

In-depth report on inflation and inflation risks

Riksdag Committee on Finance
16 March 2021

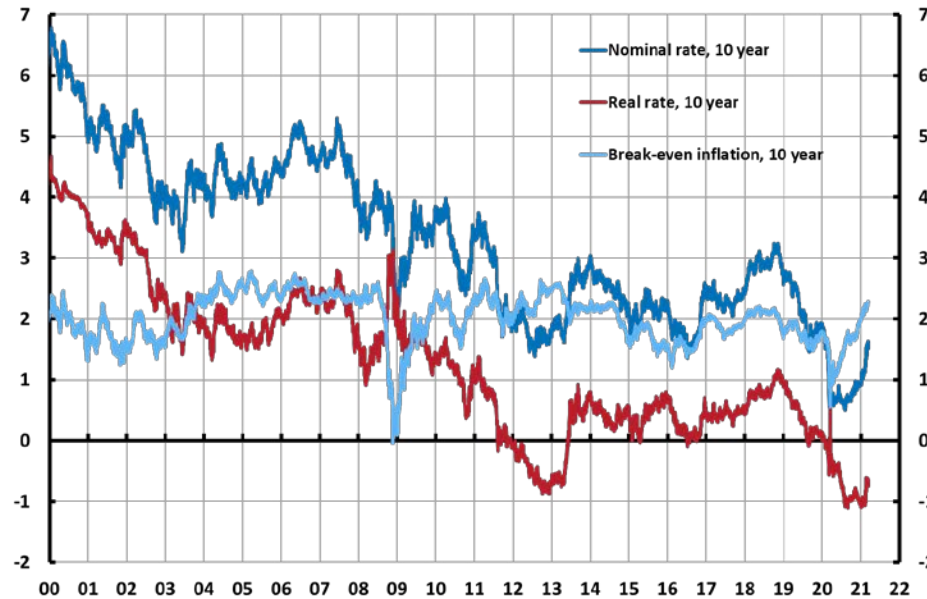
Per Jansson
Deputy Governor

Volatile inflation rising gradually in the long run – uncertain at what speed

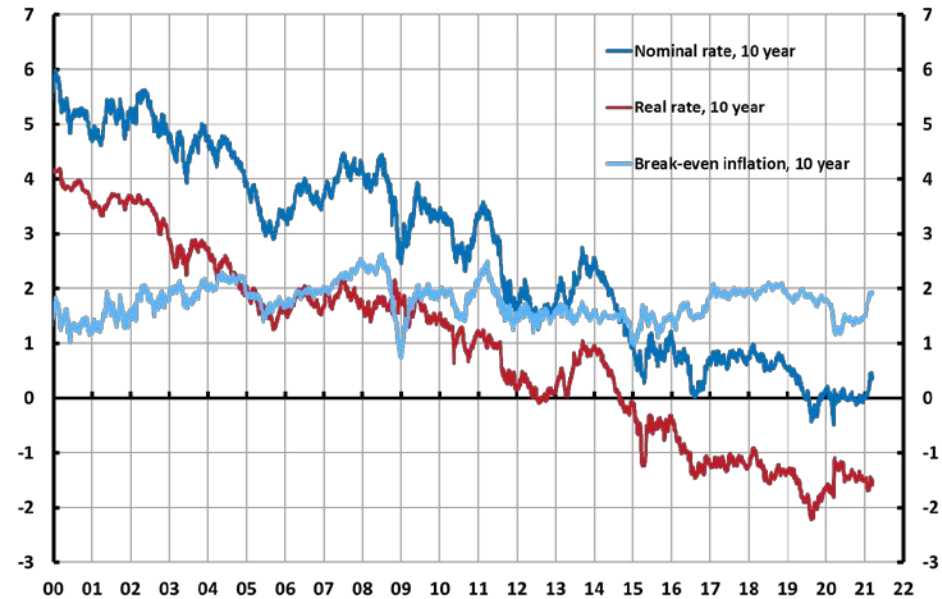
- Inflation is expected to rise clearly as a result of temporary effects
- Underlying inflation stays moderate
- After the summer, inflation will rise gradually, apace with the recovery in the economy
- Factors that can contribute to inflation rising more than expected:
 - Negative effects on the supply side of the economy
 - Demographic changes – ageing population
 - Question mark regarding the sustainability of public finances
 - Rapidly rising demand driven by very expansionary economic policy

Higher inflation expectations have contributed to a rise in long-term nominal government rates

USA



Sweden

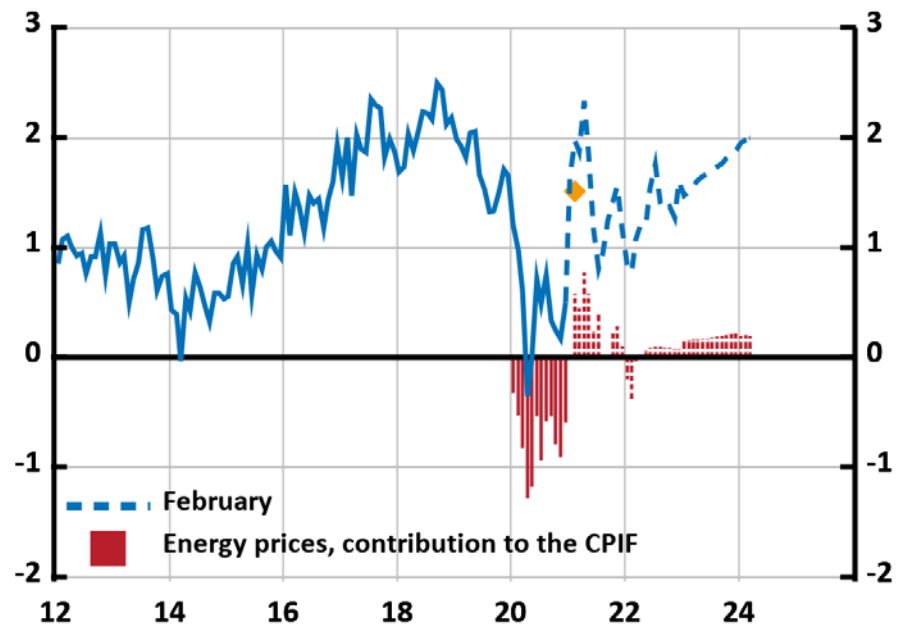


Note. Yields on 10-year government bonds

Sources: Bloomberg and the Riksbank

Inflation risks can affect monetary policy – more probable with unexpectedly low outcomes

CPIF



- Gradually rising inflation going forward
- Both upside and downside risks
- Hardly any need for less expansionary monetary policy if inflation overshoots the target for a while
- Repo rate cut relevant if confidence in the inflation target is threatened

Annual percentage change

Sources: Statistics Sweden and the Riksbank