

## Swedish inflation and Riksbank minutes: Both slightly dovish

Headline inflation remains above target, but core inflation disappoints yet again. The Riksbank minutes suggest the dovish majority remains focused on underlying inflation and continue to see downside risks. Our view that the first rate hike will not come until mid-2019 has been strengthened somewhat.



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Today's inflation figures were largely in line with consensus expectation, but softer than anticipated in the Riksbank's latest forecast. Headline CPI inflation was 2.2% (vs 2.3% consensus and 2.4% Riksbank forecast), while the core measure was much lower at 1.4% vs a Riksbank forecast of 1.6%. The downside surprise in core inflation looks to be mainly in food and clothing prices, which is surprising given that these categories should be most affected by the weaker krona.

The minutes from the July meeting, unusually published at the same time as inflation data, show the overall situation on the committee remains largely unchanged. While two members (Ohlsson and Floden) advocate a tighter policy stance and one more (Skingsley) leans in that direction, the three other members (including Governor Ingves with the tie-breaking vote) remain worried about

the softness of underlying inflation and argue for looking through the temporary energy-related boost to prices.

So the fact that core inflation has come in well below the Riksbank's forecast (which is only a week old) will worry the doves. If inflation continues to disappoint the Riksbank forecast – as happened in the first few months of the year – it is likely that the Riksbank will again choose to shift its interest rate forecast forward, postponing the first rate hike into 2019. We continue to expect the first rate hike will not come until mid-2019.