



Account of monetary policy 2021

Riksdag Committee on Finance
10 May 2022

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



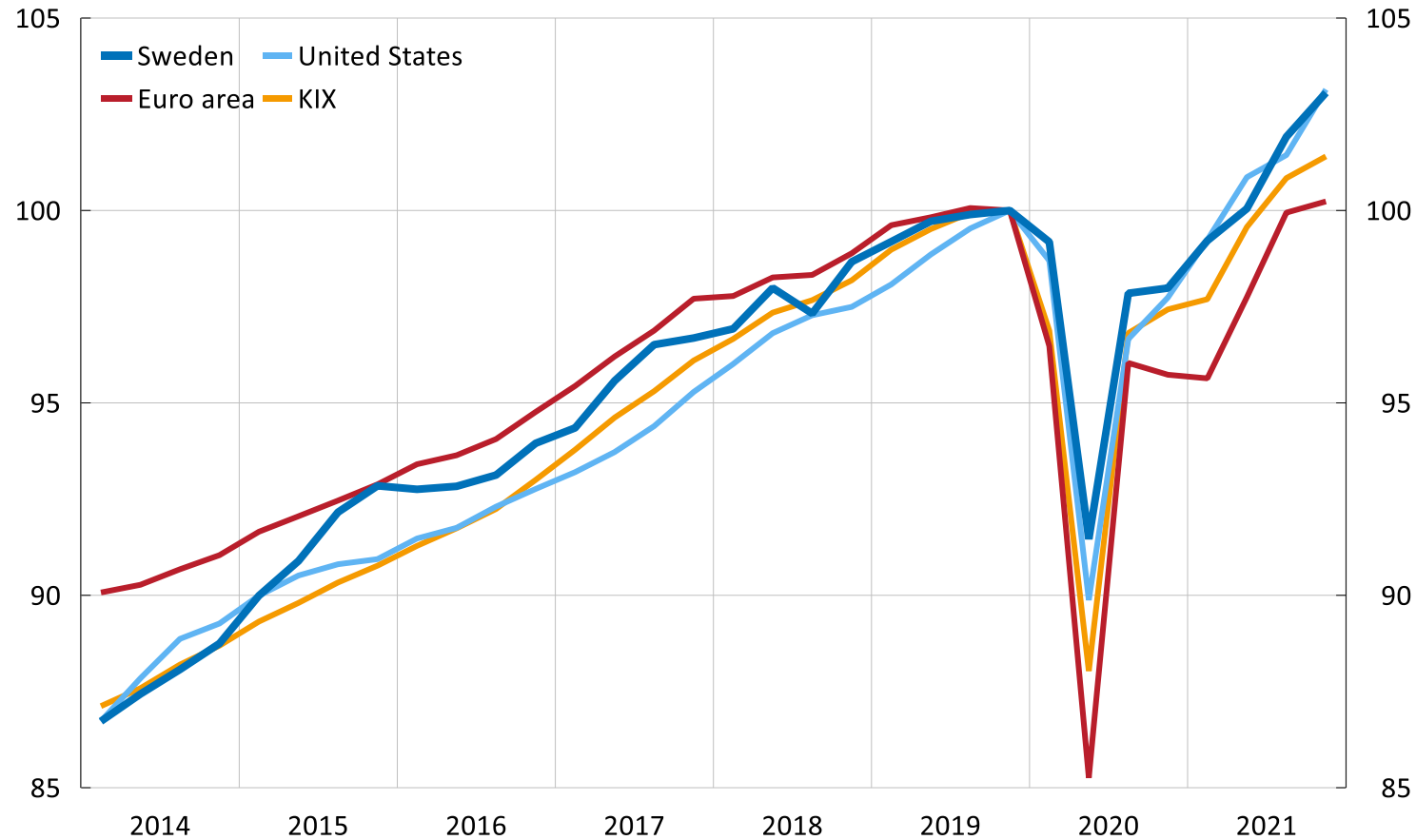
Stefan Ingves
Governor of the Riksbank

2021 – a year of rapid recovery

- Covid-19 vaccinations and eased restrictions
- The heavy falls in GDP were recovered worldwide
- The crisis measures during the pandemic began to be phased out
- Rapidly rising inflation, mainly due to rising energy prices in second half of the year



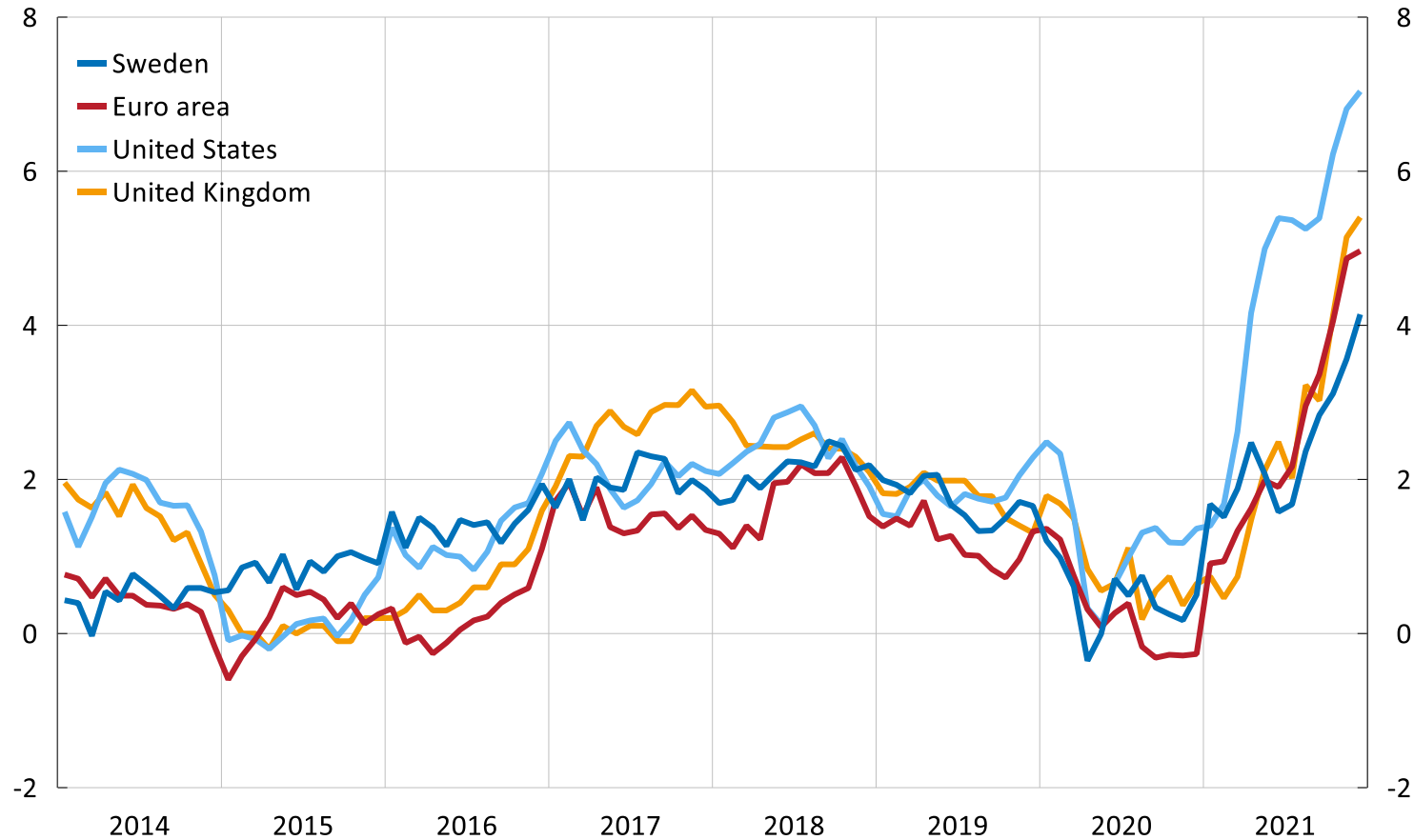
The pandemic continued to characterise developments, but the sharp fall in GDP was recovered in 2021



Note. Index 2019 Q4=100. The KIX is an aggregate of countries important for Sweden's international trade.

Sources: Eurostat, national sources, Statistics Sweden, U.S. Bureau of Economic Analysis and the Riksbank.

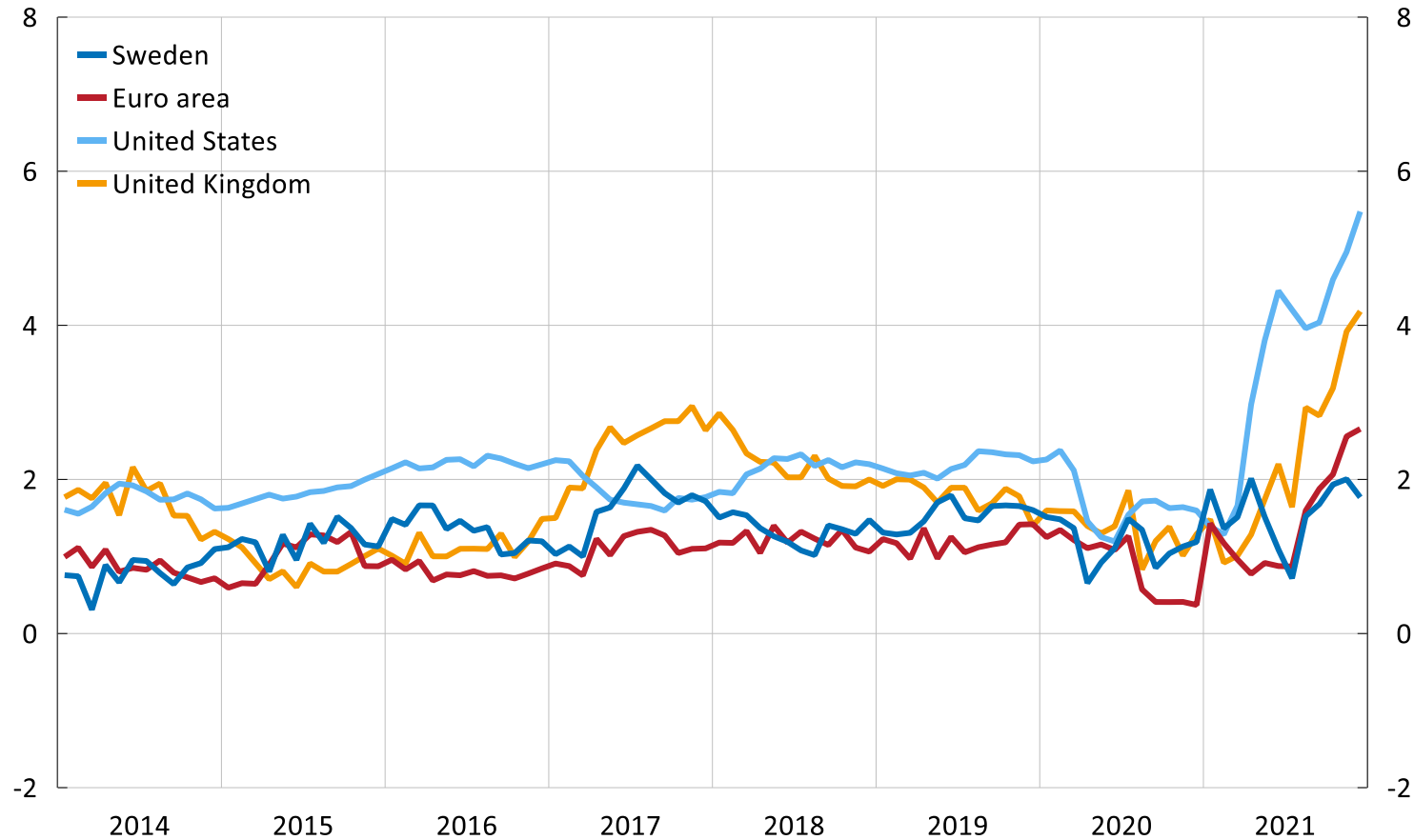
Inflation is rising rapidly in several countries



Note. Annual percentage change. Consumer prices refer to the CPIF for Sweden, the CPI for the United States and the United Kingdom and the HICP for the euro area.

Sources: Eurostat, ONS, Statistics Sweden, U.S. Bureau of Labor Statistics.

...but apart from energy and food, inflation was still low in Sweden



Note. Annual percentage change. Underlying inflation refers to the CPIF excluding energy and food for Sweden, the HICP excluding energy and food for the euro area and the CPI excluding energy and food for the United States and United Kingdom.

Sources: Eurostat, ONS, Statistics Sweden, U.S. Bureau of Labor Statistics.

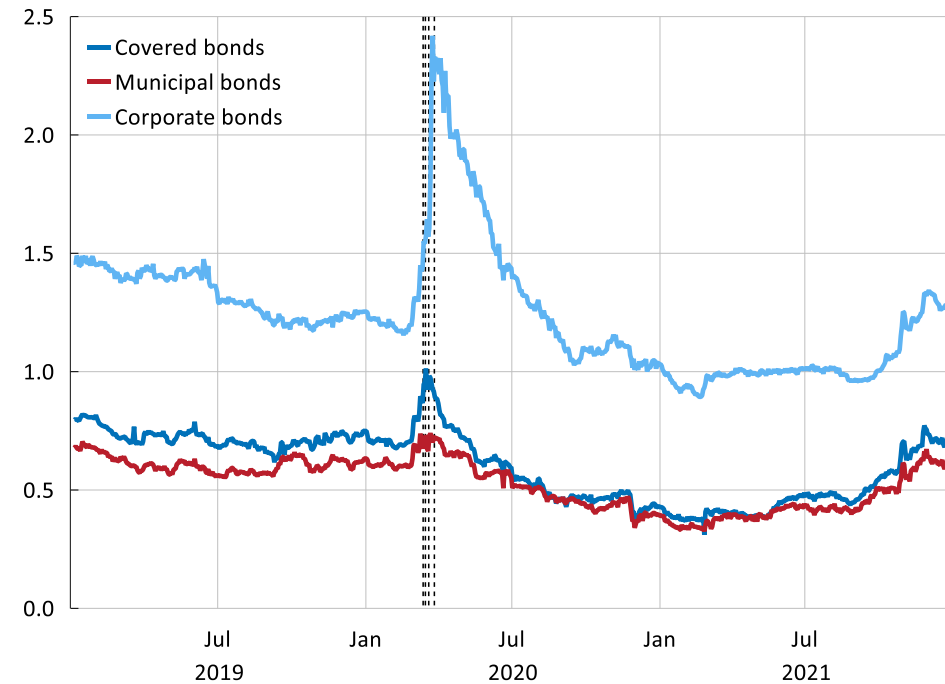
Monetary policy to bring CPIF back on target and support the economic recovery

- Unusually large fluctuations in inflation
- CPIF inflation unexpectedly high at the end of the year
- Underlying inflation still low
- For inflation to remain close to target
 - Repo rate held at zero

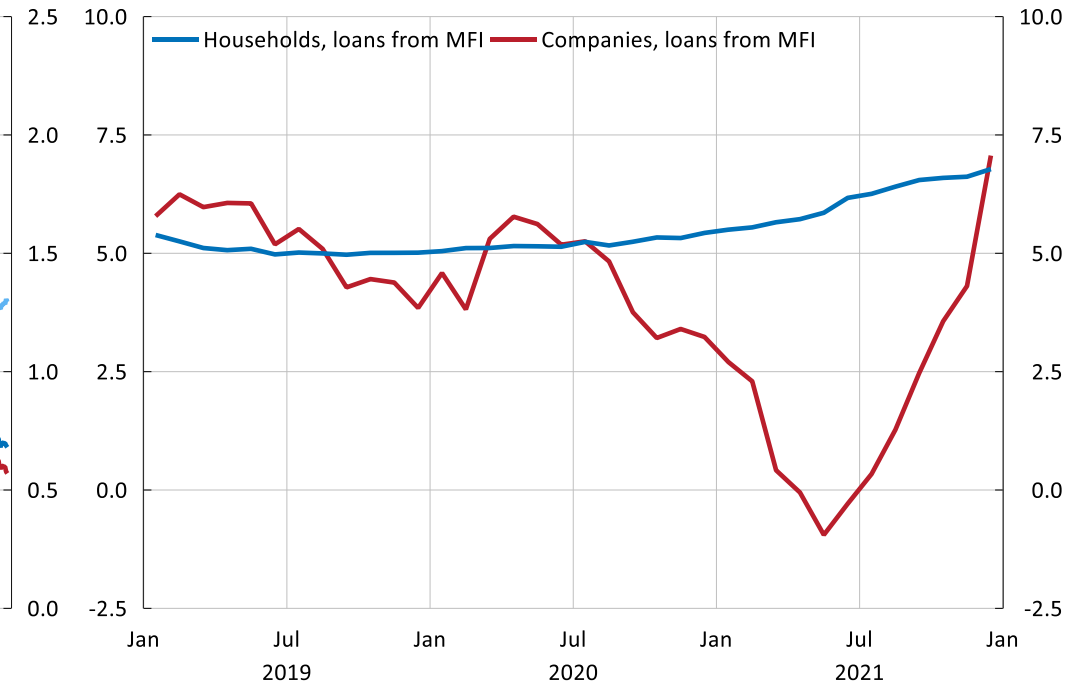


The asset purchases limited the effects of the pandemic on the Swedish economy

Asset purchases contributed to low interest rates



Lending has been maintained



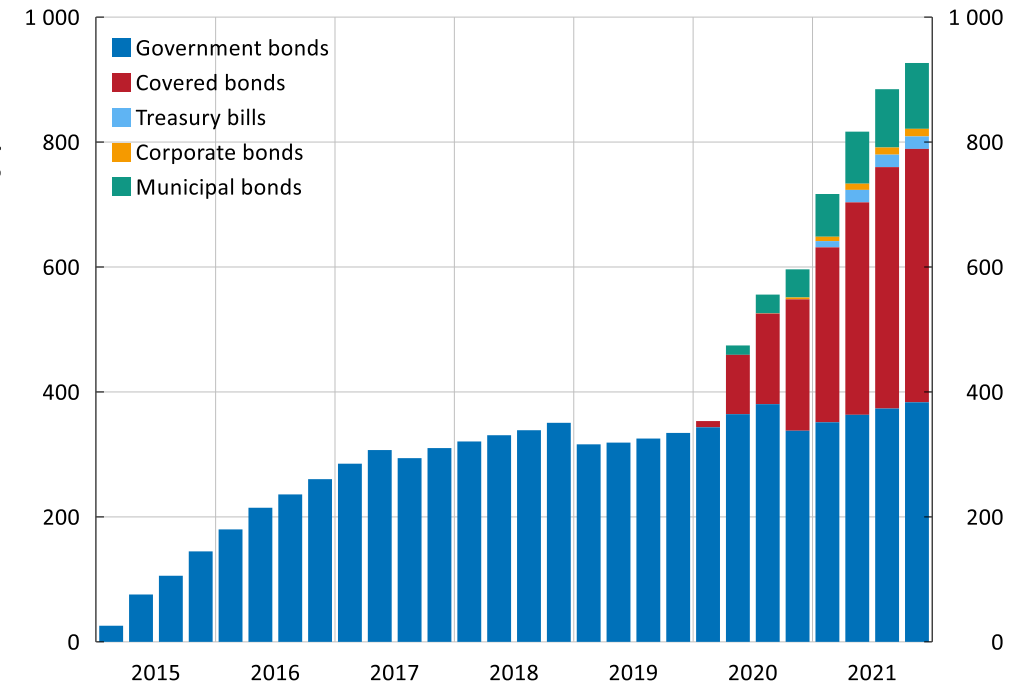
Note. Yield spread between various bond types and government bonds in Sweden, 5 years. Broken lines mark the Riksbank's decisions on 12, 16, 19 and 26 March 2020. Per cent and annual percentage change respectively.

Sources: Bloomberg, Macrobond, Refinitiv, Statistics Sweden and the Riksbank.

Asset purchase programme was completed during the year

- Crisis measures ended
- Decision at the last monetary policy meeting 2021
 - Reinvestments only in 2022
 - Thereafter, gradual tapering of the bond holding

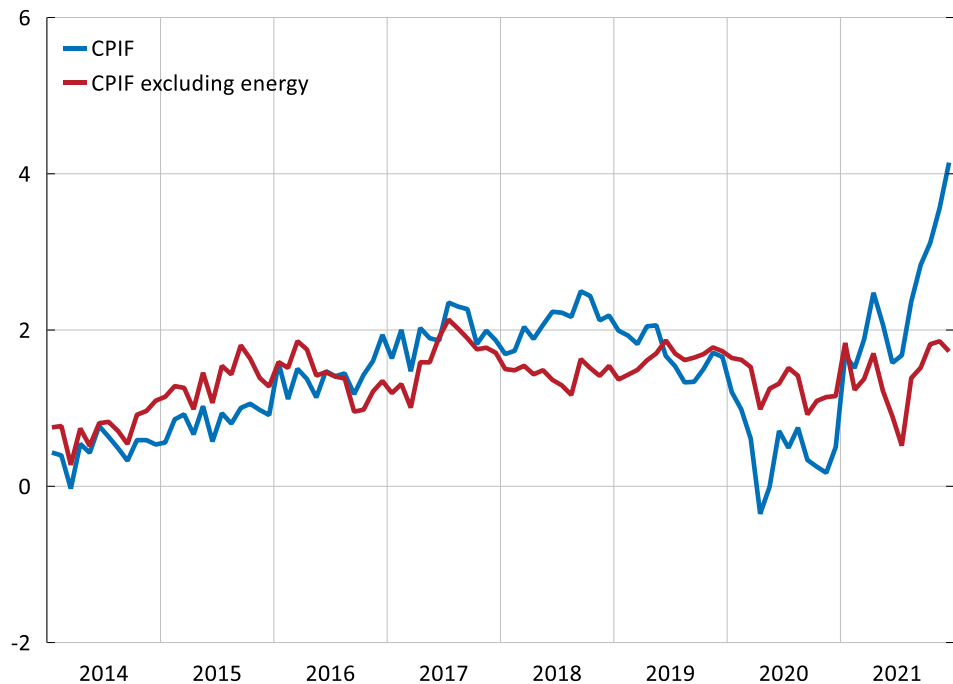
The Riksbank's asset holdings 2021



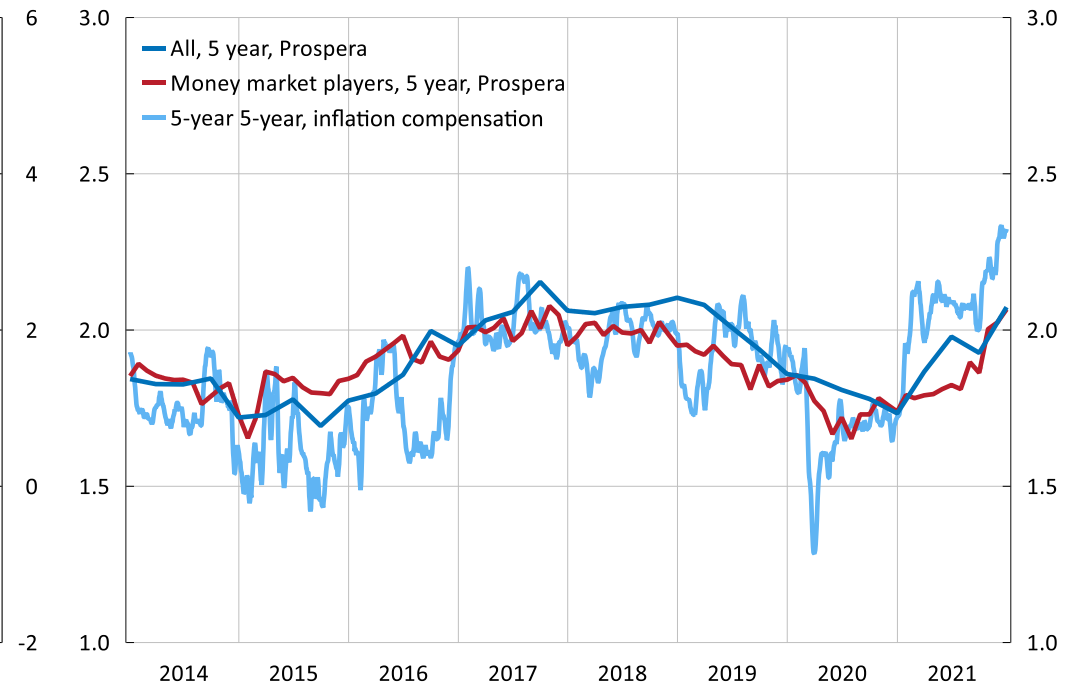
Note. Nominal amounts, SEK billion. Commercial paper refers to bonds and certificates issued by Swedish non-financial corporations.

Despite rising inflation – expectations close to target

Inflation rose rapidly in the second half of the year



Long-term expectations close to 2 per cent



Note. The inflation compensation refers to a 5-year period starting in 5 years time, calculated from bond yields (7-day moving average). Both inflation compensation and expectations from Prospera refer to the CPI.

Sources: Kantar Sifo Prospera, Statistics Sweden and the Riksbank.

Summary

- Powerful measures have been justified
- Inflation was driven by energy prices and rose rapidly at the end of the year, but long-term expectations were maintained
- The economy recovered during the year
- Risks that have been realised during 2022
 - New Covid-19 mutations
 - Uncertainty about the geopolitical situation
 - Broader upturn in inflation



Major disturbances in the economy – acceptable compliance with inflation targets

May 2022