

Where is the economy heading?

The situation after the summer

DNB
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Deputy Governor

Where is the economy heading?

- Has the economic outlook changed?
- What is happening to international prices and Swedish inflation?
- What does this mean for monetary policy?

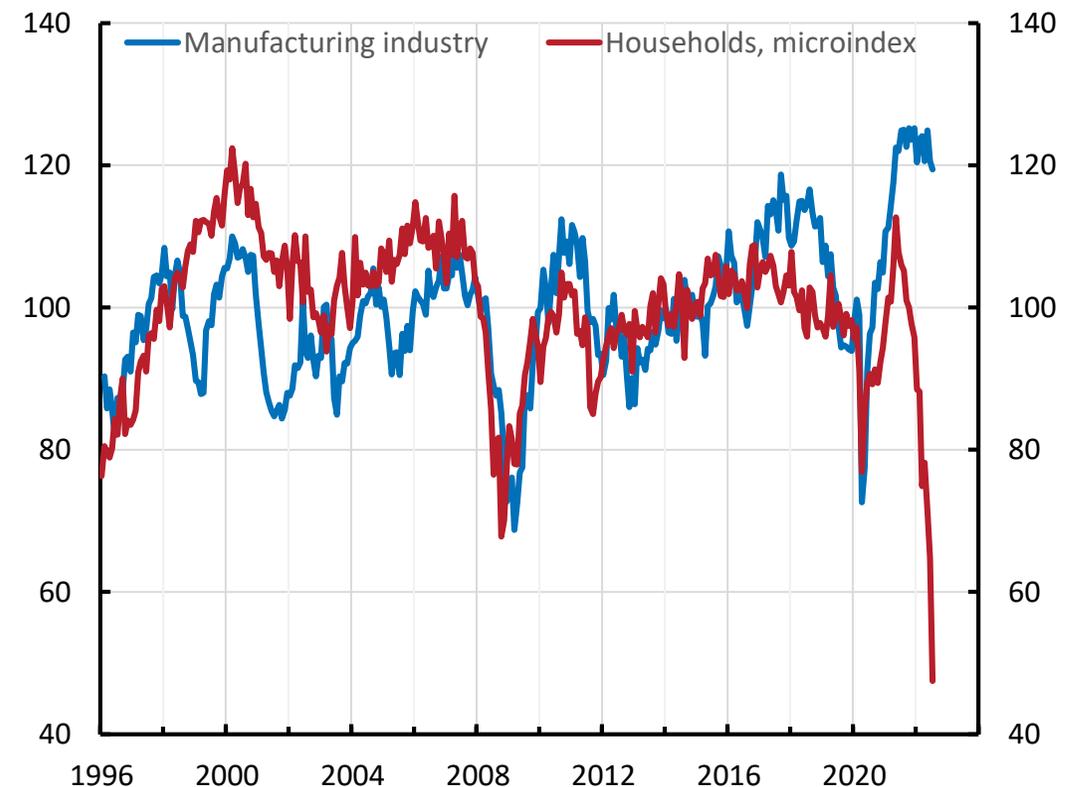


The economic situation

High resource utilisation will quickly slow down

- Resource utilisation is high
- The labour market is strong and manufacturing companies are optimistic
- Clear signs of deceleration in other parts of the economy

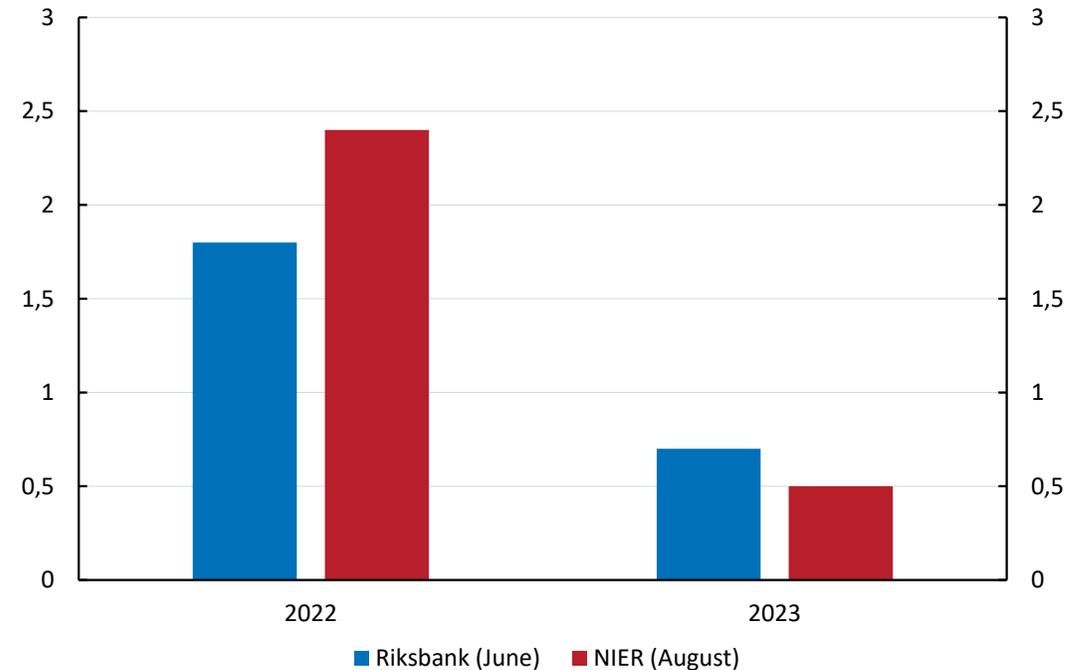
Extreme divisions in confidence indicators



Soft landing?

- The forecasts imply a “soft landing”
- But the risks of weaker outcomes are easy to see
... and may be necessary to dampen inflation

Forecasts for GDP growth in Sweden



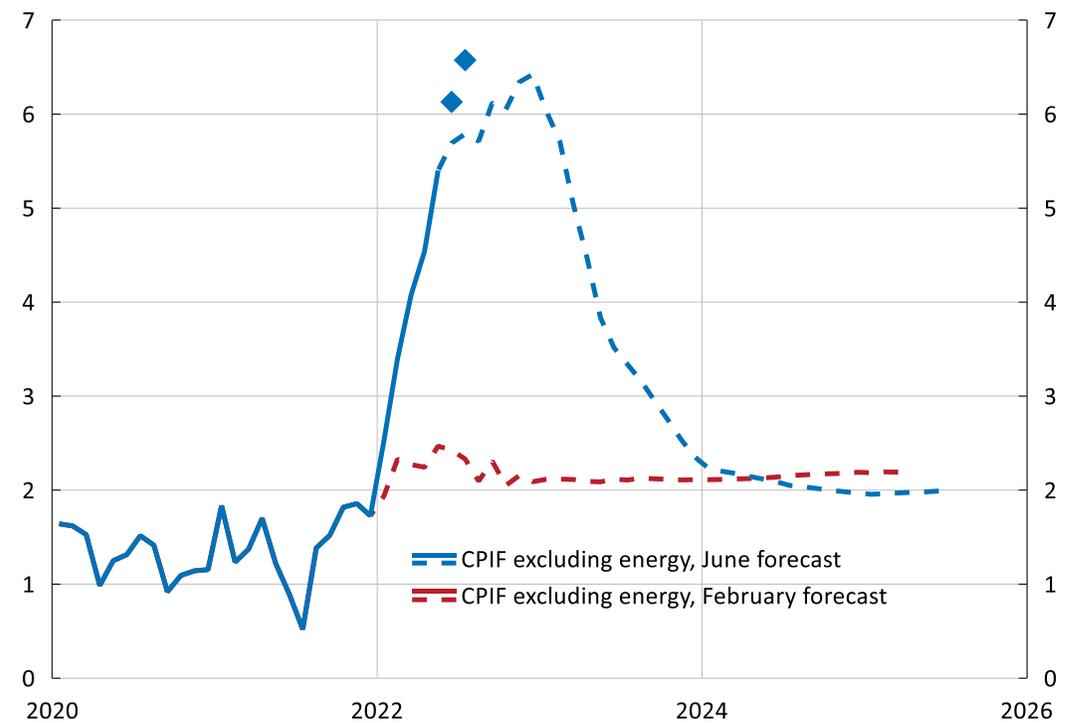
Annual growth, per cent

Inflation prospects

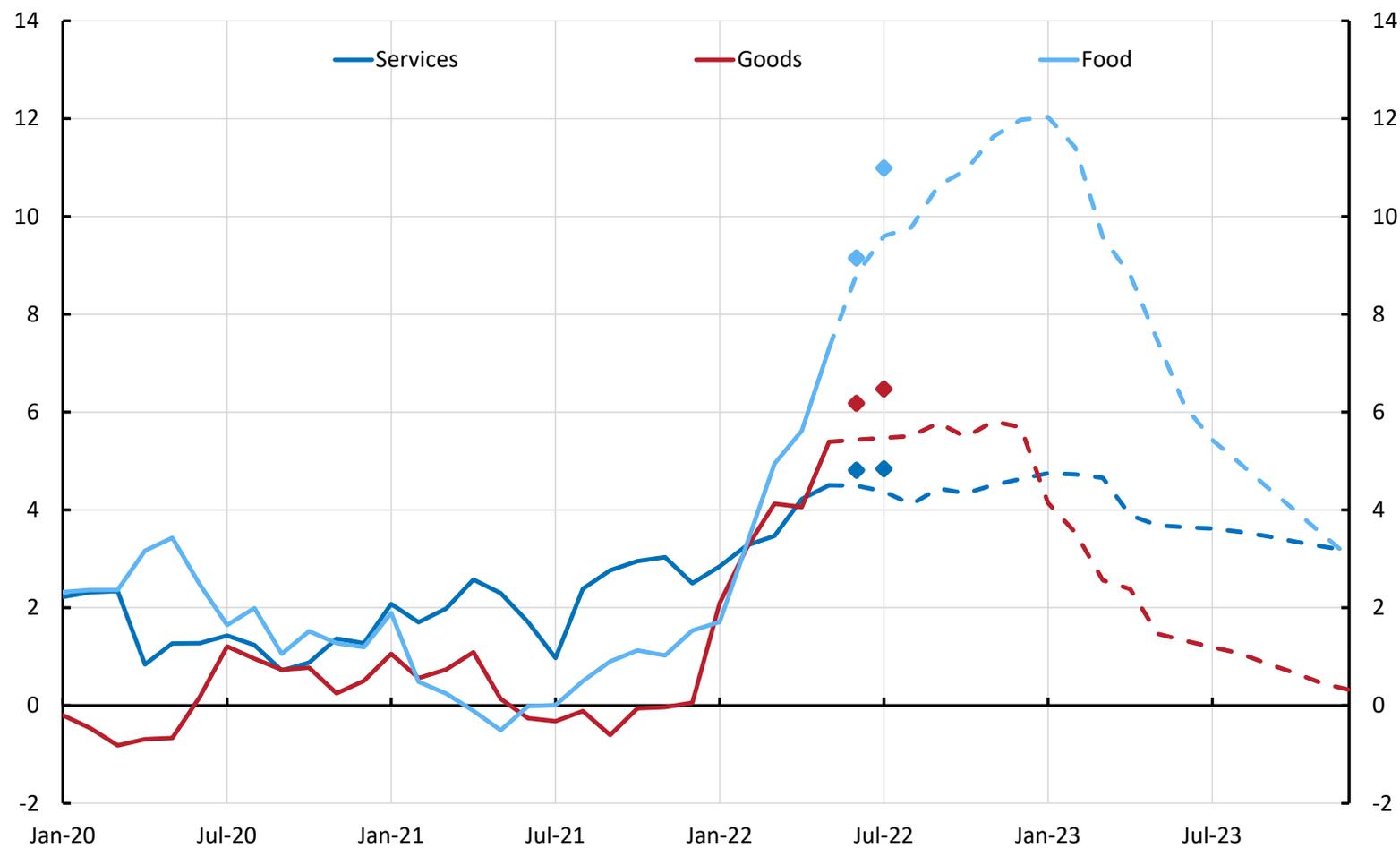
Once again, inflation is higher than expected

- Inflation in June and July higher than our forecast
- Prices for several international input goods have started to fall
 - Supply problems are easing off
 - Monetary policy is beginning to bite and restraining demand
- But energy prices in Europe may be a major problem

Underlying inflation



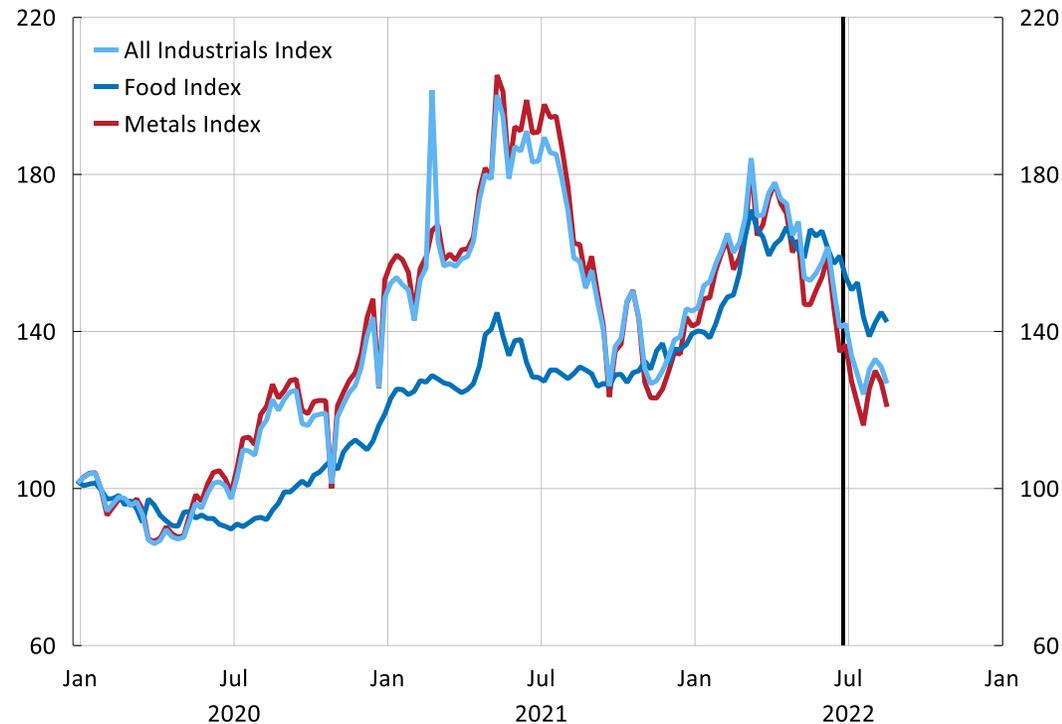
The rise in inflation is broad



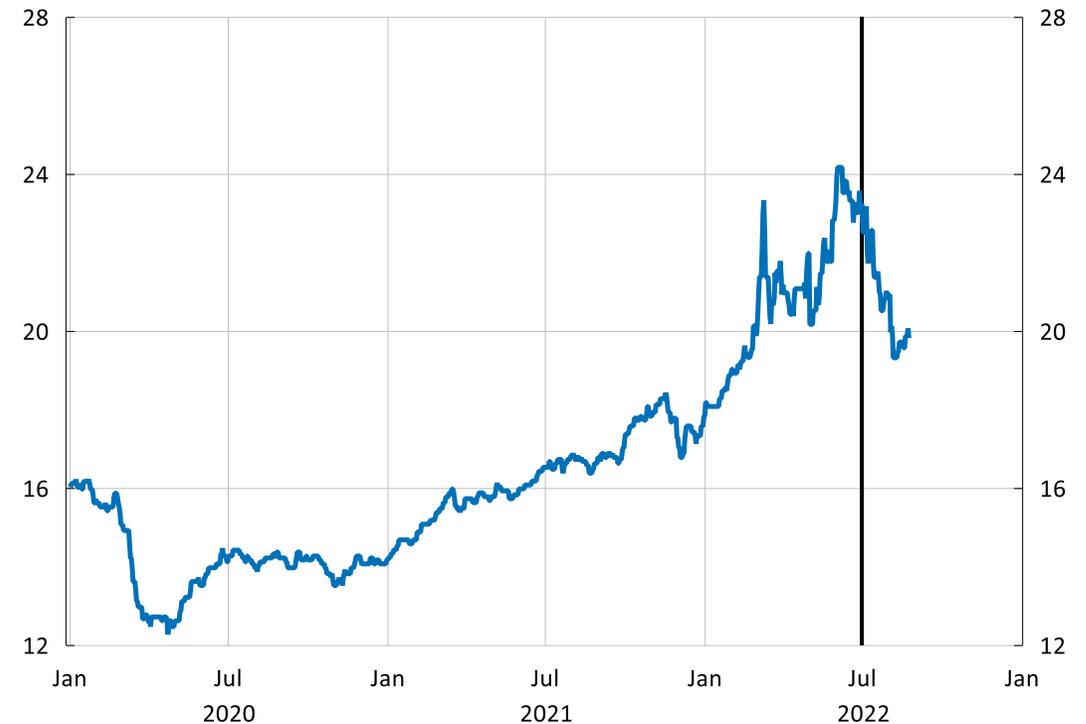
Annual change in prices, per cent. Outcome and Riksbank's forecast from MPR June.

Some international prices have fallen

The Economist commodity-price index



Price of petrol in Sweden

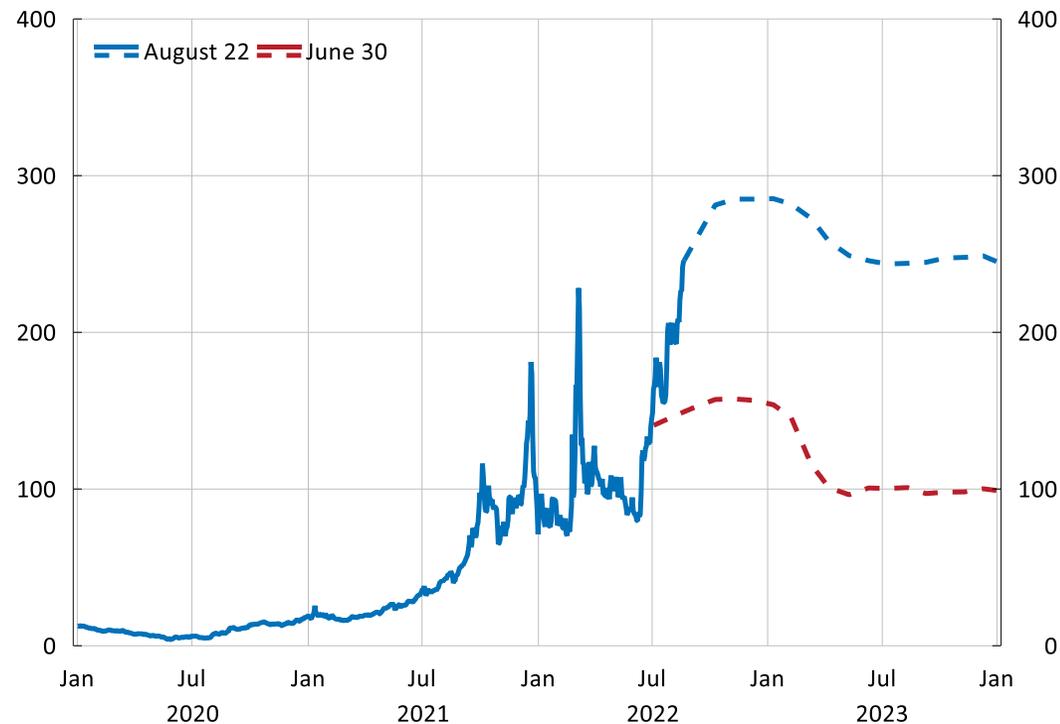


Vertical line indicates publication date, MPR June.

SEK per litre. Source: OK-Q8.

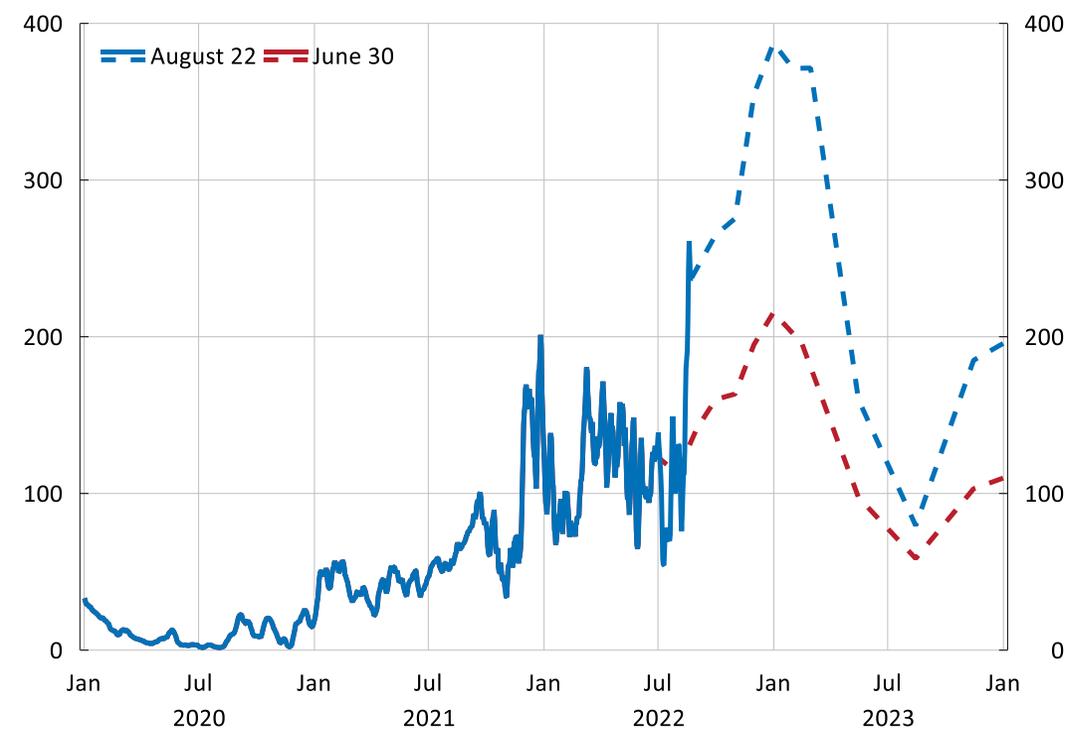
But energy prices in Europe are worrying!

The price of natural gas is very high



EUR/MWh. Price according to first forward contract in Germany and forward pricing at each date. Source: InterContinental Exchange.

And extreme electricity prices are expected this winter



EUR/MWh. System prices in the Nordic countries and forward prices at each date. Source: NASDAQ OMX Commodities.

Monetary policy

Monetary policy in June 2022

- Policy rate raised by 0.5 percentage points to 0.75 per cent
- The Riksbank's asset holdings to be reduced more rapidly
- “Policy rate expected to be close to 2 per cent at the beginning of next year”



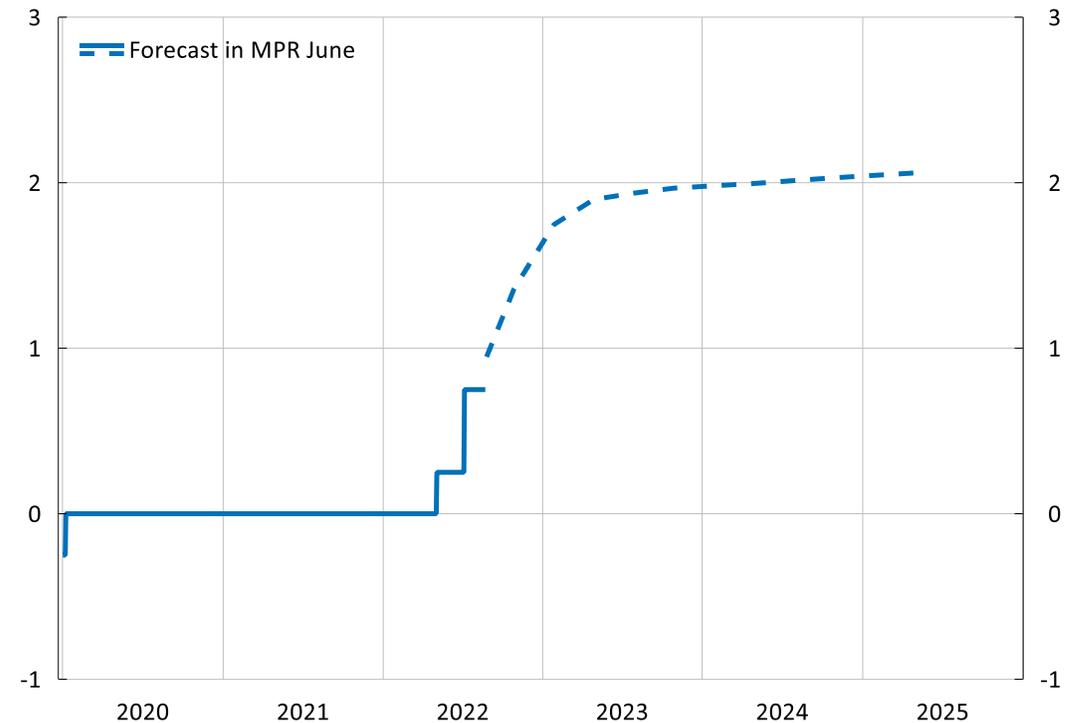
How quickly should we raise the policy rate?

“By raising the policy rate more now, the risk of high inflation in the longer term is reduced and thus also the need for greater monetary tightening further ahead.”

(June Monetary Policy Report)

- We explain why the policy rate was raised by 0.50 percentage points instead of 0.25
- Are there any arguments against raising it by even greater increments in the near term?

The Riksbank's policy rate



When conditions change, monetary policy changes

- Major uncertainty about inflation
 - It will be high over the autumn and winter
 - There is much to suggest a rapid fall next year when monetary policy has its effect and economic activity is restrained
- We have adjusted and will continue to adjust our policy

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

The Riksbank's policy rate

