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Western European Indicators and Insights

May 10, 2011

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# Norway: Inflation rises.

Will it persuade the Norges Bank to hike?

Exceeding expectations this time around, CPI inflation increased by 0.3 percentage points to 1.3% Y/Y in April, ending a run of three months in which the headline rate had fallen (in March) to the lowest since October 2009. On a M/M basis, prices rose 0.5%. The Y/Y breakdown shows the bounce-back in CPI inflation came in spite of softer readings for food and clothing, with upward pressure instead coming from transport, the latter largely a result of a surge in airfares, probably related to the timing of Easter this year

As a result, the core rate, CPI-ATE (excluding taxes and electricity), jumped from 0.8% Y/Y in March to 1.3%. The data leaves inflation now back in line with Norges Bank projections, thereby providing a clear rationale for the central bank to resume policy tightening as soon as its Board meeting later this week. However, the Bank will be keen to assess the extent to which the April inflation pick-up is an aberration, caused by the late Easter, possibly meaning that it may be prepared to defer any rate move until its meeting in June.