

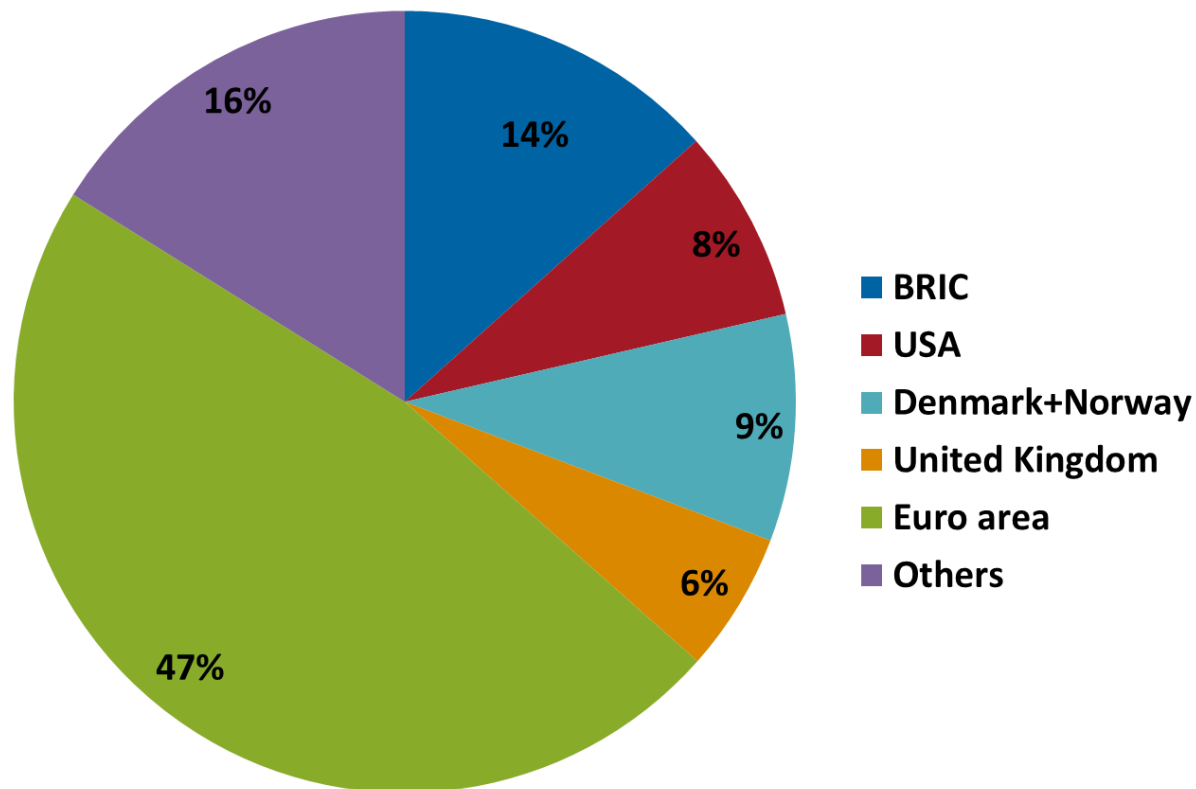
Introduction on monetary policy

Riksdag Committee on Finance
27 September 2016

Stefan Ingves
Governor

Sweden – a small, open economy

Percentage of Sweden's total goods exports

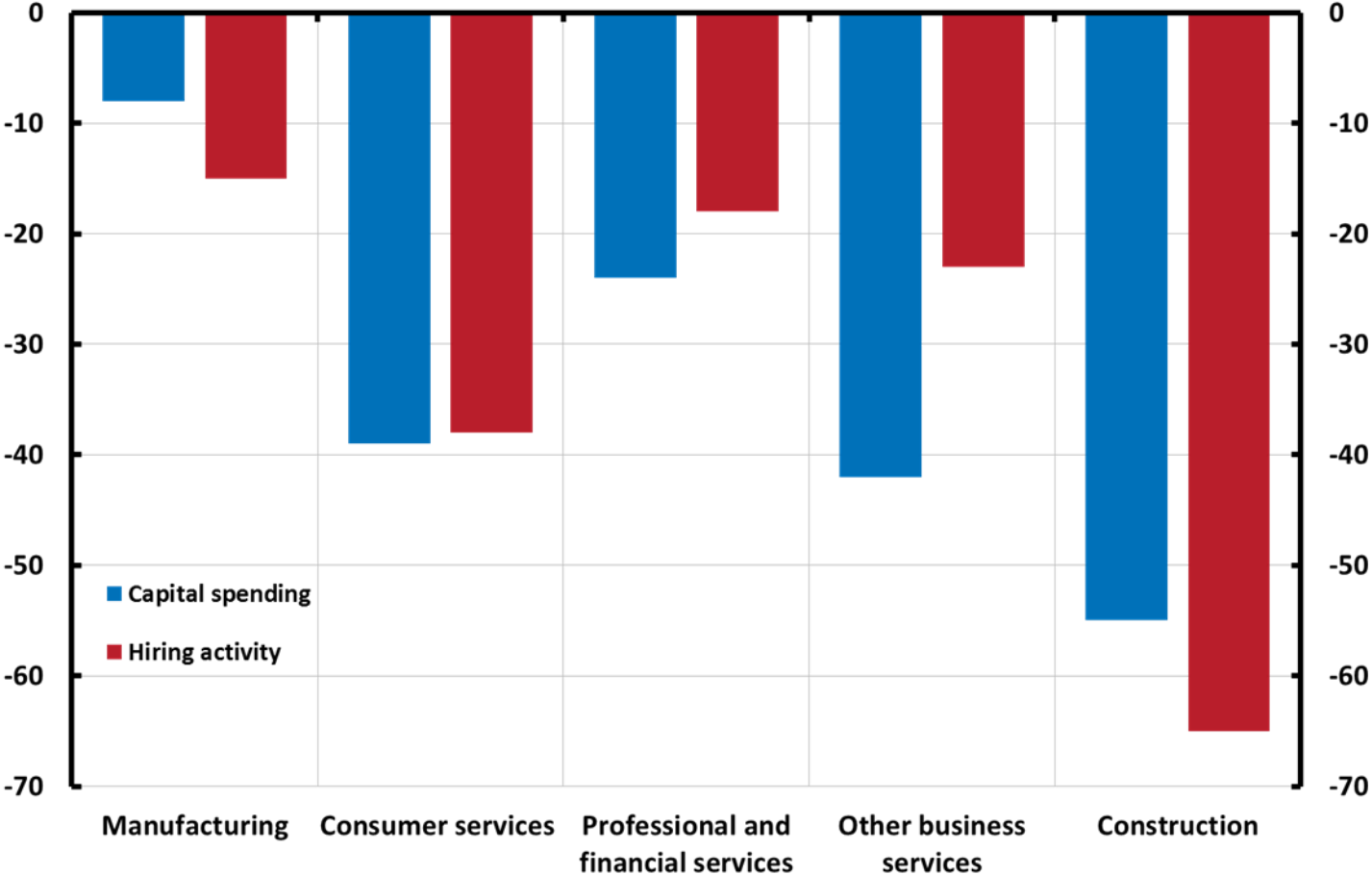


Note. Percentage in KIX, which is an aggregate of the countries that are important to Sweden's international transactions.

Source: The Riksbank

“Brexit” creates uncertainty

Bank of England’s survey of firms after the referendum:
What is the effect on investment and new recruitment?

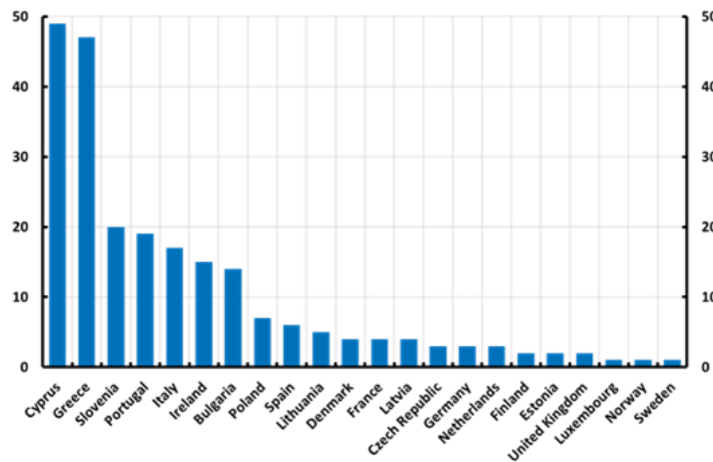


Note. Net figures. Columns below zero entail a negative effect.

Source: The Bank of England

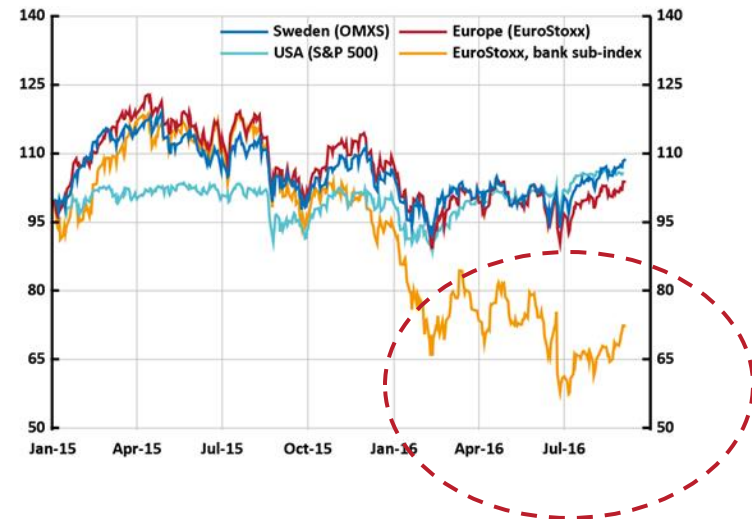
The European banking system is facing major challenges

The proportion of bad loans is still high in many European banks...



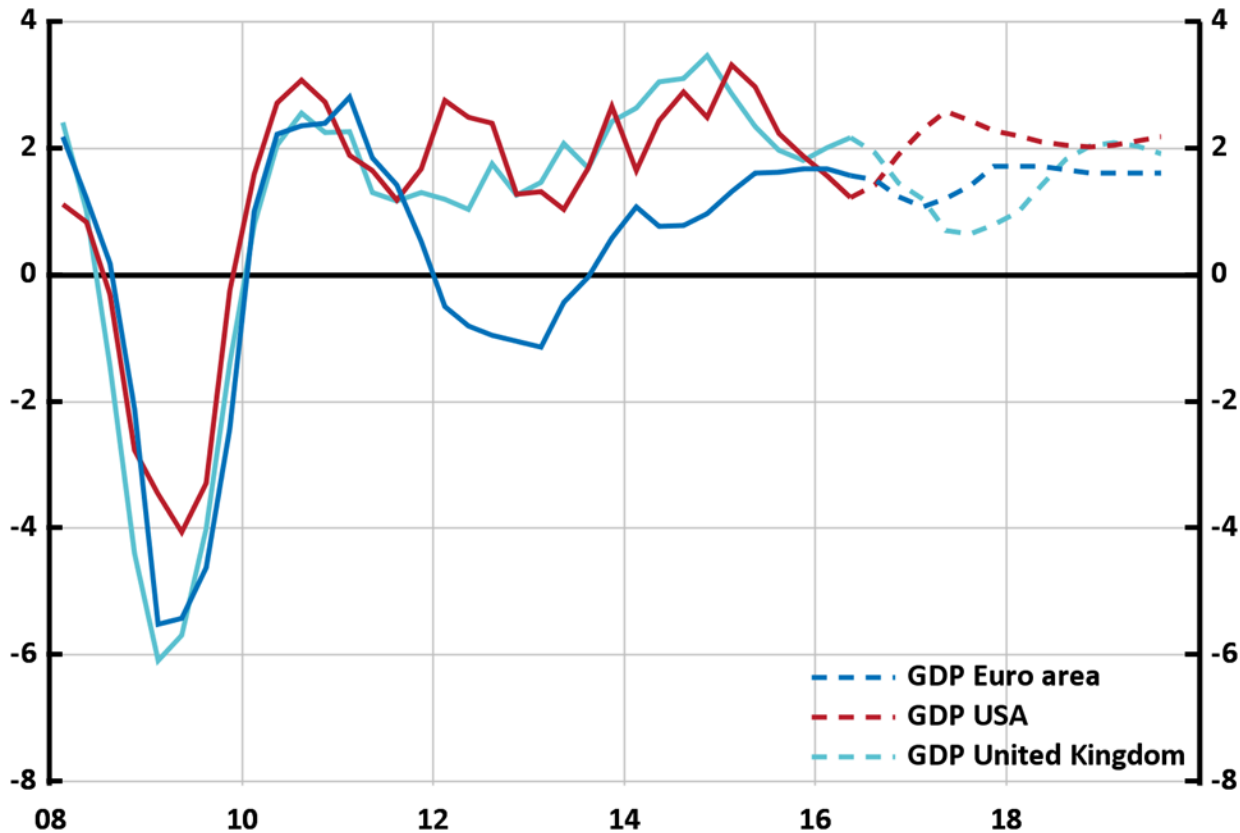
Note. Percentage of total lending, March 2016 and index, 2 January 2015 = 100.

...and their shares have performed poorly



Sources: Macrobond, the European Banking Authority and Thomson Reuters

The international recovery is proceeding – at a moderate rate

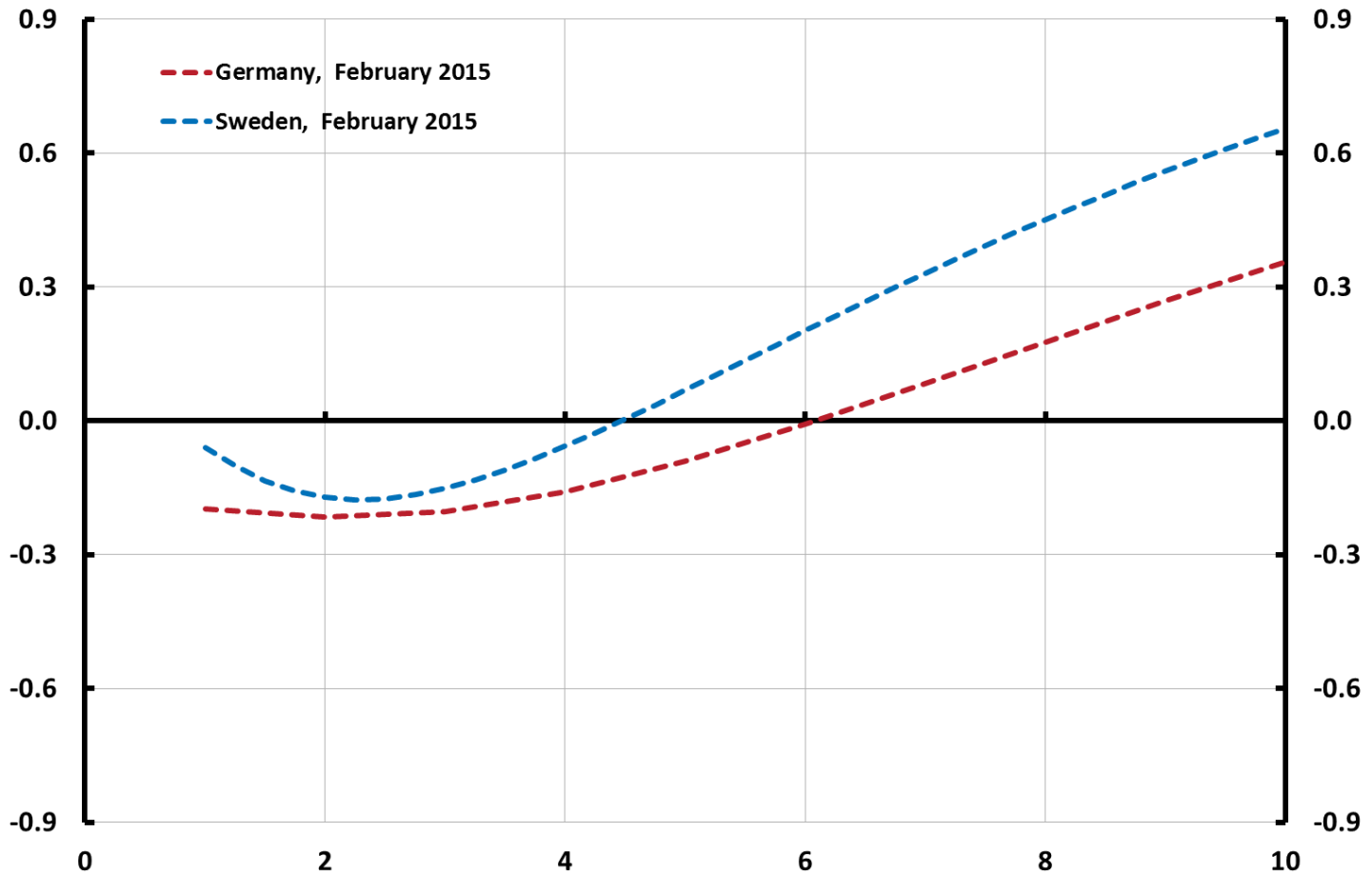


Note. Annual percentage change. Calendar-adjusted and seasonally-adjusted data.

Sources: Bureau of economic analysis, Eurostat, Office for National Statistics, Statistics Sweden and the Riksbank

External interest rates affect the conditions for Sweden

Interest rates for different maturities in Sweden and Germany

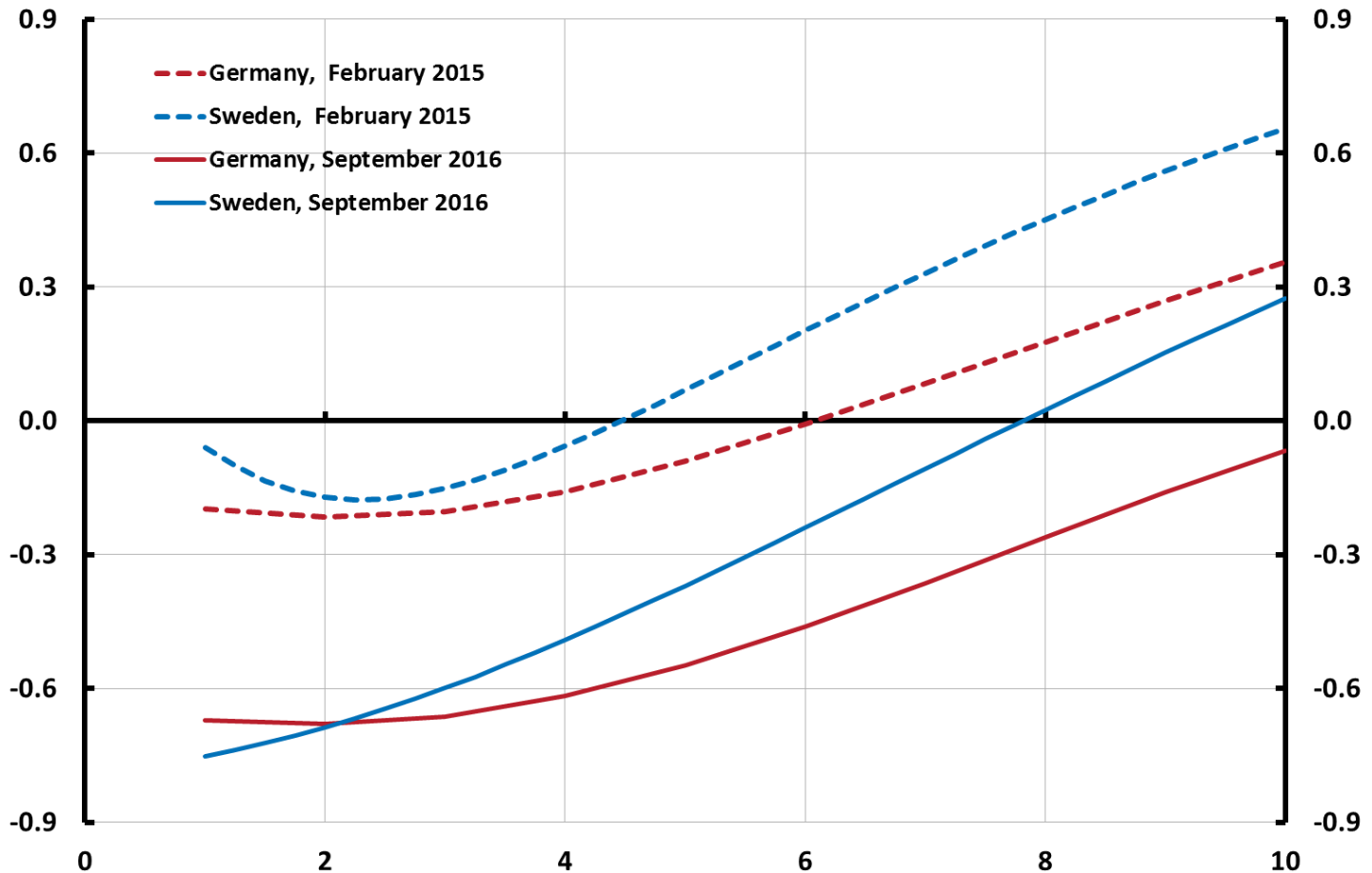


Note. Government bond yields, per cent. February 2015 corresponds to the closing rate on 11 February, that is, the day before MPR Feb 2015 was published.

Sources: Macrobond and the Riksbank

External interest rates affect the conditions for Sweden

Interest rates for different maturities in Sweden and Germany

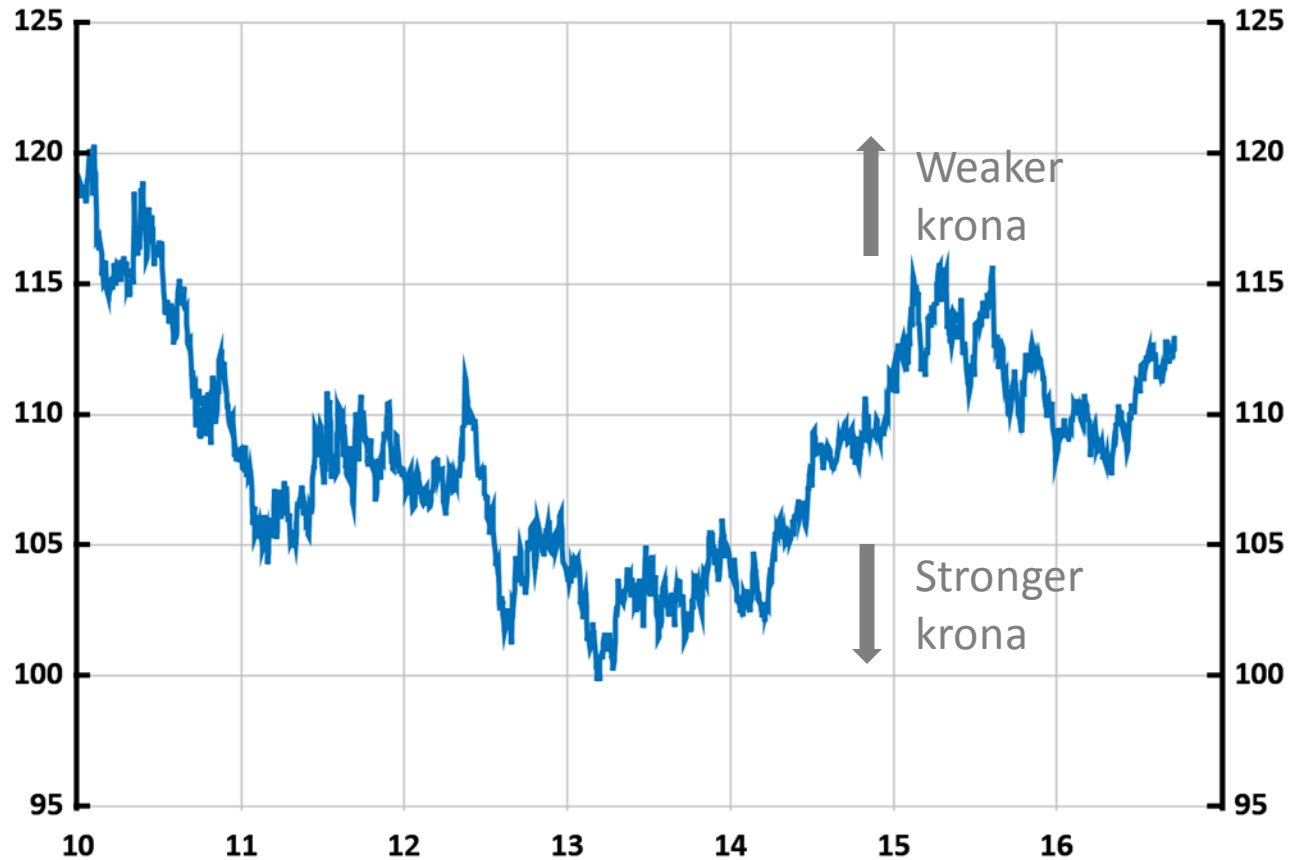


Note. Government bond yields, per cent. February 2015 corresponds to the closing rate on 11 February, that is, the day before MPR Feb 2015 was published. Unbroken lines refer to 20 September 2016.

Sources: Macrobond and the Riksbank

Krona important for the development of inflation

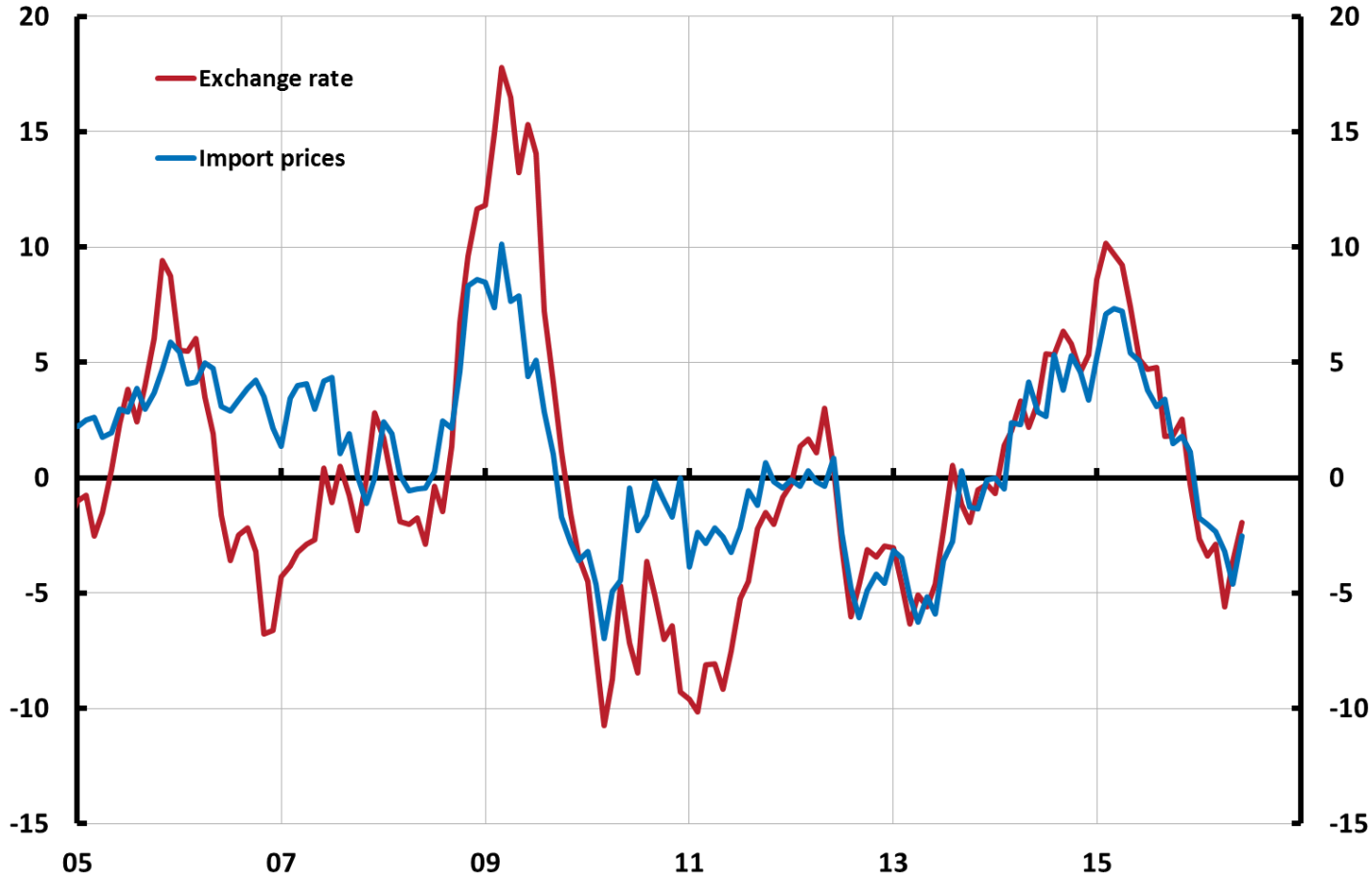
Competition-weighted nominal exchange rate, KIX, index, 18 Nov 1992 = 100



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

Sources: National sources and the Riksbank

Import prices clearly covary with the exchange rate

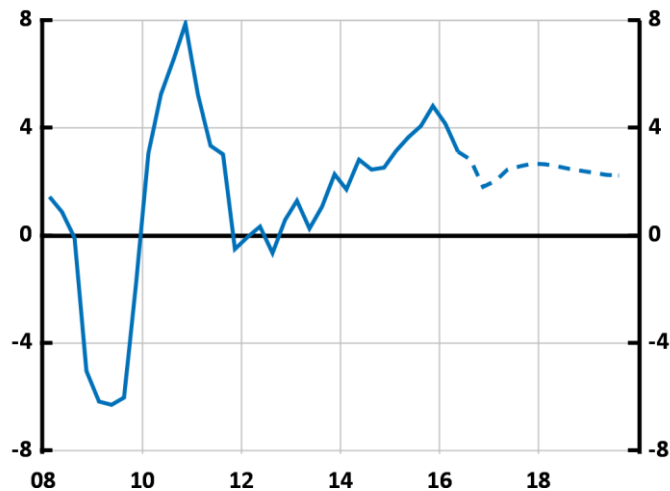


Note. Annual percentage change. The exchange rate refers to the KIX index. Import prices refer to producer channels, excluding energy.

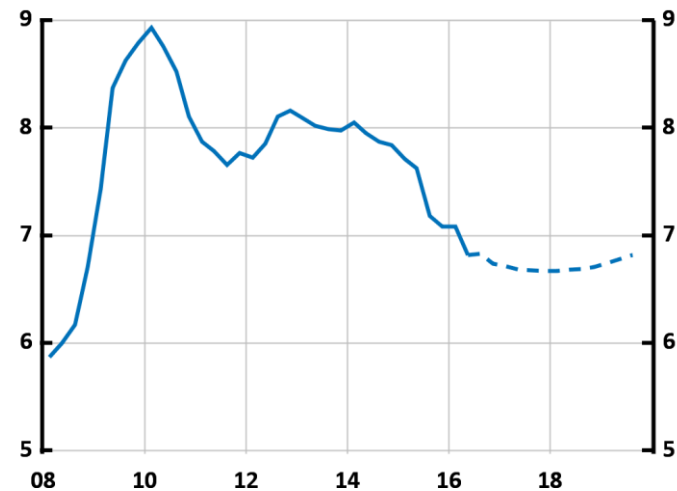
Source: Statistics Sweden

Sweden stands strong in an uncertain world

The high GDP growth slows down to more normal levels



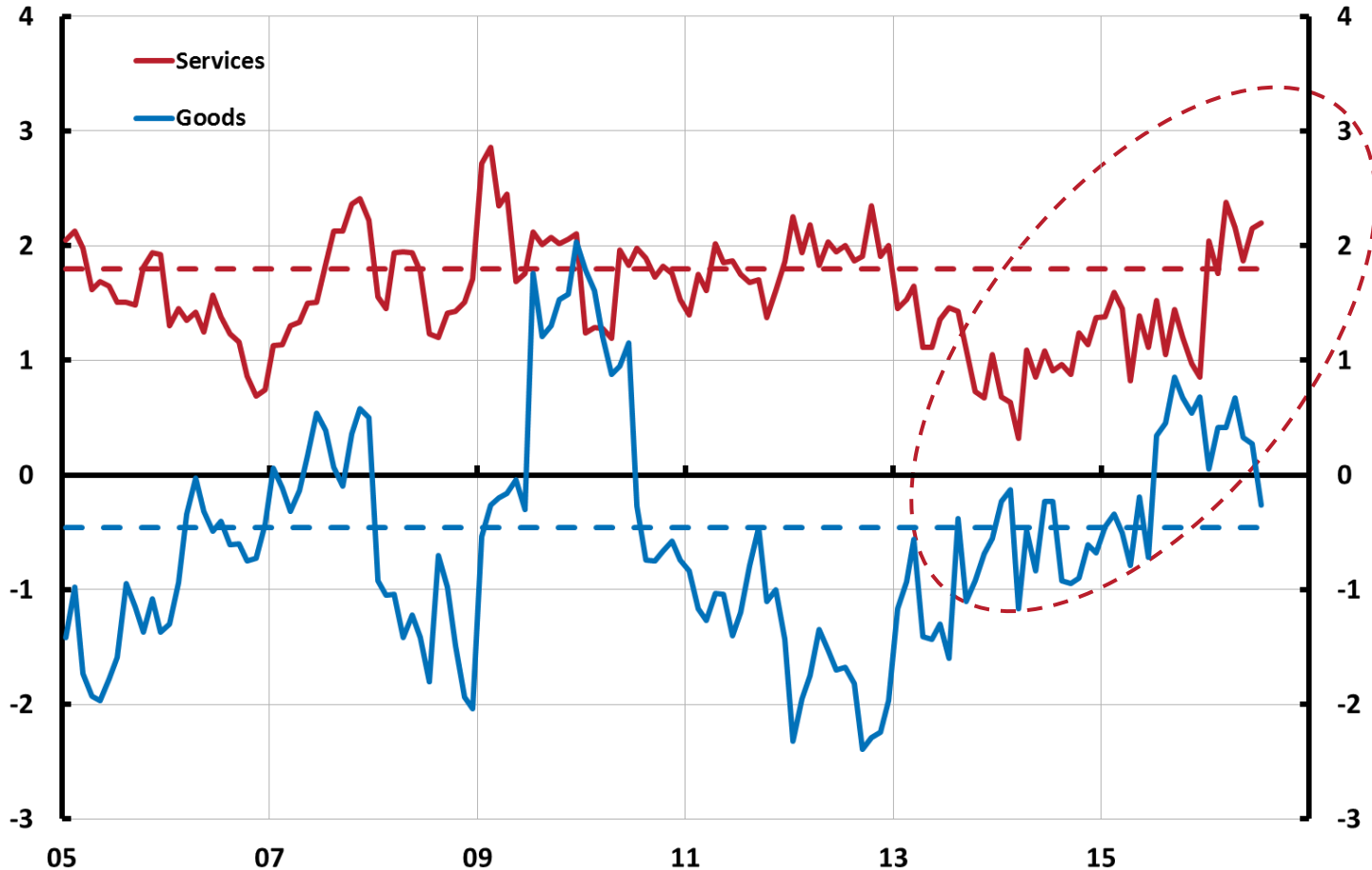
Lower unemployment



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

Sources: Statistics Sweden and the Riksbank

Rising trend in inflation

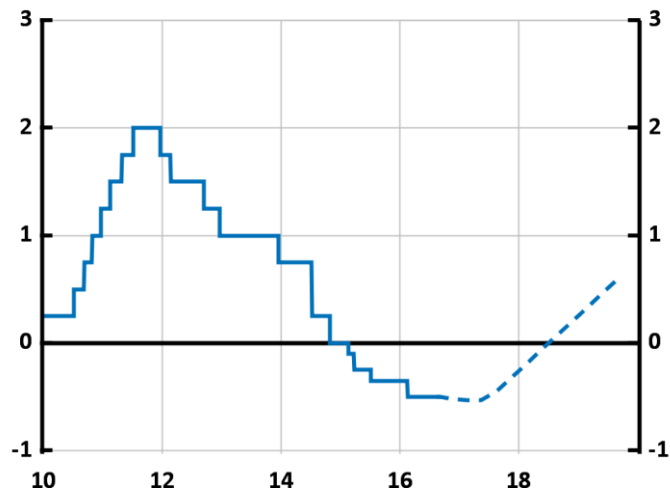


Note. Annual percentage change. The sub-aggregate goods does not include food. The weights of the sub-aggregates are 45 (services) and 26 (goods) per cent respectively of the total CPI basket.

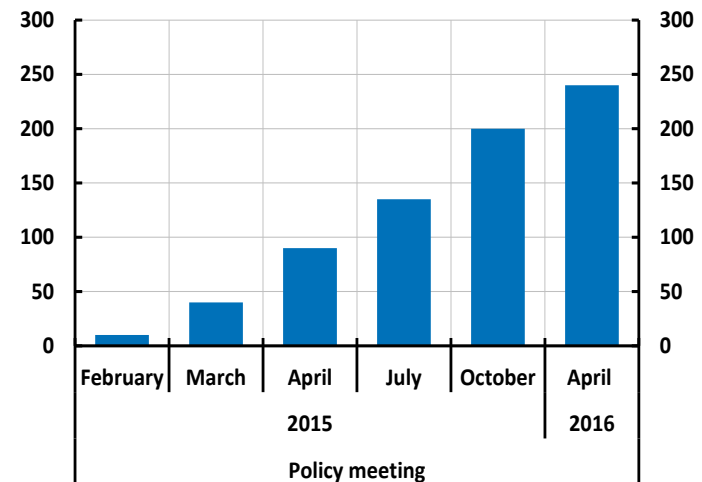
Sources: Statistics Sweden and the Riksbank

Expansionary monetary policy – for inflation to continue rising

Repo rate remains at -0.50 per cent



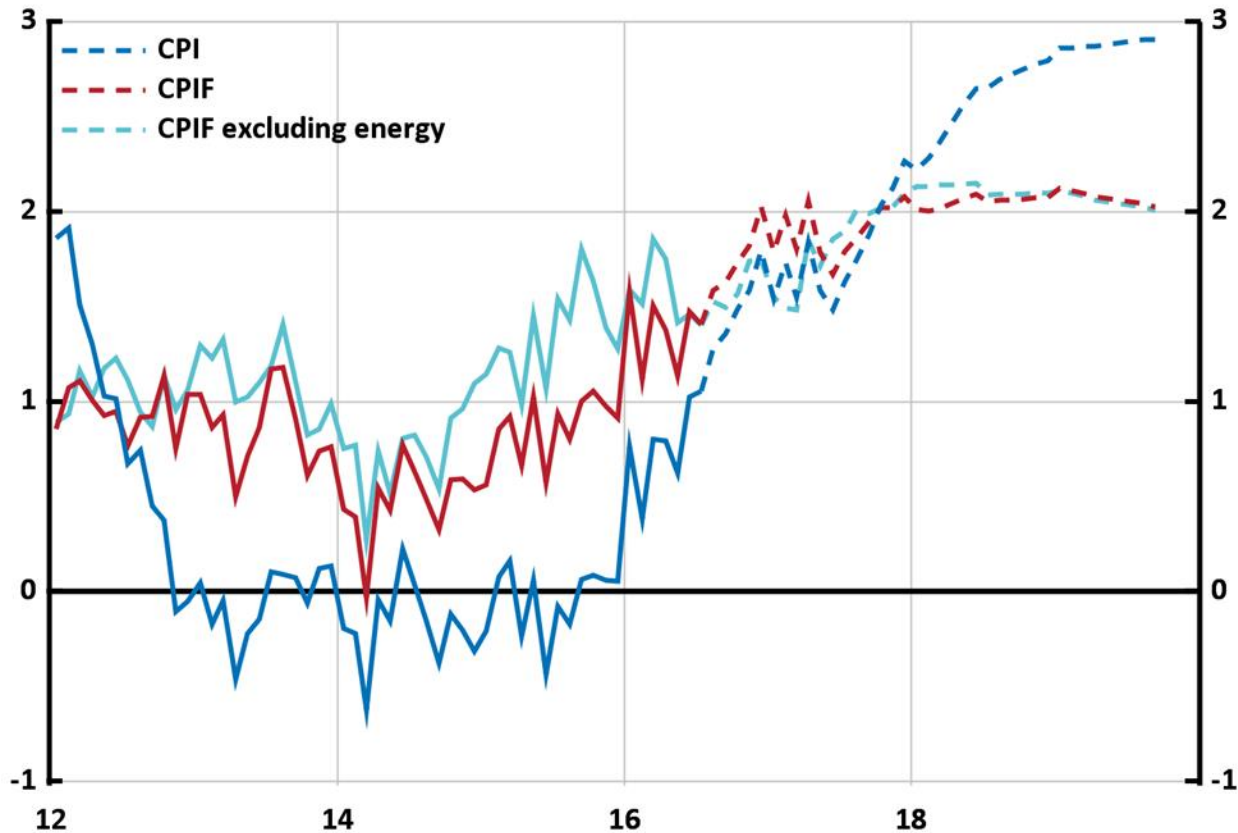
Purchases of government bonds



Note. Per cent and SEK billion.

Source: The Riksbank

Inflation moving towards the target



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

Sources: Statistics Sweden and the Riksbank

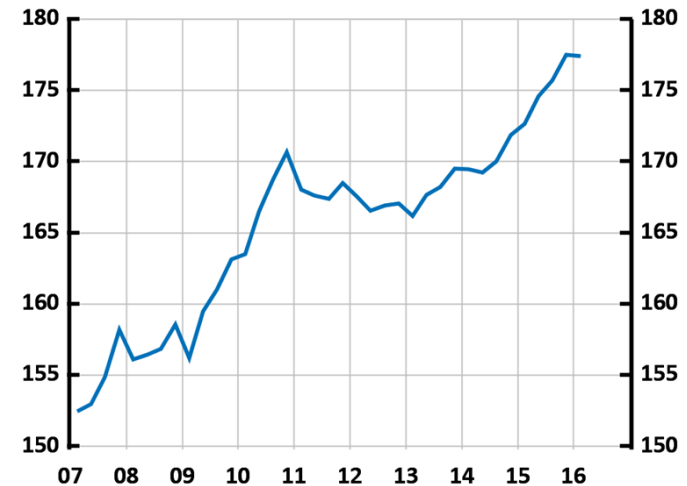
But – to succeed in the long run, indebtedness must be managed

Housing prices



- Rent-setting system
- Property taxation
- Housing construction

Household indebtedness



- Loan-to-value limit
- Debt-to-income limit
- Tax relief on interest expenditure
- Risk weights

Note. Per cent and percentage of disposable income.

Sources: Valueguard and Statistics Sweden

Important issues going forward

- Monetary policy decisions
 - Developments and monetary policy abroad
 - Important that the upturn in inflation continues
 - We are prepared to do more if it proves necessary
- Evaluation and oversight
 - The Sveriges Riksbank Act
 - Target variables and intervals
 - Experiences of our own repo-rate forecasts