

Weekly Focus

Fed, and the economy, in wait-and-see mode

Not without reason, **the US central bank is unsure about the direction of the economy and inflation given the tariff increases and the uncertainty about what will happen to them.** That was clear from the monetary policy decision this week where the bank kept interest rates unchanged and stated that risks have increased in both directions – both the risk of higher inflation and the risk of a weaker economy. The Fed can to some extent afford to be patient as the labour market continues to look strong, with 177,000 jobs added in April. However, the labour market reacts with a delay to the rest of the economy, and we expect to see a clear tariff impact on growth in the second half of the year. On the other hand, inflation is still a bit higher than targeted and inflation expectations have risen strongly, which in itself is a problem for the Fed. **In the coming week, we will get consumer prices for April where we could start to see an effect of higher tariffs, and new consumer confidence data including inflation expectations.** That could have a significant impact on whether the Fed can cut rates at its next meeting in June. We see a June cut as the most likely outcome, but of course with significant uncertainty.

However, we could see markets paying more attention to trade talks than to data releases. Thursday this week, **the US and the UK reached a trade agreement** which reduces the tariffs that the US have recently introduced on British cars and metals, but still maintains the general 10% tariff even though the US has a trade surplus in goods with the UK. If this is a template for future trade deals – that extra tariffs on for example cars can be reduced or scrapped, but that the “reciprocal” tariffs announced on 2 April stand – then the deals will not make much difference for the overall tariff level. It is of course highly uncertain if other deals will resemble the UK one, though.

Progress towards a much more significant tariff deal could come already this weekend as **US and Chinese negotiators meet** in Geneva. Tariffs far above 100%, as they currently have against each other, are clearly going to have a seriously negative effect on both countries' economies as supply chains are disrupted and there is a risk of empty shelves in US stores. Hence, there is a strong incentive to reach a deal to lower the tariffs. In our interpretation, markets are expecting tariffs to land around 60%, and there are possibilities for both positive and negative surprises relative to that.

This week, we also got the **approval of the new German government** which plans to ease fiscal policy by maybe 2% of GDP and hence give a boost to growth and interest rates in Europe. The new government had to be voted on twice though, as it lost its first vote, a reminder that it only has a narrow parliamentary mandate. We expect that the fiscal easing will have only a limited impact on the economy in 2026 with the full effect seen the following year, and hence that it is not a hindrance for the European Central Bank in lowering interest rates further over the coming months. Next week, the European Commission publishes its economic forecasts which will likely discuss that issue in more detail and could influence also how the ECB sees the situation.

The Bank of England cut interest rates as expected by 25bp, but the Monetary Policy Committee is highly divided.

Key global views

- Trade war will weigh on the global economy, but we do not forecast a recession
- The Fed will resume cutting in June. ECB set to cut until 1.5% is reached in September

Key market movers

- Tuesday: US CPI
- Thursday: US retail sales and PPI
- Friday: US Michigan consumer sentiment, European Commission economic forecasts

Selected reading from Danske Bank

- *Bank of England Review - Sticking to gradual, 9 May*
- *Riksbank - May 2025: Unchanged as expected at 2.25% - Riksbank more worried about the economy than inflation, 8 May*
- *Research US - Fed review: Still in a good place, 7 May*
- *China Headlines - US and China to kick off trade talks, PBOC adds stimulus, big move in CNY and TWD, 7 May*
- *Executive Briefing - Tariff war dampens outlook and raises risk, 5 May*

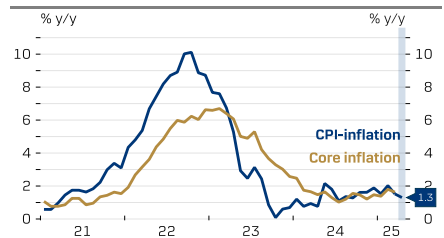
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Scandi market movers

- In **Denmark**, we will receive [inflation data](#) for April on Monday. March inflation decreased to 1.5% from 2.0% in February. We expect inflation to remain unchanged at 1.5%. Easter is a joker, as prices of package holidays and air travel have most definitely affected prices, but by how much is very uncertain.

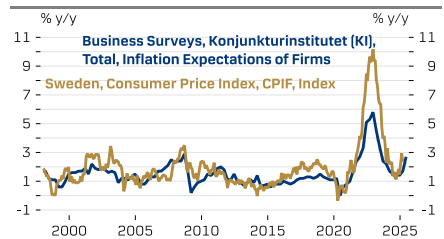
We expect inflation to decrease further in April



Source: Statistics Denmark, Danske Bank

- Next week in **Sweden**, we will receive the [inflation details](#) and [minutes](#) from the Riksbank. The flash estimate indicated lower-than-expected core inflation, which is positive news for the Riksbank, especially considering the higher price plans and inflation expectations from the NIER survey. The minutes will provide a clearer understanding of how the discussions went. While we agree with the broader perspective, we do not share the view that price plans and inflation expectations are not a concern, so we are particularly interested in whether they address the NIER survey.

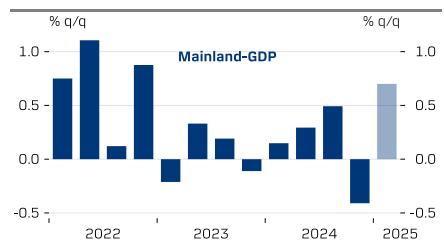
Inflation expectations



Source: Statistics Sweden, NIER. Macrobond and Danske Bank.

- Based on the current key figures in **Norway** we expect that [mainland GDP](#) rose by 0.7% in Q1, which would be the strongest quarterly growth in more than two years. In fact, the risk is on the upside if we were to see a full reversal of the output decline that we saw in primary industries in Q4. The recovery also appears to be broad-based, with strong growth in retail trade and manufacturing production and the first moderate pick-up in activity in construction in over two years. Mainland exports also rose, but as imports appear to have increased more, net exports will now make a negative contribution to growth. Based on the current employment figures, it also appears that growth in public consumption picked up in Q1. If this is correct, growth will have been somewhat stronger than Norges Bank assumed in its monetary policy report in March (0.6%) and may indicate that the need for rate cuts is lower than expected. The big question is of course to what extent the Norwegian economy will be affected by weaker global growth going forward, but also how much of the recovery in the first quarter can be related to expectations of rate cuts. The government will publish the [Revised Budget 2025](#) next week, where we do not expect any significant changes in the fiscal policy framework. For sure, the withdrawal from the State Petroleum Fund will probably increase to around 3%, but this is due to a combination of lower fund values and increased support for Ukraine, which affects the level of activity in Norway to a lesser extent.

Strong growth with upside risks



Source: Macrobond, Danske Bank

Scandi Update

Denmark – Industrial production and exports declined in March

Industrial production fell 3.2% m/m in March (SA). Over the first quarter of 2025, production decreased by 7.6% q/q compared to 2024 Q4. The decline was broad-based, with most manufacturing groupings experiencing a downturn. The largest group, pharmaceuticals, saw a production decline of 3.8% m/m in March, while production fell by a staggering 19.2% q/q over the first quarter.

Total exports fell 1.0% m/m in March. This marked the third consecutive month of declining exports, and although these figures should be interpreted very cautiously, this can be an indication that the first quarter was not strong for Danish growth. However, this is not too concerning, as the fourth quarter of 2024 was characterised by almost dramatic growth in Danish GDP – not least driven by extraordinarily strong export performance. Denmark's exports to the US are substantial, but the exports that physically move from Denmark to the US (and therefore are affected by US tariffs) are significantly smaller. This amounts to 2.1% of Danish GDP, which is comparable to other EU countries. Furthermore, over a third of the direct exports from Denmark to the US are pharmaceuticals that are not yet subject to US tariffs, although they likely will be soon. We anticipate that the tariff increases in the US will have the greatest impact on the US economy but will also slightly reduce growth here in Denmark.

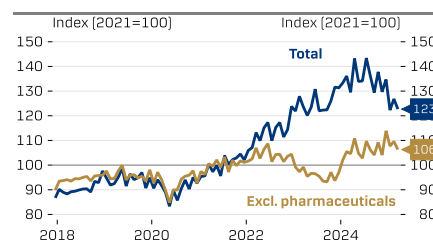
The unemployment indicator from the Danish Agency for Labour Market gave us the first status on the Danish labour market in April, showing that the number of unemployed fell by 200 in April.

Sweden – Slightly dovish Riksbank keeps rate unchanged

As anticipated, the Riksbank maintained the policy rate at 2.25%. Their communication in the monetary policy update was slightly dovish, indicating that inflation is more likely to fall rather than rise compared to their latest forecast from March. This could suggest a slight easing of monetary policy going forward. However, compared to how the Riksbank has previously guided for upcoming rate cuts, this is far from a promise. The vague wording was also confirmed by Thedén in the press conference to be intentional.

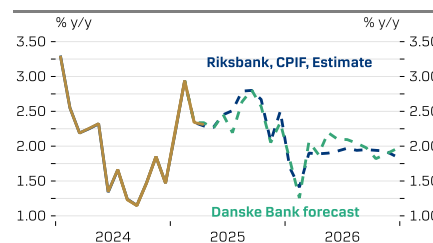
The inflation flash estimate revealed lower-than-expected inflation, with CPI at 0.3% y/y, CPIF at 2.3% y/y, and CPIF-XE at 3.1% y/y. Our forecast was in line with market expectations, and the forecast error was due to lower core inflation, while energy prices and mortgage rates seem to have decreased as anticipated.

Industrial production decreased by 7.6% in 2025Q1



Source: Statistics Denmark, Macrobond

The inflation target variable, CPIF



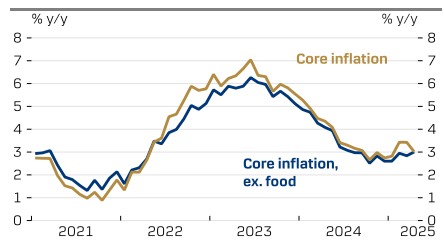
Source: Statistics Sweden, The Riksbank, Macrobond, Danske Bank

Norway – inflation lower than expected

As expected, Norges Bank kept the policy rate unchanged at 4.5% at this week's meeting. At the same time, the rate committee is signaling that: 'the policy rate will most likely be reduced in the course of 2025', as was the message in March. The committee emphasized that developments in the Norwegian economy have been roughly as expected, but that tariff barriers have become more extensive than expected. However, the committee emphasizes that 'This may pull the interest rate outlook in different directions'. For Norway, this is primarily about uncertainty about how much growth will weaken following the trade conflicts, while an escalation weakens the exchange rate and thus (in isolation) raises inflationary pressures, and uncertainty about how large these effects are. All in all, it was a balanced message where the growth and inflation development going forward will determine when the first cut can be reduced.

Core inflation slowed from 3.4% y/y to 3.0% y/y in April, which was somewhat lower than expected. A look at the details showed that the slowdown was relatively broad-based, with lower price growth in food, other Norwegian-produced goods and imported goods. However, price growth in services excl. rent rose from 3.5% y/y to 4.6% y/y, but this was entirely due to higher inflation on airline tickets. Both lower food prices and more expensive airline tickets are largely an Easter effect that will probably reverse in the coming months. However, if we exclude both these components, it shows that 'core-core' inflation decreased from 2.6% y/y to 2.35% y/y, which may indicate that underlying price pressures are on the decline.

Inflation



Source: Boligprodusentenes forening, Danske Bank

Calendar – 12-16 May 2025

During the week					Period	Danske Bank	Consensus	Previous
Sat 10	EC	ECB's Schnabel speaks						
Sat 10	CH	CPI	y/y	Apr			-0.10%	-0.10%
Sat 10	CH	PPI	y/y	Apr			-2.80%	-2.50%
Sun 11	US	Fed's Barkin speaks						
Monday, May 12, 2025					Period	Danske Bank	Consensus	Previous
01:50	JN	Bank lending	y/y	Apr				2.80%
08:00	DE	CPI	m/mly/y	Apr		0.1% 1.5%		-0.5% 1.5%
20:00	US	Budget statement	USD bn	Apr				-160.5
Tuesday, May 13, 2025					Period	Danske Bank	Consensus	Previous
01:50	JN	Money supply M2	y/y	Apr				0.80%
06:30	NO	Consumer confidence	Net. bal.	2nd quarter				-7.5
08:00	UK	Unemployment rate (3M)	%	Mar			4.50%	4.40%
08:00	UK	Average weekly earnings ex bonuses (3M)	y/y	Mar			5.60%	5.90%
11:00	GE	ZEW current situation	Index	May			-77	-81.2
11:00	GE	ZEW expectations	Index	May			5	-14
12:00	US	NFIB small business optimism	Index	Apr			94.7	97.4
14:30	US	CPI headline	m/mly/y	Apr		0.3% 2.4%	0.3% 2.4%	-0.1% 2.4%
14:30	US	CPI core	m/mly/y	Apr		0.3% 2.8%	0.3% 2.8%	0.1% 2.8%
Wednesday, May 14, 2025					Period	Danske Bank	Consensus	Previous
01:50	JN	PPI	m/mly/y	Apr			0.3% 4.0%	0.4% 4.2%
08:00	GE	HICP, final	m/mly/y	Apr			0.5% 2.2%	0.5% 2.2%
08:00	SW	CPI, final	m/mly/y	Apr		0.1% 0.3%	0.1% 0.3%	0.1% 0.3%
08:00	SW	Underlying inflation CPIX, final	m/mly/y	Apr		0.2% 2.3%	... 2.3%	0.2% 2.3%
08:00	SW	Underlying inflation CPIX excl energy, final	m/mly/y	Apr		0.5% 3.1%	... 3.1%	0.5% 3.1%
09:00	SP	HICP, final	m/mly/y	Apr			0.6% 2.2%	0.6% 2.2%
11:15	US	Fed's Waller speaks						
16:30	US	DOE U.S. crude oil inventories	K					-2032
23:40	US	Fed's Daly speaks						
Thursday, May 15, 2025					Period	Danske Bank	Consensus	Previous
03:30	AU	Employment change	1000	Apr			20	32.2
08:00	NO	GDP (mainland)	q/q	1st quarter		0.70%	0.70%	-0.40%
08:00	NO	GDP (total)	q/q	1st quarter				-0.60%
08:00	NO	Trade balance	NOK bn	Apr				60.2
08:00	UK	GDP, preliminary	q/qly/y	1st quarter			0.6% 1.2%	0.1% 1.5%
08:00	UK	Index of services	m/m 3m/3m	Mar			0 0.006	0.003 0.006
08:00	UK	Monthly GDP estimate	m/m q/q	Mar			0.001 ...	0.005 ...
08:45	FR	HICP, final	m/mly/y	Apr			0.6% 0.8%	0.6% 0.8%
11:00	EC	Industrial production	m/mly/y	Mar			1.6% 2.1%	1.1% 1.2%
11:00	EC	GDP	q/qly/y	1st quarter		0.4% 1.2%	0.4% 1.2%	0.4% 1.2%
11:00	EC	Employment, preliminary	q/qly/y	1st quarter		0.1% 0.6%		0.1% 0.7%
14:30	US	Initial jobless claims	1000					228
14:30	US	Empire Manufacturing PMI	Index	May			-8	-8.1
14:30	US	Philly Fed index	Index	May			-9.6	-26.4
14:30	US	PPI	m/mly/y	Apr			0.3% ...	-0.4% 2.7%
14:30	US	PPI core	m/mly/y	Apr			0.3% ...	-0.1% 3.3%
14:30	US	Retail sales control group	m/m	Apr			0.30%	0.40%
14:40	US	Fed chair Powell speaks						
15:15	US	Industrial production	m/m	Apr			0.30%	-0.30%
15:15	US	Capacity utilization	%	Apr			77.90%	77.80%
15:15	US	Manufacturing production	m/m	Apr				0.30%
16:00	US	NAHB Housing Market Index	Index	May				40
Friday, May 16, 2025					Period	Danske Bank	Consensus	Previous
-	EC	European Commission Economic Forecasts						
-	US	Fed's Barkin speaks						
01:50	JN	GDP deflator, preliminary	y/y	1st quarter			3.20%	2.90%
01:50	JN	GDP, preliminary	q/q ann.	1st quarter			-0.1% -0.3%	0.6% 2.2%
06:30	JN	Industrial production, final	m/mly/y	Mar				-1.1% -0.3%
07:30	FR	ILO unemployment	%	1st quarter			7.40%	7.30%
10:00	IT	HICP, final	m/mly/y	Apr			0.5% 2.1%	0.5% 2.1%
11:00	EC	Trade balance	EUR bn	Mar				21
14:30	US	Import prices	m/mly/y	Apr			-0.4% ...	-0.1% 0.9%
14:30	US	Housing starts	1000 (m/m)	Apr			1368	1324.0 (-11.4%)
14:30	US	Building permits, preliminary	1000 (m/m)	Apr			1450	1467.0 (0.5%)
16:00	US	University of Michigan Confidence, preliminary	Index	May			53	52.2
22:00	US	TICS international capital flow, Net inflow	USD bn	Mar				284.7

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	2024	3.7	0.9	1.4	2.7	7.5	3.0	1.4	5.2	2.9	2.9	32.3	13.9
	2025	3.9	1.9	5.1	3.8	6.7	4.0	1.8	3.6	2.9	1.1	29.5	14.0
	2026	2.9	2.3	1.6	3.0	3.5	2.8	1.6	3.3	3.0	0.8	27.9	14.5
Sweden	2024	0.9	0.3	1.2	-1.2	2.4	1.7	1.9	4.1	8.4	-	33.4	-
	2025	2.0	1.9	1.8	1.3	2.9	2.6	2.4	3.5	9.0	-	33.8	-
	2026	2.5	2.6	2.2	3.4	3.2	3.7	1.9	3.5	8.4	-	34.3	-
Norway	2024	0.6	1.2	2.4	-1.9	5.7	3.7	3.1	5.7	2.0	-	-	-
	2025	1.8	3.0	2.0	1.4	2.0	2.2	2.3	4.0	2.2	-	-	-
	2026	1.7	2.5	2.0	1.5	1.0	1.8	2.0	3.5	2.3	-	-	-

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	2024	0.8	1.0	2.7	-1.9	1.0	0.3	2.4	4.1	6.4	-3.0	89.1	3.0
	2025	0.9	1.2	1.2	0.5	0.4	1.2	2.2	3.2	6.4	-3.3	90.2	2.9
	2026	1.3	1.5	1.0	1.8	2.0	2.1	1.9	2.9	6.5	-3.2	90.5	2.7
Finland	2024	-0.1	-0.1	0.7	-7.1	0.1	-2.4	1.6	3.1	8.4	-4.4	82.1	0.3
	2025	1.1	0.5	0.9	0.5	1.5	1.0	0.9	3.1	8.3	-3.6	84.6	-0.2
	2026	1.8	1.5	0.5	7.0	3.0	4.5	1.8	3.4	7.7	-2.5	85.8	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	2024	2.8	2.8	3.4	3.7	3.3	5.3	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	1.8	2.5	2.2	2.6	1.9	7.2	2.9	3.5	4.4	-6.5	125.1	-3.1
	2026	1.8	1.8	2.3	2.8	2.3	2.7	2.4	3.5	4.3	-7.0	128.0	-3.0
China	2024	5.0	4.5	-	5.0	-	-	0.2	-	5.1	-7.4	90.1	1.4
	2025	4.7	4.8	-	5.0	-	-	1.0	-	5.1	-8.1	94.3	1.4
	2026	4.8	5.0	-	5.2	-	-	1.5	-	5.1	-8.1	98.2	1.3
UK	2024	0.9	-	-	-	-	-	2.5	-	4.3	-	-	-
	2025	1.0	-	-	-	-	-	2.5	-	4.7	-	-	-
	2026	1.5	-	-	-	-	-	2.1	-	4.6	-	-	-

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*	08-May	4.50	-	3.93	4.12	0.89	-	6.61	10.39	9.68
	+3m	4.25	-	3.50	3.75	0.85	-	6.32	10.08	9.32
	+6m	4.00	-	3.45	3.70	0.83	-	6.22	10.08	9.33
	+12m	3.50	-	3.35	3.65	0.82	-	6.11	10.08	9.26
EUR	08-May	2.25	2.15	1.92	2.45	-	1.13	7.4605	11.72	10.92
	+3m	1.75	1.65	1.80	2.40	-	1.18	7.4625	11.90	11.00
	+6m	1.50	1.55	1.75	2.40	-	1.20	7.4600	12.10	11.20
	+12m	1.50	1.55	1.65	2.40	-	1.22	7.4550	12.30	11.30
JPY	08-May	0.50	-	-	-	0.006	0.007	4.56	7.17	6.68
	+3m	0.50	-	-	-	0.006	0.007	4.65	7.42	6.85
	+6m	0.75	-	-	-	0.006	0.008	4.67	7.58	7.02
	+12m	1.00	-	-	-	0.006	0.008	4.70	7.76	7.12
GBP*	08-May	4.25	-	3.66	3.97	1.18	1.33	8.80	13.82	12.89
	+3m	4.00	-	3.70	4.00	1.15	1.36	8.58	13.68	12.64
	+6m	3.75	-	3.65	3.95	1.14	1.36	8.48	13.75	12.73
	+12m	3.25	-	3.60	3.90	1.14	1.39	8.47	13.98	12.84
CHF	08-May	0.25	-	-	-	1.07	1.21	8.00	12.57	11.72
	+3m	0.00	-	-	-	1.09	1.28	8.11	12.93	11.96
	+6m	0.00	-	-	-	1.10	1.32	8.20	13.30	12.31
	+12m	0.00	-	-	-	1.10	1.34	8.19	13.52	12.42
DKK	08-May	1.85	2.06	2.01	2.62	0.134	0.151	-	1.57	1.46
	+3m	1.35	1.60	1.85	2.50	0.134	0.158	-	1.59	1.47
	+6m	1.10	1.50	1.80	2.50	0.134	0.161	-	1.62	1.50
	+12m	1.10	1.50	1.70	2.50	0.134	0.164	-	1.65	1.52
SEK	08-May	2.25	2.31	2.08	2.61	0.092	0.103	0.68	1.07	-
	+3m	2.25	2.35	2.10	2.80	0.091	0.107	0.68	1.08	-
	+6m	2.25	2.35	2.31	2.80	0.089	0.107	0.67	1.08	-
	+12m	2.25	2.35	2.35	2.90	0.088	0.108	0.66	1.09	-
NOK	08-May	4.50	4.70	4.08	3.93	0.085	0.096	0.64	-	0.93
	+3m	4.50	4.50	3.90	3.80	0.084	0.099	0.63	-	0.92
	+6m	4.25	4.24	3.85	3.80	0.083	0.099	0.62	-	0.93
	+12m	3.75	3.75	3.80	3.80	0.081	0.099	0.61	-	0.92

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

Commodities

	08-May	2024				2025				2026	Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Y	2024	2025	2026
ICE Brent	63	82	85	79	74	75	70	80	85	90	80	78	90

Source Danske Bank

Disclosures

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