

24 May 2024

# Weekly Focus

## Euro economy on track for mild recovery

**Economic news was to the solid side this week with not least euro area PMIs painting a stronger picture.** The main surprise came from manufacturing PMI which increased from 45.7 to 47.4 (consensus 46.1) while the service sector stayed at a decent level of 53.3. The service report highlighted the strength of the labour market with the employment index moving up to 53.7, the highest in a year and clearly above the long-term average. It points to continued employment gains in an already tight labour market. The latter was also highlighted by data on negotiated wages for Q1, which moved back up to 4.7% y/y from 4.5% in Q4. A strong labour market and high wage gains it adds to the concerns over too high service inflation evident in the latest CPI numbers. Following the stronger data we have revised our ECB forecast for this year to only two cuts from previously three, see *ECB preview – A political rate cut in June, and no cut in September*, 24 May. **US PMI for May also delivered an upward surprise driven by the service sector**, where the index jumped from 51.3 to 54.8 (consensus 51.2).

**The stronger economic data pushed bond yields up again** as expectations for central bank easing was scaled back once again. An upward surprise in UK inflation during the week already started the upward move in yields. The 10-year US yield increased close to 10bp during the week. Stock markets were mixed seeing gains after the AI chip maker Nvidia showed impressive growth in revenues once again while the rise in yields sent markets back down on Thursday.

**UK Prime Minister Rishi Sunak surprised everyone by calling a snap election to be held on 4 July.** After 14 years of Conservative rule, polls and prediction markets indicate a Labour majority government led by Keir Starmer as the most likely outcome. We expect the market impact to be limited, see also *UK General Election – The need-to-knows ahead of 4 July*, 25 May.

**Trade tensions continue to brew between China and EU as China this week sent some warning shots** suggesting they could increase tariffs on imports from EU to 25% on large engine vehicles, a move that would mostly hurt Germany and could make EU auto makers move production to China instead. We are likely to have a decision on the EU investigation on Chinese EV's in the coming weeks and we continue to look for an increase in tariffs to 20-25% from currently 10%. **On Thursday China launched a two-day military drill around Taiwan** in a response to the inauguration speech by the new President Lai Ching-te on Monday, which had some twists moving the message more in the direction of Taiwanese sovereignty, which is China's 'red line'.

**Focus the coming week turns to Euro inflation data for May, a key input ahead of the June 6 ECB meeting.** We expect unchanged headline and core inflation at 2.4% and 2.7%, respectively. Focus will be on momentum in service inflation, which we expect to remain strong. In the Euro zone we also get unemployment, M3 as well as German ifo business confidence. In the US we get consumer confidence from Conference Board and core PCE inflation. In Japan we also get inflation for Tokyo in May.

### Key global views

- Improving European growth during 2024
- Global manufacturing cycle moving gradually higher
- US and EA inflation to decline further, but core remains sticky
- Two US and euro area rate cuts in 2024

### Key market movers

- Mon: German ifo survey
- Tue: US consumer confidence (Conf. Board)
- Wed: German CPI, Euro M3/credit
- Thu: Euro unemployment
- Fri: Euro CPI, US core PCE, China PMI, Japan Tokyo CPI

### Selected reading from Danske Bank

- *ECB preview – A political rate cut in June, no cut in September*, 24 May
- *UK General Election – The need-to-knows ahead of 4 July*, 25 May
- *Bank of England - Revised BoE call - Hot service inflation spells trouble*, 22 May

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# Scandi market movers

- In **Denmark**, we get Q1 job vacancy statistics on Monday. The release will tell us something about the tightness of the labour market in Q1. Payrolls increased by 9,200 in Q1, which suggests that demand for labour is still high. The number of job vacancies has gradually decreased since it peaked at over 70,000 vacancies in Q2 2022. However, in Q4 last year the number of vacancies was still at high levels, around 50,000, nearly 40% higher than the pre-covid levels. Note that some of this could be because the same job posting could appear at different sites, which the statistics does not account for. An analysis from Nationalbanken showed that taking account for that, vacancies are still around 20% higher than the pre-pandemic levels.

On Tuesday, the retail sales index is due for release for both March and April. The statistics was suspended last month due to errors. Our latest *Spending Monitor*, 15 May showed that retail spending increased 3.7% in March and April compared to same period last year, which suggests that retail sales are doing well.

On Thursday we will receive the final unemployment print for April. The preliminary unemployment indicator showed a small increase of 200 compared to March.

In **Sweden**, April data on the trade balance, retail sales and household lending should provide some information about the start of Q2. We generally expect this data to suggest improvement or accelerating growth.

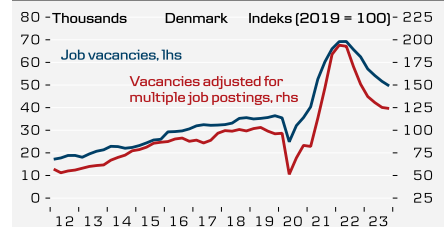
May confidence survey should also paint a picture of improvement. Retail and manufacturing confidence is now in positive territory, while services, construction and consumer confidence still lag. We also expect hiring intentions to improve in general and price plans in retail and services to ease further.

The Q1 GDP (unofficial data) indicator was a huge disappointment as March was supposedly weak and there were downward revisions to January and February data. Now, we do not trust this data much due to a history of significant revisions. After the release, March consumption and production data saw a significant increase which we find a bit inconsistent with the GDP indicator. Hence, albeit the weak Q1 GDP indicator print, we still have hopes for a decent positive print (+0.5 % q/q, SA) as the “real” national accounts data is released. As can be seen in the chart, the indicator tends to underestimate actual quarterly GDP growth by 0.1 p.p. on average, with standard deviation being as high as 0.7 p.p.

Riksbank releases the financial stability report on 29 May and First Deputy Governor Breman talks about monetary policy decision making.

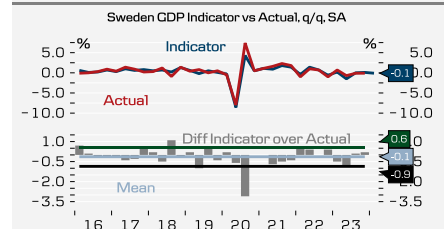
- Retail sales in **Norway** has remained weak at the start of 2024. Moderate real wage growth, high interest rate costs, a savings rate that is already negative and a twist towards service consumption constitute strong headwinds for the retail trade. Nevertheless, we expect a lift in April because even the seasonally adjusted March figures were affected by the timing of Easter this year. Hence, we expect retail sales grew 0.5% m/m in April, but uncertainty is abnormally high in the Easter months. The registered unemployment rate (seasonally adjusted) is expected to remain at 1.9%, with a moderate risk to the upside. Unemployment remains low as negative productivity growth lifts employment despite weak growth.

## Vacancies still higher than pre-pandemic level, also when adjusting for multiple job postings



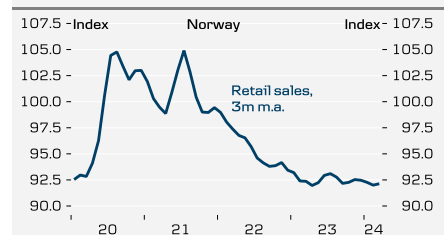
Remark: Seasonally adjusted data  
Sources: Statistics Denmark, Jobindex, Nationalbanken

## Sweden: The GDP indicator to actual spread is quite volatile



Source: SCB, Dansk Bank calculations

## Retail sales more or less flat



Kilde: Macrobond, Danske Bank

# Scandi update

## Denmark – Decrease in GDP is not a sign of crisis

The national accounts data showed a quite drastic drop in Danish GDP of 1.8% in Q1 compared to Q4 2023. This should not be taken as a sign of crisis, though. The drop comes after a massive increase of 2.7 percent in Q4, and is influenced by, among other things, a drop in pharmaceutical production, which must clearly be temporary. Also, the fact that it was simply unusually cold in the Q4, led to increased heat production. We expect modest growth through 2024 in Denmark as also the economy outside the pharmaceutical industry will return to growth, rather than the stagnation that dominated 2023.

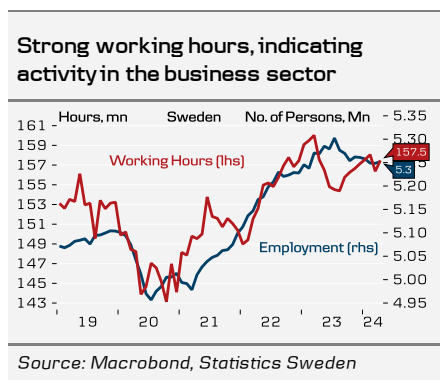
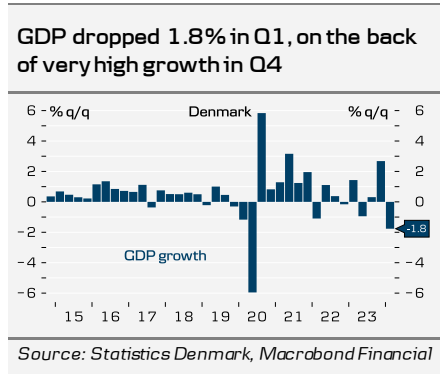
The monthly payrolls in March increased by 2,600 compared to February. That means that in March the number of employees in Denmark was 3,016,400. Even though the figures from the previous months were revised down a little, we still see solid job growth in Denmark in Q1. Through 2023, there has been a strong increase in employment, although there has not actually been any growth in the economy, disregarding the pharmaceutical industry.

Danish consumer confidence increased from -8.6 in April to -6.5 in May, as we expected. The increase was driven mainly by consumers having a more positive assessment of their own economy. It has not been higher since before the period of high inflation back in January 2022. However, the assessment of both the Danish economy and peoples' own economy is still negative, so despite progress, Danish consumers are still in crisis mode. They still think that the Danish economy will be worse off in a year compared to today, even if they expect their own economies will be better off. We expect that consumer confidence will increase going forward as consumers recover more of their lost purchasing power. The prospect of lower interest rates during 2024 may also ease the pressure on private finances. Finally, as we put the inflation shock behind us, we expect consumers will feel increasingly more secure about their financial situation.

The business sentiment indicator for May showed the highest level of optimism among Danish businesses since the beginning of 2022. That is in accordance with our view that economic conditions are improving also outside the pharmaceutical sector. Pharmaceutical companies still push overall sentiment in a positive direction; however, the biggest improvements are seen outside the pharma industry.

## Sweden – The end of labour hoarding?

The Labour Force Survey for April was released. The survey uses respondents belonging to three different panels and ask them during the quarter's three months. Recently, the panels have clearly diverged, and the panel used in April has earlier shown clearly lower unemployment than the other. Given this, however, seasonally adjusted unemployment dropped less than what we expected, decreasing only to 8,5%. When comparing this print to the last time this panel was used, in January, the labour force increased by 125,000 while unemployed people increased only by 34,000. This is proof once again that the unemployment rate is currently mainly due to a large influx of individuals who were previously outside the labour force rather than people becoming unemployed. More importantly, employment continued to be stable and marginally increased and working hours kept its increasing trend. Furthermore, the survey also kept its bad non-response at 56,6%.



A shift currently taking place in the Swedish labour market is shown in NIER Economic Tendency Survey which report that much less labour hoarding is taking place. This drop in recent months in reported labour hoarding has coincided with a divergence where employment has not developed at the same pace as working hours. One interpretation of this could be that companies now expect that the business cycle is turning upwards and/or that the economic landscape has become more predictable. Therefore, companies may no longer feel the need to “hoard” redundant employees in fear of not finding equally skilled staff in the future. Since working hours have increased more than employment, it might reflect that companies are now making more use of their inactive employees rather than feeling the need to recruit new ones.

In response to questions regarding upcoming interest rate cuts, Riksbank Governor Erik Thedéen answered that: "We have been very clear that June is not in question" and that their main scenario continues to be two cuts in the second half of the year. Executive Governor Per Jansson, on the other hand, said that a June cut is unlikely but not completely ruled out.

No macro news was published in **Norway** this week.

# Calendar – 27-31 May 2024

Monday, May 27, 2024				Period	Danske Bank	Consensus	Previous
3:30	CNY	Industrial profits	y/y	Apr			-3.5%
7:00	JPY	Leading economic index, final	Index	Mar			111.4
7:00	DKK	Vacancies	K	1st quarter			46.6
8:00	NOK	Credit indicator (C2)	y/y	Apr			3.5%
10:00	DEM	IFO - business climate	Index	May		90.4	89.4
10:00	DEM	IFO - current assessment	Index	May		89.8	88.9
10:00	DEM	IFO - expectations	Index	May		90.6	89.9
Tuesday, May 28, 2024				Period	Danske Bank	Consensus	Previous
6:55	USD	Fed's Mester speaks					
6:55	EUR	ECB's Schnabel speaks					
8:00	DKK	Retail sales	m/mly/y	Apr			0.2% 3.7%
8:00	SEK	Trade balance	SEK bn	Apr			4.8
8:00	NOK	Retail sales, s.a.	m/m	Apr	0.5%		0.3%
15:00	USD	FHFA house price index	m/m	Mar		0.5%	1.2%
15:55	USD	Fed's Kashkari speaks					
16:00	USD	Conference Board consumer confidence	Index	May		96.0	97.0
Wednesday, May 29, 2024				Period	Danske Bank	Consensus	Previous
7:00	JPY	Consumer confidence	Index	May		39.2	38.3
8:00	SEK	Retail sales s.a.	m/mly/y	Apr			-0.4% 1.1%
8:00	SEK	Household lending	y/y	Apr			0.6%
8:00	DEM	GfK consumer confidence	Net. Bal.	Jun		-22	-24.2
8:45	FRF	Consumer confidence	Index	May		91.0	90.0
10:00	EUR	Money supply (M3)	y/y	Apr		1.4%	0.9%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Apr		1.4%	0.9%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Apr		1.4%	0.9%
14:00	DEM	HICP, preliminary	m/mly/y	May		0.2% 2.7%	0.6% 2.4%
19:45	USD	Fed's Williams speaks					
Thursday, May 30, 2024				Period	Danske Bank	Consensus	Previous
1:00	USD	Fed's Bostic speaks					
8:00	SEK	GDP	q/qly/y	1st quarter	0.5% ..	0.0% -0.9%	-0.1% -0.2%
8:00	SEK	Wages (blue collars/white collars)	y/y	Mar			5.1%
8:00	DKK	Gross unemployment s.a.	K (%)	Apr			0.029
9:00	ESP	HICP, preliminary	m/mly/y	May			0.6% 3.4%
9:00	SEK	Consumer confidence	Index	May			88.9
9:00	SEK	Economic Tendency Survey	Index	May			95.0
9:00	SEK	Manufacturing confidence	Index	May			100.5
9:00	CHF	GDP	q/qly/y	1st quarter		0.3% 0.7%	0.3% 0.6%
9:00	CHF	KOF leading indicator	Index	May		102.1	101.8
11:00	EUR	Unemployment	%	Apr	6.5%	6.5%	6.5%
11:00	EUR	Industrial confidence	Net bal.	May		-9.6	-10.5
11:00	EUR	Economic confidence	Index	May		96.2	95.6
11:00	EUR	Consumer confidence, final	Net bal.	May			-14.3
11:00	EUR	Service confidence	Net bal.	May		6.7	6.0
14:30	USD	Initial jobless claims	1000				215
14:30	USD	PCE core	q/q AR	1st quarter			0.037
14:30	USD	GDP, second release	q/q AR	1st quarter		0.012	0.016
14:30	USD	Advance goods trade balance	USD bn	Apr		-92.3	-91.8
16:00	USD	Pending home sales	m/mly/y	Apr		0.3% ..	3.4% -4.5%
17:00	USD	DOE U.S. crude oil inventories	K			-2000	1825
18:05	USD	Fed's Williams speaks					
Friday, May 31, 2024				Period	Danske Bank	Consensus	Previous
-	EUR	Ireland, GDP, preliminary	q/qly/y	1st quarter			1.1% -0.8%
1:30	JPY	Tokyo CPI Ex-Fresh Food YoY	y/y	May		1.9%	1.6%
1:30	JPY	Tokyo CPI Ex-Fresh Food, Energy YoY	y/y	May		1.8%	1.8%
1:30	JPY	Unemployment rate	%	Apr		2.6%	2.6%
1:30	JPY	Job-to-applicant ratio		Apr		1.28	1.28
1:50	JPY	Retail trade	m/mly/y	Apr		0.7% 1.9%	-1.2% 1.2%
1:50	JPY	Industrial production, preliminary	m/mly/y	Apr		1.5% -1.1%	4.4% -6.2%
3:30	CNY	PMI manufacturing	Index	May		50.4	50.4
3:30	CNY	PMI non-manufacturing	Index	May		51.5	51.2
8:00	DEM	Retail sales	m/mly/y	Apr		0.0% ..	2.3% -2.2%
8:45	FRF	Household consumption	m/mly/y	Apr		0.2% 1.4%	0.4% 0.5%
8:45	FRF	HICP, preliminary	m/mly/y	May		0.3% 2.8%	0.6% 2.4%
8:45	FRF	GDP, final	q/qly/y	1st quarter		0.2% 1.1%	0.2% 1.1%
10:00	NOK	Unemployment	%	May	1.9%		2.0%
10:00	NOK	Norges Bank's daily FX purchases	m	Jun			550
10:00	ITL	GDP, final	q/qly/y	1st quarter		0.3% 0.6%	0.3% 0.6%
11:00	EUR	HICP inflation, preliminary	m/mly/y	May	0.1% 2.4%	0.2% ..	0.6% ..
11:00	EUR	HICP - core inflation, preliminary	y/y	May	2.7%	2.7%	2.7%
11:00	EUR	HICP inflation, preliminary	y/y	May	2.4%	2.5%	2.4%
11:00	ITL	HICP, preliminary	m/mly/y	May		0.2% 0.7%	0.5% 0.9%
12:00	EUR	Portugal, GDP, final	q/qly/y	1st quarter			0.7% 1.4%
14:30	USD	PCE headline	m/mly/y	Apr		0.3% 2.7%	0.3% 2.7%
14:30	CAD	GDP	m/mly/y	Mar		0.0% 0.8%	0.2% 0.8%
14:30	USD	PCE core	m/mly/y	Apr		0.3% 2.8%	0.3% 2.8%
14:30	USD	Personal spending	m/m	Apr		0.3%	0.8%
15:45	USD	Chicago PMI	Index	May		40.8	37.9

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>2</sup>	Public budget <sup>3</sup>	Public debt <sup>3</sup>	Current acc. <sup>3</sup>
Denmark	2023	1.9	1.0	0.0	-5.0	13.4	8.6	3.3	4.1	2.8	3.5	29.7	13.2
	2024	2.1	2.2	1.3	-1.9	8.8	6.3	2.0	5.3	3.0	1.9	28.0	12.5
	2025	2.0	1.7	1.8	2.4	1.9	1.7	1.9	3.6	3.1	1.1	26.7	12.5
Sweden	2023	0.2	-2.5	1.8	-1.2	3.7	-0.6	8.6	3.8	7.7	-0.4	29.0	5.8
	2024	1.5	1.7	0.7	-0.5	3.0	2.9	2.5	3.3	8.3	-0.8	30.0	5.9
	2025	2.0	2.4	1.5	2.7	3.2	3.8	1.0	2.5	8.1	-0.8	30.0	5.6
Norway	2023	1.1	-0.8	3.4	0.0	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	1.1	1.3	2.0	4.0	3.5	1.5	3.8	4.7	2.3	-	-	-
	2025	2.1	2.5	1.6	4.0	2.0	1.8	2.0	3.5	2.5	-	-	-

## 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>2</sup>	Public budget <sup>3</sup>	Public debt <sup>3</sup>	Current acc. <sup>3</sup>
Euro area	2023	0.5	0.6	0.8	1.4	-1.0	-1.4	5.4	4.5	6.6	-3.2	90.6	2.5
	2024	0.5	0.7	0.9	1.8	1.2	1.9	2.3	4.3	6.6	-2.9	89.9	2.0
	2025	1.3	1.5	1.0	1.2	2.9	3.1	2.0	3.4	6.6	-2.7	89.0	2.0
Finland	2023	-1.0	0.4	4.5	-4.2	-1.7	-7.1	6.3	4.2	7.2	-2.7	75.8	-1.4
	2024	-0.4	0.2	0.1	-1.5	-2.0	-1.0	2.0	3.5	7.9	-3.6	78.0	-0.4
	2025	1.9	1.2	0.2	4.0	3.0	2.5	1.6	2.5	7.4	-2.8	78.7	0.0

## 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>2</sup>	Public budget <sup>3</sup>	Public debt <sup>3</sup>	Current acc. <sup>3</sup>
USA	2023	2.5	2.2	4.1	0.6	2.6	-1.7	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	2.0	1.6	3.5	2.1	2.3	2.8	3.1	3.2	3.9	-5.8	126.8	-2.8
	2025	1.4	1.1	2.0	3.6	2.9	4.4	2.4	2.5	4.2	-5.8	128.6	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.0	1.5
	2024	4.5	5.5	-	3.8	-	-	0.7	-	5.2	-7.0	87.4	1.4
	2025	4.5	5.5	-	3.8	-	-	1.5	-	5.2	-7.3	91.8	1.1
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	0.0	-	-	-	-	-	2.5	-	4.5	-	-	-
	2025	1.0	-	-	-	-	-	1.9	-	4.9	-	-	-

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*	23-May	5.50	-	4.78	4.07	0.92	-	6.89	10.65	10.73
	+3m	5.50	-	4.56	3.95	0.93	-	6.97	10.93	10.75
	+6m	5.25	-	4.30	3.95	0.95	-	7.10	11.43	11.14
	+12m	4.75	-	3.76	3.90	0.97	-	7.23	11.75	11.36
EUR	23-May	4.00	3.72	3.38	2.81	-	1.08	7.4618	11.53	11.62
	+3m	3.75	3.75	3.25	2.85	-	1.07	7.4550	11.70	11.50
	+6m	3.75	3.55	3.15	2.80	-	1.05	7.4500	12.00	11.70
	+12m	3.25	3.01	3.00	2.80	-	1.03	7.4500	12.10	11.70
JPY	23-May	0.10	-	-	-	0.006	0.006	4.39	6.78	6.83
	+3m	0.10	-	-	-	0.006	0.007	4.68	7.34	7.21
	+6m	0.20	-	-	-	0.006	0.007	4.83	7.77	7.58
	+12m	0.20	-	-	-	0.007	0.007	4.99	8.10	7.83
GBP*	23-May	5.25	-	4.70	3.94	1.17	1.08	8.76	13.54	13.64
	+3m	5.00	-	4.51	3.95	1.15	1.23	8.57	13.45	13.22
	+6m	4.75	-	4.30	3.95	1.14	1.19	8.47	13.64	13.30
	+12m	4.25	-	3.96	3.95	1.14	1.17	8.47	13.75	13.30
CHF	23-May	1.50	-	-	-	1.01	1.09	7.54	11.66	11.74
	+3m	1.25	-	-	-	1.02	1.09	7.61	11.94	11.73
	+6m	1.00	-	-	-	1.03	1.08	7.68	12.37	12.06
	+12m	0.50	-	-	-	1.04	1.07	7.76	12.60	12.19
DKK	23-May	3.60	3.72	3.48	2.97	0.134	0.145	-	1.55	1.56
	+3m	3.35	3.60	3.35	3.00	0.134	0.144	-	1.57	1.54
	+6m	3.35	3.40	3.25	2.95	0.134	0.141	-	1.61	1.57
	+12m	2.85	2.91	3.10	2.95	0.134	0.138	-	1.62	1.57
SEK	23-May	3.75	3.77	3.24	2.76	0.086	0.093	0.64	0.99	-
	+3m	3.75	3.67	2.91	2.80	0.087	0.093	0.65	1.02	-
	+6m	3.50	3.44	2.80	2.85	0.085	0.090	0.64	1.03	-
	+12m	3.00	3.10	2.60	2.90	0.085	0.088	0.64	1.03	-
NOK	23-May	4.50	4.80	4.52	3.86	0.087	0.094	0.65	-	1.01
	+3m	4.50	4.51	4.31	3.80	0.085	0.091	0.64	-	0.98
	+6m	4.00	4.15	4.10	3.75	0.083	0.088	0.62	-	0.98
	+12m	3.50	3.61	3.71	3.65	0.083	0.085	0.62	-	0.97

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

## Commodities

	23-May	2024				2025				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025
ICE Brent	81	82	85	80	80	85	85	85	85	82	85

Source Danske Bank

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