

## Swedish inflation misses again

Today's weaker than anticipated inflation data will disappoint the Riksbank, and increase the probability that the central bank delays rate hikes well into the second half of 2018



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# 1.6%

CPI in January

Missing estimate of 1.8%

### Miss comes from lower core inflation

Another downside surprise in Swedish inflation this morning. The consumer price index came in at 1.6% in January compared to the 1.8% estimate while the CPIF, which excludes changes in mortgage rates, was 1.7% vs 1.9%. The miss came entirely from lower core inflation, with the CPIF excluding energy measure down at 1.5% vs 1.7% in December. The story is similar to last week's weak print in the Norwegian CPI: Much of the weakness in inflation appears to be down to effects related to the New Year. For example, clothing prices fell by more than in previous years, which could be due to larger-than-usual January sales. Alcohol and tobacco, health, and transport prices also registered lower price increases than in previous Januarys.

## What it means for interest rates

For the Riksbank, today's data will be a disappointment, having just revised down their inflation forecast last week they still expected January inflation to be about 0.2% higher than today's print. While they will look through one-off New Year effects, consistent downside surprises in inflation will strengthen the hand of the dovish MPC majority to delay rate cuts well into the second half of the year. We continue to expect that a first rate hike will only come in Q4, and see some chance that it will not happen until early 2019.