

Weekly Focus

Fed sees weaker growth and higher inflation

After some volatile weeks, markets were relatively calm this week, as there were no big surprises, also not from the US central bank. **As expected, the Fed did not change interest rates, but the bank lowered its forecast for GDP growth** this year from 2.1% to 1.7%, while increasing its inflation forecast from 2.5% to 2.7%, both consistent with a larger effect of tariffs. Whether that speaks for higher or lower interest rates than would otherwise be the case depends on whether tariffs are expected to persistently lift inflation and not just cause a one-off price increase. Fed chair Powell seems to think that a persistent effect is unlikely, and markets reacted to the adjustments by sending yields slightly lower, also because 18 out of 19 members of the monetary policy committee indicated that they see risks for growth mostly to the downside, whereas the outlook was balanced 12 months ago. As we see it, the US economy is slowing down somewhat, and there is a good case for the Fed to gradually make monetary policy less restrictive. However, unemployment is low, and the bank is not in a hurry, and our main scenario is for them to wait and see what happens politically also at the May meeting before cutting in June.

In Europe, the German parliament as expected passed the large fiscal spending bill of the incoming government before the old parliament is dissolved and the new one takes over next week. Many interesting and potentially market moving decisions remain though, as the plan must be implemented and the new government formed.

Like the Fed, the Bank of England kept rates unchanged while signalling that it still sees room for cuts later. The Swedish Riksbank also held steady but here, the signals are not for more cuts, see also page 3. The Swiss national bank did cut rates amid the very low inflation there, and as widely expected the Bank of Japan did not change rates this time but given the renewed vitality in the economy, we see a strong case for more rate hikes in the future.

China published data for January and February (at the same time because of the Chinese New Year holiday), with **upside surprises in retail sales and home sales, but continued decline in house prices**. It is a strong priority for the government to get consumer spending going, and stabilisation in the housing market is seen as a precondition for that. This week, the State Council presented a plan to 'vigorously boost' consumer spending. If successful, that would also have implications for global goods demand.

The ECB has stated that incoming data will determine whether rates are cut in April, and one of the crucial data points in that regard is likely to be the March PMIs out on Monday. The growth picture has improved somewhat this year, and we expect that to continue driven by manufacturing, despite the great uncertainty. We also get the first March inflation numbers (for France and Spain) on Friday.

The US data calendar for the coming week is fairly light, with the Conference Board's consumer confidence on Tuesday as a potential highlight. In the UK, Chancellor Reeves will present the Spring Statement where the Labour government faces some tough choices in meeting its fiscal objective while aiming to improve the UK economy's growth prospects.

Key global views

- Despite all the noise, the cyclical story remains largely unchanged.
- Defence spending in Europe is an upside growth risk for next year.
- We expect more rate cuts both from the ECB and the Fed.

Key market movers

- Monday: PMIs for most major economies
- Tuesday: US CB consumer confidence, Germany IFO
- Wednesday: UK Spring Budget and CPI
- Thursday: EUR credit growth
- Friday: Spain and France CPI, US PCE inflation

Selected reading from Danske Bank

- *Research Germany - Fiscal policy to boost growth but also inflation concerns*, 19 March
- *Research US - Fed review: Cautious stability*, 19 March
- *Riksbank - March 2025: Unchanged at 2.25% and flat policy rate path - as expected*, 20 March

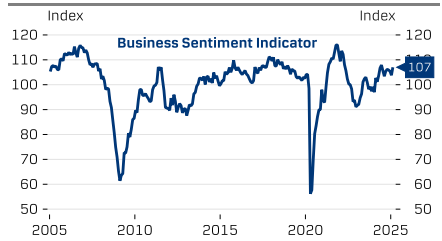
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Scandi market movers

- In **Denmark**, the business sentiment indicator for March will be released on Monday. The indicator for February improved, reflecting a rise in overall optimism across industries, except for construction. Retail has seen a sharp increase, suggesting that January's decline within the sector was temporary. In this context, it appears that we are transitioning from a period of low growth to a more typical situation in significant areas of the economy and we expect the indicator for March to continue reflecting this. We will also receive the retail trade index for February on Thursday. According to our own Spending Monitor, retail spending decreased 3.1% in real terms in February compared to the same month last year. However, last year February was a leap year and had one more day than this February. Adjusted for leap year effects, real retail spending increased around 0.2%. This implies that even after accounting for the leap year, we saw soft figures from retail spending. See *Leap year effects muddle picture of otherwise decent February growth*, 10 March.

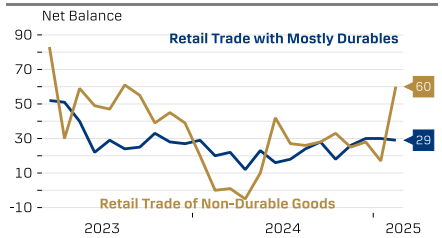
The business sentiment indicator is relatively positive in a historic context



Source: Statistics Denmark, Danske Bank

- We will receive some important indicators for the **Swedish** economy next week, starting with the PPI for February, where we hope to see some easing effect from the stronger currency. The pass-through from the stronger krona could mitigate the recent uptick in inflation. We will also obtain the Economic Tendency Survey from NIER, including price expectations from businesses and consumer confidence. Additionally, we will receive minutes from the Riksbank. The monetary policy report and announcement were slightly dovish against market expectations, and we are particularly interested in seeing if this view was commonly shared among the members of the board.

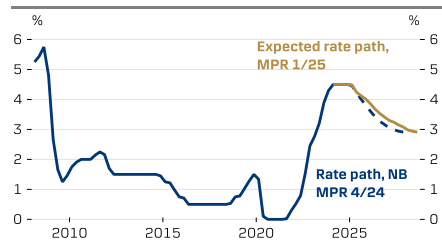
Selling price expectations



Source: NIER and Danske Bank

- We expect **Norges** Bank (NB) to cut the policy rate to 4.25% next week, as they have signalled. Declining inflation, capacity utilization that is somewhat lower than normal and a monetary policy that is restrictive, clearly speak in favour of lower rates. Since the rate meeting in December, where the NB signalled slightly more than three cuts this year, there are several factors that are pulling the rate outlook upward. First and foremost, the inflation figures for February were significantly higher than expected, and even if NB were to consider at least some of this as one-off effects, it would probably contribute to pulling the rate path up by 25-30bp. Global rate expectations are also somewhat higher than expected, but the contribution to the rate path will probably be limited to around 6-7bp. The exchange rate has also been somewhat weaker than expected, but thanks to the significant appreciation in the last couple of weeks, the effect on the rate path is probably no more than 2-3bp. On the other hand, oil and gas prices have been somewhat lower than expected, and the oil investment survey is unlikely to provide grounds for changing the investment estimate. The overall effect on the rate path from oil/gas is therefore around 5-8bp on the downside. The greatest uncertainty is perhaps related to the assessment of domestic growth. The Regional survey indicates growth in Q1 and Q2 of 0.4% q/q, which is well in line with NB's estimate from December. At the same time, capacity utilization rose from 34% to 35% but is still somewhat lower than normal. On the other hand, mainland GDP fell 0.4% in Q4 and annual growth in 2024 was 0.6% compared to an expectation of 0.9% in December. In fact, the GDP level was 0.8 pp lower at the end of last year than assumed. We still believe that NB will end up assessing domestic demand 'about as expected'. As the review above shows, there is quite a lot of room for error in terms of how much the rate path should be adjusted upwards. Although NB has been clear that the policy rate

Slightly higher rate path from NB



Kilde: Macrobond, Danske Bank

'most likely' will be cut in May, uncertainty has also increased around the actual rate decision next week. However, we believe that the monetary policy analysis will conclude that monetary policy is restrictive, and that there is room for lower policy rates. Then it should be possible to stick to the plan and cut the policy rate already at this crossroad. We therefore believe that Norges Bank will cut the key rate by 25bp to 4.25% and at the same time signal a possibility for the policy rate to be cut again at the meeting in June.

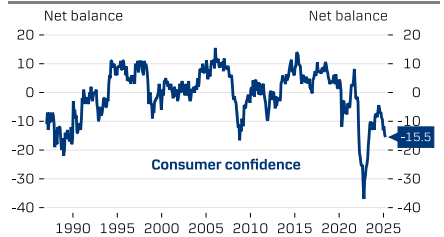
Scandi Update

Denmark – Consumer concerns persist in March

In March, Danish consumer confidence saw a continued decline, dropping to -15.5 from -14.5 in February, marking the lowest level since spring 2023. The decline is largely attributed to a negative perception about the future of the Danish economy. This sentiment reflects the uncertainty regarding the global situation, particularly influenced by geopolitical factors which have significantly affected consumer outlook in 2025. Despite the bleak economic outlook, there was a notable improvement in expectations regarding personal finances, contrasting the deterioration seen in February. However, a majority still view their personal financial situation as worse off compared to a year ago, despite gains in real wages, employment, and a thriving housing market.

Meanwhile, payroll data for January show an increase of 5,500 employees, indicating continued robust job growth into early 2025. Despite minor downward revisions to previous figures, the employment landscape remains optimistic, with growth observed across most sectors, including construction and trade. This trend reflects a hopeful outlook among businesses, contrasting consumer concerns. However, outside the pharmaceutical industry, productivity appears stagnant relative to staffing levels, raising concerns about potential risks to job growth should sales not increase as anticipated.

Consumer confidence fell to -15.5 in March

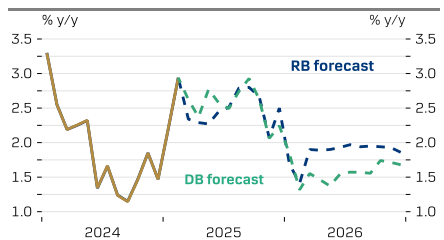


Source: Statistics Denmark, Macrobond

Sweden – Unchanged as expected from the Riksbank

The main event of the week was the policy rate announcement from the Riksbank. The meeting aligned with our expectations, as the policy rate was left unchanged at 2.25%, with the rate path completely flat. The communication was slightly dovish, as they argue higher inflation is due to specific factors such as the basket effect, food prices and administrative prices like rents. The rise in food prices is mainly limited to a few products and is not expected to significantly affect other goods, a view we share. The dovish communication is likely to ease market concerns about an imminent hawkish shift by the Riksbank.

The Riksbank's new CPIF forecast

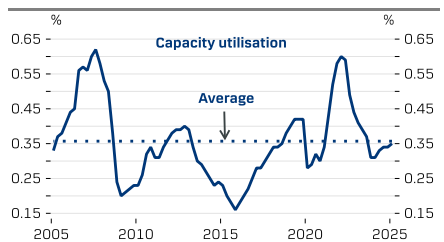


Source: Macrobond, Statistics Sweden, Danske Bank and the Riksbank

Norway – The regional survey points to a moderate upswing

The respondents in Norges Bank's regional survey are forecasting economic growth of 0.4% in the current quarter and 0.4% growth next quarter. This is well in line with our own projections, where we expect high real wage growth, prospects for lower interest rates, strong growth in oil investments and public demand to lift growth over the course of the year. Capacity utilization (the share of companies where capacity constraints limit production) rose from 34% in the previous round to 35% now in the first quarter. This is somewhat lower than the historical average and indicates that resource utilization is somewhat lower than normal. The respondents now expect wage growth of 4.4% this year, down from 4.5% in the previous round, and 3.9% next year. Furthermore, the respondents now expect employment growth next quarter to be 0.2% and investment growth this year to be 0.5% (up from -0.1%). Investment growth next year is expected to be 0.8%.

Capacity utilization roughly as normal



Source: Macrobond, Danske Bank

Overall, it is a report that should be almost neutral for Norges Bank ahead of the monetary policy meeting next week, i.e. the rate path in the new monetary policy report should be unaffected by domestic demand. Growth is picking up, but capacity utilization is about normal, and wage growth appears to be slowing.

Calendar – 24 - 28 March 2025

Monday, March 24, 2025				Period	Danske Bank	Consensus	Previous
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Mar			49.0
1:30	JPY	Markit PMI services, preliminary	Index	Mar			53.7
9:15	FRF	PMI manufacturing, preliminary	Index	Mar		46.1	45.8
9:15	FRF	PMI services, preliminary	Index	Mar		46.3	45.3
9:30	DEM	PMI manufacturing, preliminary	Index	Mar		47.0	46.5
9:30	DEM	PMI services, preliminary	Index	Mar		52.0	51.1
10:00	EUR	PMI manufacturing, preliminary	Index	Mar	48.4	48.2	47.6
10:00	EUR	PMI composite, preliminary	Index	Mar	50.6	50.7	50.2
10:00	EUR	PMI services, preliminary	Index	Mar	50.6	51.1	50.6
10:30	GBP	PMI manufacturing, preliminary	Index	Mar		47.2	46.9
10:30	GBP	PMI services, preliminary	Index	Mar		51.1	51.0
14:45	USD	Markit PMI manufacturing, preliminary	Index	Mar		51.8	52.7
14:45	USD	Markit PMI service, preliminary	Index	Mar		51.2	51.0
18:45	USD	Fed's Bostic speaks					
Tuesday, March 25, 2025				Period	Danske Bank	Consensus	Previous
-	USD	Building permits	1000 (m/m)	Feb			1456.0 (-1.2%)
8:00	SEK	PPI	m/m/y/y	Feb			1.7%(3.5%)
10:00	DEM	IFO - business climate	Index	Mar		86.7	85.2
10:00	DEM	IFO - current assessment	Index	Mar		85.5	85.0
10:00	DEM	IFO - expectations	Index	Mar		87.5	85.4
14:00	USD	FHFA house price index	m/m	Jan			0.4%
14:00	HUF	Central Bank of Hungary rate decision	%			6.5%	6.5%
14:05	USD	Fed's Williams speaks					
15:00	USD	New home sales	1000 (m/m)	Feb		680	657.0 (-10.5%)
15:00	USD	Conference Board consumer confidence	Index	Mar		94.0	98.3
Wednesday, March 26, 2025				Period	Danske Bank	Consensus	Previous
6:00	JPY	Leading economic index, final	Index	Jan			108.0
8:00	GBP	CPI	m/m/y/y	Feb		0.5%(2.9%)	-0.1%(3.0%)
8:00	GBP	CPI core	y/y	Feb		3.6%	3.7%
8:00	SEK	Trade balance	SEK bn	Feb			15.1
8:00	NOK	Credit indicator (C2)	y/y	Feb			3.6%
8:45	FRF	Consumer confidence	Index	Mar		94.0	93.0
9:00	ESP	GDP, final	q/q/y/y	4th quarter		0.8%(3.5%)	0.8%(3.5%)
9:00	SEK	Consumer confidence	Index	Mar			95.0
9:00	SEK	Economic Tendency Survey	Index	Mar			97.1
9:00	SEK	Manufacturing confidence	Index	Mar			95.6
9:15	SEK	NIER economic forecasts					
13:30	USD	Core capital goods orders, preliminary	%	Feb			0.8%
15:00	USD	Fed's Kashkari speaks					
15:30	USD	DOE U.S. crude oil inventories	K				1745
Thursday, March 27, 2025				Period	Danske Bank	Consensus	Previous
8:00	SEK	Household lending	y/y	Feb			1.8%
8:00	DKK	Retail sales	m/m/y/y	Feb			0.3%(5.4%)
10:00	NOK	Norges Banks monetary policy meeting	%		4.25%	4.50%	4.50%
10:00	EUR	Money supply (M3)	y/y	Feb		3.8%	3.6%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Feb		3.8%	3.6%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Feb		3.8%	3.6%
13:30	USD	GDP third release	q/q AR	4th quarter		0.024	0.023
13:30	USD	PCE core	q/q AR	4th quarter			0.027
13:30	USD	Advance goods trade balance	USD bn	Feb		-134.5	-155.6
13:30	USD	Initial jobless claims	1000				223
15:00	USD	Pending home sales	m/m/y/y	Feb			-4.6% -5.2%
19:30	EUR	ECB's Schnabel speaks					
21:30	USD	Fed's Barkin speaks					

Source: Danske Bank

Calendar – 24 - 28 March 2025

Friday, March 28, 2025			Period	Danske Bank	Consensus	Previous
0:30	JPY	Tokyo CPI Ex-Fresh Food YoY	y/y	Mar	2.2%	2.2%
0:30	JPY	Tokyo CPI Ex-Fresh Food, Energy YoY	y/y	Mar	1.9%	1.9%
8:00	GBP	GDP, final	q/q y/y	4th quarter	0.1% 1.4%	0.1% 1.4%
8:00	GBP	Retail sales ex fuels	m/m y/y	Feb	-0.5% 0.4%	2.1% 1.2%
8:00	SEK	Retail sales s.a.	m/m y/y	Feb		-0.7% 3.2%
8:00	NOK	Retail sales, s.a.	m/m	Feb	0.4%	1.1%
8:00	DKK	Gross unemployment s.a.	K [%]	Feb		0.029
8:00	NOK	Unemployment	%	Mar		2.2%
8:00	DEM	GfK consumer confidence	Net. Bal.	Apr	-22.3	-24.7
8:45	FRF	Household consumption	m/m y/y	Feb	0.4% 0.4%	-0.5% 0.4%
8:45	FRF	HICP, preliminary	m/m y/y	Mar	0.4% 1.1%	0.1% 0.9%
9:00	ESP	HICP, preliminary	m/m y/y	Mar	1.0% 2.6%	0.4% 2.9%
9:00	CHF	KOF leading indicator	Index	Mar	102.5	101.7
9:55	DEM	Unemployment	%	Mar	6.2%	6.2%
11:00	EUR	Industrial confidence	Net bal.	Mar	-10.6	-11.4
11:00	EUR	Economic confidence	Index	Mar	96.7	96.3
11:00	EUR	Service confidence	Net bal.	Mar	6.6	6.2
13:30	CAD	GDP	m/m y/y	Jan		0.2% 2.2%
13:30	USD	PCE core	m/m y/y	Feb	0.3% 2.7%	0.3% 2.6%
13:30	USD	Personal spending	m/m	Feb	0.6%	-0.2%
13:30	USD	PCE headline	m/m y/y	Feb	0.3% 2.5%	0.3% 2.5%
15:00	USD	University of Michigan Confidence, final	Index	Mar		57.9
20:30	USD	Fed's Bostic speaks				

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	3.6	0.9	1.8	-0.1	7.6	1.7	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	2.5	3.5	9.0	-	33.8	-
	2026	2.5	2.6	2.2	3.4	3.2	3.7	1.7	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	2.8	-2.0	1.0	0.2	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	-3.9	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	3.2	5.4	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	2.3	2.9	3.1	1.2	1.9	4.4	3.2	3.5	4.1	-6.5	125.1	-3.1
	2026	1.9	1.7	2.0	3.5	2.9	4.4	0.0	3.5	4.2	-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*	20-Mar	4.50	-	3.91	3.89	0.92	-	6.88	10.58	10.16
	+3m	4.25	-	3.75	3.80	0.96	-	7.17	11.54	10.77
	+6m	4.00	-	3.60	3.70	0.98	-	7.31	11.96	11.18
	+12m	3.50	-	3.50	3.70	1.00	-	7.46	12.40	11.50
EUR	20-Mar	2.50	2.41	2.29	2.65	-	1.08	7.4585	11.47	11.01
	+3m	2.00	1.80	2.05	2.60	-	1.04	7.4600	12.00	11.20
	+6m	1.50	1.54	1.74	2.39	-	1.02	7.4550	12.20	11.40
	+12m	1.50	1.55	1.65	2.40	-	1.00	7.4550	12.40	11.50
JPY	20-Mar	0.50	-	-	-	0.006	0.007	4.62	7.10	6.82
	+3m	0.75	-	-	-	0.006	0.007	4.85	7.80	7.28
	+6m	1.00	-	-	-	0.007	0.007	5.11	8.36	7.82
	+12m	1.00	-	-	-	0.007	0.007	5.33	8.86	8.21
GBP*	20-Mar	4.50	-	4.07	4.09	1.20	1.10	8.92	13.72	13.17
	+3m	4.25	-	3.95	4.05	1.22	1.27	9.10	14.63	13.66
	+6m	4.00	-	3.85	3.95	1.23	1.26	9.20	15.06	14.07
	+12m	3.50	-	3.60	3.80	1.23	1.23	9.20	15.31	14.20
CHF	20-Mar	0.25	-	-	-	1.04	1.13	7.79	11.98	11.50
	+3m	0.25	-	-	-	1.09	1.13	8.11	13.04	12.17
	+6m	0.00	-	-	-	1.10	1.12	8.19	13.41	12.53
	+12m	0.00	-	-	-	1.11	1.11	8.28	13.78	12.78
DKK	20-Mar	2.10	2.36	2.38	2.80	0.134	0.145	-	1.54	1.48
	+3m	1.60	1.70	2.10	2.70	0.134	0.139	-	1.61	1.50
	+6m	1.10	1.44	1.79	2.49	0.134	0.137	-	1.64	1.53
	+12m	1.10	1.45	1.70	2.50	0.134	0.134	-	1.66	1.54
SEK	20-Mar	2.25	2.36	2.51	2.94	0.091	0.098	0.68	1.04	-
	+3m	2.25	2.35	2.40	2.95	0.089	0.093	0.67	1.07	-
	+6m	2.25	2.35	2.40	3.00	0.088	0.089	0.65	1.07	-
	+12m	2.25	2.35	2.40	3.00	0.087	0.087	0.65	1.08	-
NOK	20-Mar	4.50	4.63	4.42	4.11	0.087	0.095	0.65	-	0.96
	+3m	4.00	4.20	3.95	3.95	0.083	0.087	0.62	-	0.93
	+6m	3.75	3.94	3.75	3.85	0.082	0.084	0.61	-	0.93
	+12m	3.50	3.50	3.50	3.70	0.081	0.081	0.60	-	0.93

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

Commodities												
		2024				2025				Average		
	20-Mar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	
ICE Brent	72	82	85	79	74	75	80	85	85	80	81	

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