

14 June 2024

Weekly Focus

Political uncertainty on the rise in Europe

This week was dominated by events in the US. The FOMC kept policy rate unchanged at its Wednesday meeting as widely expected. The median of the updated dot plot now signals only one cut for this year, but it remains a close call. While four members expect no cuts, seven members lean towards one cut, and eight members still foresee two cuts. Overall, the updated projections continue to signal nine cuts by end-2026, unchanged from the March update, albeit that cuts have been postponed. We still expect Fed to cut rates twice this year, in September and December. Read more on [Research US – Fed Review: We still see cuts starting in September](#), 12 June.

The FOMC meeting followed a softer-than-expected CPI print. Both headline and core inflation surprised to the downside in May, at 0.0% m/m and 0.2% m/m in seasonally adjusted terms. Overall, underlying inflation momentum continues to moderate in the US, as also confirmed by PPI data this week. Headline producer prices unexpectedly declined in May compared to previous month, and core prices stagnated. In euro area, inflation initially decelerated faster than in the US but the latest prints have been less convincing, see [Global Inflation Watch – The Fed welcomes easing supercore inflation](#), 12 June.

Political uncertainty is on the rise in France. While the European Parliamentary election itself was not a market mover, the shock announcement by President Emmanuel Macron on Sunday to call snap election has spooked the markets. Macron's Renaissance party suffered a massive defeat to Le Pen's RN party, and Macron's approval rating is at its lowest since 2018. The first round of the snap election will be held on 30 June and the second round on 7 July, and Le Pen's RN party is expected to make significant gains. The party's victory could derail reforms while also adding further friction to intra-EU relations. Reflecting this rising uncertainty, risk sentiment soured this week despite US yields declining on the back of the soft CPI print. European equities underperformed and euro depreciated versus the dollar and the Scandies.

Next week is again a busy one on the central bank front. Early on Monday morning, the PBOC will announce the key policy rate on the 1-year medium-term lending facility. The PBOC has signalled it prefers not to widen the rate spread to the US, which could lead to further depreciation pressure on renminbi. Hence, it is likely they will wait with the next cut until the Fed has kicked off its rate cutting cycle. The RBA will follow suit with a rate decision on Tuesday and is widely expected to leave the key rate unchanged. Similarly, we expect no changes on monetary policy by the SNB and the BoE on Thursday.

On data front, the week kicks off with the monthly batch of China macro data for May. A key focus will be on retail sales and whether China has any luck spurring more consumption with the new trade-in scheme of old for new consumer goods. In the euro area, the focus will be on the final release of May HICP data on Tuesday as well as the ZEW index from Germany. The highlight of the week will be the flash June PMIs due on Friday. The composite PMI has now been above 50 for three months in a row and we expect this to be the case also in June. In the US, we get May retail sales and industrial production data on Tuesday, and similarly to Europe, also the flash PMIs on Friday.

Key global views

- Improving European growth
- Global manufacturing cycle moving gradually higher
- US and EA inflation to decline further, but core inflation to remain sticky
- We expect two rate cuts of 25bp from both ECB and Fed this year

Key market movers

- Monday: China 1-year MLF and macro data
- Tuesday: RBA meeting, EA final HICP, German ZEW index, US macro data
- Thursday: SNB, Norges Bank and BoE meetings
- Friday: Japan CPI, flash PMIs

Selected reading from Danske Bank

- [Research US – Fed Review: We still see cuts starting in September](#), 14 June
- [Global Inflation Watch – The Fed welcomes easing supercore inflation](#), 12 June
- [Research Euro Area – The strong start of the year continues](#), 11 June

Editor

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Scandi market movers

- In **Denmark**, Thursday will bring consumer confidence for June. We see the figure improving to -5.5 from -6.5 in May. Hence continuing the timid improvement in the figures from last month, where consumers lifted their assessment of their future personal finances, but remained net negative on their own current situation, and on Denmark's current and future economic situation. This highlights that while strong real wage growth is gradually making consumers more optimistic, uncertainty, and the aftermath of the massive inflation shock from 2022 is still top of mind.

April payrolls will be published Thursday as well. The March figure showed an increase of 2,600 persons and unemployment has remained unchanged since, which implies a modest increase in payrolls for April.

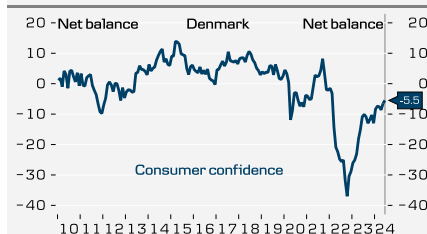
Friday brings business sentiment for June, which in May showed the highest level of optimism since early 2022. While pharmaceutical companies still overall had a major positive contribution, the biggest improvements were seen outside pharma. This is in line with our view that economic conditions are improving in the greater economy, and we expect business sentiment to have improve accordingly in June.

- Next week the **Swedish** Riksbank publishes their triannual Business Survey and Statistics Sweden's Labour Force Survey (LFS) which includes the publication of the official unemployment rate.

The LFS is notorious because of its poor reliability and by how much the survey's three samples differ. When we compared the development of the different samples, last month's unemployment rate should have decreased significantly. However, the number still surprised on the upside by decreasing to only 8.9%/8.5% (NSA/SA). Either way, this month's sample is in comparison to the other samples underrepresented in terms of their labour force and therefore should result the unemployment number decreasing for March. Speaking on the subject, this week, the Riksbank published an *Economic Commentary* that analysed how lower response rates in Labour Force Surveys implies challenges for monetary policy in several countries. They were concerned about the decreasing response rate in Sweden that is currently far below the EU-average. They even stated that "the unemployment rate in Sweden, which in Q1 this year amounted to 8.3%, with a 95% confidence interval then lay between 7.9 and 8.7%".

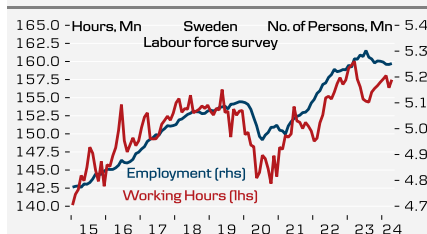
This further strengthens our concerns to overinterpret the unemployment rate number in the LFS and we want to repeat that it should be seen as a broad expression of idle capacity in the labour market. Greater weight should instead be given to employment and hours worked. Employment has fallen only marginally, while the number of hours worked has bounced back strongly over the past six months. The unemployment rate is currently rising mainly because of large inflows of people who were previously outside the labour force, rather than people losing their jobs.

We expect consumer confidence to improve to -5.5 in June



Sources: Statistics Denmark, Danske Bank

Rise in hours worked suggests growing activity in the business sector

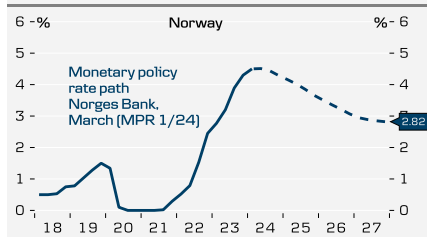


Note: Seasonally adjusted, three-month rolling average

Source: Statistics Sweden, Macrobond Financial

In **Norway**, we expect Norges Bank (NB) to keep the policy rate unchanged at 4.50% next week. In March, NB signaled the first rate cut of 25bp in September, conditional on the economic development going as expected. The rate path in the accompanying monetary policy report indicated around 80% probability of a cut in September. At the 'small meeting' in May, NB indicated that developments since March could indicate that there may be a need to keep the rate up somewhat longer than expected in March. Although inflation has been lower than expected, economic growth appears to be picking up, reducing the need for lower interest rates. At the same time, global rate expectations have been adjusted upwards (fewer cuts), which reduces the room for manoeuvre for Norges Bank. We therefore expect that NB will now signal that the policy rate will be kept unchanged for quite some time to come, and that there will most likely not be a rate cut in September. The rate path in the new monetary policy report will most likely still indicate a probability of around 20% that the policy rate will still be cut in September.

High for longer?



Source: Macrobond, Danske Bank

Scandi update

Denmark – The underlying price pressure remains modest

Inflation increased to 2.2% y/y in May. The primary reason for the increase is a base effect from electricity prices that were substantially lower in May last year. Core inflation rose to 1.6% y/y due to higher shelter cost, while food prices showed a modest increase of 0.5% y/y which is low when compared to peers. The underlying price pressure remains modest, as prices declined 0.1% on a seasonally adjusted m/m basis.

The current account surplus increased to DKK 29.1bn. in April, driven both by an import-led increase in the goods balance and an exports-led increase in the services balance. This supports the signals we have got from other data that suggest a good start to the second quarter for Danish economy. However, the previous figures were revised down such that the 2023 surplus now corresponds to 9.9% of GDP rather than 10.9%, with the main reason appearing to be that services imports were undervalued. This indicates that 2023 GDP could be revised down when we get the figures at the end of this month.

Danish card data suggests that consumer spending excluding energy increased by 4.0% in May compared to the same month the year before according to *Danske Bank Spending Monitor*, 11 June. Consumer prices excl. energy increased 1.6% over the same period, meaning that in real terms spending increased by 2.3%. Overall, consumer spending continues to show stable but far from flashy growth rates. Real y/y spending growth has been positive all months since October last year, except April, which was primarily driven by the timing of Easter.

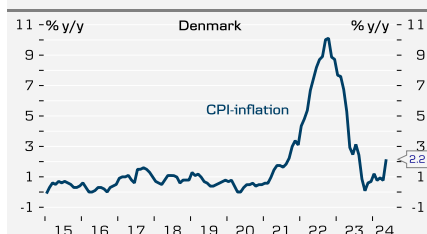
Sweden – May inflation surprised to the upside

Swedish May inflation was higher than expected in all main measures, core inflation (CPIF excl. energy) is now even slightly above the Riksbank's forecast. What mainly contributed to the surprise in comparison to our forecast was the volatile food and flights tickets. Electricity prices decreased heavily (-13.3% m/m) but not to the degree we had forecasted. The increase in food prices (0.4% m/m) was contrary to what Matpriskollen had reported of unchanged food prices in May. On the other hand, we saw food price increases of 0.3% and 0.9% in Denmark and Norway.

Recreation, hotel, and restaurants all contributed less to the upward pressure than what we expected. Taylor Swift and Eurovision concerts seemingly therefore did not contribute with the same level of inflationary pressure overall as Beyonce did last year. However, the concerts really stood out in some specific areas as it resulted in the greatest m/m increase in hotel room prices on weekends (22.9%!) that has ever been recorded in Sweden. Service inflation therefore had a setback this month as frontloaded (3m SAAR) service inflation excl. housing has risen significantly recently. However, the factors that contributed to the increase this month were most likely temporary and unique for this month.

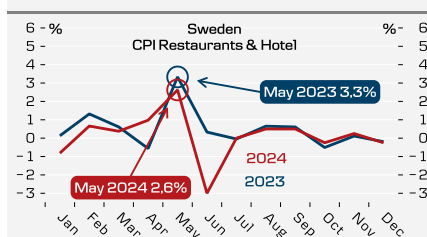
Otherwise, this week the GDP indicator for April decreased by 0.7% m/m SA. In the publication of the statistic, Statistics Sweden stated that the decrease is "among other things explained by a somewhat lower household consumption and production in the business sector". However, as the indicator is often heavily revised afterwards (just recently the GDP indicator for Q1 showed a totally opposite development in comparison to the actual print) we interpret this cautiously and will await more details. Prospera's big quarterly Q2 survey showed that inflation expectations are now perfectly aligned at the 2% target at all time periods.

Rebound in inflation mainly due to higher tariffs



Source: Danske Bank, Statistics Denmark, Macrobond Financial

Taylor Swift did not beat the Beyonce effect, but still had an impact



Source: Statistics Sweden, Macrobond Financial, Danske Bank's forecasts

Norway – stronger growth, lower inflation

As expected, the regional survey from Norges Bank revealed increasing optimism in the business sector and expect growth at 0.2% in Q2 and 0.3% in Q3. Details also to the strong side, as capacity utilization increases (although still below normal levels), and both employment and investment forecasts were adjusted upwards. The result is a bit stronger than Norges Bank assumed in the monetary policy report in March and means the central bank will need to adjust the growth forecast for 2024 upwards in the new MPR next week.

Core inflation dropped from 4.4% to 4.1% in May, a bit higher than expected. A closer look at details reveals that higher inflation on service excl. shelter was the main reason behind the surprise driven by cultural services and air transport. Unusually nice weather and more extra-long-weekends than normal may have resulted in higher demand and hence higher pricing-power in these sub-sectors. Anyway, the disinflationary trend continues through monthly volatility, and we expect to see core inflation at 3% in October.

Increasing optimism



Source: Macrobond, Danske Bank

Calendar – 17-21 June 2024

Monday, June 17, 2024				Period	Danske Bank	Consensus	Previous
3:20	CNY	China 1-year MLF	%				
4:00	CNY	Industrial production	y/y	May		6.2%	6.7%
4:00	CNY	Retail sales	y/y	May		3.0%	2.3%
4:00	CNY	Fixed assets investments	y/y	May		4.2%	4.2%
8:00	NOK	Trade balance	NOK bn	May			65.3
10:00	ITL	HICP, final	m/mly/y	May		... 0.8%	... 0.8%
11:00	EUR	Labour costs, final	y/y	1st quarter			4.9%
14:30	USD	Empire Manufacturing PMI	Index	Jun		-13.0	-15.6
19:00	USD	Fed's Harker speaks					
Tuesday, June 18, 2024				Period	Danske Bank	Consensus	Previous
6:30	AUD	Reserve Bank of Australia rate decision	%		4.35%	4.35%	4.35%
11:00	DEM	ZEW current situation	Index	Jun		-64.7	-72.3
11:00	DEM	ZEW expectations	Index	Jun		50.0	47.1
11:00	EUR	HICP inflation, final	m/mly/y	May	0.2% 2.6%	0.2% 2.6%	0.2% 2.6%
11:00	EUR	HICP - core inflation, final	y/y	May	2.9%	2.9%	2.9%
14:00	HUF	Central Bank of Hungary rate decision	%		7.00%	7.00%	7.25%
14:30	USD	Retail sales control group	m/m	May		0.3%	-0.3%
15:15	USD	Capacity utilization	%	May		78.6%	78.4%
15:15	USD	Industrial production	m/m	May		0.4%	0.0%
15:15	USD	Manufacturing production	m/m	May			-0.3%
16:00	USD	Fed's Barkin speaks					
22:00	USD	TICS international capital flow, Net inflow	USD bn	Apr			102.1
Wednesday, June 19, 2024				Period	Danske Bank	Consensus	Previous
1:50	JPY	Exports	y/y (%)	May		0.1	0.1
1:50	JPY	Import	y/y (%)	May		0.1	0.1
1:50	JPY	Trade balance, s.a.	JPY bn	May		-625.2	-560.8
8:00	GBP	CPI	m/mly/y	May		0.4% 2.0%	0.3% 2.3%
8:00	GBP	CPI core	y/y	May		3.5%	3.9%
10:00	EUR	Current account	EUR bn	Apr			35.8
16:00	USD	NAHB Housing Market Index	Index	Jun		45.0	45.0
Thursday, June 20, 2024				Period	Danske Bank	Consensus	Previous
0:45	NZD	GDP	q/qly/y	1st quarter		0.1% 0.2%	-0.1% -0.3%
8:00	DKK	Consumer confidence	Net. bal.	Jun	-5.5		-6.5
9:30	CHF	SNB policy rate	%		1.5%	1.5%	1.5%
10:00	EUR	ECB Publishes Economic Bulletin					
10:00	NOK	Norges Banks monetary policy meeting	%		4.50%	4.50%	4.50%
13:00	GBP	BoE minutes				0.0525	0.0525
13:00	GBP	BoE Bank rate	%		5.25%	5.25%	5.25%
14:30	USD	Building permits	1000 (m/m)	May		1460	1440.0 (-3.0%)
14:30	USD	Housing starts	1000 (m/m)	May		1375	1360.0 (5.7%)
14:30	USD	Current account	USD bn	1st quarter		-206.1	-194.8
14:30	USD	Philly Fed index	Index	Jun		4.5	4.5
14:30	USD	Initial jobless claims	1000				242
16:00	EUR	Consumer confidence, preliminary	Net bal.	Jun		-13.7	-14.3
17:00	USD	DOE U.S. crude oil inventories	K				3730
22:00	USD	Fed's Barkin speaks					
Friday, June 21, 2024				Period	Danske Bank	Consensus	Previous
1:01	GBP	GfK consumer confidence	Index	Jun		-16.0	-17.0
1:30	JPY	CPI - national ex. fresh food	y/y	May		2.6%	2.2%
1:30	JPY	CPI - national	y/y	May		2.9%	2.5%
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Jun			50.4
2:30	JPY	Markit PMI services, preliminary	Index	Jun			53.8
8:00	GBP	Retail sales ex fuels	m/mly/y	May		1.8% -1.1%	-2.0% -3.0%
8:45	FRF	Business confidence	Index	Jun			99.0
9:15	FRF	PMI manufacturing, preliminary	Index	Jun		46.8	46.4
9:15	FRF	PMI services, preliminary	Index	Jun		50.1	49.3
9:30	DEM	PMI manufacturing, preliminary	Index	Jun		46.4	45.4
9:30	DEM	PMI services, preliminary	Index	Jun		54.3	54.2
10:00	EUR	PMI manufacturing, preliminary	Index	Jun	47.7	47.8	47.3
10:00	EUR	PMI composite, preliminary	Index	Jun		52.4	52.2
10:00	EUR	PMI services, preliminary	Index	Jun	53.2	53.5	53.2
10:30	GBP	PMI manufacturing, preliminary	Index	Jun		51.4	51.2
10:30	GBP	PMI services, preliminary	Index	Jun		53.0	52.9
14:30	CAD	Retail sales	m/m	Apr		0.9%	-0.2%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Jun		51.0	51.3
15:45	USD	Markit PMI service, preliminary	Index	Jun		53.4	54.8
16:00	USD	Existing home sales	m (m/m)	May		4.1	4.14 -0.019

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	1.9	1.0	0.0	-5.0	13.4	8.6	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	0.6	0.6	1.0	1.5	-0.6	-1.2	5.4	5.1	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	-1.0	0.4	4.5	-4.2	-1.7	-7.1	6.3	4.2	7.2	-2.7	75.8	-1.4
	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*	13-Jun	5.50	-	4.56	3.89	0.93	-	6.93	10.64	10.47
	+3m	5.50	-	4.55	3.95	0.93	-	6.97	10.93	10.75
	+6m	5.25	-	4.30	3.95	0.95	-	7.10	11.43	11.14
	+12m	4.50	-	3.75	3.90	0.97	-	7.23	11.75	11.36
EUR	13-Jun	3.75	3.66	3.28	2.81	-	1.08	7.4594	11.46	11.27
	+3m	3.75	3.70	3.25	2.85	-	1.07	7.4550	11.70	11.50
	+6m	3.50	3.45	3.15	2.80	-	1.05	7.4500	12.00	11.70
	+12m	3.00	2.95	3.00	2.80	-	1.03	7.4500	12.10	11.70
JPY	13-Jun	0.10	-	-	-	0.006	0.006	4.41	6.78	6.67
	+3m	0.10	-	-	-	0.006	0.007	4.68	7.34	7.21
	+6m	0.20	-	-	-	0.006	0.007	4.83	7.77	7.58
	+12m	0.20	-	-	-	0.007	0.007	4.99	8.10	7.83
GBP*	13-Jun	5.25	-	4.58	3.87	1.19	1.10	8.84	13.58	13.36
	+3m	5.00	-	4.50	3.95	1.15	1.23	8.57	13.45	13.22
	+6m	4.75	-	4.30	3.95	1.14	1.19	8.47	13.64	13.30
	+12m	4.25	-	3.95	3.95	1.14	1.17	8.47	13.75	13.30
CHF	13-Jun	1.50	-	-	-	1.04	1.12	7.75	11.91	11.71
	+3m	1.50	-	-	-	1.02	1.09	7.61	11.94	11.73
	+6m	1.25	-	-	-	1.03	1.08	7.68	12.37	12.06
	+12m	1.00	-	-	-	1.04	1.07	7.76	12.60	12.19
DKK	13-Jun	3.35	3.65	3.39	2.96	0.134	0.144	-	1.54	1.51
	+3m	3.35	3.60	3.35	3.00	0.134	0.144	-	1.57	1.54
	+6m	3.10	3.35	3.25	2.95	0.134	0.141	-	1.61	1.57
	+12m	2.60	2.85	3.10	2.95	0.134	0.138	-	1.62	1.57
SEK	13-Jun	3.75	3.72	3.06	2.66	0.089	0.096	0.66	1.02	-
	+3m	3.75	3.66	2.90	2.80	0.087	0.093	0.65	1.02	-
	+6m	3.50	3.44	2.80	2.85	0.085	0.090	0.64	1.03	-
	+12m	3.00	3.10	2.60	2.90	0.085	0.088	0.64	1.03	-
NOK	13-Jun	4.50	4.82	4.34	3.70	0.087	0.094	0.65	-	0.98
	+3m	4.50	4.55	4.30	3.80	0.085	0.091	0.64	-	0.98
	+6m	4.25	4.35	4.10	3.75	0.083	0.088	0.62	-	0.98
	+12m	3.50	3.85	3.70	3.65	0.083	0.085	0.62	-	0.97

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

Commodities

		2024				2025				Average		
	13-Jun	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	
ICE Brent	82	82	85	80	80	85	85	85	85	82	85	

Source Danske Bank

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