

Fast Comment Sweden

Some relief as inflation surprises on the downside; March flash CPI print

- Headline CPIF inflation drops to 2.3%, but core CPIFXE lands at still-high 3.0%
- The underlying inflation rise has somewhat further to run
- Global risks add to Riksbank policy rate uncertainty

Headline CPIF inflation drops to 2.3%, but core CPIFXE lands at still-high 3.0%

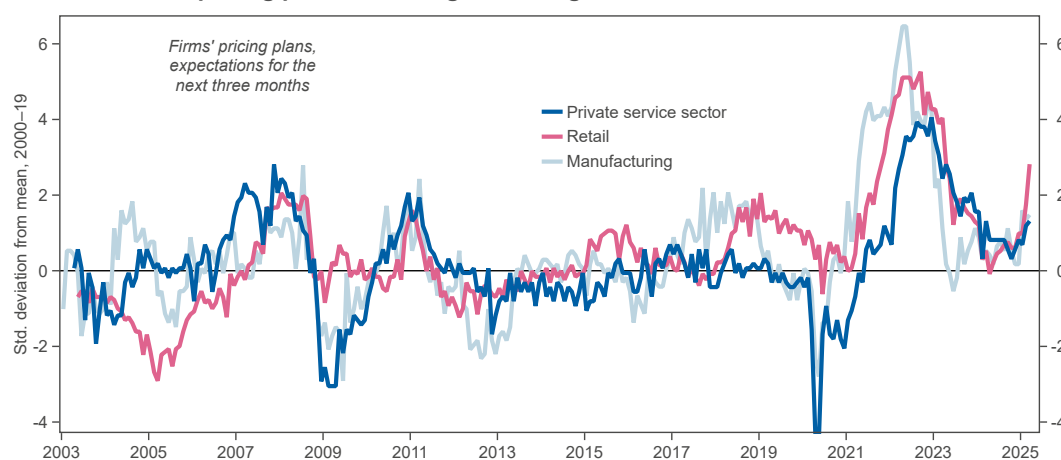
The flash March CPI report indicates headline CPIF inflation dropped more than expected, to 2.3% y-o-y, following the upside surprise of 2.9% in February. This puts inflation in line with the Riksbank's forecasts in its new March monetary policy report (see graph). Today's outcome was, however, slightly below the more recently updated forecasts from ourselves and the economist consensus. Part of the difference is a larger decline in energy prices, but the flash estimate for CPIF excluding energy (CPIFXE) is also partly responsible for the undershot. CPIFXE is signalling that the underlying inflation trend remains above the 2-percent target, with today's y-o-y outcome at 3.0% and the recent seasonally adjusted short-term price changes also showing inflation momentum in that ballpark, even if today's outcome was soft (see graph). The market impact was for the EUR/SEK to weaken, as this print will should marginally curb the near-term risk of a policy rate hike (see below)

The underlying inflation rise has somewhat further to run

As we argued in our [March CPI preview](#), the underlying inflation rise has further to run. All told, we have forecast a CPIFXE peak around 3.3% in Q3 2025, after a springtime rollercoaster ride due to the expected impact from an Easter effect on international travel prices. Even more interestingly, Riksbank Governor Erik Thedéen's list of prerequisites for the Riksbank to confidently be able to use the central-banking playbook's standard "see through"-policy when faced with a supply-shock inflationary impulse, like tariff rises, may not keep being checked ahead. Pricing plans have surged again, potentially signalling the price-setting dynamics are different to before the inflation crisis years (see graph). Inflation expectations are showing signs of rising again. A third prerequisite box, wage-setting dynamics, seems firmly ticked after the central wage agreement turned out well-balanced.

The recent krona strength could help rein in inflation again. But in this instance, *thinking fast and slow* is important. Depending on what shocks are really driving the krona appreciation, the exchange rate passthrough to inflation will be different. If we are right that relatively better growth prospects is one driver of the krona, that limits the disinflationary impact ahead. All told, over the course of 2026, inflation can gradually approach the Riksbank's target again.

Business sector pricing plans have surged once again



Sources: Macrobond, NIER, Statistics Sweden and Handelsbanken

What's next for pricing plans as global inflation worries clash with relief from stronger SEK?

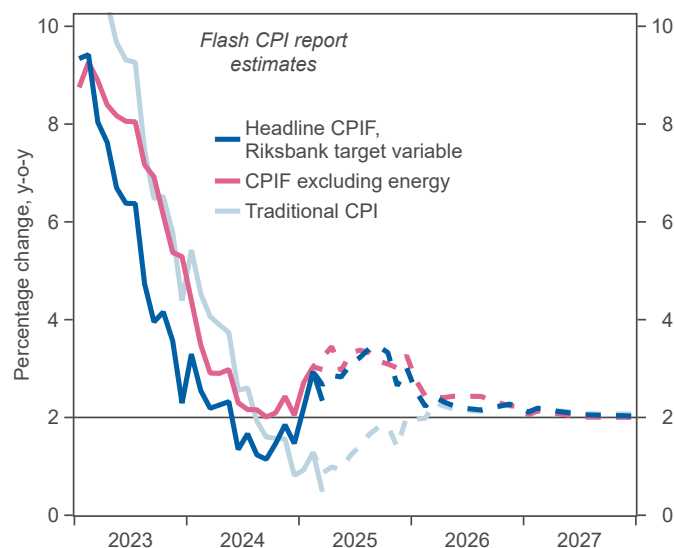
Global risks add to Riksbank policy rate uncertainty

On the side of the Riksbank's delicate task to balance the high inflation with the gradual recovery in the Swedish economy, global risks are worsening. Especially given the [more-aggressive-than-expected tariff increases being implemented by the US](#), combined with additional policy risks in the world's largest economy. But also the ramp-up of budget deficits in Europe, on the back of new higher defence spending plans. Today's inflation print is a welcome relief for Governor Thedéen & Co, which buys them more time in these uncharted international risk waters. We stick to our long-held baseline for an unchanged policy rate of 2.25 percent.

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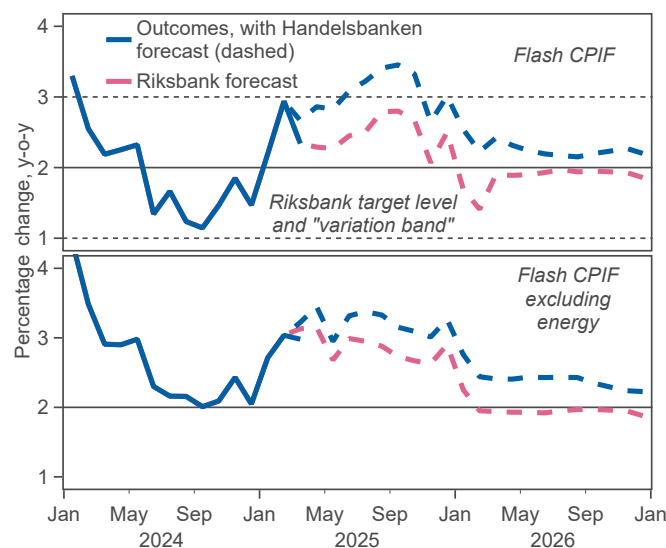
Chart pack - Flash CPI report

Flash inflation print, outcome versus forecast



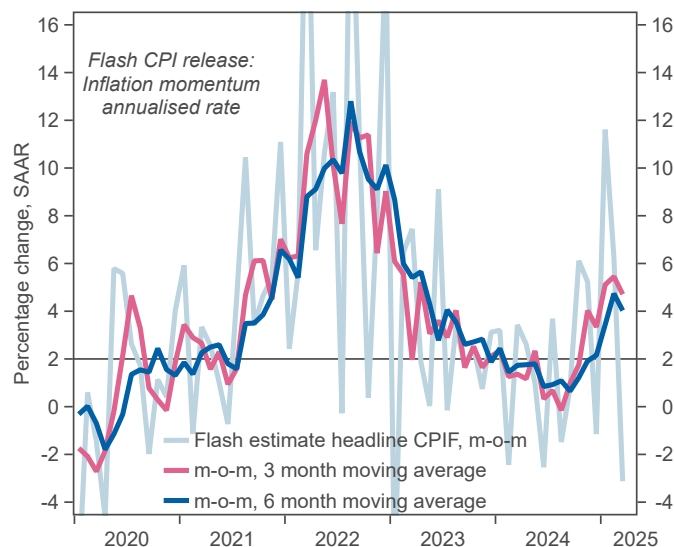
Sources: Macrobond, Statistics Sweden and Handelsbanken

Inflation forecasts: Riksbank versus Handelsbanken



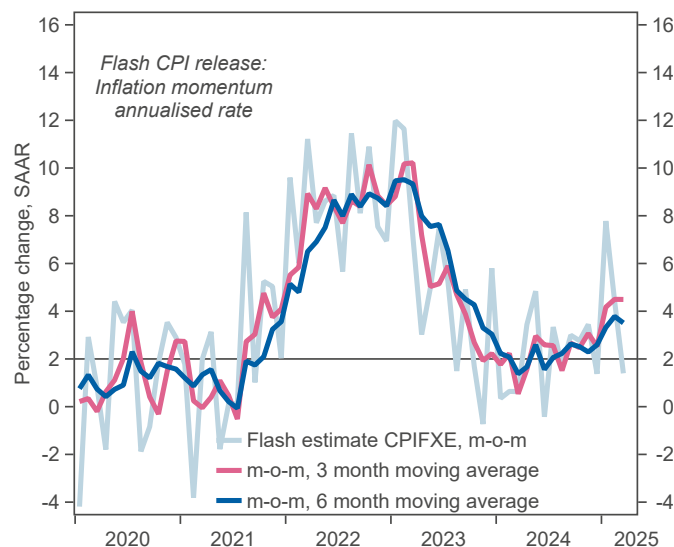
Sources: Macrobond, Riksbank, Statistics Sweden and Handelsbanken

Inflation momentum, headline CPIF



Sources: Macrobond, Statistics Sweden and Handelsbanken

Inflation momentum, CPIF excl energy



Sources: Macrobond, Statistics Sweden and Handelsbanken

Appendix: Handelsbanken research on inflation and monetary policy

Global Macro Forecast report;

--- ([Swedish](#) / [English with international focus](#))

The Ins and Outs of Swedish Real Estate;

--- ([Swedish](#))

"A broad-based rise in inflation";

--- [February CPI report Sweden](#)

"The Riksbank views the rise in inflation as transitory";

--- [March Riksbank monetary policy decision](#)

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"Do not expect service price inflation to normalise and do not worry too much about it";

--- [Macro Comment](#), 14 December 2023

"Brave new nominal world" about the Gordian knot of disinflation without a hard landing;

--- September 2023 ([Swedish, p. 20-23 here](#) / [English, p. 9-12 here](#))

"The green transition will be inflationary";

--- January 2023 ([p. 13-14 here](#))

"What stops a new high-inflation regime";

--- September 2022 ([p. 15-17 here](#))

Monetary policy and interest rates

"Are second-round effects a risk from the upcoming spike in inflation?" about the BoE's challenges;

--- [Macro Comment](#), 24 February 2025

"Rising r^* revisited – Phoenix or Icarus?" about the rise in the neutral interest rate;

--- [Macro Comment](#), 5 June 2024

"The Riksbank's asset purchases: Limited effect at high costs – Swedish National Audit Office";

--- [Fast Comment](#), 6 December 2023

"The krona's role in carry strategies";

--- FX Pilot, 17 November 2023 ([English](#) / [Swedish](#))

"Fed models support the case that the "bond vigilantes" are back";

--- [Macro Comment](#), 6 October 2023

"From QE to QT — Smooth transition or turbulent pivot?";

--- January 2023 ([p. 9 here](#))

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