Nordic Outlook

5 March 2024

Return to Nordic growth

Highlights

- As in the rest of Europe, Nordic economies are currently in stagnation or mild recession, outside of the pharmaceutical boom in Denmark.
- Our forecasts point to a gradual return to normal growth over the coming years, supported by lower interest rates, higher spending power and with lower inflation.
- The US economy has been a big positive surprise in 2023 and continues to look strong, even if there is a mild slowdown this year, while China continues to muddle through economically.

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Danske Bank

Analysts

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

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

Louise Aggerstrøm Hansen
(maternity leave)
Denmark
louhan@danskebank.com

Allan von Mehren
China
alvo@danskebank.com

Bjørn Tangaa Sillemann
Denmark
bjsi@danskebank.com

Minna Kuusisto
Emerging markets
mkuus@danskebank.com

Michael Grahn
Sweden
mika@danskebank.com

Pasi Kuoppamäki
Finland
paku@danskebank.com

Gustav Sundén
Sweden
gusu@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Rune Thyge Johansen
Euro area
rujo@danskebank.com

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Contents

SUMMARY

04 Return to Nordic growth

GLOBAL

05 Positive surprises in a troubled world

EURO AREA

07 Soft landing in sight

US

09 US economy on a structurally solid footing

CHINA

11 A long and painful transition

NORDIC SUMMARY

13 Gradual return to growth

DENMARK

14 Growth on the cards – also ex. Novo Nordisk

SWEDEN

18 On the verge of recovery

NORWAY

22 Growth and inflation both slowing

FINLAND

26 Economy limping along towards an upswing

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Return to Nordic growth

Global Major economies have performed better than expected and much better than feared last year, with strong growth instead of recession in the US, growth in China despite housing market problems and a sharp decline in inflation in those economies where it was high. The path is open for cautious interest rate cuts over the coming years as we see it, but many challenges remain, not least from war, conflict and political uncertainty. We are seeing a return to modest growth in manufacturing which has been lagging recently, while the outlook is more mixed for the service sector after a strong 2023 in many countries.

Euro area Inflation has declined faster than expected and the current underlying momentum is weak. At the same time, growth has been better than feared, inflation expectations are anchored, and employment has even increased. We expect inflation will continue to decline due to the weak momentum while activity picks up as real incomes improve. These factors will allow the ECB to lower the policy rate by a total of 75bp this year starting in June. The key risk to the outlook is stronger than expected wage growth.

Denmark Denmark is in a stagnation similar to its neighbours but with the addition of Novo Nordisk, which in itself is causing a manufacturing boom large enough to lift GDP growth by almost 2 percentage points last year. It does not look like Novo Nordisk is slowing down, and in the rest of the economy, we are also seeing some more growth. Other types of manufacturing are gaining, consumer spending should benefit from higher real incomes and improving sentiment, and construction from lower interest rates.

Sweden The Swedish economy is being driven by strong exports of goods while domestic demand is slightly weaker. Despite the erosion of purchasing power, consumption has been stable thanks to strong employment. Unemployment is slightly rising, even though the labour market remains resilient. The construction sector is no longer being squeezed by higher material costs but rather the high interest costs. Excluding housing costs, inflation momentum has fallen markedly in recent months and have settled below 2%. We expect inflation to reach the Riksbank's target level during the summer. We expect the first policy rate cut at the June meeting which is followed by further cuts in a modest pace.

Norway Negative real wage growth and higher mortgage rates constitute a solid headwind for private consumption and residential investment. Investments have also ground to a halt, driven by lower capacity utilisation, increasing uncertainty, pressure on profitability in many industries and an increase in the cost of financing. Inflation also appears to be slowing. Inflation is still almost 5%, but underlying indicators point to inflation being around 4.5%. The rate hike in December and higher inflation figures compared to peers contributed to strengthening of the NOK. We still see the possibilities for a strong cyclical recovery as relatively limited. We therefore believe that the Norwegian krone will remain relatively weak through-out the year.

Finland Finland begins 2024 in a recession. Rising interest rates are holding back the economy with lagged effects and flow of export orders remains sluggish in the short term. Housing construction has entered a significant slowdown; a proper recovery can be expected only in 2025. Economic growth should pick up later in 2024 as a result of private consumption supported by falling inflation, lower interest rates, and the reinvigoration of export demand. Unemployment will increase slightly. Housing market is weak, but the unleashing of pent-up demand and the fall in interest rates will stimulate the housing market in 2024. The government will continue to tighten fiscal policy.

Positive surprises in a troubled world

- **2023 went better than expected and especially better than feared, with strong growth in the US, more or less stagnation in Europe including the Nordic countries, and strong labour markets everywhere, while inflation declined sharply.**
- **We expect gradually increasing growth in Europe in 2024-2025 as interest rates come down, consumer spending increases and manufacturing recovers to some extent, while inflation stays low enough for central banks to ease monetary policy.**
- **As the last few years have clearly demonstrated, the economy can easily surprise – central banks have been successful in achieving a soft landing so far, but there is a clear risk that that will not be the case in the future, as the world remains unpredictable in many respects.**

The world continues to be beset by violent conflict, including the horrible war in Ukraine not far from our Nordic borders, as well as in the Middle East where conflicts have so often affected the global economy. Geopolitical tensions between great powers continue, and elections - not least the one in the US - create uncertainty over the future of the global political order.

Yet there are also many things going well, or at least better than expected. Especially the US economy has very much outperformed expectations in 2023, where the widely expected recession did not happen. Instead, growth was strong and supported by high productivity growth, meaning that higher economic growth and lower inflation were both possible.

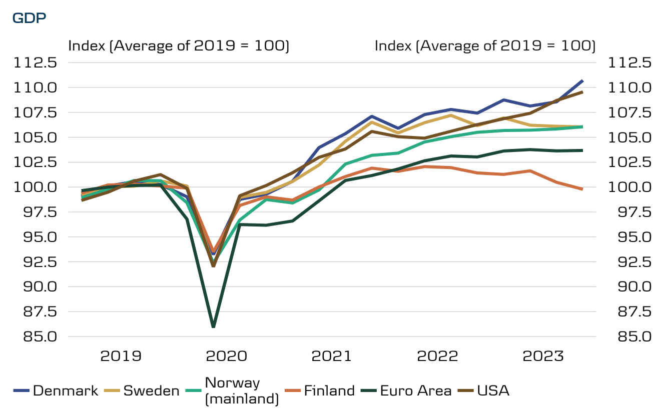
In Europe, the economy was more stagnating than growing last year. That includes the Nordic countries if we disregard the impact of Novo Nordisk on Danish GDP. But even this stagnation was a stronger outcome than could have been feared given the shocks from inflation and interest rates, and it has gone hand in hand with continued high employment and sharply declining inflation.

Looking ahead on 2024 and 2025, there is room for further cautious progress on the economy despite war and political uncertainty. More and more signs show that the depressed state of global manufacturing is easing and turning towards modest growth. Market interest rates have declined, and official rate cuts are on the agenda across the world, which will help to turn the tide for those parts of the economy that are most sensitive to that, not least housing construction. In many countries outside the US, consumers remain in a gloomy mood following the high inflation we have been through. As that gloom hopefully decreases, there is room for higher spending both from rising real incomes and from the savings accumulated during the Covid restrictions.

Looking ahead on 2024 and 2025, there is room for further cautious progress on the economy despite war and political uncertainty

Las Olsen, Chief Economist at Danske Bank

Could have been a lot worse



Source: Macrobond Financial

The reasonably good economic situation, especially continued strong labour markets, reduces pressure on central banks to cut interest rates. Even though most do not have an explicit labour market target, like the US central bank does, it is still perhaps the most important factor in assessing the economy. In addition, central banks fear that high wage pressure will reignite inflation, especially in Europe where productivity is declining at the same time as wages are rising.

As we see it, high wage growth is an echo of the high inflation in 2021-2022 which led to a very large decline in real wages. Without that drop in real wages, inflation would have been even higher. Now real wages are gradually being restored, which will add cost pressure and hence send inflation somewhat higher again, which in a sense is a postponed part of the inflation episode that we have already been through. We expect the effect to be quite modest, but it is understandable that central banks hesitate, as they do not want to risk inflation expectations drifting higher again – and as rate cuts could lead to an even tighter labour market.

On the other hand, the major central banks all estimate that current interest rates are several percentage points above the neutral level and hence are acting as a significant brake on activity. Rates will come down eventually, and it makes a lot of sense to start cutting before too long, and then move at a very gradual pace. If the estimates are right, it is possible to cut and still be stepping on the break, just not quite as hard.

War and geopolitical conflicts can still cause enough economic harm to derail the outlook if they become bad enough, and other risks loom. Economic uncertainty should not be underestimated following the many surprises and strong policy reactions in recent years. Central banks have avoided a hard economic landing so far, but if they get the balance wrong in the coming rate cuts, we could still be in for problems. And of course, governments need to manage the demands from reducing greenhouse gas emissions, increase military spending and living in a world where interest rates are no longer negative or very low.

US
Tight monetary policy continues to weigh on US growth outlook, but rebounding manufacturing cycle, loose fiscal policy, more optimistic consumer sentiment and easier financial conditions alleviate downside risks.

Euro area
Inflation has declined faster than expected while growth has been stronger than feared. Inflation expectations are anchored, and employment is strong. We expected the ECB to cut the policy rate by a total of 75bp this year starting in June.

China
The Chinese economy continues to struggle with a painful housing crisis. We look for continued muddling through with growth around 4½% in 2024 and 2025 held up by stimulus. Inflation is set to rise back above zero later this year but deflationary pressures remain for some time.

Soft landing in sight

- **Inflation has declined faster than expected and the current underlying momentum is weak. At the same time, growth has been better than feared, inflation expectations are anchored, and employment has even increased. Currently, the economy is stagnating, but growth will gradually strengthen in 2024 as households' real incomes rise and the credit impulse has bottomed out.**

- **Inflation will gradually decline over the forecast horizon, average 2.1% in 2025, and even undershoot the target in some months of 2024H2 due to base effects. Core inflation will continue to be elevated due to sticky service inflation from high wage growth and a tight labour market but will converge to 2% in 2025. Higher than expected wage growth and energy price increases present upside risks, while weaker domestic demand due lagged effects of monetary policy tightening could lower inflation.**

- **We expect the ECB to deliver three rate cuts of 25bp this year followed by four cuts in 2025, which will bring the deposit rate to 2.25% by the end of 2025. The policy rate will be at levels that are still restrictive in 2024 while starting to support growth during 2025.**

- **The fiscal tailwinds that supported the economy in recent years will turn into headwinds in as new fiscal rules are introduced.**

		Forecast	
	2023	2024	2025
GDP Growth	0.5%	0.5% (0.5%)	1.3% (1.2%)
Inflation	5.4%	2.4% (2.5%)	2.1% (2.1%)
Unemployment	6.5%	6.6% (6.8%)	6.6% (7.1%)
Policy rate*	4.00%	3.25% (3.25%)	2.25% (2.25%)

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

The euro area economy is currently stagnating as the historically large monetary policy tightening by the ECB has dampened demand. Yet, growth has been better than feared. Inflation has come down faster than expected and all underlying measures of inflation have eased although service inflation remains slightly elevated. We expect growth will gradually strengthen in 2024 as household real income rises and the credit impulse turns positive.

Inflation will turn even lower in 2024 as the momentum in underlying inflation has fallen significantly in recent months. Goods inflation is low, and we expect this to continue as supply chains normalise while service inflation will prove stickier through a relatively larger role of wages. Headline inflation will continue to decline as also energy and food futures have fallen. We foresee core inflation to decline during this year and average 2.1% in 2025 in line with headline.

The labour market has been remarkably strong and employment growth even accelerated during 2023. Wage growth is strong, but it seems to have peaked as also inflation expectations

Inflation will gradually decline over the forecast horizon, average 2.1% in 2025, and even undershoot the target in some months of 2024H2 due base effects

Rune Thyge Johansen, Analyst at Danske Bank

are now anchored. We expect only a very mild increase in the unemployment rate over the coming years due to lagged effects of monetary policy.

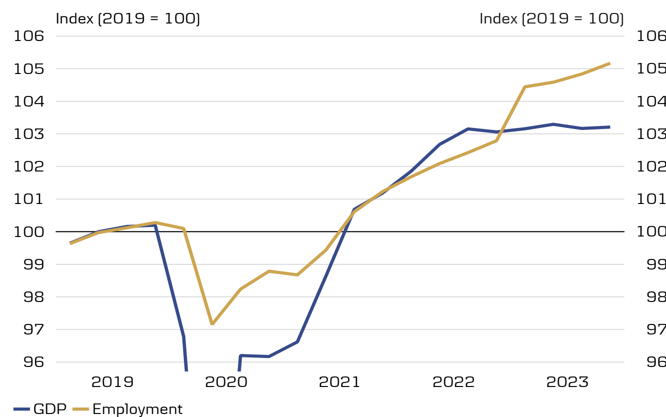
Based on our economic projections we expect the ECB to deliver three 25bp rate cuts this year starting in June. Our projection entails that the deposit rate will be at 2.25% by the end of 2025, following four rate cuts in 2025. This will support growth during 2025 while keeping it just below potential until inflation is firmly below target.

The macroeconomic and monetary policy outlooks are more uncertain than usual. Wage growth is the largest risk for the outlook. The ECB may be forced to postpone rate cuts due to higher-than-expected wage growth and energy price increases on the back of geopolitical uncertainties. An increase in the household consumption share could lift growth more than expected. On the other hand, growth could be weaker than expected due to lagged effects of monetary policy tightening that we have yet to see. The risks on inflation are more balanced as the latter downside risk factor for growth would lower domestic demand and thereby inflation which could lead to more easing from the ECB in 2024.

The EU has agreed to a new set of fiscal rules that will come into force from 2025. The new rules reintroduce the numerical targets that prohibit a public budget deficit of more than 3% of GDP and debt-to-GDP above 60%. Hence, the fiscal tailwinds that supported the economy in recent years will turn into headwinds in 2024/2025 as sustainable public finances get renewed focus. Also in focus on the political side is the EU Parliament elections in June 2024. The Parliament has legislative power, and it oversees the EU budget. As the current budget runs until 2027 we do not expect the election to have an immediate impact. Perhaps more importantly, the election is a bellwether of the national sentiment on EU and thus the election indicates what we can expect from the heads of the national governments in the European Council.

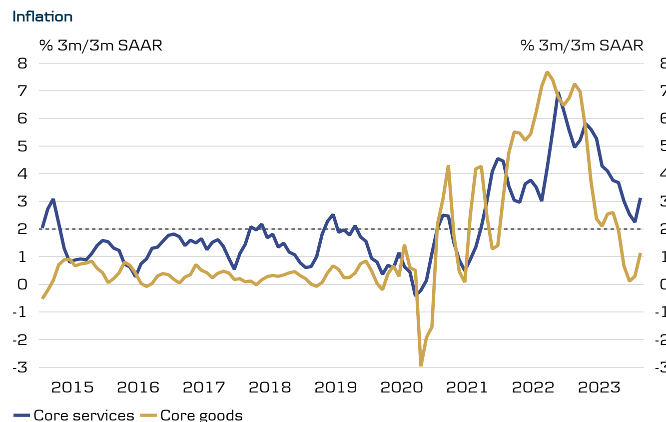
Still suffering from the previous energy crisis, the outlook for the German economy is weak. More austere fiscal policy spells headwinds, and structural issues such as 'slowbalisation' and a shrinking workforce set the scene for a weak growth outlook. Yet, some rays of light have emerged recently for the manufacturing sector as leading indicators from Asia suggest that the global manufacturing cycle is about to turn. However, activity indicators for the Germany industry have yet to turn significantly. Thus, the worst of the German manufacturing recessions seems behind us, but Germany is unlikely to return as the euro area's economic powerhouse anytime soon.

Remarkable increase in employment amid stagnating activity



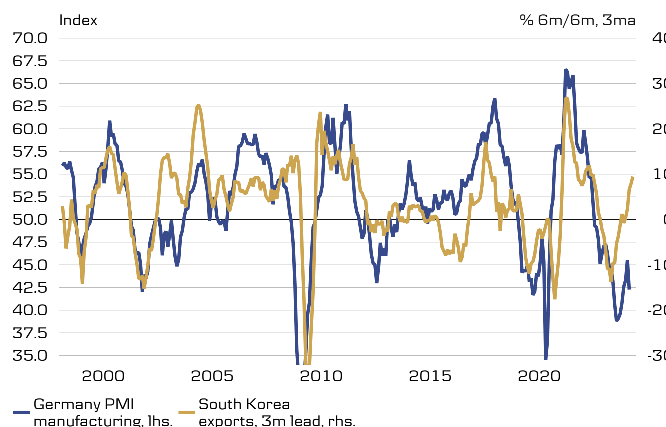
Source: Eurostat
Macrobond Financial

Inflation momentum has declined significantly

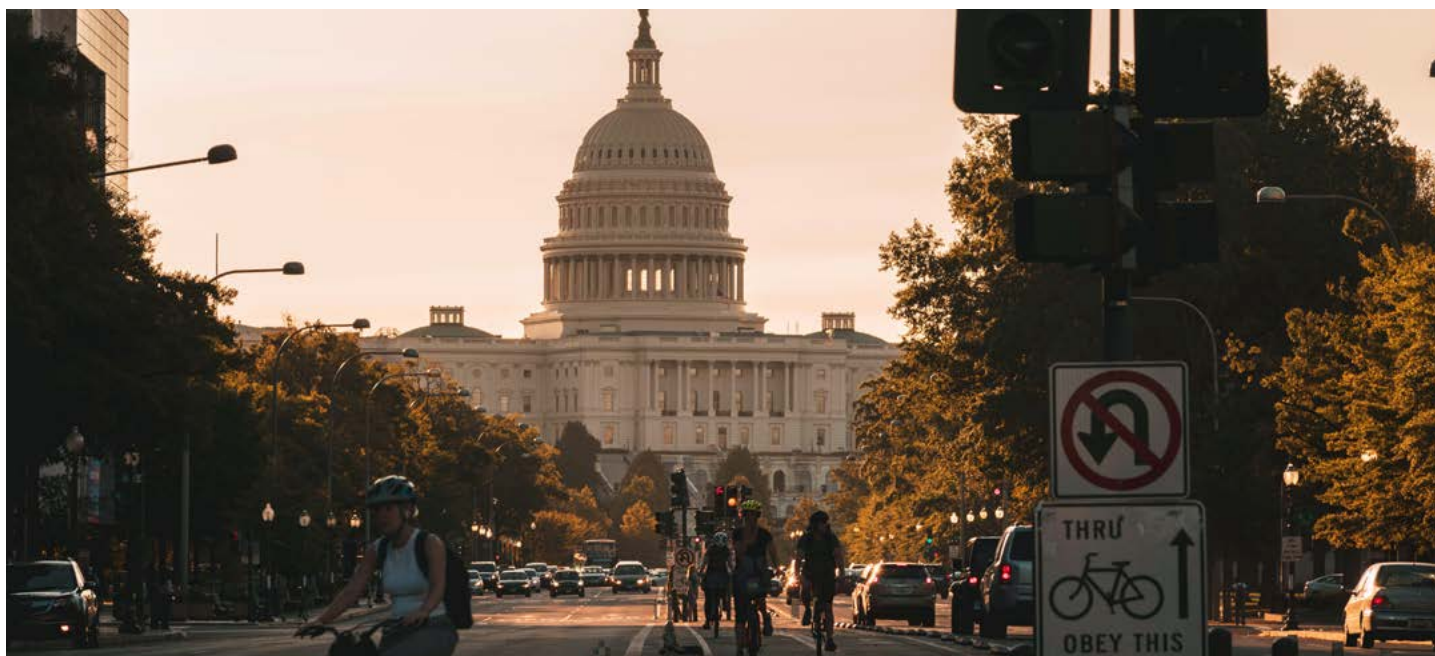


Source: ECB, Danske Bank
Macrobond Financial

Leading Asian indicator gives rays of light for the German manufacturing sector



Source: S&P Global, Korea Customs Service
Macrobond Financial



US economy on a structurally solid footing

- **Economic growth has moderated in the US during winter, but the pace still exceeded expectations. We foresee some further cooling in consumer demand going forward, but less than before. We lift our 2024 GDP forecast to 2.0% (from 1.1%) and adjust 2025 to 1.4% (from 1.6%).**

- **Past year's stellar economic performance has been supply-driven. Higher labour productivity, rising participation rate and rebounding immigration have boosted the economy's growth potential while allowing inflation to moderate.**

- **We see two-sided risks ahead. Halt in supply-recovery could mean weaker growth and/or stickier inflation ahead. Still rising interest outlays and risk of weaker labour markets could dent the growth outlook more than expected. On the upside, manufacturing cycle is turning higher and fiscal policy will likely remain expansionary irrespective of the election outcome.**

- **Stronger growth means stickier inflation as well. We see headline inflation averaging 2.7% in 2024 (from 2.2%) and 2.5% in 2025 (unchanged) and core inflation at 3.2% in 2024 (from 2.7%) and 2.5% in 2025 (unchanged). BLS's recent change to OER weighting contributes +0.1%-points to both headline and core forecasts for 2024. We expect the Fed to initiate quarterly 25bp rate cuts in the May meeting.**

	2023	Forecast 2024	2025
GDP Growth	2.5%	2.0% (1.1%)	1.4% (1.6%)
Inflation	4.1%	2.7% (2.2%)	2.5% (2.5%)
Unemployment	3.7%	3.9% (4.4%)	4.2% (4.4%)
Fed Funds*	5.50%	4.75% (4.50%)	3.75% (3.50%)

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

While underlying growth trend has moderated after the very strong Q3 2023, US economy has continued to defy expectations of a sharper slowdown on several fronts. Consumer demand has remained solid and labour markets have shown few signs of weakening.

In many ways, the positive development reflects surprisingly strong recovery on the supply-side of the economy. Growing labour force has eased shortages even when demand has remained above pre-pandemic levels, and while nominal wages continue growing at a brisk pace, higher labour productivity has eased pressure on companies' unit labour costs. Last year, we anticipated rising labour share of income to eventually push companies towards layoffs as pressure for cost cuts would grow, but so far this has not materialized.

The Fed navigates two-sided forces as it sets monetary policy. On one hand, the global manufacturing cycle appears to have turned higher while US financial conditions have eased since October. Household savings rate has remained low as consumer sentiment has recovered. On the other hand, high interest rates

We continue to expect weaker private consumption ahead, but foresee a less sharp slowdown than before

Antti Ilvonen, US Macro Analyst

are still restricting credit growth and consumers are spending a rising share of their income on interest outlays.

We continue to expect weaker private consumption ahead, but foresee a less sharp slowdown than before. Employment growth is still also expected to weaken over the coming year, as labour supply recovery loses speed. This balance of demand weakness and supply-adjustment is at the heart of the Fed's considerations on where underlying inflation pressures stabilize.

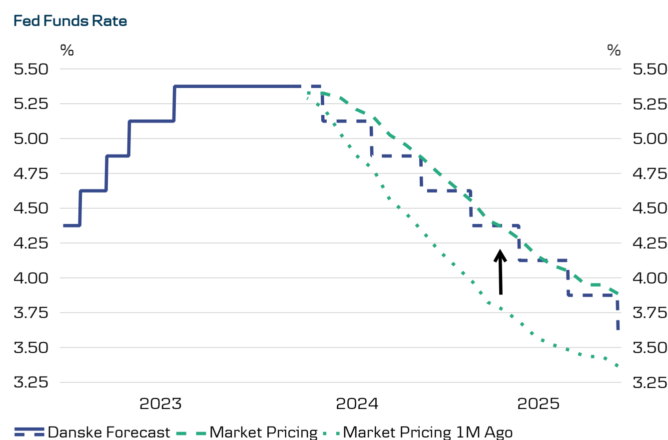
If productivity growth slows down back to pre-pandemic levels, current pace of nominal wage growth would still be uncomfortably high in order to be consistent with just 2% inflation. In January, underlying inflation pressures in both housing and non-housing services sectors picked up speed. On a more positive note, inflation expectations have remained in check at low levels according to both markets and consumer surveys. We expect core inflation to remain somewhat sticky, averaging 3.2% in 2024 and 2.5% in 2025, which allows the Fed to initiate rate cuts from May, but progress only gradually.

The Fed considers the real level of policy rates, which according to our forecast, would still hover around 2% at the end of 2024. This would still be a restrictive level relative to most mainstream estimates of the neutral rate.

In late February, the Bureau of Labor Statistics announced a change to the weightings of owners' equivalent rent (OER) in the CPI so that single-family detached housing now has a higher index weight relative to multifamily units. As market prices and rents of the former have risen relatively more over the past years, and as changes in market rents feed into the index with a lag, we have adjusted both our core and headline inflation forecasts for 2024 up by +0.1%-points.

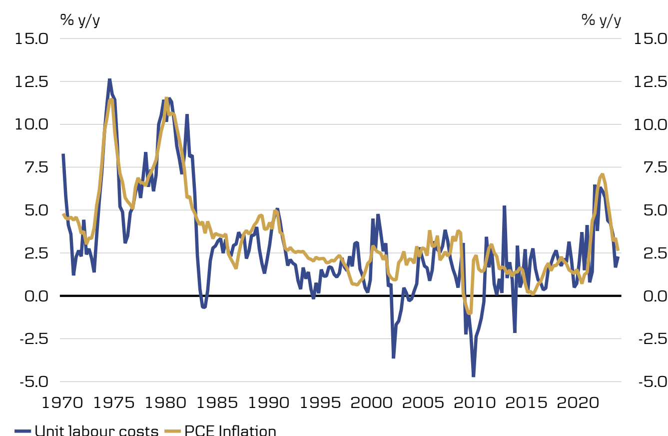
Fiscal policy continues to provide support for growth irrespective of the election outlook, as aging demographics push public spending higher, and neither party seems to be focused on the prospect of cost cuts for now. In late January, House of Representatives approved 'The Tax Relief for American Families and Workers Act of 2024' with bipartisan support, which if passed by the Senate, would extend tax breaks for both households and businesses. The bill would slightly increase deficit spending in 2024-2025, but more importantly, it flags how both parties are turning their focus towards policies intended for supporting demand, in contrast to either cutting costs or Biden's more supply-oriented policies seen in 2021-2022. Read more about our views on the political year from US Election Primer, 15 January.

Markets price in less aggressive cutting cycle for the Fed than before. We expect the first 25bp reduction in the May meeting.



Source: Macrobond Financial, CME, Danske Bank

While nominal wage growth still remains elevated, strong productivity growth has eased the uptick in unit labour costs



Source: Macrobond Financial, U. S. Bureau of Labor Statistics, U. S. Bureau of Economic Analysis

Inflation expectations have moderated close to pre-pandemic average levels

Source: Macrobond Financial, University of Michigan, The New York Fed, Refinitiv. Inflation market pricing estimated based on inflation swaps. Note: Past performance is not a reliable indicator of current or future results.

A long and painful transition

- **China continues to struggle with a housing crisis that shows no signs of turning three years into the crisis. We expect it to weigh on the economy again this year. However, the overall economy continues to muddle through with the help of stimulus and industrial policy.**

- **In 2024 we look for growth to moderate from 5.2% to 4.5% but the decline is mostly due to less favorable base effects compared to 2023. Monetary and fiscal easing is expected to continue. The government growth target for 2024 is expected to be 5%.**

- **Exports should perform better this year and we also look for more decent growth in manufacturing investments as well as infrastructure supported by a strong focus on green investments. Consumption growth, however, is set to slow and together with the housing crisis provides the main downside risk to the outlook.**

- **In 2025 we look for growth to stay soft around 4.5%. China is in the middle of a long painful transition from a growth model highly dependent on housing to a new model where China aims at growth drivers to be high-tech investments, upgrade of manufacturing, green investments and consumer demand.**

- **Intense US-China geopolitical rivalry is here to stay despite the recent improved dialogue. We expect EU to at least double tariffs on Chinese EVs from 10% to 20-25% this year.**

		Forecast	
	2023	2024	2025
GDP Growth	5.2%	4.5% (4.5%)	4.5% (4.5%)
Inflation	0.2%	0.7% (1.0%)	1.5% (1.5%)
Unemployment	5.2%	5.2% (5.2%)	5.2% (5.2%)
Policy Rate*	2.50%	2.30% (2.50%)	2.50% (3.00%)

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

Housing crisis continues while exports are set for mild recovery

China faces another year of muddling through amid a continued housing crisis where demand will need the support from more policy stimulus. We expect policy makers to deliver this and see more reductions in rates and the reserve requirement ratio as well as more fiscal stimulus. Home sales and house prices have continued lower over the past quarter. Policy makers have stepped up housing stimulus lately and we expect them to take further measures to stabilize home sales and continue until they see signs of stabilization and moderate recovery. We look for this to happen in the second half of the year but admittedly it has taken longer than expected already, and the forecast is highly uncertain.

Towards a new housing model

To support construction activity and drive a shift in the housing model, the government has rolled out the so-called '3 major projects' covering 1) renovation of 'urban villages', 2) more social and affordable housing and 3) infrastructure for emergency facilities during natural disasters. We have seen stabilization in housing starts already and we expect this to

China faces another year of muddling through amid a continued housing crisis where demand will again need the support from more policy stimulus

Allan von Mehren, Chief Analyst at Danske Bank

continue in 2024. Policy makers aim for a housing model based on more pillars where commercial housing is supplemented more with social housing that provide affordable homes for young people. The latter is needed to support the birth rate as high housing costs is one of several obstacles for people to get married and have children.

Private consumption recovered in 2023, albeit not as strongly as hoped for. Consumer confidence remains low and we see downside risks to private spending in 2024. Manufacturing and infrastructure investments remained robust in 2023 supported by fiscal stimulus and industrial policy support to especially the green sectors. We look for this to continue in 2024. Export growth is set to gradually improve as the global manufacturing cycle turns higher.

China has witnessed deflation in overall consumer prices but mostly driven by a big decline in food prices and not broad based deflation. However, core inflation is low at 0.4% and clearly a symptom of soft demand as well as fierce competition and price wars in some sectors.

China in a painful transition that will take time

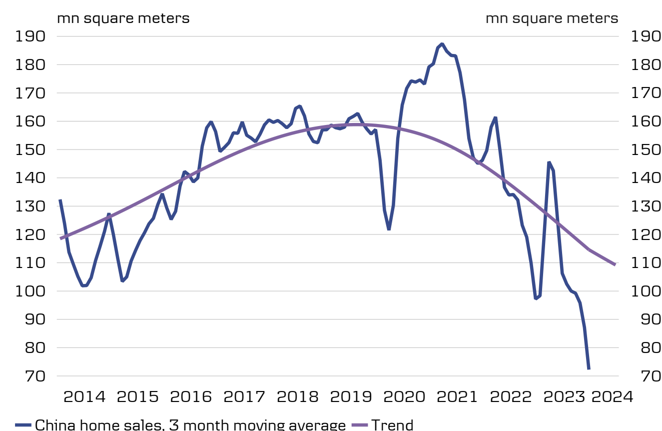
China is in a painful structural transition to reduce reliance on housing as a demand driver and aim for an economy where the growth drivers are instead high-tech investments, upgrade of manufacturing, green investments and private consumption. The transition is difficult and is set to continue to weigh on growth in the next couple of years with household confidence staying low. In the long term, China could come out stronger but the path there is to be long and bumpy with especially difficulty in turning on the consumer engine. Welfare reforms and market reforms, among other things, will be needed.

The long term growth potential also faces headwinds from a falling working age population, Western tech sanctions and lower foreign investments. But we still see China's trend growth in the coming 3-4 years around 4½%. A still low GDP per capita (less than 20% of US level), as well as a strong focus on education, innovation, AI, robots and other tech investments, will underpin the long term growth potential. A retirement reform over the coming years should mitigate some of the demographic headwind. China today has a very low retirement age (55 for women, 60 for men) leaving an untapped potential.

EU-China trade tensions in focus this year

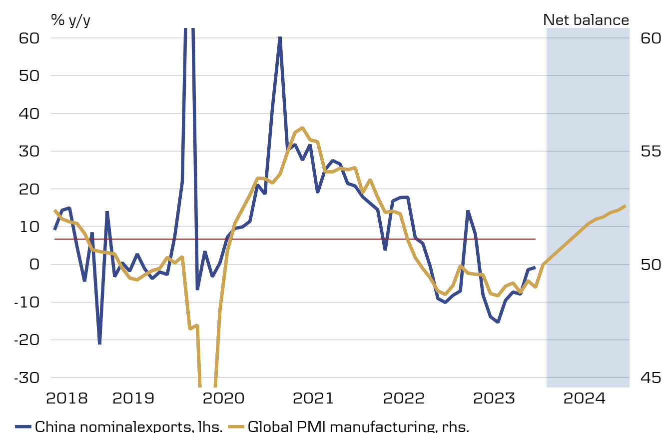
With the EU likely to raise tariffs on Chinese electrical vehicles (EVs) later this year, we are likely to see trade tensions flare up. However, we don't expect a big trade war, see Research Global – Buckle up for EU-China trade tensions, 8 February 2024.

No end in sight in China's housing crisis



Remark: Trend- and seasonally adjusted
Source: Statistics Sweden

Chinese export headwind should ease in 2024



Remark: Seasonally adjusted
Source: Creditsafe, Swedish Agency for Growth Policy Analysis

With the EU likely to raise tariffs on Chinese electrical vehicles (EVs) later this year, we are likely to see trade tensions flare up

Allan von Mehren, Chief Analyst at Danske Bank

US-China tensions have calmed down following the Xi-Biden meeting in November and we are cautiously optimistic relations are on a calmer footing this year. However, the long term rivalry is here to stay and relations could deteriorate again if Donald Trump returns to the White House in 2025.

Gradual return to growth

Sweden

The Swedish economy is being driven by strong exports of goods while domestic demand is slightly weaker. Unemployment is slightly rising, even though the labour market remains resilient. Excluding housing costs, inflation momentum has fallen markedly in recent months and have settled below 2%. We expect inflation to reach the Riksbank's target level during the summer and the first policy rate cut at the June meeting which is followed by further cuts in a modest pace.

Norway

Negative real wage growth and higher mortgage rates constitute a solid headwind for private consumption and residential investment. Investments have also ground to a halt, driven by lower capacity utilisation, increasing uncertainty, pressure on profitability in many industries and an increase in the cost of financing. Inflation also appears to be slowing. Inflation is still almost 5%, but underlying indicators point to inflation being around 4.5%. The rate hike in December and higher inflation figures compared to peers contributed to strengthening of the NOK. We still see the possibilities for a strong cyclical recovery as relatively limited. We therefore believe that the Norwegian krone will remain relatively weak throughout the year.

Denmark

Denmark is in a stagnation similar to its neighbours but with the addition of Novo Nordisk, which in itself is causing a manufacturing boom large enough to lift GDP growth by almost 2 percentage points last year. It does not look like Novo Nordisk is slowing down, and in the rest of the economy, we are also seeing some more growth. Other types of manufacturing are gaining, consumer spending should benefit from higher real incomes and improving sentiment, and construction from lower interest rates.

Finland

Finland begins 2024 in a recession, but we expect growth to pick up during the year, supported by higher demand at home and abroad. House prices are under pressure but should recover somewhat once interest rates decline. Housing construction falls. Unemployment rises especially in construction. The government takes measures aimed at balancing public finances, but the debt ratio still climbs higher in 2024.

Growth on the cards – also ex. Novo Nordisk

- **As with other European countries, Denmark is essentially in a state of economic stagnation, with the single caveat that pharma giant Novo Nordisk's growth is pushing overall activity levels up, while much of the rest of industry and housing construction have contracted.**

- **We expect a gradual return to more broadly based growth in the course of 2024 and 2025, helped along by interest rate cuts and increasing private consumption.**

- **Despite the stalled economy, employment has continued to rise, boosting overall household incomes and providing scope for a pickup in private consumption now that wages are growing – even if employment begins to turn.**

- **Inflation has fallen sharply in Denmark – in part due to temporary effects, and we expect inflation to tick up slightly again, while we also see a potential for house prices to move a little higher in the coming years.**

	2023	Forecast 2024	2025
GDP Growth	1.8%	2.1% (1.0%)	2.0% (1.6%)
Inflation	3.3%	2.0% (2.0%)	1.9% (1.9%)
Unemployment	2.8%	3.0% (3.1%)	3.1% (3.3%)
Deposit rate*	3.60%	2.85% (2.85%)	1.85% (1.85%)

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

With growth of 1.8% in 2023, the Danish economy performed much better than we expected in the wake of high inflation and massive interest rate hikes. Much of the reason is the huge success of pharma giant Novo Nordisk – Statistics Denmark has calculated that GDP excluding the pharmaceutical industry fell by 0.1% last year. But even that figure is half decent, as with all the headwinds and uncertainty that have been buffeting the economy and which to some extent still are, a much worse outcome than stagnation could have been on the cards. We expect both Danish and European growth to pick up in the course of 2024 and 2025. Interest rate cuts are in the pipeline, and expectations of what is to come have already triggered a decline in long yields. Consumer purchasing power is strengthening on the back of rising real wages, and we see a very considerable probability that this will result in higher consumption, as households are spending a relatively small share of their income right now.

Statistics Denmark has revised growth in Q3 23 up by one percentage point since our latest forecast, and that is the main reason why growth last year printed substantially higher than

We expect a gradual pickup in Danish and European growth in the course of 2024 and 2025

Las Olsen, Chief Economist at Danske Bank

we estimated in December. The revision and strong figures for Q4, too, provide a stronger start and therefore also a better growth outlook for 2024 than we have had up to now.

Private consumption looks set to rise

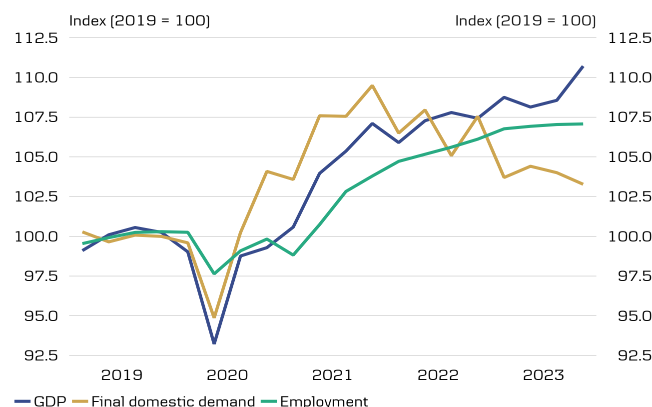
Private consumption rose by 1.3% in 2023 on the back of an increase in car purchases of 37%. Car sales had earlier been affected by supply chain problems and consumers delaying spending while inflation was high. Hence, a need to renew the car fleet has accrued – with replacements increasingly being electric vehicles, which accounted for 52% of new household cars last year. Despite rising during the year, car sales were not particularly high by the end of 2023, so we do not expect a negative correction – more the reverse. With respect to consumption more generally, we see scope for quite decent growth this year and next, given that rising real wages are upping purchasing power and that consumption is already low relative to incomes – which should be seen against consumer confidence also still being low. Consumer confidence hit a more than 45-year low during the dramatic and unexpected spike in inflation in 2022. It has increased significantly since then but remains at crisis levels, according to Statistics Denmark's figures. In our view, there is room for a further rise in consumer confidence and in the propensity to spend income in the coming years. Our forecast includes just a modest increase in the consumption ratio, but we see a clear potential for the increase to be greater.

Pharmaceuticals masking weakness in other industry

Goods exports rose by a little over 10% in 2023, with the massive increase very much reflecting pharma giant Novo Nordisk's growth adventure, while many Danish exporters, for example in the machine industry, are being challenged by a general weakness in demand. Part of the export growth story, especially in H2, was also attributable to a flow of Norwegian gas to Poland (via the Baltic pipeline), which is matched one-to-one by imports, and so does not reflect any real activity. The Tyra field is set to open later this year, meaning Danish gas can also be exported through the same pipeline.

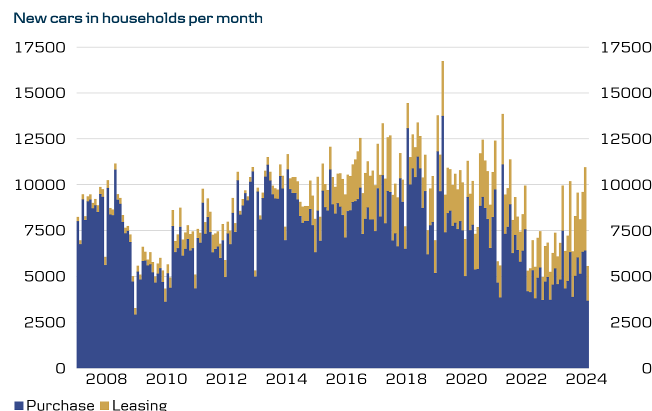
Nevertheless, late 2023 did see an uptick in industrial exports ex. pharma, which was also reflected in industrial production (also ex. pharma) picking up noticeably towards the end of the year. Sentiment in the industrial sector has also brightened modestly of late, in part due to increased expectations for production – and looking further ahead, we see promising signs that the global industrial recession has bottomed out. Industry across much of Asia has shifted up a gear, while global inventories are showing signs of a decline and thus provide scope for production to ramp up a little. This is positive news and provides hope of better times for the industrial segments that are cyclically sensitive, which appear to have put the worst of the downturn behind them. That being said, cautious European consumers and still high interest rates putting a damper on investment mean progress for industry is unlikely to be stellar in 2024.

Mixed picture



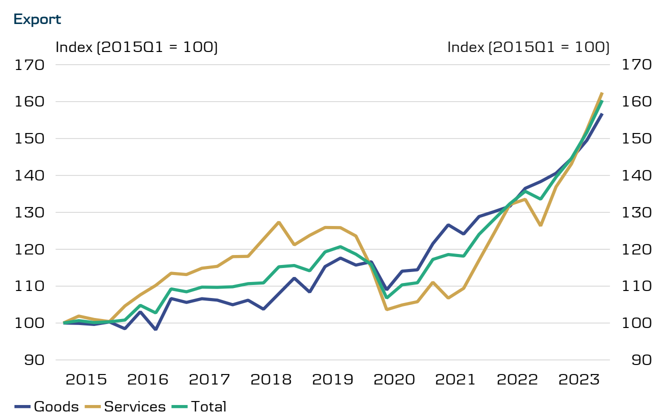
Source: Statistics Denmark
Macrobond Financial

Marked pickup in car consumption, but not to a high level



Source: Statistics Denmark
Macrobond Financial

Impressive export growth does not match reality at many companies



Source: Statistics Denmark
Macrobond Financial

Service exports were also strong in 2023, with year-on-year growth printing at just over 15% and service industries performing well on a broad front. Tourism has grown at pace, with close to one million more overnight stays by international tourists than the previous year. Sales abroad of 'other business services', which include various types of consultancy services, have also been solid – mostly to Denmark's neighbours. While shipping companies had to contend with significantly lower freight rates compared to 2022, they have also kept up steam.

The downward trend in the current account surplus reversed in the course of Q4 23, with the surplus in December again approaching the record highs of 2022 equivalent to 17% of GDP. Shipping and sales of goods produced abroad were the main reasons. The increased demand for container freight in the wake of the de facto closure of the Suez Canal and the concomitant higher freight rates indicates the service balance will contribute more to the current account surplus this year than in 2023. The Tyra gas field coming online will likely boost the surplus on the goods balance later this year. The Danish Energy Agency expects the field to deliver more than 30 million MWh of gas a year, which at current, fairly modest, market prices adds up to a market value of DKK5-10bn – or around 0.2-0.4% of GDP.

The massive increase in exports very much reflects pharma giant Novo Nordisk's growth adventure, while many increase in exports, for example in the machine industry, are being challenged by a general weakness in demand

Chief Analyst Bjørn Tangaa Sillemann.

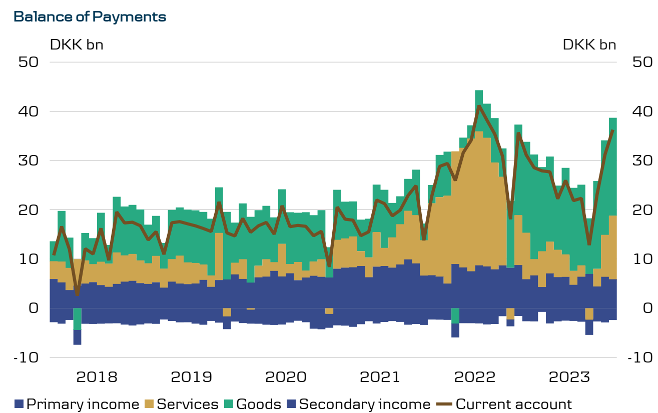
Danmarks Nationalbank shadowing the ECB

With a sizeable current account surplus at its back, the Danish krone (DKK) is fundamentally strong, so monetary policy rates need to be a little lower in Denmark than in the eurozone to balance the demand for DKK. While the ECB has hiked interest rates by 4.5 percentage points since summer 2022, Danmarks Nationalbank has made do with 4.2 percentage points. However, strengthening pressures on the DKK have eased, so Danmarks Nationalbank has matched the past five rate hikes from the ECB 1:1. We also expect Danmarks Nationalbank to track the ECB 1:1 on the rate cuts we anticipate from June 2024 onwards. The level of uncertainty is naturally very high, but our forecast is for a lending rate from Danmarks Nationalbank of 2% by the end of 2025.

Unusually low Danish inflation unlikely to persist

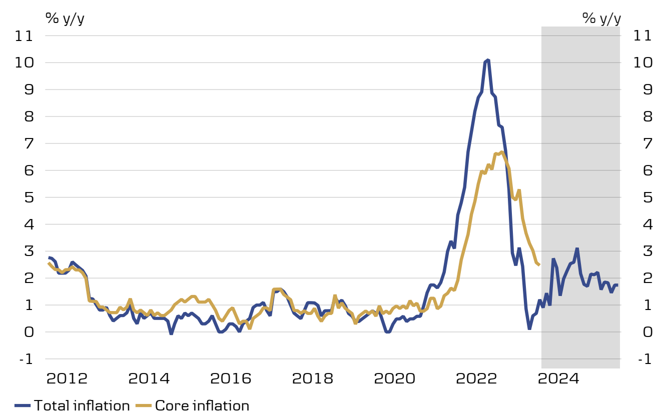
Inflation has fallen quickly in Denmark – also faster than among its neighbours. Headline inflation was a modest 1.2% in January despite higher energy duties that, for example, made a litre of petrol DKK0.41 more expensive. This development is due to companies generally hiking prices less at the moment – a reflection, not least, of consumers' just modest propensity to spend, while large inventories among retailers have prompted

Current account surplus rising again



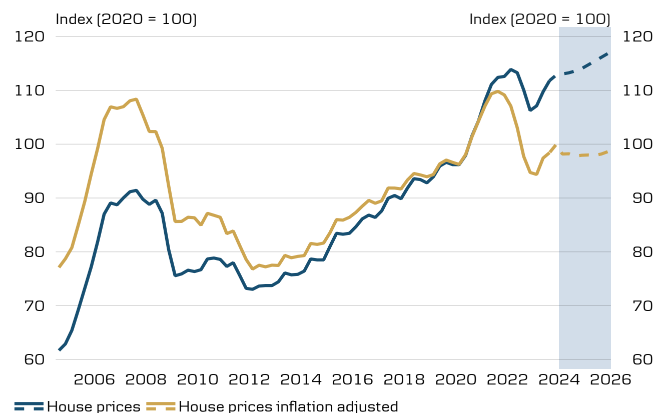
Source: Statistics Denmark, Macrobond Financial

Price pressures have faded markedly, but will increase again



Source: Statistics Denmark
Macrobond Financial, Danske Bank

Modest increases in house prices



Source: Staistics Denmark
Macrbond Financial, Danske Bank

As demand gains support from pay increases, we expect that more businesses will raise prices again

Bjørn Tangaa Sillemann, Chief Analyst

substantial discounts on furniture, etc. In addition, food prices in Denmark have fallen since the summer – in contrast to the eurozone. Holding taxes constant, in January Denmark was one of only two countries in the EU where consumer prices have fallen over the past year.

We expect inflation to remain some way below 2% during the spring, after which volatility will increase, in particular because electricity prices fluctuated considerably last year and that affects the inflation rate this year given that it is measured as the change relative to a year ago. We estimate that fairly substantial pay increases will stoke inflationary pressures over the forecast period, with inflation at times exceeding 2% once more. A restoration of purchasing power and a strong labour market will tend to support demand and, combined with rising costs for business, provide more reason to raise prices a little higher. We expect inflation to print at 1.9% in 2024 and 2.0% in 2025.

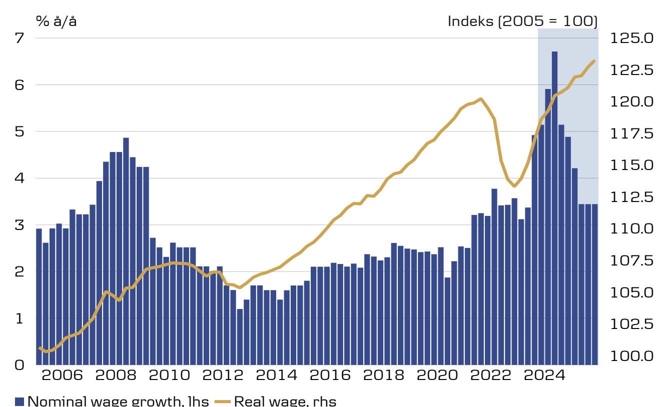
Resilient housing market

Denmark's housing market has generally demonstrated notable robustness, especially as the labour market has proved stronger than anticipated. Statistics Denmark estimates that house prices rose just over 4% between the end of 2022 and Q3 23, which is significantly more than other price statistics indicated. The various statistics do, however, roughly agree about how much prices have appreciated over the past couple of years combined. Prices appeared to enjoy more of a tailwind towards the end of last year and in early 2024, and we therefore estimate the total decline in prices for 2023 as a whole at a modest 0.7% compared to 2022.

So far, buyers have accepted that buying and owning a home has become considerably more expensive in the wake of the interest rate increases, while the price falls in 2022 have only compensated very modestly for higher interest rate payments. That being said, for the country as a whole, owning a home has only become as expensive as the average for the past 40 years, thus not necessarily indicating that prices have to fall – and nor do we expect a decline. A marked restoration of consumer purchasing power is already providing solid support for the housing market. On the other hand, still high interest rates and a modest weakening of the labour market are set to give some headwinds in 2024, after which the wind direction from interest rates will shift to a tailwind as Denmark's central bank begins to cut. We expect house price growth of 3.0% in 2024 and 2.0% in 2025.

Small sections of the market have, however, encountered problems in 2024 due to significant tax increases on owner-occupied apartments. This has greatly suppressed activity levels, while interest in showings has also declined. We will likely have to wait to well into 2024 before the market rights itself again, as many apartments are currently worth more to the seller than they are to the buyer. Nevertheless, much can change if interest rates fall by more than we expect, for example.

High wage growth set to restore real wages



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

Higher unemployment and higher wages

Unemployment rose gradually throughout 2023 and we expect the trend to continue this year and to some extent in 2025 as the economy undergoes a soft landing. So far, unemployment has risen even though employment has also increased due to the quite pronounced growth of the labour force, due mainly to the influx of labour from abroad. The number of people in work thus increased by 46,500, or 1.5%, in 2023. Just 5,000 new jobs were created in industry and a little over 7,000 in the public sector. Hence, there has also been a sizeable increase in employment in non-pharmaceutical businesses even though activity levels have at best been stagnant. For us, this pickup in employment was one of the most surprising aspects of 2023. Explanations include relative growth in service sector industries that have many employees versus revenues, the many vacant positions and widespread labour shortages experienced earlier, and an increasing trend towards part-time work – the number of hours worked rose a more modest 0.5% in 2023. We do not expect any of these three factors to continue to lift employment but, on the other hand, the outlook is for a gradual increase in business activity levels in the coming years. All in all, our forecast is for roughly unchanged employment going forward, though the surprising developments in 2023 also add additional uncertainty to this expectation.

While unemployment is on the rise, wage growth is at the same time accelerating thanks to the collective agreements concluded earlier this year. Wage levels in the private sector were 4.9% higher than a year ago in both Q3 and Q4 23 – the biggest increase in 24 years, but in fact a little below what might have been expected based on the outcome of the agreements. Much wage formation occurs in local negotiations, so these figures indicate that underlying negotiation pressures remain limited. Given this, we have revised down our expectations for wage growth in 2024 from 5.7% to 5.3%, though this of course still represents a significant increase in wages and in our view will be sufficient to restore private sector purchasing power back to 2021 levels by early 2025. Our forecast entails substantially higher wage growth in Denmark than among our trading partners in 2025 after a period when the opposite has been the case. Some Danish businesses could therefore experience a deterioration in competitiveness.

On the verge of recovery

- **The Swedish economy is being driven by strong exports of goods while domestic demand is slightly weaker. Despite the erosion of purchasing power, consumption has been stable thanks to strong employment. We are seeing signs of a brighter outlook in the service- and retail sector.**

- **Unemployment is rising, but this development is not a fair representation of the state of the Swedish labour market. The construction sector is no longer being squeezed by higher material costs but rather the high interest costs. Pent-up demand, strong fundamentals and an increased shortage of housing will push up prices for existing homes in the longer term.**

- **Excluding housing costs, inflation momentum has fallen markedly in recent months and seems to have settled below 2%. There is uncertainty around housing costs, especially rents and service fees, but the prospect of lower power prices and so lower heating costs can reasonably be expected to put a damper on this risk. As in our previous forecast in December, we expect inflation to reach the Riksbank's target level during the summer.**

- **The Riksbank has signalled the possibility of rate cuts beginning in the first half of the year. We expect a first cut at the June meeting which is followed by further cuts in a modest pace.**

	2023	Forecast 2024	2025
GDP Growth	0.2%	1.5% (1.3%)	2.0% (1.8%)
Inflation	8.6%	2.5% (2.3%)	1.0% (1.0%)
Unemployment	7.7%	8.3% (8.2%)	8.1% (8.0%)
Policy rate*	4.00%	3.25% (3.25%)	2.25% (2.50%)

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

Final figures for the Swedish economy last year are now in, allowing us to make a final assessment of its performance in 2023. The GDP figure for Q4 was revised in such a way that investment development in the business sector looks somewhat weaker, however it is offset by once again rising consumption. Furthermore, the export of goods remains to be the driving force of the Swedish economy, which continues to develop extremely strongly at the same time as domestic demand remains somewhat weaker. All in all, our outlook remains of a Swedish economy on the brink of recovery.

The previous low GDP figure for the third quarter was pulled down by inventory revisions, but if we ignore inventory changes, we actually saw the strongest final demand in the economy since the second quarter of 2021. This development reversed in the fourth quarter. Globally, we can see that the gap between new orders and inventories has narrowed to the point where even a slight uptick in demand means a need to restock instead, which indicates that the global stock cycle is turning. This is

With the labour market still being resilient and so many turning points having been passed, it's finally time for the business cycle to turn upwards

Gustav Sundén, Macro Analyst

even more pronounced in Sweden, that generally tends to lead the manufacturing cycle given the country's export-intensive industry.

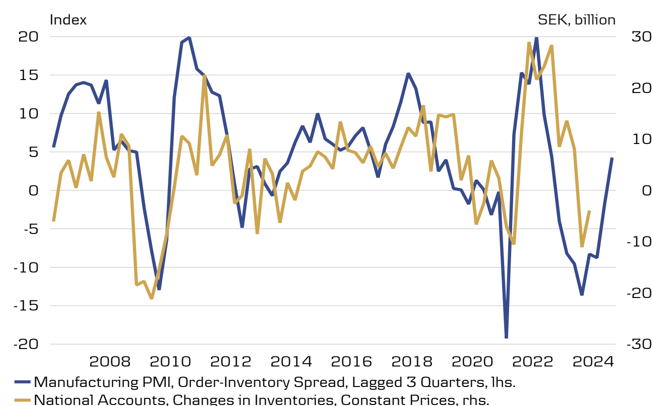
Inflation has eroded eight years of consumers' purchasing power, and the disposable income has decreased even further as a result of the quadrupled interest costs. This is reflected in the low levels of activity in the housing market. However, the aggregate disposable income in the economy has only lost three years of total purchasing power and has been recovering more and more quickly and will soon have closed the gap. This can be explained by the strong underlying trend in employment. Consumers also seem slightly more positive, with the largest ever measured monthly increase in the NIER's consumer confidence indicator in January.

Revised statistics from Statistics Sweden show that annual growth in retail sales has been around 2 percentage points worse than previously reported. Despite this, we predict a brighter future for retail, as we are seeing a marked shift in sentiment in the sector. Expectations for future sales have improved considerably in surveys done by both Swedish Commerce and NIER. The PMI is also indicating a turnaround in the economy, with the index for the service sector now having risen for four straight months. As services account for the majority of the Swedish economy, this means that the composite index is now well above the dividing line of 50 between expansion and contraction in the business cycle.

Unemployment continues to rise, but we argue that this is not a fair reflection of the current state of the Swedish labour market. While the rate of unemployment is rising, Statistics Sweden's measure of the number of jobless seems to have peaked and has edged down over the past two months. The "great wave" of redundancies also seems to have petered out, with the number of notices clearly starting to fall. Employment continues to move sideways, while hours worked are rising again, pointing to growing activity in the business sector. The Public Employment Service has even reported that more people found work in January this year than last year. Taken together, these statistics show that unemployment is rising mainly as a result of more people outside the labour force seeking work rather than people inside the labour force losing their jobs.

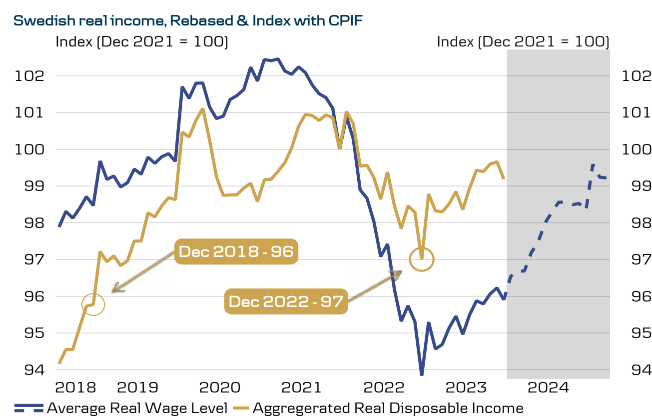
We are currently seeing a very small, but unmistakable a distinct recovery in residential construction after its dramatic collapse. Cost increases in the sector are subsiding, and costs increases were the main cause of the crisis in the sector, as builders was quite simply unable stay profitable. This is of limited consolation, however, as costs remain high and are still 33.6% above their levels before prices took off in 2020. It is worth noting that costs in the sector are no longer rising as a result of higher prices for materials, which have increased by just 0.3% since September 2022. What has put the

Growth is set to be boosted by restocking of inventories in 2024



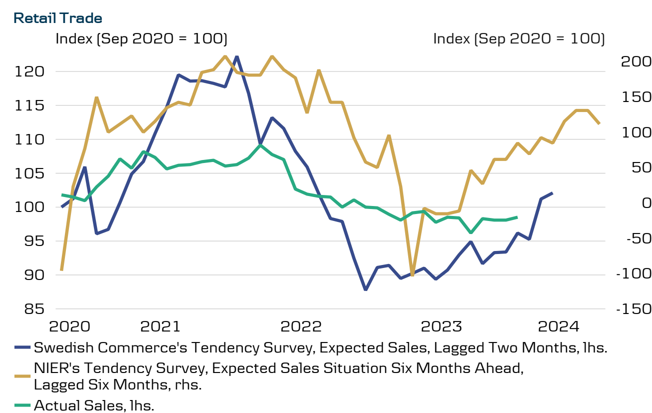
Note: Seasonally adjusted.
Source: Statistics Sweden, Swedbank

Aggregate real disposable income supported by rising employment



Source: National Mediation Office, Statistics Sweden, Danske Bank's CPIF forecast & 2023 wage deal projection

Growing optimism in the retail sector



Note: Seasonally adjusted.
Source: NIER, Swedish Commerce, Statistics Sweden

With the economy picking up, inflation falling and the Riksbank easing, we're quite simply headed for better times

Michael Grahn, Chief Economist Sweden

construction sector under pressure since then is an increase in investment costs, a direct consequence of tighter monetary policy. Although investor costs account for only 18% of the construction cost index, they have been the contributor of 40% of the total price increase in the index since 2020.

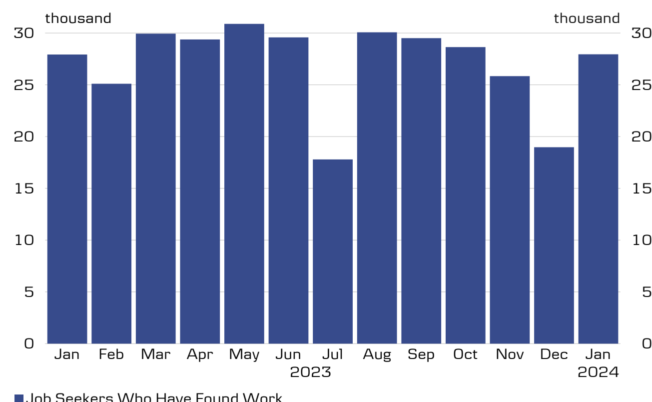
While prices for existing housing have continued to edge down over the past six months, we still believe that prices will be supported this year by fundamentals such as employment, real wages, financial wealth, rapidly falling inflation and the psychological effect of knowing that the Riksbank will soon start to lower rates again. While the housing price increases probably will be modest in the short term, we see it as inevitable that the price drop after the pandemic will reverse in the coming years. This is partly because supply in the market is record-high despite activity remaining low, with a significant pent-up need for people to move home as a result of not having the confidence to buy. Even before the collapse in residential construction, there was a substantial shortage of housing. Today's low activity levels spell even bigger shortages as the market moves further and further away from actual need of housing. The alleviated costs level in the construction sector will also be reflected in future prices for newly built residences.

Inflationary pressures in the Swedish economy have eased significantly in recent months. Although this is not fully reflected in the standard annual measures of the target inflation variable (CPIF) or core inflation (CPIF ex energy), core inflation momentum (3m SAAR) is very close to 2%. Measured on a momentum basis, goods inflation, imported inflation and services inflation ex housing are all well below 2% or even negative, which means that the bulk of consumer prices are now behaving in the desired way. Prices in the housing component, however, are rising much more quickly and are currently pushing up core inflation momentum.

The housing component consists partly of items that the Riksbank cannot influence, such as power, district heating and municipal water/wastewater charges, and partly of items that are directly affected by the Riksbank's monetary policy, such as mortgage costs and rents. Many of these items had a substantial impact on the January inflation figures. As we head into spring, however, we expect to see falling power prices and smaller rent increases. From the middle of the year, the Riksbank's rate cuts will gradually pull down mortgage costs (in the CPI) and also reduce financing costs for housing companies and housing associations. We still expect the standard measures of CPIF with and without energy to drop below 2% during the summer.

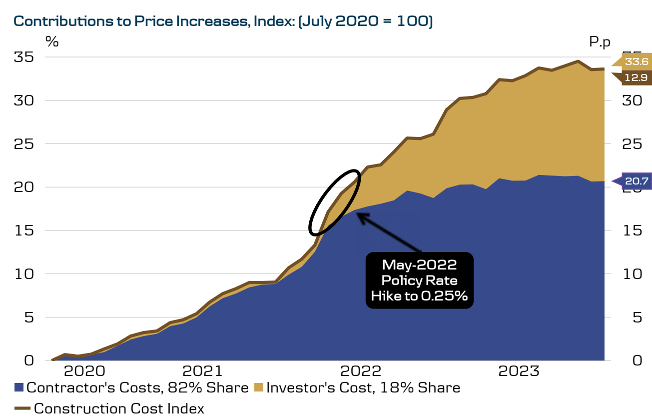
At its monetary policy meeting in February, the Riksbank signalled that the policy rate could start to come down in the first half of the year (read May or June) if inflation behaves as

More jobseekers found work in January this year than last year



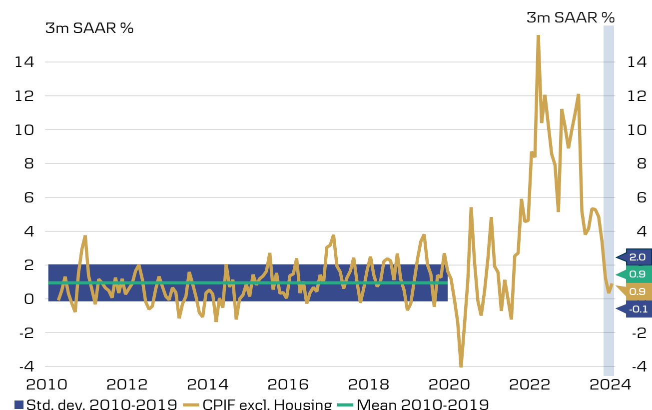
Source: Public Employment Service

Interest rate increases are squeezing construction sector



Source: Statistics Sweden

Excluding housing costs, inflation momentum has been well below the 2% target in recent months



Note: Seasonally adjusted with X-11-ARIMA from 2010. Sample period 2010-2024.
Source: Statistics Sweden, Riksbank, Macrobond, Danske Bank calculations

predicted. Inflation in January was very close to the Riksbank's projections, and we consider it highly likely that it will continue to subside and that the Riksbank will lower the policy rate in June, as we have now been predicting for some time. One important reason for this, of course, is that the real policy rate would otherwise become highly contractionary and gradually exert a major drag on the growth outlook. The ECB is also expected to start lowering rates in June, which means that we do not expect any great impact on the SEK. The upcoming easing cycle differs from the normal situation where interest rates have to be brought down rapidly because the economy is headed for recession. In the current situation, the policy rate will need to be adjusted slowly and steadily (25bp per quarter) to a fairly neutral level (around 2% at the end of 2025) because the economy will be staging a moderate recovery.

We doubt that the government will make fiscal policy significantly more expansionary in the spring amending budget beyond the SEK 39 billion already included in the autumn budget last year, although there could be a slight increase. With Maastricht debt in relation to GDP expected to drop well below the interval for the debt anchor, more and more voices are calling for a change in the fiscal policy framework to permit deficits in central government finances. This is a change we would welcome, within limits. As we see it, one could argue in principle that normal nominal GDP growth of 4% in the coming years and interest of 2-3% on Maastricht debt would be compatible with a budget deficit of 1-2% per year (in central government finances, with the local government budget balanced), while keeping the debt-to-GDP ratio stable at a target level (such as today's 30% or the debt anchor of 35%). The advantage of this approach is that it permits deficits to cover the substantial future expenditure needs that Sweden will unquestionably have, while retaining a substantial buffer for tougher times. If the growth outlook improves or interest rates fall, the deficit can grow, and vice versa. This would provide assurance that debt levels remain stable and manageable.

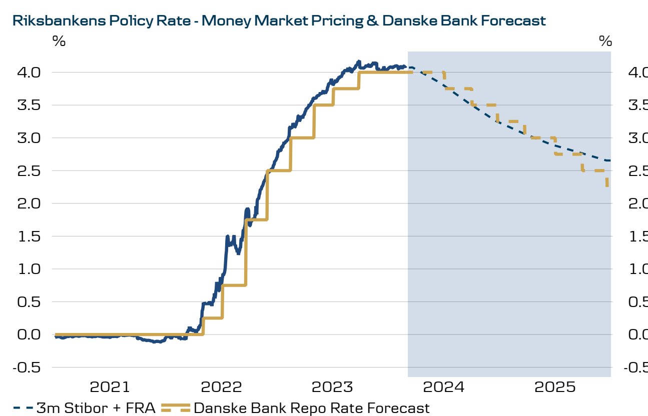
In the near term, we see pressure on government bond yields both from the Riksbank's sales adding to the net supply, and from the government potentially adding further (slight) stimulus and the National Debt Office having to borrow just over SEK 40 billion to cover the capital injection into the Riksbank. Even without any of this, we are looking at the greatest net supply of government bonds since the turn of the millennium.

Inflation momentum promising but housing still problematic

January 2024	% Y/Y	3m SAAR	Y/Y Diff to 3m SAAR
CPIF	3.3	3.5	0.2
CPIF excl. Energy	4.4	2.1	-2.3
Goods	2.7	0.7	-2.0
Services	5.1	4.9	-0.1
Services excl. Housing	4.9	1.2	-3.7
Housing	9.9	23.1	13.2
Domestic	3.8	7.6	3.8
Imported	1.8	-3.9	-5.7

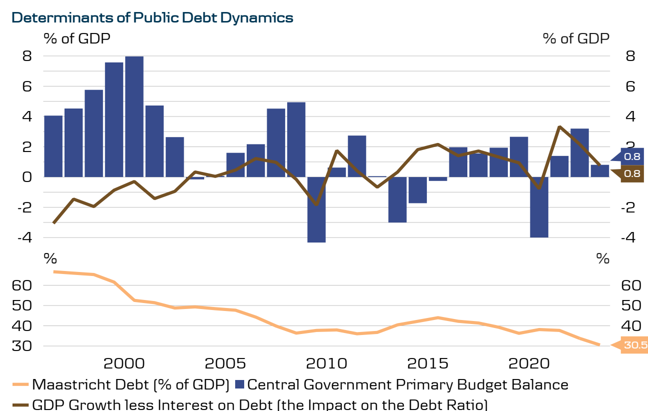
Note: Seasonally adjusted with X-11-ARIMA from 2010. Sample period 2010-2024.
Source: Statistics Sweden, Macrobond, Danske Bank calculations

The Riksbank will come back down a little more slowly than priced into the market



Source: Macrobond, Sveriges Riksbank, Danske Bank

With normal growth and interest rates, central government can run a deficit while keeping debt-to-GDP stable



Source: Statistics Sweden, World Bank, National Debt Office, Danske Bank calculations

Growth and inflation both slowing

- **Already in a mild recession**
- **Major variations, with oil services the star performer**
- **Unemployment rising moderately, employment seems to be softening**
- **Pay deals may be more moderate than feared**
- **NOK still exposed to global factors**
- **Interest rates set to come down – the question is when and how far**

	2023	Forecast 2024	2025
GDP Growth	1.1%	1.1% (1.1%)	2.1% (2.1%)
Inflation	5.5%	3.8% (3.0%)	2.0% (2.0%)
Unemployment	1.8%	2.3% (2.3%)	2.5% (2.5%)
Policy rate*	4.50%	3.50% (3.25%)	2.50% (2.25%)

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

Economic developments have been largely as expected since our previous forecast in early December. There are still clear signs that both growth and inflation are slowing. Negative real wage growth and higher mortgage rates are strong headwinds for households, particularly impacting private consumption and housing investment. The previously strong growth in business investment has also now stalled, thanks to reduced capacity requirements, growing uncertainty, pressure on profitability in many industries and, not least, a substantial increase in financing costs. Besides weak growth in housing investment, there have been relatively few commercial property starts, so the outlook for construction remains weak. The big ray of light right now is oil services, with high levels of oil investment boosting activity and pointing to strong growth until at least the end of the year. There are also signs that mainland exports are picking up, which ties in well with signals of a recovery in global industrial activity. Slightly more concerning is that optimism now seems to be waning in business services. Although it has seen high levels of activity and strong growth in the wake of the pandemic, the sector relies on orders from the likes of

manufacturing and construction where the brakes are now very much on.

In Norges Bank's regional network survey for December, published shortly after our previous forecast, firms anticipated weak growth heading into 2024 and a moderate decrease in output in the first quarter. Capacity utilisation also fell further, with only 31% of firms stating that they were operating at full capacity, down from 37% in the September survey and 60% at the beginning of 2022. This was also below the historical average of 36%, indicating that the Norwegian economy may already have been in a mild recession.

Although mainland GDP climbed 0.2% in the fourth quarter, this was largely a result of cold weather leading to abnormally high household power consumption. Allowing for this, GDP growth was probably slightly negative. This meant that mainland GDP grew 1.1% over the year as a whole, as we had predicted. Adjusted for the number of working days, as Statistics Norway likes to do, growth for the year was 0.7%.

We have revised down our growth forecast for 2024 from 1.1% to 0.8%, mainly as a result of higher interest rates over the course of the year than we assumed in December. We still expect a more significant upswing heading into next year, leading to growth of 2.1% in 2025.

Pressures in the economy easing

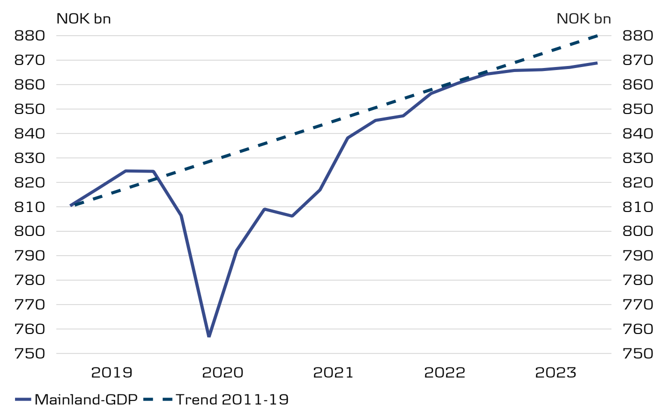
Frank Jullum, Chief Economist Norway

Labour market still tight

Unemployment is continuing to rise moderately, although it is still at low levels. There are around 12,000 more people out of work, but the jobless rate is still down at 1.9%. The number of job vacancies fell in the fourth quarter, pulling the vacancy rate down from 3.7% to 3.3%, its lowest for more than a year. New job openings seem to have picked up again slightly in recent months, however, which may be a sign that demand for labour is growing. Employment also rose in the fourth quarter, pulling in the same direction. When employment is rising and vacancies are falling without unemployment coming down, this may be a sign that the labour market is functioning better with fewer bottlenecks. On the other hand, employment grew slightly more quickly than production in 2023, meaning that productivity growth has slowed and is now negative. This could present a risk of employment underperforming GDP growth slightly for a period. It is also worth noting that 80% of the increase in employment in the fourth quarter was in the public sector.

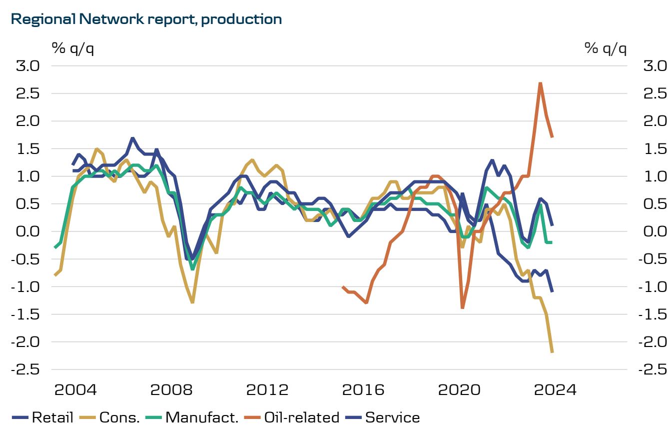
We still forecast that unemployment will rise to 2.3% this year. Next year, although we expect growth to pick up, we also expect productivity growth to improve gradually, with the result that unemployment climbs further to 2.5%.

Growth is stalling



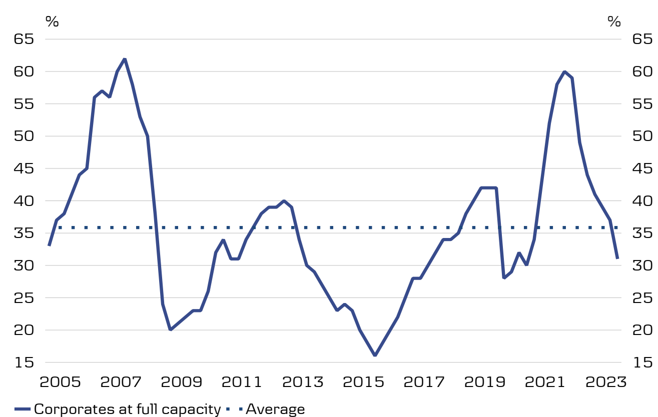
Source: Macrobond, Danske Bank

Large differences



Source: Macrobond, Danske Bank

Already in a mild recession



Source: Macrobond, Danske Bank

Price and wage inflation slowing

As the economy has cooled, so too has inflation, although it is still running at nearly 5% (and more than 5% if we exclude power prices). Underlying measures suggest that inflation is no longer as broad-based as it was. Norges Bank's alternative inflation measures, such as the trimmed mean and weighted median, put inflation in the region of 4.5%. The central bank's expectations survey shows that inflation expectations remain to the high side. The average expectation among respondents (CEOs, economists, employer organisations and trade unions) is now 4.4% in 12 months, down from 4.3% in the December survey, unchanged at 3.9 % in 24 months. Expectations five years ahead are slightly up to 2.9 %.

Most price drivers have now reversed and are helping to reduce the pressure on prices. Freight costs and commodity and energy prices have fallen a long way from their peak, and this is gradually feeding through the value chain. Producer prices are falling worldwide, and leading indicators point to both purchasing and selling prices either falling or rising less quickly than before. In other words, global price pressures are easing. In addition, the import-weighted NOK exchange rate has climbed almost 4% since mid-December and will help to rein in imported inflation in 2024. We have nevertheless revised up our inflation forecast – we now expect headline inflation of 3.5% this year and 2.0% next year, and core inflation of 3.8% this year and 2.4% next year.

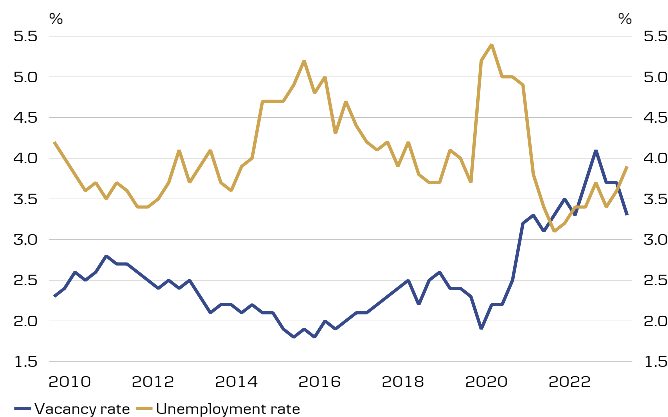
In the Norwegian collective bargaining model, both sides rely on estimates for wages and prices from the Technical Calculation Committee for Wage Settlements (TBU), consisting of representatives of employees, employers and the authorities. The TBU estimates that wages grew 5.3% last year, marginally less than our prediction in December of 5.4%. As usual, wage growth this year will depend largely on the outcome of the central pay talks. Uncertainty about the outcome is greater than for many years. After two years of negative real wage growth, the unions are very clear that they want an increase in real wages this year. With the labour market still tight and profitability still strong in parts of industry, there is scope for substantial pay rises. On the other hand, profitability is much weaker in retail, construction and parts of the service sector. Large pay rises could therefore jeopardise jobs in those sectors. There is also the risk of strong wage growth stopping interest rates from coming back down (and in a worst-case scenario leading to even higher interest rates), which would naturally be bad news for many workers.

The central pay talks do not kick off until mid-March, but some of the pieces have already fallen into place. The TBU is currently predicting inflation of 4.1% this year. With the unions set on positive real wage growth, this forecast is very important for where nominal wage demands – or at least the central pay settlements – end up. We have revised up our inflation forecast for 2024 somewhat, and the TBU's inflation forecast is a little higher again. We have therefore adjusted our wage growth forecast for this year from 4.4% to 4.7%, but we still anticipate growth of 3.5% next year.

Signs of the housing market stabilising

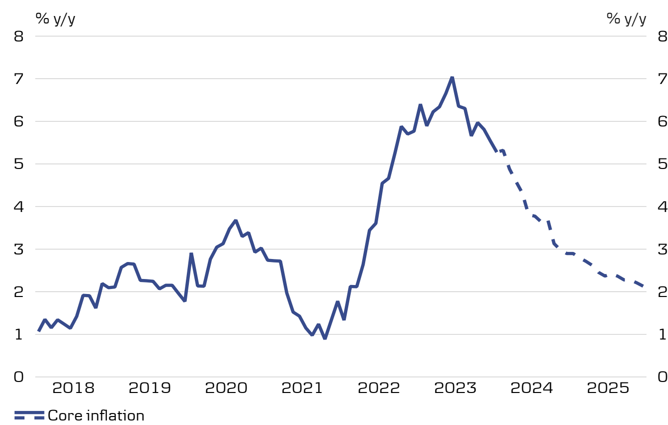
After a clear deterioration for much of last year, there were signs of stabilisation in the housing market at the end of 2023 and beginning of 2024. Prices were unchanged in November

A more balanced labour market



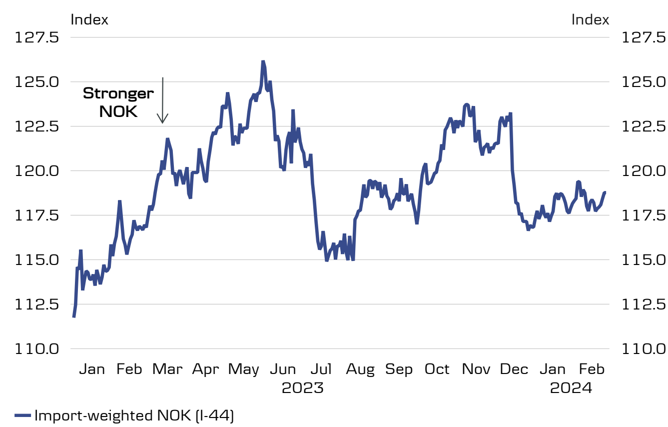
Source: Macrobond, Danske Bank

Disinflation will continue



Source: Macrobond, Danske Bank

The NOK seems to have stabilized



Source: Macrobond, Danske Bank

Wage and price inflation on the way down

Frank Jullum, Chief Economist Norway

and December, and rose in January. The number of properties on the market has also fallen slightly, and turnover has held up relatively well, albeit a long way from its peak.

This is rather surprising, considering that Norges Bank raised its policy rate further in December, but it may be that sentiment was boosted by an expectation that interest rates had peaked. Sales of new housing are still low, but picked up slightly in January for the first time in almost 18 months. Given that mortgage rates have climbed 4.5-5 percentage points in just over two years, there is good reason to believe that purchasing power in the housing market has deteriorated. That said, wages have risen almost 10% during those two years, which means that real housing prices are now about 10% lower than two years ago. However, an increase in nominal housing prices from current levels would require households to increase their debt service ratio further from already record-high levels.

Low levels of construction have led to a relatively tight housing market, which has stopped prices from falling far. We do not, however, believe that prices will pick up significantly until interest rates begin to come down – in other words, after the summer.

NOK driven by global monetary policy

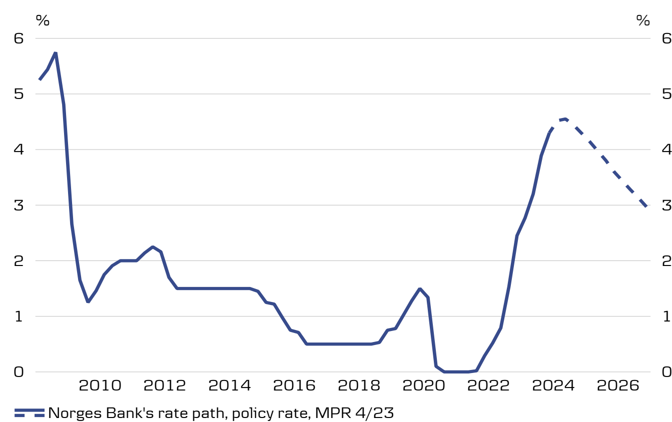
The NOK has gained almost 4% since our December forecast. Norges Bank's surprise rate hike later that month and higher inflation figures than in other countries have meant that the interest rate differential to Norway's trading partners has widened, giving the NOK a boost. However, the NOK is still very much at the mercy of global risk appetite. Risk appetite was fuelled by a belief that inflation and interest rates had peaked in the wake of the Federal Reserve's rate-setting meeting in mid-December. This contributed to a strong rise in the NOK through to New Year. Global interest rate expectations have since reversed a fair way, but this has mainly been due to stronger economic growth rather than inflation fears, meaning that cyclical assets like the NOK have done well. Together with high oil prices, this has meant that the NOK has not weakened despite global real rates having risen appreciably.

However, we are still worried that the economic climate could deteriorate over the course of the year, and certainly the chances of a strong cyclical upswing are relatively limited. We therefore believe that the NOK will remain relatively weak during the year, especially against the USD. We may be wrong, however, and see a soft landing for the global economy with lower inflation and weaker growth without a recession. Risk appetite would then increase, and oil prices would climb slightly, gradually supporting the NOK.

Rate cuts ahead

Norges Bank somewhat unexpectedly raised its policy rate by a further 25bp to 4.5% at its December meeting, but

Rates are expected to drop



Source: Macrobond, Danske Bank

went on hold as expected in January, writing: "Based on the Committee's current assessment of the outlook and the balance of risks, the policy rate will likely be kept at that level for some time ahead." In plain English, this means that a drastic change in the economic climate would be required for the bank to touch the policy rate in March. The projections published in the December monetary policy report showed a first rate cut towards the end of this year.

As discussed above, however, we expect economic growth to continue to decline over the course of 2024, and capacity utilisation to decrease further. Inflation will also fall gradually, and slightly more quickly than Norges Bank assumed in December. In addition, there is a downside risk to Norges Bank's wage growth forecast for this year of 5.0% – we expect it to end up at 4.7%. Besides improving the inflation outlook, this would also help reduce the risk of wage-price spirals in the Norwegian economy. Norges Bank would then gradually be able to prioritise recession risks – in other words, the decline in capacity utilisation. The NOK is also nearly 4% stronger at the time of writing than the bank assumed in December. Based on the calculations presented in the December monetary policy report, this translates into almost two additional rate cuts relative to the policy rate projections in the report. On the other hand, global rate expectations have risen somewhat since December, and this, in isolation, will pull in the other direction. That said, both we and the market expect the Western central banks to start lowering interest rates before the summer.

We therefore expect Norges Bank to leave the policy rate unchanged at 4.5% in March and May, but deliver a first cut at its meeting in June. We then expect a further three 25bp reductions in the second half of the year, taking the policy rate to 3.5% at the end of 2024. We then expect another four cuts next year, giving a policy rate of 2.5% at the end of 2025.

Economy limping along towards an upswing

- **Finland's economy is still in recession, but it will pick up during 2024 as a result of private consumption supported by falling inflation and the gradual reinvigoration of export demand.**
- **Labour markets will remain fairly steady even though some sectors will reduce workforce. Many companies are still struggling with labour shortages and wages are rising faster than in recent years.**
- **Early in the year, housing markets will remain lacklustre, but the fall in interest rates and the unleashing of pent-up demand will result in housing markets gradually picking up. There will be no significant recovery in housing construction until in 2025.**
- **The Finnish government will take additional fiscal adjustment measures aimed at balancing public finances, but the deficit will remain large and the debt ratio will increase.**

	2023	Forecast 2024	2025
GDP Growth	-1.0%	-0.4% (0.3%)	1.9% (1.9%)
Inflation	6.3%	2.0% (1.9%)	1.6% (1.5%)
Unemployment	7.2%	7.9% (7.8%)	7.4% (7.2%)
Deposit rate*	4.00%	3.25% (3.25%)	2.25% (2.25%)

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

Finland's economy slipped into recession in the second half of 2023, and the first quarter of 2024 will remain weak, but the gross domestic product will again likely resume growth during 2024. According to initial estimates, the gross domestic product declined by 1.0% in 2023. Public expenditure increased, but otherwise the economy weakened more or less across the board. In particular, there was a significant decline in investments. In terms of employment, the recession was milder than usual, as the number of people in employment remained fairly stable. However, there were major differences between industries and companies are still experiencing major financial difficulties. The increased number of bankruptcies indicates that many companies suffer from weak demand and higher financing costs. Leading indicators, such as confidence of companies and consumers, show that the economy remained weak in the first quarter. However, the expectations for future development are slightly more positive compared to the end of last year.

Finland's harmonised inflation rate has remained at a level that is slightly lower than the average inflation rate in the euro area and the falling energy prices in particular pushed the harmonised

Falling inflation and interest rates will increase the purchasing power of consumers, but the economic uncertainty is still stalling purchase decisions. We expect that the unleashing of pent-up demand will increase demand in both consumer durables and the housing markets towards the summer

Pasi Kuoppamäki, Chief Economist Finland

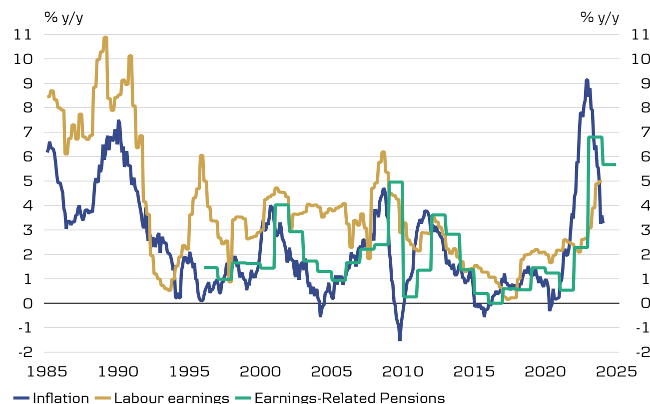
inflation rate to as low as 0.7% in January. As a result of the rise of interest rates that was seen earlier, the domestic measure of inflation was still at 3.3%. Underlying inflation still remains at an elevated level, and service prices will go up, even if the price of energy remains low this year. The growth of wage and salary earnings accelerated to around 4%, which is likely to maintain inflation caused by cost pressures especially in the service sectors. We expect that inflation will remain at a low level, as the falling energy prices will also lower the prices of goods in the longer term and weak demand will increase the pressure for price competition. The fall in inflation combined with the 2024 increase in wage and salary earnings and earnings-related pensions will help increase real purchasing power, which is a key driver for the recovery of private demand.

We expect an upward turn in private consumption in 2024, but the gradual increase in unemployment will keep demand moderate. In 2023, the savings ratio was positive, and saving for a rainy day will likely increase in the upcoming months as consumers are increasingly worried about unemployment. The increased savings ratio improves the financial security of households, but it temporarily weakens consumer demand. In addition, the rise that was already seen in interest rates will continue to hold back both consumers and the investments of companies.

The high inflation rate in the euro area combined with the tight labour market situation has also been problematic to central banks. Falling inflation will change this. We expect the ECB to maintain the deposit facility rate at 4% until next summer, at which point the key interest rates may already be lowered. Market rates are already on a downward path and our forecast means that the 12-month Euribor rate will continue to go down in 2024 and 2025. The rise of interest rates was felt strongly in Finland's economy in 2023, and it will still have a delayed effect in 2024, but the reference rates of interest applied to housing loans will in many cases be gradually updated to a level that is lower than last year. A decline in interest rates will make the situation easier for debtors and it will support consumption prospects and the housing market in 2024.

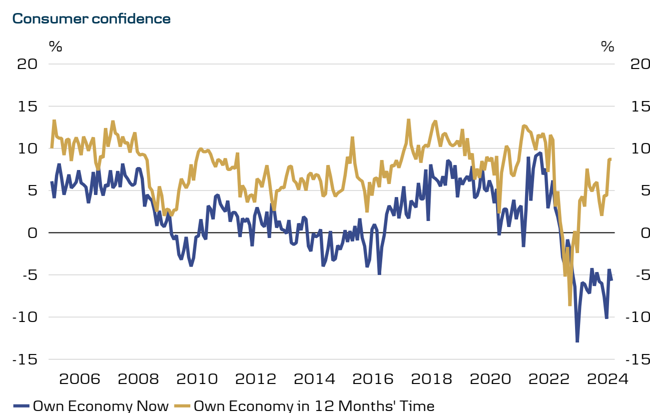
The stagnating growth of the world economy and especially the lacklustre economy in the European single market, which is important to Finland, weaken export demand, but the situation should improve before the end of 2024. The gradual weakening of new industrial orders, the low volume of orders predicted in the industrial confidence survey and the industrial and transport strikes indicate that exports will decrease in the first quarter.

Inflation falling making space for real earning growth



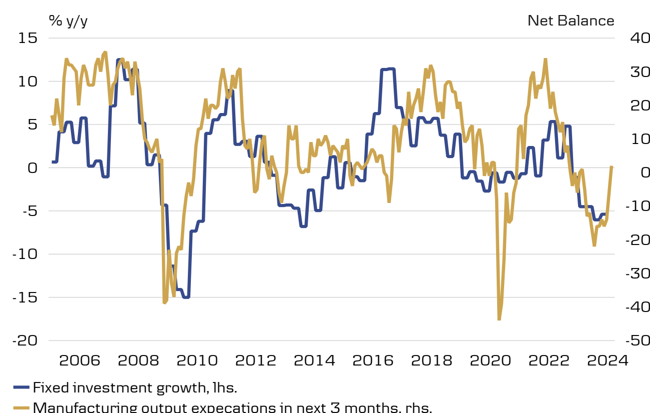
Sources: Macrobond Financial, Statistics Finland, Danske Bank

Consumers more optimistic about future



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Investment need still low



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

The weak demand is partly due to inventory cycles. For example, many customers of the forest industry have disposed of their excessive stocks. The inventory cycle will gradually shift and the flow of new orders will increase. Finland's trade surplus increased towards the end of 2023 and the country's current account is nearing balance.

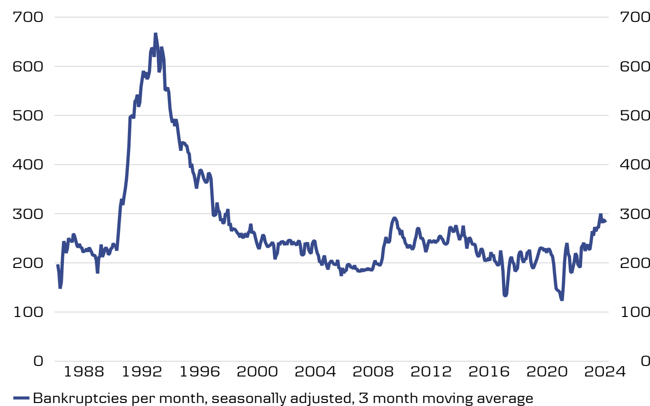
There has been a rather widespread decline in investments. Housing construction is slowing down dramatically and investments in research and product development have stagnated. The decline in industrial capacity utilization, high cost of construction and higher financing costs have reduced the willingness to invest. There will be a slight increase in public investments, but the need to cut the public deficit limits the possibilities. Investments in the green transition will nevertheless continue, for example, in the form of energy efficiency. In the upcoming years, the increasing supply of wind power will also create new business opportunities in the hydrogen economy. 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. Investments can be expected to slightly increase towards the end of 2024, when revived economic growth and falling interest rates will have a positive effect on the investment climate.

The employment rate increased in 2022, but the upward trend stopped last year and the seasonally adjusted unemployment rate increased to 7.7% in January 2024. The unemployment rate was at its lowest, at 6.1%, in April 2022 after the recovery following the lifting of the COVID-19-related restrictions. Unemployment is increasing in the construction industry, and hiring prospects in other main industries are also not strong. However, a considerable number of companies is still suffering from a shortage of skilled labour, and there is a risk that the working-age population shrinks. The number of people in employment remained steady. In many sectors, the shortage of skilled labour will likely slow down the weakening of labour markets, even though the recession forces companies to adjust.

Compared to the previous forecast, there have been no crucial changes in the circumstances. The last quarter of 2023 was slightly weaker than expected. The first quarter, which saw many strikes, also seems to turn out to be weaker than expected. We have lowered our forecast for Finland's economy for FY2024 and expect the economy to contract. We expect that demand will pick up in 2025, aided partly by the economy returning to trend growth following a slump and by an increase in construction and other investments after a weak period. After 2025, a shortage of skilled labour will again dampen high-growth companies' possibilities to expand their business.

Last year, the number of housing transactions was roughly a third below the previous years' average level. According to preliminary information from Statistics Finland, the prices of re-sold owner apartments fell by 6.3% during the year compared to 2022. In the last quarter, the prices of re-sold owner apartments fell by 5.2% year-on-year and by 0.5% compared to the previous quarter. At the same time, sales of re-sold owner apartments taking place through real estate agents increased by 12% year-on-year. The transfer tax exemption applied to first-time home buyers was be revoked at the turn of the year, which stimulated housing transactions during the last months

Recession and higher interest have increased bankruptcies

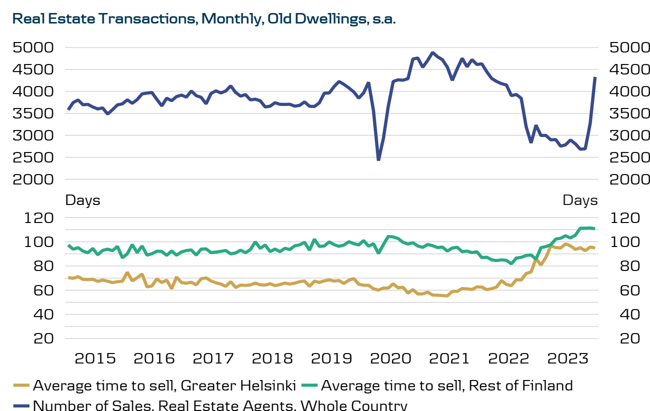


Sources: Macrobond Financial, Statistics Finland, EK, Danske Bank

Unemployment rises modestly as recession continues

Sources: Macrobond Financial, Statistics Finland, Danske Bank

First-time home buyers were active at the end of 2023



Sources: Macrobond Financial, Statistics Finland, Danske Bank

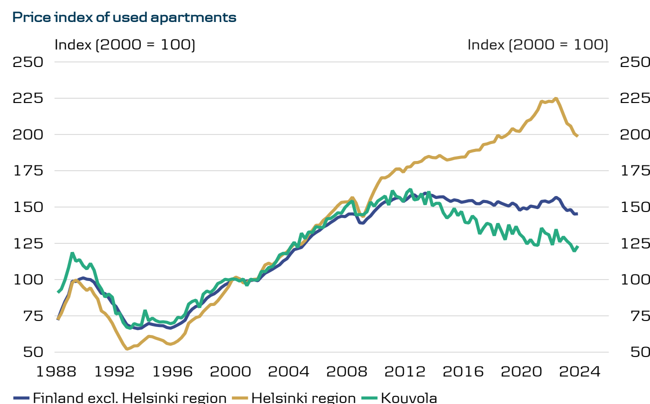
of 2023. It is estimated that the prices of new apartments fell by approximately only 1% year-on-year, but the exemption periods for maintenance charges and other benefits that are offered to buyers blur the picture regarding the price development. The sales of new apartments plunged, as a result of which there will be a significant decrease in construction. The higher interest rate level continues to weigh on the housing market, there is an oversupply of new apartments, and consumers' planned housing purchases are at a low level. However, most people with housing loans have still been able to manage their loans as before. The circumstances for an increase in housing transactions will improve in spring 2024, at which point reference rates for housing loans will most likely continue to fall. Spring is usually a peak period for housing transactions and it is possible that pent-up demand will gradually be unleashed.

Sluggish demand, increased construction costs and the higher interest rate level led to a notable downward trend in housing construction, which will last throughout 2024. In the construction sector, the number of bankruptcy petitions increased already in summer 2023. The stock of unsold new apartments will increase on a temporary basis, which puts pressure on the price level and reduces incentives for further construction. However, the population of Finland will continue to grow, and more apartments will be needed in growth centres, which means that low construction volumes will eventually result in housing shortage. The unleashing of pent-up demand will increase the demand for new construction in the second half of 2024, but due to the time required for permit applications and other processes related to construction, any considerable revival of housing construction will not take place until in 2025.

According to the Government Programme, the government will aim to balance Finland's public finances through expenditure cuts, tax increases and by means of structural reforms accelerating growth at the level of EUR 6bn. Approximately EUR 4bn will be done through expenditure savings, with the aim being that the remaining EUR 2bn will be achieved through a higher employment rate. Cuts to social security potentially weaken aggregate demand in the short term but, in the long run, they will most likely increase incentives to work and strengthen public finances. Despite the savings measures, there is a risk that public deficit will be high, which is why Finland's Ministry of Finance is already planning additional adjustment measures amounting to approximately 3bn. There are major cost pressures, for example, in the healthcare and social welfare sector, and the increased interest expenses on the public debt will widen the deficit. If implemented, the labour market reforms may increase workforce supply, but the reforms face resistance from the trade unions. The forecast assumes that protest strikes are seen mainly in the first quarter and that the government will implement most of its plans.

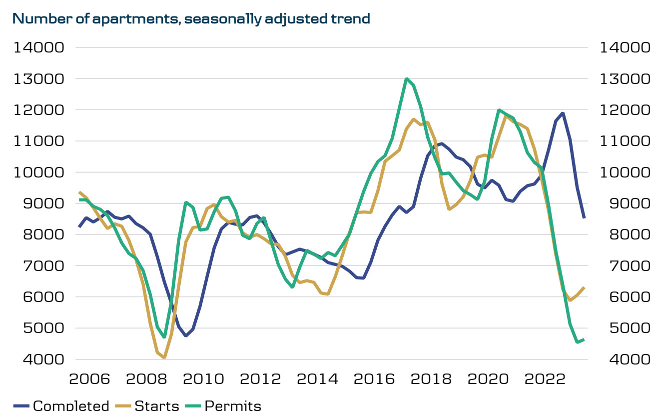
Public debt has increased at a rapid rate and it continues to grow. According to the government's budget proposal, the net borrowing of the state is estimated to exceed EUR 10bn in 2024. The 10-year interest rate on the public debt of Finland stayed below 3% in the winter. Compared to Germany, the difference in interest rates has remained rather stable. Credit rating institutions have taken a calm approach to the incurrence of debt and they are confident that Finland has a well-functioning political system, but they are still waiting for structural reforms, which would narrow the sustainability gap, and for the fiscal adjustment measures related to public finances. We expect Finland's credit ratings to remain unchanged in 2024.

Housing prices have fallen to pre-COVID-19 level



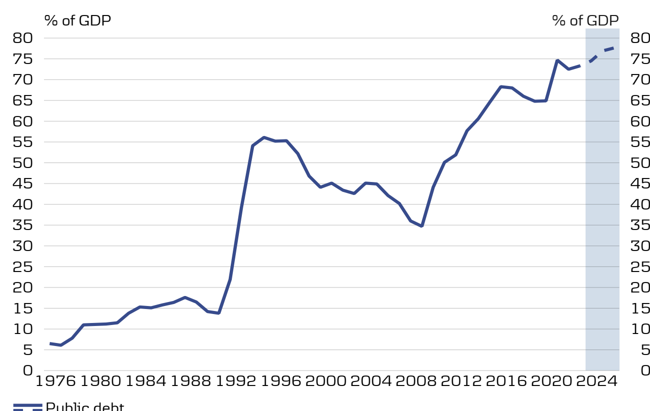
Sources: Macrobond Financial, Tilastokeskus, Danske Bank

Housing construction into a significant decline



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Public debt grows despite expenditure cuts



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Macro forecasts - Denmark

	2023	2023	Forecast 2024	2025
National Accounts	DKK bn (Current prices)	y/y	y/y	y/y
Private consumption	1240.5	1.3%	2.2%	1.7%
Government consumption	629.9	0.0%	1.3%	1.8%
Gross fixed investment	605.6	-5.0%	-1.9%	2.4%
- Business investment	373.0	-4.3%	-2.0%	3.3%
- Housing investment	140.9	-10.2%	-1.6%	0.5%
- Government investment	91.7	0.9%	-1.9%	1.5%
Growth contribution from inventories		-1.9%	-0.5%	0.0%
Exports	1922.6	12.5%	8.8%	1.9%
- Goods exports	1131.1	10.2%	8.3%	2.7%
- Service exports	791.5	15.2%	9.4%	0.8%
Imports	1651.3	7.7%	6.3%	1.7%
- Goods imports	948.6	3.2%	8.9%	2.2%
- Service imports	702.7	14.2%	2.8%	1.1%
GDP	2791.7	1.8%	2.1%	2.0%
Economic indicators				
Current account, DKK bn		367.2	364.3	376.5
- Share of GDP		13.2%	12.5%	12.5%
General government balance, DKK bn		97.0	55.0	32.0
- Share of GDP		3.5%	1.9%	1.1%
General government debt, DKK bn		828.0	815.0	805.0
- Share of GDP		29.7%	28.0%	26.7%
Employment (annual average, thousands)		3214.4	3214.6	3215.4
Gross unemployment (annual average, thousands)		83.4	88.9	92.3
- Share of total work force (DST definition)		2.8%	3.0%	3.1%
House prices, y/y		-0.7%	3.0%	2.0%
Private sector wage level, y/y		4.1%	5.3%	3.6%
Consumer prices, y/y		3.3%	2.0%	1.9%
Financial figures				
Lending Rate*		3.75%	3.00%	2.00%
Certificates of deposit Rate*		3.60%	2.85%	1.85%

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

Macro forecasts - Sweden

	2023	2023	Forecast 2024	2025
National Accounts	**SEK bn (Current prices)**	y/y	y/y	y/y
Private consumption	2716.9	-2.5%	1.7%	2.4%
Government consumption	1616.7	1.8%	0.7%	1.5%
Gross fixed investment	1678.5	-1.2%	-0.5%	2.7%
Contribution from invetory change		-1.3%	0.4%	0.0%
Domestic demand	6017.9	-2.3%	1.2%	2.3%
Exports	3398.0	3.7%	3.0%	3.2%
Aggregate demand	9415.9	-0.2%	1.9%	2.6%
Imports	3121.2	-0.6%	2.9%	3.8%
Contribution from net exports	276.8	2.2%	0.2%	-0.1%
GDP	6294.7	0.0%	1.4%	2.0%
GDP, calendar adjusted	6296.6	0.2%	1.5%	2.0%
Economic indicators				
Trade Balance, SEK bn		293.4	303.6	295.1
- share of GDP		4.9%	5.0%	4.8%
Current Account, SEK bn		343.4	353.6	345.1
- share of GDP		5.8%	5.9%	5.6%
Public budget, SEK bn		-25.0	-50.0	-50.0
- share of GDP		-0.4%	-0.8%	-0.8%
Public debt ratio*		29.0%	30.0%	30.0%
Unemployment rate		7.7%	8.3%	8.1%
Consumer prices, y/y		8.6%	2.5%	1.0%
CPIF, y/y		6.0%	1.6%	1.0%
CPIF excl. Energy, y/y		7.5%	2.9%	1.6%
Hourly Wages, y/y		3.8%	3.3%	2.5%
House prices, y/y		-7.0%	1.0%	5.0%
*Maastricht definition				
Financial Figures				
Leading policy rate*		4.00%	3.25%	2.25%

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

Macro forecasts - Norway

	2023	2023	Forecast 2024	2025
National Accounts	**NOK bn (Current prices)**	y/y	y/y	y/y
Private consumption	1924.1	-0.7%	1.3%	2.5%
Government consumption	1124.8	3.6%	2.0%	1.6%
Gross fixed investment	1199.9	0.3%	4.0%	4.0%
Petroleum activities	215.9	10.5%	6.0%	2.0%
Mainland Norway	972.6	-0.8%	-1.0%	1.0%
Dwellings	207.7	-15.6%	-9.0%	5.0%
Enterprises	503.4	4.9%	-5.0%	0.0%
General government	261.5	2.8%	3.0%	3.3%
Exports	2419.6	1.4%	3.5%	2.0%
Crude oil and natural gas	1194.1	-1.1%	3.5%	3.5%
Traditional goods	662.1	6.1%	3.0%	3.0%
Imports	1665.2	0.7%	1.5%	1.8%
Traditional goods	993.3	-3.7%	1.0%	1.5%
GDP	5128.6	0.9%	1.4%	2.0%
GDP Mainland Norway	3857.5	1.1%	1.1%	2.1%
Economic indicators				
Employment, y/y		1.3%	-0.1%	0.4%
Unemployment rate (NAV)		1.8%	2.3%	2.5%
Annual wages, y/y		5.3%	4.7%	3.5%
Core inflation, y/y		6.2%	4.0%	2.0%
Consumer prices, y/y		5.5%	3.8%	2.0%
House prices, y/y		0.2%	0.8%	4.5%
Financial figures				
Leading policy rate*		4.25%	3.50%	2.50%

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

Macro forecasts - Finland

	2023	2023	Forecast 2024	2025
National Accounts	**EUR bn (Current prices)**	**y/y**	**y/y**	**y/y**
GDP	277.8	-1.0%	-0.4%	1.9%
Imports	114.6	-7.4%	-1.0%	2.5%
Exports	113.7	-1.8%	-2.0%	3.0%
Consumption	214.2	0.9%	0.2%	0.9%
- Private	143.9	-1.0%	0.2%	1.2%
- Public	70.3	5.1%	0.1%	0.2%
Investments	64.2	-5.1%	-1.5%	4.0%
Economic Indicators				
Unemployment rate		7.2%	7.9%	7.4%
Earnings, y/y		4.2%	3.5%	2.5%
Inflation, y/y		6.2%	2.0%	1.6%
Housing prices, y/y		-6.3%	0.5%	3.0%
Current account, EUR Bn		-2.8	-1.0	0.0
- share of GDP		-1.0%	-0.4%	0.0%
Public deficit, share of GDP**		-2.7%	-3.6%	-2.8%
Public debt, share of GDP**		74.9%	78.0%	78.7%
Financial Figures				
ECB deposit rate*		4.00%	3.25%	2.25%

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

Macro Forecasts - Euro area

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.1%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
Unemployment rate	6.5%	6.6%	6.6%	6.7%	6.7%	6.6%	6.6%	6.5%
HICP, y/y	2.7%	2.5%	2.2%	2.3%	2.2%	2.1%	2.0%	1.9%
Core HICP, y/y	3.1%	2.7%	2.4%	2.3%	2.2%	2.1%	2.1%	2.0%
ECB deposit rate*	4.00%	3.75%	3.50%	3.25%	3.00%	2.75%	2.50%	2.25%

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

Macro Forecasts - United States

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	0.4%	0.2%	0.2%	0.2%	0.3%	0.4%	0.5%	0.6%
Unemployment rate	3.7%	3.8%	4.0%	4.2%	4.3%	4.2%	4.2%	4.1%
CPI, y/y	3.1%	2.9%	2.5%	2.5%	2.4%	2.4%	2.5%	2.7%
Core CPI, y/y	3.7%	3.3%	3.1%	2.8%	2.5%	2.4%	2.5%	2.5%
Fed Funds target rate*	5.50%	5.25%	5.00%	4.75%	4.50%	4.25%	4.00%	3.75%

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

Macro Forecasts - United Kingdom

	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4
GDP, q/q	-0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.3%	0.4%
Unemployment rate	4.2%	4.5%	4.6%	4.7%	4.8%	4.9%	4.9%	4.8%
CPI, y/y	4.0%	1.8%	2.0%	2.3%	2.1%	1.9%	1.9%	1.7%
Core CPI, y/y	5.0%	3.5%	2.9%	2.4%	2.2%	2.0%	1.9%	1.9%
BoE Bank Rate*	5.25%	5.00%	4.75%	4.50%	4.25%	4.00%	3.50%	3.00%

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

	Year	GDP*	Private cons.*	Public cons.*	Fixed inv.*	Ex-ports*	Im-ports*	Infl-ation*	Wage growth *	Unem-ployme. **	Public budget ***	Public debt ***	Current acc. ***
Danmark	2023	1.8	1.3	0.0	-5.0	12.5	7.7	3.3	4.1	2.8	3.5	29.7	13.2
	2024	2.1	2.2	1.3	-1.9	8.8	6.3	2.0	5.3	3.0	1.9	28.0	12.5
	2025	2.0	1.7	1.8	2.4	1.9	1.7	1.9	3.6	3.1	1.1	26.7	12.5
Sweden	2023	0.2	-2.5	1.8	-1.2	3.7	-0.6	8.6	3.8	7.7	-0.4	29.0	5.8
	2024	1.5	1.7	0.7	-0.5	3.0	2.9	2.5	3.3	8.3	-0.8	30.0	5.9
	2025	2.0	2.4	1.5	2.7	3.2	3.8	1.0	2.5	8.1	-0.8	30.0	5.6
Norway	2023	1.1	-0.7	3.6	0.3	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	1.1	1.3	2.0	4.0	3.5	1.5	3.8	4.7	2.3	-	-	-
	2025	2.1	2.5	1.6	4.0	2.0	1.8	2.0	3.5	2.5	-	-	-
Euro area	2023	0.5	0.5	0.2	1.3	-0.4	-0.9	5.4	4.5	6.5	-3.2	90.6	2.5
	2024	0.5	0.7	0.9	1.8	1.2	1.9	2.4	4.3	6.6	-2.9	89.9	2.0
	2025	1.3	1.5	1.0	1.2	2.9	3.1	2.1	3.4	6.6	-2.7	89.0	2.0
Finland	2023	-1.0	-1.0	5.1	-5.1	-1.8	-7.4	6.3	4.2	7.2	-2.7	74.9	-1.0
	2024	-0.4	0.2	0.1	-1.5	-2.0	-1.0	2.0	3.5	7.9	-3.6	78.0	-0.4
	2025	1.9	1.2	0.2	4.0	3.0	2.5	1.6	2.5	7.4	-2.8	78.7	0.0
United States	2023	2.5	2.2	4.0	0.6	2.7	-1.6	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	2.0	1.6	3.5	2.1	2.3	2.8	2.7	3.2	3.9	-5.8	126.8	-2.8
	2025	1.4	1.1	2.0	3.6	2.9	4.4	2.5	2.5	4.2	-5.8	128.6	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.0	1.5
	2024	4.5	5.5	-	3.8	-	-	0.7	-	5.2	-7.0	87.4	1.4
	2025	4.5	5.5	-	3.8	-	-	1.5	-	5.2	-7.3	91.8	1.1
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	0.0	-	-	-	-	-	2.5	-	4.5	-	-	-
	2025	1.0	-	-	-	-	-	1.9	-	4.9	-	-	-

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

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

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Global Danske Research

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

Macro

Head of
Las Olsen
Denmark
laso@danskebank.com

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

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

Bjørn Tangaa Sillemann
Denmark, Japan
bjsi@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Louise Aggerstrøm Hansen
Denmark
(maternity leave)
louhan@danskebank.com

Minna Kuusisto
Emerging Markets
mkuus@danskebank.com

Pasi Kuoppamäki
Finland
paku@danskebank.com

Rune Thyge Johansen
Euro Area
rujo@danskebank.com

Sweden

Head of
Filip Andersson
Fixed income strategy
(paternity leave)
fian@danskebank.com

Michael Grahn
Sweden
mika@danskebank.com

Gustav Sundén
Sweden macro
gusu@danskebank.com

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

Stefan Mellin
SEK strategy
mell@danskebank.com

Joel Rossier
Fixed income strategy
joero@danskebank.com

Fixed Income Research

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

Frederik Romedahl Poulsen
Global rates
frpo@danskebank.com

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

Jonas Hensch
DKK fixed income
jhens@danskebank.com

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

FX and Corporate Research

Head of
Kristoffer Kjær Lomholt
NOK
klom@danskebank.com

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

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

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

Credit Research

Head of
Jakob Magnussen
Utilities
jakja@danskebank.com

Benedicte Tolaas
Norwegian HY
beto@danskebank.com

Brian Børsting
Industrials
brbr@danskebank.com

Christian Svanfeldt
Real Estate and Industrials
chrsv@danskebank.com

Linnea Sehlberg
Industrials
sehl@danskebank.com

Louis Landeman
Sustainability/ESG
llan@danskebank.com

Mads Rosendal
TMT and Industrials
madros@danskebank.com

Mark Thybo Naur
Financials and Strategy
(paternity leave)
mnau@danskebank.com

Marko Radman
Credit Portfolios
mradm@danskebank.com

Olli Eloranta
Industrials and Real Estate
oelo@danskebank.com

Rasmus Justesen
Credit Portfolios
rjus@danskebank.com

Sverre Holbek
Financials
holb@danskebank.com

Marcus Gustavsson
Real Estate
marcg@danskebank.com

Mille Opdahl Müller
Industrials
mifj@danskebank.com