Nordic Outlook

3 September 2024

Normalising economies, with risks

Highlights

- We expect growth rates, inflation, interest rates and labour market indicators to arrive at more normal levels over the coming year, after the wild swings over the last four.
- Inflation has come down or is heading that way, shifting focus towards the real economy and the risk that there could be too much slowdown.
- Like the rest of Europe, the Nordic countries are mostly heading for higher growth and lower interest rates, but with a lot of variation between them.

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Danske Bank

Analysts

Editor-in-Chief:
Las Olsen
Chief Economist
laso@danskebank.com

Antti Ilvonen
Co-Editor and US
ilvo@danskebank.com

Louise Aggerstrøm Hansen
Denmark
louhan@danskebank.com

Allan von Mehren
China
alvo@danskebank.com

Bjørn Tangaa Sillemann
Denmark
bjsi@danskebank.com

Minna Kuusisto
Emerging markets
mkuus@danskebank.com

Michael Grahn
Sweden
mika@danskebank.com

Pasi Kuoppamäki
Finland
paku@danskebank.com

Therese Persson
Sweden
thp@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Rune Thyge Johansen
Euro area
rujo@danskebank.com

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Normalising economies, with risks

Global

We expect slightly higher growth in Europe including the Nordic countries, with important variations between countries, and slightly lower growth in the US. It seems that manufacturing is less of a growth driver than we expected, though, partly related to continued weakness in China. Inflation has declined markedly in the US, and that clears the road for gradual and cautious interest rate cuts. Our forecasts are broadly similar to our last Nordic Outlook, but the balance of risk has shifted somewhat away from the risk of persistent high inflation and towards the risk of a more pronounced economic slowdown.

Euro area

The euro area economy experienced a solid first half of the year, achieving decent growth after a year of stagnation. Recent indicators, however, have cast doubts on the sustainability of this growth momentum, particularly in the manufacturing sector. We predict growth will continue, driven by a strong labour market and rising real incomes that bolster consumer spending in the coming year, but we see downside risks to the near-term growth outlook. The disinflationary process in the euro area is still on track, albeit some slowdown has been observed over the summer owing to persistent high services inflation. We expect core inflation to remain sticky, while headline inflation should stabilize close to the 2% target in the second half of 2025.

Denmark

Denmark's pharmaceutical giant remains the key driver of the country's economy, but other areas have made progress too and look likely to continue. Consumers ate into their savings during the period of high inflation and are now reluctant to channel wage hikes into increased consumption, but we expect this will change. After a solid 2023, exports ex. Pharma have experienced more headwinds this year as the global industrial recovery stalled slightly. Inflation is very low in Denmark compared to the rest of Europe, but the trend is now upwards due to both technical factors and quite significant wage growth.

Sweden

Swedish economy seems to have fared quite well during the first half of this year. However, with weaker consumption and fewer hours worked. Housing construction, on the other hand, is showing signs of turning around and housing prices are rising, albeit slowly. Business investments and foreign trade increases.

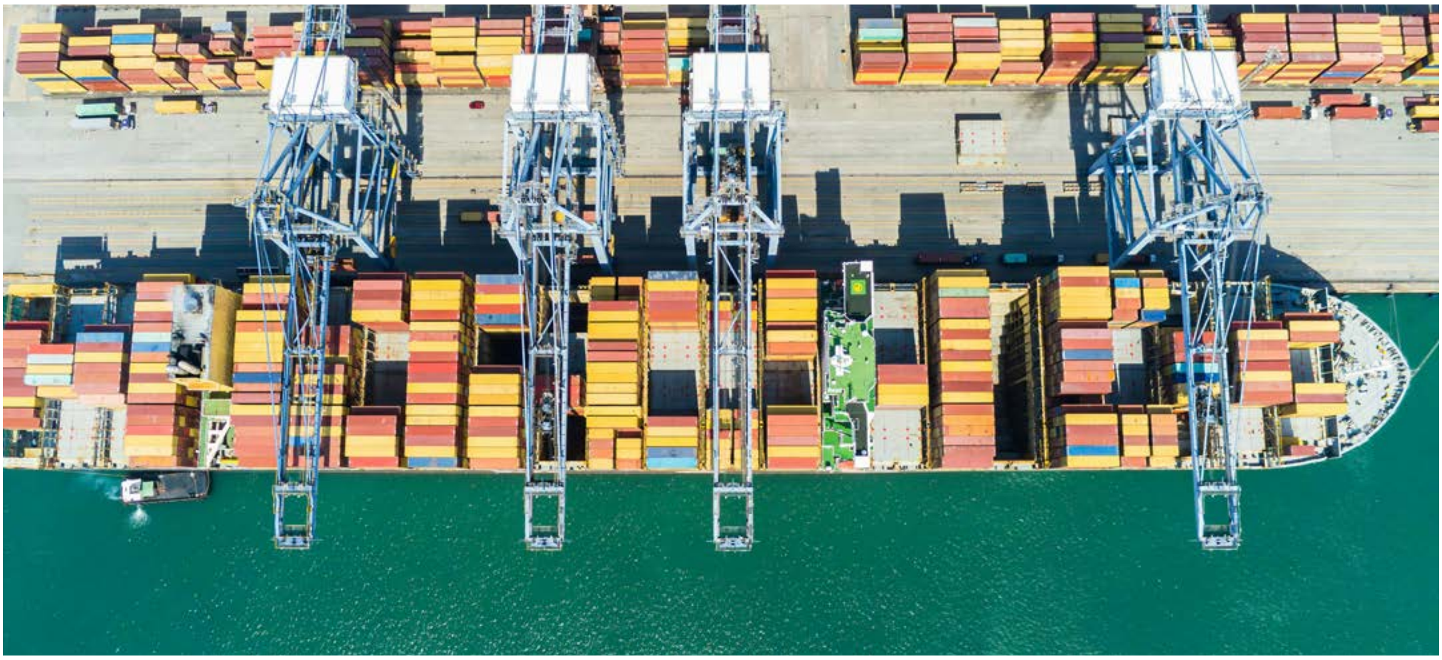
Going forward, we expect that a pro-cyclical monetary and fiscal policy will give proper support to the growth outlook.

Norway

The near-term outlook is for growth to be below trend, but with some acceleration during 2025. Consumer spending is high relative to incomes, leaving modest room for increases. Unemployment is low but rising, and inflation is decreasing. The NOK is influenced by global factors. Norges Bank plans to maintain the current policy rate for some time yet, with rate cuts forecasted for next year, but with a potential for them coming sooner if domestic and global factors allow for it. Business and residential investment may have turned the corner, but the outlook for the construction industry remains poor for next year.

Finland

Finland is making a slow exit from a recession. Falling interest rates and low inflation boost domestic demand, but risk of unemployment is still holding the consumer back. Unemployment will increase slightly. Flow of export orders remains sluggish in the short term, but growth in export markets boosts exports demand. Housing construction seems to be bottoming at a low level, and a recovery can be expected in 2025. Housing market has stabilized, and the number of transactions increased during summer. Sovereign credit rating outlook has weakened, and public debt ratio grows despite the government decision to tighten fiscal policy, which implies a risk of further austerity measures.



From fear of inflation to fear of slowdown

- **We expect slightly higher growth in Europe including the Nordic countries, with important variations between countries, and slightly lower growth in the US – it seems that manufacturing is less of a growth driver than we expected, though.**
- **Inflation has declined markedly in the US, and while it is still too high in the euro area, cooling wage growth points to improvement also there. That clears the road for gradual and cautious interest rate cuts.**
- **Our forecasts are broadly similar to our last Nordic Outlook, but the balance of risk has shifted somewhat away from the risk of persistent high inflation and towards the risk of a more pronounced economic slowdown.**

In this Nordic Outlook, we have not made big changes to most forecasts. We continue to expect a return to what could be called normal levels of growth, inflation, unemployment and interest rates in the months and years ahead, which means a slight slowdown in the US and mostly a bit more growth in the Nordics and the rest of Europe. However, there has been something of a shift in the sentiment around that forecast.

We have not seen the rebound in manufacturing that we were expecting and saw signs of in the spring. Especially measured with PMI data, both European and American manufacturing seems to be stalling, despite easing financial conditions and what we expected would be a cyclical rebound following the post-reopening slump in demand for physical goods. While manufacturing is far smaller than services in Western economies, it is still important in driving the economic cycle, and its weakness is a reminder that economic slowdown beyond our forecast is a risk.

At the same time, inflation news from the US has been encouraging. For three months in a row, inflation has been running at or below what is consistent with the target. This follows a period of more worrying inflation numbers, and while it is of course not surprising that things are now going as forecasted, it is nevertheless encouraging and reduces risks. Remember that inflation forecasts have been very wrong in recent years. Euro area inflation has yet to come down to the same degree, but the US experience is encouraging, and it also seems that the period of very high European wage growth is coming to an end – again, not surprising, but also not something we could not be sure would be the case.

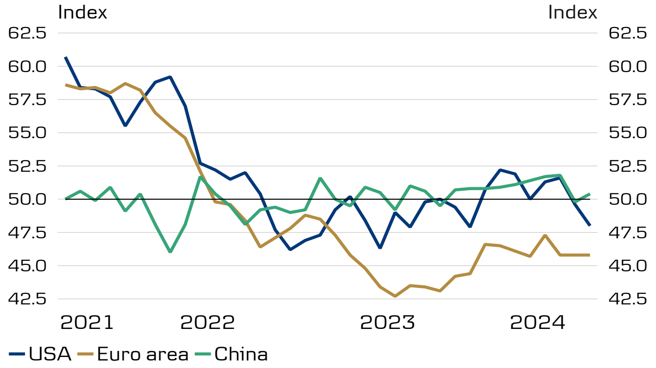
It is clear that the US labour market is no longer as tight, as unemployment is increasing, and jobs are harder to find. In Europe, the picture is more mixed, but some countries are moving in the

While the overall economic situation is developing mostly as expected, it seems that the risk of persistent high inflation has decreased, while the risk of economic slowdown has increased

Las Olsen, Chief Economist

Not much of a manufacturing recovery

Manufacturing PMI

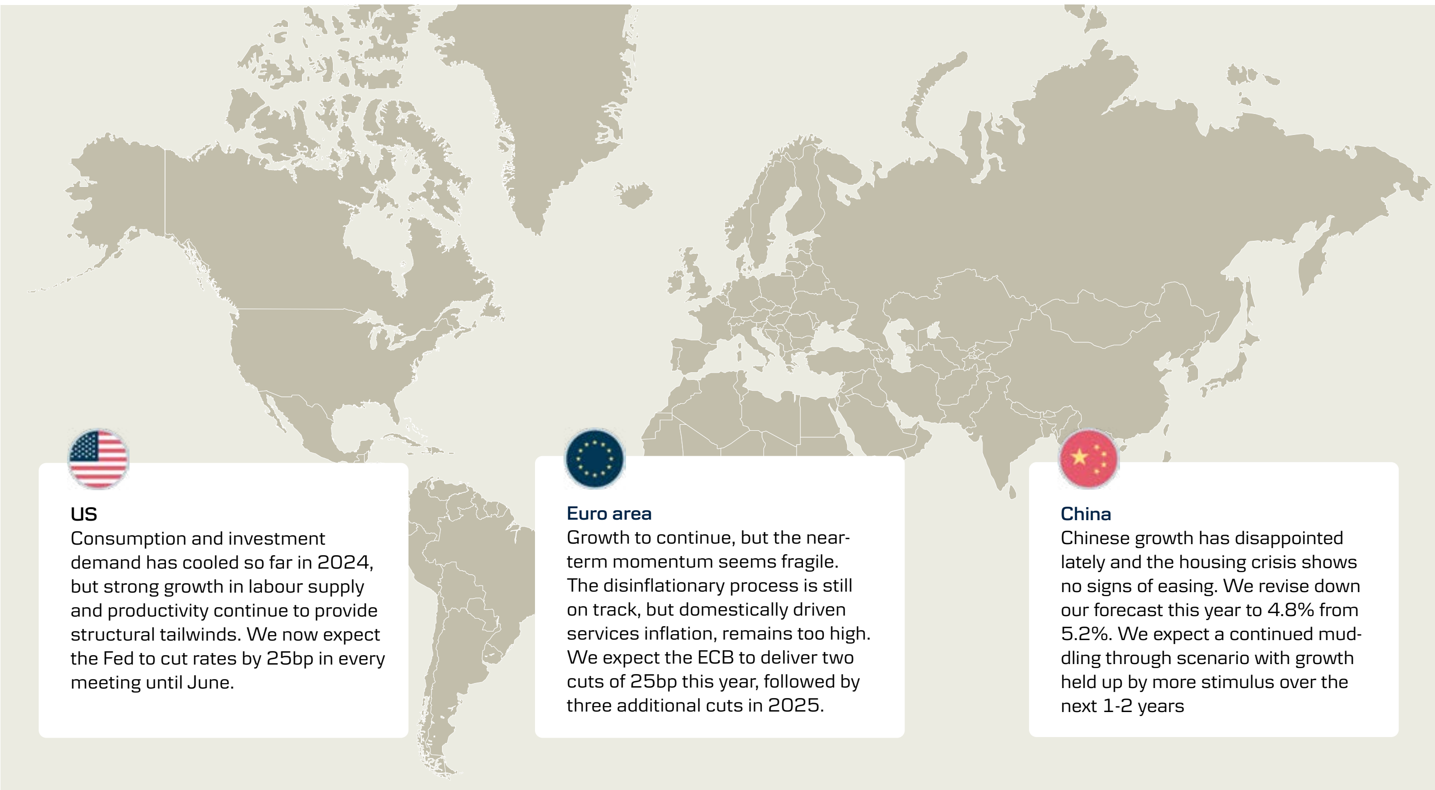


Source: S&P Global, Macrobond Financial

same direction, including the Nordic countries. This is a delicate situation, as on the one hand, some cooling is needed to control inflation, but on the other hand, unemployment increases often get out of control and turn into economic recessions. Encouragingly, the current slack in the US (and in for example Denmark) is coming from a growing labour force while employment is still increasing.

All in all, while the overall economic situation is developing mostly as expected, it seems that the risk of persistent high inflation has decreased, while the risk of economic slowdown has increased. This shift should allow central banks to reduce interest rates a bit faster than we expected three months ago, which is reflected in our forecasts. Market expectations for central banks took quite a radical turn towards lower rates over the Summer, and while some of that has been taken back recently, we still expect the ECB and the Fed to be more cautious than what is priced. We do not think that the situation is dramatically different from what it was in the Spring.

Serious conflicts still plague the world and add to economic risks. Oil markets have been remarkably resilient to the high level of tension in the Middle East, partly because weakness in manufacturing and in the Chinese economy are pulling prices down. This can change if the conflict escalates enough, however, and the conflict does have serious consequences for shipping times and costs already. The continuing war between Russia and Ukraine and continuing trade tensions are also sources of uncertainty, but right now, it seems to not be enough to prevent a fairly benign outlook for most of the economies we cover here, all in all.



US
Consumption and investment demand has cooled so far in 2024, but strong growth in labour supply and productivity continue to provide structural tailwinds. We now expect the Fed to cut rates by 25bp in every meeting until June.

Euro area
Growth to continue, but the near-term momentum seems fragile. The disinflationary process is still on track, but domestically driven services inflation, remains too high. We expect the ECB to deliver two cuts of 25bp this year, followed by three additional cuts in 2025.

China
Chinese growth has disappointed lately and the housing crisis shows no signs of easing. We revise down our forecast this year to 4.8% from 5.2%. We expect a continued muddling through scenario with growth held up by more stimulus over the next 1-2 years

Progressing despite near-term hurdles

- **The euro area economy experienced a solid first half of the year, achieving decent growth after a year of stagnation. Recent indicators, however, have cast doubts on the sustainability of this growth momentum, particularly in the manufacturing sector.**

- **We predict growth will continue, driven by a strong labour market and rising real incomes that bolster consumer spending in the coming year, but we see downside risks to the near-term outlook.**

- **The disinflationary process in the euro area is still on track, albeit some slowdown has been observed over the summer owing to persistent high services inflation that keeps underlying inflation elevated. Combined with normalizing goods inflation, we expect only a gradual decline in core inflation. We forecast that headline inflation will stabilize close to the 2% target in the second half of 2025, but the final path is set to be bumpy.**

- **We expect the ECB to deliver two more cuts of 25bp in 2024, followed by three in 2025. This means a terminal rate of 2.50% at year-end 2025, due to the need to keep a restrictive monetary policy stance.**

	2023	Forecast 2024	2025
GDP Growth	0.5%	0.7% (0.7%)	1.2% (1.3%)
Inflation	5.4%	2.4% (2.4%)	2.1% (2.1%)
Unemployment	6.5%	6.5% (6.5%)	6.6% (6.6%)
Policy rate*	4.00%	3.25% (3.50%)	2.50% (2.75%)

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

The euro area economy experienced a solid first half of the year, achieving decent growth after a year of stagnation. This positive trend was primarily supported by the service sector and the economies in Southern Europe, while the manufacturing sector and Germany faced challenges. Recent indicators, however, have cast doubts on the sustainability of this growth momentum, particularly due to weakness in the manufacturing sector. Global industrial activity has slowed down, and foreign demand looks frailer. As a result, we estimate that the near-term growth prospects have weakened slightly since our last forecast in June and see downside risks to the projections for 2024. Nonetheless, we still predict positive, but below trend, growth rates in GDP this year and next year, driven by private consumption and service providers. The labour market has moderated lately but overall remains solid which together with rising real incomes should bolster consumer spending. We see risks to the growth outlook for 2025 as balanced since we expect global central banks to gradually dial back the level of monetary policy restrictiveness and as consumption could increase more than expected thanks to current high savings.

The disinflationary process in the euro area is still on track, albeit some slowdown has been observed over the summer owing to persistent high services inflation

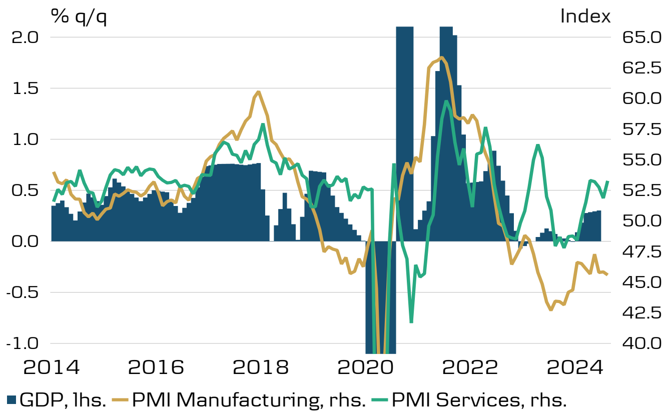
Rune Thyge Johansen, Analyst

The disinflationary process in the euro area is still on track, albeit some slowdown has been observed over the summer owing to persistent high services inflation. The most recent momentum in services inflation remains strong especially due to domestically driven inflation on the back of elevated wage growth. However, the overall trend for inflation is pointing lower as sellers have scaled back price increase expectations, and wage growth has come down more than expected. Momentum in energy and food inflation is well-behaved and should continue to be so as supply chains normalise further. Hence, we forecast that headline inflation will stabilize close to the 2% in the second half of 2025, but the path towards the 2% target is set to be bumpy. Meanwhile, after a prolonged period of stability, goods inflation is slowly rising to normal levels, leading us to expect only a slow decline in core inflation. The risks assessment of our inflation outlook is tilted to the upside due to the potential of stronger-than-expected wage growth and energy prices.

We expect the ECB to deliver two more 25bp cuts in 2024, in September and December, respectively, followed by three more in 2025, bringing the terminal rate to 2.50% in 2025. The call reflects a risk management exercise for the ECB looking at the totality of data where recent softening in growth and the labour market makes up for the still strong domestic inflation. This has meant that while our baseline outlook for inflation is broadly unchanged in our forecast horizon, the incoming data through the summer has removed some topside risk to inflation through easing growth and labour markets. Hence, we expect the ECB to be sufficiently confident in inflation returning to 2% to continue lowering the policy rate, and we see balanced risks to our ECB profile.

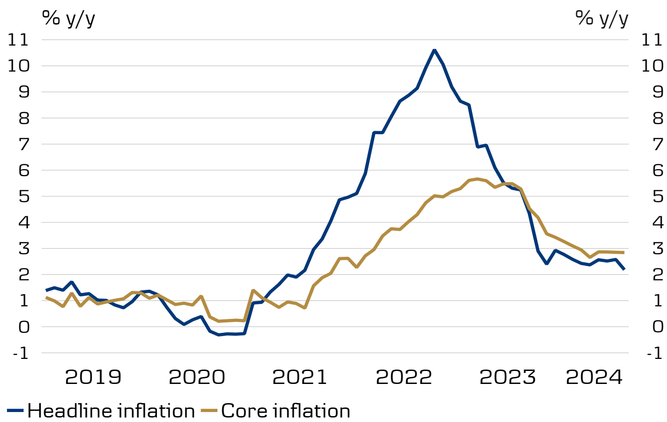
The outlook for the German economy is weak as the heavy reliance on manufacturing and weakness in construction drags down growth. Industrial exports in Germany are challenged by relatively higher energy costs compared to competitors. Yet, private consumption and the service sector should support growth, so we expect economic output to expand slightly. However, the long-term growth outlook for the economy stays weak due to headwinds from a more austere fiscal policy and a shrinking workforce.

Latest growth indicators have cast doubts on the sustainability of the recent growth momentum



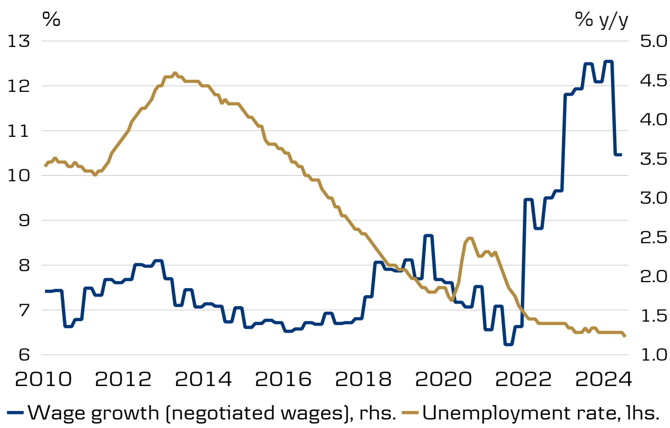
Source: S&P Global, Macrobond Financial

After significant declines, inflation remains sticky



Source: Eurostat, Macrobond Financial

The labour market is strong and wage growth is easing



Source: Eurostat, ECB, Macrobond Financial

Soft landing still in sight

- **Economic growth is slowing mostly in line with our expectations, but we think recession risks remain low. We make only marginal adjustments to our forecast profile and see 2024 GDP growth at 2.5% (from 2.3%) and 2025 at 1.5% (unchanged).**
- **Potential output continues to grow at a brisk pace, supported by increases in labour supply, solid productivity growth and fiscal policy driven demand for manufacturing investments.**
- **Risks to the outlook remain somewhat skewed to the downside. The current low savings rate indicates that consumers' buffers remain weak. Slow monetary policy pass-through and high share of fixed rate mortgages suggest that rate cuts will not provide a rapid boost to economic growth, if the outlook deteriorates faster than we expect.**
- **Inflation forecasts have been adjusted modestly lower. We see headline inflation averaging 2.9% in 2024 (from 3.2%) and 2.2% in 2025 (from 2.5%) and core inflation at 3.3% in 2024 (from 3.4%) and 2.4% in 2025 (from 2.6%). We now expect the Fed to cut interest rates by 25bp at every meeting from September until June 2025 (prev. only every other meeting from September), followed by two final cuts in H2 2025 (terminal rate 3.00-3.25%; prev. 3.75-4.00%).**

		Forecast	
	2023	2024	2025
GDP Growth	2.5%	2.5% (2.3%)	1.5% (1.5%)
Inflation	4.1%	2.9% (3.2%)	2.2% (2.5%)
Unemployment	3.6%	4.1% (4.0%)	4.7% (4.4%)
Fed Funds*	5.50%	4.75% (5.00%)	3.25% (4.00%)

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

Economic growth slowed down during the first half of 2024, partly due to negative contribution from net exports but also slowing private consumption and investment growth. Labour market conditions have also cooled faster than expected, but mostly as a result of rapidly growing labour force, as number of layoffs is still low. Overall, we think the US economy remains on a solid footing and the soft landing is still in sight.

In contrast to some European economies, US consumers' savings rates have remained low throughout the post-pandemic period. Solid labour markets and relatively upbeat consumer sentiment have supported continuous growth in real spending volumes. However, if wage growth cools and concerns around rising unemployment start to set in, consumers' savings buffers remain weak. Latest retail sales and sentiment indicators suggest that for now, nominal spending growth has remained brisk and optimism about future outlook has risen, but also that consumers are getting increasingly worried about their current economic situation.

We expect the Fed to reach a terminal policy rate of 3.00-3.25% by the end of 2025.

Antti Ilvonen, Senior Analyst

Investment growth has also slowed down as tight monetary policy bites into businesses' expansion plans. Uncertainty about the fiscal policy outlook and especially the future of IRA subsidies might have delayed some investment plans as well. However, we expect overall fiscal policy stance to remain expansionary over the coming years, irrespective of the election outcome. Kamala Harris would likely follow on Biden administration's footsteps, preserving the IRA as intended while opting for corporate tax hikes to fund the growing deficits. On the other hand, while Donald Trump's plans for scrapping the IRA and sharply increasing tariffs on imports would have disrupting effects on growth in the near-term, he would also provide support via extending the TCJA income tax cuts from his first term while further reducing corporate taxes. We do not foresee either candidate sharply reducing public budget deficits in the near-term but see higher risk of unsustainable debt dynamics in the case of Trump's victory.

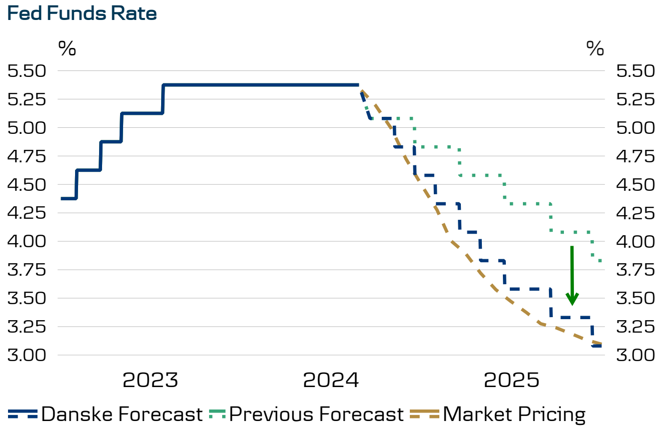
Inflation has slowed down over the summer, and since our June edition, especially the broader services price pressures have eased noticeably. In addition to easing labour shortages, strong labour productivity growth has continued to alleviate firms' cost pressures. Rising productivity and labour supply mean that US economy's potential growth remains elevated. We think that the risk of an outright recession remains low, but still see growth slowing below potential over the coming quarters.

As labour markets are no longer overheated and both realized and expected inflation are cooling, we now expect the Fed to cut rates by 25bp at every meeting from September to June 2025, followed by two final 25bp cuts in H2 2025. As such, we see the nominal terminal policy rate at 3.00-3.25% (prev. 3.75-4.00%) by the end of 2025.

Expectation of rapid rate cuts has already contributed to easing financial conditions in the markets. On the other hand, slow monetary policy pass-through means that the boost to growth will come with a lengthy delay. 95% of US mortgages are locked into fixed interest rates, and even though mortgage rates have already started to decline, demand for new loans remains low.

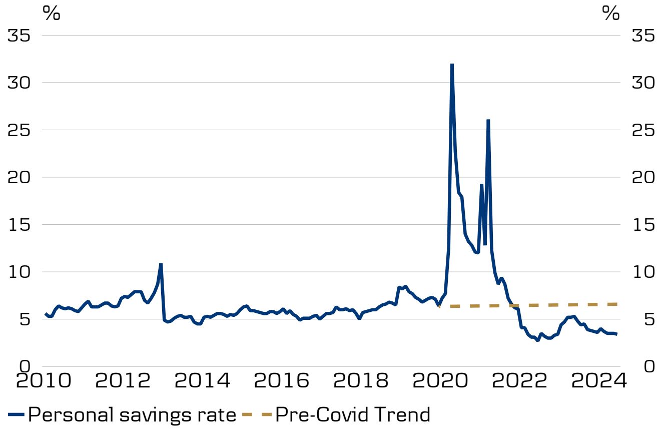
As recession risks remain low in our view and as FOMC participants have communicated preference for a gradual easing cycle, we do not agree with markets' speculation about 50bp cuts. But even so, we now think the Fed will cut rates noticeably faster than the ECB, which reflects expectation of continuous growth in the US economy's productive capacity. The lack of similar slack in the euro area will not, in our view, allow the ECB to cut rates as quickly as the Fed.

We now expect the Fed to cut by 25bp in every meeting until June 2025



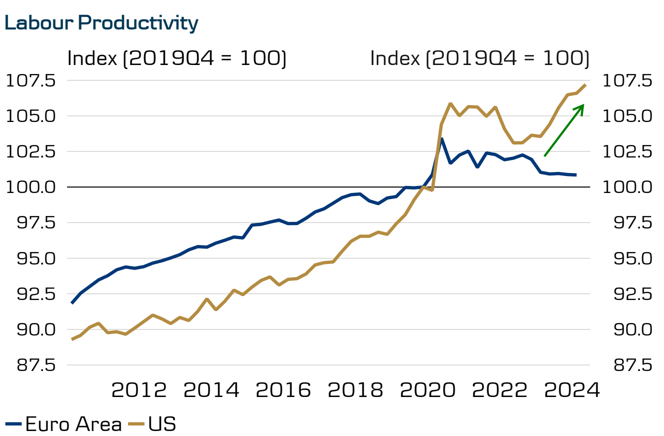
Sources: Macrobond Financial, CBOE, Danske Bank

US consumers' high propensity to spend has supported growth, but also drawn down savings buffers



Macrobond Financial, U. S. Bureau of Economic Analysis

Strong productivity growth lifts the economy's potential output and alleviates firms' labour cost pressures



Sources: Macrobond Financial, U. S. Bureau of Labor Statistics, European Central Bank

Housing crisis continues to pull down the economy

- After a strong start to 2024, the Chinese economy lost momentum again in recent months with the housing crisis and weak consumer spending still being at the center of the challenges.
- Looking ahead we expect more muddling through with new stimulus set to provide a lift to the rest of the year with the government committed to its' 5% growth target. Still, we revise down growth to 4.8% for 2024 (previous 5.2%). In 2025 we continue to project growth of 4.8%.
- Exports provided a tailwind in the first half of 2024 but export growth is expected to fade in the second half. We look for housing and consumption to stay weak over the forecast horizon as measures to turn the crisis remain too small.
- Chinese policy makers are set to increase stimulus measures in the coming quarters using both fiscal and monetary policy. However, a mini-bazooka is needed to drive a real recovery and we doubt this is coming.
- Taking a step back, China continues to muddle through a long and painful transition from an old to a new growth model with less focus on real estate and 'old' infrastructure and more emphasis on new technology, high-end manufacturing, green-tech, 'smart' infrastructure and private consumption.
- EU-China trade tensions have increased and we believe they are here to stay in the coming years. However, we do not look for a big trade war. If Donald Trump wins back the White House, we expect a new US-China trade war in 2025.

	2023	Forecast 2024	2025
GDP Growth	5.2%	4.8% (5.2%)	4.8% (4.8%)
Inflation	0.2%	0.3% (0.7%)	1.5% (1.5%)
Unemployment	5.2%	5.2% (5.2%)	5.2% (5.2%)
Policy Rate*	2.50%	2.10% (2.30%)	1.80% (2.30%)

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

Down again

Following a strong first quarter, Chinese activity lost momentum again during early spring and into the summer. PMI for manufacturing as well as for the service sector fell back and the construction sector continued to struggle severely. On the demand side, exports performed well at the beginning of the year but is losing some momentum. Most importantly, though, the housing crisis continues to weigh over the economy with new home sales staying close to recent lows around 45% lower than pre-pandemic levels. House prices also keep declining at an annualized rate of close to 10%. With a lot of household wealth tied up in housing, household confidence has remained at a historical low. Consequently, household consumption growth remains weak with retail sales growing only 2½-3% on an annual basis. Large-scale green investments in solar, wind, batteries, EVs etc. are underpinning growth.

> The epicentre of China's current economic crisis is the housing market and until policy makers manage to stabilize housing, the economy will struggle

Allan von Mehren, Chief Analyst

The logs are wet, more fuel is needed

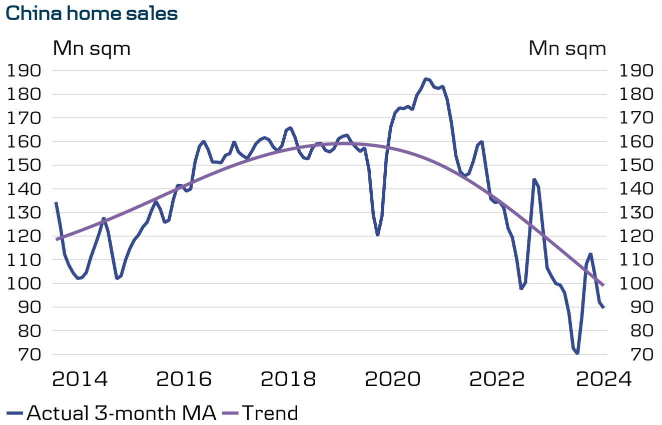
The epicentre of China's economic crisis is the housing market and until policy makers manage to stabilize housing, the economy will struggle. More measures were launched in the first half of the year such as further reducing required down payments for house purchases and the government setting aside money for buying up empty homes, but there are still no signs it is having the desired impact. If you try to start a fire with logs that are wet, you need a lot of fuel and so far it is evident that China is not using enough of it. We believe China will launch yet another round of measures over the coming quarters to turn the crisis, which should be able to provide a small lift to growth again. But until we see clearer signs of a change in the willingness to take much stronger measures, we expect China to remain in a muddling through scenario with growth just below 5%, primarily driven by state support.

Third Plenum outlines strategy for next five years

In July, China held its' so-called Third Plenum which is held every five years and outlines reforms for the next five years. China vowed to increase the leverage of the market, opening up further, making a fiscal reform that moves more of the burden to the central government, and taking steps to underpin urbanization (and thus housing demand) by removing the so-called Hukou system which ties rights to social services (education, health care etc.) to people's place of household registration. A strong focus on technology, education and easing child care costs were also outlined, the latter to increase the birth rate. A retirement reform is also coming aimed at easing the decline in the labour force in the coming decades. While the plan contains many positive elements, the 'proof is in the pudding' and the results will depend on China's ability to follow through with implementation.

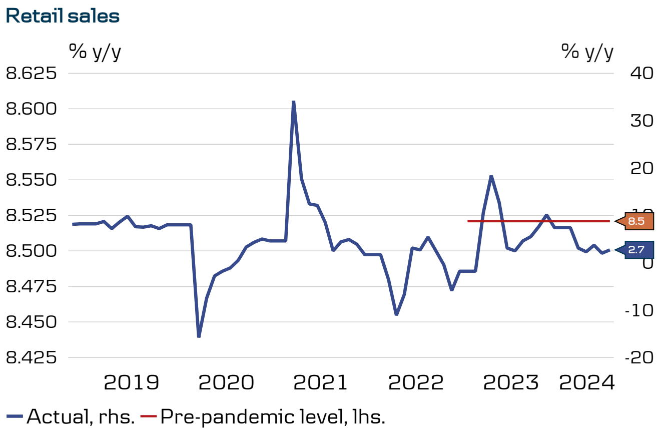
China is in a painful structural transition to reduce reliance on housing as a demand driver and policy makers aim for an economy where growth drivers are instead high-tech investments, upgrade of manufacturing, green investments and private consumption. The transition is difficult and is set to weigh on growth in the next couple of years with household confidence staying low due to the weak housing market. In the long term, China could come out stronger but the path is set to be long and bumpy. The long term growth potential also faces headwinds from a falling working age population, Western tech sanctions and lower foreign investments. But we still see China's trend growth in the coming 3-4 years around 4½% on average. More reforms, a low GDP per capita (less than 20% of US level), as well as a strong focus on education, innovation, and tech, should underpin this potential. EU-China trade tensions are set to continue and Trump win could trigger a new trade war.

Home sales still at very low levels



Remark: Trend- and seasonally adjusted
Source: China National Bureau of Statistics (NBS)

Lacklustre private consumption



Remark: Seasonally adjusted
Source: China National Bureau of Statistics (NBS)

Trade tensions between EU and China have carried on over the summer with the EU implementing higher tariffs on Chinese goods and China being in the process of several anti-dumping investigations of certain EU products, such as pork and brandy. We believe tensions will continue in the years to come but doubt it will evolve into a real trade war. It is a risk, though. In US-China relations, a trade war is likely if Donald Trump wins the US election in November. Geopolitical tensions around Taiwan and the South China Sea are also set to be with us for the foreseeable future.

Nordic improvement in 2025

Sweden

Swedish economy seems to have fared quite well during the first half of this year. However, with weaker consumption and fewer hours worked. Housing construction, on the other hand, is showing signs of turning around and housing prices are rising, albeit slowly. Business investments and foreign trade increases. Inflation is about to consolidate below the two percent target. Going forward, we expect that a pro-cyclical monetary and fiscal policy will give proper support to the growth outlook.

Norway

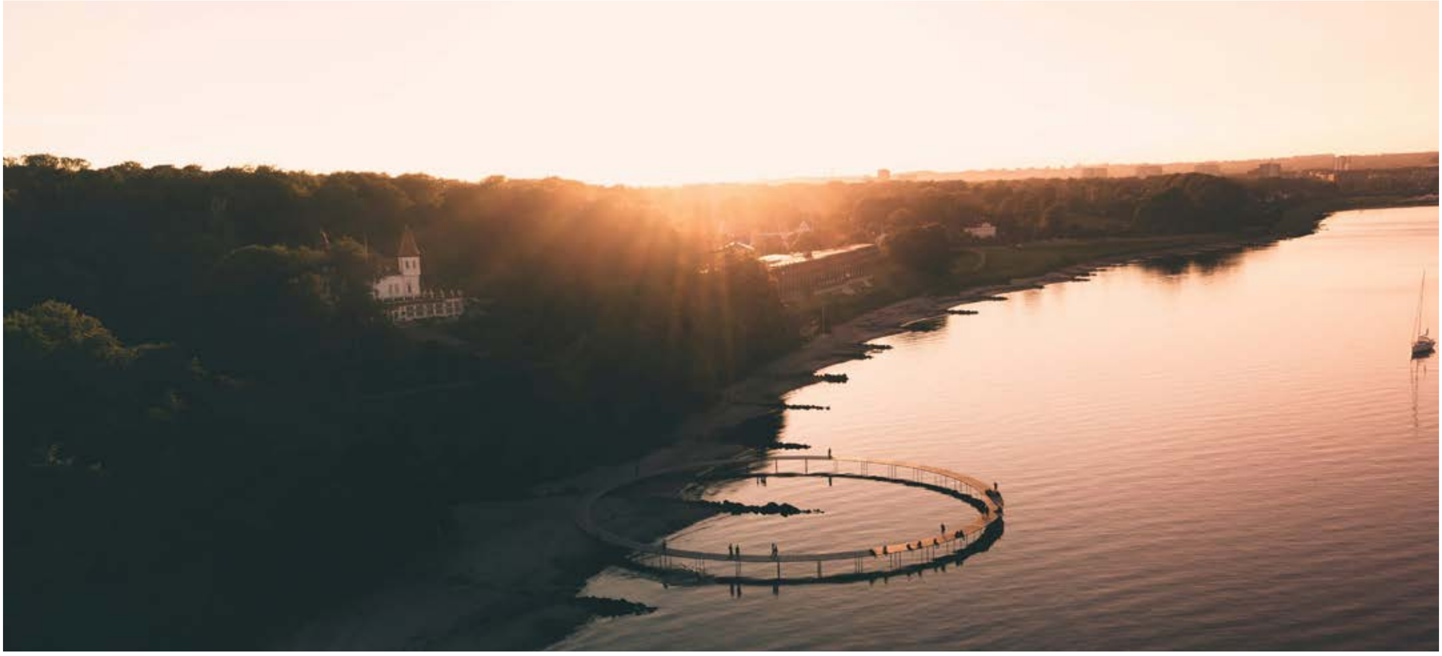
The near-term outlook is for growth to be below trend, but with some acceleration during 2025. Consumer spending is high relative to incomes, leaving modest room for increases. Unemployment is low but rising, and inflation is decreasing. Norges Bank plans to maintain the current policy rate for some time yet, with rate cuts forecasted for next year, but with a potential for them coming sooner. Business and residential investment may have turned the corner, but the outlook for the construction industry remains poor for next year.

Finland

Finland is making a slow exit from a recession. We expect stronger growth in 2025, supported by higher demand at home and abroad. Housing market seems to be stabilizing and fall in interest rates supports recovery. Housing construction is bottoming. Unemployment rises temporarily. The government takes measures aimed at balancing public finances, but the debt ratio still climbs higher.

Denmark

Novo Nordisk remains the key growth driver, but other areas have made progress too and look likely to continue. Consumers ate into their savings during the period of high inflation and are now reluctant to channel wage hikes into increased consumption, but we expect this will change. Inflation is very low in Denmark compared to the rest of Europe, but the trend is now upwards due to both technical factors and quite significant wage growth. House prices should continue to rise modestly.



Danish growth is about more than Novo Nordisk

- **Denmark's pharmaceutical giant remains the key driver of the country's economy, but other areas have made progress too and look likely to continue.**
- **Consumers ate into their savings during the period of high inflation and are now reluctant to channel wage hikes into increased consumption, but we expect this will change.**
- **After a solid 2023, exports ex. Pharma have experienced more headwinds this year as the global industrial recovery stalled slightly.**
- **Inflation is very low in Denmark compared to the rest of Europe, but the trend is now upwards due to both technical factors and quite significant wage growth.**
- **We expect house prices to increase modestly but see a risk of price falls in the most expensive areas of the housing market, not least apartments in Copenhagen.**

	2023	Forecast 2024	2025
GDP Growth	2.5%	1.8% (2.1%)	2.0% (2.0%)
Inflation	3.3%	1.5% (1.8%)	1.9% (2.0%)
Unemployment	2.8%	2.9% (2.9%)	3.1% (3.1%)
Deposit rate*	3.60%	2.85% (3.10%)	2.10% (2.35%)

Paranthesis are the old projections (From June 2024)
**End of period*
Source: Danske Bank, Statistics Denmark, Nationalbanken

A major revision revealed that the Danish economy grew by 2.5% in 2023 rather than 1.9%, and thus further outperformed its neighbours – growth in the eurozone was 0.5%, for example. In contrast to what the figures had previously shown, Danish economic growth last year was not solely due to the success of Novo Nordisk, as GDP ex. Pharma grew by 1.3%. Judging by the figures, 2024 looks more mixed so far, but there are indications that the broader Danish economy has been performing quite decently. One reason may be Danish consumers not being hit quite so hard as many others during the period of high inflation, while holiday allowance payouts in 2020-2021 may also have provided additional funds even several years later.

On the other hand, the better figures for 2023 also mean a more limited potential going forward. While there is still scope for private consumption to grow in parallel with real incomes, there is not so much more to draw on. Judging by Novo Nordisk's own expectations, it would seem that the company is set to supply roughly the same contribution to GDP growth this year as last year, so the outlook for growth still looks good overall. The biggest risk to the Danish economy remains external, in our view.

> On the other hand, the better figures for 2023 also mean a more limited potential going forward

Las Olsen, Chief Economist at Danske Bank

Danish monetary policy tracks that of the eurozone, so the outlook is for the same gradual pace of rate cuts. Inflation in Denmark is clearly lower than inflation in the eurozone countries, indicating there is scope for more rapid cuts in Denmark. We are therefore not immediately concerned by the prospect of a modest easing of fiscal policy in Denmark, though another aspect of the story is that Danish wage hikes in 2024 look set to be higher than elsewhere, and we have to expect this will impact inflation. There are no signs of significant spare capacity in the labour market or elsewhere in the Danish economy, so in this sense there is no real need for more demand.

Scope for consumption growth

Despite Danish wage earners currently experiencing the most significant real wage growth since the 1980s, consumption has remained largely unchanged so far this year. There are several factors at play here. First, total disposable incomes have not matched the increase in real wages over the past year, one reason being that dividend payments have been smaller. Second, many Danes have a need to restore savings levels. Many have spent more than they earned in recent years, in part because the pressure on household finances increased when inflation surged in 2022. The overspend was possible because many had additional savings to draw on that were accumulated during the Covid-19 pandemic, when more money came in – not least in the form of extraordinary payouts of hitherto frozen holiday allowances – and less went out.

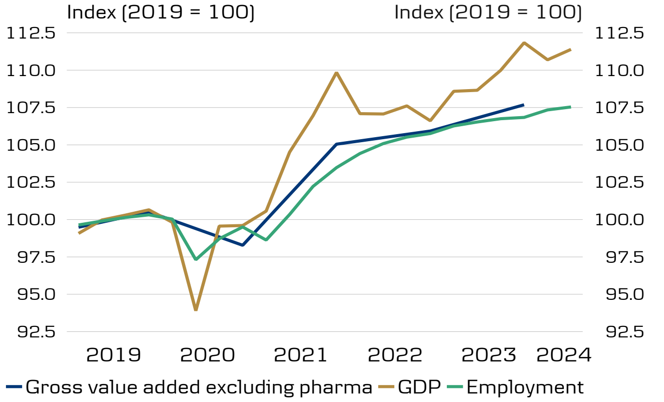
These savings lent a helping hand to consumption in 2021 and 2022, but now that pandemic savings have been spent, consumption growth is somewhat sluggish. We expect many will continue to prioritise restoring a certain buffer to household finances when incomes receive a boost after a period where saving has been difficult.

Nevertheless, there is also a solid basis for rising consumption. Real wage growth is expected to continue into 2025, and both the housing market and the labour market are doing surprisingly well. So, while many face increased interest expenses, and while income from the financial markets is somewhat softer than just a year ago, there is still room for growth – both in consumption and in savings levels.

More in work, more unemployed and more in wages

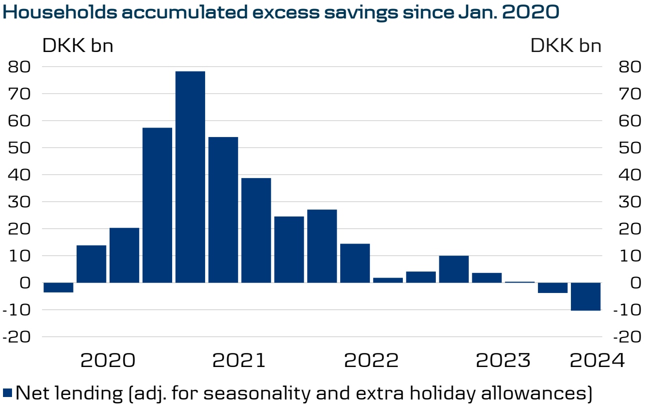
A little over 30,000 more people are in work compared to a year ago, which represents growth of 0.9%. Almost 5,000 more are employed in the industrial sector, which makes sense given Novo Nordisk's strong rate of growth, but the rest of the increase – which is spread broadly across various sectors – is higher than might be expected from production output. This then is the continuation of a trend we have seen for several years now, in other countries too, and which presumably reflects many employers being keen to hire when the opportunity arises after a long period of labour shortages. Our forecast of largely unchanged employment going forward

Growth also ex. Pharma



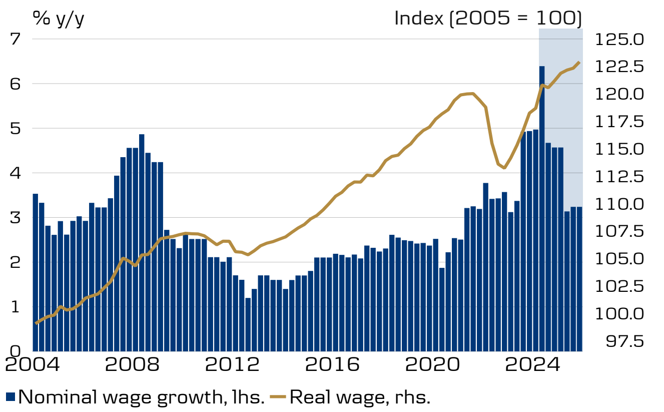
Source: Statistics Denmark, Macrobond Financial

Excess savings from pandemic period have been spent



Source: Statistics Denmark, Macrobond Financial and own calculations

Wage growth has peaked



Note: Private sector wages according to the Confederation of Danish Employers' (DA's) wage statistic (KonjunkturStatistik). Real wage figures are seasonally adjusted. Source: DA, Statistics Denmark, Macrobond Financial, Danske Bank is based on an expectation that we will return to a more normal situation where economic growth is more driven by higher productivity rather than higher levels of employment. However, this is clearly a very uncertain expectation. Jobless numbers have risen by 3,500 over the past year, so the increase in employment reflects growth in the workforce, not least due to the influx of labour from abroad.

Private sector wage growth reached 6.4% vs. last year in Q2. The high figure was due to several elements from last year's collective agreement coming on top of each other in this quarter, and we expect to return to wage growth of just below 5% in the time ahead. New collective agreements are due to be negotiated in the private sector at the start of next year. Last time, several centrally determined elements were included after the marked decline in real wages in 2021-2022, but we expect the next collective agreement will leave most issues to local negotiations, which was previously the norm. Hence, we also expect to return to real wage growth of just over 1% annually. As the underlying inflation rate is now higher than in the pre-pandemic years, that means we expect slightly higher nominal wage growth than back then.

Modest inflation set to rise

> Rising real incomes provide scope for both consumption and savings to grow, but consumption growth has been less than impressive so far

Chief Analyst Louise Aggerstrøm Hansen

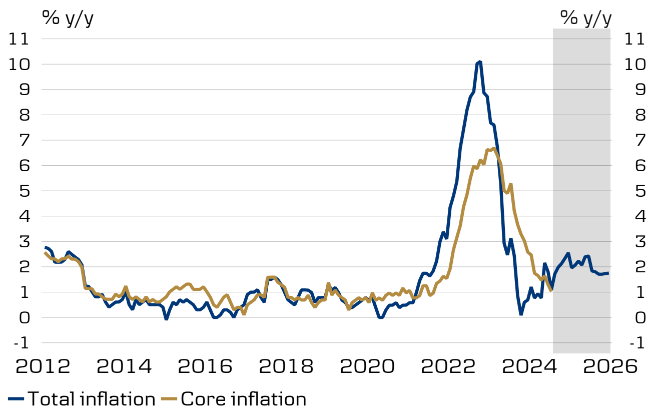
Inflation was a modest 1.1% in July – far below the level in the eurozone – and reflective of companies being broadly cautious about adjusting prices since autumn 2023. Goods inflation has been especially modest, pulled lower by declining furniture and clothing prices in particular. Food inflation is also low, but mainly due to price falls in autumn 2023. Food prices have in fact increased considerably again this year, and when comparing to just before the pandemic, food prices have risen by almost as much as in the eurozone. Service prices have slowed but continue to climb by more than 2% a year.

Going forward, inflation is likely to rise again as especially the declining food prices in autumn 2023 fall out of the inflation measure. Overall, Danish consumers are in a better position than most, as consumer prices have risen by less than in many other countries. We expect the restoration of consumer purchasing power and rising wage costs for businesses to slightly increase underlying price pressures in the economy again. We view this as a natural consequence after a period of high inflation and do not envisage any worrying wage-price spiral forming. We are expecting inflation to print at 1.5% in 2024 and 1.8% in 2025.

Export growth more broadly based again

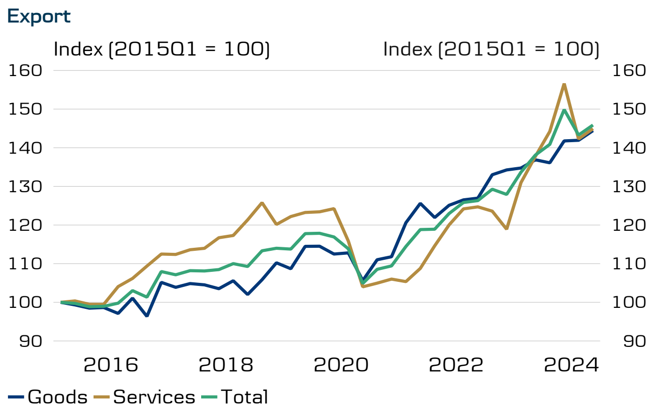
Exports have been increasing at a fast clip for several years. However, last year in particular saw developments largely driven by the fast-growing pharmaceutical industry, while many other export businesses struggled with ever-thinning order books.

Inflation set to rise slightly going forward



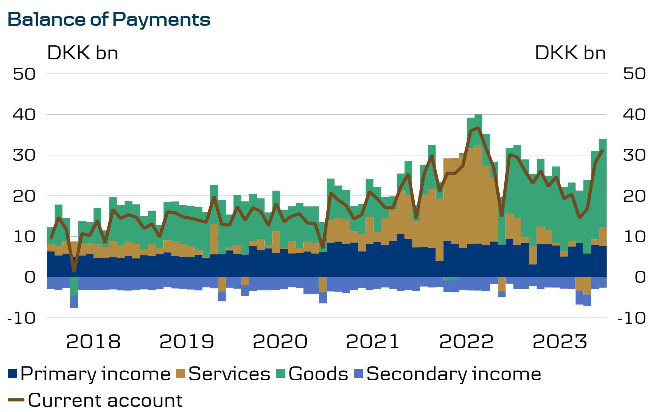
Source: Statistics Denmark, Macrobond Financial, Danske Bank

Exports volatile



Source: Statistics Denmark, Macrobond Financial

Current account surplus increases again



Source: Statistics Denmark, Macrobond Financial

Goods exports grew by 3% in H1 this year compared to H2 2023, and growth has been more broadly based. This can most clearly be seen in industrial production ex. Pharma, which has grown by more than 10% during the period. Business confidence has also been picking up. These developments have to be seen against global industry bottoming out at the start of the year.

Overall, Danish consumers are in a better position than most, as consumer prices have risen by less than in many other countries

Bjørn Tangaa Sillemann, Chief Analyst

But nothing can grow forever, and European industry has not really followed up on the promising start to the year. As Danish exporters often function as subcontractors, this does not help their sales potential. Moreover, just over one third of industrial firms are still reporting a lack of demand. After pharmaceuticals, machinery is what accounts for most of the Danish industrial sector. However, the machine industry has been struggling and also continues to report a massive shortfall in demand. This business is also among the most vulnerable to high interest rates and the weak state of global industry.

Service exports have been more challenged this year, particularly exports of construction services and what are known as "other business services", which covers consultancy services, etc. This trend has to be seen against many of Denmark's service exports ex. Shipping being sold to neighbouring countries, whose economies have been under more pressure than the Danish economy. This is also reflected in tourism, with fewer Swedes and Norwegians coming to Denmark, for example – a development likely linked to the weakening of the Swedish and Norwegian currencies in recent years.

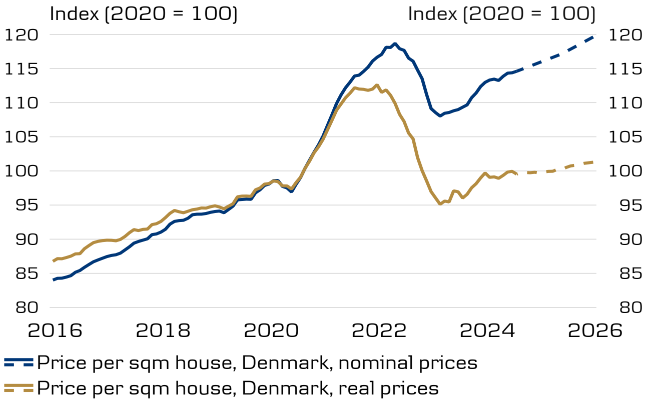
Danish exports have proved relatively robust to fluctuations in key markets, in part due to the large share of medicines and food among exports. Danish wage competitiveness also continues to make Danish goods and services attractive, which is why we expect that exports will continue to grow this year and in 2025 – albeit at a slower pace than has been seen in the past few years.

Denmark's current account surplus rose by just under DKK 3bn in H1 (seasonally adjusted) vs. H2 2023 and thus equated to 11.2% of GDP compared to 9.4% in H2 2023. The increase was driven, in particular, by a larger surplus on the services balance. The large Danish surplus generally fluctuates considerably, often due to exports of goods that are produced and sold abroad. Looking ahead, the restoration of purchasing power among Danish consumers points to a lower current account surplus, as consumers here are in a strong position compared to many of Denmark's trading partners. Pulling in the opposite direction is the full reopening of the Tyra field later this year, which will again make Denmark a net exporter of gas. We expect the overall current account surplus to print at 10.1% of GDP in 2024 and 10.9% in 2025.

Danmarks Nationalbank set to emulate ECB

With a sizeable current account surplus at its back, the Danish krone (DKK) is fundamentally strong, so monetary policy rates in Denmark have to be slightly lower than in the eurozone to counter any excessive demand for DKK. Danmarks Nationalbank therefore matched the ECB's 0.25 percentage point rate cut in June, and we expect the same to happen

House prices look set to rise further



Source: Boligsiden.dk, Macrobond Financial, Danske Bank expectations

with the rate cuts that lie ahead. During the hiking cycle, the increases in interest rates were a little less in Denmark than in the eurozone, but we do not expect the spread to change again as the cycle is reversed.

30-year mortgage rates play a significant role for the Danish economy and the Danish housing market, but we are not expecting any major decline here even taking into account the outlook for cuts in the policy rate. However, we continue to expect considerable volatility in market rates, and we certainly cannot rule out a period with, for example, a 3.5% benchmark 30-year loan, although that is not our main scenario. Should this materialise, we will likely see significant remortgaging of existing loans, which in principle can free up funds for consumption and investment, though experience tells us that this effect is usually modest.

House prices continue to appreciate, but the risk of a downturn in expensive areas remains

House prices across Denmark have been rising since last spring despite the high level of interest rates making the purchase and owning of property more expensive. The restoration of consumer purchasing power is helping to underpin the housing market, while a still robust labour market has supported housing demand generally. We do not expect any particular surge in prices given that interest rates remain high, though this too will eventually shift as rate cuts from the Danish central bank, Danmarks Nationalbank, feed through to consumers' financing costs – at least for those homeowners with short-term fixed-rate loans.

We are looking for price growth of 4.0% in 2024 and 3.0% in 2025, thus taking house prices nationwide above the level of two years ago when house prices peaked before the increase in interest rates pushed them lower. That being said, after correcting for the general increase in other prices in the meantime, real house prices remain substantially below their former peak.

The strength of the Copenhagen apartment market has surprised us, with both activity levels and prices climbing further over the summer months. However, given the considerable and still ongoing headwind from tax hikes that came into effect at the start of the year, and the very high housing burden historically speaking, we still see an elevated risk of price falls in the apartment market in expensive areas.

A two-paced economy set to gain speed

- **The Swedish economy has fared quite well during the first half of this year. As before, households and the housing market are the weak points. We can also discern a certain dampening in business investments, which we however, consider to be temporary. Foreign trade continues to be strong. Employment is stable while unemployment is increasing. Looking ahead, the strong monetary and fiscal stimuli should gradually make an impact on growth.**

- **Inflation as measured by both the CPIF and the CPIF ex energy has continued to fall in recent months. The target variable of CPIF inflation has dug in below 2%, and core inflation is only a shade above the target. We expect inflation to continue to fall and park below the target level in the coming years, given the positive fundamentals.**

- **The Riksbank has taken the lead and is expected to lower the key interest rate at each meeting until March next year, which would mean a policy rate of 2% by the summer of 2025. The gap that is likely to open up relative to the ECB is not expected to hold back the Riksbank.**

		Forecast	
	2023	2024	2025
GDP Growth	0.1%	1.2% (1.5%)	2.4% (2.0%)
Inflation	8.6%	2.8% (2.5%)	0.6% (1.0%)
Unemployment	7.7%	8.4% (8.4%)	8.2% (8.1%)
Policy rate*	4.00%	2.75% (3.25%)	2.00% (2.25%)

Paranthesis are the old projections (From June 2024)
**End of period*
Source: Danske Bank, Statistics Sweden, Riksbanken

The Swedish economy performed slightly weaker during the first half of the year than we had previously assessed, though not to an extent that significantly shakes our optimistic view of growth this year just over 1%. Households were struggling during the first half of the year and consumption fell back somewhat. An important explanation for the weak consumption development is weak income development, where households at the same time maintain their savings at an unchanged level. If we deflate average monthly wages with the CPIF, we find that the sharp drop in real wages in 2021-2022 (around 8%) has partially reversed (up around 3%). While this rebound is good news, it conceals the full picture, as it does not take account of households' interest costs. If, instead, we deflate wages with the CPI, the picture is much worse: real wages have been largely unchanged over the past few years at around 10% below their peak at the beginning of 2021. We get a similar picture of how incomes have moved when we look at real disposable income per person employed, which shows incomes static at low levels

Despite a generous supply of housing, the Riksbank's cuts should get the housing market moving

Therese Persson, Macro Analyst

for the past 18 months. This may well also be the reason for the sluggish rise in housing prices.

Looking ahead, households can look forward to both much lower interest costs and lower income taxes, which will give real incomes a boost. However, we do not believe that these stimuli alone will be sufficiently aggressive to make good the substantial decline in incomes of recent years.

Rising real incomes and lower interest rates, together with stalling building costs, mean that the outlook for homebuilding activity is brightening, as it will gradually become easier for builders to make the sums work. The production of multi-family housing seems to have bottomed out, but we expect it to be a number of quarters before activity really picks up.

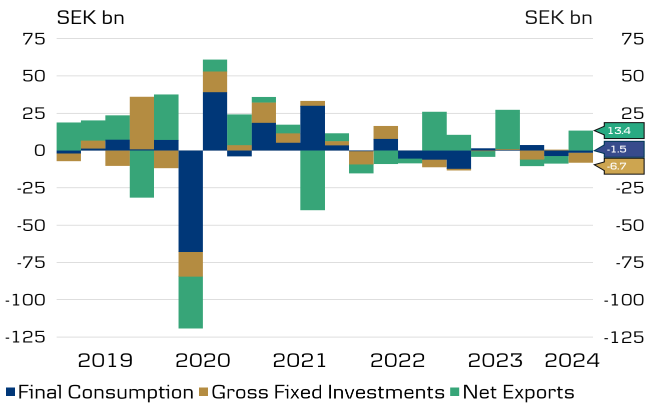
The development of gross fixed investments has been somewhat disappointing. While we see a positive trend that residential investments are now actually bottoming out at a low level, there is a slight decline in infrastructure projects, albeit from a high level. Business investments present a mixed picture where investments in machinery and transport equipment have slightly declined, while intangible investments continue to rise at a brisk pace. Hopefully, the setback in the second quarter was temporary. What supports this view is the continued strong export development. This, in turn, could be an explanation for the clear inventory reduction during the quarter, simply because the demand is so good that some inventory liquidation must occur.

The latest PMI data for manufacturing undeniably show real weakness in the euro area, Sweden's most important trading partner, and this has had a clear negative impact on the Swedish PMI over the summer. However, we think this is mainly a temporary, seasonal effect, and that the positive underlying trend will continue. Either way, it is clear that foreign trade in goods, and hence Swedish exports, is continuing to show a surplus.

Summing up, we see slightly lower GDP growth in 2024, however, the 2025 outlook is instead revised higher as both monetary and fiscal policies will give more support than what we previously expected.

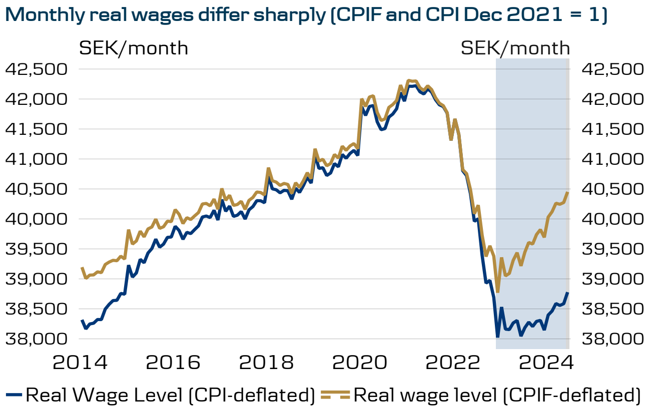
Unemployment continues to trend up, with Statistics Sweden's latest labour force survey showing a seasonally adjusted rate of 8.2%. The Public Employment Service's figures for registered unemployment show the same upward trend but are much more stable and still give a lower jobless rate than we saw in 2009-2019. Hours worked are a good indicator of economic activity and have moved sideways over the past year, pointing to

Net exports remain the prime growth driver



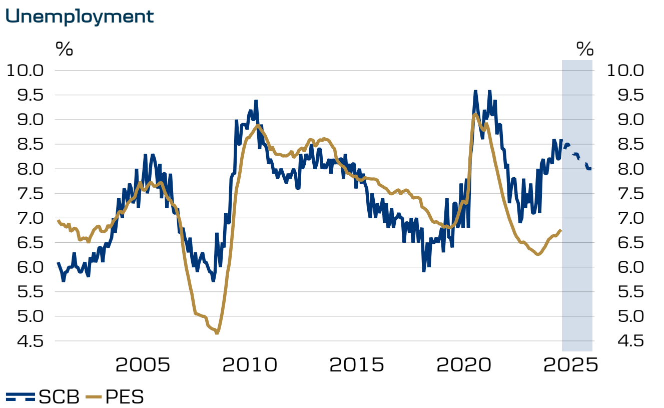
Note: seasonally adjusted
Source: Statistics Sweden

Real wages have been held back by high mortgage costs



Note: seasonally adjusted

Unemployment is expected to level out at the turn of the year



Source: SCB, Macrobond

With CPIF inflation below target, a weak SEK is not a problem for the Riksbank

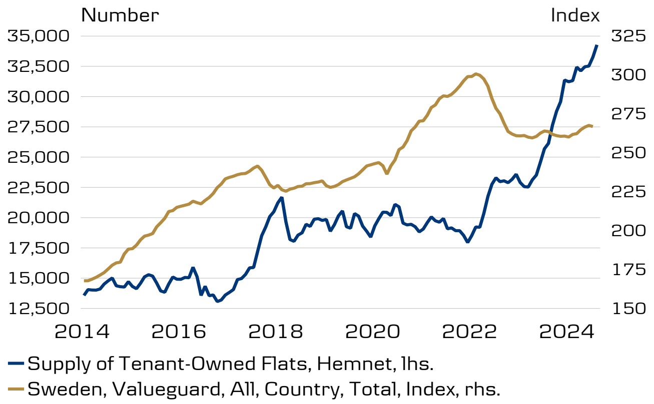
Michael Grahn, Chief Economist Sweden

no real momentum in the economy. Coming at a time of rapidly rising interest rates and growing fears of recession, however, we reckon that this indicates a certain degree of strength in the economy, albeit with variations between sectors. Construction is at by far the lowest ebb, while manufacturing stands out at the other end of the scale. Firms' employment plans paint a slightly more downbeat picture, with only the service sector expecting to expand its workforce in the NIER's confidence survey, while construction, manufacturing and retail all expect to reduce their workforce somewhat, albeit to a lesser extent than previously indicated. We expect unemployment to climb gradually during the autumn to 8.5% before levelling off and then dropping back towards 8% at the end of 2025.

Housing prices have risen around 5% since the beginning of the year on a nationwide basis, with most of the increase during the spring when the Riksbank began to signal rate cuts. It is worth noting, however, that this increase is nothing to write home about. If we allow for normal seasonal patterns, we are actually looking at a rise of more like 2.5% so far this year, and prices have only risen 4% since bottoming out in 2022. Stockholm stands out geographically when it comes to house prices, accounting for more than half of the overall increase, but apartment prices have moved more consistently around the country. There is still a generous supply of housing by historical standards, but this is not being reflected in turnover, which suggests that buyers and sellers are still not quite on the same page. This makes housing prices unlikely to shoot up, and is one of the reasons why we anticipate a more gradual improvement. The Riksbank's coming rate reductions will continue to support housing prices, and we forecast an increase of 3.5% in 2024 and 5.0% in 2025.

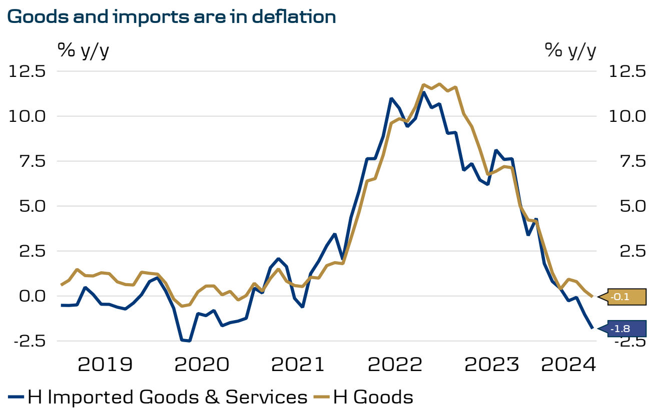
Inflation continued to slow tangibly in June and July. CPIF inflation fell further than the Riksbank anticipated to well below the 2% target, while the core rate (CPIF ex energy) ended up marginally above the target, as the Riksbank expected. Not unexpectedly, the breakdown shows falling goods prices and import prices, possibly as a result of normalised supply chains and the pressure on Chinese producers, and this trend could strengthen in the coming months given the SEK's substantial recent appreciation. Services inflation ex housing costs and domestic inflation is still some way above 3%. Prices here are more closely linked to wages, and we believe that Sweden has a competitive advantage over many other economies in this respect given the relatively restrained pay settlements of recent years, and so the scene is set for this to push down inflation further. In other words, we do not think we are seeing a temporary undershoot of the 2% target as some members of the Riksbank committee are hoping, but a more persistent phenomenon.

Record high supply slows price increases in the housing market



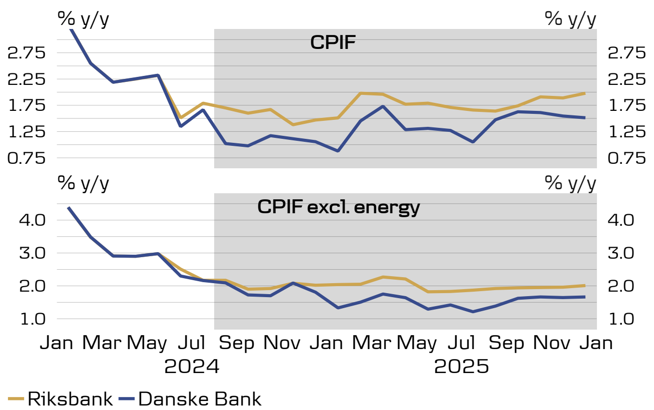
Source: Valueguard, Hemnet, Danske Bank

Sweden is now experiencing goods and import deflation



Source: Statistics Sweden, Riksbank

Inflation will drop below 2% this autumn – and remain there going forward



Source: Statistics Sweden, Riksbank, Danske Bank

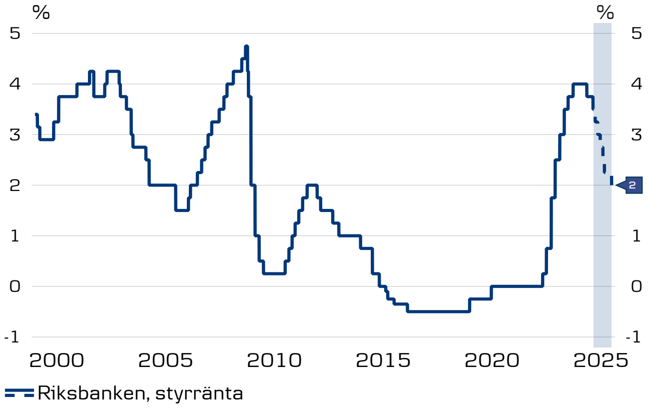
The government's most important fiscal objective should be boosting households' purchasing power

Michael Grahn, Chief Economist Sweden

The Riksbank has started its easing cycle and has so far lowered the policy rate twice to 3.5%. The latest change was not accompanied by fresh forecasts, but the central bank did decide to signal two to three further cuts this year, after previously signalling one to two. If anything, this was still on the soft side, and we have adjusted our forecast to show quarter-point cuts at each remaining meeting this year. This means that we are now forecasting a policy rate of 2.75% at the end of 2024, rather than 3%. We then expect the Riksbank to continue to lower the policy rate during the first half of next year and leave it at 2% from June 2025. This differs from the Riksbank's own signals, with its latest forecasts showing a terminal rate of 2.6% as late as 2027. The main reason for this difference is the gap between our inflation forecasts, as we expect inflation to remain a fair way below target (see above). This also means that we expect the Riksbank to have a frontloaded easing cycle and lower its policy rate more quickly than the ECB does. Naturally there are limits to how wide an interest rate differential the Riksbank can afford to build up relative to the ECB, but we believe that we are talking about a relatively limited period, and so this would not be a reason for the Riksbank to hold fire.

The government has indicated fiscal space in the autumn budget for 2025 of SEK 60bn, which is consistent with what we would consider reasonable. This money is to be split between restoring household purchasing power, investment and structural measures. We see the first of these as the most pressing, in order to kick-start spending, homebuilding and, in turn, growth. During the spring, the government expected that increasing the standard earned-income tax allowance by SEK 8bn would benefit the average earner by around SEK 1,900 a year, or SEK 160 a month. We reckon that this needs to be trebled to more like SEK 500 a month. Recently, the government also suggested an upward adjustment to the indexation of when to start to pay federal income tax, which is also good. Together with normal annual real wage growth of 1%, this would mean an extra SEK 1,000 in people's pockets every month, which would really help make up lost ground for household incomes in recent years. An interest rate reduction of 2 percentage points would also lower monthly interest costs by around SEK 1,200 after tax for every SEK 1 million borrowed. The many households with loans in the region of SEK 2-3 million can therefore look forward to a substantial increase in purchasing power. So we see a good chance of spending picking up in 2025.

We expect a relatively rapid rate cut cycle



Source: Riksbanken, Danske Bank, Macrobond

Next year will be better

- Growth still below trend
- Consumer spending has accelerated, and investment may have turned the corner
- Labour market remains tight, but unemployment is rising
- Inflation continues to fall
- NOK exposed to global factors
- Rate cuts inching closer

	2023	Forecast 2024	2025
GDP Growth	1.1%	0.7% (0.9%)	2.0% (2.0%)
Inflation	5.5%	3.2% (3.4%)	2.0% (2.0%)
Unemployment	1.8%	2.1% (2.1%)	2.4% (2.4%)
Policy rate*	4.50%	4.50% (4.00%)	3.50% (3.00%)

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

Activity moving more or less sideways
Economic developments in Norway have turned out largely as expected since our last forecast in June. Although activity has been more or less unchanged over the past year, there were signs of improvement late last year and heading into this year, with mainland GDP climbing 0.1% in both the first quarter and the second. While growth has picked up, it is still well below the trend rate of around 0.35-0.4% q/q.

The headwinds from the rise in interest rates are gradually dying down, and households' purchasing power is benefiting from lower inflation and higher wage growth. The strong growth in consumer spending in the second quarter may, however, have been affected by the timing of Easter and came after a weak first quarter.

After falling for three straight quarters, business investment too grew strongly in the second quarter, driven partly by mounting optimism, more stable borrowing conditions and a need for investment in both renewables and technology. Housing investment continued to fall, but less quickly than in the first quarter, and sales of new homes picked up. On top of this weak housing investment, there have been relatively few commercial property starts, so the outlook for construction remains poor, but activity has probably bottomed out.

On the other hand, there is still strong activity in large parts of manufacturing. Oil investment climbed again in the second quarter after falling in the first, as did mainland exports, although they remain lower than at the same time last year. Strong oil investment is boosting overall activity, and this looks set to continue for at least the rest of the year. At the same time, there are signs that global industrial activity slowed over the summer, and producer prices are rising much less quickly in the export industry. A relatively weak NOK is still helping to prevent prices from falling in NOK terms, but slightly stronger growth in imports meant that the contribution to growth from net exports fell slightly in the first quarter. Government demand is also continuing to prop up growth.

Norges Bank's regional network survey published in June showed that firms have become more upbeat about the growth outlook, predicting growth of 0.3% in the third quarter. They also reported slightly higher capacity utilisation, with 33% responding that they are operating at full capacity, up from 31% in the first quarter. This is still below the historical average of 36%, however, which may indicate that the Norwegian economy is still operating slightly below capacity.

Growth appears to be picking up

Frank Jullum, Chief Economist Norway

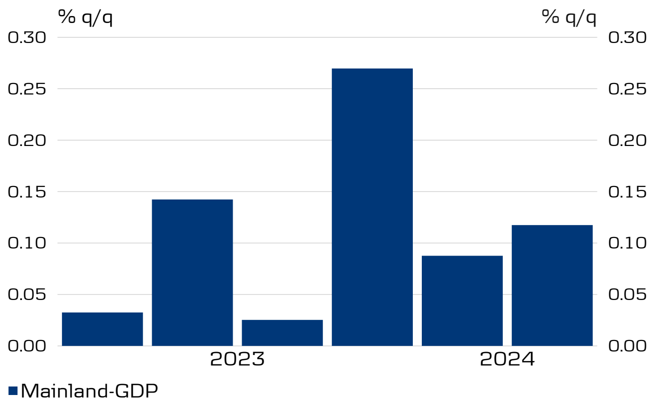
We have revised down our growth forecast for 2024 from 1.1% to 0.7% on account of the weaker-than-expected start to the year. We still anticipate a more substantial upswing heading into next year and have revised down our growth forecast for 2025 only marginally from 2.1% to 2.0%.

Labour market still tight

Unemployment continues to rise only slowly and remains low, with the gross unemployment rate climbing from 2.7% at the beginning of last year to 3.3% in July this year. Employment seems to have levelled off again after a slight upswing before the summer, but new job openings seem to be holding up well. The combination of plenty of vacancies, moderate employment growth and rising unemployment could indicate growing matching problems in the Norwegian labour market. Given the relatively large variations between sectors mentioned above, this is perhaps not too surprising.

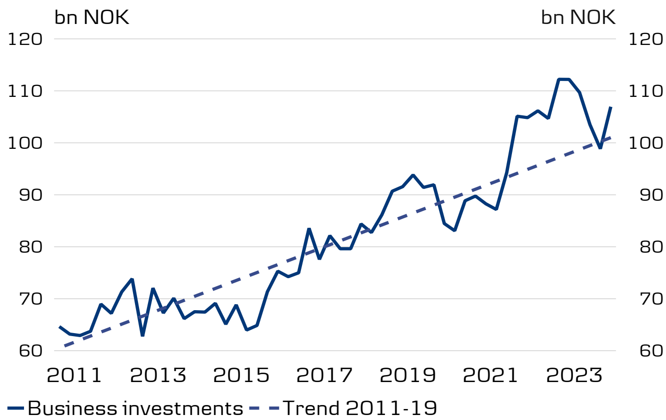
The Norwegian Labour and Welfare Administration (NAV) is also reporting that much of the increase in registered unemployment is due to more Ukrainians entering the labour force. If this is pushing up unemployment but not employment, it may mean that there are integration problems which could be a challenge going forward.

Anemic growth



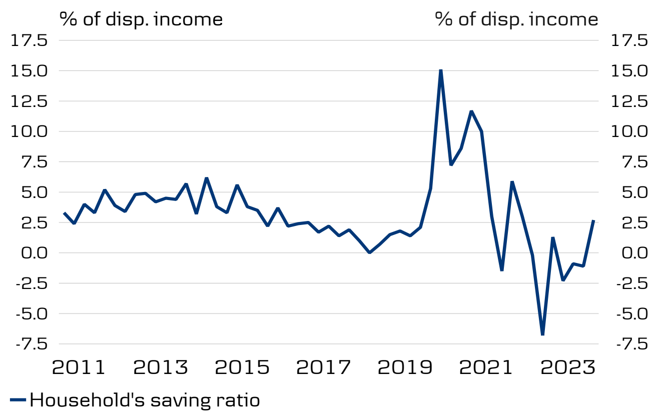
Source: Macrobond, Danske Bank

Investments are returning



Source: Macrobond, Danske Bank

Saving ratio further to climb



Source: Macrobond, Danske Bank

We still anticipate a moderate increase in the net unemployment rate to 2.1% for 2024 as a whole, creeping up towards 2.2-2.3% at the end of the year. Although we expect growth to pick up next year, we also expect productivity growth to improve gradually, with the result that unemployment edges up further to 2.4% in 2025.

Inflation on the wane

Inflation is continuing to fall, and not just the annual rate. Headline inflation was 2.8% in July, while the core rate fell to 3.3%, down from 5.3% in January and more than 7% at its peak in June last year. As these measures show the increase in prices relative to the same month the previous year, they include the strong inflation seen through to last autumn. Inflation momentum, measured as the annualised monthly increase over the past three months, is also falling and was just 2.2% in July.

The decline in inflation so far this year has been relatively broad-based, but imported inflation has fallen particularly far. A combination of weak – and sometimes negative – global inflation and the gradual strengthening of the NOK during the first half of the year have contributed to the drop in imported inflation. Prices for domestically produced goods (including food) have also slowed, from 7-8% annual inflation at the beginning of the year to just over 5% in July. Services inflation excluding rent has fallen from more than 6% to just under 4% over the same period, while the rent component has slowed more moderately from 4.5% to 4.3%.

We expect this pattern to continue. Lower capacity utilisation will put a damper on prices for domestically produced goods and services, while low global goods prices will keep imported inflation down despite the slightly weaker NOK. Based on movements in producer prices, there is also reason to expect prices for domestically produced food to rise more slowly. Rent inflation, on the other hand, may remain high for a while longer, but the sharp increase in market rents we are seeing in the big cities is unlikely to feed through fully into the rent component of the CPI.

Norges Bank's expectations survey shows that inflation expectations too are coming down. The average expectation among respondents (CEOs, economists and the social partners) is now 3.6% in 12 months, down from 4.1% in the previous survey, and 3.5% in 24 months, down from 3.8%. Inflation expectations five years ahead have fallen from 2.6% to 2.5%.

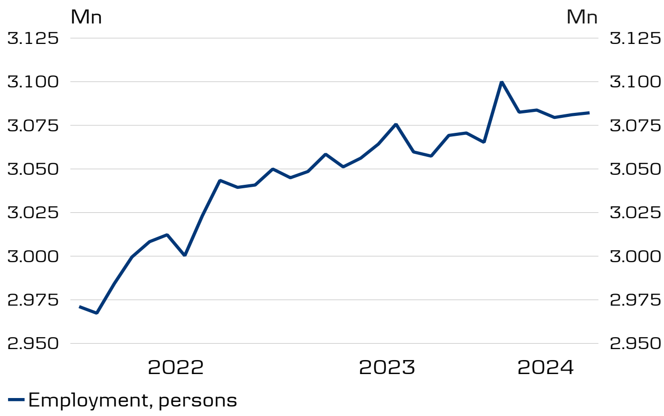
We have revised down our forecast for headline inflation slightly and now expect a rate of 3.2% this year and 2.0% next year, but our forecast for core inflation is unchanged at 3.7% this year and 2.4% next year.

As there has been nothing to change our view of the outlook for wage growth, we are sticking to our forecast of 5.1% this year and 3.8% next year.

NOK at the mercy of global developments

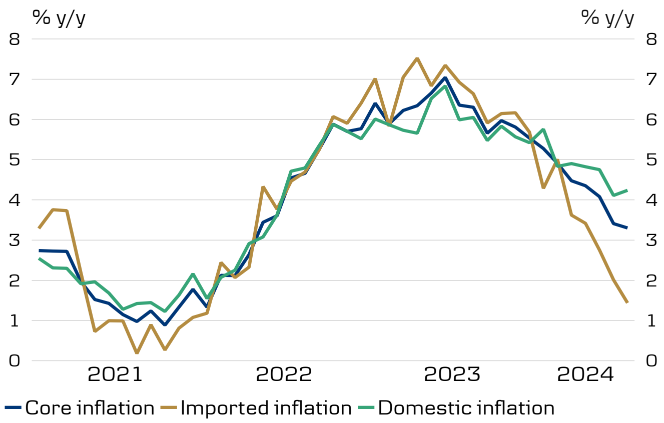
The NOK has depreciated slightly since our last forecast. The currency rallied on the back of Norges Bank's more aggressive stance at the rate-setting meeting in the second half of June, when the bank pushed its expectation for a first rate cut right back to next year, but the import-weighted exchange rate has since fallen almost 3%. Once again, it is mainly

Employment is levelling off



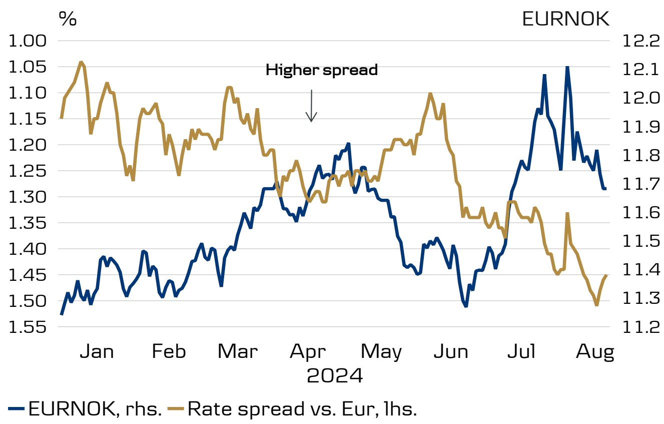
Source: Macrobond, Danske Bank

Disinflation continues



Source: Macrobond, Danske Bank

Lack of support to the NOK from higher spreads



Source: Macrobond, Danske Bank

Imported inflation has been lower than expected

Frank Jullum, Chief Economist Norway

external factors that have driven this movement. Interest rate differentials relative to Norway's trading partners have widened substantially during the period, and while oil prices have fallen, gas prices are higher than they were in mid-June, so the fundamentals would have suggested a slightly stronger NOK during the period.

The reasons for the weakness are probably complex, but we can see that the SEK has moved largely in step with the NOK during the period, suggesting some global factors at play. The weakness following the US labour market data at the beginning of August suggest, not unexpectedly, that growing recessionary fears in the global economy are bad news for the NOK. Covariation with some other cyclical assets during the period supports this view, as does the rebound in the NOK through to the end of August as recessionary risks subsided.

However, we are still concerned that economic developments could deteriorate before the end of the year, and we certainly see the chances of a strong cyclical upswing as pretty limited. We therefore expect the NOK to remain relatively weak for the rest of the year, especially against the USD. We could be wrong, however, and see higher risk appetite and oil prices, gradually lending support to the NOK.

Norges Bank signals first rate cut in March

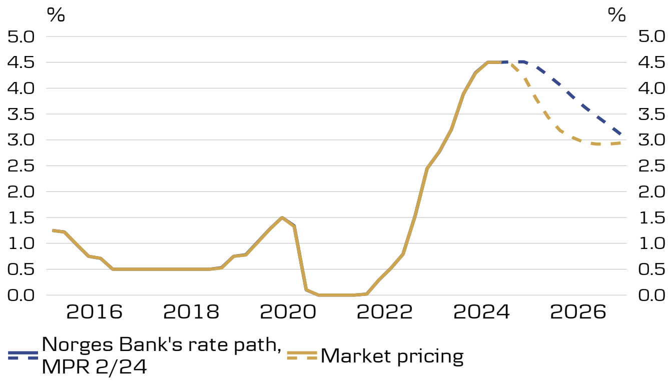
Norges Bank left its policy rate unchanged at 4.5% at its meetings in both June and August. Following the June meeting, the bank wrote: "Based on the Committee's current assessment of the outlook and balance of risks, the policy rate will likely be kept at that level for some time ahead." In the accompanying monetary policy report, the bank's rate projections indicated that the policy rate would probably remain unchanged for the rest of this year, with a first cut coming in the first quarter next year.

In August, Norges Bank kept the policy rate at 4.5% and did not put out any new monetary policy signals. In the press release, the committee reiterated that the policy rate will probably remain at its current level "for some time ahead", without saying anything more about what that might mean. Regarding developments since the June meeting, the bank acknowledged that inflation had once again been lower than projected, while the Norwegian economy had performed more or less as expected, although unemployment was a little higher than anticipated. The bank also noted the sharp drop in global policy rate expectations and the decline in the NOK since June, without giving any hints about what implications all this has for the rate outlook. There is no doubt, however, that movements in the NOK are still very important for the bank's rate-setting, even though imported inflation has been much lower than expected.

As mentioned above, we expect economic growth in Norway to remain below trend for the rest of this year, and capacity

Market pricing seems a little too optimistic

Policy rate



Source: Macrobond, Danske Bank

utilisation to fall further. Inflation will also continue to come down gradually, and slightly more quickly than Norges Bank assumed in June. Other central banks have also either already cut their rates or signalled cuts, which would reduce the risk of the NOK depreciating if the bank did decide to lower its policy rate.

However, the threshold for lowering the policy rate sooner than signalled in June is high, given the central bank's focus on inflation risks and, especially, our expectation that the NOK will remain relatively weak for some time. We therefore expect Norges Bank to keep the policy rate unchanged at 4.5% until delivering a first cut in March. We still anticipate four cuts in total next year, taking the policy rate to 3.5% at the end of 2025.

For once, we believe the risk to our forecast to be to the upside, as in rate cuts coming sooner. There is a good chance that rates in other countries will be lowered further than we expect, as indicated by market pricing, and it is possible that this will help stabilise or strengthen the NOK at some point. There is also a relatively good chance of economic growth in Norway ending up weaker than projected by the central bank, and we also expect inflation to continue to come out lower than Norges Bank assumed in June. We therefore think that the first rate cut is more likely to come earlier than we are predicting than later.

Stronger signs of a turnaround

- **Finland's economy turned to growth in the first half of the year, but recovery is slow so far.**
- **Domestic demand supported by falling inflation and interest rates and the gradual recovery of exports will push the economy to stronger growth in 2025.**
- **Unemployment will continue to rise in the coming months until economic growth increases recruitment needs. Wages are rising faster than in recent years.**
- **The housing market is gradually picking up as falling interest rates trigger the unleashing of pent-up demand. There will be no significant recovery in housing construction until 2025.**
- **The Finnish government is implementing fiscal adjustment measures aimed at balancing public finances, which is holding back economic growth in the short term. The deficit will continue to remain large, and the debt ratio will increase.**

		Forecast	
	2023	2024	2025
GDP Growth	-1.2%	-0.4% (-0.4%)	1.8% (1.8%)
Inflation	6.3%	1.9% (1.8%)	1.5% (1.8%)
Unemployment	7.2%	8.3% (8.2%)	8.0% (7.9%)
Deposit rate*	4.00%	3.25% (3.50%)	2.50% (2.75%)

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

Finland's economy already turned towards growth in the first half of 2024, but recovery from the recession will take time, and the volume of GDP for the whole year is likely to remain lower than last year. The economic growth is partly surprising, as the port strike, production stoppages, shrinking housing production and consumer caution held back recovery. Leading indicators, such as confidence of companies and consumers, show that the economy picked up slightly in the summer, but the volume of orders in industry and consumers' level of purchase intention remained clearly below normal. We expect economic growth to remain modest in the latter part of the year and turn towards stronger growth in 2025.

According to the most recent estimates, the gross domestic product declined by 1.2% in 2023, so the starting point for the current year is lower than estimated earlier. Public expenditure increased significantly and private consumption slightly, but otherwise the economy weakened more or less across the board. In particular, there was a significant decline in investments. The number of people in employment remained quite stable in 2023, but in January–July 2024 the labour market weakened slightly.

The downward trend in housing construction has hit the economy hard, but the latest observations support the view that the situation is stabilising

Pasi Kuoppamäki, Chief Economist Finland

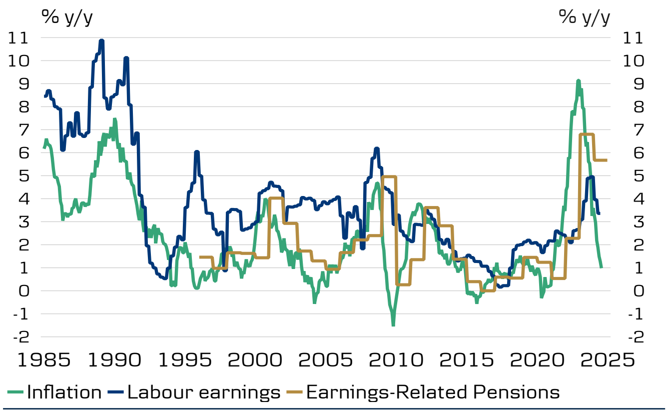
Finland's harmonised inflation rate has remained at a level that is clearly lower than the average inflation rate in the euro area The falling energy prices, in particular, pushed the harmonised inflation rate to approximately 0.5% in the spring. Due to technical reasons in the statistical calculations, Inflation rose modestly in August. As a result of the rise of interest rates that was seen earlier, the domestic measure of inflation was still at 1.0% in July. Underlying inflation has also decreased, although the price of services continues to rise. The growth of wage and salary earnings accelerated to over 4% last year and will probably remain at a rate of approximately 3% this year, which is likely to maintain inflation caused by cost pressures elevated especially in the service sector. The VAT rate was increased to 25.5% at the beginning of September, which will have a fairly direct impact on prices. We expect that inflation will nevertheless remain at a low level, as the falling energy prices will also lower the prices of goods in the longer term and weak demand will increase the pressure for price competition. The decline in interest rates is gradually pulling the domestic measure of inflation downward. The fall in inflation combined with the increase in wage and salary earnings and earningsrelated pensions will help increase real purchasing power, which is a key driver for the recovery of private demand.

We expect private consumption to grow moderately in 2024, but the gradual increase in unemployment will keep demand growth weak, and consumers are cost-conscious. Major purchases, such as buying a new car, are still postponed when possible. In 2023, the savings ratio was positive, and saving for a rainy day will increase this year as consumers are increasingly worried about unemployment. The increased savings ratio improves the financial security of households, but it temporarily weakens consumer demand. Next year, recovering economic growth will increase consumer confidence and raise consumer demand.

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

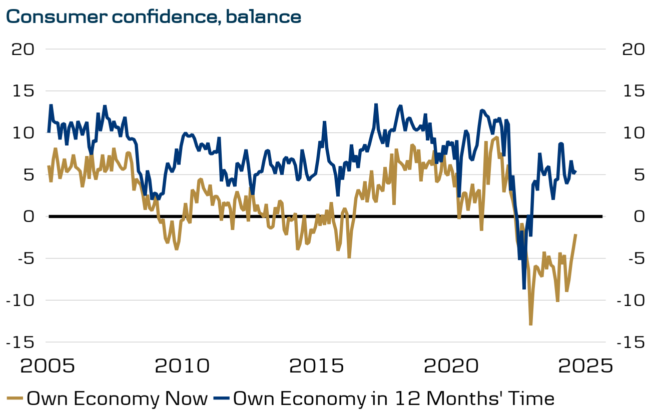
The growth of the world economy and especially the improving economy in the European single market, which is important to

Low inflation boosts purchasing power



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Consumers optimism edging higher



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Investment activity to pick up gradually

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

Finland, will increase export demand before the end of 2024. The inventory cycle will gradually shift and the flow of new orders will increase. Finland's trade surplus increased towards the end of 2023, and the country's current account is closer to balance. However, the low volume of orders predicted in the industrial confidence survey indicates that industrial production will still remain stagnant during the autumn.

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

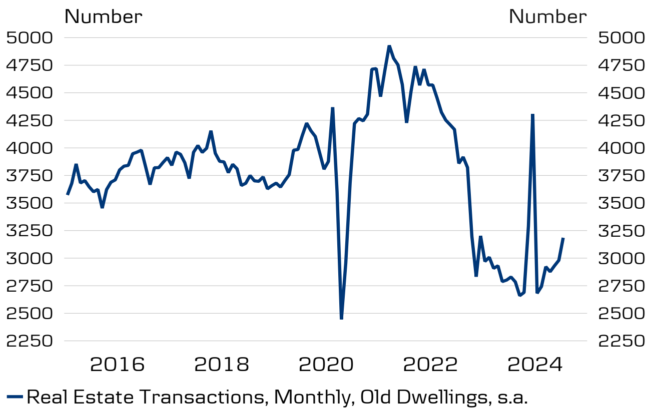
The employment rate trend among people aged 20 to 64 peaked at 78.5% in 2022, but the upward trend stopped last year, with the employment rate trend for 20-64-year-olds falling to 76.8% in May this year, where it also remained in June and July. The seasonally adjusted unemployment rate was 8.4% in July. The unemployment rate dipped to 6.1%, in spring 2022 after the recovery following the lifting of the COVID-19-related restrictions. Unemployment has increased especially in the construction industry, and hiring prospects in other main industries are also not strong. The number of open vacancies has decreased clearly. The rise in unemployment worries consumers and increases the propensity to save. However, some companies are still suffering from a shortage of skilled labour, and there is a risk that the working-age population will shrink. The experience of difficult availability of skilled labour during an economic upswing will likely slow down the weakening of labour markets, even though the economic downturn forces companies to adjust. Public sector expenditure cuts will increase unemployment in the near future.

Compared to the previous forecast, there have been no crucial changes in the circumstances. Revised national accounts data from last year indicated that the recession was deeper than previously estimated, meaning that the recovery will take longer. The second quarter of 2024 was slightly better than expected, and leading indicators point to a slightly strengthening economy in the coming months. On the other hand, unemployment has risen slightly faster than expected. A gradual decrease in interest rates and a pick-up in export markets appear to be unfolding largely according to our previous forecast. Our GDP forecast for Finland's economy remains more or less unchanged, but unemployment will rise temporarily to a slightly higher level, and public debt will increase more than previously anticipated. We expect that demand will pick up in 2025, aided partly by the economy returning to trend growth following a slump and by an increase in construction and other investments after a weak period. However, the government's tightening fiscal policy is holding back the rise. After 2025, a shortage of skilled labour

Rise in unemployment worries consumers

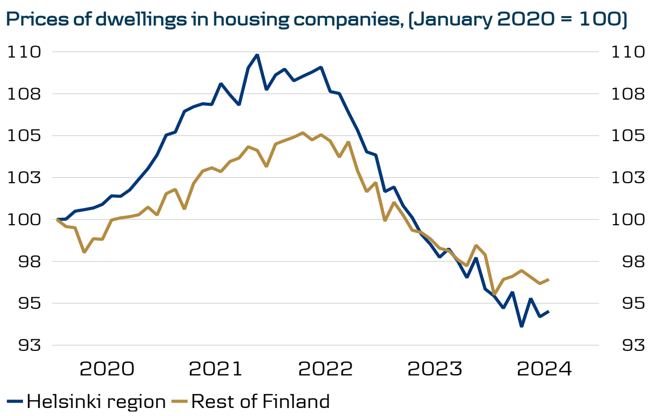
Sources: Macrobond Financial, Statistics Finland, EK, Danske Bank

Housing market picking up



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Housing prices found firmer ground



Sources: Macrobond Financial, Statistics Finland, Danske Bank will again dampen high-growth companies' possibilities to expand their business.

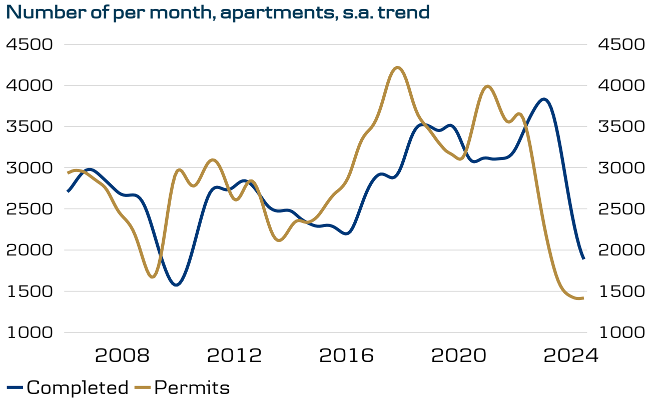
There are risks in the short term in both directions. The early part of the year seems to have exceeded expectations, and positive surprises may be observed in areas such as exports. On the other hand, geopolitical risks have not eased during the spring. In the euro area, one risk is that inflation remains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

There are signs of recovery in the housing market, although the number of transactions remained roughly a fourth below the previous years' average level in the first half of 2024. According to preliminary information from Statistics Finland, the prices of re-sold owner apartments rose by 1.0% quarter-on-quarter in the second quarter but remained 3.7% lower than a year ago. At the same time, sales of re-sold owner apartments taking place through real estate agents increased by 5% year-on-year. The transfer tax exemption applied to first-time home buyers was revoked at the turn of the year, bringing housing transactions to a halt particularly in January. On a monthly level, housing transactions have picked up since January, and prices have also risen slightly. Transaction volumes increased significantly in July compared to a year ago. The sales of new homes have contracted more sharply than sales of existing homes, but the decline has slowed in recent months. The falling interest rate level is stimulating the housing market, but there is still an oversupply of new apartments, and consumers' planned housing purchases are currently at a lower level than normally. The circumstances for an increase in housing transactions will improve as the economy recovers and interest rates fall.

Sluggish demand, increased construction costs and the higher interest rate level led to a notable downward trend in housing construction, which will last throughout 2024. The stock of unsold new apartments has temporarily increased, which puts pressure on the price level and reduces incentives for further construction. However, the population of Finland will continue to grow, and more apartments will be needed in growth centres, which means that low construction volumes will eventually result in housing shortage. The unleashing of pent-up demand will increase the demand for new construction in the latter half of 2024, and the number of building permits and starts already appears to have stabilised at the approach of summer. Due to the time required for permit applications and other constructionrelated processes, however, any considerable revival of housing construction will not take place until in 2025. Unemployment among construction architects rose to an exceptionally high level in the early part of 2024.

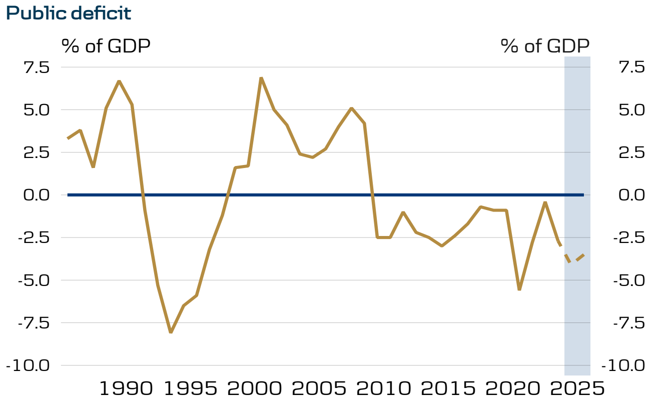
The government aims to balance Finland's public finances through expenditure cuts, tax increases and by means of structural reforms accelerating growth at a total level of EUR 9bn. Approximately EUR 6bn will be achieved through expenditure savings, over 1bn through taxation, with the remaining EUR 2bn aimed to be achieved through higher employment The VAT rate increased to 25.5% at the beginning of September, making it the second highest in the world after Hungary. Cuts to social security potentially weaken aggregate demand in the short term but, in the long run, they will most likely increase incentives to work and strengthen public finances.

Housing permits bottoming



Sources: Macrobond Financial, Tilastokeskus, Danske Bank

Public deficit stays large despite expenditure cuts



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Despite the savings measures, public deficit will remain high this year, exceeding 3% in relation to the gross domestic product both this year and next year. Major cost pressures will persist in areas such as the healthcare and social welfare sector even after 2024, but the deficit will gradually shrink through fiscal adjustment measures and economic growth. Public debt has increased at a rapid rate and continues to grow. According to the government's supplementary budget, the net borrowing of the state is estimated to amount to nearly EUR 13bn in 2024, and the draft budget of the Ministry of Finance for 2025 shows a deficit of over EUR 12bn. The 10-year interest rate on the public debt of Finland fell to below 3% during the late summer. Compared to Germany, the difference in interest rates has remained rather stable. Credit rating institutions are waiting for structural reforms that would narrow the sustainability gap, and for the fiscal adjustment measures related to public finances. In August, the credit rating agency Fitch revised its rating outlook from stable to negative due to the rising debt ratio and because it considers the measures announced by the government so far to be insufficient. The risk of a downgrade in the credit rating has increased, but we expect Finland's credit ratings to remain unchanged in 2024. If the economic recovery and fiscal adjustment measures are not sufficient to reduce the deficit to below 3%, Finland could face EU's excessive deficit procedure in 2025.

Macro forecasts - Denmark

	2023	2023	Forecast 2024	2025
National Accounts	DKK bn (Current prices)	y/y	y/y	y/y
Private consumption	1259.2	1.3%	1.0%	2.1%
Government consumption	636.4	0.2%	1.7%	2.6%
Gross fixed investment	633.1	-6.6%	-1.8%	3.8%
- Business investment	387.7	-5.5%	-1.1%	3.5%
- Housing investment	156.2	-12.4%	-4.8%	2.6%
- Government investment	89.1	-1.2%	0.5%	7.0%
Growth contribution from inventories		-1.7%	-0.1%	0.7%
Exports	1906.1	10.4%	3.7%	2.6%
- Goods exports	1106.5	5.5%	5.2%	3.0%
- Service exports	799.6	15.9%	1.6%	2.0%
Imports	1677.5	3.7%	0.8%	3.3%
- Goods imports	921.2	-4.2%	-0.3%	3.2%
- Service imports	756.3	14.7%	2.2%	3.5%
GDP	2804.7	2.5%	1.8%	2.0%
Economic indicators				
Current account, DKK bn		275.9	288.8	322.7
- Share of GDP		9.8%	10.1%	10.9%
General government balance, DKK bn		92.7	59.0	34.0
- Share of GDP		3.3%	2.1%	1.1%
General government debt, DKK bn		943.5	915.0	905.0
- Share of GDP		33.6%	32.0%	30.5%
Employment (annual average, thousands)		3202.4	3230.9	3228.8
Gross unemployment (annual average, thousands)		83.4	87.6	92.5
- Share of total work force (DST definition)		2.8%	2.9%	3.1%
House prices, y/y		-2.7%	4.0%	2.5%
Private sector wage level, y/y		4.1%	5.1%	3.5%
Consumer prices, y/y		3.3%	1.5%	1.9%
Financial figures				
Lending Rate*		3.75%	3.00%	2.25%
Certificates of deposit Rate*		3.60%	2.85%	2.10%

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

Macro forecasts - Sweden

	2023	2023	Forecast 2024	2025
National Accounts	**SEK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	2783.1	-2.2%	0.1%	2.6%
Government consumption	1625.0	1.1%	0.8%	1.9%
Gross fixed investment	1553.5	-1.1%	-1.8%	1.6%
Contribution from invetory change		-1.4%	0.4%	0.2%
Domestic demand	5959.7	-2.4%	0.2%	2.3%
Exports	3424.2	3.5%	2.4%	3.5%
Aggregate demand	9383.9	-0.3%	1.0%	2.7%
Imports	3177.4	-0.8%	0.8%	3.3%
Contribution from net exports	246.8	2.3%	0.9%	0.2%
GDP	6206.5	-0.1%	1.1%	2.4%
GDP, calendar adjusted	6209.1	0.1%	1.2%	2.4%
Economic indicators				
Trade Balance, SEK bn		246.5	304.3	319.8
- share of GDP		4.0%	4.8%	5.0%
Current Account, SEK bn		296.5	354.3	369.8
- share of GDP		4.8%	5.6%	5.7%
Public budget, SEK bn		-34.0	-50.0	-10.0
- share of GDP		-0.5%	-0.8%	-0.2%
Public debt ratio*		32.0%	33.0%	33.0%
Unemployment rate		7.7%	8.4%	8.2%
Consumer prices, y/y		8.6%	2.8%	0.6%
CPIF, y/y		6.0%	1.7%	1.4%
CPIF excl. Energy, y/y		7.5%	2.5%	1.5%
Hourly Wages, y/y		3.8%	3.5%	2.5%
House prices, y/y		-7.5%	3.5%	5.0%
*Maastricht definition				
Financial Figures				
Leading policy rate*		4.00%	2.75%	2.00%

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

Macro forecasts - Norway

	2023	2023	Forecast 2024	2025
National Accounts	**NOK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	1922.9	-0.8%	1.3%	2.9%
Government consumption	1121.9	3.4%	2.2%	1.8%
Gross fixed investment	1196.5	0.0%	4.0%	4.0%
Petroleum activities	216.1	10.6%	8.5%	-2.0%
Mainland Norway	969.1	-1.2%	-4.5%	4.5%
Dwellings	207.7	-15.6%	-12.0%	5.0%
Enterprises	499.3	4.0%	-3.0%	0.5%
General government	262.0	3.0%	3.3%	4.0%
Exports	2419.6	1.4%	3.0%	3.0%
Traditional goods	662.2	6.1%	4.0%	2.0%
Imports	1664.4	0.7%	1.5%	2.0%
Traditional goods	993.3	-3.7%	1.5%	1.8%
GDP	5126.5	0.9%	1.1%	2.3%
GDP Mainland Norway	3855.4	1.1%	0.7%	2.0%
Economic indicators				
Employment, y/y		1.3%	0.2%	0.4%
Unemployment rate (NAV)		1.8%	2.1%	2.4%
Annual wages, y/y		5.3%	5.1%	3.8%
Core inflation, y/y		6.2%	3.7%	2.4%
Consumer prices, y/y		5.5%	3.2%	2.0%
House prices, y/y		0.2%	3.0%	5.0%
Financial figures				
Leading policy rate		4.50%	4.50%	3.50%

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

Macro forecasts - Finland

	2023	2023	Forecast 2024	2025
National Accounts	**EUR bn (Current prices)**	**y/y**	**y/y**	**y/y**
GDP	274.9	-1.2%	-0.4%	1.8%
Imports	116.3	-6.6%	-1.5%	3.5%
Exports	115.6	-0.1%	-1.0%	3.0%
Consumption	215.8	1.2%	0.3%	0.9%
- Private	145.3	0.2%	0.2%	1.2%
- Public	70.4	3.4%	0.5%	0.2%
Gross fixed investment	61.8	-8.8%	-5.0%	5.0%
Economic Indicators				
Unemployment rate		7.2%	8.3%	8.0%
Earnings, y/y		4.2%	3.0%	3.0%
Inflation, y/y		6.2%	1.9%	1.5%
Housing prices, y/y		-6.3%	-1.0%	4.0%
Current account, EUR Bn		-3.0	-2.0	-1.5
- share of GDP		-1.1%	-0.7%	-0.5%
Public deficit, share of GDP**		-2.7%	-4.1%	-3.5%
Public debt, share of GDP**		76.6%	80.3%	81.8%
Financial Figures				
ECB deposit rate*		4.00%	3.25%	2.50%

*End of period, **2023 value is forecast*
Source: Danske Bank, Statistics Finland, ECB

Macro Forecasts - Euro area

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%
Unemployment rate	6.5%	6.5%	6.4%	6.5%	6.6%	6.7%	6.6%	6.6%
HICP, y/y	2.6%	2.5%	2.3%	2.3%	2.3%	2.1%	2.0%	2.0%
Core HICP, y/y	3.1%	2.8%	2.8%	2.9%	2.7%	2.4%	2.1%	2.0%
ECB deposit rate*	4.00%	3.75%	3.50%	3.25%	3.00%	2.75%	2.50%	2.50%

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

Macro Forecasts - United States

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%	0.4%	0.5%
Unemployment rate	3.8%	4.0%	4.3%	4.4%	4.6%	4.7%	4.7%	4.7%
CPI, y/y	3.2%	3.2%	2.6%	2.5%	2.2%	1.9%	2.3%	2.4%
Core CPI, y/y	3.8%	3.4%	3.2%	2.9%	2.5%	2.3%	2.5%	2.5%
Fed Funds target rate*	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.50%	3.25%

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

Macro Forecasts - United Kingdom

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.7%	0.6%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%
Unemployment rate	4.3%	4.3%	4.5%	4.6%	4.6%	4.5%	4.4%	4.3%
CPI, y/y	3.5%	2.1%	2.1%	2.2%	2.1%	1.9%	1.9%	1.8%
Core CPI, y/y	4.6%	3.6%	3.2%	3.1%	2.9%	2.1%	1.9%	1.7%
BoE Bank Rate*	5.25%	5.25%	5.00%	4.75%	4.25%	3.75%	3.50%	3.25%

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

	Year	GDP*	Private cons.*	Public cons.*	Fixed inv.*	Ex-ports*	Im-ports*	Infl-ation*	Wage growth *	Unem-ployme. **	Public budget ***	Public debt ***	Current acc. ***
Danmark	2023	2.5	1.3	0.2	-6.6	10.4	3.7	3.3	4.1	2.8	3.3	33.6	9.8
	2024	1.8	1.0	1.7	-1.8	3.7	0.8	1.5	5.1	2.9	2.1	32.0	10.1
	2025	2.0	2.1	2.6	3.8	2.6	3.3	1.9	3.5	3.1	1.1	30.5	10.9
Sweden	2023	0.1	-2.2	1.1	-1.1	3.5	-0.8	8.6	3.8	7.7	-0.5	32.0	4.8
	2024	1.2	0.1	0.8	-1.8	2.4	0.8	2.8	3.5	8.4	-0.8	33.0	5.6
	2025	2.4	2.6	1.9	1.6	3.5	3.3	0.6	2.5	8.2	-0.2	33.0	5.7
Norway	2023	1.1	-0.8	3.4	0.0	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	0.7	1.3	2.2	4.0	3.0	1.5	3.2	5.1	2.1	-	-	-
	2025	2.0	2.9	1.8	4.0	3.0	2.0	2.0	3.8	2.4	-	-	-
Euro area	2023	0.5	0.7	1.0	1.2	-0.4	-1.1	5.4	4.5	6.6	-3.6	90.2	2.9
	2024	0.7	0.8	1.2	-0.5	1.3	-0.2	2.4	4.3	6.5	-3.0	90.1	2.8
	2025	1.2	1.3	0.8	1.3	3.0	3.1	2.1	3.4	6.6	-2.9	90.7	2.9
Finland	2023	-1.2	0.2	3.4	-8.8	-0.1	-6.6	6.3	4.2	7.2	-2.7	76.6	-1.1
	2024	-0.4	0.2	0.5	-5.0	-1.0	-1.5	1.9	3.0	8.3	-4.1	80.3	-0.7
	2025	1.8	1.2	0.2	5.0	3.0	3.5	1.5	3.0	8.0	-3.5	81.8	-0.5
United States	2023	2.5	2.2	4.1	0.6	2.6	-1.7	4.1	4.3	3.6	-6.3	122.3	-3.0
	2024	2.5	2.1	3.4	4.1	2.0	4.1	2.9	3.2	4.1	-6.7	123.1	-2.8
	2025	1.5	1.2	2.6	3.5	1.9	4.5	2.2	2.5	4.7	-6.5	125.1	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.6	1.5
	2024	4.8	4.5	-	5.0	-	-	0.3	-	5.2	-7.4	88.6	1.3
	2025	4.8	5.6	-	4.5	-	-	1.5	-	5.2	-7.6	93.0	1.4
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	1.1	-	-	-	-	-	2.8	-	4.6	-	-	-
	2025	1.4	-	-	-	-	-	1.9	-	4.9	-	-	-

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

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This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Las Olsen, Chief Economist, Allan von Mehren, Director, Minna Kuusisto, Director, Antti Ilvonen, Analyst, Bjørn Tangaa Sillemann, Director, Michael Grahn, Chief Economist, Therese Persson, Macro Analyst, Pasi Kuoppamäki, Chief Economist, Frank Jullum, Chief Economist, and Rune Thyge Johansen, Analyst.

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Global Danske Research

Global Head of Research
Heidi Schauman
heidi.schauman@danskebank.com

Macro

Head of
Las Olsen
Denmark
laso@danskebank.com

Allan von Mehren
China macro and CNY
alvo@danskebank.com

Antti Ilvonen
US macro, AUD and NZD
ilvo@danskebank.com

Bjørn Tangaa Sillemann
Denmark, Japan
bjsi@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Louise Aggerstrøm Hansen
Denmark
louhan@danskebank.com

Minna Kuusisto
Emerging Markets
mkuus@danskebank.com

Pasi Kuoppamäki
Finland
paku@danskebank.com

Rune Thyge Johansen
Euro Area
rujo@danskebank.com

Sweden

Head of
Filip Andersson
Fixed income strategy
fian@danskebank.com

Michael Grahn
Sweden
mika@danskebank.com

Therese Persson
Sweden macro
THP@danskebank.com

Jesper Fjärstedt
SEK, PLN, HUF and CZK
jesppe@danskebank.com

Stefan Mellin
SEK strategy
mell@danskebank.com

Joel Rossier
Fixed income strategy
joero@danskebank.com

Fixed Income Research

Head of
Jan Weber Østergaard
DKK and EUR fixed income
jast@danskebank.com

Frederik Romedahl Poulsen
Global rates
frpo@danskebank.com

Jens Peter Sørensen
Nordic and EUR fixed income
jenssr@danskebank.com

Jonas Hensch
DKK fixed income
jhens@danskebank.com

Piet P.H. Christiansen
ECB and EUR fixed income
phai@danskebank.com

FX and Corporate Research

Head of
Kristoffer Kjær Lomholt
NOK
klom@danskebank.com

Mohamad Al-Saraf
EUR, USD, JPY, and Institutional FX
moals@danskebank.com

Jens Nærvig Pedersen
DKK, commodities, USD liquidity, Institutional FX
jenpe@danskebank.com

Kirstine Grønborg Kundby-Nielsen
GBP, CHF and Corporate FX
kigrn@danskebank.com

Credit Research

Head of
Jakob Magnussen
Utilities
jakja@danskebank.com

Benedicte Tolaas
Norwegian HY
beto@danskebank.com

Brian Børsting
Industrials
brbr@danskebank.com

Christian Svanfeldt
Real Estate and Industrials
chrsv@danskebank.com

Lina Berg
Industrials
linab@danskebank.com

Linnea Sehlberg
Industrials
sehl@danskebank.com

Louis Landeman
Sustainability/ESG
llan@danskebank.com

Mads Rosendal
TMT and Industrials
madros@danskebank.com

Mark Thybo Naur
Financials and Strategy
mnau@danskebank.com

Marko Radman
Norwegian HY
mradm@danskebank.com

Olli Eloranta
Industrials and Real Estate
oelo@danskebank.com

Rasmus Justesen
Credit Portfolios
rjus@danskebank.com

Sverre Holbek
Financials
holb@danskebank.com

Marcus Gustavsson
Real Estate
marcg@danskebank.com

Mille Opdahl Müller
Industrials
mifj@danskebank.com