

The Riksbank's operations 2023

Committee on Finance
12 March 2024

Erik Thedéen

Governor

The Riksbank's operations in 2023

- Entry into force of new law
- Higher policy rate and falling inflation
- Focus on increased risks in the financial system
- Safe, efficient and accessible payments
- The Riksbank's result, equity and currency hedging
- Work on civil preparedness was intensified
- Extensive international cooperation
- Strategic plan, new premises and high health index



First year with the new legislation

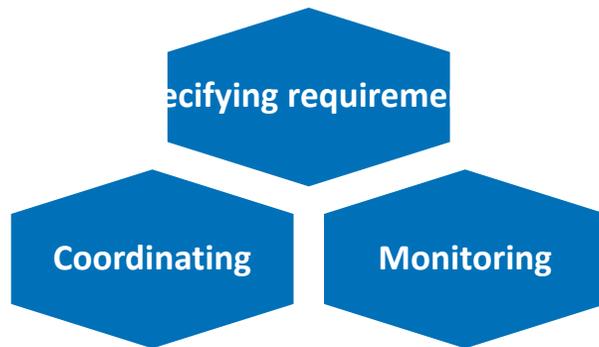


- New information and a clearer focus for how our operations shall be conducted and scrutinised.
- It is important that the Riksbank cooperates with other authorities with related responsibilities.
- In some respects very detailed regulation of how the Riksbank may use its tools - an issue to be monitored.

Civil preparedness for payments

Our new responsibilities

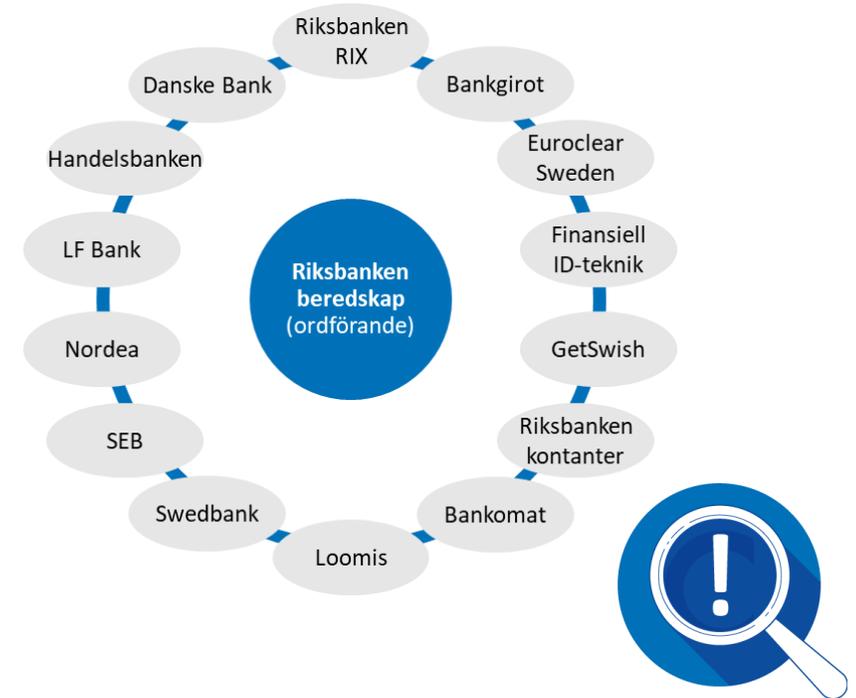
“The public shall be able to make payments in peacetime crisis situations and in a heightened state of alert”



What did we do in 2023?



What happens in 2024?



Payments - safe and efficient but lacking in accessibility



- Rapid changes
- Digital exclusion
- Cash area: new depots and reserve stocks, broadened customer base
- Lack of access to certain cash payment services
- Decline in cash remains problematic

Contribute to a stable and efficient financial system



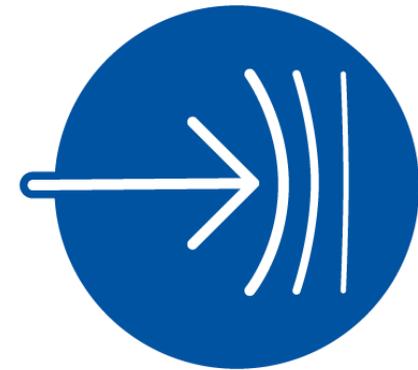
Identify risks in the financial system

- Commercial property sector
- Banking concerns in the USA and Switzerland, spring 2023



Oversight of financial infrastructure

- The retail payments system



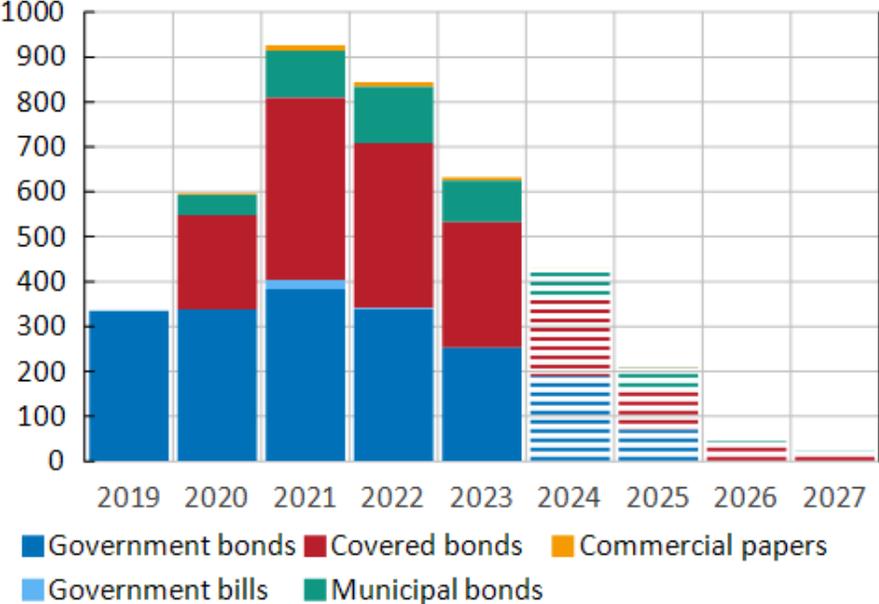
Crisis preparedness work

- Crisis management exercises

SEK portfolio phased out at a rapid pace

Minimises interest costs and interest rate risk.

Holding of Swedish securities at the end of the years 2019-2027 SEK billion



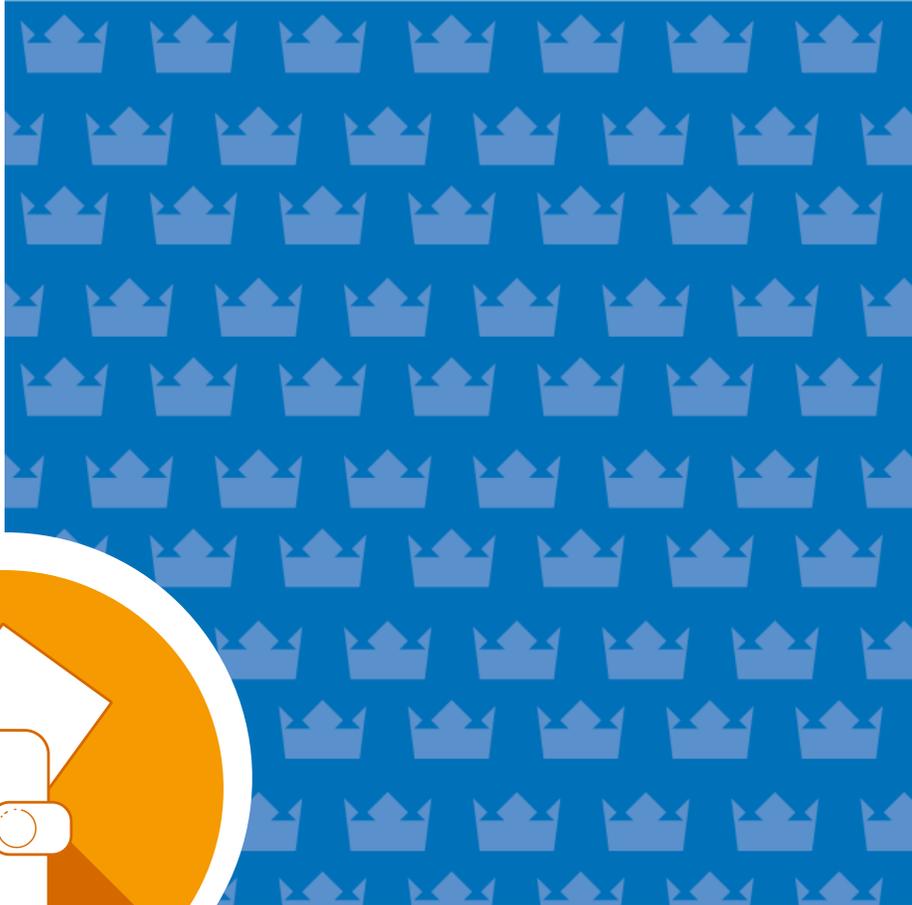
Note: Increased pace of government bond sales to SEK 6.5 billion/month as of February 2024



Riksbank reported a profit for 2023

- A gain of SEK 16 billion for 2023 due to positive net interest income and the realisation of previously unrealised foreign exchange gains.
- Reduced currency risk on the balance sheet due to currency hedging.

Equity needs to be restored



- The recalculated basic level for the Riksbank's equity, according to the Sveriges Riksbank Act, was SEK 41.7 billion.
- The profit for 2023 gives an equity of SEK -2 billion.
- Petition for a capital injection sent to the Riksdag in early April.

The Riksbank's participation in international cooperation bodies



International activities

Some key questions:

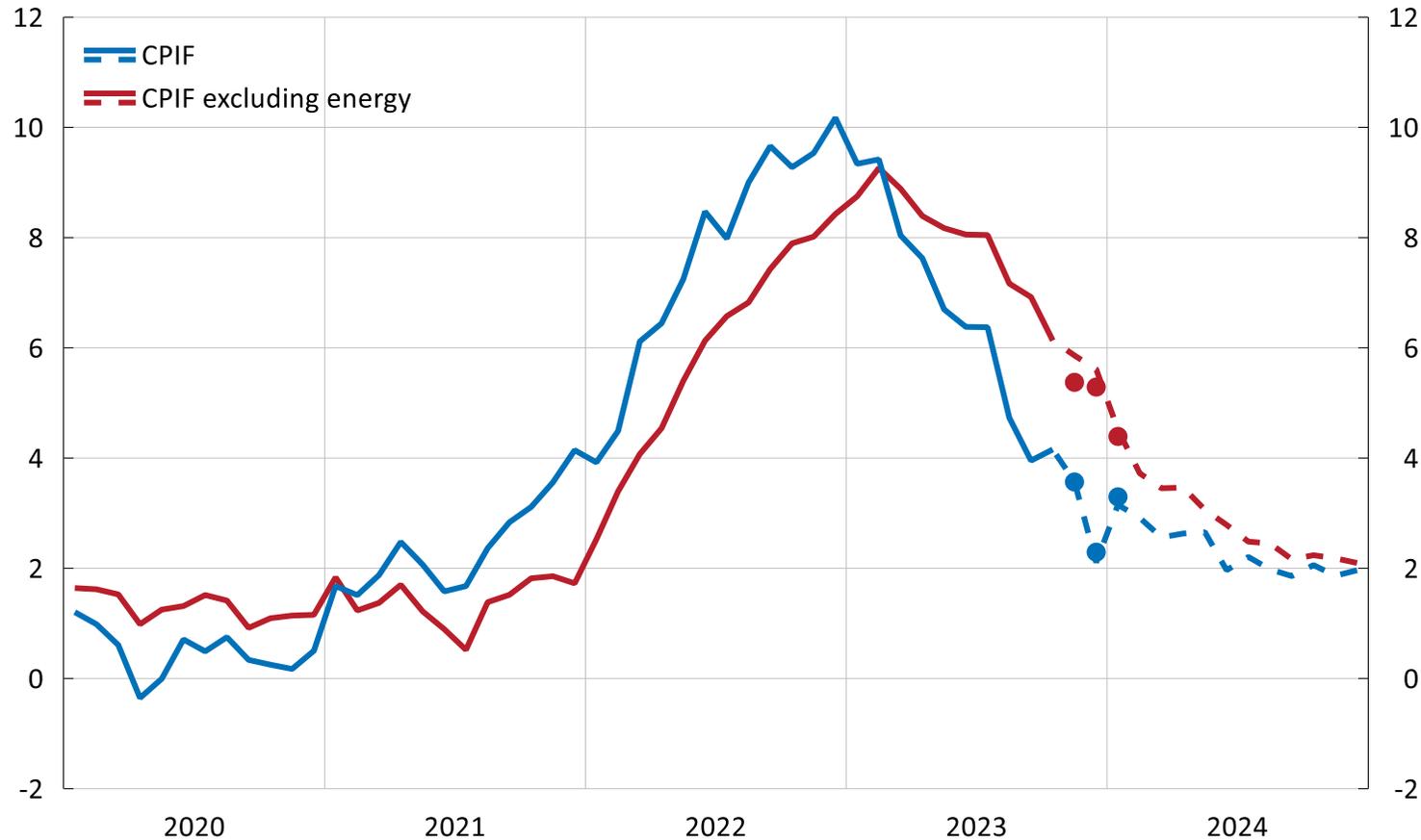
- Monetary policy challenges arising from high inflation.
- Financial stability risks due to rapidly rising market rates.
- Digital central bank currencies.
- Cross-border payments.
- Review of international banking regulation.
- Growing importance of non-banks.

Current monetary policy

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Erik Thedéen
Governor

Interest rate hikes working - inflation close to target



Annual percentage change. Solid line refers to outcomes, dashed line to the Riksbank's forecast. Dots indicate outcomes since the November Monetary Policy Report.

Sources: Statistics Sweden and the Riksbank.

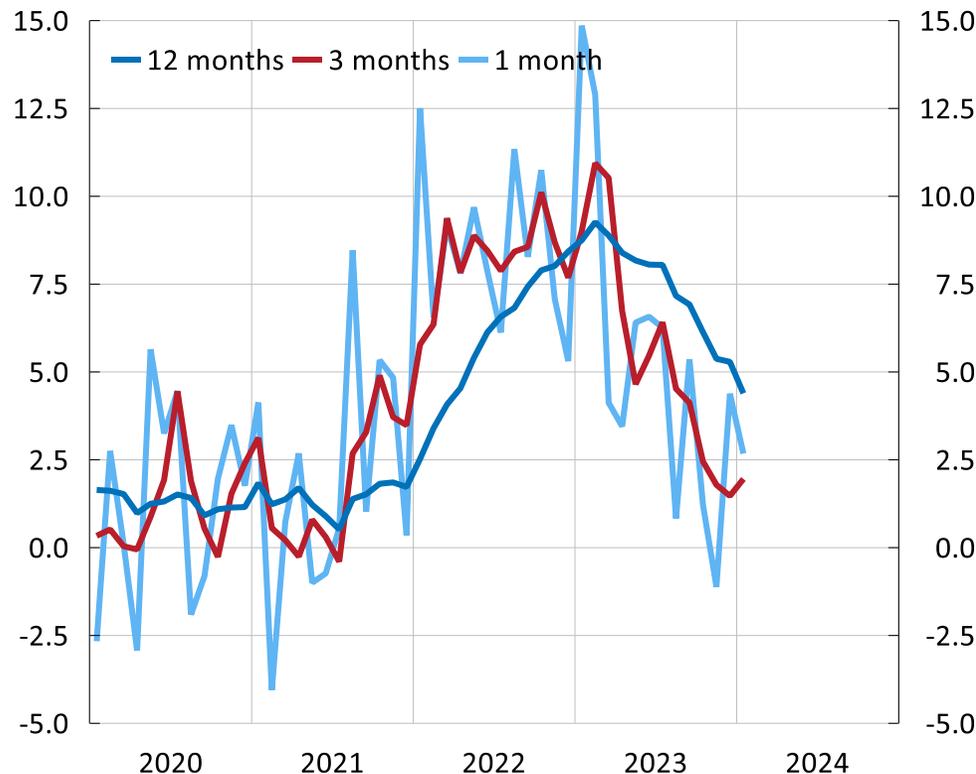
Monetary policy decision in February



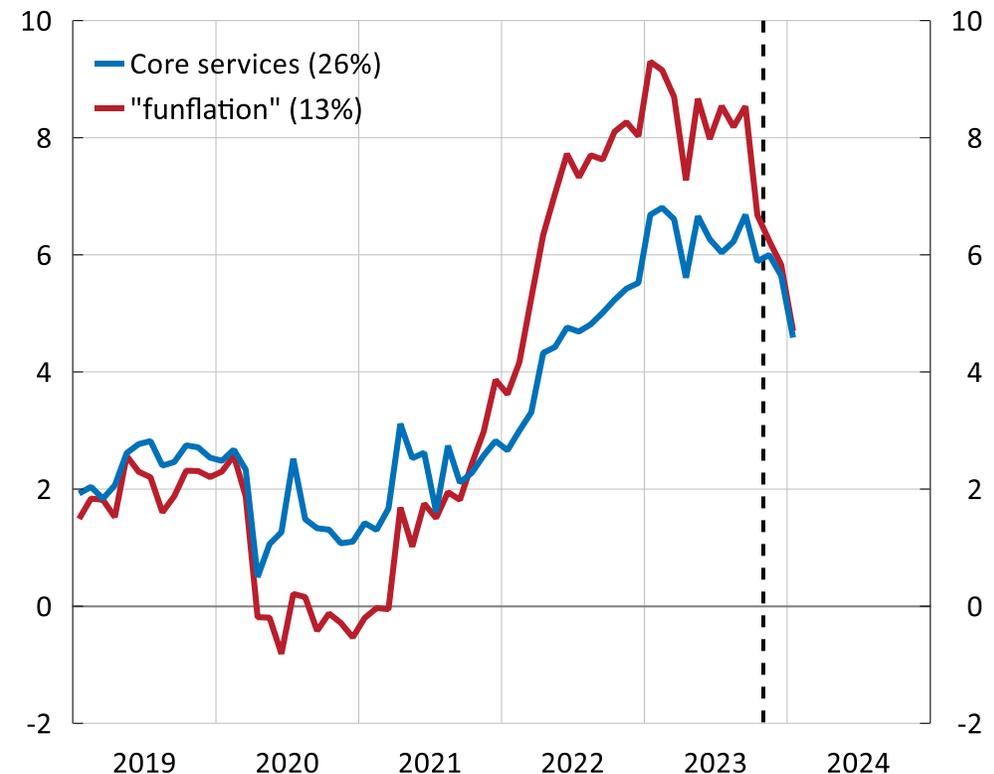
- The policy rate was left **unchanged** at 4 per cent
- **Increased the pace** of government bond sales

Inflation is falling, but remains high

CPIF excluding energy



Services prices in the CPIF

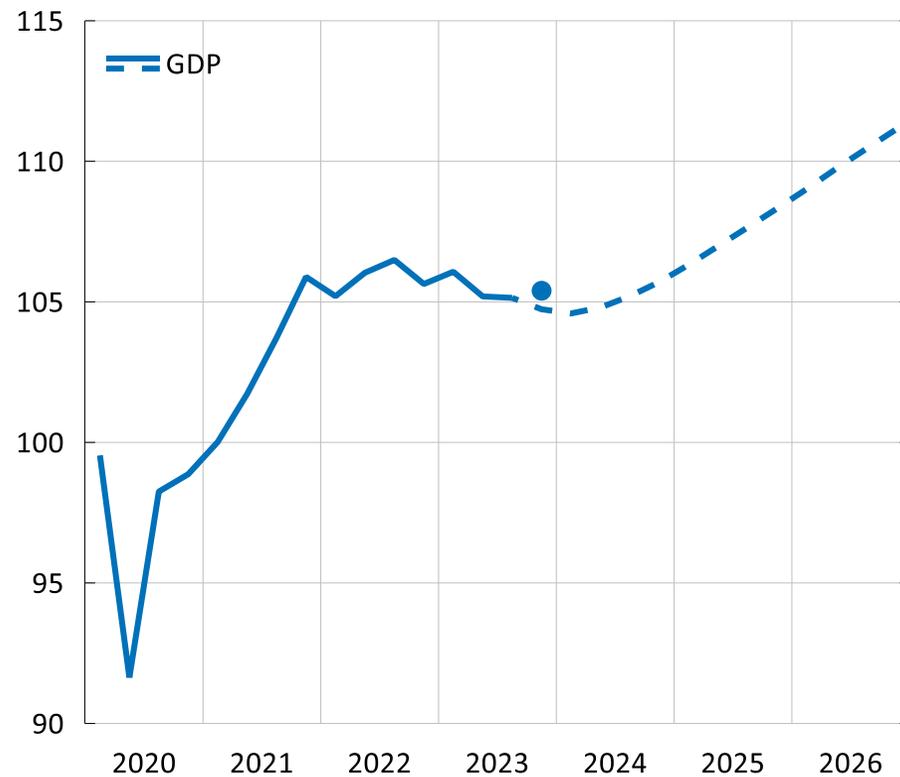


Percentage change in the CPIF excluding energy, annualised. Seasonally adjusted data. (left) Annual percentage change. The vertical line marks the date of the monetary policy meeting in November. (right)

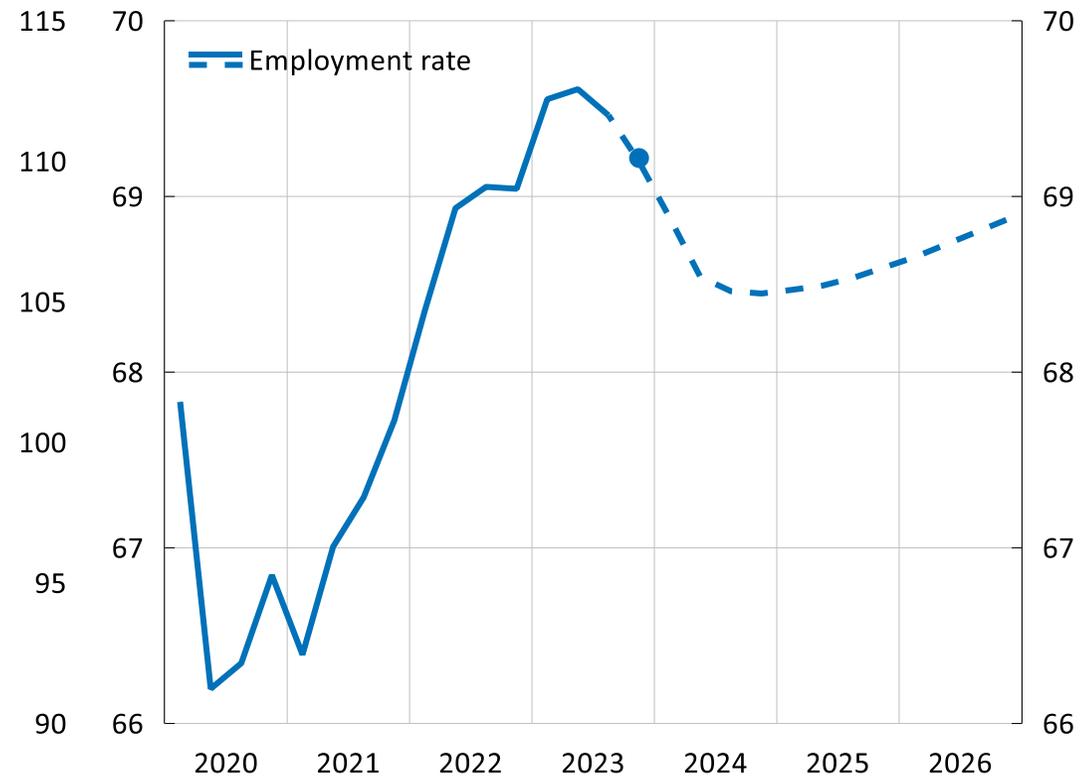
Sources: Statistics Sweden and the Riksbank

Expected slowdown in economic activity

Growth is in a weaker phase



Labour market weakening

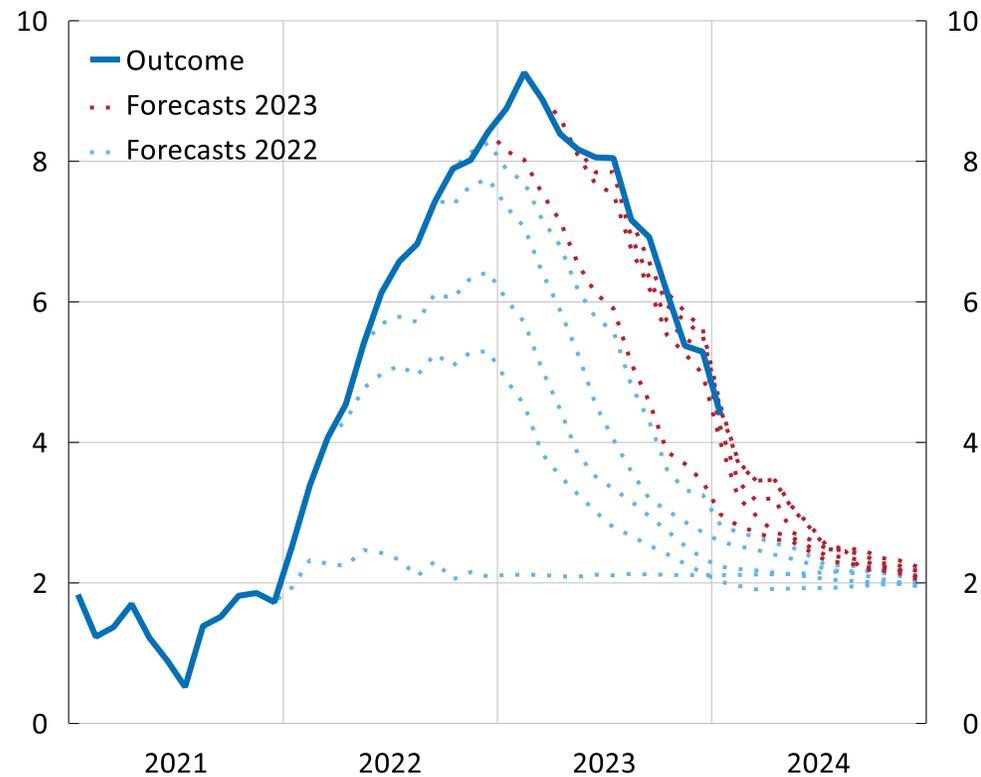


Index, 2019 Q4 = 100 (left) and per cent of population aged 15-74 years (right). Dashed lines refer to the forecast in the November 2023 Monetary Policy Report. Dots refer to outcomes since then. Seasonally adjusted data.

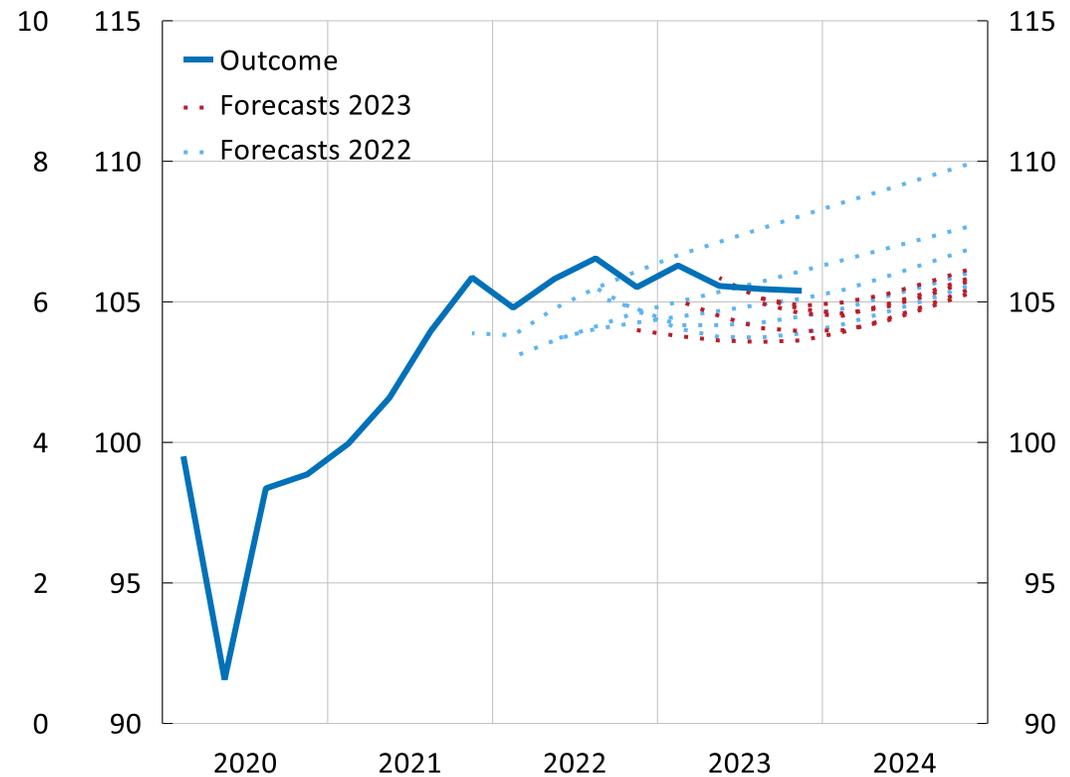
Sources: Statistics Sweden and the Riksbank.

More accurate forecasts

CPIF excluding energy



GDP

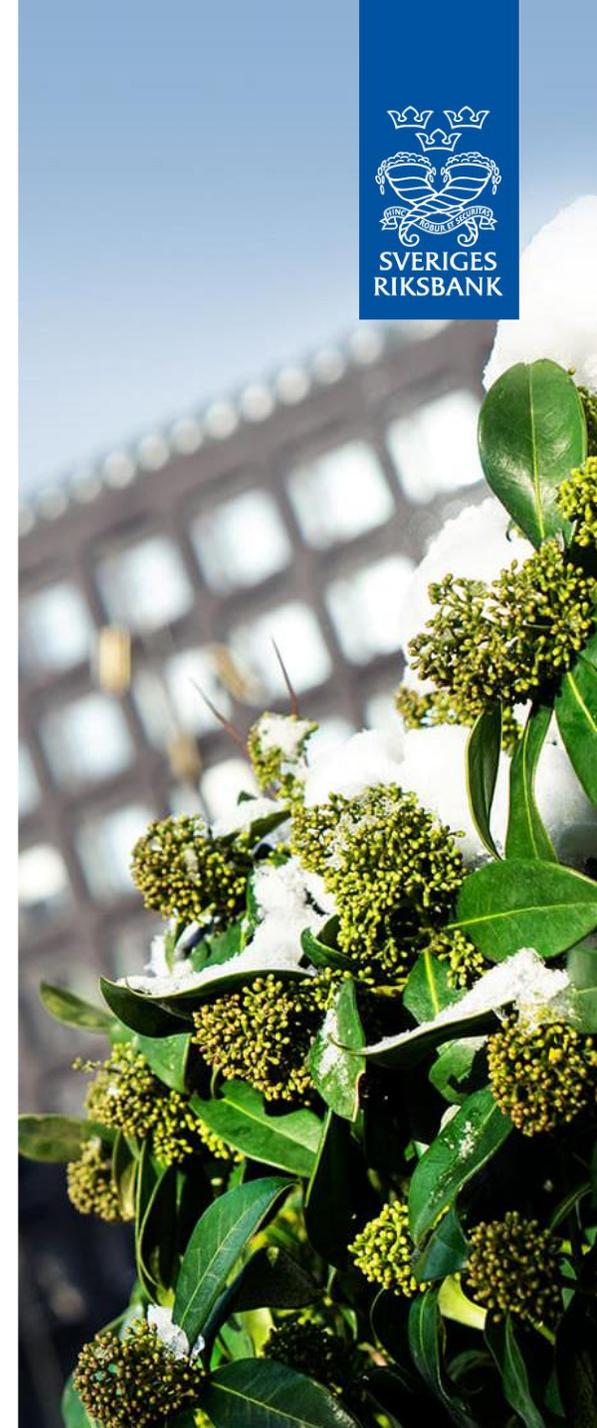


Percentage change in CPIF excluding energy (left). Seasonally-adjusted data, index 2019 Q4 = 100 (right).

Sources: Statistics Sweden and the Riksbank.

Monetary policy needs to be cautious

- Inflation on **firmer ground**, but risk of **setbacks**
- If inflation continues to develop favourably, one **cannot rule out the possibility of the policy rate being cut** during the first half of the year
- **New information** and how it affects the outlook for the economy and inflation determines the monetary policy stance



Current monetary policy

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Per Jansson
Deputy Governor

Reduced risk of the high inflation becoming entrenched



- Favourable inflation trends and indicators (both in Sweden and abroad)
- Lower activity level in Swedish economy
- Inflation expectations are firmly anchored
- Wages increasing moderately

Risk of setbacks – inflation could rise again

- War and geopolitical tensions
- Krona exchange rate
- Companies' price-setting behaviour



Inflation on firmer ground, but risk of setbacks