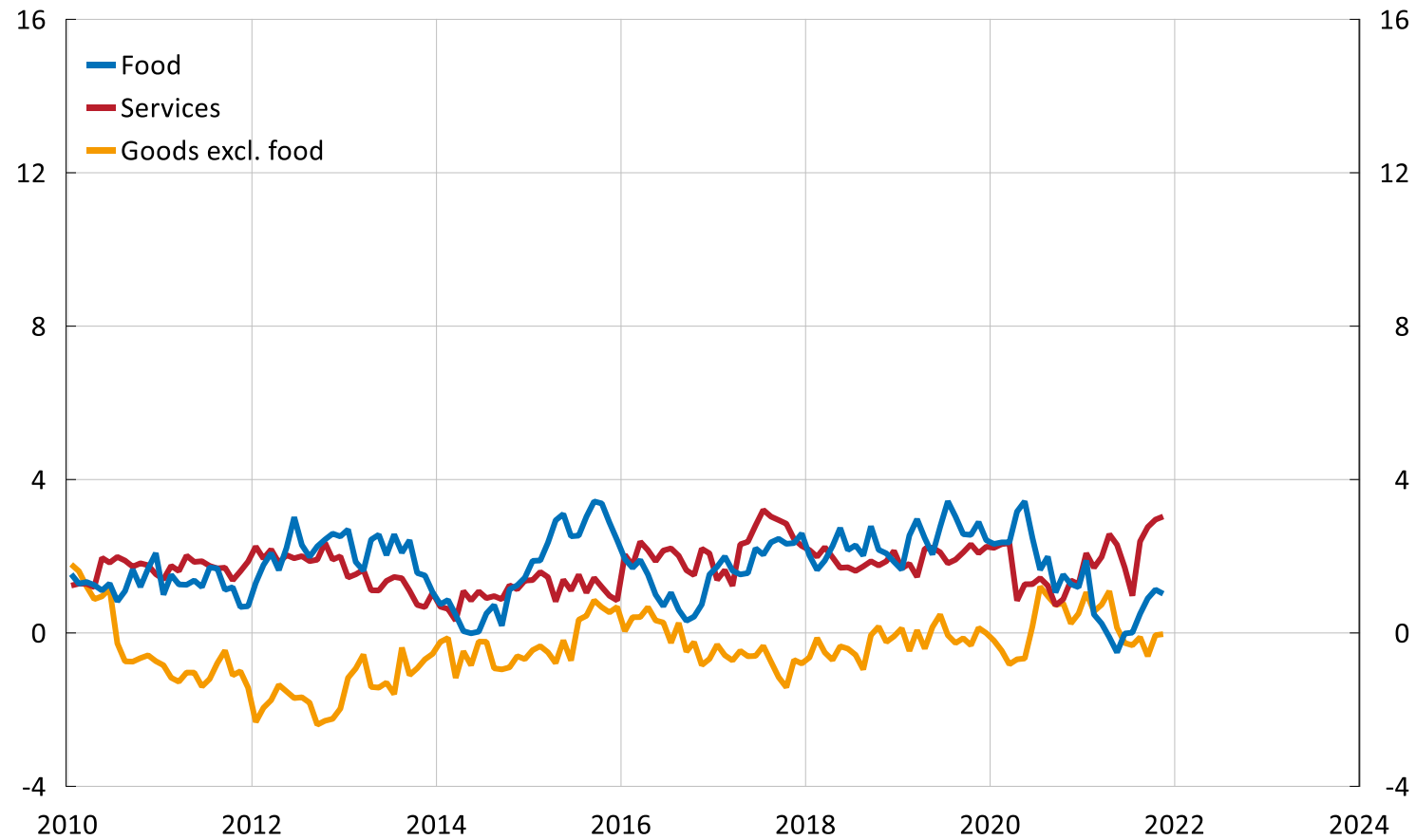


# Inflation is too high – monetary policy needs to act

Stefan Ingves, Committee on Finance 20 October 2022

# Inflation was low at the end of last year...

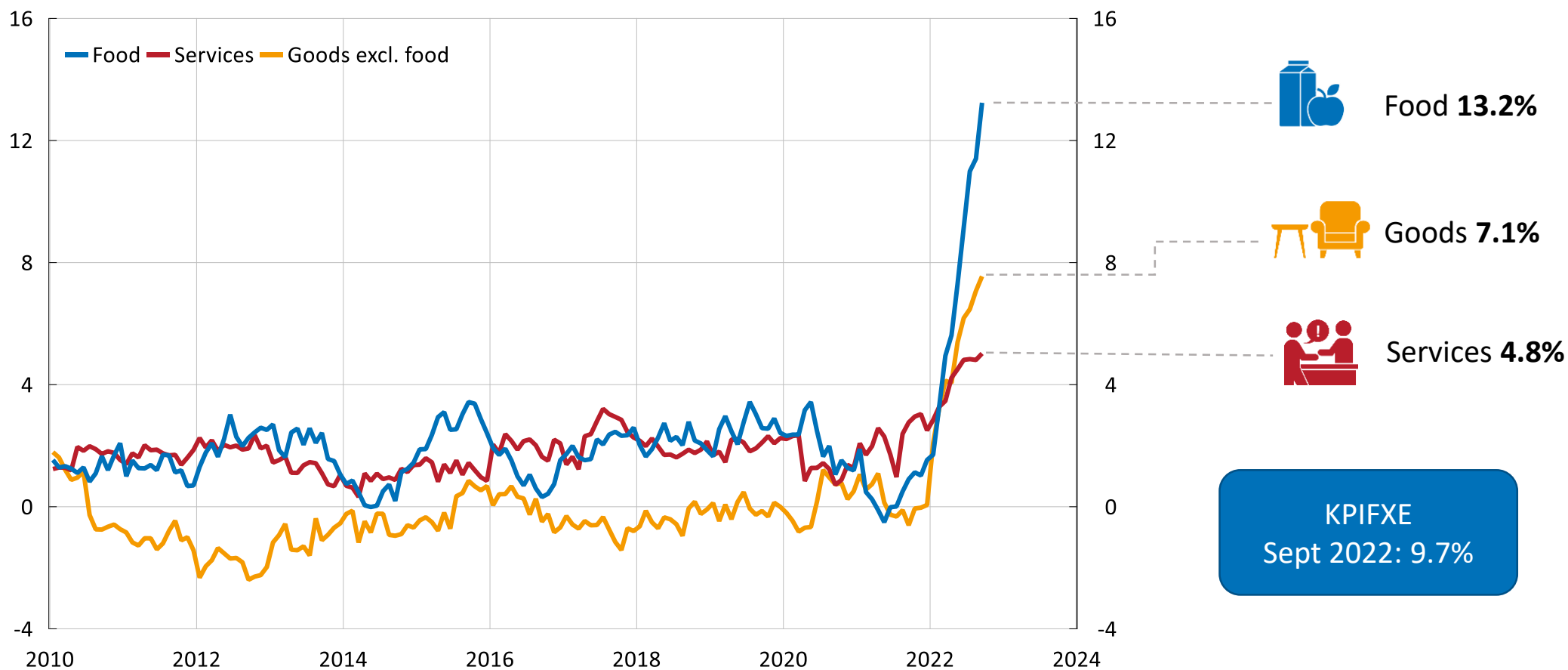


KPIFXE  
Dec 2021: 1.7%

Annual percentage change

Sources: Statistics Sweden and the Riksbank.

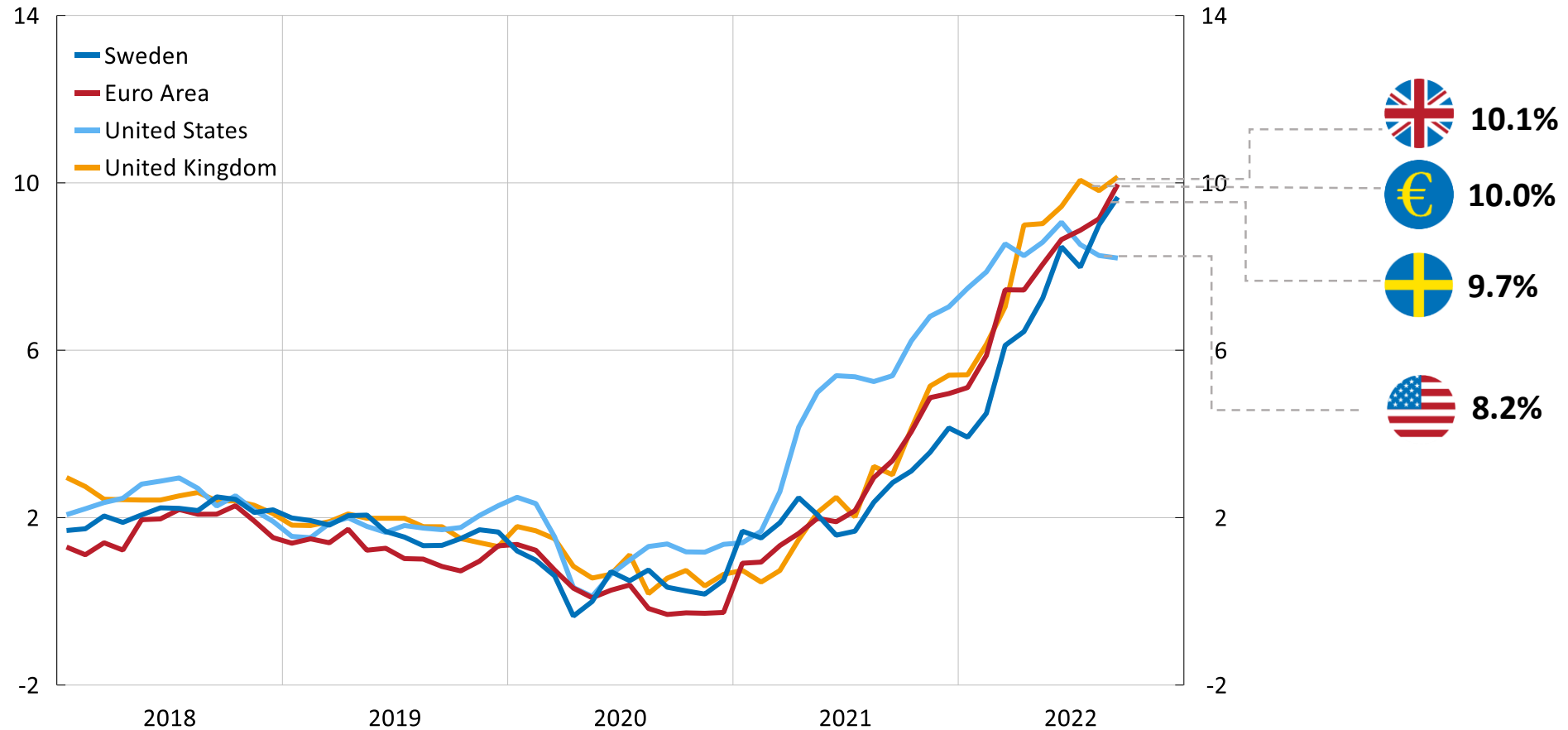
# ... and then increased rapidly



Annual percentage change

Sources: Statistics Sweden and the Riksbank.

# High inflation is a global phenomenon



CPIF for Sweden, HICP for the Euro Area and CPI for the United States and United Kingdom. Annual rate of change.

Sources: Eurostat, SCB, U.K. Office for National Statistics and U.S. 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

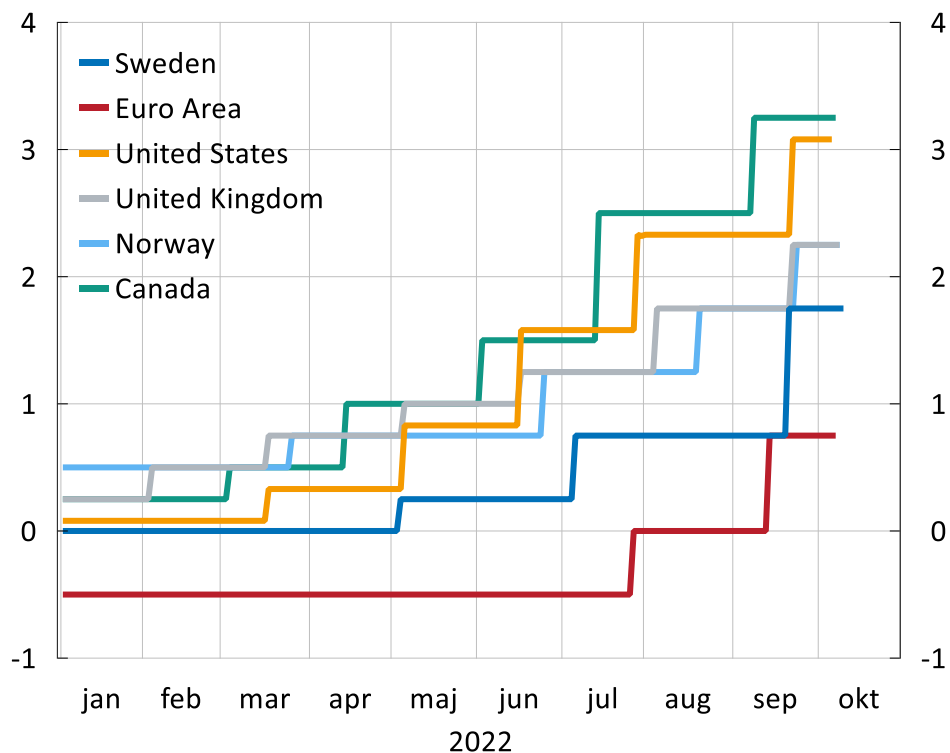
# High inflation is creating problems

- Purchasing power decreases when everything becomes more expensive, especially for those with the lowest margins
- Difficult for households and companies to plan their finances
- Long-term high inflation would create more serious and lasting problems



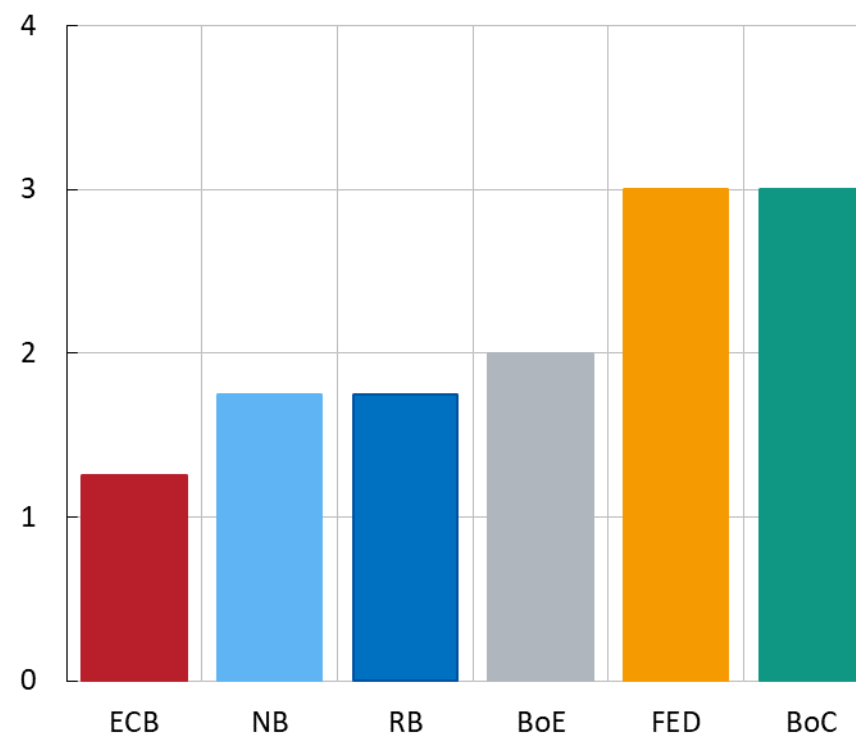
# Central banks are acting forcefully to bring inflation down

Central bank policy rates



Per cent.

Increases so far this year



Percentage points.

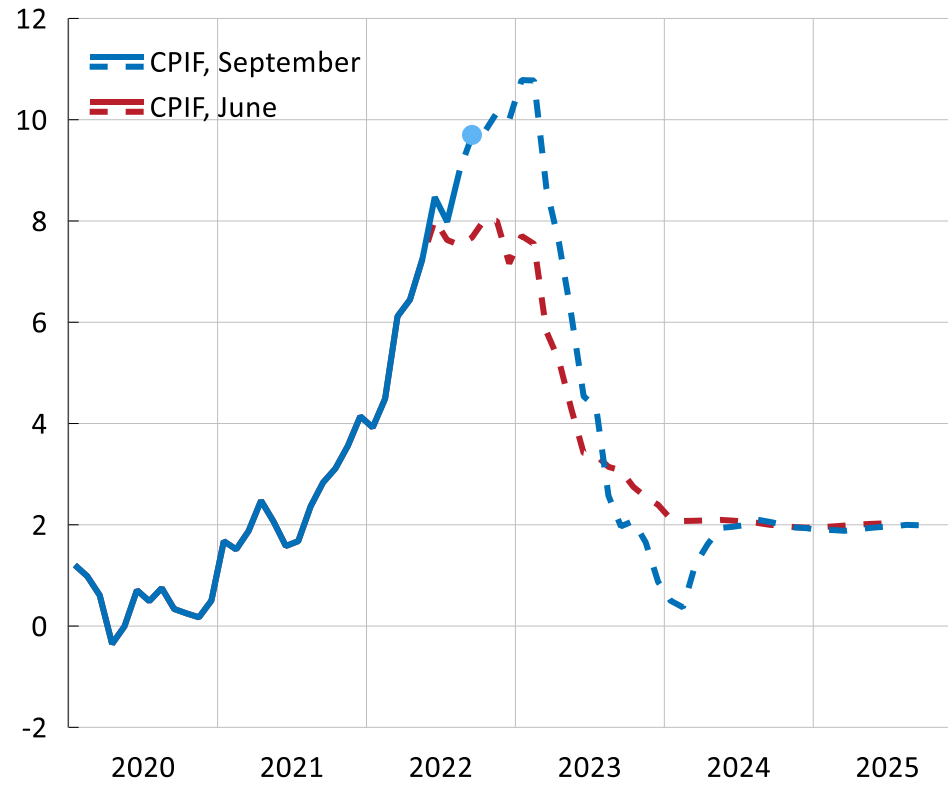
# Raising the interest rate more now will reduce the risk of high inflation in the longer term

- 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

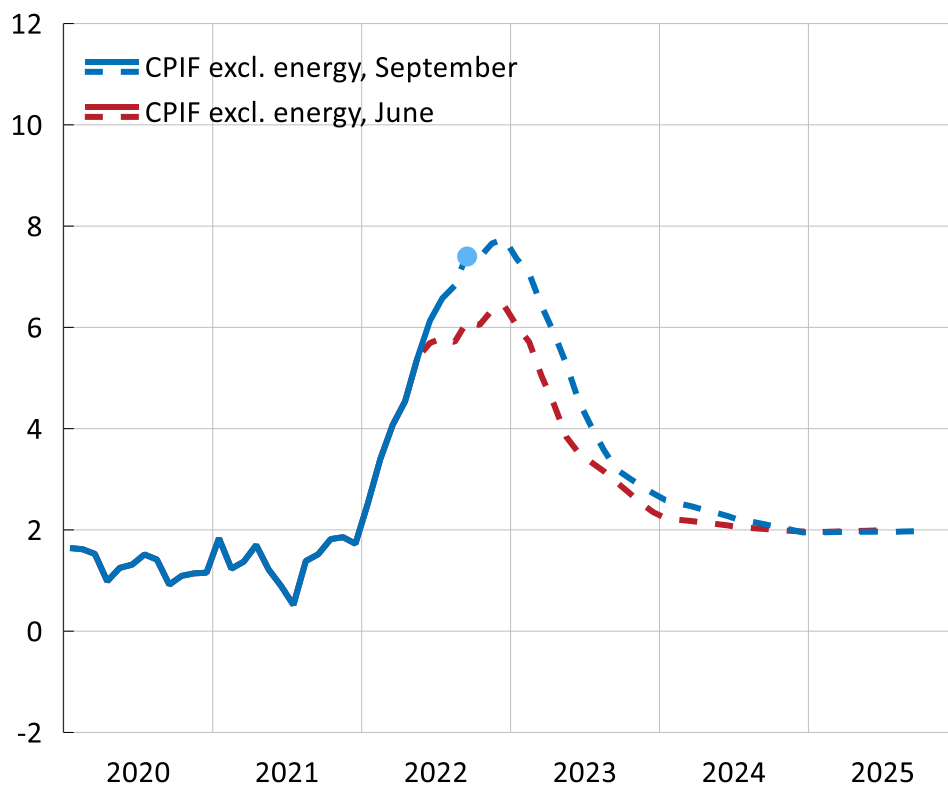


# High inflation is falling back

Energy prices driving up CPIF inflation



Inflation is high, even excluding energy



Annual percentage change

Sources: Statistics Sweden and the Riksbank.

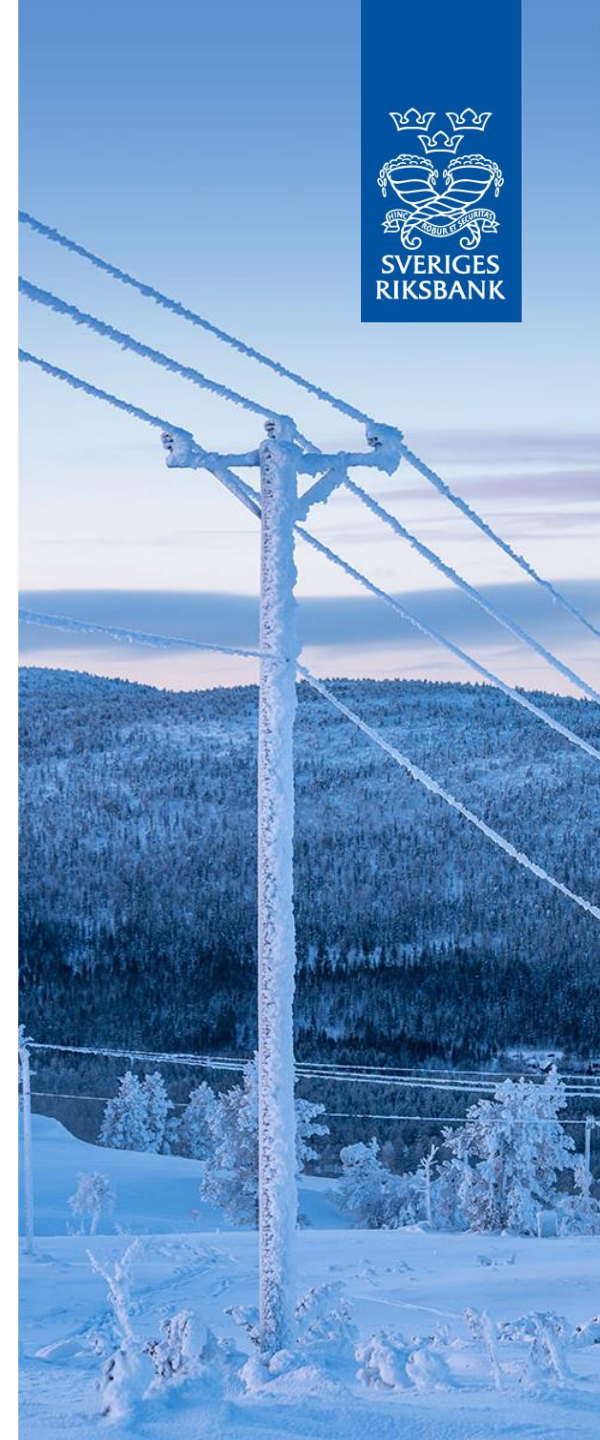
# Electricity prices are creating great uncertainty

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

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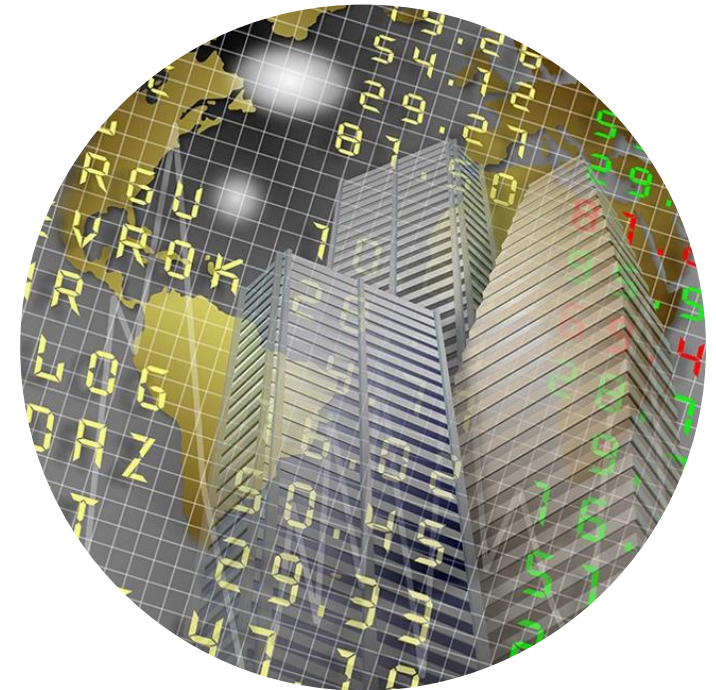
*The inflation forecast is sensitive to what happens to electricity prices*

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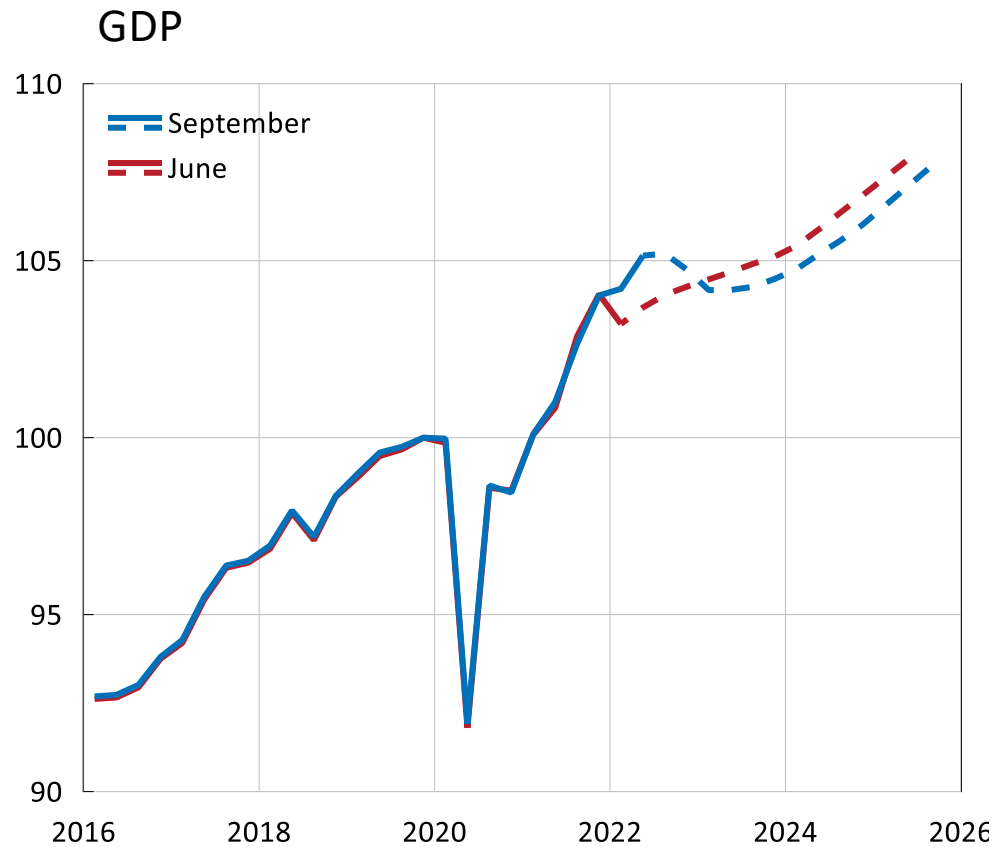


# Major movements in financial markets

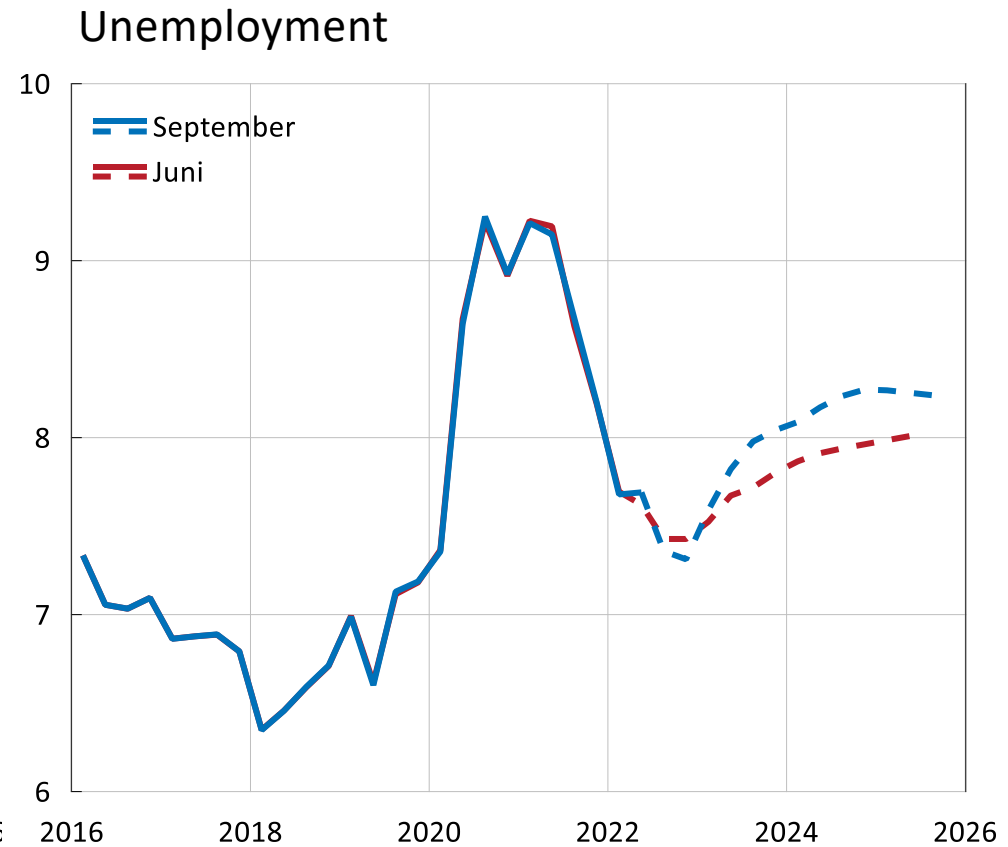
- Increased volatility in bond markets
- The krona has weakened
- Increased uncertainty over economic policy



# Weaker demand, but large uncertainty

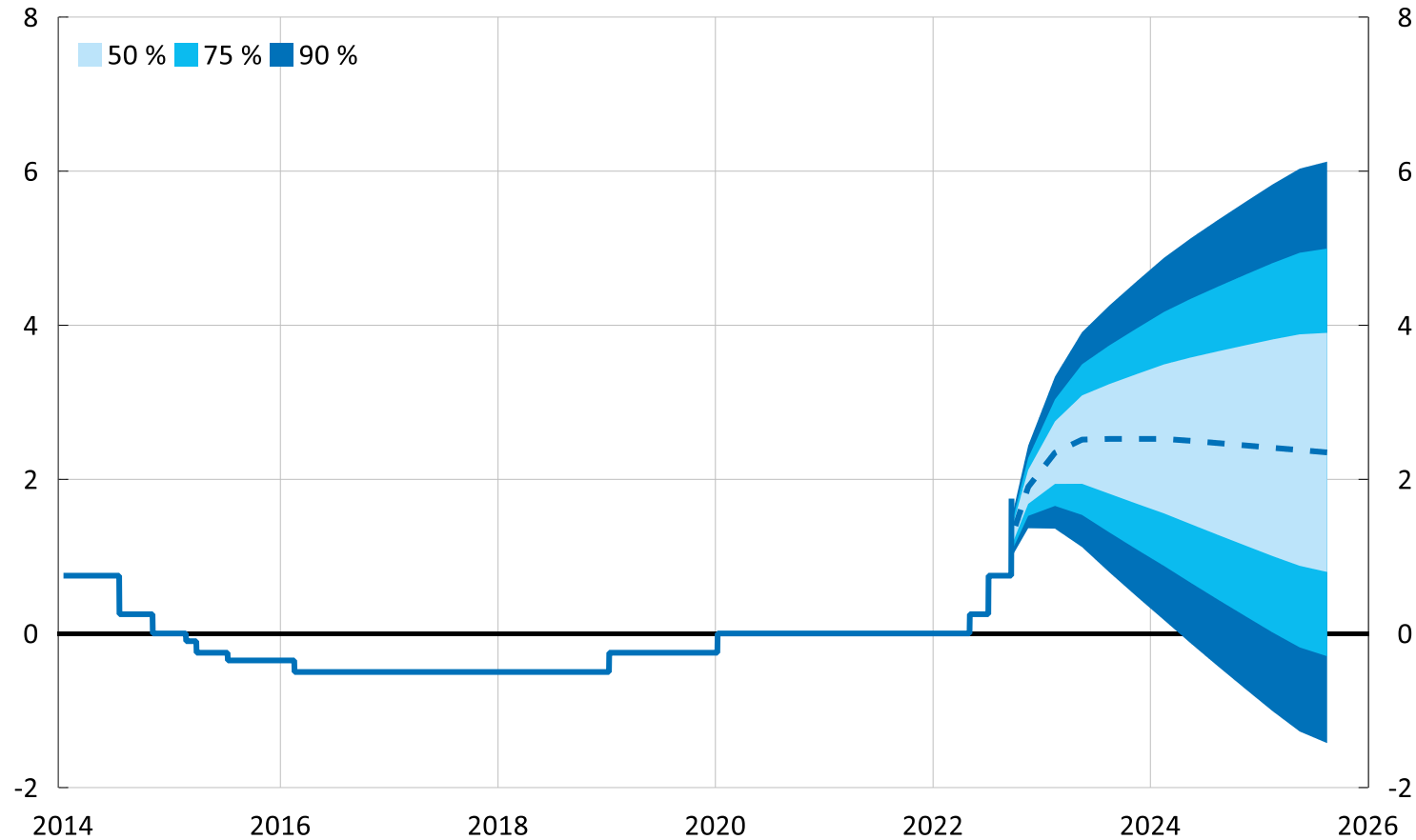


Index, 2019 Q4=100, and percentage of labour force age 15-74.



Sources: Statistics Sweden and the Riksbank.

# The policy rate is being raised to safeguard the inflation target



Per cent

Source: The Riksbank

# When conditions change, monetary policy is adjusted

- The economy is slowing, but more painful for the Swedish economy if inflation remains high
- Different policy areas should not pull too much in different directions
- Major uncertainty about inflation

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

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Inflation is too high – monetary policy needs to act