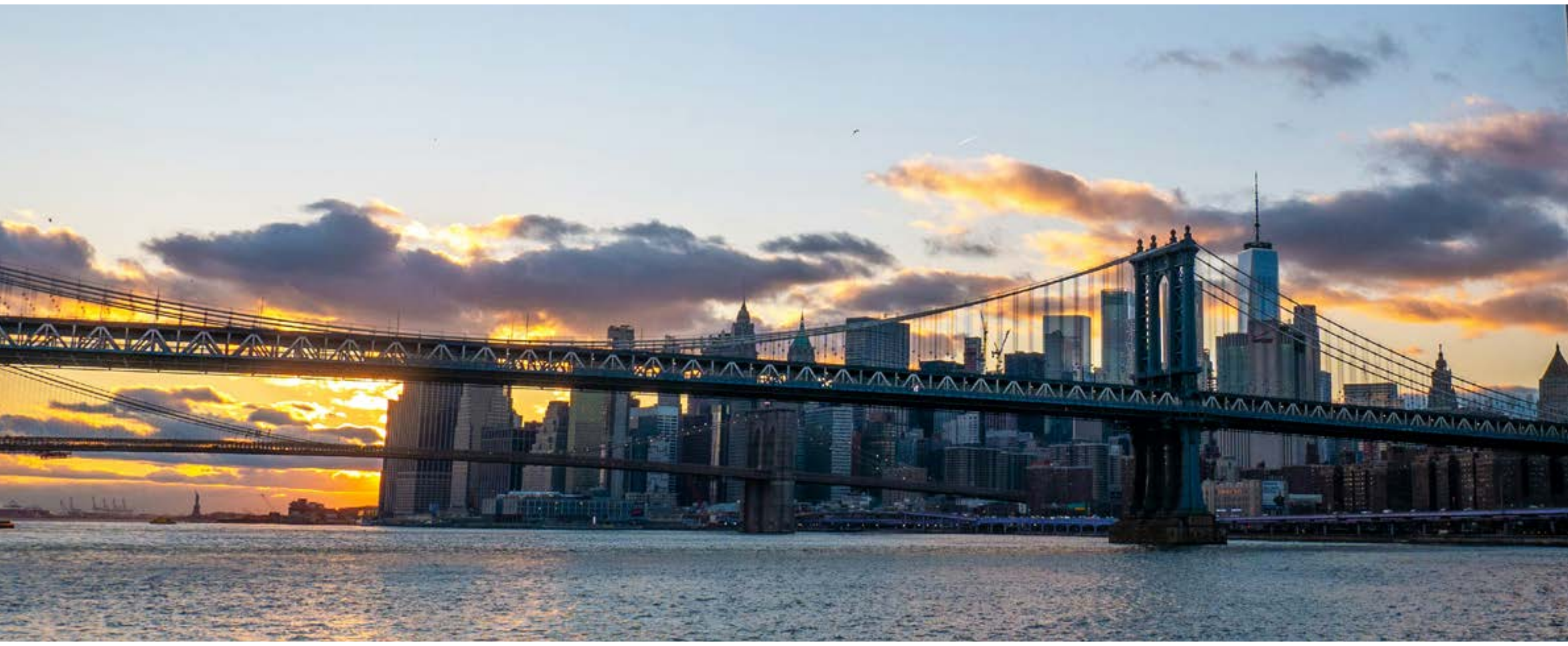


# Defying growing headwinds

- **Economic momentum has picked up lately despite growing headwinds. High imports and inventory drawdowns hid strong underlying domestic growth in consumption and investment.**
- **We raise our 2026 GDP growth forecast slightly to 2.1% from 2.0% and keep our 2027 forecast at 1.8%. Growth slightly exceeded our expectations in first half of 2026. Consumption faces growing headwinds as potential for future real wage sum growth is limited by declining labour supply. Future growth relies increasingly on fixed investment, not least related to AI.**
- **Inflation has fallen a bit more than expected, but we see it broadening. We lower our headline inflation forecast to 3.2% in 2026 (from 3.5%) and to 2.5% in 2027 (from 2.8%). We forecast core inflation at 2.6% in 2026, rising to 2.9% in 2027.**
- **We maintain our call for two Fed rate hikes in December and March. We still see an elevated risk of more persistent inflation pressure and a tighter labour market.**

*3 September 2026*
*Important disclosures and certifications are contained from page 3 of this report.*

| | | Forecast | |
|---|---|---|---|
| | **2025** | **2026** | **2027** |
| GDP Growth | 2.1% | 2.1% (2.0%) | 1.8% (1.8%) |
| Inflation | 2.7% | 3.2% (3.5%) | 2.5% (2.8%) |
| Unemployment | 4.3% | 4.3% (4.3%) | 4.2% (4.2%) |
| Fed Funds* | 3.75% | 4.00% (4.00%) | 4.25% (4.25%) |

*Parentheses are the old projections (from June 2026)*
**End of period*
*Source: Danske Bank, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Fed*

The US economy continues to perform well despite headwinds from tariffs, high energy costs and lower labour supply. Growth has slightly exceeded our expectations in 2026, so we lift our GDP forecast for 2026 to 2.1%, in line with consensus, and stick to our previous call of 1.8% GDP growth in 2027.

Real GDP fell short of our expectations at just 0.4% q/q in Q2. However, final sales to private domestic purchasers, measured as household consumption and private fixed investments, grew at a solid pace of 1.0% q/q. High import growth and inventory drawdowns masked the strong underlying growth. This means that high import growth and inventory drawdowns masked strong underlying growth. Tariff refunds also provided a temporary boost to growth over summer, see RtM USD - Tariff deadline looms, but macro impact eases, 14 July.

Private consumption growth picked up in Q2. Consumers continue to defy rising energy costs by cutting the savings rate which hovers around its lowest level since the post-COVID inflation boom in 2022 and before that, 2005-07. That said, *"The economy will face broader price pressures, with inflation increasingly driven by the tighter labour market and high investment growth."*

*Antti Ilvonen, Senior Analyst*

early Q3 consumption indicators such as July retail sales have signalled some cooling ahead.

We see scope for a rising capital share of income to maintain the savings rate at a persistently lower level, as consumption increasingly relies on capital gains instead of just salaries. We expect consumption growth to moderate from 2.0% in 2026 to 1.4% in 2027.

Declining labour supply remains a major headwind for consumption and the broader economy. The unemployment rate remains low and fell to 4.1% in July, even as payroll growth turned negative by 23,000 in July.

The sharp decline in net immigration has been the main driver of slowing breakeven employment growth. Another driver is the steep fall in the labour force participation rate, which has dropped to its lowest level since the COVID-19 outbreak and before that, the lowest point since 1977. See RtM USD - The many faces of declining US participation, 18 August.

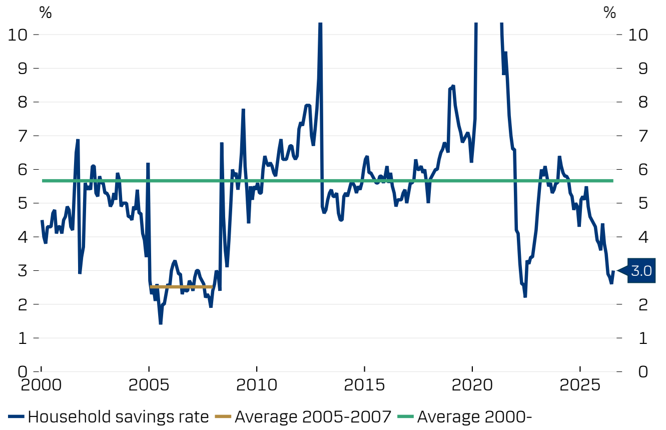
Lower labour supply poses a clear upside risk to inflation through wages. For now, private sector wage growth has eased gradually in recent years and is close to its historical mean. But with lower labour supply and still solid domestic demand, we expect wage growth to rise gradually towards the end of 2026 and into 2027. Overall wage sum growth will likely hover near its recent pace of 4-5% per year going forward, but the growth will increasingly rely on the wage component.

Private business investment made a strong contribution to growth in H1, not least due to AI-related investment in software and computer equipment. We expect growth in the AI segment to contribute solidly to growth for the rest of 2026 and in 2027. In the first half of 2026, investment in industrial equipment also picked up, while residential investment continued to decline due to elevated mortgage rates. We expect a tighter monetary policy stance to limit further growth in non-AI investments.

Both headline and core inflation remain above the Fed's 2% target. We expect this to continue, with headline inflation at 3.2% y/y in 2026 and 2.5% in 2027. The economy will face broader price pressures driven by the tighter labour market and high investment growth. This puts growing pressure on the Fed to respond. Three members already voted in favour of higher rates at the July meeting. More FOMC members have signalled willingness to raise rates later if inflation proves sticky, which we think it will. On that note, we maintain our expectation from the last Nordic Outlook of two Fed rate hikes in December and March.

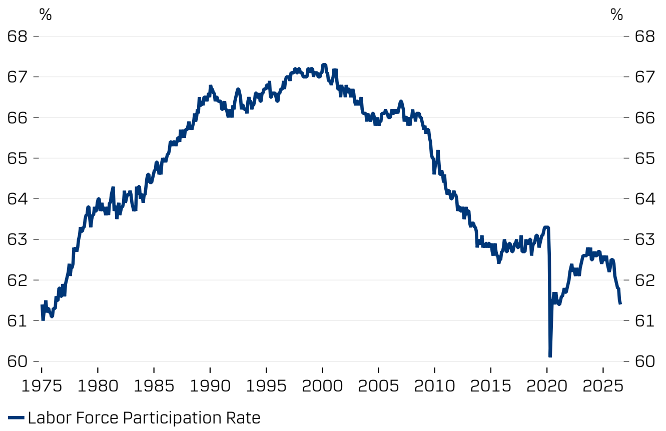
We maintain our call that policy tightening will support the broad USD and forecast EUR/USD to move lower towards 1.12 over a 12-month horizon. See FX Forecast Update - Temporary USD weakness, 21 August.

**Savings rate around the lowest level since 2022**



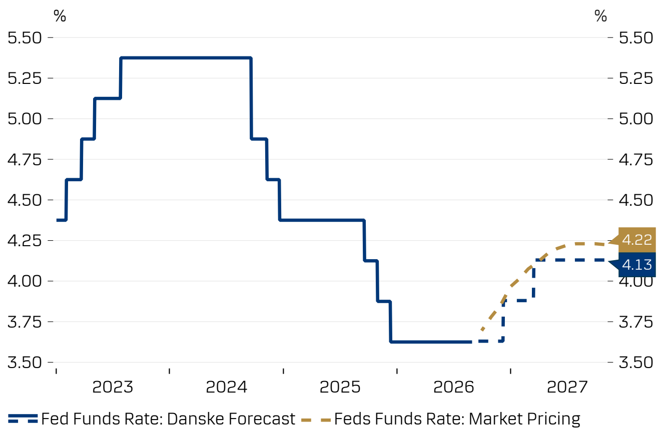

*Sources: Macrobond, U.S. Bureau of Economic Analyses (BEA), Danske Bank*

**Steep decline in participation rate**




*Sources: Macrobond, U.S. Bureau of Labor Statistics (BLS)*

**We expect the Fed to hike rates in December and March**




*Source: Macrobond, Federal Reserve, CBOT, Danske Bank*

Antti Ilvonen
US
ilvo@danskebank.com

Magnus Poulsen
US
magpo@danskebank.com

Editorial deadline: 2 September 2026 at 16:00 CET
Economics Research

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

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

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Antti Ilvonen, Senior Analyst, and Magnus Poulsen, Analyst.

**Analyst certification**
Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

**Regulation**
Danske Bank is authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

**Conflicts of interest**
Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

**Financial models and/or methodology used in this research report**
Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

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

**Expected updates**
Quarterly

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

## General disclaimer

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

**Disclaimer related to distribution in the United Kingdom**
In the United Kingdom, the Communication is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of th e FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

**Disclaimer related to distribution in the European Economic Area**
The Communication is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

**Disclaimer related to distribution in the United States**
The Communication was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The communication is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this investment recommendation in connection with distribution in the United States solely to 'U.S. institutional investors'. Any U.S. investor recipient of the Communication who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

**The Communication is for the general information of our clients and is a 'solicitation' only as that term is used within CFTC Rule 23.605 promulgated under the U.S. Commodity Exchange Act. Unless otherwise expressly indicated, the Communication does not take into account the investment objectives or financial situation of any particular person.**

**Report completed: Wednesday 2 September at 16:00 CET**

**Report first disseminated: Thursday 3 September at 06:00 CET**

# Global Danske Research

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

**Macro**

Head of
Las Olsen
Denmark
laso@danskebank.com

Asger Wilhelm Dalsjö
Denmark
asdal@danskebank.dk

Bjørn Tangaa Sillemann
Denmark, Japan
bjsi@danskebank.com

Rune Thyge Johansen
Euro Area
rujo@danskebank.com

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

Frida Måhl
Sweden
fmh@danskebank.com

Susanne Spector
Sweden coordinator
Sweden macro
sspec@danskebank.com

Frank Jullum
Norway
fju@danskebank.com

Kaisa Kivipelto
Finland
kakiv@danskebank.com

Olavi Kaskisaari
Finland
okas@danskebank.com

Minna Kuusisto
Finland coordinator
Global macro, geopolitics
mkuus@danskebank.com

Magnus Poulsen
US
magpo@.danskebank.com

**FI and FX Research**

Co-Head of
Kristoffer Kjær Lomholt
(paternity leave)
Rates and FX Strategy
klom@danskebank.com

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

Mohamad Al-Saraf
JPY and NOK
G10 FX
moals@danskebank.com

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

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

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

Joel Rossier
(paternity leave)
Fixed income strategy
joero@danskebank.com

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

Antti Ilvonen
US and US Fixed Income
ilvo@danskebank.com

**Credit Research**

Head of
Jakob Magnussen
Utilities
jakja@danskebank.com

Brian Børsting
Industrials & Transportation
brbr@danskebank.com

Christian Svanfeldt
Real Estate and Industrials
chrsv@danskebank.com

Lina Berg
Industrials
linab@danskebank.com

Mads Rosendal
TMT and Industrials
madros@danskebank.com

Mark Thybo Naur
Financials and Strategy
mnau@danskebank.com

Marko Radman
Norwegian HY
mradm@danskebank.com

Olli Eloranta
Industrials and Real Estate
oelo@danskebank.com

Rasmus Justesen
Credit Portfolios
rjus@danskebank.com

Sebastian Grindheim
High-Yield
sgrin@danskebank.com

Sivert Meland Gejl Trana
Credit Portfolios
sivt@danskebank.com

Marcus Gustavsson
Real Estate
marcg@danskebank.com

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

**Cross Asset Strategy**

Head of
Bjarne Breinholt Thomsen
bt@danskebank.com

Piet Haines Christiansen
Chief strategist
phai@danskebank.com

Molly Guggenheimer
Strategist
mogu@danskebank.com

Mathias Christiansen
Analyst
mathch@danskebank.com

**Sustainability Research**

Head of
Louis Landeman
Sustainability/ESG
llan@danskebank.com

Ebba Edholm
Sustainability/ESG
eedh@danskebank.com