



The importance of the inflation target

Münchenbryggeriet
14 April 2015

Deputy Governor Cecilia Skingsley

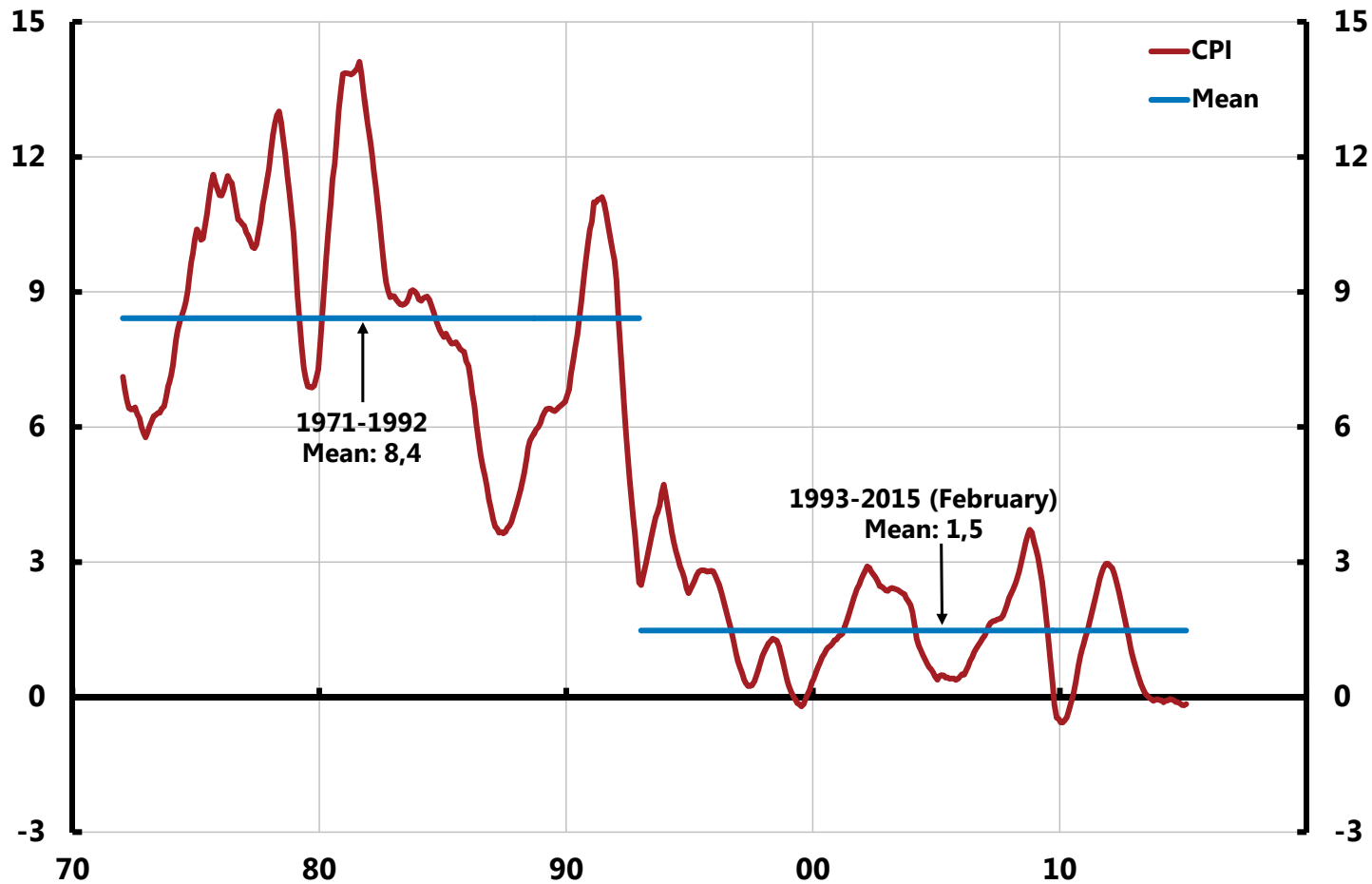
Important to attain the inflation target



- A cornerstone of Swedish economic policy
 - Common benchmark creates stable game rules
 - Makes it easier for households and companies to make financial decisions
 - Lays the foundation for smoothly-functioning price-setting and wage formation
 - Creates the conditions for good and long-term sustainable growth
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Low and more stable inflation since the target was introduced

Annual percentage change, 12 months moving average

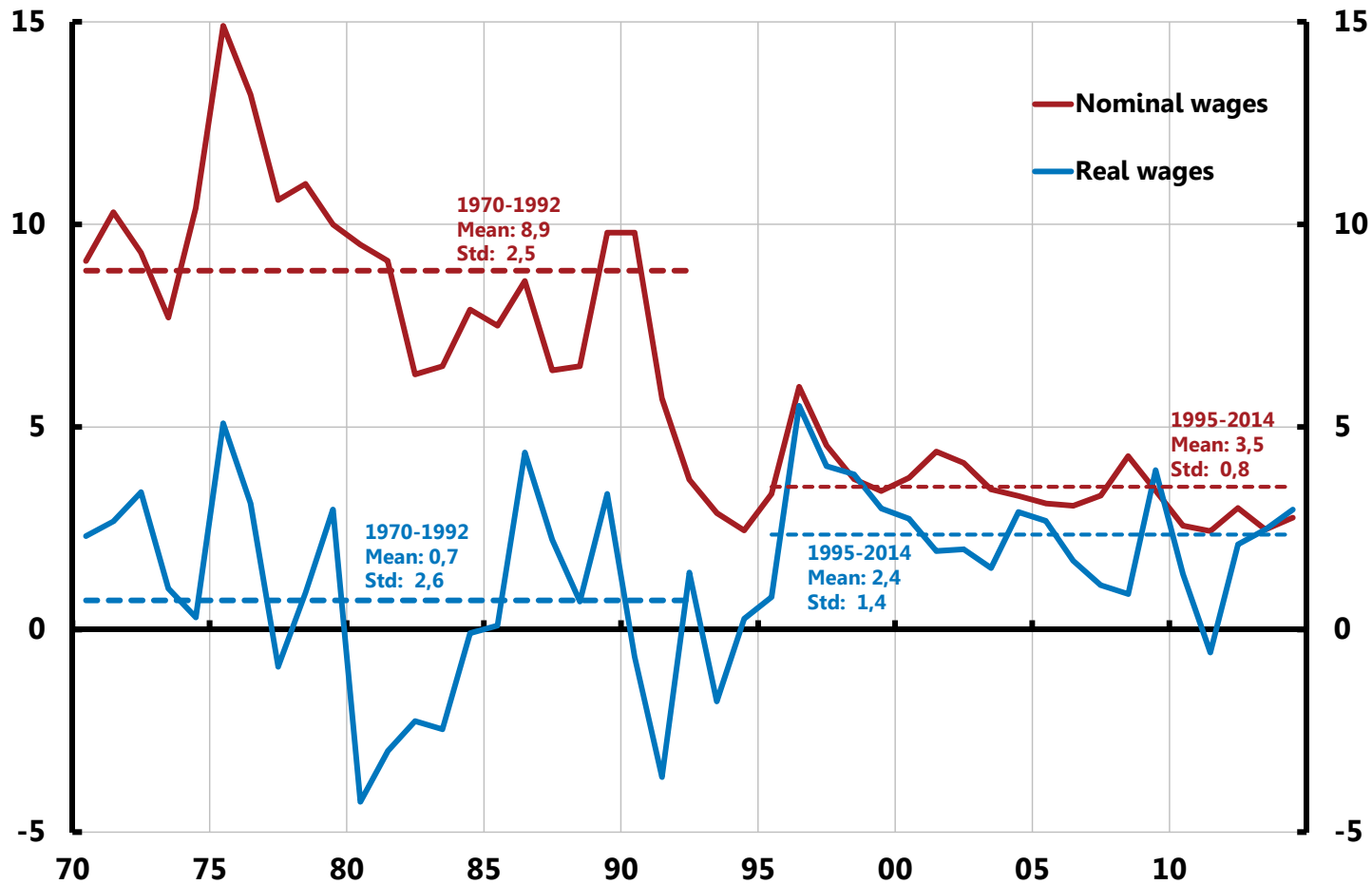


Note. Refer to real time data.

Source: Statistics Sweden

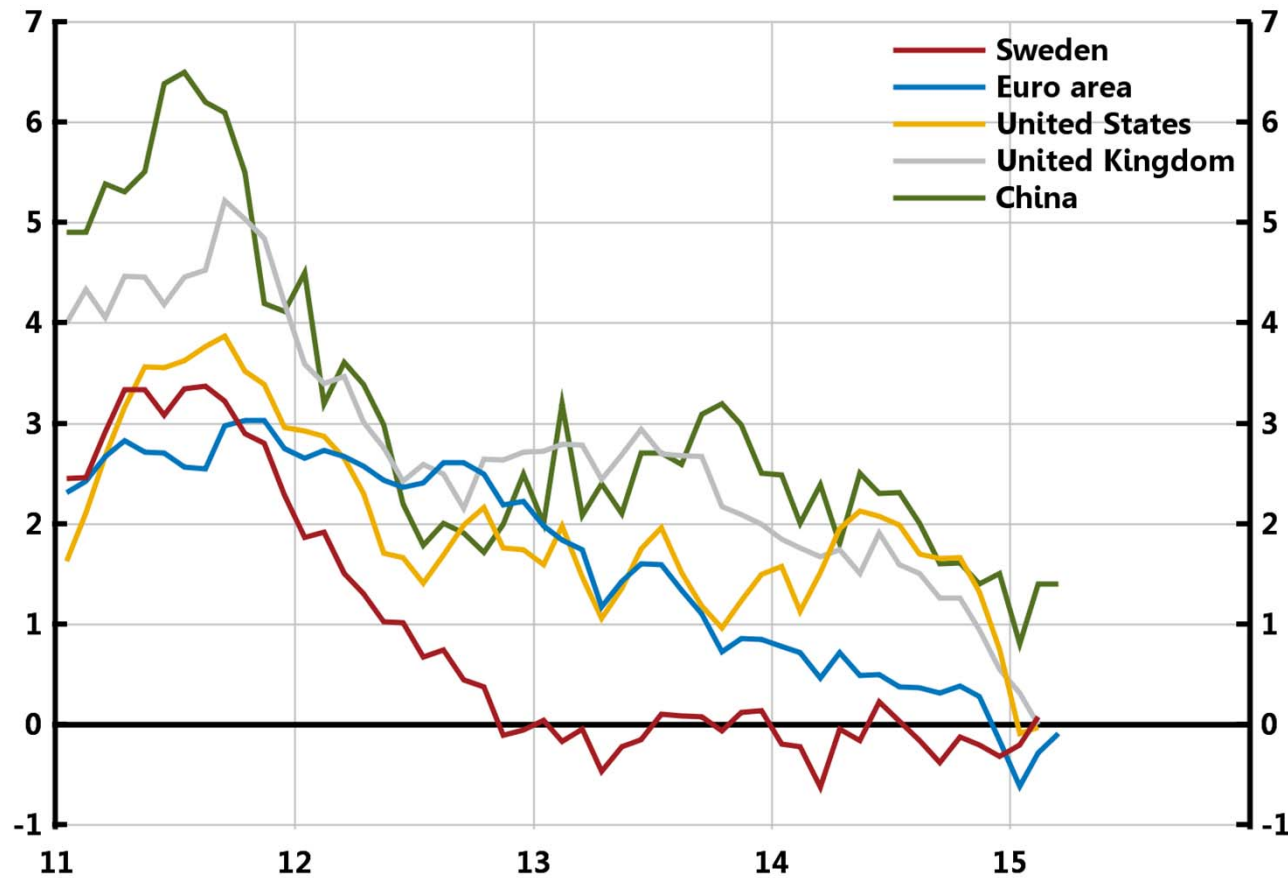
More stable development of wages and higher real wages

Annual percentage change



Low inflation in many countries

Annual percentage change



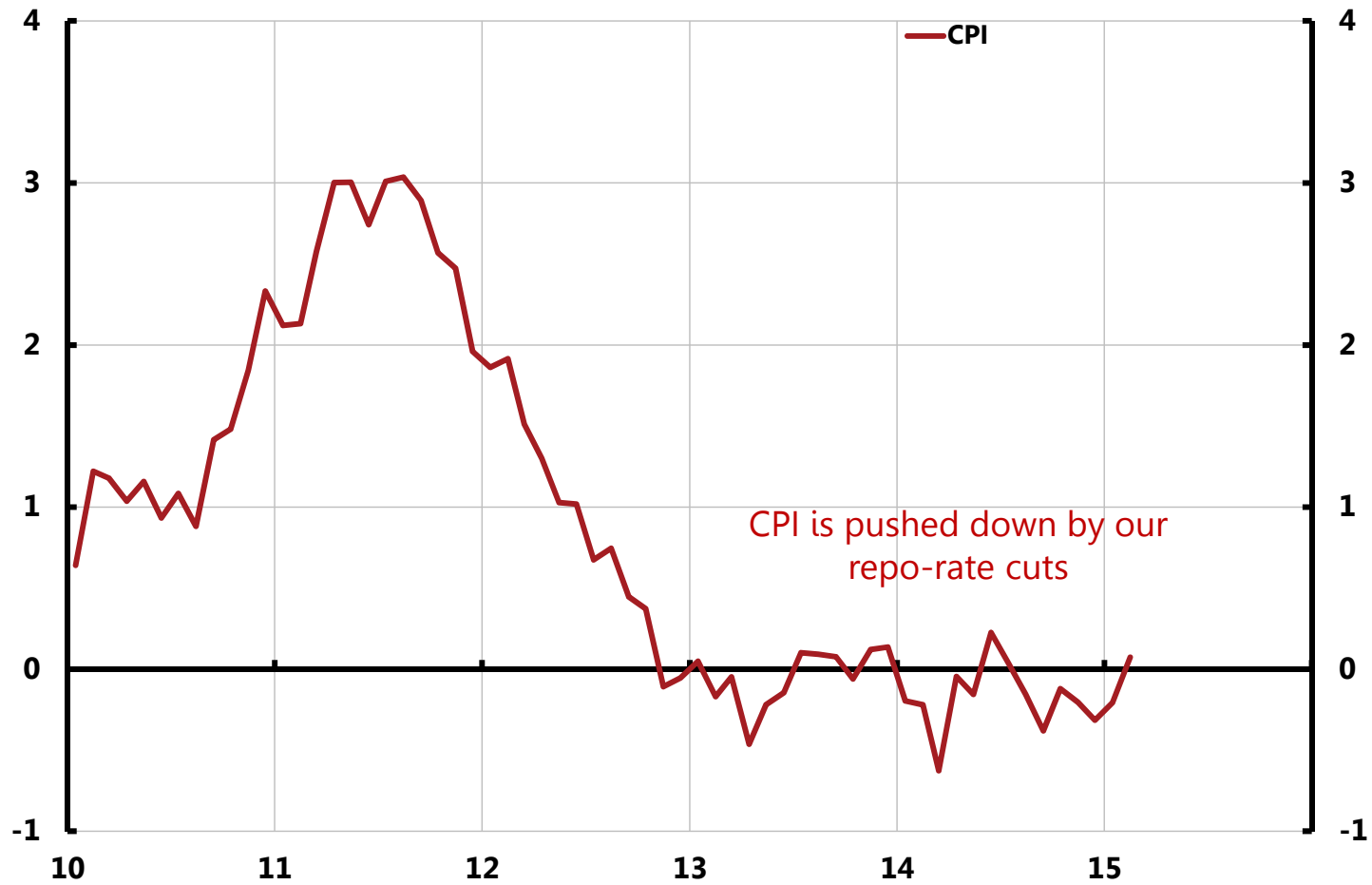
Note. Euro area refer to HICP, others refer to CPI.

Sources: Bureau of Labor Statistics, Eurostat, Office for National Statistics, State National Bureau of Statistics and Statistics Sweden



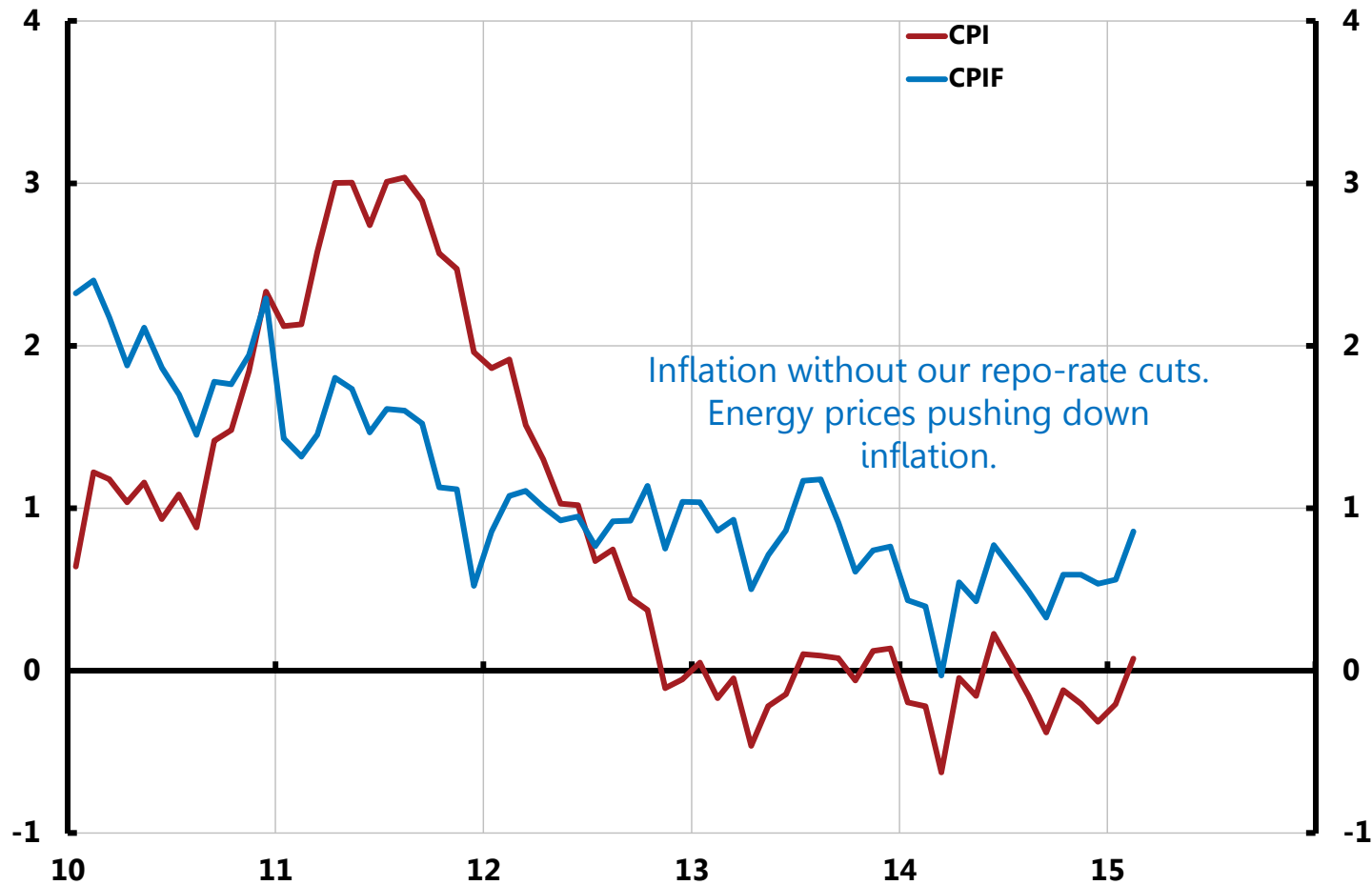
Swedish inflation

Annual percentage change



Swedish inflation

Annual percentage change

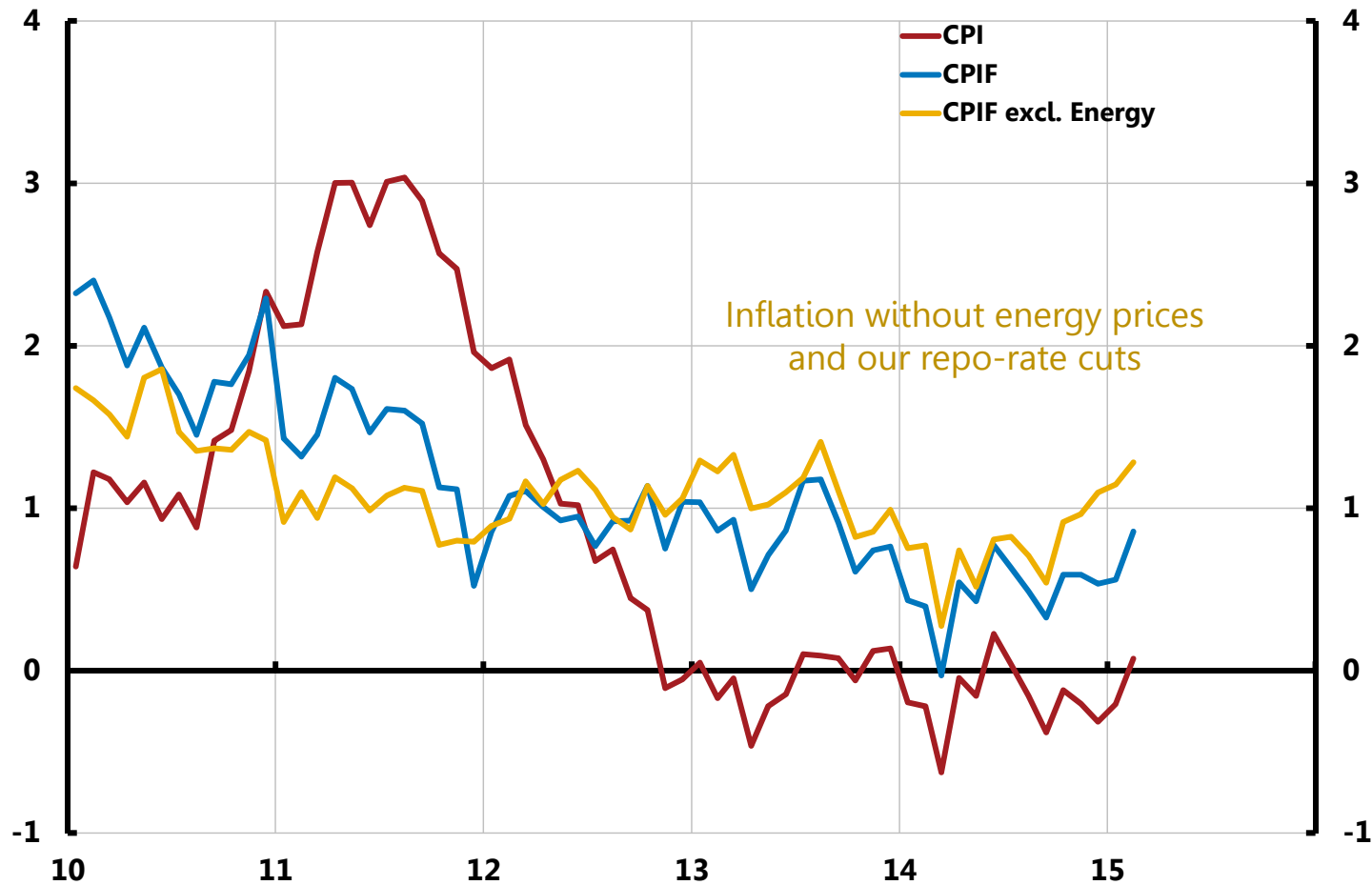


Note. The CPIF is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

Swedish inflation

Annual percentage change

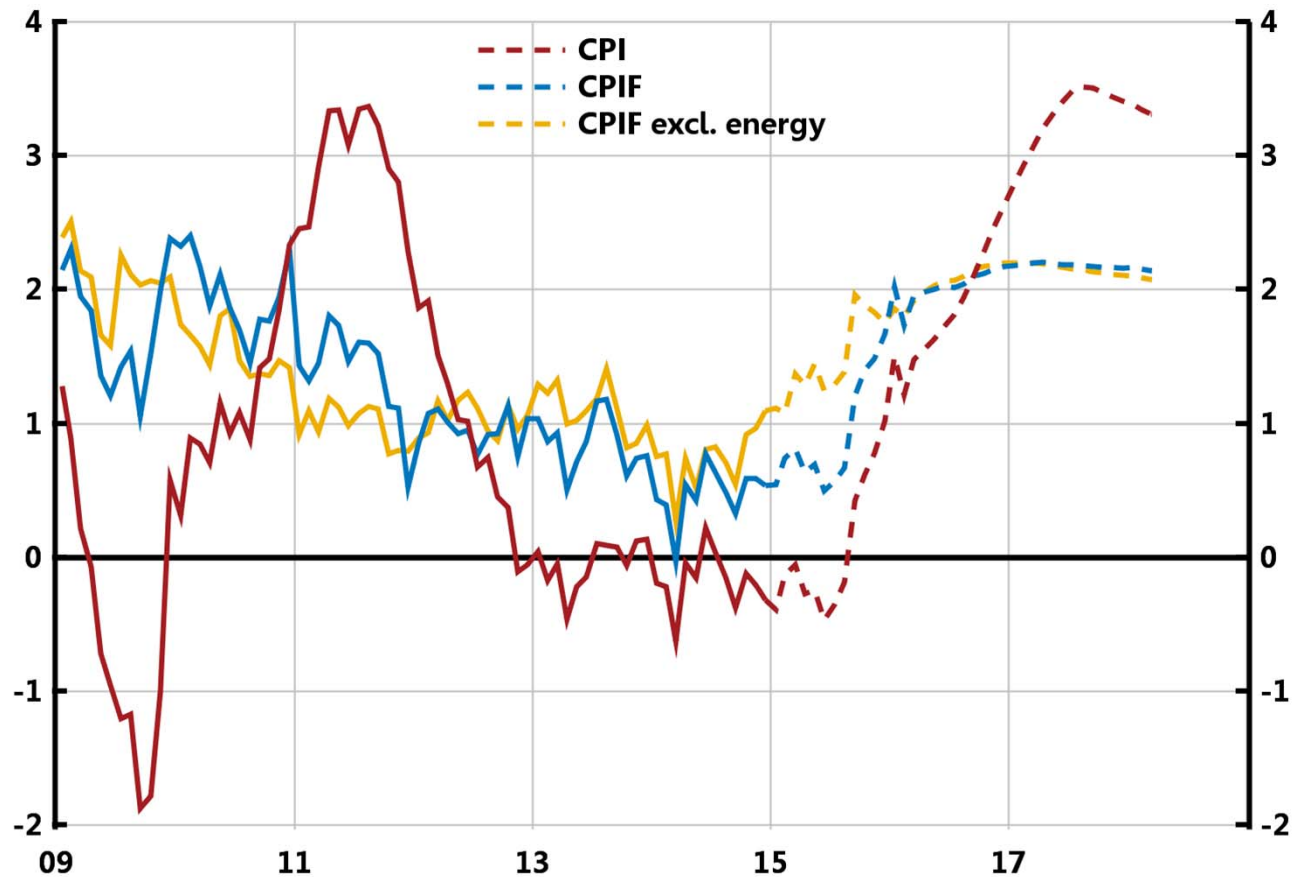


Note. The CPIF is the CPI with a fixed mortgage rate.

Sources: Statistics Sweden and the Riksbank

Inflation rising towards the target

Annual percentage change

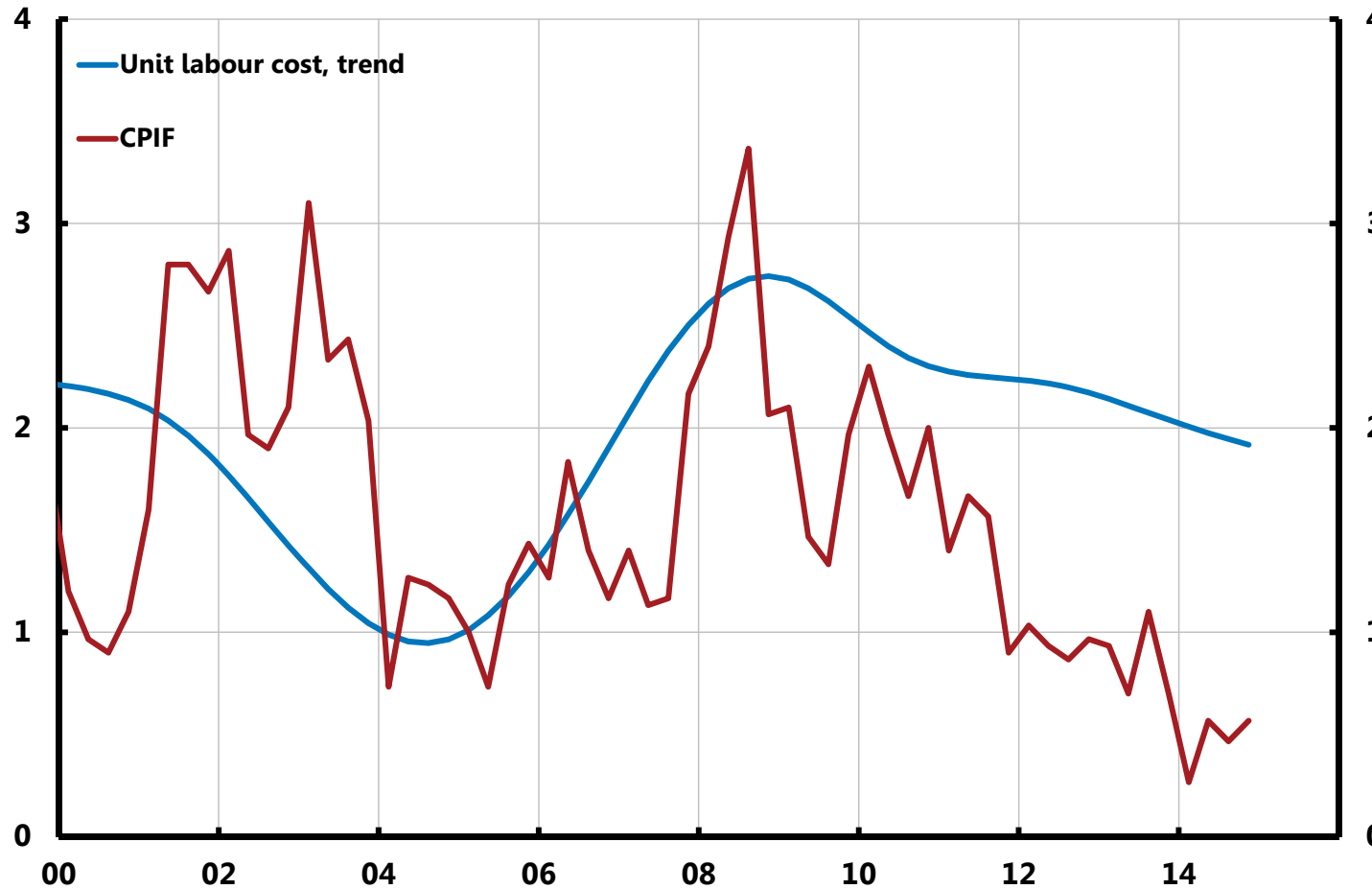


Note. The CPIF is the CPI with a fixed mortgage rate.
Forecasts refer to Monetary Policy Report February 2015.

Sources: Statistics Sweden and the Riksbank

Companies' cost increases are higher than inflation

Annual percentage change

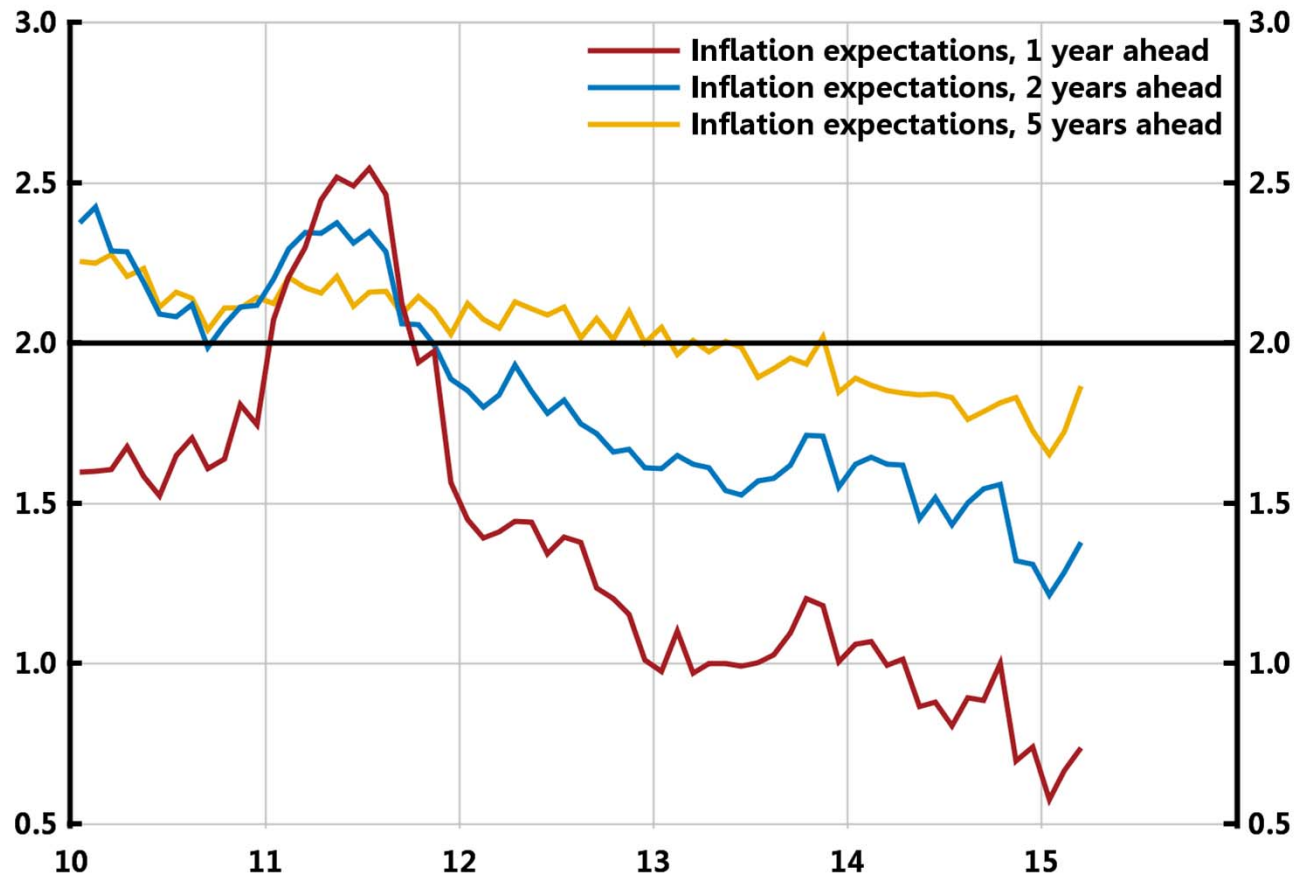


Note. The Trend is calculated using a so called HP filter, using the Riksbanks assesment in February 2015. The CPIF is the CPI with a fixed mortgage rate.

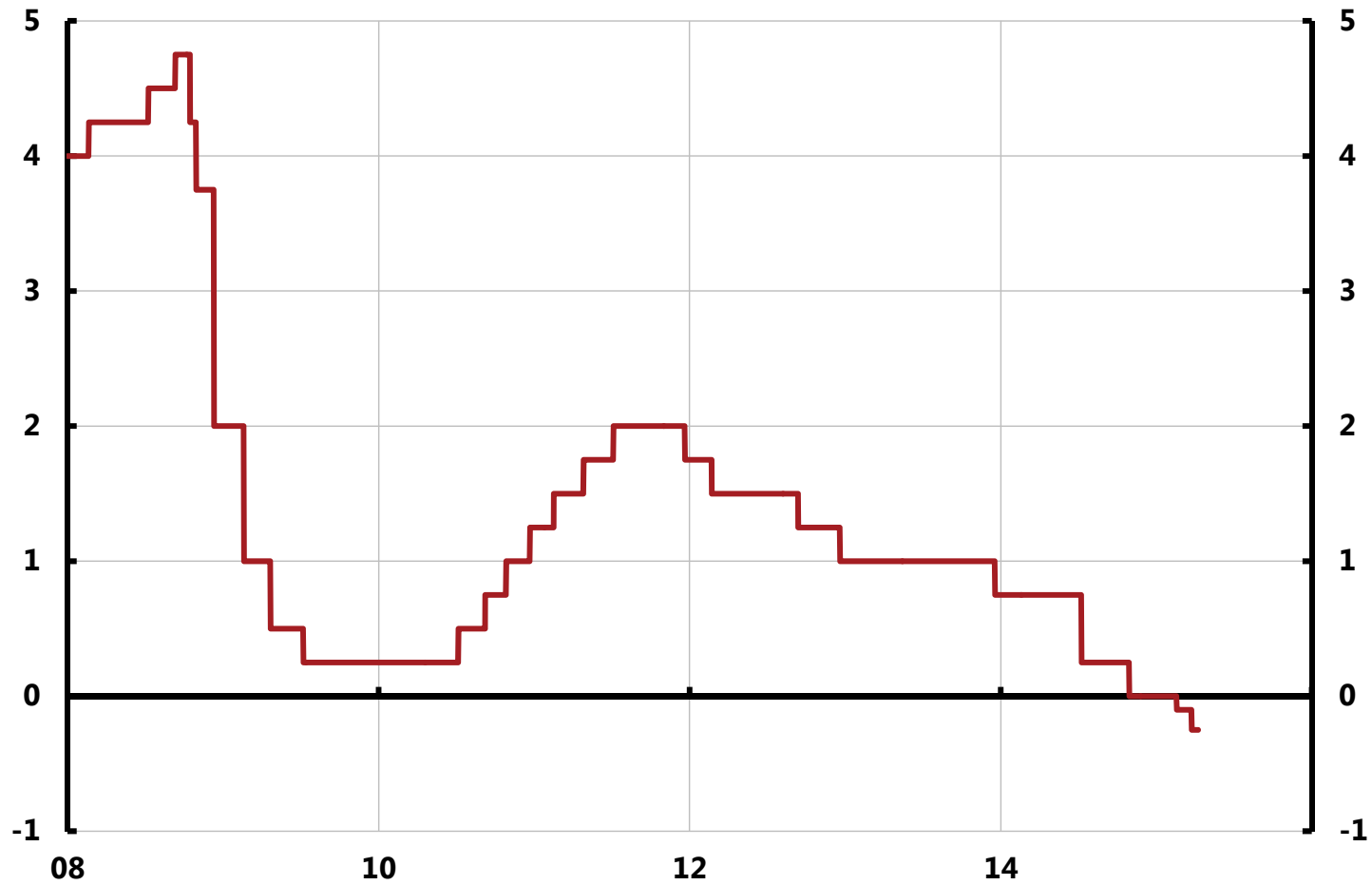
Sources: Statistics Sweden and the Riksbank

Inflation expectations rising

Per cent, money market agents



Monetary policy has reacted decisively





We are creating the conditions for inflation to rise

- Cut repo rate to -0.25 per cent
- The repo rate is expected to remain at this level at least until the second half of 2016
- Purchasing government bonds for SEK 30 billion

⇒ To ensure that inflation rises

- If more is required, we will do more
 - Cut the repo rate and lower the repo-rate path
 - Extend purchase of government bonds
 - Lend to companies via banks
 - Foreign exchange interventions





Complementary monetary policy measures act through different channels

- Reduce the general level of interest rates
 - Directly for longer government bond rates
 - Via portfolio choices, rates on higher-risk assets also fall
 - Increase the amount of money in the economy
 - Increase wealth among those owning the above assets
 - More liquidity among the banks may lead to increased lending
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- Important to attain inflation target – creates stable game rules for price setting and wage formation
- Monetary policy has an effect – inflation is rising from low levels
- If more is required, we will do more

