

Introduction on monetary policy

Riksdag Committee on Finance
8 November 2018

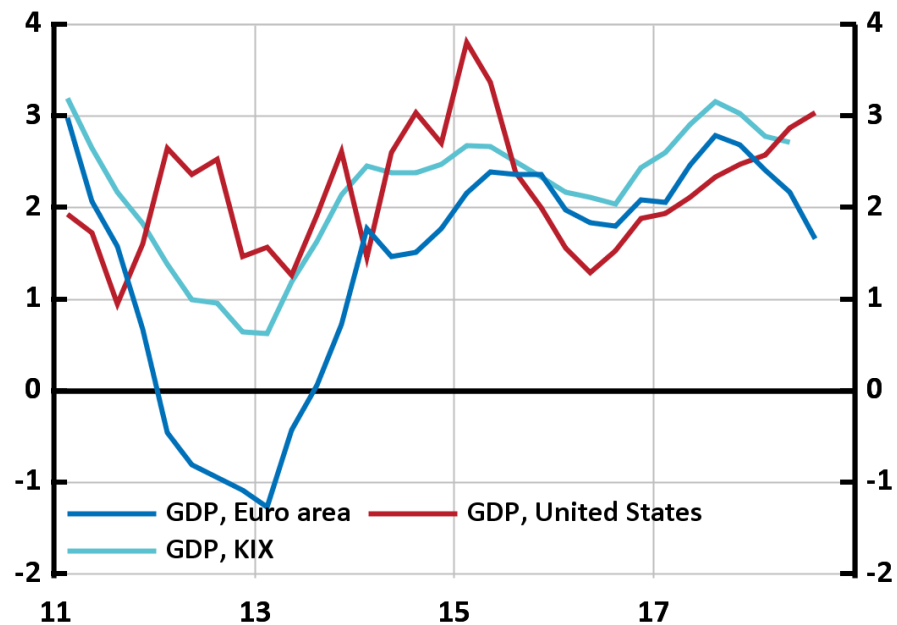
S V E R I G E S R I K S B A N K

Stefan Ingves

Governor of Sveriges Riksbank

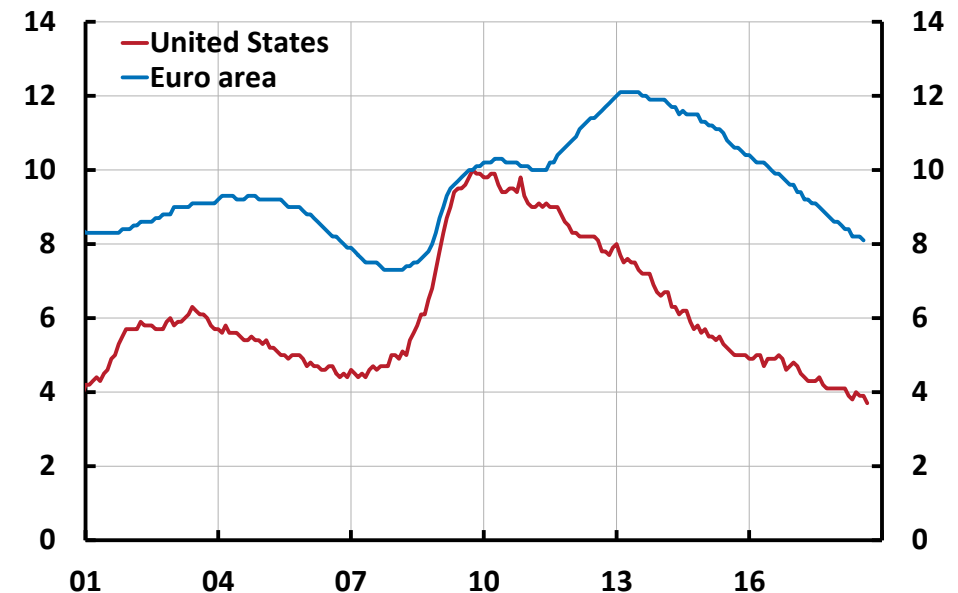
Favourable international economic activity

Good GDP growth



Annual percentage change and per cent.

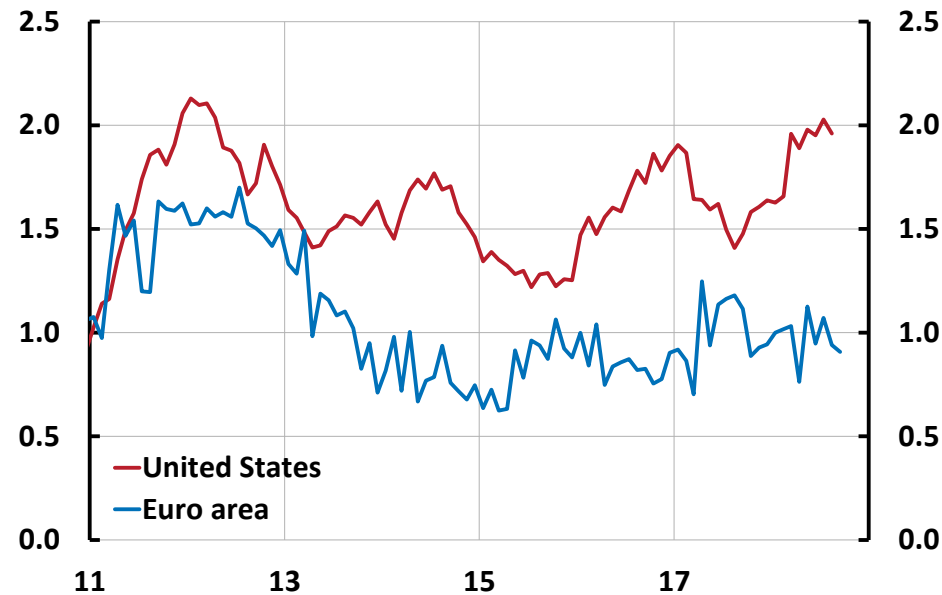
Unemployment has fallen



Sources: Bureau of Economic Analysis, Eurostat, national sources, OECD and the Riksbank

The US – first in the economic cycle

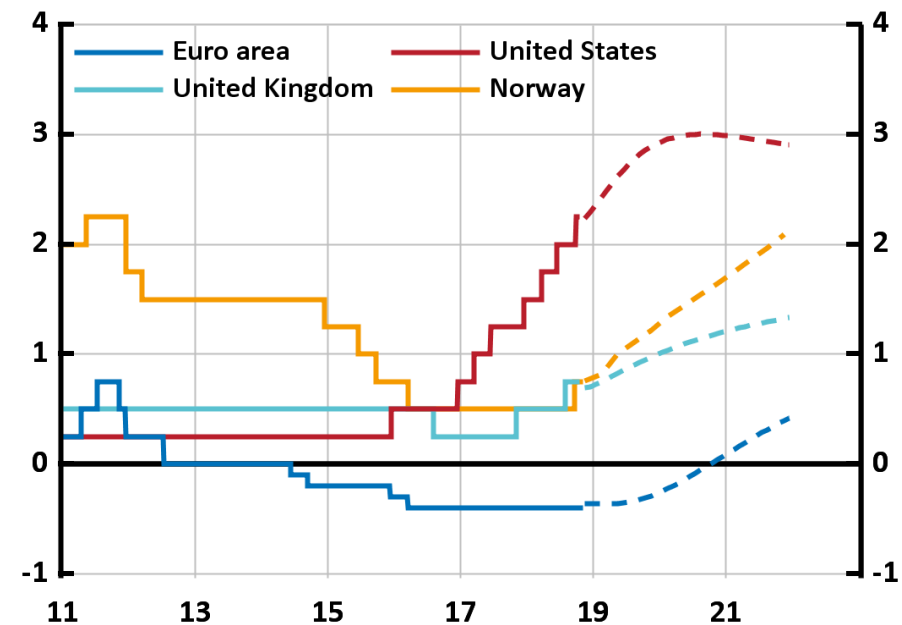
Core inflation moderate in the euro area



Core inflation in the euro area is measured as the HICP excluding food, tobacco, alcohol and energy. In the US, it is measured as PCE excluding food and energy.

Interest rates refer to the fed funds rate for the US, bank rate for the UK, sight deposit rate for Norway and deposit for the euro area. Broken lines show forward rates for expected overnight rate for 5 November 2018. Yellow broken line refers to Norges Bank's policy rate forecast from 20 September 2018.

The US – ahead in the rate-rise cycle



This graph contains confidential data. Confidentiality class: RB STRICTLY CONFIDENTIAL

Source: Bureau of Economic Analysis, Eurostat, national central banks, Macrobond and the Riksbank

Uncertainty about international prospects



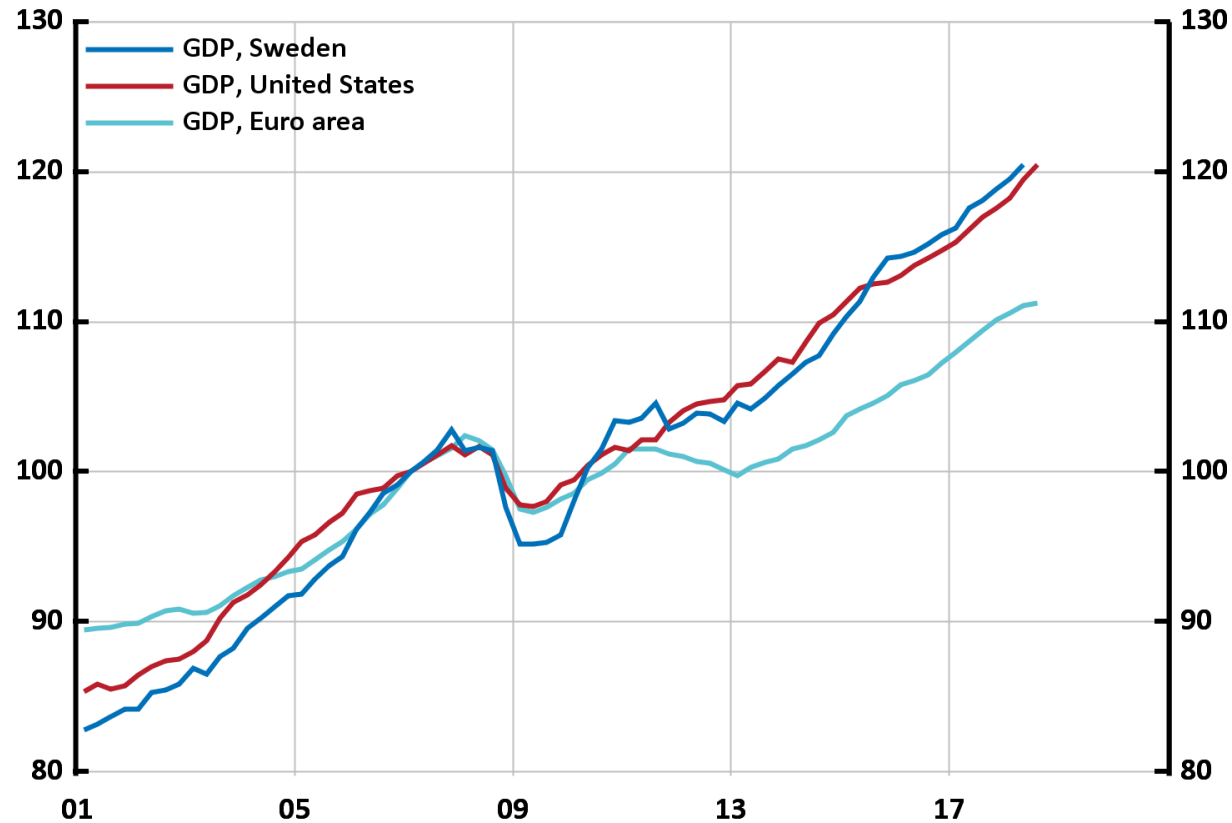
Sustainability of public finances in Italy

Escalated trade conflict between the US and
China

Brexit

Unease in some emerging market economies,
e.g. Turkey and Argentina

Swedish economy has grown rapidly compared with other countries

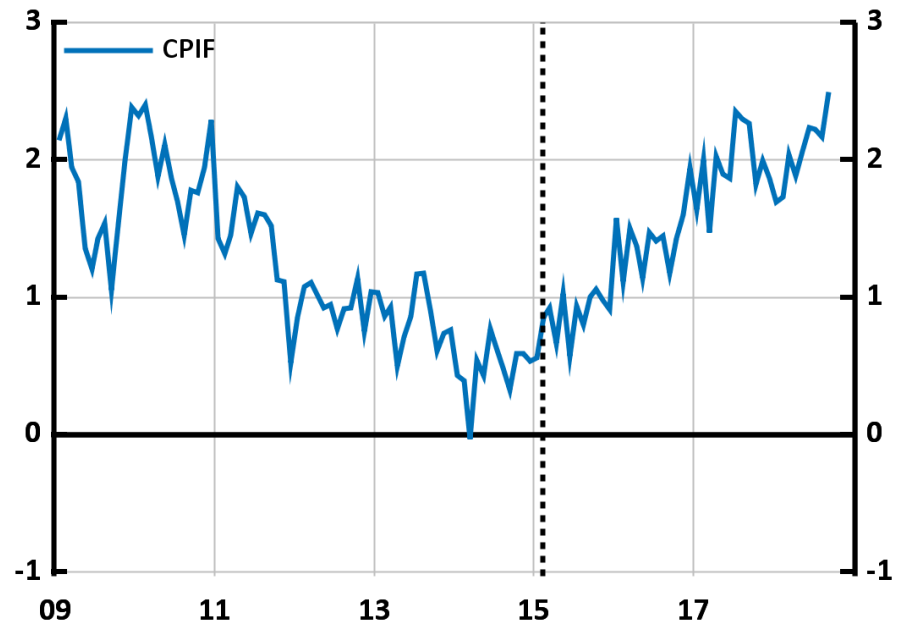


GDP level Index 2007 = 100, seasonally adjusted data

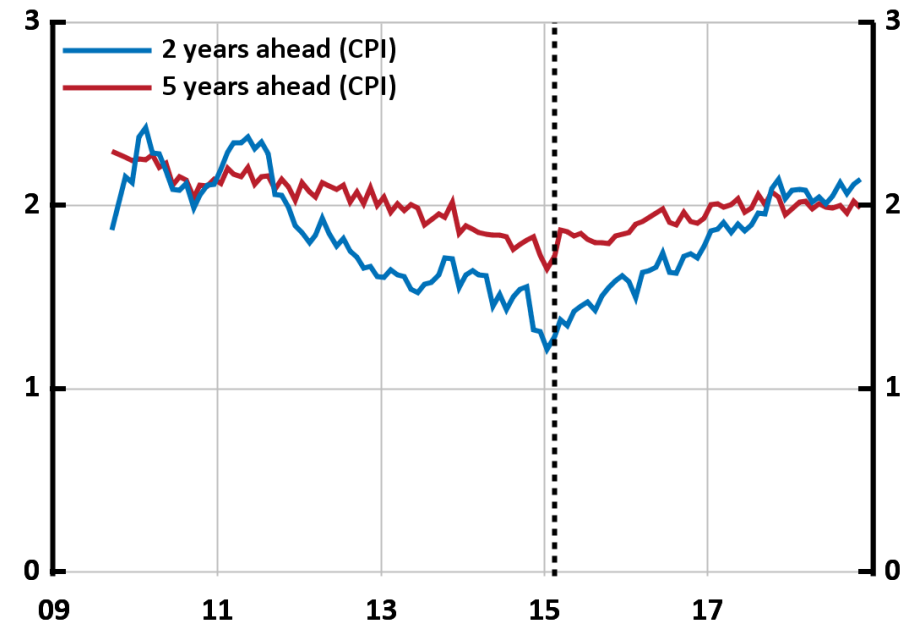
Sources: The Bureau of Economic Analysis, Eurostat and Statistics
Sweden

Expansionary monetary policy has helped

CPIF inflation has recovered



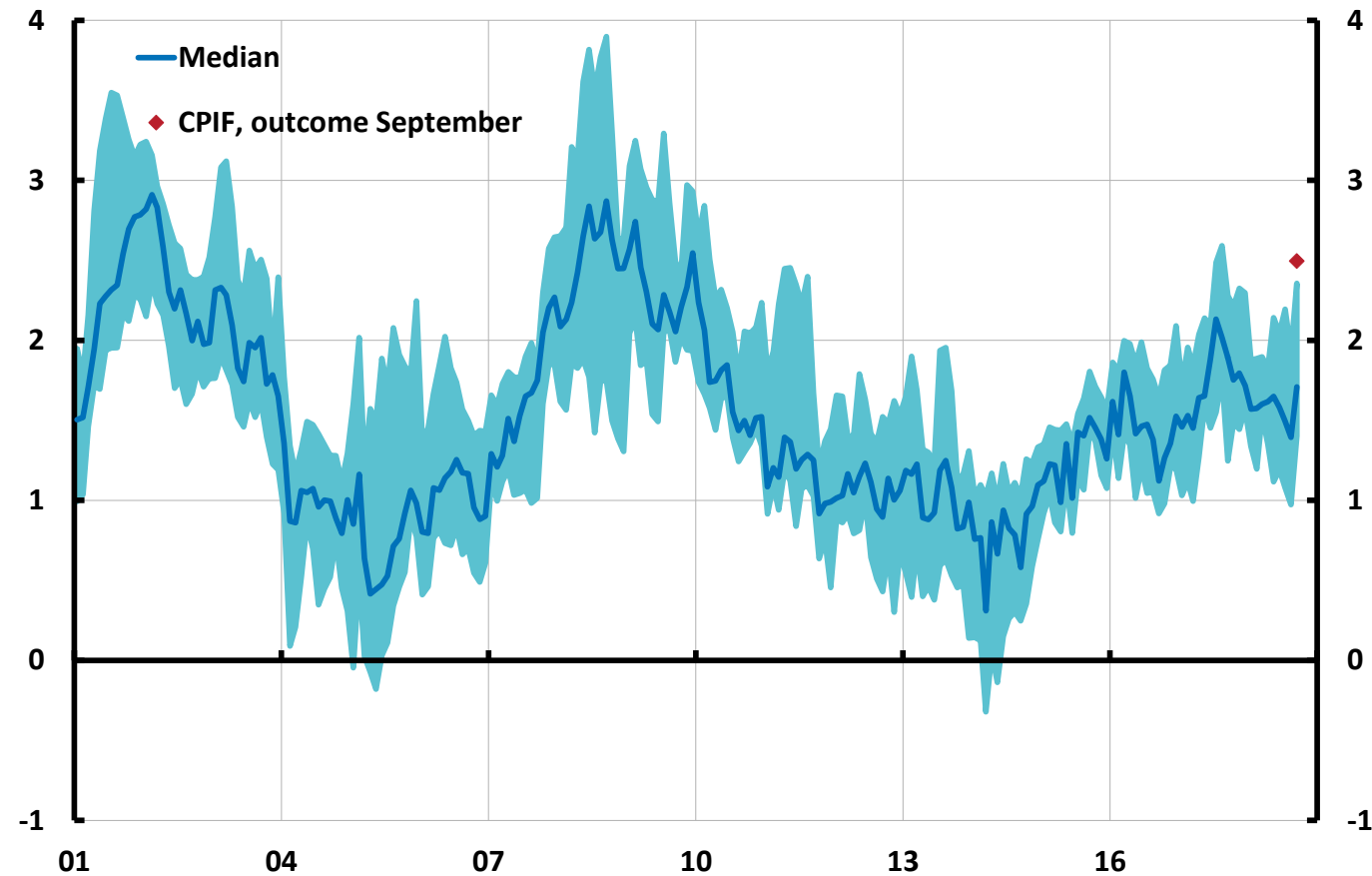
Inflation expectations back at 2 per cent



Annual percentage change. Vertical broken line indicates when a negative repo rate was introduced and government bond purchases were initiated. Inflation expectations among money market participants, average.

Source: Statistics Sweden and TNS Sifo Prospera

Moderate inflationary pressures

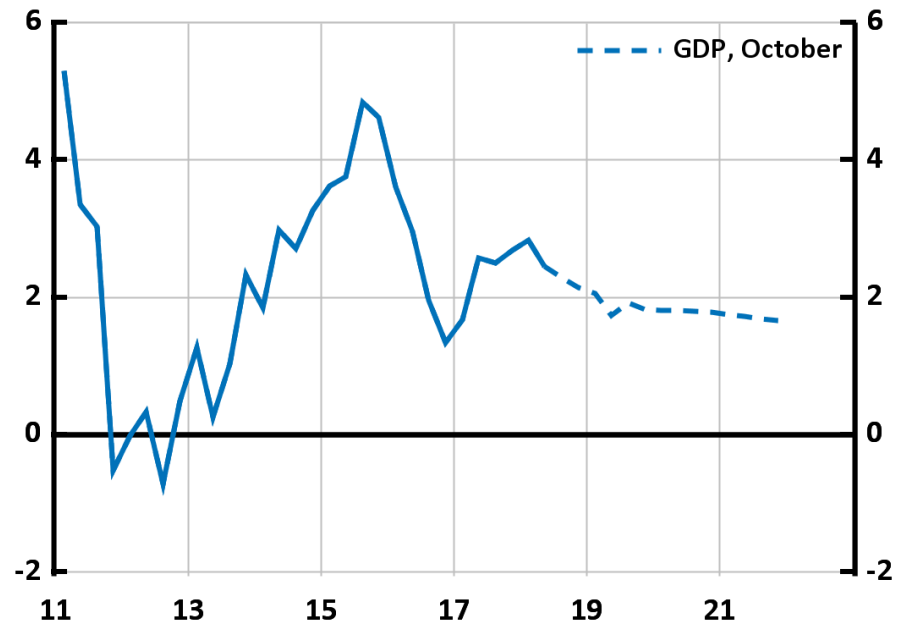


Annual percentage change. The field shows the highest and lowest outcomes among different measures of underlying inflation. The line represents the median of these measures.

Sources: Statistics Sweden and the Riksbank

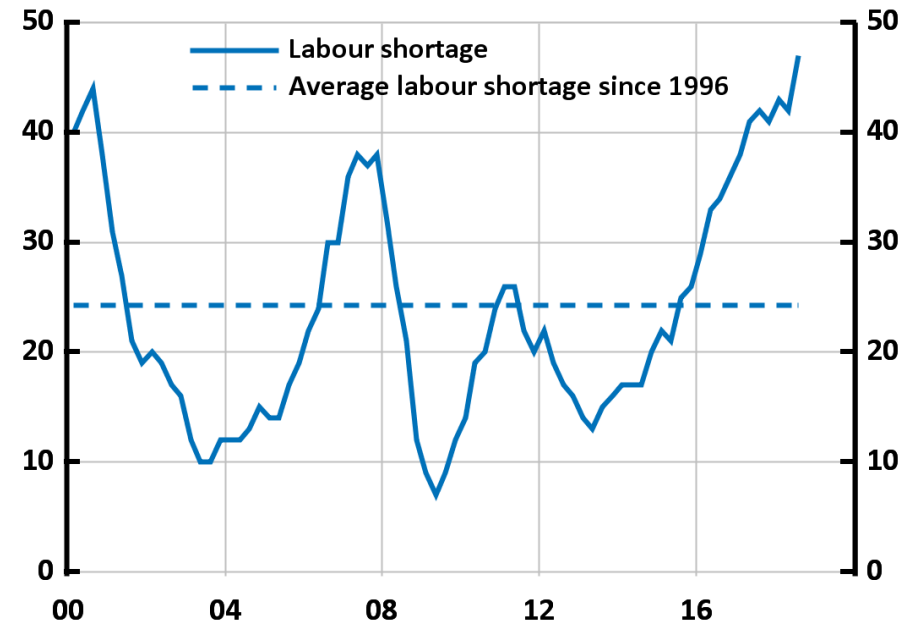
Strong Swedish economic activity

Calmer GDP growth...



Annual percentage change for GDP growth. Shortage figures derived from the proportion of firms responding yes to the question of whether there is a labour shortage.

...but high pressure on the labour market



Sources: Statistics Sweden, the Riksbank and the National Institute of Economic Research

Inflation close to target, energy prices providing a boost

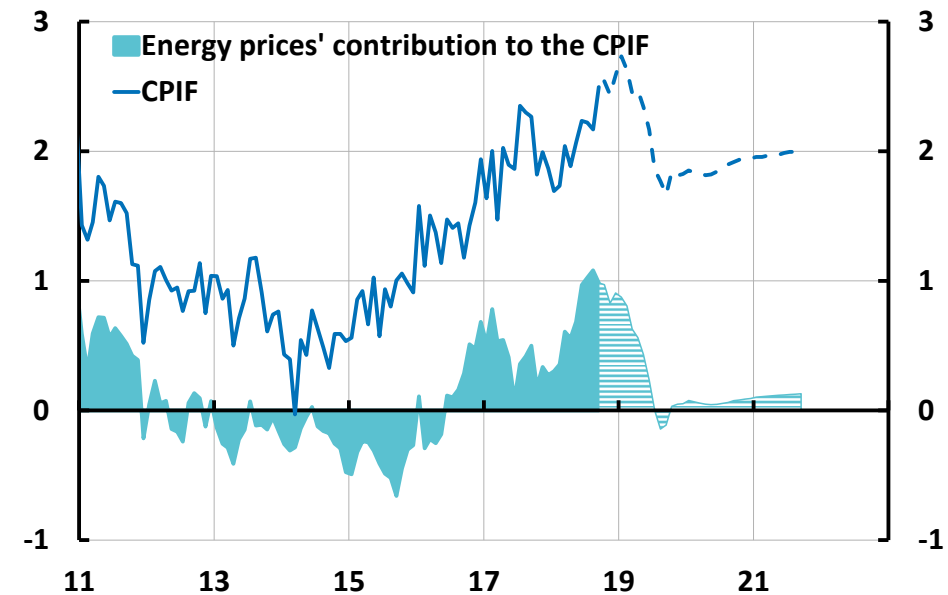
Good conditions for inflation close to 2 per cent

Continued good Swedish economic activity

Rising cost pressures

Inflation expectations at 2 per cent

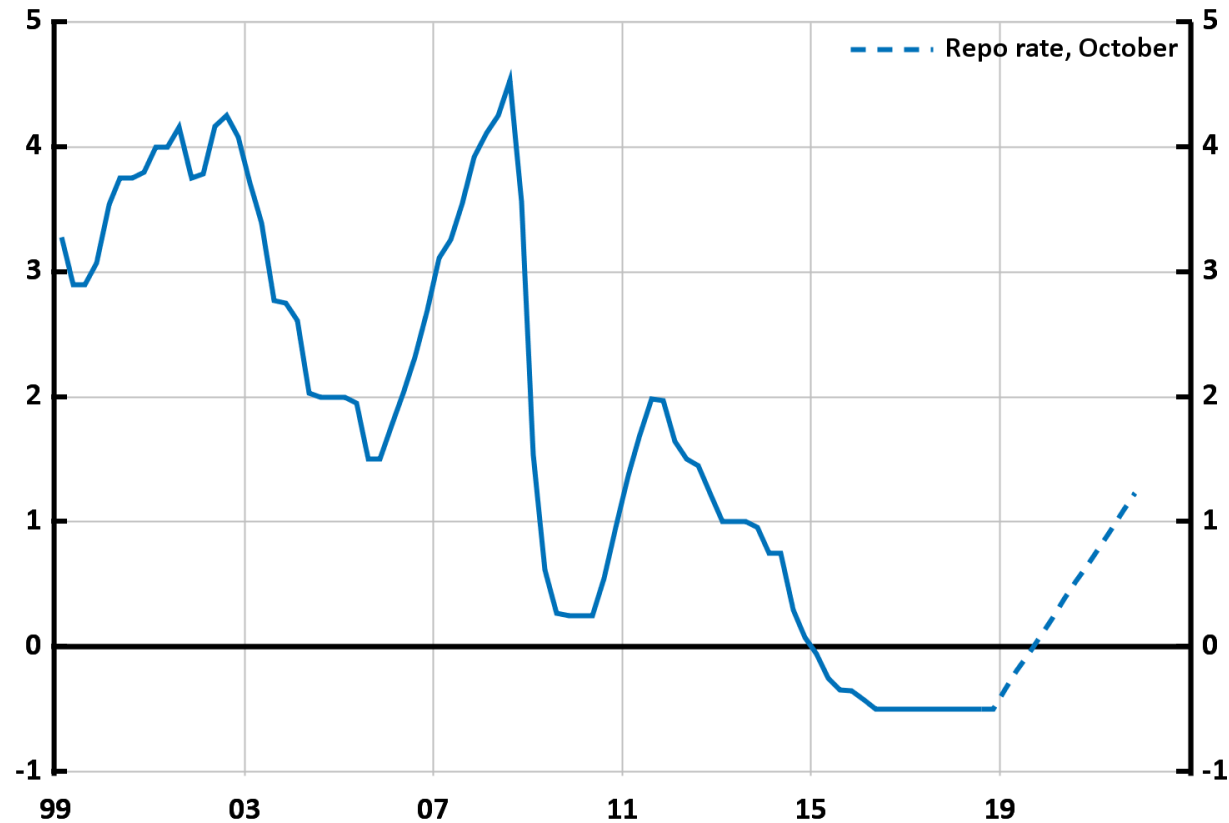
Gradually higher inflationary pressures abroad



Note. Annual percentage change.

Sources: Statistics Sweden and the Riksbank

If inflation prospects hold up, it will soon be appropriate to slowly raise the repo rate



Per cent

Source: The Riksbank

Challenges remain...



Inflationary pressures have been low for a long time



Despite economic boom - difficult for some to establish a foothold on the labour market



Difficult to find housing where the jobs are



Household indebtedness - a long-standing problem