

Monetary policy needs to act so that high inflation does not become entrenched

April 2022

Monetary policy spring 2022

- The repo rate is raised from zero to 0.25 per cent
- Gradual policy rate increases in the coming years
- Halve purchases of securities, holdings decrease



Monetary policy in a new situation

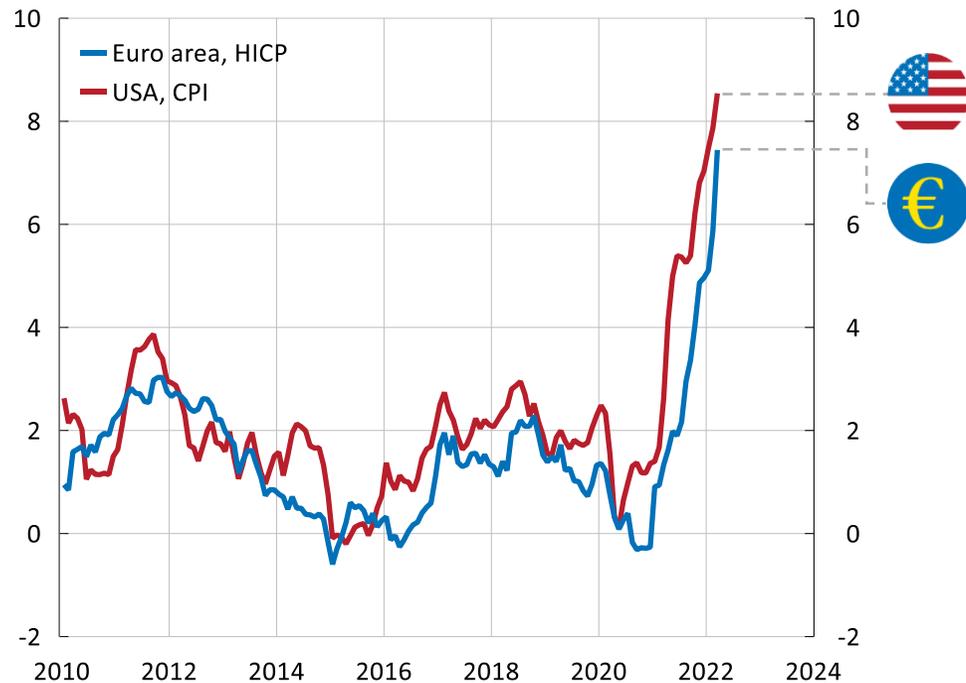
- Inflation has risen significantly more than expected
- Russia has invaded Ukraine
- The pandemic has closed down parts of China
- The problems with inputs and deliveries have worsened



The conditions have changed, therefore we are adjusting our forecasts and adapting monetary policy.

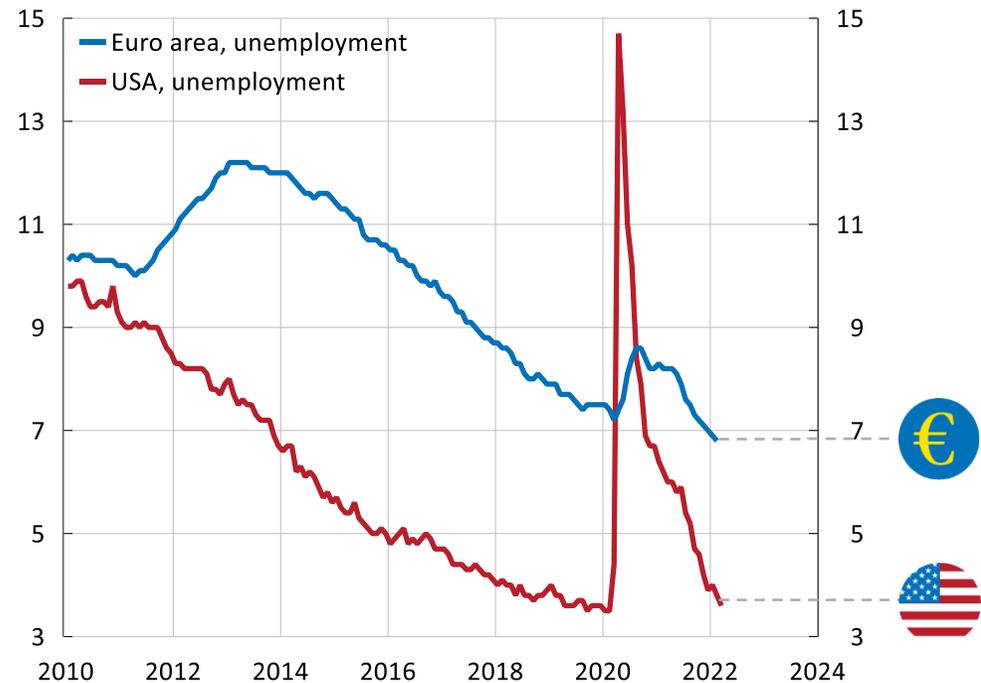
Strong economy and rapidly rising prices abroad

High inflation



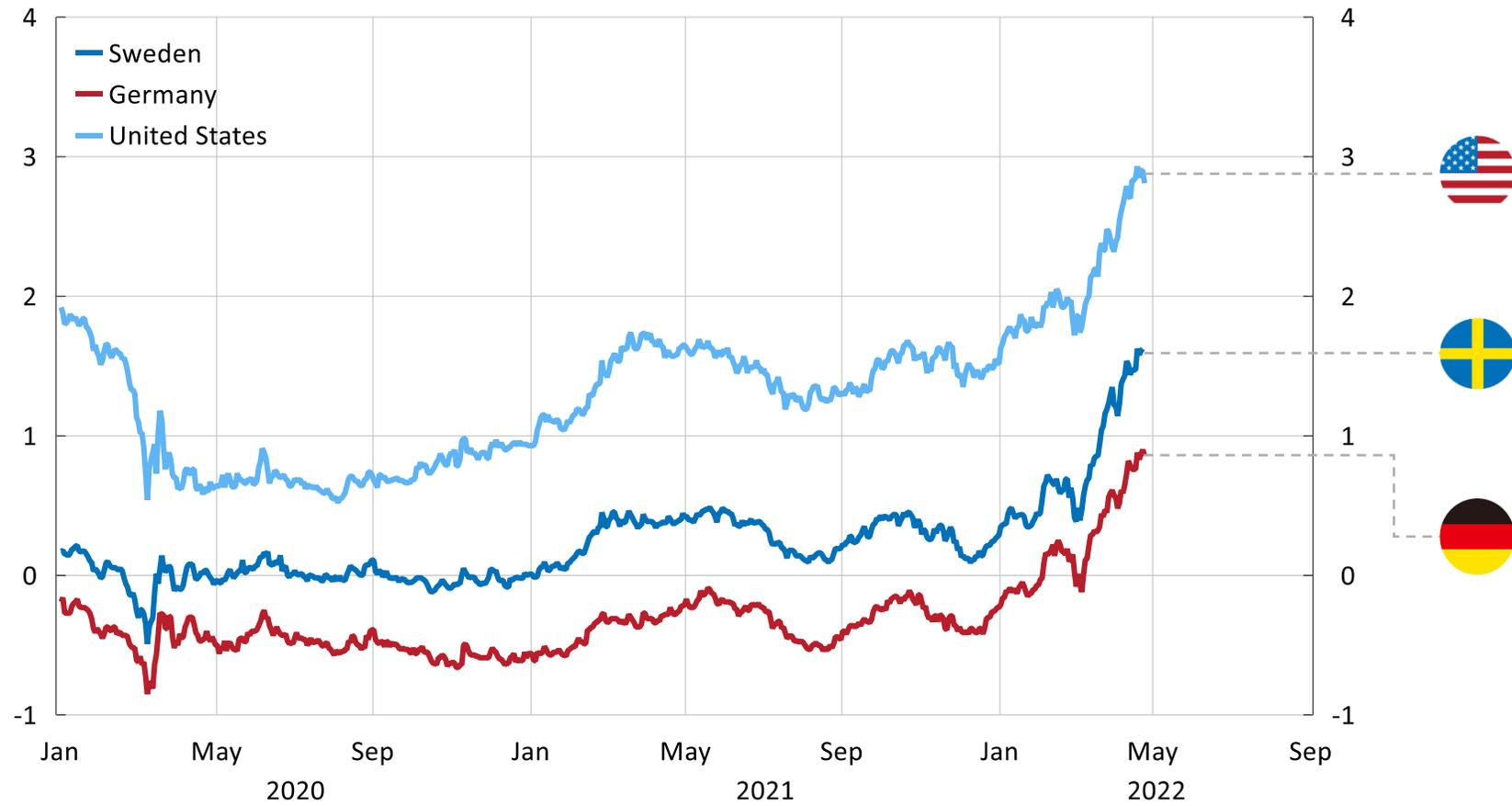
Annual percentage change resp. percentage of labour force.

Strong labour market



Sources: Eurostat and U.S. Bureau of Labor Statistics.

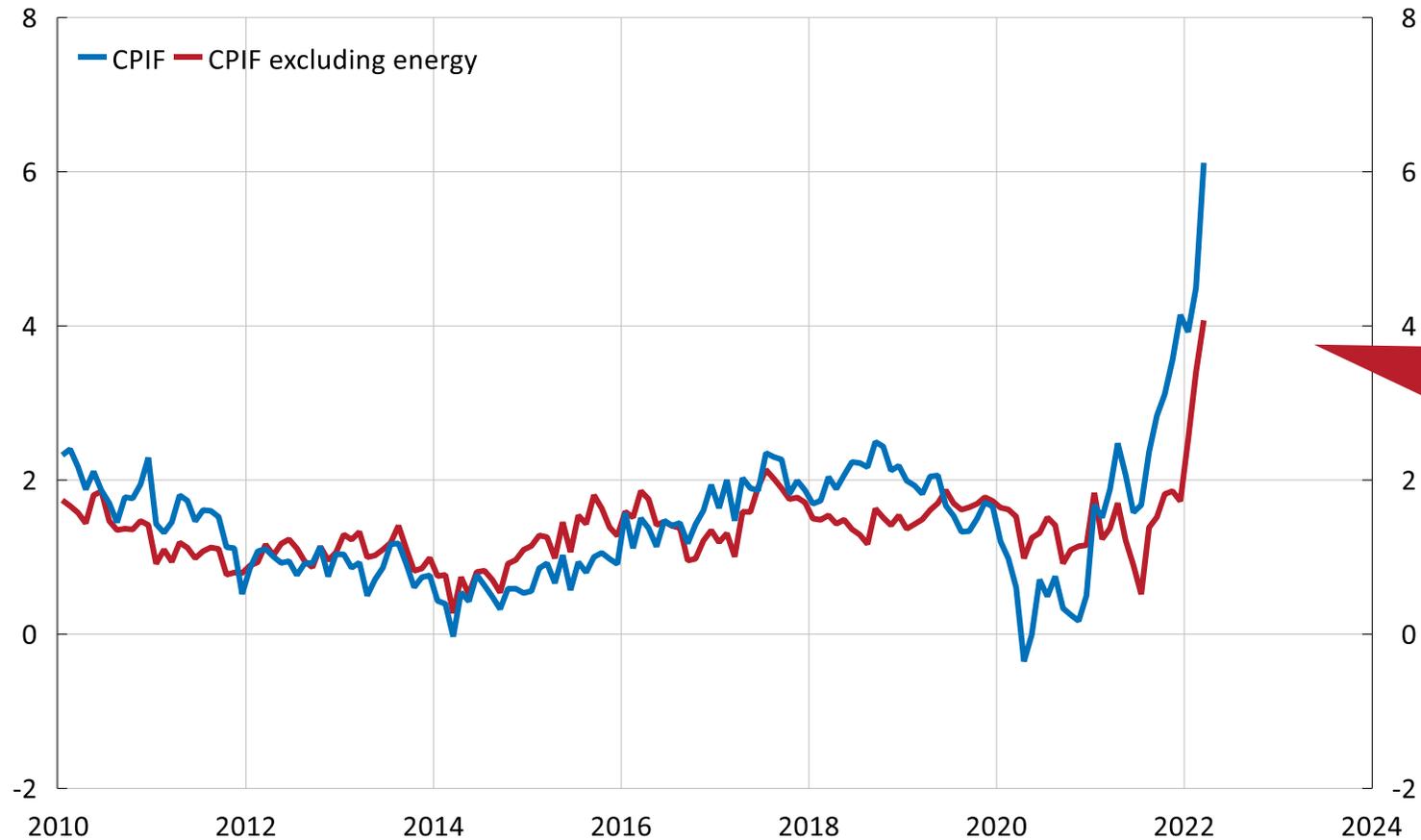
Rising bond yields



Per cent. 10-year government bond yields.

Sources: National central banks, the U.S. Treasury and the Riksbank.

Rapid upturn in Swedish inflation

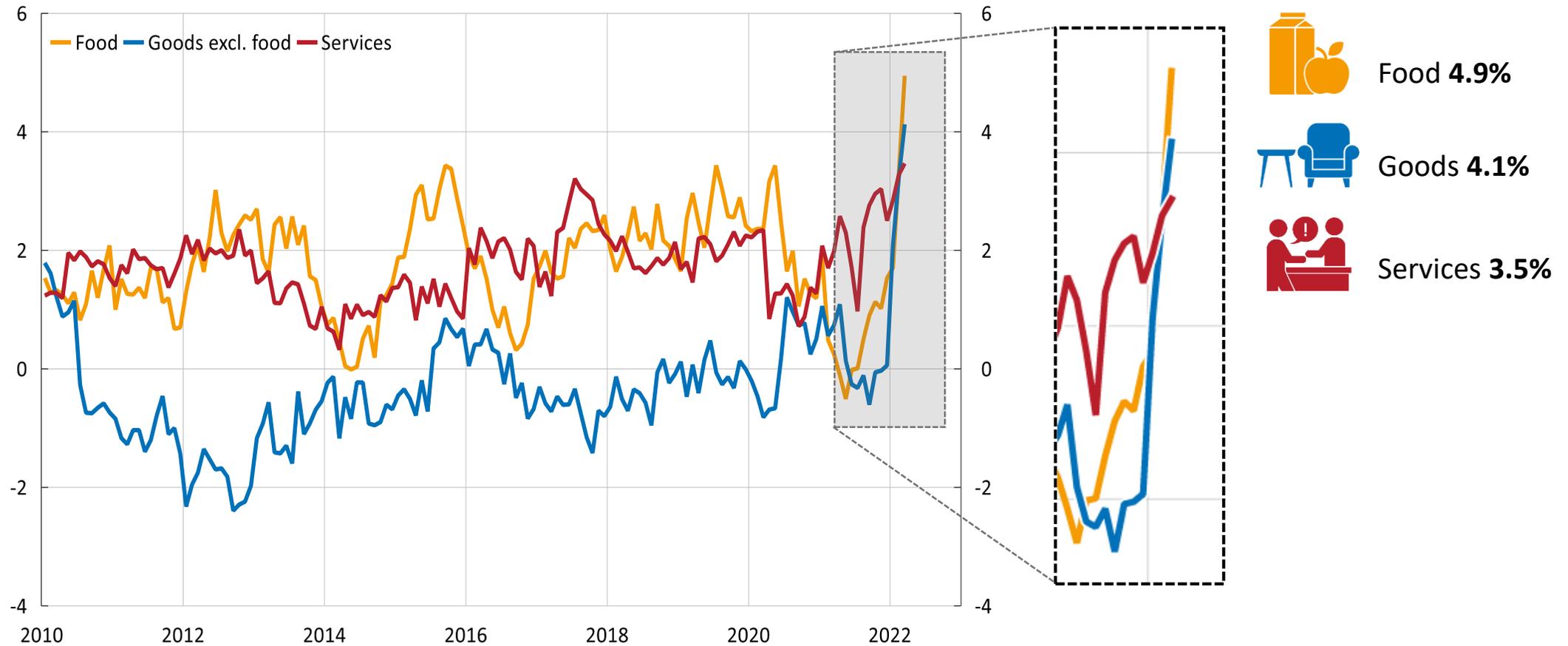


**Inflation
excluding
energy has
also risen
sharply now**

Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

Inflation rising on a broad front



Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

High price pressure for some time to come

- War in Ukraine driving up commodity prices
- Producer prices are high
- Underlying inflation rising

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*“I've never before
experienced customers
accepting price increases so
easily”*

Quote from the Riksbank's Business Survey.

For inflation to return to the target, monetary policy needs to act

Inevitable with high prices for energy and food for some time yet

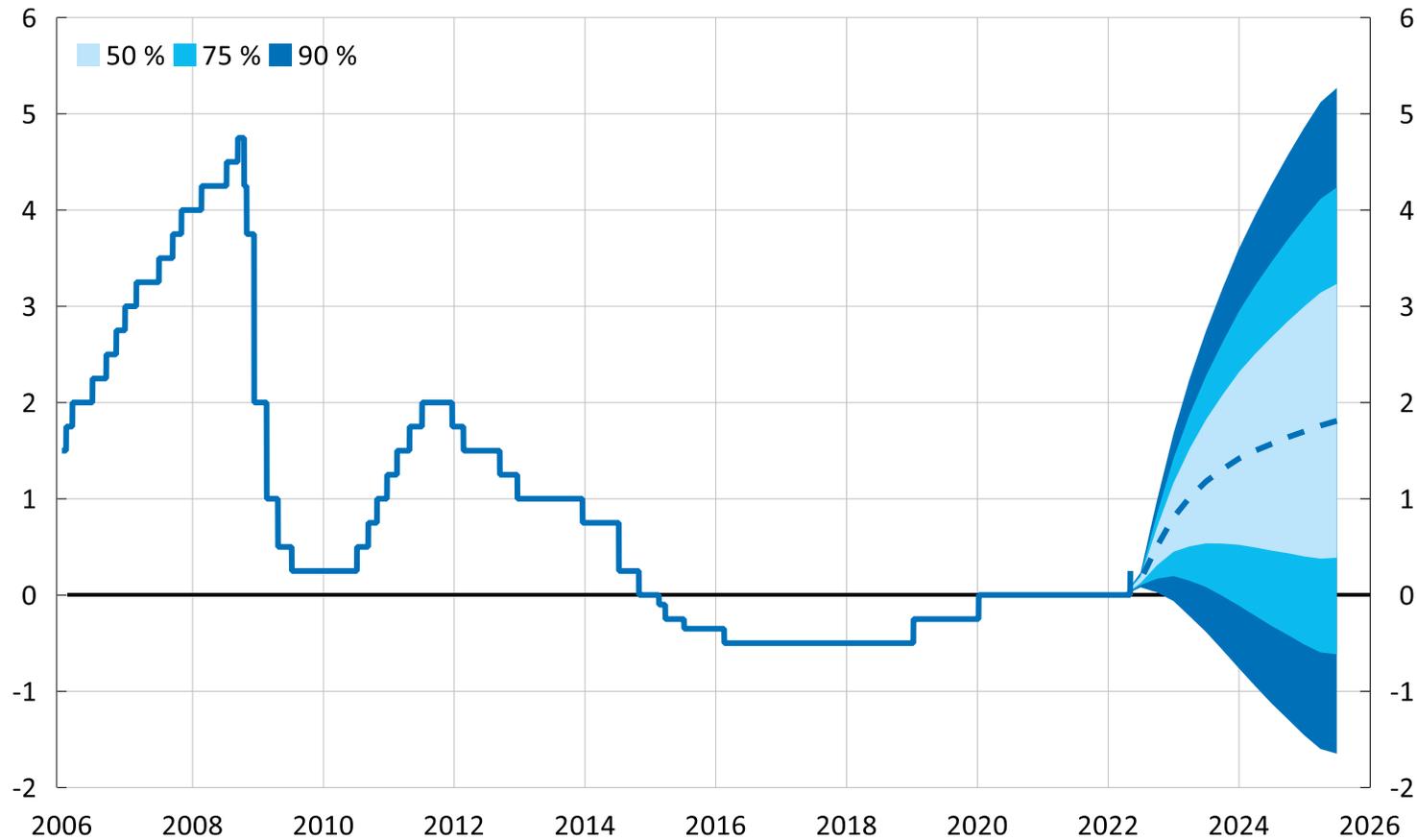
Inflation has now spread more widely

Important that inflation does not become entrenched

The inflation target - a benchmark in the economy



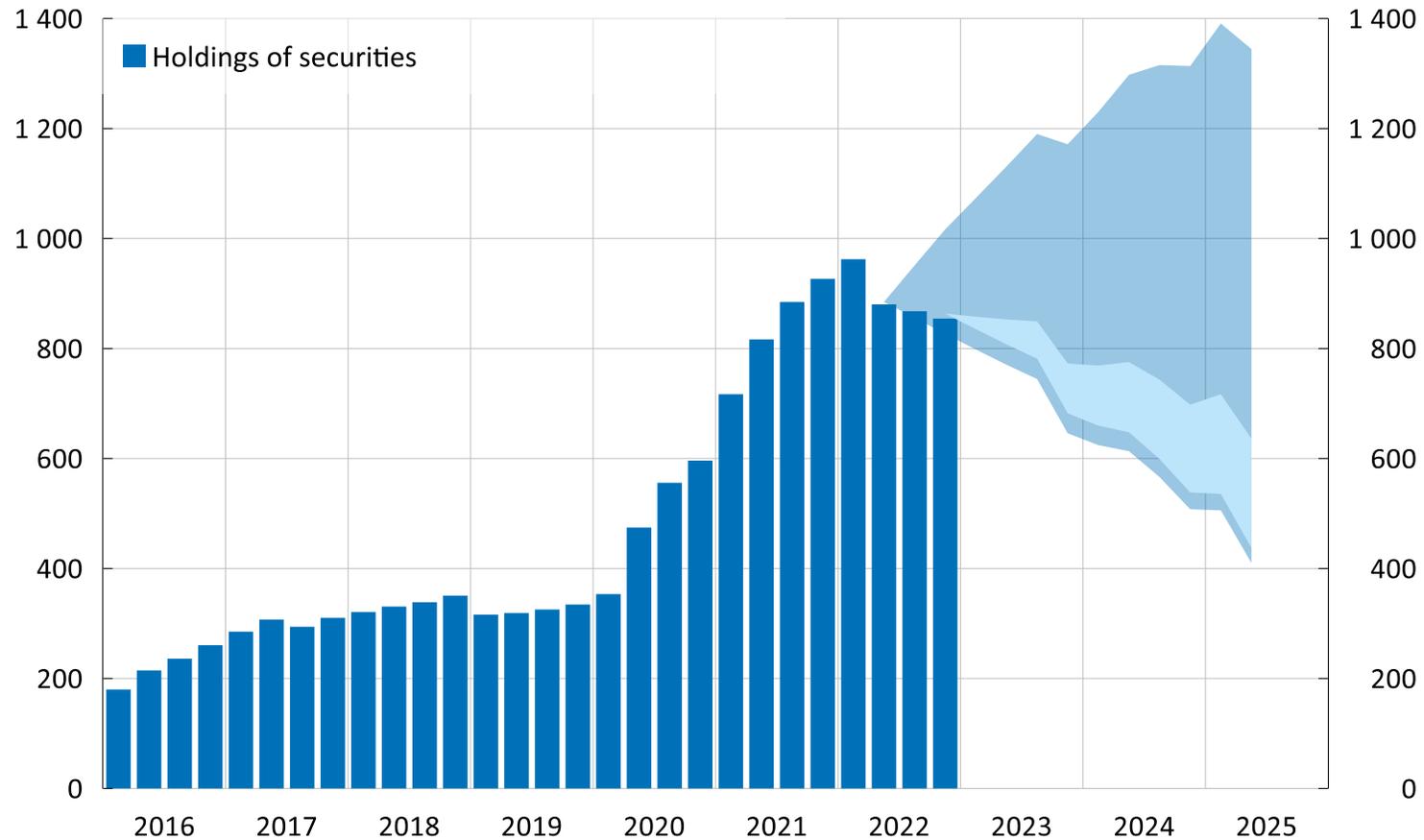
Policy rate to be raised gradually going forward



Per cent. The fields refer to uncertainty bands.

Source: The Riksbank.

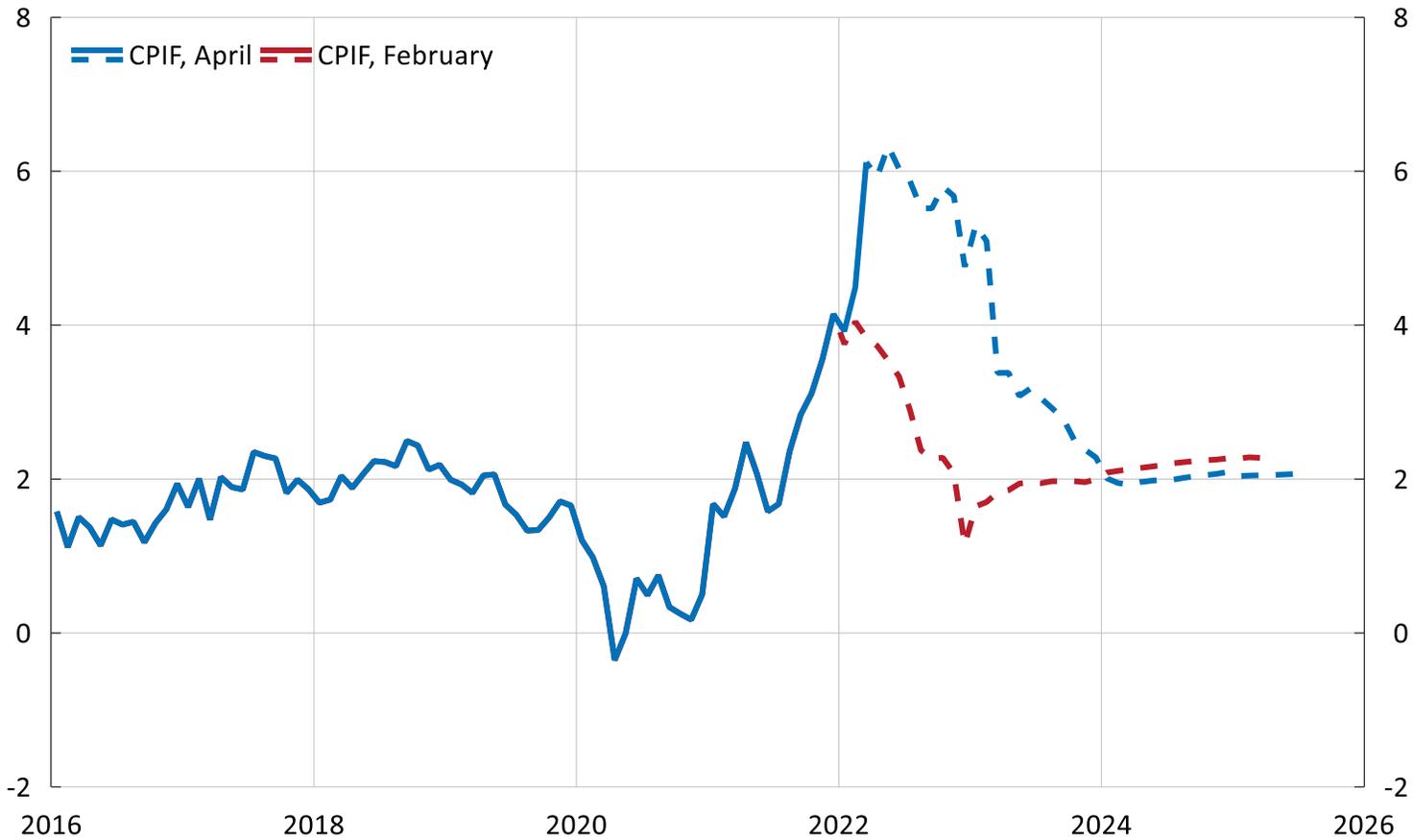
Holdings of securities decreasing



Nominal amounts, SEK billion.

Source: The Riksbank.

Monetary policy contributes to inflation falling back



Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

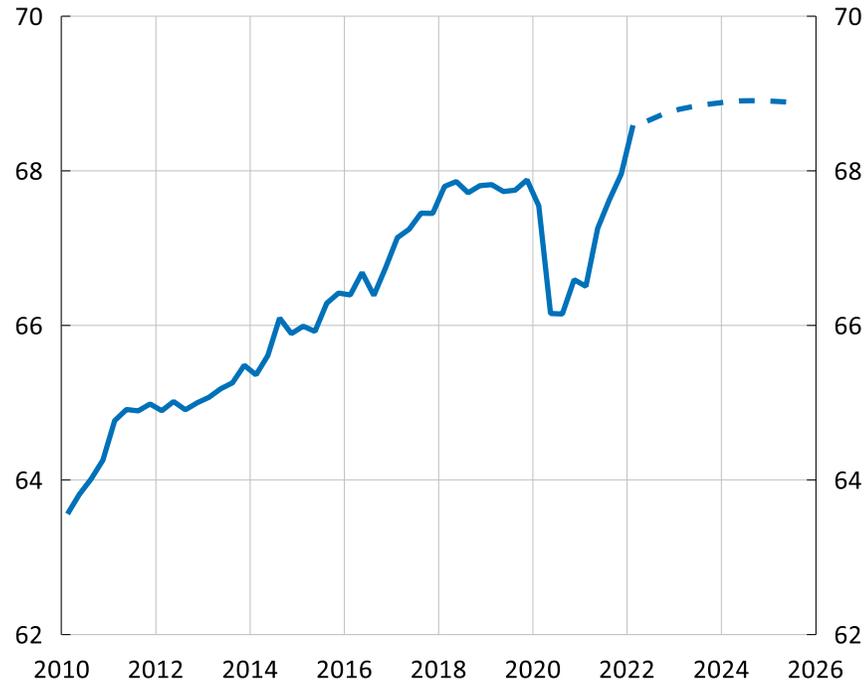
Higher prices and interest rates reduce households' purchasing power

- High inflation affects households' finances
- After many years of real wage increases, real wages will decrease this year
- Households' real disposable income is nevertheless rising and saving is high



Continued good activity in Swedish economy

Record-high employment rate



Percentage of population and labour force respectively, 15–74 years, seasonally adjusted data.

Unemployment has fallen



Sources: Statistics Sweden and the Riksbank.

When conditions change, monetary policy changes

- The long period of low inflation seems to be over
- Households and companies need to get used to higher interest rates
- Unusually large uncertainty regarding inflation

Monetary policy is aimed at ensuring that inflation returns to the target.



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