

ARTICLE – The Riksbank's development work

The focus of the Riksbank's monetary policy development work in 2020 was naturally on the coronavirus pandemic and its economic consequences. To quickly obtain information about developments in the economy, the Riksbank began collecting real-time indicators and supplementing the business survey with more frequent interviews. In addition, the Riksbank has analysed the macroeconomic effects of the pandemic, on, for example, the labour market and inflation. Extensive effort has also been put into analysing and implementing new monetary policy tools.

Focus on the economic effects of the coronavirus pandemic

In 2020, the Riksbank has worked on trying to understand and analyse the economic consequences of the coronavirus pandemic. When the crisis hit, the Riksbank needed to start collecting what is known as real-time data, data that is not published with a time-lag, in order to quickly gain an understanding of the economic consequences of the pandemic. Regular and frequent telephone interviews were also initiated with the Swedish companies included in the Riksbank's Business Survey to find out their views on the current economic situation.

A short-term effect of the pandemic was that it became more difficult to measure inflation, as many products were no longer consumed. Trying to understand how changed consumption patterns affected inflation became an important part of the monetary policy analysis. During the year, the Riksbank has also tried to analyse the effects of the crisis on productivity and employment – not just in the near term but also in the longer run.

Because of the substantial economic effects of the crisis, analyses and the implementation of new monetary policy tools became a key component of the Riksbank's development work during the year. Among the new tools adopted by the Riksbank in 2020 were the funding for lending programme (loans to banks for onward lending to companies) and purchases of corporate debt securities, covered bonds and municipal bonds. When it came to evaluating the effect of the monetary policy measures on banks' lending, the Riksbank's new KRITA database, developed in cooperation with Statistics Sweden, proved particularly useful.

As regards other development work during the year, the Riksbank continued its analysis of several of the long-term macroeconomic trends observed prior to the pandemic,

including weak productivity growth, falling global real interest rates and the digitalisation of the economy. The Riksbank also performed several analyses of the economic consequences of climate change. The work to better understand the driving-forces behind the exchange rate was described in detail in the 2019 report and continued in 2020. The Riksbank also began using a new macroeconomic model in its forecasting work during the year.

Table 1. Studies conducted in 2020 related to monetary policy.

Year of publication 2020, unless otherwise specified

Articles in Monetary Policy Reports
"Inflation not fully comparable between countries", February.
"What has happened to the financial conditions since the autumn of 2018?", February.
"The Riksbank's balance sheet is growing", April.
"The central banks' measures", April.
"Are those on short-term work schemes unemployed?", April.
"More difficult to calculate inflation", April
"The Swedish market for corporate bonds," July.
"Economic development according to two alternative scenarios", July.
"Inflation outlook during the corona crisis", July.
"The long-term effects of the pandemic on output and employment", July.
"How the Riksbank's measures have worked during the corona crisis", September
"Two alternative scenarios for the development of the economy," September.
"How is the Riksbank's work affected by climate change?", November.
"Distributional effects of the Riksbank's measures", November.
"The long-term economic effects of the pandemic are uncertain", November.
Economic Commentaries
N. Engström, "New challengers on the mortgage market – Increased competition and possible pressure on interest rates", No. 1.
I. Häkkinen Skans, "Why are labour force participation and employment increasing among older people?", No. 2.
J. Ewertzh, T. Falk, M. Hesselman, I. Hull, M. Löf, O. Stigland and M Tibblin, "Real-time indicators provide information support during rapid cyclical turnarounds", No. 3.
H. Armelius, C. A. Claussen, D Vestin, "Money and monetary policy in times of crisis", No. 4.
Y. Akkaya, C-J. Belfrage, V. Corbo and P. Di Casola, "GDP growth in Sweden relative to other countries in the wake of Covid-19", No. 5.
E. Frohm, J. Grip, D. Hansson and S. Wollert, "Two-tier credit developments during the coronavirus pandemic", No. 6.
E. Bylund and M. Jonsson, "How does climate change affect the long-run real interest rate?", No. 11.
M. Lindskog and I. Strid, "Efficient vaccination against COVID-19 entails major macroeconomic benefits", No. 13.

Economic Commentaries

J. Johansson, M. Löf and O. Tysklind, "Changed consumption during the pandemic affects inflation", No. 14.

I. Häkkinen Skans "The corona crisis and the labour market - effects in the short and the long term", No. 1 2021.

Sveriges Riksbank Economic Review

E. Frohm and S. Ingves "The future isn't what it used to be – perspectives on changes in the Swedish economy", No. 1.

B. Andersson, M. Jonsson and H. Lundvall, "The new macroeconomic landscape after the global financial crisis", No. 1.

H. Lundvall, "What is driving the global trend towards lower real interest rates?", No. 1.

P. Bacchetta and P. Chikani, "On the weakness of the Swedish krona", No 1 2021.

M. Gislén, I. Hansson and O. Melander, "Dollar liquidity from the Federal Reserve to other central banks", No. 1 2021.

P. Gustafsson and T. von Brömsen, "The coronavirus pandemic: The Riksbank's monetary policy and financial developments in spring and summer 2020", No.1 2021.

O. Melander, "Effects on financial markets of the Riksbank's government bond purchases 2015–2017", No. 1 2021.

Staff Memo

O. Tysklind, "Quality adjustments and international price comparisons", January.

C-J. Belfrage, P. Bonomolo and P. Stockhammar, "A time-varying equilibrium VAR model of the long-run real exchange rate", February.

J. Alsterlind, M. Lindskog, and T. von Brömsen, "An index for financial conditions in Sweden", February.

E. Frohm, "Restrained foreign trade after 2009: discussion of possible consequences for Sweden, May.

M. Ringqvist, P. Stockhammar and I. Strid, "Assessing the foreign linkages in MAJA – a conditional forecast evaluation approach", September.

A-M. Ceh "Forecasting short-term movements in the Swedish krona", November.

Working Paper series

M. Carlsson and A. Westermark, "Endogenous Separations, Wage Rigidities and Employment Volatility", No. 326.

M. Ferdinandusse, M. Freier and A. Ristiniemi, "Quantitative easing and the price-liquidity trade off", No. 335.

K. Walentin and A. Westermark, "Learning on the Job and the Cost of Business Cycles", No. 353.

R. Billi, "Unemployment Fluctuations and Nominal GDP Targeting", No. 385.

V. Corbo and P. Di Casola, "Drivers of consumer prices and exchange rates in small open economies", No. 387.

P. Di Casola and S. Sichel, "TFP news, stock market booms and the business cycle: Revisiting the evidence with VEC models", No. 388.

R.M. Billi, U. Söderström and C.E. Walsh, "The Role of Money in Monetary Policy at the Lower Bound", No. 390.

V. Corbo and I. Strid, "MAJA: A two-region DSGE model for Sweden and its main trading partners", No. 391.

J. Cao, V. Dinger, A. Grodecka-Messi, R. Juelsrud and X. Zhang, "The interaction between macroprudential and monetary policies: The cases of Norway and Sweden", No. 392.

Working Paper series

E. Frohm, "Labor shortages and wage growth", No. 394.

J. Oh and A. Rogantini Picco, "Macro Uncertainty and Unemployment Risk", No. 395.

S. Laséen, "Monetary Policy Surprises, Central Bank Information Shocks, and Economic Activity in a Small Open Economy", No. 396.

R. Duque Gabriel, M. Klein and A.S. Pessoa Tal, "The Effects of Government Spending in the Eurozone", No. 400.
