

# Surprisingly high inflation in January

**Core inflation jumped to 2.9% YOY in January, up from 1.8% in December and well above forecasts. The rise was broad based, and increases the risk for higher 2020-inflation and thus the risk for a rate hike.**

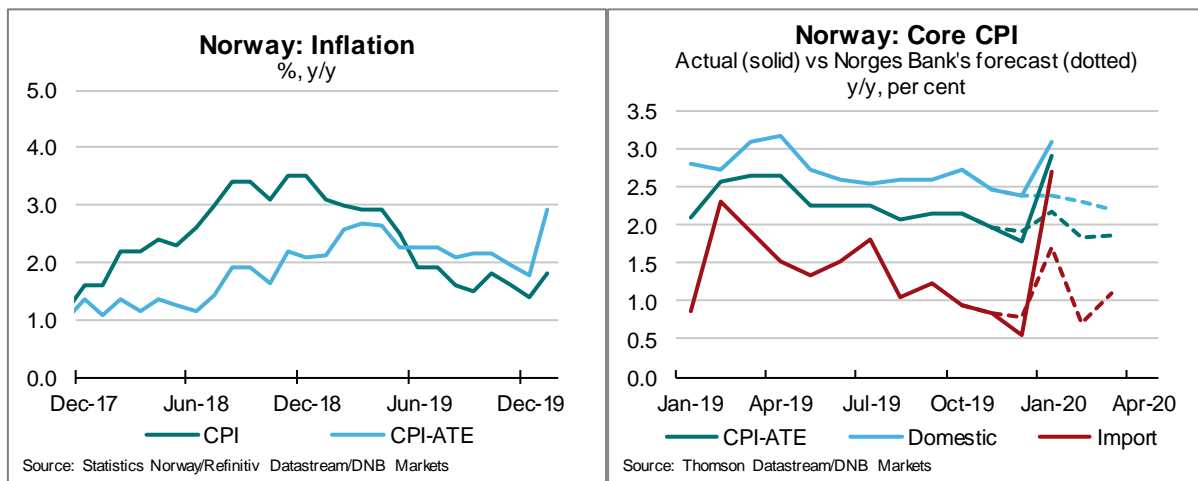
**Assessment:** Core inflation came in much higher than forecasts from Norges Bank, consensus and own forecast. The main reason for the monthly rise was higher prices on food, but the rise in annual inflation was broad based. Imported prices rose by 2.7% YOY, up from 0.6% in December. Obvious the weakening of the NOK last autumn may have contributed to push up imported prices, but also the domestic component added substantially to the core inflation. The monthly rise in the CPI-ATE was the highest for January ever recorded. But there might be a counter-reaction next month. First, the modest drop for some typical seasonal items in January may be followed by a more modest typical rise in February. Second, in February 2019 the monthly rise in core prices was the highest recorded for February. We have to assess the figures more closely, but 2020 has started with an upside risk to our 2.0% annual core inflation forecast. If inflation continues at an elevated level the first months in 2020, it may affect the wage settlement. The risk for a rate hike in 2020 has increased after today's figures

**Core inflation (CPI-ATE)** was 2.9% YOY in January, up by 1.1%-points from December. Norges Bank forecast 2.2% YOY in the December MPR, consensus expected 2.0% according to Bloomberg, and we forecast 2.1%. Prices on imported goods rose by 2.7% YOY in January, up from 0.6% YOY in December. Norges Bank expected 1.7%. Domestic inflation added 0.7%-point to 3.1% YOY. Norges Bank forecast 2.4%.

**The total consumer price index** rose by 1.8% YOY in January, up from 1.4% in December. We expected 1.6%, while Bloomberg Consensus was for 1.2% and Norges Bank projected 1.8%. Headline inflation was pulled down by a sharp drop in prices on electricity, but not enough to fully counter the rise in core prices.

**Market reactions:** EURNOK dropped 4-5 øre after the announcement.

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