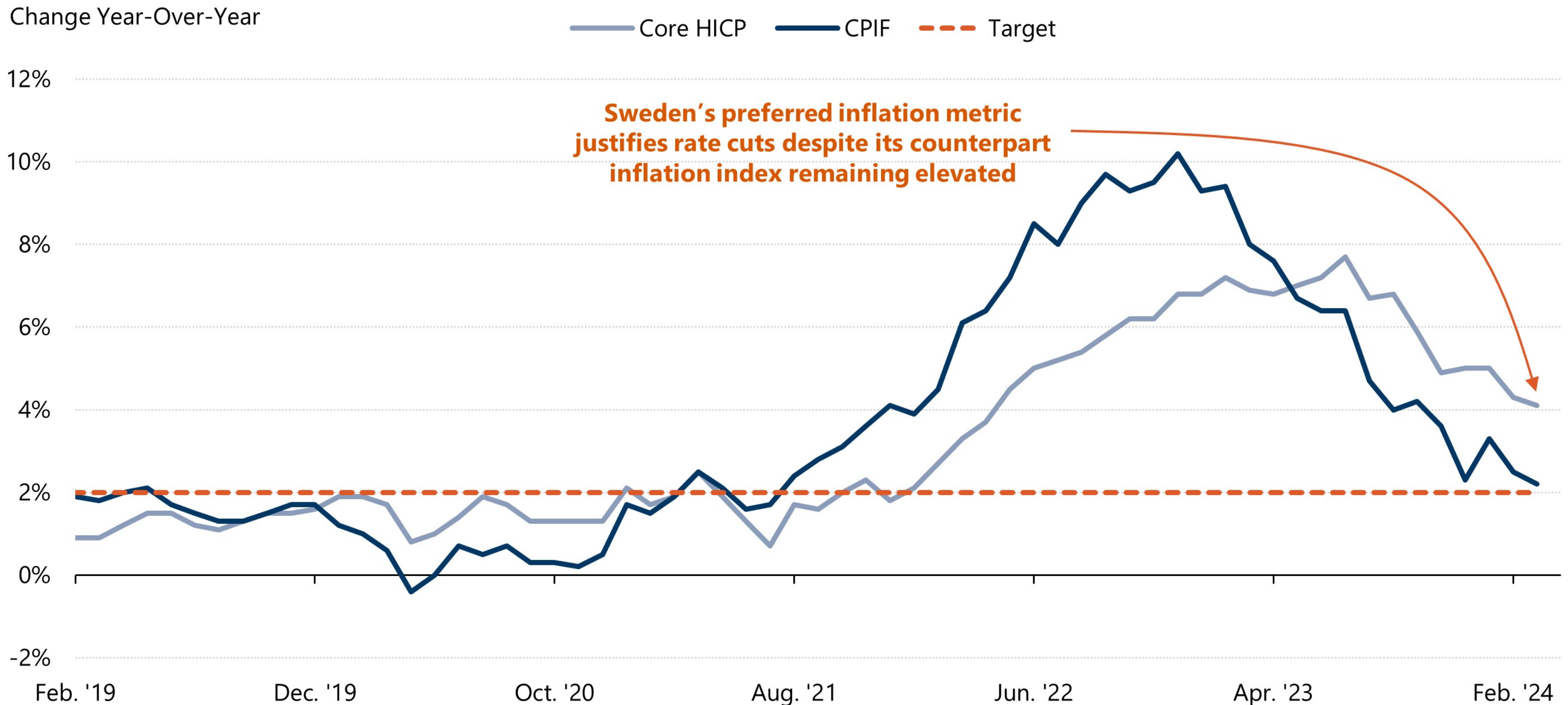


## Cutting Edge

Sweden CPIF\* Versus Core Harmonized Index Of Consumer Prices (HICP)

For The Week Ending 05/10/2024



Sources: Statistics Sweden, Eurostat

\*Consumer Price Index With a Fixed Interest Rate (CPIF)

Following the Swiss National Bank, the Riksbank became the second developed central bank to cut rates. Sweden's unemployment rate is well above its 12-month lows. Meanwhile, CPI with a Fixed Interest Rate (CPIF), Riksbank's "formal target variable," slowed to 2.2% year-over-year in March. Price index enthusiasts may have noticed that CPIF is lower than the core HICP, a metric used for cross-country comparisons. What gives? Housing. HICP excludes owner-occupied housing (but includes renter costs), whereas CPIF "excludes the effect of changed interest rates for households' mortgages." The approach may disappoint ~80% of Sweden's homeowners with variable-rate mortgages as the cost borne by households may not be reflected in the measures favored by central bankers—though policymakers argue rate increases will be "transitory." In contrast, the U.S. CPI uses a rent-equivalent measure for owner-occupied housing. While some investors enjoy the parlor game debate about the "right" price index, the target variable may matter most for policy and financial markets.