



Current monetary policy
issues

SIMRA

17 November 2015

Deputy Governor Cecilia Skingsley

Agenda

- The latest monetary policy decision
 - Current issues surrounding the monetary policy framework
-

Low interest rates are contributing to the relatively strong Swedish economy

Good GDP growth



Unemployment is falling



Note. Annual percentage change and percentage of labour force, 15–74 years, seasonally-adjusted data.

Sources: Statistics Sweden and the Riksbank

We need to take events in the rest of the world into account



Monetary policy in other countries

Slowdown in China

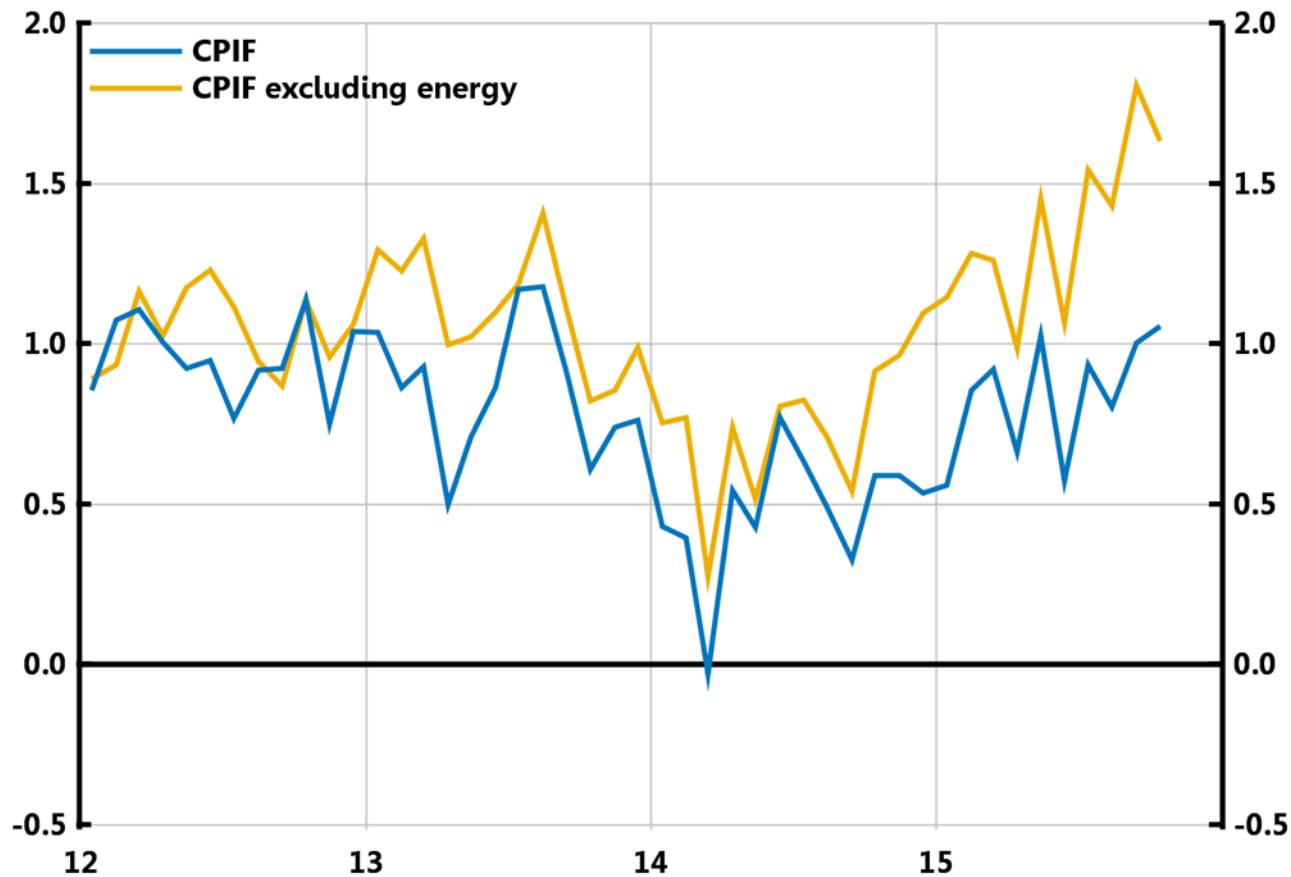
Concern about emerging market economies

Effects of the refugee crises hard to assess

- Sharp increase in people seeking protection in Europe
 - Too early to assess the macroeconomic effects
 - Forecasts will gradually have to be adjusted
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Clear rise in inflation

Annual percentage change

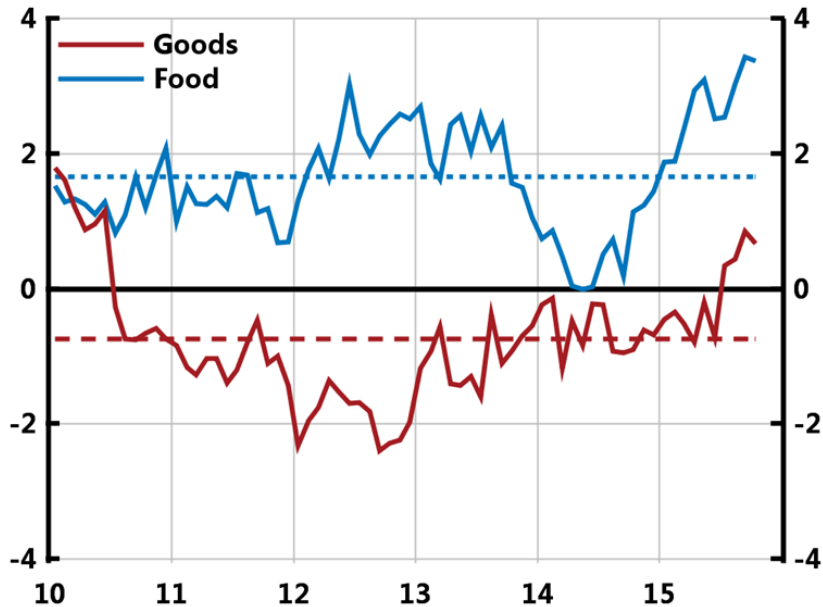


Note. The CPIF is the CPI with a fixed mortgage rate.

Source: Statistics Sweden

The upturn in inflation

Clear in prices with more import content

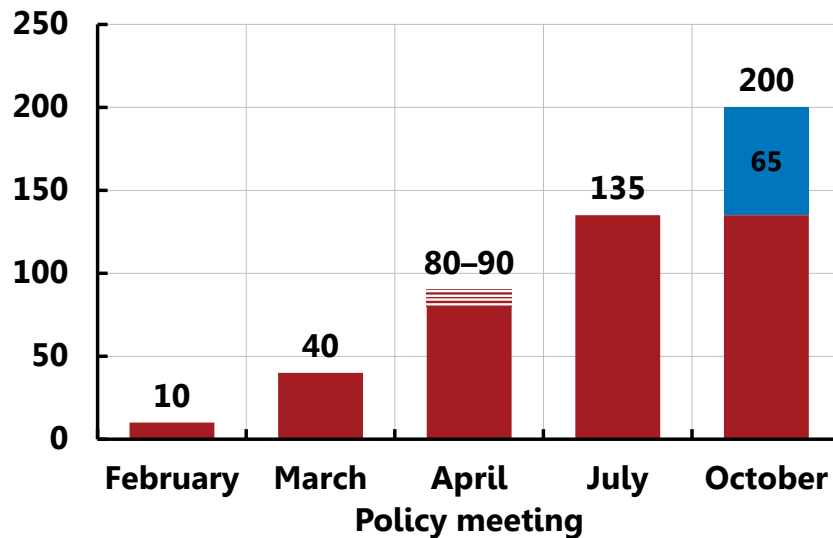


Cautious in more domestic prices

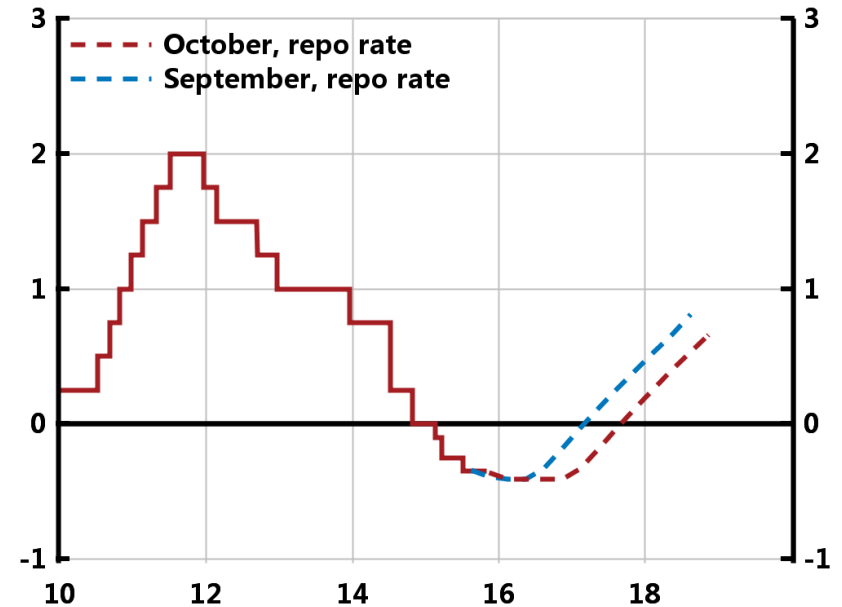


So that the positive trend continues

Extending purchases of government bonds



Deferring increases



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 securities
 - Intervene on the foreign exchange market
 - Lend to companies via banks

The low interest rate is necessary

- The inflation target is worth defending
 - Stable expectations have created the conditions for favourable economic development
 - The Riksbank has the task and the tools to influence inflation

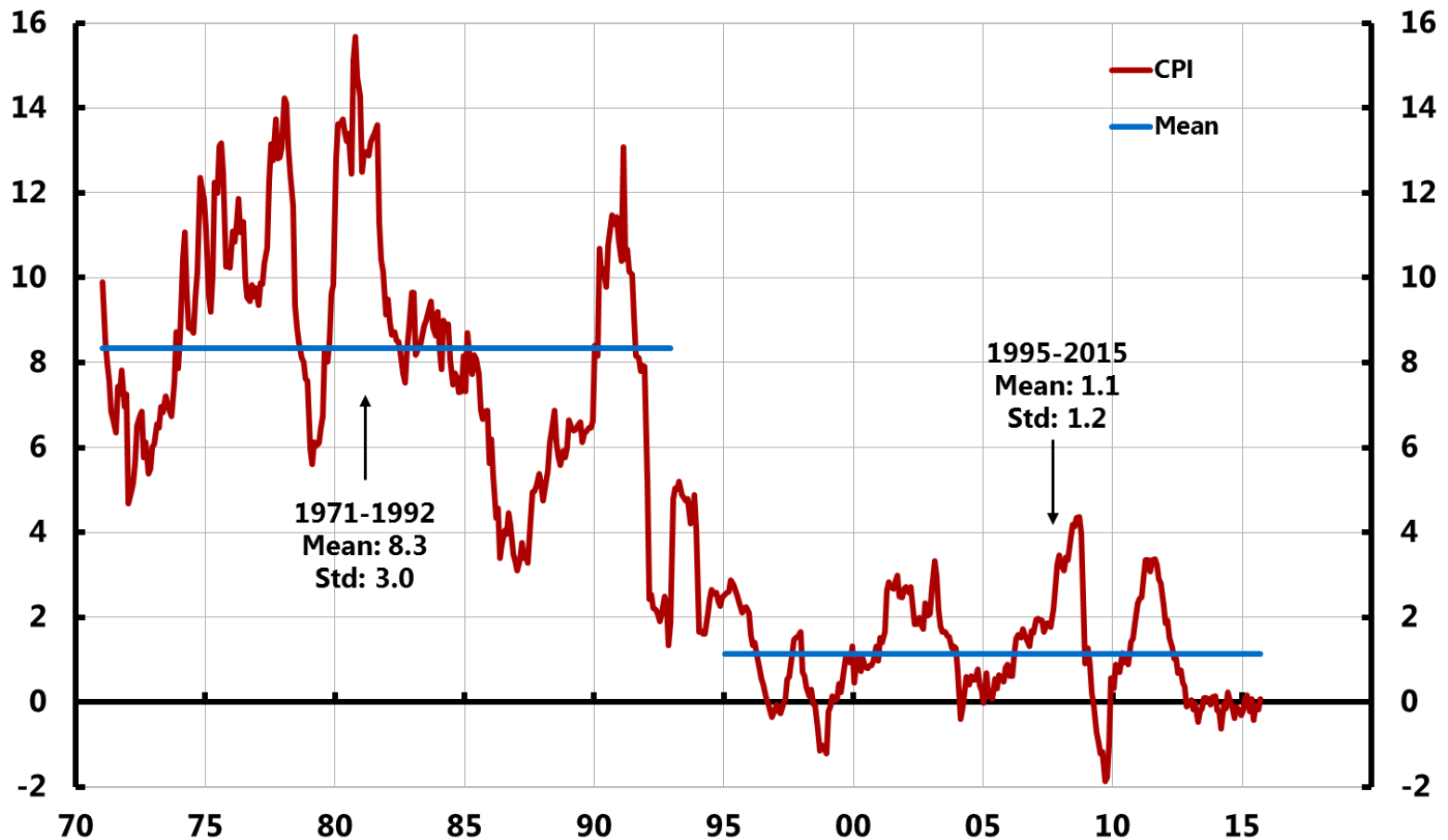
 - The risks of low interest rates
 - Low level of interest rates in Sweden and abroad can lead to excessive risk-taking
 - The housing market and high household indebtedness – measures urgently required
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Current issues in the monetary policy debate

- Good to have a debate
 - Lowering of inflation target?
 - Reintroduction of tolerance interval?
 - Greater acceptance of deviations from target / greater focus on financial stability and debt growth?
 - Loss of effectiveness?
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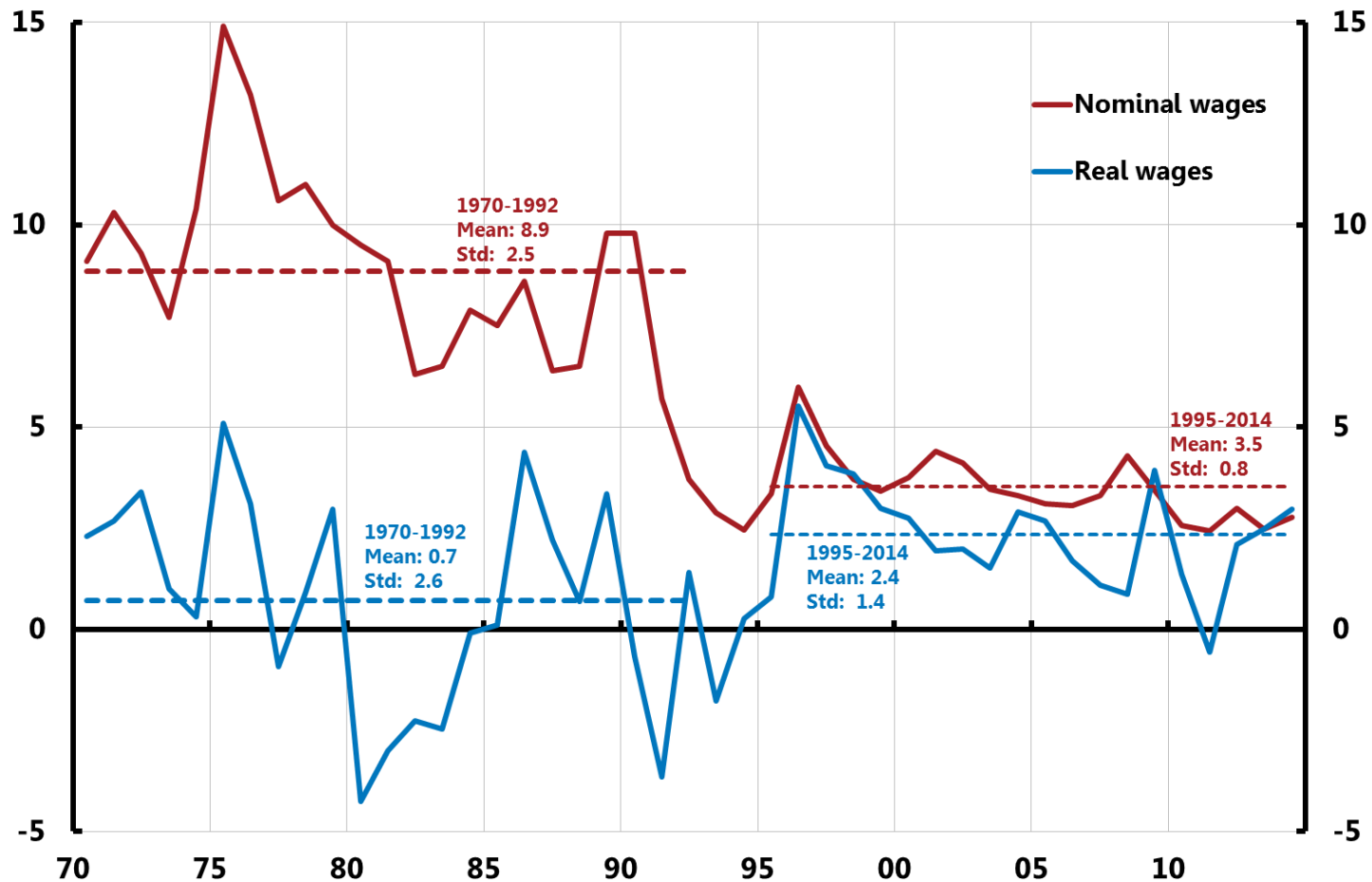
Monetary policy for price stability

Annual percentage change



Monetary policy for price stability

Annual percentage change

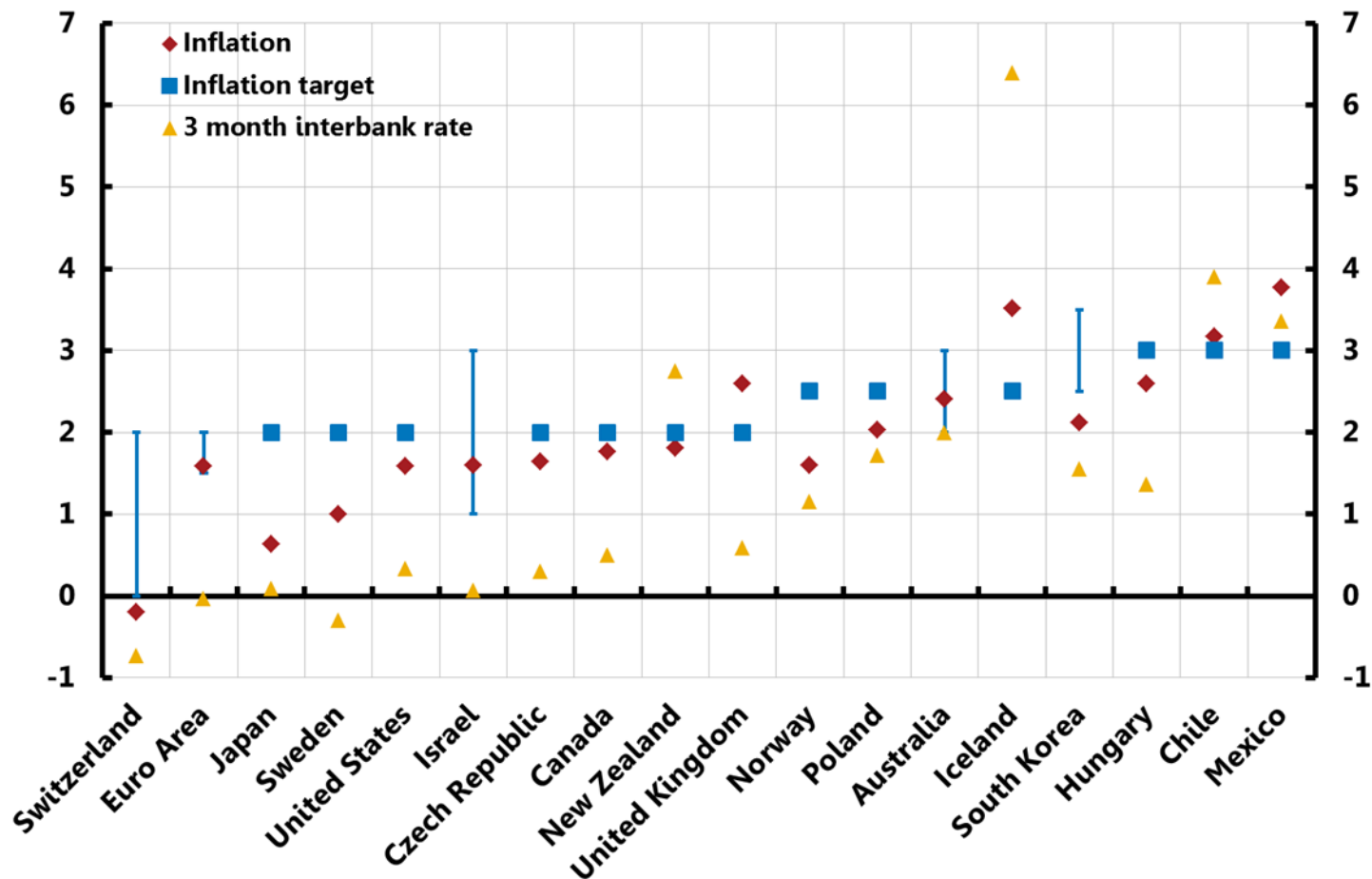


Note. Real wages are deflated using CPI.

Sources: Swedish National Mediation office and Statistics Sweden

Average inflation, inflation target and interbank rate for OECD countries

Annual percentage change

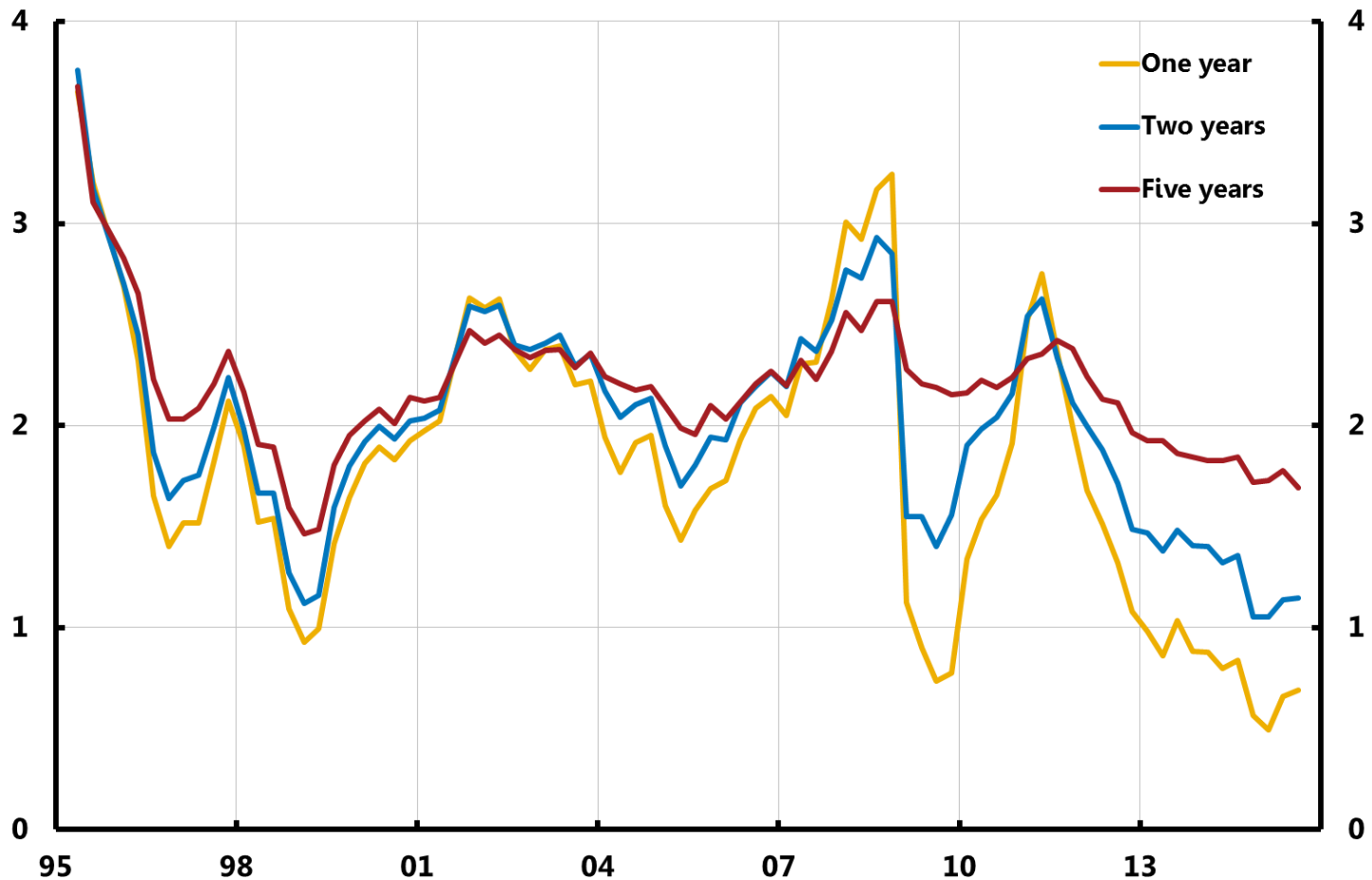


Note: Inflation refers to average inflation over the period 2010 Q3–2015 Q2. CPIF inflation for Sweden. Japan introduced an inflation target in 2013 and the US in 2012. Vertical blue line indicates that the target is formulated as an interval. Interbank rate refers to average for September. Policy rate is used for Australia, Canada and New Zealand.

Sources: Eurostat and national sources

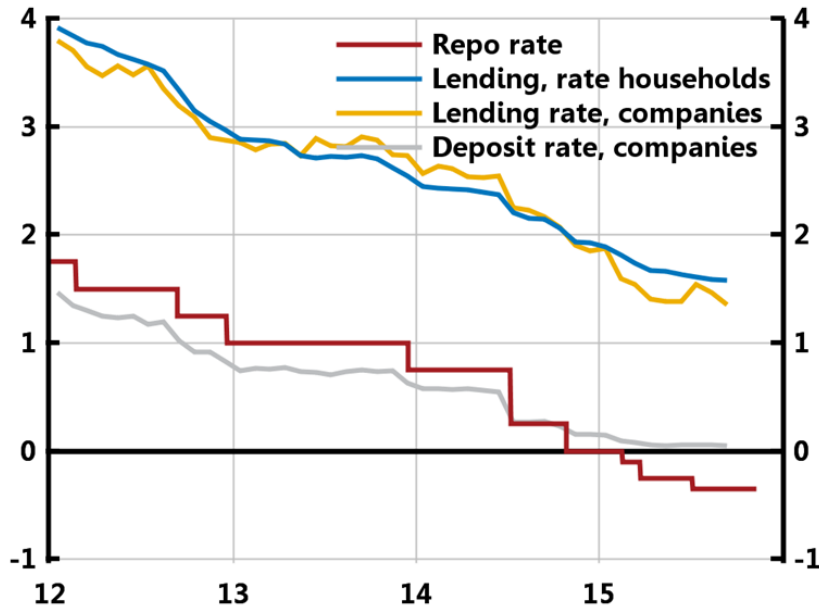
Inflation expectations among all participants surveyed

Per cent



Monetary policy also works with a negative repo rate

Lending rates have fallen



The Swedish krona has weakened

