

# Adapting to new conditions – monetary policy freedom with responsibility

SEB

20 May 2021

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

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First Deputy Governor

# The pandemic led to a fall in economic activity of unprecedented proportions

PUBLICERADES 11 mar 2020 19:32

## WHO: Spridningen av covid-19 är en pandemi

Världshälsoorganisationen WHO har idag förklarat att utbrottet av covid-19 utgör en pandemi.

## Mörkaste dagen på Stockholmsbörsen i modern tid

UPPDATERAD 12 MARS 2020 PUBLICERAD 12 MARS 2020

<https://sv.wikipedia.org/wiki/Börsras>

### Börsras – Wikipedia

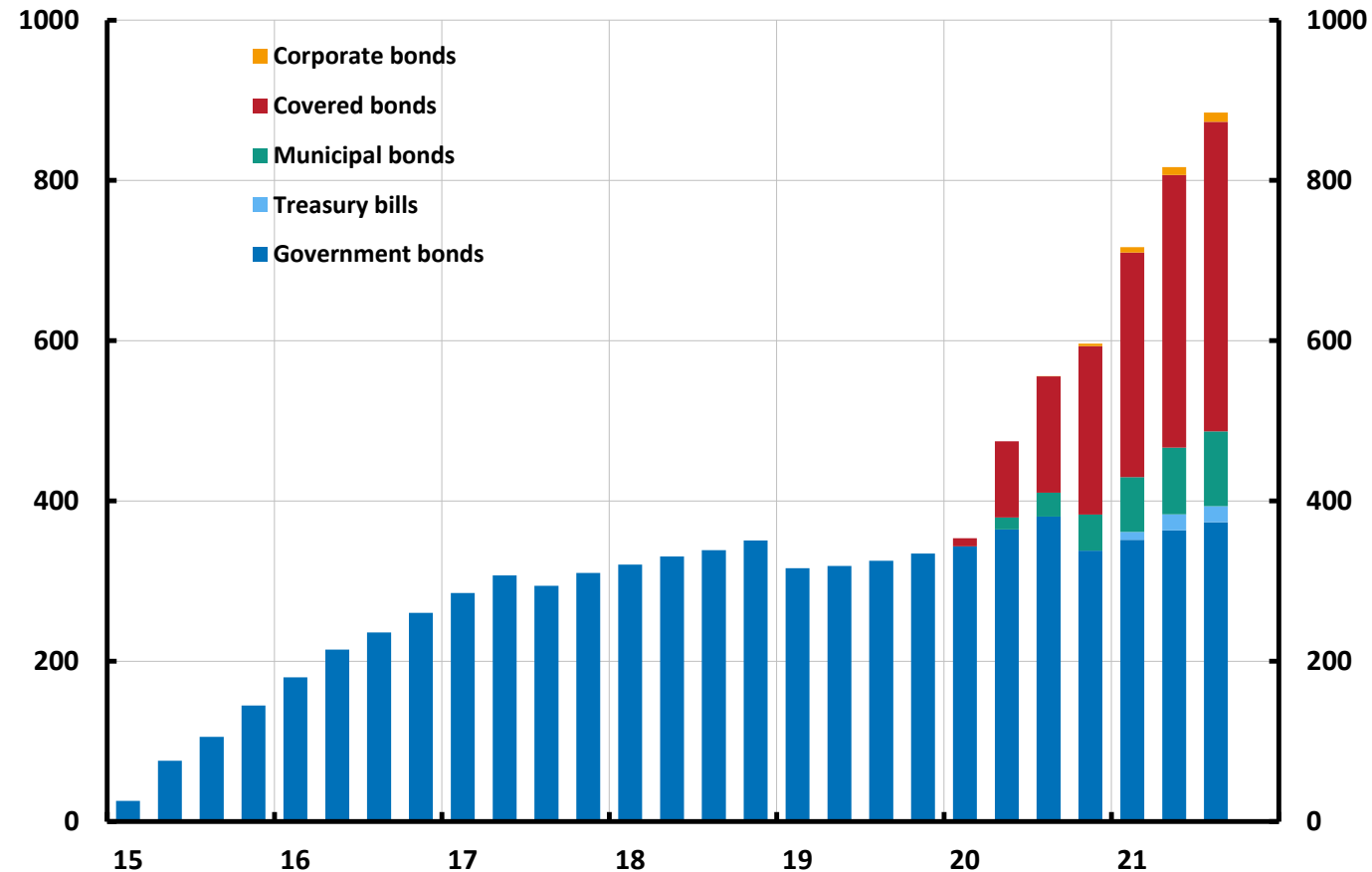
Rank	Förändring	Datum
1	-11,13 %	12 mars 2020
2	-9,16 %	29 oktober 1987
3	-7,76 %	20 oktober 1987

## Handeln i allt fler räntefonder stängs

Kl. 16:00, 20 mar 2020 | 0

→ **Fonder** | dagens marknadsläge står handeln med företagsobligationer i princip stilla. Spiltan, Lannebo, SEB stoppar nu tillfälligt möjligheten att köpa sälja vissa räntefonder.

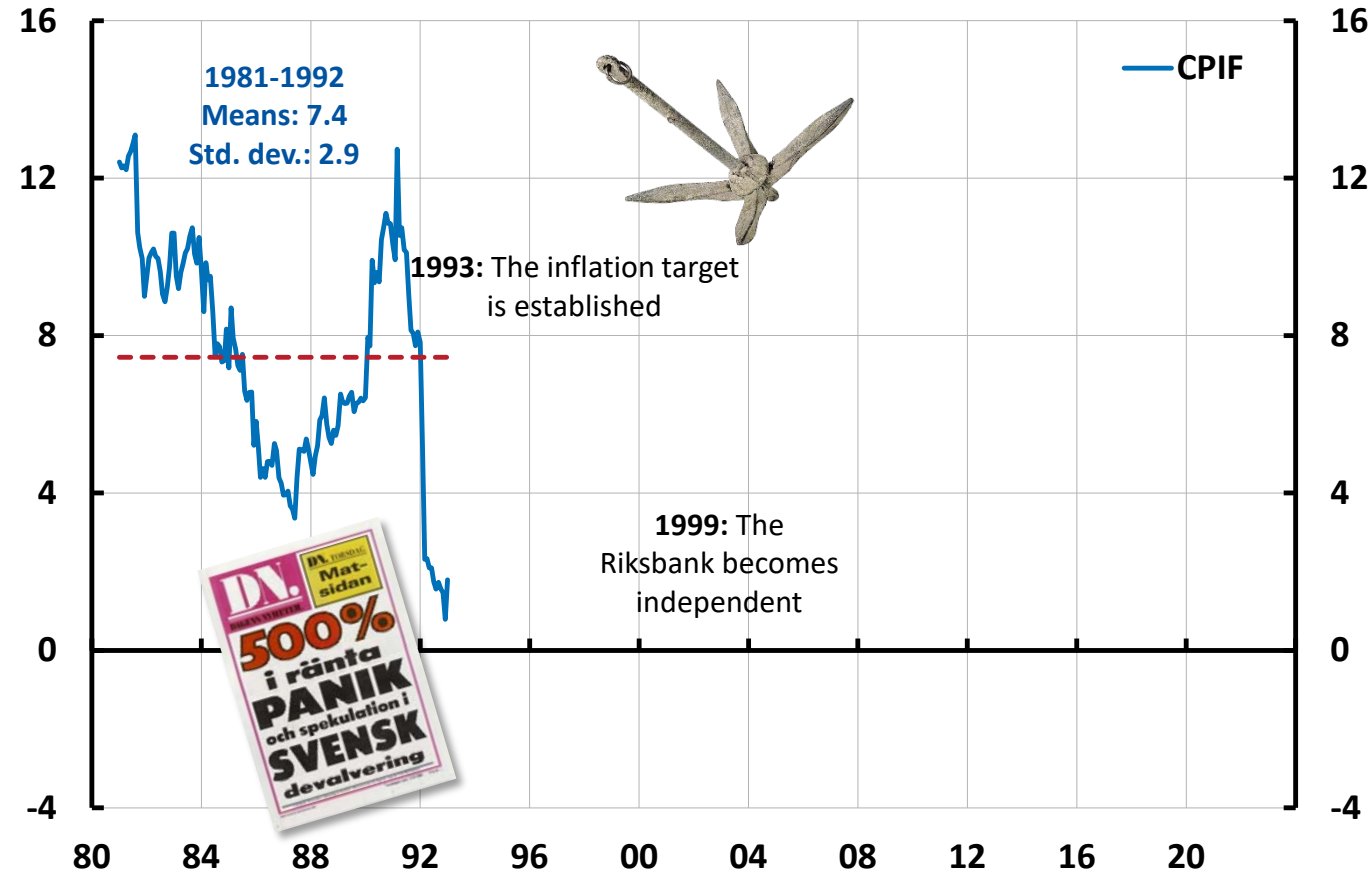
# Rapid and efficient measures were needed to counteract the effects of the pandemic



Note. The Riksbank's holdings of securities, SEK billion, holdings of securities excluding commercial paper, issued in SEK. Holdings after decided purchases are shown for the second and third quarters of 2021.

Source: The Riksbank.

# The motive for a more independent Riksbank – to create long-term stability



Note. CPI, annual percentage change

Source: Statistics Sweden

# Institutions behind the Riksbank's independence

Legislation

Public authority  
under the Riksdag

Goal  
independence

Instrument  
independence

Personal  
independence

Financial  
independence



# Independence entails a requirement of accountability – freedom with responsibility



## Redogörelse för penningpolitiken

2020



Öppen utfrågning 4 maj 2021

## Öppen utfrågning om Riksbankens rapport Redogörelse för penningpolitiken 2020



## Ingves: Utfrågning i finansutskottet om Goodfriend och Kings utvärdering om penningpolitiken

- Datum: 2016-05-12
- Talare: Riksbankschef Stefan Ingves
- Plats: Förstakammarsalen, Riksdagen, Stockholm

Riksbankens direktion deltar i dag i en öppen utfrågning i finansutskottet om Marvin Goodfriend och Mervyn Kings rapport "Utvärdering av Riksbankens penningpolitik 2010-2015" som gjorts på uppdrag av finansutskottet.

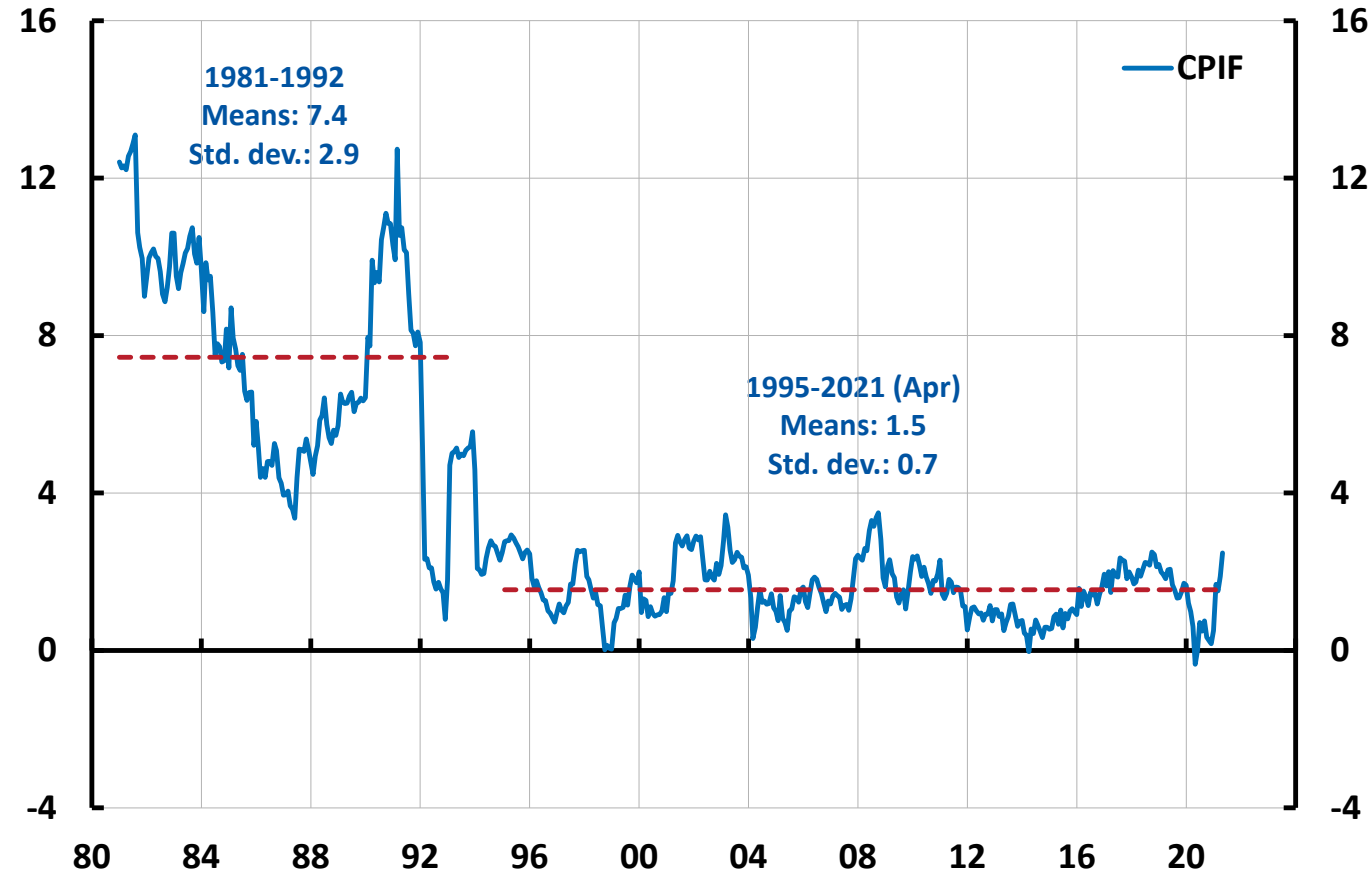


Riksbankens erfarenheter  
av att publicera  
reporänteprognoser

Riksbanksstudier, juni 2017

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# Lower and more stable inflation since the target was introduced



Note. CPIF, annual percentage change

Source: Statistics Sweden

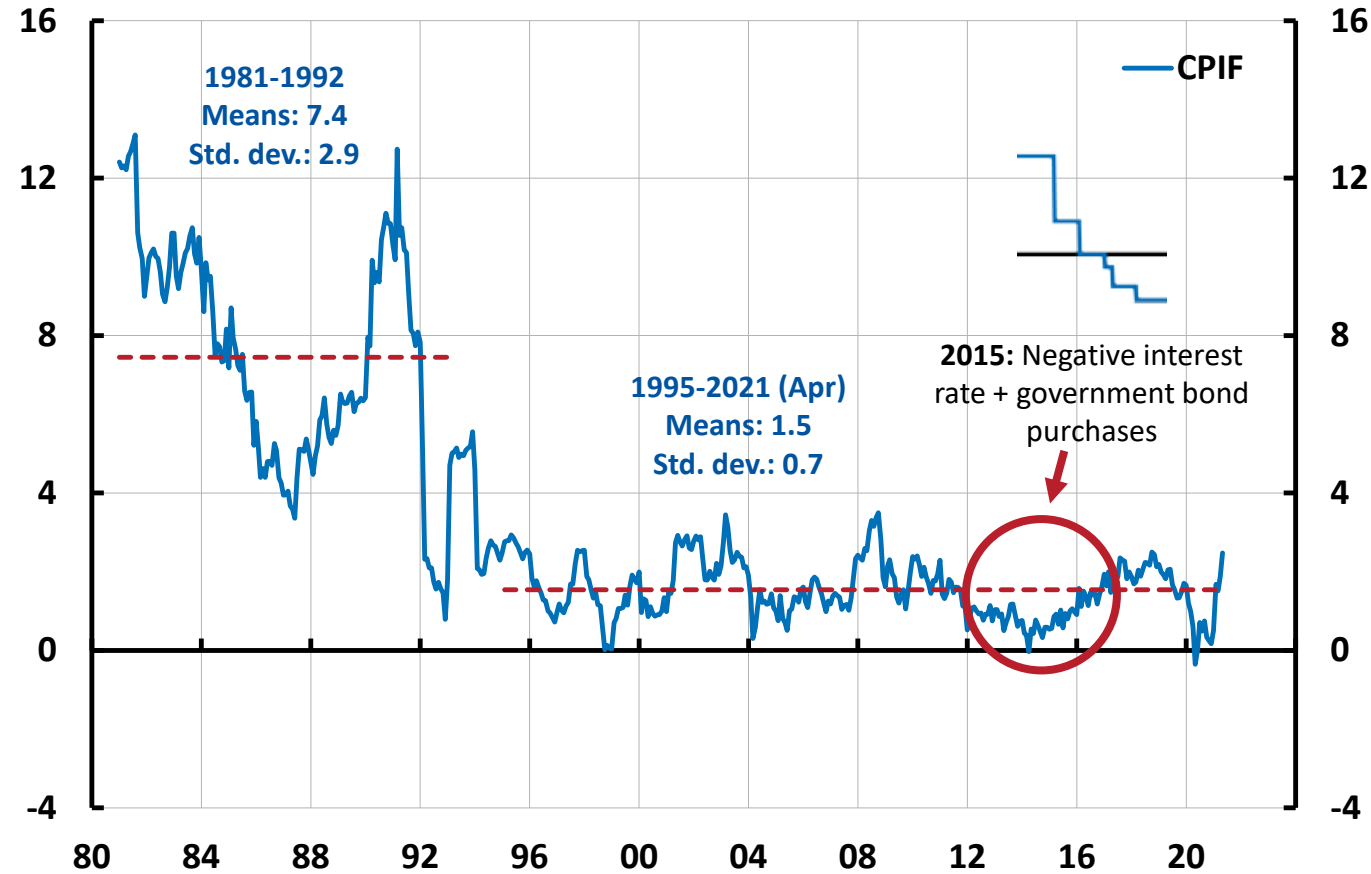
# The global financial crisis led to need for broader monetary policy tools

- Policy rate alone was not enough to attain objectives
  - Lower bound for policy rate – from interesting fact to reality
- Difficult for monetary policy to reach households and companies
- New tools:
  - Quantitative easing
  - Credit easing





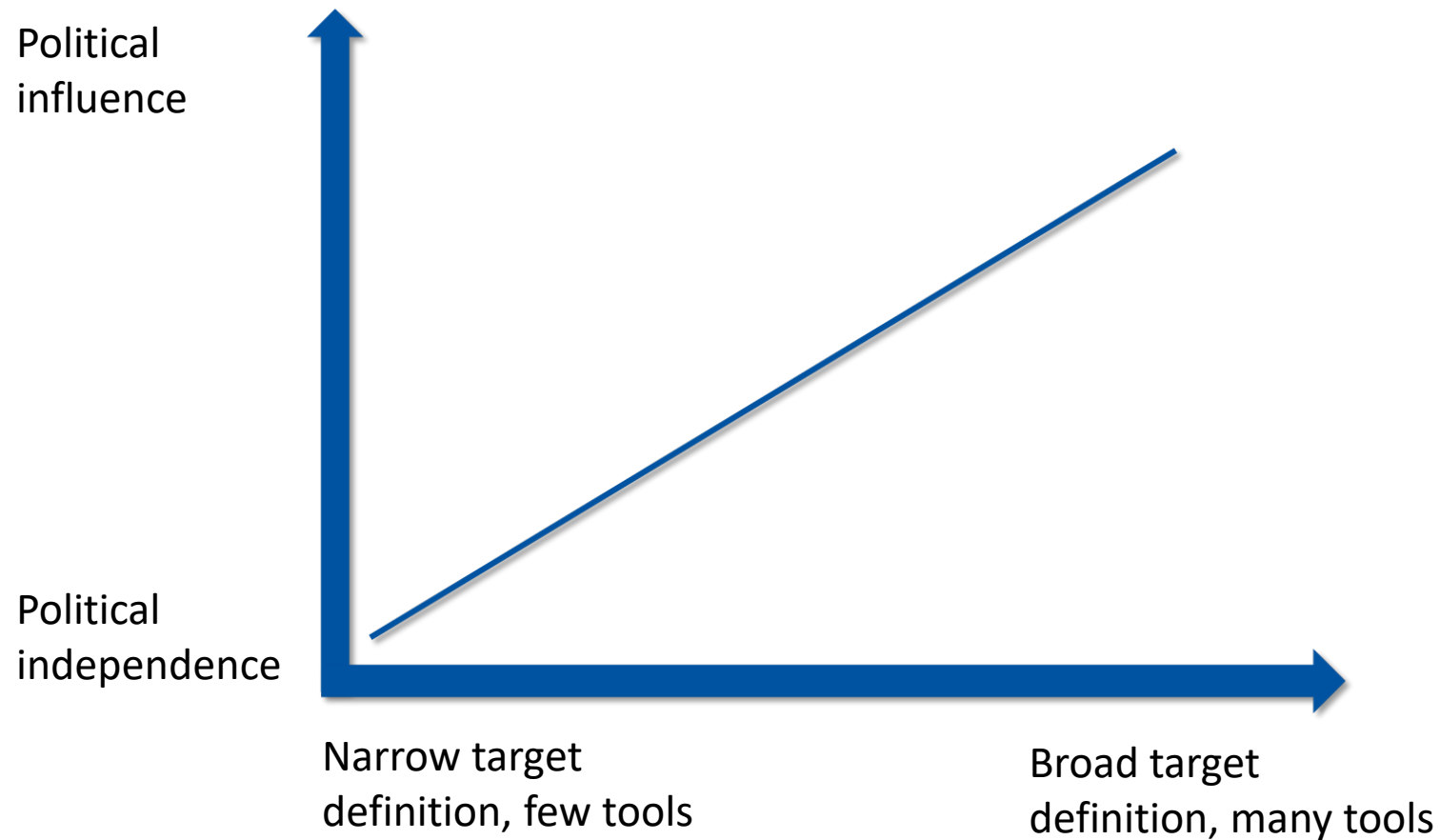
# Important to also prevent inflation being *too low*



Note. CPIF, annual percentage change

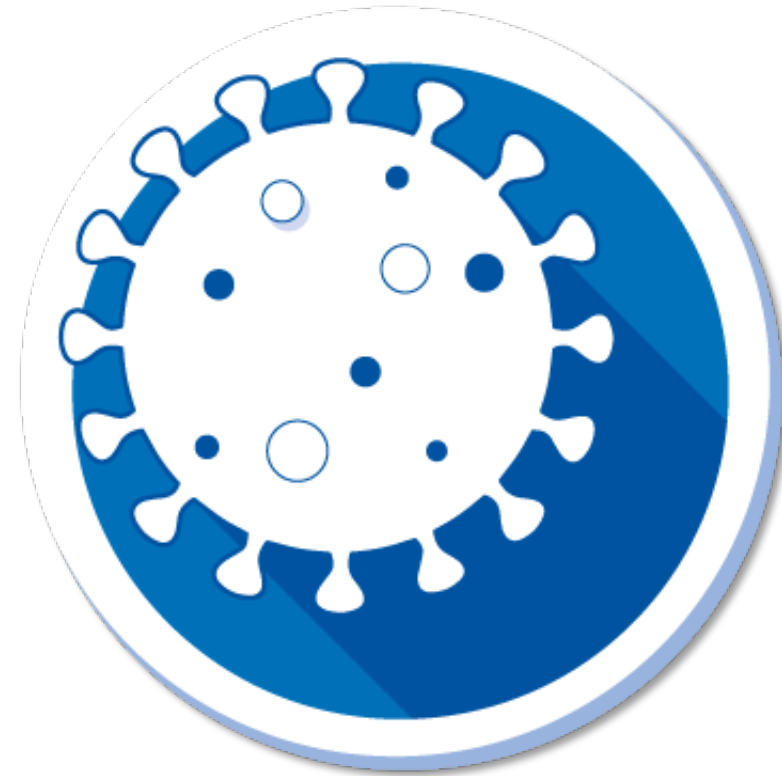
Source: Statistics Sweden

# Central banks' mandate in focus

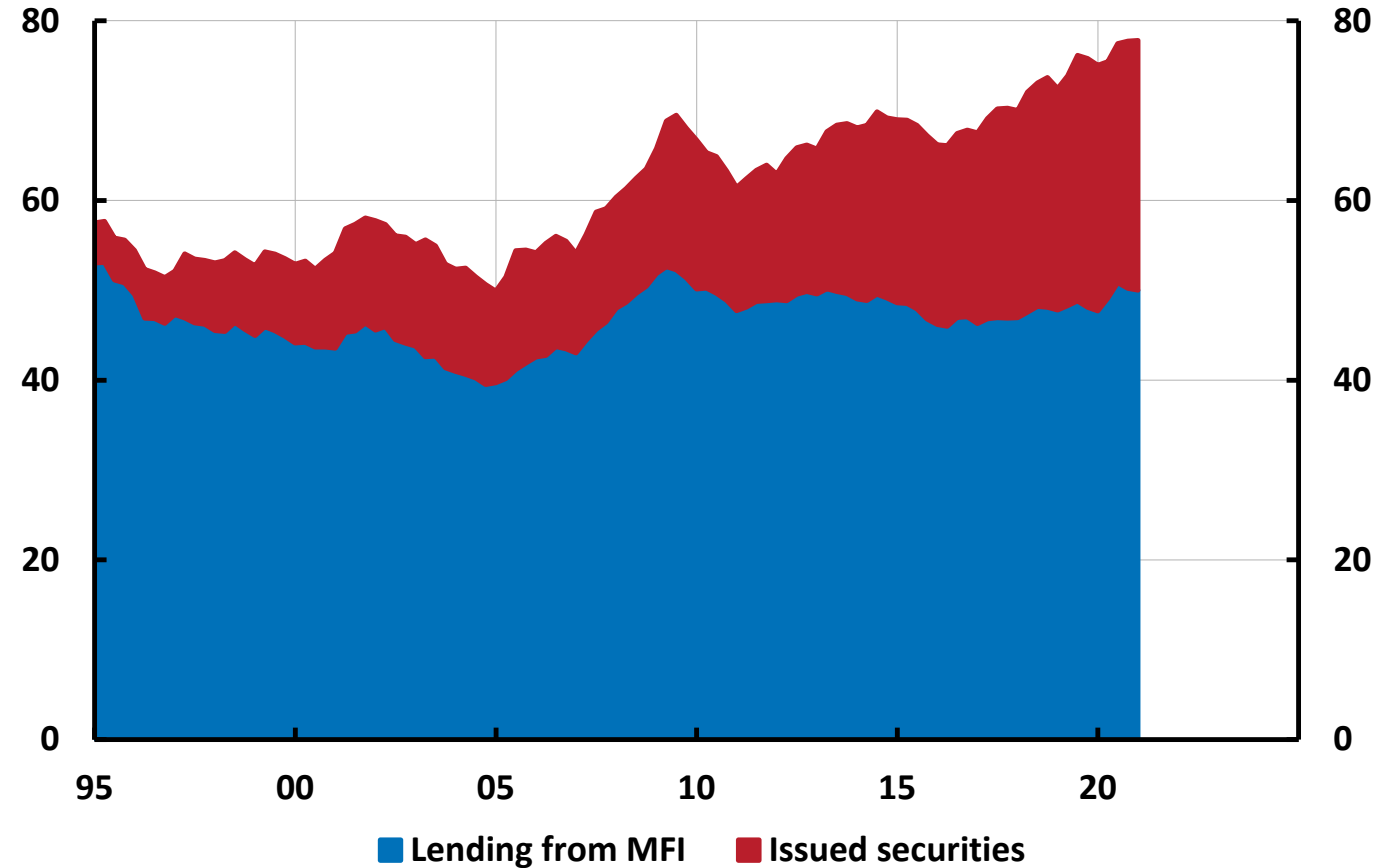


# Pandemic outbreak spring 2020 illustrated importance of room for manoeuvre

- Huge uncertainty in spring of 2020
- The sharp economic downturn and financial turbulence made it necessary to quickly and emphatically
  - keep interest rates low
  - maintain the credit supply



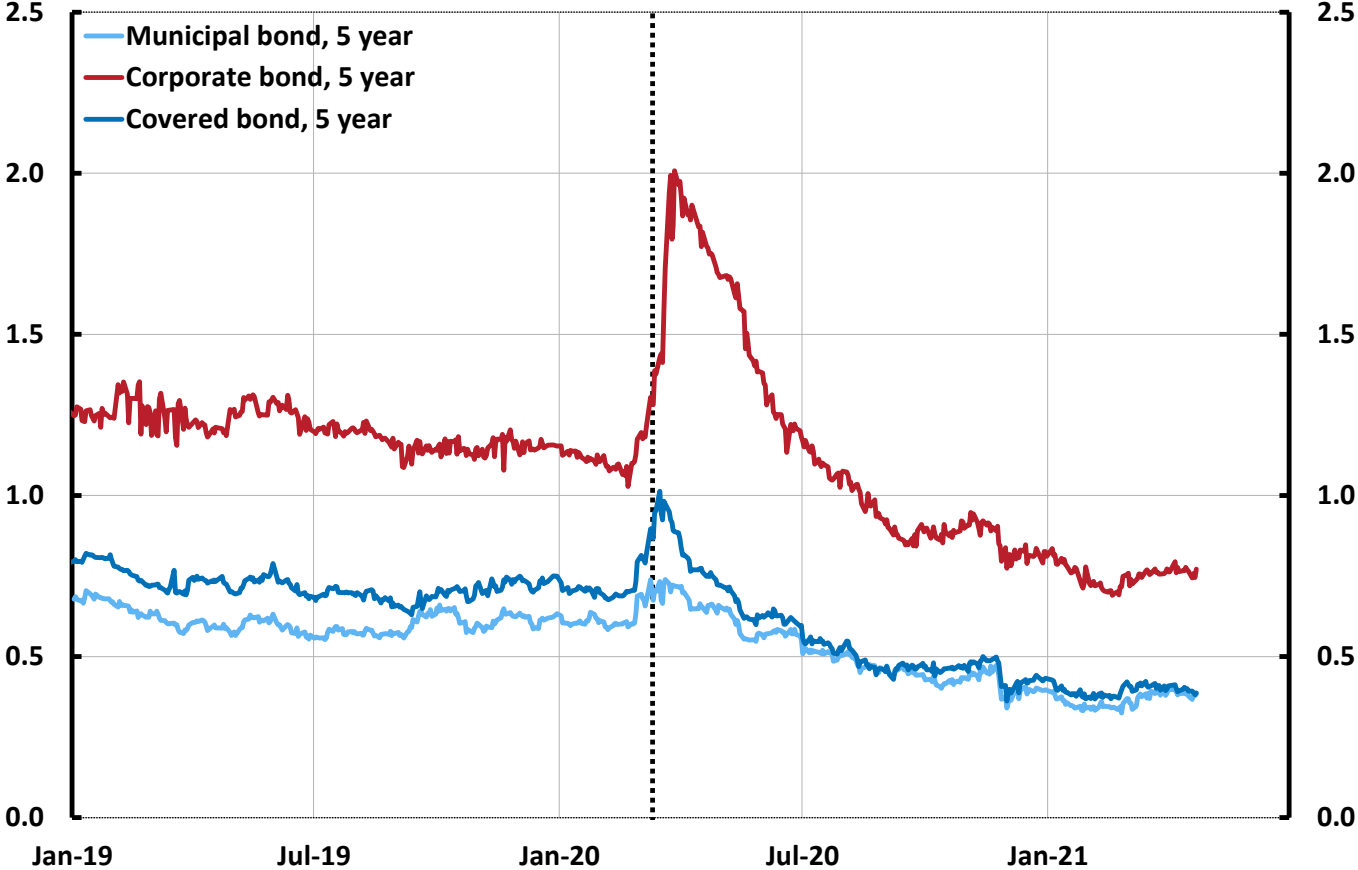
# More companies financing themselves via securities



Note. Includes securities borrowing in both Swedish kronor and foreign currency.

Sources: Statistics Sweden and the Riksbank

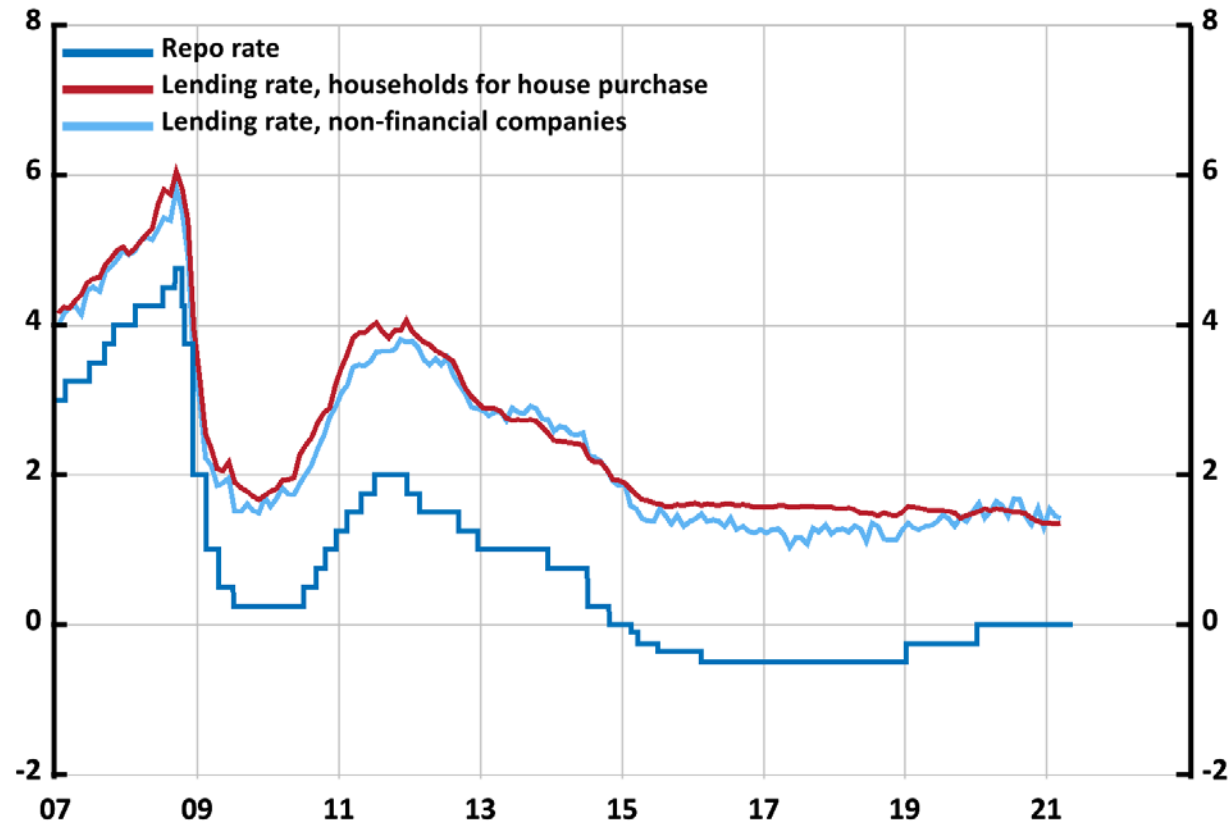
# Necessary to act quickly to calm fixed-income market



Note. Percentage points. Yields on covered bonds, corporate bonds and government bonds are zero coupon rates calculated using the Nelson-Siegel method. Corporate bonds refer to companies with a high credit rating. Municipal bonds are issued by Kommuninvest i Sverige AB. Broken line marks 11 March 2020, same day the WHO declared COVID-19 to be a pandemic.

Sources: Bloomberg, Macrobond, Refinitiv and the Riksbank.

# The measures have worked – stable interest rates for households and companies during the pandemic



Note. Per cent The lending rate is volume-weighted average of monetary financial institutions' lending at all maturities.

Sources: Statistics Sweden and the Riksbank.



# Proposal for new Sveriges Riksbank Act too restrictive with regard to monetary policy toolbox

Our instrument independence – being able to choose tools to attain our objectives – has been essential in alleviating the effects of the crisis and contributing to good economic developments.



# More monetary policy tools – the effects go in the right direction but are difficult to quantify

Many tools



Purchases of interest-bearing securities



Loans to companies via banks



Repo rate 0%



Increased access to safe and liquid assets

Positive effect on inflation



# Important to facilitate democratic scrutiny of monetary policy

- Our current framework reflects a clear target, strong independence and openness
- The Riksbank's toolbox needs to be developed over time
- Large room for manoeuvre is needed in monetary policy
- Freedom with responsibility – an important task for the Riksbank to explain what we do and how it contributes to attaining our statutory objectives



**Thank you!**