

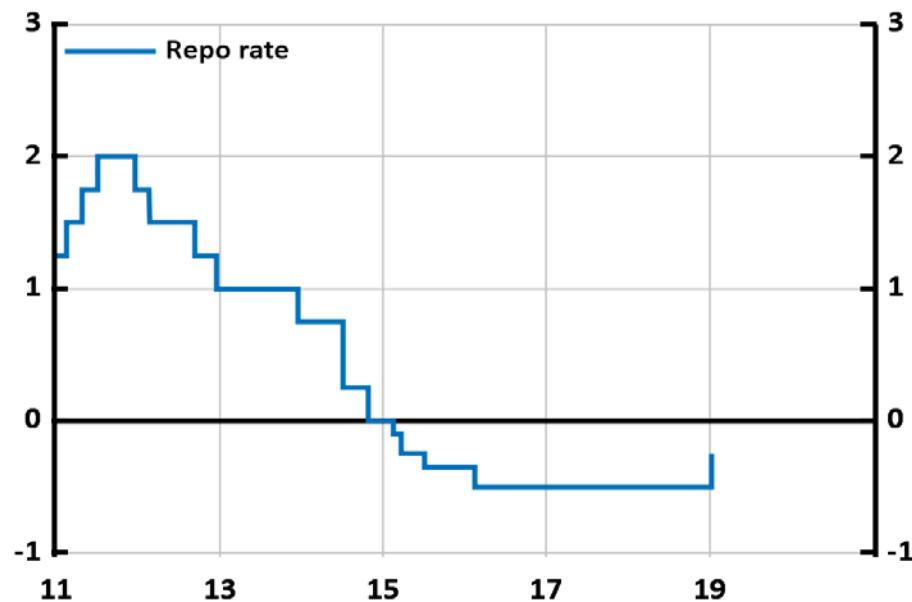
Account of monetary policy 2018

Riksdag Committee on Finance
02/05/2019

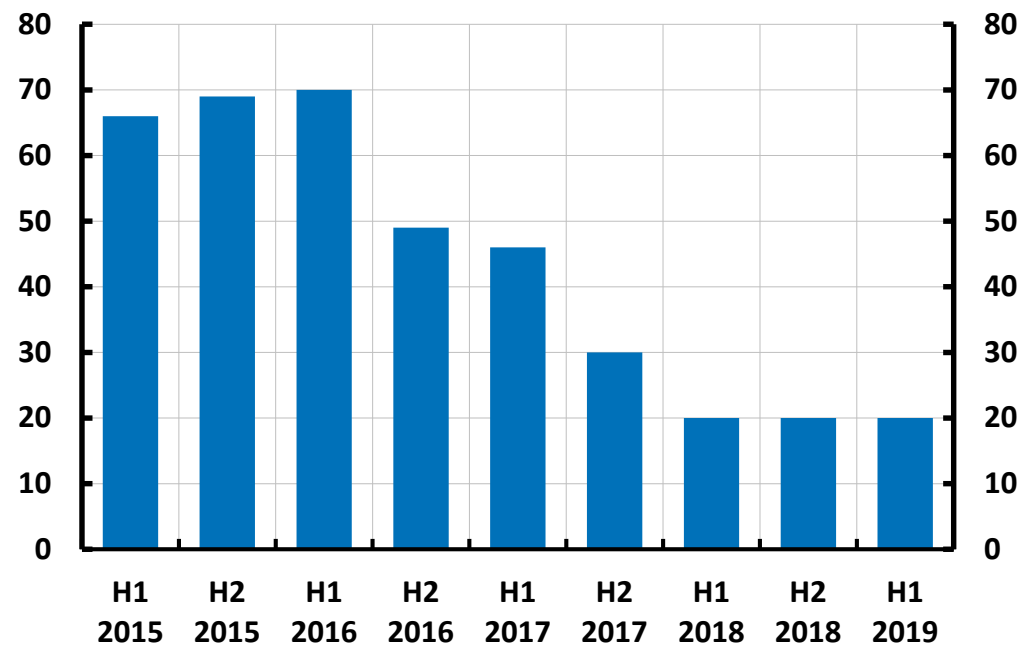
Stefan Ingves
Governor of the Riksbank

To safeguard confidence in the inflation target

Repo rate cut below zero



Purchases of government bonds

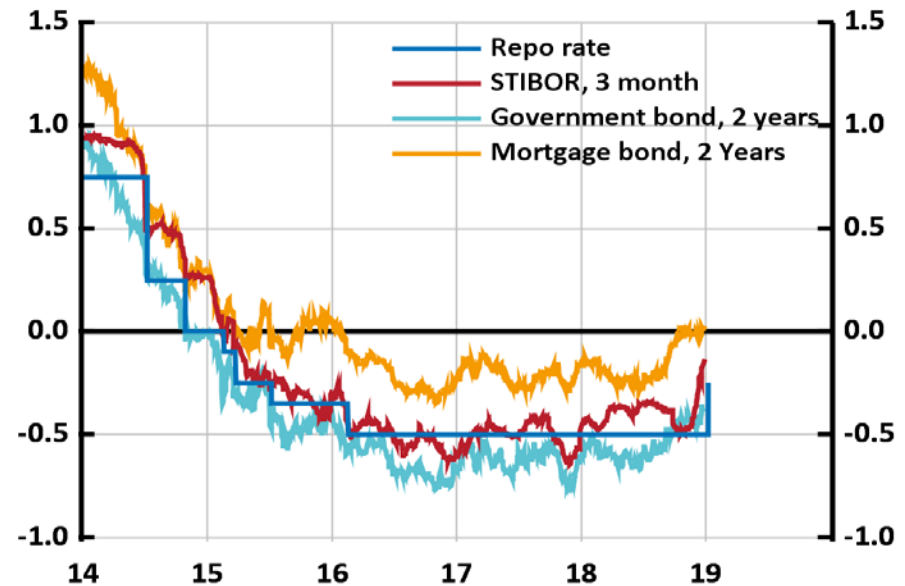


Note. Per cent and SEK billion respectively.

Source: The Riksbank

Extraordinary monetary policy has had an effect

- Full impact on market rates
- Deposit rates close to zero
- Lending rates have followed the repo rate, with some time lag

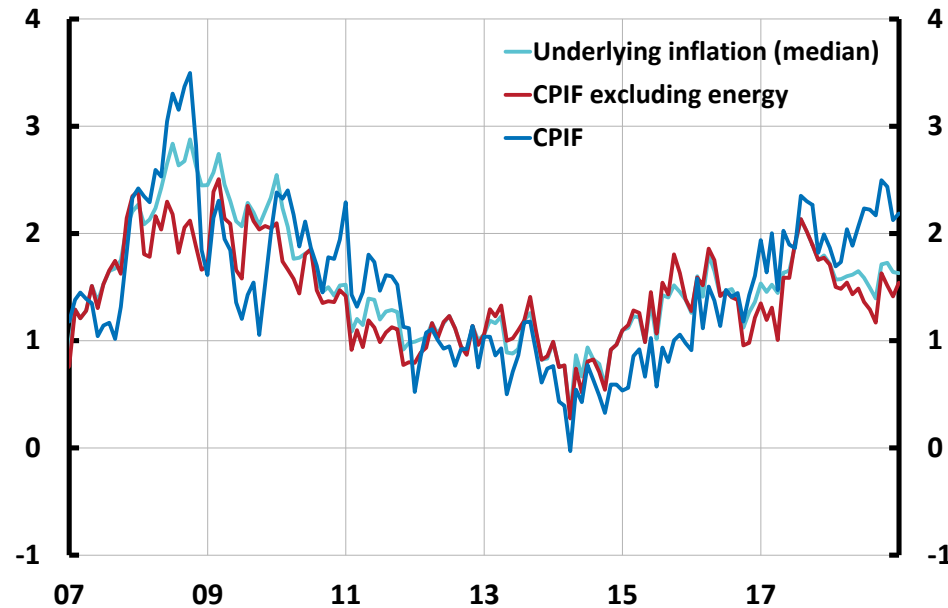


Note. Per cent. The yield for government bonds and mortgage bonds refers to the implied zero coupon rate.

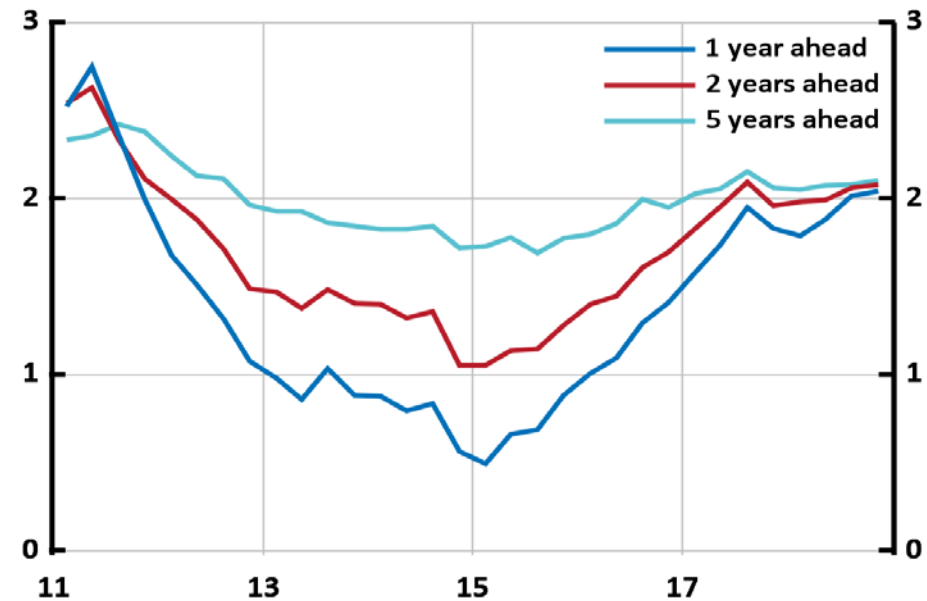
Source: The Riksbank

Good target attainment 2017–2018

Inflation around 2 per cent...



...as are inflation expectations

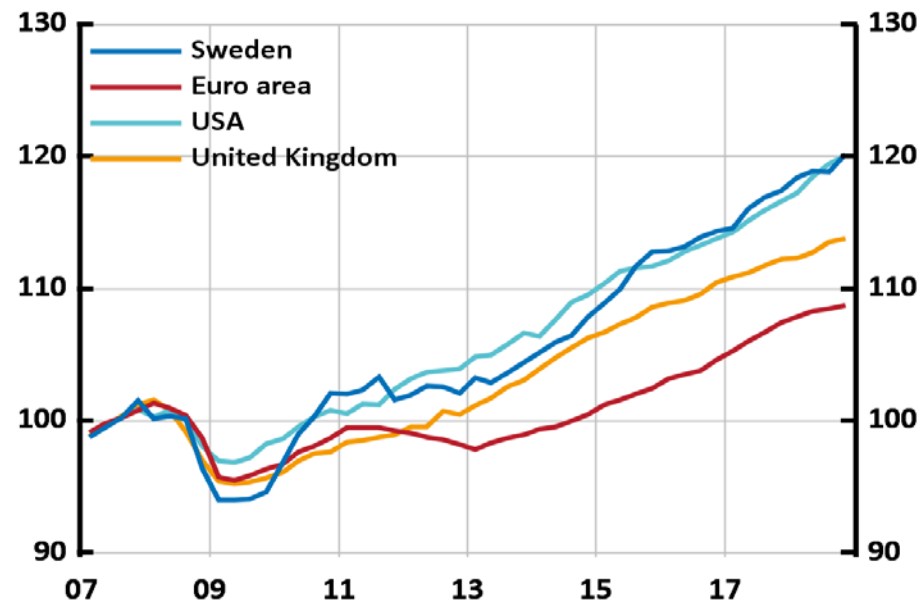


Note. Annual percentage change and per cent, mean value. Core inflation refers to the median of a number of measures of core inflation. Inflation expectations refer to CPI inflation. Participants surveyed are social partners, purchasing managers and money market participants.

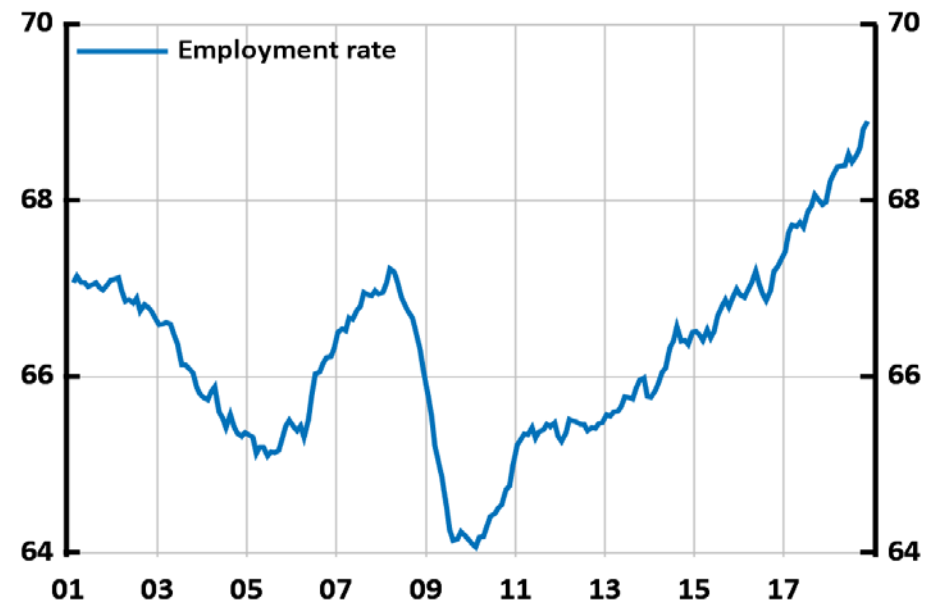
Sources: Statistics Sweden, the Riksbank and Kantar Sifo Prospera

Good target attainment 2017–2018

GDP increased at a good pace...



...and employment continued to rise

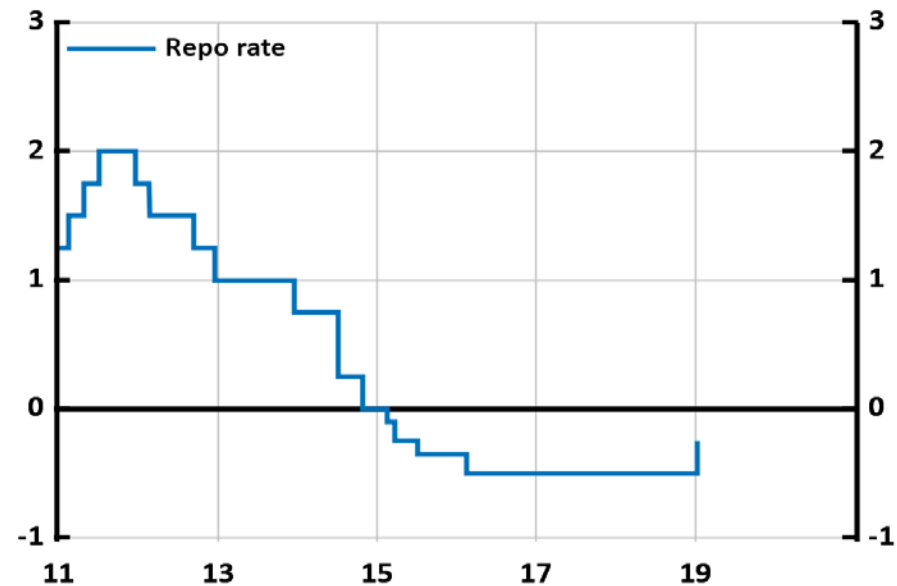


Note. Index, 2007 = 100 and percentage of population aged 15–74 years. GDP refers to seasonally- and calendar-adjusted data. Employment rate is three-month moving average, seasonally-adjusted data.

Sources: Bureau of Economic Analysis, Eurostat, Office for National Statistics, the Riksbank and Statistics Sweden

Need for highly expansionary monetary policy somewhat less in 2018

- CPIF inflation and inflation expectations at 2 per cent for some time
- Uncertainty over strength of inflationary pressures – small revision to repo-rate path
- Strong economic activity – conditions for inflation to remain close to target going forward
- In December, the repo rate was raised from -0.5 to -0.25 per cent



Note. Per cent

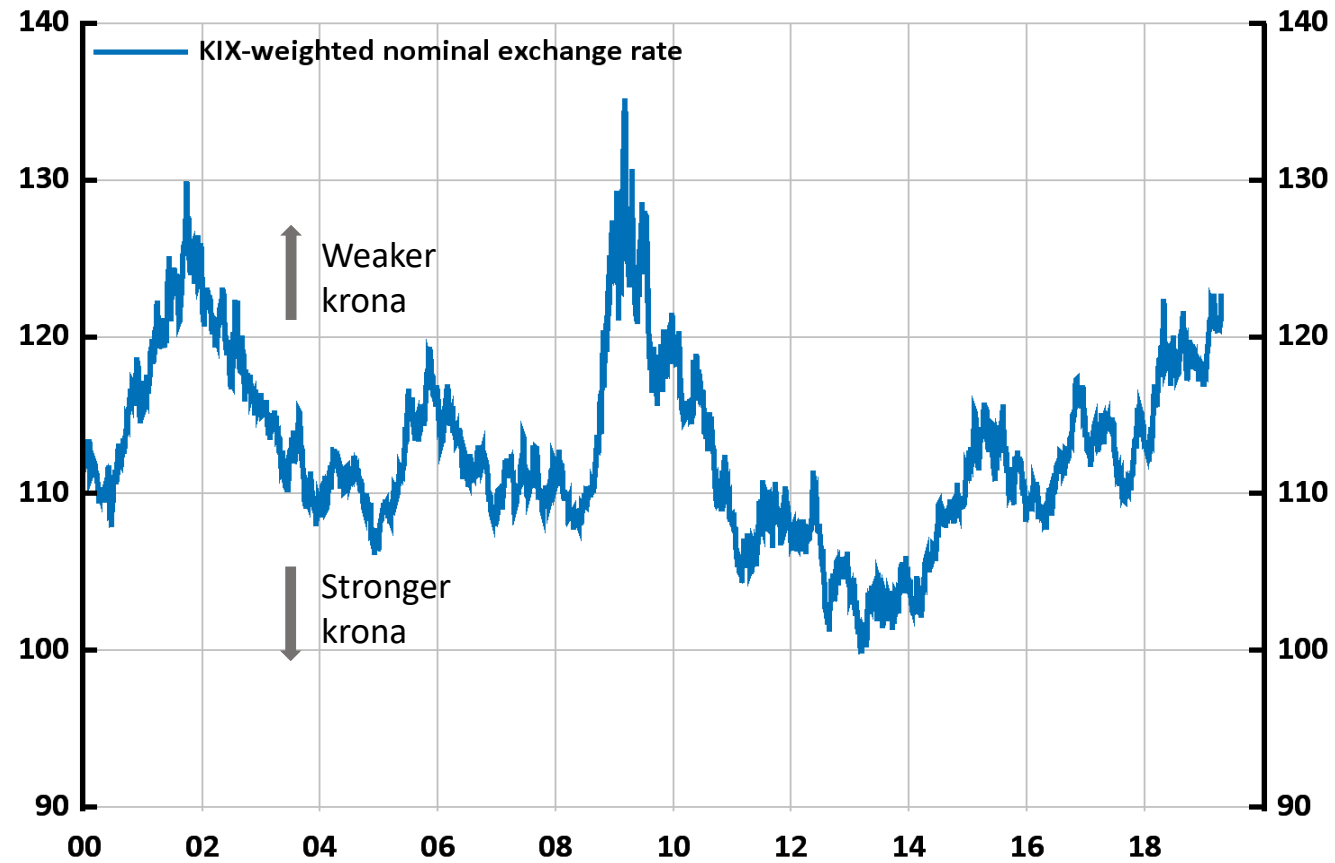
Source: The Riksbank

Economic developments roughly as forecast by the Riksbank 2016–2017

- Repo rate has followed Riksbank's forecasts relatively closely since the end of 2016
- CPIF inflation and economic activity largely in line with the forecasts
- Krona has been weaker than expected



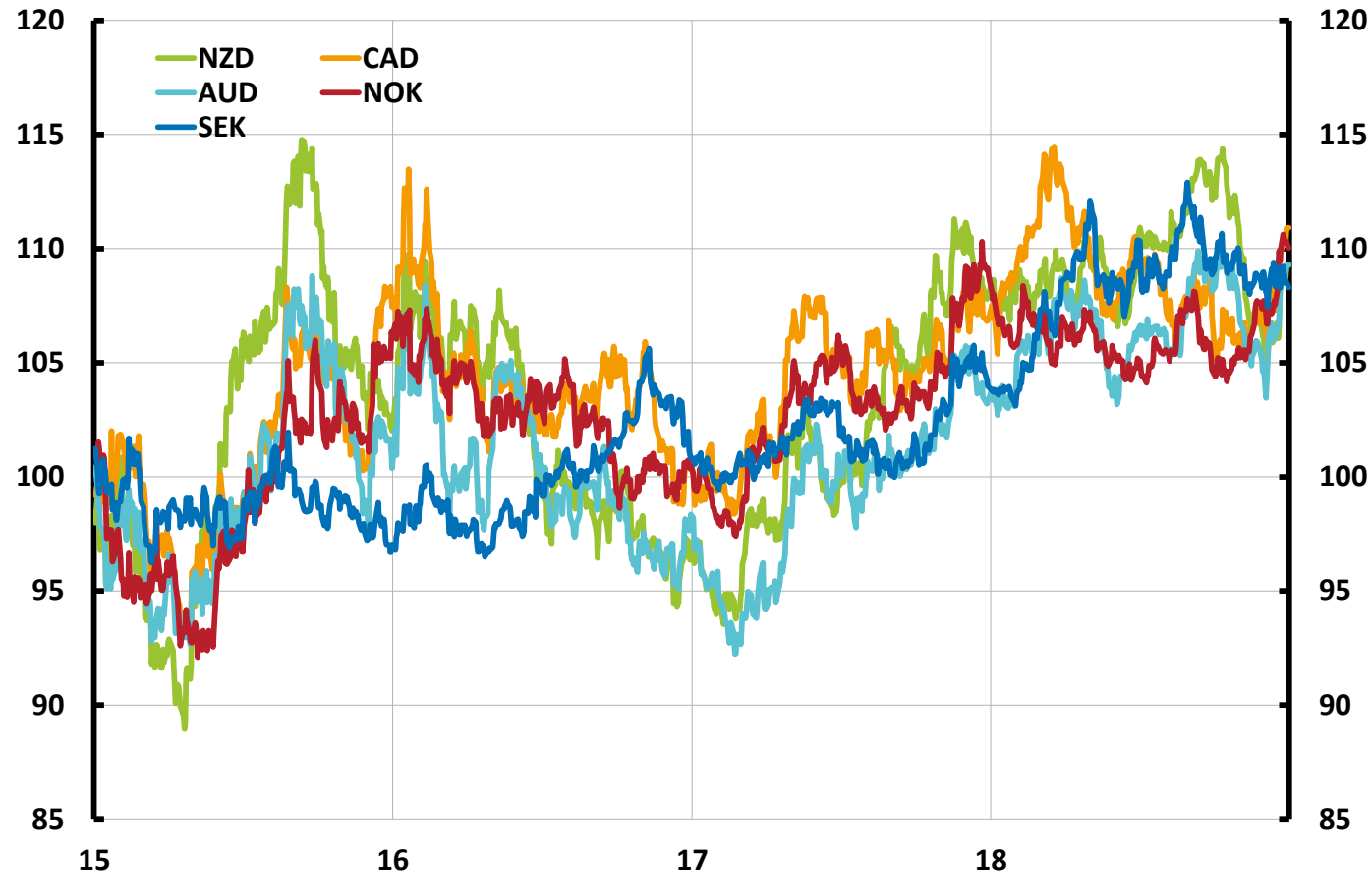
Sweden has an inflation target – not an exchange rate target



Note. Index, 18 Nov 1992 = 100 The KIX (krona index) is an weighted average of the krona exchange rate against currencies in countries that are important for Sweden's international transactions.

Sources: National sources and the Riksbank

Sweden has an inflation target – not an exchange rate target



Note. Index, 2015 = 100. Different countries exchange rates against the euro:
Australia, Canada, Norway, New Zealand and Sweden

Source: ECB

Effects of the expansionary monetary policy on other areas?

- Household indebtedness

Structural measures necessary for increased resilience and reduced risks

- Distribution of income and wealth

Counteracting effects via higher employment and rising asset prices

- Labour market

Long-term strong economic activity can facilitate entry onto the labour market for groups with weak positions

A selection of the Riksbank's monetary policy development work in 2018

- Wage increase when changing work as before
- Companies: increased costs behind higher prices
- Why and how long the exchange rate changes important for impact on inflation
- Effects of monetary policy on household consumption greater than before
 - Better analysis of significance of indebtedness with more data on household assets



Good target attainment 2018

- Continued strong economic activity
- Inflation and inflation expectations on target
- However, questions about strength of inflationary pressures

