

## Swedish inflation disappoints

The inflation figure came in slightly below expectations largely due to erratic factors. But we still expect the Riksbank to retain its dovish bias in December



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**1.8%** CPIX inflation (YoY%)

Worse than expected

Inflation figures came in somewhat below expectation, at 1.8% vs 2.3% in September and below consensus expectations of 2.0%. But most of the change is due to erratic factors, in particular, energy and package holidays.

Looking at the underlying trend, it still seems inflation is consolidating around the 2% target. We expect the headline measure to bounce back in the November data as the recent increase in the price of crude oil feeds into consumer energy prices.

So the figure today is unlikely in itself to change the outlook for the Riksbank's upcoming decision in December. The central bank's latest forecast had October inflation at 1.9%, so today's figure is not significant downside news. But the policy committee has been looking towards data to give a more precise indication of underlying inflation pressures, so in that sense, today's data will be somewhat disappointing.

We expect the Riksbank to retain its dovish bias in December, though it is unlikely to extend QE purchases further. The main downside risk to that assessment is probably not inflation, but rather an uncertainty on the housing market.

Recent data has shown falling house prices over the past couple of months. If that trend continues and starts to affect overall economic activity, it could shift the Riksbank's thinking towards an (even) more dovish stance.