

Flash comment Riksbank - “Hawkish hold” - unchanged at 4.00%

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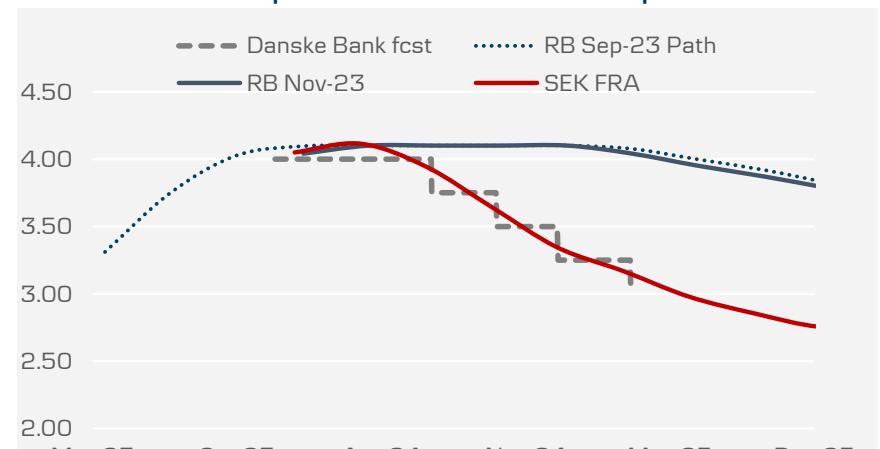
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Flash comment Riksbank

- Overview:** The Riksbank kept the policy rate unchanged at 4.00% in an unanimous decision. The rate path signals a potential hike [10bp] in early 2024, and the Riksbank comments that a hike is possible should the inflation picture deteriorate. While our base case remains that the Riksbank is done, but the 10bp indicated in the rate path for Q1 2024 should not be underestimated. The Riksbank also considers to increase the QT volumes. Overall, the outcome is very close to our expectations ahead of the meeting..
- Inflation/macro forecast:** Riksbank kept its macro forecast almost unchanged compared to the September MPR. Importantly, it says inflation has developed roughly in line with the previous forecast. Global and domestic monetary policy tightening has contributed to slowing down inflation's pace in recent months. Firms also plans to raise prices at a slower pace than before. Still, inflation remains too high and inflationary risk are tilted to the upside. It says the labour market is weakening from a strong position.
- Policy rate path:** The rate path is merely a push forward of the rate path from September, keeping the peak at 4.10% and indicating gradual cuts in the rate path starting Q3 2025 with an end point in Q3 2026 at 3.5%. Market pricing [and our own forecasts] is for cuts much earlier than that and we keep our expectations that the first cut will be delivered in June 2024.
- Balance sheet/QT:** The Riksbank is content with the QT program so far and opens up for an increase in sales volumes. They flag that a decision to increase volumes can be made already at the next meeting in 31 January [MPR presented 1 Feb]. They have no plans to begin selling other holdings than non-government bonds. Unless participation in QT auctions is falling off a cliff going forward, we would expect the increase in volumes to be realized.
- SEK comment:** The initial reaction in the FX market where EUR/SEK spiked higher on the decision to leave rates unchanged [rates channel] makes sense as expectations were split. However, this "hawkish hold" is arguably a better outcome for the real economy and the housing market than a hike and as such it should limit the negative impact on the SEK - it might even give some support [growth channel]. In the press release they repeat its mantra that the SEK is unjustifiably weak and that it is holding up goods prices. However, the MPR signals less stress w.r.t to the SEK, including an article where they argue that the bulk of excessive pass-through is behind us. The KIX path is outcome-adjusted downwards and is still projecting substantial SEK appreciation through end of 2026 but remain flat for the next six months. As the decision is bang in line with our call, we keep our 1M 11.40 target for EUR/SEK.

New Riksbank rate path – almost identical to September



Note: Past performance is not a reliable indicator of future results

Source: Riksbank, Danske Bank

Riksbank macro forecasts

Nov forecast	2022	2023	2024	2025	2026
CPI	8,4 (8,4)	8,6 (8,6)	4,4 (4,6)	2,4 (2,4)	1,9
CPIF	7,7 (7,7)	6,0 (5,9)	2,3 (2,5)	1,7 (1,8)	2,0
CPIF x Energy	5,9 (5,9)	7,6 (7,5)	2,9 (2,9)	2,0 (2,1)	2,0
GDP	2,8 (2,8)	-0,7 (-0,8)	-0,2 (-0,1)	1,9 (1,9)	2,8
Unemployment %	7,5 (7,5)	7,7 (7,4)	8,6 (8,3)	8,5 (8,3)	8,2
Repo rate %	0,8 (0,8)	3,5 (3,5)	4,1 (4,1)	4,0 (4,0)	3,6

Sep forecast in brackets

Source: Riksbank, Danske Bank

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