

Account of monetary policy 2018

Riksdag Committee on Finance
02/05/2019

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



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First Deputy Governor

Three central questions

Why is the inflation target necessary?

Why is the target 2 per cent?

Why is confidence in the inflation target important?

Why is the inflation target necessary?

- A common benchmark for price-setting and wage formation
- Joint view facilitates long-term planning
- Improves the opportunity for good economic developments

Why is the target 2 per cent?

- Same level in almost all high-income countries with an inflation target
- Lowering the target would not resolve structural problems, e.g. with household debt
- Inflation targets should not be changed too often
- A lower target could give more and longer periods with a negative repo rate

Why is confidence in the inflation target important?

- More difficult to give consideration to anything other than inflation if expectations are not anchored
- Risk that inflation and inflation expectations will fall, which could give more periods with a negative repo rate going forward

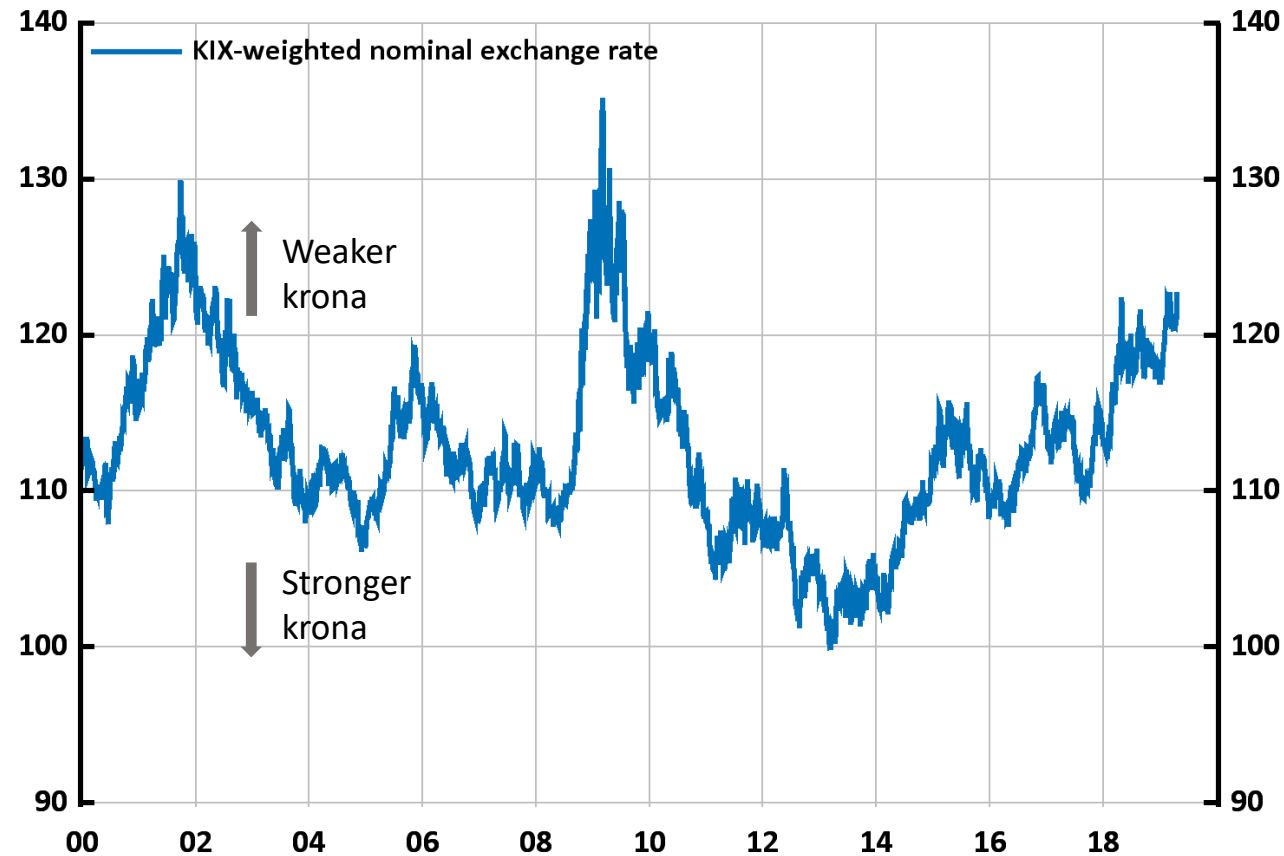
Three central answers

The inflation target
contributes to
stability and
good economic
developments

Lowering the target
makes it more
difficult for
monetary policy to
stabilise the
economy

Confidence in
inflation target is
decisive for the
target to function
as stabilising
benchmark

Sweden has an inflation target – not an exchange rate target

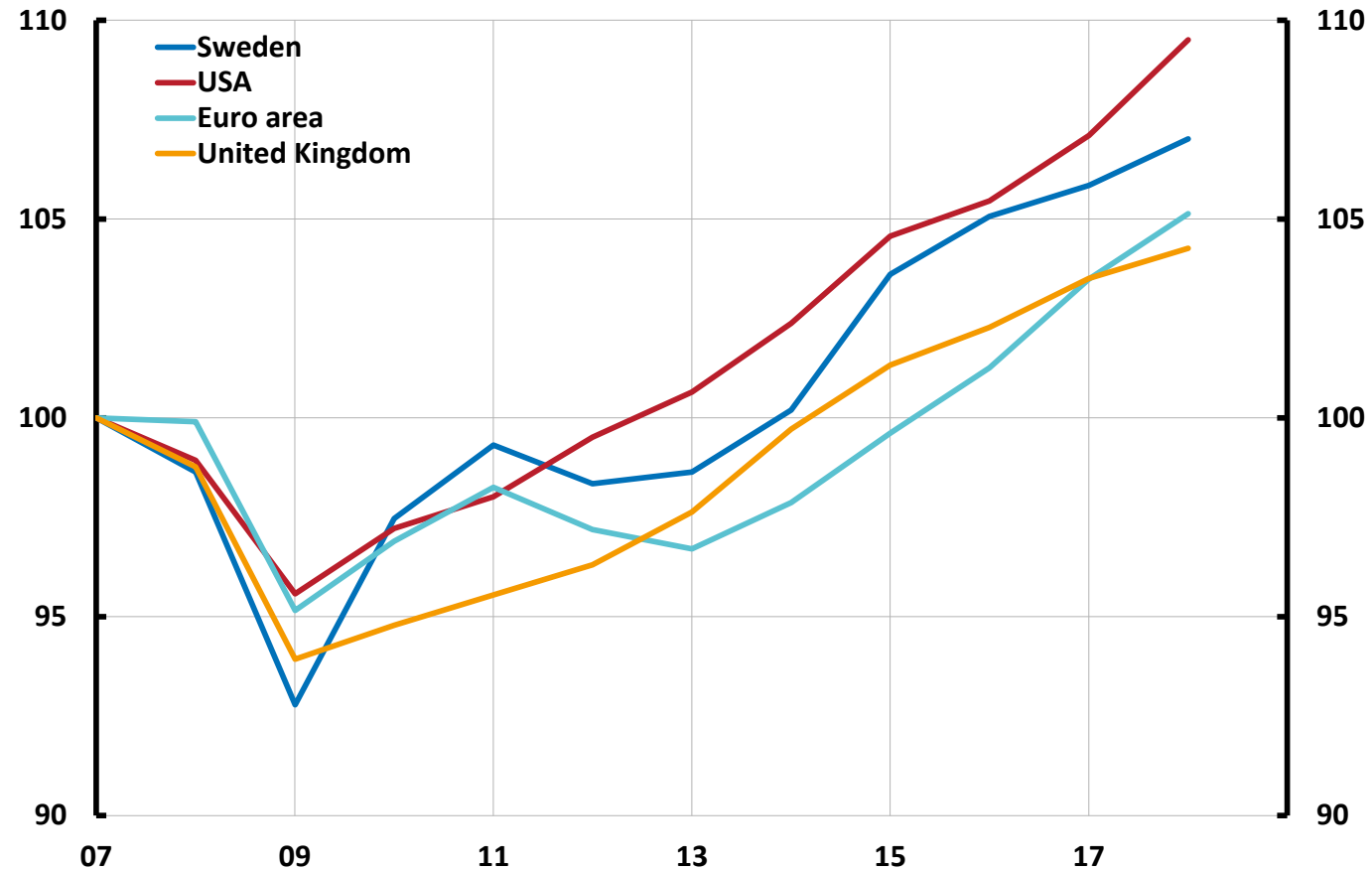


Note. Index, 18 Nov 1992 = 100 The KIX (krona index) is an weighted average of the krona exchange rate against currencies in countries that are important for Sweden's international transactions.

Sources: National sources and the Riksbank


Inflation targeting has contributed to a comparatively good economic development

GDP per capita



Note. Index, 2007 = 100.

Source: Eurostat, OECD and the Riksbank



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