

Monetary policy communication in practice

The Swedish Economic Association
2 June 2025

Erik Thedéen
Governor

Thirtieth anniversary!



Urban Bäckström

NEF speech: 1995-2002



Lars Heikensten

NEF speech: 2003-2005



Stefan Ingves

NEF speech: 2006-2022

Shift in attitudes towards transparency and communication

- *“An increasing number of dealers on the market are wondering about the Riksbank’s tightened monetary policy.” – SvD, December 1989*
- *“The Riksbank has left the policy rate unchanged at 2.25 per cent. The announcement was expected, but Governor Erik Thedéen has opened the door to a rate cut further ahead.” - SvD May 2025*









Communication can make monetary policy more effective



- Helps households, companies and market participants understand how the central bank acts
- Expectations "do some of the job" – for example, the inflation target
- Increases the central bank's ability to influence the economy

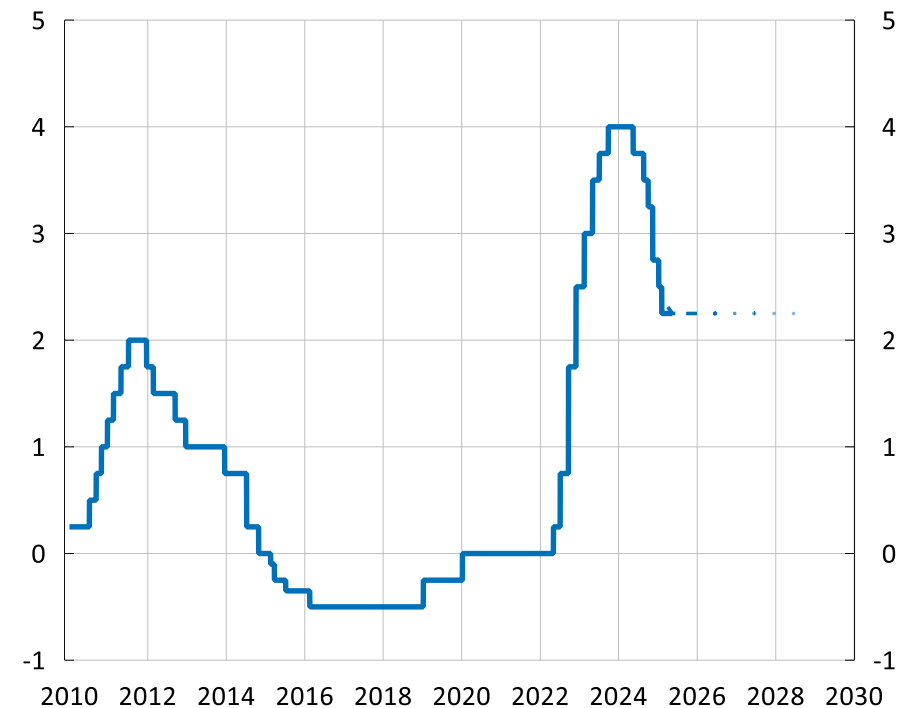
How central banks communicate:

	<u>Publication of minutes - a few days after the decision</u>	<u>Publication of Board Members' votes</u>	<u>Publication of own policy- rate forecast</u>	<u>Publication of market expectations</u>
 Sweden	5 days	Yes	Yes	Yes
 Euro area	30 days	No	No	No
 Japan	30 days	Yes	No	No
 Norway	Same day	No	Yes	Yes
 United Kingdom	Same day	Yes	No	Yes
 United States	21 days	Yes	Dot plots	No

The policy rate forecast has become a natural part of the Riksbank's communication

- Published since 2007
- The decision to move to a proprietary policy rate forecast was a long time in the making
- Clear from the start that “the policy-rate path is a forecast, not a promise”

The policy rate path



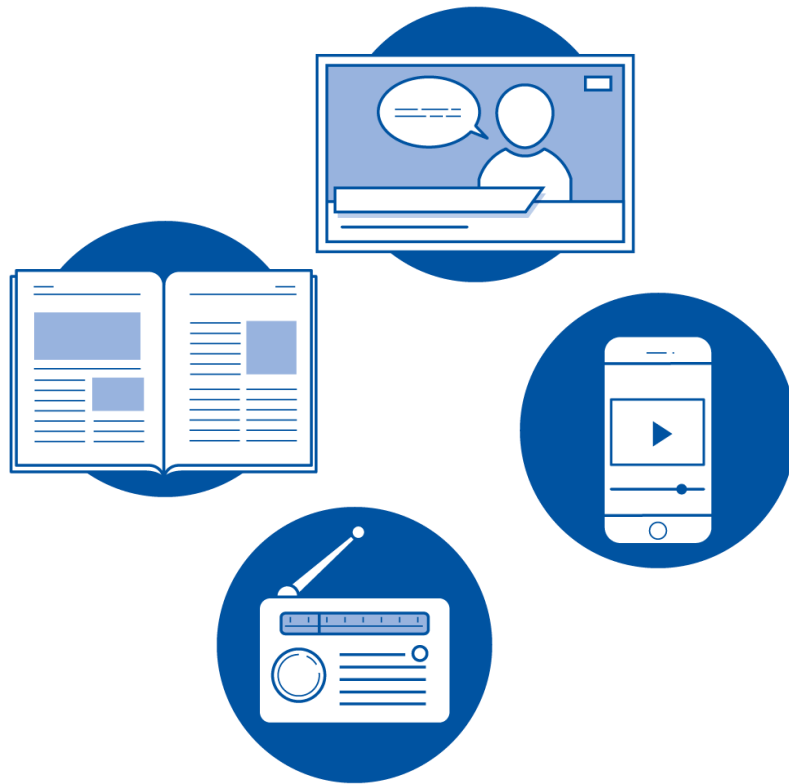
Note. Solid line refers to outcome, dashed/dotted lines represent the Riksbank's forecast. Outcomes for the policy rate are daily data and the forecasts refer to quarterly averages. Source: The Riksbank.

The minutes provide an opportunity for nuance

- Since 2007, the Board members are named in the Riksbank's monetary policy minutes
- Advantage: arguments and contributions are carefully prepared
Disadvantage: rarely spontaneous discussions at meetings
- Advantage: facilitates the internal work of the Executive Board and thus the communication of monetary policy
 - The protocol as “ventilation”
 - Shows nuances in the Executive Board and that we approach decisions from slightly different directions



Most people take part in central bank communication indirectly via the media



- Challenge to reach out with messages to “non-experts”
- Sluggish interest when inflation is low and stable
- Traditional sources such as TV and newspaper articles are still the most common source of info on central banks
- Focus on ‘layered’ communication

Communicating uncertainty is a challenge *in itself*

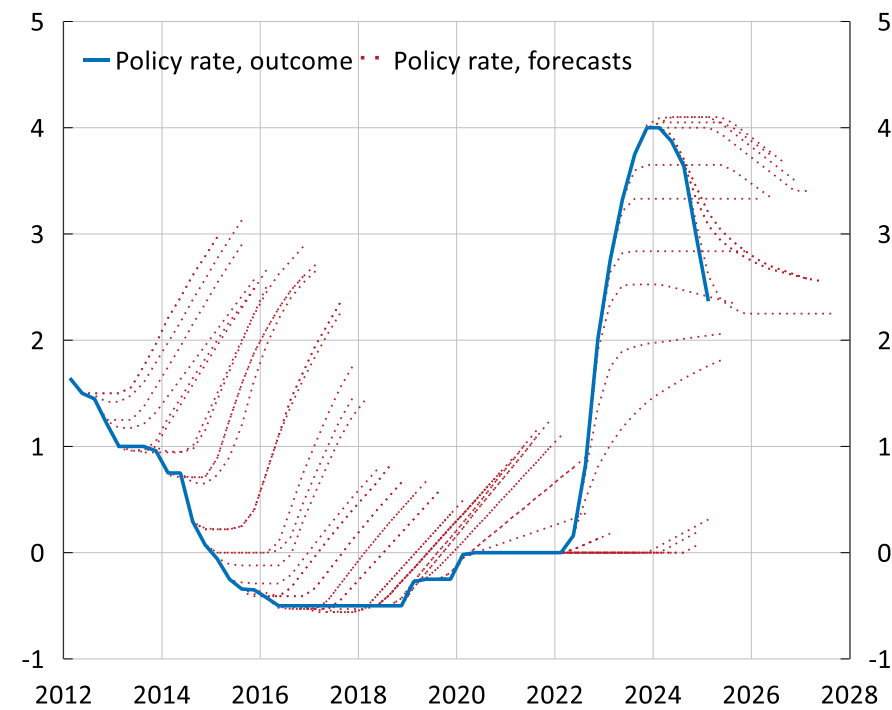


- Monetary policy is based on forecasts that are necessarily uncertain
- It is important that the uncertainty in the assessments is recognised and understood by households, businesses and market participants

Particularly difficult to communicate uncertainty about future monetary policy

- Guidance on future monetary policy always comes with caveats in practice - important that it is not interpreted as a promise
 - International examples of difficulties
- In the Riksbank's communication, changes in the policy rate forecast are quite natural
- ... but also have their challenges

Forecasts for policy rate 2012– 2024

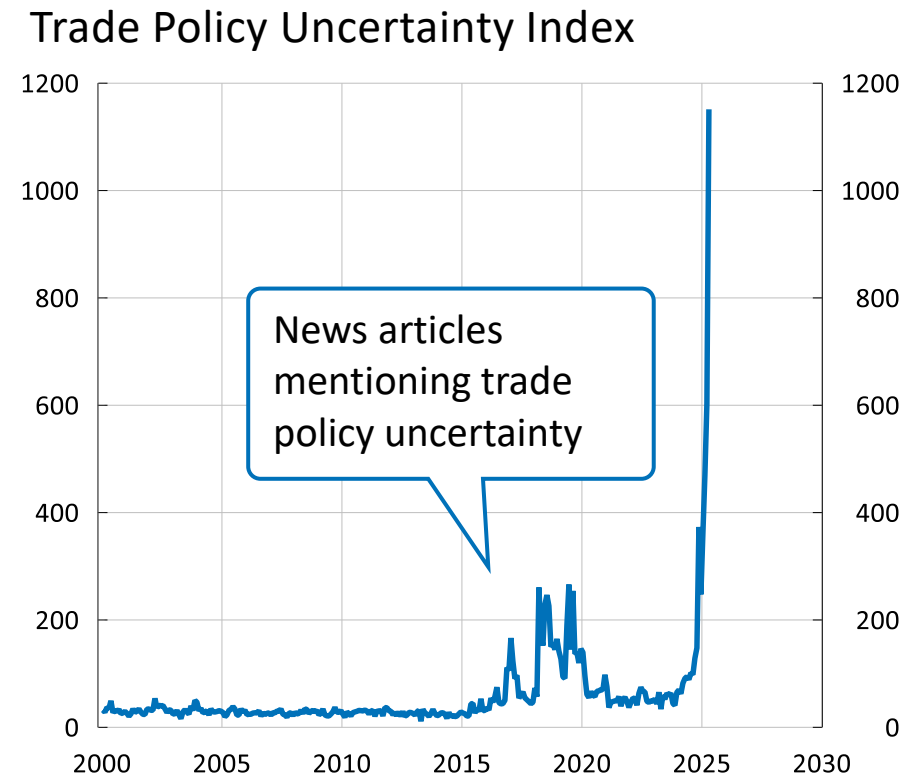


Note. Per cent.

Source: The Riksbank.

Unusually great uncertainty may lead to changes in communication

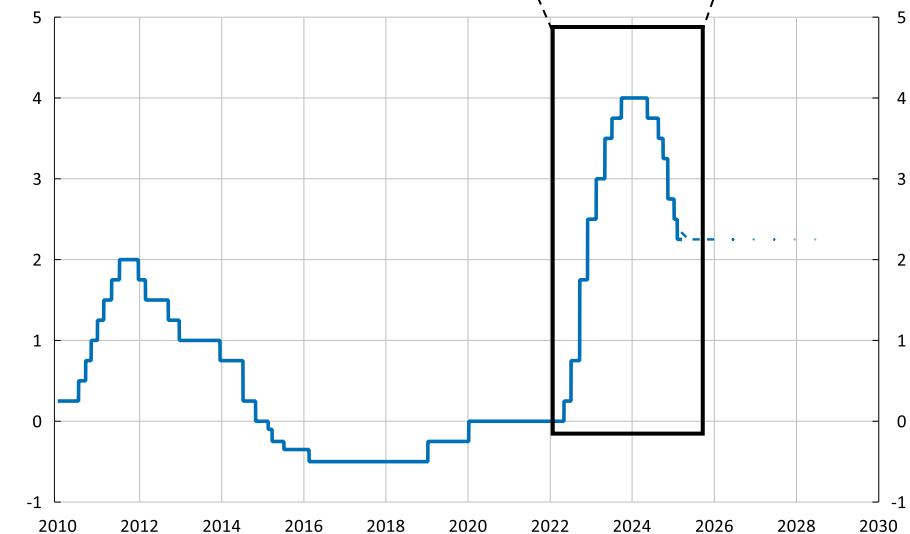
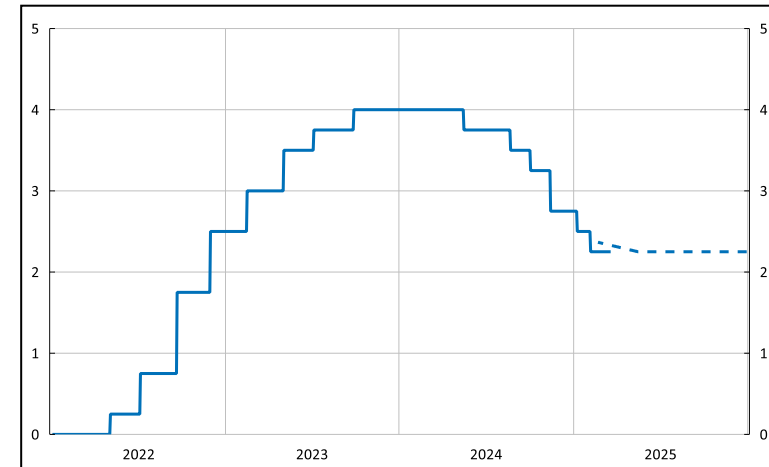
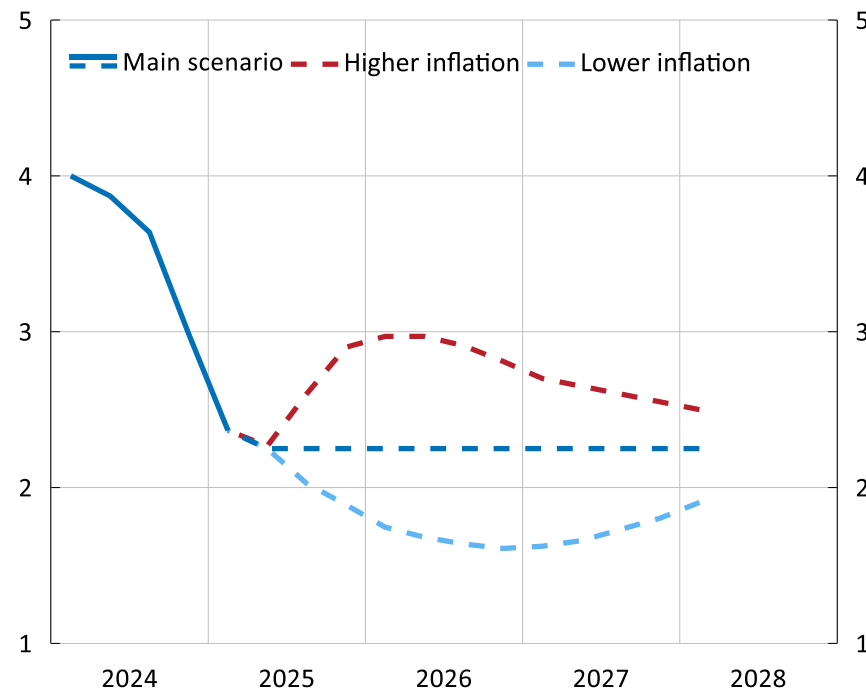
- Always an argument in favour of transparency, but may be reasons to adapt communication when uncertainty is particularly high
 - Extreme example: the pandemic
- Increased uncertainty about the economic outlook in recent years
- Has left its mark on central banks
 - Emphasising the importance of new information
 - Downplaying forward guidance



Note. Most recent
outcome refers to April
2025

Source: Economic Policy
Uncertainty.

Changes in the Riksbank's communication



Note. Alternative scenarios from the Monetary Policy Report in March 2025 (left). Short and long run horizon for the policy rate path (right). Solid lines refer to outcomes and dashed lines to scenarios and forecasts.

Source: The Riksbank.

‘Verbal guidance’ in Monetary Policy Update

- MPU January 2024
 - “the policy rate would therefore probably be cut earlier than indicated in the previous forecast”
- MPU May 2024
 - “the policy rate could be cut two more times during the second half of the year, in line with the forecast in March”
- MPU August 2024
 - “the policy rate could be cut somewhat faster than estimated in June”
- MPU November 2024
 - “the policy rate could also be cut at the monetary policy meeting in December and in the first half of 2025, in line with what had been communicated in September.”



To summarise

- The Riksbank's transparency is the result of determined efforts
- More open on some issues than many other central banks
 - Policy rate forecast, minutes but also material for evaluation
- Communication has the potential to make monetary policy more effective, but faces practical challenges
 - For example, communicating **how** when the focus is on **what**
- Adapting monetary policy communication to the circumstances is natural



Thank you.