

# Weekly Focus

## Disinflation continues

**This week, inflation came in below expectations in the euro area and the US.** In the euro area, headline inflation fell much more than expected to 2.4% y/y (consensus: 2.7% y/y) in November from 2.9% in October. The decline was broad-based as core inflation ticked down to 3.6% from 4.2%. Remarkably, the monthly change in core inflation was -0.15% m/m seasonally adjusted. This was a major surprise as the previously sticky service prices also fell in the month. Markets reacted quickly and priced in an extra full 25bp cut in the ECB deposit rate next year thus seeing it at 2.75% in December 2024. We think it is still too early to declare victory over inflation as wage growth is strong and expect just three 25bp cuts next year starting in June, which will bring the policy rate to 3.25%.

**In the US, PCE inflation was slightly lower than expected** in October at 3.0% y/y (consensus 3.1%, prior: 3.4%). Underlying inflation continued to ease as the Fed's preferred measure, core services PCE inflation, slowed down in both m/m (+0.21%) and y/y (+4.6%) terms. This signals that the Fed continues to make progress on cooling underlying inflation.

**The Chinese PMIs sent mixed signals for activity in November.** The official PMIs from NBS were weaker than expected while the private version from Caixin pointed to improvements in manufacturing. We lean more towards the Caixin index painting the right picture and expect further improvements in the manufacturing sector over the coming months. Regarding the service sector, it is a concern that the NBS continues to weaken if it reflects low private consumption. **To support domestic demand, both the Chinese central bank and government agencies unveiled measures to support financing** for the private sector this week and we expect more to come.

**OPEC+ decided to keep status quo on production in a signal that we should not expect deeper cuts in production.** Going forward, we expect the oil market to be in the hands of global growth and the dollar and look for Brent to average USD80-85/bbl.

**The Reserve Bank of New Zealand (RBNZ) kept the policy rate unchanged at 5.50%** as expected this week. The RBNZ communicated a hawkish stance by signalling a longer hold and slower rate cuts than previously. The RBNZ now sees the first rate cut in Q2 2025.

**Next week, focus will be on US data releases** with both the November jobs report, ISM services, and the University of Michigan survey scheduled. We expect a further cooling in non-farm payrolls on Friday to +140k and see average hourly earnings growth stable at 0.2%. Markets will keep a close eye on the Michigan survey on Friday after two consecutive months of rising short-term inflation expectations. **We also have several central bank meetings next week in Poland, Canada, and Australia.** We expect unchanged policy rates from all three.

**China and EU will have the first face-to-face summit in years which may attract some attention on Thursday and Friday.** From China, we receive the November trade data on Thursday that will give clues as to whether global manufacturing recession is easing. On Tuesday, we closely follow the Caixin service PMIs after the weak NBS service PMIs.

**On Tuesday, we publish new macroeconomic projections for the Nordic countries** as well as the euro area, US, China, and UK in our Nordic Outlook publication.

### Key global views

- Weak near-term growth outlook in the US and Europe, but recovery from summer 2024
- US and euro area headline inflation set to decline further, but core inflation to remain sticky
- Fed and ECB policy rates have peaked

### Key market movers

- Tuesday: RBA policy rate, US ISM Services, Chinese Caixin service PMI, euro area PPI, Tokyo CPI
- Wednesday: Polish central bank, Bank of Canada
- Thursday: EU-China Summit, Chinese trade data, euro area GDP
- Friday: US non-farm payrolls, U. of Mich. Survey, Japan wage growth

### Selected reading from Danske Bank

- *Euro Area Research: New fiscal rules in the EU - aligning theory and practice?*, 29 November
- *Research Global: The Middle East unveiled - how a regional storm could ignite global flames*, 28 November
- *Credit Outlook 2024: More resilience than meets the eye*, 24 November

### Editor

Analyst  
Rune Thyge Johansen  
+ 45 40 26 04 37  
[rujo@danskebank.dk](mailto:rujo@danskebank.dk)

# Scandi market movers

- In **Denmark**, the week begins with statistics for currency interventions by Denmark's Nationalbank on Tuesday. As the EUR/DKK exchange rate has not deviated substantially from its target we expect there was no intervention in November.

Thursday should bring bankruptcies for November. On average, 260 active companies have gone bankrupt per month in 2023, which is 12% more than in 2022. High wage- and interest costs contribute to this, as well as the general economic decline in Denmark and Europe. Thus, this trend is likely to continue in November.

On Friday, we get industrial production for October. While overall manufacturing production was up 2.6% y/y in September, it declined 13.2% y/y when excluding pharmaceuticals. This is a trend we have seen throughout the year. Business confidence improved in October after being very low in September, and this was partially driven by a marked increase in production expectations from pharmaceuticals. As pharmaceuticals have previously supported production, this suggests a slight increase compared to September.

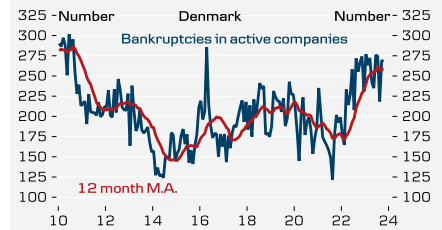
- In **Sweden** we get the Riksbank's Minutes from the November meeting on Monday morning CET 09.30. The November decision of leaving the policy rate unchanged was made unanimously. It shall be interesting to see what made the more hawkish members such as Thedéen and Jansson agree to this and the valued different factors in reaching the decision. Last week NIER's confidence survey showed that price plans remain elevated in the service sector, therefore we will look out for how much importance different members will attach to this compared with other forward-looking inflation indicators such as the Riksbank's own business survey. As usual, we will assess the tone of the members regarding the development of the SEK. All in all, we will analyse what impact their opinions on these factors will have on the duration until the first rate cut.

PVI (production value indicator), consumption indicators and the erratic GDP-indicator for October is released. The indicators released so far point toward a positive GDP print, pulled upwards by incredibly strong net exports and retail trade that bounced equally from last month's depressing outcome. Otherwise, everything points towards consumption and the production value index continuing moving sideways in a steady pace.

Furthermore, Swedish National Debt Office budget balance for November, PMI for Services and Mäklarstatistik house price data are released where we look out especially for a complement indicator of services prices from the PMI and to what degree housing prices are bottoming out. All members of the executive board of the Riksbank will also speak throughout the week at different events where they will discuss the economic situation and current monetary policy.

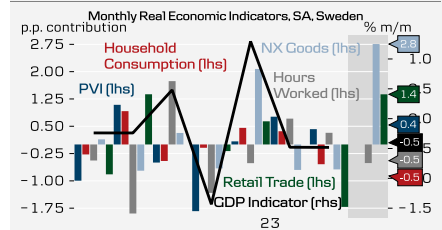
- In **Norway**, much of the tension surrounding the publication of the Regional survey next week has disappeared, after Norges Bank published figures for the production index in the report already this week. Nevertheless, we are concerned about whether the survey also shows that capacity utilization is falling in line with the slowdown in growth, which is an important driver of price growth going forward. We are also excited to see whether wage expectations fall as the Expectations Survey indicated, and companies' expectations for employment and investment going forward.

## We expect the high level of bankruptcies to continue in November



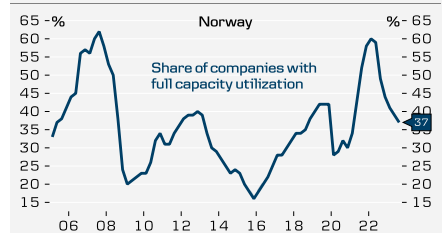
Sources: Statistics Denmark, Danske Bank

## Remarkably strong net exports should pull the GDP-indicator upwards



Source: SCB, Danske Bank calculations

## Is capacity utilization falling further?



Kilde: Macrobond, Danske Bank

# Scandi update

## Denmark – Upwards revision in GDP growth for the third quarter, but there was still a contraction

In Denmark, there was an upwards revision in GDP growth for the third quarter to -0.1% q/q compared to the preliminary indicator which showed growth of -0.3% q/q. Manufacturing, particularly of pharmaceuticals, is a key driver of the overall decline in GDP, but as we have argued earlier, this is a bit odd given the success of Novo Nordisk, so we expected an upwards revision. Private consumption increased 1.3% q/q, and this was solely driven by an increase in the consumption of services, such as package tours. This aligns well with the increased spending at travel agencies which we saw back in July. Overall, we expect private consumption to be supported by the high wage growth going forward, while overall growth will likely still be depressed by the high interest rates.

Retail trade increased by 0.3% in October compared to September adjusted for regular seasonal patterns and inflation. The trend for the index has been positive since the beginning of the year, which aligns well with the fact that the purchasing power of the consumer is being restored, as wage growth has outpaced inflation for some time now. Furthermore, the labour market has been very robust, which also supports consumption.

Unemployment increased by 500 people in October compared to September, which is a downwards revision from the 800 that the unemployment indicator showed. This underscores the fact that the labour market is still very robust, as it is a very modest increase. Furthermore, while the number of open positions declined in the third quarter, it was still on a high level relative to the time before the pandemic.

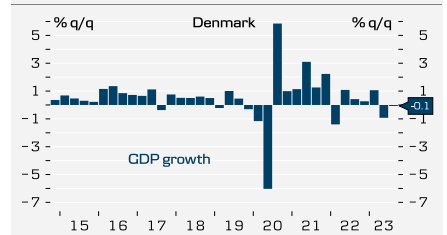
## Sweden – Biggest rise in final demand since Q2 2021

Swedish Q3 economic growth was NOT as bad as suggested by the -0.3% q/q outcome. Many commentators have pointed to two consecutive negative GDP prints and then concluded that there is a technical recession. However, this kind of “analysis” leads to the wrong conclusion. Actually, stripping out the huge (subtracting -1.4 p.p.) inventory drawdown on the contrary suggests final demand showed a quite impressive increase by 1.1% q/q SA. This comes on the back of a surge in net exports (adding +1.5 p.p.). Besides this, details basically suggest that business is doing fine, with machinery & equipment investments as well as intellectual property investments and infrastructure spending all rising. Consumption has, in principle, bottomed out and is no longer a significant drag on growth. The only obvious obstacle is still dwellings construction which is likely to remain in the doldrums at least until late spring 2024. Also note that Statistics Sweden revised Q1 and Q2 GDP sharply higher, suggesting history was better than earlier recorded.

Moreover, October data suggests a very strong start to Q4. The real goods trade balance basically spiked sharply higher again indicating exporters are doing very well on the back of the previously “weak” Krona and in relative terms low wage cost developments. The situation could hardly be better for boosting profits. That said, retail trade recovered to the full extent from the 1.4% m/m SA seen in September. The October surge (+1.4 % m/m SA) will now lift consumption at the start of Q4.

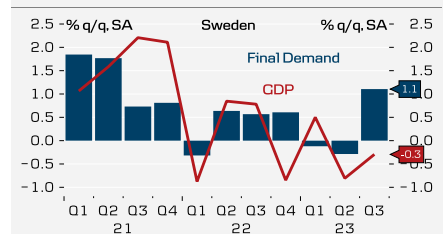
On the price outlook, NIER’s November survey unfortunately signalled continued plans to hike prices in private services and retail trade in coming months. This is a bit contrary to the downbeat price intentions suggested by consumer-near companies in Riksbank’s autumn business survey.

GDP declined by 0.1% in the third quarter



Source: Danske Bank, Statistics Denmark, Macrobond Financial

Sweden: Weak Q3 GDP, however, final demand is rising strongly



Source: SCB, Danske Bank calculations

## Norge – Growth expectations weaker than expected

The big surprise this week was that Norges Bank (NB) published the main figures from the Regional survey (due on 7 December). The respondents now expect zero growth in the fourth quarter and a 0.3% drop in Q1 2024. With the exception of continued optimism among the oil suppliers and roughly zero growth expectations in the service sector, there is growing pessimism all over. The survey indicates that growth throughout the year and into next year will be weaker than NB has assumed, and has therefore cast doubt on whether the central bank will deliver a rate hike in December.

Regional survey points to negative growth



Source: Macrobond, Danske Bank

# Calendar – 4-8 December 2023

Monday, December 4, 2023				Period	Danske Bank	Consensus	Previous
8:30	CHF	CPI	m/mly/y	Nov		-0.1% 1.7%	0.1% 1.7%
10:30	EUR	Sentix Investor Confidence	Index	Dec		-14.5	-18.6
16:00	USD	Core capital goods orders, final	%	Oct			-0.1%
17:00	DKK	Currency reserves	DKK bn	Nov			607.6
Tuesday, December 5, 2023				Period	Danske Bank	Consensus	Previous
0:30	JPY	Tokyo CPI Ex-Fresh Food	y/y	Nov		2.4%	2.7%
0:30	JPY	Tokyo CPI Ex-Fresh Food, Energy	y/y	Nov		3.7%	3.8%
1:30	JPY	Markit PMI services, final	Index	Nov			51.7
2:45	CNY	Caixin PMI service	Index	Nov		50.7	50.4
4:30	AUD	Reserve Bank of Australia rate decision	%		4.35%	4.35%	4.35%
6:00	DKK	Danske Bank publishes Nordic Outlook					
8:00	SEK	Current account	SEK bn	3rd quarter			68.8
8:30	SEK	PMI services	Index	Nov			48.5
8:45	FRF	Industrial production	m/mly/y	Oct		-0.2% 1.9%	-0.5% -0.1%
9:15	ESP	PMI services	Index	Nov		51.5	51.1
9:45	ITL	PMI services	Index	Nov		48.5	47.7
9:50	FRF	PMI services, final	Index	Nov		45.3	45.3
9:55	DEM	PMI services, final	Index	Nov		48.7	48.7
10:00	EUR	PMI composite, final	Index	Nov		47.1	47.1
10:00	EUR	PMI services, final	Index	Nov		48.2	48.2
10:30	GBP	PMI services, final	Index	Nov		50.5	50.5
11:00	EUR	PPI	m/mly/y	Oct		-9.4% 0.2%	-12.4% 0.5%
15:45	USD	Markit PMI service, final	Index	Nov			50.8
16:00	USD	JOLTS Job openings	K	Oct		9400	9553 9553
16:00	USD	ISM non-manufacturing	Index	Nov		52.5	51.8
Wednesday, December 6, 2023				Period	Danske Bank	Consensus	Previous
-	PLN	Polish central bank rate decision	%		5.75%	5.75%	5.75%
1:30	AUD	GDP	q/qly/y	3rd quarter		0.4% 1.8%	0.4% 2.1%
8:00	DEM	Factory orders	m/mly/y	Oct		0.4% -3.8%	0.2% -4.3%
10:30	GBP	PMI construction	Index	Nov		47.0	45.6
11:00	EUR	Retail sales	m/mly/y	Oct		0.2% -1.1%	-0.3% -2.9%
14:15	USD	ADP employment	1000	Nov		120	113
14:30	USD	Unit labour cost, final	q/q	3rd quarter		-0.9%	-0.8%
14:30	USD	Trade balance	USD bn	Oct		-63.0	-61.5
16:00	CAD	Bank of Canada rate decision	%		5.00%	5.00%	5.00%
16:30	USD	DOE U.S. crude oil inventories	K				1610
Thursday, December 7, 2023				Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	Nov		48.7	56.5
-	CNY	Foreign exchange reserves	USD bn	Nov			3101.2
6:00	JPY	Leading economic index, preliminary	Index	Oct		108.2	108.9
7:45	CHF	Unemployment	%	Nov		2.1%	2.1%
8:00	SEK	Budget balance	SEK bn	Nov			-0.7
8:00	NOK	Manufacturing production	m/mly/y	Oct			0.0% -1.5%
8:00	NOK	Industrial production	m/mly/y	Oct			-8.6% -20.1%
8:00	DEM	Industrial production	m/mly/y	Oct		-0.2% -3.2%	-1.4% -3.7%
9:00	CHF	Foreign Currency Reserves	CHF bn	Nov			657.8
11:00	EUR	GDP, final	q/qly/y	3rd quarter	-0.1% 0.1%	-0.1% 0.1%	-0.1% 0.1%
11:00	EUR	Gross fixed investments	q/q	3rd quarter			0.1%
11:00	EUR	Government consumption	q/q	3rd quarter			0.4%
11:00	EUR	Private consumption	q/q	3rd quarter			0.0%
11:00	EUR	Employment, final	q/qly/y	3rd quarter			0.3% 1.4%
14:30	USD	Initial jobless claims	1000				218
21:00	USD	Consumer credit	USD bn	Oct		9.0	9.1
Friday, December 8, 2023				Period	Danske Bank	Consensus	Previous
0:30	JPY	Labour cash earnings	y/y	Oct		1.0%	0.6%
0:50	JPY	GDP deflator, final	y/y	3rd quarter		5.1%	5.1%
0:50	JPY	GDP, final	q/q q ann.	3rd quarter		-0.5% -1.9%	-0.5% -2.1%
6:00	SEK	Maklarstatistik Swedish housing price data					
8:00	SEK	Industrial orders	m/mly/y	Oct			4.2% 3.6%
8:00	SEK	Private Sector Production	m/mly/y	Oct			0.4% -1.4%
8:00	SEK	Household consumption	m/mly/y	Oct			-0.5% -0.7%
8:00	DEM	HICP, final	m/mly/y	Nov		-0.7% 2.3%	-0.7% 2.3%
8:00	DKK	Industrial production	m/m	Oct			0.2%
14:30	USD	Unemployment	%	Nov		3.9%	3.9%
14:30	USD	Average hourly earnings, non-farm	m/mly/y	Nov	0.2%	0.3% 4.0%	0.2% 4.1%
14:30	USD	Non farm payrolls	1000	Nov	140	200	150
16:00	USD	University of Michigan Confidence, preliminary	Index	Dec		61.6	61.3

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	2022	2.7	-1.6	-2.8	3.2	10.8	6.5	7.7	3.6	2.6	3.4	29.7	13.0
	2023	1.7	0.1	0.2	-5.2	6.7	0.8	4.0	4.3	2.9	2.1	27.7	12.5
	2024	1.2	1.6	1.5	0.7	1.7	1.7	3.2	5.6	3.2	1.0	26.0	12.5
Sweden	2022	2.9	1.9	0.0	6.2	7.0	9.3	8.4	2.5	7.5	1.1	31.0	3.7
	2023	0.0	-1.6	2.2	-0.9	2.5	0.7	8.4	4.0	7.5	-0.4	29.0	4.7
	2024	1.7	1.7	1.5	2.0	3.0	2.9	1.8	3.3	7.8	-0.8	29.0	4.7
Norway	2022	3.8	6.2	1.1	5.2	4.7	12.3	5.8	4.3	1.8	-	-	-
	2023	1.2	-1.7	1.4	0.5	4.0	3.0	5.8	5.4	1.9	-	-	-
	2024	1.4	1.2	1.0	4.0	2.0	1.6	3.6	4.4	2.3	-	-	-

## 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	2022	3.4	4.2	1.6	2.8	7.4	8.0	8.4	3.1	6.7	-3.6	91.5	-0.9
	2023	0.5	0.1	-0.7	0.5	1.7	1.0	5.5	5.3	6.5	-3.2	90.0	1.3
	2024	0.8	1.1	1.0	0.5	2.0	2.0	2.6	4.5	6.8	-2.6	89.1	1.7
Finland	2022	1.6	1.7	0.8	3.2	3.7	8.5	7.1	2.4	6.8	-0.8	73.3	-2.5
	2023	-0.2	-0.2	3.0	-5.0	-0.5	-3.0	6.5	4.0	7.2	-2.8	72.3	-4.0
	2024	0.8	1.0	0.5	1.0	1.5	1.5	2.3	3.4	7.0	-2.7	73.4	-3.0

## 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	2022	1.9	2.5	-0.9	1.3	7.0	8.6	8.0	5.3	3.6	-5.5	123.3	-3.9
	2023	2.4	2.2	3.8	0.3	1.8	-2.0	4.1	4.1	3.6	-5.4	123.6	-3.1
	2024	1.1	0.2	2.9	3.1	-1.6	0.5	2.1	3.2	4.1	-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	-	-	-	-	-	9.0	-	3.7	-	-	-
	2023	0.4	-	-	-	-	-	7.6	-	4.3	-	-	-
	2024	0.4	-	-	-	-	-	2.9	-	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*	30-Nov	5.50	-	4.51	3.95	0.92	-	6.83	10.77	10.47
	+3m	5.50	-	4.53	4.05	0.92	-	6.84	10.92	10.55
	+6m	5.25	-	4.18	3.94	0.94	-	7.03	11.42	11.13
	+12m	4.75	-	3.95	3.85	0.96	-	7.16	11.63	11.35
EUR	30-Nov	4.00	3.91	3.33	2.96	-	1.09	7.4556	11.76	11.43
	+3m	4.00	3.97	3.44	3.15	-	1.09	7.4550	11.90	11.50
	+6m	4.00	3.75	3.13	2.99	-	1.06	7.4500	12.10	11.80
	+12m	3.50	3.28	2.70	2.85	-	1.04	7.4500	12.10	11.80
JPY	30-Nov	-0.10	-	-	-	0.006	0.007	4.62	7.29	7.08
	+3m	-0.10	-	-	-	0.006	0.007	4.68	7.48	7.23
	+6m	0.00	-	-	-	0.007	0.007	4.95	8.04	7.84
	+12m	0.00	-	-	-	0.007	0.007	5.27	8.55	8.34
GBP*	30-Nov	5.25	-	4.75	4.00	1.16	1.06	8.65	13.63	13.25
	+3m	5.25	-	4.58	3.94	1.14	1.24	8.47	13.52	13.07
	+6m	5.25	-	4.39	3.79	1.12	1.19	8.37	13.60	13.26
	+12m	4.75	-	4.20	3.70	1.12	1.17	8.37	13.60	13.26
CHF	30-Nov	1.75	-	-	-	1.05	1.15	7.84	12.37	12.02
	+3m	1.75	-	-	-	1.05	1.15	7.85	12.53	12.11
	+6m	1.75	-	-	-	1.06	1.13	7.93	12.87	12.55
	+12m	1.25	-	-	-	1.06	1.11	7.93	12.87	12.55
DKK	30-Nov	3.60	3.94	3.48	3.13	0.134	0.146	-	1.58	1.53
	+3m	3.60	3.92	3.59	3.30	0.134	0.146	-	1.60	1.54
	+6m	3.60	3.71	3.27	3.14	0.134	0.142	-	1.62	1.58
	+12m	3.10	3.23	2.85	3.00	0.134	0.140	-	1.62	1.58
SEK	30-Nov	4.00	4.05	3.45	2.90	0.088	0.096	0.65	1.03	-
	+3m	4.00	4.12	3.37	3.00	0.087	0.095	0.65	1.03	-
	+6m	4.00	3.95	2.98	3.00	0.085	0.090	0.63	1.03	-
	+12m	3.50	3.47	2.80	2.95	0.085	0.088	0.63	1.03	-
NOK	30-Nov	4.25	4.74	4.30	3.67	0.085	0.093	0.63	-	0.97
	+3m	4.25	4.50	4.23	3.64	0.084	0.092	0.63	-	0.97
	+6m	4.00	4.23	3.93	3.49	0.083	0.088	0.62	-	0.98
	+12m	3.50	3.78	3.65	3.35	0.083	0.086	0.62	-	0.98

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

## Commodities

	30-Nov	2023				2024				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	80	82	78	86	80	80	80	80	81	80	

Source Danske Bank

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