



PRESS RELEASE

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■ Inflation target remains, but methods can be further developed

Both the Executive Board and the General Council are presenting their views on the report "An Evaluation of Swedish Monetary Policy between 1995 and 2005". This press release deals with the issues that fall within the Executive Board's sphere of activity.

The Executive Board agrees with several of the report's recommendations. These lie in line with the ongoing developments in monetary policy. One example is the evaluators' recommendation that the Riksbank should clarify that the flexibility in the inflation targeting regime means that monetary policy aims to dampen fluctuations in both inflation and employment. The Riksbank's strategy is to conduct this form of flexible inflation targeting. Another example is the recommendation to report the Bank's own forecast for the repo rate. The Riksbank is now doing so, with effect from the first monetary policy report of 2007. The Executive Board also agrees with the evaluators' recommendation that the level of the inflation target of 2 per cent should not be changed.

The Executive Board also agrees with the opinion that asset prices should not act as independent targets for monetary policy, but at the same time considers, unlike the evaluators, that risks connected with developments in asset prices and indebtedness may need to be taken into account in the monetary policy decisions.

The Executive Board's conclusions also differ from the evaluators on two other points. Firstly, the Executive Board does not agree that monetary policy should compensate if inflation has persistently overshoot or undershot the target by undershooting or overshooting to the target to the corresponding degree afterwards. Secondly, the Executive Board does not share the view that the inflation target should be defined in terms of a price index other than CPI.

Finally, the Executive Board agrees that, with hindsight, it would have been possible to cut the repo rate earlier and at a faster pace in the beginning of the 2000s, but also considers that this would probably have had relatively minor effects on production and unemployment.

The consultation response in full can be found on the Riksbank's website, www.riksbank.se.