

## Swedish inflation: A small downside surprise

Inflation in December was a little weaker than consensus and Riksbank forecasts, but not enough to change the overall outlook



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**1.9%** CPIF inflation in December

As expected

Today's data seems to have caused a little confusion in that the consumer price index came in below expectations at 1.7% vs the 1.8% consensus, while the CPIF measure was in line with consensus at 1.9%. Normally the two measures move in lockstep (the main difference is that CPIF doesn't include the effect of changing interest rates, but rates have been constant). The discrepancy is down to the rounding up to one decimal place: measured more precisely CPI was

1.73 and CPIF was 1.87.

For the Riksbank, today's data is about 0.1% below the forecast it published in December on both the CPI and CPIF measures, as well as the underlying core inflation measure that excludes the effect of energy. That is unlikely to trouble the hawks on the committee too much and, as indicated by the minutes published on Wednesday, we may see one or two of them push for an early hike this spring. The more dovish majority will want to wait for further information, but with inflation set to remain at or around 2% in 2018, the key variable will be the ECB's decision on QE exit and tightening their policy rate.