

# Introduction on monetary policy

Riksdag Committee on Finance  
6 March 2018

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



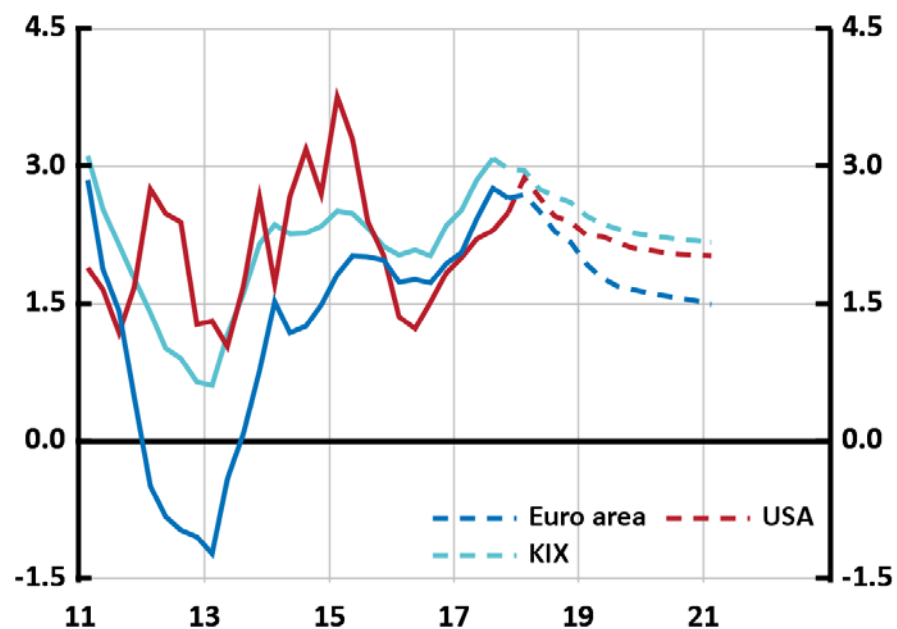
Stefan Ingves

Governor of Sveriges Riksbank



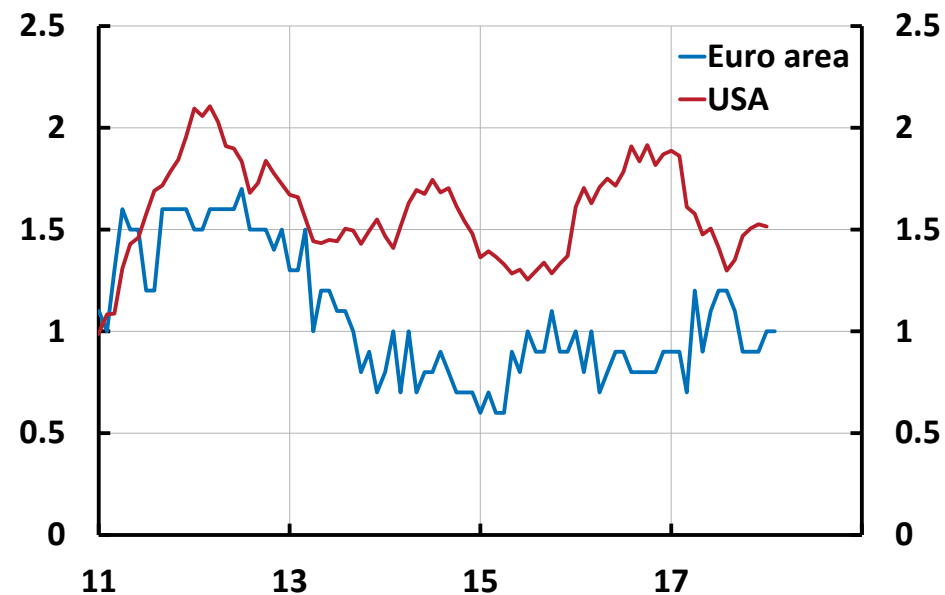
# International economy increasingly strong now

Good GDP growth...



Note. Annual percentage change. The KIX is an aggregate of countries that are important for Sweden's international transactions. Underlying inflation in the euro area is measured as the HICP excluding food, tobacco, alcohol and energy. In the United States, it is measured as PCE excluding food and energy.

... but underlying inflationary pressures still subdued

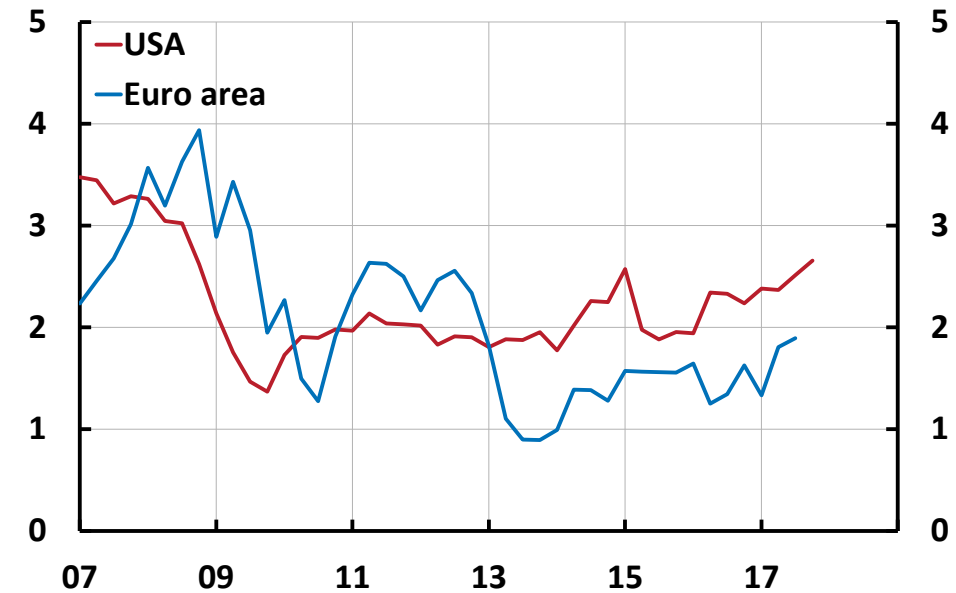
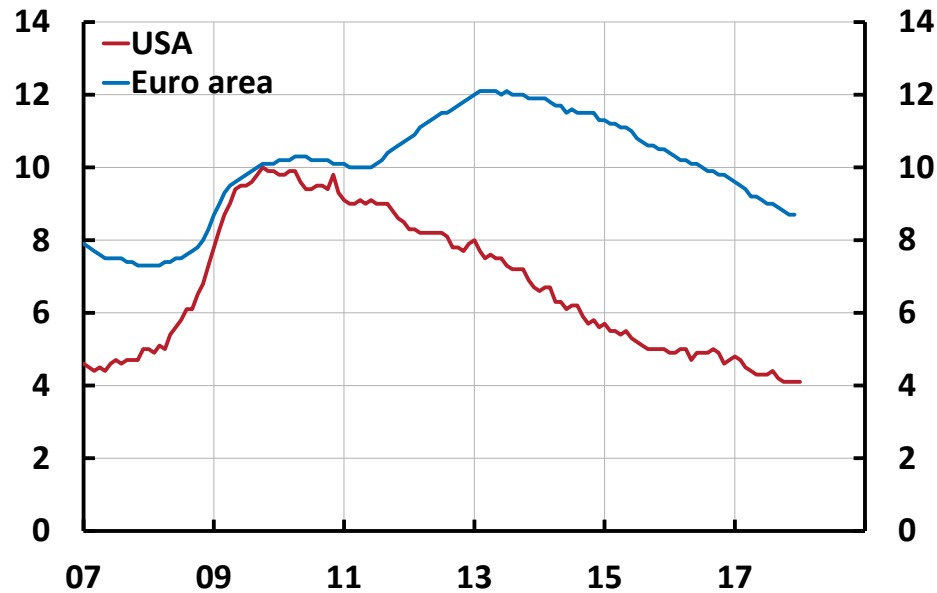


Sources: National sources, Bureau of Economic Analysis, Eurostat and the Riksbank

# Wages abroad developing slowly

Unemployment has declined in the euro area and the USA...

...but wages have increased slowly, particularly in the euro area

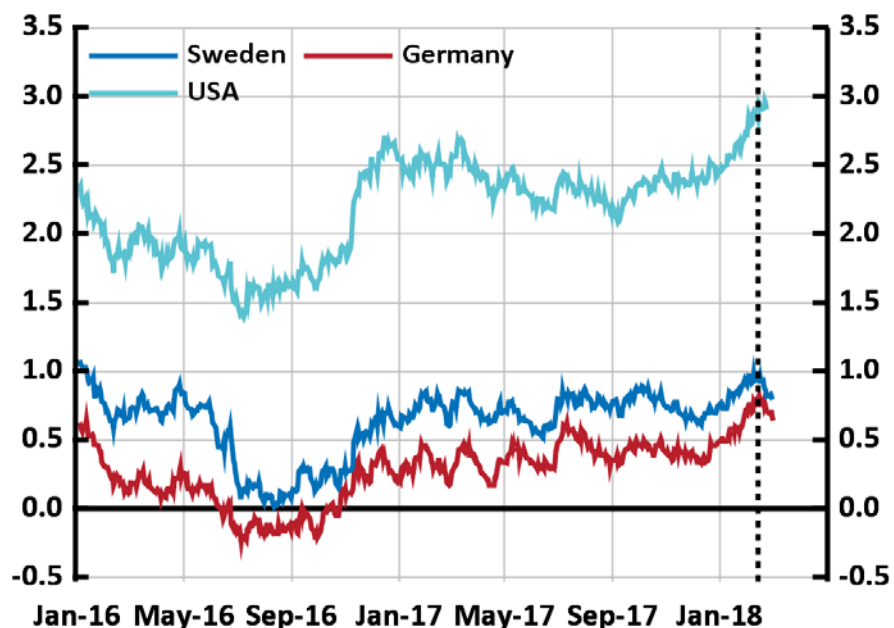


Note. Per cent and annual percentage change respectively. With regard to remuneration to employees, the Labour Cost Index is used for the euro area and the Employment Cost Index for the United States.

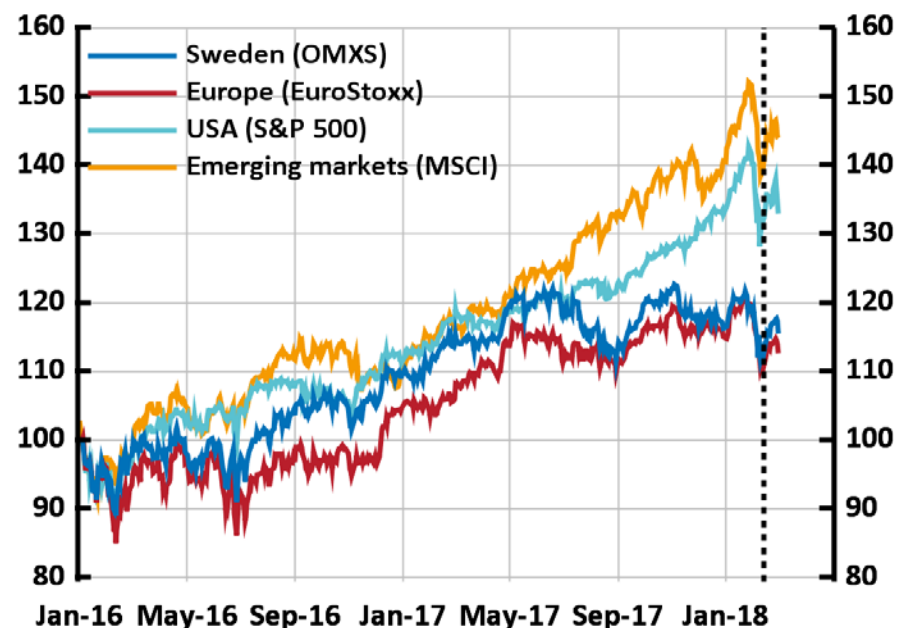
Sources: The OECD, the Bureau of Labor Statistics and the ECB.

# In the wake of stronger economic developments, long interest rates rose

Long-term interest rates have increased since the start of the year...



...which caused some concern on the stock market



Note. Per cent. Zero coupon yields calculated from 10-year government bonds Outcome up to 1<sup>st</sup> of March 2018, excl. for US bonds where outcomes are shown until 23<sup>rd</sup> of February 2018. The dashed line indicates when the monetary policy meeting was held.

Sources: Macrobond, Thomson Reuters and the Riksbank

# Stable GDP growth in Sweden

More impetus from abroad

Household consumption and corporate investment growing at a steady rate

Housing investment decreasing from high levels

Growth slowing to a more normal rate

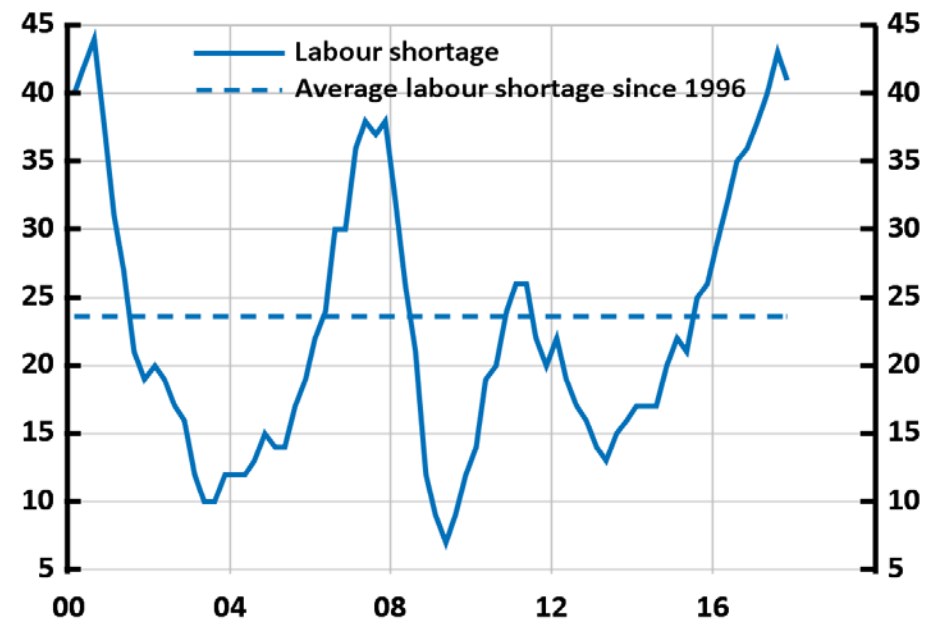


# Swedish labour market still strong

Unemployment has fallen



Labour shortage

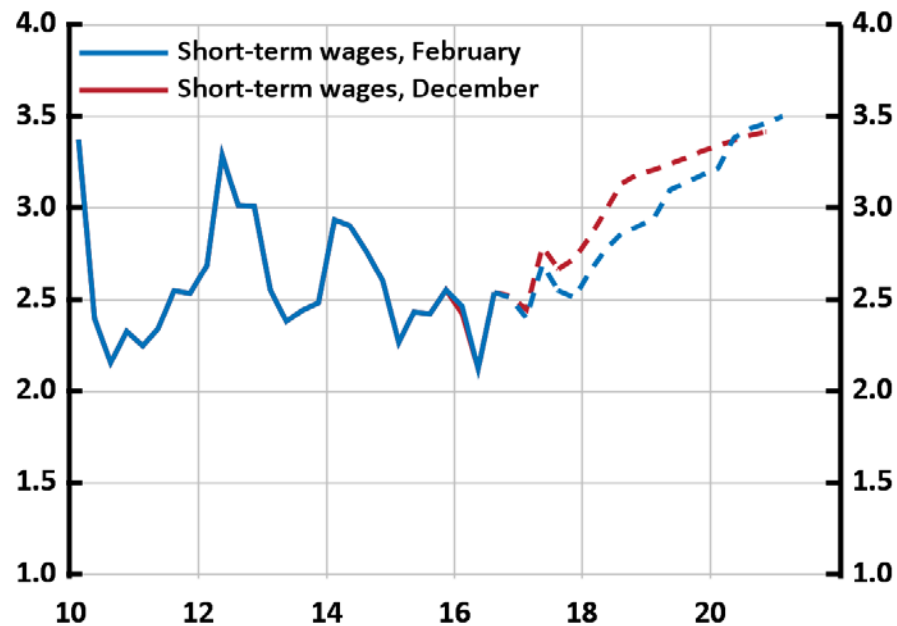


Note. Per cent of labour force, aged 15-74 and net figures respectively. The blue broken line in the graph on the right shows an average for the period 1996-2017.

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

# Somewhat lower inflationary pressures in Sweden recently

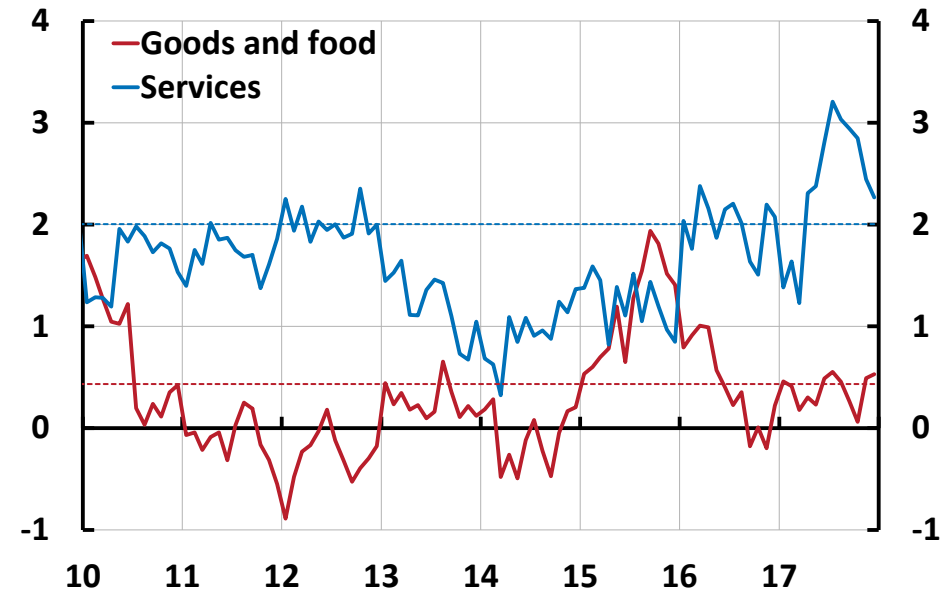
## Weaker wage development



Note. Annual percentage change. Wages according to short-term wage statistics.

Price development up to December. Broken lines refer to the average from 1995.

## Rate of price increase for services has slowed down



Sources: Statistics Sweden, Swedish National Mediation Office and the

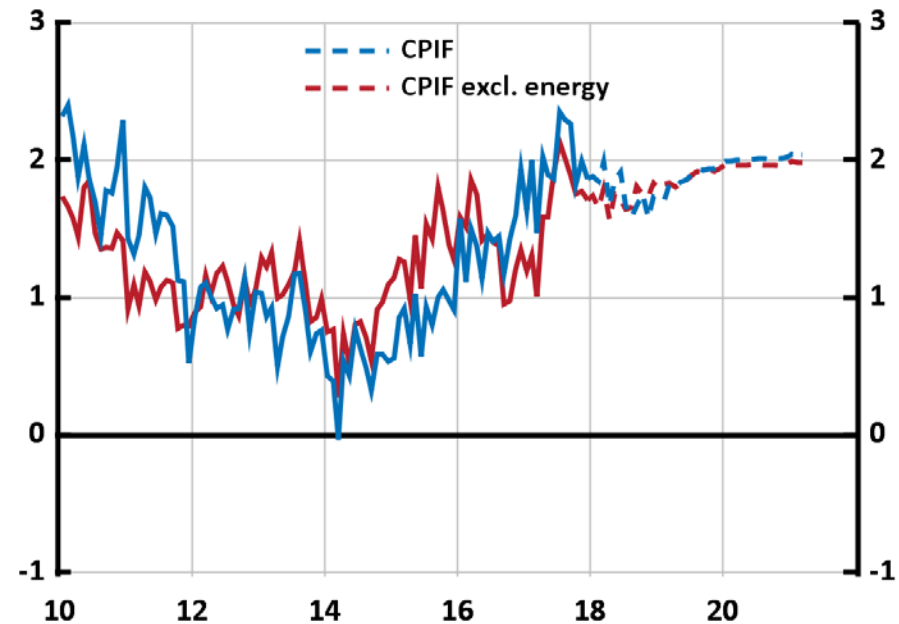
Riksbank

# Inflation close to 2 per cent from 2019, but with continued support from monetary policy

Stronger international economic activity

High resource utilisation

Inflation expectations at 2%



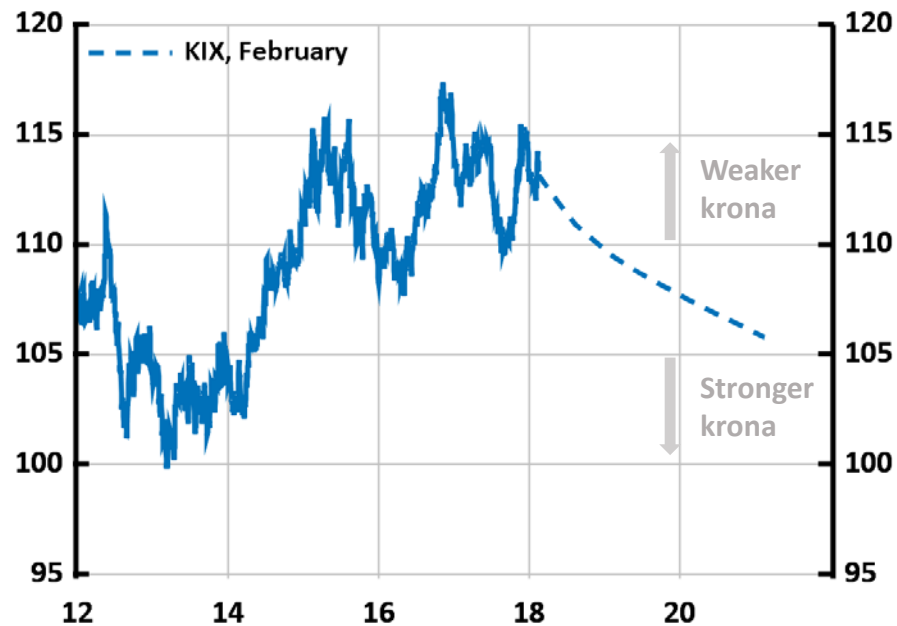
Note. Annual percentage change.

Sources: Statistics Sweden and the Riksbank



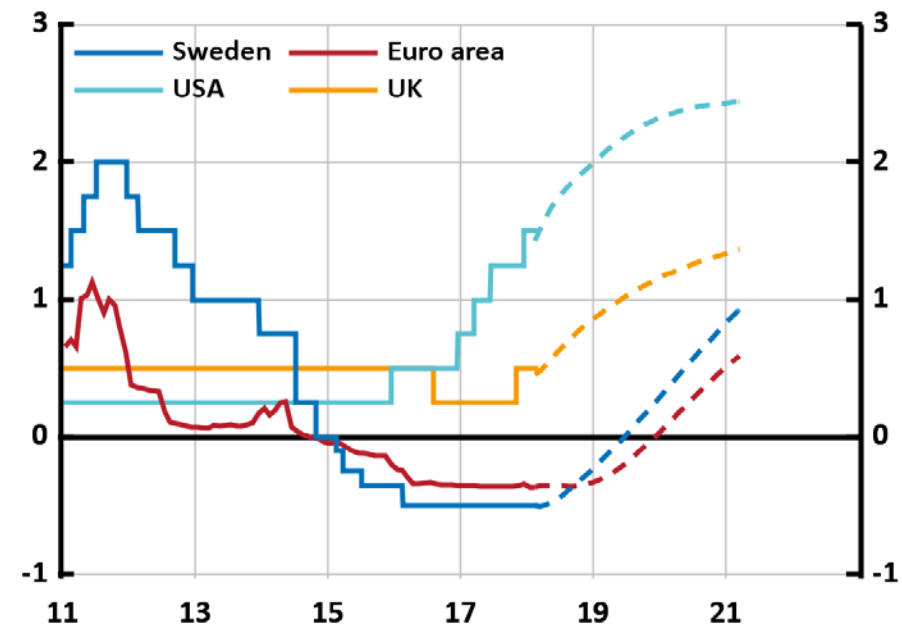
# Exchange rate movements a risk factor

Krona expected to appreciate slowly



Note. Index, 18 November 1992=100 and per cent The KIX is an aggregate of countries that are important for Sweden's international transactions. Policy rates and rate expectations according to forward pricing 12<sup>th</sup> of February.

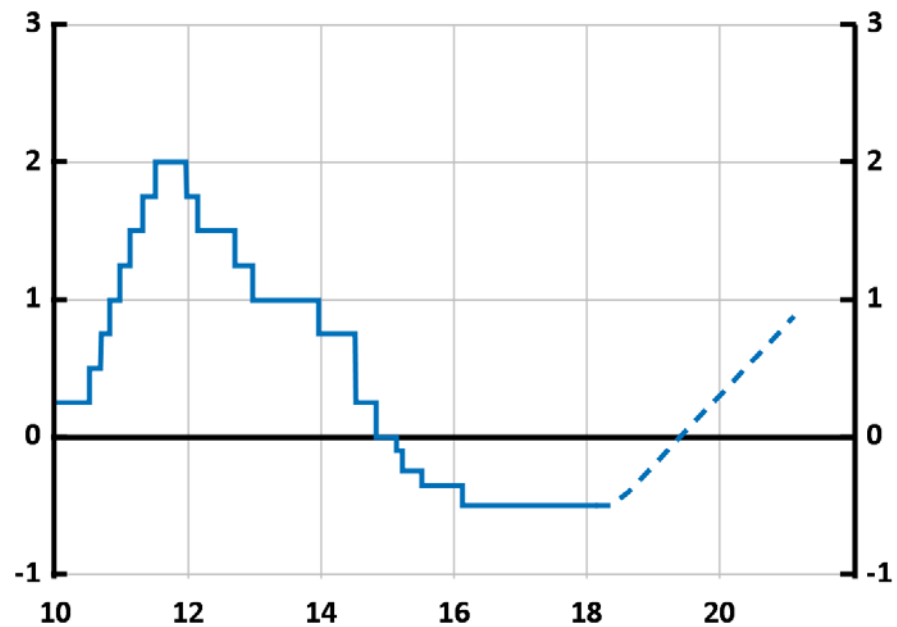
Monetary policy abroad important to the krona



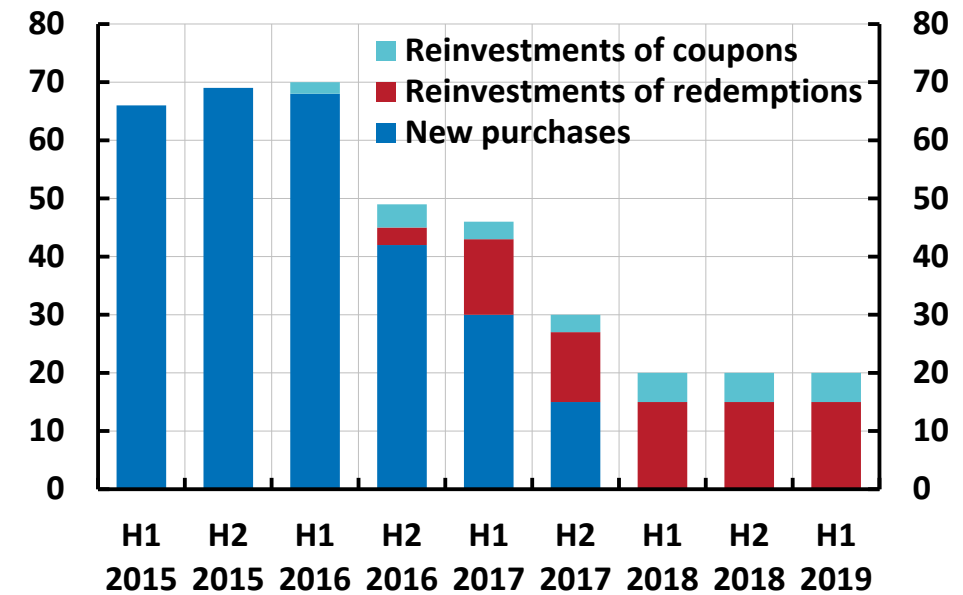
Sources: National central banks, Thomson Reuters and the Riksbank

# Continued expansionary monetary policy

Repo rate -0.50 per cent



Purchases of government bonds



Note. Per cent and nominal amount, SEK billion.

Source: The Riksbank

# Monetary policy deliberations



Unchanged repo rate and repo-rate path

It has taken a long time to bring up inflation

Weaker inflationary pressures creating uncertainty

**Monetary policy needs to proceed cautiously**

# Challenges remain...

- Underlying inflationary pressures are still low
- The labour market is divided
- The housing market constrains
- Household indebtedness still source of concern

