

Sweden: Inflation finally strengthens

After a consistent series of downside misses in Swedish inflation, the figures for September show a marked bounce in underlying inflation

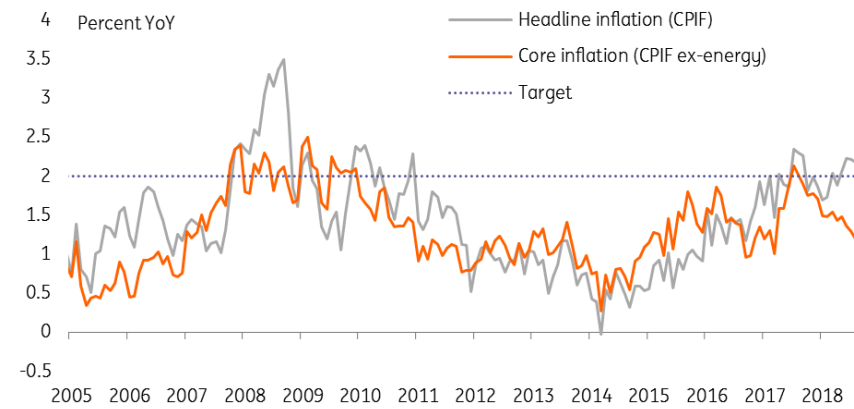


Source: Shutterstock

September headline inflation reached 2.5%, higher than consensus expectations of 2.3% and up from 2.2% in August. More importantly, the core measure increased to 1.6% from 1.2%. Some of the upside surprise is down to higher food prices caused by the extremely hot and dry summer, which are temporary in nature. But service price inflation jumped to 2%, which suggests the upturn could prove durable. While wage growth remains subdued, the effect of a weaker krona is starting to feed through to prices and this should support inflation over coming months.

This is only the second time all year that the inflation data was in line with (in fact a touch above) the Riksbank's latest forecast. And given the forecast is fairly flat for the rest of the year, the bar for inflation to remain at or at least near the central bank's expectations is quite low. This will give policymakers more comfort that it will be able to follow through on its intention to raise interest rates in December or February, and increases the probability that the rate hike will come in December.

Swedish inflation



Source: Macrobond