

## Norwegian inflation bounces back

After a terribly weak January figure, Norwegian inflation jumped to 2.2% in February. That is above the recently revised inflation target of 2%, but Norges Bank will not be too worried and should remain on track for a first rate hike by the end of the year



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# 2.2%

 February CPI

Higher than expected

Norwegian inflation rose sharply in February, with headline CPI hitting 2.2% (vs 1.6% in January and expectations of 1.8%). Core inflation rose less dramatically, at 1.4% (vs 1.1% in January and expectations at 1.3%). The upside surprise came from across the board, with several components increasing strongly: food, healthcare, transport, and household furnishings were all a bit stronger. Much of this is accounted for by higher energy prices -- headline inflation rose by 0.6% month-on-month but core only by 0.3% MoM. That suggests price growth will moderate over coming months, as the oil price is somewhat lower over the past month or so.

For Norges Bank, today's figures will be welcome confirmation that January's weak data was a one-off event. At the same time, the fact that inflation is now suddenly above the new 2% target is not particularly worrying as it should prove temporary. The NB focuses on core inflation anyway, which is still well below 2%. And while core inflation is likely to strengthen over the year as the labour market continues to tighten and resource utilisation increases, the strength of the Norwegian krone so far this year will start to weigh on inflation towards the middle of the year. That suggests the risks to the NB's inflation forecasts are somewhat to the downside, and it would not be a surprise to see a slight downward revision in the forecasts published next week.