



Monetary policy in recent years and key issues ahead

Erik Thedén, Governor of the Riksbank,
Danske Bank, 22 November 2024

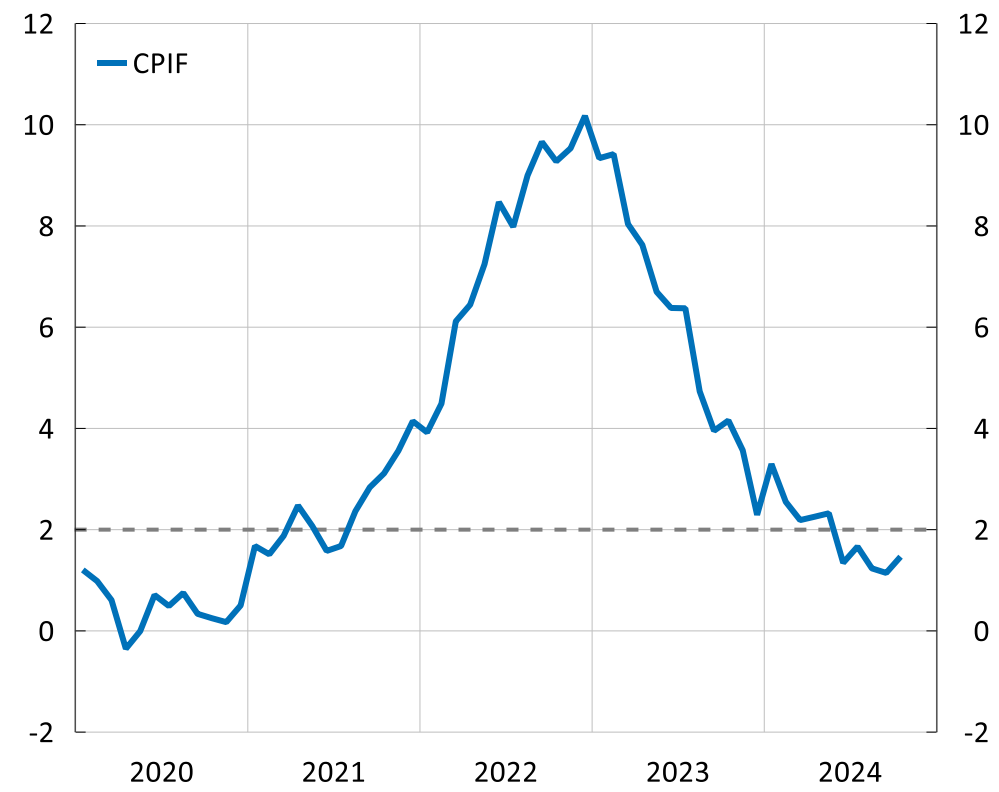
Several factors drove up inflation



Imbalances in supply and demand during the pandemic



Problems in the European energy market



Annual percentage change.

Source: Statistics Sweden and the Riksbank.

Russia's invasion of Ukraine

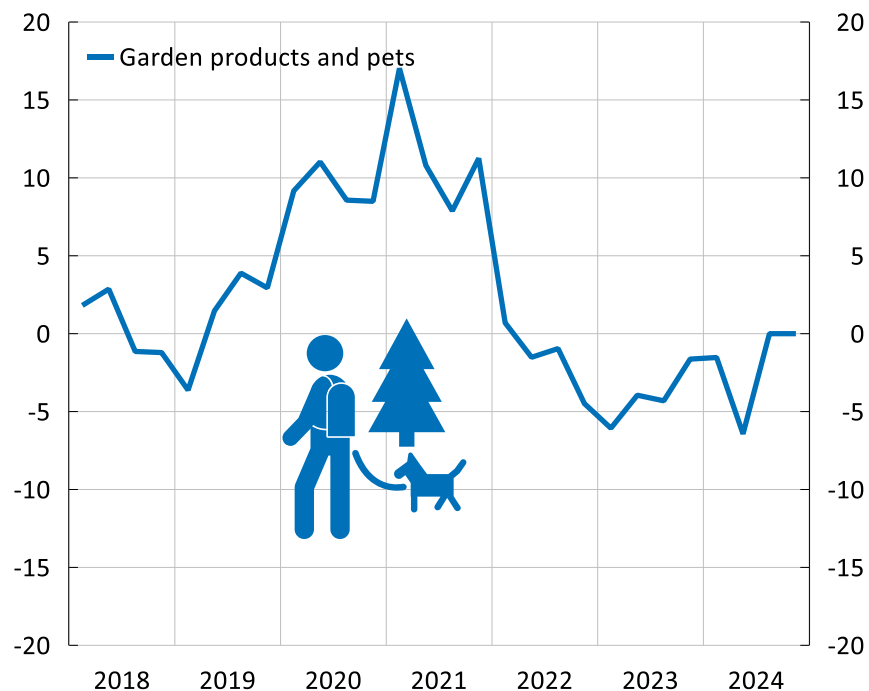


Pricing behaviour



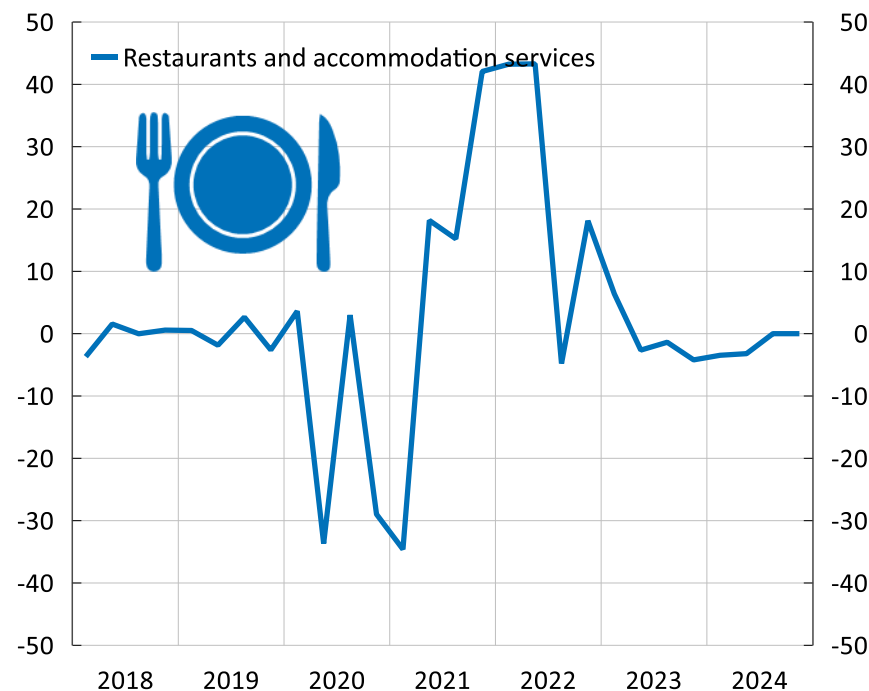
Major shifts in demand

Consumption of certain goods increased during the pandemic



Note. Annual percentage change. Household consumption in fixed prices, seasonally adjusted data.

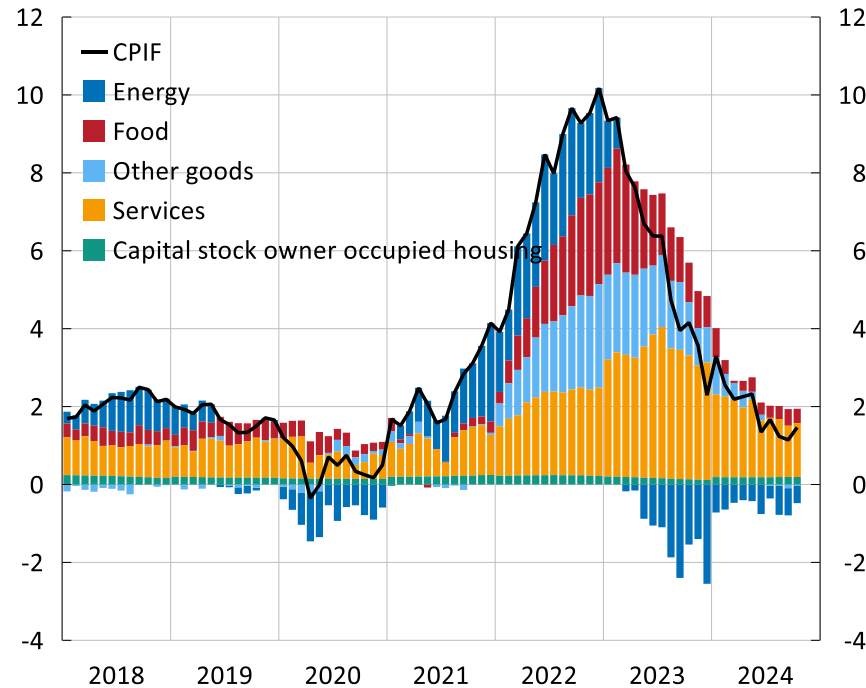
High demand for services after the pandemic



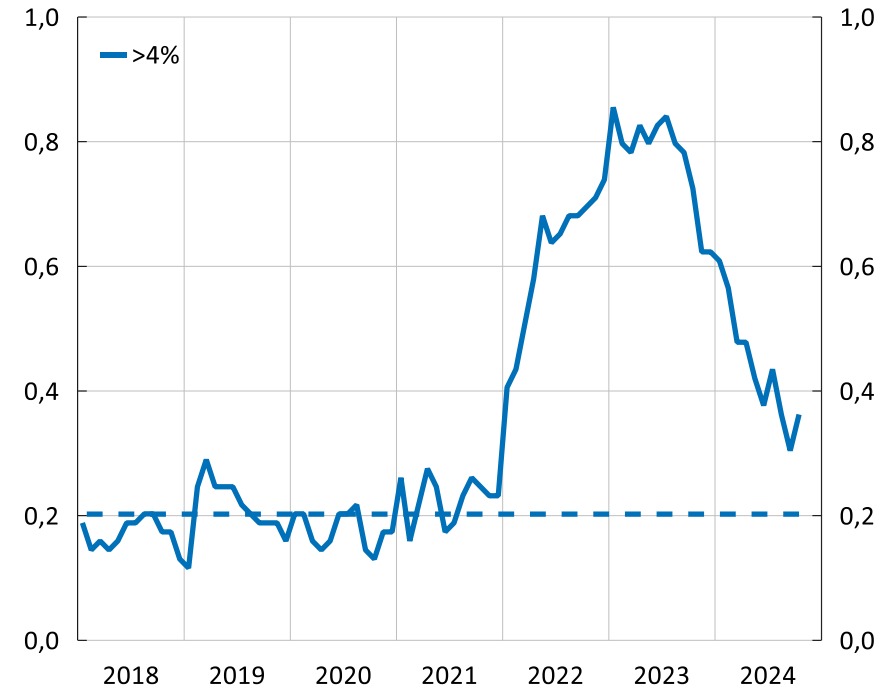
Source: Statistics Sweden

High price increases spread widely in the economy

All major CPIF sub-indices rose rapidly



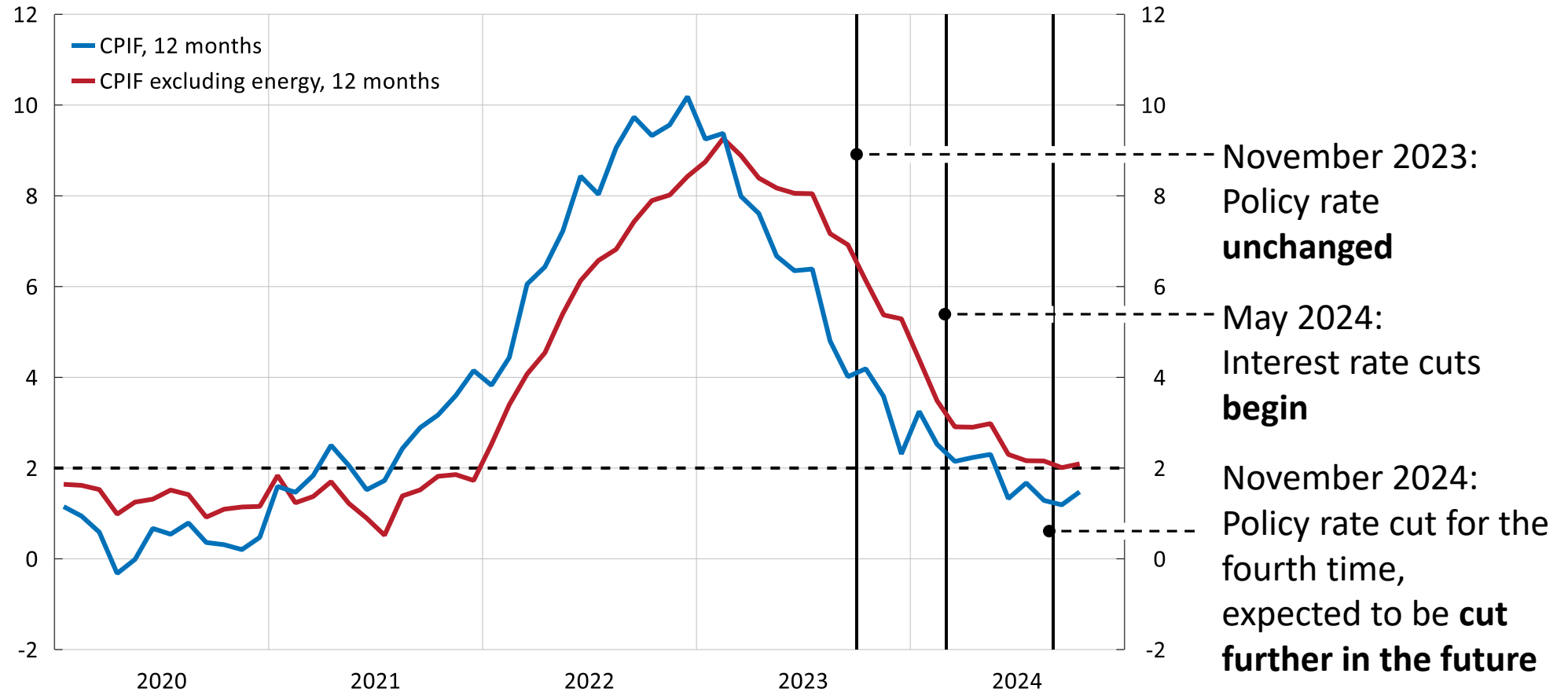
Rapid increase in the share of product groups with price growth rates above 4 per cent



Note. Left: Annual percentage change and percentage points Right: Share.

Sources: Statistics Sweden and the Riksbank

Inflation has fallen back

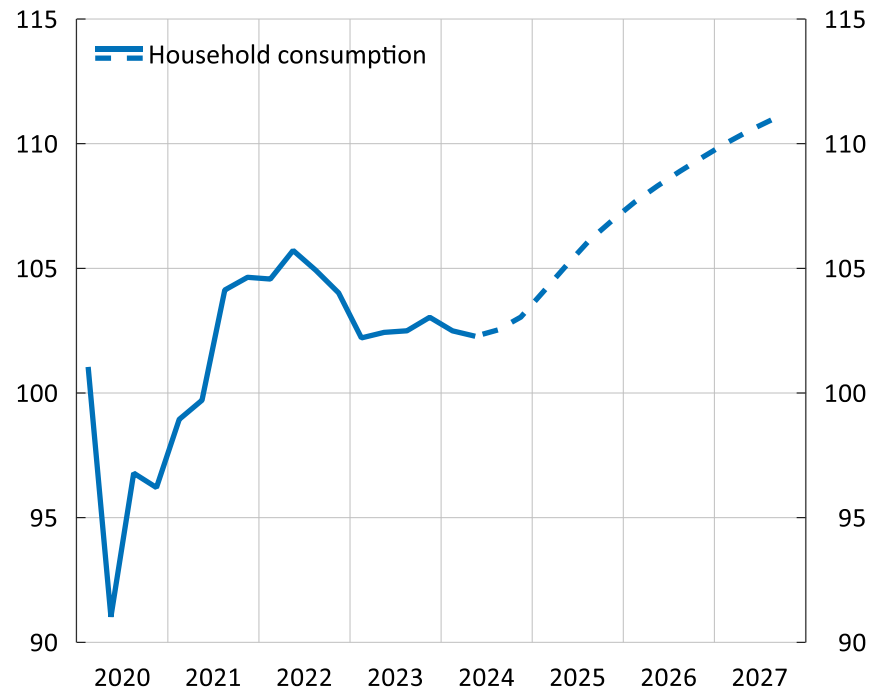


Annual percentage change.

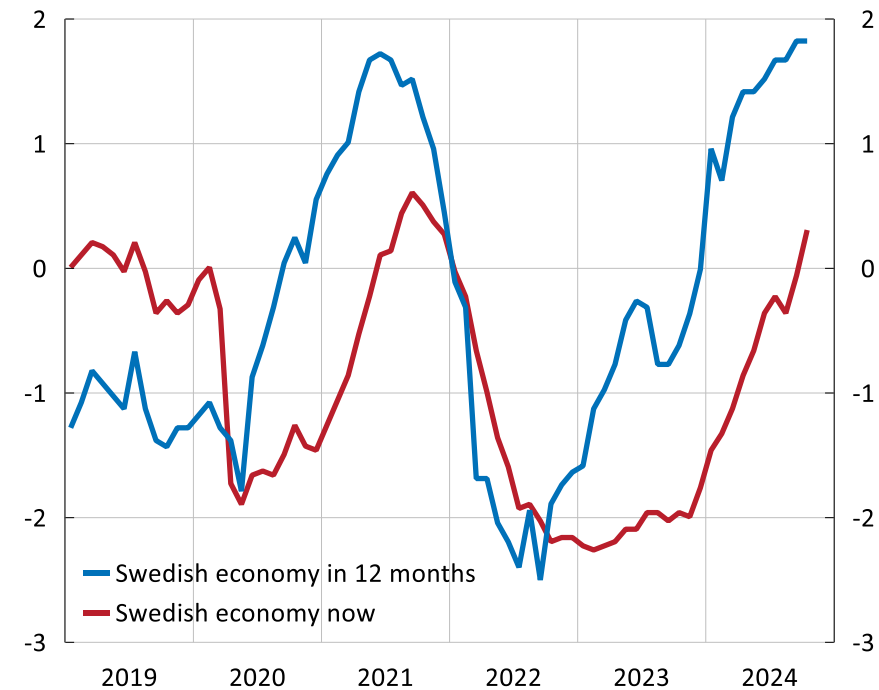
Sources: Statistics Sweden and the Riksbank.

Economic recovery will take time - but consumption is expected to strengthen going forward

Lower consumption



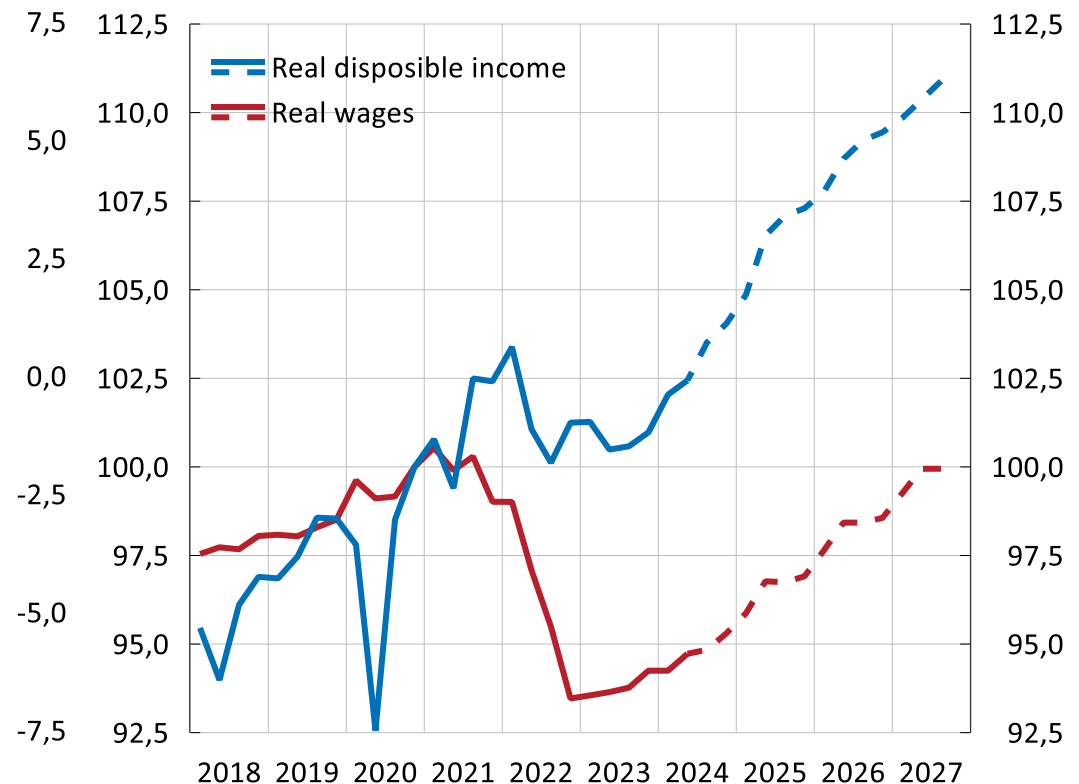
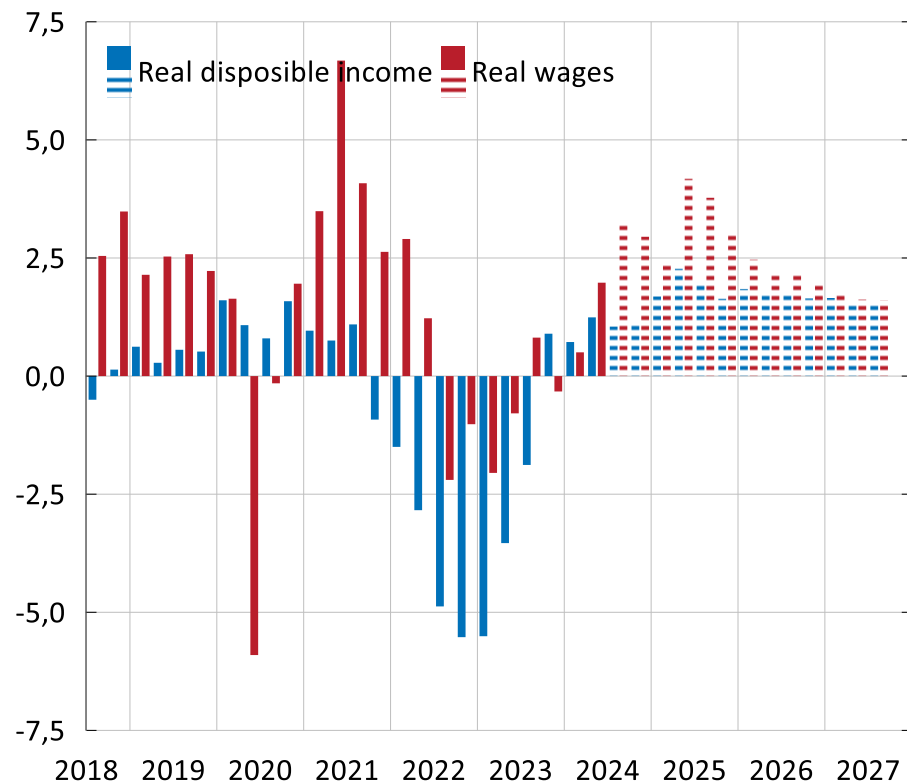
Households expect better times ahead



Index, 2019 Q4=100, seasonally adjusted data (left). Consumer Tendency Survey, standardised values. Latest outcome September (right).

Sources: National Institute of Economic Research and Statistics Sweden.

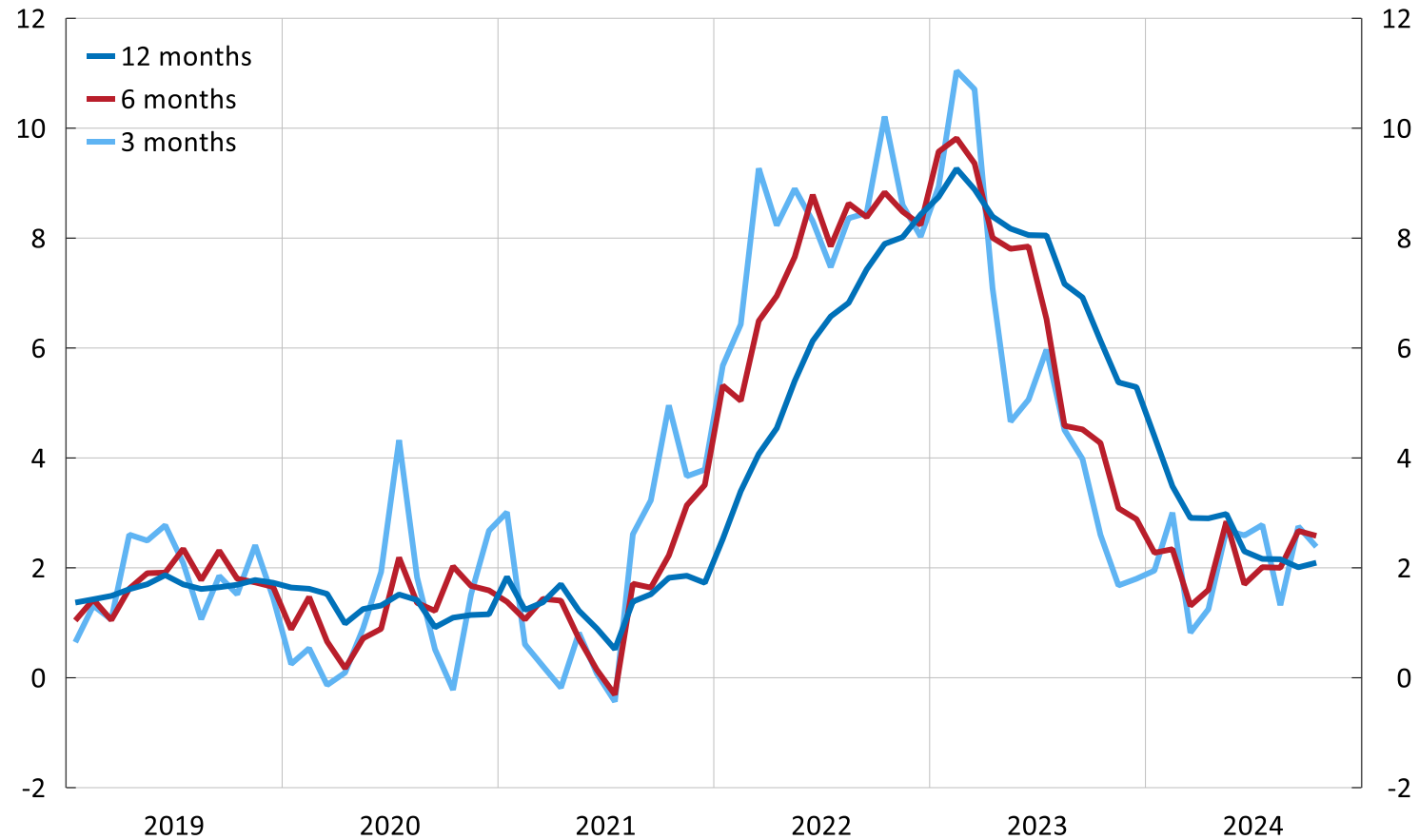
Purchasing power increasing but it will take time for real wages to recover



Note. Annual percentage change (left). Index 2021 Q1 = 100 (right). Real wages and disposable income deflated using the consumption deflator. Seasonally adjusted quarterly data. Dashed bars and dotted lines refer to the September forecast.

Sources: Statistics Sweden and the Riksbank.

Inflationary pressures in line with target

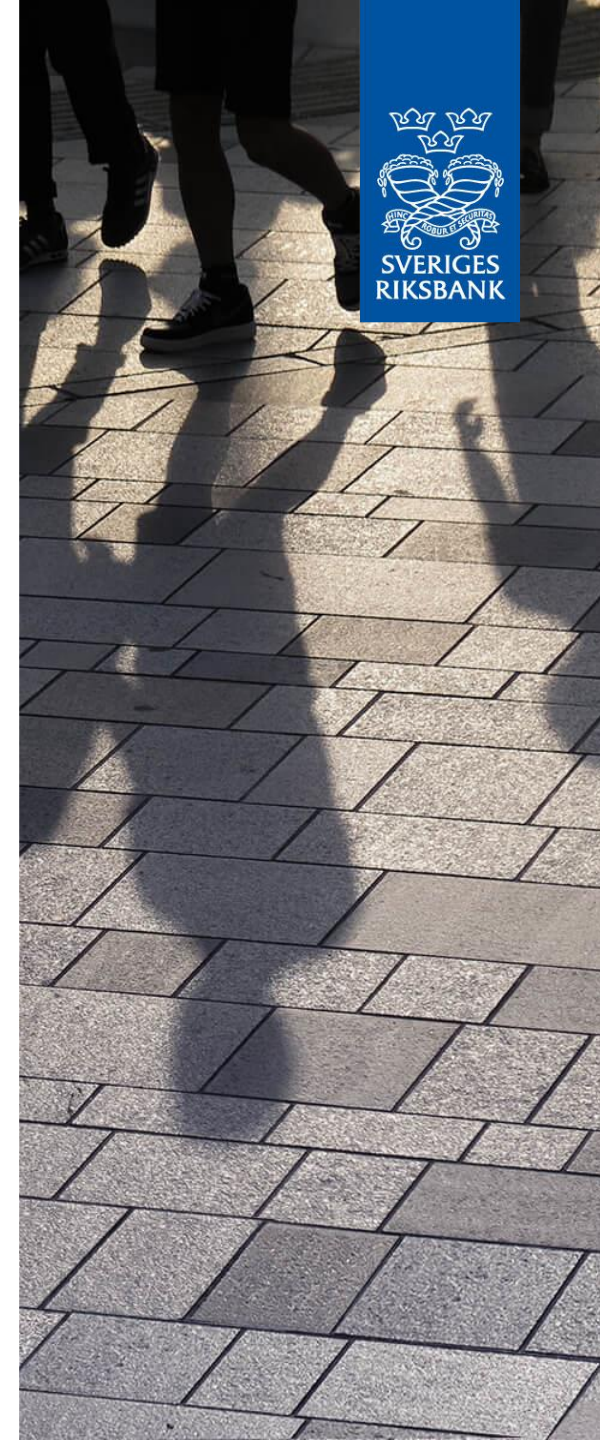


Note. CPIF excluding energy. 3, 6 and 12-month changes calculated in annualised terms in per cent. Seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

Good conditions for stronger economic activity next year

- Low and stable inflation and lower interest costs
- Rising real wages signify a clear improvement of household purchasing power
- Corporate investment is recovering
- Employment has held up relatively well



Considerable uncertainty regarding the outlook for inflation and the economy

Further policy rate cuts expected

Several factors may affect developments:

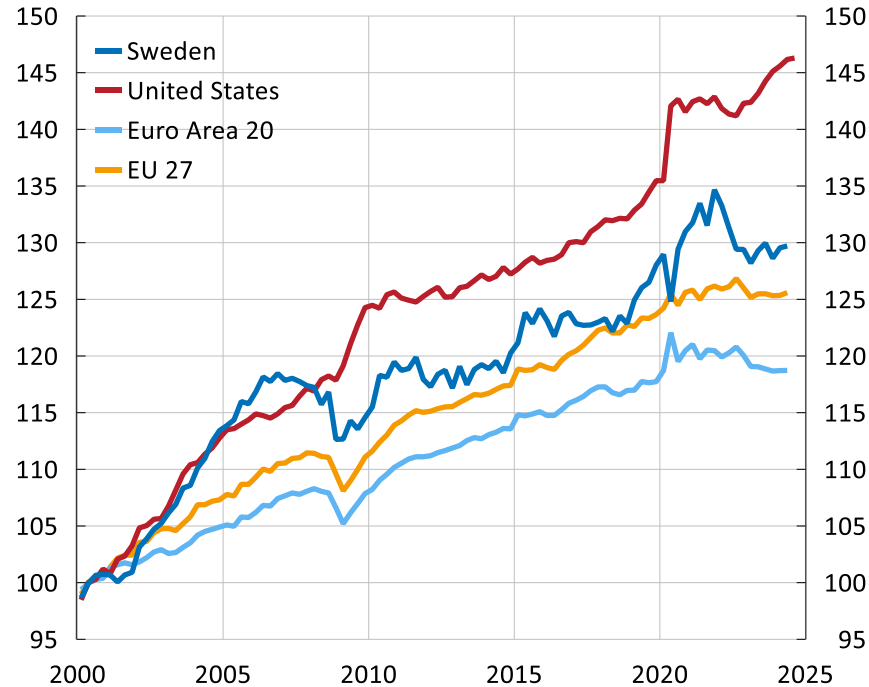
- The economic recovery in Sweden
- Economic policy abroad
- Geopolitical tensions
- The krona exchange rate



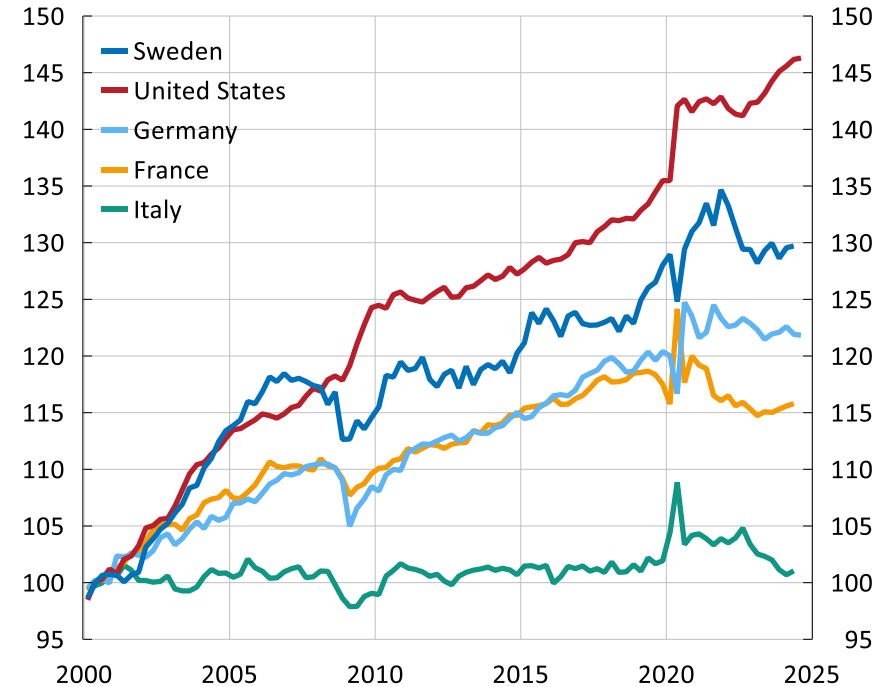
If the conditions change, this may justify a higher or lower interest rate

Productivity - a key factor for long-term development

Productivity has grown faster in the US



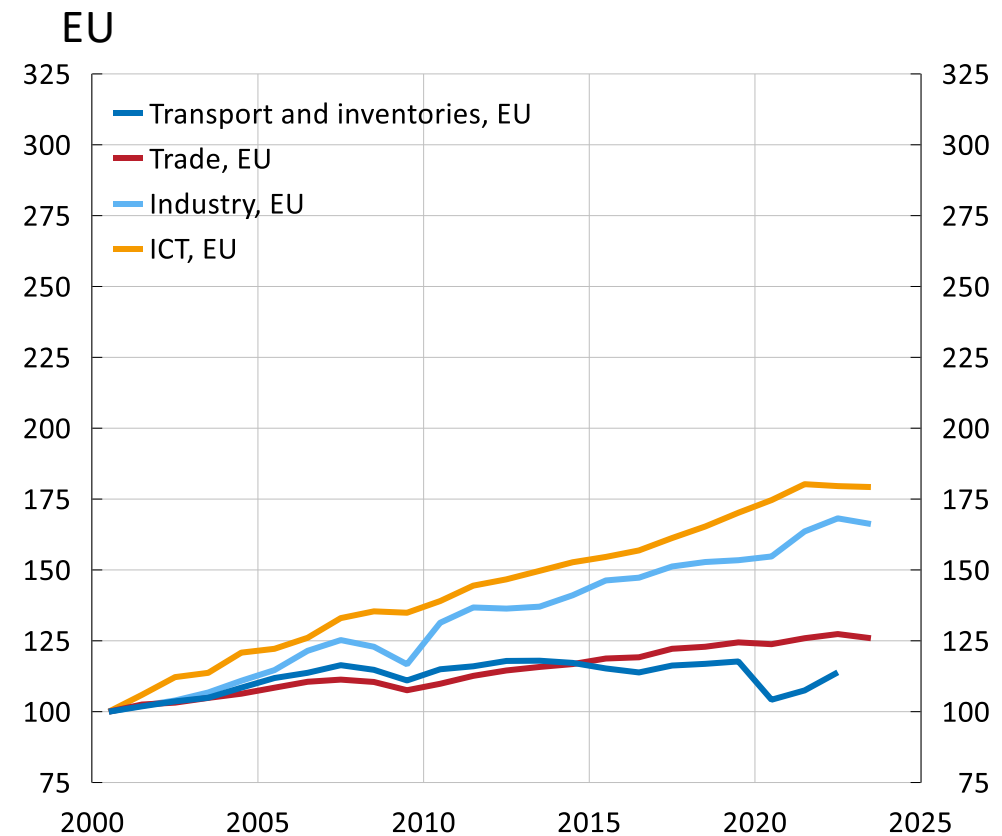
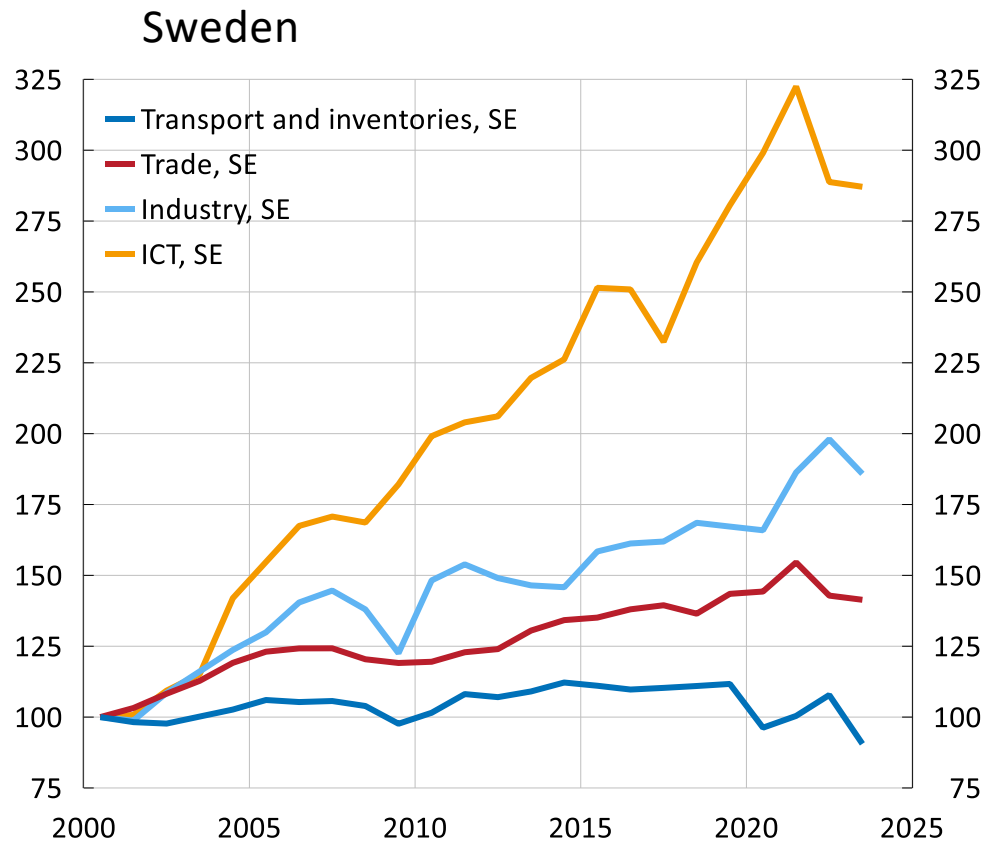
Large differences within Europe



Note. Output per hour worked. Index: 2000 =100

Sources: Eurostat and US Bureau of Labor Statistics

Strong productivity growth in the ICT sector



Note. Output per hour worked. Index: 2000 =100

Sources: Eurostat.

Challenges for monetary policy in a low interest rate environment

Increased risk that the policy rate is close to zero at the same time as more stimulus is needed.

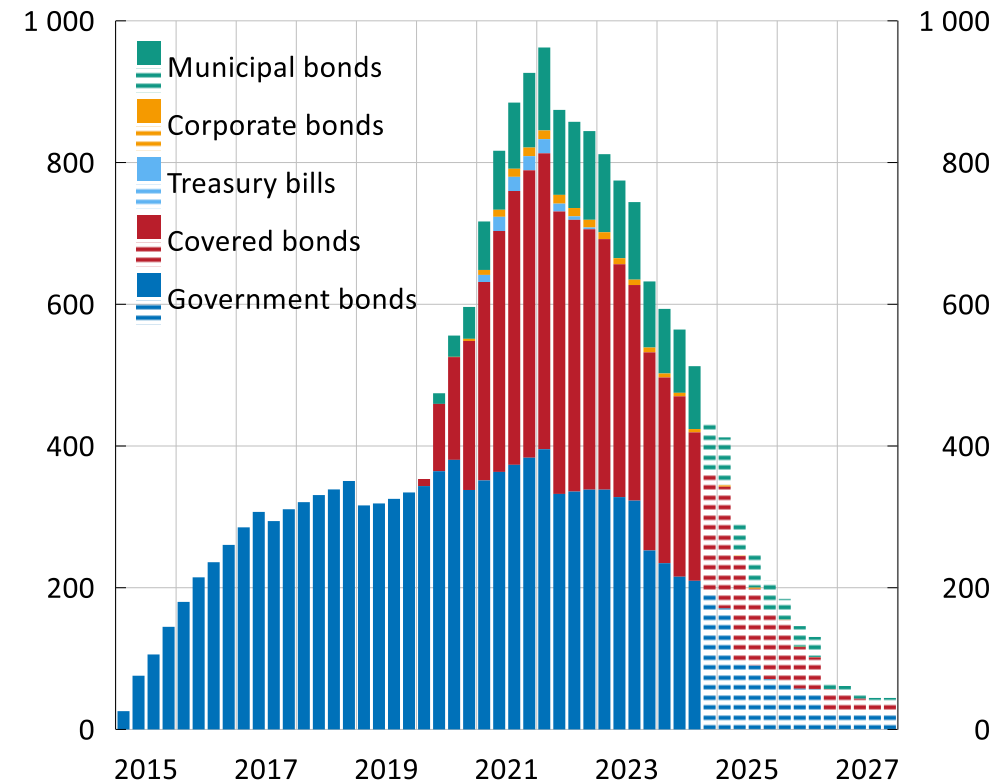
Alternatives:

- Negative interest rate
- Different policy mix – more active fiscal policy
- Buying securities – high threshold but important to maintain operational capacity



Decision on long-term holding of Swedish nominal government bonds

- To maintain a good capacity to be able to trade bonds quickly
- Ongoing sales to be concluded when bonds amount to SEK 20 billion
- Expected to take place at the end of 2025



Nominal amounts, SEK billion.

Source: Sveriges Riksbank.



Monetary policy in recent years and key issues ahead

Erik Thedén, Governor of the Riksbank,
Danske Bank, 22 November 2024