



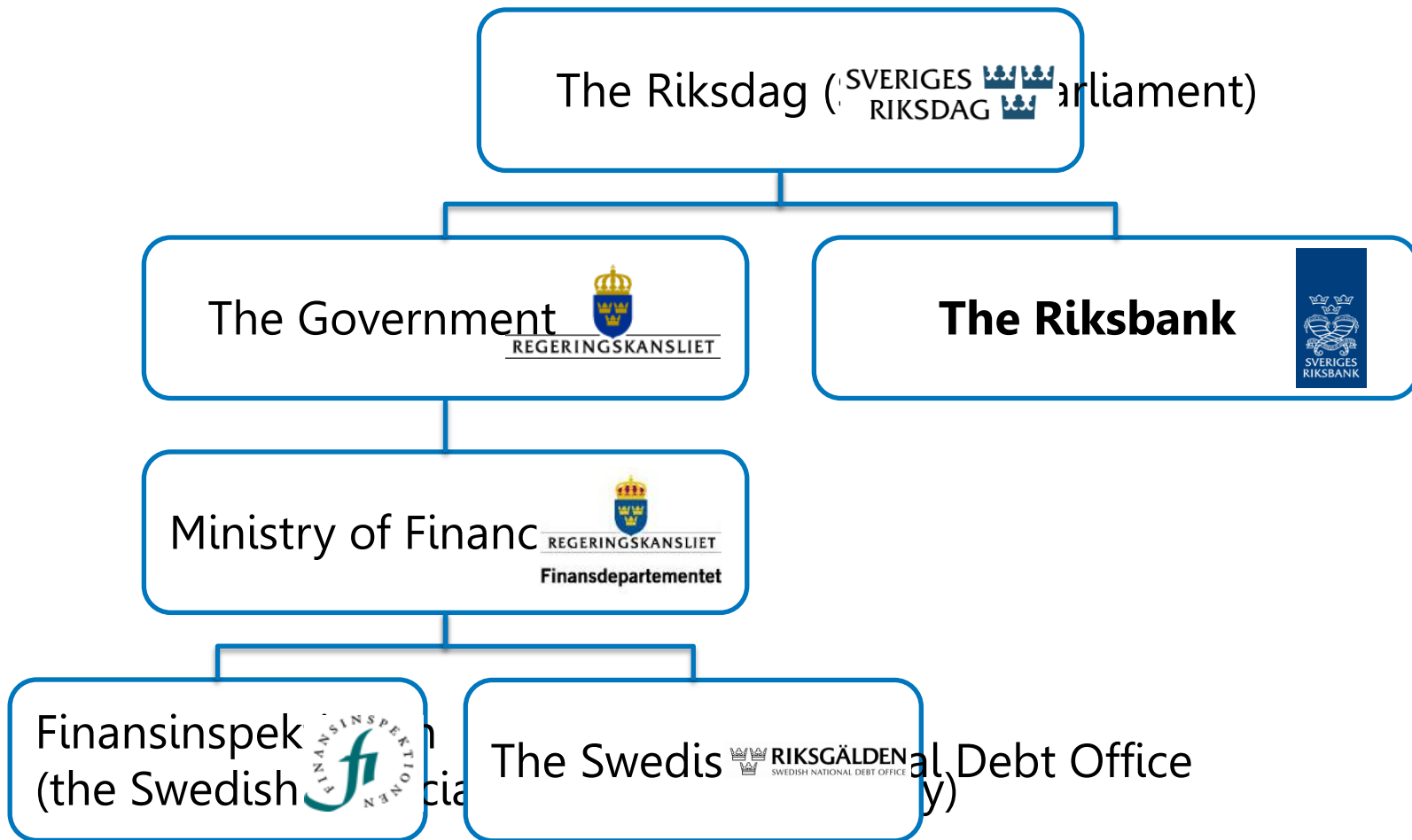
Speech  
Kulturens Hus  
Luleå  
24 September 2014

Deputy Governor Cecilia Skingsley

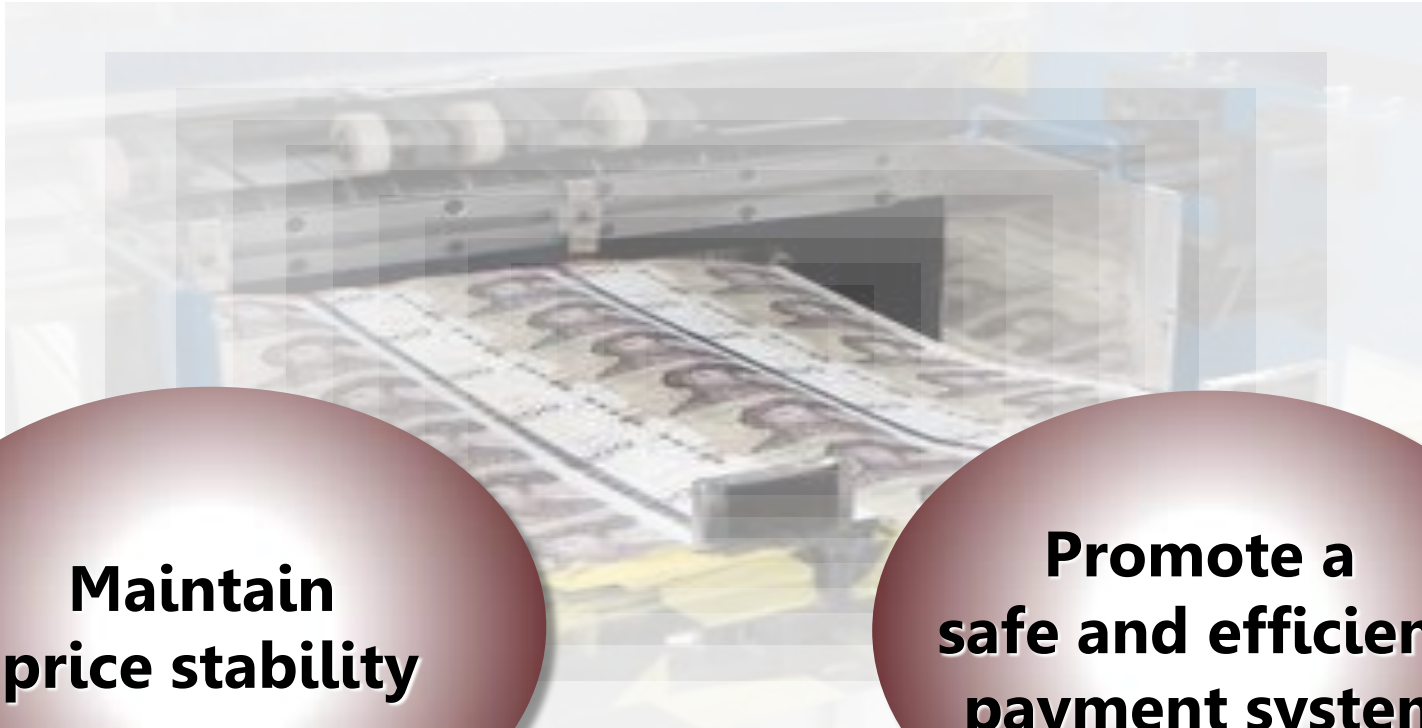


# About the Riksbank

# Public authority under the Riksdag



# Our main tasks



**Maintain  
price stability**

**Promote a  
safe and efficient  
payment system**



# 1975



**Piggelin costs 75 öre**

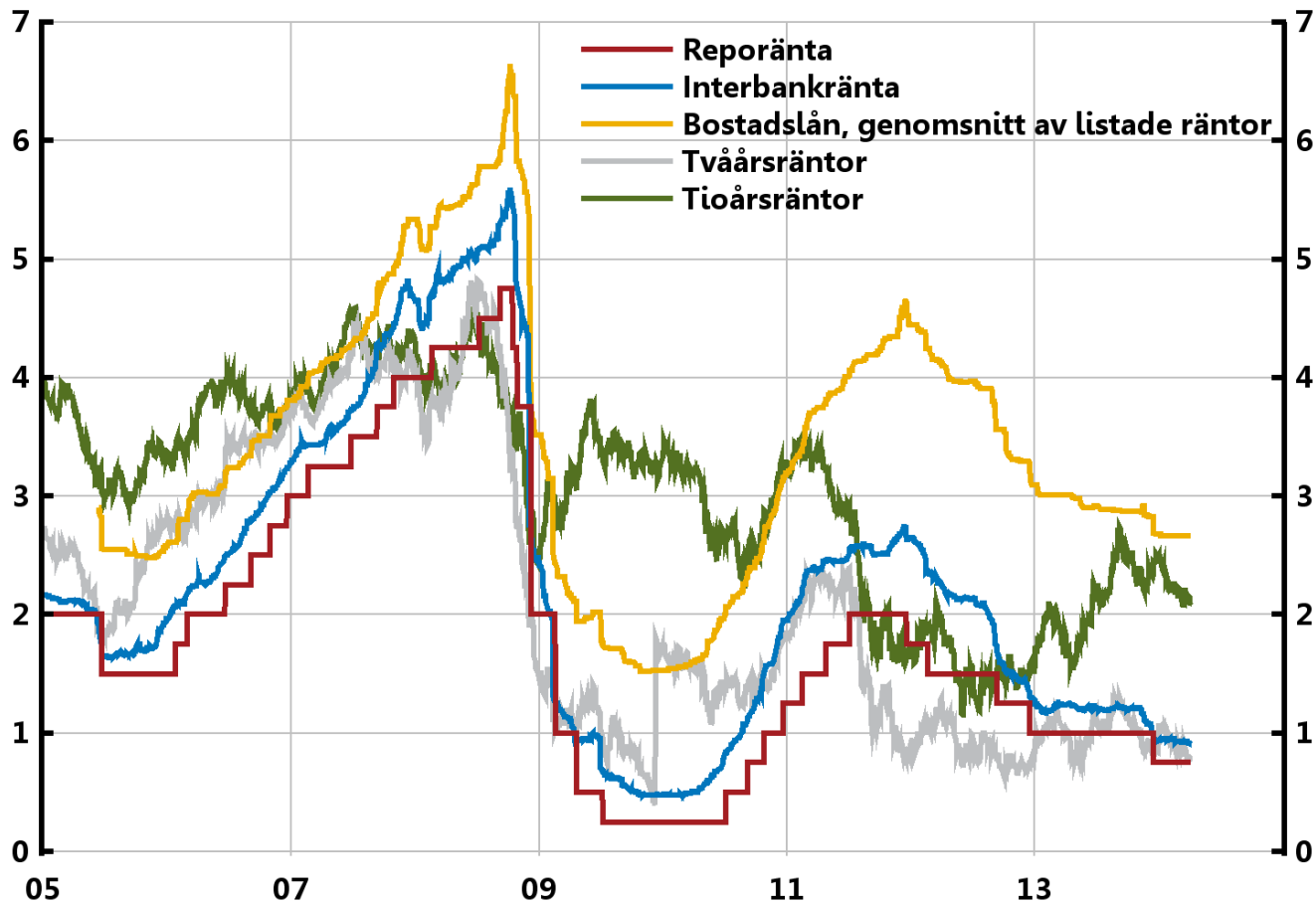
# 2013



**Piggelin costs SEK 7**

# How does the repo rate influence other interest rates?

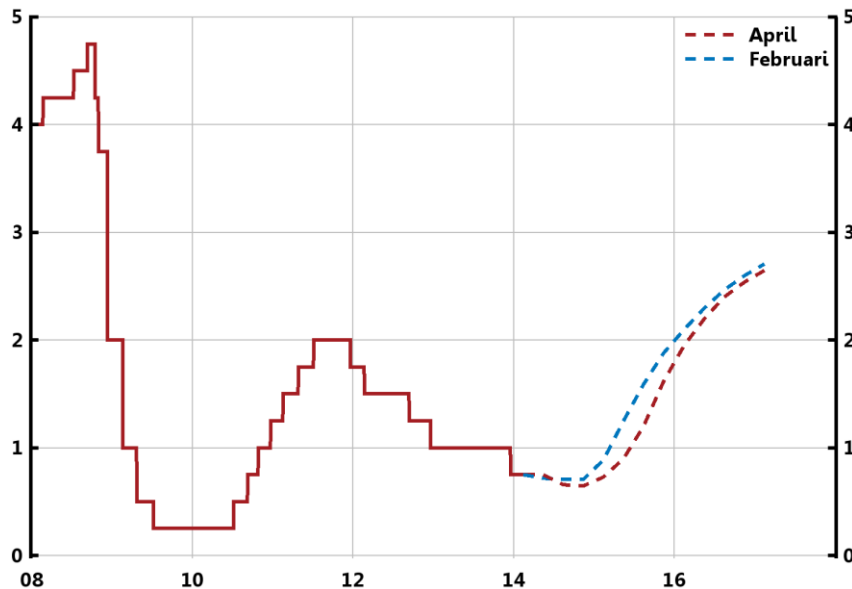
Per cent



# Long-term interest rates influenced via expectations

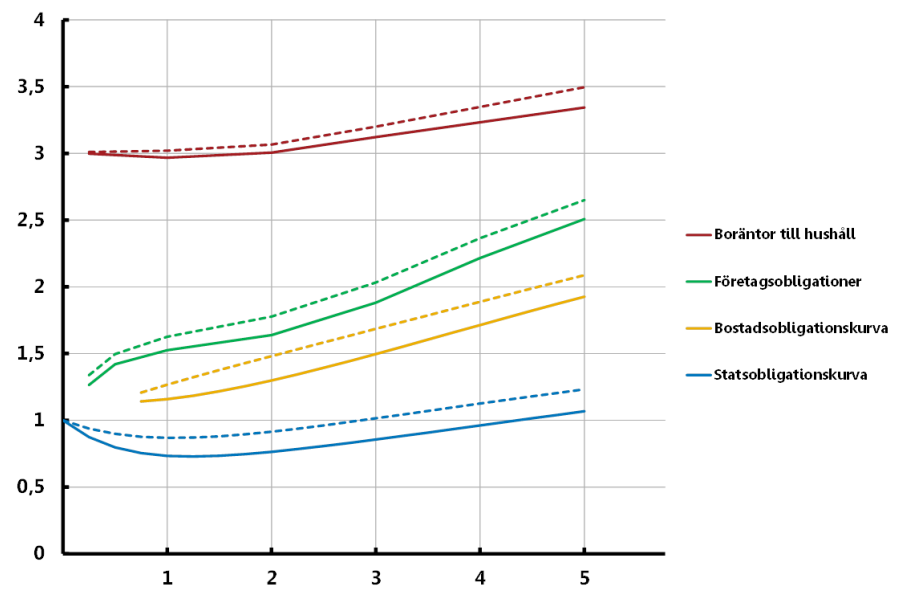
## Decision in April 2013...

Repo rate, per cent



## ...shifted yield curves downwards

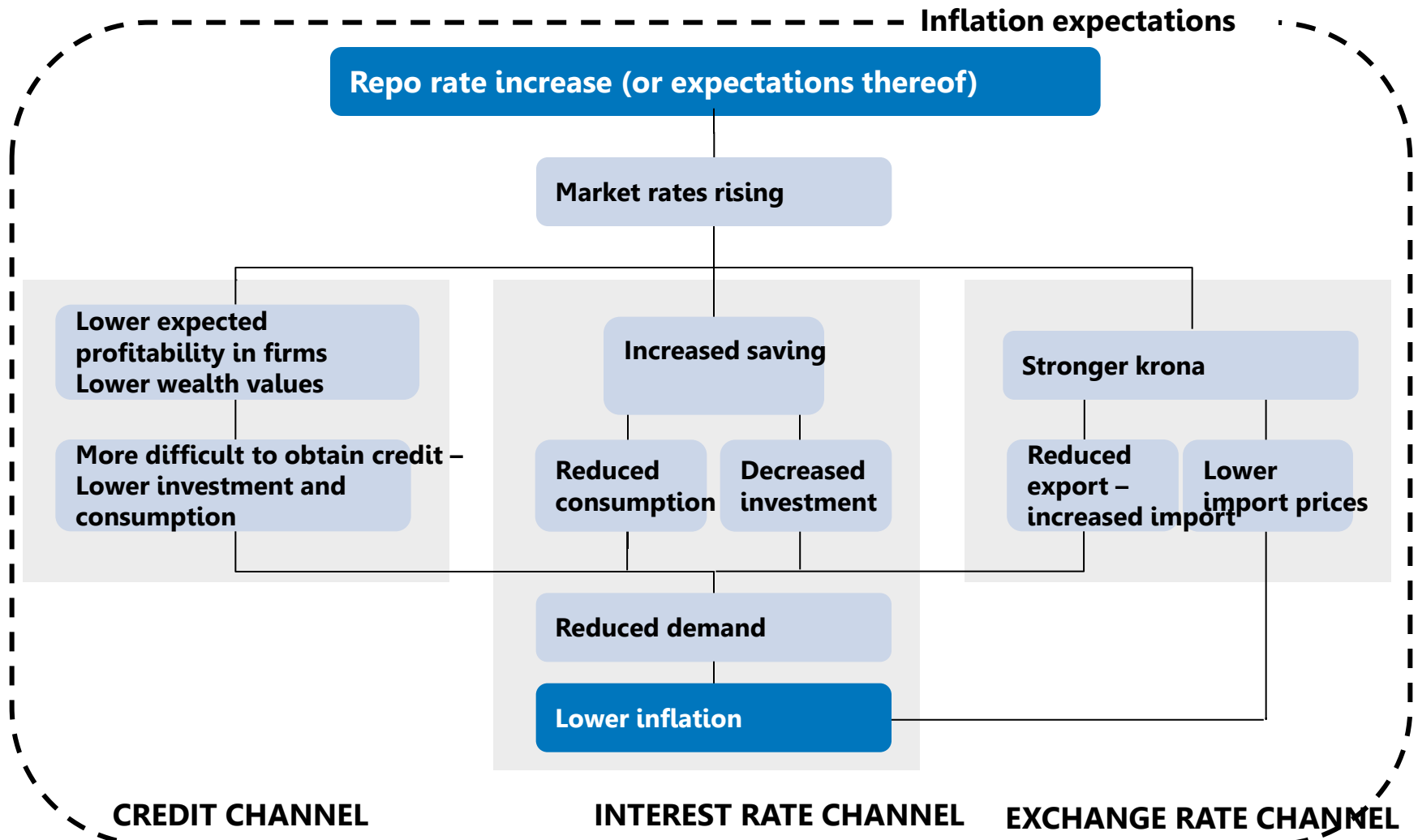
Yield curves maturity up to 5 years, per cent



Note. In the right-hand figure, the broken lines are from 16 April (the day before the monetary policy decision was published) and the unbroken lines are from 25 April. The government bond and mortgage bond curves are

# How does the repo rate affect inflation?


The transmission mechanism





# On what grounds are the monetary policy decisions made?

- Conduct so-called *flexible inflation targeting*
  - Stabilise inflation around 2 per cent *and...*
  - ...stabilise the real economy around its long-run sustainable level

 ***Choose monetary policy that gives an appropriate balance between stabilising inflation and the real economy ("well-balanced policy")***

- As monetary policy has an impact with a time lag, it is in practice a question of ***forecast targeting***
-

# How the Riksbank is governed



RIKSDAGEN

Riksdagen utser  
elva ledamöter.



Riksbanksfullmäktige

Fullmäktige  
utnämner  
sex ledamöter.



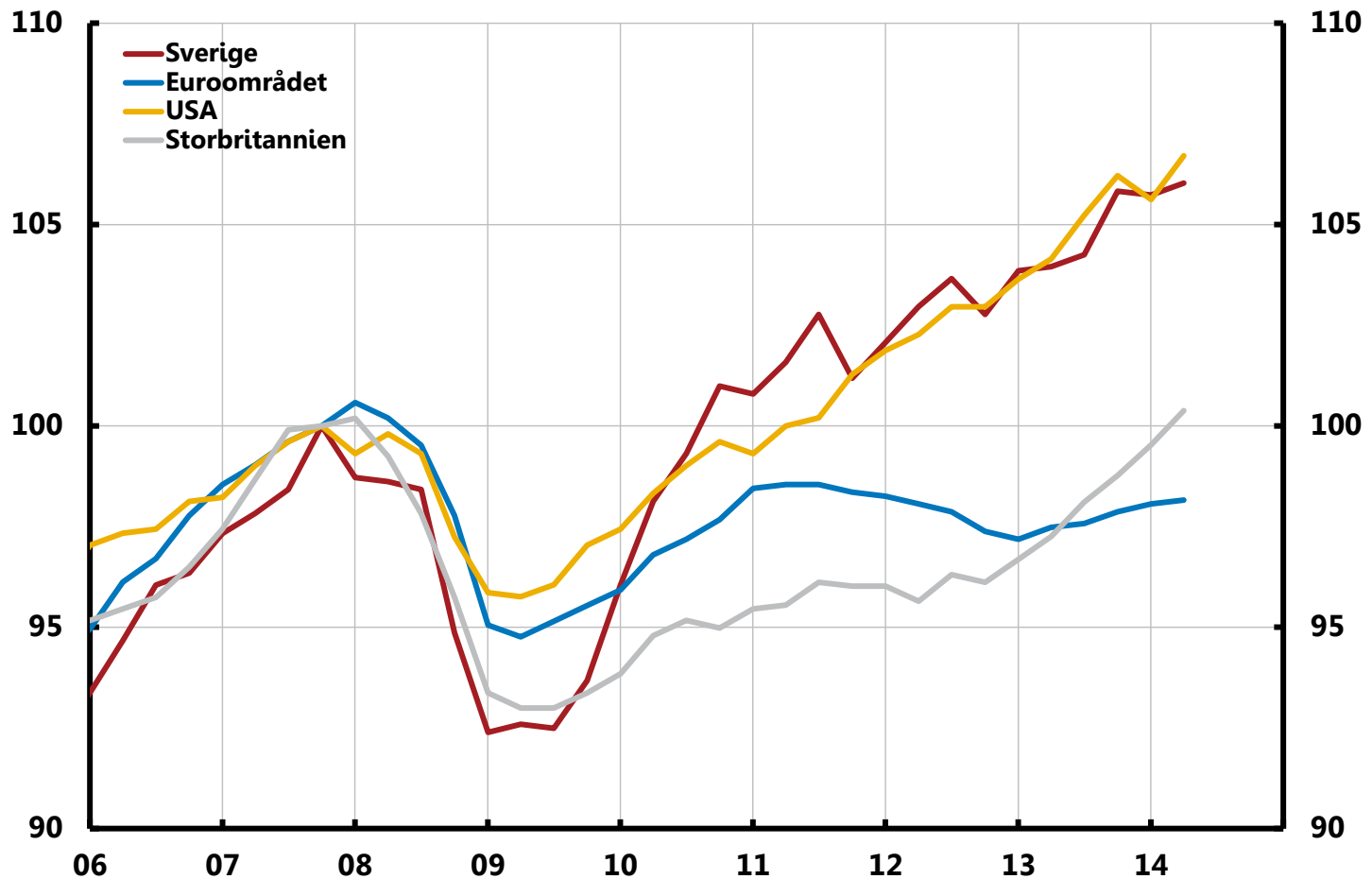
Riksbankens direktion



Economic  
developments &  
measures during  
financial crisis

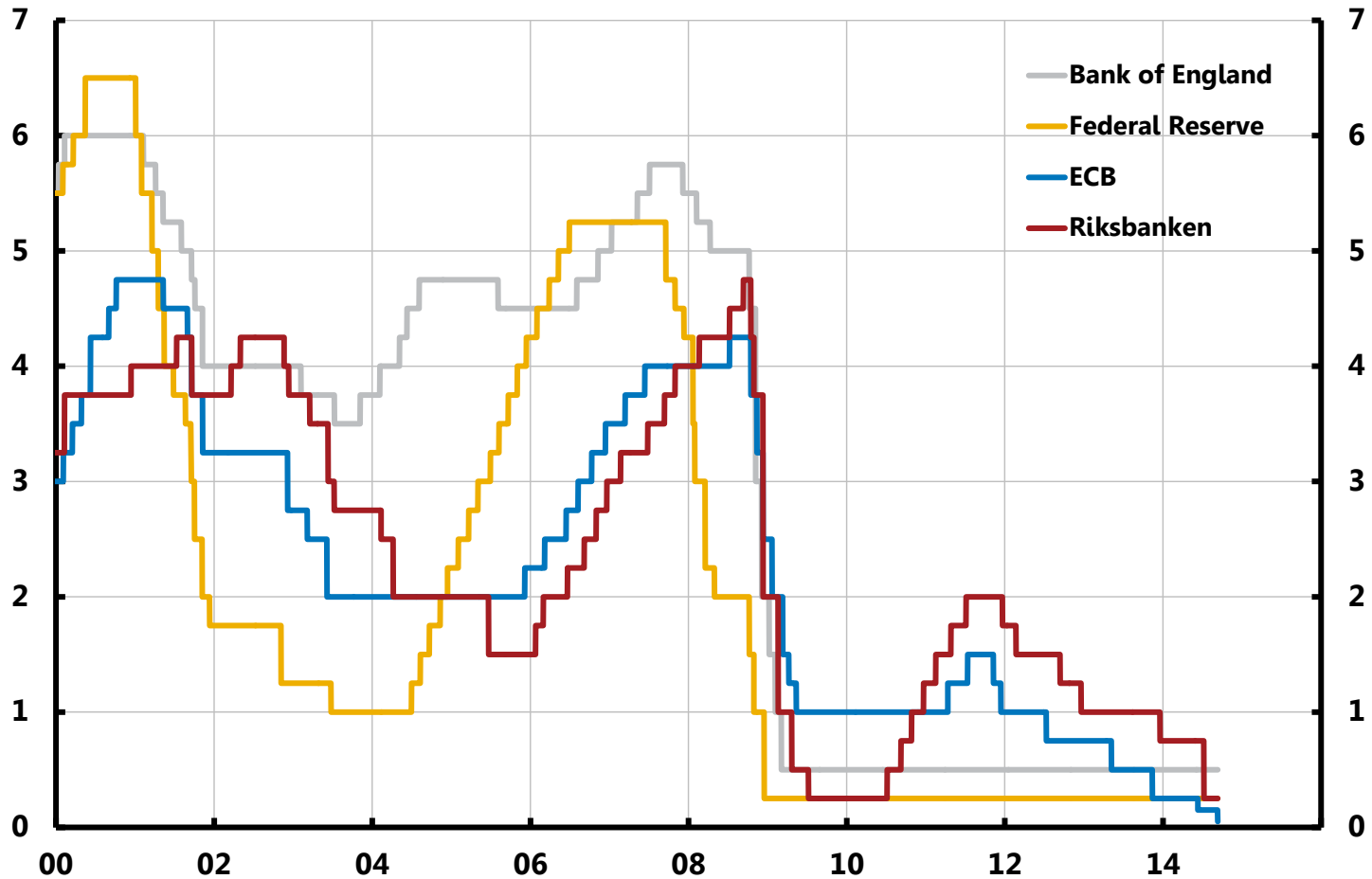
# Global financial crisis from 2007 led to deep problems

GDP, index, 2007 Q4=100



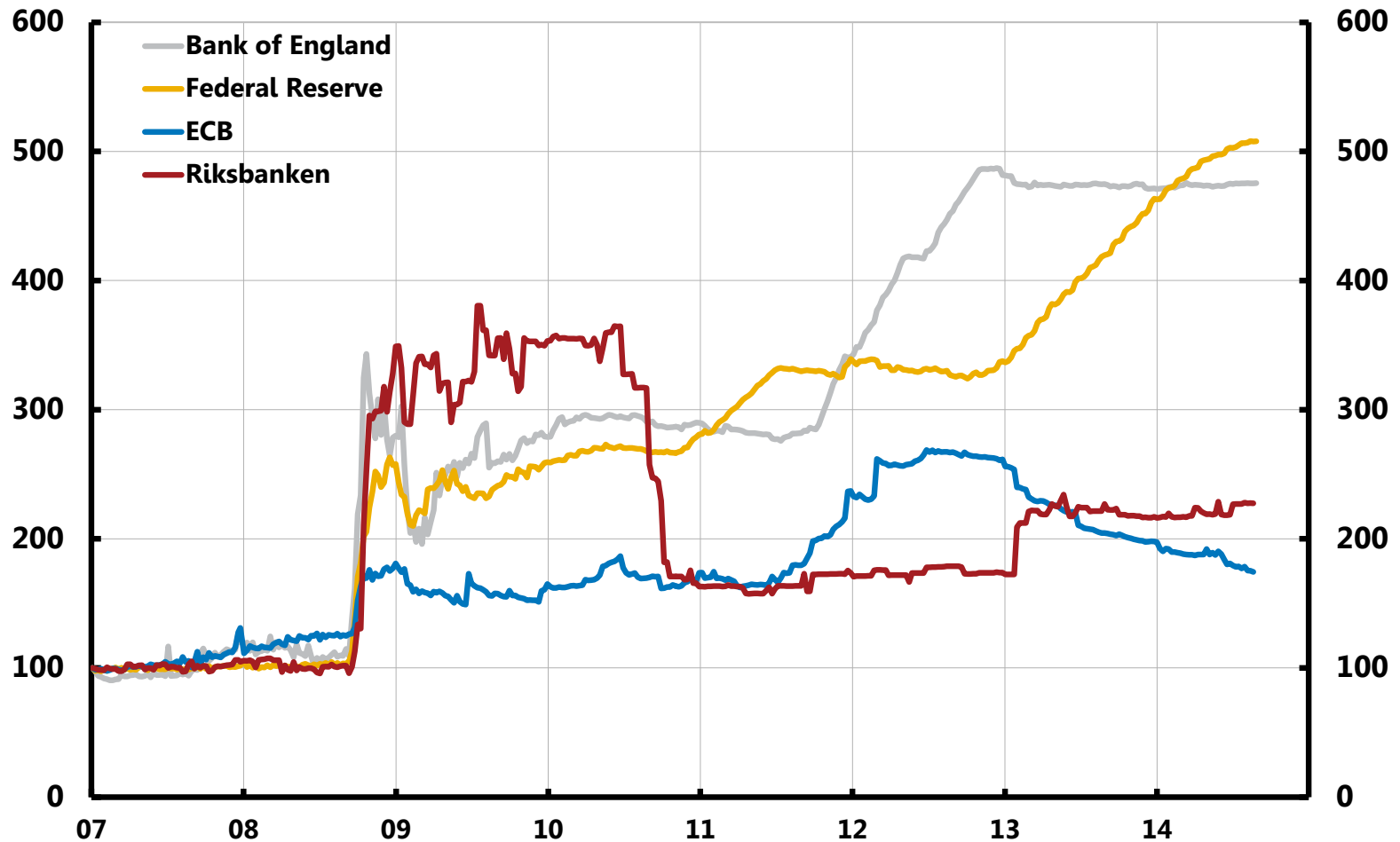
# Policy rates abroad have been cut...

Per cent



# ...and supplemented with unconventional measures

The central banks' balance sheets, index, January 2007 = 100





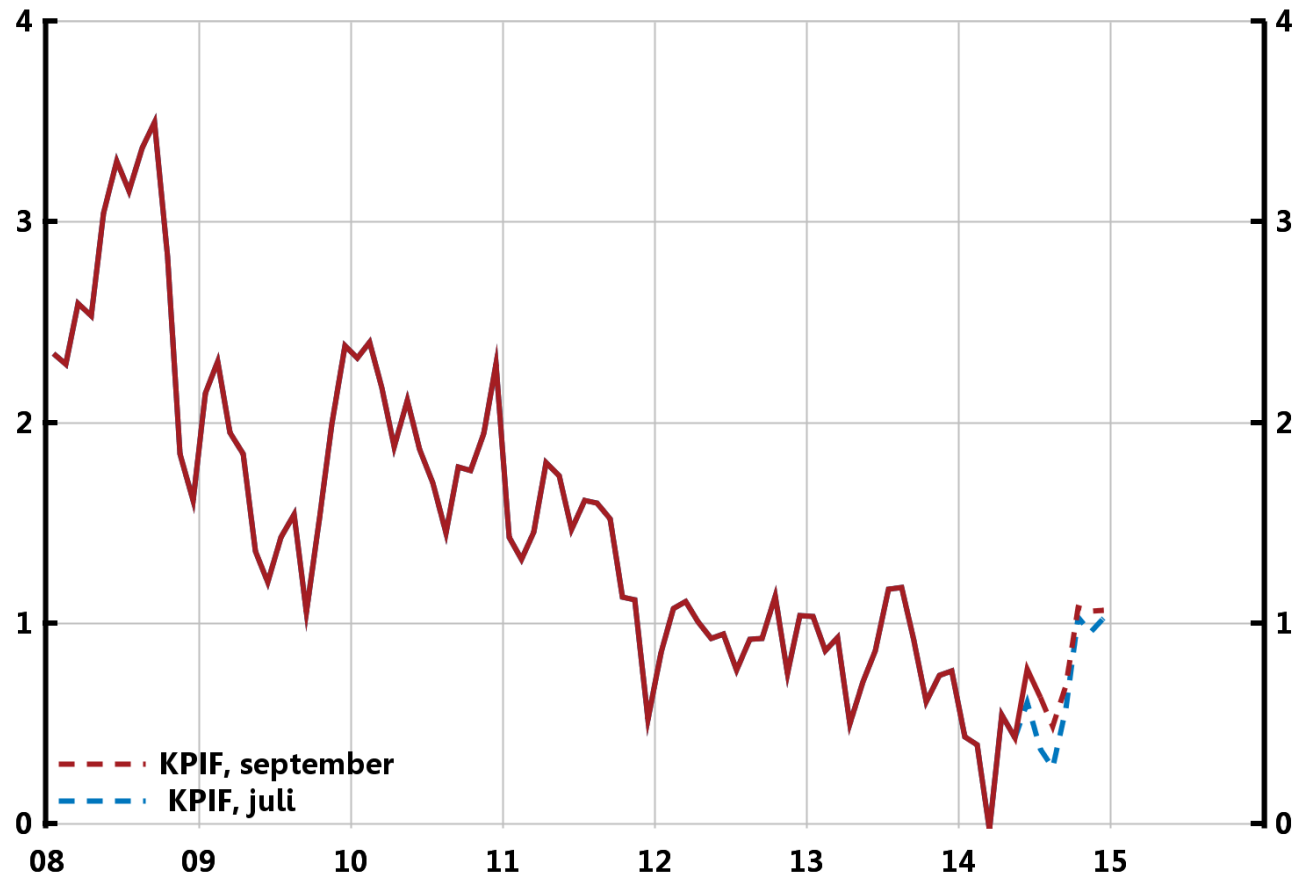
Most recent repo-  
rate decision  
4 September

**Continued low repo rate  
so inflation will rise towards the target**

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# Low inflation in Sweden



# Swedish companies: Weak and uncertain demand has led to low prices

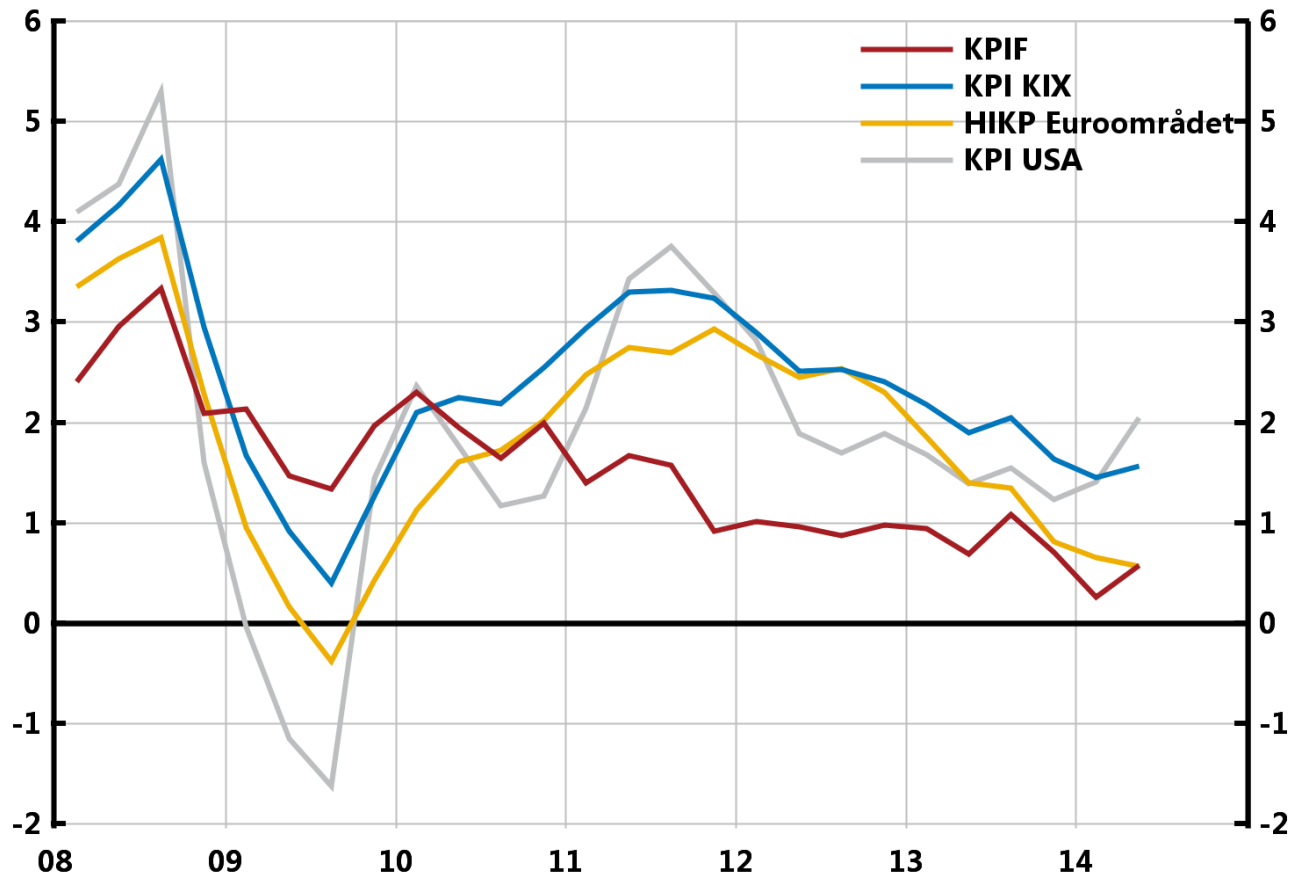
900 companies - majority with sales to consumers

- Difficult to pass on increased costs to higher prices
- Squeezed margins

Due to:

- Weak and uncertain demand
  - Increased competition - structural?
  
  - When demand rises companies have the opportunity to raise their prices
-

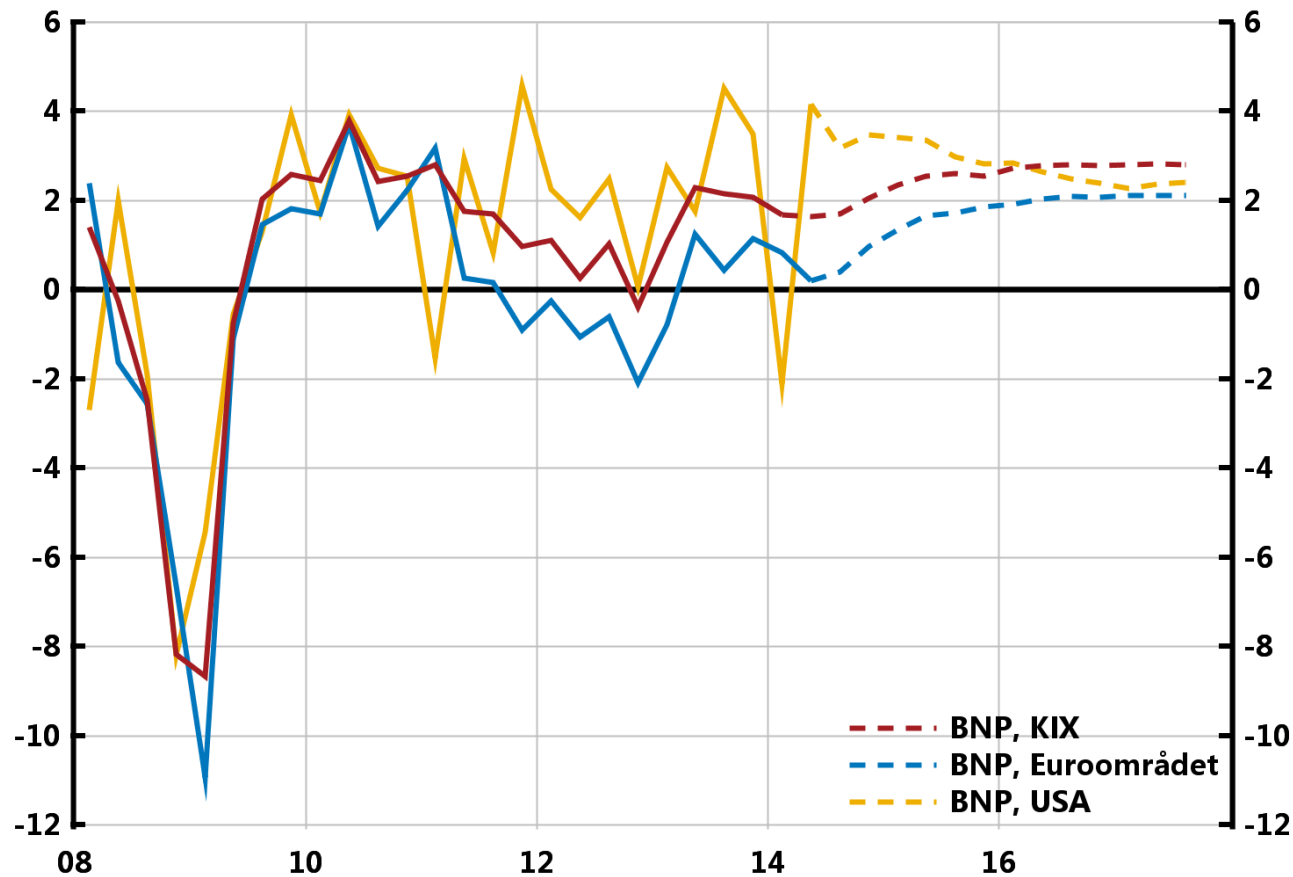
# Low inflation abroad, too



Note. Percentage change. This refers to HICP for the euro area and to CPI for the United States. The KIX is an aggregate of the countries that are important to Sweden's international

Sources: The Bureau of Labor Statistics, Eurostat, national sources and Statistics

# International recovery despite some worrying factors



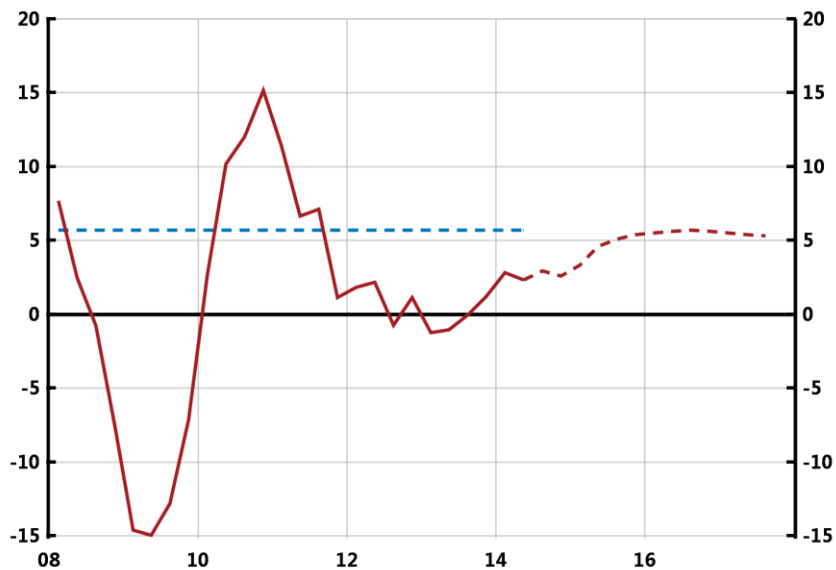
GDP, quarterly changes in per cent calculated as annual rate, seasonally-adjusted data  
The KIX is an aggregate of the countries that are important to Sweden's international

Sources: Bureau of Economic  
Analysis, Eurostat, International

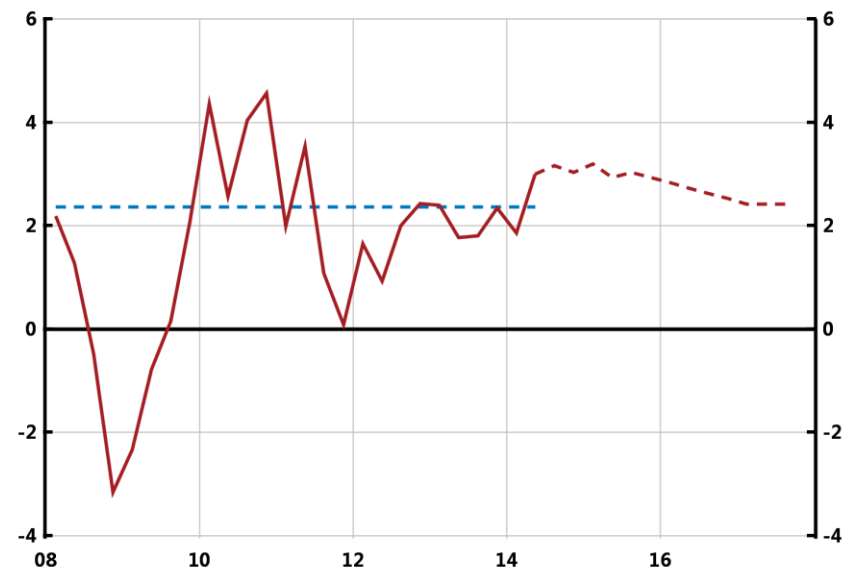
# Sweden: Weak exports but households eager to consume



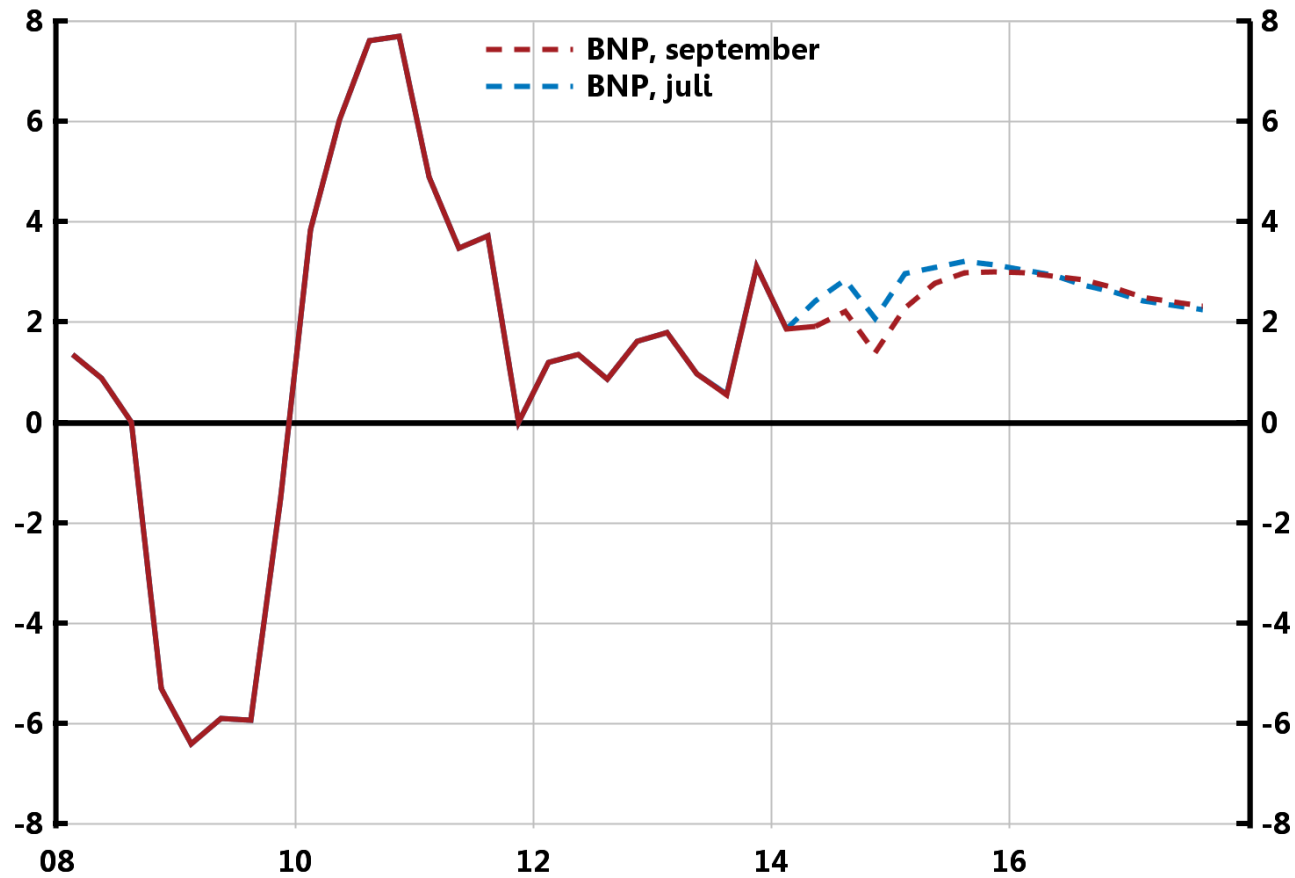
## Exports



## Household consumption

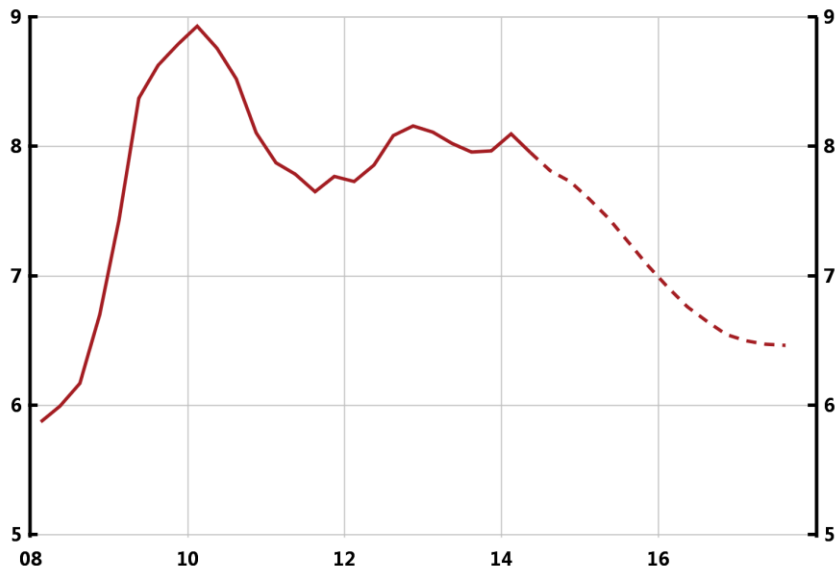


# Growth is being maintained



# Stronger labour market

## Unemployment



## Employment rate

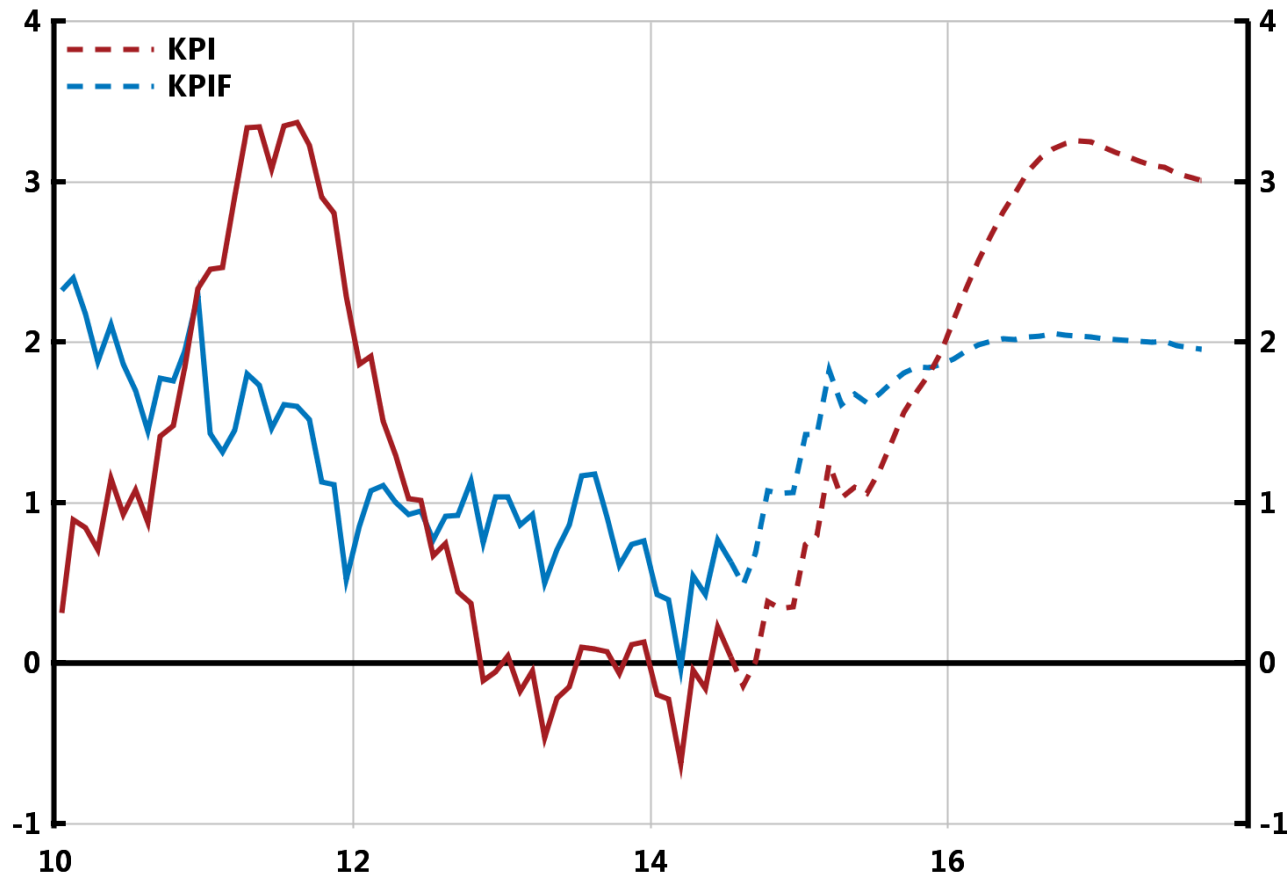


# Higher inflation in the coming period

- Very low repo rate
  - Stronger economic activity in Sweden and abroad
    - Increasing employment and wage increases
    - Companies can raise their prices
    - Rising goods prices abroad
-



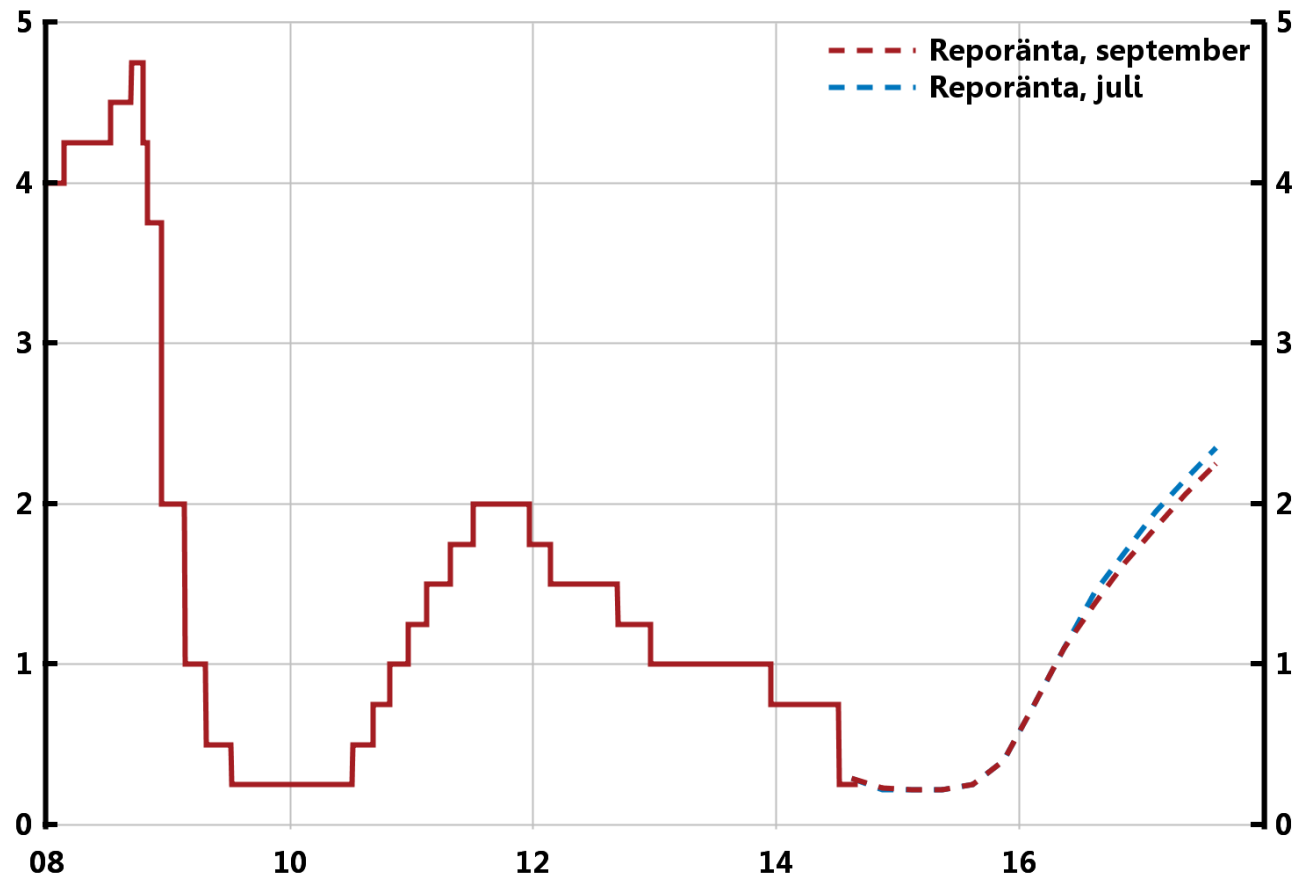
# Inflation forecast



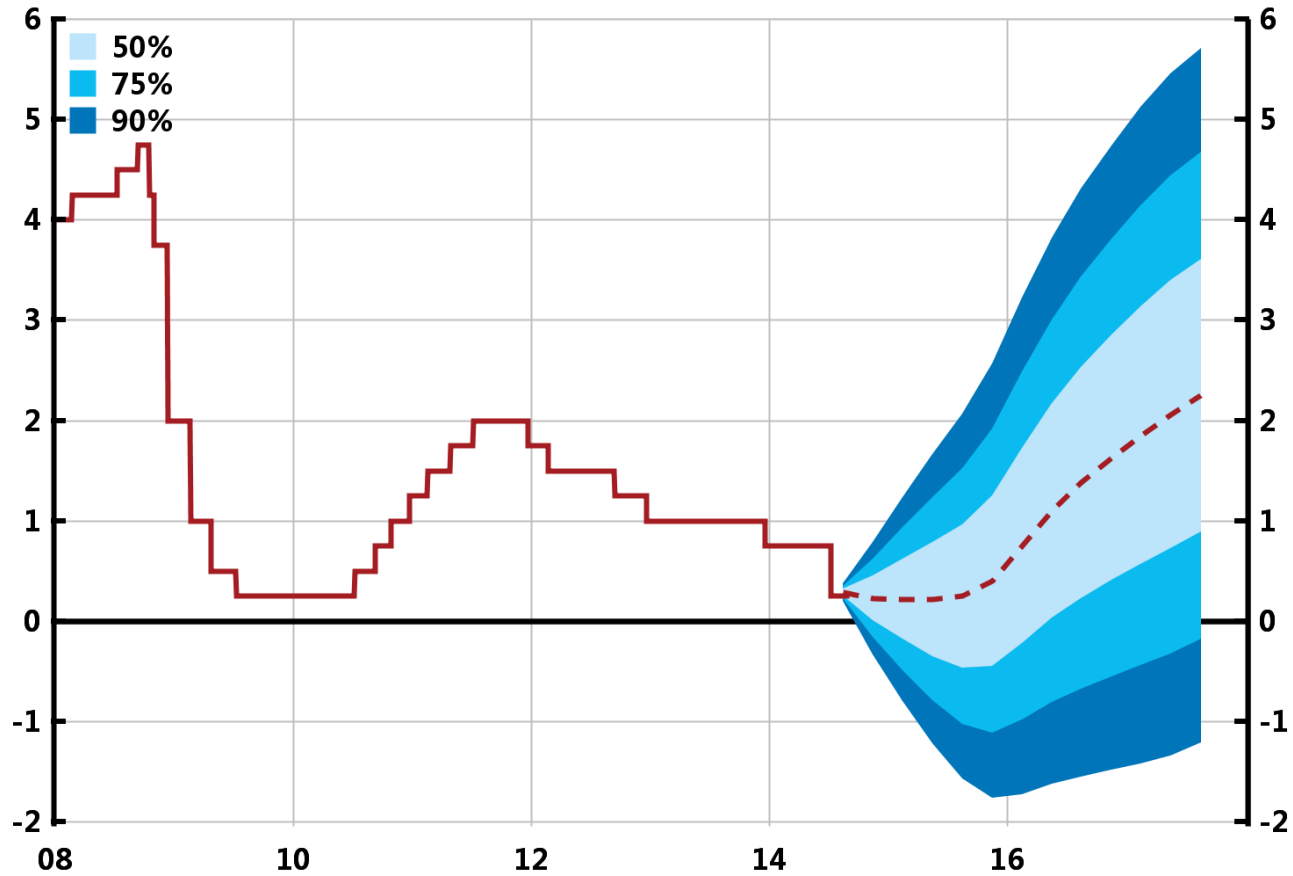
Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

# Repo rate still low so inflation will rise towards the target



# Forecast, not a promise

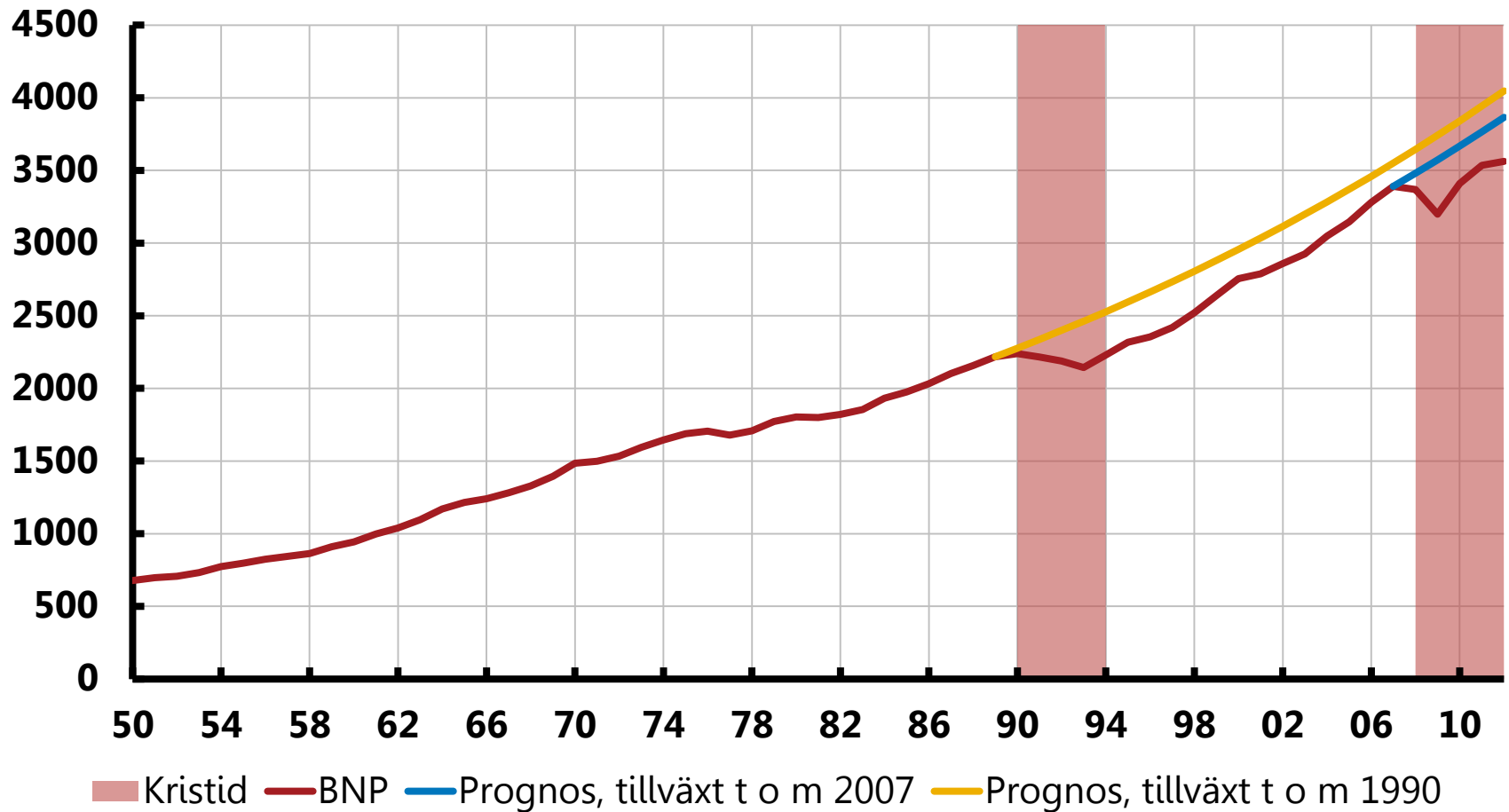


# High and growing indebtedness creates risks

- Low repo rate contributes to higher inflation
  - But also entails risks for the economy
  - Measures by other policy areas needed
-

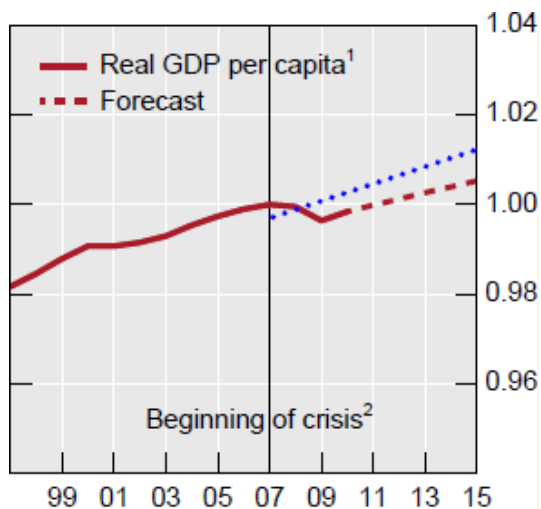
# Financial crises cost society huge amounts

GDP in Sweden 1950-2013, SEK billion

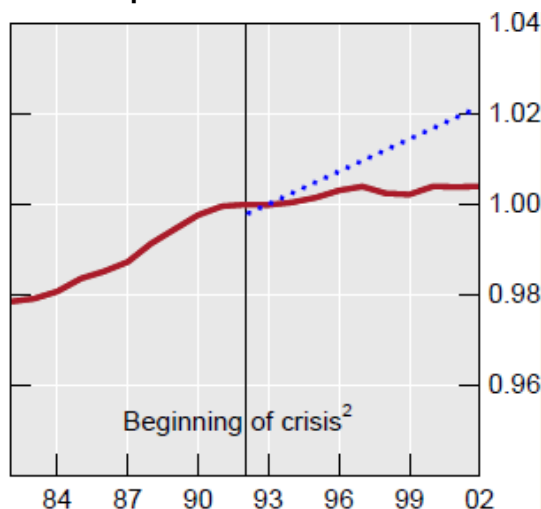


# Previous financial crises

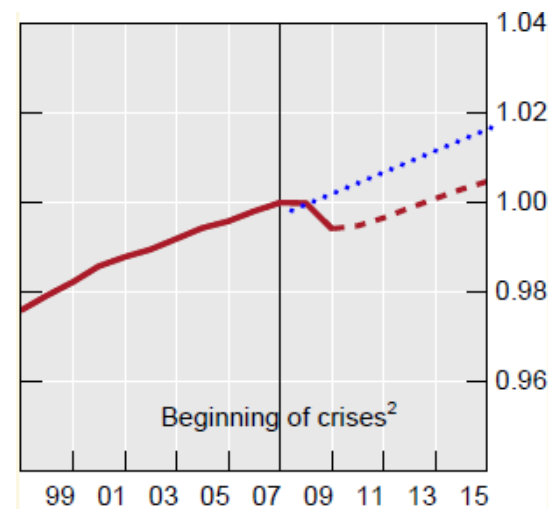
USA



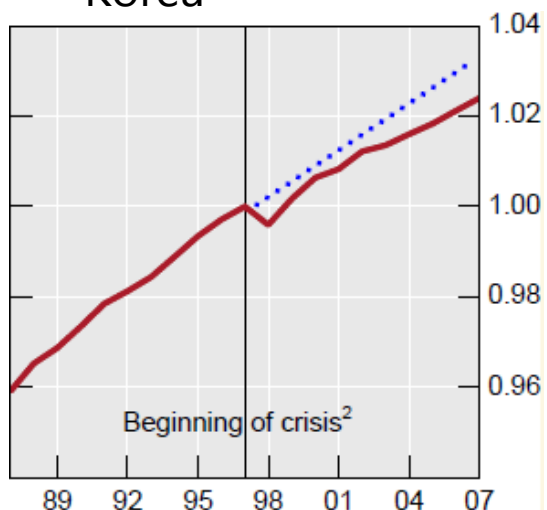
Japan



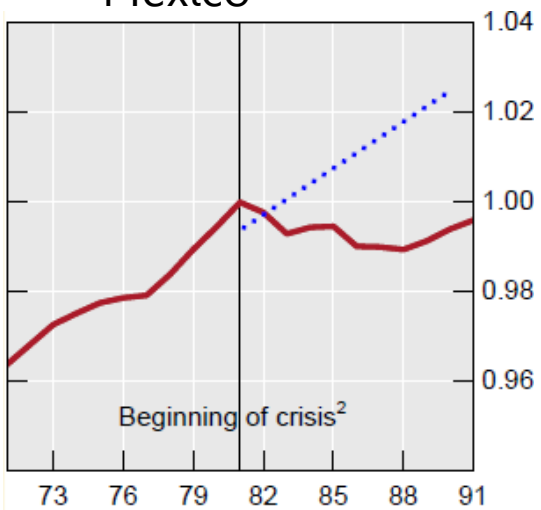
UK



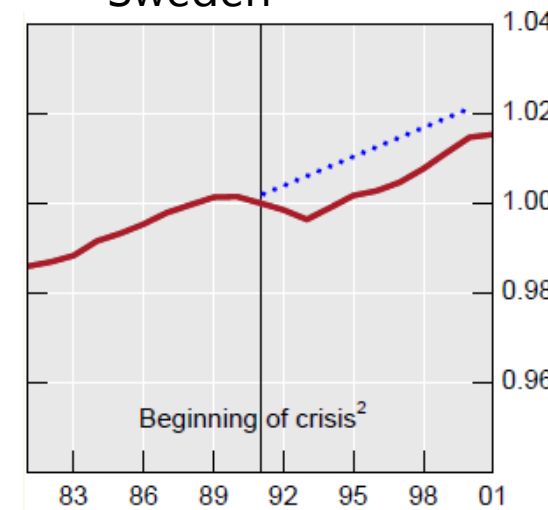
Korea



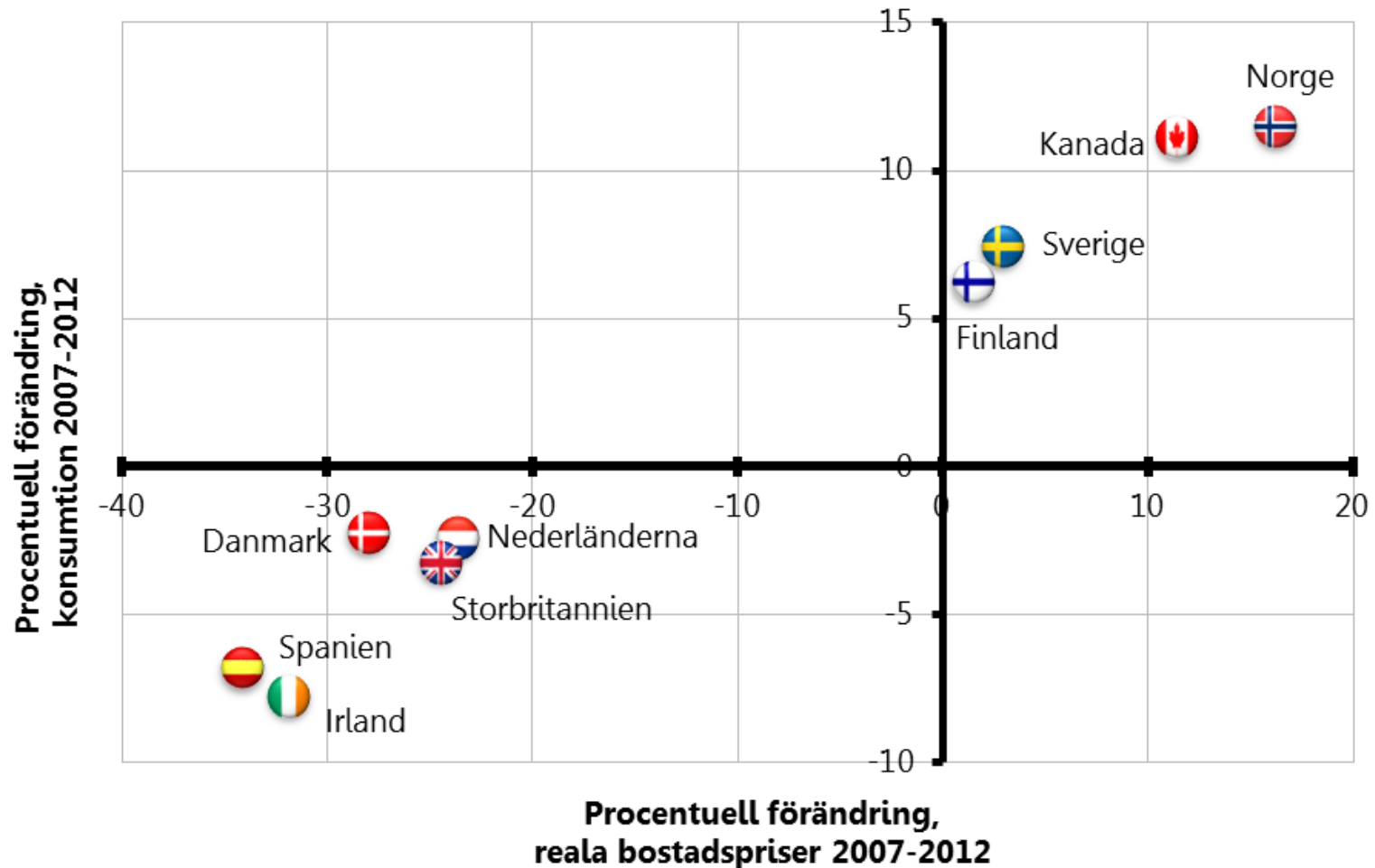
Mexico



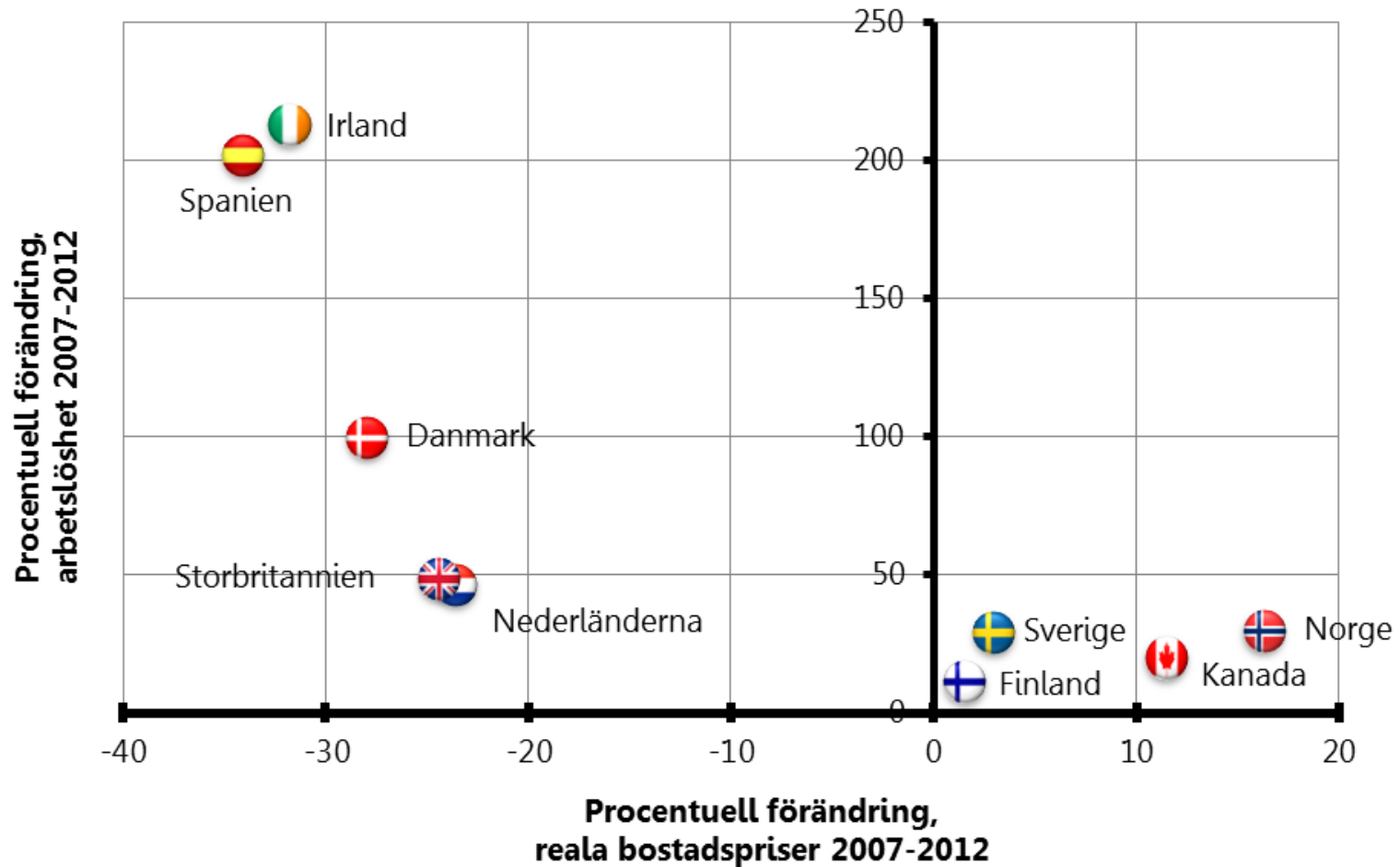
Sweden



# Effects of a fall in housing prices on consumption



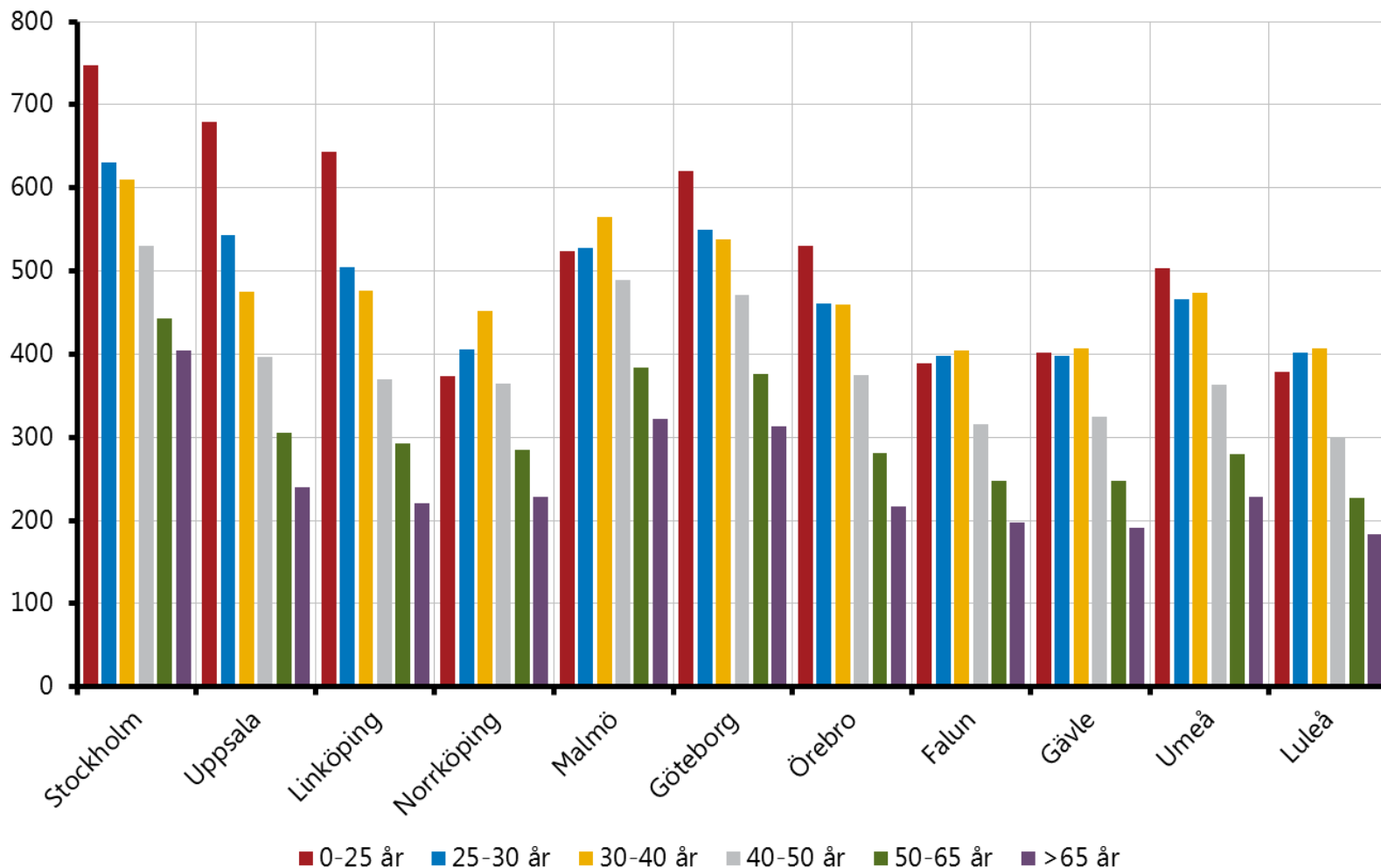
# ...and on unemployment





# Higher indebtedness among young people

## Per cent, debt as a percentage of disposable income



Note. Mean values for individuals with mortgages

Source: The Riksbank

# Thank you!

- Questions?
- The slides are available at [www.riksbank.com](http://www.riksbank.com)

