



My monetary policy assessment

Riksdag Committee on Finance
20 September 2013

Deputy Governor Cecilia Skingsley

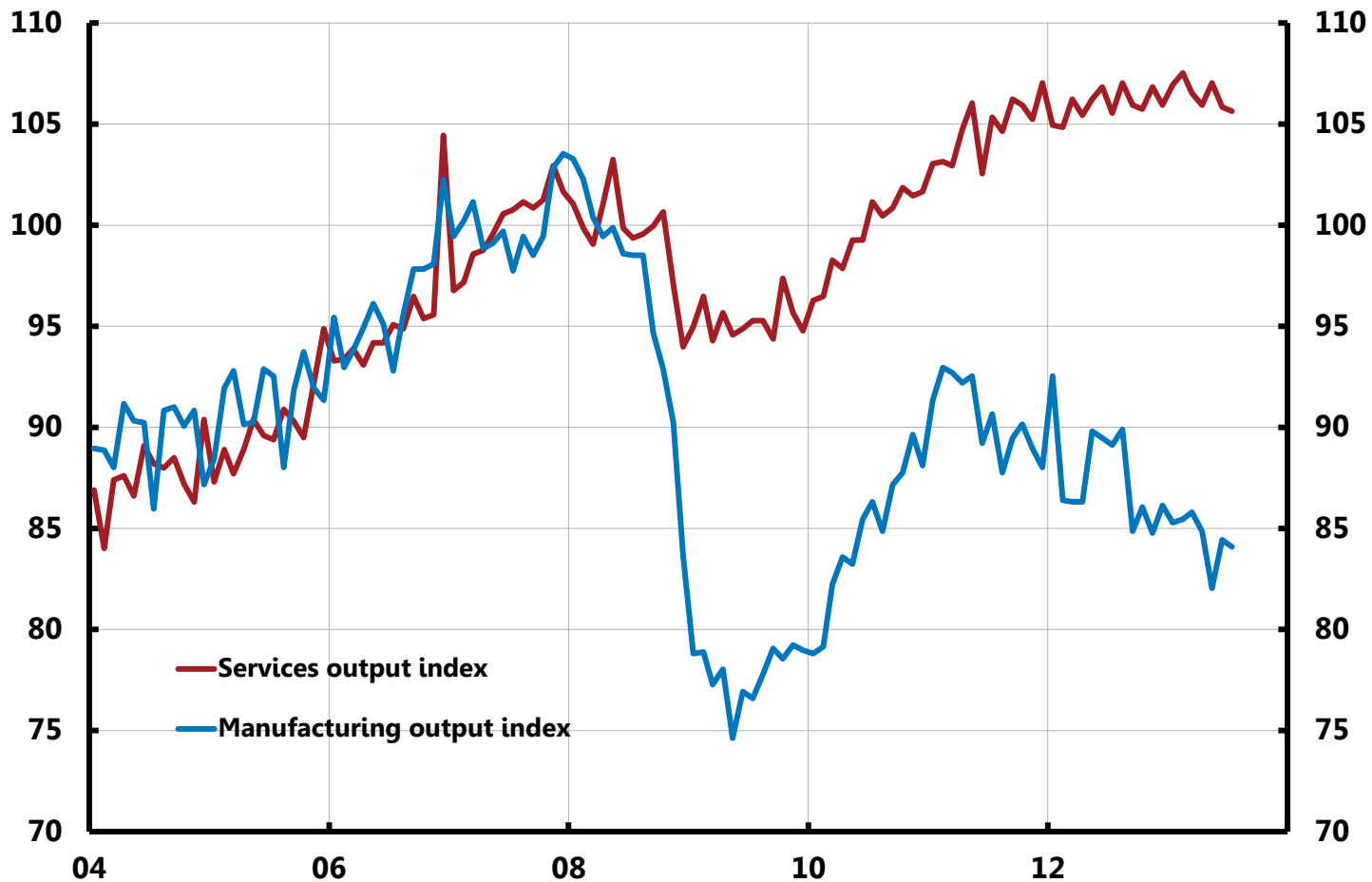
My monetary policy assessment

- **There are reasons for an even lower repo rate...**
 - Growth is weak and resource utilisation is low
 - Inflationary pressures are low

 - **...but stronger reasons for an unchanged rate**
 - The repo rate is already low – supports the recovery
 - Signs of economic improvement already visible
 - Risks associated with household indebtedness
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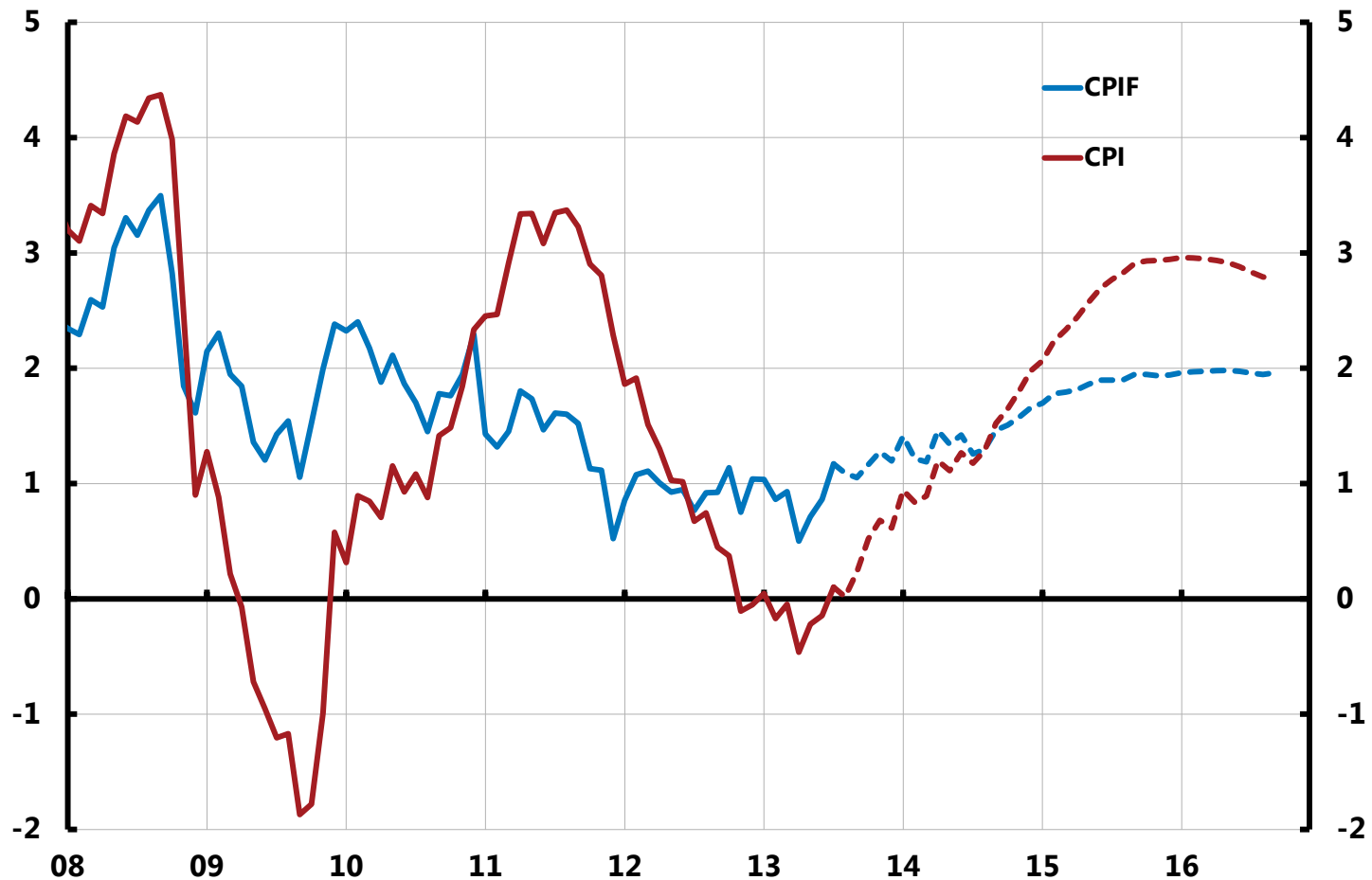
Weaker development in Sweden – we see a division in the economy

Industrial and service output, index, 2007 = 100



Inflationary pressures are low

CPI and CPIF, annual percentage change

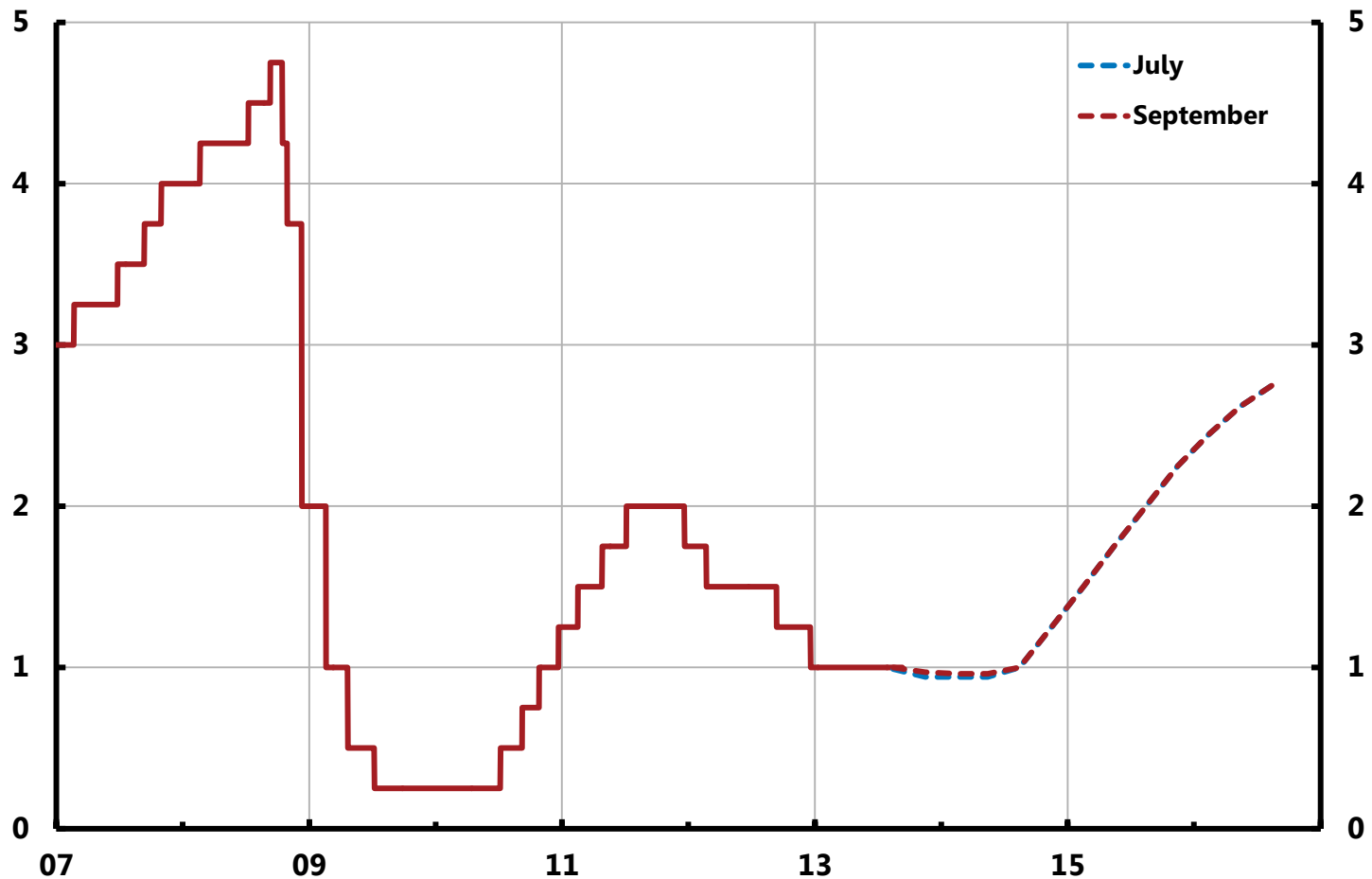


Note. The CPIF is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

Why not an even lower repo rate?

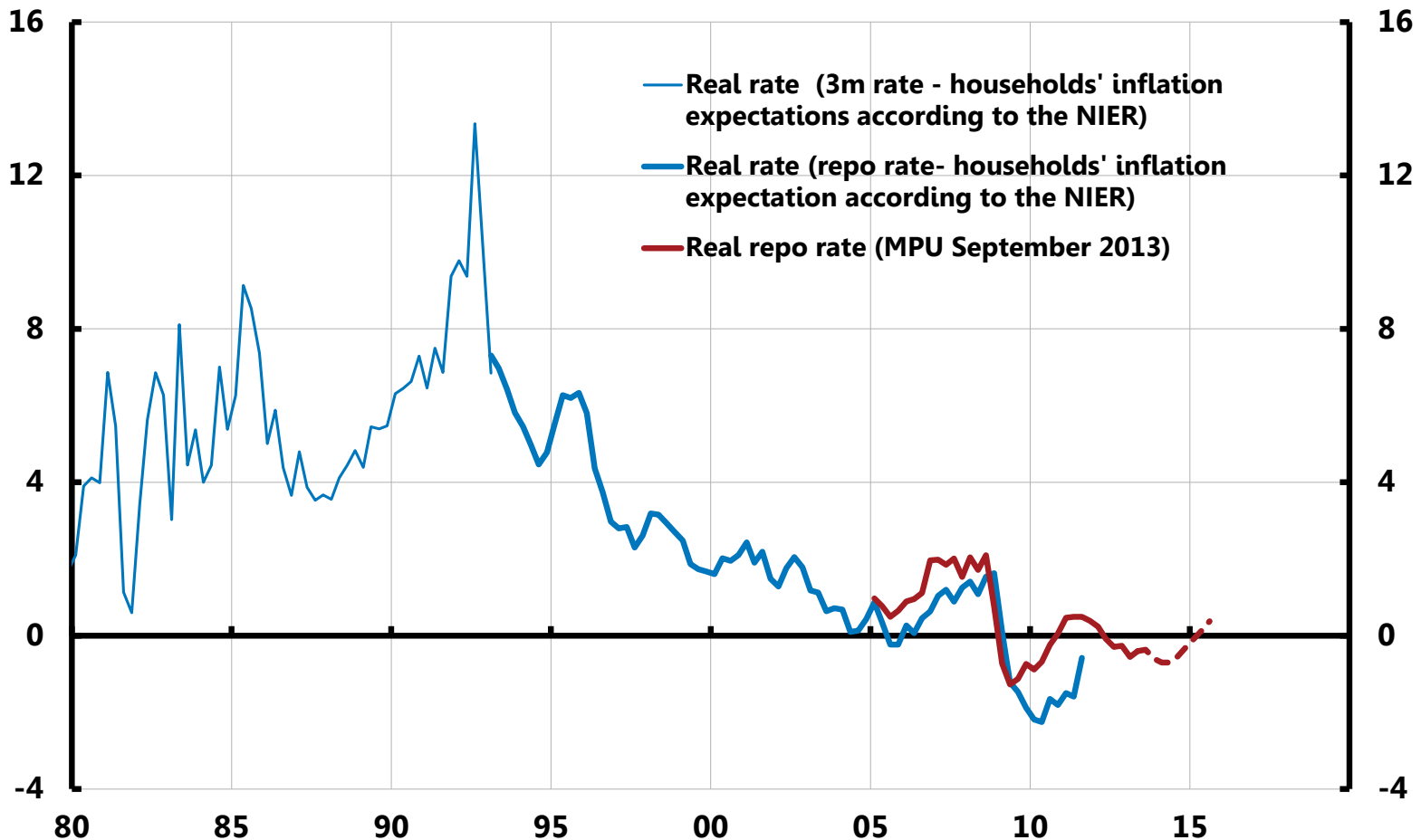
Repo rate, per cent



The repo rate is already low – supports the recovery

The repo rate is very low in an historical perspective

Real repo rate, per cent, quarterly averages



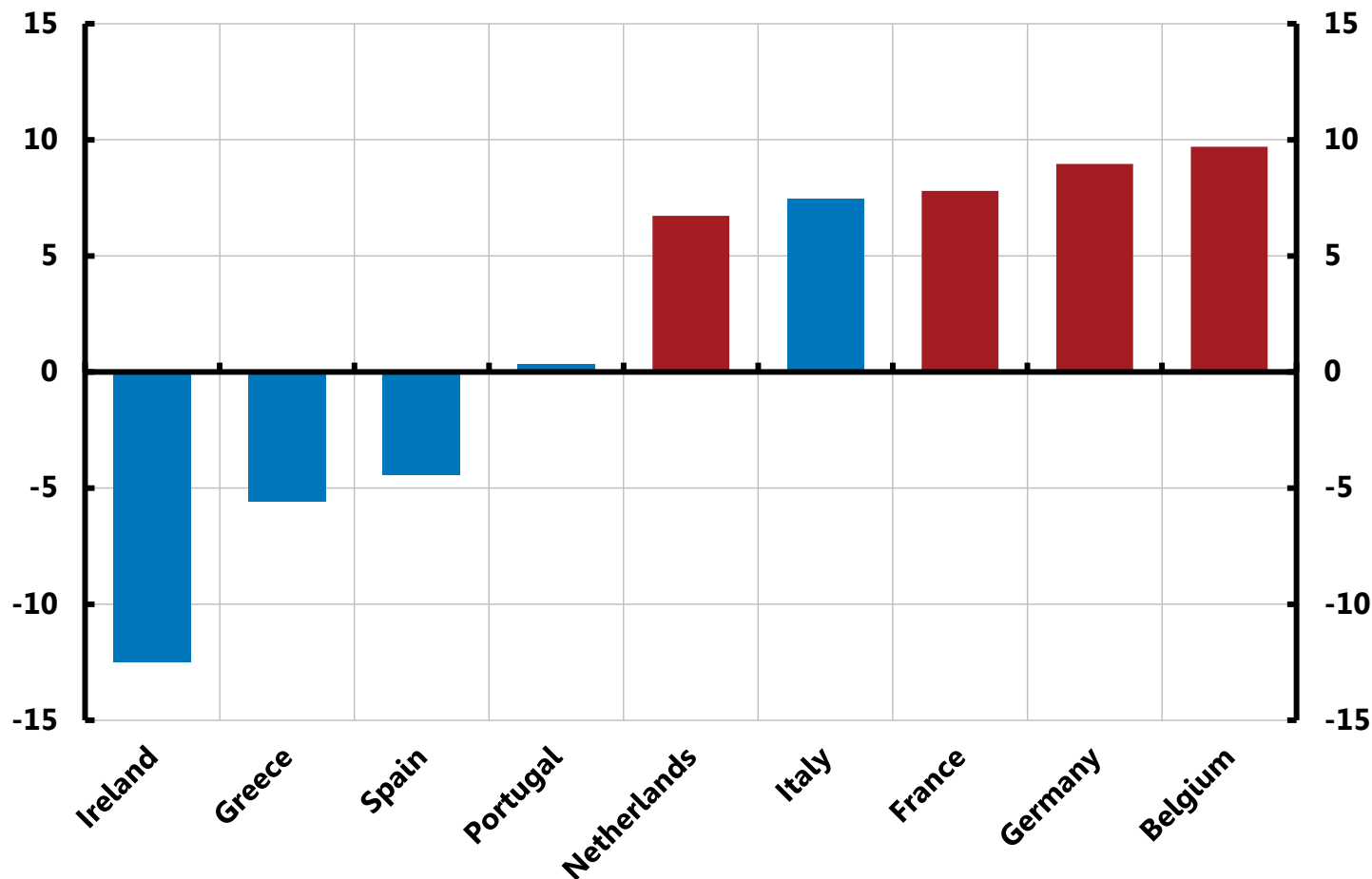
Note. The real repo rate is calculated as a mean value of the Riksbank's repo-rate forecast for the year ahead minus the inflation forecast (CPIF) for the corresponding period.

Source: The National Institute of Economic Research and the Riksbank

Signs of economic improvement already visible

Positive signals in the euro area – this also applies to the underlying structural problems

Change in unit labour costs for different countries in the euro area between 2008 and 2012, percentage points

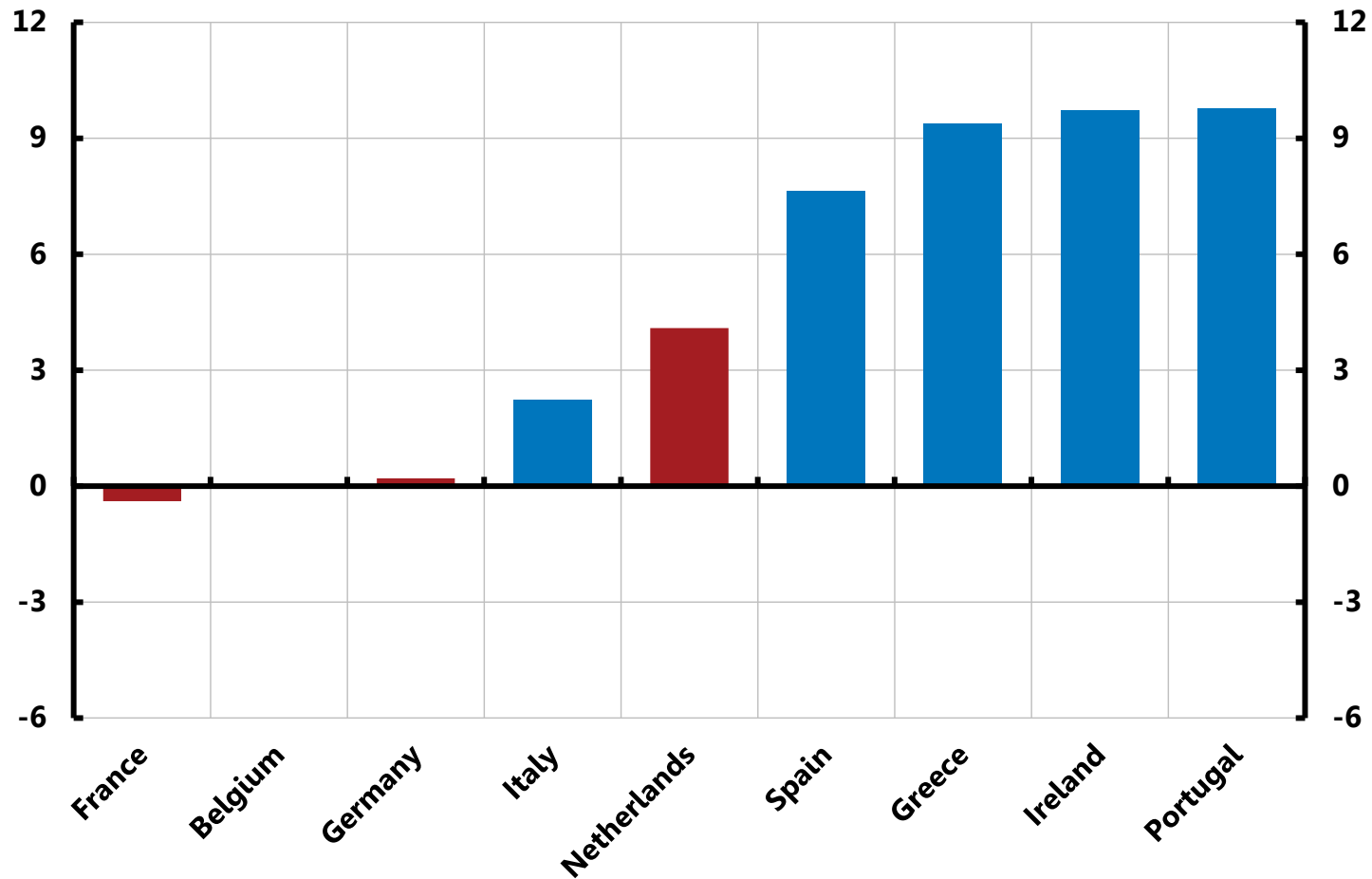


Note. The GIIPS countries (Greece, Ireland, Italy, Portugal and Spain) are reported as blue columns.

Source: The OECD

The imbalances between the euro countries are declining

Changes in current account for different countries in the euro area between 2008 and 2012, per cent of GDP

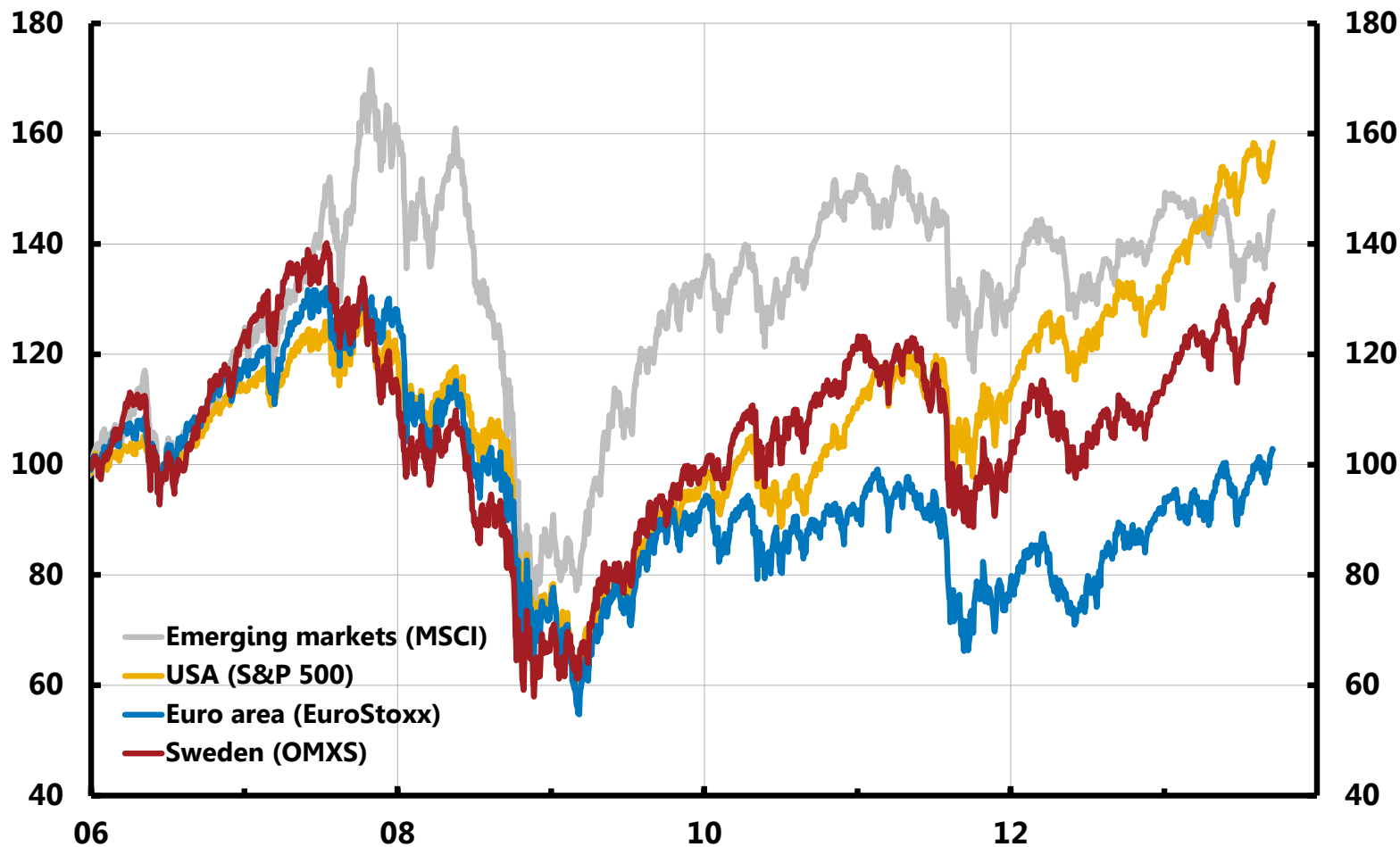


Note. The GIIPS countries (Greece, Ireland, Italy, Portugal and Spain) are reported as blue columns.

Source: The OECD

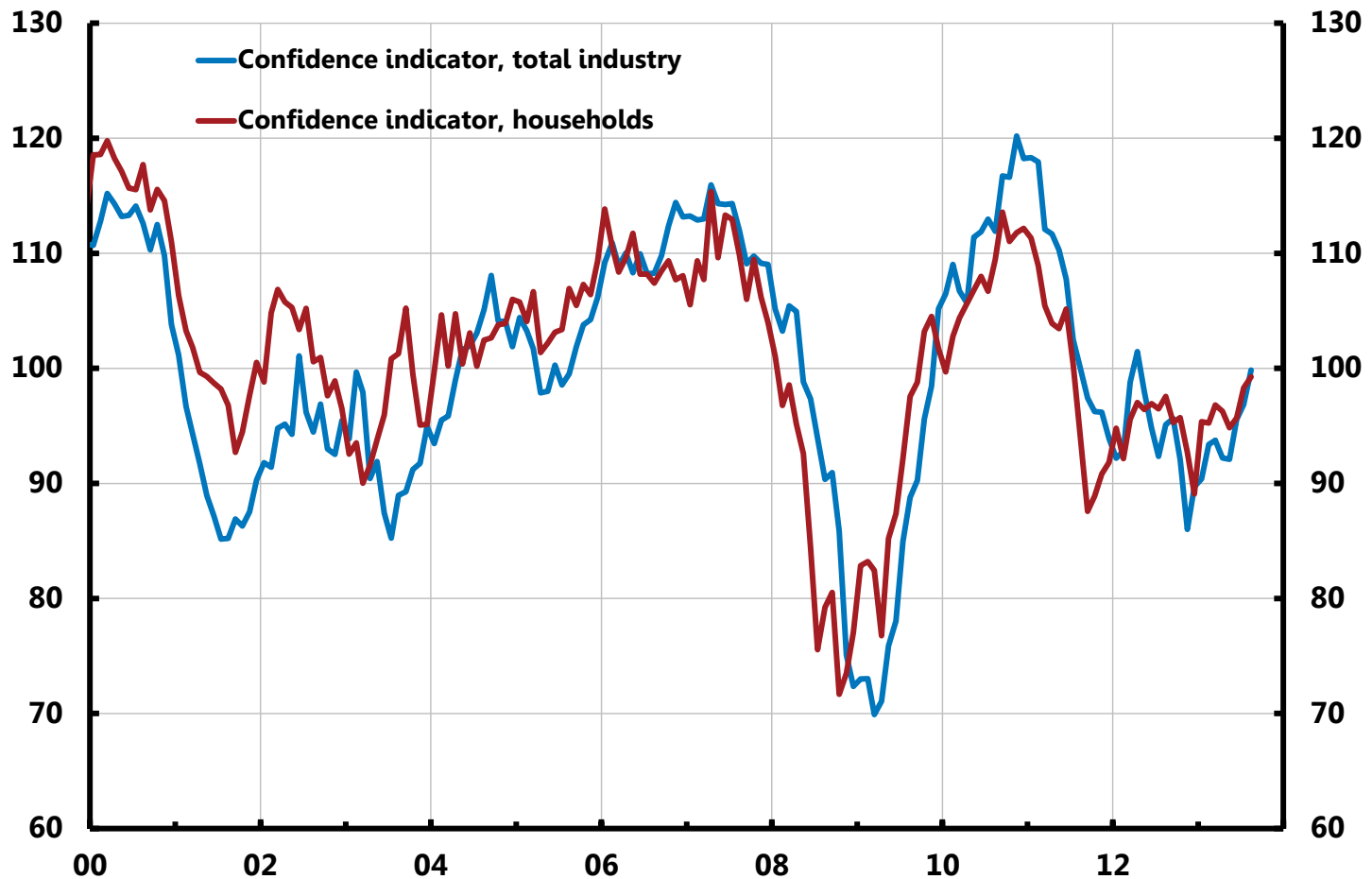
Increased optimism on the financial markets

Stock market developments, index, 3 January 2006 = 100



Sentiment has improved among households and companies in Sweden

Confidence indicators, index



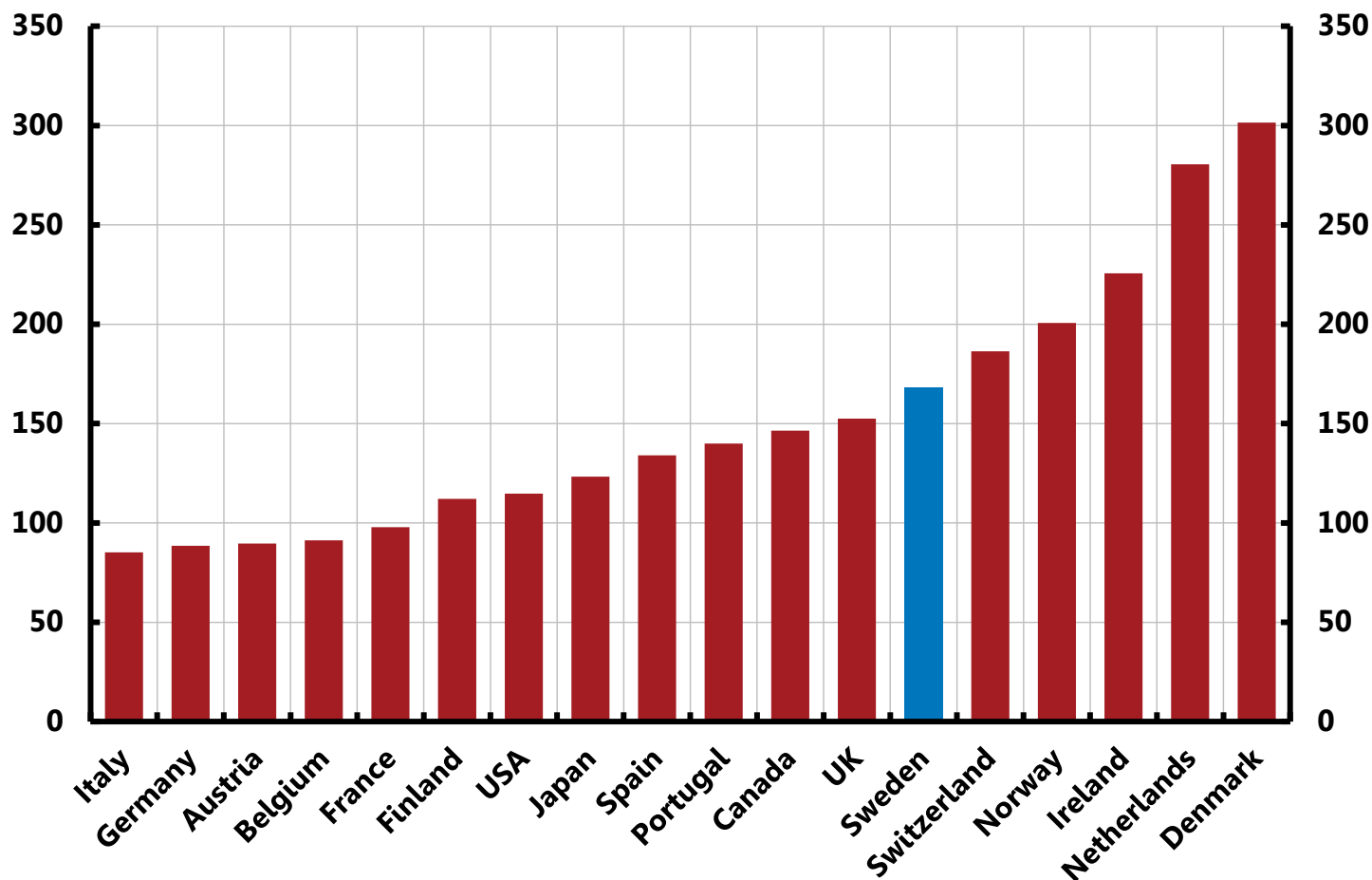
Note. average = 100, standard deviation = 10

Source: National Institute of Economic Research

Risks associated with household indebtedness

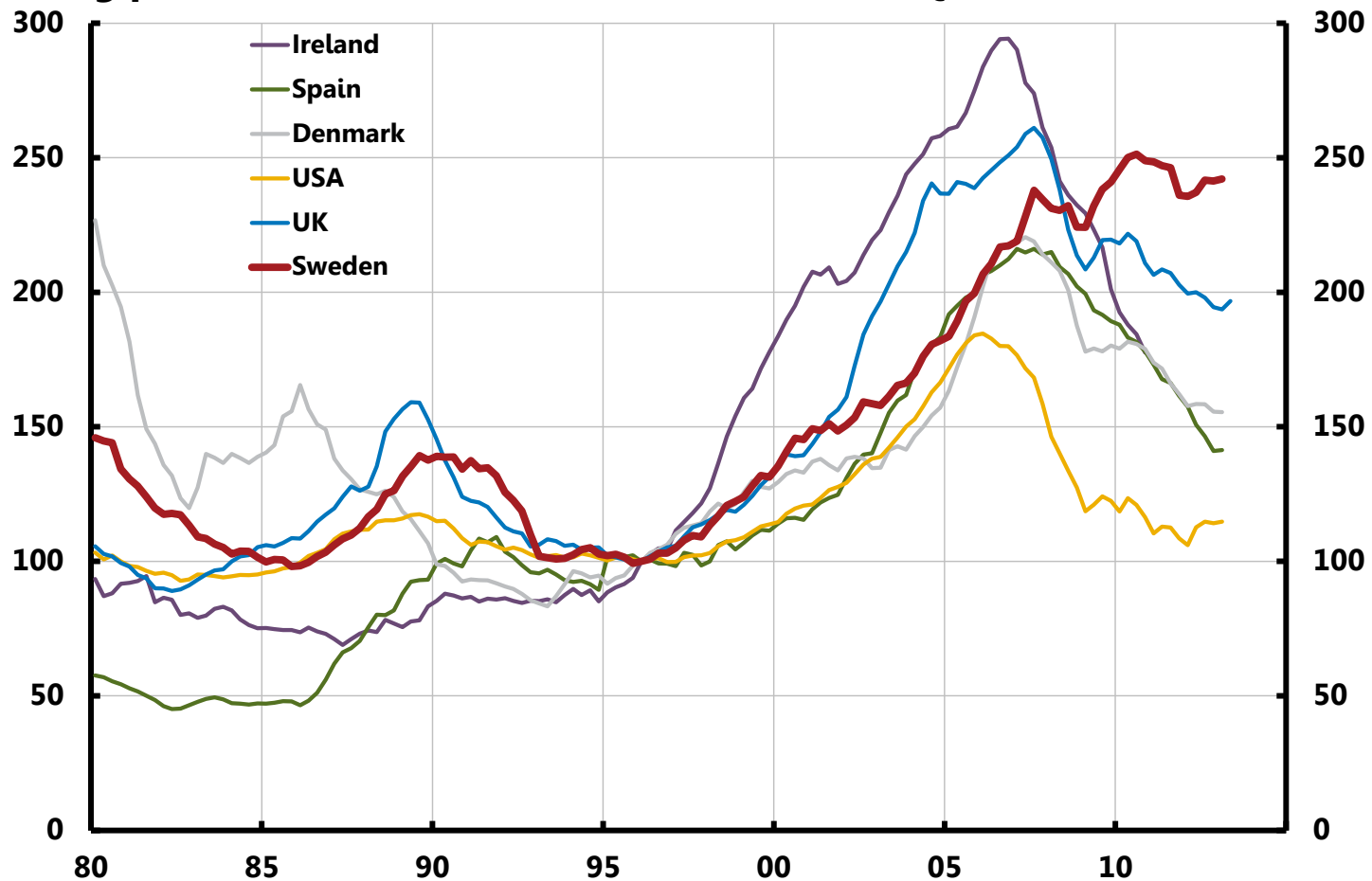
Household indebtedness has risen rapidly and is high in an international perspective

Household indebtedness in different countries, as a percentage of disposable income



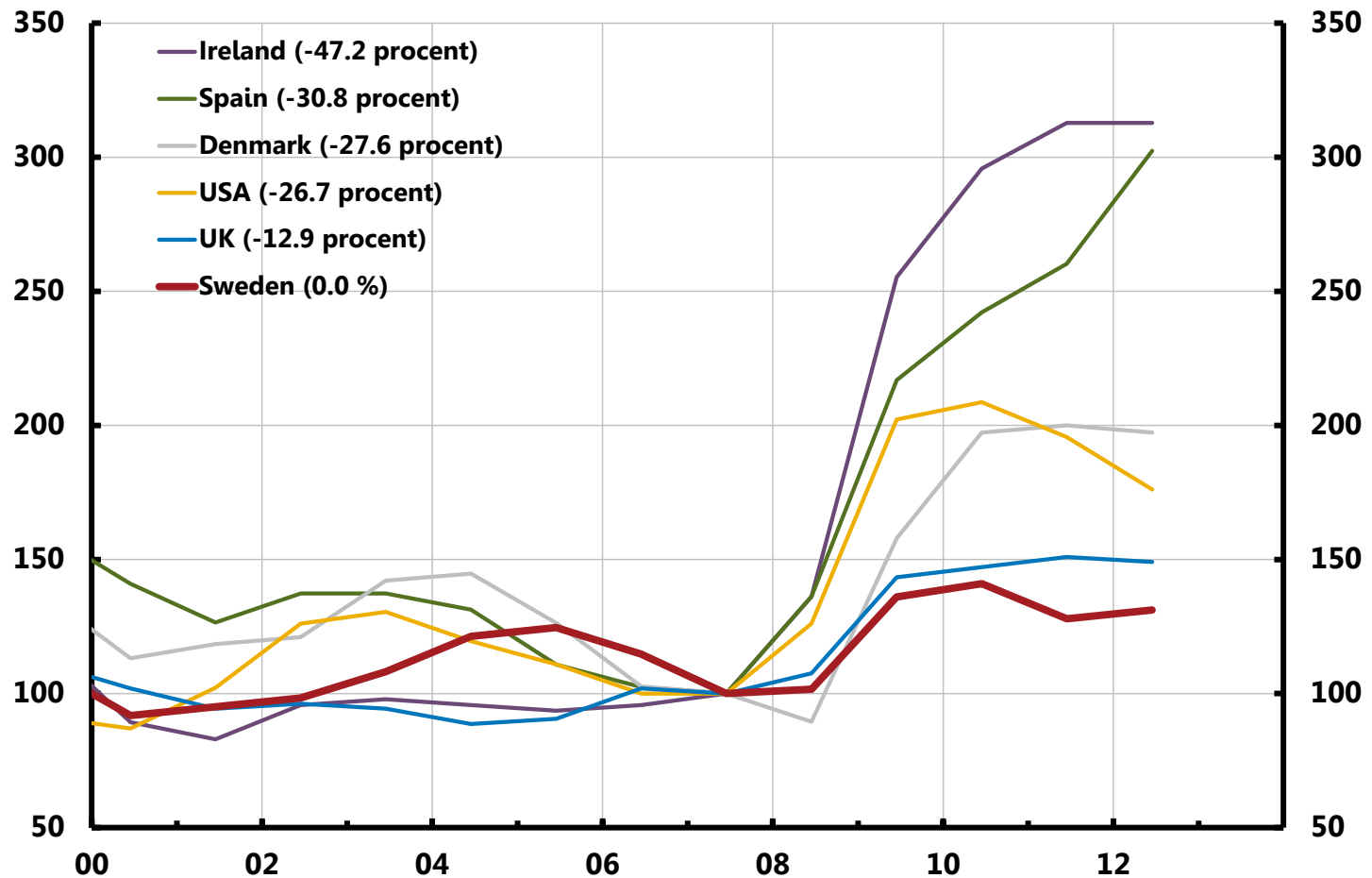
We want to avoid problems similar to those several other countries have suffered

Real housing prices in different countries, index, 1996 Q1 = 100



An adjustment in the housing market can have serious consequences

Unemployment in countries hit by a fall in the housing market



Note. Unemployed as a percentage of the labour force, index, 2007 = 100. The figures in brackets refer to the fall in real house prices from the peak to the trough.

Source: The OECD

Announcement on macroprudential policy welcome



- Clear allocation of responsibility an important step
 - Good that measures have already been announced, e.g. higher risk weights on mortgages and better amortisation culture
 - An effective macroprudential policy can reduce the need to take financial imbalances into account in the repo-rate decisions
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Low repo rate stimulates the recovery

Repo rate, per cent

