

**Minsk July 1, 2015**

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# Monetary policy targets

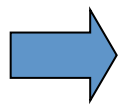
- Choose between monetary targets
  - Exchange rate
  - Inflation
- One instrument – one target
- Real targets (economic growth, unemployment) can be addressed by monetary policy only in the short run

# Monetary Policy Regimes

- 1951-1973:
  - Fixed exchange rate (Bretton Woods)
  - Low rates to finance government budget
  - Strict financial and exchange controls
- 1973-1992:
  - Fixed exchange rate (The Snake)
  - Several devaluations
  - Deregulation of financial markets in the 1980:ies
- 1992-
  - Floating exchange rate
  - Inflation target

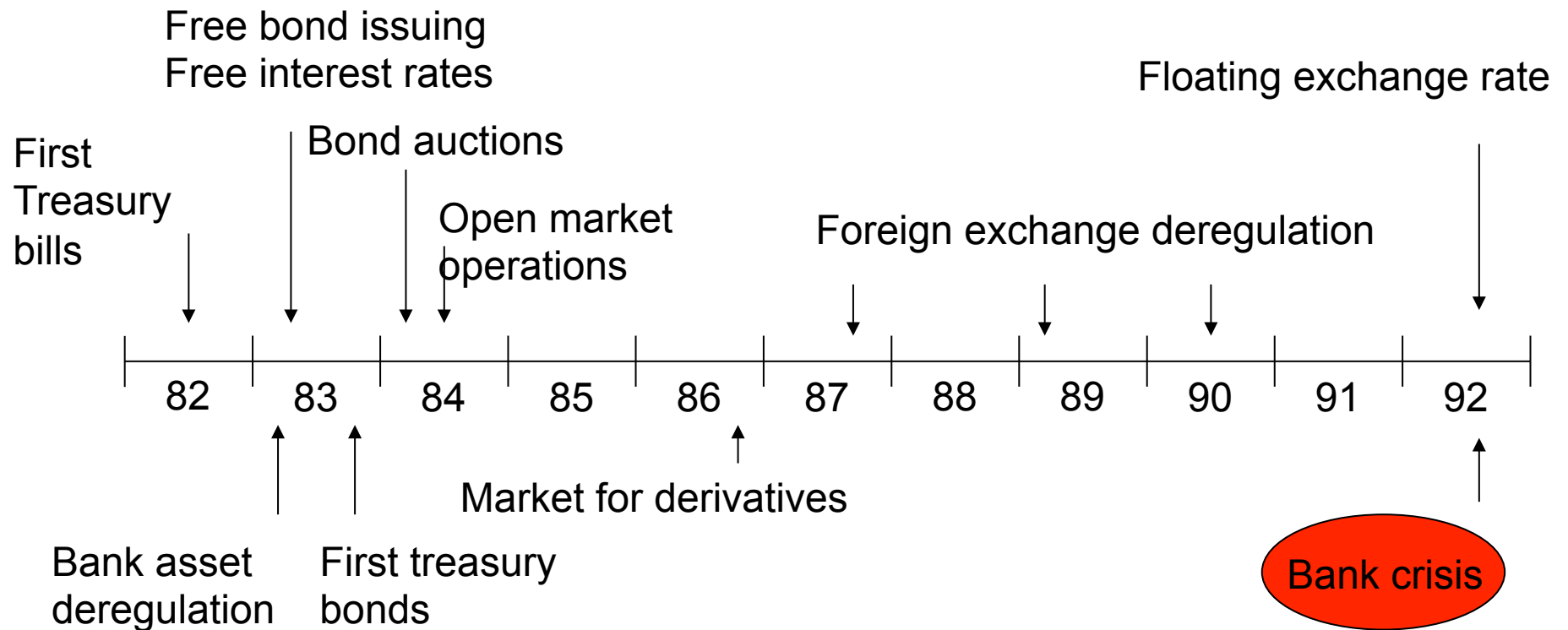
# The regulatory system in Sweden before 1980

- Interest rate regulation
- Investment Quotas
- Credit Rationing
  - Credit ceilings
  - Bond issue restrictions
  - Entry restrictions
- Foreign exchange regulation



A centrally planned  
financial sector

# Regulations gradually abolished



# Inflation targeting

- Policy decisions taken by an independent board of governors
- Very transparent policy process necessary to provide accountability

# Independence

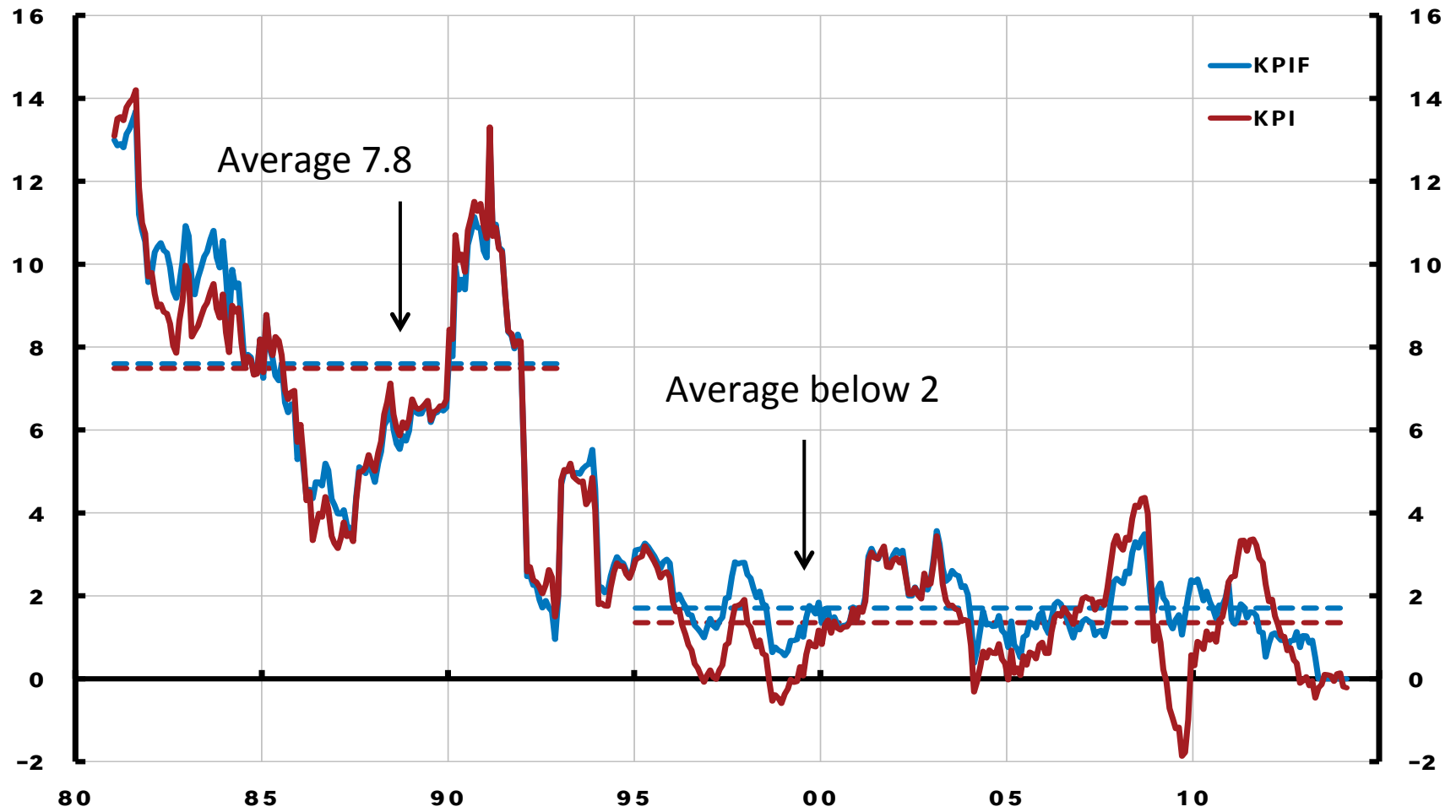
- Parliament (not government)
- The General Council – 11 politically chosen members
- The Executive Board – 6 members with independent mandate to set the interest rate
- Idea: Monetary policy should not be influenced by short run political targets
- Same as in the ECB

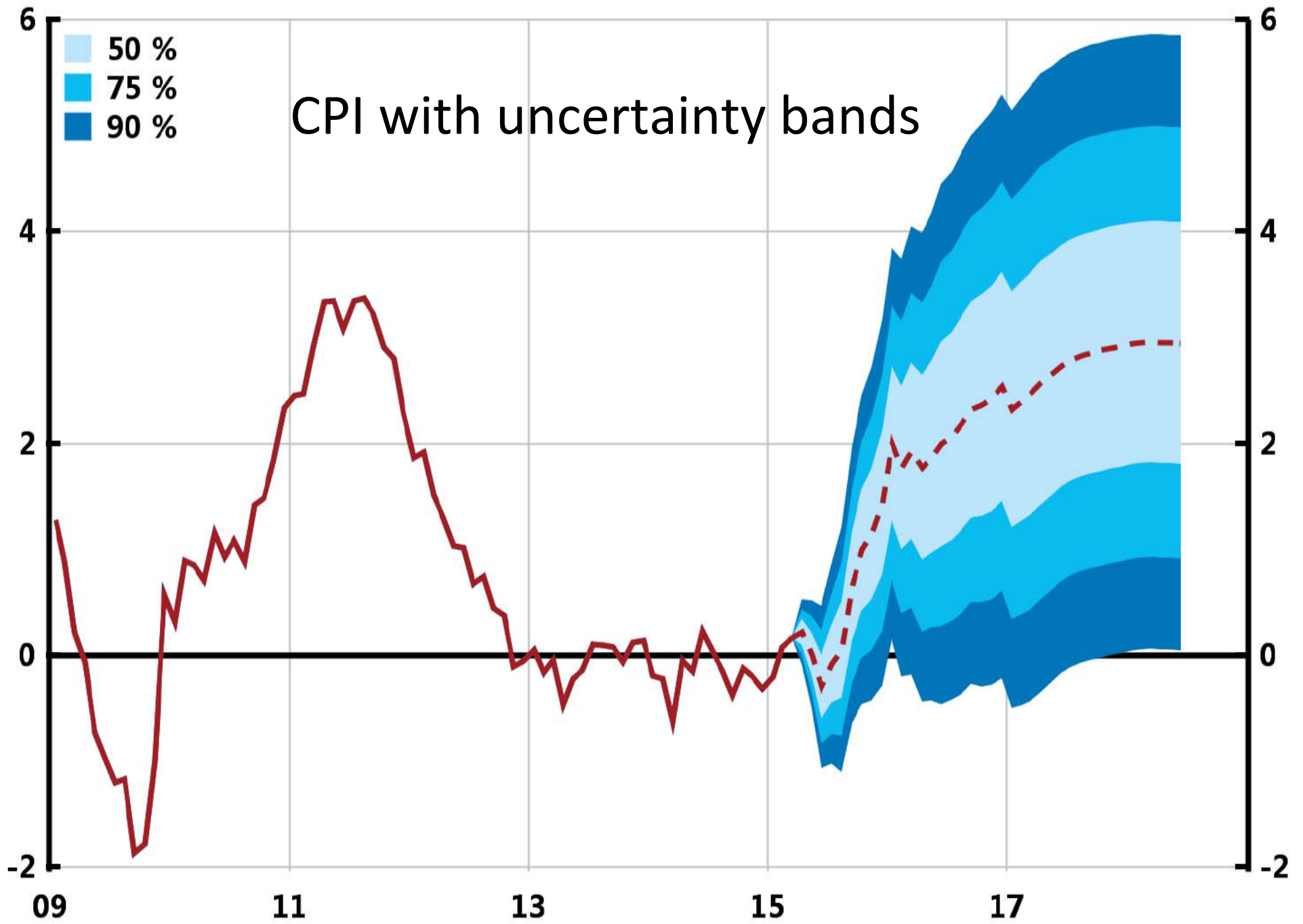
# Transparency

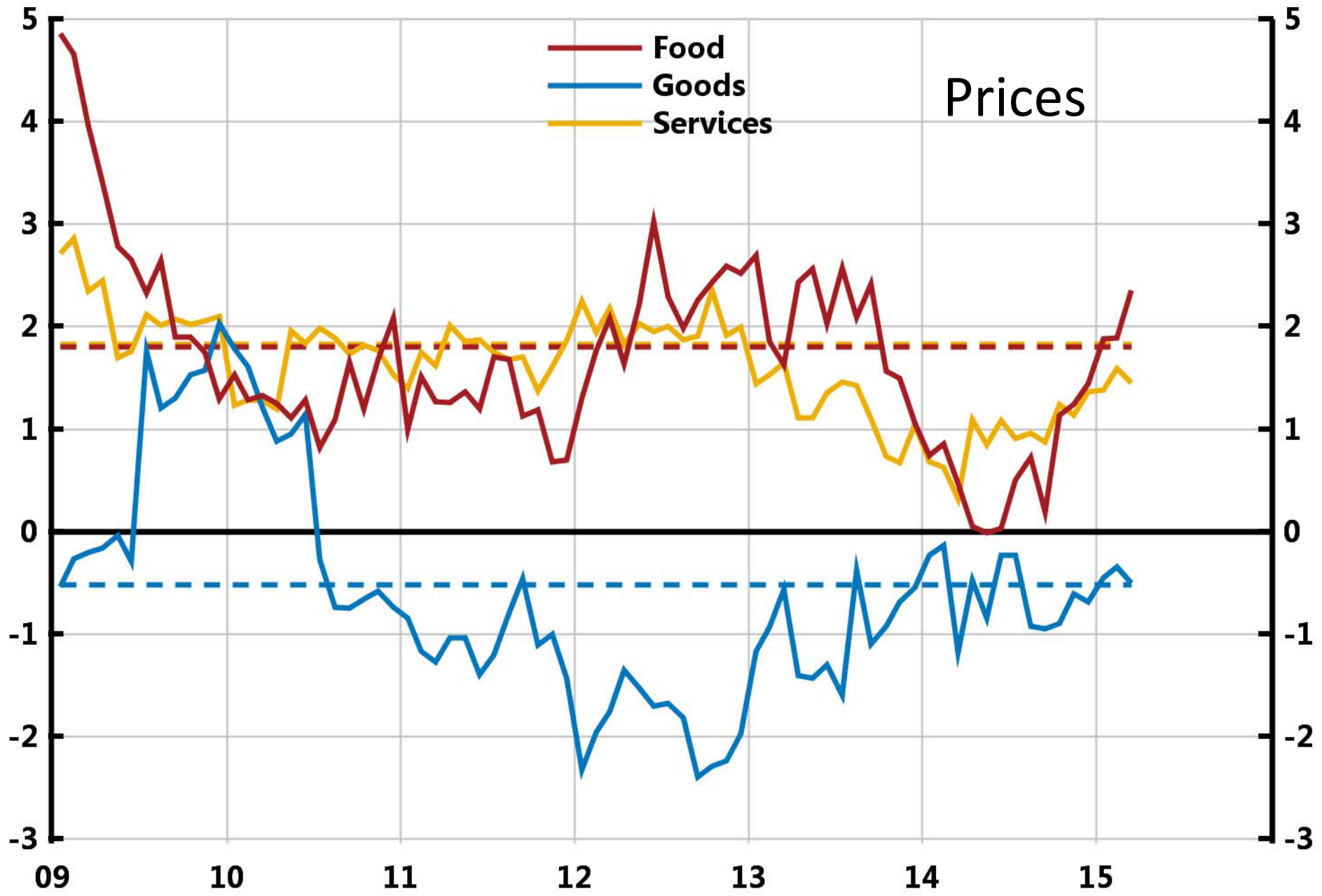
- Six published Monetary Policy Reports
- Press conferences after every policy decision
- Minutes where the arguments of each individual governor can be seen
- Numerous speeches by all members of the Executive Board
- Excellent home-page
- Nowadays even twitter!



# Inflation came down following the inflation target

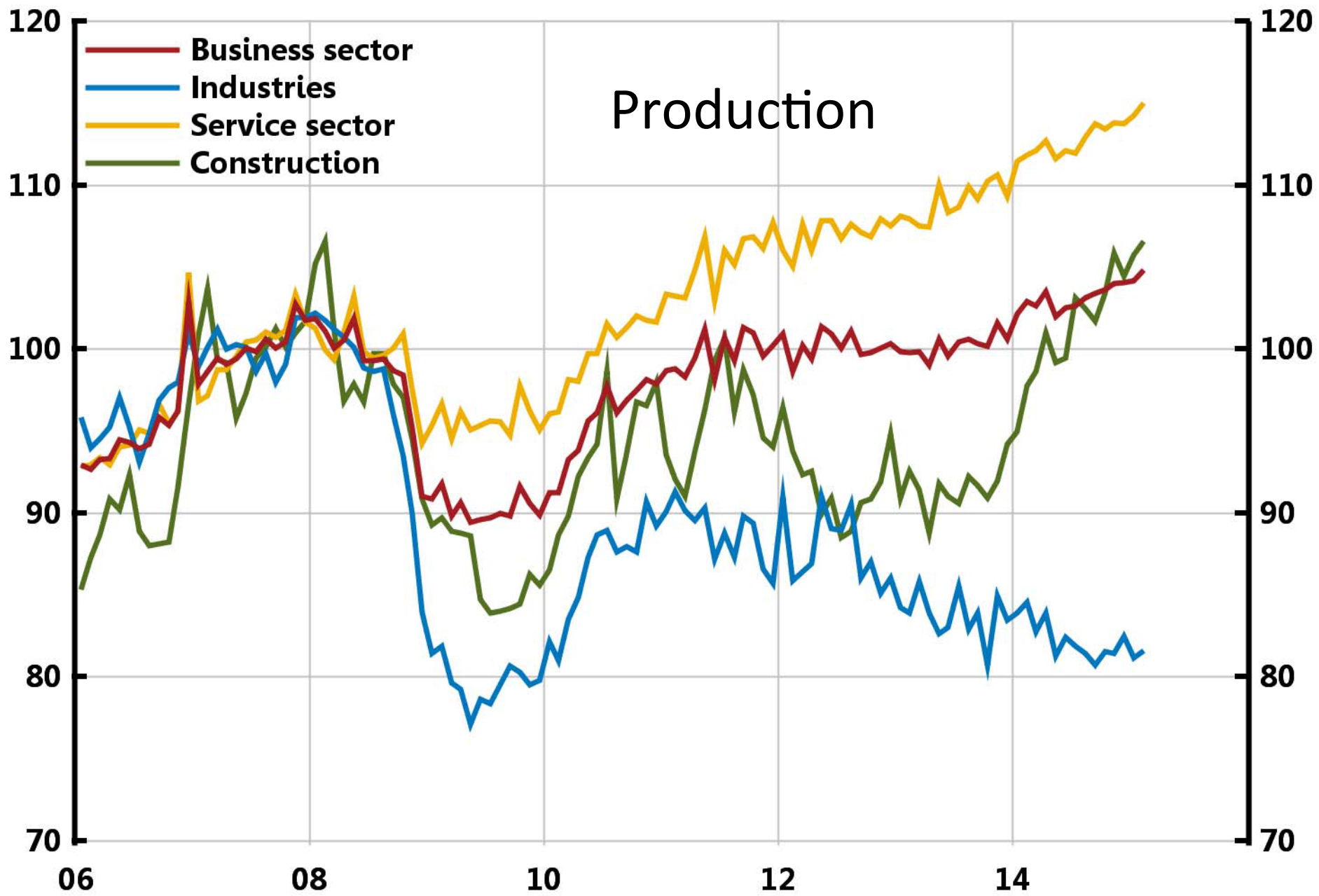


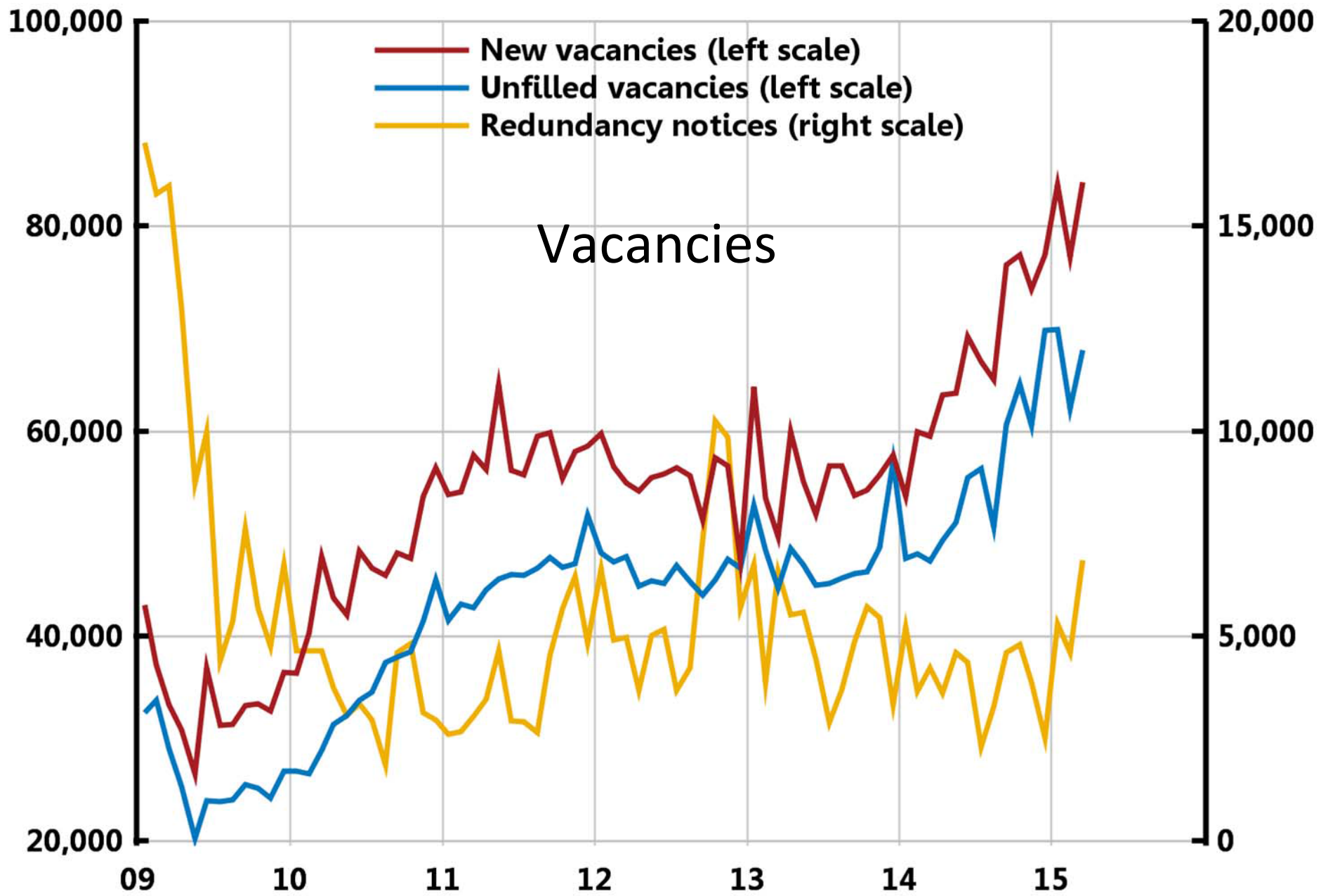


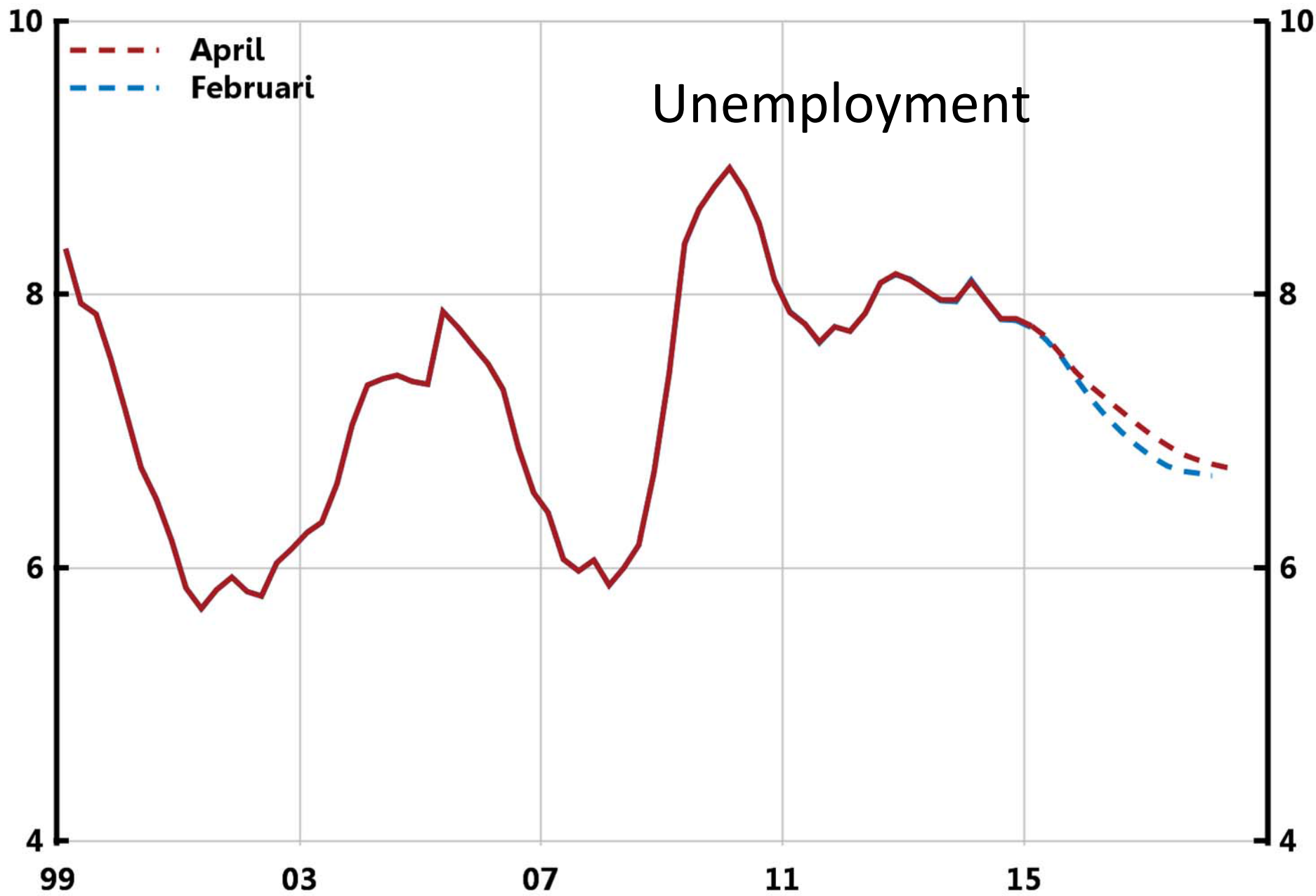


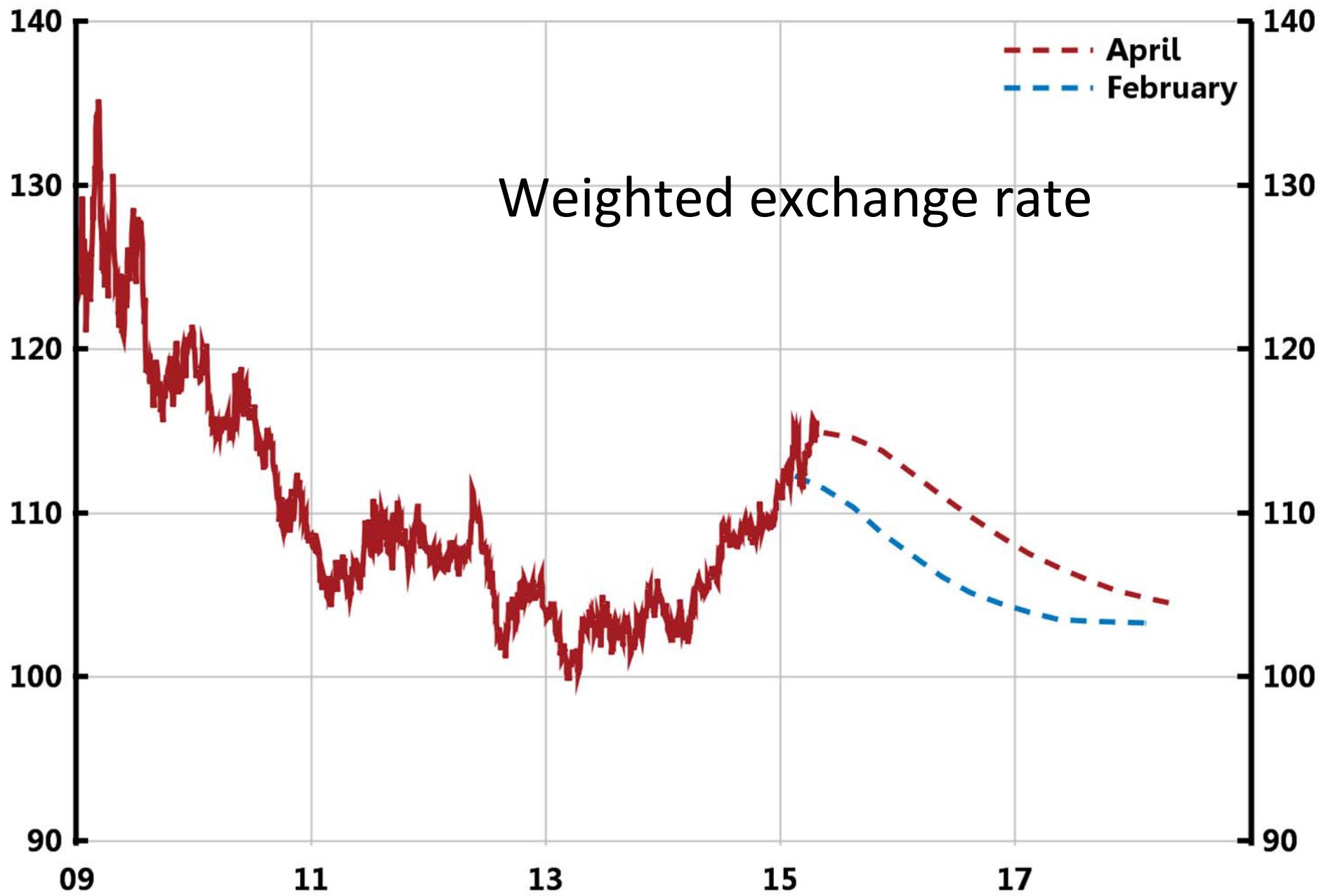
# Prices

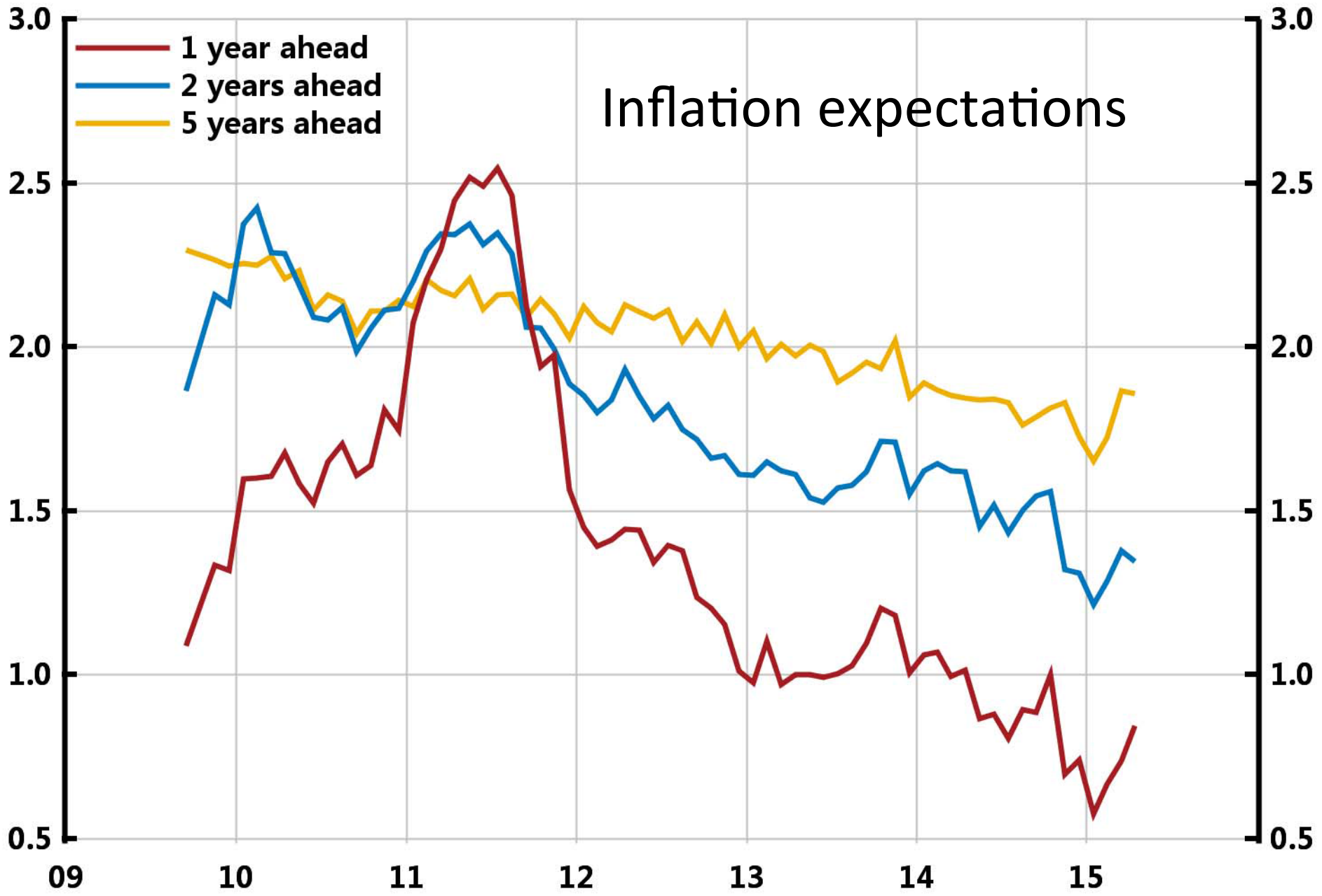
- Food
- Goods
- Services



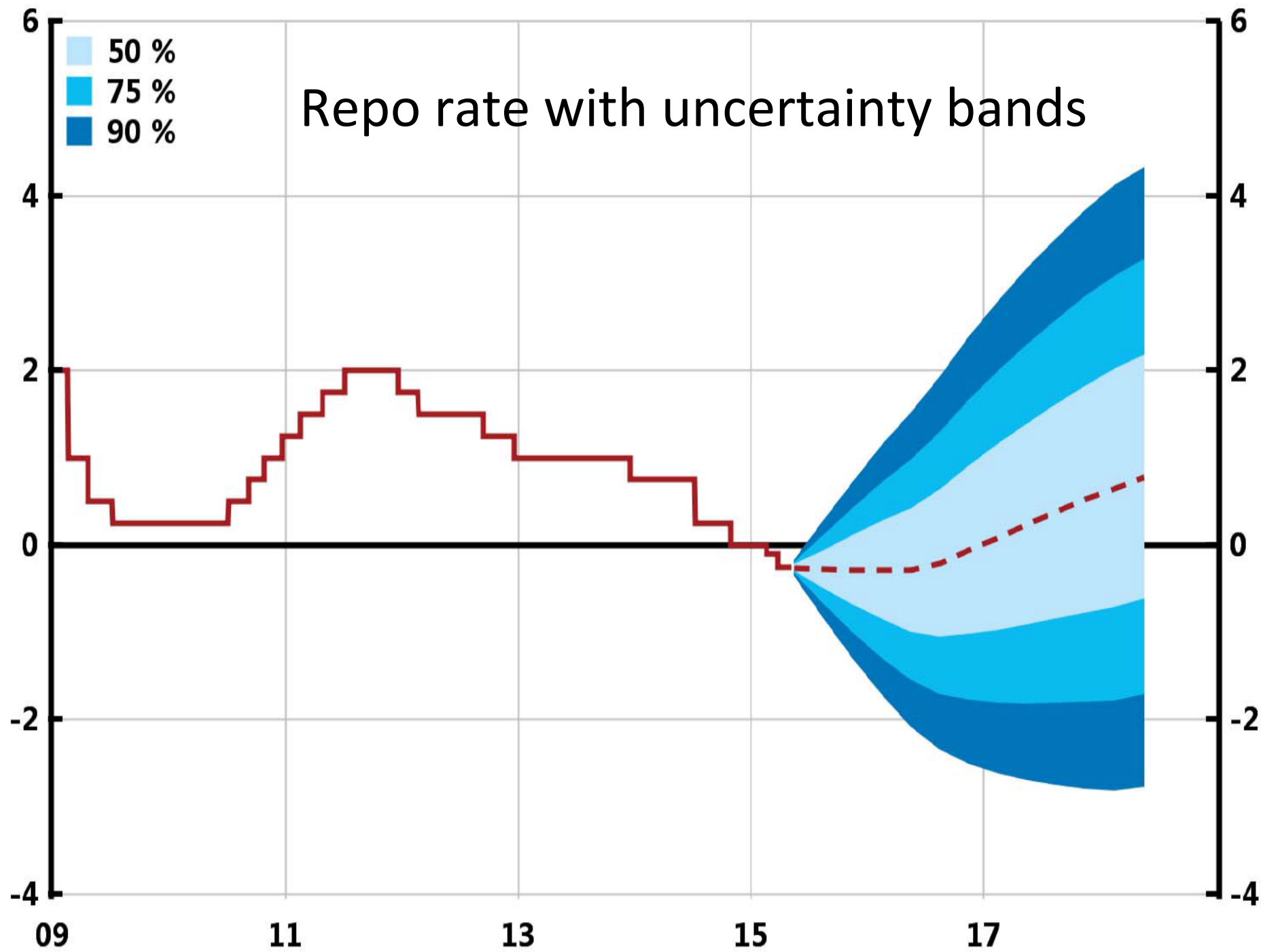


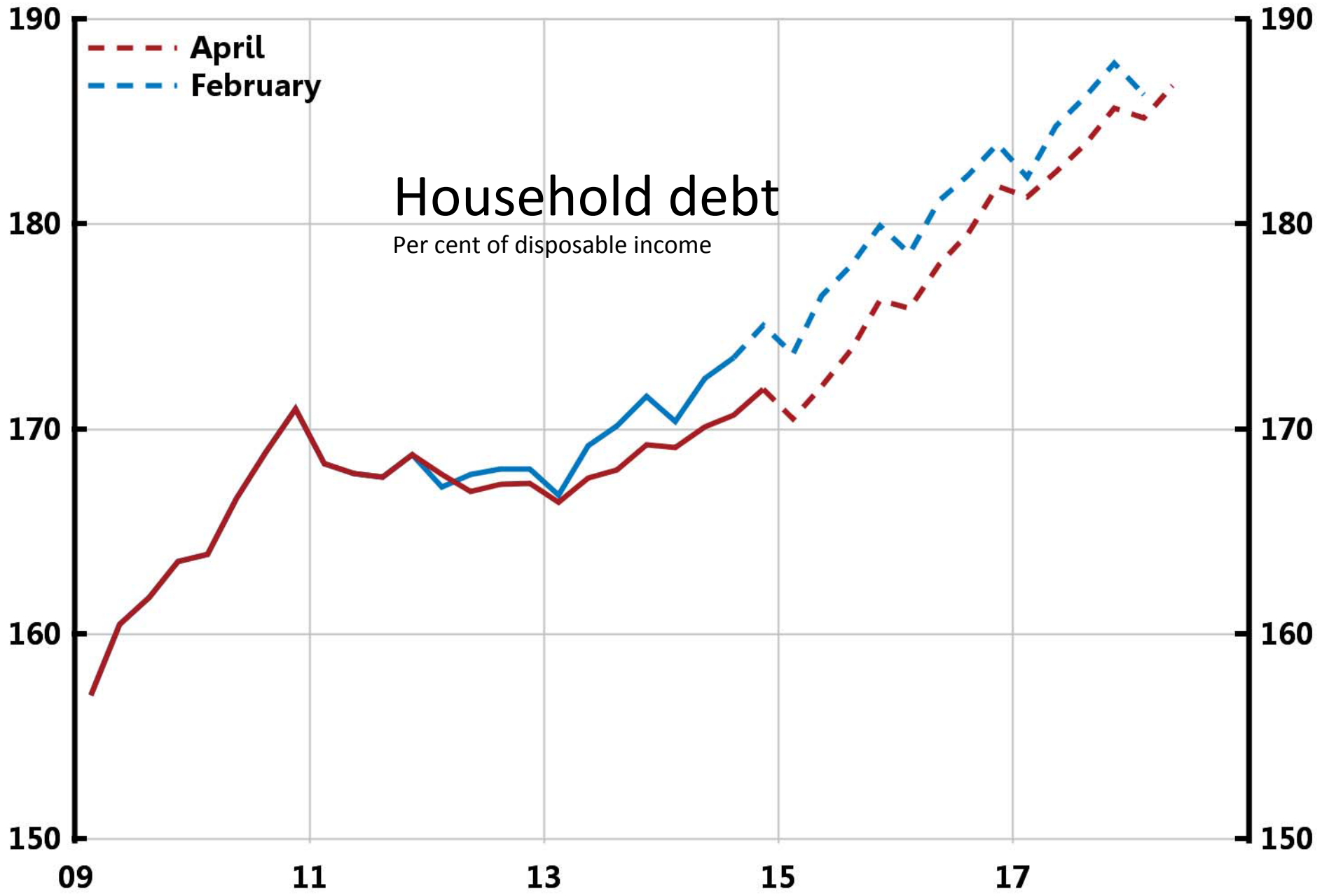












# Household debt

Per cent of disposable income