

# Monetary policy and economic outlook

Nordea AAA seminar  
9 June 2022

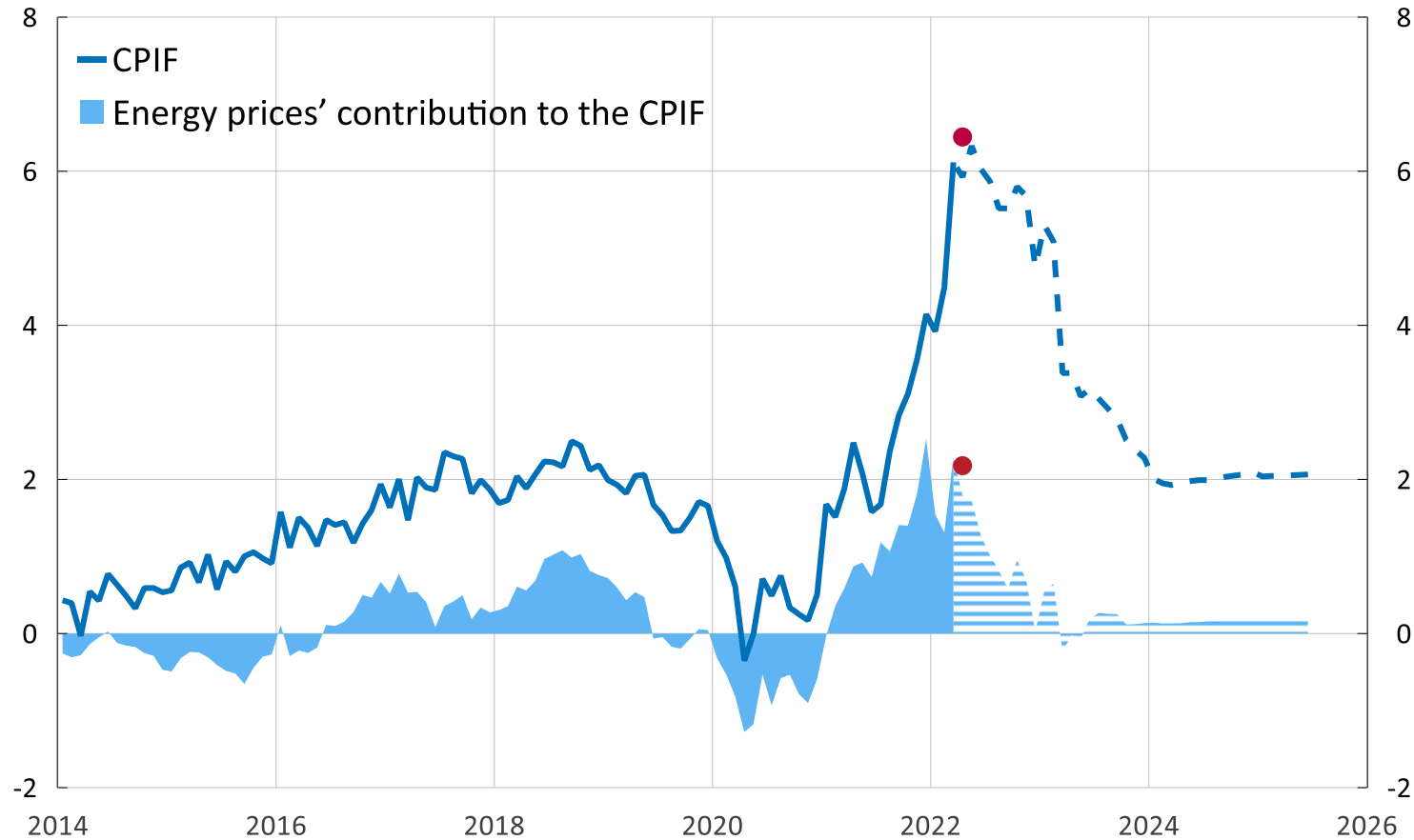
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Deputy Governor

# Monetary policy April meeting 2022

- The policy rate is raised from zero to 0.25 per cent
- Gradual policy rate increases in the coming years
- Halve reinvestments of securities, holdings decrease



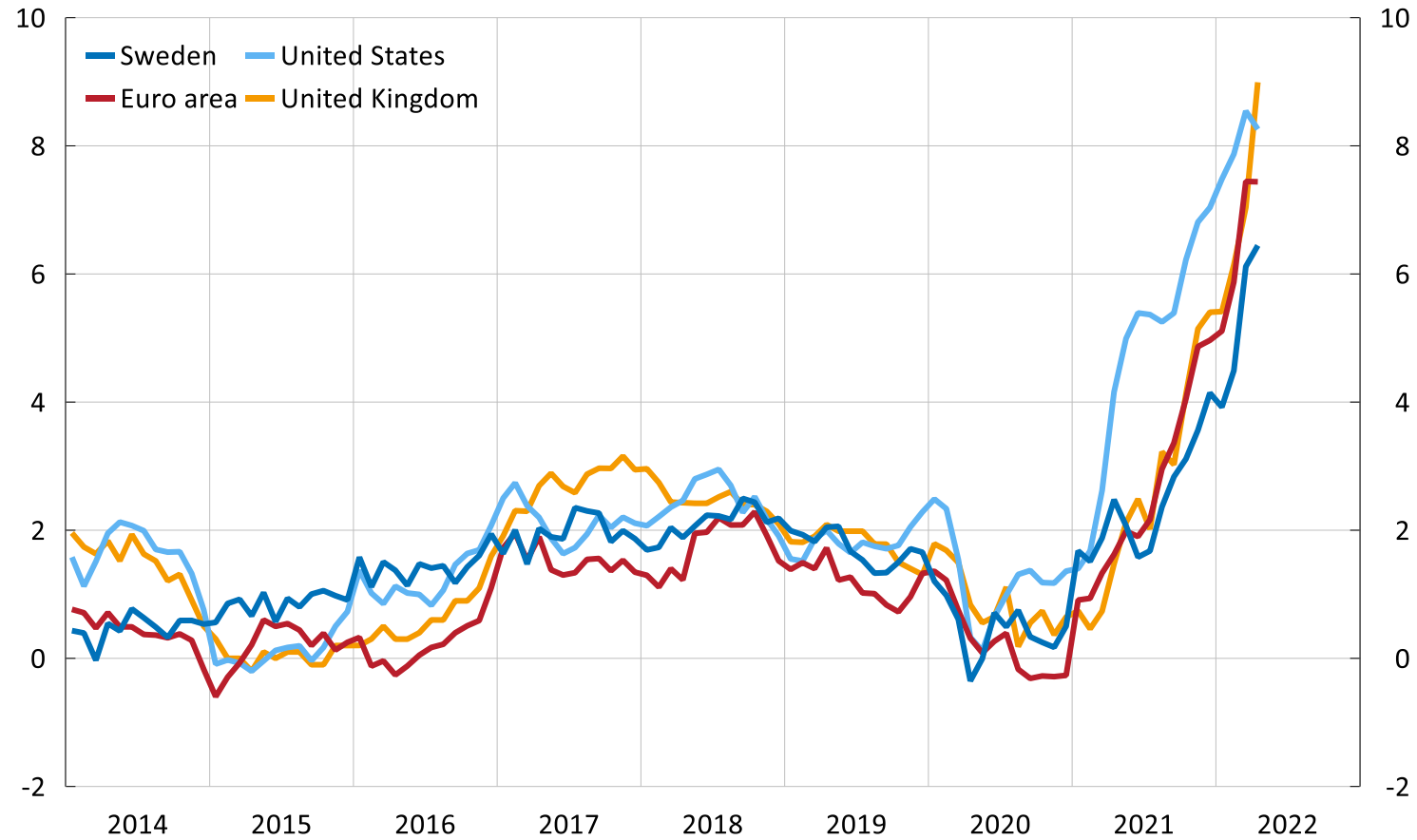
# Highest and lowest inflation since introduction of inflation targeting



Note. Annual percentage change and percentage points respectively.

Sources: Statistics Sweden and the Riksbank.

# Rapid upturn in inflation



Note. Annual percentage change.

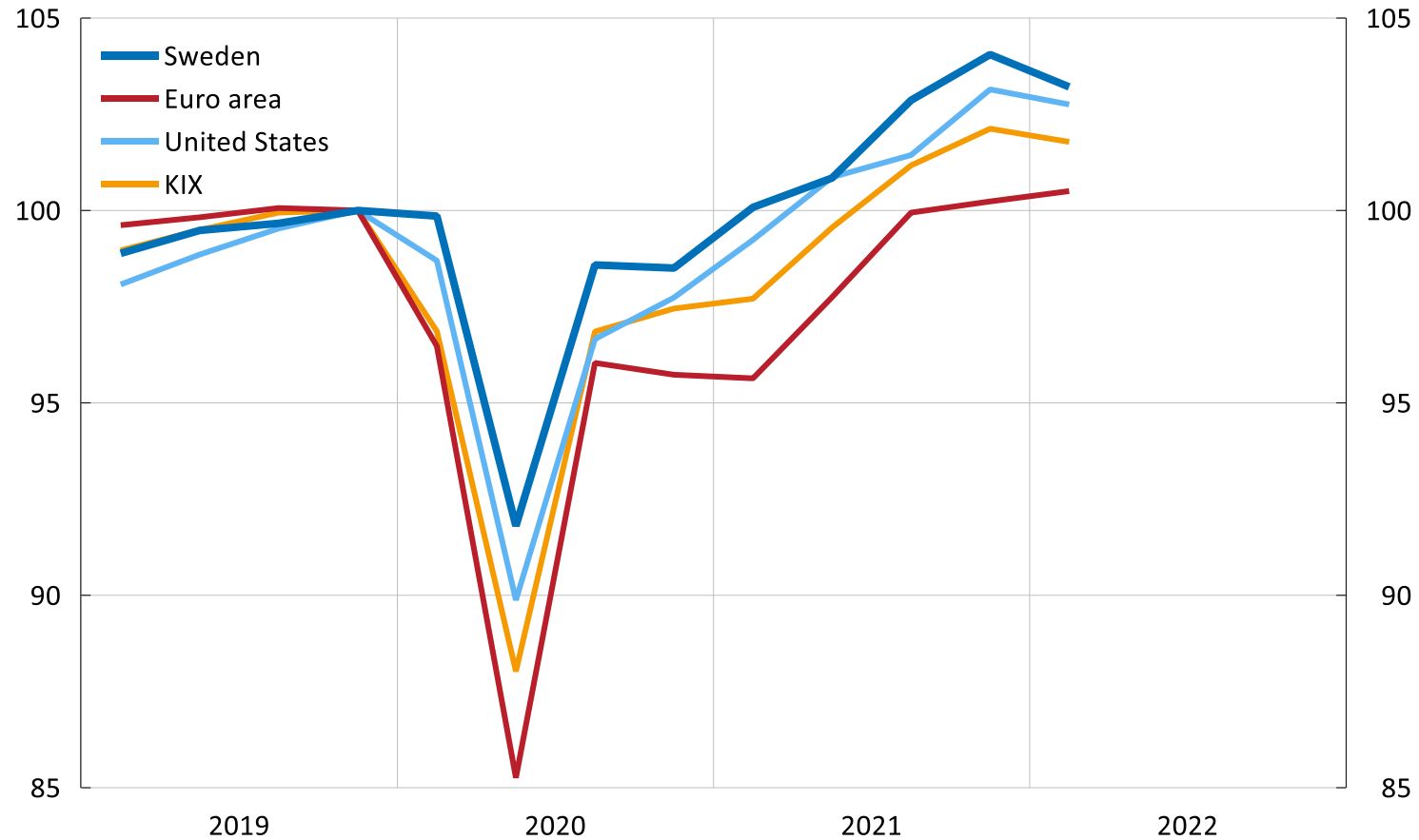
Sources: Eurostat, SCB and U.S. Bureau of Labor Statistics.

# Supply chain disruptions along with strong demand pushes up inflation

- Multiple shocks in the aftermath of the pandemic caused production disturbances
- New shutdowns in China due to covid-19 further affected supply chains
- Russia's invasion of Ukraine implied increased commodity prices



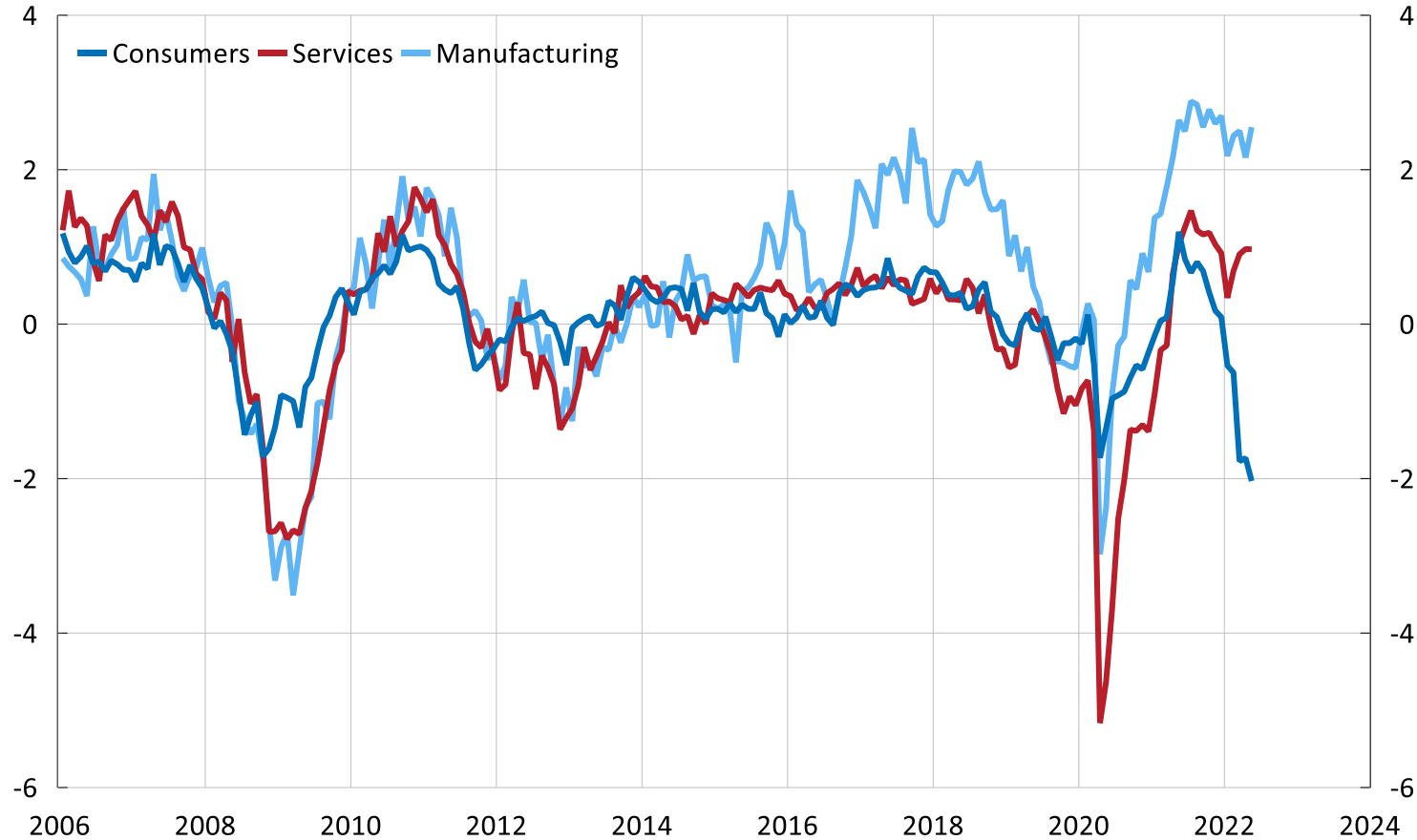
# Strong demand when countries reopened after the pandemic



Note. GDP, index 2019 Q4 = 100, seasonally adjusted data.

Sources: National sources and the Riksbank.

# Confidence indicators show optimistic firms, while households are more worried

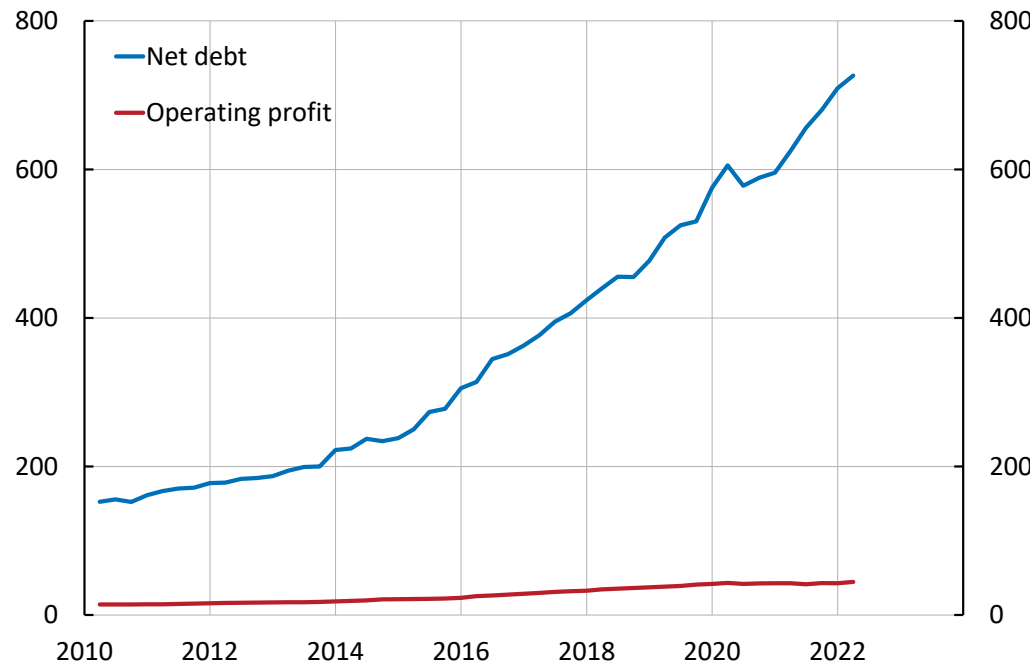


Note. Standardized data, units of standard deviation from mean.

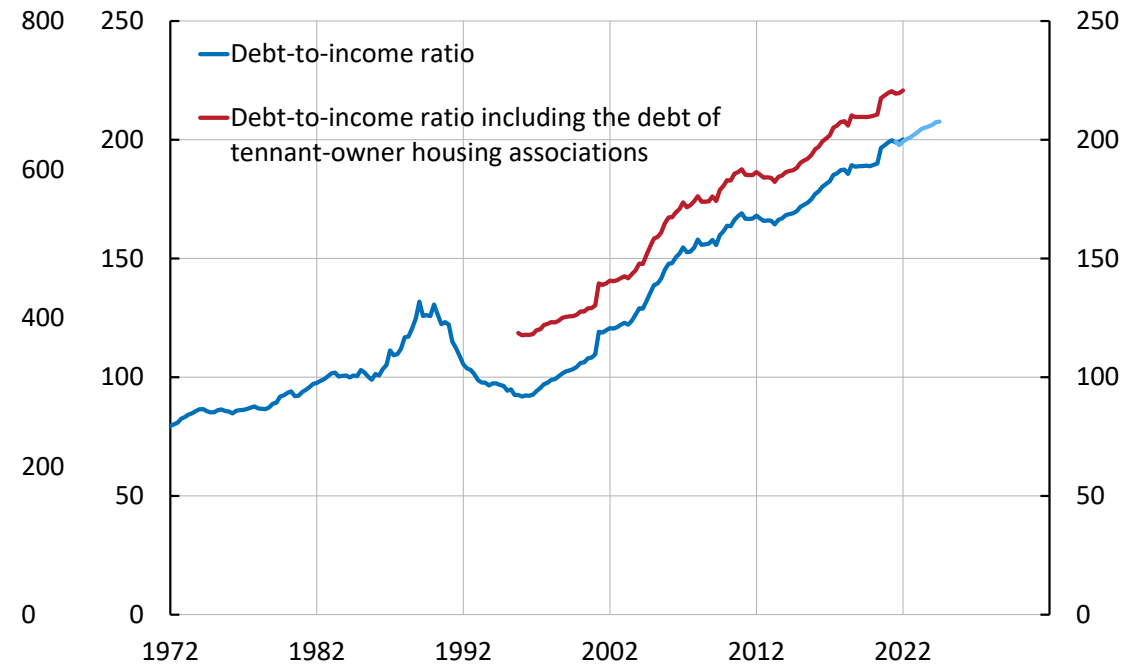
Source: National institute of Economic Research.

# Highly indebted households and companies are sensitive to rising interest rates

Commercial properties corporates are taking on larger loans in relation to their income



Households' debts growing more rapidly than their incomes



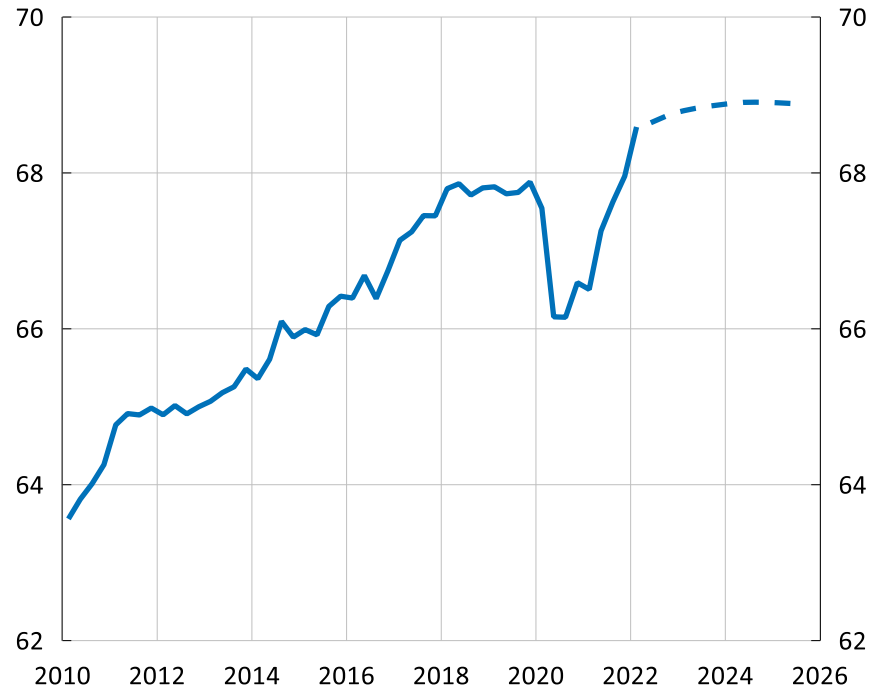
Note. Left: Billions. Refers to some thirty major commercial property companies in Sweden. Right: Per cent. The debt-to-income ratio refers to total household debt in relation to disposable income. Broken line represents the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

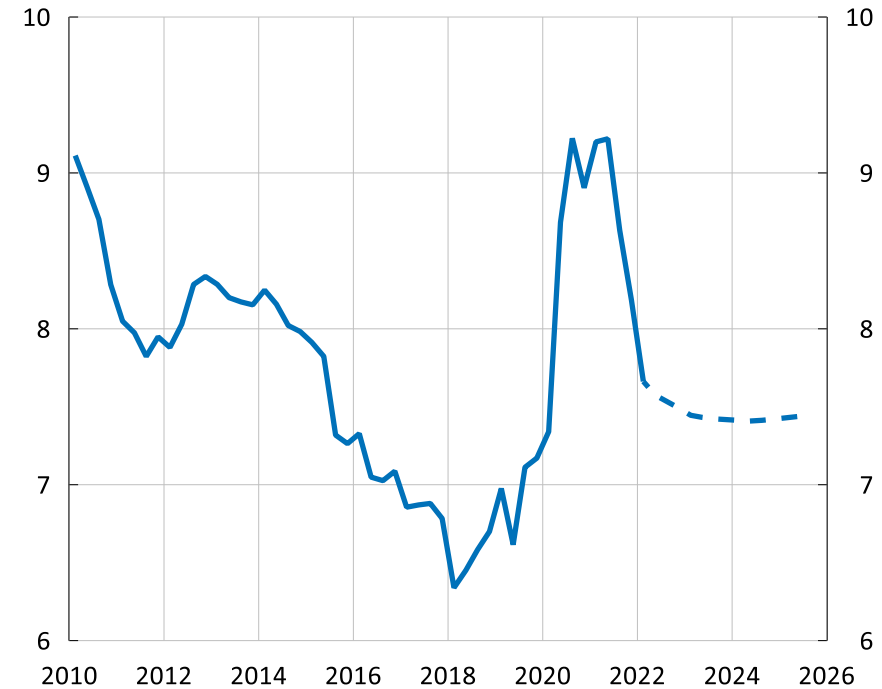


# Continued job growth

## Record-high employment rate



## Unemployment has fallen



Note. Percentage of population and labour force respectively, 15–74 years, seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

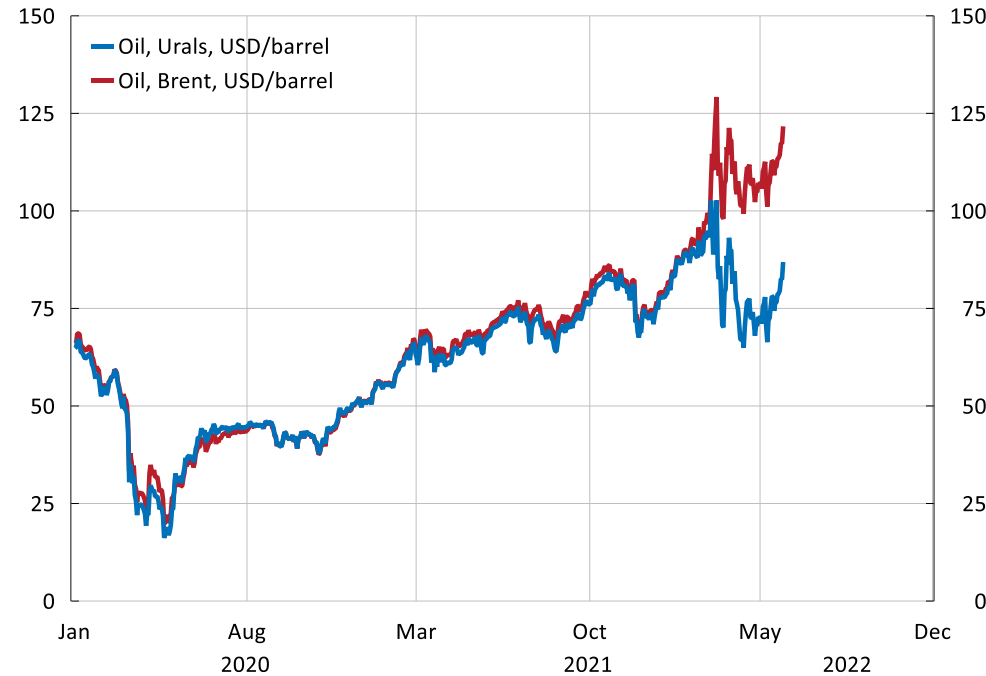
# Structural forces will affect inflation in medium to long term

- Energy transition and green investments
- Demographics
- Digitalization
- De-globalization and rearmament

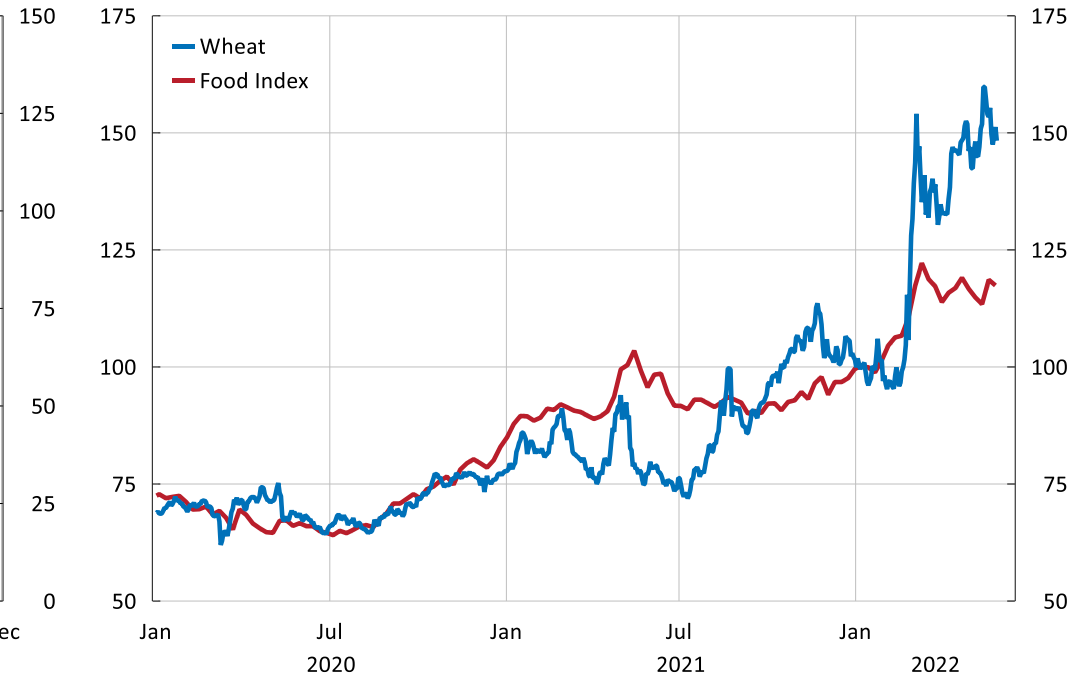


# Russian invasion of Ukraine contributes to even higher food and energy prices

## Oil prices



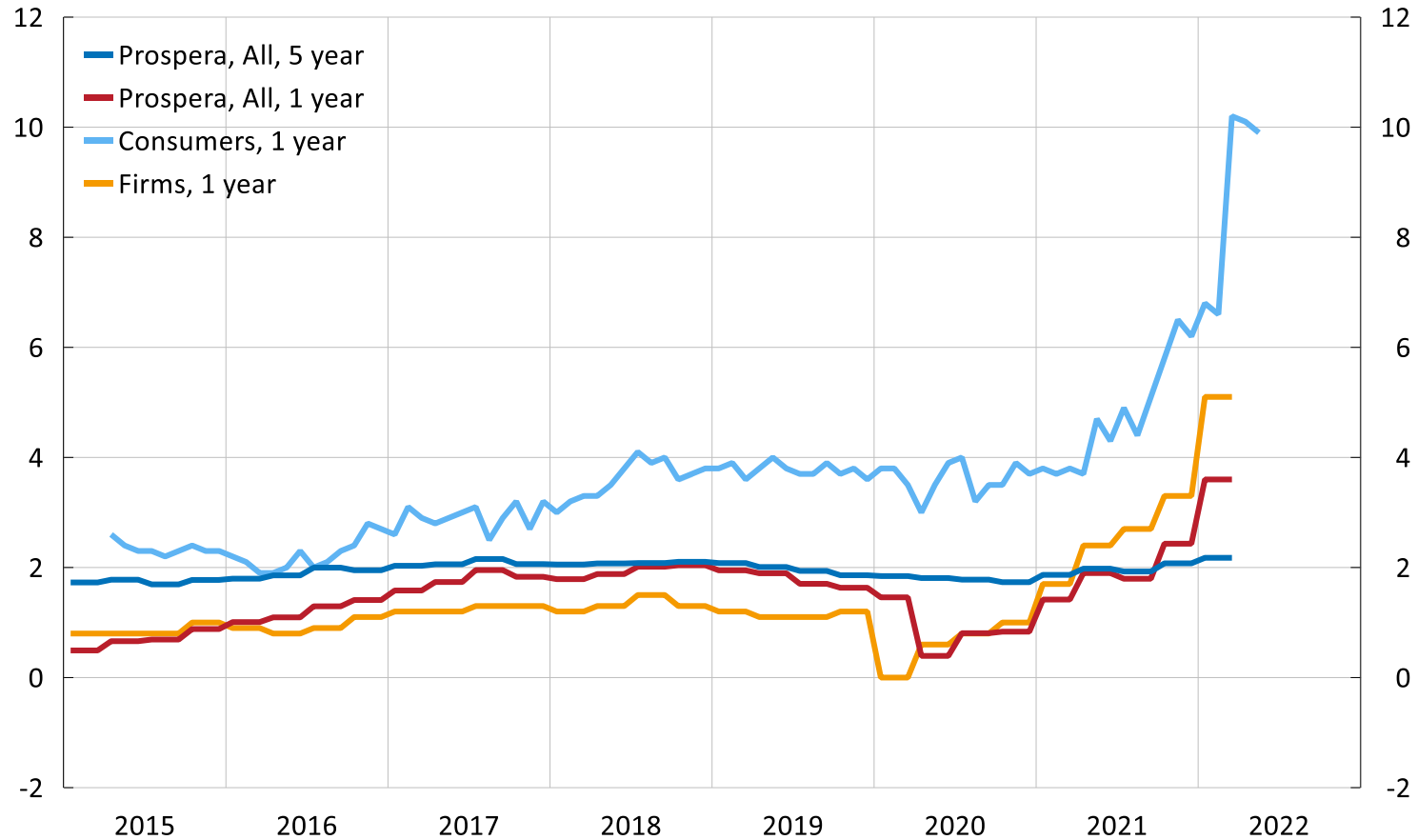
## Food prices



Note. Wheat and food indexed to 100 in January 2022.

Sources: Economist, Euronext, ICE and Macrobond Financial.

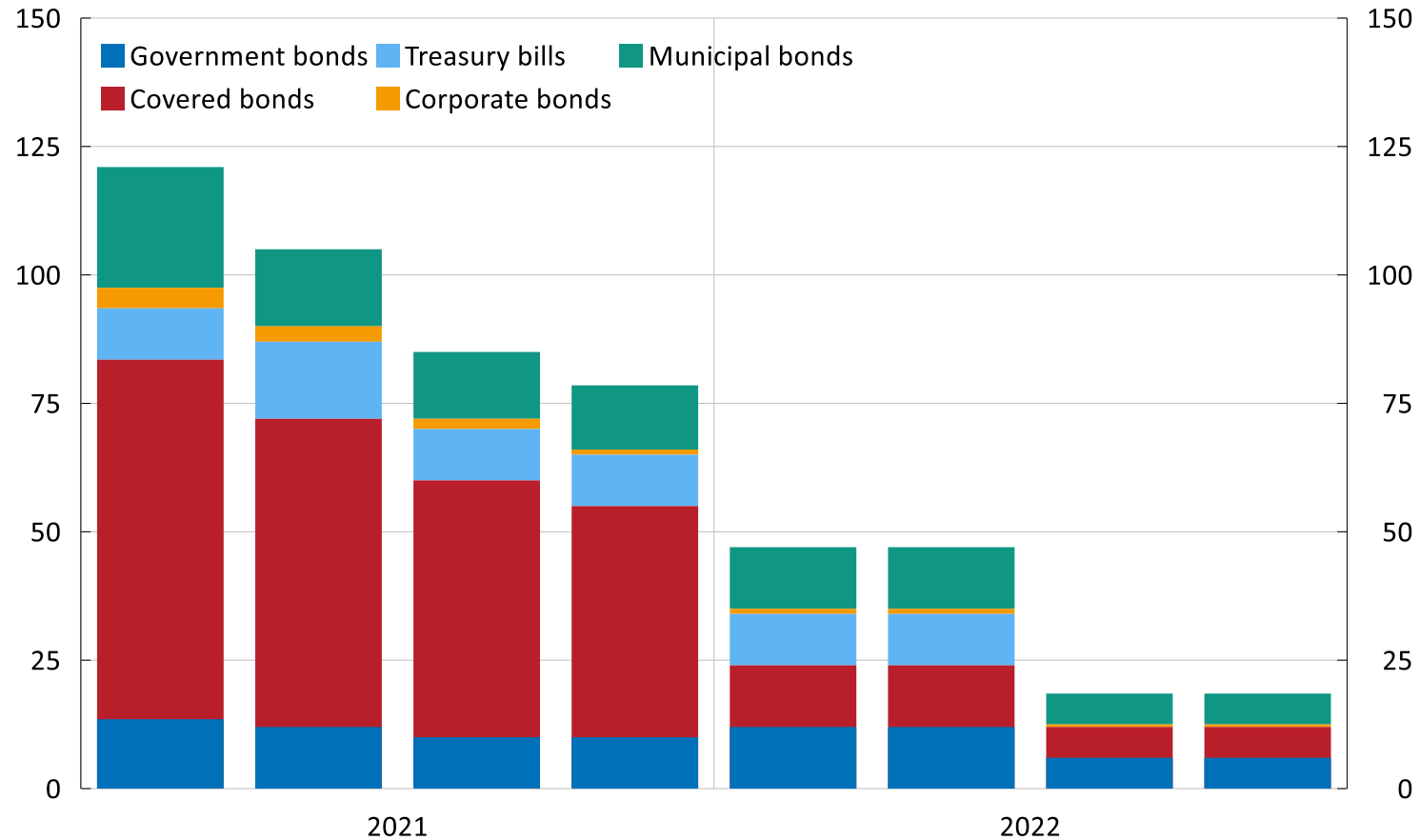
# Short-term inflation expectations are high while long-term inflation expectations remain close to 2 percent



Note. Annual percentage change. Expected inflation in 1 and 5 year's time.

Sources: National Institute of Economic Research, Sifo Prospera and Statistics Sweden.

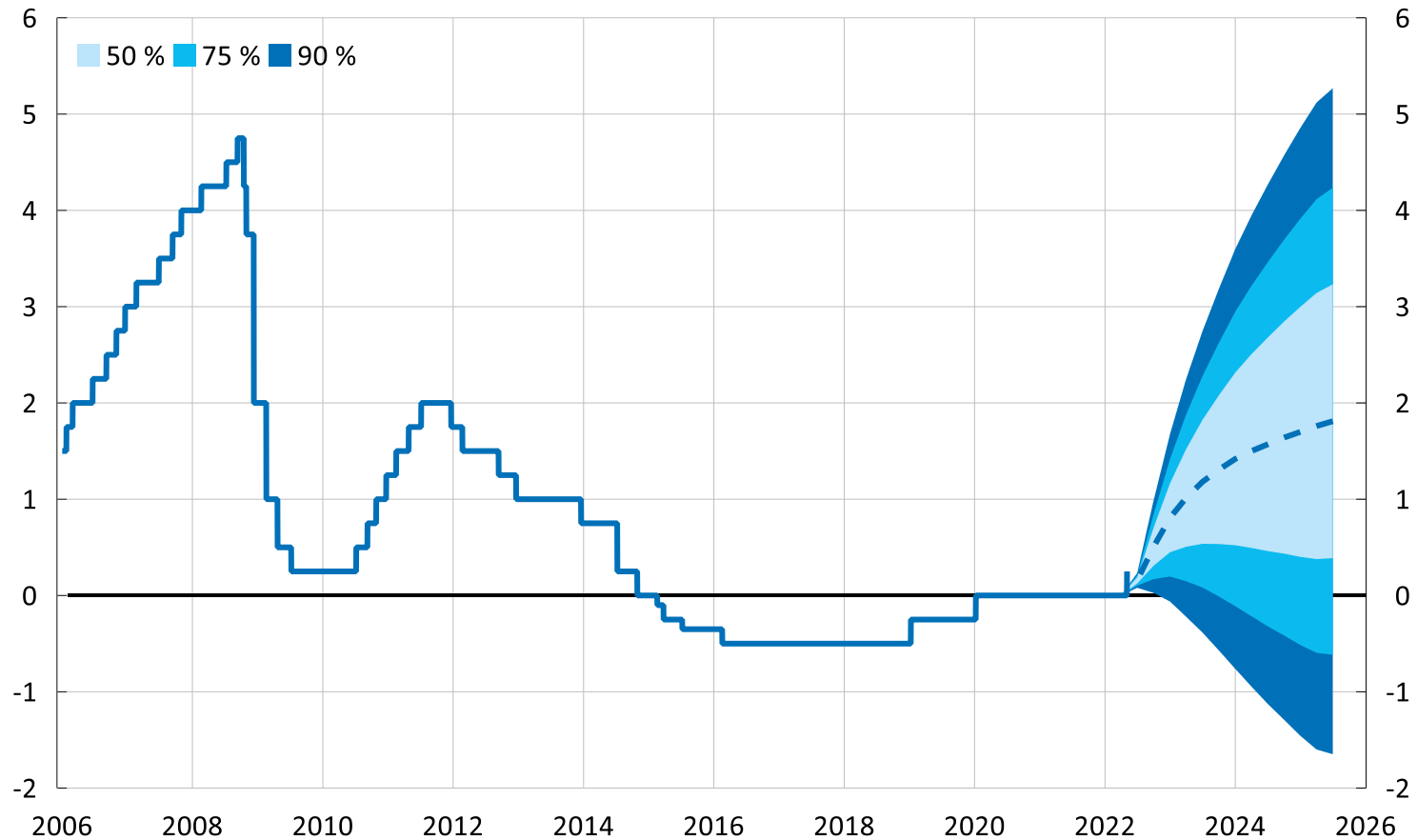
# Net assets purchased stopped at end of 2021, reinvestments is now reduced



Note. Nominal amounts, SEK billion. Shows completed and decided purchases.

Source: The Riksbank.

# Policy rate to be raised gradually going forward



Note. Per cent. The fields refer to uncertainty bands.

Source: The Riksbank.

# When conditions change, monetary policy changes

- Price stability is our primary mandate
- High inflation is costly to households and firms
- We need to act now to bring inflation back to target

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*Monetary policy is aimed at ensuring that inflation returns to the target.*

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