

30 August 2024

Weekly Focus

Jobs Report set to guide central banks in September

Markets were in waiting mode ahead of final pivotal data releases before September's round of central bank meetings.

Equity markets were mixed, with European main indices outperforming their US counterparts amid Nvidia's somewhat disappointing earnings report, while bond yields were little changed. The post-Jackson Hole rally in EUR/USD cooled off, with the cross declining back below 1.11. Oil prices rose modestly due to supply concerns in Libya with Brent hovering close to USD80/bbl, as the situation remains unresolved (see *Reuters*).

Preliminary euro area August HICP showed headline inflation cooling to 2.2% y/y – **the slowest pace in three years**. That said, the decline was largely driven by negative base effect in energy prices, as core inflation was virtually unchanged at 2.84% y/y (July 2.85%).

In the US, Conference Board's August consumer sentiment survey was strong on the headline level but with soft details.

Consumers turned more optimistic both with regards to current economic conditions (134.4; from 133.1) as well as the future outlook (82.5; from 81.1), but still saw their employment prospects weakening. The 'Jobs Plentiful' index fell to the lowest level since March 2021. Leading labour market data released so far in August has provided mixed signals, as both consumer sentiment and PMI employment indices weakened but jobless claims have still trended lower after July distortions.

Next week's most important data release will be the US August Jobs Report on Friday.

We forecast a modest rebound in nonfarm payrolls growth to +170k (July +114k), we see unemployment rate remaining at 4.3% (unchanged) and average hourly earnings growth at +0.2% m/m SA (unchanged). Markets are currently pricing around 35% probability of the Fed initiating its easing cycle with a 50bp cut, but a print in line with our forecasts would likely push market pricing to converge towards a 25bp move (our call).

Leading up to Friday, US data calendar includes several other key releases as well, namely August ISM manufacturing and services indices as well as the July JOLTs data. Job openings from the latter are a key measure of labour demand for the FOMC.

Labour markets remain in focus in the euro area as well. ECB's key measure of wage growth, the Q2 **Compensation per Employee** data, is due for release on Friday. The ECB staff projections from June estimated that wage growth would increase to 5.1% y/y in Q2 from 5.0% y/y in Q1, but the indicator of negotiated wages (Q2 +3.6% y/y; Q1 +4.7%) pointed towards clear downside risks. Markets have fully priced in ECB's 25bp cut at the September meeting, in line with our call. Focus is turning towards the final meetings of 2024, where we expect one more cut in December. Markets price in cumulative 37bp for the last two meetings of the year, implying a 50% probability of the next move coming already in October.

Leading data is due for release from China as well.

Official NBS PMIs will be released already tomorrow on Saturday and the private Caixin manufacturing PMI will follow on Monday. The manufacturing indices have sled below the neutral level of 50 over summer, where we expect them to remain, reflecting continued growth challenges in China.

Key global views

- Global manufacturing cycle moving gradually higher
- Recession risk is still low
- US and EA inflation to decline further, but EA core remains sticky
- We expect the Fed and ECB to ease policy only gradually

Key market movers

- Mon: China (Caixin), Sweden and Norway Manf. PMIs
- Tue: US ISM Manf. **Danske Research publishes updated economic forecasts in the Nordic Outlook**
- Wed: Bank of Canada meeting, US JOLTs
- Thu: EA retail sales, US ADP, US ISM Services
- Fri: US Jobs Report

Selected reading from Danske Bank

- *Reading the Markets USD - The direction is clear, but the pace is not*, 27 August
- *Reading the Markets Sweden*, 30 August

Editor
Senior Analyst
Antti Ilvonen
+358 445 180 297
antti.ilvonen@danskebank.com

Scandi market movers

- In **Denmark**, on Friday, July industrial production will be released. Momentum has been slowing since May outside pharmaceuticals, though Q2 production was still 2.9% higher q/q. This fits well with eurozone PMIs that have shown a struggling manufacturing sector, which continued in July and is a headwind for Danish manufacturing. Sentiment outside pharma soured in July which could also be a signal of a weaker print. Pharmaceuticals continue to support the upwards trend of the total figure, which has for the same reason been choppy at times as monthly fluctuations in Novo Nordisk's production can have a large impact.

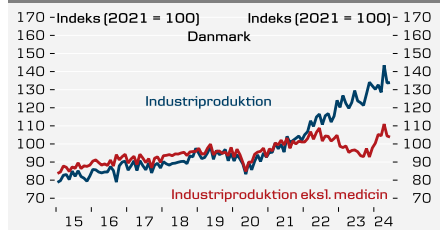
We will also get data on bankruptcies in August on Friday. The number of bankruptcies has continued its downwards trend but is still elevated compared to before 2022. We have not seen signs that the economy has lost steam since the growth in Q2, which supports a continuation of the trend. Conversely, business sentiment declined in August which could be a signal of a higher print. It will be interesting to see what the figure shows.

- The Riksbank monetary minutes will be released on Monday, 09.30 CET. Focus will be on whether there was any discussion about the possibility of 50 bp rate cuts and what could trigger such moves going forward.

Most important data during the week is the Q2 GDP report. The (extremely uncertain) unofficial GDP indicator suggests a drop of 0.8% q/q, which we find hard to believe. In the run-up to that print (Thursday) there is a slew of July data in the form of household lending, PPI, trade balance and retail sales giving a hint to the start of Q3. In addition, NIER (Konjunkturinstitutet) releases the August confidence survey, where market's focus may have shifted from price expectations to confidence and growth indicators.

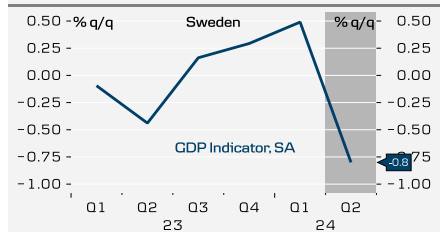
- Next week will bring more colour on the state of the Norwegian industrial sector with both manufacturing PMIs and monthly industrial production figures being released. In recent months, soft indicators have shown opposing signals for the manufacturing outlook with the PMIs generally suggesting a bleaker outlook than most other releases. This discrepancy is likely to continue in next week's releases amid fewer petroleum related entities responding to the PMI survey and signs of weaker global industrial impulses. That said, we generally still expect manufacturing in Norway to be well cushioned from slower global industrial activity levels amid oil and gas industries doing well.

Industrial production excl. pharma has lost momentum



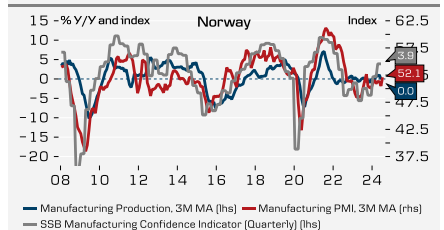
Sources: Statistics Denmark, Danske Bank

Sweden: Indicator suggests a weak GDP reading



Source: SCB

Norway: focus on Norway manufacturing next week



Source: Norges Bank, NAV, Macrobond Financial, Danske Bank

Scandi Update

Denmark – Downturn in business sentiment in August

Sentiment among businesses soured a little in August across all four categories. The market uncertainty at the beginning of the month may have contributed, but the main reason is likely the continued high interest rates and consumer preference for services, which haunts both construction, retail and industry. Services remains in positive territory. All in all, this is more likely a bump rather than shift in trend, as we still see improvement ahead for the Danish economy.

Unemployment rose by 500 persons in July down from the 1000 first reported by the flash print. That is the largest monthly increase this year as unemployment has been relatively flat. Still, the figure remains at a very low level underscoring the robustness of the labour market.

In connection with the release of the government’s *Economic Survey*, the Danish Ministry of Finance released updated projections for the net government financing need for 2024 and 2025. The past few years have seen a primary surplus, but the Ministry expects a primary deficit for 2025 of DKK 11bn which, once debt repayments and repurchases are included, results in a gross financing need of DKK 132bn. This should not change the expected DGB issuance of DKK 65bn, however, as 35bn will likely be refinanced, 10bn will likely be financed by USD bonds, and the remainder can likely be drawn from the treasury account.

Sweden – GDP print not as bad as feared

Swedish Q2 GDP was not as weak as feared: -0.3% q/q sa vs GDP indicator suggesting -0.8% q/q. Q1 was revised marginally higher to +0.8% q/q. Details show that consumption dropped marginally (hence quite OK), while there was a set-back in gross fixed investments (hopefully just a temporary dip). Inventory change detracted by a significant -0.6 p.p. The question here is *why* since net exports contributed significantly to growth, adding 0.9 p.p. It could be the case that the inventory drawdown comes on the back of rising exports. To sum up: there still some life in the Swedish economy.

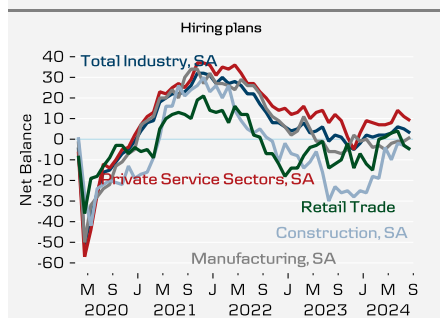
NIER survey: The overall indicator was almost unchanged (94.7) compared to last month (95). The unchanged sentiment appears to be broad-based if looking at the different sectors. There was no change in order inflow either. On a positive note, hiring plans in the manufacturing industry is now in positive territory i.e. there are plans to increase the workforce from here. Both retail trade and the construction sector continue to flag for decreasing the workforce from here. All in all, NIER continues to show below-normal sentiment for the economy as a whole, although we have seen broad-based improvements over the past year.

Sentiment in business declined in August but remains net positive



Source: Statistics Denmark, Macrobond Financial, Danske Bank

Hiring plans according to NIER



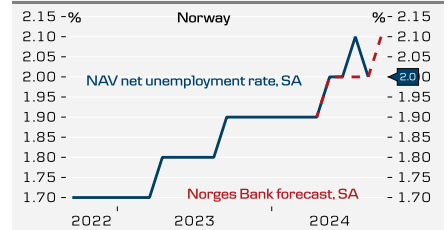
Source: NIER, Macrobond

Norway – surprise decline in unemployment

The monthly registered labour market report (NAV) showed a surprising decline in the unemployment rate from 2.1% to 2.0%. The details revealed an actual drop in the number of net unemployed people which could suggest an acceleration in growth and a general re-tightening of the labour market. Meanwhile, as other indicators for the labour market indicate a recent loosening and as we saw a surprisingly sharp rise in unemployment last month, we think the monthly volatility of the NAV report should be interpreted carefully. Our base case still entails a further rise in unemployment in the months to come which should pave the way for the first Norges Bank rate cut in March 2025 – or potentially already in December this year.

This week also brought retail sales figures showing a well anticipated rebound in July after a sharp June drop. Importantly, retail sales have been flat for the last 18 months and looking at more high-frequency indicators does not suggest that private consumption has accelerated in Q3.

Unemployment rate back at Norges Bank's forecast



Source: Norges Bank, Macrobond, Danske Bank

Calendar – 2-6 September 2024

During the week				Period	Danske Bank	Consensus	Previous
Sat 31	CNY	PMI manufacturing	Index	Aug		49.5	49.4
Sat 31	CNY	PMI non-manufacturing	Index	Aug		50.1	50.2
Monday, September 2, 2024				Period	Danske Bank	Consensus	Previous
2:30	JPY	Nikkei Manufacturing PMI, final	Index	Aug			49.5
3:45	CNY	Caixin PMI manufacturing	Index	Aug		50.0	49.8
7:00	EUR	S&P may publish Netherlands's debt rating		Aug			49.2
8:30	SEK	PMI manufacturing	Index	Aug			49.2
9:15	ESP	PMI manufacturing	Index	Aug			51.0
9:45	ITL	PMI manufacturing	Index	Aug			47.4
9:50	FRF	PMI manufacturing, final	Index	Aug		42.1	42.1
9:55	DEM	PMI manufacturing, final	Index	Aug		42.1	42.1
10:00	EUR	S&P may publish Greece's debt rating		Aug			53.2
10:00	ITL	GDP, final	q/q/y/y	2nd quarter		0.2% ..	0.2% 0.9%
10:00	EUR	PMI manufacturing, final	Index	Aug	45.6	45.6	45.6
10:00	NOK	PMI manufacturing	Index	Aug			56.9
10:30	GBP	PMI manufacturing, final	Index	Aug		52.5	52.5
Tuesday, September 3, 2024				Period	Danske Bank	Consensus	Previous
8:30	CHF	CPI	m/m/y/y	Aug		0.1% 1.2%	-0.2% 1.3%
9:00	CHF	GDP	q/q/y/y	2nd quarter		0.6% 1.6%	0.5% 0.6%
15:30	CAD	RBC manufacturing PMI	Index	Aug			47.8
15:45	USD	Markit PMI manufacturing, final	Index	Aug		48.1	48.0
16:00	USD	Construction spending	m/m	Jul		0.1%	-0.3%
16:00	USD	ISM manufacturing	Index	Aug		47.5	46.8
17:00	DKK	Currency reserves	DKK bn	Aug			640
Wednesday, September 4, 2024				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Aug		15.35	15.82
-	PLN	Polish central bank rate decision	%		5.75%	5.75%	5.75%
2:30	JPY	Markit PMI services, final	Index	Aug			54.0
3:30	AUD	GDP	q/q/y/y	2nd quarter		0.2% 0.9%	0.1% 1.1%
3:45	CNY	Caixin PMI service	Index	Aug		52.1	52.1
8:00	SEK	Prospera inflation expectations					
8:00	SEK	Current account	SEK bn	2nd quarter			115.9
8:30	SEK	PMI services	Index	Aug			53.8
9:15	ESP	PMI services	Index	Aug			53.9
9:45	ITL	PMI services	Index	Aug			51.7
9:50	FRF	PMI services, final	Index	Aug		55.0	55.0
9:55	DEM	PMI services, final	Index	Aug		51.4	51.4
10:00	EUR	PMI composite, final	Index	Aug	51.2	51.2	51.2
10:00	EUR	PMI services, final	Index	Aug	53.3	53.3	53.3
10:30	GBP	PMI services, final	Index	Aug		53.3	53.3
11:00	EUR	PPI	m/m/y/y	Jul		-2.5% 0.3%	-3.2% 0.5%
14:30	USD	Trade balance	USD bn	Jul		-78.5	-73.1
15:45	CAD	Bank of Canada rate decision	%		4.25%	4.25%	4.50%
16:00	USD	Core capital goods orders, final	%	Jul			-0.1%
16:00	USD	JOLTS Job openings	K	Jul		7900	8184 8184
Thursday, September 5, 2024				Period	Danske Bank	Consensus	Previous
1:30	JPY	Labour cash earnings	y/y	Jul		3.0%	4.5%
7:45	CHF	Unemployment	%	Aug		2.5%	2.5%
8:00	DEM	Factory orders	m/m/y/y	Jul		-1.7% -1.9%	3.9% -11.8%
10:30	GBP	PMI construction	Index	Aug		54.3	55.3
11:00	EUR	Retail sales	m/m/y/y	Jul		0.0% 0.2%	-0.3% -0.3%
12:00	EUR	Ireland, GDP, final	q/q/y/y	2nd quarter			1.2% -1.4%
14:15	USD	ADP employment	1000	Aug		145	122
14:30	USD	Initial jobless claims	1000				231
14:30	USD	Unit labour cost, final	q/q	2nd quarter		0.9%	0.9%
15:45	USD	Markit PMI service, final	Index	Aug			55.2
16:00	USD	ISM non-manufacturing	Index	Aug		50.9	51.4
17:00	USD	DOE U.S. crude oil inventories	K				-846

Source: Danske Bank

Calendar – 2-6 September 2024

Friday, September 6, 2024			Period	Danske Bank	Consensus	Previous
6:00	SEK	Maklarstatistik Swedish housing price data				
7:00	JPY	Leading economic index, preliminary	Index		109.4	109.0
8:00	DEM	Industrial production	m/mly/y		-0.2% -3.5%	1.4% -4.1%
8:00	DKK	Industrial production	m/m			0.1%
8:00	SEK	Budget balance	SEK bn			6.4
8:00	NOK	Manufacturing production	m/mly/y			1.4% 2.1%
8:00	NOK	Industrial production	m/mly/y			7.9% 14.9%
8:45	FRF	Industrial production	m/mly/y		0.3% -0.9%	0.8% -1.6%
9:00	CHF	Foreign Currency Reserves	CHF bn			703.5
11:00	EUR	GDP, final	q/qly/y	2nd quarter	0.3% 0.6%	0.3% 0.6%
11:00	EUR	Gross fixed investments	q/q	2nd quarter		-1.4%
11:00	EUR	Government consumption	q/q	2nd quarter		-0.1%
11:00	EUR	Private consumption	q/q	2nd quarter		0.2%
11:00	EUR	Employment, final	q/qly/y	2nd quarter		0.2% 0.8%
14:30	USD	Unemployment	%	Aug	4.3%	4.2%
14:30	USD	Average hourly earnings, non-farm	m/mly/y	Aug	0.2% ...	0.3% 3.7%
14:30	USD	Non farm payrolls	1000	Aug	170	160
14:30	CAD	Net change in full time employment	1000	Aug		61.6
14:45	USD	Fed's Williams speaks				
17:00	USD	Fed's Waller speaks				

Source: Danske Bank

Macroeconomic forecast

Macro forecast. Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2023	2.5	1.3	0.2	-6.6	10.4	3.7	3.3	4.1	2.8	3.5	29.3	10.9
	2024	2.1	1.5	2.9	2.8	5.7	7.7	1.8	4.9	2.9	1.9	27.7	10.4
	2025	2.0	2.6	2.0	3.2	1.6	2.2	2.0	3.7	3.1	1.1	26.3	11.0
Sweden	2023	0.3	-2.2	1.3	-1.0	3.6	-0.7	8.6	3.8	7.7	-0.5	31.0	4.8
	2024	1.5	1.3	0.7	-0.3	1.9	1.4	2.5	3.5	8.4	-0.8	30.0	5.1
	2025	2.0	2.6	1.5	2.3	3.0	3.8	1.0	2.5	8.1	-0.6	30.0	4.7
Norway	2023	1.1	-0.8	3.4	0.0	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	0.9	0.6	2.0	4.0	3.5	1.5	3.4	5.1	2.1	-	-	-
	2025	2.0	2.5	1.6	4.0	3.0	1.8	2.0	3.8	2.4	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2023	0.5	0.7	1.0	1.2	-0.4	-1.1	5.4	5.2	6.6	-3.6	90.2	2.9
	2024	0.7	0.8	1.5	1.0	0.1	0.4	2.4	4.4	6.5	-3.0	90.0	2.3
	2025	1.3	1.4	0.9	1.3	3.0	3.1	2.1	3.4	6.6	-2.8	90.5	2.0
Finland	2023	-1.2	0.2	3.4	-8.8	-0.1	-6.6	6.3	4.2	7.2	-2.7	76.6	-1.1
	2024	-0.4	0.5	1.0	-3.0	-2.5	-1.5	1.8	3.5	8.2	-3.9	79.5	-1.1
	2025	1.8	1.2	0.2	5.0	3.5	3.5	1.8	2.5	7.9	-2.7	80.0	-0.7

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
USA	2023	2.5	2.2	4.1	0.6	2.6	-1.7	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	2.3	2.2	3.3	3.7	1.7	4.0	3.2	3.2	4.0	-5.8	126.8	-2.8
	2025	1.5	1.2	2.3	4.0	2.4	4.4	2.5	2.5	4.4	-5.8	128.6	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.0	1.5
	2024	5.2	6.2	-	4.6	-	-	0.7	-	5.2	-7.0	87.4	1.4
	2025	4.8	5.6	-	4.5	-	-	1.5	-	5.2	-7.3	91.8	1.1
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	0.8	-	-	-	-	-	2.4	-	4.4	-	-	-
	2025	1.1	-	-	-	-	-	1.9	-	4.5	-	-	-

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

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	29-Aug	5.50	-	3.71	3.42	0.90	-	6.74	10.52	10.25
	+3m	5.25	-	4.10	3.85	0.92	-	6.84	10.64	10.46
	+6m	5.00	-	3.95	3.91	0.93	-	6.97	11.12	10.93
	+12m	4.50	-	3.70	3.90	0.94	-	7.03	11.51	11.04
EUR	29-Aug	3.75	3.51	2.66	2.52	-	1.11	7.4589	11.64	11.35
	+3m	3.50	3.49	2.95	2.73	-	1.09	7.4575	11.60	11.40
	+6m	3.25	3.22	2.81	2.76	-	1.07	7.4550	11.90	11.70
	+12m	2.75	2.85	2.70	2.80	-	1.06	7.4550	12.20	11.70
JPY	29-Aug	0.25	-	-	-	0.006	0.007	4.64	7.24	7.05
	+3m	0.25	-	-	-	0.006	0.007	4.78	7.44	7.31
	+6m	0.50	-	-	-	0.007	0.007	4.98	7.94	7.81
	+12m	1.00	-	-	-	0.007	0.007	5.21	8.53	8.18
GBP*	29-Aug	5.00	-	4.10	3.69	1.19	1.07	8.86	13.83	13.49
	+3m	4.75	-	4.15	3.77	1.20	1.31	8.98	13.98	13.73
	+6m	4.50	-	4.07	3.74	1.19	1.27	8.88	14.17	13.93
	+12m	4.25	-	3.90	3.75	1.18	1.25	8.77	14.35	13.76
CHF	29-Aug	1.25	-	-	-	1.06	1.18	7.94	12.39	12.08
	+3m	1.00	-	-	-	1.04	1.14	7.77	12.08	11.88
	+6m	0.75	-	-	-	1.05	1.13	7.85	12.53	12.32
	+12m	0.75	-	-	-	1.06	1.13	7.93	12.98	12.45
DKK	29-Aug	3.35	3.39	2.73	2.66	0.134	0.148	-	1.56	1.52
	+3m	3.10	3.38	3.04	2.87	0.134	0.146	-	1.56	1.53
	+6m	2.85	3.13	2.91	2.91	0.134	0.144	-	1.60	1.57
	+12m	2.35	2.75	2.80	2.95	0.134	0.142	-	1.64	1.57
SEK	29-Aug	3.50	3.32	2.24	2.29	0.088	0.098	0.66	1.03	-
	+3m	3.00	3.14	2.57	2.65	0.088	0.096	0.65	1.02	-
	+6m	2.50	2.82	2.48	2.84	0.085	0.091	0.64	1.02	-
	+12m	2.00	2.30	2.40	2.85	0.085	0.091	0.64	1.04	-
NOK	29-Aug	4.50	4.79	3.85	3.48	0.086	0.095	0.64	-	0.97
	+3m	4.50	4.77	4.14	3.79	0.086	0.094	0.64	-	0.98
	+6m	4.50	4.58	4.00	3.80	0.084	0.090	0.63	-	0.98
	+12m	4.00	4.15	3.75	3.80	0.082	0.087	0.61	-	0.96

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

Commodities

	29-Aug	2024				2025				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025
ICE Brent	79	82	85	80	80	85	85	85	85	82	85

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank').

Analyst certification

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