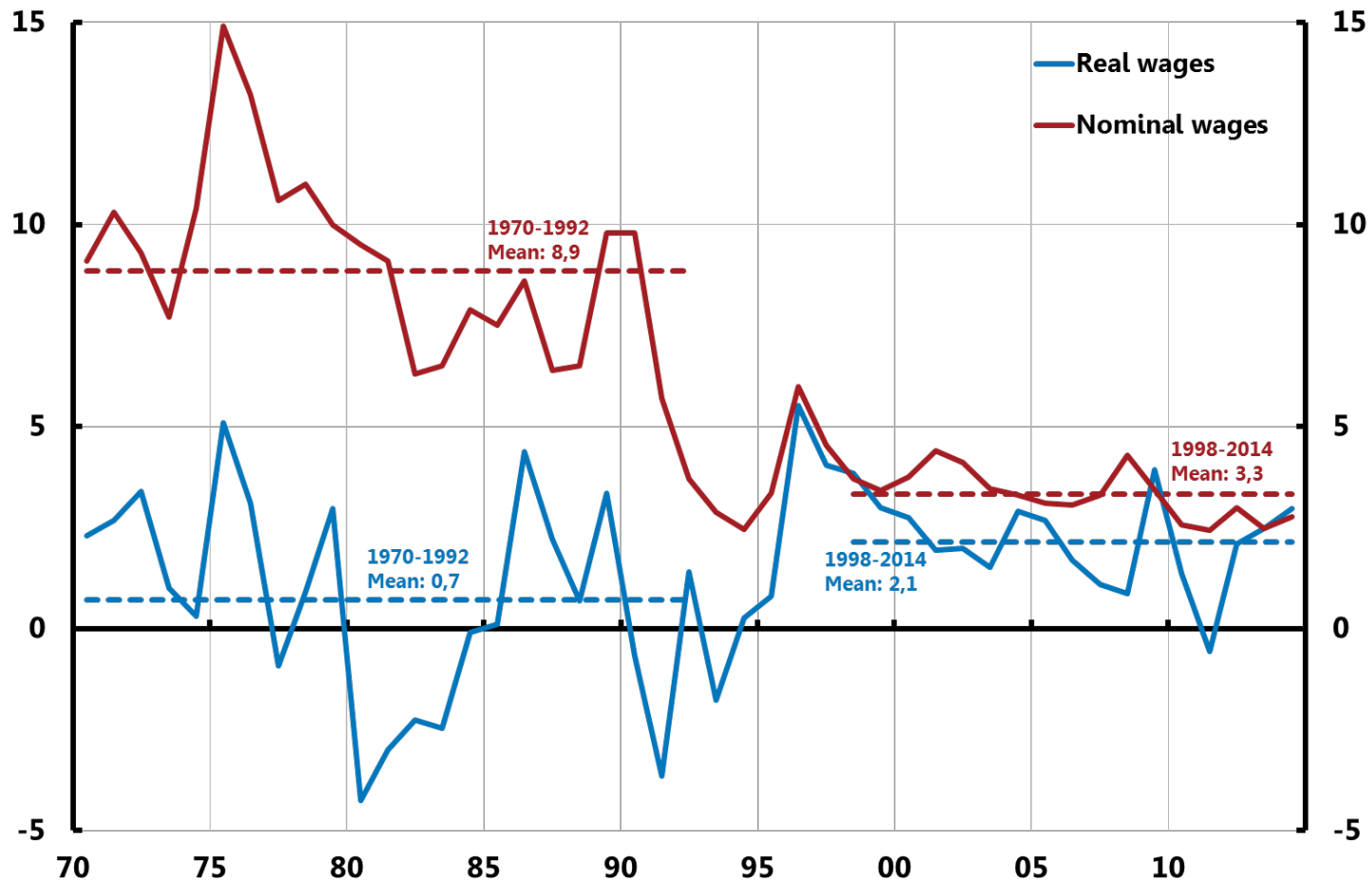
# Macroeconomy better since inflation target introduced



Note. CPIF refers to the period 1981–1994.

Sources: Statistics Sweden and the Riksbank

# Greater purchasing power and more stable wage formation

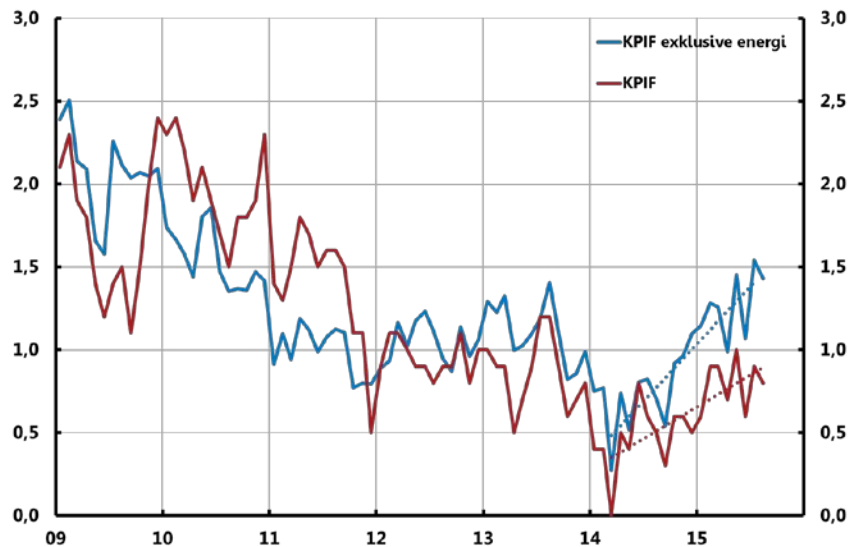


Note. Annual percentage change. According to short-term wage statistics after 1993 and wage structure statistics prior to 1993. Real wages are calculated as the difference between the annual percentage change in nominal wages and the annual percentage change in the CPI.

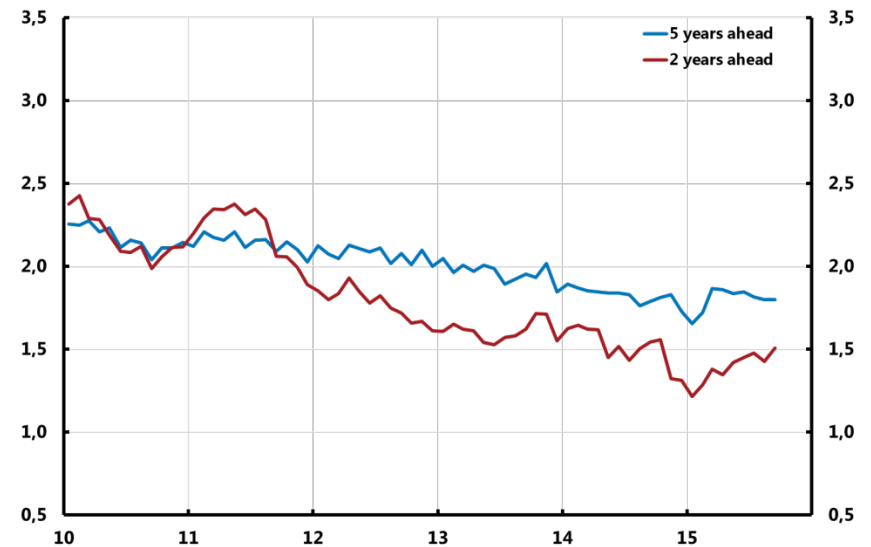
Sources: National Mediation Office and Statistics Sweden

# The inflation outlook is brighter

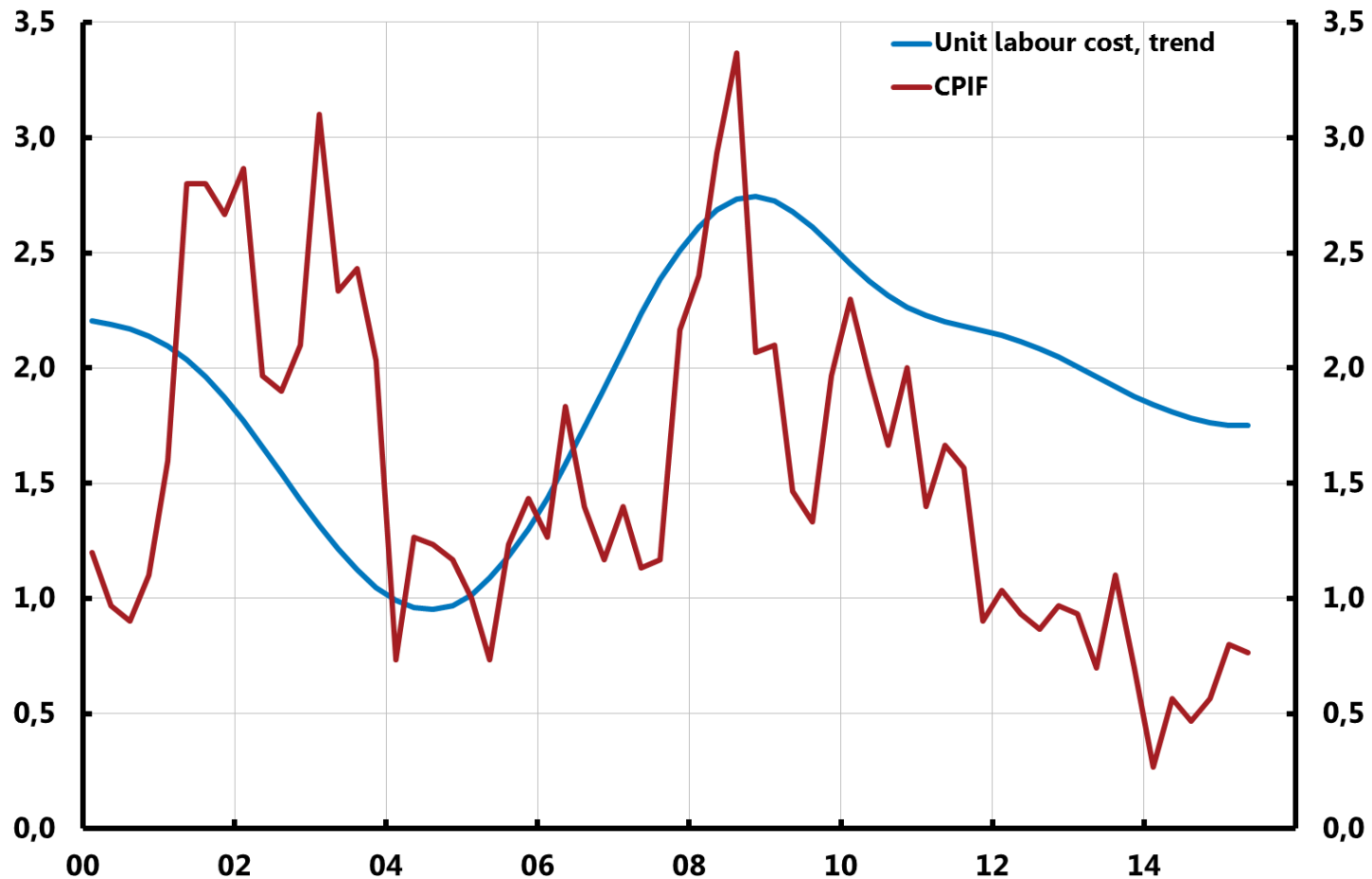
## Outcome



## Expectations



# No unreasonably high wage increases are necessary

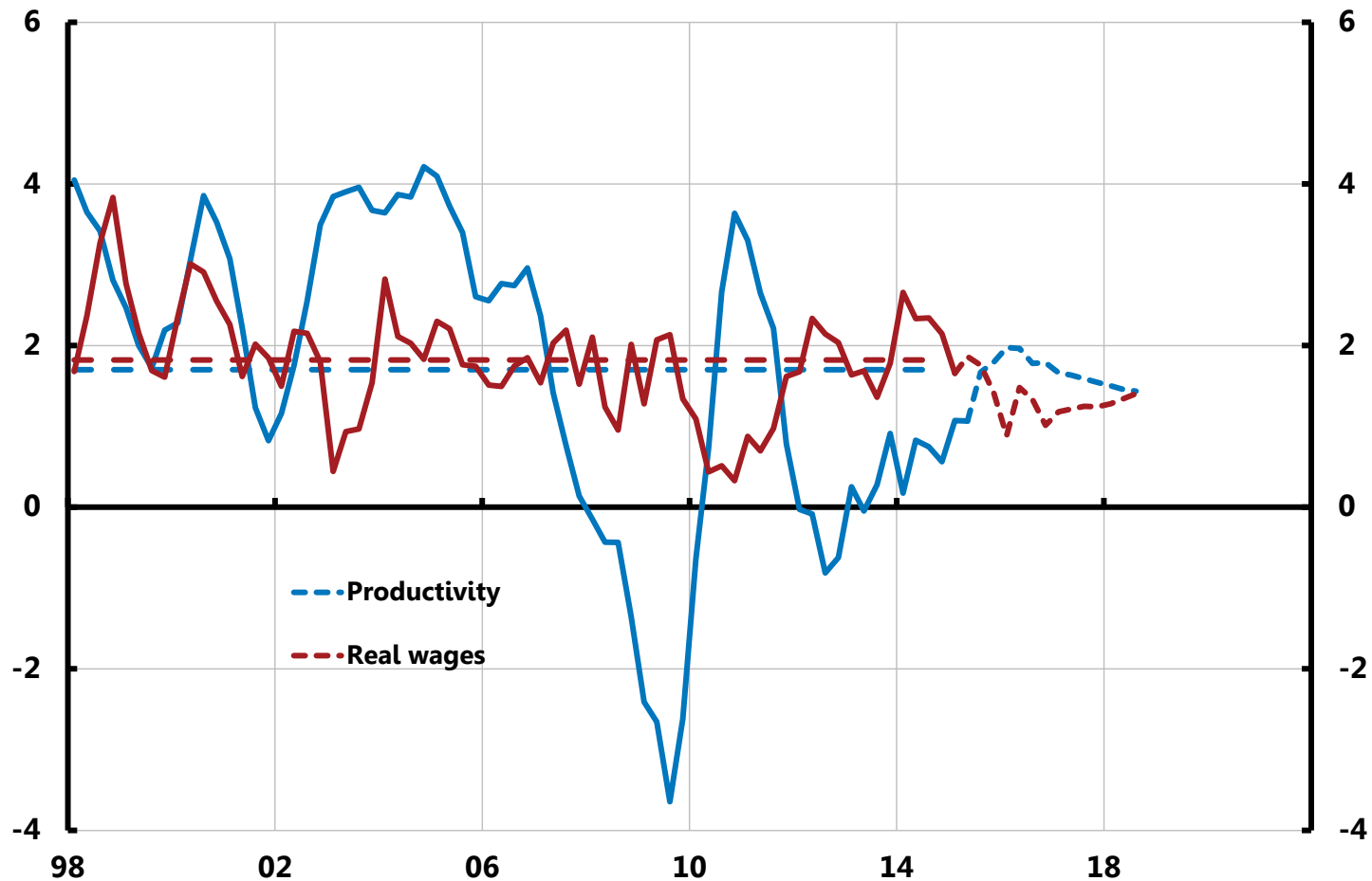


Note. The trend in unit labour costs has been calculated via a so-called HP filter. The trend has been calculated using the Riksbank's forecast from September 2015.

Sources: Statistics Sweden and the Riksbank

# Productivity is expected to increase slightly faster than real wages

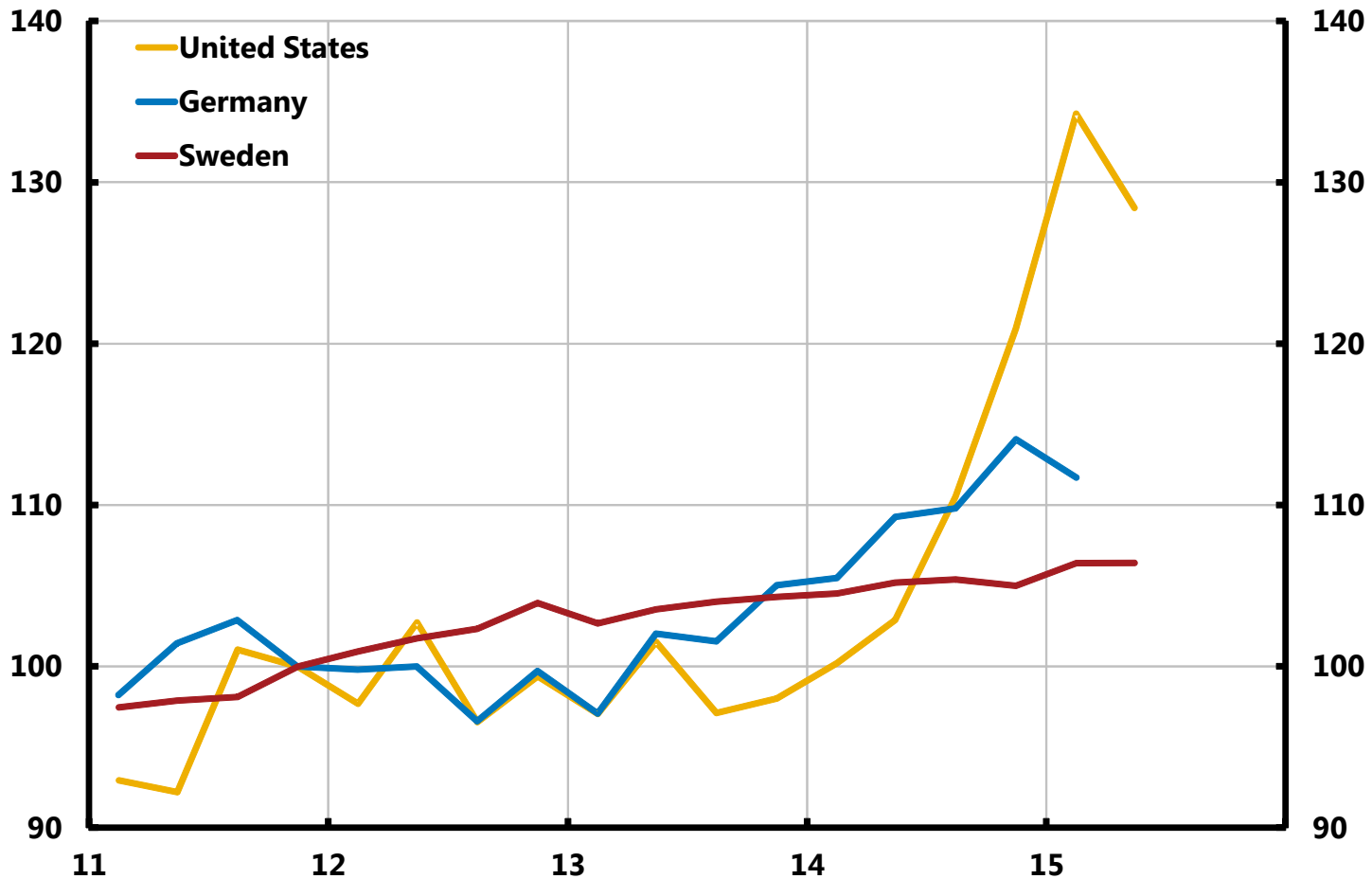
Annual percentage change



Note. Real wages are deflated with CPIF. Productivity is a four quarter moving average. Broken horizontal lines refer to average between 1998 and 2014.

Sources: Swedish National Mediation Office, Statistics Sweden and the Riksbank

# Competitiveness has improved over the period of unusually low inflation

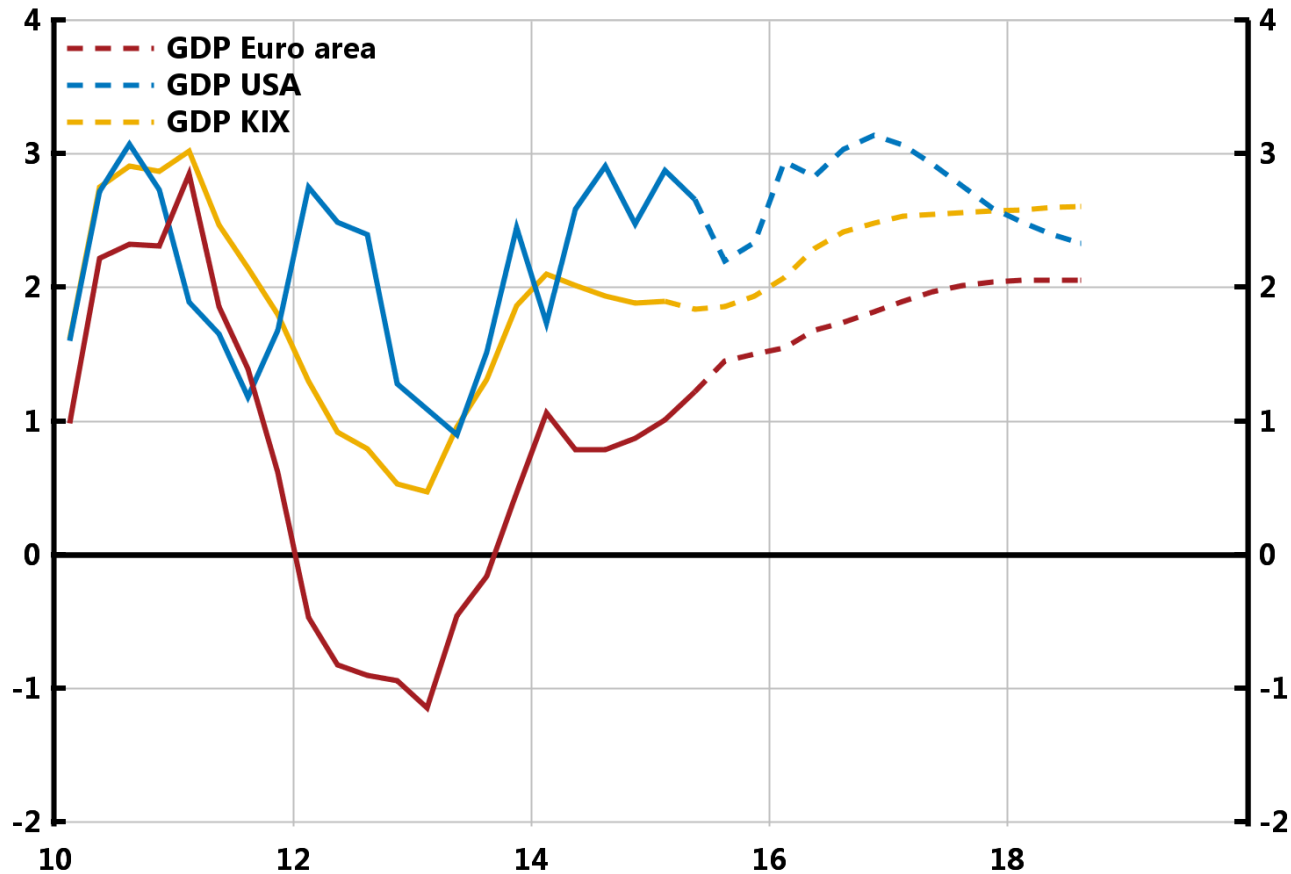




**Inflation is rising**  
**Monetary policy providing necessary support**

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# Recovery abroad despite some causes for concern



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

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

# Economic activity in Sweden strengthening

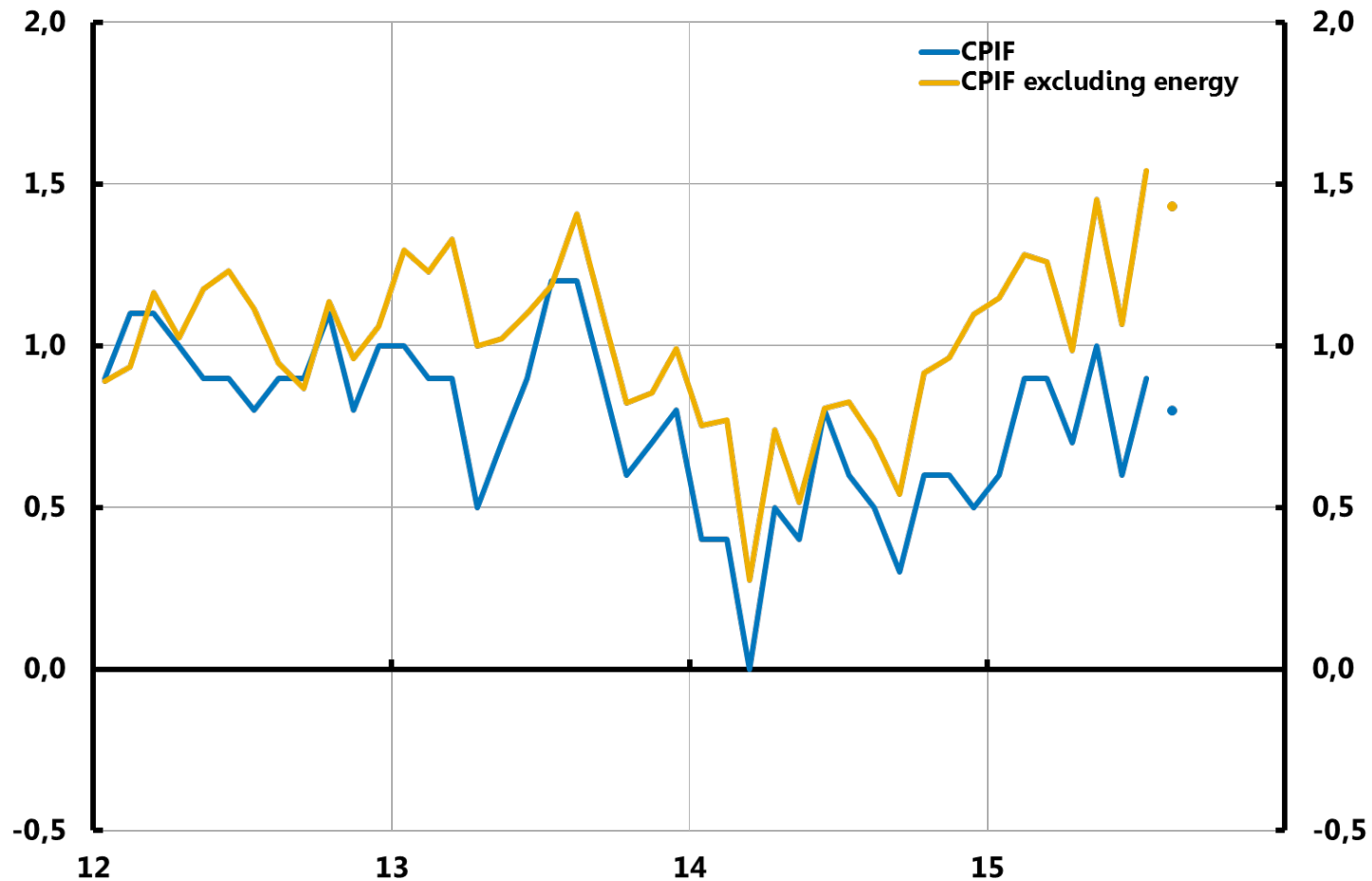
## Stable GDP growth



## Labour market improving



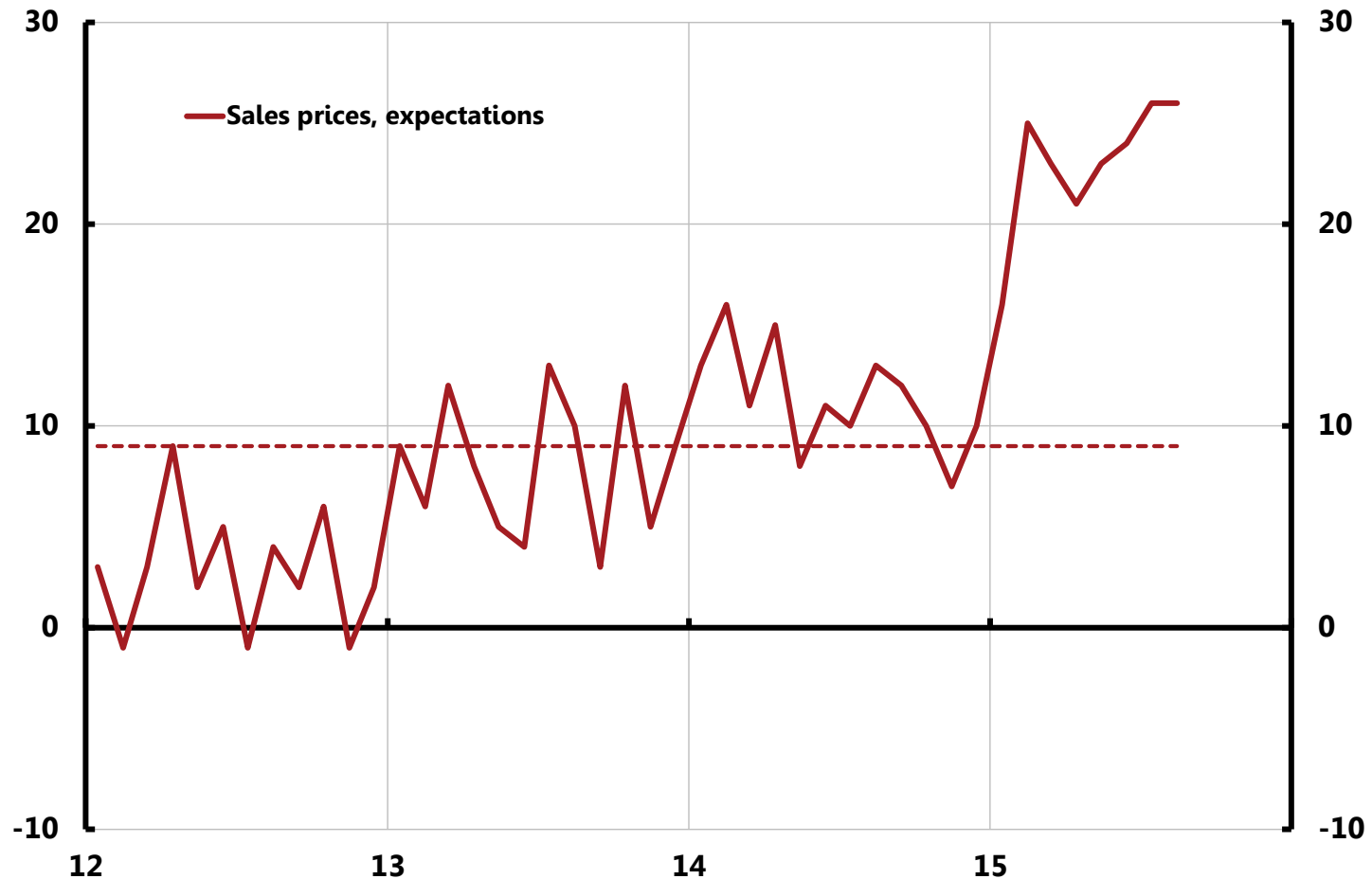
# Monetary policy having an effect - inflation is rising



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

Sources: Statistics Sweden and the Riksbank

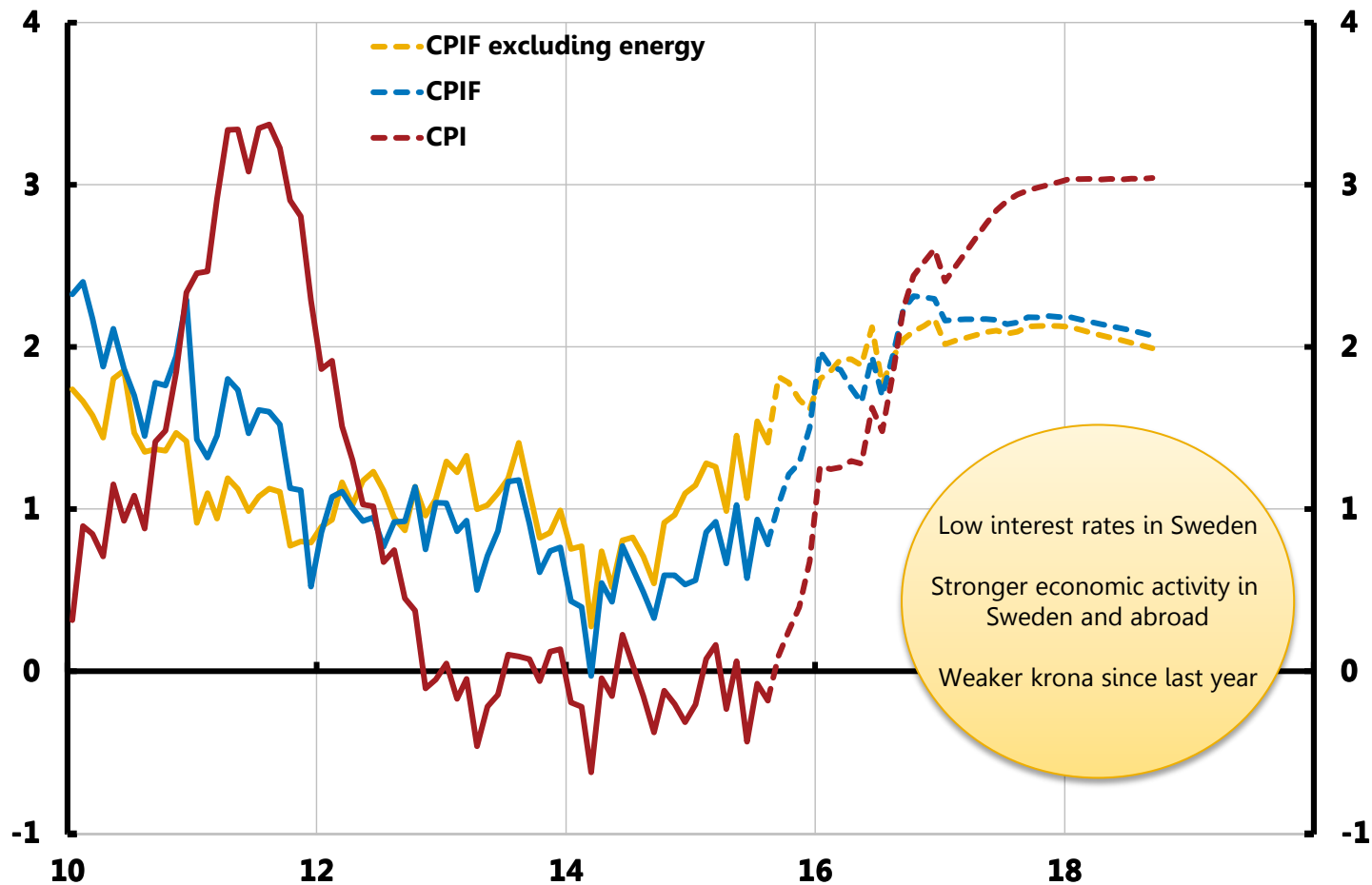
# Companies expecting higher prices



Note. Sales prices, expectations among retailers, net figures. Refers to the three months immediately following date of survey. Broken line refers to an average since May 2003.

Source: National Institute of Economic Research

# Inflation rising towards the target

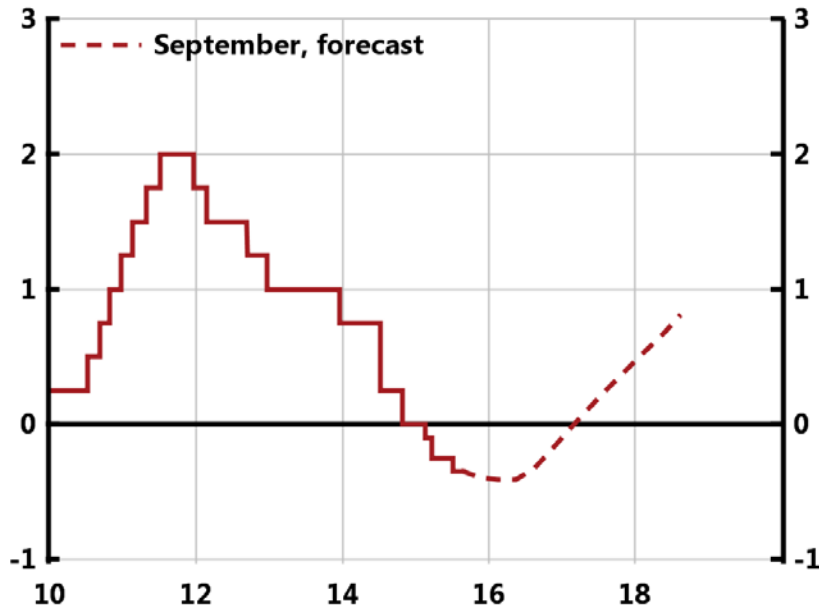


Note. Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

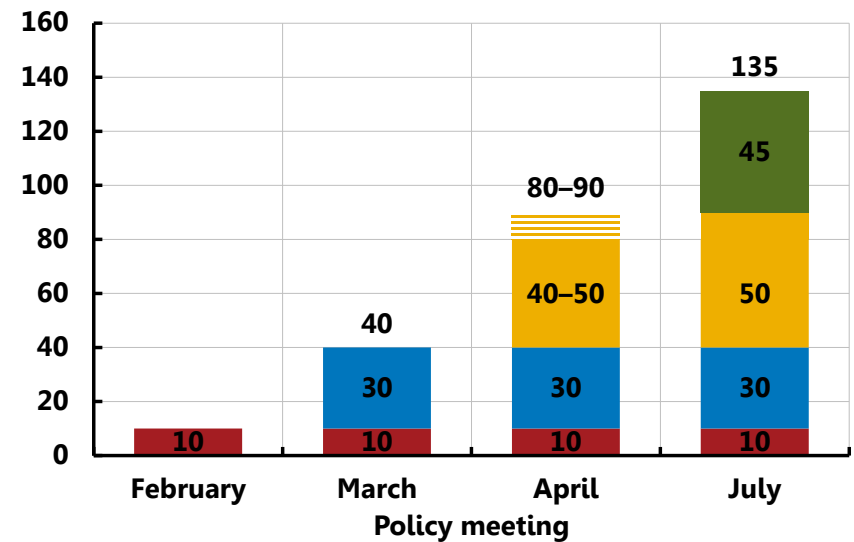
Sources: Statistics Sweden and the Riksbank

# To ensure the trend of rising inflation continues

## Very low repo rate



## Purchases of government bonds



# Risks to the rise in inflation

**Low inflation  
for a long time**

How quickly will  
inflation rise?

**Concerns in emerging  
economies**

**Fall in oil price**

**Central banks  
out of step**

Rapid appreciation of  
the krona - a risk to the  
rise in inflation



# 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 government bonds
  - Intervene on the foreign exchange market
  - Lend to companies via banks

# The low interest rate is necessary

- The inflation target contributes to better economic development
- Not to change the target owing to where inflation is at the moment
- Low interest rates internationally
- Monetary policy having an effect - inflation is rising

But

- Low interest rates can lead to exaggerated risk-taking
  - The risks associated with household debt and the housing market
  - Other government agencies, the Riksdag and the Government have the tools - high time to use them!
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**Inflation is rising**  
**Monetary policy providing necessary support**

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