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Mistake gives lower inflation

Inflation came out at 4.3% (YoY) and 0.2% (MoM) in August.

Due to a mistake, estimation of price changes for shoes for January – July 2008 have been miscalculated and previously published inflation rates for April – July have been somewhat misleading. The measures of HICP, CPIX and CPIX have also been revised. Inflation for July is revised down from 4.4% to 4.1%, and the mistake generally results in a little lower inflation than previously expected over the last months.

The monthly change in August was, however, expected to be 0.0%. The 0.2% raise mainly comes from higher prices on clothing that contributes upward with 0.3 percentage points. But we are not concerned about this, because this is where inflation has been revised down too.

The Riksbank expected inflation to be 4.5% in September. And the data from today indicates a cut in the key rate sooner than indicated by the Riksbank. We still expect to see a rate cut in the beginning of 2009.

The information from today does not change our view about SEK, and we still forecast SEK to strengthen over the coming year. We expect that SEK will trade at EUR 940 at mid-2009.

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