

Current monetary policy and the economic situation

Bank conference Di Bank
14 May 2019, Grand Hotel

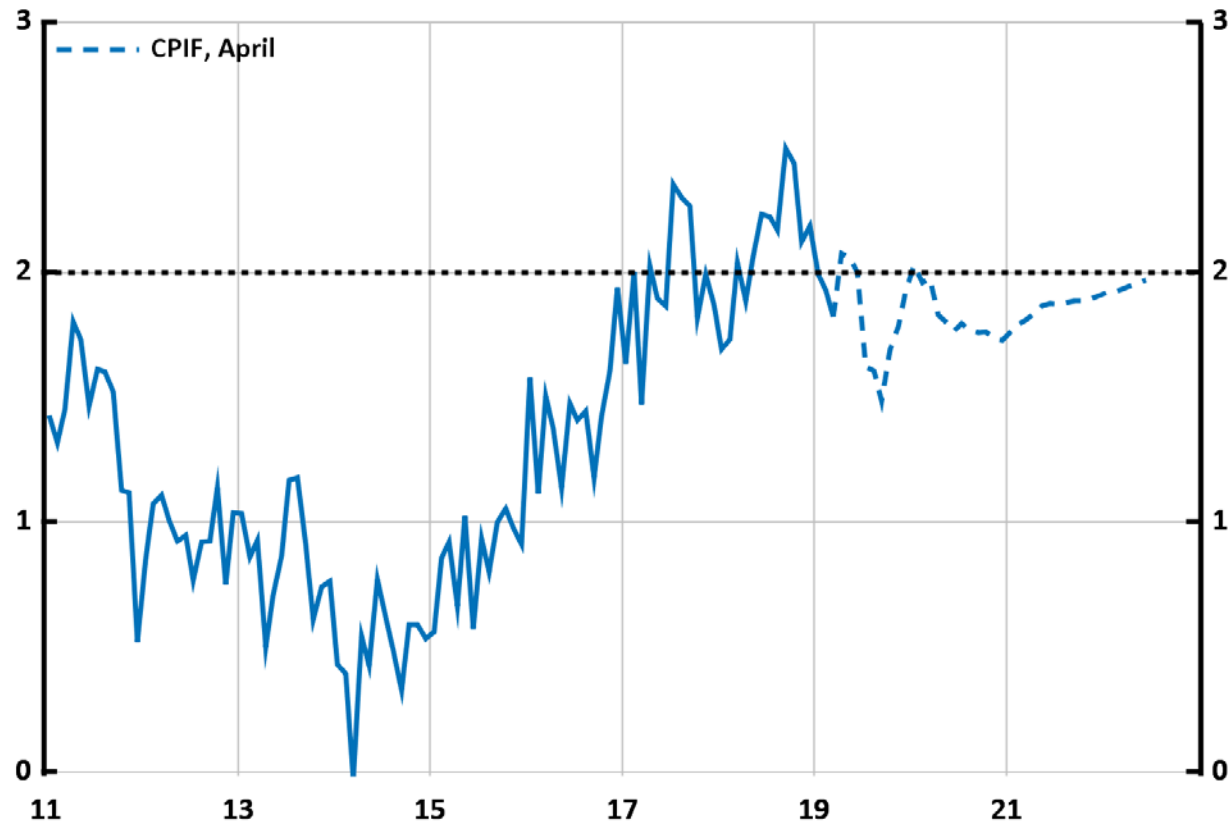
S V E R I G E S R I K S B A N K

Stefan Ingves
Governor of the Riksbank

Strong economic activity but slightly weaker inflation

Expansionary monetary policy providing support

Inflation close to target



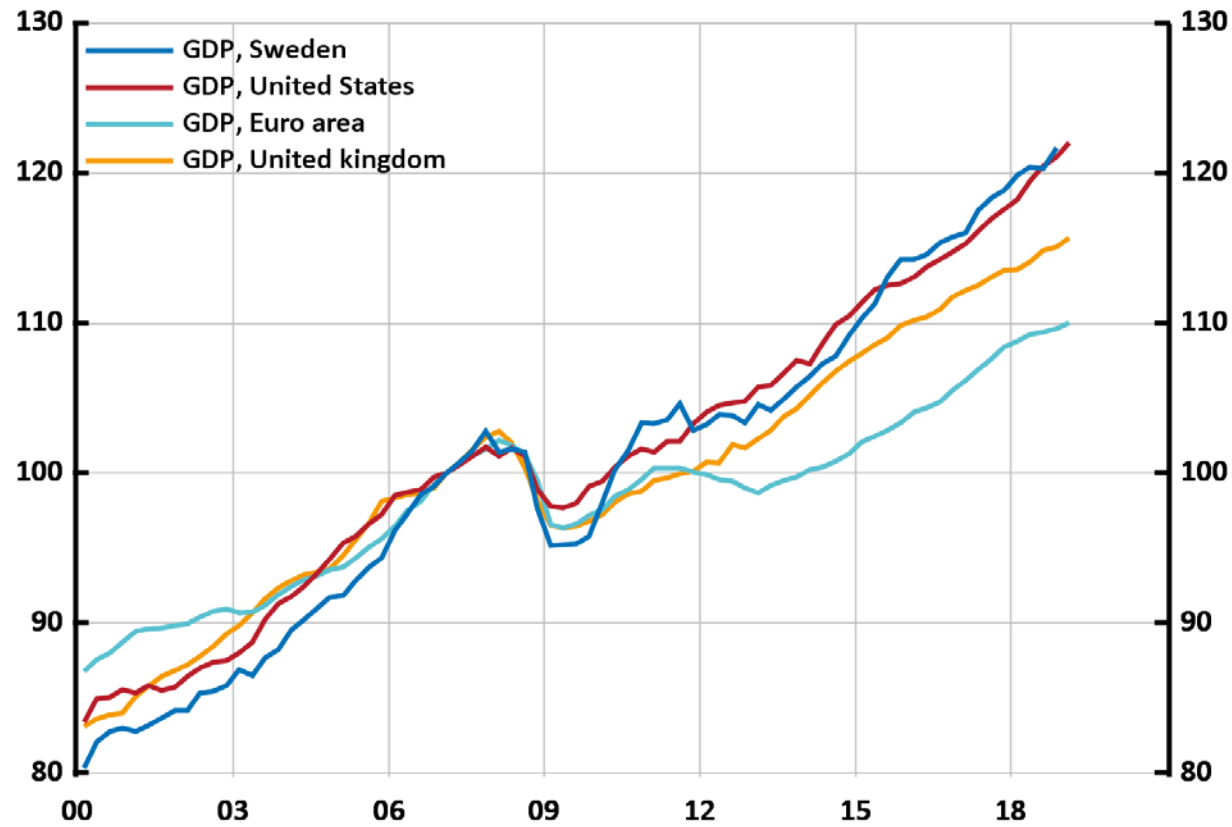
Annual percentage change.

The broken line refers to the inflation target at 2 per cent.

Sources: Statistics Sweden and the Riksbank

**Monetary policy needs to be forward-looking
and be designed according to the prospects**

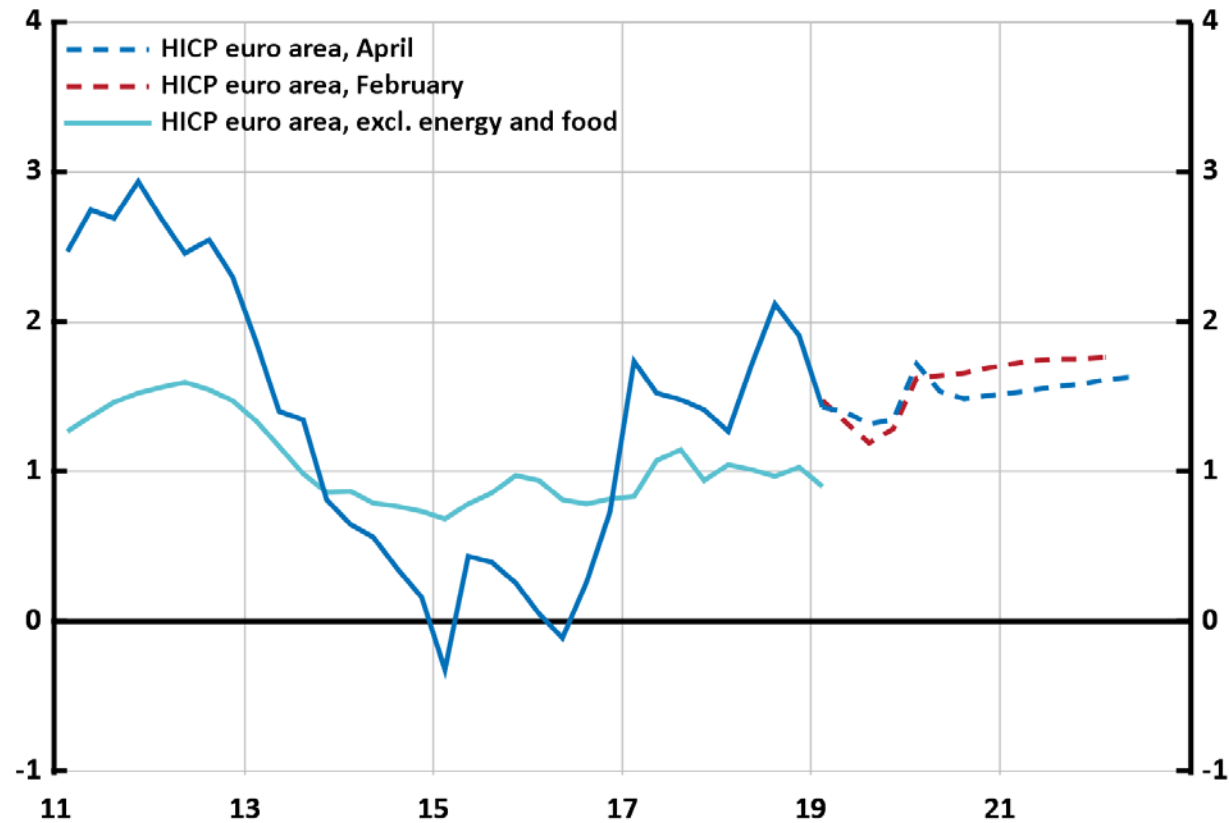
Good economic activity abroad



Index, 2007Q1=100.

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

Lower inflationary pressures abroad



Annual percentage change.

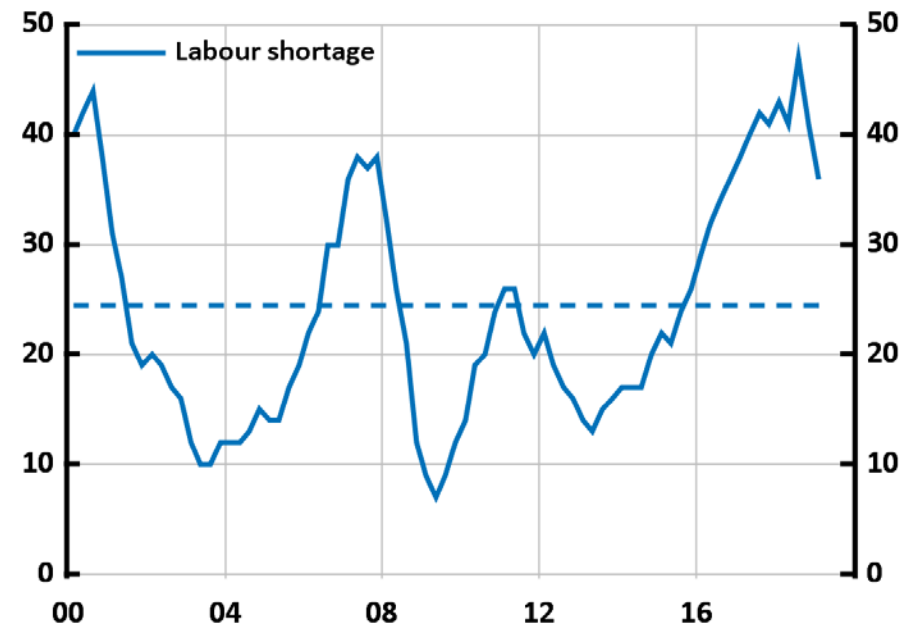
Sources: ECB, Eurostat and the Riksbank

Continued strong economic activity in Sweden

Unexpectedly rapid GDP growth towards the end of the year

Economic activity as expected in a calmer phase

Continued high pressure on the labour market



Blue broken lines refer to average between 1996 and the latest outcome.

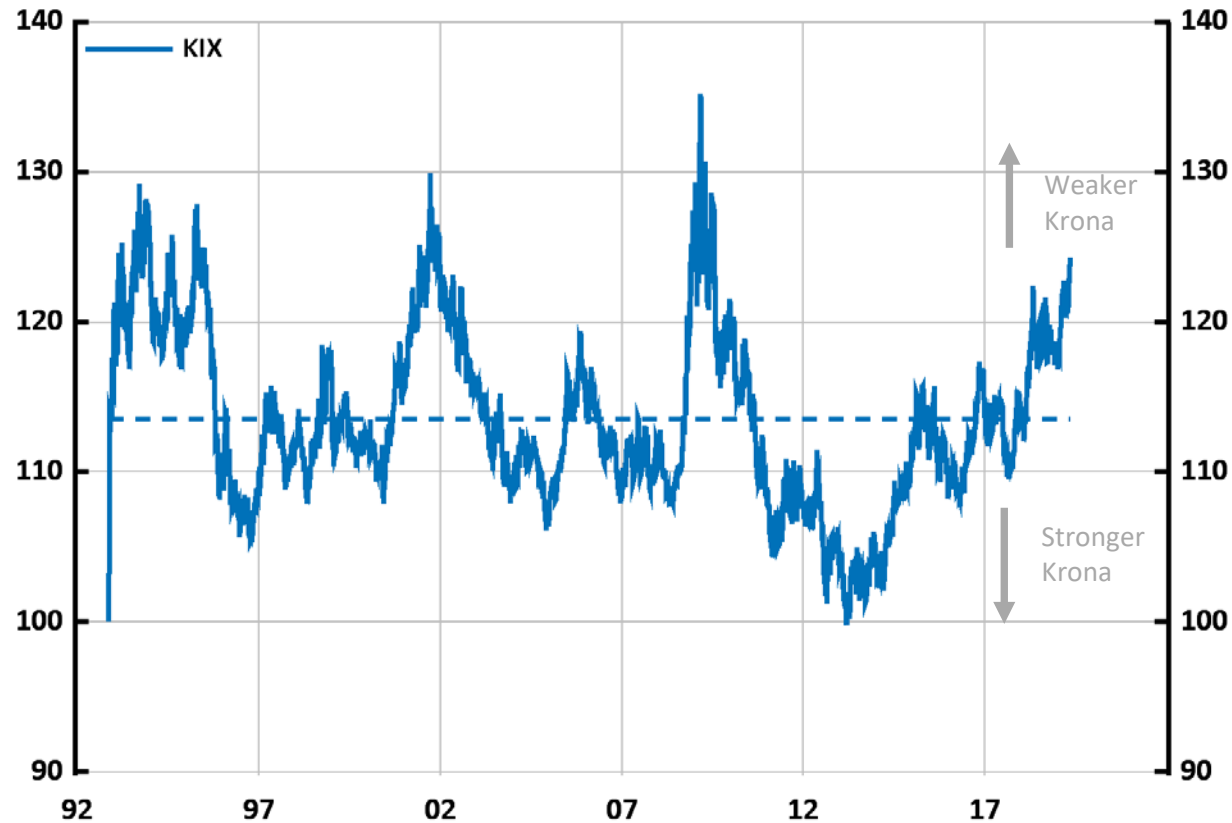
Source: The National Institute of Economic Research

The Riksbank's Business Survey

“Surprising that economic activity
is holding up so well”



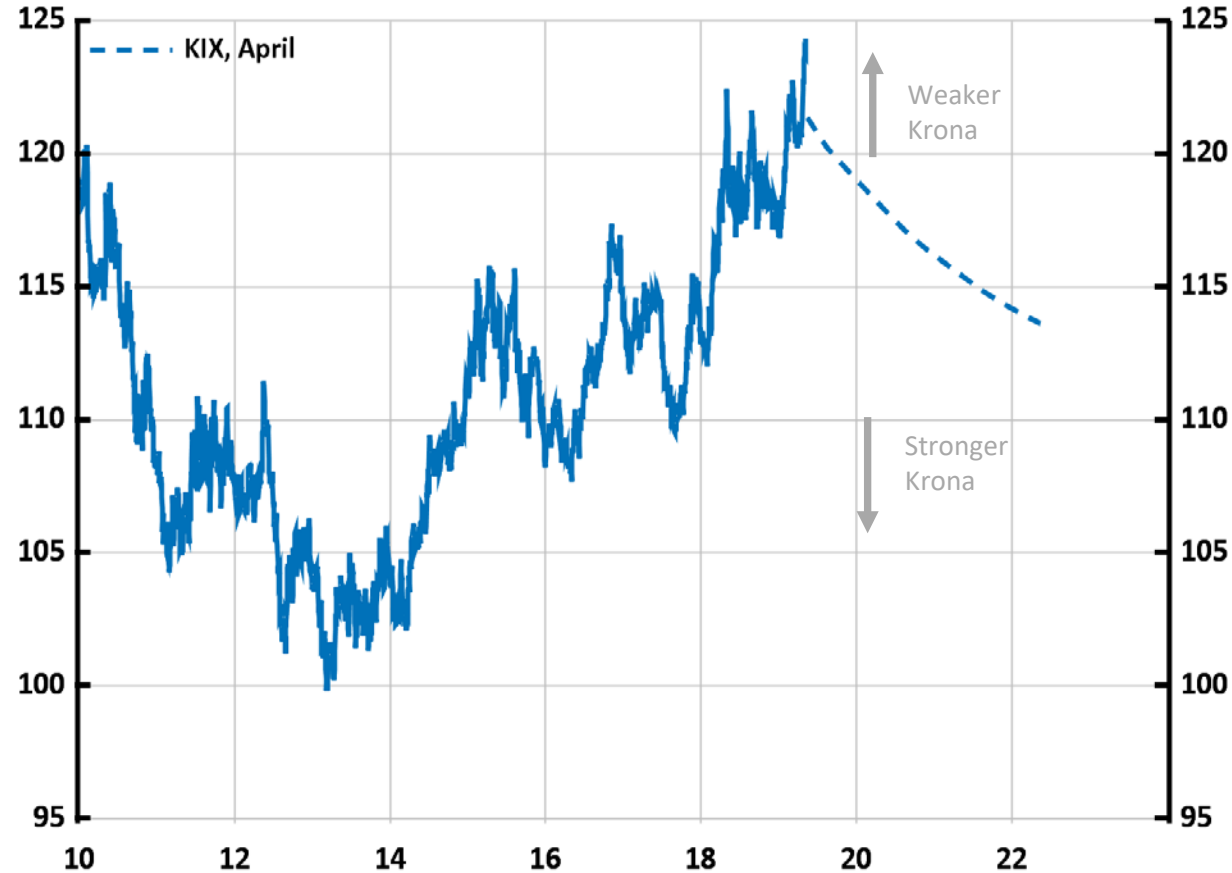
The krona has weakened but is expected to strengthen going forward



Index, 18 November 1992 = 100. Outcomes are daily data and forecasts refer to quarterly averages. The KIX (krona index) is a weighted average of the krona exchange rate against currencies in countries that are important for Sweden's international transactions. Blue broken lines refer to the historical average.

Sources: National sources and the Riksbank

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Sources: National sources and the Riksbank

Conditions for on-target inflation



Continued demand pressures in the Swedish economy



Rising food prices and higher rent increases



Previous krona depreciation

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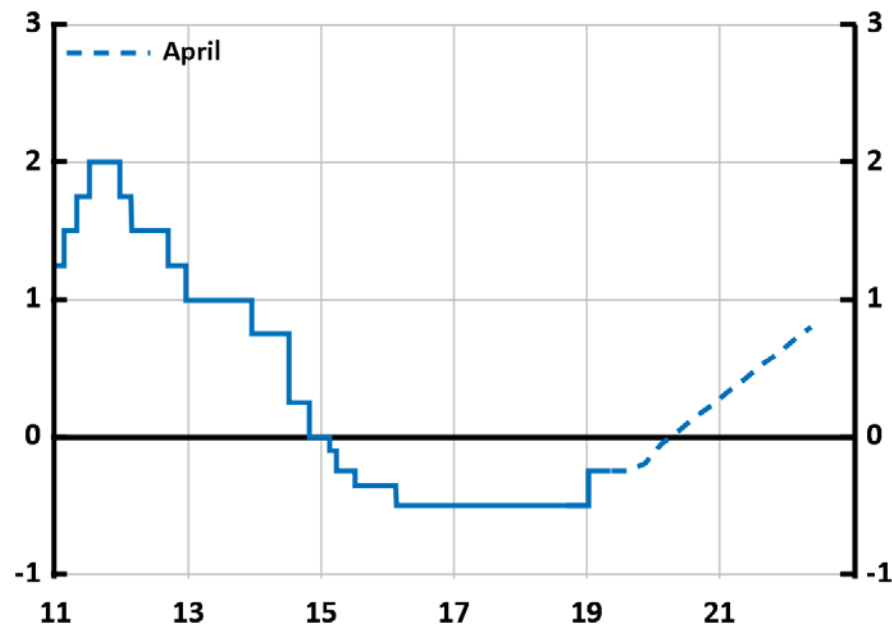
Inflation expectations at 2 per cent



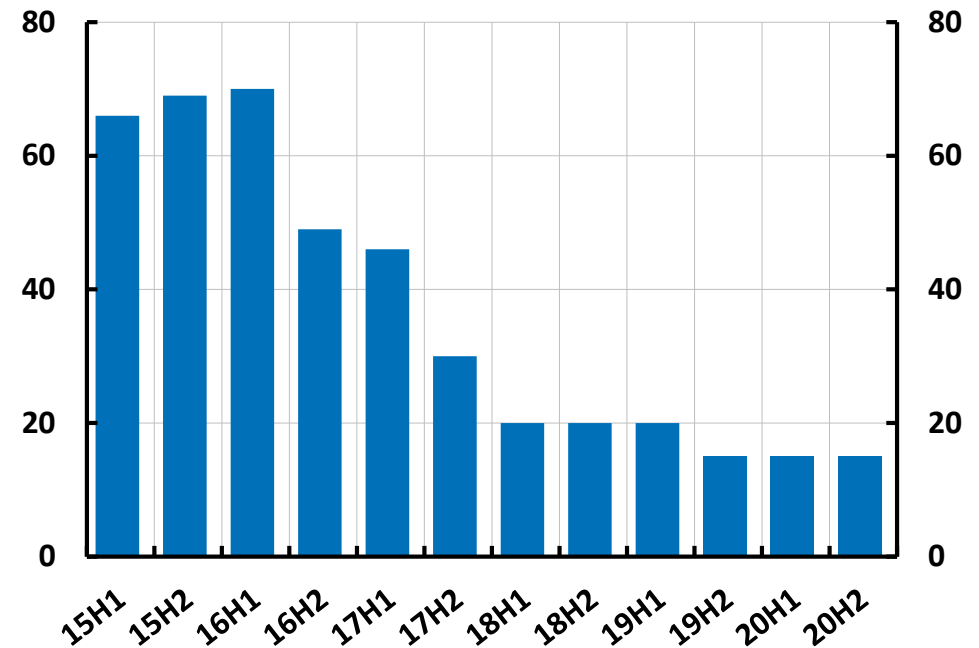
Gradually rising inflationary pressures abroad

For inflation to remain close to target in the period ahead

Repo rate to be raised at a slow pace



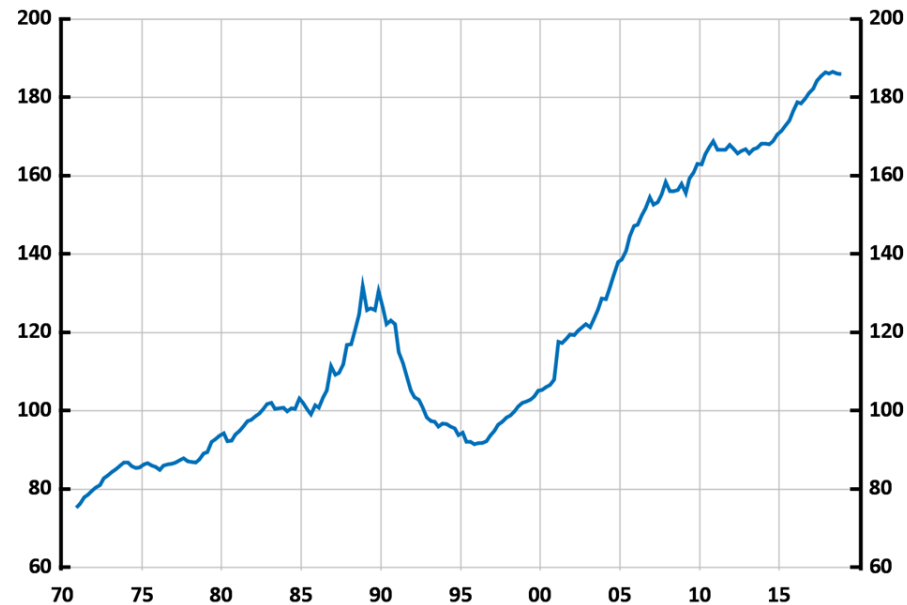
Continued bond purchases



Per cent and nominal amount, SEK billion.

Source: The Riksbank

Rising housing prices have led to an unsustainable increase in household debt



Total household debt as a share of disposable household income added together over the last four quarters. Percentage of annual disposable income.

Sources: Statistics Sweden and the Riksbank

- Problems have existed for a long time – vulnerabilities have increased
- Housing market is dysfunctional for several reasons
 - Tax policy
 - Housing policy
 - Insider/outsider problems
- All borrowers need to be affected by measures, not just new borrowers

Current housing policy benefits certain groups

- Housing policy is redistributive
- Homeowners can make rapid “housing careers” – insiders
- Several groups are outside the market and cannot benefit from this development – outsiders



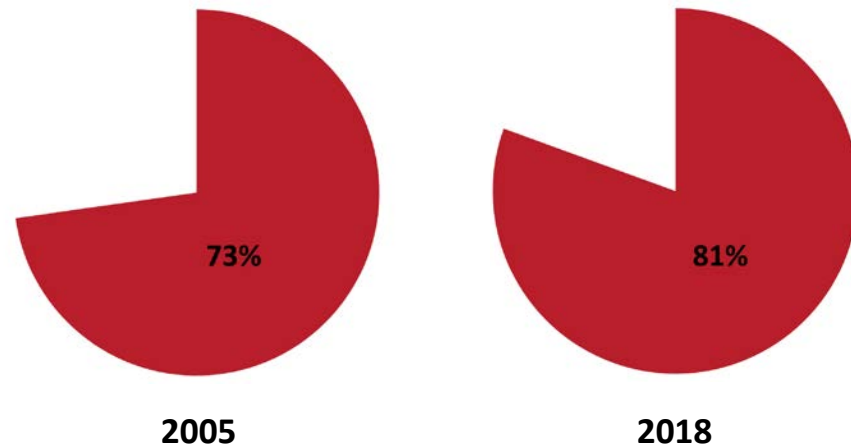
Problems on the housing market need to be managed

- Household debt constitutes a risk
- Macroprudential policy measures have made a positive contribution
 - Housing price growth has slowed
 - Households take out smaller loans in relation to their income
- But important that taxation and housing policies manage the imbalances between supply and demand on the housing market



Swedish banks are exposed to the property market

Rising exposures to the property sector



- The banking system is exposed to the property sector
- Dependent on wholesale funding
- Large, concentrated and interconnected

The four major banks' total lending to Swedish non-financial corporations and households, percentage of loans against collateral in property.

Source: Statistics Sweden

Thank you!