

Living the new normal – perspectives from the Riksbank

Bank of Albania & LSE conference
“Monetary Policy, Economic
Integration and the New Normal “
Tirana, November 1, 2018

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

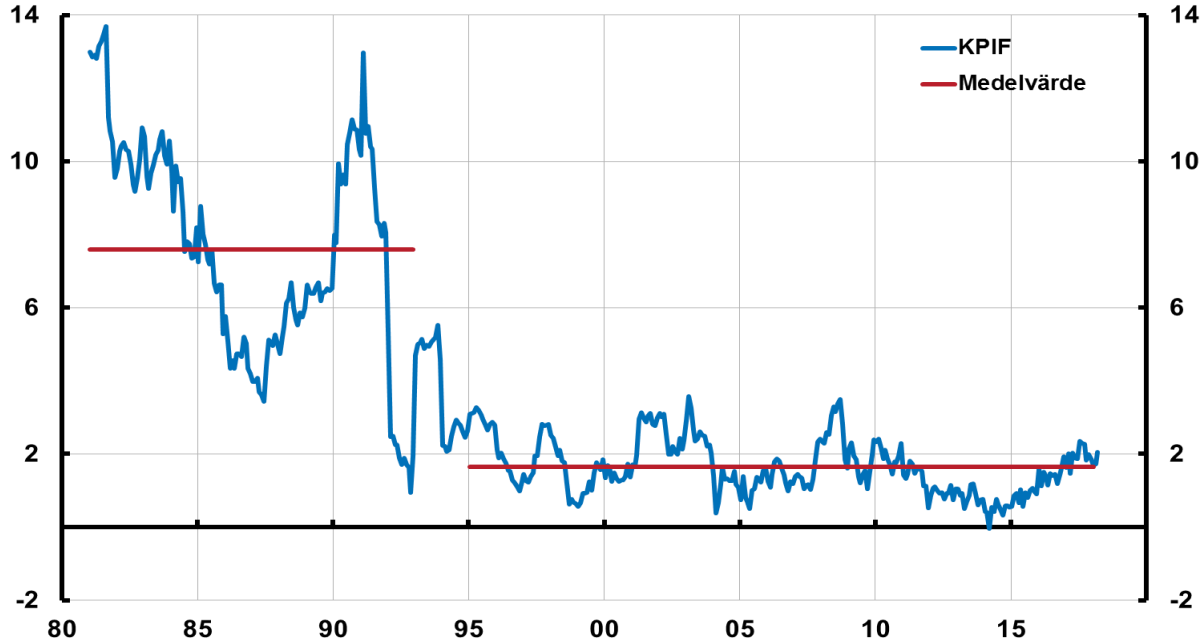


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The views expressed here are my own and do not necessarily reflect those of the Executive Board of Sveriges Riksbank



Sweden: low and more stable inflation since the introduction of inflation targeting

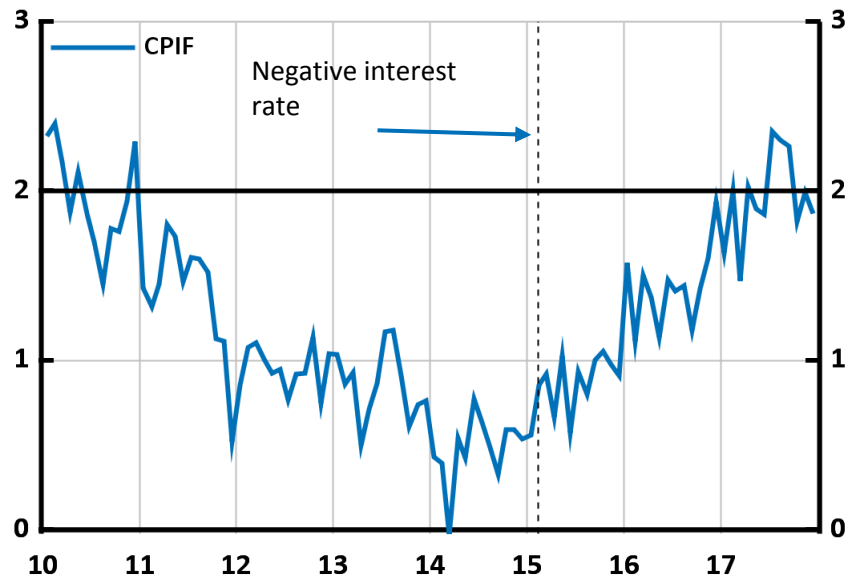


Note. Annual percentage change. CPIF (KPIF) is the official target variable since September 2017.

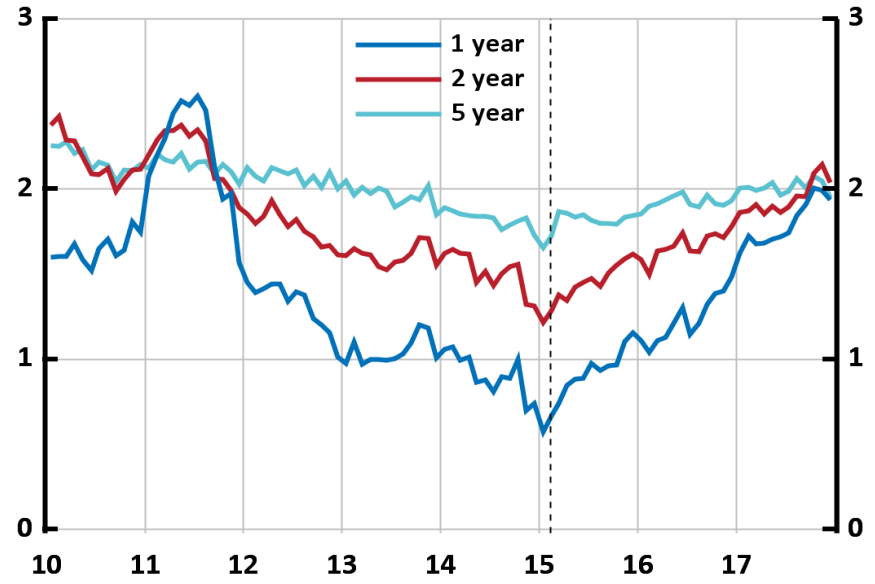
Source: Statistics Sweden

Expansionary monetary policy has led to inflation aligned with the target and anchored inflation expectations

Inflation



Inflation expectations

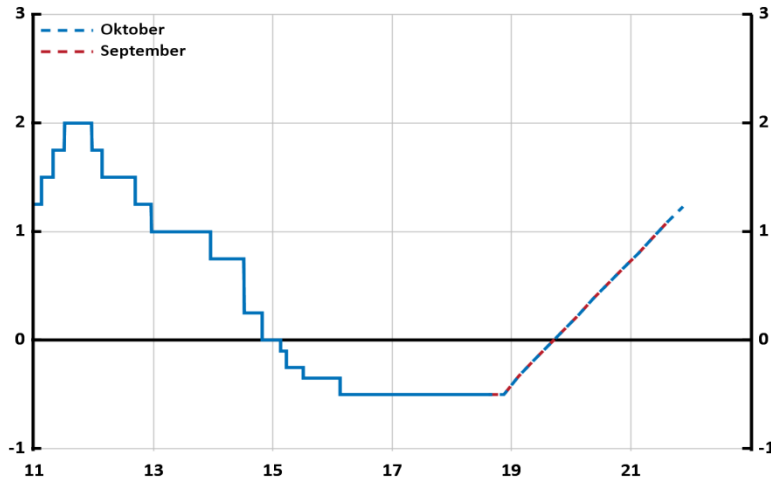


CPIF inflation (percent) and inflation expectations among money-market participants (percent).

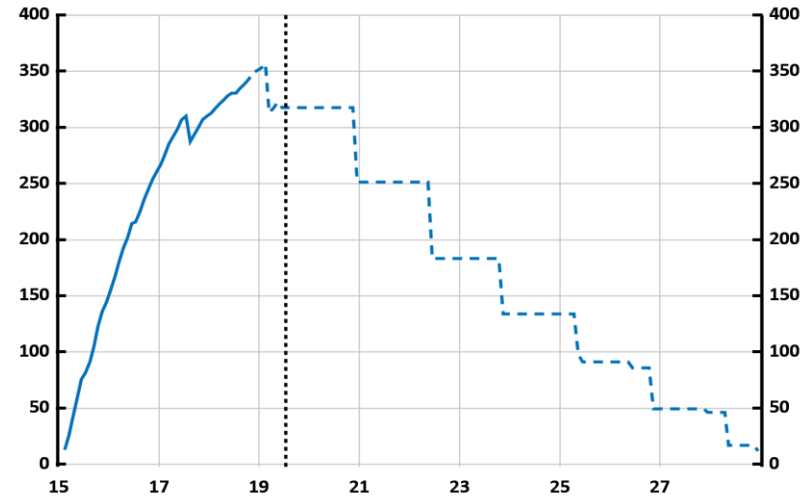
Sources: Statistics Sweden, TNS Sifo Prospera and the Riksbank

Monetary policy in recent years: negative policy rate and large-scale asset purchases

Negative policy rate
(per cent)



Government bond purchases
(billion SEK)

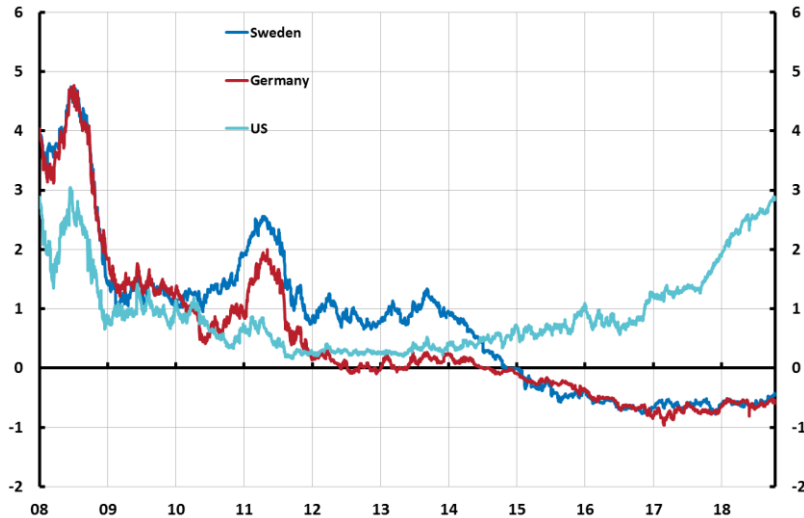


Source: The Riksbank

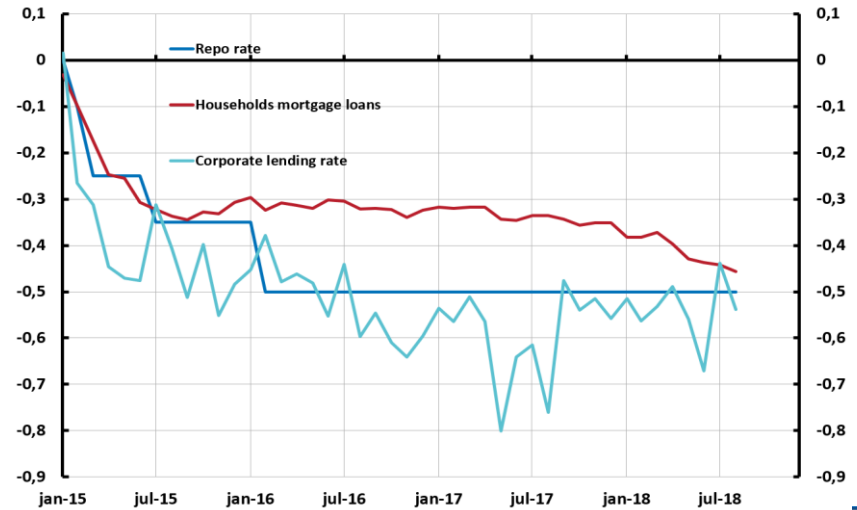
Note: In right hand panel, the vertical line marks the shift between the forecast and a technical projection, made under the assumption of no further reinvestments.

Impact on other interest rates

2-year government bond yield SE DE and US



Lending rates to firms and households, change since January 2015



Lessons learnt and current issues

- The “new” monetary policy tools used during and since the GFC should remain in the tool kit
- Flexible inflation targeting should be used flexibly
 - Avoid impression of fine-tuning and optimal control
 - Decision-making in committees
 - Challenge – how keep inflation expectations anchored?
- Reviews of central bank mandates in e.g. Norway and Sweden
 - Sweden – how make distinction between monetary policy and financial stability (where the former is to be conducted in independent way)