

Introduction on monetary policy

Riksdag Committee on Finance
3 March 2022

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Governor

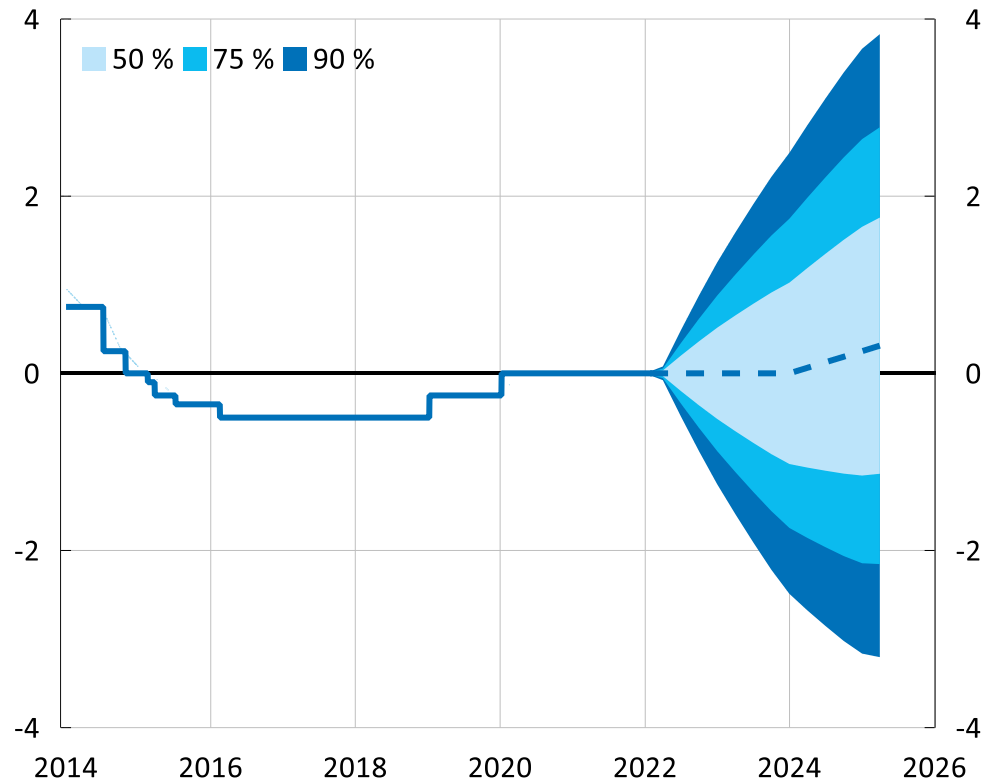
Much has happened since the monetary policy meeting in February

- The world looks different now, from when we took the most recent monetary policy decision
- Broad sanctions against the Russian financial sector
 - A number of Russian banks have been removed from SWIFT
 - Sanctions against the central bank – frozen assets and limited access to foreign currency reserves
- Swedish exposures to Russia and Ukraine relatively small
- But higher energy and food prices affect inflation and growth in the near term



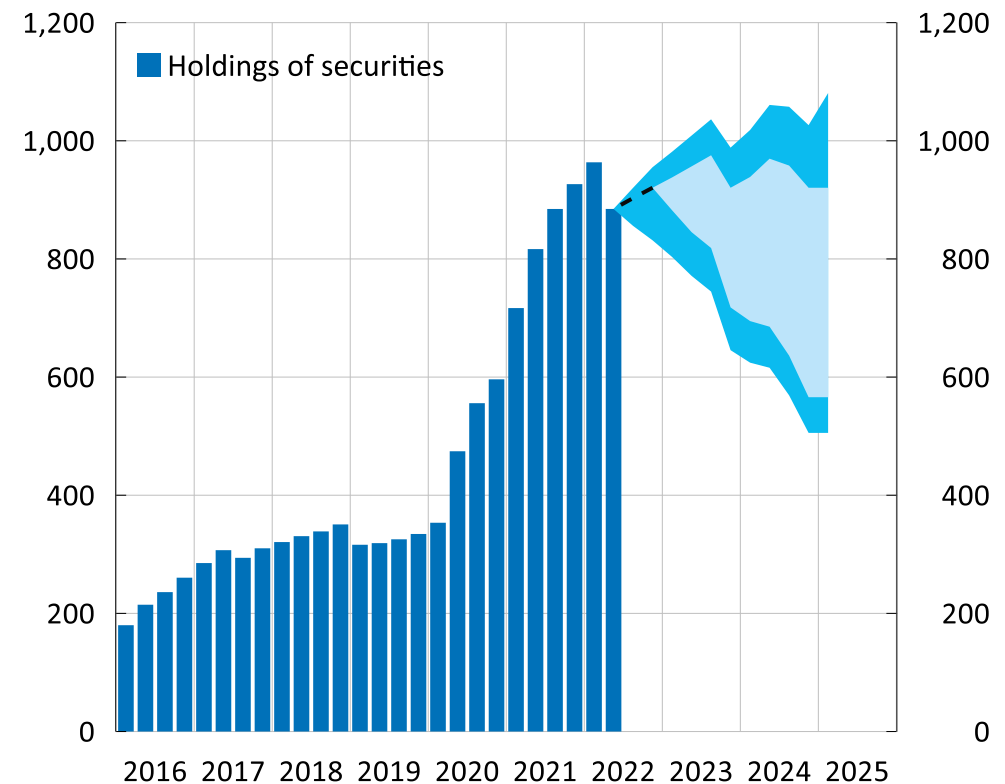
Monetary policy decision in February

Interest rate to remain at zero for a while longer



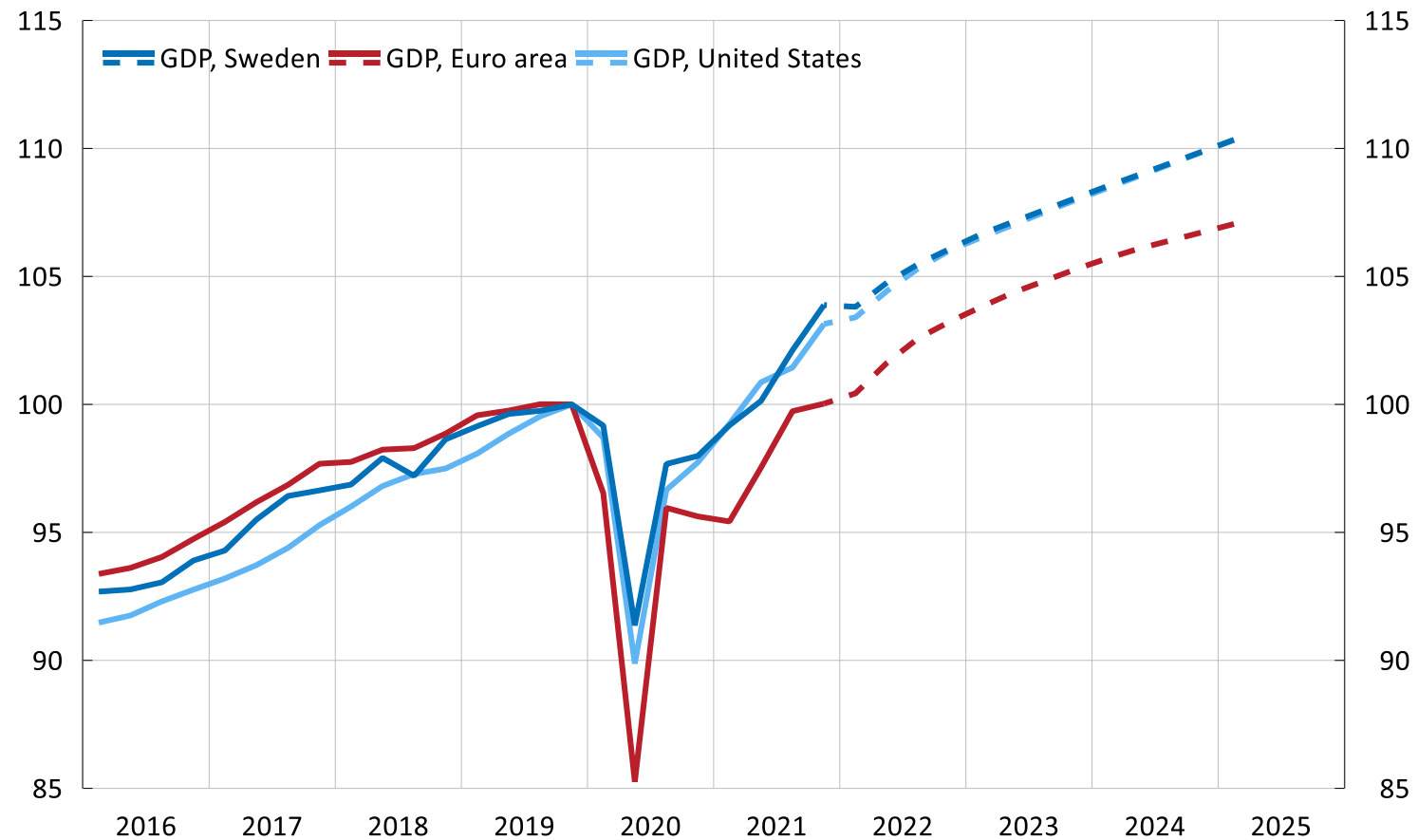
Note. Per cent and nominal amount, SEK billion.

Net purchases concluded at turn of year, purchases to compensate for maturities



Source: The Riksbank.

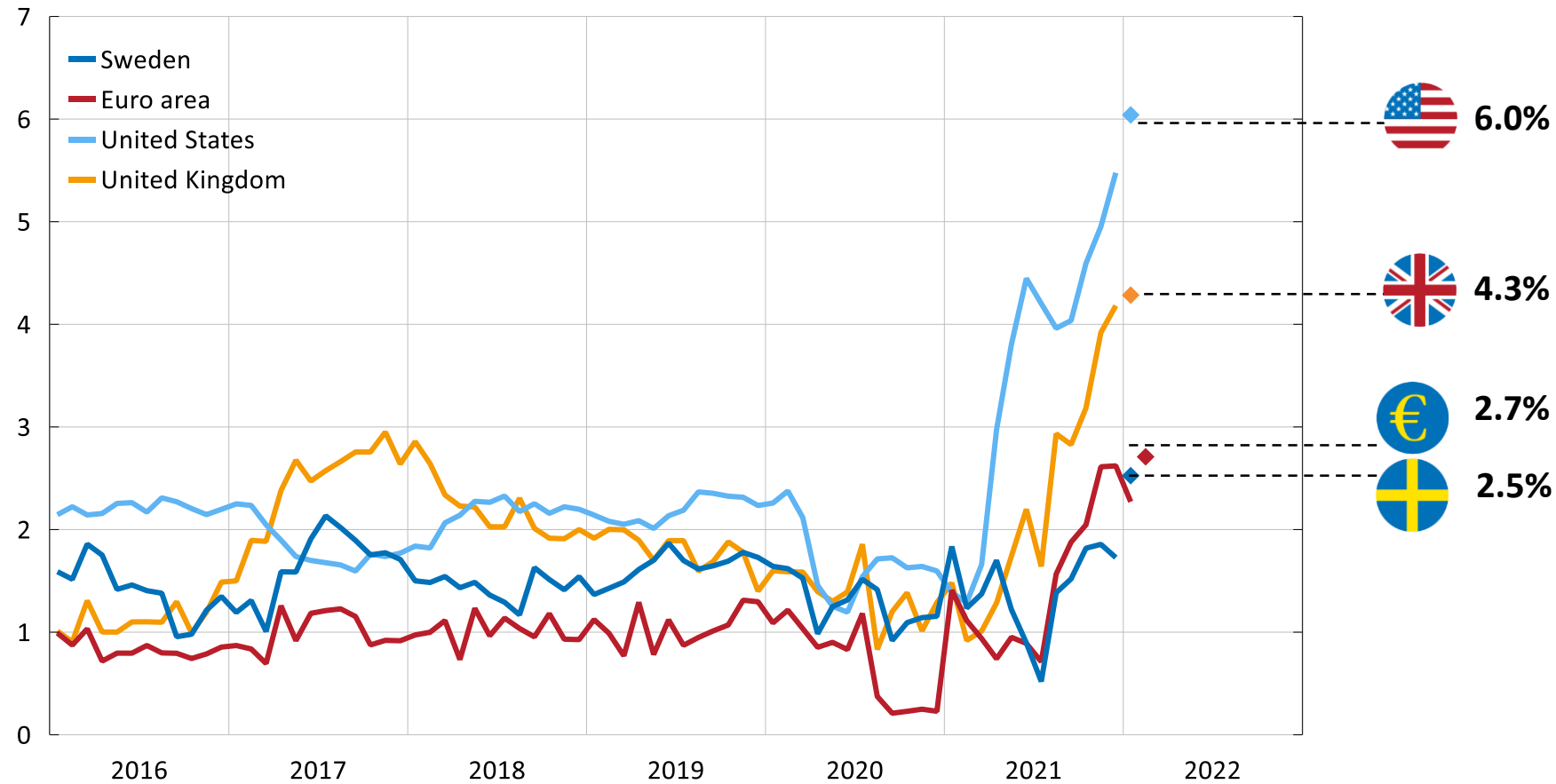
The global economy has largely recovered



Note. Index, 2019 Q4 = 100, seasonally adjusted data.

Sources: Eurostat, Statistics Sweden, US Bureau of Economic Analysis and the Riksbank.

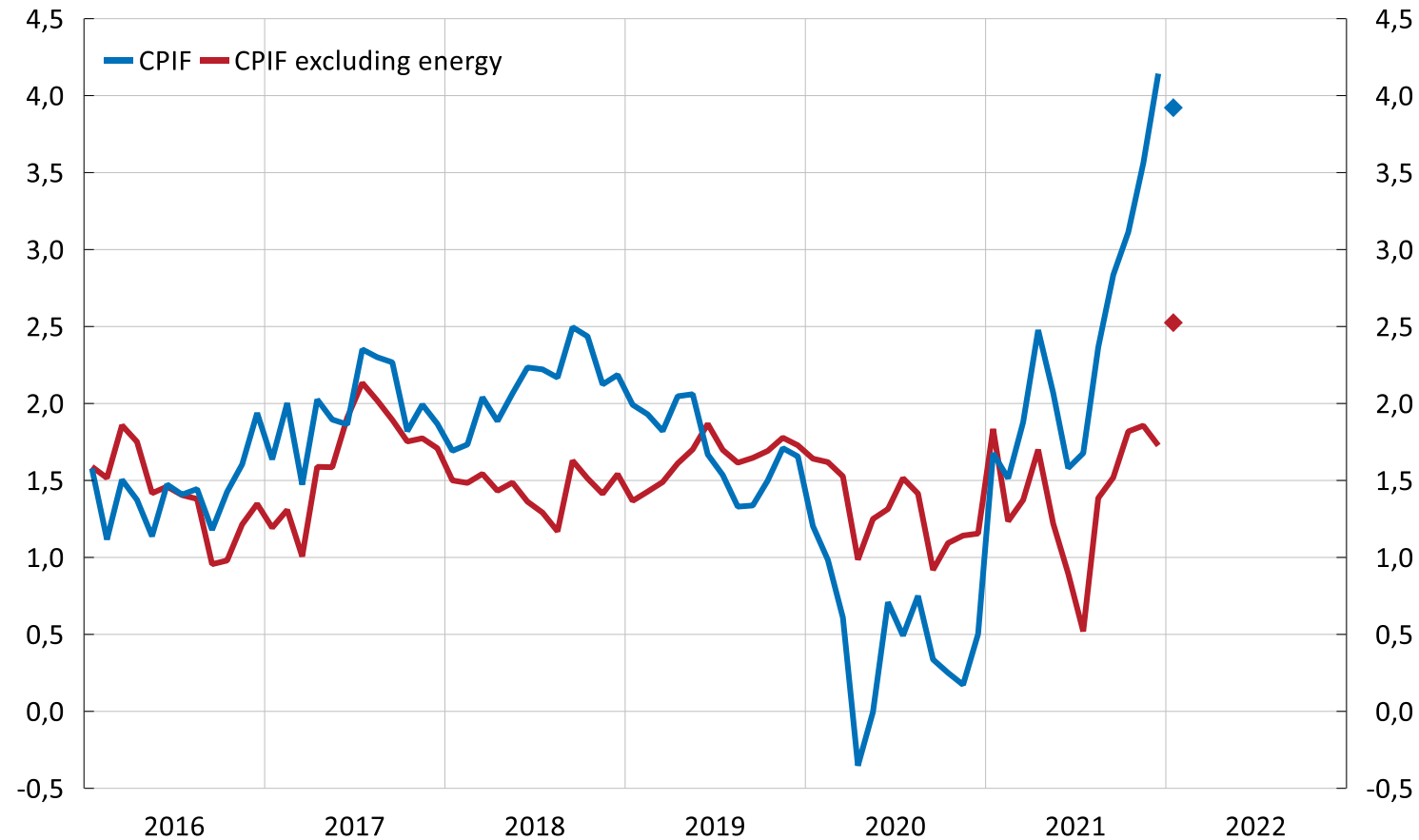
Large differences in underlying inflation



Note. Annual percentage change, monthly data. Sweden: CPIF excl. energy, Euro area: HICP excl. energy, food, alcohol and tobacco, USA: CPI excl. energy and food, UK: CPI excl. energy and food.

Sources: Eurostat, Statistics Sweden, US Bureau of Labor Statistics, the ONS.

Energy prices pull up Swedish inflation



Energy prices
1.4
percentage points

Note. Annual percentage change.

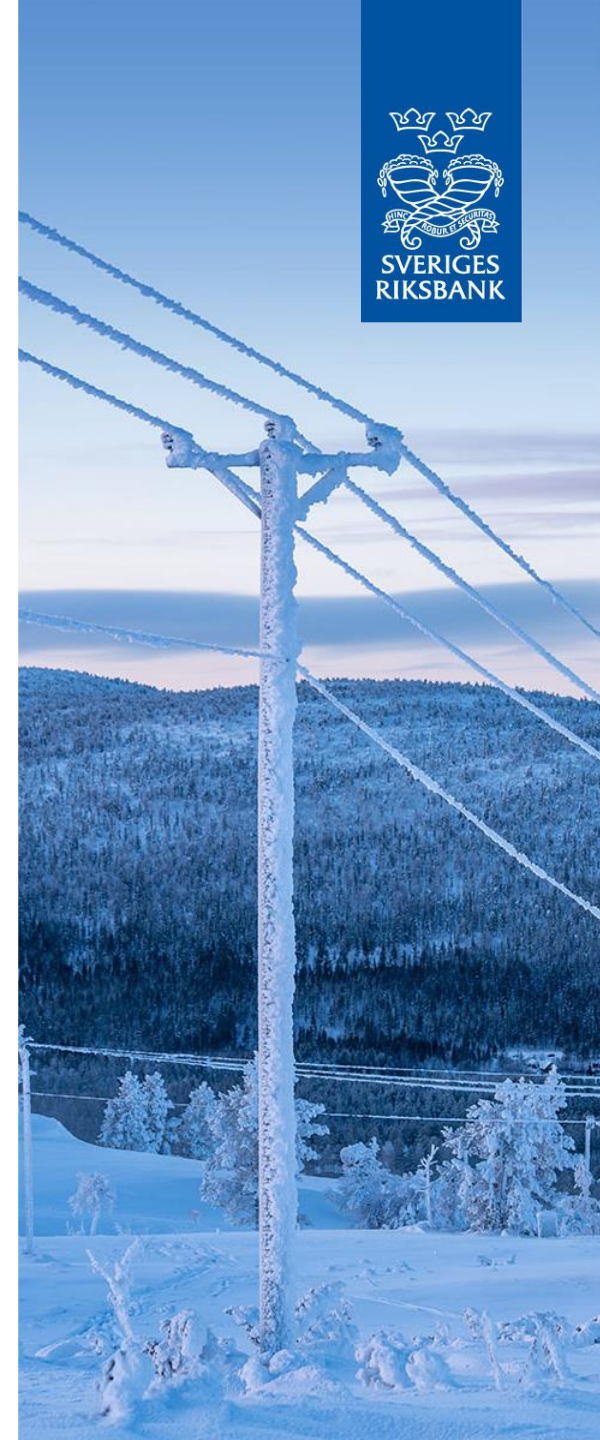
Source: Statistics Sweden.

Higher inflation forecast

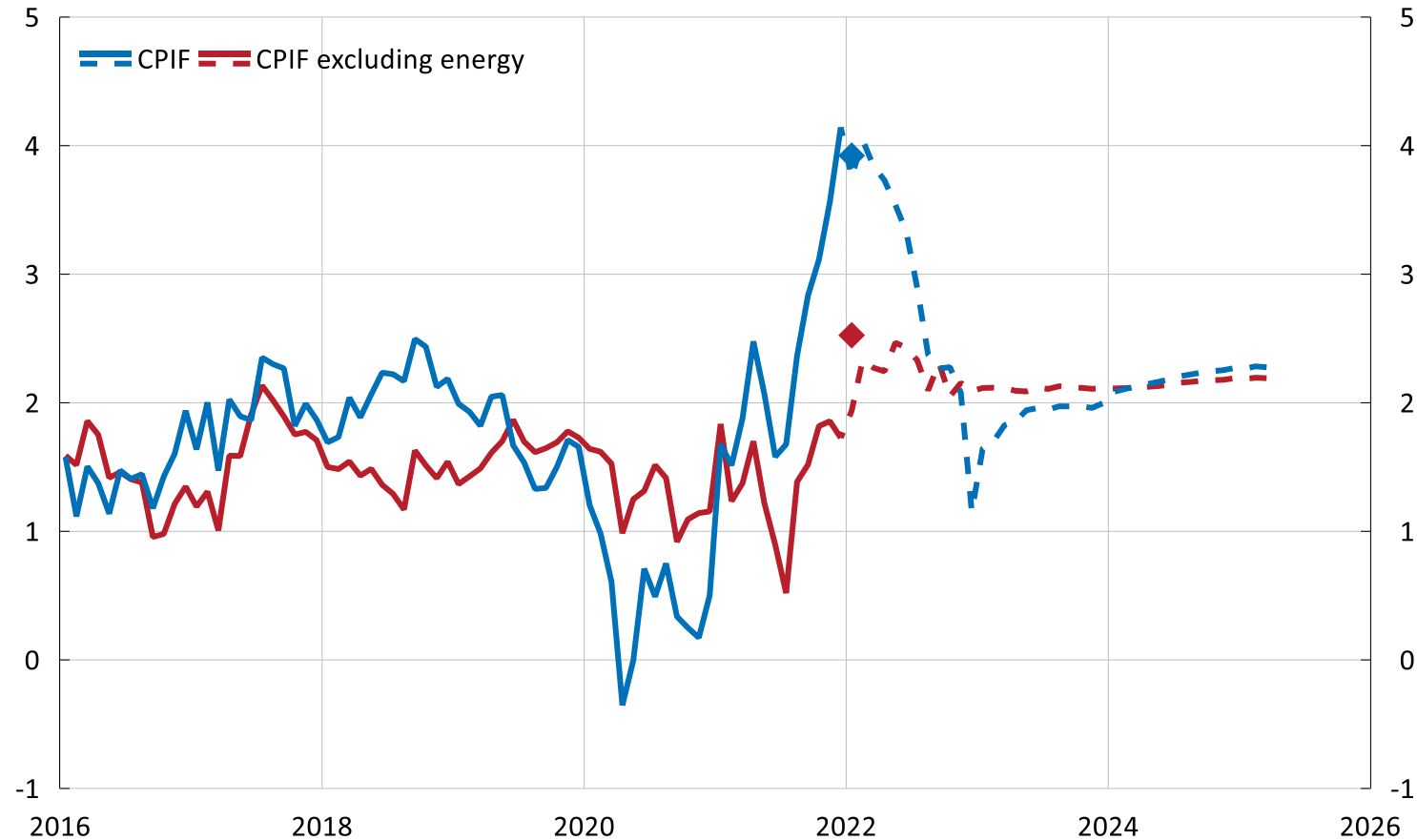
- Direct and indirect effects of high energy prices
- Price changes linked to the pandemic

Effects that
are waning

Moderate wage increases and inflation expectations close to 2 per cent indicate that inflation will not be permanently higher.



CPIF inflation will fluctuate substantially this year, excluding energy prices inflation is close to 2 per cent

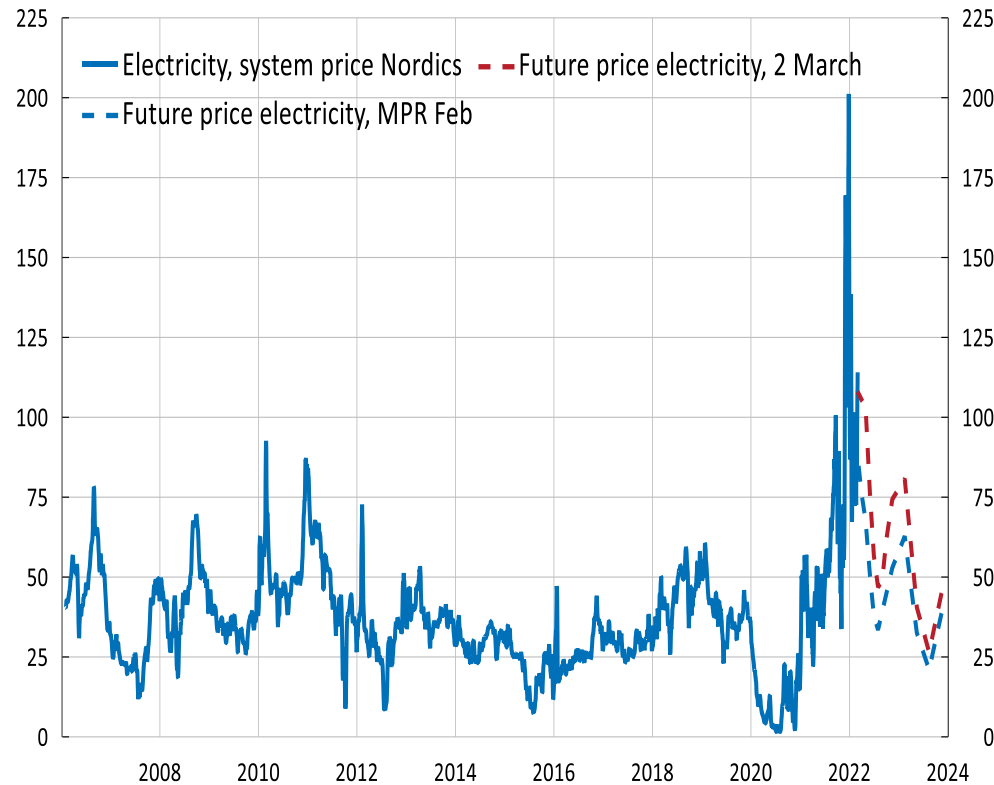


Note. Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

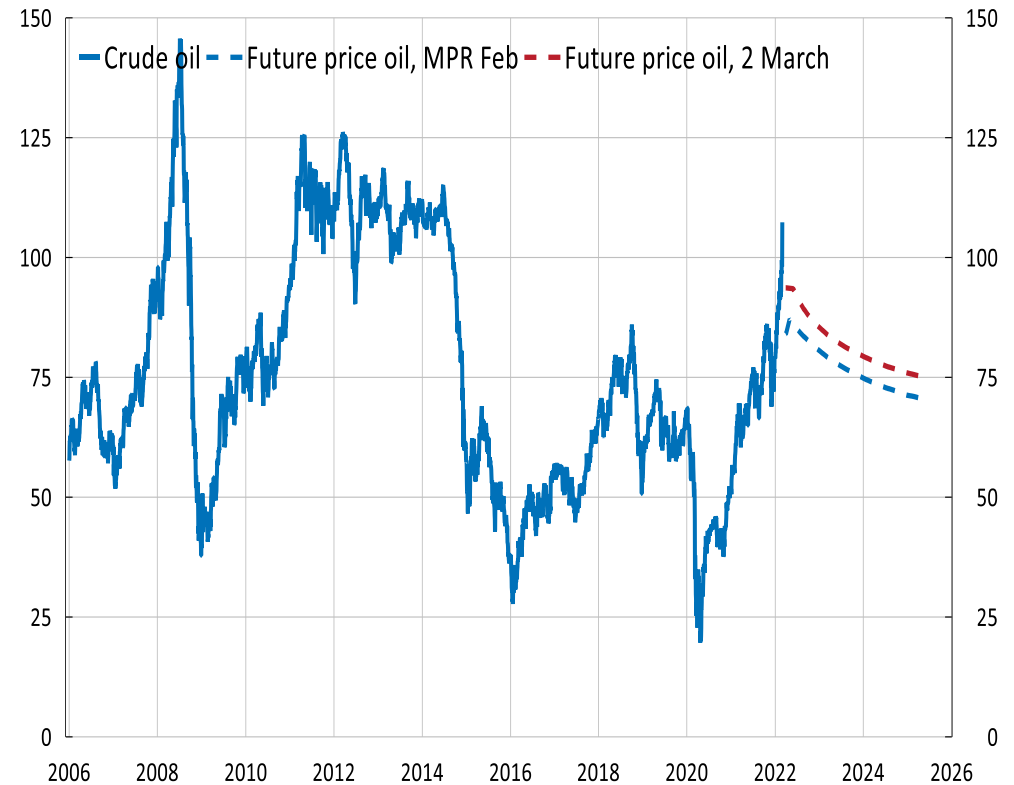
Very uncertain developments in energy prices

Electricity prices may be affected

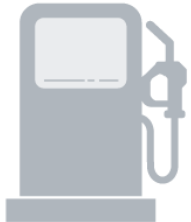
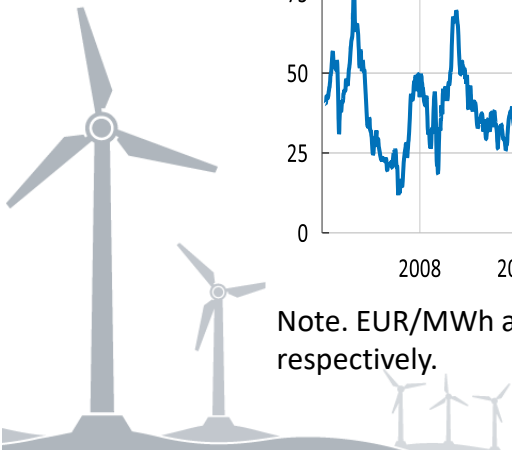


Note. EUR/MWh and USD/barrel respectively.

The price of oil has risen



Sources: Nord Pool, Statistics Sweden and the Riksbank.



Inflation is unusually uncertain

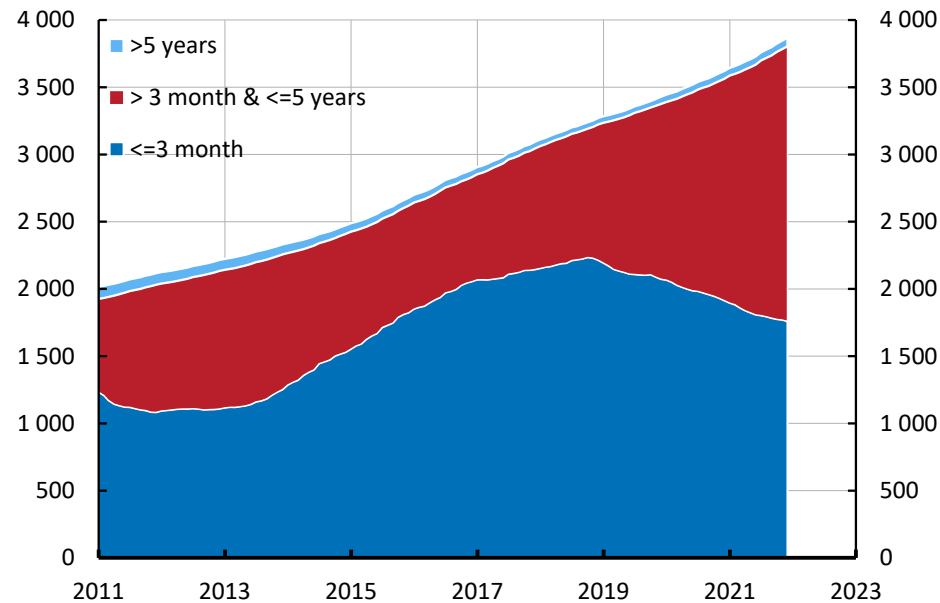
- The risk that inflation will be too low has declined, but still remains
- In the short term, energy and food prices can contribute to higher inflation
- But there is currently great uncertainty

We regularly assess how lasting the higher inflation is and adapt monetary policy if necessary.

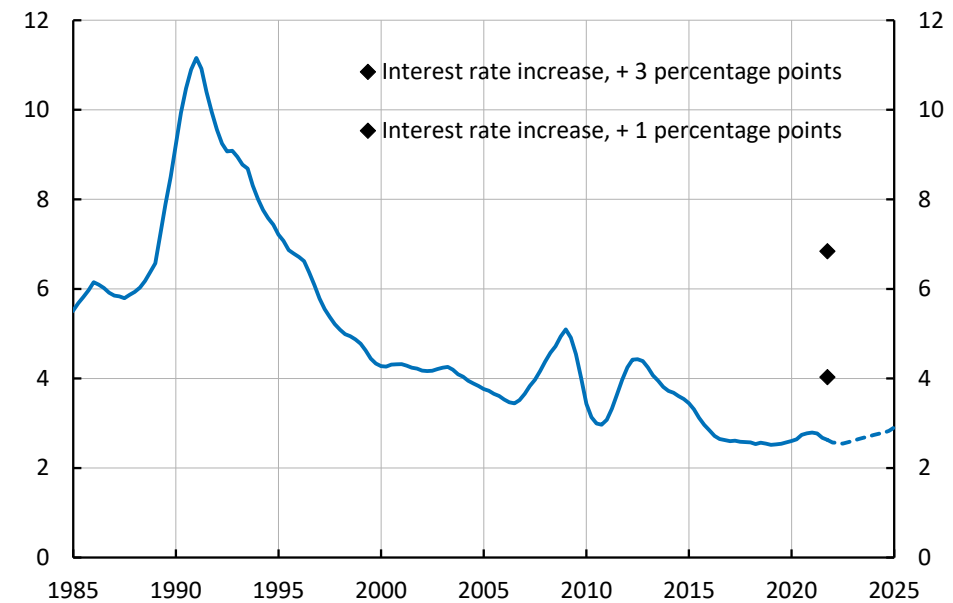


If interest rates rise, this would quickly lead to rising interest expenditure

Mortgage stock divided into fixed interest periods



Household interest as a percentage of disposable income



Note. Left: SEK billion. Right: The broken line represents the Riksbank's forecast. Interest expenses have been adjusted for tax relief. The rhombuses illustrate the level of the interest-to-income ratio that has been calculated on the basis of the current debt-to-income ratio in a scenario in which the interest rate has risen by 1 and 3 percentage points respectively from the current level. The lowest rhombus represents an interest rate increase of 1 percentage point.

Sources: Statistics Sweden and the Riksbank.

Economic policy needs to focus more on counteracting the risks of growing debts

- Powerful measures have been justified
 - A combination of measures was needed to keep interest rates low and support the economy and inflation
 - ...but the need for pandemic-related measures has decreased
- Growing imbalances need to be addressed
 - Reforms in housing and tax policy are needed
 - The Riksbank supports FI's decision to increase the countercyclical capital buffer
 - It is important that the banks have capacity to manage the risks of lending to real estate companies



Inflation on target with support from monetary policy

February 2022