

# Weekly Focus

## ECB to take the foot slightly off the pedal

**The red-hot global manufacturing sector shows no sign of cooling down.** The US ISM beat expectations this week and increased from 60.7 in April to 61.2 in May. New orders also increased and supplier deliveries are at the highest level since 1974; a clear sign of overheating is not easing up yet. In China, Caixin PMI which focuses on smaller firms, increased slightly to 52.0 in May from 51.9 as domestic and export demand picked up. Firms continue to struggle with increasing raw material costs as a sub-index for input costs stood at a 13 year high in Korea and the highest since 2016 in China. Overall the numbers fit with our expectations that overheating will be with us for the summer but should ease up during H2.

**Some Fed members are starting to flag the need to start discussing tapering of its QE programme.** The Fed's Patrick Harker said on Wednesday that "it may be time to at least think about thinking about tapering". He added, though, that "we will remove accommodation carefully and methodically as the economy continues to strengthen...Our goal here is to be boring." He is the third member to suggest that the tapering discussion is likely to come up soon after similar comments from the more influential member Fed Vice Chairman Richard Clarida as well as FOMC Board member Randal Quarles. Despite the comments the Fed has so far succeeded in being boring as bond yields have reacted little to the twist in comments. US 10-year yields drifted lower again yesterday.

**The ECB will also begin signalling less aggressive bond buying at next Thursday's meeting.** The ECB is expected to raise its growth projections by 0.3pp for this year and next year. We expect ECB's PEPP purchase guidance to shift from 'significantly' to 'moderately' higher than at the start of the year, i.e. we expect PEPP buying to be EUR70bn/month in Q3 versus the current net purchase pace of EUR80bn/month.

**Oil prices rise to the highest level in two years.** This week OPEC+ stuck to the current plan of gradually normalising oil output. This led to Brent rising to just below USD72/bbl, as the market seems more concerned about risk of tight oil market in coming months than OPEC normalising output too fast. It follows a period of moving broadly sideways since March but demand is now about to pick up with travelling going up over the summer. Industrial metals continue to take a break from the strong rally, though, as copper and aluminium prices drift lower.

**Apart from the ECB meeting, several economic releases will get attention next week.** The US CPI on Thursday is very interesting; are we going to see another jump in some prices? As in past months, due to base effects, we should focus on % m/m price changes. Also on Thursday, the German ZEW for June is due and may show some stabilisation in the expectations amid signs of peak in manufacturing, but overall should still paint an upbeat picture. Current economic situation assessment still has some catch-up to do. The last German state election before federal election in September takes place on Sunday (6 June) in Sachsen-Anhalt. Will be very much seen as a bell-weather for the September vote, especially how battered CDU is performing. Another bad performance as in the state elections in March will increase the heat on Armin Laschet and his chancellor ambitions.

### Key market movers

- Sunday: German state election in Sachsen-Anhalt
- Wednesday: China CPI and PPI for May, Polish Central Bank rate decision
- Thursday: ECB Meeting, US CPI for May, German ZEW
- Friday: UK Monthly GDP for May, Russian Central Bank rate decision

### Selected reading from Danske Bank

- *Spending Monitor - Spending was up 6% in May, 3 June 2021*
- *China Macro Monitor - Domestic economy slowing but US consumers give short term lift, 3 June 2021*
- *Euro Area Macro Monitor: Preparing for take-off, 3 June 2021*
- *ECB Preview - First step to a soft exiting while keeping flexibility, 2 June 2021*
- *Flash Comment Denmark - FX inflow accelerated - 10bp rate cut still in the cards, 2 June 2021*
- *Monthly Executive Briefing - Economies are strong and inflation fears ease, 1 June 2021*

Editor

Chief Analyst  
Jakob Ekholdt Christensen  
+45 45 12 85 30  
[jakc@danskebank.dk](mailto:jakc@danskebank.dk)

# Scandi market movers

- In **Denmark**, we should receive the latest bankruptcy figures on Monday. Bankruptcies have remained low despite the corona crisis and there is still no sign of a surge. Nevertheless, we continue to fear the service sector could be hard hit, though this will likely not become apparent until 2022 or 2023, when relief loans have to be repaid.

Tuesday is scheduled to see the release of April's industrial production figures, which have been steaming ahead so far this year. Several sectors are reporting shortages of materials, which could create bottlenecks in industry and construction. Industry could potentially face a slowdown if the shortage of materials becomes an ongoing problem going forward. Wednesday should bring export numbers for April. The strong global upswing in industry has had a pronounced impact on goods exports, while service exports have lagged behind this year. However, we expect a normalisation in goods and service exports as consumers gain increasing opportunities to spend on other things than material goods.

Thursday we get Danish CPI inflation for May. Here we expect another increase to 1.7% from 1.5% in April. The big contributors are energy and package holidays. Oil prices have doubled in May compared to the same month last year, which adds significantly. The base effect will wear off from now on. Package holidays and air travel usually decline markedly in May and given the current imputation of these prices and the lower weight in the consumer basket this year on these items, this adds further to inflation in May; an effect that will reverse in June and in particular in July. Rising materials prices will presumably have a limited significance for Danish inflation. See (in Danish) "Research Danmark - Stigende pres på råvarer men forbrugerpriserne følger næppe med op", 4. juni 2021.

- The Debt Office in **Sweden** releases the May borrowing requirement on Monday 7 June. It forecasts a SEK 36.9bn surplus according to its brand new funding forecast. Over the past year, monthly outcome has been about SEK 15bn better than expected each month. It remains to be seen whether this trend changes now.

As April showed strong increases in manufacturing PMI production and PMI services business volume, it seems reasonable to expect further significant gains in both manufacturing and services PVI's for April. Manufacturing PMI production dipped in May suggesting supply disruptions may have been at work.

Judging from significant set-backs in April retail and car sales, the consumption indicator (Tuesday 8 June at 09:30 CET) appears destined to show a dip too. The culprit is what has happened to "stay away" consumption such as hotel/restaurants, travel bookings etc. NIER confidence data revealed a huge increase in April suggesting consumption may have fared better than suggested by retail and car trade.

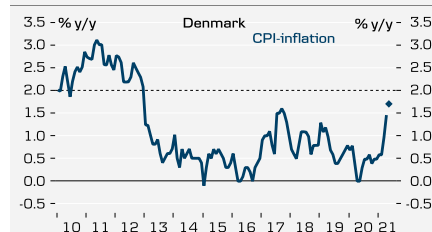
Production should be a positive for the April GDP indicator, published on Tuesday 8 June at 09:30 CET. However, as there is a risk that consumption dips, we are uncertain about the sign of the April GDP change.

Prospera's big quarterly inflation expectations survey is released on Wednesday 9 June at 08:00 CET. It is likely to show a further rise in expectations as seen over the past year. However, as inflation is expected to dip in June, we expect the next survey to follow suit.

Riksbank releases its business survey, May 2021.

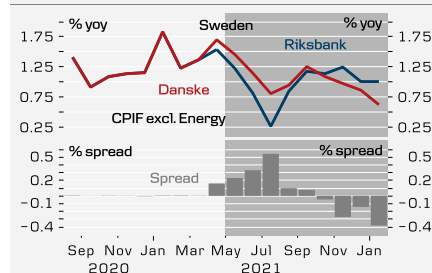
Riksbank Governor Ingves speaks about the economy and where it is heading.

## We expect inflation to increase in May



Sources: Statistics Denmark, Danske Bank, Macrobond Financial

## Sweden: May core inflation likely on the upside of Riksbank's call



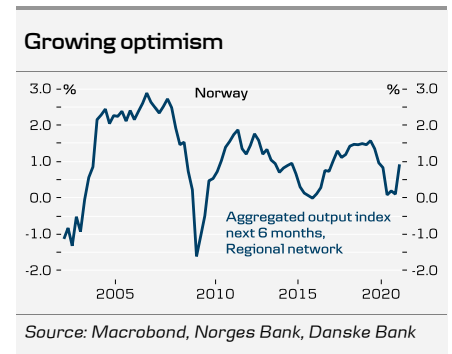
Source: SCB, Riksbank, Danske Bank

Swedish May CPI inflation on Thursday 10 June at 9:30 CET is still expected to fall back slightly from what we consider to have been the peak in April. This is despite a significant rise in energy during May. Note that CPIF excl. Energy already peaked in January. We forecast CPIF and CPIF excl. Energy in May to print 2.4 % yoy and 1.5 % yoy respectively. That is 0.5 and 0.2 p.p. above Riksbank's respective forecasts. Energy (mostly electricity) adds 0.2 p.p. to the monthly increase while clothing, recreation and hotels/restaurants are the main contributors for the 0.3 p.p. increase in core CPIF. Looking forward we expect all inflation measures to dip significantly in June well below 2 % again.

- In **Norway**, there are clear signs of growing optimism in the business sector, fuelled by the relaxation of restrictions, strong global growth and continued expansionary economic policy. We expect this to be evident in the results of Norges Bank's regional network survey on Tuesday. Brighter prospects for the service sector, rising activity in the oil industry, higher construction activity and further strong export markets mean that retail is the only source of uncertainty. We therefore expect the aggregated output index for the next six months to climb from 0.92 to in the region of 1.25-1.30. It will also be worth keeping an eye out for signs of capacity constraints and/or mounting price pressures.

As expected, core inflation has dropped since the autumn due to lower imported inflation. We expect it to continue to trend down, but driven more by base effects (high inflation at the same time last year). It will be interesting to see if there any signs of the downward trend being held back by prices for commodities and intermediates having risen faster in recent months. We think May might still be a little early for this, and therefore expect core inflation to fall to 1.9%.

The GDP figures for April are in many ways yesterday's news, as they will doubtless be coloured by the closure of much of the service sector and parts of the retail trade for most of the month. We therefore anticipate only a moderate rise of 0.3% m/m in mainland GDP.



# Scandi update

## Denmark – Unemployment up slightly in April despite reopening

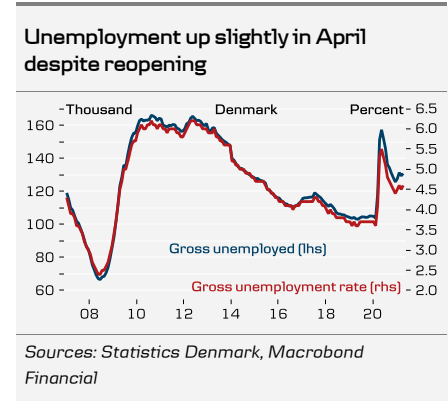
In May, Danmarks Nationalbank intervened to the tune of DKK22.2bn in FX markets to stop the DKK from strengthening further, as it had been under pressure throughout the month. We expect the Danish central bank to cut deposit and lending rates by 0.1 percentage points in the course of the next two months.

Unemployment rose by 1,300 in April, which was somewhat surprising given the reopening. However, the increase may well be due to new holiday legislation causing fewer to hold their remaining holidays in April and instead signing up for unemployment benefit. Hence, there was probably no real increase.

Wages rose by 2% in Q1 compared with Q1 2020. However, the trend was slowing relative to Q4 2020. Wage growth has been particularly pronounced in the construction sector.

National accounts figures show that GDP fell by 1.3% in Q1 2021 – slightly less than the 1.5% shown by the GDP indicator a few weeks ago. The slowdown in the Danish economy was led by private consumption, which tumbled by a historic 4.9% as a result of the lockdown. The decline in GDP was less than during the lockdown in Q2 2020 due to very buoyant performances by goods exports and industry. In addition, new figures for public finances show that the deficit has now been revised down to DKK14bn for 2020.

The Danish Economic Councils, popularly known as the ‘wise men’, have released their spring outlook for the Danish economy. The forecast points to GDP growth of 2.9% in 2021 and 4.3% in 2022. The report is particularly optimistic about 2022 compared to our own forecast, as the Councils are expecting a strong increase in private consumption. In addition, the wise men expect house prices to appreciate by 13.8% this year, which is the highest estimate by the economic pundits so far, though it is by no means unrealistic.

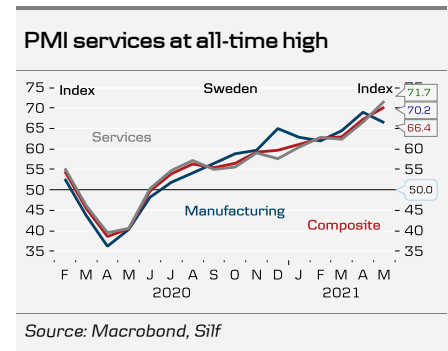


## Sweden – PMIs have probably reached maximum

Mixed composite from May PMI figures released this week. Services reached a new all-time high (increased to 71.7 from earlier 66.6) mainly driven by high demand, since both new orders and business volume stood for the largest jump. PMI manufacturing instead dropped back from 69.0 to 66.4 and as for services, new orders were the main drag – but in opposite direction. Delivery times continue to be at a very high level, indicating that supply disruption still exist but a least for the manufacturing side, it might have peaked.

On the price side, manufactures price expectations may have reached its maximum in April, while the services side still reports about increased prices. The correlation between price plans and CPIF is quite good, but if excluding energy prices, the correlation goes down significantly meaning commodity/freight/input prices have a low impact on consumer prices, at least historically.

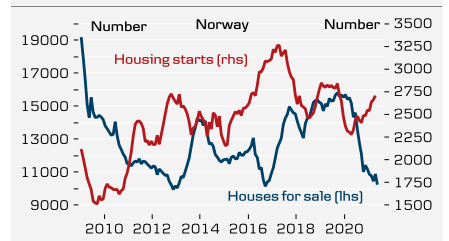
If looking forward, we believe this is the top of PMI-figures and that a gradually decrease could be expected from now. Note however, that PMI primarily measures the growth rate meaning a number more close to normal levels still indicates expansion of the economy.



### Norway – Housing prices still rising

Housing prices climbed 0.6% m/m in May, or 11.3% y/y. We have been expecting prices to level off, driven by a better balance in the market thanks to increased supply, expectations of rate increases, and already high price levels. On the other hand, housing starts are still so low that there are no signs of any major increase on the supply side. There is therefore still little risk of a serious fall in prices due to excess supply. Housing price inflation is now somewhat lower than Norges Bank assumed in its March monetary policy report (12.0% y/y), but this is unlikely to affect the timing of the bank’s first rate hike, which we still expect to see in September.

Market to remain tight



Source: Macrobond, Danske Bank

# Activity tracker

Euro area	Last obs	Value	Last 4 months	1W chg.	1M chg.	Low
Bundesbank weekly activity index*	Week 22	0.77		0.06	0.40	-6.1
German truck toll mileage (1w m.a.), % y/y	25-May	15.7%		5.7 p.p.	-6.7 p.p.	-16.2%
OpenTable restaurant bookings, Germany (1w m.a.)**	02-Jun	-34.6%		31.2 p.p.	62.9 p.p.	-100%
<b>USA</b>						
NY Fed weekly economic index*	Week 22	10.79		-0.56	-1.19	-11.4
Transaction card spending, (1w m.a.), % y/y	20-May	41.7%		-6 p.p.	-17.8 p.p.	-40.6%
OpenTable restaurant bookings (1w m.a.)**	02-Jun	-6.0%		2.2 p.p.	13.3 p.p.	-100%
<b>Google mobility trends retail &amp; recreation (1w m.a.)**</b>						
Germany	31-May	-17.0%		15.4 p.p.	22.9 p.p.	-67.3%
France		-12.3%		7.3 p.p.	35 p.p.	-88.0%
Italy		-8.7%		5.6 p.p.	20.9 p.p.	-88.9%
Spain		-16.9%		3.9 p.p.	13 p.p.	-91.7%
UK		-12.0%		10 p.p.	16.6 p.p.	-77.6%
Japan		-16.6%		4 p.p.	-2.7 p.p.	-37.9%
United States		-4.4%		1 p.p.	3 p.p.	-46.1%
<b>Electricity demand (1w m.a.)***</b>						
Germany	02-Jun	1.8%		0.4 p.p.	-2.8 p.p.	-16.2%
France		-0.3%		-6.1 p.p.	-1 p.p.	-23.1%
Italy		-5.6%		-2.9 p.p.	-9.8 p.p.	-28.2%
Spain		-0.7%		1.1 p.p.	-3.2 p.p.	-24.2%
UK		-2.4%		-8.8 p.p.	1.9 p.p.	-22.1%
Japan	02-Jun	1.7%		-2.5 p.p.	-1.6 p.p.	-18.3%
United States	02-Jun	-7.4%		-8.9 p.p.	-7.1 p.p.	-12.5%

\*NOWcast, Actual index value, \*\*Relative to same day/week in 2019, \*\*\* Relative to same day/week in 15-19 avg.

Source: Google mobility data, ENTSO-E, EIA, Open Table, Statistisches Bundesamt, TextilWirtschaft, Bundesbank, NY Fed, Macrobond Financial

# Calendar

During the week				Period	Danske Bank	Consensus	Previous
Mon 07	CNY	Foreign exchange reserves	USD bn	May		3215.0	3198.2
Mon 07	CNY	Trade balance	USD bn	May		50.5	42.9
Monday, June 7, 2021				Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	May		50.5	42.9
-	CNY	Foreign exchange reserves	USD bn	May		3215.0	3198.2
7:00	JPY	Leading economic index, preliminary	Index	Apr		102.9	102.5
7:45	CHF	Unemployment	%	May		3.1%	3.1%
8:00	NOK	Manufacturing production	m/mly/y	Apr			0.7% 4.7%
8:00	NOK	Industrial production	m/mly/y	Apr			0.9% 0.6%
8:00	DEM	Factory orders	m/mly/y	Apr		0.5% 74.8%	3.0% 27.8%
8:30	CHF	CPI	m/mly/y	May		0.3% 0.6%	0.2% 0.3%
9:00	CHF	SNB balance sheet, intervention	CHF bn	May			914.1
9:30	SEK	Service production	y/y	May			-1690.0%
9:30	SEK	Budget balance	SEK bn	May			-16.9
10:30	EUR	Sentix Investor Confidence	Index	Jun		25.0	21.0
21:00	USD	Consumer credit	USD bn	Apr		22.5	25.8
Tuesday, June 8, 2021				Period	Danske Bank	Consensus	Previous
1:30	JPY	Labour cash earnings	y/y	Apr		0.8%	0.6%
1:50	JPY	GDP deflator, final	y/y	1st quarter		-0.2%	-0.2%
1:50	JPY	GDP, final	q/qlann.	1st quarter		-1.2% -5.0%	-1.3% -5.1%
6:00	SEK	Maklarstatistik Swedish housing price data					
8:00	DEM	Industrial production	m/mly/y	Apr		0.7% 29.5%	2.5% 5.1%
8:00	DKK	Industrial production	m/m	Apr			5.0%
9:30	SEK	Industrial orders	m/mly/y	Apr			-1.8% 10.0%
9:30	SEK	Private Sector Production	m/mly/y	Apr			0.5% 3.9%
9:30	SEK	Household consumption	m/mly/y	Apr			0.6% 5.0%
10:00	NOK	Norges Bank Regional Network Report: Output next 6M	Index	May			0.9
11:00	DEM	ZEW current situation	Index	Jun		-26.5	-40.1
11:00	DEM	ZEW expectations	Index	Jun		85.0	84.4
11:00	EUR	GDP, final	q/qly/y	1st quarter		-0.6% -1.8%	-0.6% -1.8%
11:00	EUR	Gross fixed investments	q/q	1st quarter		1.2%	1.9%
11:00	EUR	Government consumption	q/q	1st quarter		0.3%	0.3%
11:00	EUR	Private consumption	q/q	1st quarter		-2.1%	-3.3%
11:00	EUR	Employment, final	q/qly/y	1st quarter			-0.3% -2.1%
12:00	USD	NFIB small business optimism	Index	May		100.8	99.8
14:30	USD	Trade balance	USD bn	Apr		-68.5	-74.4
Wednesday, June 9, 2021				Period	Danske Bank	Consensus	Previous
-	CNY	Money supply M2	y/y	May		8.1%	8.1%
-	PLN	Polish central bank rate decision	%		0.1%	0.1%	0.1%
3:30	CNY	PPI	y/y	May		8.5%	6.8%
3:30	CNY	CPI	y/y	May		1.6%	0.9%
8:00	DKK	Trade balance ex ships	DKK bn	Apr			5.5
8:00	DKK	Exports	m/m	Apr			550.0%
8:00	NOK	GDP (mainland)	m/m	Apr	0.3%	0.2%	-0.5%
8:00	SEK	Prospera inflation expectations					
8:00	DKK	Current account	DKK bn	Apr			... 15.2
8:00	DEM	Trade balance	EUR bn	Apr		15.9	20.5
8:00	DEM	Labour costs	q/qly/y	1st quarter			2.1% 3.5%
16:00	CAD	Bank of Canada rate decision	%		0.3%	0.3%	0.3%
16:30	USD	DOE U.S. crude oil inventories	K				-5079
Thursday, June 10, 2021				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	May		0.8	0.8
8:00	NOK	CPI	m/mly/y	May			0.3% 3.0%
8:00	NOK	PPI	m/mly/y	May			0.1% 22.5%
8:00	DKK	CPI	m/mly/y	May	1.7%		0.4% 1.5%
8:00	NOK	Core inflation (CPI-ATE)	m/mly/y	May	1.9%	... 1.9%	0.4% 2.0%
8:45	FRF	Industrial production	m/mly/y	Apr		0.5% 44.9%	0.8% 13.7%
9:30	SEK	CPI	m/mly/y	May	2.11%	0.4% 2.0%	0.2% 2.2%
9:30	SEK	Underlying inflation CPIF	m/mly/y	May	2.35%	0.4% 2.2%	0.3% 2.5%
13:45	EUR	ECB's Lagarde speaks at press conference				0	0
13:45	EUR	ECB announces refi rate	%		0.00%	0.00%	0.00%
13:45	EUR	ECB announces deposit rate	%		-0.50%	-0.50%	-0.50%
14:30	USD	CPI headline	m/mly/y	May		0.4% 4.6%	0.8% 4.2%
14:30	USD	CPI core	m/mly/y	May		0.4% 3.4%	0.9% 3.0%
14:30	USD	Initial jobless claims	1000				385
20:00	USD	Budget statement	USD bn	May			-225.6

Source: Danske Bank

# Calendar

Friday, June 11, 2021

				Period	Danske Bank	Consensus	Previous
-	EUR	Fitch may publish Spain's debt rating					
-	EUR	Moody's may publish Netherlands's debt rating					
-	EUR	Moody's may publish Austria's debt rating					
8:00	GBP	Monthly GDP estimate	m/m q/q	Apr		0.026 0.016	0.021 -0.016
8:00	GBP	Index of services	m/m 3m/3m	Apr		0.03 0.013	0.019 -0.02
9:00	ESP	HICP, final	m/m y/y	May		0.5% 2.4%	0.5% 2.4%
12:30	RUB	Central Bank of Russia rate decision	%		5.5%	5.3%	5.0%
16:00	USD	University of Michigan Confidence, preliminary	Index	Jun		83.8	82.9

Source: Danske Bank



## Macroeconomic forecast

### Macro forecast. Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-ploym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2020	-2.7	-2.0	-0.1	2.1	-7.7	-4.8	0.4	2.3	4.6	-1.1	42.2	7.8
	2021	3.0	2.5	1.5	4.4	5.1	5.7	1.2	2.2	4.6	-2.5	40.0	7.9
	2022	3.4	4.0	-0.3	3.5	6.8	5.9	1.2	2.2	4.0	-1.0	37.6	8.2
Sweden	2020	-3.1	-4.7	-0.5	0.6	-5.2	-5.8	0.5	2.0	8.3	-3.1	37.9	1.4
	2021	3.4	3.2	1.6	3.6	7.5	7.3	1.2	1.9	8.5	-1.7	39.0	5.1
	2022	3.3	4.2	1.5	3.2	4.1	4.1	0.8	1.9	7.3	-0.4	36.0	5.1
Norway	2020	-2.5	-6.9	1.7	-3.8	-0.5	-11.9	1.3	3.1	5.0	-	-	-
	2021	3.7	6.0	2.0	1.0	2.6	5.0	2.8	2.6	3.3	-	-	-
	2022	3.4	7.0	2.0	2.0	6.0	6.0	1.4	3.0	2.5	-	-	-

### Macro forecast. Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-ploym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euro area	2020	-6.7	-8.0	1.2	-8.4	-9.6	-9.2	0.3	-0.7	8.0	-7.2	98.0	3.0
	2021	4.3	2.6	4.0	5.4	13.3	11.6	1.9	3.6	8.5	-6.2	102.1	3.1
	2022	4.1	5.7	1.8	2.1	4.6	4.3	1.4	2.0	8.3	-4.4	102.3	3.1
Germany	2020	-5.1	-6.2	3.7	-3.5	-10.2	-9.0	0.4	0.0	4.2	-4.2	69.8	6.9
	2021	3.3	-0.7	2.1	3.0	15.6	10.7	2.5	1.2	4.3	-4.0	70.1	6.3
	2022	4.0	5.1	1.4	2.1	5.0	4.3	1.6	1.8	3.8	-2.5	69.0	6.1
Finland	2020	-2.8	-4.9	2.3	-3.1	-6.6	-6.6	0.3	1.8	7.8	-5.4	69.2	0.3
	2021	2.3	4.0	1.5	2.0	3.5	5.0	1.4	2.5	8.0	-3.5	70.0	-0.2
	2022	3.0	3.0	1.0	3.0	6.0	5.0	1.5	2.5	7.2	-2.3	69.6	-0.2

### Macro forecast. Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-ploym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2020	-3.5	-3.9	1.1	-1.8	-12.9	-9.3	1.2	4.6	8.1	-16.0	126.4	-2.1
	2021	7.5	8.4	1.6	8.9	5.6	11.2	2.3	2.0	4.7	-12.2	132.3	-2.1
	2022	5.3	6.7	3.1	3.7	2.0	4.4	1.7	2.3	3.5	-7.2	131.9	-2.1
China	2020	2.3	1.5	-	3.0	-	-	3.0	7.5	-	-11.9	-	0.6
	2021	9.0	9.0	-	10.0	-	-	2.0	7.0	-	-11.8	-	0.4
	2022	5.4	7.0	-	4.0	-	-	2.5	7.0	-	10.9	-	0.4
UK	2020	-9.8	-10.6	-6.5	-8.8	-15.8	-17.8	0.9	2.0	4.5	-12.3	104.5	-2.0
	2021	5.2	4.2	4.0	6.2	6.4	6.1	1.5	1.2	4.9	-7.7	109.3	-3.8
	2022	6.9	8.3	2.1	11.9	5.9	8.2	1.8	1.6	4.6	-4.5	108.3	-3.6
Japan	2020	-4.9	-6.4	2.7	-4.2	-12.4	-6.8	-0.2	-	2.8	-	-	-
	2021	3.1	1.3	3.3	3.3	10.5	2.5	0.3	-	2.7	-	-	-
	2022	2.0	2.4	-1.1	3.2	4.1	3.5	0.6	-	2.5	-	-	-

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % 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	04-Jun	0.25	0.13	0.24	1.60	121.1	-	614.1	839.5	834.8
	+3m	0.25	0.20	0.30	1.90	119.0	-	625.2	865.5	857.1
	+6m	0.25	0.20	0.40	2.05	117.0	-	636.3	888.9	880.3
	+12m	0.25	0.20	0.75	2.25	115.0	-	647.4	913.0	904.3
EUR	04-Jun	-0.50	-0.55	-0.47	0.13	-	121.1	743.7	1016.6	1011.0
	+3m	-0.50	-0.54	-0.45	0.25	-	119.0	744.0	1030.0	1020.0
	+6m	-0.50	-0.54	-0.45	0.35	-	117.0	744.5	1040.0	1030.0
	+12m	-0.50	-0.54	-0.40	0.65	-	115.0	744.5	1050.0	1040.0
JPY	04-Jun	-0.10	-0.10	-0.03	0.13	120.5	110.1	6.17	8.44	8.39
	+3m	-0.10	-	-	-	130.9	110.0	5.68	7.87	7.79
	+6m	-0.10	-	-	-	129.9	111.0	5.73	8.01	7.93
	+12m	-0.10	-	-	-	128.8	112.0	5.78	8.15	8.07
GBP	04-Jun	0.10	0.08	0.33	1.07	85.8	141.2	867.2	1185.5	1178.9
	+3m	0.10	0.07	0.40	1.25	85.0	140.0	875.3	1211.8	1200.0
	+6m	0.10	0.07	0.45	1.35	84.0	139.3	886.3	1238.1	1226.2
	+12m	0.10	0.07	0.60	1.75	83.0	138.6	897.0	1265.1	1253.0
CHF	04-Jun	-0.75	-0.75	-0.65	0.05	109.6	90.5	678.8	928.0	922.8
	+3m	-0.75	-	-	-	111.0	93.3	670.3	927.9	918.9
	+6m	-0.75	-	-	-	112.0	95.7	664.7	928.6	919.6
	+12m	-0.75	-	-	-	113.0	98.3	658.8	929.2	920.4
DKK	04-Jun	-0.50	-0.21	-0.12	0.44	743.68	614.07	-	136.70	135.95
	+3m	-0.60	-0.30	-0.17	0.50	744.00	625.21	-	138.44	137.10
	+6m	-0.60	-0.30	-0.17	0.60	744.50	636.32	-	139.69	138.35
	+12m	-0.60	-0.30	-0.12	0.90	744.50	647.39	-	141.03	139.69
SEK	04-Jun	0.00	-0.03	0.05	0.84	1011.0	834.8	73.6	100.6	100.0
	+3m	0.00	-0.05	-0.05	0.73	1020.0	857.1	72.9	101.0	-
	+6m	0.00	-0.05	-0.05	0.80	1030.0	880.3	72.3	101.0	-
	+12m	0.00	-0.05	0.00	0.95	1040.0	904.3	71.6	101.0	-
NOK	04-Jun	0.00	0.22	0.91	1.77	1016.6	839.5	73.2	100.0	99.4
	+3m	0.00	0.40	1.00	2.05	1030.0	865.5	72.2	-	99.0
	+6m	0.25	0.67	1.10	2.15	1040.0	888.9	71.6	-	99.0
	+12m	0.50	0.90	1.30	2.35	1050.0	913.0	70.9	-	99.0

Commodities												
	04-Jun	2021				2022				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2021	2022	
ICE Brent	72	55	65	70	70	73	73	73	73	65	73	

Source Danske Bank

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Jakob Ekholdt Christensen, Chief Analyst.

### Analyst certification

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

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

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

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

Danske Bank is a market maker and liquidity provider and may hold positions in the financial instruments mentioned in this research report.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to the companies mentioned in this publication and have whatever rights are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding the companies mentioned in this publication that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual fixed income asset.

We base our conclusion on an estimation of the financial risk profile of the financial asset. By combining these risk profiles with market technical and financial asset-specific issues such as rating, supply and demand factors, macro factors, regulation, curve structure, etc., we arrive at an overall view and risk profile for the specific financial asset. We compare the financial asset to those of peers with similar risk profiles and on this background, we estimate whether the specific financial asset is attractively priced in the specific market. We express these views through buy and sell recommendations. These signal our opinion about the financial asset's performance potential in the coming three to six months.

More information about the valuation and/or methodology and the underlying assumptions is accessible via <https://danskeci.com/ci/research/research-disclaimer>. Select *Fixed Income Research Methodology*.

### Risk warning

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

### Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the final page of this research report for the date and time of completion and first dissemination.

### Validity time period

This communication as well as the communications in the list referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

### Investment recommendations disseminated in the preceding 12-month period

A list of previous investment recommendations disseminated by the lead analyst(s) of this research report in the preceding 12-month period can be found at <https://danskeci.com/ci/research/research-disclaimer>. Select *Fixed Income Trade Recommendation History*

Other previous investment recommendations disseminated by Danske Bank are also available in the database.

See <https://danskeci.com/ci/research/research-disclaimer> for further disclosures and information.

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

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

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

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

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

## Disclaimer related to distribution in the United States

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

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

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

## Disclaimer related to distribution in the United Kingdom

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

## Disclaimer related to distribution in the European Economic Area

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

**Report completed:** 4 June 2021, 13:25 CET

**Report first disseminated:** 4 June 2021 2021, 14:00 CET