

Weekly Focus

Stagnant euro area economy supports gradual easing

The dollar continued its October rally, and yields edged higher this week. The moves reversed somewhat by the end of the week, as investors maybe questioning the sustainability of the recent sharp rise in US rates. Oil prices retraced some of the decline from recent weeks which weighs on energy-importing currencies such as euro and yen. The latter has been the big loser in October in general amid the moderation in the Fed pricing as US recession fears have been placed on the back burner.

The modest growth trajectory in the euro area continues with the October composite PMI at 49.7 on the back of a weaker-than-expected service sector and a stronger-than-expected manufacturing sector. Interestingly, German and French employment indices are now below 50 in the service sector for the first time in four years. That said, the two dominating economies are also the weak links in the euro area. The French service sector in particular pulled activity lower, but since we compare to a September with Paralympics in Paris, the world's third largest sporting event, we think markets should have been less surprised by the weak service print. German data was better than expected with a reaccelerating service sector and manufacturing increasing from very low levels. Ifo data also confirmed the encouraging German signs with both the current assessment and expectations moving higher, although from very low levels.

Largely the data aims with gradual ECB easing as we see it. That said, it does not keep investors from pricing in a growing probability of a jumbo cut in December and even a hawk such as Dutch governing council member Klaas Knot would not rule it out when speaking this week.

The coming week will be eventful. In the euro area, we will look out for inflation and Q3 GDP. In the former, gauging service price momentum will be key following a marked slowdown in September. We suspect it was mainly a blip and expect service price momentum to pick up again. We expect 0.2% Q3 GDP-growth supported by Southern Europe and the Olympic Games in France.

We also get a fan of key data releases from the US. On the labour market, we will look out for the number of job openings in the JOLTS report, which is an important measure of labour demand for the Fed. We think nonfarm payrolls growth slowed down to 130k (Sep: 254k) both due to weather-related distortions and less favourable seasonal adjustment. We expect Q3 GDP-growth of 2.5% on annualized Q/Q basis (Q2: 3.0%).

In Japan, we will keep an eye on the general election on Sunday. Polls have indicated the ruling coalition is in danger of losing its Lower House majority. This could compromise the backing for further rate hikes from the Bank of Japan (BoJ). That said, the largest opposition party, which has refused to enter the coalition, has a more hawkish stance on monetary policies, so the consequences for potential rate hikes down the line are not clear. We still look for another rate hike in December or January, but we expect the BoJ to stay on hold on Thursday.

Key global views

- Global manufacturing to gradually improve
- Recession risk is still low
- Fed and ECB to ease further at a gradual pace

Key market movers

- Sun: Japanese general election
- Tue: US JOLTS report
- Wed: EA and US Q3 GDP data, German inflation
- Thu: BoJ meeting, EA inflation and unemployment, US PCE inflation
- Fri: US jobs report and ISM manufacturing

Selected reading from Danske Bank

- *Research Global - Trump vs Harris - what it means for US-China relations*, 22 October
- *US Election Monitor - The race remains closer than prediction markets suggest*, 21 October

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Scandi market movers

- In **Denmark**, we receive unemployment rate on Friday. The preliminary unemployment indicator showed an increase of 900 persons from August to September. That is highest increase m/m since July 2023.
- In **Sweden**, the Economic Tendency Survey (NIER) released on Wednesday has recently shown mixed signals. In September, sentiment within the private services sector and retail trade both improved, with the retail trade sector being the only sector above the 100-mark, indicating growth territory. However, the manufacturing industry displayed further weakness at 95, with the construction sector at a particular weak level of 84. This is despite data from Byggefakta that shows positive signs on building starts although from low levels, but this has so far not been reflected in the sentiment in the NIER survey.

Regarding the manufacturing side, the lower trend in the sentiment does not come as a shock as export orders (as measured in NIER) have been trending lower since June and been in negative territory since March last year. This is in contrast to what hard data and PMI for the manufacturing side shows, which both indicates a levelling off in growth but still in growth territory. Next PMI figure will also be released next week (Friday).

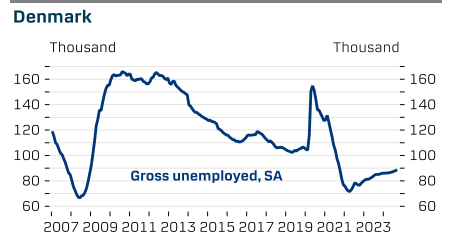
Employment on the other hand, offers a more optimistic outlook overall with plans to increase the workforce across the total industry. However, both the manufacturing and retail trade sectors indicate plans to reduce their workforces in the coming months. On the household front, sentiment has significantly improved over the past few months and is now close to normal levels. This is particularly encouraging as it correlates with actual household consumption, which has also shown recent improvements.

For next week's data, we anticipate further improvements in household sentiment as well as in the retail trade and private services sectors. Improvements in the construction sector may also be on the horizon soon.

Q3 GDP will also be released next week (Tuesday). The first half of the year presented a mixed economic picture: Q1 started with robust growth of 0.8% q/q, which was followed by a contraction in Q2 of -0.3% q/q. However, we anticipate a return to growth for Q3, estimating an increase of +0.5% q/q which we expect will be driven primarily by an uptick in private consumption and net exports.

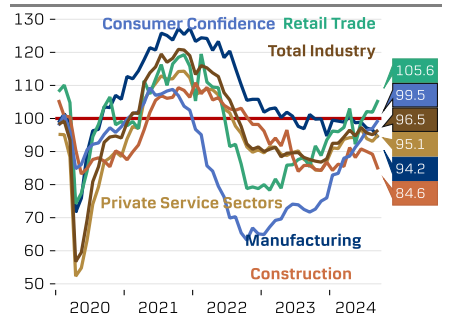
- The **Norwegian** labour market remains relatively tight, with continued growth in employment and only a moderate rise in unemployment, even though growth has been weak for over a year. The result is of course that productivity growth has been weak, and partly negative. Hence, we expect that unemployment will continue to rise moderately beyond 2025 even if growth picks up. We also believe that this tendency was visible in the October figures, but the unemployment rate was most likely unchanged at 2.1%. Recently, retail trade has fluctuated a lot on a monthly basis, but the trend actually appears to be sideways to falling despite households' real wages increasing. We think retail trade rose 0.7% in September, so that quarterly growth was slightly negative. In any case, there are few signs of any significant lift in private consumption after the summer, quite the opposite.

Unemployment continues to increase at a muted pace



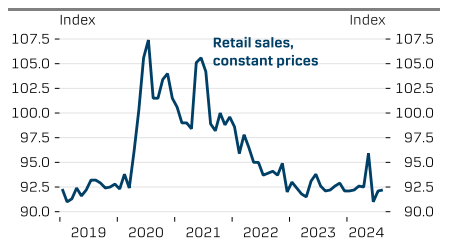
Source: Statistics Denmark, Macrobond, Danske Bank

NIER shows mixed signals in sentiment



Source: NIER, Macrobond

No sign of a strong recovery in consumption in Norway



Source: Macrobond, Danske Bank

Scandi Update

Denmark – Payrolls decreased to lowest level since 2021

Payrolls decreased by 1500 persons in August compared to July. This is the biggest decline since January 2021, and revised figures show a decrease for the second month in a row. The decline in payroll is largely driven by a decrease in the private sector of 1900 persons. In the public sector employment increased by 400. These figures could imply the beginning of the long-awaited slowdown in the labor market but note that there is increased uncertainty over the summer months and that business hiring intentions remain high.

Consumer confidence decreased to -8.9 for October, compared with -6.8 in September. The decrease is primarily due to households having a more negative assessment of their own financial situation. This is the first time since February 2023 that households expect their economy will be worse in a year from now. The only progress was an increase in expectations of the general economic situation in Denmark, however the outlook remains gloomy. We expect that consumer confidence will increase with the help of rate cuts and as consumers regain lost purchasing power.

Business confidence gave us an indicator of increasing growth in Denmark. Retail especially showed progress, with firms reporting higher sales expectations. We expect moderate economic growth also outside pharmaceuticals as lower rates and higher income increase expenditures in Denmark.

Retail spending increased 0.1% m/m in September adjusted for prices and seasonality, which was to the weak side. The y/y growth, was 0.6% after adjusting for prices, which was slightly higher than we saw in our own Spending Monitor, see *Spending Monitor - Spending slowed again in September*, 11 October.

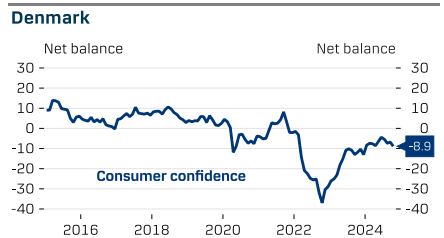
Sweden – MO suggests 3.5 % wage growth compatibility

The Mediation Office (MO) released the wage formation report earlier this week suggesting nominal 3.5% annual wage growth is compatible with Riksbank's 2% CPIIF inflation target. Basically, both the ordinary way to calculate real wage (wage growth less CPIIF) and for the employer side, more relevant, product real wage (using a broader wage cost measure and a value-added deflator) in principle give the same result, the difference is miniscule (less than 0.1 percentage point currently). With productivity expected to be 1.6% annually over the next couple of years, the real cost is netted out. Hence, the conclusion. That said, we are not entirely convinced that the employer side is willing to accept 3.5% per year in, say, a standard two- or three-year wage agreement. The reason is that 3.5% is quite high seen in a pre-pandemic context and also currently, given a CPIIF inflation close to 1% and expected to be well below 2% in coming years.

Norway – the labour market remains solid

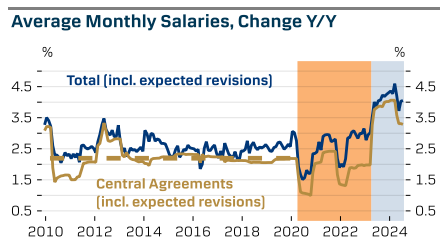
After a surprisingly strong boost in employment in July, we had a small correction in August. Overall, it still looks as if employment has picked up in Q3, which could imply that growth accelerated. What has come out of economic key figures is a more mixed bag, but there is much of the service sector that is not covered. Unemployment also appears to be stable, so it may look as if the Norwegian economy is continuing the trend of moderate growth, but it is still not easy to spot any meaningful lift in activity.

Consumer confidence decreased again



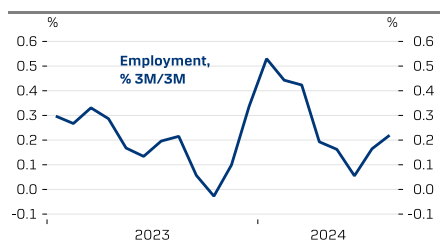
Source: Danske Bank, Statistics Denmark, Macrobond Financial

Pre-pandemic wage deals struck at 2.2 % per year



Source: Mediation Office, Danske Bank calculations

Employment growth is recovering



Source: Macrobond, Danske Bank

Calendar – 28 October – 1 November 2024

During the week					Period	Danske Bank	Consensus	Previous
Sun 27	CNY	Industrial profits	y/y	Sep				-17.8%
Monday, October 28, 2024					Period	Danske Bank	Consensus	Previous
8:00	SEK	Trade balance	SEK bn	Sep				-5.3
Tuesday, October 29, 2024					Period	Danske Bank	Consensus	Previous
0:30	JPY	Unemployment rate	%	Sep		2.5%	2.5%	
0:30	JPY	Job-to-applicant ratio		Sep		1.23	1.23	
8:00	SEK	Retail sales s.a.	m/m/y/y	Sep				0.4% 0.5%
8:00	DEM	GfK consumer confidence	Net. Bal.	Nov		-20.5	-21.2	
12:00	EUR	Ireland, GDP, preliminary	q/q/y/y	3rd quarter				-1.0% -4.0%
13:30	USD	Advance goods trade balance	USD bn	Sep		-96.0	-94.3	
14:00	USD	FHFA house price index	m/m	Aug				0.1%
15:00	USD	Conference Board consumer confidence	Index	Oct		98.8	98.7	
15:00	USD	JOLTS Job openings	K	Sep		7900	8040 8040	
Wednesday, October 30, 2024					Period	Danske Bank	Consensus	Previous
1:30	AUD	CPI	q/q/y/y	3rd quarter		0.3% 2.9%	1.0% 3.8%	
6:00	JPY	Consumer confidence	Index	Oct		36.7	36.9	
7:30	FRF	Household consumption	m/m/y/y	Sep				0.2% 0.0%
7:30	FRF	GDP, preliminary	q/q/y/y	3rd quarter		0.2% 1.1%	0.2% 1.0%	
8:00	SEK	Wages (blue collars/white collars)	y/y	Aug				4.5%
8:00	NOK	Retail sales, s.a.	m/m	Sep	0.5%			0.1%
9:00	SEK	Consumer confidence	Index	Oct				99.5
9:00	SEK	Economic Tendency Survey	Index	Oct				94.9
9:00	SEK	Manufacturing confidence	Index	Oct				94.2
9:00	ESP	HICP, preliminary	m/m/y/y	Oct				-0.1% 1.7%
9:00	ESP	GDP, preliminary	q/q/y/y	3rd quarter		0.6% ..	0.8% 3.1%	
9:00	CHF	KOF leading indicator	Index	Oct		105.0	105.5	
9:55	DEM	Unemployment	%	Oct		6.1%	6.0%	
10:00	DEM	GDP, preliminary	q/q/y/y	3rd quarter		-0.1% -0.2%	-0.1% 0.0%	
10:00	ITL	GDP, preliminary	q/q/y/y	3rd quarter		0.2% ..	0.2% 0.9%	
10:30	EUR	Portugal, GDP, preliminary	q/q/y/y	3rd quarter				0.1% 1.5%
11:00	EUR	Industrial confidence	Net bal.	Oct		-10.5	-10.9	
11:00	EUR	Economic confidence	Index	Oct		96.2	96.2	
11:00	EUR	Consumer confidence, final	Net bal.	Oct				-12.5
11:00	EUR	Service confidence	Net bal.	Oct		6.5	6.7	
11:00	EUR	GDP, preliminary	q/q/y/y	3rd quarter	0.2% 0.8%	0.2% 0.8%	0.2% 0.6%	
13:15	USD	ADP employment	1000	Oct		98	143	
13:30	USD	GDP, ___ release, preliminary	q/q AR	3rd quarter	0.025	0.03	0.03	
13:30	USD	PCE core, preliminary	q/q AR	3rd quarter				0.028
14:00	DEM	HICP, preliminary	m/m/y/y	Oct		0.2% 2.1%	-0.1% 1.8%	
15:00	USD	Pending home sales	m/m/y/y	Sep				0.6% -4.3%
15:30	USD	DOE U.S. crude oil inventories	K					5474
16:00	EUR	ECB's Schnabel speaks						
Thursday, October 31, 2024					Period	Danske Bank	Consensus	Previous
0:50	JPY	Industrial production, preliminary	m/m/y/y	Sep		0.9% -3.2%	-3.3% -4.9%	
0:50	JPY	Retail trade	m/m/y/y	Sep		-0.3% 2.2%	1.0% 3.1%	
2:30	CNY	PMI manufacturing	Index	Oct		49.9	49.8	
2:30	CNY	PMI non-manufacturing	Index	Oct		50.5	50.0	
8:00	NOK	Credit indicator (C2)	y/y	Sep				3.8%
8:00	DKK	Gross unemployment s.a.	K (%)	Sep				89 [3.0%]
8:00	DEM	Retail sales	m/m/y/y	Sep		-0.5% 2.3%	1.6% 2.4%	
8:45	FRF	HICP, preliminary	m/m/y/y	Oct		0.1% 1.4%	-1.3% 1.4%	
10:00	EUR	ECB Publishes Economic Bulletin						
10:00	NOK	Norges Bank's daily FX purchases	m	Nov				400
11:00	ITL	HICP, preliminary	m/m/y/y	Oct		0.1% 0.8%	1.2% 0.7%	
11:00	EUR	Unemployment	%	Sep	6.4%	6.4%	6.4%	
11:00	EUR	HICP inflation, preliminary	m/m/y/y	Oct	0.2%	0.2% ..	-0.1% ..	
11:00	EUR	HICP - core inflation, preliminary	y/y	Oct		2.6%	2.7%	
11:00	EUR	HICP inflation, preliminary	y/y	Oct	1.9%	1.9%	1.7%	
13:30	USD	Personal spending	m/m	Sep		0.4%	0.2%	
13:30	USD	Initial jobless claims	1000					227
13:30	CAD	GDP	m/m/y/y	Aug		0.1% ..	0.2% 1.5%	
13:30	USD	PCE core	m/m/y/y	Sep		0.3% 2.6%	0.1% 2.7%	
13:30	USD	Employment cost index	m/m	3rd quarter		0.9%	0.9%	
13:30	USD	PCE headline	m/m/y/y	Sep		0.2% 2.1%	0.1% 2.2%	
14:45	USD	Chicago PMI	Index	Oct				46.6

Source: Danske Bank

Calendar – continued

Friday, November 1, 2024				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Oct		15.75	15.77
1:30	JPY	Nikkei Manufacturing PMI, final	Index	Oct			49.0
2:45	CNY	Caixin PMI manufacturing	Index	Oct		49.8	49.3
7:00	EUR	S&P may publish Netherlands's debt rating		Oct			48.2
8:30	CHF	CPI	m/m/y/y	Oct		0.0% 0.8%	-0.3% 0.8%
8:30	SEK	PMI manufacturing	Index	Oct			51.3
10:00	NOK	PMI manufacturing	Index	Oct			51.8
10:00	EUR	S&P may publish Greece's debt rating		Oct			50.3
10:00	NOK	Unemployment	%	Oct	2.1%		2.0%
10:30	GBP	PMI manufacturing, final	Index	Oct		50.3	50.3
13:30	USD	Unemployment	%	Oct	4.1%	4.1%	4.1%
13:30	USD	Average hourly earnings, non-farm	m/m/y/y	Oct	0.2% ...	0.3% 4.0%	0.4% 4.0%
13:30	USD	Non farm payrolls	1000	Oct	130	120	254
14:30	CAD	RBC manufacturing PMI	Index	Oct			50.4
14:45	USD	Markit PMI manufacturing, final	Index	Oct			47.8
15:00	USD	Construction spending	m/m	Sep		0.0%	-0.1%
15:00	USD	ISM manufacturing	Index	Oct		47.6	47.2

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	2023	2.5	1.3	0.2	-6.6	10.4	3.7	3.3	4.1	2.8	3.3	33.6	9.8
	2024	1.8	1.0	1.7	-1.8	3.7	0.8	1.5	5.1	2.9	2.1	32.0	10.1
	2025	2.0	2.1	2.6	3.8	2.6	3.3	1.9	3.5	3.1	1.1	30.5	10.9
Sweden	2023	0.1	-2.2	1.1	-1.1	3.5	-0.8	8.6	3.8	7.7	-0.5	32.0	4.8
	2024	1.2	0.1	0.8	-1.8	2.4	0.8	2.8	3.5	8.4	-0.8	33.0	5.6
	2025	2.4	2.6	1.9	1.6	3.5	3.3	0.6	2.5	8.2	-0.2	33.0	5.7
Norway	2023	1.1	-0.8	3.4	0.0	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	0.7	1.3	2.2	4.0	3.0	1.5	3.2	5.1	2.1	-	-	-
	2025	2.0	2.9	1.8	4.0	3.0	2.0	2.0	3.8	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	2023	0.5	0.7	1.6	1.8	-0.5	-1.1	5.4	5.2	6.6	-3.6	90.2	2.9
	2024	0.7	0.8	1.2	-0.5	1.3	-0.2	2.4	4.3	6.5	-3.0	90.1	2.8
	2025	1.2	1.3	0.8	1.3	3.0	3.1	2.0	3.4	6.6	-2.9	90.7	2.9
Finland	2023	-1.2	0.3	3.4	-9.0	0.2	-6.6	6.3	4.2	7.2	-3.0	77.1	-0.4
	2024	-0.4	0.2	0.5	-5.0	-1.0	-1.5	1.9	3.0	8.3	-4.1	80.3	-0.7
	2025	1.8	1.2	0.2	5.0	3.0	3.5	1.5	3.0	8.0	-3.5	81.8	-0.5
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	2023	2.9	2.5	3.9	2.4	2.8	-1.2	4.1	4.3	3.6	-6.3	122.3	-3.0
	2024	2.5	2.1	3.4	4.1	2.0	4.1	2.9	3.2	4.1	-6.7	123.1	-2.8
	2025	1.5	1.2	2.6	3.5	1.9	4.5	2.5	2.5	4.7	-6.5	125.1	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.6	1.5
	2024	4.8	4.5	-	5.0	-	-	0.3	-	5.3	-7.4	88.6	1.3
	2025	5.2	5.6	-	5.5	-	-	1.7	-	5.2	-8.1	93.5	1.2
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	1.1	-	-	-	-	-	2.8	-	4.6	-	-	-
	2025	1.4	-	-	-	-	-	1.9	-	4.9	-	-	-

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

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	24-Oct	5.00	-	3.86	3.75	0.93	-	6.91	10.97	10.59
	+3m	4.50	-	3.30	3.45	0.93	-	6.97	10.93	10.56
	+6m	4.00	-	3.25	3.45	0.94	-	7.03	11.32	10.94
	+12m	3.25	-	3.15	3.50	0.95	-	7.10	11.71	11.05
EUR	24-Oct	3.25	3.09	2.26	2.40	-	1.08	7.4592	11.85	11.43
	+3m	3.00	2.90	2.20	2.40	-	1.07	7.4575	11.70	11.30
	+6m	2.75	2.65	2.15	2.50	-	1.06	7.4550	12.00	11.60
	+12m	2.25	2.15	2.10	2.60	-	1.05	7.4550	12.30	11.60
JPY	24-Oct	0.25	-	-	-	0.006	0.007	4.55	7.23	6.97
	+3m	0.50	-	-	-	0.006	0.007	4.84	7.59	7.33
	+6m	0.75	-	-	-	0.007	0.007	5.02	8.09	7.82
	+12m	1.00	-	-	-	0.007	0.007	5.26	8.68	8.18
GBP*	24-Oct	5.00	-	3.99	3.86	1.20	1.11	8.95	14.22	13.72
	+3m	4.75	-	3.80	3.65	1.22	1.30	9.09	14.27	13.78
	+6m	4.25	-	3.60	3.65	1.23	1.31	9.20	14.81	14.32
	+12m	3.50	-	3.25	3.60	1.22	1.28	9.09	15.00	14.15
CHF	24-Oct	1.00	-	-	-	1.07	1.15	7.98	12.67	12.22
	+3m	0.75	-	-	-	1.08	1.15	8.02	12.58	12.15
	+6m	0.50	-	-	-	1.09	1.15	8.10	13.04	12.61
	+12m	0.50	-	-	-	1.10	1.15	8.19	13.52	12.75
DKK	24-Oct	2.85	3.00	2.31	2.52	0.134	0.145	-	1.59	1.53
	+3m	2.60	2.80	2.25	2.55	0.134	0.143	-	1.57	1.52
	+6m	2.35	2.55	2.20	2.65	0.134	0.142	-	1.61	1.56
	+12m	1.85	2.05	2.15	2.75	0.134	0.141	-	1.65	1.56
SEK	24-Oct	3.25	2.91	2.08	2.42	0.087	0.094	0.65	1.04	-
	+3m	2.75	2.74	2.10	2.60	0.088	0.095	0.66	1.04	-
	+6m	2.25	2.37	2.30	2.70	0.086	0.091	0.64	1.03	-
	+12m	2.00	2.10	2.35	2.80	0.086	0.091	0.64	1.06	-
NOK	24-Oct	4.50	4.78	4.08	3.85	0.084	0.091	0.63	-	0.96
	+3m	4.50	4.65	3.75	3.50	0.085	0.091	0.64	-	0.97
	+6m	4.25	4.45	3.65	3.55	0.083	0.088	0.62	-	0.97
	+12m	3.75	3.90	3.55	3.60	0.081	0.085	0.61	-	0.94

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

Commodities

	24-Oct	2024				2025				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025
ICE Brent	75	82	85	79	80	85	85	85	85	82	85

Source Danske Bank

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