

Fast Comment Global

Higher policy rate peaks after setbacks in fight against inflation

- ECB and Federal Reserve policy rate peaks at 3.75 and the 5.5-5.75 range, respectively
- Riksbank revised up to 4.25 percent peak
- Norges Bank revised up last week, to 3.75 percent

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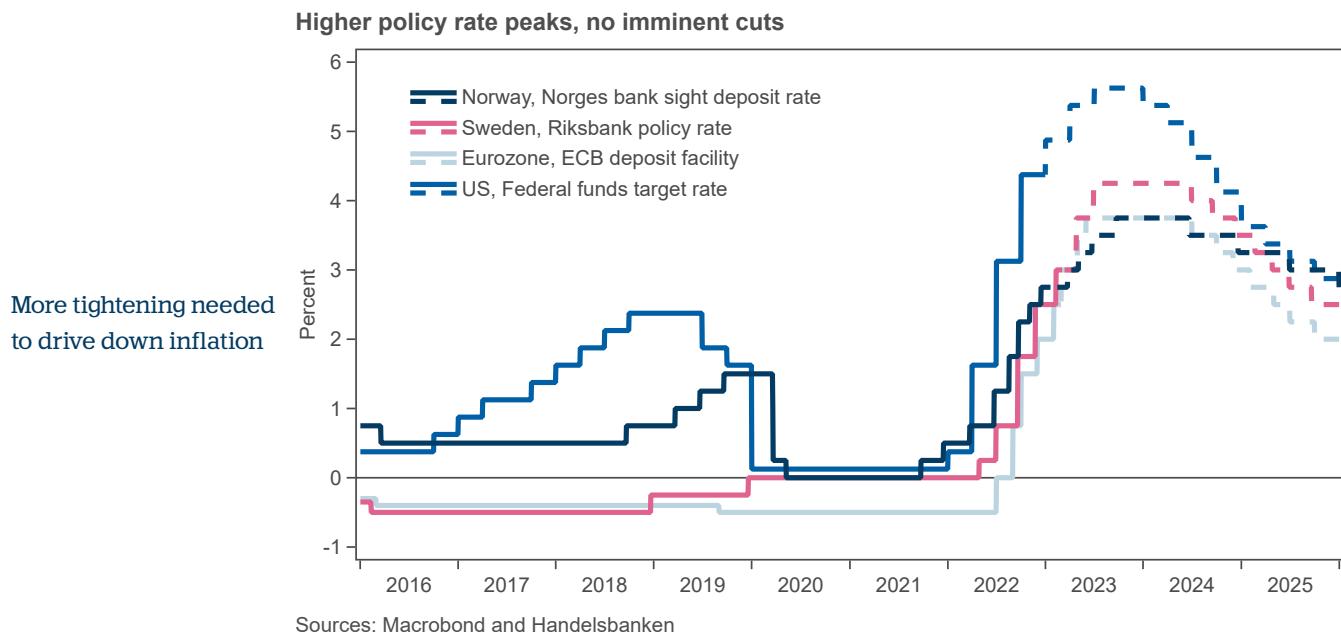
Persistently high underlying inflation implies that central banks are making too little progress in their efforts to curb inflation. We forecast that it will take more tightening to durably bring inflation back to targets.

- **For the ECB**, we now see 50bp hikes in March and May, plus an additional 25bp rate rise in June, meaning that the policy rate will reach 3.75 percent. We judge the balance of risks to be neutral. Previously, we had forecast the 50bp in March to be the final hike.

- **For the Fed**, we now see 25bp hikes at each of the meetings in March, May, June and July, meaning that the policy rate will reach the 5.5 to 5.75 percent range. **We see a clear risk that a data-dependent Fed will choose to raise by 50bp in March**, after very inflationary data outcomes - Fed chair Powell's testimony this week and the jobs report on Friday may clarify the situation. Previously, we had forecast the 25bp rise in March to be the final hike.

- More about [the Riksbank revision here](#), and the [Norges Bank revision here](#).

- Since before, our central bank forecasts have been for the policy rates to stay **high for long**, with no cuts coming until 2024. We stick to this view, as economies show resilience to higher interest rates and inflation has become, at least partly, entrenched by now (see graph below).



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