

# Flash Comment

## Estonia: persistent downward CPI trend

- Estonian consumer prices dropped further to -1.6% y/y in September, down from -0.9% y/y in August. The outcome was slightly lower than the consensus expectation and our forecast of -1.4% y/y.

### Details

Statistics Estonia has today published inflation numbers for September. As was broadly expected, CPI dropped to -1.6% y/y. It seems obvious to us that the downward price pressures will prevail this year as domestic demand is expected to slow down further.

### Assessment & Outlook

Consumer prices continue to decline and disinflationary pressures are expected to prevail in the coming periods. The return of CPI inflation to positive rates is expected only with the return to positive growth rates. While we expect some recovery in Estonian growth next year, it is likely to be very fragile. In general, we think only a more positive external demand outlook could result in a more buoyant recovery process.

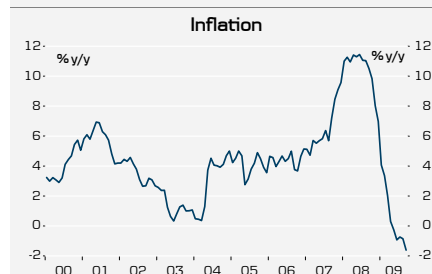
Furthermore, we maintain our forecast and expect average deflation of around 0.1% for 2009. Deflationary pressure is likely to continue in H1 10 and average deflation is expected to be around 0.8 % y/y for the whole year. There is some upside risk to our forecasts mainly related to the expected rise in excise duties and upside swing in global oil prices.

### Key figures – CPI September

	Act	Con	DB	Last
CPI (%y/y)	-1.6%	-1.4%	-1.4%	-0.9%

Source: Danske Markets

### CPI slows



Source: EcoWin Reuters

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