

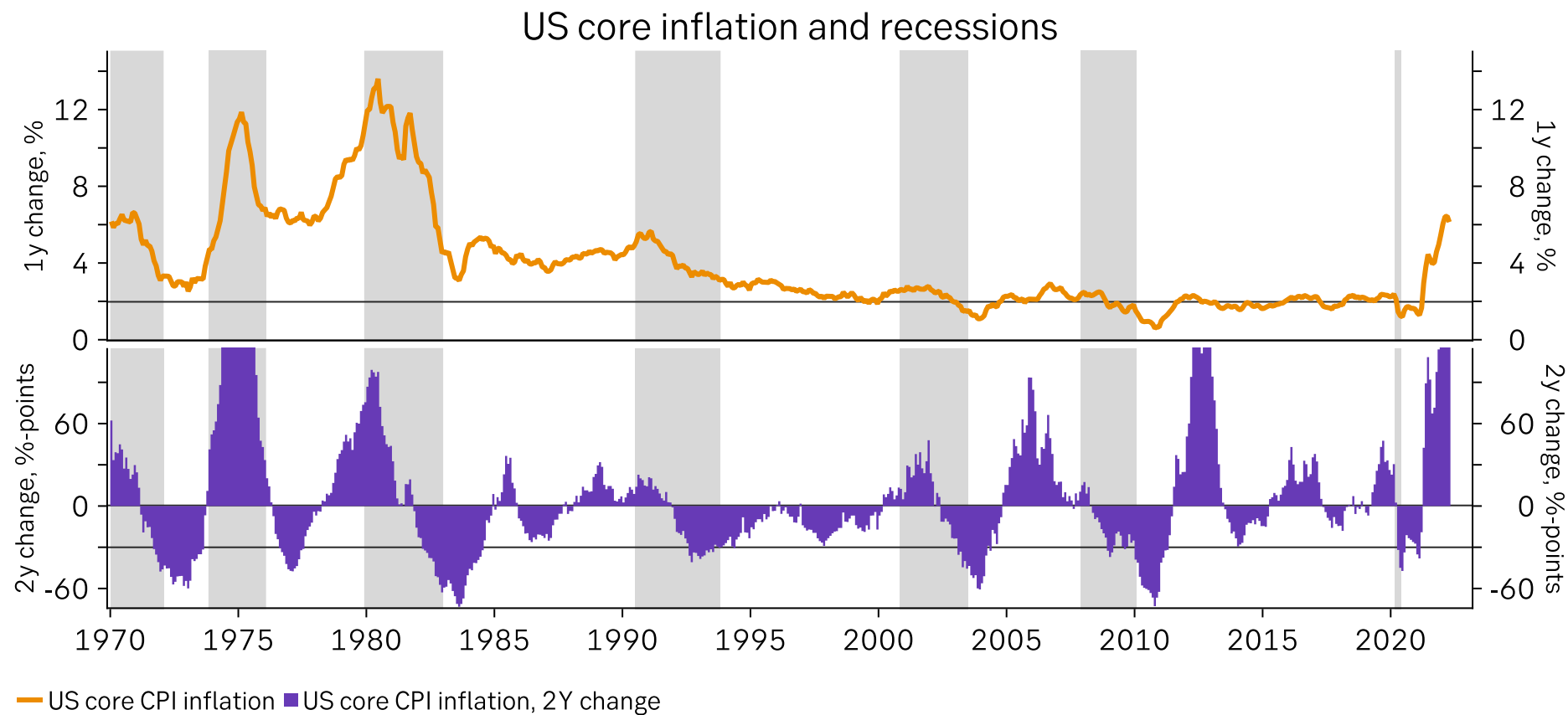
# Stagflation fears

Erica Dalstø, Chief Strategist SEB



# Soft landing an economy is not easy

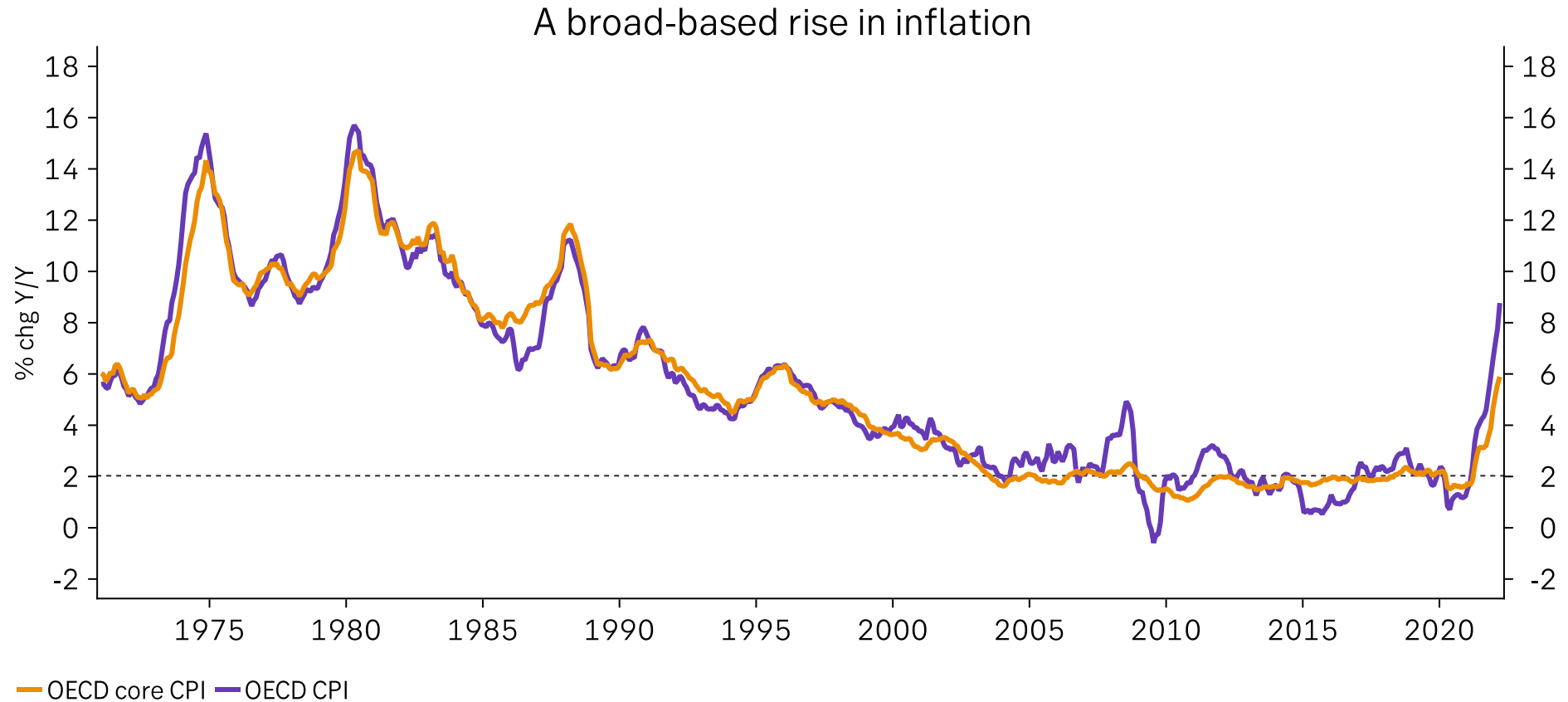
Is this time different?



Source: U.S. Bureau of Labor Statistics (BLS), Macrobond, SEB

# A new reality after 20 years with lowflation

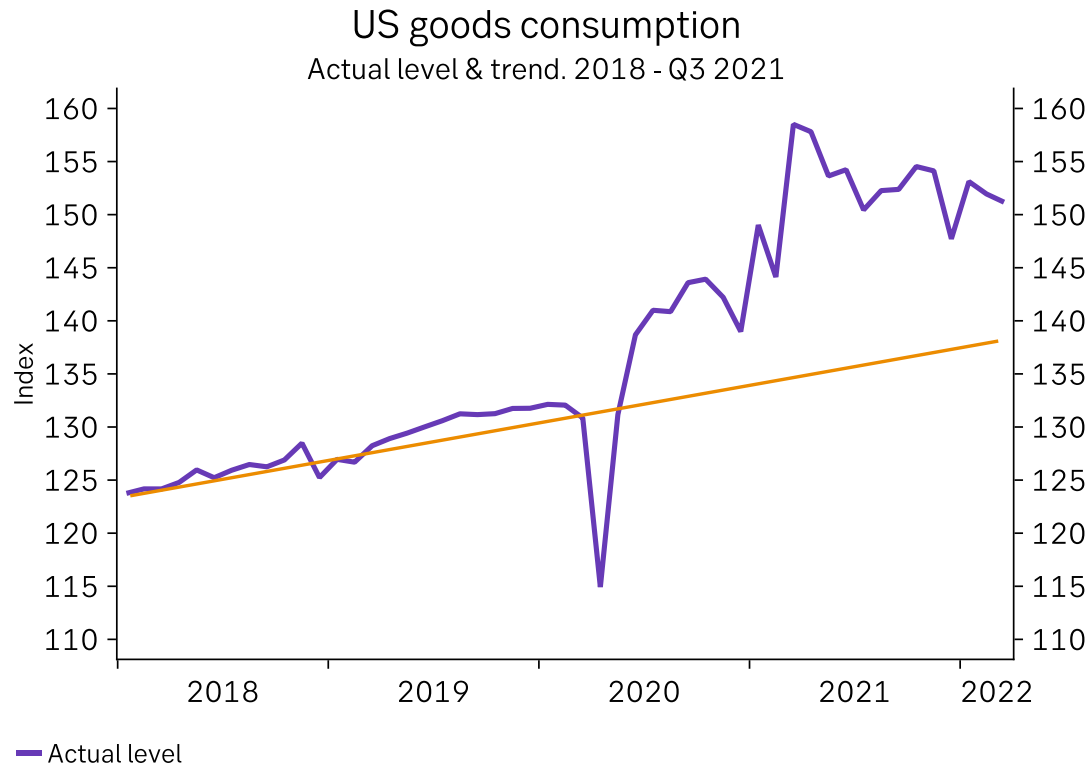
Post-pandemic hangovers and new challenges



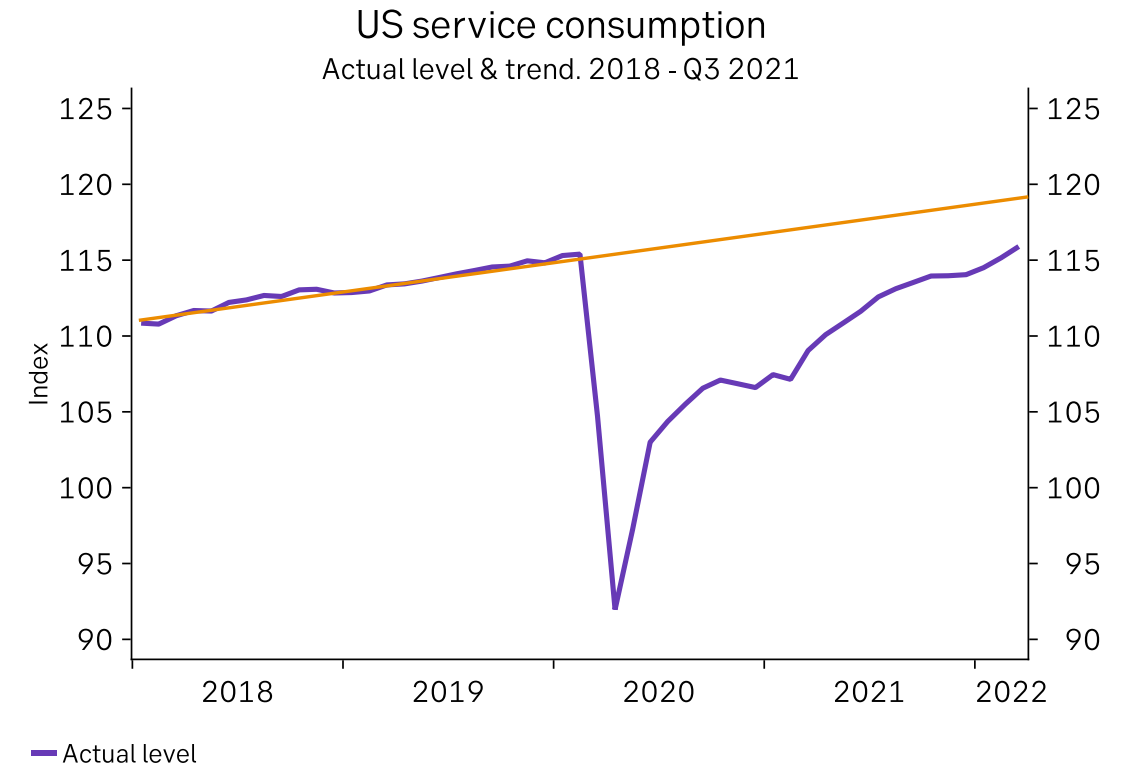
Source: OECD, Macrobond, SEB

# #1 A demand boom for goods

Too generous policy stimulus



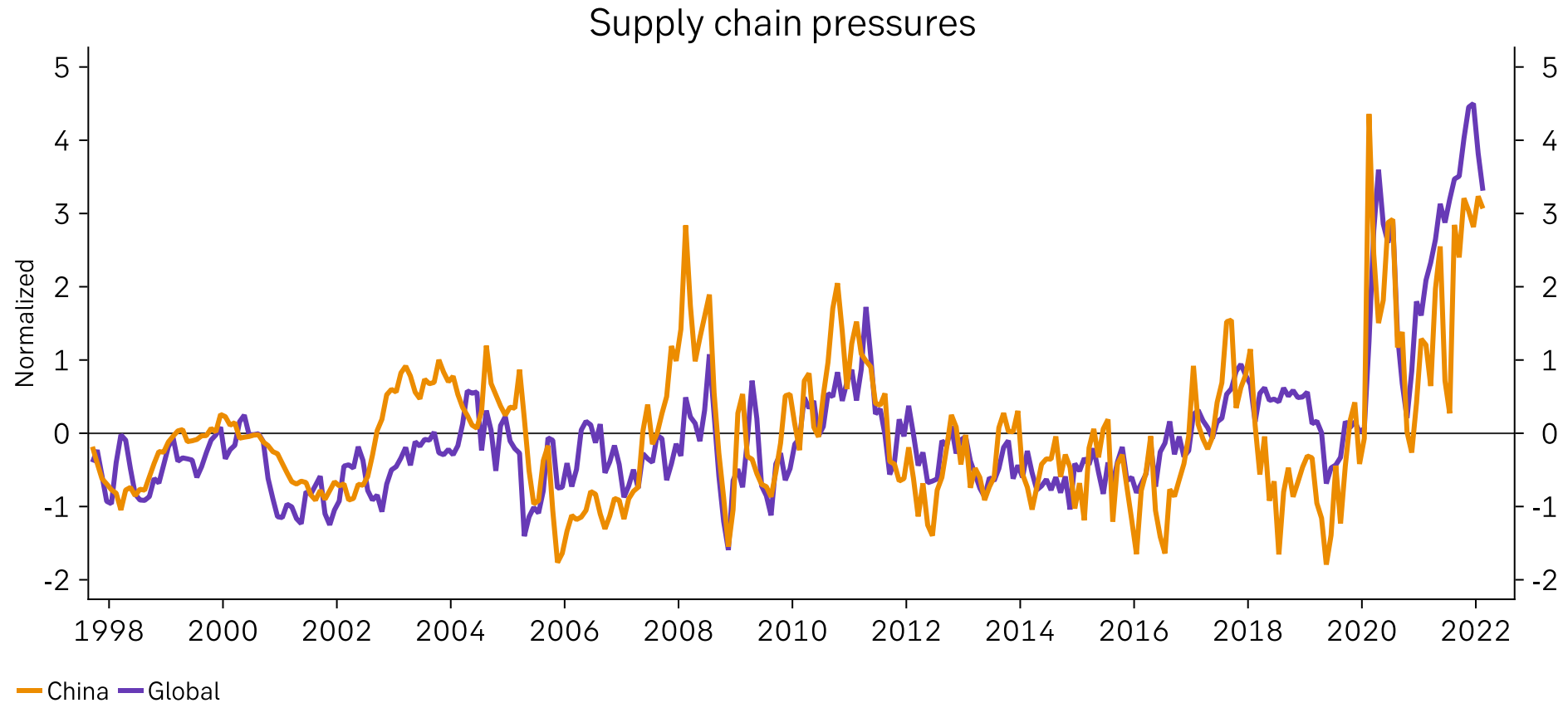
Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, SEB



Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, SEB

## #2 Global supply disruptions

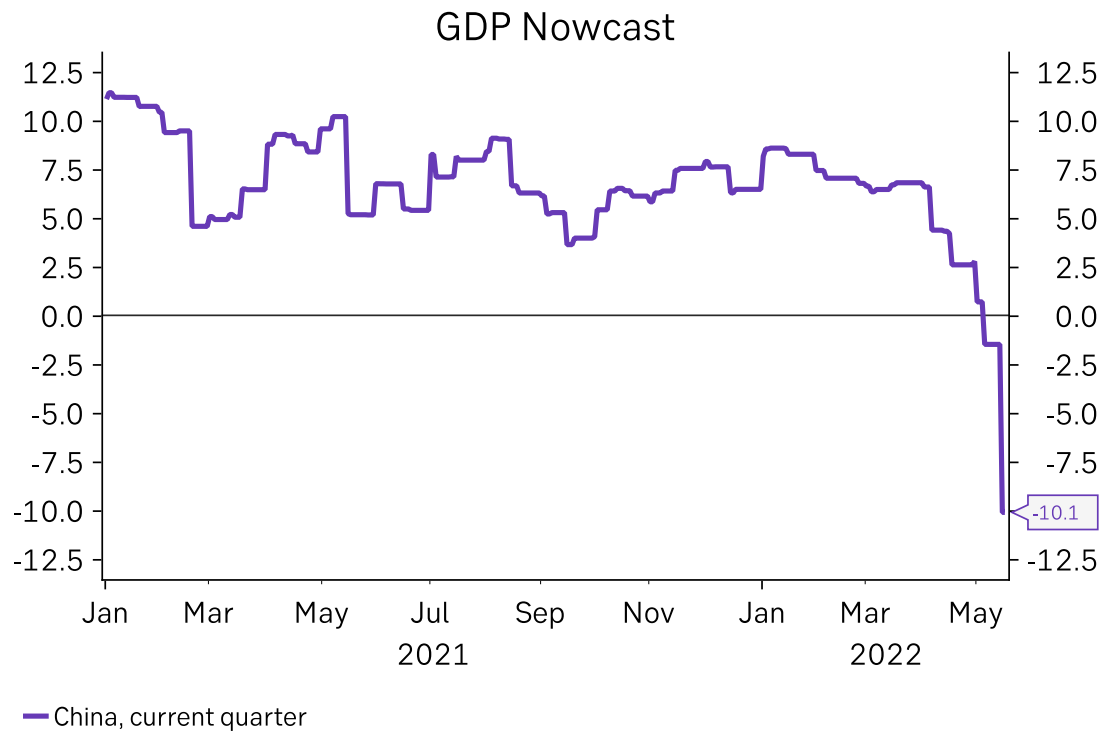
Longer delivery times at a higher cost, bottlenecks in the global transport system



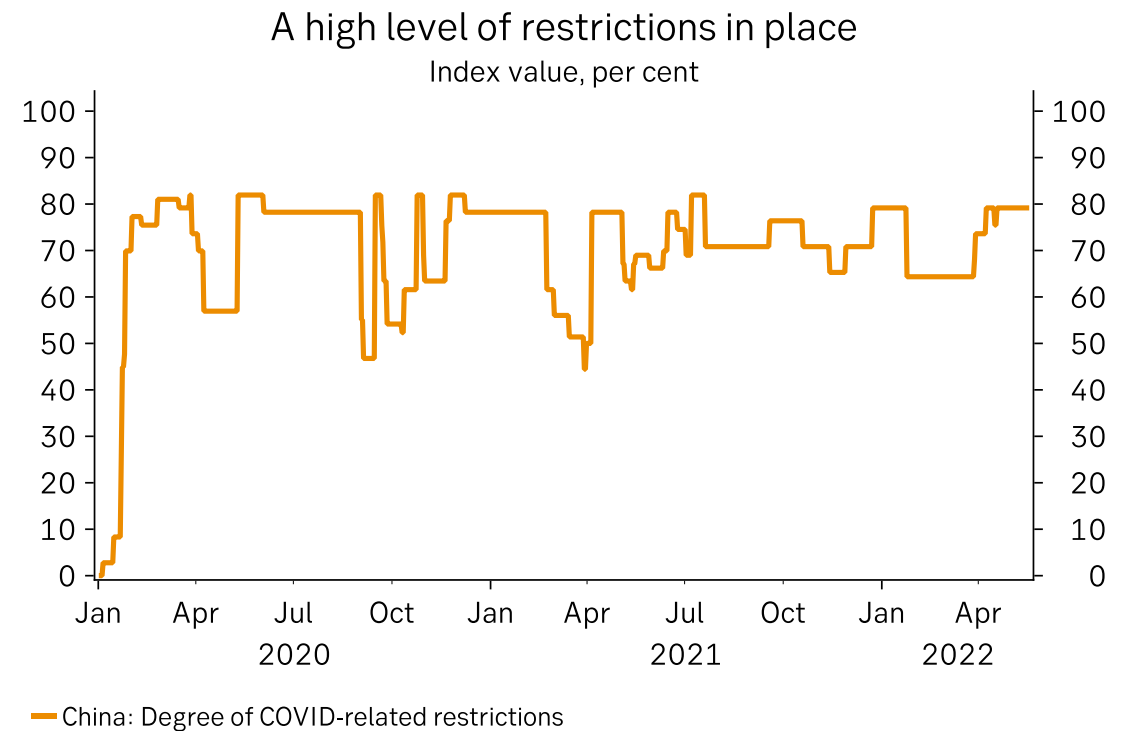
Source: Federal Reserve Bank of New York, Macrobond, SEB

## #2 No ease in sight as China «stays home»

China's strict COVID policy is restraining activity and disrupting production chains



Source: JPMorgan, Macrobond, SEB

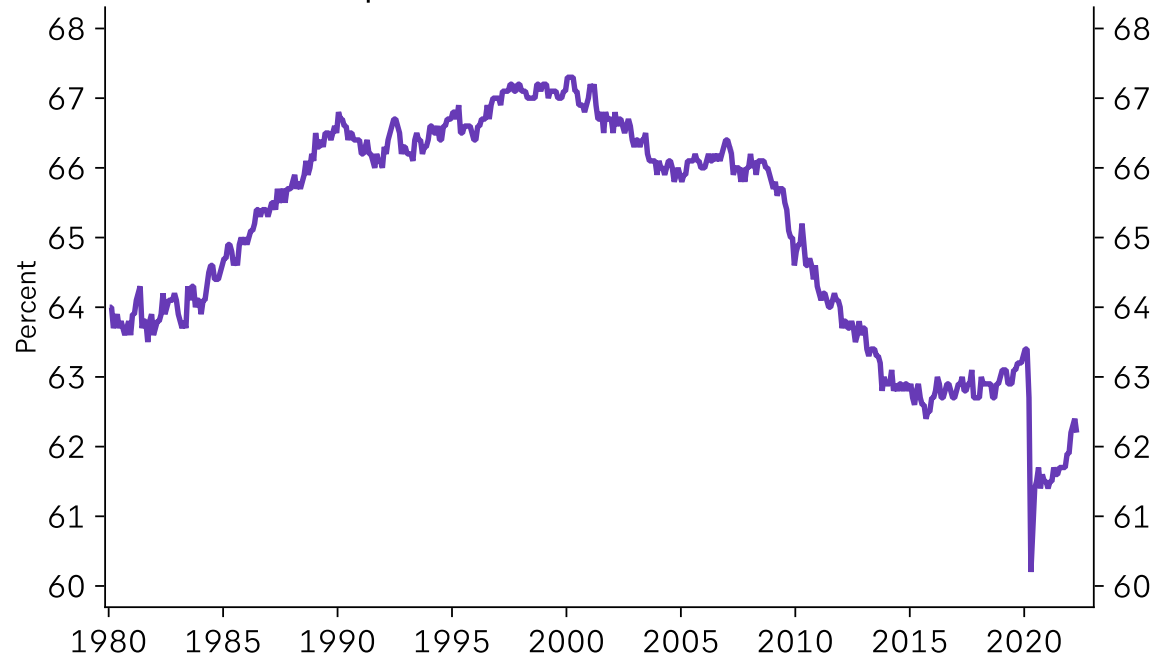


Source: University of Oxford, Macrobond, SEB

# #3 The great resignation

People are not back in the labour market, and increased matching problems among those available for work

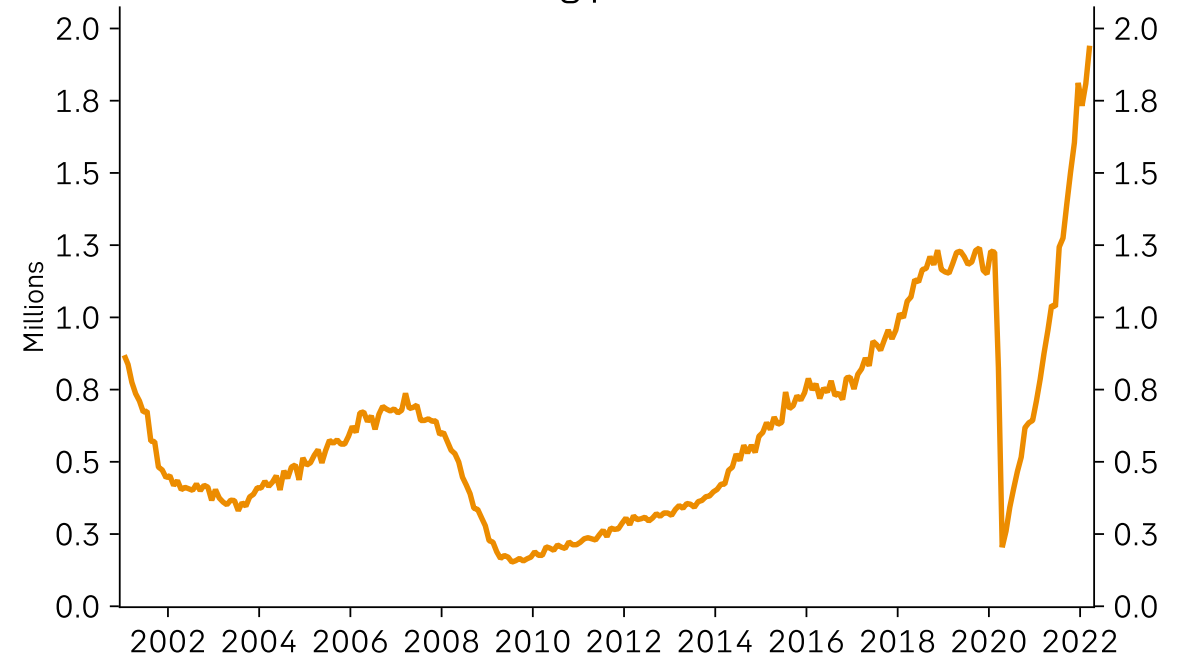
People have left the work force



— US labour force participation rate

Source: U.S. Bureau of Labor Statistics (BLS), Macrobond, SEB

Matching problems

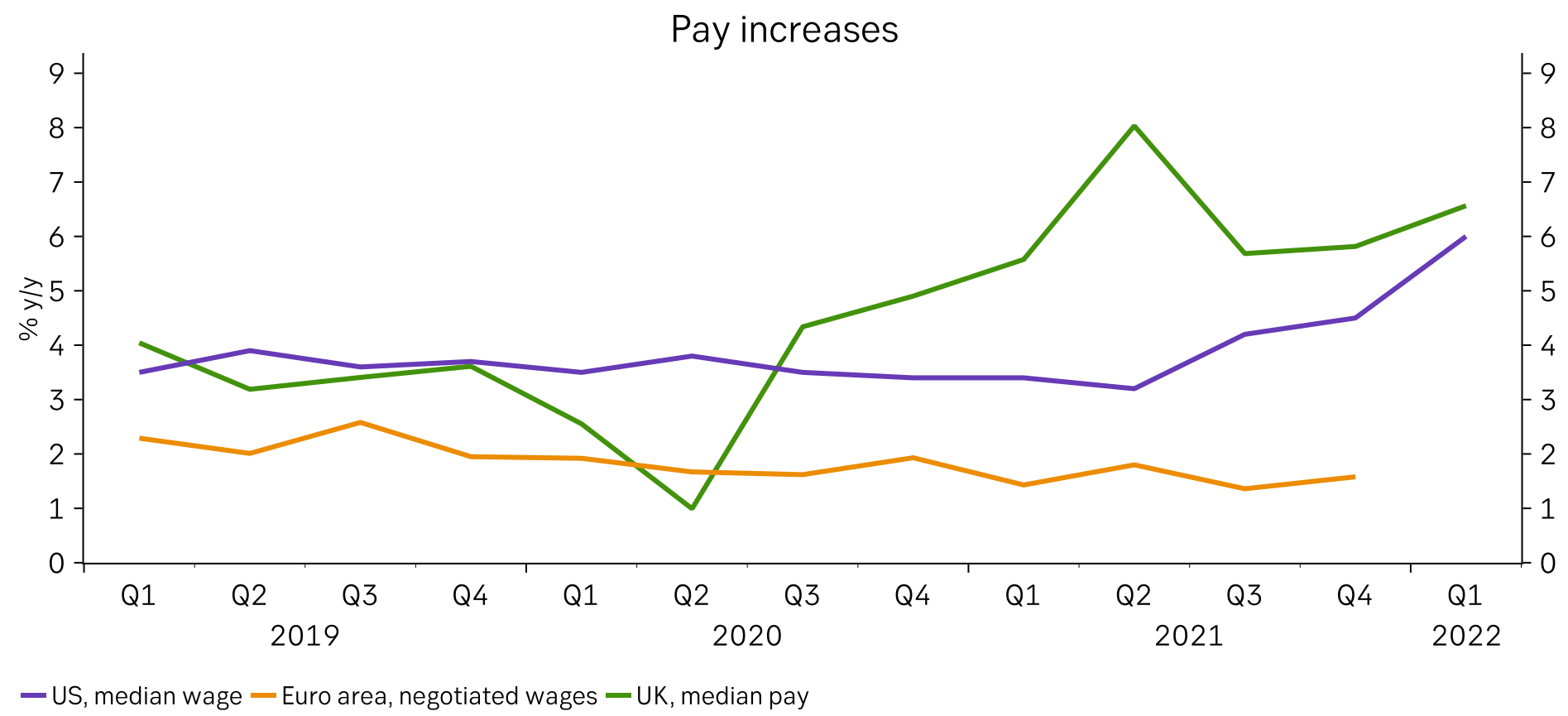


— US, number of job vacancies per unemployed

Source: U.S. Bureau of Labor Statistics (BLS), Macrobond, SEB

# #3 Risks of price-wage spirals

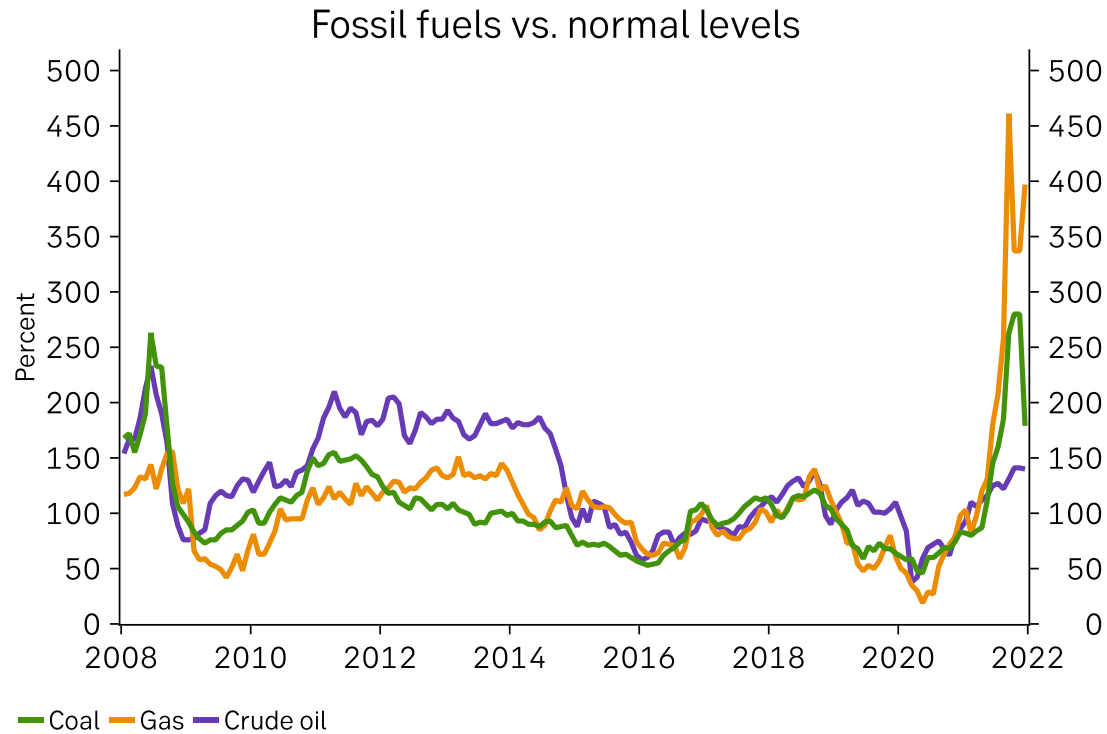
Historical low unemployment and high inflation push wages higher



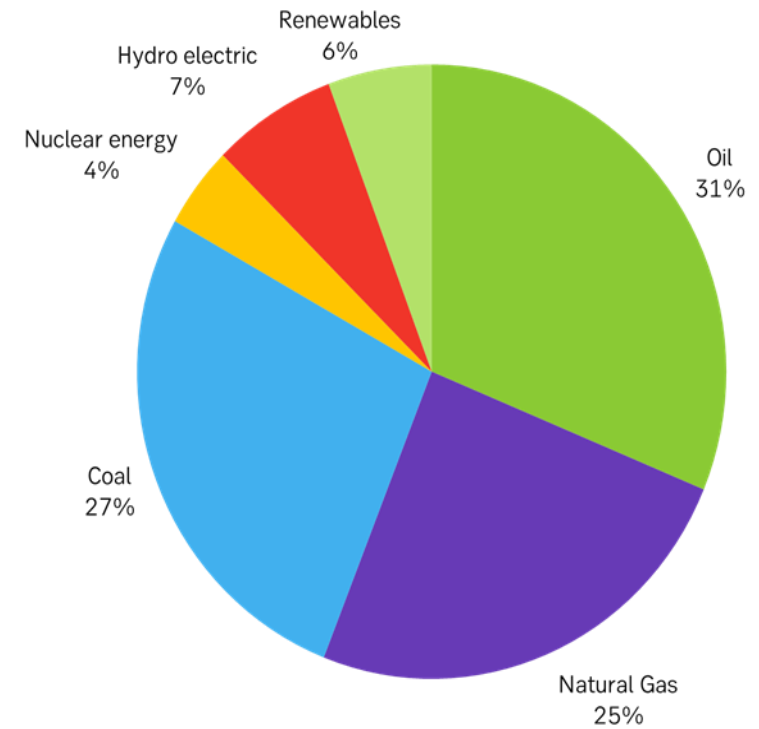
Source: U.K. Office for National Statistics (ONS), ECB (European Central Bank), Federal Reserve Bank of Atlanta, Macrobond, SEB

# A global energy crisis

Surprisingly strong demand, low investments in new production, green energy shortages, hoarding ahead of the winter



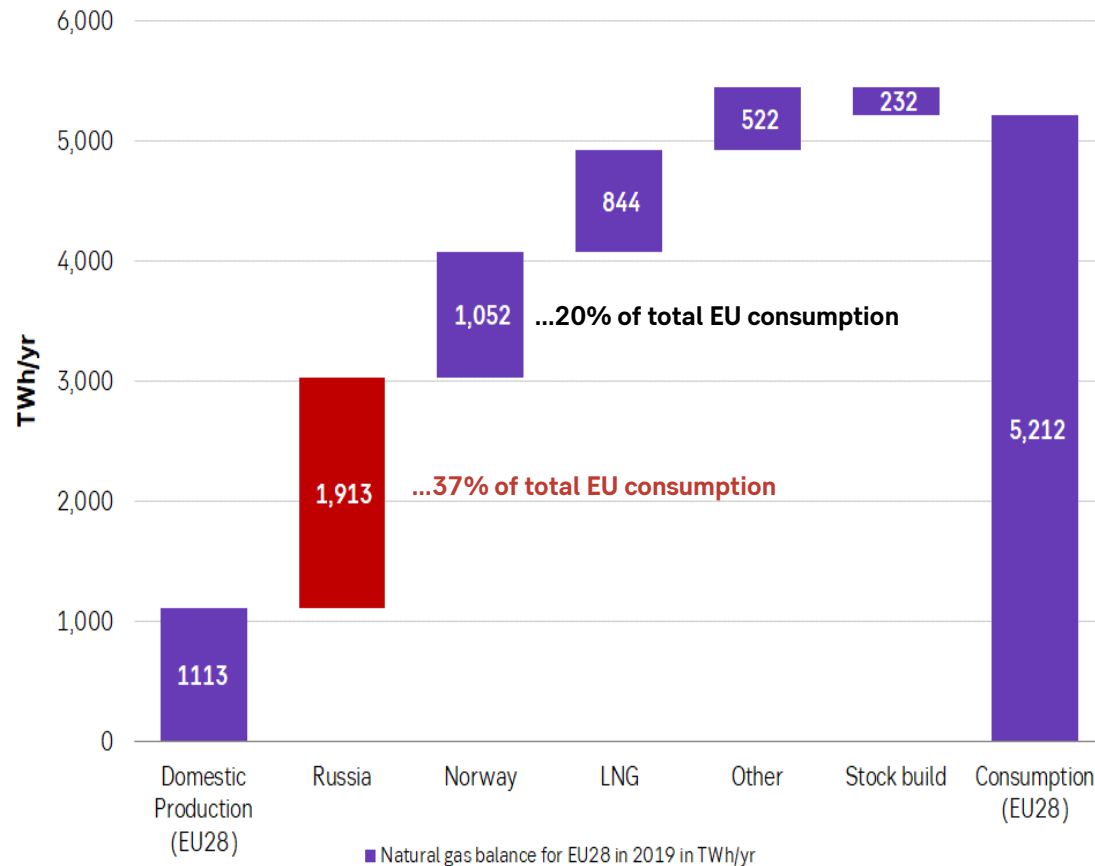
Source: Macrobond, SEB



# A fossil energy divorce from Russia

A war between two of the world's largest commodity and food exporters

EU28 nat gas balance – 2019 (TWh/yr)

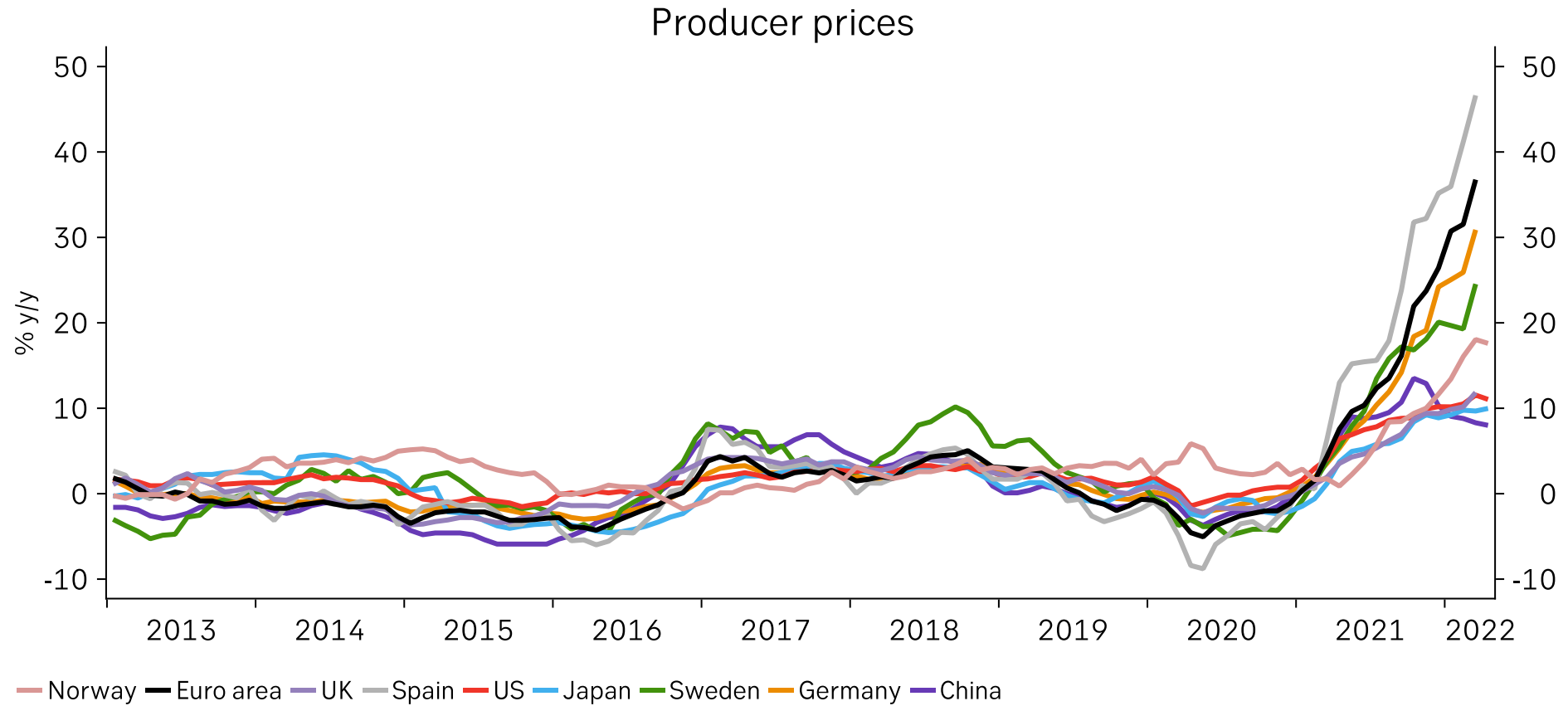


Russian nat gas pipeline network – an overview



# The result: Everything cost more

Damn if you do, damn if you don't...

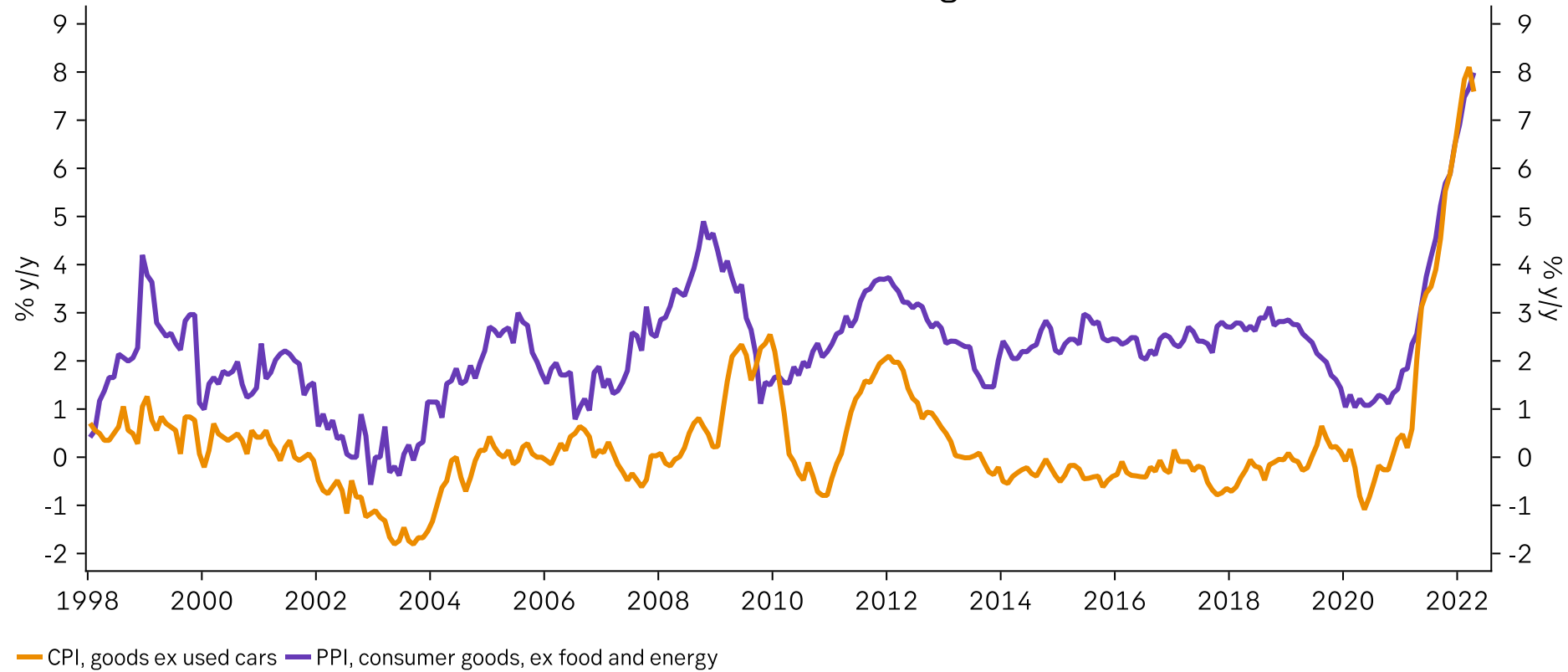


Source: Macrobond, SEB

# The solution: Higher prices

And there is more to come...

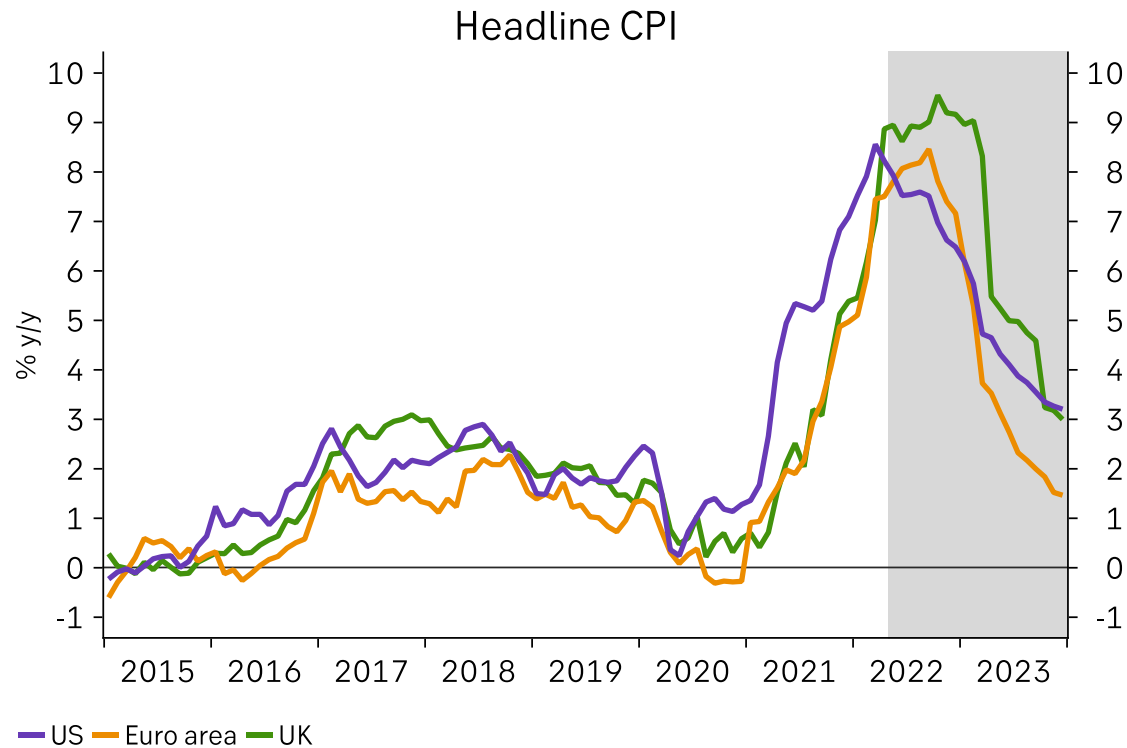
US: PPI and CPI on core goods



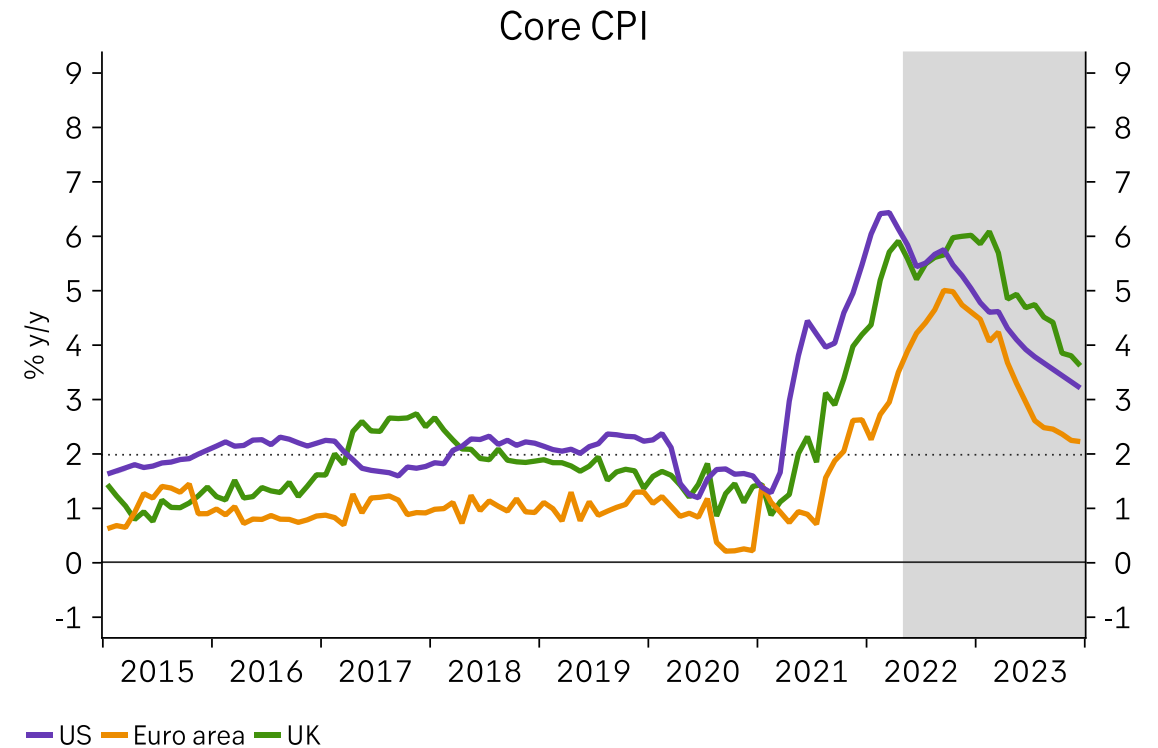
Source: U.S. Bureau of Labor Statistics (BLS), Macrobond, SEB

# Transitory inflation upturn? Not really...

Upside risks still dominate

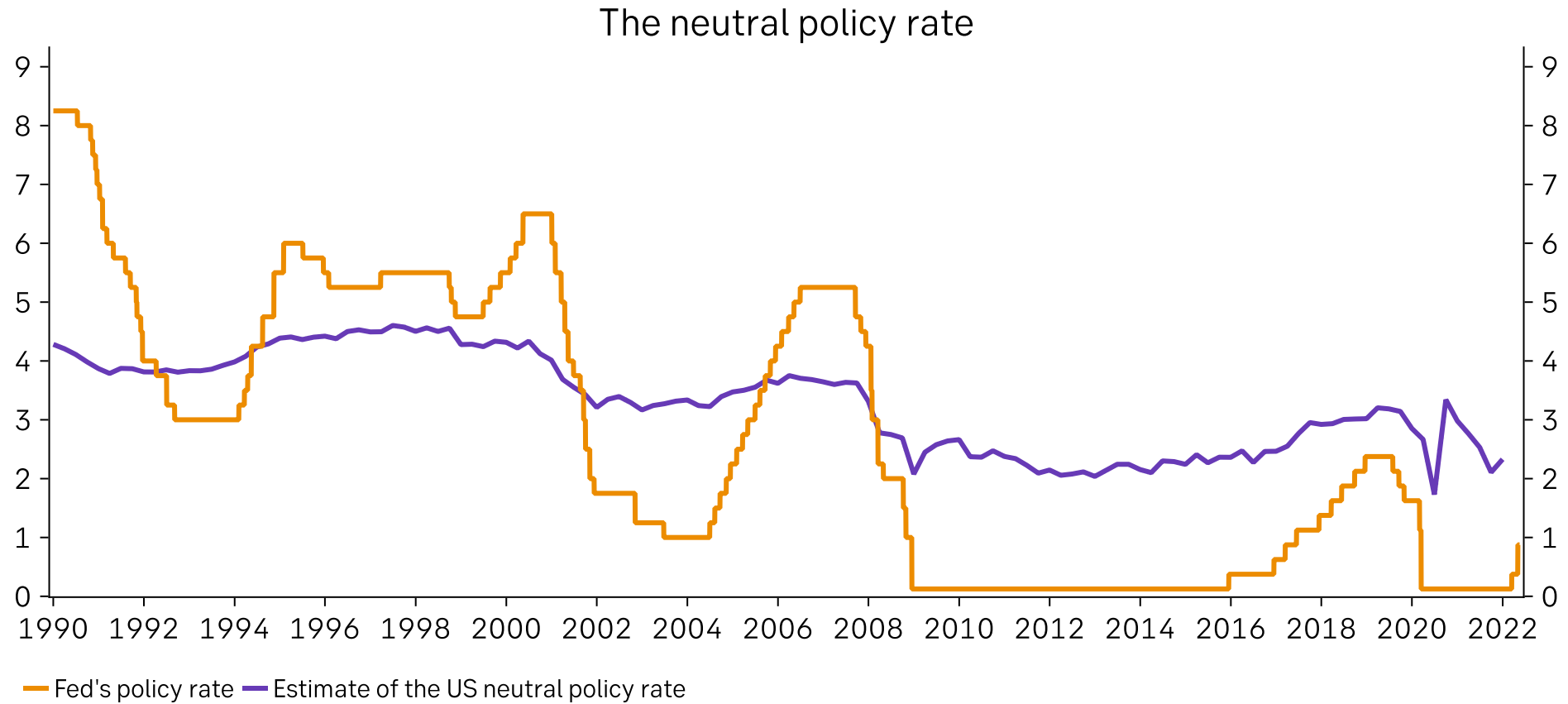


Source: Macrobond, SEB



Source: Macrobond, SEB

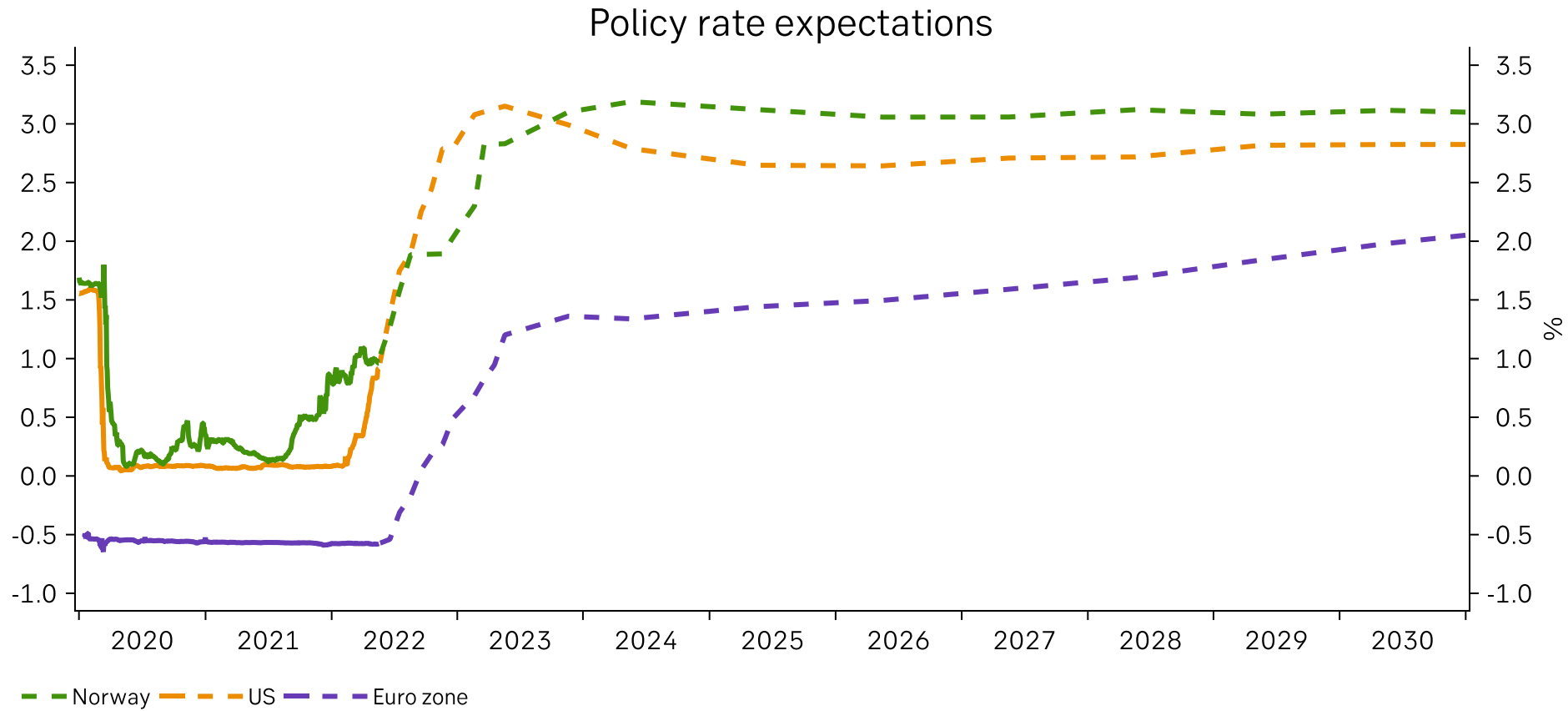
# Back to normal, asap!



Source: Bloomberg, Macrobond, SEB

# No time to spare

Acting fast to avoid inflation getting entrenched in inflation expectations and wage demands

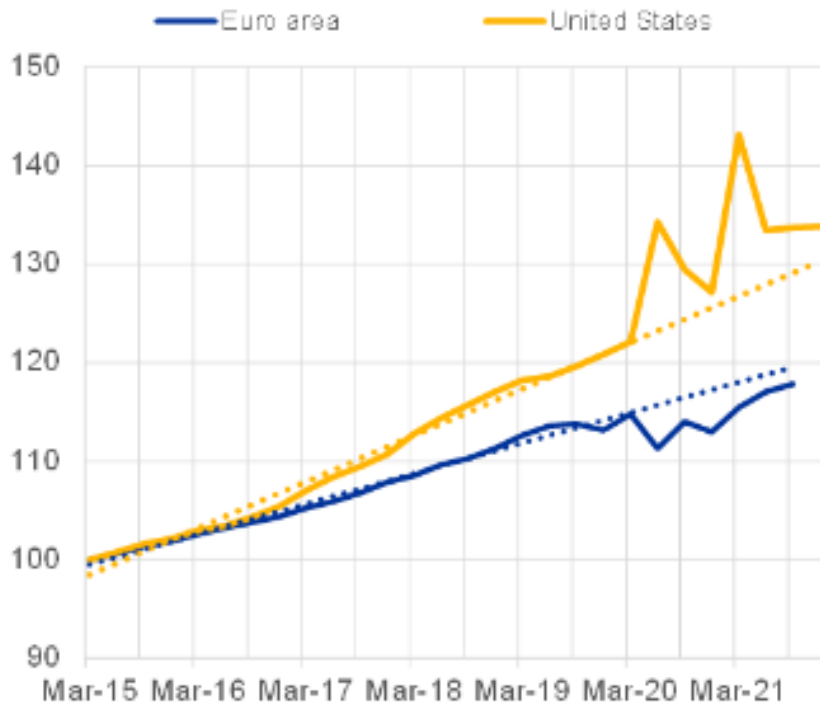


Source: Bloomberg, SEB

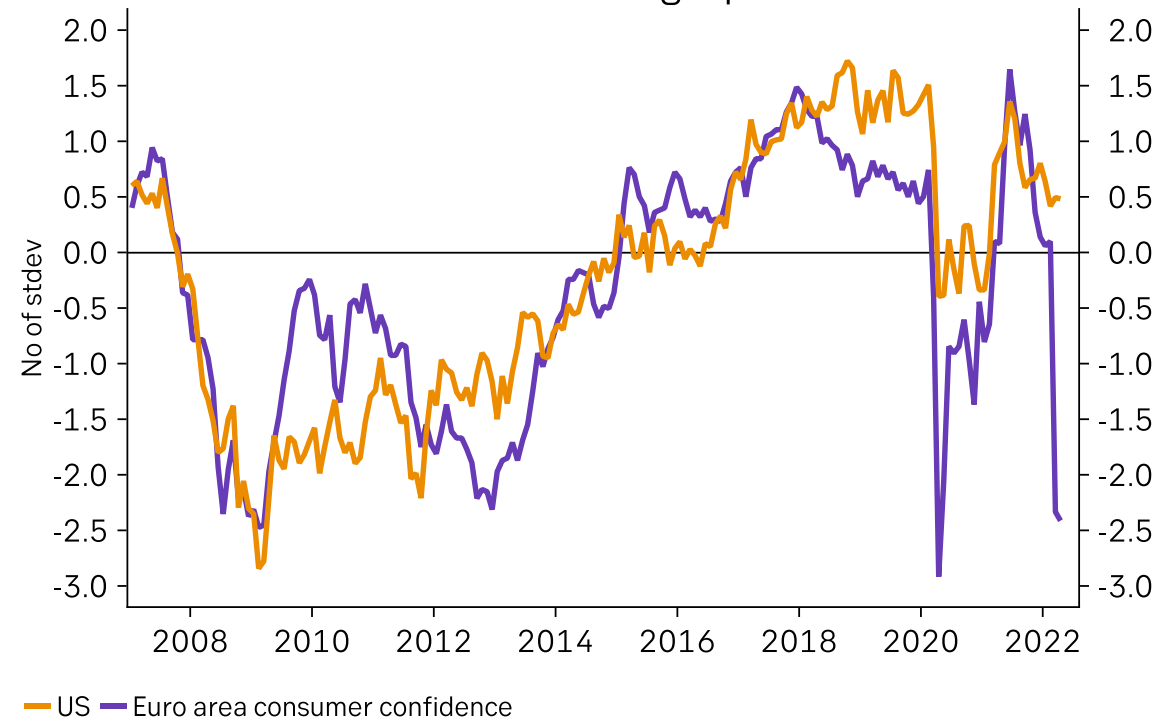
# Risk of a consumer-driven recession

## Household nominal income

(index: Q1 2015 = 100)



## Consumers are being squeezed

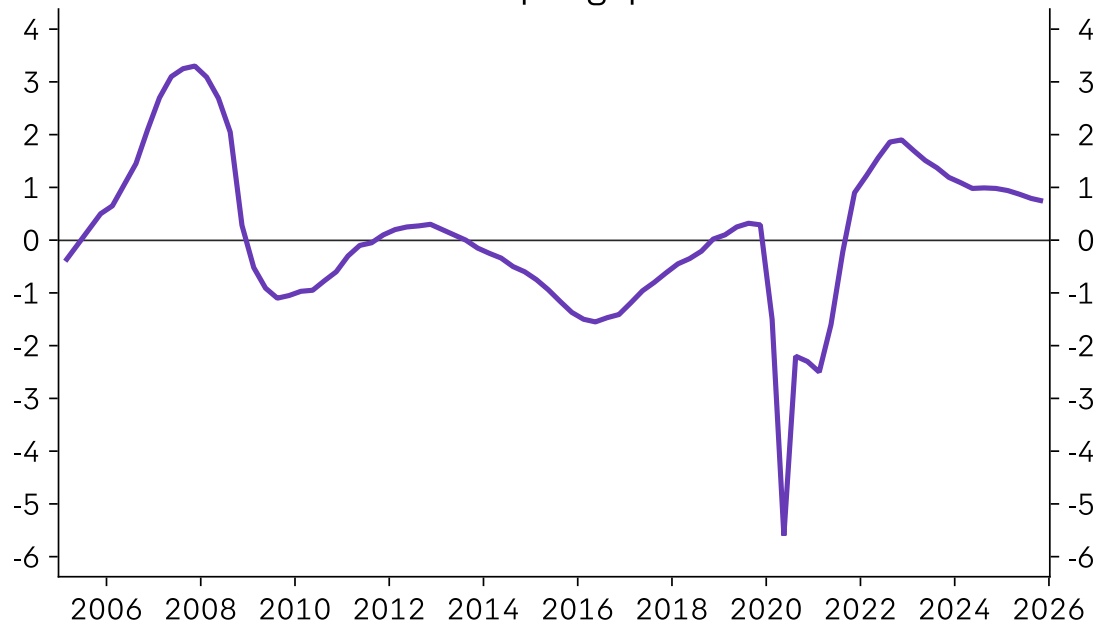


Source: Macrobond, SEB

# Norway: Overheating tendencies

Norges Bank is not «behind the curve», but risks of a price-wage spiral are real

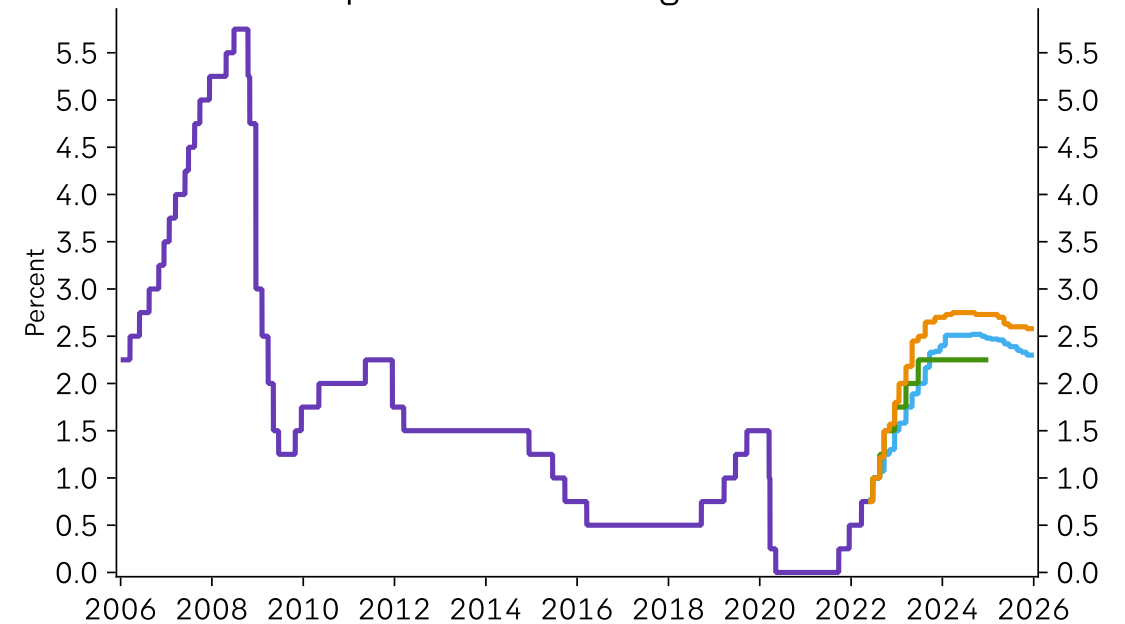
## Output gap



— Norges Bank, capacity utilisation Mar22 MPR

Source: Norges Bank, Macrobond, SEB

## Expectations for Norges Bank

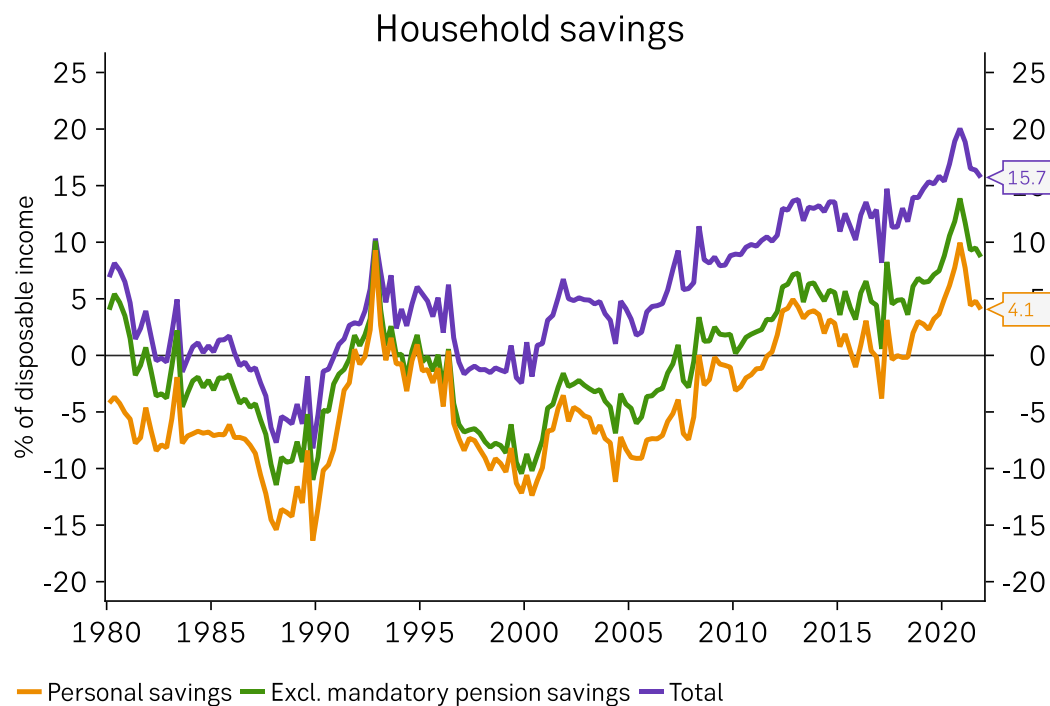


— Market pricing — SEB forecast — Norges Bank rate path — Key rate

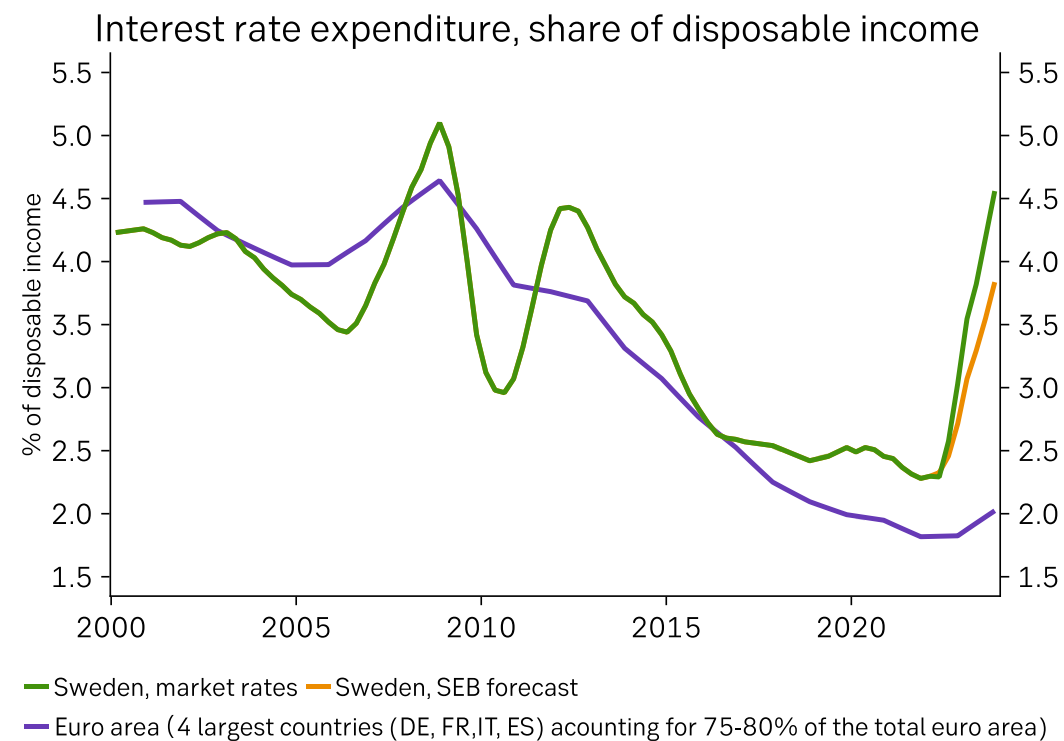
Source: Bank of Norway (Norges Bank), Macrobond, SEB

# Sweden: Growth falling below trend in 2022-2023

Households squeezed by high inflation, energy prices, interest rates

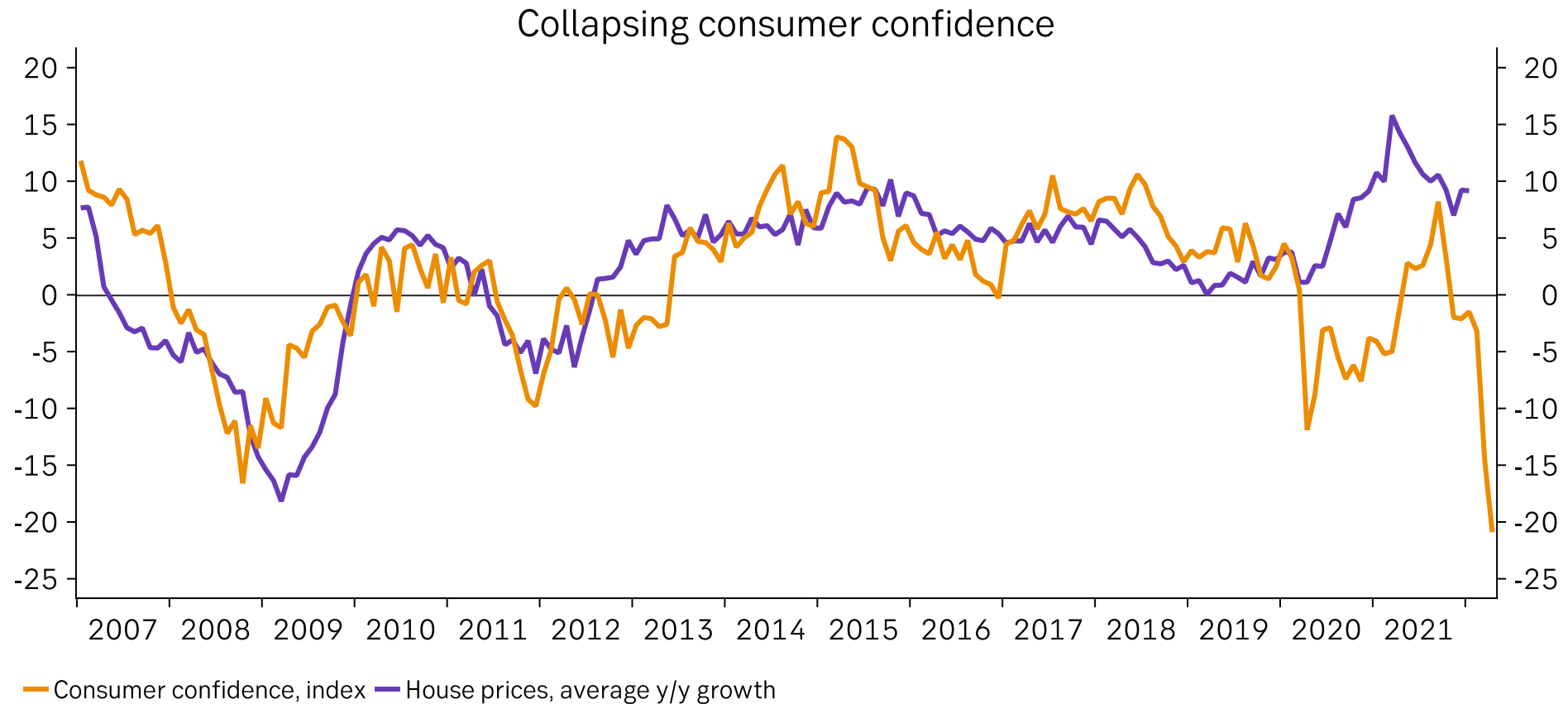


Source: Statistics Sweden (SCB), Macrobond, SEB



# Denmark: Challenging outlook for households

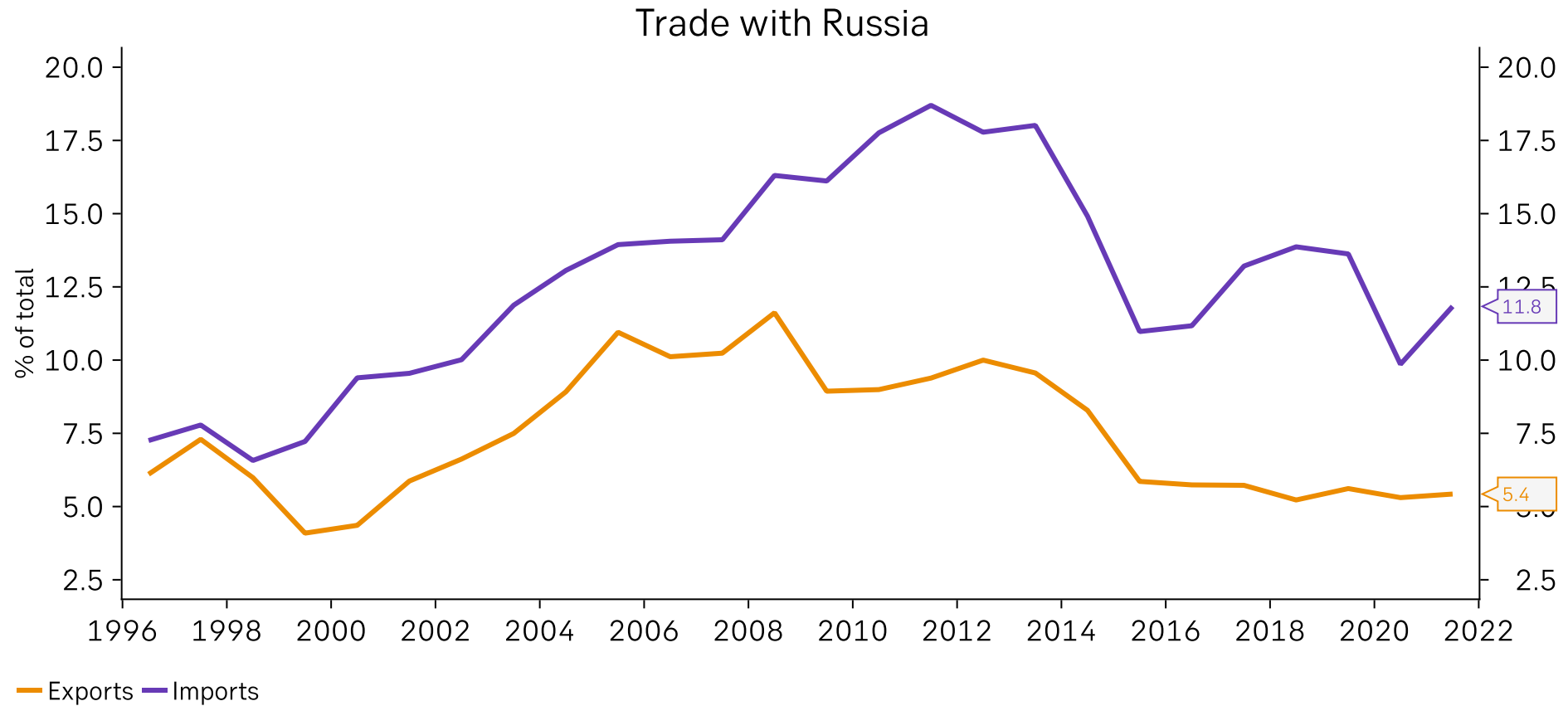
GDP growth moderating from 4.8% in 2021 to 2.4% in 2022 and 2023



Source: Statistics Denmark, Macrobond, SEB

# Finland: Large trade with Russia induces vulnerability

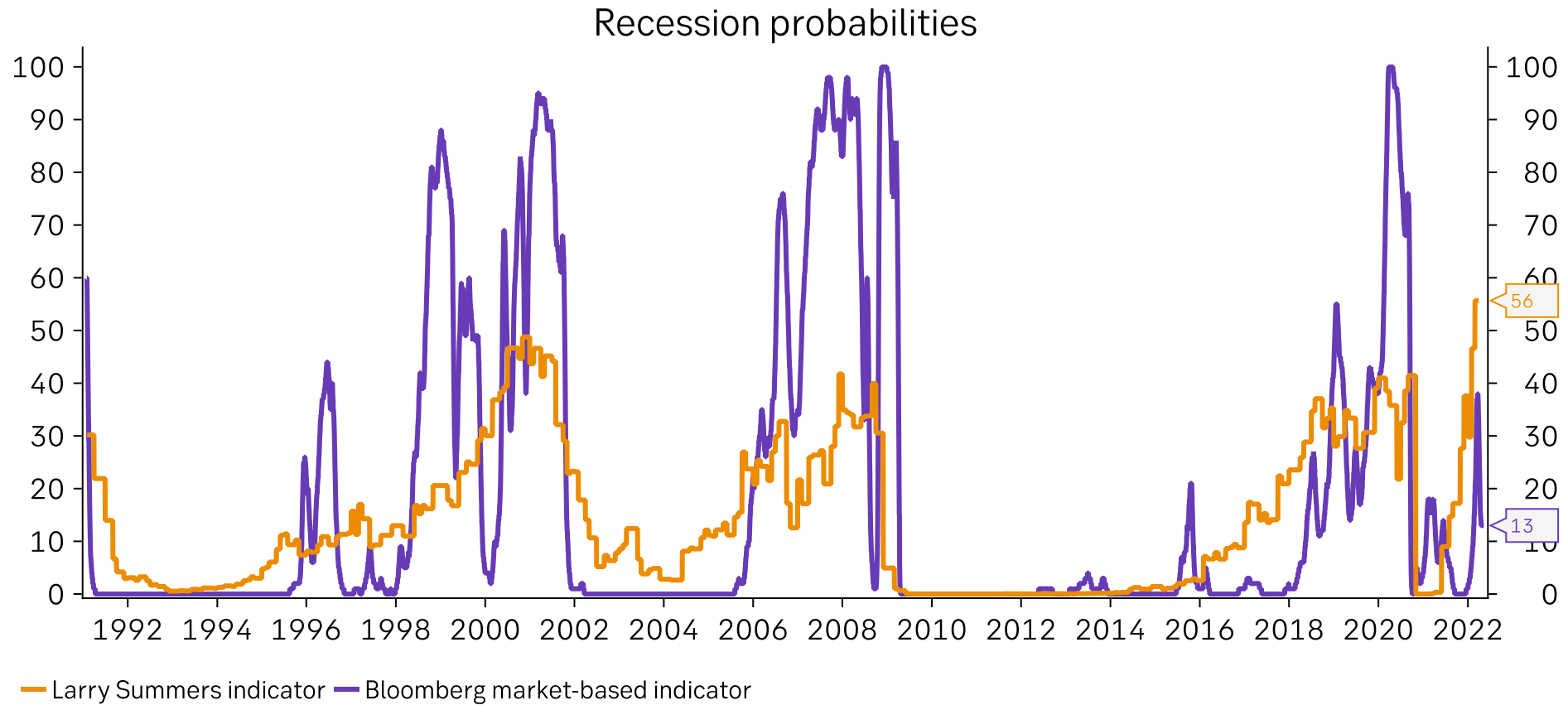
GDP growth slowing from 3.5% in 2021 to 1.8% in 2022 and 1.5% in 2023



Source: Finnish Customs, Macrobond, SEB

# The jury is still out there

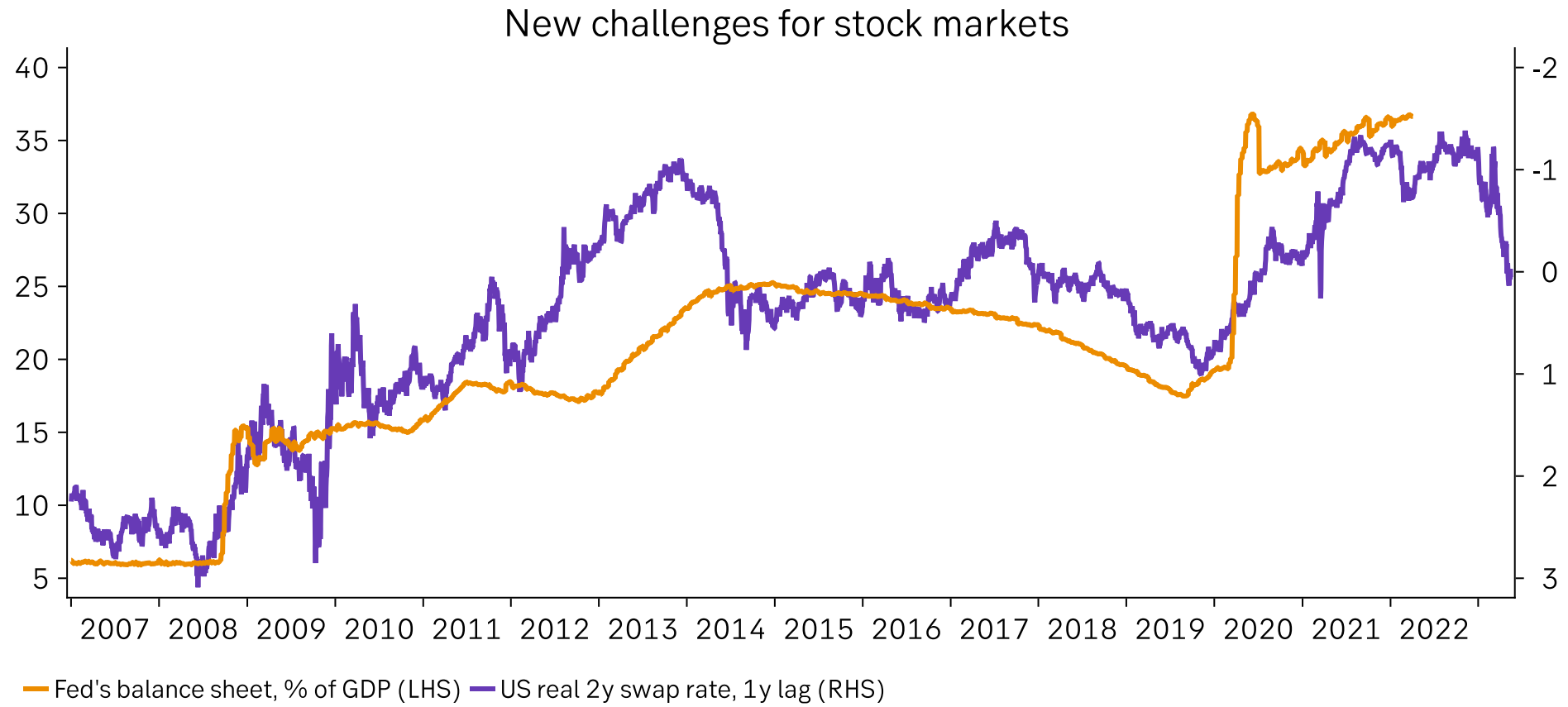
Large deviations in recession probability



Source: Bloomberg, Macrobond, SEB

# A new world order

Real rates are rising, liquidity is tightening



Source: Bloomberg, Macrobond, SEB

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