

Swedish Inflation

January Flash CPI

January inflation

Flash inflation came in lower than expected: CPI at 0.4%, CPIF at 2.0% and CPIF excluding energy (core) at 1.7% y/y. The surprise lies in core inflation, which is significantly lower than anticipated, while energy and mortgage rates appear to have developed in line with our expectations. Uncertainty in January is higher than in other months due to the change in weights. Statistics Sweden update these weights annually to better reflect the consumption patterns of Swedish households. For January, the weight effect is -0.1 for CPIF, which is historically normal and was expected. The updated weight breakdown will be published along with the details on 20 February.

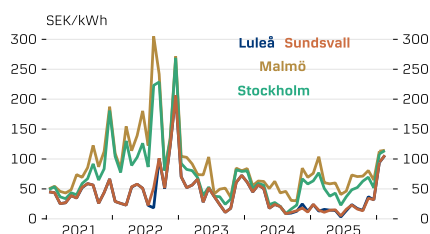
The low flash estimates, combined with Jansson's dovish comments in the *minutes*, have contributed to the ongoing downward pressure in Swedish rate levels, particularly in the front-end of the curve. That said, the remaining members of the board have mentioned a stronger economic activity in Sweden as a possible counterweight to the somewhat softer inflation outcome. The stronger than expected SEK has been another focus point in the minutes, adding downside pressure to the inflation trajectory. However, since the release of the minutes the SEK has weakened by roughly 1.5 percentage points against the EUR.

High energy prices

The flash reveals that energy prices were high in January, as expected considering the high electricity prices. There is still some uncertainty: spot prices have been high, there has been an increase in grid fees, but there is also a tax reduction on electricity.

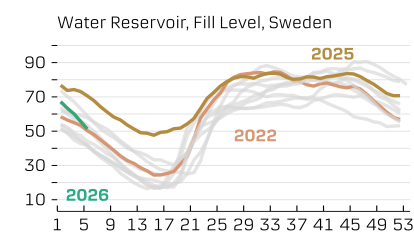
Electricity prices have been high across all bidding areas, including the north, where prices are typically lower. One contributing factor to this is the cold and dry weather, as well as increased exports to Finland from Bidding Area 1 (Luleå), which is also likely to continue. So far in February, approximately 40% of Sweden's power has come from hydropower. Storage levels are at a good level; however, they have been depleting quickly due to the dry and cold weather, which seems likely to persist.

Electricity prices have been high across all bidding areas, which is unusual



Source: Nord Pool, Danske Bank and Macrobond.

Water reservoirs have been draining quickly



Source: Nord Pool, Danske Bank and Macrobond.

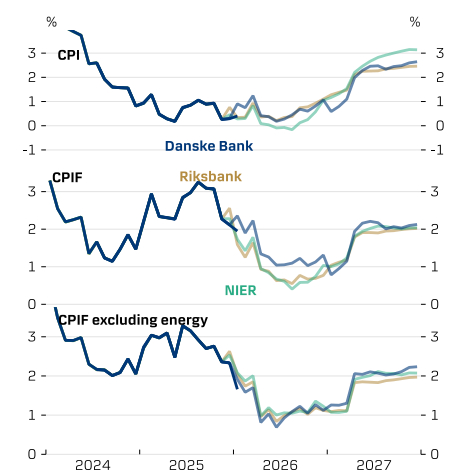
Table of contents

- [January inflation](#)
- [Energy prices](#)
- [The exchange rate pass-through](#)
- [Charts](#)

	Flash	Danske	Riksbank	BBG	Prior
y/y					
CPI	0.40	0.90	0.34	0.60	0.30
CPIF	1.95	2.36	1.59	2.05	2.12
CPIF-XE	1.66	1.91	2.04	1.90	2.34
m/m					
CPI	0.07	0.57	-0.46	0.40	0.03
CPIF	0.22	0.62	-0.58	0.30	0.10
CPIF-XE	-0.50	-0.25	-0.41	-0.30	0.33

Source: Statistics Sweden, Bloomberg, Riksbank, Danske Bank and Macrobond.

Danske Bank, NIER and the Riksbank



Source: Danske Bank, NIER, the Riksbank and Macrobond.

Macro Analyst

Frida Mähl
+46 76 721 68 48
frida.mahl@danskebank.se

The exchange rate pass-through to inflation

The Swedish krona (SEK) has strengthened by 6% against the euro and 17% against the US dollar the last year, which raises the question of how the stronger SEK will impact inflation this year. A general rule of thumb is that a 10% change in the exchange rate results in a 0.5-percentage point change in inflation. During the period of high inflation, the Riksbank published an article examining this relationship, concluding that the exchange rate pass-through tends to be larger during periods of high inflation. It is also widely agreed that the pass-through effect is more pronounced when demand is strong.

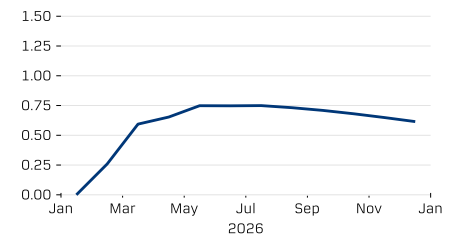
To test the exchange rate pass-through, we developed a simple structural VAR model that examines the impact of a 10% currency shock while controlling for growth in Sweden and KIX-weighted foreign inflation. The first model estimates the change in core inflation resulting from a 10% shock to the trade-weighted KIX index. The results show an effect of almost 0.75 percentage points, shown by the impulse response function, supporting the consensus view.

Since imported goods make up a larger share of inflation compared to domestic services, we also analysed the response of goods prices to a 10% shock in KIX. The findings indicate that a 10% shock to KIX leads to a 1.36-percentage point change in goods prices. To refine the analysis further, we examined the pass-through from the EUR to imported goods and services inflation, as well as total goods inflation. Estimates suggest that approximately 50% of total goods inflation is linked to imported goods.

It is worth noting that KIX weights account for both imports and exports, while inflation is primarily influenced by imports. Most Sweden's imports come from European countries (approximately 80%). While imports directly from the US constitute around 3%, a significant portion of imports from Asian countries is priced in USD. For goods prices, a 10% change in EUR/SEK results in a yearly change of 1.44 percentage points in the consumer price index for goods. As expected, the pass-through effect from USD is lower, reaching 1 percentage point. Additionally, the model indicates that the pass-through from the euro is slightly faster than that from the dollar, 3-5 months compared to 6 months for the dollar.

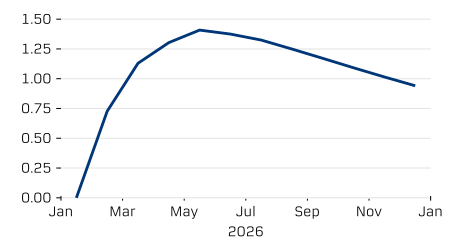
This suggests that the pass-through from the strengthening of the SEK continues to influence inflation and is likely to persist throughout the year. However, the impact remains limited.

Impulse response of Core Inflation to a 10% shock in the KIX index



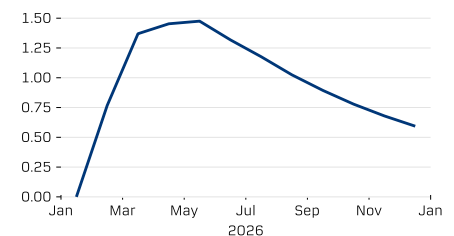
Source: Danske Bank and Macrobond

Impulse response of Goods Inflation to a 10% shock in the KIX index



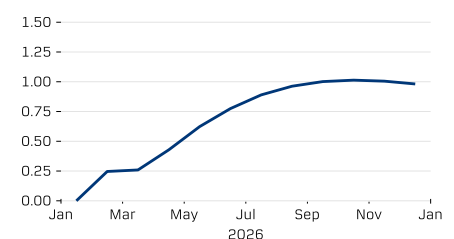
Source: Danske Bank and Macrobond

Impulse response of Goods Inflation to a 10% shock in the EUR



Source: Danske Bank and Macrobond

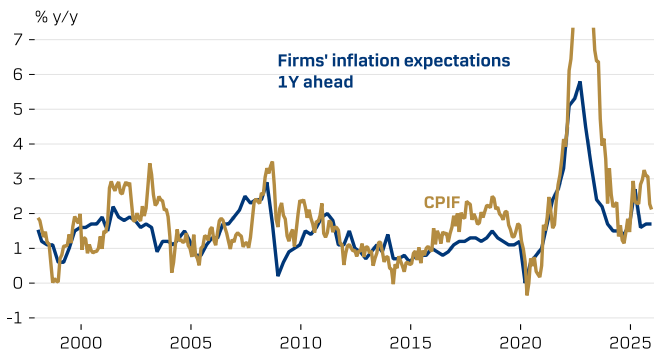
Impulse response of Goods Inflation to a 10% shock in the USA



Source: Danske Bank and Macrobond

Charts

Firms' inflation expectations and CPIF



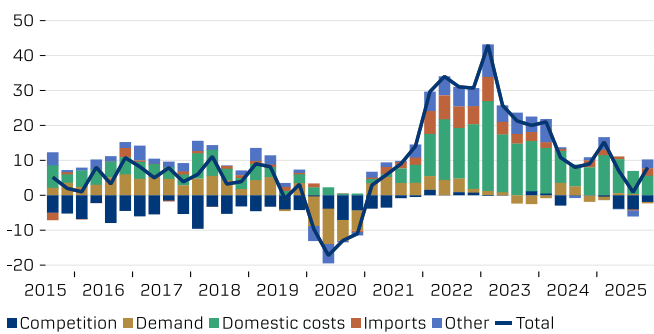
Source: Statistics Sweden, NIER, Danske Bank and Macrobond

Selling price expectations and CPIF



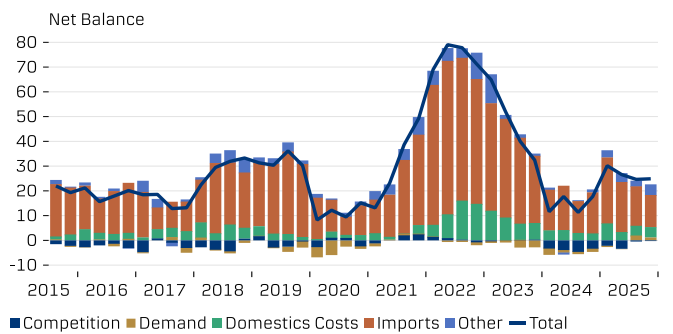
Source: Statistics Sweden, NIER, Danske Bank and Macrobond

Driving forces behind price changes among companies in the service sectors



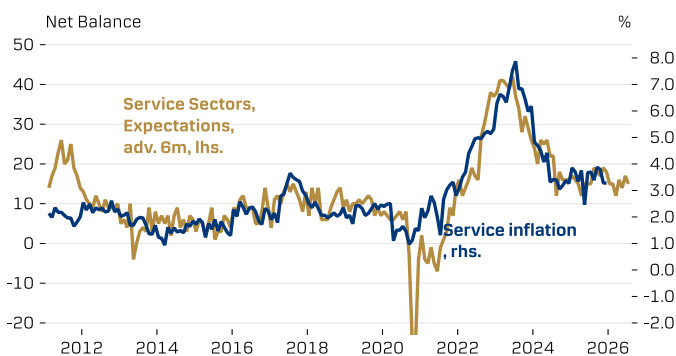
Source: NIER, Danske Bank and Macrobond

Reasons for Latest Price Changes Among Companies in the Trade Sector



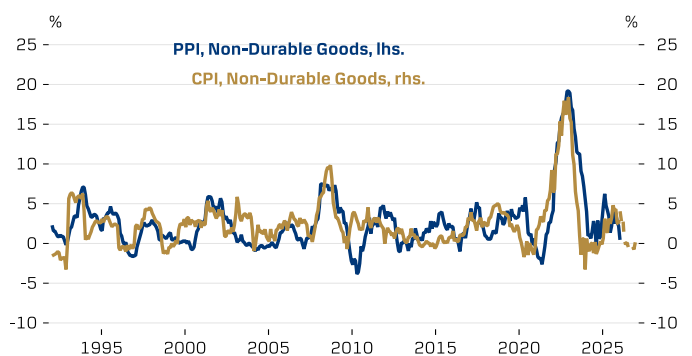
Source: NIER, Danske Bank and Macrobond

Service inflation vs Service Sectors Price Expectations



Source: Statistics Sweden, NIER, Danske Bank and Macrobond

Non-Durable Goods, CPI vs PPI



Source: Statistics Sweden, Danske Bank and Macrobond

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Frida Måhl, Macro Analyst.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Ad hoc

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 06 February 2026 at 11:30 CET

Report disseminated: 06 February 2026 at 12:00 CET