Nordic Outlook

June 2025

Normalisation with tariff risks

Highlights

- We expect a continued normalisation of growth, inflation, and interest rates in Europe including the Nordic countries, along with slower growth in the US without a recession.
- US trade policy creates significant uncertainty, and while our base scenario anticipates tariffs staying near current levels, many outcomes are possible.
- It is essential to closely monitor the tariff situation; however, there are many other, more positive factors affecting the outlook.

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

Danske Bank

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Normalisation with tariff risks

Global

We expect economies to continue to normalise, but the US tariffs create significant uncertainty. We assume that we will end up with around 10% tariffs on most US imports and special rates on some countries and industries, notably China, which will reduce but not stop economic growth in the near term. However, many other outcomes are possible. The US administration may prioritise other objectives such as isolating China or raising revenue for tax cuts and design the tariffs accordingly. The economic impact of the tariffs may also be different from what we currently expect, as our experience with large tariff increases is very old. It is necessary to monitor the tariff situation closely, but there are also many other, and more positive, factors affecting the outlook.

Euro area

The euro area economy continues to recover, with growth increasing and inflation meeting the 2% target. Growth is expected to continue this year, though below potential, with acceleration by 2026 due to monetary policy easing and public investments. The outlook is blurred by US trade policy uncertainty, giving downside risks. Inflation is likely to fluctuate around the 2% target, with potential downside in early 2026. The ECB is expected to reduce the deposit rate to 1.5% this year, aiming to support activity and manage inflation expectations amidst trade uncertainties.

Denmark

GDP growth is set to remain high, driven by Novo Nordisk and other businesses with substantial production abroad, but there is also room for more domestic growth. Rising real wages and lower interest rates are expected to support private consumption, but the scale of consumption growth will depend on how consumers react to greater uncertainty. Government finances are robust and the current account surplus still very substantial, while Danish rates and yields are below those in Germany across the curve. Inflation in Denmark is lower than in the euro area and there is no immediate prospect of that changing. The outlook for exports – also ex-pharma – is essentially decent but naturally impacted by global uncertainty.

Sweden

This spring, Sweden faced volatility characterised by high inflation and uncertainty surrounding tariffs, impacting consumer confidence and the housing market. However, the economic recovery is set to regain momentum in the second half of this year, aided by rising real incomes and lower interest costs. The labour market remains fragile but shows signs of a turnaround, with rising employment and fewer redundancies. Inflation will ease and return to target next year. Even if the economy improves as forecasted, a return to normalcy will take time, requiring continued support, possibly through a Riksbank rate cut in Q3. Additionally, slower population growth is expected to impact the economic expansion, reducing housing and service demands.

Norway

Growth picked up significantly in the first quarter, driven by strong growth in the rate-sensitive sectors and supported by public consumption. Even more encouraging was the fact that productivity growth has risen and was close to the historical average. The big question is whether this will last as rate cuts are postponed, the global trade war will dampen global growth and oil investments are set to drop. The labour market remains tight, driven by strong demand for labour, but higher productivity growth will probably imply a moderate increase in unemployment after all. Inflation has been higher than expected, which has led to higher wage growth and a postponement of the announced rate cuts. We now expect Norges bank to stay on hold until September and then cut again in December.

Finland

Finland continues a slow recovery. Falling interest rates and low inflation boost domestic purchasing power, although the risk of unemployment continues to restrain consumer spending. Employment is expected to improve later this year. The flow of new export orders has increased in the first quarter, but concerns about a potential trade war overshadow the export outlook. Housing construction is bottoming at a low level, and a gradual recovery can be expected to start during 2025. The government has announced tax cuts to corporate income tax and earned income tax. Public deficit remains large in the near term, but the measures should boost growth over the medium term. The sovereign credit rating outlook has weakened, with the public debt ratio expected to increase, at least in the immediate future.

Tariffs continue to cloud the outlook

- **We expect economies to continue to normalise, which implies slightly higher growth in Europe in general, slightly lower growth in the US and an increase in consumer demand in China, while interest rates can be lowered further.**

- **However, the US tariff increases will reduce growth somewhat and there is a risk that the effect is large, for example if the actual tariffs end up higher than expected, that they cause serious supply disruptions or that the sentiment effect is large.**

- **The tariff policy can also be seen as part of a wider shift away from an integrated global economy and a political world order based on common institutions and as such lead to lower economic growth in the long run.**

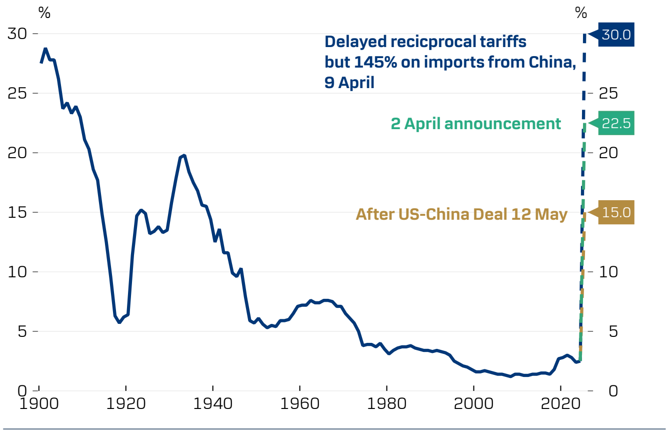
In Nordic Outlook, we have often cautioned against putting too much emphasis on politics in assessing the near-term economic outlook. This time around, we cannot deny the very significant potential impact coming from US tariff policy, as the Trump administration has announced a wide array of import tariffs, some in effect and some postponed. Since Donald Trump's inauguration and especially since the announcement of so-called reciprocal tariffs on 2 April, the policies have been constantly changing and subject to many bilateral negotiations with other countries, as well as to a legal decision that might require tariffs to be approved by Congress.

In our forecasts, we assume that the very high tariffs announced on China, the EU and many others are mostly a negotiation tactic, but also that the US is serious about raising tariffs significantly, landing at a universal import tariff of 10%, around 40% on Chinese imports and additional tariffs on selected products. This will be enough to meaningfully reduce US and Chinese growth without causing a recession and shave a few tenths of a percentage point off growth in the euro area and the Nordic countries.

In the data we have so far, there seems to be a slight negative impact across countries on business sentiment from the many tariff announcements. The impact on consumer sentiment seems much more negative in the consumer surveys, but so far, there are few signs that this has been translated into large declines in actual consumption. We assume this to be a template for the coming months as well, so that the impact of tariffs on economic growth will mostly come from the direct hit to consumers and corporate profits and only to a smaller extent from indirect sentiment effects. However, our experience with large tariff increases is almost 100 years old. We can reason as to what the economic effect will be, but we cannot know it.

> *Our experience with large tariff increases is almost 100 years old. We can reason as to what the economic effect will be, but we cannot know it.”*
>
> *Las Olsen, Chief Economist*

Historic tariff increase

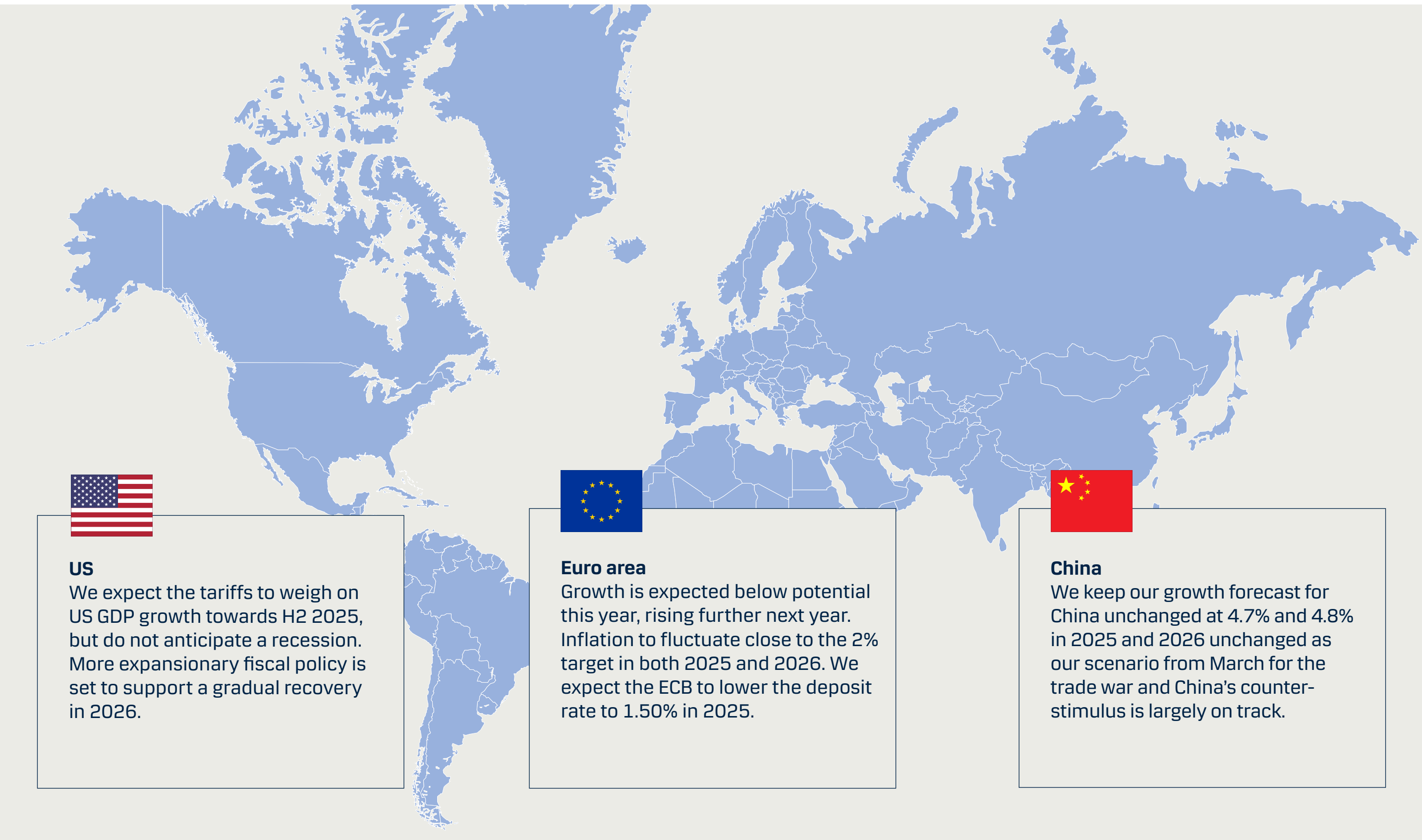


Source: Tax Foundation, Macrobond Financial, Danske Bank

Also, given how surprised most observers including ourselves were by the magnitude of the tariff announcement on 2 April, we cannot feel very certain about our assumptions. For example, the US administration could choose to use tariffs more aggressively to isolate China, influencing other countries to reduce Chinese imports and making it difficult to re-route products around the tariff barriers. That could lead to supply problems and disruptions in many industries and possibly a sharp drop in activity rather than a more gradual decline from a lack of demand.

Another obvious possibility is that the administration will prioritise to increase the revenue it can raise from tariffs to reduce the very large US fiscal deficit and support its ambitions for tax cuts. That points to a high tariff (perhaps 15-20%) on all imports with only a few exemptions for countries or industries, so that the tariff becomes difficult to circumvent.

Behind all the noise from tariffs, our forecasts continue to show a degree of normalisation. Europe has managed a soft landing after the high inflation 3 years ago, and there is now room for a bit higher growth in consumption and investment, and a bit lower interest rates, also in the Nordic countries, broadly speaking. The US is normalising after a period of very high growth driven by productivity and population increases. China should be emerging from a prolonged consumer and housing slump. All this continues to create many opportunities and some additional risks that businesses, consumers and investors should note. Even now, not everything is about politics.



US
We expect the tariffs to weigh on US GDP growth towards H2 2025, but do not anticipate a recession. More expansionary fiscal policy is set to support a gradual recovery in 2026.

Euro area
Growth is expected below potential this year, rising further next year. Inflation to fluctuate close to the 2% target in both 2025 and 2026. We expect the ECB to lower the deposit rate to 1.50% in 2025.

China
We keep our growth forecast for China unchanged at 4.7% and 4.8% in 2025 and 2026 unchanged as our scenario from March for the trade war and China's counter-stimulus is largely on track.

Bright past, blurred future

- **The euro area economy is steadily recovering, marked by increasing growth, a robust labour market, and inflation meeting the 2% target. Although the recovery is anticipated to persist this year, growth is likely to remain below potential due to trade uncertainties and cautious consumer behaviour. By 2026, growth is expected to accelerate, driven by previous monetary policy easing and enhanced public investments.**

- **We perceive the risks to economic growth as tilted to the downside this year due to the US trade policies, whereas potential increased consumption share and fiscal spending balance the risks in 2026.**

- **The fight against inflation is almost over and inflation is expected to fluctuate around the 2% target in the entire forecasting period. Falling wage growth and energy prices will support the disinflation process and even cause inflation to markedly undershoot the 2% target in 2026Q1. We view the risks to inflation as balanced since energy prices could increase more than expected while growth could be weaker than projected.**

- **The ECB is anticipated to reduce the deposit rate to 1.5% this year, as we believe it is necessary to move into slightly accommodative territory to prevent de-anchoring inflation expectations and support activity below potential amidst trade uncertainty. The balance of risks regarding our prediction leans towards fewer interest rate cuts than our baseline forecast.**

	2024	Forecast 2025	2026
GDP Growth	0.8%	0.9% (0.9%)	1.2% (1.3%)
Inflation	2.4%	2.1% (2.2%)	1.9% (1.9%)
Unemployment	6.4%	6.2% (6.4%)	6.1% (6.5%)
Policy rate*	3.00%	1.50% (1.50%)	1.50% (1.50%)

Parentheses are the old projections (From March 2025)
**End of period*
Source: Danske Bank, Eurostat, ECB

The euro area economy is continuing to recover from the previous crises, with growth in the first quarter surpassing expectations. The labour market remains strong, and inflation has returned to the ECB's target. The economy thus appears bright and resilient to shocks when looking in the rear-mirror, but the prospects are less clear. Trade uncertainty is weighing on growth and low consumer confidence is keeping savings high. Most recent indicators suggest that while manufacturing is improving, activity in the services sector has cooled. Looking ahead, private consumption is expected to be the main growth driver, supported by real wage increases, a strong labour market, and lower interest rates. The labour market remains strong, with record-low unemployment. We anticipate employment growth to persist as indicated by survey data, as job losses in Germany and France are offset by increases in Spain and Greece. This should result in the unemployment rate staying the same in the upcoming period.

"

The economy appears bright and resilient to shocks when looking in the rear-view mirror, but the prospects are less clear.

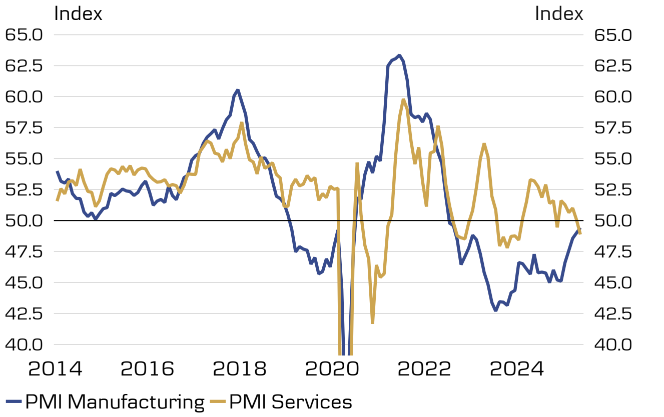
Rune Thyge Johansen, Analyst

We expect investments to remain low this year due to uncertainty before picking up in 2026 thanks to lower interest rates and public investments, particularly in Germany. Aggregate fiscal policy is expected to remain broadly neutral as the fiscal consolidation following the re-activation of EU's fiscal rules counters increased defence spending and pandemic related EU grants. After some front-loading of exports to the US in 2025Q1 we will likely see a reversion and thus expect almost flat GDP in Q2 and Q3. This is based on the main scenario of tariffs remaining close to current levels, with at 10% universal tariff. Overall, we expect the economy to grow this year, albeit at a rate below potential, before reaching potential next year. We view the risks to economic growth as tilted to the downside this year due to US trade policies while a potentially higher consumption share and fiscal spending present balance the risks in 2026.

The battle against inflation is nearly over, as headline inflation has returned below the 2% target in May. This decline is attributed to reduced momentum in underlying inflation the past year and falling energy prices. However, core inflation remains high and has shown signs of increasing momentum in recent months, mainly due to services prices. We do not expect this recent pressure on core inflation to persist, as the timing of Easter has distorted prices, and wage growth is clearly declining, as indicated by recent wage agreements. Additionally, the US trade policies are considered net negative for inflation due to a higher EUR/USD exchange rate, lower energy prices, and competitive pressures from the diversion of Chinese goods away from the US market. We expect headline inflation to fluctuate just below the 2% target for the remainder of the year and even fall significantly below it in the first quarter of 2026 due to negative energy inflation. We perceive the risks on inflation to be balanced, as energy prices could rise more than expected while an escalation of the US trade war could decrease demand more than anticipated.

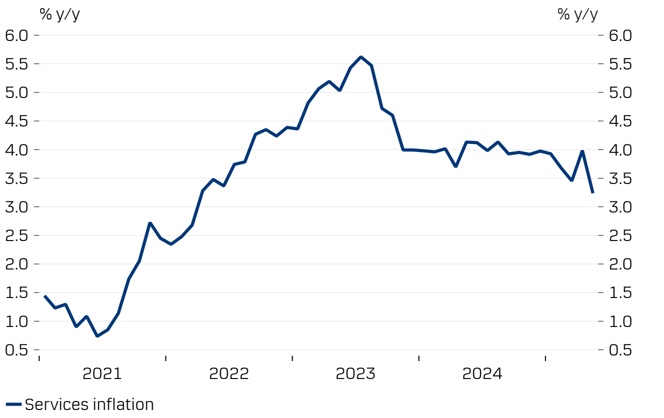
We expect the ECB is to lower the deposit rate to 1.5% this year. With inflation at target and an expected undershooting around the turn of the year we see the need for the ECB to cut into slightly accommodative territory to avoid de-anchoring of inflation expectations. This perspective is supported by below-potential growth this year and uncertainty stemming from US trade policies, as we see minimal upside risks to medium-term inflation from moving into slightly accommodative territory. However, the balance of risks related to our prediction is skewed towards fewer interest rate cuts than our baseline, given the economy's current resilience, characterised by a tight labour market and elevated underlying inflation.

Manufacturing recovering and services weakening



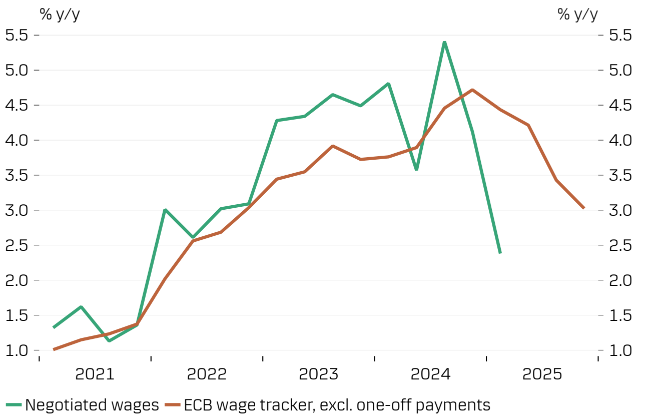
Source: S&P Global, Macrobond Financial

Services inflation declined again after Easter distortion



Source: Eurostat, Macrobond Financial

Wage growth continues to moderate



Source: ECB, Macrobond Financial

Growth outlook cooling but not collapsing

- **We downgrade our US growth forecasts amid the trade war, but do not expect an outright recession. We forecast 2025 GDP growth at 1.6% (from 2.3%) and 2026 at 1.3% in 2026 (from 1.9%). In quarterly terms, we pencil in majority of the negative impact for Q3 and Q4 of 2025 and expect sequential growth to recover gradually from Q1 2026 onwards.**

- **After the much sharper-than-expected tariff increases in April, the latest trade deals have brought down the rates close to the base scenario we laid out in December 2024. That said, the tariffs have been implemented much faster than we thought, and the USD FX rate has not compensated for the tariff impact – but rather the opposite.**

- **We still expect the tariff-driven price increases to remain temporary in nature. We lower our forecast for headline inflation to 2.8% in 2025 (from 3.0%) due to lower oil prices but lift 2026 forecast to 2.6% (from 2.4%). We maintain 2025 core inflation forecast at 3.0% in 2025 (from 3.0%) and lift 2026 to 2.8% in 2026 (from 2.4%).**

- **We recently delayed our forecast for the Fed's next rate cut until September but still maintain our terminal rate forecast of 3.00-3.25% unchanged (reached by September 2026).**

		Forecast	
	2024	**2025**	**2026**
GDP Growth	2.8%	1.6% (2.3%)	1.3% (1.9%)
Inflation	3.0%	2.8% (3.0%)	2.6% (2.4%)
Unemployment	4.0%	4.3% (4.1%)	4.4% (4.2%)
Fed Funds*	4.50%	4.00% (3.75%)	3.25% (3.25%)

Parentheses are the old projections (From March 2025)
**End of period*
Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed

The latest US-China trade deal has brought down the average trade-weighted tariff rate on all US imports to around 15% (from around 26% in early May), which is still the highest level since the WW2. While even the lower tariffs are still set to weigh on growth and boost inflation towards the second half of the year, we think the risk of an outright recession has eased considerably.

While consumer and business sentiment surveys have weakened substantially since April, hard data on consumer behaviour and labour markets has remained much more stable. We expect near-term data releases to remain relatively robust, and the potential renewed front-loading amid at least temporarily lower tariffs could also boost activity over the summer.

The current tariffs consist of a 10% universal rate, 20% 'fentanyl' tariffs on China, country-specific increases on Mexico and Canada as well as product-specific rates on steel, aluminium and cars. The average level is not far above the base scenario we laid out half a year ago in Nordic Outlook - More growth, new risks, 4 December, but the increases have been implemented much faster than we

"Big Beautiful Bill' will provide support for growth from Q1 2026 onwards, but debt sustainability is increasingly becoming a concern for the financial markets.

Antti Ilvonen, Senior Analyst

expected. Furthermore, the USD FX rate has not compensated consumers for the tariff increases like we initially expected, as the trade-weighted USD has depreciated by 6.0% so far in 2025. We forecast the EUR/USD rate rising further up to 1.20 over the coming year.

In our base scenario, the tariffs will remain close to the current levels in the foreseeable future. Setbacks in negotiations and product-specific tariffs on for example microchips or pharmaceuticals could cause bumps in the road, but we do not expect majority of the 'reciprocal' tariffs to be reinstated. We assume that the EU and the US will be able to negotiate an agreement by July 9th that averts the threatened 50% tariff rates, but that the universal tariffs remain in place also against EU.

While realized inflation has actually undershot consensus expectations in March and April, we expect firms to gradually pass on the rising costs to consumers over H2 2025. We expect the effect to be visible mostly in core goods and food prices, while services inflation will remain on a gradually cooling path. We still expect tariff-driven inflation to remain temporary in nature, even if recent upticks in inflation expectations surveys have sparked concerns of more persistent price pressures.

Higher prices will weigh on consumers' purchasing power, and hence private consumption growth. We also expect employment growth to slow down due to both demand (less hiring) and supply (less immigration) factors. We expect sequential consumption growth to bottom out around Q4 2025 and recover gradually in 2026 aided by renewed tax stimulus that is likely to take effect from the beginning of January. In average annual terms, we forecast GDP growth to slow down to 1.6% in 2025 and 1.3% in 2026.

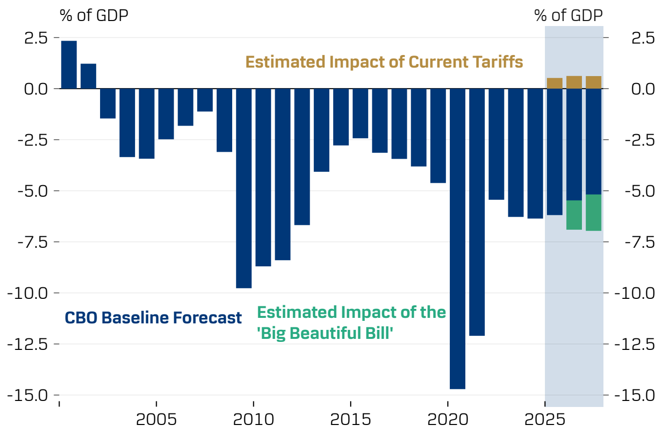
While the exact form of the Republicans' budget reconciliation bill remains unclear at the time of writing, the preliminary version passed by the House of Representatives would increase the expected budget deficit by around 1.5% of GDP in 2026. In addition to extending income tax cuts and various tax deductions from Trump's 2017, the bill also contains new and more front-loaded stimulus measures and could lift the total deficit up to 7.0% of GDP in 2026. Read more details and implications for the Treasury funding outlook from Reading the Markets USD - Next Fed cut in September, tax cut talks advance, 20 May.

In late May, we delayed our forecast for the Fed's next rate cut until September. That said, we still expect quarterly 25bp cuts thereafter and maintain our terminal rate forecast unchanged at 3.00-3.25% (reached in September 2026). Risks around the outlook are two-sided, as higher tariffs and extended uncertainty could weigh on economic activity more than we anticipate, but fiscal stimulus could also warrant maintaining rates higher for longer than we expect.

We think USD weakness is here to stay

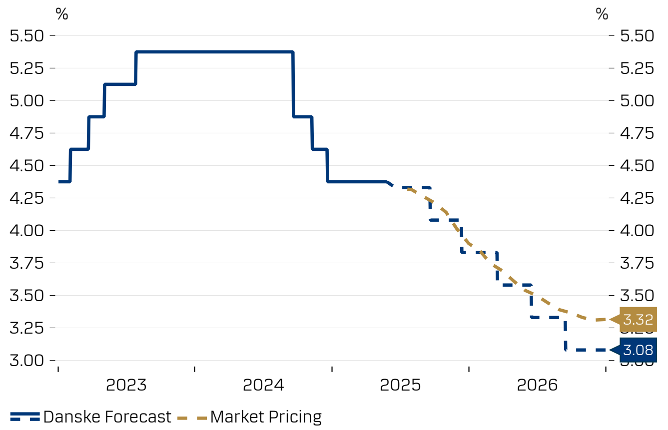
Sources: Macrobond Financial, Danske Bank, LSEG

Republicans' 'Big Beautiful Bill' could turn US fiscal policy stance even more expansionary – and weaken the debt sustainability outlook



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

We forecast the Fed's next rate cut for September, and then expect the cutting cycle to continue for longer than markets anticipate



Sources: Macrobond Financial, Danske Bank, CME

Green shoots meet trade war

- **The Chinese economy saw green shoots in Q1, but the trade war created a new headwind in April.**
- **Still, we leave our growth outlook unchanged as our medium-term scenario for the trade war remains the same with an end game of 40% tariffs on Chinese goods following a long bumpy road of trade talks. Stimulus was pushed forward as expected to counteract tariff effect.**
- **We continue to see growth at 4.7% in 2025 and 4.8% in 2026.**
- **Over the coming months we expect a pick-up in activity due to front loading of exports during the 90-day trade truce but see activity moderating again after that.**
- **Housing and private consumption have improved but lots of work remain to get the two sectors on stronger footing.**
- **A growing number of tech milestones have boosted confidence.**
- **The US-China rivalry is set to continue. US tech sanctions keep widening while China retaliates with limits on rare earth exports.**
- **Trump's America First policy has led to a thaw in EU-China relations. Tensions remain, though, when it comes to China's rise as a competitor, industrial policy, overcapacity, and China's position on the Ukraine war.**

	2024	Forecast 2025	2026
GDP Growth	5.0%	4.7% (4.7%)	4.8% (4.8%)
Inflation	0.2%	1.0% (1.0%)	1.5% (1.5%)
Unemployment	5.1%	5.1% (5.1%)	5.1% (5.1%)
Policy Rate*	1.50%	1.20% (1.20%)	1.20% (1.20%)

Parentheses are the old projections (From March 2025)
**End of period (7-day reverse repo rate)*
Source: Danske Bank, Macrobond Financial

Activity to pick up as trade war truce boosts exports
China's economy was off to a strong start in Q1 with GDP growth of 5.4% y/y and green shoots with moderate improvement in housing and retail sales. Equity markets also saw strong performance with offshore stocks up 20% by the end of March. However, with April's sharp escalation in the trade war leading to a de facto trade embargo between US and China, a new strong headwind showed up and data for April came in weak. The pendulum swung back quickly again, though, with the sharp de-escalation of the trade war in early May. The two sides have agreed to a 90-day trade truce with tariff rates at 10% and 30% on US and Chinese goods, respectively. This has already led to a surge in export orders as US companies are in a hurry to order goods from China before tariffs might go up again.

As the export boost happens alongside an increase in Chinese stimulus, we look for strong growth in the coming 3-6 months before it tapers off again on the other side of the export surge.

> *As the export boost happens alongside an increase in Chinese stimulus, we look for strong growth in the coming 3-6 months.*
>
> *Allan von Mehren, Chief Analyst*

We expect the trade talks to be a long and bumpy road with new escalations at some point as the two sides are far from each other and a compromise will be hard to make. In addition, we believe Trump aims for a permanent rise in tariffs on China, partly to reduce US dependency on Chinese goods and partly to get tariff revenue. We continue to see tariffs ending around 40% in a final deal in 2026. With our tariff scenario broadly unchanged and Chinese stimulus developing in line with our expectation, we retain our GDP forecast at 4.7% and 4.8% in 2025 and 2026, respectively.

A painful transition

China's growth is still unbalanced as investments outside residential construction continue to be a big driver, partly driven by stimulus into 'smart infrastructure' (data centres, EV charging stations etc.), and partly by massive green investments in solar and wind. Car sales have also strong grown strongly as subsidies for buying EVs have continued. While private consumption has improved somewhat, it is still not strong enough to put growth on a more sustained footing. China's economy is in a painful transition from an old growth model driven by housing, low-tech investments, traditional infrastructure and exports to a model where private consumption, high-tech investments and exports of higher-value goods are set to be the growth engines. The missing link is still private consumption and as long as housing is struggling, Chinese consumers are likely to hold back on spending.

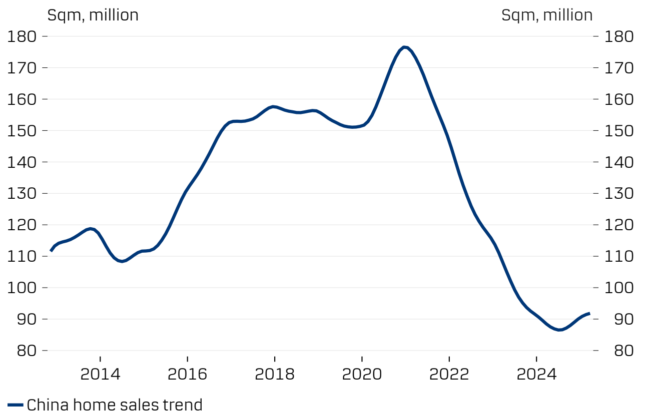
The Chinese government has taken bigger steps over the past 6-9 months to stabilize housing and lift consumer spending. Mortgage rates have been cut, required down payment for buying homes has come down, programs to buy empty property for social housing have started and a trade-in-scheme with subsidies for buying a range of new electronic goods has been scaled up. These are just some of the long list of measures that have been launched. The government has put boosting private consumption to the top of their 9-point priority list for the economy in 2025. We believe China will keep pushing in this direction until it sees results. But it will likely take a long time, not least because new headwinds keep showing up, currently with the new trade war with the US. In the medium to long term, we believe China's strong focus on technology and education will keep it on a rising path. But in the short term, too weak demand, fiscal challenges in local governments and overcapacity remain key challenges.

Tech gains boosting morale, US-China rivalry here to stay

This year China had breakthroughs in several tech areas, which have boosted confidence that China can keep rising despite US tech sanctions and tariffs. Most notable was the AI model DeepSeek but fast development in robotics, driver-less cars and EV battery technology are other examples.

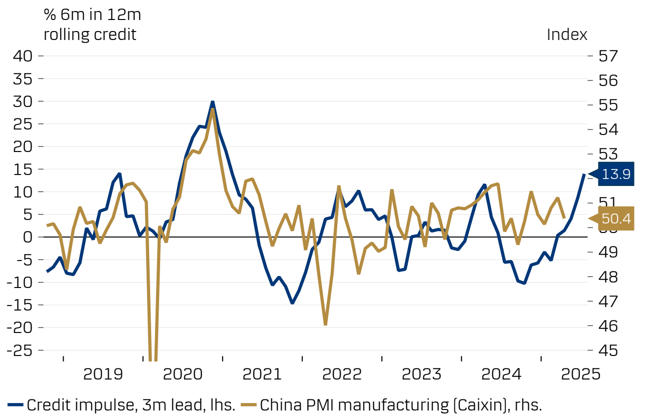
With China rising fast in technology, the US-China rivalry is set to intensify over the coming years. US tech sanctions are being widened, although also facing more vocal criticism. Most recently from Nvidia's CEO Jensen Huang who called the sanctions a failure. EU-China relations have seen some improvements but tensions are likely to remain in some areas such as China's position in the Ukraine war, overcapacity and a rising trade imbalance.

Chinese housing market stabilising



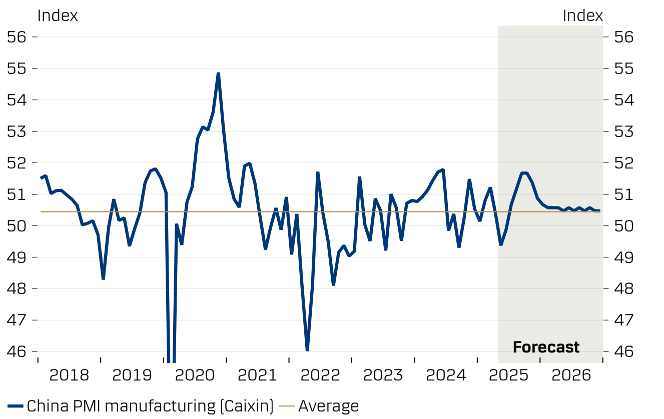
Source: China National Bureau of Statistics (NBS)
Note: Trend- and seasonally adjusted

Credit impulse rising as stimulus is rolled out



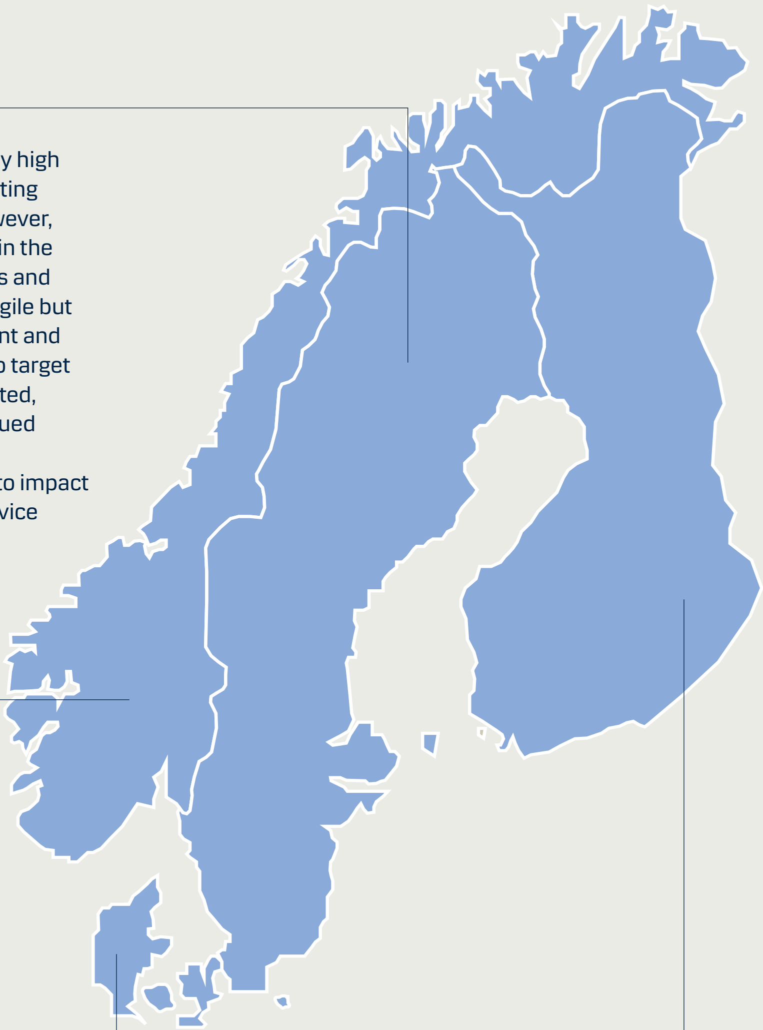
Source: China National Bureau of Statistics (NBS)
Macrobond Financial, NBS, Danske Bank

PMI outlook – higher over the summer and then fading again



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

Nordic improvement in 2025



Sweden
This spring, Sweden faced volatility characterised by high inflation and uncertainty surrounding tariffs, impacting consumer confidence and the housing market. However, the economic recovery is set to regain momentum in the second half of this year, aided by rising real incomes and lower interest costs. The labour market remains fragile but shows signs of a turnaround, with rising employment and fewer redundancies. Inflation will ease and return to target next year. Even if the economy improves as forecasted, a return to normalcy will take time, requiring continued support, possibly through a Riksbank rate cut in Q3. Additionally, slower population growth is expected to impact the economic expansion, reducing housing and service demands.

Norway
Growth has picked up significantly, and even more encouraging was the fact that productivity growth has risen and was close to the historical average. The big question is whether this will last as rate cuts are postponed, the global trade war will dampen global growth and oil investments are set to drop. The labour market remains tight, and inflation has been higher than expected. Hence, we now expect Norges Bank to cut rates in September and December.

Denmark
GDP growth is high, but domestic demand growth is low, and we see room for somewhat more growth that is not reliant on pharma and exports. Fiscal policy is being eased to increase defence spending, but the outlook is still for significant public surpluses, which also support interest rates and bond yields being lower than in the euro area. Inflation is held down by lower electricity prices. House prices on the national level are growing in line with lower interest rates.

Finland
Finland continues a slow recovery. We expect stronger growth later in 2025, supported by higher demand at home and abroad. However, the escalating trade war remains the primary risk. The housing market has stabilized and fall in interest rates supports recovery. Housing construction is bottoming. Unemployment stays high temporarily. The government takes measures aimed at balancing public finances and boosting growth, but the debt ratio still climbs higher.

Room for more spending

- **GDP growth is set to remain high, driven by Novo Nordisk and other businesses with substantial production abroad, but there is also room for more domestic growth.**
- **Rising real wages and lower interest rates are expected to support private consumption, but the scale of consumption growth will depend on how consumers react to greater uncertainty.**
- **Government finances are robust and the current account surplus still very substantial, while Danish rates and yields are below those in Germany across the curve.**
- **Inflation in Denmark is lower than in the euro area and there is no immediate prospect of that changing.**
- **The outlook for exports – also ex-pharma – is essentially decent but naturally impacted by global uncertainty.**

	2024	Forecast 2025	2026
GDP Growth	3.7%	3.2% (3.9%)	2.5% (2.9%)
Inflation	1.4%	1.5% (1.8%)	1.6% (1.6%)
Unemployment	2.9%	2.9% (2.9%)	3.0% (3.0%)
Deposit rate*	2.60%	1.10% (1.10%)	1.10% (1.10%)

Parentheses are the old projections (From March 2025)
**End of period*
Source: Danske Bank, Statistics Denmark, Nationalbanken

Between 2021 and 2024, Danish GDP grew by 3.8% a year on average – a period of growth unmatched for the past nearly 40 years. Growth was initially driven by the post-pandemic reopening of the economy and later by exports, particularly from the pharmaceutical industry. Final domestic demand (private consumption, public consumption and investment) rose by 1.2% per annum on average over the same period. While there was a pronounced jump in 2021, the overall trend has actually been downwards since. Rocketing prices in 2022 eroded consumer purchasing power, and the subsequent interest rate hikes squeezed investment, not least in housing construction. Rising real incomes and lower interest rates are reasons to expect a pickup now, and there are nascent signs of this happening. Public consumption and investment also look set to grow faster than before, not least with respect to defence. Just how high overall GDP growth will go in the next couple of years is very uncertain and highly dependent on the impact of production outside Denmark. This uncertainty has of course not been lessened by the confusion surrounding US policy on tariffs and medicine consumption, etc.

Rising real incomes and lower interest rates are reasons to expect a pickup now, and there are nascent signs of this happening.

Las Olsen, Chief Economist at Danske Bank

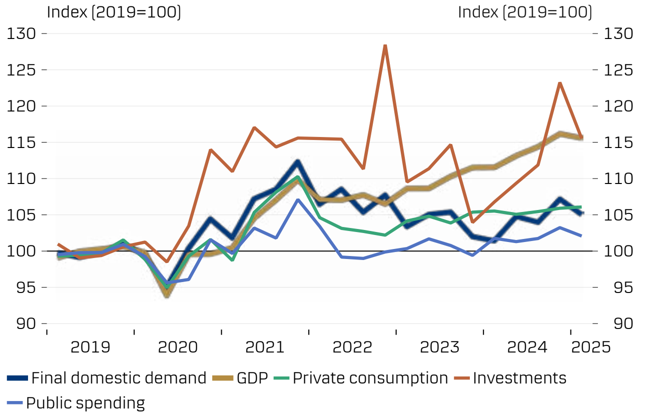
Increasing demand will place capacity pressures on an economy that already has low unemployment. On the other hand, inflation in Denmark is on the low side and a large current account surplus provides scope for increased imports. Furthermore, we expect only moderate growth in private consumption, which is not particularly low now relative to income, and which is being curtailed by very low consumer confidence. Nevertheless, there is a clear risk of both higher and lower demand than we expect. In general, we would expect that the domestic segment of the Danish economy will develop approximately in line with the euro area and therefore that monetary policy can counter fluctuations – in other words, with lower interest rates if demand is unduly low and vice versa. However, in the case of major purely Danish fluctuations, domestic fiscal policy will have to be the adjustment mechanism.

Robust government finances and relatively low interest rates
Financial market turmoil in April contributed to weakening the Danish krone (DKK) marginally vs. the euro (EUR), but not enough to prompt central bank (Danmarks Nationalbank) intervention. In fact, intervention to stabilise the DKK exchange rate has not been needed since January 2023, even though Denmark has a policy rate that is 40bp lower than the euro area and despite Danish companies making major corporate acquisitions abroad. The persisting strength of the DKK is chiefly a result of the very large current account surplus backed up by robust government finances. The general government surplus amounted to 4.5% of GDP last year, the highest among the EU nations for the sixth year in a row. Even taking into account increased defence spending, the outlook is still for a surplus in the coming years. Tax proceeds have been significantly higher than expected in recent years, and the Ministry of Finance has regularly revised up its assessment of the amount available for public consumption and tax cuts. In contrast to Germany, for example, there are no plans to aim for larger budget deficits in Denmark, and the yield on Danish government bonds is now noticeably lower than on German Bunds. We expect that both central bank policy rates and bond yields will track the rest of Europe and move slightly lower in the course of 2025.

Wage growth trending down again
Wage growth has been high over the past two years, not least as a result of collective agreements that aimed to restore purchasing power after the high inflation in 2021-2022. That goal has been more than achieved for the average employee in the private sector, so wage growth can now be normalised once more. Real wage growth has typically been just 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 an additional 1% on top of what is agreed locally. Public sector wages will continue to increase at a faster pace until the gap that has appeared in recent years is closed.

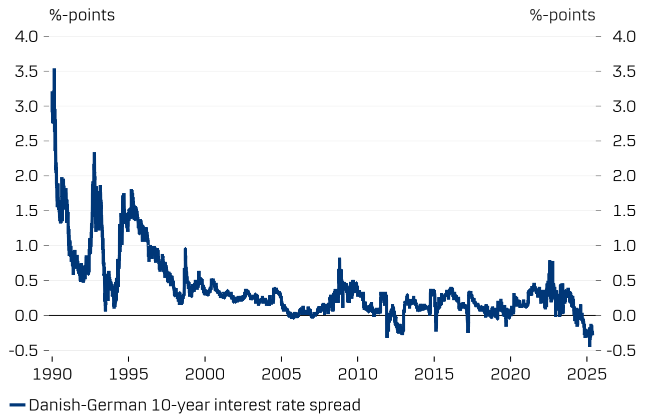
Our forecast points to modestly increasing unemployment, which may contribute to dampening wage growth. However, our forecast is based on the assumption that employment will stabilise rather

Low growth in domestic economy



Source: Statistics Denmark, Macrobond Financial
Note: Investment is gross fixed investment.

Danish government can borrow very cheaply



Source: Eurostat, Macrobond Financial

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 disproportionally to the relatively modest pace of economic growth ex-pharma. 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.

Declining energy prices curtailing inflation
Inflation printed at 1.5% in April and, with the exception of food, price pressures have been modest over the past one and a half years or so. Despite significant wage hikes, there has been nothing to indicate a knock-on effect on consumer prices.

In March, our forecast was for gradually increasing inflation in the spring. Inflation failing to pick up and our current expectation for inflation of 1.5% rather than 2.0% during the rest of the year are due to energy prices falling markedly. Consumer electricity prices have declined by just over 20% since peaking in November, which alone pulls inflation almost 0.5 of a percentage point lower. The pronounced fluctuations in electricity prices, in particular, are a major factor clouding the inflation forecast. Additionally, fuel prices have fallen on the back of a significant drop in oil prices, especially when measured in DKK, in part due to the trade war.

Cost pressures on businesses are easing, and with just a modest consumption upswing on the cards, the arguments for price increases in the shops will be limited.

Chief analyst Bjørn Tangaa Sillemann

Looking ahead, we expect price growth to remain subdued. Lower wage growth will reduce cost pressures on businesses, and with just a modest consumption upswing on the cards, the arguments for price increases in the shops will be limited. Furthermore, in 2026, last year's modest price growth will tend to curtail inflation due to the indexation of energy taxes and the low ceiling on the amount by which landlords may raise rents.

Consumption growth has slowed, but there are still tailwinds for household finances

Consumption started 2025 on a firm footing, with growth across both goods and services. Progress has slowed, however, despite still present tailwinds for household finances from the labour market, housing market and, not least, real wages, which are being boosted by the reining in of inflation. Increasing caution among consumers comes against a backdrop of pronounced concerns. Overall consumer confidence is now back at global financial crisis levels, with future expectations for the Danish economy, in particular, turning extremely gloomy – in no small measure reflecting global uncertainty and concerns surrounding the White House.

This is also why we expect that consumers in Denmark are only to a limited extent converting their rising household financial latitude into increased consumption and at the same time are prioritising rebuilding savings and creating a stronger buffer in an uncertain world.

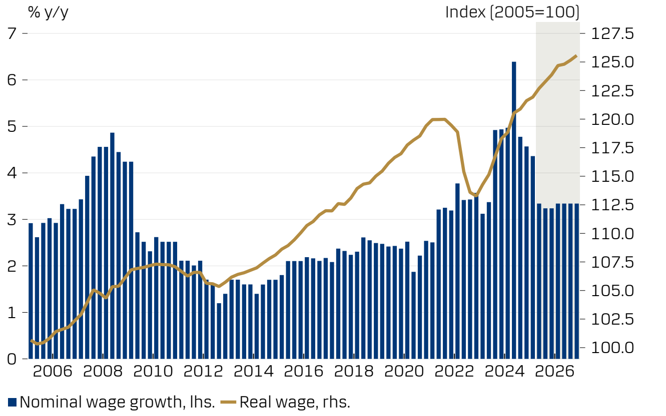
Uncertainty on consumption growth has, meanwhile, increased considerably and could potentially print substantially higher or lower than the 1.0% in our forecast for this year. A weaker outcome would primarily be the result of a marked decline in the consumption ratio on the back of very weak consumer confidence. In that case, consumption growth of zero could be on the cards for the year as a whole due to consumption falling in the second and third quarter after getting a boost from a decent start to the year.

That being said, there is also considerable potential for an upside surprise, with growth of 2.5% this year. Households in Denmark have experienced substantial financial tailwinds both last year and this year – tailwinds that have yet to translate into significantly increased consumption. Should the global geopolitical outlook calm and Danes feel more reassured that inflation has eased and purchasing power is rising, consumption could also experience a more persistent boost.

Massive export growth more solidly based

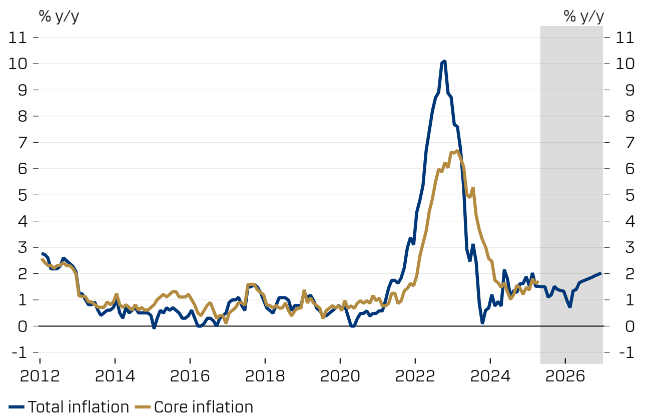
For a small, open economy like Denmark, demand from abroad is essential for economic growth, something that has been particularly apparent over the past three years, when domestic demand has suffered under high interest rates and soaring inflation. Exports have, in fact, been the sole driver of economic growth.

Lower wage growth but higher real wages



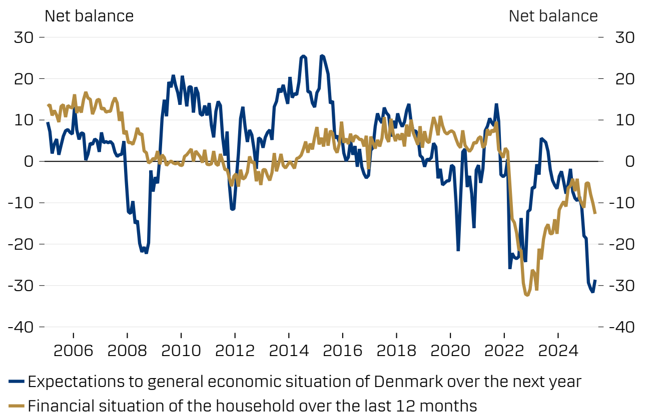
Source: DA, Statistics Denmark, Macrobond Financial, Danske Bank. Note: Private sector wages according to the Confederation of Danish Employers' (DA) wage statistic (KonjunkturStatistik). Real wage figures are seasonally adjusted.

We expect inflation below 2%



Source: Statistics Denmark, Macrobond Financial, Danske Bank

Danish gloom has only deepened



Source: Statistics Denmark, Macrobond Financial

Exporters, also ex-pharma, have weathered the headwinds from weakened export markets well and have experienced decent growth since the end of 2023. And Novo Nordisk, for example, still retains a very large growth potential before the production of weight-loss medicines can sate demand. This will continue to pull exports higher.

"

The decisive factor for consumption growth is that Danes do not convert their pronounced concerns about the future into pronounced restraint.

Chief analyst Louise Aggerstrøm Hansen

Service exports have stagnated over the past year, though this follows on the heels of massive growth in 2023. Developments here were marked by an extended period of rather modest growth in the container market due to the global slowdown in industry. In contrast, tourism, for example, continues to experience growth, with the number of overnight stays continuing to rise as capacity is expanded.

Export growth going forward will inevitably depend heavily on Novo Nordisk's production but also reflects our expectation of a gradual improvement in Denmark's key export markets – something which is already underway. Germany, for example, reported an uptick in industrial production in both March and April, the first time in two years.

Higher tariffs and less free trade are unequivocally bad news for a small, open economy like Denmark's, but we do not expect Danish exporters to noticeably suffer in the short term. Those who export to the US and other dollar-based economies are naturally in a more precarious position due to tariffs and reduced competitiveness as a result of the marked weakening of the dollar. However, a very large proportion of Denmark's exports to the US is produced in the US and thus is not in the firing line.

Denmark's current account surplus was a little down in Q1 this year compared to its peak in the autumn, but it nevertheless remains very large. A drop in the trade surplus on services following the plummet in freight rates was the main culprit.

Looking ahead, the solid growth still expected in pharmaceutical exports will pull the numbers higher, though potential price falls on medicines could pull the other way. On top of this comes the reopening of the Tyra field, which after a series of delays has just recently begun to produce gas at full capacity. In our opinion, there are weighty arguments for why the current account surplus can continue at present levels in the coming years. That being said, the government's planned spending on defence will pull in the opposite direction, as substantial imports will be involved.

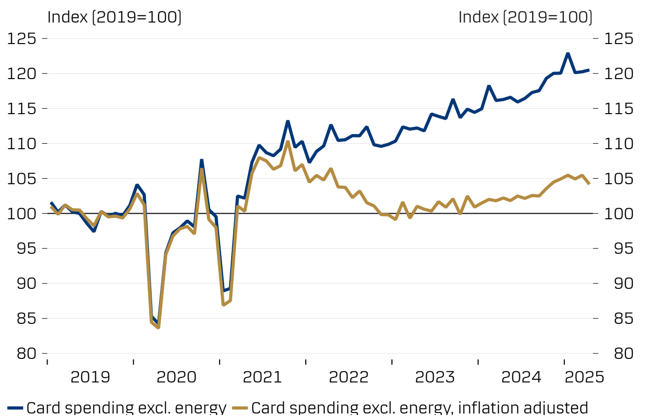
House prices continue to appreciate, supported by incomes and declining interest rates

The reluctance to spend that characterises consumers generally is not replicated in the housing market. Prices are rising tirelessly, and sales activity remains solid, supported by growing incomes and declining interest rates – especially at the short end. Meanwhile, the modest volume of new builds in recent years means the supply of homes is relatively low.

At national level, the housing burden – in other words, the cost of interest, taxes and other housing expenses relative to income – is below the historical average. In the capital, Copenhagen, the apartment market presents a somewhat different picture, however. Here, the ratio of cost to income is approaching the most expensive since the housing bubble that preceded the financial crisis. This also means that the risk of prices falling here is significantly greater than at the national level, although current activity levels and price growth indicate that many still find buying in Copenhagen attractive.

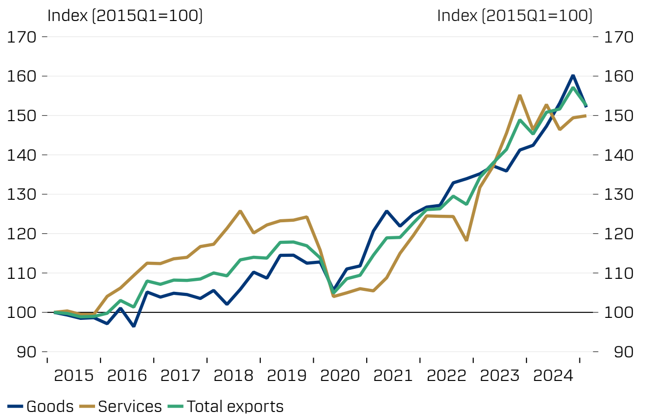
Correcting for the general development in prices, house prices in real terms remain considerably below their previous peak, though there is noticeable growth here too.

The strong growth going into 2025 has slowed



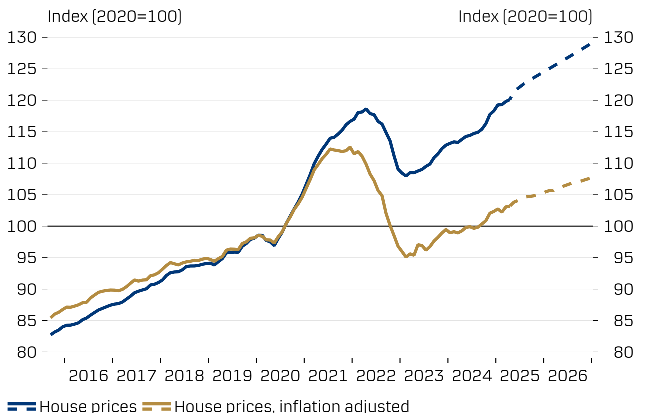
Source: Danske Bank, Statistics Denmark, Macrobond Financial
Note: Seasonally adjusted

Goods have been the driver of export growth



Source: Statistics Denmark, Macrobond Financial

Housing market defies consumer gloom



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

Brighter outlook after volatile spring

- **The recovery has slowed but will regain momentum in the second half of the year.**
- **The Swedish population is expected to shrink next year, for the first time since 1880.**
- **Households' financial situation is improving, but subdued consumer confidence and the decline in housing prices will weigh on spending in the near term.**
- **Inflation will remain above target in 2025, but momentum will ease sufficiently for a rate cut in the third quarter.**

	2024	Forecast 2025	2026
GDP Growth	1.0%	1.6% (2.0%)	2.5% (2.5%)
Inflation, CPIF	1.5%	2.3% (2.5%)	2.0% (1.7%)
Unemployment	8.4%	8.7% (9.0%)	8.2% (8.4%)
Policy rate*	2.75%	2.00% (2.00%)	2.00% (2.00%)

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

This spring has been a volatile period, with huge uncertainty around tariffs, inflation above target, and signs of the recovery slowing. Consumer confidence is subdued, the housing market is weak, and domestic firms have revised down their expectations.

Looking ahead, the stage is set for the economic recovery to regain momentum in the second half of the year. Households are still seeing healthy real income growth. Taxes are lower, real wages are rising, and interest costs have fallen. Inflation will ease gradually, and there is much to suggest that the Riksbank will cut the policy rate in the third quarter. While there is much uncertainty, Swedish firms have successfully navigated turbulent times in the past.

Uncertain export outlook
The uncertainty and turbulence around tariffs have implications for Swedish exporters. The direct impact of US tariffs is likely to be limited and within the normal margin of forecast error. For

Looking ahead, the stage is set for the economic recovery to regain momentum in the second half of the year.

Susanne Spector, Chief Economist Sweden

firms with extensive exports to the US, the slide in the USD will be a greater challenge for profitability in the near term. At the same time, the uncertainty in itself is bringing weaker economic growth, and growth forecasts for Sweden's most important export markets have been revised down, which points to weaker export growth this and the next quarter, after a strong start of the year.

Consumers downbeat

Households' financial situation has improved, with lower interest rates, lower taxes and rising real wages. Consumers have nevertheless been unusually pessimistic about both their own finances and the Swedish economy. Consumer confidence peaked when the Riksbank was cutting interest rates at the end of last year. Although the Riksbank did not signal at the time that the policy rate would go below 2.25%, it is not unreasonable to assume that households anticipated further reductions.

Higher inflation and speculation about a rate hike at the Riksbank's March meeting may have fuelled consumer concern. Savings are unevenly distributed, and there may also be a need for more households to build up fresh buffers after a couple of years with less being set aside. We therefore expect the saving rate to hold at high levels this year.

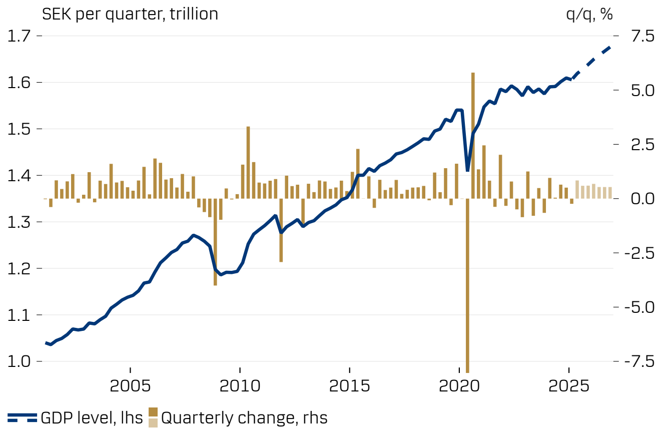
Despite weak consumer confidence, retail sales have picked up, and the gap between soft data (what consumers are saying) and hard data (what consumers are doing) is unusually wide. The correlation between consumer confidence and consumer spending was weaker during the period of high inflation, but the direction was consistent: when confidence fell, so did spending, and vice versa. The drop in housing prices also indicates that consumer pessimism is having a real economic impact, pointing to a continued downturn in spending.

Fluctuating housing market

The decline in consumer sentiment has been most evident in the housing market. Housing prices have dropped 2.5% since the start of the year, and transactions are down in seasonally adjusted terms. Short fixed-rate periods mean that monetary policy feeds through to mortgage rates quickly, and this ought to have lent a helping hand. However, if households expected more rate cuts than have materialised, it is natural for pricing to adjust. Households may also have revised up their rate expectations because of rates for fixed-rate mortgages bottoming out.

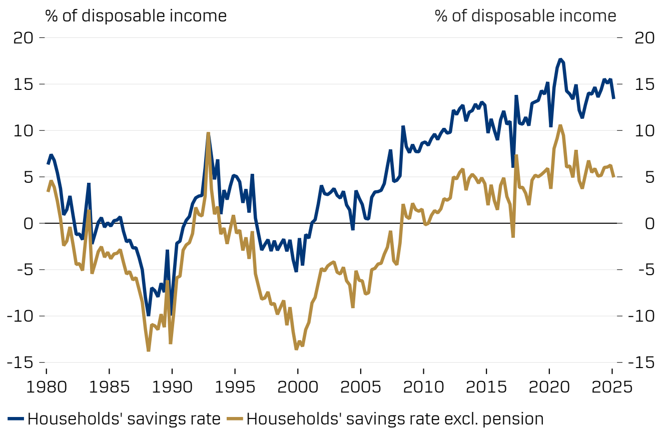
We forecast that housing prices are close to the through and will pick up after the summer as the economic recovery regains momentum. In the medium term, our view is that housing prices will rise with incomes, meaning that a return to the levels seen before prices fell in 2022 is beyond our forecast horizon.

Recovery set to regain momentum later this year



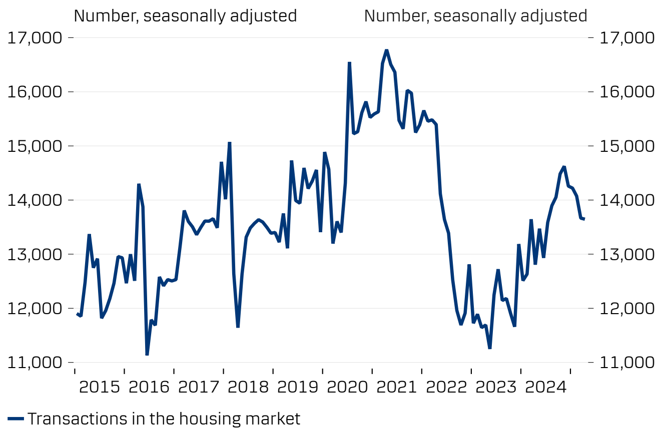
Source: Statistics Sweden, Macrobond and Danske Bank

High household saving rate



Source: Statistics Sweden, Macrobond and Danske Bank

Housing sales down since last autumn



Source: Svensk Mäklarstatistik, Macrobond and Danske Bank

> *The labour market remains fragile but is showing signs of a turnaround.*
>
> *Susanne Spector, Chief Economist Sweden*

Population to shrink next year

Sweden's population grew by 0.3% last year, or 36,000 people, the second-smallest increase since 2002. The number of births continued to fall, which means that the increase in the population was mainly a result of higher net immigration, especially in the form of Ukrainian refugees, who have been able to apply to be registered in Sweden since June 2024.

Statistics Sweden has revised down its population projections further. Next year, the population is expected to shrink, for the first time since 1880. The main reason is that a third of the Ukrainian citizens in Sweden are expected to leave in 2026. Over the rest of the period through to 2030, the population is expected to increase by just over 0.2% a year, which is a major change from the 2010s when it was growing at an average of 1% annually.

Slower population growth has implications for the economy. Fewer births impact municipalities' need for nursery and school places. Slower population growth will also reduce the need for new housing, and fewer new housing developments mean fewer grocery stores, hairdressers and gyms. In other words, slower population growth means that the Swedish market will grow more slowly. In the near term, labour shortages may also be exacerbated by a decline in the working-age population next year.

Housing production will remain low, but other investment will be boosted by expansionary fiscal policy

High construction prices, a subdued housing market and slower population growth mean that housing production will remain low during the forecast period. The temporary increase in the tax allowance for renovation costs may have a marginal impact on households' propensity to invest in their homes, but investment in home improvements has also fallen in recent years.

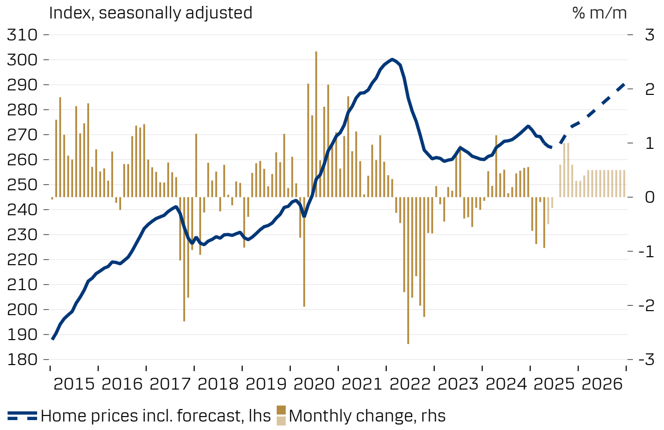
Investment in other types of buildings, however, has grown rapidly, rising by 23% over the past two years. During the first quarter, these investments fell markedly, but builders and civil engineers remain positive about the outlook for the coming year in the NIER's tendency survey. Civil engineers are most positive, while homebuilders are slightly less upbeat than last year.

Investment excluding housing production has performed well in recent years. Alongside non-residential construction, government investment has helped prop up overall investment and is expected to be an even more important driver next year. Fiscal policy is expansionary and is expected to be at least as loose next year, which is also an election year.

Labour market recovering

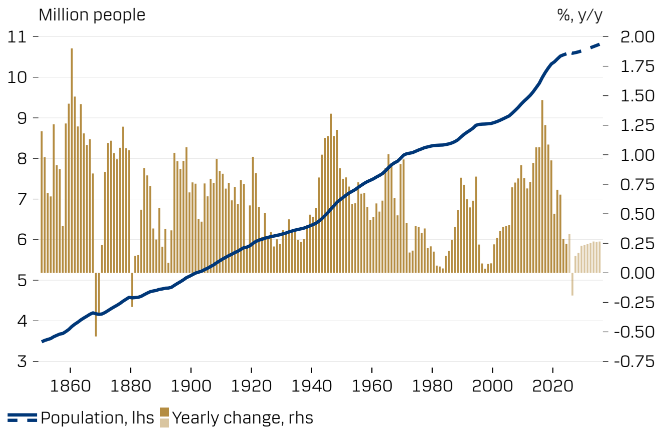
The labour market remains fragile but is showing signs of a turnaround. While unemployment rose in the first quarter, so did employment according to the Labour Force Survey. The rise in unemployment can therefore be explained by a greater number of jobseekers as more of those who were previously available but not seeking work are now doing so.

Housing prices expected to pick up after the summer



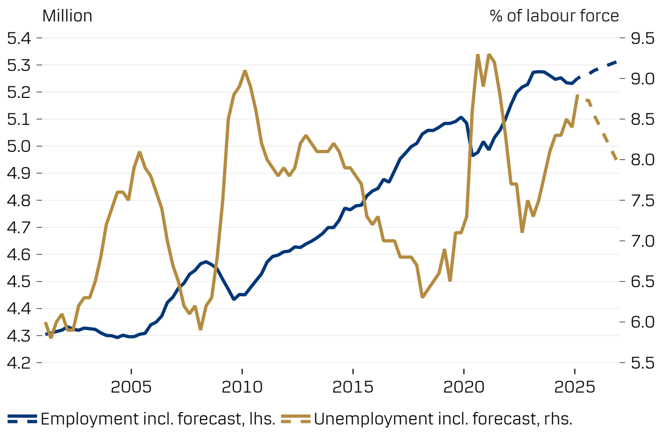
Source: HOX Valueguard, Macrobond and Danske Bank

First population decrease since the 19th century expected next year



Source: Statistics Sweden, Macrobond and Danske Bank

Better labour market in the autumn



Source: Statistics Sweden, Macrobond and Danske Bank

> *Even if the economy improves in line with our forecast, it will be some time before it returns to normal.*
>
> *Susanne Spector, Chief Economist Sweden*

The tariff turmoil impacted the weekly statistics for new job openings, which dropped back in the second half of April. Redundancies continued to fall, however, and were somewhat below the historical average in April, which confirms the picture of firms taking a wait-and-see approach. The number of people registering as newly unemployed is also at moderate levels, and together with lower redundancies this points to an improvement in unemployment.

The spring pay talks resulted in a two-year deal worth a total of 6.4%. Indicator models suggest that wage growth will shift down to around 3.5% annually, which is also what we are assuming in our forecast. In the near term, however, the risks are to the upside, which could potentially bring greater cost pressures in the economy.

Inflation above target
The year began with rising food prices. Inflation accelerated, moving the path for 2025 above the 2% target. Food price increases have since slowed, and lower energy prices and a stronger SEK should contribute to lower inflation ahead.

Another factor behind the rise in inflation at the start of the year was the basket effect, a technical effect that will serve to push up inflation this year. Next year, the basket effect is expected to reverse, pulling down the path of inflation. We expect subdued demand and stiff competition to help inflation drop back to the target level next year.

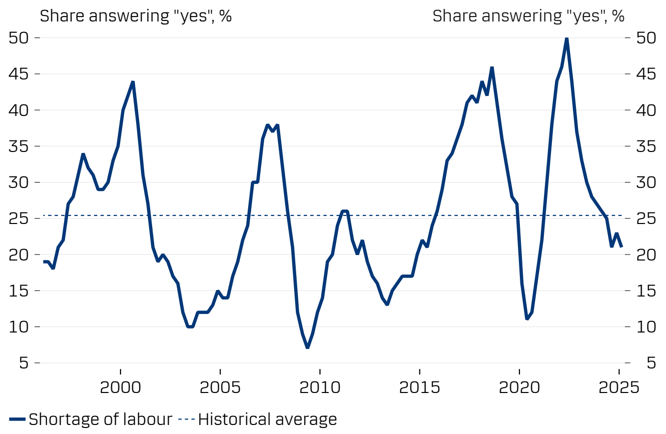
Despite this brighter inflation outlook, there are still clouds on the horizon. The uncertain geopolitical situation spells an increased risk of supply chain disruption, which could drive up inflation. Despite the stronger SEK and weaker demand, pricing plans are still elevated, prompting concern about firms' pricing behaviour. And in the NIER's tendency survey, firms' inflation expectations for the coming year increased in April, indicating that expectations are not fully anchored around the target after the recent period of high inflation.

Tricky balancing act for the Riksbank
The Riksbank cut its policy rate to 2.25% in January. In May, the board left the door open for some monetary easing on account of the weaker economic outlook and lower inflation risks.

We share the view that resource utilisation is low and that the Swedish economy needs additional support. Even if the economy improves in line with our forecast, it will be some time before it returns to normal. Our assessment is that the neutral policy rate is below the current rate of 2.25%.

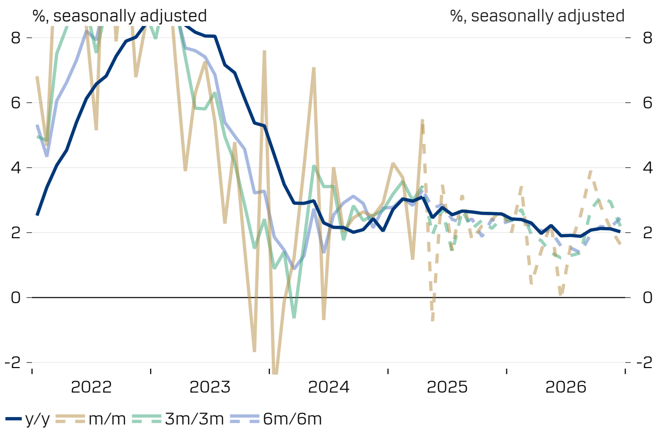
As the monthly inflation figures improve, we therefore expect the Riksbank to signal a rate cut in the third quarter at its meeting in June, and then make that cut, providing support for both consumers and the housing market. The improved economic outlook after that indicates that the Riksbank will then go back on hold. Further cuts cannot be ruled out, but would require a lower path for inflation than we currently anticipate.

Low resource utilisation



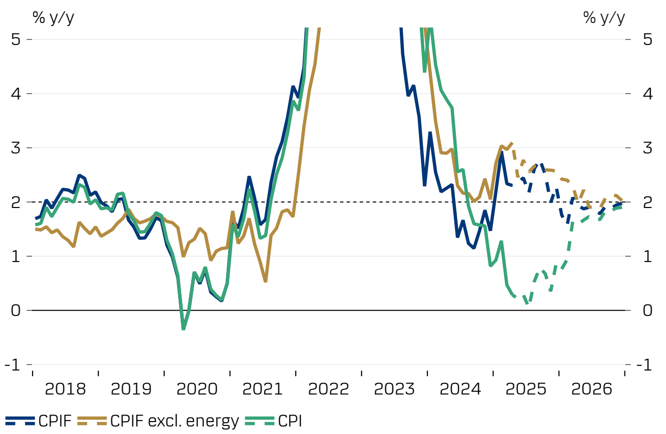
Source: NIER, Macrobond and Danske Bank

Lower inflation momentum opens door for rate cuts



Source: Statistics Sweden, Macrobond and Danske Bank

Inflation back on target next year



Source: Statistics Sweden, Macrobond and Danske Bank

Strong start, but risks are looming

- **Strong upswing in first quarter.**
- **Uncertainty around global trade war, interest rate expectations and decline in oil investment.**
- **Labour market has tightened.**
- **Wage and price inflation have been higher than expected.**
- **NOK driven by trade conflicts, oil prices and Norwegian data.**
- **Rate cut pushed back to autumn.**

	2024	Forecast 2025	2026
GDP Growth	0.6%	1.7% (1.8%)	1.6% (1.7%)
Inflation	3.1%	2.7% (2.3%)	2.3% (2.0%)
Unemployment	2.0%	2.2% (2.2%)	2.3% (2.3%)
Policy rate*	4.50%	4.00% (3.50%)	3.25% (2.50%)

Paranthesis are the old projections (From March 2025)
**End of period*
Source: Danske Bank, Statistics Norway,
Norwegian Labour and Welfare Organization (NAV), Norges Bank

Solid upswing in the first quarter...
Mainland GDP climbed 1.0% in the first quarter, the strongest quarterly growth for almost three years. This did follow a very weak fourth quarter last year, and was partly a result of a correction in primary industry. Drill down into the data, however, and they still look strong.

Private consumption was up 1.5%, business investment rose 1.2%, and even housing investment climbed 0.4%, its first increase for more than two years. In fact, “exogenous” factors such as government investment and oil investment fell 10.0% and 9.3% respectively. Mainland exports increased only moderately, but unchanged imports meant that net exports made a positive contribution to growth. There was also a moderate increase in government consumption, but overall government demand made a negative contribution due to the

> *Solid upswing in the first quarter.*
>
> *Frank Jullum, Chief Economist Norway*

sharp drop in investment. This is very much in line with our expectations that strong real wage growth and gradually easing headwinds from higher interest rates, coupled with a solid labour market, would probably bring very solid growth in real household income this year. This is supporting consumer spending and has boosted prices and activity in the secondary housing market. The latter factor has gradually increased both new home sales and housing starts.

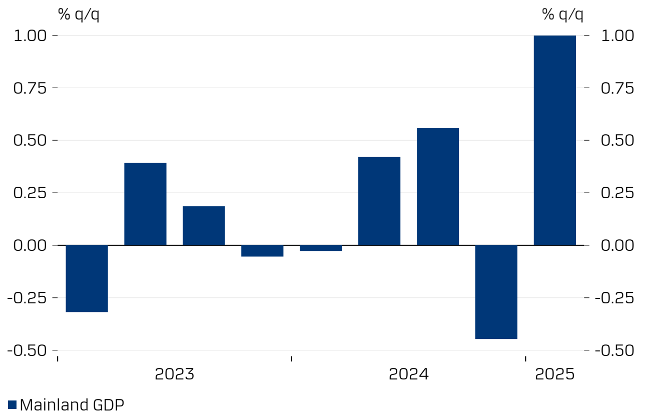
Business investment outside the oil sector picked up in the first quarter after falling gently for more than two years. High interest rates pushed up the required rate of return for many projects, and many investments in renewable energy were postponed or cancelled. This pulled down investment, exacerbated by modest growth and tight margins in many industries. On the other hand, there has been an increase in both propensity and capacity to invest in the power sector and technology. We had expected investment in oil-related industries to start to decline this year, but the drop in the first quarter was both bigger and earlier than we had anticipated. Based on the oil industry investment survey, oil investment should pick up again in the second quarter.

...but will it last?
Although growth picked up in the first quarter, there is uncertainty about whether this will continue. There are three main factors that could put the brakes on growth over the course of the year.

First, we fear that a substantial part of the recent improvement in interest-rate-sensitive sectors such as private consumption, business investment and housing investment may have stemmed from expectations of a rate cut in March that never materialised. The (always volatile) monthly figures show a deceleration in consumer spending over the first quarter, with growth slowing from 1.3% m/m in January to 0.4% in February and -0.1% in March. Elsewhere, the most obvious effect for now is in the housing market. After rising strongly in the three-month period from December to February, housing prices climbed just 0.1% in March and fell 0.2% in April. More worrying, however, is that sales of new homes, which were up around 50% y/y in January and February, dropped back again in March and April. That said, the data for March and April are particularly uncertain as a result of Easter falling in March last year but April this year.

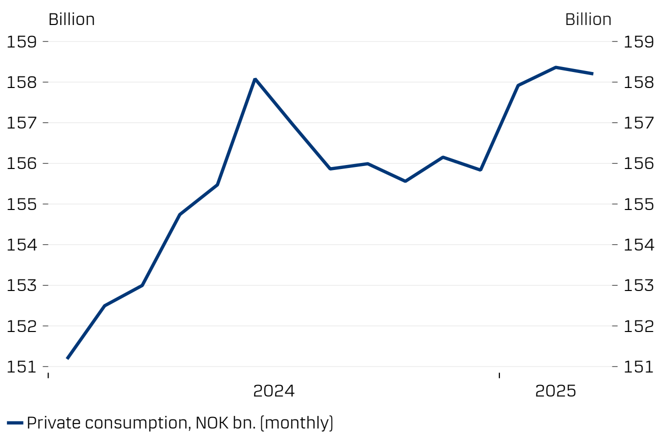
Second, we are unsure how hard global trade conflicts will hit Norway. The direct effects on the Norwegian economy will probably be moderate. We expect the US to stick to tariffs of 10-15% on Norwegian goods, but exports to the US make up only about 8% of mainland exports, and we assume that no other countries will increase their tariffs on Norwegian goods. The indirect effects may be more pronounced, of course, as Norway is a small, open economy. Based on the tariffs that we now expect around the world, we have revised down our forecast for global growth only moderately. There is still a risk, however, that the increased political uncertainty could have a greater impact via investment decisions and so on, and we have seen signs of this

Strong growth in Q1



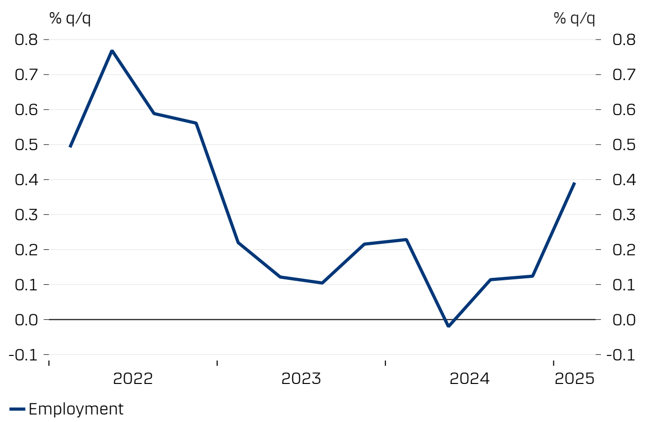
Source: Macrobond, Danske Bank

Private consumption flattened in March



Source: Macrobond, Danske Bank

Employment growth is picking up



Source: Macrobond, Danske Bank

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Inflation higher than expected.

Frank Jullum, Chief Economist Norway

in global sentiment indicators. In Norway, the manufacturing PMI fell from 50.8 to 46.1 in April, its lowest since July 2020, driven mainly by a drop in the new orders index to 38.2. This index does, however, tend to fluctuate considerably from month to month, and the timing of Easter this year may have exacerbated this. The Confederation of Norwegian Enterprise (NHO) also publishes a monthly survey of its member companies, which are relatively representative of Norwegian industry. Their view of the current situation fell from a positive net balance of 3 points in April to 1 in May, while their assessment of the outlook for the next six months dropped from 2 points in March to -4 in April and -5 in May. Note, however, that the survey was conducted at the beginning of May, before the US and China agreed to de-escalate their trade conflict.

Third, oil investment – one of the main growth engines in the Norwegian economy over the past two years – is set to slow and gradually start to fall. While the oil investment survey points to growth of 3-4% this year, a substantial overhang heading into 2025 suggests that activity will decline, especially in the second half. This is also evident from order data from the shipbuilding industry, which does also serve other shipping segments but has historically moved in line with oil investment with a lag of up to a year. This will put a damper on growth in the Norwegian economy, but the question, as ever, is how strong this effect will be.

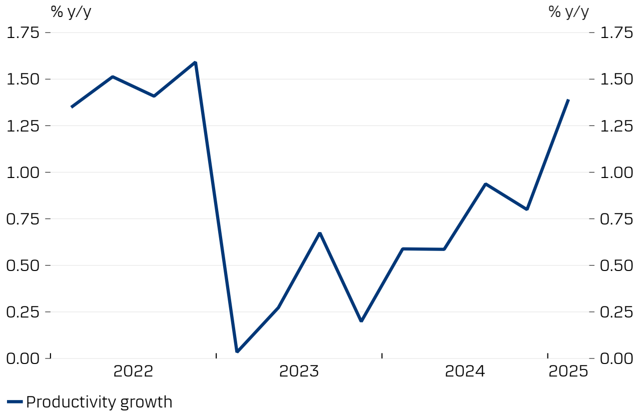
Developments in the Norwegian economy have been largely as expected since our March forecast, and we have made only minor revisions. Fewer interest rate cuts will mean slightly weaker growth in consumer spending despite higher real wage growth, while stronger government spending will offset this to some extent. Exports are expected to be little affected by trade policy, but estimates here are particularly uncertain. We now expect mainland GDP to grow 1.7% this year and 1.6% next year.

Labour market looking tighter

The labour market has tightened considerably in recent months. After rising in both 2023 and 2024, gross unemployment fell in both January and February. While it rose slightly again in March, it is still lower than at the end of last year. This is mainly the result of a substantial increase in employment towards the end of last year and at the beginning of this year. At the same time, the number of new job openings published by NAV has begun to rise again, and the total number of job vacancies increased again in the first quarter. All of this indicates that demand for labour has picked up, and that this has come without an increase in matching problems. This ties in well with overall growth in the first quarter, with hourly productivity climbing 1.3% y/y, the fastest for almost four years.

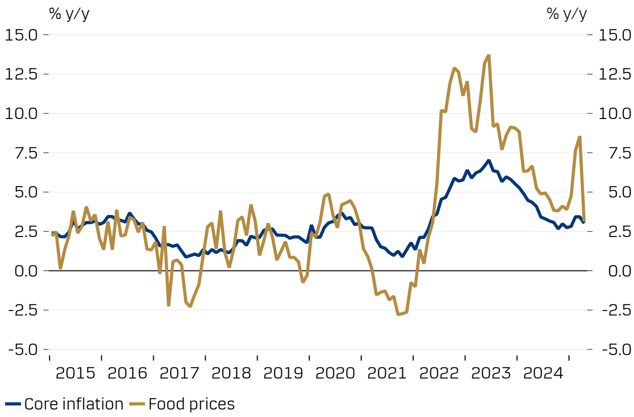
We still expect a moderate rise in unemployment to 2.2% this year and 2.3% next year, unchanged from our previous forecast. We also still expect productivity growth to pick up gradually, meaning that unemployment will rise slightly even if GDP growth picks up.

Productivity growth finally about to normalize



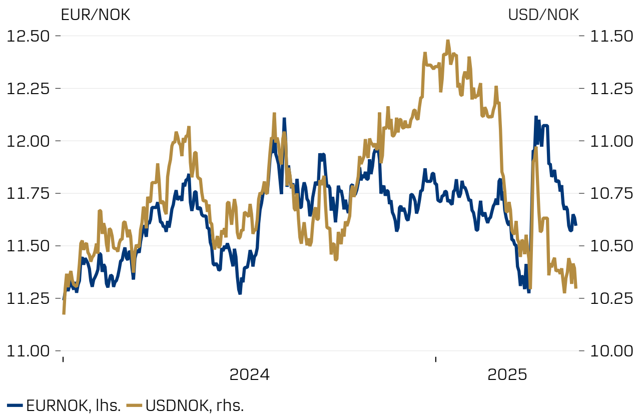
Source: Macrobond, Danske Bank

Higher inflation is partly due to food prices



Source: Macrobond, Danske Bank

The FX market has been extremely volatile



Source: Macrobond, Danske Bank

Wage and price inflation higher than expected
Inflation has been much higher than expected since our March forecast. After falling throughout last year, core inflation levelled off towards the end of the year and surprised strongly to the upside in February at 3.4%. Although it dropped back again to 3.0% in April, this is still much higher than we assumed in March.

The rise in inflation has been relatively broad-based, but the biggest contributors have been food prices and services ex rent. The increase in the latter component was fuelled mainly by regulated prices for public services at the beginning of the year, whereas in April it was mainly a result of higher airfares around Easter.

Looking ahead, we still expect inflation to ease. While the tight labour market will bring slightly higher wage growth in 2025 and 2026 than we previously assumed, it will still drop from 5.7% last year to 4.4% this year. Productivity growth also looks set to accelerate even more quickly than expected, moving from negative territory to around 1% this year. This means that growth in unit costs, which are the most important driver of inflation in the medium term, will slow from more than 5.5% last year to less than 3.5% this year, which will probably help rein in inflation.

Inflation may also be affected by global trade conflicts, but we assume that Norway will not impose additional tariffs on foreign goods and services. Higher tariffs globally will, in isolation, push up global consumer prices, but economic growth will also fall and pull in the other direction. We also cannot rule out an even stronger deflationary effect from China if Chinese goods that cannot be sold in the US are offloaded on countries like Norway.

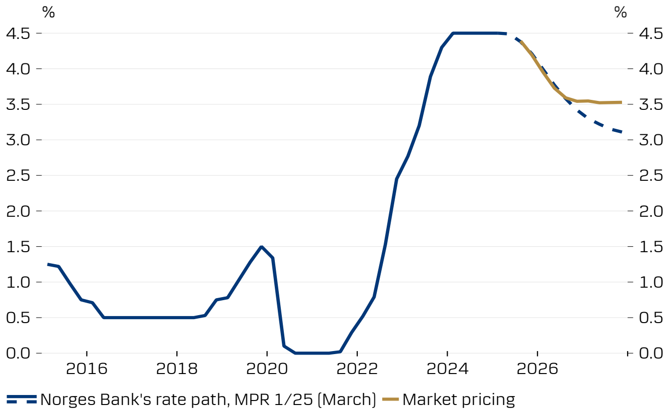
We have revised up our forecast for core inflation this year from 2.3% to 3.0%, but are retaining our previous forecast of 2.2% next year.

The pay settlements should mean wage growth of 4.4% this year if wage drift is as expected. This is slightly higher than indicated by the likes of Norges Bank's regional network survey and expectations survey, and also higher than we assumed in our previous forecast. A somewhat tighter labour market and, not least, higher inflation are probably the main reasons for higher-than-expected wage growth. Wage growth has nevertheless been slightly higher than the model would suggest, and so we have revised up our forecast for next year to 3.7%.

NOK driven by global turmoil
The NOK has been unusually volatile since our March forecast. Much of this has, of course, been driven by big shifts in global risk appetite stemming from swings in global tariffs, especially between the US and China. In a nutshell, escalating trade conflicts will make the NOK weaker against the EUR but stronger against the USD. Hence the NOK is now slightly stronger against the EUR than in our previous forecast but around 8% stronger against the USD. The surprisingly high inflation numbers for February also supported the NOK, while the clear shift in OPEC+ policy pulled the other way via lower oil prices.

We expect further tight global monetary policy to provide little support for cyclical assets like the NOK. The persistent threat of an escalating global trade war also presents a risk to the currency.

The market doubts Norges Bank



Source: Macrobond, Danske Bank

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 pushes back rate cut to September
Norges Bank left its policy rate unchanged at 4.5% at its meetings in March and May. At the March meeting, the bank revised up its rate projections and pushed back the timing of a first cut as far as September. The path presented in the March monetary policy report shows two cuts this year, around three next year and one in 2027, taking the policy rate to 3.00%.

As discussed above, uncertainty about developments in the Norwegian economy has increased. Economic growth, inflation and wage growth have all been stronger than expected. This would suggest that monetary policy can and should be kept restrictive for longer than previously signalled. On the other hand, an escalating global trade war could affect the outlook for growth and inflation in Norway, but the effects would pull in different directions. It is also possible that the upswing in the economy has been driven partly by expectations of a rate cut that never materialised, meaning that growth will slow again.

Either way, it appears that the forces that drive inflation in the medium term are still pointing to disinflation. Lower growth in unit costs will put a damper on domestic inflation, and lower global price increases combined with a more stable NOK will put a damper on imported inflation. On the other hand, rent increases are slowing due to lower inflation, lower interest rates and increased activity in the secondary housing market. We therefore still believe that there is scope to reduce interest rates in Norway, and expect Norges Bank to lower the policy rate in both September and December and a further three times next year.

Rocky road to recovery

- **The Finnish economy is gradually recovering, but consumer caution and the unpredictability of U.S. trade policy are throwing obstacles in the path.**
- **Prospects for growth in consumer demand are improving, supported by rising real earned income and falling interest rates. Rising unemployment and public sector expenditure cuts have dampened households' appetite for consumption, but we expect consumption to grow later this year.**
- **Exports will pick up, provided that the U.S. does not raise tariffs above current levels.**
- **Some sectors – such as construction – are already recruiting more, but the unemployment rate will likely stay high in the coming months.**
- **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 gradually turn to growth.**
- **The public deficit will remain large, and the debt ratio will increase. Decisions from the government's mid-term policy review session will increase the deficit in the short term but will stimulate the economy in the longer term.**

	2024	Forecast 2025	2026
GDP Growth	-0.1%	0.9% (1.1%)	1.7% (1.8%)
Inflation	1.6%	0.7% (0.9%)	1.5% (1.8%)
Unemployment	8.4%	8.8% (8.3%)	8.0% (7.7%)
Deposit rate*	3.00%	1.50% (1.50%)	1.50% (1.50%)

Parentheses are the old projections (From March 2025)
**End of period*
Source: Danske Bank, Statistics Finland, ECB

Finland's volume of GDP for the whole of 2024 remained slightly lower than the previous year, even though the economy grew during every quarter from the slump at the end of 2023. The economy was flat in the first quarter of this year. Leading indicators, such as confidence of companies, show that the economy continued to pick up, but the volume of orders in industry and consumers' level of purchase intentions still remained below normal in early 2025.

A number of factors will support continuing recovery this and next year. 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 have stabilised, but a full recovery will still take time.

Headwinds still appear significant, and recovery from the economic slump will be slow. The weak employment situation keeps consumers cautious, and public sector adjustment measures will weaken aggregate demand in the short term.

Consumers' purchase intentions and retail sector confidence have increased slightly, but the turnaround in consumption demand will be slow.

Pasi Kuoppamäki, Chief Economist Finland

The uncertainty surrounding U.S. trade policy casts a shadow over export prospects, but the length of that shadow remains unknown. We expect economic growth to gradually strengthen during 2025.

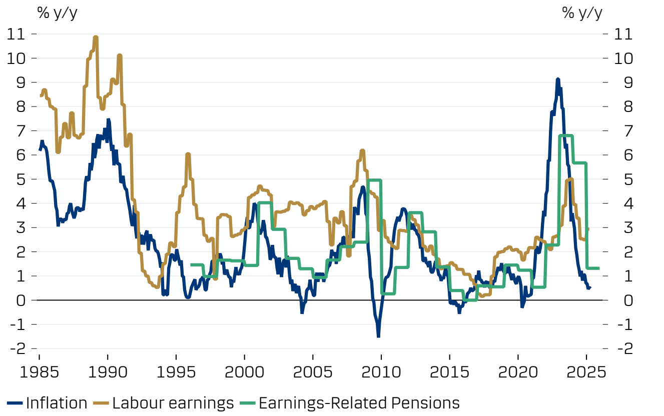
Finland's harmonised inflation rate remained lower than the euro area average for a second year, largely due to falling energy prices. In spring 2025, the harmonised inflation rate accelerated due to factors such as increases in hospital fees and VAT. The price of many services continues to rise. Meanwhile, the domestic consumer price index inflation will fall, mainly due to lower housing loan interest rates. Subdued demand is increasing pressure for price competition in many commodities. Overall inflation will remain moderate, below the rise in earnings, resulting in consumers' increased real purchase power.

Considering the increases agreed in collective agreements and the typical wage drift, earnings will increase by over 3% this year and next year. This earnings level is likely to maintain inflation caused by cost pressures especially in the service sectors, but the increases will not weaken cost competitiveness in export markets, and significant industrial action is unlikely to occur over the next couple of years. 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. Since pensioners' housing loans are smaller than average, they do not benefit from the fall in loan interest rates, and their real purchase power may not improve.

We expect private consumption to grow moderately 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. Nevertheless, intentions to purchase consumer durables rose closer to their historical average in the spring. The savings ratio will remain positive, as consumers' concerns about unemployment are maintaining the need to save for a rainy day.

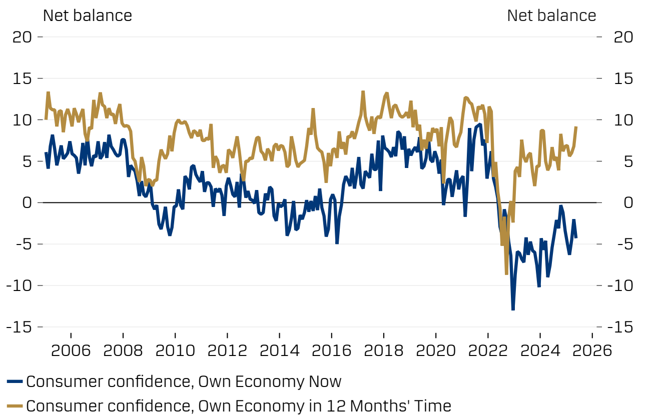
The increased savings ratio improves the financial security of households, but it temporarily weakens consumer demand. During 2025, rising purchasing power through growth in real earnings and falling interest rates, along with improved consumer confidence due to strengthening economic growth, is stimulating consumer demand. The pent-up need for home renovations and purchasing household appliances, for example, will gradually be unleashed.

Purchasing power rises when inflation stays low



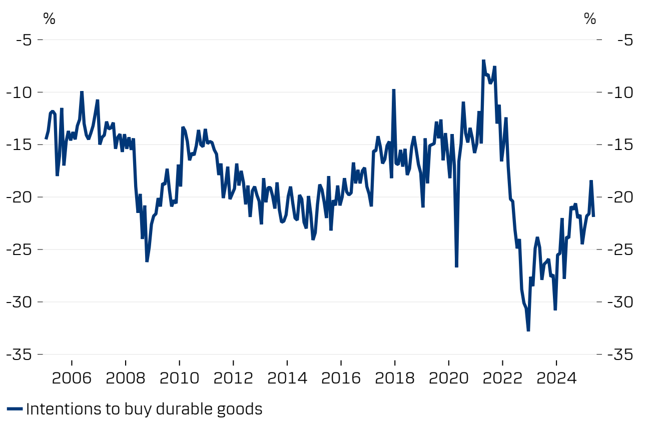
Source: Macrobond Financial, Statistics Finland, Danske Bank

Consumer confidence approaching average



Source: Macrobond Financial, Statistics Finland, Danske Bank

Consumer plans to buy durable goods rose during the spring



Source: Macrobond Financial, Statistics Finland, Danske Bank

Falling inflation in the euro area, continued modest economic growth and the slowdown in wage growth have provided grounds and an opportunity to ease monetary policy. 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.

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. The agreed pay settlements will maintain Finland's price competitiveness, which means that pickup in demand should bring orders to Finland as well. Industrial confidence rose closer to its historical average in spring, even though the abrupt changes in U.S. trade policy shook confidence. The risk of a trade war and its impact on the European economy remains a significant source of uncertainty, but in our forecast, we expect that tariffs will remain at the current level over the forecast period.

In our assessment, Finnish companies can cope with tariffs of 10%, but higher U.S. tariff levels would weaken export prospects both directly and through uncertainty in the global economy. The volume of orders predicted in the industrial confidence survey indicates a stagnant but stable situation. New orders may develop sluggishly in the second quarter due to uncertainty surrounding tariffs. Finland's trade surplus has increased, which, together with a slightly improved service balance, somewhat unexpectedly raised the current account positive in 2024. We expect the current account surplus to be maintained this year.

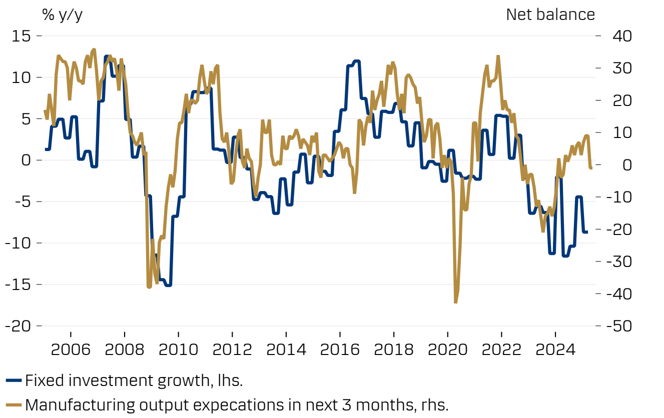
There was a widespread decline in investments last year, but the situation will gradually improve this year. Lower interest rates support the profitability of investments. The dramatic plunge in construction appears to have stabilised, but recovery will be delayed. The number of new starts and completions, in particular, will still be low this year, but the need for new housing construction will increase towards next year. Infrastructure investment has already turned to modest growth. Industrial investments have decreased slightly, and spending on research and product development is stagnant.

The investment climate will gradually improve as interest rates decline and demand picks up. Industrial capacity utilisation has already increased slightly. 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, and growth seems likely due to the significant electricity demand generated by data centres alone.

The labour market has weakened and will continue to be weak for another few months. The employment rate trend among people aged 20 to 64 peaked at 78.5% in 2022 before the downturn, but the upward trend stopped last year. In April, the employment rate trend for 20–64-year-olds was stable at 76.2%. The seasonally adjusted unemployment rate was 9.0% in April. The unemployment rate dipped to 6.1% in spring 2022 after the recovery following the lifting of the COVID-19-related restrictions. The number of permanent full-time jobs has not declined significantly, but the number of fixed-term part-time jobs in particular has decreased. Unemployment initially increased in the construction sector, in particular, but when the downturn was prolonged, the situation deteriorated overall.

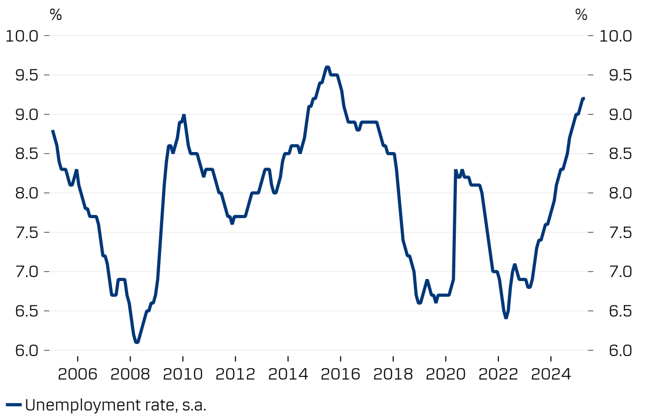
The labour market is currently still weak, but some sectors already appear more stable. In the first quarter of 2025, construction sector employment had already improved slightly year-on-year. The number of open vacancies has decreased clearly in all main industries. At the end of 2024, the number of 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,

Investment slump about to end



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

Rise in unemployment worries consumers



Source: Macrobond Financial, Statistics Finland, Danske Bank

Housing market picking up slowly

Source: Macrobond Financial, Statistics Finland, Danske Bank

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, the conditions have changed, particularly due to the uncertainty caused by U.S. trade policy. The realised key figures have generally been close to expectations or slightly weaker. According to preliminary information, the first quarter of 2025 was slightly weaker than expected, and leading indicators point to slow recovery in the coming months. We have slightly lowered our GDP forecast for the Finnish economy, as the realised figures provide a modest starting point for the remainder of the 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. Exports will also increase, but the net contribution of foreign trade will remain weak. The government's fiscal policy is restraining growth in 2025, but from 2026 onwards, it will become more stimulative thanks to tax reductions and increased defence expenditure. The greatest impact of the easing will not be felt until after the forecast period, however.

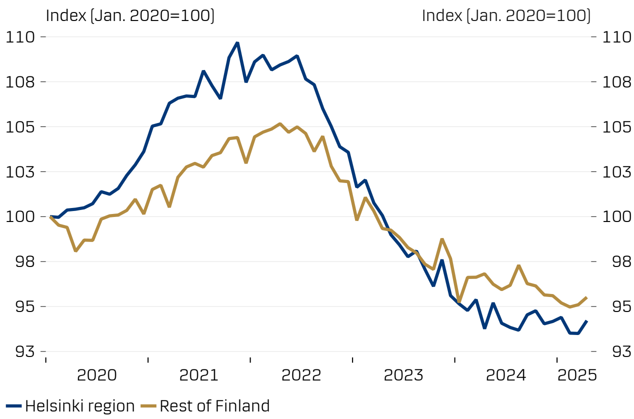
There continue to be signs of recovery in the housing market compared to the first half of 2024, although the number of transactions remained below the average historic level in the spring. According to preliminary information from Statistics Finland, the prices of re-sold owner apartments fell by 0.7% quarter-on-quarter in the first quarter of 2025 and remained 1.1% lower than a year ago. Although the number of transactions has approached a more normal level, the abundant supply of housing is curbing price increases. Preliminary data for April indicates that housing sales have continued at the same pace as in recent months. Prices increased especially in the Helsinki Metropolitan Area. Concerns about employment are still holding back many planned purchases, but the conditions for a pickup 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 was 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 of new starts already appears to have picked up slightly. 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 revival of housing construction will not take place until towards the end of 2025. Economic recovery may significantly boost construction in 2026.

The government aims to balance Finland's public finances through expenditure cuts, some tax increases, as well as selective tax cuts and structural reforms designed to accelerate growth. Of the EUR 9bn adjustment measures agreed before the mid-term policy review session, some 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 will not immediately improve as hoped.

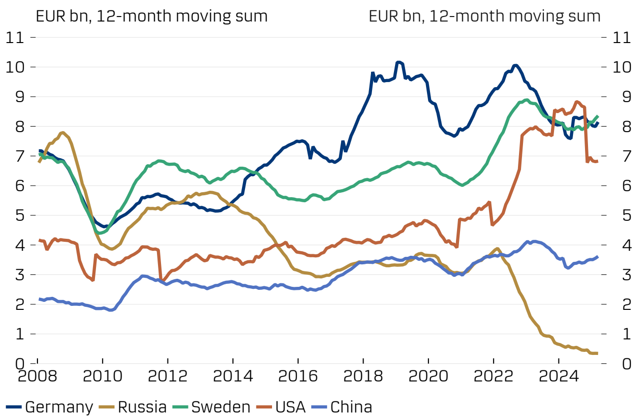
During its mid-term policy review session in spring 2025, the government decided to reduce the corporate income tax rate to

Plentiful supply slows down rise in housing prices



Source: Macrobond Financial, Statistics Finland, Danske Bank

USA has a sizable share in exports



Sources: Macrobond Financial, Customs, Danske Bank

18% (currently 20%) and lower taxation of earned income, including lowering the highest marginal tax rates. The new savings measures were modest, and hopes for the sustainability of public finances rest on the dynamic impact of the measures through stronger economic growth. A decision was also made to increase defence expenditure to 3% of GDP by 2029. We expect the public deficit to grow as a result of the decisions, at least in the near term, but economic growth will also strengthen gradually as the impact of the decisions take effect.

Public debt has increased at a rapid rate and continues to grow. The second draft budget for 2025 shows a deficit of over EUR 12bn. The 10-year interest rate on the public debt of Finland fluctuated on both sides of 3% in the spring. Compared to Germany, the difference in interest rates has remained rather stable and slightly lower than last year. Credit rating institutions have waited for structural reforms that would narrow the sustainability gap, and for the fiscal adjustment measures related to public finances. The government has implemented a number of measures, but economic growth remains modest, and the budget deficit is large. The risk of a downgrade in the sovereign credit rating has increased, but we expect Finland's credit ratings to remain unchanged in 2025 if economic growth picks up as anticipated. However, if the economic recovery and fiscal adjustment measures are not sufficient to stabilise the deficit, Finland could face EU's excessive deficit procedure. This would likely lead to further adjustment measures.

Forecast tables

Macro forecasts - Denmark

	2024	2024	Forecast 2025	2026
National Accounts	**DKK bn (Current prices)**	**y/y**	**y/y**	**y/y**
Private consumption	1287.5	0.9%	1.0%	2.1%
Government consumption	668.2	1.4%	3.9%	0.6%
Gross fixed investment	657.6	2.7%	4.7%	2.7%
- Business investment	403.2	2.8%	0.5%	1.4%
- Housing investment	161.3	2.0%	4.4%	4.0%
- Government investment	93.1	3.1%	23.2%	5.4%
Growth contribution from inventories		-1.0%	-0.2%	0.0%
Exports	2064.5	7.5%	2.9%	3.4%
- Goods exports	1188.3	9.8%	4.0%	4.6%
- Service exports	876.3	4.4%	1.4%	1.6%
Imports	1744.4	3.0%	5.3%	2.6%
- Goods imports	932.2	1.9%	7.3%	1.9%
- Service imports	812.2	4.4%	2.9%	3.5%
GDP	2960.9	3.7%	3.2%	2.5%
Economic indicators				
Current account, DKK bn		385.6	392.4	410.0
- Share of GDP		13.0%	12.6%	12.6%
General government balance, DKK bn		133.2	70.0	65.0
- Share of GDP		4.5%	2.2%	2.0%
General government debt, DKK bn		920.6	895.0	880.0
- Share of GDP		31.1%	28.7%	27.1%
Employment**		3229.2	3265.0	3269.3
Gross unemployment**		87.1	87.4	88.9
- Share of total work force		2.9%	2.9%	3.0%
House prices, y/y		4.7%	5.1%	3.6%
Private sector wage level, y/y		5.2%	3.5%	3.3%
Consumer prices, y/y		1.4%	1.5%	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	2894.7	0.7%	1.1%	2.3%
Government consumption	1694.7	1.2%	0.8%	1.8%
Gross fixed investment	1602.9	0.2%	-0.2%	3.9%
Excl. residential investments	1409.0	2.7%	-0.2%	3.7%
Residential investments	193.9	-15.0%	-0.1%	5.4%
Growth contribution from inventories		0.5%	-0.2%	0.2%
Exports	3463.0	2.0%	4.5%	3.0%
Exports of goods	2311.8	0.2%	3.6%	2.4%
Exports of services	1151.2	5.8%	5.8%	3.4%
Imports	3285.8	2.2%	2.6%	3.5%
Contribution from net exports	177.3	-0.1%	1.1%	-0.2%
Domestic demand	6192.3	1.2%	0.5%	2.7%
Aggregate demand	9655.3	1.5%	1.9%	2.8%
GDP	6393.2	1.0%	1.3%	2.7%
GDP, calendar adjusted		1.0%	1.6%	2.5%
Economic indicators				
Employment (LFS)		-0.6%	0.4%	0.7%
Unemployment (LFS), % of labour force		8.4%	8.7%	8.2%
Wages (NMO)		4.1%	3.6%	3.4%
Home prices (HOX)		2.1%	0.8%	5.0%
Inflation, y/y				
CPIF		1.5%	2.3%	2.0%
CPIF excl. energy		2.0%	2.6%	2.0%
CPI		0.8%	0.9%	1.9%
Public debt ratio, % of GDP		33.0%	34.0%	34.4%
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	2050.7	1.4%	2.8%	2.5%
Government consumption	1183.9	2.4%	3.0%	1.5%
Gross fixed investment	1142.6	-1.4%	1.4%	1.5%
Petroleum activities	253.4	9.8%	3.5%	-6.0%
Mainland Norway	880.1	-4.6%	1.0%	3.5%
Dwellings	170.2	-19.1%	-5.0%	11.0%
Enterprises	424.2	-2.9%	2.0%	2.3%
General government	285.7	3.9%	0.5%	2.5%
Exports	2468.0	5.2%	-0.5%	1.0%
Traditional goods	669.2	2.1%	1.9%	2.0%
Imports	1760.2	4.3%	2.2%	1.8%
Traditional goods	1037.2	3.8%	2.3%	2.2%
GDP	5196.6	2.1%	1.8%	1.1%
GDP Mainland Norway	4050.1	0.6%	1.7%	1.6%
Economic indicators				
Employment, y/y		0.5%	0.5%	0.5%
Unemployment rate (NAV)		2.0%	2.2%	2.3%
Annual wages, y/y		5.7%	4.4%	3.7%
Core inflation, y/y		3.7%	3.0%	2.4%
Consumer prices, y/y		3.1%	2.7%	2.3%
House prices, y/y		3.0%	8.0%	5.0%
Financial figures				
Leading policy rate		4.50%	4.00%	3.25%

**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	276.2	-0.1%	0.9%	1.7%
Imports	113.3	-2.4%	1.1%	4.5%
Exports	115.1	0.1%	1.0%	3.0%
Consumption	215.0	0.2%	0.4%	1.2%
- Private	143.1	-0.1%	0.5%	1.5%
- Public	71.9	0.7%	0.1%	0.5%
Gross fixed investment	59.4	-7.1%	1.2%	6.5%
Economic Indicators				
Unemployment rate		8.4%	8.8%	8.0%
Earnings, y/y		3.1%	3.1%	3.4%
Inflation, y/y		1.6%	0.7%	1.5%
Housing prices, y/y		-3.3%	1.0%	3.0%
Current account, EUR Bn		0.8	0.5	0.5
- share of GDP		0.3%	0.2%	0.2%
Public deficit, share of GDP**		-4.4%	-4.0%	-2.9%
Public debt, share of GDP**		82.1%	85.2%	86.4%
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	0.4%	0.0%	0.1%	0.3%	0.4%	0.4%	0.4%	0.4%
Unemployment rate	6.2%	6.2%	6.2%	6.2%	6.1%	6.1%	6.1%	6.1%
HICP, y/y	2.3%	2.1%	2.0%	1.9%	1.7%	1.9%	2.0%	2.0%
Core HICP, y/y	2.6%	2.5%	2.3%	2.2%	2.1%	1.8%	1.8%	1.9%
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	-0.1%	0.8%	0.1%	0.1%	0.2%	0.4%	0.6%	0.6%
Unemployment rate	4.1%	4.2%	4.3%	4.4%	4.4%	4.4%	4.4%	4.4%
CPI, y/y	2.7%	2.5%	3.0%	3.1%	2.8%	2.8%	2.6%	2.3%
Core CPI, y/y	3.1%	2.9%	3.1%	3.1%	2.9%	3.0%	2.8%	2.5%
Fed Funds target rate*	4.50%	4.50%	4.25%	4.00%	3.75%	3.50%	3.25%	3.25%

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

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	3.7	0.9	1.4	2.7	7.5	3.0	1.4	5.2	2.9	4.5	31.1	13.0
	2025	3.2	1.0	3.9	4.7	2.9	5.3	1.5	3.5	2.9	2.2	28.7	12.6
	2026	2.5	2.1	0.6	2.7	3.4	2.6	1.6	3.3	3.0	2.0	27.1	12.6
Sweden	2024	1.0	0.7	1.2	0.2	2.0	2.2	1.5	4.1	8.4	-	33.0	-
	2025	1.6	1.1	0.8	-0.2	4.5	2.6	2.3	3.6	8.7	-	34.0	-
	2026	2.5	2.3	1.8	3.9	3.0	3.5	2.0	3.4	8.2	-	34.4	-
Norway	2024	0.6	1.4	2.4	-1.4	5.2	4.3	3.1	5.7	2.0	-	-	-
	2025	1.7	2.8	3.0	1.4	-0.5	2.2	2.7	4.4	2.2	-	-	-
	2026	1.6	2.5	1.5	1.5	1.0	1.8	2.3	3.7	2.3	-	-	-
Euro area	2024	0.8	1.0	2.7	-1.9	1.0	0.3	2.4	4.3	6.4	-3.0	89.1	3.0
	2025	0.9	1.4	1.6	0.8	0.9	1.2	2.1	3.2	6.2	-3.3	89.9	2.9
	2026	1.2	1.0	1.2	1.6	1.8	1.8	1.9	2.8	6.1	-3.2	91.0	2.9
Finland	2024	-0.1	-0.1	0.7	-7.1	0.1	-2.4	1.6	3.1	8.4	-4.4	82.1	0.3
	2025	0.9	0.5	0.1	1.2	1.0	1.1	0.7	3.1	8.8	-4.0	85.2	0.2
	2026	1.7	1.5	0.5	6.5	3.0	4.5	1.5	3.4	8.0	-2.9	86.4	0.2
United States	2024	2.8	2.8	3.4	3.7	3.3	5.3	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	2.3	2.5	2.2	2.6	1.9	7.2	2.8	3.5	4.3	-6.5	125.1	-3.1
	2026	1.9	1.8	2.3	2.8	2.3	2.7	2.6	3.5	4.4	-7.0	128.0	-3.0
China	2024	5.0	4.5	-	5.0	-	-	0.2	-	5.1	-7.3	88.3	2.3
	2025	4.7	4.8	-	5.0	-	-	1.0	-	5.1	-9.1	96.8	1.7
	2026	4.8	5.0	-	5.2	-	-	1.5	-	5.1	-9.0	102.8	1.5

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

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