

Weekly Focus

Positive trade developments spur risk-on sentiment

This week has been dominated by risk-on sentiment in markets following the positive outcome of the US and China trade negotiations during the weekend in Geneva. The cuts to tariff rates were larger than we and consensus had anticipated as the US announced a 115-percentage point reduction of the previous tariff rate from 145% to 30%. Adding the 10% universal tariff rate Chinese goods are now faced with a 40% tariff when entering the US compared to around 10% before Trump took office. We estimate there is a good chance of the US cutting tariffs by an additional 20 percentage points by striking a deal on the Fentanyl issue. Following the announcement, the risk of a recession in the US has been significantly reduced and we estimate that growth will likely experience a hit of around 0.5 percentage points which is manageable. For more details, see *US-China Flash - Trade talks succeed in de-escalation*, 12 May, and join our *webinar* on May 21.

On the data front, we received a host of data this week from the US. Inflation data for April surprised slightly to the downside as headline inflation declined to 2.3% y/y (cons: 2.4% y/y) from 2.4% y/y and core inflation remained at 2.8% y/y, as expected. There was little evidence of tariff-driven price pressures, as core goods inflation remained slow (+0.06% m/m) and food prices even declined slightly (-0.08% m/m). Interestingly, core services inflation excluding shelter and healthcare remained negative for the second consecutive month (-0.02% m/m), which suggests that underlying price pressures have remained in check despite the trade war – a conclusion that was also supported by the April PPI data. The trade war does not seem to have caused US consumers to be significantly more cautious when evaluating the latest retail sales data for April. Retail sales recorded a small monthly decline in the control group due to weaker spending on clothing and electronics, while spending on restaurants and bars continue growing at a solid pace. We think the weak retail sales figure might reflect reversal of front-loading effects more than true underlying weakness.

In the euro area, data showed that employment continued to grow in the first quarter of the year, rising 0.3% q/q after growing 0.1% q/q in Q4 2024. Hence, the labour market continues the strong footing it has been on in the past years despite weak economic activity. Employment growth was once again driven by Spain that recorded 0.8% q/q higher employment while both France and Germany reported unchanged employment in Q1. The strong labour market is a hawkish argument for the ECB. In Germany, the final inflation data for April showed that much of the increase in core inflation was due to the timing of Easter pushing up costs for package holidays and airfares, which suggests the increase in April should be seen more as a one-off than a resurgence of price pressures in core services.

Next week, focus turns to the May PMI data for the US and euro area, which will be interesting to follow as they previously have remained stronger than feared amid the trade war uncertainty. On Monday, China releases a large batch of data for April, which will show the impact of the peak escalation of trade tensions, and the central bank announces its interest rate decision, and so does the Australian central bank. In Japan, we will receive inflation data on Thursday, and in the euro area we focus on the negotiated wage growth data for Q1 released on Friday and the EU Commission's economic forecasts on Monday.

Key global views

- Trade war will weigh on the global economy, but we do not forecast a recession.
 - The Fed will resume cutting in June. ECB set to cut to until 1.5% is reached in September.
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Key market movers

- Monday: Large batch of Chinese data (retail sales, housing data, IP) and PBoC rate decision. Bank of Australia rate decision. European Commission forecasts.
 - Thursday: PMI in US and euro area, inflation in Japan
 - Friday: Euro area wage growth
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Selected reading from Danske Bank

- *FX Forecast Update: USD and Scandies remain strategically vulnerable*, 15 May
 - *Global Inflation Watch: Realized price pressures remained under control in April*, 13 May
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Scandi market movers

- In **Denmark**, flash national account data for Q1 will be released on Tuesday. After an impressive growth streak throughout 2024, we expect to see that GDP declined 0.5% in Q1. Uncertainty is very high, as we have no reliable real indicators for GDP-growth, which is measured from the production side in the flash release. Industrial production has nose-dived in Q1 according to the monthly survey, but it is based on a price development which is hardly representative of the industry today.

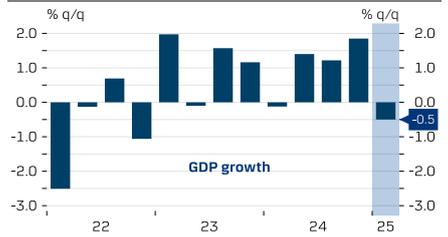
Tuesday will also bring the release of consumer confidence for May. In the latest release, the index for April dropped for the third consecutive month to -17.0. We anticipate a reversal in May, with a forecasted marginal increase in consumer confidence.

On Wednesday, payroll data for March will be released. There has been consistent growth in payroll numbers throughout 2024 and into 2025. With business sentiment still reflecting expectations of continued hiring in private businesses, we expect a continued increase in payroll numbers in March. Wednesday will also see the release of the business sentiment indicator, which decreased in April due to Trump’s escalating trade war. It will be interesting to observe whether the decrease continues or if it merely reflected a period of financial turmoil that has since improved.

- **Swedish unemployment** according to the Labour Force surveys has been extremely volatile during Q1. Next week, we will get data for April, which will include the January sample returning to assess in the survey. We expect an improvement from January from 9.6% to 8.9% – but a clear increase compared to March when unemployment stood at 8.1%. Employment is also expected to have decreased – in line with the decline in new vacancies in the second half of April.

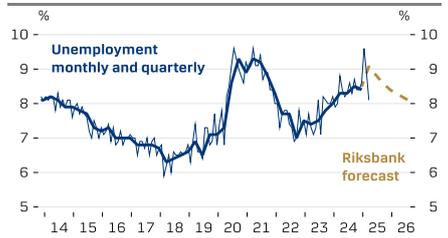
- In **Norway**, where inflation is high and the inflation outlook is uncertain, it is very important for the central bank that inflation expectations are well-anchored. Next week, Norges Bank will publish the Expectations Survey for Q2, where we are excited to see whether inflation expectations continue the downward trend. Since the previous round, where inflation expectations had fallen below 2.5%, inflation has been higher than expected and the exchange rate has weakened. In addition, some corporates may fear that the global trade war could also disrupt value chains and lead to higher inflation in Norway as well. Otherwise, we believe that wage expectations this year will be close to the result from the central negotiations (4.4%), but wage expectations for next year may have changed. Finally, we are excited to see whether CEOs have changed their views on price developments, employment plans and profitability in the wake of the escalation of the trade war, as the survey was collected before the agreement between the US and China last weekend.

We expect to see a decrease of 0.5% in Danish Q1 GDP



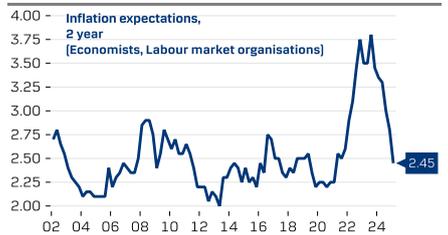
Source: Statistics Denmark, Danske Bank

Swedish unemployment



Source: Statistics Sweden, Macrobond and Danske Bank

Inflation expectations close to normal in Norway



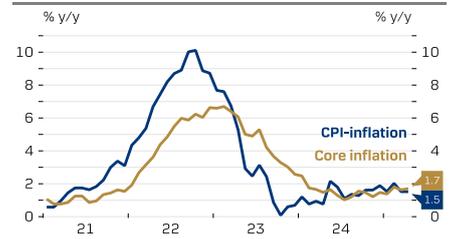
Source: Macrobond, Danske Bank

Scandi Update

Denmark – April inflation unchanged in line with expectations

April CPI inflation came in at 1.5% y/y and was unchanged from March, as expected. Energy prices fell, while accommodation and flight costs rose, partly due to Easter being in April. Food prices are one of the spending categories where consumers meet price changes most directly, so for consumers, the drop in food prices in April was good news. Despite lower inflation pressure, concerns about price increases persist, according to the latest figures for the consumer confidence from Statistics Denmark. We believe that US tariffs will, if anything, lead to lower inflation due to lower demand. As such, the fear of inflation getting out of hand is in our view generally exaggerated.

Headline inflation in Denmark was unchanged at 1.5% in April

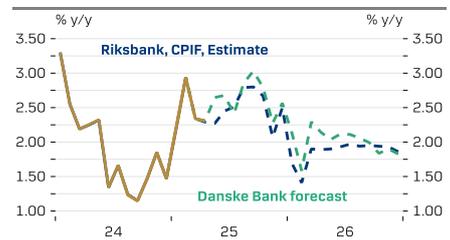


Source: Statistics Denmark, Macrobond

Sweden – Higher-than-usual uncertainty

The official inflation figures confirmed last week’s flash estimate, with CPI at 0.3%, CPIF at 2.3%, and CPIF-XE at 3.1% in yearly change. The inflation details showed that Easter sales of furniture contributed to the downside surprise. Riksbank minutes revealed that board members acknowledge the higher-than-usual uncertainty. However, their current base case is that the somewhat elevated core inflation numbers will soften, and the tariff impact on inflation is likely marginal. They assess that the economy is weaker than forecasted in March, suggesting that inflationary pressures should abate further, and the next step should likely be a policy rate cut. The board members' assessments differ as for the urgency of a possible rate cut. Breman and Bunge favor a cut sooner rather than later, while Thedén and Jansson prefer to await further clarity on tariffs and economic developments (we see Seim to be somewhere in between). Our assessment is that a rate cut at some point is becoming more likely, but June seems too early, and the timing for a possible policy rate cut remains uncertain beyond June.

The inflation target variable, CPIF

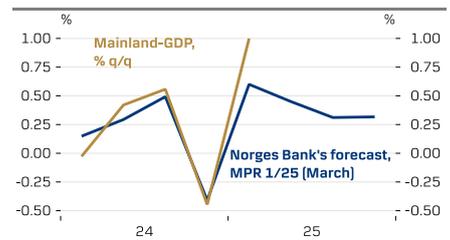


Source: Statistics Sweden, The Riksbank, Macrobond, Danske Bank.

Norway – strong growth in Q1

Mainland-GDP grew 1.0% q/q in Q1, higher than consensus expected (+0.6%) and was also stronger than Norges Bank expected in the monetary policy report in March (+0.6%). Details were also to the strong side, as private consumption was up 1.5%, corporate investments up 1.1% and even residential investments up 0.4%. The ‘exogenous’ factors like public investment and oil investments dropped by 10.0% and 9.3%, respectively. The figures clearly question the need for rate cuts at all in Norway. However, we are still concerned that a large part of the recent improvement in rate-sensitive sectors like private consumption and corporate and residential investments could stem from expectations of a rate cut in March that was never delivered. The monthly figures (though volatile) reveal a slowdown during Q1, as January was +1.2% m/m, February +0.1% m/m and March -0.2% m/m.

Norwegian GDP stronger than expected



Source: Boligprodusentenes forening, Danske Bank

Calendar - 19-23 May 2025

Saturday, May 17, 2025				Period	Danske Bank	Consensus	Previous
03:40	US	Fed's Daly speaks					
Sunday, May 18, 2025				Period	Danske Bank	Consensus	Previous
23:20	US	Fed's Williams speaks					
Monday, May 19, 2025				Period	Danske Bank	Consensus	Previous
04:00	CH	Fixed assets investments	y/y	Apr		4.30%	4.20%
04:00	CH	Industrial production	y/y	Apr		5.70%	7.70%
04:00	CH	Retail sales	y/y	Apr		6.00%	5.90%
06:30	JN	Tertiary industry index	m/m	Mar		-0.20%	0.00%
11:00	EC	HICP inflation, final	m/m/y/y	Apr		0.6% 2.2%	0.6% 2.2%
11:00	EC	HICP - core inflation, final	y/y	Apr		2.70%	2.70%
11:00	EC	European Commission Economic Forecasts					
14:30	US	Fed's Bostic speaks					
14:45	US	Fed's Williams speaks					
14:45	US	Fed's Bostic speaks					
19:30	US	Fed's Kashkari speaks					
Tuesday, May 20, 2025				Period	Danske Bank	Consensus	Previous
03:00	CH	1-Year Loan Prime Rate	%		3.00%	3.00%	3.10%
03:00	CH	5-Year Loan Prime Rate	%		3.50%	3.50%	3.60%
06:30	AU	Reserve Bank of Australia rate decision	%		3.85%	3.85%	4.10%
08:00	DE	Consumer confidence	Net bal.	May			-17
08:00	DE	GDP, preliminary	q/q/y/y	1st quarter	-0.5% ...		1.8% ...
08:00	DE	GDP, preliminary, preliminary	q/q/y/y	1st quarter			1.8% ...
10:00	EC	Current account	EUR bn	Mar			34.3
14:30	CA	CPI	m/m/y/y	Apr		... 2.3%	... 2.3%
15:00	US	Fed's Barkin speaks					
15:00	US	Fed's Bostic speaks					
16:00	EC	Consumer confidence, preliminary	Net bal.	May		-15.7	-16.7
Wednesday, May 21, 2025				Period	Danske Bank	Consensus	Previous
01:00	US	Fed's Bostic speaks					
01:00	US	Fed's Daly speaks					
01:50	JN	Exports	y/y (%)	Apr		0	0
01:50	JN	Import	y/y (%)	Apr		0	0
01:50	JN	Trade balance, s.a.	JPY bn	Apr		-181.2	-233.6
08:00	SW	Capacity utilization, industry	%	1st quarter			87.70%
08:00	UK	CPI	m/m/y/y	Apr		1.1% 3.3%	0.3% 2.6%
08:00	UK	CPI core	y/y	Apr		3.60%	3.40%
16:30	US	DOE U.S. crude oil inventories	K				3454
18:15	US	Fed's Barkin speaks					
18:15	US	Fed's Bowman speaks					
Thursday, May 22, 2025				Period	Danske Bank	Consensus	Previous
01:50	JN	Machine orders	m/m/y/y	Mar		-1.7% -1.8%	4.3% 1.5%
02:30	JN	Nikkei Manufacturing PMI, preliminary	Index	May			48.7
02:30	JN	Markit PMI services, preliminary	Index	May			52.4
08:45	FR	Business confidence	Index	May		97	96
09:15	FR	PMI manufacturing, preliminary	Index	May		48.9	48.7
09:15	FR	PMI services, preliminary	Index	May		47.8	47.3
09:30	GE	PMI manufacturing, preliminary	Index	May		48.8	48.4
09:30	GE	PMI services, preliminary	Index	May		49.7	49
10:00	EC	PMI manufacturing, preliminary	Index	May	48.5	49.4	49
10:00	EC	PMI composite, preliminary	Index	May	50.4	50.8	50.4
10:00	EC	PMI services, preliminary	Index	May	50.3	50.5	50.1
10:00	GE	IFO - business climate	Index	May		87.5	86.9
10:00	GE	IFO - current assessment	Index	May		86.8	86.4
10:00	GE	IFO - expectations	Index	May		88	87.4
10:30	UK	PMI manufacturing, preliminary	Index	May		46	45.4
10:30	UK	PMI services, preliminary	Index	May		50.5	49
14:30	US	Initial jobless claims	1000				229
15:45	US	Markit PMI manufacturing, preliminary	Index	May			50.2
15:45	US	Markit PMI service, preliminary	Index	May			50.8
16:00	US	Existing home sales	m (m/m)	Apr		4.15	4.02 -0.059
20:00	US	Fed's Williams speaks					
Friday, May 23, 2025				Period	Danske Bank	Consensus	Previous
-	US	Building permits, final	1000 (m/m)	Apr		
01:01	UK	GfK consumer confidence	Index	May		-21	-23
01:30	JN	CPI - national	y/y	Apr		3.60%	3.60%
01:30	JN	CPI - national ex. fresh food	y/y	Apr		3.50%	3.20%
08:00	GE	GDP, final	q/q/y/y	1st quarter		0.2% -0.2%	0.2% -0.2%
08:00	GE	Private consumption	q/q	1st quarter			0.10%
08:00	GE	Government consumption	q/q	1st quarter			0.90%
08:00	GE	Gross fixed investments	q/q	1st quarter			0.40%
08:00	UK	Retail sales ex fuels	m/m/y/y	Apr		0.3% 4.4%	0.5% 3.3%
08:45	FR	Consumer confidence	Index	May		93	92
11:00	EC	ECB Indicator of Negotiated Wage Rates					
14:30	CA	Retail sales	m/m	Mar		-0.30%	-0.40%
16:00	US	New home sales	1000 (m/m)	Apr		700	724.0 (7.4%)

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 ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2024	3.7	0.9	1.4	2.7	7.5	3.0	1.4	5.2	2.9	2.9	32.3	13.9
	2025	3.9	1.9	5.1	3.8	6.7	4.0	1.8	3.6	2.9	1.1	29.5	14.0
	2026	2.9	2.3	1.6	3.0	3.5	2.8	1.6	3.3	3.0	0.8	27.9	14.5
Sweden	2024	0.9	0.3	1.2	-1.2	2.4	1.7	1.9	4.1	8.4	-	33.4	-
	2025	2.0	1.9	1.8	1.3	2.9	2.6	2.6	3.5	9.0	-	33.8	-
	2026	2.5	2.6	2.2	3.4	3.2	3.7	2.0	3.5	8.4	-	34.3	-
Norway	2024	0.6	1.4	2.4	-1.4	5.2	4.3	3.1	5.7	2.0	-	-	-
	2025	1.8	3.0	2.0	1.4	2.0	2.2	2.3	4.0	2.2	-	-	-
	2026	1.7	2.5	2.0	1.5	1.0	1.8	2.0	3.5	2.3	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2024	0.8	1.0	2.7	-1.9	1.0	0.3	2.4	4.1	6.4	-3.0	89.1	3.0
	2025	0.9	1.2	1.2	0.5	0.4	1.2	2.2	3.2	6.4	-3.3	90.2	2.9
	2026	1.3	1.5	1.0	1.8	2.0	2.1	1.9	2.9	6.5	-3.2	90.5	2.7
Finland	2024	-0.1	-0.1	0.7	-7.1	0.1	-2.4	1.6	3.1	8.4	-4.4	82.1	0.3
	2025	1.1	0.5	0.9	0.5	1.5	1.0	0.9	3.1	8.3	-3.6	84.6	-0.2
	2026	1.8	1.5	0.5	7.0	3.0	4.5	1.8	3.4	7.7	-2.5	85.8	0.0

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
USA	2024	2.8	2.8	3.4	3.7	3.3	5.3	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	1.8	2.5	2.2	2.6	1.9	7.2	3.0	3.5	4.4	-6.5	125.1	-3.1
	2026	1.8	1.8	2.3	2.8	2.3	2.7	2.4	3.5	4.3	-7.0	128.0	-3.0
China	2024	5.0	4.5	-	5.0	-	-	0.2	-	5.1	-7.4	90.1	1.4
	2025	4.7	4.8	-	5.0	-	-	1.0	-	5.1	-8.1	94.3	1.4
	2026	4.8	5.0	-	5.2	-	-	1.5	-	5.1	-8.1	98.2	1.3
UK	2024	0.9	-	-	-	-	-	2.5	-	4.3	-	-	-
	2025	1.0	-	-	-	-	-	2.5	-	4.7	-	-	-
	2026	1.5	-	-	-	-	-	2.1	-	4.6	-	-	-

Source: OECD and Danske Bank. 1) % y/y. 2) % of labour force. 3) % of GDP.

Financial forecast

Bond and money markets										
		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	15-May	4.50	-	4.02	4.19	0.89	-	6.67	10.43	9.74
	+3m	4.25	-	3.60	3.95	0.87	-	6.48	10.26	9.48
	+6m	4.00	-	3.50	3.90	0.85	-	6.32	10.17	9.41
	+12m	3.50	-	3.30	3.80	0.83	-	6.21	10.17	9.33
EUR	15-May	2.25	2.13	2.04	2.58	-	1.12	7.4605	11.66	10.90
	+3m	1.75	1.61	1.95	2.50	-	1.15	7.4575	11.80	10.90
	+6m	1.50	1.55	1.90	2.45	-	1.18	7.4550	12.00	11.10
	+12m	1.50	1.55	1.85	2.40	-	1.20	7.4550	12.20	11.20
JPY	15-May	0.50	-	-	-	0.006	0.007	4.57	7.15	6.68
	+3m	0.50	-	-	-	0.006	0.007	4.57	7.23	6.67
	+6m	0.75	-	-	-	0.006	0.007	4.55	7.32	6.77
	+12m	1.00	-	-	-	0.006	0.007	4.60	7.53	6.91
GBP*	15-May	4.25	-	3.85	4.16	1.19	1.33	8.85	13.84	12.93
	+3m	4.00	-	3.65	4.05	1.16	1.34	8.67	13.72	12.67
	+6m	3.75	-	3.55	4.00	1.15	1.36	8.57	13.79	12.76
	+12m	3.25	-	3.50	4.00	1.15	1.38	8.57	14.02	12.87
CHF	15-May	0.25	-	-	-	1.07	1.19	7.97	12.45	11.64
	+3m	0.00	-	-	-	1.09	1.25	8.11	12.83	11.85
	+6m	0.00	-	-	-	1.10	1.30	8.19	13.19	12.20
	+12m	0.00	-	-	-	1.10	1.32	8.19	13.41	12.31
DKK	15-May	1.85	2.05	2.13	2.75	0.134	0.150	-	1.56	1.46
	+3m	1.35	1.56	2.00	2.60	0.134	0.154	-	1.58	1.46
	+6m	1.10	1.50	1.95	2.55	0.134	0.158	-	1.61	1.49
	+12m	1.10	1.50	1.90	2.50	0.134	0.161	-	1.64	1.50
SEK	15-May	2.25	2.33	2.17	2.71	0.092	0.103	0.68	1.07	-
	+3m	2.25	2.35	2.10	2.80	0.092	0.106	0.68	1.08	-
	+6m	2.25	2.35	2.30	2.80	0.090	0.106	0.67	1.08	-
	+12m	2.25	2.35	2.35	2.90	0.089	0.107	0.67	1.09	-
NOK	15-May	4.50	4.72	4.22	4.02	0.086	0.096	0.64	-	0.93
	+3m	4.50	4.46	4.10	3.90	0.085	0.097	0.63	-	0.92
	+6m	4.25	4.20	3.95	3.85	0.083	0.098	0.62	-	0.93
	+12m	3.75	3.71	3.85	3.80	0.082	0.098	0.61	-	0.92

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

Commodities														
	15-May	2024				2025				2026	Average			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Y	2024	2025	2026	
ICE Brent	65	82	85	79	74	75	70	80	85	90	80	78	90	

Source Danske Bank

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Weekly

Date of first publication

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