

# Fast Comment Sweden

## One last roll of the dice for outgoing governor Ingves; Riksbank November monetary policy decision

- One last roll of the dice; Expected 75bp rate rise at governor Ingves' final policy meeting
- Policy rate outlook peak revised up to 2.84% to counter high inflation; Hawkish scenario tone
- Left to incoming governor Thedéen to manage the QE programme

### One last roll of the dice; Expected 75bp rate rise at Ingves' final meeting

The Riksbank's Executive Board delivered a 75bp rate rise, up to a policy rate of 2.5%, as widely expected. While the Riksbank in September signalled a 50bp rate rise, underlying inflation has surprised on the upside, and both we and a firm consensus had forecast this 75bp hike, while the market pricing at approximately 77bp implied a slight risk of a 100bp hike.

This means that governor Stefan Ingves ends his time at the helm in a similar fashion to his start, with a rate rise. Back in January 2006, the Riksbank raised by 25bp to 1.75%, as its forecast suggested that inflation would rise to the target in 2007. Today, the Riksbank hopes to bring underlying inflation back to target by 2025.

### Policy rate peak revised up to counter high inflation; Hawkish scenario tone

The Riksbank revises up underlying inflation in terms of CPIF excluding energy, CPIFXE. Despite immediately countering this inflation pressure by today hiking by more than previously planned, as well as lifting the peak of its policy rate forecast to 2.84% by Q3 2023 from 2.52% in September, the Riksbank raises its CPIFXE forecast for 2023 by almost a full percentage point, to 5.5%. This is roughly in line with our house view (most recent nowcast 6.1%, September macro report 5.4%). For the February meeting the policy rate path signals +30bp, taking us to "just below 3%", according to the Riksbank's forward guidance.

On the back of this worrisome inflation outlook, and the Riksbank's view that it "is still difficult to assess how inflation will develop", the monetary policy report features an alternative scenario article about inflation and policy. The overall tone is hawkish and in the event of further upside inflation surprises, the scenario analysis forebodes a forceful additional policy tightening compared to the base-line forecast. Adding to the hawkish impression of this scenario publication is the fact that a lower-than-expected inflation scenario is hardly mentioned.

### Left to incoming governor Thedéen to manage the QE programme

The Riksbank did not announce any changes to its asset purchase programme, "QE", nor any new guidance about the QE outlook. The future course of this unconventional policy tool, which has become an integral part of the Riksbank's monetary policy during Ingves' time at the helm and is now [increasingly criticised internationally](#), will now become a key task for incoming governor Erik Thedéen and the partly reshaped Executive Board. Will they continue to signal decreases in asset holdings, quantitative tightening "QT", simply via the gradual maturing of bonds as we expect, or will the new Board see it differently and set a deliberate, actively managed path for QT ahead?

As we warned last month, [the Riksbank's QE programme largesse is not a free government lunch](#). As a huge loss for 2022 is on the cards, the Riksbank risks tough public scrutiny in 2023, with a heightened need to prove that QE's benefits really do outweigh the costs. In the middle of fighting the worst inflation crisis during its inflation-targeting regime, it looks as though incoming governor Thedéen and his colleagues will have even more challenges on their plate.

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