

Inflation on firmer ground, but risk of setbacks

Monetary policy, February 2024

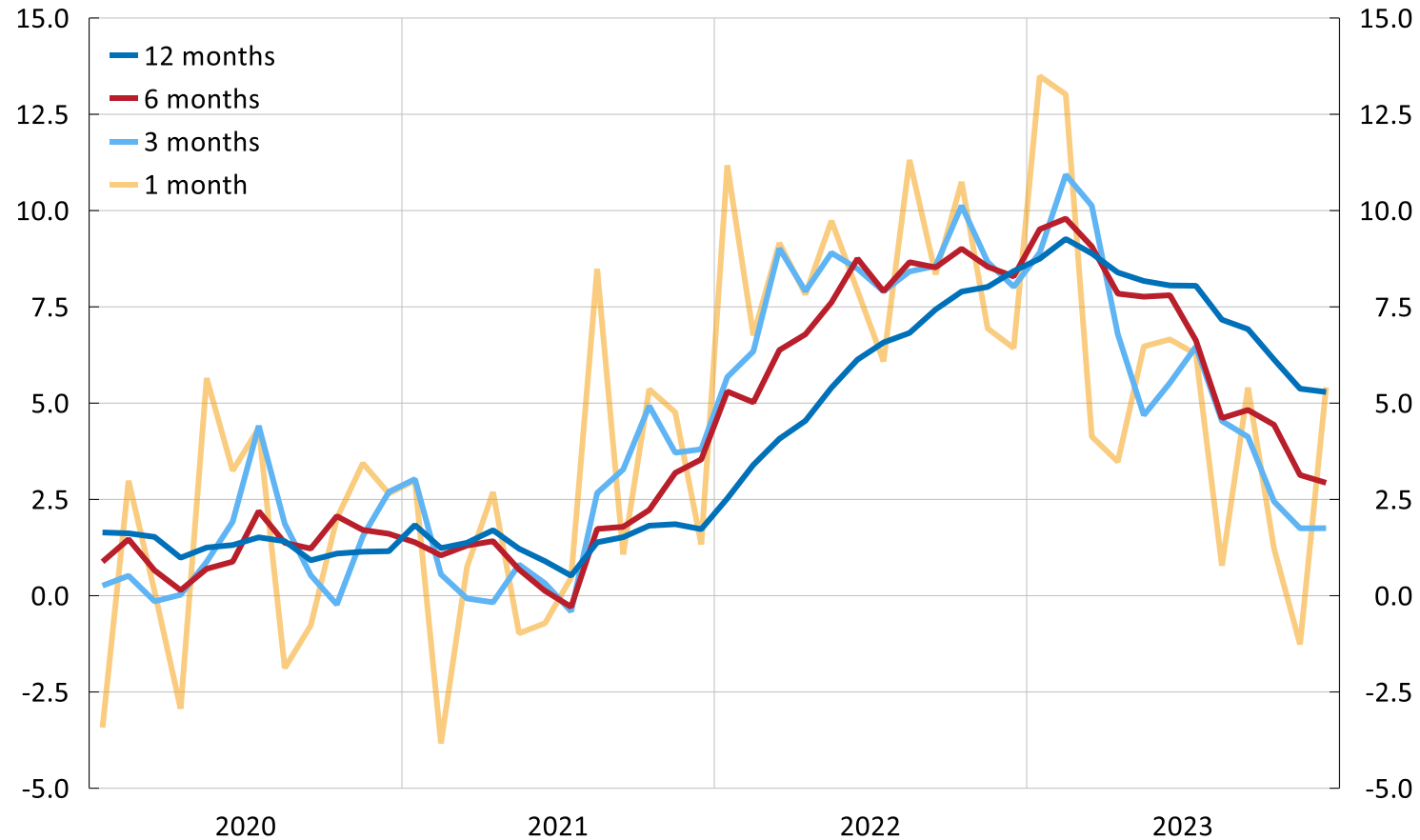


Continued contractionary monetary policy

- Policy rate **unchanged** at 4 per cent
- **Increasing the pace** of government bond sales



Inflation is falling, but remains high



Percentage change in CPI excluding energy, calculated as an annual rate. Seasonally adjusted data.

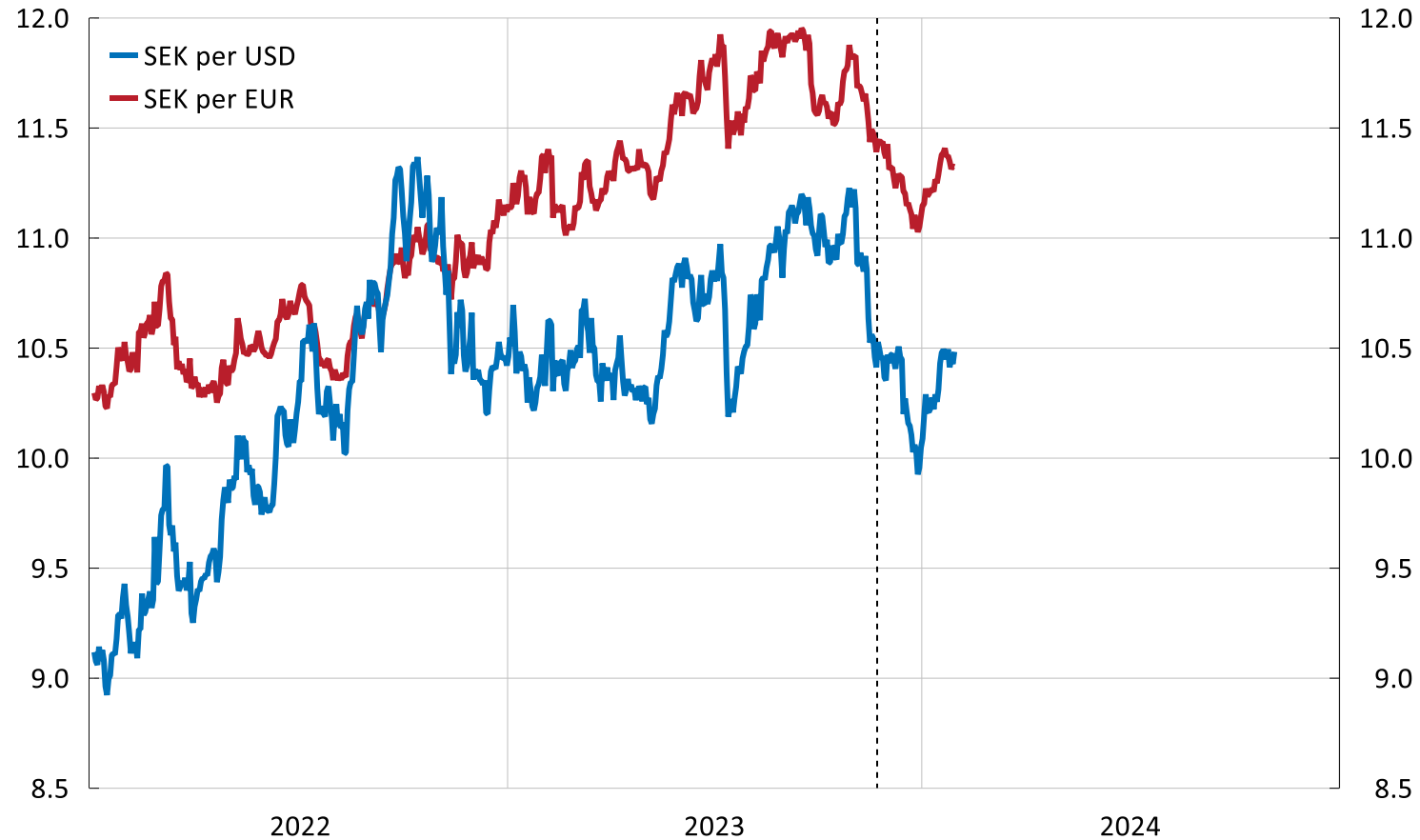
Sources: Statistics Sweden and the Riksbank.

Risks of inflation rising again

- War and geopolitical tensions
- Companies' price-setting behaviour
- The krona exchange rate



Weaker exchange rate can be a risk for the development of inflation

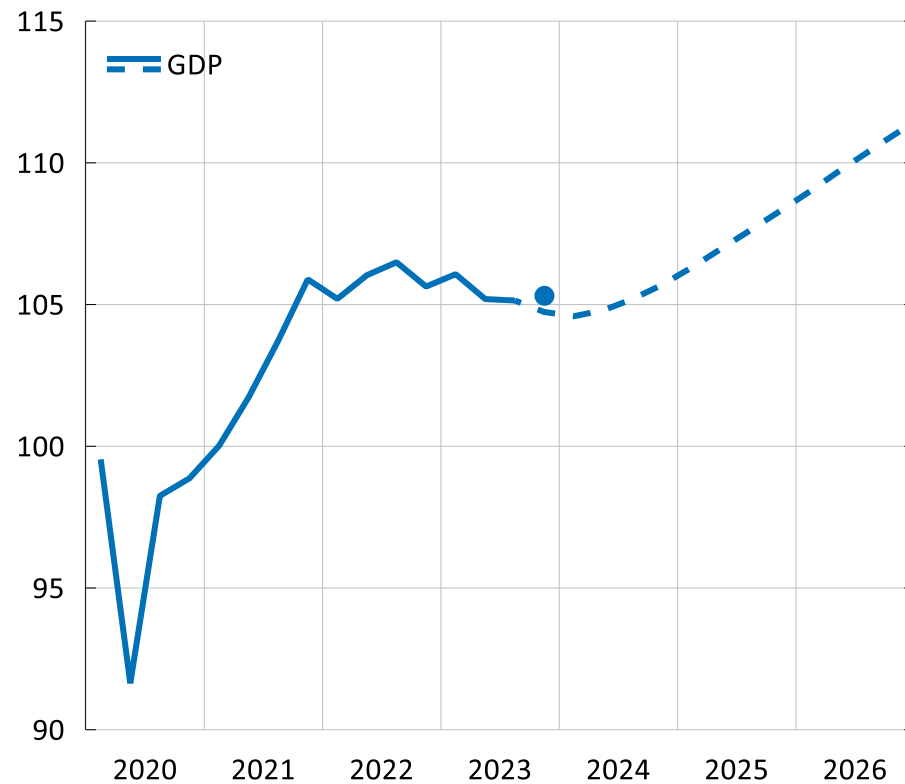


Daily values. The dashed line marks the date of the monetary policy meeting in November.

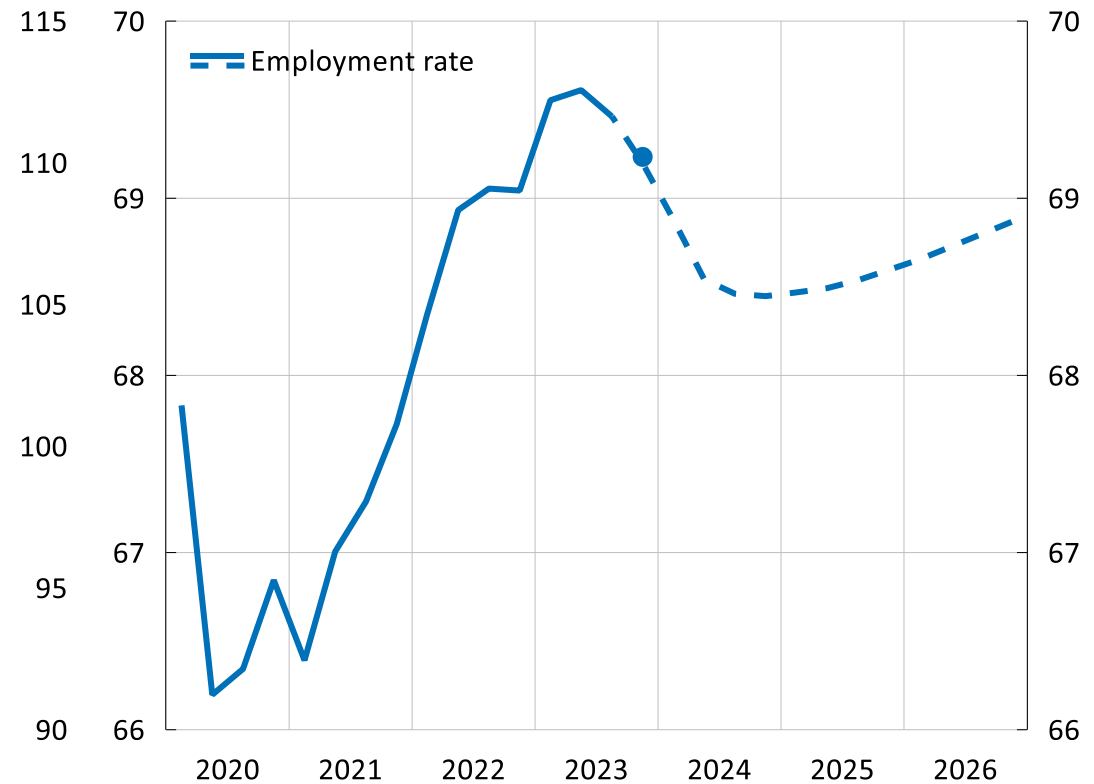
Source: Macrobond Financial AB.

Expected slowdown in economic activity

Growth is in a weaker phase



Labour market weakening

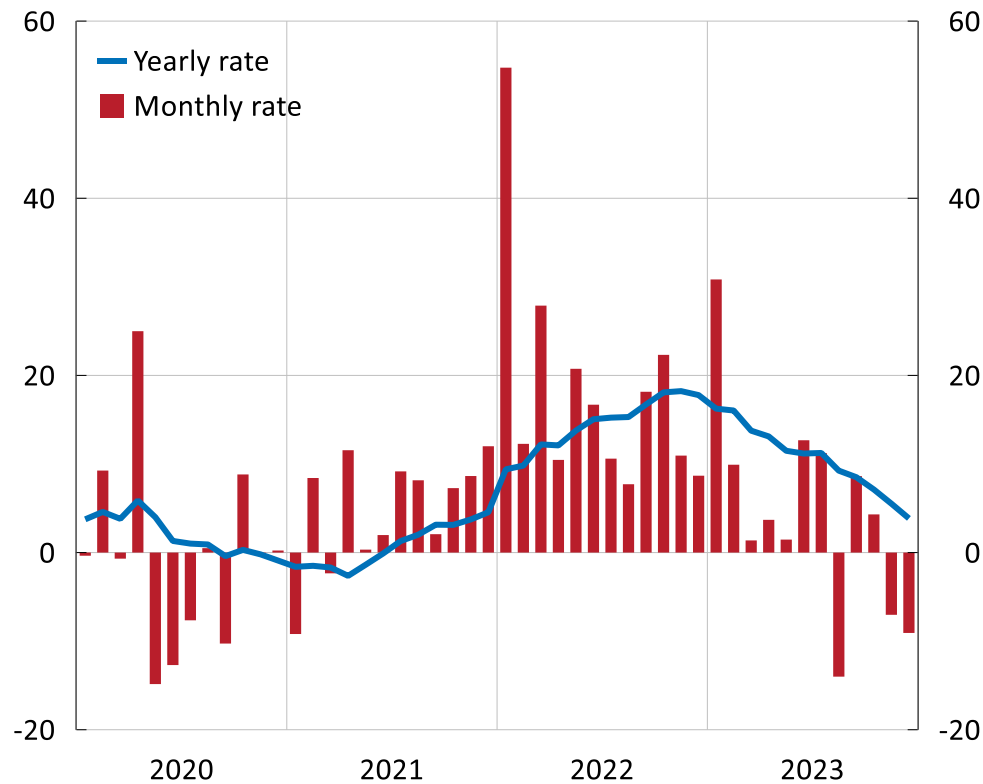


Index, 2019 Q4 = 100 (left) and per cent of population aged 15-74 years (right). Dashed lines refer to the forecast in the November 2023 Monetary Policy Report. Dots refer to outcomes since then. Seasonally adjusted data.

Sources: Statistics Sweden and the Riksbank.

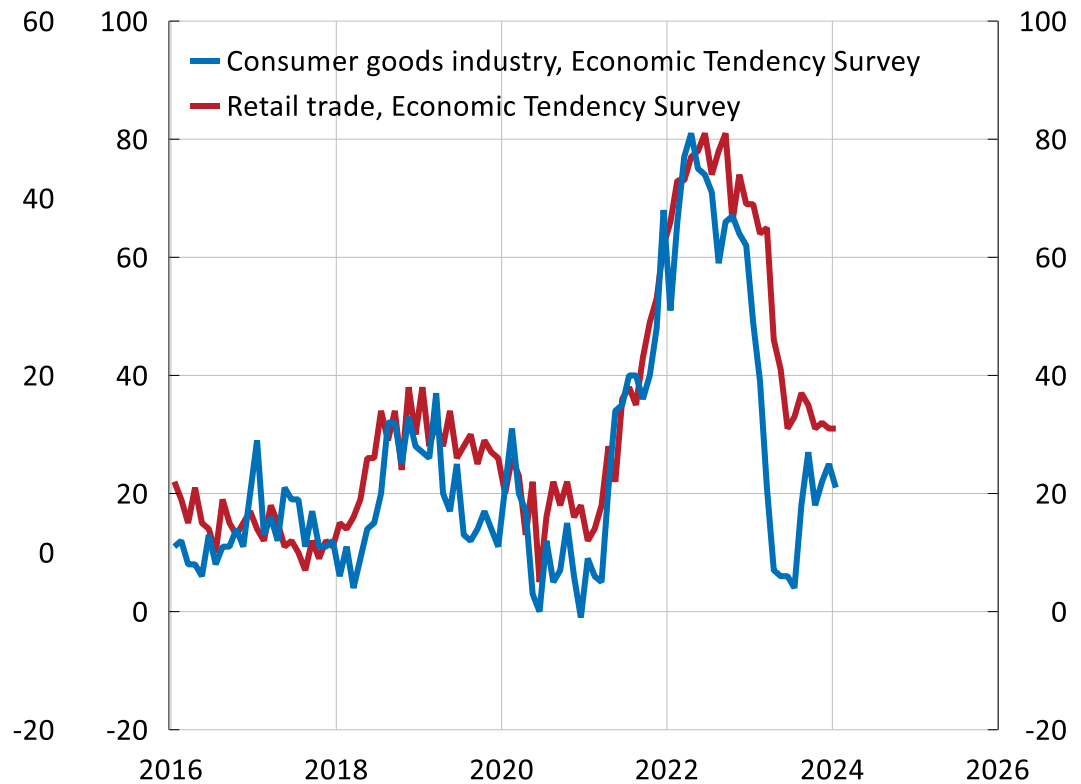
Inflationary pressures have declined

Producer prices



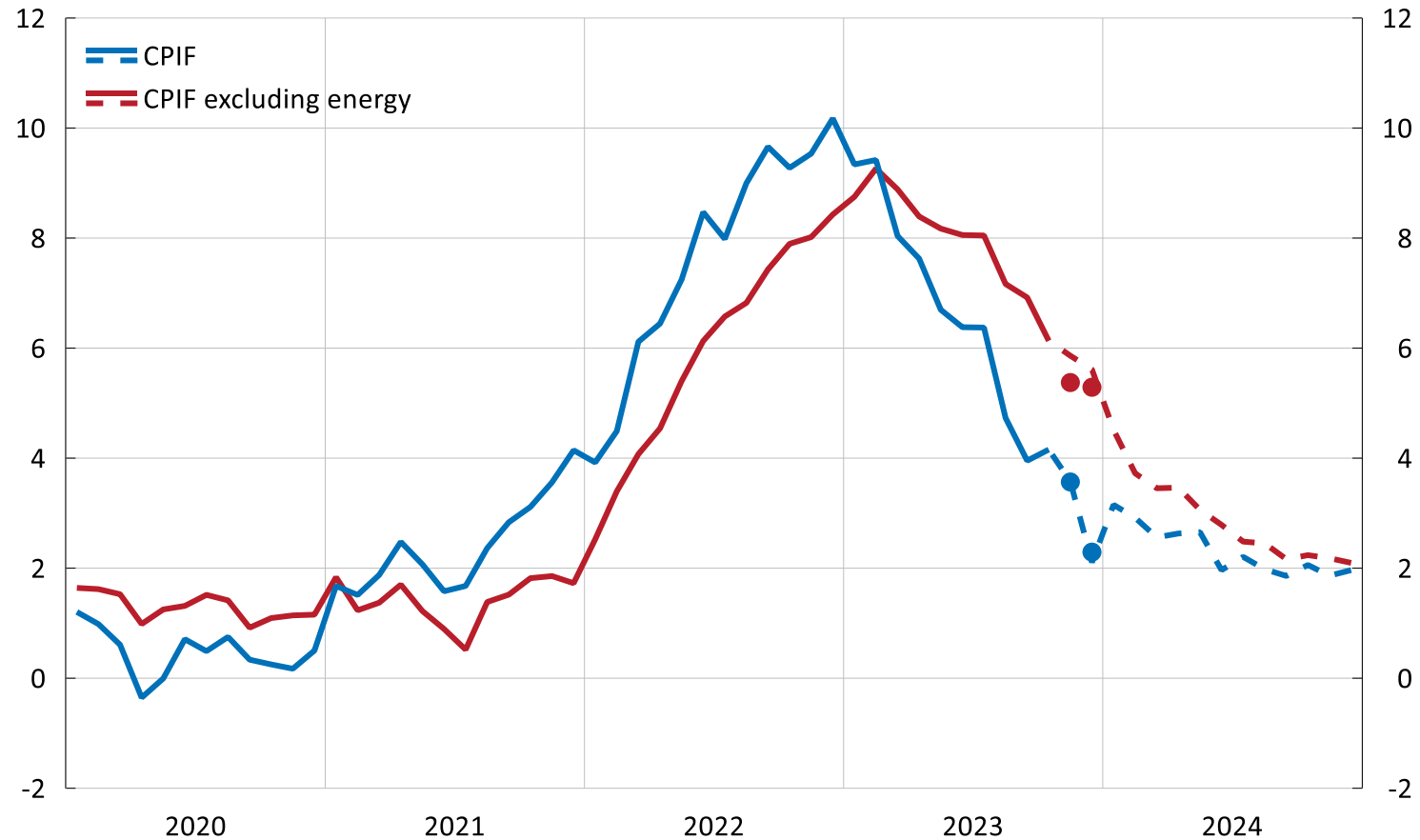
ITPI for consumer goods, seasonally-adjusted monthly change in calculated annual rate (left). Net figures, refer to coming three months (right).

Price plans



Sources: National Institute of Economic Research and Statistics Sweden.

Low energy prices hold back inflation

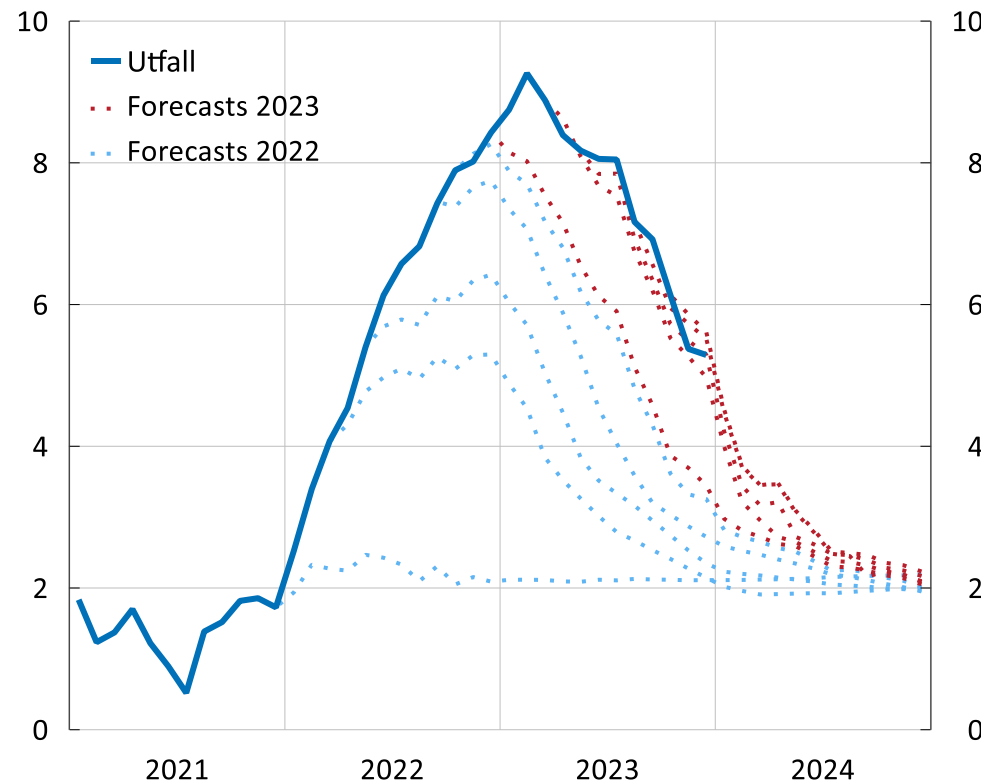


Annual percentage change. Dashed lines refer to the forecast in the November 2023 Monetary Policy Report. Dots refer to outcomes since then.

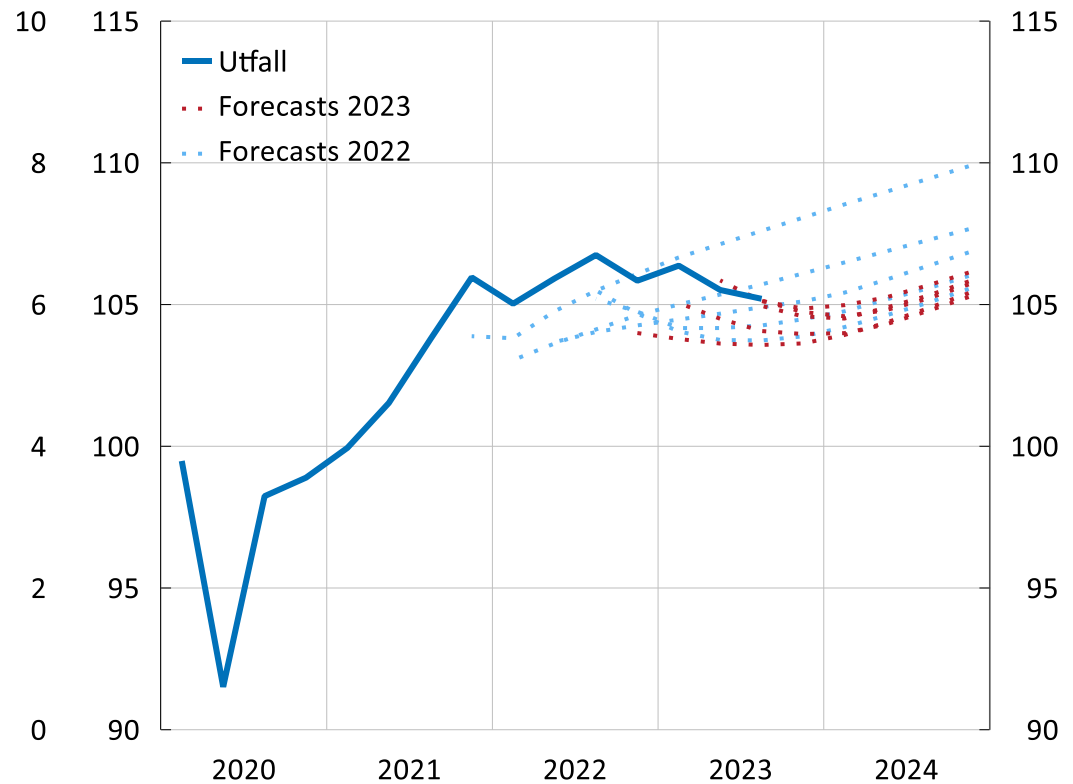
Sources: Statistics Sweden and the Riksbank.

More accurate forecasts

CPIF excluding energy



GDP



Percentage change in CPIF excluding energy (left). Seasonally-adjusted data, index 2019 Q4 = 100 (right).

Sources: Statistics Sweden and the Riksbank.

Reduced risk of the high inflation becoming entrenched

- Lower activity level in Swedish economy
- Inflation has continued to fall in Sweden and abroad
- Inflation expectations are firmly anchored
- Wages increasing moderately



Monetary policy needs to be cautious

- Inflation on **firmer ground**, but risk of **setbacks**
- If inflation continues to develop favourably, one **cannot rule out the possibility of the policy rate being cut** during the first half of the year
- **New information** and how it affects the outlook for the economy and inflation determines the monetary policy stance



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