Norway 360

05 October 2026

Near-Term inflation above Norges Bank forecast

Norway 360 – Weekly Market (Re)View Norway 360 provides you with a quick and broad overview of Norwegian macro, rates and FX. * See attachment for full report *****

Summary: Rate Market Views

- **Inflation to overshoot Norges Bank's forecast near term.** Norges Bank's downward revision to its near-term inflation projection (by 0.5pp) in its Sep MPR was surprisingly large and will likely surprise on the upside in the coming months.
- **Fiscal policy to remain expansionary in 2027.** Strong growth in GPFG increases the fiscal leeway, enabling higher petroleum revenue spending. Meanwhile, NGB borrowing is expected to be relatively stable at NOK 110bn.
- **Sticking with NOK STIR front steepener & flattener further out ('broken fly').** The NOK curve is too linear out to the 1Y1Y point. There should be elevated risk for hikes to extend into Q1 (assuming very low chance of cut in this window), while beyond that the curve should be able to price deeper inversion if we get an energy disinflation impulse.
- **NGBs not yet trading on safe haven qualities.** Despite the NGB 10Y ASW lagging peers as Sweden, positioning and muted activity from domestics suggest it is too early to buy NGBs on ASW as a risk-off hedge.

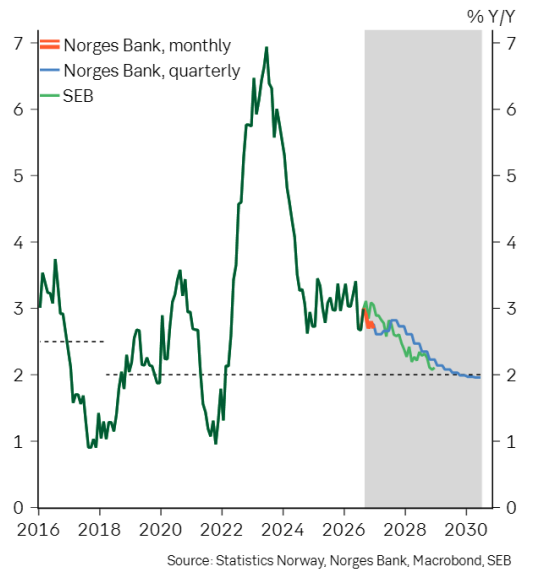
Summary: FX Market Views

- **Crowded NOKSEK longs look exposed to energy-led disinflation impulses.** Carry strategies not obviously sensitive to an equity correction but looks more sensitive to commodities. Hence, a disinflationary impulse may be the bigger trigger.

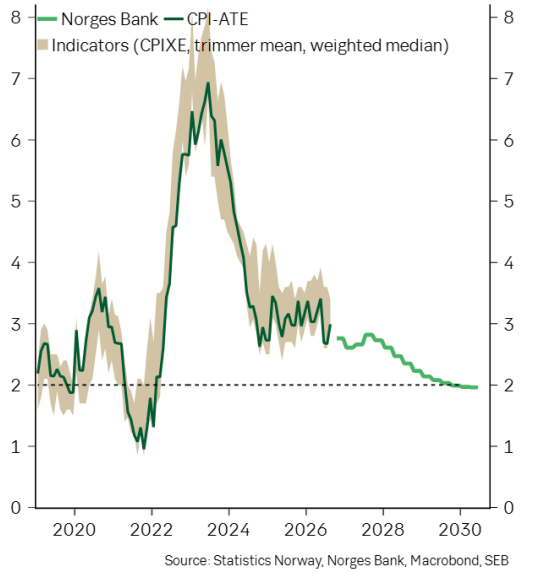
Macro highlights (I): Inflation to overshoot Norges Bank's forecast near term

- After having surprised markedly on the downside in June-July, core inflation rose in August though being 0.3pp below Norges Bank's estimate.
- Inflation data for September is due on Friday Oct 9. We estimate CPI-ATE to rise a notch to 3.1% y/y, consensus expect 3.0% y/y while Norges Bank estimates 2.9% y/y. See our inflation preview here.
- The downward revision to Norges Bank's near-term trajectory (by 0.5pp) in its Sep26 MPR was surprisingly large. Hence, we see a clear risk that CPI-ATE inflation will surprise on the upside in the coming months, which will underpin current market pricing of a 60% chance for a hike by December.
- We reiterate that we believe more is needed for Norges Bank to deliver another rate hike; last year's two rate cuts have now been reversed, and the Committee is clearly divided on what's deemed as a sufficiently restrictive policy. In the end, long-term inflation drivers will be decisive.
- The outlook over the next 12-18 months is mixed. A stronger NOK is expected to exert downward pressure but high wage inflation contributes to core inflation slowing only gradually. We see slightly higher core inflation than Norges Bank in the near-term, but slightly lower inflation later in 2027.

CPI-ATE inflation; higher near term, lower in 2027



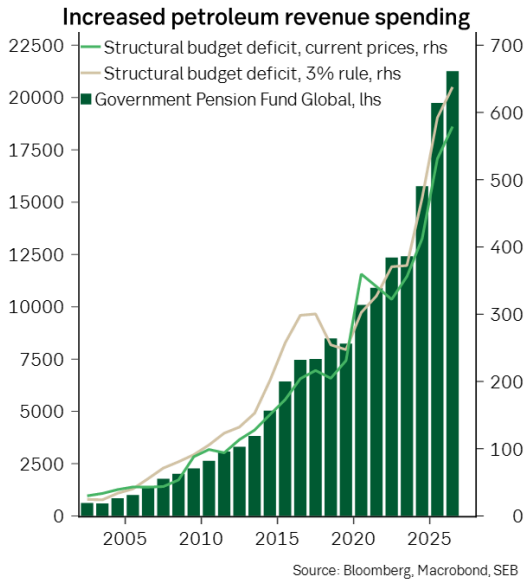
Other metrics of underlying inflation are holding up



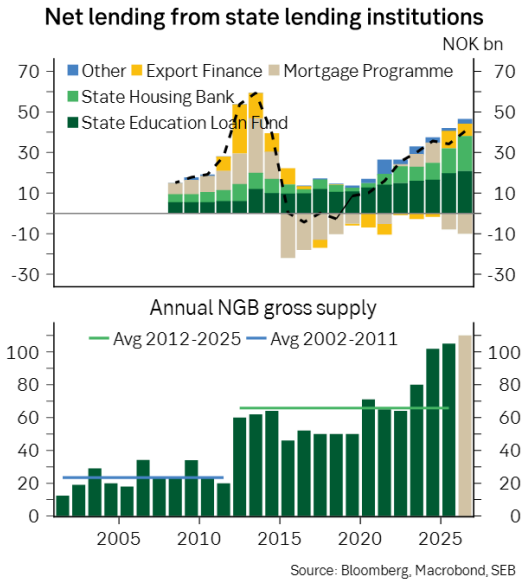
Macro highlights (II): Fiscal policy will remain expansionary in 2027

- The government's budget proposal for 2027 will be presented on Wednesday, with key market data released already at 8.00 CET.
- There have been frequent budget leakages in media, pointing to higher spending on defense, child welfare, employment and crime prevention. Meanwhile, no major budget cuts have been announced. This point to an increase in petroleum revenue spending.
- The value of GPFG has increased further, up by approx. NOK 800bn from an estimated NOK 21258bn in the revised 2026 budget. This increases the fiscal leeway with NOK 24bn given the 3% fiscal policy rule.
- The structural non-oil deficit is always covered via a transfer from the GPFG, as issuance of government bonds is only allowed for funding of government lending schemes and to cover maturing existing debt.
- The underlying borrowing requirement has been trending higher in recent years, reflecting both increased net lending and higher refinancing needs. The 2026 budget implied a borrowing need of NOK 96bn, while Norges Bank aimed at NOK 100-110bn to build up the cash reserve. We expect stable gross supply around NOK 110bn in 2027.

Fiscal spending enabled by strong GPFG growth

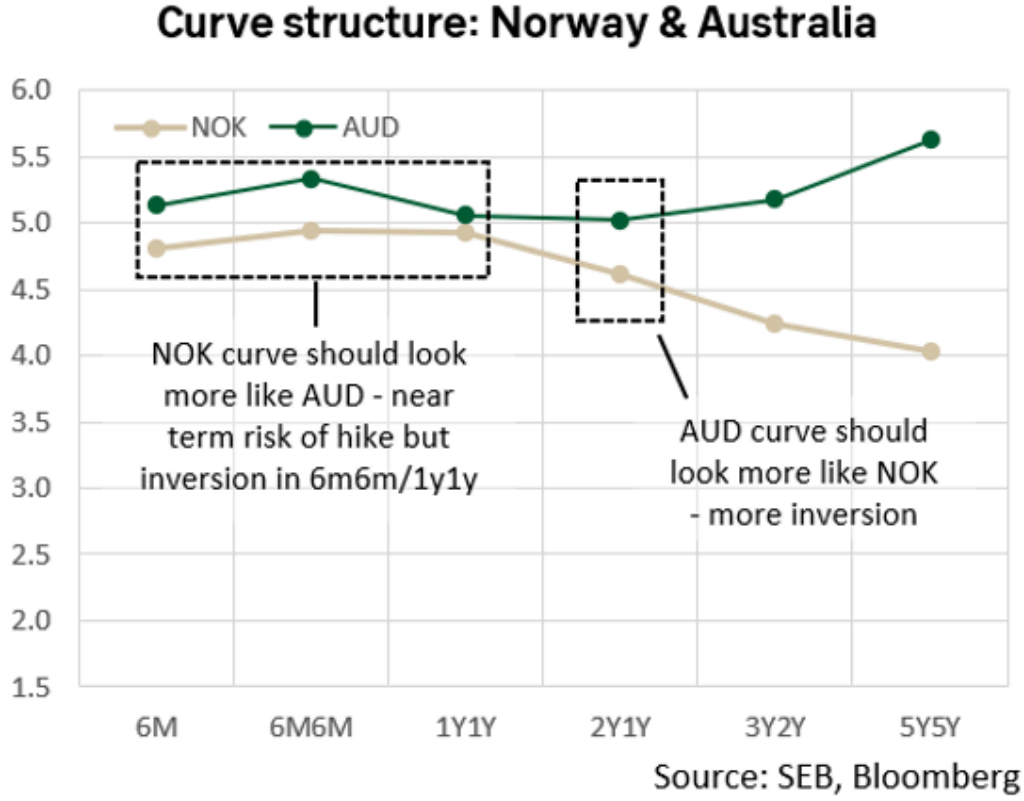


Broadly stable NGB borrowing expected in 2027

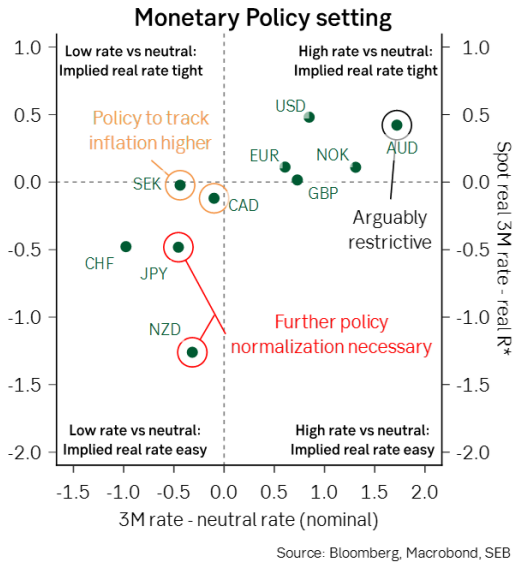


Rates highlights (I): Sticking with NOK STIR front steepener & flattener further out ('broken fly')

- **NOK curve is too linear out to the 1Y1Y point.** There should be elevated risk for hikes to extend into Q1 (assuming very low chance of cut in this window), while beyond that the curve should be able to price deeper inversion if we get an energy disinflation impulse. Comparing to the AUD curve is interesting given that it is also a high yielder and arguably close to the rate peak.

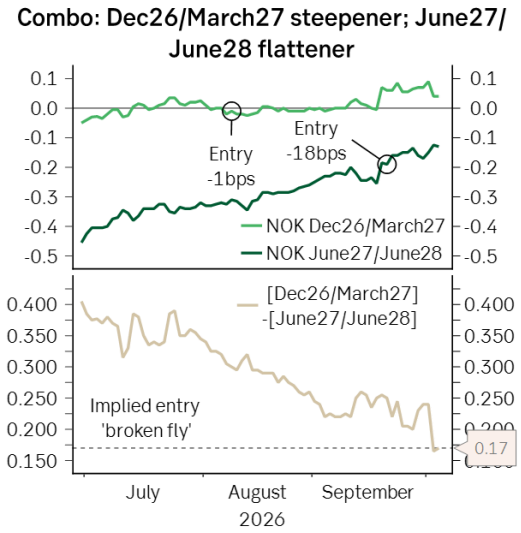


Norway & Australia arguably in restrictive territory



Source: Bloomberg, Macrobond, SEB

Playing the linearity of the front of the NOK curve

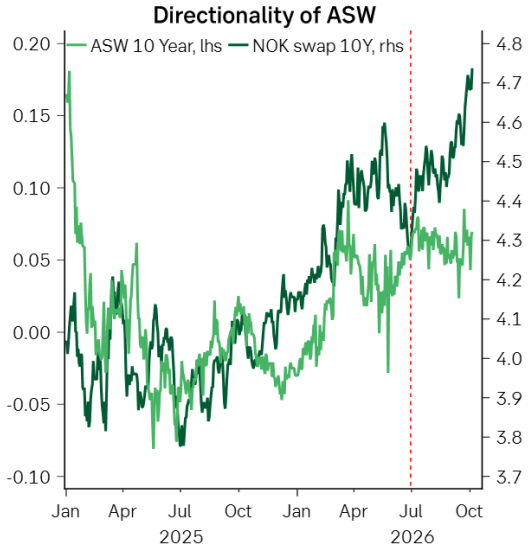


Source: Bloomberg, Macrobond, SEB

Rates highlights (II): Buy NGBs on ASW as a risk-off hedge?

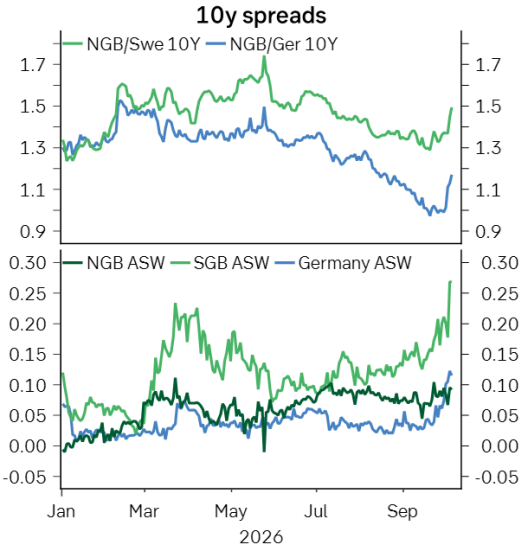
- Norway's outstanding fiscal position should underpin NGBs as a quality haven, especially in a bond crisis centered on Europe (politics, government spending, energy).
- However, relative ASW spread performance suggests NGBs have not yet attracted safe haven demand; the NGB 10Y ASW has been range-bound between 0-10bps since June, despite the move higher in rates.
- There are two plausible explanations for this:
  - Positioning in NGBs are dominated by foreigners and mainly leveraged accounts which have been long ASWs. A deepened bond sell off risks triggering a further unwinding of positions.
  - The global bond sell-off needs to intensify and debt repayment considerations increase (as in 2012), to attract real money safe haven demand.
  - Despite the NGB 10Y ASW lagging peers as Sweden, positioning and muted activity from domestics suggest it is too early to buy NGBs on ASW as a risk-off hedge.

NGB ASW have lagged the move higher in rates...



Source: Bloomberg, Macrobond, SEB

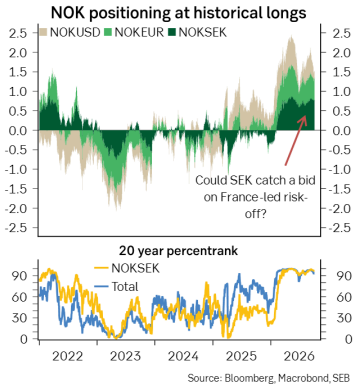
...not trading as a 'quality haven'



Source: Bloomberg, Macrobond, SEB

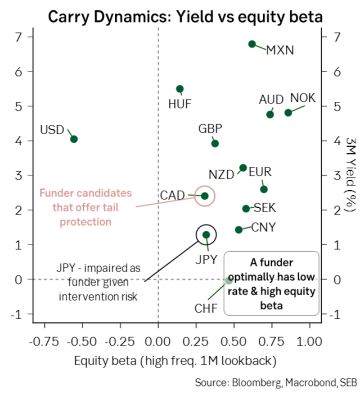
FX highlights: Crowded NOKSEK longs look exposed to energy-led disinflation impulses

CTA-proxied positioning near max long – consistent with energy and carry



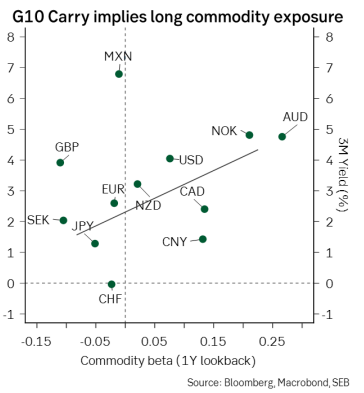
Source: Bloomberg, Macrobond, SEB

Carry strategies not obviously sensitive to an equity correction



Source: Bloomberg, Macrobond, SEB

Carry looks more sensitive to commodities - a disinflationary impulse may be the bigger trigger

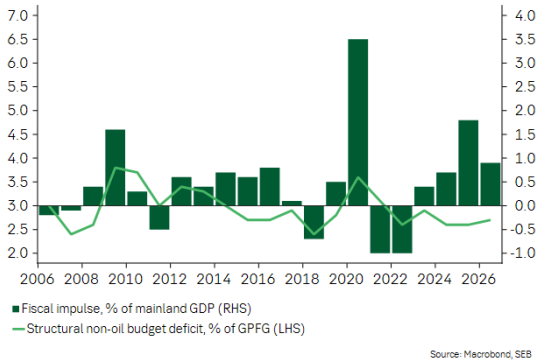


Source: Bloomberg, Macrobond, SEB

Upcoming data & events:

- The trend in manufacturing production is moderately positive, while manufacturing sentiment remains lacklustre. The split among petroleum-related manufacturing and traditional-manufacturing persists and is expected to remain ahead.
- Government budget proposal for 2027 will be presented on Wednesday at 10 CET, but market-sensitive data will be released already at 8 CET. There have been unusually frequent leakages ahead of the budget, pointing to higher spending on defense, child welfare, employment and crime prevention. Further growth to the GFPG allows for higher fiscal spending within the 3% fiscal policy rule.
- Inflation data for September on Friday will be very important for markets. CPI-ATE is likely to surprise somewhat on the upside relative to Norges Bank's near-term forecast, as it revised its near-term inflation projection significantly lower in its Sep MPR. The bank now expects CPI-ATE to edge 0.1ppt lower to 2.9% y/y, while we have a 0.1ppt increase to 3.1% y/y in our forecast.

Government budget proposal 2027

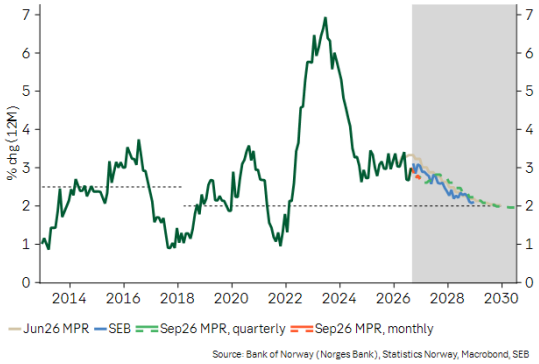


Source: Macrobond, SEB

Wednesday 7, 08.00

Key fiscal metrics	Outcome 2025	Rev. budget 2026
Fiscal contribution, ppt of MGDP	1.8	0.9-
Structural non-oil budget deficit, NOK bn	531	579
Structural non-oil budget deficit, % of GPFG	2.6	2.7

CPI-ATE | CPI



Source: Bank of Norway (Norges Bank), Statistics Norway, Macrobond, SEB

CPI, September , presented October 9

% mm/yy	SEB	Cons.	Norges Bank	Prev.
CPI	0.7/3.7		3.5	-0.3/3.3
CPI-ATE	0.3/3.1		2.9	-0.5/3.0

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