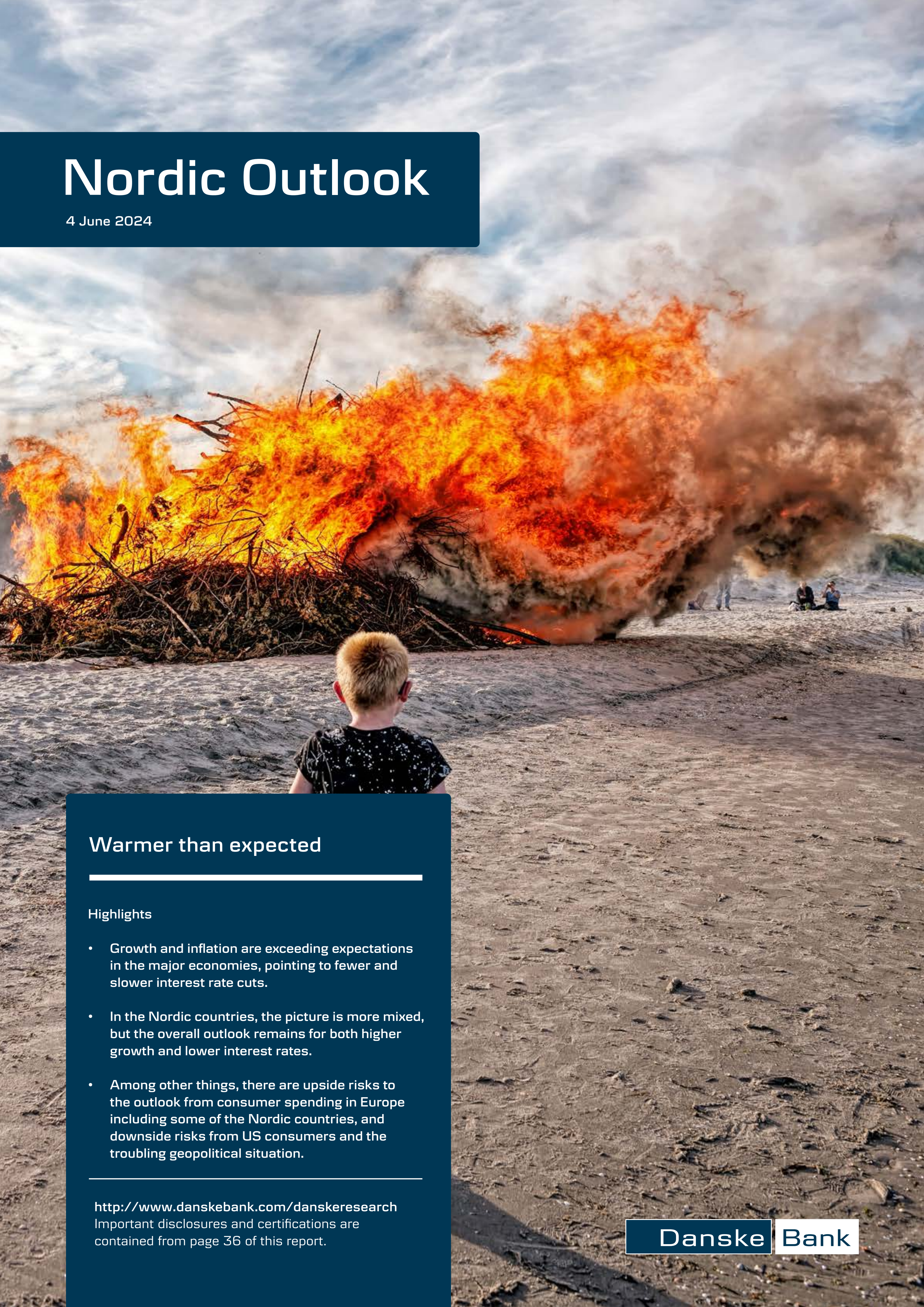

Nordic Outlook

4 June 2024

Warmer than expected

Highlights

- Growth and inflation are exceeding expectations in the major economies, pointing to fewer and slower interest rate cuts.
- In the Nordic countries, the picture is more mixed, but the overall outlook remains for both higher growth and lower interest rates.
- Among other things, there are upside risks to the outlook from consumer spending in Europe including some of the Nordic countries, and downside risks from US consumers and the troubling geopolitical situation.

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Important disclosures and certifications are contained from page 36 of this report.

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Warmer than expected

Global
Growth, inflation and labour markets have in general been surprisingly resilient in the face of interest rates that are high compared to estimates of their long-term levels, which reduces expectations for future rate cuts. We expect economic growth in Europe to accelerate further over the coming quarters with the possibility that the acceleration might be more rapid if consumption picks up, and to some extent the opposite risk in the US. Wars and geopolitical tensions seem to have limited impact on the major economies currently, which we see as a consequence of global aggregate demand and supply being much better balanced than in for example 2021-2022.

Euro area
Growth has returned and we expect it to continue due to improving real incomes and a strong labour market. Inflation is approaching the 2% target, but the recent momentum, especially in services inflation, remains too high. We expect headline inflation will fluctuate around the current level over the summer before declining towards the 2% target, but the final road towards sustained inflation at 2% will be bumpy. We expect two cuts of 25bp from the ECB this year, followed by three additional cuts in 2025. Compared to the March Nordic Outlook, we have revised our expectation for a cut in September this year and December next year due to strong and persistent domestic inflation combined with better-than-expected growth.

Denmark
GDP figures are heavily influenced by Novo Nordisk's growth rate, while much of the rest of the economy has been in near stagnation – a stagnation that we expect to gradually shift towards a modest expansion. Consumers in Denmark are currently spending a relatively small share of their income, so given the outlook for increasing real wages and lower interest rates, we expect consumption to pick up – with the potential for an upside surprise. Inflation has fallen dramatically but is expected to be modestly higher going forward, in part due to a period of sizeable pay increases. Employment continues to grow, and productivity ex. pharma appears to have slowed quite noticeably.

Sweden
Sweden is finally experiencing positive growth once again. Despite concerns regarding neighbouring countries' weaknesses, indicators suggest positive export performance. The rise in unemployment isn't alarming as employment and hours worked indicate recovery. Bankruptcies haven't significantly impacted unemployment yet. The construction sector and housing prices are recovering, albeit supply is high. Inflation has slowed, with both CPIF and CPIF excluding energy just above 2%. The Riksbank made a rate cut in May and plans two more this year. We foresee the same easing pace in 2025 with potential further rate reductions.

Norway
Growth is picking up somewhat as headwinds from negative real wage growth and rate hikes begin to subside. Growth is sub- trend, so capacity utilization is falling. Growth in private consumption and investment is still weak, while net exports and public demand supports growth. Inflation decreases as the capacity utilization abates, but a relatively expensive wage settlement poses an inflation risk in the longer term. The NOK is driven by expectations of global monetary policy, and hence will remain relatively weak for the foreseeable future, even though it could strengthen somewhat short term. With lower recession risk and higher inflation risk, we now expect that Norges Bank will deliver two rate cuts this year, in September and December.

Finland
Finland is making a slow exit from a recession. High interest rates are still holding back the economy with lagged effects and flow of export orders remains sluggish in the short term. Housing construction has entered a significant slowdown; a proper recovery can be expected only in 2025. Economic growth should pick up later in 2024 as a result of private consumption supported by falling inflation, lower interest rates, and the reinvigoration of export demand. Unemployment will increase slightly. Housing market seems to be stabilising, but the recovery looks sluggish. The government decision to tighten fiscal policy is a headwind to the economy, but it will help to sustain credit ratings.

Resilience against higher interest rates

- **Growth, inflation and labour markets have in general been surprisingly resilient in the face of interest rates that are high compared to estimates of their long-term levels, which reduces expectations for future rate cuts.**
- **We expect economic growth in Europe to accelerate further over the coming quarters with the possibility that the acceleration might be more rapid if consumption picks up, and to some extent the opposite risk in the US.**
- **Wars and geopolitical tensions seem to have limited impact on the major and the Nordic economies currently, which we see as a consequence of global aggregate demand and supply being much better balanced than in for example 2021-2022.**

This edition of Nordic Outlook strikes a mostly optimistic tone for the major economies. In the US, in Europe and in China, economic data has been better than expected here in 2024 as we are seeing a return to growth in global manufacturing while mostly maintaining growth within services. At the same time, inflation is proving somewhat more persistent than expected. That is especially true in the US, but also in the euro area it seems that there is significant momentum still in wages and in the consumer prices of wage-dependent services.

All these things are happening despite most central banks maintaining interest rates that, according to their own estimates, are significantly higher than what would be neutral for the economy. In principle, that should imply weak aggregate demand and consequently downwards pressure on activity, prices and employment.

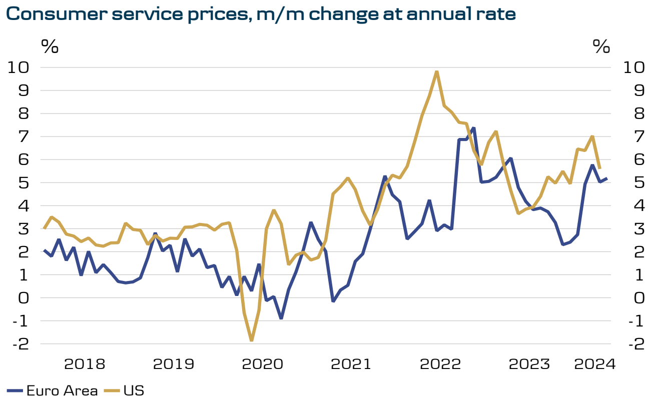
One explanation for this dilemma is that central banks are widely expected to lower interest rates, not least because they have clearly signalled as much themselves. These expectations in themselves have already led to an easing of financial conditions. And among major economies, China is already well along in easing monetary conditions.

Nevertheless, the combined resilience of economies, price growth and wage growth has led us to reduce our expectations for how many rate cuts there will be in the US and the euro area this year and next. It has also increased doubt over where interest rates will eventually stabilise. This was always uncertain, but the prevailing view has been slightly above 2.5% in the US and slightly above 2% in the euro area for the main central bank rates. This is starting to look unrealistic, at least during 2025.

The combined resilience of economies, price growth and wage growth has led us to reduce our expectations for how many rate cuts there will be in the US and the euro area this year and next

Las Olsen, Chief Economist

Parts of inflation are still too high

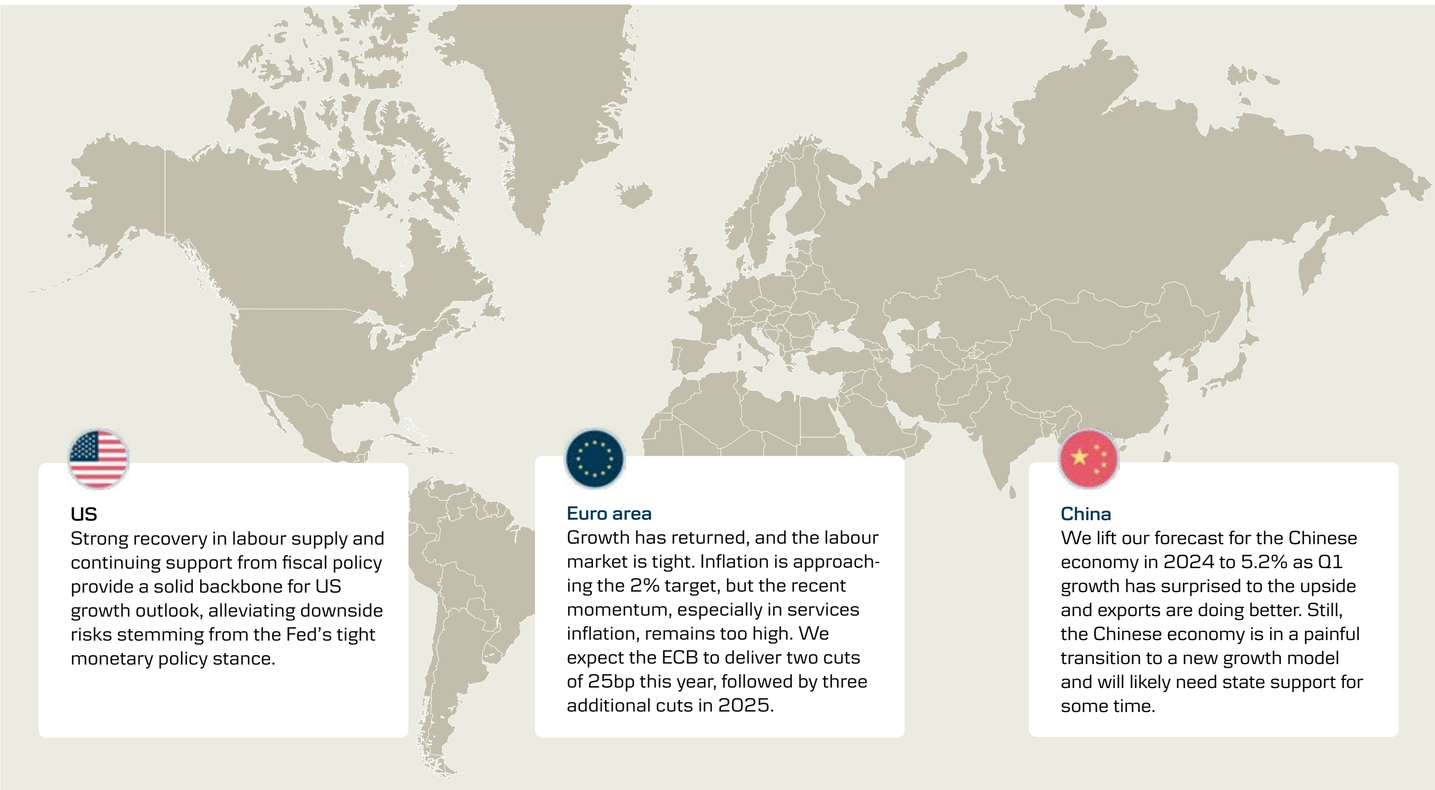


Source: Macrobond Financial
Note: seasonally adjusted, 3 month moving average

The recovery in economic growth in Europe looks likely to continue. We expect it to happen at a modest pace, but there is a possibility of a sharper acceleration, not least from the consumer side. Consumer sentiment across Europe remains depressed following the chock from high inflation in 2021-2022, but wages are gradually catching up to the higher price levels and demand could rebound strongly. On the other hand, US consumers currently have a high rate of spending, and demand is running high in other parts of the economy as well, so here we see more downside risk relative to our forecast – and of course, the US economy still sets the tone for the globe.

In terms of risks, it is hard not to worry about the many wars, violent conflicts and political tensions that plague the world currently. However, at least in the short term, the economy does not look too vulnerable to geopolitics. Despite the ongoing conflicts in the Middle East, for example, the oil price has not increased significantly. Contrary to 2021-2022, the world economy today is not characterised by a big imbalance between aggregate supply and demand, and that makes it much more resilient to supply chocks – unless, of course, they become large enough.

All in all, we do not see economic risks as especially large compared to normal at this point, and there are positive as well as negative risks, although "positive" surprises may not be perceived as such across financial markets as they could imply higher interest rates for longer. We are not expecting a strong recovery, because there has been a soft landing, not a deep crisis, but we are also not seeing risks much higher than normal – which of course is not the same as no risks. If nothing else, the last four years have been a stark reminder about the difficulties of making predictions.



US
Strong recovery in labour supply and continuing support from fiscal policy provide a solid backbone for US growth outlook, alleviating downside risks stemming from the Fed's tight monetary policy stance.

Euro area
Growth has returned, and the labour market is tight. Inflation is approaching the 2% target, but the recent momentum, especially in services inflation, remains too high. We expect the ECB to deliver two cuts of 25bp this year, followed by three additional cuts in 2025.

China
We lift our forecast for the Chinese economy in 2024 to 5.2% as Q1 growth has surprised to the upside and exports are doing better. Still, the Chinese economy is in a painful transition to a new growth model and will likely need state support for some time.

Back in growth territory

- **The euro area economy has started to grow again as activity in the service sector is rising and the worst is over in the manufacturing sector. We expect growth to continue in the coming years especially supported by a historically strong labour market and rising real incomes.**

- **Inflation is closing in on the 2% target, but the most recent momentum remains too high in services inflation. We expect headline inflation will fluctuate around the current level over the summer before declining towards the 2% target, but the final road towards sustained inflation at 2% will be bumpy. Core inflation is expected to stay elevated due to sticky services inflation from high wage growth and a tight labour market, which gives upside risks to the outlook.**

- **We expect the ECB to deliver two rate cuts of 25bp this year, in June and December, respectively, followed by three cuts in 2025, which will bring the deposit rate to 2.75% by the end of 2025. Compared to the March Nordic Outlook, we have removed our expectation for a cut in September this year and December next year due to strong and persistent domestic inflation combined with better-than-expected growth.**

%		Forecast	
	2023	2024	2025
GDP Growth	0.5	0.7 (0.5)	1.3(1.3)
Inflation	5.4	2.4 (2.4)	2.1(2.1)
Unemployment	6.6	6.5 (6.6)	6.6(6.6)
Deposit rate*	4.00	3.50 (3.25)	2.75 (2.25)

Paranthesis are the old projections (From March 2024)
**End of period*
Source: Danske Bank, Eurostat, ECB

The euro area economy has started to grow again as activity in the service sector is rising and the worst is over for the manufacturing sector. Growth in the service sector is supported by a historically strong labour market combined with rising real incomes. The worst seems to be over for manufacturing, thanks to falling energy prices, eased financial conditions, and a gradual resurgence in global trade. Consequently, the sector should be able to muddle through and normalise towards year-end. The combination of normalising activity in the manufacturing sector and strong service activity means we expect growth to continue in the coming years, with the economy growing close to potential.

Inflation is closing in on the 2% target, and we expect headline inflation will fluctuate around the current level over the summer before declining towards the 2% target. However, the final path towards sustained inflation at 2% is bumpy as the most recent inflation momentum remains too high especially in domestically driven services inflation. The persistent services inflation represents an upside risk to the inflation outlook and is the key reason we expect only a gradual convergence in core

We have removed our expectation for a cut by the ECB in September this year and December next year due to strong domestic inflation and better-than-expected growth

Rune Thyge Johansen, Analyst

inflation towards 2%. A normalisation in manufacturing activity likely also means that the recent period with very low goods inflation is ending. Yet, momentum in energy and food inflation is well-behaved and should continue to be so as supply chains normalise further.

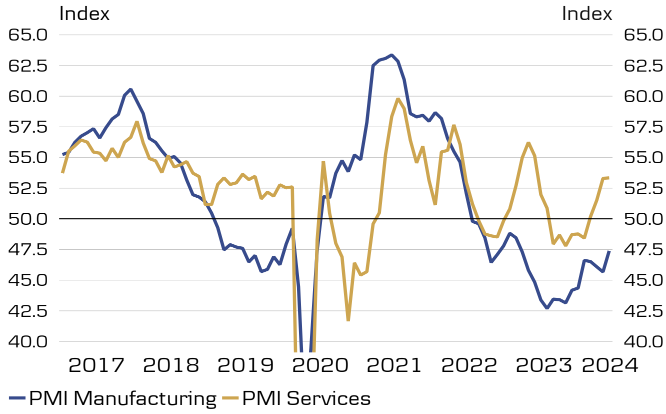
The labour market remains historically strong as employment growth persists. With the return of growth, we anticipate the unemployment rate will remain broadly unchanged. The robust labour market presents an upward risk to wage growth, which, despite having peaked, remains high. However, inflation expectations are well-anchored, and recent indicators suggest a cooling in wage growth this year.

We expect the ECB to deliver two 25bp rate cuts in 2024, in June and December, respectively. The first cut in June is considered a roll back of the 'insurance hike' from September last year. Compared to the March Nordic Outlook, we have revised our expectation for a cut in September this year and December next year due to strong and persistent domestic inflation combined with better-than-expected growth. This combination allows ECB more time to assess incoming data. Our projection implies that the deposit rate is expected to be at 2.75% by the end of 2025, on the back of three rate additional cuts in 2025. We see moderate risk skewed for three cuts this year.

Faster rate cuts could be triggered by weaker than expected economic development and inflation, even if generally we think downside risks surrounding the growth outlook have eased. Risks to the inflation outlook remain tilted to the upside, which could also warrant rates remaining higher for longer. Potential drivers for faster-than-expected inflation include stronger household consumption and lack of spare capacity, as we already forecast the economy growing close to its potential.

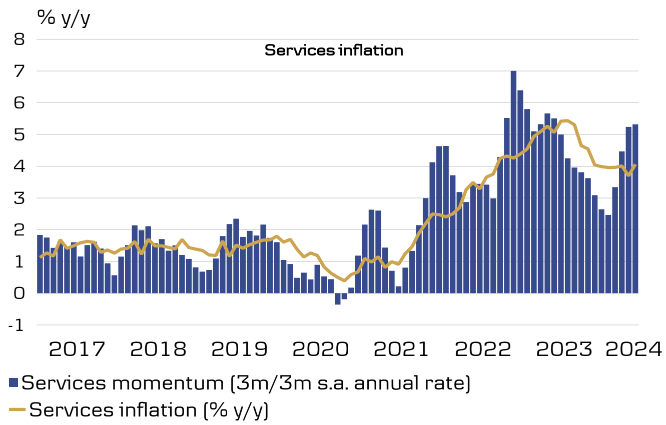
The outlook for the German economy aligns closely with the outlook for the manufacturing sector due to Germany's heavy reliance on manufacturing. The factors that have contributed to Germany's underperformance are beginning to change, allowing Germany to muddle through this year with positive growth rates. However, the long-term growth outlook for the economy remains weak due to headwinds from a more austere fiscal policy and structural issues like 'slowbalisation' and a shrinking workforce.

The service sector drives current growth



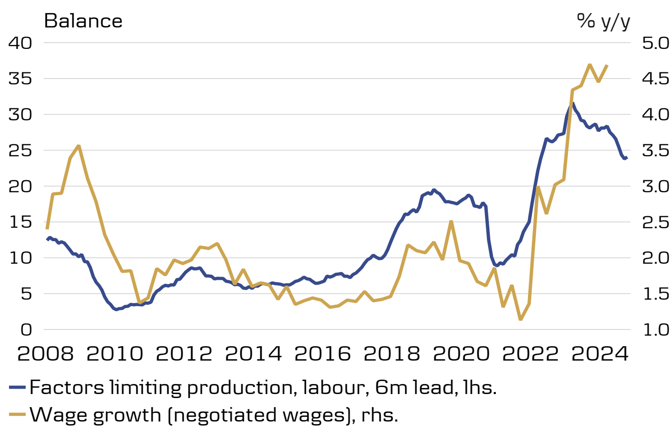
Source: S&P Global, Macrobond Financial

Services inflation remains sticky, and momentum is strong



Source: ECB, Macrobond Financial

Strong wage growth and labour demand



Source: European Commission, ECB, Macrobond Financial

Balanced growth ahead

- **Economic growth continues to moderate in the US, but very gradually. We foresee some further cooling ahead, but still see long-term growth on a structurally solid footing. We forecast 2024 GDP growth at 2.3% (from 2.0%) and maintain 2025 mostly unchanged at 1.5% (1.6%).**

- **Further increase in labour supply due to higher domestic participation rate and immigration is the primary driver of structural growth. We expect labour market conditions to continue gradual loosening even when GDP growth remains at healthy levels.**

- **Downside risks still relate to delayed pass-through of tight monetary policy and more pronounced weakening in labour market conditions, even if we see no acute warning signs for now. Fiscal policy continues to provide support for growth, and we see risks tilted towards even more supportive policies after the November election, rather than the opposite.**

- **Inflation forecasts have been revised up modestly due to faster realized inflation in Q1, but longer-term outlook remains mostly unchanged. We see headline inflation averaging 3.2% in 2024 (from 2.7%) and 2.5% in 2025 (unchanged) and core inflation at 3.4% in 2024 (from 3.2%) and 2.6% in 2025 (from 2.5%).**

%	2023	Forecast 2024	2025
GDP Growth	2.5	2.3 (2.0)	1.5 (1.4)
Inflation	4.1	3.2 (2.7)	2.5 (2.5)
Unemployment	3.6	4.1 (3.9)	4.4 (4.2)
Fed Funds*	5.50	5.00 (4.75)	4.00 (3.75)

Paranthesis are the old projections (From March 2024)
**End of period*
Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed

While GDP growth slowed down in Q1 due to weaker net exports, consumer demand and fiscal policy fuelled investments continue to provide a solid backbone to US growth outlook.

Leading indicators remain consistent with moderating growth, but we see no acute warning signs for sudden weakening. Unemployment rate has begun to edge higher, reaching 3.9% in April, as both realized and planned hiring has declined below pre-pandemic levels. But even so, the number of involuntary layoffs remains historically low.

Labour market balance continues to improve, but as a result of recovering supply, rather than deteriorating demand. Both higher participation rate and faster immigration have contributed to rising labour supply. Nominal wage growth remains on a cooling path as companies report less trouble finding new workers, although the pace remains uncomfortably high from inflation perspective. Productivity growth slowed down in Q1 after unusually strong 2023, which contributed to faster-than-expected growth in companies' unit labour costs. The Fed has

We think the nominal policy rate can slowly be adjusted lower while real interest rates remain at restrictive levels

Antti Ilvonen, Senior Analyst

made it clear it cannot rely on the idea of persistently faster productivity growth alleviating companies' cost pressures.

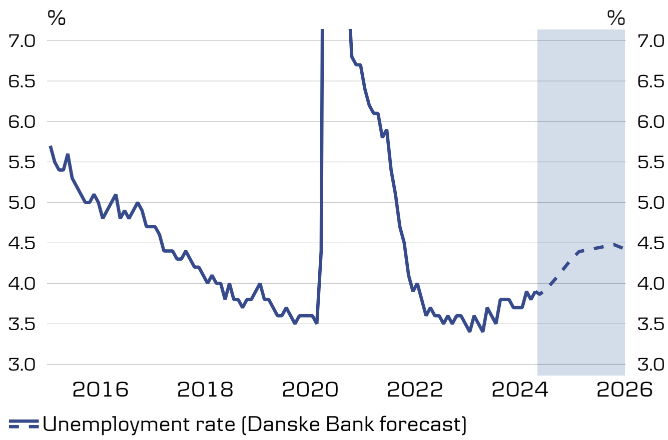
Rising labour supply means larger potential size of the economy, which means we now see the balance of risks less skewed to the downside despite the restrictive monetary policy. Larger economy can also better bear the growing burden of public debt, which has eased markets' debt sustainability concerns since last fall, at least for now.

Current administration's past stimulus measures, such the IRA and CHIPS & Science act, will continue to provide support for investments over several years. If Trump and the Republican party win the upcoming November elections, some of the funds allocated for coming years could be clawed back, but in turn, we would expect extensions to the various tax cuts and breaks introduced as part of the Tax Cuts and Jobs Act of 2017, which would otherwise be phased out by end-2025. Irrespective of the election outcome, we expect fiscal policy stance to remain supportive for growth over our forecast horizon. Main risks relate to faster inflation if Trump introduces more supportive tax policies combined with tighter stance on immigration, which could increase the risk of the economy overheating again. In this scenario, the Fed would likely respond by maintaining a tighter policy stance than we assume in our baseline forecast.

In May, we revised our Fed call, and we now expect the central bank to cut rates only twice by 25bp in 2024 (previously three cuts) followed by four cuts in 2025 (unchanged). We still see the Fed on track to getting inflation close to target over the coming years and forecast core CPI averaging 3.4% in 2024 and 2.5% in 2025. As such, we think the nominal policy rate can slowly be adjusted lower while real interest rates remain at restrictive levels. Upside surprises seen in February and March inflation data have made FOMC participants more cautious about cutting rates early, and hence we have also pushed back our expectation of the first cut. But we still think the cuts are only delayed, not cancelled.

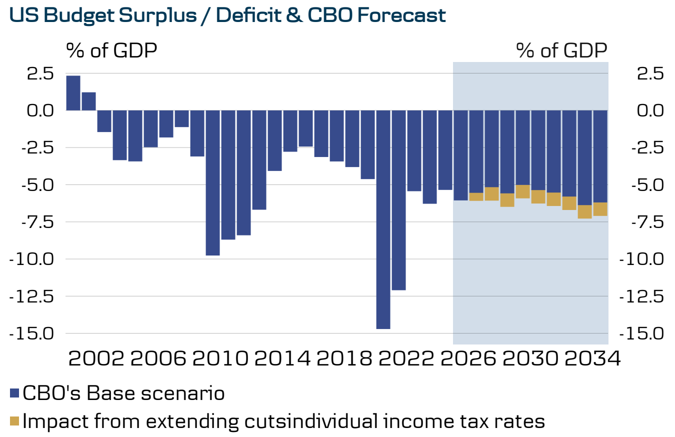
Notably, we now expect the Fed to cut rates faster than the ECB in 2025 even though we forecast US GDP growth continuing to exceed the pace of the euro area. This again reflects relatively stronger potential growth in the US which has, for instance, allowed unemployment rate to tick higher and manufacturing capacity utilization to decline, signalling easing price pressures ahead. The absence of similar slack in productive capacity of the euro area means, that even modest pick-up in economic momentum can come with renewed risk of overheating.

Recovering labour supply drives unemployment rate gradually higher



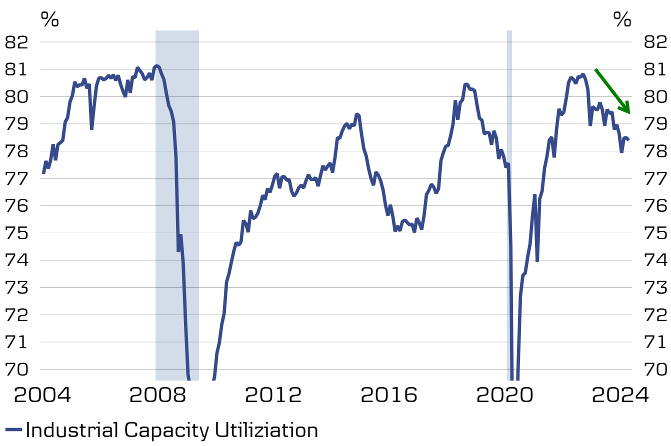
Sources: Macrobond Financial, U. S. Bureau of Labor Statistics (BLS), Danske Bank

Extensions to 2017 tax cuts would likely end up widening budget deficits



Sources: Macrobond Financial, Congressional Budget Office (CBO), Committee for a Responsible Federal Budget, Danske Bank

Manufacturing capacity utilization has declined even though the economy continues growing at a healthy pace



Sources: Macrobond Financial, the Federal Reserve. Shaded areas denote recessions as defined by the NBER

Muddling through a painful transition

- **China continues to muddle through a painful transition from an old to a new growth model with less focus on real estate and 'old' infrastructure and more emphasis on new technology, high-end manufacturing, green-tech, 'smart' infrastructure and private consumption.**

- **Data for Q1 was better than expected and we have lifted our GDP forecast for 2024 to 5.2% from 4.5%. China has taken new measures to support the housing market as well as introduced new consumer stimulus with a trade-in program for durable consumer goods.**

- **Still, we expect the housing crisis to continue to weigh on the economy into 2025 whereas exports are improving. Green-tech and 'smart' infrastructure continues to support growth.**

- **We expect only limited rate cuts from PBOC due to its' focus on FX stability and we see a low probability of CNY devaluation. Instead fiscal and industrial policy are preferred policy tools.**

- **EU-China trade tensions are on the rise, but we don't look for a big trade war. If Donald Trump wins back the White House, we could very well be in for a new round of US-China trade war in 2025, though.**

%	2023	Forecast 2024	2025
GDP Growth	5.2	5.2 (4.5)	4.8 (4.5)
Inflation	0.2	0.7 (0.7)	1.5 (1.5)
Unemployment	5.2	5.2 (5.2)	5.2 (5.2)
Policy rate*	2.50	2.30 (2.30)	2.30 (2.50)

Paranthesis are the old projections (From March 2024)
**End of period (1-year Medium Lending Facility)*
Source: Danske Bank, Macrobond Financial

Decent data in Q1 has lifted full year growth forecast
Chinese GDP was stronger than expected in Q1 rising 5.3% year-on-year and PMI data for both services and manufacturing has improved. With a stronger base to the start of the year, we have lifted our forecast for 2024 growth to 5.2% from previously 4.5%. The export sector is doing better after a tough 2023 where the global manufacturing recession took its toll on the Chinese export sector. The housing market shows tentative signs that the worst is behind us and the government has recently taken a range of new measures to ease the crisis. Still we expect housing to be a drag on the economy for some time to come, although the worst may be behind us. Households still hold a pessimistic view of the future but a new scheme for trading in old consumer goods for new should underpin private consumption. Equity markets and business confidence have recovered somewhat, and we look for a moderate improvement in manufacturing investments also supported by strong growth in the green-tech sector. In 2025 we project growth to fall to 4.8%, which is where we currently see China's potential growth rate.

With a stronger base to the start of the year, we have lifted our forecast for 2024 growth to 5.1% from previously 4.5%

Allan von Mehren, Chief Analyst

Only limited room for rate cuts as China aims for CNY stability
The PBOC has been cautious in lowering policy rates as it aims for overall CNY stability and last year they changed the FX policy regime back to a more managed currency system. The delay of Fed easing has reduced the scope for further rate cuts but we look for two 10bp cuts in Q3 assuming the Fed also delivers. We do not believe PBOC will devalue the CNY as among other things it would risk triggering instability via capital outflows, add to trade tensions with US and China and could lead to a currency war in Asia, see FX Strategy: Will China devalue? We doubt it, 26 April.

China in a painful transition that will take time
China is in a painful structural transition to reduce reliance on housing as a demand driver and aims for an economy where the growth drivers are instead high-tech investments, upgrade of manufacturing, green investments and private consumption. The transition is difficult and is set to continue to weigh on growth in the next couple of years with household confidence staying low due to the weak housing market. In the long term, China could come out stronger but the path there is set to be long and bumpy as turning on the consumer engine will be difficult as long as housing wealth is under pressure. Welfare and market reforms, among other things, will be needed. China has strengthened its' charm offensive to foreign companies and opened up further for investments by scrapping restrictions within manufacturing. It is also preparing a law to support the private sector and create a more level playing field with state owned enterprises. On technology, China strengthens efforts to create "new productive forces", a catch phrase for being at the forefront of creating new disruptive technologies such as super computing, photonic chips, AI etc.

The long term growth potential faces headwinds from a falling working age population, Western tech sanctions and lower foreign investments. But we still see China's trend growth in the coming 3-4 years around 4.5% on average. A low GDP per capita (less than 20% of US level), as well as a strong focus on education, innovation, and tech, will underpin long term growth potential. We expect a retirement reform over the coming years to mitigate the demographic headwind to growth (China has a very low retirement age, 55 for women and 60 for men).

EU-China trade tensions set to continue
EU has started a wide range of investigations within EVs, wind, solar and the medical area. We look for higher tariffs in these areas and possibly on other goods soon, see Research Global – Buckle up for EU-China trade tensions, 8 February 2024. While tensions are on the rise, we expect the scope of broad tariff increases to be moderate and even though China will likely retaliate, we expect it to be in narrow areas. We see a bigger risk of the US-China trade war breaking out again if Donald Trump is back in the White House next year as he has warned of significant tariff increases if he wins the US election.

Tentative signs of improvement in Q1 home sales

Remark: Trend- and seasonally adjusted
Source: Statistics Sweden

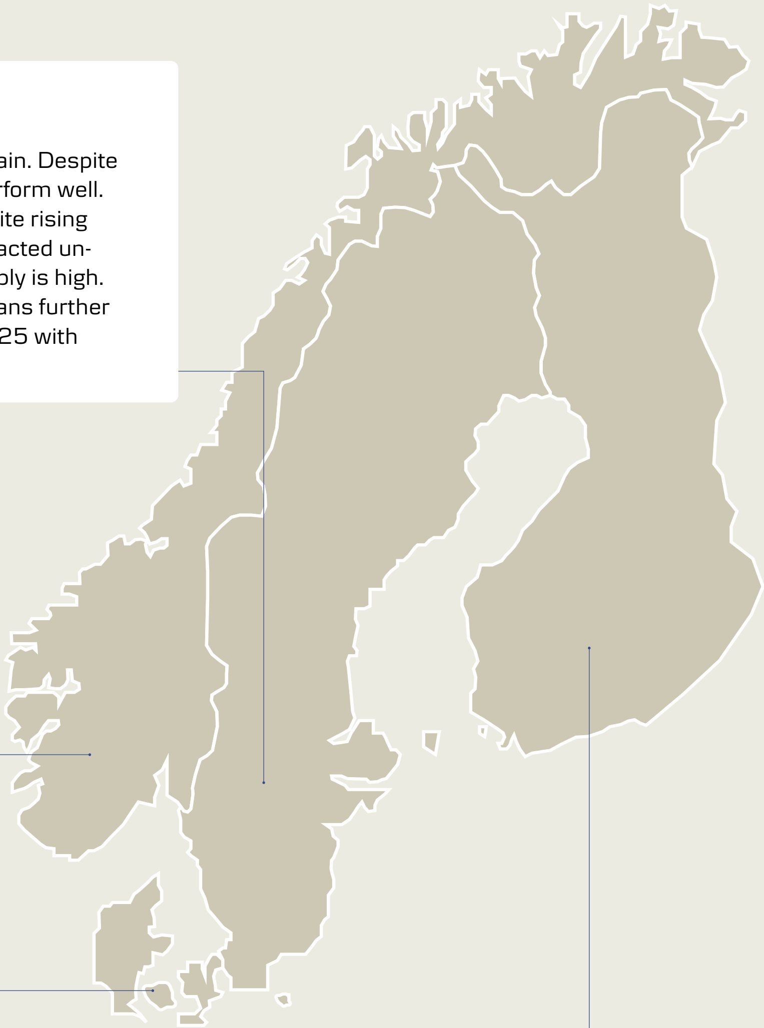
Chinese export headwind is easing

Remark: Seasonally adjusted
Source: Creditsafe, Swedish Agency for Growth Policy Analysis

We do not believe PBOC will devalue the CNY as among other things it would risk triggering instability via capital outflows, add to trade tensions with US and China and could lead to a currency war in Asia

Allan von Mehren, Chief Analyst

Broader growth and lower inflation



Sweden

Sweden is finally experiencing positive growth once again. Despite concerns, indicators suggest Sweden's exports will perform well. Employment and hours worked indicate recovery, despite rising unemployment. Bankruptcies haven't significantly impacted unemployment. Housing prices are recovering, albeit supply is high. Inflation has slowed, the Riksbank has cut rates and plans further cuts this year. We foresee the same easing pace in 2025 with potential further rate reductions.

Norway

Growth is picking up somewhat as headwinds from negative real wage growth and rate hikes begin to subside. Growth is sub- trend, so capacity utilization is falling. Growth in private consumption and investment is still weak, while net exports and public demand supports growth. Inflation decreases as the capacity utilization abates, but a relatively expensive wage settlement poses an inflation risk in the longer term. The NOK is driven by expectations of global monetary policy, and hence will remain relatively weak for the foreseeable future, even though it could strengthen somewhat short term. With lower recession risk and higher inflation risk, we now expect that Norges Bank will deliver two rate cuts this year, in September and December.

Denmark

A stagnation (outside of Novo Nordisk) is expected to gradually shift towards a modest expansion. Consumers are currently spending a relatively small share of their income, so given the outlook for increasing real wages and lower interest rates, we expect consumption to pick up. Inflation has fallen dramatically but is expected to be modestly higher going forward, in part due to a period of sizeable pay increases. Employment continues to grow, and productivity ex. pharma appears to have slowed quite noticeably.

Finland

Finland is making a slow exit from a recession. We expect growth to pick up during the year, supported by higher demand at home and abroad. Housing market seems to be stabilising and fall in interest rates supports recovery. Housing construction falls in 2024. Unemployment rises especially in construction. The government takes measures aimed at balancing public finances, but the debt ratio still climbs higher in 2024.

Broadening growth

- **Denmark's GDP figures are heavily influenced by Novo Nordisk's growth rate, while much of the rest of the economy has been in near stagnation – a stagnation that we expect to gradually shift towards a modest expansion.**

- **Consumers in Denmark are currently spending a relatively small share of their income, so given the outlook for increasing real wages and lower interest rates, we expect consumption to pick up – with the potential for an upside surprise.**

- **Inflation has fallen dramatically in Denmark but is expected to be modestly higher going forward, in part due to a period of sizeable pay increases.**

- **Employment continues to grow, and productivity ex. pharma appears to have slowed quite noticeably. We expect job growth to stall and productivity to be restored, but there is a degree of uncertainty.**

	2023	Forecast 2024	2025
GDP Growth	1.8%	2.1% (1.0%)	2.0% (1.6%)
Inflation	3.3%	2.0% (2.0%)	1.9% (1.9%)
Unemployment	2.8%	3.0% (3.1%)	3.1% (3.3%)
Deposit rate*	3.60%	2.85% (2.85%)	1.85% (1.85%)

Paranthesis are the old projections (From December 2023)
**End of period*
Source: Danske Bank, Statistics Denmark, Nationalbanken

Danish economic data are strong. GDP grew by 1.9% in 2023, inflation fell to 0.8% in April, the government budget surplus last year amounted to 3.1% of GDP, unemployment is low, and businesses are competitive – to mention just a few of the highlights.

Yet, Danish consumers and businesses are not particularly positive when asked for their views on the economy by Statistics Denmark. For most wage-earners, purchasing power is lower now than three years ago, and growth is very concentrated around pharmaceutical exports and especially Novo Nordisk, while the rest of the economy stagnated in 2023 overall. We expect this perception of the economy to brighten going forward. Higher real wages, lower interest rates, still subdued unemployment and rising house prices will support households, while growth appears to be broadening to include more sectors.

Looking at Denmark in isolation, there is greater potential for positive surprises than negative. Household finances are remarkably strong, on average, and look set to strengthen further, which could fuel a more significant upswing in

> We expect this perception of the economy to brighten going forward. Higher real wages, lower interest rates, still subdued unemployment and rising house prices will support households, while growth appears to be broadening to include more sectors

Las Olsen, Chief Economist

consumption than we have forecast. While this also means the economy could risk overheating, the relatively low level of inflation in Denmark and the very substantial current account surplus provide a considerable buffer to any real problems. The risk of negative surprises stems mainly from the uncertainty surrounding the global economy.

Since our previous forecast in March, GDP growth in Q4 23 has been revised strongly higher to 2.7% quarter-on-quarter, though the economy subsequently contracted by 1.8% in Q1 24. These fluctuations reflect the very substantial uncertainty connected with the calculation and there is a considerable probability of the figures being extensively revised and potentially affecting this forecast.

Purchasing power rising strongly but consumers hesitant

Danish wage-earners are currently experiencing the most pronounced growth in real wages since the mid-1980s. This and still high levels of employment add up to a significant increase in purchasing power in Denmark, providing scope for Danish consumers to increase consumption both this year and next. Nevertheless, we do not expect the substantial growth in real wages to translate into a comparable level of consumption growth. Danes remain reluctant to spend, and while interest rates are expected to start declining over the forecast period, many homeowners continue to face headwinds from borrowing costs. Hence, consumption is low relative to income – both right now and in our forecast.

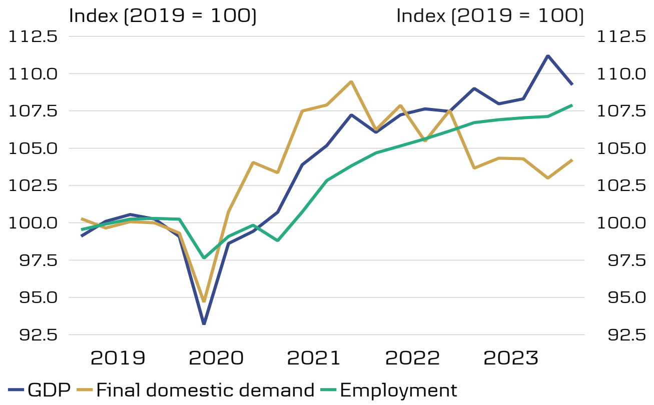
The reluctance of Danes to spend ties in with consumer confidence remaining in the doldrums. Consumer confidence hit an at least 45-year low during the dramatic and unexpected spike in inflation in 2022, and while confidence has climbed considerably since then, sentiment among Danish consumers remains at crisis levels. This is not least a reflection of many Danes continuing to assess the current economic situation as worse than prior to the surge in inflation. However, as real wages begin to regain lost ground for the majority of Danes this year, we expect the somewhat gloomy atmosphere to be replaced by a very slight hint of optimism.

Consumption growth in our forecast is very subdued relative to the increase in purchasing power, so if Danish consumers decide to convert a greater share of their income growth into consumption than we assume, demand could potentially be more solid.

Both wages and employment growing

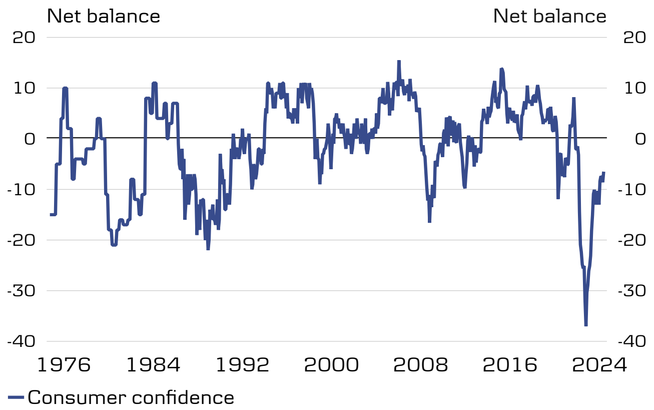
Employment rose by 1.5% in 2023, with the bulk of that increase occurring outside the pharmaceutical industry.

Mixed picture



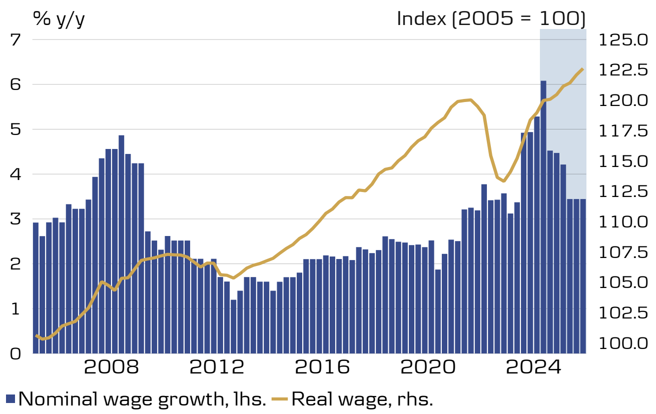
Source: Statistics Denmark, Macrobond Financial

Consumer sentiment is improving, but remains in crisis territory



Source: Statistics Denmark, Macrobond Financial

Wage growth peaking now



Note: Private sector wages according to the Confederation of Danish Employers' (DA's) wage statistic (KonjunkturStatistik). Real wage figures are seasonally adjusted. Source: DA, Statistics Denmark, Macrobond Financial, Danske Bank

Purchasing power is rising strongly, but Danish consumers remain very reluctant to convert that into consumption growth

Louise Aggerstrøm Hansen, Chief Analyst

Essentially, more people worked to create an unchanged level of production, so productivity ex. pharma dipped. One explanation is the greater use of part-time employees, another is growth occurring in industries with relatively low levels of productivity (such as restaurants), while a third reason is undoubtedly that employers retained workers even during periods of reduced activity. And it looks like these trends have continued in the opening months of 2024. Our forecast assumes that productivity gradually recovers through higher growth in production than in employment, but given developments so far, just how accurate we will actually turn out to be is of course subject to some uncertainty. The flow of labour feeding the increase in employment has largely originated from abroad, which is why unemployment has not fallen. On the contrary, unemployment has been rising slowly, and this together with fewer advertised job vacancies and company surveys generally points to a labour market where finding staff has become a little easier, though apparently still more difficult than pre-Covid-19.

Private sector wage growth reached 5.0% in Q1 24 and may well reach 6% in Q2. This reflects the collective agreements from last year that provide substantial wage growth for blue-collar workers in particular, while wage growth is somewhat lower for white-collar workers. According to the agreements, wage growth should slow again in H2 24, and we expect a return to more normal wage growth rates in the course of 2025. Given the low level of inflation, this represents very solid real wage growth, and we expect wage-earner purchasing power will return to mid-2021 levels towards the end of the year and then rise further.

Inflation has bottomed out

Our assessment is that inflation bottomed out in April at 0.8% – far below the eurozone. The figure reflects businesses generally being more cautious about adjusting prices since the autumn. However, this is not the full explanation for the low level of inflation, as core inflation in April was still at 1.5%. Another reason was lower food prices, as Danish food prices have actually fallen over the past year – in contrast to most other places. On top of this comes strong downward pressure from the normalisation of energy prices.

Going forward, inflation will likely increase significantly again, particularly as the very large decline in electricity prices from last spring falls out of the inflation measure. This alone is set to boost inflation by a solid 1 percentage point. Nevertheless, in the bigger picture, Danish consumers are still in a better position than most, with inflation remaining persistently modest. Given the ongoing restoration of consumer purchasing power and rising wage costs for businesses, we expect underlying price pressures in the economy to increase again. We view this as a natural consequence of the period of high inflation we have been through and are not concerned about any dangerous wage-price spiral forming.

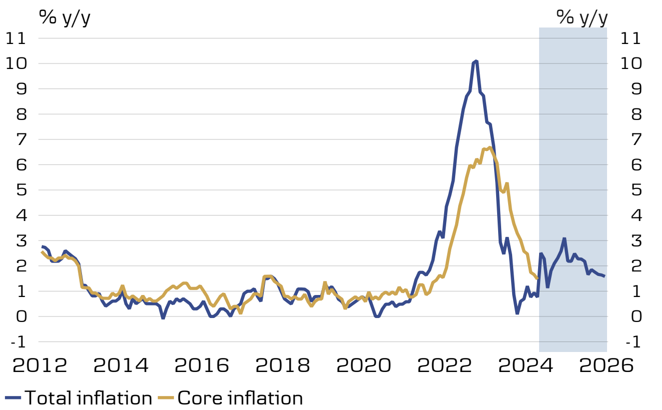
We expect inflation to print at 1.8% in 2024 and 2.0% in 2025.

Pharmaceuticals and energy masking weakness in industry, but brighter times ahead

Exports have been continuously growing at a high rate for a number of years. However, this picture has been misleading of late. Goods exports grew by more than 10% in Q1 24 compared to the previous year, but this was very much influenced by the flow of gas through the Baltic Pipe system that connects Norway with Eastern Europe. These gas exports are matched one-to-one by imports at the other end and so do not contribute to activity or growth in Denmark. The flow of gas will soon be filtered out of the national accounts, thus providing a more realistic picture of foreign trade. However, the strong export figures also reflect pharma giant Novo Nordisk's growth adventure, which is having a very positive effect on the economy. Subtract these factors and what we have left is actually many Danish exporters being challenged by weak demand.

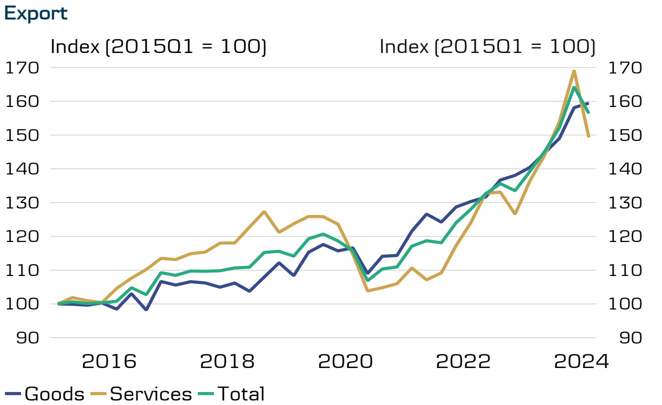
While the downturn in the industrial sector (ex. pharma) has largely ceased as the global industrial recession has bottomed out, the recovery has been less than stellar, and we do not expect any great pickup in the near future. The industrial sector in general continues to be challenged by high interest rates

Base effects will pull inflation higher, but price pressures in the economy are modest



Source: Statistics Denmark, Macrobond Financial, Danske Bank

Impressive export growth a misleading image of reality for many



Source: Statistics Denmark, Macrobond Financial

"

High wage growth is a natural consequence of the period of high inflation we have been through

Bjørn Tangaa Sillemann, Chief Analyst

and cautious consumers, though the furniture industry has been a bright spot. Production here set new record highs in Q1 24 – a picture underpinned by strong furniture consumption in Danske Bank's own consumption data and the industry's self-assessment of export order books.

Service exports have also been performing strongly for quite some time, though considerable fluctuations can occur due to uncertainty on freight rates in particular. The service industries have been doing well generally, with tourism, for example, recording the highest number of overnight stays ever in Q1 24 despite Denmark being an expensive destination for many – particularly Swedes. Sales of 'other business services', which includes various kinds of consultancy services, have also been good – mostly to Denmark's neighbours.

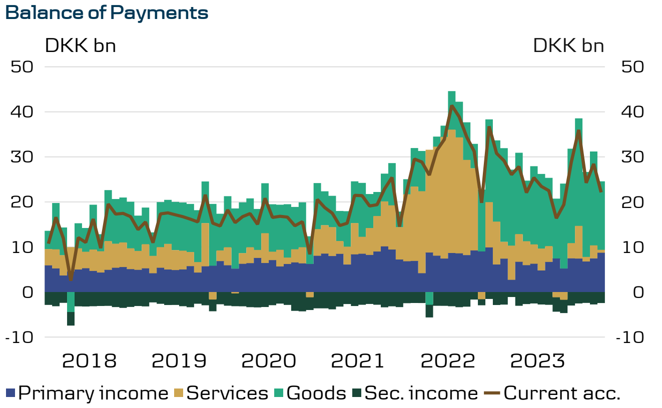
The current account surplus declined by DKK 10bn in Q1 but from a very high level. The large Danish surplus generally fluctuates considerably and often due to exports of goods that are produced and sold abroad. One particular factor here is just when Novo Nordisk's production and sales are dated. The full reopening of the Tyra gas field being postponed means the North Sea's contribution will be less this year than previously expected, and its full impact on the current account will not be visible until the end of the year.

Danmarks Nationalbank set to track ECB

With a sizeable current account surplus behind it, the Danish krone (DKK) is essentially strong, and therefore monetary policy rates in Denmark have to be slightly lower than in the eurozone in order to counter any excessive demand for the DKK. While the ECB has hiked interest rates by 4.5 percentage points since summer 2022, Danmarks Nationalbank has made do with 4.2 percentage points. However, strengthening pressures on the DKK have eased in the past year, which is why Danmarks Nationalbank has moved in lockstep with the ECB's last five rate hikes. We expect that Danmarks Nationalbank will also match the coming rate cuts from the ECB that we have pencilled in from June 2024 and forward. Naturally, the level of uncertainty is very high, but our forecast is for a deposit rate from Danmarks Nationalbank of just below 2.5% by the end of 2025.

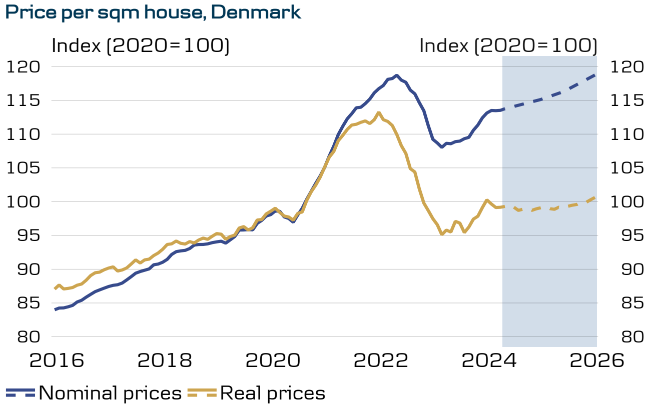
That represents an upward revision of half a percentage point since our previous forecast in March. The upward shift mainly reflects the stronger economic situation in the eurozone and therefore less pressure for rate cuts from the ECB, so our higher interest rate expectations should generally not be viewed as a hindrance to the Danish economy. Our expectations for the central banks are not far from the market's, so we do not anticipate any major reaction in 30Y mortgage yields, for example. We do, however, see a potential for downward pressure in the course of 2025 that could also impact this segment of the fixed income market, though this will partly depend on long-term interest rate expectations, about which there is much uncertainty.

Large current account surplus subject to significant fluctuations



Source: Statistics Denmark, Macrobond Financial

House prices to increase, but real growth is very muted



Source: Statistics Denmark, Macrobond Financial

Housing market again surprises to the upside

House prices nationwide have been rising modestly since last spring despite higher interest rates making the purchase and ownership of a home more expensive. The restoration of consumer purchasing power is lending a helping hand to the housing market, while a still solid labour market has supported the turnover of houses. We are not expecting any dramatic increase in prices, as interest rates continue to present too much of a headwind. However, this too will change over time as rate cuts from Danmarks Nationalbank impact consumers' financing costs – at least for those homeowners who have loans with shorter-term fixed rates.

We are looking for house price growth of 4.00% in 2024 and 2.5% in 2025, thus taking nationwide house prices back up around the level they were two years ago when prices peaked before interest rates sent them lower. However, after correcting for the general increase in prices since then, we can see that house prices are still considerably below their last peak in real terms.

Some parts of the market encountered problems in 2024 due mainly to substantial tax increases on owner-occupied apartments. This has caused sales to dip significantly, while showings have also declined. We will likely be well into 2024 before the market finds its feet again, as right now many apartments are worth more for the seller than they are for the buyer.

Headed for an upswing

- **Sweden is finally experiencing positive growth once again. Despite concerns regarding weakness in neighbouring countries such as Germany, most indicators suggest that Swedish exports will continue to perform well. The rise in unemployment needs to be taken with a pinch of salt – the focus should instead be on employment and hours worked, which point to recovery.**

- **Bankruptcies have yet to have any great impact on unemployment. The construction sector is recovering slowly. Housing prices are clearly on the up again, albeit with record high supply.**

- **Inflation as measured by both the CPIF and the CPIF excluding energy has slowed in recent months, with both measures now only just above 2%. Looking exclusively at price movements over the past three months, the decrease is even more appreciable, with both measures then down around 1%. Although inflation may rise again temporarily in May following the Eurovision Song Contest in Malmö and Taylor Swift's concerts in Stockholm, we still expect the Riksbank's inflation target to be reached in June.**

- **The Riksbank made a first policy rate cut in May and is signalling a further two in the second half of the year. We agree that this is an appropriate tempo at which to ease monetary policy this year and expect the Riksbank to continue at the same rate in 2025 with 25bp reductions each quarter but see a clear risk of the Riksbank lowering the policy rate further than advertised.**

%	2023	Forecast 2024	2025
GDP Growth	0.3	1.5 (1.5)	2.0 (2.0)
Inflation	8.6	2.5 (2.5)	1.0 (1.0)
Unemployment	7.7	8.4 (8.3)	8.1 (8.1)
Policy rate*	4.00	3.25 (3.25)	2.25 (2.25)

Paranthesis are the old projections (From March 2023)
**End of period*
Source: Danske Bank, Statistics Sweden, Riksbanken

The era of negative Swedish growth is finally over with GDP starting 2024 rising by 0.7% compared to the previous quarter. The figure showed a broad rise in the Swedish economy that was primarily driven by a great increase in inventories. This is expected as changes in inventories reduced the figure in the previous year at the same time as underlying demand was stronger. We are seeing an inventory adjustment taking place now as the companies' new orders are beginning to exceed their inventory levels as the global manufacturing cycle is turning. What pulled in the other direction, however, is household consumption, which still hasn't taken off. However, this is something that should turn around shortly as the interest rate cuts have started, real wages are rising and at the same time as consumer confidence is rising quickly.

Some are arguing that the Swedish economy will run into headwinds this year because of slower growth in neighbouring countries leading to weaker-than-expected export demand. Often mentioned in this context is Sweden's largest trading

Concerns about weakness in neighbouring countries weighing on Swedish growth are unwarranted, as most indicators point the other way

Gustav Sundén, Macro Analyst

partner, Germany, which currently has its problems. We need to remember, though, that Germany makes up only around 10% of Sweden's export market and is therefore not entirely representative for it in whole. To illustrate this, we weighted the manufacturing PMIs for 86.8% of Sweden's export markets by their share of the total of Swedish exports. We now see instead that a turnaround in the global manufacturing cycle spells stronger global demand, which will buoy Swedish exports. This is also indicated by the Swedish manufacturing PMI's subindex for export orders and Business Sweden's export managers' index, which are both clearly back in expansionary territory.

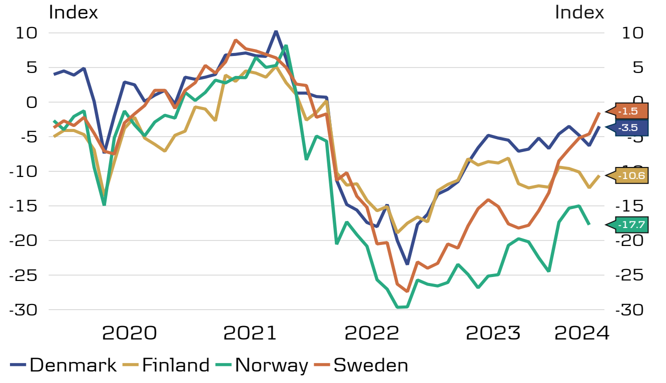
Unemployment continues to rise and hit 8.4% in April, but we would like to tone down the significance of this. To be extra clear, we would stress that this is the unemployment rate, which is defined as the percentage of the labour force (the total number of people who are employed or unemployed) who are out of work. We believe that there is too much focus on this metric and that other labour market statistics are more relevant when assessing the current economic outlook for Sweden. The unemployment rate should rather be seen more as an expression of idle capacity in the labour market, which would point to an economy that is not operating at full potential. So, if the unemployment rate is high, this means that there are considerable resources (in this case labour) that are not being used effectively. Greater weight should instead be given to employment and hours worked. This is because employment is an indicator of the labour market's contribution to income in the economy, while hours worked reflect production and activity in the economy. Employment has fallen only marginally, while the number of hours worked has bounced back strongly over the past six months. The unemployment rate is currently rising mainly because of large inflows of people who were previously outside the labour force, rather than people losing their jobs.

While bankruptcies are record-high, they are currently having only a mild effect on unemployment because the firms going under are mostly microenterprises with very few employees. This is reflected in redundancy notices, as firms will normally release large numbers of employees ahead of bankruptcy, and those with more than five employees when filing must also give staff notice beforehand. Bankruptcies will not therefore have serious effects on the labour market unless there is also a big rise in redundancies as seen in previous periods when bankruptcies and redundancies have risen in tandem.

Residential construction appears to be over the worst, with housing starts seeming to have bottomed out. Byggfakta's indicator is giving early indications that housing starts have increased by 16% since their nadir last year. This trajectory should continue with the easing of cost pressures as the

Swedish consumer confidence is moving sharply higher

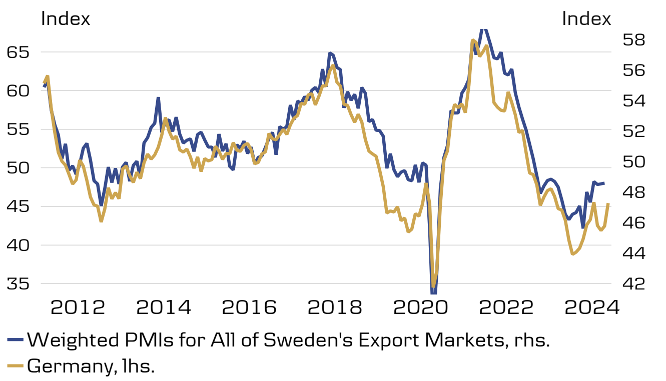
Consumer Confidence



Note: Seasonally adjusted
Source: DG ECFIN

Sentiment in Sweden's export markets not entirely defined by Germany's woes

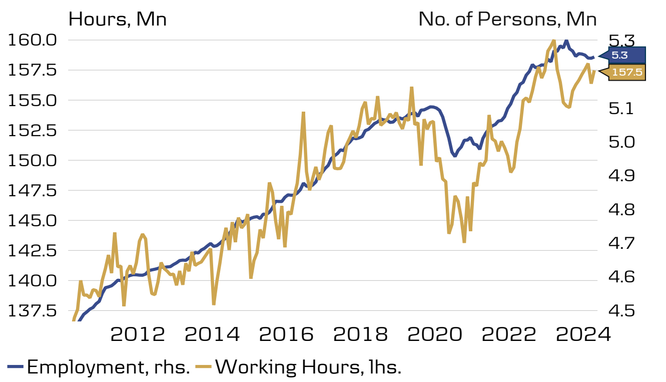
Manufacturing PMI



Note: Seasonally adjusted
Where countries report only a composite PMI, or no PMI at all, we have used standardised confidence measures instead.
Source: Macrobond Financial, S&P Global, Danske Bank calculations

Rise in hours worked suggests growing activity in the business sector

Labour Force Survey, 15-75 years



Note: Seasonally adjusted, three-month rolling average
Source: Statistics Sweden, Macrobond

The Riksbank could find itself caught between an overly high real policy rate and a weaker SEK

Michael Grahn, Chief Economist Sweden

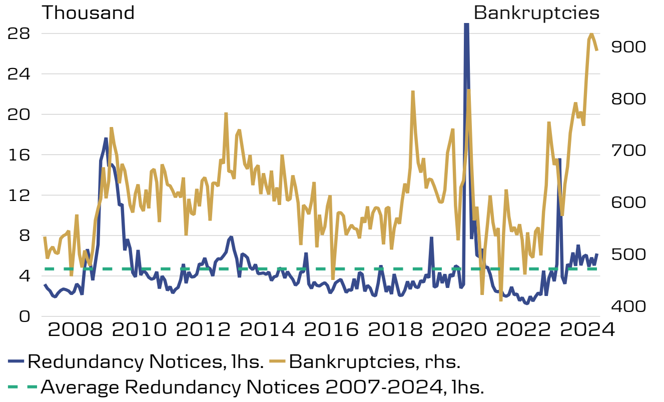
Riksbank have started to bring down interest rates. The recovery will, however, be from very low levels. We have made a simple forecast of Statistics Sweden's building cost index where the interest rate component falls in line with our forecast for the Riksbank, and the other components move as they did in the years before the pandemic. In this scenario, building costs come down, but very moderately – they are only 2% lower at the end of 2025 than they are today. The reason why this effect is not greater is that much of the reduction in interest costs is gobbled up by normal price rises for everything else. However, future housing shortages should not be as serious as originally feared. The Swedish National Board of Housing, Building and Planning's oft-quoted forecast that Sweden needs to build 67,300 new homes a year through to 2030 will, in all probability, be revised down. This is because Statistics Sweden has lowered its forecast for population growth during the same period from around 50,000 to 24,000 people per year because of fewer births, more deaths, lower immigration, and higher emigration than in previous years.

The recovery in housing prices has now stabilised, with prices nationwide up around 4% since the start of the year. It is worth bearing in mind, though, that this is largely a result of normal seasonal patterns. The seasonally adjusted increase so far this year is just 1%. Supply in the housing market is still record-high. Previously, price expectations differed so markedly between buyers and sellers that they crippled the market and prevented sales. So now that we are seeing transactions starting to approach normal levels, this is because the two sides' expectations are converging, which means that we will see only moderate price rises this year. In the coming years, however, we will move to a more predictable economic situation where inflation is under control and rate cuts have an appreciable impact on household finances, which will contribute to normal price increases.

In March and April, inflationary pressures in Sweden dropped well below the Riksbank's expectations at the March monetary policy meeting (its most recent forecast). In April, the target variable (CPIF) was 2.3% and the core measure (CPIF excluding energy) was 2.9%, both 0.4pp below the Riksbank's forecast. Looking at inflation momentum rather than the year-on-year rates, the seasonally adjusted annual rate for the past three months was in both cases only around 1% in April. Measured on a momentum basis, goods inflation and imported inflation have been negative since the end of last year, while domestic inflation, services inflation excluding housing and housing costs are all still slightly above the target.

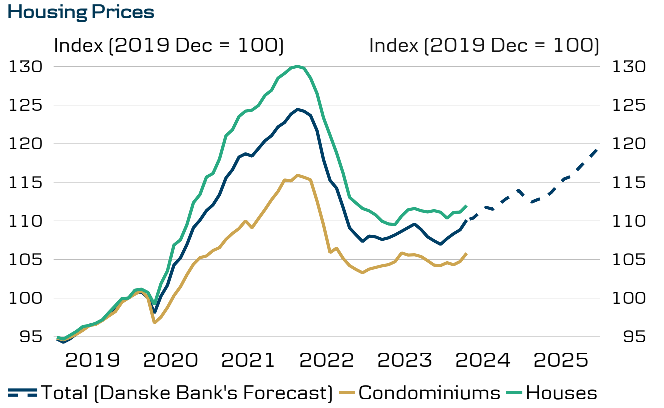
In May, the Eurovision Song Contest in Malmö and Taylor Swift's concerts in Stockholm will probably have a greater impact on inflation (via ticket, hotel, and restaurant prices) than

Mainly microenterprises going under, as reflected in relatively few redundancies



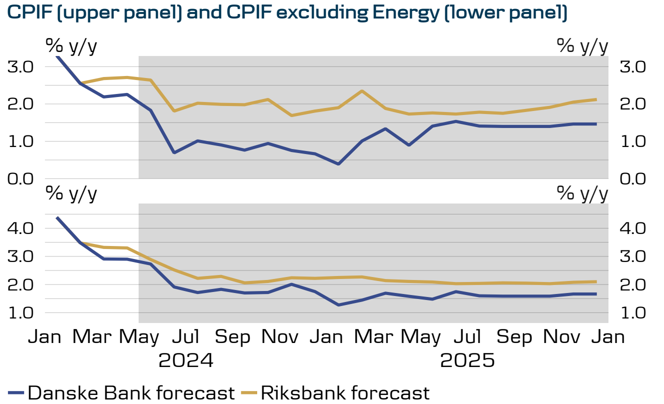
Note: Seasonally adjusted
Source: UC, Swedish Public Employment Service

Housing prices expected to rise, but only cautiously at first



Note: Seasonally adjusted
Source: HOX Valueguard, Danske Bank forecast

We expect both CPIF and CPIF ex energy to be well below Riksbank's forecast



Source: Statistics Sweden, Riksbank, Danske Bank

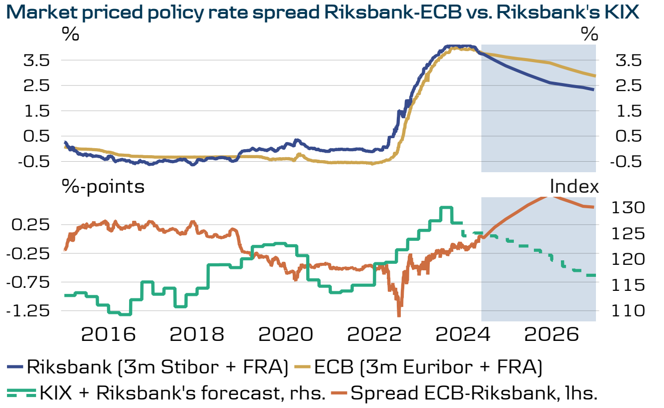
Beyoncé did last year. We expect this effect to be temporary, however, and that hotel prices at least will then drop back again.

Looking ahead, we expect CPIF inflation to fall below 1% in June and remain there over the coming year, and the core rate to move below 2% in June and remain below the target level throughout the forecast period. In other words, we do not expect inflation to undershoot the 2% target only temporarily as some Riksbank Executive Board members are hoping but believe that this will be a persistent phenomenon.

The Riksbank decided to begin easing monetary policy at its meeting in May, presumably thinking that the inflation numbers for March were already low enough in relation to its forecast. Our own view had been that the Riksbank would wait until June, by which time it would have the benefit of more inflation numbers and decisions from the ECB and the Federal Reserve. Looking ahead, we expect the Riksbank to lower the policy rate at each main monetary policy meeting (when it presents new forecasts) for the next 18 months. This leaves the policy rate just above 2% at the end of 2025. We reckon that the gap between the Riksbank and the ECB will need to be limited if we are to avoid a risk of the SEK depreciating further in the coming year. That said, we see a risk of the Riksbank needing to lower the policy rate further than either we or the central bank are forecasting, to prevent the real policy rate from starting to rise again and putting a damper on the economy.

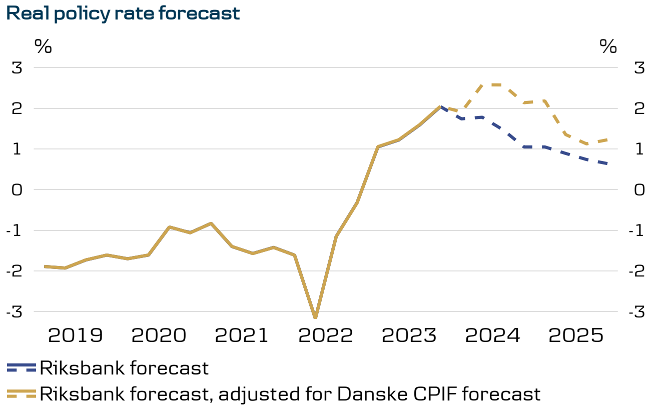
There were no surprises to us in the restrained spring amending budget, which the government said was calibrated to help the Riksbank bring inflation back on target. Given that inflation is widely expected to fall below 2% this summer, and that the government's standing in the polls is so poor, we think it is unlikely that the government will continue to keep its powder dry in the autumn budget for 2025, and an expansive stimulus package is then on the cards. For one thing, we are approaching the second half of the government's term, and it will need to start delivering change if it hopes to stay in power. For another, with Maastricht debt expected to drop well below the interval for the debt anchor, there are increasing calls for a change to the fiscal policy framework to allow deficits in central government finances. Think tank Arena Idé recently published an estimate of the investment needed in Sweden in the coming decades (water and wastewater, roads and railways, power production and distribution, defence, housing and so on), where the government sector's share is a maximum of SEK 170bn per year. The chart alongside illustrates two scenarios for Maastricht debt with different interest rate assumptions (1.5% and 3.0%), assuming that the Swedish economy grows at the historical rate (4.4% nominal GDP growth) and that this government investment feeds fully into GDP. The conclusion is that, even with higher interest rates, government finances would be able to keep the debt-to-GDP ratio stable.

Money markets pricing in further fall in SEK, contrary to Riksbank's forecast



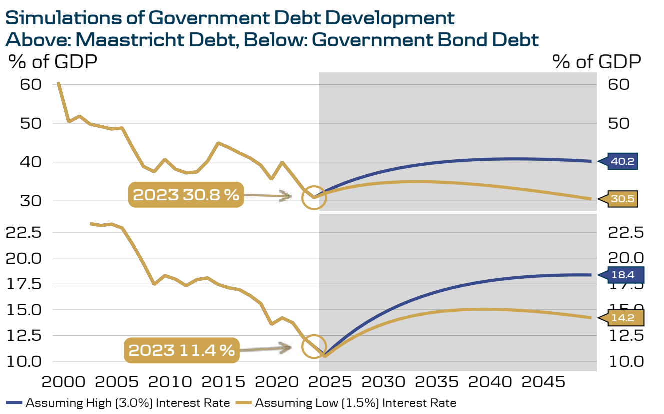
Source: Macrobond, Riksbank, Danske Bank

Our inflation forecast indicates risk of Riksbank keeping real policy rate too high for too long



Source: Statistics Sweden, Riksbank, Danske Bank

Maastricht debt can be kept at reasonable levels despite major future need for investment



Source: Statistics Sweden, Macrobond, Danske Bank calculations

Growth picking up

- **Growth picking up but still below trend.**
- **Positive contributions from exports, oil investments and government demand, but private consumption and investment are pulling the other way.**
- **Labour market still tight, but productivity growth is negative.**
- **Inflation falling faster than expected, but pay deals have been generous.**
- **NOK still exposed to global factors.**
- **Interest rates set to come down – the question is when and how far.**

%	2023	Forecast 2024	2025
GDP Growth	1.1	0.9 (1.1)	2.0 (2.1)
Inflation	5.5	3.4 (3.8)	2.0 (2.0)
Unemployment	1.8	2.1 (2.3)	2.4 (2.5)
Policy rate*	4.50	4.00 (3.50)	3.00 (2.50)

Paranthesis are the old projections (From March 2024)
**End of period*
Source: Danske Bank, Statistics Norway,
Norwegian Labour and Welfare Organization (NAV), Norges Bank

Growth on the up and inflation continuing to fall

The Norwegian economy has performed somewhat better than expected since our March forecast. Although activity levels have been more or less unchanged over the past year, there were signs of improvement late last year and early this year. Mainland GDP increased by 0.2% in the first quarter after rising by 0.3% in the fourth quarter. While growth has picked up, it is still below the trend rate (about 0.35-0.4% quarter-on-quarter), which means that capacity utilisation is likely to fall further.

The headwinds from higher interest rates are fading, and the combination of lower inflation and higher wage growth will now increase households' purchasing power. Private consumption made a relatively weak start to the year, although this may have been affected by the timing of Easter. The savings rate is also still negative, so there are limited prospects of any real upsurge in spending until interest rates come down a fair way. There are also clear signs of optimism dawning in the housing market, although the picture is far from clear-cut. Housing starts appear to have bottomed out, but total housing investment is falling as a result of completions still outstripping starts, and renovation activity still seems weak.

Business investment has fallen for three straight quarters and is now below the long-term trend rate for the first time since the third quarter of 2021. Reduced capacity requirements, growing uncertainty, pressure on profitability in many industries and, not least, a substantial increase in financing costs have presumably contributed to this. Besides weak growth in housing investment, there have been relatively few commercial property starts, so the outlook for construction remains weak despite there still being solid activity on the civil engineering side.

In contrast, large parts of the manufacturing sector are still in great shape. Oil investment remains high despite falling slightly in the first quarter, and mainland exports are still performing well despite a lower rate of growth in the first quarter. High oil investment is boosting activity as a whole, and this looks set to continue for the rest of this year at least. There have also been signs that global manufacturing activity picked up at the beginning of 2024. Along with the relatively weak NOK, this can explain the continued growth in exports excluding oil and gas. However, stronger growth in imports meant that the contribution to growth from net exports was slightly smaller in the first quarter. Government demand is also continuing to prop up growth, and the revised budget will, as expected, provide a slightly stronger stimulus during the course of the year.

Growth has picked up but is still below trend

Frank Jullum, Chief Economist Norway

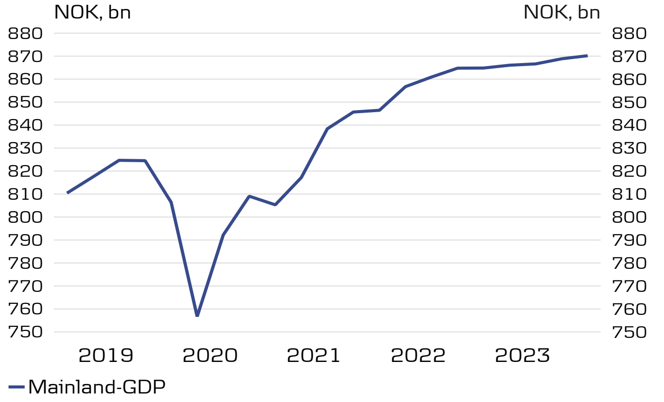
Norges Bank's regional survey before Easter showed firms slightly more optimistic about the growth outlook, but still expecting zero growth in the second quarter. Capacity utilisation was more or less unchanged, with again 31% of firms reporting that they were operating at full capacity. This is below the historical average of 36%, which could indicate that the economy is still operating slightly below capacity.

Although the year has started slightly better than expected, we have revised down our growth forecast for 2024 from 1.1% to 0.9%, mainly because we expect higher interest rates during the year than we did in February. We still expect a more pronounced upturn heading into next year and have therefore lowered our growth forecast for 2025 only marginally from 2.1% to 2.0%.

Labour market still tight

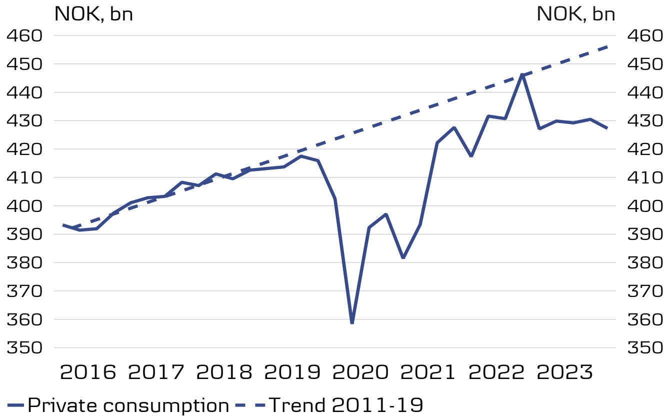
Unemployment is still rising at a very moderate pace and remains low. While there are around 12,000 more people out of work than 12 months ago, the NAV jobless rate (registered unemployment) is still 1.9%. Part of the reason is that job growth appears to have picked up again with the slightly brighter growth outlook. The number of vacancies rose again in the first quarter, returning the vacancy rate from 3.4% to 3.7%, the same level as in the third quarter last year. The number of new job openings does seem to have levelled off slightly in recent months, however, which may be a sign that demand for labour is softening. Meanwhile, employment growth is still a

Growth still below trend



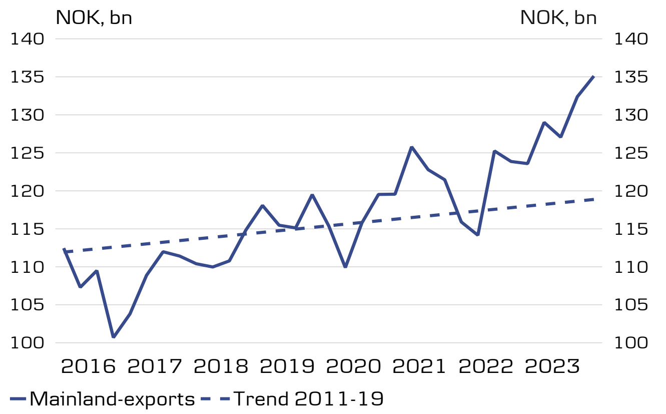
Source: Macrobond, Danske Bank

Private consumption plummeting



Source: Macrobond, Danske Bank

Mainland-exports give strong support to growth



Source: Macrobond, Danske Bank

little higher than production growth, meaning that productivity growth is continuing to deteriorate and remains negative. Negative productivity growth could prove a challenge for many industries given that wage growth this year will probably end up well above 5%. An increase in unit costs of this magnitude may bring a need for cost-cutting, which would mean a higher rate of unemployment than we are assuming.

We expect the jobless rate to rise to 2.1% this year, slightly below our February forecast as a result of the weak productivity growth. Although we expect economic growth to accelerate next year, we also expect productivity growth to improve gradually, with the result that unemployment climbs further to 2.4% in 2025.

Inflation slowing despite further strong wage growth

As the economy has cooled, so too has inflation, falling to 3.6% in April from 4.7% in January and 6.4% a year ago. Core inflation has fallen similarly to 4.4% in April from 5.3% in January and more than 7% at its peak in June last year. However, these inflation numbers measure the increase in prices since the same month last year and therefore incorporate the strong inflation of summer and autumn last year. This makes it debatable how well the annual growth rate represents actual underlying inflation right now.

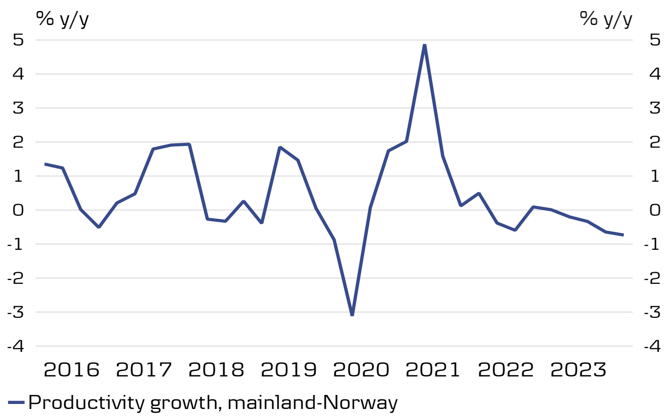
Looking at core inflation, for example, the annualised monthly rate so far this year has been 3.2%, which is much closer to the inflation target of 2% than the annual rate. Even more important, perhaps, is that much of the inflation during this period has come from the rent component. If we exclude this component, the annualised monthly rate so far this year is just 2.7%. The reason why the rent component is interesting is the way it is calculated in the consumer price index: 75% of the rent index is made up of "imputed rent", which basically means the cost to homeowners of living in their own home, and much of that is going to be mortgage rates. All else equal, therefore, the higher mortgage rates are, the higher the rent component in the CPI. Higher interest rates therefore mean higher inflation through this channel, which is a good argument for worrying less about inflation sticking at high levels when much of this is due to higher rents in the CPI. At present, therefore, the underlying rate of inflation may be much lower than the annual rate of core inflation.

Norges Bank's expectations survey shows that inflation expectations too are coming down. The average expectation among respondents (CEOs, economists and the social partners) is now 4.1% in 12 months, down from 4.4% in the previous survey, and 3.8% in 24 months, down from 3.9%. Inflation expectations five years ahead have fallen from 2.9% to 2.6%.

We have revised down our inflation forecast from February and now expect a headline rate of 3.4% this year and 2.0% next year, and a core rate of 3.7% this year and 2.4% next year.

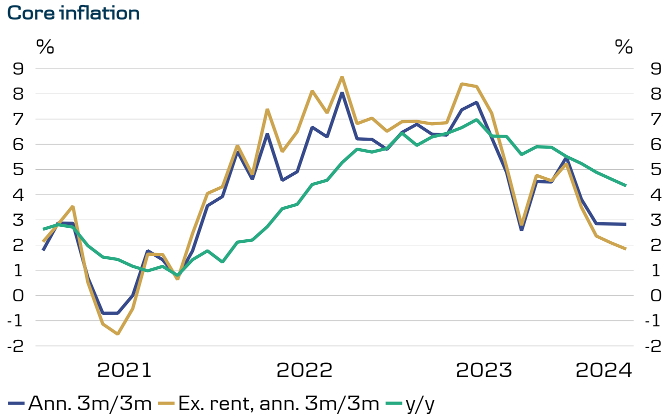
On the other hand, wage growth this year looks set to be much higher than we anticipated. With the labour market still tight, and the unions looking for solid real wage growth, the spring pay settlements ended up signalling 5.2% wage growth in 2024 once both overhang and drift are taken into account. The monthly wage statistics largely confirm the tendency towards strong wage growth this year. While we expect local pay awards to be more modest in many industries where firms' wage competitiveness is weak, we have revised up our forecast for wage growth this year from 4.7% to 5.1%. We also have to admit that we overestimated the social partners' contribution to bringing inflation back under control. Whether this is a more permanent, structural shift in the wage-bargaining model is too early to say, but there is a certain risk of this for as long as

Productivity growth is negative



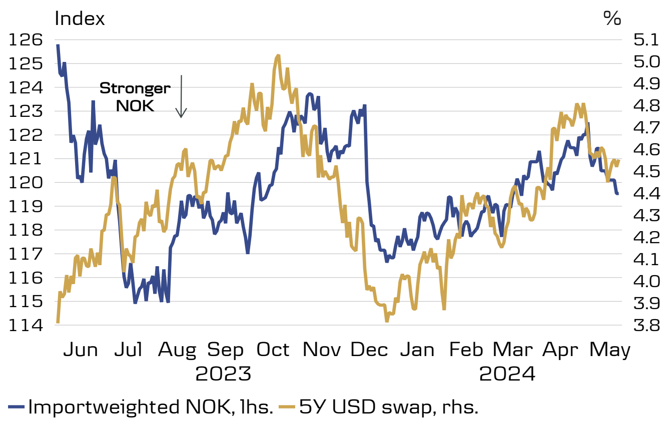
Source: Macrobond, Danske Bank

Inflation lower than at first glance



Source: Macrobond, Danske Bank

Federal Reserve is setting the tone for the NOK



Source: Macrobond, Danske Bank

The spring pay deals were more generous than expected

Frank Jullum, Chief Economist Norway

the Norwegian authorities do not have control of the exchange rate. We have therefore revised up our wage growth forecast for 2025 from 3.5% to 3.8%.

Tighter housing market

After a clear deterioration for much of last year, there has been a surprisingly strong rise in housing prices in the first few months of 2024. The number of properties on the market has also fallen slightly, and turnover has held up relatively well, although it is a long way from its peak. The stock-to-sales ratio fell from 2.7 in October to 2.3 in April. On the other hand, it is taking longer on average to sell a home, the drop in competitive bidding continues and a higher share of properties are being sold through direct negotiation between vendor and purchaser. Sales of new homes seem to have picked up, but from very low levels.

The rise in housing prices is quite surprising given that mortgage rates have increased considerably over the past two years, but the expectation that rates have peaked seems to have fuelled optimism. At the same time, with wages rising by almost 10% over the past two years, real housing prices are now almost 10% lower than they were two years ago. An increase in nominal housing prices from current levels would require households' debt service ratio to increase further from already record-high levels unless interest rates come down. It is also now much more expensive to buy than rent, which has prompted a mass sell-off by landlords. This could indicate that rents need to rise quite a way – or alternatively that prices and/or interest rates need to come down.

NOK driven by global monetary policy

The NOK has been volatile since our March forecast. Following the rate-setting meetings in Norway and elsewhere in mid-March, the NOK fell almost 4% on an import-weighted basis. Strong economic data and slightly weaker inflation news, especially from the US, reduced the expectations of rate cuts that had been priced in at the beginning of the year. As with other cyclical assets, this led to a weaker NOK.

Since the beginning of May, however, this movement has reversed, with growing expectations of rate cuts in the US and elsewhere. We are still concerned that the economic climate might deteriorate during the course of the year, and at the very least we consider the chances of a strong cyclical upswing to be relatively slim. We therefore expect the NOK to remain relatively weak for the rest of the year, especially against the USD.

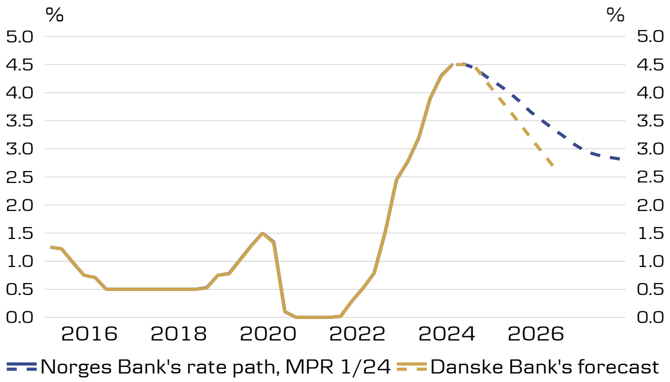
We could, however, be wrong and see a soft landing for the global economy with lower inflation and weaker growth but no recession. Risk appetite would then pick up, and oil prices would climb somewhat, which could gradually strengthen the NOK.

Rate cut in September

As expected, Norges Bank left its policy rate unchanged at 4.5% at its meetings in both March and May. In March,

Rate cuts in sight

Policy rate



Source: Macrobond, Danske Bank

the bank concluded: "Based on the Committee's current assessment of the outlook and balance of risks, the policy rate will likely be kept at that level for some time ahead." The interest projections in the monetary policy report showed a high probability of a rate cut in September, as the governor also stated explicitly at the press conference.

In May, however, the tone was slightly different, with the committee commenting as follows on developments since the March meeting: "The data so far could suggest that a tight monetary policy stance may be needed for somewhat longer than previously envisaged." A weaker NOK, higher global rate expectations, slightly stronger growth and more generous pay settlements than expected were all factors pulling in that direction. On the other hand, inflation had been slightly lower than expected.

As discussed above, we expect economic growth to remain below the trend rate for the rest of this year, with capacity utilisation falling further. Inflation will also come down gradually, and slightly more quickly than Norges Bank assumed in March. Other central banks have already cut their rates or signalled an intention to do so, which will reduce the risk of the NOK depreciating if Norges Bank does lower its policy rate. At the time of writing, the NOK is also back to the levels that the bank assumed in March.

We therefore expect Norges Bank to keep the policy rate unchanged at 4.5% at its meetings in June and August before delivering a first cut in September. We then expect a further reduction in December and four more next year, taking the policy rate to 3.0% at the end of 2025.

We have to say, though, that the risks are clearly skewed towards higher rates – in other words, these cuts could come later than we anticipate. This has less to do with our economic forecast than with Norges Bank's risk assessment. In an economy with a tight labour market and rapidly rising wages but low productivity growth, it would be easy to worry that cost-push inflation will persist or even rise. It would then be important to slow the economy further through tight monetary policy. We think that such worries will ease as inflation comes down, but there is considerable uncertainty here.

Tentative signs of a turnaround

- **Finland's economy recovered from a technical recession at the beginning of the year, but the labour market and low confidence indicators suggest that the economy remained sluggish in the second quarter.**
- **Private consumption supported by falling inflation and the gradual recovery of export demand will set the economy on a growth path during 2024.**
- **Labour markets will remain fairly steady even though some sectors will reduce workforce. Many companies are still struggling with labour shortages, and wages are rising faster than in recent years.**
- **The housing market is gradually picking up as falling interest rates trigger the unleashing of pent-up demand. There will be no significant recovery in housing construction until 2025.**
- **The Finnish government is implementing fiscal adjustment measures aimed at balancing public finances, which is holding back economic growth in the short term. The deficit will continue to remain large, and the debt ratio will increase.**

%	2023	Forecast 2024	2025
GDP Growth	-1.0	-0.4 (-0.4)	1.8 (1.9)
Inflation	6.3	1.8 (2.0)	1.8 (1.6)
Unemployment	7.2	8.2 (7.9)	7.9 (7.4)
Deposit rate*	4.00	3.50 (3.25)	2.75 (2.25)

Paranthesis are the old projections (From March 2024)
**End of period*
Source: Danske Bank, Statistics Finland, ECB

Finland's economy turned somewhat unexpectedly towards growth already in the first quarter of 2024, but the first half of the year will remain weak as a whole due to the port strike, production stoppages, shrinking housing production and sluggish consumer demand. According to the most recent estimates, the gross domestic product declined by 1.0% in 2023. Public expenditure increased, but otherwise the economy weakened more or less across the board. In particular, there was a significant decline in investments. The number of people in employment remained quite stable in 2023, but this spring the labour market has weakened slightly. However, the differences between industries are large. Leading indicators, such as confidence of companies and consumers, show that the economy remained weak in the second quarter. We expect the economy to turn to stronger growth in the second half of the year.

Finland's harmonised inflation rate has remained at a level that is slightly lower than the average inflation rate in the euro area. The falling energy prices, in particular, pushed the harmonised inflation rate to as low as 0.6% in April. As a result of the rise

> **Strengthening growth in the export markets and falling inflation and interest rates will support the Finnish economy in the latter part of the year, but due to the low starting point, economic growth for the whole year will remain weak**
>
> Pasi Kuoppamäki, Chief Economist Finland

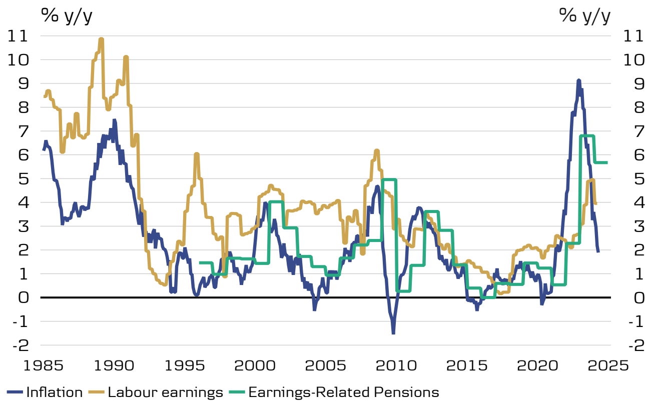
of interest rates that was seen earlier, the domestic measure of inflation was still at 1.9%. Underlying inflation has also decreased, although the price of services continues to rise. The growth of wage and salary earnings accelerated to over 4% last year and will probably remain at a rate of over 3% this year, which is likely to maintain inflation caused by cost pressures elevated especially in the service sector. We expect an increase in the VAT rate to 25.5% in the autumn, which will have a fairly direct impact on prices. We expect that inflation will nevertheless remain at a low level, as the falling energy prices will also lower the prices of goods in the longer term and weak demand will increase the pressure for price competition. The fall in inflation combined with the 2024 increase in wage and salary earnings and earnings-related pensions will help increase real purchasing power, which is a key driver for the recovery of private demand.

We expect an upward turn in private consumption in 2024, but the gradual increase in unemployment will keep demand moderate. Major purchases, such as buying a new car, are still postponed when possible. In 2023, the savings ratio was positive, and saving for a rainy day will likely increase this year as consumers are increasingly worried about unemployment. The increased savings ratio improves the financial security of households, but it temporarily weakens consumer demand.

The high inflation rate in the euro area combined with the tight labour market situation has also been problematic to central banks. Falling inflation will change this. We expect the ECB to lower key interest rates in June. Beyond that, the path of monetary policy is shrouded in uncertainty, but it is likely that key interest rates will continue to be lowered. Market rates are already on a downward path, and our forecast means that the 12-month Euribor rate will continue to go down in 2024 and 2025. The rise of interest rates was felt strongly in Finland's economy in 2023, and it will still have a delayed effect in 2024, but the reference rates of interest applied to housing loans will in many cases be gradually updated to a level that is lower than last year. A decline in interest rates will make the situation easier for debtors and it will support consumption prospects and the housing market in 2024.

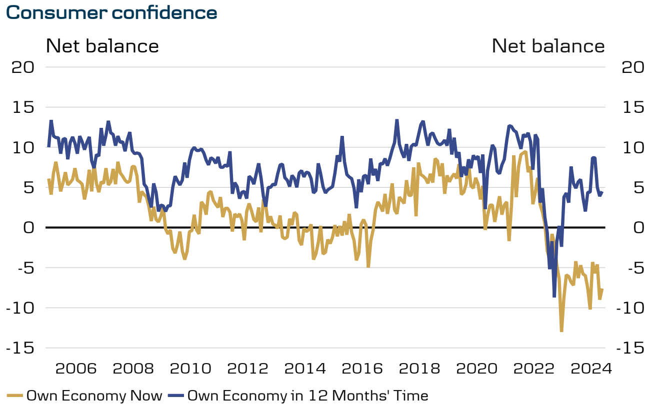
The growth of the world economy and especially the improving economy in the European single market, which is important to Finland, will increase export demand before the end of 2024. The low volume of orders predicted in the industrial confidence survey indicates that industrial production will still remain stagnant during the early part of the summer. The weak demand is partly due to inventory cycles. For example, many customers

Inflation falling making space for real earning growth



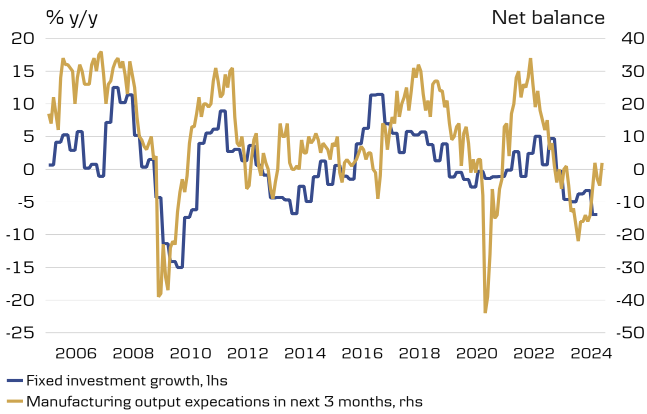
Sources: Macrobond Financial, Statistics Finland, Danske Bank

Consumers optimism still missing



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Investment activity to pick up in coming quarters



Sources: Macrobond Financial, Statistics Finland, EK, Danske Bank of the forest industry disposed of their excessive stocks. The inventory cycle will gradually shift and the flow of new orders will increase. Finland's trade surplus increased towards the end of 2023, and the country's current account is closer to balance.

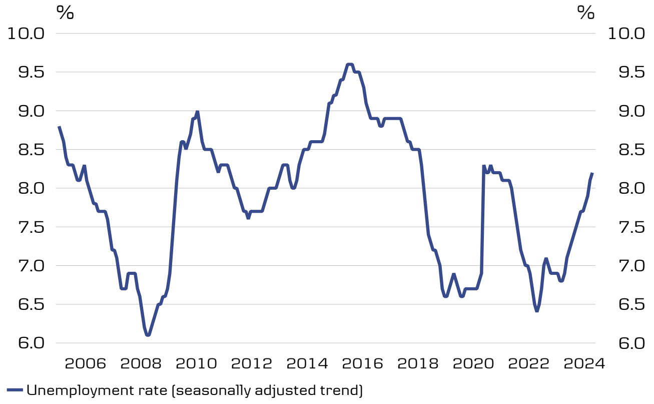
There has been a rather widespread decline in investments. Housing construction, in particular, has fallen dramatically. Industrial investments and spending on research and product development are stagnant. The low level of industrial capacity utilisation and higher financing costs have reduced the willingness to invest. Investments in the green transition will nevertheless continue, for example, in the form of energy efficiency. In the upcoming years, the increasing supply of wind power will also create new business opportunities in the hydrogen economy. As a result of the completion of new wind power plants and the third reactor in Olkiluoto nuclear power plant, Finland is now self-sufficient in terms of electricity. After the current projects have been completed, any construction of additional capacity requires that the demand for electricity is expected to increase. Investments can be expected to slightly increase towards the end of 2024, when revived economic growth and falling interest rates will have a positive effect on the investment climate.

The employment rate trend among people aged 20 to 64 peaked at 78.5% in 2022, but the upward trend stopped last year, with the employment rate trend for 20–64-year-olds falling to 77.1% in April this year. The seasonally adjusted unemployment rate was 8.2% in April. The unemployment rate dipped to 6.1%, in spring 2022 after the recovery following the lifting of the COVID-19-related restrictions. Unemployment is increasing in the construction industry, and hiring prospects in other main industries are also not strong. The rise in unemployment worries consumers and increases the propensity to save. However, a considerable number of companies are still suffering from a shortage of skilled labour, and there is a risk that the working-age population will shrink. In many sectors, the shortage of skilled labour will likely slow down the weakening of labour markets, even though the recession forces companies to adjust.

Compared to the previous forecast, there have been no crucial changes in the circumstances. The first quarter of 2024 was slightly better than expected, but leading indicators do not point to a strengthening economy in the coming months. Unemployment has risen slightly faster than expected. A gradual decrease in interest rates and a pick-up in export markets appear to be unfolding largely according to our previous forecast. Our forecast for Finland's economy remains more or less unchanged for 2024. We expect that demand will pick up in 2025, aided partly by the economy returning to trend growth following a slump and by an increase in construction and other investments after a weak period. However, the government's tightening fiscal policy is holding back the rise. After 2025, a shortage of skilled labour will again dampen high-growth companies' possibilities to expand their business.

There are risks in the short term in both directions. The early part of the year seems to have exceeded expectations, and further positive surprises may lie ahead. On the other hand, geopolitical risks have not eased during the spring. In the euro area, one risk is that inflation remains persistently high, which would delay the decrease in interest rates. In Finland, there is significant uncertainty regarding the outlook for the construction industry.

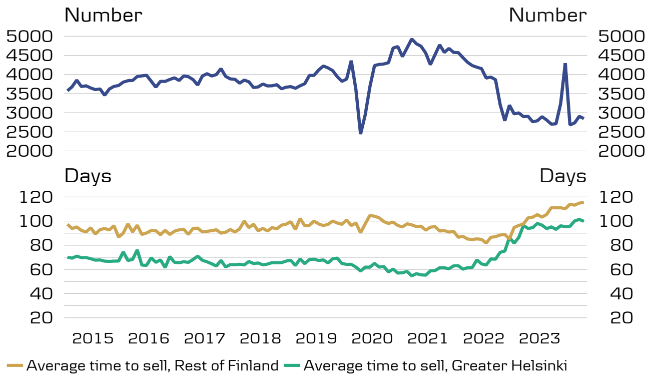
Unemployment rises in the weak cyclical situation



Sources: Macrobond Financial, Statistics Finland, EK, Danske Bank

Housing market still slow

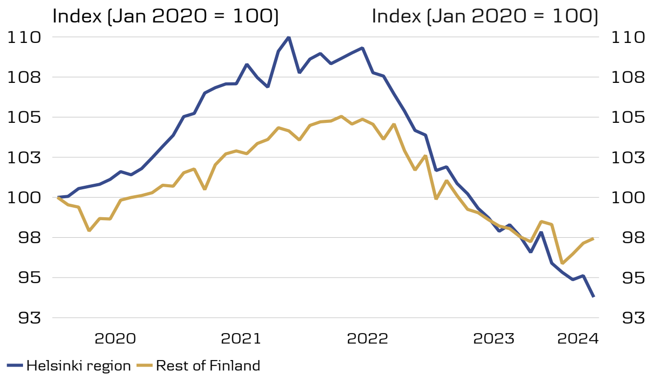
Real Estate Transactions, Monthly, Old Dwellings, s.a.



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Housing prices found firmer ground during spring

Prices of dwellings in housing companies



Sources: Macrobond Financial, Statistics Finland, Danske Bank

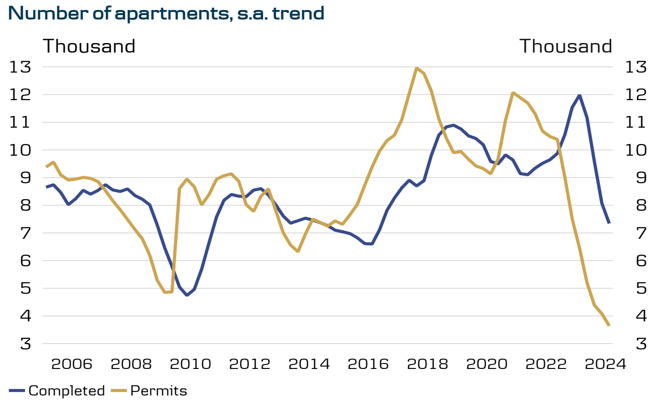
The number of housing transactions has remained roughly a fourth below the previous years' average level. According to preliminary information from Statistics Finland, the prices of re-sold owner apartments fell by 5.1% year-on-year and by 1.5% quarter-on-quarter in the first quarter of 2024. At the same time, sales of re-sold owner apartments taking place through real estate agents decreased by 12% year-on-year. The transfer tax exemption applied to first-time home buyers was revoked at the turn of the year, bringing housing transactions to a halt particularly in January. On a monthly level, housing transactions have picked up since January, and prices have also risen slightly. According to the Federation of Real Estate Agency, transaction volumes increased significantly in April compared to a year ago. The sales of new homes have contracted more sharply than sales of existing homes. The higher interest rate level continues to weigh on the housing market, there is an oversupply of new apartments, and consumers' planned housing purchases are currently at a low level. However, most people with housing loans have still been able to manage their loans as before. The circumstances for an increase in housing transactions will improve in summer 2024, when point reference rates for housing loans will most likely continue to fall and pent-up demand could gradually be unleashed.

Sluggish demand, increased construction costs and the higher interest rate level led to a notable downward trend in housing construction, which will last throughout 2024. In the construction sector, the number of bankruptcy petitions increased already in summer 2023. The stock of unsold new apartments will increase on a temporary basis, which puts pressure on the price level and reduces incentives for further construction. However, the population of Finland will continue to grow, and more apartments will be needed in growth centres, which means that low construction volumes will eventually result in housing shortage. The unleashing of pent-up demand will increase the demand for new construction in the second half of 2024, but due to the time required for permit applications and other construction-related processes, any considerable revival of housing construction will not take place until in 2025. Unemployment among construction architects rose to an exceptionally high level in the early part of 2024.

The government aims to balance Finland's public finances through expenditure cuts, tax increases and by means of structural reforms accelerating growth at a total level of EUR 9bn. Approximately EUR 6bn will be achieved through expenditure savings, over 1bn through taxation, with the remaining €2bn aimed to be achieved through higher employment The VAT rate is set to be increased to 25.5%, making it the second highest in the world after Hungary. Cuts to social security potentially weaken aggregate demand in the short term but, in the long run, they will most likely increase incentives to work and strengthen public finances. Despite the savings measures, public deficit will remain high this year, exceeding 3% in relation to the gross domestic product. There will continue to be major cost pressures in the healthcare and social welfare sector after 2024, for example, but the deficit will shrink to below 3%.

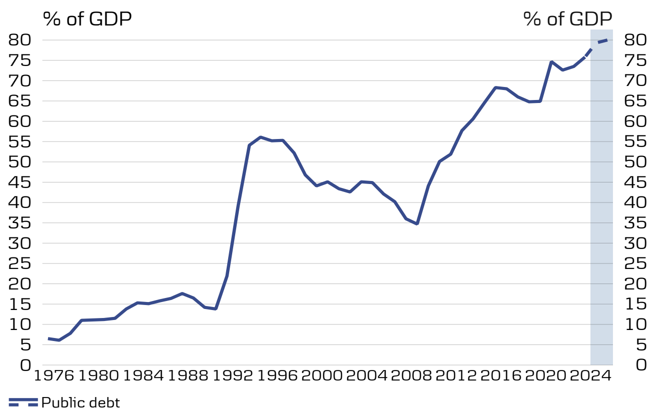
Public debt has increased at a rapid rate and continues to grow. According to the government's supplementary budget, the net borrowing of the state is estimated to amount to nearly EUR 13bn in 2024. The 10-year interest rate on the public debt of Finland stayed at approximately 3% in the spring. Compared to Germany, the difference in interest rates has remained rather stable. Credit rating institutions have taken a calm approach to the incurrence of debt, confident that Finland has a well-functioning political system. However, they are still waiting for structural reforms that would narrow the sustainability gap, and for the fiscal adjustment measures related to public finances. In light of the measures announced by the government, we expect Finland's credit ratings to remain unchanged in 2024.

Housing construction into a significant decline



Sources: Macrobond Financial, Tilastokeskus, Danske Bank

Public debt grows despite expenditure cuts



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Macro forecasts - Denmark

	2023	2023	Forecast 2024	2025
National Accounts	DKK bn (Current prices)	y/y	y/y	y/y
Private consumption	1240.5	1.3%	2.2%	1.7%
Government consumption	629.9	0.0%	1.3%	1.8%
Gross fixed investment	605.6	-5.0%	-1.9%	2.4%
- Business investment	373.0	-4.3%	-2.0%	3.3%
- Housing investment	140.9	-10.2%	-1.6%	0.5%
- Government investment	91.7	0.9%	-1.9%	1.5%
Growth contribution from inventories		-1.9%	-0.5%	0.0%
Exports	1922.6	12.5%	8.8%	1.9%
- Goods exports	1131.1	10.2%	8.3%	2.7%
- Service exports	791.5	15.2%	9.4%	0.8%
Imports	1651.3	7.7%	6.3%	1.7%
- Goods imports	948.6	3.2%	8.9%	2.2%
- Service imports	702.7	14.2%	2.8%	1.1%
GDP	2791.7	1.8%	2.1%	2.0%
Economic indicators				
Current account, DKK bn		367.2	364.3	376.5
- Share of GDP		13.2%	12.5%	12.5%
General government balance, DKK bn		97.0	55.0	32.0
- Share of GDP		3.5%	1.9%	1.1%
General government debt, DKK bn		828.0	815.0	805.0
- Share of GDP		29.7%	28.0%	26.7%
Employment (annual average, thousands)		3214.4	3214.6	3215.4
Gross unemployment (annual average, thousands)		83.4	88.9	92.3
- Share of total work force (DST definition)		2.8%	3.0%	3.1%
House prices, y/y		-0.7%	3.0%	2.0%
Private sector wage level, y/y		4.1%	5.3%	3.6%
Consumer prices, y/y		3.3%	2.0%	1.9%
Financial figures				
Lending Rate*		3.75%	3.00%	2.00%
Certificates of deposit Rate*		3.60%	2.85%	1.85%

*End of period
Source: Danske Bank, Statistics Denmark, Nationalbanken, Confederation of Danish Employers (Dansk Arbejdsgiverforening)

Macro forecasts - Sweden

	2023	2023	Forecast 2024	2025
National Accounts	SEK bn (Current prices)	y/y	y/y	y/y
Private consumption	2782.5	-2.2%	1.3%	2.6%
Government consumption	1621.1	1.3%	0.7%	1.5%
Gross fixed investment	1555.0	-1.0%	-0.3%	2.3%
Contribution from invetory change		-1.3%	0.4%	0.1%
Domestic demand	5958.1	-0.9%	1.1%	2.3%
Exports	3424.8	3.6%	1.9%	3.0%
Aggregate demand	9382.9	0.7%	1.4%	2.6%
Imports	3176.9	-0.7%	1.4%	3.8%
Contribution from net exports	247.9	2.3%	0.4%	-0.2%
GDP	6206.0	0.1%	1.4%	2.0%
GDP, calendar adjusted	6208.4	0.3%	1.5%	2.0%
Economic indicators				
Trade Balance, SEK bn		247.5	270.2	254.8
- share of GDP		4.0%	4.3%	4.0%
Current Account, SEK bn		297.5	320.2	304.8
- share of GDP		4.8%	5.1%	4.7%
Public budget, SEK bn		-34.0	-50.0	-40.0
- share of GDP		-0.5%	-0.8%	-0.6%
Public debt ratio*		31.0%	30.0%	30.0%
Unemployment rate		7.7%	8.4%	8.1%
Consumer prices, y/y		8.6%	2.5%	1.0%
CPIF, y/y		6.0%	1.5%	1.3%
CPIF excl. Energy, y/y		7.5%	2.4%	1.6%
Hourly Wages, y/y		3.8%	3.5%	2.5%
House prices, y/y		-7.0%	1.0%	5.0%
*Maastricht definition				
Financial Figures				
Leading policy rate*		4.00%	3.25%	2.25%

**Year end*
Source: Danske Bank, Statistics Sweden, Valueguard, Sveriges Riksbank

Macro forecasts - Norway

	2023	2023	Forecast 2024	2025
National Accounts	**NOK bn (Current prices)**	y/y	y/y	y/y
Private consumption	1922.9	-0.8%	0.6%	2.5%
Government consumption	1121.9	3.4%	2.0%	1.6%
Gross fixed investment	1196.5	0.0%	4.0%	4.0%
Petroleum activities	216.1	10.6%	8.5%	-2.0%
Mainland Norway	969.1	-1.2%	-5.0%	4.5%
Dwellings	207.7	-15.6%	-12.0%	5.0%
Enterprises	499.3	4.0%	-6.5%	0.0%
General government	262.0	3.0%	4.0%	3.0%
Exports	2419.6	1.4%	3.5%	3.0%
Crude oil and natural gas	1194.1	-1.1%	3.5%	3.5%
Traditional goods	662.2	6.1%	4.0%	3.0%
Imports	1664.4	0.7%	1.5%	1.8%
Traditional goods	993.3	-3.7%	1.0%	1.5%
GDP	5126.5	0.9%	1.2%	2.5%
GDP Mainland Norway	3855.4	1.1%	0.9%	2.0%
Economic indicators				
Employment, y/y		1.3%	0.1%	0.4%
Unemployment rate (NAV)		1.8%	2.1%	2.4%
Annual wages, y/y		5.3%	5.1%	3.8%
Core inflation, y/y		6.2%	3.7%	2.4%
Consumer prices, y/y		5.5%	3.4%	2.0%
House prices, y/y		0.2%	3.0%	5.0%
Financial figures				
Leading policy rate*		4.50%	4.00%	3.00%

**End of period*
Source: Danske Bank, Statistics Norway, Real estate Norway, Norwegian Labour and Welfare Organization (NAV), Norges Bank

Macro forecasts - Finland

	2023	2023	Forecast 2024	2025
National Accounts	EUR bn (Current prices)	y/y	y/y	y/y
GDP	277.8	-1.0%	-0.4%	1.8%
Imports	114.9	-7.1%	-1.5%	3.5%
Exports	113.7	-1.7%	-2.5%	3.5%
Consumption	215.8	1.7%	0.7%	0.9%
- Private	145.9	0.4%	0.5%	1.2%
- Public	69.9	4.5%	1.0%	0.2%
Investments	64.8	-4.2%	-3.0%	5.0%
Economic Indicators				
Unemployment rate		7.2%	8.2%	7.9%
Earnings, y/y		4.2%	3.5%	2.5%
Inflation, y/y		6.3%	1.8%	1.8%
Housing prices, y/y		-6.3%	0.0%	3.5%
Current account, EUR Bn		-4.0	-3.0	-2.0
- share of GDP		-1.4%	-1.1%	-0.7%
Public deficit, share of GDP		-2.7%	-3.9%	-2.7%
Public debt, share of GDP		75.8%	79.5%	80.0%
Financial Figures				
ECB deposit rate*		4.00%	3.50%	2.75%

**End of period*
Source: Danske Bank, Statistics Finland, ECB

Macro Forecasts - Euro area

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
Unemployment rate	6.5%	6.5%	6.5%	6.6%	6.6%	6.6%	6.5%	6.5%
HICP, y/y	2.6%	2.5%	2.2%	2.3%	2.2%	2.1%	2.0%	2.0%
Core HICP, y/y	3.1%	2.8%	2.7%	2.8%	2.5%	2.2%	2.0%	2.0%
ECB deposit rate*	4.00%	3.75%	3.75%	3.50%	3.25%	3.00%	2.75%	2.75%

**End of period*
Source: Danske Bank, Eurostat, ECB

Macro Forecasts - United States

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.3%	0.4%	0.4%	0.4%	0.3%	0.4%	0.5%	0.6%
Unemployment rate	3.8%	3.9%	4.0%	4.2%	4.4%	4.4%	4.5%	4.5%
CPI, y/y	3.2%	3.4%	3.1%	3.1%	2.6%	2.3%	2.5%	2.7%
Core CPI, y/y	3.8%	3.5%	3.3%	3.1%	2.7%	2.5%	2.5%	2.5%
Fed Funds target rate*	5.50%	5.50%	5.25%	5.00%	4.75%	4.50%	4.25%	4.00%

**End of period*
Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed

Macro Forecasts - United Kingdom

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	-0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.3%	0.4%
Unemployment rate	4.2%	4.5%	4.6%	4.7%	4.8%	4.9%	4.9%	4.8%
CPI, y/y	4.0%	1.8%	2.0%	2.3%	2.1%	1.9%	1.9%	1.7%
Core CPI, y/y	5.0%	3.5%	2.9%	2.4%	2.2%	2.0%	1.9%	1.9%
BoE Bank Rate*	5.25%	5.00%	4.75%	4.50%	4.25%	4.00%	3.50%	3.00%

**End of period*
Source: Danske Bank, Bank of England, The Office for National Statistics

	Year	GDP*	Private cons.*	Public cons.*	Fixed inv.*	Ex-ports*	Im-ports*	Infl-ation*	Wage growth *	Unem-ployme. **	Public budget ***	Public debt ***	Current acc. ***
Danmark	2023	1.8	1.3	0.0	-5.0	12.5	7.7	3.3	4.1	2.8	3.5	29.7	13.2
	2024	2.1	2.2	1.3	-1.9	8.8	6.3	2.0	5.3	3.0	1.9	28.0	12.5
	2025	2.0	1.7	1.8	2.4	1.9	1.7	1.9	3.6	3.1	1.1	26.7	12.5
Sweden	2023	0.2	-2.5	1.8	-1.2	3.7	-0.6	8.6	3.8	7.7	-0.4	29.0	5.8
	2024	1.5	1.7	0.7	-0.5	3.0	2.9	2.5	3.3	8.3	-0.8	30.0	5.9
	2025	2.0	2.4	1.5	2.7	3.2	3.8	1.0	2.5	8.1	-0.8	30.0	5.6
Norway	2023	1.1	-0.7	3.6	0.3	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	1.1	1.3	2.0	4.0	3.5	1.5	3.8	4.7	2.3	-	-	-
	2025	2.1	2.5	1.6	4.0	2.0	1.8	2.0	3.5	2.5	-	-	-
Euro area	2023	0.5	0.5	0.2	1.3	-0.4	-0.9	5.4	4.5	6.5	-3.2	90.6	2.5
	2024	0.5	0.7	0.9	1.8	1.2	1.9	2.4	4.3	6.6	-2.9	89.9	2.0
	2025	1.3	1.5	1.0	1.2	2.9	3.1	2.1	3.4	6.6	-2.7	89.0	2.0
Finland	2023	-1.0	-1.0	5.1	-5.1	-1.8	-7.4	6.3	4.2	7.2	-2.7	74.9	-1.0
	2024	-0.4	0.2	0.1	-1.5	-2.0	-1.0	2.0	3.5	7.9	-3.6	78.0	-0.4
	2025	1.9	1.2	0.2	4.0	3.0	2.5	1.6	2.5	7.4	-2.8	78.7	0.0
United States	2023	2.5	2.2	4.0	0.6	2.7	-1.6	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	2.0	1.6	3.5	2.1	2.3	2.8	2.7	3.2	3.9	-5.8	126.8	-2.8
	2025	1.4	1.1	2.0	3.6	2.9	4.4	2.5	2.5	4.2	-5.8	128.6	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.0	1.5
	2024	4.5	5.5	-	3.8	-	-	0.7	-	5.2	-7.0	87.4	1.4
	2025	4.5	5.5	-	3.8	-	-	1.5	-	5.2	-7.3	91.8	1.1
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	0.0	-	-	-	-	-	2.5	-	4.5	-	-	-
	2025	1.0	-	-	-	-	-	1.9	-	4.9	-	-	-

* % y/y. ** % of labour force. *** % of GDP.
Source: OECD and Danske Bank.

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Report completed: 3 June 2024, 16:00 CET

Report first disseminated: 4 June 2024, 6:00 CET

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