

ECONOMIC OUTLOOK - UPDATE

Brief slowdown, sticky inflation, policy rate split

- Since its outbreak on 28 February, the Iran war has become a key source of macro uncertainty, with the outlook for growth, inflation and interest rates hinging critically on the future path of energy prices. Our macro forecasts are based on an expected de-escalation of the conflict, implying a gradual easing in oil prices from Q3 2026 onwards, towards levels not far above those seen prior to the outbreak of the war, in line with the forward curve. If current oil prices persist much longer than this, central banks are likely to lean more hawkish at the margin. However, a further, substantial and sustained increase, reflecting a severe and persistent physical supply shortage, could trigger rate cuts. We refer to our [separate note](#) outlining two stylised scenarios.
- Meanwhile, elevated geopolitical tensions continue to be a key driver of a global investment upswing - spanning defence, energy systems, supply chains and strategic industries. This structural tailwind is reinforced by strong policy support in major economies.
- We have revised down GDP growth forecasts relative to our January *Economic Outlook*, primarily due to the ongoing energy disruption. Inflation forecasts are lifted across the board, albeit only modestly for core inflation. We maintain our long-held view that inflation will not return sustainably to 2% over the forecast horizon, due to structural forces – including protectionism, supply chain reorganisation, and tighter labour supply.
- The monetary policy responses differ across economies. With above-trend growth, above-target core inflation and a solid labour market, we expect the Federal Reserve to abandon plans of further cuts. Bank of England, however, is likely to resume its easing cycle in 2027, as economic growth is set to remain lacklustre. We expect Norges Bank to deliver two hikes in 2026, due to persistently high inflation. The ECB and the Riksbank start from lower policy rates and are likely to initiate cautious hiking cycles in June and November, respectively.
- In a 3-month horizon, we expect 10-year swap rates to decline somewhat, reflecting the expected reversal in oil prices. Over a 12-month horizon, we expect most rates to rise again as central banks turn somewhat more hawkish— with the Bank of England as a notable exception. We forecast EURUSD at 1.17, EURSEK at 10.70, and EURNOK at 11.30.

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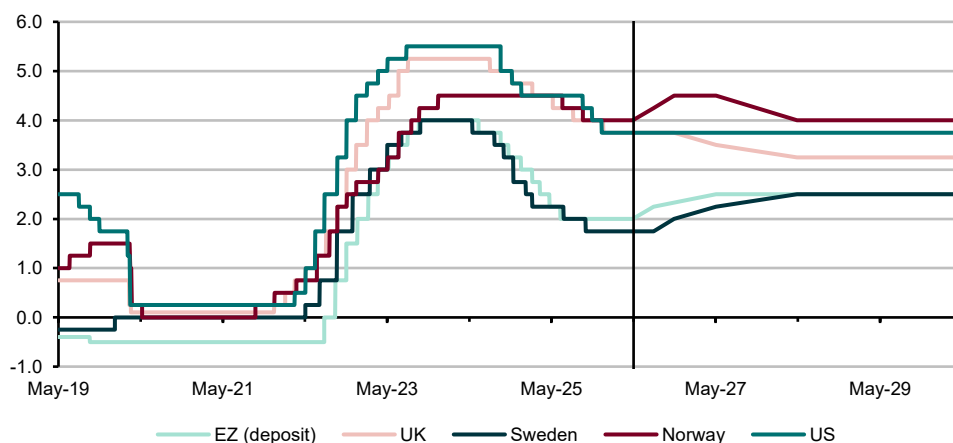
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Key policy rates – actual and DNB Carnegie’s forecasts (%)



Source: LSEG Workspace, DNB Carnegie

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US

Fed stays put despite the energy price shock

Higher energy prices are lifting headline and to some extent core inflation but seems unlikely to derail growth, if the shock proves temporary. Consumer demand seems resilient and business investments upbeat. The labour market seems to recover somewhat this year, with stable unemployment. We forecast that the Federal Reserve will keep the signal rate unchanged this year as a restrictive monetary stance is needed to bring inflation further down.

The energy price shock will lift inflation and slow GDP-growth

The Iran war and the closure of the Strait of Hormuz have lifted the crude oil price considerably. This rise in the crude oil quickly feeds into the US gasoline prices and is lifting headline inflation this spring. However, we expect the conflict to find a solution in some weeks' time and that the crude price will fall back in line with the forward curve in the second half of this year. Hence, we also expect the gasoline prices to fall during the autumn, albeit not entirely back to the pre-war level. Even if this will lower energy inflation, we expect that food prices and transport services prices will also be lifted by the energy price shock.

Higher headline inflation will likely feed into somewhat higher wage growth this year. Still, real wages are likely to grow less than last year and put a downward pressure on household demand. Hence, we have revised the GDP-growth forecast markedly down since January, from 3.0% Y/Y to 2.3% Y/Y. However, more than half of this significant revision is due to the very slow growth in Q4 last year, which we did not consider in our previous update. As inflation will likely drop significantly into next year, real wages and household demand are likely to pick up speed again. Hence, we believe GDP-growth will resume and grow by 2.5% Y/Y in 2027.

Strong AI-investments to continue

Last year, AI-related investments took off and contributed significantly to lift GDP-growth. Equipment growth grew 20% Y/Y but has a limited GDP-effect due to the large import content. However, data centre investments picked up from late 2023 and has continued to grow briskly in 2024 and 2025, and the investment level now exceeds office investments. We believe the strong trend will likely continue this year. Still, reallocation of capital from other industries implies that overall business investment growth will likely be moderate in the coming years.

Higher energy prices will likely lift headline inflation significantly, and dampen growth moderately

Forecasts, US: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	2.6	2.0	2.1	2.0	1.8
Public consumption	1.1	1.0	1.6	1.5	1.5
Residential investments	-2.2	-2.7	3.6	4.0	4.0
Business investments	4.5	5.7	4.0	4.0	4.0
Exports	1.6	4.7	3.0	3.0	3.0
Imports	2.7	2.6	2.1	2.8	3.0
GDP	2.1	2.3	2.5	2.3	2.1
Unemployment (level, %)	4.3	4.4	4.3	4.1	4.0
Wages	3.6	3.7	4.0	4.3	4.5
Core (PCE) inflation	2.8	3.0	2.5	2.4	2.5
Headline (PCE) inflation	2.6	3.4	2.5	2.4	2.5
Fed upper bound (year end, %)	3.75	3.75	3.75	3.75	3.75

Source: LSEG Datastream, Bloomberg, DNB Carnegie

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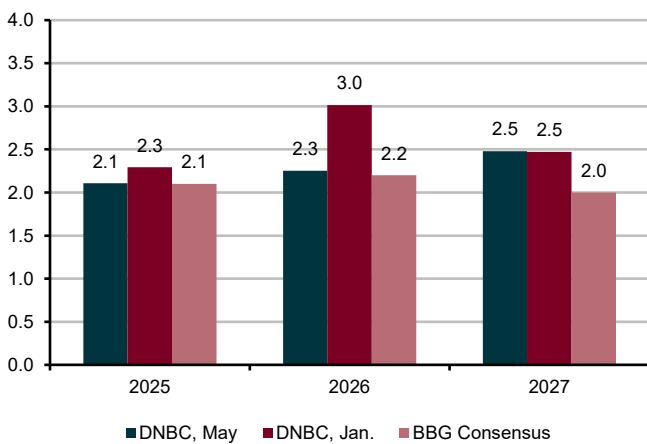
Furthermore, we expect that the new technology will gradually feed into stronger productivity in the economy, as the AI adoption rates continue rising for most industries and the technological improvements accelerates and gradually replace many services jobs.

More fiscal stimulus likely later this year

Fiscal policy turned more expansionary last year with the introduction of the Big Beautiful Bill. The bill is providing a stimulus to private consumption this year, as tax refunds have increased households' available funds. However, the energy price shock has worsened the affordability crisis and has further lowered President Trump's approval rating ahead of the mid-term elections in November. As a result, we believe that additional fiscal stimulus - such as direct payments to most households - could be introduced later this year if the Iran conflict drags on. That said, we do not expect such a package to have a significant GDP-impact this year.

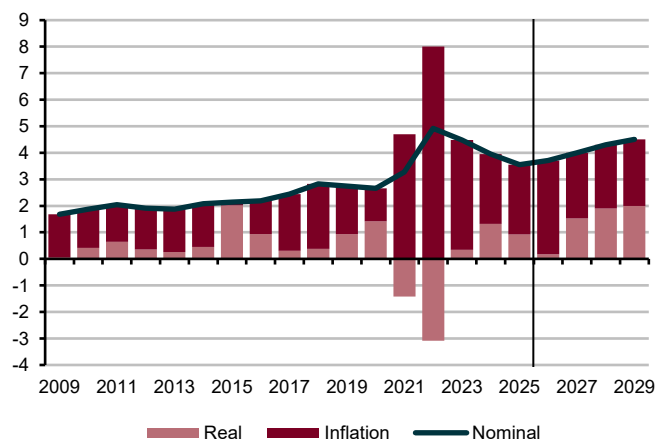
President Trump may provide more stimulus ahead of the mid-term elections

US: GDP, % Y/Y



Sources: LSEG Workspace/DNB Carnegie

US: Inflation and real wages, % Y/Y



Sources: LSEG Workspace/DNB Carnegie

Labour force growth slows, strong productivity trend

Employment growth slowed markedly last year, with average monthly job gains of only around 10k. Given that GDP growth reached 2.1% Y/Y, employment growth was significantly weaker than the historical norm. However, the supply side of the labour market has changed substantially due to lower immigration and population ageing. According to a recent Fed Notes analysis, this has reduced the breakeven rate of employment growth sharply, with the rate expected to fall to close to zero by the end of this year. By comparison, the long-term average monthly job gains over the period 1960–2024 is around 125k, and the breakeven rate had never fallen below 60k prior to 2025.

The labour market has improved somewhat this year. We expect the unemployment rate to remain stable. Lower labour force points to a decline in potential GDP-growth

One consequence of this new equilibrium is that much lower employment growth is now sufficient to keep the unemployment rate stable. As a result, we expect job gains to remain subdued ahead, but without a sustained upward trend in the unemployment rate. At the same time, the scarcity of available labour appears to have supported productivity growth. Productivity has been on a strong upward trend for several years, and the increased adoption of AI technologies is likely to reinforce this trend. While stronger productivity growth raises potential GDP growth, this effect is likely to be offset by a slowdown in potential employment growth. As a result, we estimate that potential GDP growth could slow to around 1.5% Y/Y this year, the lowest rate since 2011.

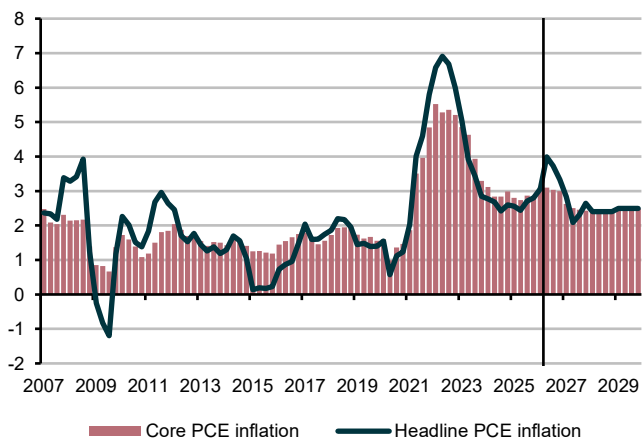
Inflation to stay elevated short term

The energy price shock has already lifted headline inflation significantly. However, we expect a further increase in the coming months, even if the Iran conflict is resolved within the next few weeks. Moreover, we anticipate additional spillover effects into core inflation, most notably

through higher transport services prices driven by increased fuel costs, and higher food prices linked to rising fertiliser and transportation costs.

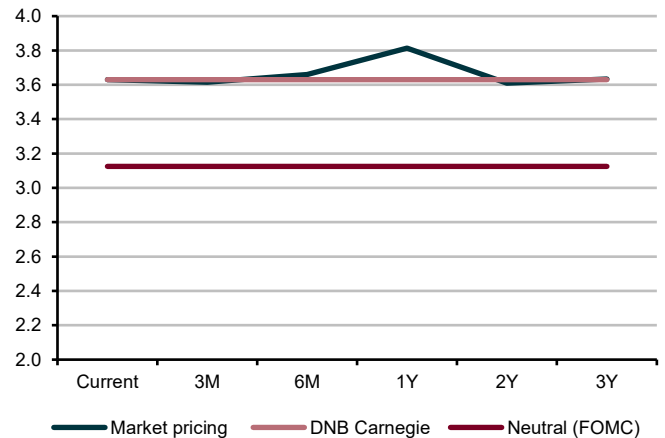
Assuming our assessment of the Iran conflict proves correct, lower crude oil prices later in the autumn should begin to ease inflationary pressure. Even so, headline inflation is unlikely to fall back materially until Q2 2027. There are downside risks to inflation stemming from low unit labour cost growth and the prospect of further declines in rents. Nevertheless, we maintain our long-held view that inflation will fail to converge toward the 2% target over the forecast horizon, reflecting e.g. effects from protectionism, supply-chain reorganisation, and lower potential growth driven by population ageing and restricted immigration.

US: Inflation, % Y/Y



Sources: LSEG Workspace/DNB Carnegie

US: Fed funds expectations, %



Sources: LSEG Workspace/DNB Carnegie

Fed will likely stay on hold for an extended period

Following three rate cuts last autumn, the FOMC has kept rates unchanged in the interval 3.50%-3.75% so far this year. We judge that upward inflation pressures stemming from energy markets will keep the Fed reluctant to cut rates, even if economic activity is likely to slow somewhat. It appears that most FOMC members believe a somewhat restrictive policy stance is still necessary to bring inflation down further, and we do not expect the new Governor, Kevin Warsh, to succeed in shifting most of the Committee on this issue.

We expect Fed to remain on hold for an extended period, and we view the probability of a hike as equal to the probability of a cut

Warsh is likely to argue for lower rates based on a strong productivity trend, which could be further boosted by AI-related investment. However, we take a different view. In our assessment, the brisk investment cycle is also adding to aggregate demand, thereby exerting some upward pressure on inflation. Moreover, stronger productivity growth could lead the Fed to revise its estimate of the neutral interest rate higher. Finally, the persistence of elevated inflation would, in our view, make it difficult for the Fed to initiate rate cuts over the coming years.

Long term rates little changed ahead

Earlier this year, the ten-year swap yield declined as weaker economic data increased the likelihood of Fed rate cuts. This trend changed markedly following the outbreak of the Iran war. Inflationary effects from the resulting energy shock removed the scope for rate cuts, and the long-term swap yield subsequently reversed its entire earlier decline.

In the short term, we believe that a resolution to the conflict could once again push yields lower. Accordingly, we forecast the ten-year swap yield to fall to around 3.75% within three months. Looking one year ahead, however, we see more upside risks to long-term yields, not least due to the prospect of even higher government debt stemming from persistently unsustainable budget deficits. However, our baseline is a modest rise to around 4.00% in a years' time.

EUROZONE

Iran war lifts inflation, ECB hikes to 2.5%

We expect the ECB to hike twice this year to 2.5%, as the Iran war lifts inflation but weighs on growth this year. From next year onwards, German-led investments in defense and infrastructure is expected to lift GDP-growth and wages, keeping inflation above the 2% target.

Iran war weighs on growth this year, investment upturn to lift growth ahead

The Iran war is likely to weigh on growth this year. The energy shock triggered by the conflict is expected to dampen eurozone growth in the first half of the year, as heightened uncertainty weakens household and business sentiment, weighing on consumption and investment. Higher energy prices will also erode households' purchasing power and raise costs for energy-intensive firms, particularly in parts of the German manufacturing sector.

Our forecasts are based on futures market pricing for oil and gas, which suggests that the energy shock will be relatively short-lived. We therefore expect household consumption and investment to recover in the second half of the year. Net exports, however, are likely to remain subdued, held back by the higher tariffs imposed last year, and structural challenges such as increased competition from China.

We have therefore reduced our forecast for GDP-growth in 2026 by 0.4%-points to 0.8% Y/Y, compared with our January forecast. We have revised down private consumption by 0.5%-points to 0.6% Y/Y. Weaker household consumption is partly offset by higher government consumption linked to fiscal measures cushioning the energy shock.

Higher spending on defense and infrastructure in Germany, starting to show up in GDP this year but providing a larger lift from next year, leads us to expect GDP-growth to increase to 1.3% Y/Y in 2027 and 1.6% in 2028, before easing slightly to 1.4% in 2029. Alongside stronger investment and public spending, we also expect private consumption to pick up as real incomes recover once the energy shock fades. Our forecast for GDP-growth in 2027-2029 is little changed compared with our January update.

Headline inflation rises this year despite easing labour market

The unemployment rate in the eurozone remains close to the record low of 6.2%. However, other indicators of labour market tightness, such as reported labour shortages and vacancies, suggest that the labour market has eased substantially since 2022. Wage growth has also moderated and is expected at 3.3% this year. Reflecting the weaker outlook for GDP-growth,

Forecasts, EZ: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	1.5	0.6	1.0	1.3	1.2
Public consumption	1.6	1.8	1.4	1.2	1.0
Investments	3.1	2.0	4.0	4.5	3.4
Exports	2.2	0.9	1.2	1.2	1.5
Imports	3.7	1.9	2.0	2.0	1.9
GDP	1.5	0.8	1.3	1.6	1.4
Unemployment (level, %)	6.2	6.2	6.3	6.2	6.2
Wages	3.9	3.3	3.5	3.5	3.5
Core inflation	2.4	2.4	2.5	2.5	2.5
Headline inflation	2.1	2.9	2.0	2.3	2.5
ECB deposit rate (year end, %)	2.0	2.5	2.5	2.5	2.5

Source: LSEG Workspace, Bloomberg, DNB Carnegie

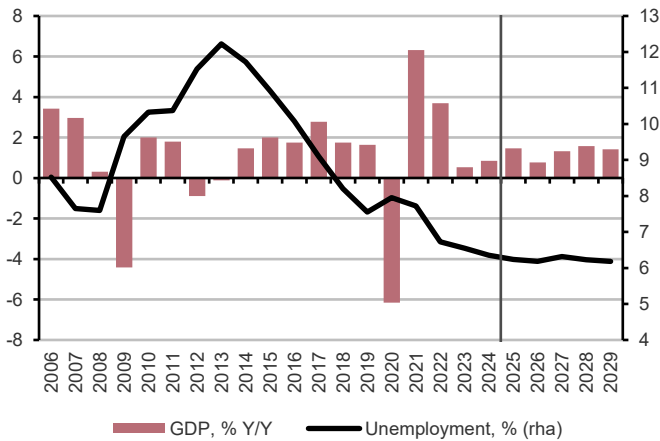
GDP growth has been revised down to 0.8%, but German defense and infrastructure spending should support a recovery from 2027 onwards.

Inflation is forecast to rise to 2.9% this year and remain above the ECB's 2% target over the forecast horizon

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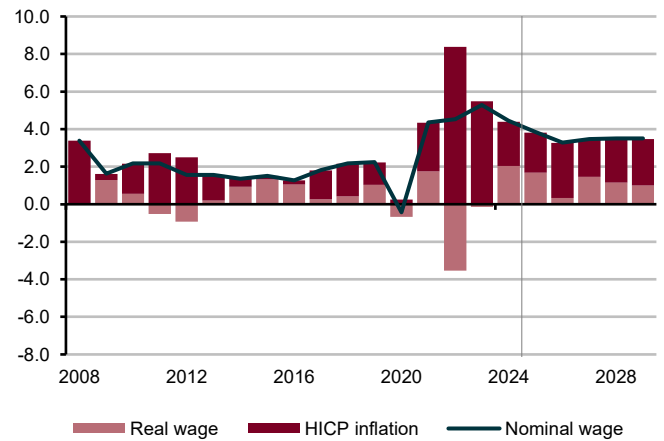
we have revised up our forecast for unemployment by 0.3%-points this year. We continue to expect the unemployment rate to edge slightly lower from next year and onwards, while wage growth picks up somewhat as demand strengthens.

EZ: GDP and unemployment



Source: LSEG Workspace, DNB Carnegie

EZ: Wages, % Y/Y

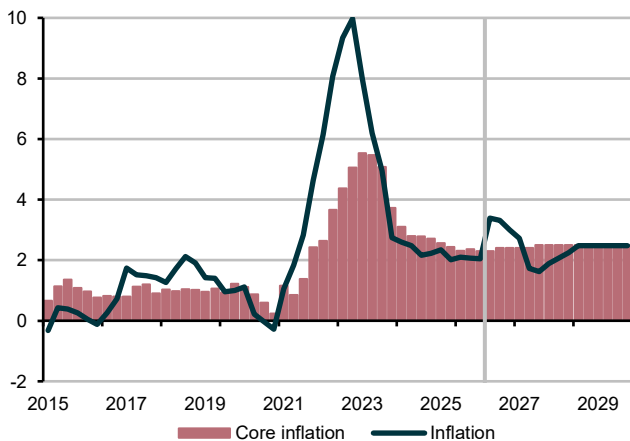


Source: LSEG Workspace, DNB Carnegie

Headline inflation will likely be lifted substantially by higher energy prices this year. Food prices are also likely to increase somewhat in response. We have revised up our forecast for headline inflation by 0.9%-points to 2.9% Y/Y this year. The energy shock will likely feed somewhat into core inflation as well, but we expect these effects to be modest and forecast core inflation at 2.4% Y/Y this year, 0.2%-points higher than in our January update. We have made only small revisions to our inflation forecast for 2027-2029, but we continue to expect stronger demand to push up wage growth and keep inflation above the ECB's 2% target.

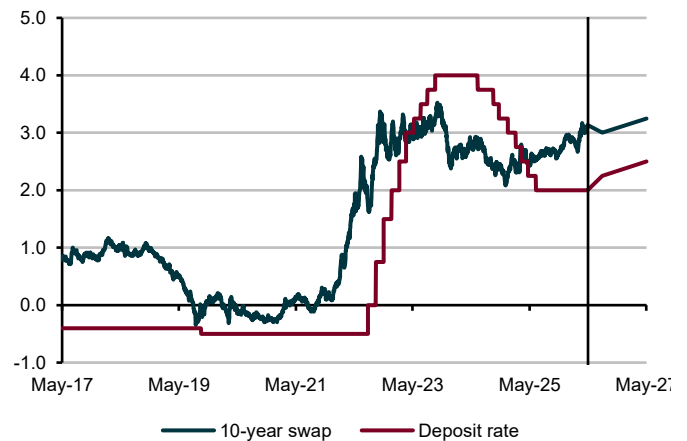
ECB is expected to raise rates in June and September, taking the policy rate from 2.0% to 2.5%.

EZ: Inflation, % Y/Y



Source: LSEG Workspace, DNB Carnegie

EZ: ECB policy rates and 10y EUR swap rates, %



Source: LSEG Workspace, DNB Carnegie

ECB to hike twice this year to 2.5%

We expect the ECB to respond to the sharp increase in headline inflation by raising the policy rate in June and September, from the current 2.0% to 2.5%, to prevent the energy price shock from feeding through into broader prices and wages. If the energy shock proves larger or more persistent, the policy response may turn out to be stronger. However, if growth slows more than expected or the shock proves short-lived, the ECB may hike only once or keep the current policy stance unchanged. 10-year swap rates are expected to edge slightly higher, with upside risks stemming from public debt developments and somewhat higher US 10-year swap rates.

UK

BoE likely on hold despite higher inflation

GDP growth has been weak, and the labour market has softened in 2025. The energy shock stemming from the war with Iran is set to lift inflation this year and, in turn, dampen economic activity further. Inflation expectations have increased, but we do not expect higher inflation to spill over meaningfully into wage growth. The Bank of England has so far kept the Bank Rate unchanged, and we expect this stance to be maintained despite upside risks.

GDP-growth to weaken after a strong start to the year

After a strong start to 2026, GDP growth is likely to weaken because of the Iran war. GDP appears to have grown relatively strongly in Q1, as indicated by the February data, providing a solid start to the year. However, headline inflation has already risen significantly due to higher fuel prices and is set to increase further in the autumn, as the price cap on electricity and gas is likely to be lifted sharply in July. As a result, we have revised our GDP forecasts for 2026 and 2027 down to 1.0% Y/Y and 1.3% Y/Y, respectively. These estimates are 0.2 percentage points lower than our January forecasts.

Weaker outlook for consumer demand and investments

Personal spending has been lacklustre over the past three years, as households have increased savings, possibly in response to the significant rise in the Bank Rate. More recently, real disposable income growth has weakened markedly as wage growth has slowed. With inflation expected to rise further this year, real wages are likely to remain weak over the coming quarters. As a result, we expect private consumption growth to slow sharply and to stagnate in the second half of this year, before gradually picking up toward 2027.

Investment growth is expected to be modest this year, reflecting elevated uncertainty that has dampened investment intentions. Somewhat stronger investment growth is anticipated from 2027 onwards. Net exports are expected to be a small drag on GDP growth in the coming years, broadly in line with developments last year.

Labour market weakness likely to continue in 2026

Our estimate for GDP growth this year (1.0% Y/Y) is well below potential growth, which the Office for Budget Responsibility (OBR) estimates at around 1.5% Y/Y. As a result, the unemployment rate is likely to rise further, and we estimate an increase to around 5.5% this

We have revised down GDP-growth for 2026/27 due to the energy prices shock. The unemployment rate has been revised higher.

Forecasts, UK: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	1.0	0.9	1.3	1.6	1.4
Public consumption	1.7	1.5	1.4	1.2	1.2
Investments	3.4	1.5	1.9	2.0	2.0
Exports	2.1	1.0	1.5	1.9	2.0
Imports	4.1	1.7	1.8	2.0	2.0
GDP	1.4	1.0	1.3	1.5	1.4
Unemployment (level, %)	4.9	5.3	5.6	5.5	5.5
Wages	5.0	3.8	3.6	4.0	4.0
Core Inflation	3.5	3.0	2.6	2.5	2.4
Inflation	3.4	3.4	2.4	2.5	2.4
BoE Bank Rate (year end, %)	3.75	3.75	3.25	3.25	3.25

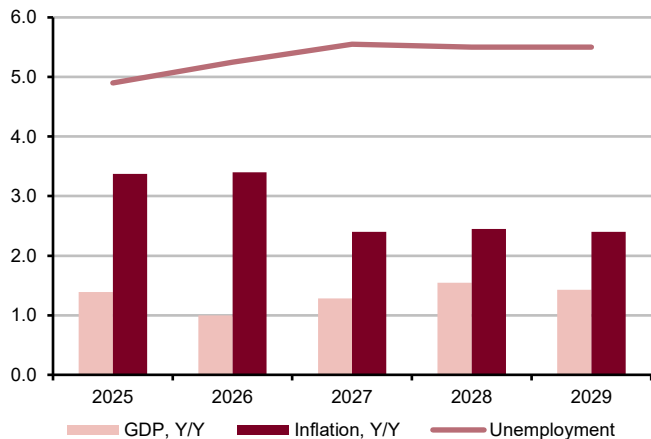
Sources: LSEG Datastream, Bloomberg, DNB Carnegie

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year. Over the subsequent three years (2027–29), we expect GDP growth to be close to potential and the unemployment rate to stabilise.

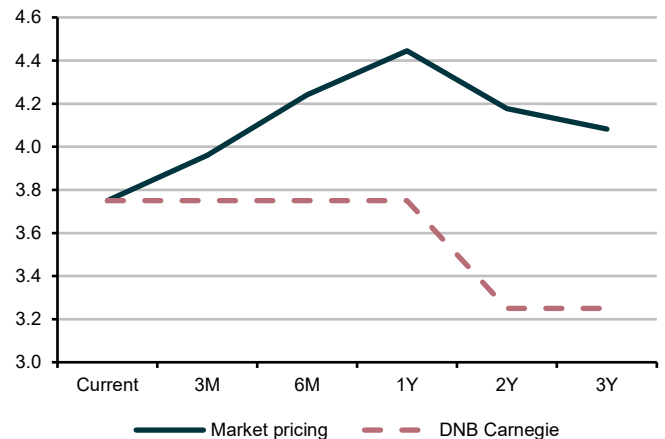
We expect the softening labour market to contribute to keep wage growth moderate, despite the expected rise in inflation. Inflation expectations have risen due to the Iran war, and this could potentially lift wage growth going forward. Nonetheless, more labour market slack reduces the wage bargaining power, and we reckon real wage will drop this year. Still, the past inflation shock may have increased the risk for a second round of wage-inflation spiral.

UK: GDP, inflation and unemployment, %



Sources: LSEG Workspace, DNB Carnegie

UK: Bank Rate expectations, %



Sources: LSEG Workspace, DNB Carnegie

Bank of England: To hike or not to hike?

The easing cycle that began in August 2024 - lowering the Bank Rate from 5.25% to 3.75% - has now come to a halt. Throughout the easing phase, the MPC was often divided over the appropriate pace of rate cuts. However, following the outbreak of the Iran war in late February, MPC members have become more aligned in keeping the Bank Rate unchanged and have signalled that rate hikes may become necessary should the conflict escalate.

The Bank of England now estimates the neutral rate to be in the 2.5%–3.5% range, after raising this range by 50 basis points in June last year. This implies that the current Bank Rate of 3.75% remains somewhat restrictive. Even so, the MPC has clearly indicated that policy may need to become more restrictive if the Iran conflict persists.

Only if the Iran crisis is resolved swiftly and energy prices fall back significantly does it appear likely that the MPC will keep the Bank Rate unchanged. The three scenarios presented in the Monetary Policy Report released in late April all point to a need for some degree of tightening. In Scenario A, energy prices follow the futures curve; in Scenario B, favoured by most MPC members, prices remain somewhat above the curve after six months; and in Scenario C, energy prices escalate further and decline only gradually.

The MPC has so far been reluctant to begin tightening. At the April meeting, only the Bank’s Chief Economist, Huw Pill, voted in favour of a rate hike. The minutes suggest that he could be joined by Catherine Mann and Megan Greene at the upcoming meeting on 18 June. As a result, a hike appears not very likely before the subsequent meeting in late July. However, we believe that a resolution to the Iran crisis will have materialized well ahead of that meeting, with energy prices falling markedly. In our view, this will remove the need for rate hikes this year.

If our Bank Rate predictions prove correct, the ten-year swap yield - which has risen considerably from around 3.9% to roughly 4.5% since the outbreak of the war - is likely to decline gradually. We expect the yield to fall to about 4.25% within three months and to around 4.00% over a one-year horizon.

We expect the Bank of England to keep the Bank Rate unchanged this year, followed by two cuts next year as the inflation shock fades well into next year. Long-term rates are expected to decline gradually.

SWEDEN

Still on solid ground

The Swedish economy is facing the Middle East crisis from a position of relative strength, with solid growth, low inflation, low interest rates, strong public finances, and a well-positioned corporate sector. Following subdued activity in the first half of 2026, the recovery is projected to resume. The Riksbank is in no rush to act, and we continue to expect the first policy rate hike in November 2026.

Lower, yet still solid growth prospects in updated forecasts

Sweden's economy showed clear signs of recovery already in autumn 2024. After a brief setback driven by heightened global uncertainty in early 2025, the recovery resumed and gained tangible momentum into the autumn. In aggregate, Swedish GDP expanded by 1.8% in 2025. Incoming data suggest a somewhat tentative start to 2026, though. Also, the effects of the Iran conflict are likely to weigh on activity in the first half of the year, primarily through elevated uncertainty and higher energy prices, dampening both private consumption and investment. Exports and imports are also expected to be somewhat weaker than previously anticipated, while public consumption will remain high in 2026. Overall, we have revised down our 2026 growth forecast to 2.3% (2.9%), while projections for subsequent years are broadly unchanged. This updated outlook is conditioned on a reopening of the Strait of Hormuz in Q2, followed by a decline in oil prices broadly in line with the forward curve.

Our fundamentally constructive view on the Swedish economy is unchanged since January. Supported by higher real disposable income, household consumption rose by 1.7% in 2025 and is expected to increase further to 2.1% in 2026 (2.8%). Corporate investment is also expected to regain momentum, supported by lower interest rates and a cyclical upturn. In addition, large-scale public investment in defence, infrastructure, and energy is expected to generate significant spillover effects to the private sector over several years. Housing investment has shown early signs of recovery, a trend we expect to continue in the coming years. Overall, we forecast total investment growth of 3.1% in 2026 (4.3%). While there have been signs of improvement in the labour market over the past six months, resource utilization remains low. We expect the unemployment rate to decline broadly in line with our January forecast, reaching 8.4% in 2026. The output gap is expected to remain negative into the first half of 2027.

The GDP indicator signalled subdued activity in December-February. In March, however, it increased by 1.9% M/M, bringing the level back to where it stood three months earlier.

The output gap is expected to remain negative into the first half of 2027.

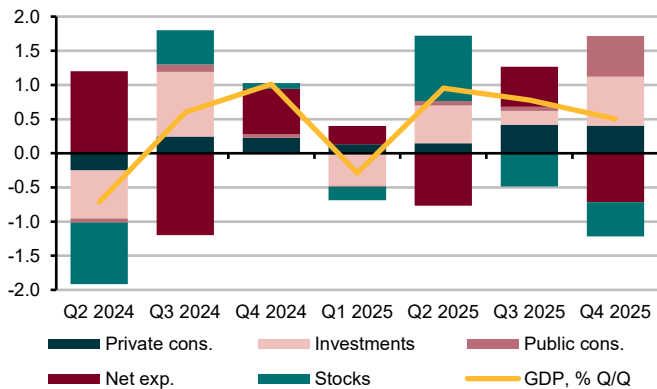
Forecasts, Sweden: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	1.7	2.1	2.1	1.5	1.4
Public consumption	1.1	2.3	1.7	1.5	1.2
Investments	2.0	3.1	3.1	3.0	2.9
Exports	4.4	2.6	3.5	3.2	3.0
Imports	4.6	3.1	3.4	3.1	3.0
GDP	1.8	2.3	2.3	1.9	1.8
Unemployment (level, %)	8.9	8.4	7.8	7.5	7.2
Wages	3.7	3.4	3.3	3.3	3.3
CPIF-XE	2.8	1.0	2.2	2.3	2.3
CPIF	2.6	1.8	1.9	2.3	2.3
Riksbanken (year end, %)	1.75	2.00	2.50	2.50	2.50

Source: LSEG Workspace, Bloomberg, DNB Carnegie

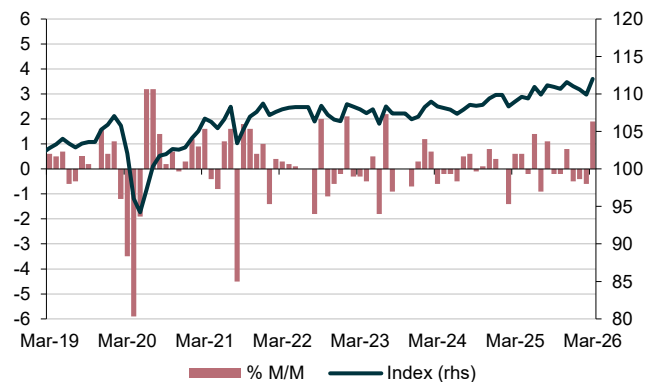
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Sweden: GDP growth and contribution, %-points



Source: LSEG Workspace, DNB Carnegie

Sweden: GDP indicator, % M/M



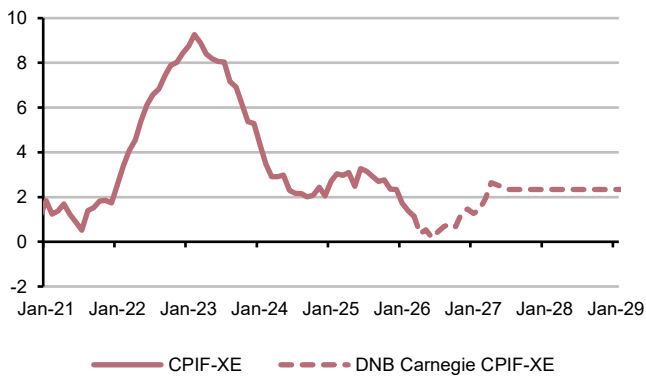
Source: LSEG Workspace, DNB Carnegie

Low core inflation seen as transitory

A combination of temporary factors in recent years, including changes in basket weights, fluctuations in energy prices, a halving of food VAT (not expected to be reversed in 2028), and a sharp appreciation of the Swedish krona, has pushed inflation well below the 2% target amid elevated volatility. We expect core CPIF-XE to average 1.0% Y/Y (1.2%), while CPIF is projected at 1.8% Y/Y (1.1%) due to higher energy prices. However, over the medium term we continue to see upside risks to inflation, reflecting structural shifts in the global economy due to greater exposure to geopolitics, economic nationalism and fiscal expansion. In 2028, core inflation is projected to reach 2.3% Y/Y on average. Volatility will likely remain high.

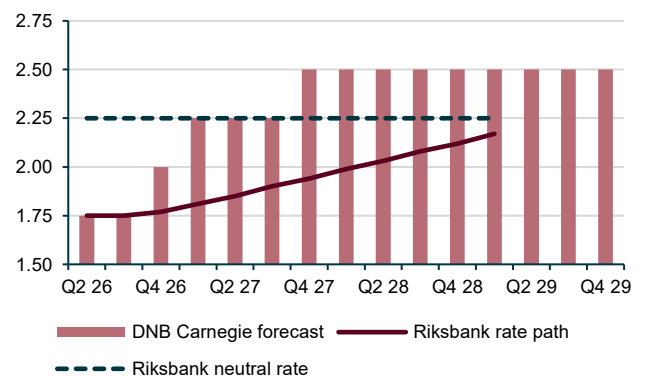
Structural risk for inflation remains tilted to the upside.

Sweden: Core inflation forecast (CPIF-XE), % Y/Y



Source: LSEG Workspace, DNB Carnegie

Sweden: Riksbank policy rate forecast, %



Source: LSEG Workspace, DNB Carnegie

No immediate need to act. Riksbank expected to start hiking in November (unchanged)

Weaker activity and lower starting inflation in H1 2026 than projected in January could argue for postponing the first hike from late 2026 into 2027. However, continued recovery in H2, upside inflation risks linked to the war, and a somewhat weaker krona point in the opposite direction. In addition, our expectation that the ECB will deliver two rate hikes over the next six months implies a 75bp rate differential versus the Riksbank, likely adding further depreciation pressure on the krona and contributing to higher inflation. While uncertainty is high, we maintain our January call: a first hike to 2.00% in November, followed by a second in January, and a third in late 2027, bringing the policy rate to 2.50%. This is somewhat above the neutral rate of 2.25% estimated by the Riksbank and is intended to stabilise inflation around the 2% percent target. Our view on long rates is also unchanged. 10-year SEK IRS is expected to remain around 3.00% over the next three months, before approaching 3.25% over a 12-month horizon.

We hold our policy rate forecast unchanged. Three hikes, starting in November 2026, will lift the policy rate gradually from 1.75% to 2.50% by 2027.

CHINA

Resilient, not yet rebalanced growth

We cut 2026 GDP growth by 0.2%-points to 4.6% as the Iran shock adds external headwinds, mainly through weaker global demand and renewed margin pressure. We raise 2027 by 0.1%-points to 4.4%, as the reopening of the Strait of Hormuz supports a rebound, while energy security concerns lift demand for Chinese exports. Longer term, a stabilising real estate downturn, continued industrial upgrading and AI diffusion makes growth productivity led.

China enters the 2026-2030 period with solid policy buffers, despite Iran war

Q1 2026 GDP rose 5.0% Y/Y, with annualised growth re-accelerating to 5.3% Q/Q saar, as investments outperformed expectations, while manufacturing PMI stayed in expansion territory (see this [note](#)). The strong Q1 figures also reveal that Chinese economic growth remains uneven: investments and exports pull ahead, while the real estate drags and still soft households spending growth remain the weak links.

We cut our 2026 GDP growth estimate by 0.2%-points to 4.6% Y/Y as the Iran shock feeds through higher costs, weaker margins and softer external demand, especially in the Global South. We raise 2027 by 0.1%-points to 4.4% Y/Y after a weaker 2026. More importantly, the same energy shock strengthens the global demand case for Chinese renewables (solar, wind, nuclear) and power system integration (batteries, hydrogen storage and grid equipment).

Thus far, China has absorbed the Iran shock better than feared. It is exposed to Hormuz and higher energy prices, but has buffers: domestic coal, gas-to-coal switching, cargoes already afloat and sizeable crude oil inventories. In our view, China can smooth a temporary Hormuz disruption, even one lasting several months (see this [note](#)). Absent infrastructure destruction, the main risk is no longer energy supply itself, but the second-round hit to global demand.

Policy is still about stabilisation, as Five-Year Plan targets productivity

Authorities lowered the 2026 growth target to 4.5–5.0% and signalled no additional fiscal impulse versus 2025, with central and local government bond quotas unchanged. We expect additional measures to be introduced subsidising services consumption. These budgets were set before the Iran war, and in our view, if the energy shock drags on into July, China still has ample policy firepower to deploy. For now, policy remains focused on stabilisation.

Longer term, the new 15th Five-Year Plan for 2026-2030 links development and security. Supply-chain resilience, energy security and technological autonomy remain key objectives (see this [note](#)). The plan points to system-building rather than a construction-led investment cycle: power-system integration, AI diffusion, industrial upgrading and consumption support through pension reform and strengthened social security, along with financial sector opening.

In our view, long term growth is likely to remain below 5% Y/Y as the working-age population continues to shrink. But the growth composition should improve: less construction-driven, more productivity-led. Toward the end of the decade, if social security reform, artificial intelligence deployment and industrial upgrading continue, domestic consumption should play a larger role.

Forecasts, China: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
GDP (reported)	5.0	4.6	4.5	4.4	4.5
GDP (estimated)	4.6	4.3	4.4	4.4	4.5

Source: LSEG Workspace, DNB Carnegie

Iran war cuts 2026 growth by 0.2%-points

The energy shock is still manageable; a global demand shock is the risk

2026 policy retains firepower should Iran war drag on into late summer

Long term: from property-led growth to productivity-led growth

Growth quality improves despite lower headline pace

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China is likely to continue exporting disinflation, but less cleanly

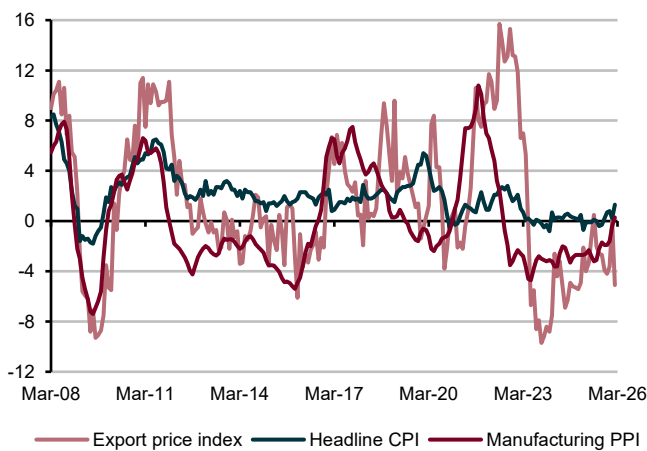
China is likely to remain a source of global disinflation, but the channel is becoming less direct. Iran has lifted input costs, while weak domestic demand, the property drag and cautious households limit pass-through. In March 2026, PPI turned positive at +0.5% Y/Y after 41 consecutive months of deflation, but importantly the export prices remained in deflation.

Still margin squeeze, not broad reflation

That points to Iran meaning more margin squeeze, not broad reflation. Domestic competition and price wars should keep export prices under pressure, while China's clean-tech scale lowers the cost of fossil-fuel substitution. But the war in Iran, freight disruption and tariff-uncertainty mean global disinflation from China arrives less smoothly. Notably, trade diversion is shifting Chinese exports more toward developing economies than Europe, with China exporting low-cost goods and clean-tech capacity to other Asia, the Middle East, Africa and Latin America.

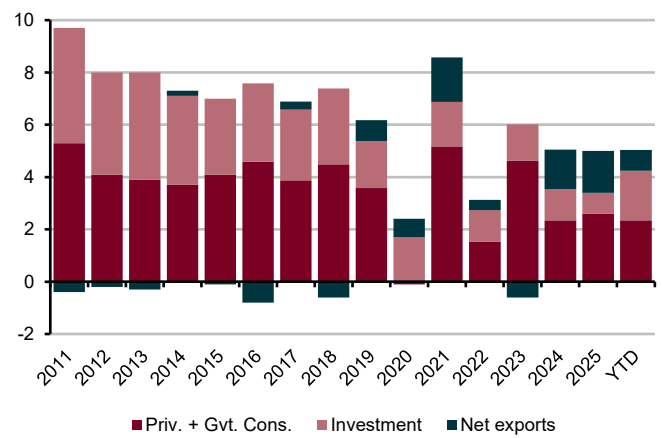
Trade diversion exports disinflation to developing markets, not Europe

China: Inflation, CPI, PPI and export prices (% Y/Y)



Source: LSEG Workspace, DNB Carnegie

China: GDP growth, by demand component (% Y/Y)



Source: LSEG Workspace, DNB Carnegie

Geopolitical rivalry continues, but we expect managed co-existence not confrontation

The US–China trade deal from November 2025 has reduced near-term tariff risk, and the planned Xi–Trump meeting in Beijing in mid-May should extend the trade truce. Several further bilateral meetings in 2026 suggest both sides have incentives to keep relations managed rather than confrontational. The rivalry remains structural, especially around AI, chips, rare earths, supply chains and Taiwan. But the tone has shifted from escalation to deal management.

US–China moves away from confrontation to managed rivalry

Iran is the first test of the truce. Beijing's blocking order against US secondary sanctions on companies engaged with the Chinese refiners importing Iranian oil shows it is now willing to push back against Washington. In our view, this does not imply the trade truce will break, but it shows that the US-China relationship remains transactional and issue specific.

Iran war tests the truce

By contrast, EU–China relations look more confrontational. The EU's Industrial Accelerator Act, "Made-in-Europe 2030", adds local-content requirements and, more controversially from Beijing's perspective, technology-transfer conditions from China to the EU. While US–China relations shift to managed rivalry, EU–China relations risk moving in the opposite direction.

EU–China relations risk moving in the opposite direction.

Continued renminbi internationalisation along with gradual currency appreciation

USDCNY is now trading below 6.83, and we see room for further appreciation to 6.50 by 2027. A stronger renminbi supports capital inflows into Chinese equities and bonds, which supports financial opening and pensions reform. It also aids outward FDI by Chinese multinationals.

RMB internationalisation is also set to intensify with strong policy support in 2026. China is unlikely to pursue full capital-account liberalisation, but it will keep expanding RMB settlement in bilateral trade and investments, especially with economies seeking to reduce dollar exposure.

RMB settlement, not full capital-account liberalisation

NORWAY

Higher rates, softer growth

Sticky domestic inflation and high wage growth have shifted the policy outlook in a more hawkish direction, and we now expect Norges Bank to hike twice in 2026. Activity should slow slightly below trend as rates rise, while gradual disinflation should allow Norges Bank to ease again next year.

We expect the policy rate to be lifted to 4.50% in September 2026

The next policy decision is due the day after this report is published, and we expect the Bank to leave the policy rate unchanged at 4.00% in May, although a 25bp hike is a close call. Our baseline is for a 25bp hike in June and another in September.

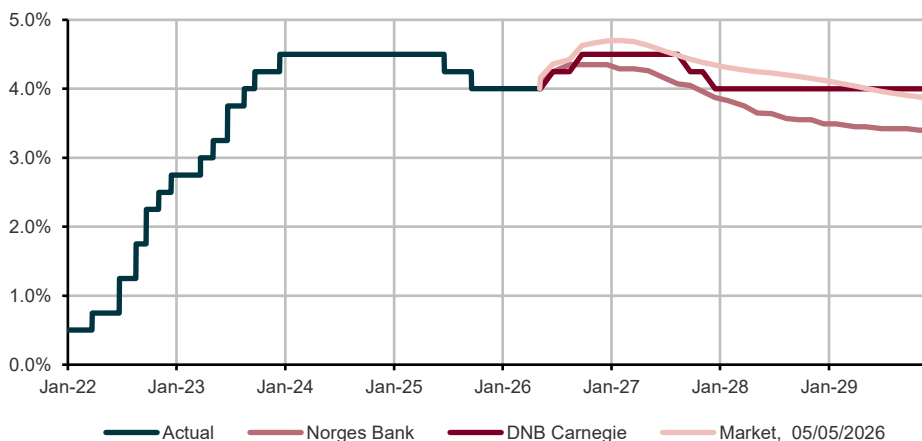
Since January, the rate outlook has changed markedly, reflecting stronger momentum in core inflation, prospects of continued high wage growth and stronger inflationary pressures following the sharp rise in energy prices. Norges Bank took a hawkish turn in March, lifting the rate path significantly more than implied by the model path and expressing concern that inflation could prove more persistent and affect inflation expectations. Higher energy prices, together with rising expectations for rates and inflation abroad, add to the case for further tightening, but the main driver behind the revised rate outlook is domestic: stronger core inflation, continued high wage growth and concerns about persistence.

With core inflation expected to show clearer signs of improvement in H2 2027, we see Norges Bank cutting rates in September and December 2027, before keeping the policy rate at 4.00% for the remainder of our forecast horizon. A continued strong NOK could support a faster return towards the inflation target. On the other hand, fiscal policy is likely to remain slightly expansionary, supported by growth in the Government Pension Fund Global and political pressure for higher public spending. Combined with Norges Bank's objective of high employment, this is likely to limit the scope for rate cuts. We expect inflation to flatten around 2.5%.

Rate outlook revised higher due to sticky domestic inflation, wage pressure and energy prices

Limited rate cuts expected in 2027 as inflation remains above target and fiscal policy stays supportive

Norway: Policy rate. Actual and forecasts. %



Source: Norges Bank, Bloomberg, DNB Carnegie

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Growth to fall slightly below trend

A higher policy rate and a stronger NOK than previously assumed lead us to lower our Mainland GDP growth forecast slightly for the coming years. We now forecast Mainland GDP to rise by 1.5% in 2026 and 1.4% in both 2027 and 2028, slightly below estimated potential growth of 1.7–1.8%.

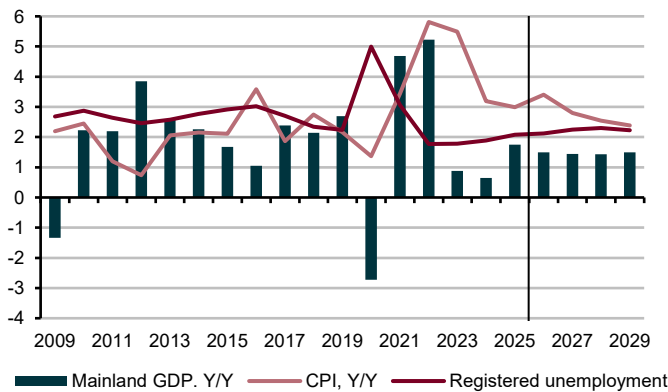
We still see public and private demand as positive contributors, although the sharp increase in car sales towards the end of last year will temporarily weigh on private consumption in Q1 before growth resumes. However, a higher policy rate will contribute to slightly weaker growth than assumed in our January report.

National accounts data for Q4 showed a sharp improvement in investment, but we are cautious about interpreting the surprisingly strong upswing as a sign of stronger underlying momentum. Our baseline remains that public investment will continue to rise steadily, while housing investment is expected to recover even more slowly due to higher interest rates. This will be partly offset by higher-than-expected petroleum investment. While we do not expect large effects from the rise in oil prices, a somewhat slower decline in petroleum investment is likely. According to Statistics Norway's Investment Survey, investment will remain high in manufacturing and electricity supply. Norges Bank's latest Regional Network also points to rising mainland business investment this year, led by services and manufacturing. This leads us to believe that underlying momentum was strong ahead of the expected policy rate increases, but that mainland business investment will slow in 2027.

Demand remains supportive, but higher rates soften the growth outlook

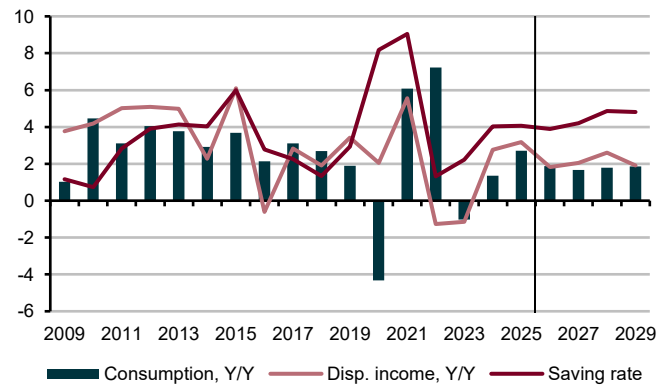
Investment momentum looks solid near term, but mainland business investment is expected to slow in 2027

Norway: Key indicators. %



Source: Statistics Norway, DNB Carnegie

Norway: Household sector. %



Source: Statistics Norway, DNB Carnegie

Labour market in balance, but a small increase in unemployment is expected

The unemployment rate has been remarkably steady at 2.1% this year, while employment has continued to increase broadly in line with trend. Thus, we do not expect immediate changes in a labour market that currently appears well balanced. However, slightly weaker growth will ultimately affect employment and cause the unemployment rate to rise slightly. We expect registered unemployment at 2.1% in 2026, followed by a gradual rise to 2.3% in 2028. With employment growth at 0.6–0.7% over the period, we do not see the labour market as a near-term concern for Norges Bank.

Labour market remains balanced, with only a modest rise in unemployment expected

Fiscal policy to remain loose

The government initially proposed a slightly expansionary budget for 2026. However, the agreement with four other parties resulted in a more expansionary fiscal stance. In the adopted budget, the Ministry of Finance projected the structural non-oil deficit to rise to NOK584.0bn. The fiscal impulse was increased from 0.4pp to 0.6pp, while the share of the Oil Fund remained unchanged at 2.8%. We estimate that the adopted budget will lift mainland GDP by around 0.2%.

Fiscal policy is set to remain slightly expansionary after a looser-than-planned budget agreement

In March, Parliament decided to cut fuel taxes temporarily to cushion the impact of higher oil prices. In this case, the Centre Party broke with the other budget partners and formed a majority with the right-wing parties in Parliament. The cut ran counter to the priorities of several other budget partners, particularly SV and the Green Party. This suggests there may be pressure for higher spending or further tax cuts, with limited willingness across the budget partners to finance them through offsetting measures, other than by drawing more heavily on Oil Fund revenues. As a result, fiscal policy could remain slightly expansionary for several years. The government is expected to propose offsetting measures in the Revised National Budget, due on 12 May.

Aaaaa

Core inflation has been stuck above 3% for more than a year

Core inflation was 3.4% Y/Y in January, but fell back to 3.0% in both February and March. Price growth for imported goods has been moderate, while inflation for domestically produced goods and services excluding energy has averaged 3.9% over the past six months. Adjusted for cuts in kindergarten fees, price growth has been even higher. In March, domestic prices rose by 3.5% Y/Y, down from 3.9% in February. At the same time, import price inflation picked up, primarily due to a base effect, as the monthly rise in import prices was unusually weak in March last year. Import prices also rose less than normal in April last year, suggesting that import price inflation could rise to 2.6% Y/Y in April. This should nevertheless prove temporary, as import prices picked up in the months after April last year. Furthermore, this year's NOK appreciation is helping to dampen imported inflation. Looking one year ahead, however, we expect the NOK to be somewhat weaker than today, adding a modest inflationary impulse.

Core inflation remains elevated, mainly driven by domestic prices and wage-related pressures

The reported inflation figures fluctuate from month to month, but the underlying trend appears to have strengthened. Domestic price growth is consistent with labour costs rising clearly faster than productivity, and we see the relatively low March reading as likely to have been temporary. Looking ahead, we expect core inflation to remain slightly above 3% through most of this year, before a clearer downward trend emerges next year. We forecast core inflation of 3.1% this year, 2.8% next year and 2.5% in 2028.

Underlying inflation pressure has strengthened, but core inflation is expected to ease gradually from 2027

In this year's wage settlement, the social partners in the leading manufacturing sector agreed on a wage norm of 4.4%. With unemployment persistently low and pressure in several industries, including defence-related industry and oil-service suppliers, we expect wage growth to end somewhat higher, at around 4.6%. Higher interest rates and slightly lower profitability in manufacturing could help wage growth ease to 4.1% next year, followed by 3.8% and 3.5% in the subsequent two years.

Wage growth is expected to stay high this year before gradually slowing

Norway: Consumer prices. % Y/Y



Sources: Statistics Norway, DNB Carnegie

Norway: Core inflation. % Y/Y



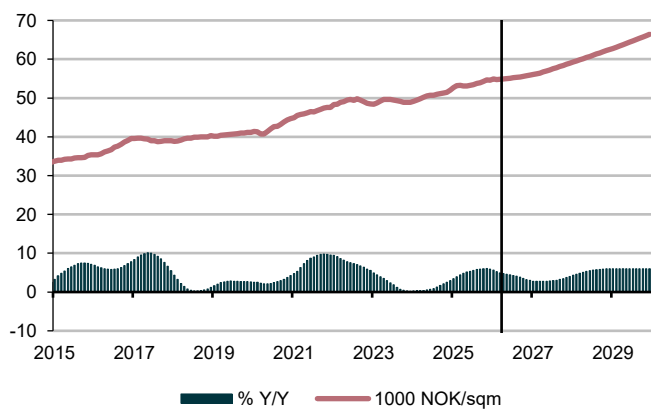
Sources: Statistics Norway, DNB Carnegie

Homes posted for sale and rate hikes to dampen house price growth

In Q1 2026, seasonally adjusted home prices rose by 0.6% Q/Q, which was lower than we forecast in our January report. As in Q1 2025, the start of the year saw a sharp rise in homes posted for sale, which is likely one of the main reasons for the muted price growth. We still see strong fundamentals for the housing market in the years ahead, with stable employment growth, relatively high nominal wage growth and muted supply due to low building activity. However, the current high supply of homes posted for sale, combined with our expectation of two rate hikes, will most likely result in weaker price growth this year. We now forecast existing home prices to rise by 3.0% in 2026 and 4.0% in 2027, before growth picks up to 6.0% in 2028 and 2029.

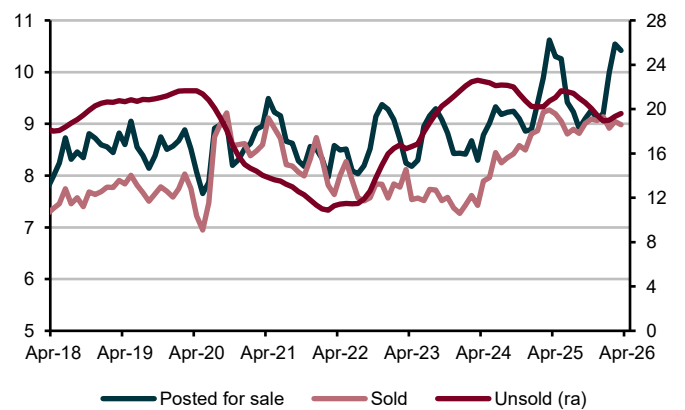
High housing supply and expected rate hikes dampen near-term house price growth despite solid fundamentals

Norway: Existing home prices, actual and forecast



Sources: Eiendom Norge, DNB Carnegie

Norway: Homes posted for sale, sold and unsold, s.a., 1q moving average. 1000



Sources: Eiendom Norge, DNB Carnegie

Norway: Main economic development. Forecasts 2026-2029

	2025	2024	2025	2026	2027	2028	2029
Demand & production (const.prices) ¹⁾ Bn NOK	Annual changes in per cent						
Private consumption	2346	1.3	2.7	1.9	1.7	1.8	1.8
Public consumption	1245	1.7	1.5	1.4	1.6	1.5	1.4
Gross fixed capital formation	1290	-1.4	1.3	3.0	0.3	0.8	1.1
- Petroleum activities	283	4.8	8.2	4.0	-1.5	-2.0	-2.5
- Mainland-Norway	1004	-1.7	0.2	2.7	0.8	1.6	2.1
- Private companies	501	0.7	1.9	3.6	-0.4	0.2	1.1
- Dwelling services	209	-12.2	-3.6	2.0	2.3	4.8	5.2
- General government	294	3.3	0.0	1.8	1.8	1.6	1.6
Final demand from Mainland-Norway	4595	0.8	1.8	1.9	1.4	1.7	1.8
Total exports	2504	5.8	2.4	3.2	0.8	0.5	0.4
- Crude oil and natural gas	1100	4.9	0.8	2.6	-0.5	-0.5	-0.8
- Traditional goods	724	3.4	6.4	3.5	1.9	1.3	1.2
Total imports	1858	5.0	2.6	2.0	1.4	1.6	1.6
- Traditional goods	1085	3.3	3.5	0.4	0.8	1.2	1.4
Gross domestic product (GDP)	5518	1.4	1.1	0.8	1.1	1.0	1.0
- Mainland-Norway, sa.	4400	0.6	1.8	1.5	1.4	1.4	1.5
<u>Labour market</u>							
Employment, 1000 persons	2979	0.6	0.7	0.7	0.6	0.6	0.7
Unemployment ratio, AKU *		4.0	4.5	4.6	4.8	4.8	4.7
Reg. unemployment, per cent *		1.9	2.1	2.1	2.2	2.3	2.2
<u>Prices and wages</u>							
Yearly wages		5.6	4.9	4.6	4.1	3.8	3.5
Consumer price index		3.2	3.0	3.4	2.8	2.5	2.4
Core inflation		3.6	3.1	3.1	2.8	2.5	2.4
Second-hand home prices		3.0	5.9	3.0	4.0	6.0	6.0
<u>Memo:</u>							
Households saving ratio		4.0	4.1	3.9	4.2	4.9	4.8

1) Forecasts for seasonally adjusted variable, * Levels

Sources: Statistics Norway, DNB Carnegie

FX MARKETS

War-correlations likely to reverse, then change

While developments in Iran have been vital for FX markets in recent months, market narratives from earlier this year appear to be prevailing. However, we still see de-dollarisation as standing on shaky ground, expecting a favourable cyclical outlook and structural demand for the USD to outweigh any precautionary USD selling. Risk-sensitive currencies are likely to benefit once energy prices start to decline in earnest, while the NOK is likely to see the tailwind from higher energy prices fade.

Iran-war favouring energy-exporters and high-yielders, likely to see selective reversals

Recent months have seen FX market correlations return to favouring currencies of energy exporters and high-yielders, while currencies of energy importers and low-yielders have underperformed. As such, NOK, AUD, GBP and USD have all outperformed EUR, CHF and SEK since the end of February.

We base our forecasts on an expected de-escalation of the conflict and a gradual easing of energy prices, broadly in line with current futures curves. Such a development is likely to put pressure on energy-related currencies, reversing part of their recent gains. However, the adverse effects on activity are likely to be subdued, while a period of higher energy prices is expected to keep inflation above target, prompting many central banks to maintain restrictive monetary policy or raise interest rates. Thus, some tailwinds are likely to remain for high-yielding currencies.

USD: De-dollarization on shaky ground, US exceptionalism to resurface

The arguments for de-dollarisation have been numerous, but we see that several of these risk factors have developed more favourably than expected. The reappointment of regional Fed governors, the decision to drop the criminal probe into Fed Chair Powell, and the likely confirmation of Warsh as incoming Fed governor have all reduced concerns over Fed independence. The adverse effects of tariffs have been less severe than feared. The US

Looking ahead, easing energy prices may weigh on energy-linked currencies, but persistent inflation should continue to support high-yielders.

De-dollarization concerns have eased, with USD supported by institutional strength and geopolitical influence.

DNB Carnegie FX forecast, Bloomberg consensus and forwards

		05-May	12m		
		Spot	F'cast	Forward	Consensus
EURNOK	New	10.831	11.30	11.06	11.00
	Previous		11.60		
EURUSD	New	1.169	1.17	1.18	1.20
	Previous		1.15		
EURGBP	New	0.863	0.88	0.88	0.88
	Previous		0.87		
EURSEK	New	10.846	10.70	10.81	10.53
	Previous		10.50		
USDNOK*	New	9.265	9.66	9.34	9.17
	Previous		10.09		
USDSEK*	New	9.278	9.15	9.14	8.78
	Previous		9.13		
SEKNOK*	New	0.999	1.06	1.02	1.04
	Previous		1.10		
GBPNOK*	New	12.545	12.84	12.58	12.50
	Previous		13.33		

Source: Bloomberg, DNB Carnegie* Calculated crosses

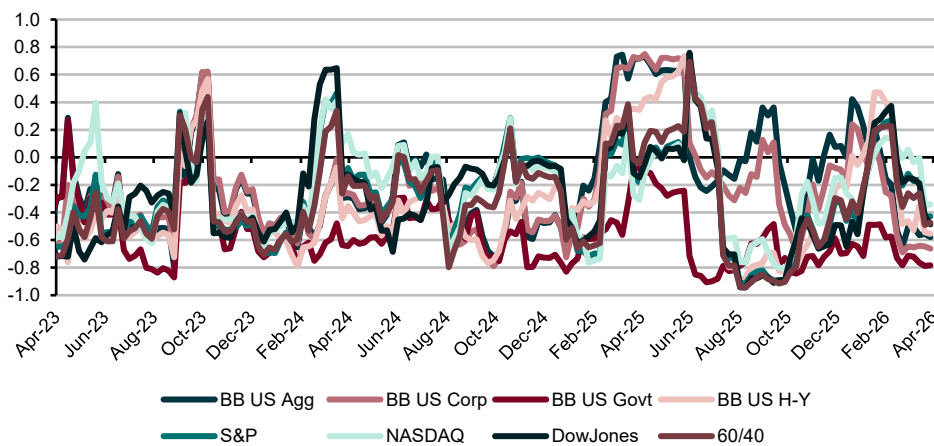
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administration has, in several instances, turned to both outright and secondary sanctions in its foreign policy, enabled by the entrenched role of the USD in the global financial system. Furthermore, institutional America has demonstrated that the rule of law still applies.

Remaining concerns are mostly related to precautionary rebalancing by global investors and the potential for higher FX hedging ratios. While data for March and April are not yet available, we have seen that private investors are still willing to finance the US current account deficit in the aftermath of Liberation Day last year. Data on central bank reserves indicate that the USD makes up a steadily decreasing share of reserves; however, we stress that this is a structural trend, and that reduced USD exposure is typical in periods of USD strength, when central banks draw on reserves to defend their own currencies. As for hedge ratios, evidence from last year suggests that valuation changes in unhedged portfolios were the main reason for a rise in hedging ratios in some jurisdictions, and with the correlation between the USD and risk assets now back to normal, we expect limited effects from this going forward.

Reserve trends and capital flows suggest limited downside, as shifts are largely structural.

USDEUR: Correlation to asset classes. 3m rolling. *



Source: Bloomberg, DNB Carnegie *Negative correlation means higher index and stronger EUR/lower USDEUR

We think the importance of the cyclical outlook has been overlooked for a long time. Slower growth and labour market weakness played, in our view, a vital role in last year's USD weakness. Going forward, we see signs of US exceptionalism re-emerging. The labour market is improving, productivity growth is likely to remain solid, and the Fed is shifting away from its easing bias, leaving the USD with some high-yielding allure. In addition, we see structural demand for USD despite elevated valuation and concentration risk. Passive investments are attracting a solid portion of global savings, the US makes up a large share of most equity and bond indices, and has more favourable earnings expectations compared to other regions.

Improving growth and higher yields support USD.

Overall, we see EURUSD close to 1.17 in 12 months.

NOK: Some tailwinds to fade, some to flip to headwinds

The NOK has been the best-performing G10 currency since the turn of the year. Norwegian interest rates repriced early this year due to a persistent inflation outlook. Supported by the surge in energy prices and large petroleum-related NOK purchases, EURNOK has reached three-year lows.

Should energy prices evolve in line with futures prices, the outlook for the NOK is likely to change. Granted, petroleum-related NOK purchases will persist, but as we have pointed out, the steep backwardation in energy futures prices means these are likely to abate even if current futures prices prove correct. However, there is more to the correlation between the NOK and petroleum prices than these transactions, and we expect lower energy prices to be a headwind for the NOK.

Lower energy prices ahead are expected to become a headwind for NOK.

While we expect Norges Bank to hike interest rates twice this year, leaving the NOK one of the G10 high-yielders, we expect the central bank to deliver two interest rate cuts in H2 2027, as the inflation outlook is likely to be somewhat more favourable into next year, likely limiting any further NOK appreciation.

Despite recent turbulence, fund flows suggest Norwegian savers have been steadily demanding global funds. With a high savings ratio, we expect demand for foreign (including global and North American) portfolio assets to continue, adding depreciation pressure on the NOK.

Given the recent large moves, we lower our 12-month forecast for EURNOK to 11.30, still expecting the medium-term drivers of the NOK to be a headwind.

SEK: Supported by de-escalation, but headwinds linger

The SEK has suffered from weak activity growth at the start of the year and lower-than-expected inflation, with the spike in energy prices adding to this, as Sweden remains dependent on energy imports, leaving the SEK the worst-performing G10 currency since the war in Iran broke out.

However, we remain constructive on the Swedish economy, expecting both private consumption, corporate investment and public demand to lift activity growth going forward. Also, the low core inflation is likely to be temporary, with medium-term factors leading us to expect inflation to stabilise above the 2% target. While the Riksbank, unlike many other central banks, has no urge to raise rates, we continue to expect interest rate hikes in November and two more times in 2027. Before the Iran war, we expected the SEK to benefit from early Riksbank hikes, but the shifting global inflation outlook now means the Riksbank will be laggards, with the ECB and others hiking rates this summer.

While there are some indications in fund flow data that Swedish investors rotated out of foreign portfolio assets, if last year is anything to go by, net purchases returned once risk sentiment normalised. Also, there is little evidence to suggest Swedish pension funds have increased FX hedging ratios. Thus, with a solid outlook for households' real disposable income, we expect demand for foreign portfolio assets to pick up and remain a structural negative factor for the SEK.

In summary, while the SEK is likely to see some tailwinds from lower energy prices, there are medium-term headwinds, leading us to expect EURSEK to trade close to 10.70 in 12 months.

Ongoing foreign asset demand from Norwegian investors may weaken NOK.

A cyclical recovery may help, but the Riksbank is expected to lag other central banks.

Continued demand for foreign assets is likely to weigh on SEK.

International macroeconomic forecasts

GDP. Percent change from preceding year

	Current estimates					vs last report %p				Consensus**			
	2025	2026e	2027e	2028e	2029e	2025	2026e	2027e	2028e	2025	2026e	2027e	2028e
World	3.3	2.9	3.4	3.3	3.3	0.0	-0.4	0.1	0.0	3.2	3.0	3.1	3.2
Advanced economies	1.7	1.5	1.8	1.8	1.7	-0.1	-0.5	0.0	0.0	1.9	1.7	1.8	1.9
USA	2.1	2.3	2.5	2.3	2.1	-0.2	-0.7	0.0	0.0	2.2	2.2	2.0	2.1
Eurozone	1.5	0.8	1.3	1.6	1.4	0.0	-0.4	-0.1	0.1	1.5	0.9	1.3	1.4
Sweden	1.8	2.3	2.3	1.9	1.8	-0.2	-0.6	0.0	0.0	1.8	2.2	2.1	1.9
Denmark	2.9	2.5	2.0	2.0	2.0	0.7	0.4	0.0	0.0	2.5	2.4	2.1	2.4
Mainland Norway	1.8	1.5	1.4	1.4	1.5	0.1	0.0	-0.2	-0.1	1.7	1.5	1.6	2.0
UK	1.4	1.0	1.3	1.5	1.4	0.0	-0.2	-0.2	0.0	1.4	0.8	1.2	1.5
Japan	1.2	0.6	1.0	0.7	0.5	0.0	-0.3	0.2	0.1	1.2	0.7	0.9	0.9
Emerging economies	4.4	3.7	4.3	4.2	4.3	0.1	-0.4	0.1	0.0	4.3	4.2	4.1	4.2
China (reported)	5.0	4.6	4.5	4.4	4.5	0.0	-0.2	0.2	0.0	5.0	4.6	4.4	4.3
China (actual)	4.6	4.3	4.4	4.4	4.5	0.0	-0.2	0.1	0.0				
India*	7.6	6.3	6.5	6.5	6.5	0.3	-0.2	0.0	0.5	7.5	6.6	7.0	
Brazil	2.3	2.0	2.0	2.5	2.5	0.0	0.3	0.0	0.0	2.3	1.8	1.8	2.2
Russia	1.0	1.5	1.0	1.0	1.5	0.4	0.5	0.0	-0.5	0.9	1.0	1.3	1.6

Source: LSEG Workspace, Bloomberg, DNB Carnegie *Fiscal year Apr-May for India, updated historically with new statistical weights **Bloomberg Consensus 5 May 2026

Inflation. Percent change from preceding year

	Current estimates					vs last report %p				Consensus**			
	2025	2026e	2027e	2028e	2029e	2025	2026e	2027e	2028e	2025	2026e	2027e	2028e
Select advanced economies													
USA	2.7	3.1	2.1	2.4	2.5	0.0	0.5	-0.4	0.0	2.7	3.3	2.4	2.2
Eurozone	2.1	2.9	2.0	2.3	2.5	0.0	1.0	-0.3	-0.2	2.1	2.8	2.1	2.0
Sweden	2.6	1.8	1.9	2.3	2.3	0.0	0.7	-0.4	-0.1	0.7	0.9	1.7	2.4
Denmark	1.8	2.0	2.2	2.0	2.0	-0.1	0.7	0.4	0.0	1.9	1.4	1.9	
Norway	3.0	3.4	2.8	2.5	2.4	-0.1	0.6	0.1	-0.1	3.0	3.2	2.4	2.3
UK	3.4	3.4	2.4	2.5	2.4	0.0	0.6	-0.2	0.0	3.4	3.1	2.4	1.9
Japan	3.2	2.4	2.1	2.2	2.2	0.1	0.5	0.1	0.0	3.2	2.0	2.0	1.9
Select emerging economies													
China	0.0	1.5	1.8	1.9	2.0	0.0	0.7	0.3	0.0	0.0	1.0	1.1	1.4
India*	2.1	4.5	4.2	4.0	4.0	0.0	0.6	0.2	0.0	2.0	4.6	4.3	
Brazil	5.0	4.5	4.0	3.5	3.5	0.0	0.5	0.0	0.0	5.0	4.4	3.9	3.6
Russia	8.7	5.5	4.5	4.0	4.0	-0.2	-0.5	0.0	0.0	8.8	5.8	8.0	4.3

Source: LSEG Workspace, Bloomberg, DNB Carnegie *Fiscal year Apr-May for India, updated historically with new statistical weights **Bloomberg Consensus 5 May 2026

Note: Headline CPI inflation given in table, with exceptions (CPIF for Sweden and HCIP fo Eurozone)

Interest rate and FX forecasts

Monetary policy interest rates	5-May-26	1 mnd	15-Aug-26	15-Nov-26	15-May-27
USA: Fed Funds (upper range)	3.75	3.75	3.75	3.75	3.75
EMU: Deposit rate	2.00	2.00	2.25	2.50	2.50
UK: Bank Rate	3.75	3.75	3.75	3.75	3.50
Sweden: Policy rate	1.75	1.75	1.75	2.00	2.25
Norway: Policy rate	4.00	4.00	4.25	4.50	4.50
3 month money market rates	5-May-26	1 mnd	15-Aug-26	15-Nov-26	15-May-27
US: Term SOFR	3.65	3.60	3.60	3.60	3.60
EZ: Euribor	2.22	2.30	2.45	2.55	2.55
UK: Term SONIA	3.84	3.75	3.75	3.75	3.50
Sweden: Stibor	2.05	2.00	2.00	2.25	2.50
Norway: Nibor	4.48	4.40	4.55	4.70	4.70
10 year swap rates	5-May-26		Aug-26		May-27
USD	3.99		3.75		4.00
EUR	3.12		3.00		3.25
GBP	4.61		4.25		4.00
SEK	3.05		3.00		3.25
NOK	4.50		4.25		4.50
FX rates	5-May-26				May-27
EURUSD	1.17				1.17
EURGBP	0.86				0.88
EURSEK	10.83				10.70
USDSEK	9.26				9.15
EURNOK	10.82				11.30
SEKNOK	99.9				105.6
USDNOK	9.25				9.66
GBPNOK	12.54				12.84
NOK index (I-44)	110.30				115.00

Source: Bloomberg, DNB Carnegie



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