

Weekly Focus

Tariff fears are back on the agenda

Signs of weaker economic growth in the US have hit a nerve in markets, and the constant political uncertainty is certainly not providing any help. US equities fell and energy prices declined with Brent now trading around USD73/bbl. – the lowest level since late December. European equities continued to outperform after the German elections despite Trump threatening the EU with broad-based 25% tariffs.

While the timing of the EU measures remains still uncertain, **Trump surprised markets on Thursday by signalling that the 25% tariffs on Canada and Mexico will be enacted when the one-month delay runs out next Tuesday.** Just two days earlier he said that the hikes would be delayed by another month until 2 April. Trump also upped the ante on China by announcing another 10-percentage point tariff increase, mirroring the first hike that took place earlier in February. While we have anticipated Trump gradually increasing the tariffs against China all the way to 40% by mid-2026, he has been moving ahead faster than we expected, as the average rate could reach 32% already next week.

Of course we cannot rule out another last-minute ‘deal’ to delay at least part of the measures, as White House sources have flagged that discussions between the parties are still ‘ongoing’ (see *Reuters*). But if fully enacted, the measures could increase the effective trade-weighted tariff rate on all US imports close to 11%, which would be the highest level since WW2. *The Tax Foundation* has estimated that the direct negative impact on the US economy could be around 0.3% even excluding possible tariffs on the EU and any potential countermeasures that could follow.

Bond yields have generally declined amid shaky risk sentiment. Yield spread between the US and Germany tightened, as markets are preparing for increased bond issuance and potential loosening of the German debt brake to finance growing needs for defence investments. Read our quick take in *German election - A positive outcome for markets and the economy*, 24 February. On the geopolitical front, we will closely follow Zelenskyi’s trip to Washington to sign the preliminary mineral deal between the US and Ukraine today.

And while the ‘growth-negative’ aspects of Trump’s policy agenda seem to take effect much faster than the ‘growth-positive’ ones, overall US fiscal policy stance still looks set to remain expansionary over the coming years also. This week, the US House of Representatives managed to advance a proposal for the upcoming budget reconciliation bill, which instructs for a cumulative USD 2800bn of new deficit spending over 2026-2034. Read our take in our *Reading the Markets USD – Gradual easing still in sight*, 25 February.

Next week, we expect the ECB to cut rates by 25bp, which is fully priced in by markets. We think the cuts will continue below current market pricing until the deposit rate reaches 1.50% next September, see our full *ECB Preview - A cut is the easy part*, 28 February. Euro area flash HICP for February will be released ahead of the meeting on Monday, and we forecast 2.2% y/y for headline (Jan. 2.5%) and 2.4% y/y for core (Jan. 2.7%). From the US ISM manufacturing and services, and finally the February Jobs Report are due for release. We expect NFP growth to slow down to +120k (Jan. +143k) due to negative seasonality, federal layoffs and slowing immigration constraining the growth of labour supply.

Key global views

- Outlook for slightly faster growth in Europe, slightly slower in the US, China continues to muddle through
 - Political uncertainty has limited short-term effect
 - The Fed on hold but set to resume cutting in June. ECB to cut until 1.5% by September
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Key market movers

- Monday: China Caixin manf. PMI, US ISM Manf. EA Flash HICP
 - Tuesday: Next round of US tariffs expected to take effect
 - Wednesday: US ISM Services
 - Thursday: ECB Meeting
 - Friday: US Jobs Report
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Selected reading from Danske Bank

- *ECB Preview - A cut is the easy part*, 28 February
 - *Yield Outlook- Between facts and noise*, 26 February
 - *RtM USD – Gradual easing still in sight*, 25 February
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Scandi market movers

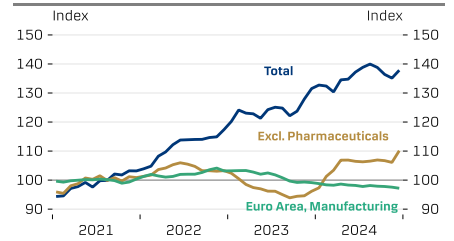
- In **Denmark**, we receive the industrial production figures for January on Thursday. In December, we saw an increase of 4%, leading to an overall growth of 8.6% y/y in 2024. While there has been significant focus on European manufacturing lagging behind, this is not the case in Denmark even when excluding pharmaceuticals.

On Thursday, we also get bankruptcy statistics for February. In January, bankruptcies rose by 3.5% compared to December. However, in 2024, we saw a decrease in bankruptcies of 17.5% compared to 2023. Currently, the number of bankruptcies is only slightly above the levels we observed in the years before the pandemic, thus not ringing the alarm bells.

- Preliminary February inflation will be in the spotlight in **Sweden** next week. Despite January underlying inflation printing an unusually high monthly increase (+0.2%), we have taken a cautious stance assuming a normal increase in February, +0.6 % mom. NIER price plans suggest food vendors will hike prices in coming months, which may come into play already in February. Beside the “re-weighting” of the consumer basket in January, there was evidence of higher price increases on several core goods and services. Energy will contribute net positively to CPIF this month, as increasing electricity prices usually outweigh a decline in fuel prices. Finally, the Riksbank’s rate cuts are now pulling mortgage costs lower, contributing about -0.3 p.p. on the month. Compared to the Riksbank’s forecast (CPIF 2.2%, and CPIF excl. energy 2.4%), we anticipate both CPIF and CPIF excl. energy at 2.7%.

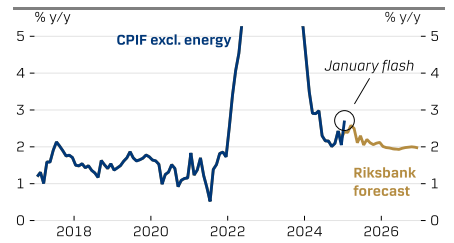
- After a significant drop in manufacturing production in **Norway** following the summer of last year, we experienced a sharp correction on the upside in December. Relatively weak leading indicators, such as the PMI and the Confidence indicator, mean that this may look like noise. The January figures will therefore provide us with important information on whether we will see a lift in activity into 2025 or if the leading indicators are correct.

Danish industrial production outperforming euro area (2021 = 100)



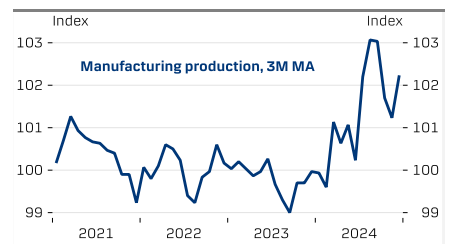
Source: Statistics Denmark, Danske Bank

Swedish preliminary February inflation



Source: Statistics Sweden, Danske Bank

Large swings in Norwegian manufacturing (2021 = 100)



Kilde: Macrobond, Danske Bank

Scandi Update

Denmark – Growth in retail trade picks up amid rising consumer purchasing power

Job vacancies increased in Q4 from 52,100 in Q3 to 53,500 in Q4, accounting for 2.6% of all occupied positions, a figure that remained constant throughout 2024. For 2024 the number of job positions increased with 3,500 showcasing that the tightness of the labour market remains largely unchanged.

Retail trade rose by 0.3% in January compared to December, adjusted for regular seasonal patterns and inflation. The index has shown a steady, albeit muted, growth trend during 2024 and began 2025 with an increase. This aligns with the restoration of consumer purchasing power, driven by rising real incomes and the shift from interest rate headwinds to tailwinds. However, this will not result in a direct proportional increase in consumption, as cautious households remain focused on rebuilding their depleted savings.

Sweden – Strong end to 2024

The Swedish GDP numbers came in better than expected at 0.8% q/q and 2.4% y/y. The domestic economy also performed better than expected, and consumption ticked up by 0.7% q/q. However, consumer confidence continued to decrease in February by 3.3 units to 95.0, showing weaker sentiment than usual. Thus, we expect consumption to show a more modest increase in Q1 than in Q4.

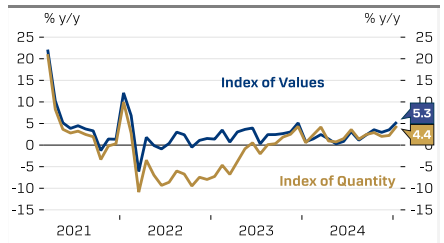
In addition, the NIER economic tendency indicator decreased in February to 97.1, indicating continued subdued sentiment in Q1. Price plans have risen, mostly driven by food prices. The upside risk for food prices were also confirmed by the producer prices released earlier in the week. More comforting, price plans in the service industry, are still at normal levels.

Norway – strong start to January

The Norges Bank's Q1 expectations survey showed that price and wage expectations are on the decline. An (unweighted) average of the labour market organisations and economists in finance and academia now expect inflation of 2.65% in 12 months (down from 3.1%), 2.45% in two years (2.8%) and 2.35% in five years (2.6%). The employees' organization now expects wage growth of 4.2% this year, while employers expect 3.9%. This means that the range for wage growth this year is 3.9-4.2%, compared with Norges Bank's estimate of 4.2% from the December monetary policy report.

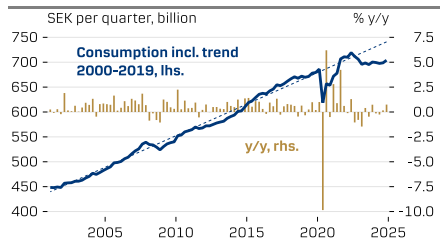
The NAV unemployment rate was unchanged at 2.0% in February, while the number of gross unemployed fell by 500 people. This indicates a continued tight labour market, but at the same time we see signs that employment growth is slowing, and the number of vacancies is falling. Part of the reason why unemployment remains low now appears to be significantly lower growth in the labour supply, which may be an indication that the labour market is loosening after all. As expected, there was a boost in retail sales in January, and 1.1% from December was slightly above our expectations. Strong real wage growth and a tight labour market are expected to provide strong growth in private consumption this year.

Retail trade shows steady yearly growth



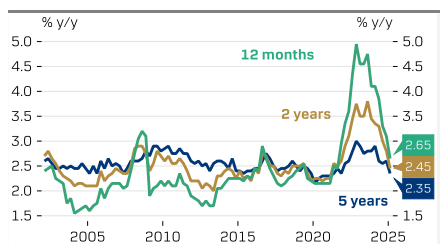
Source: Statistics Denmark, Macrobond

Monthly LFS survey was as shocker



Source: Statistics Sweden and Danske Bank

Inflation expectations coming down



Source: Macrobond, Danske Bank

Calendar – 3-7 March 2025

During the week				Period	Danske Bank	Consensus	Previous
Sat 01	CNY	NBS PMI manufacturing	Index	Feb		49.9	49.1
Sat 01	CNY	NBS PMI non-manufacturing	Index	Feb		50.4	50.2
Monday, March 3, 2025				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Feb		15.9	15.6
1:30	JPY	Nikkei Manufacturing PMI	Index	Feb			48.9
2:45	CNY	Caixin PMI manufacturing	Index	Feb		50.4	50.1
7:00	EUR	S&P may publish Netherlands's debt rating		Feb			48.4
8:30	SEK	PMI manufacturing	Index	Feb			52.9
9:15	ESP	PMI manufacturing	Index	Feb		51.5	50.9
9:45	ITL	PMI manufacturing	Index	Feb		47.0	46.3
9:50	FRF	PMI manufacturing	Index	Feb		45.5	45.5
9:55	DEM	PMI manufacturing	Index	Feb		46.1	46.1
10:00	ITL	GDP	y/y				0.9%
10:00	EUR	PMI manufacturing	Index	Feb		47.3	47.3
10:00	NOK	PMI manufacturing	Index	Feb			51.2
10:30	GBP	PMI manufacturing	Index	Feb		46.4	46.4
11:00	EUR	HICP inflation, preliminary	m/m/y/y	Feb	0.3% 2.2%	0.4% 2.3%	-0.3% 2.5%
11:00	EUR	HICP - core inflation, preliminary	y/y	Feb	2.4%	2.6%	2.7%
15:30	CAD	RBC manufacturing PMI	Index	Feb			51.6
15:45	USD	Markit PMI manufacturing	Index	Feb			51.6
16:00	USD	Construction spending	m/m	Jan		-0.1%	0.5%
16:00	USD	ISM manufacturing	Index	Feb		50.5	50.9
Tuesday, March 4, 2025				Period	Danske Bank	Consensus	Previous
0:30	JPY	Unemployment rate	%	Jan		2.4%	2.4%
0:30	JPY	Job-to-applicant ratio		Jan		1.25	1.25
6:00	JPY	Consumer confidence	Index	Feb		35.3	35.2
10:00	EUR	S&P may publish Greece's debt rating		Feb			52.8
11:00	EUR	Unemployment	%	Jan	6.3%	6.3%	6.3%
17:00	DKK	Currency reserves	DKK bn	Feb			653.7
20:20	USD	Fed's Williams speaks					
Wednesday, March 5, 2025				Period	Danske Bank	Consensus	Previous
1:30	AUD	GDP	q/q/y/y	4th quarter		0.5% 1.2%	0.3% 0.8%
1:30	JPY	Markit PMI services	Index	Feb			53.1
2:45	CNY	Caixin PMI service	Index	Feb		50.8	51.0
6:00	ANA	Nordic Outlook release					
8:30	CHF	CPI	m/m/y/y	Feb		0.6% 0.2%	-0.1% 0.4%
8:30	SEK	PMI services	Index	Feb			50.1
8:45	FRF	Industrial production	m/m/y/y	Jan		0.7% 0.0%	-0.4% 1.7%
9:15	ESP	PMI services	Index	Feb		55.0	54.9
9:45	ITL	PMI services	Index	Feb		50.5	50.4
9:50	FRF	PMI services	Index	Feb		44.6	44.5
9:55	DEM	PMI services	Index	Feb		52.2	52.2
10:00	EUR	PMI composite	Index	Feb		50.2	50.2
10:00	EUR	PMI services	Index	Feb		50.7	50.7
10:00	ITL	GDP, final	q/q/y/y	4th quarter		0.0% 0.5%	0.0% 0.5%
10:30	GBP	PMI services	Index	Feb		51.1	51.1
11:00	EUR	PPI	m/m/y/y	Jan		1.4% ...	0.0% 0.4%
14:15	USD	ADP employment	1000	Feb		148	183
15:45	USD	Markit PMI service	Index	Feb			49.7
16:00	USD	ISM non-manufacturing	Index	Feb		53.0	52.8
16:00	USD	Core capital goods orders, final	%	Jan			0.8%
16:30	USD	DOE U.S. crude oil inventories	K				-2332
Thursday, March 6, 2025				Period	Danske Bank	Consensus	Previous
7:45	CHF	Unemployment	%	Feb		2.7%	2.7%
8:00	SEK	Underlying inflation CPIF, preliminary	m/m/y/y	Feb		... 2.7%	0.4% 2.2%
8:00	SEK	Underlying inflation CPIF excl energy, preliminary	m/m/y/y	Feb		... 2.7%	0.2% 2.7%
8:00	SEK	Current account	SEK bn	4th quarter			94.3
8:00	SEK	CPI, preliminary	m/m/y/y	Feb		... 1.2%	0.0% 0.9%
10:30	GBP	PMI construction	Index	Feb		49.5	48.1
11:00	EUR	Retail sales	m/m/y/y	Jan		0.1% 2.0%	-0.2% 1.9%
12:00	EUR	Ireland, GDP, final	q/q/y/y	4th quarter			-1.3% 6.3%
12:00	TRY	Central Bank of Turkey rate decision	%			42.5%	45.0%
14:15	EUR	ECB announces deposit rate	%		2.50%	2.50%	2.75%
14:15	EUR	ECB's Lagarde speaks at press conference				0.0265	0.029
14:30	USD	Initial jobless claims	1000				242
14:30	USD	Unit labour cost, final	q/q	4th quarter		3.0%	3.0%
14:30	USD	Trade balance	USD bn	Jan		-91.3	-98.4
21:30	USD	Fed's Waller speaks					

Source: Danske Bank

Calendar – 3-7 March 2025

Friday, March 7, 2025			Period	Danske Bank	Consensus	Previous
-	CNY	Foreign exchange reserves	USD bn	Feb		3209.0
1:00	USD	Fed's Bostic speaks				
6:00	SEK	Maklarstatistik Swedish housing price data				
8:00	NOK	Manufacturing production	m/m y/y	Jan		3.2% 5.0%
8:00	NOK	Industrial production	m/m y/y	Jan		-0.2% 0.3%
8:00	DEM	Factory orders	m/m y/y	Jan	-2.4% 1.9%	6.9% -6.3%
8:00	DKK	Industrial production	m/m	Jan		4.0%
8:00	SEK	Budget balance	SEK bn	Feb		-23.3
9:00	CHF	Foreign Currency Reserves	CHF bn	Feb		736.4
11:00	EUR	GDP, final	q/q y/y	4th quarter	0.1% 0.9%	0.1% 0.9%
11:00	EUR	Gross fixed investments	q/q	4th quarter		2.0%
11:00	EUR	Government consumption	q/q	4th quarter		0.6%
11:00	EUR	Private consumption	q/q	4th quarter		0.7%
11:00	EUR	Employment, final	q/q y/y	4th quarter		0.1% 0.6%
14:30	USD	Unemployment	%	Feb	4.0%	4.0%
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Feb	0.3% 4.2%	0.3% 4.2%
14:30	USD	Non farm payrolls	1000	Feb	120	158
14:30	CAD	Net change in full time employment	1000	Feb		35.2
16:15	USD	Fed's Bowman speaks				
16:45	USD	Fed's Williams speaks				
18:30	USD	Fed chair Powell speaks				
21:00	USD	Consumer credit	USD bn	Jan		40.8

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	3.0	0.2	1.4	-1.2	6.3	1.2	1.4	5.2	2.9	2.7	31.8	12.5
	2025	2.5	1.9	2.6	3.0	2.7	2.4	1.8	3.6	3.1	1.5	29.7	12.8
	2026	2.3	2.3	2.0	3.6	3.1	3.7	1.7	3.2	3.1	0.9	28.0	12.8
Sweden	2024	0.7	0.3	1.1	-1.4	2.3	2.2	3.0	3.5	8.4	-1.2	33.0	4.9
	2025	2.5	2.5	2.1	2.1	3.8	3.8	1.7	3.5	8.2	-0.8	33.0	4.9
	2026	2.2	2.8	1.1	2.8	3.2	3.6	1.2	3.2	7.7	-0.2	32.0	4.7
Norway	2024	0.9	1.2	2.4	-1.9	5.7	3.7	3.1	5.1	2.0	-	-	-
	2025	1.9	3.0	2.0	1.4	2.0	2.0	2.3	3.8	2.4	-	-	-
	2026	1.7	2.5	2.0	1.5	1.0	1.8	2.0	3.3	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 ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2024	0.7	0.7	1.9	-2.2	1.8	-0.2	2.4	4.5	6.4	-3.0	89.1	3.0
	2025	0.9	1.1	1.0	0.7	1.8	2.1	2.0	3.4	6.7	-3.1	89.9	3.0
	2026	1.4	1.5	0.8	1.8	2.5	2.6	2.0	3.1	6.6	-2.8	90.0	2.8
Finland	2024	-0.3	-0.2	1.0	-5.5	1.0	-0.8	1.6	2.9	8.4	-3.9	80.5	0.2
	2025	1.8	1.5	0.2	4.5	3.5	4.0	1.2	3.1	8.1	-3.6	82.2	-0.2
	2026	1.6	1.5	0.5	5.5	3.0	4.5	1.8	3.0	7.3	-2.6	82.6	-0.2

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	3.8	3.2	5.4	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	2.2	2.9	3.1	1.2	1.9	4.4	3.0	3.5	4.4	-6.5	125.1	-3.1
	2026	1.8	1.7	2.0	3.5	2.9	4.4	2.4	3.5	4.3	-7.0	128.0	-3.0
China	2024	4.7	4.5	-	5.0	-	-	0.2	-	5.1	-7.4	90.1	1.4
	2025	4.7	5.6	-	5.5	-	-	1.5	-	5.2	-8.1	94.3	1.4
	2026	4.8	5.8	-	5.5	-	-	1.5	-	5.2	-8.2	98.2	1.3
UK	2024	0.9	-	-	-	-	-	2.5	-	4.3	-	-	-
	2025	1.3	-	-	-	-	-	2.5	-	4.7	-	-	-
	2026	1.5	-	-	-	-	-	2.0	-	4.5	-	-	-

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*	27-Feb	4.50	-	3.93	3.87	0.96	-	7.17	11.25	10.74
	+3m	4.50	-	3.90	3.80	0.96	-	7.17	11.54	10.77
	+6m	4.25	-	3.75	3.75	0.98	-	7.31	11.96	11.18
	+12m	3.75	-	3.50	3.70	1.00	-	7.46	12.40	11.50
EUR	27-Feb	2.75	2.54	2.17	2.36	-	1.04	7.4583	11.71	11.18
	+3m	2.25	1.90	2.15	2.35	-	1.04	7.4600	12.00	11.20
	+6m	1.75	1.60	1.95	2.25	-	1.02	7.4550	12.20	11.40
	+12m	1.50	1.55	1.65	2.15	-	1.00	7.4550	12.40	11.50
JPY	27-Feb	0.50	-	-	-	0.006	0.007	4.78	7.50	7.16
	+3m	0.50	-	-	-	0.006	0.007	4.85	7.80	7.28
	+6m	0.75	-	-	-	0.007	0.007	5.11	8.36	7.82
	+12m	1.00	-	-	-	0.007	0.007	5.33	8.86	8.21
GBP*	27-Feb	4.50	-	4.04	4.03	1.21	1.16	9.04	14.19	13.56
	+3m	4.25	-	4.00	4.05	1.22	1.27	9.10	14.63	13.66
	+6m	4.00	-	3.90	3.95	1.23	1.26	9.20	15.06	14.07
	+12m	3.50	-	3.65	3.80	1.23	1.23	9.20	15.31	14.20
CHF	27-Feb	0.50	-	-	-	1.07	1.11	7.97	12.50	11.94
	+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	27-Feb	2.35	2.40	2.25	2.51	0.134	0.140	-	1.57	1.50
	+3m	1.85	1.75	2.20	2.45	0.134	0.139	-	1.61	1.50
	+6m	1.35	1.45	2.00	2.35	0.134	0.137	-	1.64	1.53
	+12m	1.10	1.45	1.70	2.25	0.134	0.134	-	1.66	1.54
SEK	27-Feb	2.25	2.29	2.22	2.58	0.089	0.093	0.67	1.05	-
	+3m	2.00	2.08	2.20	2.65	0.089	0.093	0.67	1.07	-
	+6m	2.00	2.09	2.15	2.65	0.088	0.089	0.65	1.07	-
	+12m	2.00	2.10	2.15	2.75	0.087	0.087	0.65	1.08	-
NOK	27-Feb	4.50	4.57	4.15	3.88	0.085	0.089	0.64	-	0.96
	+3m	4.25	4.30	3.95	3.90	0.083	0.087	0.62	-	0.93
	+6m	4.00	4.04	3.75	3.80	0.082	0.084	0.61	-	0.93
	+12m	3.50	3.55	3.50	3.55	0.081	0.081	0.60	-	0.93

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

Commodities												
		2024				2025				Average		
	27-Feb	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	
ICE Brent	73	82	85	79	74	75	80	85	85	80	81	

Source Danske Bank

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