

Weekly Focus

PMIs continue to show a two-speed economy

Financial markets lacked clear direction this week, although negative sentiment strengthened towards Friday. The recovery in equity markets stalled, while bond yields turned lower. EUR/USD continues to hover near 1.10, but in our latest *FX Forecast Update*, 19 April, we still see the cross turning lower in H2. **April Flash PMIs** continued to show a picture of a two-speed economy, with euro area manufacturing index remaining on contractionary territory, but with services sector driving the composite index to a 11-month high (54.4). We think the ECB is more concerned about the latter due to the close link to wage dynamics, and continue to look for a 50bp hike in the May meeting.

Chinese GDP growth surprised to the upside in Q1 at 2.2% q/q. Positively, the recovery was driven by stronger consumer sentiment, illustrated by retail sales rising 10.6% y/y in March. Getting the private consumption engine started is essential for making the recovery more sustained, rather than just stimulus-driven. The release creates some upside risks for our Chinese GDP growth forecast of 5.5% this year.

The political situation around the US debt ceiling remains tense, and the lower-than-expected tax revenues around the April ‘Tax Day’ this week could suggest that the time for coming up with a resolution is running short. The ‘X-date’, when the US Treasury will not be able to cover its expenses anymore due to the debt ceiling, could come as early as June. Meanwhile, House Speaker McCarthy presented a proposal for the spending cuts republicans demand in return for supporting a USD 1.5 trillion raise to debt ceiling this week. The proposal did not receive a warm welcome from the senate democrats, with the Majority Leader Schumer saying it has ‘no chance of moving forward in senate’. Read our thoughts from *Research US - X-date looms closer as 'Tax Day' disappoints*, 20 April.

Japanese inflation came out largely in line with expectations. Consumer prices excl. fresh food rose by 3.1% y/y in March, but excluding energy as well, inflation continued to accelerate to 3.8% y/y – the fastest since 1980s. Next week, we do not expect **Bank of Japan** to make changes to their monetary policy in the meeting ending on Friday, even if we think BoJ is still moving towards loosening the grip on the yield curve. BoJ likely wants confirmation on broad based wage hikes before they move at the June or July meeting.

We expect **Riksbank** to hike rates by 50bp, read more in the Nordic section below.

On the data front, Q1 flash GDP figures will be released from the euro area and the US. In the euro area, we look for a decline of -0.1% as a strong rebound in private consumption is not yet in sight. We also get **Ifo** (Monday) and **EU Commission sentiment indicator** (Thursday), which will give more insights how the economy started into Q2. **German CPI figures** on Friday will also be watched closely by the market, especially for signs of moderating underlying inflation pressures ahead of ECB’s May meeting.

US GDP likely continued its modest recovery in Q1, supported by brisk consumer spending especially in the first two months of the quarter. We look for +0.8% q/q AR, although risks are likely to the upside given that the economy still appears resilient to the banking sector uncertainty, which began in March.

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 Ifo
- Wed: Riksbank meeting
- Thu: Sweden & US Flash Q1 GDP, EU Economic Sentiment Indicators
- Fri: BoJ meeting, German CPI, EA Q1 Flash GDP, US Core PCE

Selected reading from Danske Bank

- *FX Forecast Update - Bullish USD case for H2 remains*, 19 April
- *Research US - X-date looms closer as 'Tax Day' disappoints*, 20 April.
- *FX Strategy - Re-dollarisation*, 18 April

*Editor
Analyst*
Antti Ilvonen
+358 445 180 297
antti.ilvonen@danskebank.com

Scandi market movers

- In **Denmark**, we are expecting the March retail sales figures on Friday. In krone (DKK) terms, retail sales rose a little in February, but after correcting for price growth, that translates into a fall of 0.3%. Nevertheless, retail sales picked up very substantially in January, so the February figures still represent a decent level of activity compared to the final months of 2022. Danske Bank's Spending Monitor indicates retail sales rising by 1.7% in March, which after correcting for price growth means retail sales fell further last month.

Friday should also bring final unemployment numbers for March. The unemployment indicator points to the number of jobless increasing by 400, giving an unemployment rate of 2.8%.

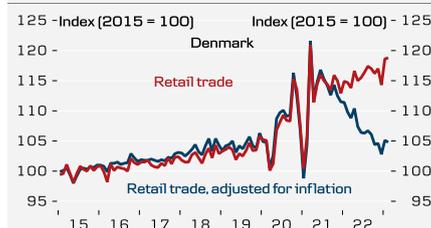
- **The Riksbank** April meeting is of course the most important to look out for. In February, the Riksbank signalled 33bp of hikes for the April meeting. With inflation still far above both their target and forecast, we believe that a 50bp up to 3.5% will be delivered next week. This is the consensus view and also fully priced in by markets. We still expect another 50bp in June but the Riksbank will probably indicate another 33bp in their repo rate to keep the door open for both 25bp and 50bp in June and continue to say that the size of the next hike will depend on incoming data. Markets is currently pricing in 33bp for June but another 15bp in September.

The Labour Force Survey (Wednesday): the labour market has continued to show strength with weekly redundancies in March being surprisingly low, still major labour shortages, and employment and hours worked not showing any clear signs of dropping off their stable upward trend. For the next week's reading, we expect the unemployment rate to be stable at 7.6% s.a, but as we have mentioned several times earlier, the index for unemployment rate is very volatile and we rather prefer to look at PES data, which indicated that the unemployment rate continued to drop during March, and hence remains on the lowest level seen since 2009.

Q1 GDP indicator (Thursday): The monthly GDP indicator have been very volatile with January printing +2.2% m/m which was followed by -1% m/m in February. However, these quite often get revised but it looks like our Q1 forecast outlined in the latest Nordic Outlook (-1%) will be on the low side. Data so far rather points to -0.3% to -0.5% for Q1.

NIER (Thursday): with the GDP-indicator being backward looking data, the NIER business and household survey is much more forward looking. The sentiment improved in all sectors during March, also among households, albeit from low levels (except the manufacturing side with the sentiment still better than normal). The most interesting to look at will be the order inflow as it shows the direction for production coming months and the price expectations.

Retail sales off to a fine start in 2023 after a very poor finish to 2022



Source: Statistics Denmark, Danske Bank, Macrobond

The unemployment rate in Sweden



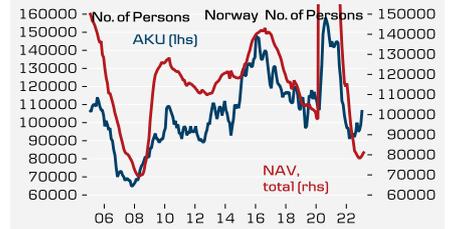
Source: SCB, PES, Macrobond

- In **Norway**, unemployment has remained impressively low despite economic growth appearing to slow. Scratch the surface, however, and there are signs that the labour market is set to weaken. New job openings have been falling for a while and will soon be back down at pre-pandemic levels, which indicates that demand for labour is cooling. There has also been a slight rise in unemployment as measured by the LFS, although the numbers for registered unemployment from NAV have been unchanged. We normally focus less on the LFS data because they are survey-based and can fluctuate more from month to month. However, we are in a period with fewer vacancies but no major rounds of redundancies as yet. In such a situation, the LFS may capture weakness in the labour market earlier than NAV's numbers. We expect registered unemployment to rise moderately to 1.8% SA in April, and the LFS jobless rate to climb to 3.7%.

Retail sales have been trending downwards since summer 2021. Based on transaction data from BankAxept, it looks as though retail sales may have risen by around 0.5% m/m in March, but that would still mean that the negative trend is continuing.

While Norwegian banks are well capitalised and unlikely to be have much exposure to contagion from the past month's turmoil in the global bank market, we expect Norges Bank's lending survey to show some tightening of credit standards, especially for business customers.

Is unemployment set to rise?



Source: Macrobond, Danske Bank

Scandi update

Denmark – Consumers and companies less pessimistic

Consumer confidence picked up decently yet again in April to -18.2 from -23.1 in March. Hence, consumer confidence has risen every month since bottoming out at -37 in October, though the level is of course still low. Progress was mostly driven by a more positive view on the current state of the economy – both the Danish economy generally and Danes' own household finances. Looking at Danish consumers' expectations for their own finances in a year's time, April marks the second month in a row that Danes expect their financial situation to be better rather than worse when we move into 2024. Consumer confidence is thus on the right track, not least due to prices no longer rising so quickly, with energy prices, for example, at much more normal levels than we have been used to for the past year.

Statistics Denmark's business confidence figures also show less gloom among Danish companies. The signs still point to a slowdown in the industrial sector and construction, where companies continue to expect they will have fewer employees in the coming months and have expressed dissatisfaction with their order books. The mood among retailers was bleak over the winter but has bounced back in recent months, although the overall picture remains negative. Consumers have cut back on buying goods, but on the other hand have spent more on services like holidays and dining out, which is also reflected in the service sector as a whole still having a reasonably optimistic view of the situation.

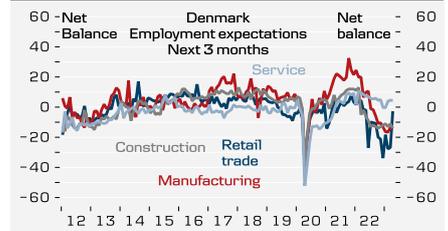
Employment rose by 5,400 in February, and more than 9,000 found a job in the first two months of the year alone – a time when companies experienced considerable uncertainty, pessimism was quite widespread and companies themselves actually expected to cut staff numbers. It may be that pockets of unfilled vacancies continue to exist and people turn to these when other areas experience a downturn. Labour coming in from abroad is what has allowed employment to grow over the past year. Labour is not being sourced from the unemployment lines, which are already very short in historical terms and have in fact grown a little month by month.

Some 4,295 houses and 1,356 apartments were sold in March – an increase of 27% for houses and 10.8% for apartments. Adjusting for the normal seasonal uptick in home sales in March, we can note an increase of 4.3% for houses and 3.5% for apartments. Hence, housing market activity continued the upward trend seen in the first two months of the year and, indeed, the housing market has generally performed better than feared during the first quarter of the year. Falling energy prices have lent consumer purchasing power a helping hand, and this is obviously also being manifest as an increased interest in homebuying. Nevertheless, sales activity remains low compared to March last year, when 14.2% more houses and 17.8% more apartments were sold than in March this year.

Sweden - quiet week

There were no central bank speeches or important key figures in Sweden this week.

Industry and construction continue to slow, while retailers are somewhat less pessimistic than earlier



Source: Danske Bank, Statistics Denmark, Macrobond Financial

Norway – Mild manufacturing recession

The manufacturing confidence indicator climbed from -3.3 to -0.4 in Q1, which means that it still points to a mild recession in manufacturing despite growing optimism in oil services and a weaker NOK. The underlying data show that the outlook for new orders is still negative at 48.8, employment remains solid at 53.0, and selling prices are still high despite coming down from 69.4 to 65.9. All in all, the report is moderately better than the PMI had indicated. While manufacturing is headed for recession, it will not be strong enough to affect Norges Bank’s rate decisions in May and June, because the service sector is still holding up really well.

Slightly better but still negative



Source: Macrobond, Danske Bank

Calendar – 24-28 April 2023

During the week					Period	Danske Bank	Consensus	Previous
Sat 22	USD	Fed's George speaks						
Monday, April 24, 2023					Period	Danske Bank	Consensus	Previous
10:00	DEM	IFO - business climate			Index	Apr	93.3	93.3
10:00	DEM	IFO - current assessment			Index	Apr	96.0	95.4
10:00	DEM	IFO - expectations			Index	Apr	90.5	91.2
Tuesday, April 25, 2023					Period	Danske Bank	Consensus	Previous
8:00	SEK	PPI			m/mly/y	Mar		-1.0% 9.3%
14:00	HUF	Central Bank of Hungary rate decision			%		13.0%	13.0%
15:00	USD	FHFA house price index			m/m	Feb		0.2%
16:00	USD	New home sales			1000 (m/m)	Mar	630	640.0 (1.1%)
16:00	USD	Conference Board consumer confidence			Index	Apr	104.1	104.2
Wednesday, April 26, 2023					Period	Danske Bank	Consensus	Previous
3:30	AUD	CPI			q/qly/y	1st quarter	1.3% 7.0%	1.9% 7.8%
8:00	SEK	Trade balance			SEK bn	Mar		6.9
8:00	DEM	GfK consumer confidence			Net. Bal.	May	-28	-29.5
8:45	FRF	Consumer confidence			Index	Apr	81.0	81.0
9:30	SEK	Riksbank, rate decision			%		3.50%	3.0%
14:30	USD	Core capital goods orders, preliminary			%	Mar	0.2%	-0.1%
14:30	USD	Advance goods trade balance			USD bn	Mar	-89.8	-91.6
16:30	USD	DOE U.S. crude oil inventories			K			-4581
Thursday, April 27, 2023					Period	Danske Bank	Consensus	Previous
7:00	JPY	Leading economic index			Index	Feb		97.7
8:00	NOK	Retail sales, s.a.			m/m	Mar	0.5%	0.2%
8:00	NOK	Credit indicator (C2)			y/y	Mar		5.4%
9:00	SEK	Consumer confidence			Index	Apr		62.8
9:00	SEK	Economic Tendency Survey			Index	Apr		88.2
9:00	SEK	Manufacturing confidence			Index	Apr		103.4
11:00	EUR	Industrial confidence			Net bal.	Apr	0.1	-0.2
11:00	EUR	Economic confidence			Index	Apr	99.9	99.3
11:00	EUR	Consumer confidence, final			Net bal.	Apr		-17.5
11:00	EUR	Service confidence			Net bal.	Apr	9.1	9.4
13:00	TRY	Central Bank of Turkey rate decision			%		8.5%	8.5%
14:30	USD	Initial jobless claims			1000			245
14:30	USD	PCE core, preliminary			q/q AR	1st quarter	0.047	0.044
14:30	USD	GDP, release, preliminary			q/q AR	1st quarter	0.08	0.02
16:00	USD	Pending home sales			m/mly/y	Mar	1.0%	0.8% -21.1%
Friday, April 28, 2023					Period	Danske Bank	Consensus	Previous
-	EUR	EFSF's debt rating (Moody's)						
-	EUR	ESM's debt rating (Moody's)						
-	EUR	Belgium's debt rating (Moody's)						
-	EUR	France's debt rating (Fitch)						
-	EUR	Finland's debt rating (S&P)						
-	JPY	BoJ policy rate			%		-0.10%	-0.10%
1:30	JPY	Unemployment rate			%	Mar	2.5%	2.6%
1:30	JPY	Job-to-applicant ratio				Mar	1.34	1.34
1:50	JPY	Retail trade			m/mly/y	Mar	0.3% 6.5%	2.1% 7.3%
1:50	JPY	Industrial production, preliminary			m/mly/y	Mar	0.4% -1.2%	4.6% -0.5%
7:30	FRF	GDP, preliminary			q/qly/y	1st quarter	0.1% 0.8%	0.1% 0.5%
8:00	DKK	Retail sales			m/mly/y	Mar		-0.3% -4.3%
8:00	SEK	Retail sales s.a.			m/mly/y	Mar		-1.2% -9.4%
8:00	SEK	Wages (blue collars/white collars)			y/y	Feb		3.7%
8:00	SEK	Household lending			y/y	Mar		2.8%
8:00	DKK	Gross unemployment s.a.			K (%)	Mar	400 (2.80%)	2.80%
8:45	FRF	Household consumption			m/mly/y	Mar		-0.8% -4.1%
8:45	FRF	HICP, preliminary			m/mly/y	Apr	0.5% 6.7%	1.0% 6.7%
9:00	CHF	KOF leading indicator			Index	Apr	98.0	98.2
9:00	ESP	HICP, preliminary			m/mly/y	Apr	0.6% 4.0%	1.1% 3.1%
9:00	ESP	GDP, preliminary			q/qly/y	1st quarter	0.2%	0.2% 2.6%
9:55	DEM	Unemployment			%	Apr	5.6%	5.6%
10:00	DEM	GDP, preliminary			q/qly/y	1st quarter	0.1% 0.2%	-0.4% 0.9%
10:00	NOK	Unemployment			%	Apr	1.8%	1.8%
10:00	NOK	Norges Bank's daily FX purchases			m	May		1500
10:00	ITL	GDP, preliminary			q/qly/y	1st quarter	0.2% 1.4%	-0.1% 1.4%
10:30	EUR	Portugal, GDP, preliminary			q/qly/y	1st quarter		0.3% 3.2%
11:00	EUR	GDP, preliminary			q/qly/y	1st quarter	0.1% 1.3%	0.0% 1.8%
12:30	RUB	Central Bank of Russia rate decision			%		7.5%	7.5%
14:00	DEM	HICP, preliminary			m/mly/y	Apr	0.7% 7.7%	1.1% 7.8%
14:30	USD	Personal spending			m/m	Mar	-0.1%	0.2%
14:30	USD	Employment cost index			m/m	1st quarter	1.1%	1.0%
14:30	CAD	GDP			m/mly/y	Feb		0.5% 3.0%
14:30	USD	PCE core			m/mly/y	Mar	0.3% 4.5%	0.3% 4.6%
14:30	USD	PCE headline			m/mly/y	Mar	0.1% 4.1%	0.3% 5.0%
15:45	USD	Chicago PMI			Index	Apr	43.5	43.8
16:00	USD	University of Michigan Confidence, final			Index	Apr	63.5	63.5

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	3.6	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	1.4	3.8	7.1	8.0	8.4	4.5	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	-0.9	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	21-Apr	5.00	5.26	4.40	3.53	109.7	-	679.4	1064.1	1032.6
	+3m	5.25	5.40	4.70	3.65	109.0	-	683.0	1055.0	1018.3
	+6m	5.25	5.40	4.60	3.55	106.0	-	702.4	1066.0	1056.6
	+12m	5.00	4.88	4.20	3.35	103.0	-	723.3	1048.5	1106.8
EUR	21-Apr	3.00	3.26	3.61	3.11	-	109.7	745.3	1167.3	1132.7
	+3m	3.75	4.14	3.55	3.10	-	109.0	744.5	1150.0	1110.0
	+6m	4.00	4.16	3.20	3.00	-	106.0	744.5	1130.0	1120.0
	+12m	4.00	4.03	2.80	2.60	-	103.0	745.0	1080.0	1140.0
JPY	21-Apr	-0.10	-0.03	-	-	120.5	133.8	6.18	9.69	9.40
	+3m	-0.10	-	-	-	138.4	127.0	5.38	8.31	8.02
	+6m	0.10	-	-	-	134.6	127.0	5.53	8.39	8.32
	+12m	0.10	-	-	-	130.8	127.0	5.70	8.26	8.71
GBP*	21-Apr	4.25	-	4.48	3.65	88.6	123.9	841.5	1318.1	1279.0
	+3m	4.50	-	4.10	3.70	88.0	123.9	846.0	1306.8	1261.4
	+6m	4.50	-	4.10	3.60	88.0	120.5	846.0	1284.1	1272.7
	+12m	4.25	-	3.90	3.50	88.0	117.0	846.6	1227.3	1295.5
CHF*	21-Apr	1.50	-	1.86	1.99	98.0	89.4	760.4	1191.0	1155.6
	+3m	2.00	-	-	-	98.0	89.9	759.7	1173.5	1132.7
	+6m	2.00	-	-	-	97.0	91.5	767.5	1164.9	1154.6
	+12m	2.00	-	-	-	97.0	94.2	768.0	1113.4	1175.3
DKK	21-Apr	2.60	3.35	3.75	3.25	745.25	679.41	-	156.63	151.98
	+3m	3.35	3.83	3.70	3.25	744.50	683.03	-	154.47	149.09
	+6m	3.60	3.85	3.35	3.15	744.50	702.36	-	151.78	150.44
	+12m	3.60	3.74	2.95	2.75	745.00	723.30	-	144.97	153.02
SEK	21-Apr	3.00	3.53	3.70	3.02	1132.7	1032.6	65.8	103.1	100.0
	+3m	4.00	4.10	3.65	2.90	1110.0	1018.3	67.1	103.6	-
	+6m	4.00	4.15	3.30	2.80	1120.0	1056.6	66.5	100.9	-
	+12m	3.75	3.70	3.00	2.75	1140.0	1106.8	65.4	94.7	-
NOK	21-Apr	3.00	3.66	3.89	3.35	1167.3	1064.1	63.8	100.0	97.0
	+3m	3.50	3.45	3.45	3.15	1150.0	1055.0	64.7	-	96.5
	+6m	3.50	3.31	3.20	2.95	1130.0	1066.0	65.9	-	99.1
	+12m	3.25	3.20	3.10	2.60	1080.0	1048.5	69.0	-	105.6

*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

	21-Apr	2023				2024				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	81	87	90	85	80	80	80	80	80	86	80

Source Danske Bank

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