Nordic Outlook

December 2024

More growth, new risks

Highlights

- We expect moderately higher growth in Europe including most Nordic countries in 2025, as interest rates decline, and incomes rise.
- It is highly uncertain what policies the new US administration will implement, which adds to the already unclear global political outlook.
- Higher US tariffs and resulting trade wars would further undermine the global trade system but should not have a big effect on global demand in the short term.

http://www.danskebank.com/danskeresearch
Important disclosures and certifications are contained from page 36 of this report.

Danske Bank

Analysts

Editor-in-Chief:
Las Olsen
Chief Economist
laso@danskebank.com

Rune Thyge Johansen
Co-editor and euro area
rujo@danskebank.com

Bjørn Tangaa Sillemann
Denmark
bjsi@danskebank.com

Antti Ilvonen
US
ilvo@danskebank.com

Michael Grahn
Sweden
mika@danskebank.com

Allan von Mehren
China
alvo@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Minna Kuusisto
Emerging markets
mkuus@danskebank.com

Pasi Kuoppamäki
Finland
paku@danskebank.com

Louise Aggerstrøm Hansen
Denmark
louhan@danskebank.com

Editorial deadline: Tuesday 3 December at 16:00 CET
Economics Research

This publication can be viewed on
www.danskebank.com/danskeresearch

Where no other source is mentioned statistical sources are: Danske Bank, Macrobond, EC, IMF and other national statistical institutes as well as proprietary calculations.

Contents

04 **Summary**
More growth, new risks

05 **Global**
Many problems and many bright spots

07 **Euro area**
Still breathing

09 **US**
Solid growth despite political uncertainty

11 **China**
A bumpy recovery in the making

13 **Nordic summary**
Nordic improvement in 2025

14 **Denmark**
Not everything is growing in high-growth

18 **Sweden**
Rays of light amidst a sluggish recovery

22 **Norway**
Trend growth higher than previously assumed

26 **Finland**
Consumer in the driver's seat

Subscribe to newsletters on Macro, FI, and FX on our Research webpage

Important disclosures and certifications are contained from page 36 of this report.

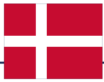
More growth, new risks

Global

We forecast normalisation in rates of growth, interest, inflation and unemployment over the coming years in many countries as economies are currently reasonably balanced and barring any big shocks. Political uncertainty is high with many question marks regarding the new US administration and ongoing wars, conflicts and geopolitical tensions. We see these factors as mostly affecting the longer-term economic outlook, but there could also be short-run effects. This includes the prospect of US tariffs and more general trade wars, which should have very limited implications for global demand in the short run but could well undermine growth in the longer term.

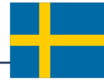
Euro area

The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth. We have lowered the growth forecast for early 2025 due to manufacturing challenges, cautious consumers, and a sluggish German economy. Growth is expected to slowly improve throughout 2025, bolstered by increasing real incomes and substantially lower monetary policy rates. We expect the ECB to lower the deposit rate at each consecutive meeting until it reaches 1.50% around next summer to support growth. The disinflationary process is on track, with average inflation expected at 2% for 2025 and 2026, driven by stable energy and food prices and core inflation hitting 2% next summer.



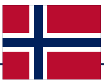
Denmark

The economy is strong compared to neighbours', and not just because of the pharmaceutical industry, but there are also significant areas where growth rates are low. Consumers ate into their savings during the period of high inflation and are now reluctant to channel pay rises into increased consumption, but we expect this will happen. Exports and industrial production are rising strongly due to pharmaceuticals and medical equipment but also in a few other areas. Despite the high level of wage growth in 2024, inflation remains on the low side. Wage growth is now slowing, while inflation is expected to stabilise around 2%.



Sweden

While still underperforming, the Swedish economy shows signs of better times in 2025. Growth will increase as lower interest costs, accelerating real wage and a stronger labour market boost household spending. The taming of inflation has been slower than expected leaving CPIF ex energy just over 2% in recent months. Sharply higher electricity prices in November has made the expected further disinflation in 2025 more uncertain against the backdrop of a weaker SEK, high wage demands and high rent deals. Riksbank lowers the policy rate in 25bp steps except in May, taking it down to 1.75% next summer. If Riksbank sees risks to inflation, however, it may choose to proceed more cautiously.

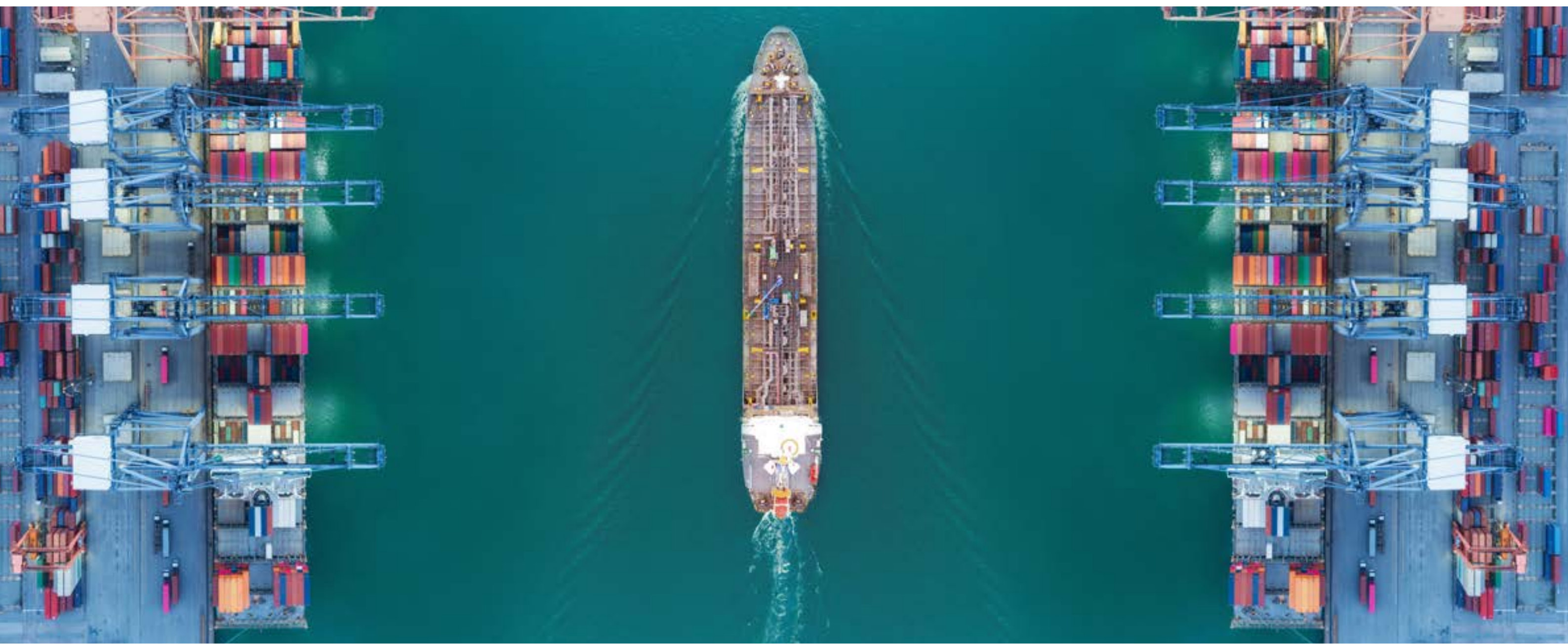


Norway

The revised GDP figures indicate that economic growth since 2022 has been stronger than previously expected. This has positively impacted productivity, which now aligns more closely with historical trends, alleviating concerns about the future growth potential. However, the economy shows varied performance across sectors, with rate-sensitive sectors experiencing a recession, while oil-related and export-oriented sectors are flourishing. The labour market is weakening but remains tight, and wage growth is still high. Nevertheless, disinflation continues, and as higher productivity will dampen cost-driven inflation, the first rate cut from Norges Bank is approaching. We pencil in the first cut in March, but the risk is clearly for an earlier move.

Finland

Finland continues a slow exit from a recession. Falling interest rates and low inflation boost domestic purchasing power, but risk of unemployment is still holding the consumer back. Unemployment will increase slightly in the near term. Flow of export orders remains sluggish, but growth in export markets boosts exports demand in later quarters. Housing construction seems to be bottoming at a low level, and a recovery can be expected to start in 2025. Housing market has stabilized, and the number of transactions has increased. Sovereign credit rating outlook has weakened, and public debt ratio grows despite the government decision to tighten fiscal policy, which implies a risk of further austerity measures.



Many problems and many bright spots

- **We forecast normalisation in rates of growth, interest, inflation and unemployment over the coming years in many countries, including the Nordics, as economies are currently reasonably balanced and barring any big shocks.**
- **Political uncertainty is high with many question marks regarding the new US administration, and ongoing wars, conflicts and geopolitical tensions. We see these factors as mostly affecting the longer-term economic outlook, but there could also be short-run effects.**
- **This includes the prospect of US tariffs and more general trade wars, which should have very limited implications for global demand in the short run but could well undermine growth in the longer term.**

Recent political events have not made the world easier to navigate for businesses, investors and other decision-makers. It is hard to know how we will be affected when Donald Trump's administration seeks to live up to what appears to be contradicting economic policy goals. There are signs of escalation in Russia's war against Ukraine, the situation in the Middle East remains very tense and the political conflict between China and several other countries, especially the US, might well worsen. In Europe, the collapse of the German government could be the latest sign that political polarisation is making it difficult to form coalitions with the strength to address structural economic problems.

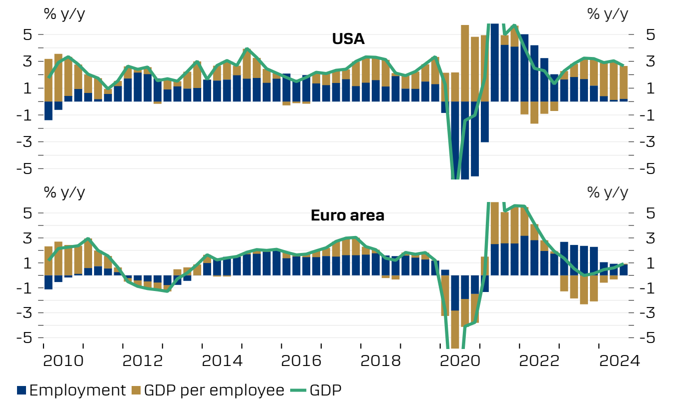
These are all important problems, but it is also important to not only focus on uncertainties and complications. Many economies, including the Nordic countries, stand to benefit from increasing spending power among households and lower interest rates, which should gradually support demand. The short-term outlook in China is also for higher demand growth as authorities work to support both the housing market and consumer demand, even if they might not succeed completely. Even with all the political conflicts over trade, that should also benefit industrial exporters in Europe.

We do not forecast strong recoveries in the Nordics and the euro area, as these economies have not really been in a crisis to recover from. Instead, our outlook is for what could be called normal growth, with normalisation also in unemployment, inflation and interest rates. When interest rates have been cut in the past, it has often been in response to a crisis in demand resulting in high unemployment and other signs of spare capacity. This time, the rate cuts are in response to the fact that the inflation problem, which they were raised to address, is more or less gone.

Many economies, including the Nordic countries, stand to benefit from increasing spending power among households and lower interest rates, which should gradually support demand

Las Olsen, Chief Economist

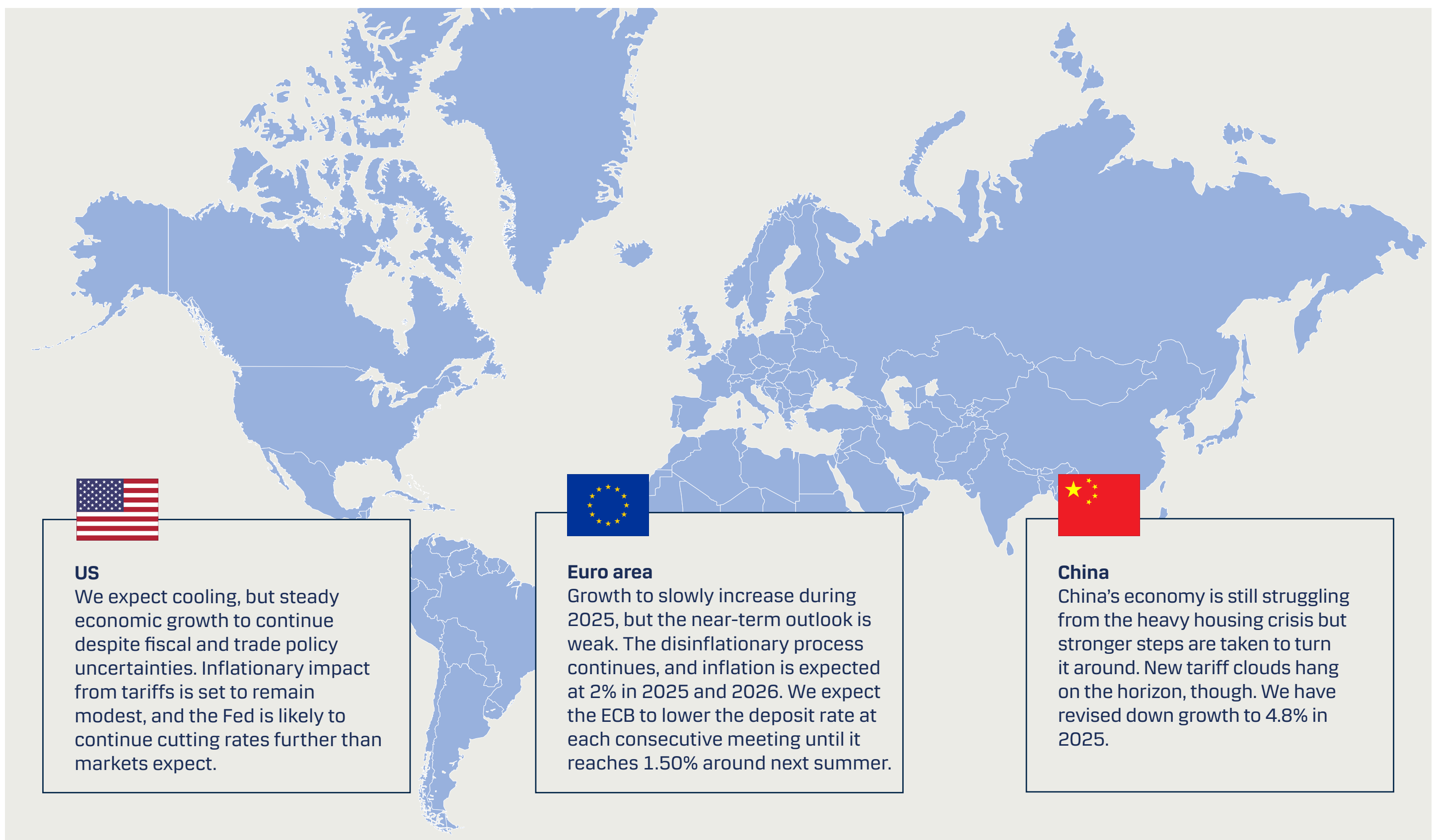
Return to normal growth, but what is that?



Source: Macrobond Financial

What exactly this normal growth level is, however, is more uncertain than usual. Recently, we have seen strong growth in the US economy at the same time as pressure has been easing in the labour market. In the euro area, it has been the other way around with very weak productivity growth. Some of this is no doubt due to cyclical factors, but we and many others are increasingly worried that the structural growth level in Europe could be very low in the years ahead, at least until we see reforms and investments that can boost productivity – not easy when there is also an urgent demand for much more defence investment. In the US, one big question mark for underlying growth is what the new administration will do to the work force.

Another potentially disruptive new policy is higher tariffs on US imports. We would not expect them to have much impact on growth in either the US or other countries in the short run. If the tariffs are matched by reductions in other taxes, US and global demand will still be roughly the same, and price mechanisms – such as a stronger USD, as we have already seen – should come into play to allow US imports to continue. The same applies to the retaliatory measures we would likely see from other countries. However, tariffs, trade wars and distortions will likely undermine potential growth in all countries, as well as add to the uncertainty and unpredictability that is already plaguing businesses everywhere.



US
We expect cooling, but steady economic growth to continue despite fiscal and trade policy uncertainties. Inflationary impact from tariffs is set to remain modest, and the Fed is likely to continue cutting rates further than markets expect.

Euro area
Growth to slowly increase during 2025, but the near-term outlook is weak. The disinflationary process continues, and inflation is expected at 2% in 2025 and 2026. We expect the ECB to lower the deposit rate at each consecutive meeting until it reaches 1.50% around next summer.

China
China's economy is still struggling from the heavy housing crisis but stronger steps are taken to turn it around. New tariff clouds hang on the horizon, though. We have revised down growth to 4.8% in 2025.

Still breathing

- **The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth. The recent growth momentum has slowed, and we have revised down expectations for the first half of 2025 due to the continued struggle in the manufacturing sector combined with cautious consumers and a weak German economy.**

- **While the near-term growth outlook is weaker and more uncertain than in our latest projection, growth is expected to improve slowly during 2025, supported by rising real incomes and significantly lower monetary policy rates.**

- **The disinflationary process remains well on track, and we expect headline inflation to average 2% in both 2025 and 2026 as commodity futures suggest stable energy and food prices. Core inflation is expected to remain above the 2% target until next summer.**

- **We expect the ECB to lower the deposit rate at each consecutive meeting until it reaches 1.50% around next summer. We see the need for ECB to lower the rate to "insurance territory" as growth is expected below potential in 2025 and inflation at target.**

	2023	Forecast 2024	2025	2026
GDP Growth	0.5%	0.7% (0.7%)	0.9% (1.2%)	1.4%
Inflation	5.4%	2.4% (2.4%)	2.0% (2.1%)	2.0%
Unem-ployment	6.5%	6.4% (6.5%)	6.7% (6.6%)	6.6%
Policy rate*	4.00%	3.00% (3.25%)	1.50% (2.50%)	1.50%

Paranthesis are the old projections (From September 2024)
**End of period*
Source: Danske Bank, Eurostat, ECB

The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth. The recent growth momentum has slowed, and we have revised down expectations for the first half of 2025 due to the continued struggle in the manufacturing sector combined with cautious consumers and a weak German economy. While the near-term growth outlook is weaker and more uncertain than in our latest projection, growth is expected to improve slowly during 2025, supported by rising real incomes and significantly lower monetary policy rates. Private consumption is expected to pick up during next year and be the main driver of growth. Consumption will benefit from rising real incomes, a historically strong labour market, and increased consumer confidence. We expect investments to stay low in the near term and highlight the risk of political uncertainty regarding trade policies having a negative effect. However, investments are projected to increase in late 2025 and 2026 due to improved financial conditions and increased public investments on EU priorities. Foreign demand is projected to gradually increase, bolstered by rising global activity and fiscal stimulus in 2026 from

The narrative on the euro area economy has changed from risks of too high inflation to risks of too low growth

Rune Thyge Johansen, Analyst

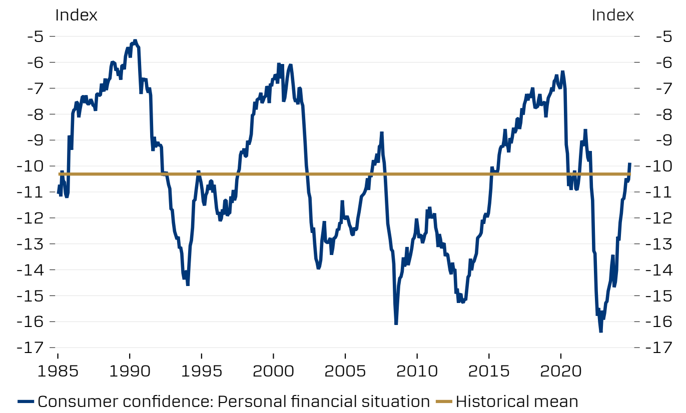
both the US and China. Additionally, we predict that potential US import tariffs will have a limited short-term impact on exports due to a lower EUR/USD. Overall, the risks to the growth outlook are viewed as balanced since a higher consumption share could increase growth more than expected while a weaker labour market due to spillovers from the industry could lower growth.

Inflation has become less of a concern in the euro area as the disinflationary process remains well on track. Underlying inflation is easing thanks to virtually no price increases on goods while headline inflation is coming lower due to energy and food inflation. We expect headline inflation to average 2% in both 2025 and 2026 as commodity futures suggest stable energy and food prices. Core inflation is expected to stand above the 2% target until next summer as services inflation will stay high due to elevated wage growth, while goods inflation is set to remain low due to the weak manufacturing sector combined with overcapacity in China. As inflation has come down, we expect significantly lower wage agreements for the coming years, which will lower services inflation. Risks to the inflation outlook are viewed as balanced as geopolitical tensions could increase commodity prices more than expected while weaker demand could lower inflation.

Turning to the ECB, we expect the deposit rate to be lowered at each consecutive meeting until it reaches 1.50% around next summer. We see the need for ECB to lower the rate to “insurance territory” as growth is expected below potential in 2025 and inflation at target. Recent communication by the ECB has clearly shifted focus towards risks of weaker growth and inflation undershooting the 2% target over the medium-term. We see the risks to our profile as broadly balanced as higher than expected wage growth could mean fewer rate cuts while weaker than expected activity could result in more.

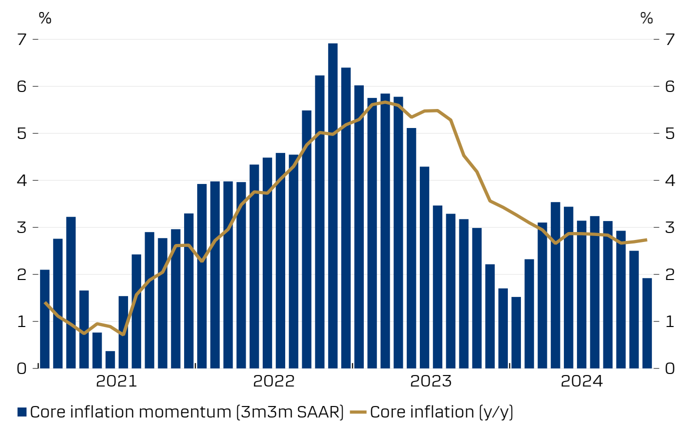
The German economy continues on a weak footing due to both cyclical and structural problems, particularly in the industry. The labour market has previously remained solid, but employment declined in the third quarter for the first time since COVID. We expect the cyclical headwinds to fade from the second half of next year, but until then the economy is not expected to grow, and employment is set to decline further in contrast to the rest of the euro area.

Rising consumer confidence to support consumption in the coming year



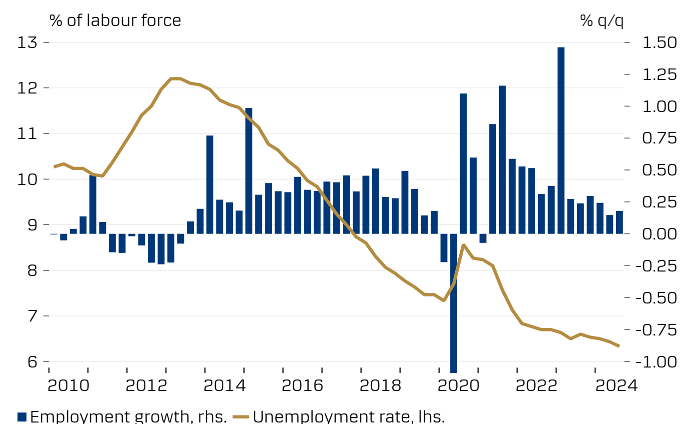
Source: Eurostat, Macrobond Financial

Underlying inflation is closing in on the 2% target



Source: Eurostat, ECB, Macrobond Financial

Employment growth continued in Q3



Source: Eurostat, Macrobond Financial

Solid growth despite political uncertainty

- **Fiscal and trade policy uncertainty overshadows US economic outlook, but we maintain our forecast for steady yet gradually cooling growth in 2025. We revise up our 2025 GDP forecast to 1.9% (from 1.5%) partly due to more positive overhang, and see 2026 growth at 2.1%**

- **We expect easier tax policies to lead to a net increase in fiscal deficits especially in 2026 when compared to CBO's baseline. Weaker immigration outlook poses a downside risk to structural growth.**

- **We assume 10% universal tariffs on all imports and 40% on imports from China, likely implemented towards the end of 2025. Trump's announcements suggest some increases could be announced already at the beginning of the new presidential term in January.**

- **Inflation forecasts have been adjusted modestly higher for 2025, with roughly half of the increase reflecting impact from tariffs. We see headline inflation averaging 2.7% in 2025 (from 2.2%) and 2.4% in 2026. Core inflation is set to average 2.9% in 2025 (from 2.4%) and 2.5% in 2026. We keep our Fed call unchanged and expect the Fed to reach a terminal rate of 3.00-3.25% by September 2025, which will be maintained through 2026.**

	2023	Forecast 2024	2025	2026
GDP Growth	2.9%	2.7% (2.5%)	1.9% (1.5%)	2.1%
Inflation	4.1%	2.9% (2.9%)	2.7% (2.2%)	2.4%
Unem-ployment	3.6%	4.0% (4.1%)	4.4% (4.7%)	4.3%
Fed Funds*	5.50%	4.50% (4.75%)	3.25% (3.25%)	3.25%

Paranthesis are the old projections (From September 2024)
**End of period*
Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed

Uncertainty over future fiscal and trade policies overshadows the US economic outlook, but we maintain our forecast for steady yet gradually cooling growth in 2025. In these forecasts, we assume that Trump's administration will impose 10% universal tariff on all imports and 40% on imports from China, and that the effects on both prices and demand will be felt gradually over the course of 2025.

Both timing and effectiveness of the tariffs are subject to high uncertainty. If Republicans attempt to use tariffs as a funding source for enacting permanent easing to domestic tax policies, lengthy negotiations could delay implementation of the tariffs towards the end of 2025. However, Trump has already announced plans to impose tariff hikes against China, Mexico and Canada on his first day in the office. Besides the details on implementation, re-routing of trade around the steepest tariffs on China, tariff exemptions for goods US cannot produce domestically and tax avoidance all complicate estimating the final impact on public revenues and economic growth.

We expect the Fed to continue cutting rates despite the tariff threat

Antti Ilvonen, Senior Analyst

Tariffs alone constitute net tightening of fiscal policy, which will be compensated by extending personal income tax cuts implemented under the 2017 Tax Cuts and Jobs Act. Congressional Budget Office has assumed the cuts would expire by the end of 2025, which would have led to modest tightening in expected deficits. But following the election result, we expect public deficits to remain close to 2024 levels also in 2025 and 2026. Note, that extending existing tax cuts does not provide an immediate boost to purchasing power, but tariffs can have the opposite impact, which could cause a negative sentiment effect on consumption during 2025.

We have lifted our 2025 inflation forecast to 2.7% from 2.2%, and roughly half of the increase is due to the tariffs, as several factors help mitigate their inflationary impact. Trade-weighted USD has appreciated approximately 5% since the likelihood of Trump's election win began to increase in early October, and we forecast further upside potential for the greenback in 2025. We would also expect both importers and exporters to absorb part of the cost increase in their margins.

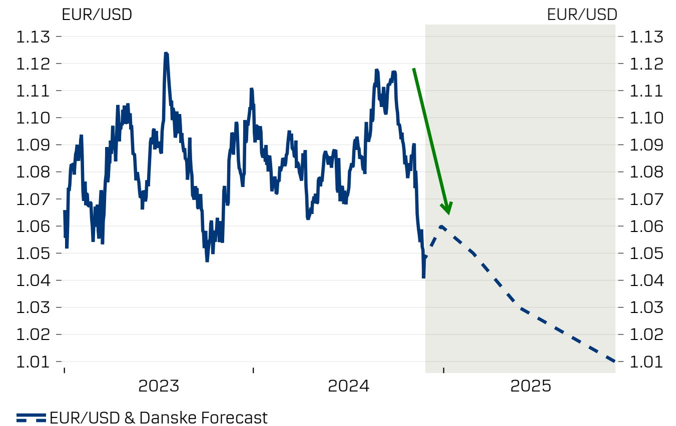
Consequent pressure for cost cuts is one of the most important downside risks to our forecasts. Aside from tariffs, labour costs as a share of GDP have begun to increase in 2024. In 2022-2023, companies were widely able to pass through cost increases to consumer prices, but with excess savings depleted, we think 2025 could be different. If weaker pricing power forces companies to focus more on costs, labour demand could continue to cool further.

In 2025 and 2026, tightening labour supply due to stricter stance on immigration could further push up labour costs. Consequently, we have revised down our forecast for the unemployment rate but underscore that low unemployment rate could still mask underlying demand weakness. Job openings have trended lower and involuntary layoffs have edged higher in 2024, and we will monitor closely whether these trends continue in 2025 as well.

We have revised up our growth forecast for 2025 to 1.9%, which still marks a slowdown from this year's pace. Growth relies increasingly on the consumer, as likely cuts to IRA subsidies could cool down the 2022-2023 boom in private manufacturing investments. We expect residential investments to recover as a growth driver towards 2026 due to tight housing supply, rising prices and declining mortgage rates.

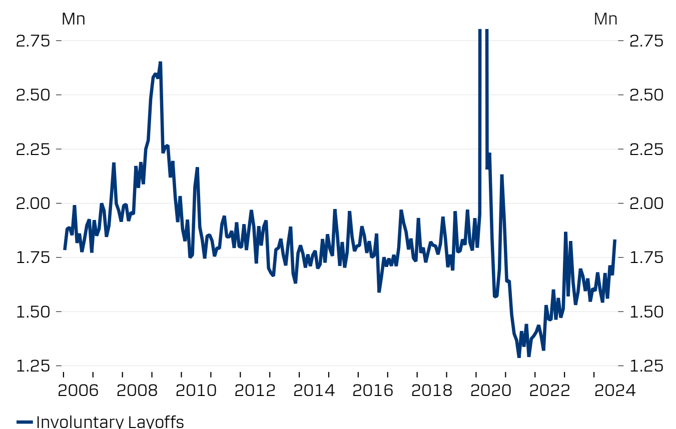
With consumption and labour markets still on cooling trends, and inflation expectations close to target, we think the Fed will continue cutting rates in the coming meetings. We maintain our call for the Fed's terminal rate at 3.00-3.25% and expect no policy rate changes through 2026. We also expect the Fed to continue reducing its balance sheet until the latter half of 2025.

Broad USD appreciation has already mitigated some of the inflationary impact from tariffs, and we expect similar trend to continue in 2025 as well



Source: Macrobond Financial, Danske Bank

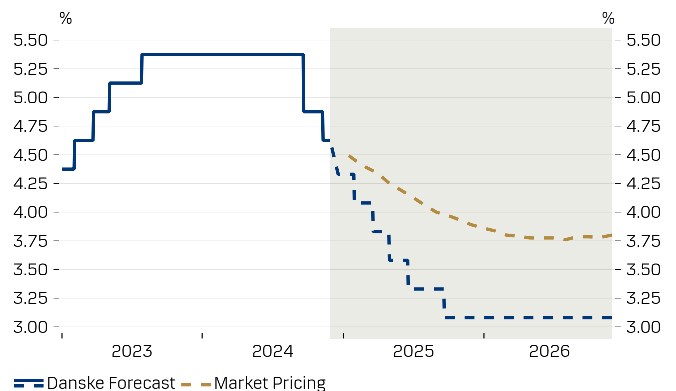
Firms have increased their layoffs over past months as labour costs continue rising



Source: Macrobond Financial, U. S. Bureau of Labor Statistics

We expect the Fed to continue cutting rates further than markets are pricing in

Fed Funds Rate



Source: Macrobond Financial, Danske Bank, CME

A bumpy recovery in the making

- **Chinese policy makers have drawn a line in the sand and now push stronger for an end to the housing crisis. We expect the stimulus push to continue in 2025 to achieve this.**
- **However, a new US-China trade war is looming expected to cause a new bump in the road. We have revised down growth to 4.7% from 5.2% in 2025.**
- **We expect the CNY to weaken further against the USD, which will dampen some of the impact from higher tariffs.**
- **In 2026 we look for growth at 4.8% but with a healthier composition with the consumer engine moving up a notch and the drag from housing easing further.**
- **The US-China rivalry is set to intensify with Trump's foreign policy taking stronger aim at China. He is unlikely to cross China's red line on Taiwan, though.**
- **EU-China trade tensions are likely to continue but we don't expect it to escalate into a big trade war.**

	2023	Forecast 2024	2025	2026
GDP Growth	5.2%	4.7% (4.8%)	4.7% (5.2%)	4.8%
Inflation	0.2%	0.2% (0.3%)	1.5% (1.5%)	1.5%
Unem-ployment	5.2%	5.1% (5.2%)	5.2% (5.2%)	5.2%
Policy Rate*	2.50%	1.70% (2.00%)	1.50% (1.50%)	1.50%

Paranthesis are the old projections (From October 2024)
**End of period (1-year Medium Lending Facility)*
Source: Danske Bank, Macrobond Financial

Pain threshold reached paving way for bigger stimulus
At the end of September, the Chinese government announced the biggest stimulus in more than 10 years. It followed a period of weakening activity and no signs of an end to the housing crisis. The stimulus contained a wide range of measures to support the housing market, put more money in the pockets of households, underpin equity markets, strengthen the big banks and relief the local government debt burden. The leadership still hasn't announced specific fiscal policy measures but has stated that it will provide a 'forceful fiscal stimulus' in 2025.

As important as the stimulus is the policy signal entailed in it. The Chinese leadership has in our view drawn a line in the sand and wants an end to the housing crisis. To a wide extent the crisis until now has been intentional and triggered by government action in 2021 to take the air out of the housing bubble. The goal is to restructure the economy away from its' addiction to housing

It seems the transition has reached China's pain threshold as rising signs of stress is showing up in the society

Allan von Mehren, Chief Analyst

and old growth drivers such as low-end manufacturing exports and 'old infrastructure'. Instead, China wants new growth drivers to come from high-tech exports, green investments, high-tech investments (AI, robots etc.), life science, 'smart infratructure' and private consumption. The transition from the old to the new model is painful, though, as the addiction to housing has been significant both for households as well as local governments.

However, it seems the transition has reached China's pain threshold as rising signs of stress is showing up in the society due to rising youth unemployment and distress over the uncertain outlook of the housing crisis. Consumer confidence has stayed at a record low level since 2022, the number of protests has increased and several occasions of violent attacks on crowds has taken place, something new to China. At the same time, as aimed for, the air has now to a wide extent been let out of the housing bubble.

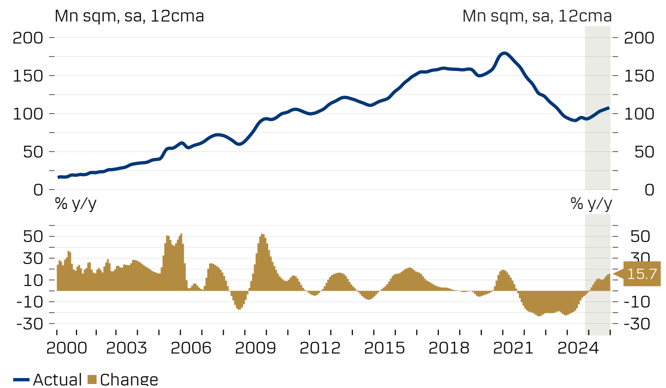
Stimulus push to continue – early signs of improvement
We believe China will continue to add stimulus until the desired effects are seen. If necessary, China can further step up subsidies for housing, buy up more empty housing to rent out to reduce housing supply and lower mortgage rates further.

There are tentative signs that home buyer appetite is coming back. In October, the decline in home prices showed significant easing and developers report rising demand for housing. Anecdotally, we know many home buyers have been 'sitting on the fence' as house prices were falling and no one wants to buy in a declining market. A sense that prices have stopped falling could get these buyers down from the fence. Our baseline scenario is a slow recovery, though, as there is still a lot of stress in the system.

As the housing market starts to slowly recover, we look for a gradual lift to private consumption growth. Households have saved a big share of their income in recent years and we look for a gradual decline in the savings rate from the current very high levels.

With the election of Donald Trump as US President, we expect to see a hike in US tariffs on China to around 40% from the current effective rate of 12-13%. It will provide new uncertainty and a headwind to exports. However, there will be some offsetting factors as the CNY will weaken and absorb some of the impact as was the case in the first trade war. Nevertheless, we believe it will shave around ½ percentage points of growth and we have lowered our forecast to 4.7% from 5.2% in 2025. Of course, there is a lot of uncertainty surrounding this forecast as it depends on the intensity, timing and dynamics of the trade war that can

The housing collapse is the epicentre of China's crisis



Remark: Trend- and seasonally adjusted
Source: China National Bureau of Statistics (NBS)

We look for moderate recovery in retail sales

Remark: Seasonally adjusted
Source: China National Bureau of Statistics (NBS)

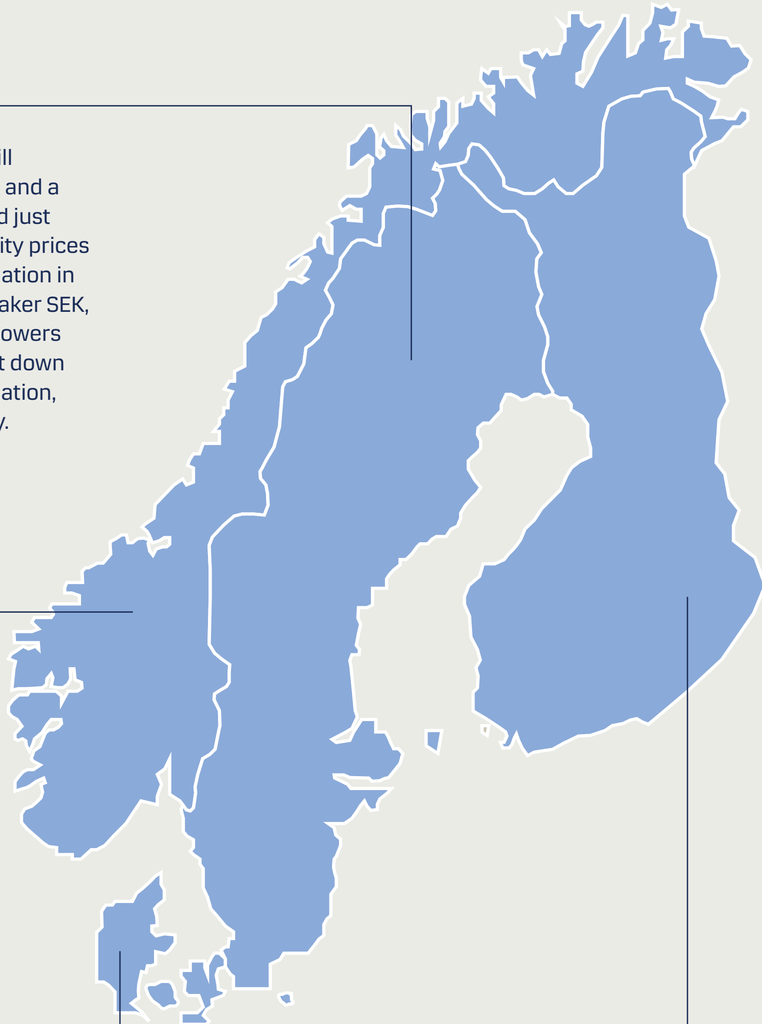
take many shapes. In 2026, we look for growth at 4.8% but with a 'stronger composition' with private consumption driving more of the growth and the housing crises easing further.

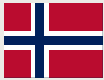
US-China relations deteriorate, EU-China trade tensions but no trade war
With Trump in the White House in 2025, we also look for a renewed deterioration in US-China relations. Trump has put fierce China hawks in key positions who openly talk about the US being in a cold war with China. However, we still do not expect a military conflict in the Taiwan Strait as the new Administration will likely stick to the One China policy and not support Taiwan independence, China's red line.

We expect EU-China trade tensions to continue but don't see it spiraling into a trade war as neither side can afford to risk being in two trade wars at the same time. Like China, EU could very well face higher US tariffs as well over the coming year.

Nordic improvement in 2025

Sweden
While still underperforming, the Swedish growth will increase in 2025 on the back of procyclical policies and a stronger labour market. Core inflation has stabilized just above 2% in recent months. Sharply higher electricity prices in November has made the expected further disinflation in 2025 more uncertain against the backdrop of a weaker SEK, high wage demands and high rent deals. Riksbank lowers the policy rate in 25bp steps except in May, taking it down to 1.75% next summer. If Riksbank sees risks to inflation, however, it may choose to proceed more cautiously.





Norway
The revised GDP-figures reveal that growth has been stronger than anticipated since 2022. The most positive consequence is that productivity growth has been stronger than assumed, and actually more in line with the historical pattern. The labour market is weakening but remains tight and wage growth remains elevated. Nevertheless, the disinflation continues and as higher productivity will dampen cost-driven inflation, the first rate cut from Norges Bank is approaching, which we expect in March.

Denmark
Growth has once again turned out to be stronger than first reported, primarily due to the strong performance of Novo Nordisk and the rest of the pharmaceutical industry. Outside of that, there are areas that look less strong such as private consumption and construction. Public finances have a strong starting point ahead of expected demographic headwinds in the coming years and some fiscal easing in 2025. Real wage growth is expected to normalise and inflation to settle close to 2%.

Finland
Finland continues a slow exit from a recession. We expect stronger growth in 2025, supported by higher demand at home and abroad. Housing market has stabilized and fall in interest rates supports recovery. Housing construction is bottoming. Unemployment rises temporarily. The government takes measures aimed at balancing public finances, but the debt ratio still climbs higher.

Not everything is growing in high-growth Denmark

- **Denmark's economy is strong compared to its neighbours, and not just because of the pharmaceutical industry, but there are also significant areas where growth rates are low, such as private consumption and construction.**
- **Consumers ate into their savings during the period of high inflation and are now reluctant to channel pay rises into increased consumption, but we expect this will happen.**
- **Exports and industrial production are rising strongly due to the production of pharmaceuticals and medical equipment, in particular, but also in a few other areas.**
- **Despite the high level of wage growth in 2024, inflation remains on the low side. Wage growth is now slowing, while inflation is expected to stabilise around 2%.**
- **We expect house prices to appreciate modestly on the back of lower interest rates and rising incomes, while housing construction could potentially pick up gradually.**

	2023	Forecast 2024	2025	2026
GDP Growth	2.5%	3.0% (1.8%)	2.5% (2.0%)	2.3%
Inflation	3.3%	1.4% (1.5%)	1.8% (1.9%)	1.7%
Unem-ployment	2.8%	2.9% (2.9%)	3.1% (3.1%)	3.1%
Deposit rate*	3.60%	2.60% (2.85%)	1.10% (2.10%)	1.10%

Paranthesis are the old projections (From September 2024)
**End of period*
Source: Danske Bank, Statistics Denmark, Nationalbanken

Our underlying expectation for Denmark in the coming years is aligned with what we see in the euro area – namely marginally increasing growth underpinned by greater purchasing power and lower interest rates. We are expecting a normalisation of growth, not a pronounced upswing, as we are not emerging from a crisis and neither the Danish nor the European economies have much spare capacity or high levels of unemployment. Nor do we expect a decidedly low level of interest rates; rather, we are leaving behind a period of elevated interest rates that were a reaction to a surge in inflation.

Our underlying expectations in terms of overall GDP growth are, however, being overshadowed by developments in the pharmaceutical industry. Our latest forecast includes a marked upward revision of GDP growth in 2024 and 2025. The reason is a similarly marked upward revision of the official growth figures for H1 this year and high growth in Q3. This means both higher growth this year and a better starting point for 2025. Growth is very much being driven by the pharmaceutical industry

Growth ex-pharma for 2024 as a whole will be around 1.5%, which is still roughly double the figure for eurozone growth, but not abnormally high

Las Olsen, Chief Economist at Danske Bank

with Novo Nordisk leading the charge. Preliminary figures from Statistics Denmark indicate growth ex-pharma for 2024 will be around 1.5%, which is still roughly double the figure for euro area growth, but not abnormally high, and growth seems to be entirely absent from many areas of the economy. In the construction sector, production has largely stalled this year despite major investments by Novo Nordisk, and private consumption has risen by a mere 0.4% so far in 2024 compared with the same period last year.

Strong government finances
After five years in a row with the largest budget surplus among EU nations, the outlook is for less impressive outcomes in the coming years. One reason is demographic trends pulling in this direction, another is fiscal policy being set to loosen in 2025. On paper, the loosening of fiscal policy should prompt additional activity in the Danish economy of 0.5% of GDP, but whether the impact will actually be that big is rather uncertain, as a large share of the additional expenditure will go to defence and so could be channelled into imports of equipment or activities in other countries. The Danish economy has no need of fiscal easing but, on the other hand, we do not see any great risk of it resulting in overheating and high inflation. Demographic trends mean we should expect a shift from a surplus to a deficit on government finances over the next four to five years, while increased defence spending, among other things, is pulling in the same direction. That being said, budgetary rules mean that the deficit will be kept to around 1% of GDP, and with the government's net financial assets now amounting to more than 20% of GDP, government finances are far from being problematic. Long-term projections continue to point to substantial surpluses after 2045, but whether that holds will in part depend on the commitment of politicians to increasing the retirement age as planned.

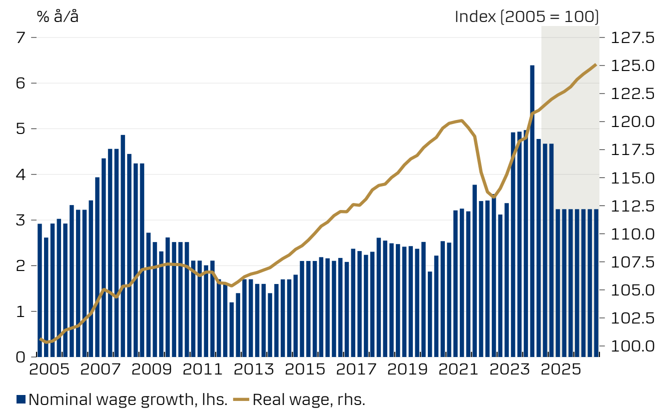
Wage growth has peaked
According to the Confederation of Danish Employers' (DA) wage statistic, private sector wage growth hit 6.4% in Q2 2024 before fading again. That was the highest increase since the 1980s but is unlikely to be repeated anytime soon. High wage growth in 2024 was largely due to the collective agreements made last year, which aimed to restore the purchasing power of employees after the very high rates of inflation in 2021-2022. That restoration of purchasing power is now complete for the average employee in the DA area, and we expect that the agreements scheduled to be signed in 2025 will to a much greater extent leave wage formation to local negotiations, as has also been the case in previous years. We therefore expect a return to real wage growth of slightly above 1% per year. That being said, we also assume that inflation will hover close to 2% rather than the less than 1% of the pre-pandemic years. Hence, our forecast indicates wage growth of just over 3% rather than a tad above 2% as in the pre-inflation years. The above applies to the private sector, whereas public sector wages will continue to outpace the private sector until they close the gap that has appeared in recent years.

Very mixed growth picture in 2024

Real growth, %	Production	Employment
Total	2.7	0.8
Agriculture, forestry and fishing	1.3	0.3
Mining and quarrying	1.6	0.2
Manufacturing	6.3	1.5
Construction	0.2	0.9
Trade and transport, etc.	1.9	0.3
Information and communication	4.3	-1.3
Financial and insurance	4.3	3.1
Real estate activities and renting of non-residential buildings	3.3	0.5
Business services	0.8	1.6
Public administration, education and health	1.6	0.7
Arts, entertainment and other services	0.2	0.4

Q1-Q3 2024 vs same period last year
Source: Statistics Denmark

Lower wage growth but higher real wages



Note: Private sector wages according to the Confederation of Danish Employers' (DA) wage statistic (KonjunkturStatistik). Real wage figures are seasonally adjusted.
Source: DA, Statistics Denmark, Macrobond Financial, Danske Bank

Our forecast also includes slowly rising unemployment, which may contribute to dampening wage growth slightly. However, this is based on the assumption that employment stabilises rather than continues to increase – something we are less than certain about. On the one hand, employment has surprised to the upside time and again in recent years, rising disproportionally to the relatively modest pace of economic growth ex-pharma, and of course this may continue. On the other hand, a potential also definitely exists for a period of declining employment at some point in the coming years, as the number of employees in Danish businesses is currently high compared to the level of production, and this labour force has become more expensive as wages rise.

Lower inflation to become self-perpetuating
Inflation was 1.6% in October and, with the exception of food, price pressures have been modest since summer 2023. Despite pronounced wage increases this year, there has been nothing so far to indicate this has impacted consumer prices. Service prices continue to rise faster, but unlike in the eurozone, service inflation has fallen to 2%. We continue to expect that wage pressures will be gradually reflected in consumer prices. The DKK0.50/litre hike in diesel tax in January 2025 will also pull the inflation measure higher. For consumers, this will be alleviated by a reduction in

We expect consumption growth will pick up, but only to an extent that allows households to also rebuild their savings

Chief Analyst Louise Aggerstrøm Hansen

the so-called equalisation tax ('udligningsafgift'), but this is not included in the consumer price index.

All in all, however, the contribution of taxes to inflation will gradually decline over the forecast period. Electricity taxes being lowered by DKK0.04/kWh in 2025 and DKK0.07 in 2026 will reduce electricity prices. On top of this comes some of the delayed effects resulting from inflation having fallen again. Due to 'Spring package 2.0' from 2009, the indexing of energy taxes is tied to net price inflation with a one-year delay. Particularly in 2026, the indexing will presumably only result in a marginal increase in taxes given the low level of net price inflation throughout 2024, which comes after a large inflation contribution this year. The increase in rents also appears to be slowing, and indeed the modest level of net price inflation will place a rather low ceiling on how much landlords may raise rents in the coming years.

Danes upping both consumption and savings

Consumption growth has been sluggish in 2024, despite solid wage growth and low inflation driving up purchasing power for most households. Real wages have largely been restored in the private sector, but we do not expect public sector real wages to return to pre-inflation-surge levels until sometime next year, while people on transfer incomes will face a somewhat longer wait.

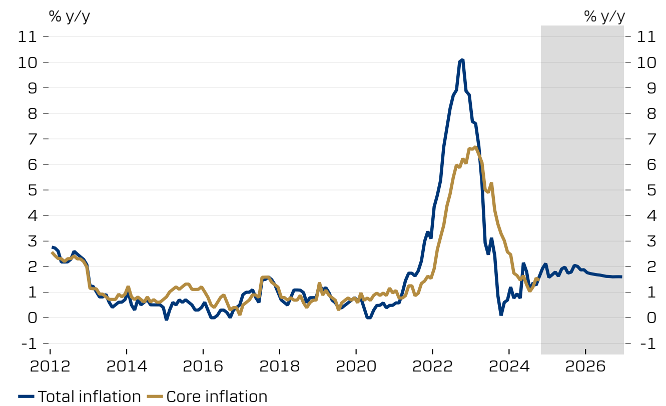
In addition to further growth in real wages, there is the prospect of tax cuts for those in work in the coming years via an increased employment allowance in 2025 and the introduction of a new middle tax bracket, which is effectively a reduction in the top rate of tax up to a certain limit, in 2026. Including the opposing effect from the new top-top rate of tax, this adds up to tax relief of around DKK 10bn in 2026.

We do not expect all the real income growth that is on the cards for the coming years to be channelled into consumption growth. Still low consumer confidence also confirms that while the trend is in the right direction, households remain very concerned and cautious.

Recent years weak consumption growth has laregely been driven by goods consumption, which should not only be viewed against a general reluctance to spend, but also the high level of activity within consumer durables during the pandemic. As these goods typically have a useful life of several years, the need to replace them remains low. However, this effect will gradually fade during the forecast period.

After a very weak 2024, we expect consumption growth to pick up in 2025 and 2026, driven by rising real incomes and by the headwinds from interest rates gradually turning to tailwinds. However, this will not have a 1:1 impact on consumption, as cautious households will continue to focus on rebuilding their shrunken savings.

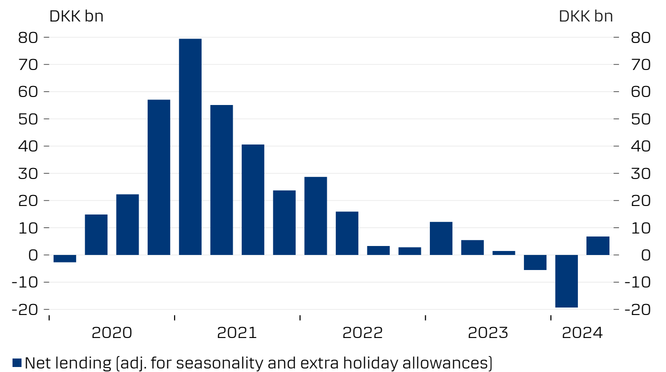
Slightly higher inflation ahead



Source: Statistics Denmark, Macrobond Financial, Danske Bank

Households beginning to rebuild their savings

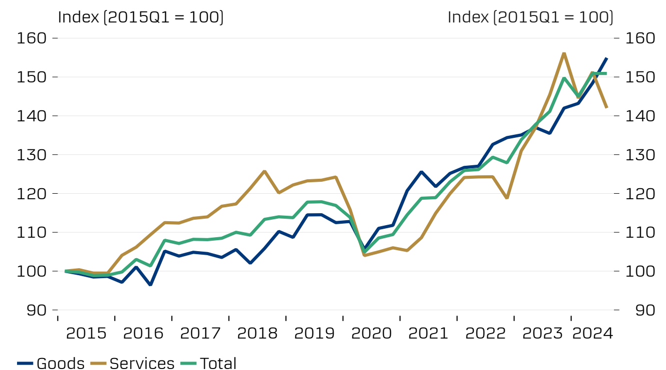
Households accumulated excess savings since Jan. 2020



Source: Statistics Denmark, Macrobond Financial and own calculations

Pronounced export growth

Export



Source: Statistics Denmark, Macrobond Financial

Impressive export growth produces record current account surplus

Exports have been growing at a fast clip for a number of years – especially goods exports, which were up 9.6% over the first three quarters of the year compared to the same period last year. Growth has been driven by the surging pharmaceutical industry, in particular, though there are also some bright spots across the rest of industry where production has also grown

significantly. Given the slowdown in global industry that is very much impacting Europe as a whole, the Danish industrial sector's performance is quite remarkable – not least in light of the strengthening of the Danish krone (DKK) in recent years, which has eroded Denmark's competitiveness to some extent. However, the impressive growth in industry ex-pharma is likely also due to a certain knock-on effect from pharmaceuticals on other areas of industry – such as producers of medical instruments.

After the massive growth spurt in 2023, service exports have lost a little momentum in 2024. However, developments here are marked by a notoriously high level of uncertainty on real growth in shipping, and service exports in fact look broadly solid in DKK terms.

Our forecast is inevitably rather dependent on expectations of further solid growth in Novo Nordisk's production, but also reflects our expectation of a gradual improvement in Denmark's key export markets. Germany's faltering industrial sector will have an impact on the order books of many companies. In contrast, brighter prospects in Sweden, for example, hold promise for Denmark's service exports.

An imminent trade war is inevitably bad news for a small, open economy like Denmark's, but we do not expect it to noticeably weaken Danish exporters in the near term. While the US is Denmark's largest trading partner, a very large share of Danish exports to the US never cross Denmark's borders. Tariffs on medicine produced in the US seem unlikely, and nor does the US appetite for goods look set to diminish in the coming years.

After a series of significant upward revisions, the current account surplus for the first three quarters of 2024 was DKK 86bn higher than for the same period in 2023. Hence, the record looks set to be broken in 2024 with what we estimate will be a surplus of 12.5% of GDP, which is of course even bigger than the surplus of 11.7% in 2022, when shipping companies sailed huge sums home on the back of sky-high freight rates. The surplus rose markedly in Q3, once again against a backdrop of higher freight rates, which provided a major boost to the services balance. However, the main driving force was the export of goods that do not cross the Danish border – especially medicine.

Looking ahead, the continuing solid growth expected in pharmaceutical exports should lift the surplus further together with the full reopening of the Tyra field over the winter, which will once again make Denmark a net exporter of gas. In our view, these are very weighty arguments for why we can expect more very large current account surpluses in the coming years.

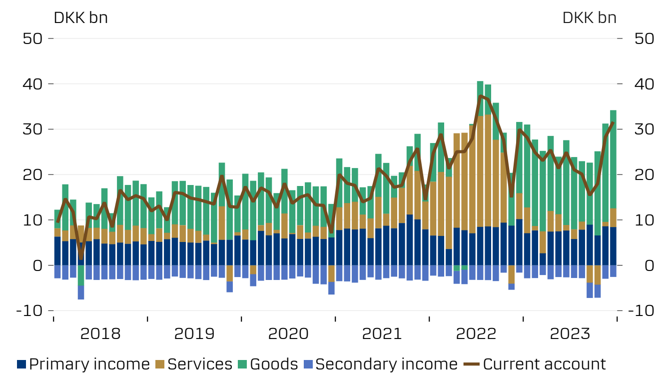
That being said, pulling in the opposite direction is the latest normalisation of freight rates, which will make shipping less profitable, and the relatively swift restoration of the purchasing power of Danish consumers, which will also boost the demand for imports.

Interest rates look set to fall

The EUR/DKK exchange rate remains stable, and we expect Danmarks Nationalbank will match the upcoming rate cuts from the European Central Bank (ECB) without changing the policy rate spread. The market has already priced in the rate cuts, and we do not expect any major changes in long-term rates. However, it is not unrealistic to expect that a 30-year mortgage credit loan with a coupon of 3.5% could rise to a more attractive price and thus help support the housing market and household finances.

Yet another current account surplus

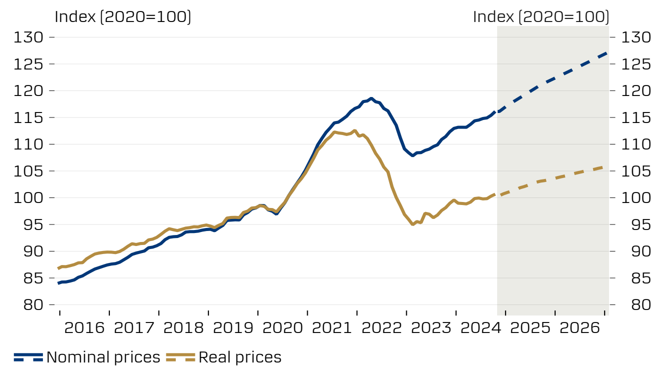
Balance of Payments



Source: Statistics Denmark, Macrobond Financial

Prospect of house prices increaing further

Price per sqm house, Denmark



Source: Statistics Denmark, Macrobond Financial

House prices continue to appreciate

The housing market has performed surprisingly well in recent years, helped along by rising incomes and a still solid labour market that has helped enable new purchases. Hence, the housing market has proved resilient to the dramatically rising interest rates seen since 2022. Mortgage rates began to fall in 2024, and we expect this to continue into 2025 and then generally stabilise towards 2026.

Lower interest rates and continuing wage growth should provide the foundation for house and apartment prices to rise further in both 2025 and 2026. Among other things, this means that we expect national house prices in spring 2025 to surpass the level they achieved two years ago, when prices peaked.
If we correct for other prices having risen in the meantime, then house prices in real terms remain considerably below that last peak, but here too there is decent growth similar to what we saw prior to the pandemic sending housing prices considerably higher.

New builds in the housing sector have been severely curtailed, and while this has not seriously affected the supply of homes, there is no doubt that relatively few new homes are coming onto the market at the moment compared to previous years, which also tends to support prices. As interest rates decline and household finances improve, we expect that new builds will slowly begin to recover.

Rays of light amidst a sluggish recovery

- **The Swedish economy is still underperforming, but there are some signs of better times around the corner. Unemployment has peaked and will begin to drop back slowly next year. After barely topping 1% in 2024, GDP growth will increase in 2025 as lower interest costs, accelerating real wage and a stronger labour market boost households' disposable income and, in turn, their spending.**

- **The taming of inflation has been slower than expected. The CPIF ex energy has been stuck at just over 2% in recent months. There is also considerable uncertainty about how the CPIF will move in the light of the EU's new electricity directive causing a sharp increase in electricity prices in Sweden since its introduction on 29 October. Partly for this reason, our previous call that inflation would continue to fall next year has become a little more uncertain, because the impact on inflation expectations and underlying inflation is hard to predict.**

- **In our base scenario, the Riksbank lowers the policy rate by 25bp at each coming monetary policy meeting other than May, taking it down to 1.75% next summer. One spanner in the works, of course, would be if the Riksbank sees risks to inflation and chooses to proceed more cautiously.**

	2023	Forecast 2024	2025	2026
GDP Growth	0.2%	0.7% (1.2%)	2.5% (2.4%)	2.2%
Inflation	8.6%	3.0% (2.8%)	1.7% (0.6%)	1.2%
Unem-ployment	7.7%	8.4% (8.4%)	8.2% (8.2%)	7.7%
Policy rate*	4.00%	2.50% (2.75%)	1.75% (2.00%)	1.75%

Paranthesis are the old projections (From September 2024)
**End of period*
Source: Danske Bank, Statistics Sweden, Riksbanken

Stronger economy means labour market will improve slowly next year
The labour market has been deteriorating gradually, and unemployment has been above the natural rate – estimated by the Swedish National Institute of Economic Research (NIER) to be 7.5% – since the second half of 2023. Unemployment is now topping out at 8.4% and is expected to begin to come down next year as household purchasing power and production improve. Firms have hoarded labour in recent years, which means that despite domestic demand picking up, unemployment will level out for a while before it starts to fall.

Household consumption lagging too far behind
Household consumption has been weak but now seems, slowly but surely, to be getting going again. Real wage growth has picked up, but from low levels. In spring 2025, the social partners will be renegotiating all of the national pay agreements and agreeing on

Procyclical economic policies and improving real wage growth all suggest GDP growth will increase in 2025

Michael Grahn, Chief Economist Sweden

a new level for the manufacturing benchmark, which aims to keep wage growth at levels that maintain Sweden's competitiveness and provides a guide for rises in all of the other sectors. The NIER expects long-term wage growth in Sweden of 3.5% annually. We consider it likely that the nominal annual rate will be 3.2%. Household consumption will also be boosted by mortgage rates falling as the Riksbank lowers the policy rate. The share of variable-rate mortgages (defined as those with a rate fixed for less than three months) has increased in recent years to 75%, while loans with a rate fixed for less than a year make up 85% of the Swedish mortgage stock, and so the Riksbank's rate cuts will benefit households increasingly during the course of next year. Households will also see tax reductions in 2025, and altogether there is much to suggest that household consumption will take off.

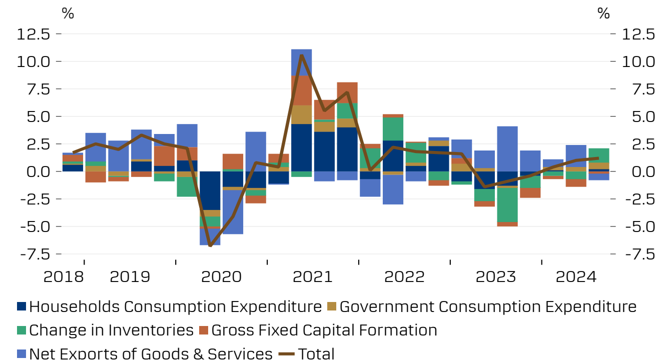
Housing prices rising slowly but surely

As interest rates have come down and the pressures on households have eased, housing prices have risen. The big cities are leading the way, with housing prices up more than 6% in Stockholm so far this year and almost 4% nationwide. Supply in the housing market is still high, but demand is beginning to improve, and buyers and sellers are finding it easier to reach a deal. We look forward to the government's proposals for deregulation being put into practice to some degree, and combining with greater household purchasing power to lift the housing market. In the longer term, this will also benefit the construction sector, which has long been a drag on the Swedish economy. It will be some time before construction activity returns to normal levels, but it has bottomed out during the autumn and will now slowly head up. The building cost index looks set to fall, due primarily to a gradual reduction in the interest component. Together with rising housing prices, this means that the situation in the construction sector will slowly improve in the course of 2025. Construction investment, which has long been weak and weighed on GDP, will level out before gradually improving.

German weakness puts damper on Swedish exports

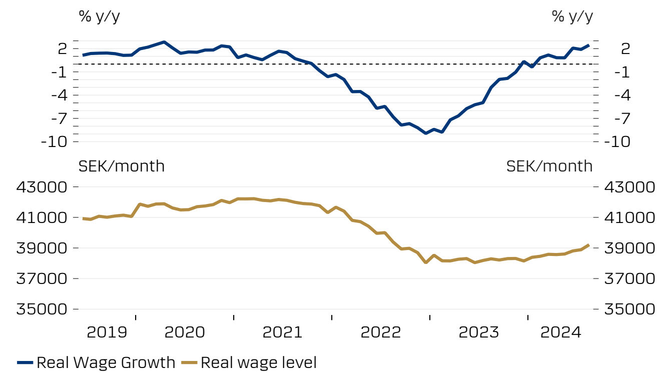
Swedish exports have performed strongly since the pandemic. Compared to the euro area and Sweden's largest trading partner, Germany, Sweden has been favoured by the composition of its manufacturing sector and a weak currency. While the SEK will continue to weaken in 2025, the positive contribution from exports will decline on account of developments in the euro area. Recent quarters have brought an increasing number of indicators suggesting that exports will slow. Exports to Germany have been lower than normal this year, and we see this trend continuing in 2025. Germany is being held back by both structural problems and political turmoil, resulting in a bleak growth outlook. Outside Europe, the US is Sweden's most important trading partner, accounting for around 10% of exports. Growth in the US therefore has an impact on Swedish exports, and the US was expected to

Contribution to GDP growth



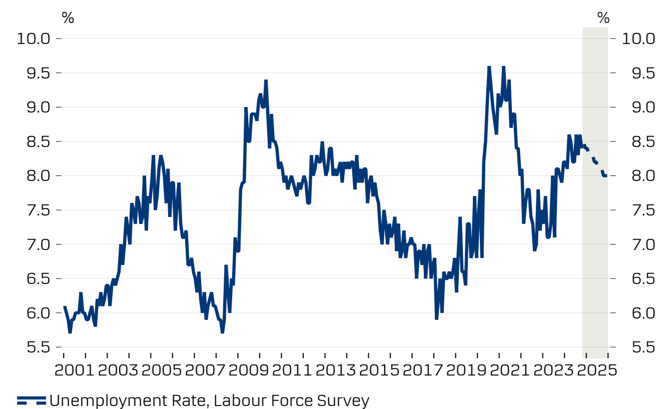
Note: Seasonally adjusted
Source: Statistics Sweden

Growth in real wages deflated by CPI



Note: Seasonally adjusted
Source: Statistics Sweden, Swedish National Mediation Office

Unemployment is expected to level out at the turn of the year.



Note: Seasonally adjusted
Source: Statistics Sweden

Rising electricity prices make the inflation outlook more uncertain

Michael Grahn, Chief Economist Sweden

outperform Europe even before Trump's election victory. He is expected to pursue expansionary fiscal policy which will further stimulate growth. While Swedish exports will also be affected by the trade tariffs that Trump is expected to introduce, this effect is expected to be cushioned by a stronger USD.

Inflation falling more slowly

Core inflation as measured by the CPIF ex energy has proved somewhat harder to bring down than expected during the autumn, with data through to October coming out slightly above both the Riksbank's forecasts and its inflation target. Meanwhile, the European Commission's new directive to "optimise" the use of the power distribution system seems to have pushed up Swedish electricity prices massively in November, meaning that CPIF inflation will also come out above both the inflation target and the central bank's forecasts in the coming months if this effect persists.

Looking ahead, clarification on some key inflation fundamentals is around the corner. The rent settlement for 2025 currently seems likely to end up on a par with the past two years at around 5%. This is higher than we previously estimated and has therefore pushed up our forecast for services inflation and core inflation by a couple of tenths. In reality, this is a delayed effect of the strong inflationary pressures of 2022-2023. The manufacturing unions have submitted unusually high pay demands ahead of the spring round of pay talks, where many of the national settlements are due to be finalised in March and April. We expect these deals to come out at 3.2% per annum, which would be consistent with healthy real wage growth, low cost pressures and the inflation target.

Despite a "weak" SEK, goods prices and import prices are falling. The way we see it, deflationary pressure from China is having a greater impact on these prices than the reverse effect from the depreciation of the SEK.

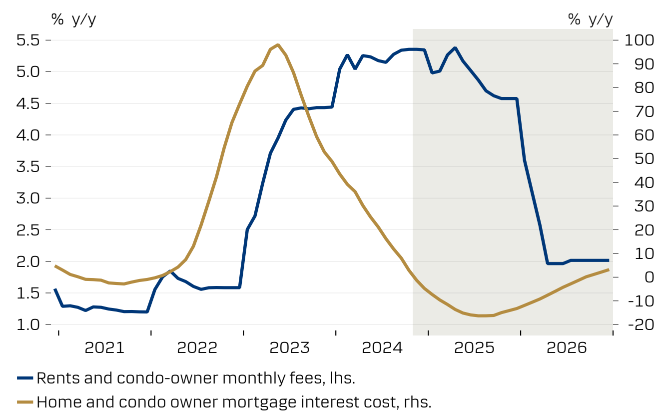
Delicate monetary policy balancing act

The Riksbank has now lowered the policy rate by 125bp from 4.0% in May to 2.75% in October. It opted for a larger, half-point cut at its latest meeting, apparently motivated by developments in the real economy domestically being weaker than expected, and the risks being tilted in the same direction, especially in terms of the European economy. We have therefore adjusted our forecast for the Riksbank's policy rate path and now predict quarter-point cuts at each meeting through to June 2025 other than May, taking the policy rate to 1.75%. The Riksbank's own projections show a policy rate of 2.25% at that point.

GDP level and GDP growth, quarterly rate

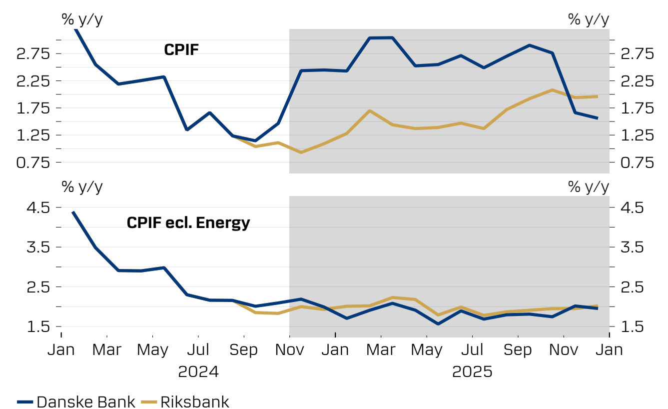
Note: Seasonally adjusted
Source: Statistics Sweden

Mortgage interest cost falls while rents will continue to rise at an elevate pace in 2025



Source: Statistics Sweden, Riksbanken

Will higher CPIF inflation over the next year be the result of EU's new electricity directive?



Source: Statistics Sweden, Riksbanken, Danske Bank

Riksbank will cut the repo rate down to 1.75 % this summer

Michael Grahn, Chief Economist Sweden

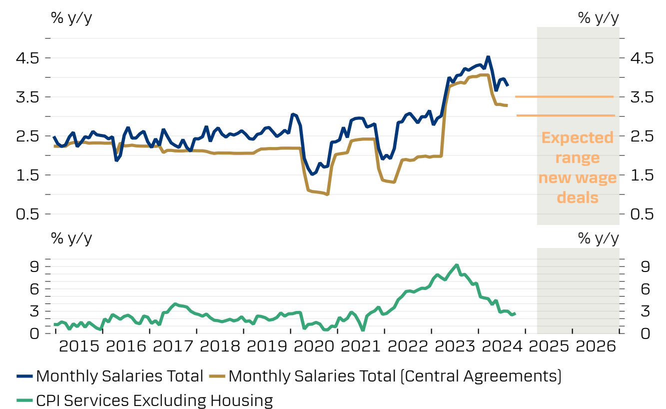
It has to be said that there are arguments both for lowering interest rates more quickly and for lowering them more slowly. One argument for more rapid easing is that, with inflation close to 2%, the real policy rate should already be close to zero to be neutral. That would mean a policy rate of 2% right now. Although Sweden is seen as an extremely rate-sensitive economy, the financial markets statistics show that the pass-through to interest costs takes time. The argument for a slower reduction in the policy rate is that there is a risk of derailing the fall in inflation, as discussed above. We cannot rule out the possibility that the likes of higher electricity prices this winter are beginning to affect inflation expectations and/or underlying prices. This could undoubtedly result in the market reviewing its current pricing and adjusting its expectations for the Riksbank's policy rate path. In other words, the Riksbank will need to walk something of a tightrope at the upcoming monetary policy meeting in December.

Expansionary fiscal policy but contractionary energy policy
As we wrote in our previous forecast in September, the Swedish government announced measures next year totalling SEK 60bn in the autumn budget, including SEK 27bn in the form of tax cuts for households (higher earned-income tax allowance and removal of the sliding scale for higher earners, and lower taxes on pensions, savings and petrol). A higher threshold for central government income tax will cost a further SEK 6bn. The remaining measures relate to welfare and the likes of defence, justice and infrastructure. Together with real wage growth and lower interest rates, this should boost consumption and residential construction.

We have argued repeatedly that Sweden's fiscal policy framework is overly restrictive and risks leading to a growing infrastructure deficit. We see that the government and most of the opposition parties have agreed on a balanced-budget target for central government from 2027. Our view is that this will cement the downward trend in the debt-to-GDP ratio and so push up the infrastructure deficit in a situation where there is a huge need for investment.

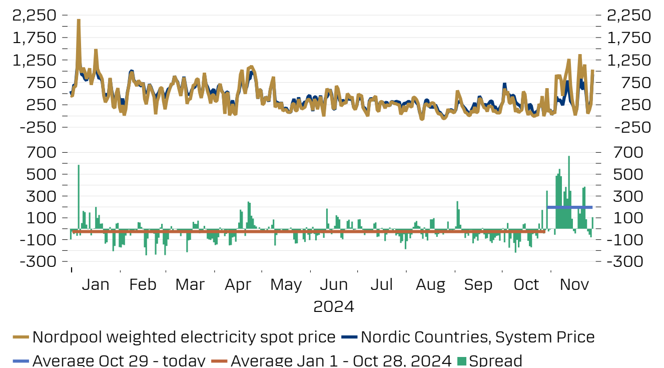
Unfortunately, the new EU regulation launched on 29 October this year could have a contractionary effect on Swedish electricity consumers, because price area 3 – which accounts for 65% of Swedish power consumption – is expected to be hit by rapidly rising electricity prices. While the purpose of the regulation is to make better use of distribution capacity in order to even out power prices across the EU, it seems unreasonable for Swedish electricity consumers to have to foot the bill. Sadly, the government has not, as far as we know, submitted any claim for compensation for this.

Both Riksbank and ECB are expected to cut below 2 % this summer



Source: Riksbanken, Mediation Office, Danske Bank

EU's new directive pushes Swedish prices considerably higher



Source: Nordpool Day-Ahead prices

Trend growth higher than previously assumed

- **Growth revised up considerably**
- **Details on the weak side, only moderate growth in both consumption and investment**
- **Oil investment and government consumption propping up activity**
- **Labour market still tight, unemployment rising moderately**
- **The disinflation continues**
- **NOK has been volatile but has returned to the same level**
- **Rate cuts edging closer**

	2023	Forecast 2024	2025	2026
GDP Growth	1.1%	0.9% (0.7%)	1.9% (2.0%)	1.7%
Inflation	5.5%	3.0% (3.2%)	2.3% (2.0%)	2.0%
Unem-ployment	1.8%	2.1% (2.1%)	2.4% (2.4%)	2.4%
Policy rate*	4.50%	4.50% (4.50%)	3.50% (3.50%)	2.50%

Paranthesis are the old projections (From September 2024)
**End of period*
Source: Danske Bank, Statistics Norway,
Norwegian Labour and Welfare Organization (NAV), Norges Bank

Revised national accounts data show that growth in the Norwegian economy has been stronger than originally reported. The good news is that this is entirely a result of productivity growth, meaning a higher underlying trend growth rate than previously thought. In several recent editions of Nordic Outlook, we have highlighted feeble productivity growth as the greatest risk to the Norwegian economy in the long term. The revised figures show that productivity is actually around the long-term trend level, rather than 1.5-2% lower as previously thought.

Growth in the third quarter was also a little better than expected, driven mainly by stronger government demand, strong growth in oil investment and lower imports, which pushed up net exports despite only moderate growth in mainland exports. At sector level, retail remains weak and construction continues to deteriorate, but there was strong growth in manufacturing and parts of the primary sector.

Stronger productivity growth than previously thought

Frank Jullum, Chief Economist Norway

We still expect a combination of higher real wage growth and lower interest rates to boost both private consumption and private investment in 2025 and 2026. Housing investment will probably also pick up late next year and grow much more quickly in 2026. On the other hand, oil investment is expected to start to fall in the second half of next year and decline further in 2026. Government demand now looks set to be a little stronger next year than we previously anticipated, and we have assumed fiscal stimulus of 0.5% of GDP in 2026.

In the light of the revised national accounts data, we have revised up our growth forecast for 2024 from 0.7% to 0.9%. We still expect an upswing heading into next year, but slightly weaker growth at the end of this year means that we have lowered our forecast for 2025 slightly from 2.0% to 1.9%. We then anticipate mainland GDP growth of 1.7% in 2026, which is slightly above the trend rate.

Labour market still tight

Unemployment is continuing to rise very moderately and remains low. The (gross) jobless rate has been unchanged at 3.3% since May. Employment grew again moderately in the third quarter after being flat in the second. The number of new job openings appears to be holding up well, while the total number of vacancies has fallen slightly since our September forecast. Taken together, this could mean that demand for labour is holding firm, and that there is also a little more flexibility than seen before the summer. On the other hand, some leading indicators suggest that there could be weak or even negative employment growth in the first half of next year.

In addition, the Norwegian Labour and Welfare Administration continues to report that much of the increase in registered unemployment is a result of more Ukrainians entering the labour force. Combined with weak growth in employment, this may be a sign of problems with integration, which could be a challenge going forward.

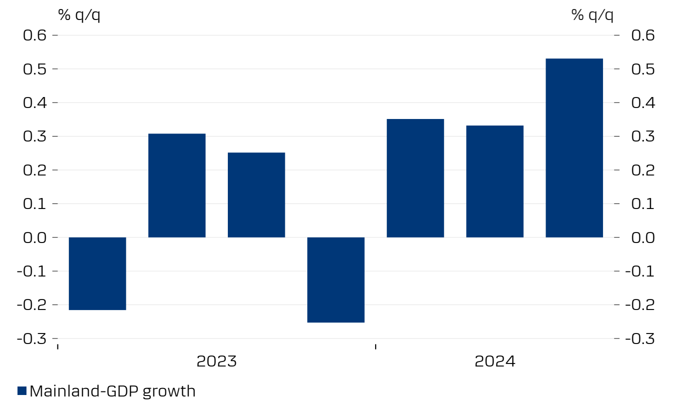
We still expect (net) unemployment to rise only moderately to 2.1% in 2024 taken as a whole and edge up towards 2.2 % at the end of the year. Although we expect economic growth to pick up in 2025, we also expect productivity growth to improve gradually, with the result that the jobless rate creeps up further to 2.4% in 2025 and 2.5% in 2026.

Inflation continues to fall

Inflation is continuing to come down, and not just the annual rate. Headline inflation was 2.6% in October, while the core rate fell to 2.7%, having almost halved from 5.3% in January.

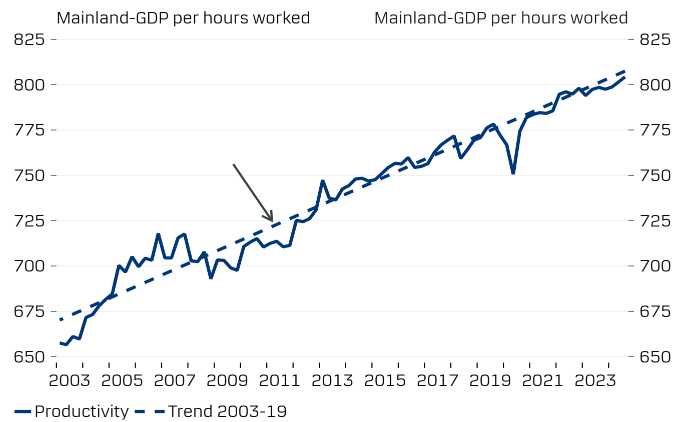
The decline in inflation so far this year has been relatively broad-based, but has been especially marked in the case of imported inflation. A combination of weak (and in some cases negative)

Growth has been stronger than assumed



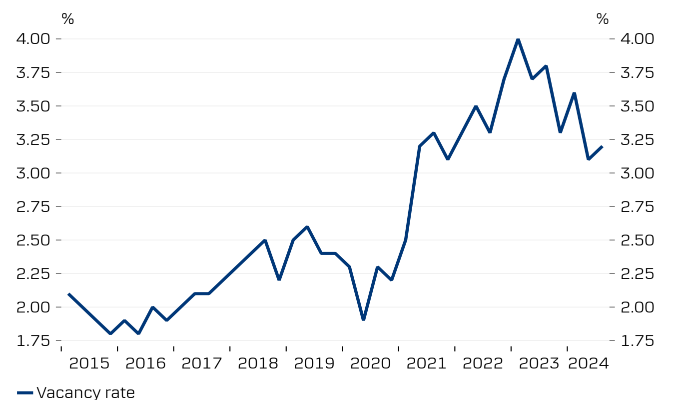
Source: Macrobond, Danske Bank

Productivity back on trend



Source: Macrobond, Danske Bank

Strong demand for labour



Source: Macrobond, Danske Bank

Costs have risen less than expected

Frank Jullum, Chief Economist Norway

global price movements and the gradual strengthening of the NOK during the first half of the year contributed to this lower imported inflation. However, imported inflation seems to have fallen more than global prices and the exchange rate alone would indicate, which could suggest a lack of pricing power in parts of the retail trade.

Domestic inflation has also eased but remains high. It is mainly services inflation that is holding at high levels, especially relatively sticky prices such as insurance, leisure and rents. Domestic inflation was running at 3.6 % in October, down from 5.8 % in January. Here too, inflation has been weaker than costs alone would indicate, which could partly be a result of weaker pricing power in this segment too.

The NOK has moved largely as expected since our previous forecast and has actually strengthened slightly in the second half of November. The import-weighted exchange rate is now slightly stronger than a year ago. Combined with further weak global price movements, this means that imported inflation will fall further for the rest of this year and into 2025 before stabilising well below 1%. At the same time, costs in the Norwegian economy are rising fast. Wage growth this year will be above 5%, and productivity growth just over 0.5%, translating into an increase in unit costs of around 4.7%. As mentioned above, though, cost-push inflation has fallen more quickly than expected throughout 2024. Heading into 2025, wage growth could drop below 4%, and we expect cost pressures to ease slightly further as productivity growth continues to improve. A rise in productivity growth to around 1-1.5% would mean that unit costs increase by 2.5-3%, allowing domestic inflation to drop below 3% in 2025 and down towards 2.5% in 2026. Together with low imported inflation, this means that core inflation as a whole could come down to 2% as early as the end of next year.

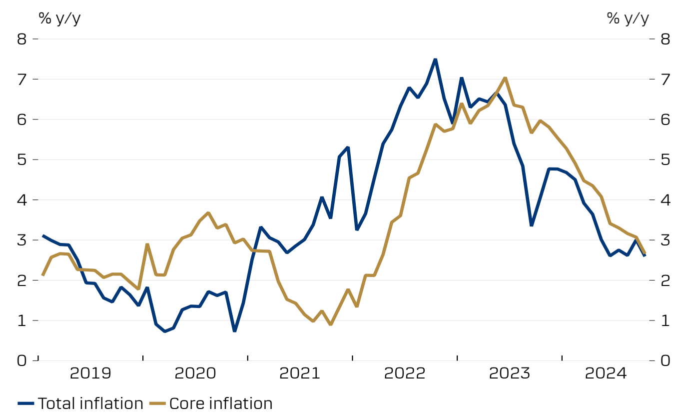
Rents make up more than 20% of core inflation in Norway and remain high, with an annual rise of 4.5% in July. Rents do, however, have a tendency to move in step with interest rates. A gradual decline in interest rates will eventually boost the supply of rental properties and help curb growth in rents.

Norges Bank's expectations survey shows that inflation expectations too are coming down. The average expectation among respondents (CEOs, economists and the social partners) is now 3.4% in 12 months, down from 3.6% in the previous survey, and 3.3% in 24 months, down from 3.5%.

We have revised our inflation forecast down slightly and now predict a core rate of 3.6% this year, 2.2% next year and 2% in 2026.

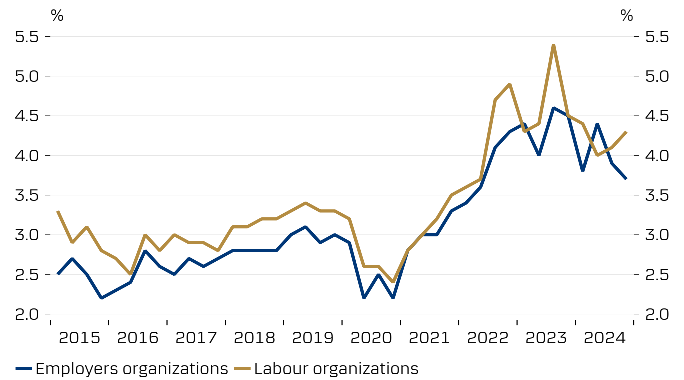
The expectations survey also shows that wage expectations are falling, except among the unions, which now anticipate 4.3% wage growth next year. Employers, meanwhile, anticipate wage growth

The disinflation continues



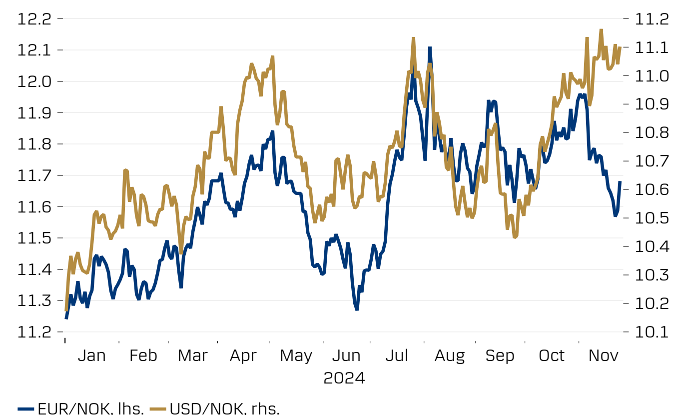
Source: Macrobond, Danske Bank

Wage expectations point towards just below 4 %



Source: Macrobond, Danske Bank

A weak Euro explains a lot of the recent strength in NOK



Source: Macrobond, Danske Bank

Imported inflation has been lower than expected

Frank Jullum, Chief Economist Norway

of 3.7%, and so we are sticking to our forecast of 5.1% this year and 3.8% next year. We then expect wage growth of 3.4% in 2026.

NOK at much the same level

The NOK has been volatile since our September forecast but more or less unchanged on average. Geopolitical events and major movements in interest rate expectations, both at home and abroad, as well as commodity prices, have contributed to this volatility. There was a brief rally following Norges Bank's rate-setting meeting in September, when the central bank again signalled that it would not cut interest rates until next year, but a strong USD and higher US yields brought a clear fall in the NOK before and after the presidential election. Many of the factors behind this movement have since eased or even reversed, and the NOK has returned to roughly the same level as before it started.

While we see a possibility of some strengthening in the short term, we believe that continued tight global monetary policy will lend little support to cyclical assets like the NOK. The persistent threat of an escalation of the war in Ukraine and signs of disruption in parts of global financial markets also present a risk to the currency. On the other hand, it could benefit from unexpected support from Norges Bank if the authorities decide to limit further expansion of the foreign exchange reserves as a result of the weak exchange rate and strong returns on investments abroad. Norges Bank could then end up selling currency and buying NOK in the market to the tune of NOK 30-40bn next year. Furthermore, the oil-adjusted central government deficit is growing, while NOK revenue from oil and gas production is falling. This means that Norges Bank will also need to wind down sales of Norwegian currency and gradually begin to buy it up instead on behalf of the oil fund.

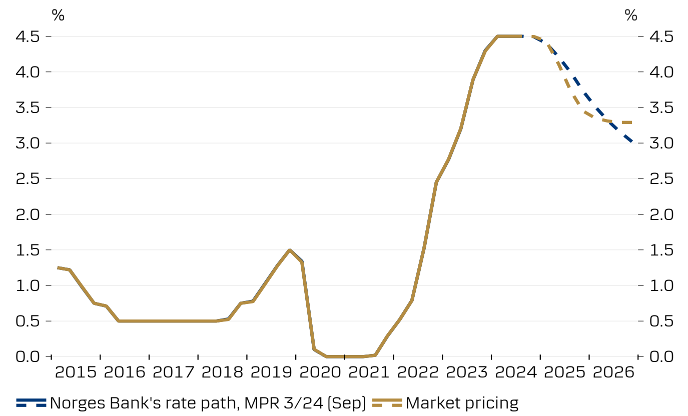
We therefore expect the NOK to remain relatively weak until we see a cyclical upswing in the global economy, which we do not anticipate until at least the end of next year.

Norges Bank signalling rate cuts "from the first quarter"

Norges Bank left the policy rate unchanged at 4.5% at its meetings in September and November. At the latter, the bank repeated its message from September that "the policy rate will most likely be kept at that level to the end of 2024". The interest rate projections in the September monetary policy report nevertheless showed a roughly 25% chance of a cut in December.

We expect economic growth to remain below trend for the rest of this year, and capacity utilisation to fall further. Inflation will also continue to subside, and again slightly more quickly than Norges Bank assumed in September. In addition, other central banks have already reduced their rates or signalled cuts, which would reduce the risk of the NOK depreciating were Norges Bank to lower the policy rate. The NOK has also been more or less as expected since September.

Market pricing more aggressive in the short run



Source: Macrobond, Danske Bank

However, given Norges Bank's focus on inflation risk, the bar for lowering the policy rate earlier than signalled in November is high. We therefore expect it to leave the policy rate at 4.5% until delivering a first cut in March next year. We still anticipate a total of four cuts in 2025, taking the policy rate to 3.5% at the end of the year, and further reductions to 2.5% at the end of 2026.
In the short term, the risk seems to be tilted towards a somewhat more dovish central bank than we are assuming. Norges Bank has singled out high cost growth in Norway as the most important factor behind inflation risk and the need for tight monetary policy. As mentioned above, the revised national accounts data mean that cost growth will be a fair bit lower this year than previously anticipated. Norges Bank's expectations survey also shows that wage expectations for next year have come down further. The unions now anticipate wage growth of 4.3% in 2025, which is exactly in line with Norges Bank's forecast in September. On the other hand, employers are now predicting wage growth of 3.7%, which means that the risk to the central bank's wage growth forecast for 2025 is mainly to the downside.

We cannot rule out the possibility of this changing the central bank's view of the balance of risks, with inflation risk from the cost side now seeming to be much lower than before. Add into the mix the way that inflation is continuing to come out below the bank's projections, and the door is open for the policy rate to be lowered earlier than we are assuming, either in January or even in December, although the latter seems unlikely. Either way, it could mean that Norges Bank lowers the policy rate further during the course of 2025 than it signalled in September.

Consumer in the driver's seat

- **Finland's economy turned to growth during 2024, but recovery is still slow, and real GDP will remain lower than in the previous two years.**
- **Domestic demand supported by falling inflation and interest rates and the gradual recovery of exports will push the economy to stronger growth in 2025.**
- **Unemployment will continue to rise in the coming months until economic growth increases recruitment needs.**
- **The housing market is gradually picking up as falling interest rates trigger the unleashing of pent-up demand. Housing construction will accelerate significantly in the latter half of 2025.**
- **The Finnish government is implementing fiscal adjustment measures aimed at balancing public finances, which is holding back economic growth in the short term. The deficit will continue to remain large, and the debt ratio will increase.**

	2023	Forecast 2024	2025	2026
GDP Growth	-1.2%	-0.3% (-0.4%)	1.8% (1.8%)	1.6%
Inflation	6.3%	1.6% (1.9%)	1.2% (1.5%)	1.8%
Unem-ployment	7.2%	8.3% (8.3%)	8.1% (8.0%)	7.3%
Deposit rate*	4.00%	3.00% (3.25%)	1.50% (2.50%)	1.50%

Paranthesis are the old projections (From September 2024)
**End of period*
Source: Danske Bank, Statistics Finland, ECB

Finland's economy already turned towards modest growth in the first half of 2024, but recovery from the recession will take time, and the volume of GDP for 2024 is likely to remain lower than the previous year. Leading indicators, such as confidence of companies and consumers, show that the economy picked up further in the autumn, but the volume of orders in industry and consumers' level of purchase intentions still remained below normal. Rising unemployment is causing increased consumer caution. As exports markets grow, foreign demand will increase and order books will fill up. The dramatic plunge in construction appears to be stabilising, but a full recovery will still take time. We expect economic growth to strengthen in 2025 as low inflation and falling interest rates boost domestic demand.

Throughout 2024, Finland's harmonised inflation rate has remained at a level that is clearly lower than the average inflation rate in the euro area. The falling energy prices, in particular, pushed the harmonised inflation rate to approximately 0.5%

The increase in housing transactions indicates that the effects of falling interest rates are already beginning to be felt in the economy

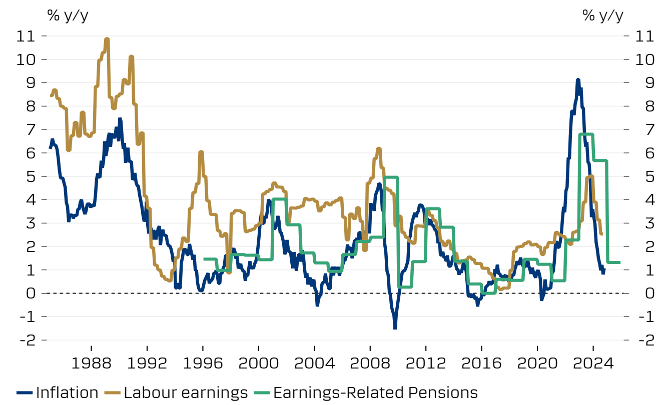
Pasi Kuoppamäki, Chief Economist Finland

in the spring, but in the autumn, inflation rose to just over 1% mainly due to technical factors in the calculation and the increase in the VAT rate. The domestic measure of inflation fell to 1.1% in October. Underlying inflation has also decreased clearly, although the price of services continues to rise. The growth of wage and salary earnings is expected to slow to just under 3% this year. In 2025, the growth of wage and salary earnings may again accelerate slightly even if employee demands in the new collective agreement negotiations are not met, which is likely to maintain inflation caused by cost pressures especially in the service sectors. The general VAT rate was increased to 25.5% at the beginning of September, and several differentiated VAT rates will be increased at the beginning of January 2025, which will gradually raise prices. We expect that inflation will nevertheless remain at a low level, as the cheaper energy prices will also lower the prices of many goods in the longer term and somewhat subdued demand will increase the pressure for price competition. The decline in interest rates is gradually pulling the domestic measure of inflation downward. The fall in inflation combined with the increase in wage and salary earnings will help increase real purchasing power, which is a key driver for the recovery of private demand. The earnings-related pension index will rise by approximately 1.3% on 1 January 2025, so after two favourable years, the adjusted index will result in a more typical increase for pensioners.

We expect private consumption to return to growth in 2025, but the gradual increase in unemployment in the early part of the year will curb consumption, and consumers will remain cost-conscious. Major purchases, such as buying a new car, will still be postponed when possible, at least early in the year. In 2023, the savings ratio was positive, and saving for a rainy day will increase as consumers are increasingly worried about unemployment. The increased savings ratio improves the financial security of households, but it temporarily weakens consumer demand. During 2025, recovering economic growth will increase consumer confidence and raise consumer demand. A slight increase has already been seen in consumers' level of purchase intentions in areas such as home renovation and household appliances.

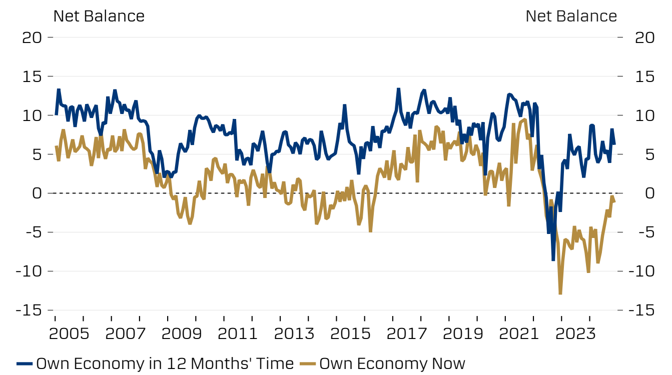
The high inflation rate in the euro area combined with the tight labour market situation was also problematic to central banks. Falling inflation and the slowdown in wage growth have changed the situation. The ECB has already lowered key interest rates three times this year, and we expect this trend to continue, with the ECB's deposit facility rate settling at 1.5% at the end of 2025. This will bring the monetary policy stance considerably closer to a level appropriate for the Finnish economy. A decline in interest rates will make the situation easier for debtors and support consumption prospects, the housing market and also the fixed investment of companies. The anticipated decline in interest rates will decrease households' interest expenses by approximately EUR 1.5bn in 2025, part of which will be spent and part saved. The growth of the world economy and the gradually improving

Low inflation boosts purchasing power



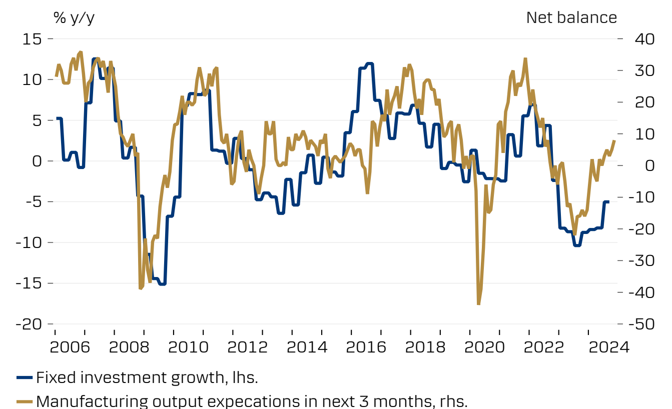
Sources: Macrobond Financial, Statistics Finland, Danske Bank

Consumers optimism has increased



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Investment atmosphere improving



Sources: Macrobond Financial, Statistics Finland, EK, Danske Bank

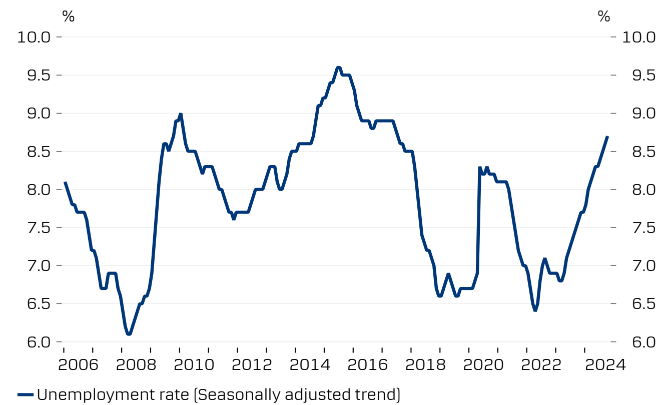
economy in the European single market, which is important to Finland, will increase export demand. At this point, the low volume of orders predicted in the industrial confidence survey indicates that industrial production still remained stagnant during the autumn. Finland's trade surplus has increased, which, together with a slightly improved service balance, somewhat unexpectedly brings the current account into balance. Changes in U.S. trade policy may lead to higher tariffs also on products exported from Finland to the United States. Nevertheless, the U.S. will still need to import goods and services from elsewhere in the coming years. We expect Finland's relative competitiveness to remain good, as bilateral relations between the countries are solid and tariffs are likely to rise higher for goods from countries such as China. Even so, the risk of a trade war and its impact on the European economy has become a significant source of uncertainty.

There has been a rather widespread decline in investments. Housing construction, in particular, has fallen dramatically. Industrial investments have decreased slightly, and spending on research and product development is stagnant. The low level of industrial capacity utilisation and higher financing costs reduced the willingness to invest in 2023–2024, but the investment climate will gradually improve as interest rates decline and demand picks up. Investments in the green transition through energy efficiency measures, for example, have continued, and Finland is attracting some energy-intensive investments, such as new data centres. As a result of the completion of new wind power plants and the third reactor in Olkiluoto nuclear power plant, Finland is now self-sufficient in terms of electricity. After the current projects have been completed, any construction of additional capacity requires that the demand for electricity is expected to increase.

The labour market has weakened and will continue to weaken for another few months. The employment rate trend among people aged 20 to 64 peaked at 78.5% in 2022 before the slump, but the upward trend stopped last year, with the unemployment rate trend for 20–64-year-olds falling to 76.3% in October this year. The seasonally adjusted unemployment rate was 8.7% in October. The unemployment rate dipped to 6.1%, in spring 2022 after the recovery following the lifting of the COVID-19-related restrictions. Unemployment initially increased in the construction sector, in particular, but the situation has deteriorated overall. The number of open vacancies has decreased clearly in all main industries. In autumn 2024, the number of open vacancies also declined significantly in the public sector, where savings measures are forcing workforce reductions. The rise in unemployment worries consumers and increases the propensity to save. However, some companies are still suffering from a shortage of skilled labour, and the working-age population will only continue to grow through immigration. We expect employment to turn to modest growth during 2025, provided that recruitment needs increase alongside economic growth.

Compared to the previous forecast, there have been no crucial changes in the circumstances. The third quarter of 2024 was slightly better than expected, even if consumption fell. Leading indicators point to a slightly strengthening economy in the coming months. On the other hand, unemployment has risen slightly faster than expected. The faster-than-expected decline in interest rates is the most notable positive surprise. With regard to export markets, there are no major surprises in the growth outlook, but the threat of a trade war casts a shadow of uncertainty over the growth prospects in exports. Our GDP forecast for Finland's economy remains more or less unchanged, but unemployment will rise temporarily to a slightly higher level, and public debt will increase more than previously anticipated. The level of public debt is also affected by adjustments made to statistics records. We expect growth to pick up in 2025, thanks to growing private consumption as well as an increase in construction and other

Rise in unemployment worries consumers

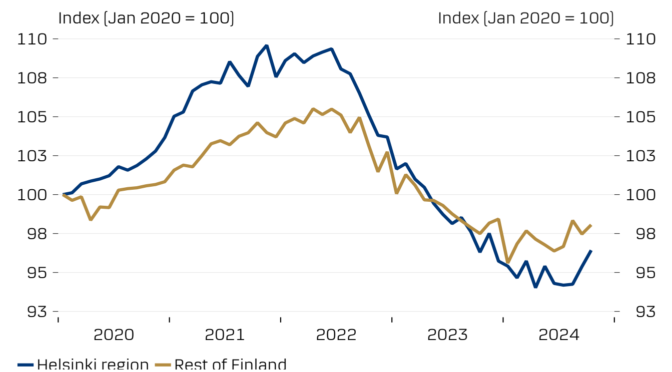


Sources: Macrobond Financial, Statistics Finland, Danske Bank

Housing market picking up

Sources: Macrobond Financial, Statistics Finland, Danske Bank

Housing prices bottoming out



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Salary increases will hopefully hit the right balance, improving domestic purchasing power while also ensuring the price competitiveness of exports

Pasi Kuoppamäki, Chief Economist Finland

investments after a weak period. Exports will also increase, but the net contribution of foreign trade will remain weak. The government's tightening fiscal policy is holding back the rise. The increase in construction will boost economic growth in 2026, and we expect overall economic growth to continue at a moderate rate. Finland would need faster productivity growth in order to sustain economic growth.

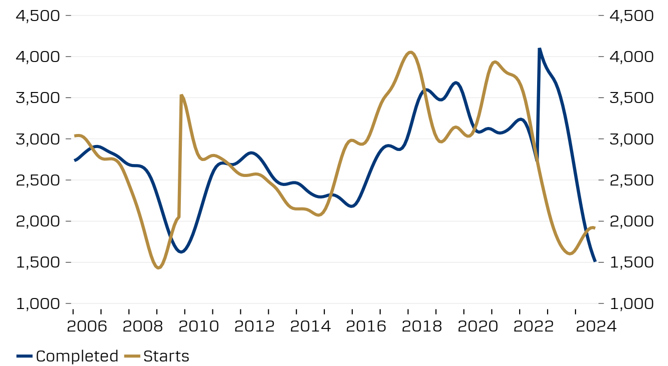
There continue to be signs of recovery in the housing market, although the number of transactions remained clearly below the average historic level in the autumn. According to preliminary information from Statistics Finland, the prices of re-sold owner apartments fell by 0.3% quarter-on-quarter in the third quarter and remained 2.3% lower than a year ago. At the same time, sales of re-sold owner apartments taking place through real estate agents increased by 20% year-on-year. The abundant supply of housing is curbing price increases. Housing prices increased in October in major cities, and sales times shortened. The sales of new homes has contracted more sharply than sales of existing homes, but in recent months, the sales of new homes have also picked up in several towns compared to the weak level of a year ago. The falling interest rate level is stimulating the housing market, and consumers' housing purchase plans rose closer to the historical average level during Autumn. Concerns about employment are still holding back many planned purchases, but the circumstances for an increase in housing transactions will improve as the economy recovers and interest rates fall.

Sluggish demand, increased construction costs and the higher interest rate level led to a notable downward trend in housing construction, which is one of the main reasons for the decline in GDP. The stock of unsold new apartments has temporarily increased, which has put pressure on the price level and reduced incentives for further construction. However, the population of Finland will continue to grow, and more apartments will be needed in growth centres, which means that low construction volumes will eventually result in housing shortage. The unleashing of pent-up demand will increase the demand for new construction, and the number of new starts already appears to have picked up in the autumn of 2024. Strengthening demand and falling interest rates are increasing incentives for construction, but due to the time required for permit applications and other construction-related processes, any considerable revival of housing construction will not take place until towards the end of 2025. However, the recovery of construction is contingent on the recovery of the overall economy and employment.

The government aims to balance Finland's public finances through expenditure cuts, tax increases and by means of structural reforms accelerating growth at a total level of EUR 9bn. Approximately EUR 6bn will be achieved through expenditure savings, over 1bn through taxation, with the remaining EUR 2bn aimed to be achieved through higher employment The VAT rate increased to 25.5% at the beginning of September, making it the second highest in the world after Hungary. VAT revenue increased by 4% year-on-year in September-October. Cuts to social security

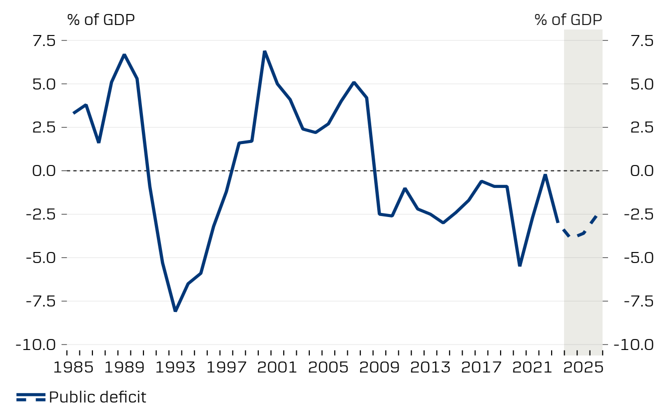
Housing starts have increased

Number of housing units per month, trend



Sources: Macrobond Financial, Statistics Finland, Danske Bank

Public deficit stays large despite expenditure cuts



Sources: Macrobond Financial, Statistics Finland, Danske Bank

potentially weaken aggregate demand in the short term but, in the long run, they will most likely increase incentives to work and strengthen public finances. Despite the savings measures, public deficit will remain high, exceeding 3% in relation to the gross domestic product both this year and next year. Major cost pressures will persist in areas such as the healthcare and social welfare sector even after 2024, but the deficit will gradually shrink through fiscal adjustment measures and economic growth.

Public debt has increased at a rapid rate and continues to grow. According to the government's third supplementary budget, the net borrowing of the state is estimated to amount to nearly EUR 12bn in 2024, and the draft budget for 2025 shows a deficit of over EUR 12bn. The 10-year interest rate on the public debt of Finland stayed below 3% after the end of the summer. Compared to Germany, the difference in interest rates has remained rather stable. Credit rating institutions are waiting for structural reforms that would narrow the sustainability gap, and for the fiscal adjustment measures related to public finances. The risk of a downgrade in the credit rating has increased, but we expect Finland's credit ratings to remain unchanged in 2025 if economic growth picks up as anticipated. If the economic recovery and fiscal adjustment measures are not sufficient to reduce the deficit to around or below 3%, Finland could face EU's excessive deficit procedure in 2025. This would likely lead to further adjustment measures during this term of government.

Forecast tables

Macro forecasts - Denmark

	2023	2023	Forecast 2024	2025	2026
National Accounts	**DKK bn (Current prices)**	**y/y**	**y/y**	**y/y**	**y/y**
Private consumption	1259.2	1.3%	0.2%	1.9%	2.3%
Government consumption	636.4	0.2%	1.4%	2.6%	2.0%
Gross fixed investment	633.1	-6.6%	-1.2%	3.0%	3.6%
- Business investment	387.7	-5.5%	-2.9%	1.5%	2.4%
- Housing investment	156.2	-12.4%	0.2%	3.9%	5.6%
- Government investment	89.1	-1.2%	4.0%	7.1%	4.9%
Growth contribution from inventories		-1.7%	-1.1%	0.1%	0.0%
Exports	1906.1	10.4%	6.3%	2.7%	3.1%
- Goods exports	1106.5	5.5%	9.5%	5.0%	4.1%
- Service exports	799.6	15.9%	1.9%	-0.8%	1.6%
Imports	1677.5	3.7%	1.2%	2.4%	3.7%
- Goods imports	921.2	-4.2%	0.9%	3.6%	3.8%
- Service imports	756.3	14.7%	1.5%	1.1%	3.6%
GDP	2804.7	2.5%	3.0%	2.5%	2.3%
Economic indicators					
Current account, DKK bn		275.9	364.6	389.6	404.6
- Share of GDP		9.8%	12.5%	12.8%	12.8%
General government balance, DKK bn		92.7	78.0	45.0	29.0
- Share of GDP		3.3%	2.7%	1.5%	0.9%
General government debt, DKK bn		942.1	925.0	903.0	885.0
- Share of GDP		33.6%	31.8%	29.7%	28.0%
Employment**		3202.4	3228.7	3228.6	3235.3
Gross unemployment**		83.4	87.4	92.5	94.7
- Share of total work force		2.8%	2.9%	3.1%	3.1%
House prices, y/y		-4.0%	4.4%	5.0%	4.0%
Private sector wage level, y/y		4.1%	5.1%	3.5%	3.2%
Consumer prices, y/y		3.3%	1.4%	1.8%	1.7%
Financial figures					
Lending Rate*		3.75%	2.75%	1.25%	1.25%
Certificates of deposit Rate*		3.60%	2.60%	1.10%	1.10%

**End of period, ** Annual average, thousand*
Source: Danske Bank, Statistics Denmark, Nationalbanken, Confederation of Danish Employers (Dansk Arbejdsgiverforening), Boligsiden

Forecast tables

Macro forecasts - Sweden

	2023	2023	Forecast 2024	2025	2026
National Accounts	**SEK bn (Current prices)**	**y/y**	**y/y**	**y/y**	**y/y**
Private consumption	2788.5	-2.0%	0.3%	2.5%	2.8%
Government consumption	1627.5	1.7%	1.1%	2.1%	1.1%
Gross fixed investment	1552.2	-1.3%	-1.4%	2.1%	2.8%
Contribution from invetory change		-1.5%	0.4%	0.2%	0.0%
Domestic demand	5960.5	-2.3%	0.5%	2.5%	2.3%
Exports	3425.4	3.5%	2.3%	3.8%	3.2%
Aggregate demand	9385.8	-0.3%	1.2%	2.9%	2.7%
Imports	3177.7	-0.8%	2.2%	3.8%	3.6%
Contribution from net exports	247.7	2.3%	0.1%	0.1%	-0.1%
GDP	6208.1	0.0%	0.6%	2.5%	2.2%
GDP, calendar adjusted	6211.1	0.2%	0.7%	2.5%	2.2%
Economic indicators					
Trade Balance, SEK bn		247.4	256.1	263.7	259.3
- share of GDP		4.0%	4.1%	4.1%	4.0%
Current Account, SEK bn		297.4	306.1	313.7	309.3
- share of GDP		4.8%	4.9%	4.9%	4.7%
Public budget, SEK bn		-39.0	-75.0	-50.0	-10.0
- share of GDP		-0.6%	-1.2%	-0.8%	-0.2%
Public debt ratio*		32.0%	33.0%	33.0%	32.0%
Unemployment rate		7.7%	8.4%	8.2%	7.7%
Consumer prices, y/y		8.6%	3.0%	1.7%	1.2%
CPIF, y/y		6.0%	2.0%	2.6%	1.5%
CPIF excl. Energy, y/y		7.5%	2.6%	1.8%	1.7%
Hourly Wages, y/y		3.8%	3.5%	3.5%	3.2%
House prices, y/y		-7.5%	3.5%	5.0%	5.0%
*Maastricht definition					
Financial Figures					
Leading policy rate**		4.00%	2.50%	1.75%	1.75%

***Year end*
Source: Danske Bank, Statistics Sweden, Valueguard, Sveriges Riksbank

Forecast tables

Macro forecasts - Norway

	2023	2023	Forecast 2024	2025	2026
National Accounts	**NOK bn (Current prices)**	**y/y**	**y/y**	**y/y**	**y/y**
Private consumption	1964.0	-0.9%	1.3%	3.0%	2.5%
Government consumption	1117.0	3.2%	2.2%	2.0%	2.0%
Gross fixed investment	1116.9	-0.5%	4.0%	1.4%	1.5%
Petroleum activities	217.6	10.6%	8.5%	1.0%	-6.0%
Mainland Norway	896.8	-1.4%	-4.6%	1.5%	3.5%
Dwellings	202.5	-18.3%	-17.5%	5.0%	10.0%
Enterprises	421.2	3.4%	-3.0%	0.5%	2.0%
General government	273.1	7.7%	3.3%	0.0%	2.0%
Exports	2437.7	0.2%	5.0%	2.0%	1.0%
Traditional goods	665.3	5.3%	3.0%	2.0%	3.0%
Imports	1655.1	-1.6%	1.8%	2.0%	1.8%
Traditional goods	992.4	-6.2%	2.2%	2.5%	2.2%
GDP	5096.9	0.9%	1.1%	1.8%	1.0%
GDP Mainland Norway	3874.0	1.1%	0.9%	1.9%	1.7%
Economic indicators					
Employment, y/y		1.3%	0.5%	0.3%	0.5%
Unemployment rate (NAV)		1.8%	2.1%	2.4%	2.4%
Annual wages, y/y		5.3%	5.1%	3.8%	3.3%
Core inflation, y/y		6.2%	3.6%	2.2%	2.0%
Consumer prices, y/y		5.5%	3.0%	2.3%	2.0%
House prices, y/y		0.2%	3.0%	6.0%	5.0%
Financial figures					
Leading policy rate		4.50%	4.50%	3.50%	2.50%

**End of period*
Source: Danske Bank, Statistics Norway, Real estate Norway, Norwegian Labour and Welfare Organization (NAV), Norges Bank

Forecast tables

Macro forecasts - Finland

	2023	2023	Forecast 2024	2025	2026
National Accounts	**EUR bn (Current prices)**	**y/y**	**y/y**	**y/y**	**y/y**
GDP	273.3	-1.2%	-0.3%	1.8%	1.6%
Imports	116.2	-6.6%	-0.8%	4.0%	4.5%
Exports	117.0	0.2%	1.0%	3.5%	3.0%
Consumption	211.8	1.3%	0.2%	1.1%	1.2%
- Private	141.3	0.3%	-0.2%	1.5%	1.5%
- Public	70.4	3.4%	1.0%	0.2%	0.5%
Gross fixed investment	63.3	-9.0%	-5.5%	4.5%	5.5%
Economic Indicators					
Unemployment rate		7.2%	8.3%	8.1%	7.3%
Earnings, y/y		4.2%	2.9%	3.1%	3.0%
Inflation, y/y		6.2%	1.6%	1.2%	1.8%
Housing prices, y/y		-6.4%	-2.3%	4.0%	3.0%
Current account, EUR Bn		-1.1	0.5	-0.5	-0.5
- share of GDP		-0.4%	0.2%	-0.2%	-0.2%
Public deficit, share of GDP**		-3.0%	-3.9%	-3.6%	-2.6%
Public debt, share of GDP**		77.1%	80.5%	82.2%	82.6%
Financial Figures					
ECB deposit rate*		4.00%	3.00%	1.50%	1.50%

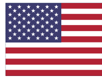
**End of period, **2023 value is forecast*
Source: Danske Bank, Statistics Finland, ECB

Forecast tables

Macro Forecasts - Euro area

	2024 Q4	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
GDP, q/q	0.1%	0.2%	0.2%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%
Unemployment rate	6.4%	6.6%	6.7%	6.8%	6.7%	6.6%	6.6%	6.5%	6.5%
HICP, y/y	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Core HICP, y/y	2.7%	2.3%	2.0%	1.8%	1.8%	1.9%	1.9%	1.8%	1.8%
ECB deposit rate*	3.00%	2.50%	2.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

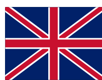
**End of period*
Source: Danske Bank, Eurostat, ECB



Macro Forecasts - United States

	2024 Q4	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
GDP, q/q	0.5%	0.4%	0.4%	0.3%	0.4%	0.6%	0.6%	0.6%	0.6%
Unemployment rate	4.2%	4.3%	4.3%	4.4%	4.4%	4.4%	4.4%	4.3%	4.2%
CPI, y/y	2.7%	2.6%	2.6%	2.9%	2.8%	2.5%	2.2%	2.3%	2.7%
Core CPI, y/y	3.2%	2.9%	2.9%	3.0%	2.7%	2.6%	2.4%	2.4%	2.5%
Fed Funds target rate*	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%

**End of period*
Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed



Macro Forecasts - United Kingdom

	2024 Q4	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
GDP, q/q	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.3%	0.3%
Unemployment rate	4.4%	4.6%	4.7%	4.8%	4.7%	4.6%	4.5%	4.5%	4.5%
CPI, y/y	2.4%	2.5%	2.4%	2.5%	2.4%	2.0%	2.0%	2.0%	2.0%
Core CPI, y/y	3.4%	3.4%	2.7%	2.6%	2.5%	2.1%	1.9%	1.9%	1.9%
BoE Bank Rate*	4.75%	4.25%	3.75%	3.50%	3.25%	3.00%	2.75%	2.75%	2.75%

**End of period*
Source: Danske Bank, Bank of England, The Office for National Statistics

Forecast tables

	Year	GDP*	Private cons.*	Public cons.*	Fixed inv.*	Ex-ports*	Im-ports*	Infl-ation*	Wage growth *	Unem-ployme **	Public budget ***	Public debt ***	Current acc. ***
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	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	2023	0.2	-2.0	1.7	-1.3	3.5	-0.8	8.6	3.8	7.7	-0.6	32.0	4.8
	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	2023	1.1	-0.9	3.2	-0.5	0.2	-1.6	5.5	5.3	1.9	-	-	-
	2024	0.9	1.3	2.2	4.0	5.0	1.8	3.0	5.1	2.1	-	-	-
	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	-	-	-
Euro area	2023	0.5	0.7	1.6	1.8	-0.5	-1.1	5.4	4.5	6.6	-3.6	90.2	2.9
	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	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	-0.3	-0.2	1.0	-5.5	1.0	-0.8	1.6	2.9	8.3	-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
United States	2023	2.9	2.5	3.9	2.4	2.8	-1.2	4.1	4.5	3.6	-6.3	122.3	-3.3
	2024	2.7	2.7	3.4	3.9	3.1	5.7	2.9	3.9	4.0	-6.7	123.1	-3.3
	2025	1.9	2.2	3.0	1.8	2.2	5.3	2.7	3.5	4.4	-6.5	125.1	-3.1
	2026	2.1	1.8	1.8	4.3	3.5	4.4	2.4	3.5	4.3	7.0	128.0	-3.0
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-6.9	84.4	1.4
	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	2023	0.3	-	-	-	-	-	7.3	-	4.0	-	-	-
	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.
* % y/y. ** % of labour force. *** % of GDP.

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Las Olsen, Chief Economist, Allan von Mehren, Director, Minna Kuusisto, Director, Antti Ilvonen, Analyst, Bjørn Tangaa Sillemann, Director, Michael Grahn, Chief Economist, Pasi Kuoppamäki, Chief Economist, Frank Jullum, Chief Economist, and Rune Thyge Johansen, Analyst.

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. 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.

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 security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning
Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates
Quarterly

Date of first publication
See the front page of this research report for the date of first publication.

General disclaimer

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: 3 December 2024, 16:00 CET

Report first disseminated: 4 December 2024, 6:00 CET

Global Danske Research

Global Head of Research
Heidi Schauman
heidi.schauman@danskebank.com

Macro

Head of
Las Olsen
Denmark
laso@danskebank.com

Allan von Mehren
China macro and CNY
alvo@danskebank.com

Antti Ilvonen
US macro, AUD and NZD
ilvo@danskebank.com

Bjørn Tangaa Sillemann
Denmark, Japan
bjsi@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Kaisa Kivipelto
Finland
kakiv@danskebank.com

Louise Aggerstrøm Hansen
Denmark
louhan@danskebank.com

Minna Kuusisto
Emerging Markets
mkuus@danskebank.com

Pasi Kuoppamäki
Finland
paku@danskebank.com

Rune Thyge Johansen
Euro Area
rujo@danskebank.com

Sweden

Head of
Filip Andersson
Fixed income strategy
fian@danskebank.com

Michael Grahn
Sweden
mika@danskebank.com

Jesper Fjärstedt
SEK, PLN, HUF and CZK
jesppe@danskebank.com

Stefan Mellin
SEK strategy
mell@danskebank.com

Joel Rossier
Fixed income strategy
joero@danskebank.com

Fixed Income Research

Head of
Jan Weber Østergaard
DKK and EUR fixed income
jast@danskebank.com

Frederik Romedahl Poulsen
Global rates
frpo@danskebank.com

Jens Peter Sørensen
Nordic and EUR fixed income
jenssr@danskebank.com

Jonas Hensch
DKK fixed income
jhens@danskebank.com

Piet P.H. Christiansen
ECB and EUR fixed income
phai@danskebank.com

FX Research

Head of
Kristoffer Kjær Lomholt
NOK and G10 FX
klom@danskebank.com

Mohamad Al-Saraf
EUR, USD, JPY, and
Institutional FX
moals@danskebank.com

Jens Nærvig Pedersen
DKK, commodities, USD
liquidity, Institutional FX
jenpe@danskebank.com

Kirstine Grønborg Kundby-Nielsen
GBP, CHF and Corporate FX
kigrn@danskebank.com

Credit Research

Head of
Jakob Magnussen
Utilities
jakja@danskebank.com

Brian Børsting
Industrials & Transportation
brbr@danskebank.com

Christian Svanfeldt
Real Estate and Industrials
chrsv@danskebank.com

Lina Berg
Industrials
linab@danskebank.com

Linnea Sehlberg
Industrials
sehl@danskebank.com

Louis Landeman
Sustainability/ESG
llan@danskebank.com

Mads Rosendal
TMT and Industrials
madros@danskebank.com

Mark Thybo Naur
Financials and Strategy
mnau@danskebank.com

Marko Radman
Norwegian HY
mradm@danskebank.com

Olli Eloranta
Industrials and Real Estate
oelo@danskebank.com

Rasmus Justesen
Credit Portfolios
rjus@danskebank.com

Sverre Holbek
Financials
holb@danskebank.com

Marcus Gustavsson
Real Estate
marcg@danskebank.com

Mille Opdahl Müller
Industrials & Real Estate
mifj@danskebank.com