

Executive Briefing

Conflict in Middle East should not derail growth

A regional war erupted in Middle East when the US and Israel launched an attack against Iran on the last day of February. Since then, the war has rapidly escalated with Iran drawing in its regional allies – Hezbollah and the Houthis in Yemen – and launching missiles at a wide range of targets across the Gulf. In recent days, Iran has stepped up its attacks against the regional energy infrastructure, and production has been temporarily suspended e.g. on Saudi Arabia's largest oil refinery.

As a result of the conflict, tanker traffic on the Strait of Hormuz (SOH) has been halted since 28 February. Since app. 20% of global oil supplies, and a similar share of LNG, origins from the Gulf, energy prices have increased significantly. Brent oil price has risen to above USD 80 per barrel, while European LNG prices have increased even more in relative terms. The US, as a major energy producer, has been largely isolated from the rise in gas prices, while China and Europe are already feeling the impact. That said, both oil and gas prices remain far below the levels seen after Russia's war in Ukraine triggered a world-wide energy crisis.

For as long as disruptions in the SOH will not drag on for more than a few weeks, we think the economic impact will be contained. President Trump has said the US will start providing insurances for tankers and ensure safe passage by escorting them if necessary. It is obvious both the US and China have a significant interest in keeping the waterway open. The US wants to avoid an increase in energy costs, and China imports most of its oil from the Gulf. It remains unclear if the US – potentially with some European allies, like France – will be able to secure the area any time soon. Maritime traffic has also been disrupted in the Red Sea, and there the US has not been able to prevent the Houthis from attacking ships for several years.

In early March, we updated our macroeconomic projections, see [Nordic Outlook – Green shoots](#), 4 March 2026. Recovery in the global industrial cycle is strengthening, as corroborated by PMIs both in Germany and across Asia, outside China. As service sector growth also remains robust, the stars are aligned for more even growth rates across the euro area this year. We have only made small changes to our forecasts for the major economies. In euro area, we expect the economy to grow 1.3% this year and 1.4% next year. For the US, we pencil in 2.0% growth for 2026 and 1.7% for 2027. For both economies, risks to the outlook are balanced. For the US, our forecast is below consensus, as we see downside risks to private consumption. We still see the Chinese economy growing 4.8% this year and 4.7 % next year.

In our baseline, we do not foresee that the conflict in Middle East would trigger a new inflation shock. In euro area, inflation has surprised to the upside lately, and due to higher energy prices in the short term, we have upgraded our inflation forecasts. Still, we see a high threshold for central banks to react to the recent rise in inflation expectations. We still expect the ECB to stay put until the end of 2027. For the Fed, we pencil in rate cuts in June and in September. And while geopolitics will most likely dominate headlines in the coming weeks, note that the tariff debate might also return to the agenda at some point. It is possible that the US' trading partners will seek better deals now that the legal base of Trump's tariff policies has been questioned.

Key points

- The war in Iran has led to higher oil and gas prices, but the effect is modest and not expected to significantly change the global economic outlook unless it escalates or process long-lasting.
- Global growth is showing signs of some acceleration, especially in manufacturing, and we have made some small upgrades to our growth forecasts.
- Also in the Nordic countries, the outlook is generally positive albeit for somewhat different reasons across the Nordic countries.
- There was a clear but modest reaction in financial markets to the attack on Iran.

Editor-in-chief

Las Olsen

(see page 4 for a list of all authors)

Denmark

GDP growth in Q4 slowed to 0.2% q/q but for the full year it was a strong 2.9%. Once again, growth in 2025 was driven by exports, especially from big companies like Novo Nordisk. Domestic demand grew just 0.2% during the year. We expect GDP growth to continue at a similar pace in 2026 but more driven by domestic demand as household spending, government spending and investments pick up. The government has presented a 2035 projection with limited room for additional spending beyond what is already planned but where there is an additional fiscal easing in 2027 at the same magnitude as this year. The actual outcome will depend on the result of the general election which has been called for 24 March.

Sweden

The outlook remains bright, with lower inflation and fiscal policy boosting purchasing power, making the domestic economy an increasingly important driver this year, and our GDP growth forecast has been revised up to 3%. In addition, last year ended on a positive note with the strongest consumption growth in the second half since 2021. Defence spending is now clearly noticeable in data, with strong growth in government investments, government consumption and a rapid rise in employment in related sectors. Unemployment is also declining, and the labour market is set for further improvement this year. Despite global political turbulence, households are benefiting from income growth, low inflation, and stable interest rates, which support both savings and consumption. House prices are expected to rise, somewhat aided by new mortgage rules. Inflation has slowed, with VAT reductions on food further easing price pressures. The Riksbank is likely to keep rates steady before raising them to 2.0% at year-end, although uncertainty around the rate path remains high.

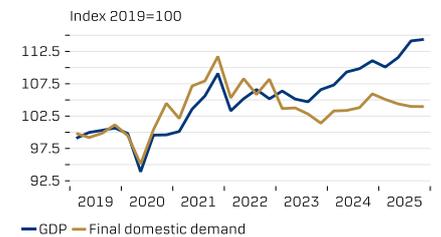
Norway

Mainland GDP rose 0.4% in Q4, bringing annual growth in 2025 to 1.8%. Growth was broadly based across private consumption, private investment, housing investment and oil investment, while public demand grew moderately and net exports declined. The result is well in line with the signals from Norges Bank's latest Regional Survey. Inflation surprised strongly to the upside in January with an annual growth of 3.6%. Core inflation also rose from 3.2% to 3.4%. This was driven by an increase in rents and service ex rent, with higher airfares, higher hotel/restaurant prices and higher insurance premiums being the most important drivers. We have adjusted the estimate for core inflation this year upwards from 2.5% to 2.9%, while for next year we still expect core inflation to decline further to 2.2%. Hence, we expect that NB will cut the policy rate in September and December and a final time in March next year, leaving the key rate at 3.25%.

Finland

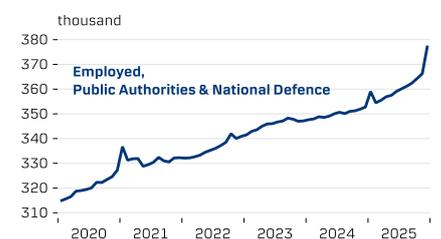
The economy emerged from a technical recession in Q4, and we continue to expect economic growth to accelerate. The rise in nominal wages continues to surpass inflation, meaning that the purchasing power of households, which has increased over the past two years, will strengthen further. This should boost households' confidence in the economy and, combined with the gradual improvement in employment, private consumption should grow after several subdued years as the savings rate gradually declines. Industrial outlook has improved, and companies' order books have grown significantly. The situation in the housing market remains challenging and no significant recovery is expected in residential construction this year. We forecast that the prices of existing dwellings will decrease by 1.8% this year and increase by 2% next year.

Domestic growth is lagging



Source: Statistics Denmark, Macrobond, Danske Bank

Defence investments now visible in data



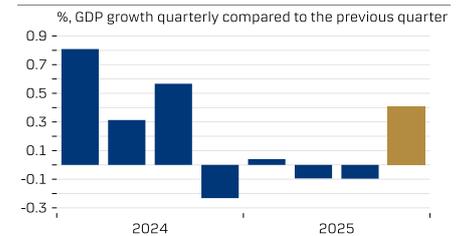
Source: Statistics Sweden, Macrobond and Danske Bank

Inflation is too high



Source: Norges Bank, Macrobond

Finland exits technical recession



Source: Statistics Finland, Macrobond

Currency markets

The US-Israeli attacks on Iran and the subsequent rise in energy prices have brought a new catalyst back in FX markets with the USD leading gains. The USD is enjoying both the terms of trade improvement to the US economy from higher oil and gas prices and risk-off as this rise in uncertainty is unrelated to the state of the US economy. In the other end of the spectrum the CEEs and the SEK stand out as the clear underperformers with large energy import dependence and a strong sensitivity to the European growth outlook. The CHF initially gained on the rising global uncertainty, but that has brought about verbal intervention from the Swiss National Bank. The Norwegian Krone has been caught between two opposing forces as the rise in energy prices has been countered by rising risk-off and higher global real rates. Finally, after a soft January EUR/DKK has returned to levels above 7.47.

Bond markets

Volatility has increased significantly in recent days. While the macroeconomic backdrop remains solid, a sharp rise in European natural gas prices has lifted inflation expectations substantially. Rates have increased across regions and across the curve, most prominently in the short end. 2-year EUR swap rates have increased 15bp while 10Y EUR swap rates are trading 5-10bp higher. The risk-off sentiment in markets has also led to a spread widening between Germany and European peers with the Italian-German 10-year government bond yield spread increasing by 10bp. We expect long-end EUR rates to move sideways in the next 12 months, while long-end US rates are expected to climb higher due to higher term premia stemming from the public deficit outlook. In the Danish market, the price of 30Y callable bonds has decreased following the escalations in the Middle East. We expect gradual increases over the next 12 months, with the 3.5% coupon becoming the benchmark again later this year.

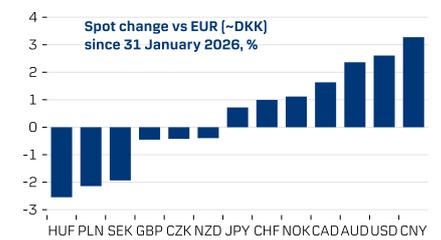
Credit markets

Credit spreads widened throughout most of February, with both cash bonds and CDS indices widening across both the low- and high-beta segments. Part of the explanation is concerns about AI disruption. While tech/software generally plays a larger role in equity markets, software companies represent a significant share of some lenders' exposures. Towards the end of the month, fears over the US-Iran situation also took a toll on sentiment in credit markets. While geopolitical shocks typically fade quickly (contingent on not impacting the global energy supply), we are less convinced the market's fear concerning software debt will fade in the near future as the entanglement with private credit adds fuel to the market's concern over private credit. BDCs (who have large exposure to software/tech) have seen the spreads on their bonds widen quite significantly and software companies specifically have sold off significantly in the leveraged loan market.

Equities

Equity market performance has recently been defined far more by rotation than by a directional risk-off move. Macro has taken a back seat to shifting narratives and thematic positioning. In early February, we saw a pronounced rotation under the AI disruption theme, with capital moving out of software and into hardware within tech. The underlying driver was a clear preference for "HALO" - heavy assets and low obsolescence - favouring balance sheet resilience and tangible capital intensity over duration-sensitive growth. More recently, rising geopolitical tensions around Iran have triggered another rotation, this time towards energy and away from cyclicals. As a result, defensive value has outperformed, while various risk metrics have repriced higher. We see this as a temporary reallocation of risk rather than the beginning of a sustained deterioration. There is little evidence of renewed inflationary pressure or a material shift in the growth backdrop.

USD weakness, Nordic strength



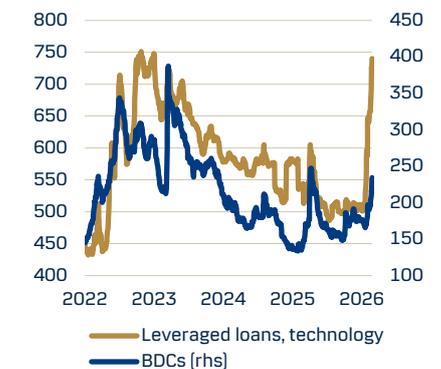
Past performance is not a reliable indicator of current or future results. Source: Macrobond

Sharp increase in short-end rates



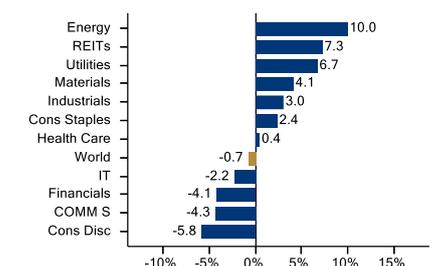
Past performance is not a reliable indicator of current or future results. Source: Danske Bank, Macrobond

Spreads for issuers exposed to AI disruption (bps) have widened



Past performance is not a reliable indicator of current or future results. Source: Bloomberg

Energy top performer last month



Past performance is not a reliable indicator of current or future results. Source: Macrobond

Names and contact information of analysts

Editor:

Las Olsen, <i>Chief Economist</i>	Global, Denmark	laso@danskebank.com
Minna Kuusisto, <i>Chief Economist</i>	Global	minna.kuusisto@danskebank.com
Susanne Spector, <i>Chief Economist</i>	Sweden	sspec@danskebank.com
Frank Jullum, <i>Chief Economist</i>	Norway	fju@danskebank.com
Kristoffer Lomholt, <i>Chief Analyst</i>	FX Research	klom@danskebank.com
Kirstine Kundby-Nielsen, <i>Senior Analyst</i>	Fixed Income Research	kigrn@danskebank.com
Mark Naur, <i>Chief Analyst</i>	Credit Research	mnau@danskebank.com
Bjarne Breinholt Thomsen, <i>Chief Strategist</i>	Equities Research	bt@danskebank.com

Macroeconomic forecast

Scandinavia													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2025	2.9	2.0	0.7	-3.7	3.2	-0.6	1.9	3.8	2.9	2.7	29.5	12.8
	2026	3.0	2.2	3.8	0.3	3.5	2.5	1.0	3.4	3.0	0.8	27.8	11.6
	2027	2.1	2.6	1.8	2.9	2.7	3.3	1.8	3.3	3.4	0.3	26.9	11.3
Sweden	2025	1.8	1.7	1.1	2.0	4.4	4.6	2.6	3.7	8.8	-	34.7	-
	2026	2.8	3.0	2.1	4.3	2.0	2.6	1.1	3.5	8.2	-	35.9	-
	2027	2.5	2.8	1.7	3.4	2.8	3.2	1.7	3.5	7.5	-	37.1	-
Norway	2025	1.8	2.7	1.5	1.3	2.4	2.6	3.0	4.7	2.1	-	-	-
	2026	1.6	2.3	2.0	1.5	0.8	1.8	2.7	4.0	2.2	-	-	-
	2027	1.6	2.2	1.8	1.5	0.8	2.0	2.4	3.5	2.3	-	-	-
Euroland													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2025	1.5	1.3	1.7	2.6	2.1	3.6	2.1	4.0	6.3	-3.2	89.2	2.7
	2026	1.3	1.3	1.6	2.2	1.2	2.1	2.1	3.3	6.2	-3.3	90.2	2.3
	2027	1.4	1.3	1.4	1.7	1.2	1.2	1.8	3.0	6.0	-3.4	90.8	2.3
Finland	2025	0.2	-0.2	-2.4	0.7	3.2	1.4	0.3	2.8	9.7	-3.9	86.9	-
	2026	1.5	1.5	-1.9	7.3	1.7	4.7	1.6	3.6	9.9	-4.5	90.7	-
	2027	1.9	2.5	-1.1	3.5	3.7	3.4	1.8	3.3	9.1	-3.8	92.9	-
Global													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
USA	2025	2.2	2.7	1.2	2.7	1.7	2.7	2.7	3.5	4.3	-5.6	99.9	-3.6
	2026	2.0	1.3	1.6	5.3	0.9	0.9	2.4	3.5	4.4	-6.2	101.7	-3.3
	2027	1.7	1.3	1.6	4.8	2.8	4.6	2.4	4.0	4.3	-6.3	103.4	-3.3
China	2025	5.0	4.6	-	1.0	-	-	0.0	-	5.2	-9.1	96.8	3.1
	2026	4.8	4.7	-	2.0	-	-	0.7	-	5.2	-9.0	102.8	2.6
	2027	4.7	4.7	-	4.0	-	-	1.0	-	5.2	-8.9	106.8	2.3

Source: OECD and Danske Bank. 1) % y/y. 2) % of labour force. 3) % of GDP.

Financial forecast

Bond and money markets										
		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	02-mar	3.75	-	3.26	3.57	0.86	-	6.40	9.59	9.17
	+3m	3.75	-	3.25	3.80	0.83	-	6.17	9.34	8.93
	+6m	3.50	-	3.25	3.90	0.81	-	6.07	9.43	8.94
	+12m	3.25	-	3.25	4.00	0.80	-	5.96	9.44	8.80
EUR	02-mar	2.00	2.03	2.22	2.73	-	1.17	7.4720	11.20	10.71
	+3m	2.00	2.05	2.20	2.80	-	1.21	7.4650	11.30	10.80
	+6m	2.00	2.05	2.20	2.80	-	1.23	7.4600	11.60	11.00
	+12m	2.00	2.05	2.25	2.80	-	1.25	7.4550	11.80	11.00
JPY	02-mar	0.75	-	-	-	0.005	0.006	4.06	6.08	5.82
	+3m	1.00	-	-	-	0.006	0.007	4.11	6.23	5.95
	+6m	1.00	-	-	-	0.006	0.007	4.13	6.42	6.08
	+12m	1.00	-	-	-	0.006	0.007	4.17	6.60	6.15
GBP*	02-mar	3.75	-	3.45	3.94	1.14	1.34	8.55	12.83	12.26
	+3m	3.50	-	3.45	4.00	1.14	1.38	8.48	12.84	12.27
	+6m	3.50	-	3.40	4.05	1.12	1.38	8.38	13.03	12.36
	+12m	3.25	-	3.35	4.10	1.12	1.40	8.38	13.26	12.36
CHF	02-mar	0.00	-	-	-	1.10	1.28	8.20	12.29	11.75
	+3m	0.00	-	-	-	1.10	1.33	8.20	12.42	11.87
	+6m	0.00	-	-	-	1.11	1.37	8.29	12.89	12.22
	+12m	0.00	-	-	-	1.11	1.39	8.28	13.11	12.22
DKK	02-mar	1.60	1.99	2.34	2.92	0.134	0.156	-	1.50	1.43
	+3m	1.60	2.03	2.30	2.95	0.134	0.162	-	1.51	1.45
	+6m	1.60	2.03	2.30	2.95	0.134	0.165	-	1.55	1.47
	+12m	1.60	2.03	2.35	2.95	0.134	0.168	-	1.58	1.48
SEK	02-mar	1.75	1.95	2.04	2.71	0.093	0.109	0.70	1.05	-
	+3m	1.75	1.92	2.20	2.95	0.093	0.112	0.69	1.05	-
	+6m	1.75	1.95	2.40	2.95	0.091	0.112	0.68	1.05	-
	+12m	2.00	2.16	2.45	3.05	0.091	0.114	0.68	1.07	-
NOK	02-mar	4.00	4.26	4.44	4.24	0.089	0.104	0.67	-	0.96
	+3m	4.00	4.25	4.20	4.20	0.088	0.107	0.66	-	0.96
	+6m	4.00	4.05	4.10	4.20	0.086	0.106	0.64	-	0.95
	+12m	3.50	3.55	3.90	4.20	0.085	0.106	0.63	-	0.93

*Notes: GBP swaps are SONIA, USD swaps are SOFR

Commodities													
	02-mar	2025				2026				2027	Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2025	2026	2027
ICE Brent	78	75	67	68	65	65	70	70	75	85	69	70	85

Source: Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this report are listed on page 4 of this report.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Ad hoc

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 4 March 2026 at 15:40 CET

Report disseminated: 4 March 2026 at 15:50 CET