

Budget Guide 2025

Guide to corporate financial exposure

11 September 2024

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Important disclosures and certifications are contained at the end of this report.

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Welcome to Budget Guide 2025

A guide to corporate financial exposure in the coming year

Welcome to Budget Guide 2025

- As we head into an autumn that looks set to be characterised by central bank rate cuts and continued macroeconomic and geopolitical uncertainty, we at Danske Bank Research present the Danske Bank Budget Guide 2025. The Budget Guide includes our outlook on the global economy, as well as fixed income and FX markets, for the year ahead.
- We extend our forecasts until the end of 2025 and seek to answer a number of questions that companies will likely face in the coming months:
 - What is the outlook for the global economy?
 - How are key export markets doing?
 - How should companies hedge their liabilities?
 - How should companies hedge FX exposure?
- Budget Guide 2025 is intended as a quick reference guide to help facilitate EUR-based companies' 2025 budget planning. With this in mind, we present three scenarios for the global economy in general and the USD in particular.



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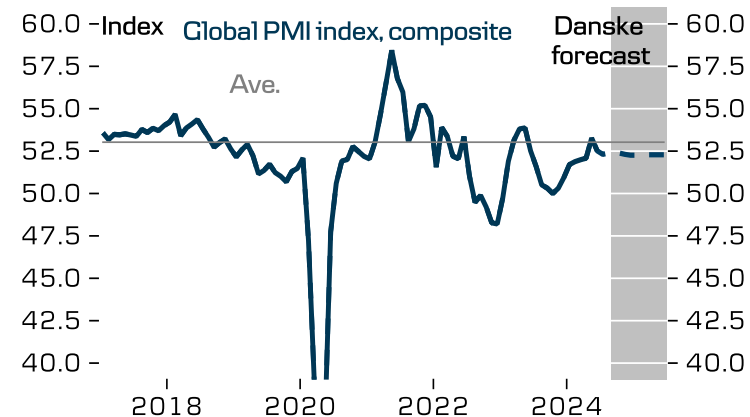
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Global overview 2025 – our baseline scenario

Baseline scenario – normalising economies (50% probability)

- Economic growth, inflation, unemployment rates and interest rates have, to varying degrees, moved towards normal levels in the US, the euro area, and the Nordic countries, following the extremes of COVID and high inflation. We expect this process to continue, which implies higher growth in Europe and most Nordic countries, and slightly lower growth in the US. Labour markets should become slightly less tight, and rising real incomes should support European consumer spending. Lower interest rates should be a modest support for construction and investment.
- High interest rates have been instrumental in fighting inflation, but now the time has come to lower them. The US has a higher starting point than the euro area, and US inflation is more clearly under control, so we expect the Federal Reserve to move faster. All central banks are however expected to be cautious and respond to data.
- The Chinese economy continues to struggle with a housing crisis and weak private consumption. Growth is held up by stimulus and a moderate improvement in exports. We look for more of the same in 2025 with growth just below 5%. This is a negative factor for many European businesses with large sales in China.

Weak growth outlook but no global recession in sight



Source – Macrobond Financial, Danske Bank



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Regional overview 2025 in our baseline

Different challenges in different regions

- The **euro area** is set for continued growth below potential, but the short-term momentum seems fragile. The disinflationary process is still on track, despite high services inflation. We expect the ECB to deliver two additional cuts of 25bp this year, followed by three in 2025.
- In the **Nordic** region, Denmark is growing strongly supported by Novo Nordisk and general economic resilience, while the other Nordic countries have experienced stagnation or recession. We expect them to gradually improve as lower interest rates and real income growth support domestic demand, and the situation improves for global manufacturing.
- In the **UK**, the economy has held up better than expected and continues its steady expansion, although we expect it to lose some steam in the next couple of quarters. We expect the Bank of England to deliver one more cut in November this year and deliver cuts at every meeting until June 2025.
- In the **US**, economic growth is moderating, both realised and expected inflation have slowed and labour markets are cooling. We expect the Fed to cut rates by 25bp in every meeting from September until June 2025. Solid increases in labour supply and productivity continue to provide a boost to structural growth outlook, and the risk of an outright recession remains low.
- In **China** we continue to see a muddling through scenario with only moderate improvement in the housing crisis and still weak consumer demand in 2025. We look for growth just below 5% held up by economic stimulus.

Danske Bank's GDP growth forecasts for G3 economies*

	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	2024	2025
Euro area	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.7%	1.2%
China	1.5%	0.7%	1.0%	1.3%	1.2%	1.3%	1.2%	1.2%	4.8%	4.8%
US	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%	0.4%	0.5%	2.5%	1.5%



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Global overview 2025 – alternative scenarios

What if...

- **The ‘bad’ scenario – hard landing and crisis (25% probability)**
 - There is still a risk that delayed effects from the interest rate increases could tip the US and other economies into recession, as it has often happened before, and it could be triggered by US households wanting to consolidate their finances, for example. The recent increase in US unemployment has highlighted this risk, and more such episodes are realistic. Slowing or recessionary impulses could also come from China if it fails to reignite its growth. In a slow growth or recession scenario, central banks would respond by accelerating rate cuts, unless it is combined with high inflation.
- **The ‘good’ scenario – GDP growth accelerates (25% probability)**
 - US growth might not slow down as expected, as production and income can be supported by further immigration or by productivity gains, for example related to AI. Europe also has potential for higher productivity after a period where job growth has outpaced production growth. Accelerating consumer spending in Europe also seems a realistic trigger for strong growth. If the upside comes from higher production capacity, it does not in itself lead to higher inflation, but if it comes from strong demand growth, it will imply that central banks are slower to cut rates than currently expected.

Read more about our outlook on the Nordic and global economies

[Nordic Outlook – Normalising economies, with risk \(3 September 2024\)](#)



Euro area – progressing despite short-term hurdles

...allowing gradual cuts from the ECB

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Growth to continue, but below potential

- The euro area economy experienced a solid first half of the year, showing decent growth after a stagnant 2023, mainly driven by the service sector and Southern European economies. However, challenges in the manufacturing sector and Germany, along with slowing global industrial activity and weaker foreign demand, have raised concerns about the sustainability of this growth momentum. Our latest forecast suggests a slight weakening in short-term growth prospects with downside risks for 2024. Despite this, we expect the economy will continue growing, albeit below trend, this year and next, supported by private consumption and service providers. The labour market remains robust, which should help consumer spending. For 2025, we see balanced growth risks, as we expect global central banks to gradually dial back the level of monetary policy restrictiveness and as consumption could increase more than expected thanks to current high savings.
- The disinflationary process in the euro area remains on track, albeit some slowdown was observed over the summer due to persistent high services inflation. The most recent momentum in services inflation remains strong, especially due to domestically driven inflation on the back of elevated wage growth. However, the overall trend for inflation is pointing lower as sellers have scaled back price increase expectations, and wage growth has come down more than expected. Momentum in energy and food inflation is well-behaved and should continue to be so as supply chains normalise further.

Disinflationary process on track despite sticky services

- We forecast headline inflation will stabilise close to 2% in the second half of 2025, but the path towards the 2% target is set to be bumpy. Meanwhile, after a prolonged period of stability, goods inflation is slowly rising to normal levels, leading us to expect only a slow decline in core inflation. The risk assessment of our inflation outlook is tilted to the upside due to the potential of stronger-than-expected wage growth and energy prices.
- We expect the ECB to deliver two additional 25bp cuts in 2024, in September and December, respectively, followed by three in 2025, bringing the terminal rate to 2.50% at year-end 2025. The call reflects a risk management exercise for the ECB looking at the totality of data where recent softening in growth and the labour market makes up for the still strong domestic inflation. This has meant that while our baseline outlook for inflation is broadly unchanged in our forecast horizon, the incoming data through the summer has removed some topside risk to inflation through easing growth and wages. Hence, we expect the ECB to be sufficiently confident in inflation returning to 2% to continue lowering the policy rate, and we see balanced risks to our ECB profile.



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Geopolitics – tensions are here to stay ... but only a severe escalation would roil the markets

Baseline scenario – tensions persist, and wars drag on

- *A more protectionist world:* Governments across the globe resort to active industrial policies and aggressive trade policies in an effort to enhance self-sufficiency and promote domestic industries. Trade restrictions, government subsidy programs, and tax incentives make the operating environment for corporates more complex and less predictable. This development is more pronounced in the so-called strategic industries, such as in energy, defence, and high technology.
- *A world troubled by wars and conflicts:* Russia's war in Ukraine continues to cast a shadow over Europe. The European security landscape continues to evolve, and even a truce would not necessarily bring sustainable peace. Tensions also remain high in Asia and the Middle East. A military conflict between China and Taiwan is unlikely in the short-term, but possible in the medium-term. The risk of a regional war remains in the Middle East for as long as there is no ceasefire and no vision for what a post-war Gaza would look like.
- *A more multipolar world:* Emerging middle powers such as India, Turkey, and the Gulf states challenge the US-led world order while keeping their distance to China. The new world (dis)order opens new opportunities for trade and investments, but political risks remain.

Alternative scenarios

- *Escalation of military conflicts (low to moderate likelihood):* Conflicts expand, disrupting trade and production of some key raw materials and/or industrial inputs. Increased uncertainty and supply chain issues drive market volatility and hit economic growth, while price pressures re-emerge. Some implications are global, but impacts are more pronounced in regions directly affected by conflicts.
- *Step up of protectionist measures (moderate likelihood):* Geopolitical tensions continue to build up and relations between great powers deteriorate further. An escalation of military conflicts would raise the likelihood of new protectionist measures, but protectionism could also increase in a scenario where such escalation is avoided. The US election outcome is key, as Trump's re-election would raise the likelihood of new protectionist policies. To some extent, the EU would likely follow the US, while China would retaliate against both.
- *Détente and re-globalisation (low likelihood):* Ceasefire agreements end the ongoing conflicts in Europe and the Middle East. Western countries re-establish relations with Russia, while tensions between China and the West ease. Removal of sanctions, trade restrictions and state subsidies level the playing field for corporates globally.

Read more in Geopolitical Radar

[Geopolitical Radar - Middle East's eleventh hour, Ukraine's incursion into Russian territory \(14 August 2024\)](#)



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Commodities

Steady prices next year

- **Recession concerns in the oil market**

- Following mounting US recession concerns, oil prices have declined to the lowest level since 2021 to just above USD70/bbl. We expect global growth to remain modest and hence oil demand to be muted, but we do not expect a recession and thus the oil market should be on safe ground. Although OPEC+ prepares to start rolling back voluntary output cuts later this year, we think it will refrain and/or postpone this as long as the oil market trades this heavy. However, we do not expect OPEC+ to cut output further to support the market. Similarly, the US may also opt to increase buying of oil for its strategic reserves, which would provide support. We expect Brent to average USD85/bbl throughout 2025.

- **Fragile natural gas market**

- European gas prices have increased and volatility has risen despite warm weather and high inventories. The market is likely anxious about what to expect if/when the remaining pipeline supply from Russia is cut. Natural gas prices in Europe are also affected by demand for gas elsewhere, e.g. in Asia, through the impact of global demand for LNG. We believe the market will likely stay nervous as the development in prices depends on, among other things, the weather. But any further price increase should be shallow compared with the experience from 2022.

- **Metals market looks to weak manufacturing activity**

- The base metal market showed some light in the first half of the year amid a recovery in global manufacturing activity. That did not last long. Activity has slowed and coupled with a frail Chinese housing market, the backdrop for base metals demand looks weak. As we do not expect a recession in the global economy, we think the base metals market will hold up, but further weakening of global manufacturing activity is still a risk to the market.



Global rates and yields – policy normalisation in progress

... but market pricing has already factored that in

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Policy rates are set to be cut, but the end point remains uncertain

- Policy easing has started or is set to begin soon for most of the major global central banks. The question is no longer whether monetary policy needs to turn less restrictive, but to which degree.
- We expect the Fed to cut 25bp on every meeting until June 2025, which is aligned with market pricing. US domestic inflation pressures have faded, while the labour market has softened. The Fed could see a need to ease more aggressively than our baseline entails, should the cooling of labour market intensify. We expect the policy rate to stabilise at 3.0-3.25% in late 2025 from 5.25-5.50% today.
- Strong domestic inflation in the euro area continues to restrain the ECB from easing aggressively, and we expect the quarterly pace of 25bp to continue until the autumn of 2025. We expect the deposit rate to stabilise close to 2.25% in early 2026 vs 3.75% as of today.

Danske Bank policy rate forecasts

Country	Spot	+3m	+6m	+12m
USD	5.50	5.00	4.50	3.75
EUR	3.75	3.50	3.25	2.75
GBP	5.00	4.75	4.50	3.50
DKK	3.35	3.10	2.85	2.35
SEK	3.50	3.00	2.50	2.00
NOK	4.50	4.50	4.50	4.00

Source: Danske Bank, Note: Past performance is not a reliable guide to future returns

Long-term rates to (roughly) maintain current levels in the next 12M

- Bond yields have repriced significantly over the summer, mainly due to softening US data and dovish signals from the Fed.
- The summer repricing has brought terminal rate pricing – the end point after easing has been concluded – in line with our target. This leaves less room for rates to drop further. We expect long-term rates to trade around current levels in the next 12M.
- Current pricing leaves markets vulnerable to any signs of the ‘disinflationary process’ not progressing as expected. However, the risk picture seems broadly balanced as further signs of economic weakening (namely in the US) is now more likely to lead to aggressive policy easing. The US election is expected to have a minor impact on rates, if the fiscal path remains close to the status quo.

Danske Bank 10-year swap forecasts

Country	Spot	+3m	+6m	+12m
USD*	3.31	3.45	3.45	3.50
EUR	2.47	2.65	2.65	2.65
GBP*	3.60	3.65	3.65	3.65
DKK	2.60	2.80	2.80	2.80
SEK	2.25	2.60	2.75	2.85
NOK	3.44	3.50	3.55	3.60

Note:*Based on OIS, Source: Danske Bank



Interest-rate hedging – USD and EUR swap rates

The belly looks like a sweet spot for borrowers

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- Markets have priced in substantial policy easing on the back of weakening US data and dovish Fed signals. Our policy rate path for the coming years now almost aligns with the market pricing, but we continue to see upside risks for long-term US rates due to the unsustainable fiscal path and a potential ‘Republican sweep’ in November.
- We prefer hedging the belly and long end of the US curve ($\approx +5Y$) to cover the risk if fiscal concerns reemerge. We expect curves to continue steepening as rate cuts are delivered, but that is already discounted in current market rates.
- For borrowers wishing to hedge liabilities in short-term maturities (1–3Y), consider using cap/floor structures to secure exposure to Fed normalising policy at an even rapid pace than currently priced in.

Curve views

(tenors, spot)

Front ($\approx 2Y$) Belly ($\approx 5Y$) Long ($\approx 10Y+$)

Neutral

Increase delta

EUR

- Markets have discounted in substantial policy easing from the ECB, and we believe pricing has turned excessively aggressive for 2024–25. However, our long-term ‘terminal rate’ target for the policy rate ($\approx 2.25\%$) remains largely in line with market pricing.
- We prefer hedging the front end and belly ($\approx <5Y$) of the EUR curve as we see substantial risk of the ECB moving more cautiously than currently discounted due to the strong domestic inflation and the risk of wage pressures flaring up again. The roll up in the inverted swap curve remains attractive for borrowers in this segment.
- The long end of the EUR curve could be sensitive to renewed uncertainty on fiscal discipline in the EU (or the US), but long-end rate levels already seem to reflect substantial term premia, unlike what we see in the US. Terminal rate pricing remains fair in our opinion.

Curve views

(tenors, spot)

Front ($\approx 2Y$) Belly ($\approx 5Y$) Long ($\approx 10Y+$)

Increase delta

Neutral



EUR/USD – stronger dollar over the coming year

Forecast – 1.11 (1M), 1.09 (3M), 1.08 (6M), 1.07 (12M), 1.07 (end-2025)

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Macro – softening inflation impulses and moderating growth

- Economic activity in the US has started to ease from a high level, and inflation appears to be heading back to the 2% target. As a result, the Fed seems poised to successfully engineer a soft landing with rate cuts, barring any unexpected shocks. In the euro area, the growth outlook has been weak for most of this year, and a rebound depends, among other things, on improvements in the shaky manufacturing sector. While inflation is generally declining, sticky services inflation and tight labour markets remain concerns for the ECB during its rate-cutting cycle.

FX – structurally stronger growth dynamics in the US to support the USD

- We believe fundamental factors point toward a lower EUR/USD over the coming year. As both the Fed and the ECB approach a more neutral monetary policy, we think growth differentials will become the main driver of EUR/USD. In the euro area, although the weak growth momentum has likely bottomed out, we find it difficult to envision a notable improvement in growth, especially considering the fragile global manufacturing sector. Therefore, we expect growth differentials to favour USD assets, as the structural growth trajectory in the US appears higher, ultimately benefiting the greenback.

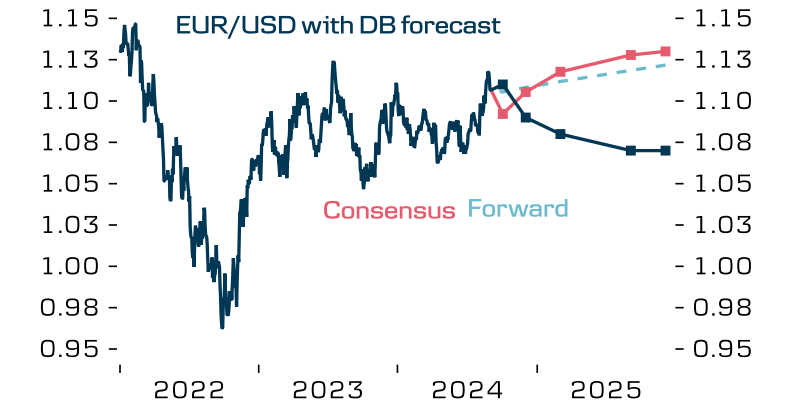
Risks

- See the next slide for alternative USD scenarios.

Hedging recommendations

- Income** – we recommend hedging via risk reversals.
- Expenses** – we recommend purchasing USD forwards.

EUR/USD



	1M	3M	6M	12M	15M
Danske Bank	1.11	1.09	1.08	1.07	1.07
Consensus	1.11	1.11	1.11	1.12	1.12
Forward	1.09	1.11	1.12	1.13	1.13
	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Danske Bank	1.09	1.08	1.07	1.07	1.07

Source: Macrobond, Bloomberg, Danske Bank

Note: Past performance is not a reliable indicator of current or future results



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Alternative USD scenarios

Deep global recession or inflation re-accelerating

EUR/USD towards 1.20 – a significant global recession

- A deep global recession, with central banks in advanced economies needing to implement expansionary monetary policies, could ultimately weaken the USD in 2025. In such a scenario, the USD would likely strengthen initially through the risk aversion channel but then weaken considerably as the Fed would be forced to lower policy rates quickly and aggressively, potentially sending EUR/USD significantly higher.
- A rebound in the global manufacturing sector, for example, driven by a substantial turnaround in the Chinese economy, could boost pro-cyclical currencies, including the EUR.
- If the euro area economy proves more resilient than expected and the ECB manages to get inflation below target without significant negative impact on the real economy, this could generate tailwinds for EUR/USD.
- A rising debt burden in the US could create concerns about the sustainability of fiscal policy, especially if it leads to higher interest rates to compensate for increased risk. This can undermine confidence in the USD, particularly if investors worry about the long-term stability of the US financial system.

EUR/USD towards parity – inflation re-accelerating

- Inflation re-accelerating in advanced economies would most likely support the USD. A second inflation wave would likely mean that financial conditions would have to tighten substantially again, and that the Fed would need to tighten monetary policy. In such a scenario, 'higher-for-longer' US yields could support the USD, along with additional support from the risk aversion channel.
- A major geopolitical escalation could drive energy prices substantially higher, likely putting downward pressure on EUR/USD. Generally, a sharp increase in commodity prices, leading to another energy shock for the euro area economy, could broadly hurt the EUR and push EUR/USD down towards parity. As a net energy importer, the euro area is more sensitive to energy shocks, whereas the US, being a net exporter, is less vulnerable.
- With the Fed and the ECB initiating rate-cutting cycles, the focus could increasingly shift to growth differentials between the two regions. For now, the US economy appears to be on relatively stronger footing than the euro area. Given the rather gloomy outlook for the euro area economy, continued US outperformance on the economic data front could support the USD.



EUR/GBP – stronger GBP in the short-term

Forecast – 0.84 (1M), 0.83 (3M), 0.84(6M), 0.85 (12M), 0.85 (end-2025)

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Macro – steady expansion but losing momentum

- The UK economy continues its steady expansion, growing 0.6% q/q in Q2 driven by government investment and consumption with household consumption having lost some steam. While headline inflation expectedly increased slightly above 2% in July due to base effects, underlying price pressures within services subsided more than expected, dropping below the expectations from the BoE. The labour market continues its gradual loosening and wage disinflation is apparent across the whole economy, including the private sector.

FX – downside to EUR/GBP in the short-term

- GBP continues to be one of the top performers this year, with EUR/GBP trading close to the 0.84 mark. With the UK economy continuing to outperform the euro area, more political certainty and combined with our expectation of the BoE delivering fewer cuts than what markets are pricing, we expect these forces to weigh on the cross in the next 1-3M. This is further amplified by continued tight credit spreads. Further out, we expect continued weak global growth, the risk of a more dovish BoE compared with peers and continued global tight monetary conditions to weigh on GBP.

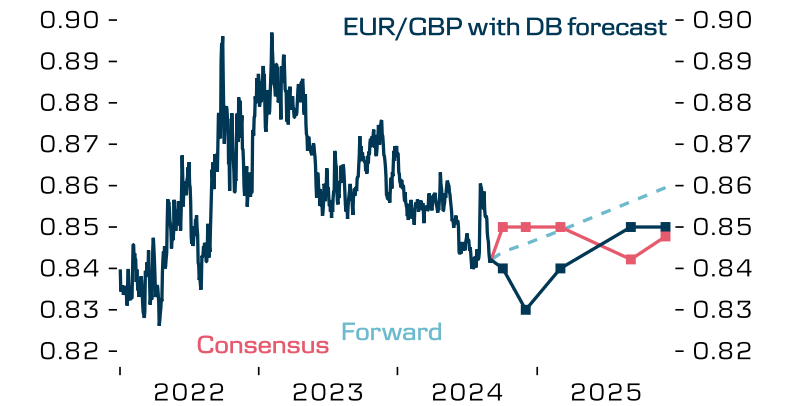
Risks – the global environment and BoE policy action

- The key risk to our forecasts in the short-term is centred around policy action from the BoE. If the BoE opts for a more front-loaded cutting cycle, this would act as a headwind for GBP. Other risks are closely related to the developments in the global manufacturing cycle, credit spreads, and the relative growth outlook between the euro area and the UK.

Hedging recommendations

- Income** – we recommend to hedge via FX forwards
- Expenses** – we recommend to hedge via risk reversals

EUR/GBP



	1M	3M	6M	12M	15M
Danske Bank	0.84	0.83	0.84	0.85	0.85
Consensus	0.85	0.85	0.85	0.84	0.85
Forward	0.84	0.85	0.85	0.86	0.86

	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Danske Bank	0.83	0.84	0.85	0.85	0.85

Source: Macrobond, Bloomberg, Danske Bank

Note: Past performance is not a reliable indicator of current or future results



EUR/NOK – mind the topside

Forecast – 11.60 (1M), 11.60 (3M), 11.90 (6M), 12.20 (12M), 12.40 (end-2025)

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Macro – below trend-growth to extend into 2025

- The good news for the mainland economy is that growth is picking up and disinflation has continued. Private consumption no longer suffers from the headwinds amid high inflation and higher policy rates, business investments are rebounding, and construction seems to be bottoming out. Elevated oil investments alongside public consumption and investments still supports growth while traditional exporters also benefit from a weaker NOK. That said, growth remains weak and below trend potential. Hence, despite our expectation for slightly stronger growth in 2025 we project higher unemployment in the coming years.

FX – weak global growth and domestic headwinds to weigh on NOK

- While NOK could find short-term support from diminishing recession concerns and a stabilisation in risky assets following the summer sell-off, we remain bearish on NOK in the medium- to long-term. We struggle to see the valuation trigger for a turnaround in NOK as value assets in general, especially Norwegian assets, are unlikely to benefit from weaker global growth. Furthermore, the combination of elevated wage growth and low productivity growth constitutes an erosion of profit margins, which ultimately will require a macro adjustment via higher unemployment and/or a weaker NOK. Moreover, contractionary global monetary conditions are rarely supportive for prolonged NOK strength.

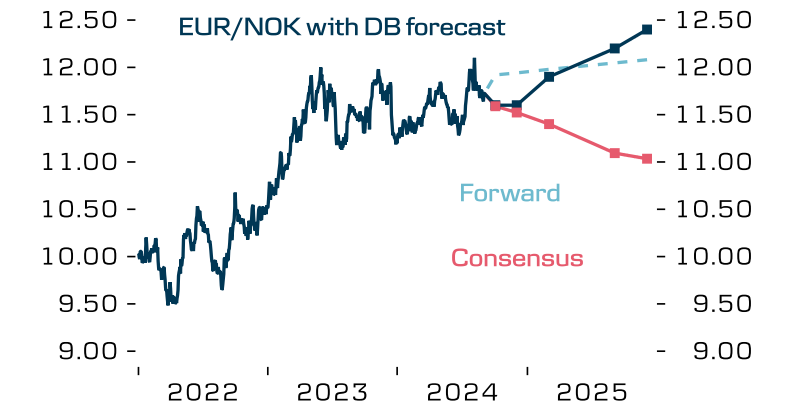
Risks – the global environment

- The biggest risks are closely connected to the global investment environment, recession risks, and hence global real rates and energy prices.

Hedging recommendations

- Income** – we recommend to hedge NOK income via FX forwards.
- Expenses** – we recommend to hedge NOK expenses via risk reversals.

EUR/NOK



	1M	3M	6M	12M	15M
Danske Bank	11.60	11.60	11.90	12.20	12.40
Consensus	11.59	11.52	11.40	11.09	11.03
Forward	11.92	11.94	11.98	12.05	12.08
	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Danske Bank	11.70	11.95	12.10	12.26	12.40

Source: Macrobond, Bloomberg, Danske Bank

Note: Past performance is not a reliable indicator of current or future results



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EUR/SEK – weakness is structural and expected to last

Forecast – 11.40 (1M), 11.40 (3M), 11.70 (6M), 11.70 (12M), 11.70 (end-2025)

Macro – treading water, but should be past the trough

- Swedish activity indicators including GDP growth and the labour market have lately been weaker than expected. Domestic demand, in particular private consumption, remains soft, whereas the ‘weak krona’ has supported and been a net-positive for the Swedish export industry, despite contributing to higher input costs. However, we remain optimistic that the Swedish business cycle should be past the trough. Inflation has normalised and we expect it to undershoot the Riksbank’s 2% target from now until end-2025, paving the way for gradual rate cuts. We expect the policy rate at 2.75% at year-end 2024 and 2.00% by mid-2025.

FX – headwinds from relative monetary policy and structural investment flows

- Our central bank forecasts entail a widening rate gap between the Riksbank and the ECB over the coming year, which we see as a clear negative for the SEK. In the medium- to long-term, the Swedish savings surplus entails net-negative portfolio investment flows, which remain as a structural headwind for the SEK.

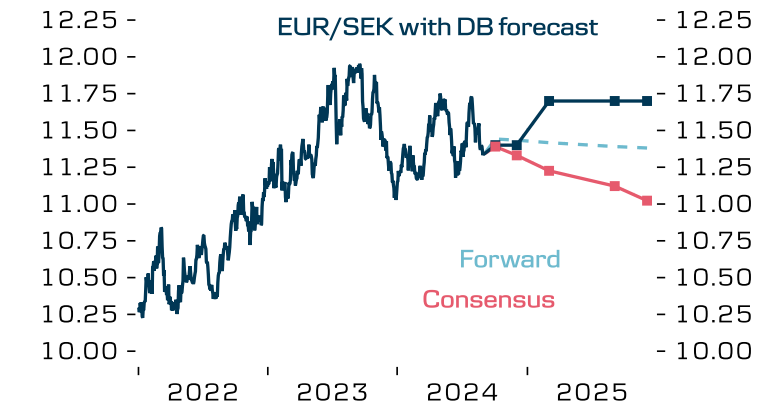
Risks – increased investor preference for Swedish assets might turn the tide

- An increased appetite for Swedish assets amid a global growth pickup and/or lower global yields could turn the SEK outlook less grave. However, a global recessionary outcome would accelerate the SEK weakness through the risk-channel.

Hedging recommendations

- Income** – we recommend to hedge income via FX forwards.
- Expenses** – we recommend to hedge expenses via risk reversals.

EUR/SEK



	1M	3M	6M	12M	15M
Danske Bank	11.40	11.40	11.70	11.70	11.70
Consensus	11.39	11.33	11.23	11.12	11.02
Forward	11.44	11.43	11.42	11.39	11.38
	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Danske Bank	11.50	11.70	11.70	11.70	11.70

Source: Macrobond, Bloomberg, Danske Bank

Note: Past performance is not a reliable indicator of current or future results



EUR/PLN – solid growth and a hawkish central bank supports the zloty

Forecast – 4.30 (1M), 4.30 (3M), 4.20 (6M), 4.10 (12M), 4.00 (end-2025)

Overview

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Macro – growth surprises to the upside, supporting the NBP policy stand

- The Polish economy remains on solid footing and GDP growth has surprised to the topside during H1, making Poland the top performer in continental Europe thus far in 2024. The above-consensus NBP forecast of full-year growth around 3.5% looks to be within reach, which should support the zloty over the medium-term on the back of the relative growth outperformance vs the eurozone. In addition, Polish inflation has picked up in recent months and together with the favourable growth outlook this plays well into the NBP’s hawkish stance, which is unlikely to shift in the short-term. We expect no cuts from NBP until H1 2025.

FX – remains within a tight range, where we favour the downside

- Since the aftermath of the NBP’s hawkish shift in October last year, EUR/PLN has spent most of the time trading within the narrow range of 4.25-4.40. In the short-term, we think this range is likely to continue. Our preferred short-term model currently puts ‘fair value’ at 4.30. However, in the slightly longer run, we now see some potential downside in the cross, driven by the aforementioned Polish growth outperformance and NBP’s tight policy stance.

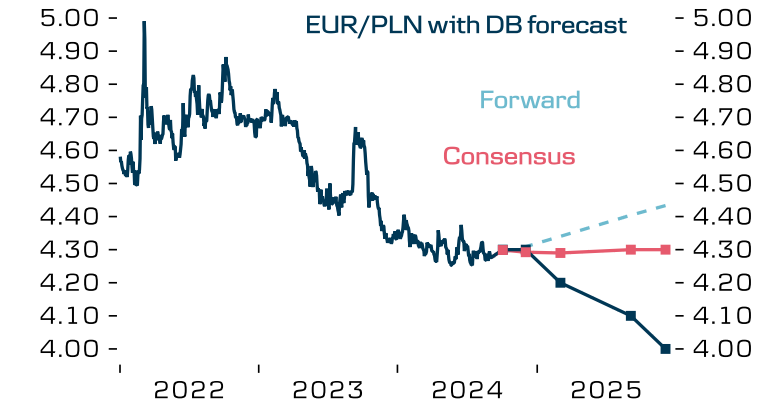
Risks – another policy twist as in Oct 23 could completely change the zloty outlook

- The NBP’s policy stance has been notoriously fickle in the recent past and a sudden dovish pivot would likely weigh on the zloty. The zloty currently exhibits a strong correlation with the domestic equity market, which could spell trouble in the event of a global risk-selloff.

Hedging recommendations

- Income** – we recommend to hedge via knock-in forwards
- Expenses** – we recommend to hedge via fx forwards

EUR/PLN



	1M	3M	6M	12M	15M
Danske Bank	4.30	4.30	4.20	4.10	4.00
Consensus	4.30	4.29	4.29	4.30	4.30
Forward	4.29	4.31	4.34	4.40	4.43
	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Danske Bank	4.27	4.18	4.13	4.07	4.00

Source: Macrobond, Bloomberg, Danske Bank

Note: Past performance is not a reliable indicator of current or future results

FX forecasts

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Last Update: 11-09-2024

G10

	Spot	+1m	+3m	+6m	+12m	End 2025
Exchange rates vs EUR						
EUR/USD	1.10	1.11	1.09	1.08	1.07	1.07
EUR/JPY	156	161	156	151	144	144
EUR/GBP	0.84	0.84	0.83	0.84	0.85	0.85
EUR/CHF	0.93	0.97	0.96	0.95	0.94	0.93
EUR/SEK	11.43	11.40	11.40	11.70	11.70	11.70
EUR/NOK	11.94	11.60	11.60	11.90	12.20	12.40
EUR/DKK	7.4621	7.4600	7.4575	7.4550	7.4550	7.4550
EUR/AUD	1.66	1.66	1.65	1.66	1.67	1.67
EUR/NZD	1.80	1.82	1.82	1.83	1.81	1.81
EUR/CAD	1.50	1.51	1.50	1.52	1.53	1.54

EM

	Spot	+1m	+3m	+6m	+12m	End 2025
EUR/PLN	4.28	4.30	4.30	4.20	4.10	4.00
EUR/HUF	397	400	400	420	420	420
EUR/CZK	25.1	25.2	25.2	25.0	25.0	25.0
EUR/TRY	37.6	38.2	38.6	39.9	42.8	44.9
EUR/ZAR	19.7	19.8	19.3	19.1	18.7	18.7
EUR/CNY	7.85	7.99	7.87	7.84	7.79	7.79
EUR/INR	92.7	92.7	91.1	90.4	89.7	89.9

Yield forecasts

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- Tables

	Horizon	Policy rate	3m x1bor	6m x1bor	2y gov	5y gov	10y gov	2y swap	5y swap	10y swap
USD**	Spot	5.50			3.77	3.56	3.77	3.57	3.27	3.31
	+3M	5.00			3.85	3.65	3.95	3.60	3.35	3.45
	+6M	4.50			3.70	3.65	3.95	3.45	3.35	3.45
	+12M	3.75			3.50	3.65	4.00	3.25	3.35	3.50
EUR*	Spot	3.75	3.45	3.38	2.31	2.11	2.22	2.60	2.41	2.47
	+3M	3.50	3.20	3.15	2.30	2.15	2.35	2.65	2.50	2.65
	+6M	3.25	2.90	2.85	2.20	2.15	2.35	2.55	2.50	2.65
	+12M	2.75	2.50	2.55	2.10	2.15	2.35	2.45	2.50	2.65
GBP**	Spot	5.00			4.01	3.81	3.92	4.01	3.64	3.60
	+3M	4.75			3.85	3.80	4.00	3.80	3.70	3.65
	+6M	4.50			3.65	3.70	4.00	3.60	3.60	3.65
	+12M	3.50			3.30	3.55	4.00	3.25	3.45	3.65
DKK	Spot	3.35	3.40	3.43	2.13	2.17	2.17	2.69	2.55	2.6
	+3M	3.10	3.10	3.15	2.15	2.20	2.25	2.75	2.65	2.8
	+6M	2.85	2.85	2.85	2.05	2.20	2.25	2.65	2.65	2.8
	+12M	2.35	2.45	2.50	1.95	2.20	2.25	2.55	2.65	2.8
SEK	Spot	3.50	3.30		1.80	1.78	2.03	2.20	2.09	2.25
	+3M	3.00	2.82		2.05	2.15	2.40	2.30	2.45	2.60
	+6M	2.50	2.38		2.20	2.35	2.50	2.40	2.60	2.75
	+12M	2.00	2.05		2.20	2.45	2.60	2.40	2.65	2.85
NOK	Spot	4.50	4.72	4.71	3.50	3.14	3.30	3.82	3.45	3.44
	+3M	4.50	4.75	4.75	3.45	3.25	3.40	3.75	3.50	3.50
	+6M	4.50	4.55	4.50	3.35	3.25	3.45	3.65	3.50	3.55
	+12M	4.00	4.05	4.00	3.25	3.25	3.50	3.55	3.50	3.60

Note - * German government bond yields and euro swap rates, ** Based on OIS/SOFR swap rates. Past performance is not a reliable guide to future returns.
 Source - Macrobond Financial, Danske Bank.

Macro forecasts

Scandinavia

Overview



Rates



USD



GBP



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Tables

Macro forecast. Scandinavia													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2023	2.5	1.3	0.2	-6.6	10.4	3.7	3.3	4.1	2.8	3.3	33.6	9.8
	2024	1.8	1.0	1.7	-1.8	3.7	0.8	1.5	5.1	2.9	2.1	32.0	10.1
	2025	2.0	2.1	2.6	3.8	2.6	3.3	1.9	3.5	3.1	1.1	30.5	10.9
Sweden	2023	0.1	-2.2	1.1	-1.1	3.5	-0.8	8.6	3.8	7.7	-0.5	32.0	4.8
	2024	1.2	0.1	0.8	-1.8	2.4	0.8	2.8	3.5	8.4	-0.8	33.0	5.6
	2025	2.4	2.6	1.9	1.6	3.5	3.3	0.6	2.5	8.2	-0.2	33.0	5.7
Norway	2023	1.1	-0.8	3.4	0.0	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	0.7	1.3	2.2	4.0	3.0	1.5	3.2	5.1	2.1	-	-	-
	2025	2.0	2.9	1.8	4.0	3.0	2.0	2.0	3.8	2.4	-	-	-

Macro forecasts

Global

Overview



Rates



USD



GBP



NOK



SEK



PLN



Tables

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	0.8	1.2	1.1	-0.4	-0.7	5.4	5.2	6.6	-3.6	90.2	2.9
	2024	0.7	0.8	1.2	-0.5	1.3	-0.2	2.4	4.3	6.5	-3.0	90.1	2.8
	2025	1.2	1.3	0.8	1.3	3.0	3.1	2.1	3.4	6.6	-2.9	90.7	2.9
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	0.2	0.5	-5.0	-1.0	-1.5	1.9	3.0	8.3	-4.1	80.3	-0.7
	2025	1.8	1.2	0.2	5.0	3.0	3.5	1.5	3.0	8.0	-3.5	81.8	-0.5

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
USA	2023	2.5	2.2	4.1	0.6	2.6	-1.7	4.1	4.3	3.6	-6.3	122.3	-3.0
	2024	2.5	2.1	3.4	4.1	2.0	4.1	2.9	3.2	4.1	-6.7	123.1	-2.8
	2025	1.5	1.2	2.6	3.5	1.9	4.5	2.2	2.5	4.7	-6.5	125.1	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.6	1.5
	2024	4.8	4.5	-	5.0	-	-	0.3	-	5.2	-7.4	88.6	1.3
	2025	4.8	5.6	-	4.5	-	-	1.5	-	5.2	-7.6	93.0	1.4
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	1.1	-	-	-	-	-	2.8	-	4.6	-	-	-
	2025	1.4	-	-	-	-	-	1.9	-	4.9	-	-	-



Contact analysts

- **Allan von Mehren**, Director, alvo@danskebank.dk
- **Antti Ilvonen**, Associate, ilvo@danskebank.dk
- **Bjørn Tangaa Sillemann**, Director, bjsi@danskebank.dk
- **Frederik Romedahl Poulsen**, Director, frpo@danskebank.dk
- **Jens Nærvig Pedersen**, Director, jenpe@danskebank.dk
- **Jesper Fjärstedt**, Associate, jesper.fjarstedt@danskebank.se
- **Kirstine Kundby-Nielsen**, Analyst, kigrn@danskebank.dk
- **Kristoffer Kjær Lomholt**, Head of FX Research, klom@danskebank.dk
- **Las Olsen**, Chief Economist, laso@danskebank.dk
- **Mohamad Al-Saraf**, Associate, moals@danskebank.dk
- **Oscar Dahl Pedersen**, Assistant Analyst, oscp@danskebank.dk
- **Rune Thyge Johansen**, Analyst, rujo@danskebank.dk
- **Stefan Mellin**, Director, mell@danskebank.se



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