

My view of monetary policy

Nordea
23 March 2023

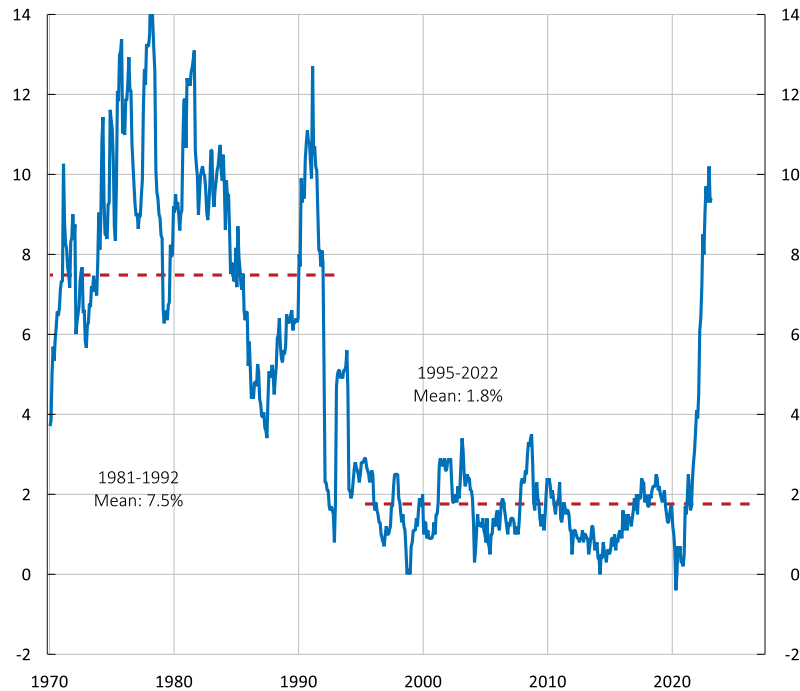
S V E R I G E S R I K S B A N K

Erik Thedéen

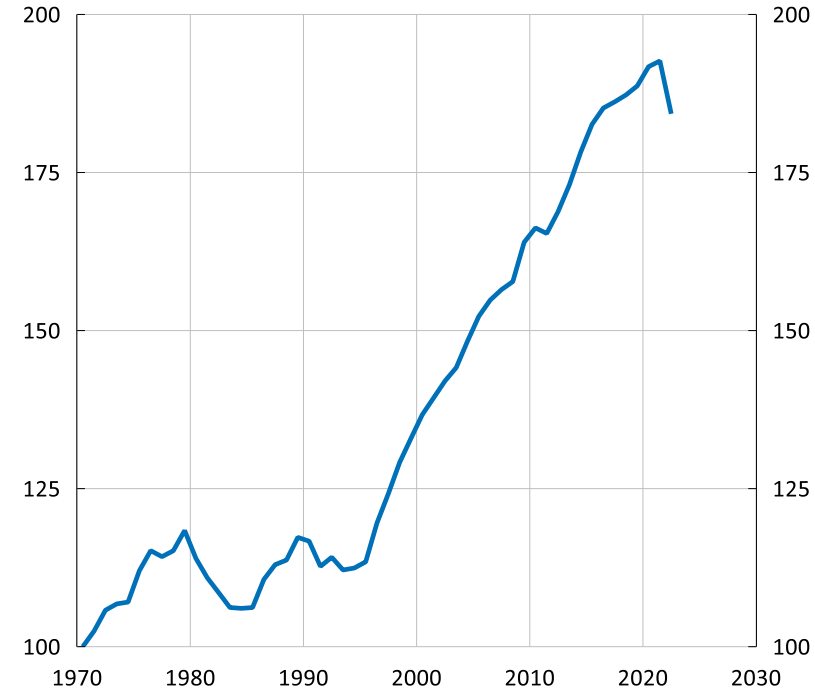
Governor of the Riksbank

Inflation target and independent monetary policy have contributed to favourable economic developments

CPIF



Real wages



Note: Annual percentage change (left) and index, 1970=100 (right). Inflation is measured as the CPIF and before 1987 as the CPI excluding interest. Real wages deflated by the CPI.

Sources: Macrobond, National Mediation Office, Statistics Sweden and the Riksbank.

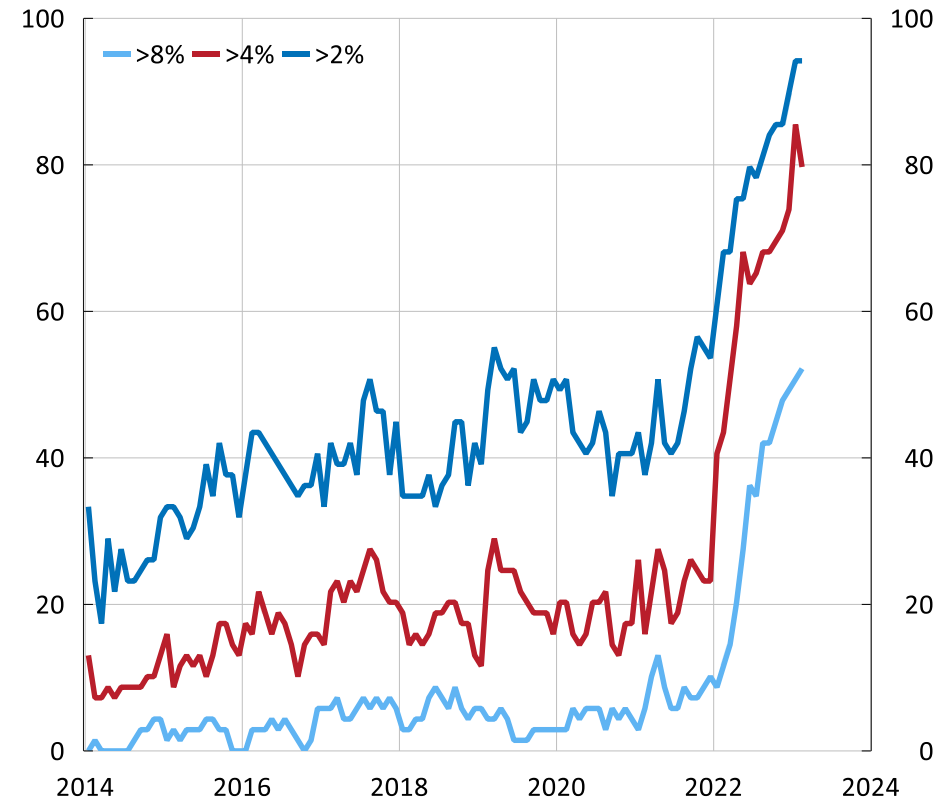
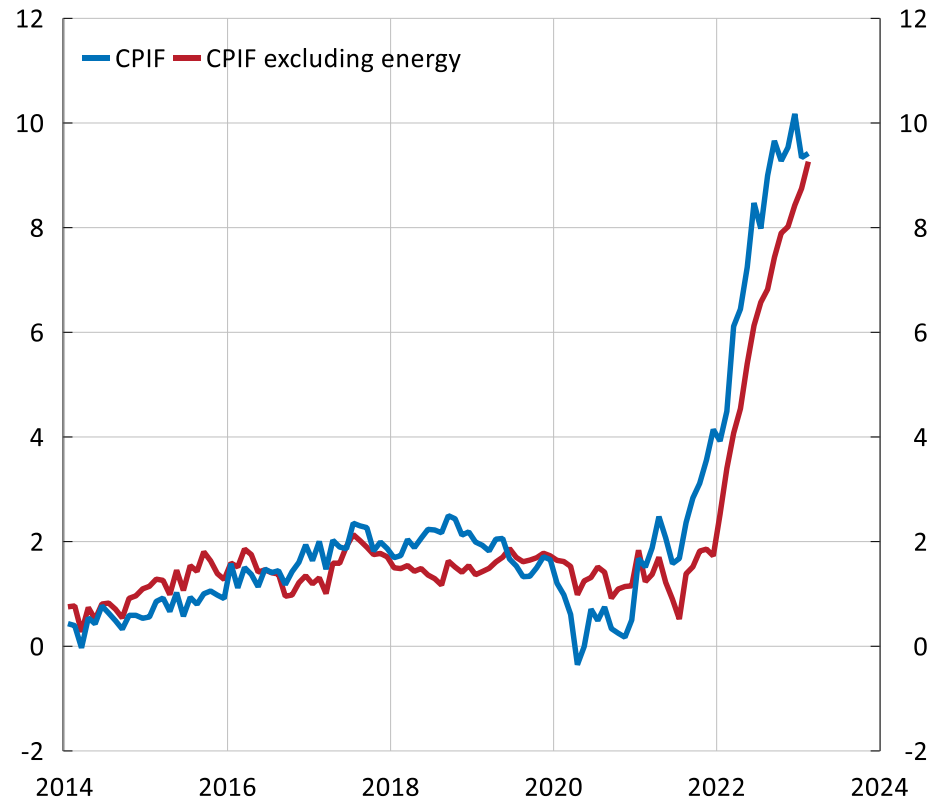
Monetary policy with the new Riksbank Act

- Overriding objective: low and stable inflation
- Inflation target 2 per cent, CPIF. The Riksdag approves the Riksbank's proposal.
- Consideration for the real economy
- More focus on justification
 - Monetary policy/financial stability
 - The principle of proportionality
- Exceptional grounds for trading in private assets

Clear mandate to perform our tasks in normal times and times of crisis



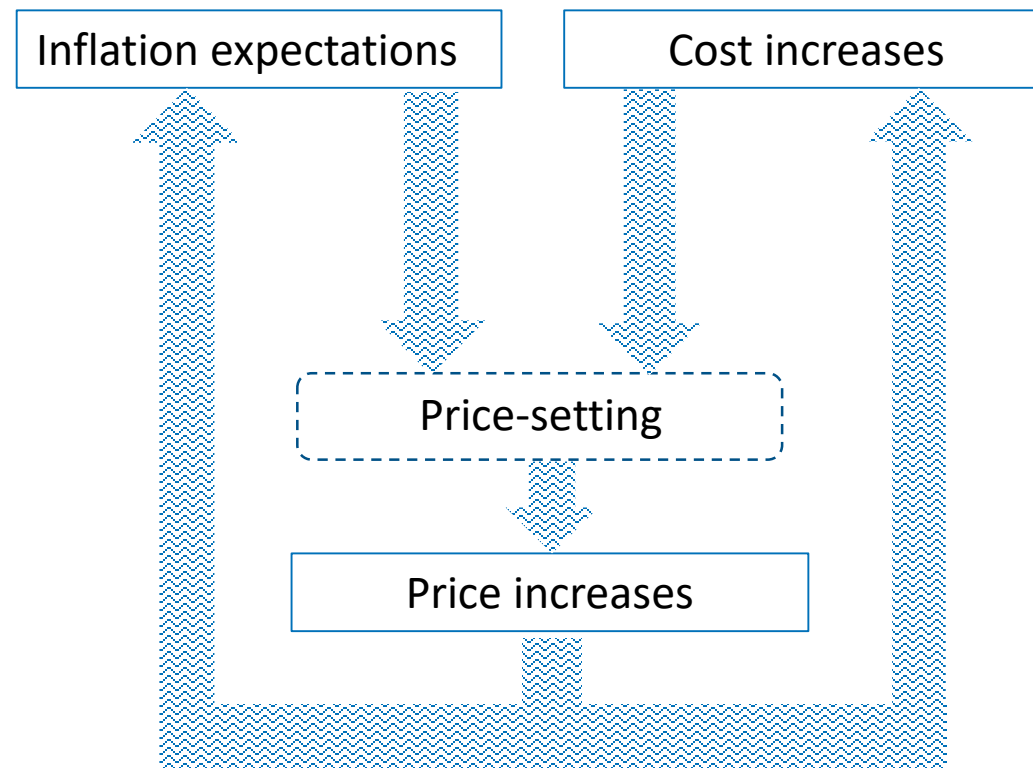
Inflation high above target and considerable uncertainty over developments



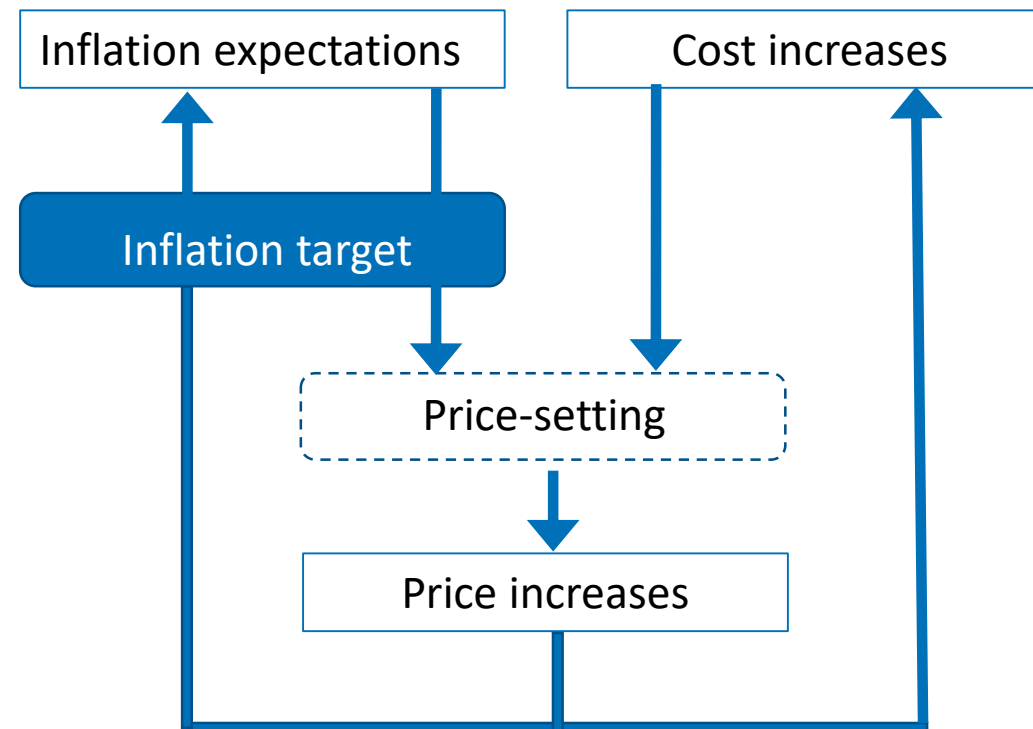
Note: Annual percentage change (left). Share of CPI product groups that are increasing faster than 2, 4 and 8 per cent (right).

Source: Statistics Sweden and the Riksbank.

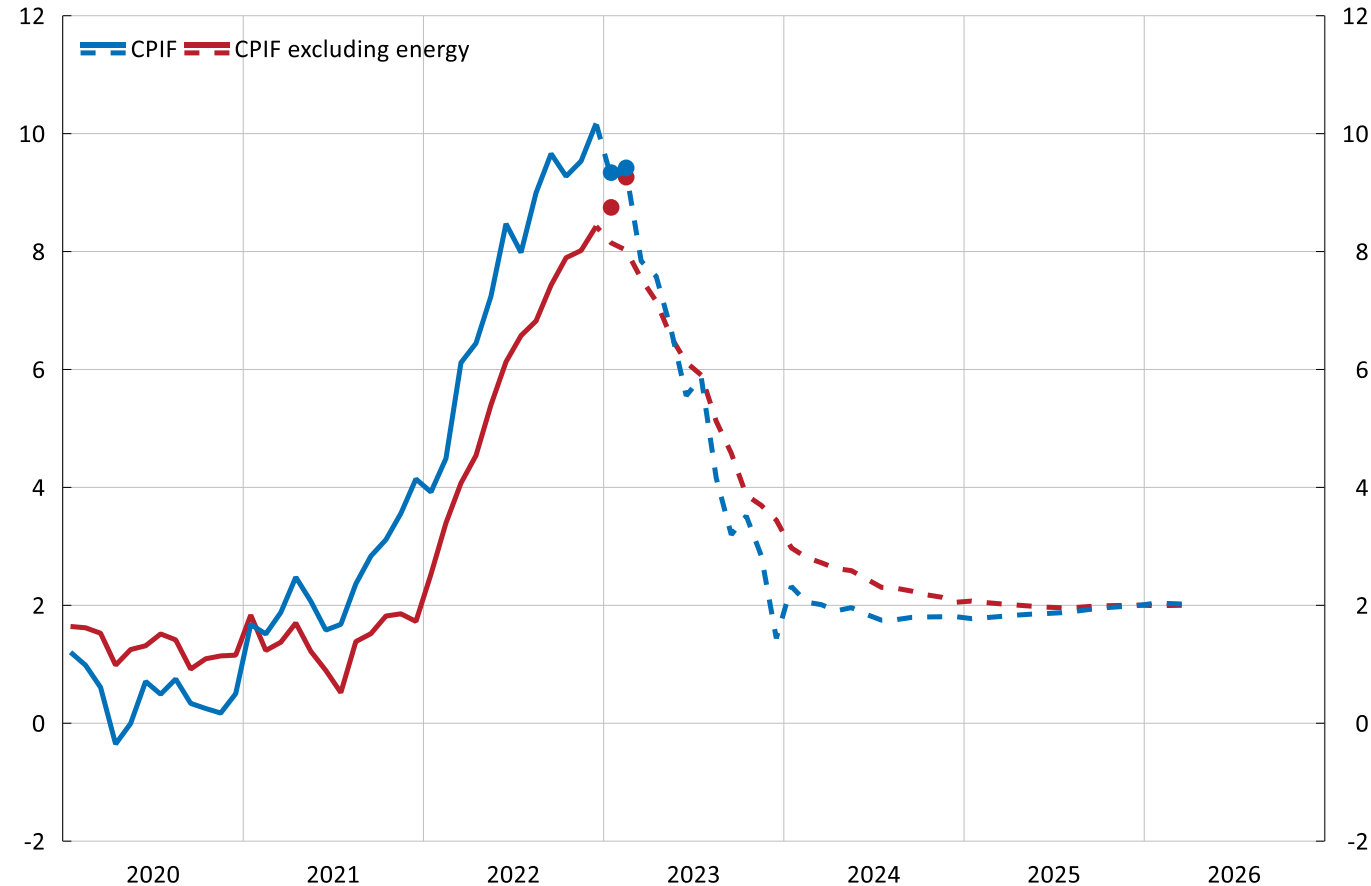
Important to bring down inflation



Important to bring down inflation to target



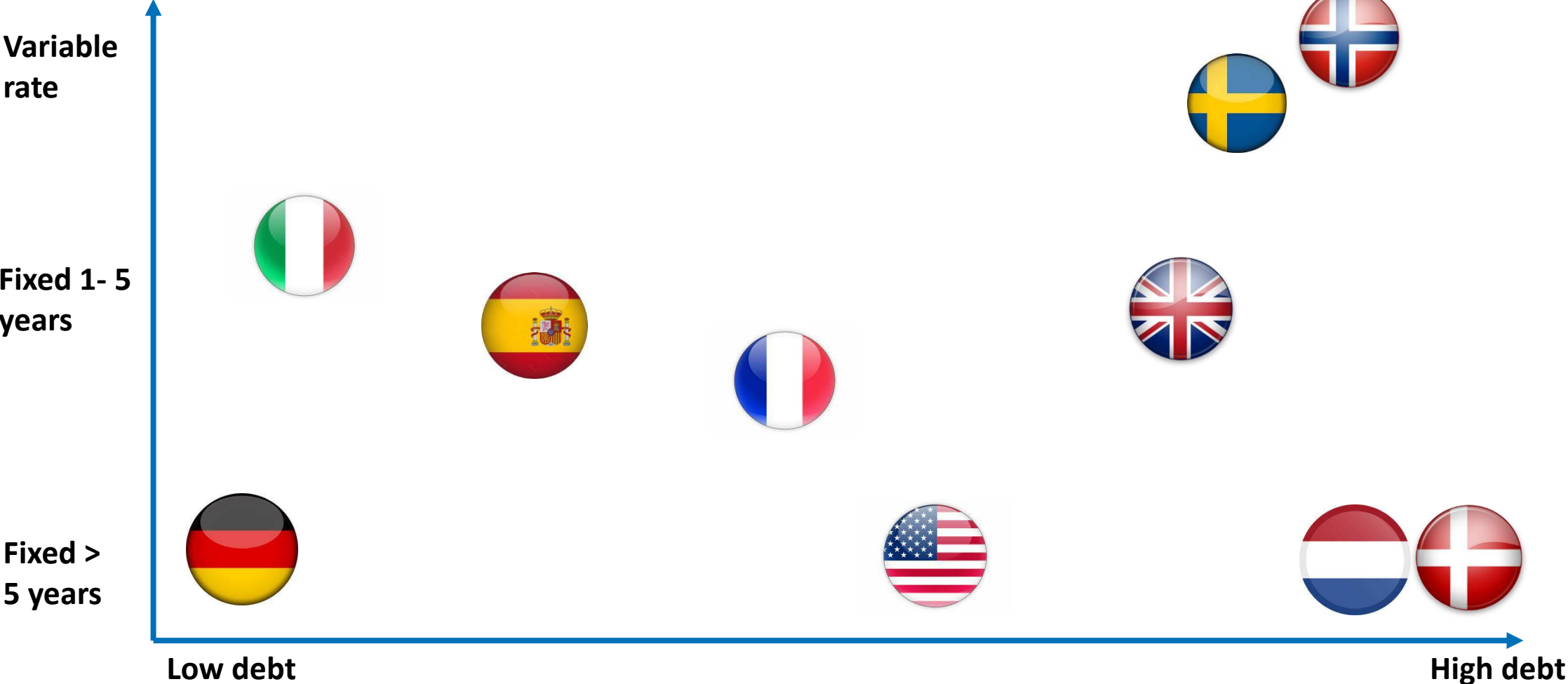
Inflation is expected to fall back during the year, but still no turnaround in Sweden



Note: Annual percentage change. Dots refer to the outcome for January that came after the February MPR. Dashed line refer to the prognosis in February MPR.

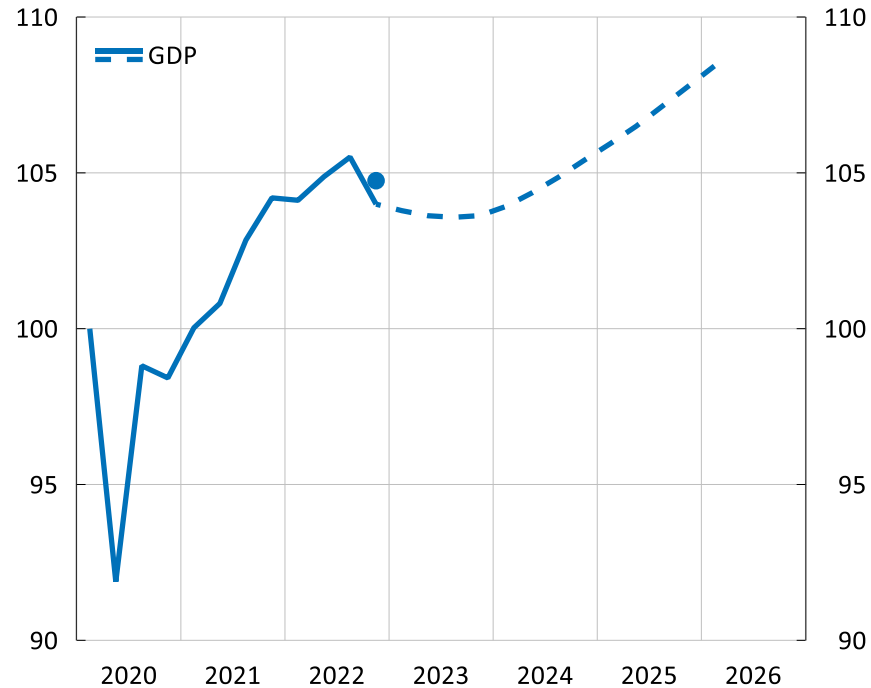
Sources: Statistics Sweden and the Riksbank.

Swedish households have high debts and short mortgage-rate fixation periods

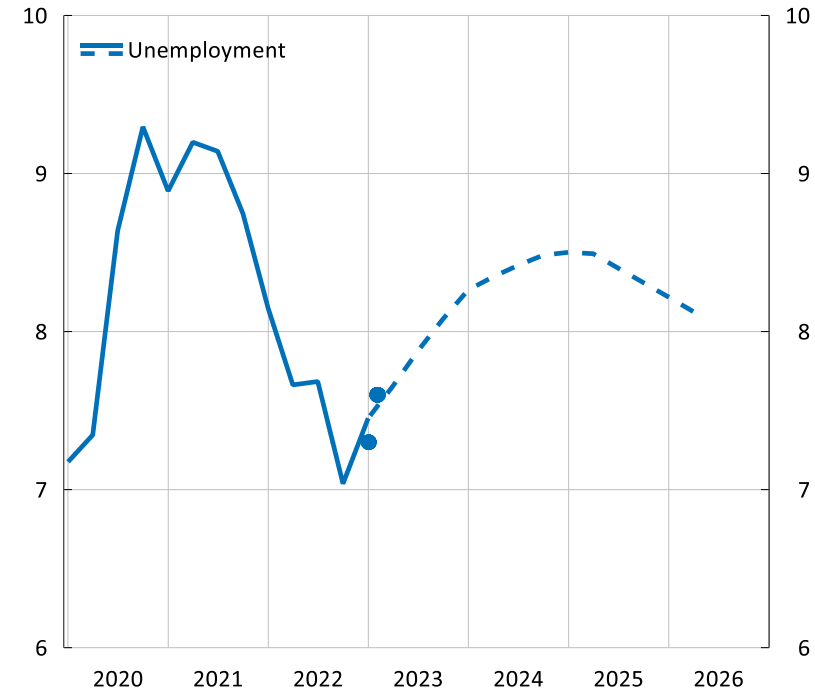


High inflation and higher interest rates cooling the Swedish economy

Economic activity slowing down



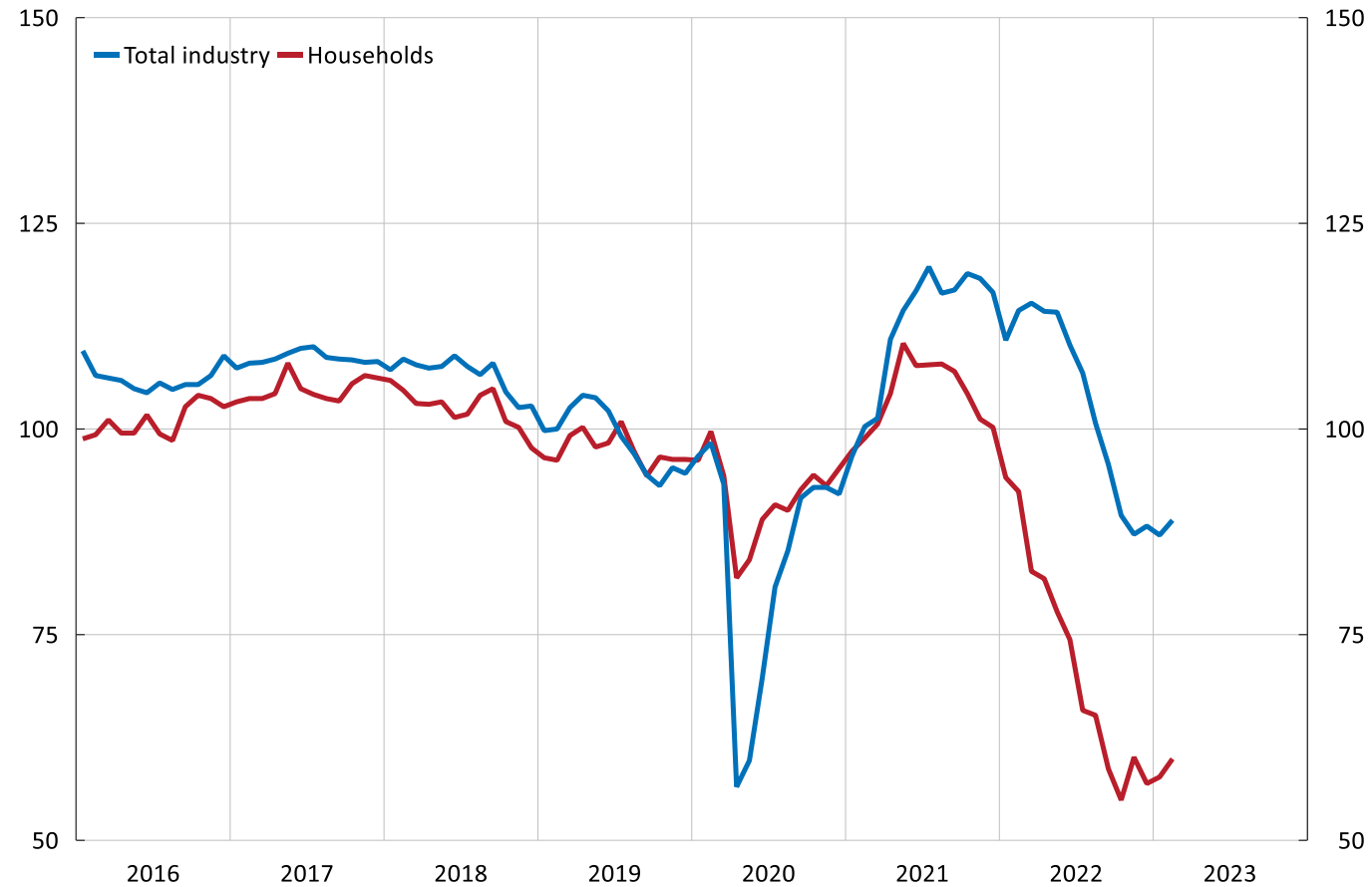
Labour market cooling off



Note: Index, 2019 Q4=100, and percentage of labour force. Solid line refers to outcomes, dashed line to the forecast. Dots refers to the outcome after February MPR.

Sources: Statistics Sweden and the Riksbank.

A divided economy



Note: Confidence indicator for households and the business sector, index.

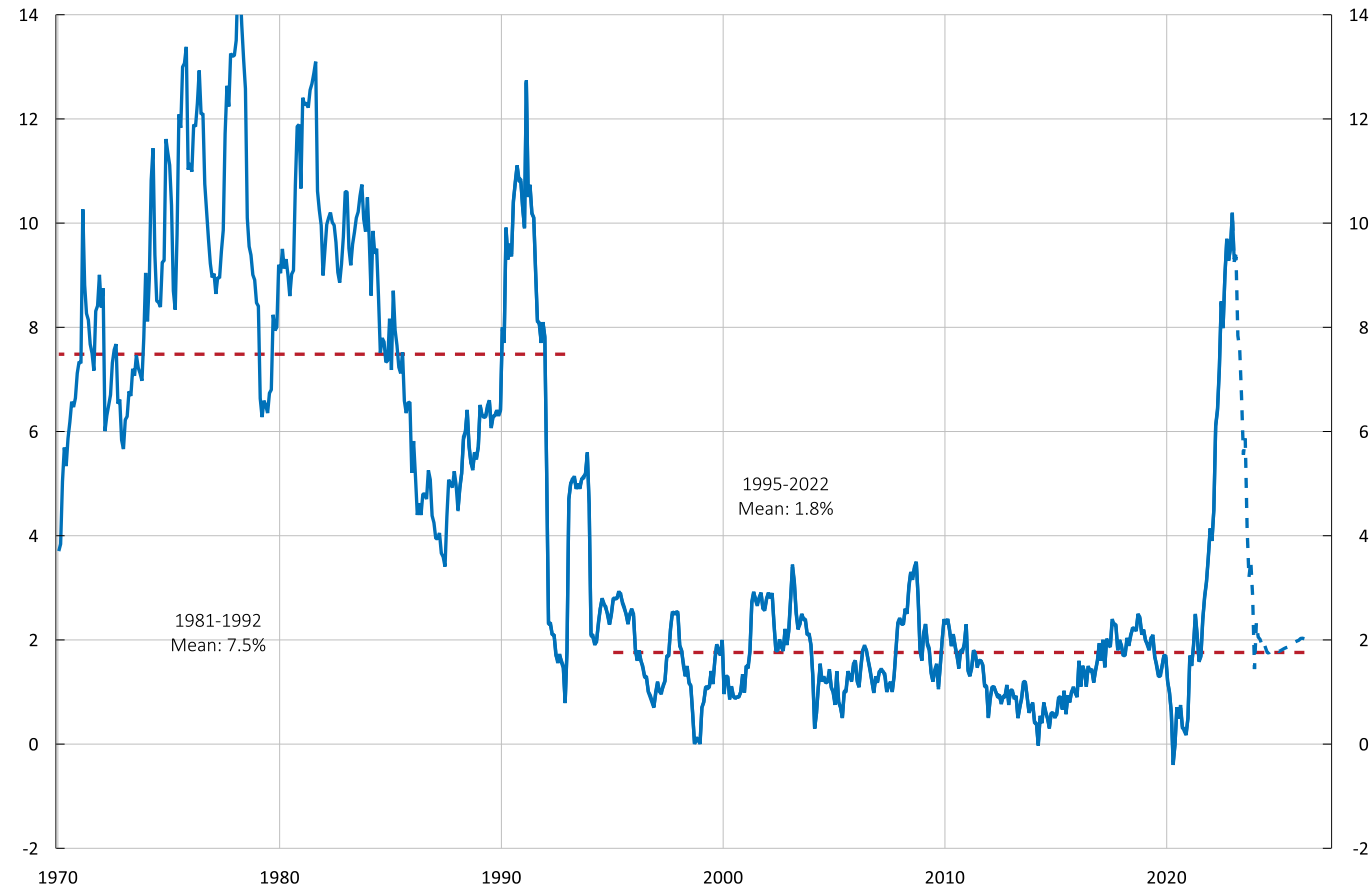
Source: National Institute of Economic Research.

Slowdown, but also resilience

- Inflation!
- Large decline in the housing market after large increase
- Low confidence among households, retail trade and housing construction sector
- Uncertainty over economic activity and financial conditions linked to the bank turmoil

- But unexpectedly strong international economic activity
- As yet limited impact on labour market
- Relatively better sentiment in the manufacturing industry
- Inflation expectations

Low inflation a prerequisite for good economic performance going forward



Note: Annual percentage change. Inflation is measured as the CPIF and before 1987 as the CPI excluding interest. Dashed blue line is the forecast in the February MPR.

Sources: Statistics Sweden and the Riksbank.

We are doing what is necessary to bring down inflation within a reasonable period of time

- The CPIF expected to fall back but considerable uncertainty over price pressures
- The development of financial conditions is important
- Low tolerance towards high inflation an argument for tighter monetary policy
- Incoming data will determine future monetary policy stance

