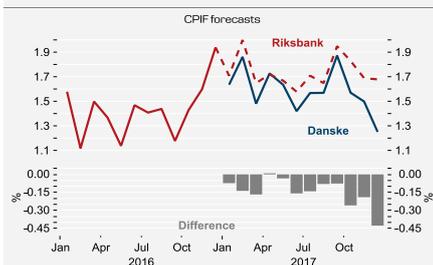


# Flash Comment Sweden

## January inflation again below Riksbank's forecasts

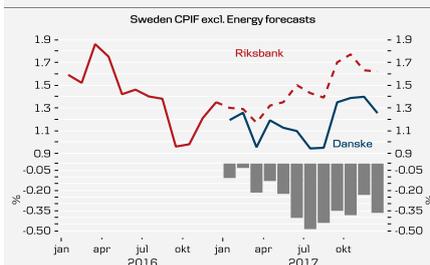
- CPI, CPIF and CPIF excluding energy were all a 10th below the Riksbank's forecasts printing 1.4% y/y, 1.6% y/y and 1.2% y/y, respectively. The first two were spot on our forecasts and the latter a 10th above. Looking ahead, we expect all measures to print below the Riksbank's forecasts this year. Most importantly, we see a significant widening compared with the Riksbank's forecast for CPIF excluding energy in particular.
- Looking at the different price components, most behaved as expected. Alcohol, clothing, furniture, recreation, rent, electricity, petrol and restaurants were all reasonably close to our expectations. The surge in food prices from soaring vegetable prices did not materialise to the extent we had expected but turned out very much as in other European countries. Airline ticket prices fell back much less than expected; maybe the correction will feed into next month too.
- The mortgage cost component actually rose instead of showing another decline as we had expected. This may be an effect of the new way of calculating interest costs. It is worth noting that the combined weight for own houses and owned condos is now about 3.6%, which is less than the previous 4.2% that applied to own houses only. We intend to dig deeper into the rate calculations to investigate whether there are any apparent changes in trends.
- Our base case is as before that wage cost pressure is too low to boost domestic inflation sufficiently, the upcoming wage round will give no comfort here. With a stable to slowly appreciating Swedish krona, import prices will soon be back to deflation levels again as long as global consumer goods prices continue to fall.

### CPIF on the downside again...



Source: Riksbank, Danske Bank

### ...but core is a bigger problem



Source: Riksbank, Danske Bank

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This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank'). The authors of this research report are Michael Grahn, FI Strategy Analyst, and Stefan Mellin, FX Strategy Analyst.

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