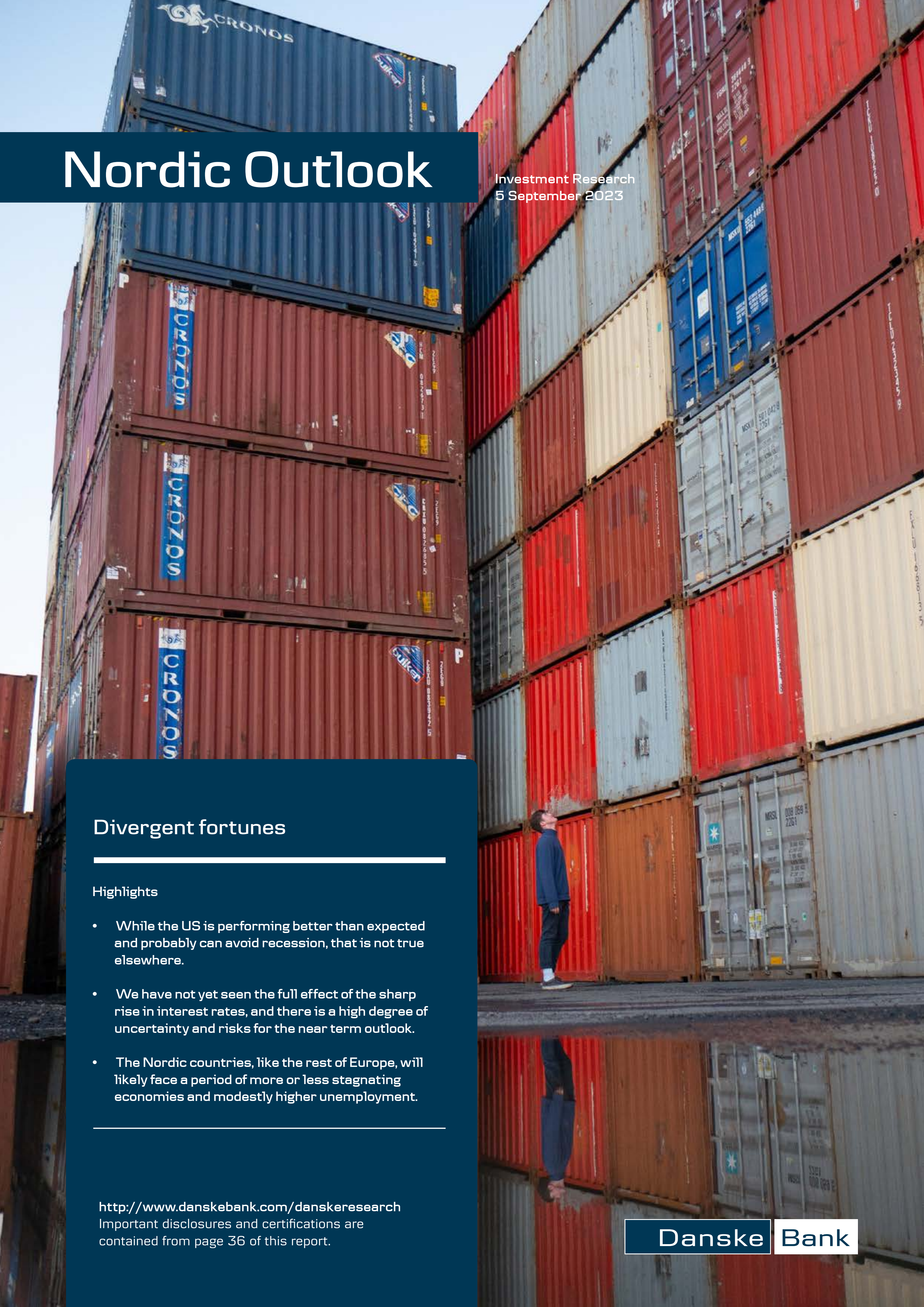

Nordic Outlook

Investment Research
5 September 2023

Divergent fortunes

Highlights

- While the US is performing better than expected and probably can avoid recession, that is not true elsewhere.
- We have not yet seen the full effect of the sharp rise in interest rates, and there is a high degree of uncertainty and risks for the near term outlook.
- The Nordic countries, like the rest of Europe, will likely face a period of more or less stagnating economies and modestly higher unemployment.

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

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Divergent fortunes

Global The US economy has done better than expected recently, while more troubling signs have emerged in China. Inflation is coming down, but we have not yet seen the full effect of the sharp monetary policy tightening that has happened over the last year. Our main scenario is for a soft landing with a mild increase in unemployment in major economies, but the risk of a worse outcome remains large.

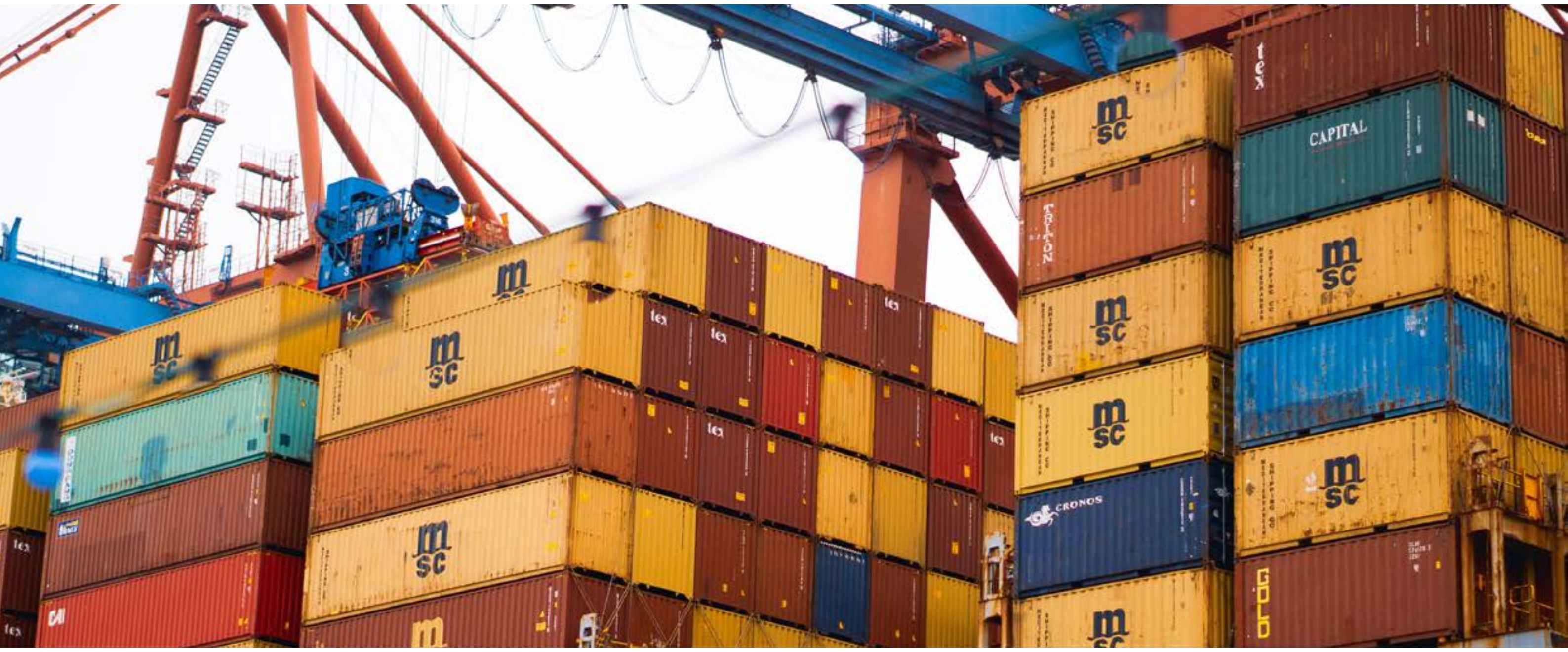
Euro area The near-term economic outlook has clouded as the previously strong service sector now also shows signs of weakness. Monetary headwinds persist, and, both cyclical and structural issues weigh especially on manufacturing. Our forecasts show core inflation still above 2% by the end of 2024 due to a tight labour market and sticky inflation. Securing a leading position in the green transition race remains a key goal, but growing political divisions in the EU pose a challenge. We expect the ECB to deliver a final 25bp hike in September and foresee rate cuts only in the summer 2024, which brings the deposit rate at 3.25% by the end of 2024.

Denmark Danish GDP growth is supported by the pharmaceutical industry, not least the success of Novo Nordisk, but large parts of the economy are facing stagnation or recession. Going forward, there is a good basis for growth in consumer demand, but we expect more weakness in investment and for parts of exports, and all in all, we expect modestly higher unemployment. House prices have declined but not nearly enough to compensate for higher interest rates. Prices now appear to have stabilised, but we see a risk for renewed declines especially in the more expensive parts of the market.

Sweden The outlook for the Swedish economy has become blurred after SCB released Q2 GDP showing a significant drop. Contrary to that, employment continues to set new record highs. As a result we now take half a step back from the upward revision made in June, seeing no growth. Inflation remains high, but front-loaded inflation suggest is falling rapidly now, as are business selling expectations. Riksbank, however, will be cautious to claims any victory and we expect another final 25 bp rate hike in September to 4%, followed by rate cuts in April and every quarter of the following year, leading to a policy rate of 3% by the end of 2024.

Norway Higher interest rates are now really beginning to bite in the Norwegian economy. Growth has stalled under pressure from weak private consumption and housing investment. Unemployment is still low but edging up, and employment has started to slow. Inflation has continued to be higher than expected, and price and wage expectations are creeping up. Ever higher mortgage rates have put a damper on demand and brought a better balance to the housing market, and prices there are probably set to fall slightly. The NOK was buoyed by growing rate differentials over the summer but remains susceptible to global risks. Norges Bank will probably stick to its plan of raising the policy rate again in September, but this is likely to be the final increase in the current cycle.

Finland Finland's economic growth will stagnate in H2 2023. Rising interest rates are holding back the economy with lagged effects. Housing construction faces a significant slowdown. Flow of export orders remains sluggish in the short term. Economic growth should pick up in 2024 as a result of private consumption supported by falling inflation, lower interest rates and the reinvigoration of export demand. Outside construction, the labour market looks stable and wages are rising faster than in recent years. Housing prices will fall in 2023, but the unleashing of pent-up demand and the fall in interest rates will stimulate the housing market in 2024. The new government will gradually start to tighten fiscal policy.



The landing continues

- It looks like a soft landing, but risks of a worse outcome are large, as we have yet to see the full effect of the monetary policy tightening, as inflation remains too high at least in Europe, and as key figures paint a very mixed picture of the near term outlook.
- It is a good sign that the US has managed to bring inflation down without a recession and while maintaining low unemployment, whereas economic data for both the euro area and China have weakened, creating new uncertainties.
- Low unemployment and high wage growth continue to create inflation fears in central banks in many countries but also creates the hope that we can land the economy with less damage to household finances than might have been expected.

Following the overheating and high inflation of 2023, the global economy continues to make progress towards normalisation. Most importantly, inflation continues to decline. Some of that is due to easing of supply restrictions, not least the return of full production in the service economy following COVID-19 restrictions, but mostly, we ascribe the global inflation decline to the monetary policy tightening that has dampened demand and reduced inflation expectations.

However, the adjustment is far from complete. In most of Europe, including the Nordic countries, consumers face domestically driven cost increases month for month that are too high to reach a 2% annual inflation goal. At the same time, the euro area economy seem to be going from stagnation to contraction, judging from the most recent data. Many European companies, especially in manufacturing and construction, are struggling with lower demand, and that seems now to be spreading to the service sector.

A period of weakness is probably an unavoidable part of the adjustment, but the risk remains large, in our view, that the weakness becomes deeper than needed. The increase in interest rates over the last year is on a scale rarely seen and its effects are hard to predict. On top of that, China, which is normally an important driver of global growth, faces its own challenges. The risk of a severe crisis in China remains quite small in our view, but we are likely to see at least a period of weaker growth, on top of the political tensions that are affecting trade rules and creating uncertainty for businesses.
The US economy is a source of hope. Here, inflation seems almost tamed without the economy having gone through a recession. This is a good sign also for the rest of the world, not only because the US economy is world's largest, but also

Experience shows that unemployment can suddenly increase rapidly in a recession, and that risk remains real across many economies

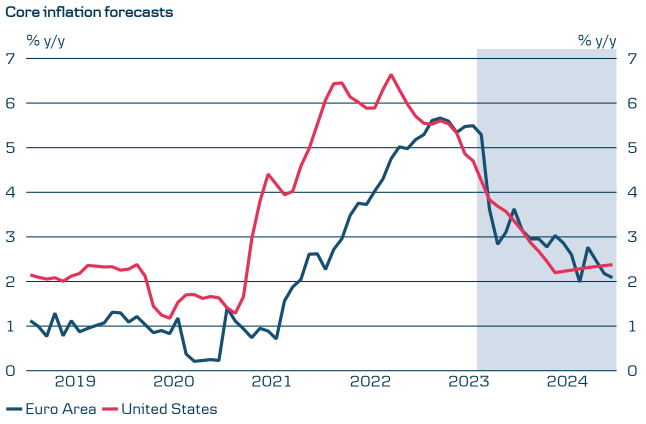
Las Olsen, Chief Economist at Danske Bank

because it might just be somewhat ahead in the economic cycle and its experience could be repeated elsewhere. Still, also in the US, we have not yet seen the full effect on the real economy of the monetary policy tightening we have been through and the recession risk remains high, even though it is not our main scenario.

Unemployment has started to edge up in some places, including the Nordic countries, but it remains very low by historical standards. An expanding labour-intensive service sector has contributed to job growth in much of Europe even as manufacturing is challenged both cyclically and in some cases also more structurally, for example by the green transition and changing energy supply situation. Still, experience shows that unemployment can suddenly increase rapidly in a recession, and that risk remains real across many economies.

Low unemployment is one factor behind continued high wage growth. This is a cause for concern among central banks as higher wages might be expected to lead to higher prices for goods and services. However, this relationship is not straightforward. In Europe, real wages have declined sharply during the high inflation period, which in theory means that we

The inflation problem is not solved yet



Source: Macrobond Financial, Danske Bank

could have a period of non-inflationary real wage growth now, although that depends on many other variables and cannot be taken for granted. In the US, we have seen a combination of quite low inflation and quite high wage growth recently which creates the hope, also in financial markets, that the economy's potential is improving in a way that can allow for both.

We remain somewhat sceptical of that, even with the potential productivity gains from artificial intelligence and large investments made by governments and companies. Still, even the possibility is a welcome change from the discussions about low productivity growth and low investment returns that have been dominant since the financial crisis and in a world still dominated by downside short-term risks.

US
US economy continues to defy expectations of a slowdown. Outlook for consumption remains downbeat, as signs of weakening have begun to emerge, but we have still revised our GDP forecast higher following the recent boom in investments.

Euro area
Deteriorated near-term growth outlook due to weaker service sector, persisting monetary headwinds, and fading fiscal support. Sticky underlying inflation and elevated inflation expectations will keep ECB in tightening mode.

China
China is facing big economic challenges with a housing crisis, exports recession and waning consumption growth. However, we expect a batch of stimulus measures to fend off a deeper crisis and look for growth at 4.8% this year.

Contraction ahead

- The near-term economic outlook has clouded as the previously strong service sector now also shows signs of weakness. Monetary headwinds persist, and both cyclical and structural issues weigh especially on manufacturing sector. Together with a deteriorated outlook for the Chinese economy, we expect a minor contraction in the euro area in the second half of 2023.

- Our forecast shows core inflation will still be above 2% by the end of 2024 due to a tight labour market and sticky inflation. Higher than expected wage increases and the green transition still present upside risks.

- We expect the ECB to deliver a final 25bp hike in September, due to the still too high inflation expectations in the medium term despite the weak growth outlook. We expect rate cuts only from summer 2024, which will bring the deposit rate to 3.25% by the end of 2024. Overall, the monetary policy outlook remains more uncertain than usual.

- EU will reintroduce fiscal rules in some form at the beginning of 2024, which will make the fiscal stance tighter. On the other hand, it also remains a key goal for Europe to secure a leading position in the green transition.

	2022	Forecast 2023	2024
GDP Growth	3.4%	0.5% (0.5%)	0.8% (1.0%)
Inflation	8.4%	5.5% (5.3%)	2.6% (2.8%)
Unemployment	6.7%	6.5% (6.7%)	6.8% (6.6%)
Policy rate*	2.00%	4.00% (4.00%)	3.25% (3.25%)

Paranthesis are the old projections (From June 2023)
**End of period*
Source: Danske Bank, Eurostat, ECB

The euro area economy fared better than expected in the first half of the year despite the previous energy crisis and inflation shock. Overall economic activity increased driven by a strong service sector while the manufacturing sector struggled with declining activity. However, the outlook for the remainder of the year has clouded. Recent indicators show that the service sector has started to contract like the manufacturing sector. External demand is deteriorating due to challenges in the Chinese economy, while internal demand is yet to see the full impact of the ECB's monetary tightening. Consequently, we expect a contraction in the euro area GDP in the second half of 2023 and foresee no meaningful rebound before next summer.

Labour markets in the euro area have been remarkably strong, despite a significant monetary policy tightening. Typically, the labour market is one of the last areas of the economy to feel the impact of monetary policy; however, the outright employment gains this year have been surprising. Business surveys suggest that hiring have only recently come close to a stall. Going forward, we expect the labour market to remain tight, but a reduction in manufacturing jobs will cut some slack.

The outlook for the remainder of the year has clouded. Recent indicators show that the service sector has started to contract like the manufacturing sector.

Rune Thyge Johansen, Analyst at Danske Bank

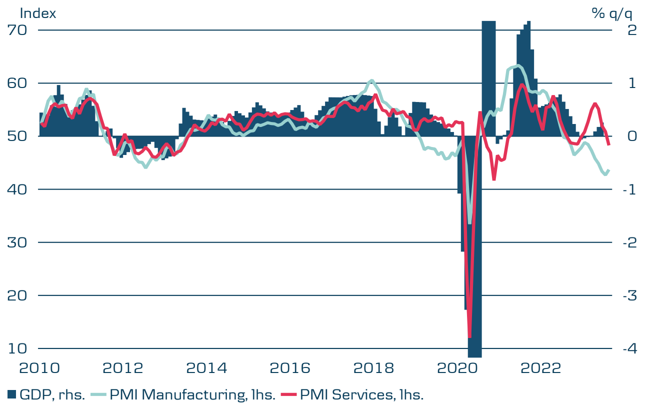
The inflationary pressure has declined sharply since last year when reviewing the headline figures. Nevertheless, underlying measures of inflation have shown a high degree of stickiness, and this has consequently kept the ECB in tightening mode. The drivers of inflation have shifted from external sources to internal pressures driven by increased wages and strong profit margins. We expect this dynamic to extend into 2024, keeping core inflation above 2% by the end of the year.

We expect the ECB to deliver a final 25bp rate hike in September leading to the deposit rate peak of 4%, due to continued price pressures and too high inflation expectations in the medium term despite the weakening growth outlook. We expect rate cuts only from the summer 2024, mostly to keep an unchanged monetary policy stance, as inflation and inflation expectations likely have declined at that point. Our forecast foresees the deposit rate at 3.25% by the end of 2024. Overall, the monetary policy outlook is more uncertain than usual. Tight labour market and sticky inflation could require the ECB to extend high rates further into late 2024. On the other hand, positive surprises in inflation, further weakening of the service sector, or risks to financial stability could require a more lenient monetary policy stance. A rapid tightening of the financial conditions and a banking sector crisis constitute the most prominent downside risks to the macro-outlook, while pandemic-related saving buffers and accelerated investment spending on defence and the green transition pose upside potentials.

The demand for public investments in the green transition, digitalisation, energy and defence are piling up. A strict reintroduction of the EU budget rules in 2024 could trigger a slump in these investments. A consensus on the EU fiscal rules is still missing and especially Germany remains sceptic about the proposal of countries striking individual deals on their public finances with the Commission. It looks increasingly likely that the old 3% deficit and 60% debt target would reapply, but with some leeway in the interpretation of the rules. Nevertheless, the fiscal tailwind that supported the economy in recent years will increasingly fade in 2023/24, as sustainable public finances get renewed focus.

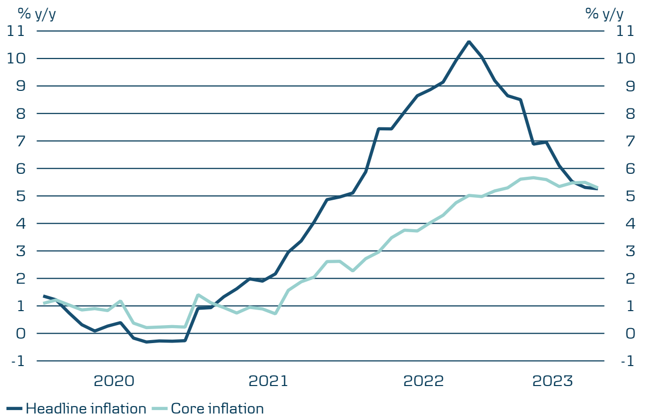
The outlook for the German economy, which is still in an adjustment phase after Covid-19 pandemic and closure of gas imports from Russia, is weak. The economy has not recorded growth since 2022Q3 and the service sector is now likely contracting. More austere fiscal policy spells headwinds, and structural issues such as ‘slowbalisation’ and a shrinking workforce set the scene for a weak growth outlook. Investments in infrastructure, digitalisation and the green transition could provide a silver lining going forward, but Germany is unlikely to return as the euro area’s economic powerhouse anytime soon – quite the opposite.

The previously strong service sector now also points to a contraction in GDP.



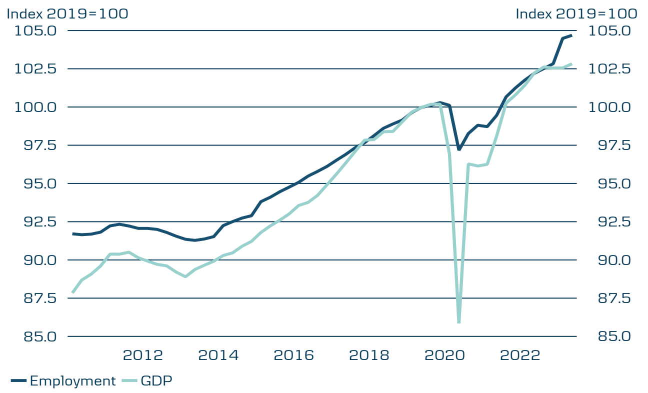
Source: S&P Global, Eurostat

Core inflation remains sticky



Source: Eurostat

Employment has been remarkably strong amid the growth slowdown



Source: Eurostat

Downside risks shadow resilient growth

- The US economy has continued to defy expectations of a slowdown, with stimulus-driven pick-up in investments driving growth in Q2.
- Strong labour markets and recovering real wage growth support consumption – but also pose upside risks for inflation.
- While we maintain our forecast for modest contraction in consumption, the brighter outlook for investments means we no longer forecast a recession for the US economy. GDP growth is expected to remain below trend until H2 2024, and average 1.9% in 2023 (from 1.3%) & 0.6% in 2024 (from 0.5%)
- We make only minor adjustments to our inflation forecasts, and see headline inflation at 4.0% in 2023 (unchanged) & 2.1% in 2024 (from 2.2%). Core inflation is set to prove stickier at 4.6% in 2023 (from 4.7%) & 2.5% in 2024 (unchanged).

		Forecast	
	2022	2023	2024
GDP Growth	2.1%	1.9% (1.3%)	0.6% (0.5%)
Inflation	8.0%	4.0% (4.0%)	2.1% (2.2%)
Unemployment	3.6%	3.6% (3.7%)	4.1% (4.2%)
Fed Funds*	4.50%	5.50% (5.25%)	4.50% (4.25%)

Paranthesis are the old projections (From June 2023)
**End of period*
Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed

The US economy continued to defy expectations of a slow-down over summer. Inflation slowed down promisingly, yet consumption continued to grow even in real terms.
That said, while our previous forecasts have turned out too pessimistic so far, gradual signs of weakness have begun to emerge. It is no surprise to see growth in goods spending continuing to weaken following the pandemic overconsumption, but growth in services has been cooling as well. Weakening consumer sentiment is reflected in higher household savings and consumer loan delinquency rates, while companies reported less incoming business in the August PMIs.

The combination of still elevated nominal wage growth and cooling inflation has provided a modest lift to households' real disposable income, although from a very low starting point relative to the consumption volume. Excess savings still likely play a role in supporting demand, but we expect the effect to fade towards the winter, as in real terms the rise in household wealth has already been erased.

The main factor driving the upside surprise in Q2 GDP came from investments, supported by stimulus measures approved in 2021 & 2022. The measures, targeted at renovating public infrastructure and fueling investments into high-tech manufacturing facilities, could continue to lift GDP even in a scenario where consumption growth takes a turn for the worse. Faster investments growth is the main contributor to the upward revision in our GDP forecasts.

The boom in investments also provided a lift to labour productivity, and if the growth uptick turns out to be persistent, it could pose further upside risks to our GDP forecasts. While not our base scenario, we discussed the potential implications in Research US - Could investment boom pave the way for a soft landing?, 22 August.

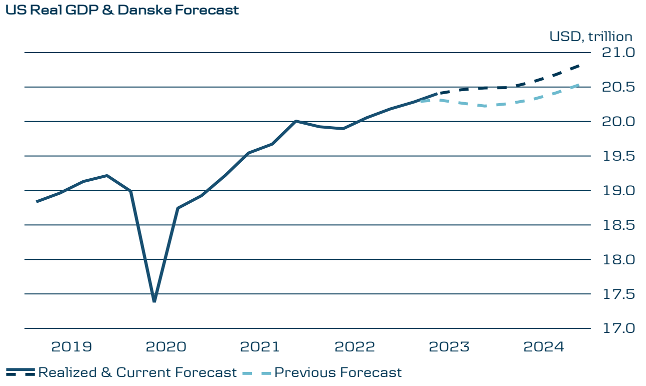
Inflation has moderated largely in line with our expectations, and we have only made minor adjustments to our forecasts. In the big picture, we continue to expect gradual disinflation towards 2024, but the road to 2% is likely to be a bumpy one. Negative energy price base effect helps to explain the sharp decline in headline inflation. Health care inflation has remained abnormally low since late 2022 due to the lagged calculation of health insurance contribution, but the effect will normalize starting from October, potentially lifting monthly headline inflation figures by up to 0.05%-points.

Shelter inflation has cooled largely in line with expectations and we continue to pencil in further moderation, as slowing rise in rental prices feeds through to the official CPI measure. The Fed's main focus still remains on cooling core services prices excluding shelter, and while both June and July data illustrated promising developments, elevated wage inflation remains a worry for now. The latest data on average hourly earnings, employment cost index and the level of job openings point towards nominal wages rising by around 4% annually. Without a persistent uptick in productivity growth, the pace is still inconsistent with 2% inflation over time.

But even so, labour market development seen so far has been close to optimal from the Fed's perspective. Wage inflation has passed its peak mostly reflecting easing labour demand, and without a notable increase in layoffs. Hence, we have also brought down our forecast of the unemployment rate, although we still pencil in a gradual rise towards 2024. The gradually rising labour share of income together with rising financing costs is putting pressure on companies' margins and painting a negative outlook for employment growth, despite the resilience seen so far.

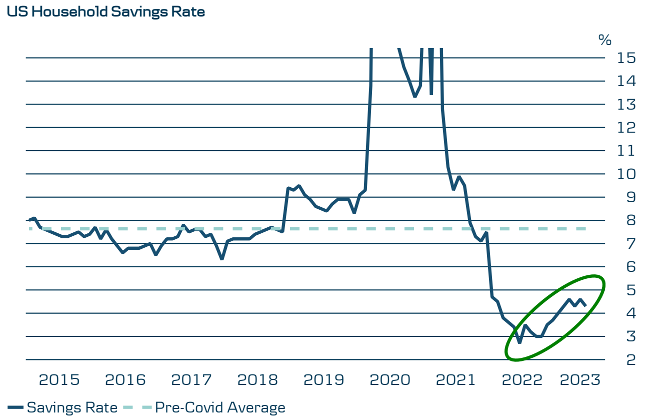
With the aforementioned risks in mind, we make no changes to our monetary policy view, and still think the Fed's next move will be a cut in Q1 2024. As most neutral rate estimates hover around 0.5% in real terms, and short-term inflation expectations range between 2.5-3.0%, the current 5.25-5.50% Fed Funds target range is the most restrictive since at least the GFC. While we no longer foresee a recession in our baseline growth forecasts, we still stress the downside risks stemming from the historically sharp monetary policy tightening and high level of real policy rate. If the negative feedback loop of weakening labour market, lack of confidence and rising savings gets rolling, the outlook could take a turn for the worse faster than thought.

We continue to expect below-trend GDP growth until H2 2024 despite the positive forecast revision to the investment outlook



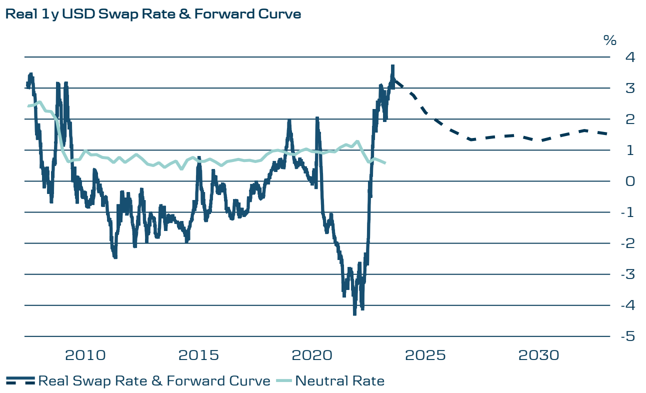
Sources: Macrobond Financial, U. S. Bureau of Economic Analysis (BEA), Danske Bank

US consumers are slowly turning more cautious



Macrobond Financial, U. S. Bureau of Economic Analysis (BEA)

Real monetary policy stance is now clearly restrictive, pointing towards weak growth going forward



Macrobond Financial, Refinitiv, New York Federal Reserve. Nominal swap rate deflated with inflation swap rate. Neutral rate estimate: Holston-Laubach-Williams model.
Note: Past performance is not a reliable indicator of current or future results

Downside risks return

- Financial stress has increased again and put focus again on whether China is heading for a deeper financial and economic crisis.
- While we do see a rising risk of this happening (25% probability), our baseline scenario remains that China has the tools to avert such an outcome and will use them to the extend needed. Yet, due to the recent weak data and rise in financial stress we recently revised down our forecast to 4.8% growth this year and 4.2% in 2024.
- China has already turned up the volume on policy measures such as easing of mortgage policies, tax cuts and infrastructure spending and we expect the government to do more if needed to keep growth close to the target of 5% this year.

	2022	Forecast 2023	2024
GDP Growth	3.0%	4.8% (5.8%)	4.2% (4.8%)
Inflation	2.0%	0.8% (1.2%)	1.2% (2.0%)
Unemployment	5.5%	5.4% (5.2%)	5.5% (5.1%)
Policy Rate*	2.75%	2.35% (2.55%)	2.10% (2.45%)

Paranthesis are the old projections (From June 2023)
**End of period (1-year Medium Lending Facility)*
Source: Danske Bank, Macrobond Financial

Financial stress has increased again with another major developer, Country Garden, at brink of default. Contagion to the shadow banking system has also come to the surface with a big trust company, Zhongrung International Trust Co missing payments. On top of this economic data has disappointed across the board with both consumer spending, home sales and exports undershooting expectations in recent months. Taking these developments into account we have revised down growth to 4.8% this and 4.2% next year. In our baseline scenario we expect policy makers to step up stimulus as broadly signalled following the Politburo meeting in late July and to take more measures to improve financing channels for developers and lift home sales. We also expect them to provide the necessary lifelines to local governments and facilitate a restructuring of major shadow banking entities in distress. We believe they will still strive to reach their 5% target and do what is necessary to at least put a floor under growth so it does not fall below 4-4½%.

Private consumption and infrastructure investments have underpinned growth so far but there is a risk that the weakness in housing spreads to household spending.

Allan von Mehren, Chief Analyst at Danske Bank

Half of the economy already in recession

Of China's different growth engines, housing and exports are the weak spots both being in recession. Together they constitute close to 50% of the economy. Private consumption and infrastructure investments have underpinned growth so far but there is a risk that the weakness in housing spreads to household spending, which would add further downward pressure on demand. It is crucial that Chinese policy makers step up further in stimulating housing to avoid this negative spiral. There is little China can do about the weak exports as a devaluation would risk creating more uncertainty and instability and China is unlikely to go down that path. China consumer prices fell into deflation in July as they declined 0.3% y/y. However, it was driven by energy and food and the core inflation that excludes these components were up 0.8% y/y. Hence, we are not yet seeing broad based deflation in China. We look for overall inflation to turn positive again over the next 6-9 months but that inflation generally stays low as demand is set to undershoot supply for some time.

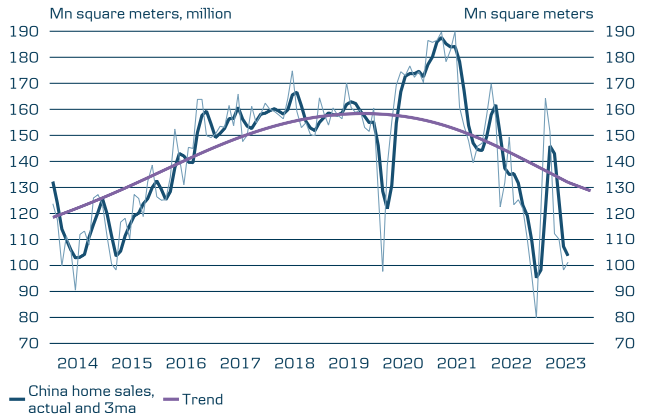
China's tool box is not exhausted yet

In early September China took new steps to support the economy by lowering mortgage rates and reducing the required down payments for house purchases. Early indications are that it has already spurred some home buyer interest but if needed China can ease more via these tools. Funding channels for developers can also be improved and on Friday18 August, PBOC and financial regulators met with bank executives telling them to direct more lending to support an economic recovery. China is also likely to cut Reserve Requirement Ratios (RRR) for banks to free up more liquidity to buy credit bonds and increase lending. The RRR for small and medium sized banks is 7.75% while it is 10.75% for large banks and thus has plenty of room to be lowered. Finally, if needed, China could opt for quantitative easing (QE) with PBOC buying bonds directly in the market. This would serve as a strong signal that they step in as lender of last resort.

China in a painful rebalancing of the economy

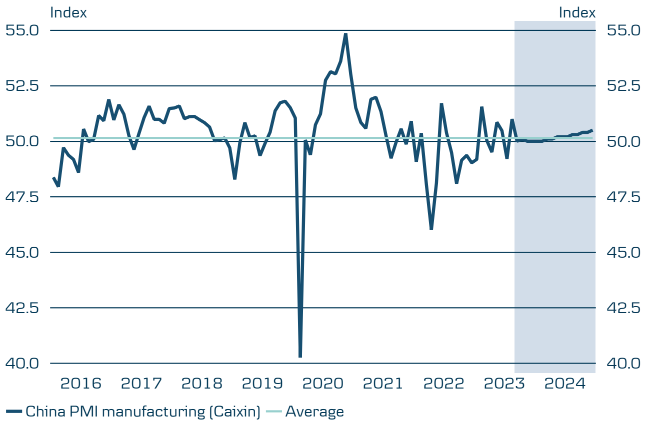
China is currently in a painful rebalancing where it needs to continue to wean itself off the reliance on housing as a structural demand driver and instead transition into an economy, where private consumption and high-tech manufacturing are the main drivers. Chinese leaders seem increasingly willing to pay a price to growth in the coming years from the lower levels of activity in the housing sector in order to achieve this rebalancing and get more capital allocated to more productive parts of the economy, not least high-tech manufacturing. The challenge is, though, to avoid that the decline in housing is so steep that it pulls down the consumer and investments with it. This is the risk China is currently facing and why we expect somewhat stronger measures to lift housing from the current depressed levels but not being so strong that they risk creating a new bubble.

China's home sales dropped sharply again



Sources: Macrobond Financial, NBS, Danske Bank

Weak growth to keep PMI subdued rest of the year

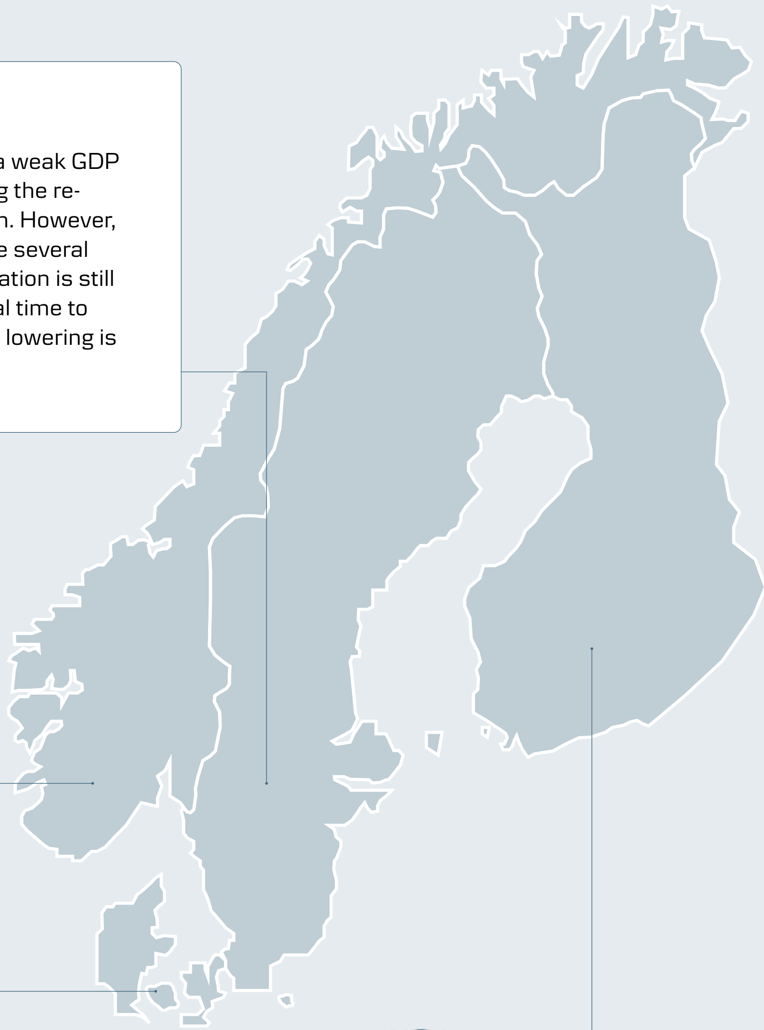


Sources: Macrobond Financial, Markit, Danske Bank

China is currently in a painful rebalancing where it needs to continue to wean itself off the reliance on housing.

Allan von Mehren, Chief Analyst at Danske Bank

Modest cooling in the Nordics



Sweden

The economic outlook has come under question after a weak GDP print suggesting major business sectors may be joining the recession seen in consumption and housing construction. However, a strong labour market points to the contrary. There are several signs that inflation momentum is falling quickly but inflation is still too high, and the Riksbank will raise the repo rate a final time to 4.0 %, also out of concern about the weak SEK, before lowering is next year.

Norway

Higher interest rates are now really beginning to bite in the Norwegian economy. Growth has stalled under pressure from weak private consumption and housing investment. Unemployment is still low but edging up, and employment has started to slow. Inflation has continued to be higher than expected, and price and wage expectations are creeping up. Ever higher mortgage rates have put a damper on demand and brought a better balance to the housing market, and prices there are probably set to fall slightly. The NOK was buoyed by growing rate differentials over the summer but remains susceptible to global risks. Norges Bank will probably stick to its plan of raising the policy rate again in September, but this is likely to be the final increase in the current cycle.

Finland

The economy is stagnating this year but we expect growth to pick up in 2024, supported by higher demand at home and abroad. House prices are under pressure this year, but should recover somewhat once interest rates start to decline again. Housing construction falls. Outside construction, the labour market looks stable. We expect the new government to take measures aimed at balancing public finances, but the debt ratio still climbs higher in 2024.

Denmark

Danish GDP growth is supported by the pharmaceutical industry, not least the success of Novo Nordisk, but large parts of the economy are facing stagnation or recession. Going forward, there is a good basis for growth in consumer demand, but we expect more weakness in investment and for parts of exports, and all in all, we expect modestly higher unemployment. House prices have declined but not nearly enough to compensate for higher interest rates and may fall further.

Problems lurking below a calm surface

- Denmark's economy is characterised by low unemployment, solid GDP growth and a decent outlook for private consumption. Yet, many companies are experiencing headwinds and employment risks suffering a significant setback.
- The current account surplus remains very substantial, underpinned not least by pharma giant Novo Nordisk, while Danmarks Nationalbank appears capable of sustaining a lower interest rate than the European Central Bank.
- Inflation has fallen more in Denmark than in many other places, but underlying price pressures remain high and are supported by wage increases that look set to accelerate in the wake of this spring's collective agreements.
- House prices have stabilised faster than expected despite sharply rising interest rates – perhaps because buyers and sellers expect rates to drop again soon. But disappointment here and further house price falls, especially in more expensive areas, are not off the table.

	2022	Forecast 2023	2024
GDP Growth	2.7%	1.7% (1.5%)	1.2% (1.0%)
Inflation	7.7%	4.0% (4.1%)	3.2% (3.2%)
Unemployment	2.6%	2.9% (2.9%)	3.2% (3.4%)
Policy rate*	1.75%	3.60% (3.60%)	2.85% (2.85%)

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

Overall, the Danish economy is performing pretty much as well as one might hope. GDP growth is close to the norm, employment is growing solidly, inflation is down from 10.1% to 3.1%, house prices have stabilised after a surprisingly modest decline, and real wages are rising once more after tumbling last year. Nevertheless, several areas of concern remain. Growth is decent but not broad based, and largely driven by Novo Nordisk and other pharmaceutical firms, while production across the rest of the industrial sector is falling. A number of construction companies are feeling the pinch, and bankruptcy numbers are approaching financial crisis levels – even if the reason for many companies going under is delayed pandemic effects. While inflation is being pulled lower by energy prices, other prices are continuing to rise at a fast clip month by month, so overall inflation may soon rise again if there is no downshift here. Nor can employment continue to rise while the economy ex. pharmaceuticals is stagnating or shrinking. We still forecast employment to fall, albeit modestly, but the risk of a worse-than-expected outcome remains considerable. History shows that unemployment can quickly rise during a downturn, and given that we have still not witnessed the full impact of the sharp increase in interest rates, history could definitely repeat here.

Private consumption looks set to rise

Private consumption dipped 1.6% in 2022, which may sound surprisingly modest given that private sector real wages shrank by 3.8%. However, real household income in fact rose last year overall, as the decline in real wages and rising interest expenses were more than offset by higher employment and other income streams such as share dividends. From a historical perspective, that meant consumers actually spent

We still forecast employment to fall, albeit modestly, but the risk of a worse-than-expected outcome remains considerable.

Las Olsen, Chief Economist at Danske Bank

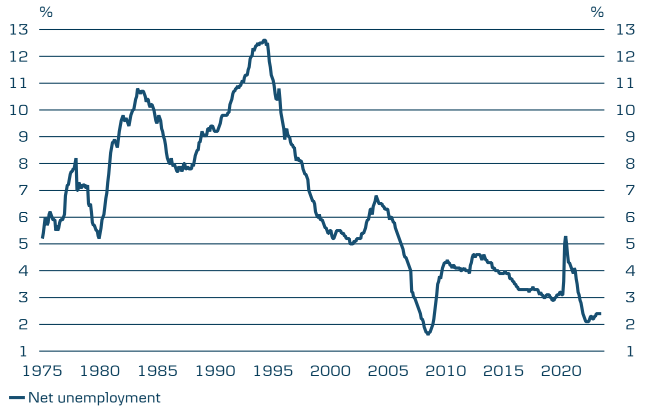
a very small share of their income in 2022, even though they had to pay very high energy prices. This ties in with the very low level of consumer confidence, pulled down by inflation worries and a shortage of new cars, which undoubtedly pulled car sales somewhat further down than consumers actually wanted. Low consumption compared to income provides a good starting point for consumption in 2023-2024, when we expect incomes to rise marginally overall. Our forecast assumes the propensity to spend will only grow rather slowly, but an upsurge in consumer confidence could potentially fuel a notable increase in consumption. Conversely, consumption could come under renewed pressure if unemployment were to rise more than expected.

Generally strong export sector slows

Danish exporters are facing a broad decline in demand. Companies in the industrial sector sensitive to the business cycle, for example, report generally shrinking demand, with production down 12% overall (ex. pharmaceuticals) in the past year. An effective DKK exchange rate strengthening by almost 5% over the same period has not helped of course, as this has blunted Denmark's competitive edge against Swedish exporters, among others, who have benefited from a very weak currency. However, despite the setback, we must remember that Danish companies have slowed from a very high level of activity and that the downturn has not yet triggered any material weakening of the labour market. Employment in the industrial sector increased throughout Q2 23, with more companies than normal continuing to report labour shortages. Conversely, production in the pharmaceutical industry has grown by more than 60% over the past year, considerably boosting total exports, which have been extremely solid overall – also in relation to Denmark's peers.

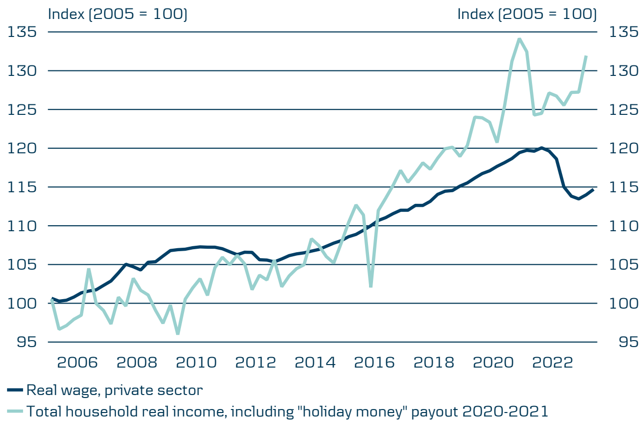
As with goods exports, exports of services have been strong for quite some time now. Danish exports of business services, for example, have grown robustly in krone (DKK) terms despite the marked strengthening of the DKK. Tourism has

Shifts in unemployment can be rapid



Source: Statistics Denmark, Macrobond Financial

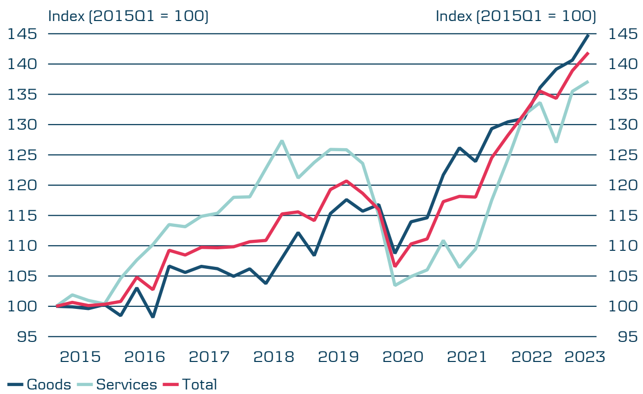
Money to spend despite decline in real wages



Source: DA, Statistics Denmark and Danske Bank. Seasonally adjusted.

Slowdown in otherwise very strong export sector

Export



Source: Statistics Denmark, Macrobond Financial also contributed a couple of billion extra DKK to travel exports. In contrast, shipping has been dented by a return to more normal conditions as the need to ship goods across the world's oceans eased.

The current account surplus in H1 23 was equivalent to 11.4% of GDP. Whereas shipping was the driving force behind the extraordinarily large surplus last year, the pharmaceutical industry has taken up the baton this year. Sales of goods that have never actually been in Denmark have risen particularly strongly. However, the current account surplus is structurally very large here in Denmark – even without the pharmaceutical industry. This is due to a strong competitive edge, which ensures a surplus on the trade balance, while returns on the Danes' large pension savings, in particular, provide a net investment income that contributes around 4% of GDP to the current account surplus. Going forward, we expect Denmark will continue to run a very large current account surplus. Unlike the temporarily very high freight rates, the surplus from pharmaceutical trading may very well prove more permanent in nature. Moreover, the reopening of the Thyra gas field will also boost the surplus next year, though income here will of course depend on the gas price.

> *As in many neighbouring countries, price pressures in Denmark's economy remain unduly elevated.*
>
> Bjørn Tangaa Sillemann, Chief Analyst

We expect long yields to decline

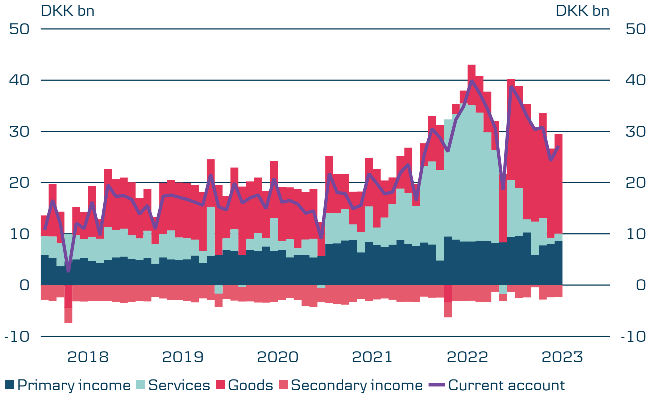
The surplus on the current account means there is a constant net stream of currency coming into the country, piling on the pressure for a stronger DKK. This implies that monetary policy rates should be a little lower in Denmark than in the eurozone in order to balance demand for the DKK. While the ECB has hiked rates by 4.25 percentage points since summer 2022, Danmarks Nationalbank has made do with 3.95 percentage points. However, strengthening pressures on the DKK have eased since the spring, which is why the Danish central bank has moved in lockstep with the ECB for the past four rate hikes. We expect Danmarks Nationalbank to follow the same pattern during our forecast period, though such a large current account surplus could prompt a need to further widen the rate spread at some point.

A potential revaluation of the DKK, which would displace the balance towards more consumption and less savings, has been a subject of considerable media discussion lately. However, we see this as very unlikely. Danmarks Nationalbank has on previous occasions proved ready to counter even intense pressure for a stronger DKK via massive purchases of foreign currency if the need arises.

Long Danish yields have risen further over the summer, largely due to a knock-on effect from US yields, which have risen quite considerably on the back of a stronger-than-expected US labour market and increased US debt issuance – though

Current account surplus is structurally very high

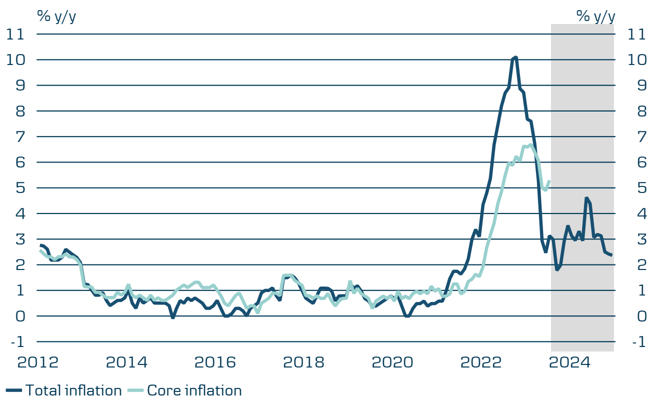
Balance of Payments



Source: Statistics Denmark, Macrobond Financial

Energy pulling inflation sharply lower

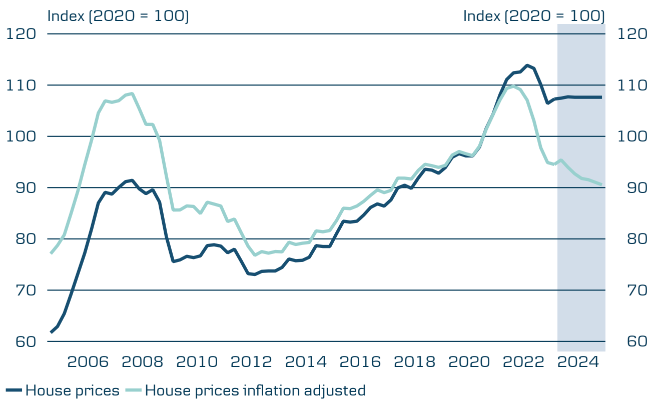
Inflation forecast



Source: Statistics Denmark, Macrobond Financial, own calculations

More stable housing market

Forecast for house prices



Source: Statistics Denmark, Macrobond Financial, own calculations still very high inflationary pressures in the eurozone have also played a part. We expect long yields to decline gradually over the next 12 months as the market prices in a greater probability of rate cuts.

Inflation slides, but underlying price pressures remain intact
Inflation has fallen quickly this year – and faster than in most other countries. This is because Danish energy bills reflect market prices for energy relatively quickly, and these have declined sharply this year.

Inflation slides, but underlying price pressures remain intact

In contrast, a tight labour market and consumer preferences for experiences and other services kept services inflation elevated. Eating out has become 7% more expensive in the past year, for example. Demand for vacation homes has been high during the summer holidays, and this has also contributed to pushing services inflation up to some 6.2% in July – the highest rate measured since the late '80s. As in many neighbouring countries, price pressures in Denmark's economy remain unduly elevated. However, a gradual cooling of the labour market will contribute to easing the pressure for higher consumer prices. Retail inventories have ballooned, and the sector is talking more of lower rather than higher prices. We have also seen this reflected in price developments on clothes and furnishings, for example, which have levelled off somewhat. Given the very gradual pace of the slowdown in the economy and labour market, we expect inflation to remain above 2% during our forecast period. We forecast inflation at 4.0% this year and 3.2% in 2024.

Resilient housing market

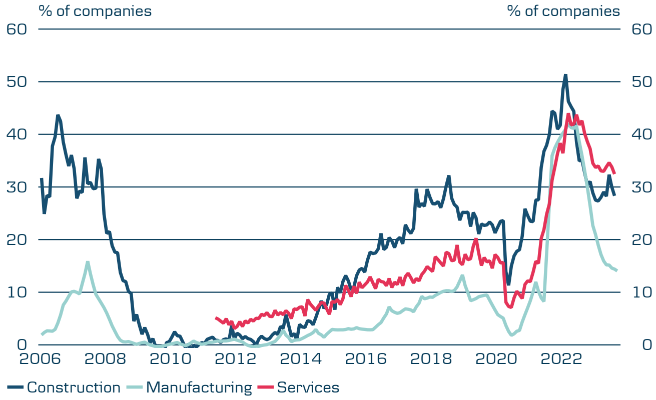
Denmark's housing market has gradually righted this year after a difficult 2022, with especially Q1 23 looking better than expected. House prices have increased marginally so far this year, while activity has bounced back in the shape of more sales and an interest in housing that is approaching normal levels. These developments should in part be seen against an economy and especially a labour market that have been stronger than expected. Prices also appear to have a tailwind right now.

That being said, homebuyers have also been willing to accept markedly higher costs, which is why prices have not fallen more but instead have stabilised around 6% below their peak in spring 2022. Nationwide, housing affordability has not deteriorated below the historical average, so no real heralding of further price declines going forward. Looking ahead, we see more of a headwind for the housing market as the labour market weakens and interest rates remain high. In fact, we believe there is a certain lack of acceptance that high interest rates could well last for quite some time yet. Conversely, real wage growth will be an increasingly positive factor. Our price outlook is therefore for a modest increase this year, after which the trend could well be slightly downwards. Overall, however, that adds up to relatively flat price growth. Our forecast assumes a soft landing for the economy and the labour market. A more pronounced slowdown could result in a much greater decline in housing prices.

Should the economy suffer a major setback, we would expect the more expensive areas to be most exposed to a larger drop

Labour market cooling, but still tight

Limits in Production, Shortage of Manpower, seasonal adjusted



Source: Statistics Denmark, Macrobond Financial

in prices. Property tax reforms that come into effect in 2024 will also be a headwind for owner-occupied apartments in the expensive areas.

Lower housing prices and higher interest rates have hit new home starts in the past year, and we expect activity in this area to continue to decline as homes currently under construction are completed.

Prospect of higher wages but fewer jobs

The collective agreements from spring 2023 have laid the foundation for rather significant private sector wage growth in the coming years. In most areas, employers will take over a share of employee pension contributions, which in itself equates to a pay hike of 2% and will be fully implemented from Q3 23. A further 2% will be added to pay packets from the expansion of the so-called "free choice scheme", which in practice equals a pay rise. Next comes the actual pay increases themselves, which generally have to be agreed locally, but which in the collective agreements are indicated at around 3.5% annually. Hence, wage growth of around 5.5% is on the cards, depending on the outcome of negotiations. The labour market is not quite as tight as it has been given that unemployment is up by just over 10,000 since the low in April last year, job vacancies have fallen slightly, and fewer employers are citing labour shortages as a limiting factor for production. On the other hand, unemployment remains very low from a historical perspective and labour shortages are still a major theme, so employees continue to enjoy a pretty favourable position at local wage negotiations. We could also say that the large current account surplus is a reflection of Denmark's sterling competitiveness, which could cope with relatively high wage growth in Denmark, though we should remember the surplus is being driven by a limited number of companies and we certainly cannot be sure the vast majority of employers see the situation in the same way. We also expect unemployment to rise modestly going forward. We have generally based our wage forecast on an outcome roughly in line with that indicated by the collective agreements, even though actual wage growth has often printed a little higher than indicated.

Swedish economy treading water

- Shaky growth outlook but strong labour market
- Numerous indicators pointing to rapid drop-off in inflation
- Riksbank will still raise rates out of concern about high inflation and weak SEK
- Housing prices have bottomed out thanks to stronger fundamentals

	2022	Forecast 2023	2024
GDP Growth	2.9%	0.0% (0.5%)	1.7% (1.9%)
Inflation	8.4%	8.4% (8.4%)	1.8% (1.9%)
Unemployment	7.5%	7.5% (7.5%)	7.8% (7.8%)
Policy rate*	2.50%	4.00% (4.00%)	3.00% (3.00%)

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

Second quarter GDP showed a significantly smaller drop (-0.8 % qoq SA) than what the preliminary GDP inidicator suggested. Even if we make a downward adjustment to the growth forecast we judge it as more likely that the Swedish economy will tread water than fall into an severe recession. It appears quite surprising that it would be Swedish goods exports which is the reason for the weakness in GDP, especially as there is no collapse visible in important export markets and as the SEK has been weak, something that should have bolstered competitiveness if anything.

The Swedish economy has been running on two tracks, with households and the housing market continuing to weigh on the outlook, offset by a strong business sector and labour market. Households are undoubtedly still in a precarious position, but electricity prices are not expected to be the same constraint as last winter and real wages are believed to have bottomed out over the summer. Consumer confidence has picked up, possibly as a result of the strong labour market and bullish stock markets boosting households' net wealth. Consumption fell at the slowest pace in Q2 after have dropped

Slightly weaker growth prospects but a resilient labour market

Michael Grahn, Chief Economist Sweden

faster in the three preceding quarters, which we interpret as a sign of spending bottoming out. While the savings rate has edged up again recently, we do not see this as a major problem for the spending outlook at present. We still believe that household consumption should start to recover during the autumn and winter.

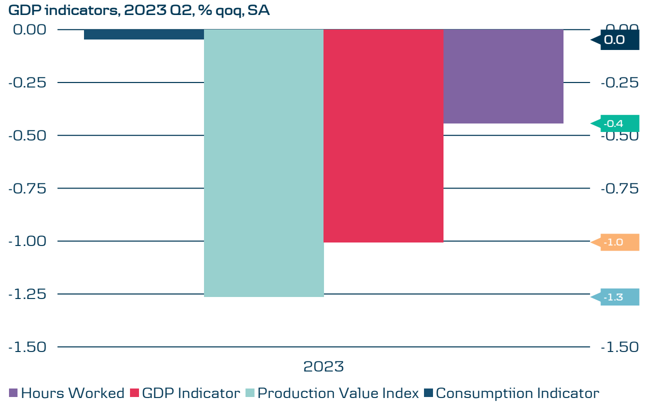
The question is to what extent we need to revise our view of the business sector, as we anticipate quite stability in manufacturing and services. That residential construction and the retail trade are the exceptions almost goes without saying. Globally, PMI data suggest that services may be following manufacturing into recession, and the weak signals for the euro area are particularly worrying from a Swedish perspective. It remains to be seen to what extent this will rub off on Swedish industry. As mentioned above, we find it hard to understand that the Swedish export motor should sputter as suggested by data even if we acknowledge that a wide number of international PMI's signal a moderation in global manufacturing activity. That is because gross fixed investments shows that business capital spending rose during Q2, if only marginally, and so did infrastructure investment i.e. construction outside the dwellings sector.

We reckon that gross fixed capital formation excluding housing will continue to increase somewhat, but the aforementioned signals from global PMIs may put the brakes on business investment, which is closely correlated with export growth. So far, infrastructure investment has compensated for weaker housing investment, with the result that construction as a whole is proving stable.

The increased uncertainty about the global growth outlook means that we need to revisit the optimistic upward revision of Swedish growth in our June forecast.

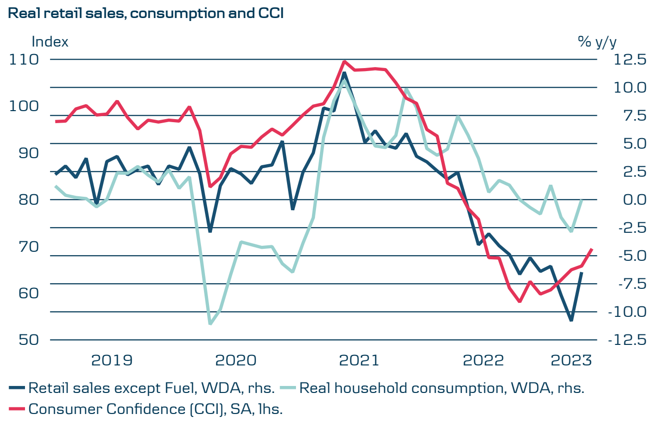
The labour market continues to show resilience and is moving sideways. Employment and participation rates are record-high, and the Statistics Sweden's labour force survey showed only a marginal increase in unemployment in the second quarter to 7.5% SA. We remain sceptical about the idea that unemployment is about to shoot up. While Statistics Sweden's data are survey-based, the Swedish Public Employment Service's jobless rate uses the actual number of people registered as unemployed. The two measures tend to diverge most during the summer months, and the Employment Service's figures suggest that unemployment is actually headed the other way. We rely more on this measure than the LFS data at moment. The NIER's confidence survey is showing only a marginal decline in employment plans in the business sector, because the service sector is still looking to recruit. The labour supply is continuing to grow, and there are also still labour shortages, which is providing protection from other cyclical weaknesses in the economy. The NIER's indicator for labour hoarding, which shows the proportion of firms choosing to have more

Is it supply side factors causing the dip in GDP?



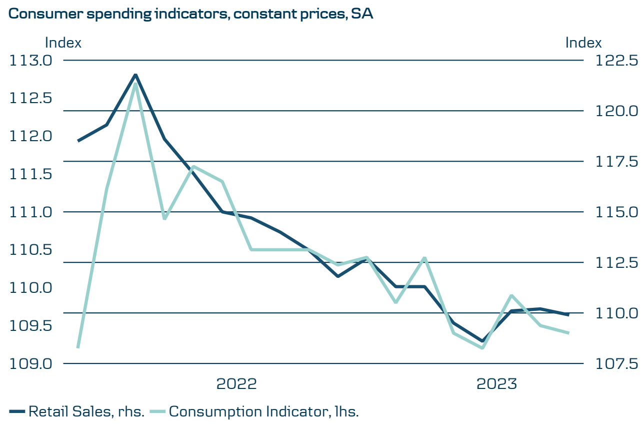
Source: SCB

Goods exports to Germany shows no cracks



Source: SCB, Danske Bank calculations

Household consumption appears to bottom out



Source: SCB

staff than needed for production in the short term, is trending down but still remarkably high, which means that firms are continuing to hoard labour, which points to shortages of labour. We are sticking to our previous view that unemployment will probably rise somewhat from current levels, but we do not anticipate any dramatic increase and are forecasting an average rate of 7.8% for 2024.

The widespread concern about the refinancing of fixed-rate mortgages over the next year is exaggerated, as its effects will be limited. Only just over 3% of loans for houses and just under 5% of loans for apartments need to be refinanced in the near term (3-12 months). Most borrowers are expected to opt for variable-rate products in order to benefit from the rate cuts expected next year. Rates for short-term fixed-rate loans (less than 12 months) are already in parity with variable rates, which means that this should not push up interest costs massively. However, around 25% of all mortgages will be refinanced in 12-24 months. The rates for these loans are well below floating rates, so we may see a bigger impact then. By that time, the Riksbank is expected to have started to lower the policy rate again, which will put a damper on this effect. Hence it is the Riksbank's continued rate increases this autumn that will have the greatest impact on total interest costs via higher floating mortgage rates.

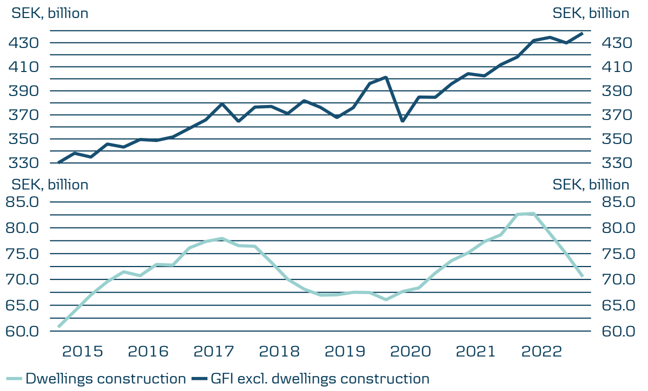
Despite a decline in activity in the housing market in terms of new lending and new construction, housing prices have remained stronger than previously anticipated. Prices have begun to rise again after their initial fall earlier this year. The number of properties on the market is falling, with housing starts at their lowest since 2012. We previously predicted that housing prices would fall 25% from peak to trough, which we are now revising further as prices may already have hit bottom and will now start to recover. This is because decline in real wages seems to have bottomed out, and the immense cost pressure on households from energy prices has eased considerably and is expected to be much less of a factor this winter in comparison to last year.

There are still some areas of concern, such as the SEK, but it is becoming increasingly clear that inflation is headed down, although it would ideally do so more quickly. The supply chain disruption of the pandemic is just a memory, and so goods inflation is on the retreat. The slide in the SEK, pushing up import prices, could put a damper on this positive trajectory. However, commodity prices are a mixed bag, and recent months' rise in oil prices is not helping with goods inflation either, as it is propping up or even increasing transport costs again.

Services inflation is probably giving the Riksbank the biggest headache at present, and it seems to be prices for services that have soared in recent months alongside housing costs. In principle, this means holiday and entertainment costs. We expect the strong inflation push from them during the spring and summer to be temporary, with prices here dropping back considerably during the autumn. Housing costs have not risen as far as expected, despite warnings that many tenant-owner associations would need to increase service charges sharply this year. One obvious risk is that these increases will materialise at a later stage. It is also worth mentioning that the wage restraint shown in Sweden by international standards is a positive factor. Although this year's wage bargaining ended up

Diverging trends in GFI

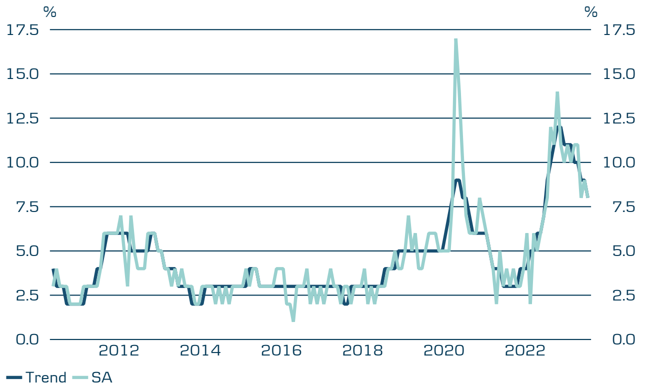
Real gross fixed investments, SA



Source: SCB

Labor hoarding strengthens the labor market

Labour hoarding-indicator



Source: NIER

Households' need to remortgage near-term is limited

June 2023		3m	3m-1y	1-2y
Mortgage Loans, share				
Houses	Stock	51%	3%	8%
	New	n/a	86%	6%
Tenant-owned Apartments	Stock	60%	5%	10%
	New	n/a	88%	6%
Rates				
Houses	Stock	4%	4%	2%
	New	n/a	4%	4%
Tenant-owned Apartments	Stock	4%	4%	2%
	New	n/a	4%	4%

Source: SCB, Danske Bank's calculations with historically high pay settlements for the next two years, the increase in cost pressures from this will be smaller in Sweden than in many other countries.

The rate of inflation is normally calculated as the percentage change over the past 12 months, but this is a poor way of measuring what is happening to prices here and now. The table alongside shows various measures of inflation calculated over a shorter period as well, namely three months. So that the three-month figures can be compared with the 12-month figures, they have been seasonally adjusted and extrapolated to an annual rate. Besides eight different measures of consumer prices, we have performed these calculations for the domestic supply price index, which measures producer prices for consumer goods and covers both domestic and foreign goods in the same manner as the CPI.

As can be seen from the table, ten of the 11 indices show decreasing inflationary pressures, in the sense that current inflation is lower than the 12-month rate. For now, though, only two of them are signalling a current inflation rate around or below the Riksbank's 2% target.

Indicators for expected selling prices show that the consumer goods industry's price expectations have returned to normal levels, while both retailers and the service sector still have some way to go before price pressures can be considered to be in line with the inflation target.

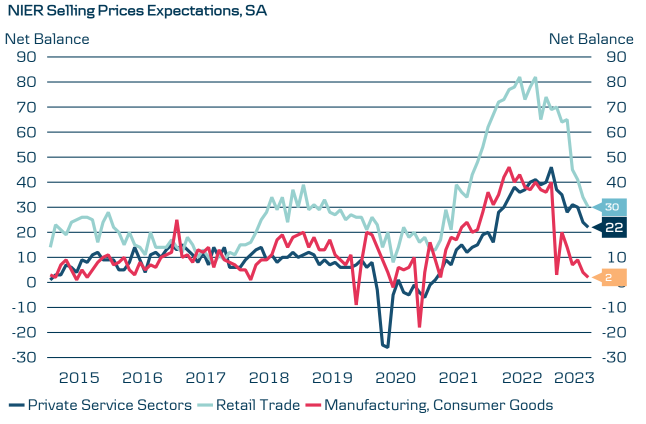
All in all, we see a good chance of inflation dropping back at a rate consistent with the Riksbank's forecast. Our own forecast for core inflation (CPIF ex energy) is slightly below the Riksbank's equivalent.

Although inflation has in all probability peaked and will now come down rapidly, we believe that the Riksbank will deliver one final rate increase in September given that core inflation is still well above the target level. The bank will want to be sure that it is not relaxing monetary policy too early and so running the risk of inflation flaring up again. It also needs to take account of what moves the ECB might make – the Riksbank cannot stray too far from the ECB's policy rate without this having implications for the SEK, and the SEK still seems to be a significant risk factor in the Riksbank's assessment of the inflation outlook.

Not until inflation approaches 2%, which will only become relevant in the second quarter next year, will the Riksbank begin to lower the policy rate again. We are projecting that they will cut the policy rate by 25bp at each meeting starting in April 2024, taking it to 3.0% at the end of the year.

Fiscal policy has been a dead duck since the new government came into power, and there is no prospect of it becoming more expansionary in 2024 with the government estimating fiscal space of just SEK 40 billion. A tentative guess would be that half of this goes towards plugging the gap in local government finances. The remainder, however it is used, will not provide any great stimulus for the Swedish economy. In other words, the government is sticking to its position that fiscal stimulus could undermine the Riksbank's efforts to rein in inflation. We are not at all convinced, however, that increased stimulus would prove inflationary.

Price expectations falling quickly now



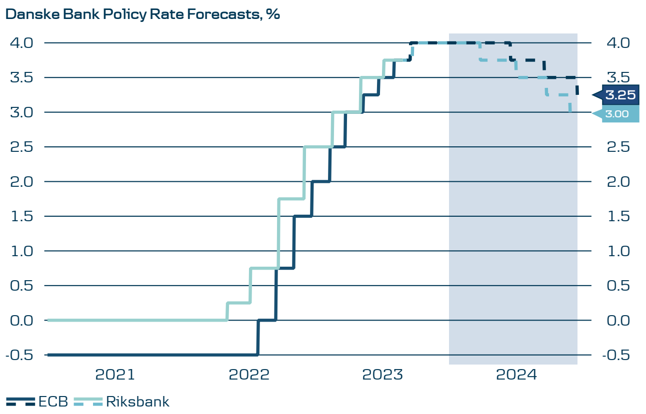
Source: NIER

Inflation momentum shows broadbased decline

July 2023	% yoy	3m SAAR	Diff heatmap
CPIF	6,4	3,0	-3,4
CPIF excl. Energy	8,0	6,3	-1,7
Goods	6,9	2,2	-4,7
Services	6,3	7,3	1,0
Services excl. Housing	9,3	9,2	-0,1
Housing	14,0	5,2	-8,8
Domestic	5,6	1,1	-4,5
Imported	8,1	6,0	-2,1
DSP Consumer Goods	11,2	3,8	-7,4
DSP Non-Durable CG	11,3	8,5	-2,8
DSP Durable CG	10,7	4,4	-6,3

Source: SCB, Danske Bank calculations

Peak rate is approaching fast



Source: Riksbank, ECB, Danske Banks forecasts

Growth has slowed

- Growth slowing as consumption and housing investment weigh on activity
- Further solid growth in business investment
- Unemployment still low but employment levelling off
- Weak productivity growth suggests overstaffing
- NOK exposed to global risks
- Policy rate likely to peak at 4.25% in September, and risks seem more balanced

	2022	Forecast 2023	2024
GDP Growth	3.8%	1.2% (1.1%)	1.4% (1.4%)
Inflation	5.8%	5.8% (5.3%)	2.5% (2.5%)
Unemployment	1.8%	1.9% (1.9%)	2.3% (2.3%)
Policy rate*	2.75%	4.25% (3.75%)	3.25% (2.75%)

Paranthesis are the old projections (From June 2023)
**End of period*
Source: Danske Bank, Statistics Norway,
Norwegian Labour and Welfare Organization (NAV), Norges Bank

We have seen inflation digging in at very high levels over the summer, while growth has shown clear signs of slowing. Norges Bank has clearly chosen to focus on inflationary pressures and inflation risks, raising its policy rate by 75bp over the course of two months. In our June forecast, we warned that the decline in the NOK over the winter could have this effect, by fuelling inflation at the same time as further rate increases put the brakes on growth, thus increasing the risk of recession.

Norges Bank's expectations survey for the third quarter also points towards a kind of stagflation scenario. After raising the policy rate three points in a year, it must be disheartening for the central bank to see price and wage expectations picking up again. There has not been a dramatic change, but it will be worrying for the bank in a situation where inflation is already high.

This also means there is a risk of inflation embedding at high levels and becoming self-perpetuating through price-wage spirals. The seriousness of the situation is underscored by the trade unions revising up their wage growth forecast for next year from 4.4% to 5.4%.

Growth is slowing, but wage and price expectations are rising.

Frank Jullum, Chief Economist Norway

On the other hand, the expectations survey shows that business leaders now anticipate lower employment and weaker profitability. Both of these point to growth slowing and unemployment beginning to climb. Changes in corporate profitability have also proven a good indicator of growth historically. It therefore appears that Norges Bank's rate increases are beginning to bite, and that the latest hikes prompted by inflation risks could worsen the outlook.

This is supported by the national accounts showing unchanged mainland GDP in the second quarter after an increase of just 0.2% in the first quarter, confirming a clear levelling off so far this year. Private consumption is no longer being propped up by spending on services and is now lower than a year ago. Housing investment is also struggling badly, as has been clear from housing starts for some time. Sales of new homes remain very weak – they are actually as low as they were during the financial crisis. On the other hand, there is still strong growth in business investment, and mainland exports and government demand are growing at around the normal rate. Oil investment is volatile but likely to make a solid contribution to growth in the second half of the year and in 2024.

We have revised up our growth forecast marginally for this year from 1.1% to 1.2% and still anticipate growth of 1.4% next year.

Unemployment on the rise but remains low

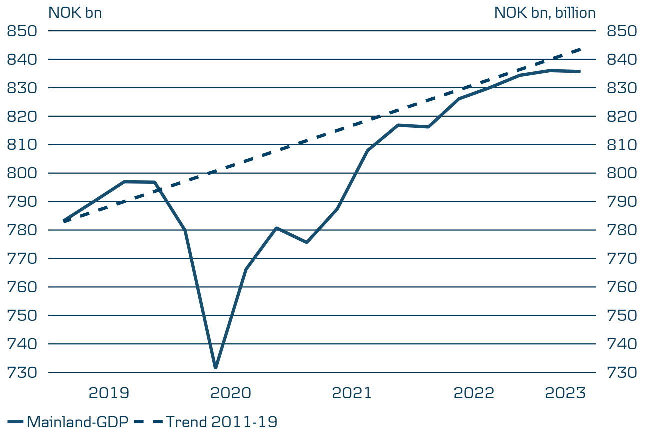
Unemployment is continuing to rise slowly, although it is still at low levels. So far this year, the number of jobless has increased by around 9,000, but the unemployment rate has risen only moderately to 1.8%. Employment growth is now slowing, however, and was too low in the second quarter to stop the unemployment rate from beginning to climb. Job vacancies are slightly down on recent years, and leading indicators point to a continued decline in employment growth. We therefore expect the unemployment rate to climb to around 2.2-2.3% at the end of this year and just over 2.5% at the end of next year.

Risks from the labour market

In our June forecast, we mentioned how households had been drawing on their savings to maintain their spending as real incomes were eroded by high inflation and higher interest rates. We argued that, because bank deposits had fallen, the impact on spending could become more negative. We now seem to have reached that point, as private consumption fell in the first half of the year and is now lower than a year ago. Factor in mortgage rates probably climbing another 75bp in Q3 and 50bp in Q4, and the risk to growth is clearly to the downside.

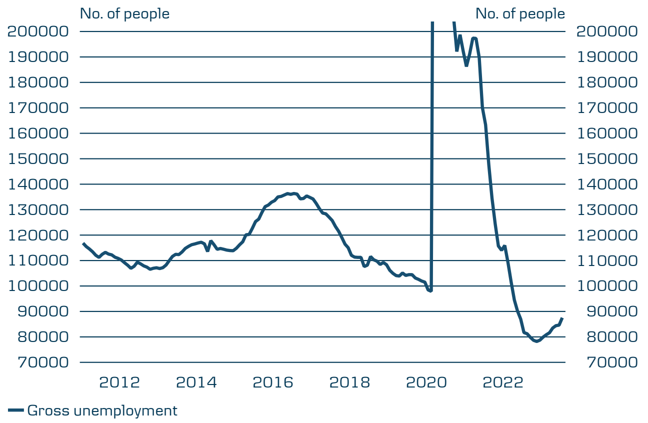
The national accounts show that employment growth has slowed, as mentioned above, coming out at just 0.1% in the

Growth is stalling



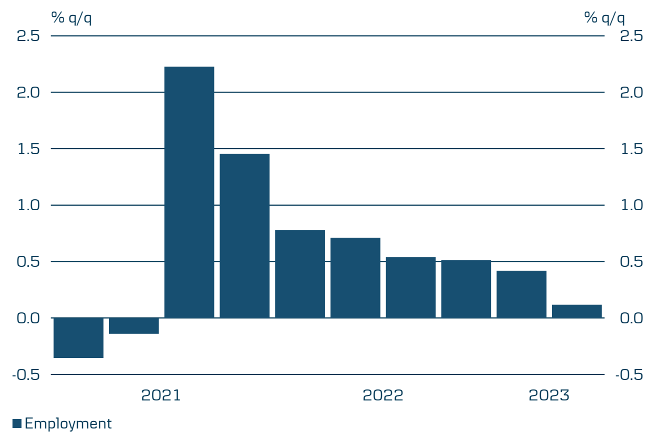
Sources: Macrobond Financial, Danske Bank

Slightly higher unemployment



Sources: Macrobond Financial, Danske Bank

Employment growth slowing down



Sources: Macrobond Financial, Danske Bank second quarter. This is not enough to stop unemployment from beginning to rise. Productivity growth has also dropped sharply over the past year and is now around zero. This is a clear indication that firms have not adjusted their workforce to the levelling off of demand and production. This, in turn, brings a risk of employment falling further than activity, which could exacerbate the increase in unemployment.

With another 125bp still to be added to mortgage rates, it is crucial that households will not also have to deal with a spike in unemployment. Both private consumption and the housing market could then be hit much harder than we are assuming in our base scenario.

Price and wage expectations rising

Core inflation has been somewhat higher than expected since our June forecast, rising to a peak of 7% in June before dropping back to 6.4% in July. In both cases, this was due mainly to big swings in food prices. Base effects, farmers' pay settlement and a change in how supermarkets adjust their prices were the most important reasons for this.

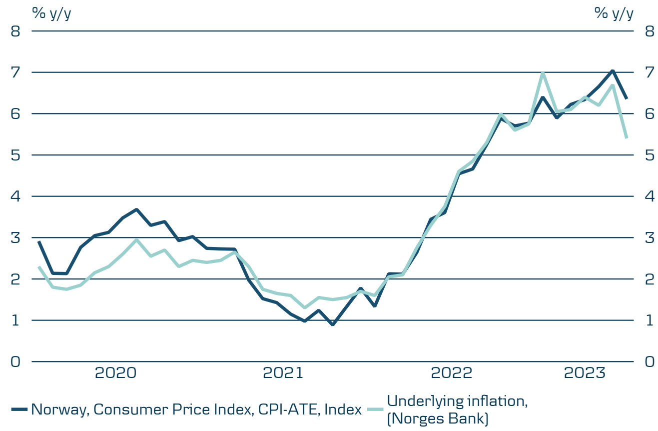
That said, underlying price pressures remain strong, driven by continued strong global price drivers, a weaker NOK and higher wage growth. One ray of light, however, is that inflation is not now as broad-based as it was earlier this year. Norges Bank's alternative inflation indicators – the trimmed mean and weighted median – are designed to exclude large price movements in particular product groups, such as food. Both of these "underlying" inflation measures dropped to 5.4% in July. The high rate of inflation is presumably also a key reason why price expectations have actually risen slightly. Respondents in Norges Bank's expectations survey (business leaders, economists and the social partners) expect prices to be rising at 5.1% in 12 months, 4.5% in two years and 2.8% in five years.

Strong wage growth is naturally fuelling inflationary pressures and inflation risks. However, we believe that the risk of inflation really taking off again is relatively limited. The NOK has rallied somewhat recently, and global inflationary pressures are continuing to ease. We also believe that weaker demand could make it harder to pass cost increases along the value chain, meaning that margins will need to take the hit instead. All in all, we anticipate core inflation of 6.2% this year, falling to 3.0% next year.

The outcome of this year's central pay settlements indicated wage growth of 5.2-5.3%. However, a tight labour market and healthy profitability in parts of the business sector may mean that wage drift (local pay increases etc) will be higher than expected, resulting in stronger overall wage growth. Price inflation has also been higher than expected, which will pull in the same direction. Respondents in Norges Bank's expectations survey anticipate wage growth of 5.4% in 2023 and 4.8% in 2024. It is particularly worth noting here that the trade unions expect wages to rise 5.8% this year and 5.4% next year.

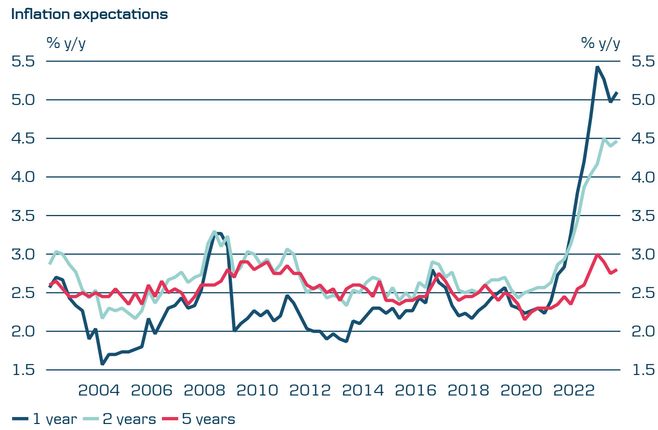
We have also revised up our forecast for wage growth this year to 5.4%, but there is much to suggest a lower rate of growth in 2024. Inflation forecasts will probably then be much lower and put a damper on wage claims. We also expect the labour market to be somewhat weaker than this year, and profitability in the business sector to be under increasing

Less broad based inflation



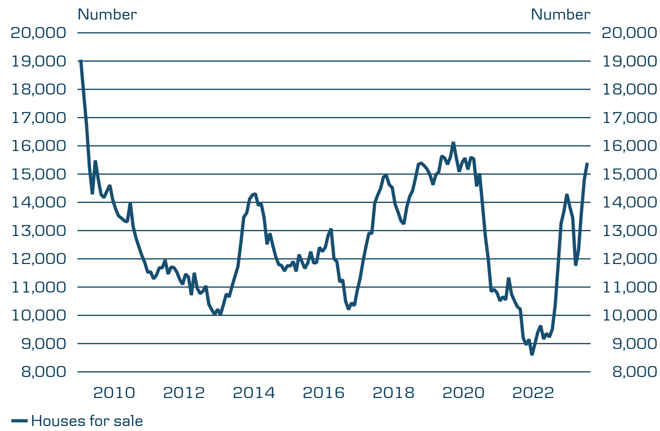
Sources: Macrobond Financial, Danske Bank

Inflation expectations are rising



Sources: Macrobond Financial, Danske Bank

More houses for sale



Sources: Macrobond Financial, Danske Bank pressure. We therefore see wage growth slowing to 4.4% next year.

Housing downturn ahead

After a slightly surprising rebound over the winter, housing prices have fallen back again slightly in recent months. The boost from the relaxation of mortgage restrictions before Christmas is probably coming to an end, and interest rates have risen more than expected. More subdued demand has brought a much better balance between supply and demand in the housing market, and the number of properties for sale has returned to more normal levels. All of this points towards housing prices falling further, and this will presumably be exacerbated by the policy rate rising further in the third quarter. In the medium term, we are increasingly concerned about housing prices shooting up again. Sales of new homes are down at levels last seen during the financial crisis, and residential construction has dropped back sharply. This suggests that there could be a growing shortage of housing in two to three years.

> *Strong inflation is fuelling price and wage expectations.*
>
> Frank Jullum, Chief Economist Norway

NOK exchange rate at mercy of global risk appetite

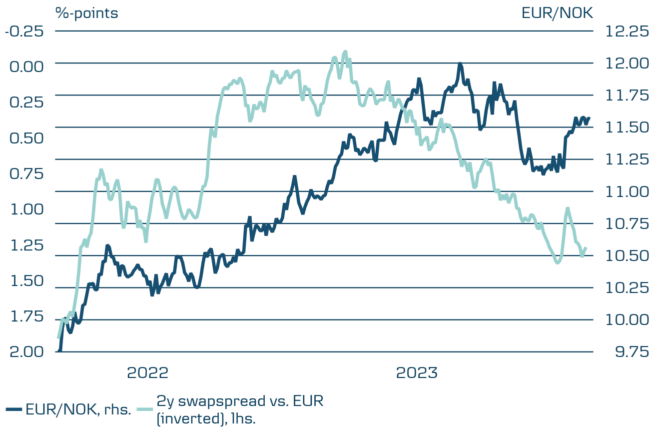
The NOK has rallied somewhat since our June forecast. Higher oil and gas prices and a gradual widening of interest rate differentials to other countries have been important contributing factors. That said, the NOK is still very much at the mercy of global risk appetite, which has been whetted by a belief that inflation has peaked and interest rates will soon do the same. Most recently, however, global markets have begun to price in the possibility of high interest rates proving more persistent. Bond yields have therefore risen sharply, driven entirely by higher real rates. As usual, this has contributed to a general weakening of the NOK.

As we believe that most of the autumn will be dominated by the recession risks posed by high interest rates, we expect the NOK to remain relatively weak in the coming months. But if we avoid an overly hard landing, recession fears will recede, and inflation and interest rate fears will at the very least have peaked. There may then be a greater focus on relative growth, which could gradually support the NOK. We also expect more focus on the global energy situation. Put simply, we envisage a divide between energy importers and energy exporters, and Norway as part of the latter club can look forward to its currency strengthening considerably in the medium term.

Final rate hike in September

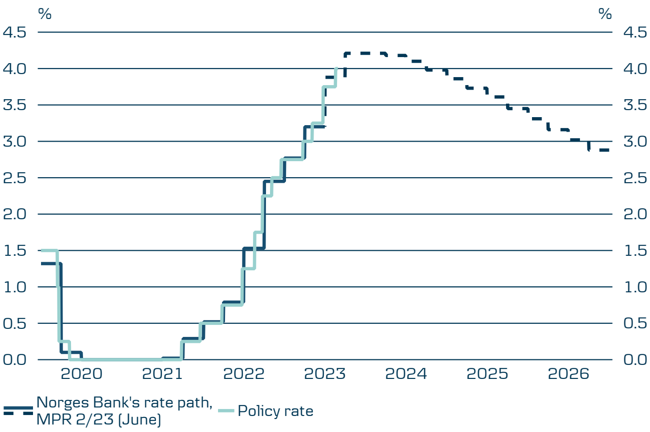
As expected, Norges Bank raised its policy rate by 25bp to 4.00% at its meeting in August and signalled that it will most likely go up further in September. This was in line with the signals in the June monetary policy report.

The NOK has been supported by relative rates



Sources: Macrobond Financial, Danske Bank

Peak in rates imminent



Sources: Macrobond Financial, Danske Bank

As discussed above, however, Norges Bank's rate increases are now beginning to bite. Global rates also seem to be very close to peaking, and the NOK has performed more or less as expected. Although inflation may well remain high in the coming months, we therefore expect the policy rate to peak at 4.25% in September.

There are risks to both sides of this forecast. If inflation surprises to the downside, and the bank's regional network survey reveals a clear deterioration in the growth outlook, it is possible that Norges Bank will leave the policy rate on hold in September. If, on the other hand, the NOK weakens and/or rates in other countries continue to rise, the bank could be forced to raise the policy rate further.

Economy cooling before rates peak

- Finland's economic growth will stagnate in the latter part of 2023, but it will pick up in 2024 as a result of private consumption supported by falling inflation and the gradual reinvigoration of export demand.
- Labour markets will remain 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.
- Housing markets will remain quiet for the time being, but the fall in interest rates and the unleashing of pent-up demand will result in housing markets picking up in 2024. There will be a considerable decrease in housing construction.
- We expect that the new government will start to take fiscal adjustment measures aimed at balancing public finances, but the deficit will remain large in 2024.

	2022	Forecast 2023	2024
GDP Growth	1.6%	-0.2% (-0.2%)	0.8% (0.8%)
Inflation	7.1%	6.5% (5.9%)	2.3% (2.1%)
Unemployment	6.8%	7.2% (7.0%)	7.0% (6.8%)
Policy rate*	2.00%	4.00% (4.00%)	3.25% (3.25%)

Paranthesis are the old projections (From June 2023)
**End of period*
Source: Danske Bank, Statistics Finland, EKP

Finland's economy slipped into mild recession in the second half of 2022, but the growth of the gross domestic product resumed in the first half of 2023. The growth was mainly due to net exports and increasing service consumption, as investments and the consumption of goods decreased. Inflation continues to weaken the purchasing power of consumers, and rising interest rates hold back both consumers and the investments of companies. Labour markets have remained stable, which has increased economic resilience. The economic headwinds weakened in the spring months, as inflation decreased due to the falling energy prices. This combined with the more rapid increase in wages will gradually improve purchasing power. The continued slight growth in the euro area and the lifting of COVID-19 restrictions in China helped maintain stable foreign trade, but the gradual weakening of the flow of export orders indicates that there will be a slight decrease in exports going forward. In the next few years, investments in the green transition and particularly in wind power will boom and create new business opportunities, including the hydrogen economy. However, the economy is still affected by multiple factors delaying an upturn. Increased costs of living force consumers to find ways to save costs, rising interest rates are holding back the economy with lagged effects, housing construction slows down considerably and the flow of export orders remains sluggish in the short term. Our forecast for Finland's economy nevertheless remains more or less unchanged, as the early part of the year turned out to be stronger than expected.

The economic outlook for the near future is weak, but falling inflation and interest rates will increase the purchasing power of consumers next year. We expect that the unleashing of pent-up demand will increase demand in both consumer durables and the housing markets in 2024.

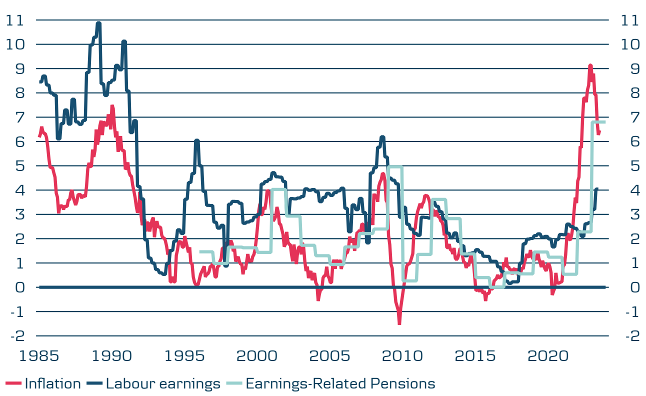
Pasi Kuoppamäki, Chief Economist Finland

The slowdown in inflation, rapid increase in earnings and falling interest rates will alleviate consumers' worries in 2024, when private consumption together with reinvigoration of export and energy investments will again turn the economy around. However, demand growth will remain modest, as the increase in exports is modest and the volume of housing construction will remain low. Labour shortage will dampen high-growth companies' possibilities to expand their business. Fiscal adjustment measures related to public finances curb public spending, but extensive recovery measures will not even be necessary due to the strong labour market.

The good employment situation and savings accumulated during the COVID-19 crisis have made it possible to maintain the standard of living despite high inflation. A growing number of households have been forced to resort to their savings and find ways to balance their finances. In 2022, the savings ratio fell to its lowest level since 1988, and the stock of households' deposits decreased in early 2023. Not all excess savings were used, but as interest rates rise, an increasing share of the income of debt-ridden households will still go to interest expenses in the latter part of the year. Consumers adjust, for example, by postponing purchases of consumer durables. Demand for loan repayment holidays will also increase. Service consumption has continued to increase, which reflects the pursuit of thrills instead of consumption of goods in the aftermath of the COVID-19 pandemic. Based on the consumer confidence survey, the level of purchase intentions is low as autumn approaches. We expect consumer demand to recover in 2024, as real purchasing power will increase and pent-up demand will be unleashed.

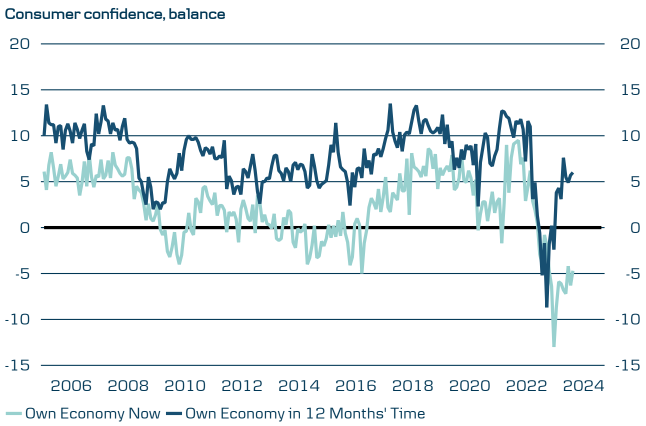
Finland's harmonised inflation rate has remained at a level that is slightly lower than the average inflation rate in the euro area, and the falling energy prices pushed the harmonised inflation rate to 4.2% in July. As a result of the rise of interest rates, the domestic measure of inflation remained at 6.5 per cent.

Inflation falling gradually making space for real earning growth



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Weak consumer confidence on current situation



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Investments contracting after economic outlook cools

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

Underlying inflation still remains at an elevated level, and it will take a long time for inflation to fall, even if the price of energy remains low next winter, as well. The growth of wage and salary earnings will accelerate to around 4%, which is likely to maintain inflation caused by cost pressures especially in the service sectors. The high inflation rate in the euro area combined with the tighter labour market situation has also been problematic to central banks. The rise of interest rates already has a strong effect on the economy. We expect the ECB to increase the deposit facility rate to 4% in September, but key interest rates may already be lowered next year. Our forecast means that the 12-month Euribor rate will gradually go down from its current level. The burden imposed by rising interest rates on consumers and companies will nevertheless also increase with a delayed effect during the latter part of the year, as the interest rate is higher than last year. A decline in interest rates would make the situation easier for debtors and it would support the housing market in 2024.

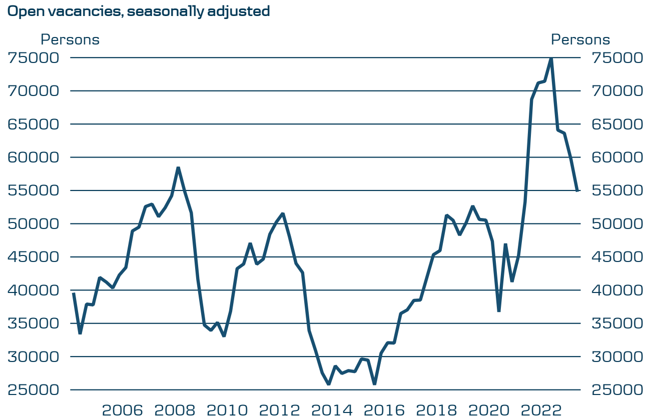
> *The low volume of new building permits indicates that housing construction will remain weak long into 2024. The decline in construction means that other parties involved in the housing value chain will also face problems and that unemployment in the industry sector will increase. In many other respects, the labour market seems to remain stable.*

Pasi Kuoppamäki, Chief Economist Finland

During the first part of the year, the number of housing transactions was roughly a third below last year's level and, in July, the prices of re-sold owner apartments fell by 8% year-on-year. The higher interest rate level continues to weigh on the market, there is an oversupply of new apartments, and consumers' planned housing purchases are at a low level, so we are expecting to see a slight further decline in prices. The increase in interest rates for housing company loans may mean that there are pressures to sell in some locations and price reductions are possible regarding new construction sites. However, most people with housing loans can still manage their loans, and it seems that there is no significant increase in the number of forced sales, so any major changes in the price level seem unlikely. Recovering economic growth, the predicted fall in interest rates and the unleashing of pent-up demand will stimulate the market at a rather rapid pace in 2024.

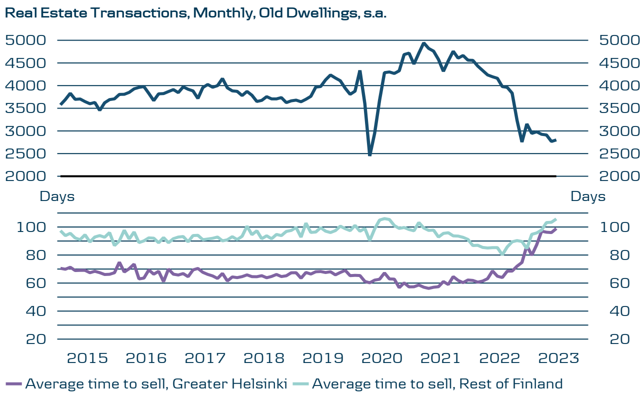
Sluggish demand, increased construction costs and the higher interest rate level lead to a notable downward trend in housing construction. In the construction sector, the number of bankruptcy petitions increased already during the summer. The low volume of building permits means that the volume of new construction will be below the normal level in 2024. The stock

Open vacancies still more plentiful than normally



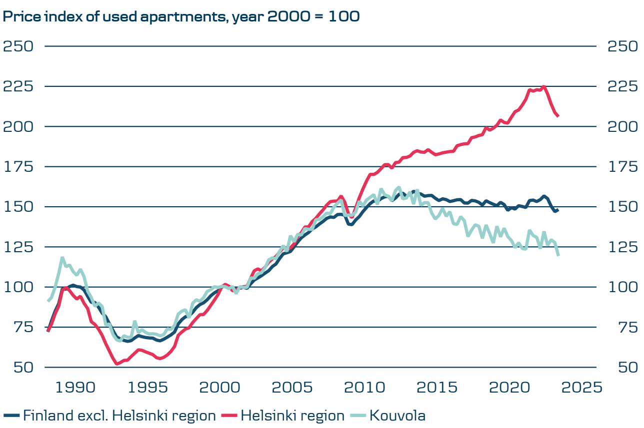
Sources: Macrobond Financial, Statistics Finland, Danske Bank

Housing market remains cool, which grows the pent-up demand



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Housing prices have fallen to pre-COVID-19 level



Sources Macrobond Financial, Tilastokeskus, Danske Bank of unsold new apartments will increase on a temporary basis, which puts pressure on the price level and reduces incentives for further construction. The unleashing of pent-up demand will turn new construction around at a moderate pace in the latter half of 2024.

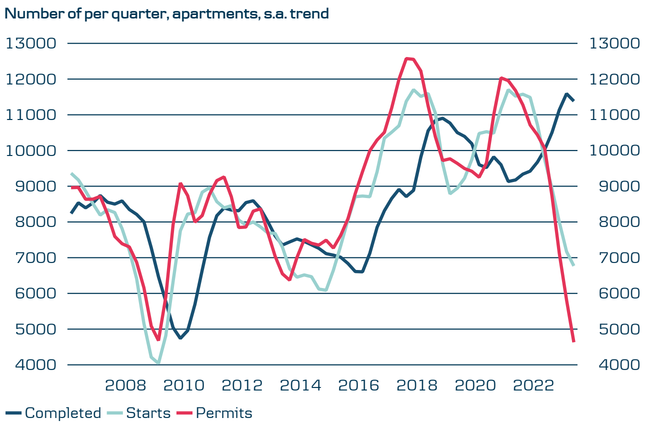
Export demand took a hit due to the collapse of Russian trade, but many companies with export to Russia have found other markets. For example, export to the USA has increased. However, the volume of export orders has been low in the past months and we expect a decline in the export of goods this year. Icon of the Seas, the cruise ship which will be completed in October, will slightly improve the export figures. The development of service export is looking more positive. Dim growth outlook, higher interest rates and the easing of capacity constraints are weighing down industrial investments in the short term. However, investments in the energy sector and national defence support aggregate demand. In the next few years, investments in the green transition will increase to billions of euros.

The slowdown of export demand, increased costs, the increasing interest rate burden and the more cautious buying behaviour of consumers will weaken business opportunities of many companies, which will result in a slight increase in layoffs and redundancies. On the other hand, companies have faced labour shortages, which encourages them to hold on to their skilled employees. There are still plenty of job opportunities, even though the number of open vacancies has decreased over the past few months. We expect the labour market to remain rather stable throughout this year and next year, despite the fact that a temporary increase in unemployment still seems likely.

The government led by Petteri Orpo will adopt a stricter financial policy. The government will aim to balance Finland's public finances through expenditure cuts, tax increases or by means of structural reforms accelerating growth at the level of EUR 6bn in the upcoming parliamentary term. Approximately EUR 4bn will be achieved through expenditure savings, with the aim being that the remaining EUR 2bn will be achieved through a higher employment rate. This is a challenging target, considering the expenditure pressure concerning, for example, the healthcare and social welfare sector and the resistance that the labour market reforms will likely face from trade unions. The planned cuts to social security would already have some effect in 2024, but most of the targets require further preparation and will be implemented in subsequent years. If implemented, the labour market reforms may increase workforce supply. Despite the tightening fiscal policy, one parliamentary term is not enough for the balancing of public finances, and we expect that the public sector will continue to incur debt at a slow rate in the next few years.

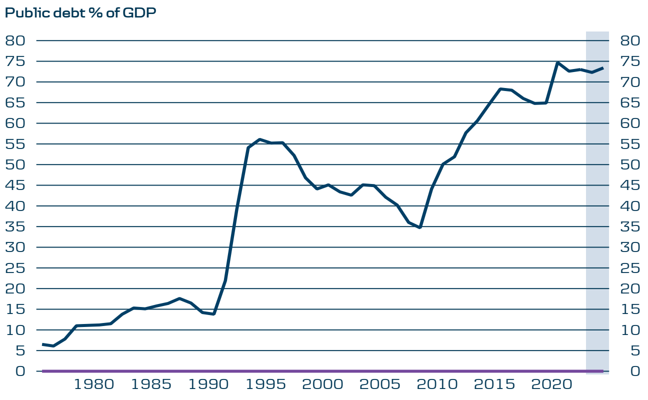
Public debt has increased at a rapid rate and it continues to grow. In 2023, sluggish economic growth, energy subsidies, higher interest rates and the increase in the national defence budget will increase the public deficit. In addition, the healthcare and social welfare reform will increase costs, for example, due to the harmonisation of wages, which will have an impact on the public deficit. According to the government's supplementary budget proposal, the net borrowing of the state is estimated to amount to approximately EUR 10.4bn in 2023. The growth in the interest expenses for the national debt

Housing construction into a significant decline



Sources: Macrobond Financial, Statistics Finland, Danske Bank

New government aims to restrict the growth in public debt



Sources: Macrobond Financial, Statistics Finland, Danske Bank

increases the deficit by nearly EUR 2bn. The fall in the price of electricity will likely reduce the actual expenditure compared to the budget. The total deficit for the public sector will increase compared to 2022. The public debt to GDP ratio will decrease in 2023 due to the growth in nominal GDP, but we expect the ratio to rise in 2024, unless economic growth picks up more than expected or the new government front-loads fiscal adjustment measures.

The 10-year interest rate on the public debt of Finland rose above 3% this summer, as the markets expect short-term rates to go down at a rather slow pace. Compared to Germany, the difference in interest rates has remained rather stable during this year. Credit rating institutions have taken a calm approach to the incurrence of debt, but they are still waiting for structural reforms, which would narrow the sustainability gap, and for the fiscal adjustment measures related to public finances. We expect Finland's credit ratings to remain unchanged in 2023.

Macro forecasts - Denmark

	2022	2022	Forecast 2023	2024
National Accounts	DKK bn (Current prices)	y/y	y/y	y/y
Private consumption	1188.4	-1.6%	0.1%	1.6%
Government consumption	616.7	-2.8%	0.2%	1.5%
Gross fixed investment	615.6	3.2%	-5.2%	0.7%
- Business investment	378.9	9.4%	-3.1%	2.0%
- Housing investment	148.0	-8.5%	-12.6%	-4.3%
- Government investment	88.8	0.3%	-2.0%	2.7%
Growth contribution from inventories		0.4%	-1.4%	0.1%
Exports	1982.5	10.8%	6.7%	1.7%
- Goods exports	1049.6	7.1%	7.5%	2.5%
- Service exports	932.9	16.3%	5.9%	0.8%
Imports	1668.3	6.5%	0.8%	1.7%
- Goods imports	988.8	1.2%	-5.4%	2.7%
- Service imports	679.5	14.9%	9.7%	0.6%
GDP	2831.6	2.7%	1.7%	1.2%
Economic indicators				
Current account, DKK bn		367.2	364.1	380.0
- Share of GDP		13.0%	12.5%	12.5%
General government balance, DKK bn		97.4	60.0	30.0
- Share of GDP		3.4%	2.1%	1.0%
General government debt, DKK bn		841.6	805.0	790.0
- Share of GDP		29.7%	27.7%	26.0%
Employment (annual average, thousands)		3167.9	3207.6	3187.8
Gross unemployment (annual average, thousands)		75.7	83.9	94.3
- Share of total work force (DST definition)		2.6%	2.9%	3.2%
House prices, y/y		-0.1%	-3.0%	0.0%
Private sector wage level, y/y		3.6%	4.3%	5.6%
Consumer prices, y/y		7.7%	4.0%	3.2%
Financial figures	**05/09/2023**	**+ 3 months**	**+6 months**	**+12 months**
Lending Rate	3.50%	3.75%	3.75%	3.50%
Certificates of deposit Rate	3.35%	3.60%	3.60%	3.35%

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

Macro forecasts - Sweden

	2022	2022	Forecast 2023	2024
National Accounts	**SEK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	2613.1	1.9%	-1.6%	1.7%
Government consumption	1490.8	0.0%	2.2%	1.5%
Gross fixed investment	1622.3	6.2%	-0.9%	2.0%
Contribution from invetory change	78.1	0.5%	-0.8%	-0.1%
Domestic demand	5804.3	3.6%	-1.2%	1.7%
Exports	3157.0	7.0%	2.5%	3.0%
Aggregate demand	8961.3	4.8%	0.1%	2.1%
Imports	2981.9	9.3%	0.7%	2.9%
Contribution from net exports	175.2	-0.8%	1.0%	0.1%
GDP	5979.4	2.9%	-0.2%	1.7%
GDP, calendar adjusted	5968.0	2.9%	0.0%	1.7%
Economic indicators				
Trade Balance, SEK bn		171.5	229.0	237.9
- share of GDP		2.9%	3.8%	3.9%
Current Account, SEK bn		221.5	279.0	287.9
- share of GDP		3.7%	4.7%	4.7%
Public budget, SEK bn		40.0	-25.0	-50.0
- share of GDP		0.7%	-0.4%	-0.8%
Public debt ratio*		31.0%	29.0%	29.0%
Unemployment rate		7.5%	7.5%	7.8%
Consumer prices, y/y		8.4%	8.4%	1.8%
CPIF, y/y		7.7%	6.0%	2.0%
CPIF excl. Energy, y/y		5.9%	7.5%	2.5%
Hourly Wages, y/y		2.5%	4.0%	3.3%
House prices, y/y		0.0%	-8.0%	1.0%
*Maastricht definition				
Financial Figures	**05/09/2023**	**+3 months**	**+6 months**	**+12 months**
Leading policy rate	3.75%	4.00%	4.00%	3.75%

Source: Danske Bank, Statistics Sweden, Valueguard, Sveriges Riksbank

Macro forecasts - Norway

	2022	2022	Forecast 2023	2024
National Accounts	**NOK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	1806.4	6.9%	-1.7%	1.2%
Government consumption	1037.2	0.1%	1.4%	1.0%
Gross fixed investment	1095.5	4.3%	0.5%	4.0%
Petroleum activities	176.0	-6.5%	5.0%	5.0%
Mainland Norway	918.7	6.7%	1.0%	1.0%
Dwellings	232.1	-1.4%	-5.0%	1.0%
Enterprises	448.8	14.5%	3.5%	-0.5%
General government	237.8	1.2%	1.0%	2.0%
Exports	3100.6	5.9%	4.0%	2.0%
Crude oil and natural gas	1972.9	0.3%	3.5%	3.5%
Traditional goods	626.0	-0.3%	4.5%	3.0%
Imports	1521.5	9.2%	3.0%	1.6%
Traditional goods	991.7	2.5%	-1.0%	1.2%
GDP	5570.7	3.3%	1.3%	1.5%
GDP Mainland Norway	3570.9	3.8%	1.2%	1.4%
Economic indicators				
Employment, y/y		3.9%	1.1%	-0.1%
Unemployment rate (NAV)		1.8%	1.9%	2.3%
Annual wages, y/y		4.3%	5.4%	4.4%
Core inflation, y/y		3.9%	6.2%	3.0%
Consumer prices, y/y		5.8%	5.8%	2.5%
House prices, y/y		4.9%	-2.5%	-1.0%
Financial figures	**05.09.2023**	**+3 months**	**+6 months**	**+12 months**
Leading policy rate	4.00%	4.25%	4.25%	3.75%

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

Macro forecasts - Finland

	2022	2022	Forecast 2023	2024
National Accounts	**EUR bn (Current prices)**	**y/y**	**y/y**	**y/y**
GDP	268.7	1.6%	-0.2%	0.8%
Imports	127.8	8.3%	-3.0%	1.5%
Exports	121.5	3.5%	-0.5%	1.5%
Consumption	202.9	1.4%	0.8%	0.8%
- Private	138.3	1.7%	-0.2%	1.0%
- Public	64.6	0.8%	3.0%	0.5%
Investments	65.1	3.2%	-5.0%	1.0%
Economic Indicators				
Unemployment rate		6.8%	7.2%	7.0%
Earnings, y/y		2.4%	4.0%	3.4%
Inflation, y/y		7.1%	6.5%	2.3%
Housing prices, y/y		0.6%	-6.0%	2.5%
Current account, EUR Bn		-9.8	-4.0	-3.0
- share of GDP		-3.6%	-1.4%	-1.0%
Public deficit, share of GDP		-0.9%	-2.8%	-2.7%
Public debt, share of GDP		72.9%	72.3%	73.4%
Financial Figures	**05/09/2023**	**+3 months**	**+6 months**	**+ 12 months**
Leading Policy Rate	3.75%	4.00%	4.00%	3.75%

Source: Danske Bank, Statistics Finland, ECB

Macro Forecasts - Euro area

	2023 Q1	Q2	Q3	Q4	2024 Q1	Q2	Q3	Q4
GDP, q/q	0.0%	0.3%	-0.1%	-0.1%	0.2%	0.3%	0.4%	0.6%
Unemployment rate	6.6%	6.5%	6.5%	6.6%	6.7%	6.8%	6.8%	6.9%
HICP, y/y	8.0%	6.2%	4.7%	3.2%	3.0%	2.9%	2.4%	2.2%
Core HICP, y/y	5.5%	5.5%	5.3%	4.2%	3.4%	3.2%	2.8%	2.6%
ECB deposit rate*	3.00%	3.50%	4.00%	4.00%	4.00%	3.75%	3.50%	3.25%

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

Macro Forecasts - United States

	2023 Q1	Q2	Q3	Q4	2024 Q1	Q2	Q3	Q4
GDP, q/q	0.5%	0.5%	0.2%	0.0%	-0.2%	0.2%	0.4%	0.6%
Unemployment rate	3.5%	3.5%	3.7%	3.8%	3.9%	4.1%	4.2%	4.3%
CPI, y/y	5.8%	4.1%	3.3%	2.8%	2.4%	2.1%	2.0%	2.1%
Core CPI, y/y	5.6%	5.2%	4.3%	3.5%	2.9%	2.3%	2.3%	2.4%
Fed Funds target rate*	5.00%	5.25%	5.50%	5.50%	5.25%	5.00%	4.75%	4.50%

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

Macro Forecasts - United Kingdom

	2023 Q1	Q2	Q3	Q4	2024 Q1	Q2	Q3	Q4
GDP, q/q	0.0%	0.0%	0.1%	0.0%	-0.1%	0.2%	0.3%	0.3%
Unemployment rate	3.9%	4.2%	4.4%	4.5%	4.5%	4.6%	4.6%	4.6%
CPI, y/y	10.2%	8.4%	6.8%	5.1%	4.1%	2.4%	2.5%	2.5%
Core CPI, y/y	6.0%	6.9%	6.7%	6.1%	5.5%	3.6%	3.0%	2.6%
BoE Bank Rate*	4.25%	5.00%	5.50%	5.50%	5.50%	5.25%	5.00%	4.75%

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

Country	Year	GDP*	Private cons.*	Public cons.*	Fixed inv.*	Ex-ports*	Im-ports*	Infl-ation*	Wage growth *	Unem-ployme. **	Public budget ***	Public debt ***	Current acc. ***
Denmark	2022	2.7	-1.6	-2.8	3.2	10.8	6.5	7.7	3.6	2.6	3.4	29.7	13.0
	2023	1.7	0.1	0.2	-5.2	6.7	0.8	4.0	4.3	2.9	2.1	27.7	12.5
	2024	1.2	1.6	1.5	0.7	1.7	1.7	3.2	5.6	3.2	1.0	26.0	12.5
Sweden	2022	2.9	1.9	0.0	6.2	7.0	9.3	8.4	2.5	7.5	0.7	31.0	3.7
	2023	0.0	-1.6	2.2	-0.9	2.5	0.7	8.4	4.0	7.5	-0.4	29.0	4.7
	2024	1.7	1.7	1.5	2.0	3.0	2.9	1.8	3.3	7.8	-0.8	29.0	4.7
Norway	2022	3.8	6.9	0.1	4.3	5.9	9.2	5.8	4.3	1.8	-	-	-
	2023	1.2	-1.7	1.4	0.5	4.0	3.0	5.8	5.4	1.9	-	-	-
	2024	1.4	1.2	1.0	4.0	2.0	1.6	2.5	4.4	2.3	-	-	-
Euro area	2022	3.4	4.5	1.4	3.0	7.3	8.2	8.4	3.1	6.7	-3.6	91.5	-0.9
	2023	0.5	0.1	-0.7	0.5	1.7	1.0	5.5	5.3	6.5	-3.2	90.0	1.3
	2024	0.8	1.1	1.0	0.5	2.0	2.0	2.6	4.5	6.8	-2.6	89.1	1.7
Finland	2022	1.6	1.7	0.8	3.2	3.5	8.3	7.1	2.4	6.8	-0.9	72.9	-3.6
	2023	-0.2	-0.2	3.0	-5.0	-0.5	-3.0	6.5	4.0	7.2	-2.8	72.3	-1.4
	2024	0.8	1.0	0.5	1.0	1.5	1.5	2.3	3.4	7.0	-2.7	73.4	-1.0
United States	2022	2.1	2.7	-0.6	-0.2	7.1	8.1	8.0	5.3	3.6	-5.5	123.3	-3.9
	2023	1.9	1.9	3.5	-0.7	-0.3	-4.2	4.0	4.1	3.6	-5.4	123.6	-3.1
	2024	0.6	-0.2	2.7	3.2	-4.0	-1.3	2.1	3.2	4.1	-5.8	125.4	-2.8
China	2022	3.0	2.8	-	4.0	-	-	2.0	-	5.5	-7.5	77.1	2.3
	2023	4.8	6.5	-	4.5	-	-	0.8	-	5.4	-7.5	82.8	1.4
	2024	4.2	5.0	-	3.8	-	-	1.2	-	5.5	-7.5	87.4	1.0

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

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