Executive Briefing

Steady growth despite headwinds

The global economy is holding up remarkably well despite the impact of higher energy prices caused by the war in the Middle East. Growth surprised to the upside over the summer by continuing around potential, not least in the euro area, driven by stronger manufacturing activity. The global services PMI stood at 52.5 in July and manufacturing at 52.1, indicating sturdy growth. The rise in energy prices has weighed on consumer spending and led to higher market rates, but these negative effects have been offset by rising demand from other sources. The surge in AI investment is concentrated in the US but is having a global impact on manufacturing, not only in chips and IT equipment but also in heavier industries. In Europe, indicators also point to somewhat stronger-than-expected demand growth from public investment and spending. We expect the positive demand effects from AI-related investment to continue at least over the coming year, although the longer-term outlook remains highly uncertain.

Energy prices increased again over the summer following the collapse of the US-Iran "Memorandum of Understanding", with crude oil rising to around USD 90/bbl and European natural gas prices to EUR 70/MWh. For consumers, the increases have been even larger as crack spreads—the difference between crude oil and refined product prices—have widened. This pushed inflation higher over the summer, with euro area and US inflation reaching 3.3% y/y in August and July, respectively. A surprising feature of the rise in inflation is that higher energy costs have not visibly fed through to other goods and services, including food. Core inflation declined to 2.4% y/y in the euro area and 2.5% y/y in the US. We still expect higher energy prices to have indirect effects on other prices, but the spillovers may be smaller than usual because the current environment makes it difficult for businesses to raise prices given the low consumer confidence.

Expectations for central bank policy rates have also increased markedly during the summer, reflecting the combination of higher energy futures and resilient growth. A 25bp hike by the ECB in September is fully priced in, while markets see a 65% probability of a Fed hike in September. We have revised our ECB call and no longer expect the ECB to cut rates in 2027. We still expect a final 25bp hike in September, taking the deposit rate to 2.50%, but now expect the ECB to keep it there throughout 2027 rather than cut it back to 2.00%. For the Federal Reserve, we continue to expect two hikes, as inflation remains well above target. For an update on our central bank views and latest economic projections for 2027, please see our new *Nordic Outlook: New sources of growth*, 4 September 2026.

Today's key points

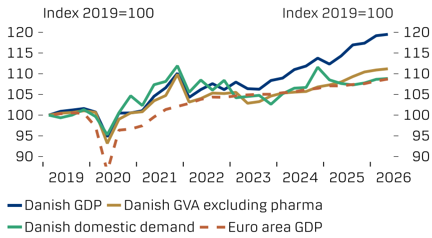
- Global growth is holding up relatively well, with especially manufacturing in a modest upswing, partly supported by demand created by AI-related investments.
- In many European countries, including Nordics, consumer demand has been dampened by high energy prices, but other factors are pulling up.
- Financial markets are affected by uncertainty over energy prices, US monetary and fiscal policy and strong earnings and a high demand for capital from AI investments, with forces pulling in different directions.
- We have upgraded the economic outlook globally and especially in Sweden and Finland, where the recovery is gaining speed.

Editor-in chief
Las Olsen
(see page 4 for a list of all authors)

Denmark

Domestic demand growth slowed to 0.2% q/q in Q2 as both private consumption, government spending and housing investment declined, leaving non-residential construction as the only positive factor. The slow quarter likely reflects the impact of higher energy prices, and we expect demand growth to pick up again over the coming quarters, also supported by higher government spending. This is supported by business confidence rising to its highest level in more than 4 years. GDP growth remains robust at 4.6% y/y in Q2, but that continues to say more about the volume of pharma production than the domestic economy. We see further signs of a stabilisation of the Copenhagen housing market, whereas steady price increases continue in the national market. Unemployment has increased by 6,000 persons over the last year, but that is entirely caused by an increase in the labour force, job growth continues at the same pace as previously.

Modest domestic growth

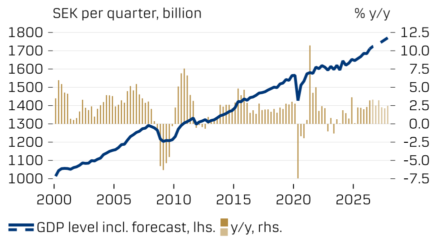


Source: Statistics Denmark, Macrobond

Sweden

GDP rose markedly in Q2 – with growth at 3.3% year-on-year. Conditions are in place for strong growth ahead. Resource utilisation is close to normal and the labour market, while still cautious, should improve as the business cycle strengthens. Inflation risks have increased, driven by global supply disruptions, extreme weather, higher commodity prices and a weaker krona, while temporary fiscal measures dampen CPIF in 2026. Voters go to the polls in September. Opinion surveys point to a change of government but forming one may take time. Still, broad consensus on key issues suggests the main direction of fiscal policy will remain unchanged, with continued investment in defence and infrastructure. For the Riksbank, the next move will be a rate hike in November, followed by another in February.

Stronger growth and better prospects

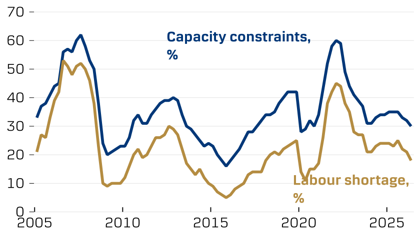


Source: Statistics Sweden, Riksbank, Macrobond and Danske Bank

Norway

Growth in mainland-GDP was 0.3 % q/q in Q2, in line with our forecast. Details were a bit to the downside as both private consumption and corporate investments fell short of expectations, whereas public demand and mainland-exports surprised to the upside. Hence, it seems like rate-sensitive sectors are taking a hit, whereas 'exogenous factors' keep the economy floating. The only exemption was residential investments which was a bit higher than expected. Also note that productivity growth slowed from 0.5 % to 0.2 % y/y, which is both a short-term problem because it means that unit labour cost growth is increasing, and a long-term problem because it indicates that trend growth is declining. As inflation has slowed down, Norges Bank kept the policy rate unchanged in August but kept the tightening bias.

Capacity constraints below normal

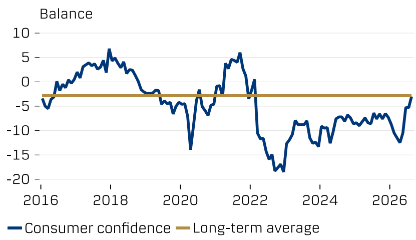


Source: Norges Bank, Macrobond

Finland

The Finnish economy has entered a moderate growth phase driven mainly by private consumption and the export sector. The growth momentum slowed down in Q2 with real GDP growth at 0.4% q/q (0.8% q/q in Q1). Despite this, key economic indicators continue to improve. Business confidence was at or above the long-term average in all major sectors in August and consumer confidence rose to its long-term average for the first time since 2022. Labor market conditions remain historically weak, but the outlook has turned more positive over the summer. The unemployment rate has stabilized at 10.5% and the number of furloughed workers has continued to decrease. The housing market remains in a slump with house prices and sales continuing their decline in 2026. Based on permitting data, residential construction is set to remain weak for at least the next year. Data centre investments partially shelter the construction industry from the lack of housing starts.

Consumer confidence back to normal



Source: Statistics Finland, Macrobond

Danske Bank

Currency markets

The FX market still struggles figuring out how to read new Fed chair Kevin Warsh' intentions with respect to monetary policy and inflation. At the July FOMC meeting, he presented a less hawkish stance on monetary policy, which led the USD to fall back, but at the annual Jackson Hole conference in August, the USD rebounded after more hawkish remarks. In the middle of this development, the USD has been affected by joint FX intervention by the US and Japan as well as US intervention in the US Treasury market. NOK continues to be supported by high energy prices due to continuation of the conflict around the Strait of Hormuz. The European natural gas price has set new highs and has been in focus. SEK has started declining from a high level weighed down by among other things declines in equities. We still expect a higher USD and lower SEK and NOK the coming 12 months.

Bond Markets

Over the summer, European rates have risen across the curve following the improvement in European macro data alongside reescalation in the war pushing energy prices higher. This has especially lifted the growth-sensitive part of the curve (5Y). US rates have similarly shifted higher, triggered by the expectation of Fed to deliver hikes over the coming months. 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 and debt issuance but downward pressure from worsening growth prospects. In the US, we expect rates to move higher across the curve. In the Danish market, the price of 30Y callable bonds has declined, with the 4.00% coupon remaining the benchmark. We expect gradual increases over the coming months, with the 3.50% coupon becoming the benchmark again.

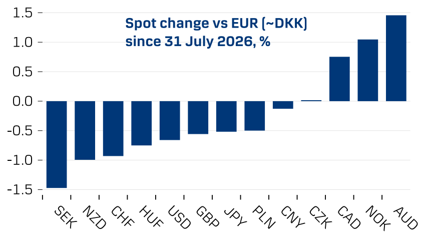
Credit markets

While CDS bonds have come out after the summer largely at the same level as they entered on, cash bonds managed to stage a small tightening, perhaps reflecting the closure of the primary market, forcing investors to turn to secondary. The key theme for credit markets in H2 is the reception of the (presumably) elevated issuance from hyperscalers. So far, issuance has been digested well, but we have seen spreads for hyperscalers widen quite a bit over the summer and continued issuance might force them to offer attractive NIPs to entice investors, which in turn might lead to continued repricing of secondary curves. That same effect is likely to play out more broadly (albeit to a lesser extent) in the broad EUR market over the coming weeks with September typically among the most busy months of the year form a primary market perspective.

Equities

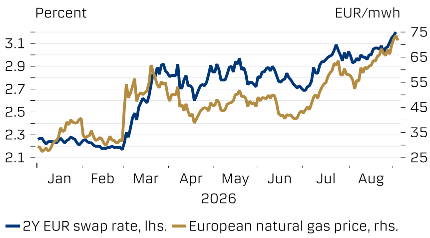
Global equities delivered positive returns over the summer as expected, but sector leadership was unusual, with technology, energy and materials outperforming. Rather than a conventional risk-on/risk-off pattern, markets rotated between shifting narratives, generating the most negative correlation between high-beta and minimum-volatility stocks in years. Technology's strength reflected exceptional AI-driven earnings growth, validated by strong July results. Energy outperformance was driven by developments in Iran and elevated oil prices, while materials benefited from oil-supported industrial-metal prices and demand from the vast AI data-centre buildout. The defining feature of 2026 is that global equities have returned roughly 15%, yet valuations have declined because earnings have grown even faster. Absent a new negative catalyst, earnings compounding speaks in favour of equities and broader risk assets rather than bonds.

SEK weakened in August



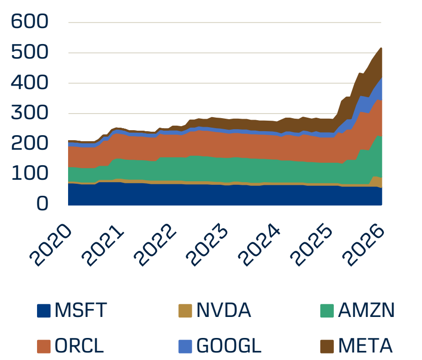
Past performance is not a reliable indicator of current or future results. Source: Macrobond

EUR rates driven by energy prices



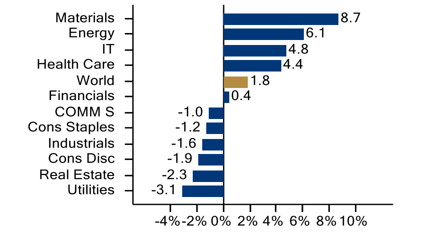
Past performance is not a reliable indicator of current or future results. Source: Danske Bank, Macrobond

More outstanding hyperscaler bonds



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

Mixed performance last month



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	3.5	2.2	2.1	-3.8	3.5	-1.2	1.9	3.8	2.9	2.8	27.2	12.5
	2026	4.0	1.9	1.0	-1.1	6.5	1.8	1.5	3.5	3.1	1.3	26.0	11.4
	2027	3.0	2.1	4.0	2.9	4.2	3.4	2.2	3.3	3.5	0.3	25.9	10.9
Sweden	2025	1.6	2.1	1.6	2.1	4.1	5.0	2.6	3.6	8.8	-	34.6	-
	2026	2.8	2.7	1.3	4.0	4.3	3.7	1.4	3.5	8.6	-	36.2	-
	2027	2.5	2.9	1.4	2.6	3.3	3.2	2.7	3.5	7.9	-	37.5	-
Norway	2025	1.7	2.6	2.4	0.8	2.7	2.6	3.0	4.7	2.1	-	-	-
	2026	1.0	1.0	2.3	1.5	1.5	1.4	3.0	4.4	2.3	-	-	-
	2027	1.7	3.0	1.8	1.5	2.0	1.8	2.3	3.7	2.4	-	-	-

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	1.3	1.4	1.4	3.0	2.0	3.6	2.1	3.9	6.3	-2.9	88.7	2.5
	2026	0.8	0.9	2.1	0.7	0.6	1.4	3.0	3.2	6.4	-3.5	90.6	1.7
	2027	1.4	1.1	1.3	1.0	1.5	1.0	2.5	2.9	6.4	-3.5	91.4	1.7
Finland	2025	0.8	-1.1	0.1	1.4	5.0	2.6	0.3	2.8	9.7	-3.9	88.5	-
	2026	1.8	1.7	0.1	2.1	7.2	6.5	2.0	3.6	10.5	-4.4	89.6	-
	2027	1.4	1.0	-0.5	0.1	3.1	1.3	2.1	3.3	9.9	-4.6	91.0	-

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	-5.8	99.9	-3.8
	2026	2.1	1.9	0.6	4.6	4.7	3.4	3.2	3.5	4.3	-6.0	101.8	-3.3
	2027	1.8	1.4	1.7	5.4	3.3	6.0	2.5	4.0	4.2	-5.9	102.9	-3.2
China	2025	5.1	4.6	-	1.0	-	-	0.0	-	5.1	-8.4	99.7	3.7
	2026	4.6	4.2	-	1.5	-	-	0.8	-	5.2	-8.7	107.4	3.5
	2027	4.7	4.7	-	4.0	-	-	1.0	-	5.2	-8.9	113.0	3.3

Note: Forecasts are from the latest Nordic Outlook, 3 September

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

Financial forecast

FX and interest rates

		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*	02-Sep	3.75	-	4.25	4.41	0.86	-	6.45	9.31	9.62
	+3m	3.75	-	4.10	4.35	0.88	-	6.55	9.65	9.82
	+6m	4.00	-	4.15	4.40	0.88	-	6.61	10.00	10.09
	+12m	4.25	-	4.20	4.50	0.89	-	6.67	10.27	10.18
EUR	02-Sep	2.25	2.65	3.20	3.41	-	1.16	7.4741	10.79	11.16
	+3m	2.50	2.65	2.80	3.10	-	1.14	7.4725	11.00	11.20
	+6m	2.50	2.65	2.70	3.00	-	1.13	7.4700	11.30	11.40
	+12m	2.50	2.65	2.60	2.95	-	1.12	7.4700	11.50	11.40
JPY	02-Sep	1.00	-	-	-	0.005	0.006	4.06	5.87	6.06
	+3m	1.25	-	-	-	0.005	0.006	4.10	6.03	6.14
	+6m	1.25	-	-	-	0.006	0.006	4.18	6.33	6.39
	+12m	1.50	-	-	-	0.006	0.006	4.30	6.62	6.57
GBP*	02-Sep	3.75	-	4.44	4.77	1.17	1.35	8.71	12.58	13.00
	+3m	3.75	-	4.05	4.50	1.16	1.33	8.69	12.79	13.02
	+6m	3.75	-	4.00	4.40	1.15	1.30	8.59	12.99	13.10
	+12m	3.50	-	3.80	4.30	1.15	1.29	8.59	13.22	13.10
CHF	02-Sep	0.00	-	-	-	1.06	1.23	7.93	11.46	11.84
	+3m	0.00	-	-	-	1.05	1.20	7.87	11.58	11.79
	+6m	0.00	-	-	-	1.06	1.20	7.95	12.02	12.13
	+12m	0.00	-	-	-	1.08	1.20	8.03	12.37	12.26
DKK	02-Sep	1.85	2.50	3.32	3.60	0.134	0.155	-	1.44	1.49
	+3m	2.10	2.53	2.90	3.25	0.134	0.153	-	1.47	1.50
	+6m	2.10	2.53	2.80	3.15	0.134	0.151	-	1.51	1.53
	+12m	2.10	2.53	2.70	3.10	0.134	0.150	-	1.54	1.53
SEK	02-Sep	1.75	2.05	2.79	3.27	0.090	0.104	0.67	0.97	-
	+3m	2.00	2.33	2.65	3.10	0.089	0.102	0.67	0.98	-
	+6m	2.25	2.50	2.60	3.05	0.088	0.099	0.66	0.99	-
	+12m	2.25	2.45	2.60	3.00	0.088	0.098	0.66	1.01	-
NOK	02-Sep	4.25	4.69	4.99	4.54	0.093	0.107	0.69	-	1.03
	+3m	4.50	4.75	4.75	4.35	0.091	0.104	0.68	-	1.02
	+6m	4.50	4.75	4.50	4.30	0.088	0.100	0.66	-	1.01
	+12m	4.25	4.30	4.30	4.20	0.087	0.097	0.65	-	0.99

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

Commodities

		2025				2026				2027	Average		
	02-Sep	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2025	2026	2027
ICE Brent	94	75	67	68	65	75	99	80	80	85	69	84	85

Source: Danske Bank

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