

Weekly Focus

Taking cues from economic data again

In the absence of further banking turmoil, it has been relatively calm waters in financial markets over the last two weeks. VIX volatility has traded at fairly low levels and yields have started to edge higher again, as focus turns away from risk of a banking crisis and back to data. Back in risk-on mode we have seen further USD weakening also supported by soft US data releases.

On balance, US data released during the Easter week was to the soft side with a decline in job openings and ISM data indicating slowdown in both manufacturing and the service sector. This does not square well with the more upbeat PMI reading from March, though. Thus the jury is still out on the current growth momentum. The jobs report was more or less as expected showing continued elevated wage pressures. Inflation declined in March taking some of the pressure off consumers, however underlying price pressures remain too high.

The inflation relief was short-lived, though, as higher oil prices once again dig into consumers' purchasing power after OPEC+ announced that they will cut oil production by more than 1 million barrels per day starting next month. We think weaker USD and reports that the US could start to rebuild strategic reserves has further driven oil prices to 2023 highs.

Euro area retail sales declined a further 0.8% in February and we continue to see the picture of a two-speed economy with the service sector being the clear growth driver. Economic data mostly pointed to an ongoing gradual recovery, see *Euro Area Macro Monitor*. In the Nordics, we got more modest core inflation prints in both Denmark and Sweden, than expected. Particularly Swedish inflation remains way too high, though, and we continue to expect a 75bp hike later this month.

With a completely new leadership at the Bank of Japan, markets were listening in on governor Ueda's speech at an inaugural news conference. He reiterated his intention to maintain monetary stimulus. This weakened JPY following considerable tailwinds through March. We do not read too much into Ueda's message, though, as a move to loosen the grip on the yield curve cannot be announced beforehand.

Next week, April PMIs will be the key releases from both the euro area and the US. In the former, services will probably remain the main growth (and inflation) driver for now, but it will be interesting to see whether manufacturing finally shows some positive spill-over effects from the Chinese re-opening. The US data will shed some light on economic activity after a blurry March picture. Generally we look for slow, yet still positive growth for Q2. From China we get Q1 GDP figures, which will show a post-Covid rebound. We will also keep an eye on Japanese March inflation figures. Inflation excl. fresh food and energy, now at 3.5%, has increased steadily for more than a year and has so far reached the highest level in over 40 years.

Key global views

- Stagnation and periodic contraction in the US and Europe during 2023
- US and euro area inflation set to decline further but core inflation likely to stay elevated
- Rising emphasis on financial stability risks but more hikes in store as long as systemic crisis can be avoided

Key market movers

- Tue: German ZEW index, Chinese GDP
- Wed: Final EA HICP inflation
- Fri: EA and US flash PMIs, Japan inflation

Selected reading from Danske Bank

- *Euro Area Macro Monitor - Steady course despite banking sector jitters, 12 April*
- *Geopolitical radar - Our new monthly briefing keeps you up to date on key geopolitical developments, 13 April*
- *Global Inflation Watch - Core inflation pressures remain elevated, 13 April*
- *Euro macro notes - Germany is falling back into old habits, 14 April*

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Scandi market movers

Denmark – First rise in real wages since 2021 as inflation falls more than expected.

Inflation fell from 7.6% in February to 6.7% in March – the fifth consecutive month of decline after peaking at some 10.1% in October. The consumer price index dipped by 0.2% overall between February and March (seasonally adjusted), making March the first time this year that prices actually fell month-on-month. The decrease in inflation was more pronounced than expected, which is good news given the somewhat more modest falls of recent months. The decline was primarily driven by falling petrol and diesel prices, while gas prices also continued to dampen inflation. Pulling in the opposite direction was another marked uptick in food prices.

A new 2-year collective agreement was accepted by 79% of private sector workers in the past week. As employers also voted yes to the deal, some 600,000 Danish workers now have a new framework in place for the next two years. This also means any fears of major industrial action in the private sector are now fully allayed. All in all, the agreement delivers an annual pay rise of 5.5% for the lowest paid.

Private sector wage growth reached 3.1% in Q1 23 when compared to the same quarter the previous year, according to figures from the Confederation of Danish Employers. Hence, the pace of wage growth remains modest in Denmark, at least until the new collective agreements begin to kick in. However, despite the subdued pace of wage growth, real wages actually increased by 0.2% in Q1 23, which thus marks a turning point for consumers after the constant erosion of purchasing power throughout 2022.

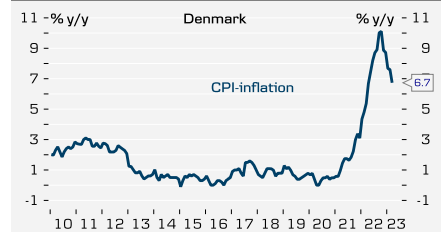
Unemployment numbers rose by 400 in March, which in reality is close to zero. Nevertheless, this was the fifth month in a row of rising unemployment and the number of jobless has now grown by 10,800 over the past year. To us, this confirms the Danish economy is in a very mild recession.

Danmarks Nationalbank did not intervene in the FX markets in March, which prompts us to conclude that February's 15bp widening of the interest rate spread to the eurozone has so far had the desired effect of slightly weakening the Danish krone (DKK).

Denmark's current account surplus grew a little in February after being on a gradual downward trend since August last year, when historically high freight rates led to a considerable surplus being generated from shipping. As shipping prices have fallen, so the current account surplus has declined to less extreme levels, though it remains very large.

Some 289 active Danish companies went under in March (seasonally adjusted). That is 7.5% more than in February and means the trend towards a high number of bankruptcies continued in March.

Inflation fell from 7.6% to 6.7% in March, which was more than expected



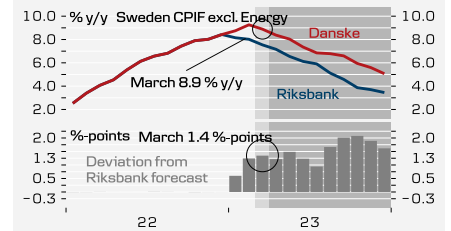
Source: Danske Bank, Statistics Denmark, Macrobond Financial

Sweden – Core inflation peaked, lowered call on Riksbank

Both CPI and CPIF inflation have passed the peak several months ago. With the March outcome it became clear that February (most likely) marked the peak for core inflation. The print was quite a bit lower than we expected. The main deviations among the core components were by far recreation and to a smaller extent food and hotels/restaurants. There was only minor upside surprises.

Riksbank focuses on core inflation and the deviation compared to its forecast was still a huge 1.4 percentage points in March, an increase compared to February. As Riksbank did contemplate a 25-50 bp rate hike in April based on its by now well overshoot forecast a bigger hike than 25 bp is definitely on the cards. However, given that core inflation appears to be turning lower, joining headline, we no longer feel that a 75 bps hike is justified. Hence, we adjust our call to a 50 bp hike in April, standing pat on another 50 bp by the end of June.

Sweden: March core inflation suggest the peak is passed

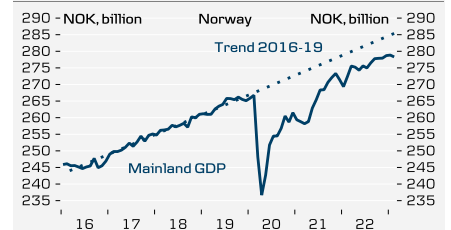


Source: SCB, Riksbank, Danske Bank

Norway – Growth slowing

Mainland GDP fell 0.2% m/m in February, driven by weak growth in investment and net exports. We can now see clear signs of a slowdown in economic activity behind the monthly variations. As shown by the chart, mainland GDP has moved more or less sideways since September, and capacity utilisation is probably set to fall. Looking ahead, we expect the effects of higher interest rates to put a further damper on demand, and growth will be lower than normal. This probably spells slightly higher unemployment, but will also help ease inflationary pressures.

GDP flat since September



Source: Macrobond, Danske Bank

Scandi update

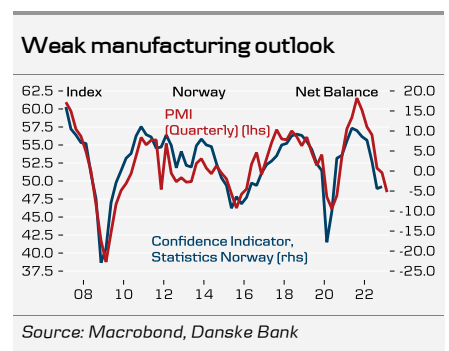
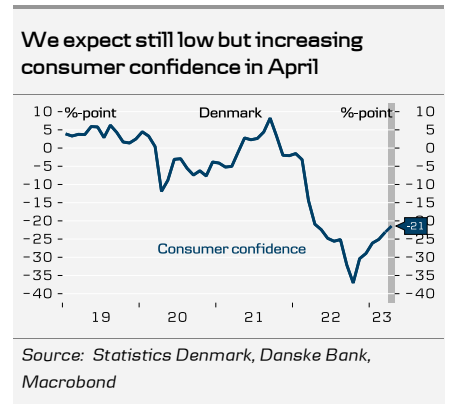
- In Denmark, figures for the number of home sales in March are due on Wednesday. Home sales have risen month by month here in early 2023 but remain low overall. However, compared to the very weak state of the housing market at the end of 2022, the picture now looks considerably brighter overall. We see a very real possibility that the number of home sales rose further in March.

Thursday is scheduled to bring April's consumer confidence figures, and we are expecting a rise to -21 from -23 in March. Consumer confidence has been on an upward trajectory since bottoming out in October but remains very low in a historical context. That the figures nevertheless continue to point in the right direction should be seen against the decline in energy prices over the winter and the fact that inflation is generally no longer rising but, rather, falling slightly.

February's wage earner employment figures are set to arrive on Friday. The number of people in work rose by 4,400 in January compared to December (seasonally adjusted) – the largest month-on-month increase since August. The jump in January came as something of a surprise, as the message from companies was that employment was set to move in the opposite direction. Part of the explanation may be that many companies are still experiencing a labour shortfall and are ready to hire those who lose their jobs elsewhere. However, it may also just be that the economy is stronger than we and the business community assume. We still expect to see employment weaken slightly in the course of 2023.

Statistics Denmark is scheduled to release Danish business confidence figures for April on Friday. There were clear signs of a pickup in the March figures, even if the overall picture remained negative. Retailers, in particular, were much less downbeat compared to the previous month, with revenue expectations for the coming months shifting from negative into clearly positive territory.

- There are no market movers in **Sweden** in the coming week.
- In **Norway**, manufacturers are still battling with weak final demand, rising prices and larger stocks than normal. All leading industrial indicators are pointing to a further decline in activity, and the PMI has fallen in recent months. There is an upswing under way in oil services, however, driven by increased investment in the Norwegian sector. We suspect that this is not being captured adequately by the PMI, so it will be interesting to see if Statistics Norway's business tendency survey shows the same trend. It will also be worth keeping an eye on the central pay talks, where the deadline is Saturday night. We expect the two sides will ultimately agree on a settlement equivalent to wage growth of around 5% this year, but we cannot rule out the possibility of strikes from Sunday.



Calendar – 17-21 April 2023

Monday, April 17, 2023				Period	Danske Bank	Consensus	Previous
-	EUR	ECB's survey of professional forecasters					
8:00	NOK	Trade balance	NOK bn	Mar			79.3
10:00	ITL	HICP, final	m/m/y/y	Mar		-18.2%	-18.2%
14:30	USD	Empire Manufacturing PMI	Index	Apr		-18.0	-24.6
16:00	USD	NAHB Housing Market Index	Index	Apr		45.0	44.0
22:00	USD	TICS international capital flow, Net inflow	USD bn	Feb			183.1
Tuesday, April 18, 2023				Period	Danske Bank	Consensus	Previous
4:00	CNY	Industrial production	y/y	Mar		4.7%	
4:00	CNY	Retail sales	y/y	Mar		8.0%	
4:00	CNY	Real GDP	q/q/y/y	1st quarter		2.1% 3.9%	0.0% 2.9%
4:00	CNY	Fixed assets investments	y/y	Mar		5.8%	5.5%
8:00	GBP	Unemployment rate (3M)	%	Feb		3.8%	3.7%
8:00	GBP	Average weekly earnings ex bonuses (3M)	y/y	Feb		6.2%	6.5%
11:00	DEM	ZEW current situation	Index	Apr		-39.9	-46.5
11:00	DEM	ZEW expectations	Index	Apr		15.6	13.0
11:00	EUR	Trade balance	EUR bn	Feb			-11.3
14:30	USD	Building permits	1000 (m/m)	Mar		1455	1550.0 (15.8%)
14:30	USD	Housing starts	1000 (m/m)	Mar		1405	1450.0 (9.8%)
14:30	CAD	CPI	m/m/y/y	Mar			-15.2%
19:00	USD	Fed's Bowman speaks					
Wednesday, April 19, 2023				Period	Danske Bank	Consensus	Previous
6:30	JPY	Industrial production	m/m/y/y	Feb			4.5% -0.6%
8:00	GBP	CPI	m/m/y/y	Mar		0.5% 9.8%	1.1% 10.4%
8:00	GBP	CPI core	y/y	Mar		6.0%	6.2%
10:00	EUR	Current account	EUR bn	Feb			17.1
11:00	EUR	HICP inflation, final	m/m/y/y	Mar	-16.9%	0.9% 6.9%	0.9% 6.9%
11:00	EUR	HICP - core inflation, final	y/y	Mar	5.7%	5.7%	5.7%
16:30	USD	DOE U.S. crude oil inventories	K				597
Thursday, April 20, 2023				Period	Danske Bank	Consensus	Previous
0:45	NZD	CPI	q/q/y/y	1st quarter		1.5% 6.9%	1.4% 7.2%
1:50	JPY	Exports	y/y	Mar		0.0%	0.1%
1:50	JPY	Imports	y/y	Mar		0.1%	0.1%
1:50	JPY	Trade balance, s.a.	JPY bn	Mar		-1776.7	-1190.7
8:00	NOK	Industrial confidence (SSB)	Net. bal.	1st quarter			-3.9
8:00	DKK	Consumer confidence	Net. bal.	Apr	-21		-23.1
8:45	FRF	Business confidence	Index	Apr		102.0	103.0
14:30	USD	Initial jobless claims	1000				239
14:30	USD	Philly Fed index	Index	Apr		-19.4	-23.2
16:00	USD	Existing home sales	m (m/m)	Mar		4.5	4.58 14.5%
16:00	EUR	Consumer confidence, preliminary	Net bal.	Apr		-18.3	-19.2
18:00	USD	Fed's Waller speaks					
18:20	USD	Fed's Mester speaks					
21:00	USD	Fed's Bowman speaks					
23:00	USD	Fed's Bostic speaks					
Friday, April 21, 2023				Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish France's debt rating					
-	EUR	S&P may publish Italy's debt rating					
-	EUR	Moody's may publish Ireland's debt rating					
-	EUR	S&P may publish Netherlands's debt rating					
-	EUR	S&P may publish Greece's debt rating					
1:01	GBP	GfK consumer confidence	Index	Apr		-35.0	-36.0
1:30	JPY	CPI - national	y/y	Mar		3.2%	3.3%
1:30	JPY	CPI - national ex. fresh food	y/y	Mar		3.1%	3.1%
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Apr			49.2
2:30	JPY	Markit PMI services, preliminary	Index	Apr			55.0
8:00	GBP	Retail sales ex fuels	m/m/y/y	Mar		-0.3% -2.8%	1.5% -3.3%
9:15	FRF	PMI manufacturing, preliminary	Index	Apr		47.7	47.3
9:15	FRF	PMI services, preliminary	Index	Apr		53.3	53.9
9:30	DEM	PMI manufacturing, preliminary	Index	Apr		45.8	44.7
9:30	DEM	PMI services, preliminary	Index	Apr		53.2	53.7
10:00	EUR	PMI manufacturing, preliminary	Index	Apr		48.0	47.3
10:00	EUR	PMI composite, preliminary	Index	Apr		53.5	53.7
10:00	EUR	PMI services, preliminary	Index	Apr		54.5	55.0
10:30	GBP	PMI manufacturing, preliminary	Index	Apr		48.0	47.9
10:30	GBP	PMI services, preliminary	Index	Apr		52.3	52.9
14:30	CAD	Retail sales	m/m	Feb			1.4%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Apr		49.2	49.2
15:45	USD	Markit PMI service, preliminary	Index	Apr		51.5	52.6

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 ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2022	3.8	-2.4	-3.5	8.6	8.6	4.2	7.7	3.5	2.6	3.3	29.8	13.1
	2023	0.5	0.0	-0.4	-5.0	1.3	-2.0	5.1	4.7	3.1	2.0	27.1	11.5
	2024	1.3	1.8	1.6	-1.7	1.3	0.6	3.6	5.0	3.6	1.1	25.1	11.3
Sweden	2022	2.7	2.1	0.0	5.2	6.6	8.7	8.4	2.5	7.5	0.7	31.0	4.6
	2023	-1.0	-2.3	1.1	-2.8	2.0	-0.1	9.6	4.1	8.0	-0.9	29.0	5.7
	2024	1.7	1.8	1.2	2.3	2.8	2.6	2.3	3.3	7.9	-0.9	29.0	5.8
Norway	2022	3.8	6.8	0.1	4.4	5.9	9.3	5.8	4.3	1.8	-	-	-
	2023	1.0	-1.0	1.2	0.5	4.0	3.0	4.8	5.0	2.1	-	-	-
	2024	1.5	0.9	1.7	4.0	2.0	2.0	2.5	4.0	2.4	-	-	-

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 ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euro area	2022	3.5	4.3	1.1	3.8	7.2	8.0	8.4	4.2	6.7	-3.0	93.7	1.5
	2023	0.4	-0.1	1.2	-0.8	3.4	3.4	6.3	4.9	6.9	-3.2	92.5	1.9
	2024	0.6	1.2	1.0	0.2	3.6	4.6	3.5	3.6	7.0	-3.0	91.6	2.4
Finland	2022	2.1	2.1	2.9	5.0	1.7	7.5	7.1	2.4	6.8	-0.8	73.0	-3.9
	2023	-0.2	-0.2	1.2	-2.0	-0.5	-1.0	5.5	4.1	7.0	-2.5	72.1	-1.4
	2024	0.9	1.0	0.5	2.0	1.5	2.0	2.1	3.7	6.8	-1.7	72.4	-1.0

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 ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2022	2.1	2.7	-0.6	-0.2	7.1	8.1	8.0	5.3	3.6	-5.5	123.3	-3.9
	2023	0.8	0.7	1.7	-5.5	-0.3	-5.5	4.0	4.1	3.7	-5.4	123.6	-3.1
	2024	0.3	0.4	1.3	-1.5	-1.9	-1.9	1.9	3.2	4.2	-5.8	125.4	-2.8
China	2022	3.0	2.8	-	4.5	-	-	2.0	-	-	-7.5	77.1	2.3
	2023	5.5	5.2	-	6.2	-	-	2.2	-	-	-6.9	82.4	1.4
	2024	5.2	5.2	-	5.2	-	-	2.5	-	-	-6.4	87.2	1.1
UK	2022	4.2	-	-	-	-	-	8.9	-	3.8	-	-	-
	2023	-0.7	-	-	-	-	-	6.2	-	4.4	-	-	-
	2024	0.8	-	-	-	-	-	2.6	-	5.0	-	-	-

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	14-Apr	5.00	5.25	4.25	3.42	110.6	-	673.6	1031.4	1025.4
	+3m	5.25	5.40	5.10	3.85	104.0	-	715.6	1076.9	1057.7
	+6m	5.25	5.40	4.90	3.65	102.0	-	729.9	1058.8	1098.0
	+12m	5.25	5.00	4.70	3.45	102.0	-	730.4	1039.2	1117.6
EUR	14-Apr	3.00	3.18	3.46	2.99	-	110.6	745.1	1140.9	1134.3
	+3m	3.75	4.13	3.45	3.25	-	104.0	744.3	1120.0	1100.0
	+6m	4.00	4.16	3.20	3.10	-	102.0	744.5	1080.0	1120.0
	+12m	4.00	4.06	3.00	2.90	-	102.0	745.0	1060.0	1140.0
JPY	14-Apr	-0.10	-0.03	-	-	120.5	132.5	6.18	9.47	9.41
	+3m	-0.10	-	-	-	130.0	125.0	5.73	8.62	8.46
	+6m	0.10	-	-	-	127.5	125.0	5.84	8.47	8.78
	+12m	0.10	-	-	-	127.5	125.0	5.84	8.31	8.94
GBP*	14-Apr	4.25	-	4.27	3.51	88.4	125.2	843.0	1290.8	1283.3
	+3m	4.50	-	4.10	3.40	88.0	118.2	845.7	1272.7	1250.0
	+6m	4.50	-	4.10	3.40	88.0	115.9	846.0	1227.3	1272.7
	+12m	4.25	-	3.90	3.30	88.0	115.9	846.6	1204.5	1295.5
CHF*	14-Apr	1.50	-	1.86	1.97	98.2	88.7	759.1	1162.4	1155.6
	+3m	1.75	-	-	-	98.0	94.2	759.4	1142.9	1122.4
	+6m	1.75	-	-	-	97.0	95.1	767.5	1113.4	1154.6
	+12m	1.75	-	-	-	97.0	95.1	768.0	1092.8	1175.3
DKK	14-Apr	2.60	3.29	3.62	3.13	745.10	673.56	-	153.12	152.23
	+3m	3.35	3.77	3.60	3.40	744.25	715.63	-	150.49	147.80
	+6m	3.60	3.85	3.35	3.25	744.50	729.90	-	145.06	150.44
	+12m	3.60	3.84	3.15	3.05	745.00	730.39	-	142.28	153.02
SEK	14-Apr	3.00	3.49	3.49	2.84	1134.3	1025.4	65.7	100.6	100.0
	+3m	4.00	4.15	3.65	3.00	1100.0	1057.7	67.7	101.8	-
	+6m	4.00	4.40	3.30	2.80	1120.0	1098.0	66.5	96.4	-
	+12m	4.00	4.00	3.00	2.75	1140.0	1117.6	65.4	93.0	-
NOK	14-Apr	3.00	3.67	3.74	3.20	1140.9	1031.4	65.3	100.0	99.4
	+3m	3.50	3.44	3.45	3.15	1120.0	1076.9	66.5	-	98.2
	+6m	3.50	3.37	3.20	2.85	1080.0	1058.8	68.9	-	103.7
	+12m	3.25	3.20	3.05	2.80	1060.0	1039.2	70.3	-	107.5

*Notes: GBP swaps are SONIA and CHF swaps are SHARON.

We have updated our Norges Bank forecasts after yesterday's Norges Bank meeting but not yet our Norwegian yield outlook

Commodities

	14-Apr	2023				2024				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	86	87	90	85	80	80	80	80	80	86	80

Source Danske Bank

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