

The Riksbank's monetary policy

28 April 2020

Global synchronised crisis

Measures to dampen the spread of the coronavirus have severely slowed down activity in the global economy

- Restrictions and uncertainty over how long the restrictions will last
- Both production and demand are falling
- The entire world is affected simultaneously

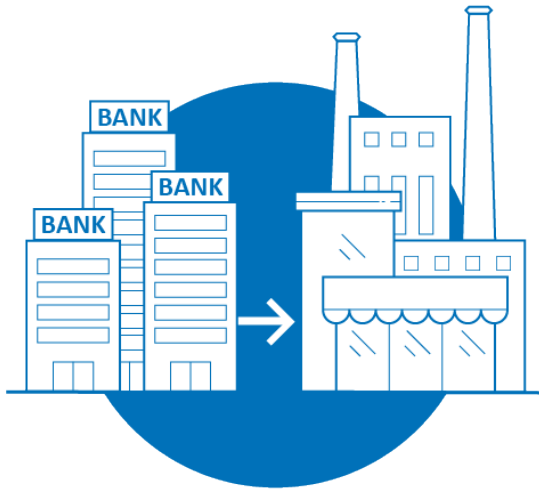


The crisis will worsen if the financial markets do not function

- Uncertainty over the crisis has led to substantial fluctuations on the financial markets
- More difficult and more expensive to obtain funding on financial markets
- Credit tightening risks exacerbating the crisis



Extensive measures to hold down interest rates and facilitate the credit supply



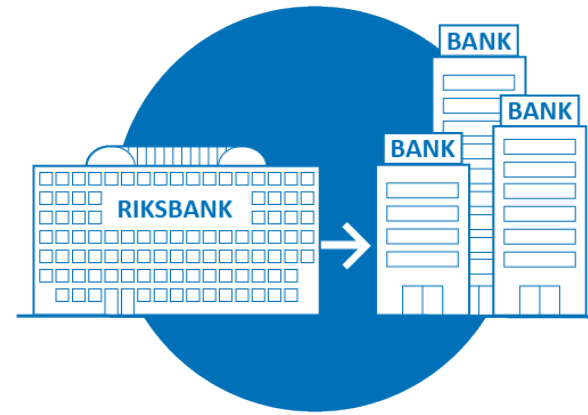
The banks can borrow from the Riksbank for onward lending to companies

SEK 500 billion



Purchases of government, mortgage, municipal and commercial paper

SEK 300 billion



Increased access to safe and liquid assets

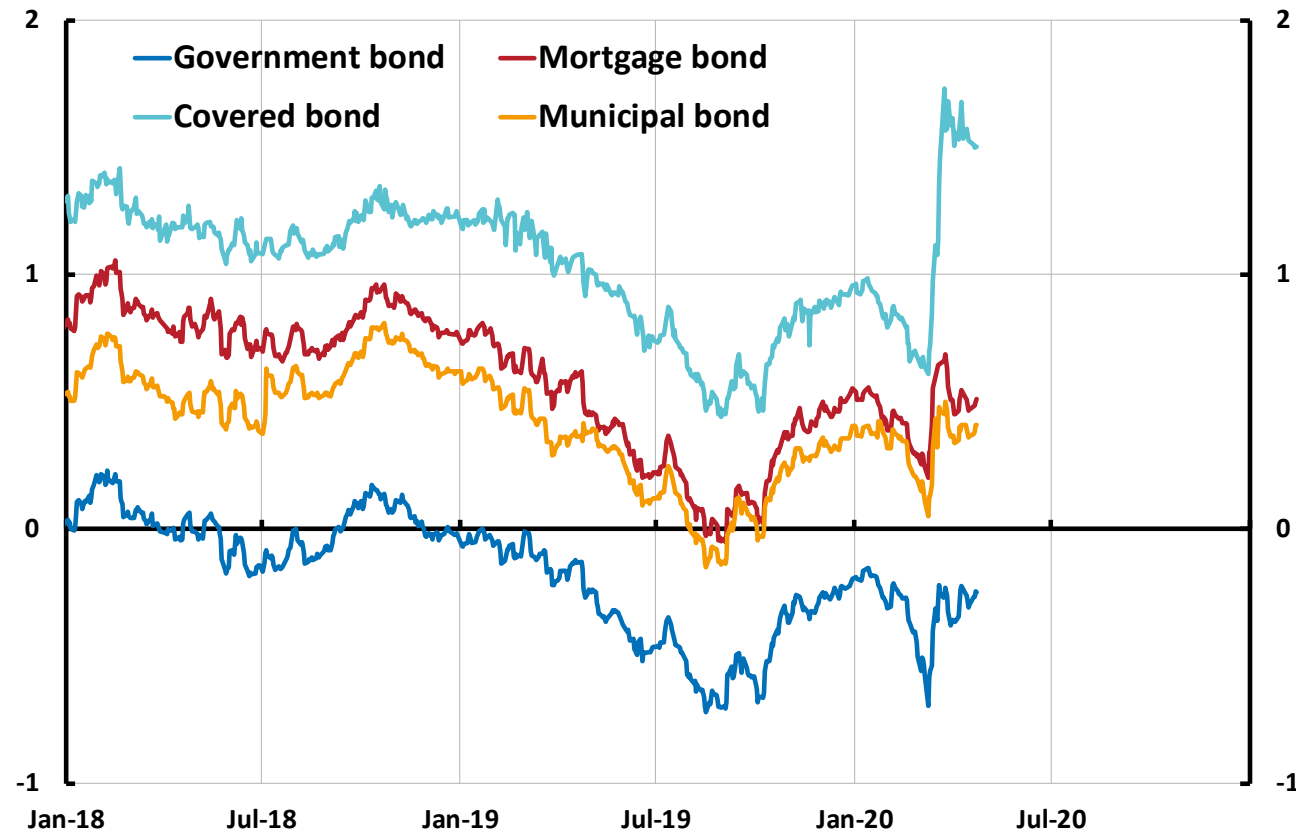
Unlimited



Loans in US dollars

USD 60 billion

The rise in interest rates has slowed down

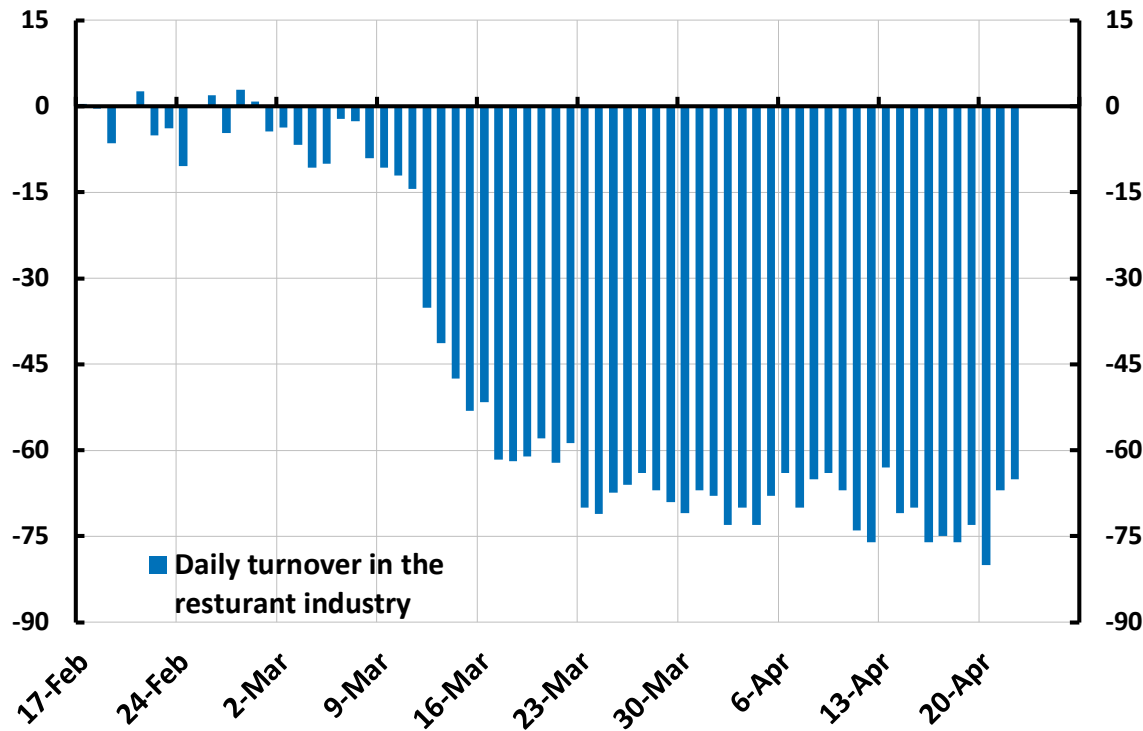


Yields on 5-year bonds, per cent

Sources: Macrobond and the Riksbank

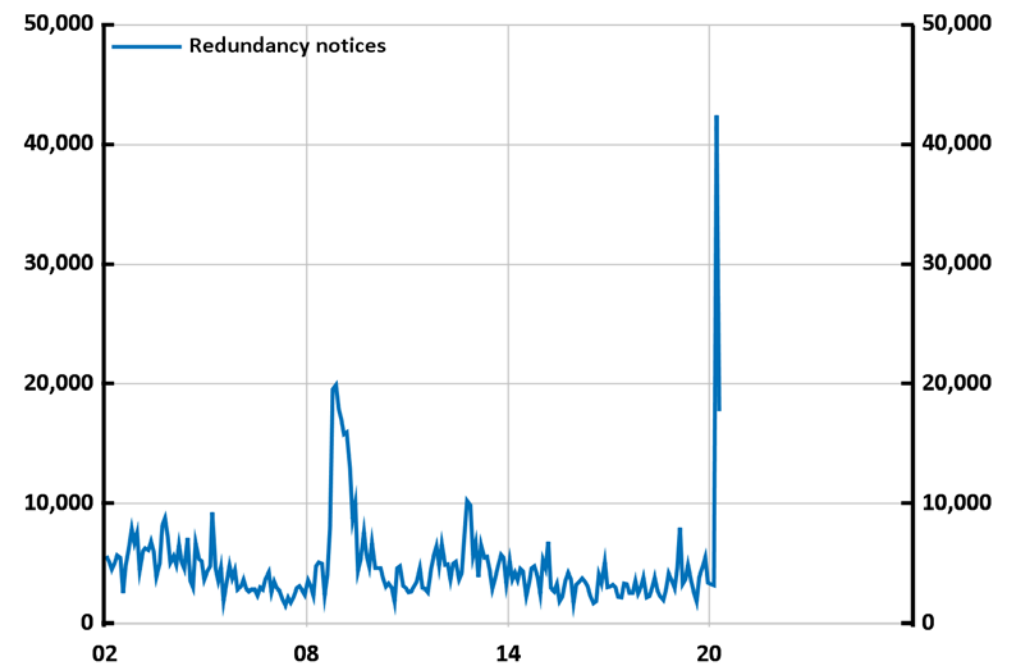
Deep and rapid decline in Swedish economy

Severe slowdown in the economy



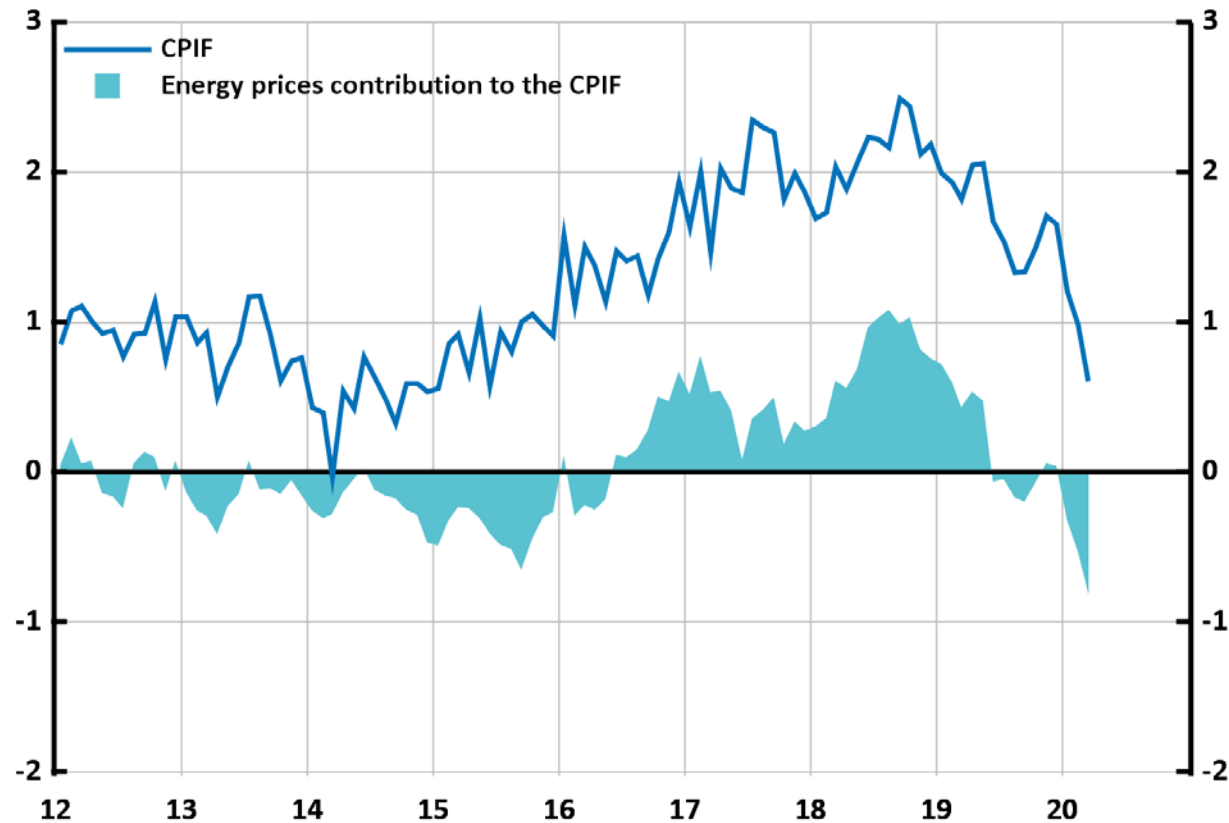
Annual percentage change (daily data) and number per month

Clear signs on the labour market



Sources: Caspeco, Swedish Public Employment Service, Statistics Sweden and the Riksbank

Falling energy prices will contribute to low inflation this year

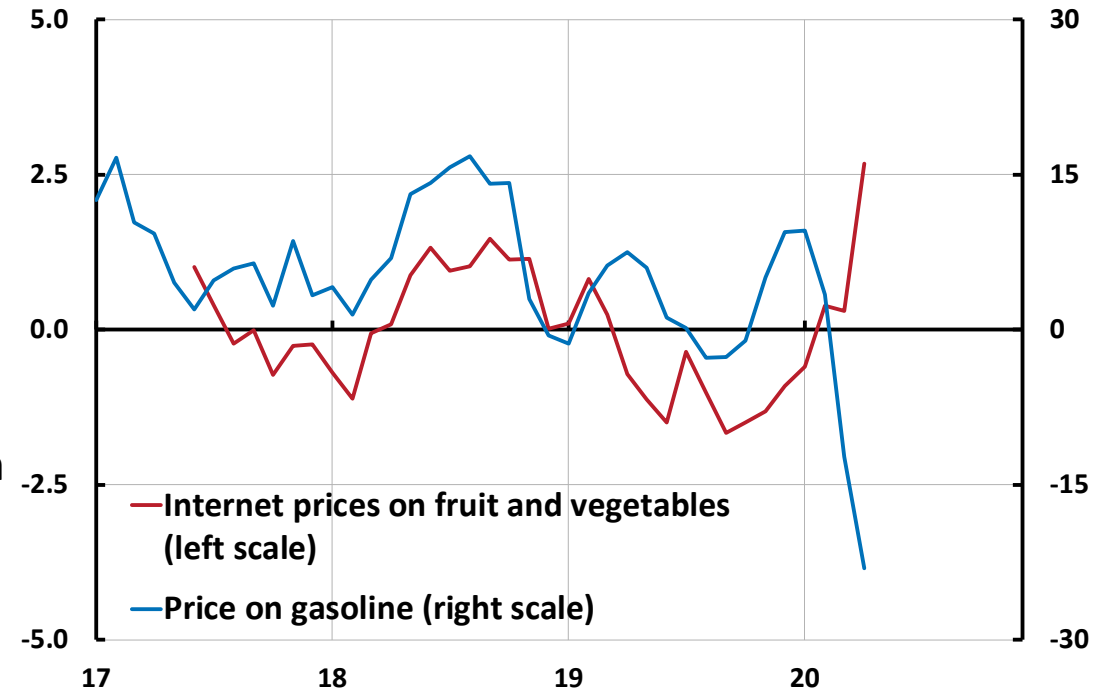


Annual percentage change and percentage points The contribution of energy prices to the CPIF in the forecast is calculated as the annual percentage change in energy prices multiplied by their current weight in the CPIF.

Sources: Statistics Sweden and the Riksbank

The crisis can affect inflation in different ways

- Inflation statistics particularly uncertain now
- Disruptions to production and deliveries can lead to unexpected price movements in the short term
- Demand lower, but also supply



Annual percentage change. Internet data refers to prices of fruit and vegetables that can be bought online and is average of daily price observations up until 21 April. Price on gasoline is average of daily price observations up until 27 April.

Sources: Macrobond and the Riksbank

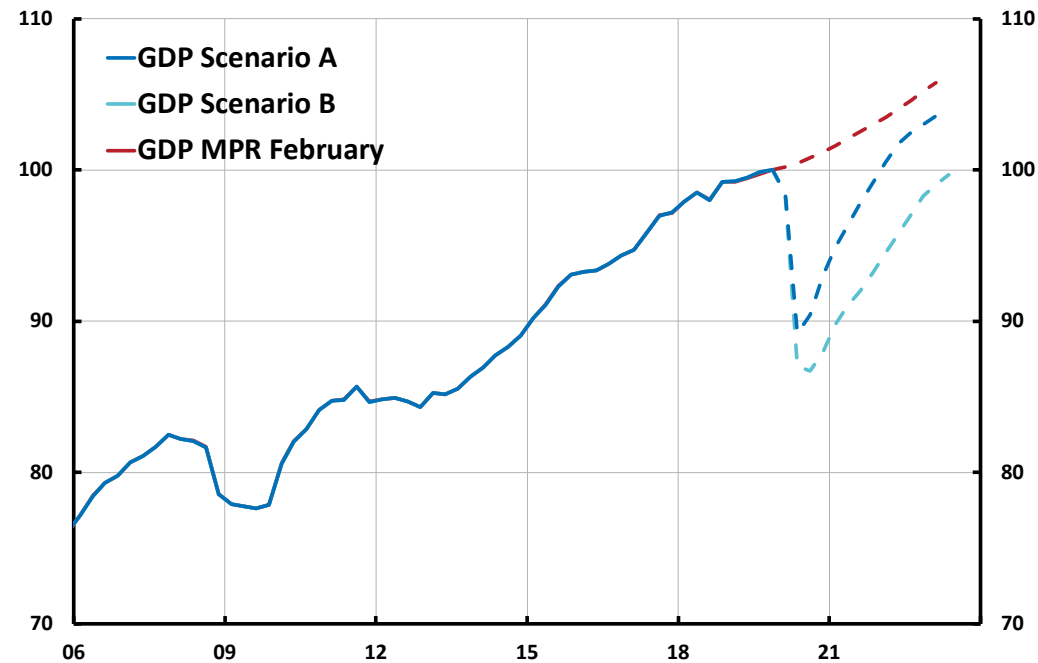
Exceedingly uncertain situation

Economic developments depend on a number of factors that are genuinely uncertain

- How long will society be limited by measures to dampen the spread of the virus?
- How will households and companies act?
- How are the spread and recovery doing abroad?

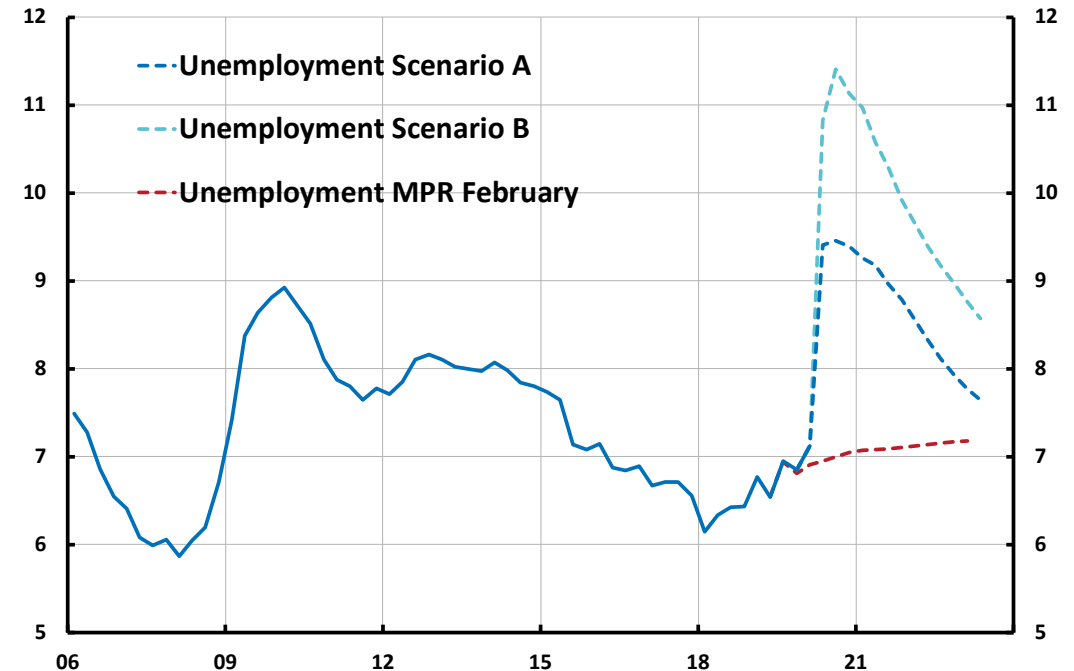
Major uncertainty regarding how deep and prolonged the economic decline will be

Large fall in Swedish GDP this year



Index 2019 Q1=100 and percentage of labour force

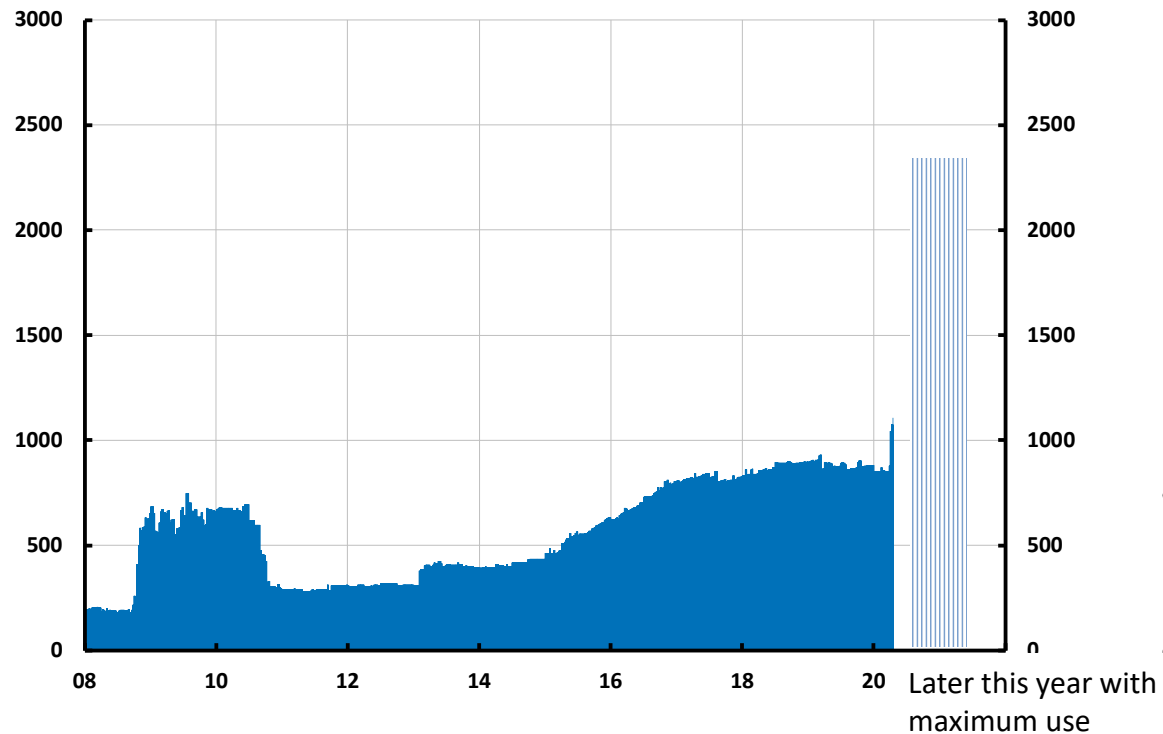
Rapidly deteriorated labour market



Sources: Statistics Sweden and the Riksbank

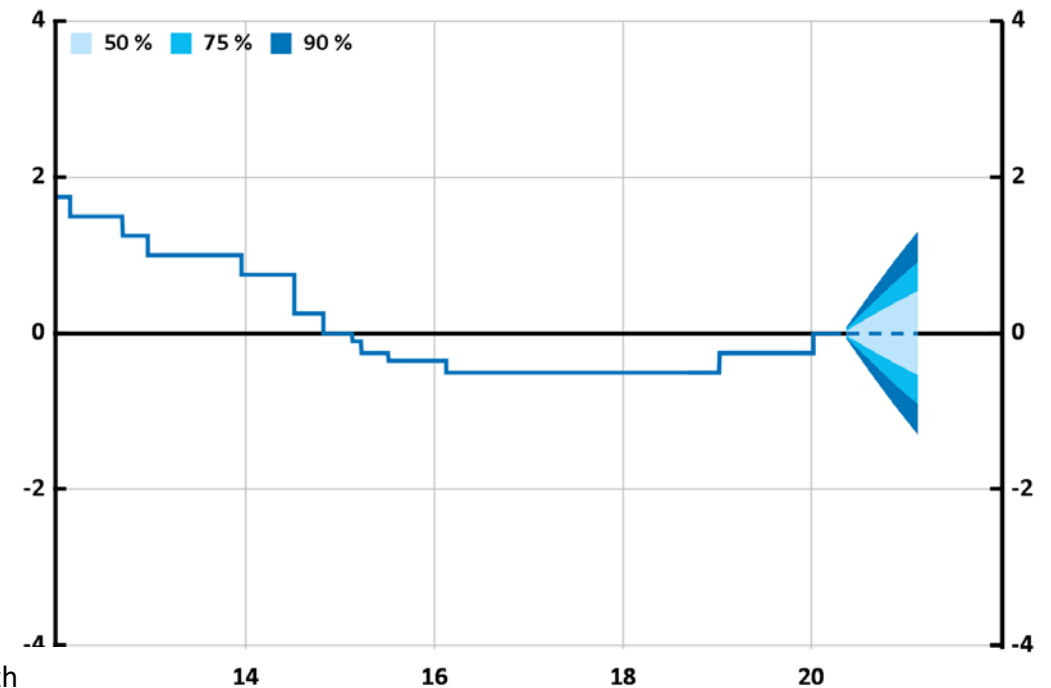
Low interest rates and extensive liquidity support the Swedish economy

Sharp increase in balance sheet



SEK billion and per cent respectively

Low repo rate



Source: The Riksbank

Important interaction between different policy areas

Unprecedented economic policy measures to alleviate the consequences of the pandemic

- Fiscal policy gives targeted support to households and companies
- Monetary policy facilitates the credit supply in the economy
- Measures by FI and SNDO increase the banks' possibilities to grant loans

The Riksbank is ready to do more if and when necessary

