

# Introduction on monetary policy

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S V E R I G E S R I K S B A N K

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# Monetary policy assessment in February

Economic activity in Sweden and abroad is slowing down towards more normal levels

Trade agreement between the USA and China

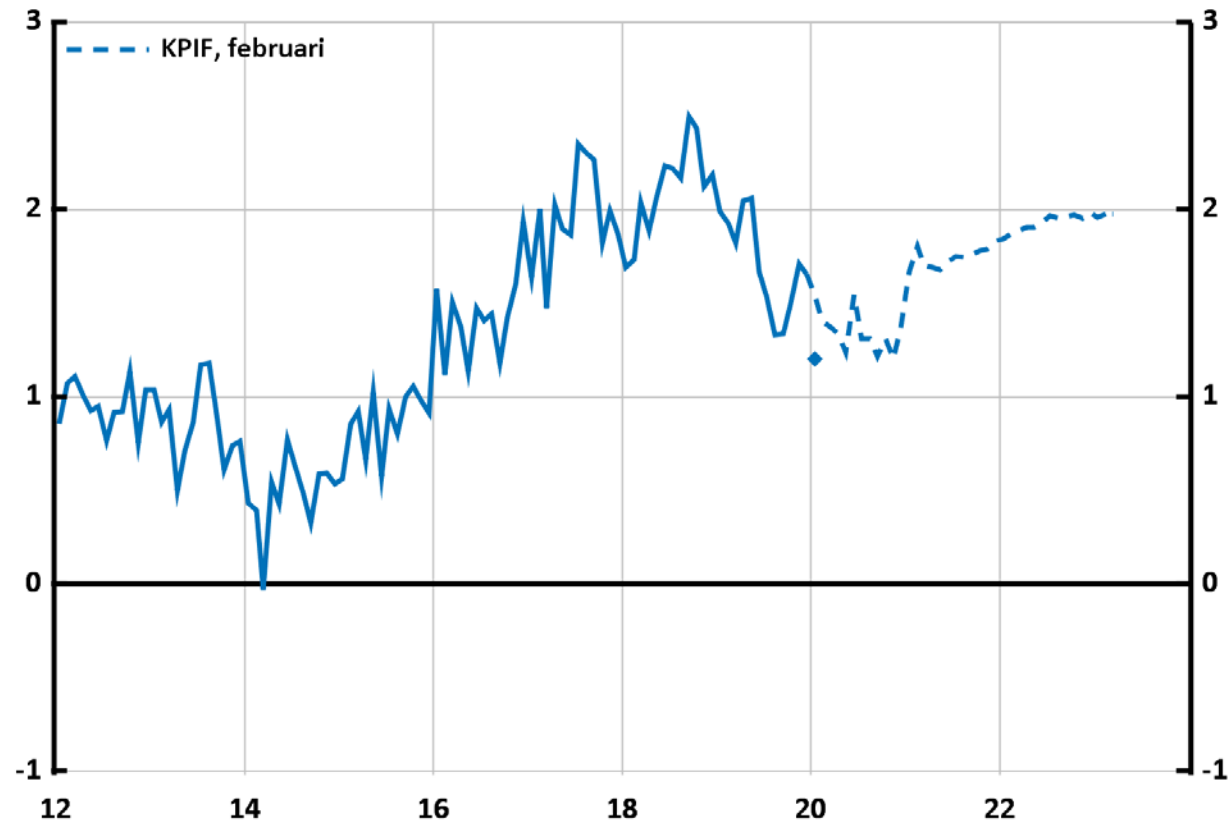
Pre-coronavirus spread, stability in manufacturing industry

Continued upturn in indicators also in February

Relatively strong labour market both in Sweden and abroad



# Inflation dampened by low energy prices this year



Annual percentage change, dot shows outcome for January.

Sources: Statistics Sweden and the Riksbank

# Low interest rates over a long time

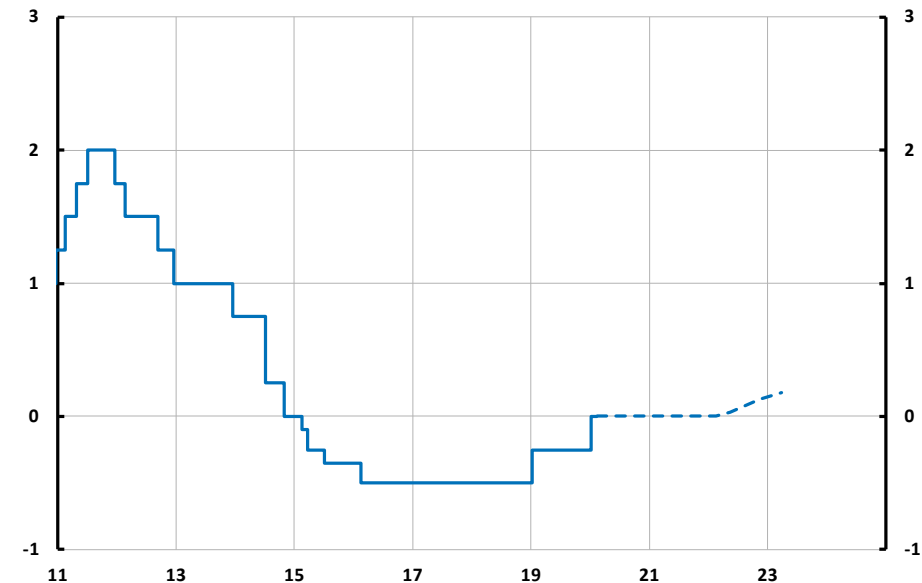
Supports the economy and inflation

Interest rates have fallen globally for past 30 years for structural reasons. This entails:

- Higher indebtedness
- Lower yield (e.g. Pension savings)
- Higher risk-taking and asset prices

How do we in Sweden want to manage this?

Zero repo rate in the coming years



Repo rate, per cent

Source: The Riksbank

# Increased uncertainty due to coronavirus

In February we lowered our global forecast,  
particularly for China

The spread outside of China has aggravated the situation

WHO sees a high risk of spread and global impact

OECD estimates the effect on global GDP to be  
-0.5 to -1.5 pp this year

Swedish economy will also be affected



# Major uncertainty over economic consequences



Will developments be a V, a U or an L shape?

Given today's information, probably a temporary process

Which does not rule out the possibility of extensive consequences

Will take time before the usual data provides guidance

# Swedish companies on the effects of corona so far

Interviews at the end of last week with more than 50 companies in our Business Survey

- Increased turnover in the retail trade, hoarding goods
- Large fall in travel and hotel bookings
- Manufacturing industry has so far managed difficulties

Overall picture is as yet no clear slowdown, but the situation can change rapidly



# Policy preparedness

Preparedness to use economic policy to contribute to robust companies surviving

- Support to hard-hit sectors
- Access to credit and liquidity

Other policy areas better suited to targeted measures

The Riksbank can lend money to companies via the banks and take other measures

Standing prepared to make monetary policy more expansionary if necessary

Measures for operations to function as a result of coronavirus