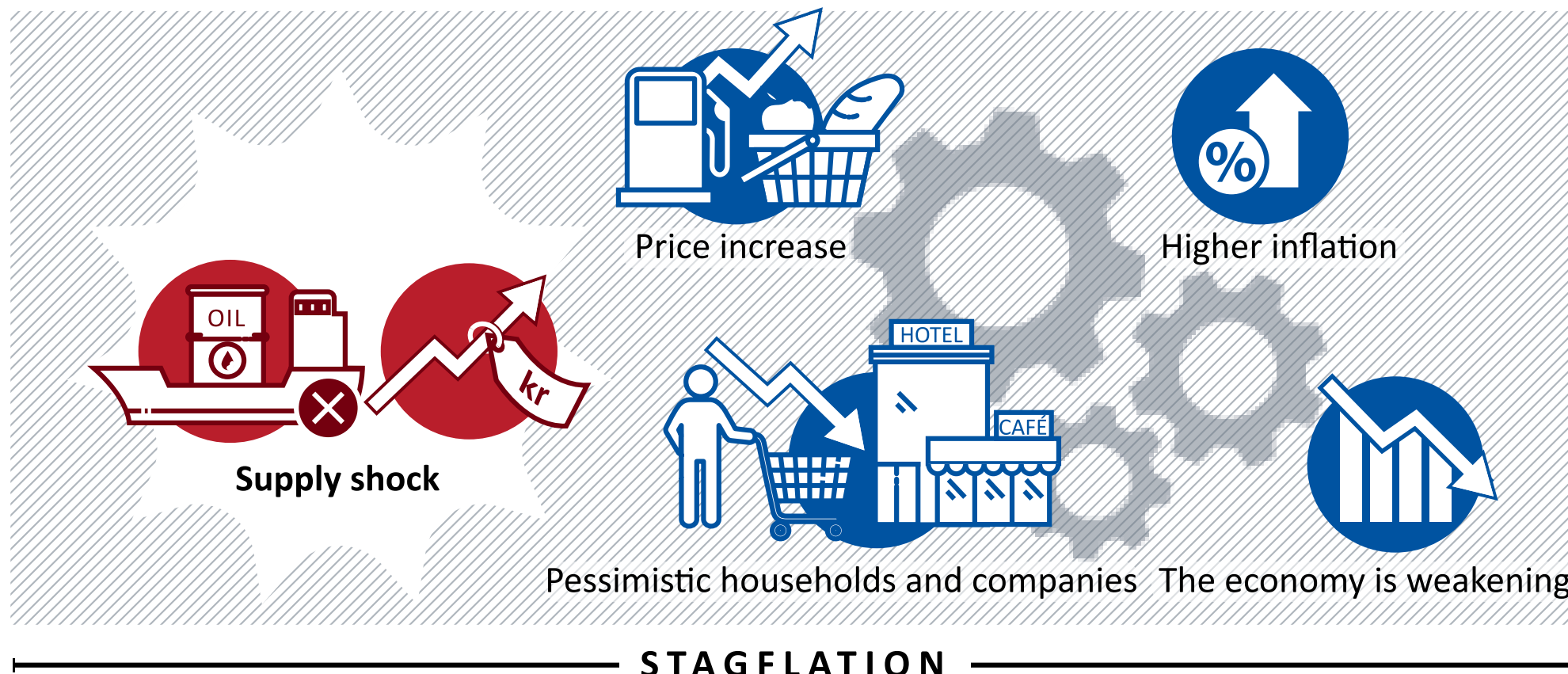


Monetary policy challenges in war-related supply shocks

Erik Thedén, Governor

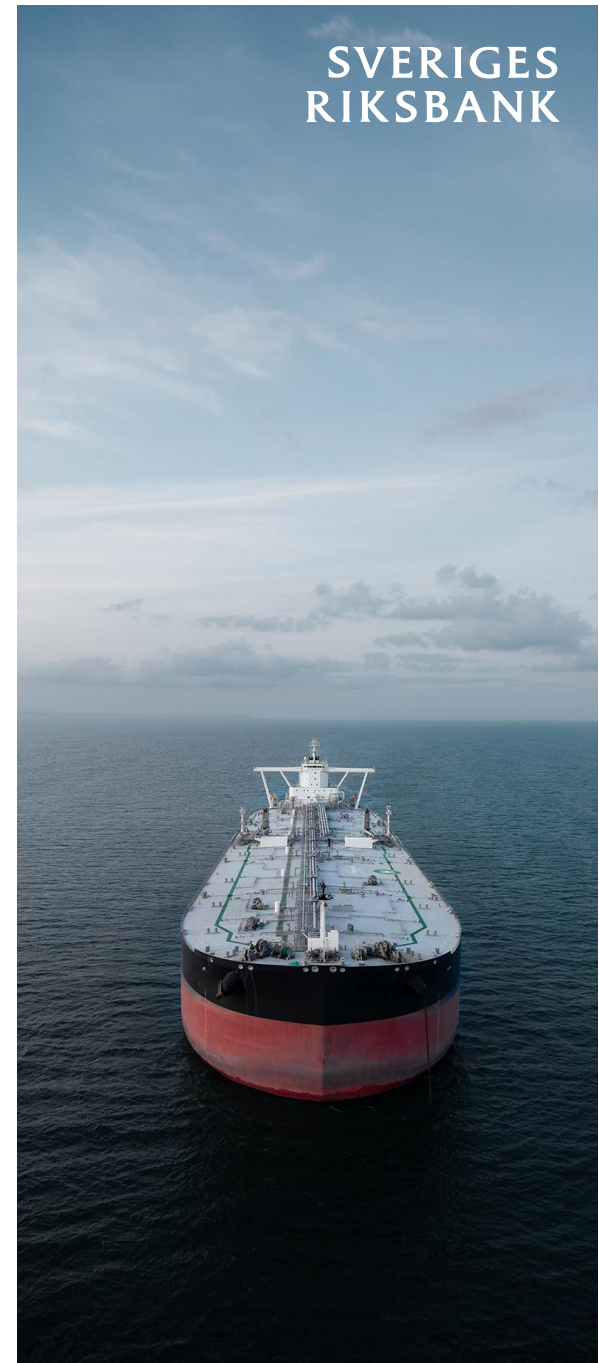
Stockholm Chamber of Commerce, 22 April 2026

How an adverse supply shock can affect the economy – and lead to stagflation



Difficult monetary policy trade-off in the event of supply shocks

- **Trade-off – curb inflation and support demand.**
- **Short-term effect – "see through" the rise in inflation.**
- **If large and prolonged disruption – higher risk of spillover effects**
- **Strait of Hormuz**
 - **Central to oil and natural gas**
 - **And also, artificial fertilisers, commodities for plastic products and helium**



Wars often have wider supply effects

- **Wars and adverse geopolitical events** tend to **push up inflation** and make it **more persistently elevated**.
- **The oil crises of the 1970s** played an important role in the high and persistent inflation.
- **The economic policies** pursued allowed inflation to become entrenched.
- **The rise in inflation in 2021–2022** was partly a **consequence of Russia's invasion of Ukraine**.



Both differences and similarities to the inflation upswing 2021–2022

At start of 2022:

- Policy rate at 0 per cent
- Riksbank's securities purchases
- Prolonged period of krona depreciation
- Relatively high resource utilisation and pent-up demand among households after the pandemic.

Today:

- Policy rate at 1.75 per cent
- Significant krona appreciation in 2025
- Relatively low resource utilisation after a period of weak economic activity.
- Expansionary fiscal policy

Confidence in the inflation target also matters!

Possible strategies in a supply-driven inflationary impulse



- 'Wait and see'
- Raise interest rates relatively sharply
- Raise interest rates to a relatively limited extent

Preparedness for larger effects on inflation



- Still considerable uncertainty
- It is risky to assume that it is possible to ‘see through’ the disruption.
- The risk of higher inflation has increased slightly.
- Inflation is low to start with.
- ‘Steady course but high preparedness to swerve’