

The Executive Board's comments on Goodfriend and King's review

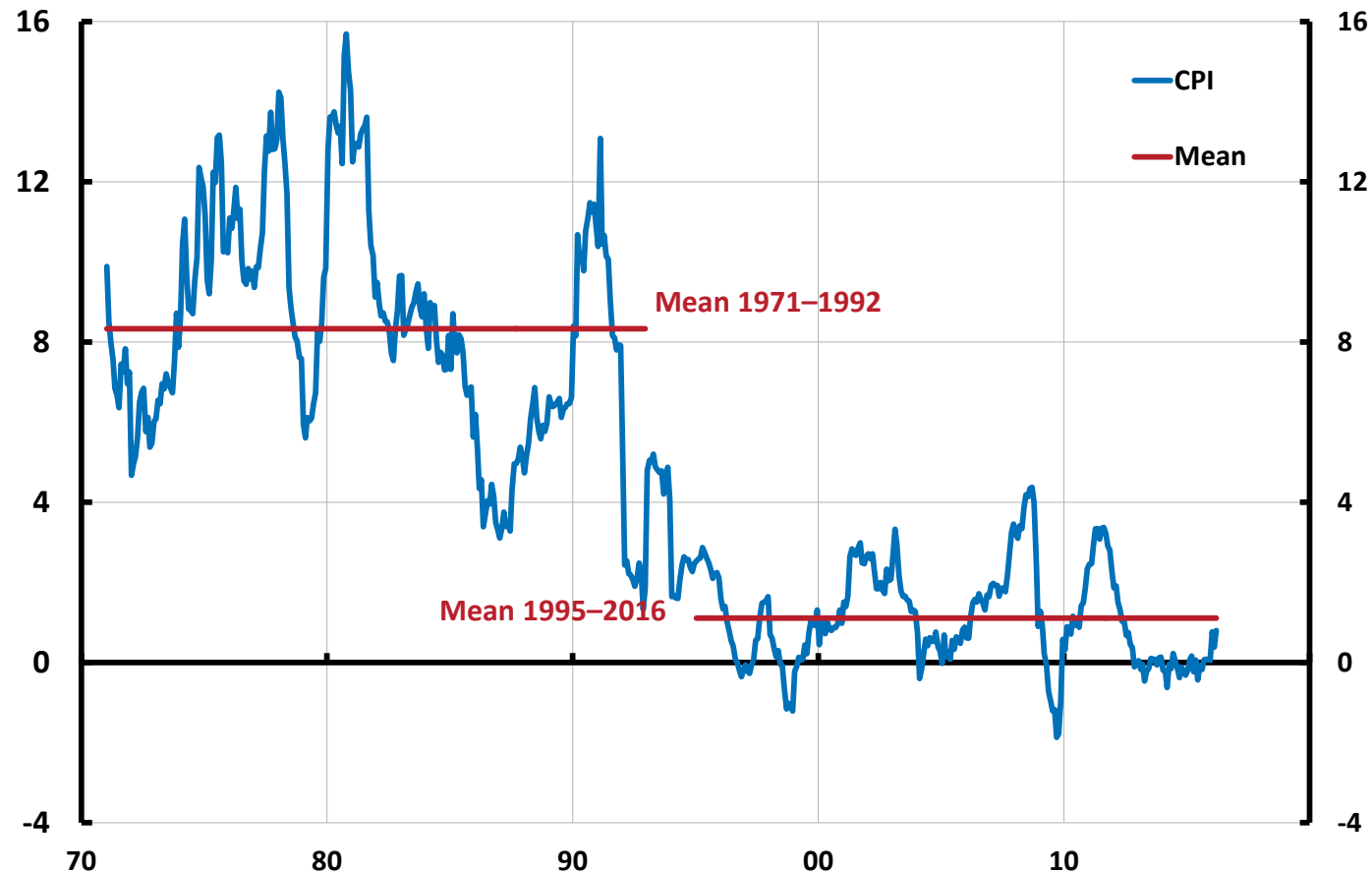
Riksdag Committee on Finance,
12 May 2016

Stefan Ingves
Governor of the Riksbank

General reflections after the review

- The inflation-targeting regime has worked well
 - minor adjustments worth discussing
- Clear communication facilitates evaluation of monetary policy
- Clearer responsibility for financial stability – most important issue in a coming review of the Riksbank Act

Successful inflation-targeting regime



Note. Annual percentage change

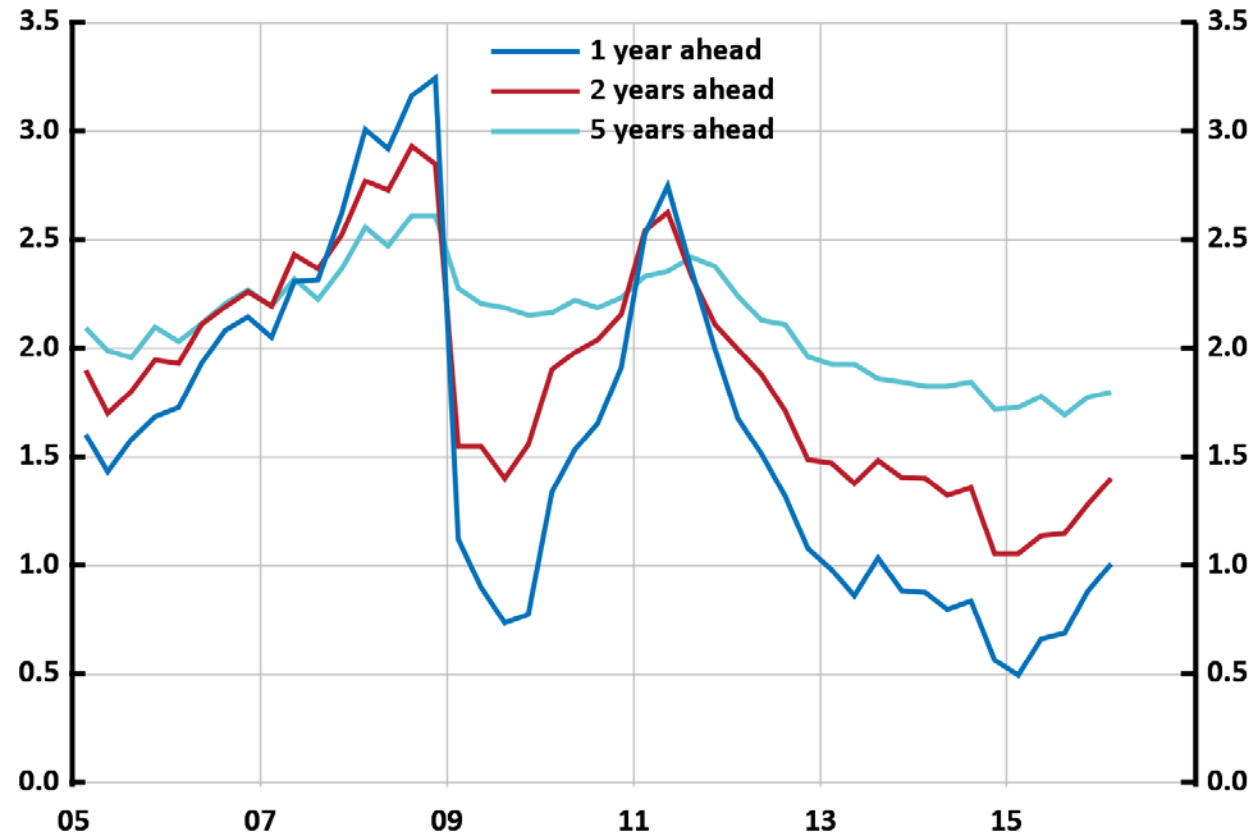
Source: Statistics Sweden

Monetary policy framework – issues for further discussion

- The target variable should be investigated further
- Clarity about monetary policy flexibility



Flexibility requires credibility of the inflation target



Note. Inflation expectations among all participants.

Source: TNS Sifo Prospera

Clear communication facilitates evaluation of monetary policy

Monetary Policy Reports, minutes, hearings and speeches make it possible to explain target deviations and repo rate decisions.

Potential improvements:

- Evaluate repo rate forecasts
- Further develop the minutes

Financial stability - clarify the Riksbank's role

“The central bank is where the money is”

Close link between monetary policy and financial stability

Potential improvements:

- Clarify responsibility and powers
- Strengthen role in mitigating risks and vulnerabilities in the financial system



Macroprudential shortcomings – need for “a rethink”

Shortcomings in decision-making power – target and processes for the allocation of new tools

Lack of clarity as regards the division of responsibility

Lack of a statutory framework for macroprudential policy

Potential improvements:

- Revise the framework in conjunction with the review of the Riksbank Act
- Allocate tools to Finansinspektionen today – to manage household indebtedness

Thank you!