



The Swedish economy and the Riksbank's monetary policy decisions

3 March 2015

Deputy Governor Cecilia Skingsley

The Riksbank's tasks

**Maintain price
stability**



Monetary policy

**Promote a safe
and efficient
payment system**

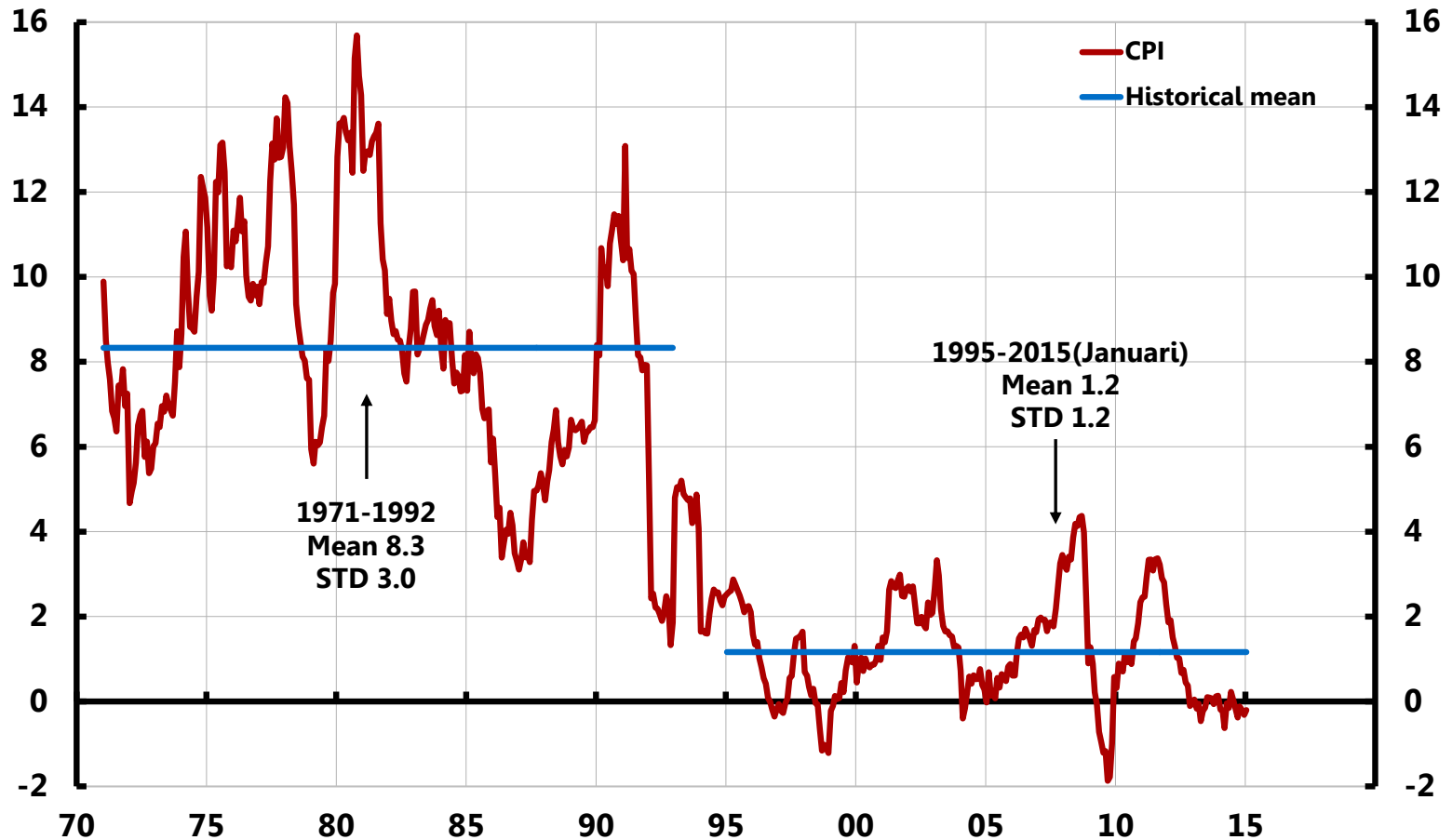


Financial stability



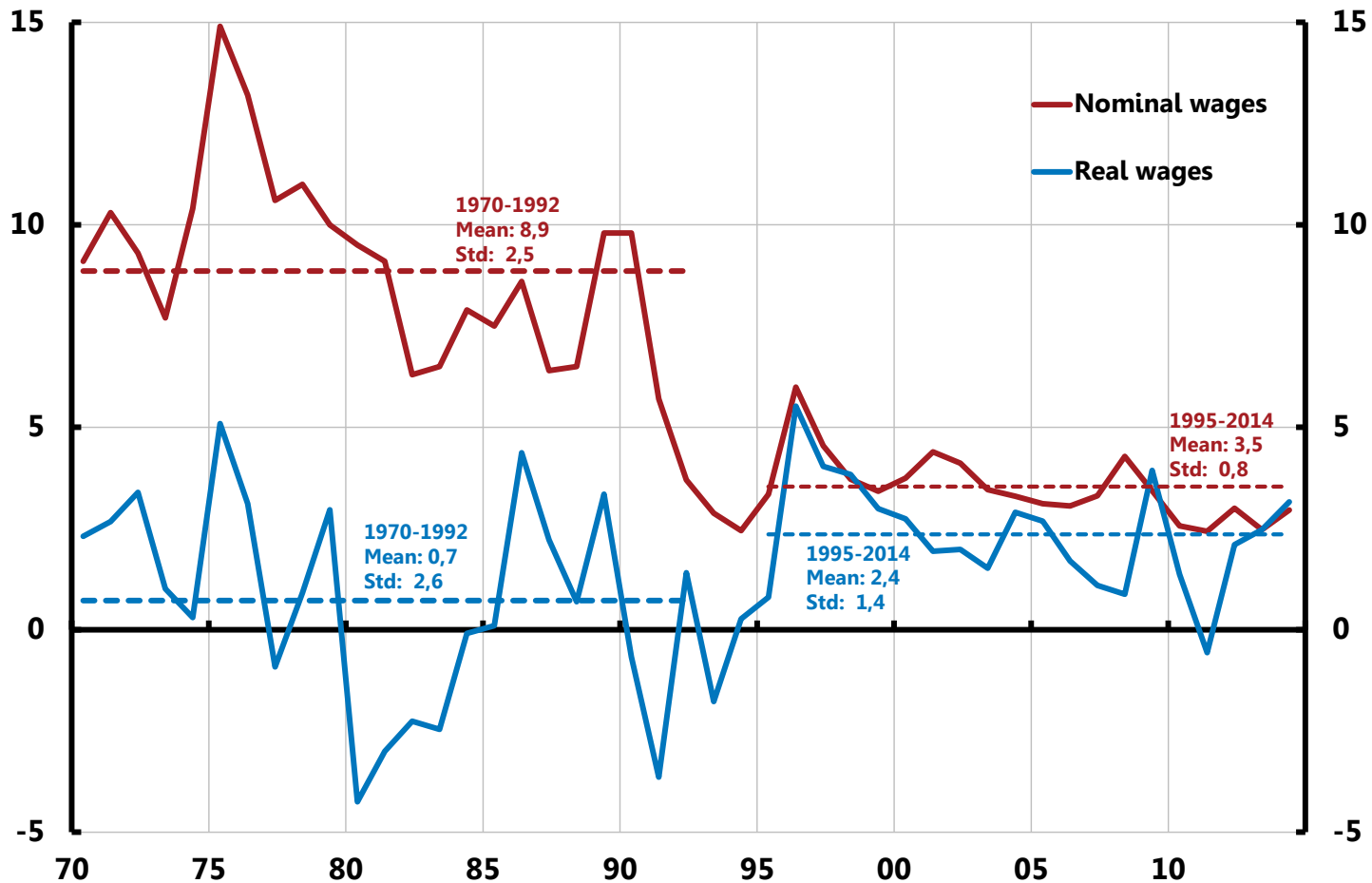
Monetary policy for price stability

Annual percentage change



Monetary policy for price stability

Nominal and real wages. Annual percentage change



Note. Procent. Real wages deflated using CPI.

Sources: Swedish National Mediation office and Statistics Sweden

The Executive Board



Governor
Stefan Ingves



First Deputy Governor
Kerstin af Jochnick



Deputy Governor
Per Jansson



Deputy Governor
Martin Flodén



Deputy Governor
Cecilia Skingsley



Deputy Governor
Henry Ohlsson

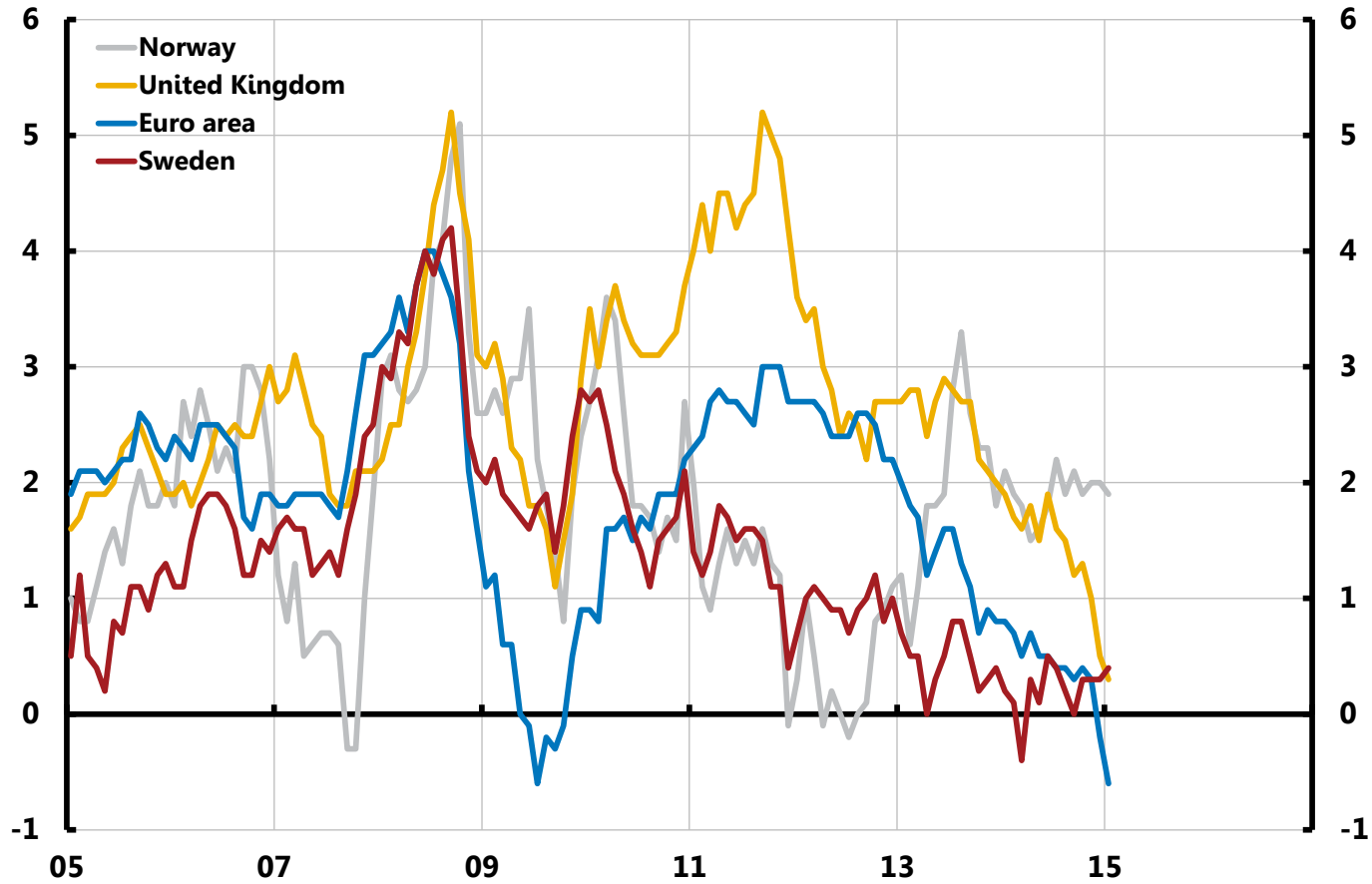
Monetary policy decision February 2015

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

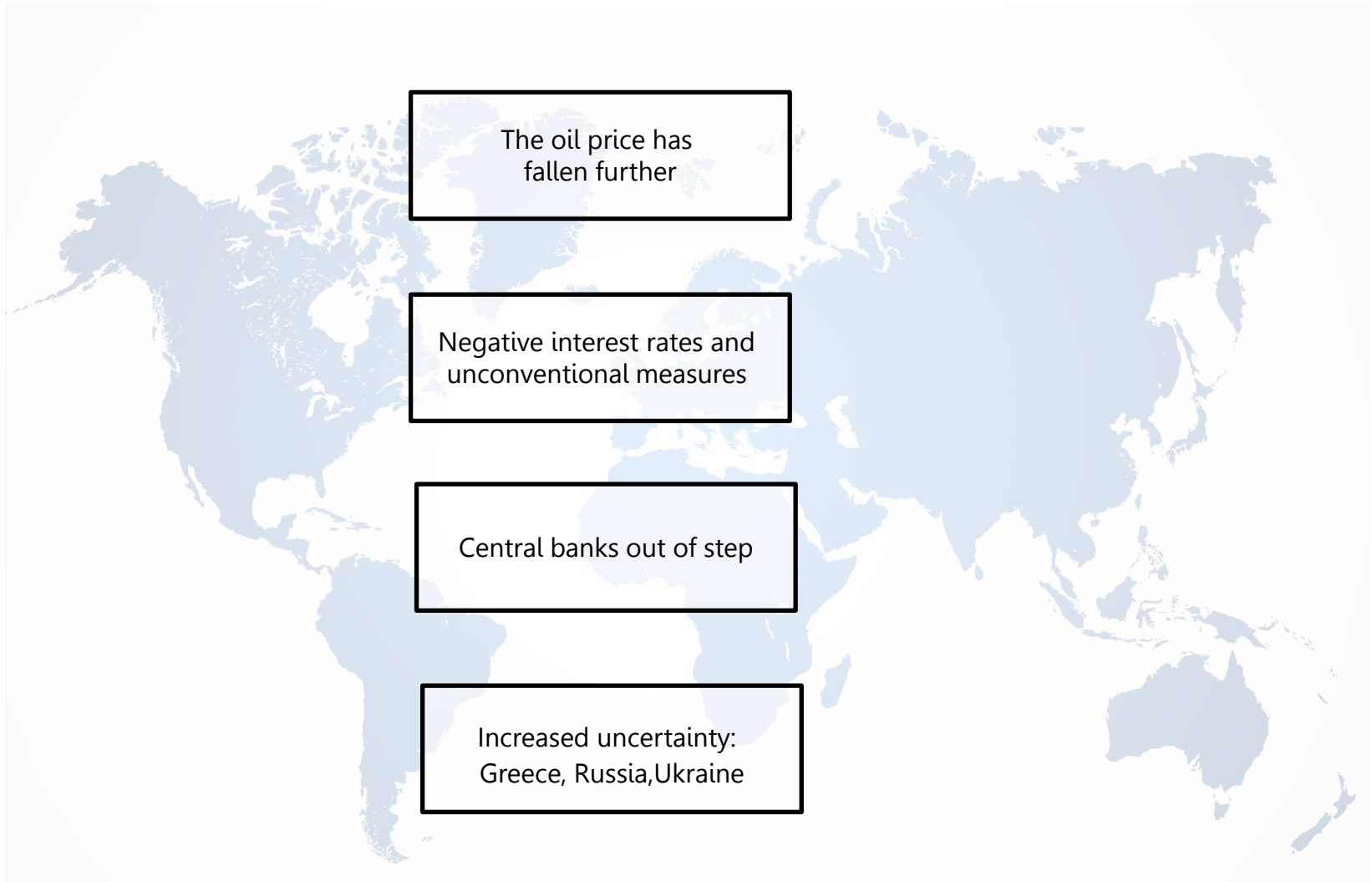
 - To support upturn in inflation – more expansionary monetary policy
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Low inflation a broad phenomenon

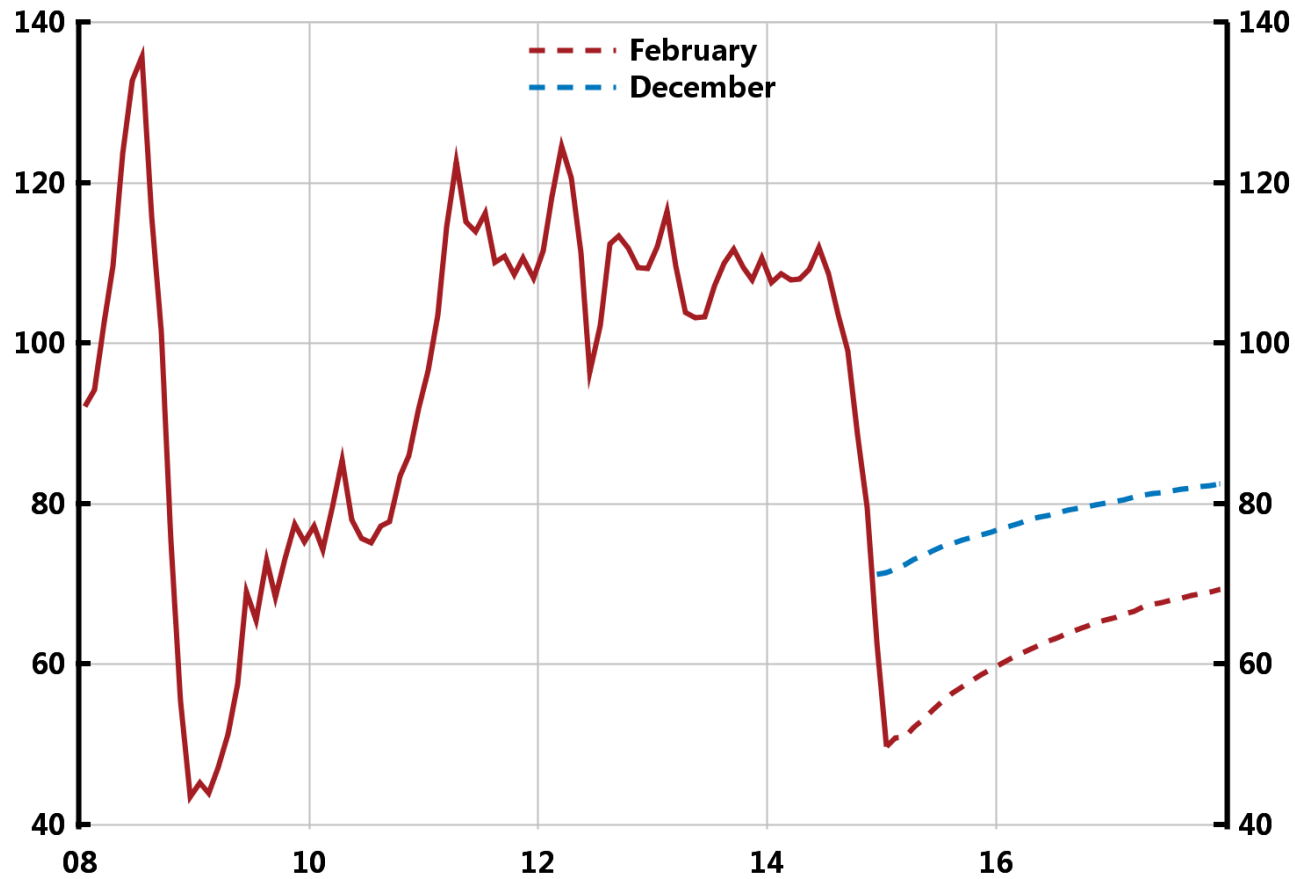
Annual percentage change



Sweden – a small, open economy



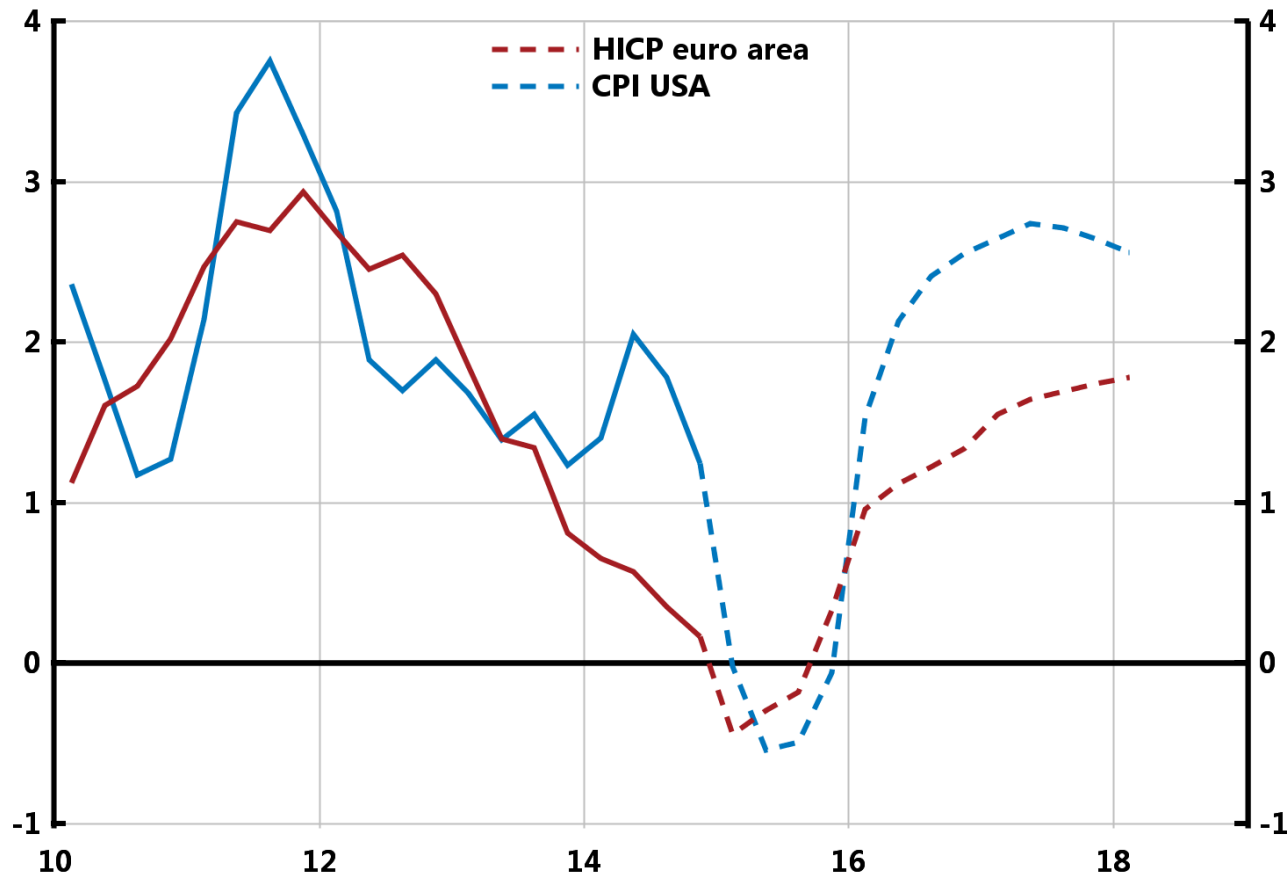
Low oil price



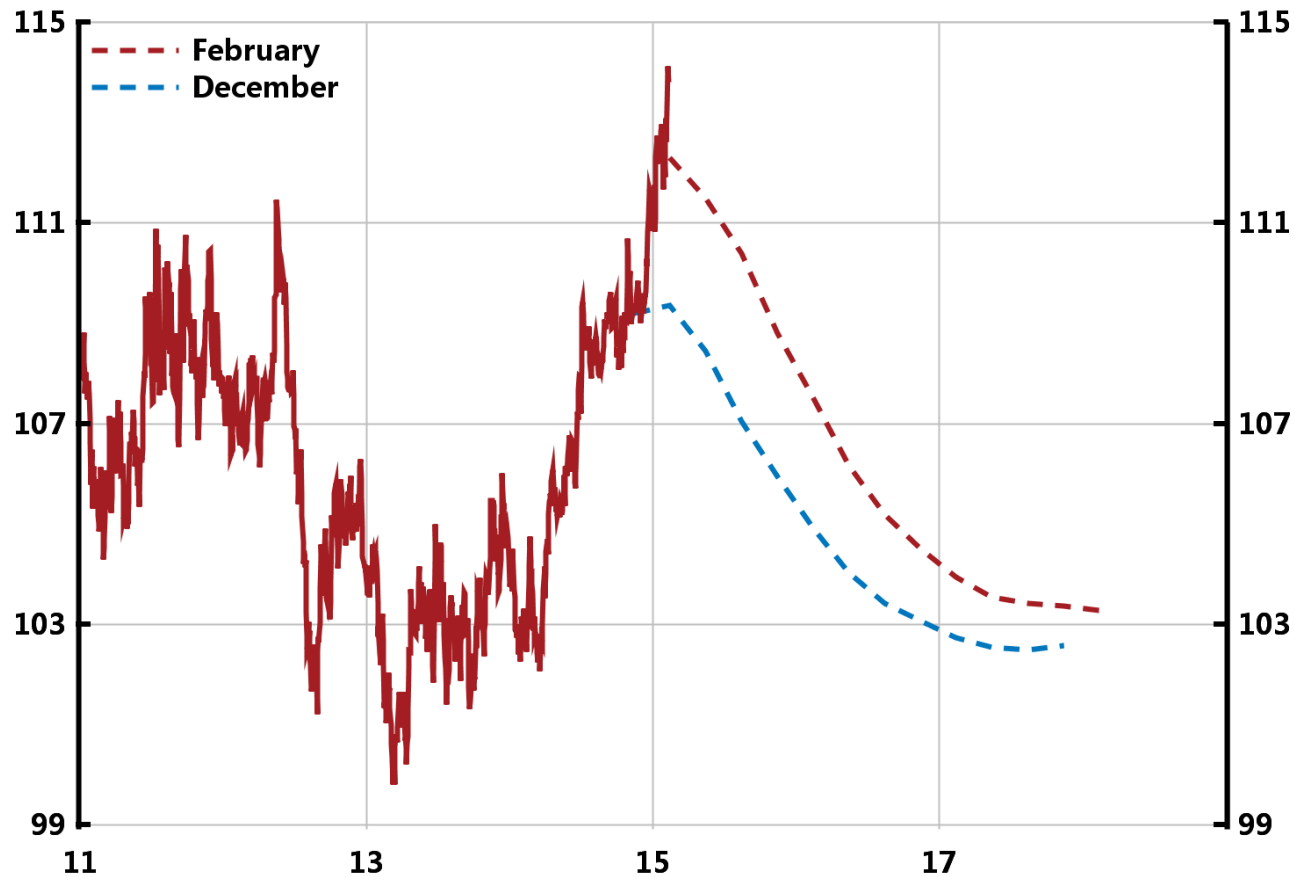
Brent oil, forward rates are calculated as a 15-day average. Outcome refers to monthly averages of spot prices.

Sources: Macrobond and the Riksbank

Oil price pushing down inflation abroad



The krona has weakened



Swedish economy performing relatively well

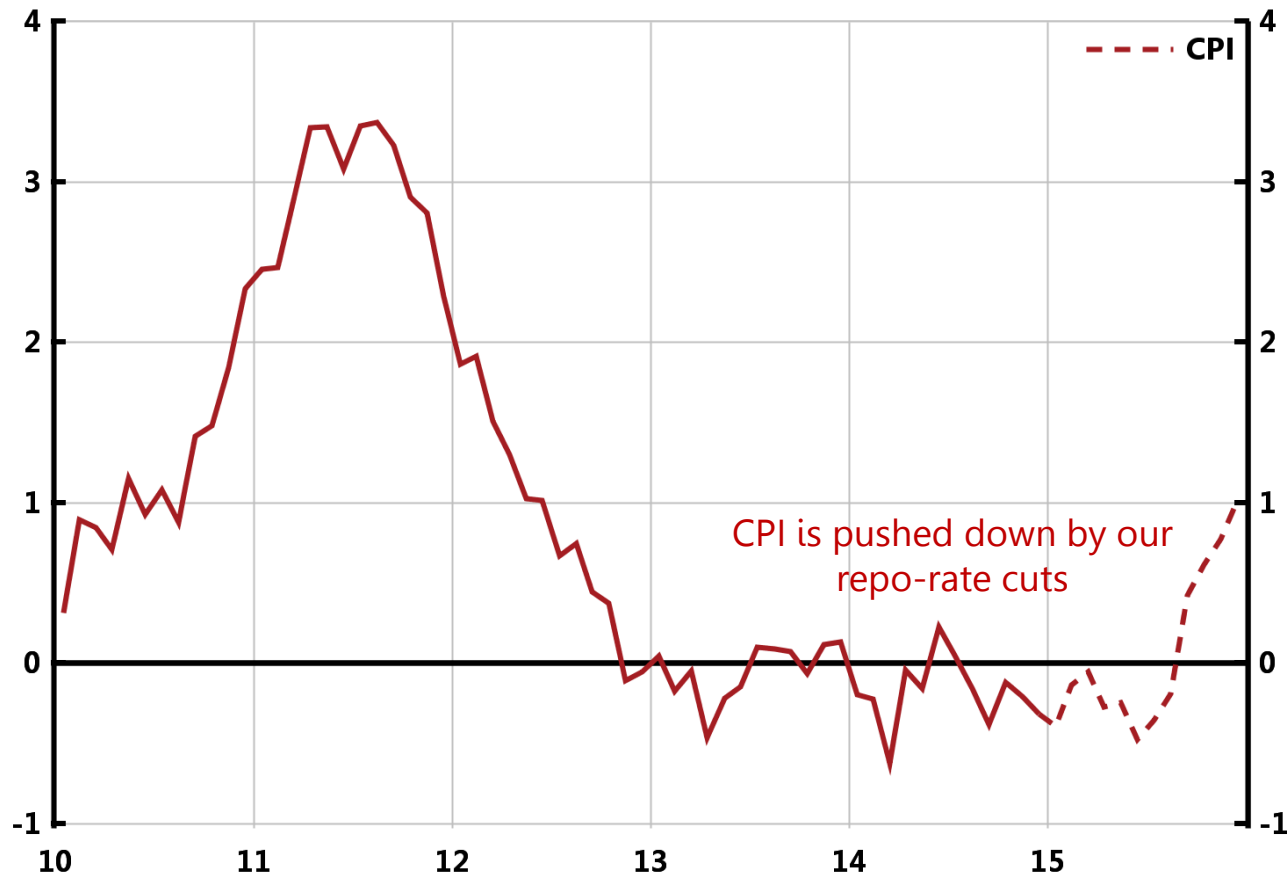
Normal GDP growth



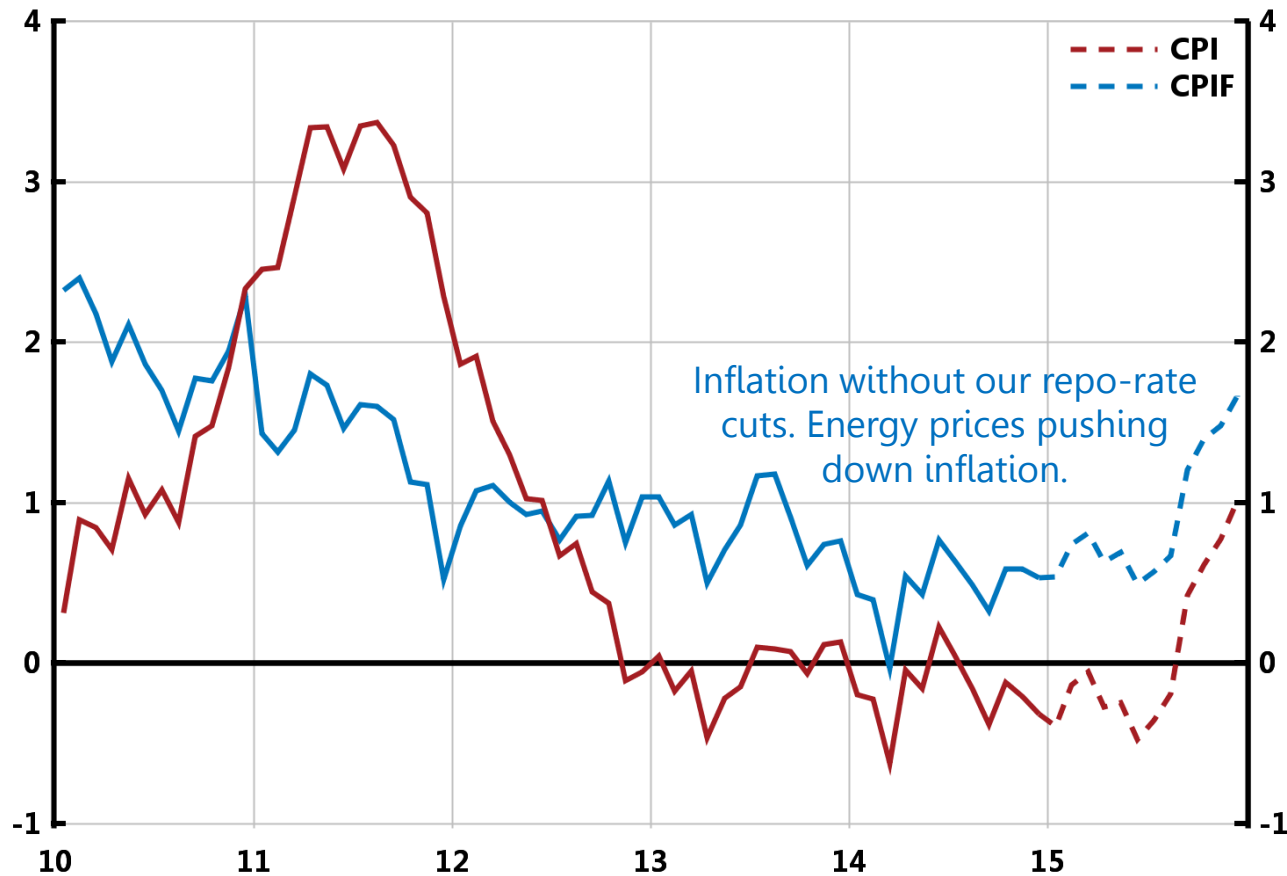
Labour market strengthening



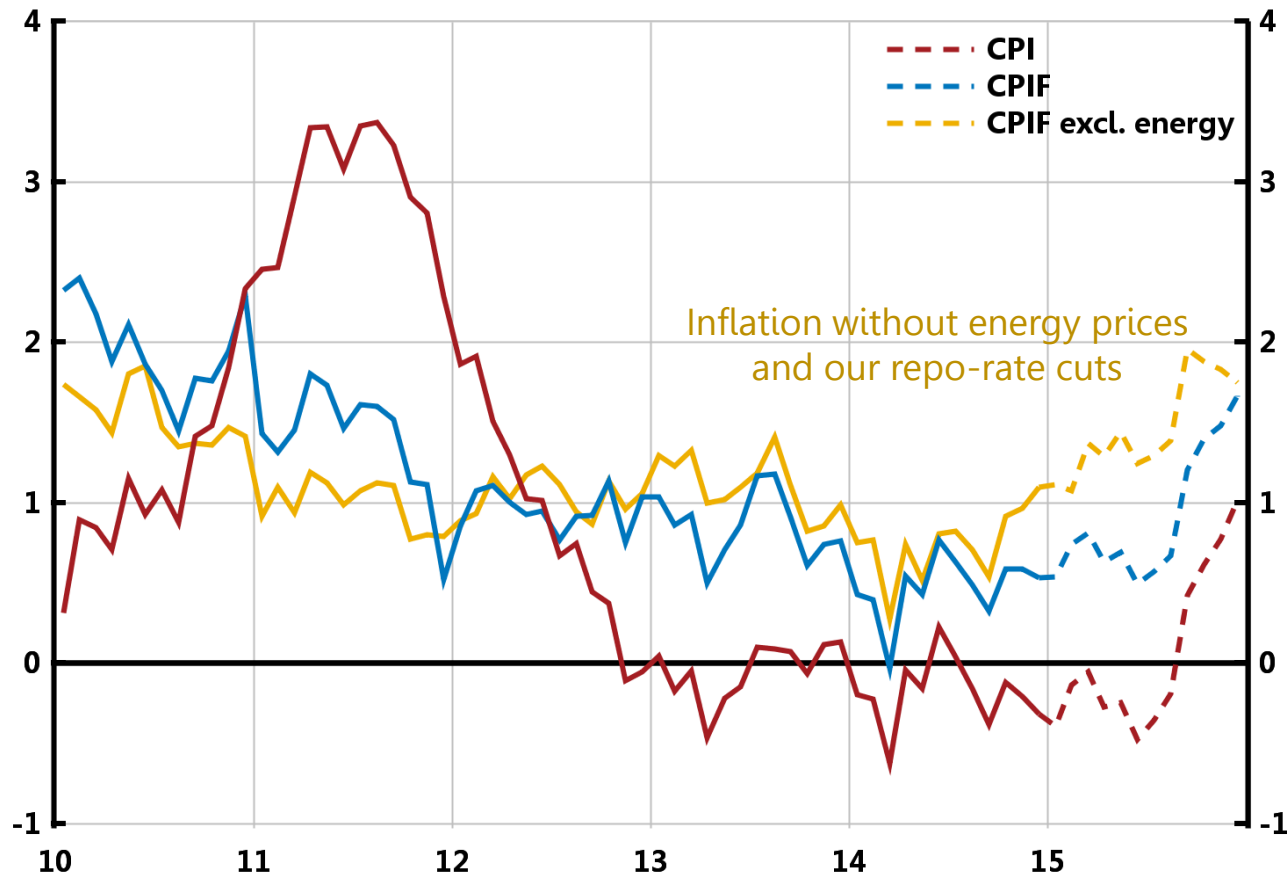
Low inflation



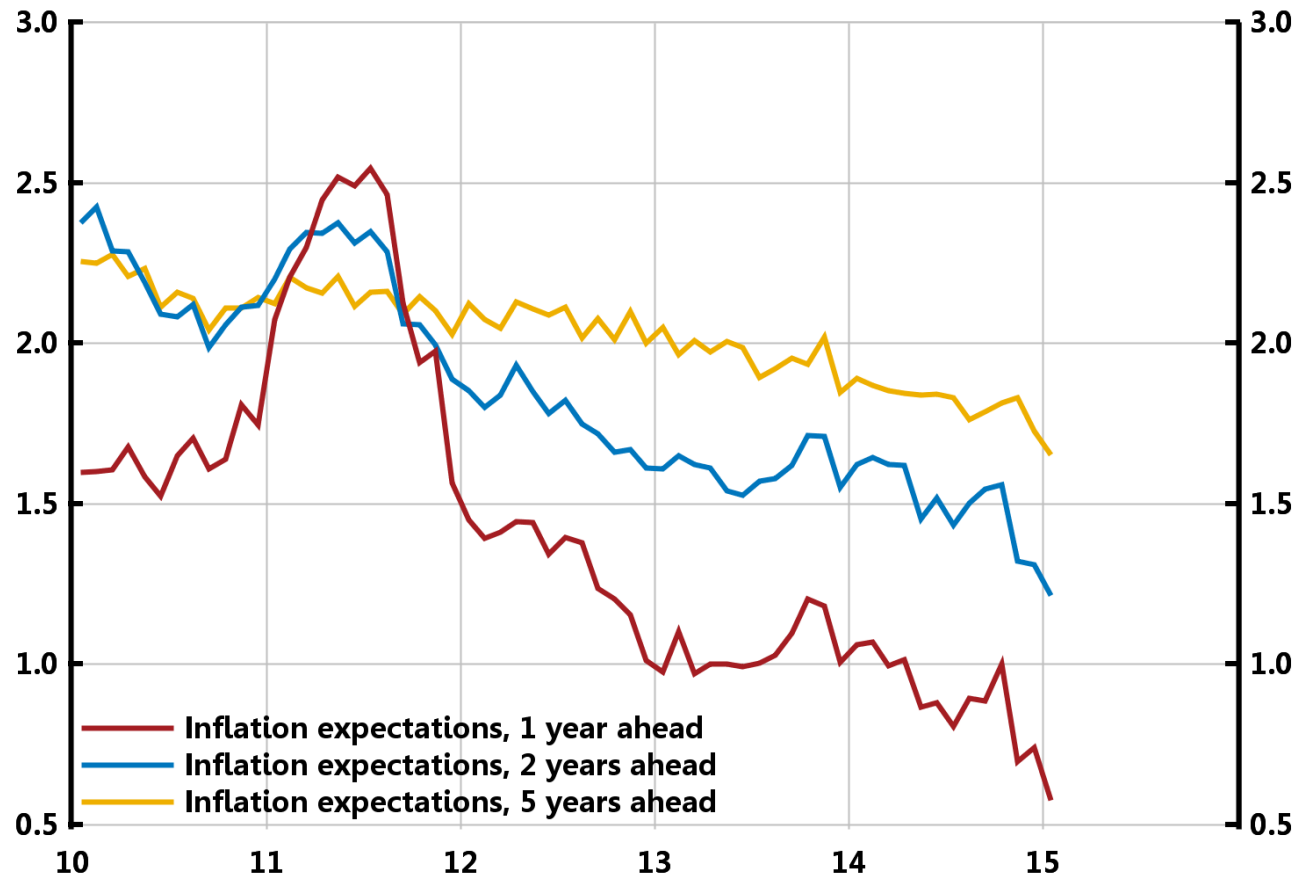
Low inflation



Low inflation



Important that expectations are anchored



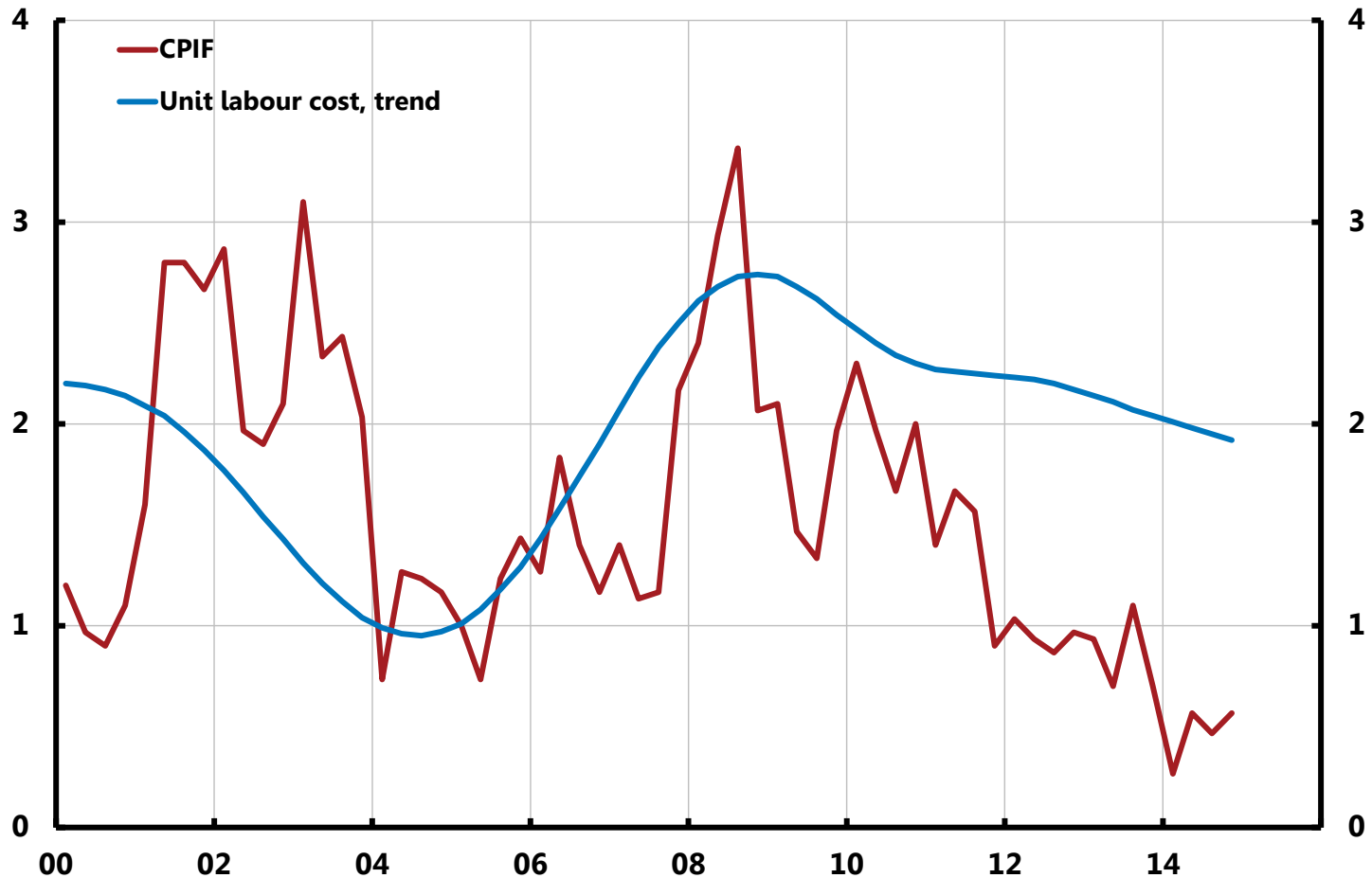
Technological advances not a problem for the inflation target...



- Dampening effect on inflation via various channels
 - ICT products in the CPI
 - Higher productivity growth, automation
 - Increased competition (better informed customers, eCommerce)
 - The Riksbank's Business Survey: *"Several sectors are investing in new technology and eCommerce in order to conquer new markets, but also because the fierce competition is forcing them to keep up with developments."*
 - But: This development is not new and it has previously been possible to combine rapid technological developments with high inflation both in Sweden and other countries.
 - The low inflation is mainly due to low demand.
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...and companies' cost increases are higher than inflation

Annual percentage change



To support the upturn in inflation

- Growth is recovering but with difficulty
 - The inflation target will be reached in 2016

 - Latest decision: 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

 - Readiness to do more
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