



Monetary policy decision

February 2015

First Deputy Governor Kerstin af Jochnick
Morgan Stanley
February 13, 2015

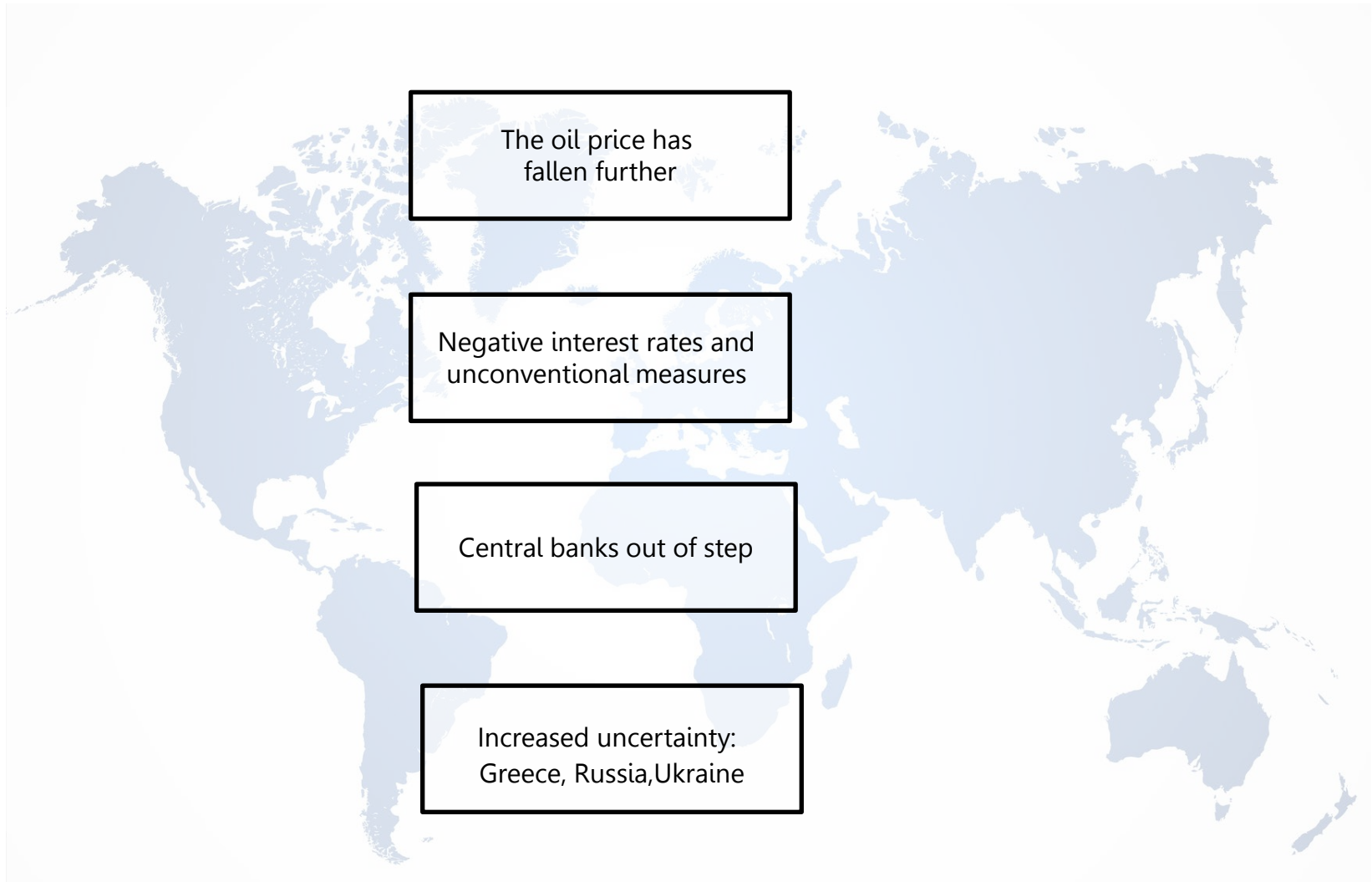
**Low interest rates support
upturn in inflation**

Readiness to do more

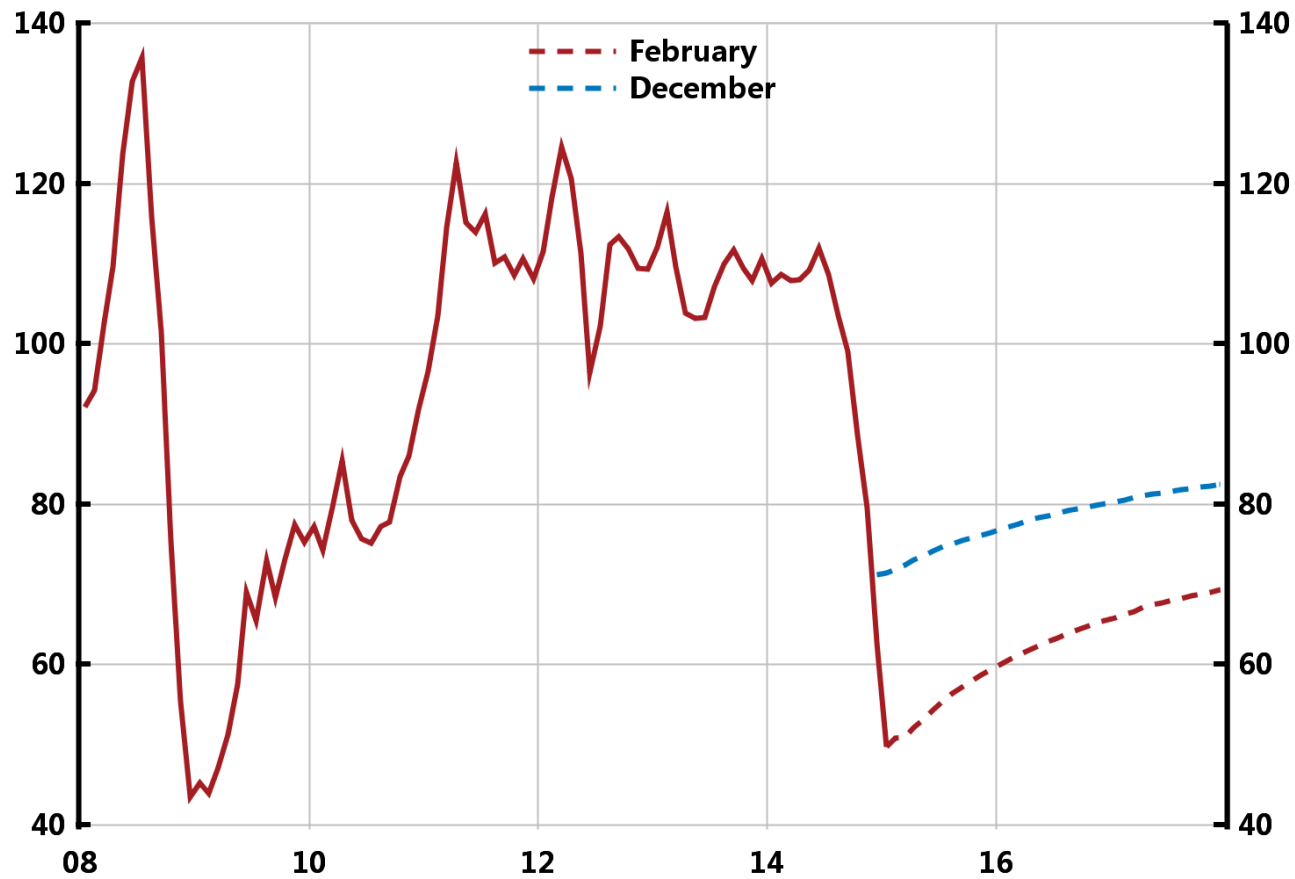
- Economic activity and inflation roughly as expected
 - But inflation risks have increased

 - To support upturn in inflation – more expansionary monetary policy
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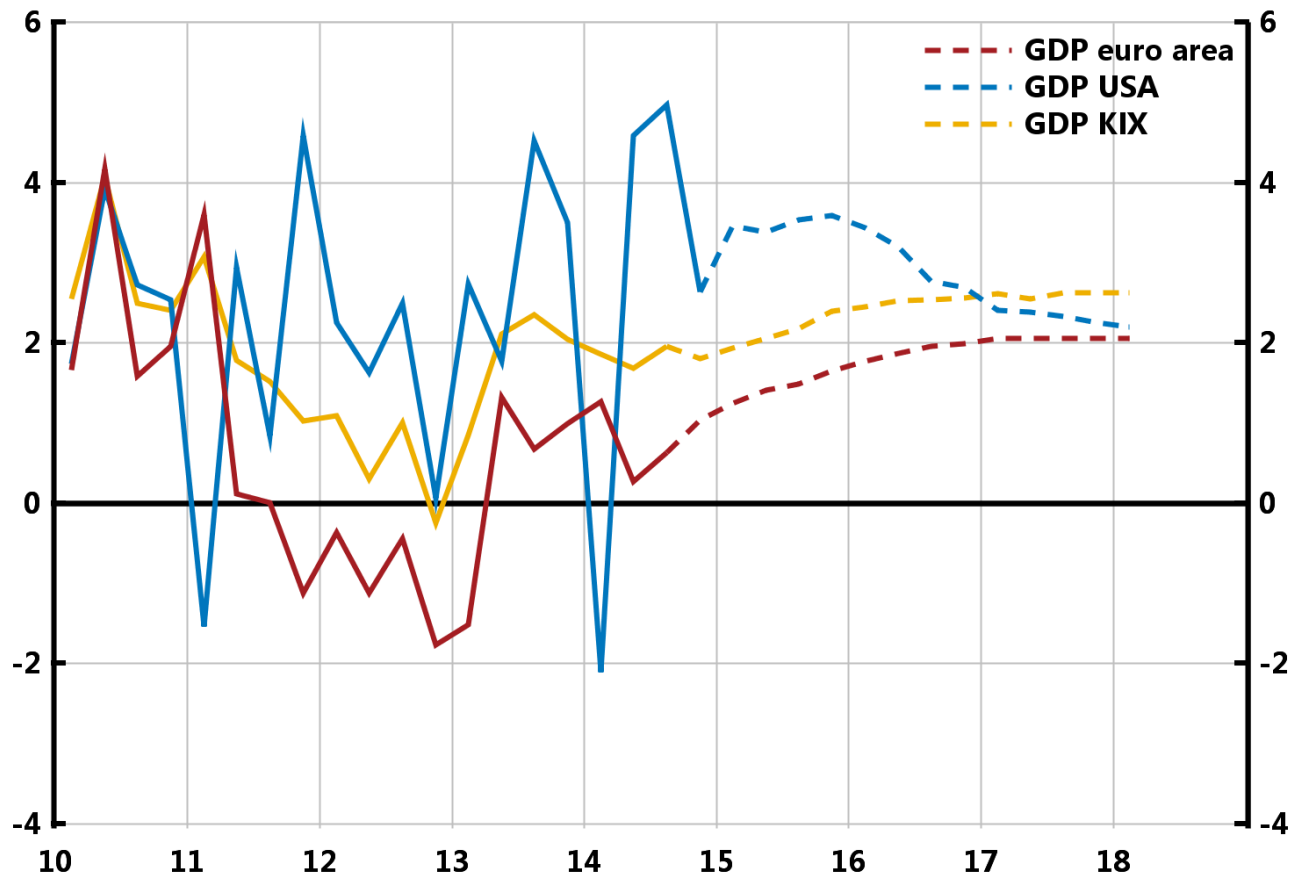
Sweden – a small, open economy



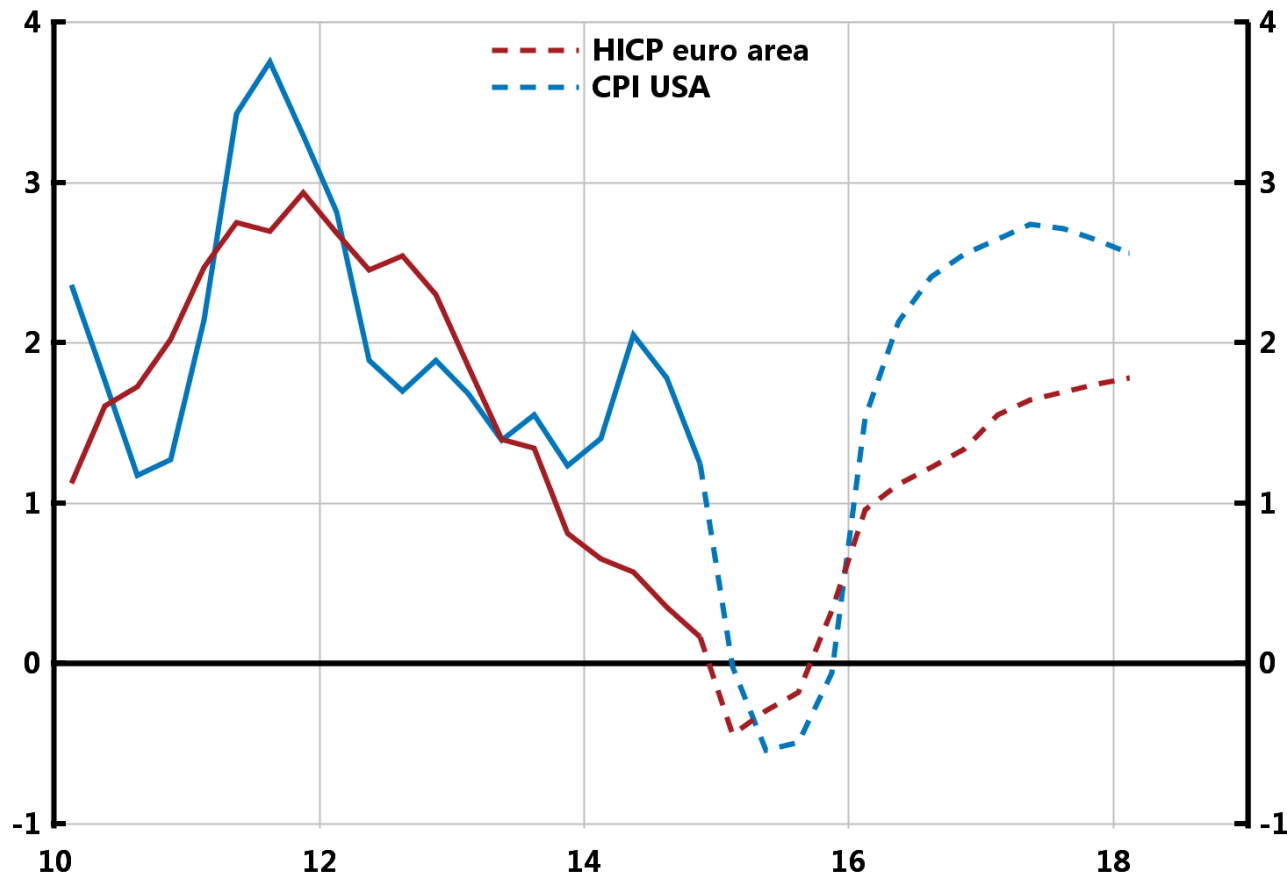
Low oil price



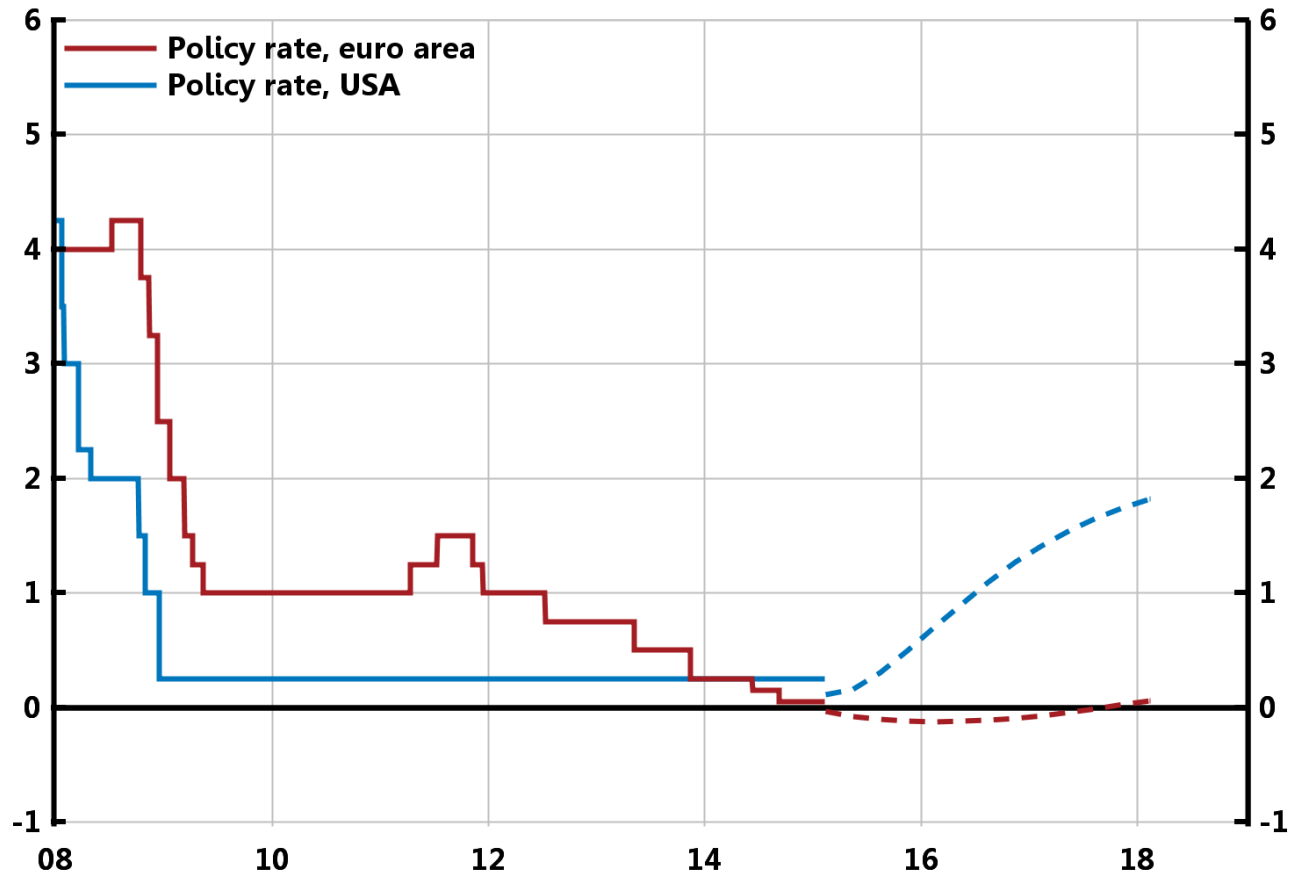
Slow improvement abroad



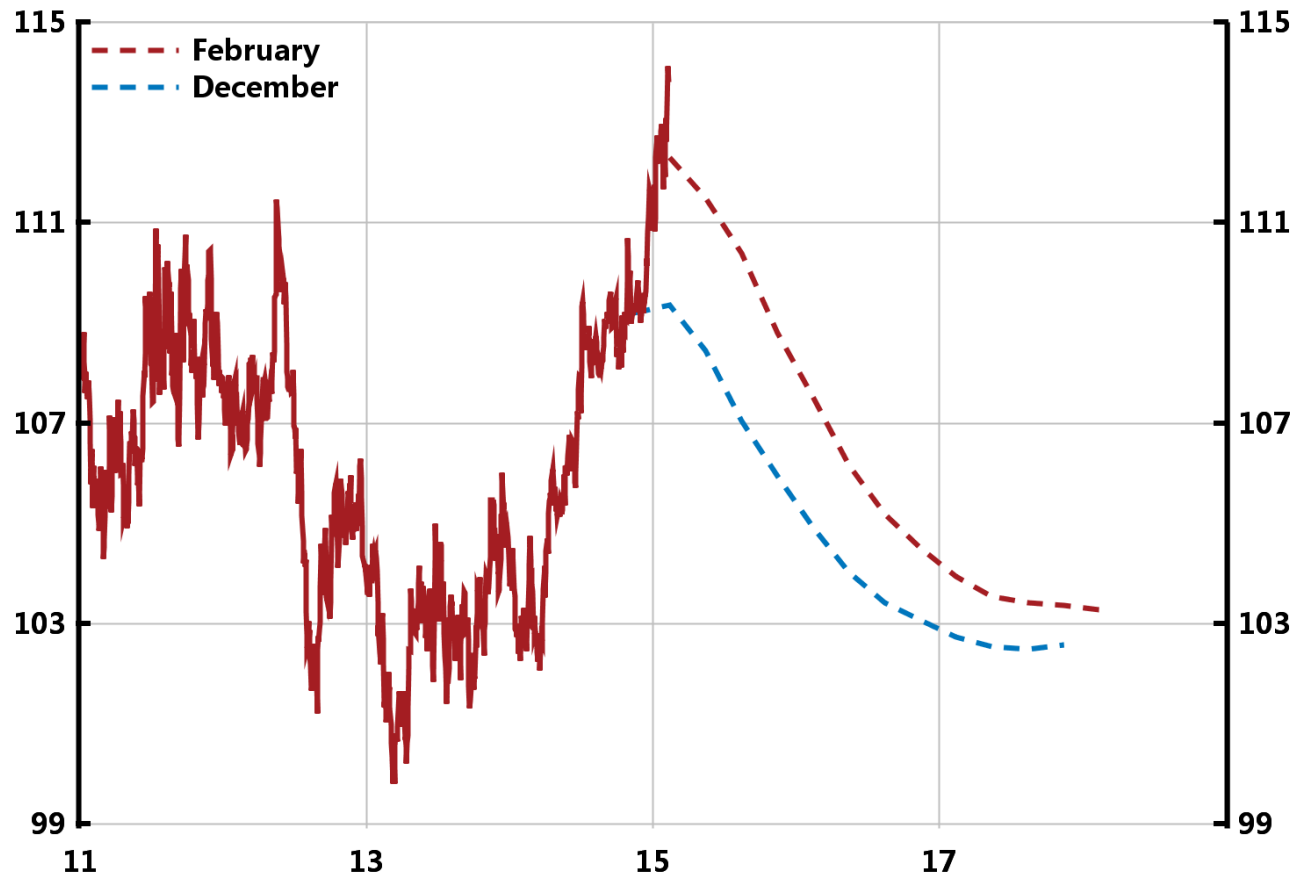
Oil price pushing down inflation abroad



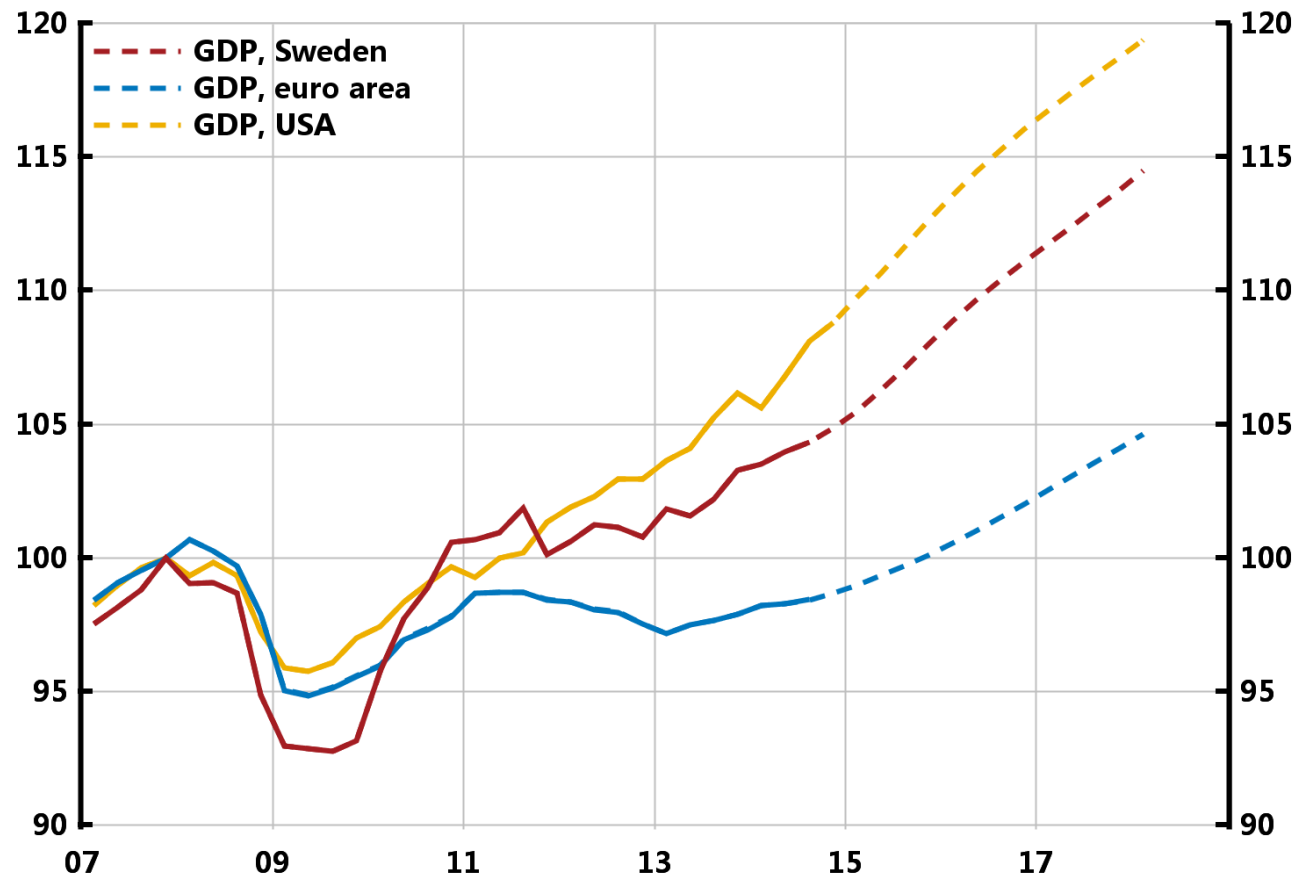
Differences in monetary policy



The krona has weakened



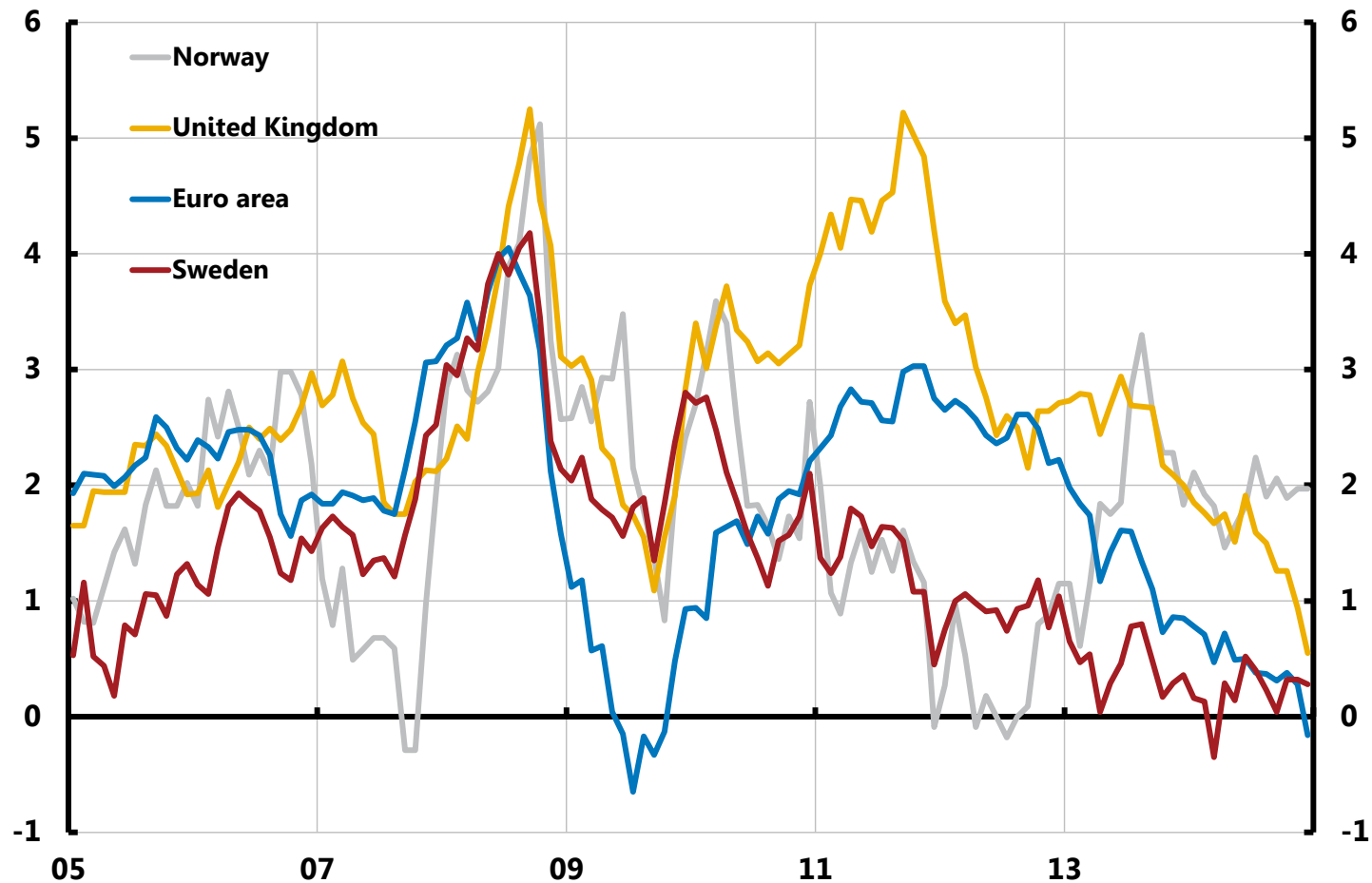
Swedish economy performing relatively well



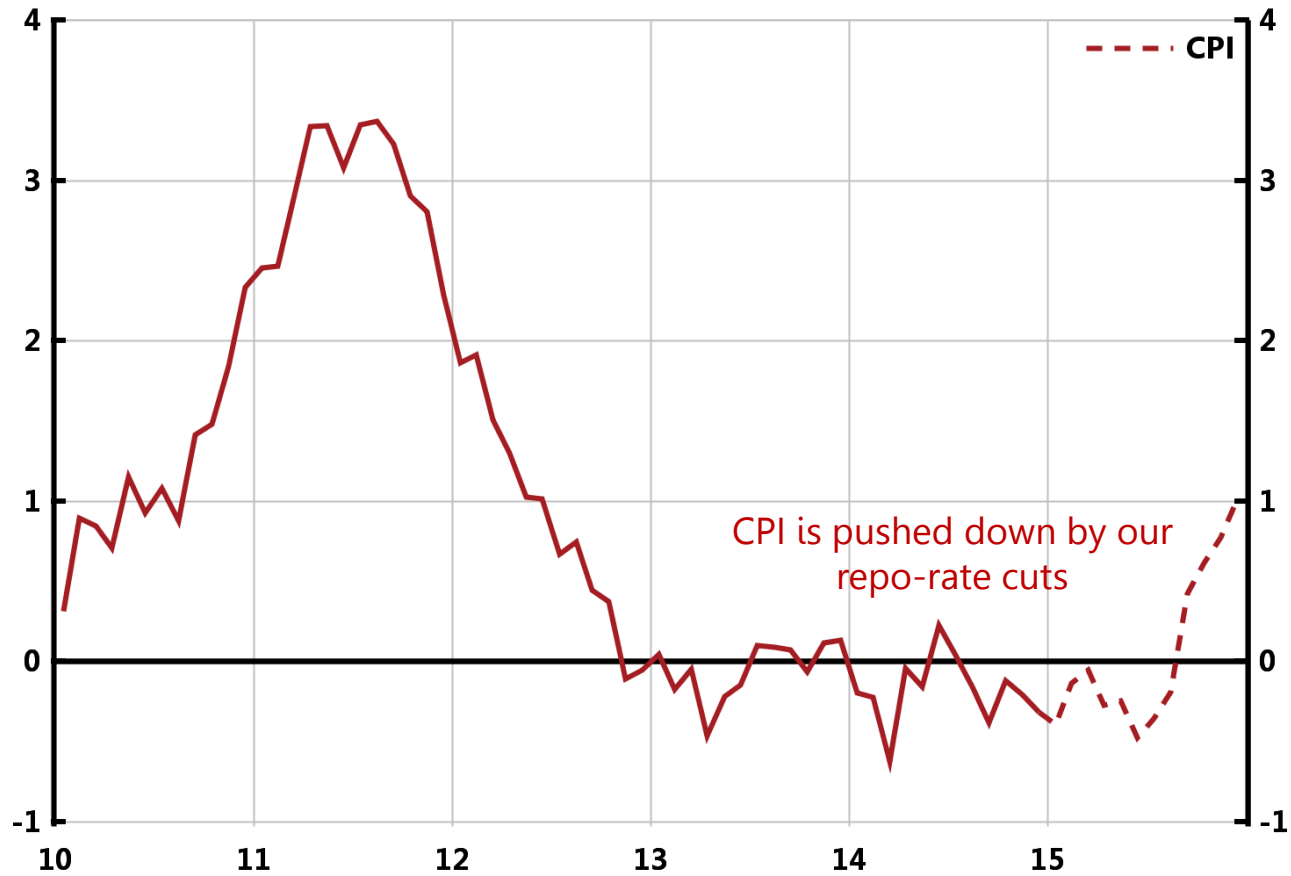
Labour market strengthening



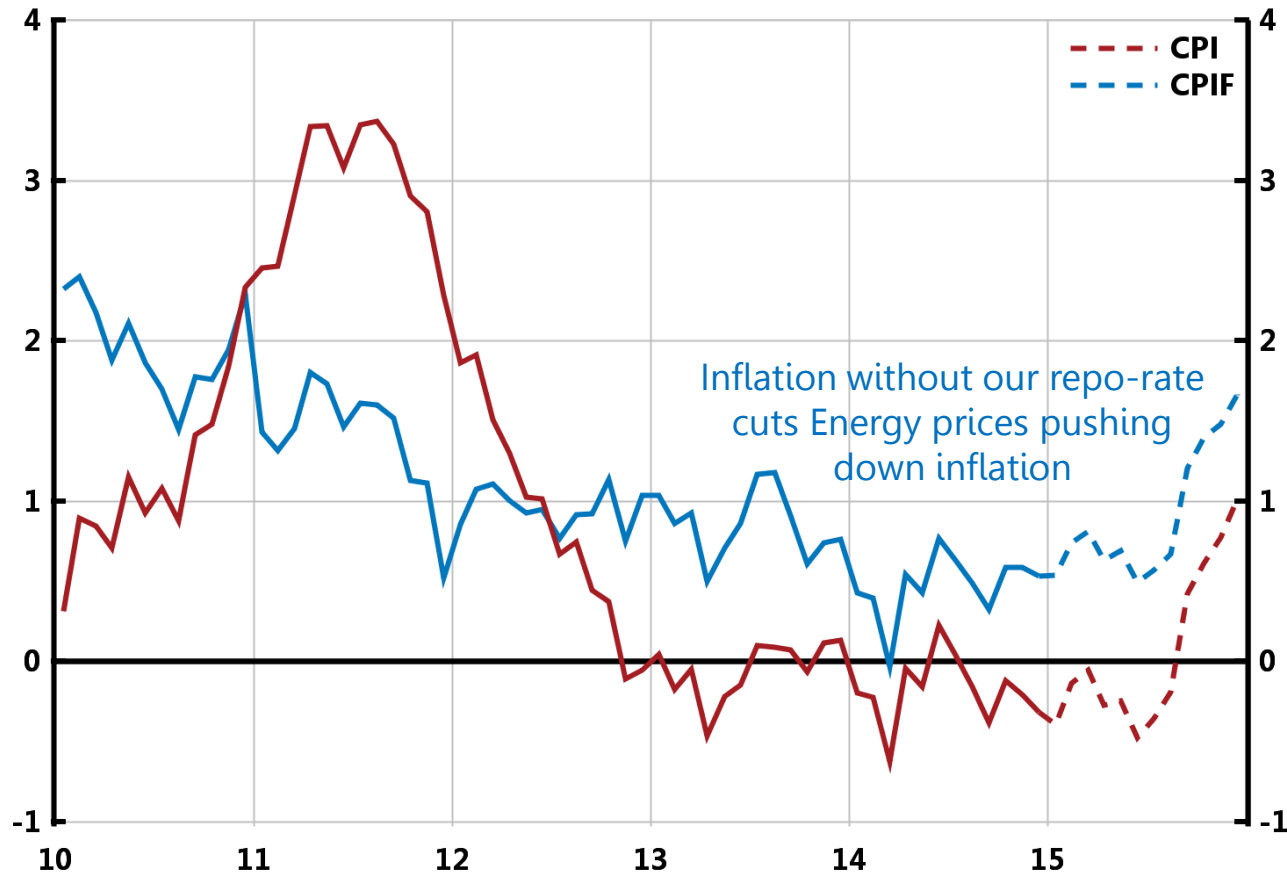
Low inflation – not just a Swedish phenomenon



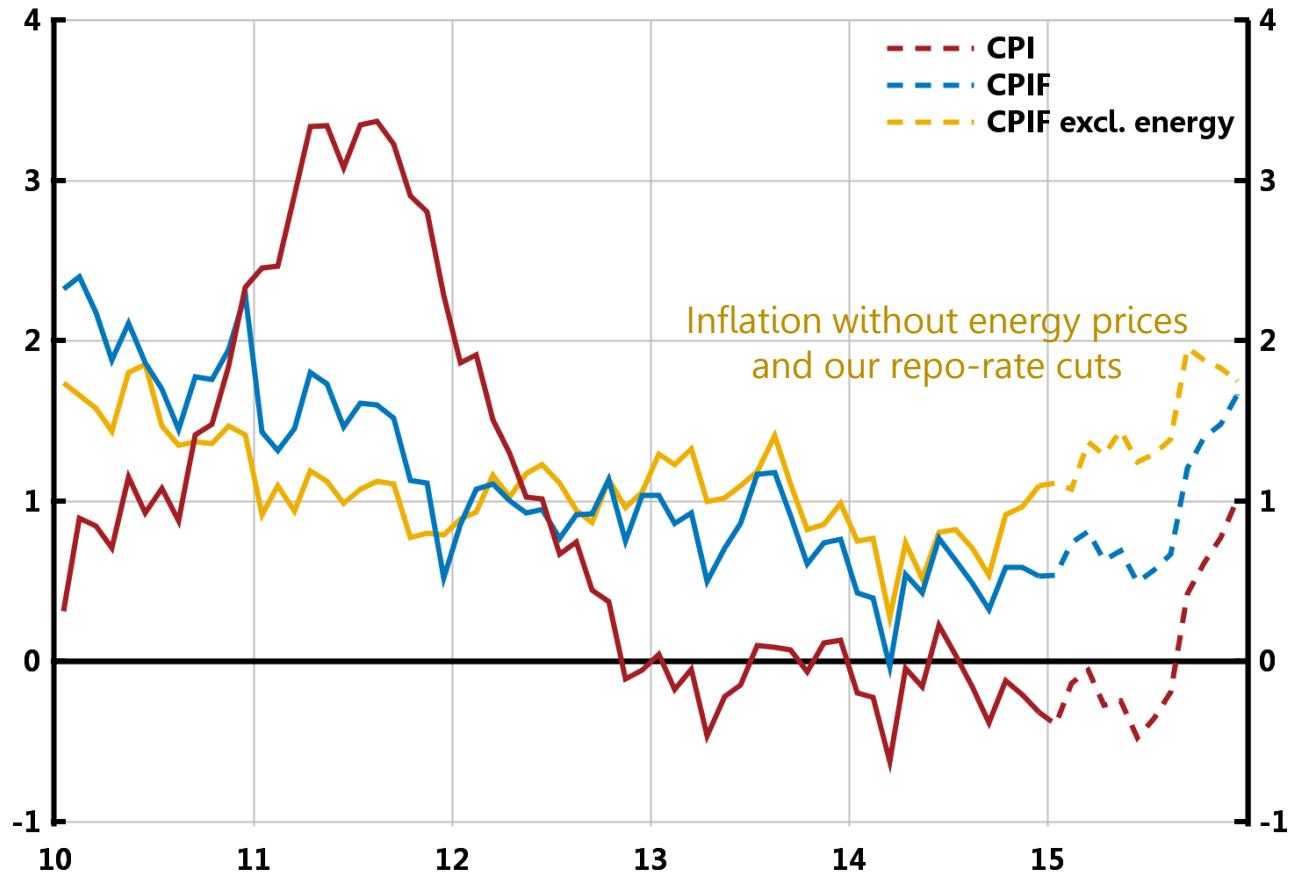
Low inflation



Low inflation



Low inflation



Inflation without energy prices
and our repo-rate cuts

Signs that inflation has bottomed out

Food prices



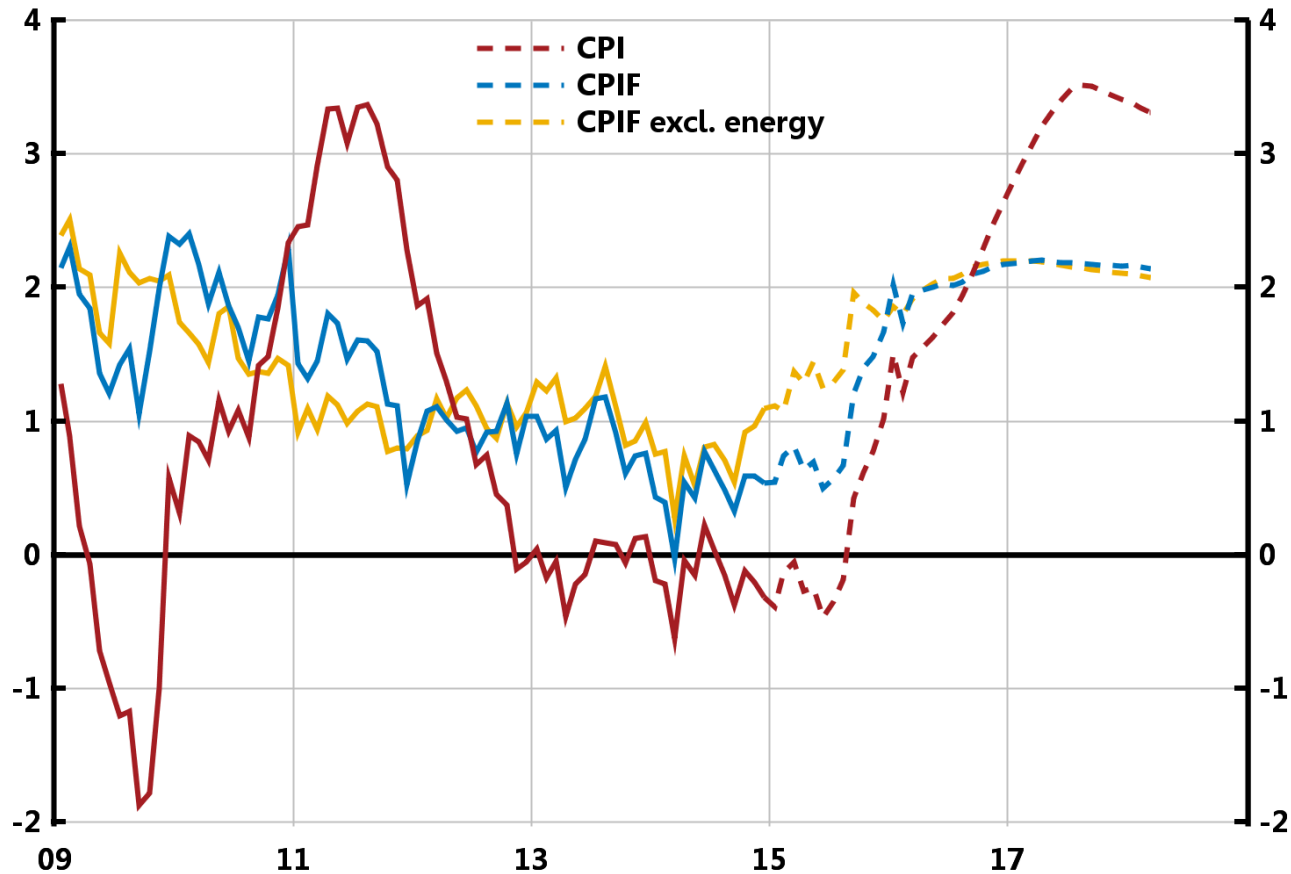
Prices increasing particularly for:
Fruit, vegetables, coffee, cocoa

Services prices

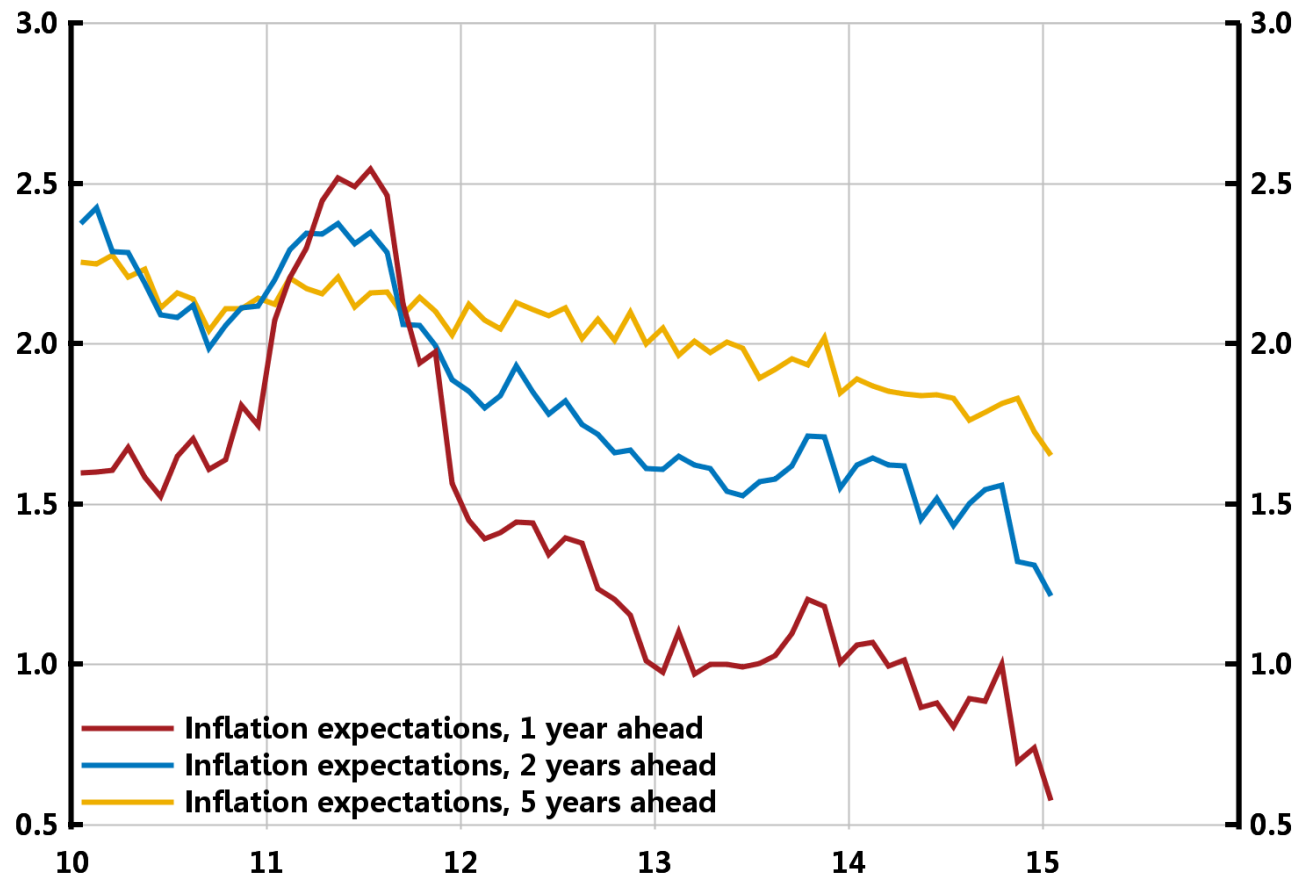


Prices increasing particularly for:
House repairs, travel and eating out

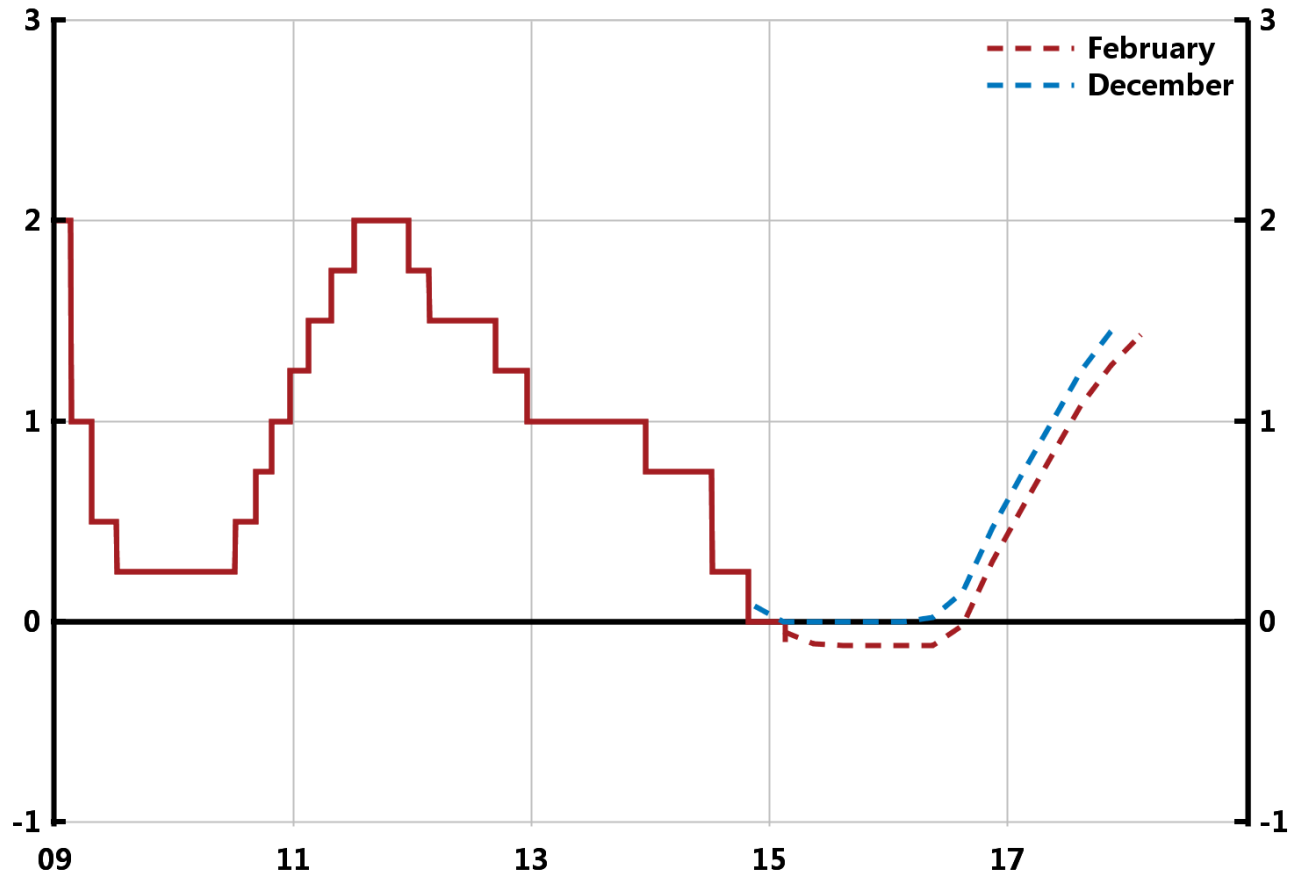
Inflation rising towards the target



Important that expectations are anchored



Repo-rate path lowered



To support the upturn in inflation

- Monetary policy more expansionary
 - Cut repo rate to -0.10 per cent
 - Lower the repo-rate path
 - Rates for the Riksbank's fine-tuning operations with the banks: repo +/- 0,1
 - Purchase government bonds for SEK 10 billion
 - Increase consumption and investment -> higher inflation
 - Lower interest rates for households and companies
 - Share and bond prices rise – wealth increases
 - Weaker exchange rate
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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
 - All of this can be done rapidly on a large scale
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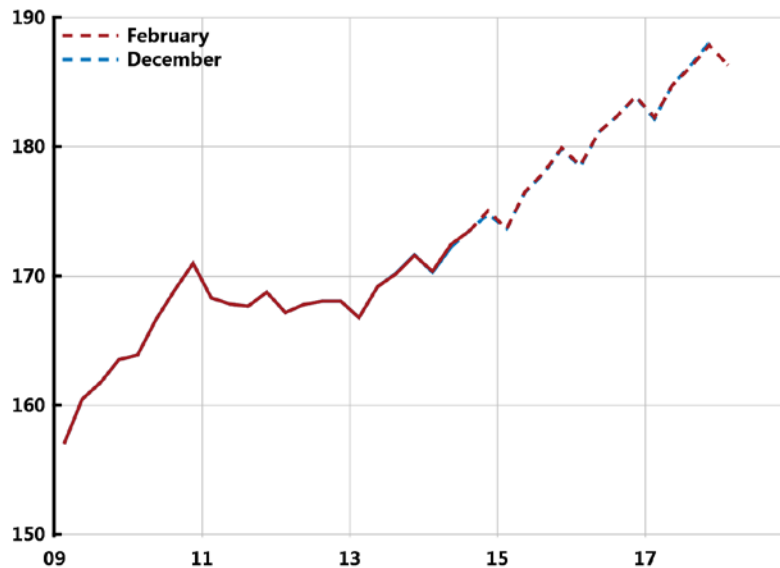
High and growing indebtedness creates risks



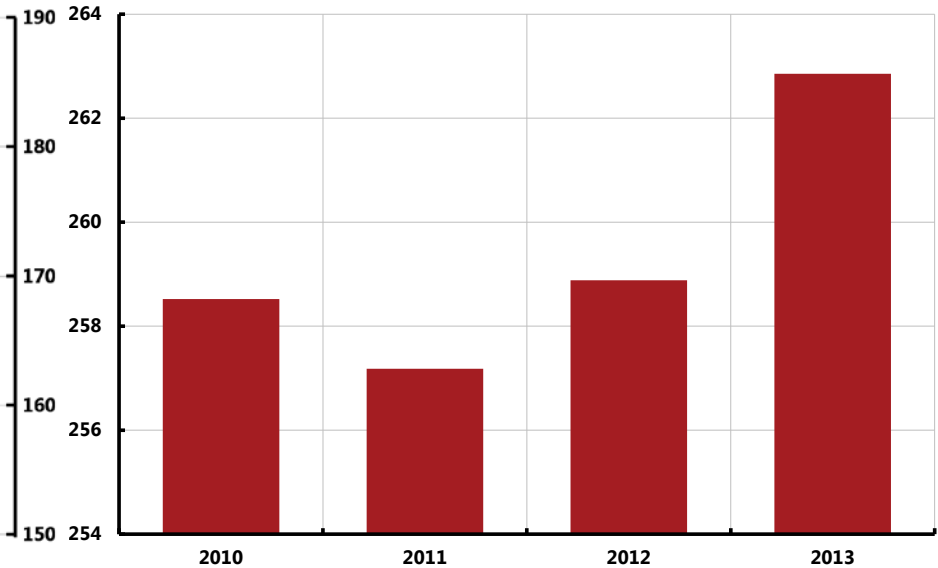
- More expansionary monetary policy contributes to higher inflation
 - But also to increasing already large risks in the economy
 - Targeted measures even more urgent
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Trend in household debt not sustainable

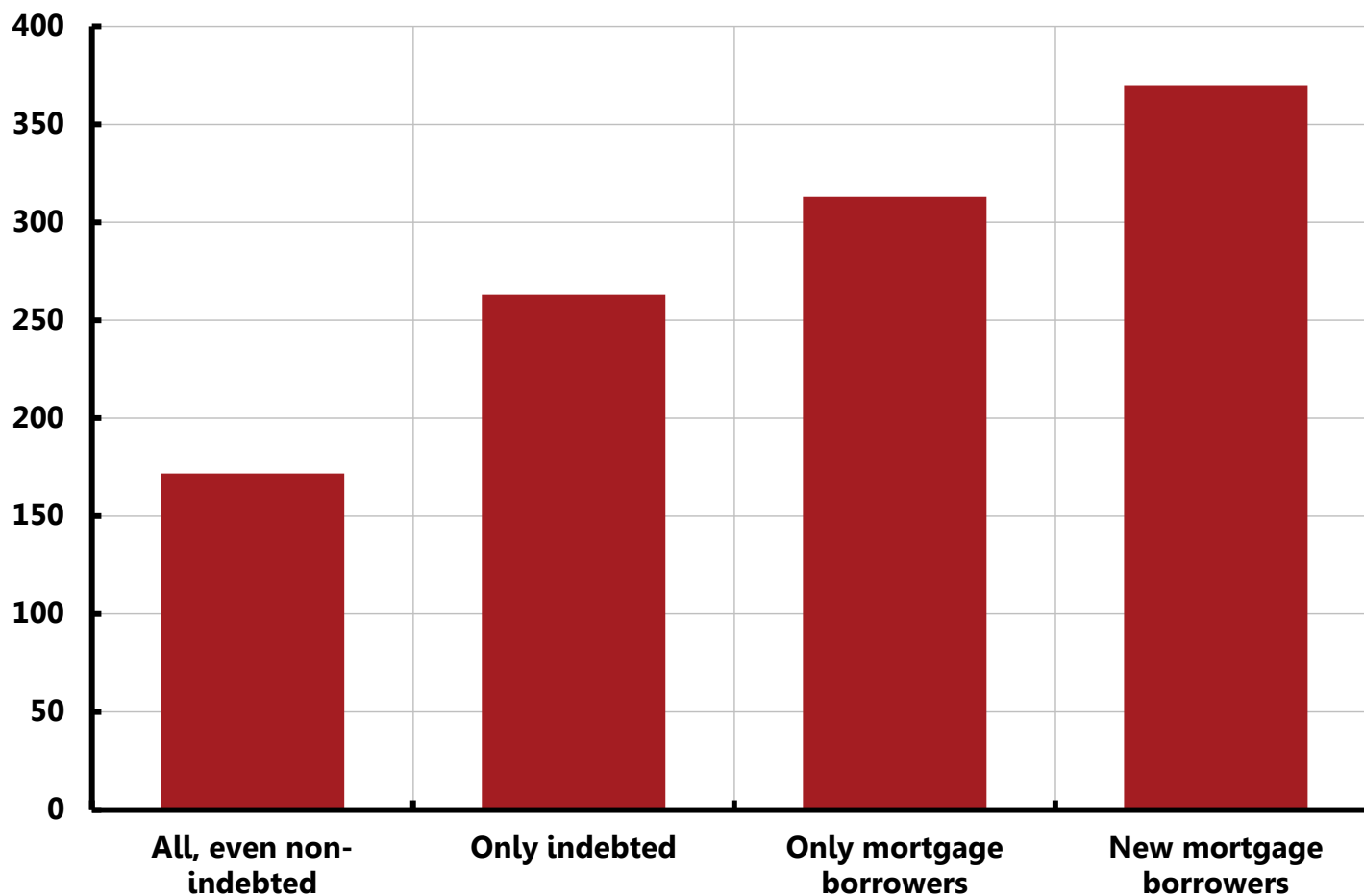
All households



Only indebted



Substantially higher debt ratios for indebted households



Time to take action now!

- Risks have increased for a long time and show signs of increasing faster again

 - With a persistently low interest rate it is urgent for other policy areas to deal with these risks
 - Important to increase capital requirements but measures targeted at credit demand needed
 - At the end of the day the problems cannot be solved without structural improvements in the housing market

 - Risks highlighted repeatedly by the EC and the IMF
 - A factor of concern: banks source significant funds from international capital markets
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**Lower interest rates support upturn in
inflation**

Readiness to do more
