

# My view of monetary policy

Nordea  
23 March 2023

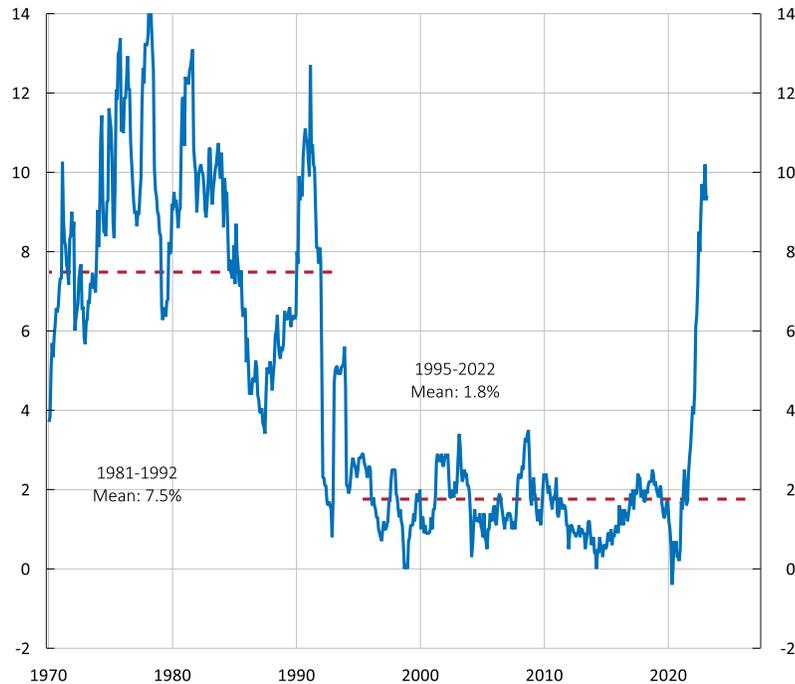
S V E R I G E S R I K S B A N K

Erik Thedéen

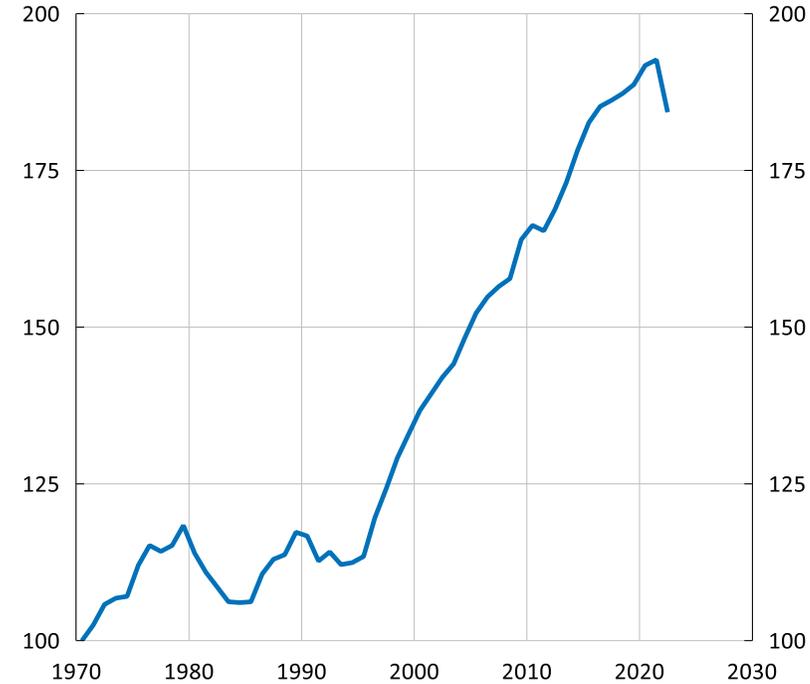
Governor of the Riksbank

# Inflation target and independent monetary policy have contributed to favourable economic developments

## CPIF



## Real wages



Note: Annual percentage change (left) and index, 1970=100 (right). Inflation is measured as the CPIF and before 1987 as the CPI excluding interest. Real wages deflated by the CPI.

Sources: Macrobond, National Mediation Office, Statistics Sweden and the Riksbank.

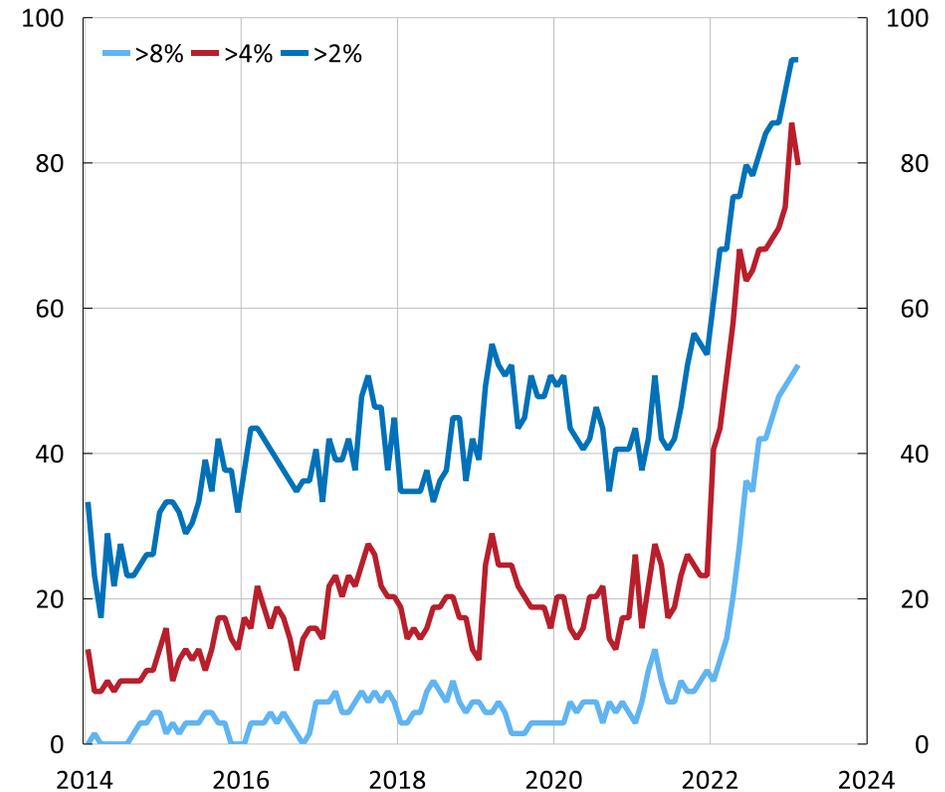
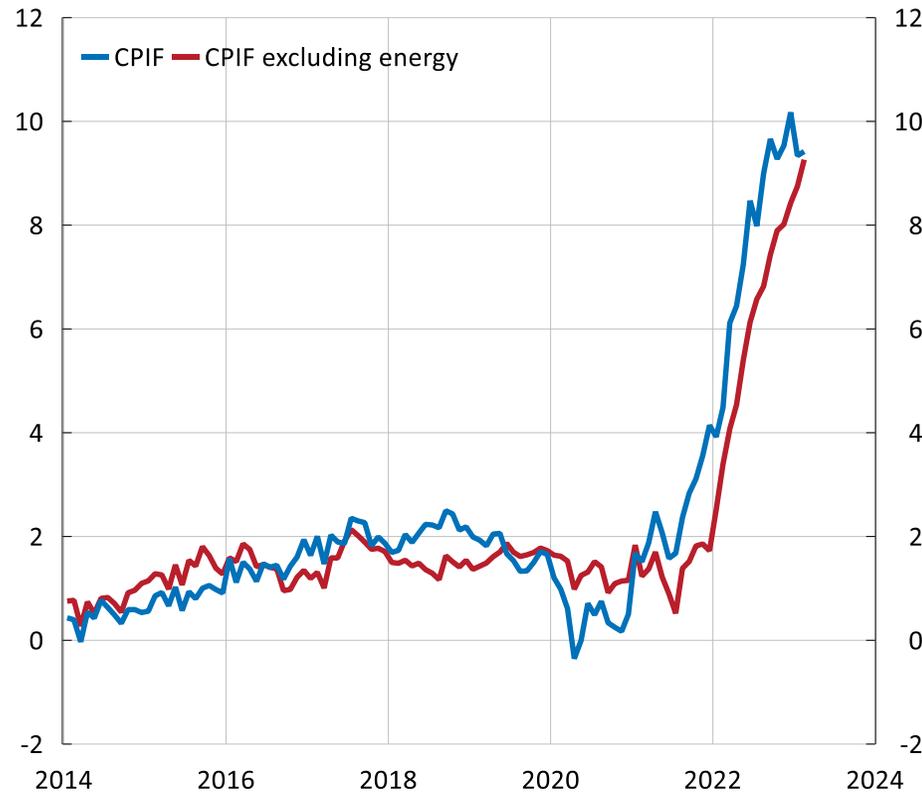
# Monetary policy with the new Riksbank Act

- Overriding objective: low and stable inflation
- Inflation target 2 per cent, CPIF. The Riksdag approves the Riksbank's proposal.
- Consideration for the real economy
- More focus on justification
  - Monetary policy/financial stability
  - The principle of proportionality
- Exceptional grounds for trading in private assets

**Clear mandate to perform our tasks in normal times and times of crisis**



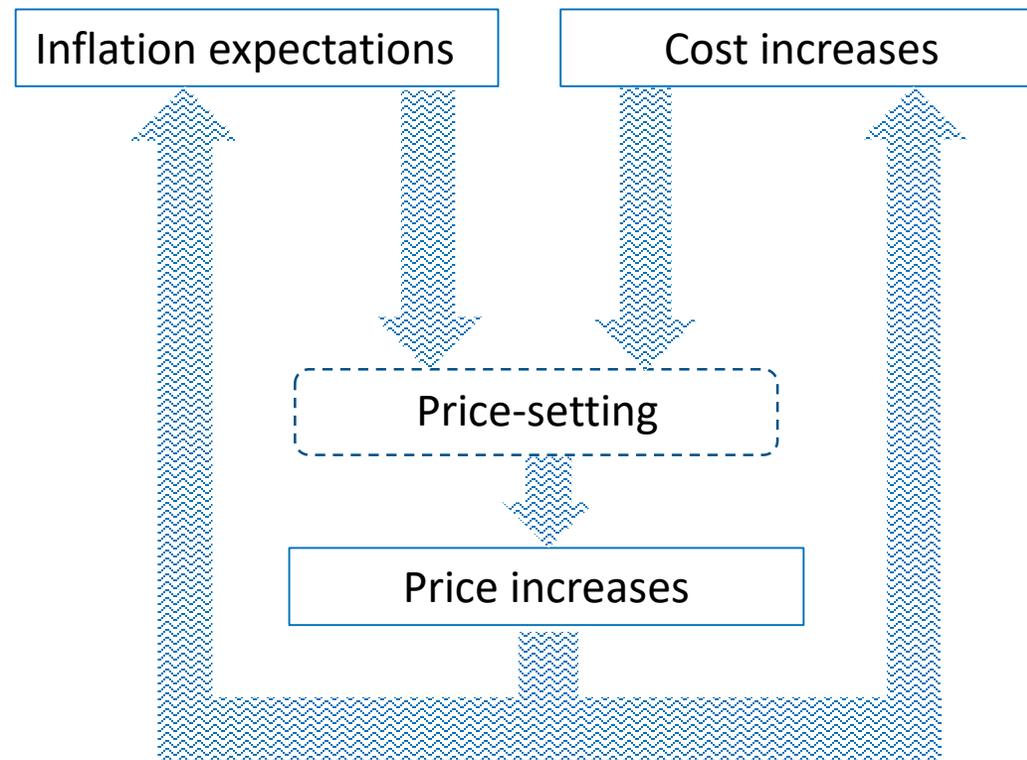
# Inflation high above target and considerable uncertainty over developments



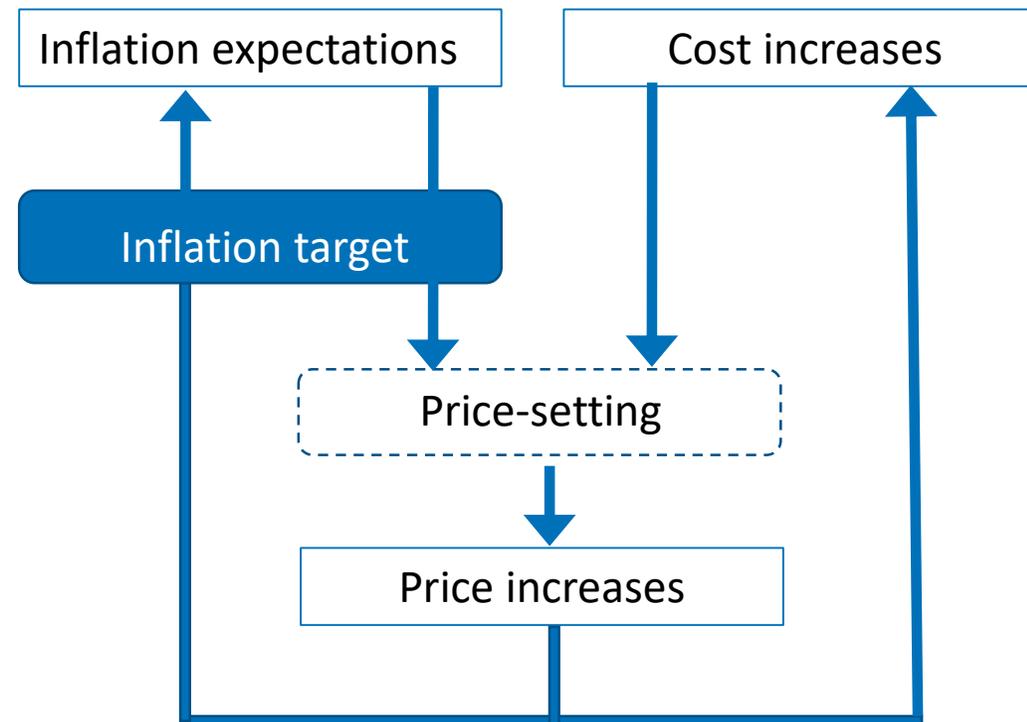
Note: Annual percentage change (left). Share of CPI product groups that are increasing faster than 2, 4 and 8 per cent (right).

Source: Statistics Sweden and the Riksbank.

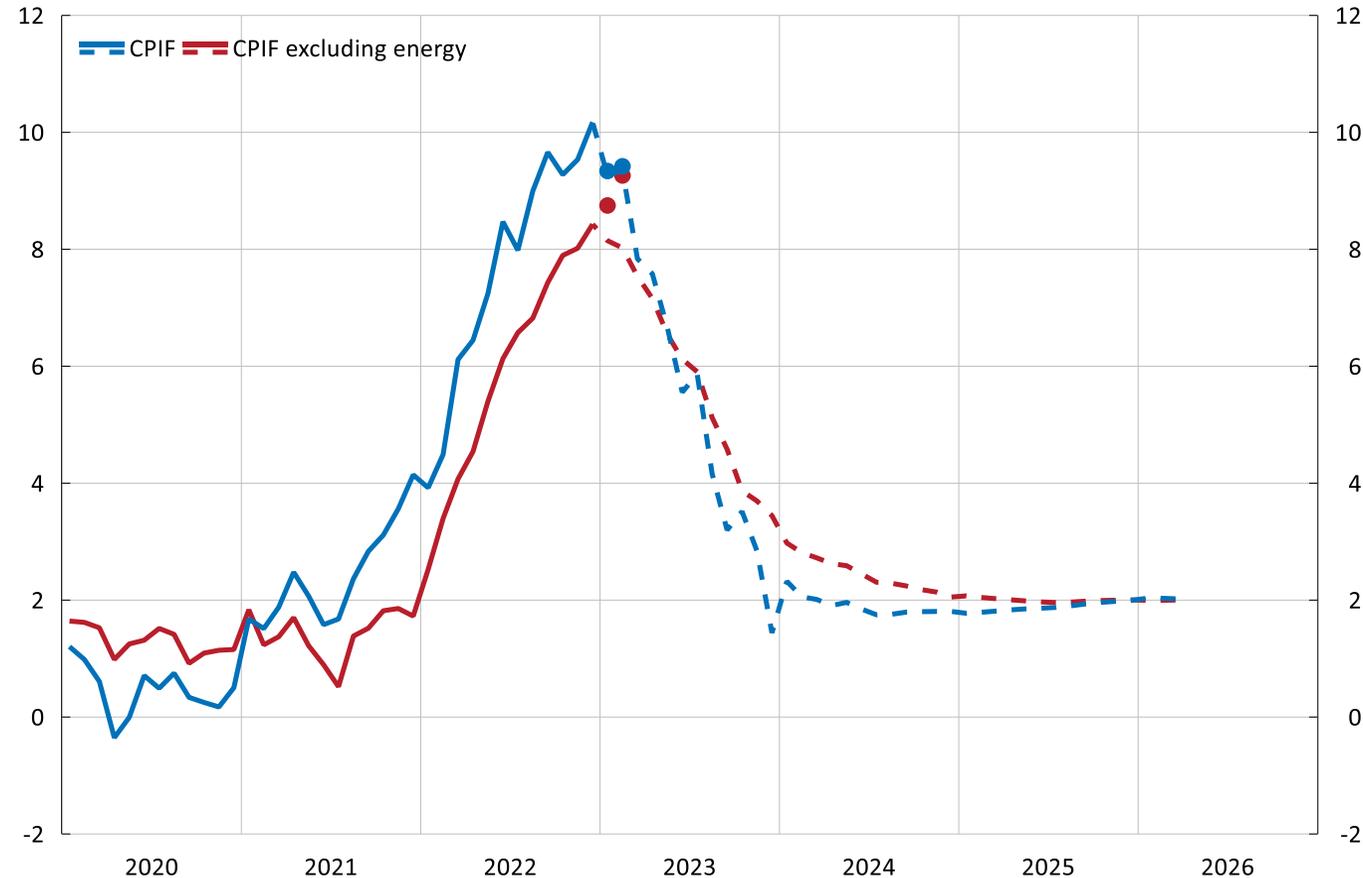
# Important to bring down inflation



# Important to bring down inflation to target



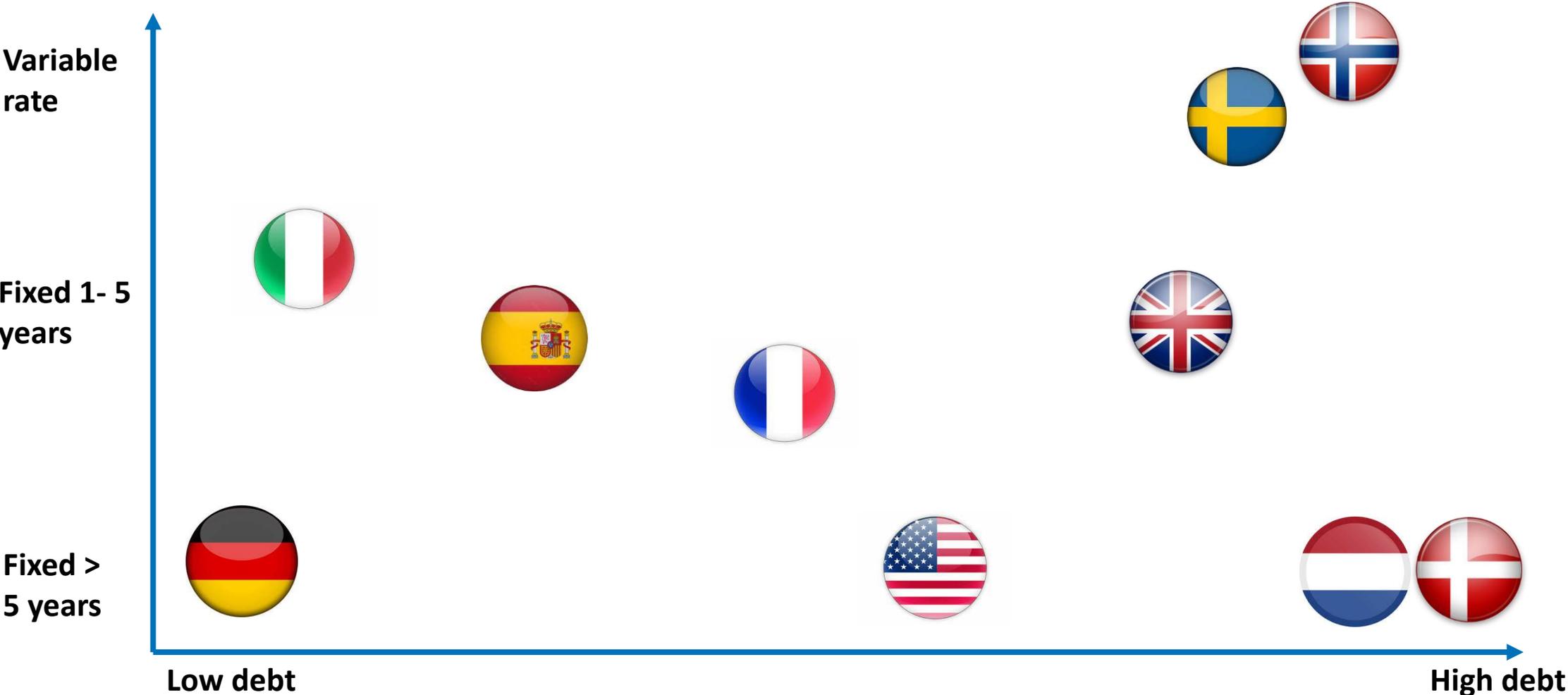
# Inflation is expected to fall back during the year, but still no turnaround in Sweden



Note: Annual percentage change. Dots refer to the outcome for January that came after the February MPR. Dashed line refer to the prognosis in February MPR.

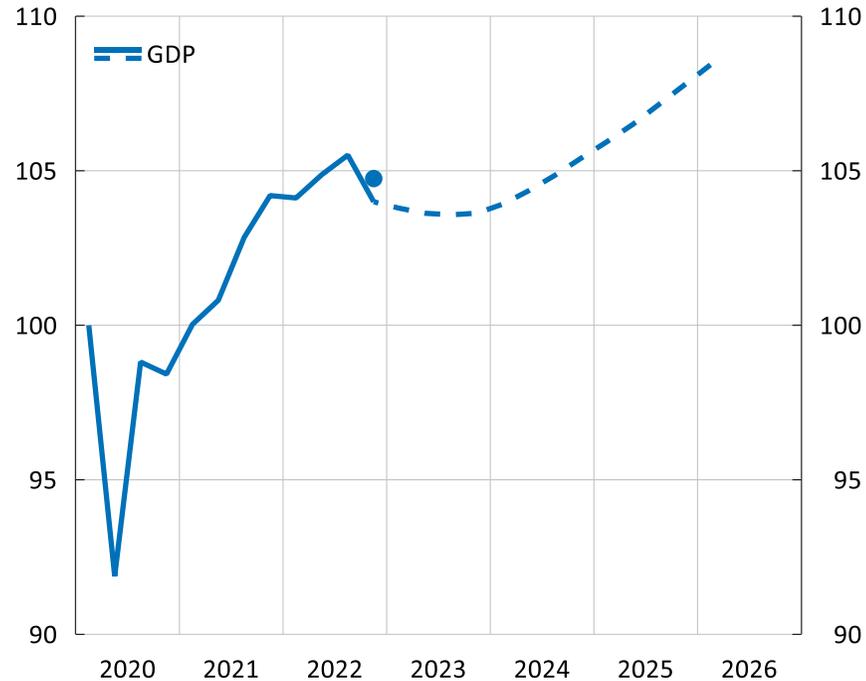
Sources: Statistics Sweden and the Riksbank.

# Swedish households have high debts and short mortgage-rate fixation periods

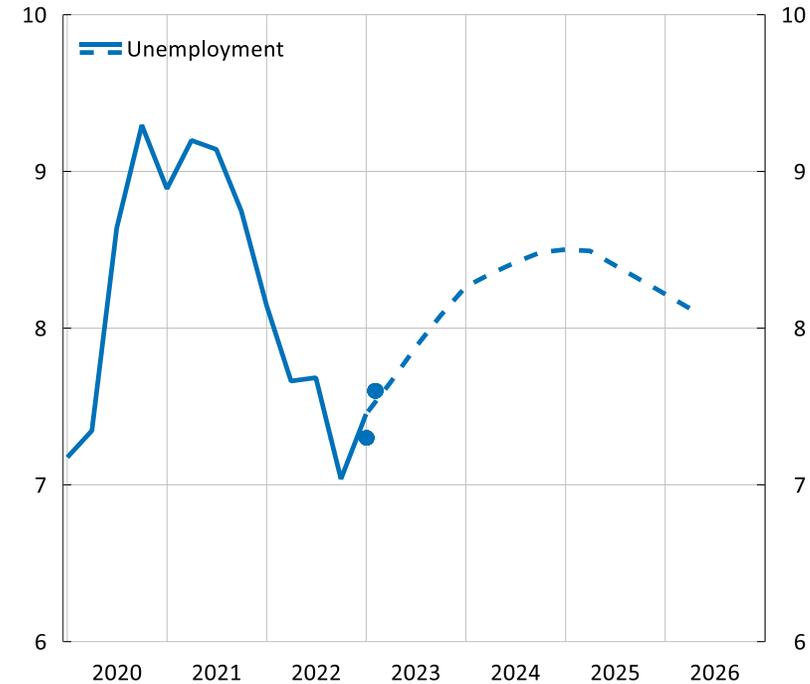


# High inflation and higher interest rates cooling the Swedish economy

## Economic activity slowing down



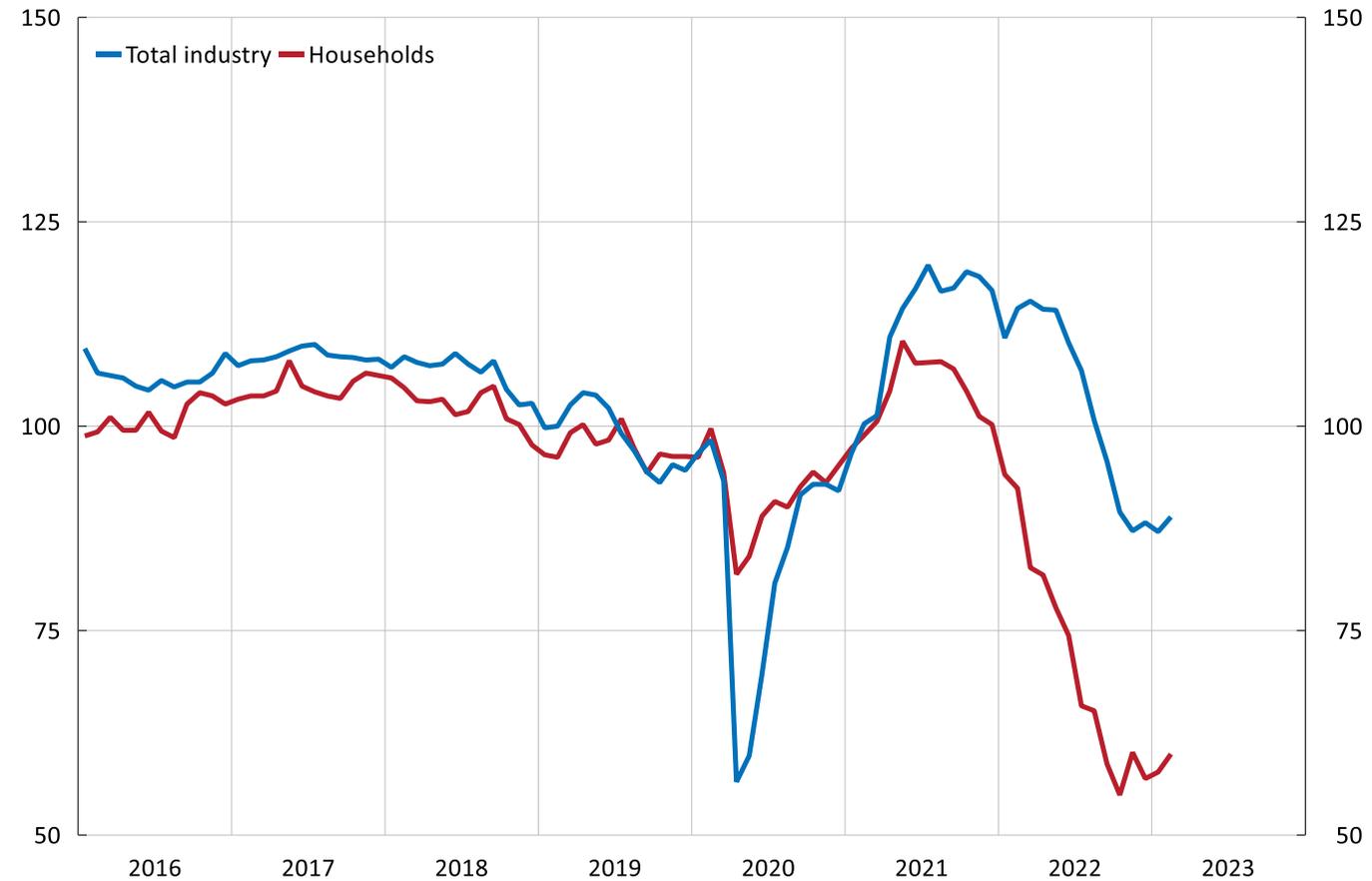
## Labour market cooling off



Note: Index, 2019 Q4=100, and percentage of labour force. Solid line refers to outcomes, dashed line to the forecast. Dots refers to the outcome after February MPR.

Sources: Statistics Sweden and the Riksbank.

# A divided economy



Note: Confidence indicator for households and the business sector, index.

Source: National Institute of Economic Research.

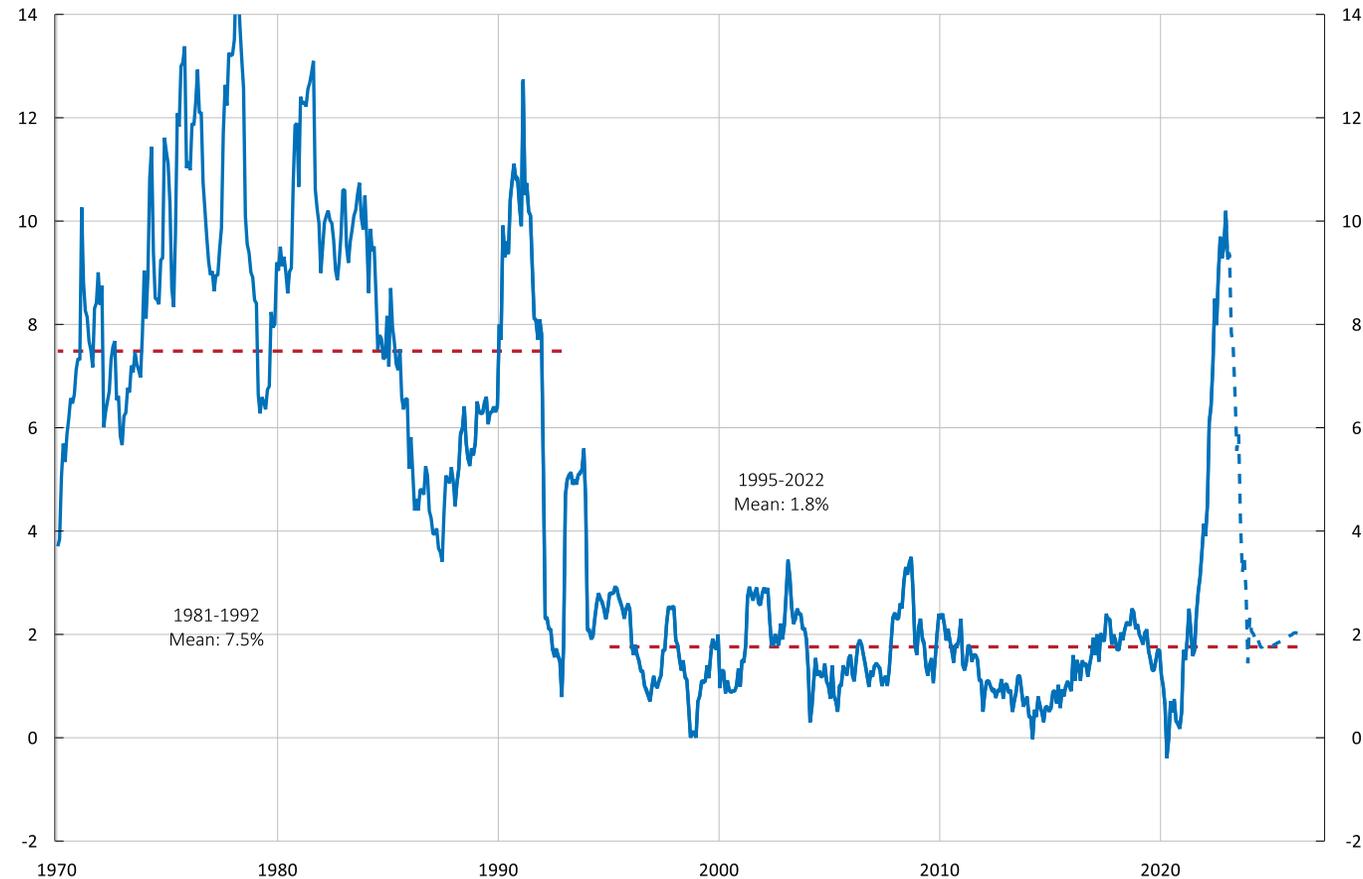
# Slowdown, but also resilience

- Inflation!
- Large decline in the housing market after large increase
- Low confidence among households, retail trade and housing construction sector
- Uncertainty over economic activity and financial conditions linked to the bank turmoil

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- But unexpectedly strong international economic activity
- As yet limited impact on labour market
- Relatively better sentiment in the manufacturing industry
- Inflation expectations

# Low inflation a prerequisite for good economic performance going forward



Note: Annual percentage change. Inflation is measured as the CPIF and before 1987 as the CPI excluding interest. Dashed blue line is the forecast in the February MPR.

Sources: Statistics Sweden and the Riksbank.

# We are doing what is necessary to bring down inflation within a reasonable period of time

- The CPIF expected to fall back but considerable uncertainty over price pressures
- The development of financial conditions is important
- Low tolerance towards high inflation an argument for tighter monetary policy
- Incoming data will determine future monetary policy stance

