

Inflation outlook in line with the target, weak
economic activity strengthening next year

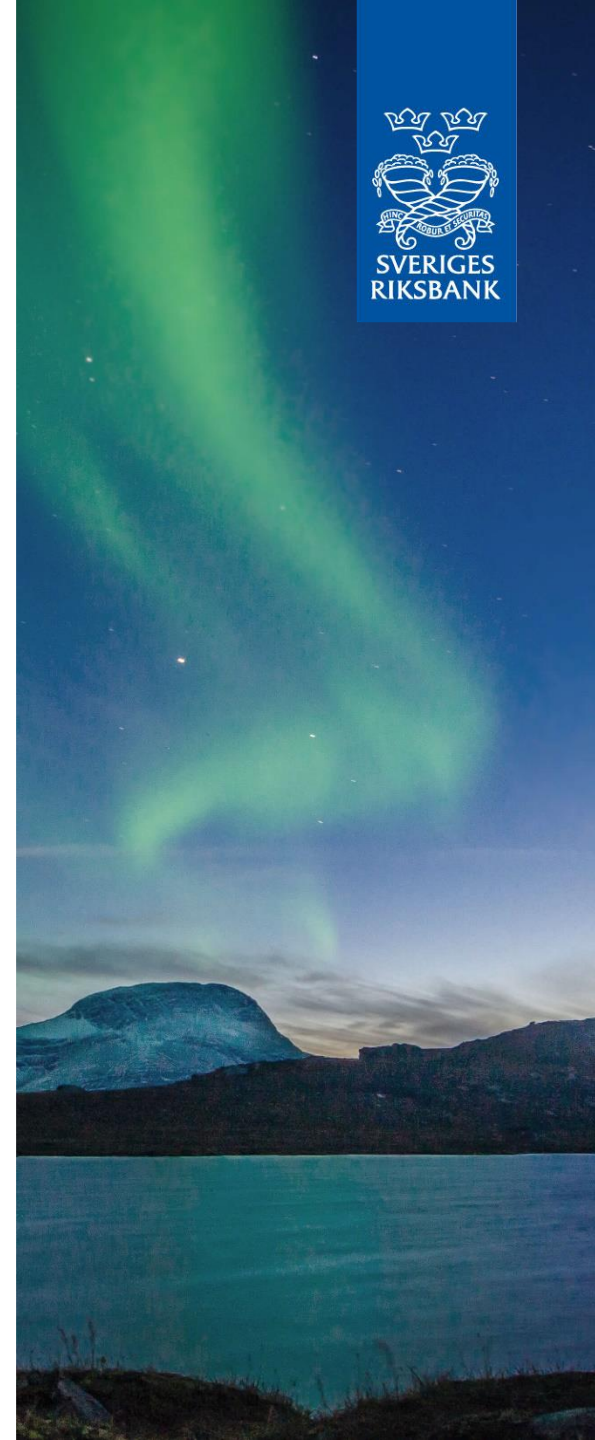
Monetary policy December 2024

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- Policy rate **cut by 0.25** percentage points to 2.5 per cent

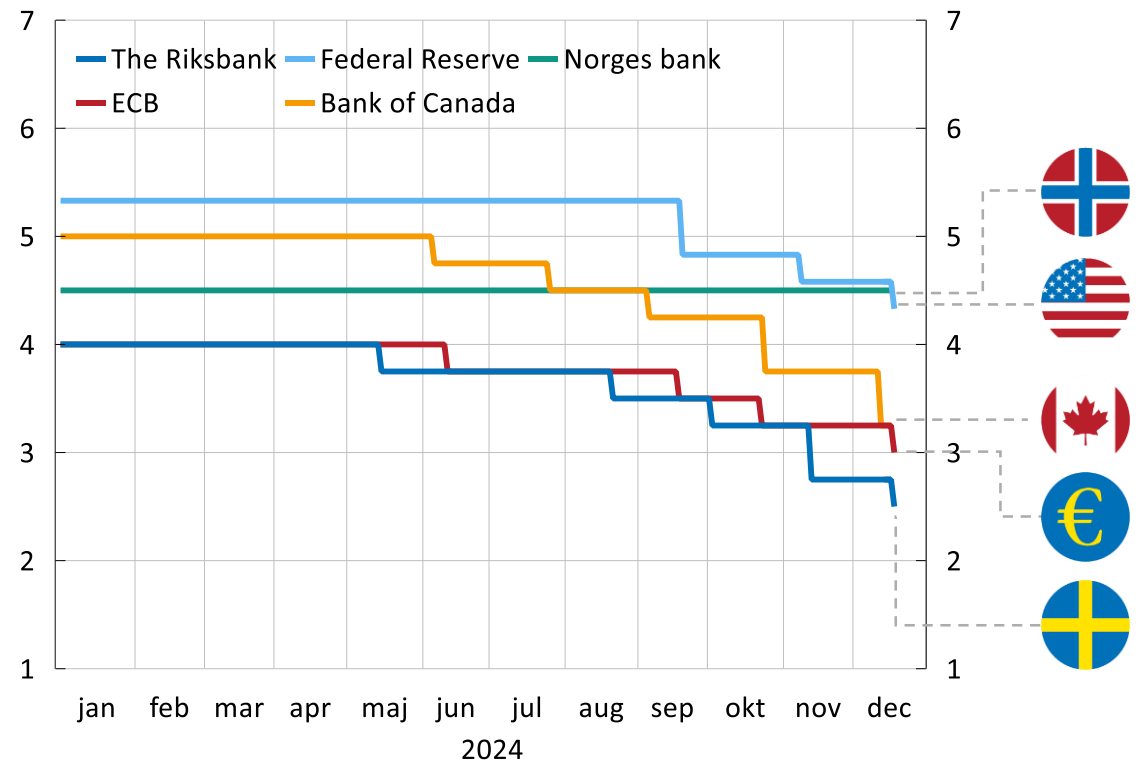
If the outlook for economic activity and inflation remains unchanged:

- The policy rate may be cut further once more in the **first half** of 2025



The policy rate has been cut gradually, but at a rapid pace

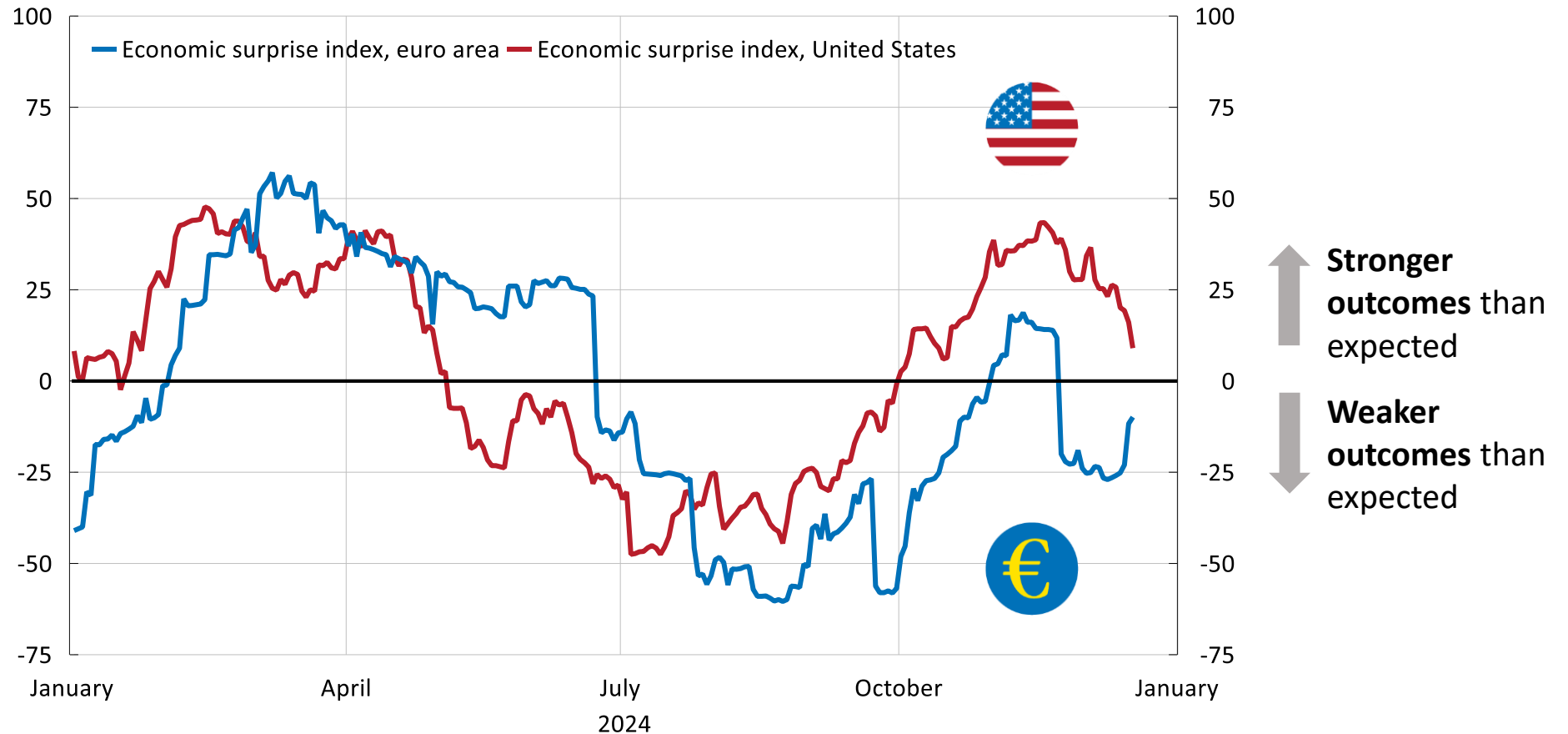
- Inflation has fallen to the target level
- The Riksbank has cut the policy rate sooner and more than most other central banks



Policy rates, per cent.

Sources: National central banks
and the Riksbank.

Stronger in United States, weaker in euro area

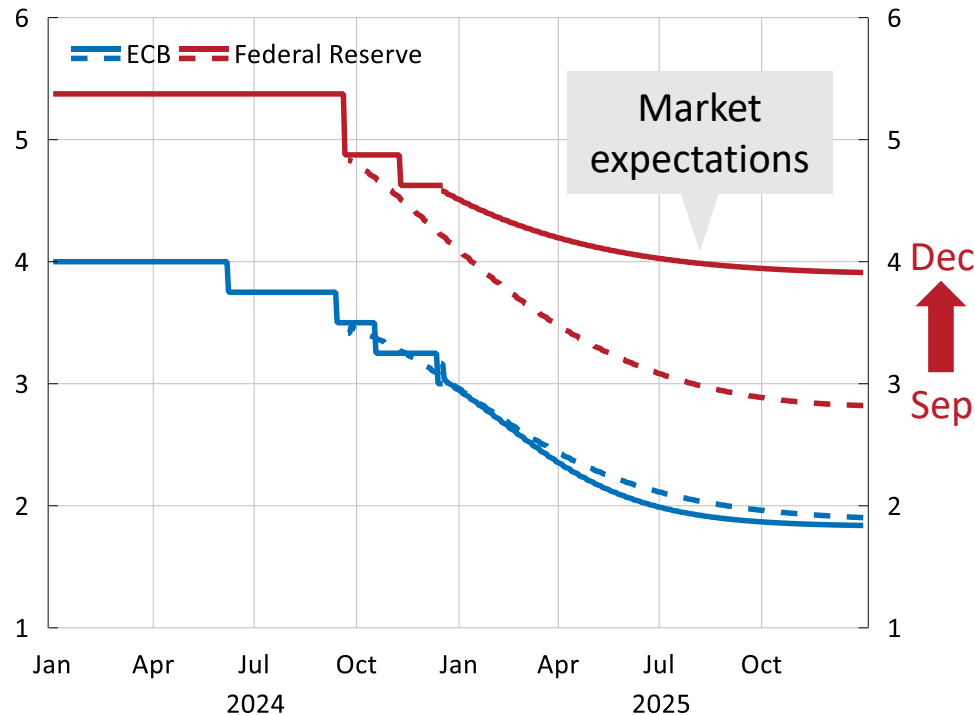


Index. The total of the difference between economic data outcomes and market expectations, three-month moving average.

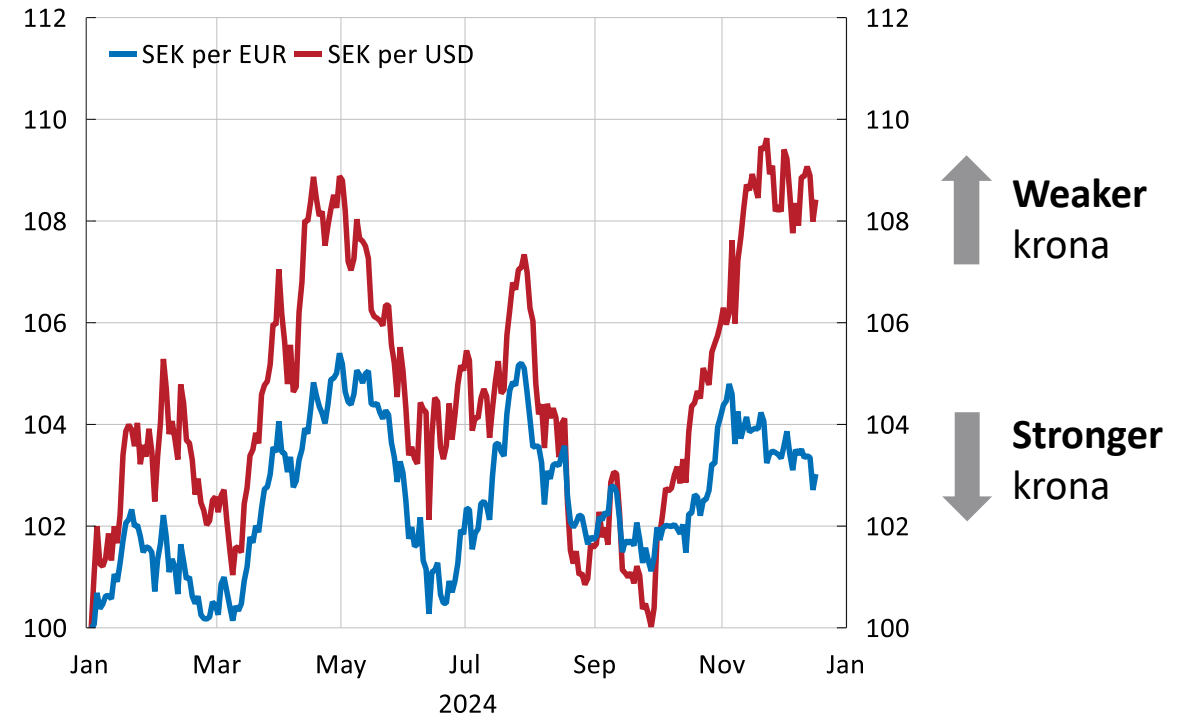
Source: Citi.

Higher US interest rates and stronger dollar

Fewer cuts expected in the United States



The dollar has appreciated against several currencies



Per cent (left) and index, 01 January 2024 = 100 (right). The left figure shows policy rates and market-based expectations of future policy rates. Solid lines represent expectations on 17 December 2024. Dashed lines represent expectations on 24 September 2024.

Sources: ECB, Federal Reserve, Macrobond Financial AB and the Riksbank.

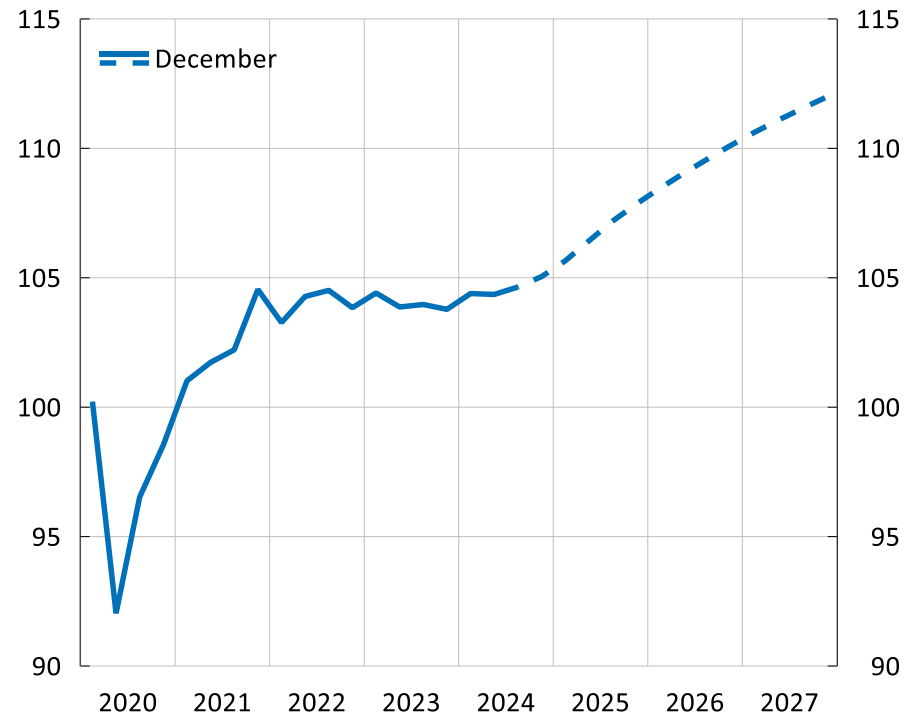
Weak economic activity, some signs of a recovery

- Mild recession in the Swedish economy
- Household confidence above the historical average, larger turnover on housing market
- Increased optimism among companies
- Rate cuts will gradually provide an increasingly tangible contribution to demand

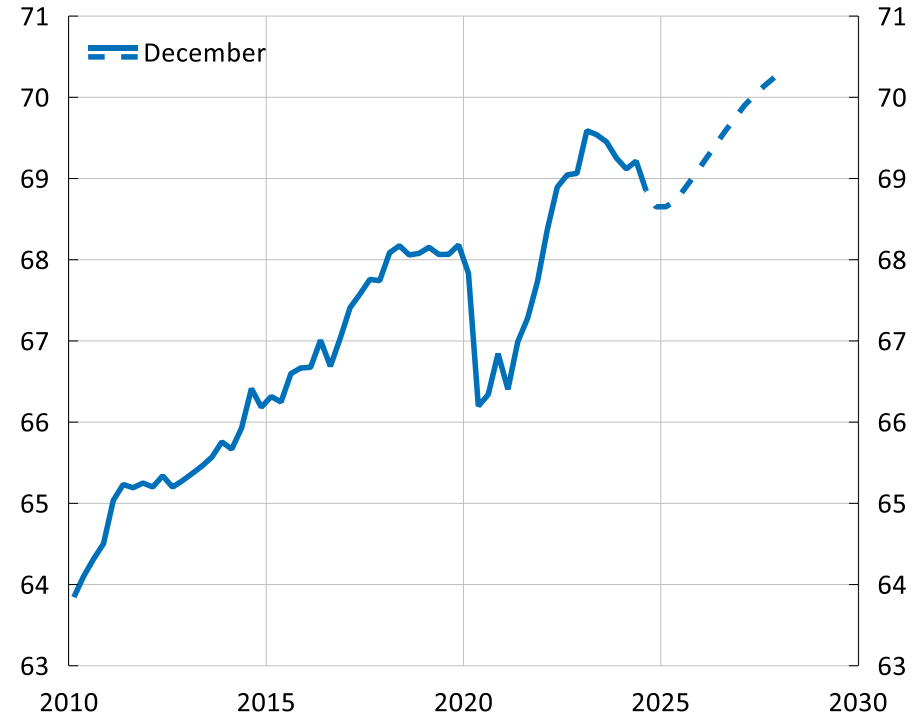


Conditions for stronger economic activity

GDP



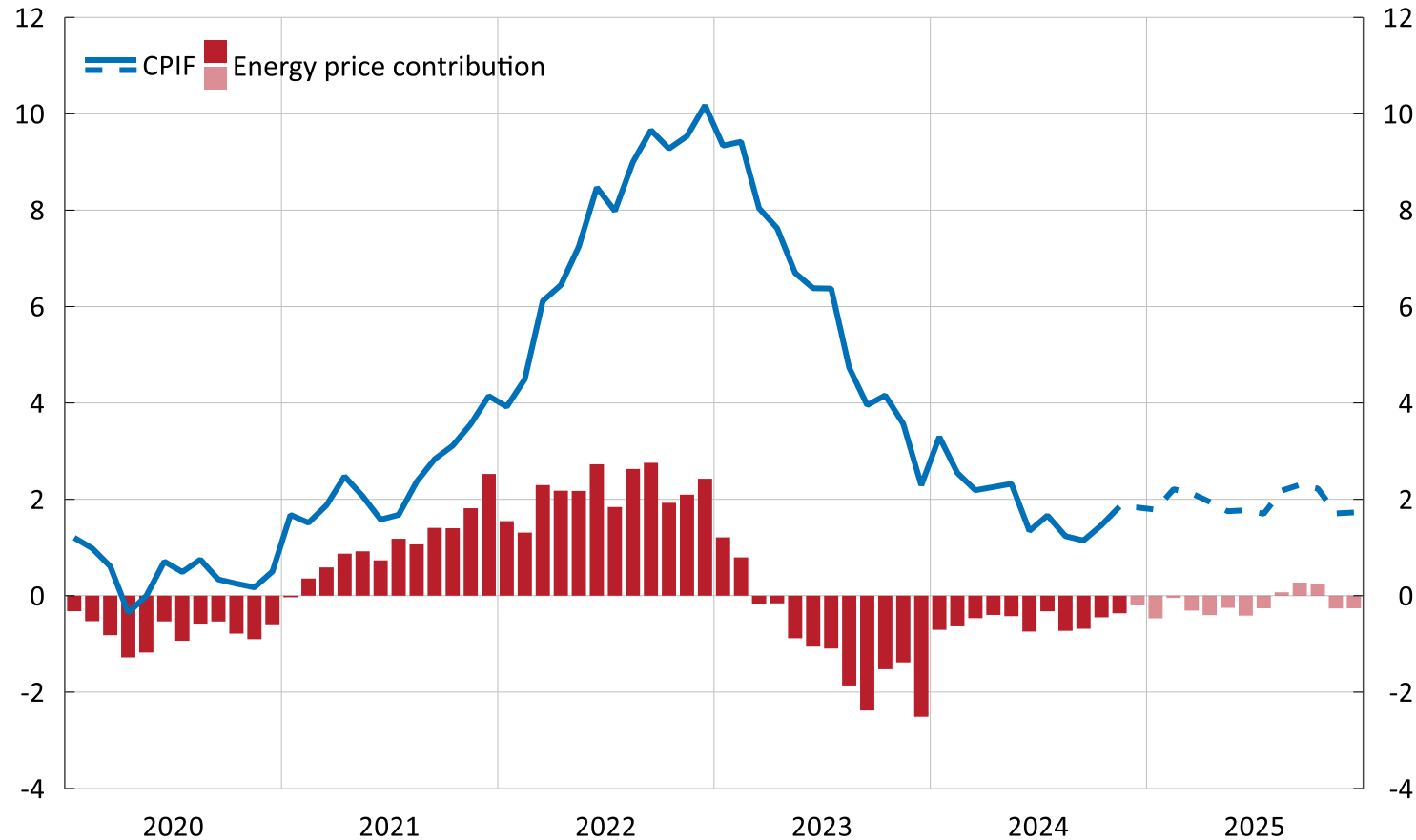
Employment rate



Index, 2019 Q4 = 100 (left) and percentage of population (right). Seasonally adjusted data. Solid line refers to outcomes, dashed line represents the Riksbank's forecast.

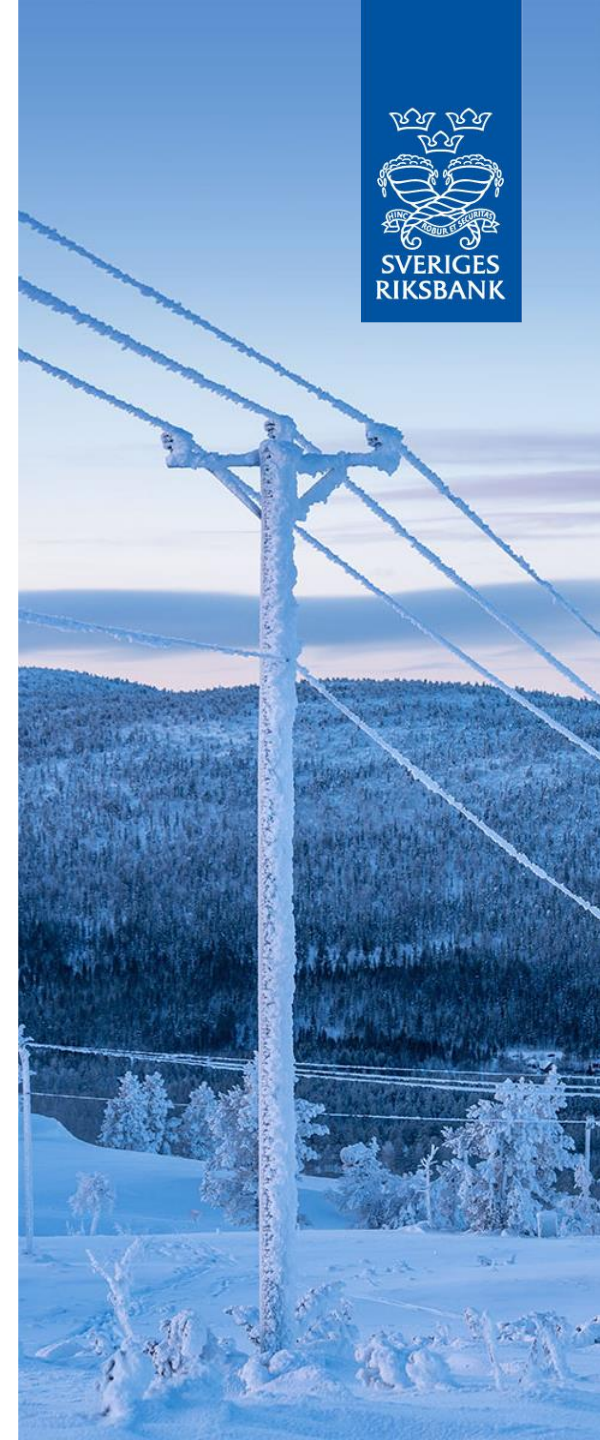
Sources: Statistics Sweden and the Riksbank.

Volatile energy prices can temporarily affect inflation

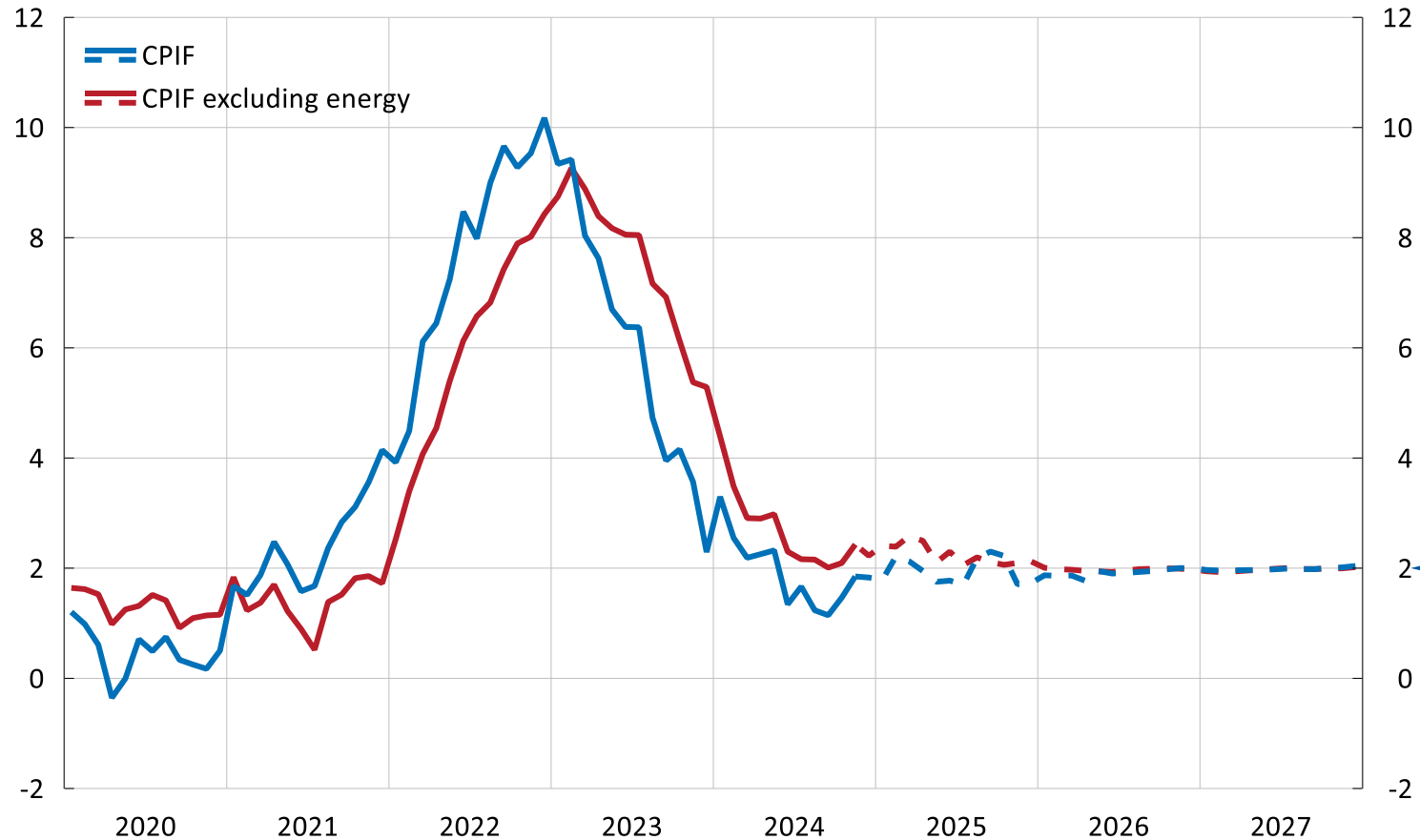


Annual percentage change and percentage points.
Dashed lines and light red bars represent forecasts.

Sources: Statistics Sweden and the Riksbank.



Inflation is expected to be close to the target in the coming years

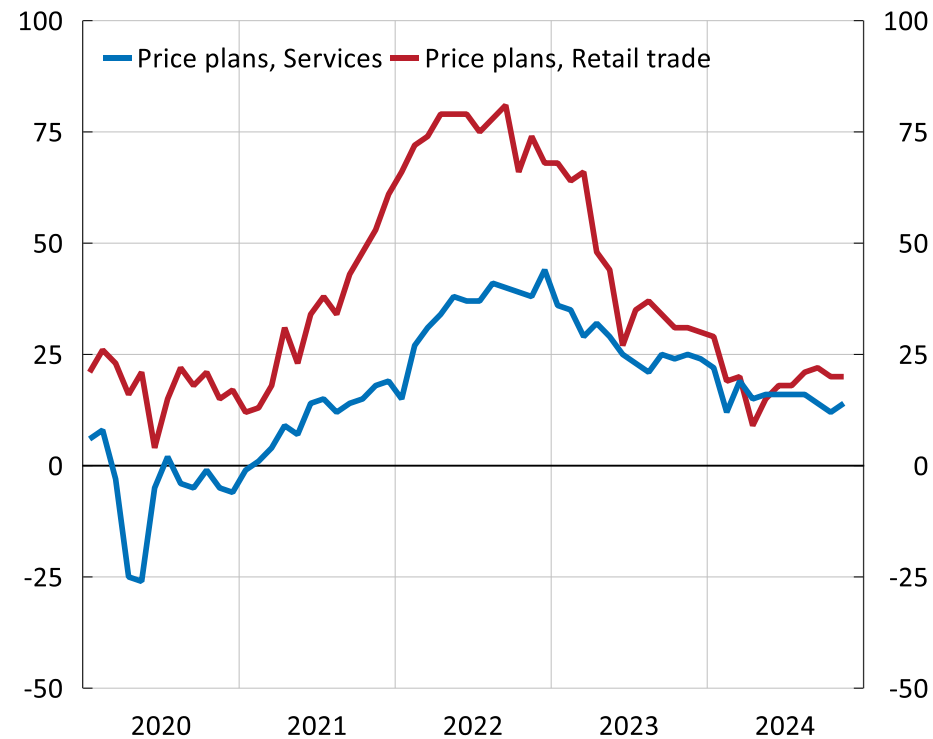


INFLATION
TARGET, CPIF:
2 %

Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

Inflationary pressures consistent with inflation of 2 per cent

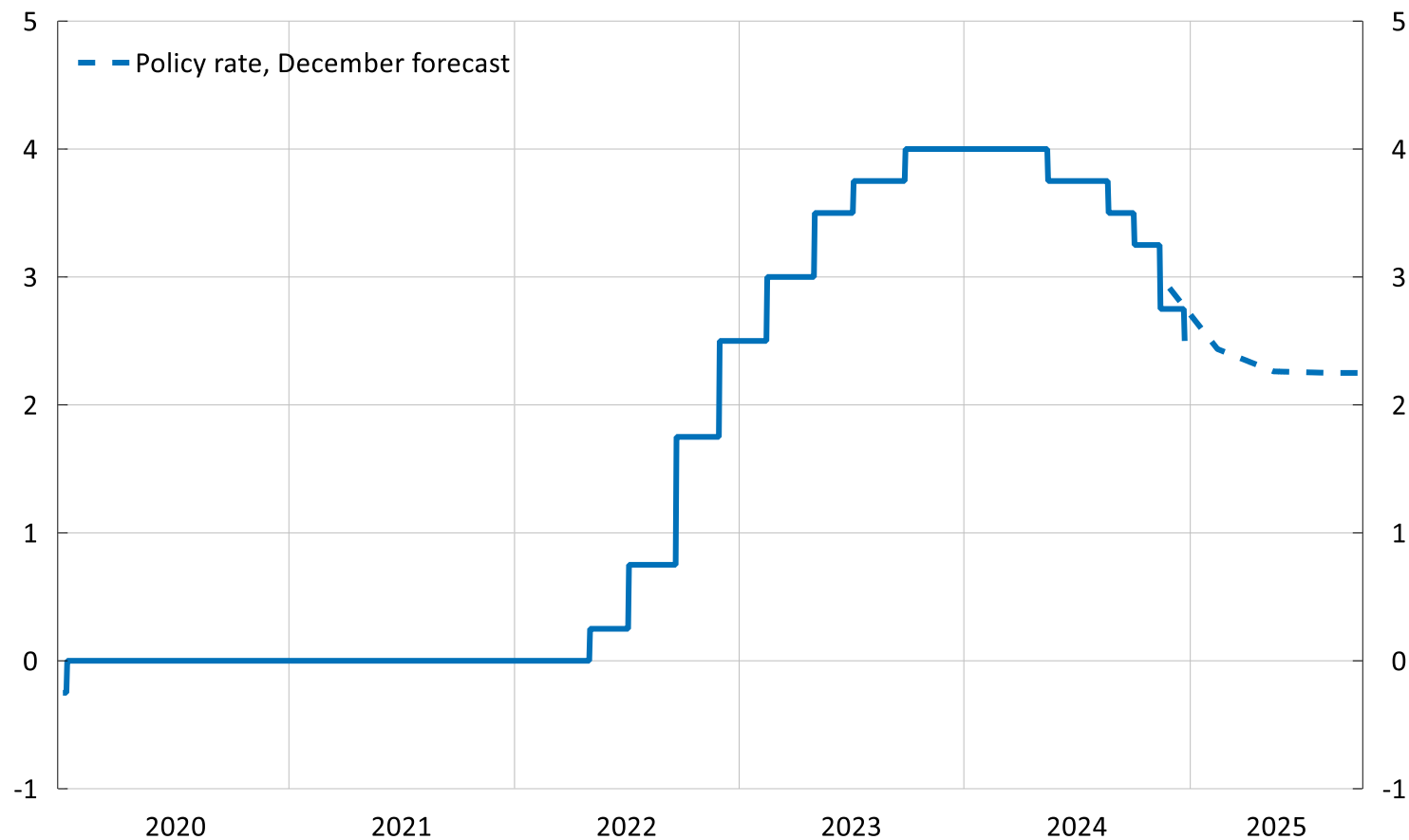


- Varying energy prices affect CPIF inflation temporarily
- Producer prices and pricing plans show inflation in line with the target

Seasonally-adjusted net figures. Number of companies responding that they plan to increase their prices compared with how many plan to reduce them in the coming three months.

Source: National Institute of Economic Research.

Lower interest rate provides support to economic activity and stabilises inflation at 2 per cent



Per cent.


Source: The Riksbank.

Considerable uncertainty regarding the outlook for inflation and the economy

- The economic recovery in Sweden
- Geopolitical tension
- Lack of clarity regarding trade policy
- Government crises in Europe
- The krona exchange rate

If the conditions change, this may justify a higher or lower interest rate





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