

## ARTICLE – The Riksbank’s monetary policy development work

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The focus of the Riksbank’s monetary policy development work in 2022 was on analysing developments in inflation and the effects of monetary policy measures. Among other things, it examined how inflation developments are affected by rapid rises in energy prices and how price rises spread through the economy. There were also studies of how the climate transition and the Swedish economic policy framework affect the conditions for inflation developments moving forward. In connection with the Riksbank tightening its monetary policy, there were also studies of how the economy is affected by changes in the policy rate and the asset holdings, as well as how the Riksbank’s financial result is impacted by higher interest rates.

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### Focus on inflation developments and the effects of monetary policy measures

The focus for the Riksbank’s development work during the year was primarily on inflation developments and their driving forces. The fact that this was analysed carefully in preparation for the monetary policy decisions is evident from the articles published in the Monetary Policy Reports. One important question was how the unexpectedly large increases in energy prices might affect other consumer prices, and another was whether the price increases were spreading through the economy, other than via higher costs, and whether there was evidence of spillovers via expectations and wages. In addition, the Riksbank examined and drew lessons from the major forecast errors for 2022 to better understand inflation developments going forward. The Riksbank also studied how the climate transition will affect inflation in the future and how the Swedish economic policy framework, with, for example, an inflation target and a well-functioning wage formation, contributes to good conditions for inflation to return to the target. The Riksbank also analysed the economic consequences of the war in Ukraine and why the krona weakened in 2022. To better understand aggregate inflation, the Riksbank also worked further on the analysis of micro data on price changes for individual products.

As a result of the high inflation, the Riksbank tightened monetary policy. An empirical analysis showed that the higher indebtedness among households meant that the policy rate did not need to be raised as much as before to achieve the same tightening effect. The Riksbank also studied how the effects of monetary policy differ depending on whether interest rate changes are expected to be temporary or more long-lasting. A Riksbank study on the impact of changes in securities holdings on the economy was also carried out. This illustrates the effect of the Riksbank’s asset purchases 2015 –

2022. Studies also analysed the impact of the Riksbank’s purchases of covered bonds on mortgage rates, as well as the effect of asset purchases on financial prices during the pandemic. The Riksbank also organised an international research conference on central banks’ tool kits, and in particular on how purchases of financial assets can be used as a monetary policy tool. Linked to the tightening, an analysis was also made of the impact of higher interest rates on the Riksbank’s financial result.

**Table 7. Monetary policy-related studies conducted in 2022.**

Year of publication 2022, unless otherwise specified

<b>Articles in Monetary Policy Reports</b>
“High energy prices – how will other consumer prices be affected?”, February
“Economic consequences of the war in Ukraine”, April
“Many indications that inflation will be high this year and next year”, April
“Price rises are spreading in the economy”, June
“Labour shortages and higher wage pressures abroad”, June
“The economic-policy framework facilitates a return to the target”, September
“Higher interest-rate sensitivity in the Swedish economy”, September
“What indicates that inflation will fall back next year?”, September
“What effect can measures to dampen the electricity price have on inflation?”, September
“Why has the krona weakened this year?”, November
“Alternative scenarios for inflation and monetary policy”, November
<b>Economic Commentaries</b>
J. Ewertzh, M. Klein and O. Tysklind, “Price dynamics in Sweden – insights from a new dataset”, no. 1
C. Flodberg, I. Häkkinen Skans and P. Wasén, “Long-term unemployment in the wake of the pandemic”, no. 2,
M. Sjödin, “The path to a monetary policy decision”, no. 3
M. Apel, “How does the climate transition affect inflation?”, no. 5
D. Kjellberg and M. Åhl, “The Riksbank’s financial result and capital are affected by higher interest rates”, no. 8
P. Stockhammar, I. Strid and T. Tornese “How has the impact of the policy rate on consumption changed when the debt-to-income ratio has risen?,” no. 9
J. Almenberg, M. Ankarhem, K. Blom and T. Jansson, “House prices and interest rate expectations”, no. 10
R. Emanuelsson, E. O. Andersson and T. Vasi, “The Riksbank’s purchases of covered bonds and the impact on mortgage rates”, no. 12
S. Laséen, J. Lindé and U. Söderström, “How much is inflation affected by monetary policy?”, no. 13
<b>Sveriges Riksbank Economic Review</b>
S. Ingves, “Sweden’s role in international economic cooperation – yesterday, today, tomorrow”, no. 1
A. Nordström, “Understanding the foreign exchange market”, no. 1

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**Sveriges Riksbank Economic Review**

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M. Apel and H. Ohlsson, “Monetary policy and inflation in times of war”, no. 2

M. Beechey Österholm, “The Riksbank’s bond purchases: who sold bonds to the Riksbank?”, no. 2

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**Staff Memos**

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P. Gustafsson, “An event study of the effects of asset purchases on financial prices during the pandemic”, March

J. Johansson, M. Löf, P. Stockhammar and I. Strid, “What can explain the Riksbank’s forecasting error for inflation?”, June

K. Doherty, M. Eriksson and D. Hansson, “Välfungerande kreditförsörjning för flertalet företag under pandemin. En analys av mikrodata” [Well-functioning credit supply for most firms during the pandemic – An analysis of microdata], July

S. Laséen, “Hushållens skuldsättning och penningpolitik: ett regionalt perspektiv” [Household indebtedness and monetary policy: a regional perspective], September

C. Flodberg, M. Hesselman and M. Löf, “Can inflation forecasts be improved by using alternative measures of labour market slack?”, November

A. M. Ceh, “How much is priced in? Market expectations of monetary policy lift”, December

A. Nordström and A. Vredin, “Does central bank equity matter for monetary policy?”, December

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**Riksbank Studies**

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“Evaluation of the Riksbank’s forecasts”, no. 1

B. Andersson, M. Beechey and P. Gustafsson, “The Riksbank’s asset purchases 2015–2022”, no. 2

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**Working Paper series**

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R. Billi and C. Walsh, “Seemingly Irresponsible but Welfare Improving Fiscal Policy at the Lower Bound”, no. 410

R. Billi, “Inflation Targeting or Fiscal Activism?”, no. 412

M. Carlsson, A. Clymo and K-E. Joslin, “Dispersion over the Business Cycle: Passthrough, Productivity, and Demand”, no. 414

T. Broer, J. Kramer and K. Mitman, “The Curious Incidence of Monetary Policy Across the Income Distribution”, no. 416

C. Bertsch, I. Hull, R. L. Lumsdaine and X. Zhang, “Central Bank Mandates and Monetary Policy Stances: through the Lens of Federal Reserve Speeches”, no. 417

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**Monetary policy speeches by the Executive Board**

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S. Ingves, “Penningpolitiska erfarenheter i Norge och Sverige – en resa under 10 år” [Monetary policy experience in Norway and Sweden – a trip for 10 years], speech at Norges Bank, 21 March

A. Breman, “Inflation and monetary policy in the shadow of war”, speech at Sveriges Riksbank, 23 March

M. Flodén, “Monetary policy will bring inflation back to target”, speech at DI Risk and Return, Grand Hotel Stockholm, 6 April

C. Skingsley, “High inflation and rising repo rate – what happens to the Riksbank’s balance sheet?”, speech at Handelsbanken, 6 May

H. Ohlsson, “Monetary policy and inflation in times of war”, speech at the Department of Economic History, Uppsala University, 17 May

S. Ingves, “Inflation-targeting for nearly 30 years – a robust framework for all times?”, speech at the Swedish Economic Association, 31 May

A. Breman, “from 500 per cent to –0.5 per cent – what is next?”, speech at Sveriges Riksbank, 31 August

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**Monetary policy speeches by the Executive Board**

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P. Jansson, “Monetary policy when inflation is too high – prerequisites and challenges”, speech at Swedbank, 9 December

M. Flodén, “My thoughts on the Riksbank’s asset purchases”, speech at Handelsbanken, 14 December

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