



# Hard to find easy ways out of the crisis

Robert Bergqvist – September 9, 2021

# Agenda

**1** Big picture

**2** Economic policies & inflation

**3** Interest rates & asset prices

It is always wise  
to look ahead,  
but difficult  
to look further  
than you can see

*Winston Churchill*





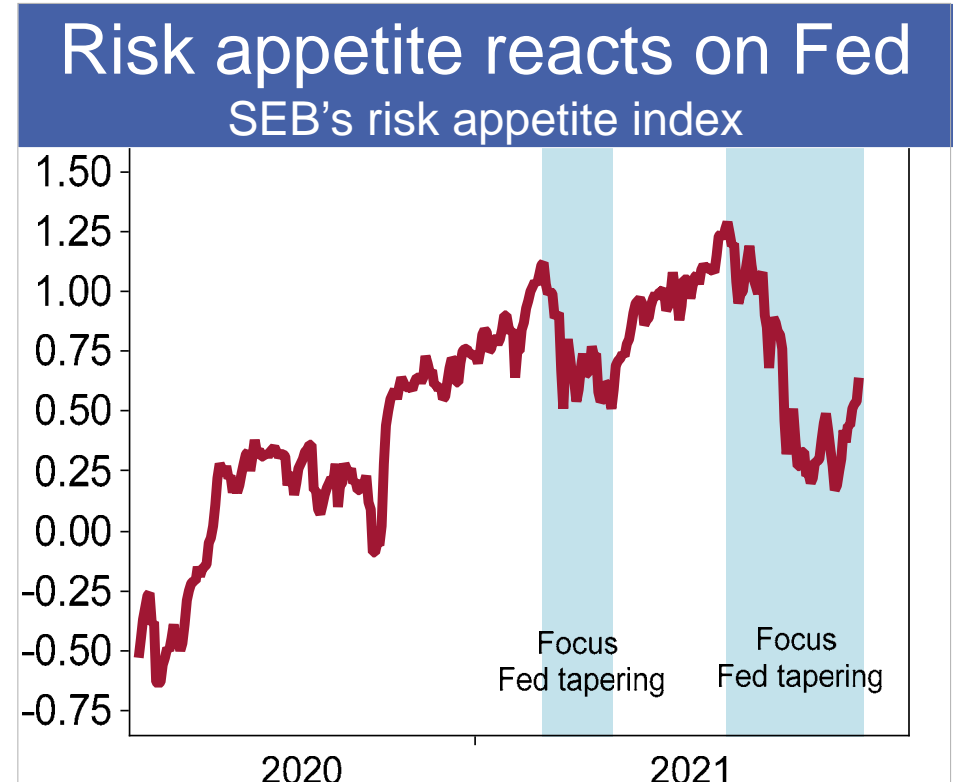
## In-depth theme articles

- ❑ E-currency ahead?
- ❑ Extreme weather
- ❑ Inflation at a crossroads
- ❑ Emerging markets

# Globally: Questions & "peak discussion"

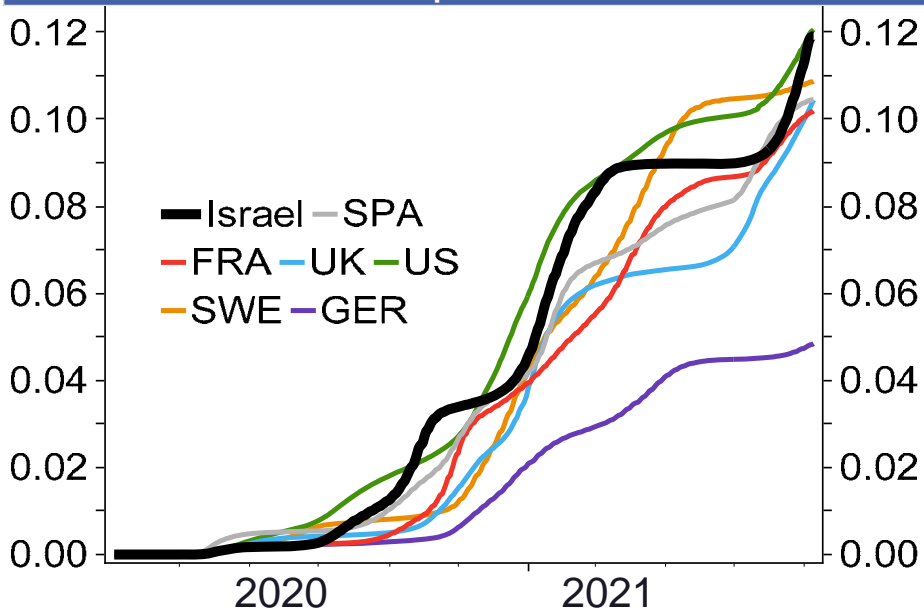
## Are we approaching peak

1. ...economic growth?
2. ...fiscal policy stimulus?
3. ...monetary stimulus?
4. ...inflation?
5. ...earnings growth?
6. ...risk appetite?

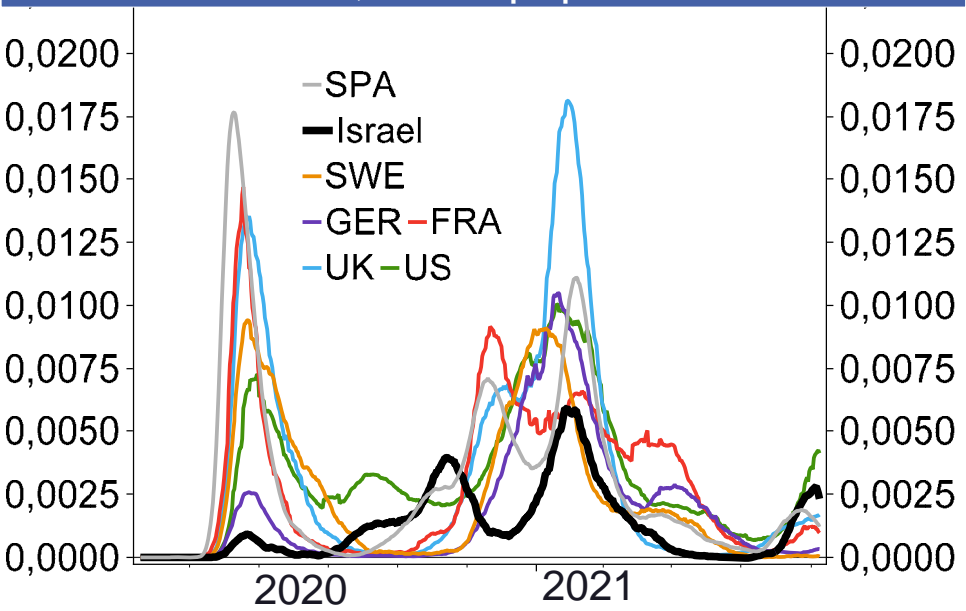


# Globally: Tight race – virus & vaccination rate

**Confirmed cases**  
Per capita. Total



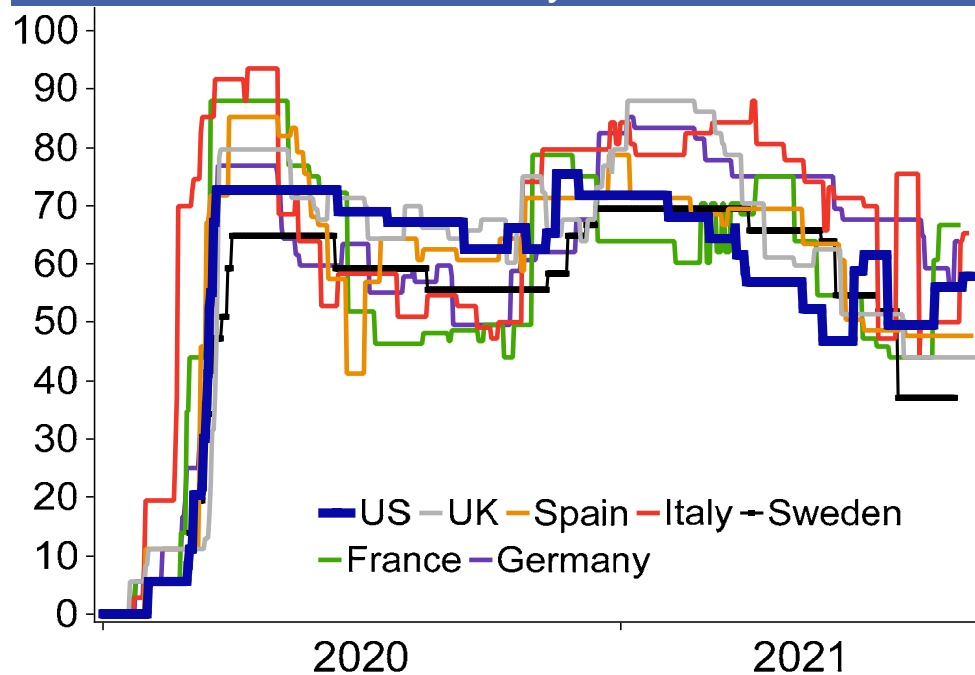
**Confirmed deaths**  
Per 1,000 of population



# Globally: Adapting to the prevailing situation

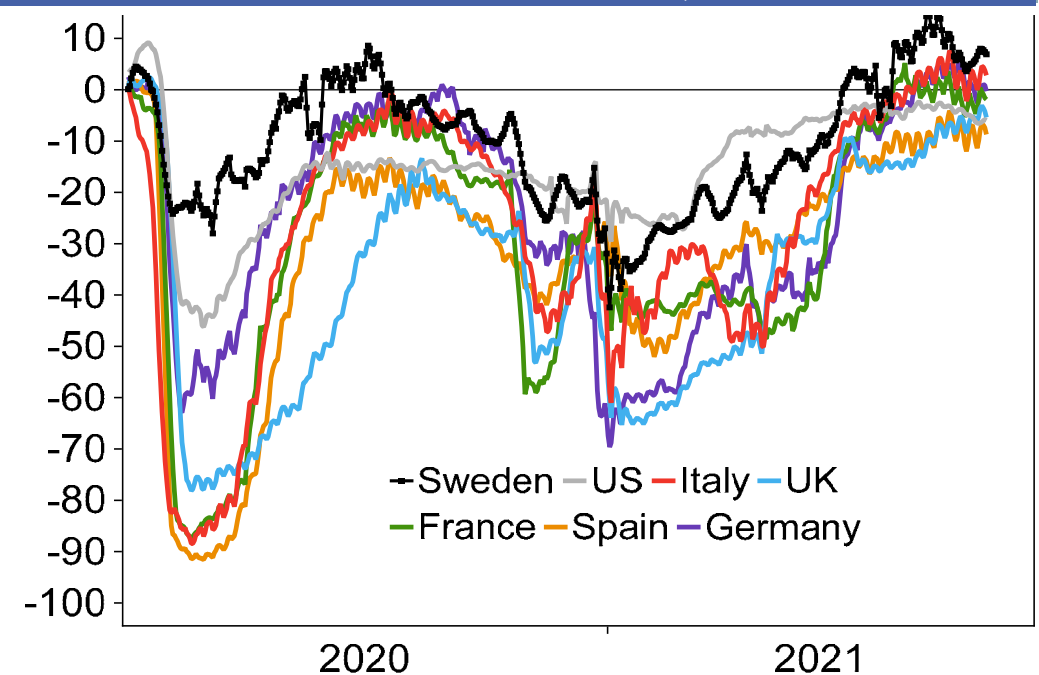
## Degree of restrictions

Oxford University Index. Level

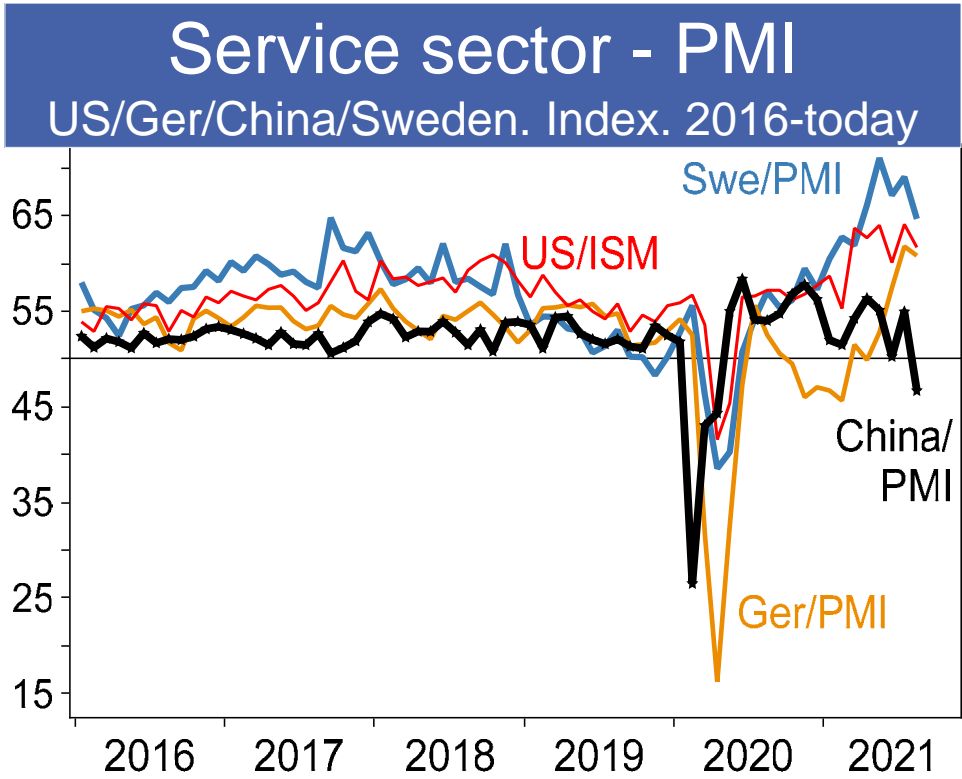
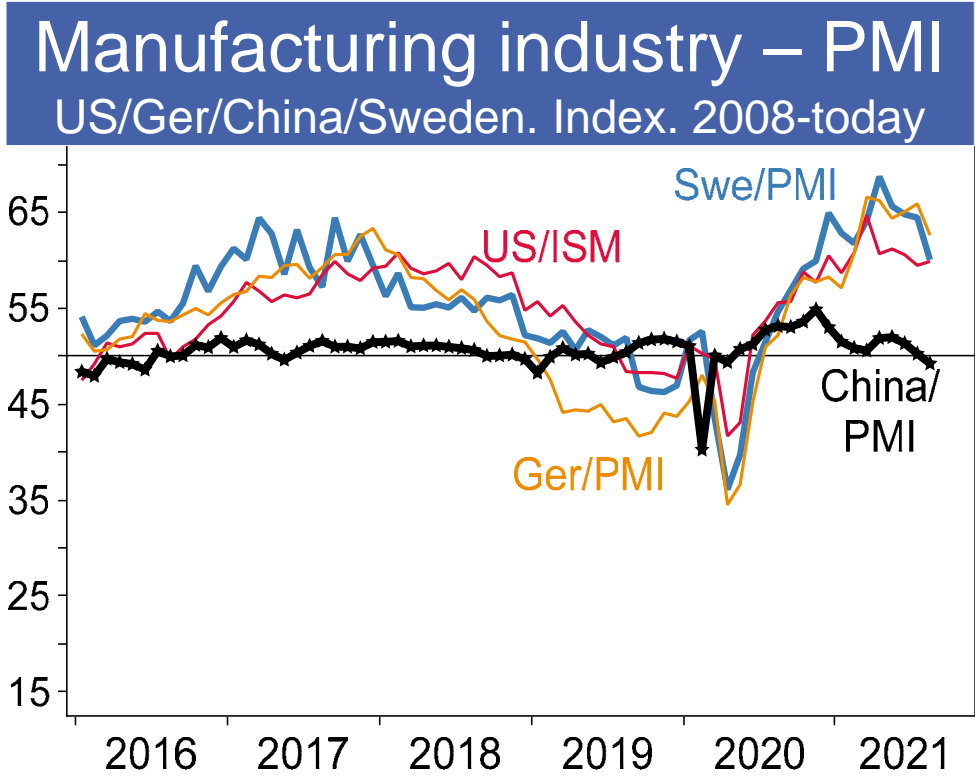


## Mobility – Google

Current level vs “normal”, 2019. %



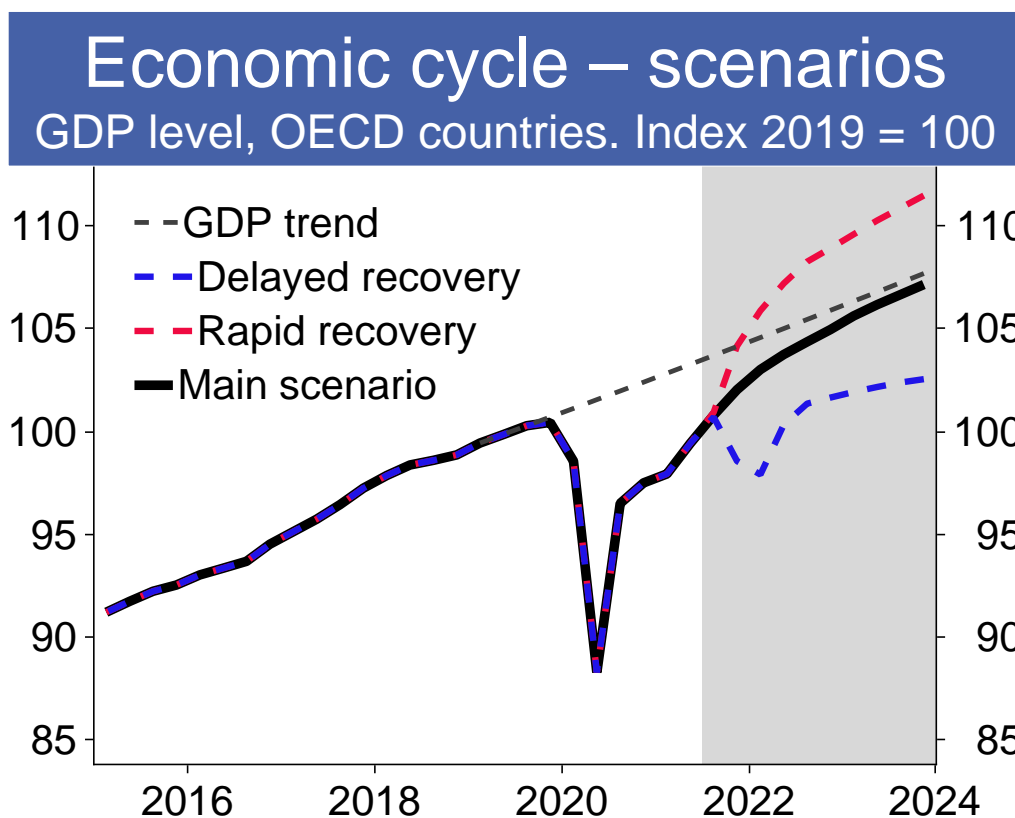
# Globally: Business confidence is high...not in China





# Globally: GDP forecasts – SEB's scenarios

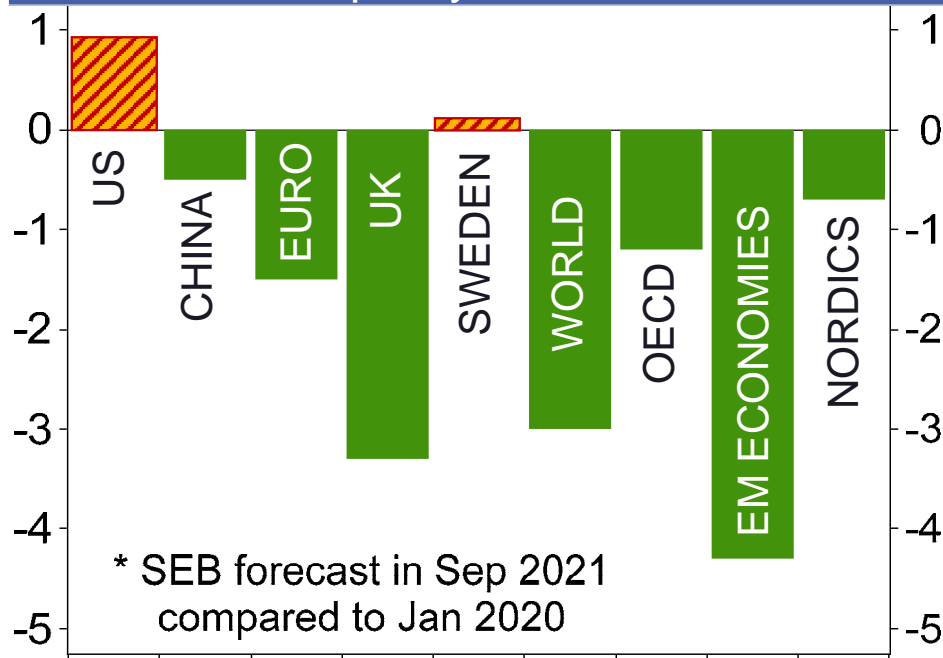
Main scenario, %	2020	2021	2022	2023
World	-3.4	5.9	4.4	3.4
United States	-3.4	6.0	4.2	2.1
China	2.3	8.6	5.6	5.4
Germany	-4.6	2.8	4.8	2.6
United Kingdom	-9.8	7.0	5.8	2.2
Sweden	-2.8	4.6	3.9	2.3
OECD	-4.7	5.1	4.0	2.3
<b>Euro area</b>	<b>-6.4</b>	<b>4.6</b>	<b>4.3</b>	<b>2.5</b>
Baltic countries	-2.1	4.8	4.3	3.4
Emerging markets	-2.2	6.5	4.8	4.3



# Globally: Varying effects of the pandemic on GDP

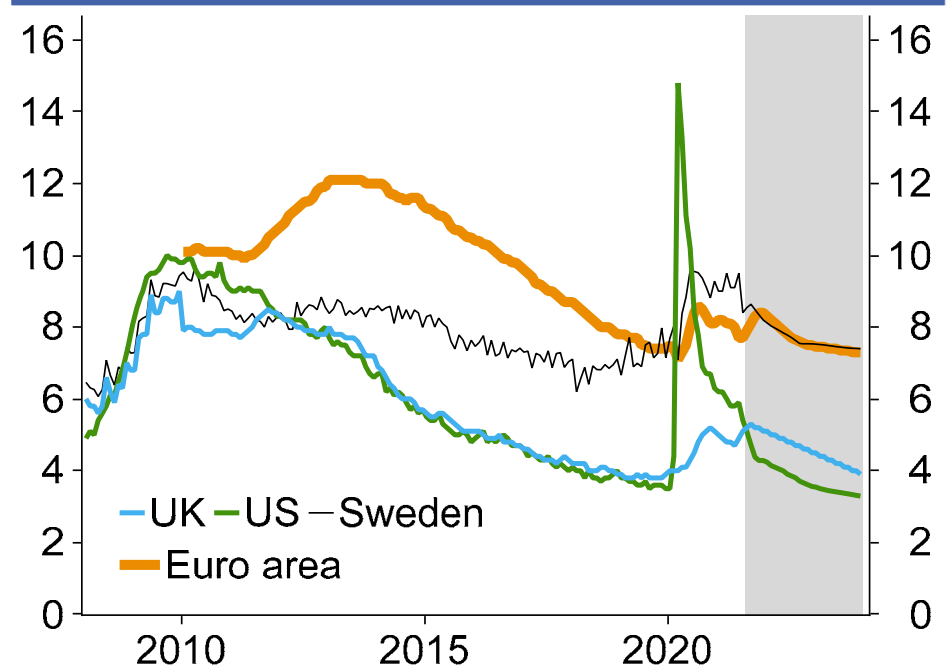
## Accumulated GDP differences

"Free capacity". 2022. Per cent

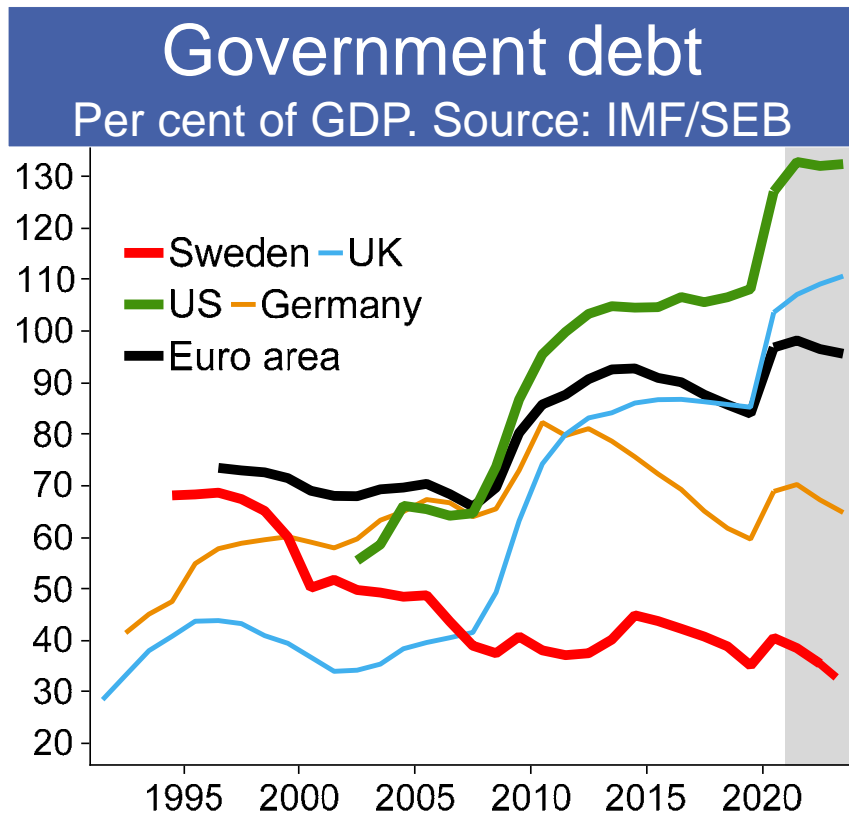


## Unemployment

Per cent



# Globally: High debts & shift to fiscal headwinds



## Level of fiscal stimulus “dose”

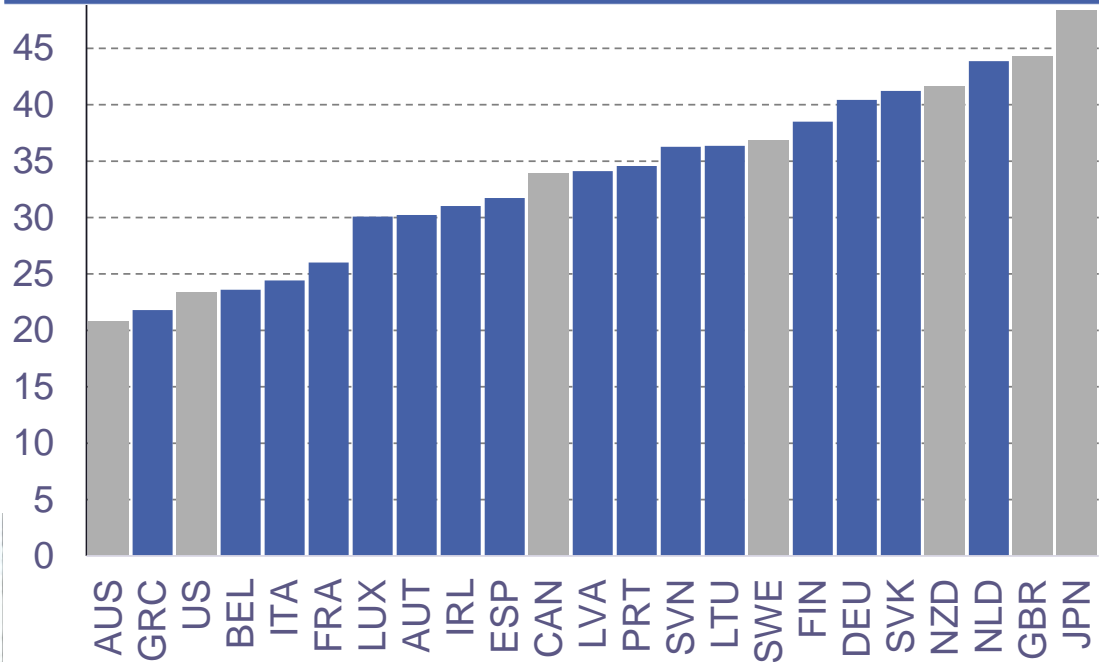
Change in structural budget deficit. SEB & OECD

% of GDP	2020	2021	2022	Total
OECD countries	+5.0	±0	-2.5	+2.5
United States	+5.5	+0.5	-3.5	+2.5
Euro area	+3.0	+0.5	-1.5	+2.0
Germany	+4.5	-1.0	-1.0	+2.5
United Kingdom	+7.0	-1.5	-3.0	+2.5
Sweden	+2.0	+1.0	-1.0	+2.0

# Globally: Monetary expansion – "money printing"

## Central bank holdings – June 2021

Government securities. % of total gov't securities



Creation of central bank money since 2008

+\$ 20,000bn (62%)

Money multiplier (4 times)

**+\$ 80,000bn = MONEY!**

GDP (2020): \$ 85,000bn

Stock market: \$ 120,000bn

# Globally: Stress-testing low inflation thesis

①  
High demand



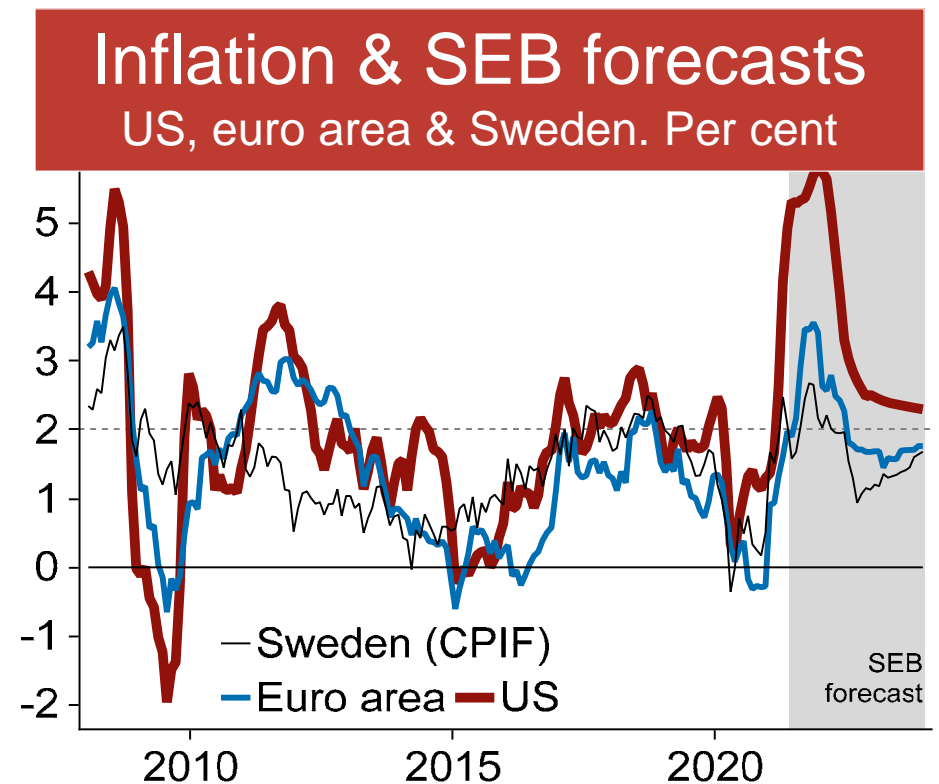
②  
Increased cost pressure



③  
Inflation expectations



④  
Money printing



# ECB: Hard to reach symmetric 2% target

## Euro area – ECB

First rate hike when:

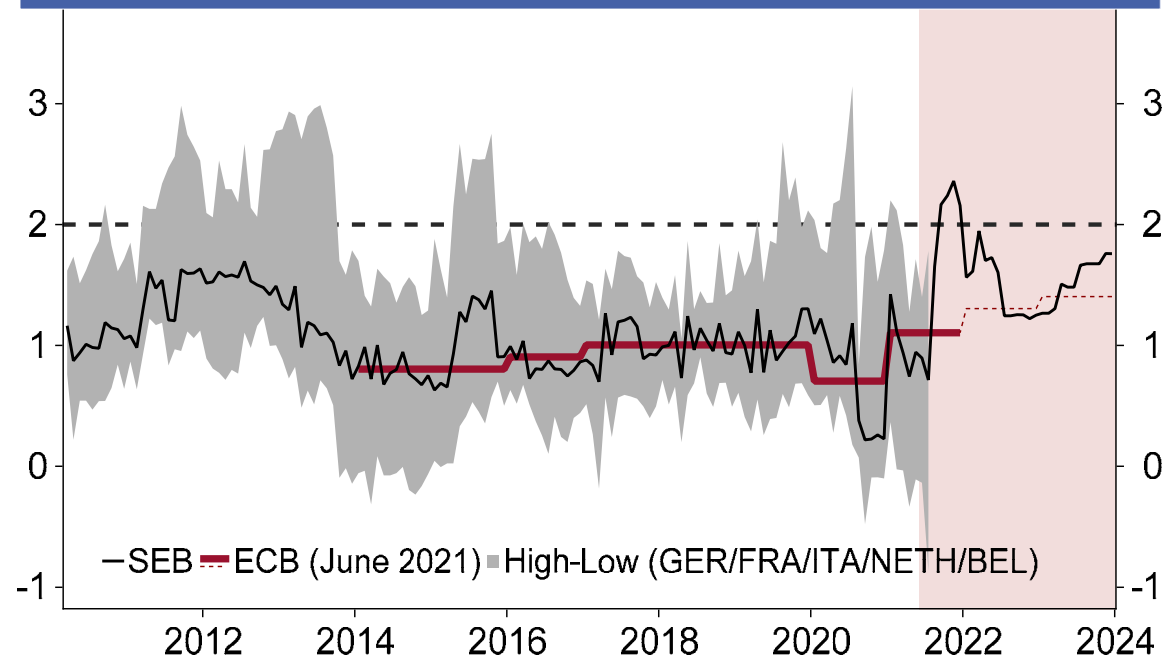
”Inflation 2%  
in 1½ years”

”Steady 2% for  
1½-3 years”

”Underlying inflation  
that supports the 2%  
target”

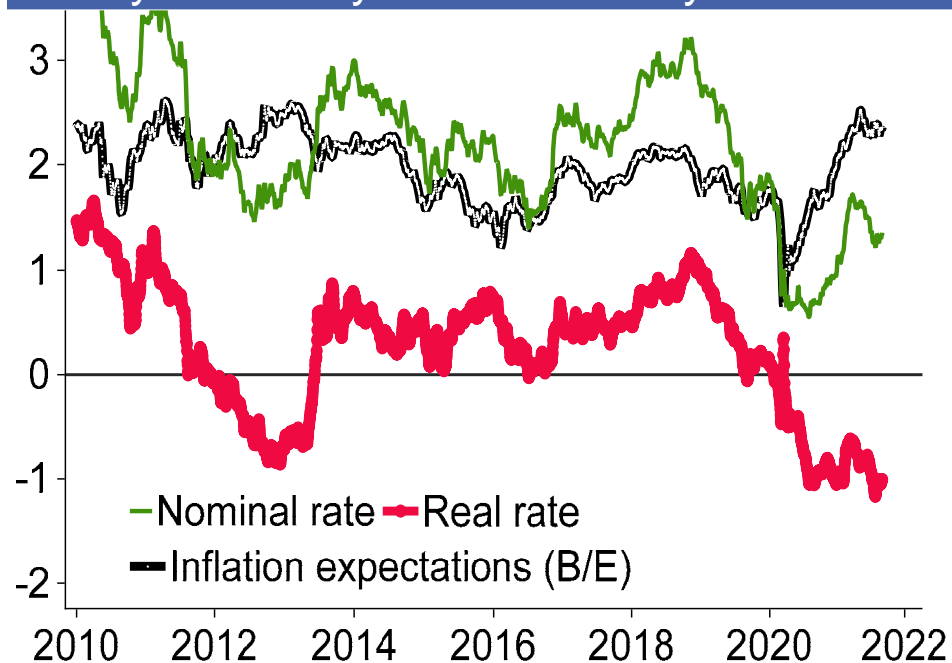
## Core inflation – euro area

Forecast ECB & SEB. Per cent



# US: Yields will rise gradually & Fed will normalise

**Bond yields & inflation exp.**  
10-year bond yield. 2010-today. Per cent



10-year gov't yield	9 Sep	Dec 2021	Dec 2022	Dec 2023
US	1.32	1.50	2.00	2.20
Germany	-0.33	-0.35	-0.10	0.20
Sweden	0.21	0.20	0.35	0.65

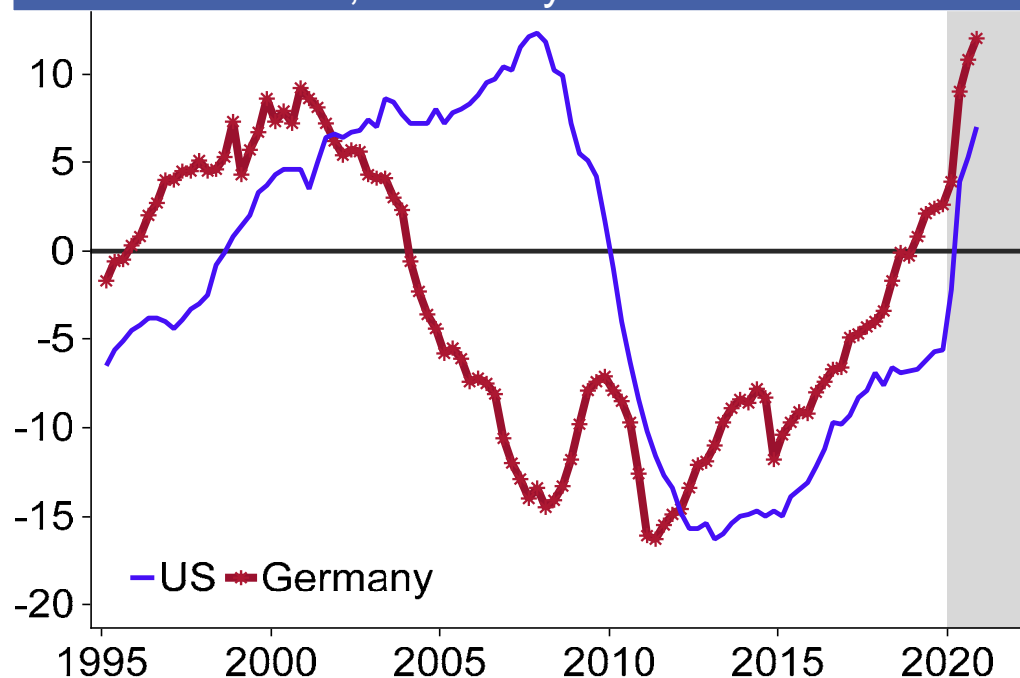
## Negative real interest rates

1. Good for asset prices/debts
2. Good for investments
3. Bad for savings

# Globally: Rising debts – and asset prices...

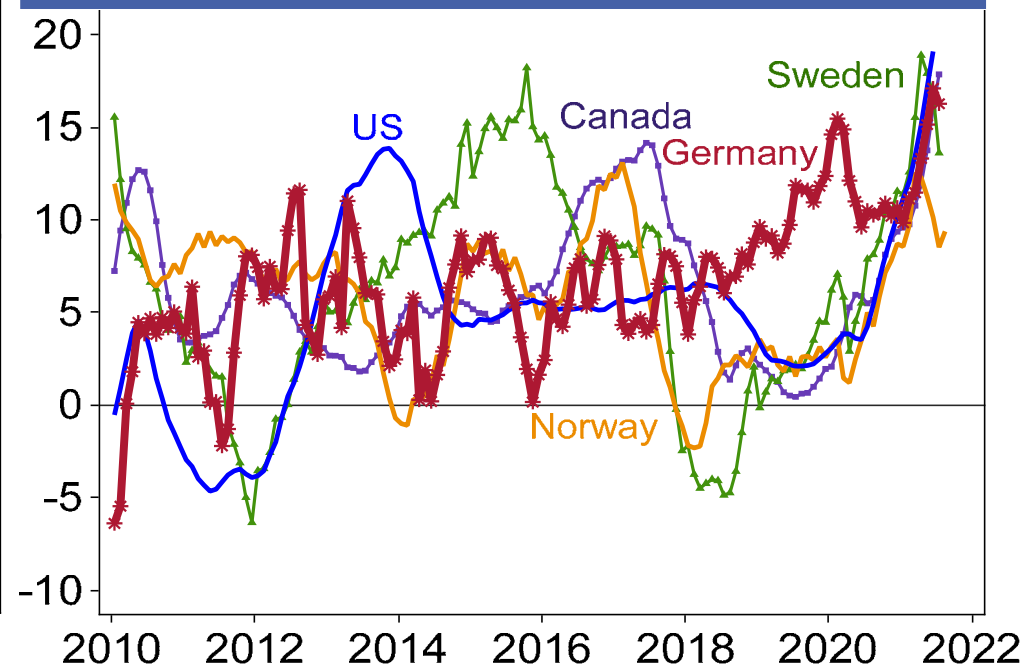
## Credit gap: Deviation from trend

US, Germany. Per cent



## Home prices

GER, US, NOR, SWE, CAN. Annual rate. %







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