

Hearing on monetary policy

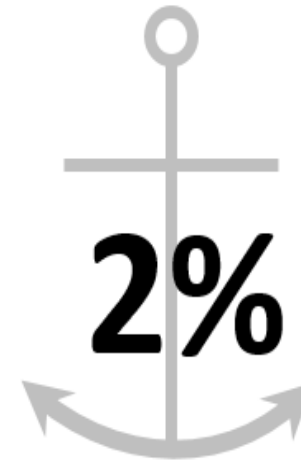
Riksdag Committee on Finance
15 November 2016

Kerstin af Jochnick

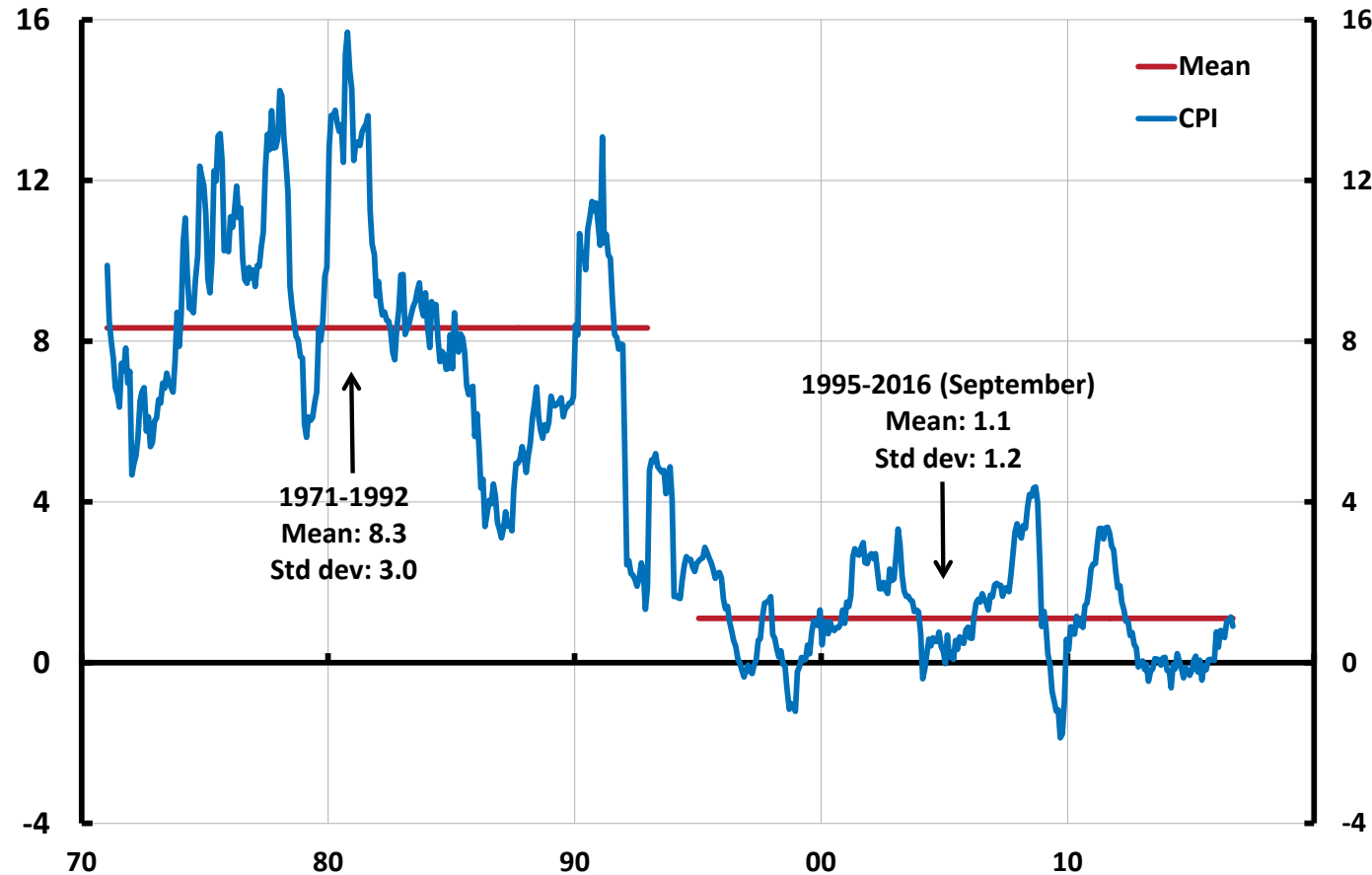
First Deputy
Governor

The inflation target is worth defending

- A common anchor for price-setting and wage formation
- Contributes to stable economic development
- A cornerstone of economic policy



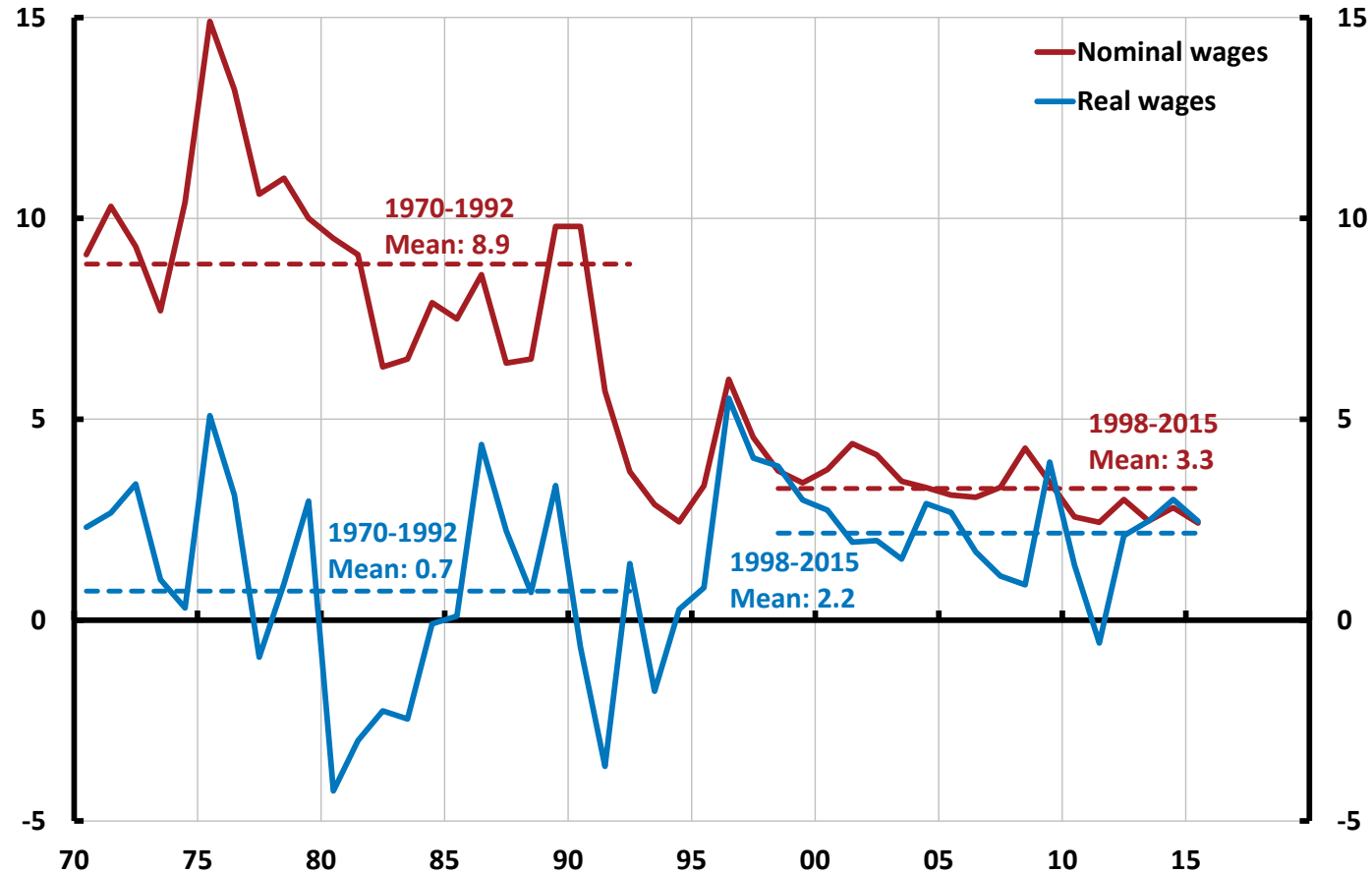
Inflation targeting has been successful



Note. Annual percentage change. CPI inflation does not refer to real-time data, but is calculated using the current method. The average for the period from 1995 is therefore two tenths of a percentage point lower than with real-time data.

Source: Statistics Sweden

Greater purchasing power and more stable wage formation after the target was introduced

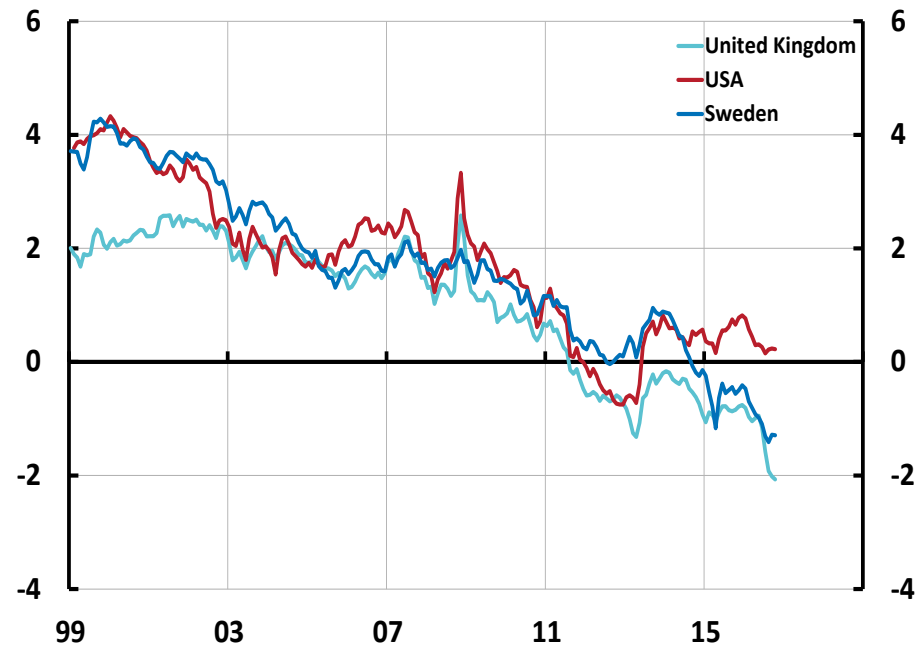


Note. Annual percentage change. According to short-term wage statistics after 1993 and wage structure statistics prior to 1993. Real wages are calculated as the difference between the annual percentage change in nominal wages and the annual percentage change in the CPI.

Sources: The National Mediation Office and Statistics Sweden

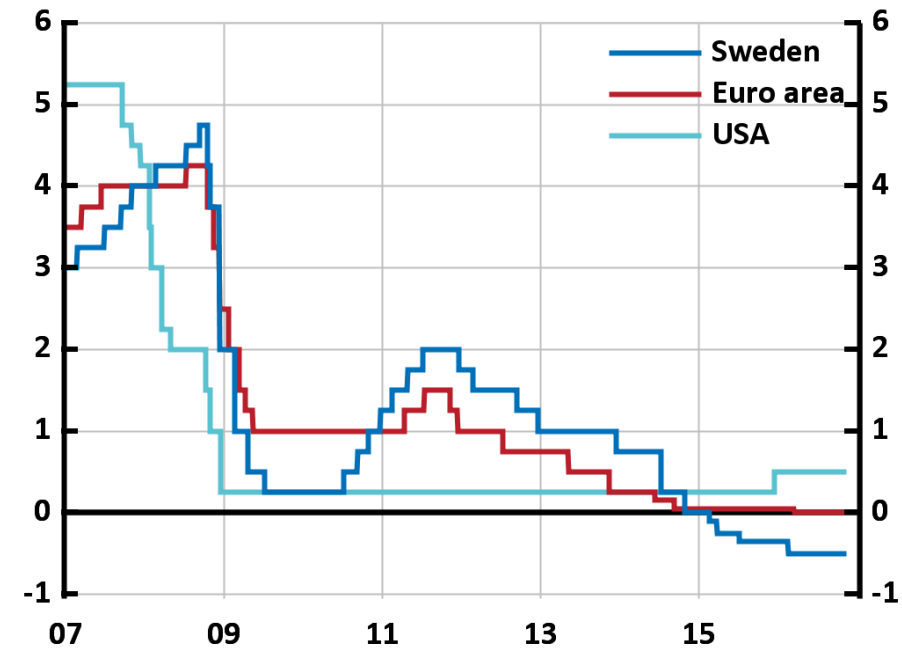
Monetary policy in a low interest rate environment

Record-low interest rates abroad



Note. Per cent. 10-year yield on real government bonds.

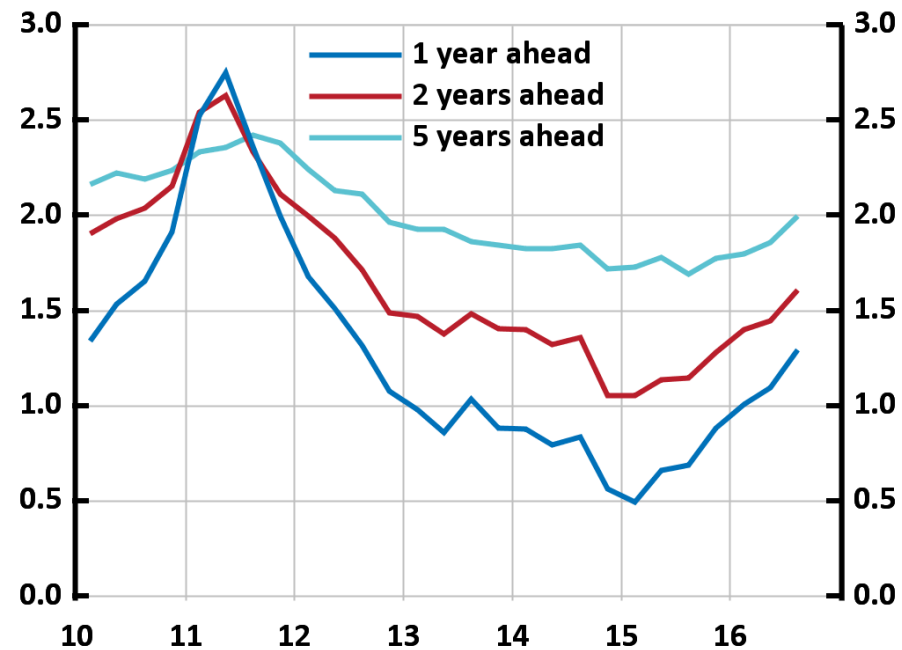
Low policy rates



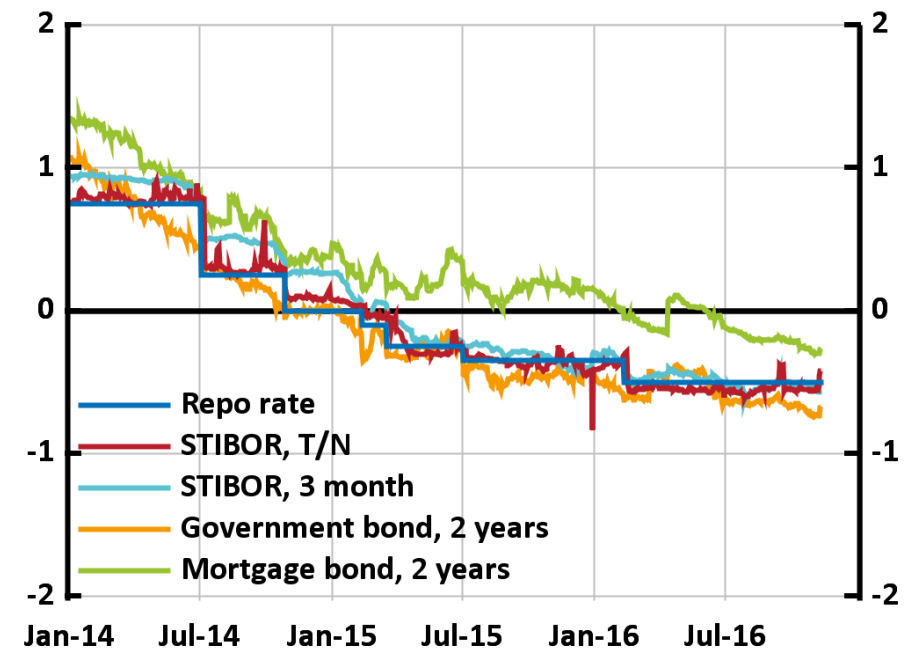
Sources: Bank of England, ECB, Federal Reserve, Thomson Reuters and the Riksbank

Monetary policy has had the expected impact

Inflation expectations have risen



Market rates following the repo rate

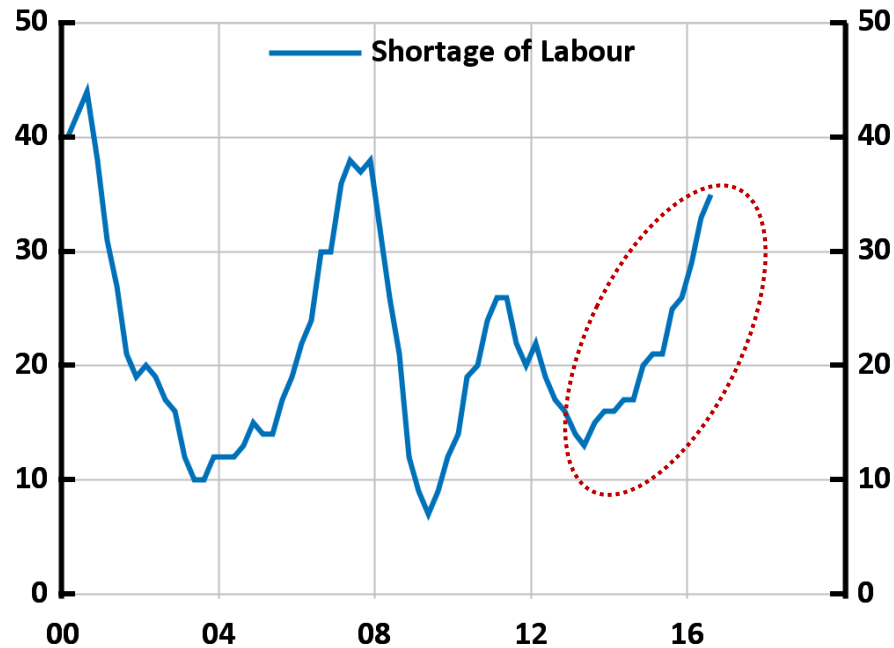


Note. Per cent. Refers to all participants surveyed.

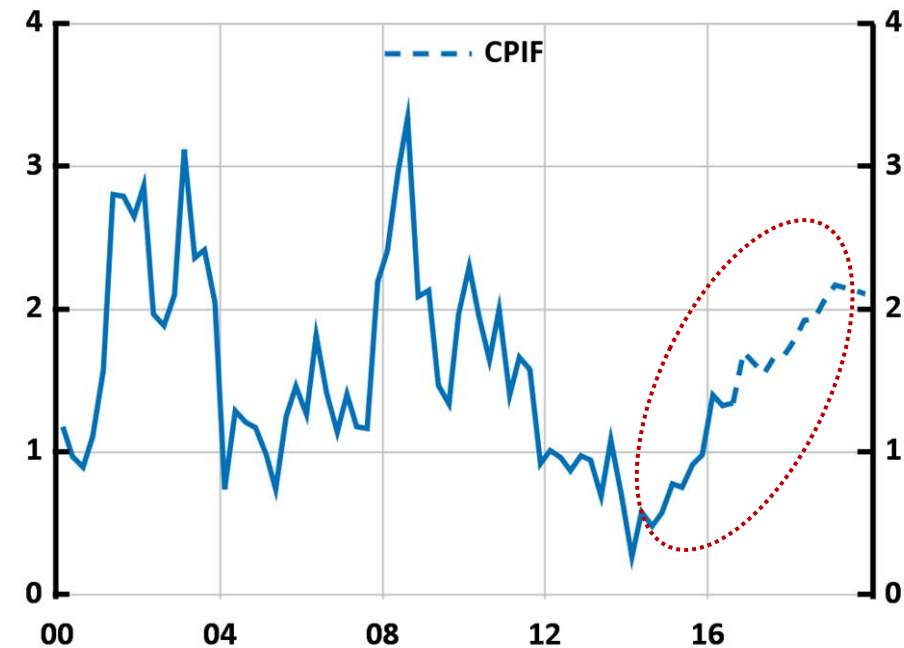
Sources: Macrobond, Thomson Reuters, TNS Sifo Prospera and the Riksbank

Strong economic activity in Sweden is creating the conditions for rising inflation

Increasing shortages...



suggest higher inflation



Note. Net figures, seasonally-adjusted data and annual percentage change. Refers to the entire business sector. The CPIF is the CPI with a fixed mortgage rate.

Sources: National Institute of Economic Research, Statistics Sweden and the Riksbank

Continued support is needed to keep the anchor in place

- The pre-conditions for inflation to rise are in place – but there is some uncertainty about the upturn
- Important to manage risks
- The inflation target is worth defending