

Monetary policy and wage formation

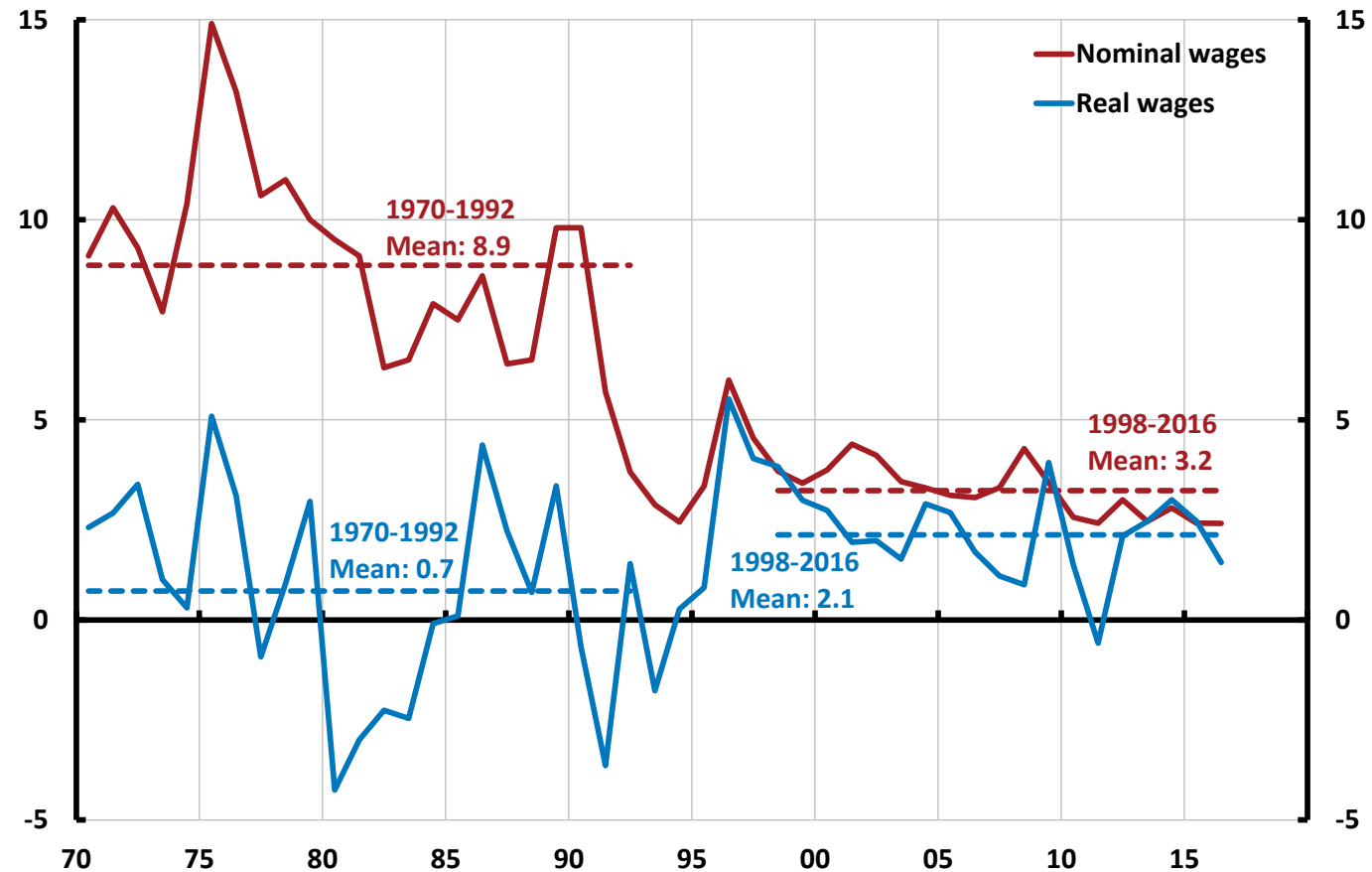
National Mediation Office
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Henry Ohlsson
Deputy Governor

The inflation target is important

- A common aim provides stable ground rules
 - Lays the foundation for efficient price-setting and wage formation
 - Makes it easier for households and companies to make sound financial decisions
 - Creates the right conditions for good economic growth
- The inflation target is a cornerstone of economic policy

Greater purchasing power and more stable wage formation



Annual percentage change. According to short-term wage statistics after 1993 and wage structure statistics prior to 1993. Real wages are calculated as the difference between the annual percentage change in nominal wages and the annual percentage change in the CPI.

Sources: The National Mediation Office and Statistics Sweden

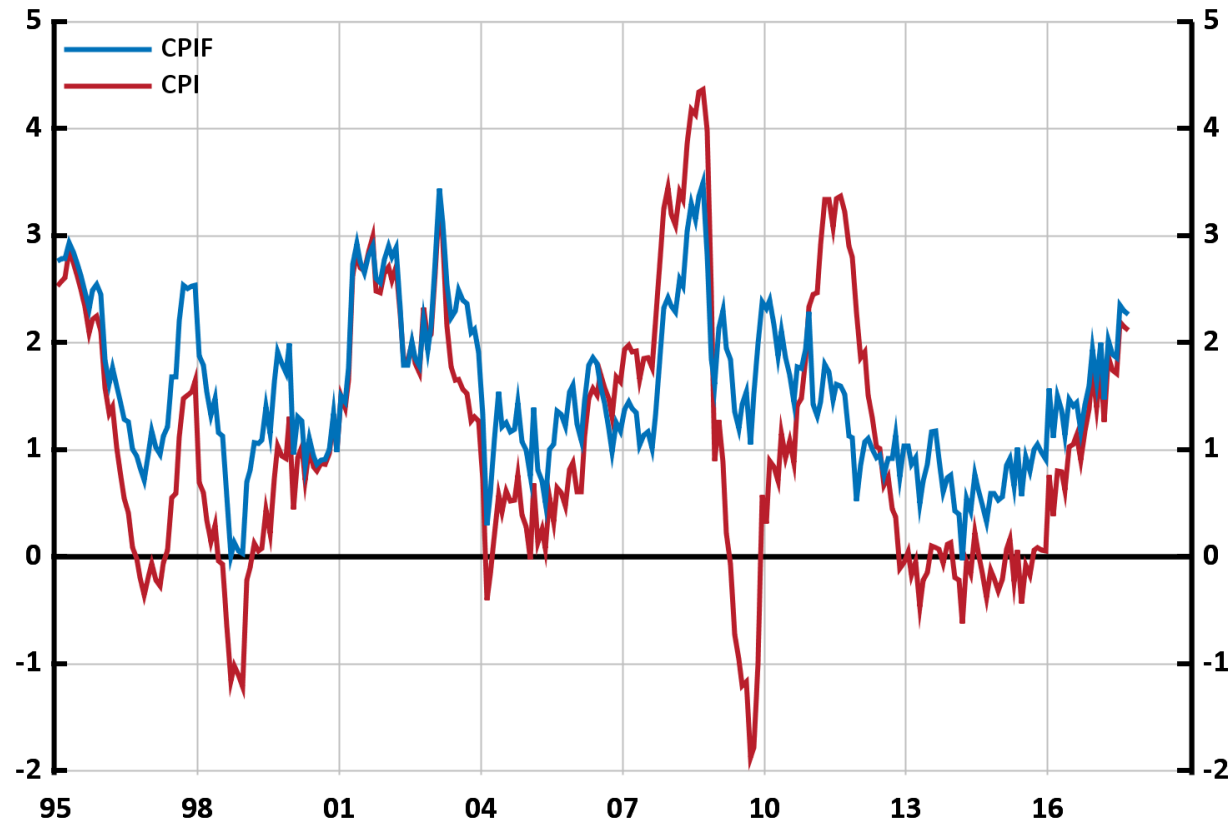
Clear allocation of roles

- The Riksbank is responsible for monetary policy
- The social partners determine wages

Riksbank forecasts

- Important to gain a consistent picture of economic activity and inflation
- Wish to be transparent and open regarding the basis for the analysis
- Wage forecasts are precisely forecasts – not a recommendation

The CPIF is now also the formal target variable – but the change does not affect monetary policy

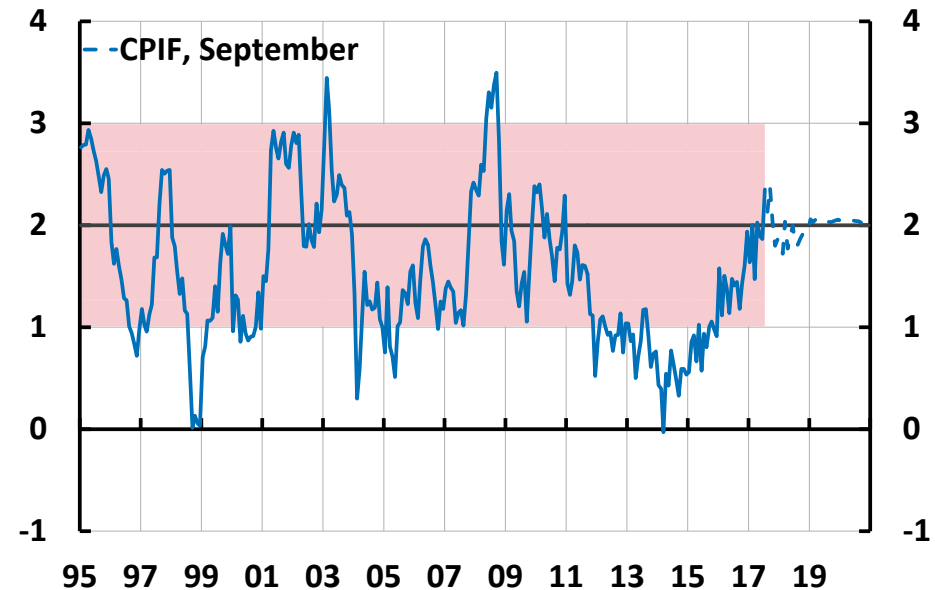


Annual percentage change.

Source: Statistics Sweden

Variation band illustrates that inflation varies

- The band illustrates that inflation is not 2 per cent every single month
- Covers around three quarters of the outcomes from January 1995 to September 2017
- Does not affect monetary policy



Annual percentage change.

Sources: Statistics Sweden and the Riksbank

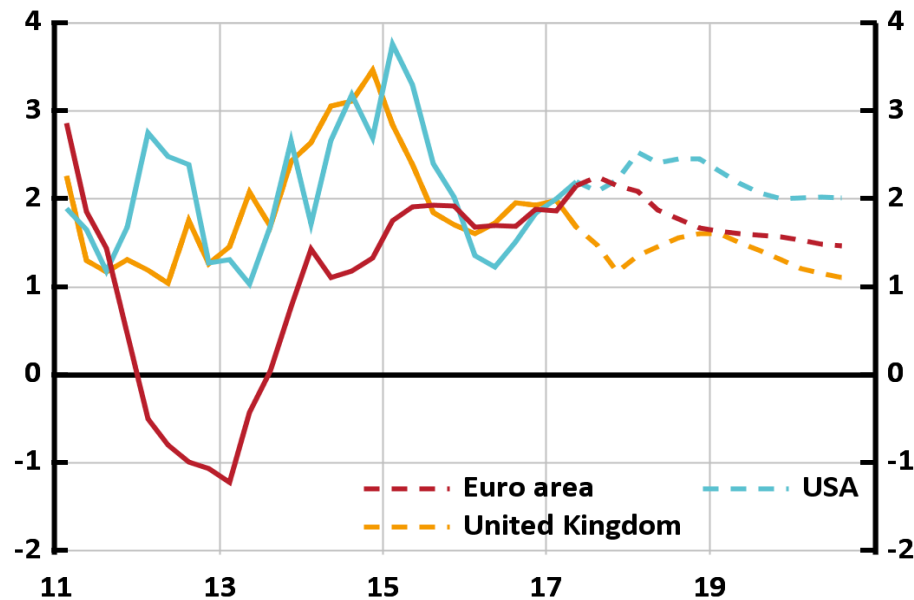
Why so much white noise?

- Sources of white noise in data:
 - Small selection
 - Lack of background data
 - Seasonal patterns, which can vary
 - Human errors
- 95-per cent confidence interval
 - Inflation (selection uncertainty): +/- 0.3 p.e.
 - LFS unemployment Oct: +/- 0.4 p.e.



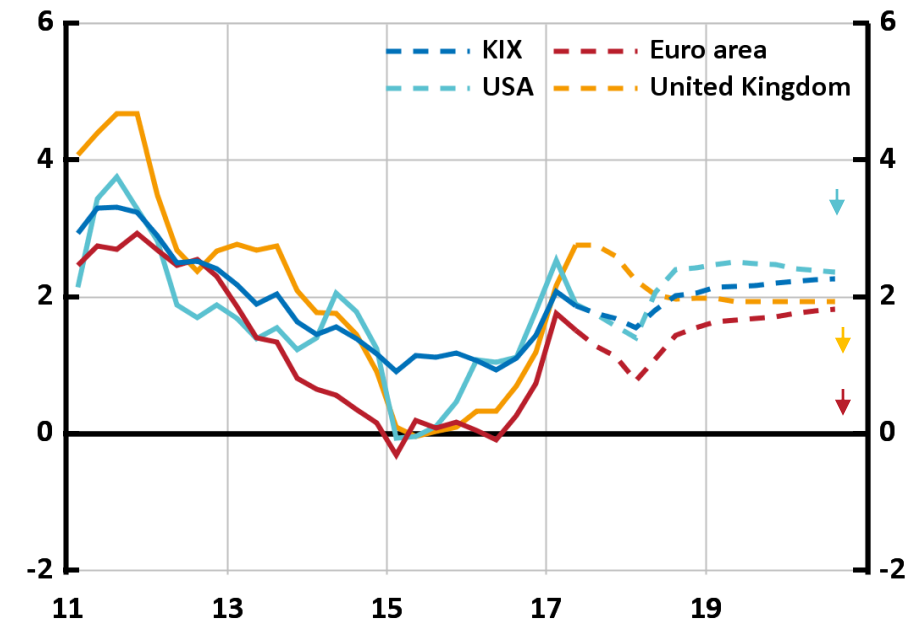
The international situation forms an important condition for Sweden's economy

Increasingly strong international economic activity



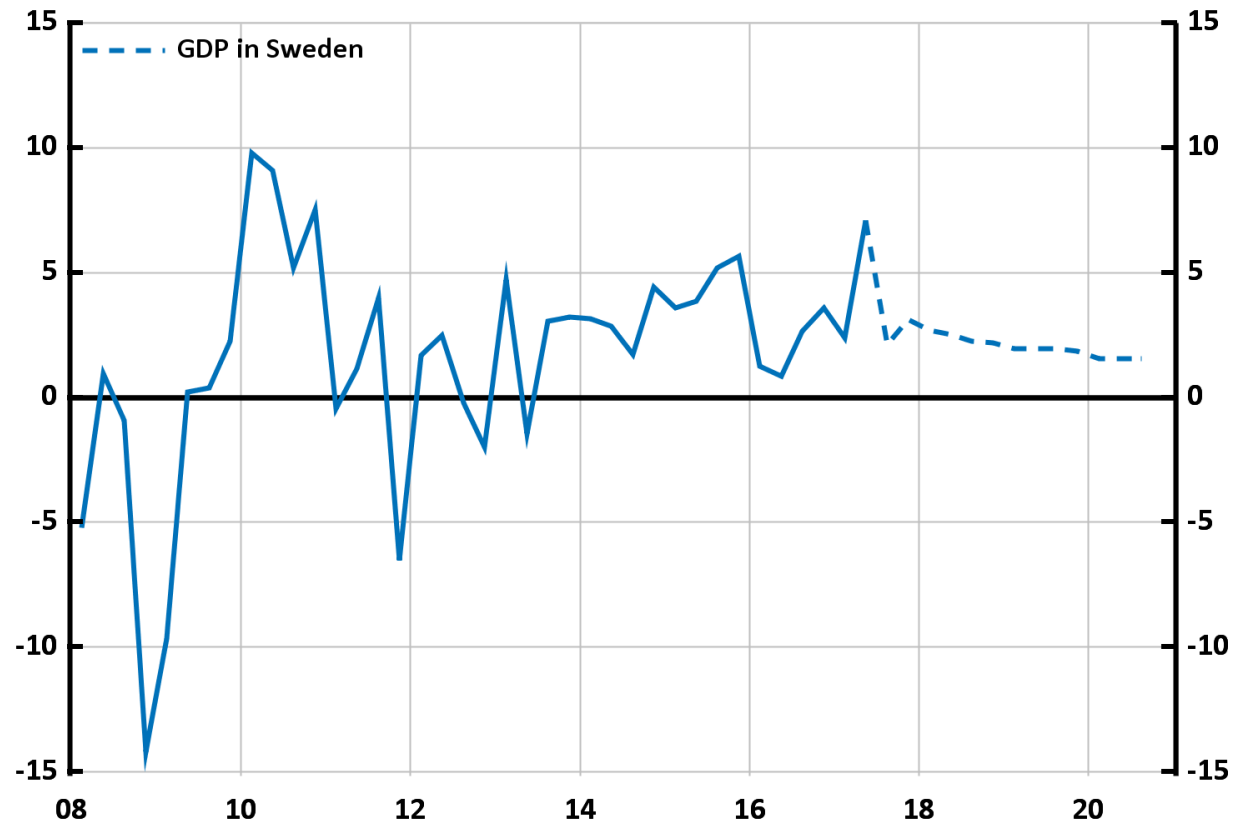
Annual percentage change. The KIX is an aggregate of countries that are important for Sweden's international transactions. When calculating KIX-weighted inflation, the HICP is used for the euro area and the CPI for other countries. For the euro area, inflation is measured as the HICP and for the USA and UK as the CPI.

Continuing weak inflationary pressures abroad



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Eurostat, national sources, Office for National Statistics and the Riksbank

Strong Swedish economic activity



Quarterly changes in per cent calculated as an annual rate.

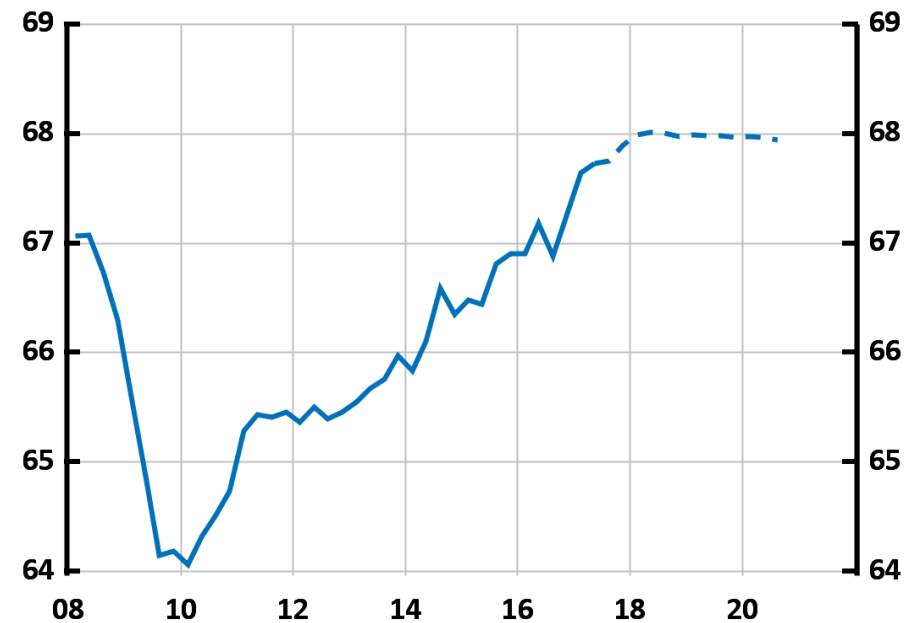
Source: The Riksbank

Strong development on the labour market

Unemployment has fallen



Increasing number of people in employment

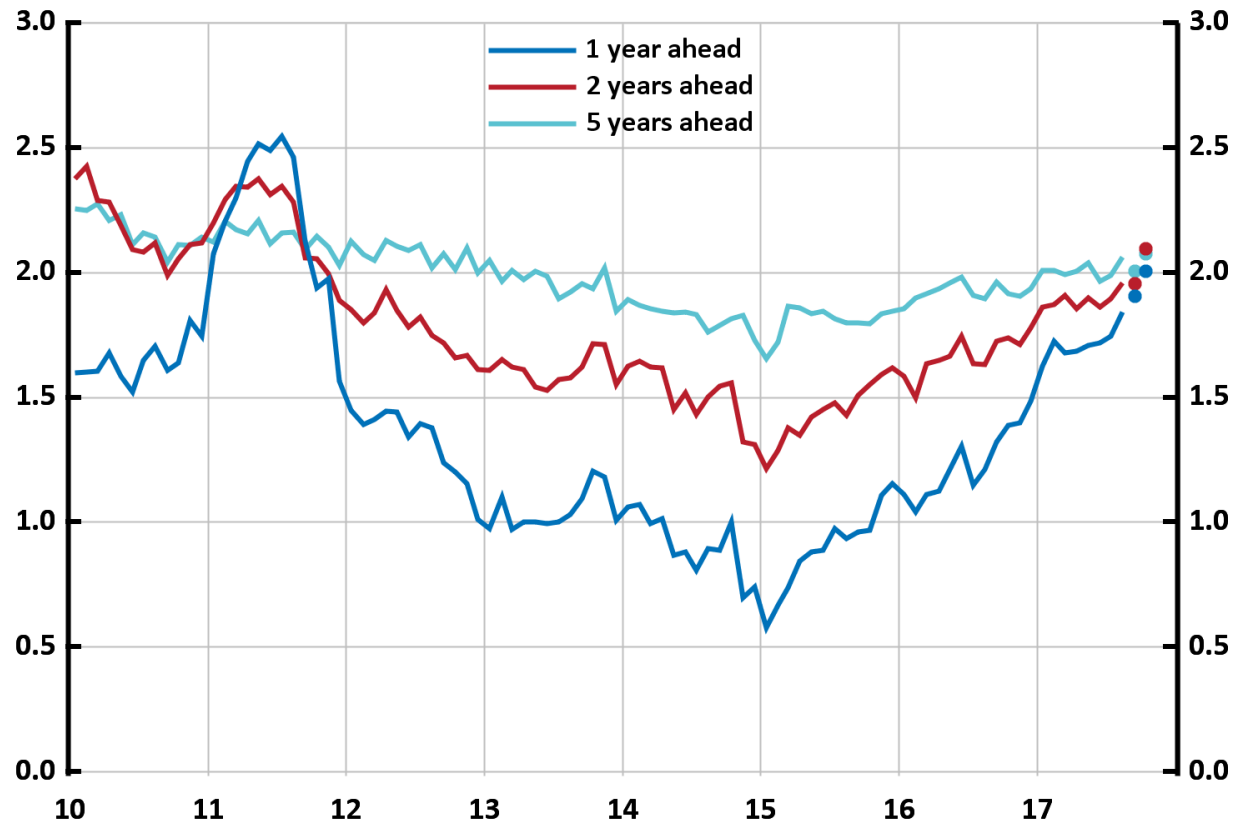


Per cent of population and labour force respectively, 15-74 yrs.

Sources: Statistics Sweden and the Riksbank

Supported by monetary policy, inflation has risen towards the target

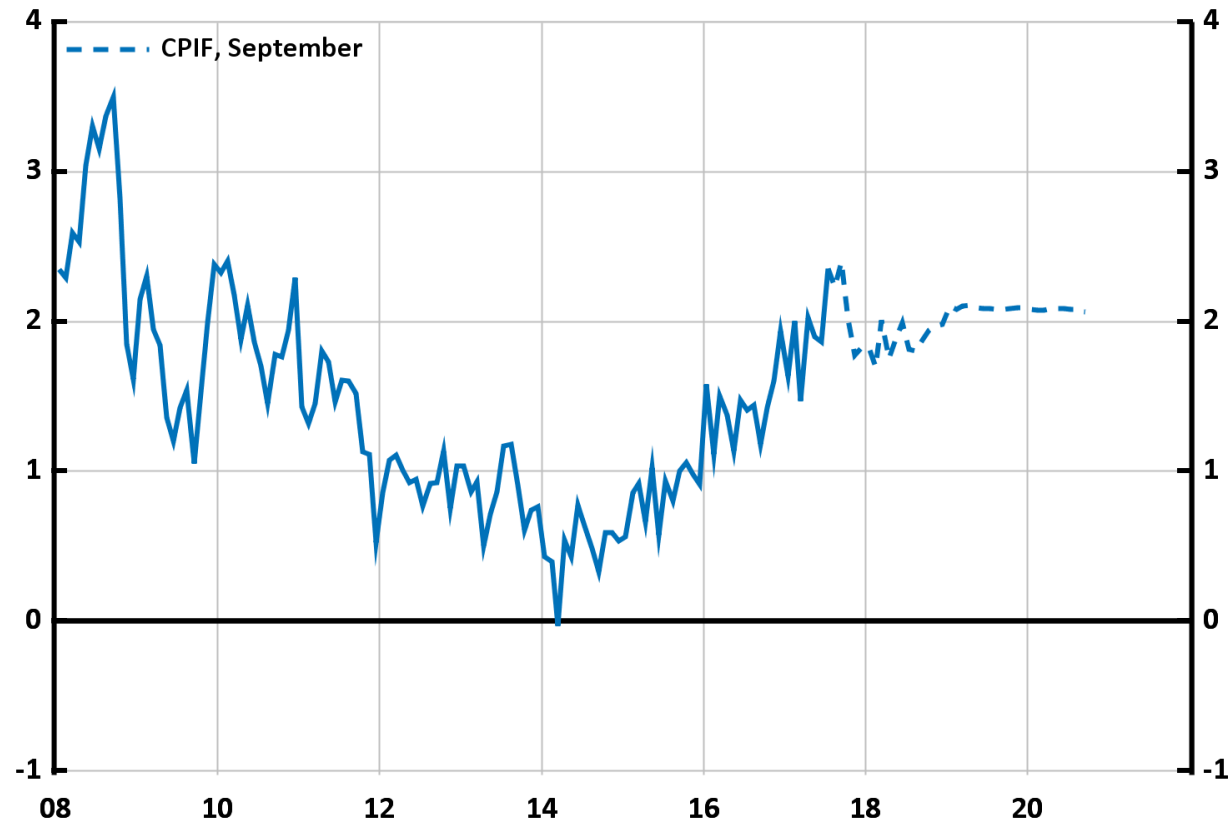
Inflation expectations around 2 per cent



Per cent, mean value. The points represents outcomes after the publication of the Monetary Policy Report in September.

Sources: TNS Sifo Prospera

The expansionary monetary policy is a prerequisite for inflation close to the target



Annual percentage change.

Sources: Statistics Sweden and the Riksbank

Thank you!

Henry Ohlsson
Deputy Governor