Nordic Outlook

March 2025

Normalising economies despite the noise

Highlights

- We expect moderately higher growth in Europe including the Nordic countries and slightly lower growth in the US, as interest rates, inflation and wage growth normalise.
- Higher tariffs in the US and elsewhere are unlikely to change the economic outlook much in the short run, even if they have serious consequences for individual companies.
- Aggressive trade policies and higher geopolitical tension and uncertainty are negative factors in the longer run.

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

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Editorial deadline: Tuesday 4 March at 16:00 CET
Economics Research

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Normalising economies despite the noise

Global

We forecast normalisation in rates of growth, interest, inflation and unemployment over the coming years in many countries as economies are currently reasonably balanced and barring any big chocks. Political uncertainty is high with many question marks regarding the new US administration and ongoing wars, conflicts and geopolitical tensions. We see these factors as mostly affecting the longer-term economic outlook, but there could also be short-run effects. This includes the prospect of US tariffs and more general trade wars, which should have very limited implications for global demand in the short run but could well undermine growth in the longer term.

Euro area

The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth. While the near-term growth outlook is sluggish, growth is expected to improve gradually during 2025, supported by rising real incomes and significantly lower monetary policy rates. We expect the ECB to lower the deposit rate to 1.50% in the second half of the year to support below-potential growth and inflation expectations. The disinflationary process is on track, with average inflation expected close to 2% for 2025 and 2026, and core inflation below target from mid-2025.

Denmark

Growth is high but particularly concentrated around the pharmaceutical industry – we expect it to become more broadly based in the coming years. Strong government finances enable very large one-off expenditures on defence, but we are uncertain how much this will affect demand in the economy. Private consumption is ticking up and the outlook is for more to come on the back of rising real incomes and lower interest rates, despite very low consumer confidence. Exports are growing strongly, and the current account surplus is very large, mostly – but not solely – because of pharmaceutical industry exports. Inflation and wage growth are expected to stabilise at slightly above pre-pandemic levels.

Sweden

The Swedish economy is set for recovery in 2025 after three challenging years. Since May 2024, the Riksbank has reduced its policy rate by 175 basis points, easing household and business interest expenses. Growth is gradually improving, with household financial positions strengthened and housing prices expected to continue to rise by 5% annually. However, population growth has slowed, impacting construction needs. Global uncertainty affects investments near-term, while defense spending could boost growth further out. The labour market is weak but stabilizing, with improvements expected in the latter half of 2025. Wage negotiations are ongoing, and despite the recent inflation rise, the Riksbank is likely to cut rates to 2% before summer.

Norway

Growth in the Norwegian economy will pick up in 2025 and 2026, and we expect a certain growth rotation where the strong tailwind from oil investments, public demand and net exports will subside. This leaves room for a strong boost in the interest-rate sensitive parts of the economy. Higher productivity growth will still increase unemployment, limited by weaker growth in labor supply. Inflation is expected to decline further, which will likely contribute to dampening wage growth. Global uncertainty and a high cost level suggest that the exchange rate will remain weak. Weaker growth impulses and lower inflation open the door to four rate cuts this year, and we believe that the policy rate will move down towards the normal level of 2.5% over the course of next year.

Finland

Finland continues a slow recovery. Falling interest rates and low inflation boost domestic purchasing power, but risk of unemployment keeps holding the consumer back. Employment is forecast to improve later this year. Flow of export orders remains sluggish, but growth in export markets boosts exports demand in later quarters. Housing construction seems to be bottoming at a low level, and a recovery can be expected to start in 2025. Housing market has stabilized, and the number of transactions has increased. 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.

Dramatic politics, calmer economies

- **We forecast normalisation in rates of growth, interest, inflation and unemployment over the coming years in many countries, including the Nordics, as economies are currently reasonably balanced and barring any big chocks.**
- **There is a high degree of political uncertainty, especially regarding trade and security policies, which could disrupt the economic outlook for this year and next, although we see it more as a longer-term concern.**
- **Markets show limited reaction to the many political statements and news from especially the US administration, suggesting that many investors share our view that, unless for example tariff threats become more concrete and far-reaching, other things matter more in the short run.**

There has been an overwhelming amount of political news with potentially big economic impact lately, most of it originating from the new Trump administration. Lage tariffs on US imports could distort world trade, mass deportations could halt growth in the world's largest economy, a new and more unpredictable US foreign policy could weaken confidence and dramatically increase military spending in Europe. Potential easing of sanctions against Russia could impact energy prices, as could increased US energy production. It remains unclear what the administration will mean for the independence of the central bank and for the huge US budget deficit.

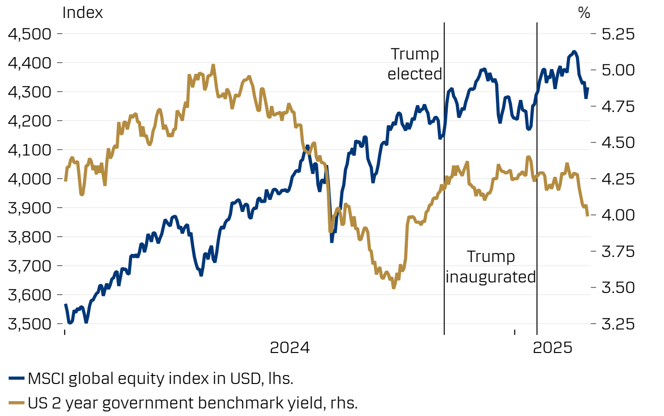
Given all this, it is remarkable how relatively calm financial markets have been. The world may have become more uncertain, but as we – and apparently many investors – see it, the near-term outlook has not really changed very much. We continue to see what could be called a normalisation of growth, labour markets, inflation and interest rates following the pandemic and the high inflation episode. That means a slight slowdown of growth in the US, a slight increase in growth the euro area and a more substantial increase in most Nordic countries, and somewhat more demand coming from China. The direction remains down for interest rates in Europe and the US, as inflation is broadly under control and there is no longer a need for restrictive monetary policy.

This normalisation will likely continue to imply much higher growth in the US than in Europe, where structural issues continue to hold back the economy. That includes the Nordic countries, even though there are areas of high growth here, not least the Danish pharmaceutical industry. The need for stronger economies, also for security reasons, has moved to the top of the political agenda in the EU and many individual countries, but it remains to be seen what will be done, and we are unlikely to see short term improvements in structural growth.

The world may have become more uncertain, but as we – and apparently many investors – see it, the near-term outlook has not really changed very much.

Las Olsen, Chief Economist

Markets are fairly calm despite the noise



Source: Macrobond Financial

The push towards a more fragmented global economy both from potential US tariffs and from the general scepticism towards free trade seen in many places is a force in the opposite direction, towards lower growth. But also here, we do not expect to see a big impact on the overall economy in the short term. Even if the US hikes tariffs, domestic demand growth is likely to remain robust with a continued need for imports. Some forecasters expect the uncertainty caused by the risk of tariffs to weaken growth substantially in the short term through lower business investment. That could be true, but so far, such uncertainty is not obvious from most business surveys despite the many tariff threats over the last months, and we would expect investment plans to only change slowly and be more responsive in the short run to earnings and interest rates.

Trade policy, structural economic policies and questions of safety and security are clearly very important both for economic prosperity in the longer run and for individual businesses and industries that could be affected immediately. For the total economic outlook this year and next, which is the focus of this publication, other factors are likely to play a bigger role. We see this outlook as relatively good, as we are entering a normalisation following a soft landing – with the caveat that soft landings are not something we have a lot of experience with, so we should also be prepared for economic surprises that are not caused by politics.

US
Structural growth is set to slow down, but risks of an acute slowdown remain modest. Trump's policies increase near-term uncertainty, but overall fiscal policy stance is set to remain supportive for growth over the medium-term.

Euro area
Growth to slowly increase during 2025, but the near-term outlook is sluggish. The disinflationary process continues, and inflation is expected close to 2% in 2025 and 2026. We expect the ECB to lower the deposit rate to 1.50% in the second half of this year.

China
We see signs of green shoots in the housing sector and more animal spirits in the private sector. However, the coming trade war with the US will temper any recovery. We keep our forecast of 4.7% in 2025 and 4.8% in 2026 unchanged.

A slow recovery

- **The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth. While the near-term growth outlook is sluggish, growth is expected to improve gradually during 2025, supported by rising real incomes and significantly lower monetary policy rates.**

- **Geopolitical tensions are affecting the EU, with both positive and negative growth consequences. Increased defence expenditures and lower energy prices following an end to the war in Ukraine should boost growth while trade tension with the US lowers growth.**

- **Inflation concerns in the euro area have diminished as disinflation progresses. We expect headline inflation to average close to the 2% target in 2025 and 2026, with core inflation dropping below 2% from mid-2025 due to lower services inflation.**

- **We expect the ECB to lower the deposit rate to 1.50% in the second half of the year, as we see the need for ECB to lower the policy rate to a slightly accommodative monetary policy stance to support growth and avoid the inflation and its expectations to settle below the 2% target.**

		Forecast	
	2024	**2025**	**2026**
GDP Growth	0.7%	0.9% (0.9%)	1.3% (1.4%)
Inflation	2.4%	2.2% (2.0%)	1.9% (2.0%)
Unemployment	6.4%	6.4% (6.7%)	6.5% (6.6%)
Policy rate*	3.00%	1.50% (1.50%)	1.50% (1.50%)

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

The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth. Recent growth indicators have pointed to weak activity due to a struggling manufacturing sector combined with cautious consumers and a sluggish German and French economy. While the near-term growth outlook is shaky, growth is expected to improve gradually during 2025, supported by rising real incomes and significantly lower monetary policy rates. Private consumption is expected to pick up during the year and be a key driver of growth, benefitting from rising real incomes, a strong labour market, and increased consumer confidence. The labour market remains resilient with record-low unemployment, but employment growth has stalled, and vacancies are falling, which should result in a slightly rising unemployment rate.

Geopolitical tensions are affecting the EU, with both positive and negative growth consequences. We anticipate an average increase in US tariffs on European goods to 10%, but its effect on growth should be limited due to a lower EUR/USD as a consequence.

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Geopolitical tensions are affecting the EU, with both positive and negative growth consequences.

Rune Thyge Johansen, Analyst

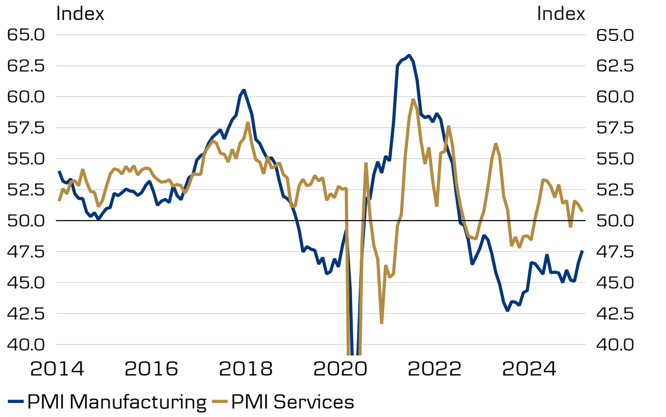
Despite trade uncertainty, we expect foreign demand to grow gradually, supported by rising global activity and fiscal stimulus from the US and China. Following US-Russia peace talks on Ukraine, the EU is intensifying discussions on increased defence spending, which should boost growth, alongside lower energy prices following an end of the war and rapid removal of US energy sanctions. Risks to the growth outlook are viewed as balanced, since increased consumer confidence, government spending, and lower energy prices could increase growth more than expected, while a deteriorating labour market, weaker foreign demand, and a significant trade war with the US could lower growth.

Inflation concerns in the euro area have diminished as disinflation progresses. Underlying inflation is easing due to stable goods prices and slowing services momentum, while headline inflation fluctuates with energy prices. We have revised up the headline forecast for 2025 reflecting the sharp increase in energy inflation in January, which will carry through the year, and we now expect headline inflation to average 2.2% in 2025 and 1.9% in 2026. More importantly, we project core inflation dropping below 2% from mid-2025 due to easing services inflation, and still low goods inflation. Goods inflation should remain low due to a weak manufacturing sector and China's overcapacity. With lower inflation, we anticipate reduced wage growth in the coming years as indicated by recent weaker wage agreements. Risks to the inflation outlook are viewed as balanced as energy prices and wage growth could surprise in both directions.

Turning to the ECB, we expect their policy rate to be cut to 1.50% in the second half of the year. We see a need for the ECB to lower the policy rate to a slightly accommodative monetary policy stance to support growth and avoid inflation expectations to settle below the 2% target. There is a risk of a bumpy road to our projected terminal rate due to increasing differences in ECB GC members' communication. We see the risks to our profile as slightly skewed towards fewer rate cuts as higher than expected wage growth could mean fewer rate cuts while weaker than expected activity and labour market could result in more.

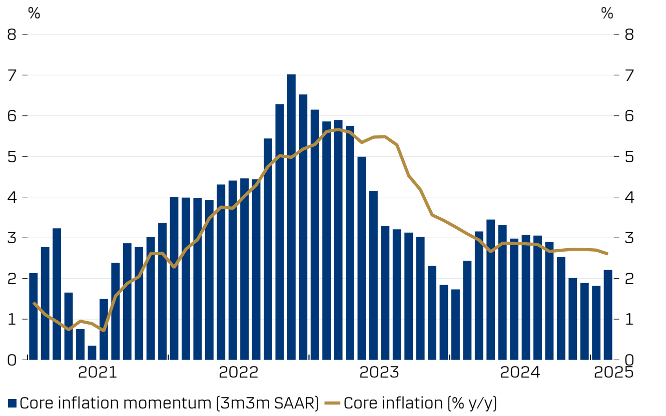
The German economy continues on a weak footing due to both cyclical and structural problems, particularly in the industry. The labour market has previously remained solid, but employment growth ended in 2024 for the first time since COVID. We expect the cyclical headwinds to fade from the second half of this year, but until then the economy is not expected to grow, and employment is set to decline in contrast to the rest of the euro area.

Manufacturing sector turning less negative



Source: S&P Global, Macrobond Financial

Recent momentum in underlying inflation aligns with the 2% target



Source: Eurostat, ECB, Macrobond Financial

Fluctuating energy prices affect inflation and growth

Source: ICE, Macrobond Financial

On a steady course despite the political noise

- **We continue to forecast a gradual structural slowdown of US economic growth but think the risks of an acute slowdown remain low. We revise up our 2025 GDP growth forecast to +2.3% (from 2.0%) partially due to more favourable growth overhang and lower our 2026 forecast to +1.9% in 2026 (from +2.1%).**

- **Many of the growth-negative aspects of Trump's policy mix (including tariffs and layoffs of federal workers) will take effect faster than the expected growth-positive changes (such as easing taxation or regulation). Overall fiscal policy stance is set to remain supportive for growth. We see fiscal deficits close to past year's levels at 6-7% of GDP during both 2025 and 2026.**

- **Further tariff hikes can lead to one-off increases to prices, but we think that underlying inflation pressures will remain on a moderating trend. We revise up our 2025 inflation forecast to 3.0% (from 2.7%) but maintain 2026 unchanged at 2.4%.**

- **We think the Fed will continue quarterly rate cuts from June 2025 onwards and expect the Fed Funds Rate to stabilize below market pricing at 3.00 – 3.25% by June 2026.**

	2024	Forecast 2025	2026
GDP Growth	2.8%	2.3% (1.9%)	1.9% (2.1%)
Inflation	3.0%	3.0% (2.4%)	2.4% (2.4%)
Unemployment	4.0%	4.1% (4.2%)	4.2% (4.3%)
Fed Funds*	4.50%	3.75% (3.25%)	3.25% (3.25%)

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

Trade policy uncertainty has overshadowed otherwise positive beginning of 2025 for the US economy. Particularly the early signs of a long-awaited uptick in leading manufacturing indicators have alleviated downside risks ahead. On the other hand, leading services indicators have pointed towards moderating growth. Structural growth outlook is weakening amid less immigration and productivity growth returning closer to its pre-pandemic trend. Illegal immigration flow, that has accounted for around two thirds of US population growth over the past years, has now slowed down to the lowest level since the spring of 2020. Lack of new supply will weigh on employment and wage sum growth over the coming quarters even if unemployment rate remains relatively steady. We think GDP growth will moderate to 2.3% this year and further to 1.9% in 2026.

The beginning of Trump's term has had two-sided effects on the economy. On one hand, small businesses and Republican consumers experienced an almost euphoric improvement in confidence immediately after the election, even if sentiment has weakened after the inauguration. On the other hand, many of the

> *Many of the growth-negative aspects of Trump's policy mix, such as tariffs and federal layoffs, will take effect faster than the expected tax easing or deregulation.*
>
> *Antti Ilvonen, Senior Analyst*

growth-negative aspects of Trump's policy mix (including tariffs and layoffs of federal workers) will take effect faster than the expected growth-positive changes (such as easing taxation or regulation).

While exact details of upcoming policies remain hazy, we expect public budget deficits to hover close to 2024 levels, and between 6-7% of GDP, also in 2025 and 2026. The scope of tariffs and federal layoffs enacted so far is not large enough to significantly slow down the economy on their own. While we do expect further tariff hikes over coming months, we expect the administration to follow a gradual approach – both as a negotiation tactic as well as to moderate the negative consequences for the US economy. Furthermore, planned easing to domestic taxation is set to provide a positive boost to growth over the medium term. We evaluated the near-term fiscal policy outlook in more detail in **Reading the Markets USD - Gradual easing still in sight**, 25 February.

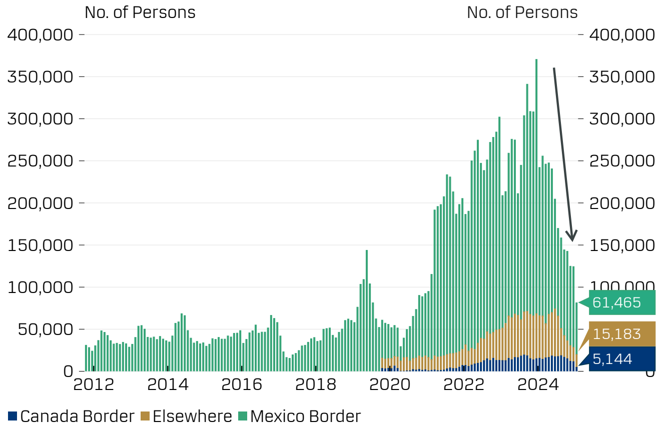
The combination of expansionary fiscal policy, some tariff hikes, less labour supply growth and possible recovery in manufacturing naturally brings forward fears of the economy overheating again. The Fed is likely to remain on hold for the next two meetings until the policy outlook clears further.

But we expect the central bank to revert back to cutting rates in June and then continue with quarterly reductions until the policy rate reaches 3.00-3.25% – well below current market pricing. Weak credit growth suggests current policy stance is still having a restrictive effect and low capacity utilization rates in manufacturing suggest that a modest pick-up in activity would not lead to an imminent risk of overheating.

If structural growth slows in line with our expectations, we think markets might overestimate the level of longer-term neutral rate. For now, real short rates are priced to stabilize close to 2% - clearly above the FOMC's median estimate of 1%. Underlying inflation momentum has continued to cool, and we expect to see further moderation especially in housing inflation even if tariffs lead to some one-off increases in food or goods prices. We forecast headline inflation at 3.0% (core at 3.1%) over the course of 2025 and 2.4% in 2026 (core at 2.4%).

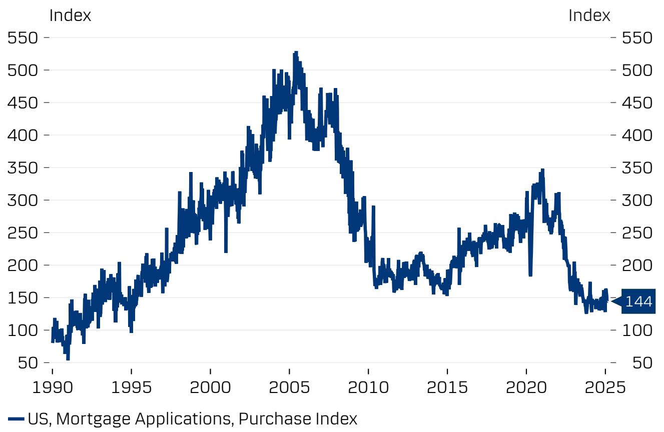
Risks are skewed towards stickier inflation and consequently tighter financial conditions. If the Fed is forced to maintain rates restrictive for longer than we expect, or even hike rates again, the risk of a 'hard landing' down the line increases as well.

Labour supply growth is set to cool down sharply as immigration inflow has faded



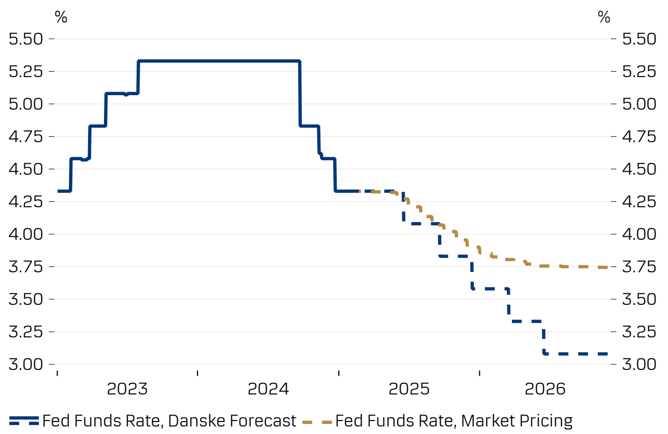
Source: Macrobond Financial, U. S. Department of Homeland Security

Weak demand for housing loans suggests current monetary policy stance is still having a restrictive effect



Source: Macrobond Financial, Mortgage Bankers' Association (MBA)

We expect the Fed to cut rates further than markets currently anticipate



Source: Macrobond Financial, LSEG, Danske Bank

Green shoots in domestic economy amid new trade war

- **We see signs of green shoots in China's housing market and a potential lift in private sector animal spirits following tech breakthroughs and encouraging policy signals.**
- **We look for continued stimulus to give counterweight to the expected US-China trade war this year.**
- **We still look for a weaker CNY against the USD, which will dampen some of the impact from higher tariffs.**
- **Growth is set to remain fragile, though, as it will take time to repair household confidence following years of first covid lockdowns and subsequently a continued housing crisis.**
- **We keep our forecasts unchanged from December looking for GDP to grow 4.7% in 2025 and 4.8% in 2026.**
- **The US-China rivalry is set to intensify with Trump's foreign policy taking stronger aim at China. He is unlikely to cross China's red line on Taiwan, though.**
- **Trump's America First policy may pave the way for a reset of EU-China relations. However, we expect trade tensions to remain due to China's rise as a competitor in many sectors, heavy use of industrial policy and overcapacity issues.**

	2024	Forecast 2025	2026
GDP Growth	5.0%	4.7% (4.7%)	4.8% (4.8%)
Inflation	0.2%	1.0% (1.5%)	1.5% (1.5%)
Unemployment	5.1%	5.1% (5.2%)	5.1% (5.2%)
Policy Rate*	2.00%	1.50% (1.50%)	1.50% (1.50%)

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

Signs of bottoming in the housing market
China's housing crisis has been a massive drag on the economy for the past three years. Home sales have been cut in half since the peak in late 2020 and home prices have declined for more than 2½ years leading to big declines in households wealth. The erosion of wealth has led to a sharp rise in the savings by households and kept consumption growth at low levels. This has in turn hurt employment and undermined consumption further. China has thus been caught in a negative spiral. However, it finally looks like the wide range of policy measures to turn the housing market is having an effect. We now see the first signs that home sales and prices are moving higher in the biggest cities. As we see the housing crisis as the epicentre of China's growth challenges, this is an important development.

In the middle of a painful transition
China is in a painful transition from an old growth model where housing construction, 'old' infrastructure and low-level exports

> *We now see the first signs that home sales and prices are moving higher in the biggest cities.*
>
> *Allan von Mehren, Chief Analyst*

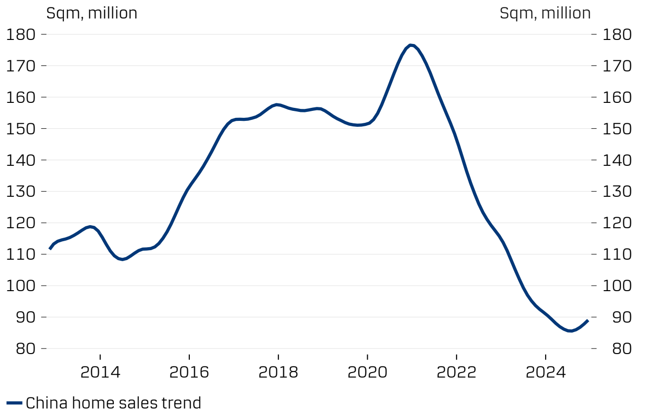
were key growth drivers to a new growth model where China aims for private consumption and high-tech investments to be the key engines. And where the manufacturing sector upgrades and exports higher quality goods. Infrastructure investments will be centered on 'smart infrastructure' such as EV charging stations, data centers, ultra-high voltage transmission lines etc. which can support China's future technological development. While China is already making strides in the tech field, the economy suffers from the vacuum from weaning off housing led growth which in turn obstructs getting the consumer engine started. Apart from creating overcapacity, insufficient consumer demand result in deflationary pressures and tensions with trading partners. China's current growth is mainly coming from the green-tech sector and infrastructure investments, which are dominated by China's own firms.

Reviving consumption growth priority number one
For these reasons, China's policy makers in December put boosting consumption growth to the very top of their 9-point priority list for the coming year. A trade-in-scheme subsidizing consumption is being scaled up, public worker wages have seen a new lift and social transfers are increased. Still, the most important factor to improve consumption is a stabilization of the housing market but as mentioned there are a bit more positive signs in this field as well. We thus expect consumption growth to see a gradual move higher but we are unlikely to see a big boom of any kind as it will take time to repair the very weak consumer confidence. We expect growth this year to decline from 5.0% to 4.7% and see a broadly similar rate in 2026 at 4.8%, unchanged from our previous forecast.

AI breakthrough and policy signals to improve animal spirits
In January, China's AI start-up DeepSeek surprised by launching a model that on many parameters performs at par with the best US models, which triggered renewed optimism in Chinese tech and fueled a strong rally in tech stocks. Sentiment saw a further boost when President Xi Jinping hosted a private sector symposium stressing the leadership's support of the private sector. This could be the beginning of more animal spirits returning to China's entrepreneurs after several years of low confidence from a tech crackdown and weak macroeconomic performance.

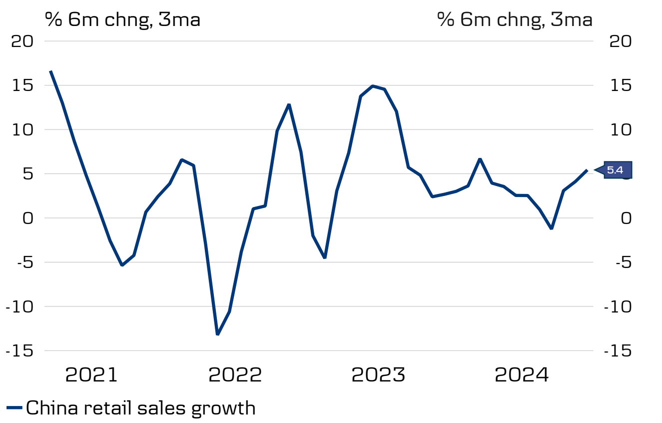
Trade war looming
A new headwind is looming on the horizon, though, from a new trade war with the US. We expect Trump to continue to increase tariffs on China during the year in response to a trade report coming in April that will likely conclude China is cheating on trade and never lived up to the phase one deal. A deal will likely eventually be struck but as with the first trade war, we expect it to take many rounds of negotiations to get there. We expect US tariffs will gradually increase to around 40% on average on Chinese goods. A weaker CNY will partly compensate for the increase. In December we already shaved off ½ percentage points of our forecast in anticipation of the trade war. Trump's disruption of the global order and new tensions with EU could pave the way for a reset of EU-China relations. At least recent comments from EU and China points and opening for new engagement.

Chinese housing market show signs of bottoming



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

China needs to lift consumption growth further



Macrobond Financial, NBS, Danske Bank
Source: China National Bureau of Statistics (NBS)

Chinese tech rally to spur more animal spirits in private sector?

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

Nordic improvement in 2025

Sweden

The Swedish economy is set for recovery in 2025 after three challenging years. Since May 2024, the Riksbank has reduced its policy rate by 175 basis points, easing household and business interest expenses. Growth is gradually improving, with household financial positions strengthened and housing prices expected to continue to rise by 5% annually. However, population growth has slowed, impacting construction needs. Global uncertainty affects investments near-term, while defense spending could boost growth further out. The labour market is weak but stabilizing, with improvements expected in the latter half of 2025. Wage negotiations are ongoing, and despite the recent inflation rise, the Riksbank is likely to cut rates to 2% before summer.

Norway

Growth in the Norwegian economy will pick up in 2025 and 2026. Unemployment will rise moderately, limited by weaker growth in labor supply. Inflation is expected to decline further, which will likely contribute to dampening wage growth. Global uncertainty and a high cost level suggest that the exchange rate will remain weak. This scenario opens the door to four rate cuts this year, and the policy rate could approach the normal level of 2.5% in 2026.

Denmark

GDP growth is very high, primarily due to strong growth in the pharmaceutical industry, but also with increasing activity elsewhere. We expect high growth to continue and become more broad-based as household real incomes increase and interest rates are lowered in Denmark and in neighbouring countries. We expect wage growth and inflation to stabilise slightly above pre-pandemic levels. The current account surplus is very large, and that is unlikely to change.

Finland

Finland continues a slow recovery. We expect stronger growth later in 2025, supported by higher demand at home and abroad. Housing market has stabilized 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.

Growth becoming more broadly based in Denmark

- **Growth is high but particularly concentrated around the pharmaceutical industry – nevertheless, we expect growth to become more broadly based in the coming years.**
- **Strong government finances also enable very large one-off expenditures on defence, but we are uncertain how this will affect demand in the economy.**
- **Private consumption is ticking up and the outlook is for more to come on the back of rising real incomes and lower interest rates – despite very low consumer confidence.**
- **Exports are growing strongly and the current account surplus is very substantial, mostly – but not solely – because of pharmaceutical industry exports.**
- **Inflation and wage growth are expected to stabilise at slightly above pre-pandemic levels.**

	2024	Forecast 2025	2026
GDP Growth	3.6%	3.9% (2.5%)	2.9% (2.3%)
Inflation	1.4%	1.8% (1.8%)	1.6% (1.7%)
Unemployment	2.9%	2.9% (3.1%)	3.0% (3.1%)
Deposit rate*	2.60%	1.10% (1.10%)	1.10% (1.10%)

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

With GDP growth printing at 3.6% in 2024, the Danish economy not only surpassed our otherwise high expectations from our previous forecast but was also the frontrunner in Europe. Novo Nordisk and the rest of the pharmaceutical industry very much continued to drive growth, which ex-pharma appeared to be 1.8%, but that probably also includes a fair share of production and construction deriving from the expansion of the pharmaceutical industry. Much of the economy has experienced only low growth rates, with private consumption, for example, rising by just 0.9% last year.

Our expectation for the coming years is also for high growth rates dominated by the pharmaceutical industry but with growth spreading more broadly across the economy. Rising real incomes and falling interest rates should increase demand in Denmark and among its neighbours, while government demand will also increase strongly, though much of this will be directed to purchasing military hardware from abroad. Our expectations are further supported by the pickup in sentiment across numerous

> *"Much of the economy has experienced only low growth rates, with private consumption, for example, rising by just 0.9% last year.*
>
> *Las Olsen, Chief Economist at Danske Bank*

industries, which is very much in contrast to the gloomy consumers. That means there is no sign of the uncertainty surrounding trade policy and tariffs, for example, significantly dampening investment. Nevertheless, global developments are the main risk to our growth picture, whereas major danger signals emanating from the Danish economy itself are hard to spot. Major data revisions that might markedly change the figures in our forecast are also a significant risk, though naturally they will not change the reality.

Solid platform for increasing defence spending

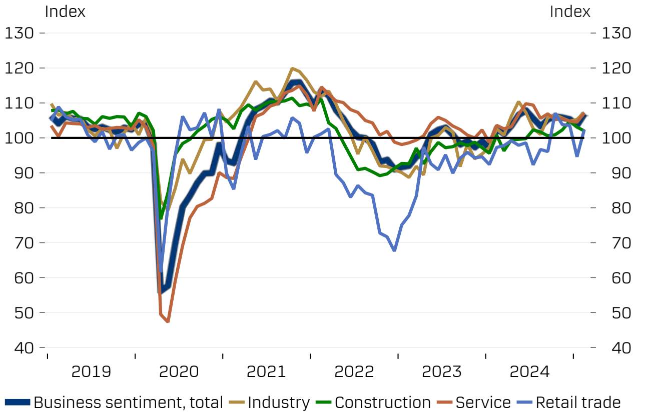
The government aims to increase defence spending by DKK25bn (0.8% of GDP) in both 2025 and 2026, followed by DKK10bn per year thereafter. This comes on top of the already planned loosening of fiscal policy. Despite this, we continue to expect a significant government surplus with the potential to finance more temporary expenses without compromising the sustainability of government finances. Government coffers are essentially robust after five years with the EU's largest budget surplus relative to GDP (the figures for 2024 are not yet available) and government net financial assets that surpass 20% of GDP. That being said, a permanent increase in defence spending from, for example 2% to 3% of GDP, will likely require a degree of financing in the form of tax increases or cutbacks when other political priorities have to be considered.

Wage growth slowing again

Wage growth has been extraordinarily high over the past two years, not least as a result of collective agreements that aimed to restore purchasing power after the high rates of inflation in 2021-2022. That goal has been achieved for the average employee in the private sector, so wage growth can now be normalised once more. Real wage growth has typically been marginally above 1% a year, and we expect it will be just a little to the high side of that in the coming years. The labour market remains tight, and the latest agreement for Danish industry will ensure growth of around 1% a year in real wages, even for those who do not achieve a pay rise in local negotiations. Public sector wages will continue to increase at a faster pace until the gap that has appeared in recent years is closed.

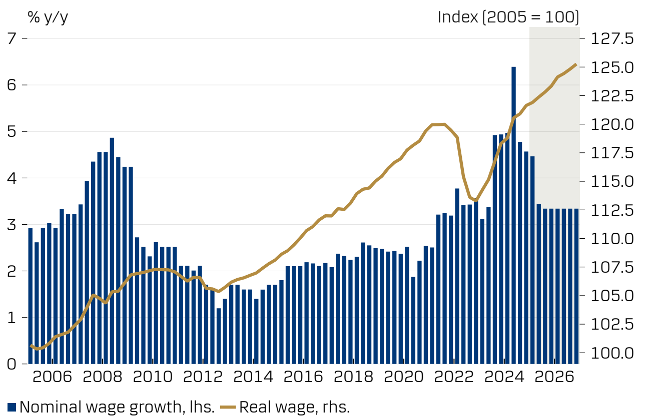
Our forecast points to modestly increasing unemployment, which may contribute to dampening wage growth. However, our forecast is based on the assumption that employment will stabilise rather than continue to climb – something we are less than certain about. On the one hand, employment has time and again surprised to the upside in recent years, rising disproportionately to the relatively modest pace of economic growth ex-pharma, and of course this could continue. On the other hand, a potential definitely exists for a period of declining employment, as the headcount at Danish companies is currently high relative to the level of production, so the workforce has become more expensive.

Businesses cautiously optimistic



Source: Statistics Denmark, Macrobond Financial

Lower wage growth but higher real wages



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

Lower inflation will become self-reinforcing

Inflation printed at 1.5% in January and, with the exception of food, price pressures have been modest over the past one and a half years. While wages have been hiked markedly, there has been nothing so far to indicate a knock-on effect on consumer prices. Service prices continue to rise more quickly, but unlike in the eurozone, service inflation has declined to 2%. Restaurant prices, for example, have only risen by a little under 1% in the past year – compared to 10% at their peak.

We expect price growth to be subdued for as long as consumers remain reluctant to spend. As consumption picks up, some of the higher wage costs may also be gradually passed on to consumer prices.

In contrast, taxes and duties will make a gradually declining contribution to inflation overall. This applies to the cutting of electricity taxes by DKK0.07 in 2026 and certain delayed effects as a result of inflation having fallen again. The indexing of energy taxes is linked to net price inflation with a one-year delay. In 2026, this will mean energy taxes only providing a very modest contribution to inflation. Rent increases also seem to be slowing, and indeed the modest level of net price inflation will place a

Consumers have finally begun to convert household financial tailwinds into increased consumption, but concerns about the future have escalated dramatically.

Chief analyst Louise Aggerstrøm Hansen

rather low ceiling on how much landlords may raise rents during the forecast period.

Consumption outlook begins to brighten

Consumption growth was minimal overall in 2024, but over the winter we have begun to see signs of increasing purchasing power now finally translating into rising consumption of both goods and services, and going forward we expect that consumption will constitute a key driving force for growth in Denmark. Primarily, this is because Danish consumers now have more money in their pockets, and while a fair portion of the population has still not seen their purchasing power restored after the marked inflation shock in 2022, most – not least wage-earners – are getting there.

But while there are tailwinds for consumer finances from real wages, taxes, the labour market, the housing market and interest rates, consumers perceive uncertainty to be rising rapidly. Consumer confidence is at very weak levels with, not least, concerns about the future performance of the Danish economy growing strongly. The main culprit behind this is global geopolitical turmoil.

Such concerns may contribute to the caution that we expect will continue to characterise Danish spending in the time ahead, when many will also be prioritising rebuilding their savings after they were severely eroded in recent years. This implies that real wage growth will not fully translate into consumption growth, but we still expect there to be room for it to pick up compared to recent years.

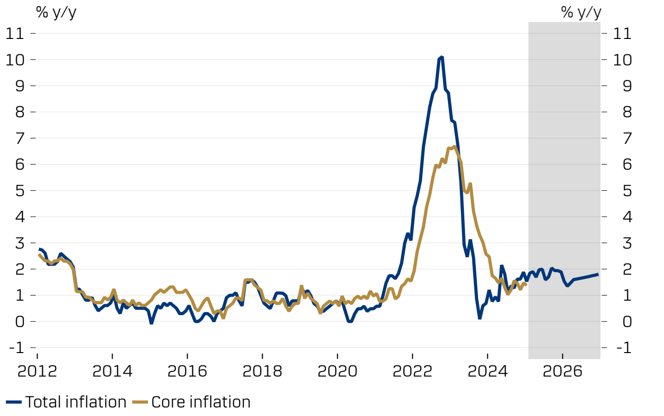
Massive export growth produces another record current account surplus

Exports have been growing at a fast clip for a number of years – with goods exports in particular, which in 2024 grew by 9.8%, performing extremely well. Much of the growth is attributable to the pharmaceutical industry, but a broad swathe of the industrial sector has also demonstrated considerable progress. Industrial production ex-pharma thus rose by 11% in 2024. However, the impressive growth in industry ex-pharma is likely also due to a certain knock-on effect from pharmaceuticals on other areas of industry – such as producers of medical devices.

Service exports have grown too, albeit at a more modest pace, apparently driven by broad-based growth across such sectors as shipping, business services and tourism.

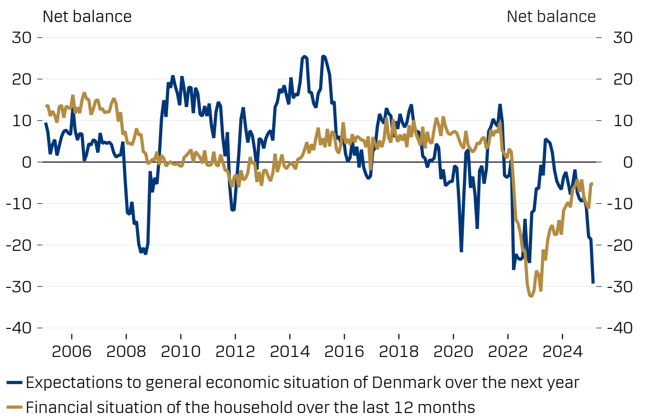
Our forecast is inevitably rather dependent on expectations of further growth in Novo Nordisk's production, but it also reflects our expectation of a gradual improvement in Denmark's key export markets. While a few success stories are absolutely no guarantee, points of light have emerged of late in Germany's otherwise struggling industrial sector. Additionally, brighter

Modest inflation ahead



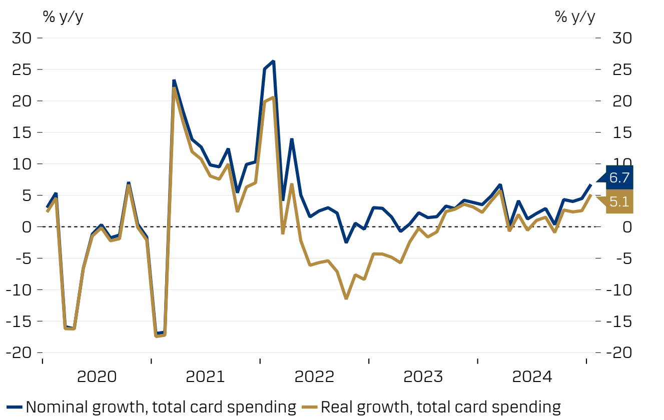
Source: Statistics Denmark, Macrobond Financial, Danske Bank

Danes extremely worried about the economic outlook



Source: Statistics Denmark, Macrobond Financial

Private consumption has picked up over the winter



Source: Statistics Denmark, Macrobond Financial

prospects in Sweden, for example, hold promise for Denmark's service exports.

Higher tariffs and restrictions on free trade are unequivocally bad news for a small, open economy like Denmark's, but we do not expect it to noticeably weaken Danish exporters in the near term, and nor does the US appetite for goods look set to diminish in the coming years. While the US is indeed Denmark's largest trading partner, a very large share of Danish exports to the US are produced in-country and so are not currently within the range of tariffs. Moreover, a strengthening dollar has to a great extent taken the edge off potential future tariffs on European goods. Nevertheless, Donald Trump has also aired the possibility of sanctions specifically targeting Denmark due to the Greenland issue, and naturally this constitutes an additional risk.

Denmark's current account surplus once again set a new record in 2024 at DKK410bn, or 13.9% of GDP – in other words, markedly higher than the 11.7% in 2022 when shipping companies were buoyed by sky-high freight rates. Only major oil-exporting countries are in the same league. High freight rates are in fact again a significant factor, but the largest share of the surplus is attributable to the trade in goods – and especially the very high rate of growth in goods exports, though another factor is modest domestic demand, which has helped curtail imports.

Looking ahead, the continuing solid growth expected in pharmaceutical exports should lift the surplus further together with the full reopening of the Tyra field in January, which will once again make Denmark a net exporter of gas. In our view, these are weighty arguments for why we can expect to see more very large current account surpluses in the coming years.

Pulling in the opposite direction, however, is the latest normalisation of freight rates, which will make shipping less profitable, and the government's planned investments in Denmark's defence capabilities, which will inevitably involve substantial imports.

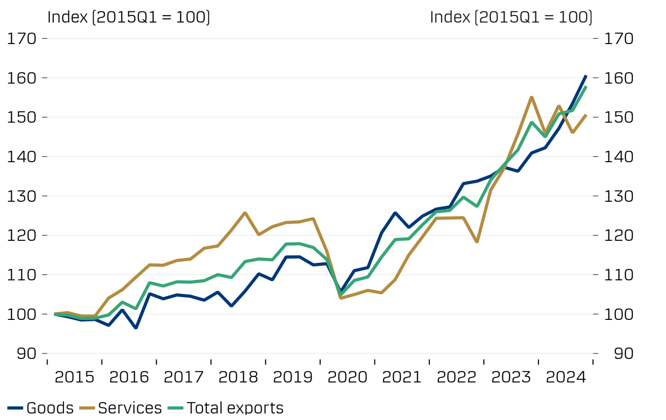
Interest rates on course to decline
The EUR/DKK exchange rate remains stable, and we expect Danmarks Nationalbank will match the upcoming rate cuts from the European Central Bank (ECB) without changing the policy rate spread. The market has more or less already priced in the rate cuts, and we do not expect any major changes in long-term rates. However, it is not unrealistic to expect that a 30-year mortgage credit loan with a coupon of 3.5% could rise to a more attractive price and thus help support the housing market and household finances.

House prices continue to rise, supported by incomes and declining interest rates
Denmark's housing market continues to perform well with solid activity levels and appreciating prices, helped along by rising incomes and a still solid labour market as well as tailwinds from declining interest rates. Furthermore, the very low level of new builds in recent years has meant a relatively low supply of homes, which is also supportive of price growth.

Nationwide, the housing burden – i.e. the cost of servicing interest on debt and tax payments relative to income – is below the historical average. Hence, despite prices rising across the country and interest rates that are undeniably still substantially higher than a few years ago, buying a new home appears to be relatively cheap throughout most of Denmark. This is in no small measure due to incomes also rising significantly in kroner terms.

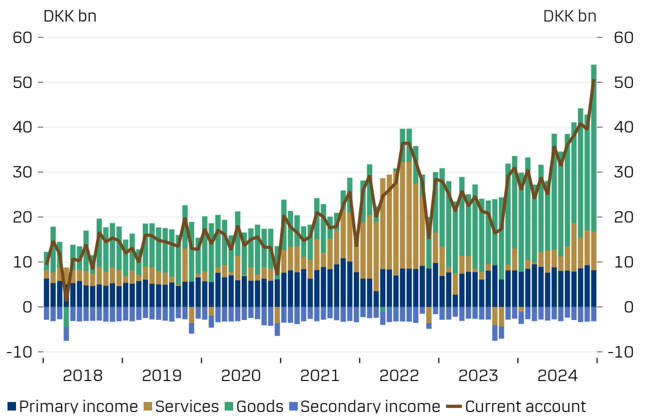
The picture is somewhat different in and around Copenhagen. Here, the relationship between expenses and incomes is verging on the most expensive since the housing bubble ahead of the financial crisis. This also means that the risk of prices falling is considerably more real here than in the rest of the country,

Pronounced growth in exports



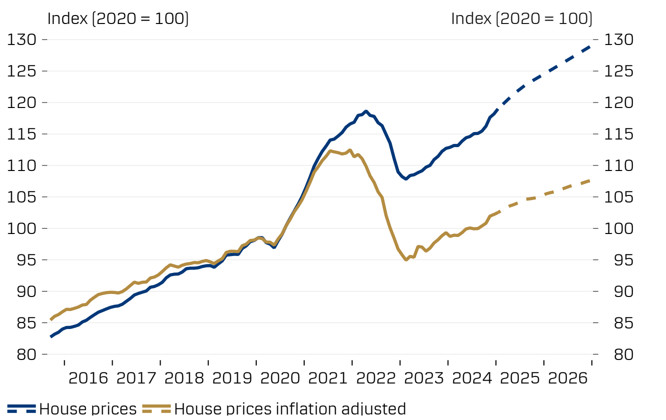
Source: Statistics Denmark, Macrobond Financial

Yet another record current account surplus



Source: Statistics Denmark, Macrobond Financial

Housing prices look set to increase further



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

though activity levels and price developments indicate that many find buying a new home in Copenhagen attractive – even if it takes up a larger share of household budgets.

Correcting for the fact that other prices have risen in the meantime, house prices in real terms are still considerably below their previous peak but are nevertheless progressing solidly – similar to what we saw before the pandemic sent housing prices higher.

Gradually brighter outlook

- **The recovery will gain momentum in the course of 2025. Lower interest rates and the fact that households have already consolidated their debt mean that households will become a more important driver of growth later this year.**
- **The high jobless figures at the beginning of the year highlight the frailty of the labour market, and we will not see a more robust recovery until late in the year.**
- **There was a surprisingly big jump in inflation in January. While inflation will be higher this year, we expect inflation to drop below target next year.**
- **The Riksbank lowered its policy rate to 2.25% in January and signalled no further cuts. Given the uncertain economic situation and the weak labour market, we expect one further reduction to 2% before summer.**

		Forecast	
	2024	2025	2026
GDP Growth	1.0%	1.7% (2.5%)	2.7% (2.2%)
Inflation, CPIF	1.9%	2.5% (1.7%)	1.7% (1.2%)
Unemployment	8.4%	9.0% (8.2%)	8.4% (7.7%)
Policy rate*	2.75%	2.00% (1.75%)	2.00% (1.75%)

Paranthesis are the old projections (From December 2024).
**End of period. Note that the decision to cut to 2.5% in December 2024 was not effective until January 2025.*
Source: Source: Statistics Sweden, Sveriges Riksbank, Macrobond and Danske Bank.

The Swedish economy ended the year on a positive note after three challenging years. The Riksbank began its rate-cutting cycle in May 2024 and has now lowered the policy rate by a total of 175 basis points. As monetary policy has a delayed effect, it is only now that households and firms are really noticing a decrease in interest costs. Conditions are in place for a recovery, but indicators are still subdued, and we expect that the recovery will not gain full momentum until later this year.

Households in better shape
Lower interest rates and low inflation are a relief for households with high debts and tight finances. Consumer confidence has improved, albeit falling back again in recent months.

Households have consolidated their financial position in recent years, with the household debt ratio falling more than 20 percentage points to levels last seen a decade ago. The decline in the debt ratio is due entirely to an increase in households' nominal incomes, as credit growth has been close to zero.

> *By the end of the forecast period, housing prices will approach but not reach the levels seen before the drop in 2022.*
>
> *Susanne Spector, Chief Economist Sweden*

The household interest-to-income ratio, that is the interest costs as a share of disposable income, peaked in spring 2024, but are only now falling more significantly. The historically high savings ratio is expected to come down during the forecast period, freeing up money for consumption. Adjustments to a higher interest rate environment will also continue.

The housing market improves

The more favourable conditions for households have so far had the greatest impact on the housing market, where prices climbed 2.5% during the autumn. In January, this trend reversed, with declining prices and reduced activity. The figures for January could be a sign of households being disappointed with the Riksbank's signals that interest rates will not be lowered further but could also reflect a change in the seasonal pattern in the housing market.

We expect housing prices to increase around 5% annually in the coming years, more or less in step with growth in household incomes. By the end of the forecast period, housing prices will approach but not reach the levels seen before the drop in 2022.

In November, a review of Sweden's mortgage regulations proposed an increase in the maximum LTV and an easing of amortisation requirements. The proposals will be out for review during the spring and are unlikely to be implemented before the start of next year at the earliest. At the margin, they could translate into higher housing prices. On the other hand, households have consolidated their debt, and their appetite for additional debt is likely to be smaller than the previous decade.

Slower population growth weighing on construction

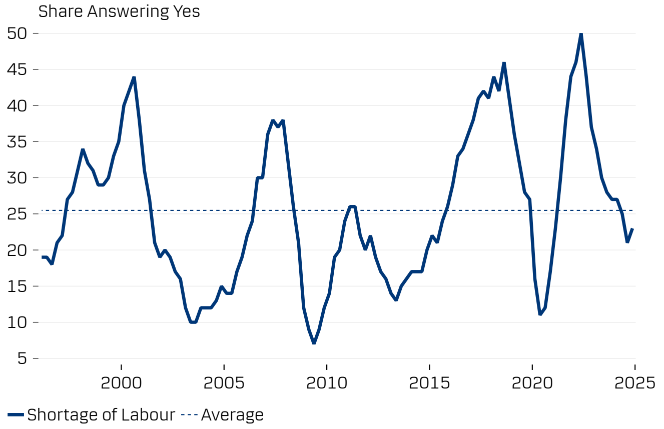
Population growth slowed sharply in 2023 to its lowest for more than 20 years. Statistics Sweden also revised down its population forecasts last year and now anticipates an annual increase of around 0.2% over the next decade. This slower growth rate is due partly to lower birth rates and partly to a reduction in net immigration. The population fell in 193 of the country's 290 municipalities in 2023, putting pressure on their finances and leading to previous growth plans being shelved.

The slower population growth is also affecting the construction market, with a decreasing need for new housing. In addition, new home starts are being hampered by a rapid rise in building costs and a decline in households' financing options. The situation will improve during the forecast period, but residential investments will remain subdued relative to previous years.

Global uncertainty

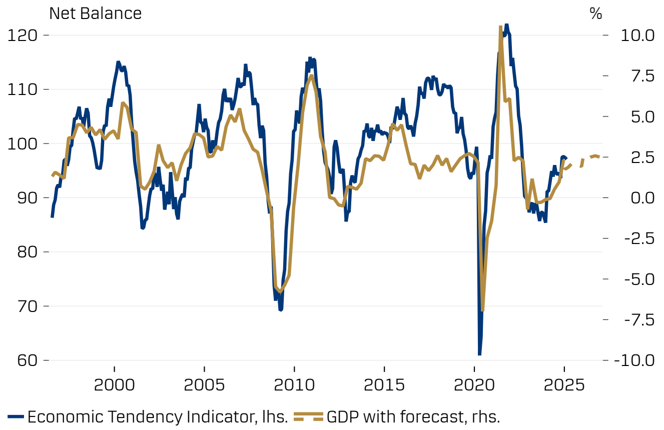
Global uncertainty is high, and politics are unusually unpredictable. This uncertainty in itself is putting a damper on the economy, with firms postponing investment decisions. Investment excluding housing has grown healthily in recent years

Low resource utilisation



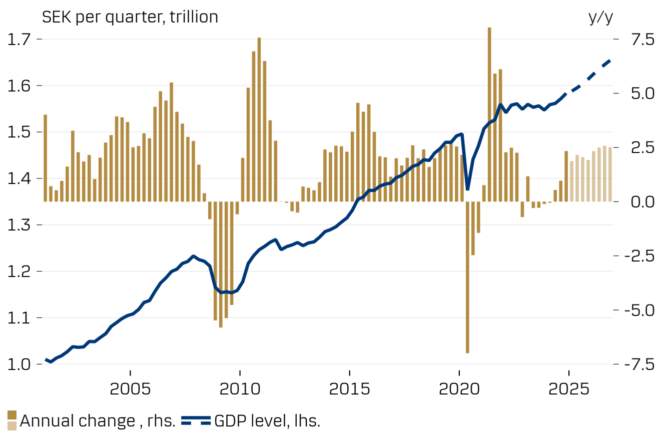
Source: NIER, Macrobond and Danske Bank

Indicators point to stronger growth



Source: Swedish National Institute of Economic Research, Statistics Sweden, Macrobond and Danske Bank

GDP set gain momentum over the forecast period



Source: Statistics Sweden, Macrobond and Danske Bank

> *The tense geopolitical situation and the need for military expansion in Europe mean that more will be spent on defence.*
>
> *Susanne Spector, Chief Economist Sweden*

but will be weak in the near term before picking up pace and become an important driver for domestic growth next year.

Tariffs and increased trade barriers will impact the longer-term outlook for Swedish exports, but other factors dominate in the near term. Swedish exports have performed well in relation to economic growth among our most important trading partners, and Swedish firms can be expected to remain internationally competitive in the coming years.

Expansionary fiscal policy and an election year looming
Fiscal policy will be clearly expansionary this year, with discretionary measures amounting to around 1% of GDP. Taxes are reduced, and the government is investing more money into defence and infrastructure. This year's autumn budget will be the last before the election in 2026, and we expect fiscal policy to be just as expansionary next year.

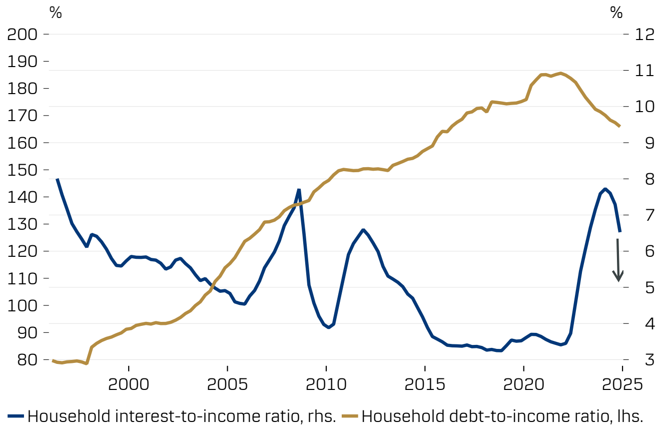
In December 2024, the government proposed an increase in defence spending in 2026-2030 with the aim of hitting 2.6% of GDP in 2028. This translates into an additional SEK 157 billion relative to the current pace. The tense geopolitical situation and need for military expansion in Europe mean that more will be spent on defence. While there are bottlenecks in the near term, much suggest that defence spending will increase further as a share of GDP in the longer term.

Spotlight on the weak labour market
The labour market has continued to deteriorate over the winter. The decline has been slower than during the pandemic, for example, but still substantial. Employment has dropped around 1% since peaking in 2023, while unemployment climbed 1.5 percentage points through to the fourth quarter last year.

The rise in unemployment during the autumn was cushioned by lower participation rates, however, with a sharp increase in the number discouraged workers. Around the turn of the year, a large proportion of these people began to actively seek work, causing the unemployment rate to jump. While the increase in the monthly figures from December to January should be taken with a pinch of salt, it is worth noting that the unemployment rate would have hit 9% during the autumn if people had not given up looking for work. Their return to the labour market is fundamentally positive, but high jobless figures will put pressure on the Riksbank.

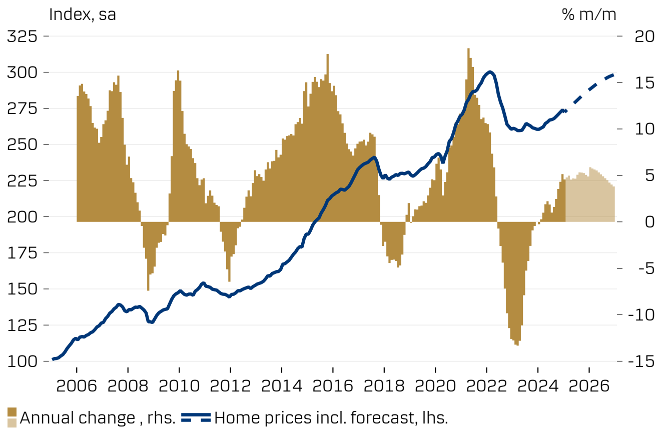
Most labour market indicators have stopped worsening, which suggests that the labour market is currently at its weakest point. On the other hand, there are some worrying signs, such as a decrease in the number of temporary employees and staffing agencies' employment plans. Either way, forward-looking indicators are still unremarkable, suggesting that it will be some

Households have consolidated their debt ratios



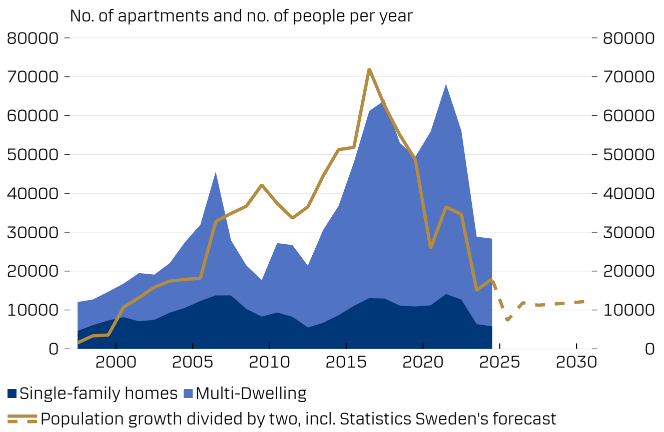
Source: Statistics Sweden, Macrobond and Danske Bank

Housing prices rising with incomes



Source: HOX, Macrobond and Danske Bank

Housing production remain subdued due to slower population growth



Source: Statistics Sweden, Macrobond and Danske Bank

> *Most labour market indicators have stopped worsening, which suggests that the labour market is currently at its weakest point.*
>
> *Susanne Spector, Chief Economist Sweden*

time before the recovery in the labour market picks up, and we do not expect a clear improvement until the second half of the year.

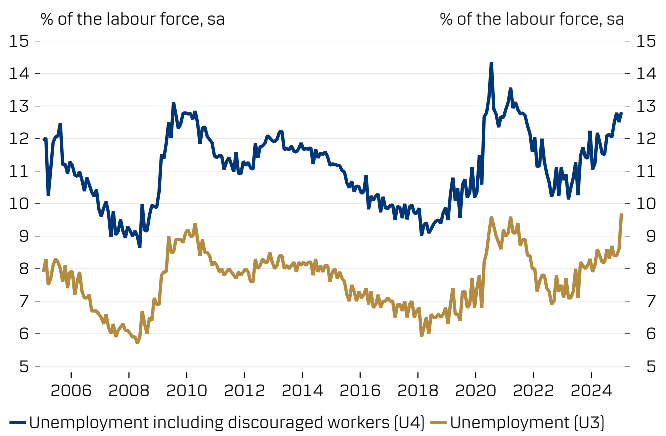
Final phase of the collective bargaining negotiations
At the end of March, the labour market parties will agree on a new industry benchmark. The norm around the industry benchmark is always strong, but this year's settlements are unusually large and covering almost the entire labour market. Ahead of the talks, the unions demanded pay rises of 4.2%, only a whisker short of what they were asking ahead of the previous round in 2023. The final settlements have historically ended up at around 70-80% of the original demands, which points to pay deals around current levels. While the link between wages and inflation is weak empirically, pay deals around current levels would probably be welcomed by the Riksbank.

There is still considerable uncertainty about the economic outlook. There is also the matter of whether the opposition will be pushing for shorter statutory working hours with unchanged pay ahead of the election in 2026. These two factors suggest that the labour market parties will again agree on a two-year deal, in line with the past two rounds. Looking ahead, the subdued outlook for the economy and the labour market would point to lower wage growth, while the recent slide in real wages would support an unchanged rate of wage growth. Overall, we expect total wage growth to stabilise at around 3.5% annually.

Riksbank under pressure
Inflation was subdued for much of 2024 and price pressures were under control. Firms' inflation expectations are 1.7%, in line with the years before the sharp rise in inflation. In January, however, inflation was surprisingly high, and price indicators point to e.g. higher food prices in the near term. On the other hand, the big picture is still that underlying domestic price pressures are under control. Some of the surprises in the inflation outcome came from components that reflect the previous rapid rise in prices, such as rents and insurance. We have revised up our inflation forecast this year but expect inflation to remain below target throughout 2026.

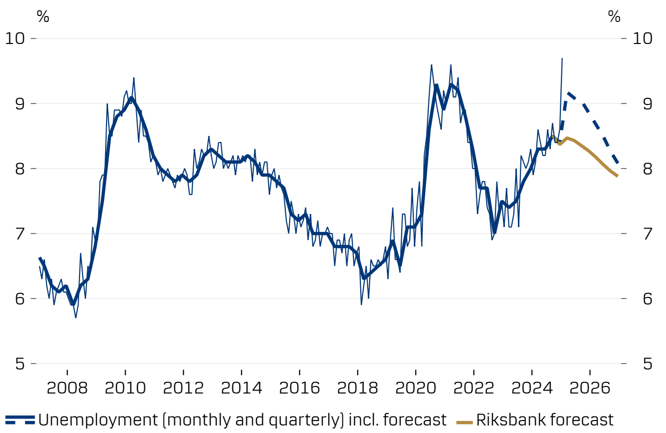
Resource utilisation is low, and the recovery will be slow. The high jobless figures will put pressure on the Riksbank and underscores that the Riksbank will likely adjust their view that the economy will pick up markedly early this year. Despite the higher inflation outlook, we therefore expect the Riksbank to lower the policy rate one more time to 2% before summer. The risk, however, is that the higher inflation will cause this rate cut to be pushed into the future.

Unemployment up due to more people back to seeking work



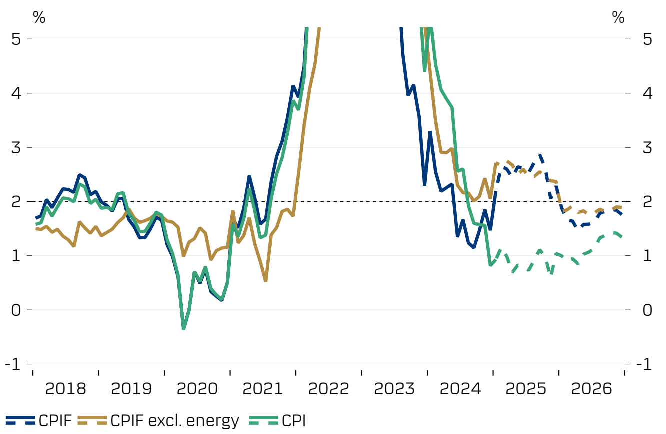
Source: Statistics Sweden's Labour Force Survey, Macrobond and Danske Bank

High unemployment puts pressure on Riksbank



Source: Statistics Sweden, Sveriges Riksbank, Macrobond and Danske Bank

Inflation close to target in longer term



Source: Statistics Sweden, Macrobond and Danske Bank

Stronger growth ahead

- **Weak growth in 2024, upswing in 2025 and 2026**
- **Growth rotation ahead, normalisation of private consumption and investment**
- **Labour market weakening**
- **Inflation still falling but strong wage growth**
- **NOK has been stable, geopolitics a risk**
- **All set for rate cut in March**

	2024	Forecast 2025	2026
GDP Growth	0.6%	1.8% (1.9%)	1.7% (1.7%)
Inflation	3.1%	2.3% (2.3%)	2.0% (2.0%)
Unemployment	2.0%	2.2% (2.4%)	2.3% (2.4%)
Policy rate*	4.50%	3.50% (3.50%)	2.50% (2.50%)

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

Weak growth given strong exogenous impulses
Growth in 2024 ended up at a very modest 0.6%, which has to be seen as very weak given strong growth in oil investment, government demand and mainland exports. It was, of course, a result of activity continuing to decline in more rate-sensitive parts of the economy. Housing investment plummeted almost 20%, mainland business investment fell, and private consumption rose by not much more than 1% despite strong growth in real incomes. This confirms that monetary policy has been restrictive, and that the natural policy rate is probably well below the current rate of 4.5%.

Norges Bank's regional network survey in December was somewhat more encouraging, however, with firms predicting growth of 0.3% in both the fourth quarter last year and the first quarter this year, which is only marginally below the trend rate. The survey revealed further strong optimism in industry, especially in oil services. The service sector also expected

Growth has been weak given the strong contributions from fiscal policy and the oil sector.

Frank Jullum, Chief Economist Norway

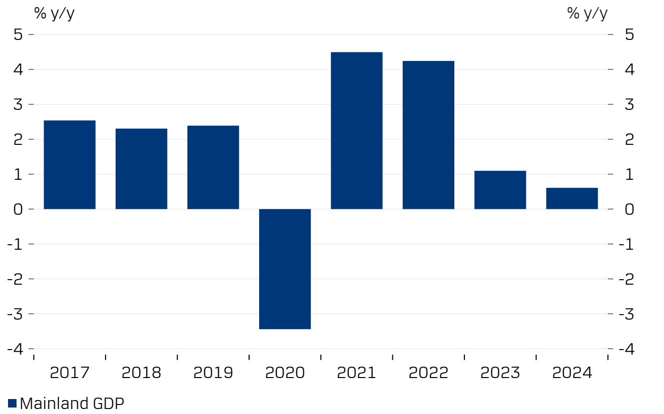
activity to increase, while retail and especially construction remained very downbeat about the outlook. Capacity utilisation levelled off again towards the end of last year and is now marginally below the historical average but still well below levels before the pandemic. This is partly a result of very high levels of activity in oil services after higher oil prices and the tax package during the pandemic boosted investment on the Norwegian continental shelf. Ignoring oil services, capacity utilisation is well below the historical average, due mainly to very low levels in the construction sector.

Given that oil services are currently the growth engine in the economy, it is somewhat worrying to see the oil investment survey pointing to a clear slowdown this year and a fall of 5-6% next year. On the other hand, fiscal policy is once again set to be more expansionary than expected, which will help cushion the effects of further anaemic growth in parts of the private sector. Mainland exports have also made a strong contribution to growth in the economy over the past couple of years, thanks partly to a much weaker NOK which may have boosted market share, and profitability has also held up well. In NOK terms, producer prices in the manufacturing sector are 50% higher than in the years immediately before the pandemic.

There is considerable uncertainty about the outlook for international trade. In this forecast, we have worked on the basis of a slight increase in tariffs on trade between the US and other markets, including the EU and China. We assume that Norwegian exports will not be directly affected by higher tariffs in the US, Europe or elsewhere. According to Norwegian data, Norway has a trade deficit with the US, and trade with the US accounts for only a small share of total imports and exports anyway, even when oil is included. However, as a small, open economy, Norway would be very exposed to a downturn in world trade if the trade war escalates. Almost 60% of Norway's non-oil exports go to the EU, and these are mostly commodities or intermediates used in European production. We have therefore revised down our forecast for mainland exports somewhat, especially for next year, but there is considerable downside potential related to the risk of escalating trade conflicts causing increased uncertainty and hitting investment and employment globally.

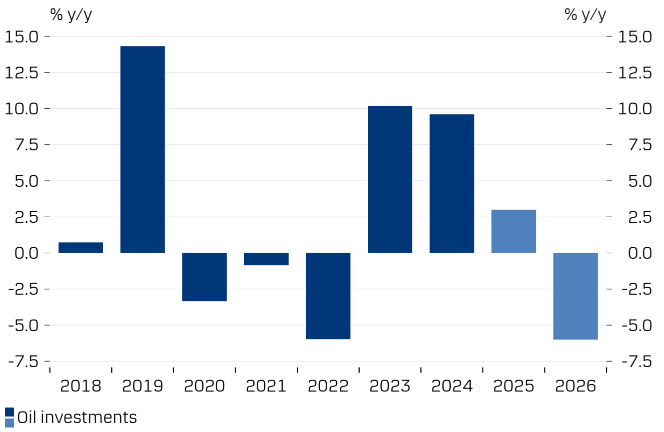
Somewhat stronger contributions from fiscal policy and investment in the power sector have pushed up our growth forecast for 2025, while somewhat weaker export growth and stronger import growth have pulled the other way. We now anticipate growth in mainland GDP of 1.8% this year and 1.7% next year.

Weak growth last year



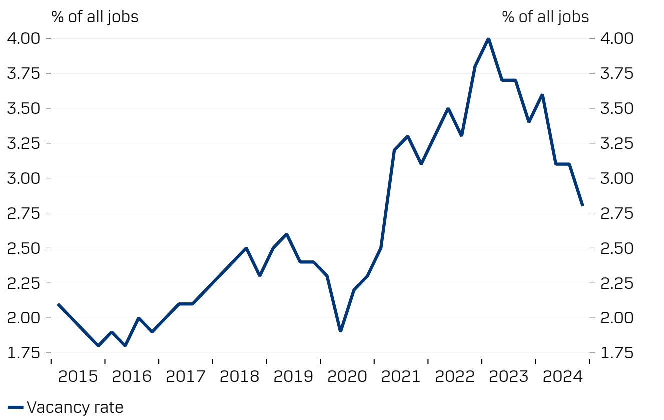
Source: Macrobond, Danske Bank

Oil investments about to peak



Source: Macrobond, Danske Bank

Weaker demand for labour



Source: Macrobond, Danske Bank

Slightly weaker labour market

There have been mixed signals from the labour market in recent months. Unemployment is still low, with registered unemployment actually falling in January, but there was much weaker growth in employment towards the end of last year, and the number of vacancies has decreased sharply. Taken together, this could mean that demand for labour has fallen somewhat, but without any great increase in redundancies pushing up unemployment. LFS data also suggest weaker growth in the labour force, with participation rates stabilising. Leading indicators are a mixed bag, with firms in Norges Bank's regional network survey still expecting an increase in employment, while business leaders in Norges Bank's expectations survey and

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Wage growth higher than expected

Frank Jullum, Chief Economist Norway

members of the Confederation of Norwegian Enterprise (NHO) anticipate a decrease.

We expect a moderate rise in unemployment to 2.2% this year and 2.3% next year, which is slightly lower than in our last forecast. This is partly because we now expect slightly higher employment this year, but mainly a result of somewhat weaker growth in the labour supply in the coming years. We still expect productivity growth to pick up gradually, however, with the result that unemployment will rise even if GDP growth normalises.

Strong wage growth increasing inflation risk
Inflation continues to fall and hit 2.3% in January. Core inflation has held fairly steady around 2.7-2.8 %, which may mean that the bulk of the disinflation is behind us.

The decline in inflation in 2024 was relatively broad-based. In January, imported inflation was 1.2%, and domestic inflation was down to 3.4%. One interesting detail is that it is now goods inflation (both imported and domestic) that is pushing up again, while services inflation is continuing to come down. This contrasts somewhat with other countries in Europe and the US, where it is mainly services inflation that is staying high. Food prices in particular are rising much more quickly in Norway than elsewhere. As growth in costs slows with lower wage growth and stronger productivity growth, we think domestic inflation could fall further. We also anticipate a more moderate settlement with farmers this year, meaning that food price inflation will slow more quickly in the second half of the year.

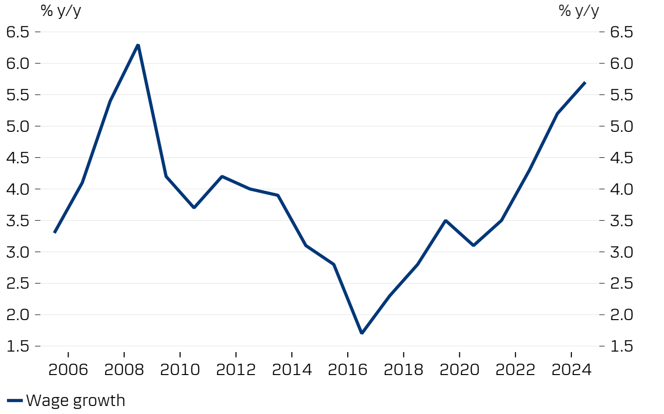
The import-weighted NOK exchange rate depreciated during the autumn but has been more stable for the past three or four months. Together with continued moderate goods inflation globally, this will contribute to further moderate rises in the prices of imported goods.

Rents make up more than 20% of core inflation in Norway and are still rising fast, but slowed to 4.2% in January. Rents have a tendency to move in step with interest rates, so a gradual reduction in interest rates could eventually increase the supply of rental properties and help curb growth in rents.

Headline inflation may be susceptible to geopolitical developments, but the effect could go either way. Widespread increases in tariffs seem unlikely, while the prospect of a peace solution in Ukraine has led to lower European gas prices which could feed through to lower power prices in Norway. This, in turn, could help pull down headline inflation.

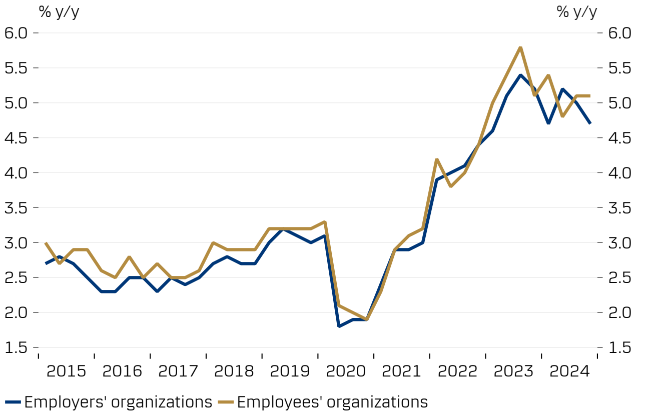
Norges Bank's expectations survey shows that inflation expectations are also coming down. An unweighted average of the social partners and economists in the financial industry and academia now anticipate inflation of 2.6% (down from 3.1%) in 12 months, 2.4% (2.8%) in two years, and 2.3% (2.6%) in five years. We have made only minor adjustments to our previous forecast, but have revised up core inflation to 2.3% this year and 2.2% next year.

Wage growth higher than expected



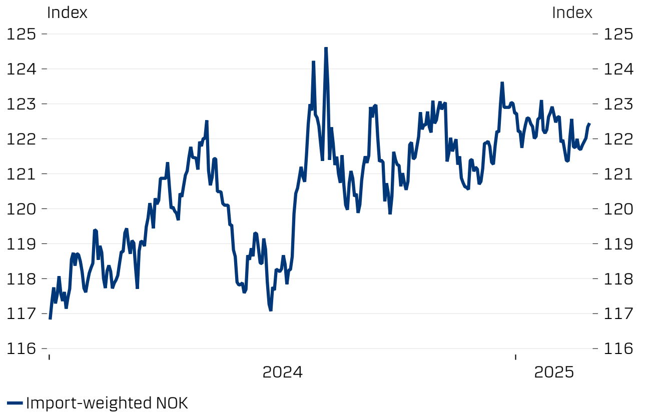
Source: Macrobond, Danske Bank

Wage growth expected to decrease



Source: Macrobond, Danske Bank

The exchange rate has been stable



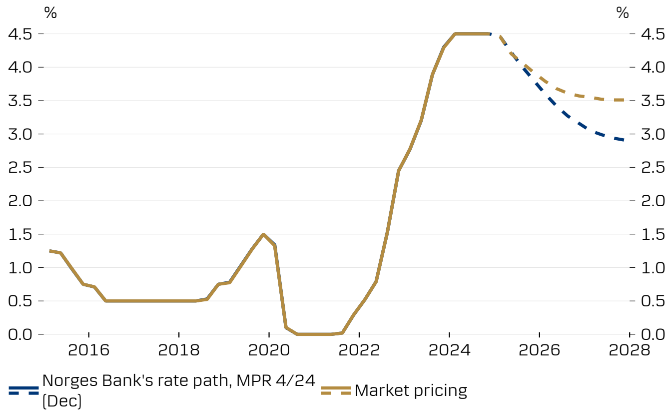
Source: Macrobond, Danske Bank

According to the national accounts, wage growth last year was 5.7%, well above our estimate of 5.1%. This is also much higher than the 5.2% agreed in the central pay settlements, indicating much greater wage drift than expected last year. This is a sign of a tight labour market and further strong profitability in parts of the business sector.

Imported inflation has been lower than expected

Frank Jullum, Chief Economist Norway

The market doubts Norges Bank



Source: Macrobond, Danske Bank

With lower inflation and a slightly slacker labour market, we are looking at a slower rate of wage growth in 2025 and 2026. The Technical Calculation Committee for Wage Settlements (TBU), which both sides rely on for estimates of wages and prices in the Norwegian collective bargaining model, is predicting inflation of 2.5% this year, down from 3.2% last year, which will put a damper on nominal wage demands.

In Norges Bank's regional survey in December, firms anticipated wage growth of 4.5% this year, while an unweighted average of respondents in Norges Bank's expectations survey now anticipate wage growth of X% this year and X% next year. We have revised up our forecast for wage growth this year from 3.8% to 4.0%, which translates into real wage growth of around 1.5%. Next year, we anticipate wage growth of 3.5%.

NOK has been stable

The NOK has been relatively stable since our previous forecast, thanks to the most important drivers of the exchange rate – interest rate differentials, energy prices, and risk appetite and volatility in financial markets – having been relatively stable. It is also worth noting that the NOK has neither gained nor lost in periods with threats of higher tariffs. There was no drama at the monetary policy meetings in December and January, with Norges Bank repeating the message that the policy rate will probably be lowered at its meeting in March.

We expect further tight global monetary policy to provide little support for cyclical assets like the NOK. The continued risk of an escalation of the war in Ukraine and signs of disruption in parts of global financial markets also present a risk to the currency. As mentioned earlier, Norway may be less exposed to a trade war between the US and Europe (and potentially China) because it is not part of any customs union. This could mean that a growing trade conflict supports the NOK against the EUR, which would be a risk to our forecast. On the other hand, Norway is a small, open economy that could be hit hard by a worsening trade conflict. Furthermore, the Norwegian economy's cost competitiveness as measured by unit costs has deteriorated considerably over the past three years, and this trend will continue in 2025.

We therefore expect the NOK to remain relatively weak until we see a cyclical upswing in the global economy, which may not come until some way into next year.

Norges Bank signalling rate cut in March

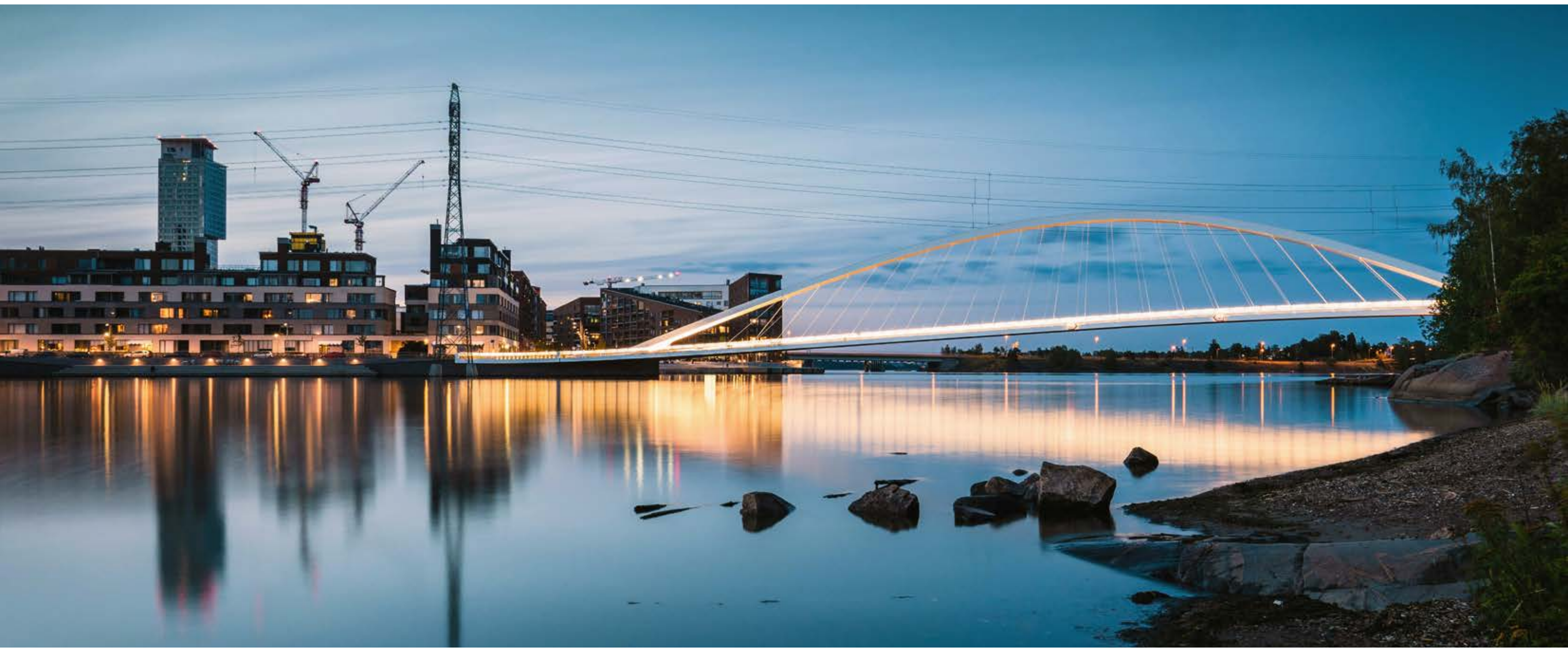
Norges Bank left its policy rate unchanged at 4.5% at its meetings in December and January. At the latter meeting, the bank repeated its message from December: "Based on the Committee's current assessment of the outlook, the policy rate will most likely be reduced in March." The projections published in the December monetary policy report work out at just over three rate cuts this year.

As discussed above, we expect much of the tailwinds from exogenous growth drivers – especially oil investment – to fade this year and become headwinds next year. In the absence of a boost from the rate-sensitive parts of the economy (private consumption, housing investment and mainland investment), growth will therefore drop well below the trend rate, and capacity utilisation will tumble, bringing higher recession risks and lower inflation risks. Although real wage growth is picking up, we think this would require monetary policy to be much less restrictive than it is right now. When capacity utilisation is lower than normal, inflationary pressures will generally ease.

We therefore expect Norges Bank to cut its policy rate four times this year, at its meetings in March, June, September and December. Next year, with lower oil investment and lower real wage growth, we see a need for even less restrictive monetary policy. We therefore expect Norges Bank to cut the policy rate a further four times next year, taking it to 2.5% at the end of 2026, which is in line with what we estimate to be the long-term natural rate in the Norwegian economy.

The risk to our forecast is to the upside. First, the economy could react more quickly and more strongly to lower interest rates than we are assuming, with the result that fewer cuts are needed to give the economy the necessary stimulus. Second, it is possible that the Norwegian wage-bargaining model will once again produce wage growth that is not long-term sustainable, i.e. well above the rate of productivity growth in the economy. Third, escalating trade conflicts could push up global inflation and influence other central banks, making it harder to cut rates in Norway. This effect would be exacerbated if the NOK were to fall sharply in such a situation. It is also possible that our estimate of the neutral rate is too low, for example if fiscal policy were to be persistently more expansionary than we anticipate.

That said, it is possible that growing trade conflicts could trigger global recession, requiring expansionary monetary policy in Norway too. The policy rate could then be reduced both more quickly and further than we anticipate. It is also not inconceivable that the economy might react less strongly and/or more slowly to lower interest rates than we are assuming, with the result that more cuts are needed to give the economy the stimulus it needs.



Accelerator missing

- **Recovery will still be slow in early 2025, particularly due to consumer caution, but growth is expected to pick up as purchasing power increases and interest rates continue to fall.**
- **A gradual pick-up in exports and a budding turnaround in construction will support the rise, which will intensify in 2026. The trade war threatens to hamper export opportunities.**
- **Unemployment will continue to rise in the coming months until economic growth increases recruitment needs.**
- **The housing market will continue the gradual recovery that began in 2024, and price levels will also finally turn to modest growth. Housing construction will pick up in the latter half of 2025.**
- **The public deficit will continue to remain large, and the debt ratio will increase. A weaker-than-forecast economic situation could lead to new adjustment measures.**

		Forecast	
	2024	**2025**	**2026**
GDP Growth	-0.2%	1.1% (1.8%)	1.8% (1.6%)
Inflation	1.6%	0.9% (1.2%)	1.8% (1.8%)
Unemployment	8.4%	8.3% (8.1%)	7.7% (7.3%)
Deposit rate*	3.00%	1.50% (1.50%)	1.50% (1.50%)

Figures in parentheses are the old projections (From December 2024)
**End of period*
Source: Danske Bank, Statistics Finland, ECB

Finland's economy turned towards modest growth in the first half of 2024, but the fourth quarter was weak and the volume of GDP for 2024 remained lower than the previous year. Leading indicators, such as business confidence indicators, show that the economy has picked up gradually, but the volume of orders in industry and consumers' level of purchase intentions still remained below normal in early 2025. Recovery from the economic slump will be slow. The increase in real purchasing power and the decline in interest rates will support consumer demand. As exports markets grow, foreign demand will increase and order books will fill up. The dramatic plunge in construction appears to be stabilising, but a full recovery will still take time. Headwinds still appear significant in the early part of the year. Rising unemployment is causing increased consumer caution, and export growth appears sluggish. Public sector adjustment measures will weaken aggregate demand in the short term. We expect economic growth to gradually strengthen during 2025.

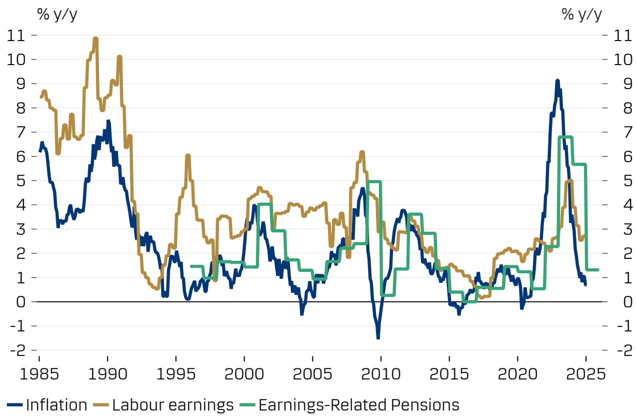
> *Consumers are loosening their purse strings slowly, as unemployment continues to be a concern.*
>
> *Pasi Kuoppamäki, Chief Economist Finland*

Finland's harmonised inflation rate has remained lower than the euro area average for more than a year. The decline in energy prices weighed on inflation in 2024, and the domestic consumer price index also fell due to lower housing loan interest rates. Inflation rose slightly in the autumn, mainly due to technical factors in the calculation and the increase in the VAT rate. Underlying inflation also decreased clearly, although the price of services continues to rise. In early 2025, the price level was affected by increases in some differentiated VAT rates, but overall inflation appears to have remained low. Falling energy prices will also lower the prices of many goods in the longer term, and somewhat subdued 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 will help increase real purchasing power, which is a key driver for the recovery of private demand. Earnings will increase more than 3% this year. This earnings level is likely to maintain inflation caused by cost pressures especially in the service sectors but will not weaken cost competitiveness in export markets. The earnings-related pension index increased by 1.3% on 1 January 2025, so after two favourable years, the adjusted index will result in a more typical increase for pensioners.

We expect private consumption to grow slightly faster in 2025, but the gradual increase in unemployment in the early part of the year will curb consumption, and consumers will remain cost-conscious. Major purchases will be postponed when possible, at least early in the year. The savings ratio will remain positive, and saving for a rainy day will increase as consumers are increasingly worried about unemployment. The increased savings ratio improves the financial security of households, but it temporarily weakens consumer demand. During 2025, increasing purchasing power through growth in real earnings and falling interest rates, as well as increased consumer confidence due to the pick-up in economic growth, will stimulate consumer demand. The pent-up need for home renovations and purchasing household appliances, for example, will gradually be unleashed.

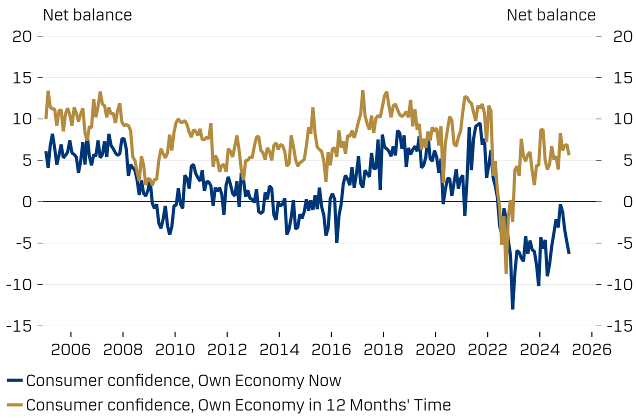
The high inflation rate in the euro area combined with the tight labour market situation was also problematic to central banks. Falling inflation and the slowdown in wage growth have changed the situation. The ECB has already lowered key interest rates significantly, and we expect this trend to continue, with the ECB's deposit facility rate settling at 1.5% at the end of 2025. This will bring the monetary policy stance considerably closer to a level appropriate for the Finnish economy. A decline in interest rates will make the situation easier for debtors and support consumption prospects, the housing market and also the investments of companies. The anticipated decline in interest rates will decrease households' interest expenses by approximately EUR 1.5bn in 2025, part of which will be spent and part saved.

Low inflation continues to boost purchasing power



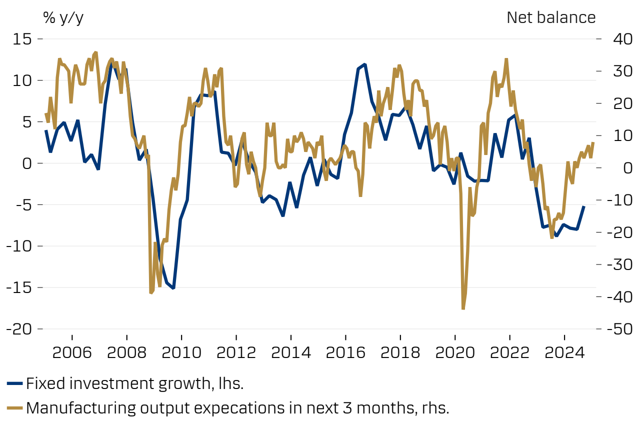
Source: Macrobond Financial, Statistics Finland, Danske Bank

Consumers optimism still shaky



Source: Macrobond Financial, Statistics Finland, Danske Bank

Investment atmosphere improving



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

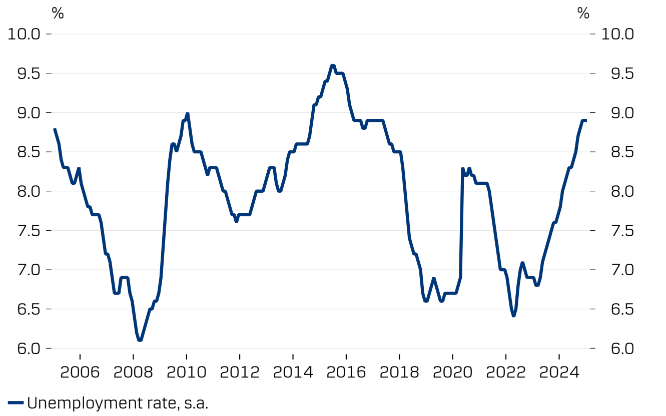
The growth of the world economy and the gradually improving economy in the European single market, which is important to Finland, will increase export demand. At this point, the low volume of orders predicted in the industrial confidence survey indicates that industrial production still remained stagnant during the winter. Finland's trade surplus has increased, which, together with a slightly improved service balance, somewhat unexpectedly brought the current account into balance in 2024. Changes in U.S. trade policy may lead to higher tariffs also on products exported from Finland to the United States. Raising steel and aluminium tariffs alone does not pose a significant threat to economic growth, but broader tariffs could have a greater impact, both directly and indirectly, through economic difficulties in the rest of Europe. The United States will still need to import goods and services from elsewhere in the coming years. We expect Finland's relative competitiveness to remain good, as bilateral relations between the countries are solid and tariffs are likely to rise higher for goods from countries such as China. Even so, the risk of a trade war and its impact on the European economy has become a significant source of uncertainty.

There has been a rather widespread decline in investments. Housing construction, in particular, has fallen dramatically. Manufacturing investments have decreased slightly, and spending on research and product development is stagnant. The low level of industrial capacity utilisation and higher financing costs reduced the willingness to invest in 2023–2024, but the investment climate will gradually improve as interest rates decline and demand picks up. Investments in the green transition through energy efficiency measures, for example, have continued, and Finland is attracting some energy-intensive investments, such as new data centres. 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.

The labour market has weakened and will continue to weaken for another few months. The employment rate trend among people aged 20 to 64 peaked at 78.5% in 2022 before the slump, but the upward trend stopped last year. The labour market development stabilised slightly at the turn of the year, and the employment rate trend for 20–64-year-olds rose to 76.5% in January 2025. The seasonally adjusted unemployment rate was 8.9% in January. The unemployment rate dipped to 6.1%, in spring 2022 after the recovery following the lifting of the COVID-19-related restrictions. Unemployment initially increased in the construction sector, in particular, but the situation has deteriorated overall. The number of permanent full-time jobs has not declined significantly, but the number of fixed-term part-time jobs in particular has decreased. The number of open vacancies has decreased clearly in all main industries. In autumn 2024, the number of open vacancies also declined significantly in the public sector, where savings measures are forcing workforce reductions. 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 the working-age population will only continue to grow through immigration. We expect employment to turn to modest growth during 2025, provided that recruitment needs increase alongside economic growth.

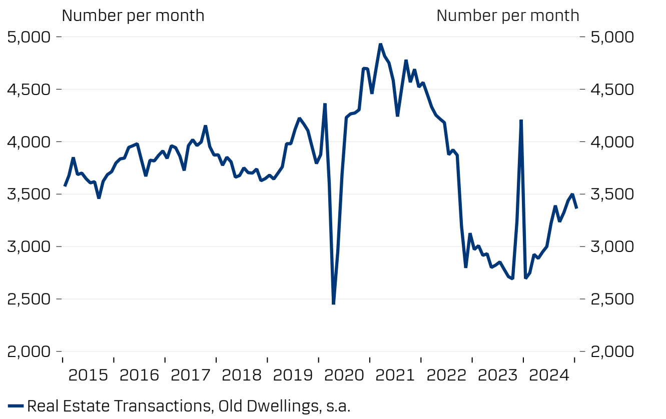
Compared to the previous forecast, there have been no crucial changes in the circumstances. According to preliminary information, the last quarter of 2024 was slightly weaker than expected, and leading indicators point to a somewhat subdued economy in the coming months. With regard to export markets, there are no major surprises in the growth outlook, but the threat of a trade war casts a shadow of uncertainty over the growth prospects in exports. We have lowered our GDP forecast for the Finnish economy, as last year's subdued ending provides a modest starting point for this year, and there is greater uncertainty than anticipated surrounding the global economy. However, we expect economic growth to pick up, thanks to growing private consumption as well as an increase in construction and other investments after a weak period.

Rise in unemployment worries consumers



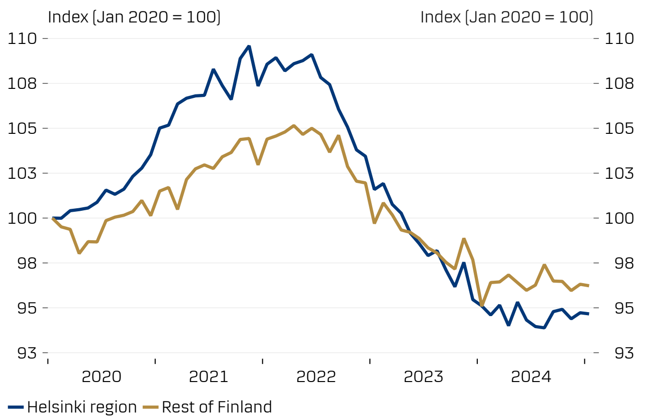
Source: Macrobond Financial, Statistics Finland, Danske Bank

Housing market picking up slowly



Source: Macrobond Financial, Statistics Finland, Danske Bank

Housing prices bottoming out



Source: Macrobond Financial, Statistics Finland, Danske Bank

The effects of a trade war would also be felt indirectly, for example, through the weakening of the euro area economy.

Pasi Kuoppamäki, Chief Economist Finland

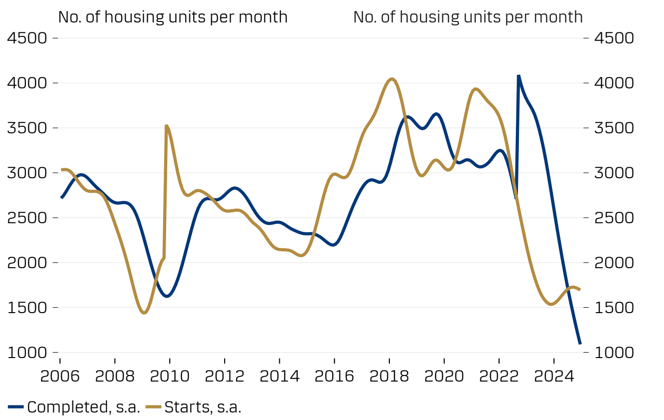
Exports will also increase, but the net contribution of foreign trade will remain weak. The government's tightening fiscal policy is holding back the rise. The increase in construction will boost economic growth in 2026, and we expect overall economic growth to continue at a moderate rate. Finland would need faster productivity growth in order to sustain economic growth.

There continue to be signs of recovery in the housing market compared to the first half of 2024, although the number of transactions remained clearly below the average historic level in the winter. According to preliminary information from Statistics Finland, the prices of re-sold owner apartments fell by 0.4% quarter-on-quarter in the fourth quarter of 2024 and remained 1.5% lower than a year ago. Of the large cities, prices only increased in Oulu. The abundant supply of housing is curbing price increases. Preliminary data for January indicates that housing sales have continued at the same pace as at the end of last year. The sales of new homes contracted more sharply than sales of existing homes, but in recent months, the sales of new homes have also picked up compared to the weak level of a year ago. Concerns about employment are still holding back many planned purchases, but 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 is one of the main reasons for the decline in GDP in 2023–2024. The stock of unsold new apartments has temporarily increased, which has put pressure on the price level and reduced 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, and the number new starts already appears to have picked up in the autumn of 2024. Strengthening demand and falling interest rates are increasing incentives for construction, but due to the time required for permit applications and other construction-related processes, any considerable revival of housing construction will not take place until towards the end of 2025. However, the recovery of construction is a prerequisite for the overall recovery of the economy and employment.

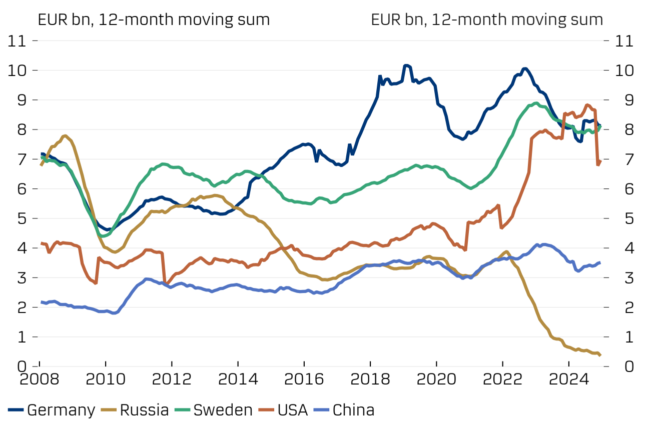
The government aims to balance Finland's public finances through expenditure cuts, tax increases and by means of structural reforms accelerating growth at a total level of EUR 9bn. Approximately EUR 6bn will be achieved through expenditure savings, over 1bn through taxation, with the remaining EUR 2bn aimed to be achieved through higher employment. In a weak economic climate, however, employment does not immediately improve as hoped. 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. Despite the savings measures, public deficit will remain high, exceeding 3% in relation to the gross domestic product. Major cost pressures will persist in areas such as the healthcare and social welfare sector, but the deficit will gradually shrink through fiscal adjustment measures and economic growth.

Housing starts rising from a weak level



Source: Macrobond Financial, Statistics Finland, Danske Bank

Germany regained place as top export market



Source: Macrobond Financial, Statistics Finland, Danske Bank

Public debt has increased at a rapid rate and continues to grow. The draft budget for 2025 shows a deficit of over EUR 12bn. The 10-year interest rate on the public debt of Finland stayed below 3% in the early part of the year. 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. The risk of a downgrade in the credit rating has increased, but we expect Finland's credit ratings to remain unchanged in 2025 if economic growth picks up as anticipated. If the economic recovery and fiscal adjustment measures are not sufficient to reduce the deficit to around or below 3%, Finland could face EU's excessive deficit procedure in 2025. This would likely lead to further adjustment measures during this term of government.

Forecast tables

Macro forecasts - Denmark

	2024	2024	Forecast 2025	2026
National Accounts	**DKK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	1287.3	0.9%	1.9%	2.3%
Government consumption	669.2	1.8%	5.1%	1.6%
Gross fixed investment	640.0	-0.1%	3.8%	3.0%
- Business investment	383.2	-2.2%	1.0%	1.7%
- Housing investment	161.2	1.7%	3.3%	4.9%
- Government investment	95.7	5.7%	15.6%	4.9%
Growth contribution from inventories		-1.4%	-0.6%	0.0%
Exports	2063.0	7.6%	6.7%	3.5%
- Goods exports	1189.5	9.8%	10.0%	4.8%
- Service exports	873.5	4.6%	2.2%	1.6%
Imports	1719.3	1.7%	4.0%	2.8%
- Goods imports	926.6	1.3%	7.1%	2.1%
- Service imports	792.8	2.3%	0.5%	3.6%
GDP	2952.1	3.6%	3.9%	2.9%
Economic indicators				
Current account, DKK bn		410.3	437.8	473.0
- Share of GDP		13.9%	14.0%	14.5%
General government balance, DKK bn		85.0	35.0	25.0
- Share of GDP		2.9%	1.1%	0.8%
General government debt, DKK bn		955.0	920.0	910.0
- Share of GDP		32.3%	29.5%	27.9%
Employment**		3229.0	3244.8	3247.0
Gross unemployment**		87.1	87.4	89.0
- Share of total work force		2.9%	2.9%	3.0%
House prices, y/y		4.6%	6.5%	6.5%
Private sector wage level, y/y		5.2%	3.6%	3.3%
Consumer prices, y/y		1.4%	1.8%	1.6%
Financial figures				
Lending Rate*		2.75%	1.25%	1.25%
Certificates of deposit Rate*		2.60%	1.10%	1.10%

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

Forecast tables

Macro forecasts - Sweden

	2024	2024	Forecast 2025	2026
National Accounts	**SEK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	2879.1	0.3%	1.9%	2.6%
Government consumption	1698.1	1.2%	1.8%	2.2%
Gross fixed investment	1572.8	-1.2%	1.3%	3.4%
Excl. residential investments	1367.5	0.8%	1.2%	3.2%
Residential investments	205.3	-12.1%	1.2%	5.3%
Growth contribution from inventories		0.3%	0.1%	0.0%
Exports	3518.9	2.4%	2.9%	3.2%
Exports of goods	2358.5	0.7%	1.9%	2.9%
Exports of services	1160.5	6.0%	5.0%	3.7%
Imports	3237.0	1.7%	2.6%	3.7%
Contribution from net exports	282.0	0.4%	0.3%	-0.1%
Domestic demand	7722.8	0.5%	1.8%	2.7%
Aggregate demand	11241.8	1.2%	2.2%	2.9%
GDP	6448.7	1.0%	1.7%	2.7%
GDP, calendar adjusted		0.9%	2.0%	2.5%
Economic indicators				
Employment (LFS)		-0.6%	-0.1%	1.2%
Unemployment (LFS), % of labour force		8.4%	9.0%	8.4%
Wages (NMO)		4.1%	3.5%	3.5%
Home prices (HOX)		2.1%	5.0%	5.0%
Inflation, y/y				
CPIF		1.9%	2.5%	1.7%
CPIF excl. energy		2.7%	2.5%	1.8%
CPI		2.8%	0.9%	1.3%
Public debt ratio, % of GDP		33.4%	33.8%	34.3%
Financial figures				
Riksbank policy rate*		2.75%	2.00%	2.00%

**End of period. Note that the decision to cut to 2.5% in December 2024 was not effective until January 2025.*
Source: Statistics Sweden, The Swedish National Mediation Office, The National Institute of Economic Research, Riksbanken, Valueguard, Macrobond, and Danske Bank.

Forecast tables

Macro forecasts - Norway

	2024	2024	Forecast 2025	2026
National Accounts	**NOK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	2043.3	1.2%	3.0%	2.5%
Government consumption	1184.2	2.4%	2.0%	2.0%
Gross fixed investment	1136.7	-1.9%	1.4%	1.5%
Petroleum activities	253.2	9.6%	3.0%	-6.0%
Mainland Norway	877.6	-4.9%	1.0%	3.5%
Dwellings	170.3	-19.1%	-3.0%	10.0%
Enterprises	422.5	-3.3%	1.0%	2.0%
General government	284.9	3.5%	2.0%	3.0%
Exports	2472.1	5.7%	2.0%	1.0%
Traditional goods	668.2	1.9%	1.9%	2.0%
Imports	1749.9	3.7%	2.2%	1.8%
Traditional goods	1034.9	3.6%	2.3%	2.2%
GDP	5198.1	2.1%	1.8%	1.0%
GDP Mainland Norway	4049.8	0.6%	1.8%	1.7%
Economic indicators				
Employment, y/y		0.6%	0.4%	0.5%
Unemployment rate (NAV)		2.0%	2.2%	2.3%
Annual wages, y/y		5.7%	4.0%	3.5%
Core inflation, y/y		3.7%	2.3%	2.2%
Consumer prices, y/y		3.1%	2.3%	2.0%
House prices, y/y		3.0%	10.0%	5.0%
Financial figures				
Leading policy rate		4.50%	3.50%	2.50%

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

Forecast tables

Macro forecasts - Finland

	2024	2024	Forecast 2025	2026
National Accounts	**EUR bn (Current prices)**	**y/y**	**y/y**	**y/y**
GDP	277.0	-0.2%	1.1%	1.8%
Imports	113.3	-2.5%	1.0%	4.5%
Exports	115.1	0.1%	1.5%	3.0%
Consumption	214.1	0.3%	0.6%	1.2%
- Private	141.5	-0.2%	0.5%	1.5%
- Public	72.6	1.7%	0.9%	0.5%
Gross fixed investment	59.5	-7.1%	0.5%	7.0%
Economic Indicators				
Unemployment rate		8.4%	8.3%	7.7%
Earnings, y/y		3.1%	3.1%	3.4%
Inflation, y/y		1.6%	0.9%	1.8%
Housing prices, y/y		-3.3%	2.5%	3.0%
Current account, EUR Bn		0.7	-0.5	0.0
- share of GDP		0.3%	-0.2%	0.0%
Public deficit, share of GDP**		-3.9%	-3.6%	-2.5%
Public debt, share of GDP**		81.2%	84.6%	85.8%
Financial Figures				
ECB deposit rate*		3.00%	1.50%	1.50%

**End of period, **2025 value is forecast*
Source: Danske Bank, Statistics Finland, ECB

Forecast tables

Macro Forecasts - Euro area

	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
GDP, q/q	0.2%	0.2%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%
Unemployment rate	6.3%	6.4%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
HICP, y/y	2.3%	2.3%	2.2%	2.2%	1.9%	1.9%	1.9%	2.0%
Core HICP, y/y	2.5%	2.2%	1.9%	1.8%	1.8%	1.8%	1.8%	1.8%
ECB deposit rate*	2.50%	2.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

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

Macro Forecasts - United States

	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
GDP, q/q	0.6%	0.5%	0.5%	0.4%	0.4%	0.6%	0.6%	0.6%
Unemployment rate	4.0%	4.1%	4.1%	4.2%	4.2%	4.2%	4.2%	4.2%
CPI, y/y	2.8%	2.8%	3.3%	3.2%	2.7%	2.4%	2.2%	2.2%
Core CPI, y/y	3.2%	3.1%	3.2%	2.9%	2.5%	2.4%	2.4%	2.4%
Fed Funds target rate*	4.50%	4.25%	4.00%	3.75%	3.50%	3.25%	3.25%	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

	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
GDP, q/q	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.3%	0.3%
Unemployment rate	4.6%	4.7%	4.8%	4.7%	4.7%	4.6%	4.5%	4.5%
CPI, y/y	2.5%	2.4%	2.5%	2.4%	2.2%	2.0%	2.0%	2.0%
Core CPI, y/y	3.4%	2.7%	2.6%	2.5%	2.1%	1.9%	1.9%	1.9%
BoE Bank Rate*	4.50%	4.25%	4.00%	3.75%	3.50%	3.25%	3.00%	2.75%

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

Forecast tables

	Year	GDP*	Private cons.*	Public cons.*	Fixed inv.*	Ex-ports*	Im-ports*	Inf-lation*	Wage growth *	Unem-ployme **	Public budget ***	Public debt ***	Current acc. ***
Denmark	2024	3.6	0.9	1.8	-0.1	7.6	1.7	1.4	5.2	2.9	2.9	32.3	13.9
	2025	3.9	1.9	5.1	3.8	6.7	4.0	1.8	3.6	2.9	1.1	29.5	14.0
	2026	2.9	2.3	1.6	3.0	3.5	2.8	1.6	3.3	3.0	0.8	27.9	14.5
Sweden	2024	1.0	0.3	1.2	-1.2	2.4	1.7	1.9	4.1	8.4	-	33.4	-
	2025	1.7	1.9	1.8	1.3	2.9	2.6	2.5	3.5	9.0	-	33.8	-
	2026	2.7	2.6	2.2	3.4	3.2	3.7	1.7	3.5	8.4	-	34.3	-
Norway	2024	0.6	1.2	2.4	-1.9	5.7	3.7	3.1	5.7	2.0	-	-	-
	2025	1.8	3.0	2.0	1.4	2.0	2.2	2.3	4.0	2.2	-	-	-
	2026	1.7	2.5	2.0	1.5	1.0	1.8	2.0	3.5	2.3	-	-	-
Euro area	2024	0.7	1.0	2.3	-2.2	0.8	0.0	2.4	4.1	6.4	-3.0	89.1	3.0
	2025	0.9	1.2	1.2	0.5	0.4	1.2	2.2	3.2	6.4	-3.3	90.2	2.9
	2026	1.3	1.5	1.0	1.8	2.0	2.1	1.9	2.9	6.5	-3.2	90.5	2.7
Finland	2024	-0.2	-0.2	1.7	-7.1	0.1	-2.5	1.6	3.1	8.4	-3.9	81.2	0.3
	2025	1.1	0.5	0.9	0.5	1.5	1.0	0.9	3.1	8.3	-3.6	84.6	-0.2
	2026	1.8	1.5	0.5	7.0	3.0	4.5	1.8	3.4	7.7	-2.5	85.8	0.0
United States	2024	2.8	2.8	3.4	3.7	3.2	5.4	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	2.3	2.9	3.1	1.2	1.9	4.4	3.0	3.5	4.1	-6.5	125.1	-3.1
	2026	1.9	1.7	2.0	3.5	2.9	4.4	2.4	3.5	4.2	-7.0	128.0	-3.0
China	2024	5.0	4.5	-	5.0	-	-	0.2	-	5.1	-7.4	90.1	1.4
	2025	4.7	4.8	-	5.0	-	-	1.0	-	5.1	-8.1	94.3	1.4
	2026	4.8	5.0	-	5.2	-	-	1.5	-	5.1	-8.2	98.2	1.3
UK	2024	0.9	-	-	-	-	-	2.5	-	4.3	-	-	-
	2025	1.0	-	-	-	-	-	2.5	-	4.7	-	-	-
	2026	1.5	-	-	-	-	-	2.1	-	4.6	-	-	-

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

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Report completed: 4 March 2025, 16:00 CET

Report first disseminated: 5 March 2025, 6:00 CET

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