

Current monetary policy

Erik Thedéen, Governor of the Riksbank

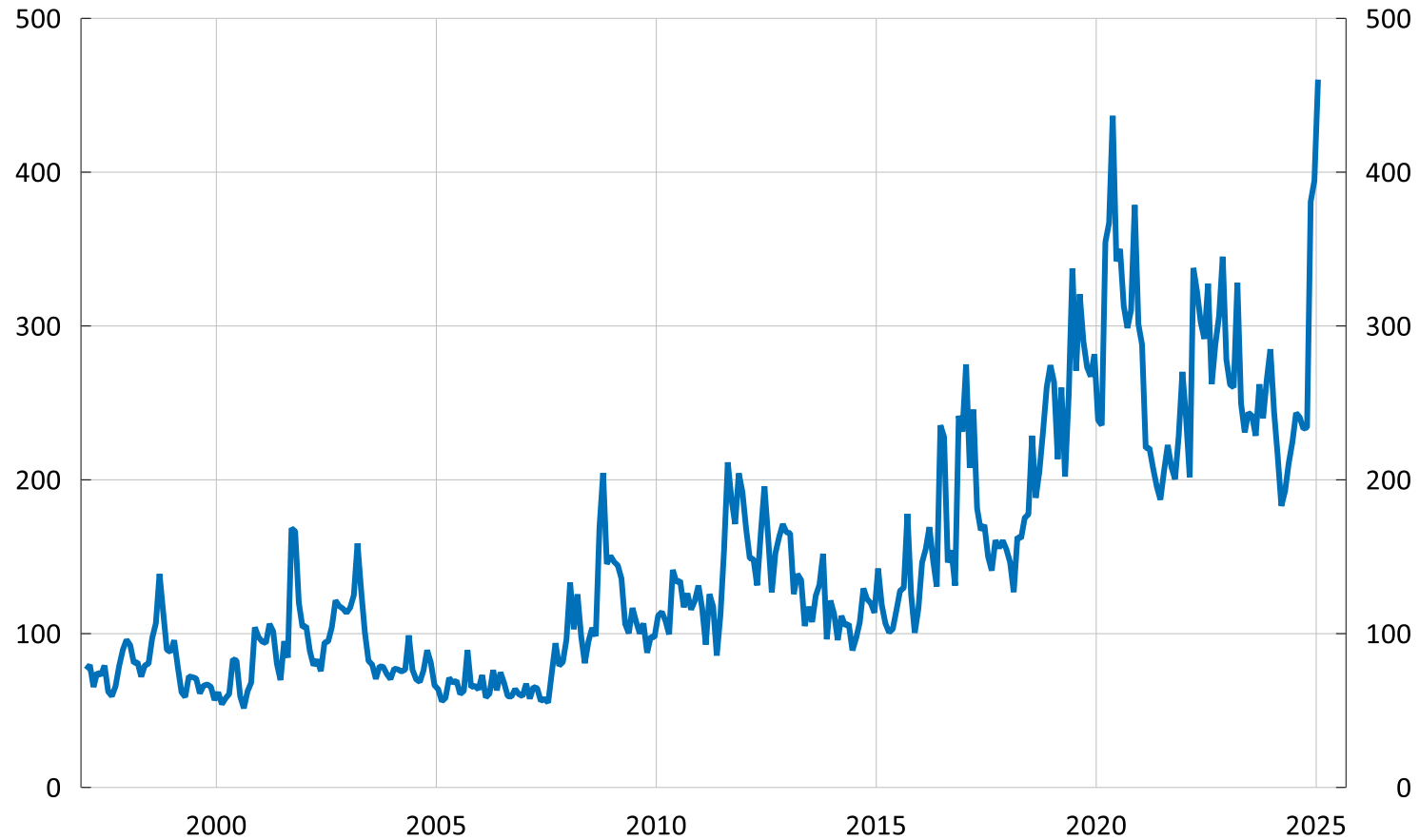
Riksdag Committee on Finance
11 March 2025

Monetary policy, January 2025

- Policy rate **cut by 0.25** percentage points to 2.25 per cent
- **The forecast** for the policy rate essentially holds
- The policy rate has been cut by 1.75 percentage points since May, but the cuts have **not yet reached full impact**



Increased uncertainty

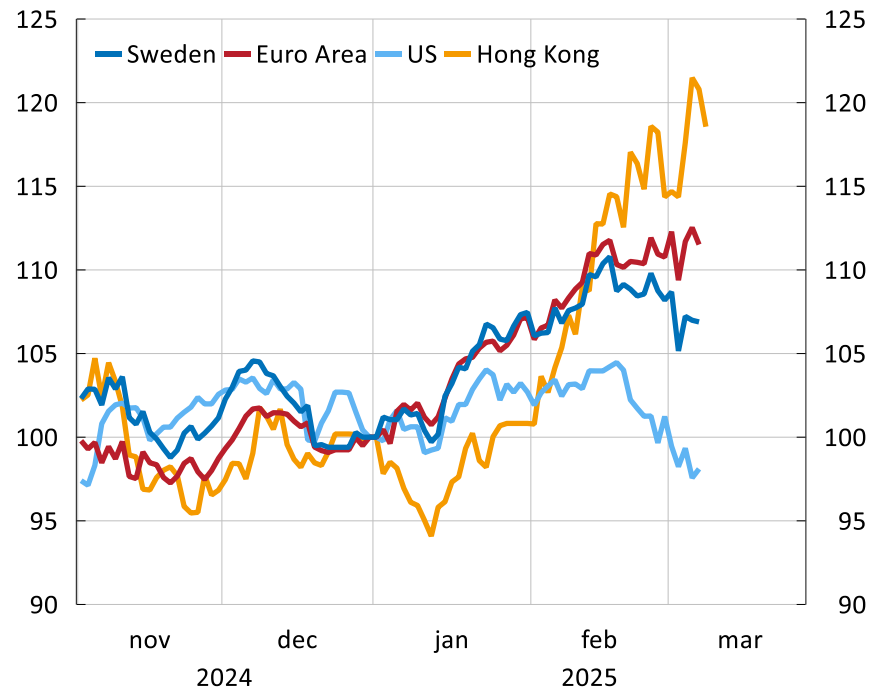


Note. Monthly data. Global index of economic policy uncertainty. The index includes 21 countries (including Sweden).

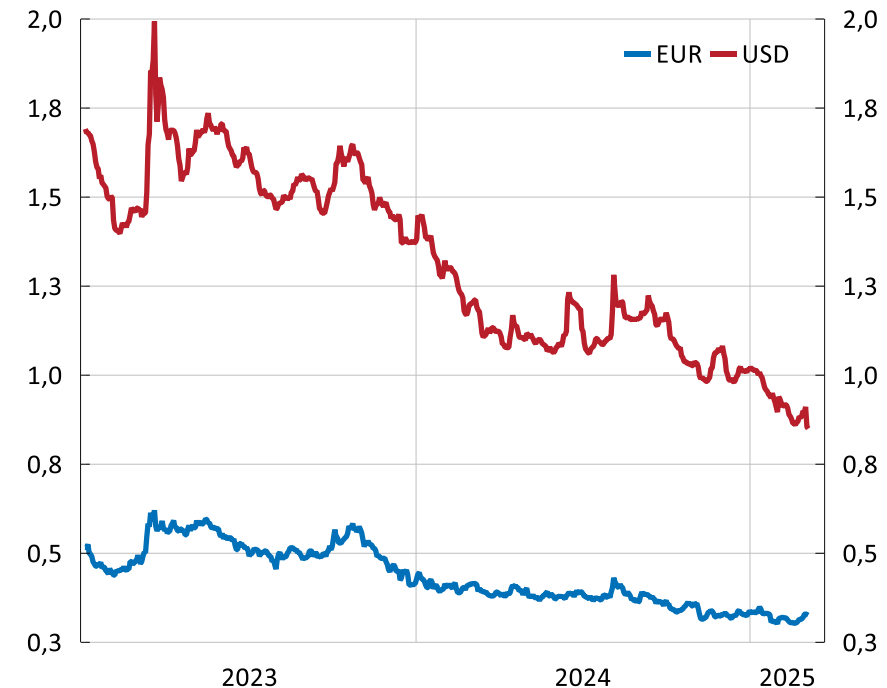
Source: Economic Policy Uncertainty.

Market growth expectations have shifted

US stock markets fall



Credit spreads at stable and low levels

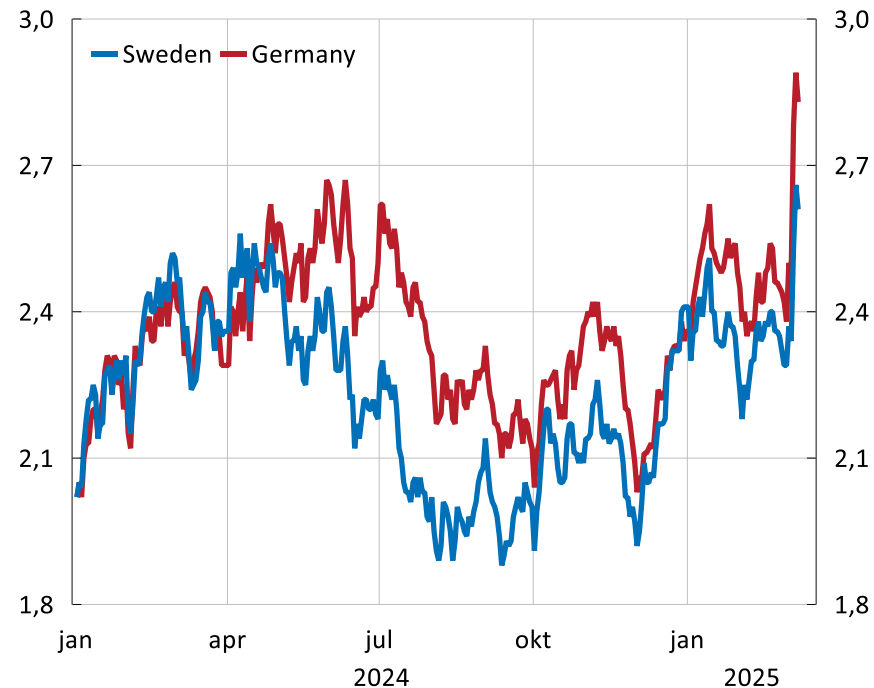


Note. Index, 2025-01-01 = 100 (left). Credit spreads show the difference between corporate bonds issued in USD (EUR) and the US government bond (an index of government bonds in the euro area) (right).

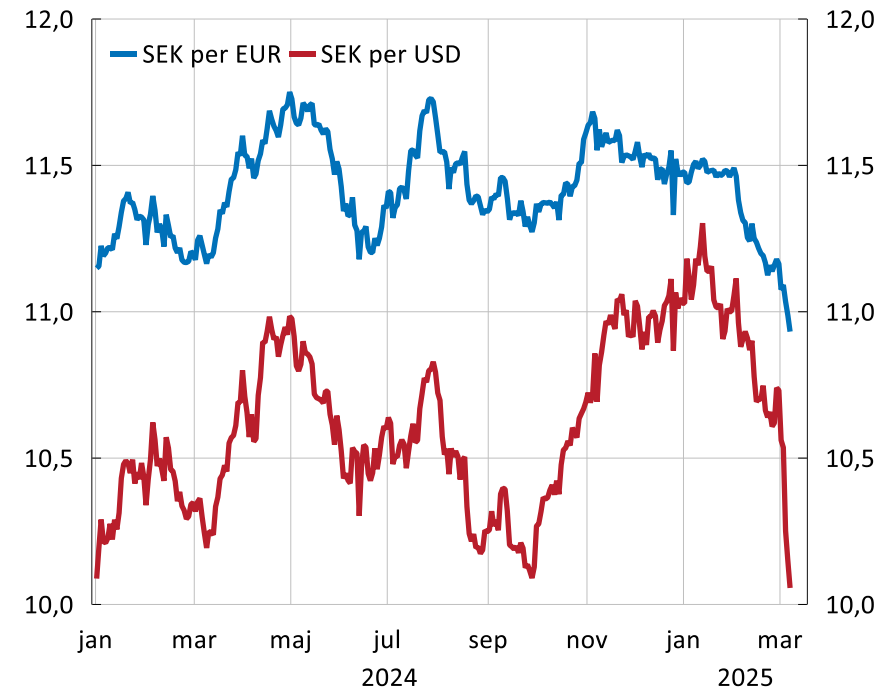
Sources: Macrobond Financial AB and Bloomberg.

Large movements in the European markets

European government bond yields have risen



Dollar weakening and krona strengthening



Note. 10-year government bond yields (left). SEK per USD and SEK per EUR (right).

Source: Macrobond Financial AB.

Effects of trade barriers on the Swedish economy



GDP would probably slow down

- Increased tariffs against several countries dampen the global economy and thus Swedish exports
- Import tariffs against Sweden lead to lower demand for Swedish (more expensive) goods



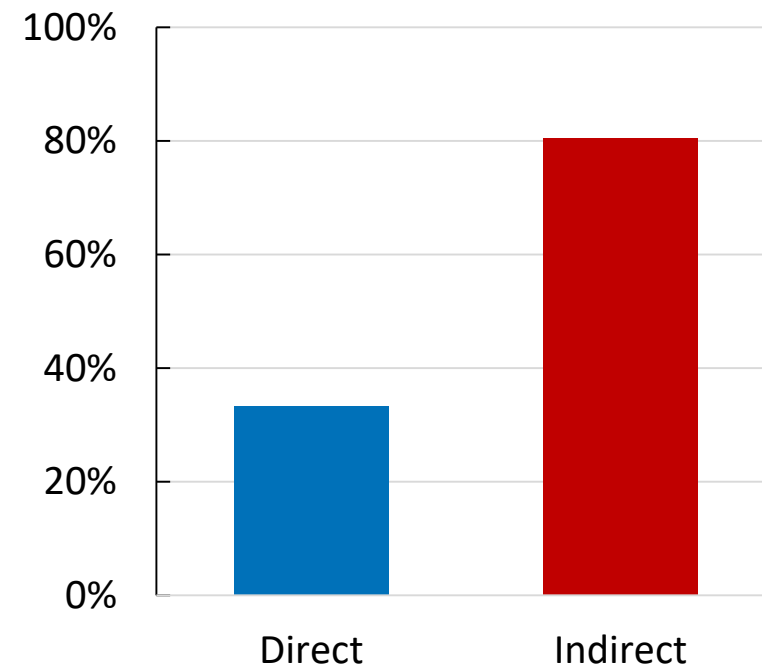
The effect on inflation is more uncertain

- **Higher inflation** if tariffs lead to increased costs and disrupted global value chains
- **Lower inflation** with lower resource utilisation and commodity prices due to lower Swedish and global GDP
- **Uncertainty about the development of the krona**

The Riksbank's Business Survey: Import tariffs: "No one knows what will happen"

- 84 per cent of businesses surveyed are affected but most indirectly and to a small extent
- Difficult to assess the effects as there is great uncertainty about the design
- Businesses are following developments and are ready to act

Is your business directly or indirectly affected [by the imposition of import tariffs or other trade barriers]?



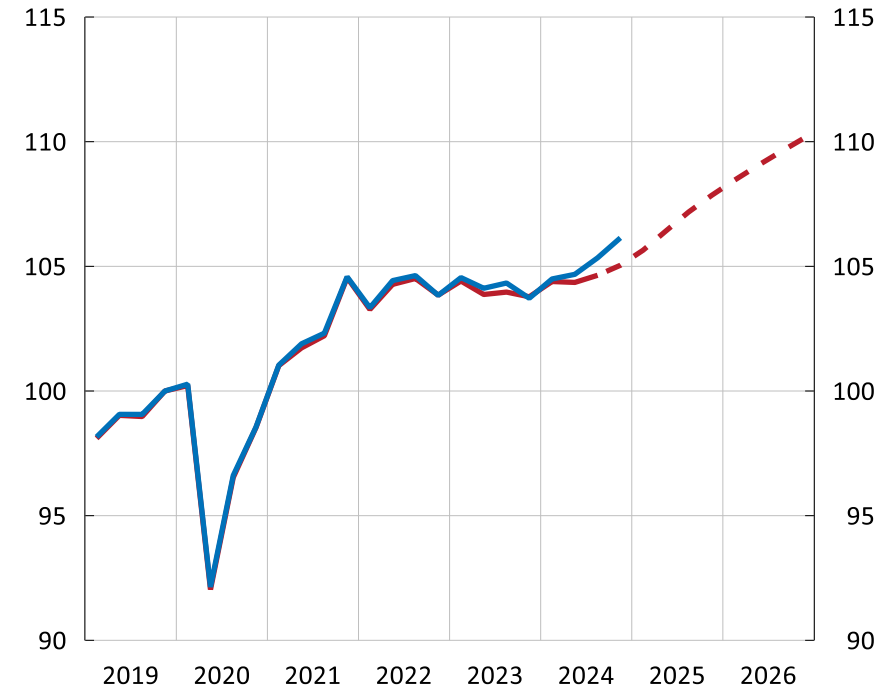
Note. The figure shows the proportion of businesses that responded that they are affected by tariffs that reported a "direct" or "indirect" impact. Does not add up to 100 as some companies answered both.

Source: Business Survey.

The economic recovery has begun

- Conditions for stronger economic activity
- Stronger GDP growth than expected in the latter part of 2024
- But mixed signals for growth in the early part of the year – road ahead still fraught with uncertainty

GDP

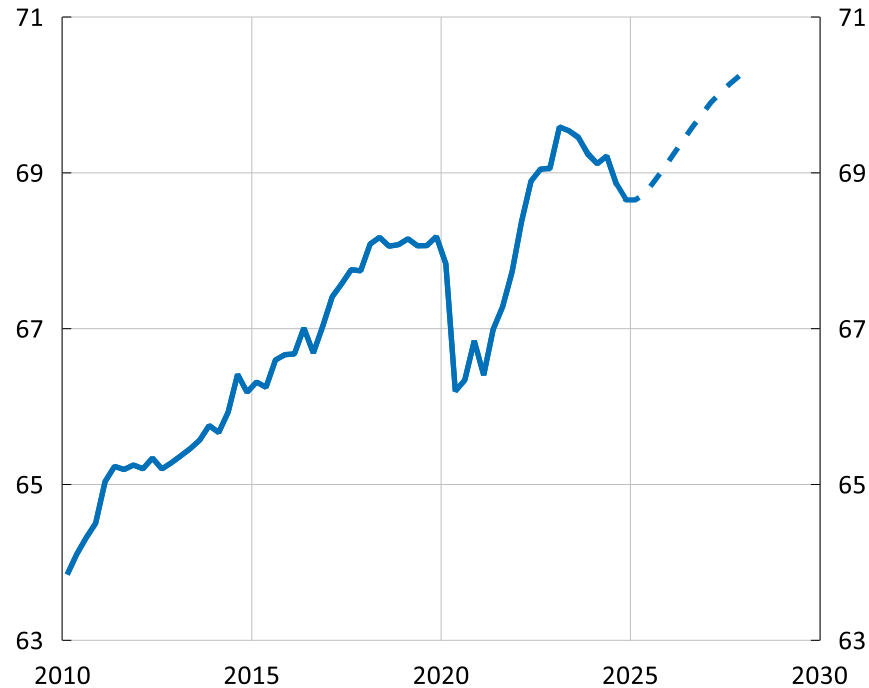


Note. GDP in level. Index, 2019 Q4 = 100 (right). The dashed line refers to the Riksbank's forecast from December 2024.

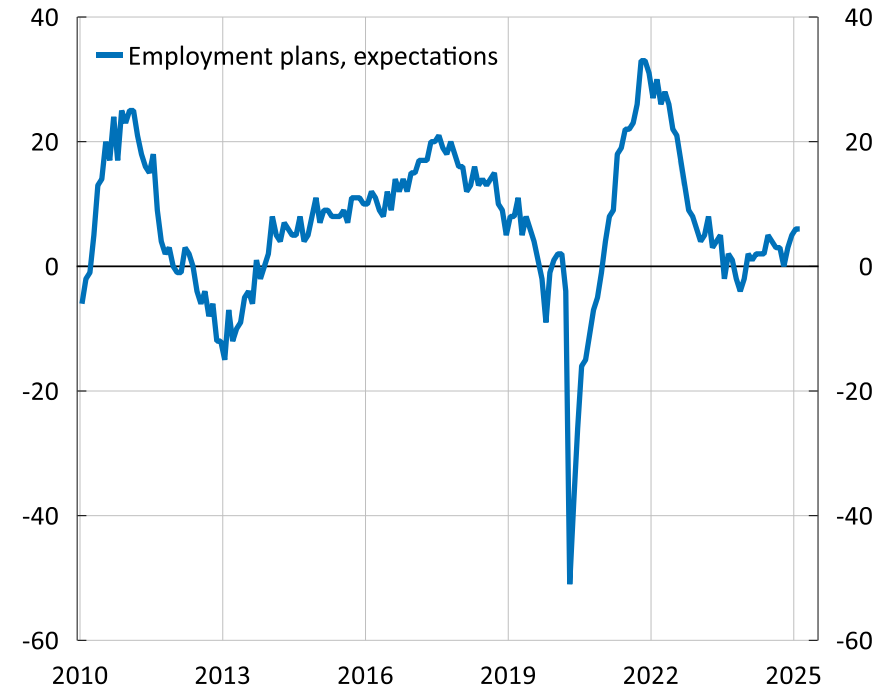
Source: Statistics Sweden.

Some delay before labour market improves

Employment rate remain at a high level



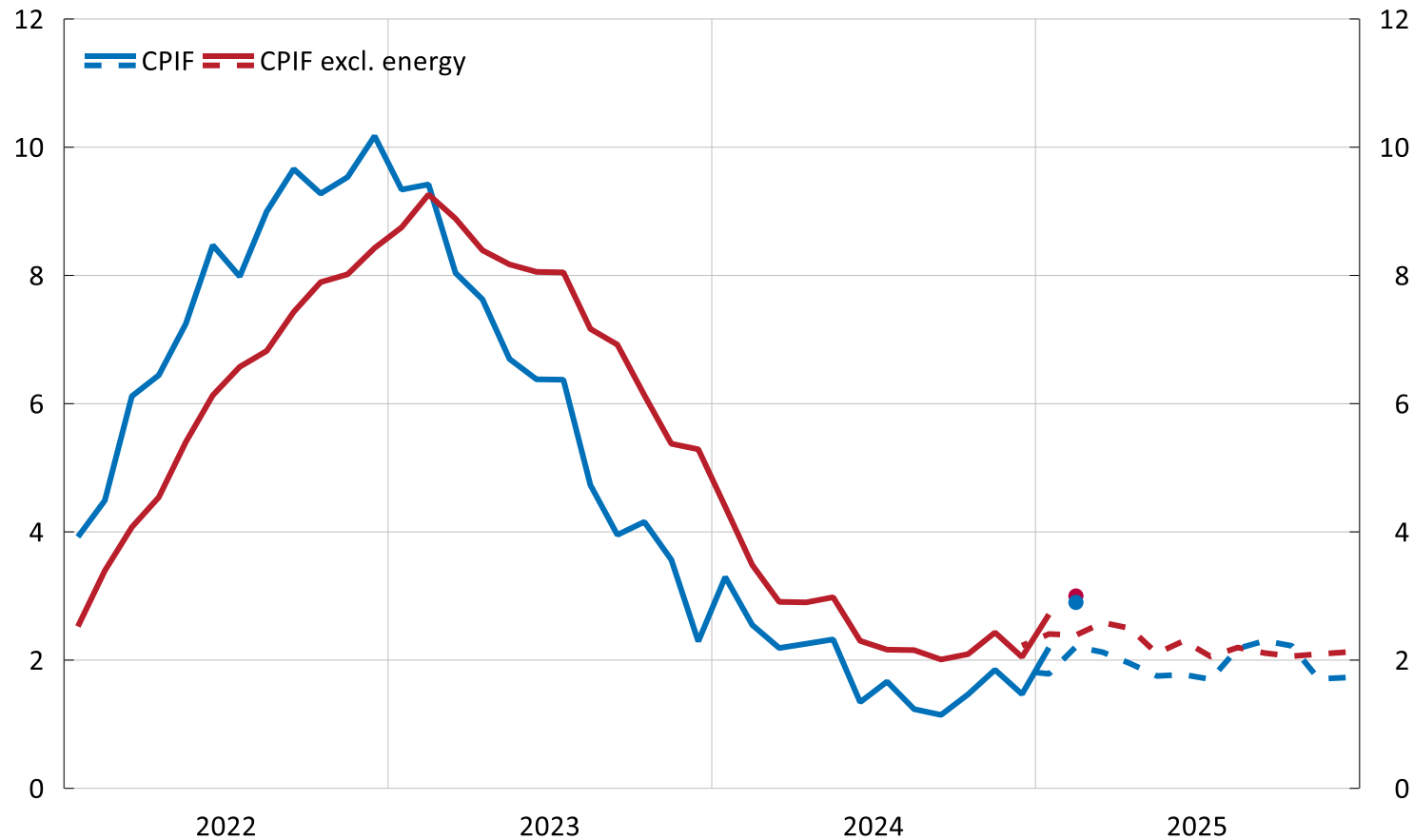
Signs of increased demand for labour



Note. Seasonally adjusted data. The solid line represents outcomes, the dashed line represents the Riksbank's forecast from December 2024 (left).

Sources: Statistics Sweden, the Riksbank and NIER.

Inflation close to target for some time



INFLATION
TARGET, CPIF:
2%

Note. Annual percentage change. Solid lines show outcomes. The dashed line refers to the Riksbank's forecast from December 2024. Dots refer to the preliminary estimate for the February outcome.

Sources: Statistics Sweden and the Riksbank.

Prepared to act if the outlook changes

Several factors can affect the outlook for economic activity and inflation:

- Increased trade barriers
- Geopolitical tension
- The krona exchange rate
- Rebound in the Swedish economy

Monetary policy is forward-looking and guided by a tentative approach
– new monetary policy meeting soon



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