



Current Monetary Policy

Sparbanken Skaraborg
10 September

Deputy governor Cecilia Skingsley

The Riksbank's main tasks

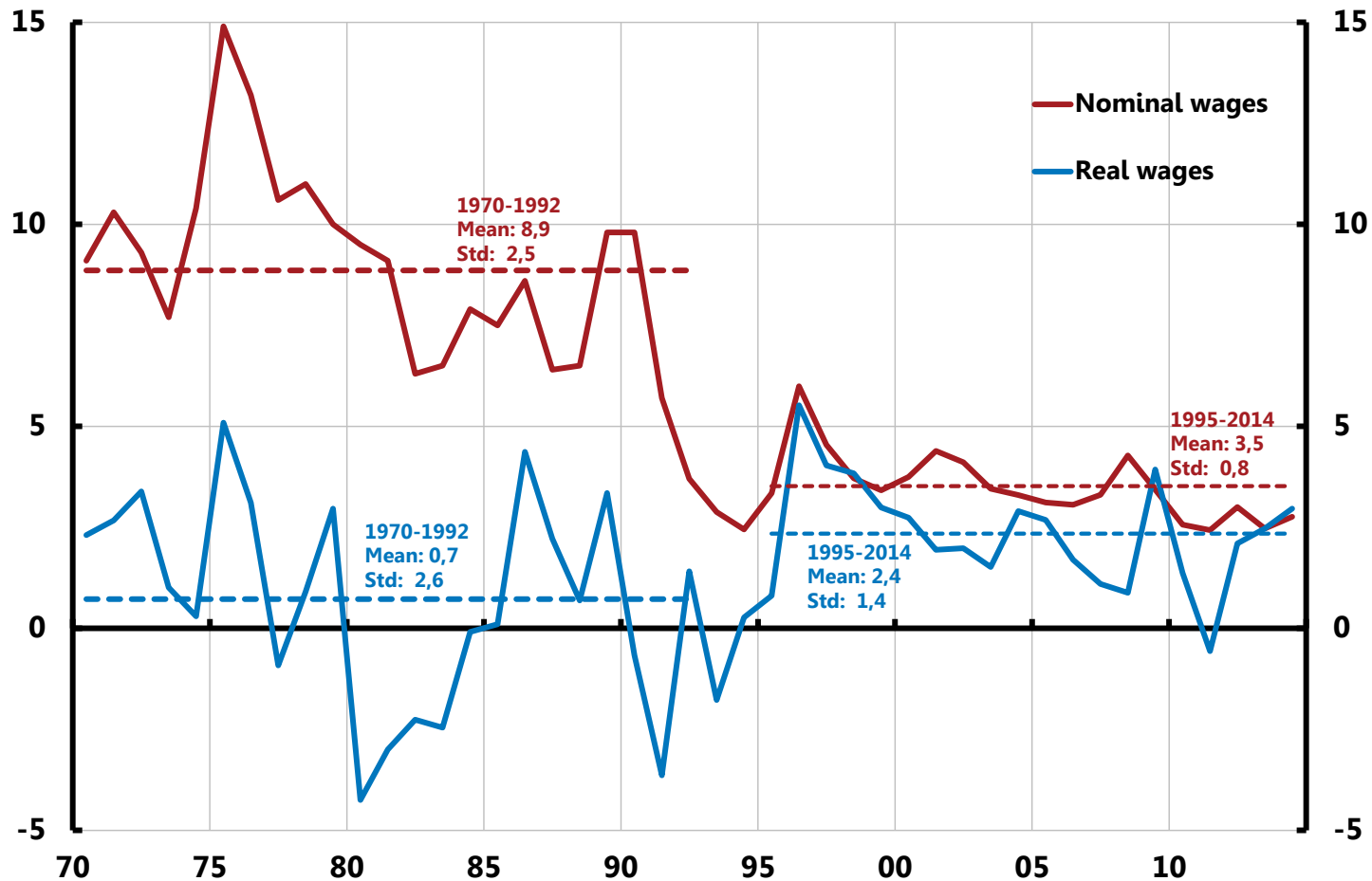


**Maintain price
stability**

**Promote a safe
and efficient
payment system**

Inflation target underpins price and wage formation

Nominal and real wages



Note. Annual percentage change. According to short-term wage statistics since 1993 and wage structure statistics prior to 1993. Real wages are calculated as the difference between the annual percentage change in nominal wages and the annual percentage change in the CPI.

Sources: National mediation office and Statistics Sweden

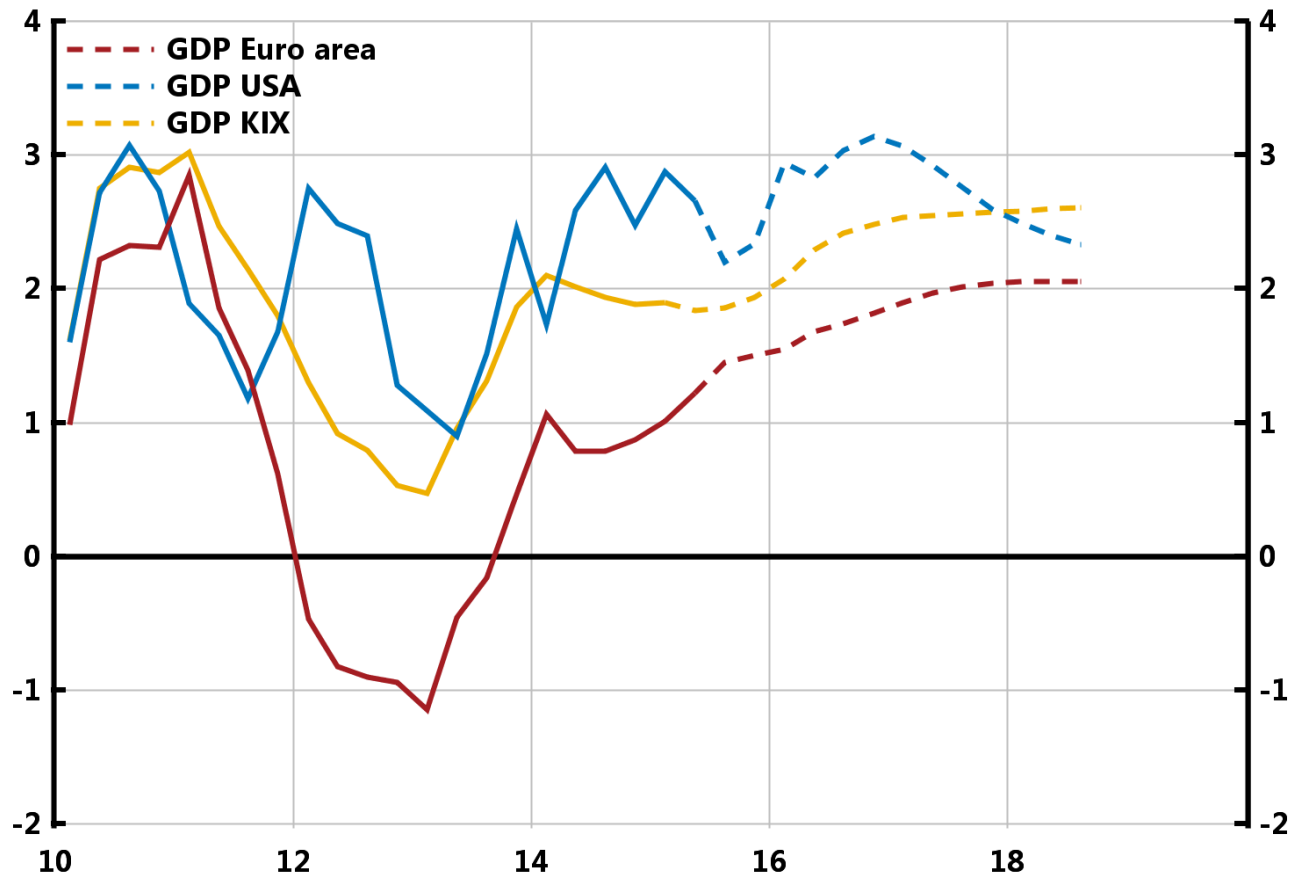
Monetary Policy Decision 3 september:

Economic activity strengthening

Rising trend in inflation

Monetary policy providing necessary support

Recovery abroad despite some causes for concern



Note. Annual percentage change, seasonally-adjusted data. KIX is an aggregate of the countries that are important to Sweden's international transactions.

Sources: Bureau of Economic Analysis, Eurostat, national sources and the Riksbank

Economic activity in Sweden strengthening

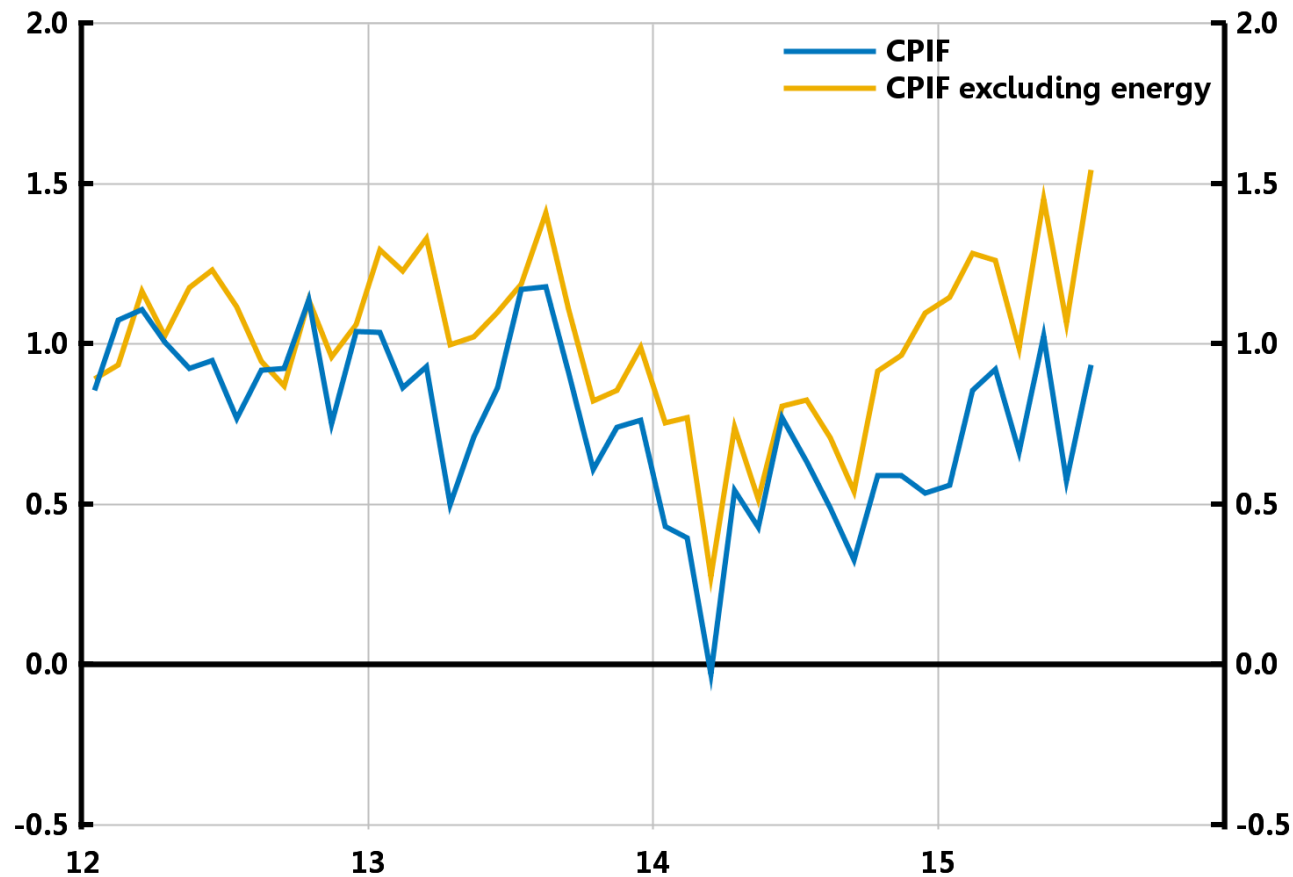
Stable GDP growth



Labour market improving



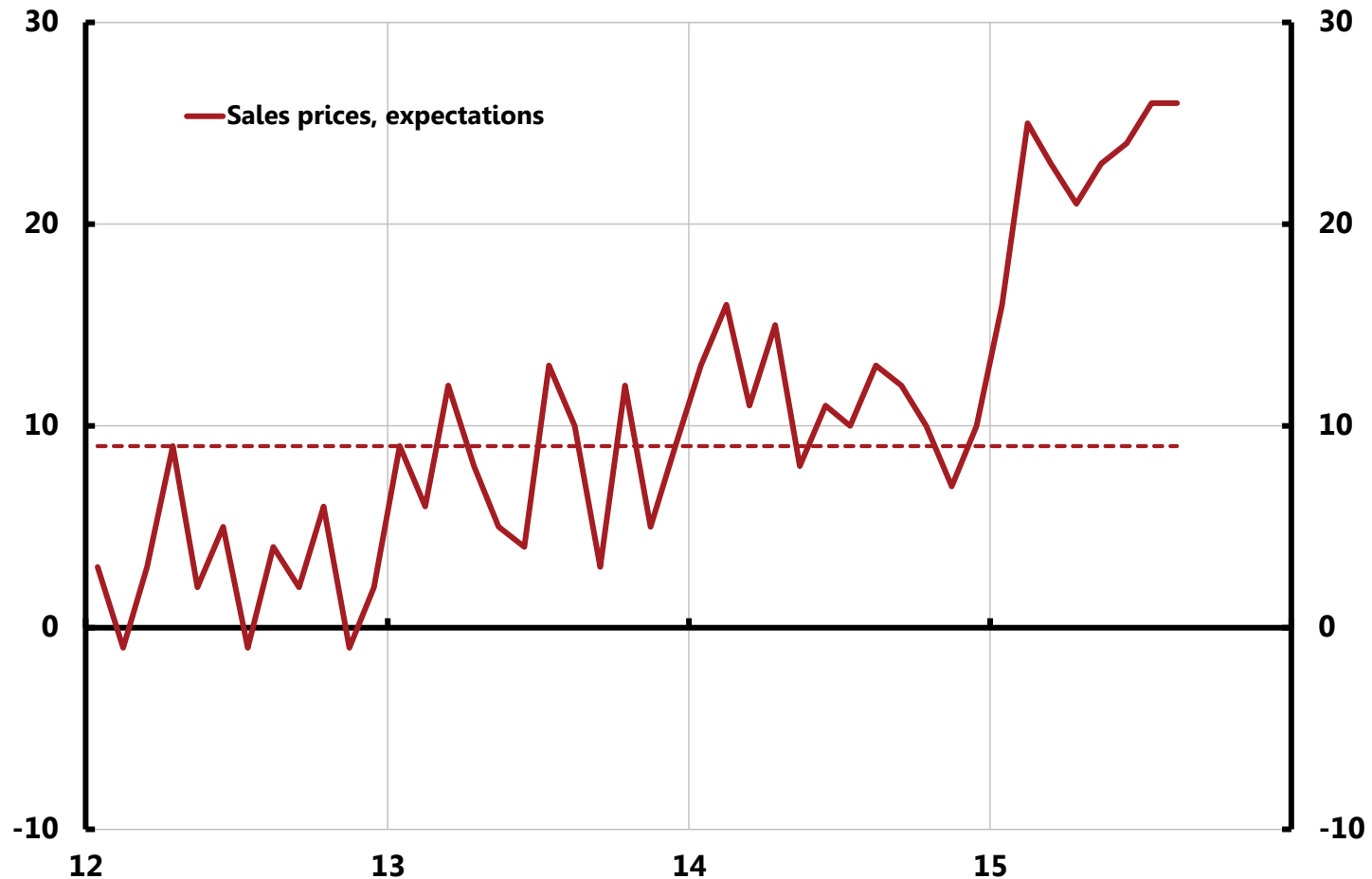
Monetary policy having an effect - inflation is rising



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

Sources: Statistics Sweden and the Riksbank

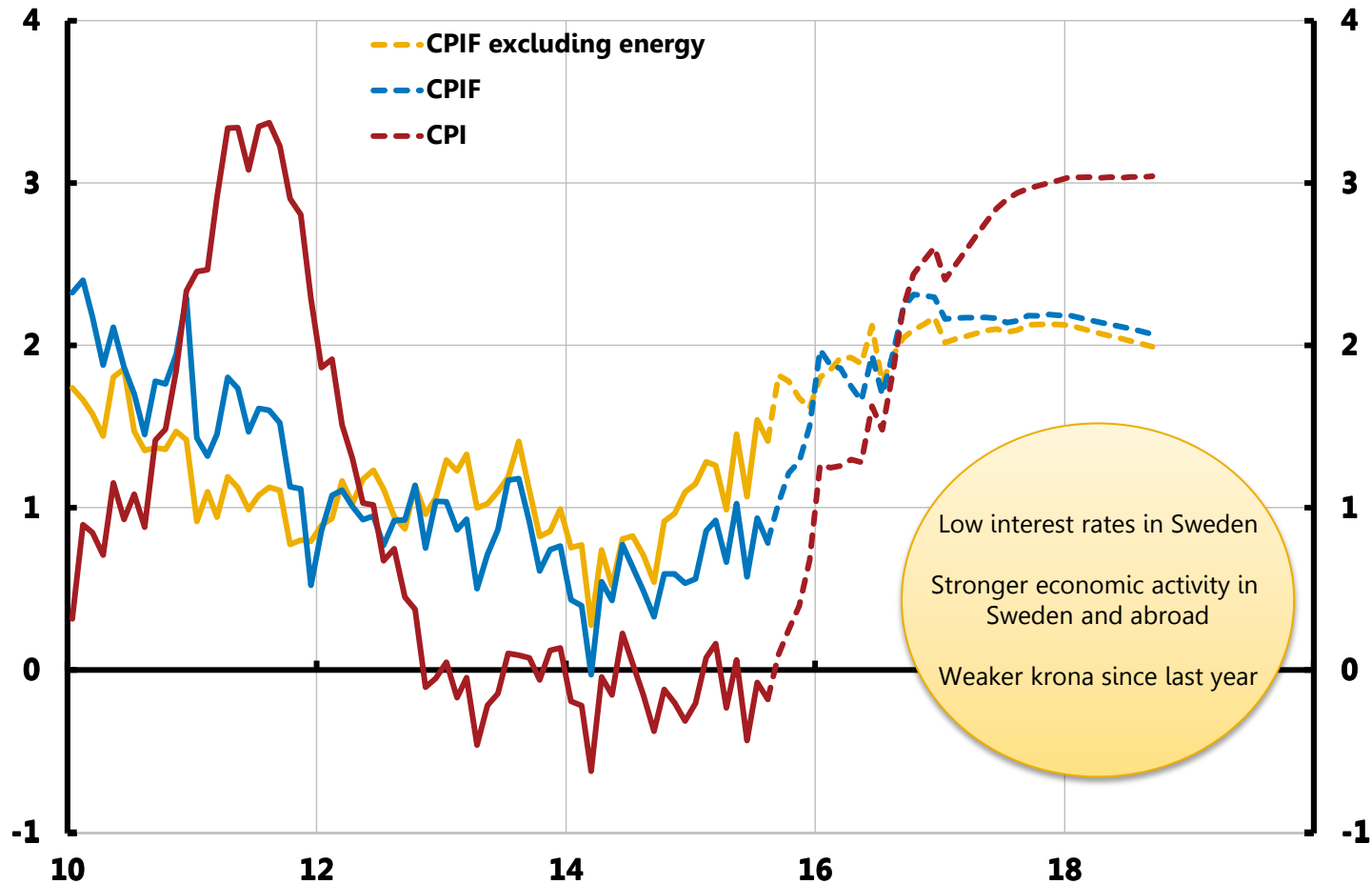
Companies expecting higher prices



Note. Sales prices, expectations among retailers, net figures. Refers to the three months immediately following date of survey. Broken line refers to an average since May 2003.

Source: National Institute of Economic Research

Inflation rising gradually

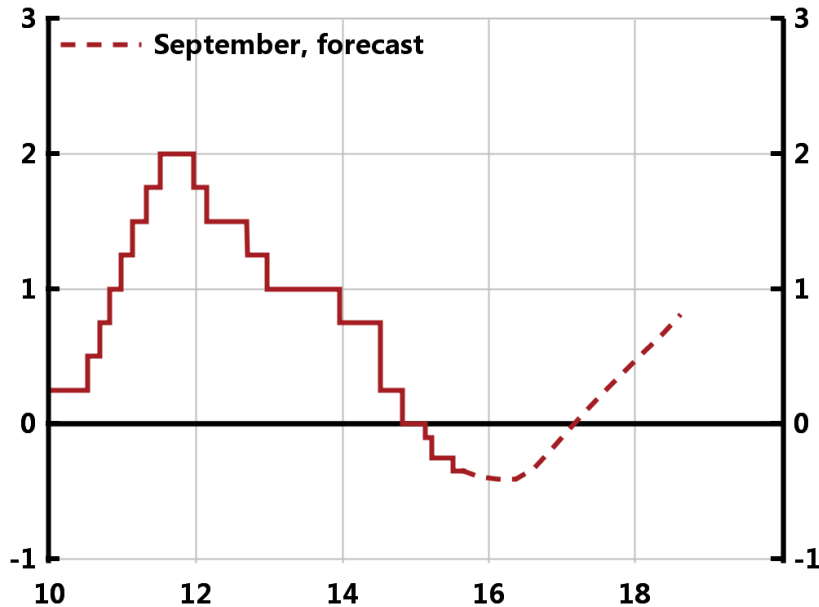


Note. Annual percentage change. The CPIF is the CPI with a fixed mortgage rate.

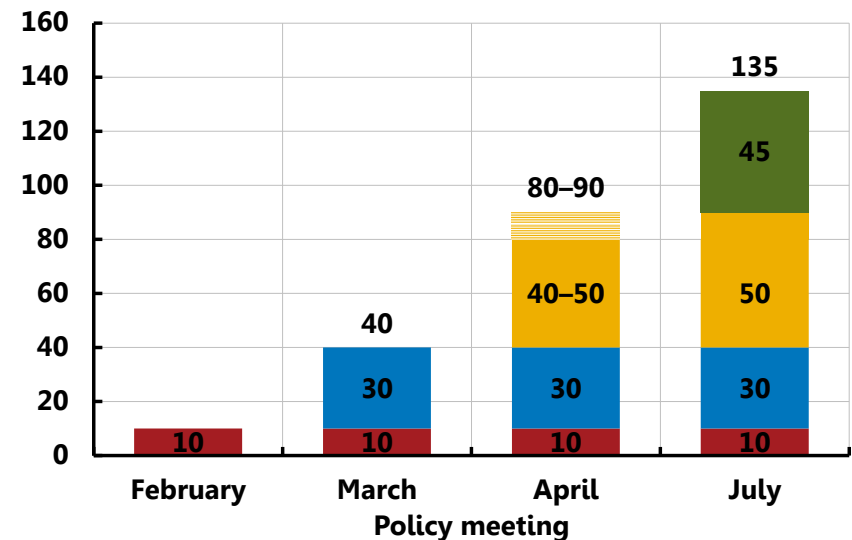
Sources: Statistics Sweden and the Riksbank

Current monetary policy to ensure the trend of rising inflation continues

Very low repo rate



Purchases of government bonds



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

Why low interest rate is important

- 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!
-

Continued high level of preparedness

- Important that the upward trend in inflation continues
- Ready to act even between ordinary meetings
 - Cut the repo rate
 - Buy more government bonds
 - Intervene on the foreign exchange market
 - Lend to companies via banks

Thank you

