



Issues in focus in monetary policy

Riksdag Committee on
Finance

7 March 2013

First Deputy Governor Kerstin af Jochnick

Issues in focus in monetary policy

■ The labour market

- The role of monetary policy

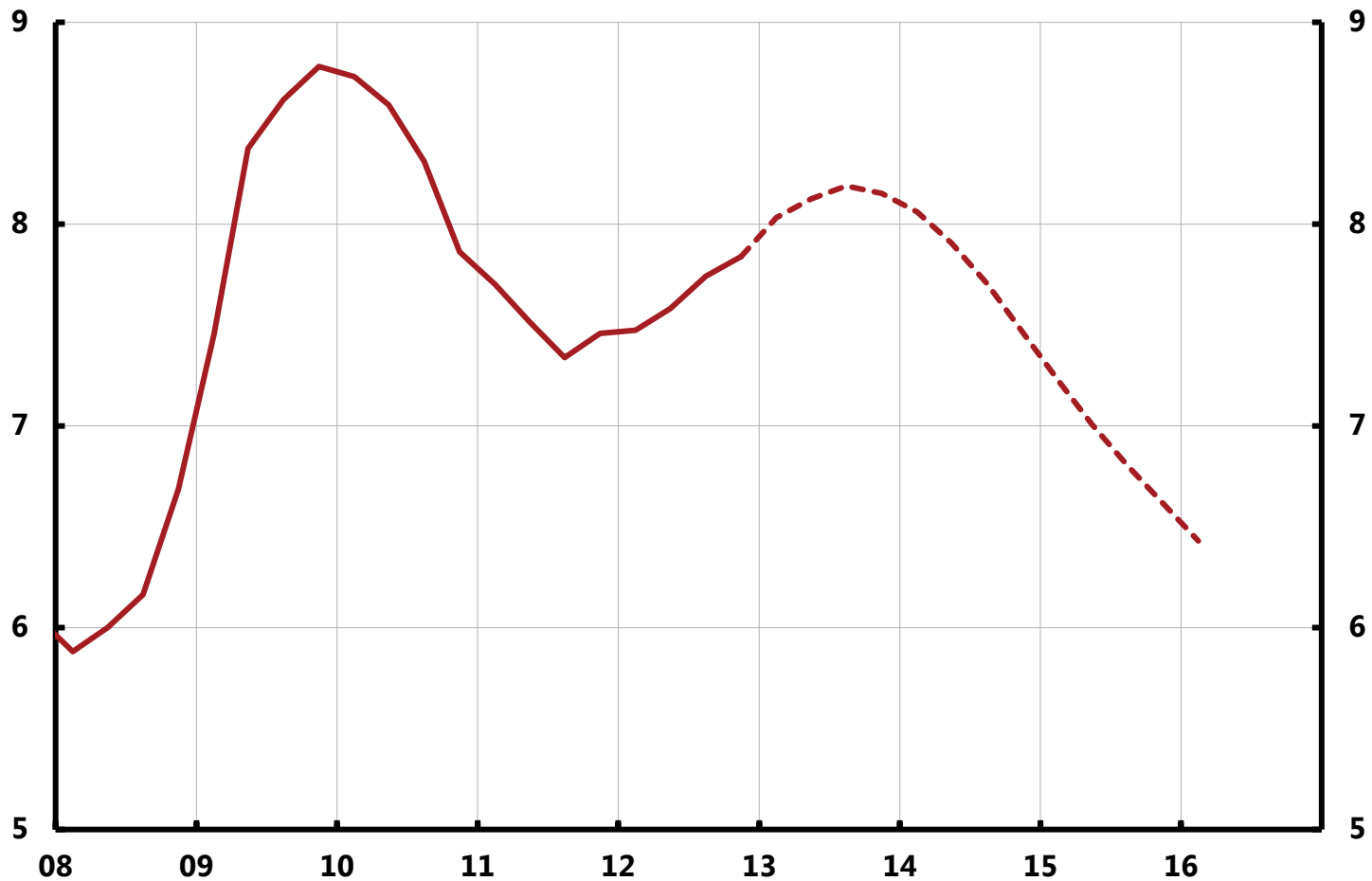
■ Household indebtedness

- Monetary policy and macroprudential policy



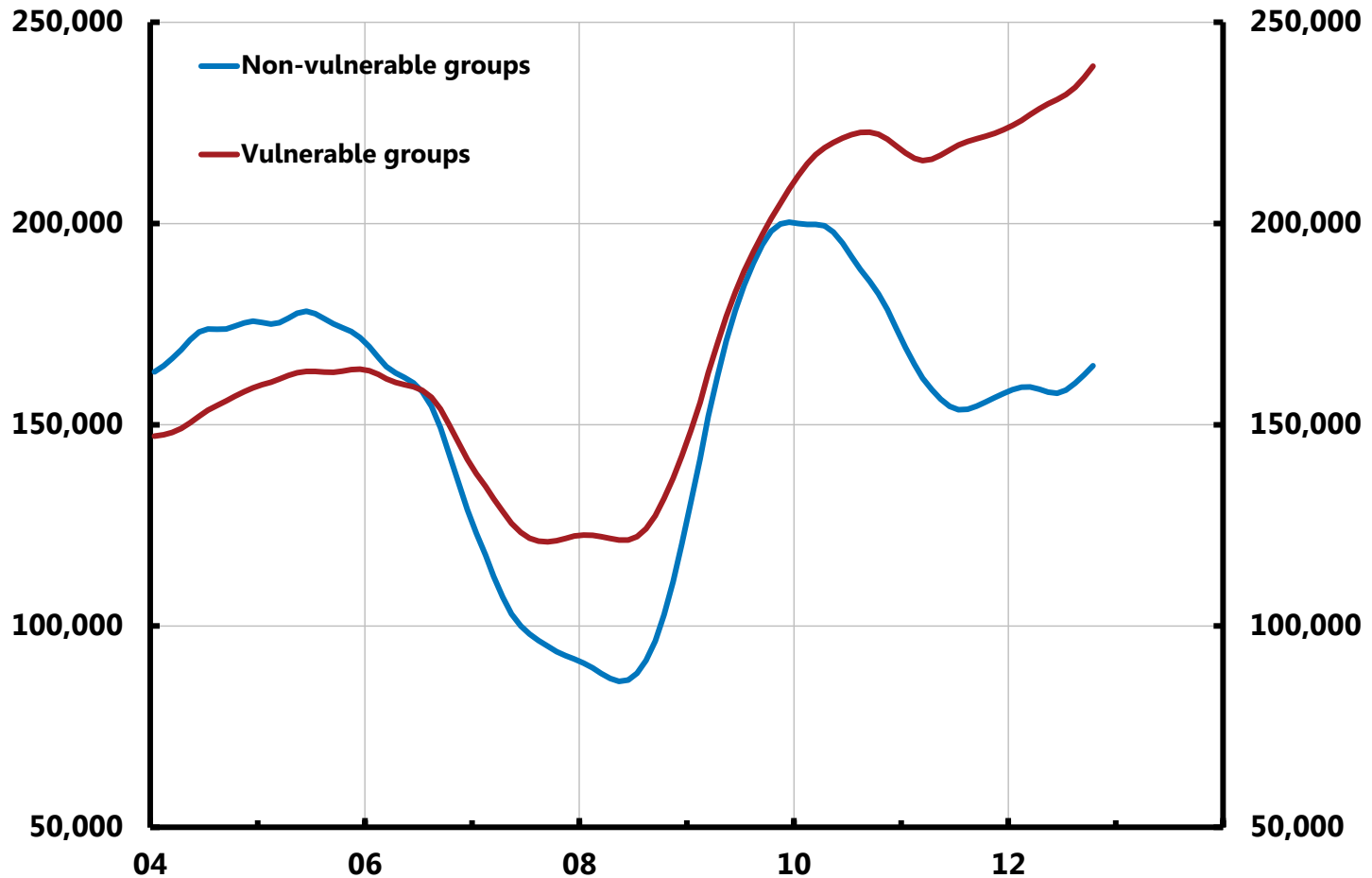
The low repo rate contributes to the recovery on the labour market...

Unemployment



...but there are also structural problems

Number of unemployed in vulnerable groups and total of others registered as unemployed

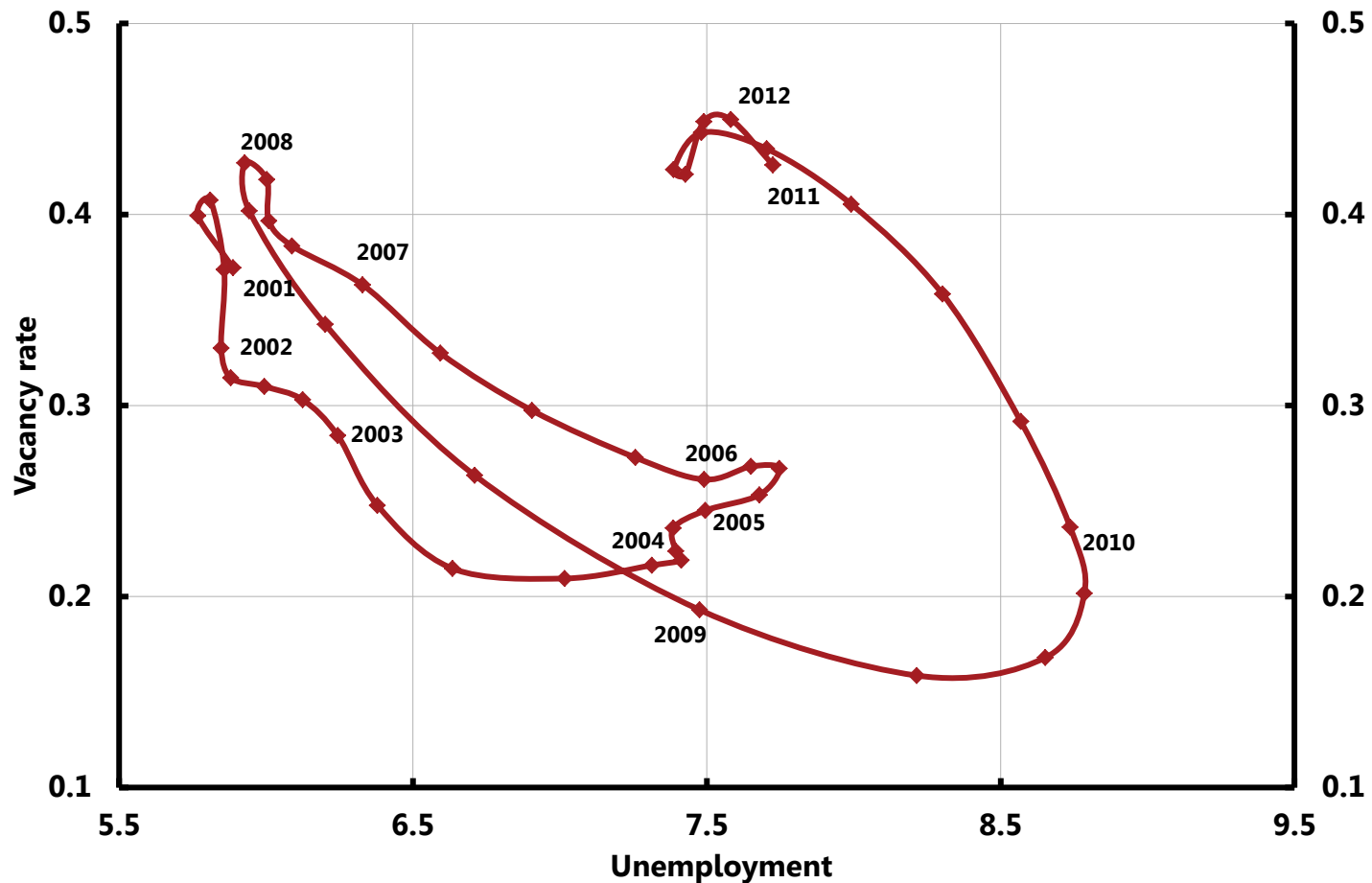


Source: Swedish Employment Service

Note. Trend-adjusted values. Number of remaining job-seekers at end of month. Vulnerable groups include people with less than upper-secondary school education, people in the age group 55-64, those born outside of Europe, and people with a physical disability.

Signs of poorer matching

Beveridge curve



Note. Per cent of the labour force. Data labels mark the first quarter of the respective year.

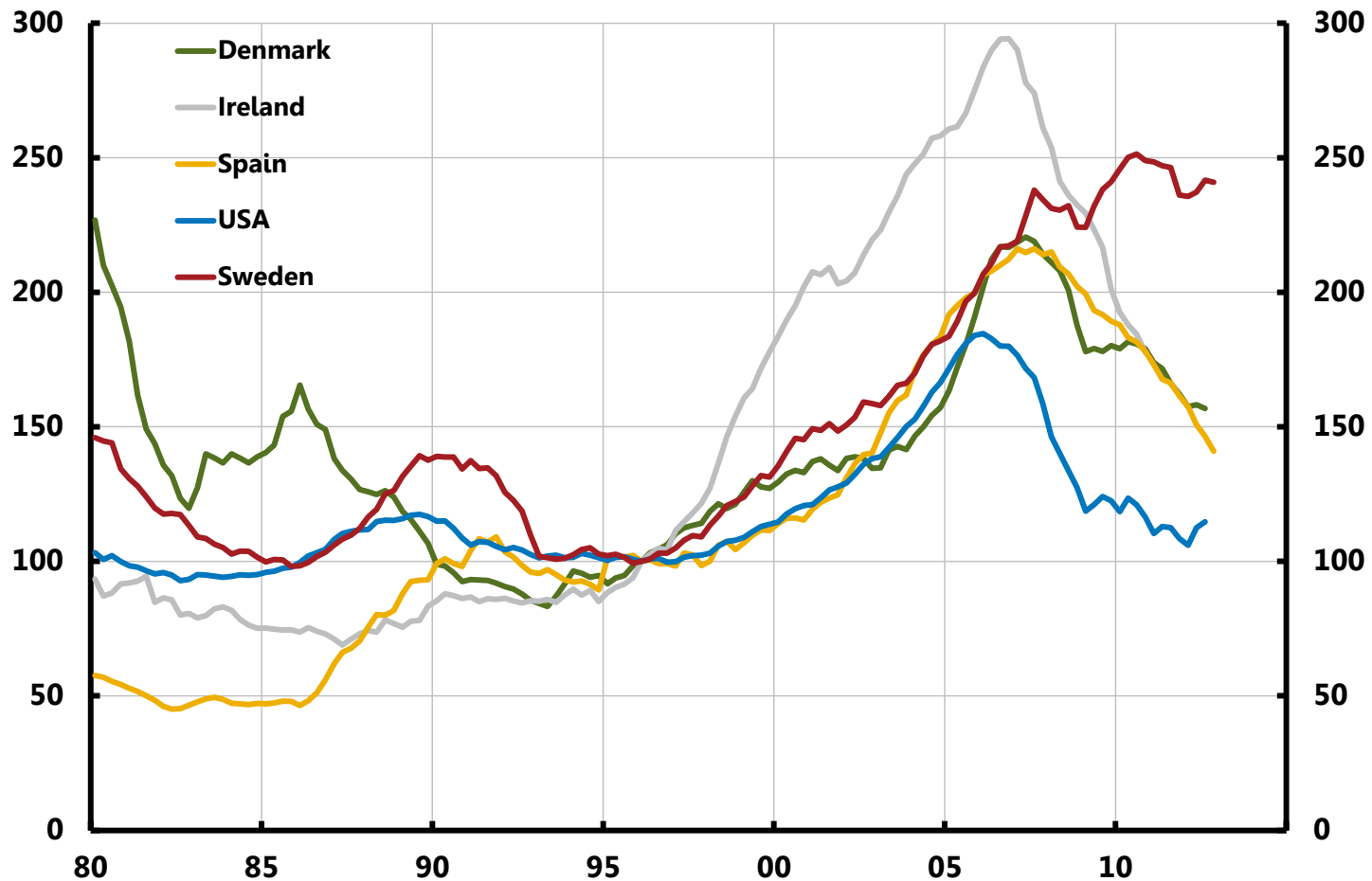
Sources: Employment Service, Statistics Sweden and the Riksbank

Household indebtedness has been discussed at the monetary policy meetings

- The financial crisis has highlighted the risks on the housing and credit markets
 - Several other countries have experienced serious problems
 - Very weak demand
 - Sharp rise in unemployment
 - We want to avoid this in Sweden!
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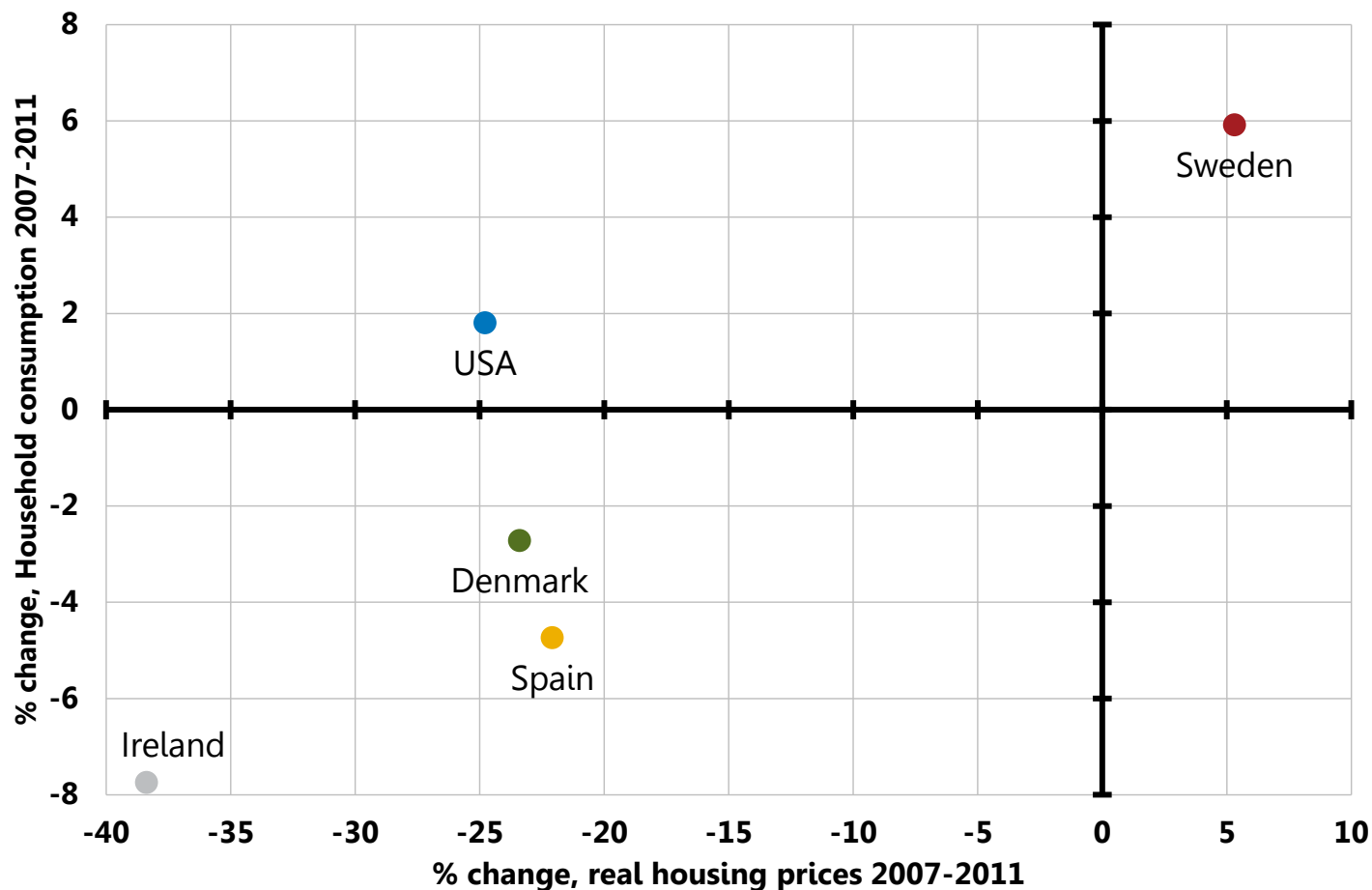
Housing prices and household indebtedness have increased sharply in Sweden

Real housing prices, index, 1996 Q1 = 100



A fall in housing prices may have major effects on consumption...

Real housing prices and household consumption
Percentage change 2007-2011



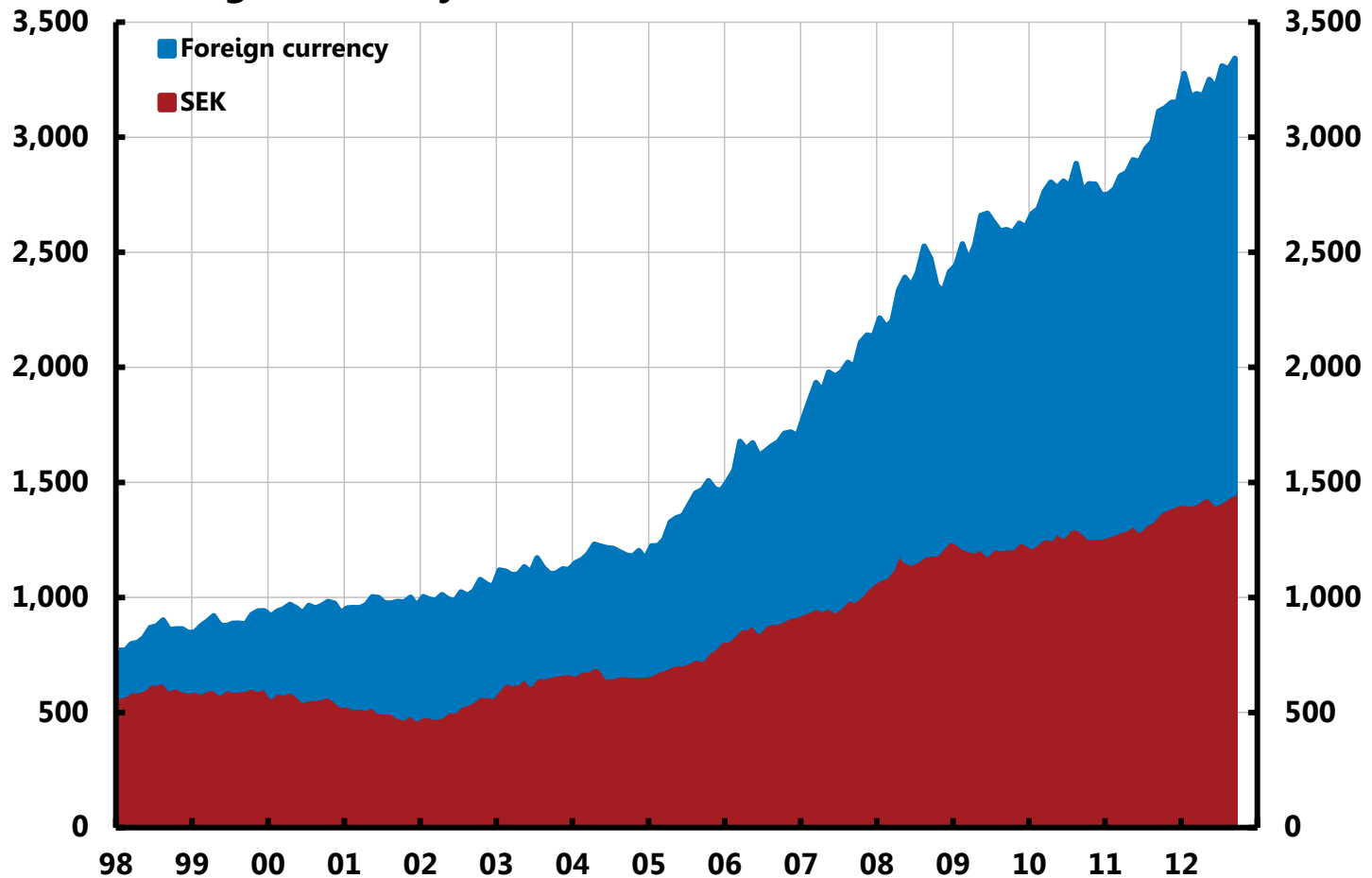
...and unemployment...

Real housing prices and unemployment
Percentage change 2007-2011



...and the banks may find it more difficult to get funding

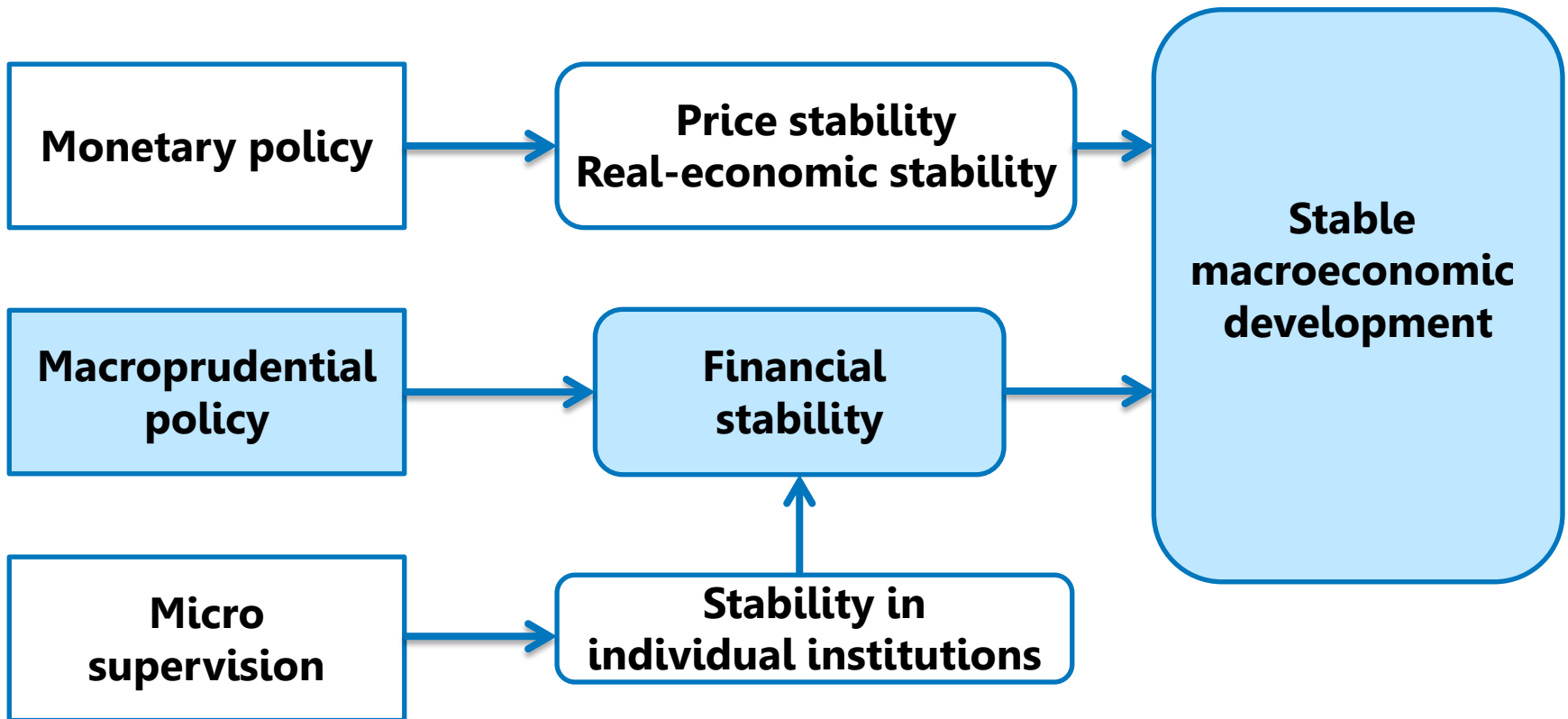
The market funding of the major Swedish banks



Note. Funding via Swedish parent companies and subsidiaries, SEK billion.

Sources: Statistics Sweden and the Riksbank

Macroprudential policy – a new policy area



Macroprudential policy can create sharper tools than the interest rate to counteract financial imbalances



- Countercyclical capital buffers
- Risk weights for mortgages
- Loan restrictions for households



My messages today

- Monetary policy and the labour market
 - Low repo rate contributes to the recovery on the labour market...
 - ...but does not solve structural problems
 - Important question for monetary policy: To what extent is unemployment cyclical or structural?

 - Monetary policy and household indebtedness
 - Household indebtedness has been discussed at the monetary policy meetings
 - Macroprudential policy can offer sharper tools than the interest rate
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