

Inflationary pressures are too high – rate raised to regain purchasing power

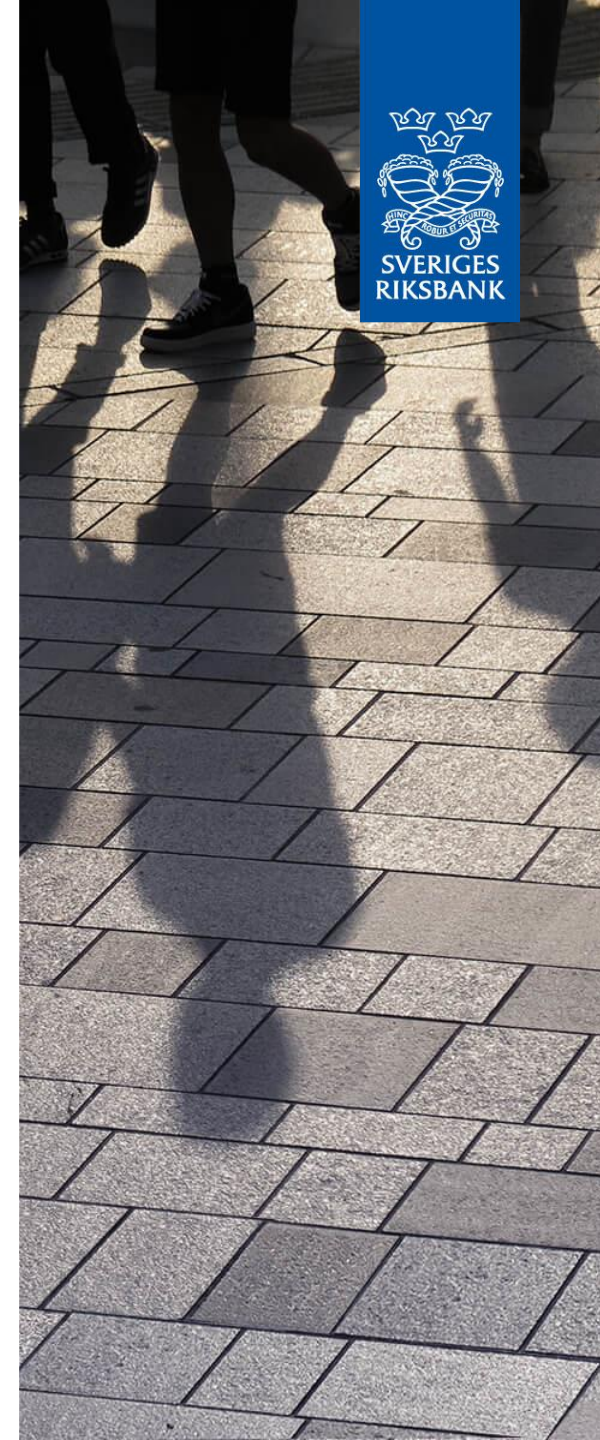
Monetary policy September 2023

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- Policy rate **raised by 0.25** percentage points to 4.0 per cent
- The rate **may need to be raised** further

The inflation problem is still very present

- The interest rate increases are effective, inflation is falling.
- But many domestic prices are increasing too rapidly.
- The weak krona contributes to high inflation.
- Risk that inflation will not fall sufficiently fast and stabilise at the target of 2 per cent.



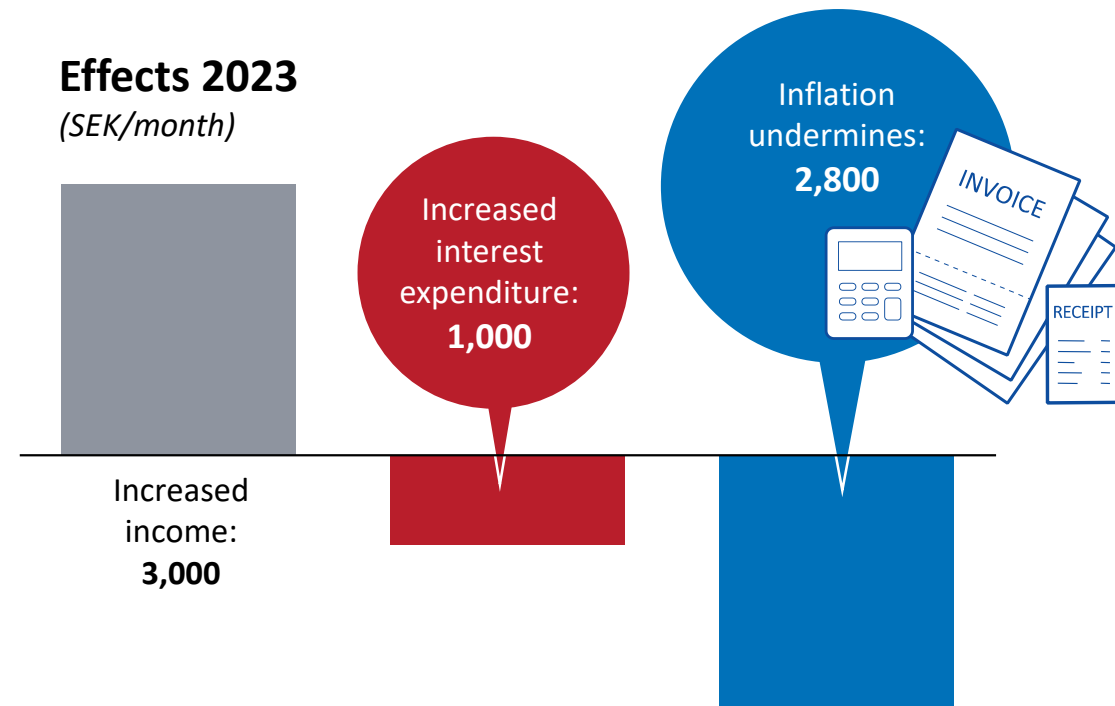
Households are affected by higher interest rates, but especially by high inflation

Average household 2022 (2.3 persons)

Disposable income: **SEK 47.600/month**
Mortgage: **SEK 1.3 million**



Effects 2023 (SEK/month)



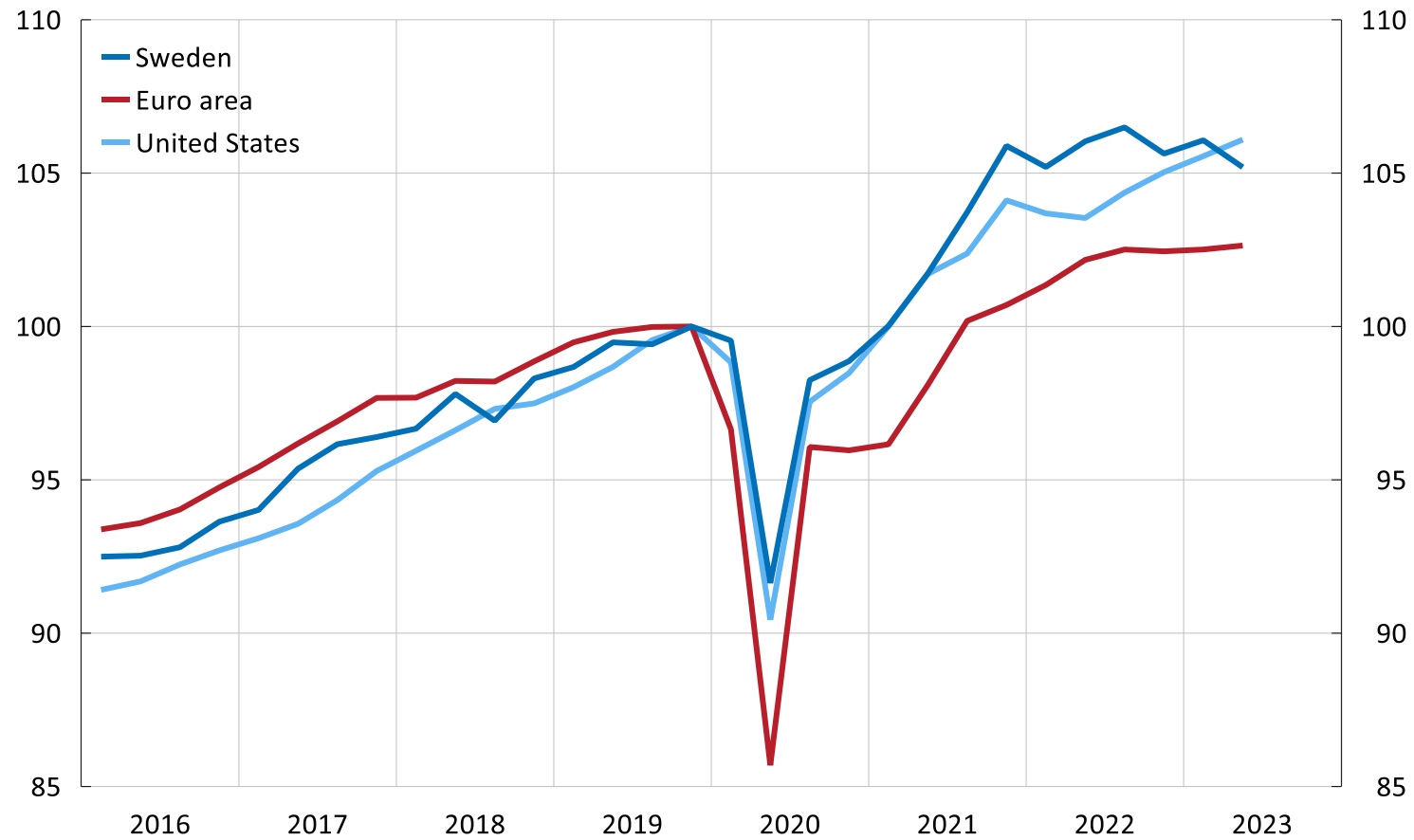
Sources: Statistics Sweden and the Riksbank.

Signs of slowdown in strong global economic activity

- Global manufacturing activity weakening
- Labour market cooling off in many countries
- Inflation on the way down from high levels
- Continued contractionary monetary policy



Strong GDP development slowing down

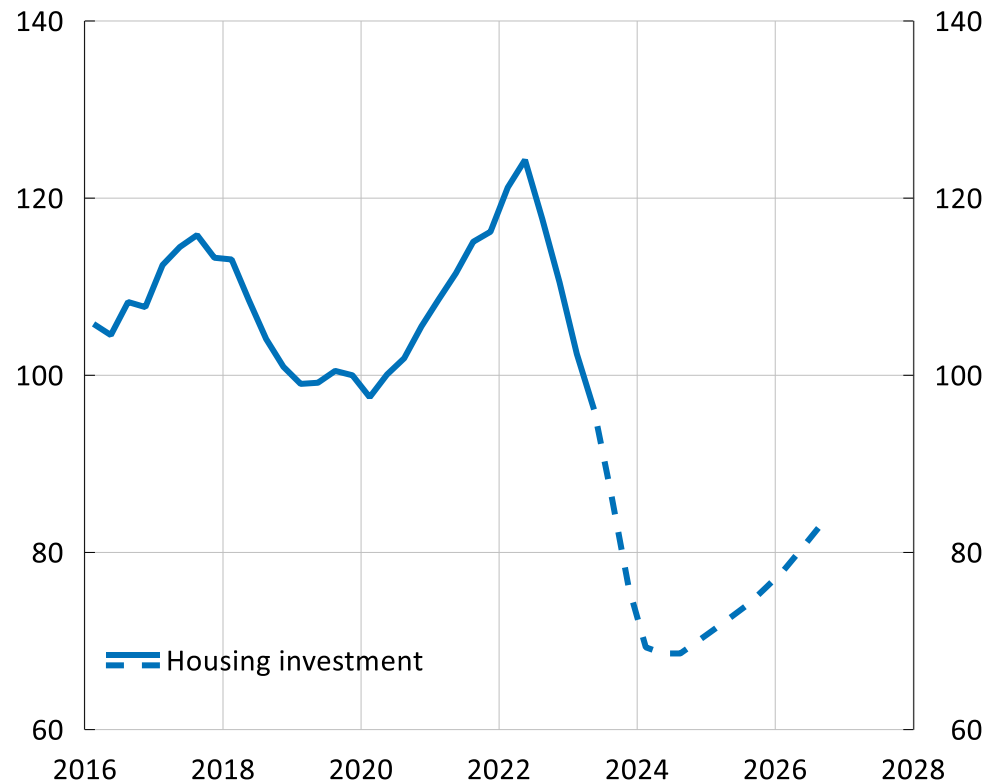


Index, 2019 Q4 = 100, seasonally adjusted data.

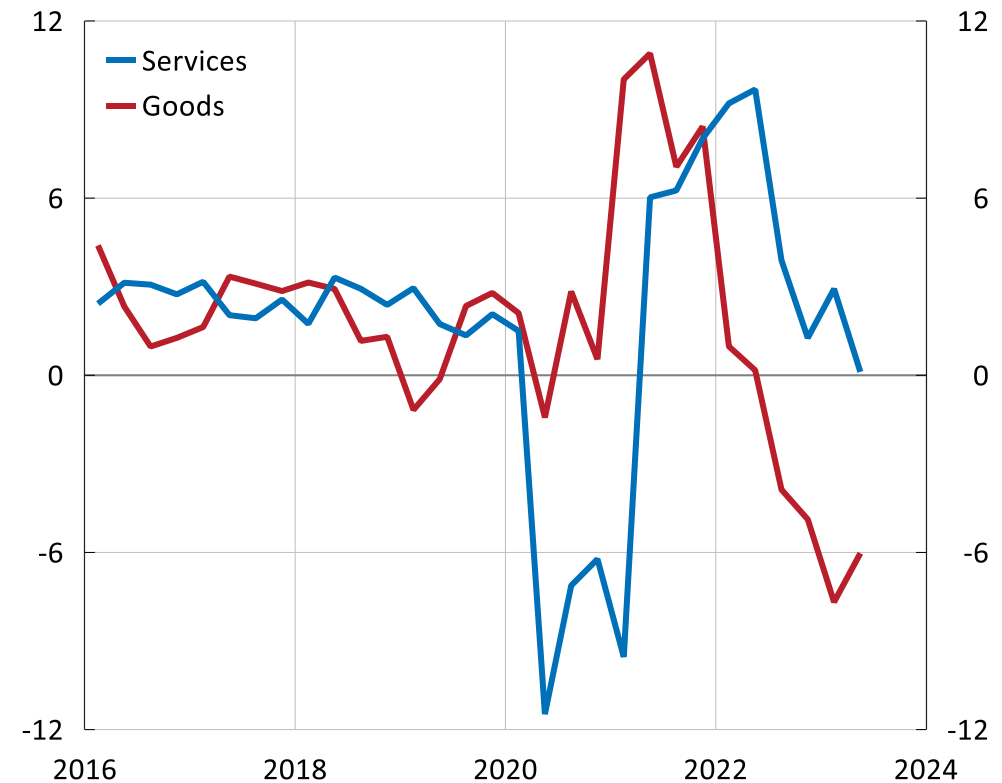
Sources: National sources and the Riksbank.

Clear slowdown in parts of the Swedish economy

Housing investment falling



Consumption slowing down

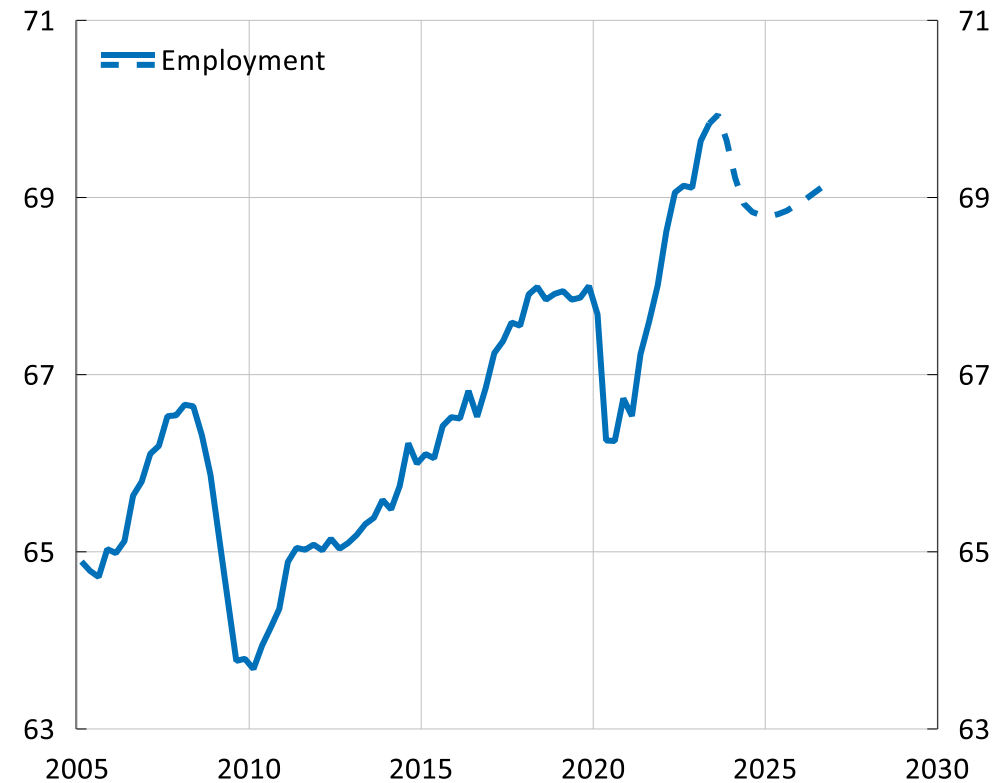


Index, 2019 Q4 = 100, seasonally adjusted data (left), and annual percentage change (right).

Sources: Statistics Sweden and the Riksbank.

Strong labour market

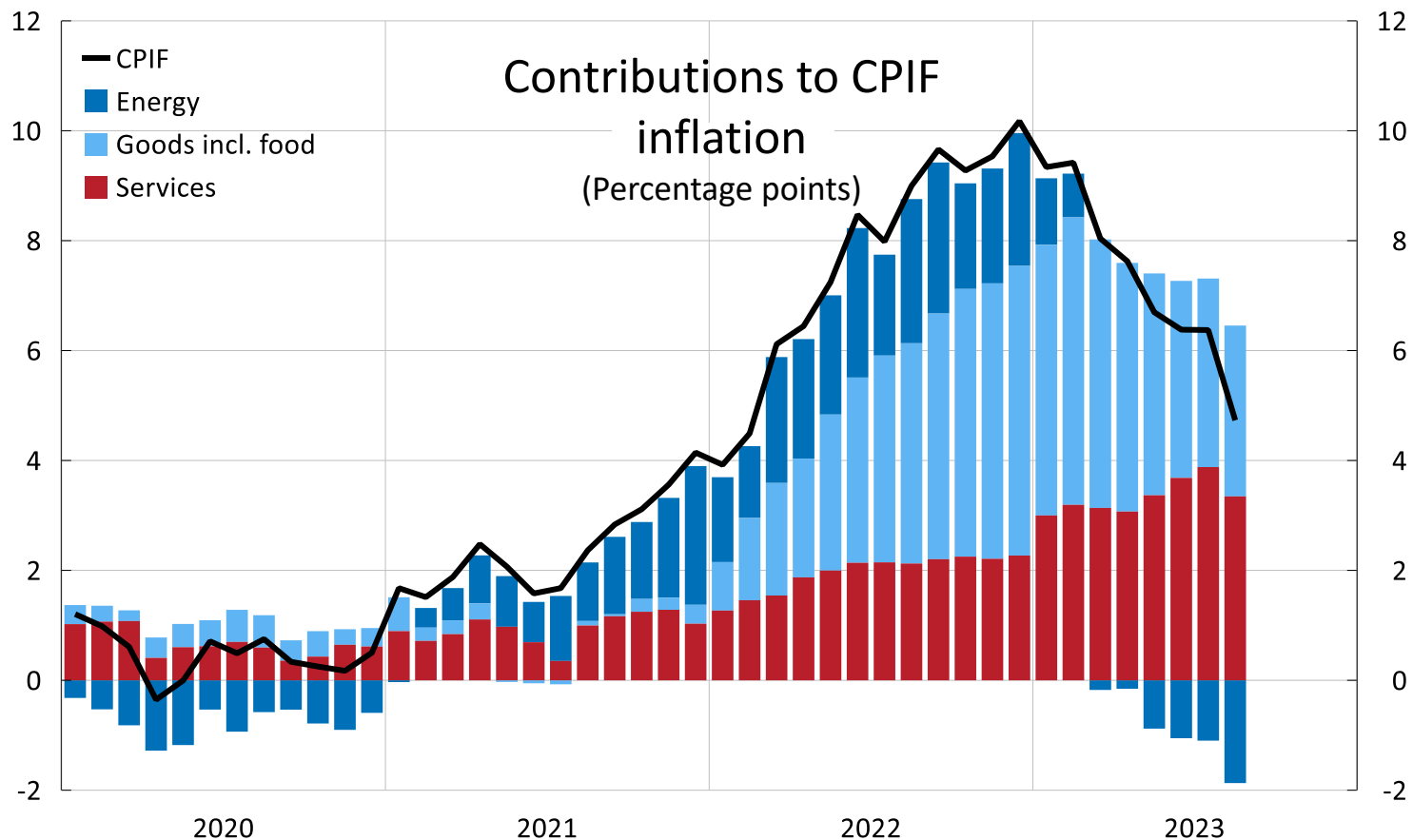
- Historically high employment rate
- Companies have chosen to retain their staff
- Weaker economic activity expected to lead to cooler labour market



Percentage of the population aged 15-74.

Sources: Statistics Sweden and the Riksbank.

Inflation is present in large parts of the economy



Price change
(Annualized three-monthly change)



Energy
-18.2%



Services
4.9%



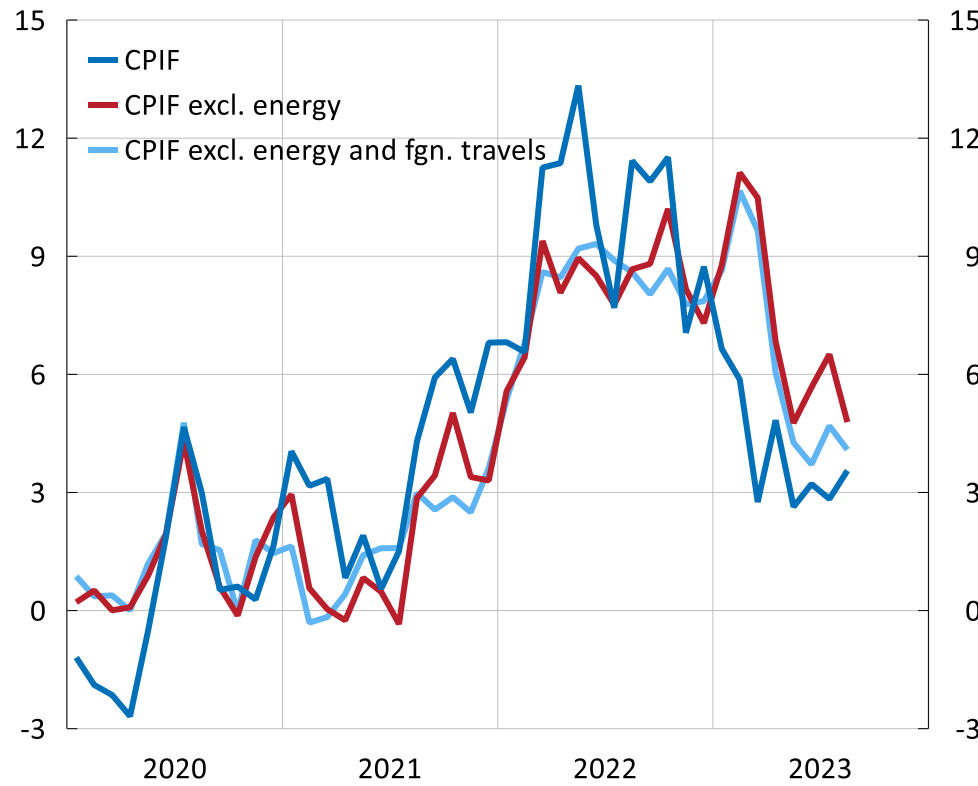
Goods
incl. food
3.9%

Annual percentage change and percentage points.

Sources: Statistics Sweden and the Riksbank.

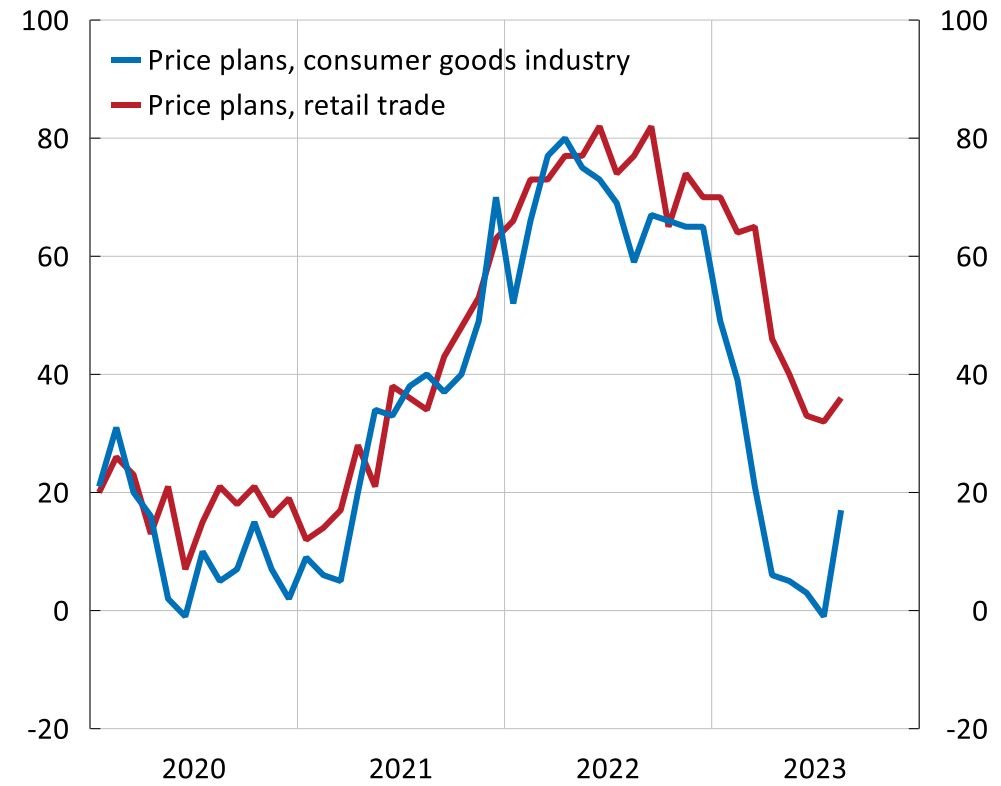
Price pressures are too high

High underlying inflation



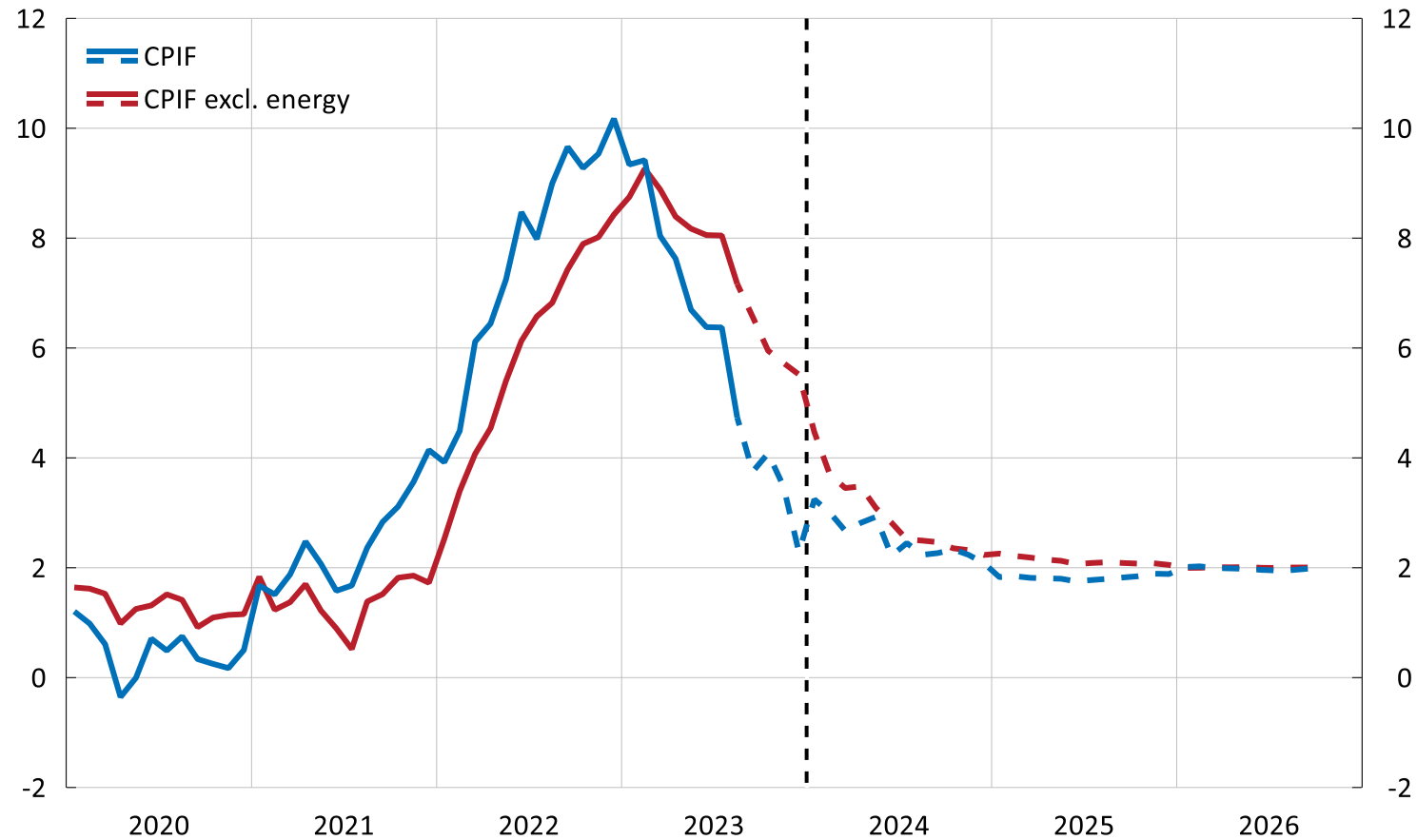
Left, three-month change as an annual rate (per cent) and right, net figures. Seasonally adjusted data.

Retail trade planning continued price increases



Sources: The National Institute of Economic Research, Statistics Sweden and the Riksbank.

High inflation rate will slow down over the year

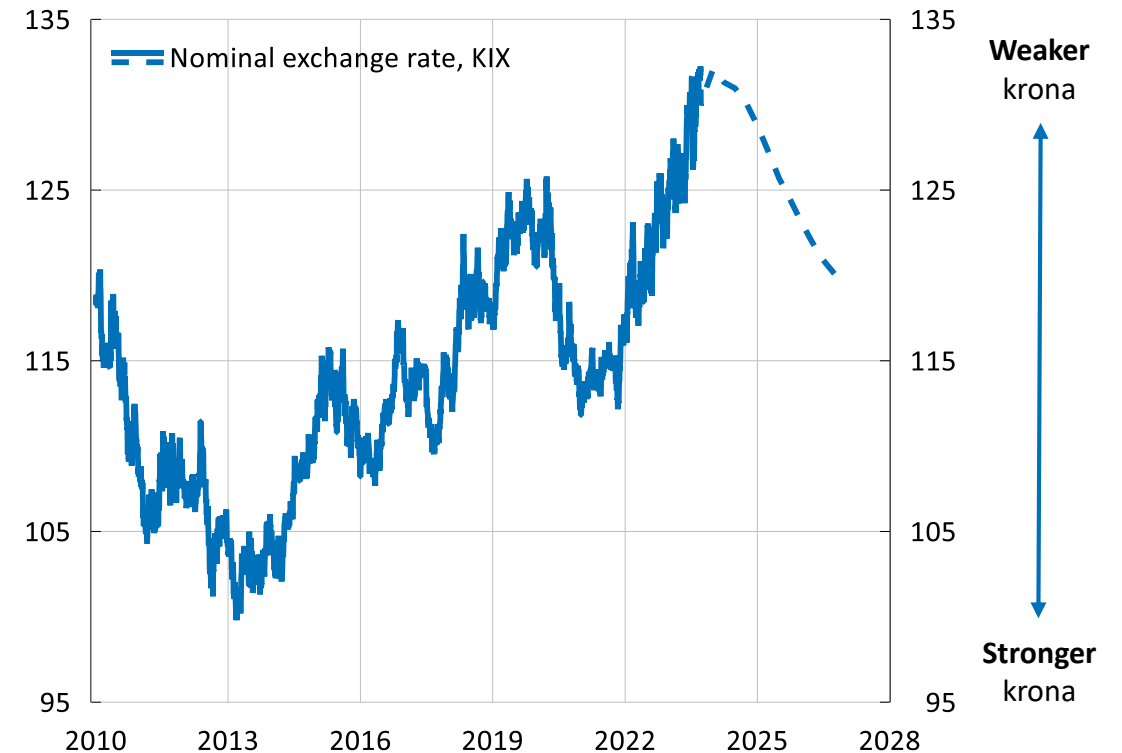


Annual percentage change.

Sources: Statistics Sweden and the Riksbank.

Exchange rate impacts inflation

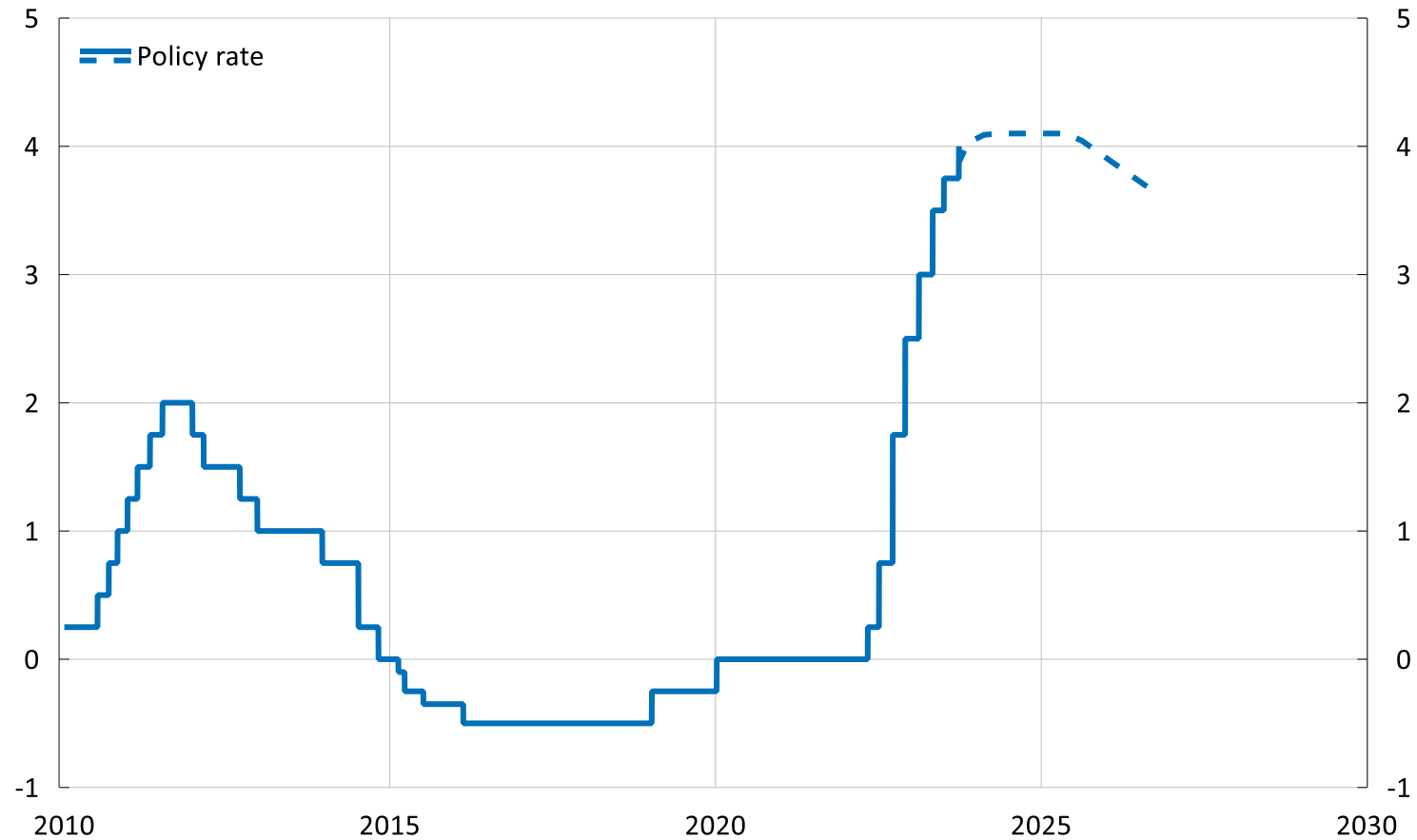
- Krona clearly undervalued
- Several interacting factors behind this
- Weak krona contributes to higher inflation
- Floating exchange rate in Sweden - no target for the krona



KIX (krona index) is a weighted average of the currencies that are important for Sweden's international trade.

Source: The Riksbank.

Policy rate raised so inflation can reach target within a reasonable time



Per cent.

Source: The Riksbank.

We are doing what is necessary to bring down inflation within a reasonable period of time

- **Considerable uncertainty** over how quickly inflation is falling, the risks are not over
- The rate **may need to be raised** further
- **New information** and how it affects the outlook for the economy and inflation determines the monetary policy stance

Eight monetary policy meetings per year

- Makes it easier to quickly adapt monetary policy
- Can more often provide an overall view of developments
- More in line with international practice
- 4 meetings with a Monetary Policy Report and forecasts, 4 meetings with a shorter document and no forecasts



Reducing currency risk in the foreign exchange reserves

- Selling USD 8 billion and EUR 2 billion for SEK
- Starting on Monday and complete in 4-6 months
- Adapted to market conditions
- Sound risk management – reduces the financial losses if the krona strengthens



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