

01 March 2024

Weekly Focus

Focus turns to the ECB

Markets were in a waiting mode ahead of the March monetary policy meetings, and the latest round of inflation data did not materially rock the boat. Bond and equity markets remained stable while past weeks' positive sentiment in FX markets took a breather.

Euro Area flash HICP for February came out above expectations at 2.6% y/y (Jan 2.8%) while core inflation was 3.1% (Jan 3.3%). Somewhat worryingly, monthly momentum in services inflation picked up speed, suggesting that underlying price pressures have remained uncomfortably elevated.

In the US, the Fed's preferred measure of underlying inflation, the Core PCE, came in line with expectations at +0.4% m/m SA. Real consumption volumes fell by 0.1%, driven by weaker demand for cars and other big-ticket goods, while services activity remained more upbeat. This was reflected in prices as well, as core goods deflation continued (-0.05% m/m) while core services inflation picked up speed (+0.6% m/m). The Fed's Mester summarized the data by saying it did not 'change the calculus on policy rate decision'.

On the political front, US congress once again avoided looming risk of a partial shutdown with fourth short-term 'continuing resolution' funding bill in a row. This time, some signs of more concrete progress are emerging after congressional leaders signalled that they have reached an agreement on six of the 12 individual appropriations bills needed to fund the government. The new deadline for passing the bills is next week's Friday, while the remaining six are still up for negotiations with an extended deadline on 22nd of March.

Next week's key event will be the ECB meeting on Thursday. We and the markets expect no monetary policy changes, as recent speeches by governing council officials have suggested that ECB has set their sights on the first rate cut in the June meeting, in line with our call. ECB will also publish updated staff economic projections, where inflation will likely be revised to 2% for 2025. Growth forecasts will likely be revised lower for this year and remain broadly unchanged for 2025 and 2026. Read more from our *ECB Preview – Policy normalisation in sight*, 1 March.

On the data front, focus will be on **labour market data from the US**, with January JOLTs, ADP and finally the February Jobs Report due for release. We expect NFP growth to cool down to 180k and average hourly earnings to land at +0.2% m/m after the surprisingly strong January report. Leading data has provided mixed signals, but this week's Conference board's consumer sentiment survey showed an unexpected dent to previous months' optimism. We discussed the latest data signals in our *US Labour Market Monitor*, 1 March.

In China, the annual key policy event, the 'Two Sessions', is up next week starting Monday, where focus will be on the government's work report at the National People's Congress (NPC). The report will include China's new growth target, budget target and other key plans for the year. The growth target is widely expected to be set again at 5.0%, even if it seems like a fairly ambitious target given the less favourable base effects for 2024.

Finally, **Danske Bank Research will publish updated economic projections** for global and Nordic economies in the Nordic Outlook, due for release on Tuesday morning.

Key global views

- Weak near-term growth outlook in the US and Europe, but recovery from summer 2024
- US and euro inflation set to decline further, but core inflation to remain sticky
- The Fed to cut in May. ECB in June.

Key global views

- Mon: EA Sentix Indicator
- Tue: Tokyo CPI, China Caixin Services PMI, US ISM Services
- Wed: EA Retail Sales, US ADP Employment, US JOLTs
- Thu: ECB Meeting
- Fri: US Jobs Report

Selected reading from Danske Bank

- *ECB Preview – Policy normalisation in sight*, 1 March
- *Nordic Sustainable Quarterly - Financing the transition*, 29 February
- *Reading the Markets USD - Range-bound 10-year Treasury yield over the next 12M*, 27 February

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Scandi market movers

- In **Denmark**, on Monday we will get data on Danmarks Nationalbank's interventions on the FX market in February. We expect no interventions as the EURDKK rate has been stable around its central parity rate.

On Tuesday, we publish our first Nordic Outlook of the year. Amongst other content, the publication includes our views on the status of the Danish economy and projections of key economic figures through to 2025.

Thursday brings industrial production for January. The December figure suggested that the manufacturing cycle may have turned, with overall manufacturing climbing 5.7% m/m. Previously, pharmaceuticals have been almost single-handedly responsible for driving up the overall figure, but production outside pharmaceuticals actually rose 6.7% in December. Global manufacturing indices have given mostly positive signals as well which could support a continued improvement, although Germany's industry appears to be struggling.

Also on Thursday, we get bankruptcies for February. The number of bankruptcies declined 10.8% m/m in January, and the trend has been negative for a couple of months after the figure stabilized around a relatively high level during 2023. The economy is still on track to a soft landing, but rising wage costs could put upwards pressure on February's print.

- In **Sweden**, Riksbank Governors Bunge and Breman comments on the economic outlook and monetary policy on Tuesday 5 March (08:00 CET) and Friday 8 March (07:30 CET), respectively. We focus on comments about the drop in expectations of retail and services selling prices as per the NIER survey, which are now consistent with 2% inflation.

Services PMI rose to 51.8 in January. We expect it to have moved further north in February.

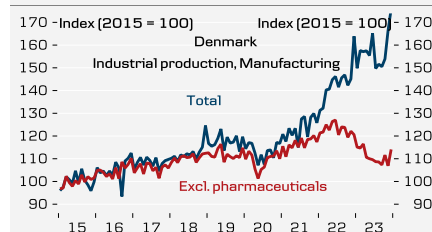
SNDO releases the February borrowing requirement which it forecast to be a SEK 52.2bn surplus.

Mäklarstatistik releases February house price statistics.

January GDP, production (PVI) and consumption indicators are due Friday 8 March, together with manufacturing new orders. As hours worked and retail sales both rose in January, we expect this triplet to be on the positive side. The global manufacturing order-inventory cycle is shifting into re-stocking mode, which should help lift production going forward.

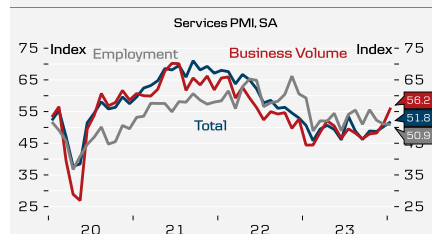
- There are no market movers in **Norway** next week.

The manufacturing cycle could be turning



Sources: Statistics Denmark, Danske Bank

Sweden: Rising activity and employment push services sector higher



Source: Swedbank

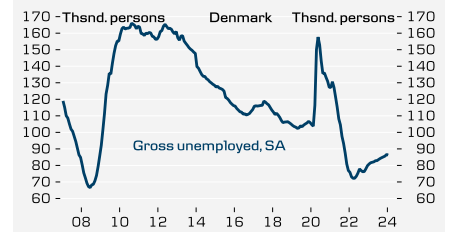
Scandi update

Denmark – Unemployment declined slightly in January

Unemployment was revised down from its preliminary figure which showed an increase of 300 persons, to a decline of 400 persons in January. This could be a sign that things are improving in the hardest-hit sectors, such as manufacturing, though there is still uncertainty associated with the figure. The overall picture remains the same, namely that the labour market is still going strong.

Retail sales improved 0.4% m/m in January adjusted for inflation and regular seasonal patterns. This could be a result of less cautious consumers who are also benefitting from increasing real wages. However, we are still cautious about interpreting this figure, as there is uncertainty related to the seasonal adjustment method, evident from the fact that this figure has diverged considerably from the VAT-based firm sales statistics.

Unemployment is still at a very low level



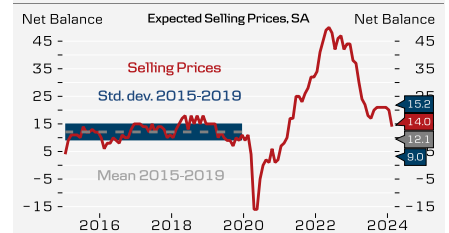
Source: Danske Bank, Statistics Denmark, Macrobond Financial

Sweden – Slightly disappointing GDP to finish off 2023

Financial market statistics for January showed that household lending decreased for the third month in a row, which marks the first time this has happened since the 1990s. Also, fixed interest rates on new agreements for mortgages decreased for the second month in a row after peaking in December. Retail sales data for the majority of 2023 was revised down in January. Therefore, it was welcomed when the data showed a m/m increase of 0.4% in February. Actual retail sales finally start to reflect the expectations of increased future sales amongst businesses in the retail sector that has been reported by surveys conducted by NIER and the Swedish Commerce.

NIER’s tendency survey for February showed almost unchanged developments, which was to be expected after it showed such incredible increases in confidence for both consumers and all business sectors in January. However, what was most notable was that the survey reported that businesses’ selling prices overall are much less widely expected to rise than they were in January, and that pricing plans are now only just above the historical average. Retail pricing plans are now broadly consistent with the 2% inflation rate, while those in the private services sector are at the higher end of the pre-pandemic range. In principle, it can be concluded that this indicates that the inflation rate is back on target this summer, which is in line with our own and the Riksbank’s assessment.

Sweden: Expected selling prices almost consistent with inflation at 2%



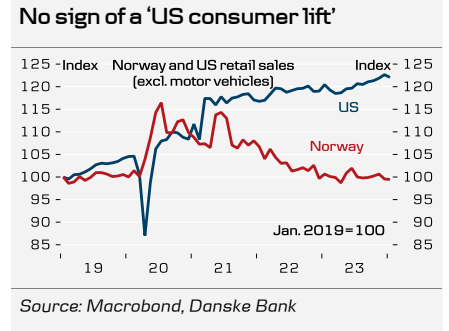
Source: NIER

Final Swedish GDP figures showed y/y growth of -0.2%. The GDP figure for Q4 was revised to -0,1% q/q. The number was dragged down by decreasing investments in the business sector, mainly in intellectual property, and a sudden drop in export of services. This development is hard to understand so we interpret it as temporary deviation in the statistics. However, as we expected the decrease was offset by a boost in refills in inventories, as well as by a surprising turnaround upwards in household consumption. In addition, we saw continued strong export of goods which remains the driving force of the Swedish economy.

Riksbank governor Erik Thedéen said that: "The most recent inflation outcome does not change the picture of inflation moving in the right direction. We are on slightly firmer ground, and I do not rule out the possibility of a cut in the policy rate in the first half of this year. But this assumes that the outlook for inflation remains favourable." He also expressed that the Riksbank can cut before ECB amid benign wage hikes. This was very much in line with his previous comments, but still very relevant, as it keeps all doors open ahead.

Norway – Retail sales grinding lower

Retail sales dropped 0.1% m/m in January, and December was revised down from -0.9% to -1.1% m/m. The underlying trend continues to be slightly negative, as private consumption still suffers from a combination of low real wage growth and higher interest rates, which result in negative growth in real disposable income. In addition, the savings ratio is already close to zero. As a result, we expect no significant lift in private consumption until well into 2024. As illustrated in the chart, there are no signs whatsoever of a ‘US-like’ lift in consumption, as Norwegian households are constrained by both income and savings.



Calendar – 4-8 March 2024

Monday, March 4, 2024				Period	Danske Bank	Consensus	Previous
8:30	CHF	CPI	m/mly/y	Feb		0.5% 1.1%	0.2% 1.3%
10:30	EUR	Sentix Investor Confidence	Index	Mar		-11.0	-12.9
17:00	DKK	Currency reserves	DKK bn	Feb			630.2
17:00	USD	Fed's Harker speaks					
Tuesday, March 5, 2024				Period	Danske Bank	Consensus	Previous
0:30	JPY	Tokyo CPI Ex-Fresh Food YoY	y/y	Feb		2.5%	1.8%
0:30	JPY	Tokyo CPI Ex-Fresh Food, Energy YoY	y/y	Feb		3.1%	3.3%
1:30	JPY	Markit PMI services	Index	Feb			52.5
2:45	CNY	Caixin PMI service	Index	Feb		52.9	52.7
8:30	SEK	PMI services	Index	Feb			51.8
8:45	FRF	Industrial production	m/mly/y	Jan		0.0%	1.1% 0.9%
9:15	ESP	PMI services	Index	Feb		53.3	52.1
9:45	ITL	PMI services	Index	Feb		52.1	51.2
9:50	FRF	PMI services	Index	Feb		48.0	48.0
9:55	DEM	PMI services	Index	Feb		48.2	48.2
10:00	EUR	PMI composite	Index	Feb		48.9	48.9
10:00	EUR	PMI services	Index	Feb		50.0	50.0
10:00	ITL	GDP, final	q/qly/y	4th quarter		0.2% 0.5%	0.2% 0.5%
10:30	GBP	PMI services	Index	Feb		54.3	54.3
11:00	EUR	PPI	m/mly/y	Jan		-8.1%	-10.6% -0.8%
15:45	USD	Markit PMI service	Index	Feb		51.4	51.3
16:00	USD	Core capital goods orders, final	%	Jan			0.1%
16:00	USD	ISM non-manufacturing	Index	Feb		52.9	53.4
Wednesday, March 6, 2024				Period	Danske Bank	Consensus	Previous
-	PLN	Polish central bank rate decision	%		5.75%	5.75%	5.75%
1:30	AUD	GDP	q/qly/y	4th quarter		0.3% 1.4%	0.2% 2.1%
8:00	SEK	Current account	SEK bn	4th quarter			117.4
10:30	GBP	PMI construction	Index	Feb			48.8
11:00	EUR	Retail sales	m/mly/y	Jan		0.1% -1.4%	-1.1% -0.8%
14:15	USD	ADP employment	1000	Feb		150	107
15:45	CAD	Bank of Canada rate decision	%		5.00%	5.00%	5.00%
16:00	USD	Fed chair Powell speaks					
16:00	USD	JOLTS Job openings	K	Jan			9026 9026
16:30	USD	DOE U.S. crude oil inventories	K				4199
18:00	USD	Fed's Daly speaks					
22:15	USD	Fed's Kashkari speaks					
Thursday, March 7, 2024				Period	Danske Bank	Consensus	Previous
-	CNY	Foreign exchange reserves	USD bn	Feb		3221.0	3219.3
0:30	JPY	Labour cash earnings	y/y	Jan		1.3%	0.8%
7:45	CHF	Unemployment	%	Feb		2.2%	2.2%
8:00	SEK	Budget balance	SEK bn	Feb			-35.3
8:00	DKK	Industrial production	m/m	Jan			5.7%
8:00	NOK	Manufacturing production	m/mly/y	Jan			0.3% 0.8%
8:00	NOK	Industrial production	m/mly/y	Jan			1.0% -1.0%
8:00	DEM	Factory orders	m/mly/y	Jan		-7.0% -4.6%	8.9% 2.7%
9:00	CHF	Foreign Currency Reserves	CHF bn	Feb			662.4
14:15	EUR	ECB announces deposit rate	%		4.00%	4.00%	4.00%
14:30	USD	Unit labour cost, final	q/q	4th quarter		0.7%	0.5%
14:30	USD	Trade balance	USD bn	Jan		-62.5	-62.2
14:30	USD	Initial jobless claims	1000				215
14:45	EUR	ECB's Lagarde speaks					
16:00	USD	Fed chair Powell speaks					
17:30	USD	Fed's Mester speaks					
21:00	USD	Consumer credit	USD bn	Jan		100	16
Friday, March 8, 2024				Period	Danske Bank	Consensus	Previous
6:00	SEK	Maklarstatistik Swedish housing price data					
6:00	JPY	Leading economic index, preliminary	Index	Jan		109.7	110.2
8:00	SEK	Industrial orders	m/mly/y	Jan			5.5% -6.9%
8:00	SEK	Private Sector Production	m/mly/y	Jan			1.4% 0.5%
8:00	SEK	Household consumption	m/mly/y	Jan			0.1% 0.1%
8:00	DEM	Industrial production	m/mly/y	Jan		0.7% -5.0%	-1.6% -3.0%
11:00	EUR	GDP, final	q/qly/y	4th quarter		0.0% 0.1%	0.0% 0.1%
11:00	EUR	Gross fixed investments	q/q	4th quarter			0.0%
11:00	EUR	Government consumption	q/q	4th quarter			0.4%
11:00	EUR	Private consumption	q/q	4th quarter			0.3%
11:00	EUR	Employment, final	q/qly/y	4th quarter			0.3% 1.3%
13:00	USD	Fed's Williams speaks					
14:30	USD	Unemployment	%	Feb		3.7%	3.7%
14:30	USD	Average hourly earnings, non-farm	m/mly/y	Feb	0.2%	0.3%	0.6% 4.5%
14:30	USD	Non farm payrolls	1000	Feb	180	190	353
14:30	CAD	Net change in full time employment	1000	Feb			-11.6

Source: Danske Bank

Macroeconomic forecast

Macro forecast. Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2023	1.8	1.3	0.0	-5.0	12.5	7.7	3.3	4.1	2.8	2.0	29.7	10.5
	2024	1.0	1.8	2.0	-0.4	3.6	5.4	2.0	5.7	3.1	1.0	27.9	11.5
	2025	1.6	1.7	1.6	2.2	1.6	1.8	1.9	3.6	3.3	0.7	26.5	11.5
Sweden	2023	-0.2	-1.7	2.3	-1.0	2.6	0.7	8.5	4.0	7.7	-0.4	29.0	4.7
	2024	1.3	1.1	0.9	1.3	2.9	2.9	2.3	3.3	8.2	-0.8	29.0	4.8
	2025	1.8	2.0	1.5	2.3	3.2	3.6	1.0	2.5	8.0	-0.8	29.0	4.6
Norway	2023	1.1	-0.7	3.6	0.3	1.4	0.7	5.5	5.4	1.8	-	-	-
	2024	1.1	1.2	1.3	4.0	2.0	1.8	3.0	4.4	2.3	-	-	-
	2025	2.1	2.5	1.6	4.0	2.0	1.8	2.0	3.5	2.5	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2023	0.5	0.4	0.0	0.9	0.2	-0.3	5.4	5.6	6.5	-3.2	90.6	2.5
	2024	0.5	0.6	0.7	0.6	1.7	2.0	2.5	4.6	6.8	-3.0	89.9	2.0
	2025	1.2	1.1	0.8	1.5	2.7	2.6	2.1	3.7	7.1	-2.8	88.8	2.4
Finland	2023	-0.5	-0.5	3.0	-5.5	-0.5	-4.5	6.3	4.0	7.2	-2.8	73.8	-0.7
	2024	0.3	0.5	0.2	0.0	1.0	1.5	1.9	3.4	7.8	-3.0	75.3	-0.3
	2025	1.9	1.2	0.2	4.0	3.0	2.0	1.5	2.5	7.2	-2.7	75.4	0.0

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
USA	2023	2.5	2.2	4.0	0.5	2.7	-1.7	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	1.7	0.8	3.5	2.5	-1.6	-0.4	2.6	3.2	4.4	-5.8	126.8	-2.8
	2025	1.2	0.2	2.3	4.9	3.1	3.8	2.5	2.5	4.4	-5.8	128.6	-2.6
China	2023	5.4	6.6	-	4.6	-	-	0.5	-	5.3	-7.5	83.0	1.5
	2024	4.5	5.5	-	3.8	-	-	1.0	-	5.2	-7.2	87.4	1.4
	2025	4.5	5.5	-	3.8	-	-	1.5	-	5.2	-7.0	91.8	1.1
UK	2023	0.5	-	-	-	-	-	7.4	-	4.2	-	-	-
	2024	0.0	-	-	-	-	-	2.8	-	4.6	-	-	-
	2025	1.0	-	-	-	-	-	1.9	-	4.9	-	-	-

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

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	29-Feb	5.50	-	4.54	3.88	0.92	-	6.89	10.60	10.35
	+3m	5.25	-	4.19	3.90	0.94	-	7.03	10.75	10.75
	+6m	5.00	-	4.00	3.90	0.95	-	7.10	11.14	11.05
	+12m	4.50	-	3.80	3.90	0.96	-	7.16	11.44	11.15
EUR	29-Feb	4.00	3.89	3.27	2.77	-	1.08	7.4547	11.47	11.20
	+3m	4.00	3.71	2.92	2.70	-	1.06	7.4550	11.40	11.40
	+6m	3.75	3.46	2.75	2.70	-	1.05	7.4500	11.70	11.60
	+12m	3.25	3.00	2.50	2.70	-	1.04	7.4500	11.90	11.60
JPY	29-Feb	-0.10	-	-	-	0.006	0.007	4.60	7.08	6.91
	+3m	0.00	-	-	-	0.007	0.007	4.85	7.42	7.42
	+6m	0.00	-	-	-	0.007	0.007	5.00	7.85	7.78
	+12m	0.00	-	-	-	0.007	0.007	5.19	8.29	8.08
GBP*	29-Feb	5.25	-	4.62	3.90	1.17	1.08	8.71	13.40	13.09
	+3m	5.25	-	4.18	3.74	1.15	1.22	8.57	13.10	13.10
	+6m	5.00	-	3.99	3.75	1.14	1.19	8.47	13.30	13.18
	+12m	4.50	-	3.75	3.75	1.14	1.18	8.47	13.52	13.18
CHF	29-Feb	1.75	-	-	-	1.05	1.13	7.82	12.03	11.74
	+3m	1.75	-	-	-	1.06	1.13	7.93	12.13	12.13
	+6m	1.50	-	-	-	1.08	1.13	8.01	12.58	12.47
	+12m	1.00	-	-	-	1.08	1.12	8.01	12.80	12.47
DKK	29-Feb	3.60	3.89	3.38	2.92	0.134	0.145	-	1.54	1.50
	+3m	3.60	3.63	3.04	2.90	0.134	0.142	-	1.53	1.53
	+6m	3.35	3.38	2.89	2.90	0.134	0.141	-	1.57	1.56
	+12m	2.85	2.90	2.65	2.90	0.134	0.140	-	1.60	1.56
SEK	29-Feb	4.00	4.07	3.36	2.82	0.089	0.097	0.67	1.02	-
	+3m	4.00	3.97	2.84	2.80	0.088	0.093	0.65	1.00	-
	+6m	3.75	3.71	2.69	2.85	0.086	0.091	0.64	1.01	-
	+12m	3.25	3.22	2.50	2.90	0.086	0.090	0.64	1.03	-
NOK	29-Feb	4.50	4.81	4.54	3.90	0.087	0.094	0.65	-	0.98
	+3m	4.50	4.53	4.28	3.79	0.088	0.093	0.65	-	1.00
	+6m	4.00	4.07	3.98	3.75	0.085	0.090	0.64	-	0.99
	+12m	3.25	3.45	3.40	3.65	0.084	0.087	0.63	-	0.97

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

Commodities

	29-Feb	2023				2024				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	82	82	78	86	83	80	80	80	80	82	80

Source Danske Bank

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