

PRESS RELEASE



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The Riksbank considers new target variable and variation band

The Riksbank is considering changing the target variable for the inflation target to the CPIF. As inflation will always vary around 2 per cent, a variation band of +/- 1 percentage point is being also considered to illustrate this uncertainty. The changes are expected to be able to be implemented at the monetary policy meeting in September 2017.

Ever since an inflation target was introduced, it has been defined as the annual change in the consumer price index (CPI). However, in recent years, the CPI has become increasingly difficult to use as guidance for monetary policy, as the CPI is directly affected by policy rate adjustments. These adjustments have large and direct effects on the CPI which are not connected to underlying inflationary pressures. With the major adjustments made to the policy rate in recent years, this has led to problems in monetary policy communication.

The changes now being considered will not entail any change to the monetary policy being conducted. For some time, the CPIF (the consumer price index with a fixed interest rate) has been used as the Riksbank's operational target variable. The Riksbank will continue to strive towards 2 per cent inflation, regardless of whether outcome is within or beyond the variation band. The variation band under consideration is therefore not a so-called target range.

The Riksbank's deliberations are now being referred for consultation. If the Riksbank decides on a new target variable and variation band, the initial application of these changes are expected to be able to be implemented at the monetary policy meeting in September 2017.