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The Committee on Finance

Sweden's monetary policy 2024

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Foreword by the Committee on Finance

The Committee on Finance has tasked the Center for Monetary Policy and Financial Stability (CeMoF) at Stockholm University with evaluating monetary policy with a focus on the most recent calendar year, 2024. The CeMoF has in turn appointed Roine Vestman at Stockholm University, John Hassler and Per Krusell at the Institute for International Economic Studies at Stockholm University, and Karin Kinnerud at the BI Norwegian Business School in Oslo to carry out the evaluation on behalf of the Committee on Finance. The researchers' report *Sweden's Monetary Policy 2024* is the third of its kind and serves as a basis for the Committee on Finance's annual evaluation of Sweden's monetary policy.[1]

The Riksbank's strongly independent status is laid down in the Constitution of Sweden. This places great demands on the democratic scrutiny of the Riksbank, and the Committee on Finance has an important role to play here. According to the Riksdag Act, the Committee on Finance shall follow up and evaluate the activities of the Riksbank regarding the fulfilment of its objectives and its efficiency. This applies particularly to monetary policy, as price stability is the overall objective for the Riksbank.

Since the middle of the 00s, the Committee on Finance has carried out external evaluations of monetary policy in a slightly longer perspective approximately every five years. In these evaluations, the Committee on Finance has consulted international researchers and previous governors of central banks. So far, four such evaluations of monetary policy have been carried out.[2]

The Committee on Finance hopes that the current report focusing on monetary policy in 2024 will further stimulate public debate on Swedish monetary policy. The authors are personally responsible for the content and conclusions of the report.

Stockholm, June 2025

Edward Riedl (Moderate Party)	Mikael Damberg (Social Democratic Party)
Chair of the Committee on Finance	Deputy Chair of the Committee on Finance

Mikael Åsell
Head of Secretariat

[1] The first report from CeMoF had the title Evaluation of Monetary Policy 2022 (2022/23:RFR5), and was written by John Hassler, Per Krusell and Anna Seim. The second report had the title Sweden's Monetary Policy 2023 (2023/24:RFR15), and was written by John Hassler, Per Krusell and Roine Vestman.

[2] The first external evaluation was for the period 1995–2005 and was carried out by Francesco Giavazzi and Frederic Mishkin (2006/07:RFR1, report 2006/07:FiU27). The second was for the period 2005–2010 and was carried out by Charles Goodhart and Jean-Charles Rochet (2010/11:RFR5, report 2012/13:FiU12). The third was for the period 2010–2015 and was carried out by Marvin Goodfriend and Mervyn King (2015/16: RFR6, report 2015/16:FiU41). The fourth most recent report was for the period 2015–2020 and was carried out by Patrick Honohan and Karnit Flug (2021/22:RFR4, report 2021/22:FiU24).

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Foreword by the authors

This is the third report on Swedish monetary policy written by the Center for Monetary Policy and Financial Stability (CeMoF). The assignment from the Committee on Finance is as before: to evaluate the Riksbank's monetary policy during the previous year, and more specifically to express an opinion on the fulfilment of objectives and consideration of monetary policy decisions. We hope that the report can contribute to the discussion on monetary policy and also increase understanding of the Riksbank's role in the economy.

The year's report was written by John Hassler and Per Krusell, both at the Institute for International Economic Studies at Stockholm University, Karin Kinnerud at the BI Norwegian Business School in Oslo and myself. We would like to thank all those who have acted as a sounding board and answered questions: the National Institute of Economic Research, Erik Spånberg, Lars E. O. Svensson, Per Österholm, doctoral students on the Monetary Economics course at Stockholm University and last but not least, all the employees at the Riksbank who have helped to produce data and answer questions of a factual nature. A special thanks goes to Ulf Söderström, Head of Research at the Riksbank, who checked the factual content of the draft version of the report.

We are personally responsible for the content of the report, and the conclusions do not necessarily represent the views of other researchers connected with CeMoF.

Stockholm, May 2025

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Head of CeMoF

1 Introduction

The purpose of this report is to evaluate the Riksbank's monetary policy in 2024, and the extent to which the Bank has achieved the objective of price stability and contributed to a balanced development of output and employment. More specifically, the task includes assessing whether: i) the Riksbank's measures can be assumed to have led to the intended results; ii) the measures have not been more far-reaching than necessary; and iii) the intended results have been in reasonable proportion to the costs and risks that each measure entailed for the Riksbank's and central government finances.

Our analysis may be regarded as an applied research report based on the Riksbank's decisions and communication about these, as well as a general economic analysis. We have specifically studied the Riksbank's own accounts of the policy it has pursued in the form of records of monetary policy meetings, reports and updates in connection with decisions, and the Riksbank's account of monetary policy during the year (the Riksbank, 2025). We have also studied documentation from internal drafting meetings held at the Monetary Policy Department prior to the decisions. This documentation is composed of recently published material compared with earlier reports from CeMoF. We have also used external material, mainly the National Institute of Economic Research's (KI) economic activity forecasts in 2024.

The report has the following structure. Section 2 gives the background and describes the theory and empirical data of particular relevance for monetary policy in 2024. In Section 3, macroeconomic developments during the year are presented, where we specifically focus on events with a bearing on our evaluation. The monetary policy pursued is then summarised in Section 4, after which our evaluation is presented in Section 5. Section 6 gives an account of a couple of questions that we consider to be of relevance and that may require a more detailed examination than we have been able to carry out in this year's report; the questions here are not specific for monetary policy in 2024, and their general nature means that we have just touched upon them in the present report. Section 7 finishes with our overall conclusions.

In brief, our assessment is that monetary policy's fulfilment of objectives was good during 2024. The more long-term inflation expectations were on target and the monetary policy decisions, which resulted in the policy rate being lowered in stages from 4.0 to 2.5 per cent, were generally well balanced. If we look more closely at the information available to the Riksbank when the eight decisions were made, our assessment is that the policy rate cuts could possibly have come somewhat faster. The report focuses especially on the June meeting, when the interest rate was not lowered; in our opinion there were good reasons for a cut at that time. However, we consider that the socio-economic benefits would have been limited, partly because it is only a question of us advocating a slightly lower policy rate path from June, which still results in the same interest rate at the end of the year, and partly because long-term interest rates in the market were already low.

As of 2024, the Executive Board decided to hold eight regular decision-making sessions during the year, compared to five in previous years. It must therefore also be pointed out that our report does not provide an exhaustive evaluation of each of the eight decisions; nevertheless, it is based on the fact that we have actually made an assessment of each individual meeting. However, these individual assessments should not be over-interpreted; our main conclusion should instead be seen as an overall analysis of monetary policy throughout the year. To clarify the structure of our analysis, however, we have chosen to describe in detail our thoughts about the meeting in June 2024, where our assessment does not coincide with that of the Executive Board.

2 Background: The Riksbank’s tasks, theory and empirical data

This section provides a background to the analysis in the report. We interpret the Riksbank’s tasks and objectives and give a short account of what research says about central mechanisms which are relevant for the evaluation. These opening parts should not be seen as an exhaustive description of the subject of monetary policy, but have been selected as they provide the basis for our analysis or are of specific relevance this year. Previous reports (Hassler, Krusell and Seim, 2023; Hassler, Krusell and Vestman, 2024) presented a similar overview, and some topics that we describe here are discussed in greater detail in them. We have only included a few references to research literature, both to maintain focus in our presentation and to signal that we make assessments that must be based on our interpretation of the research situation, and that therefore can be difficult to link to specific studies.

2.1 Amendments to the Sveriges Riksbank Act

On 1 January 2023, the Sveriges Riksbank Act (2022:1568) came into force. The new Sveriges Riksbank Act entailed several major changes (see, for example, Hassler, Krusell and Vestman, 2024). In 2024, two legislative amendments were considered, which came into force on 1 January 2025. As they did not come into force until 2025, these amendments did not directly affect the conditions for monetary policy in 2024, but we would nevertheless like to mention them because they concern major questions concerning the Riksbank’s independence which may also affect the pre-conditions for monetary policy.

The first change relates to the restoration of equity. The Sveriges Riksbank Act specifies a range for the Riksbank’s equity. The Riksbank’s equity shall not exceed SEK 60 billion at the 2023 price level, which, with an adjustment in line with the CPI, is equal to SEK 63.1 billion at the turn of the year 2024/25. This is known as the target level, and if the equity exceeds this level, the surplus shall be transferred to the Treasury. The lower limit on equity is one-third of the target level. The previous wording states that a submission for the restoration of equity should be made if the equity is below the lower limit. In the new wording, such a submission is not mandatory but is expressed as a possibility. There have also been changes in the rules for how the amount to which the submission refers is calculated. The new text is clearer in that unrealised profits and losses should be treated symmetrically, taking into account unrealised profits in revaluation accounts (gold excluded). Following restoration, equity plus unrealised profits from the Riksbank’s securities shall, as a rule, amount to two-thirds of the target level (also known as the base level), but it can be adjusted up to the target level. Section 2.4 provides a more detailed explanation of revaluation accounts and the asymmetry in the Riksbank's bookkeeping.

The second change concerns rules for Swedish banks' deposits with the Riksbank. The new wording states that if the Riksbank's equity falls below the target level, the Riksbank may impose requirements for interest-free deposits from credit institutions corresponding to the difference between the target level and the current value of the equity. However, the Riksbank must take into account unwanted side effects, for example for monetary policy. This is a way to increase the Riksbank's free funding and thereby its earning capacity.

We will deal briefly with these legislative changes in Section 6.1.

2.2 A central bank's monetary policy tools and the way monetary policy functions

In this section, we provide an overview of a central bank's monetary policy tools and the ways in which monetary policy affects the economy. The section is largely a summary of Sections 2.2–2.3 in Hassler, Krusell and Vestman (2024).

Conventional monetary policy

Conventional monetary policy means that a central bank uses the policy rate as a policy instrument. The policy rate determines interest rates on loans between the central bank and the commercial banks, as well as the overnight rate, that is the interest rate the banks pay for short-term loans from each other. The direct impact on the economy of changes to these interest rates is very small. Instead, monetary policy has an impact in that policy rate changes affect mortgage rates, deposit rates and other interest affecting companies and investors. In turn, these changes affect demand in the economy, and thus output and inflation.

Monetary policy transmission mechanisms

In what ways do the central bank's policy rate changes affect the economy? The mechanisms underlying the impact of the policy rate on the economy are referred to as monetary policy transmission mechanisms. These take effect through several channels. It is common to distinguish between an interest rate channel, a cash flow channel, a present value channel and an exchange rate channel. What all these channels have in common is that a rise in the policy rate reduces aggregate demand for goods and services produced within the country, while a fall in the policy rate increases it.

According to the interest rate channel, changes to the interest rates affecting households and companies have a tendency to influence their decisions whether to consume/invest now, or in the future. Provided all other factors are equal, a higher interest rate makes it more advantageous to consume in the future, rather than today. This channel operates when prices and salaries are slow-moving; these are not continuously adjusted and their systematic reactions to interest rate changes are normally limited. Forward-looking decisions taken in the economy, such as consumption and investment decisions, are real decisions for which the real interest rate, i.e. the nominal interest rate minus expected inflation, is the central variable, but due to the nominal sluggishness of the economy, the nominal interest rate itself plays an important role. More generally, on the one hand, a central bank can be said to have a greater ability to influence the real economy more, the more sluggish prices and wages are. On the other hand, it may then take longer for interest rate changes to impact inflation.

The second transmission mechanism is the cash flow channel, according to which an increase in the interest rate means that current household interest expenditure increases. In Sweden, mortgage costs are particularly affected for many households. For households with limited liquidity or small margins, that is, that live more or less hand-to-mouth, an increase in interest rates can lead to their having to cut down on other consumption. Higher interest rates mean that lenders have greater cash flows, but the majority of these actors probably do not have limited liquidity and therefore do not increase their consumption to the same extent as the borrowers reduce theirs. Unlike the interest rate channel, the cash flow channel has an impact through the nominal interest rate. Higher interest rates increase everyday costs regardless of expected inflation. Recent research has shown that the cash flow channel is very powerful. Research has furthermore shown that this channel also affects many households that are relatively affluent as they may still have limited liquidity on account of the fact that their capital is bound up in illiquid assets such as housing.

Changes in interest rates can also affect private consumption by impacting the price of assets, such as shares and homes, via what can be termed the present value channel. To the extent that a higher policy rate affects more long-term interest rates, asset prices will be affected. A higher interest rate reduces the value of assets such as shares and homes, which makes the capital assets of households fall. This has a direct effect on overall household consumption, known as a wealth effect, but also means a decrease in value of the securities that the households use for loans. This makes it more difficult to borrow and more households will have their liquidity reduced, which curbs consumption.

In an open economy, demand for goods and services can also be affected via what is commonly called the exchange rate channel. If a higher interest rate leads to a higher demand for SEK and a stronger exchange rate, this makes our exports more expensive and imports cheaper, for given prices in local currency. Since many prices are sluggish, price changes will not neutralise this effect in the short term. A strengthened krona could then lead to a reduced demand for goods and services produced in Sweden and also to lower inflation via lower import prices expressed in Swedish kronor. However, it is important to note that the relationship between the policy rate and the exchange rate is weak and uncertain. Other factors are significantly more important for exchange rate fluctuations. We discuss the exchange rate channel in more detail in Section 2.3, since the Riksbank's assessments of its significance were important for monetary policy in 2024.

Some important concepts

In order to discuss and evaluate whether monetary policy is contractionary or expansionary, it is useful to be familiar with some concepts. The concept of potential output or potential GDP is used to indicate the level of output that is compatible with the inflation target. Potential GDP thus does not indicate a maximum limit for output, but a level of resource utilisation that is consistent with the inflation target. Potential GDP is not a variable that can be observed, but it must be estimated The difference between the actual and potential levels is called the GDP gap. The concept unemployment gap is sometimes used instead to measure resource utilisation, which means calculating the difference between unemployment and an estimated equilibrium unemployment.

If the GDP gap is positive, this means that companies tend to increase prices more than is compatible with the inflation target. The opposite applies when the GDP gap is negative. The correlation between resource utilisation and inflation rates is often summarised in the Phillips Curve. In the event of a positive (negative) GDP gap, monetary policy's optimal response is generally to temporarily increase (lower) the policy rate in order to tighten demand. The policy rate that leads to GDP being equal to potential GDP is called the neutral rate. A policy rate that is higher than the neutral rate is contractionary and provides a lower stimulus. Just like the measures for resource utilisation, the neutral interest rate is not observable and must be estimated.

We use these terms in Sections 4 and 5.

Policy rules

One way of describing the central bank's monetary policy is by means of a *policy rule*, which specifies how its decisions are influenced by important variables in the economy. A policy rule is rarely explicitly formulated by the central bank itself, but should be seen as an interpretation of its actions. A frequently mentioned policy rule is the Taylor Rule, which specifies how the policy rate should be set as a linear function of the neutral interest rate, the inflation target, real-time inflation and resource utilisation in the economy (Taylor, 1993). A policy rule should be interpreted as an approximation of how the interest rate is set in order to best meet the bank's objectives. In particular, a mathematical formulation of the interest rate, such as the simple Taylor Rule, is therefore more a reasonable rule of thumb than a precise description of the central bank's actions. If the Taylor Rule were always optimal, the Riksbank would not need an Executive Board. Deviations from the rule are therefore to be expected, because reality cannot be captured in simple formulas. The rule should however apply approximately, and it should be possible to at least qualitatively explain deviations based on developments in the economy or in the world at large. This is linked to another aspect of a policy rule: it increases the degree of predictability regarding the actions of the central bank. The rule thus contributes to different actors forming expectations of the development of the economy and of the central bank's actions and the fact that these are consistent with each other. This type of formation of expectations is a central part of monetary policy theory.

Quantitative easing

For the past 15 years, the neutral interest rate has been at a historically low level. With a low neutral interest rate, the policy rate and other interest rates must, on average, over time also be at a low level. In this low-interest environment, central banks in many countries, among them the Riksbank, have had difficulties reaching up to their inflation targets, particularly after the financial crisis of 2007–2008. Lowering interest rates to zero, or even to somewhat below zero, has quite simply not been enough to sufficiently stimulate the economy. Many central banks have therefore pursued what is known as unconventional monetary policy. The most extensive unconventional monetary policy measure that central banks have taken during the last decade is quantitative easing (QE). Quantitative easing is an umbrella term for balance sheet operations, but has primarily entailed central banks purchasing government bonds with long terms to maturity in the secondary market.

QE basically involves the redistribution of financial assets in the economy. In the case of purchases of government bonds, which was exclusively what the Riksbank was doing up until the pandemic, QE involved the Riksbank buying part of the outstanding national debt from the private sector. In practice, this means that the Riksbank lowers the average term to maturity of the national debt by purchasing bonds with a long term to maturity from the private sector. In return, the private sector (commercial banks) receives assets at the Riksbank in the form of Riksbank money. These are assets in deposit accounts at the Riksbank which are directly available. Such purchases mean that the Riksbank takes over part of the interest rate risk on the outstanding national debt. This risk arises in that the value of the bonds is directly governed by the interest rate. A higher interest rate lowers the value of the bonds and vice versa. This effect is stronger the longer the term to maturity, which may be one of the reasons why bonds with a long term to maturity normally have a higher interest rate than those with a shorter term.

If the Riksbank purchases bonds with a long term to maturity and thus takes over part of the economy's overall interest rate risk on bonds, it is reasonable to assume that the price of this risk will fall. This means that the longer the period to maturity, the more the interest rate on bonds with a long term to maturity falls. This has a directly stimulating effect on the economy by impacting other long-term loans, for example, for investments. In normal times, however, when the private sector has the will and ability to carry interest rate risk, these effects are probably relatively small. While empirical studies show that QE has some effect on interest rates in the economy, the studies focus on the short-term effects and often on narrowly defined asset types because the long-term and broad effects are more elusive. If the central bank buys or sells a specific financial asset, such as a bond with a certain maturity, its price may be affected, but over time these effects appear to spread and weaken. That is why the there are many indications that the effect is not especially powerful in the slightly longer term in normal conditions. However, a reasonable assessment is that inflation would have been somewhat lower and unemployment somewhat higher if the Riksbank had not purchased securities before the pandemic. The same applies in the last few years, when the Riksbank has instead sold bonds; inflation would probably have been slightly higher and unemployment slightly lower if the Riksbank had not carried out the sales. Overall, the assessment is that the effects of quantitative easing/austerity measures are not very large and it cannot be excluded that they are negligible.

The interest rate path and forward guidance

Expectations regarding future policy rates are very central to the functioning of monetary policy. Household and corporate investment decisions are driven by expectations regarding interest rates in a long-term perspective. The effect of an interest rate change on the profitability of an investment or housing costs depends on how long the changed interest rate is expected to continue. Even without any interest rate changes, expectations regarding future changes can have a contractionary effect on the economy if the interest rate is expected to increase in the future, and a stimulating effect if the expectations are the reverse. A central bank's communication about its thoughts on monetary policy decisions is therefore very important. By communicating in a credible way, the Riksbank can create a greater understanding for its actions both in the present and in the future, and help to reduce uncertainty about the future. Since the Riksbank can control interest rates in the economy in the short term, credible communication about future interest rates, in other words the interest rate path, can influence the expectations of market actors.

Communication that is clear and comprehensible can, in other words, reduce uncertainty about future interest rates. One seemingly simple and comprehensible means of communication is by publishing interest rate paths. Such communication can also be used not just to reduce uncertainty, but also to actively steer expectations regarding future interest rates in a specific direction. The central bank can, for example, perceive that market actors are over-optimistic about an imminent fall in the policy rate. Setting an interest rate path that deviates from market expectations can in this case be a way of guiding the market and creating less optimistic expectations. But for this monetary policy tool to work, the credibility of the published interest rate path must be high. Market expectations are then affected by the Riksbank's interest rate path and there will be no long-term deviations between interest rates in the market and the Riksbank's forecasts. In theory, at least, this is a powerful way of influencing demand and inflation. This tool is often referred to as "forward guidance".

Different central banks account in different ways for the probable future development of the policy rate. Most of them primarily do this verbally. Common expressions such as "low for longer" and "high for longer" are examples of forward guidance. Some central banks publish various kinds of interest rate paths. The Riksbank has published such a path since 2007, and is one of the most transparent central banks in this regard (Svensson, 2015).[3] The path is presented in all monetary policy reports and is drawn up in collaboration between the General Secretariat and the Executive Board. The intention is that it should, in as far as it is possible, represent the Executive Board's overall assessment of the future policy rate. Nevertheless, individual members of the Executive Board may enter reservations regarding the interest rate path.[4] In 2024, the Riksbank introduced a change in its communication on the interest rate path. A path for the next three years will continue to be published in each monetary policy report, but the emphasis will be on the next nine months, and that part of the path will be presented separately. The reason is that monetary policy discussion in the Executive Board concerns this timeframe and has a stronger monetary policy message (Riksbank, 2024a, 2025).

Presenting an interest rate path may seem a simple and clear method of communication. In reality, however, it is more complex than this. It is reasonable to assume that interest rate decisions are based on a number of macroeconomic factors. These include the economic situation in Sweden and the rest of the world, including assessments of how these will develop. As future interest rate decisions are based on the economic situation that applies at the time, the published interest rate path will consist of *collated information*: a forecast of the economic situation together with the policy rule used by the Riksbank. If the published interest rate path over time differs from the market's assessments of future interest rates it can therefore be difficult to interpret the differences. Is a deviation caused by the fact that the Riksbank and the market make different assessments of macroeconomic developments? Or is the reason that the market does not believe that the Riksbank will react to this development in the way indicated by the interest rate path? If the former applies, this will presumably be less problematic for the credibility of the Riksbank, at least as a single event. The latter interpretation may, however, mean that the Riksbank's credibility is questioned, or that communication about its policy rule has been

[3] Most other central banks account for interest rate paths in a less transparent and systematic way. The Federal Reserve has been presenting a "dot plot " since 2012. It shows how each member of the Federal Open Market Committee (FOMC) views the development of the policy rate over the coming few years. They often refer to the median among the members. As regards the dot plot, however, it is not a matter of all members of the FOMC trying to agree on one and the same interest rate path, which is usually the case with the Executive Board of the Riksbank. The ECB issues staff projections four times a year but these forecasts only reflect the expectations of the financial market. See table 1 in Claussen (2017) for an overview of central banks' communication on, for example, future policy rates.

[4] In a speech on 17 April 2024, Martin Flodén gave an account of the importance of communication in general, of how the Riksbank has become more transparent over time and of the pitfalls he perceives regarding the Riksbank's interest rate paths (Flodén 2024).

unclear. If confidence in the Riksbank is eroded, this could involve significant monetary policy risks.

In practice, the Riksbank naturally uses other ways of communicating that focus more directly on macroeconomic developments. In principle, the combination of this communication and the interest rate path will describe the Riksbank's policy rule. This can be an effective means of communication. provided that communication about macro-financial developments is consistent with the assessed macro-financial development which is used when the interest rate path is drawn up. However, there are also high demands on the communication that takes place between the monetary policy meetings and through the documents that are regularly published. In summary, one can say that the Executive Board of the Riksbank is clearly seeking to be transparent as regards the interest rate path and its thoughts about the future policy rate. This means that the interest rate path is a potentially important monetary policy tool. We present the Riksbank's published interest rate paths in Section 4, and evaluate them in Section 5.

Inflation expectations

Using the tools discussed above, the Riksbank seeks to achieve the objective of low and stable inflation. A precondition for this succeeding is that inflation expectations are anchored at the inflation target. The root cause of this is that the mechanisms that drive inflation have elements of a self-fulfilling prophecy. If the actors who are important for price formation in the economy, in particular salary negotiators and companies, believe that inflation will be high, it also tends to become high. This can create a reinforcing chain – expectations that high inflation will lead to high inflation, which reinforces and validates the expectations. Once inflation has picked up, such a process can be very costly to get out of, as powerful austerity measures may be required that, through recession and unemployment, dampen expectations by reducing inflationary pressure. However, the Riksbank can, by means of a credible policy rule, intended among other things to combat rising inflation, circumvent such processes before they have started.

The self-fulfilling aspect of inflation is not difficult to understand. A central mechanism works by means of wage formation. Wages are not formed daily, they come about during a specific agreement period. The higher inflation is expected to be, the higher wages tend to be formed, in order to safeguard real wages, all other factors being equal. Furthermore, for the majority of companies, salary payments are the highest cost. Higher wages will thus be a strong driving force behind higher prices, that is, inflation.

It is thus of absolutely central importance for the Riksbank that it succeeds in keeping down long-term inflation expectations (from a couple of years upwards) so that they are close to the target. As mentioned previously, it is not the Riksbank's task at every given point in time to do everything to keep inflation at the target level. Such a policy would have excessive real economic costs. Temporary deviations from the inflation target may and should be allowed. However, if the deviations become too long-term, inflation expectations may lose their basis in the inflation target. The Riksbank must thus make an assessment of what is a sufficiently rapid return to the target in the event of a deviation, for example, on account of supply shocks like the ones we have witnessed in recent years.

In the models used by the Riksbank and other central banks, forward-looking mechanisms are included, which means that today's inflation depends on what it is expected to be in the future according to the model. However, it is genuinely difficult, or perhaps impossible, to create models of the way people's expectations are formed in a satisfactory way. It is not possible, with any exactness, to answer questions about how long inflation will remain above target before economic agents lose confidence in it. In practice, the macroeconomic models assume that the long-term inflation expectations are always anchored at target. This assumption means that the models also always predict that inflation will not soar. This is a limitation in these models that needs to be taken into account, in particular in extreme times such as those we have just experienced. A concrete example is the following. Assume that the Riksbank, in a given situation, considers that an interest rate increase of 0.5 percentage points would be reasonable in order to steer inflation towards the long-term target, provided that the inflation expectations are well-anchored. At the same time, the Riksbank is concerned about the anchoring of expectations. In this case, a higher policy rate increase may be justified, but how much higher is very difficult to say. In fact, it may also appear afterwards that the increase was unnecessarily high. The fact that interest rate decisions are taken with uncertainty and an incomplete understanding of the formation of expectations is natural, and also important to take into account when evaluating monetary policy. We will return to a discussion on inflation expectations during 2024 in Sections 4 and 5.

2.3 Some important differences in the monetary policy conditions for different central banks

So far, our review has been general and valid for the monetary policy frameworks of the vast majority of developed countries. In this section, we describe some of the conditions that are characteristic of Sweden and the Riksbank.

2.3.1 More about the exchange rate channel

The exchange rate is an important factor for a small open economy like Sweden, as exports and imports represent a large share of GDP. The fact that the Swedish krona's exchange rate against other currencies affects inflation in Sweden is well documented. A weakening of the krona leads to higher inflation, all other factors being equal. The main reason is that it leads to a rise in import prices. However, it is not easy to quantify the impact, that is to describe exactly how significant the exchange rate is for inflation. The recent inflation episode has also shown that the impact is not stable over time.

An article in the monetary policy report of December 2016 shows that a rule of thumb may be that if the krona weakens by 10 per cent, inflation will increase by 0.5 percentage points after one year (the Riksbank, 2016). Since exchange rate movements have been of the order of plus minus 10 per cent in recent years, this means that the contribution to inflation of the weaker krona could have been 0.5 to 1 percentage point.

Later analyses suggest, however, that the impact from exchange rate to inflation may be greater in times of high inflation (the Riksbank 2023; Almgren and Stoyko, 2024). Almgren and Stoyko (2024) state that the impact of weakening exchange rates can be around ten times as strong in times of international unrest or if domestic inflation is high. Strong effects such as these are clearly something the Riksbank must take into account. However, the analysis also shows that the link between the exchange rate and inflation is unstable; a stronger impact may have existed for a period but then later have been weakened so, at the time of a specific monetary policy decision, it may be difficult for the Riksbank to assess the strength of this mechanism. In addition, it is possible that exchange rate changes may lead to different price dynamics depending on whether it is a question of depreciation or appreciation.

There are also other challenges when it comes to evaluating the exchange rate channel. A precondition for this channel is that an interest rate change generates an exchange rate change; a lower interest rate in Sweden makes the Swedish krona less attractive so demand for it falls, and thus its price. The problem here lies in the fact that exchange rate movements are very difficult to predict and that the evidence is weak that interest rate changes would affect them significantly.

All in all, the exchange rate channel is based on two mechanisms – how the interest rate affects the SEK exchange rate and how the SEK rate in turn affects inflation – for which we consider the overall evidence to be too weak for it to be given great importance in monetary policy decisions. We will return to a discussion on the significance of the exchange rate for monetary policy during 2024 in Section 5.

2.3.2 More about wage formation

From the 1970s until Sweden abandoned its fixed exchange rate, we experienced repeated inflationary spirals: episodes of high wage increases, followed by high inflation and devaluations of the exchange rate. Several institutional conditions have changed since then, in particular the introduction of inflation target policy, the transition to a variable exchange rate, a fiscal policy framework and more coordinated wage formation. Sweden stands out in an international perspective when it comes to wage formation. As we discussed earlier, the link between wage formation and inflation expectations is clear. The way in which wage agreements are concluded will therefore be important for monetary policy. The Industrial Agreement was concluded in 1997 to ensure the long-term competitiveness of industry. This has in turn become normative and serves as a benchmark for other sectors through was is known as the "mark" (Westermark, 2017). The other Nordic countries have similar models, but from a broader international perspective, such coordination is unusual. From the point of view of monetary policy, this model of wage formation may be considered favourable in that it contributes to maintaining the credibility of the inflation target.[5] We will return in Section 6 to a discussion on wage developments since 2022 in different countries.

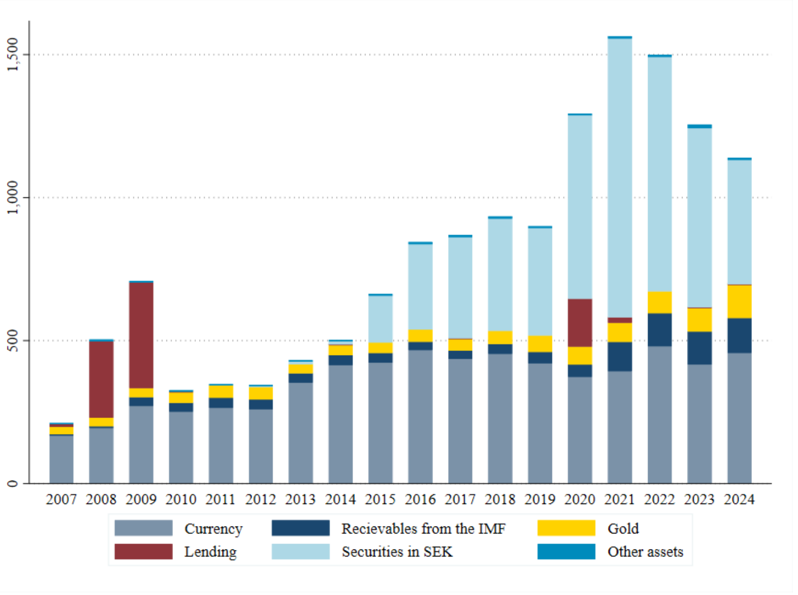
2.4 The Riksbank's balance sheet

The Riksbank's balance sheet is of central importance for its operations. In general, the total of most central banks' balance sheets has grown sharply as a result of asset purchase programs (QEs). However, for a couple of years now, the balance sheets have been decreasing due to securities reaching maturity and sales instead of purchases. This pattern also applies to the Riksbank. From an international perspective, the Riksbank's balance sheet has not increased in a way that stands out.

Figure 2.1 shows the development of the asset side in the Riksbank's balance sheet. During the period 2020–2023, the largest item was Swedish securities, precisely as a result of asset purchases. This item was largest at the end of 2021, when it amounted to SEK 974 billion. Since then, this item has gradually decreased and amounted to SEK 435 billion at the end of 2024. This has resulted in the fact that the foreign exchange reserve is now once again the largest asset item, at SEK 457 billion. It can be noted that the value of the Riksbank's holdings of gold has increased. The value amounted to SEK 117 billion at year-end 2024, which means that it has doubled since 2019. The balance sheet total has since decreased from SEK 1,564 billion to SEK 1,139 billion.

[5] Research into how wage formation affects the credibility of the inflation target is limited. (A contribution related to this is Calmfors and Driffill (1988), which describes the importance of centralised and decentralised wage formation when it comes to affecting the competitiveness of the economy.) However, it is reasonable to assume that a wage formation model that creates moderate and predictable wage increases should facilitate the work of the central bank by creating more stable long-term inflation expectations. The risks of a shorter period of inflation deviating from the target in connection with a supply shock should therefore be less than in countries with less stable wage formation

Figure 2.1 The Riksbank's assets 2007–2024

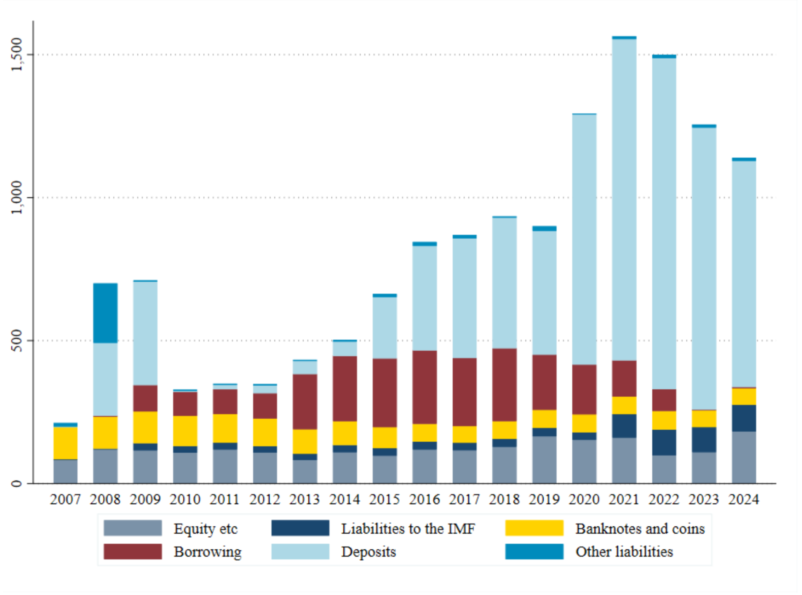


Notes: Values from the annual report. SEK billion.
Source: The Riksbank.

Revaluation accounts book value increases that have not yet been realised. As long as the Riksbank has not sold assets that have increased in value since they were purchased, the increase may not be recorded as a profit that is included in equity. The same does not apply to losses – even unrealised losses are recorded as losses at the end of the year[6]. In comparison, equity amounted to only SEK 23 billion. This is an increase of SEK 41.2 billion from minus SEK 18.2 billion. The increase consists of the result for the year for 2023 (SEK 16.2 billion) and a capital contribution in September 2024 of SEK 25 billion from the central government. This was done after the Riksbank had presented a submission to the Riksdag for a contribution of SEK 43.7 billion to restore equity to the statutory base level (the Riksbank, 2024b, c, d, e, f). As the contribution became smaller, equity now exceeded only the minimum level but not the base level. We will return to a discussion on this in Section 6.1.

[6] Other central banks have different accounting rules. The Riksbank is required to follow the ECB's guidelines while the US Federal Reserve does not record unrealised gains or losses against the result for the year.

Figure 2.2 The Riksbank's liabilities and equity (2007–2024)



Notes: The item "equity" is the sum of equity, revaluation accounts, provisions and the result for the year. The item "borrowing" refers to loans from the National Debt Office. SEK billion.
Source: The Riksbank.

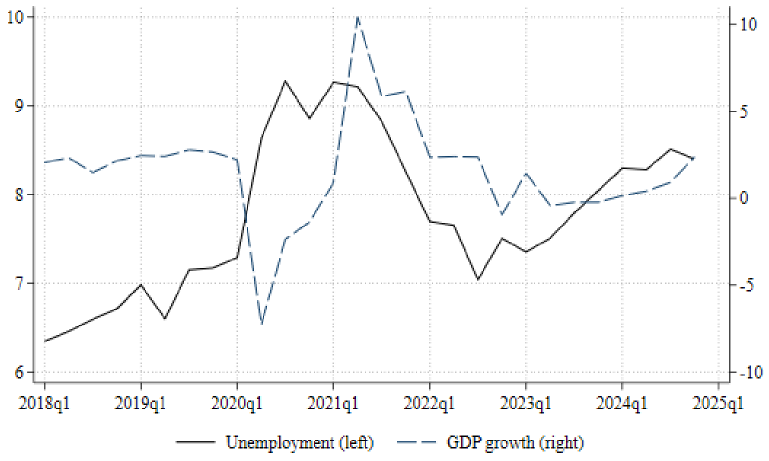
3 Background – macroeconomic developments in 2024

In this section, we present a comprehensive description of macroeconomic developments in 2024.

3.1 The economy and updated forecasts in 2024

Macroeconomic developments in Sweden during the year were characterised by a gradual weakening of economic activity. Figure 3.1 shows that GDP growth in 2024 remained low, albeit slightly higher than in 2023. The figure also shows that unemployment continued to increase in 2024, which was a continuation of the trend since the middle of 2022. This level was also relatively high, over eight per cent throughout the year. Apart from during the pandemic, unemployment has not been this high since 2010. Figure 3.2 also shows a downward trend in employment since the start of 2023.

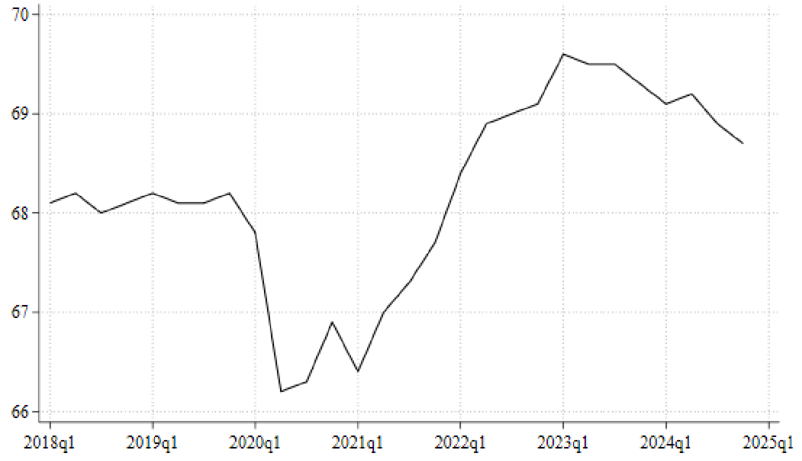
Figure 3.1 Unemployment and GDP growth in 2018–2024



Notes: Per cent. Quarterly data. GDP is measured as an annual change with market prices, in last year's prices, calendar-adjusted. GDP shows the release in the first quarter of 2025.
Source: The Riksbank.

At the beginning of the year, the Riksbank's forecasts for the labour market were relatively optimistic. In March 2024, the Riksbank expected the upward trend in unemployment to weaken, which was a revision in relation to the forecast from November 2023. When the outcome for the first quarter was somewhat higher, the forecast for unemployment was revised upwards in connection with the June meeting (see Figure 3.3). In the second half of the year, the changes in the forecasts were marginal. Figure 3.4 shows the corresponding trend in the Riksbank's forecasts for the employment rate during the year. The outlook was generally positive in terms of the expected reversal of the downward trend during the year. The forecast was also revised upwards during the year, followed by a major downward revision in December.[7]

Figure 3.2 The employment rate 2018–2024

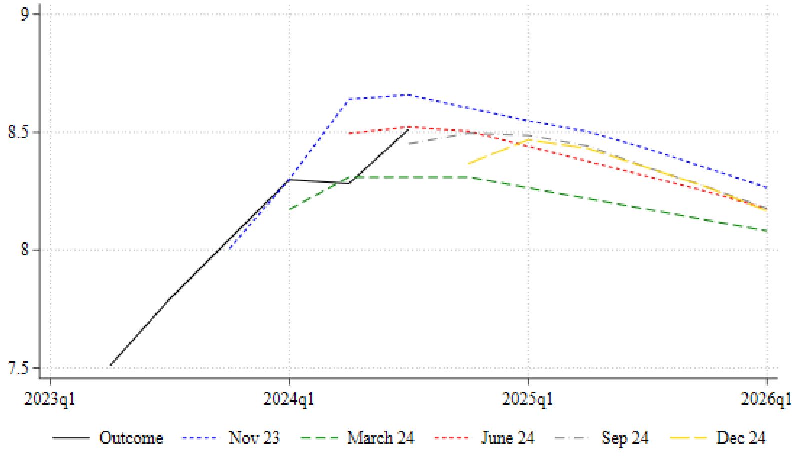


Notes: Per cent. Quarterly data. Employment rate of women and men aged 15 to 74, seasonally adjusted.
Source: The Riksbank.

The Riksbank's forecast for GDP was more restrained at the beginning of the year. Figure 3.5 shows the Riksbank's forecasts for GDP growth and the outcome. In June, the outcome for the first quarter of 2024 was unexpectedly strong, but the Riksbank judged it to be temporary. The GDP outcome for the second quarter was then somewhat lower than forecast. The forecasts were gradually revised downwards during the year and recovery was expected to take place later. All in all, economic development in Sweden was worse than the Riksbank had expected at the start of the year.

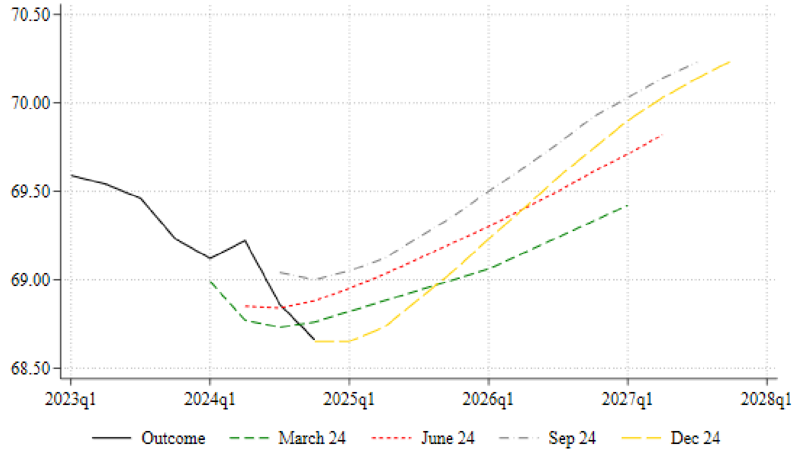
[7] In contrast, the upward revision in June was due to an update of the population forecast, when the forecast for the number of people in employment was revised downwards.

Figure 3.3 Unemployment and the Riksbank's forecast at different times during 2024



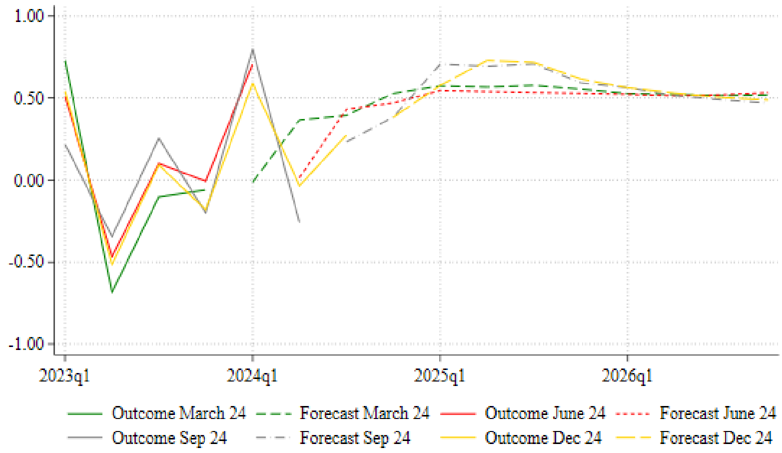
Notes: Per cent. Quarterly data. Unemployment is measured among women and men between the ages of 15 and 74, calendar and seasonally-adjusted. Each point denotes the outcome for the quarter starting at that time. The different lines show the information at the monetary policy meetings when a full report is published (see table A.1).
Source: The Riksbank.

Figure 3.4 Employment rate and the Riksbank's forecast at different times during 2024



Notes: Per cent. Quarterly data. The employment rate is measured for women and men aged 15 to 74, seasonally adjusted. Each point denotes the outcome for the quarter starting at that time. The different lines show the information at the monetary policy meetings when a full report is published (see table A.1).
Source: The Riksbank (2025).

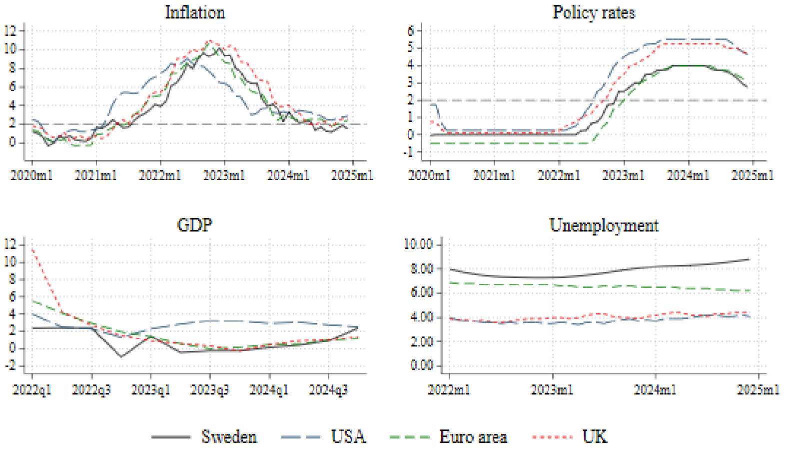
Figure 3.5 GDP growth and the Riksbank's forecast at different times during 2024



Notes: Per cent. Quarterly data. GDP is measured as a quarterly rate with constant prices, seasonally and calendar-adjusted. Each point denotes the outcome for the quarter starting at that time. The different lines show the information at the monetary policy meetings when a full report is published (see table A.1).
Source: The Riksbank.

Figure 3.6 shows macroeconomic developments in Sweden compared to the largest economies. Inflation came down to target more quickly in Sweden than in the USA, the euro area and the UK. The USA, in particular, has had more setbacks in terms of inflation, which did not fall completely to the long-term target during the year. The Riksbank has thus been able to lower the policy rate both earlier and at a faster rate than the Federal Reserve, the ECB and the Bank of England in 2024 (we will return to a discussion of how the Riksbank relates to the other central banks in Sections 5 and 6) GDP growth has been similar in Sweden, the euro area and the UK, except at the end of 2024 when it was slightly higher in Sweden. In comparison, growth has been higher in the USA for a long time. Unemployment in Sweden continued to increase during 2024. The panel at the bottom right shows that it was both higher than in the other economies and also increased slightly more in 2024.

Figure 3.6 Economic developments in Sweden, the USA, the euro area and the UK, 2020–24

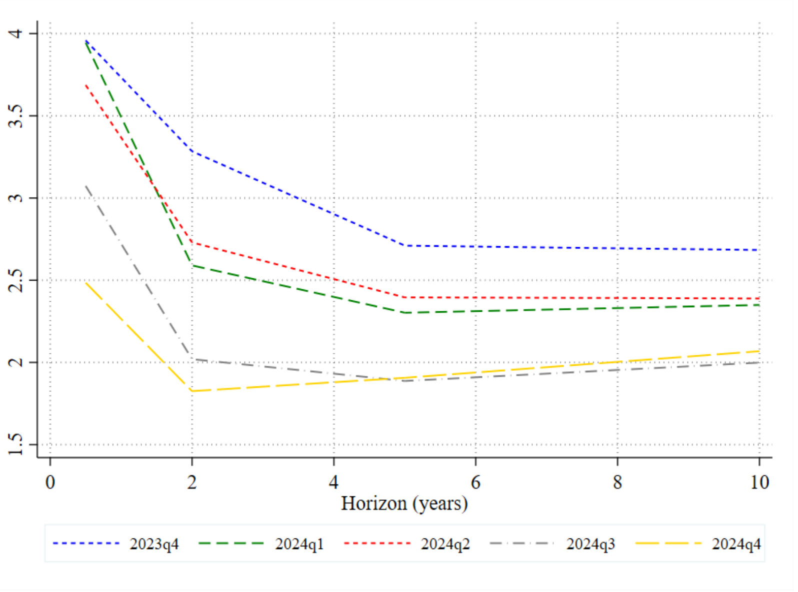


Notes: Inflation concerns the CPIF for Sweden, HICP for the euro area and CPI for the USA and the UK. GDP is measured as an annual change with market prices, in last year's prices, calendar-adjusted. GDP for the United States, euro area and UK is measured as an annual change at constant prices, seasonally adjusted. Each point denotes the outcome for the quarter starting at that time. Monthly data for inflation, policy rates and unemployment and quarterly data for GDP.
Source: The Riksbank, and Statistics Sweden for unemployment data for Sweden.

Figure 3.7 shows interest rates at different maturities on Swedish treasury bills and government bonds at the end of 2023 and during 2024. The lines show the interest rate (per cent per year) for investment horizons between six months and ten years. The figure shows that the curves shift downwards at the beginning of 2024, and that the long-term interest rates are lower than the short-term ones. These circumstances are signs of a recession that deepens during the year.

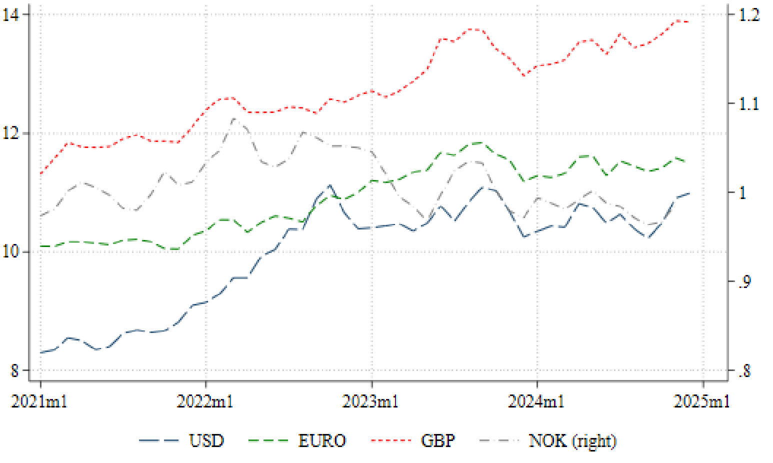
Figure 3.8 shows that the last few years have been marked by a clear weakening of the Swedish krona. In 2024, however, the krona was relatively stable against the dollar, the euro and the Norwegian krone, while it weakened in relation to the British pound.

Figure 3.7 Yield curves (2023Q4-2024Q4)



Notes: Nominal yield curves based on the quarterly average of annual interest rates on Swedish treasury bills and government bonds with a maturity of 6 months to 10 years.
Source: The Riksbank.

Figure 3.8 The Swedish krona compared with the US dollar, the euro, the British pound and the Norwegian krone in 2021–2024

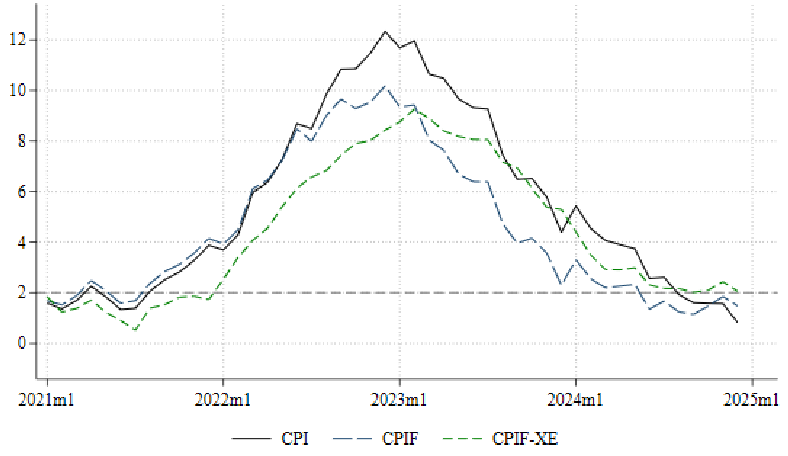


Notes: The scale of the exchange rate against the US dollar (USD), the euro (EURO) and the British pound (GBP) is given on the left axis and the scale for the Norwegian krone (NOK) is given on the right axis. Swedish kronor per unit of foreign currency. Monthly data.
Source: The Riksbank.

3.2 Inflation

In line with the weak level of economic activity, inflation continued to fall during the year. Figure 3.9 shows a gradual decline in inflation since the peak in December 2022, measured according to three different criteria. At the beginning of 2024, inflation had fallen to 3.3 per cent, measured in terms of the consumer price index (CPI) at a fixed rate, thus approaching the Riksbank's inflation target. Inflation then continued to fall during the year, and the first outcome was already less than 2 per cent in June. Towards the end of the year, inflation was noted at around 1.1–1.8 per cent measured according to the CPIF. The figure also shows that inflation according to the consumer price index (CPI) fell to below 2 per cent in August. On the other hand, the consumer price index with a fixed interest rate excluding energy prices (CPIF-XE), which is commonly referred to as underlying inflation, stabilised at around 2 per cent during the year. The difference between the measures is due to falling energy prices in the second half of 2024.

Figure 3.9 Inflation according to different measures 2021–2024



Notes: Annual inflation according to the consumer price index (CPI), consumer price index with a fixed interest rate (CPIF) and consumer price index with a fixed interest rate excluding energy prices (CPIF_XE). Per cent. Monthly data. Each point denotes the month starting at that time. The horizontal line illustrates the inflation target.
Source: The Riksbank.

4 Monetary policy 2024

In this section, we describe inflation in more detail, focusing on the Riksbank's forecasts, as well as the monetary policy pursued.

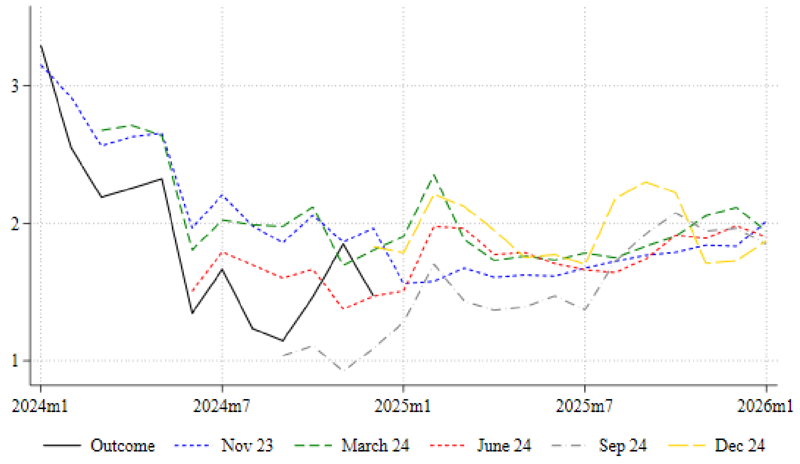
4.1 The Riksbank's inflation forecasts

The Riksbank's forecast are a weighted average of results from models of various kinds; both statistical ones based on theoretical models of the functioning of the economy and more discretionary assessments are part of the weighted average. In particular, when new types of disturbances that may change earlier relationships occur, it is reasonable not to rely entirely on previously estimated econometric relationships.

Figure 4.1 shows the outcome for CPIF inflation together with the Riksbank's forecasts during the year (and November 2023). It is clear that, at the beginning of the year, the Riksbank expected inflation to be higher than it was – the inflation forecasts for the first half of the year were higher than the outcomes. In September, however, the Riksbank carried out a major downward revision of both inflation and growth prospects (see Figure 3.5). Actual inflation was then higher than the forecast. In December, the inflation forecast was revised upwards again. It is worth noting that the Riksbank's forecasts for CPIF inflation in June and September were below the target of 2 per cent for the remainder of 2024.

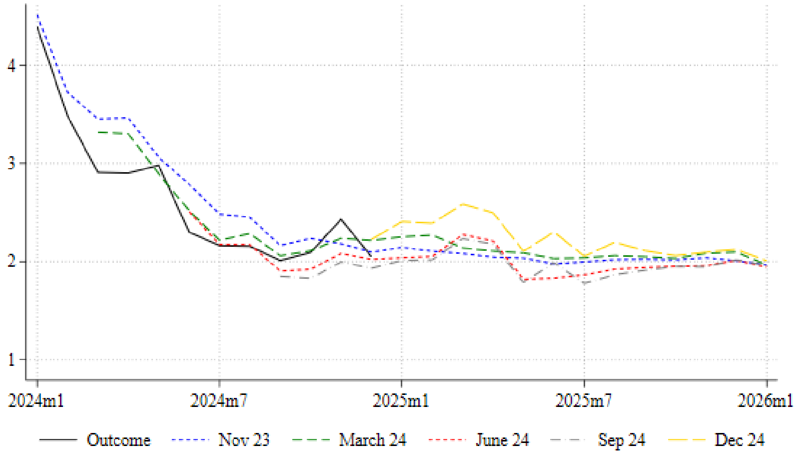
Figure 4.2 shows the outcome and forecasts for underlying inflation, which were consistently higher. Here, too, the initial outcomes were lower than the initial forecasts, but after the first six months, the outcomes and forecasts were close to each other and close to the CPIF target of 2 per cent.

Figure 4.1 Inflation 2024–2025, outcome and forecast for CPIF



Notes: Annual inflation according to consumer price index with a fixed interest rate (CPIF). Per cent. Monthly data. Each point denotes the month starting at that time. The different lines show the information at the monetary policy meetings when a full report is published (see table A.1).
Source: The Riksbank.

Figure 4.2 Inflation 2024–2025, outcome and forecast for CPIF-XE



Notes: Annual inflation according to the consumer price index with a fixed interest rate excluding energy prices (CPIF-XE). Per cent. Monthly data. Each point denotes the month starting at that time. The different lines show the information at the monetary policy meetings when a full report is published (see table A.1).
Source: The Riksbank.

4.2 The Riksbank's monetary policy decisions

In 2024, the Riksbank made eight monetary policy decisions (see Table A.1 for an overview). This is a consequence of the decision taken by the Executive Board in autumn 2023 to increase the number of monetary policy decision meetings from five to eight. Every other meeting coincides with the publication of a report, which was previously done at each meeting, and the other occasions coincide with the publication of a monetary policy update which contains less extensive documentation. The purpose was said to be that with more meetings per year, the Riksbank can adapt monetary policy more quickly and improve the conditions for effective communication, especially in times of rapid change (the Riksbank, 2025).

The policy rate

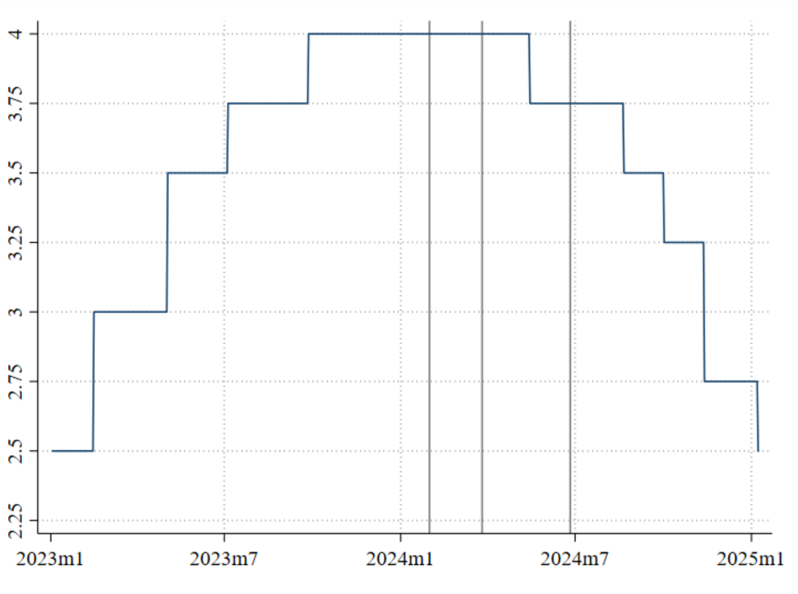
Figure 4.3 shows the development of the policy rate. The policy rate was lowered on five occasions in 2024. The first time was in May. Before that, it had been left unchanged at the decision-making meetings in January and March. It was also left unchanged in June. The three vertical lines in the figure indicate these occasions. As of August, it was then lowered at each meeting, and by 0.5 percentage points in November. During the year, the policy rate was lowered from 4.0 to 2.5 per cent.

We have described above that the level of the nominal policy rate is of crucial importance for the cash flow channel If the nominal policy rate is higher than the nominal neutral rate, policy becomes more contractionary and the reverse is also true. An exact level for the neutral rate cannot be estimated. In November, the Riksbank published a new estimate for the long-term range of nominal neutral interest rates of 1.5 to 3.0 per cent, to which short-term fluctuations should be added (the Riksbank 2024g, 2025). It was not until November 2024 that a policy rate was set within this range. In this sense, monetary policy can be considered to have been contractionary during most of 2024.

Interest rate paths

Figure 4.4 shows the Riksbank’s published interest rate paths at each reporting point and expectations of the policy rate at the same time. Exactly as is the case with other macro variables, a major revision was made between June and September. The downward revision for the last quarter of 2024 was only 0.22 percentage points, while it was 0.5 percentage points for the first and second quarters of 2025. The adjustment over a longer time horizon is also considerable. The revision is in line with the adjustments to the forecasts for inflation and GDP growth.

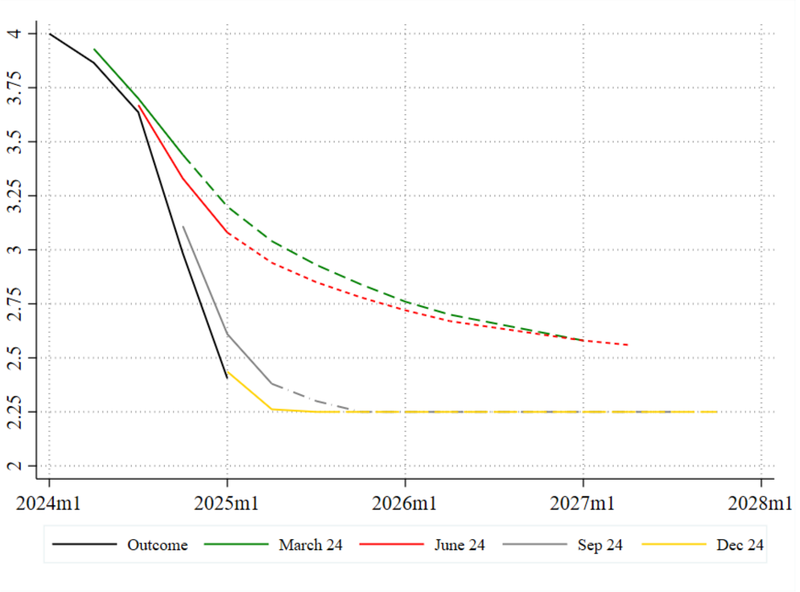
Figure 4.3 The Riksbank's policy rate in 2023–2024



Notes: Current data. Per cent. The policy rate was lowered in May, August, September, November and December. The three vertical lines show the times of the monetary policy meetings that did not lead to a change in the policy rate (January, March and June).
Source: The Riksbank.

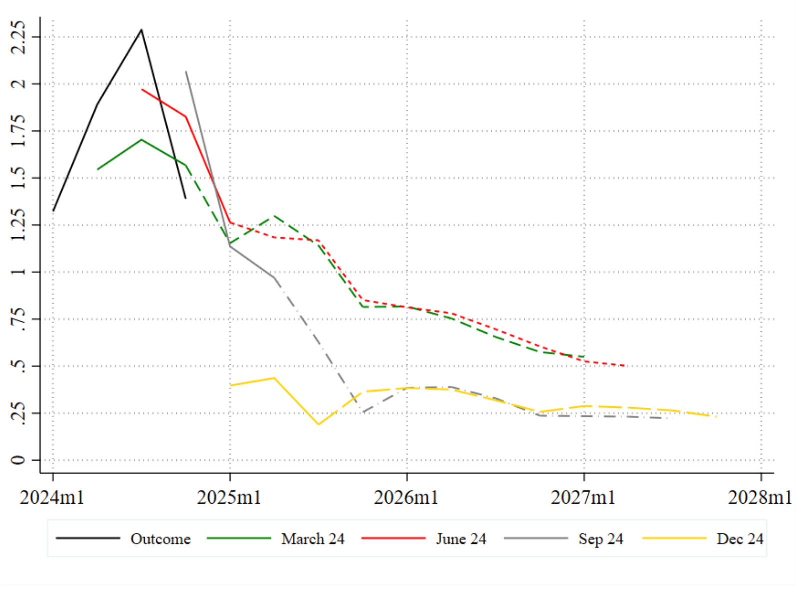
The Riksbank's published interest rate paths refer to nominal interest rates. As we describe in Section 2.2, several of the monetary policy transmission mechanisms operate through changes in the real interest rate. By subtracting inflation expectations, we obtain a measure of real interest rate paths. These are shown in Figure 4.5, together with the outcome for the real interest rate in 2024 (measured as nominal policy rate minus CPIF inflation according to the Riksbank's forecast). According to the figure, the real interest rate was at its highest in the third quarter of 2024, at 2.25 per cent, and then turned downwards. From September, the Riksbank's paths for the real interest rate are considerably lower than before. However, the economic significance of the short-term real interest rate is limited; larger decisions on investment and sustainable consumption are more dependent on long-term interest rates. In updated estimates from Armelius et al. (2024), the neutral real interest rate is negative until the first quarter of 2024 and thereafter between zero and 0.21 per cent. In theory, this would mean that monetary policy was contractionary throughout 2024. However, there is considerable uncertainty regarding such estimates. The Riksbank's new estimates for the long-term nominal neutral interest rate correspond to a long-term neutral real interest rate of minus 0.5 to 1.0 per cent, but with significant short-term fluctuations around this range (the Riksbank, 2024g).

Figure 4.4 Interest rate paths during 2024



Notes: The Riksbank's published interest rate paths and the outcome of the policy rate as the average for each quarter. The first nine months of each of the paths is indicated by a solid line. Further on, the paths are dashed.
Source: The Riksbank and own calculations.

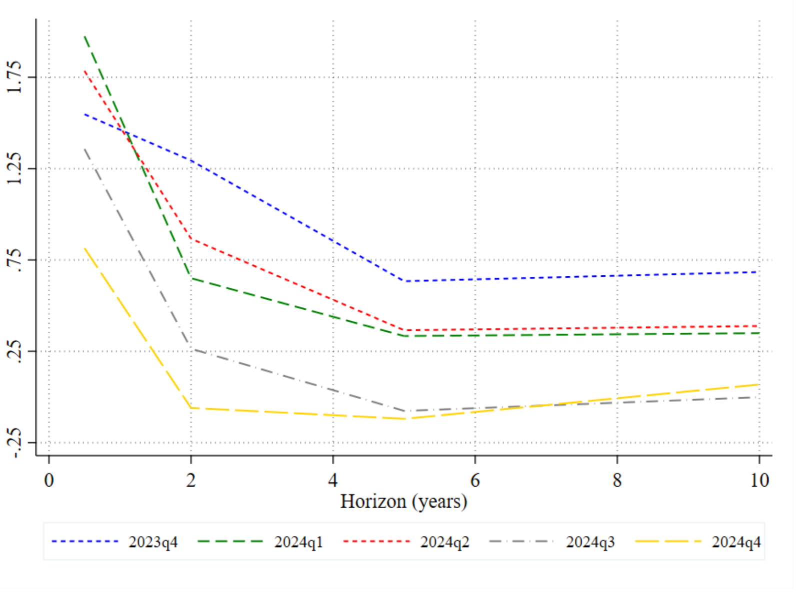
Figure 4.5. The Riksbank's real interest rate paths



Notes: Real interest rate paths calculated as the difference between the Riksbank's nominal interest rate paths (see Figure 4.4) minus the Riksbank's forecast for CPIF inflation at the same time (see Figure 4.1). Expected inflation is calculated as the average of the Riksbank's forecast values during a quarter. The first nine months of each of the paths is indicated by a solid line. Further on, the paths are dashed.
Source: The Riksbank and own calculations.

In Section 3, we showed nominal yield curves for fixed-income investments with different maturities. Figure 4.6 shows the real equivalents (calculated as nominal yield curves minus inflation expectations of money market participants according to Prospera). The curves in the figure follow the same pattern as the nominal ones. Long-term interest rates were low – significantly lower than short-term interest rates. The fact that long-term interest rates were so much lower than short-term interest rates suggests that the market made the assessment that future short-term interest rates (such as the policy rate) would be lower, in line with interest rate paths.

Figure 4.6 Real yield curves (2023Q4-2024Q4)



Notes: Yield curves based on quarterly averages of the interest rate on Swedish treasury bills and government bonds minus inflation expectations according to the money market participants' expectations according to Prospera. Looking ten years ahead, inflation expectations are expected to be at 2 per cent. Source: The Riksbank and own calculations.

Sales of interest-bearing securities (QT)

In 2024, the Riksbank continued to phase out its bond portfolio, partly by not buying new bonds after maturity, and partly by selling government bonds. At the January meeting, it was decided to increase the sales rate from SEK 5.0 billion to SEK 6.5 billion per month starting from February. Figure A.1 shows the Riksbank's balance sheets relative to GDP. In the third quarter of 2024, the ratio was 19.2 per cent and one year before that 22.2 per cent. Relative to GDP, the balance sheet total is decreasing at approximately the same rate in the USA, the euro area and the UK.

5 Evaluation

We will begin by studying the fulfilment of objectives, that is what happened as regards inflation and inflation expectations during the year, after which we will assess whether we consider the monetary policy decisions to be appropriate and well considered.

5.1 Fulfilment of objectives

Has the Riksbank achieved its objective regarding price stability? We will first discuss expectations regarding future inflation, and then the inflation outcome during the year.

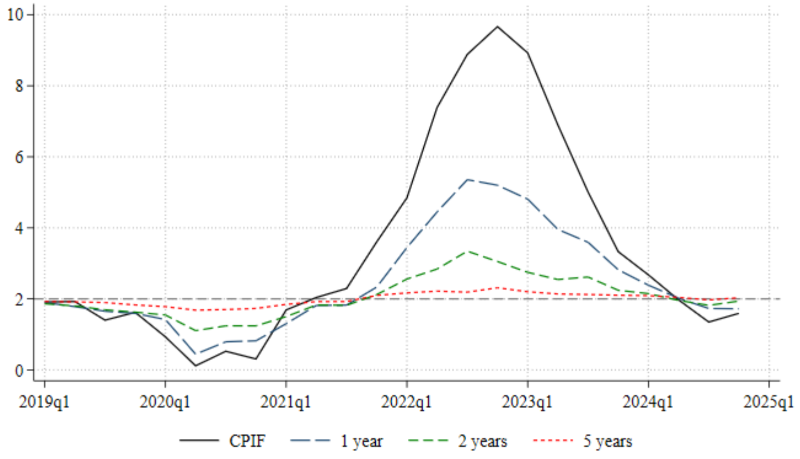
Inflation expectations

The Riksbank's most important task is to provide a nominal anchor and to anchor inflation expectations. Figure 5.1 shows CPIF inflation together with inflation expectations measured according to Prospera. With falling inflation, there was also a gradual fall in short-term inflation expectations. Inflation expectations in a one- and two-year perspective fell somewhat below the 2 per cent target in 2024. When inflation deviates discernibly from the target, it is natural for the short-term inflation expectations to deviate from the target too, as a well-considered monetary policy should not strive by any means to directly return inflation to the target – the real economic costs of this would be unreasonably great. However, it is of major importance that the more long-term inflation expectations do not lose their anchorage in the inflation target. We note that inflation expectations in a five-year perspective have been stable ever since the rise in 2021. This gives a clear indication that there is continued confidence in the inflation target.

Inflation in 2024

In early 2024, CPIF inflation was 3.3 per cent, which is above the 2 per cent target. However, it had fallen heavily throughout 2023, from 10.2 per cent in December 2022 to 2.3 per cent in December 2023. It continued to fall in 2024, to a low of 1.1 per cent in September 2024.

Figure 5.1 Inflation expectations in a 1-, 2- and 5-year perspective (CPIF, 2019–2024)



Note: Annual inflation according to consumer price index with a fixed interest rate (CPIF). Inflation expectations according to Prospera, refers to all actors. Per cent. Quarterly data. Each point denotes the quarter starting at that time. The horizontal line illustrates the inflation target.
Source: The Riksbank.

In a comparison of Figures 4.1 and 4.2, we can see that the underlying inflation (excluding energy prices) in early 2024 and for most of the year was considerably higher than CPIF inflation. In general the same applies for the forecasts. We can also see that underlying inflation is clearly less volatile, as regards both outcomes and forecasts. These patterns are an obvious consequence of falling and volatile energy prices. The underlying inflation reached 2 per cent by mid-year, when CPIF inflation was clearly below target. The fact that the Riksbank waited to lower the policy rate until underlying inflation was close to 2 per cent gives the impression that it attached great importance to underlying inflation. In times of great volatility in energy prices, this may be reasonable. A rapid fall in energy prices can be followed by a rapid rise. The underlying inflation can then give a better indication of where inflation is headed. If the Riksbank considers that this is the case and extra importance is therefore attached to the development of underlying inflation, it should communicate this clearly and state its grounds for this. Our assessment is that this could have been done with greater clarity.[8]

5.2 Has the policy been well considered?

Given the clearly falling trend in inflation in 2023 continuing into the first six months of 2024, and combined with the weak economy, it is natural to ask whether the Riksbank should have lowered the policy rate earlier and more.

[8]For example by shifting the focus from CPIF to CPIF-XE in the monetary report’s scenario analysis in June without commenting on this.

During the year, the Riksbank was also criticised for this very thing (see, for example, Dagens Industri (2024), Expressen (2024) and Svenska Dagbladet (2024a, b, c, d))[9].

Figure 4.3 shows the development of the policy rate in detail during the year, and with three vertical lines we have indicated the monetary policy meetings when the Riksbank chose not to change the policy rate. These meetings took place in January, March and June. The interest rate was lowered on five occasions: at the May meeting and in conjunction with the last four meetings, all by 0.25 percentage points, except in November when it was lowered by 0.5 percentage points. Our overall assessment – given i) that inflation at the start of the year almost reached the target of 2 per cent on an annual basis; ii) that the economy was weak and no pronounced improvement was expected in the near future; iii) that the interest rate, given the low inflation, was at a historically high level (4 per cent); and iv) that the information about inflation and the economy that was provided during the course of the year did not change the picture – is that a gradual lowering during the year from 4 to 2.5 per cent was reasonable. The exact timing is of course more difficult to optimise. One question is whether, given the available information, it would have been a better decision to lower the policy rate on one of the earlier occasions. Our assessment is that the decisions in January and March were well considered, even if a cut, for example, in March, could also have been justifiable; instead the policy rate was lowered in May. Our conclusion regarding the June meeting is, however, that the advantages of lowering the rate outweighed the disadvantages. If it had cut the policy rate in June, one of the later cuts could have been avoided or softened, but the final outcome of 2.5 per cent after the last meeting of the year was in any case well-considered, according to our analysis.

In order to explain our method – which arguments we identify as crucial, especially as regards a possible cut in June – we have chosen to comment in greater detail on the June meeting and the information available then; it was decided to keep the policy rate unchanged at a contractionary level, despite the fact that CPIF inflation and the forecasts at the time were below target. Before we discuss this, we note that both the National Institute of Economic Research's (KI) forecasts for the Riksbank's policy rate and market expectations were below the Riksbank's own forecasts for its interest rates. Figure 5.2 shows that KI predicted that the Riksbank would lower the interest rate more rapidly and would be at a lower level than that forecast by the Riksbank. The same may be said about the financial market's expectations of the Riksbank, which is also shown in the figure.[10] The fact that other actors' interest rate

[9] Svenskt Näringsliv, LO and Swedbank were also critical (Svenskt Näringsliv, 2024; SVT, 2024; EFN, 2024).

[10] It is important to remember that neither KI's forecast nor the financial market's interest rate paths reflect what would be an optimal monetary policy. The financial market's interest rate paths reflect expectations regarding the Riksbank's monetary policy. KI's short-term interest rate path (0–6 months) reflects KI's forecast for the Riksbank's decisions, while the more long-term interest rate path reflects KI's view of the Riksbank's monetary policy if the Riksbank were to use the same macroeconomic forecasts as KI.

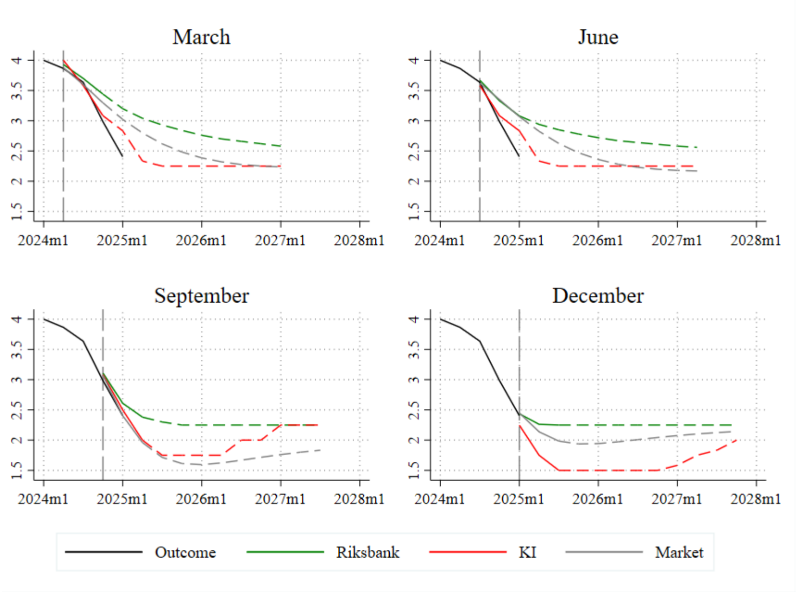
paths were below the Riksbank's path in June is an indication that other actors perceived the Riksbank's path as too contractionary, and not entirely credible.

When considering whether to leave the interest rate unchanged, as was the case in June, or to lower it, several aspects must be taken into account:

- the economic situation in Sweden, which is partly a function of the global economic situation, and utilisation of resources in the economy;
- inflation and the inflation outlook;
- other central banks' monetary policy and effects of this on the exchange rate and other factors that may affect the exchange rate;
- possible differences in costs associated with low and high inflation outcomes;
- possible costs associated with the need to reverse the direction of the policy rate.

Below, we discuss the information that was available about these circumstances in June, and its relevance for the monetary policy decision. A central issue is assessing whether monetary policy was too contractionary, given the available information and the Riksbank's forecasts. It is furthermore of interest to examine whether the Riksbank's forecasts seem reasonable. In order to be able to express ourselves on this, we compare the Riksbank's forecasts with those of KI. There are several reasons for choosing KI's forecasts in particular. Firstly, KI has a good reputation when it comes to forecasts.

Figure 5.2 The Riksbank's, the National Institute of Economic Research's (KI) and the financial market's interest rate paths



Note: Comparison between the Riksbank's and KI's interest rate paths and interest rate paths according to the expectations of the financial market. The dashed, vertical lines show the start of the paths. The first nine months of each of the paths is indicated by a solid line. Further on, the paths are dashed. KI's

interest rate path for the first six months shows a forecast for the Riksbank's monetary policy. Further on, KI's interest rate path shows a forecast for monetary policy if the Riksbank had had the same forecast as KI. The black line shows the outcome for the policy rate as a quarterly average.
Source: The Riksbank and the National Institute of Economic Research (KI).

Secondly, KI makes a comprehensive forecast of all the different parts of the economy, including interest rate paths and GDP gaps, which makes it comparable to the Riksbank's forecast. Thirdly, KI voiced criticism in 2024 of the Riksbank's contractionary and unclear monetary policy (Svenska Dagbladet, 2024b). We do not evaluate the forecasts based on their conformity with the outcomes, as this is beyond the remit of this report and as an evaluation of the quality of different forecasts must in any case cover a considerably longer period than one year.[11]

We start our discussion on whether monetary policy was well considered by describing the economic situation in Sweden and then go on to discuss the inflation outlook as well as other aspects. Regarding the economic situation and inflation, we make comparisons with KI.

The economic situation in Sweden and utilisation of resources

Figure 5.3 shows assessments of GDP growth in connection with the Riksbank's four reports.[12] With the exception of December, the differences between KI's and the Riksbank's growth forecasts are small. Figure 5.4 shows the Riksbank's and KI's views of the GDP gap, that is, the difference between actual and potential GDP, as well as forecasts for this. The figure shows that KI consistently assesses the economy to be weaker than the Riksbank, that is, that the economy is further from full utilisation of resources. This applies both backwards and forwards in time. At the end of the year, the difference is significant, more than 1 percentage point. It is worth pointing out that it is genuinely difficult to calculate the level of potential output, and the methods have shifted over time and are not the same for all authorities. For this reason it is not possible to exactly and without objections calculate the GDP gap, not even in retrospect. The fact that different authorities make different calculations of potential output and thus the GDP gap is not an obvious disadvantage either. On the contrary, it may be an advantage that not everyone applies the same method. However, it is important that individual authorities' forecasts are consistent. If the assessment is that potential output is higher, and consequently the GDP gap more negative, this should (all other factors being the same) imply that inflation is assessed to become lower and call for a less contractionary monetary policy.

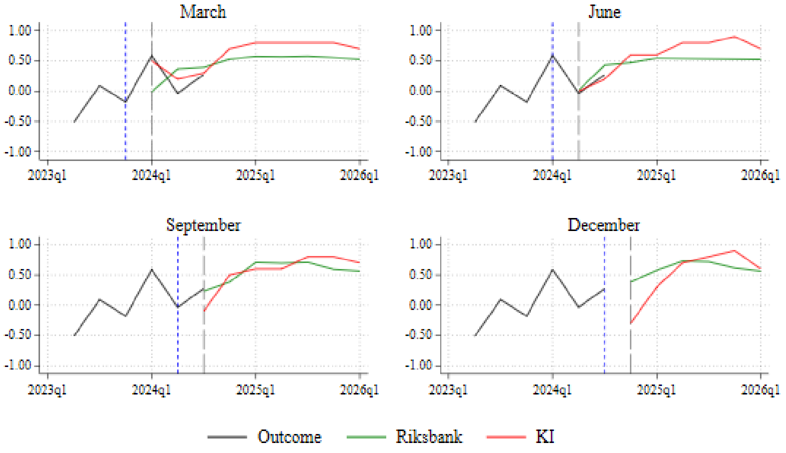
Figure 5.5 shows the forecasts for unemployment. In general, the forecasts are relatively close, and especially as regards the June forecast, the Riksbank's

[11] The National Institute of Economic Research (2025) evaluates different forecasters.
[12] The National Institute of Economic Research (KI) published its Swedish economy reports in 2024 more or less at the same time as the Riksbank's monetary policy reports. The dates of publication were 26 March 2024, 19 June 2024, 26 September 2024 and 20 December 2024, which means that the difference at most was seven days (in June).

and KI's assessments are very similar.[13] They both revise projected unemployment upwards during 2024, compared to the forecasts in March.

On the whole, our picture is that the Riksbank is roughly as pessimistic as regards the development of the economy in the immediate future as KI. However, KI makes the assessment that the economic downturn is greater than the Riksbank does in its assessment, in the sense that KI assesses potential GDP to be higher.

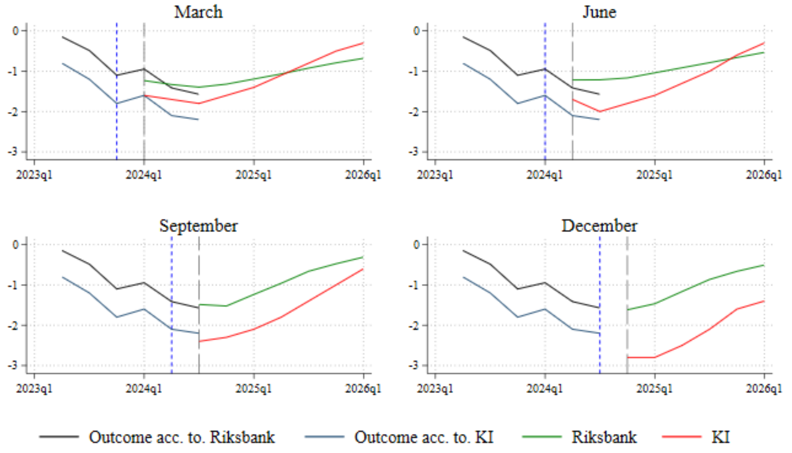
Figure 5.3 GDP growth and forecasts in 2024 by the Riksbank and the National Institute of Economic Research (KI)



Note: Per cent. Quarterly data. GDP is measured as quarterly change in fixed prices, seasonally adjusted values. Each point denotes the outcome for quarter starting at that time. The different figures reflect the information available at the monetary policy meetings when a full report is published (see table A.1). The vertical blue dashed line shows the latest known outcome at each meeting, and the meetings are indicated by the vertical grey dashed lines.
Source: The Riksbank and the National Institute of Economic Research (KI).

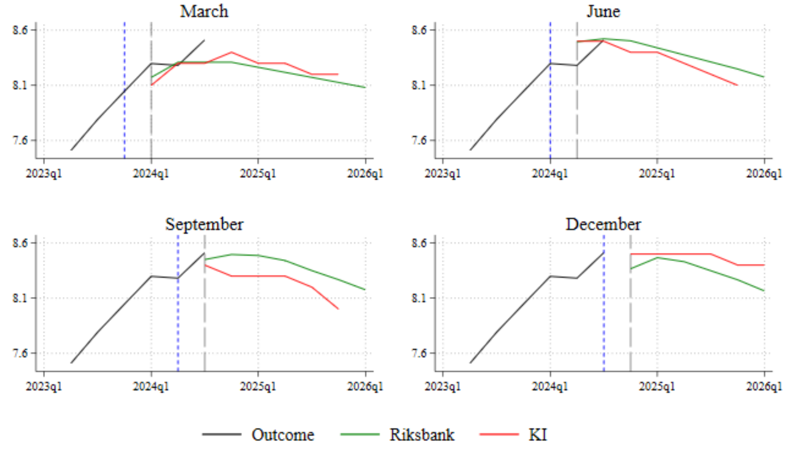
[13] The outlook for the employment rate largely coincides with unemployment. However, the forecasts for the employment rate are difficult to interpret on account of the forecast for the population statistics being revised between the March and June forecasts, see figure A.3 and the Riksbank (2024h).

Figure 5.4 GDP growth and forecasts in 2024 by the Riksbank and the National Institute of Economic Research (KI)



Note: Per cent. Quarterly data. Percentage of potential GDP, where potential GDP is measured in fixed prices, calendar and seasonally adjusted values. Each point denotes the outcome for quarter starting at that time. The different figures show the information at the monetary policy meetings when a full report is published (see table A.1). The vertical blue dashed line shows the latest known outcome at each meeting, and the meetings are indicated by the vertical grey dashed lines.
Source: The Riksbank and the National Institute of Economic Research (KI).

Figure 5.5 Unemployment 2024–2025, outcome and forecasts by the Riksbank and the National Institute of Economic Research (KI)



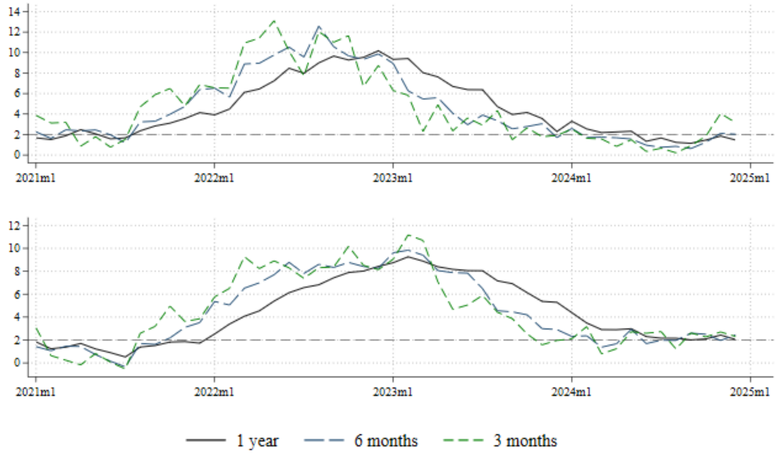
Note: Per cent. Quarterly data. Unemployment is measured among women and men between the ages of 15–74, calendar and seasonally adjusted values. Each point denotes the outcome for the quarter starting at that time. The different figures show the information at the monetary policy meetings when a full report is published (see table A.1). The vertical blue dashed line shows the latest known outcome at each meeting, and the meetings are indicated by the vertical grey dashed lines.
Source: The Riksbank and the National Institute of Economic Research (KI).

Inflation and the inflation outlook

As a background to the assessment of whether monetary policy has been well considered, it is relevant to get a snapshot of how inflation developed in 2024. Inflation is normally measured on an annual basis, as price changes in the last twelve months. This means that if inflation is on the way downwards, inflation in the last three or six months will be lower than the official figure which applies to the last twelve months. Such a delay with the measurement is known as the base effect. An obvious risk associated with focusing on the measurement, that is, inflation in the last twelve months, is that monetary policy can then become excessively retrospective, and that the interest rate is adapted too late. Figure 5.6 therefore shows how inflation developed in 2024 during shorter time intervals (for the sake of comparability, the price-change rate is given in per cent per year). The upper panel shows that CPIF in the last six months already fell below the 2 per cent target in December 2023, and then remained on or below target throughout 2024. CPIF inflation in the last three months was significantly more volatile, but was on or considerably below target until November 2024. The lower panel shows the underlying inflation calculated in the same way. Seen over six months, it fell below 2 per cent in March 2024 and then remained around target for the rest of the year. The three-month average shows a similar development, but exceeded 2 per cent during the last four months of the year.[14] In summary, this shows that inflation excluding the base effect was already on or at least close to target from the beginning of 2024. At the June meeting, this had been confirmed and the forecast for CPIF inflation was below target for the entire forecast period.

[14] According to the Riksbank, this partly depended on unexpectedly high food and product prices, as well as administrative prices and rents that reflect previous cost increases.

Figure 5.6 Inflation on an annual basis over the last three, six and twelve months according to CPIF (above) and CPIF-XE (below) 2020–2024



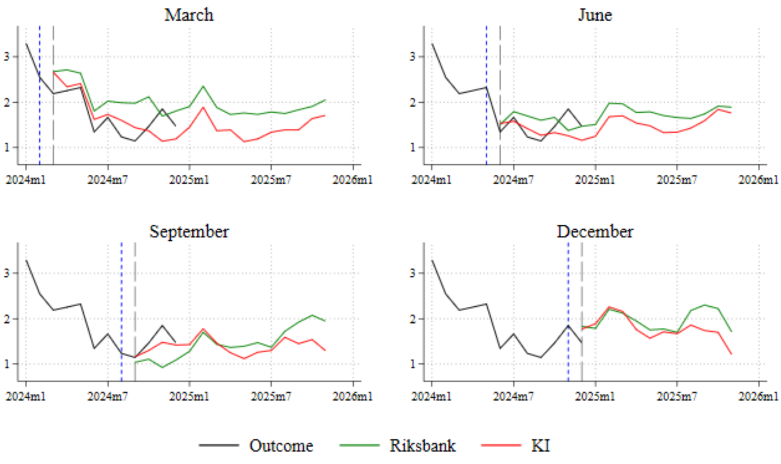
Note: Inflation on an annual basis according to consumer price index with a fixed interest rate (CPIF) and consumer price index with a fixed interest rate excluding energy prices (CPIF-XE). Per cent. Monthly data, seasonally adjusted. The horizontal line marks 2 per cent.
Source: The Riksbank.

In order to evaluate the monetary policy considerations, it is also relevant to examine whether the Riksbank's inflation forecasts seem reasonable. Figure 5.7 compares the Riksbank's forecasts for CPIF inflation with KI's. On the whole, the forecasts are similar, with the exception that KI already assessed in March that inflation would fall significantly below target for the whole of 2024. The Riksbank made the same assessment from June, that is, that CPIF inflation would be below or on target for the rest of 2024 and the first six months of 2025. Figure 5.8 shows the corresponding forecasts for underlying inflation. According to the Riksbank's forecasts during the first six months, inflation according to this measurement would stabilise around 2 per cent, while KI's forecast predicted that it would continue to fall down to 1 per cent.

Given the forecasts for the economy (GDP, unemployment and employment) and inflation that we have already presented, it is clear that the difference between KI's and the Riksbank's interest rate paths can primarily be explained by differences in the assessed GDP gap and inflation forecasts. The Riksbank assessed that the GDP gap was smaller than KI did and, consistently, that underlying inflation would be higher.

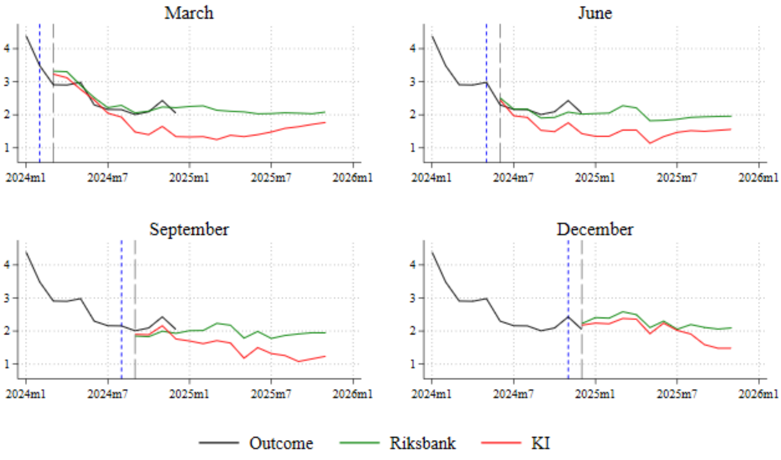
Based purely on the Riksbank's assessment of the economy and inflation, it still seems that monetary policy was excessively contractionary, primarily in the first six months of 2024. However, other conditions were also of significance for the assessment of the chosen monetary policy, and we will discuss these below.

Figure 5.7 Inflation 2024–2025, outcome and forecast for CPIF by the Riksbank and the National Institute of Economic Research (KI).



Note: Annual inflation according to consumer price index with a fixed interest rate (CPIF). Per cent. Monthly data. Each point denotes the month starting at that time. The different figures show the information at the monetary policy meetings when a full report is published (see table A.1). The vertical blue dashed line shows the latest known outcome at each meeting, and the meetings are indicated by the vertical grey dashed lines.
Source: The Riksbank and the National Institute of Economic Research (KI).

Figure 5.8 Inflation 2024–2025, outcome and forecast for CPIF-XE by the Riksbank and the National Institute of Economic Research (KI).



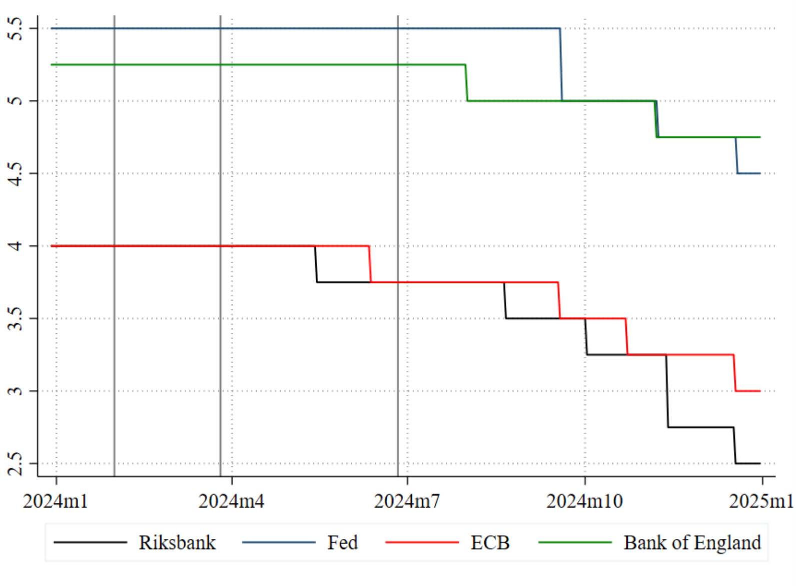
Note: Annual inflation according to the consumer price index with a fixed interest rate excluding energy prices (KPIF-XE). Per cent. Monthly data. Each point denotes the month starting at that time. The different figures show the information at the monetary policy meetings when a full report is published (see table A.1). The vertical blue dashed line shows the latest known outcome at each meeting, and the meetings are indicated by the vertical grey dashed lines.
Source: The Riksbank and the National Institute of Economic Research (KI).

The exchange rate and the actions of other central banks

One factor that can affect the Riksbank's monetary policy decisions is the potential effect of the exchange rate. Throughout the most recent period with high inflation, the Riksbank has expressed concern that the weak exchange rate would have a heavy impact on inflation. As we discussed in Section 3, the economy in Sweden was weak compared to other economies, and during 2024, inflation came down to target relatively early in Sweden, which in itself could justify why the Riksbank started to lower the policy rate before other central banks. However, the minutes from the first six months of 2024 contain frequent discussions on whether interest rate cuts might lead to a weaker krona, especially if the Riksbank takes action before other central banks. This would lead to more imported inflation (i.e. higher import prices) and would hamper a return to target.

Figure 5.9 shows in detail how the central banks changed their policy rates in 2024. With the cut in May, the Riksbank was nevertheless the first to lower the policy rate, followed by the ECB. The Riksbank lowered the policy rate twice before the Federal Reserve lowered it for the first time.

Figure 5.9 Policy rates in 2024 for the Riksbank, Federal Reserve and ECB



Note: Current data for four central banks' policy rates. The three vertical lines show the times of the Riksbank's monetary policy meetings that did not lead to a change in the policy rate (January, March and June). Source: The Riksbank (2025).

Our assessment is still that too much emphasis has been placed on the effect of the exchange rate and thus inflation. It is admittedly well-supported that the sensitivity of Swedish inflation to exchange rate changes has increased with the considerable rise in inflation. It is possible that this high level of sensitivity will continue. There is therefore reason to monitor the development of the exchange rate. The correlation between changes in the policy rate and exchange rate is, however, weak and uncertain (see Section 2.3). Research has produced no clear conclusions as regards movements in the krona exchange rate in connection with changes in the difference between the Riksbank's and, for example, the Federal Reserve's policy rates.[15] It is furthermore not reasonably so important which central bank lowers their rates first if the others also do so with a certain delay.

Possible differences in costs associated with low and high inflation outcomes

A further circumstance that the Riksbank needs to take into account is how different inflation risks should be evaluated. A common argument found in the minutes in the first six months of 2024 is that today's situation is characterised by great uncertainty, including geopolitical uncertainty, which leads in particular to "upside risks" of inflation. It is therefore advisable, according to the minutes, to wait before lowering the interest rate. It is somewhat unclear whether these upside risks involve a higher probability of high rather than low inflation or higher costs associated with high rather than low inflation. As the Riksbank's inflation forecasts should be unbiased, however, the probability of high outcomes should reasonably be included in the forecasts. One can, however, argue that the cost of deviations from the inflation target are asymmetrical, that is, that they are different for large costs associated with low and high inflation outcomes.[16] There is support for the claim that the many years of low inflation have shown that the risk of an uncontrolled deflation spiral is lower than we have believed. It is more difficult to claim that the risk of an inflation spiral, where inflation expectations lose their anchorage at inflation target, is also lower. The cost of deviations could therefore possibly be assessed to be asymmetrical. In our opinion, it could possibly have been reasonable to put a high cost on inflation above rather than below target, at least for the period we are assessing in this report, as we have recently been through a new period of high inflation, and the situation could still be described as unsettled. However, the Riksbank's thoughts regarding upside risks are not entirely clear to us. We therefore believe that it would have been of value if the Riksbank had been clearer in the description of its analysis in this regard.

The risk of having to reverse the policy rate trend

A final aspect to discuss is the question of whether switches between increases and decreases of the policy rate involve socioeconomic costs. In 2024, the

[15] For example, Mueller, Tahbaz-Salehi and Vedolin (2017) show that the Federal Reserve's and Bank of Japan's policy rate changes affect exchange rates, but that this does not apply to other central banks' policy rate changes.
[16] In many models a square cost function is used to approximate deviations from the inflation target. The cost is then symmetrical – a deviation of a certain number of per cent is equally costly, regardless of whether it is positive or negative. However, there is nothing that says that the cost must be symmetrical in this way.

minutes show signs that this cost was considered to be significant. On repeated occasions, the timing of lowering the policy rate is mentioned as a difficult question, but also that the policy rate will start to be lowered before inflation reaches target. The question is, however, how close to target it should be. According to the minutes, the Riksbank considers that it should take a flexible approach and therefore retain a high policy rate for a relatively long time on account of various uncertainties. The argument that is raised is that the Riksbank should lower the policy rate a little and then wait to see the how households respond, companies' price-setting behaviour and how close to full utilisation of resources the economy ends up. This argument is problematic as we know that the effects of monetary policy on the real economy and inflation typically occur with a certain delay and, furthermore, that the effects of small changes are very difficult to detect.[17] It therefore seems with this line of reasoning that the Riksbank is weighing up the risks of making two types of mistakes: lowering too late and lowering now and then having to raise the policy rate again at a later point. Taking such considerations into account is not unique for the Riksbank, but seems to occur in other central banks' monetary policy too.[18] It appears that central banks generally perceive a reversal of the policy rate to be costly. However, it is not clear what this cost consists of. It is of course obvious that a monetary policy that bases interest rate decisions on the most recent inflation figures would be misleading and would probably lead to excessive variability of the policy rate. However, new information about the more long-term inflationary pressure in the economy and inflation expectations should have an impact on interest rate decisions.

The possible cost of a reversal could consist of a loss of credibility. Here, however, we consider that well-formulated communication could eliminate or at least drastically reduce this cost. Reversals are sometimes necessary. A central bank's credibility is also based on the fact that the public expect monetary policy to actually change when relevant new information becomes available. If the central bank pursues a comprehensible monetary policy, the cost associated with changes should not be especially great at all. It would not be appropriate to constantly change the policy rate up and down at each meeting, especially if the available information between meetings has not changed significantly. However, if new information is received and the Riksbank, for fear of losing face becomes too slow and cautious, this will be detrimental to the economy and also to the credibility of the Riksbank. Our assessment is that there may have been such tendencies in the first six months of 2024.

It is, in other words, important that a central bank communicates that it may have to reverse the development of the policy rate and deviate from its forecasts if it receives new information. It is, however, not enough to point this

[17] There is admittedly reason to believe that monetary policy in Sweden has a smaller delay than in many other countries and that the delay has become shorter in recent times, but studies still indicate that the maximum effect is achieved after 4-8 quarters (Erikson and Walentin, 2024; Di Casola and Iversen, 2019; Hopkins, Lindé and Söderström, 2009; and Lindé, Nessén and Söderström, 2009).

[18] Two common expressions for this in English are interest rate smoothing and policy inertia.

out, it should also describe the different outcomes that it particularly believes could necessitate such a reversal. One way of doing this is to present different scenarios, as pointed out by Hassler, Krusell and Seim (2023). In this way, the cost of reversing previous decisions would be reduced. We note that the Riksbank has followed this advice and hope that this will become established and further developed.[19]

Our conclusions on the balancing of monetary policy

After this review, our first conclusion is the following. The monetary policy decisions, which meant that the policy rate was lowered in stages from 4.0 to 2.5 per cent, were generally well balanced. However, it still seems that the Riksbank should have lowered the policy rate somewhat quicker, for example, with a cut in June, following the fall in inflation, inflation expectations and the economy. This conclusion does not conflict with the fact that the Riksbank was the first to lower its policy rate of the group of central banks we have focused on. As noted above, the various economies were at slightly different phases. Even if it is natural for central banks to follow the same pattern in their decisions to some extent, full synchronisation cannot be expected or recommended. The Riksbank chose, in our opinion, to retain a contractionary monetary policy for a little too long, despite the fact that it was early to lower the policy rate in an international perspective.

Our second conclusion concerns the bank's argumentation and communication regarding its decisions: these should be clear and consistent. We have identified four reasons used to justify a more contractionary approach.

Two of the reasons seem reasonable, but we are critical of the lack of clarity around these. This applies to the increased focus on underlying inflation and the view of costs associated with an excessively high inflation. The fact that inflation, according to the official measure, CPIF, was so volatile means that it is reasonable to place considerable weight on the underlying inflation, which probably says more about the direction inflation is headed. If such a shift in focus occurs, however, it is important to communicate this. In the same way, the Riksbank could have been clearer about whether it considered that there were asymmetrical risks connected with inflation, in addition to what is caught in inflation forecasts, or asymmetrical costs associated with excessively high or low inflation. This is our main objection regarding these reasons; for the sake of credibility, it is important that arguments are clarified, and this is probably more important than exactly optimising the level of the policy rate.

We are more sceptical to the other two reasons. The first is the focus on the exchange rate and that the Riksbank assessed the risk of a backlash on inflation via the exchange rate channel as great, especially if it acted before the major central banks. The evidence of how the exchange rate is affected by the Riksbank's policy rate changes is weak. The second reason is that the Riksbank

[19] The fact that it can be optimal to raise the policy rate directly after lowering it can be seen in two scenarios from September and December 2024.

seems to have perceived it as costly to possibly need to reverse the policy rate trend, and that the risk would have been higher if it had chosen to lower the rate earlier in 2024. We believe that the Riksbank can deal with the risks of a reversal of the policy rate by being clear in its communication. This can in turn strengthen the Riksbank's credibility.

So what was the cost of pursuing what was perhaps a slightly too contractionary monetary policy? Our assessment is that while it is not negligible, it is still relatively small. An important reason for this is the financial conditions that applied in the form of low long-term interest rates as illustrated in Sections 3 and 4. In many respects, these long-term interest rates are more important for economic activity than short-term ones (such as the policy rate).[20] It is difficult to say for certain, but the fact that the long-term interest rates were so much lower than the short-term ones signals that the market made the assessment that future short-term interest rates would fall. This should affect the behaviour of companies, and to some extent households, and in this case limits the costs associated with the Riksbank's policy rate possibly being somewhat too high for part of the year.[21] Another reason is that our overall assessment is that a policy rate of 2.5 per cent at the end of the year was well considered. It is, in other words, a matter of the policy rate having been slightly too contractionary for a limited period.

What is new in this year's evaluation is that we have had access to the material that the Monetary Policy Department (APP) prepares ahead of the monetary policy decisions. As this material provides further information about which factors were given great weight and the analysis that was prepared, we can also examine whether there were other arguments besides those mentioned in the minutes. In connection with our conclusion that monetary policy was slightly too contractionary for too long, we have particularly studied the material from the June meeting to examine the view on fulfilment of objectives and weighing up different considerations.

A monetary policy decision is prepared in several stages in a process that starts several weeks before the actual decision. An important aspect of the preparation is the relatively large meeting that takes place approximately two weeks before the decision. The meeting is internally known as "General-PBG 1" (General monetary policy preparation group). At this whole-day meeting, the Executive Board and most of the APP participate. New information about Swedish and international economic developments are presented as is new information about other central banks' monetary policy decisions. The focus at this meeting is not to discuss what decision the Executive Board should take.

[20] Even if Swedish households and businesses largely have short interest rate fixation periods on loans, their economic behaviour is influenced to a great extent by expectations regarding future short-term rates, which can be detected in the long-term interest rates.

[21] One can argue in the same way about the Riksbank's interest rate paths. The fact that the market's interest rate paths are somewhat below the Riksbank's (see figure 5.2) shows that the financial conditions de facto were not as contractionary as the Riksbank's interest rate paths. If the Riksbank's paths deviate in a systematic way from market expectations, for example, are mainly higher, this is in itself problematic; see Section 2.2, 5.3 and Hassler, Krusell and Vestman (2024).

Nevertheless a hypothetical monetary policy decision forms the basis of parts of the analysis that is presented. The following day, a meeting with fewer participants is held, known internally as “General PBG 2”. The focus at this meeting is on the monetary policy decision.

We note that the main scenario in the material for General PBG 1 is to leave the policy rate unchanged, but that the interest rate path be adjusted somewhat. At the General PBG 2, an unchanged policy rate is discussed and scrutinised to a considerably greater extent. It is noted that the fulfilment of objectives in the event of an unchanged policy rate in the short term is poorer, as the GDP gap is negative and inflation is below target. A number of arguments for and against a lowering of the interest rate are discussed. The low and falling inflation, together with a weak economic development argues in favour of a somewhat less restrictive monetary policy. Lowering the policy rate is a reasonable way of implementing this. Arguments that are made against lowering the policy rate are that the credibility of monetary policy may be negatively impacted as a lowering deviates from the guidance on future interest rates that has previously been communicated. It is also argued that the scope for action to increase the policy rate will be limited if inflation forecasts turn upwards again.

Our assessment after having studied the material is that it supports the analysis we have presented above. The information available at the time of the June meeting indicated that a lower policy rate than that which applied would have been more well balanced. However, changing the interest rate and risking the need to reverse this decision if inflation increased again was assessed to be costly for the Riksbank’s credibility. As previously stated, our assessment is instead that these costs are small in the context. Our view is that, given that the Riksbank is able to effectively and credibly communicate that new information should be allowed to change future interest rate decisions, it is possible to avoid that previous interest rate decisions and forecasts are given excessive importance when decisions are taken.

5.3 Follow-up of handling of criticism in previous reports

The Riksbank’s use of scenarios

In every monetary policy report published by the Riksbank in 2024, two different scenarios were presented. It applied a similar type of analysis in 2023. These scenarios study the monetary policy response to specific disturbances that were topical at the time. The previous evaluation by Hassler, Krusell and Seim (2023) pointed out that the value of an analysis of different scenarios is high, which has also been highlighted by the IMF (IMF, 2025). In our opinion, different scenarios could have been used even more this year. There is some follow-up of previous scenarios in the monetary policy reports, but the scenarios could be used more to look back on situations where the outcome differs from previous main scenarios.

As we have described in Section 5.2, the Riksbank should have chosen to lower the interest rate somewhat earlier in 2024. If it had decided to do this, the scenario analysis could have been used to draw attention to the fact that the interest rate may have to be raised again later in the year. The fact that it may be optimal to raise the policy rate directly after lowering it can be seen in two scenarios from September and December 2024. In this case, the scenario could have been part of the Riksbank's communication at the March or June meeting.

We also consider that the Riksbank's scenario analysis is valuable as it can highlight the Riksbank's approach to new kinds of risks. An example of this is when scenarios take into account different price-setting behaviours of businesses in the September report. Another example is the analysis of the question of higher customs tariffs in the December report. In order to make the analysis even easier to understand, the Riksbank could have been clearer about which commitments and specific scenarios are studied. The current analysis seems more qualitative than quantitative. For example, the Riksbank mentions that the asymmetry of the two different policy rate paths should not necessarily be interpreted to mean that the Riksbank regards the risks associated with the policy rate forecast as unbalanced. Here, more information would have been desirable.

The Riksbank's use of interest rate paths

Last year's report raised the issue of the difference between the Riksbank's interest rate paths and market expectations. We discussed the reasons why such differences need to be clarified, both for the bank itself and for the public. There is a risk otherwise that the Riksbank's credibility will be impacted by unexplained and lasting differences. We also note that the Riksbank discusses these matters in the monetary policy report from March 2024.

Figure 5.2 shows the Riksbank's interest rate paths together with market expectations at the times of the reports. The most striking difference between the Riksbank's and the market's interest rate paths is that the Riksbank's paths are more or less consistently higher than the market's. The differences can be seen in the panel on the right of figure A.4. In March and June, however, the differences are relatively small in the short term (for the coming three quarters), while they increase later in the year. In September, the difference is 0.42 percentage points over a period of three quarters. In a longer perspective, the differences are often greater, but there is more uncertainty associated with these forecasts, and it is more difficult to obtain a full evaluation of the reasons for these differences.[22] In general, the Riksbank's paths in a longer perspective are well-synchronised with the macroeconomic developments that the bank forecasts. This is a clear improvement compared to the paths published in 2023, as the paths are now more consistent with other macroeconomic

[22] At most, the difference is 0.66 percentage points over a 1 1/2-year perspective.

forecasts. In a comparison with 2023, the differences are also smaller between the Riksbank's and the market's interest rate paths in a long-term perspective.

In a shorter perspective, that is, up to three quarters ahead, however the differences were not noticeable in 2024 compared to 2023. In both 2023 and 2024, the Riksbank was late in adjusting its paths. More specifically in 2024, the differences are in line with the criticism we present in this report (that is, that the Riksbank should have lowered the policy rate a little earlier). The market predicted that the Riksbank should lower the policy rate earlier in 2024, and did not believe in the paths communicated by the Riksbank. As we discussed in Section 2, this is potentially problematic, as it signals wavering credibility for the interest rate path in its role as a monetary policy tool. The point of interest rate paths as a tool is admittedly that they should be able to deviate from market expectations, but it is a problem if they deviate systematically over time as they lose credibility then.

5.4 Common criticisms of the Riksbank

Here we discuss common comments on, and primarily criticisms, directed at the Riksbank's monetary policy. These are stylised, and are not exact reproductions of comments that have actually been made.

1. *Many commentators pointed out that the Riksbank had made a mistake by not lowering the policy rate earlier in 2024, as short-term inflation had fallen to roughly around target. Were they right?*

In particular at times when inflation has drastically deviated from target, it is difficult to assess how quickly the policy rate can return to normal levels. However, we consider that there existed reasonably clear information to indicate that a somewhat more rapid lowering would have been a more balanced action. The argument that this could have required a reversal, which would have affected the Riksbank's credibility is, in our opinion, not sufficiently strong. However, we do not believe that society has had to bear more than marginal losses as a result of a delayed lowering of the policy rate.

2. *If the exchange rate falls by 15 per cent, does that make us 15 per cent poorer?*

No, for several reasons. The nominal exchange rate fluctuates considerably, in both the short and the long term, so the question is a valid one. In a short-term perspective in particular, these fluctuations are also difficult to explain. It is true that the short-term fluctuations affect our international purchasing power, e.g. the cost of taking holidays at home or abroad. However, this only has marginal consequences for our prosperity. A temporarily lower exchange rate also tends to increase demand targeted at domestic producers, as exports increase and imports decrease. This leads to increased domestic production. The consequences of changes in exchange rate therefore need to be taken into account by the Riksbank. In a longer perspective, however, there is no reason to believe that fluctuations in the nominal exchange rate have a significant impact on our prosperity. The short-term fluctuations in the exchange rate are difficult to explain and normally only have a small effect on long-term economic developments. Long-term trends in the exchange rate are driven by other factors, such as differences in inflation, and are not obviously detrimental to the economy.

3. *Can we trust the Riksbank when there is disagreement within the Executive Board? Is it important that the Executive Board is unanimous?*

Monetary policy decisions are based on a consideration of statistics, models, less formal assessments and qualified guesses. Pinpointing the correct level for the policy rate is often not entirely obvious. The purpose of having an Executive Board is that several people make these assessments and discuss them together. It is also customary for the members of the Executive Board to be specialised in different areas and they naturally therefore have different perspectives. Neither a vote without a discussion nor a requirement that there be consensus are the right way to go. Disagreement can arise for natural reasons, and this is no problem in itself. Above all, it is important to clarify the reason for any disagreement, so the disagreement in itself is not detrimental. However, disagreement may stem from uncertainty, for example, about global events, and this uncertainty may be problematic for the economy.

4. *The Riksbank's job is simple – all it needs to do is follow the ECB and the Fed. Do we even need a central bank in Sweden?*

There are naturally global factors that affect the way interest rates should be set in Sweden, the euro area and the USA. It is therefore natural for interest rates to develop in parallel. The fact that Sweden has its own currency, however, means that we can pursue an independent monetary policy and determine the interest rate based on what is right for Sweden. The Riksbank does not need to set and does not always set the same interest rate as the ECB and the US central bank; on the contrary, it is striking that the policy rates in the various countries differ to such a great extent (e.g. the US interest rate at the end of the year was 2 percentage points above the Swedish one). It is sometimes important that the Riksbank uses this opportunity by adjusting the interest rate earlier or later than other central banks. 2024 is a clear example of where the Riksbank was the first to lower; it did not in other words, follow the other central banks; instead they followed us. The conditions for Sweden's monetary policy are also affected to a certain extent by the interest rates that are set in other countries. However, these effects are not so strong as to necessitate that the Riksbank does the same as other countries' central banks.

5. *Why is the interest rate twice as high in the USA as it is in Sweden?*

The factors that determine what is a correctly considered policy rate are not identical in different countries. An important difference between Sweden and the USA is that the USA has large federal budget deficit, which drives demand in the economy and motivates higher interest rates. Another important difference is that mortgages in the USA normally have a fixed 30-year interest rate.

These differences mean that both the need for a higher interest rate and its effects are different in the USA and in Sweden.

6. *When the Riksbank raises the interest rate, households that are in debt suffer.*

This is true, in the sense that one important way, and probably the most powerful, in which the Riksbank steers demand in the economy is by influencing the interest payments of households in debt. If these increase, there is less left for consumption, which leads to a cooling of the economy. As all households do not have the same level of debt it is inevitable that interest rates affect households to different extents. It is also inevitable that the distribution of debt has a distinct generational profile. Young households which have recently purchased their own home generally have higher debts than older ones. But it is important that debt levels are not so great that interest rate increases with the purpose of cooling down the economy when needed lead to serious problems for many households. To ensure that this does not happen, responsible lending, regulation and bank supervision are required.

6 Broader monetary policy questions

In this chapter we discuss briefly the Riksbank's earnings and independence, as well as inflation in the last year in an international perspective.

6.1 Own earnings and restoration of equity

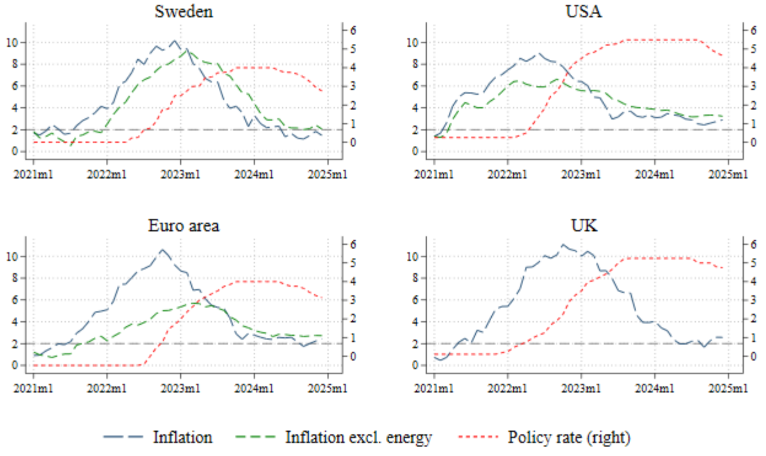
Previous reports from CeMoF have discussed the correlation between the Riksbank's financial independence and opportunities to pursue an independent monetary policy. In 2024, this question was accentuated by the Riksbank's earlier large losses on its holdings of interest-bearing assets. The Riksbank requested, and was granted, a capital injection from the central government budget, which improved its balance sheet, even if its equity still has not been restored to the base level. The Riksbank Act has furthermore been amended to allow the Riksbank to increase its earning capacity by imposing requirements for interest-free deposits in the Riksbank from credit institutions. The issue of banknotes and coins – a traditional source of income for central banks – no longer provides any significant earnings as banknotes and coins are used very sparingly in the economy today, which is why the opportunity to demand interest-free deposits may be regarded as an alternative source of funding for the Riksbank. We still believe that the question of how the Riksbank's independence is affected by its balance sheet, and today also in view of the new interest-free form of borrowing, is of significance for the conditions of monetary policy. It would be interesting to evaluate this matter, but this is difficult and lies outside the framework of this report.

6.2 Monetary policy in recent years from an international perspective

The last few years have been characterised by high inflation, at levels not observed since the early 1990s. High inflation has not only been a Swedish phenomenon, it has also affected people and businesses throughout the world. Figure 6.1 shows how inflation has developed over the last four years in Sweden, the USA, the euro area and the UK, together with the development of the policy rates in each of these areas. The figures reveal some clear patterns which in general terms are similar across the four areas. The heavy rise in inflation between 2021 and 2023 has now largely disappeared and we have once again returned to levels around 2 per cent. The policy rates were increased significantly as a result of higher inflation, but all of the central banks waited relatively long to raise their interest rates. The policy rates also seem to have been kept at relatively high levels, despite the fact that inflation fell close to target in all four areas.[23]

Even if there are many similarities, Figure 6.1 also shows clear differences between the large economies and Sweden. Inflation started to rise earlier in the USA than in the other areas, but it did not rise to quite as high levels. There have also been several backlashes regarding inflation in the USA, where inflation did not fall to target in 2024. As regards policy rates, the Federal Reserve and Bank of England increased their interest rates to higher levels than Sweden and the euro area had done to date. There are more important reasons that could explain the differences in the monetary policy that has been pursued in these areas. We do not intend to give a detailed description of potential explanations, but we want to highlight what is sometimes discussed in the media, and about which there is some research.

Figure 6.1 Inflation and policy rates in Sweden, the USA, the euro area and the UK, 2021–24



Note: Inflation concerns CPIF for Sweden, HICP for the euro area and CPI for the USA and the UK. Inflation excl. energy prices concerns CPIF-XE for Sweden, HICP excl. energy and food, calendar and seasonally adjusted values for the euro area, and CPI excl. energy and food for the USA and UK. Each point denotes the outcome for quarter starting at that time. Monthly data. Source: The Riksbank.

Sweden's wage formation system

Sweden's labour market is characterised by the fact that the companies' nominal salary costs are predictable in the short term (see Section 2.3). This is presumably advantageous for the Riksbank and for Sweden when inflation is temporarily high as it reduces the risk that the economy will end up in a price-wage spiral. A possible sign of this is that real wages fell less than in other euro countries between 2022 and the first quarter of 2024 than in Sweden

[23] This relates to Section 5.2 where we discuss the fact that central banks seem to perceive it as costly to need to reverse a policy rate change in the near future.

(National Institute of Economic Research, 2024). The fact that the risk of a price-wage spiral is less is, in turn, favourable for formation of expectations as regards inflation, and it increases the credibility of the inflation target. This means, in turn, that the Riksbank, at least in theory, should be better prepared and to a greater extent be able to disregard any short-term supply disruptions, and not have to raise the policy rate as much as other central banks while retaining the credibility of the inflation target.

The size of the economy and currency

Sweden's economy differs, primarily from that of the euro area and the USA as it is small and highly dependent on the global situation. Both exports and imports are important for the Swedish economy and welfare, and are affected by the exchange rate. The Swedish krona also has a completely different role from the US dollar and the euro, and for example, geopolitical uncertainty is often assessed to strengthen the currencies that make up a central part of international financial portfolios. Increases in certain commodity prices can affect us differently to the extent that they are more or less important to us than in the other areas. For example, increased fuel prices can have a serious impact in countries which are net importers, but can even give advantages to net exporters. When interest rate decisions and paths are compared, these factors should be taken into account, especially to the extent that global developments affect the different currency areas in different ways.

The housing market and setting of the interest rate

The effects of monetary policy on the housing market often receive considerable attention, not just in the media, but also in research literature. Ever since the financial crisis, there has been some concern in Sweden that higher interest rates will be difficult to deal with on account of a relatively high level of indebtedness among households and short-term interest rates on mortgages. With the higher interest rates in recent years, however, it has been established that Swedish households have dealt with these higher costs relatively well. This may partly depend on increased savings in the period before inflation rose, and that many of the most indebted households had good margins. The fact remains, however, that Swedish households' cash flows are more directly affected by changes in the interest rate than in many other countries.

The fact that Swedish households are more sensitive to interest rate changes may lead to monetary policy having a quicker and greater effect than, for example in the USA. American households have completely different kinds of mortgages than in Sweden; most mortgages have a fixed-interest period of 30 years, which means that households are not affected by the Federal Reserve's interest rate changes through their mortgages to the same extent. Sensitivity to interest rates is therefore generally lower among American households than it is in Sweden.[24] The differences in the households' sensitivity to interest rate changes may have contributed to the Federal Reserve needing to raise the interest rate more than the Riksbank in order to control rising inflation in recent years. At the same time, it may have contributed to it being optimal for the Riksbank to lower the interest rate again at an earlier stage, as the high interest rates may have had a greater impact in Sweden. We thus wish to point out that it is important that the Riksbank is willing, in periods, to deviate from the interest rate policy that is pursued by the large central banks.

Conclusions

Over time, the world has become increasingly intertwined and disruptions to economies can therefore spread more rapidly between countries. It is therefore natural that the high inflation of recent years has become a global problem. Despite different economies to a great extent having faced similar problems, there are considerable differences between them, as a result of which the central banks' optimal actions have probably differed. In order to highlight these problems, we have chosen primarily to focus on three areas in which Sweden's economy naturally differs from that of the USA, the euro area and the UK. The conclusions of our discussions here can be expressed in two ways. Arguments are sometimes made that Swedish monetary policy is very simple and hardly calls for an ambitiously constructed central bank – just follow the ECB's interest rates! This is not true, in view of the arguments we have put forward. The analysis that is regularly carried out based on comparisons between different central banks' interest rate policies – both by the Riksbank itself and others – should take into consideration the differences in conditions and transmission mechanisms that exist between countries. Finally, we need to point out that this discussion is of course closely connected with a much broader question which is far removed from our task here – namely that of evaluating the advantages and disadvantages of abandoning an independent currency and instead adopting the euro as a means of payment, or following Denmark's example and choosing to introduce a fixed exchange rate vis-à-vis the euro.

[24] The US housing market, however, encountered other serious problems when interest rates started to rise. For most households, it became considerably more expensive to move, as this automatically leads to a renegotiation of one's mortgage, which meant that large parts of the housing market stagnated (lock-in effects).

7 Summary and concluding remarks

This has been an eventful period for central banks, ever since inflation started to rise in 2021. When we look back on the whole of the latest period of high inflation, we can see that the monetary policy framework has been successful in many parts of the world, including Sweden. Inflation has fallen again close to target level and the long-term expectations are well-anchored around target.

In 2024, Sweden was affected by a deepening recession, and inflation came down towards the 2 per cent target early during the year. From early 2024, the Riksbank discussed the possibility of lowering the policy rate in the near future, but that it was waiting for further confirmation that underlying inflation would fall to close to 2 per cent. It subsequently lowered the policy rate for the first time in May. During the year, the Riksbank then lowered the policy rate from 4.0 to 2.5 per cent.

Our assessment is that Sweden's monetary policy during the year has met its objectives and that on the whole it has been well considered, but that it would probably have been better to lower the policy rate a little earlier. The inflation forecasts and expectations, as well as inflation based on high-frequency data, were already close to the 2 per cent target at the beginning of the year, and the forecasts showed that the Riksbank expected inflation to fall below target for large parts of 2024 and also 2025.

The Riksbank's arguments and communication on its interest rate decisions are also important. When we study and evaluate these arguments, we have objections to some of them, while others appear reasonable. We are critical to the argument that the bank should postpone a cut in the interest rate in order to avoid a weakening of the Swedish krona. We are also sceptical to the argument that it was inappropriate to lower the interest rate early during the year because it would increase the risk of having to increase the interest rate again. Waiting until the effects of monetary policy become visible is not a good argument either, as such effects typically appear with a significant delay and are small and difficult to detect as regards marginal interest rate changes. In addition, we recommend that the Riksbank is clearer with its future communication in two respects. This concerns partly the assessment of whether the costs associated with excessively high inflation outcomes are greater than the costs associated with low outcomes, and partly the extent to which the Riksbank in certain periods of high volatility in CPIF inflation chose to place a greater emphasis on the development of inflation according to other measurements.

In summary, our assessment is that even if the Riksbank's monetary policy was somewhat too contractionary early in the year and communication on this policy could have been clearer, the costs associated with this have been small. We therefore consider that on the whole, the pursued monetary policy has been reasonable.

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9 Appendix

Table A1 Monetary policy decisions 2024

Date of meeting	Policy rate		Grounds for the decision*
	Change	New level	
31 January (U)	0	4.0	*The Riksbank's rate increases have contributed to a fall in the earlier high inflation. However, when energy prices are excluded, inflation is still too high and there is a risk of setbacks. The Executive Board has decided to leave the policy rate unchanged at 4 per cent. The assessment is that contractionary monetary policy is still needed to stabilise inflation close to target. At the same time, the Executive Board now assesses that there is less risk of inflation becoming entrenched at levels that are too high. The policy rate can therefore probably be cut sooner than was indicated in the November forecast. The pace of government bond sales increased to 6.5 billion per month.*
26 March (R)	0	4.0	*Inflation is in the process of stabilising at the target, but inflationary pressures are still somewhat elevated. The Executive Board has therefore decided to leave the policy rate unchanged at 4 per cent. It is likely that the policy rate can be cut in May or June if the outlook for inflation remains favourable.*
7 May (U)	-0.25	3.75	*Inflation is approaching the target while economic activity is weak. The Riksbank can therefore ease monetary policy. The Executive Board has decided to cut the policy rate by 0.25 percentage points to 3.75 per cent. If the outlook for inflation still holds, the policy rate is expected to be cut two more times during the second half of the year.*
26 June (R)	0	3.75	*Inflation is close to the target and economic activity is weak. The Executive Board considers that monetary policy should be adjusted gradually, and has decided to hold the policy rate unchanged at 3.75 per cent. If inflation prospects remain the same, the policy rate can be cut two or three times during the second half of the year.*
19 August (U)	-0.25	3.50	*Inflation is in the process of stabilising at the target, and economic activity is weak. The Executive Board has decided to cut the policy rate by 0.25 percentage points to 3.5 per cent. If the inflation outlook remains the same, the policy rate can be cut two or three more times this year, which is somewhat faster that the Executive Board assessed in June.*

Date of meeting	Policy rate		Grounds for the decision*
24 September (R)	-0.25	3.25	*The Executive Board has decided to cut the policy rate by 0.25 percentage points to 3.25 per cent. If the outlook for inflation and economic activity remains unchanged, the policy rate may also be cut at the two remaining monetary policy meetings this year. A cut of 0.5 percentage points is possible at one of these meetings. Moreover, the forecast indicates one or two further rate cuts during the first half of 2025. The policy rate is thus expected to be cut at a clearly faster pace than was previously communicated, which contributes to stronger economic activity and an inflation rate close to the target.*
6 November (U)	-0.50	2.75	*To provide further support to the economy and help inflation stabilise at the target, the Executive Board has decided to cut the policy rate by 0.5 percentage points to 2.75 per cent. If the outlook for economic activity and inflation remains the same, the policy rate may also be cut in December and during the first half of 2025, in line with what was communicated in September.*
18 December (R)	-0.25	2.50	*To provide further support to the economy and help inflation stabilise at the target, the Executive Board has decided to cut the policy rate by 0.25 percentage points to 2.5 per cent. If the outlook for inflation and economic activity remains unchanged, the policy rate may be cut once again during the first half of 2025.*

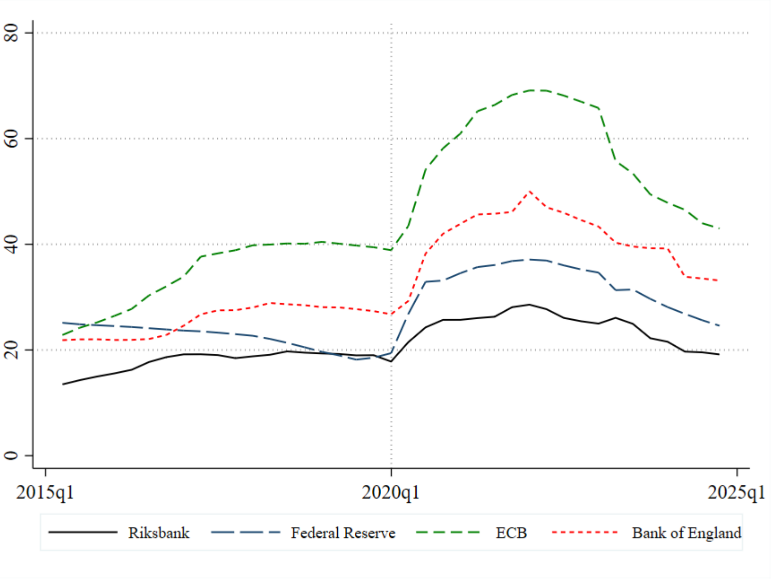
Note: * Quotes from the summaries in the press releases and minutes. “U” and “R” respectively denote whether the occasion coincided with a monetary policy update or report.

Table A2 Monetary policy decisions 2023

Date of meeting	Policy rate		Grounds for the decision*
	Change	New level	
8 February	+0.5	3.0	*Inflation is far too high and has continued to rise. For inflation to fall and stabilise around the target within a reasonable time, the Executive Board has decided to raise the Riksbank's policy rate by 0.5 percentage points to 3.0 per cent. The Executive Board has also decided that as from April, the Riksbank shall sell government bonds in order to reduce its asset holdings at a faster rate and to offer an increased volume of Riksbank Certificates in its weekly monetary policy operations.*
25 April	+0.5	3.5	*For inflation to fall and stabilise around the target within a reasonable time, the Executive Board has decided to raise the Riksbank's policy rate by 0.5 percentage points to 3.5 per cent. The forecast for the policy rate shows that it will probably be raised by a further 0.25 percentage points in June or September.*
28 June	+0.25	3.75	*For inflation to return to the target of 2 per cent within a reasonable time, the Executive Board decided to raise the Riksbank's policy rate by 0.25 percentage points to 3.75 per cent. The forecast for the policy rate is that it will be raised at least once more this year. The Executive Board also decided to increase the rate of the Riksbank's sales of government bonds from SEK 3.5 billion to SEK 5 billion per month as from September this year.*
20 September	+0.25	4.0	*For inflation to fall back and stabilise around the target of 2 per cent within a reasonable period of time, the Executive Board has decided to raise the policy rate by 0.25 percentage points to 4 per cent. The forecast for the policy rate indicates that it could be raised further.*
22 November	0	4.0	*Monetary policy has reduced demand in the Swedish economy and contributed to an easing of inflationary pressures. The Executive Board assesses that monetary policy needs to remain contractionary. However, it is now appropriate to leave the policy rate unchanged. At its monetary policy meeting on 22 November, the Executive Board decided to keep the policy rate at 4 per cent. The Executive Board is prepared to increase the policy rate further if the outlook for inflation deteriorates.*

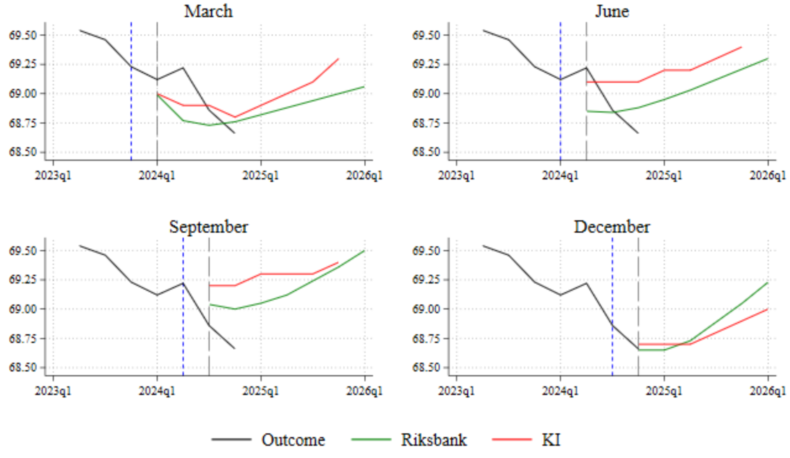
Note: * Quotes from the summaries in the minutes.

Figure A.1 The central banks' balance sheets relative to GDP (2015–2024)



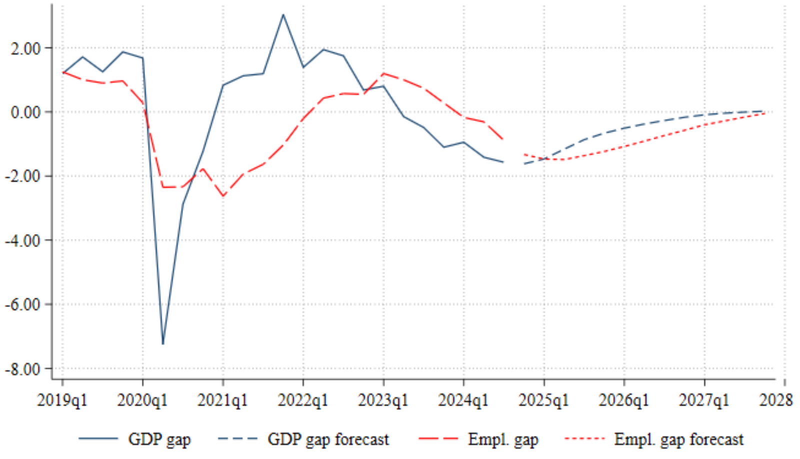
Note: Quarterly data.
Source: The Riksbank.

Figure A.2: Figure 5.5 Employment rate 2024–2025, outcome and forecast by the Riksbank and the National Institute of Economic Research (KI)



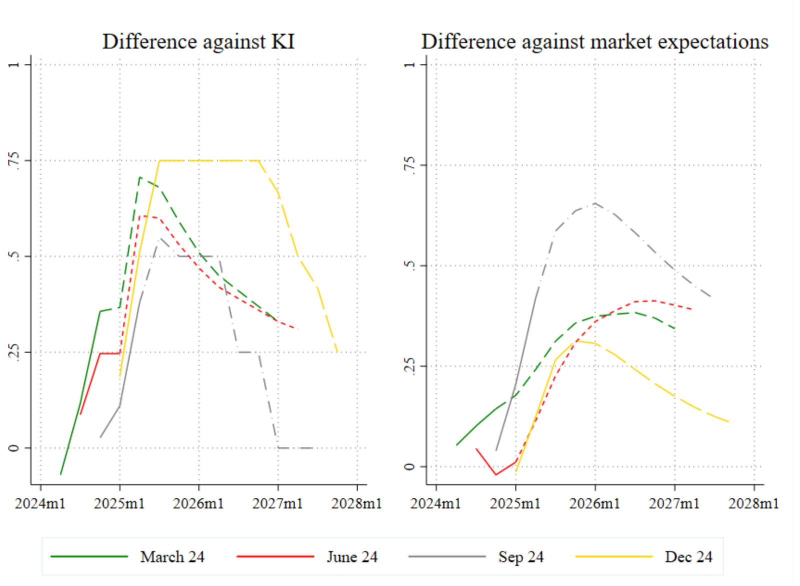
Note: Per cent. Quarterly data. The employment rate is measured among women and men between the ages of 15–74, calendar and seasonally adjusted values. Each point denotes the outcome for quarter starting at that time. The different figures show the information at the monetary policy meetings when a full report is published (see table A.1). The vertical blue dashed line shows the latest known outcome at each meeting, and the meetings are indicated by the vertical grey dashed lines.
Source: The Riksbank and the National Institute of Economic Research (KI).

Figure A.3: The GDP gap and employment gap, outcome and forecasts, 2019–2024.



Note: Per cent. Quarterly data. The gap refers to the deviation of GDP and employment from the long-term trend assessed by the Riksbank. A solid line shows the outcome and the dotted line shows the Riksbank's forecast. Each point denotes the outcome for the quarter starting at that time. The figure shows available data at the monetary policy meeting in December 2024.
Source: The Riksbank.

Figure A.4 Difference between the Riksbank's, National Institute of Economic Research's and market's interest rate paths



Note: Differences calculated as the Riksbank's nominal interest rate paths minus the National Institute of Economic Research's interest rate paths (left panel) and the Riksbank's nominal interest rate paths minus market expectations (right panel). Market expectations calculated as quarterly averages. The first nine months are indicated by a solid line. Further out on the horizon the lines are dashed.
Source: The Riksbank and its own calculations.

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