



The role of monetary policy in the current situation

SNS
5 December 2014

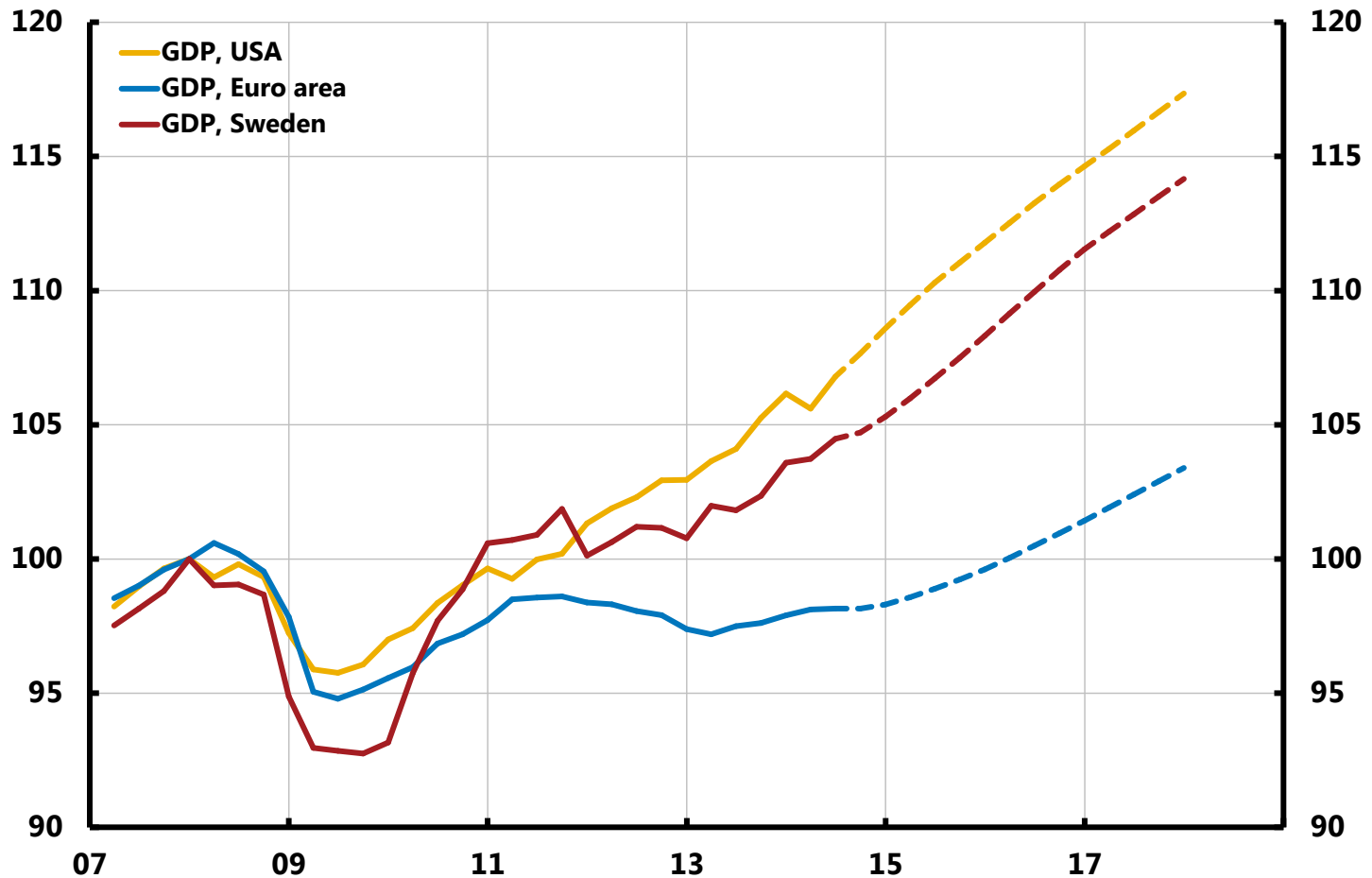
First Deputy Governor
Kerstin af Jochnick

Better economic climate but inflation too low

Zero repo rate until mid-2016

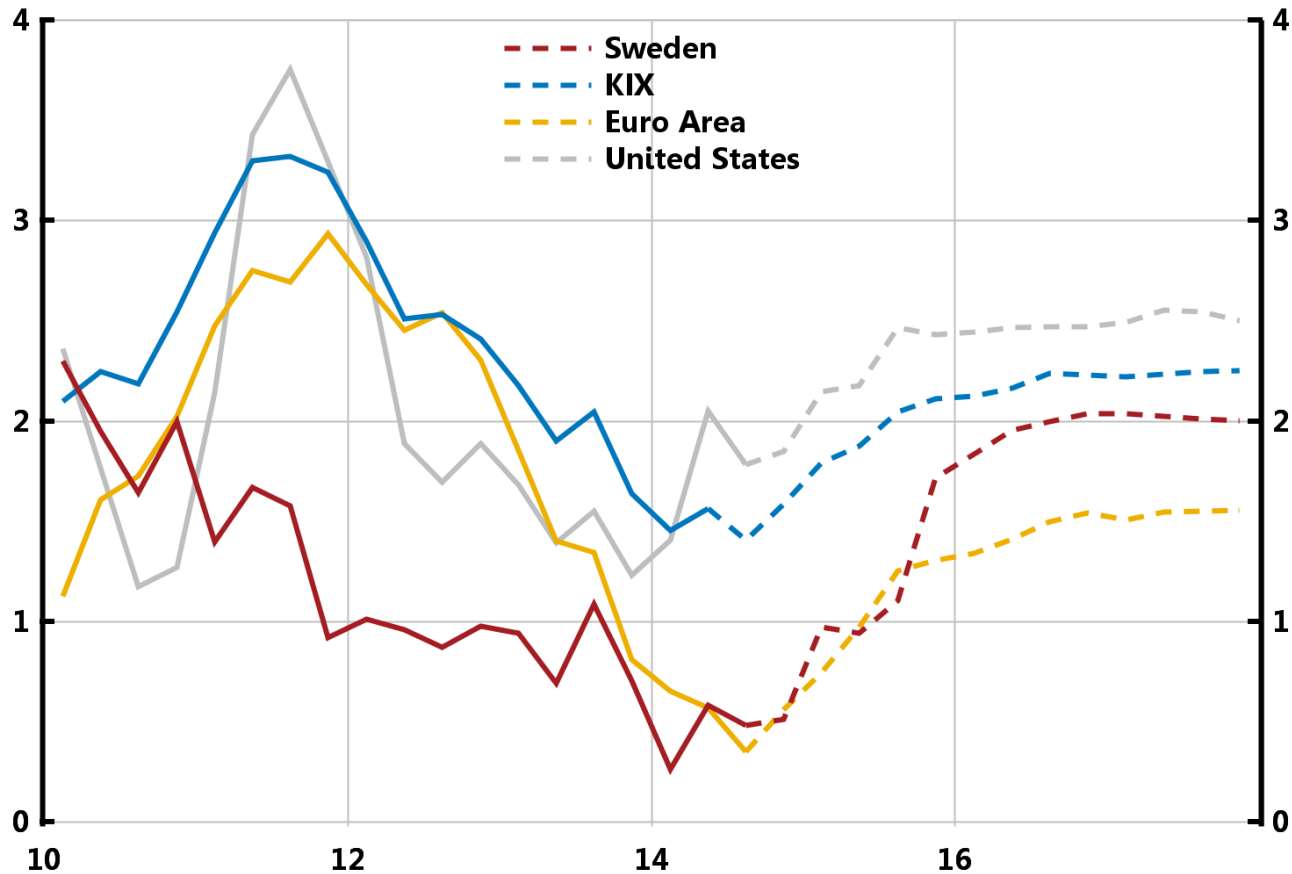
The Swedish economy is relatively strong

GDP, index, Q4 2007 = 100



Low inflation in Sweden and abroad

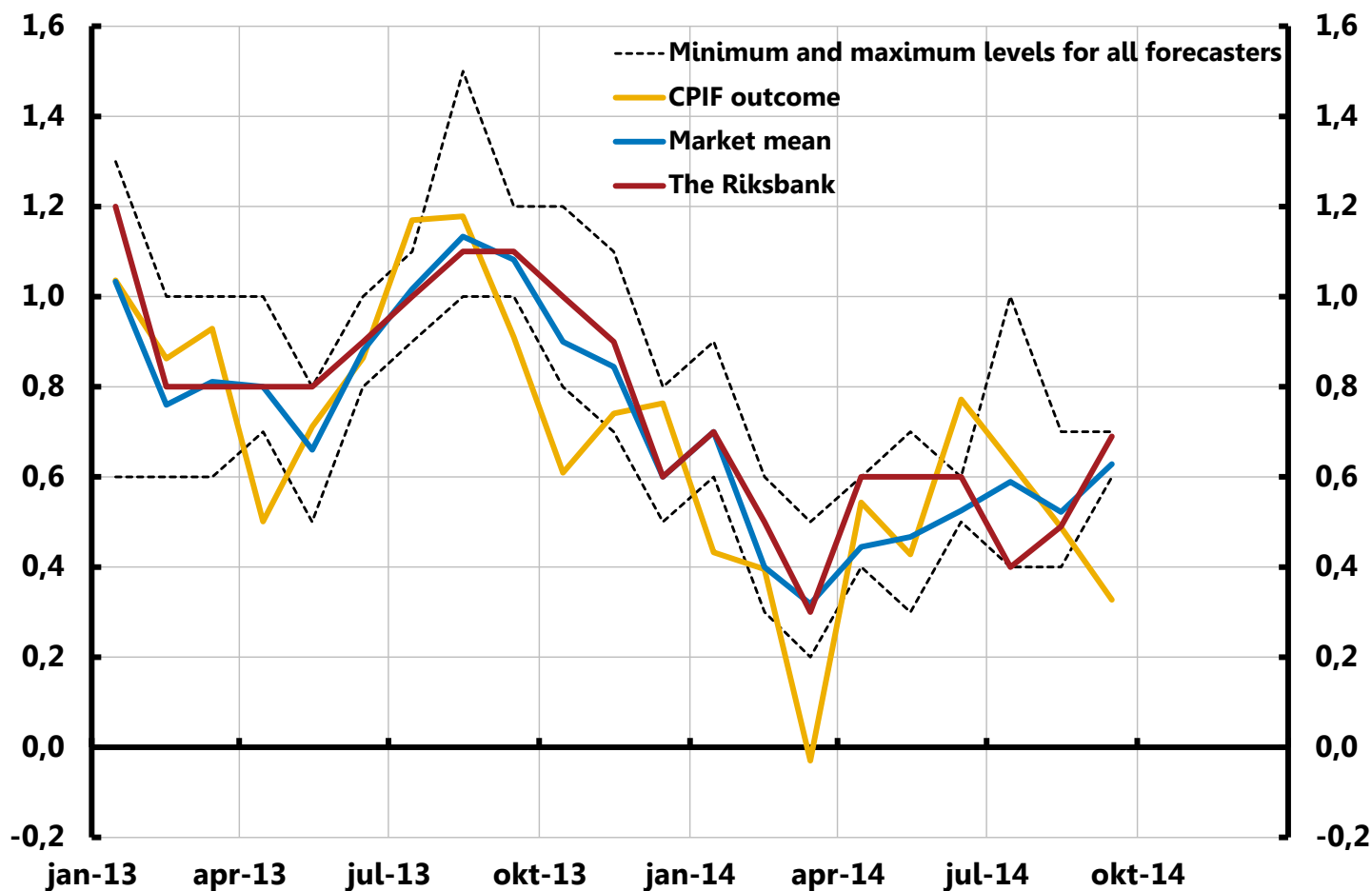
Annual percentage change



Note. Sweden refers to CPIF, KIX, CPI, the euro area to HICP and the USA to CPI. The CPIF is the CPI with a fixed mortgage rate. KIX is an aggregate of the countries that are important to Sweden's international transactions. Sources: Bureau of Labor Statistics, Eurostat, Statistics Sweden and the Riksbank

Inflation fell significantly in the latter part of 2013

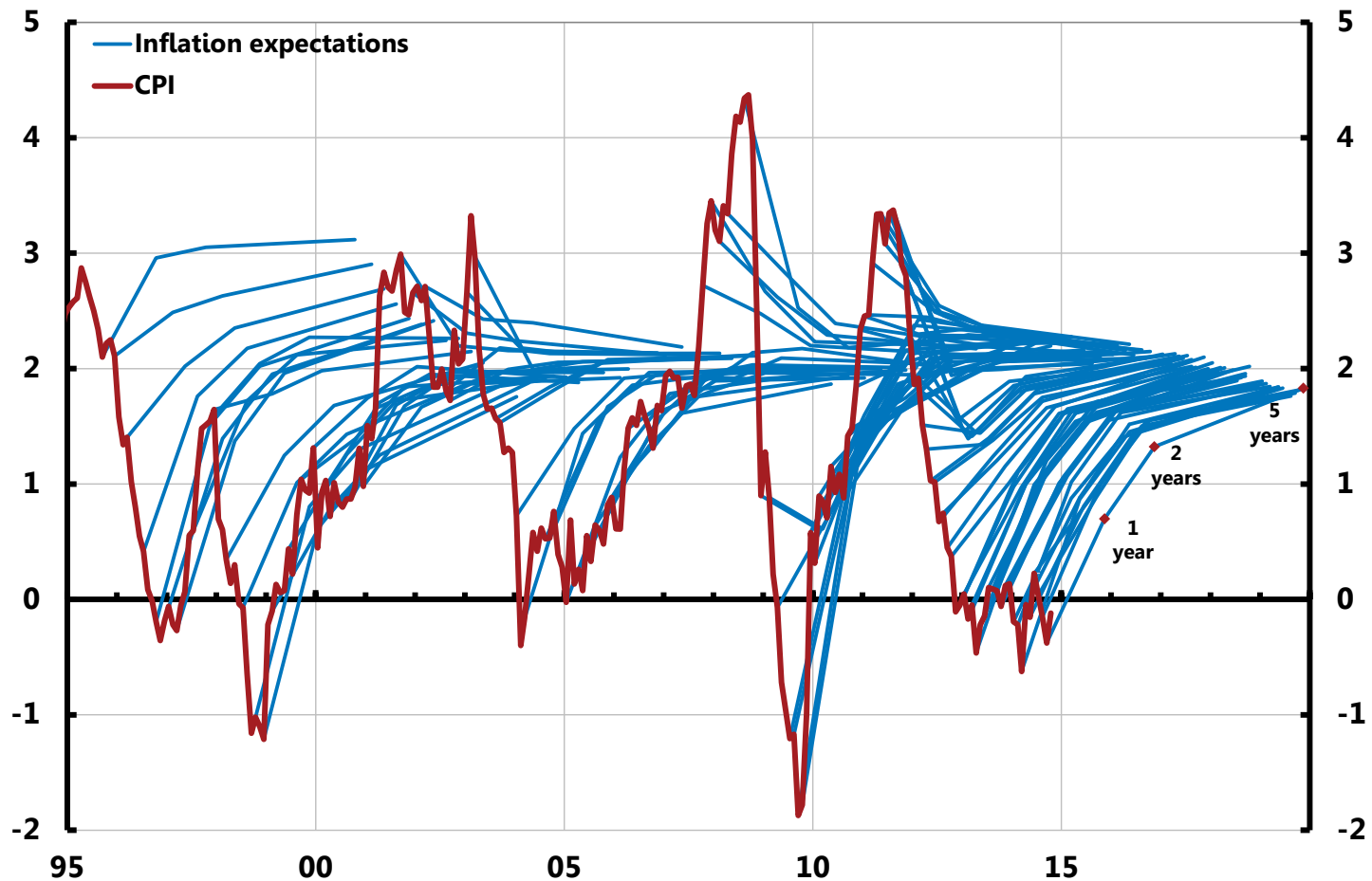
Short-term forecasts for CPI inflation, annual percentage change



Note. The Riksbank's forecasts according to the most recently-published forecast and market expectations, compared with outcomes. The Riksbank's figures are not entirely comparable with market participants' expectations, as the Riksbank's forecasts are often older. Broken lines refer to the minimum and maximum intervals for all forecasters.

Sources: Bloomberg, Statistics Sweden and the Riksbank

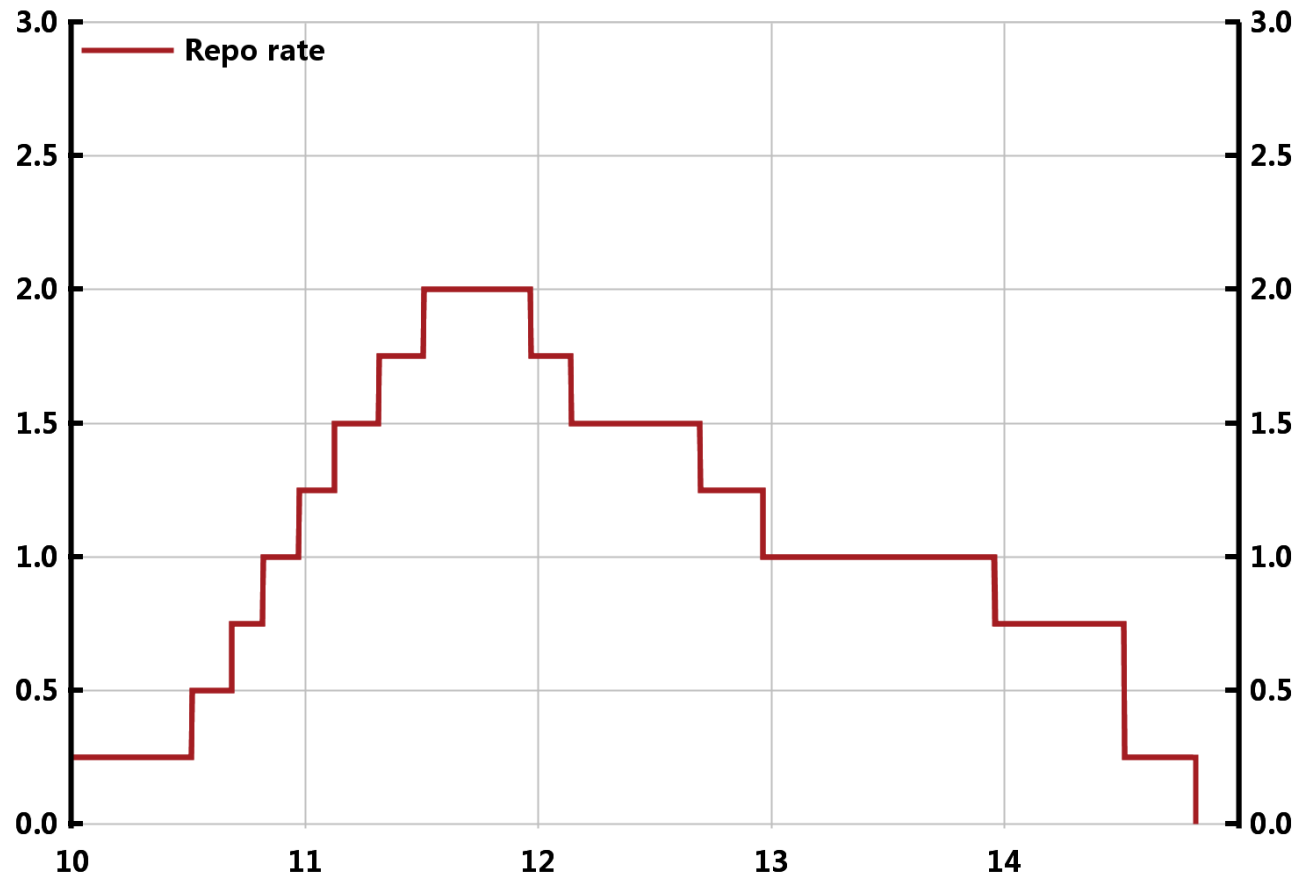
Important that inflation expectations remain firmly-anchored



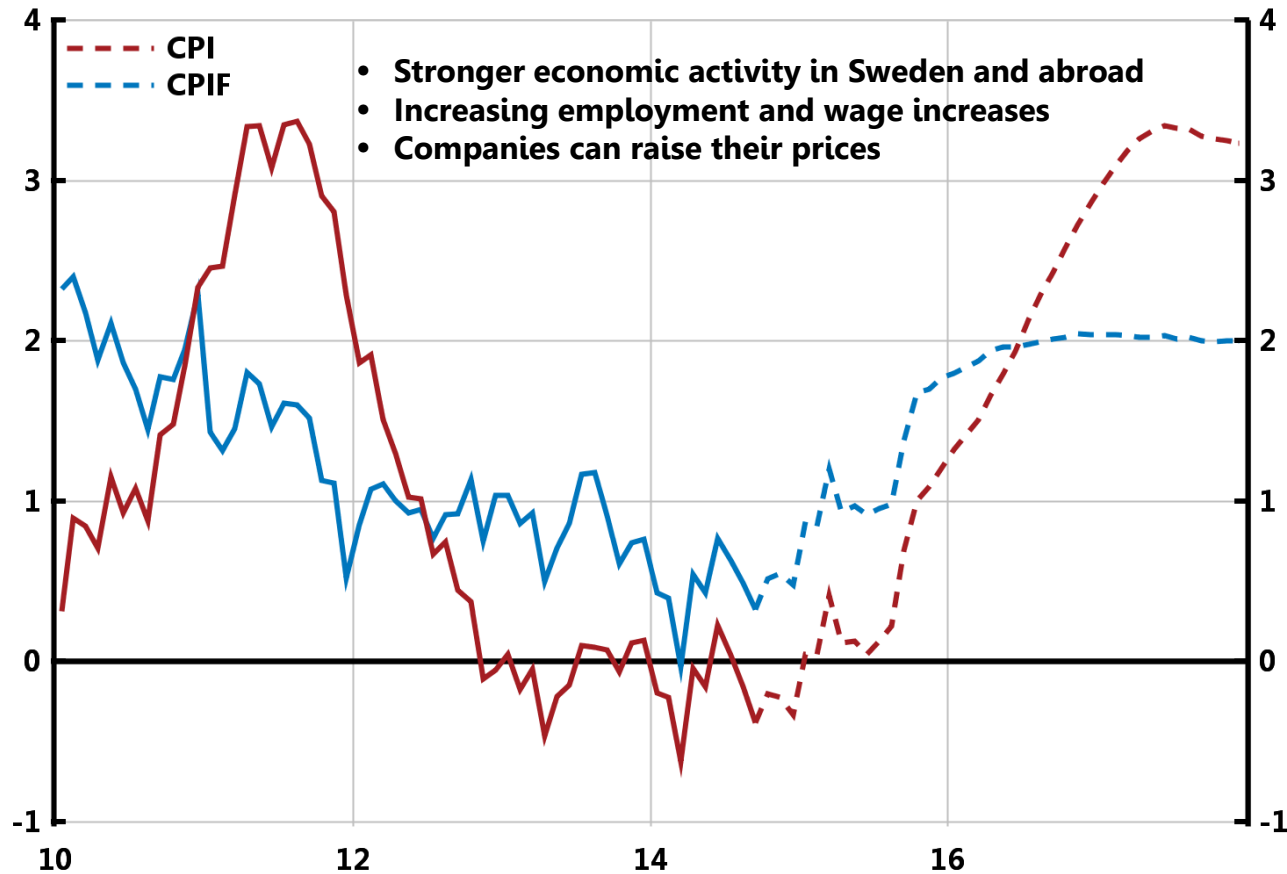
Note. Annual percentage change. Inflation expectations according to money market participants.

Sources: Statistics Sweden and TNS SIFO Prospera

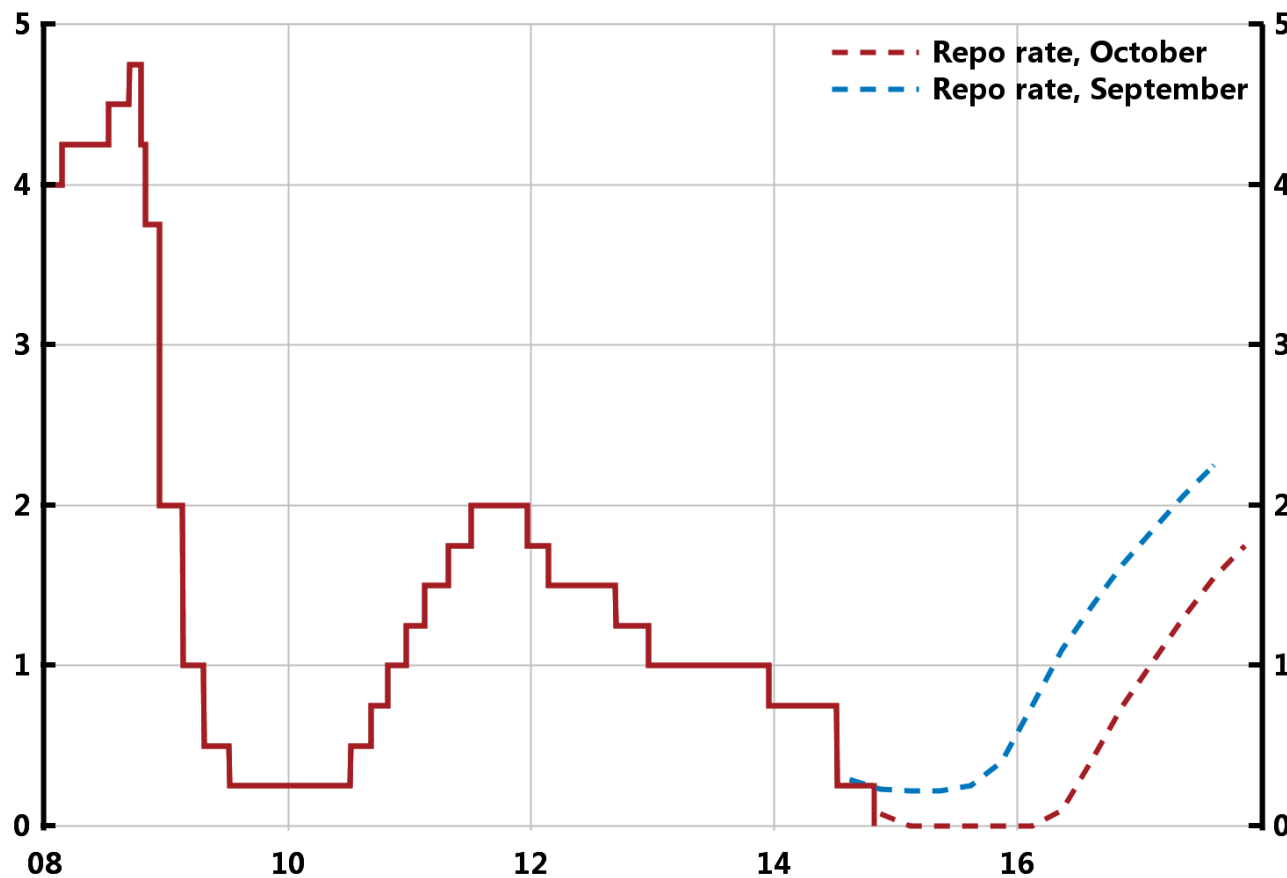
Monetary policy has reacted decisively



Low but rising inflation



Low repo rate for a long time so inflation can rise towards the target



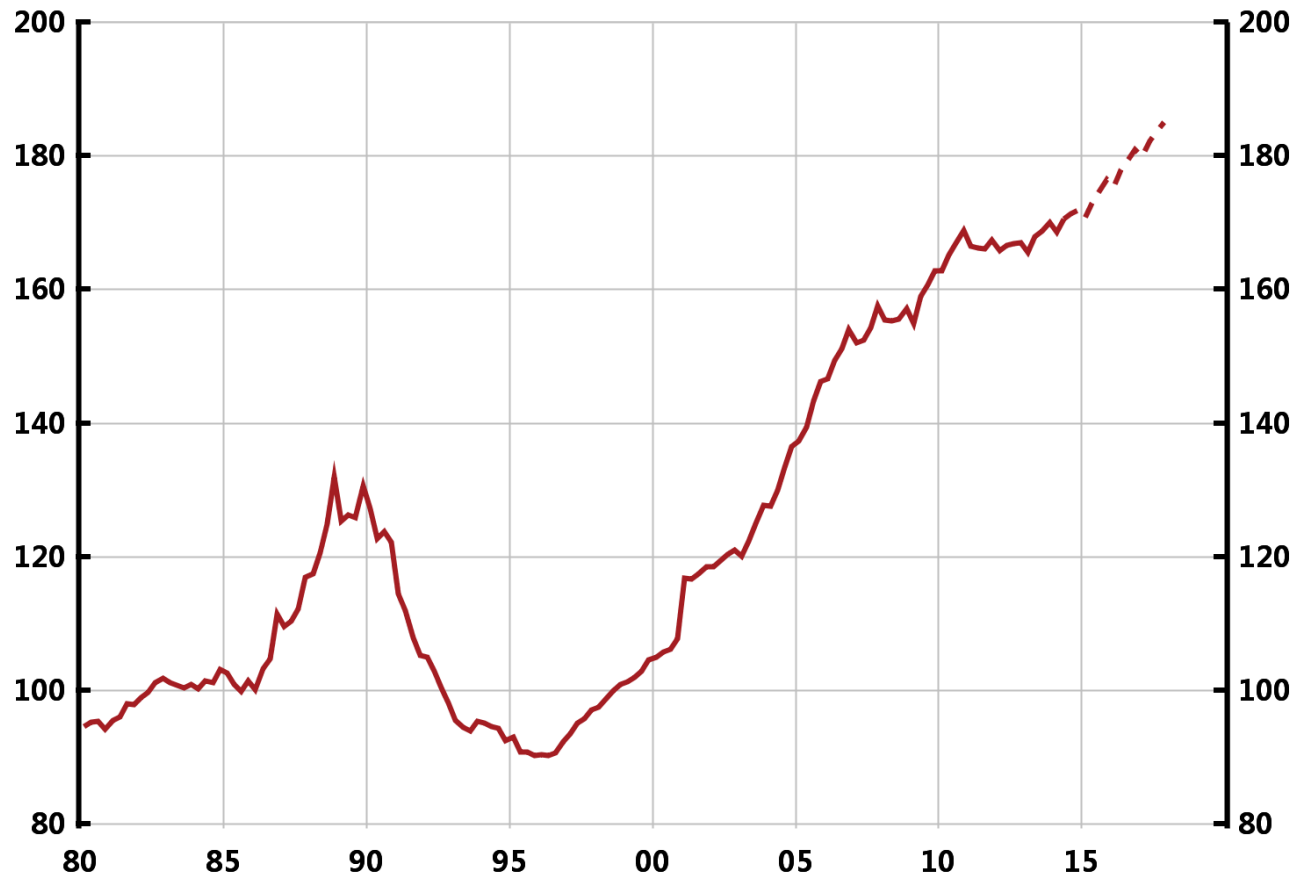
The role of monetary policy in the current situation



- International discussion on a changed economic-policy landscape
 - Highly expansionary monetary policy over a long period of time
 - Possibility to take further measures
 - But increases risks in the economy at the same time
 - Measures in other policy areas needed
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High and growing household indebtedness creates risks

Percentage of disposable income



Note. Households' total debts as a share of their disposable incomes, totalled over the past 4 quarters.

Sources: Statistics Sweden and the Riksbank

Swedish banking system highly sensitive to shocks



- Large and interlinked banking system
 - Large share of market funding
 - Little capital in relation to assets
-

The Riksbank recommends measures...

...to reduce risks linked to household indebtedness

- introduce amortisation requirements

...to strengthen the banks' resilience

- introduce leverage ratio requirement from 1 January 2016



Monetary policy is assessed

- Account of monetary policy published once a year
- Open hearing on monetary policy in the Riksdag Committee on Finance
- Riksdag Committee on Finance's external assessment of monetary policy



Summary

- Better economic climate but inflation too low
 - A low repo rate over a long period of time to reach the inflation target
 - The financial system is working well at present
 - High household debt entails risks
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Thank you!