

A year of negative interest rates. Where do we stand?

Danske Bank, 7 April 2016

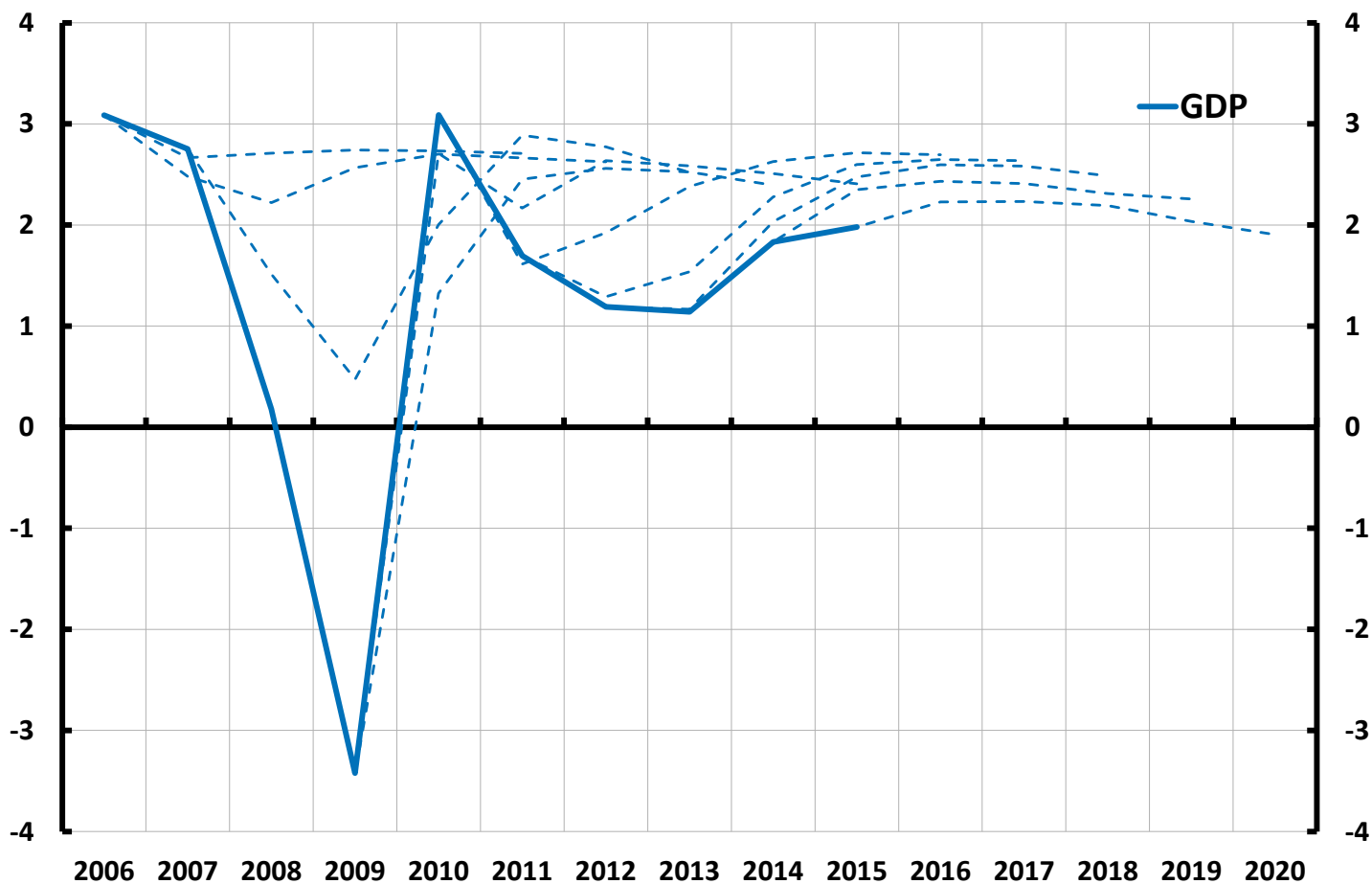
Deputy
Governor

Cecilia Skingsley

What I intend to talk about today:

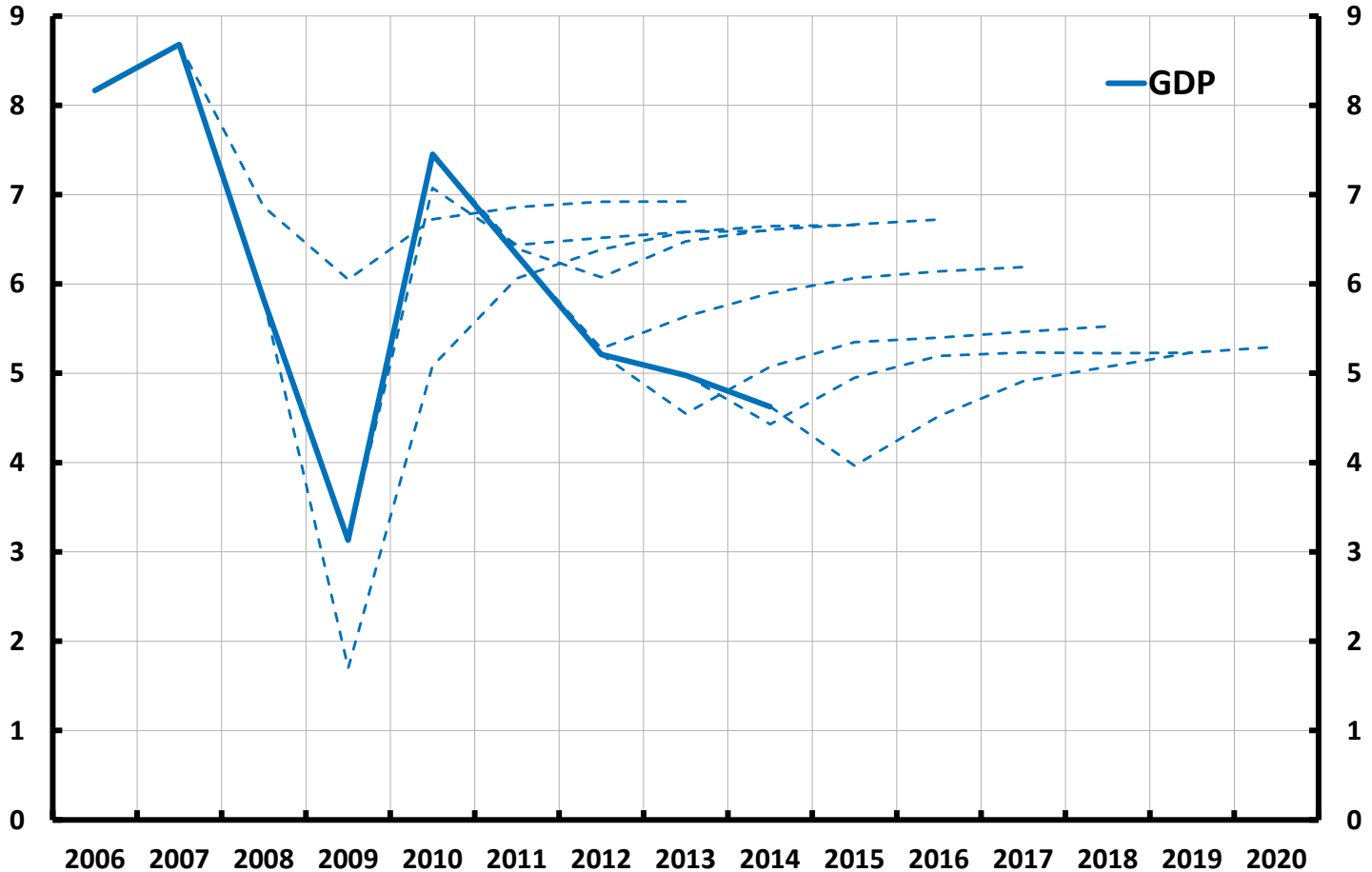
- Is it possible to conduct a national monetary policy in a complicated international environment?
- How has Swedish monetary policy been conducted in recent years?
- What considerations should govern our choice of future path?

Forecast revisions of advanced economies' GDP



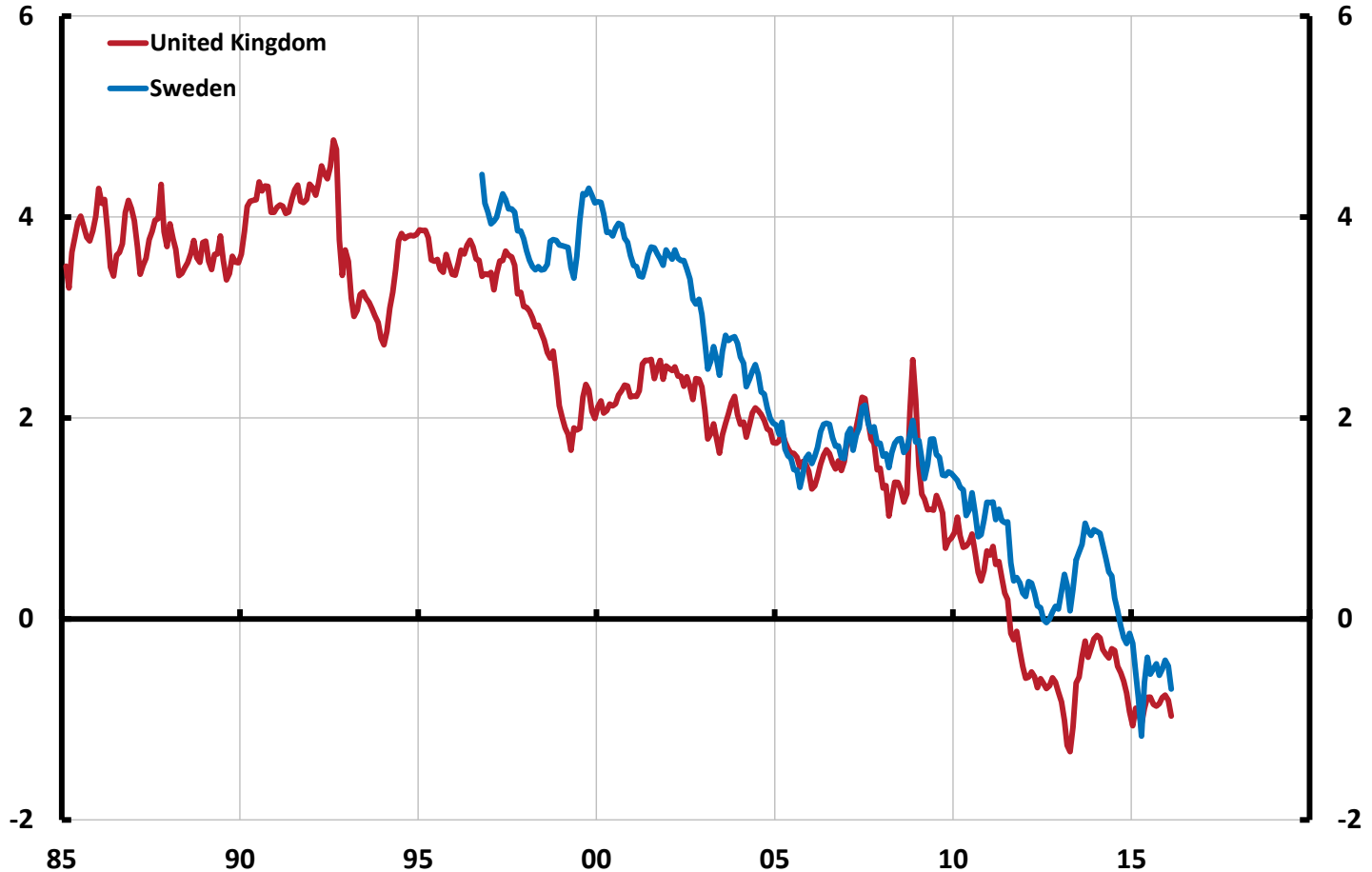
Source: IMF WEO 2006 - 2015

Forecast revisions of emerging economies' GDP



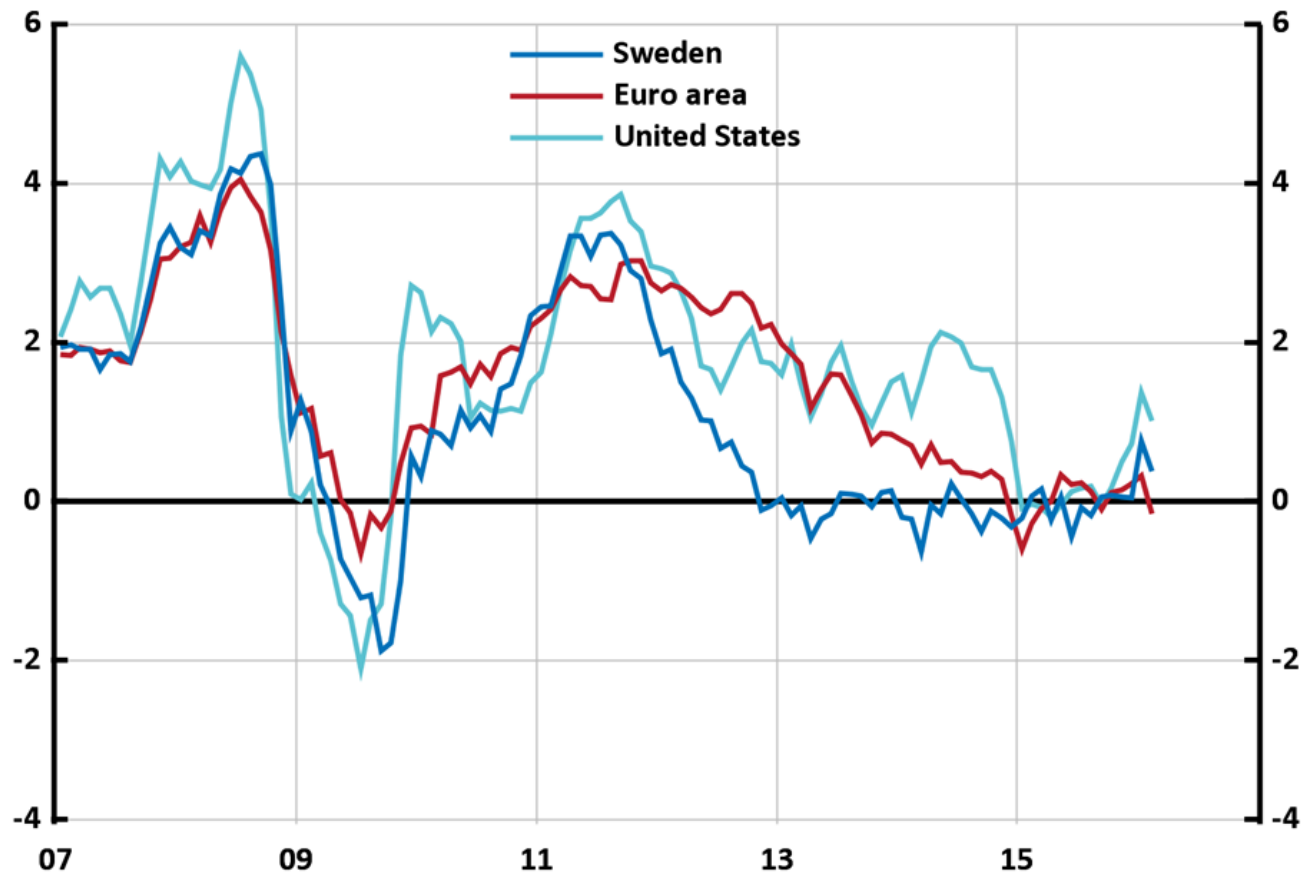
Source: IMF WEO 2006 - 2015

Lower real interest rate trend since the 1980s



Note. Per cent. 10-Year yield on real government bonds in Sweden and the UK. Swedish real interest rate is zero coupon yields interpolated from bond prices using the Nelson-Siegel method. Sources: Bank of England, Thomson Reuters and the Riksbank

Inflation in Sweden and abroad

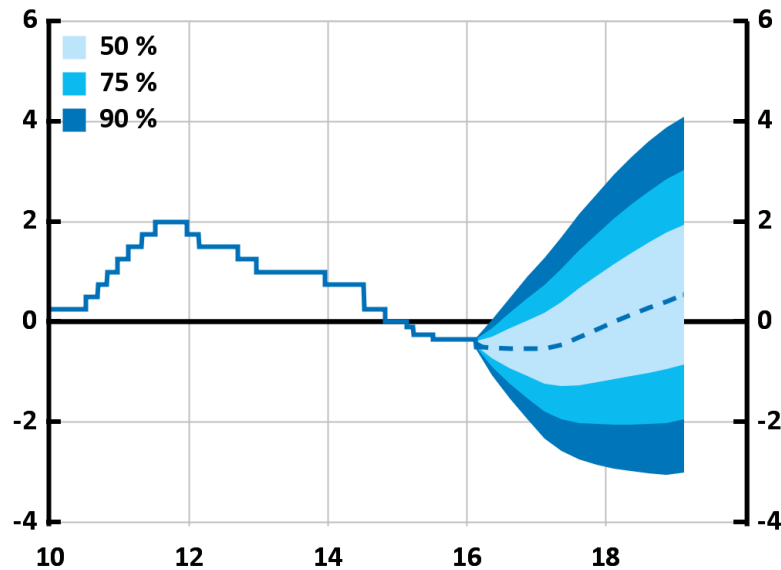


Note. Annual percentage change. The euro area refers to HICP inflation, and Sweden and the USA to CPI inflation.

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

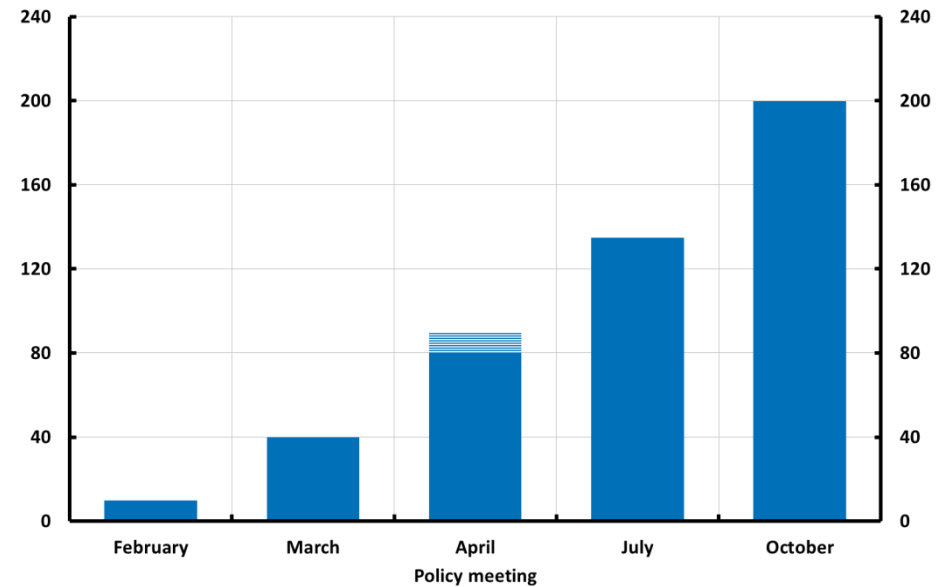
Monetary policy to safeguard the inflation target

Cutting the repo rate



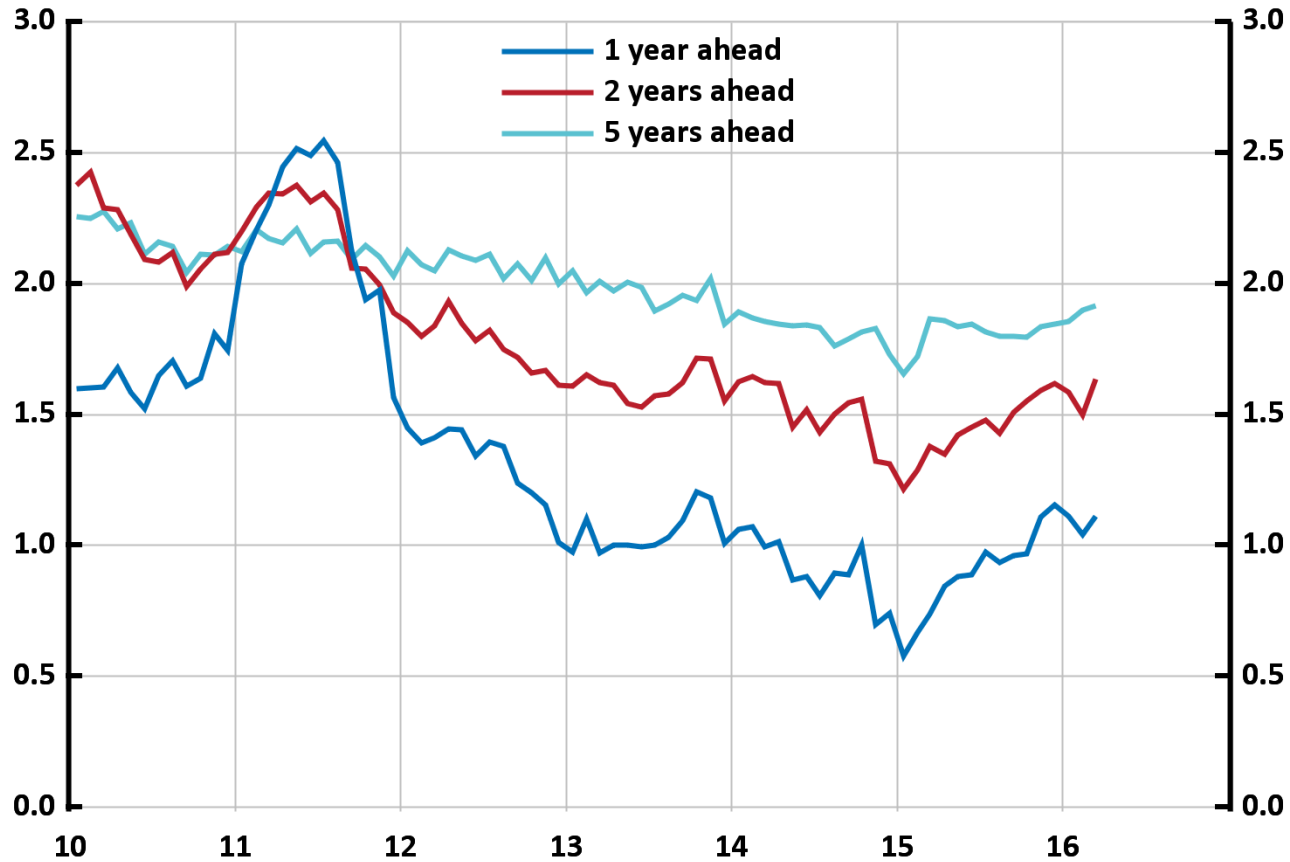
Note. Per cent and SEK billion.

Purchasing government bonds up until the end of June 2016



Source: The Riksbank

Inflation expectations

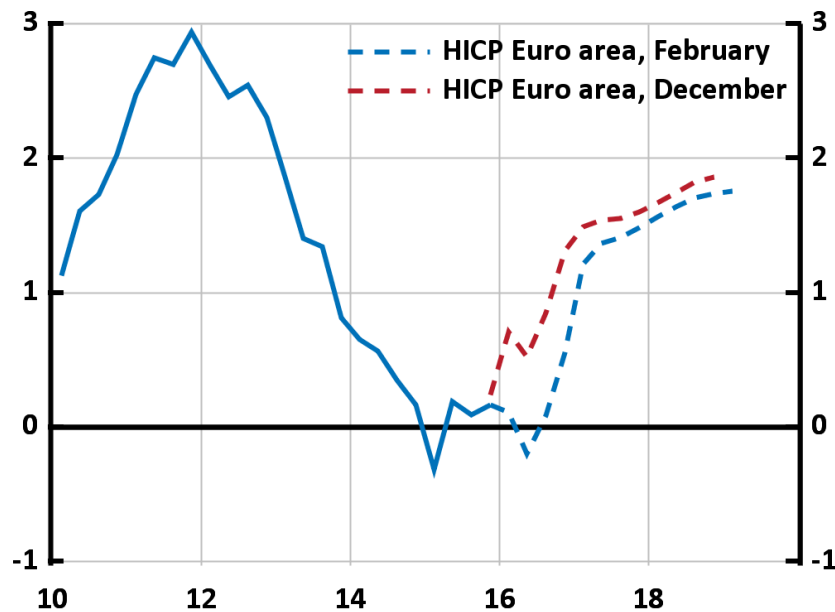


Note. Per cent, average. Inflation expectations according to money market participants.

Source: TNS SIFO Prospera

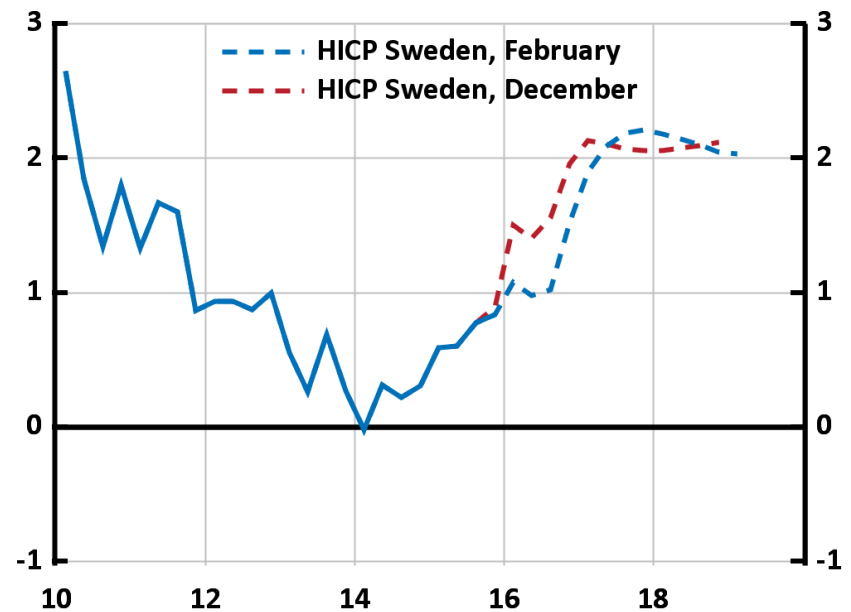
Low inflation has been countered with low interest rates abroad, too

Inflation in the euro area



Note. Annual percentage change.

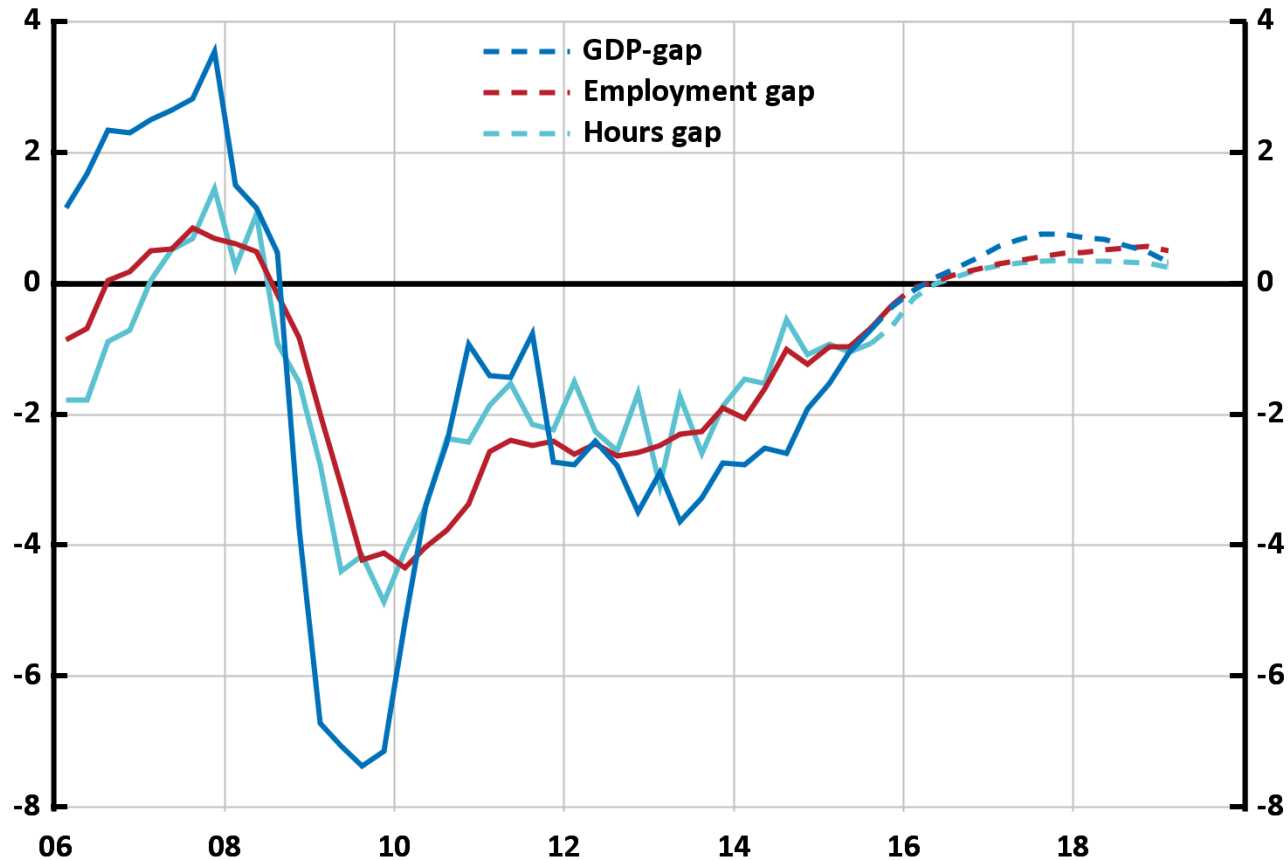
Inflation in Sweden



Sources: Eurostat, Statistics Sweden and the Riksbank

GDP gap, employment gap and hours worked gap

Per cent



Note. Per cent. GDP gap refers to the GDP deviation from trend, calculated using a production function. The hours gap and the employment gap refer to the deviation of the number of hours worked and the number of employed from the Riksbank's assessed trends.

Sources: Statistics Sweden and the Riksbank

Thank you!