

Executive Briefing

Slower growth and higher inflation

The oil market has been very volatile through the recent month as investors are becoming increasingly sceptical about the prospect of a near-term opening of the Strait of Hormuz. In contrast to the 2022 energy crunch, natural gas prices are not much above normal levels, and prices have even declined through April. This is also key to keeping electricity prices at relatively low levels. Looking further ahead, the UAE's decision to leave OPEC creates a downwards outlook for oil prices, once oil starts to flow through the strait again.

Both the US and the euro area headed into the oil crunch with a bit disappointing momentum. US q/q GDP growth, fuelled by a reopening of the public sector, ended up at 0.5%, on steady but cooling private consumption. The euro area almost came to a standstill at 0.1% on the back of disappointing French growth and volatile Irish data. April PMIs suggest that particularly the euro area service sector has lost momentum since then with the largest contraction since 2021 as incoming new business has deteriorated. Looking ahead, the service sector employment expectations recorded the steepest decline since the early pandemic shutdowns according to EU Commission surveys. It **highlights the dilemma central banks are faced with as inflation expectations surge among businesses and consumers, but confidence is declining.** Perhaps a bit surprisingly, largely global manufacturing still looks to be on a decent footing, although delivery times are increasing.

So far, actual inflation shows no signs of broader price pressures. Core inflation in the euro area even edged lower to 2.2% in April as service inflation declined to 3% for the first time in four years. Headline inflation on the other hand increased to 3%, digging into consumers purchasing power. ECB president Lagarde is "certainly not seeing second-round effects" as she put it after the decision to keep rates on hold. A rate hike was debated but the decision was unanimous, with leaks to media showing near agreement that a hike in June is likely.

Other major central banks also kept rates on hold in April. The takeaway from Jerome Powell's last meeting as Fed chair was to the hawkish side on the back of some opposition to the Fed's current easing bias and Powell decision to stay on as governor which blocks Trump from nominating a dovish replacement. This means the exit of Stephen Miran, when Kevin Warsh replaces Powell as Fed chair after The Senate Banking Committee finally advanced his nomination.

In the UK, tighter financial conditions push the breaks on economic activity even with The Bank of England on hold on fears of renewed inflation problems, not least from higher food prices due to a large energy input. Japan has for long been on a very slow-moving hiking cycle. The uncertain implications for the big energy importer also kept The Bank of Japan from further tightening for now. Elsewhere in Asia, **Chinese exports remain the key growth engine** highlighted by solid April manufacturing PMIs above 50 from both official and private measures. The non-manufacturing PMI on the other hand fell below 50 and the construction sector slowdown accelerated further, leaving the economy vulnerable to a global downturn.

Key points

- The Iran war continue to dominate markets, and the prolonged period of high energy prices is starting to show in growth indicators and inflation data, although the effect is not dramatic so far.
- Company earnings are strong and that is supporting the stock market, while credit markets and to some extent other risk sensitive assets are also performing well, given the volatile background of the war.
- The ECB and other European central banks seem determined to hike interest rates if the situation does not improve during May, and that is reflected in market rates.
- In the Nordic countries, consumer confidence has taken a hit while business confidence looks much better, although Norwegian businesses are turning more negative.

Editor-in-chief

Las Olsen

(see page 4 for a list of all authors)

Denmark

April data show further deterioration in consumer confidence but a rise in business confidence, indicating that businesses remain cautiously optimistic despite higher energy costs. The number of jobs declined by 1,100 in February (before the Iran war), driven by bad weather and the 5,000 jobs cut at Novo Nordisk. However, companies still expect to increase their workforce and unemployment declined in March, suggesting that we will return to job growth. Negotiations are still ongoing to form a government after the March election, with most analysts now expecting a centre-left coalition. House price increases are running at 7.8% y/y (18.8% for apartments). We see the national housing market as well balanced but the Copenhagen market as expensive. If the ECB hikes interest rates, we expect Denmark to follow.

Sweden

March data provided by encouraging signals for the Swedish economy. Although GDP declined by 0.2% q/q in Q1, March figures indicated positive momentum, with GDP rising by 1.9% and retail sales by 3.1% m/m. Household credit growth was the highest since rates were hiked in 2022. In April, the NIER barometer held at 99 – slightly below the neutral level of 100 – and consistent with a growth rate of approximately 2% for the year. Firms' inflation expectations surged from 1.7% to 2.6%. Although the level itself is not alarming, the fluctuations highlight that inflation expectations remain insufficiently anchored. Inflation, on the other hand, surprised on the downside, and is expected to decline further, especially CPIF excl. energy, due to the reduced VAT on food introduced in April. On the other hand, the input price component in the manufacturing PMI surged to the highest level since June 2022. For the Riksbank, if the ECB hikes rates, we expect them to follow suit with two hikes over the summer.

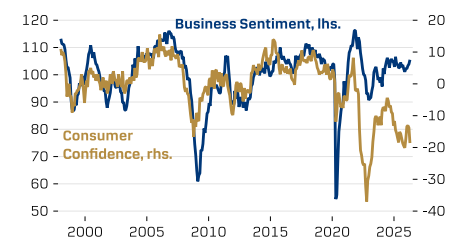
Norway

There has been a mixed bag of economic data lately, where the NHO member survey clearly pointed to a more negative situation and outlook for the economy. The net (good minus bad) indicator for the current situation dropped to -8 in April, the lowest since the pandemic. The weakening was broad based, with 12 out of 15 sectors being net negative. Retail sales dropped 0.1 % in March after the 1.1 % drop in February, taking the quarterly growth to around zero, even before the headwinds from higher inflation and mortgage rates started to affect purchasing power. On the other hand, the labour market remains solid with moderate employment growth, an elevated level of vacancies and low (registered) unemployment. The central wage settlements came out at the high end of our expectations at 4.4 % which will put pressure on inflation as well as monetary policy.

Finland

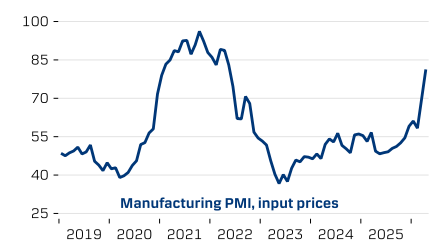
In a surprisingly strong start to the year, the Finnish economy grew by 0.9% in the first quarter compared to the previous quarter according to preliminary data. It remains to be seen if the data will be revised and what details show, but in our view, the first release highlights how before the Iran war the stars were aligned for 2026 to become a clearly better year for the Finnish economy. For the coming quarters, risks to growth are to the downside. In April, consumer confidence continued to fall and house purchase plans declined. On the other hand, business confidence strengthened slightly. Overall, the outlook for housing and construction remains rather weak still, as rising mortgage rates continue to dampen sentiment, while exports-driven industries are keeping up momentum. Despite near-term inflation pressures from higher energy prices, we still expect private consumption to turn a corner this year, as wage growth will ensure total wage sum still grows faster than inflation.

Sentiment up for business, down for consumers



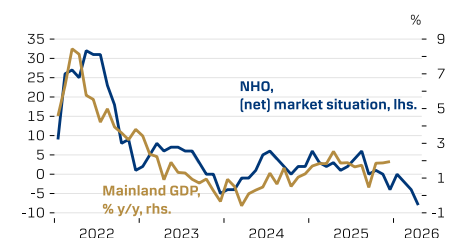
Source: Statistics Denmark, Macrobond, Danske Bank

Inflation risks are increasing



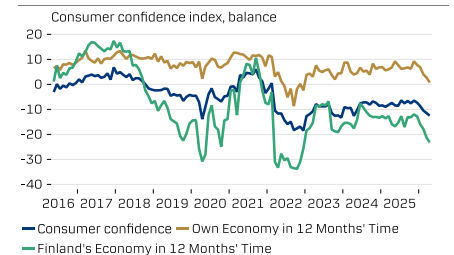
Source: Statistics Sweden, Macrobond and Danske Bank

Leading indicators point to a slowdown



Source: Norges Bank, Macrobond

Finnish consumers turned more pessimistic



Source: Statistics Finland, Macrobond

Currency markets

The month of April in FX markets has first and foremost been driven by terms of trade volatility amid energy prices reacting to the news flow out of the Middle East. The 7 April ceasefire drove a substantial weakening of the USD and although the USD has since made a comeback, it remains the clear underperformer among major currencies over the last month, with EUR/USD now trading above the 1.17 level. In the other end of the spectrum, the HUF has been the clear winner after Orban lost the parliamentary elections on 12 April and the opposition party Tisza gained a parliamentary majority. Also, the AUD and NOK have done well both finding support from relatively hawkish central banks that have already delivered rates hikes or guided towards such shortly. Finally, EUR/DKK hit new highs during April but ended the month on the weak side with the cross falling down back below 7.4730.

Bond markets

Global rates tracked higher throughout April as markets increasingly postponed a reopening of the Strait of Hormuz. This has pushed commodity prices higher and by extension inflation expectations higher across regions. Movements across the EUR curve remain closely tied to ECB expectations and developments in the Middle East. We expect long-end EUR rates to move lower in the next 12 months but view the risk picture as more balanced given the upward pressure from expectations for rate hikes but downward pressure from worsening growth prospects. In the Danish market, the price of 30Y callable bonds has decreased. This leaves the 4.00% coupon as the benchmark. We expect gradual increases over the coming months, with the 3.5% coupon becoming the benchmark again.

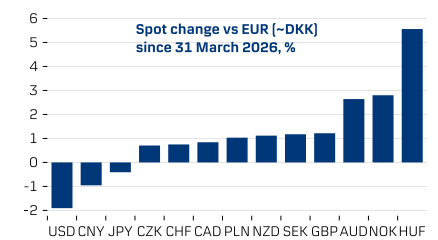
Credit markets

Credit markets have turned around, and credit spreads tightened during April (Xover -60bp, Main -12bp). While spread levels remain above the levels from before the war, the market has seemingly found a new equilibrium slightly above the YTD tightens as markets – presumably – discount the heightened risks related to the war but acknowledge the favourable development and outlook in the global default cycle. The global HY default rate has declined to 4.2% (the HY bond default rate is lower at 3%) and based on the current fundamentals (profitability, bank lending standards and financial conditions), there should be further easing over the coming months though, obviously, Middle East tensions pose a downside risk. The primary market remains on solid footing, with highly oversubscribed transactions, supported by somewhat higher NIPs. However, all in funding costs have risen circa 60bp following the moderate spread widening and increase in rates.

Equities

April proved to be a remarkably strong month for global equities, despite continued geopolitical tensions around Iran and a new high in oil prices. While counterintuitive at first glance, the market reaction is fully consistent with our view. We are currently observing the widest divergence in decades between GDP growth and earnings growth, reflecting strong corporate profitability despite a softer macro backdrop. This divergence is closely linked to AI-driven productivity gains, most visibly within technology. In April, the global technology sector delivered returns of around 17%, significantly outperforming the broader market. The earnings season reinforces this picture. Slightly more than 50% of S&P 500 companies have now reported Q1 results, with blended earnings growth at around 22%. Revenues are coming in more than 2.1% ahead of estimates, while earnings are 11.3% above consensus. As a result, earnings estimates will continue to be revised higher, despite downward revisions to GDP growth expectations.

HUF gains on political change



Past performance is not a reliable indicator of current or future results. Source: Macrobond

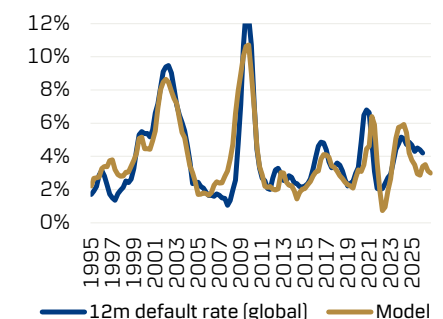
Trading in tandem

EUR swap rates



Past performance is not a reliable indicator of current or future results. Source: Danske Bank, Macrobond

Global default rates set to decline further



Past performance is not a reliable indicator of current or future results. Source: Bloomberg

Strong earnings growth in S&P 500 so far

Sectors	Blended earnings growth rates y/y
Communication Services	8.4%
Consumer Discretionary	37.3%
Consumer Staples	5.2%
Energy	22.7%
Financials	24.0%
Health Care	-5.8%
Industrials	8.8%
Information Technology	45.9%
Materials	33.2%
Real Estate	20.6%
Utilities	15.6%
S&P 500 INDEX	22.0%
- Cyclical	28.6%
- Defensive	2.4%

Past performance is not a reliable indicator of current or future results. Source: Macrobond

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Macroeconomic forecast

Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem- ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2025	2.9	2.3	1.5	-3.5	3.0	-0.4	1.9	3.8	2.9	2.7	29.5	12.8
	2026	3.0	2.2	3.8	0.3	3.5	2.5	1.0	3.4	3.0	0.8	27.8	11.6
	2027	2.1	2.6	1.8	2.9	2.7	3.3	1.8	3.3	3.4	0.3	26.9	11.3
Sweden	2025	1.8	1.7	1.1	2.0	4.4	4.6	2.6	3.6	8.8	-	34.7	-
	2026	2.8	3.0	2.1	4.3	2.0	2.6	1.6	3.5	8.2	-	35.9	-
	2027	2.5	2.8	1.7	3.4	2.8	3.2	2.1	3.5	7.5	-	37.1	-
Norway	2025	1.8	2.7	1.5	1.3	2.4	2.6	3.0	4.7	2.1	-	-	-
	2026	1.6	2.3	2.0	1.5	0.8	1.8	2.7	4.0	2.2	-	-	-
	2027	1.6	2.2	1.8	1.5	0.8	2.0	2.4	3.5	2.3	-	-	-

Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem- ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2025	1.5	1.5	1.6	3.1	2.2	3.7	2.1	4.0	6.3	-3.2	89.2	2.7
	2026	1.3	1.3	1.6	2.2	1.2	2.1	2.1	3.3	6.2	-3.3	90.2	2.3
	2027	1.4	1.3	1.4	1.7	1.2	1.2	1.8	3.0	6.0	-3.4	90.8	2.3
Finland	2025	0.2	-0.2	-0.2	0.8	3.4	1.7	0.3	2.8	9.7	-3.4	88.5	-
	2026	1.5	1.5	-1.9	7.3	1.7	4.7	1.6	3.6	9.9	-4.5	90.7	-
	2027	1.9	2.5	-1.1	3.5	3.7	3.4	1.8	3.3	9.1	-3.8	92.9	-

Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem- ploym. ²	Public budget ³	Public debt ³	Current acc. ³
USA	2025	2.1	2.6	1.1	2.7	1.6	2.7	2.7	3.5	4.3	-5.6	99.9	-3.6
	2026	2.0	1.3	1.6	5.3	0.9	0.9	2.4	3.5	4.4	-6.2	101.7	-3.3
	2027	1.7	1.3	1.6	4.8	2.8	4.6	2.4	4.0	4.3	-6.3	103.4	-3.3
China	2025	5.0	4.6	-	1.0	-	-	0.0	-	5.2	-9.1	96.8	3.1
	2026	4.8	4.7	-	2.0	-	-	0.7	-	5.2	-9.0	102.8	2.6
	2027	4.7	4.7	-	4.0	-	-	1.0	-	5.2	-8.9	106.8	2.3

Note: Forecasts are from the latest Nordic Outlook, 4 March

Source: Macrobond 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*	30-Apr	3.75	-	3.72	3.94	0.85	-	6.37	9.30	9.25
	+3m	3.75	-	3.50	3.85	0.85	-	6.33	9.32	9.15
	+6m	3.50	-	3.45	3.90	0.83	-	6.22	9.42	9.17
	+12m	3.25	-	3.35	4.00	0.82	-	6.11	9.43	9.02
EUR	30-Apr	2.00	2.20	2.85	3.08	-	1.17	7.4731	10.91	10.85
	+3m	2.50	2.55	2.60	2.95	-	1.18	7.4675	11.00	10.80
	+6m	2.50	2.55	2.50	2.90	-	1.20	7.4625	11.30	11.00
	+12m	2.25	2.10	2.40	2.85	-	1.22	7.4600	11.50	11.00
JPY	30-Apr	0.75	-	-	-	0.005	0.006	4.06	5.93	5.90
	+3m	1.00	-	-	-	0.006	0.007	4.14	6.09	5.98
	+6m	1.25	-	-	-	0.006	0.007	4.29	6.49	6.32
	+12m	1.25	-	-	-	0.005	0.007	4.08	6.28	6.01
GBP*	30-Apr	3.75	-	4.32	4.53	1.16	1.36	8.66	12.64	12.57
	+3m	3.75	-	3.95	4.35	1.14	1.34	8.49	12.50	12.27
	+6m	3.75	-	3.90	4.30	1.12	1.35	8.38	12.70	12.36
	+12m	3.75	-	3.80	4.20	1.12	1.37	8.38	12.92	12.36
CHF	30-Apr	0.00	-	-	-	1.09	1.28	8.14	11.89	11.83
	+3m	0.00	-	-	-	1.10	1.30	8.21	12.09	11.87
	+6m	0.00	-	-	-	1.11	1.33	8.29	12.56	12.22
	+12m	0.00	-	-	-	1.11	1.36	8.29	12.78	12.22
DKK	30-Apr	1.60	2.17	2.97	3.27	0.134	0.157	-	1.46	1.45
	+3m	2.10	2.52	2.70	3.10	0.134	0.158	-	1.47	1.45
	+6m	2.10	2.51	2.60	3.05	0.134	0.161	-	1.51	1.47
	+12m	1.85	2.01	2.50	3.00	0.134	0.164	-	1.54	1.47
SEK	30-Apr	1.75	2.09	2.66	3.06	0.092	0.108	0.69	1.01	-
	+3m	2.00	2.40	2.80	3.10	0.093	0.109	0.69	1.02	-
	+6m	2.25	2.45	2.60	3.00	0.091	0.109	0.68	1.03	-
	+12m	2.25	2.35	2.50	3.00	0.091	0.111	0.68	1.05	-
NOK	30-Apr	4.00	4.58	5.00	4.46	0.092	0.108	0.68	-	0.99
	+3m	4.50	4.61	4.60	4.30	0.091	0.107	0.68	-	0.98
	+6m	4.50	4.75	4.40	4.20	0.088	0.106	0.66	-	0.97
	+12m	4.25	4.40	4.00	4.10	0.087	0.106	0.65	-	0.96

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

Commodities

	30-Apr	2025				2026				2027	Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2025	2026	2027
ICE Brent	111	75	67	68	65	75	95	80	80	85	69	83	85

Source: Danske Bank

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