

Current monetary policy and the Riksbank's view on the Swedish krona

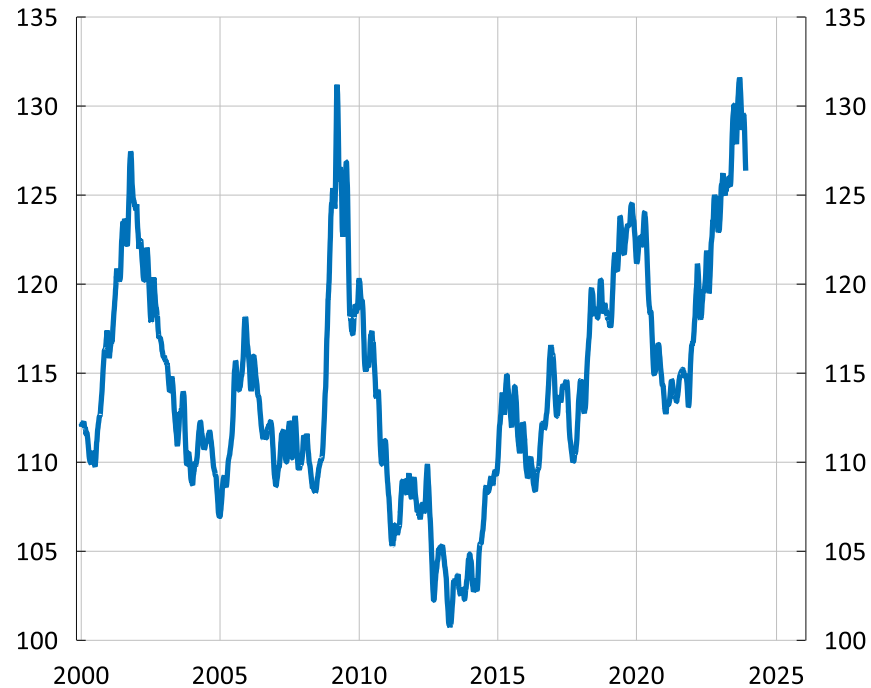
Swedish Association of Corporate
Treasurers
(11 December 2023)

Aino Bunge
Vice riksbankschef

The krona remains weak despite strengthening during the autumn

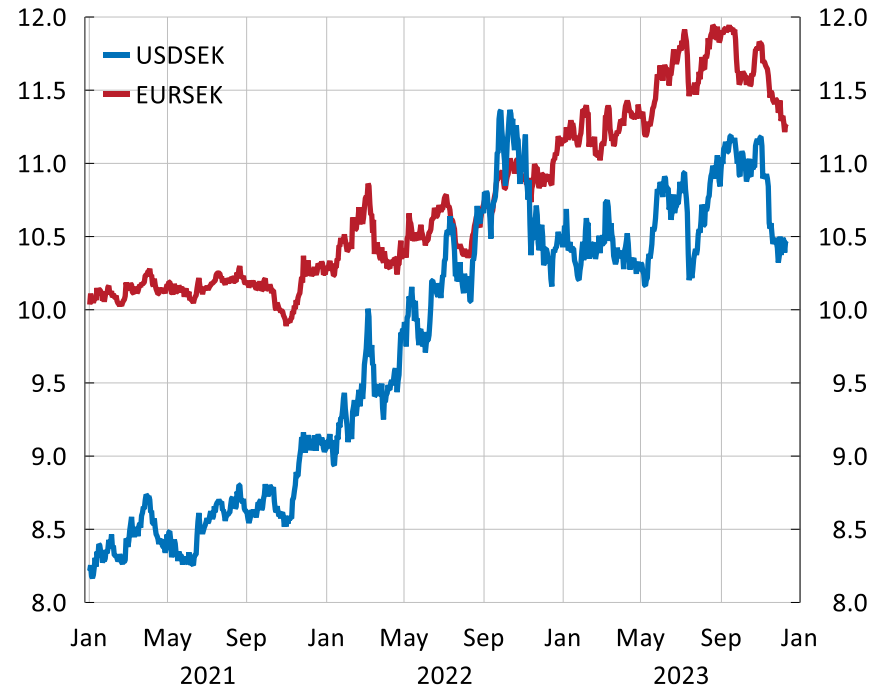
The krona has weakened by just over 7% since 1 January 2022

KIX index, 1-month moving average



Large impact on bilateral exchange rates in 2023

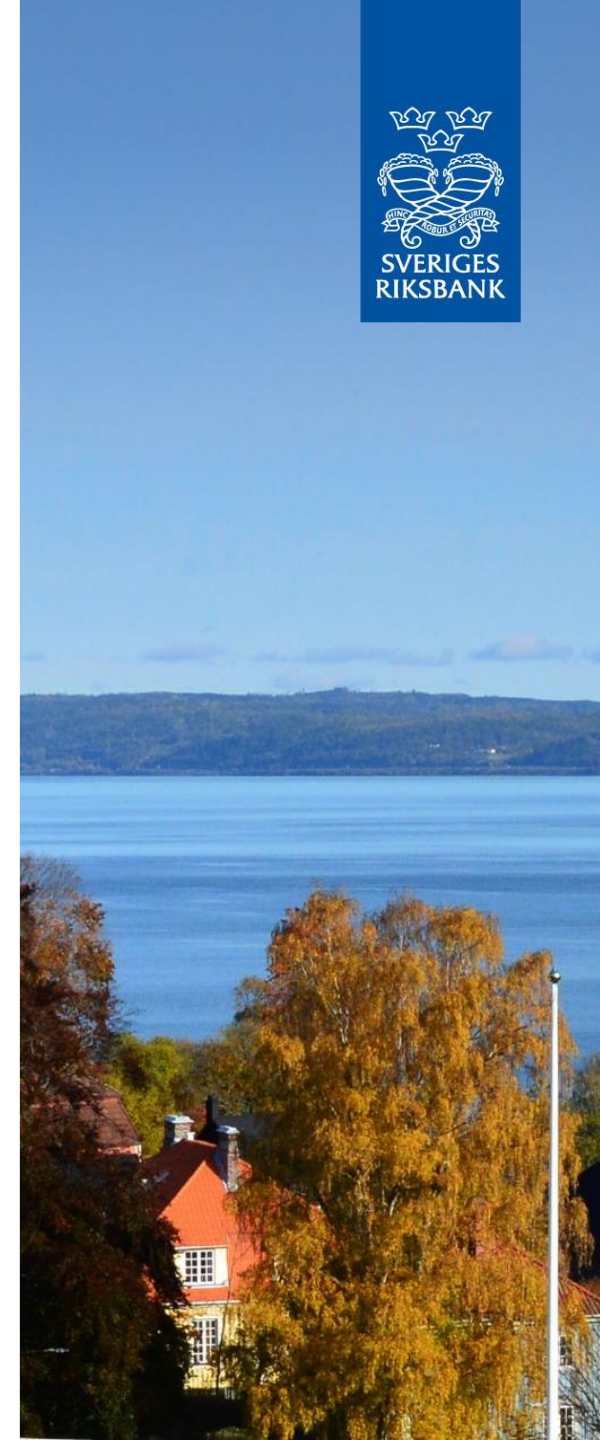
Bilateral exchange rates



Källor: Macrobond; Riksbanken

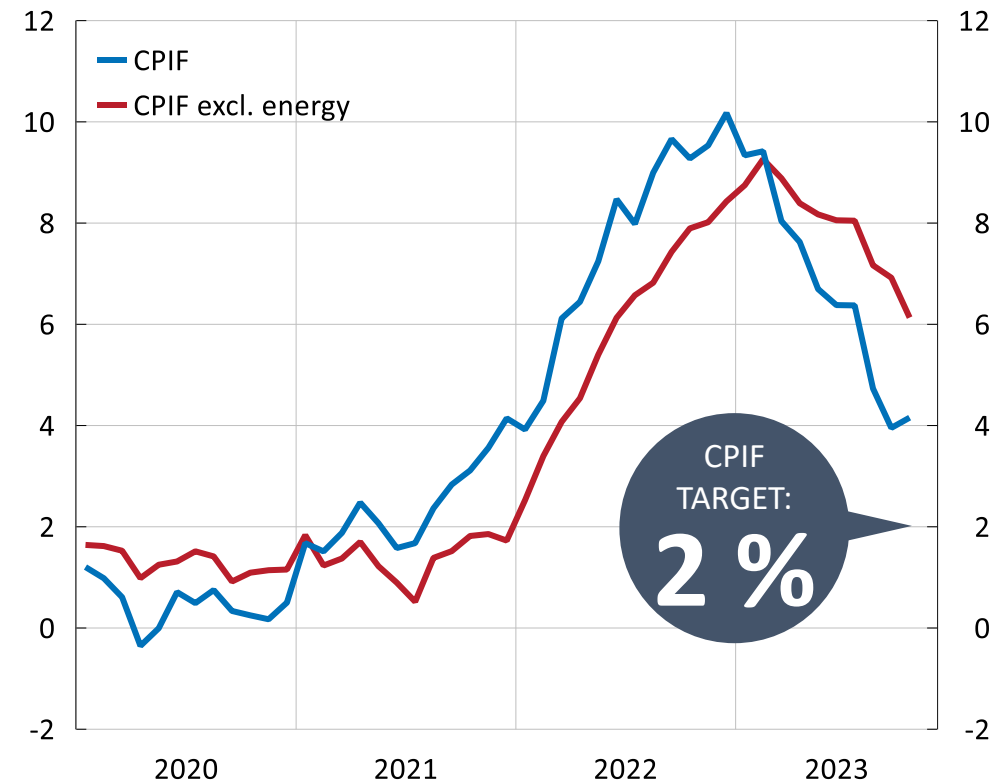
Monetary policy November 2023

- Developments have been largely as **expected**
- Policy rate was held **unchanged** at 4.0 per cent
- The policy rate **may need to be raised** further



Inflation is still too high

- Interest rate increases are having an effect – inflation is falling
- Inflationary pressures have moved in the right direction
- Risks that inflation will not fall sufficiently fast and stabilise at the target

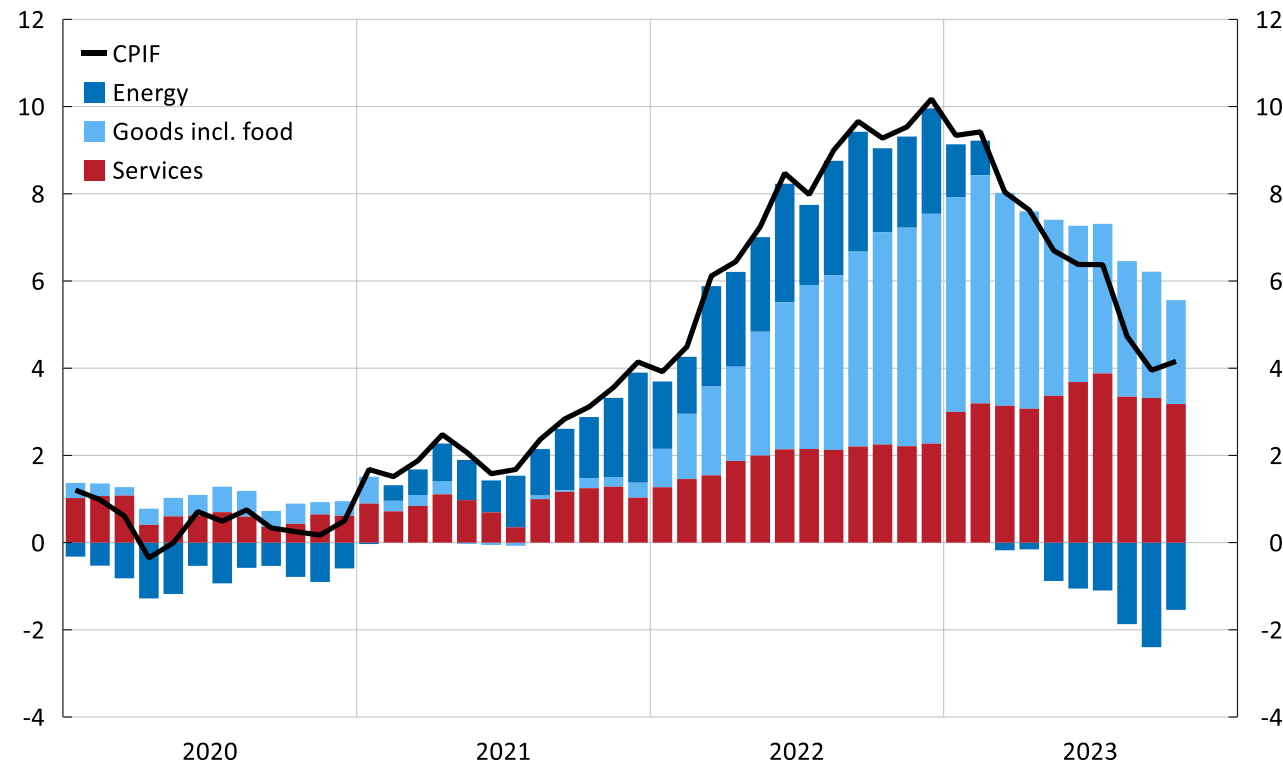


Annual percentage change.

Source: Statistics Sweden.

Goods and services prices contribute substantially to inflation

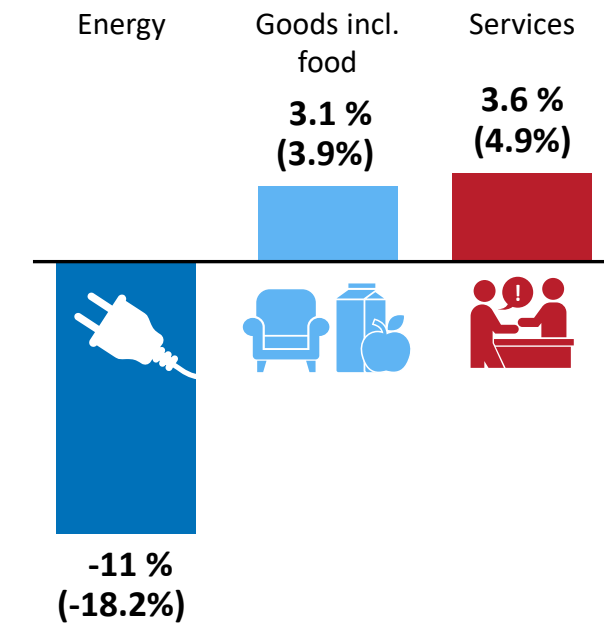
Contributions to CPIF inflation



Annual percentage change and percentage points. Corresponding figures at the time of the monetary policy decision in September in brackets.

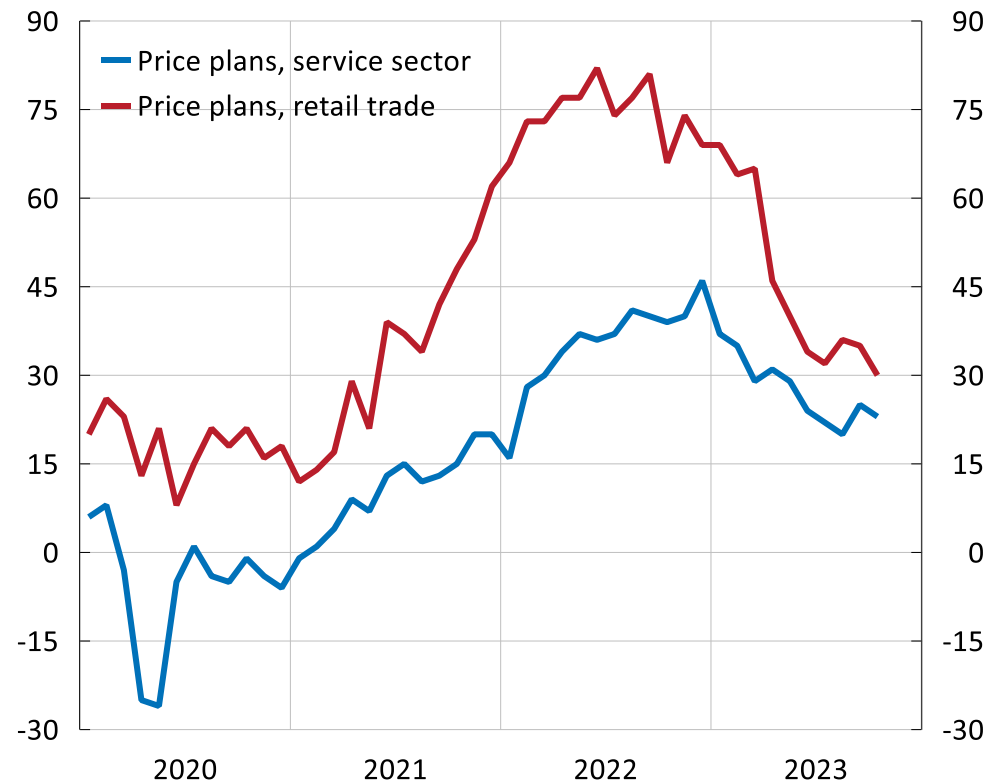
Price change

Three-month change calculated as an annual rate



Sources: Statistics Sweden and the Riksbank.

Companies' price plans have been dampened



Net figures, right Net figures show how many companies are planning to increase their prices minus how many are planning to reduce them in the next three months.

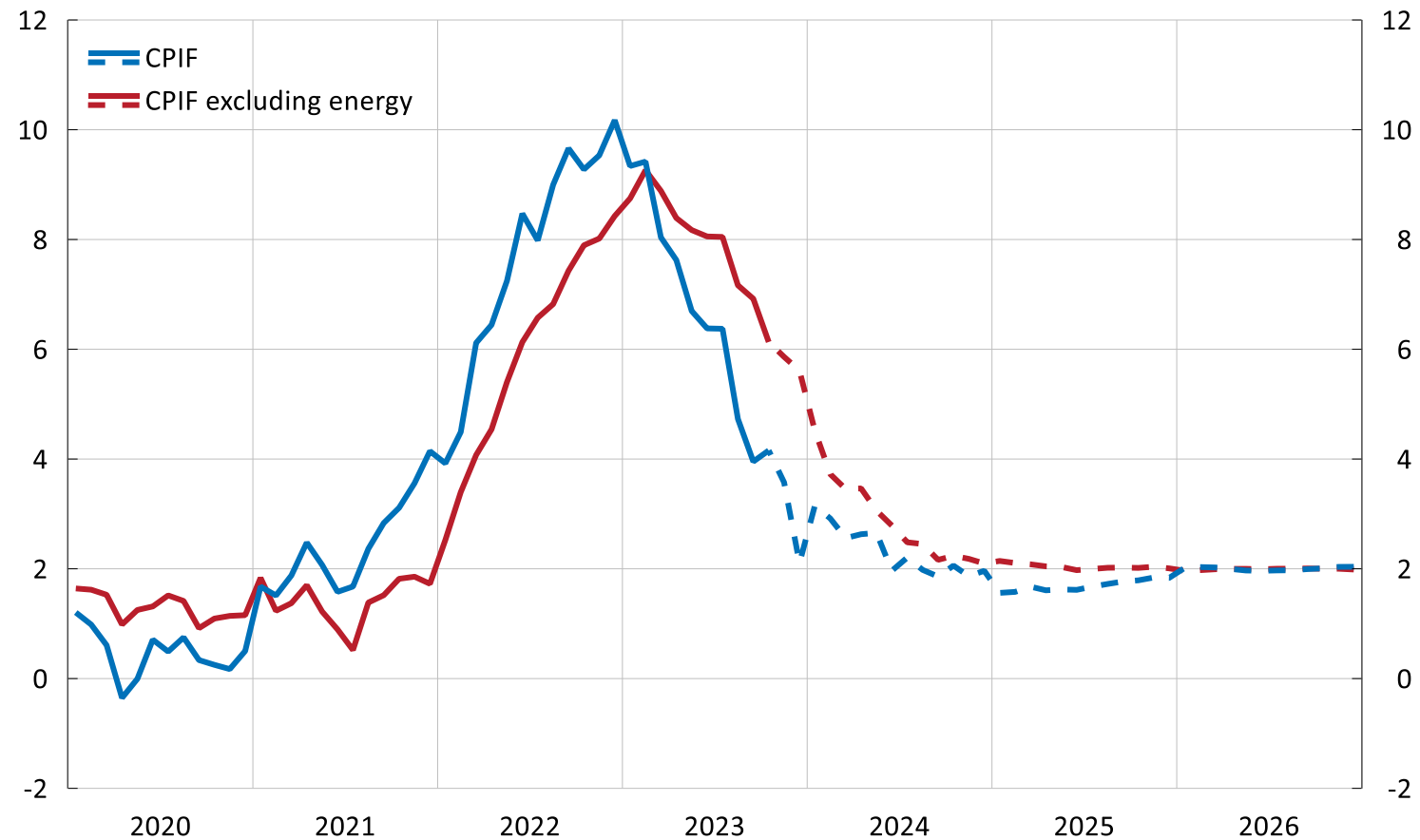
”

*Stiffer competition
putting pressure on prices.*

The Riksbank's Business Survey

Sources: Statistics Sweden, NIER and the Riksbank.

Monetary policy contributes to inflation stabilising going forward



Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

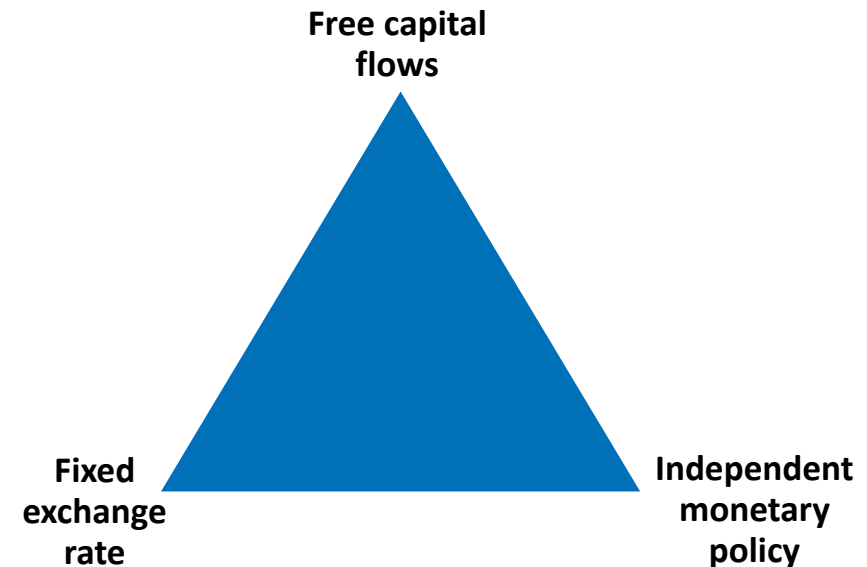
The krona remains a risk factor for inflation

- A weaker krona may result in inflationary pressures not being restrained in line with the forecast
- Faster impact from krona on prices in high-inflation environment



What role does the krona play in the Riksbank's monetary policy?

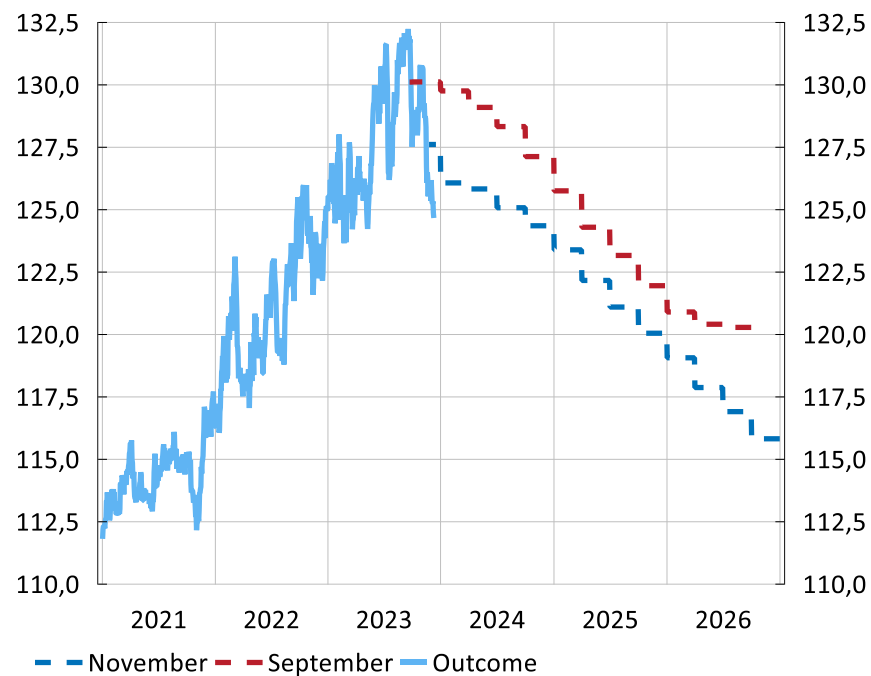
- The Riksbank has an inflation target
- The krona exchange rate is important for the development of inflation
- The government decides which exchange rate system Sweden should have



The Riksbank forecasts a stronger krona

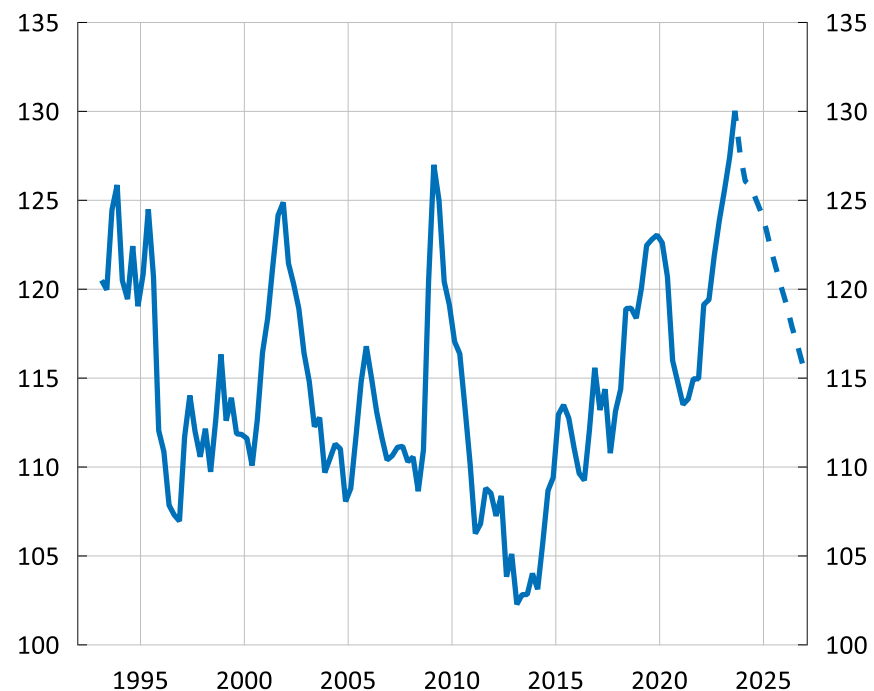
Krona forecast stronger in November

KIX index, outcomes (daily) and forecasts (quarterly averages)



However, the krona is still at a weak level

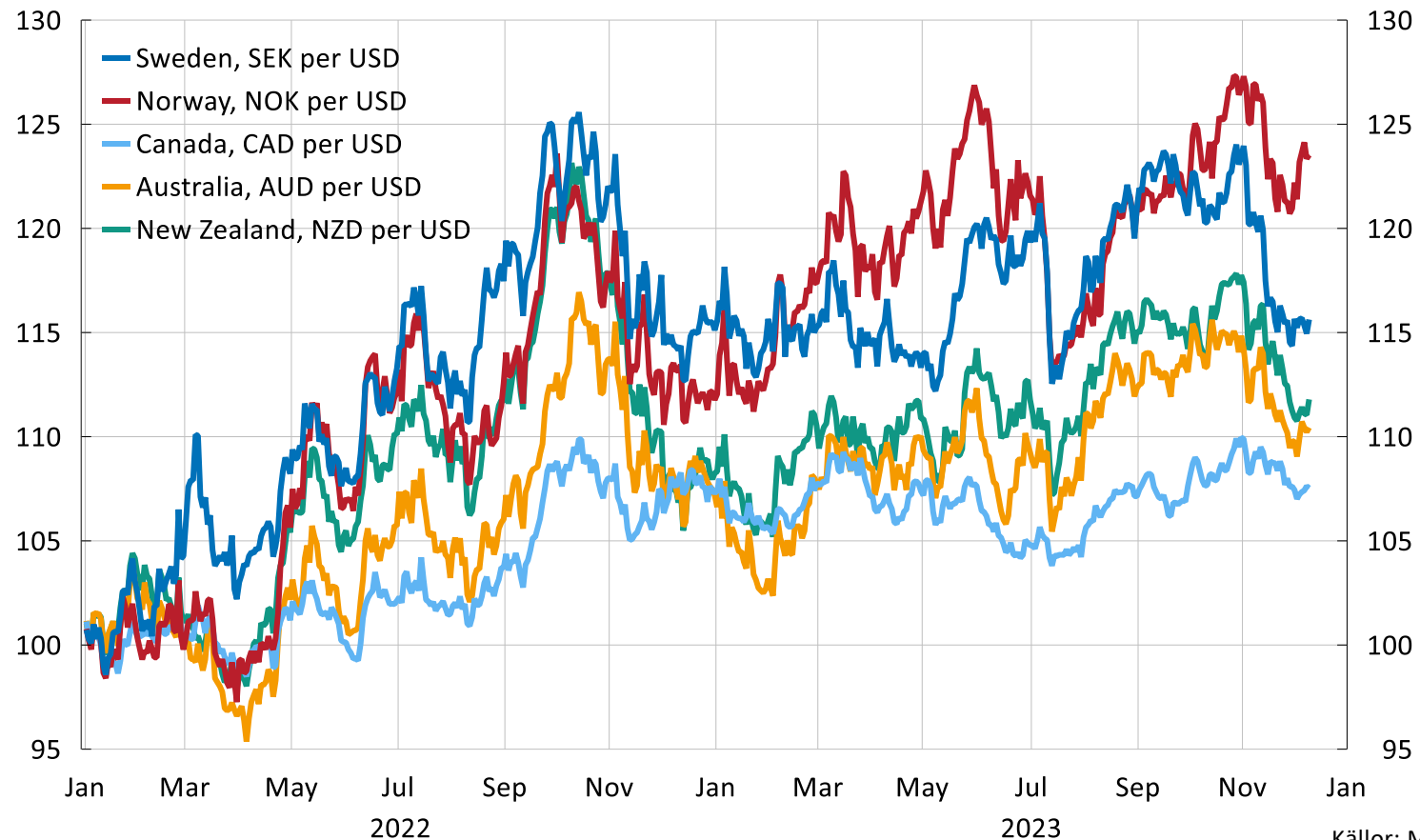
KIX index, outcomes and forecasts (quarterly averages)



Sources: Macrobond, the Riksbank.

Currencies in small open economies have weakened

Bilateral exchange rates against USD, 1 January 2022 = 100

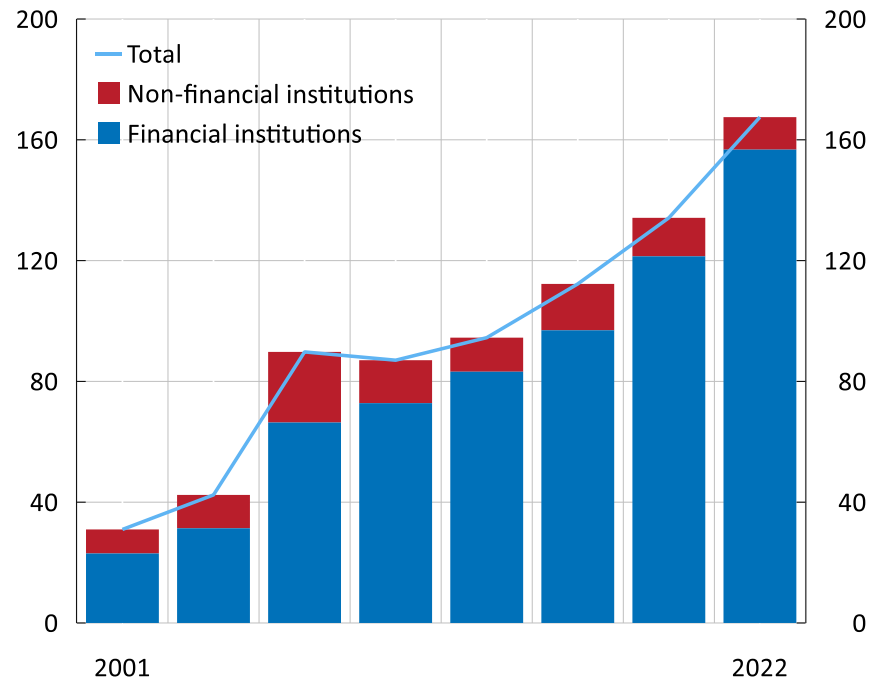


Källor: Macrobond; Riksbanken.

Financial agents abroad account for most of the turnover in kronor

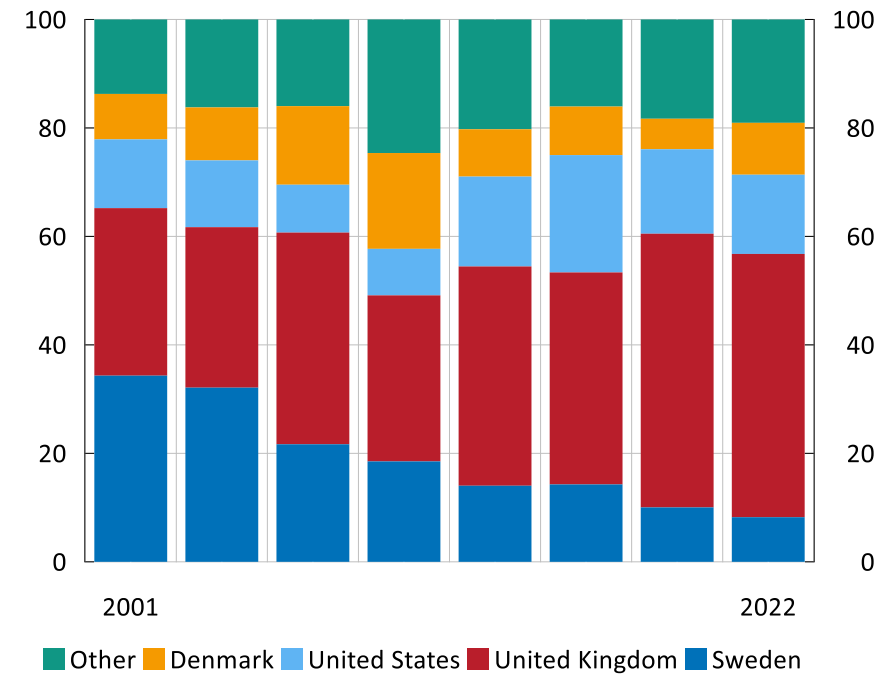
Trade between financial institutions > 90%

Average daily turnover, billions of dollars



Most takes place via foreign intermediaries

Average daily turnover, per cent of total

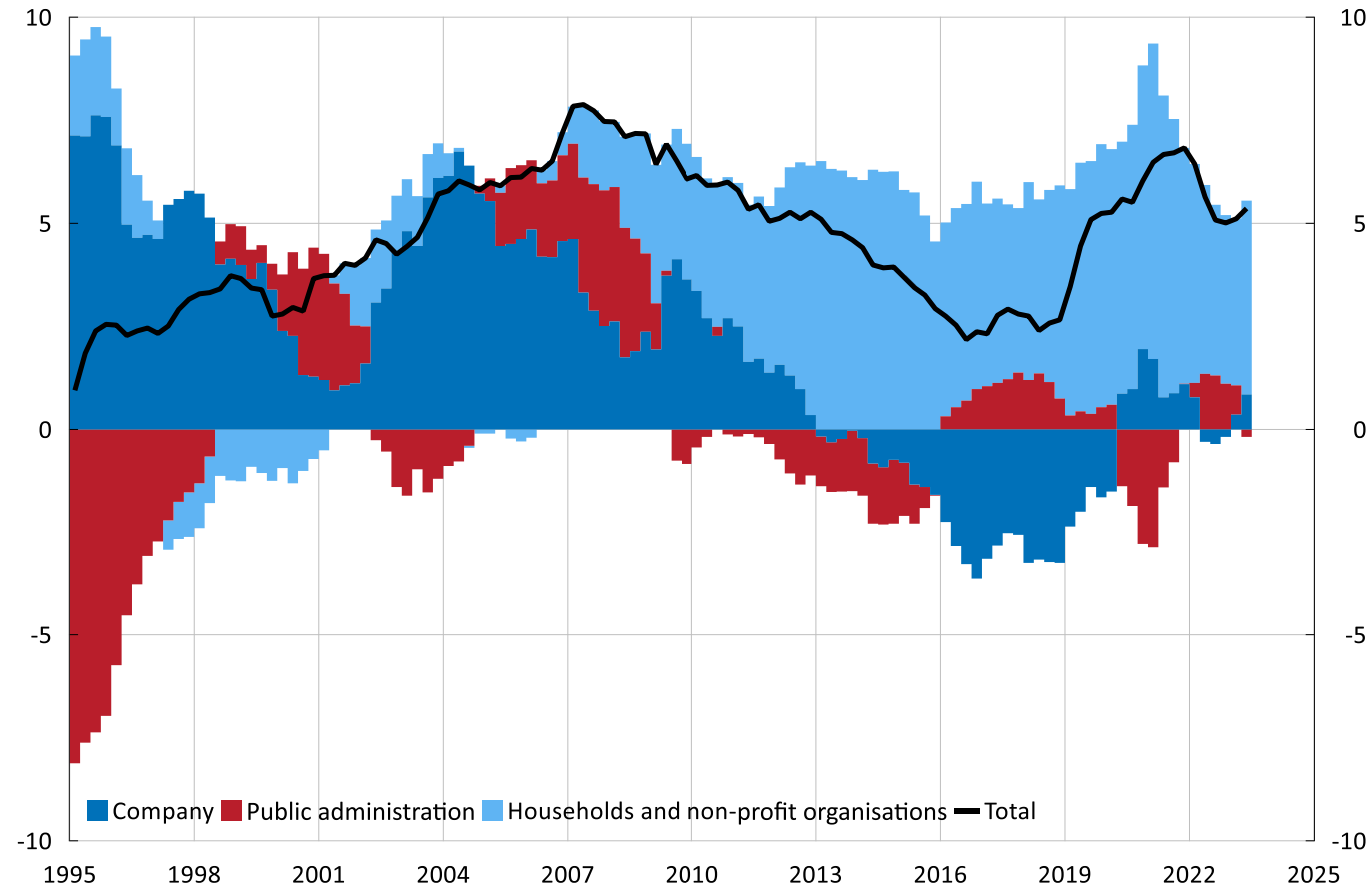


Note: The left hand field shows the size of the trading by intermediaries on the foreign exchange market for Swedish kronor with other financial institutions (including other intermediaries as well as other financial institutions) and non-financial institutions. The right hand field shows the size of the trading in kronor by intermediaries in different countries of origin. The first bar in the respective field applies to 2001. The remaining bars show statistics for every third year where the last bar applies to 2022.

Source: BIS Triennial Survey.

Sweden has a large savings surplus

Net lending by sector 1993-2023, per cent of GDP

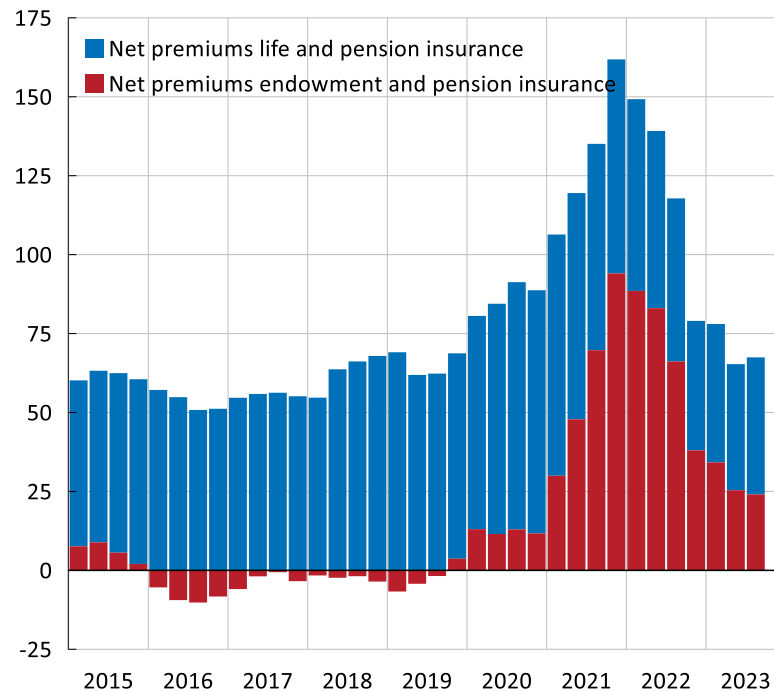


Source: Statistics Sweden.

The life insurance and occupational pension sector invests heavily abroad

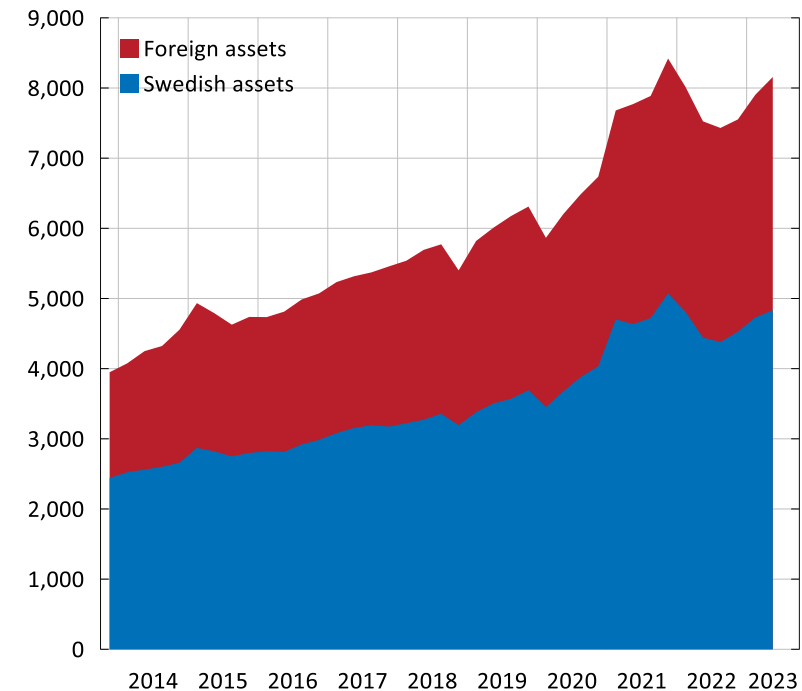
Large net premiums are paid

Net premiums, SEK billion (rolling annual values)



About 40 per cent foreign assets

Total assets, SEK billion

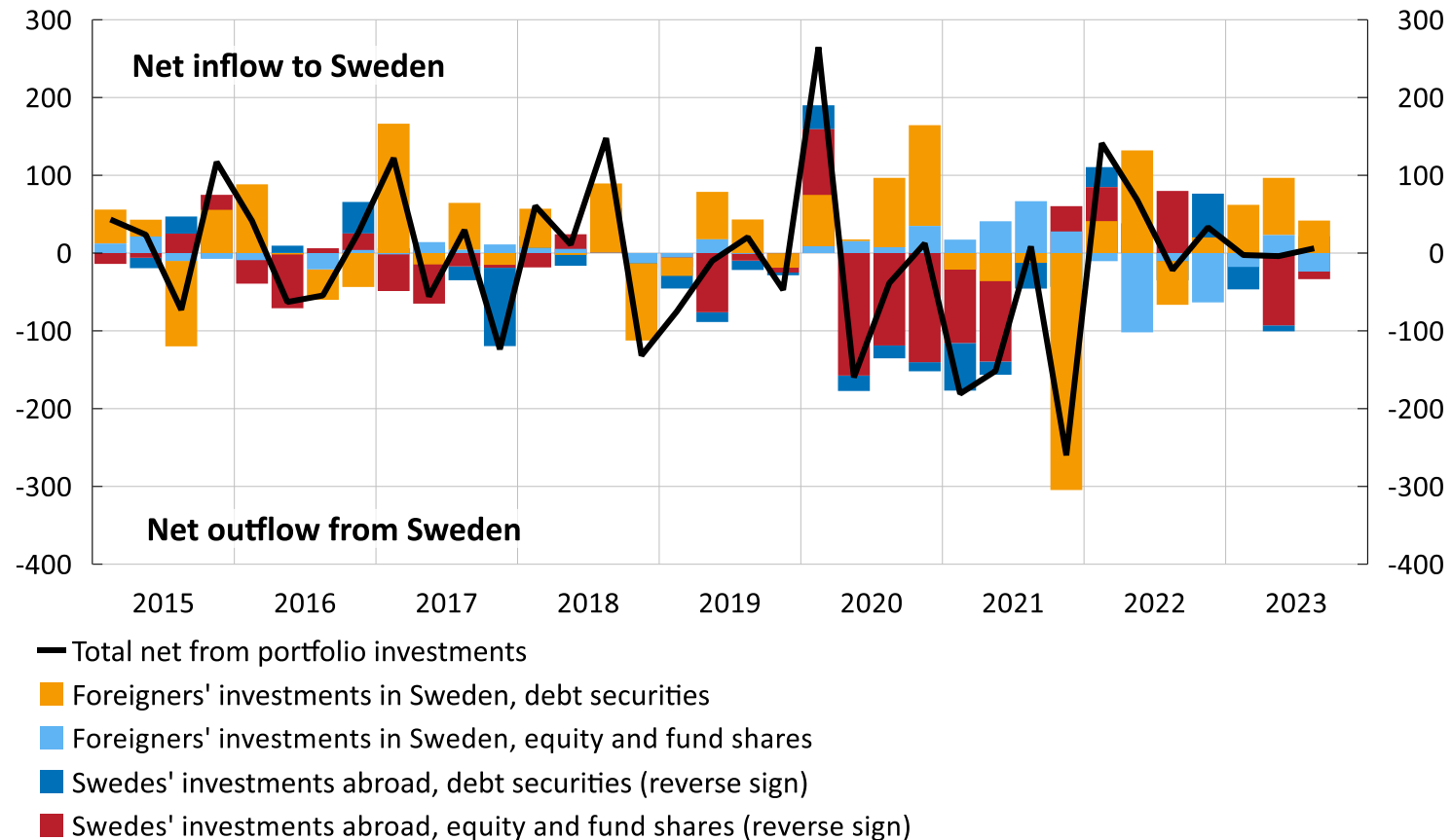


Note: Incl. National Pension Insurance Funds. Net premiums are the difference between premiums paid and compensation paid. Right: policyholders' unit-linked policies have been excluded as they cannot be separated by geographical origin.

Sources: Insurance Sweden and Statistics Sweden.

Portfolio investments can affect the krona – but the net has been close to zero in 2023

Swedish and foreign portfolio investments, SEK billion

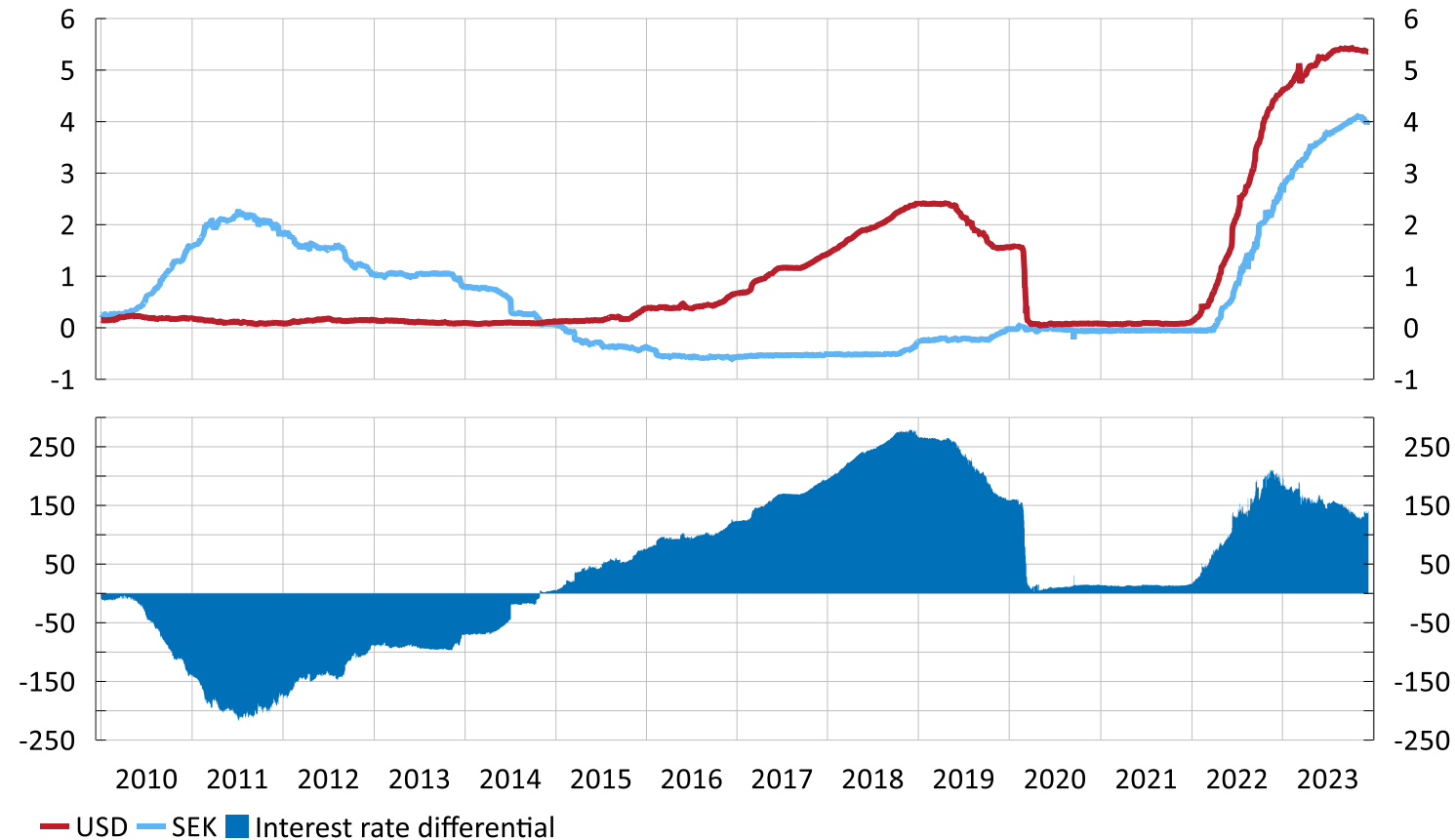


Note: Portfolio investments, i.e. ownership/share of debt below 10 percent in the company.

Source: Statistics Sweden (Balance of payments).

Interest rate differentials can affect the krona

3m overnight index swaps in USD and SEK (percentage) and differential (basis points)



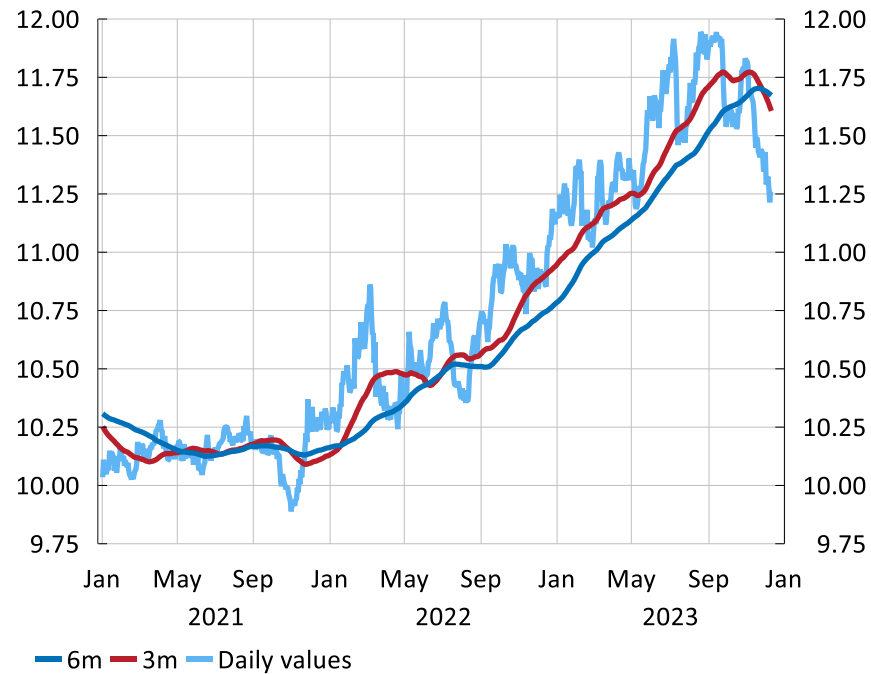
Note: The swap in USD is against EFRR, while the swap in SEK is against Stibor T/N

Sources: Bloomberg, the Riksbank.

Has the trend of the exchange rate been broken?

EURSEK

3m and 6m moving averages and daily values



USDSEK

3m and 6m moving averages and daily values



Sources: Macrobond, the Riksbank.

Thank you!