



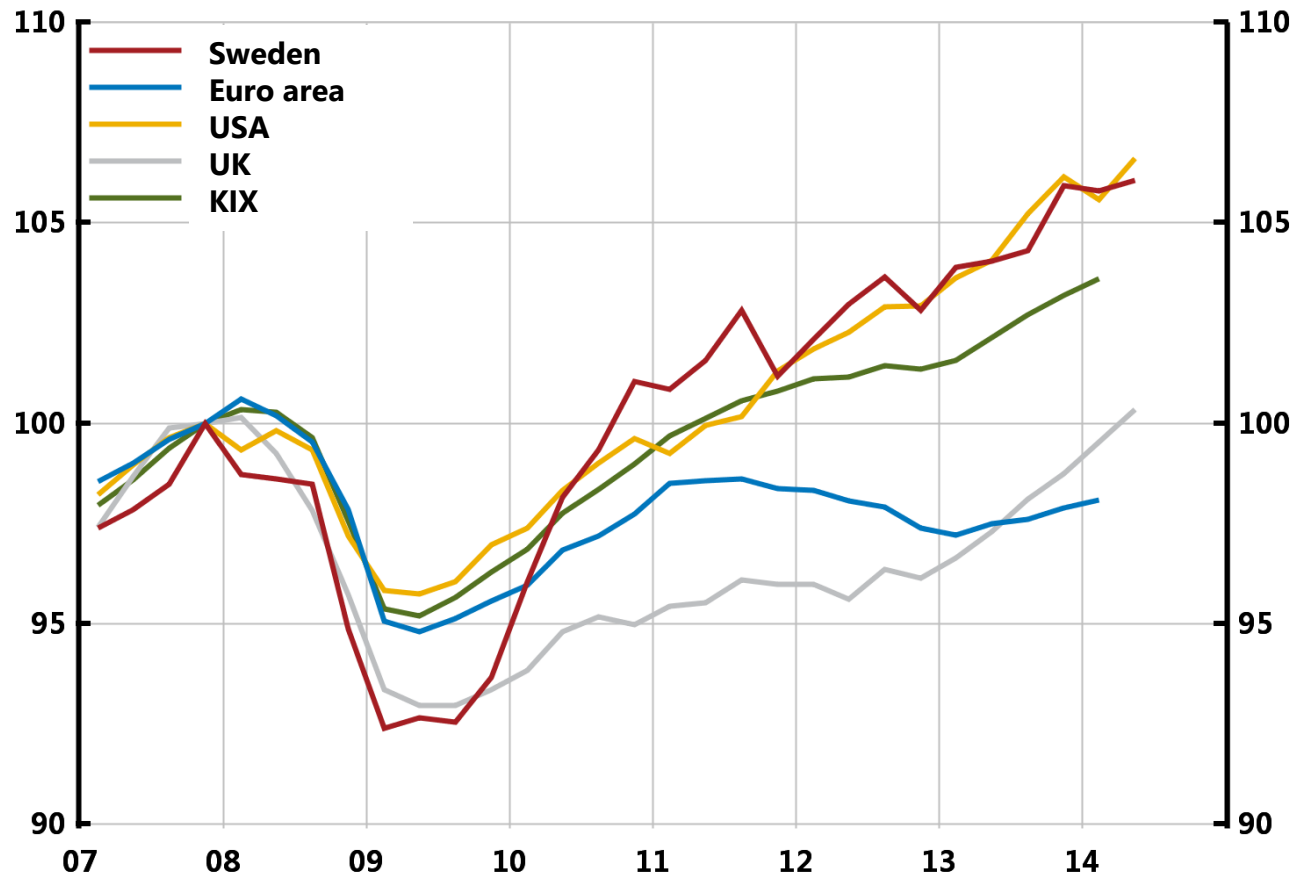
Introduction on monetary policy

Riksdag Committee on
Finance

Governor Stefan Ingves
19 August 2014

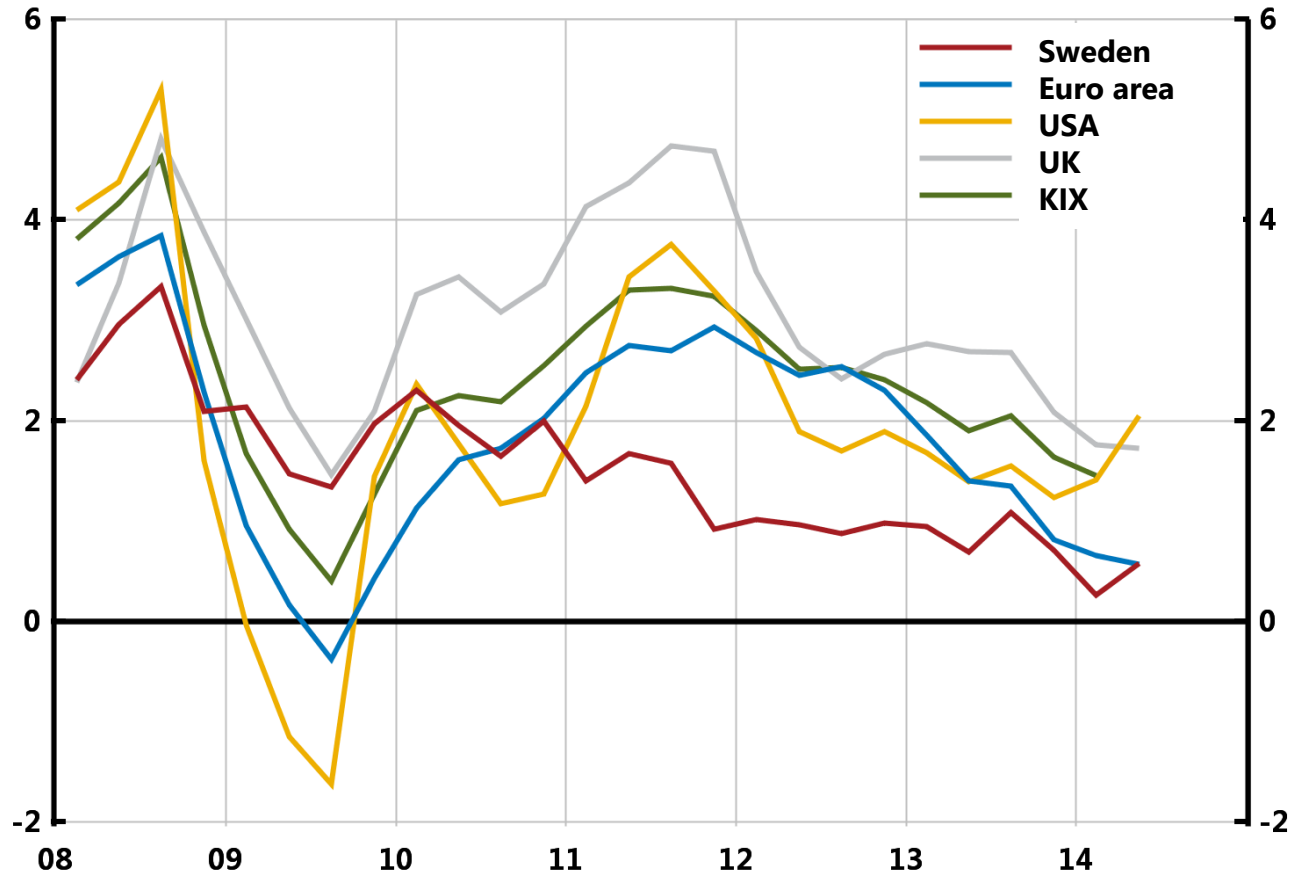
Sweden has recovered relatively well

GDP, index, 2007 Q4 = 100



Low inflation both in Sweden and abroad

Inflation, annual percentage change

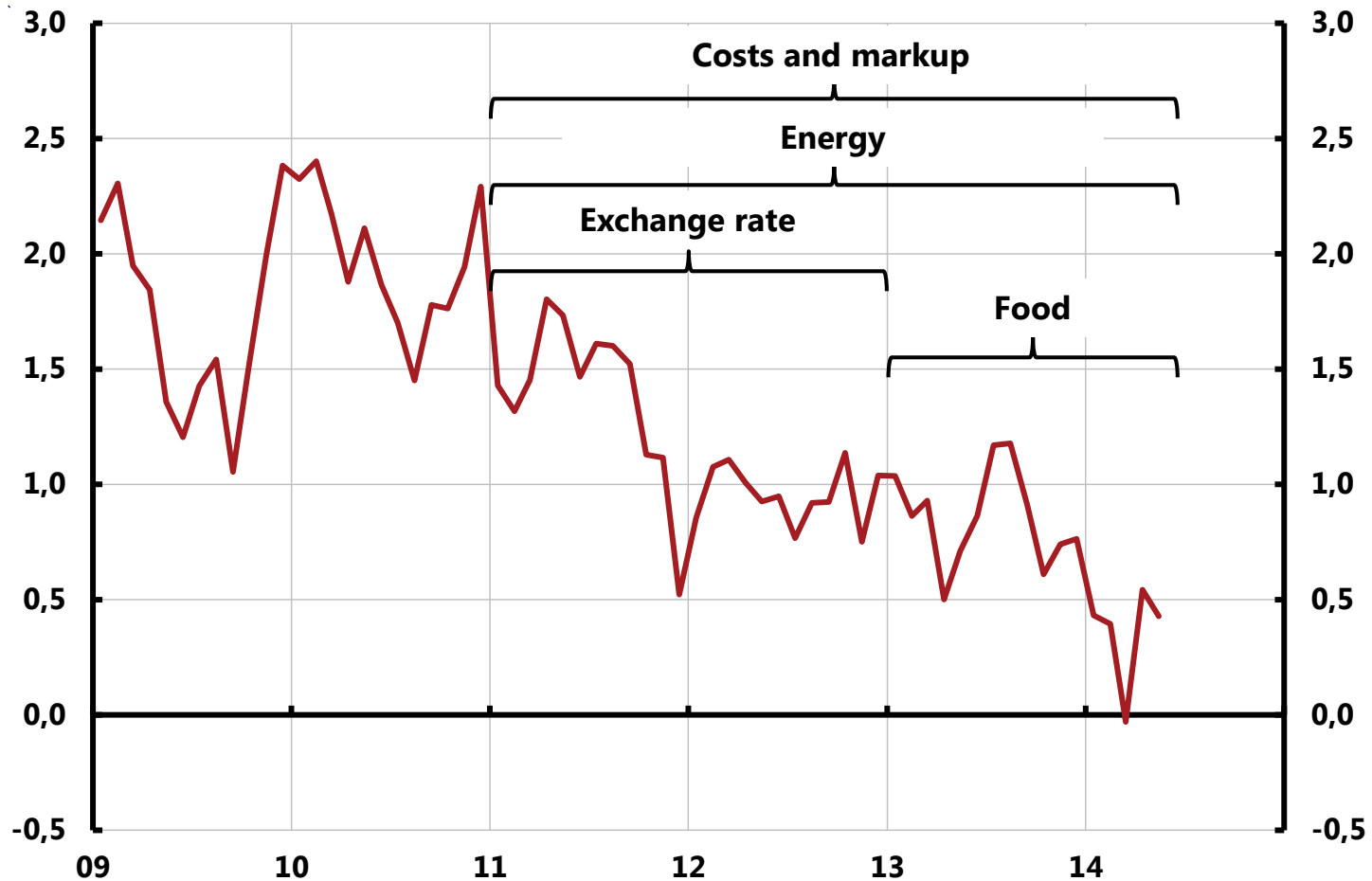


Note. KIX is an aggregate of the countries that are important to Sweden's international transactions. Inflation refers to the HICP for the euro area, the CPIF for Sweden and the CPI for the other countries.

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

Several explanations for the low inflation

The CPIF, annual percentage change



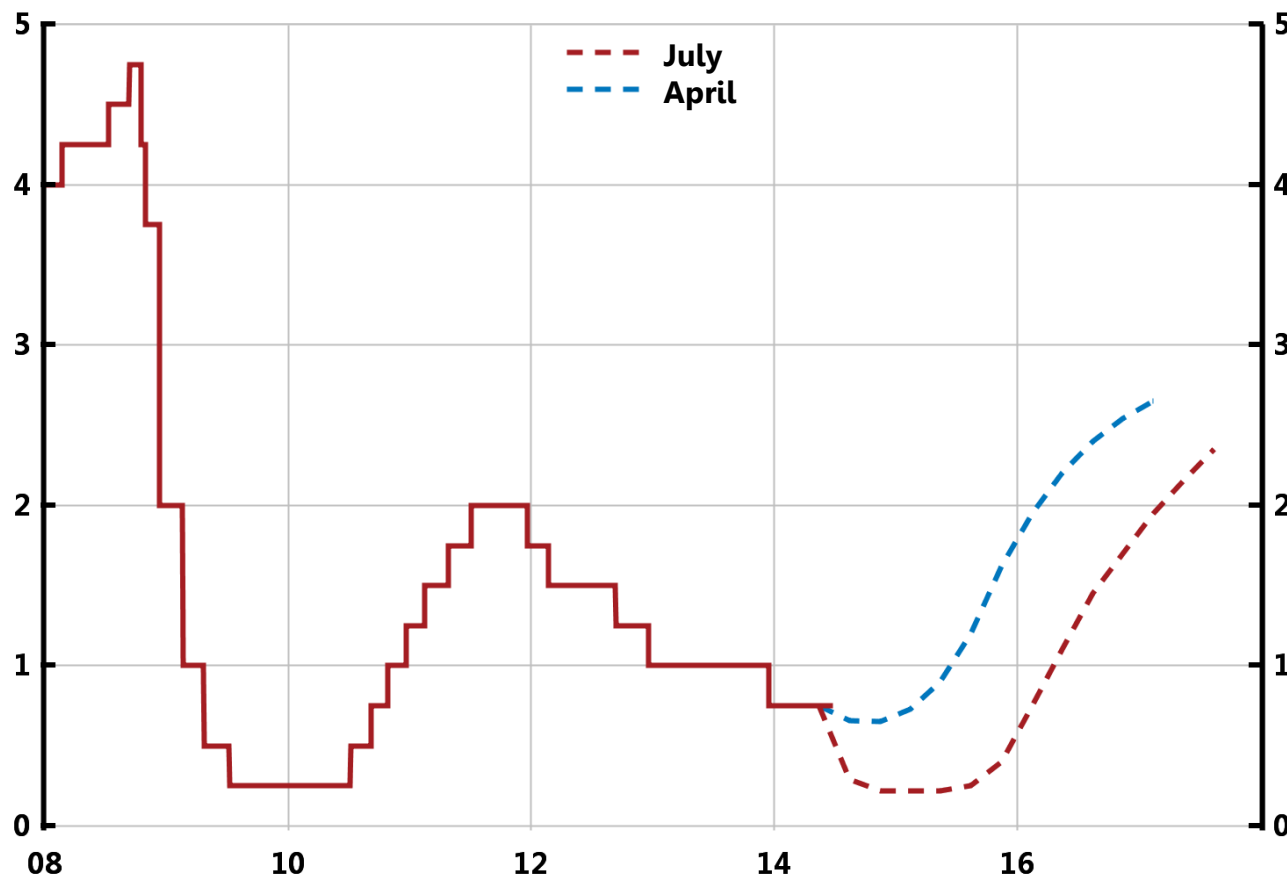
Weak demand has led to low margins for Swedish companies

Survey sent to 1,500 companies:

- Normal cost increases – low price increases
 - Squeezed margins
 - Weak demand and increased Swedish competition
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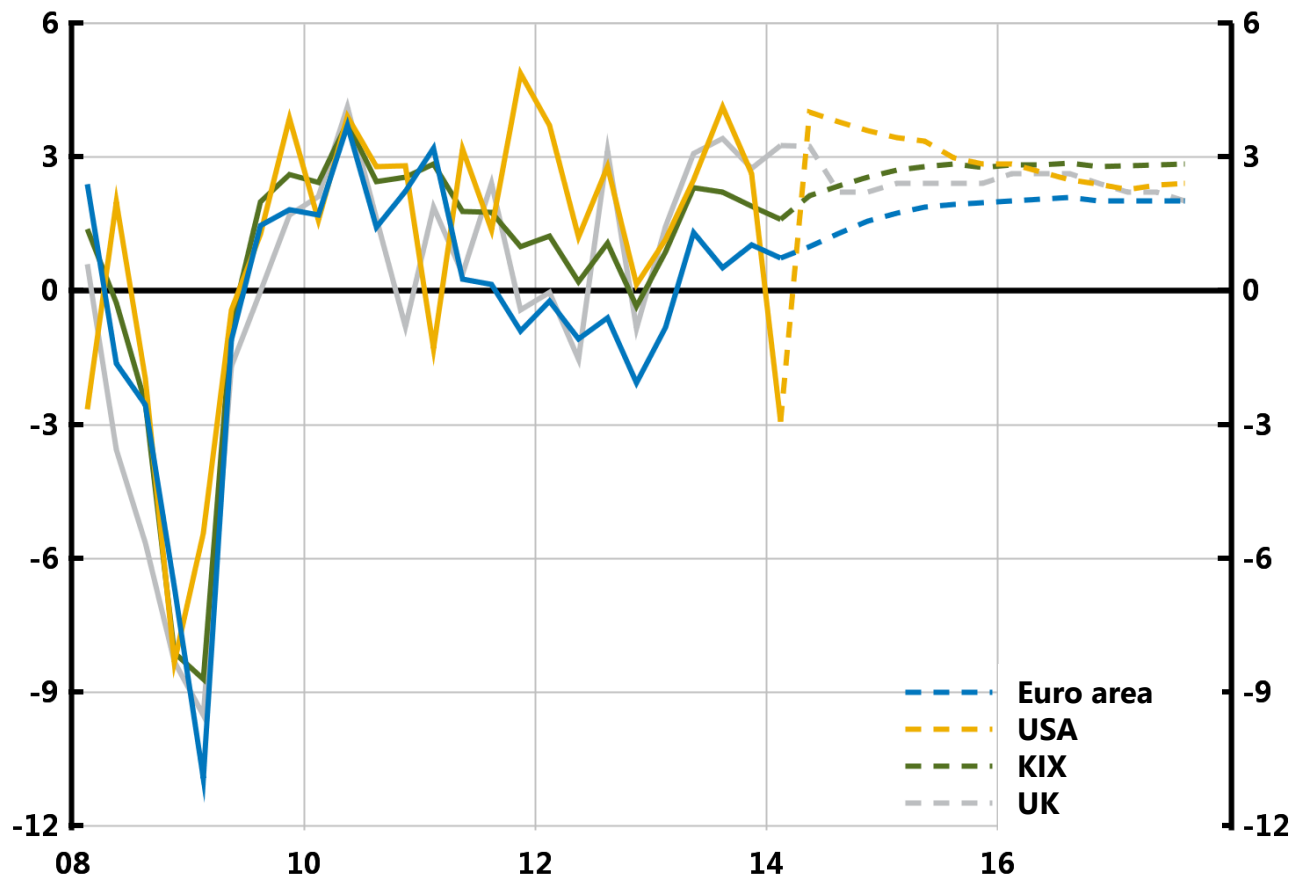
Very low repo rate so inflation can rise towards the target

Repo rate, per cent



Recovery continuing abroad

GDP, quarterly changes in per cent calculated as an annual rate, seasonally-adjusted data

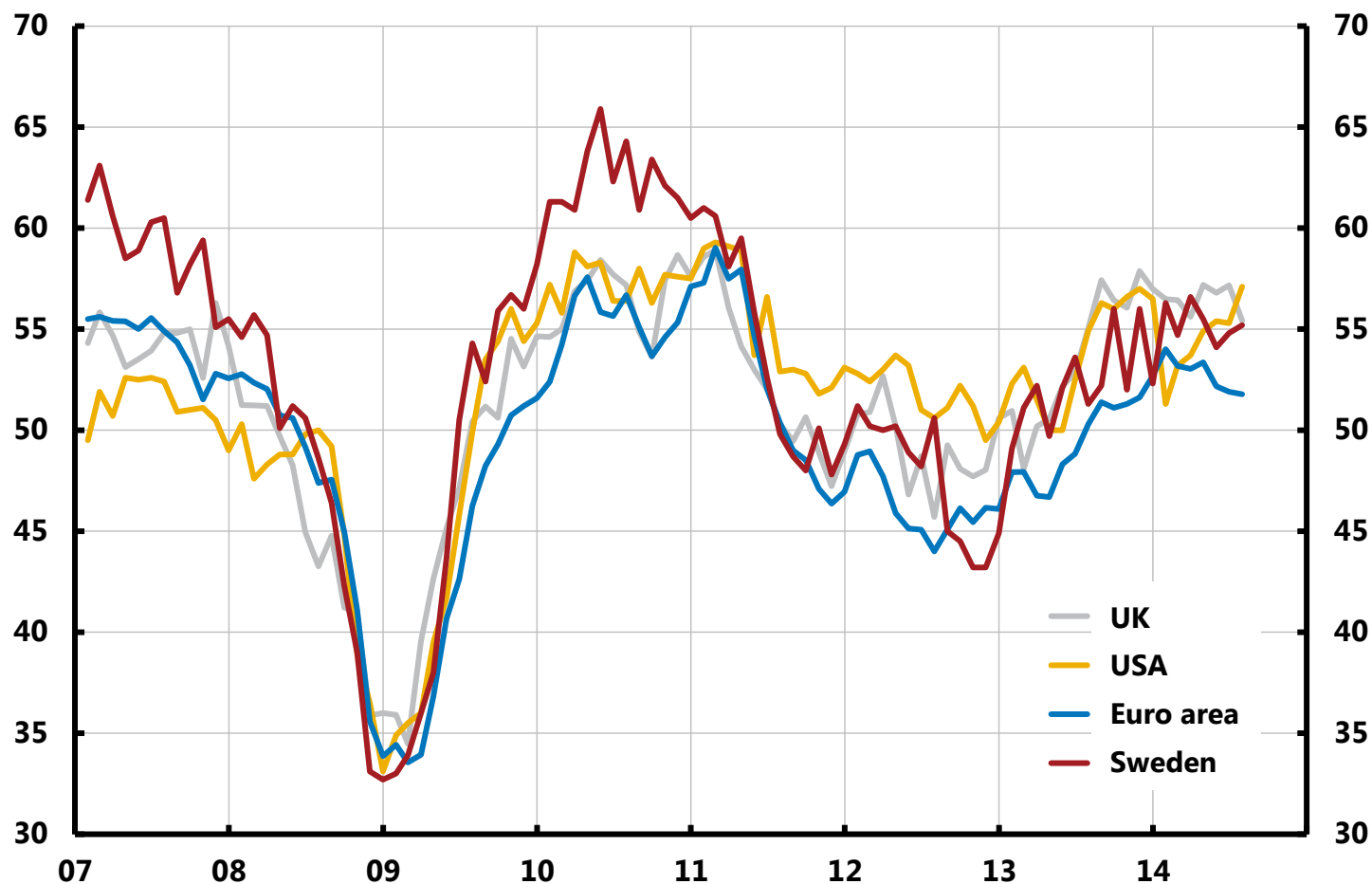


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Sources: The Bureau of Economic Analysis, Eurostat, national sources, the Office for National Statistics and the Riksbank

Geopolitical unease makes some mark on the confidence indicators

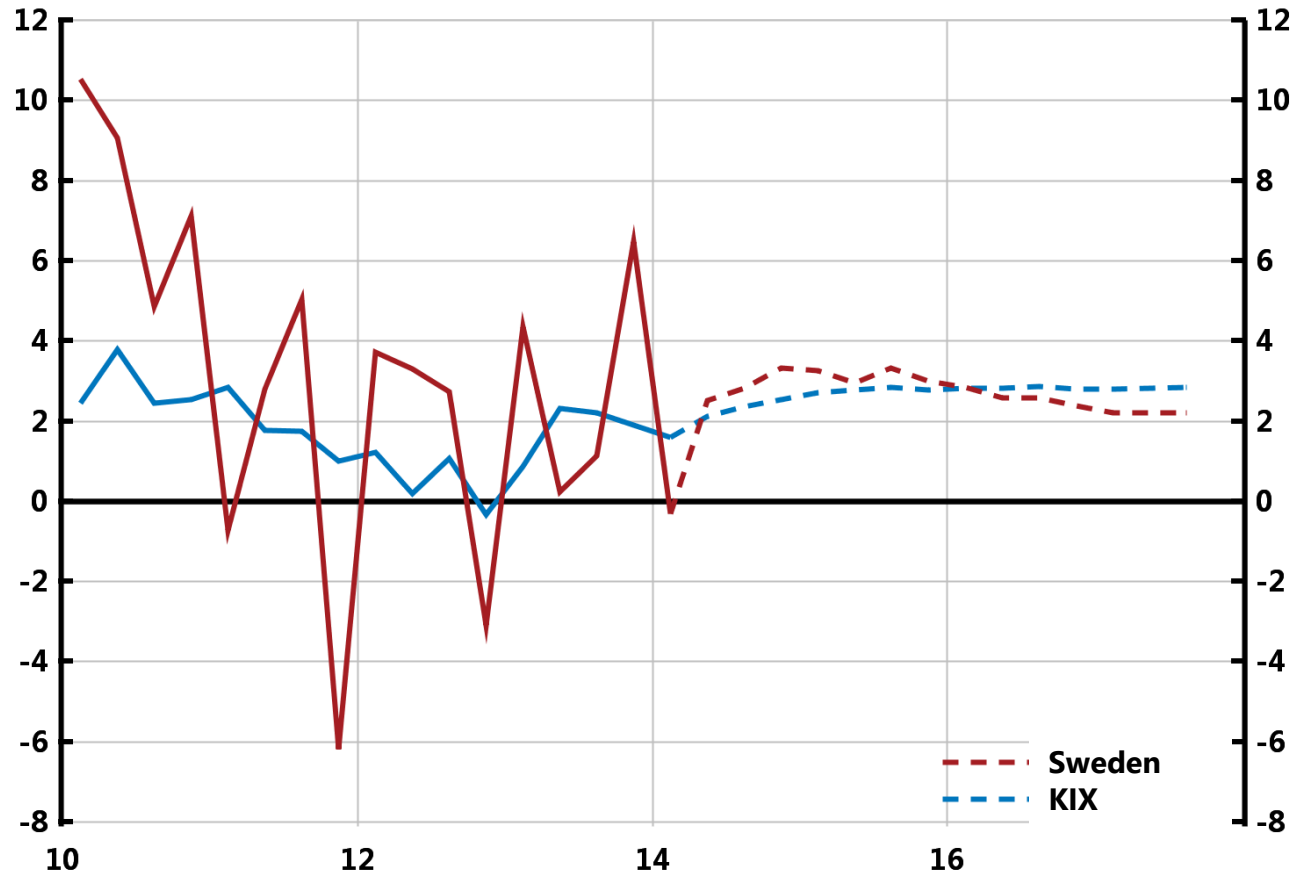
Purchasing managers' index, manufacturing industry, seasonally-adjusted data.



Note. Values above 50 indicate growth.

Economic activity in Sweden improving

GDP, quarterly changes in per cent calculated as an annual rate, seasonally-adjusted data



Note. The KIX is an aggregate of the countries that are important to Sweden's international transactions.

Sources: Statistics Sweden, national sources and the Riksbank

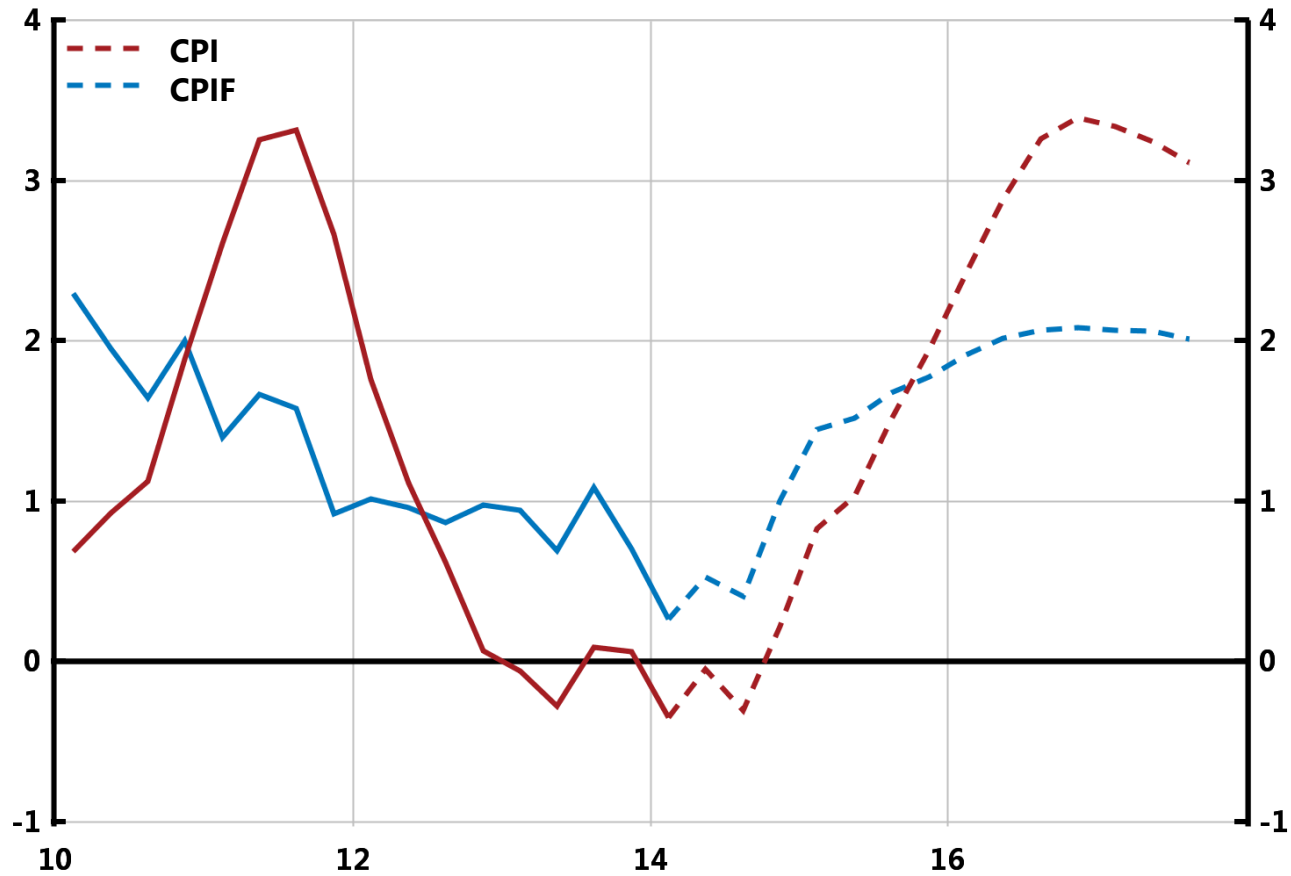
Stronger labour market going forward

Employment rate and unemployment respectively



Inflation rising towards 2 per cent

Annual percentage change



High and growing indebtedness creates risks

- Lower repo rate contributes to higher inflation
 - But also to increasing already large risks in the economy
 - Targeted measures are even more urgent now
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Important issues going forward

- Different central banks are expected to raise their policy rates at different times
 - There is a need for further measures to slow down household debt – monetary policy may need to be adjusted
 - Important that inflation rises towards the target – if the prospects for inflation are lower, monetary policy may need to become even more expansionary
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**Very low repo rate
so inflation can rise towards 2 per cent**
