

Inflation is too high – the policy rate is raised

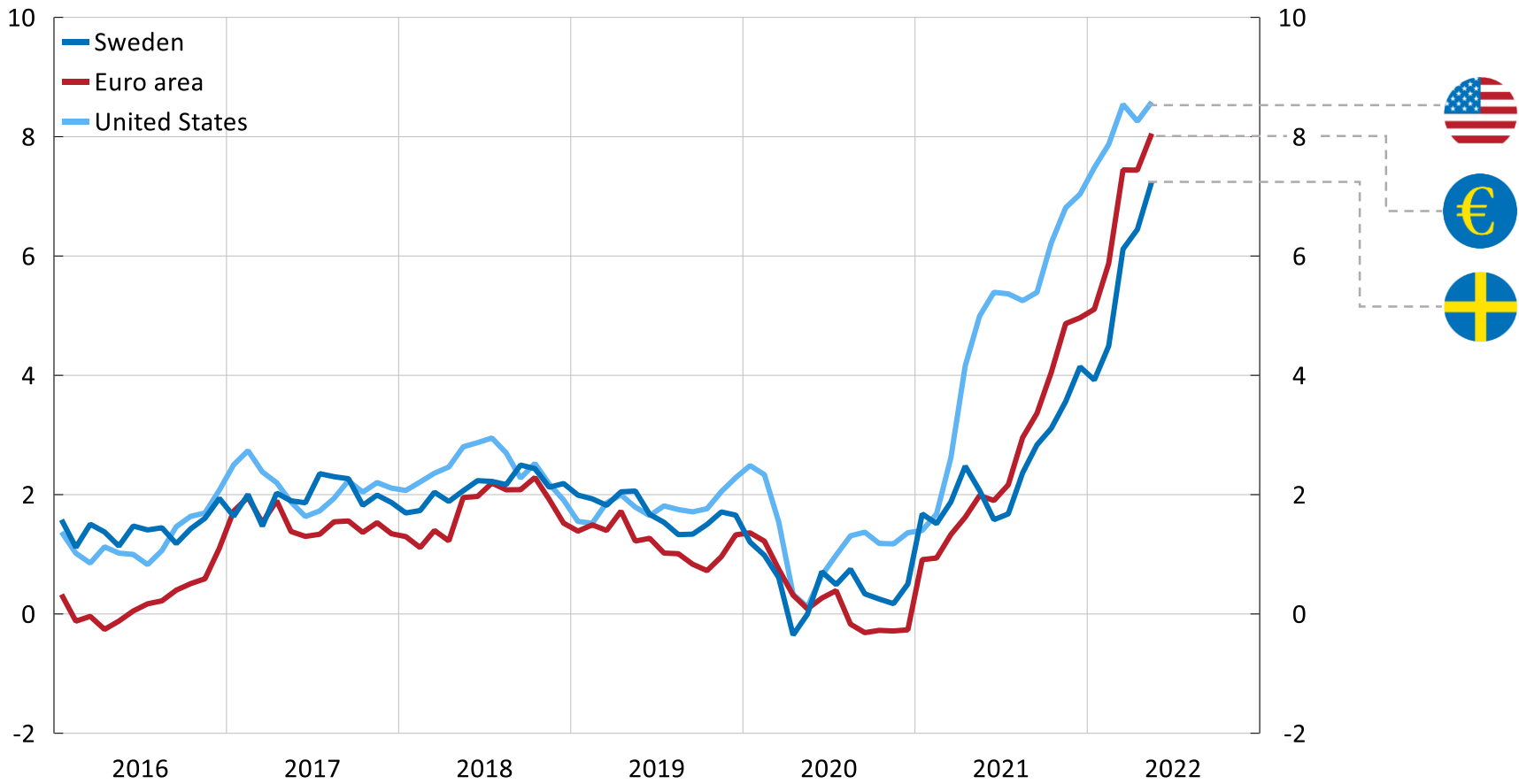
June 2022

Monetary policy June 2022

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



Inflation is rising rapidly around the world



Annual percentage change. According to the CPI for Sweden, the HICP for the euro area and the CPI for the United States.

Sources: Eurostat, Statistics Sweden and the U.S. Bureau of Labor Statistics.

Why inflation is rising so rapidly

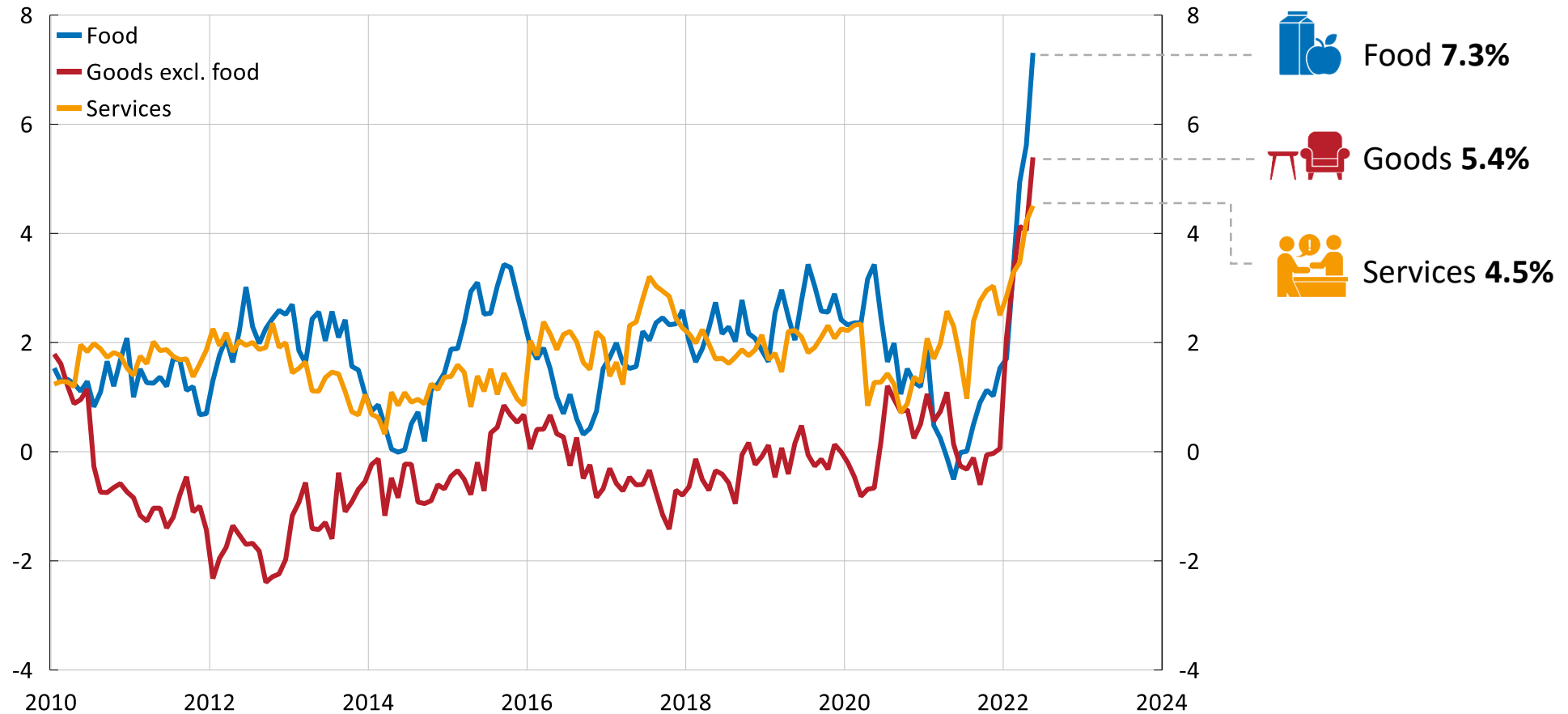
- Rapid and substantial recovery from the pandemic
- Disruptions in production and freight have led to high global market prices
- The war in Ukraine has driven up food prices and already high energy prices
- Price rises spreading further in the economy

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*We have never experienced
such a favourable
economic situation as now*

Quotes from the Riksbank's Business Survey

Price rises spreading further in the economy

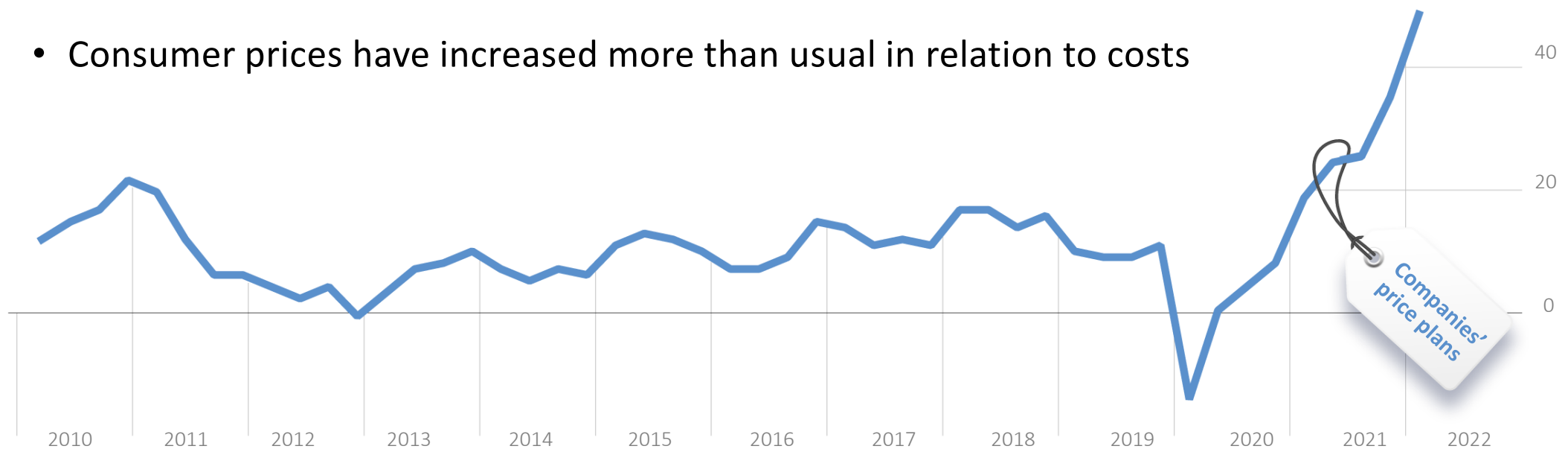


Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

Signs of new price-setting behaviour?

- Companies' costs have increased rapidly
- Profitability in the business sector is better than normal
- Consumer prices have increased more than usual in relation to costs



Net figures.

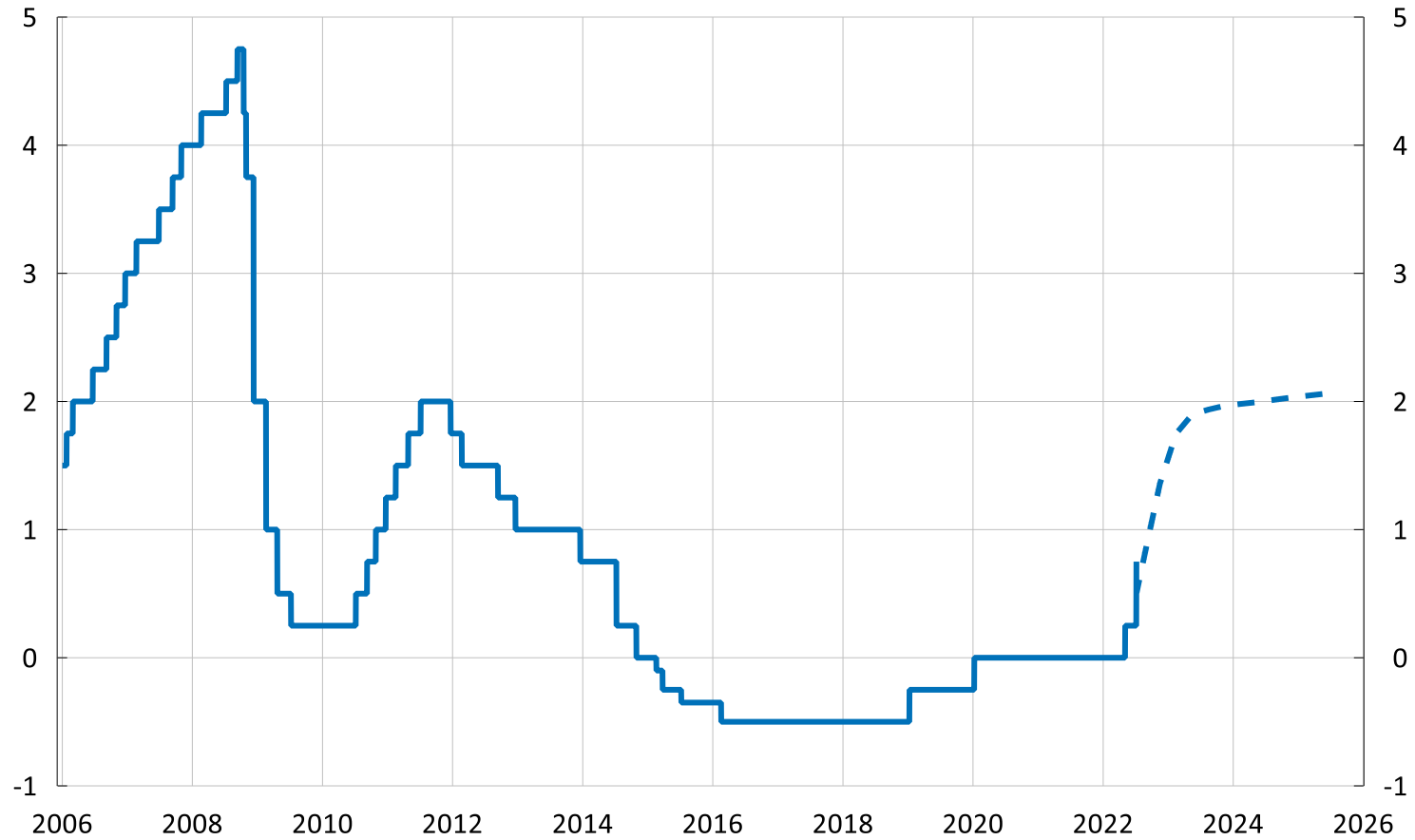
Source: National Institute of Economic Research.

Increased risk of inflation becoming entrenched in price- and wage-setting

- Persistently high inflation creates problems for households and companies
- The Riksbank's task is to safeguard the inflation target
- Low and stable inflation creates conditions for favourable economic development



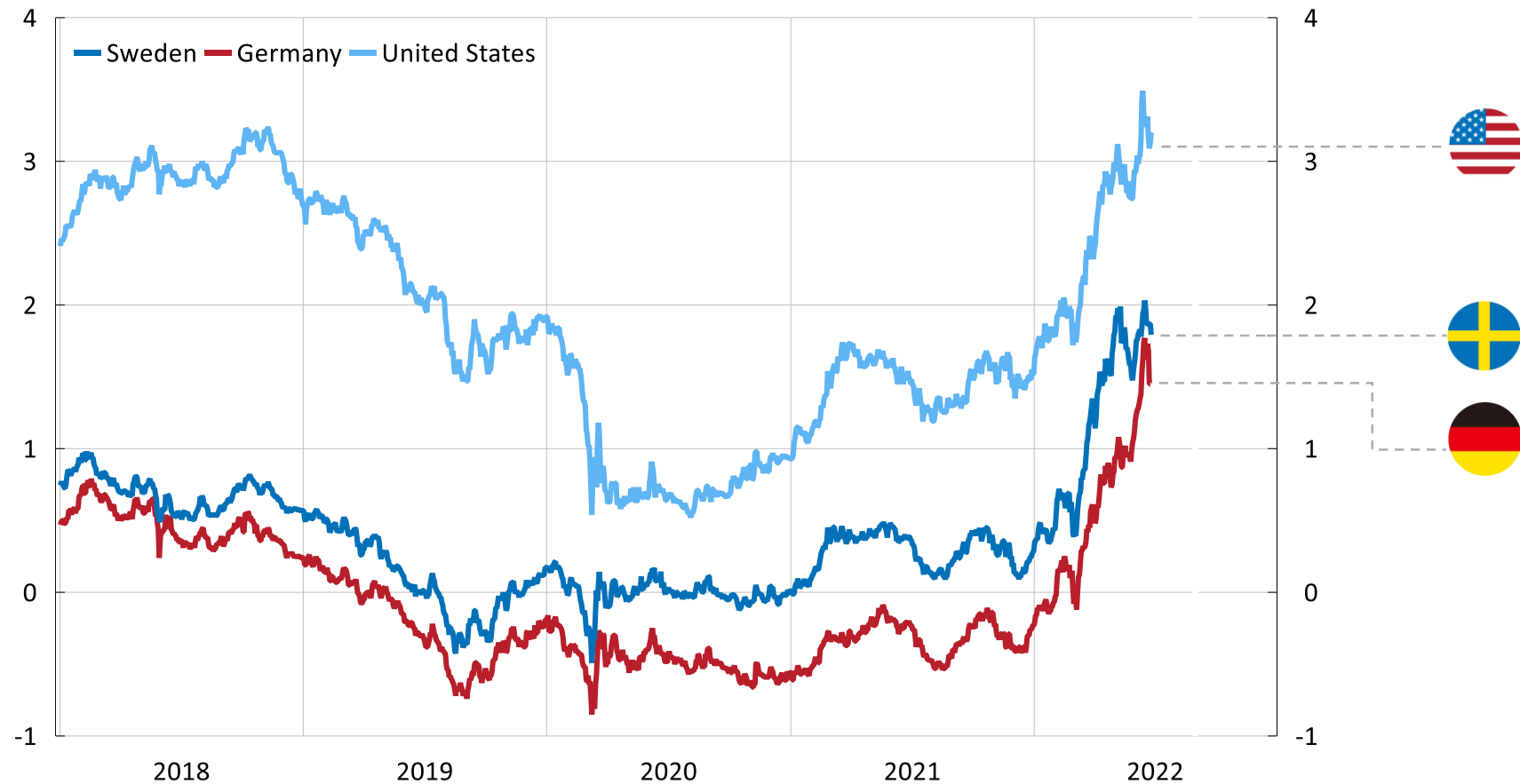
Higher policy rate to counter high inflation



Per cent.

Source: The Riksbank.

Rapidly rising bond yields abroad



Per cent. Yields on government bonds with 10-year maturity.

Sources: Deutsche Bundesbank, U.S. Department of Treasury and the Riksbank.

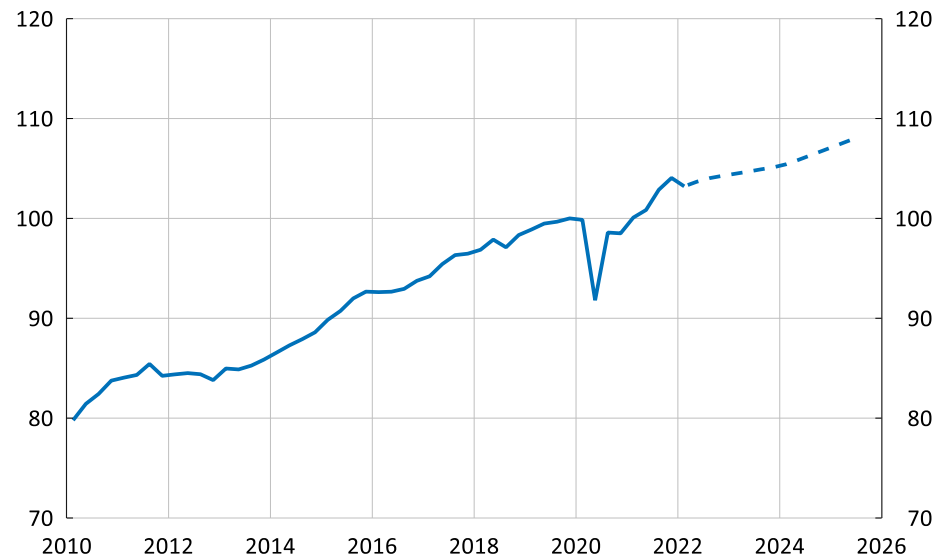
High inflation and higher interest rates will cool a strong economy

- Households will consume less
- Housing investment will decrease from a high level
- More modest labour market development

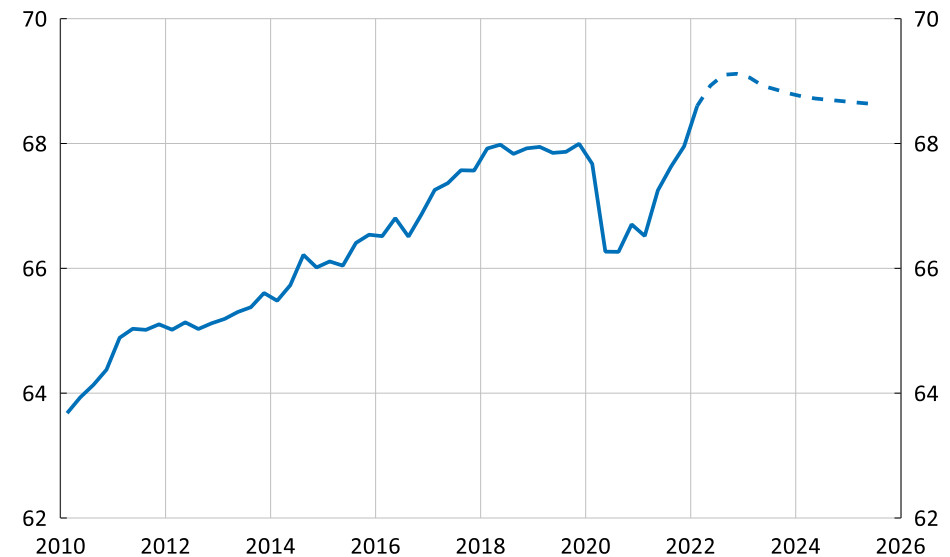


Mild slowdown in economic activity

GDP growth slowing down



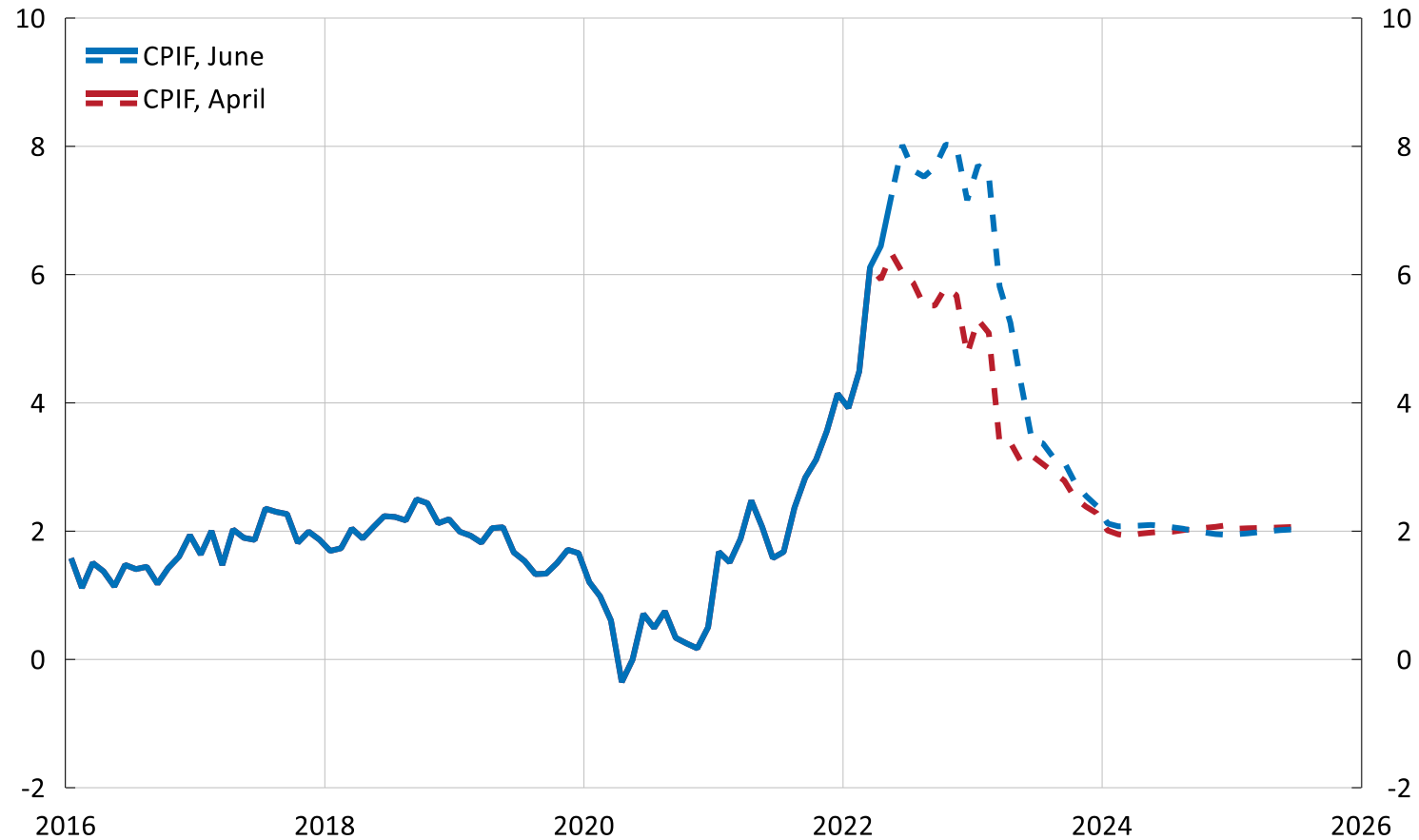
Historically high employment rate



Index, 2019 = 100 and percentage of workforce aged 15–74 years.

Sources: Statistics Sweden and the Riksbank.

High inflation this year, will begin to fall next year

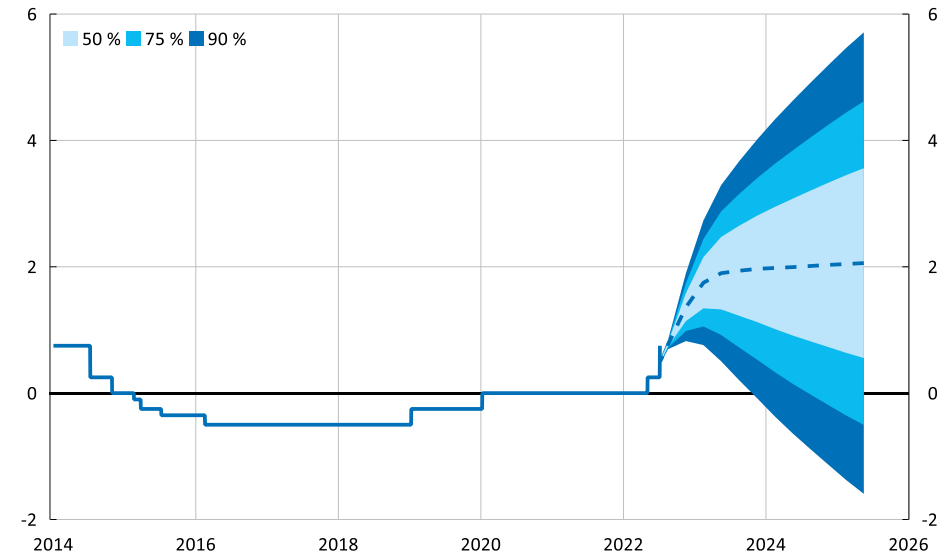


Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

When conditions change, monetary policy changes

- Major uncertainty about inflation
- The rate path is a forecast, not a promise
- We have adjusted and will adjust our policy



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

Inflation is too high – the policy rate is raised

June 2022