

# Fast Comment Sweden

## The inflation rise has further to run; March CPI preview

- CPIF inflation to edge down, to 2.7%, after last month's repeated upside surprise
- But the underlying inflation rise has further to run, with CPIFXE seen peaking at about 3.3% in Q3
- Inflation outlook and build-up of global risks increase Riksbank policy rate uncertainty

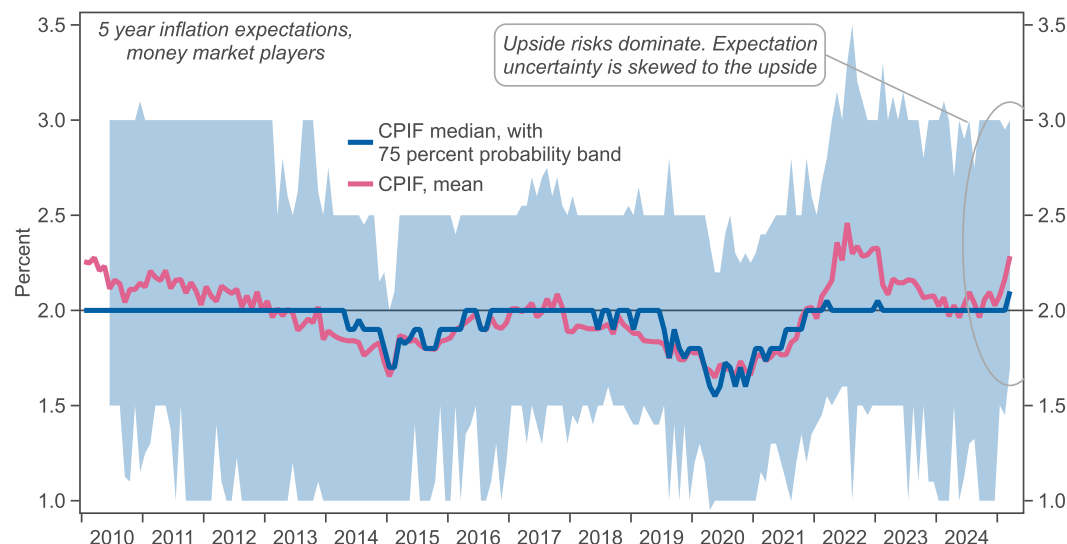
### CPIF inflation down to 2.7%, after last month's repeated upside surprise

We expect that headline CPIF inflation partly edged back down after last month's upside surprise to 2.7% y-o-y in March, from 2.9% in February (flash estimate due 4 April; full report 11 April). CPIF excluding energy prices (CPIFXE) – one indicator of underlying inflation – is, however, expected to pick up further, reaching 3.2% and marginally beating the Riksbank's new forecast. The drivers behind the decline in headline inflation are falls in fuel prices – driven by stronger krona and a lower crude oil price – and electricity. The pickup in CPIFXE is driven by fairly fast price rises in core foods and core services, and a base effect as both these components showed unusually slow price increases in March 2024.

### But the underlying inflation rise has further to run

We seem to find more of an underlying inflation pressure in recent CPI reports than the Riksbank does and we explained why in last week's [Swedish Rate Wrap](#). On the other hand, we have been agreeing with the Riksbank that the recent uptick in inflation is not alarming yet, so why quibble about past inflation prints? Because of the inferences for the inflation forecast one draws from the conclusions, not least on underlying inflation. Therefore we are not surprised to see that our forecasting models revise up 2025 CPIFXE, despite the stronger krona forecast we have factored in this month. However, we have not fully taken onboard the model revision, given the still only hesitant recovery in the economy. All told, we now expect a CPIFXE peak around 3.3% in Q3 2025, after a springtime rollercoaster ride due to likely effects from an Easter effect on international travel prices. Over the course of 2026, inflation can gradually approach the Riksbank's target again.

### Riksbank inflation expectations survey: Long-term outlook and uncertainty



Sources: Macrobond, Origo Group (legacy data: Kantar Prospera) and Handelsbanken

Note: CPIF and probability band values before december 2017 backcasted using CPI expectations.

### Inflation outlook and global risks increase Riksbank policy rate uncertainty

Governor Erik Thedéen and the Riksbank appear to be confident that an unchanged rate path at 2.25% (same as our long-held baseline) is a policy stance robust enough to handle inflation temporarily at 3 percent. But some conditions that Thedéen views as prerequisites for this "see through"-policy (see [meeting minutes](#)) may not remain fulfilled ahead.

Firstly, inflation expectations are rising and on 18 March, the day before the monetary policy meeting, the Riksbank-commissioned Origo survey showed the median 5Y expectation among money market players above the Riksbank target at 2.1% for the first time (see graph above). More would likely be required for the Riksbank to act on these expectations as it did on the downside credibility and un-anchoring worries in 2015, but there is an upside skew in the expectations already so vigilance is needed ahead. Secondly, pricing plans are shooting up again, which could signal that businesses are acting on the higher inflation expectations and be new proof of a changed inflation dynamic after the crisis years (see our previous research in appendix). On the other hand, against these two potential worries stand the signals from the upcoming central wage agreement, which have been for moderate wage rises once again, hence mitigating the risk of a truly dangerous inflation outlook.

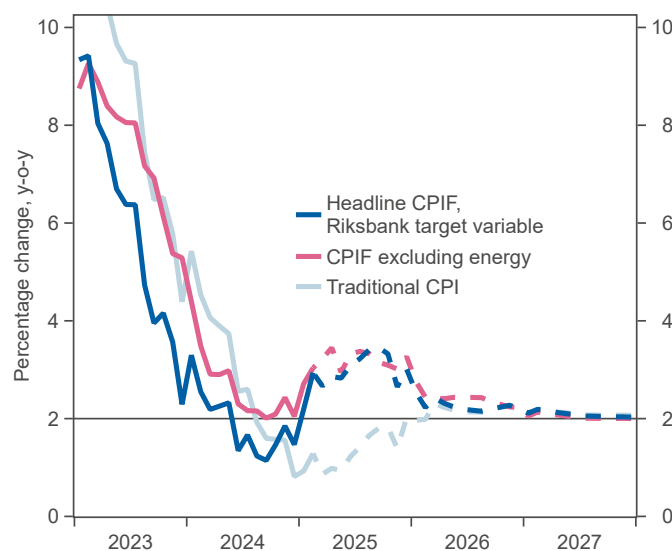
All told, this domestic inflation situation and outlook, plus the build-up of global risks (see previous research), increases the Riksbank policy rate uncertainty. For now, we are sticking to the baseline that the Riksbank will stay on hold.

**Please use the full PDF version of this comment to access the chart pack and research appendix.**

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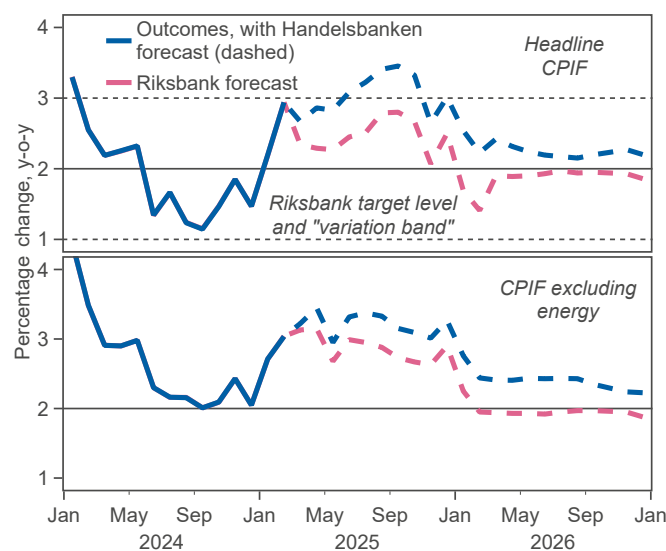
## Chart pack - Inflation

### Inflation, outcome and forecasts



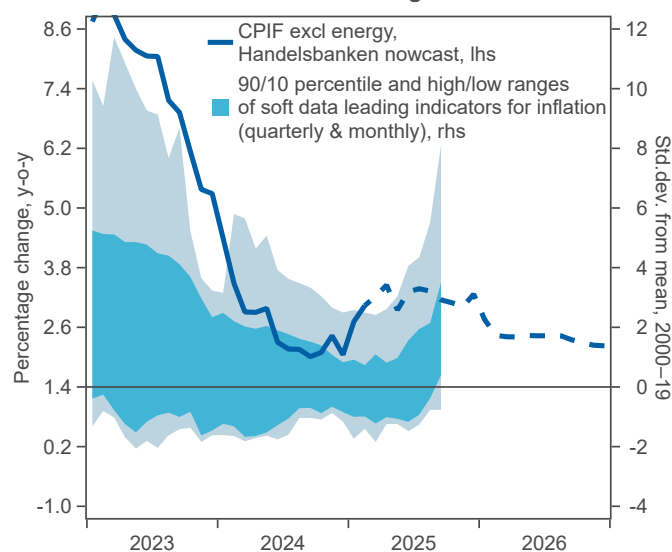
Sources: Macrobond, Statistics Sweden and Handelsbanken

### Inflation forecasts: Riksbank vs. Handelsbanken



Sources: Macrobond, Riksbank, Statistics Sweden and Handelsbanken

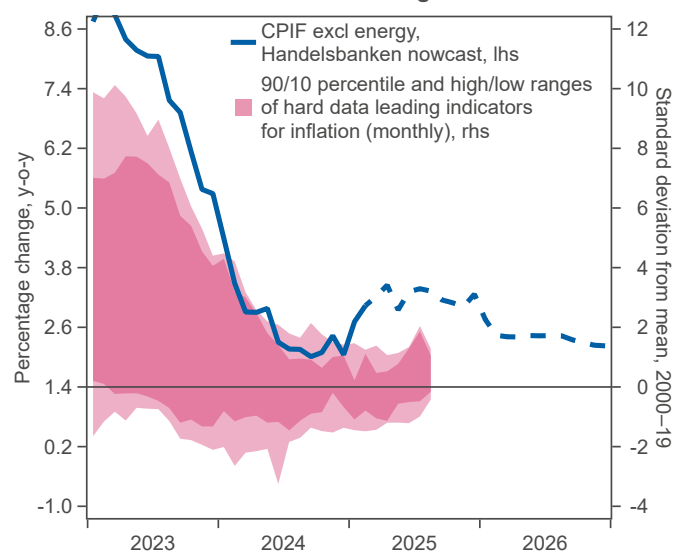
### CPIFXE inflation vs. soft data leading indicators



Sources: Macrobond and Handelsbanken

Note: Arbitrary 6 month lag applied to all indicators.

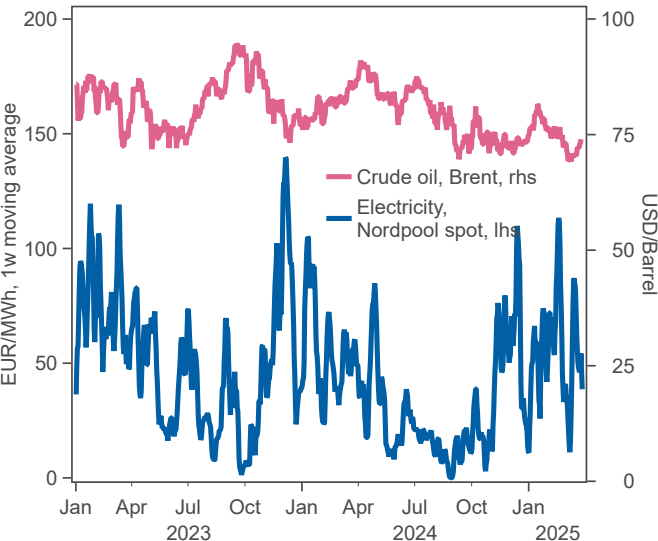
### CPIFXE inflation vs. hard data leading indicators



Sources: Macrobond and Handelsbanken

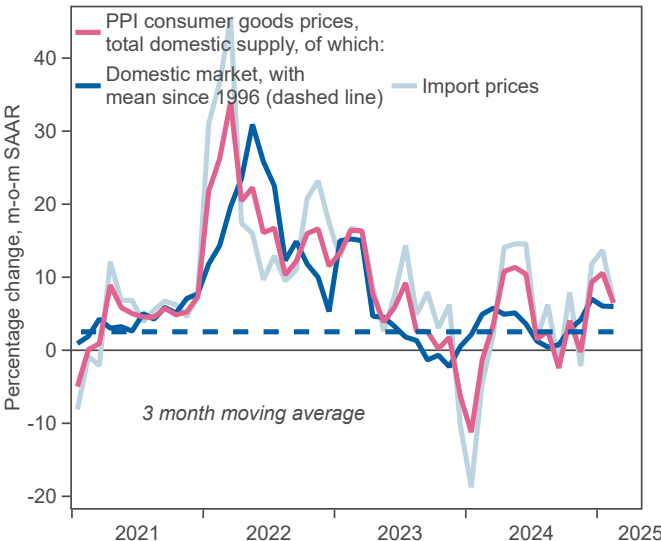
Note: Arbitrary 6 month lag applied to all indicators.

Energy commodity prices



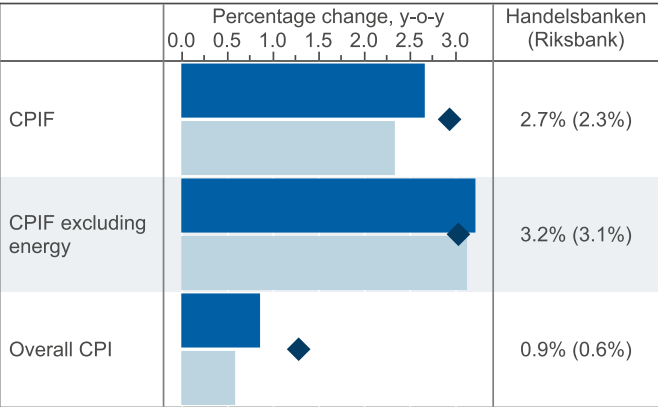
Sources: Macrobond, ICE, Nordpool and Handelsbanken

Factory gate and wholesale good prices – the PPI



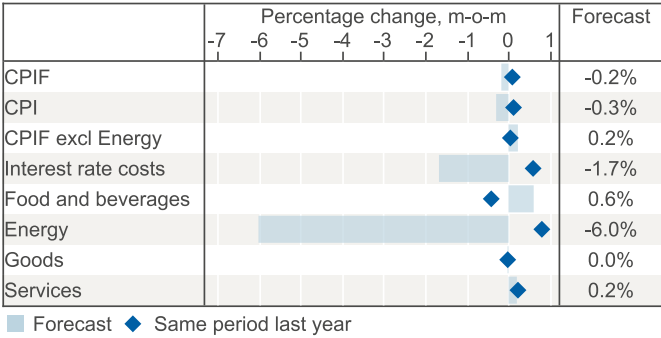
Sources: Macrobond, Statistics Sweden and Handelsbanken  
Note: In the PPI, energy prices are not included in the consumer goods category.

Upcoming flash-CPI release: Key forecasts



■ Handelsbanken ■ Riksbank ◆ Previous month  
Sources: Macrobond, Riksbank, Statistics Sweden and Handelsbanken

Upcoming full CPI release: Key components



■ Forecast ◆ Same period last year

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](#)

The most recent  
flagship reports and key  
regular comments

Inflation

"The trade tariff threat – hurting growth, stoking inflation, and creating risks";  
--- January 2025 ([p. 9–14 here](#))  
"Back with a vengeance – Inflation to haunt Trump too";  
--- [Macro Comment](#), 19 November 2024  
"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](#))

Key in-depth analyses

"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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