

# Weekly Focus

## Softer inflation, harder central banks

In a week dominated by central bank meetings, the end result was a more hawkish impression despite inflation data for November generally surprising to the downside. In the US, the **Fed hiked by 50bp as expected, but with 17 out of 19 FOMC members indicating a Fed funds rate above 5% in 2023** and Chairman Powell saying that the labour market is extremely tight and wage growth high. However, Powell also left a door open for more modest rate hikes in the future, and markets seem to have interpreted the meeting as more or less neutral. Markets were also supported by November inflation data being lower than expected, at just 0.1% m/m for headline CPI and 0.2% m/m for core. However, we note that wage-sensitive components of CPI did not really slow down, and we also see the Fed's message as rather hawkish, pointing to high rates being maintained for long.

**The ECB also delivered a 50bp rate hike as expected but with a clear message that rates are going up** and that this will not be the last 50bp hike. ECB projections showed inflation exceeding the 2% target even in 2025 and the recession in 2023 being very mild if rates follow pre-meeting market pricing, which also clearly indicates that there is need and room for more hikes than that. ECB President Lagarde did not find much comfort in euro area inflation declining to 10% y/y in November, saying that it will likely rise again in January and February, which we agree with. Markets reacted with a large rise in especially 2 year yields and a stronger EUR, and we have updated our ECB call to expect a peak of 3.25% for the deposit rate in 2023. Much will depend on how inflation and other key variables actually develop over the coming months. PMI data for December rose but remain below 50, so indicating continued but slightly milder decline.

**The Bank of England was also part of the 50bp hiking club, but was more dovish** in its message than the Fed or the ECB, given the weakening of the British economy. But the Swiss central bank followed the trend with a hawkish message accompanying its 50bp rate hike, saying a bit like the ECB that the recession will be mild and that current monetary policy is not tight enough to bring inflation to target. Intervention to support the CHF is also clearly still a tool they can use to bring price growth down. Finally, Norges Bank was surprisingly hawkish, see the Scandi Update section.

During the coming week, we expect the Bank of Japan to stick to its outlier position as a central bank not tightening monetary policy, as inflation in Japan largely remains an imported phenomenon.

This is the final Weekly Focus in 2022, and over the holidays, we will among other things be keeping an eye on how the Covid situation develops in China, where wide spread contagion could affect supply chains and domestic demand. The US job report for December in the first week of the new year will be important to watch, given the Fed's concern over the labour market.

Weekly Focus will be back on January 6. *We wish a Happy Holiday for all our readers.*

### Key global views

- Europe in recession during the winter. US recession hits in Q2 23.
- US inflation has peaked, but to come down only gradually. Euro inflation to stay elevated in Q4-Q1 on high energy prices.

### Key market movers

- Monday: Bank of Japan, German IFO
- Friday: US private consumption and PCE inflation

### Selected reading from Danske Bank

- *Research US - Fed Review - FOMC signals Fed Funds above 5% in 2023*, 14 December
- *Global Inflation Watch - Mixed inflation signals in November*, 14 December
- *Flash: ECB Review - Hawkish 50bp - more hikes to come*, 15 December
- *Bank of England Review - A dovish 50bp as BoE nears the end of hiking cycle*, December 15
- *Research China - COVID surge has begun - it should peak in early February*, December 15

### Editor

Chief Economist  
 Las Olsen  
 +45 45 14 14 94  
 laso@danskebank.dk

# Scandi market movers

- In **Denmark**, December's consumer confidence figures are due on Tuesday. We are expecting a very slight decline to -31 in December from -30.4 in November, which was up from -37 in October. Electricity and gas prices have begun to rise significantly again here in December due to the cold weather. We expect this to negatively impact consumers' assessment of the current economic situation, which is what pulled our expectations for consumer confidence slightly lower.

October's wage earner employment numbers are scheduled for release on Wednesday. The number of people in work in Denmark rose by a solid 6,300 in September. Unemployment was largely unchanged in October, and given the growing labour force that would typically indicate increasing employment. Looking a little further ahead than October, there is much to indicate a slowdown in Denmark's level of economic activity in Q4 22. That normally goes hand in hand with a drop in employment numbers. However, the current situation is a little special in that the degree of overheating means there are still many unfilled positions, which could suggest the reversal in the trend may not proceed at any great pace.

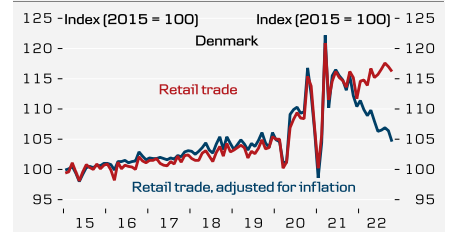
Friday should bring November's retail sales figures. Retail sales fell in October both before and after adjusting for rising prices, and there is much to suggest that retail sales will decline further in November. Our latest Spending Monitor revealed disappointing Black Friday sales if we compare to Black Friday consumption figures for recent years, which contributes to our expectation that retail sales are heading further south.

Revised national accounts figures for Q3 22 are set to come on Friday. Preliminary figures indicated that Denmark's economy grew by 0.5%. However, that growth in Danish GDP was largely driven by exports and investment, whereas private consumption showed signs of weakness and was down by 0.2% when adjusted for price changes. Hence, consumers have reacted to higher prices by buying fewer goods, but nevertheless spend more money overall because prices have risen so much. The revised national accounts figures occasionally produce major adjustments to growth, and we cannot rule out that being the case this time.

- In **Sweden**, especially the NIER business survey (December 21) will be very interesting. Survey data has for a while continued to weaken while hard data has surprises on the upside. We do however believe there is just a matter of time when the pessimistic surveys shows up in the hard data. However, for the NIER survey, we will take an extra look at hiring plans, which we expect will continue to decrease. Retail trade and the construction sector already flag for reducing the workforce coming months. But this time, we wouldn't be surprised if the private service sector will flag for the same. Order inflow and price plans is of course also important on the business side. On the household side, the overall confidence is already very weak and we expect the index for the fear of losing their own job to continue to decrease as an effect of the headlines the past weeks with layoffs and bankruptcies on the rise.

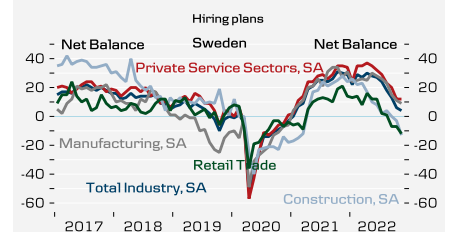
Valueguard home-price index also out next week (December 21) which will show the price developments during November. So far, prices is down by 12% s.a since the top in February. Our own indicator for November showed that the decline in prices slowed compared to earlier months. However, we see this as temporary. The Riksbank increased the policy rate by 75 basis points as expected at the November meeting, which probably is not fully reflected in the decline. We maintain our stance that a decline of a total of 20 p.e since the price peak is to be expected, this means further declines of 8

Retail sales continue to trend lower



Kilde: Danmarks Statistik, Danske Bank, Macrobond Financial

The labour market is set to deteriorate coming months



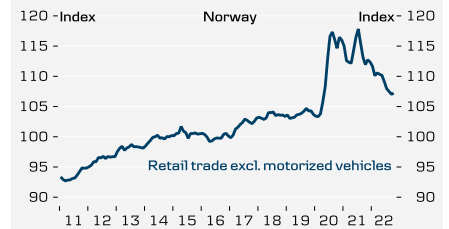
Source: NIER, Macrobond

p.e from here. That would take the price level back to the price level that prevailed in the summer of 2020.

More data out on during the break is retail sales (December 22) and PMIs; manufacturing is published on 2 January services on 4 January 2023.

- In **Norway**, retail sales are in a period of strong headwinds. High inflation has brought negative real wage growth, and higher interest rates are eroding purchasing power further. Consumption is also still skewed in favour of services following the reopening of the economy after the pandemic. Consumer spending has nevertheless held up well, thanks to households drawing on their savings. Now, though, it seems that this option is being exhausted, and we expect a somewhat steeper decline. Based on data for card purchases, we expect retail sales to fall 1.3% m/m in November. Registered unemployment has remained extremely low despite a substantial deterioration in the growth outlook, but this means that it is now likely to push up. We have already seen this in the LFS jobless measure, which rose to 3.4% in October and is likely to remain there in November, and we now expect to see the first signs in registered unemployment, which we see climbing to 1.7% in seasonally adjusted terms in December.

**Reduced purchasing power impacting on retail spending**



Source: Macrobond, Danske Bank

# Scandi update

## Denmark – Lower energy prices and good news on inflation

Inflation in Denmark fell from 10.1% in October to 8.9% in November – largely on the back of electricity and gas prices declining in October and early November, a shift that is typically registered with some delay in Statistics Denmark’s inflation figures. Petrol prices, too, have dipped as of late, which also tends to pull inflation lower. Even inflation ex. energy was down slightly, though we expect energy prices to boost inflation again in December, before it begins to steadily decline throughout 2023. The decline in 2023 will be driven, firstly, by central bank interest rates now having risen to a level that puts a substantial damper on growth. Secondly, many prices had already risen by early 2022. Given that inflation is measured as the annual growth in prices, the period used for comparison when we enter 2023 will be one where prices were already relatively high. Nevertheless, the outlook for electricity and gas prices is very uncertain, both this winter and next. Full gas reserves have helped curb price pressures in recent months, but the weather at present is not helping, with low temperatures and less wind and rain than normal, which all play a role in how expensive the winter will be.

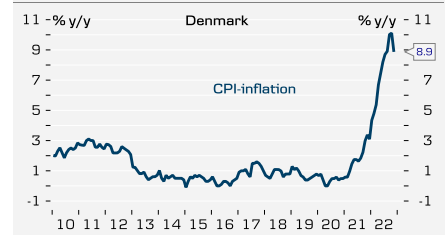
Statistics Denmark’s unemployment indicator showed the number of jobless increasing by 1,800 in November (seasonally adjusted). Many indicators have pointed to a slowdown in the economy, so November’s unemployment indicator could be one of the first tangible signs that this is actually happening, even though the increase is modest and somewhat uncertain. Companies in the retail, construction and industrial sectors all expect to have lower sales and fewer employees as inflation erodes purchasing power and interest rates rise. On the other hand, many companies continue to experience difficulty in recruiting the staff they need, and there are still many job vacancies. A fair share of those who lose their jobs in construction, for example, will presumably be able to find a position in other sectors, so hopefully the increase in unemployment will be both limited and gradual.

Following the election on 1 November, a new coalition government has been agreed. Mette Frederiksen of the Social Democrats will continue as Prime Minister, now in coalition with the centre-right Liberals (Venstre) and the new centrist party, The Moderates. It is a de facto majority government, which is unusual in Denmark. The new coalition’s political programme calls for more inflation help in 2023 but also promises not to aggravate inflation through fiscal policy, which we interpret as at most a slight easing compared to the draft budget from the outgoing government. The new government will run on a temporary budget into 2023 until a new Finance Act can be finalised. There will be a series of economic reforms and changes, but within the existing framework of a deficit target of 0.5% of GDP in 2030, long-term fiscal sustainability and the fixed exchange rate policy.

## Sweden – Mixed inflation and expectations, Riksbank call unchanged

Both November headline CPIF and core CPIF excl. Energy turned out much below our forecasts. Compared to Riksbank’s forecast, CPIF was considerably higher while core inflation was a tad lower. Although there are some Riksbank Board members that are worried about potential second round effects from electricity prices into core inflation, the fact that several core price components were lower than expected should give some comfort. We already know that electricity prices are soaring again in December, the last inflation print Riksbank will have before its February meeting. This will lift headline CPIF.

Lower energy prices drive inflation down in November



Source: Danske Bank, Statistics Denmark, Macrobond Financial

Sweden. Puzzling rise in PM's 5y expectations



Source: Prospera

And in January, several charges such as electricity grid fees, district heating, tenant-owner apartments fees, garbage/water charges, bank fees and child care fees will also be raised. Hence, we don't expect inflation to turn lower until the latter part of Q1 2023. Hence, Riksbank is likely to execute the 25 bp hike in February that is in its repo rate forecast.

Prospers big quarterly survey showed two things: 1) 5y CPIF expectations rose as purchasing managers (mainly manufacturing) made a huge upward shift in expectations (to 2.9 % from 2.2 %). Other sectors were unchanged or lower. We can't see the rationale behind the upward shift and therefore believe it should be taken with a big grain of salt. We note PM's if anything scaled down CPIF expectations on the shorter horizons making the increase in 5y expectations even more puzzling. 2) Social Partners raised their 1y wage expectations but remained roughly unchanged at the longer horizons. Probably a consequence of the 4.4 % 1y demand coming from the industry trade unions. Still, both demands and expectations appear quite modest in an international comparison.

## Norway – Terminal rate reached?

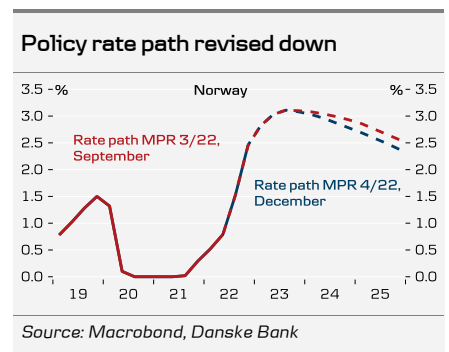
Norges Bank raised its policy rate by 25bp to 2.75%, as expected, but indicated that there will probably be a further hike in Q1: “Based on the Committee’s current assessment of the outlook and balance of risks, the policy rate will most likely be raised further in the first quarter of next year.” This is more hawkish than we anticipated and means that the downturn in the economy will need to be sharper than Norges Bank anticipates for the policy rate to peak at its current level. The bank’s policy rate path was revised marginally up in the short term and slightly down further out (2024-2025) and now shows a roughly 50% probability of a rate increase in Q1 and a slight chance of a further hike after that, with a first rate cut in the course of 2024 and a policy rate of around 2.25% at the end of 2025.

Norges Bank is signalling a continued rise in the policy rate even though we are now beginning to see previous rate increases making their mark on the economy. This naturally has to do with inflation being higher than expected and wage growth being expected to pick up. Together with a tight labour market, this means that the bank is looking for insurance against inflation becoming embedded at a high level. This is illustrated partly by the bank using “discretion” in its policy rate projections to signal a further rate increase.

The bank’s risk assessment seems fairly balanced: “If the pressures in the economy persist, and signs emerge that inflation will remain high for longer than currently projected, a higher policy rate may be needed than currently envisaged. If inflation falls faster or unemployment rises more than projected, the policy rate may be lower than projected.”

The bank’s economic forecasts are largely in line with our own. Its prediction for growth next year is actually slightly lower than ours, but the bank is still forecasting a slightly larger output gap than we are, and so slightly lower unemployment. What still stands out, however, is the central bank’s forecast for wage growth next year of 4.7%, which has been revised up from the September report and is well above the 4.2% expected by firms in the regional network survey. We still expect the economic slowdown to bring higher unemployment and, not least, pressure on profitability in the business sector, so we consider those levels of wage growth to be way beyond what firms could bear.

Given that we still expect economic activity to fall quite sharply at the beginning of next year, we are sticking to our expectation that this week’s rate hike will be the last in the cycle, and that we could see a rate cut by the end of next year.



# Calendar – 19 December – 6 January

## Monday, December 19, 2022

				Period	Danske Bank	Consensus	Previous
10:00	DEM	IFO - business climate	Index	Dec		87.0	86.3
10:00	DEM	IFO - current assessment	Index	Dec		93.5	93.1
10:00	DEM	IFO - expectations	Index	Dec		82.0	80.0
11:00	EUR	Labour costs	y/y	3rd quarter			4.0%
16:00	USD	NAHB Housing Market Index	Index	Dec		34.0	33.0

## Tuesday, December 20, 2022

				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ policy rate	%		-0.10%	-0.1%	-0.1%
8:00	DKK	Consumer confidence	Net. bal.	Dec	-31		-30.4
10:00	EUR	Current account	EUR bn	Oct			-8.1
14:00	HUF	Central Bank of Hungary rate decision	%		13.0%	13.0%	13.0%
14:30	CAD	Retail sales	m/m	Oct		1.5%	-0.5%
14:30	USD	Building permits	1000 (m/m)	Nov		1497	1512.0 (-3.3%)
14:30	USD	Housing starts	1000 (m/m)	Nov		1404	1425.0 (-4.2%)
16:00	EUR	Consumer confidence, preliminary	Net bal.	Dec		-22.8	-23.9

## Wednesday, December 21, 2022

				Period	Danske Bank	Consensus	Previous
8:00	DEM	GfK consumer confidence	Net. Bal.	Jan		-38	-40.2
9:00	SEK	Consumer confidence	Index	Dec			55.8
9:00	SEK	Economic Tendency Survey	Index	Dec			84.5
9:00	SEK	Manufacturing confidence	Index	Dec			104.2
14:30	USD	Current account	USD bn	3rd quarter		-222.0	-251.1
14:30	CAD	CPI	m/m/y/y	Nov		-1.65%	-1.69%
16:00	USD	Existing home sales	m (m/m)	Nov		4.2	4.43 (-0.059)
16:00	USD	Conference Board consumer confidence	Index	Dec		101.0	100.2
16:30	USD	DOE U.S. crude oil inventories	K				10231

## Thursday, December 22, 2022

				Period	Danske Bank	Consensus	Previous
6:00	JPY	Leading economic index, final	Index	Oct			99.0
8:00	GBP	GDP, final	q/q/y/y	3rd quarter		-0.2%	-0.2% 2.4%
8:00	SEK	Retail sales s.a.	m/m/y/y	Nov			-1.3% -7.7%
8:00	SEK	PPI	m/m/y/y	Nov			-1.5% -18.7%
8:00	SEK	Wages (blue collars/white collars)	y/y	Oct			3.1%
10:00	NOK	Unemployment	%	Dec		1.7%	1.6%
12:00	TRY	Central Bank of Turkey rate decision	%		9.0%	9.0%	9.0%
14:30	USD	Initial jobless claims	1000				211
14:30	USD	PCE core	q/q AR	3rd quarter			0.046
14:30	USD	GDP, ___ release	q/q AR	3rd quarter		0.029	0.029

## Friday, December 23, 2022

				Period	Danske Bank	Consensus	Previous
0:30	JPY	CPI - national	y/y	Nov		3.9%	3.7%
0:30	JPY	CPI - national ex. fresh food	y/y	Nov		3.7%	3.6%
8:00	NOK	Credit indicator (C2)	y/y	Nov			5.2%
8:00	DKK	Retail sales	m/m/y/y	Nov			-1.7% -10.3%
8:00	DKK	GDP, final	q/q/y/y	3rd quarter			0.5%
9:00	ESP	GDP, final	q/q/y/y	3rd quarter		0.2%	0.2% 3.8%
14:30	USD	Core capital goods orders, preliminary	%	Nov			0.6%
14:30	USD	Personal spending	m/m	Nov		0.2%	0.8%
14:30	USD	PCE headline	m/m/y/y	Nov		0.2% 5.6%	0.3% 6.0%
14:30	CAD	GDP	m/m/y/y	Oct		0.1% 3.1%	0.1% 3.9%
14:30	USD	PCE core	m/m/y/y	Nov		0.2% 4.6%	0.2% 5.0%
16:00	USD	New home sales	1000 (m/m)	Nov		600	632.0 (7.5%)
16:00	USD	University of Michigan Confidence, final	Index	Dec		59.1	59.1

Source: Danske Bank

# Calendar (continued)

Monday, December 26, 2022				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ Kuroda speaks					
Tuesday, December 27, 2022				Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/mly/y	Nov			-2.7% -6.5%
0:30	JPY	Unemployment rate	%	Nov		2.6%	2.6%
0:30	JPY	Job-to-applicant ratio		Nov		1.37	1.35
0:50	JPY	Retail trade	m/mly/y	Nov			0.3% 4.4%
2:30	CNY	Industrial profits	y/y	Nov			
8:00	NOK	Retail sales, s.a.	m/m	Nov	-1.3%		-0.3%
14:30	USD	Advance goods trade balance	USD bn	Nov		-96.9	-99.0
15:00	USD	FHFA house price index	m/m	Oct			0.1%
Wednesday, December 28, 2022				Period	Danske Bank	Consensus	Previous
0:50	JPY	Industrial production, preliminary	m/mly/y	Nov		-0.3%	-3.2% 3.0%
8:00	SEK	Household lending	y/y	Nov			4.5%
8:00	SEK	Trade balance	SEK bn	Nov			-9.5
16:00	USD	Pending home sales	m/mly/y	Nov			-4.6% -36.7%
Thursday, December 29, 2022				Period	Danske Bank	Consensus	Previous
10:00	EUR	Money supply (M3)	y/y	Nov			5.1%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Nov			5.1%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Nov			5.1%
10:00	EUR	ECB Publishes Economic Bulletin					
14:30	USD	Initial jobless claims	1000				
17:00	USD	DOE U.S. crude oil inventories	K				
Friday, December 30, 2022				Period	Danske Bank	Consensus	Previous
9:00	ESP	HICP, preliminary	m/mly/y	Dec			-0.3% 6.7%
9:00	CHF	KOF leading indicator	Index	Dec			89.5
10:00	NOK	Norges Bank's daily FX purchases	m	Jan			1900
15:45	USD	Chicago PMI	Index	Dec			37.2

Source: Danske Bank



# Calendar (continued)

During the week					Period	Danske Bank	Consensus	Previous
Sat 31	CNY	PMI manufacturing	Index	Dec			47.8	48.0
Sat 31	CNY	PMI non-manufacturing	Index	Dec				46.7
Monday, January 2, 2023					Period	Danske Bank	Consensus	Previous
2:45	CNY	Caixin PMI manufacturing	Index	Dec				49.4
8:30	SEK	PMI manufacturing	Index	Dec				45.8
9:15	ESP	PMI manufacturing	Index	Dec				45.7
9:45	ITL	PMI manufacturing	Index	Dec				48.4
9:50	FRF	PMI manufacturing, final	Index	Dec				48.9
9:55	DEM	PMI manufacturing, final	Index	Dec				47.4
10:00	EUR	PMI manufacturing, final	Index	Dec				47.8
10:00	NOK	PMI manufacturing	Index	Dec	50			51.2
Tuesday, January 3, 2023					Period	Danske Bank	Consensus	Previous
9:55	DEM	Unemployment	%	Dec				5.6%
10:30	GBP	PMI manufacturing, final	Index	Dec				44.7
14:00	DEM	HICP, preliminary	m/mly/y	Dec				0.0% 11.3%
15:30	CAD	RBC manufacturing PMI	Index	Dec				49.6
15:45	USD	Markit PMI manufacturing, final	Index	Dec				
16:00	USD	Construction spending	m/m	Nov				-0.3%
17:00	DKK	Currency reserves	DKK bn	Dec				577.2
Wednesday, January 4, 2023					Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Dec				14.14
-	PLN	Polish central bank rate decision	%				6.8%	6.8%
1:30	JPY	Nikkei Manufacturing PMI, final	Index	Dec				48.8
2:45	CNY	Caixin PMI service	Index	Dec				46.7
8:30	SEK	PMI services	Index	Dec				54.3
8:30	CHF	CPI	m/mly/y	Dec				0.0% 3.0%
8:45	FRF	Consumer confidence	Index	Dec				83.0
8:45	FRF	HICP, preliminary	m/mly/y	Dec				0.4% 7.1%
9:15	ESP	PMI services	Index	Dec				51.2
9:45	ITL	PMI services	Index	Dec				49.5
9:50	FRF	PMI services, final	Index	Dec				48.1
9:55	DEM	PMI services, final	Index	Dec				49.0
10:00	EUR	PMI composite, final	Index	Dec				48.8
10:00	EUR	PMI services, final	Index	Dec				49.1
16:00	USD	ISM manufacturing	Index	Dec				49.0
20:00	USD	FOMC minutes						
Thursday, January 5, 2023					Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	Dec				69.8
6:00	JPY	Consumer confidence	Index	Dec				28.6
10:30	GBP	PMI services, final	Index	Dec				50.0
11:00	EUR	PPI	m/mly/y	Nov				30.8% -2.9%
11:00	ITL	HICP, preliminary	m/mly/y	Dec				0.7% 12.6%
14:15	USD	ADP employment	1000	Dec				127
14:30	USD	Initial jobless claims	1000					
14:30	USD	Trade balance	USD bn	Nov				-78.2
15:45	USD	Markit PMI service, final	Index	Dec				
17:00	USD	DOE U.S. crude oil inventories	K					
Friday, January 6, 2023					Period	Danske Bank	Consensus	Previous
0:30	JPY	Labour cash earnings	y/y	Nov				1.8%
1:30	JPY	Markit PMI services, final	Index	Dec				51.7
8:00	NOK	Manufacturing production	m/mly/y	Nov				0.3% 1.7%
8:00	NOK	Industrial production	m/mly/y	Nov				-1.2% 3.5%
8:00	DKK	Gross unemployment s.a.	K (%)	Nov				0.026
8:00	DEM	Factory orders	m/mly/y	Nov				0.8% -3.2%
8:45	FRF	Household consumption	m/mly/y	Nov				-2.8% -5.9%
9:00	CHF	SNB balance sheet, intervention	CHF bn	Dec				790
10:30	GBP	PMI construction	Index	Dec				50.4
11:00	EUR	Retail sales	m/mly/y	Nov				-1.8% -2.7%
11:00	EUR	Industrial confidence	Net bal.	Dec				-2.0
11:00	EUR	Economic confidence	Index	Dec				93.7
11:00	EUR	Consumer confidence, final	Net bal.	Dec				
11:00	EUR	HICP inflation, preliminary	m/m	Dec				-0.1%
11:00	EUR	HICP - core inflation, preliminary	y/y	Dec	4.9%			5.0%
11:00	EUR	HICP inflation, preliminary	y/y	Dec	10.4%	9.3%		
11:00	EUR	Service confidence	Net bal.	Dec				2.3
14:30	USD	Unemployment	%	Dec				3.7%
14:30	USD	Average hourly earnings, non-farm	m/mly/y	Dec				0.6% 5.1%
14:30	USD	Non farm payrolls	1000	Dec	220			263
14:30	CAD	Net change in full time employment	1000	Dec				50.7
16:00	USD	Core capital goods orders, final	%	Nov				
16:00	USD	ISM non-manufacturing	Index	Dec				56.5

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	2021	4.9	4.3	4.2	6.2	8.0	8.0	1.9	3.0	3.6	3.6	36.6	8.2
	2022	3.0	-1.5	0.4	4.8	5.3	3.7	7.9	3.5	2.7	1.3	31.8	10.0
	2023	-0.6	-1.0	-0.2	-2.1	1.7	1.5	4.9	4.0	3.2	1.0	30.2	9.0
Sweden	2021	4.6	5.9	2.5	6.0	7.6	9.3	2.2	2.7	8.8	-0.1	37.5	5.2
	2022	2.4	3.4	-0.3	4.6	4.9	8.7	8.0	2.5	7.4	0.7	31.0	3.7
	2023	-1.2	-1.3	1.1	-2.2	2.4	1.8	6.1	2.8	8.2	-0.9	31.0	4.1
Norway	2021	4.1	4.5	4.9	-1.2	5.5	1.7	3.5	3.5	3.2	-	-	-
	2022	2.8	4.6	0.9	1.0	3.0	8.0	5.5	4.1	1.8	-	-	-
	2023	0.9	0.9	1.3	4.0	3.0	3.5	3.4	4.2	2.4	-	-	-

## 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	2021	5.3	3.7	4.3	3.7	10.4	8.2	2.6	3.9	7.7	-5.1	97.2	3.5
	2022	3.3	3.9	1.1	4.4	7.4	8.6	8.6	4.2	6.7	-3.9	92.4	1.5
	2023	-0.9	-1.6	1.3	0.7	2.9	4.5	7.6	4.9	7.4	-4.0	93.3	1.0
Germany	2021	2.6	0.4	3.8	1.0	9.5	8.9	3.2	3.1	3.6	-3.7	68.6	7.4
	2022	1.8	4.6	1.6	0.4	3.2	6.7	9.0	4.5	3.0	-2.3	67.4	3.7
	2023	-1.4	-2.1	1.9	-1.2	2.4	3.7	8.4	5.4	3.8	-1.8	65.5	3.5
Finland	2021	3.0	3.5	3.2	1.6	5.4	6.0	2.2	2.3	7.7	-2.7	72.3	0.6
	2022	2.0	2.0	3.0	3.5	0.5	4.0	6.6	2.6	6.8	-3.1	70.6	-2.6
	2023	-0.2	0.1	1.0	0.5	-0.5	0.5	3.7	3.5	7.3	-2.6	71.3	-1.4

## 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	2021	5.9	8.3	0.6	7.4	6.1	14.1	4.7	4.2	5.4	-12.4	126.9	-3.5
	2022	1.9	2.6	-0.9	-0.4	7.9	8.5	8.0	5.2	3.6	-4.2	124.0	-3.9
	2023	-0.2	-0.2	1.1	-5.4	1.1	-4.4	3.3	4.4	4.0	-3.8	121.0	-3.1
China	2021	8.1	9.8	-	5.2	-	-	0.9	3.5	-	-6.1	68.9	1.6
	2022	3.3	2.8	-	4.5	-	-	2.0	3.0	-	-8.9	76.9	1.6
	2023	4.9	5.1	-	5.2	-	-	2.2	5.0	-	-7.2	84.1	1.0
UK	2021	7.5	-	-	-	-	-	2.6	-	4.5	-	-	-
	2022	4.2	-	-	-	-	-	8.9	-	3.8	-	-	-
	2023	-0.7	-	-	-	-	-	6.2	-	4.4	-	-	-
Japan	2021	1.7	1.1	2.1	-1.2	11.9	5.1	-0.2	-	2.8	-	-	-
	2022	1.4	3.0	1.6	-0.8	4.7	8.0	2.2	-	2.6	-	-	-
	2023	0.7	0.9	0.6	1.3	2.5	3.2	2.4	-	2.8	-	-	-

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	16-Dec	4.50	4.74	4.56	3.49	106.4	-	699.4	986.2	1034.1
	+3m	5.00	5.39	5.20	4.05	102.0	-	729.4	1019.6	1078.4
	+6m	5.25	5.40	5.10	4.05	98.0	-	759.7	1040.8	1142.9
	+12m	5.25	5.22	4.80	3.65	98.0	-	760.2	1020.4	1122.4
EUR	16-Dec	2.00	2.05	3.16	2.84	-	106.4	743.8	1048.9	1099.9
	+3m	3.00	3.33	2.95	2.90	-	102.0	744.0	1040.0	1100.0
	+6m	3.25	3.41	2.95	2.90	-	98.0	744.5	1020.0	1120.0
	+12m	3.25	3.39	2.75	2.70	-	98.0	745.0	1000.0	1100.0
JPY	16-Dec	-0.10	-0.05	0.20	0.68	120.5	137.0	6.17	8.70	9.13
	+3m	-0.10	-	-	-	141.8	139.0	5.25	7.34	7.76
	+6m	-0.10	-	-	-	132.3	135.0	5.63	7.71	8.47
	+12m	-0.10	-	-	-	125.4	128.0	5.94	7.97	8.77
GBP*	16-Dec	3.50	-	4.35	3.48	87.2	122.0	853.2	1203.2	1261.7
	+3m	3.75	-	4.50	3.60	86.0	118.6	865.1	1209.3	1279.1
	+6m	3.75	-	4.50	3.60	85.0	115.3	875.9	1200.0	1317.6
	+12m	3.75	-	4.30	3.40	85.0	115.3	876.5	1176.5	1294.1
CHF*	16-Dec	1.00	-	1.29	1.65	98.8	92.9	752.8	1061.6	1113.2
	+3m	1.00	-	-	-	97.0	95.1	767.0	1072.2	1134.0
	+6m	1.50	-	-	-	96.0	98.0	775.5	1062.5	1166.7
	+12m	1.50	-	-	-	96.0	98.0	776.0	1041.7	1145.8
DKK	16-Dec	1.75	2.34	3.29	2.97	743.83	699.36	-	141.01	147.87
	+3m	2.65	3.42	3.15	3.10	744.00	729.41	-	139.78	147.85
	+6m	2.90	3.50	3.15	3.10	744.50	759.69	-	137.00	150.44
	+12m	2.90	3.50	2.95	2.90	745.00	760.20	-	134.23	147.65
SEK	16-Dec	2.50	2.54	3.29	2.77	1099.9	1034.1	67.6	95.4	100.0
	+3m	3.00	2.80	3.30	3.10	1100.0	1078.4	67.6	94.5	-
	+6m	3.00	2.85	3.25	3.25	1120.0	1142.9	66.5	91.1	-
	+12m	3.00	2.85	3.15	3.30	1100.0	1122.4	67.7	90.9	-
NOK	16-Dec	2.50	3.21	3.45	3.06	1048.9	986.2	70.9	100.0	104.9
	+3m	2.75	3.35	3.80	3.60	1040.0	1019.6	71.5	-	105.8
	+6m	2.75	3.05	3.70	3.55	1020.0	1040.8	73.0	-	109.8
	+12m	2.75	3.10	3.50	3.35	1000.0	1020.4	74.5	-	110.0

\*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

	16-Dec	2022				2023				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2022	2023
ICE Brent	79	98	112	105	100	90	90	85	80	104	86

Source Danske Bank

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Las Olsen, Chief Economist.

### 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:** 9 December 2022, 13:45 CET

**Report first disseminated:** 9 December 2022, 14:15 CET