

Weekly Focus

Slowing down

Financial stress in China and weak US and euro PMIs set the scene for global markets this week.

It started out with continued focus on China where the housing crisis and financial risks from shadow banking has resurfaced. Chinese financial stress eased somewhat during the week, though, as there was no new bad news to fuel a further sell-off. It does not mean the problems are no longer there, however. We see increasing downside risks to Chinese growth and have revised down the annual growth estimate to 4.8% from 5.2%, see *Research China: downside risks on the rise – scenarios for Chinese growth*, 21 August. We expect Chinese policy makers to step up stimulus to stave off a crisis but there is a risk they continue to be two steps behind and growth slows even more.

PMIs out of the US and the euro area added to the picture of a slowing global economy.

In the US Composite PMI dropped to 50.4 in August from 52.0 in July with declines in both manufacturing and services. The European PMI figures also came out much weaker than expected with services showing renewed signs of slowing. The German Services PMI numbers stood out with a massive 5 index points decline, which has only happened three times before with the latest being in March 2020 during the Covid-19 lockdown. The service sector has been the engine that kept activity running at a decent level while the manufacturing sector has been in recession for a while. However, it now seems the service sector is finally losing some steam as well. It will be interesting to see if this finally translates into more weakness in labour markets, which have stayed surprisingly resilient over the past year despite weaker growth.

The BRICS countries this week expanded the cooperation with six new members

being Argentina, Ethiopia, Egypt, Saudi Arabia, United Arab Emirates and Iran. BRICS' stated goal is to be a champion for the Global South working for a multipolar world and with the increase in members they now represent 37% of global GDP (PPP terms) and 46% of global population. We could very well see a further expansion of the group in the years to come.

Bond yields started the week higher but the soft PMI data led markets to rethink the need for further central banks hikes

and yields turned lower again. That was until markets started to fret about Jackson Hole and coming speeches by Governors of both the Fed and ECB, Jerome Powell and Christine Lagarde. Then yields came back up. Equities rallied on the softer central bank outlook despite the economic weakness but fell back again when jitters rose going into Jackson Hole.

Looking ahead, it's time for US labour market data again,

with main focus naturally on the August non-farm payrolls, where the gradual cooling in employment growth has likely continued. We're looking for +160k. The Fed pays close attention to the development in average hourly earnings and another print at 0.4% m/m or above would likely be a hawkish signal for the markets. JOLTS data for July is also up for release on Tuesday where job openings have been a good leading indicator for wage growth as well. US ISM Manufacturing and July PCE data is also due for release. In China, PMI for August will be in focus while Flash CPI inflation in the euro area will be a key input for the coming ECB meeting in September.

Key global views

- Stagnation and periodic contraction in the US and in Europe during 2023
- US and euro area headline inflation set to decline further, but core inflation to remain sticky
- Fed on hold, ECB to hike once more

Key market movers

- Tuesday: **US job openings (JOLTS)**, consumer confidence (Conf. Board) and house prices
- Wednesday: German CPI
- Thursday: **Euro Flash CPI** and unemployment, US core PCE inflation, **China PMI (NBS)**
- Friday: **US non-farm payrolls**, ISM man., China PMI manufacturing (Caixin), EU Commission forecast

Selected reading from Danske Bank

FX Forecast Update - Scandies beware of the greenback currency Hulk, 23 August

Research US – Could investment boom pave the way for a soft landing?, 22 August

Research China - Downside risks on the rise - scenarios for Chinese growth, 21 August

Yield Outlook - Waiting for September, 18 August

Editor

Allan von Mehren
Director
+45 45 14 14 88
alvo@danskebank.com

Scandi market movers

- In **Denmark**, the retail sales index for July is due on Tuesday next week. Retail sales grew in June, also when adjusted for inflation. We expect sales were largely unchanged in July vs. June, which is also what our latest *spending monitor* indicates.

Statistics Denmark’s wage index for Q2 23 is set to arrive on Thursday. Comparing with DA’s (Confederation of Danish Employers) figures, which showed a rise of 3.4%, could be interesting. However, we have to remember that the recently negotiated collective agreements will not be fully reflected in the figures until Q3 23, when we expect to see a marked increase.

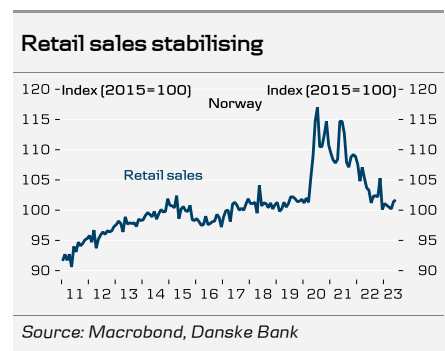
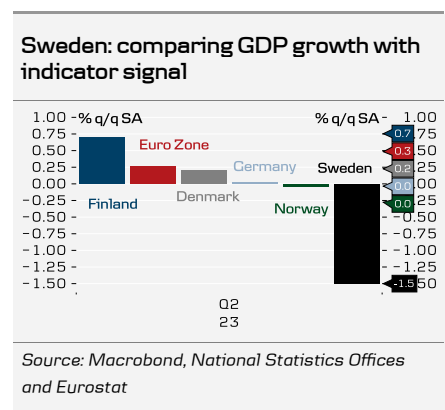
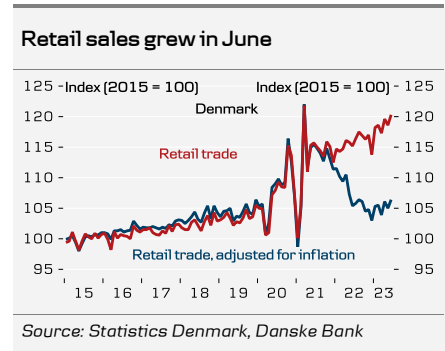
July’s unemployment figures are scheduled for release on Thursday. The unemployment indicator pointed to a slight increase of 1,200 but with an unchanged unemployment rate. The new figures should show us which sectors have been hit.

Also on Thursday, we should receive the first national accounts figures for Q2 23. The GDP indicator pointed to weak growth of 0.2%, most likely driven by the pharmaceutical industry – but how has the rest of the economy fared?

- The highlight in **Sweden** next week will be Q2 GDP. The non-official (experimental) GDP indicator showed a severe -1.5% q/q (SA), which is way below what we have pencilled into our *Nordic Outlook* June forecast. Looking at ingoing indicators, supply side data such as production and hours worked seems to suggest about a 1% decline q/q, while demand in the form of household consumption was unchanged, which does not fully corroborate the bad GDP indicator print. It is worth noting that the GDP indicator is quite uncertain and revisions are volatile. Another aspect is that a sharply negative print would suggest that Sweden’s economic growth is deviating significantly from that in neighbouring Nordic countries: Denmark, Norway and Finland posted Q2 growth of +0.2%, 0.0% and 0.7% on a quarterly basis. The same is true looking at Eurozone growth. Hence, in comparison to other countries is it a bit puzzling why Sweden should be the odd one out in terms of growth. As a compromise, we project that Q2 GDP will print -0.5% q/q.

In addition, SCB releases July trade balance and retail sales while NIER (Konjunkturinstitutet) releases the August confidence survey and Manufacturing PMI. NIER will be scrutinized for signs of abating selling price expectations in retail trade and private services which would bolster our forecast for slowing inflation in H2. The question for PMI is if it will revert back down again after the rise seen last month on the back of weak Eurozone PMI’s.

In **Norway**, retail sales stabilised in May and June after almost two years in decline. This was presumably due partly to consumption now being at low levels, spending on services having begun to slow, and prices having come down for some product groups. The erosion of purchasing power by negative real wage growth and higher interest rates indicates that consumption – including spending on goods – will be relatively weak for a period. On the other hand, there were healthy numbers of foreign tourists in July, and the bad weather may have boosted spending on clothing, shoes, sports equipment and so on. We therefore expect retail sales to climb 0.3% m/m in July. The unemployment rate has been stable at 1.8% since Easter, but the total number of people out of work – including those on job creation schemes and the partially unemployed – increased by almost 3,000 in July. Job growth also seems to have levelled off somewhat, so we think the unemployment rate may well rise to a seasonally adjusted 1.9% in August. This would be in line with Norges Bank’s projections in June and so support its plans to raise rates again in September.



Scandi update

Denmark – Employment continues to rise as 3,500 find work in June

Wage-earner employment rose by 3,500 in June compared to May. Hence, jobs continue to be created in the Danish labour market, in part due to a growing labour force. The trend has surprised us slightly, as the economy is not growing if you discount the pharmaceutical industry. That being said, we should remember that real wages have fallen, which supports employment. Moreover, sectors that employ many staff compared to revenues, such as restaurants, continue to perform relatively well, and these companies have had many unfilled job vacancies. Nevertheless, we still expect employment to slow somewhat later this year due to the low level of activity.

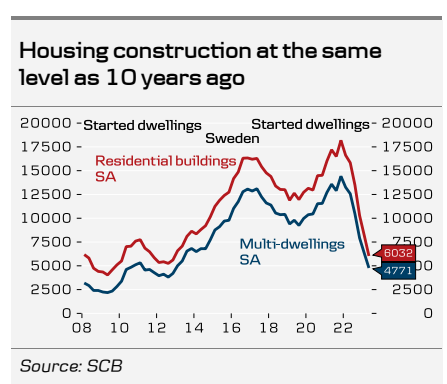
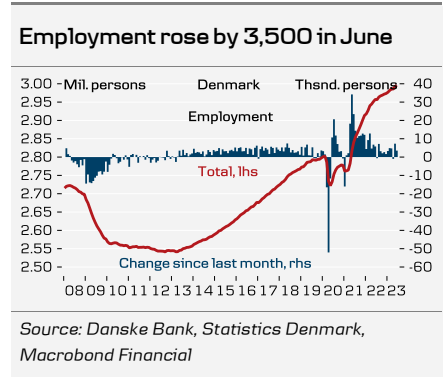
Consumer confidence printed largely unchanged at -10.9 in August. A large majority of consumers continue to have a negative view on their finances compared to last year, while only a slim majority are counting on their situation improving next year. One reason may be the high level of interest rates beginning to eat into household budgets. On the other hand, house prices have ceased falling and purchasing power is increasing on the back of rising wages. Consumer confidence is also markedly better than last year, when it hit an all-time low, and will presumably pick up slightly going forward, as the comparison will soon be with the months last year when energy prices skyrocketed.

We also received August’s business confidence figures in the past week. The overall figure saw business confidence decline for the first time this year. Retail sentiment was particularly negative after an upsurge in June. Industry turned more negative, while construction continues to drag. The service sector presents a somewhat different picture, remaining positive on the economy, though confidence dipped a tad. This reflects the marked swing in consumption as consumers switched from buying a multitude of goods during the pandemic to spending their money for quite some time now on travel, restaurants and experiences.

Sweden – Decreasing new constructions, high savings, low borrowing, signs of tight government budget bill and setbacks of the SEK

Preliminary figures for the first half of 2023 show that construction of dwellings in new buildings keeps plummeting and is down 57 % compared to last year and is down to as low as last seen ten years ago. This shows that the effects of the interest rate hikes are becoming ever more apparent. Thus, further decreasing the supply of the housing market. Household liquid asset savings in Q2 increased to 114 billion for Q2, almost 50% higher than last the same period year. It indicated that households are preparing for uncertain times ahead. Also, the loan growth rate has continued to fall for the fifth quarter, giving an annual growth rate of 1.3%.

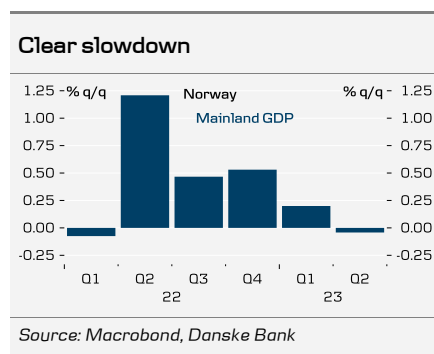
The Swedish government is gathering this weekend to negotiate the autumn budget. Minister for Finance Elisabeth Svantesson preliminary announced that reforms in the budget will total approximately SEK 40 billion. After putting of the needed funds for the everyday operation for the public sector this means that it will basically result in tightening fiscal policy. Svantesson were even unwilling to call the budget expansive in the sense that would normally be the case in a recession due. The motivation for this is to avoid any fiscal spending that adds further fuel to inflation. She was also very vague in her answer if any of the earlier promised tax cuts would be implemented and if so to what degree.



Moreover, this week has been characterized by the continued weakening of the SEK. EUR/SEK reached an all-time high level at 11.96 on Monday, while USD/SEK hovered around 10.95. Bad news from China, affecting growth prospects for Europe and other turmoil, starkly contrasts the good news from the US, which hurts more minor currencies like the SEK. Read more about it *FX Forecast Update - Scandies beware of the greenback currency Hulk*, 23 August.

Norway – Interest rates beginning to bite

The national accounts showed unchanged mainland GDP in Q2 after growth of just 0.2% in Q1, confirming a clear levelling off so far this year. Private consumption is no longer being propped up by spending on services and is now lower than a year ago. Add in the fact that households will probably see mortgage rates climb 75bp in Q3 and another 50bp in Q4, and the risk to growth is clearly to the downside. Housing investment is also struggling badly, as has been clear from housing starts for some time. On the other hand, there is still strong growth in business investment, and mainland exports and government demand are growing at around the normal rate. Oil investment is volatile but likely to make a solid contribution to growth in H2 and 2024. The GDP numbers are in line with Norges Bank’s projections in the June monetary policy report and so unlikely to affect its plans to raise the policy rate again in September. At the same time, there is little to suggest there will be a need to raise rates further after that – quite the opposite.



Calendar – 28 August – 1 September 2023

| During the week | | | | Period | Danske Bank | Consensus | Previous |
|-----------------------------------|-----|---|-----------|-------------|-------------|-------------|-------------|
| Sun 27 | CNY | Industrial profits | y/y | Jul | | | -8.3% |
| Monday, August 28, 2023 | | | | Period | Danske Bank | Consensus | Previous |
| 7:00 | JPY | Leading economic index, final | Index | Jun | | | 108.9 |
| 8:00 | DKK | Retail sales | m/mly/y | Jul | | | 1.3% 2.0% |
| 8:00 | NOK | Retail sales, s.a. | m/m | Jul | | | 0.3% |
| 10:00 | EUR | Money supply (M3) | y/y | Jul | | 0.0% | 0.6% |
| 10:00 | EUR | Loans to households (adj. for sales and sec.) | % | Jul | | 0.0% | 0.6% |
| 10:00 | EUR | Loans to NFCs (adj. for sales and sec.) | % | Jul | | 0.0% | 0.6% |
| Tuesday, August 29, 2023 | | | | Period | Danske Bank | Consensus | Previous |
| 1:30 | JPY | Unemployment rate | % | Jul | | 2.5% | 2.5% |
| 1:30 | JPY | Job-to-applicant ratio | | Jul | | 1.3 | 1.3 |
| 8:00 | SEK | Retail sales s.a. | m/mly/y | Jul | | | -0.3% -4.4% |
| 8:00 | SEK | GDP | q/qly/y | 2nd quarter | -0.5% 0.1% | -1.1% -1.0% | 0.6% 0.8% |
| 8:00 | SEK | Trade balance | SEK bn | Jul | | | 1.1 |
| 8:00 | DEM | GfK consumer confidence | Net. Bal. | Sep | | -23.8 | -24.4 |
| 8:45 | FRF | Consumer confidence | Index | Aug | | 86.0 | 85.0 |
| 14:00 | HUF | Central Bank of Hungary rate decision | % | | 13.0% | 13.0% | 13.0% |
| 15:00 | USD | FHFA house price index | m/m | Jun | | | 0.7% |
| 16:00 | USD | Conference Board consumer confidence | Index | Aug | | 116.6 | 117.0 |
| Wednesday, August 30, 2023 | | | | Period | Danske Bank | Consensus | Previous |
| 7:00 | JPY | Consumer confidence | Index | Aug | | 37.4 | 37.1 |
| 8:00 | SEK | Wages (blue collars/white collars) | y/y | Jun | | | 3.1% |
| 9:00 | SEK | Consumer confidence | Index | Aug | | 72.3 | 72.3 |
| 9:00 | SEK | Economic Tendency Survey | Index | Aug | | 87.5 | 87.5 |
| 9:00 | SEK | Manufacturing confidence | Index | Aug | | 97.1 | 97.1 |
| 9:00 | ESP | HICP, preliminary | m/mly/y | Aug | | 0.6% 2.5% | -0.1% 2.1% |
| 9:00 | CHF | KOF leading indicator | Index | Aug | | 91.3 | 92.2 |
| 11:00 | EUR | Industrial confidence | Net bal. | Aug | | -1.0 | -9.4 |
| 11:00 | EUR | Economic confidence | Index | Aug | | 93.7 | 94.5 |
| 11:00 | EUR | Consumer confidence, final | Net bal. | Aug | | | -16.0 |
| 11:00 | EUR | Service confidence | Net bal. | Aug | | 5.0 | 5.7 |
| 14:00 | DEM | HICP, preliminary | m/mly/y | Aug | | 0.2% 6.2% | 0.5% 6.5% |
| 14:15 | USD | ADP employment | 1000 | Aug | | 200 | 324 |
| 14:30 | USD | GDP, release | q/q AR | 2nd quarter | | 0.024 | 0.024 |
| 14:30 | USD | PCE core | q/q AR | 2nd quarter | | | 0.038 |
| 14:30 | USD | Advance goods trade balance | USD bn | Jul | | -90.0 | -88.8 |
| 16:00 | USD | Pending home sales | m/mly/y | Jul | | -0.5% .. | 0.3% -14.8% |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | | -6134 |
| Thursday, August 31, 2023 | | | | Period | Danske Bank | Consensus | Previous |
| 1:50 | JPY | Industrial production, preliminary | m/mly/y | Jul | | -1.3% -1.4% | 2.4% 0.0% |
| 1:50 | JPY | Retail trade | m/mly/y | Jul | | 0.9% 5.5% | -0.6% 5.6% |
| 3:30 | CNY | PMI manufacturing | Index | Aug | | 49.1 | 49.3 |
| 3:30 | CNY | PMI non-manufacturing | Index | Aug | | 51.0 | 51.5 |
| 8:00 | DKK | GDP, preliminary | q/qly/y | 2nd quarter | | | 0.6% .. |
| 8:00 | DKK | Gross unemployment s.a. | K (%) | Jul | | | 0.028 |
| 8:00 | DEM | Retail sales | m/mly/y | Jul | | 0.3% -1.4% | -0.6% 0.4% |
| 8:45 | FRF | Household consumption | m/mly/y | Jul | | 0.3% .. | 0.9% -2.8% |
| 8:45 | FRF | HICP, preliminary | m/mly/y | Aug | | 0.9% 5.5% | 0.0% 5.1% |
| 8:45 | FRF | GDP, final | q/qly/y | 2nd quarter | | 0.5% 0.9% | 0.5% 0.9% |
| 9:15 | USD | Fed's Bostic speaks | | | | | |
| 9:55 | DEM | Unemployment | % | Aug | | 5.7% | 5.6% |
| 10:00 | NOK | Norges Bank's daily FX purchases | m | Sep | | | 1000 |
| 11:00 | ITL | HICP, preliminary | m/mly/y | Aug | | 0.1% 5.4% | -1.6% 6.3% |
| 11:00 | EUR | Unemployment | % | Jul | | 6.4% | 6.4% |
| 11:00 | EUR | HICP inflation, preliminary | m/mly/y | Aug | 0.4% 5.2% | | -0.1% .. |
| 11:00 | EUR | HICP - core inflation, preliminary | y/y | Aug | 5.2% | 5.3% | 5.5% |
| 11:00 | EUR | HICP inflation, preliminary | y/y | Aug | 5.2% | 5.1% | 5.3% |
| 12:00 | EUR | Portugal, GDP, final | q/qly/y | 2nd quarter | | | 0.0% 2.3% |
| 13:30 | EUR | ECB's Schnabel speaks | | | | | |
| 14:30 | USD | Personal spending | m/m | Jul | | 0.7% | 0.5% |
| 14:30 | USD | PCE core | m/mly/y | Jul | | 0.2% 4.2% | 0.2% 4.1% |
| 14:30 | USD | Initial jobless claims | 1000 | | | | 230 |
| 14:30 | USD | PCE headline | m/mly/y | Jul | | 0.2% 3.3% | 0.2% 3.0% |
| 15:45 | USD | Chicago PMI | Index | Aug | | 44.1 | 42.8 |
| 18:00 | EUR | ECB's Guindos speaks | | | | | |
| Friday, September 1, 2023 | | | | Period | Danske Bank | Consensus | Previous |
| - | EUR | Ireland, GDP, final | q/qly/y | 2nd quarter | | | 3.3% 2.7% |
| - | EUR | Belgium's debt rating (Fitch) | | | | | |
| - | USD | Total vehicle sales | m | Aug | | 15.5 | 15.74 |
| 2:30 | JPY | Nikkei Manufacturing PMI, final | Index | Aug | | 49.7 | 49.7 |
| 3:45 | CNY | Caixin PMI manufacturing | Index | Aug | | 49.2 | 49.2 |
| 8:30 | CHF | CPI | m/mly/y | Aug | | 0.1% 1.5% | -0.1% 1.6% |
| 8:30 | SEK | PMI manufacturing | Index | Aug | | | 47.6 |
| 9:15 | ESP | PMI manufacturing | Index | Aug | | | 47.8 |
| 9:45 | ITL | PMI manufacturing | Index | Aug | | | 44.5 |
| 9:50 | FRF | PMI manufacturing, final | Index | Aug | | 46.4 | 46.4 |
| 9:55 | DEM | PMI manufacturing, final | Index | Aug | | 39.1 | 39.1 |
| 10:00 | NOK | Unemployment | % | Aug | 1.9% | | 1.8% |
| 10:00 | EUR | PMI manufacturing, final | Index | Aug | | 43.7 | 43.7 |
| 10:00 | ITL | GDP, final | q/qly/y | 2nd quarter | | -0.3% .. | -0.3% 0.6% |
| 10:00 | NOK | PMI manufacturing | Index | Aug | | | 56.7 |
| 10:30 | GBP | PMI manufacturing, final | Index | Aug | | 42.5 | 42.5 |
| 12:00 | USD | Fed's Bostic speaks | | | | | |
| 14:30 | USD | Unemployment | % | Aug | | 3.5% | 3.5% |
| 14:30 | USD | Average hourly earnings, non-farm | m/mly/y | Aug | | 0.3% 4.3% | 0.4% 4.4% |
| 14:30 | USD | Non farm payrolls | 1000 | Aug | 160 | 168 | 187 |
| 14:30 | CAD | GDP | m/mly/y | Jun | | | 0.3% 1.9% |
| 15:30 | CAD | RBC manufacturing PMI | Index | Aug | | | 49.6 |
| 15:45 | USD | Markit PMI manufacturing, final | Index | Aug | | | 47.0 |
| 15:45 | USD | Fed's Mester speaks | | | | | |
| 16:00 | USD | Construction spending | m/m | Jul | | 0.5% | 0.5% |
| 16:00 | USD | ISM manufacturing | Index | Aug | | 46.9 | 46.4 |

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 | 2.7 | -1.6 | -2.8 | 3.2 | 10.8 | 6.5 | 7.7 | 3.6 | 2.6 | 3.5 | 30.1 | 13.1 |
| | 2023 | 1.5 | 0.6 | -0.7 | -7.2 | 5.7 | 0.1 | 4.1 | 4.7 | 2.9 | 2.2 | 27.4 | 13.5 |
| | 2024 | 1.0 | 1.7 | 1.8 | -2.9 | 1.2 | 0.7 | 3.2 | 5.3 | 3.4 | 1.2 | 25.7 | 13.5 |
| Sweden | 2022 | 2.9 | 1.9 | 0.1 | 6.1 | 7.0 | 9.4 | 8.4 | 2.5 | 7.5 | 0.7 | 32.9 | 3.6 |
| | 2023 | 0.5 | -2.2 | 1.4 | 1.4 | 3.2 | 0.4 | 8.4 | 4.0 | 7.5 | -0.4 | 29.0 | 5.0 |
| | 2024 | 1.9 | 1.7 | 1.1 | 2.3 | 2.8 | 2.6 | 1.9 | 3.3 | 7.8 | -0.8 | 29.0 | 5.1 |
| Norway | 2022 | 3.8 | 6.9 | 0.1 | 4.3 | 5.9 | 9.2 | 5.8 | 4.3 | 1.8 | - | - | - |
| | 2023 | 1.1 | -2.0 | 1.4 | 0.5 | 4.0 | 3.0 | 5.3 | 5.3 | 1.9 | - | - | - |
| | 2024 | 1.4 | 1.2 | 1.5 | 4.0 | 2.0 | 2.0 | 2.5 | 4.2 | 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 ³ | Public budget ⁴ | Public debt ⁴ | Current acc. ⁴ |
|-----------|------|------------------|----------------------------|---------------------------|-------------------------|-----------------------|-----------------------|-------------------------|--------------------------|-------------------------|----------------------------|--------------------------|---------------------------|
| Euro area | 2022 | 3.4 | 4.5 | 1.4 | 3.0 | 7.2 | 8.1 | 8.4 | 2.9 | 6.7 | -3.6 | 93.2 | 0.6 |
| | 2023 | 0.5 | 0.2 | 1.2 | -0.2 | 3.0 | 2.9 | 5.3 | 4.3 | 6.9 | -3.2 | 90.9 | 2.2 |
| | 2024 | 1.0 | 1.2 | 0.8 | 0.5 | 3.2 | 3.3 | 2.8 | 3.0 | 7.0 | -2.7 | 90.1 | 2.4 |
| Finland | 2022 | 1.6 | 1.7 | 0.8 | 3.2 | 3.5 | 8.3 | 7.1 | 2.4 | 6.8 | -0.9 | 72.9 | -3.6 |
| | 2023 | -0.2 | -0.2 | 2.0 | -4.5 | -0.5 | -2.0 | 5.9 | 4.1 | 7.0 | -2.7 | 72.1 | -1.4 |
| | 2024 | 0.8 | 1.0 | 0.5 | 2.5 | 1.5 | 2.0 | 2.1 | 3.7 | 6.8 | -1.9 | 72.6 | -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 | 1.3 | 1.5 | 2.7 | -2.7 | 1.2 | -4.3 | 4.0 | 4.1 | 3.7 | -5.4 | 123.6 | -3.1 |
| | 2024 | 0.5 | 0.1 | 1.3 | 1.0 | -1.9 | -1.9 | 2.2 | 3.2 | 4.3 | -5.8 | 125.4 | -2.8 |
| China | 2022 | 3.0 | 2.8 | - | 4.0 | - | - | 2.0 | - | 5.5 | -7.5 | 77.1 | 2.3 |
| | 2023 | 4.8 | 6.5 | - | 4.5 | - | - | 0.8 | - | 5.2 | -7.5 | 82.8 | 1.4 |
| | 2024 | 4.2 | 5.0 | - | 3.8 | - | - | 1.2 | - | 5.1 | -7.5 | 87.4 | 1.0 |
| 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* | 24-Aug | 5.50 | - | 4.88 | 3.96 | 0.92 | - | 6.88 | 10.69 | 10.99 |
| | +3m | 5.50 | - | 4.55 | 3.75 | 0.93 | - | 6.96 | 11.03 | 10.75 |
| | +6m | 5.50 | - | 4.24 | 3.55 | 0.94 | - | 7.02 | 10.94 | 10.94 |
| | +12m | 5.00 | - | 3.85 | 3.35 | 0.97 | - | 7.23 | 10.87 | 11.36 |
| EUR | 24-Aug | 3.75 | 3.75 | 3.67 | 3.13 | - | 1.08 | 7.4534 | 11.58 | 11.90 |
| | +3m | 4.00 | 3.99 | 3.50 | 3.10 | - | 1.07 | 7.4450 | 11.80 | 11.50 |
| | +6m | 4.00 | 4.00 | 3.29 | 2.95 | - | 1.06 | 7.4450 | 11.60 | 11.60 |
| | +12m | 3.75 | 3.56 | 3.00 | 2.85 | - | 1.03 | 7.4500 | 11.20 | 11.70 |
| JPY | 24-Aug | -0.10 | - | - | - | 0.006 | 0.007 | 4.73 | 7.34 | 7.55 |
| | +3m | -0.10 | - | - | - | 0.007 | 0.007 | 4.90 | 7.77 | 7.57 |
| | +6m | 0.10 | - | - | - | 0.007 | 0.008 | 5.32 | 8.29 | 8.29 |
| | +12m | 0.10 | - | - | - | 0.007 | 0.008 | 5.56 | 8.36 | 8.74 |
| GBP* | 24-Aug | 5.25 | - | 5.62 | 4.42 | 1.17 | 1.08 | 8.70 | 13.52 | 13.89 |
| | +3m | 5.50 | - | 5.35 | 4.25 | 1.15 | 1.23 | 8.56 | 13.56 | 13.22 |
| | +6m | 5.50 | - | 4.99 | 4.10 | 1.14 | 1.20 | 8.46 | 13.18 | 13.18 |
| | +12m | 5.00 | - | 4.60 | 3.95 | 1.14 | 1.17 | 8.47 | 12.73 | 13.30 |
| CHF | 24-Aug | 1.75 | - | - | - | 1.05 | 1.13 | 7.80 | 12.12 | 12.46 |
| | +3m | 2.00 | - | - | - | 1.05 | 1.13 | 7.84 | 12.42 | 12.11 |
| | +6m | 2.00 | - | - | - | 1.06 | 1.13 | 7.92 | 12.34 | 12.34 |
| | +12m | 2.00 | - | - | - | 1.06 | 1.10 | 7.93 | 11.91 | 12.45 |
| DKK | 24-Aug | 3.35 | 3.80 | 3.79 | 3.27 | 0.134 | 0.145 | - | 1.55 | 1.60 |
| | +3m | 3.60 | 4.00 | 3.65 | 3.25 | 0.134 | 0.144 | - | 1.58 | 1.54 |
| | +6m | 3.60 | 4.00 | 3.44 | 3.10 | 0.134 | 0.142 | - | 1.56 | 1.56 |
| | +12m | 3.35 | 3.56 | 3.15 | 3.00 | 0.134 | 0.138 | - | 1.50 | 1.57 |
| SEK | 24-Aug | 3.75 | 4.06 | 4.00 | 3.28 | 0.084 | 0.091 | 0.63 | 0.97 | - |
| | +3m | 4.00 | 4.12 | 3.85 | 3.10 | 0.087 | 0.093 | 0.65 | 1.03 | - |
| | +6m | 4.00 | 3.84 | 3.39 | 2.89 | 0.086 | 0.091 | 0.64 | 1.00 | - |
| | +12m | 3.50 | 3.24 | 3.00 | 2.85 | 0.085 | 0.088 | 0.64 | 0.96 | - |
| NOK | 24-Aug | 4.00 | 4.82 | 4.94 | 4.06 | 0.086 | 0.094 | 0.64 | - | 1.03 |
| | +3m | 4.00 | 4.50 | 4.29 | 3.85 | 0.085 | 0.091 | 0.63 | - | 0.97 |
| | +6m | 4.00 | 4.50 | 3.99 | 3.65 | 0.086 | 0.091 | 0.64 | - | 1.00 |
| | +12m | 3.50 | 3.92 | 3.70 | 3.45 | 0.089 | 0.092 | 0.67 | - | 1.04 |

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

Commodities

| | 24-Aug | 2023 | | | | 2024 | | | | Average | |
|-----------|--------|------|----|----|----|------|----|----|----|---------|------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2023 | 2024 |
| ICE Brent | 83 | 82 | 78 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Allan von Mehren, Director.

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 regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

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: 25 August 2023, 13:30 CET

Report first disseminated: 25 August 2023, 13:45 CET