



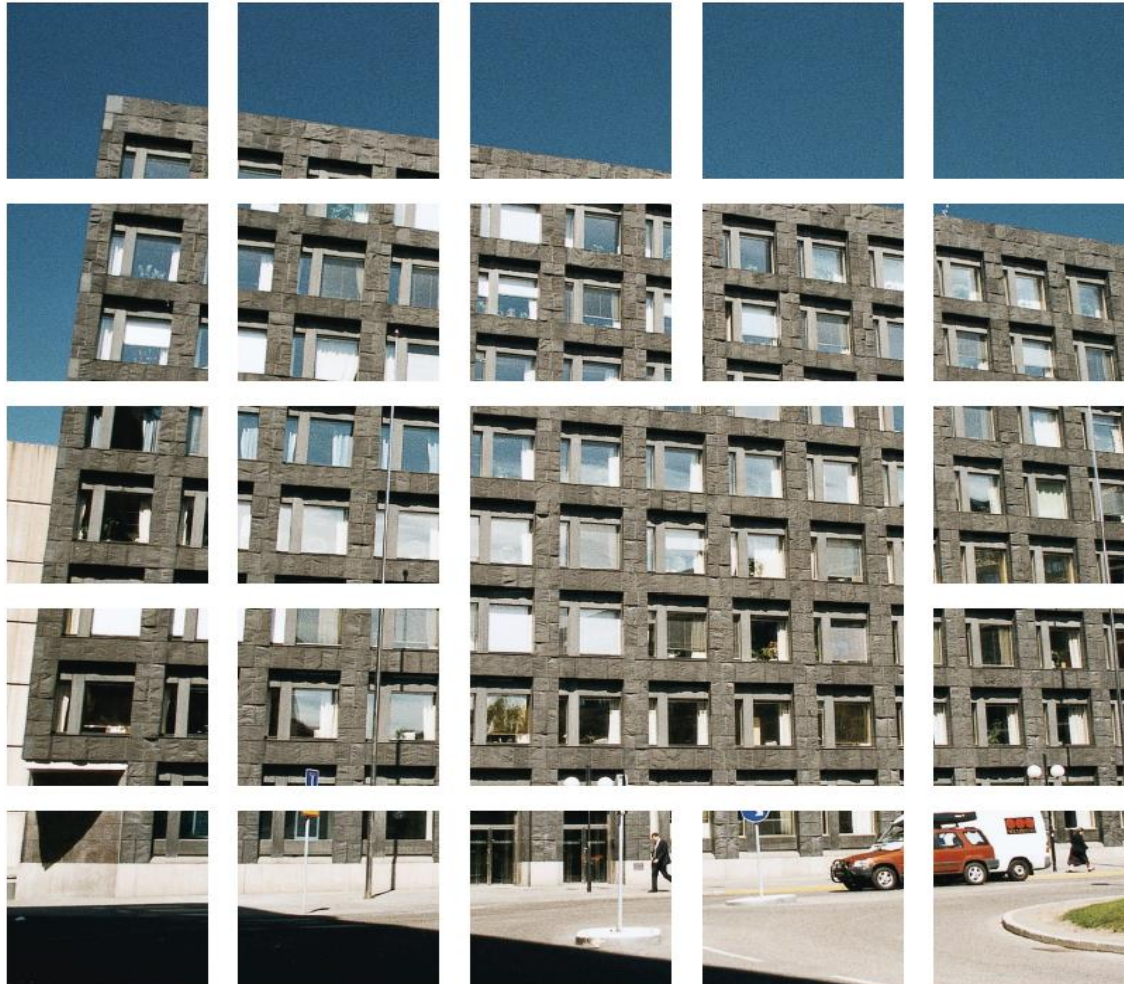
The Riksbank and current monetary policy

Chalmers Börssällskap

8 October 2015

Deputy Governor Henry Ohlsson

The Riksbank



The Riksdag



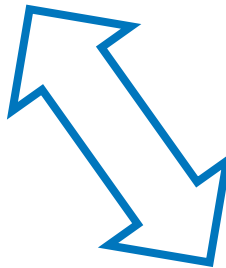
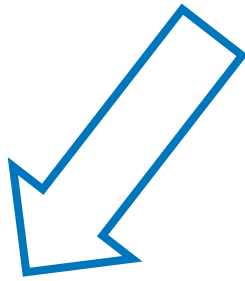
General Council



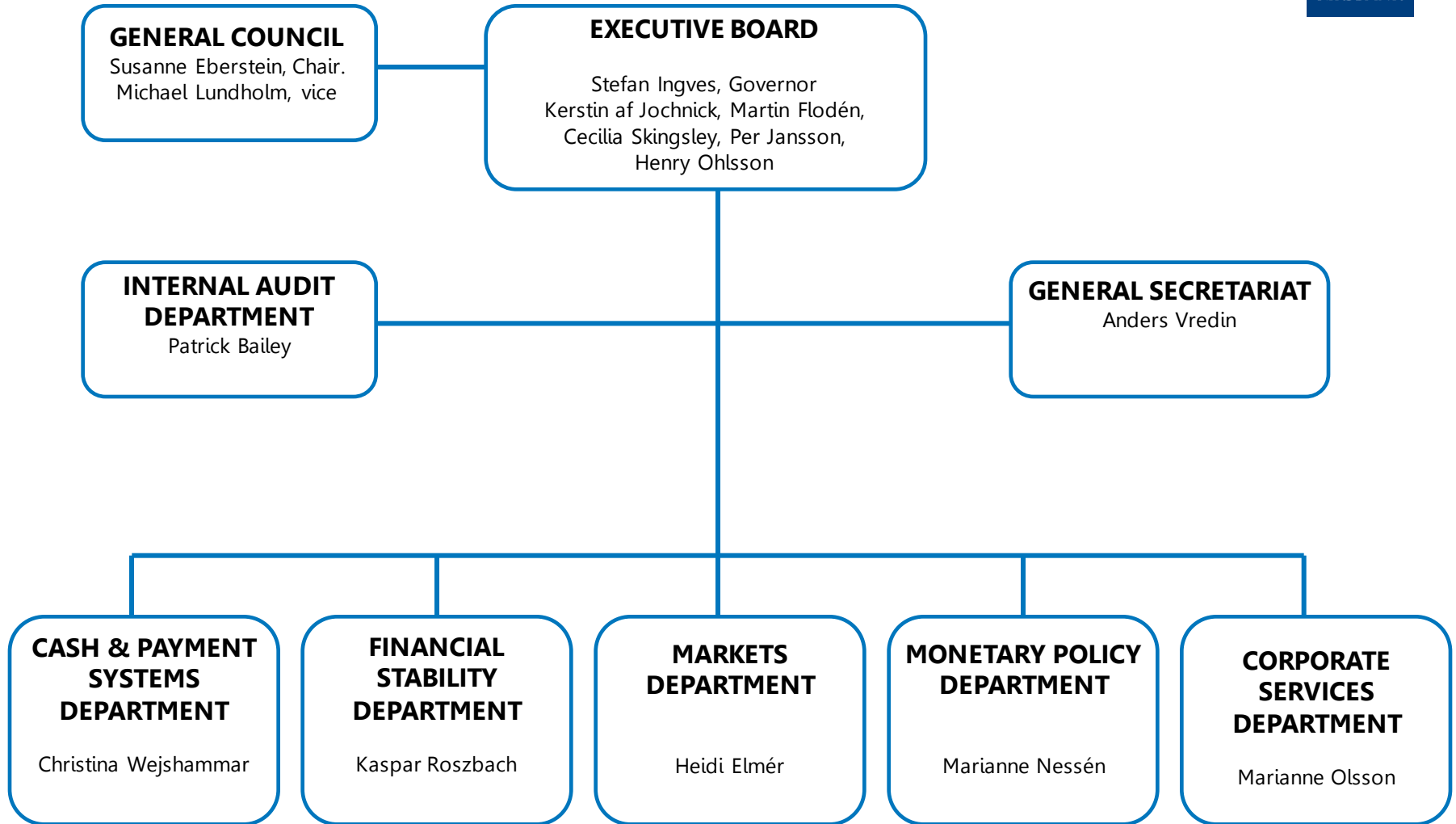
The Riksdag
appoints
11 members

Council appoints
1 governor and
5 deputy
governors

**Committee on
Finance**



The Riksbank organisation



Focus on the main tasks of monetary policy and financial stability

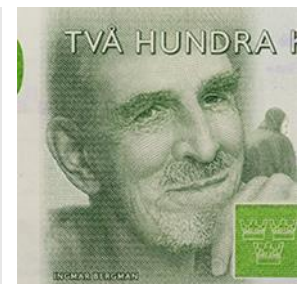
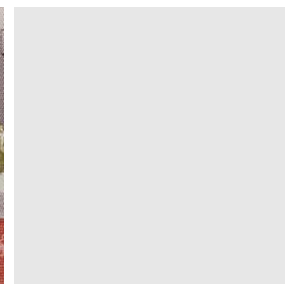
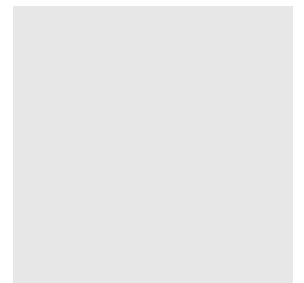
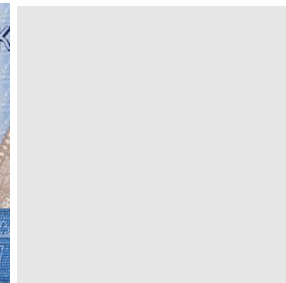
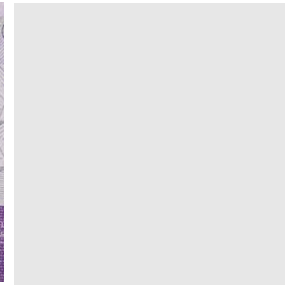
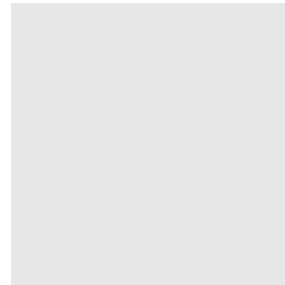
**Maintaining
price stability**

—————→ **Monetary policy**

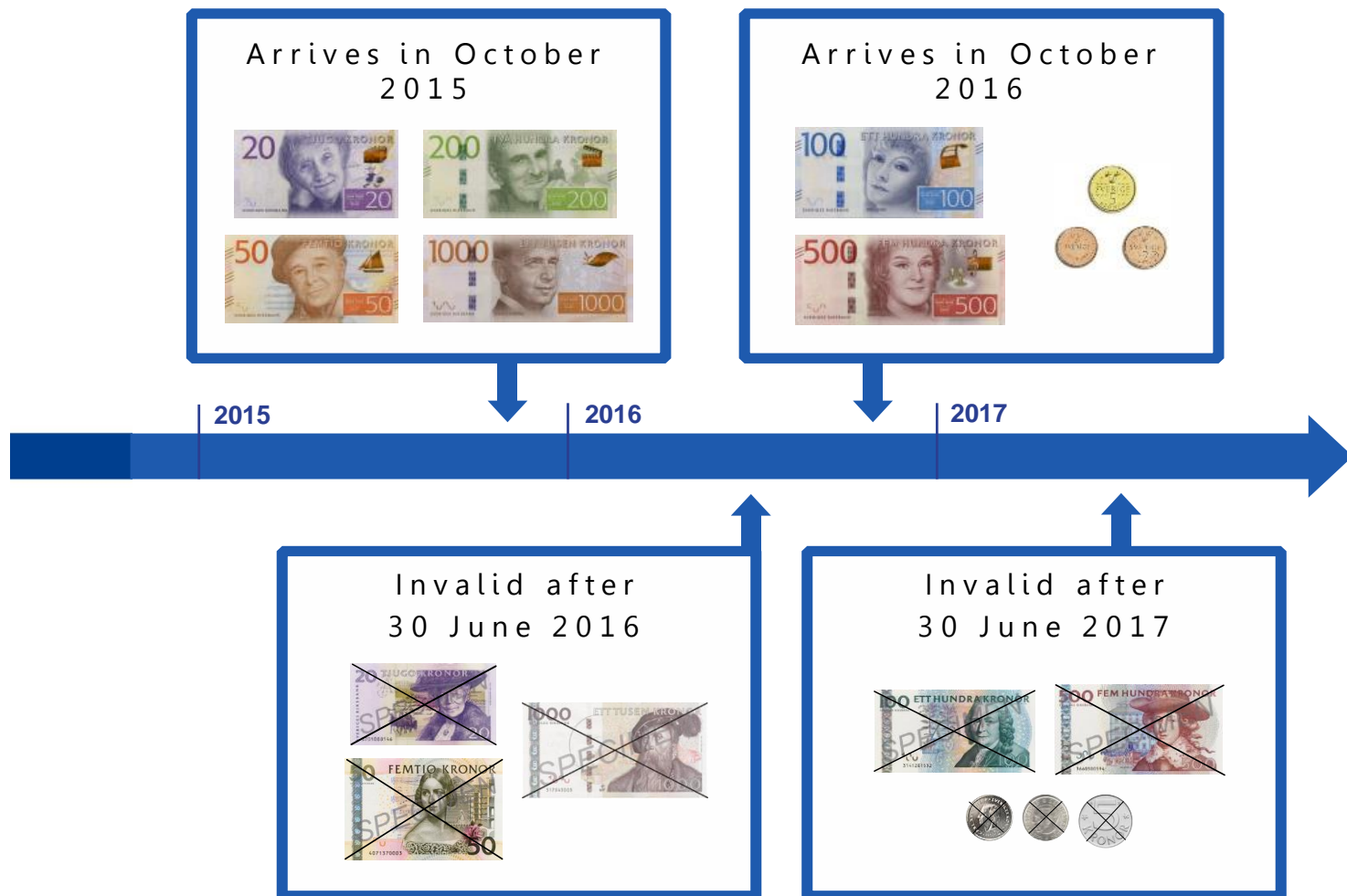
**Promoting a
safe and efficient
payment system**

—————→ **Financial stability**

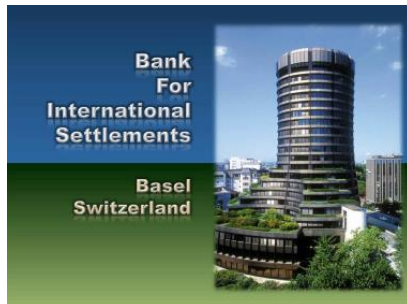
New banknotes and coins



New banknotes and coins



The Riksbank's international engagements





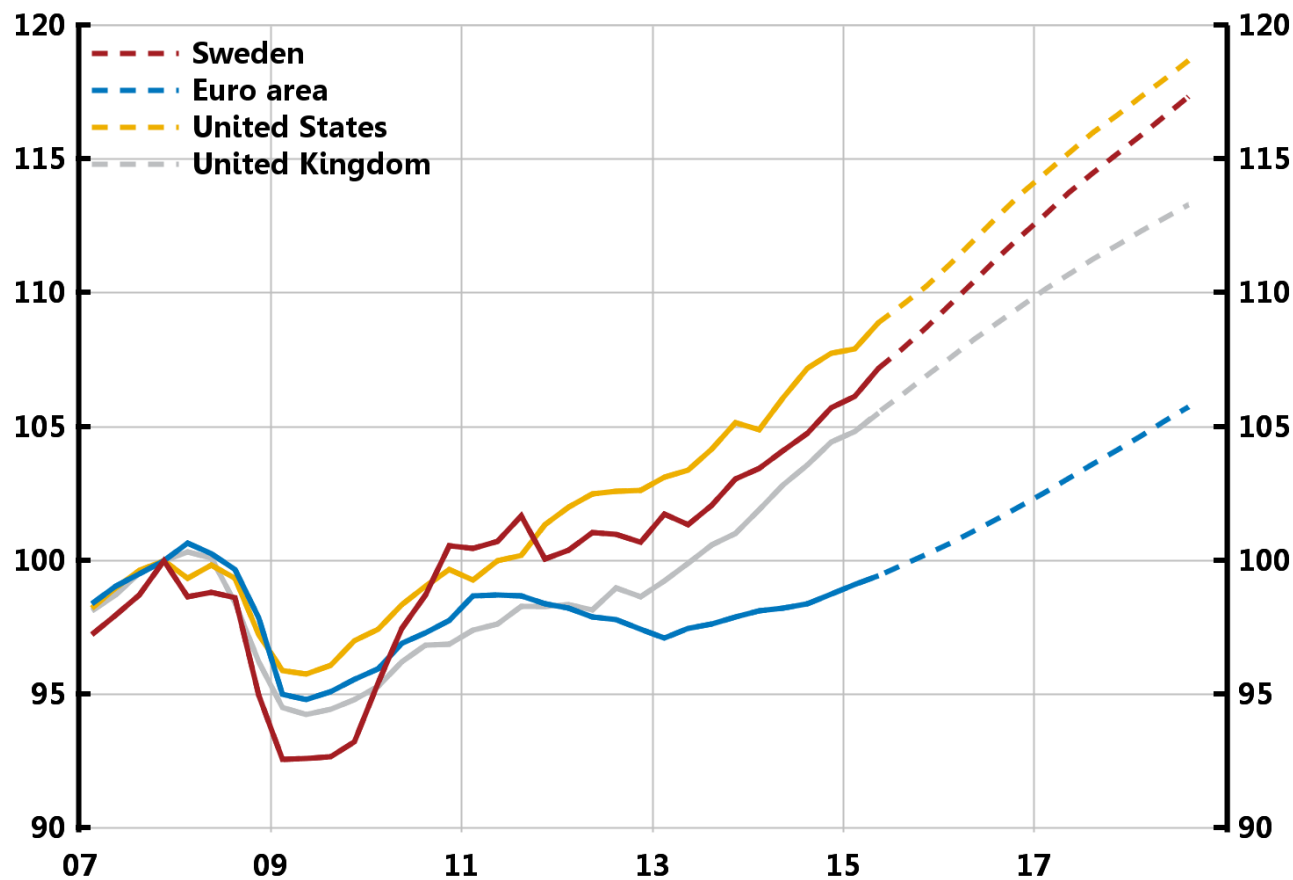
Latest Monetary Policy Decision

2 September 2015

Inflation is rising

Monetary policy providing necessary support

Swedish GDP-growth has been relatively strong

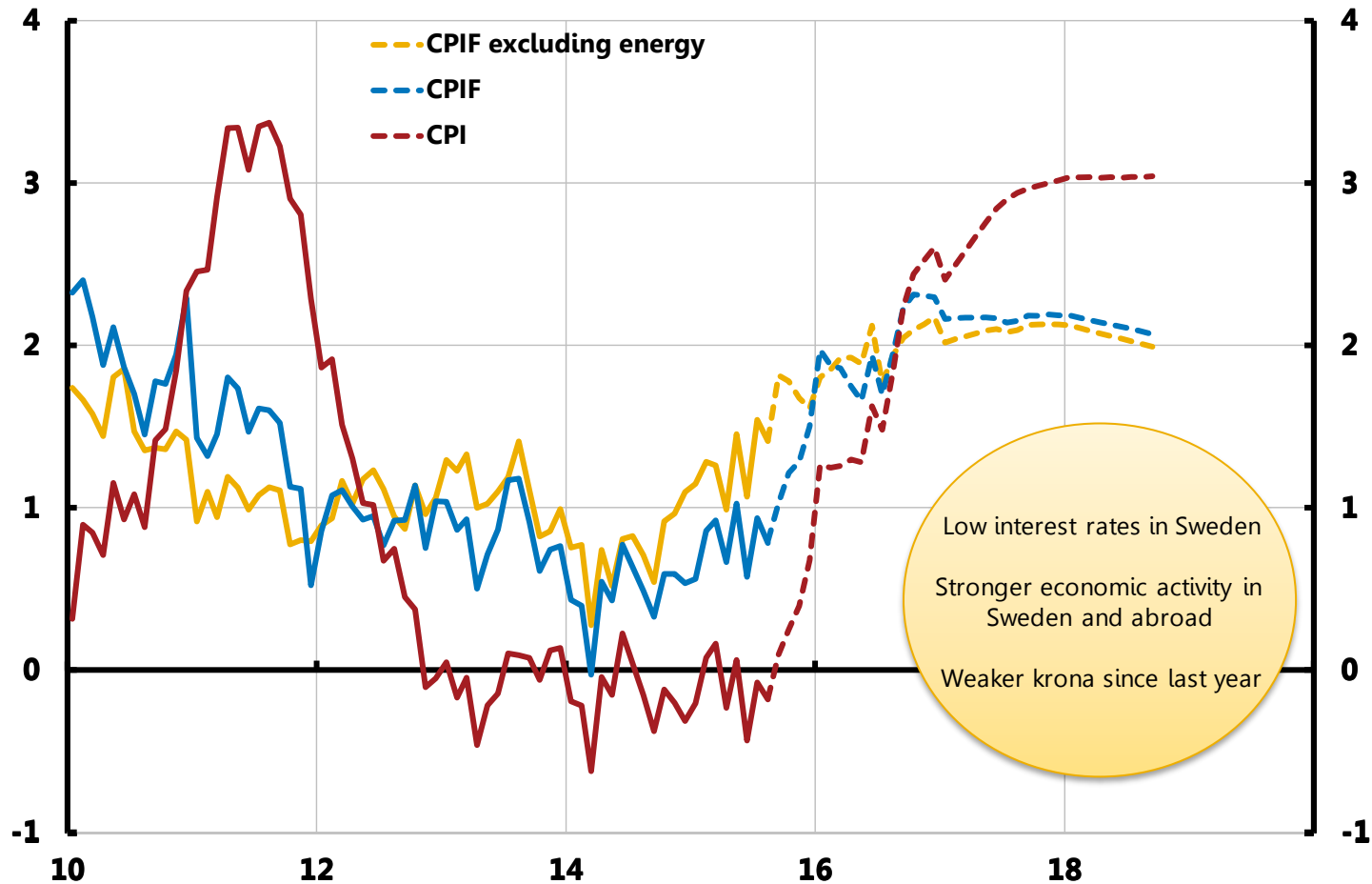


Important to attain the inflation target



- A common aim provides stable ground rules
 - Lays the foundation for efficient price-setting and wage formation
 - Makes it easier for households and companies to make sound financial decisions
 - Creates the right conditions for good economic growth
 - The inflation target has become a cornerstone of economic policy
-

Inflation rising towards the target

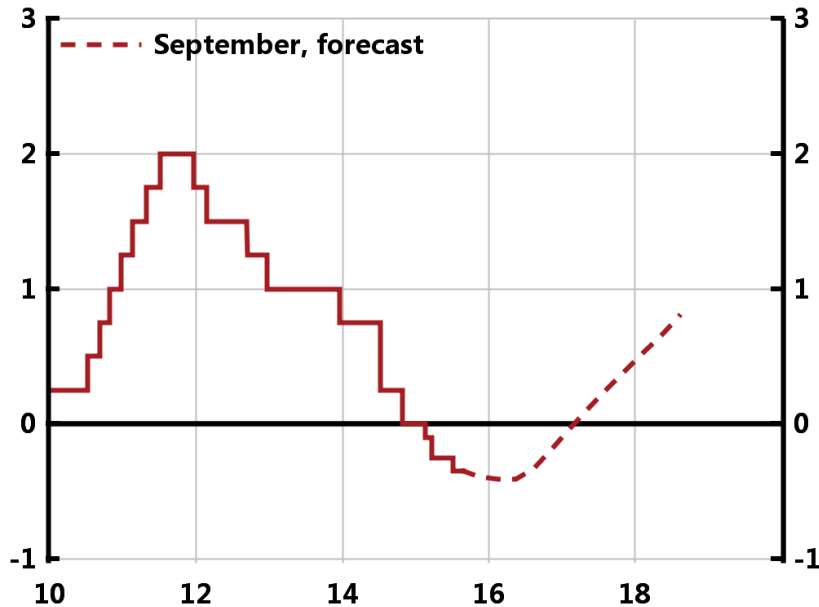


Note. Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

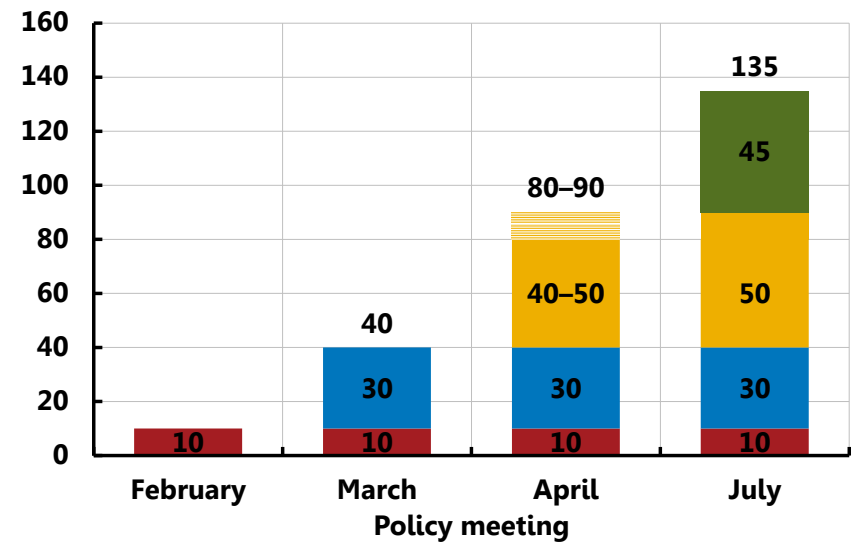
Sources: Statistics Sweden and the Riksbank

To ensure the trend of rising inflation continues

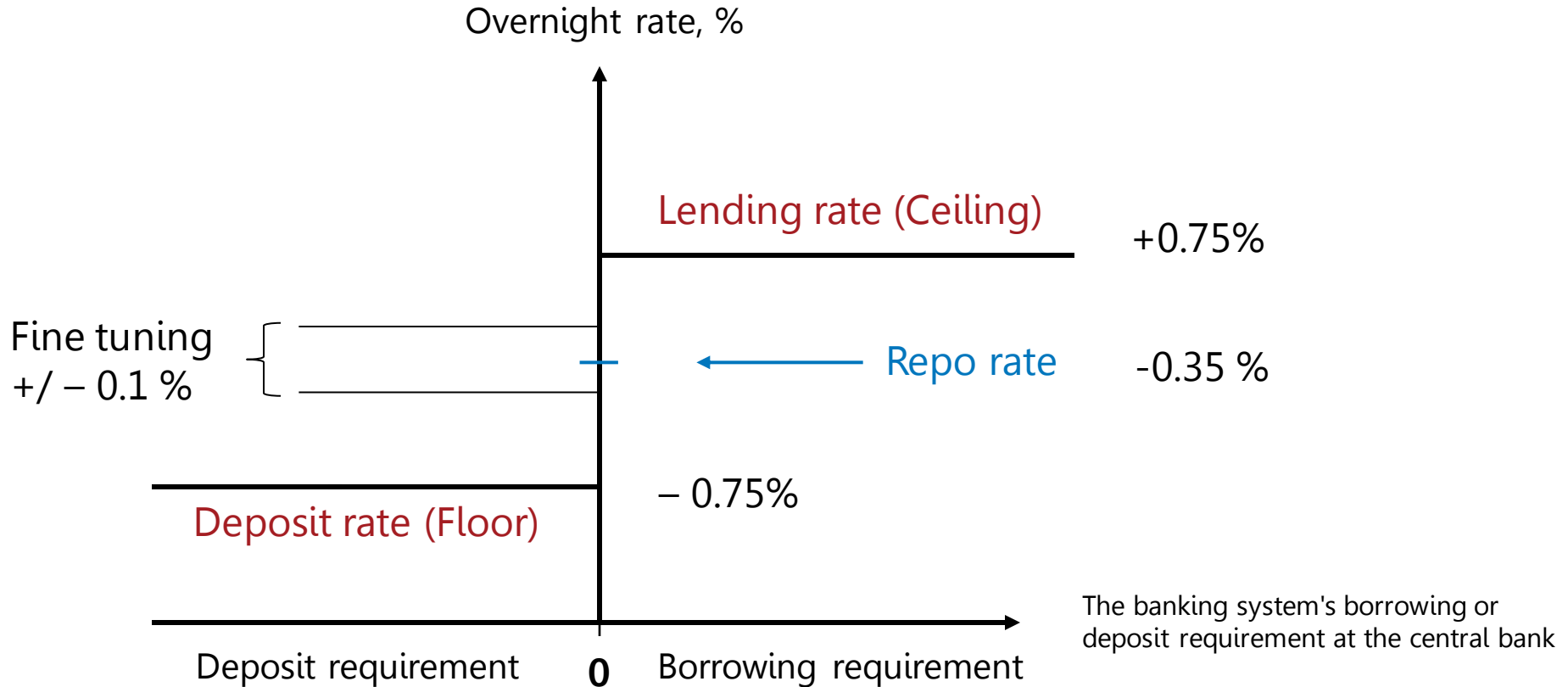
Very low repo rate



Purchases of government bonds

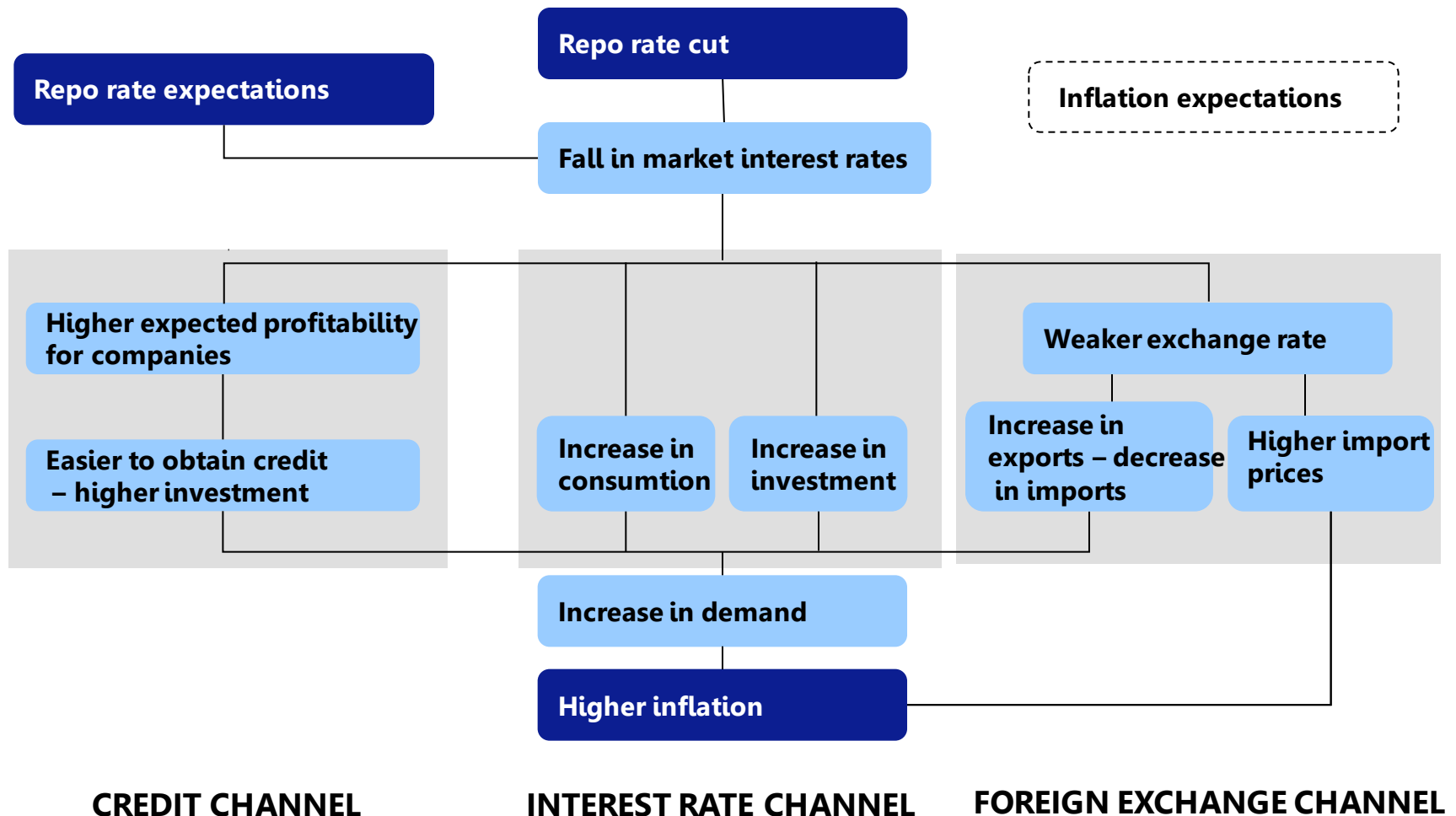


How to steer interest rates

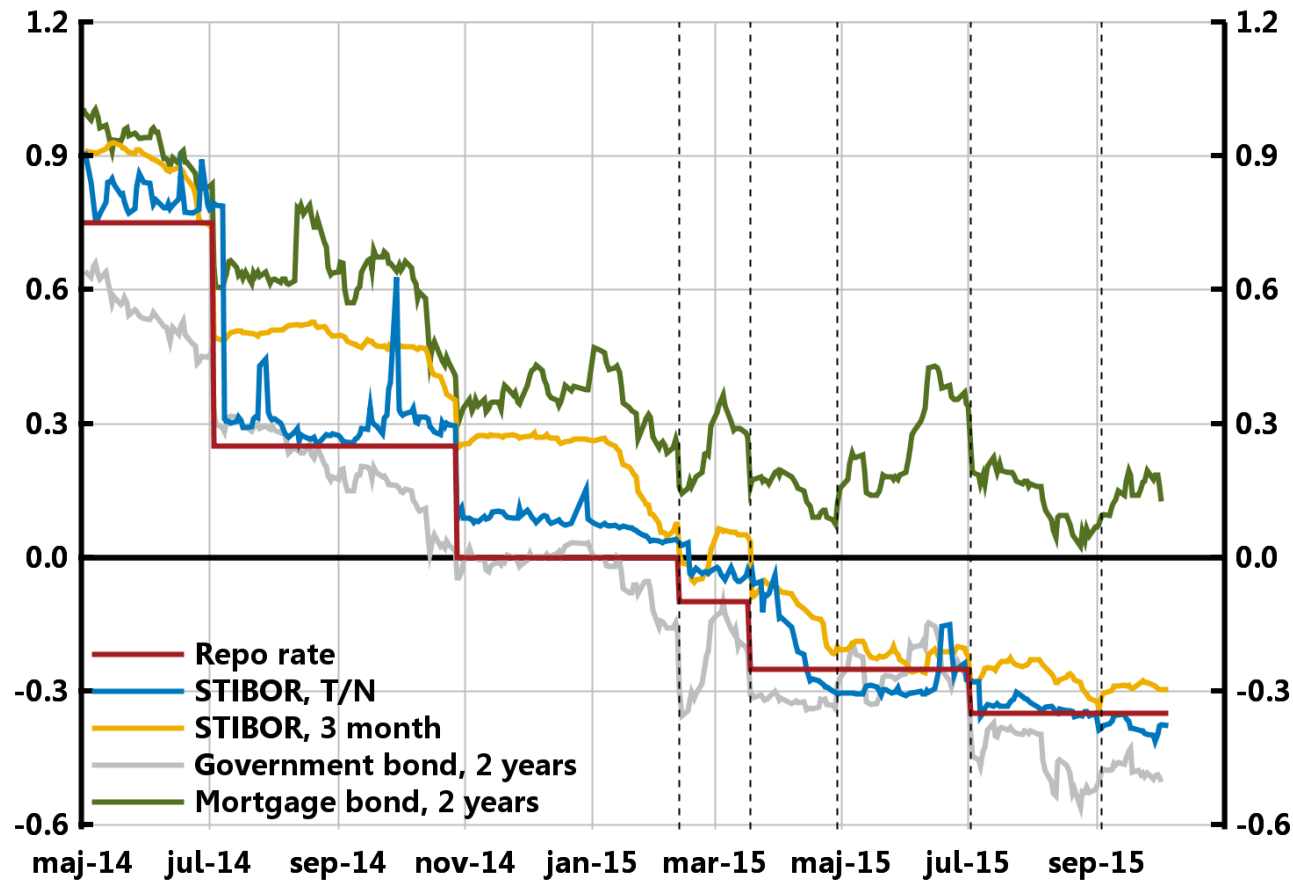


Provide incentives for banks to borrow from each other!

How interest rate changes affect the inflation



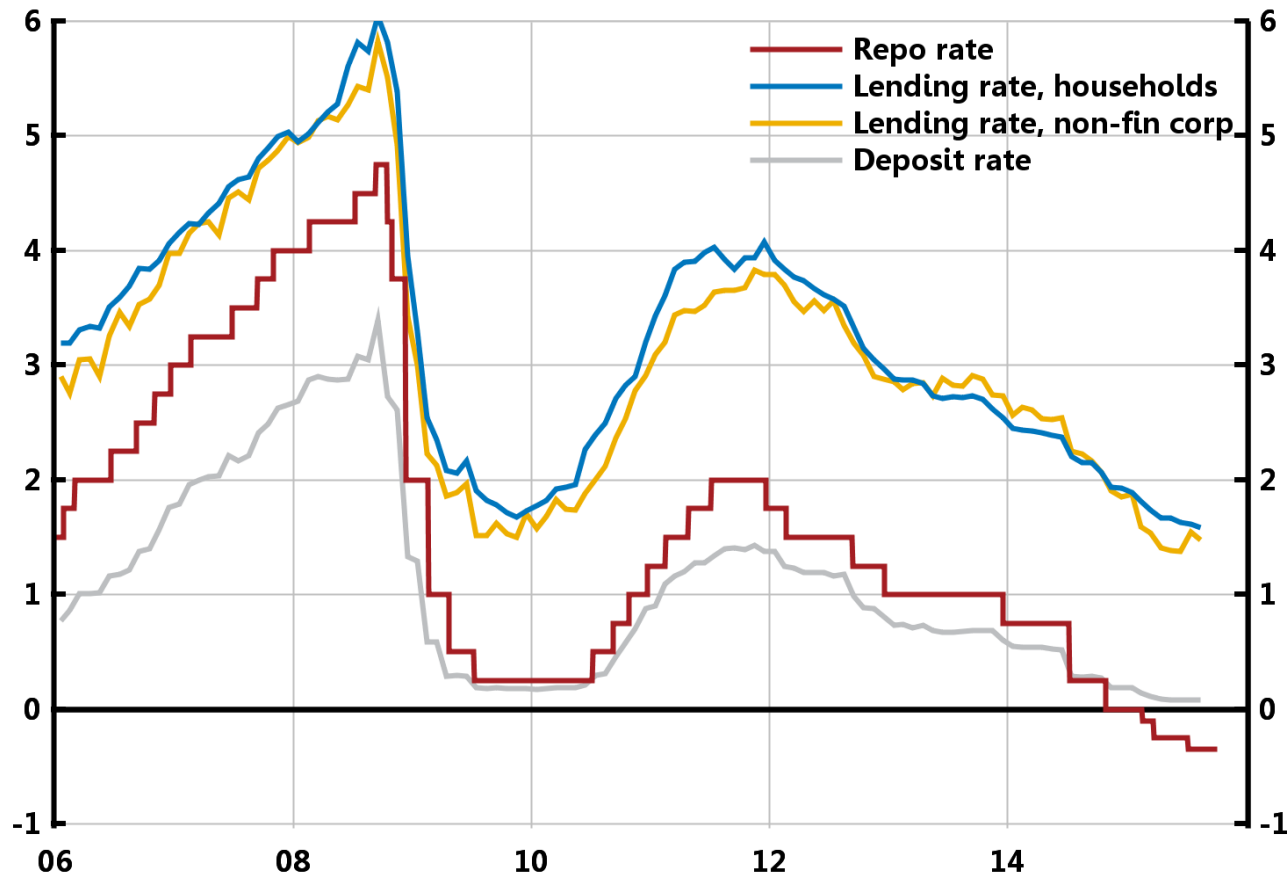
Market rates follow the repo rate



Note. Per cent. Government and mortgage bonds refer to implied zero coupon rates. Broken vertical lines refers to monetary policy decisions.

Sources: Macrobond and the Riksbank

Lending and deposit rates are also affected by the repo rate



Expansionary monetary policy abroad affects Sweden



- Can be illustrated using the Mundell-Fleming model
 - With an unchanged monetary policy in Sweden, a lower international interest rate has a tightening effect on Sweden's economy
 - Stronger currency \Rightarrow lower net exports and GDP
 - Current example: ECB's QE programme
 - Good for Sweden in the long term
 - But creates appreciation pressure on the krona in the short term
 - Dampens inflation in Sweden through lower import prices
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Risks to the rise in inflation

**Low inflation
for a long time**

How quickly will
inflation rise?

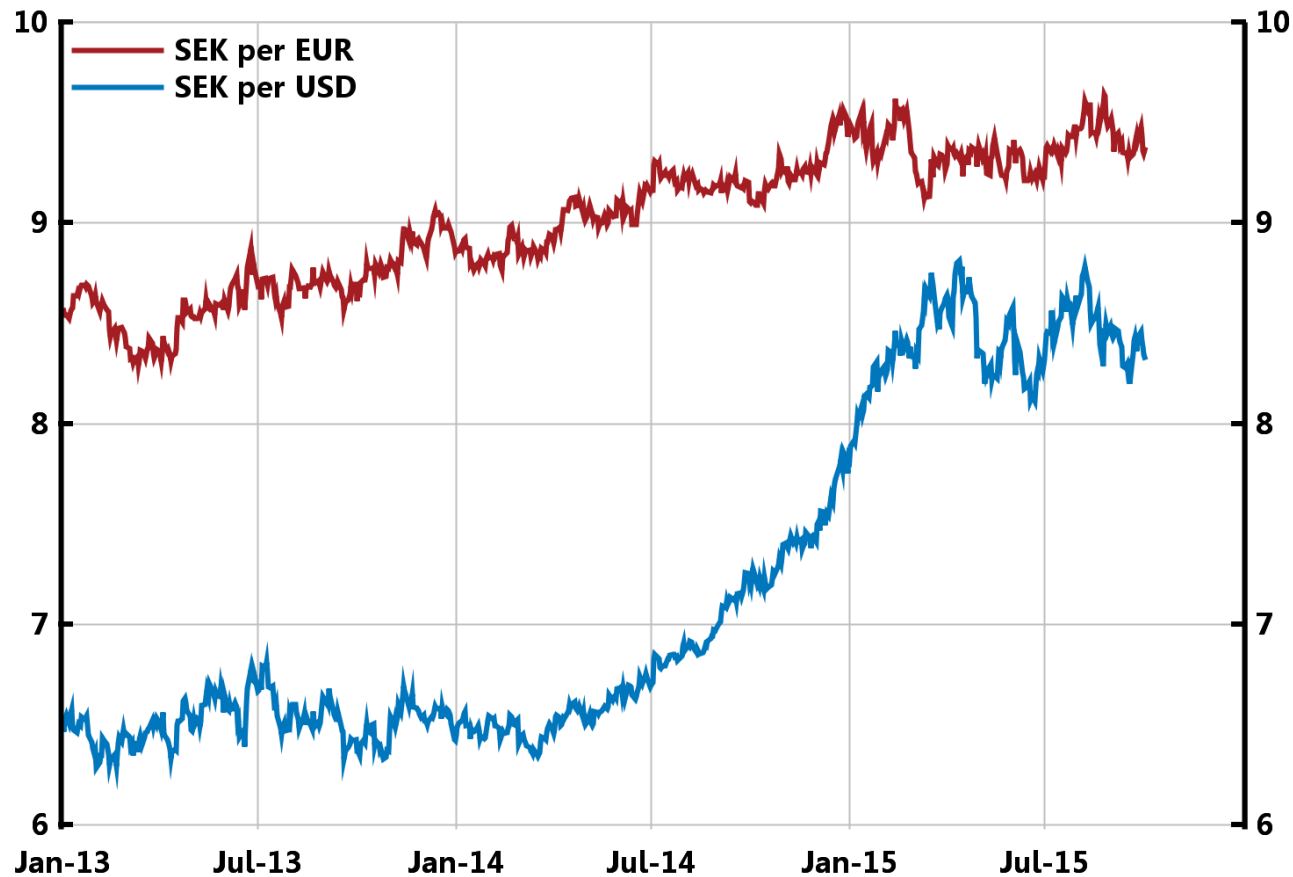
**Concerns in emerging
economies**

Fall in oil price

**Central banks
out of step**

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

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



The low interest rate is necessary

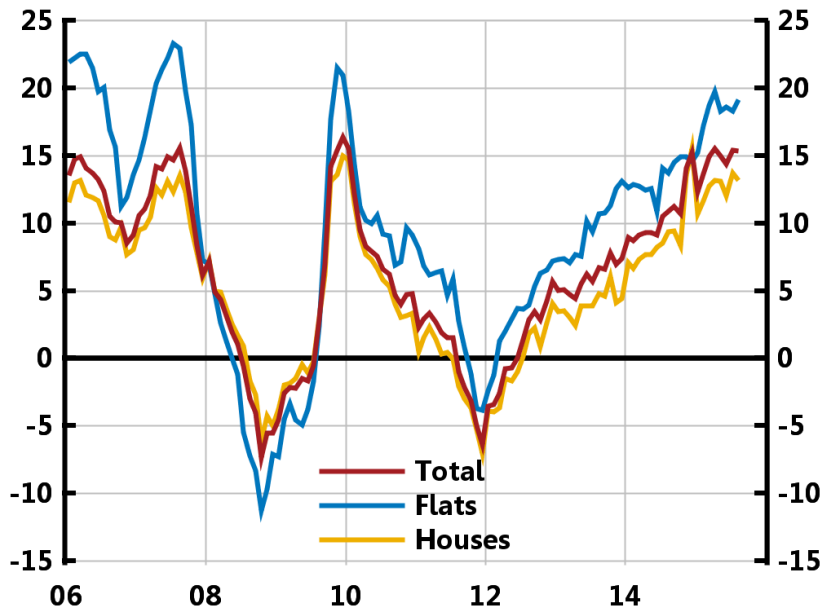
- The inflation target contributes to better economic development
- Not to change the target owing to where inflation is at the moment
- Low interest rates internationally
- Monetary policy having an effect - inflation is rising

But

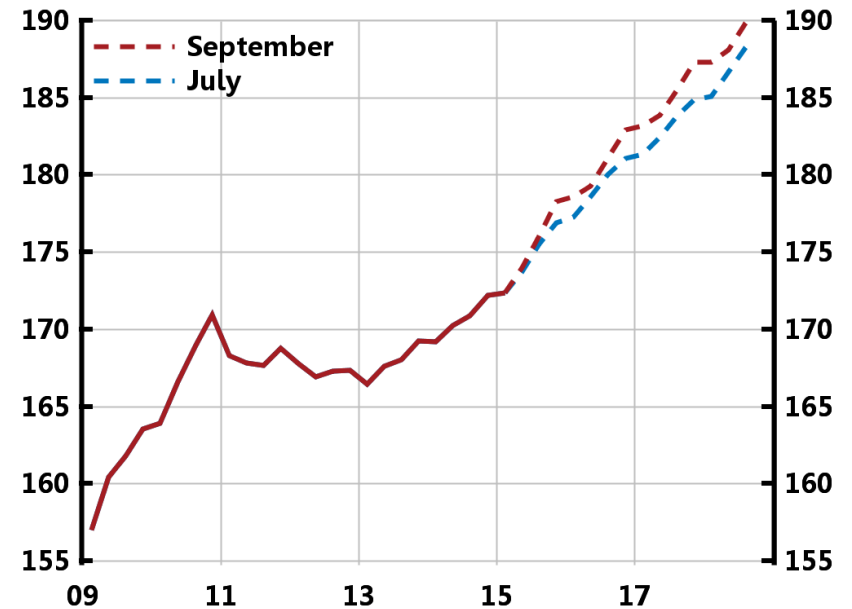
- Low interest rates can lead to exaggerated risk-taking
 - The risks associated with household debt and the housing market
 - Other government agencies, the Riksdag and the Government have the tools - high time to use them!
-

Housing prices and household debt ratio continues to be a risk

Housing prices



Household debt ratio



Note. Per cent and per cent of disposable income respectively. Households' total debt as a share of their disposable income totalled over the past four quarters.

Sources: Statistics Sweden, Valueguard and the Riksbank

To sum up

- Two main tasks
 - Monetary policy and Financial stability
 - New banknotes and coins
 - Inflation is rising and monetary policy provides necessary support
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Thank you!