



# Monetary policy in a new environment

ESO seminar: A brighter future?  
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S V E R I G E S R I K S B A N K



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The Economist, September 2008.

# The economic landscape has changed

- Lower interest rates
- Higher interest-rate sensitivity among households
- Increased supply of labour



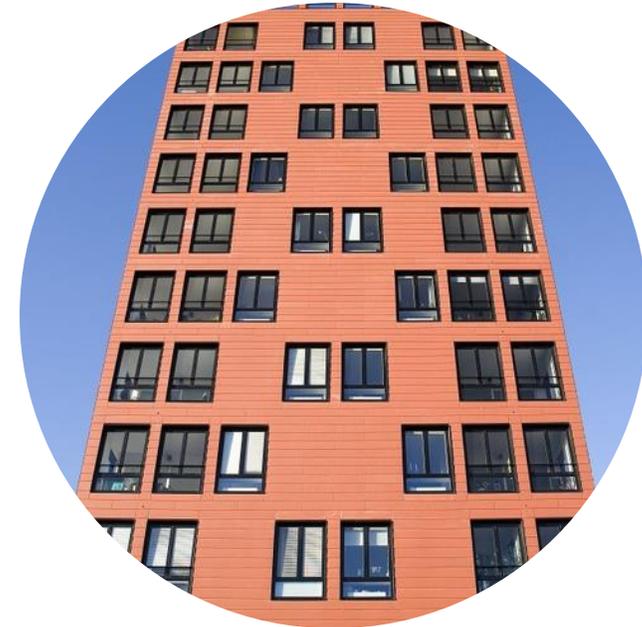
# Global interest rates lower than before

- Downward trend in global interest rates
- Policy rates lower on average
- Complementary monetary policy more common in the future?



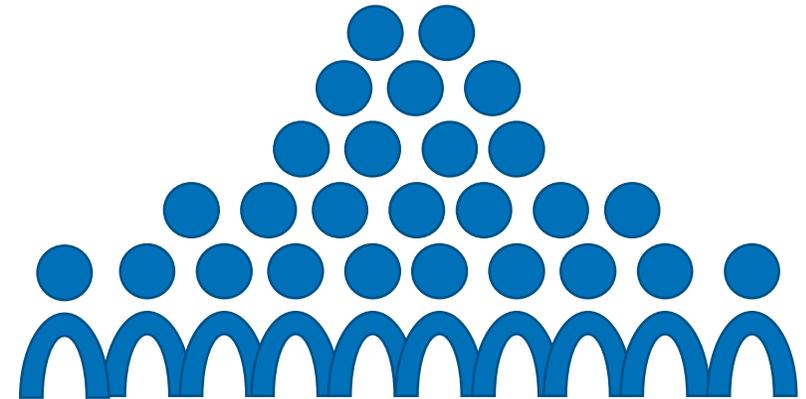
# Households more sensitive to interest rate adjustments

- High indebtedness among households
- Greater effect of interest rate on disposable income
- Greater effect on consumption
- Impact of monetary policy?



# Significantly more people in the labour force

- Greying population
- Migration and reforms
- Fundamentally a positive development
- Presupposes better integration



# The new economic landscape

- Important to have reasonable expectations of monetary policy
  - Flexibility only if the inflation target is credible
  - Not the solution to structural problems
- Challenge for other policy areas as well

# The target was met in 2017 after powerful support from monetary policy

Inflation close to target...



Note. Annual percentage change and per cent, mean value.

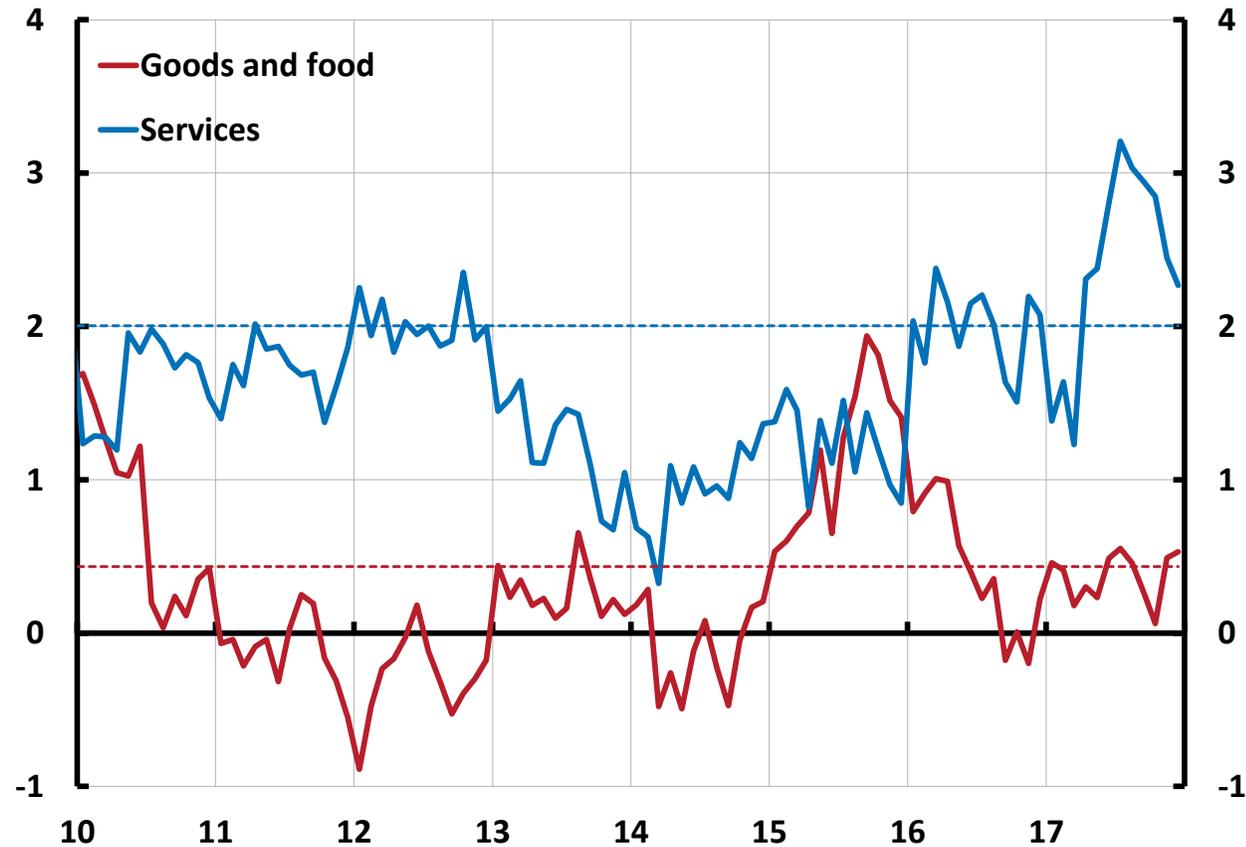
...and inflation expectations close to 2 per cent



Sources: TNS Sifo Prospera, Statistics Sweden and the Riksbank

# Need for continued expansionary monetary policy

Service prices have slowed



Note. Annual percentage change. Broken lines refer to the average from 1995.

Sources: Statistics Sweden and the Riksbank

# Inflation and monetary policy going forward

- Inflationary pressures abroad
- Wages and productivity in domestic sectors
- Prices of goods and services
- Exchange rate

Combination determines design of monetary policy

# A brighter future?

- Stronger economic activity in Sweden and abroad
- Inflation on average on target in 2017
- More macroprudential policy tools in place
- Employment increasing among foreign-born persons



But challenges remain...

How we face up to these challenges will determine how bright the future will be in practice