

Inflation is too high – monetary policy needs to act

September 2022

Inflation has continued to rise over the summer

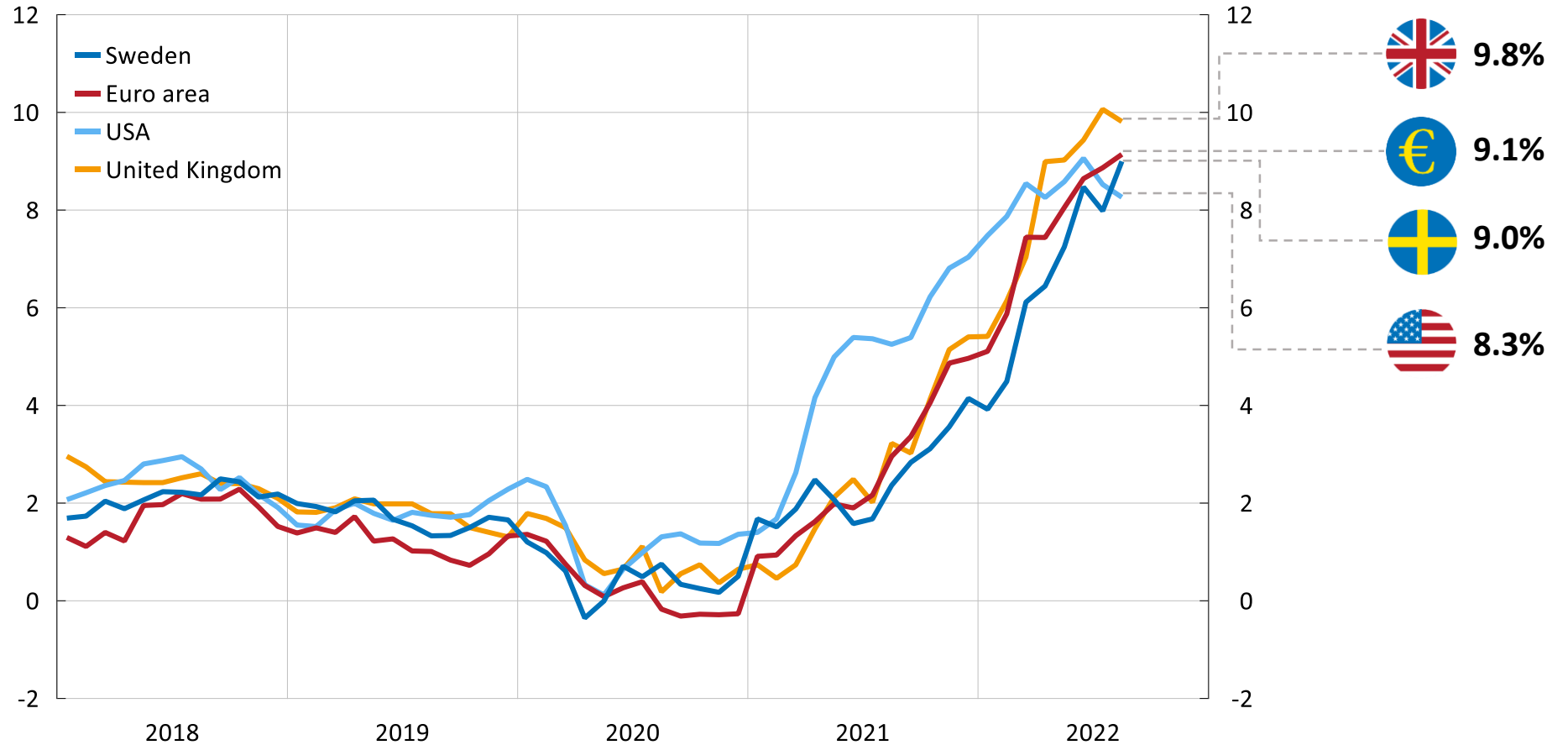


August:
9%

CPIF, annual percentage change.

Source: Statistics Sweden.

Inflation has continued to rise over the summer



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

Sources: Eurostat, Statistics Sweden, UK Office for National Statistics and US Bureau of Labor Statistics.

Several factors have contributed to the inflation upsurge



Supply and demand imbalances during the pandemic



Russia's invasion of Ukraine



Strong demand



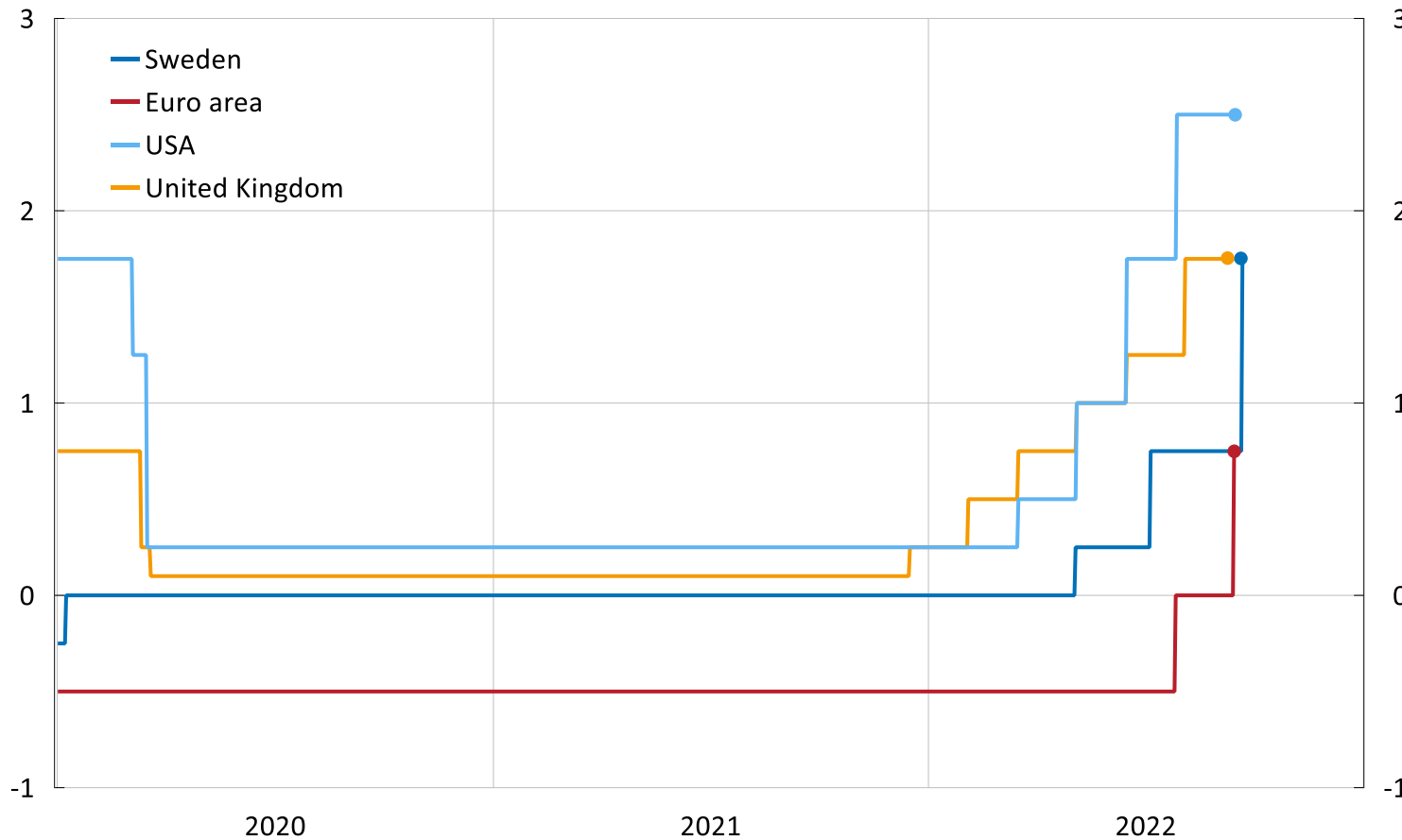
Disruptions in the European energy market

High inflation is creating problems

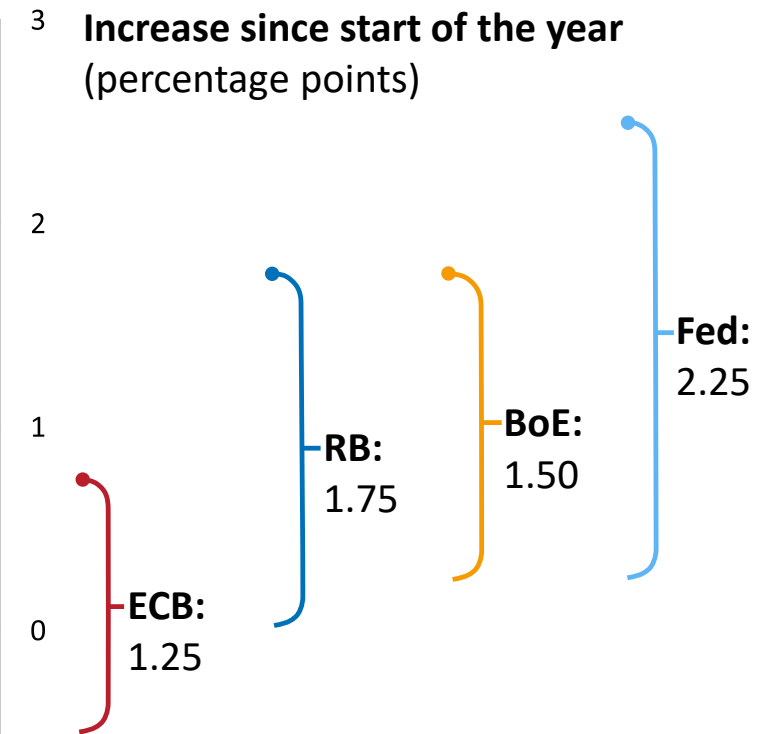
- Purchasing power decreases when everything becomes more expensive
- Difficult for households and companies to plan their finances
- Long-term high inflation would create more serious and lasting problems



Central banks are acting forcefully to bring inflation down

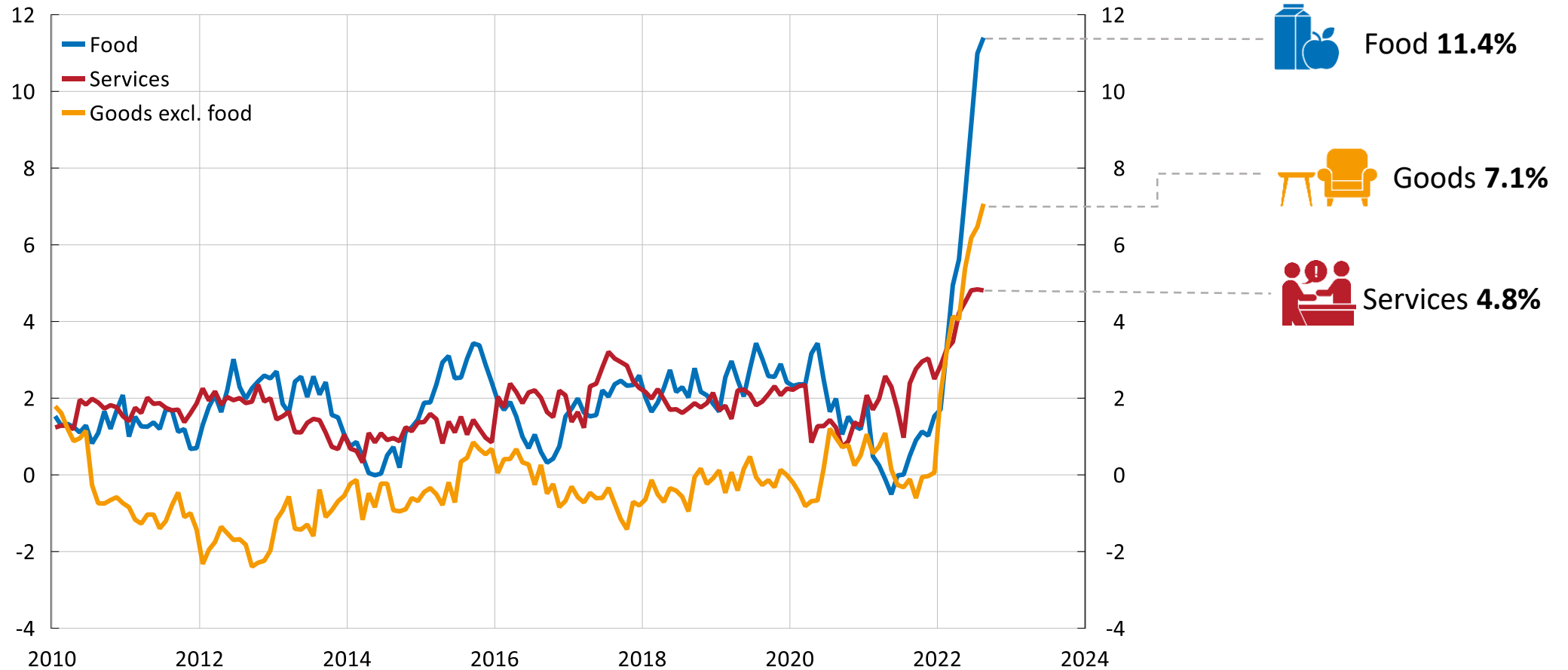


Policy rates, per cent.



Sources: National central banks.

Almost all prices are rising rapidly



Annual percentage change

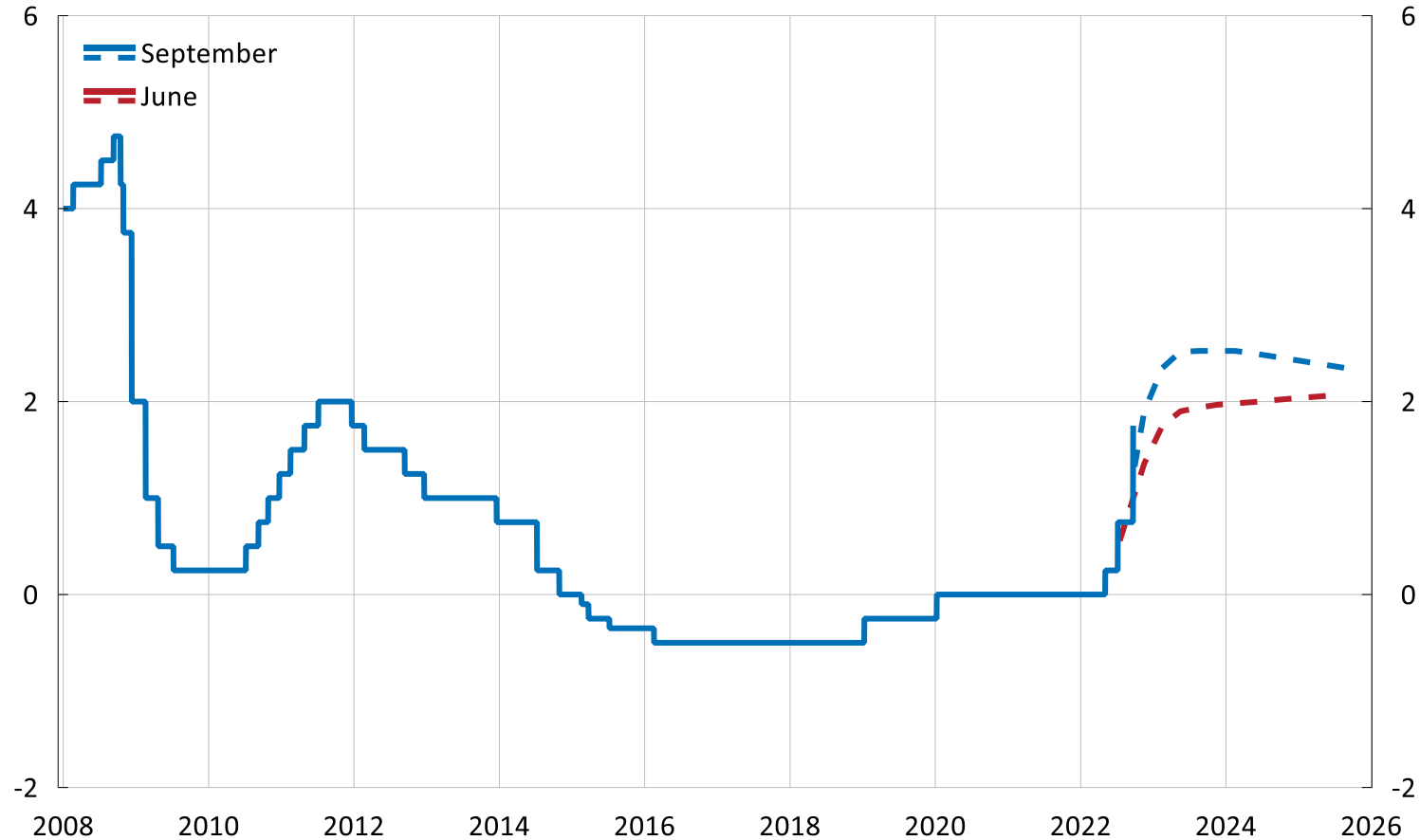
Sources: Statistics Sweden and the Riksbank.

Raising the interest rate more now will reduce the risk of high inflation in the longer term

- Inflation has become higher and forecasts have been revised upwards
- Risk that high inflation will become entrenched and cause serious problems
- In order to safeguard the inflation target, it is important that monetary policy acts when inflation is too high



The policy rate is being raised by 1 percentage point to safeguard the inflation target

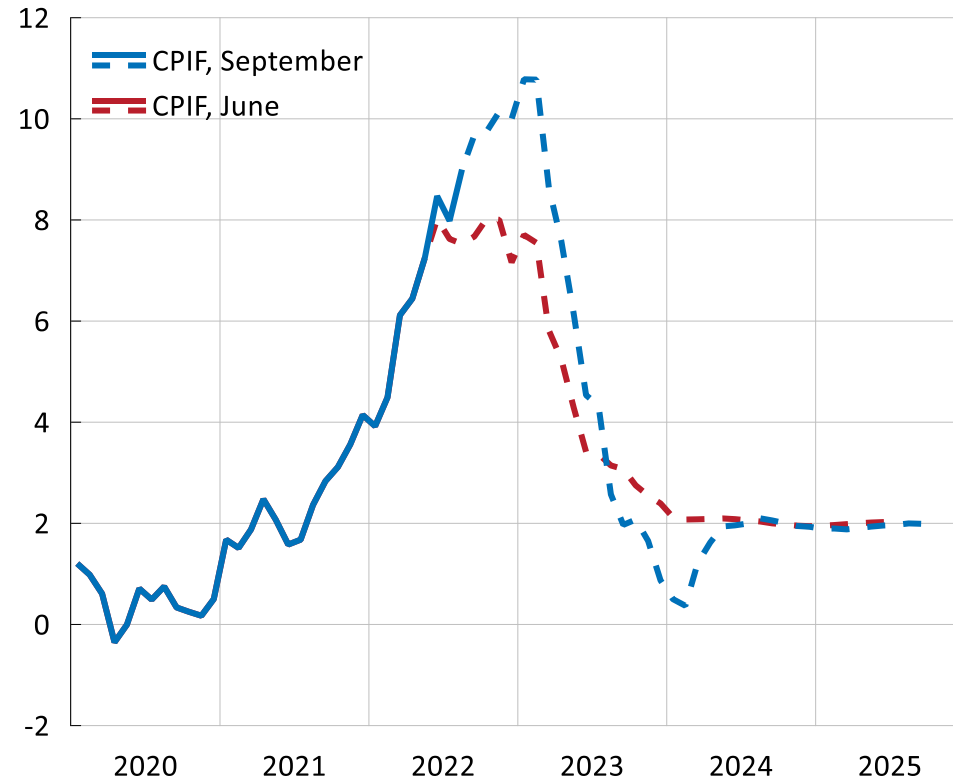


Per cent

Source: The Riksbank.

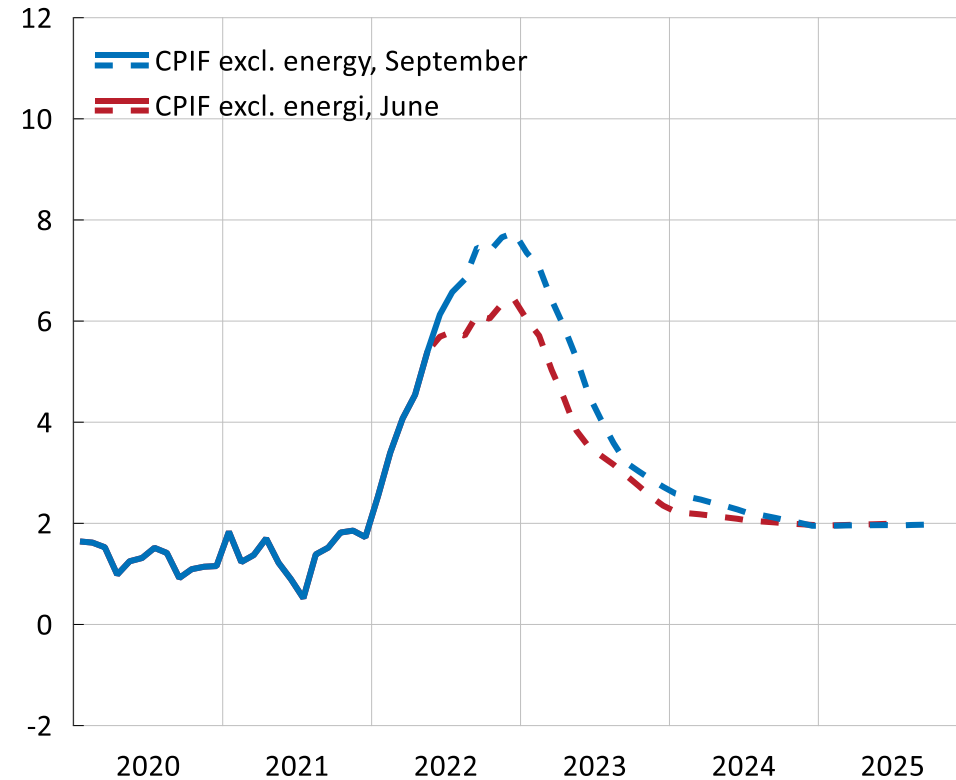
High inflation is falling back

Energy prices driving up CPIF inflation



Annual percentage change

Inflation is high, even excluding energy

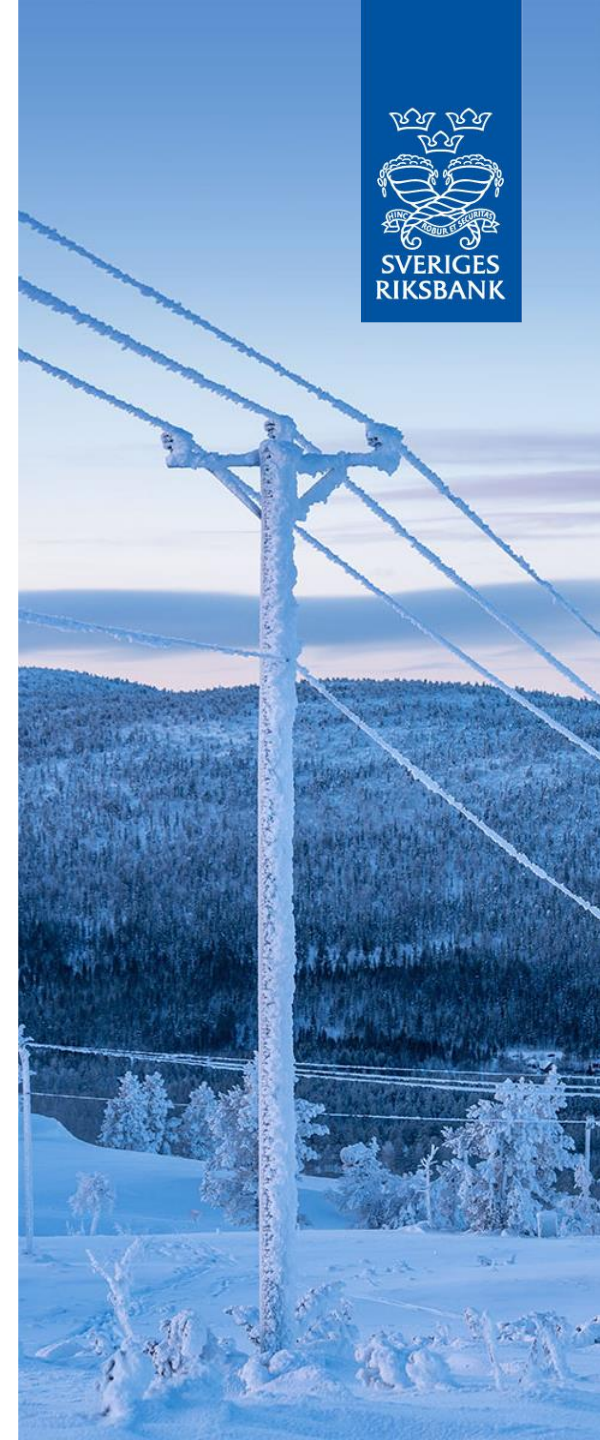


Sources: Statistics Sweden and the Riksbank.

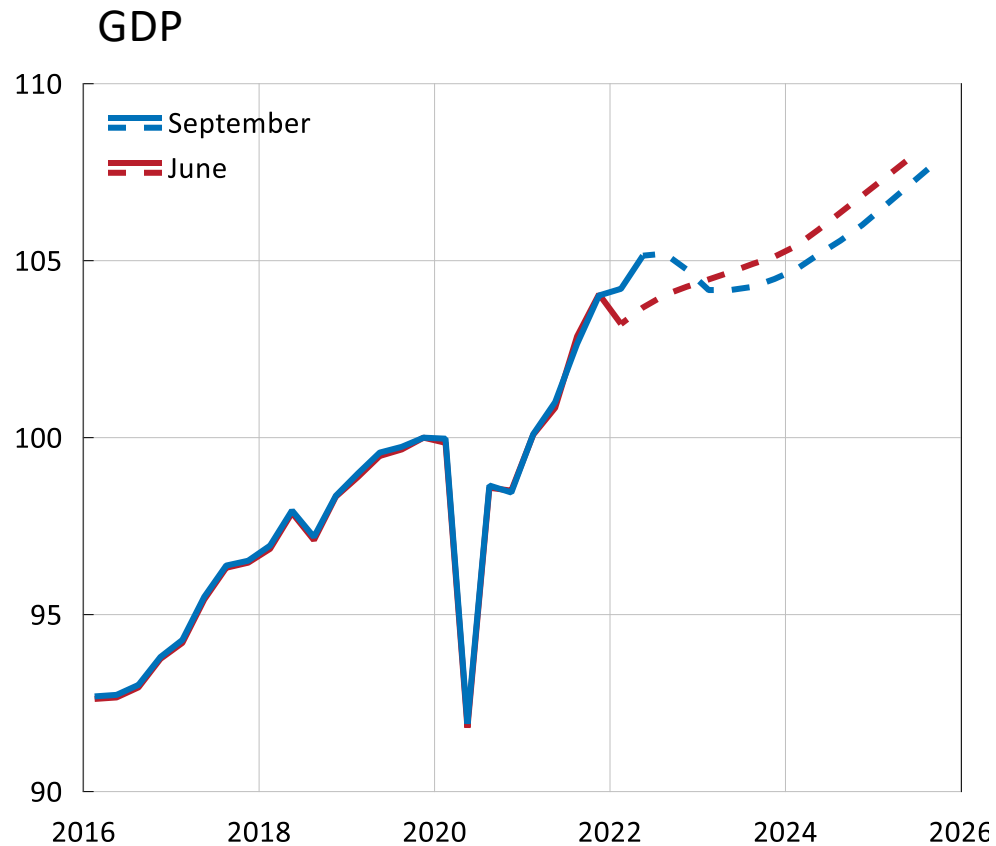
Electricity prices are creating great uncertainty

- Energy crisis in Europe
- Very high electricity prices in Sweden
- Great uncertainty for households and businesses
- Measures may affect inflation

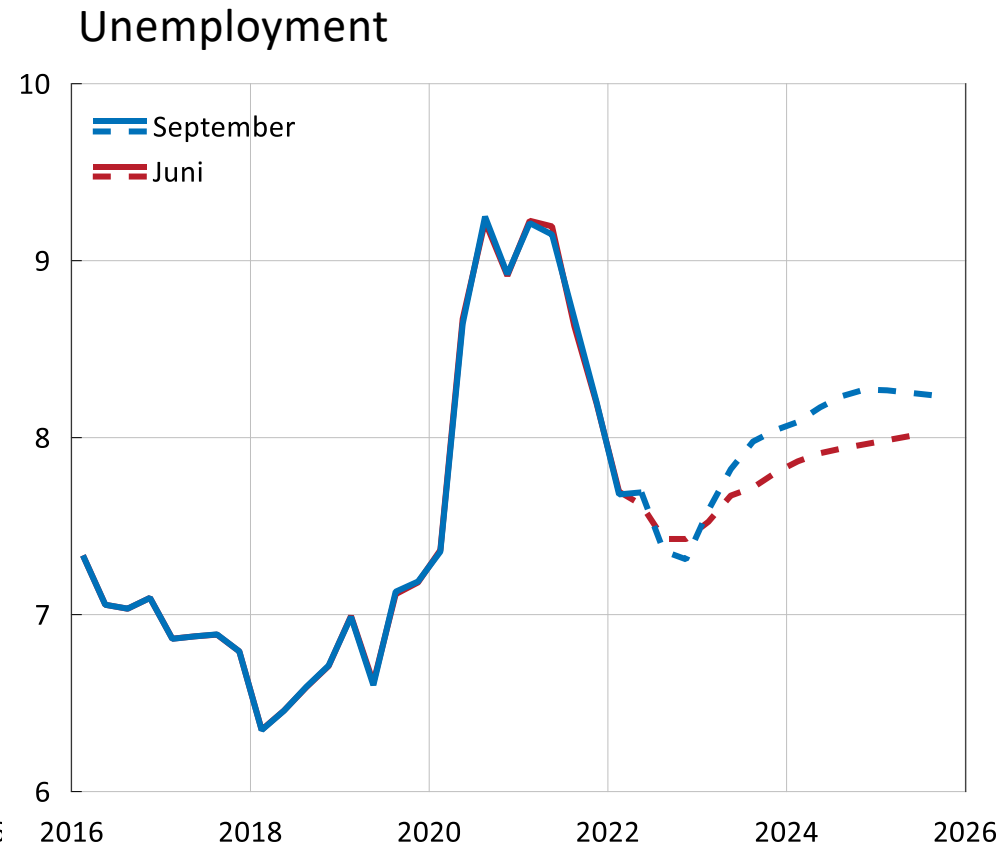
The inflation forecast is sensitive to what happens to electricity prices



Subdued but uncertain economic development



Index, 2019 Q4=100, and percentage of labour force age 15-74.



Sources: Statistics Sweden and the Riksbank.

When conditions change, monetary policy is adjusted

- Major uncertainty about inflation outlook
- The rate path is a forecast, not a promise
- Monetary policy is adjusted to economic developments

*We will do what is needed to bring
inflation back to the target*

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