

05 April 2024

Swedish March inflation preview: Goods inflation easing

Marketing communication

Torbjörn Isaksson

CPIF was unchanged at 2.5% y/y in March, according to our forecast. We continue to see CPIF inflation below the 2% target as from this summer.

March – a minor Easter effect

We see food prices flat and prices of other goods slightly down in March on the month. Seasonal sales of books contributed to lower prices, but the big picture is that global cost pressures for food and other goods are low, feeding through to Swedish stores. If our forecast proves right, then the year-on-year figure for food prices will be zero, down from the peak at 21% y/y in February last year.

Easter was early this year. This should boost package travelling prices, while ticket prices for foreign flights should not be affected much as prices are not measured for the final days of the month (Easter Sunday was 31 March).

CPI, Nordea's forecast	Weight, %	March 2024E, change, %:		Contribution m/m, % points:	
		m/m	y/y	March 2024E	March 2023
Food, total	13.4	0.0	0.0	0.00	0.18
<i>of which: fruit & vegetables</i>	2.8	0.0	0.2	0.00	0.02
<i>other food</i>	10.6	0.0	-0.1	0.00	0.16
Alcohol, tobacco	3.2	0.2	4.4	0.01	0.04
Clothing & footwear	4.1	2.5	4.7	0.10	0.11
Rents, fees	9.6	0.7	5.3	0.07	0.06
Mortgage rates	3.8	0.6	36.1	0.04	0.15
Fuel, heating	3.1	-0.7	-7.3	-0.02	-0.02
Electricity	5.0	4.1	-6.8	0.15	-0.09
Foreign flights, package tr.	1.3	1.4	13.5	0.02	-0.04
Other goods	21.6	-0.4	1.1	-0.07	0.01
Other services	34.8	0.4	4.9	0.12	0.17
CPI, total	100.0	0.42	4.4	0.42	0.57
<i>Services</i>	45.7	0.5	4.8	0.21	0.19
<i>Services excl. foreign travel</i>	44.4	0.4	4.9	0.19	0.23
<i>Goods excl. food & energy</i>	25.7	0.1	1.6	0.03	0.13

Sources: Statistics Sweden, Macrobond and Nordea

Rents for rented apartments were hiked further in March, according to our forecast. Prices of other services rose too, but less so and not far from the pre-pandemic pattern.

Risks to our March inflation forecast are balanced.

Forecasts for March 2024, %	Nordea	Riksbank	Prior
CPI m/m	0.4		0.2
CPI y/y	4.4		4.5
CPIF m/m	0.4		0.2
CPIF y/y	2.5	2.7	2.5
CPIF excl. energy m/m	0.3		0.6
CPIF excl. energy y/y	3.2	3.3	3.5
CPI, index	415.48		413.76

Sources: SCB, Nordea, Riksbank and Macrobond.

Below the Riksbank's view

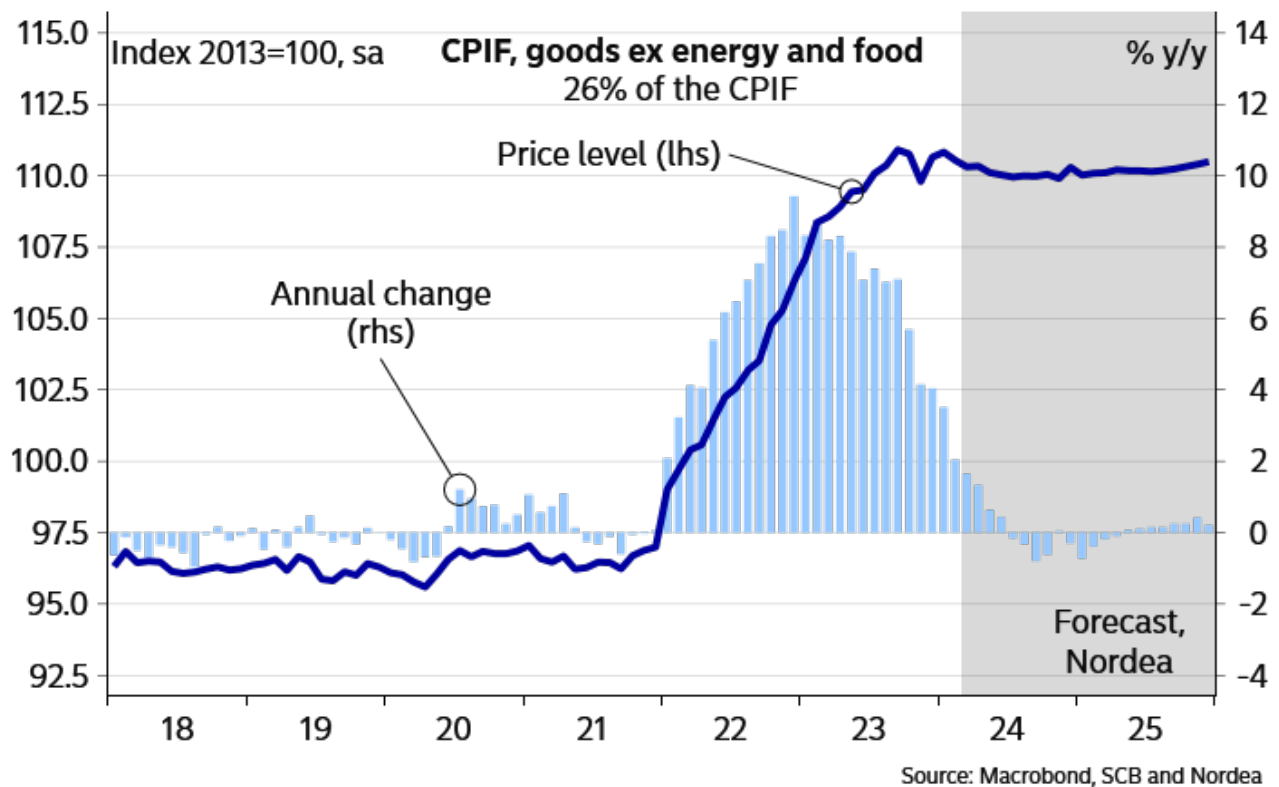
The Riksbank has been clear about their intentions to cut rates in May. Our call for March inflation, which is the only inflation reading ahead of the Monetary Policy Meeting in May, is below the bank's view. Instead, the main risk for the Riksbank staying on hold is the weak SEK. An exchange rate at today's level will probably not stop rate cuts, but the bank could keep the policy rate steady if the depreciation continues.

Inflation forecasts

	CPIF		CPIF ex energy	
	Nordea	Riksbank	Nordea	Riksbank
March	2.5	2.7	3.2	3.3
April	2.4	2.7	3.1	3.3
May	2.3	2.6	2.6	2.9
June	1.4	1.8	2.1	2.5

Sources: SCB, Nordea & Riksbank

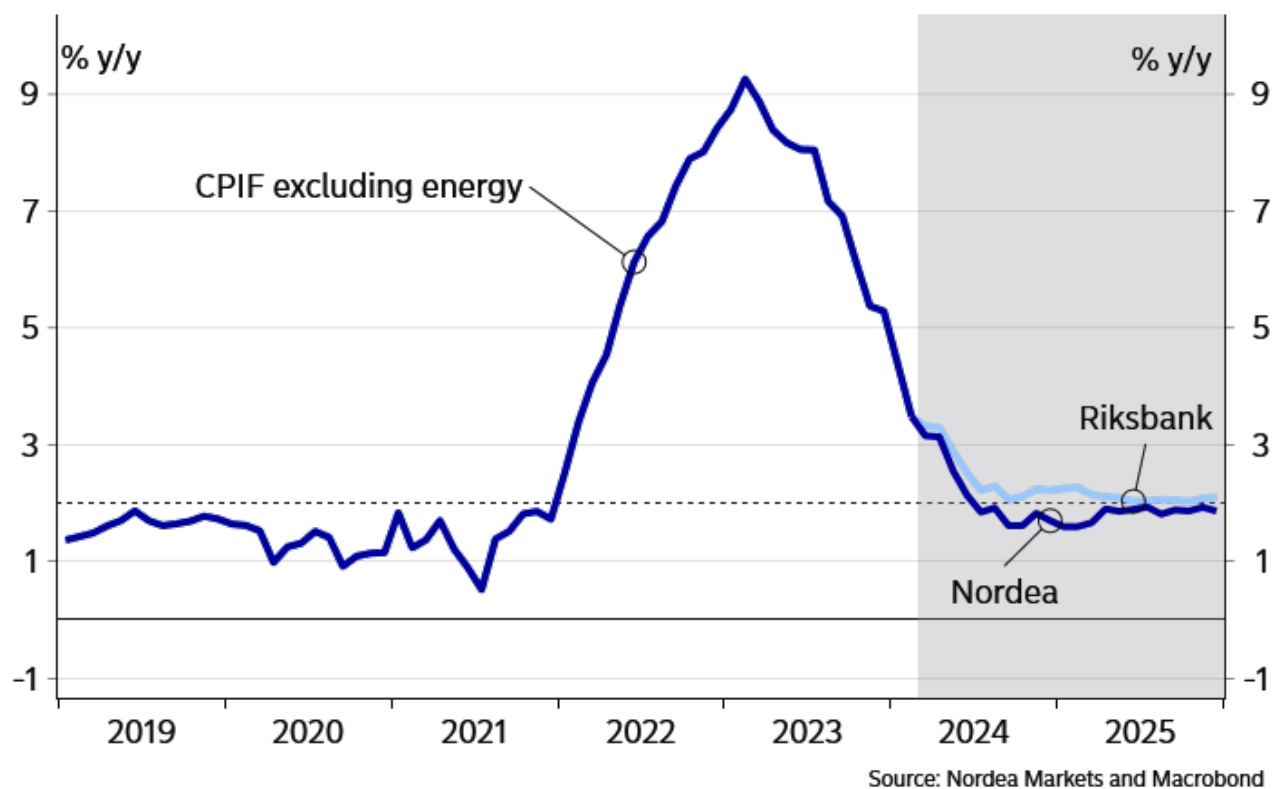
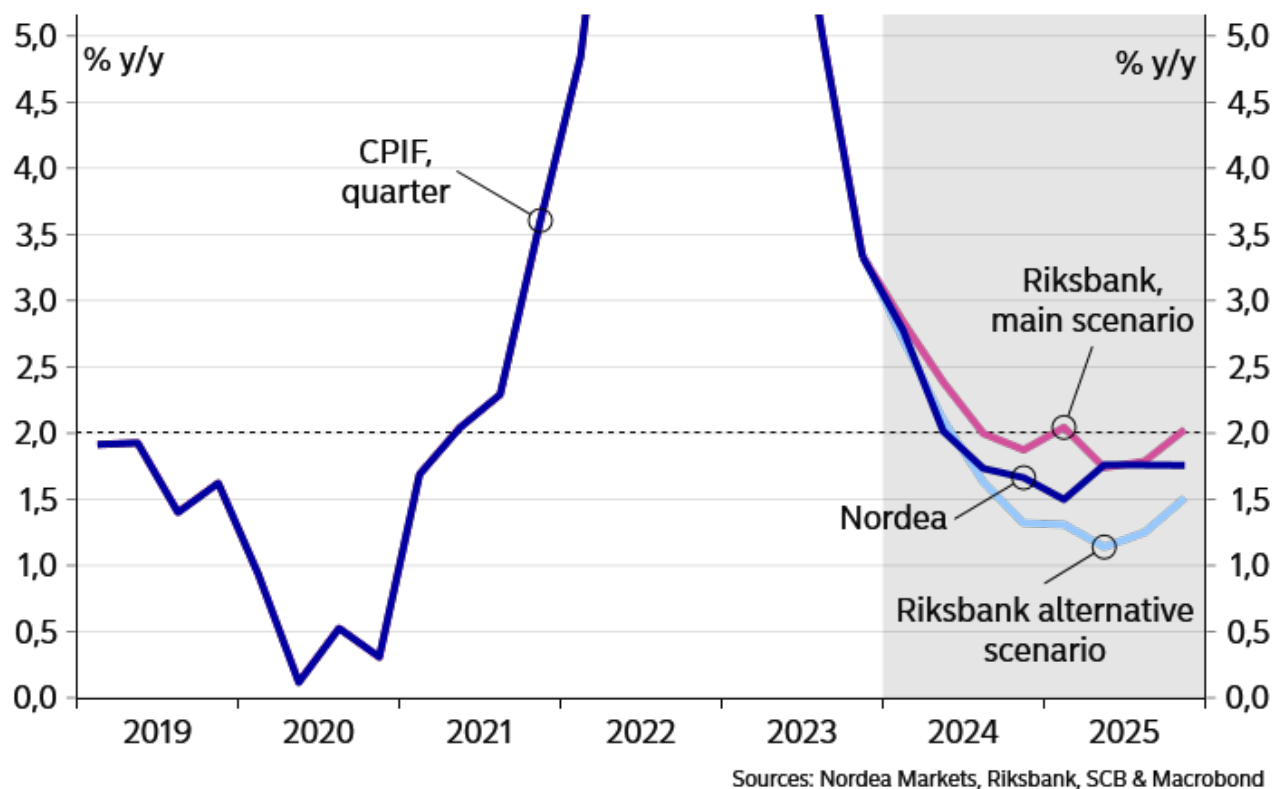
Our inflation forecast for the remainder of 2024 is below the Riksbank's view; mainly as we see goods inflation lower than the bank's estimates. We see goods prices largely sideways this year. The current weak SEK shaves off some downside risks but do not alter our view. Our CPIF excluding energy forecast for this year is in line with the Riksbank's alternative scenario with lower inflation and a policy rate at 2.50% year-end 2024.



We see the EURSEK hovering at around 11.50 in the near term. Consequently, we expect the Riksbank to cut rates in May, and recent developments have strengthened our view of a policy rate at 2.50% in December this year.

The March inflation figures are out on Friday 12 April at 08:00 (CET).

Nordea



Torbjörn Isaksson
Chief Analyst
torbjorn.isaksson@nordea.com
4684079101

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Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

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