

# Fast Comment Sweden

## Inflation: Gone today, back tomorrow? Full October CPI report

- CPIF inflation at 1.5% and CPIFXE at 2.1%, as seen in last week's flash CPI print
- Underlying inflation still above 2-percent target, albeit less so than in peer economies
- Riksbank forecast obsolete: Electricity price normalises; New risks on horizon

### CPIF inflation at 1.5% and CPIFXE at 2.1% as seen in last week's flash CPI print

Today's full October CPI report shows headline CPIF inflation increased significantly to 1.5% y-o-y from 1.1% in September, and CPIF excluding energy (CPIFXE) picked up slightly to 2.1%. In summary, October delivered higher inflation than expected by the Riksbank and the analyst consensus, but in line with our forecast – see [last week's flash CPI print comment](#). For some reason, analyst surveys were carried out ahead of today's final CPI report too, but those are of course meaningless since all analysts already knew today's headline outcomes with much certainty. Needless to say, there was no market impact today. So, what caused the inflation pickup in October, surprising the Riksbank and the analyst consensus?

### Underlying inflation still above 2-percent target

First, the electricity price started to rise toward more normal levels in October. And this pickup has a substantial impact on CPIF inflation, as the percentage change from the lull with unusually low prices earlier this year are big. Adding to that, October also saw a fuel price rise due to an oil price spike that was not priced in futures markets back in September when the Riksbank published its forecast.

Secondly, CPIFXE was underestimated. Today's full CPI report shows a rebound in core services, denting the confidence Riksbank governor Thedéen has shown on services disinflation, and core goods. Admittedly, core services disappointed in September, but the October rebound looks broad-based, including price increases in the discretionary spending category of recreation and culture (see charts on underlying inflation and broadness below).

### Riksbank forecast obsolete: Electricity price normalises; New risks on horizon

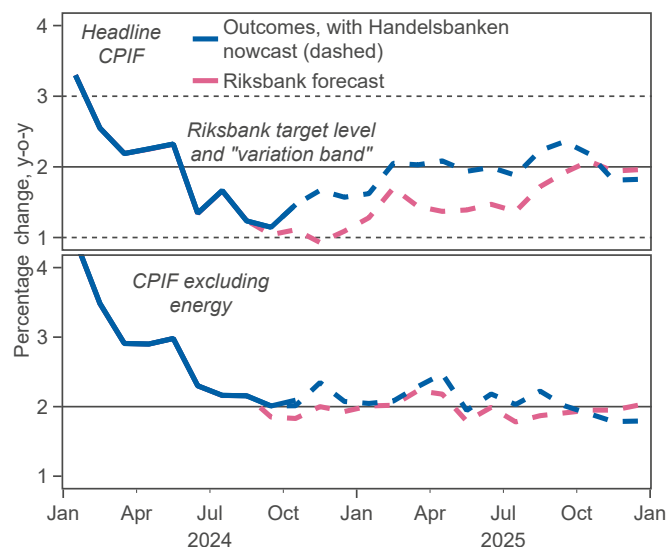
The Riksbank will most likely need to revise up its inflation forecast in December. Partly, CPIFXE momentum is running a little stronger than compatible with the Riksbank forecast. And on top, the electricity price has continued to rise in November, and hence CPIF inflation is quite likely to be 2 or above 2 in the next CPI report – far above the Riksbank's forecast of 0.9%. Apart from the bad optics of missing both energy prices and CPIFXE in November, the Riksbank will likely have questions about how it takes on board the inflation risks stemming from the policy agenda of US president-elect Donald Trump. It will be too early to take onboard global inflation effects from likely tariffs and fiscal profligacy in December, but we could see the Riksbank looking at alternative scenarios. During 2025, as US policy becomes clear, there is a risk that the Riksbank will need to further revise up its inflation forecast.

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

**Johan Löf**, +44 7483947454, [johan.lof@handelsbanken.co.uk](mailto:johan.lof@handelsbanken.co.uk)

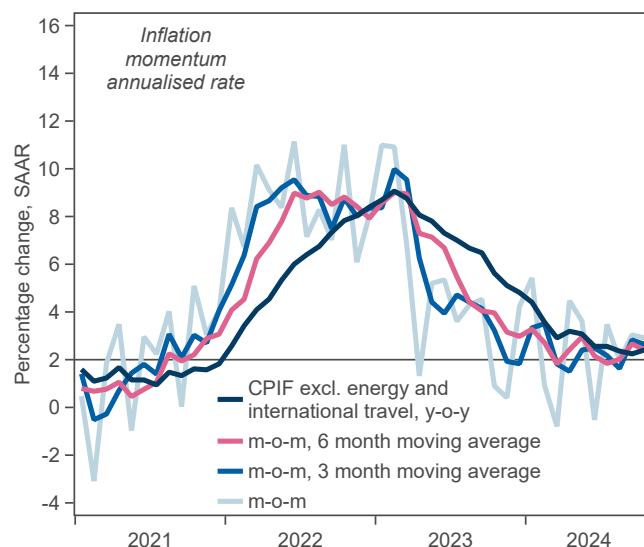
## Chart pack - Final CPI report

### Inflation forecasts: Riksbank versus Handelsbanken



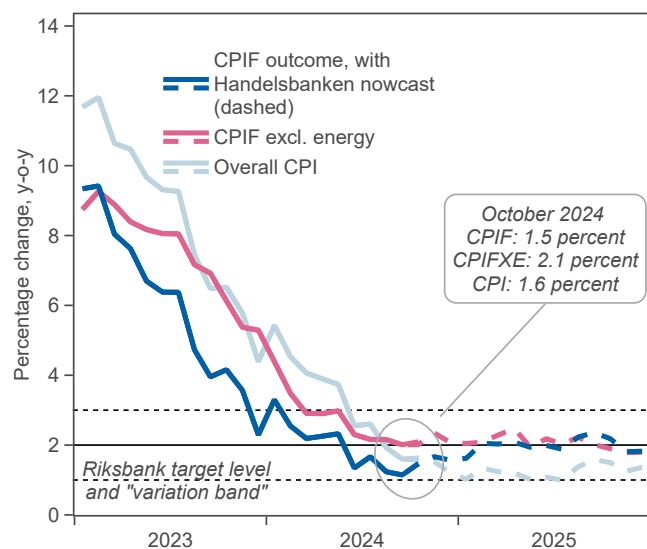
Sources: Macrobond, Riksbank, Statistics Sweden and Handelsbanken

### Inflation momentum: CPIF excl. energy and intl travel



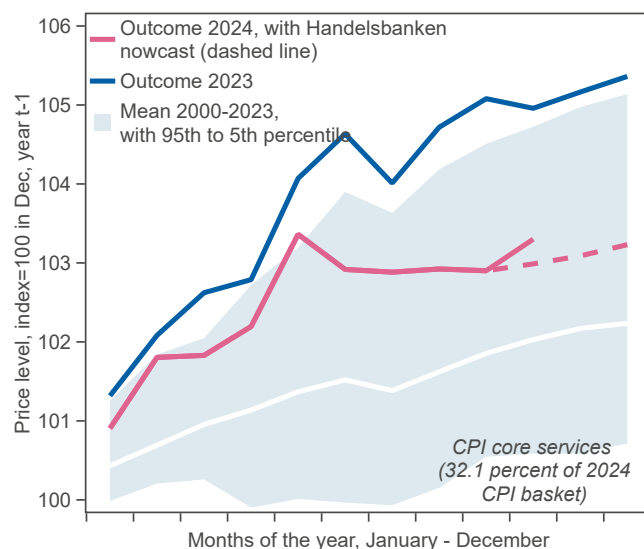
Sources: Macrobond, Statistics Sweden and Handelsbanken

### Final CPI: Outcome vs. Handelsbanken forecasts



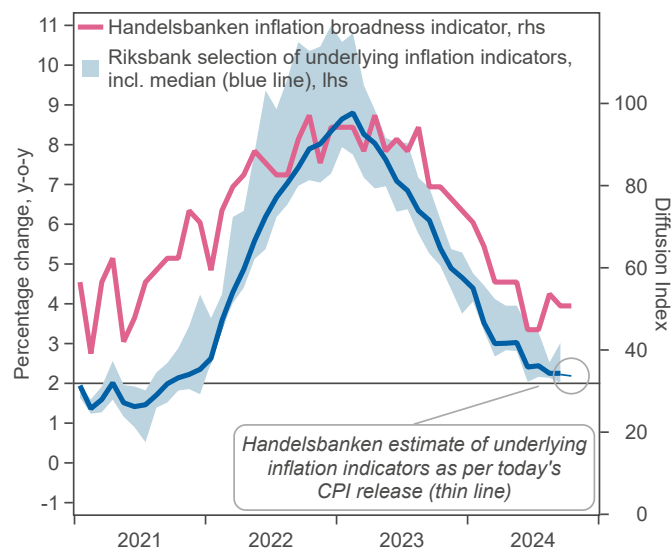
Sources: Macrobond, Statistics Sweden and Handelsbanken

### CPI core services



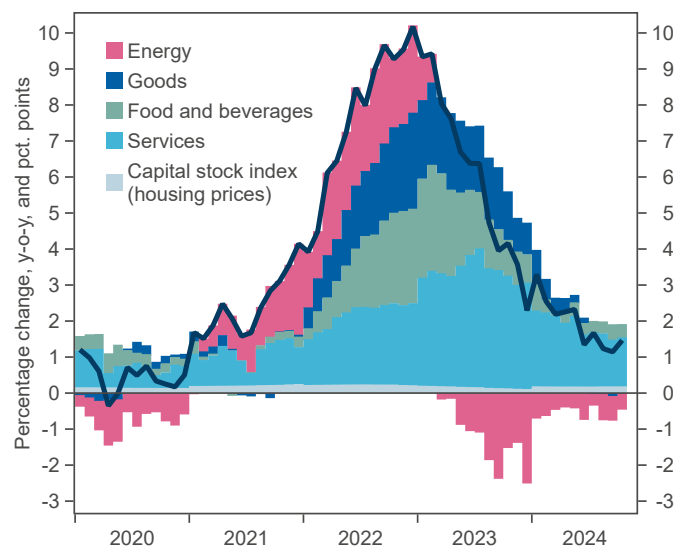
Sources: Handelsbanken and Statistics Sweden

### Underlying inflation indicators



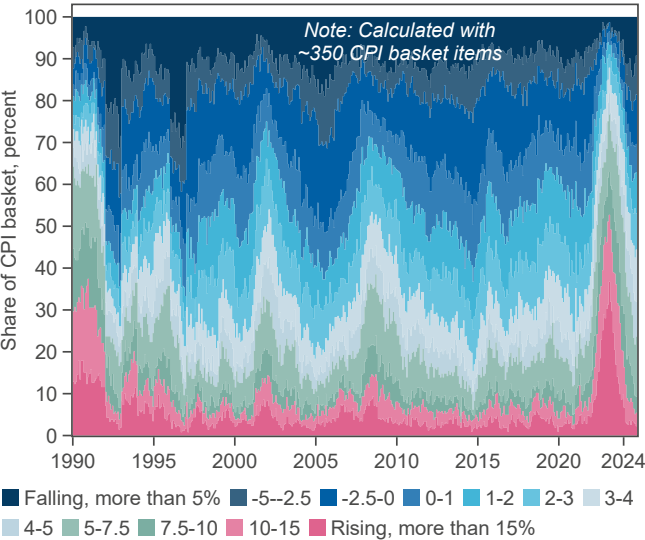
Sources: Macrobond, Riksbank, Statistics Sweden and Handelsbanken

### Aggregate contributions to CPIF inflation



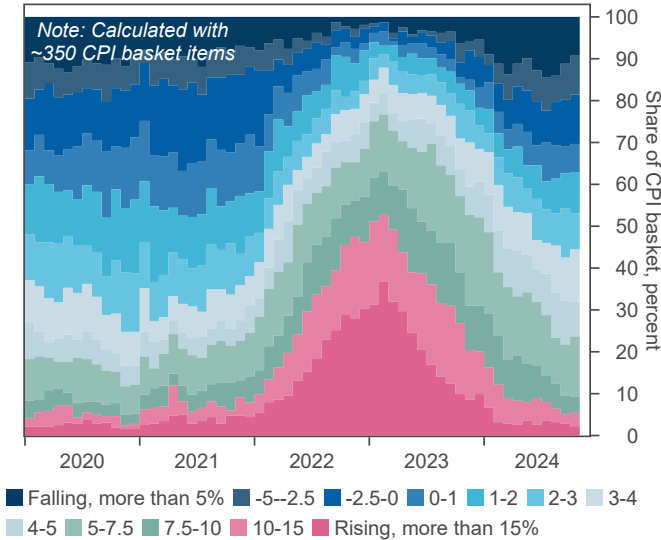
Sources: Statistics Sweden and Handelsbanken

Distribution of price changes in CPI



Sources: Macrobond, Statistics Sweden and Handelsbanken

...and zooming in on recent years



## 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](#))

"Inflation passing its trough";

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

"50bp cut";

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

The most recent  
flagship reports and key  
regular comments

### Inflation

"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";

--- 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](#))

Key in-depth analyses

### Monetary policy and interest rates

"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](#))

"Time to pay the piper – The Riksbank's QE programme largesse is not a free government lunch";

--- [Macro Comment](#) predicting that the Riksbank would need a much bigger recapitalisation from the treasury than it initially signalled, 26 October 2022

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