

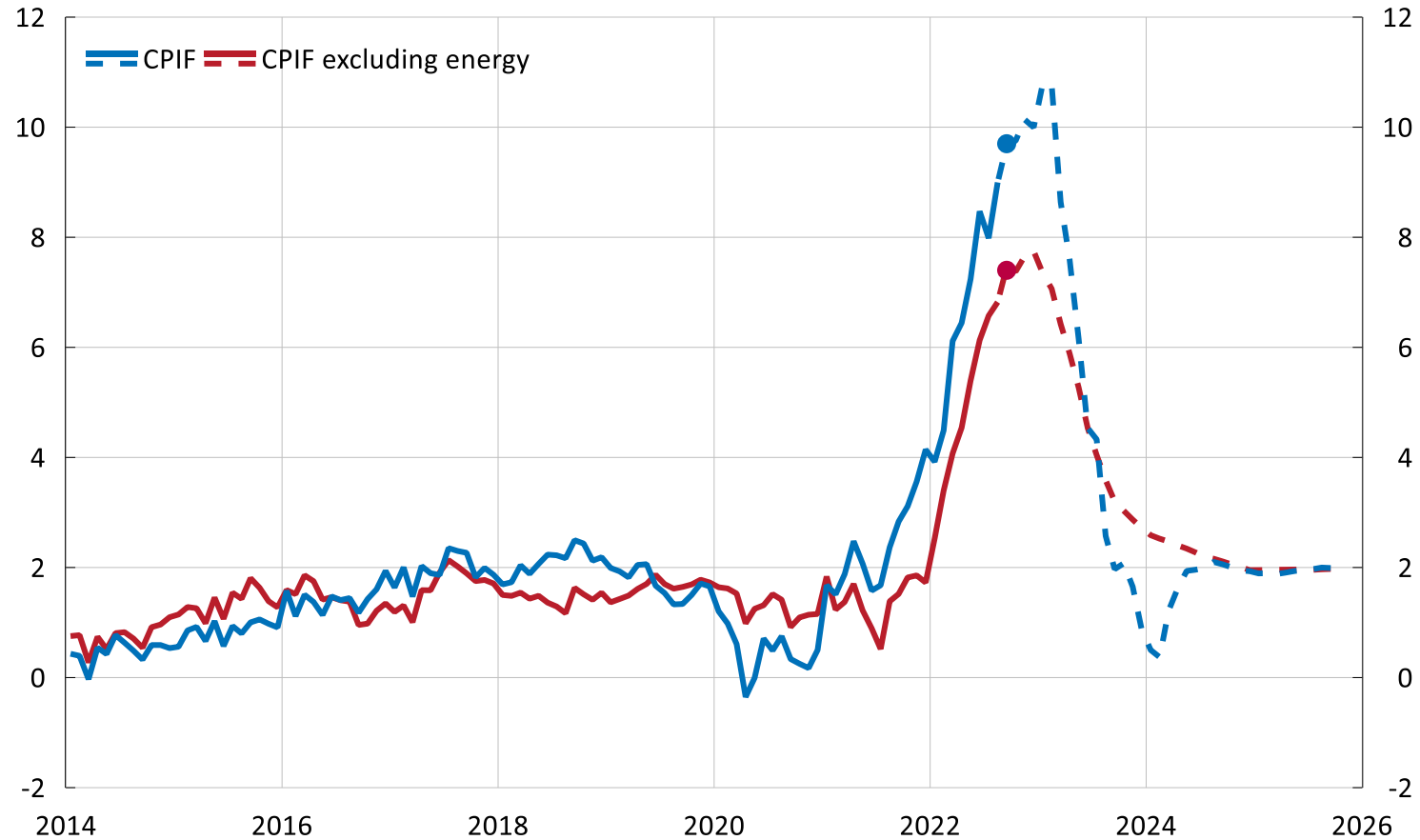
# Inflation is too high – monetary policy must act

Per Jansson, Committee on Finance 20 October 2022

# Two messages

- Inflation is now high and price increases have occurred across the board. But we will bring inflation down to the inflation target again – a promise, not a forecast...
- However, there are better and worse ways back to the target. Monetary policy needs support in order to be able to go down the better path

# We will bring inflation down to the target again – some way into 2024, according to the latest forecast

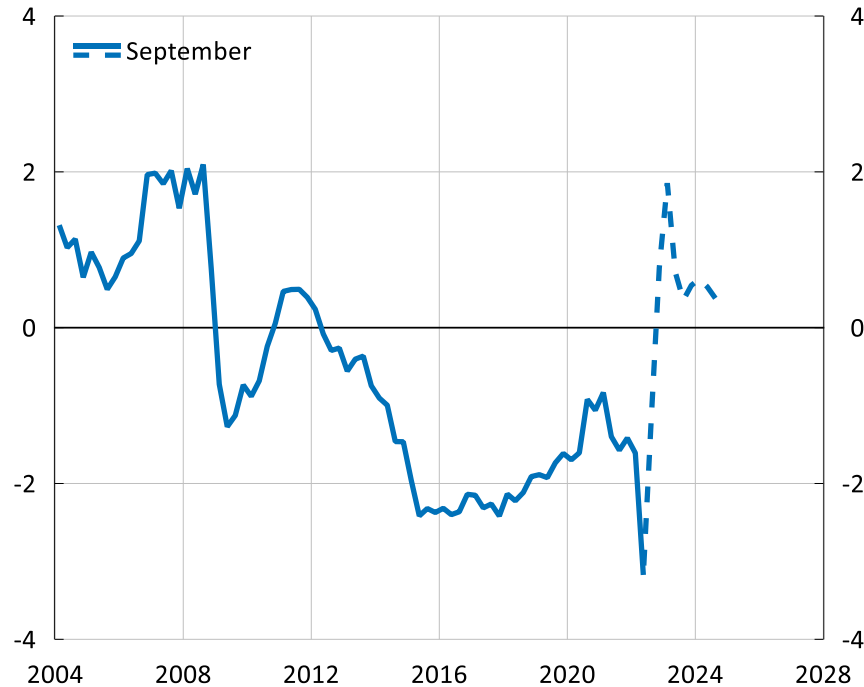


Note. Annual percentage change.

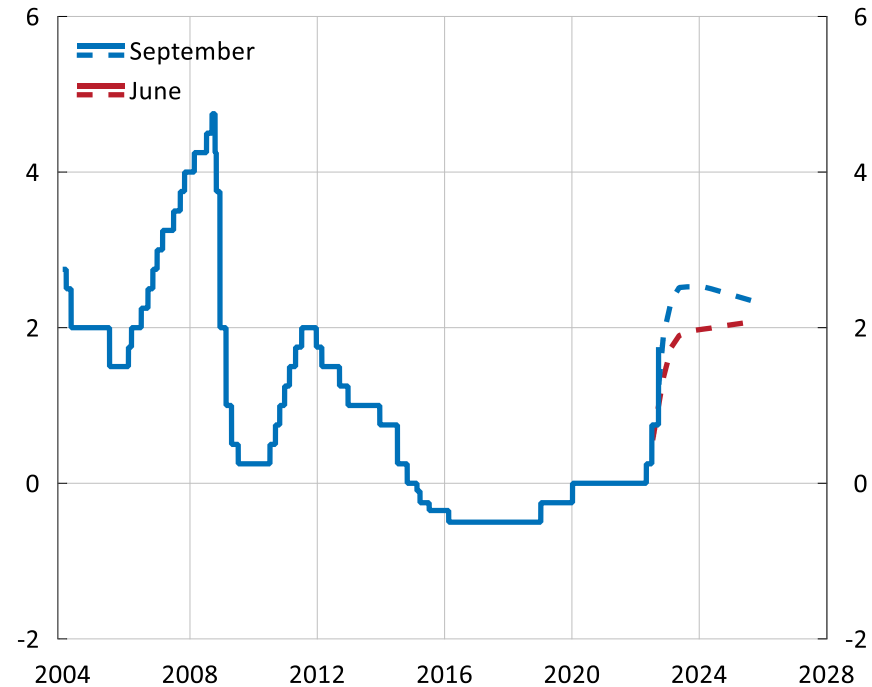
Sources: Statistics Sweden and the Riksbank.

# Better and worse paths to the target – the interest rate plan now assumes that we are taking the better path

Real policy rate



Nominal policy rate



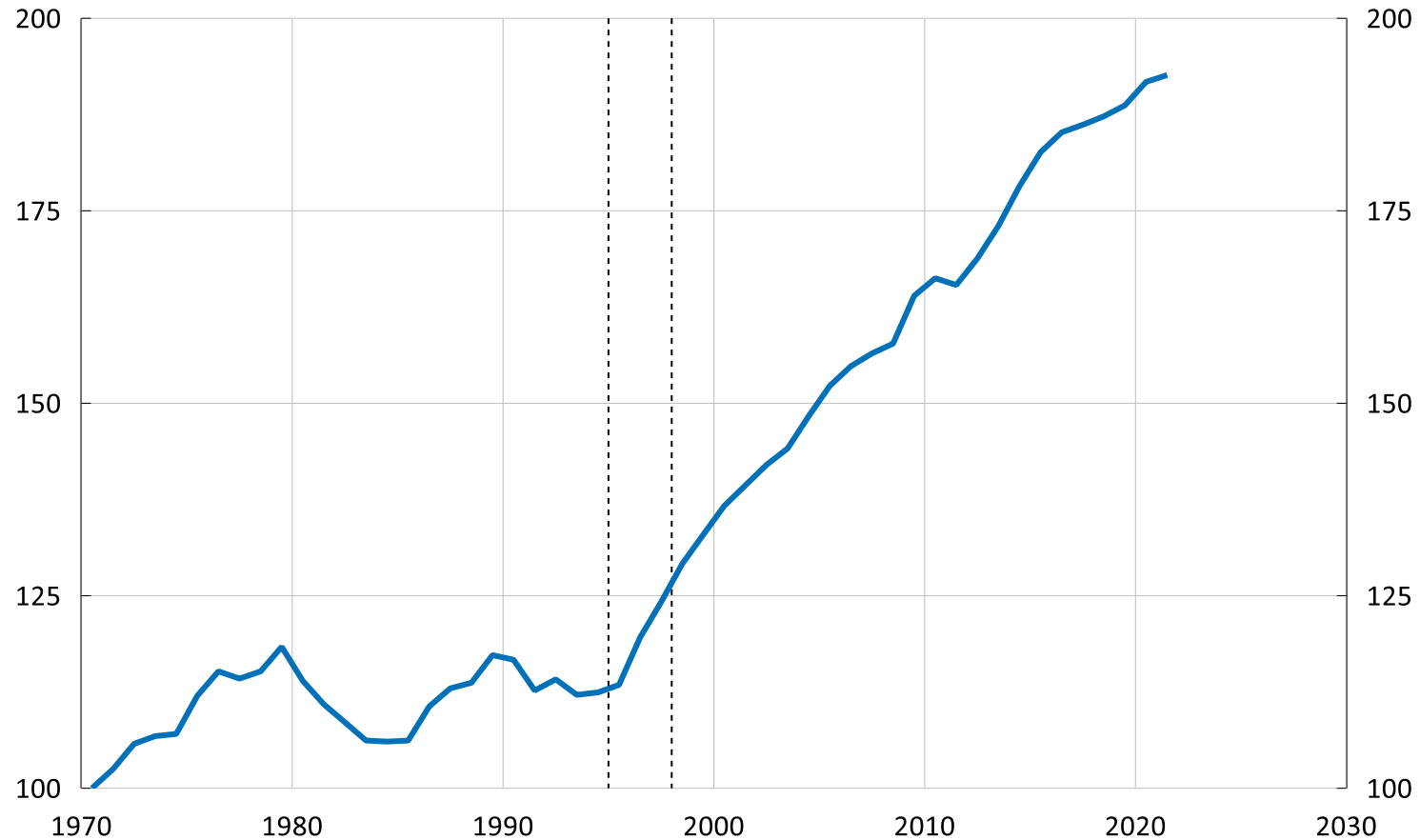
Note. The real policy rate is the Riksbank's expected real interest rate, calculated as a quarterly average of the Riksbank's policy rate forecast one year ahead minus the inflation forecast (CPIF) for the corresponding period. Since the real interest rate is a forward-looking variable, the outcomes are also based on forecasts. The outcomes are calculated based on the most recently published forecasts at the time.

Source: The Riksbank.

# The better path requires support from price- and wage-setting and fiscal policy

- Important that new pricing behaviour does not arise – unnecessarily high inflation directly, greater risk of compensatory wage increases
- Important that wage formation does not seek full inflationary compensation in this extreme situation – a temporary decline in real wages cannot be avoided
- Important to avoid broad fiscal stimulus – aim to accurately compensate households and companies that are particularly hard-hit

# Healthy and stable real wage development since the mid-1990s – a sequence worth defending



Note. Index, 1970 = 100. The broken line to the left denotes 1995, the year when the inflation target came into force, and the broken line to the right denotes 1998, the year when the industrial agreement began to apply.

Sources: The National Mediation Office and Statistics Sweden

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