



# Perspectives on the debate surrounding the inflation target level

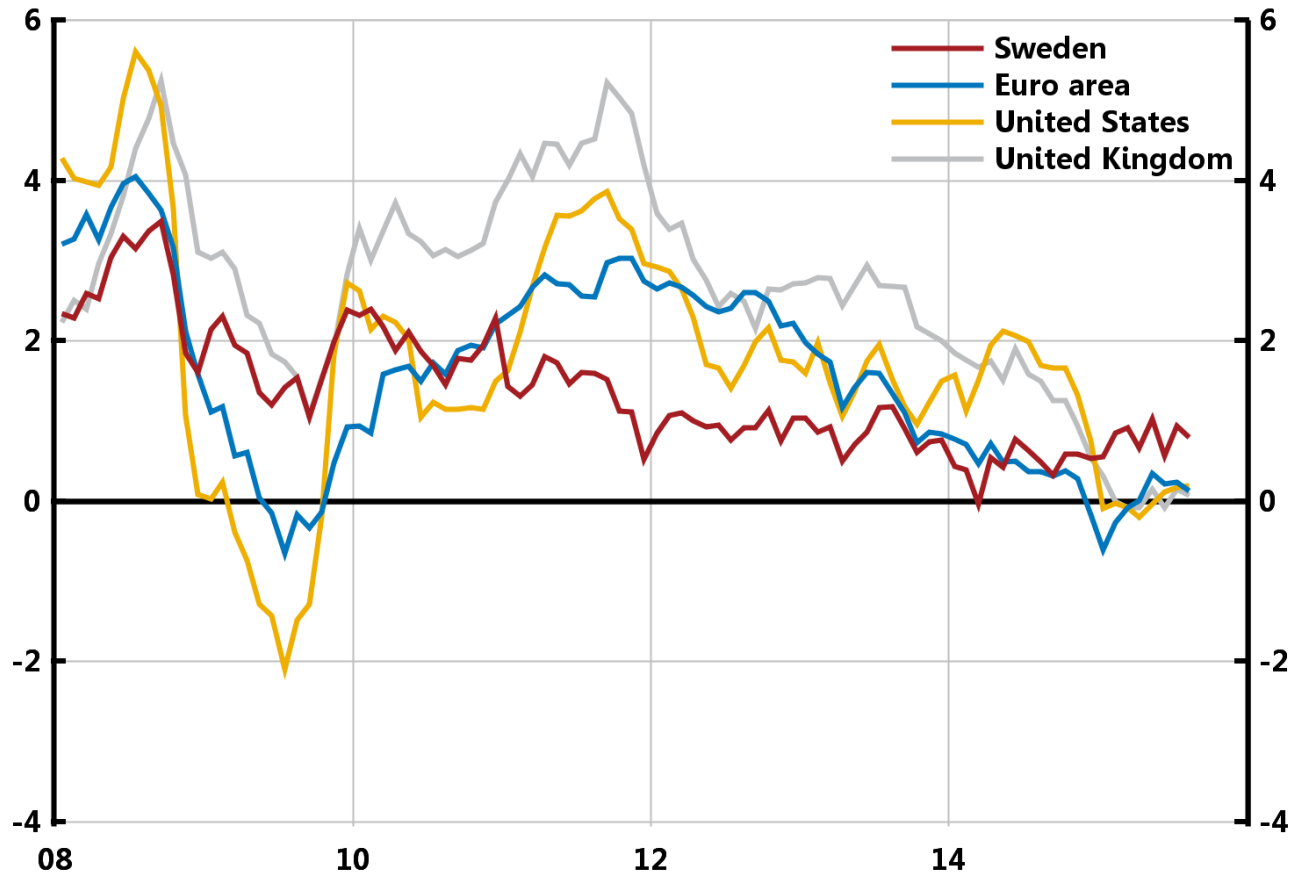
Riksdag Committee on  
Finance

24 September 2015

Deputy Governor Cecilia Skingsley

# Low inflation a global phenomenon

## Annual percentage change

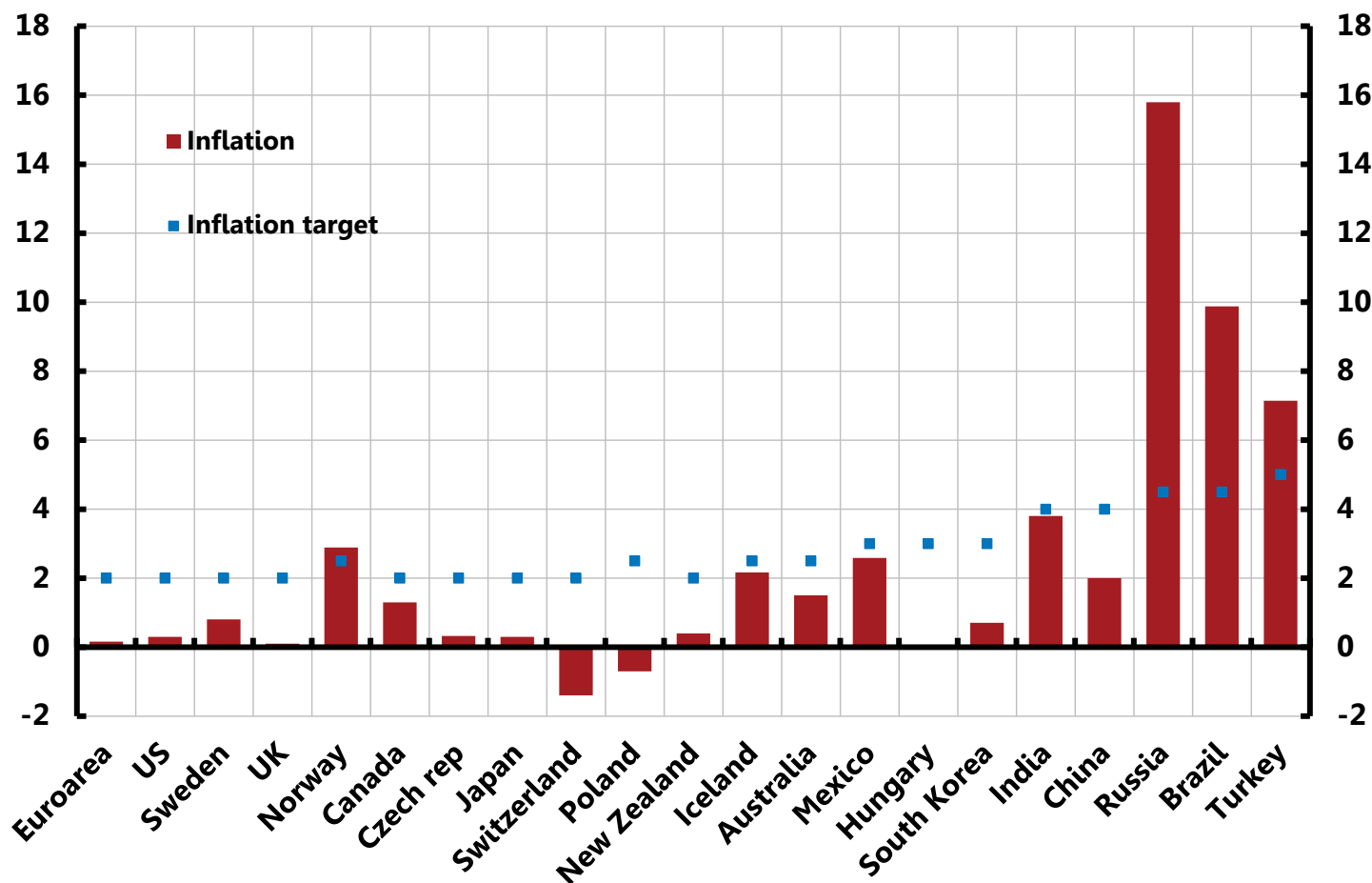


Note. For the euro area, inflation is measured as the HICP and for the USA and UK as the CPI. For Sweden, inflation is measured as the CPIF.

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

# Many central banks are missing their inflation targets today (August 2015)

## Annual percentage change



# 0, 1, 2, 3 or 4%....?



## **Raise the inflation target?**

"Less risk of hitting the "near zero lower bound"

## **Lower the inflation target?**

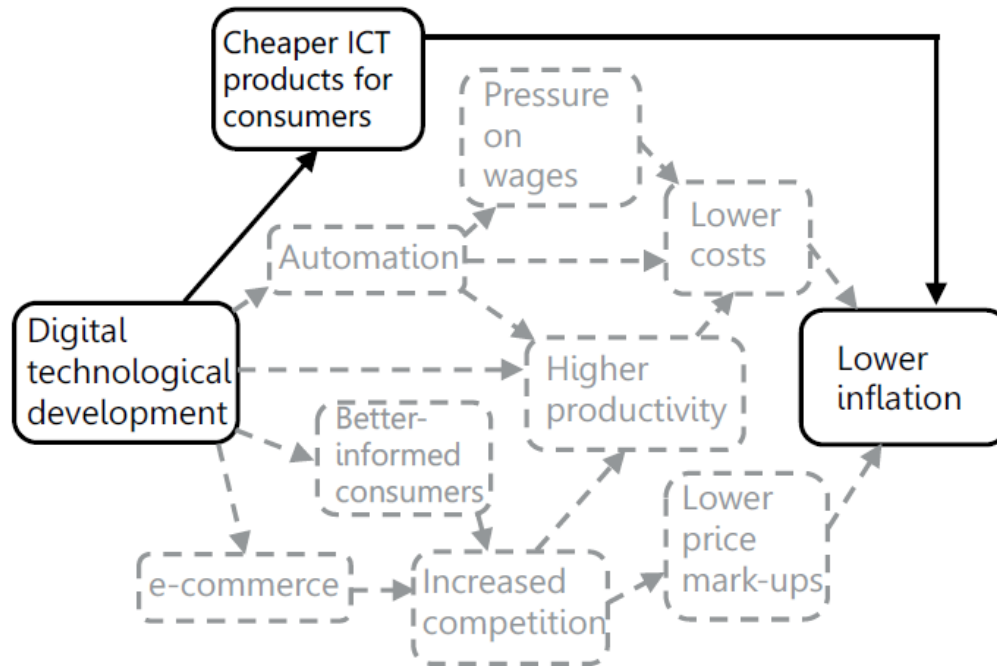
"Globalisation and digitisation make it hard to  
get inflation up to 2%"

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# Globalisation and digitisation

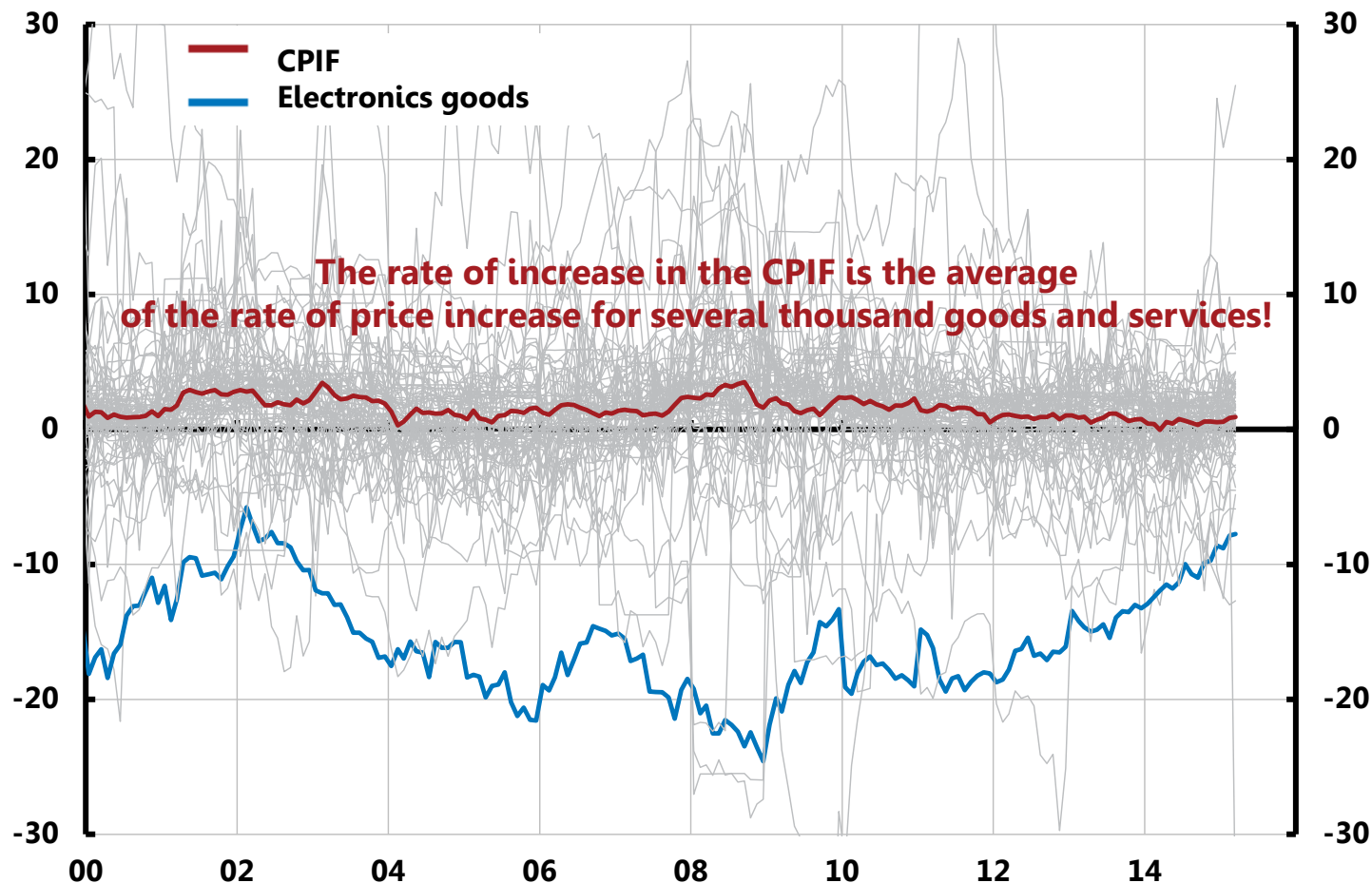
- Not new phenomena
  - Have likely pushed prices down, but are not the main explanation for low inflation over past few years
    - International development
    - The krona
    - Uncertainty
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# The effects of digitisation on inflation



# Inflation is "a general rise of the price level"

Annual percentage change





# Why 2%?

- The most important thing is to choose a certain level for the inflation target
  - Build up confidence in this level
  - Confidence is not created by adapting the target to actual inflation
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- Monetary policy has an effect – inflation is rising from low levels
  - The inflation target has served the Swedish economy well
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