MARKETING MATERIAL

ECONOMIC OUTLOOK

AUGUST 2026

International macroeconomic forecasts

GDP. Percent change from preceding year

Country/region	Weight PPP	2024	2025	2026e	2027e	2028e	2029e
World		3.4	3.3	2.9	3.5	3.4	3.3
USA	14.5	2.8	2.1	2.2	2.6	2.3	2.1
Canada	1.3	1.3	1.7	0.8	1.5	2.0	2.0
Brazil	2.3	3.4	2.3	2.4	2.0	2.5	2.5
Eurozone	10.3	0.8	1.3	0.8	1.5	1.5	1.4
UK	2.1	1.1	1.3	1.2	1.3	1.5	1.4
Sweden	0.4	1.9	1.7	2.2	2.3	1.9	1.9
Denmark	0.2	3.9	3.5	2.5	2.0	2.0	2.0
Mainland Norway	0.3	0.6	1.7	1.1	1.5	1.6	1.6
Switzerland	0.4	1.4	1.3	1.1	1.3	1.5	1.5
Russia	3.4	4.9	1.0	1.0	1.0	1.5	1.5
China	19.9	5.0	5.0	4.5	4.3	4.5	4.6
India	8.5	7.1	7.7	6.5	7.0	6.5	6.5
Japan	3.3	-0.2	1.2	0.6	0.8	0.7	0.5
South Korea	1.6	2.0	1.0	3.2	2.5	2.0	2.0
Others	26.9	3.7	3.6	2.7	4.3	3.9	3.9
Advanced economies	39.0	1.7	1.6	1.6	1.9	1.8	1.7
Emerging economies	61.0	4.6	4.4	3.7	4.4	4.3	4.3
Norway's trade partners		1.4	1.6	1.4	1.7	1.6	1.5

Source: LSEG Workspace, DNB Carnegie

Inflation. Percent change from preceding year

Country/region	2024	2025	2026e	2027e	2028e	2029e
USA	3.0	2.7	3.2	2.1	2.4	2.5
Canada	2.4	2.1	2.6	2.1	2.2	2.3
Brazil	4.4	5.0	4.6	4.2	3.7	3.5
Eurozone	2.4	2.1	2.9	2.3	2.2	2.5
UK	2.5	3.4	3.4	2.4	2.4	2.4
Sweden	1.9	2.6	1.5	2.1	2.3	2.3
Norway	3.2	3.0	3.3	2.9	2.6	2.4
Denmark	1.3	1.8	1.5	2.3	2.3	2.3
Switzerland	1.1	0.2	0.5	0.5	1.0	1.0
Russia	8.4	8.7	6.5	5.0	4.5	4.0
Japan	2.7	3.2	2.1	2.0	1.9	2.2
South Korea	2.3	2.1	2.8	2.2	2.0	2.2
China	0.2	0.0	1.5	1.6	1.8	2.0
India	4.6	2.2	5.0	4.5	4.0	4.0
Advanced economies	1.7	1.7	1.8	1.3	1.4	1.5

Source: LSEG Workspace, DNB Carnegie

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

Table of Contents

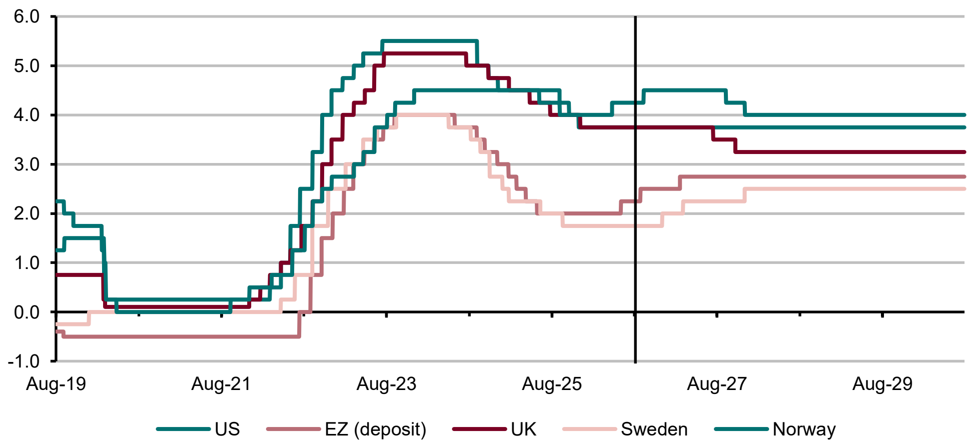
This report encompasses data up to 18 August 2026, with the editorial process concluding on the same date.

SUMMARY

Building resilience, but at a cost

- The world is facing severe disruption in energy markets as a result of the US war with Iran. Negotiations between the parties are ongoing. In our forecasts, we assume that oil prices develop broadly in line with forward prices: Brent crude falls to around USD 80 per barrel during the second half of the year, USD 10 below the average so far in 2026.
- The Iran war is weighing on global economic growth this year. However, efforts to strengthen military and economic resilience are working in the opposite direction. Investment in technology, defence, infrastructure and energy is supporting activity. This keeps stagnation and high unemployment at bay, with growth picking up next year.
- The price of greater resilience is higher costs, stronger inflationary pressures and rising public debt, which in turn contribute to high interest rates. Giving greater weight to security considerations in procurement, investment and location decisions comes at the expense of cost efficiency. When many countries make the same types of investment at the same time, prices are pushed higher. Ageing populations and restrictive immigration policies limit labour supply, contributing to tighter labour markets and stronger wage growth when the upswing arrives. Inflation is likely to remain above central banks' 2% targets over the next few years.
- We expect lower core inflation to allow the Fed to keep the policy rate at 3.75%. Long US yields should edge down, pulling Norwegian yields somewhat lower. Euro and SEK yields are expected to rise slightly as the ECB raises its deposit rate to 2.75% by March. The weak UK economy should keep the Bank of England on hold this year, before two cuts in 2027 to 3.25%. With Swedish core inflation, adjusted for tax cuts, above target, we expect Riksbank hikes in December, March and December, taking the rate to 2.50%. Norwegian core inflation should rebound in August, prompting Norges Bank to hike once more in September, to 4.50%. We expect both of this year's hikes to be reversed by late 2027.
- We expect the Norwegian krone to weaken and the Swedish krona to strengthen. Our 12-month forecasts are EURNOK 11.30 and EURSEK 10.80.

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



Source: LSEG Workspace, DNB Carnegie

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The investment upswing remains intact, but resilience comes at a cost

The world is facing severe disruption in energy markets as a result of the US war with Iran. Shipping through the Strait of Hormuz, which normally carries one-fifth of the world's oil supply, virtually ground to a halt. The price of Brent crude (front-month contract) rose from around USD 60 per barrel at the start of the year to almost USD 120 at its peak in late March. It then fell back towards USD 70 over the following three months, after a ceasefire was agreed in April and a framework agreement signed in June. Fighting resumed in July, and oil prices have since fluctuated between USD 80 and 100 per barrel. By mid-August, negotiations are still ongoing while traffic through the Strait of Hormuz remains at a minimum. In our forecasts, we assume that oil prices develop broadly in line with forward prices, falling towards USD 80 per barrel during the second half of the year.

Inflation in Western economies was already proving stubborn before the Iran war broke out and received a renewed boost when oil prices surged. In the US and the eurozone, headline inflation peaked at 4.2% and 3.2%, respectively, in May. Higher energy prices have eroded household purchasing power in countries that have not been able to cut fuel taxes to offset the increase fully or partly. At times, exceptionally high uncertainty about the outlook for energy markets has probably also weighed on both consumption and investment.

At the same time, geopolitical tensions, which were already elevated before the Iran war, continue to drive an investment upswing that is supporting economic activity.

Strategic rivalry between China and the US has intensified over the past decade, not least through a technology race that has accelerated further following major breakthroughs in artificial intelligence over the past four years. Europe is now trying to narrow some of the lead built up by the two superpowers.

Russia's full-scale war against Ukraine is in its fifth year, while Russian hybrid threats against NATO countries, including sabotage, cyberattacks and airspace violations, remain frequent. At the same time, Western confidence in the US as an alliance partner has fallen sharply as a result of the Trump administration's policies. European governments in particular have been shaken by Trump's repeated calls for a US takeover of Greenland, which is part of the Kingdom of Denmark, a NATO member.

Governments around the world are responding by stepping up investment to build resilience. Defence capabilities are being strengthened through greater military capacity and the civilian infrastructure needed to support it. The shift has been especially visible in Germany, a major economy that for years kept such investment low.

A stronger capacity for economic growth is a complementary objective, both to generate the income needed to sustain defence and welfare systems over time and to reduce vulnerability to coercion in geopolitical power struggles. Market power is increasingly being used strategically in conflicts, for example through US or Chinese export restrictions on software, semiconductors or rare earths. Governments are therefore using subsidies, incentives and regulation to strengthen domestic industrial and technological capacity and remove barriers to growth. This year, the eurozone has proposed several protectionist measures in an attempt to contain competition from China, which continues to rely heavily on export markets amid persistently weak domestic demand.

Giving greater weight to security considerations and strategic autonomy in procurement, investment and location decisions comes at the expense of cost efficiency. Production becomes more expensive. And when "everyone" is investing in power grids, data centres, chip production, defence and industry at the same time, they are competing for the same goods and inputs. As long as production capacity cannot expand equally quickly, the result is sharply rising prices. This will probably keep inflation, which has already proved persistent, above central banks' 2% targets over the next few years.

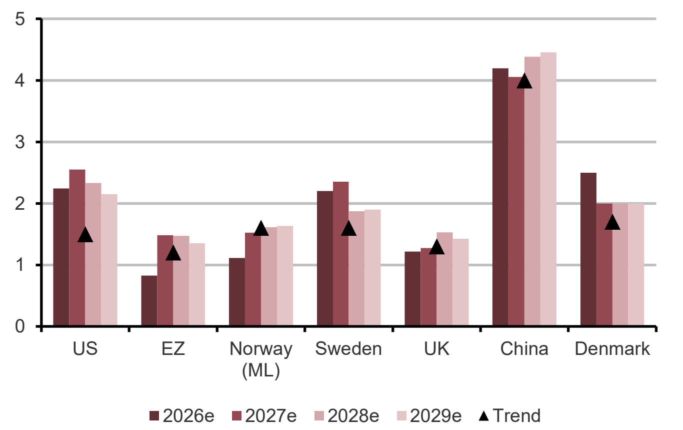
2026–2029: Stronger growth, tighter labour markets

The investment upswing means that, despite a gloomy backdrop, the global economy should remain comfortably clear of stagnation and high unemployment this year, while we expect a more pronounced upswing next year. Chinese growth should remain just above 4%, supported by solid business investment and exports. We see little prospect of a near-term acceleration in household demand, with the housing market still on its back and wage growth weak.

In the US, domestic demand remains solid despite higher fuel prices. We expect consumption growth to strengthen and investment growth to remain robust, not least on the back of technology spending. We forecast GDP growth to rise by 0.4 percentage points to 2.6% in 2027, one percentage point above what we regard as a normal growth rate. This should push the already moderate unemployment rate down further, towards 4.0%, and put renewed upward pressure on wage growth.

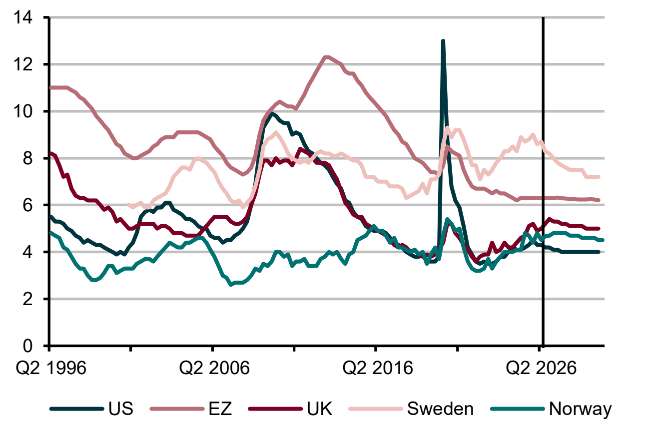
In the eurozone, we expect GDP growth of 0.8% this year, below normal, but with momentum improving as public spending rises. We expect a clear acceleration next year, to around 1.5%, driven by stronger growth in both private consumption and investment. The labour market should then tighten, with wage growth picking up here as well.

GDP growth – projections (% YOY)



Source: LSEG Workspace, DNB Carnegie

Unemployment – actual and projections (%)



Source: LSEG Workspace, DNB Carnegie

In the UK, we expect growth to edge up to 1.3% in 2027, broadly in line with the economy's normal growth rate. The recovery will be held back by tighter monetary policy than in continental Europe, reflecting particularly persistent inflation, and limited fiscal room for manoeuvre. British policymakers know from experience that poor budget discipline, combined with uncertainty from frequent changes of prime minister, can quickly push borrowing costs higher.

The Swedish economy, by contrast, has gained momentum this year, supported by low interest rates and expansionary fiscal policy. With household purchasing power improving and an investment-oriented industrial base, we expect GDP growth of 2.3% again next year and a further decline in unemployment.

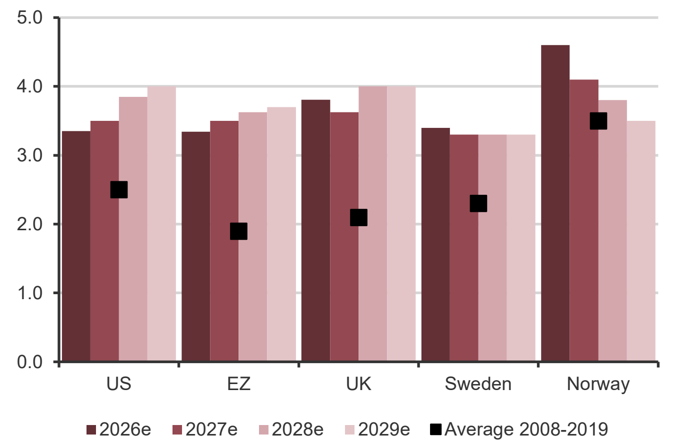
In Norway, growth has slowed due to falling oil investment and weaker consumption growth. The labour market remains stable, with employment rising and registered unemployment still low. With consumption expected to strengthen and investment increasing both among mainland firms and in the public sector, we expect mainland GDP growth to pick up to around 1.5% annually over the next few years, with only a marginal rise in unemployment.

Inflation is unlikely to return to target, and monetary policy must remain restrictive

In the US, core inflation, measured by the PCE deflator, reached 3.4% y/y in May. A combination of moderate wage growth, strong productivity growth and a methodological change this autumn that will most likely lower the measured rate by a few tenths should bring inflation down markedly through the autumn and winter, to around 2.5% y/y. We therefore still expect the Fed to refrain from further hikes and keep the target range at 3.50–3.75%, a level committee members regard as restrictive.

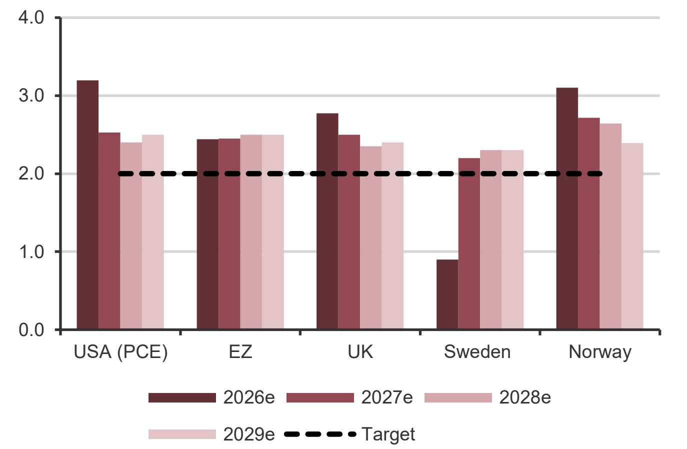
In the eurozone, productivity growth remains weak and the downward trend in inflation has run its course. We expect core inflation to stay fairly stable around the current 2.5%. The ECB delivered its first hike in almost three years in June and will likely raise rates again in September 2026 and March 2027, taking the deposit rate to 2.75%.

Wage growth – projections (% YOY)



Source: LSEG Workspace, DNB Carnegie

Core inflation* – projections (% YOY)



Source: LSEG Workspace, DNB Carnegie * Sweden= core CPIF

In the UK, inflation looks set to remain around 3% in the second half of 2026. Thereafter, we expect weak economic activity and slowing wage growth to bring inflation down to slightly below 2.5% during 2027. Against this backdrop, we expect the Bank of England to keep the policy rate unchanged this year, before cutting twice in 2027, to 3.25%.

Swedish inflation is very low following several tax cuts ahead of this autumn's election, including a halving of VAT on food. The effect of these cuts is temporary, however, and adjusted for them, core inflation is rising and slightly above 2%. Combined with strong activity data, this points to Riksbank hikes in December 2026 and March 2027. We expect one further hike towards the end of 2027, taking the policy rate to 2.50%, where we expect it to remain over the following years.

Norwegian core inflation fell over the summer, but we expect a rebound already in August and inflation to remain slightly above 3% through year-end. Thereafter, we forecast only a very gradual decline towards 2.5%. We expect Norges Bank to raise the policy rate in September, before reversing this year's two hikes during autumn 2027.

Selected risk factors

Oil and gas prices: We see upside risks to our inflation and interest-rate forecasts from the situation in the Middle East. If the parties fail to agree on a way to resume shipping through the Strait of Hormuz, oil and gas prices could rise further rather than decline. This would weaken economic growth, lift inflation and prompt tighter monetary policy than projected in this report. If fighting resumes and causes major damage to production and export facilities that takes a long time to repair, energy prices could rise far above the levels seen so far this year. With a global recession then likely to be looming, central banks would probably turn to rate cuts. As we noted in a report earlier this year, the negative effects would be unevenly distributed. Net energy importers, particularly those with limited fiscal room to shield households and businesses, would be most exposed. Conversely, a normalisation of the situation could bring energy prices well below what forward prices imply, given the excess capacity that characterised the market at the start of the year. That would, in isolation, imply somewhat lower interest rates than we forecast.

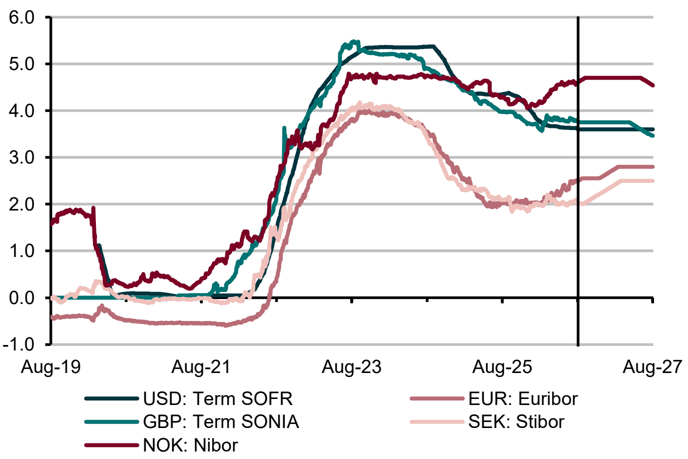
Artificial intelligence (AI): AI poses risks along several dimensions. Large technology companies carry heavy weights in US equity indices. If their earnings prove insufficiently large and stable to justify current high valuations, equity markets could fall sharply, and substantial wealth could be lost. The US economy would then likely slow, with the investment boom coming to an abrupt halt and consumers increasing their saving. There is also considerable uncertainty about how quickly and how extensively AI will reshape the broader economy and labour market. If productivity growth rises more than expected, income growth would be stronger and cost pressures weaker. On the other hand, very rapid adjustment could create significant disruption, including higher unemployment.

High public debt: Public debt burdens are already high in several major economies, including Japan, the US, the UK, Italy and France. With substantial investment needs related to greater resilience, alongside rising welfare and pension spending due to population ageing, policymakers face difficult trade-offs. We expect debt burdens to rise further in the years ahead. With interest rates remaining restrictive, this will increase debt-servicing costs and the risk of financial-market turbulence.

China's relationship with the world: There is a persistent risk of China seeking to take control of Taiwan by military force, as well as uncertainty about how the rest of the world would respond. Extensive economic sanctions and trade restrictions would be likely, with potentially much larger global spillovers than the measures imposed on Russia. Financial-market turbulence and tighter financial conditions would also be likely. The conflict would represent a major negative supply shock, pushing inflation higher and economic growth lower. The implications for interest rates would therefore be ambiguous.

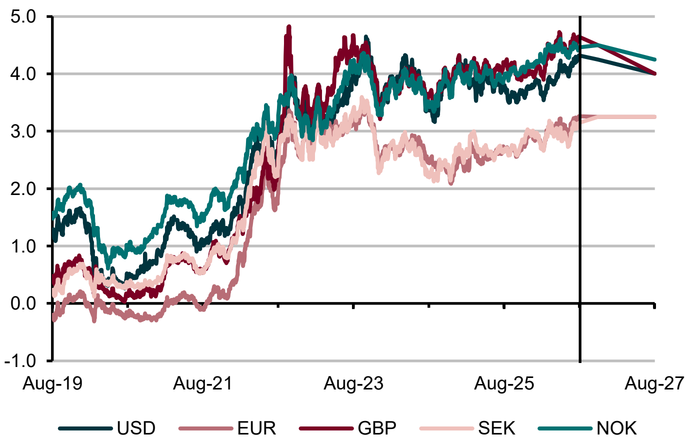
Kevin Warsh's reform agenda: The newly appointed Fed Chair, Kevin Warsh, has attracted attention with his communication since taking office. Among other things, he has hinted that the PCE deflator may not remain the Fed's preferred inflation measure following a review early next year. Our baseline assumption is that the information set available to the FOMC will not look materially different after the review. If we are wrong, and the Fed switches to an alternative measure showing substantially lower inflation, the committee could cut rates next year. We regard this risk as small, however, as we doubt that a majority of the committee would accept such a level shift as a legitimate reason to change course.

3-month money market rates – actual and projections (%)



Source: LSEG Workspace, DNB Carnegie

10-year swap rate – actual and projections (%)



Source: LSEG Workspace, DNB Carnegie

US

Fed on hold amid easing inflation pressures

Activity continues to be supported by solid household demand and strong AI-related investment. A favourable productivity trend means that robust economic growth can continue without generating excessive inflationary pressures. Furthermore, the shock to energy prices is likely to fade during the autumn as we approach the mid-term elections. Inflation is nevertheless expected to remain elevated going forward. We maintain our forecast of an unchanged federal funds rate, implying that a moderately restrictive monetary policy stance will be continued.

Economy continues the strong trend despite the energy shock

The seemingly modest GDP growth in Q2 was held back by a negative trade contribution and a decline in government demand. By contrast, the underlying momentum in the domestic private sector economy, as measured by private domestic final sales, remained strong, rising at an annualised rate of 3.9%, the highest since early 2023. The strong performance reflected increases in both private consumption and business investment.

Personal spending rose strongly in Q2 as households reduced savings, while businesses continued their AI-related investment boom

Although the effects of the Iran conflict pushed up crude oil prices and fuel costs considerably, consumer demand remained robust in Q2. Weakness in real disposable income was more than offset by a decline in the household saving rate, as strong equity market performance boosted net household wealth. We also believe that the fall in savings is supported by solid household balance sheets, including relatively low debt burdens and a large share of fixed-rate mortgages locked in at the low rates prevailing before the recent tightening cycle.

Our forecast for household demand depends largely on the outlook for disposable income. We expect only a modest increase in household income in the coming years for two main reasons. First, population ageing and lower immigration are likely to constrain labour supply and, consequently, limit employment growth. Second, wage growth has moderated as labour market pressures have eased. While strong productivity growth and lower unemployment would normally support higher wage growth, we expect wage growth to pick up over the coming years,

Forecasts, US: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	2.6	2.1	2.3	2.0	1.8
Public consumption	1.1	0.4	1.4	1.5	1.5
Residential investments	-2.2	-2.9	2.6	3.6	4.0
Business investments	4.5	7.0	5.5	4.4	4.0
Exports	1.6	4.9	4.3	3.4	3.0
Imports	2.7	2.9	4.7	3.4	3.0
GDP	2.1	2.2	2.6	2.3	2.1
Unemployment (level, %)	4.3	4.3	4.1	4.0	4.0
Wages	3.6	3.3	3.5	3.9	4.0
Core (PCE) inflation	2.8	3.2	2.5	2.4	2.5
Headline (PCE) inflation	2.6	3.5	2.4	2.4	2.5
Fed upper bound (year end, %)	3.75	3.75	3.75	3.75	3.75

Source: LSEG Workspace, Bloomberg, DNB Carnegie

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but only moderately relative to what these fundamentals might suggest. Overall, this points to a relatively solid growth in both household income and consumption over the forecast horizon.

Strong AI-investment likely to continue

Last year, AI-related investment accelerated sharply and contributed significantly to stronger business investment growth. Equipment investment rose by 20% Y/Y, while data centre investment increased by more than 40% in nominal terms from 2024 to 2025.

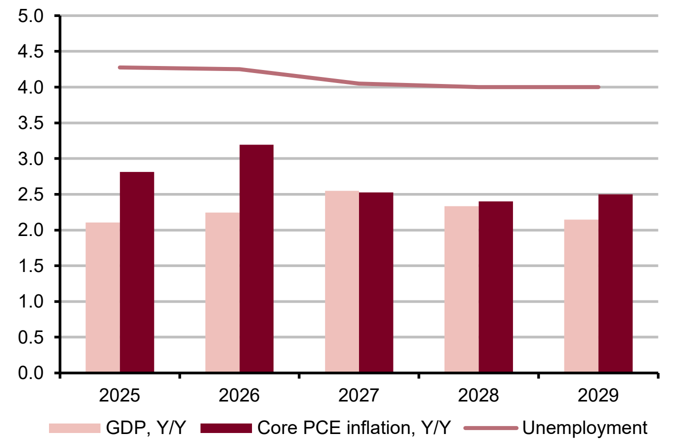
The solid upward trend appears to have accelerated further this year, with business investment growing at an average annualised rate of 10% in the first half of the year, more than double the pace recorded last year. This strength largely reflects AI-related investment in both equipment and data centres, although the former slowed somewhat in the second quarter.

We expect the strong, AI-related business investment to lift GDP growth in coming quarters

We expect the strong momentum in AI-related investment to continue through the second half of this year and into next year. This is the main reason why we foresee a significant increase in GDP growth from 2026 to 2027, even if the high import content of equipment investment limits its direct contribution to domestic economic activity. If AI-investments were to slow abruptly, contrary to our expectations, the impact on the economy could be significant, not least through a potential sharp correction in equity markets.

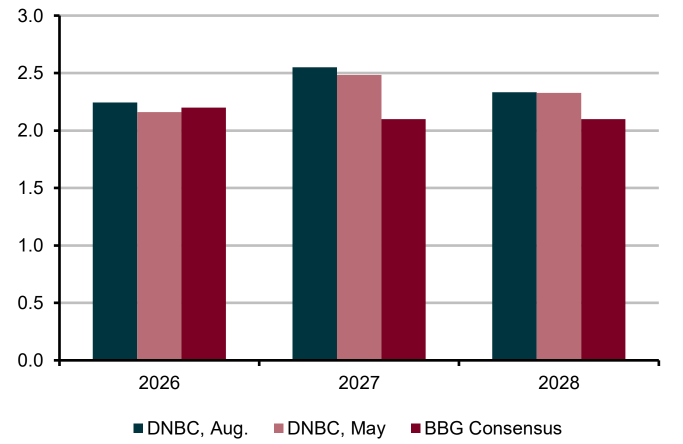
Provided that investment continues, we expect the new technology to gradually translate into stronger productivity growth across the economy. As AI adoption rates continue to rise across industries and the technology itself continues to improve, AI is likely to enhance efficiency and increasingly automate a wide range of service-sector tasks. Over time, this should provide a meaningful boost to the economy's productive capacity.

US: GDP, core inflation and unemployment, %



Source: LSEG Workspace, Bloomberg, DNB Carnegie

US: GDP, % Y/Y



Source: LSEG Workspace, Bloomberg, DNB Carnegie

No additional fiscal stimulus likely after the mid-terms

Fiscal stimulus stemming from the Big Beautiful Bill passed last year has likely provided some support to economic growth this year, reflecting the delayed effects of tax cuts. Looking ahead, we do not expect fiscal policy to have a significant impact on growth over the forecast period. The main reason is that we consider a divided Congress, with Republicans retaining control of the Senate, to be the most likely outcome following the mid-term elections in November. If Democrats gain control of both chambers of Congress, which we believe is less likely, the President will nonetheless retain veto power over any major fiscal legislation, limiting the scope for significant policy changes. As a result, we see little likelihood of substantial additional fiscal stimulus during the forecast period.

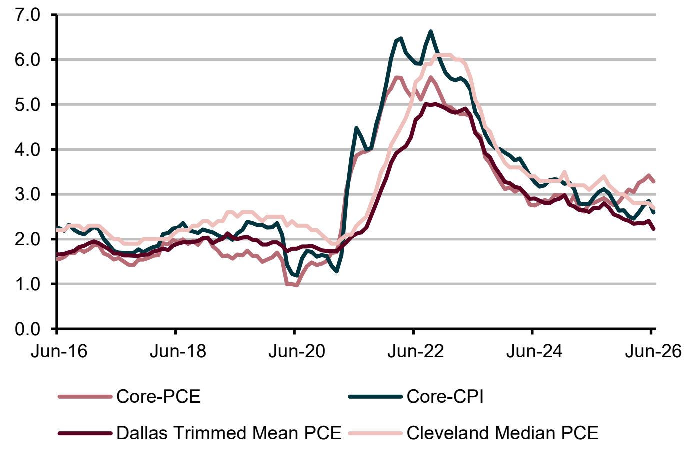
Lower employment growth, stronger productivity

Employment growth was very weak last year, with average monthly job gains of just 10,000. While the data have been volatile this year, employment growth has averaged around 60,000 jobs per month so far. According to a recent Federal Reserve study, the breakeven pace of employment growth is estimated at only around 20,000 jobs per month on average this year. This largely reflects significant changes on the supply side of the labour market, driven by lower immigration and population ageing. Developments so far this year have been consistent with that analysis, with modest employment growth accompanied by a declining unemployment rate.

Employment growth has slowed, but is still likely higher than the breakeven rate, pushing the unemployment rate down

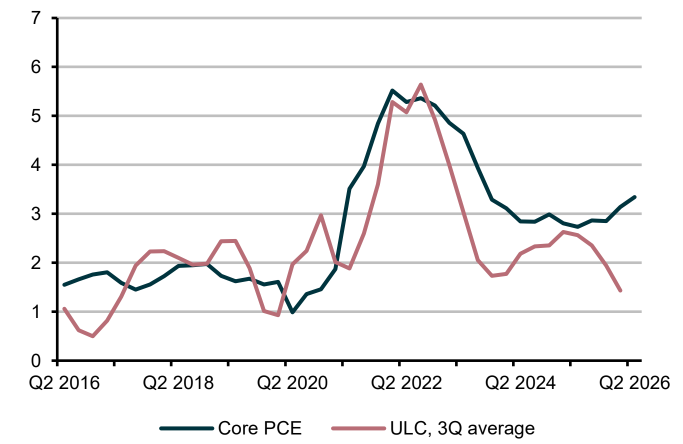
The same study suggests that potential GDP growth has slowed to around 1.5%. With potential employment growth having fallen close to zero, virtually all potential output growth is now being driven by productivity gains. At present, actual productivity growth appears to be significantly stronger than its estimated potential rate, at close to 2.5%. This helps explain why employment growth is likely to remain subdued even with GDP growth of 2-2.5%. As a result, we expect only a modest further decline in the unemployment rate over the forecast horizon.

US: Core inflation, % Y/Y



Source: LSEG Workspace, Bloomberg, DNB Carnegie

US: Unit labour costs (ULC) and inflation, % Y/Y



Source: LSEG Workspace, Bloomberg, DNB Carnegie

Mixed signals for core inflation

The energy price shock pushed headline inflation significantly higher in March, April and May, before partially reversing in June. So far, there appear to have been limited second-round effects, although core inflation has also increased. Core PCE inflation, the Federal Reserve's preferred measure of underlying inflation, has shown a notable upward trend in recent months.

In a speech in July, Governor Waller referred to the upward core PCE trend and argued that a further increase in the federal funds rate could be appropriate. However, Chair Warsh has identified inflation measurement as one of the priorities of his review process, which could ultimately lead to the introduction of a revised inflation gauge. In the meantime, the FOMC is likely to place greater emphasis on a broader range of inflation indicators.

Core PCE inflation has trended higher this year but looks like an outlier. Other indicators indicate that core inflation is decelerating

Consequently, we do not believe that the recent rise in core PCE inflation should be viewed in isolation. Several other measures of underlying inflation, including core CPI inflation, have recently shown a more favourable trend. Furthermore, our forecast suggests that the increase in core PCE inflation has likely come to an end, partly reflecting methodological changes introduced from September this year. Looking ahead to 2027, annual inflation rates are likely to stabilise and settle at around 2.5%.

Fed will likely stay on hold for an extended period

Financial markets are pricing in one 25bp rate hike by the end of this year and some probability of an additional hike in the first half of next year. While we see some upside risk to our unchanged-rate forecast in the near term, we continue to view a stable policy rate as the most likely outcome. With the policy rate remaining significantly above the FOMC's median neutral rate estimate, monetary policy would remain restrictive even with an unchanged policy rate.

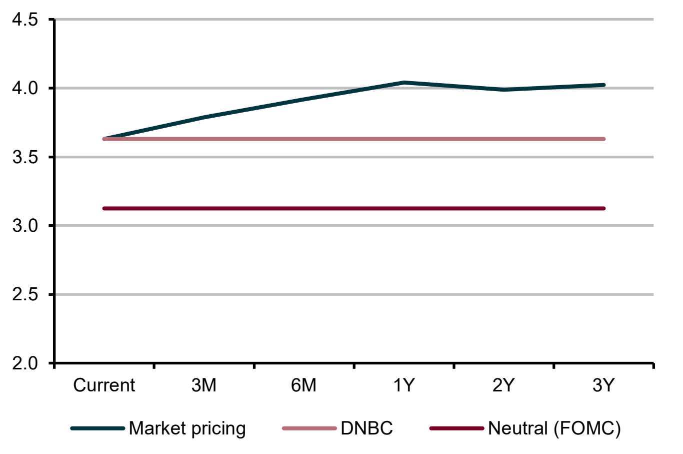
We expect Fed to remain on hold for an extended period, as we view the probability of a hike as equal to the probability of a cut

Barring a renewed acceleration in crude oil prices, we believe core inflation has likely peaked for now. As discussed above, several measures of underlying inflation have recently shown a downward trend, and we believe the FOMC is also likely to place greater weight on a broader range of indicators when assessing the future path of core inflation.

We also believe the FOMC will view the slowdown in employment growth as a source of some concern, despite the recent decline in the unemployment rate. Slower job growth may reflect rising uncertainty among businesses, even if the breakeven pace of employment growth has fallen. Moreover, the decline in unemployment has outpaced the slowdown in employment growth. Therefore, we do not believe the FOMC will interpret lower unemployment as evidence of a materially tighter labour market.

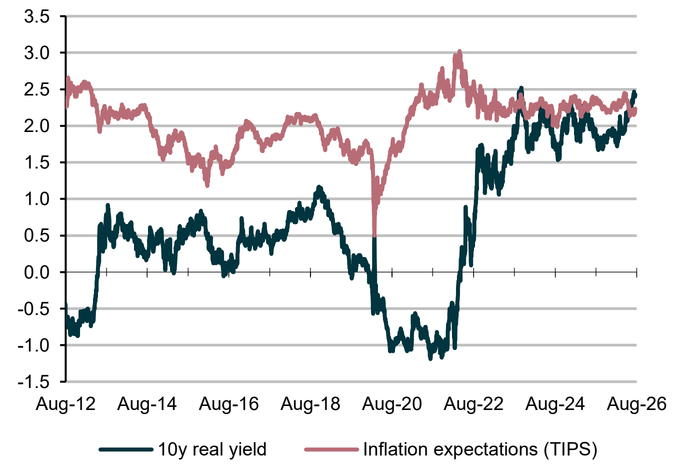
Finally, we maintain our view that inflation is likely to remain above target throughout the forecast period. In our view, this persistence of elevated inflation will make it difficult for the Fed to begin cutting rates over the coming years. At the same time, we see little need for additional policy tightening if inflation stabilises at around 2.5%.

US: Fed funds (upper bound) expectations, %



Source: LSEG Workspace, Bloomberg, DNB Carnegie

US: 10y real yield and inflation expectations, %



Source: LSEG Workspace, Bloomberg, DNB Carnegie

Long-term rates will likely decline gradually

The increase in long-term swap rates this year was primarily driven by the war in Iran, which triggered a significant repricing of expectations for the federal funds rate. Long rates rose due to a marked repricing of the Federal funds rate, mainly during March, but also partly in May. We expect long-term rates to remain elevated through the autumn, supported by uncertainty surrounding both developments in the Iran conflict and how Chair Warsh may reshape the Federal Reserve. Looking further ahead, we expect a gradual decline in swap rates next year as markets increasingly scale back expectations of further policy tightening. In addition, easing geopolitical uncertainty should support lower long-term yields over time. Nevertheless, we expect the decline to be moderate, given the prospect of continued solid economic growth and a federal funds rate that is likely to remain above its neutral level.

Long-term rates are expected to decline next year, mainly due to a repricing of the Federal funds rate expectations

EUROZONE

ECB hikes further, policy to remain restrictive

Higher energy prices will keep inflation elevated in the near term, while stronger wage growth is expected to sustain underlying price pressures later in the forecast period. We forecast core inflation above the ECB's 2% target throughout the horizon. The central bank is therefore likely to raise the deposit rate in September and March to 2.75% and keep policy restrictive thereafter.

Eurozone activity has proved resilient to the US-Iran war

Economic growth held up better than expected in the second quarter, with GDP increasing by 0.4% Q/Q. The expenditure components have not yet been published, but the headline figure suggests that the eurozone economy has proved more resilient to the US-Iran war than anticipated. All four major eurozone economies, Germany, France, Italy and Spain, contributed positively to growth. While activity in Germany has picked up from low levels, Spain continues to lead the bloc after several years of solid growth. A volatile contribution from Ireland weighed on growth in Q1, leaving eurozone GDP unchanged at 0.0% Q/Q. The weak start to the year means that annual growth in 2026 is still projected at only 0.8%, despite the positive surprise in the second quarter.

Eurozone activity has proved surprisingly resilient to the US-Iran war, while headline inflation has been lifted by higher energy prices and core inflation remains above target.

The unemployment rate has remained remarkably stable over the past two years and was near its historic low at 6.3% in June. However, indicators of labour shortages and vacancies have moderated substantially, and employment growth has slowed. Weak labour force growth, partly reflecting demographic constraints, has helped keep unemployment low. Nominal wage growth eased to 3.5% Y/Y in Q1. Forward-looking indicators, including the ECB wage tracker and negotiated wage data, point to a further moderation in wage growth over the next year.

Headline inflation has risen following the sharp increase in energy prices caused by the war in Iran. After peaking at 3.2% Y/Y in May, up from 1.7% Y/Y in January, inflation eased somewhat to 2.9% Y/Y in July. Core inflation has also remained slightly higher than expected, standing at 2.5% Y/Y in July, as services inflation remained elevated at 3.3% Y/Y.

Investment upturn to lift growth above trend from next year onwards

Looking ahead, we expect eurozone GDP growth to strengthen, led by higher German public consumption and investment. German defence spending has already increased substantially

Forecasts, eurozone: percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	1.4	1.1	1.3	1.3	1.2
Public consumption	1.4	2.2	1.5	1.2	1.0
Investments	3.0	1.4	3.8	4.1	3.2
Exports	2.0	0.3	1.2	1.2	1.5
Imports	3.6	1.8	2.0	2.0	1.9
GDP	1.3	0.8	1.5	1.5	1.4
Unemployment (level, %)	6.2	6.2	6.3	6.2	6.2
Wages	3.9	3.3	3.5	3.6	3.7
Core inflation	2.4	2.4	2.5	2.5	2.5
Headline inflation	2.1	2.9	2.3	2.2	2.5
ECB deposit rate (year end, %)	2.00	2.50	2.75	2.75	2.75

Source: LSEG Workspace, Bloomberg, DNB Carnegie

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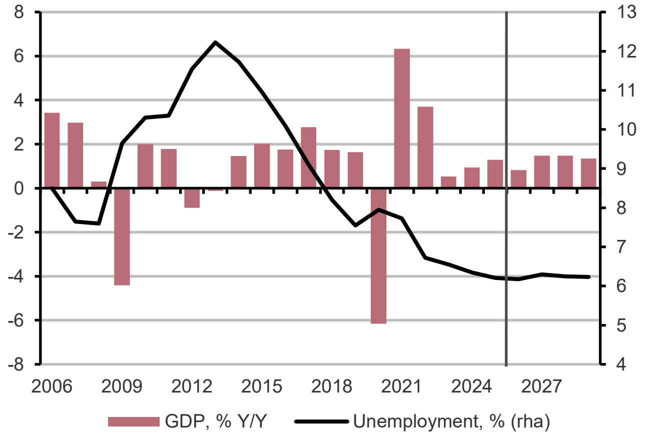
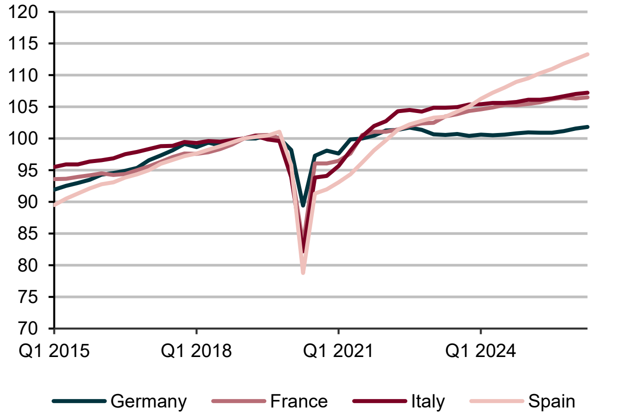
and is set to exceed EUR 100bn in 2026, before rising further towards EUR 180bn by 2030. Infrastructure investment is also set to increase and support growth, although its contribution is likely to be smaller than that from defence spending. Moreover, implementation continues to face significant constraints. Labour shortages, particularly in construction and within the central and local government, represent a challenge. Addressing these bottlenecks will be crucial and may require faster regulatory and permitting procedures, as well as measures to facilitate labour immigration in key sectors. To generate a lasting impact on growth, it is also essential that the new funds finance genuinely additional investment rather than replace expenditure already included in regular budgets. Nevertheless, given Germany's substantial infrastructure needs and the government's stated ambitions, we expect higher public investment to make a positive contribution to growth. In addition, private investments are set to increase, driven by high investments in sectors such as IT and energy.

EZ: GDP and unemployment



Source: LSEG Workspace, DNB Carnegie

EZ: GDP, index, Q1 2019=100



Source: LSEG Workspace, DNB Carnegie

Net exports weighed on growth last year and have continued to do so this year. We expect export growth to remain weak, reflecting higher US tariffs, persistent trade policy uncertainty and intensifying competition from China. At the same time, the sharp increase in defence spending, particularly in Germany, is likely to require a rise in defence related imports, given the eurozone's limited domestic production capacity. As a result, import growth is expected to outpace export growth throughout the forecast period, which will weigh on overall GDP growth.

Rising defence and infrastructure spending will drive an investment upturn from next year. Together with stronger private investment and a recovery in household consumption, this should lift eurozone growth above trend in 2027 and 2028.

The EU and the US reached a trade agreement last year that capped tariffs on most EU goods at 15%, although separate and generally higher rates continued to apply to selected products, including steel and aluminium. The tariff regime was revised in February after the US Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) did not authorise the president to impose tariffs. The administration subsequently replaced the invalidated tariffs with a temporary 10% import surcharge under alternative legal authority. The regime was adjusted again when this measure expired in July.

Eurozone exports to the US have fallen sharply since the introduction of the new tariffs, with goods exports declining by around 25% Y/Y in May. However, part of the decline probably reflects the reversal of unusually strong exports ahead of the tariff increases, rather than the direct impact of the tariffs alone.

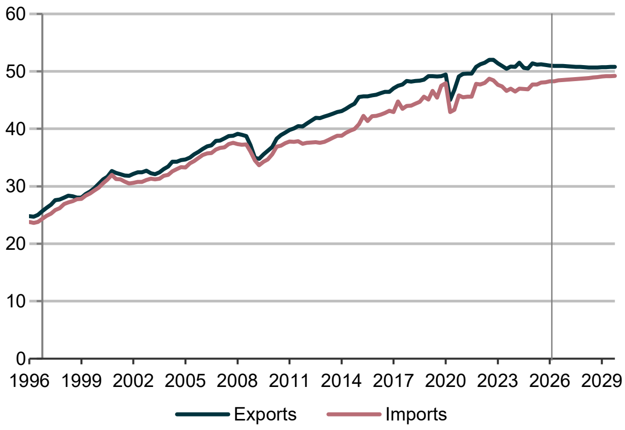
Trade relations between the EU and China also remain strained. The EU's goods trade deficit with China has more than doubled over the past decade. In response, the EU has proposed measures aimed at strengthening domestic industrial capacity and reducing strategic dependencies, including the Industrial Accelerator Act. The proposal would introduce European content and resilience criteria in selected public procurement and public support schemes, as well as limits intended to reduce excessive dependence on suppliers from a single country.

However, a broad trade confrontation with China would probably impose substantial economic costs on both sides, while the EU's dependence on Chinese inputs in several industries limits its room for manoeuvre. The EU is therefore likely to continue combining negotiations with more targeted trade defence, diversification and economic security measures.

Private consumption has likely weakened this year, reflecting the deterioration in household purchasing power caused by higher energy prices. We expect consumption growth to recover next year as real wage growth strengthens, and employment growth picks up alongside the broader economic upturn. Strong household balance sheets should provide additional support.

Higher US tariffs, persistent trade uncertainty and intensifying competition from China will restrain export growth. At the same time, rising defence-related purchases will lift imports, leaving net exports as a drag on growth throughout the forecast period.

EZ: Foreign trade, % of GDP



Source: LSEG Workspace, DNB Carnegie

EZ: Investments, % of GDP

Source: LSEG Workspace, DNB Carnegie

Taken together, GDP growth is forecast to rise from 0.8% this year to 1.5% in 2027 and 2028, before moderating slightly to 1.4% in 2029. With economic growth expected to remain close to, or modestly above, trend, unemployment is projected to edge down over the coming years.

Energy prices and wage upturn to keep inflation above target

Inflation has risen following the surge in energy prices, with headline and core inflation standing at 2.9% Y/Y and 2.5% Y/Y, respectively, in July. We expect energy prices to continue lifting headline inflation this year, before their contribution gradually fades over the course of next year. While oil prices have fallen back from their peak, European gas prices remain elevated, at their highest level since 2023, and very low storage levels pose a further risk going forward. Higher energy costs are also likely to feed through indirectly to transport and food prices. We forecast headline inflation at 2.9% this year, 2.3% next year and 2.2% in 2028, before rising to 2.5% in 2029 as wage growth picks up along with the economic upturn.

Energy prices will keep inflation elevated in the near term and generate indirect price pressures through transport and food. As the labour market strengthens, renewed wage growth is likely to keep inflation above the ECB's target.

Core inflation is also expected to remain above target this year, reflecting some indirect effects of higher energy prices and still high services inflation. Further ahead, the economic upturn and improvement in the labour market are likely to support a gradual pick up in wage growth. In addition, higher trade barriers and persistent geopolitical tensions are expected to exert upward pressure on costs and prices over the longer term. Against this backdrop, core inflation is projected to remain close to 2.5% throughout the forecast horizon.

ECB to hike in September and March and keep policy restrictive

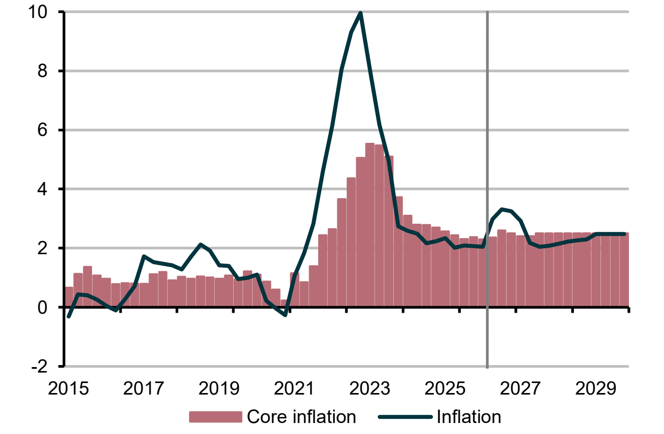
The European Central Bank raised the deposit rate to 2.25% in June in response to the recent energy price shock. It kept the policy rate unchanged in July, although the Governing Council discussed a further hike. We view another 25bp increase in September, to 2.50%, as highly likely.

We also forecast another rate hike to 2.75% in March next year, as inflation is likely to remain above target and the economic upturn increases the risk of second-round effects. As the economy recovers further and labour market conditions improve through next year, wage growth is likely to strengthen, preventing inflation from returning fully to the 2% target. We therefore do not expect any rate cuts over our forecast horizon.

The 10-year swap rate is expected to remain near current levels over the coming 12 months, as the two projected rate hikes are already incorporated in market rates.

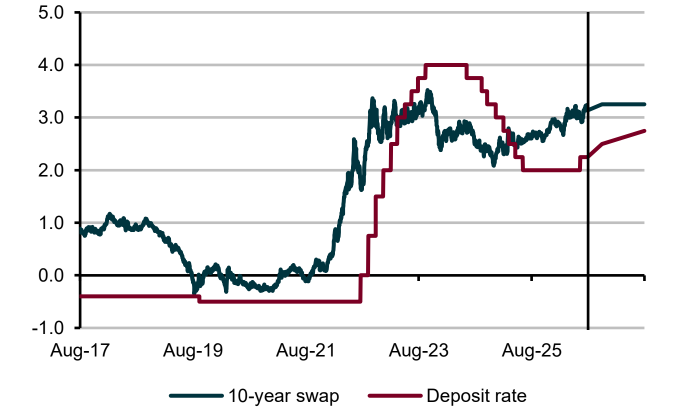
The ECB will likely raise the deposit rate to 2.50% in September and further to 2.75% in March next year. We expect the policy rate to remain unchanged thereafter, with no cuts during our forecast horizon.

EZ: Inflation, % Y/Y



Source: LSEG Workspace, DNB Carnegie

EZ: Interest rates, %. Actual and projections



Source: LSEG Workspace, DNB Carnegie

Geopolitical tensions skew growth risks to the downside, inflation risks to the upside

The past few years have illustrated how geopolitical tensions can have significant economic consequences, most recently through high energy prices and a sharp increase in tariff rates. Such tensions remain the most important identifiable risk to the economic outlook, with risks skewed to the downside for growth and to the upside for inflation. The most immediate short-term risk is that the US and Iran fail to reach a peace agreement which includes free transit through the Strait of Hormuz, leaving energy prices elevated. Extreme weather events also pose upside risks to inflation through higher food prices.

The German-led investment upswing could also lose momentum if governments fail to implement the capacity-enhancing measures needed to support it. High and rising public debt remains a key vulnerability for many eurozone economies, as higher interest rates and rising pension and defence spending put growing pressure on public finances. Upcoming elections, most notably the 2027 French presidential election, could also contribute to higher and more volatile government bond yields, particularly given the strong position of right-wing parties and concerns about their willingness to implement the fiscal consolidation needed to stabilise public finances.

On the upside, productivity gains from artificial intelligence could materialise sooner and prove larger than we currently assume for the euro area. Our baseline forecast incorporates only modest improvements in productivity.

UK

BoE likely on hold despite the energy shock

GDP growth remains modest, and the labour market remains weak. The energy shock has so far had a limited impact on inflation, while slower wage growth has dampened inflationary pressures. We expect the new government to maintain a neutral fiscal policy stance. The Bank of England will likely keep the Bank Rate unchanged this year, followed by two rate cuts next year.

GDP-growth to improve only gradually

After a strong start to 2026, GDP growth is likely to weaken in the second half of the year because of the effects from the Iran war. Our GDP growth forecast of 1.2% is almost unchanged from May. This pace of growth is also close to common estimates of the economy's potential growth rate.

Due to weak GDP-growth in 2023/24, the output gap turned negative and the labour market weakened. Our GDP forecasts suggest that the output gap will remain negative and will likely not close until the end of the forecast period.

Our GDP-growth forecasts are little changed from May and indicate a gradual removal of the economic slack

Resilient consumer demand and business investment

Private consumption has been lacklustre over the past three years, as households have increased their savings, possibly in response to the significant rise in the Bank Rate. In 2025, real disposable income growth weakened as wage growth slowed and inflation picked up. We expect private consumption growth to remain subdued this year, but a gradual improvement in disposable income next year is likely to support stronger spending growth. The savings rate is expected to remain close to its pre-pandemic average.

Business investment growth is expected to be modest this year, reflecting elevated uncertainty that has weighed on investment intentions. Somewhat stronger investment growth is anticipated from 2027 onwards, provided that the geopolitical environment becomes somewhat less uncertain. Dwelling investment has been even weaker than business investment following the post-pandemic boom in 2021-22. The main reason has been the rise in interest rates, compounded by higher construction costs and elevated geopolitical uncertainty.

Net exports are expected to make a small negative contribution to GDP growth in the coming years. The trend in net exports has been weak since Brexit, and we do not expect a significant improvement in the near term.

Forecasts, UK: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	1.1	1.0	1.2	1.6	1.4
Public consumption	1.7	1.9	1.2	1.2	1.2
Investments	4.0	2.2	2.1	2.0	2.0
Exports	1.9	1.3	1.5	1.9	2.0
Imports	4.1	2.7	1.8	2.0	2.0
GDP	1.3	1.2	1.3	1.5	1.4
Unemployment (level, %)	4.9	5.1	5.3	5.1	5.0
Wages	5.0	3.8	3.6	4.0	4.0
Core Inflation	3.5	2.8	2.5	2.4	2.4
Inflation	3.4	3.4	2.4	2.4	2.4
BoE Bank Rate (year end, %)	3.75	3.75	3.25	3.25	3.25

Sources: LSEG Workspace, Bloomberg, DNB Carnegie

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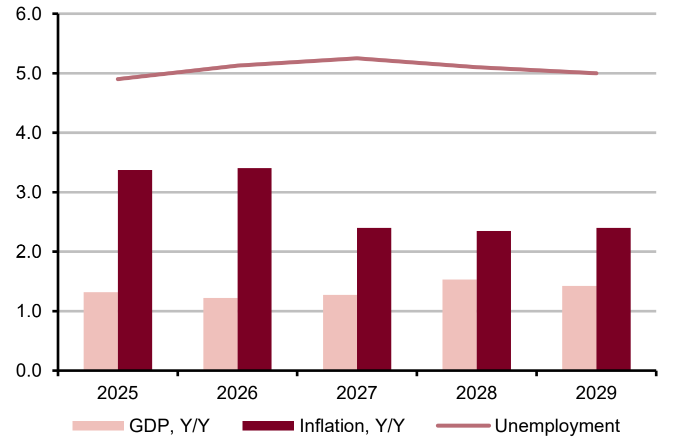
Labour market weakness continues

During 2023/24, the labour market weakened significantly. The unemployment rate rose markedly, while employment growth slowed and turned slightly negative. Although the unemployment rate declined somewhat earlier this year, we expect it to increase further in the second half of the year. Consistent with our forecast of a gradual closing of the output gap over the coming years, we also expect a gradual improvement in labour market conditions.

The weak labour market will likely exert continued downward pressures on wage growth, despite elevated inflation expectations

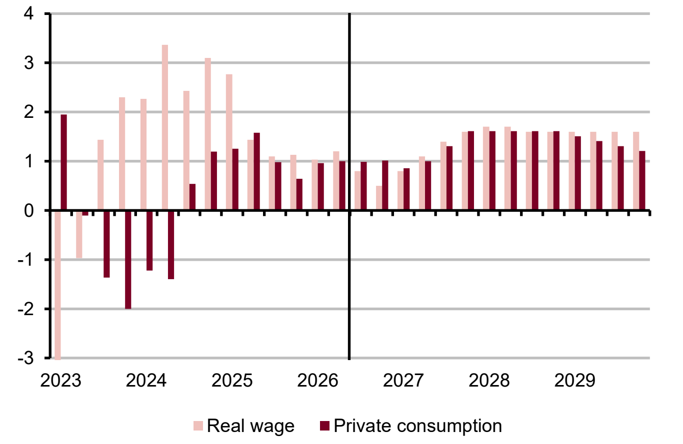
Wage growth peaked at around 8% Y/Y in mid-2023 and has since halved. We expect the soft labour market to exert continued downward pressure on wage growth this year and in 2027, as labour market slack reduces employees' bargaining power. Nevertheless, persistently elevated inflation expectations represent an upside risk to our wage growth forecast.

UK: GDP, core inflation and unemployment, %



Source: LSEG Workspace, Bloomberg, DNB Carnegie

UK: Households, % Y/Y



Source: LSEG Workspace, Bloomberg, DNB Carnegie

Inflation has fallen despite the energy shock

Contrary to expectations, inflation has fallen this year. Headline inflation stood at 3.0% Y/Y in January and declined to 2.6% Y/Y in June, while core inflation followed a similar pattern. We believe the main reason for this decline is the marked easing in services inflation, which is closely linked to wage growth. Services inflation fell from 4.4% Y/Y to 3.6% Y/Y despite the energy shock that began in late February.

Inflation fell in the first half of this year, but will likely pick up in the second half due to higher gas prices, food prices and to some extent services prices

Although higher crude oil prices quickly fed through to fuel prices, higher gas prices have yet to be reflected in the CPI. The reason is that household electricity and gas prices are adjusted quarterly in line with the price cap set by Ofgem. On 1 April, the cap was reduced by 7% following lower wholesale market prices earlier in the year. However, on 1 July, the price cap was increased by 13%. These changes will be reflected in the July CPI release. As a result, energy prices are likely to push inflation higher in the second half of this year.

In its July Monetary Policy Report, the Bank of England (BoE) forecasts that inflation will rise from 2.6% Y/Y in June to 3.1% Y/Y in December. Higher electricity and gas prices are expected to make a significant contribution (0.3%-points), while fuel prices are projected to make an even larger negative contribution (-0.4%-points). In addition, food prices, services prices and other goods prices are expected to contribute to higher inflation. We do not expect services inflation to accelerate again in the second half of this year. As a result, our inflation forecast is marginally lower than that of the BoE.

Bank of England has chosen to stay put so far

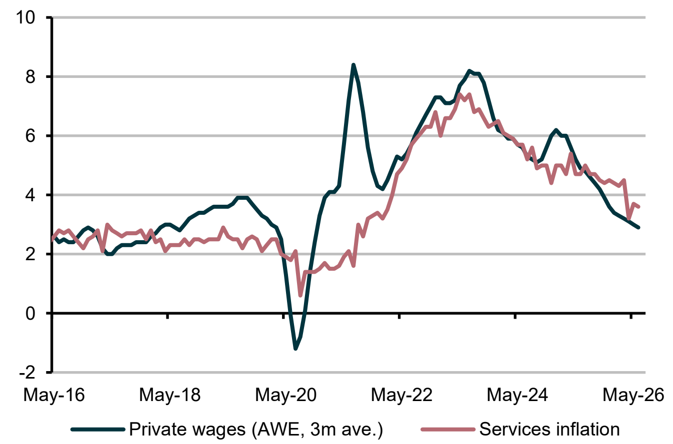
The monetary policy easing cycle that began in August 2024, when the Bank Rate stood at 5.25%, ended at 3.75% in January this year. Following the outbreak of the Iran war in late February, the Monetary Policy Committee (MPC) adopted a more hawkish stance and signalled its readiness to act if higher inflation was to generate second-round effects. So far, a large majority of MPC members have voted to keep the Bank Rate unchanged, although the number of dissenting votes increased to three in July.

We expect the Bank of England to keep the Bank Rate unchanged this year, followed by two cuts next year as the inflation shock fade.

The central bank's main concern is the risk of second-round effects from higher inflation. Our view has been that this risk is limited if weakness in the labour market persists. Moreover, we believe that the modest impact of the energy shock on actual inflation further reduces the likelihood of such effects. Moreover, inflation expectations, which rose markedly in March, have since fallen to almost the same level as in February. This should provide some reassurance to the MPC. We therefore maintain our forecast that the Bank Rate will remain unchanged this year, before gradually moving towards its neutral level in the second half of 2027.

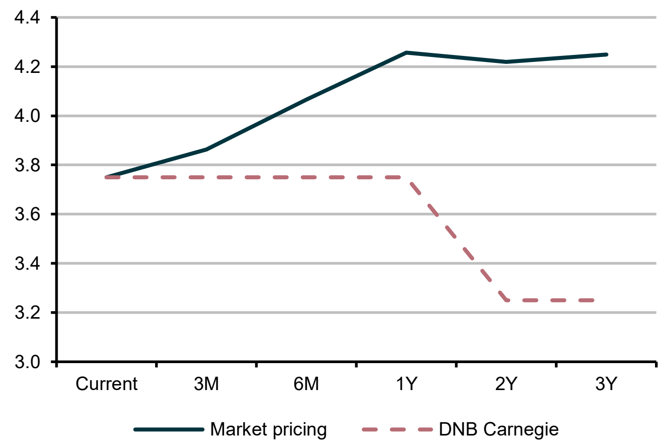
The Bank of England estimates the neutral rate to be in the 2.5% to 3.5% range. This range was revised up by 50 basis points in June last year. The estimate implies that the monetary policy stance has remained restrictive this year, even though the Bank Rate has not been raised.

UK: Services inflation and wage growth, % Y/Y



Source: LSEG Workspace, Bloomberg, DNB Carnegie

UK: Bank Rate expectations, %



Source: LSEG Workspace, Bloomberg, DNB Carnegie

Long-term swap rate will likely decrease next year

If our Bank Rate forecasts prove correct, the ten-year swap rate, which has risen significantly from around 3.9% to roughly 4.5% since the outbreak of the war, is likely to decline gradually. Even if the Bank of England keeps the Bank Rate unchanged for the remainder of the year, in line with our forecast, we are not convinced that long-term interest rates will fall significantly.

We believe that markets remain somewhat concerned about the risk of a looser fiscal stance following the change of government, even though the new Chancellor, John Healey, has pledged to maintain fiscal discipline. However, we expect the ten-year swap rate to decline to 4.0% over a one-year horizon. The main reason is that we expect the new government to adhere to a responsible fiscal policy stance. In addition, we believe that the Bank of England will keep the Bank Rate unchanged in the first half of next year before cutting it twice in the second half of the year.

SWEDEN

Growth solid, inflation rising - rates to follow

Powered by strong household consumption, Sweden is leaving the last remnants of downturn behind. Inflation, however, is turning higher again, bringing the shift towards tighter monetary policy into sharper focus. We continue to expect the Riksbank to deliver a first hike late this year, followed by two more in 2027, taking the policy rate to 2.50%.

Growth momentum keeps the outlook on track

In our previous Economic Outlooks, we have maintained a relatively constructive view on the Swedish economy, focusing on underlying momentum while looking through temporary setbacks. This view remains intact, and our updated forecasts are broadly unchanged. Following solid GDP growth of 1.9% already in 2024 and 1.7% in 2025, the economy is now leaving the last remnants of the downturn behind. The Q1 dip did not reflect a weakening in underlying activity as GDP indicators for Q2 point to a solid rebound. We leave our GDP growth forecast for 2026 almost unchanged at 2.2% (previously 2.3%), while maintaining our 2027 forecast at 2.3%. Domestic demand is expected to remain the key engine of growth, with an expansionary monetary and fiscal policy mix providing additional support into 2027. Meanwhile, net exports are likely to remain subdued, reflecting strong imports rather than weak exports.

Inflation pressures are broadening

The positive outlook is supported by a marked improvement in sentiment, with the NIER Economic Tendency Indicator rising to 104.7 in July, clearly above its historical average. The cyclical recovery is further underpinned by strong global structural demand related to investment in defence, infrastructure, energy and AI. That said, the geopolitical environment remains fragile amid intensifying great-power rivalry and rapidly shifting rules of the game. We maintain our long-standing view that these structural shifts will contribute to higher global inflation. Together with other factors, including a weaker krona, we expect underlying inflation to overshoot and settle above the Riksbank's 2% target from next year onwards.

Riksbank outlook broadly unchanged, three hikes from December

Our Riksbank call for the policy rate to reach 2.50% by late 2027 remains unchanged. With solid growth, improving resource utilisation and a significant risk of inflation overshooting the target, we expect hikes in December and March, followed by a likely third move in late 2027. This is well above the Riksbank's current rate path ending at 2.20%.

Forecasts Sweden: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
Private consumption	2.0	2.5	2.2	1.7	1.4
Public consumption	1.4	2.2	2.6	1.2	1.2
Investments	2.0	3.4	3.2	3.0	2.9
Exports	4.2	3.6	3.2	3.3	3.4
Imports	4.6	4.7	3.6	3.4	3.4
GDP (wda)	1.7	2.2	2.3	1.9	1.9
Unemployment (level, %)	8.9	8.6	7.8	7.5	7.2
Wages	3.7	3.4	3.3	3.3	3.3
CPIF-XE	2.8	0.9	2.2	2.3	2.3
CPIF	2.6	1.5	2.1	2.3	2.3
Policy rate (year end, %)	1.75	2.00	2.50	2.50	2.50

Source: LSEG Workspace, Bloomberg, DNB Carnegie

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Solid household consumption has been a key growth engine

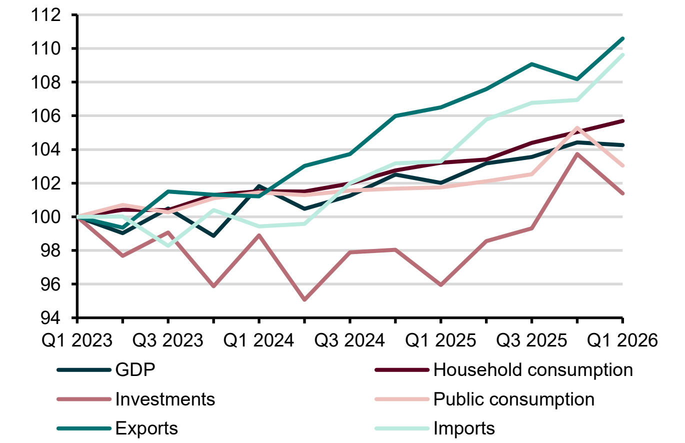
In stark contrast to the narrative that has dominated the public debate, household consumption, which accounts for nearly half of the Swedish economy, has been a key driver of the economic recovery over the past two to three years, with its average contribution to GDP growth somewhat higher than over the preceding decade. Significantly lower inflation and interest rates, higher wages and lower income taxes, together with expansionary monetary policy and unusually large late-cycle temporary fiscal measures, such as the halving of VAT on food, have provided a substantial boost to households' real disposable income and purchasing power. These tailwinds are expected to remain supportive into next year. In addition, Swedish households maintain a high savings rate, suggesting further upside potential for consumption.

Household consumption has been a key driver of the economic recovery and household savings provide further scope for spending if confidence improves.

The marked improvement in household purchasing power and consumption has not been mirrored in the NIER household confidence indicator. The micro index reached only 94.6 in July, raising questions about its usefulness as a reliable gauge of actual household spending. Following robust growth of 2.4% Y/Y in Q1, the household consumption indicator pointed to somewhat more muted activity in April and May. In June, however, consumption regained momentum, rising by 1.6% M/M and 4.3% Y/Y, pointing to stronger activity heading into Q3. This picture is reinforced by continued strength in retail sales, which rose by 6.6% Y/Y in June. Taken together, we expect household consumption to grow by 2.5% in 2026 and 2.2% in 2027, before gradually slowing to 1.4% by 2029 as higher inflation and interest rates increasingly weigh on real disposable income growth.

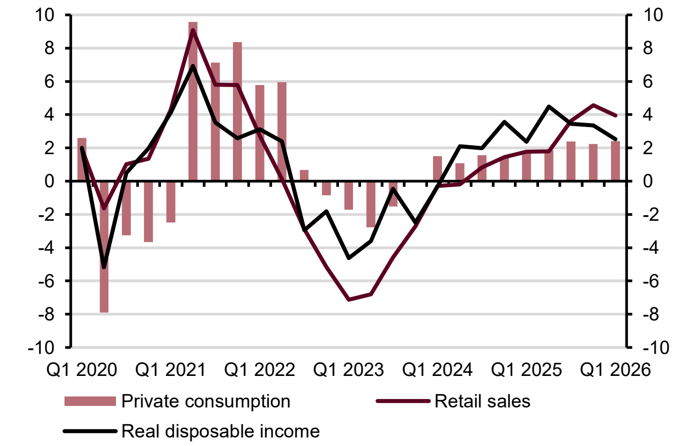
The NIER economic confidence indicator for retail increased further to 112.9 in July.

Sweden: GDP growth, sub-segments, Index 100=Q1 2023



Source: LSEG Workspace, Statistics Sweden, DNB Carnegie

Sweden: Household consumption, % Y/Y



Source: LSEG Workspace, Statistics Sweden, DNB Carnegie

Broad policy-driven investment upswing while construction is still uncertain

Aggregate investment growth of 2.1% Y/Y was supported by an 8.3% increase in public investment, with defence-related spending an important driver. Private-sector investment was more muted at 1.0%, while residential investment declined by 2.7%. 2026 started with a sharp drop in public investment, largely reflecting the strong increase in Q4. Looking through such quarterly volatility, we maintain our view that, alongside a strengthening business cycle, large-scale public investment and initiatives in defence, infrastructure, energy and AI will spill over into the private sector, supporting both investment and innovation for years to come.

Major public and private investments in defence, infrastructure, energy and AI are expected to underpin economic growth for years to come.

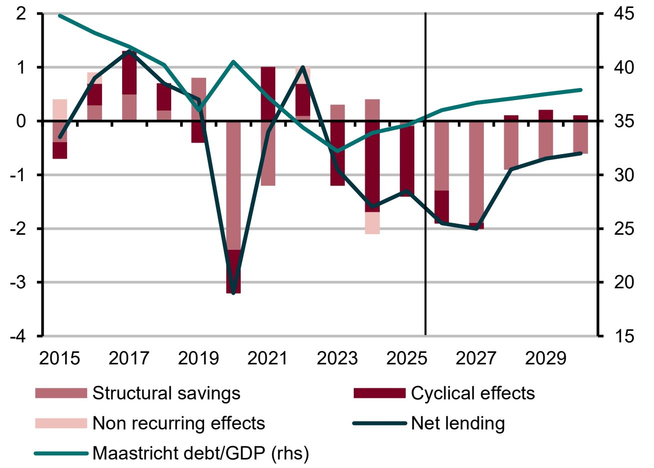
The construction sector's recovery from a deep downturn remains tentative, with investment expected to increase gradually in late 2026 and 2027 as the broader economy gains further traction. Financing conditions remain supportive but are likely to become somewhat less favourable, while the uncertain global environment is likely to weigh on sentiment. Further ahead, demographic trends add another layer of uncertainty. Overall, we project gross fixed capital formation to grow by 3.4% Y/Y in 2026, before gradually moderating to around 3.0% in subsequent years. This is significantly above the past ten-year average of 2.1%.

Fiscal expansion set to outlast the election

Increased public spending is set to continue over the coming decade, driven by the military build-up, investments in energy and infrastructure, and continued support for Ukraine. Much of the increase will take the form of long-term investment, partly financed through borrowing, while public consumption is also expected to rise. We consider it unlikely that the food VAT will be reinstated after 2027, adding further pressure on public finances. In all, structural savings are likely to remain negative for an extended period and neither the current surplus target nor the balance target from 2027 is likely to be met. Given broad political support for higher defence spending, together with the surprisingly strong focus during the final weeks of the election campaign on further economic support to households, significant near-term fiscal consolidation appears unlikely. Maastricht debt is expected to rise from around 35% of GDP but remain within the debt anchor range of 35% ± 5%.

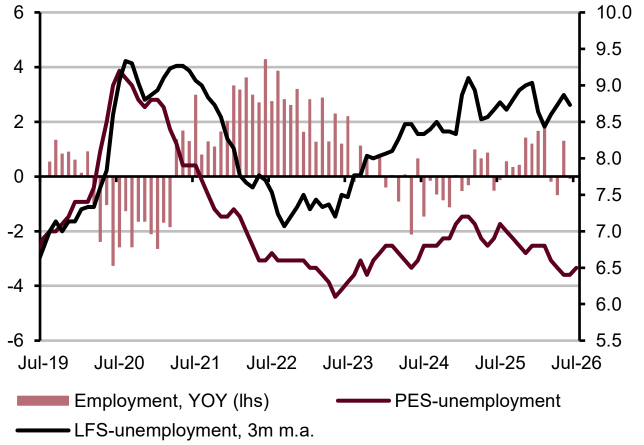
Strong focus on continued economic support to households during election campaign.

Sweden: Public net lending and Maastricht debt, % to GDP



Source: LSEG Workspace, DNB Carnegie, NIER

Sweden: Labour market trends, %



Source: LSEG Workspace, Statistics Sweden, DNB Carnegie

Strong domestic demand turns net exports into a minor drag

Despite higher tariffs, Swedish exports grew by a solid 4.2% in 2025. However, strong domestic demand, combined with the high import content of Swedish exports, pushed import growth even higher, to 4.6%, partly supported by the strong krona. As a result, net exports made a modest negative contribution of 0.1%-points to GDP growth. We expect this pattern to persist until foreign demand catches up with domestic demand. The recent weakening of the krona should provide some counterbalance. For 2026, we expect net exports to subtract 0.5%-points from GDP growth, before the contribution gradually moves back towards zero over the remainder of the forecast period.

Labour market strengthens as slack fades

The unemployment rate has risen sharply over the past three years, averaging 8.9% in 2025. The main drivers have been weak economic activity and a marked increase in labour force participation. Employment, however, has remained relatively stable over the period, pointing to underlying resilience in the labour market. Nevertheless, the high unemployment rate indicates that resource utilisation remains low. We expect labour demand to strengthen gradually as economic activity picks up, bringing the unemployment rate (LFS) down to 8.6% in 2026 and further to 7.2% by 2029. As the LFS includes full-time students seeking temporary work, who account for around one-third of the unemployed, the registered unemployment rate (PES) provides an important complementary measure. It has fallen from 7.1% to 6.5% over the past year, pointing to a clear improvement in underlying labour market conditions.

Unemployment rates have raised despite robust employment, due to higher labour force participation.

Full-time students constitute about one third of the LFS unemployment rate.

Several reasons why today's deceptively low inflation will overshoot target

After surprising on the downside in the opening months of the year, inflation has since turned higher. However, current inflation readings are deceptively low. The halving of VAT on food, lower fuel taxes and reduced public transport fares, together with other fiscal measures, lower CPIF and CPIF-XE inflation by around 1.5 and 1.0%-points, respectively, in Q3. As these measures take effect and expire at different points in time, their impact on measured inflation will vary over the next 18 months, initially weighing on inflation before generating reversals and base effects. We project CPIF-XE inflation at 0.9% Y/Y in 2026 and 2.2% Y/Y in 2027, before settling at around 2.3% in subsequent years.

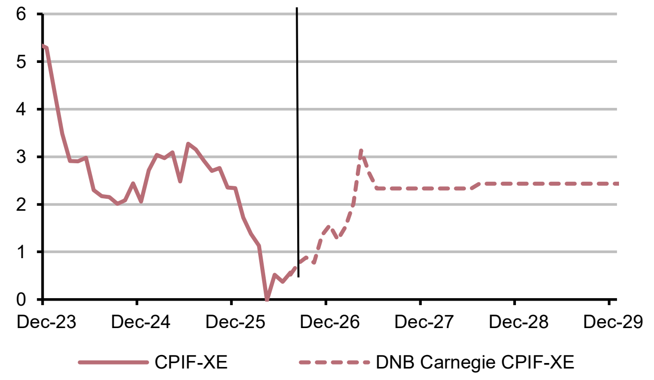
Given the political realities, we expect the lower VAT rate on food to remain in place beyond 2027.

We see several closely interconnected global and domestic factors pointing to higher underlying inflation going forward. First, we maintain our long-standing view that structural changes in the global economy, primarily driven by geopolitical dynamics, will keep underlying inflationary pressures tilted to the upside. Second, strengthening economic activity and rising resource utilisation are set to support domestic demand. This cyclical upswing is being reinforced by still-supportive monetary policy and a range of sizeable fiscal measures introduced late in the cycle, adding further impetus to already solid household consumption. Third, producer prices have risen sharply in recent months, accompanied by an increase in firms' pricing intentions. Fourth, adding to these pressures, the disinflationary effects of the earlier sharp krona appreciation are now fading, while the more recent weakening of the krona is likely to generate renewed inflationary impulses as its effects gradually feed through the pricing chain. We forecast only a modest SEK strengthening over the next twelve months, to EURSEK 10.80 and USDSEK 9.23.

Both global and domestic factors point to higher inflation.

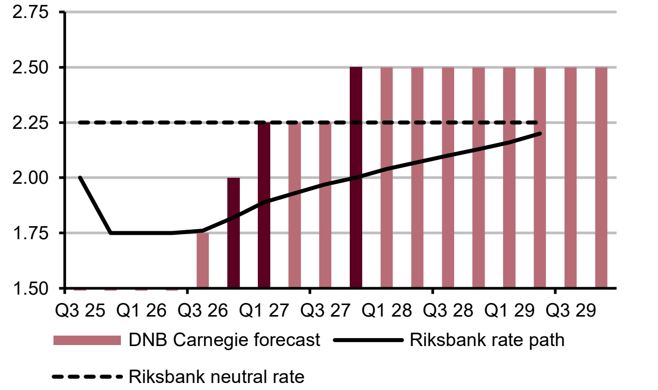
We forecast only a modest appreciation of the Swedish krona over the next twelve months.

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



Source: LSEG Workspace, Statistics Sweden, DNB Carnegie

Sweden: Policy rate path and DNB Carnegie forecast, %



Source: LSEG Workspace, DNB Carnegie, Riksbank

Riksbank shifting focus to rising inflation - first hike expected in December

Unlike most other central banks, the Riksbank has been able to navigate the challenges stemming from the Middle East war from a relatively favourable position, with solid growth and low inflation allowing for a wait-and-see approach. As discussed above, several signals now suggest that underlying inflation will settle at levels next year that warrant a policy response to prevent longer-term inflation expectations from drifting away from the 2% target. With the economy now leaving the last remnants of the downturn behind, the Riksbank faces little trade-off between inflation and activity. Apart from minor adjustments to the timing, we maintain our previous rate call and expect the first hike at the December meeting this year (previously November), followed by a second in March 2027 (January) and likely a third in the second half of 2027. This would take the policy rate to 2.50%, above both the Riksbank's estimated neutral rate of around 2.25% and the endpoint of its current policy rate path at 2.20%. Long-term rates have continued to rise in line with our earlier projections. The 10-year SEK interest rate swap is currently trading well above 3%, and we expect it to reach around 3.25% within three months and remain around that level thereafter.

The current policy rate path is regarded too low given the strength of the Swedish economic recovery along with rising inflation concerns.

We expect long rates to rise further due to higher global inflation and investments.

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CHINA

Policy-put holds, amid slow rebalancing

China has weathered the Iran shock and property downturn surprisingly well. We expect GDP growth to remain around 4.5% through the forecast period, supported by exports and strategic investment even as property and household demand remain weak. Rebalancing is therefore likely to remain gradual: property should become a smaller drag, while stronger social protection and AI driven productivity gains take time to support consumption and potential growth.

China's policy buffers have helped it navigate recent shocks

China absorbs the Iran shock better than feared

Chinese economic activity has remained resilient despite the Iran war and the sixth year of its property downturn. GDP growth slowed to 4.3% Y/Y in Q2, but industrial electricity demand rose 4.9% Y/Y and manufacturing PMI new orders remained in expansionary territory. Large oil inventories, refinery flexibility and rapid electrification allowed China to cut crude imports sharply without a comparable hit to industrial activity. The Hormuz crisis has also highlighted China's role as a global swing buyer of crude oil. Lower Chinese purchases freed up barrels for other importers, helping ease pressure on energy supply, with positive spillovers for China's trade partners and regional growth in Asia.

Structural divergence keeps monetary easing measured

Yet aggregate resilience masks an increasingly bifurcated economy. Investment in advanced manufacturing and exports remains strong, while property and household demand are weak. In some advanced manufacturing sectors, such as solar power, excess capacity has also intensified price competition and squeezed margins. The PBOC has described this as a "structural divergence", helping explain why monetary easing has remained measured. Since January 2025, the PBOC has cut the 7-day repo rate by only 10bp and reduced reserve requirement ratios (RRR) by 50bp. We expect the PBOC to maintain an accommodative stance through targeted relending and another RRR cut.

Selective reflation, not broad pricing power

Inflationary pressures from the Iran shock remain narrow in China. After nearly three years in deflation, the GDP deflator turned positive in Q2 rising 1.5% Y/Y while the export price index rose 8.2% Y/Y. Yet reflation is seen mostly in spiking commodities prices and rising prices in technology sectors impacted by the global AI investment cycle. Core CPI inflation remained around 1% as private consumption growth softened. Apart from electronics, which are affected by the memory-chip price squeeze, the ex-factory gate prices of most manufactured goods have either fallen or remained flat. This reflects continued competitive pressure to lower prices.

Strong exports reduce the need for broader stimulus.

Fiscal policy appears focused on implementing existing programmes rather than launching a large new stimulus package. Investment projects under the 2026–2030 Five-Year Plan are being accelerated, while strong exports reduce the immediate need for broader support. We expect exports and fiscal policy to continue acting as a backstop for growth. However, the same industrial strength that supports domestic activity is also likely to intensify trade tensions, particularly with Europe.

Forecasts, China: Percent change from previous year

	2025	2026e	2027e	2028e	2029e
GDP (reported)	5.0	4.5	4.3	4.5	4.6
GDP (estimated)	4.2	4.2	4.1	4.4	4.5

Source: LSEG Workspace, Bloomberg, DNB Carnegie

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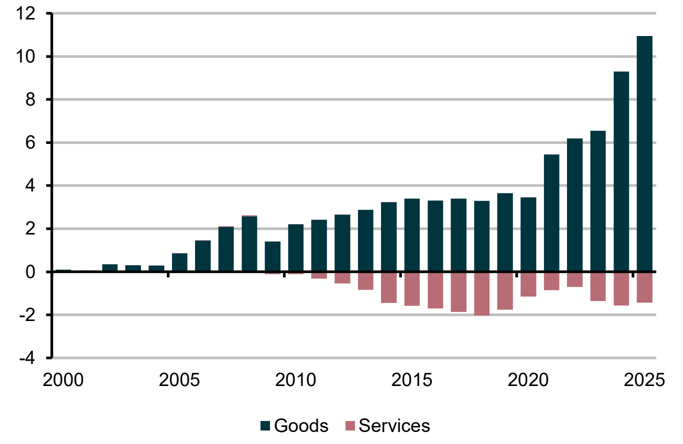
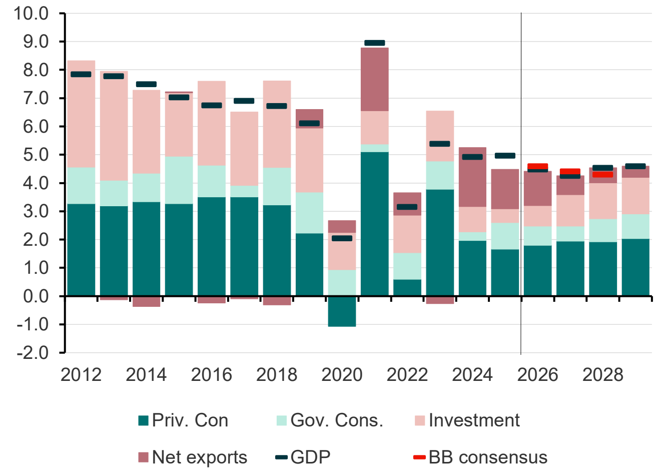
China: Trade balance (2020-CNYtn)



Source: LSEG Workspace, DNB Carnegie

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



Source: LSEG Workspace, Oxford Economics (history), DNB Carnegie (forecasts)
Note: Stock changes not explicitly included in chart

Property's drag on growth to ease amid stabilisation not rebound

China's property downturn remains a major headwind as it enters its sixth year. Near-term data remain weak: residential starts fell another 22% Y/Y in Q2, while provincial land-sale revenues plunged 38% Y/Y. Together with contracting developer funding this means that the construction pipeline will continue to shrink through 2027. For construction commodities, the spillovers from weaker Chinese construction demand may dampen price increases.

Property's drag on GDP eases before the market bottoms

We expect property sales, starts and investment to continue falling well into 2027, but at progressively slower rates. The drag on growth should therefore diminish, even before the national property market reaches a more durable bottom, which may not occur until 2028–29.

As housing inventories continue to deplete, rebalancing is progressing. Residential housing starts have remained around 30% below sales since 2022, producing a cumulative gap of approximately 1.26bn square metres, drawing down unsold inventories. As local governments continue to purchase unsold property to convert into public rental housing, this supports inventory drawdown at the margin. At the current pace, residential starts amount to roughly 35 square metres for every additional urban resident, more aligned with underlying housing needs than the 110-140 square meters seen in 2020-2022. Furthermore, as the housing stock ages, demolition and urban renewal will generate replacement demand, even as urbanisation slows.

Affordability still argues against a broad rebound in home prices

Home prices have begun to rise in the larger cities, where net migration remains positive and saleable inventory is tightening. Yet most smaller cities continue to face excess supply, weaker demand and subdued population growth, with prices still falling. Median price-to-income ratios remain around 27–29 times in China's largest cities, compared with 10.9–12.5 times in Nordic capitals and medium-sized Chinese cities – like the city of Hefei. With nominal per capita income growing by 4.8% Y/Y, several more quarters of sluggish home price growth will probably be needed before affordability improves meaningfully.

Strategic industrial investments replace part of the property investments

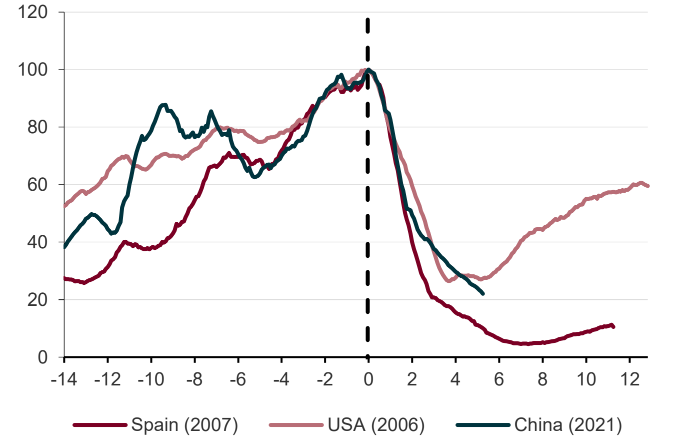
Notably, the collapse in property investment has not produced an equivalent fall in overall investment. Instead, policy has redirected capital towards strategic industries while increasingly trying to improve how it is allocated. The "Hefei model" illustrates both the strengths and weaknesses of this approach. As land-sale revenues weakened, local governments increasingly acted as strategic venture capital investors, using equity capital, industrial land and policy support to build manufacturing clusters. The city of Hefei successfully used this approach to build clusters around memory-chip manufacturer CXMT and automotive company NIO.

But widespread imitation to other cities also produced duplication, local protectionism and intense price competition, adding pressure to margins and incomes. Per capita income growth has roughly halved from pre-pandemic rates of 9% Y/Y.

We see Beijing's campaign against this race-to-the-bottom less as a retreat from industrial policy and more an attempt to discipline it. New rules mostly strengthen central oversight of local investment funds and the unified national market aims to reduce provincial barriers. We expect capital to be channelled into fewer, larger clusters. However, absent consolidation and quicker exits of excess capacity, pressures on prices and exports persist.

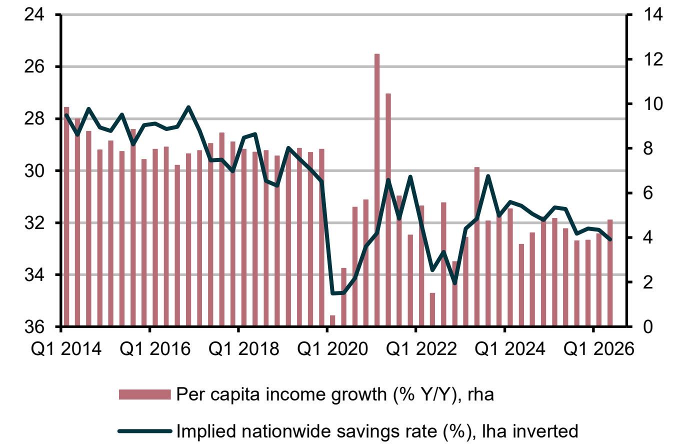
Central coordination aims to reduce duplication but does not hasten exits or closure of existing excess capacity

Housing starts in years before/after peak (peak = 100)



Source: LSEG Workspace, DNB Carnegie

China: Urban per capita income growth and savings rate



Source: Bloomberg, LSEG Workspace, DNB Carnegie

AI in China is about diffusion, not only frontier models

China's competitive advantage may lie less in developing the single most capable superintelligent AI chatbot, and more in widely deploying increasingly capable, low-cost robots throughout the economy. A distinctive feature of China's AI strategy is therefore its emphasis on industrial applications and "physical AI" rather than software alone. Thus far in 2026, China stood for 97% of global humanoid robot shipments.

China's AI strategy is about diffusion

First, AI enabled automation can make manufacturing more efficient. Remote monitoring and coordination of robots can reduce defects, downtime and production cycles. At Foxconn, which assembles iPhones in China, vision guided robotic arms reduced cycle times by up to 30% and error rates by 25%. The ambition extends beyond highly automated electronics and automotive plants. As AI software improves and hardware become cheaper, automation can spread beyond highly automated electronics and automotive plants to smaller factories.

AI can raise productivity in manufacturing, energy and agriculture

Second, AI can improve the efficiency of China's energy system. Industrial users can reduce idle running, unnecessary heating and cooling and coordinate production schedules to operate machinery closer to optimal capacity. For grids, AI can improve forecasting, identify faults earlier and enable predictive maintenance. State Grid is already combining AI with drones and robots for inspection and dangerous maintenance work, while the IEA estimates that wider AI deployment could materially shorten electricity outages. This is particularly relevant for China because abundant and reliable electricity is itself an important comparative advantage.

Third, AI and robotics can raise productivity in agriculture and facilitate continued urbanisation. In 2025 around 161m people, or 22% of China's workforce, were still employed in agriculture. While China already had more than 300,000 agricultural drones in operation last year, policy is clearly broadening towards more automation for crop production, livestock and aquaculture management. If successful, this could maintain agricultural output with fewer workers, releasing labour for higher-productivity urban employment and facilitate continued urbanisation.

Stronger social protection is key to reducing precautionary saving

Social protection is key to lowering precautionary saving, with slow progress

Property weakness continues to weigh on household confidence because housing remains the dominant household asset. Weak income growth and labour market uncertainty have also kept saving rates high and consumption growth weak. A more durable rebalancing therefore requires stronger social protection, including pensions, healthcare, childcare, unemployment insurance and public housing. The 2026–2030 Five Year Plan highlights the need for such reforms.

Short term, Hukou reform[1] offers one such avenue. More than 250m people live long term in Chinese cities without full access to schooling, healthcare, pensions, unemployment benefits and other public services. One IMF estimate puts migrant saving rates about 6.8%-points above otherwise comparable local hukou households. In May 2026, authorities launched measures to extend access to public services according to migrants' place of residence regardless of Hukou.

Local financing remains the constraint on social reform, we wait for more central debt issuance ahead

Financing remains the principal constraint. Population-inflow cities must expand schools, healthcare, childcare, eldercare and subsidised housing just as the property downturn has weakened land-sale revenue and related property taxes. The May guidelines propose aligning fiscal transfers, but the allocated RMB42bn budget is modest. We therefore expect implementation to remain uneven in 2026–27, with more meaningful expansion in 2028–29 conditional on greater central-government financing. Increased use of ultra-long central-government bonds would signal that Beijing is prepared to fund the reform. With 10-year China Government Bond yields below 1.7% and ample domestic savings, central government debt sustainability appears solid enough to cover local financing shortfalls.

The spillovers from such reforms differ from traditional infrastructure investment or direct consumption subsidies. The initial rollout would require higher public investment in schools, healthcare facilities and subsidised housing. Over time, however, the larger effect would come through permanently higher government consumption as cities employ more teachers, healthcare workers and social-service staff, while lower household saving rates support private consumption more sustainably.

Exports to outperform amid fragile US truce and escalating trade tensions with the EU

Exports pivot to the Global South

Weak domestic consumer demand continues to push Chinese firms towards global markets. Increasingly, they will compete more directly with incumbents in advanced economies while continuing to gain market share across the Global South. Since the RCEP Asia-Pacific free trade agreement entered into force in 2022, Chinese investment across Asia has reorganised regional value chains. Chinese firms increasingly export capital, technology, intermediate and capital goods, diversifying final assembly. If AI diffusion raises productivity, the external consequence is even greater competition ahead.

US rivalry remains managed, while EU–China trade tensions are rising

The US–China trade détente reached in October 2025 remains broadly intact, with both sides seeking more stable rules of engagement. China retains leverage in rare-earth processing and other industrial supply chains, while the US controls key technological chokepoints and is using Pax Silica to build a US-led AI supply chain. President Xi's expected visit to Washington on 24 September could provide an opportunity to extend China's pause on rare earth export controls. In our view, building meaningful heavy rare earth separation capacity outside China will take many years. Continued US dependence on Chinese rare earths, including for defence supply chains strained by the wars in Ukraine and Iran, should constrain near-term escalation.

EU–China relations are becoming more difficult. Europe is de-risking while still courting Chinese investment, increasingly tying market access to local production, higher European content and, in sectors where China leads, technology transfer. Beijing is responding with tighter controls on outbound technology, investment and intellectual property. The likely result is an accumulation of sector-specific restrictions. Trade and investment may continue expanding in ringfenced areas such as those necessary for climate action, even as a growing web of restrictions makes the broader relationship more fragmented and harder for multinational companies to navigate.

[1] China's 'hukou' system registers households to a particular locality and has historically controlled access to social insurance and other local public services. Migrants can often access *some* services where they live, but eligibility and benefit levels are significantly less favourable.

EMERGING MARKETS

Resilient growth this year, rebound in 2027

Emerging and developing economies (EM) have remained resilient to trade disruption and the Iran shock and will account for most global growth over 2026–29. Yet this resilience masks widening differences in commodity exposure, technology adoption and policy space. India remains among the fastest growing emerging economies.

Both demand and supply flexibility has contained the Iran shock, for now

The conflict in the Middle East has weakened growth and lifted energy, fertilizer and other commodities prices. The conflict appears as a more persistent headwind than previously assumed, but its economic fallout has so far been less severe than feared. Despite the Strait of Hormuz having remained closed to traffic for months, the impact on global energy prices has been surprisingly contained given the importance of this maritime chokepoint.

In crude oil markets, the ability to reroute some exports, quick increase in non-Hormuz production, sizeable releases from petroleum reserves and surprisingly large capacity to switch demand to alternatives, have limited the net supply shock. As a result, energy-demand destruction has been much smaller than expected, sparing emerging-market importers, which otherwise would have borne most of the demand adjustment through rationing. Yet this uneasy equilibrium cannot persist indefinitely: inventories and spare capacity are finite, so it must eventually give way either to a reopening or a much sharper adjustment in prices and demand.

We expect growth in emerging economies to slow from 4.4% Y/Y in 2025 to 3.7% Y/Y in 2026, before rebounding in 2027. This forecast assumes that a new normal in the Strait of Hormuz would be established by year-end, allowing for more sizable, but still disturbed transit through the Strait. This would be consistent with the current futures prices of energy commodities. Medium-term, should Hormuz reopen, oversupply could lower prices from the current futures.

However, near-term risks and volatility remain high. The June Memorandum of Understanding has effectively collapsed, suggesting that neither President Trump nor Supreme Leader Khamenei is yet able to take the next offramp without greater pressure. For Trump, that pressure could come from high energy prices, which would intensify inflation concerns and put upward pressure on treasury yields. Strains on US precision-munition inventories could also constrain Washington’s ability to prolong the conflict. For Iran, repeated bombardment compounds the effects of sanctions and the naval blockade. Severe drought and dependence on food imports heighten the risk of food insecurity and wider domestic unrest.

Forecasts, Emerging economies: GDP percent change from previous year

	2025	2026e	2027e	2028e	2029e
Emerging economies	4.4	3.7	4.4	4.3	4.3
China (Official)	5.0	4.5	4.3	4.5	4.6
China (Actual)	4.2	4.2	4.1	4.4	4.5
India (FY)	7.7	6.5	7.0	6.5	6.5
Russia	1.0	1.0	1.0	1.5	1.5
Brazil	2.3	2.4	2.0	2.5	2.5
MENA and Central Asia	3.6	1.0	6.0	4.0	4.0
Asia ex. China & India	4.8	4.5	5.0	5.0	5.0
Latin America ex. Brazil	2.4	2.2	2.5	2.5	3.0
Europe ex. Russia	2.0	2.0	2.0	2.5	2.5
Subsaharan Africa	4.5	4.0	4.5	4.5	4.5

Source: LSEG Workspace, DNB Carnegie (estimates) *FY = Fiscal year estimates

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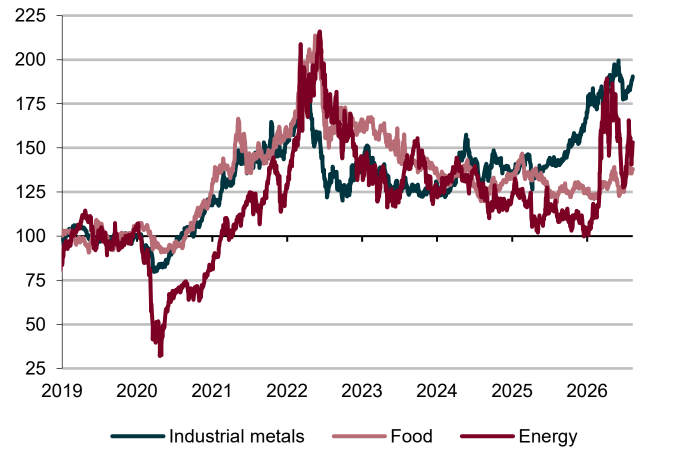
Monetary policy credibility reduces crisis risk, but debt limits policy space

Before the Iran war, central banks across many emerging economies had anchored inflation expectations by tightening interest rates decisively. Heading into 2025, inflation was falling and most were in the process of easing. Disruptions from the war and renewed commodity price pressures could now delay further rate cuts. Stronger monetary policy credibility should reduce the risk of a broader crisis. However, elevated fiscal deficits and rising debt servicing burdens mean that higher for longer interest rates will further constrain fiscal space in EM economies.

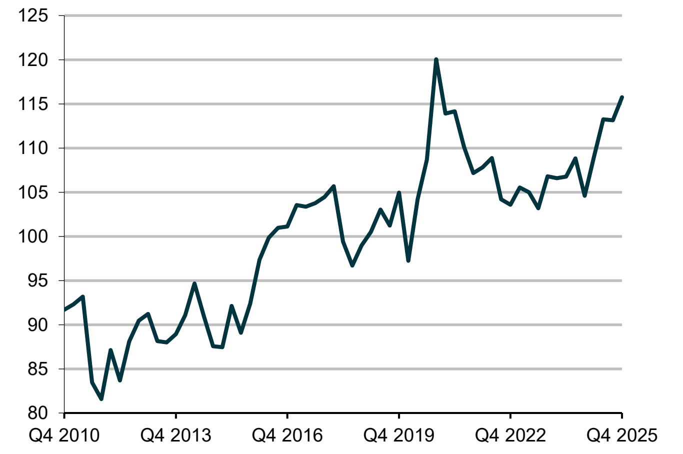
Higher for longer rates narrows fiscal space

Global: Commodities price indices (Index to 100)



Source: LSEG Workspace, Bloomberg, DNB Carnegie

EM excluding China: Total debt as share of GDP (%)



Source: LSEG Workspace, Bloomberg, DNB Carnegie

War, AI and trade fragmentation reshape the diverging EM growth map

We observe that growth is edging down across all emerging market regions in 2026, although with significant regional divergence. Commodity importers and exporters experience the effects of the Iran war very differently. EM economies are also unevenly positioned for two major structural shifts: the adoption of artificial intelligence and deepening trade fragmentation.

Among Middle Eastern oil exporters, we forecast sharp contractions in Iran, Iraq, Kuwait and Qatar, which remain heavily dependent on transit through the Strait of Hormuz. Saudi Arabia is less exposed because it can reroute part of its exports to the Red Sea. We have lowered our regional forecast for 2026 but raised it for 2027, when restored production and investment in alternative export routes should support a strong rebound.

The outlook for Russia remains highly uncertain and hinges on the course of the war in Ukraine and relations with the US. After several years of stronger than expected growth, sanctions and mounting capacity constraints are set to weigh on activity, despite higher commodity prices. This leaves growth in developing Europe subdued at around 2% Y/Y.

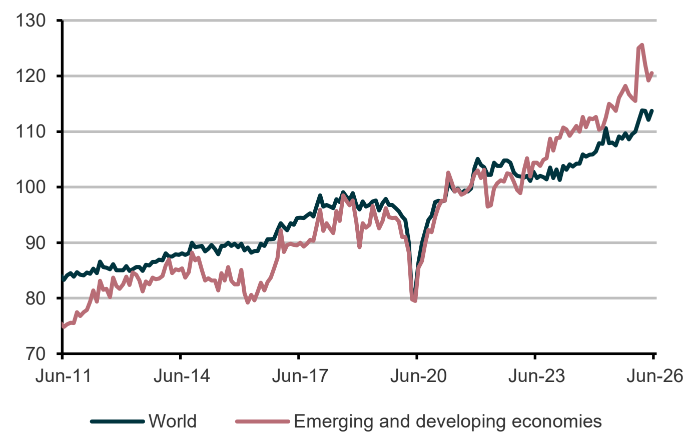
Latin America remains the weakest growing EM region, with estimated growth of around 2.2–2.5% Y/Y over the coming years. Mexico faces downside risks as trade fragmentation threatens its manufacturing base. The US declined to extend USMCA in its current form at the July review, triggering negotiations over revised terms, although the agreement remains in force. Brazil benefited from rising offshore oil production in 2025 but faces headwinds from higher US tariffs.

Asian economies are particularly dependent on energy imports from the Middle East. Nevertheless, we expect growth to remain robust at close to 5% Y/Y. The region is deeply integrated into global technology supply chains and continues to benefit from the AI investment cycle. Malaysia is experiencing rapid data centre investment and is the region's leading hub for semiconductor assembly, testing and advanced packaging. Vietnam is also well positioned in these final stages of semiconductor production, while Thailand's exposure is concentrated more heavily in automotive and power electronics.

The region is also benefiting as Chinese and Western companies diversify production. Tariffs and geopolitical tensions have accelerated this shift, broadening and lengthening supply chains as trade becomes more regionalised. The 2022 Asia Pacific free trade agreement RCEP has facilitated the process. China has boosted foreign investment and sales of machinery, components, and industrial technology – transferring capacity across Asia. As local production, value added and incomes rise, these economies in turn become larger markets for China.

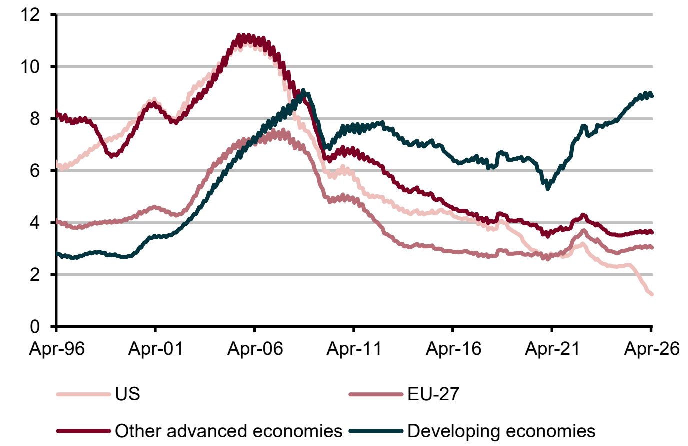
Trade is rerouting, not retreating

Global: Goods trade volumes (index 2021 = 100)



Source: LSEG Workspace, CBP, DNB Carnegie

China: Exports by destination (% of GDP)



Source: LSEG Workspace, DNB Carnegie *Others advanced economies exclude Hong Kong

India, which remains outside RCEP, has benefited less from 'China+1' strategies thus far, although Apple is expanding assembly capacity in India, while retaining large scale production and supplier networks in China. Despite a decade of policies to attract manufacturing investment, manufacturing accounted for only around 13% of GDP in 2025, down from roughly 15% when 'Make in India' was launched in 2014 and well below its 25% target. We nevertheless remain optimistic on India becoming a beneficiary of relocations from China – especially following India's recent free trade agreements with the EU and the UK. We expect India to remain one of the fastest growing EM economies, though slowing after entering 2026 with strong consumption and investment momentum.

We expect slower AI adoption and more limited productivity gains across much of EM

AI may widen the productivity gap to developed economies

Economies with weaker digital infrastructure, unreliable electricity supplies, limited computing capacity and shortages of advanced skills will struggle to deploy AI at scale. Gains from language models may also be smaller where services and knowledge intensive tasks account for a lower share of GDP. Adoption will likely be uneven: some EM economies may achieve broad integration, while many lower income countries rely on smaller, task specific applications that operate locally with little internet connectivity. In India, AI also presents a downside risk in the short term. Generative AI could automate routine tasks in business process outsourcing, customer support and software development, weakening demand for labour intensive services that have supported export growth. India's large technology workforce creates opportunities to move into higher value services, but this will require substantial retraining.

El Niño adds to food price volatility

Food shocks hit poorer economies hardest

El Niño redistributes agricultural conditions rather than uniformly reducing output. Drought may damage rice, wheat and maize crops across parts of Asia, Australia and Southern Africa, while additional rainfall could improve soybean and maize yields in Argentina and southern Brazil. However, higher fertiliser prices caused by the war in Iran may limit gains and amplify losses. Export restrictions and policy can also transmit local losses into global price shocks. During the 2023–24 El Niño, India restricted exports of several rice varieties, contributing to a rise in international rice prices. In low-income economies, where food accounts for a larger share of inflation and household spending, such volatility is particularly damaging.

NORWAY

Sub-par growth as rates rise further

Growth in the mainland economy is expected to remain slightly below trend in 2026 and 2027 before picking up. The labour market is expected to remain robust, despite a slight increase in unemployment. We expect Norges Bank to raise the policy rate once more in September 2026, before cutting rates twice in H2 2027 as inflation gradually comes lower.

Output slightly below trend but expected to pick up

Growth in the mainland economy was revised down to 0.2% Q/Q in Q4 2025 and remained moderate at the start of this year, with growth of just 0.2% Q/Q in Q1. These two data points have contributed to a downward revision of our 2026 growth forecast, from 1.5% to 1.1%. However, adjusting for volatile components, underlying momentum in the mainland economy remains relatively solid, and we expect growth to continue slightly below trend in H2 2026 and 2027.

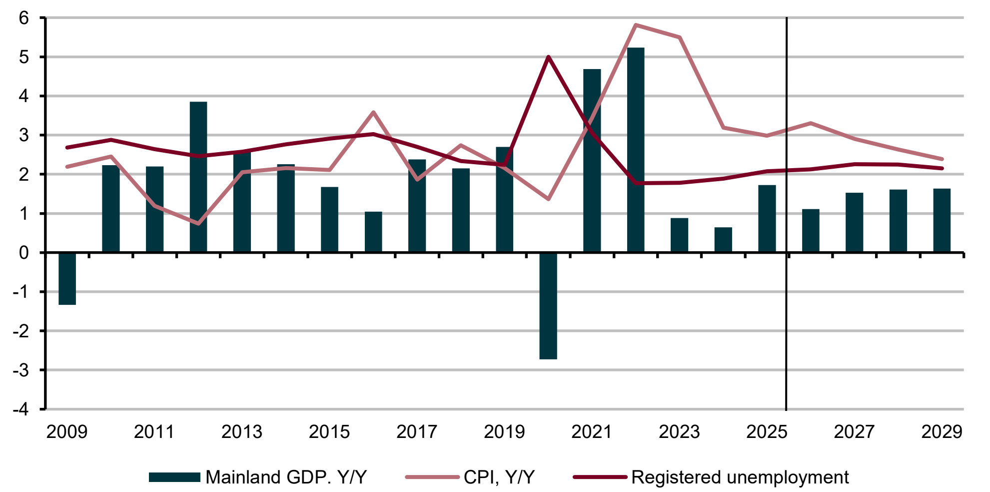
Growth revised down, but underlying momentum remains relatively solid.

Rate hikes and elevated inflation are expected to result in moderate growth in households' real disposable income, leading to a weaker contribution from private consumption going forward, following the strong increase in 2025. Other demand components were also weaker than expected in Q1, while we do not have available information that points to a sharp rebound in Q2. With Norges Bank expected to hike the policy rate to 4.5% in September this year and subsequently cut rates twice in H2 2027, growth is expected to remain slightly below trend in 2027 before picking up in 2028–2029, to around 1.6%, broadly in line with our estimate of potential growth.

Private consumption expected to recover alongside real wage growth

National accounts for Q1 revised down growth in private consumption in Q2–Q4 2025 and showed a surprisingly large decline in Q1, of 1.0% Q/Q. Goods consumption fell 3.3% Q/Q, primarily reflecting a normalisation after the sharp increase in car sales in Q4 2025, although weak retail sales also contributed. Services consumption has been more stable, but slightly weaker than expected, rising 0.3% Q/Q in Q4 and 0.4% Q/Q in Q1. The weaker-than-expected momentum at the start of the year has significantly lowered our estimate for private

Norway: Macroeconomic forecasts. %



Source: Statistics Norway, NWLA, DNB Carnegie

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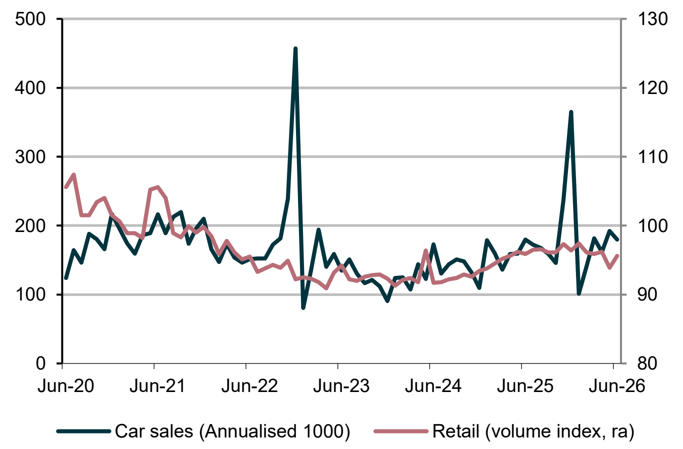
consumption growth in 2026, which we now expect at 1.1%, compared with 1.9% ahead of the Q1 data release.

After a decline in Q1, private consumption is expected to pick up in line with real wage growth in the coming years.

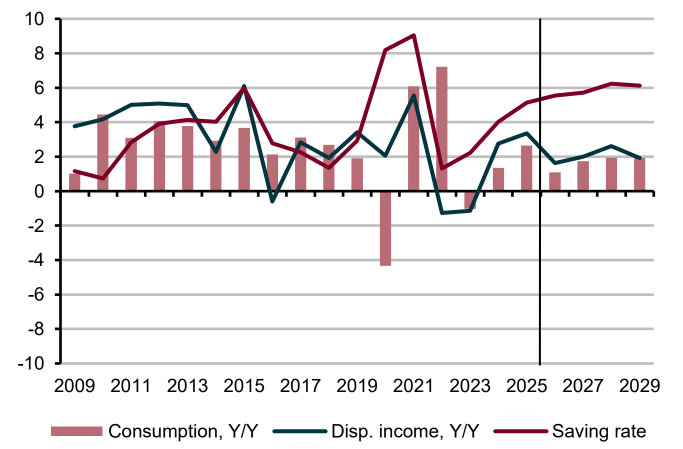
While the Q1 data and revisions could be viewed as a sign of underlying weakness, car sales and retail sales suggest that goods consumption rose by around 0.7% Q/Q in Q2. Developments in household sentiment and disposable income could suggest that consumption will remain moderate in H2 2026, as inflation remains elevated and Norges Bank raised the policy rate in May, while signalling another hike in H2 2026. On the other hand, wage growth remains solid and the labour market has proved resilient, supporting growth in real disposable income of 1.6–1.7% in 2026 and 2027. We therefore expect private consumption growth to continue in H2 2026 and reach 1.7% in 2027. Rate cuts in H2 2027, somewhat lower inflation and continued solid wage growth should lift consumption growth further in 2028 and 2029, to around 1.9%. This implies that the saving rate will continue to edge higher, broadly in line with its long-term trend.

Norway: Retail and car sales



Sources: Statistics Norway, DNB Carnegie

Norway: Households. %



Sources: Statistics Norway, DNB Carnegie

Mainland investments to rise slightly, petroleum investment to decline

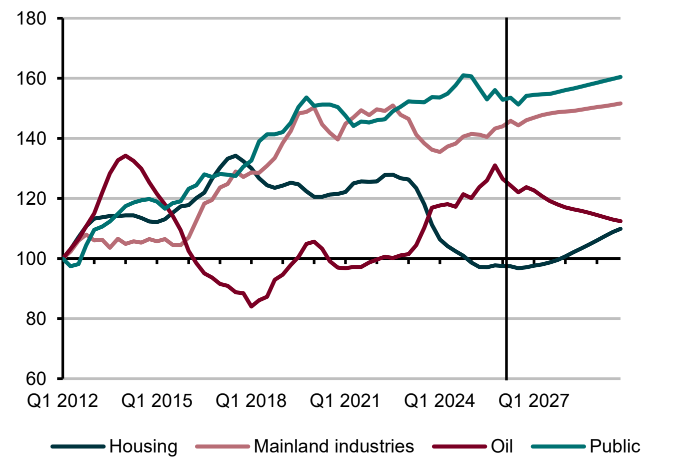
Mainland investment fell 6.0% Q/Q in Q1, after rising 6.2% Q/Q in Q4 2025. The high volatility in the investment data warrants caution when interpreting quarterly developments, and relatively large revisions are not unusual. Looking through the volatility, the overall trend in mainland investment has been broadly flat after declining from the exceptionally high levels seen in 2021–2022. We expect mainland investment to remain subdued in H2 2026 and 2027 before picking up in 2028 and 2029, broadly in line with activity in the economy. This view is also supported by Norges Bank's Regional Network 2-26, which pointed to weaker expectations for investment growth in 2027.

Mainland investment will pick up, but the rebound in housing investment is expected to be slow and petroleum investment are expected to decline in the coming years.

Among the subcomponents, we expect public investment to continue rising in the coming years, as growth in the value of the petroleum fund suggests scope for further fiscal spending. Housing investment fell again in Q1 after rising in Q4, and we do not expect a significant upswing over the next year. However, housing starts were up 30% Y/Y in Q2, which could point to a gradual improvement. With rate cuts and another year of nominal house price growth, we expect new home sales to improve somewhat from 2027, with housing investment gradually recovering from low levels in 2028 and 2029. High investment in electricity infrastructure will also contribute positively, particularly in 2026 and 2027.

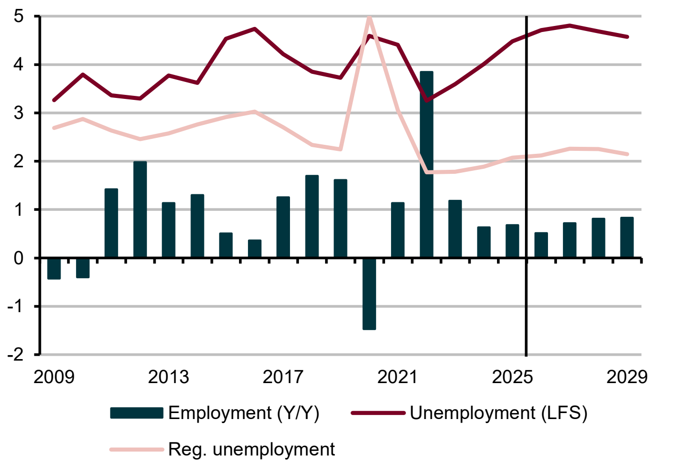
Statistics Norway's investment survey suggests that petroleum investment will decline gradually from a high level. Although investment activity remains relatively high, the pipeline of new projects is unlikely to match the scale of projects now being completed that were initiated in connection with the pandemic-related petroleum tax package.

Norway: Real investment. Index, 3Q average, Q1 2012=100



Source: Statistics Norway, DNB Carnegie

Norway: Labour market. %



Source: Statistics Norway, NWLA, DNB Carnegie

Labour market likely to remain balanced

We expect the labour market to remain stable, with a slight uptick in unemployment and continued employment growth.

The labour market has been stable and robust for a long time, and we expect this to continue, albeit with a slight rise in the unemployment rate from historically low levels. The registered unemployment rate has remained low so far this year, at 2.1%, and we expect a moderate increase to 2.3% in 2027. The LFS unemployment rate fell to 4.5% in Q2 and has stabilised after trending higher, primarily due to growth in the labour force. We expect LFS unemployment to rise slightly, to 4.8% in 2027, before edging lower again as activity improves.

Employment growth has also been stable at around 0.6% Y/Y over the past three quarters, according to National Accounts data. Statistics Norway's jobs data show a similar development. However, developments through Q2 suggest that momentum may be weakening. There are still large differences across sectors, with employment declining in construction, finance and insurance, and information and communication. This is more than offset by stronger growth in other sectors, including public administration and defence, personal services, transportation and hospitality. Norges Bank's Regional Network points to slightly weaker employment growth ahead, indicating growth of 0.1% Q/Q in both Q2 and Q3. We estimate employment growth at 0.5% in 2026, before activity picks up and employment growth gradually rises towards 0.8% in 2029.

There are some downside risks to the labour market in the coming years. Declining petroleum investment and labour hoarding in the construction sector could result in increased layoffs unless activity improves. While petroleum investment is expected to decline, we believe the impact on the labour market will most likely come through gradually weaker employment growth rather than layoffs, but this assumption may not hold. Another risk is the impact of AI, which is likely to affect younger workers in particular. However, Statistics Norway's jobs data indicate that employment growth among workers below 25 years has been just as strong as for the rest of the population, while the increase in LFS unemployment among younger workers appears to reflect changes in the labour force rather than weak employment growth. We expect the macroeconomic impact of AI on the labour market to remain relatively limited, but with risks skewed towards higher unemployment.

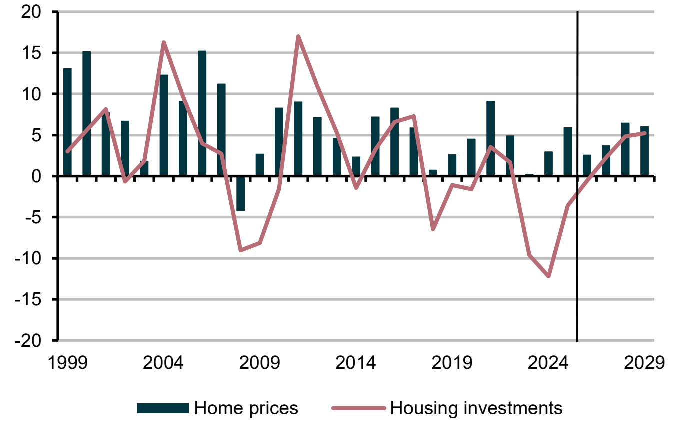
House price growth to resume after subdued 2026

House price growth is currently subdued but will likely pick up in the coming years.

Existing home prices rose by an average of 0.1% M/M over the past six months before falling 1.1% M/M in July. While momentum in existing home prices has been weak, we believe the July reading should be interpreted with caution and expect some normalisation in August. The relatively weak price growth so far this year should be seen in the context of a very high supply of homes for sale, likely reflecting secondary homes and rental properties being put on the market due to higher financing costs and lower expected returns relative to alternative investments. With a large number of units entering the market, price growth has therefore remained moderate despite activity staying close to record-high levels so far this year.

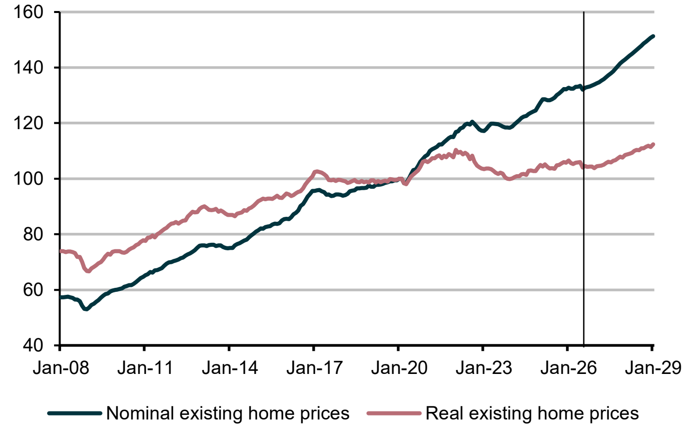
Over the past quarter, activity has shown early signs of cooling, while the number of homes for sale remains high. We therefore expect price growth to remain muted for the rest of the year before gradually picking up again in 2027. A solid labour market, continued high nominal wage growth, a low supply of new homes and two rate cuts from Norges Bank in H2 2027 all support stronger house price growth in the coming years, at 3.7% in 2027, 6.5% in 2028 and 6.0% in 2029.

Norway: Housing market. Prices and investments. %, Y/Y



Source: Statistics Norway, Eiendom Norge, LSEG Workspace, DNB Carnegie

Norway: House price indices, Jan 2020 = 100



Source: Statistics Norway, Eiendom Norge, LSEG Workspace, DNB Carnegie

Inflation to remain elevated

The recent inflation drop is unlikely to last.

In June, core inflation, measured by the CPI adjusted for tax changes and excluding energy products (CPI-ATE), fell to 2.7% Y/Y from 3.4% in May, well below both Norges Bank's and market expectations. Core inflation remained at 2.7% in July, in line with its average in H1. For August, we expect core inflation to rebound to 3.2% Y/Y, partly reflecting base effects from childcare fees. Reductions in maximum childcare and after-school programme fees in recent years have affected both the trend and seasonal pattern in August. Changes to after-school programme fees have been minor in 2026. We also expect upward contributions from food, furnishings and information and communications equipment. We then expect core inflation to remain around 3% for the rest of the year, before averaging 2.8% in 2027.

Headline inflation also fell to 2.7% Y/Y in June, before rising to 3.0% in July. We expect a further increase to 3.3% in August. With the temporary fuel tax cuts expiring in September, headline inflation could rise further. We forecast headline inflation at 2.9% in 2027.

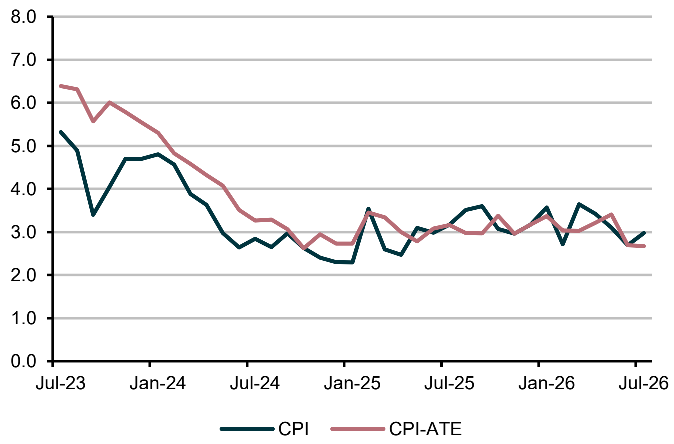
Domestic price pressures remain stubbornly high.

A firmer NOK provides only temporary relief.

Core inflation fell during H1 2024 before levelling off at around 3.0% Y/Y. It edged higher again in late 2025, averaging 3.2% between October 2025 and May 2026, largely driven by stronger imported-goods inflation. As noted above, core inflation moderated in June and July. Services inflation has averaged 3.7% Y/Y since mid-2024, dampened by government decisions to reduce ferry fares, childcare and after-school programme fees, and some public transport charges. Services inflation excluding administered prices has fluctuated around 4.6% Y/Y over the past two years and averaged around 4.9% so far this year.

Looking ahead, we expect the underlying inflationary pressures to remain in place in the near term. Strong wage growth should continue to support domestic inflation, while higher external price pressures are likely to feed through to Norwegian consumer prices. The NOK appreciation so far this year should dampen imported inflation, although a weaker NOK over the coming year could partly reverse this effect. Further out, we expect a gradual moderation in wage growth to bring core inflation lower.

Norway: Consumer prices %, Y/Y



Source: Statistics Norway, DNB Carnegie

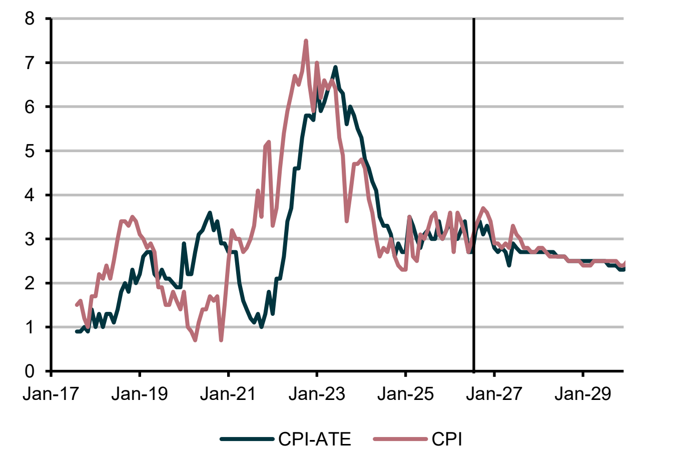
Norway: Core consumer prices %, Y/Y

Source: Statistics Norway, DNB Carnegie

The "Norgespris" fixed-price electricity scheme has reduced volatility in electricity prices in the CPI. Around 56% of households are currently covered, rising to almost 68% in southern Norway, where the scheme is most relevant. CPI electricity prices also include taxes and grid charges. Looking ahead, we expect electricity prices to rise somewhat, reflecting low reservoir levels in Norway and low gas storage levels in Europe. The current fixed-price contracts expire in December, and we assume a new contract will be offered at a slightly higher price. Future base load prices for 2027, measured as equal weighted average over the Norwegian price areas, have been around 58 EUR/MWh, but below 50 EUR/MWh for 2028 and 2029

Fuel taxes were temporarily reduced in April and May to offset the rise in energy prices following the war in Iran. The tax cut is scheduled to expire on 31 August, and the political indications so far suggest it will not be extended. However, an extension is an ongoing discussion. The cuts dampened headline inflation in April and May but will push inflation higher in September.

Norway: Consumer prices. % Y/Y. Actual and forecasts



Sources: Statistics Norway, DNB Carnegie

Norway: Consumer prices. % Y/Y. Actual and forecasts

Sources: Statistics Norway, DNB Carnegie

Tighter monetary policy this year could help anchor inflation expectations, support the NOK and moderate wage demands. Nevertheless, we expect both core and headline inflation to remain slightly above Norges Bank's target at the end of 2029. Provided inflation continues to move

Inflation is set to remain above target for longer.

towards target, we assume Norges Bank will tolerate a modest positive inflation gap as part of its trade-off against weaker employment.

We forecast core inflation at 3.1% Y/Y in 2026, falling to 2.4% in 2029. Headline inflation is projected at 3.3% Y/Y in 2026, falling to 2.4% in 2029.

Significant real wage gains

Wage negotiations between the United Federation of Trade Unions and the Federation of Norwegian Industries concluded on 12 April following compulsory mediation, resulting in a general pay increase and additional increments for low-paid workers. Based on the settlement and consultations with the Norwegian Confederation of Trade Unions (LO), the Confederation of Norwegian Enterprise (NHO) estimated wage growth of 4.4% in manufacturing in 2026. This has become the benchmark for subsequent settlements elsewhere in the economy.

Wage growth continues to run above the benchmark.

The wage benchmark was also 4.4% in 2025, while average wage growth in the economy came in at 4.9%, according to Statistics Norway's national accounts. We forecast wage growth at 4.6% this year.

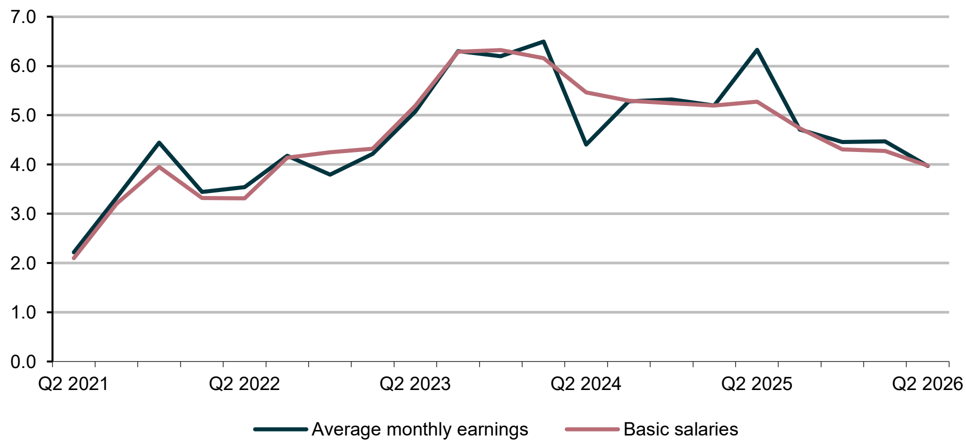
Wage data so far point to some moderation. The quarterly index for all industries rose 4.0% Y/Y in Q2, down from 4.5% in Q1. However, these figures are affected by shifts in the timing of wage payments, including those related to strikes, and remain volatile at this stage of the year. In manufacturing, wage growth was 4.8% Y/Y in Q2. Monthly data showed an acceleration to 5.0% in June, while the underlying trend points to even stronger growth. Monthly figures are more volatile, however. We therefore leave our May forecast unchanged, reflecting continued upward wage pressure in the economy.

For 2027–29, we expect wage growth of 4.1%, 3.8% and 3.5%, respectively.

We project real wage growth of 1.3% in 2026, following a 1.9% gain in 2025. Over the coming years, real wage growth should gradually converge towards private-sector productivity growth. A stronger NOK in 2026 relative to 2023–25 should weigh on manufacturing profitability and gradually bring Norwegian wage growth closer to that of its trading partners, although the adjustment is likely to be slow in nominal terms.

Real wages are set for another solid gain.

Norway: Earnings index, % Y/Y



Source: Statistics Norway, LSEG Workspace, DNB Carnegie

Fiscal policy remains supportive

In the Revised National Budget for 2026, the government proposed a structural non-oil deficit of NOK 579bn, broadly unchanged from the proposal presented in October 2025 and around NOK 5bn below the budget approved in December. Parliament subsequently raised the deficit by almost NOK 5bn, leaving the final outcome broadly unchanged from the December budget.

Parliament largely reversed the government's proposed tightening.

In the Revised Budget, the structural non-oil deficit was estimated at 2.7% of the Government Pension Fund Global (GPFG), down from 2.8% in the October proposal. Following parliament's decision to widen the deficit, the withdrawal rate remained at 2.7%.

The fiscal rule stipulates that withdrawals from the GPFG should, over time, correspond to the Fund's expected real return of 3%. However, the Ministry of Finance has highlighted an asymmetry in fiscal policy: increases in spending introduced in response to adverse economic shocks tend to persist for longer than periods of below-normal spending. Targeting 3% in normal times would therefore imply average withdrawals above 3% over time. To offset this asymmetry, the Ministry estimates that aiming for structural non-oil spending of around 2.7% of the Fund in normal times would be consistent with average withdrawals of 3% over the longer term

Fiscal policy remains slightly supportive of activity.

The structural non-oil deficit in the Revised Budget was estimated at 12.6% of trend mainland GDP in 2026, up from 11.6% in 2025. This implies a positive fiscal impulse of 0.9%-points. Model estimates nevertheless suggest that the 2026 budget will lift mainland GDP by only 0–0.1% this year and by around 0.1% next year. Taken together, the 2024–26 budgets are expected to have a modestly expansionary effect on the economy in both 2026 and 2027.

The GPFG has risen by more than NOK 1,000bn since the end of last year. If the Fund remains at its current level at year-end, the 3% benchmark under the fiscal rule would mechanically increase by more than NOK 30bn. Spending the full increase would provide a modest expansionary impulse and add to inflationary pressures. The fiscal rule also states that large changes in the Fund should feed into fiscal policy only gradually.

The Labour minority government relies on support from the Centre Party, Socialist Left Party, Red Party and Green Party. These parties span a wide range of policy positions, and negotiations over the 2026 budget point to continued upward pressure on public spending.

We expect limited tax changes in the 2027 budget.

The government has appointed a commission to lay the groundwork for a broad political settlement on tax reform. Its report is out for consultation until 24 September. The government intends to invite the other parties to discuss a reform and is likely to present its proposals in a white paper in 2027. We therefore expect few material changes to the tax system in the 2027 budget.

Monetary policy to remain tight

Norges Bank's inflation fight is not over.

Norges Bank took a hawkish turn in March, lifting its rate path significantly and expressing concern that inflation could prove more persistent and feed into inflation expectations. The policy rate was raised to 4.25% in May, and Norges Bank signalled further tightening in June. With inflation well below forecasts in June and July, the Bank left rates unchanged in August, while warning that a further hike could still prove necessary.

The challenge for Norges Bank is to balance persistently high inflation against an uncertain growth outlook and the risk of rising unemployment. The Bank has consistently stressed the need to maintain a restrictive stance to bring inflation down, while ultimately aiming to normalise rates gradually. Core inflation has been volatile over the past year but trended somewhat higher early this year. Moreover, inflation has remained above target for several years, increasing the urgency of bringing it down. Changes in the composition of the rate-setting committee may also have contributed to the more hawkish stance.

We still expect one final 25bp hike in September.

The weak inflation readings in June and July could signal less underlying price pressure than Norges Bank had assumed. However, we expect core inflation to rebound to 3.2% Y/Y in August. Moreover, underlying inflation drivers — including strong wage growth, rising prices abroad and the energy-price shock — suggest inflation will remain elevated for some time. We therefore expect Norges Bank to tighten policy further, with one additional 25bp hike in September.

We expect inflation to decline gradually next year despite a slightly weaker NOK. This should pave the way for two rate cuts towards the end of 2027, taking the policy rate to 4.00%. Lower rates should also help limit the expected modest rise in unemployment.

Rate cuts are unlikely before late 2027.

In Norges Bank's recent rate paths, the policy rate has been expected to converge towards a level slightly above 3%. In the June Monetary Policy Report, the neutral policy rate was estimated at 2.25–3.75%, with 3.00% used as the central assumption in the Bank's model calculations. In our view, a moderately restrictive stance will remain necessary over the coming years. We expect inflation in 2029 to be close to, but still above, target. We therefore forecast the policy rate at 4.00% in both 2028 and 2029.

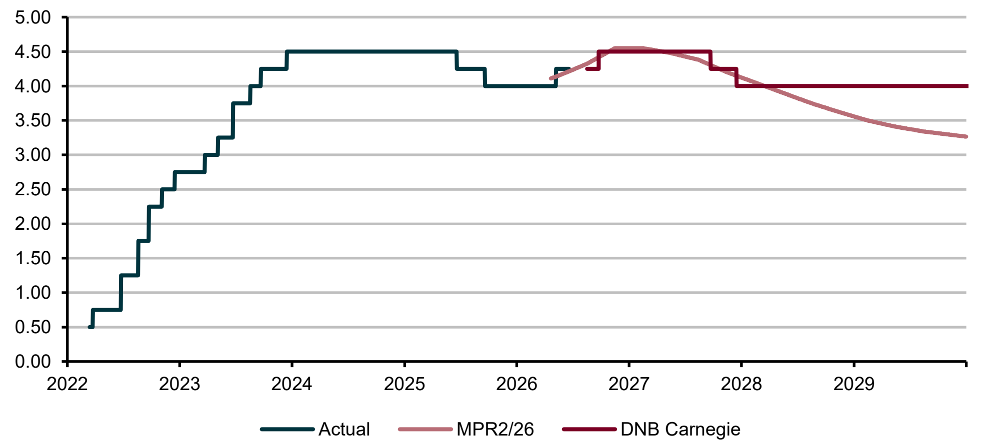
Policy is likely to remain restrictive for several years.

The spread between the expected three-month policy rate and three-month Nibor has been broadly stable at around 20bp since the end of Q1, following unusually low levels early in the year. Although Norges Bank has issued certificates to drain liquidity, conditions remain ample — a situation we expect to persist. We therefore see the money-market spread holding around 20bp over the coming year.

NOK swap rates should stay elevated in the near term.

The 10-year NOK swap rate has broadly tracked its US counterpart in recent years, although a spread has opened over the past year. We expect 10-year USD swaps to remain broadly stable before declining modestly. Assuming a 25bp spread to NOK, we forecast the 10-year NOK swap rate at 4.50% in three months, falling to 4.25% in one year.

Norway: Key policy rate, %



Source: Norges Bank, DNB Carnegie

FX MARKETS

Policy divergence takes centre stage

We expect policy divergence to become an increasingly important FX driver. Fed repricing and US-specific uncertainty should weigh on the USD, while a solid recovery and tighter ECB and Riksbank policy favour the EUR and SEK. For the NOK, fading support from energy prices and interest rates leaves structural depreciation pressures more prominent. Sterling also faces headwinds as markets price more BoE tightening than we expect, while fiscal and political uncertainty remain.

USD: Fed repricing and US uncertainty point to renewed USD weakness

After seeing the largest weakening over a six-month period in more than 50 years last year, the USD has found more solid ground this year, with the trade-weighted USD remaining within a relatively narrow interval of +/-2% so far this year and currently trading only marginally weaker than at the start of the year.

Fed repricing turns from USD support to a likely headwind

Having started the year with expectations for more Fed easing, an improvement in the labour market, still solid development in private domestic demand and some indications that inflation pressures may be intensifying led to a solid repricing of USD interest rates. While this has given the USD some support, short-term interest rate differentials have narrowed against several currencies. Going forward, we expect interest rate developments to become a headwind for the USD. With the peak in inflation likely behind us and the recent slowdown in employment growth, we expect the Fed to keep interest rates on hold, contrary to market pricing of another 35-40bp of hikes. Also, there is uncertainty about the new Fed under Governor Warsh, and what the outcome of the ongoing review process will be. This is likely to add a layer of uncertainty and be a negative factor for the USD over some months to come.

A synchronized global upswing argues against renewed USD outperformance

Despite seeing little need for further monetary tightening, we expect a solid above-trend cyclical development, with positive impulses from household demand and strong AI-related investments, and a favourable productivity development. However, the acceleration in activity

DNB Carnegie FX forecast, Bloomberg consensus and forwards

		18-Aug	12m		
		Spot	F'cast	Forward	Consensus
EURNOK	New	10.915	11.30	11.12	10.98
	Previous		11.30		
EURUSD	New	1.157	1.17	1.17	1.18
	Previous		1.17		
EURGBP	New	0.856	0.87	0.87	0.87
	Previous		0.88		
EURSEK	New	11.026	10.80	10.98	10.61
	Previous		10.70		
USDNOK*	New	9.432	9.66	9.48	9.31
	Previous		9.66		
USDSEK*	New	9.527	9.23	9.36	8.99
	Previous		9.15		
SEKNOK*	New	0.990	1.05	1.01	1.03
	Previous		1.06		
GBPNOK*	New	12.758	12.99	12.80	12.62
	Previous		12.84		

Source: Bloomberg, DNB Carnegie* Calculated crosses

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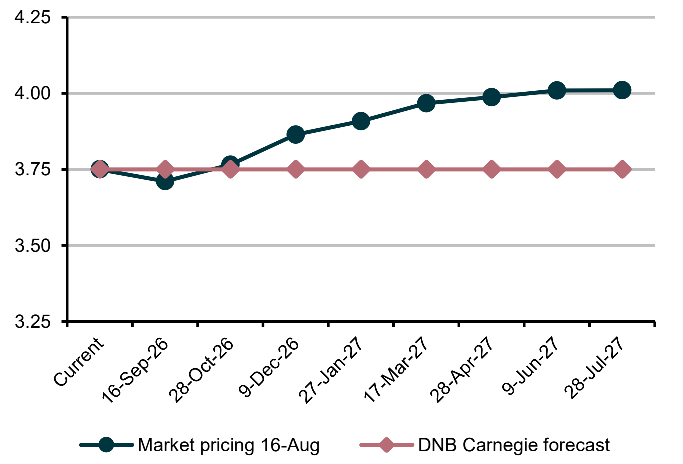
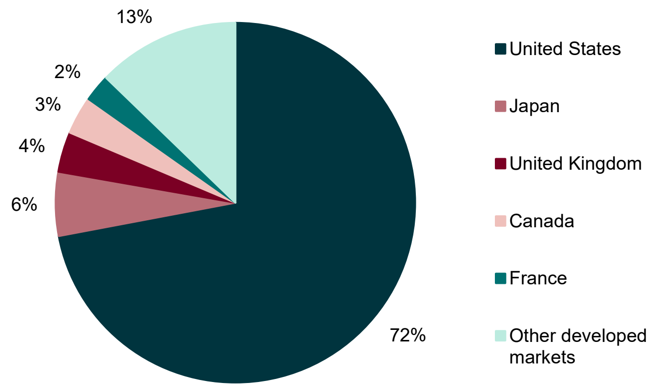
growth does not stand out relative to peers, and in terms of the USD smile analogy[2], we see a synchronized global upswing that tends to favour currencies other than the USD.

Fed Funds: Market pricing and DNB Carnegie's forecast



Source: Bloomberg, DNB Carnegie

MSCI world equity index



Source: Bloomberg, DNB Carnegie

Deep US capital markets continue to provide structural support for the USD

Our starting point for our long-term view on the USD remains one in which the USD's role in the global financial system remains largely intact, evolving gradually over decades, rather than abruptly over presidential periods or through shifting market narratives. The US remains the largest and deepest capital market in the world by far, making up a very large share of most equity and bond indices. With passive investments continuing to attract a large part of global savings, this makes for structural demand for the USD. Also, despite concentration risk and elevated valuations in parts of the market, solid productivity growth and favourable earnings expectations are likely make the USD attractive.

Taken together, we see support for the USD from the cyclical development, a still elevated interest rate level and demand for US portfolio assets, but expect a repricing of Fed expectations and heightened US-specific uncertainty to outweigh this, and stick with our previous forecast for EURUSD to trade close to 1.17 in 12 months.

EUR: Eurozone recovery and tighter ECB policy point to a stronger EUR

The trade-weighted EUR saw a solid performance through 2025, strengthening by almost 6% following European investment initiatives in infrastructure, defence and the energy transition, as well as rising USD uncertainty heading into Liberation Day in April.

EUR resilience to the energy shock points to underlying strength

Needless to say, this year has been different. While activity kicked off on a weak note, the EUR weakened as energy prices surged. Given the high reliance on imported energy, and with gas prices remaining sticky given seasonally very low inventories, we are surprised that the trade-weighted EUR has not weakened more than about 2% since the start of the year.

A solid recovery and ECB tightening should support the EUR

Activity growth has been surprisingly resilient to higher energy prices, and amid our assumption of gradually lower energy prices ahead, we continue to expect a solid recovery in the eurozone. Rising defence and infrastructure spending, together with stronger private investment, is likely to fuel growth above trend for the next two years. This should help support inflation once the second-round effects on core inflation from higher energy prices on transport and food fade. Thus, we expect the ECB will hike in September and March next year and likely keep rates restrictive as the economic recovery continues, labour market conditions improve and wage growth strengthens.

ECB hikes could trigger an unwind of EUR-funded carry trades

Recent years have seen interest rates rise significantly in some currencies, and wide interest rate differentials have opened up. Thus, carry-trade strategies, where the investor borrows in the low-yielding currency and invests in the high-yielding currency, have attracted more interest.

[2] USD smile theory suggests that the USD tends to strengthen at both extremes of the global economic cycle, when risk aversion is high and when the US economy is outperforming. Conversely, the USD tends to weaken when US activity growth is more in line with global growth.

For these positions, the EUR has tended to be one of several funding currencies. If we are right in expecting the ECB to hike twice, while the Fed remains on hold, there is a risk that some of these positions will have to be unwound. Current data for FX positioning among non-commercial investors at the CME could indicate that markets are positioned for a further weakening of the EUR. As such, we see widening interest rate differentials as a positive factor for the EUR going forward.

All in all, we expect to see EURUSD close to 1.17 in 12 months.

NOK: Fading tailwind from energy and rates, structural depreciation pressures persist

After trading in a sideways +/-5% interval for the most part of three years, the NOK remains the best-performing G10-currency so far in 2026. This appreciation rests on two main tailwinds; persistent inflation that has led to a repricing of Norges Bank-expectations and higher energy prices in the wake of the war in the Middle East.

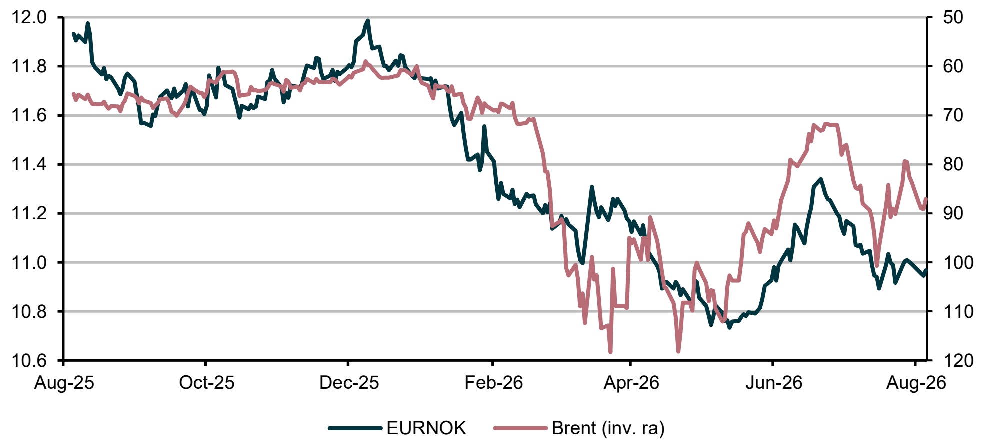
Norges Bank is nearing terminal rates, limiting further support for NOK

While the NOK has benefitted from some of the highest interest rates within G10, a restart to the previous tightening cycle by Norges Bank and a widening of interest rate differentials, we see less tailwind for the NOK from interest rates going forward. Granted, interest rates will remain among the highest within G10-currencies, and we do expect Norges Bank to hike in September. However, we are getting close to the terminal rate in this short-lived hiking cycle, seeing limited upside risks to current market pricing. Heading into 2027, we expect to see inflation pressures easing, allowing Norges Bank to cut interest rates twice in H2 2027, which is likely to be a headwind for the NOK.

Easing energy prices should turn a key NOK tailwind into a headwind

The correlation between energy prices and the NOK, which is questioned from time to time, has been very evident since the war in the Middle East broke out in late February. We base our forecasts on an expectation of a gradual de-escalation of the conflict and a gradual easing of energy prices, broadly in line with forward prices. While likely to become a headwind for the NOK, prices for both oil and gas are expected to remain at levels higher than before the war.

EURNOK and oil price (Brent)



Source: LSEG Workspace, DNB Carnegie

Transactions related to the petroleum fund mechanism—how petroleum revenues are channelled to savings in the Government Pension Fund Global or used to fund the fiscal deficit—tend to attract attention when energy prices soar. As expected, higher energy prices have raised petroleum companies' NOK purchases for tax reasons, while lowering Norges Bank's daily NOK purchases (as the latter is the residual). However, energy price volatility makes planning more difficult and means we could expect to see volatility in NOK purchases by both petroleum companies and Norges Bank for the rest of the year.

There are some reasons why the NOK didn't benefit more from the spike in energy prices in March. One is that while physical energy markets were very tight, market pricing indicated expectations of a relatively quick normalisation. Another reason, and one the literature highlights, is that effects on commodity currencies often are ambiguous when energy prices rise from a supply-related shock, in that the effects on global risk sentiment counter some of the effects from higher energy prices.

Supply-driven energy shocks offer less support as risk-off effects offset gains

On that note, we should continue to expect the NOK to be sensitive to changes in risk sentiment. We see this risk sensitivity related to several factors. Elevated risk aversion could lower growth expectations for a small open economy such as Norway. In addition, global investors often hold the NOK as part of their more risk-sensitive portfolios. Currency hedging by domestic real money investors can also create a need to rebalance currency hedges when risk assets fall. What's more, limited liquidity often amplifies the price impact during periods of stress.

NOK remains particularly exposed to global risk sentiment and low liquidity

We continue to hold a structurally bearish view on the NOK, and the same arguments remain valid. Despite a gradual depreciation over several years, we would argue that the Norwegian economy has, over time, been in both external and internal balance. Unemployment has been low and stable, and activity growth has been close to trend. While Norway has, over time, had a large non-oil trade deficit, which could indicate imbalances in trade, this is to be expected given the steadily rising revenues from the Pension Fund. At the same time, we expect solid growth in households' disposable income, which will lift the savings ratio somewhat over the next few years. With a limited domestic investment universe, some of these funds tend to find their way into foreign portfolio assets, a large portion of which is likely to be unhedged, thereby adding depreciation pressure on the NOK.

Domestic savings flowing abroad remain a structural depreciation pressure

All in all, we find reasons to believe that somewhat lower energy prices and continued demand for foreign portfolio assets by domestic households will outweigh any tailwind from a high level of interest rates and maintain our forecast for EURNOK to trade close to 11.30 in 12 months.

SEK: A resumed economic recovery and Riksbank tightening should support the SEK

After a very solid performance in 2025, when the trade-weighted SEK strengthened by more than 9% on a strong domestic recovery and a weaker USD, the SEK is the worst-performing G10 currency so far this year, with the trade-weighted SEK around 3% weaker.

The SEK suffered from weak activity data and lower-than-expected inflation at the start of the year. Then, as energy prices started climbing when the war in Iran broke out, Sweden's reliance on energy imports created headwinds for the recovery that had favoured the SEK in 2025 and was expected to continue. While rising energy prices fuelled inflation expectations in many countries, lifting interest rates along with them, SEK interest rates have risen less than interest rates in other currencies.

However, with energy prices having come off recent highs, we would have expected the SEK to benefit more than has been the case, and we are surprised that the recent upside surprises to inflation have not left a stronger mark on the SEK. This is likely due to the Riksbank being slow to adjust, but we see more upside for the SEK as the Riksbank starts communicating its intent to hike in earnest later this year.

Riksbank tightening and economic recovery should support the SEK

Our structural concern for the SEK remains. Much like the situation in Norway, household savings have been high for quite some time, the domestic investment universe remains limited, and foreign portfolio assets offer superior expected returns. While some of these savings are likely to be currency hedged, we know that a large portion of premium pension contributions is invested without a currency hedge, thereby acting as a negative factor for the SEK. Moreover, we expect disposable income growth to remain solid, which is likely to keep the savings ratio elevated.

High household savings and foreign investments remain a structural headwind

All in all, we expect the SEK to benefit from a solid economic recovery and the Riksbank embarking on a tightening cycle later this year, and we expect EURSEK to trade close to 10.80 in 12 months.

GBP: Bank of England on hold and fiscal uncertainty likely to weigh on the GBP

The trade-weighted GBP traded in a narrow range in the first half of this year, despite both political turmoil and higher energy prices, with the effects of the Iran war being less severe than feared and a significant upward repricing of GBP interest rates likely cushioning the impact on the GBP. However, since the start of July, the GBP has benefited from a smoother than feared leadership transition and a repricing of Bank of England hiking expectations, leaving the trade-weighted GBP almost 2% stronger than at the start of the year.

Market pricing of BoE hikes looks stretched, creating downside risks for GBP

Although the labour market continues to ease and wage growth has come down, GBP interest rates have repriced significantly to take account of the possible effects of higher energy prices on inflation. While we do expect some second-round effects from energy prices on inflation going forward, we see continued labour market weakness and inflation expectations having returned to pre-war levels as giving the Bank of England enough reassurance to keep interest rates unchanged going forward, despite some members having voted for interest rate hikes. With market pricing indicating close to 50bp of tightening over the next year, we see interest rate developments as a negative factor for the GBP going forward.

Fiscal and political uncertainty are likely to weigh on sterling

While the political transition was a positive factor for the GBP, as we avoided the worst-case scenarios, recent rhetoric by Prime Minister Burnham has created some volatility, despite reassurances of a prudent fiscal approach. However, the fiscal stance remains a headache, with limited fiscal leeway. We see this as a reason why higher GBP interest rates have had a limited impact on the GBP, as the move higher in long-term interest rates is partly linked to fiscal concerns. As political promises are translated into actual policies over the coming months, we see political uncertainty once again becoming a negative factor for the GBP.

Reliance on volatile foreign capital leaves GBP sensitive to risk sentiment and fiscal concerns

A key long-term concern remains. The UK runs a structural current account deficit, making it dependent on foreign capital. While this deficit used to be financed through foreign direct investment, the composition has shifted, with foreign portfolio investment and other investments now being the primary sources of funding. Not only are these types of funds more volatile, a large portion of these portfolio investments is held in gilts, making both long-term rates and the GBP more sensitive to changes in risk sentiment in general and UK fiscal concerns in particular.

All in all, we except EURGBP to trade close to 0.87 in 12 months.

OIL AND GAS MARKETS

Oil market

The oil market is fully dependent on the development in the Strait of Hormuz, which is highly unpredictable. With the current disruption in oil flow through Hormuz, global oil inventories will continue to decline and oil prices will tick higher. However, if Hormuz fully reopens, we estimate that the oil market might flip significant oversupply in 2027, with downward pressure on oil prices. Hence, the oil market outlook is very binary, and full dependent on the geopolitical development in the Middle East.

Middle East war and Hormuz flow dictate oil price development. We have witnessed the largest supply disruption in the history of the oil market during the US-Iran war, as the Strait of Hormuz have been heavily disrupted. Hormuz is the most critical chokepoint for global oil flow, with a pre-war transit of ~20 million barrels per day (mb/d). The future development of the oil flow through Hormuz will dictate the short- and medium-term oil price development.

The Strait of Hormuz is not shut but partly disrupted. While we have no agreement between Iran and US about the re-opening of Hormuz, it is important to note that the strait is not shut. Based on ship tracking data, we estimate the transit level is 5-7 mb/d. However, this transit is vulnerable to any military re-escalation between US and Iran. On the contrary, if a Hormuz agreement is reached, we expect the Gulf countries to quickly (within roughly 2 months) ramp up production, as we have observed very limited damage oil producing facilities thus far.

Hormuz workarounds exist, but far from enough to fully compensate for disruptions. Pipeline capacity in Saudi Arabia and UAE offers some capacity to ship oil from the Gulf without transiting Hormuz. We estimate the net increase in utilization of this capacity to be ~4 mb/d. Consequently, even with the workarounds and combined the existing flow through Hormuz, the supply disruption compared to pre-war flow levels is ~10 mb/d.

Global oil demand has adjusted downward significantly. Global oil demand has adjusted through price signals from the oil products and government policies in emerging and developing economies in Asia. US EIA estimates a run rate demand decline of ~3.6 mb/d Y/Y.

Oil inventories are depleting rapidly. Visible global oil inventories are down ~600 mb from pre-war levels, which is significantly less than initially feared at the start of the war. The combination of Hormuz flow, rerouting, and demand destruction has eased pressure on oil inventories. In addition, the global oil inventories were at all-time high when the war started. However, the oil inventory depletion cannot continue into year end, without significant upward pressure on oil prices.

The distillate markets are uncomfortably tight. The war in the Middle East has basically idled the region's export capacity of refined products. In addition, the continued Ukrainian attacks on Russia's refining industry have crippled Russian exports of refined oil products. In combination, this has put the global refining system under severe stress. The result is a very tight middle distillate market with diesel prices hovering 70-80 USD/bbl above Brent.

Oil market to flip to oversupply in 2027 if Hormuz flow normalizes. With oil demand on the soft side, relative strong non-OPEC production growth, UAE's exit from OPEC, and increasing

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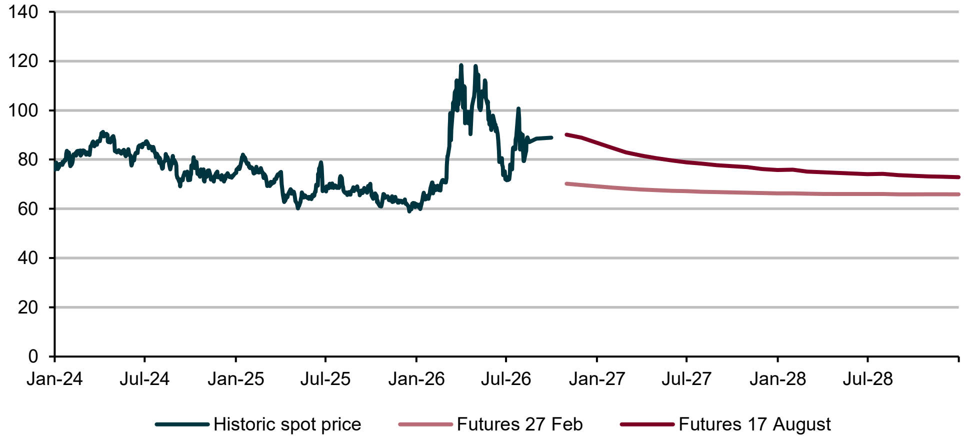
OPEC production quotas, we believe the oil market could flip to significant oversupply in 2027 if the Strait of Hormuz fully reopens.

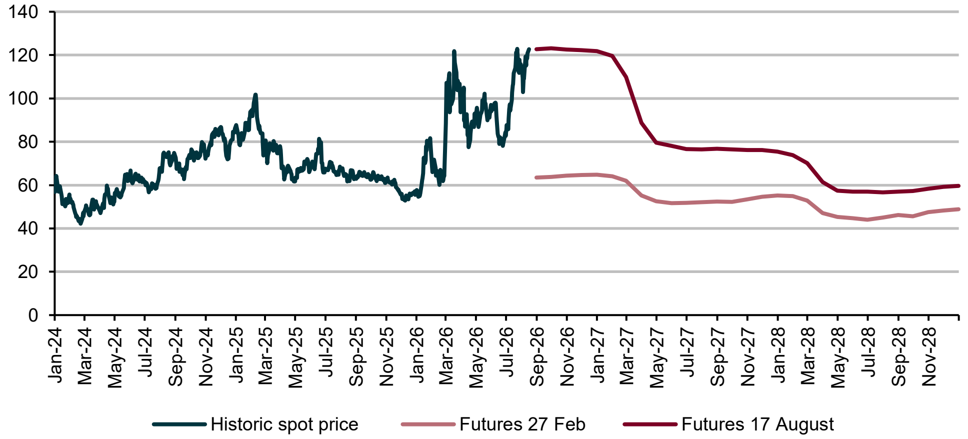
Binary outlook: risk skewed to the upside short-term and to the downside medium-term. If Strait of Hormuz fully reopens, we expect significant pressure on oil prices the next 12 months, due to an expected oversupply in 2027 that will re-build global oil inventories and push the forward curve into contango. However, if Hormuz remains significantly disrupted, as today, global oil inventories will continue to deplete and oil prices will experience persistent upward pressure. The oil price outlook for the next 12 months is extremely binary, fully dependent on the geopolitical development in the Middle East. Our qualitative assessment is that risk is skewed to upside in the short-term, and to the downside in the medium-term.

Global: Oil price (USD/bbl)



Source: Bloomberg, DNB Carnegie

Global: European gas price (USD/barrel of oil equivalent)



Source: Bloomberg, DNB Carnegie

Gas market

European gas prices have rallied as the closure of Hormuz tightened the global LNG market and pulled flexible cargoes towards Asia. Low European inventories, damaged Qatari capacity and uncertainty around a resumption of flows keep near-term risks elevated. However, once flows normalize, continued LNG supply growth should again push the market towards structural oversupply and drive European gas prices lower.

European gas prices rallied after LNG flows through the Strait of Hormuz dried up, forcing Asian buyers into the spot market. Since then, prices have swung on recurring hopes of a rapid resumption of flows. Through the spring and summer, European buyers have been unwilling to outbid Asia for flexible LNG cargoes, reducing imports and slowing storage injections. With inventories depleted, part of Qatar's export capacity damaged, and the timing of a Hormuz reopening highly uncertain, the European gas curve has repriced higher all the way out to 2030. This marks a dramatic reversal from the pre-war expectation that a looming LNG supply glut would drive European gas prices lower by year-end 2026.

Massive LNG disruption as Hormuz remains heavily disrupted. Roughly 20% of global LNG trade previously flowed through the Strait of Hormuz, primarily Qatari volumes destined for Asian buyers. To put the scale of the disruption into perspective, these volumes are roughly equivalent to Northwest Europe's total LNG imports in 2025. The supply shock was compounded on March 18, when Iran damaged two LNG export trains at Qatar's Ras Laffan facility, removing approximately 17% of Qatar's export capacity for an estimated 3–5 years.

Asia's pull for LNG directly affects European prices. As Europe lost Russian pipeline gas, its reliance on LNG increased, strengthening the link between European gas prices and the global LNG balance. Since the outbreak of the war, higher Asian prices have made the region more attractive for flexible LNG cargoes, particularly US volumes, triggering a substantial diversion of supply away from Europe. As European demand rises towards winter, European benchmarks will need to price high enough to reverse this trend and attract cargoes back from Asia.

Low inventories leave Europe with a limited buffer. European gas demand has fallen substantially since the energy crisis, meaning that Europe does not necessarily require the same inventory levels as before the war. However, the supply mix has also changed materially, with Europe now much more reliant on LNG to replace lost Russian pipeline gas. This makes supply more exposed to competition from Asian buyers and disruptions in the global LNG market. With inventories currently at a seasonal record low, Europe therefore enters the 2026/2027 winter with less capacity to absorb periods of cold weather, weak renewable generation or disruptions to LNG supply. In such scenarios, prices may need to rise sharply to curb demand and attract additional LNG cargoes.

Once the Strait reopens, focus will shift back to the LNG supply wave. Before the war, the market was increasingly focused on the large build-up in global LNG export capacity, which was expected to loosen the global balance and put downward pressure on LNG-dependent gas benchmarks. We still expect this supply wave to materialize, although the disruption to Qatari capacity has likely delayed its impact by around a year. Once flows through Hormuz normalize, attention should therefore gradually shift back from near-term supply security towards an increasingly oversupplied global LNG market.

EQUITIES

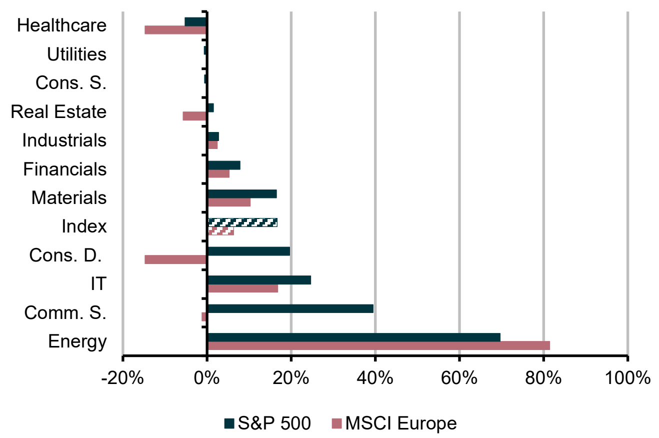
Strong earnings, limited downside protection

Exceptional earnings growth has driven YTD market gains, but this level of profitability has never been sustainable over the long-term. Signs of weakness in the semiconductor sector and rising risk-free rates need to be tracked, but for the time being do not appear to be sufficient to trigger broader weakness. However, in the event a negative catalyst emerges, valuation provides limited support.

The bullish scenario still has the benefit of the doubt

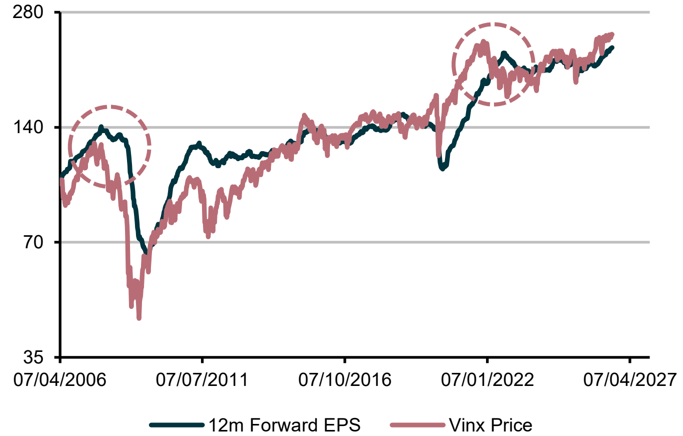
The bullish case for equities rests largely on the strong earnings growth of recent quarters continuing, supported by a relatively benign macro backdrop. Earnings revisions have been much stronger than average this year, driving positive share price performance without requiring P/E multiples expansion to do the heavy lifting. Aside from the tailwind from economic growth, commodity price increases have boosted earnings in the Energy and Materials sectors, which has been particularly significant for the OSEBX index, while the AI capex boom has been supportive for IT sector earnings.

S&P500 and MSCI Europe YTD 2026 EPS revision (%)



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

Vinx Nordic index: Prices lead EPS



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

While price performance has been justified by earnings, earnings are a lagging indicator. Share prices usually peak in advance of EPS revisions so strong EPS revisions YTD are not necessarily a justification for further share price gains in H2 2026, but rather an explanation for the strong performance we have already seen. The question investors need to ask themselves is “will estimates continue to be on an upward trajectory 6-9 months into the future?”. When EPS is below trend and mean-reverting upwards (e.g. after a recession), the probability of further positive estimate revisions is high. However, EPS is already above trend in absolute terms with consensus expecting above trend growth, taking EPS even further away from the long-term trend. It is quite possible that this can continue in the short-term, but history tells us that the risk of earnings disappointment is much greater now, than when EPS is below trend.

Nordic equity indices are overweighted in cyclical export orientated sectors, so the development of the global economy is the most important driver of earnings growth. Encouragingly, the most

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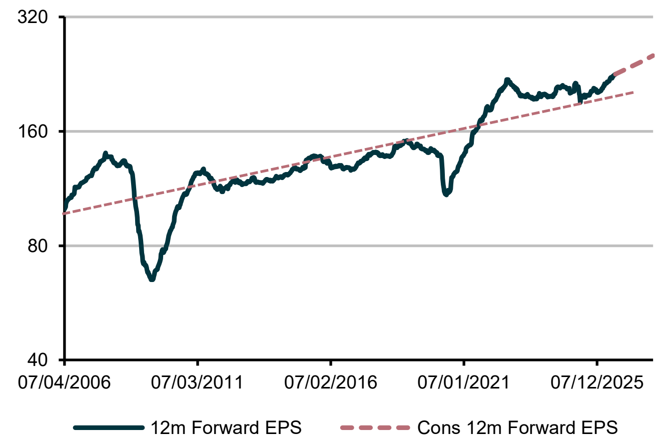
recent revisions to consensus GDP growth estimates in both the US and Eurozone have been positive. However, a prolonged conflict between the US and Iran is looking increasingly likely, which is a potential positive for OSEBX earnings, but provides a stagflationary impulse for Europe, Asia and to a lesser extent the US. Oil prices have been surprisingly contained (which potentially explains some of the positive GDP revisions) given the limited traffic through Hormuz, but as oil inventories are drained, the risk of another spike in energy costs could put renewed pressure on earnings estimates.

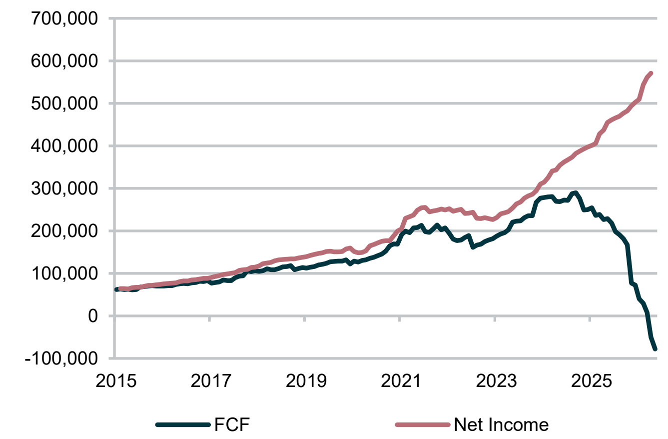
While there are no hyperscalers listed in Europe, the AI capex boom has been positive for some Nordic Industrials that are suppliers to the buildout but also in terms of investor risk appetite. Hyperscaler capex has been a net positive for US index earnings due to the timing difference between capex and depreciation. Suppliers typically book sales immediately while the buyers capitalise the cost and depreciate it over five or more years. This has resulted in a huge divergence between cashflow and earnings for the hyperscalers[3]. With large depreciation costs now already locked-in over the coming years, they must start to see evidence that these investments are providing an acceptable ROI if they are to continue spending at the same pace.

Vinx Nordic index 12-month forward EPS (EUR)



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

Hyperscaler agg. net income vs free cashflow (USDbn)



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

A key risk factor is competition from China. There are numerous examples that when China targets a specific industry (e.g. solar panels, rare earth materials, cars), they price very aggressively to gain market share. LLMs is a segment where China is increasing its market share through both aggressive pricing and increasingly model capability. This could make mass-market AI essentially a break-even business at best, while pricing power will be limited to the niche markets without sufficient volume to generate an acceptable return. If this scenario plays out, a slowdown in capex would likely follow and given the scale of AI investments, this could be noticeable in GDP figures. In addition, a negative share price reaction could trigger negative wealth effects that would also impact broader growth, along with reduced risk appetite.

Valuation provides limited downside protection when viewed in the context of above trend EPS and risk-free rates well above the average of the last 20 years. Valuation is not a timing indicator, so this alone does not provide a strong case for negative returns over the next six months, but in the event AI related weakness emerges, or risk-free rates move significantly higher, it could trigger mean reversion in both profitability and valuation, consistent with material downside scenario.

[3] Amazon, Google, Meta, Microsoft and Oracle

NORDIC HIGH-YIELD

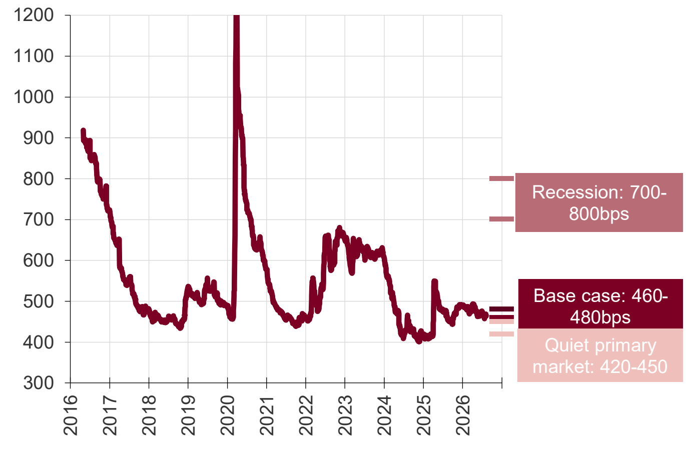
Nordic HY continues to shine

Nordic high yield has returned 5.2% so far in 2026, with performance broadly distributed across issuer characteristics, deal sizes and most sectors. High carry, strong investor demand, stable spreads and contained defaults continue to support the market. We have revised our full-year return forecast from 7.5–8.0% to 8.2-8.7%. Credit selection nevertheless remains important, with sole-mandate bonds returning only 2.0% year to date.

Credit spreads: historically tight on a like-for-like basis

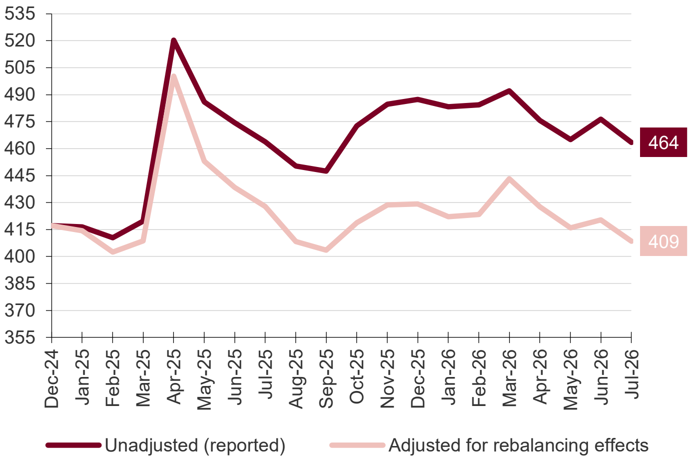
Nordic high yield spreads are currently around 465bps, approximately 50bps wider than at year-end 2024 but 25bps tighter than at year-end 2025. The relatively high headline spread contrasts with global markets, where index spreads are generally at or near historical lows. This difference largely reflects changes in index composition following the rapid expansion of the Nordic HY market. The index currently comprises 323 bonds, nearly 50% more than at year-end 2024.

Nordic HY: index spreads, bps



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

Nordic HY: index spreads, bps



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

Adjusting for changes in index composition, the spread is considerably lower, at around 410bps. This is close to, but not below, the tightest levels historically observed in the Nordic market. The scale of the composition effect is unusual and complicates direct comparisons between headline Nordic index spreads and global peers. The main conclusion is therefore that like-for-like spreads are historically tight, although not at unprecedented levels.

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Looking ahead, we expect unadjusted index spreads to remain broadly stable within a 460–480bps range in H2 2026. Strong investor demand should limit the scope for widening, while elevated primary issuance and already tight like-for-like valuations leave limited room for further compression. Our forecast assumes that changes in index composition will have a broadly neutral effect on reported spreads.

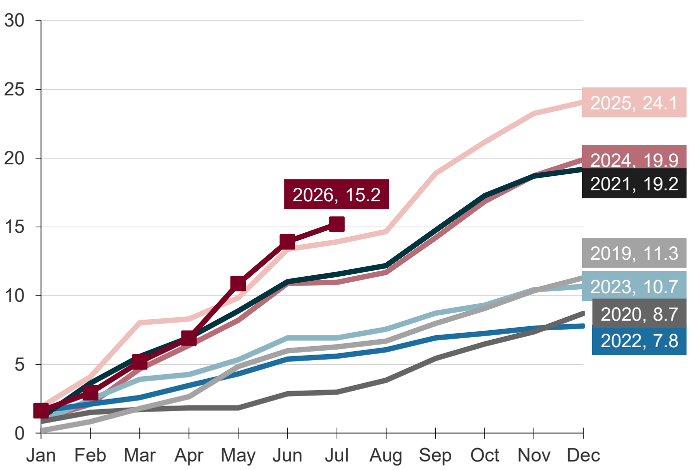
Primary markets: record pace supported by strong demand

Gross issuance reached EUR24bn in 2025, the highest level on record for the Nordic market. Primary market activity has remained elevated this year, with issuance reaching EUR15.2bn by end-July, slightly ahead of the corresponding period in 2025. Excluding tap issues, there have been 97 transactions, with an average deal size of EUR131m.

Non-Nordic issuers have accounted for more than half of total issuance volume this year, compared with a typical share of 25–35%. This largely reflects their greater average deal size, at EUR218m compared with EUR80m for Nordic issuers.

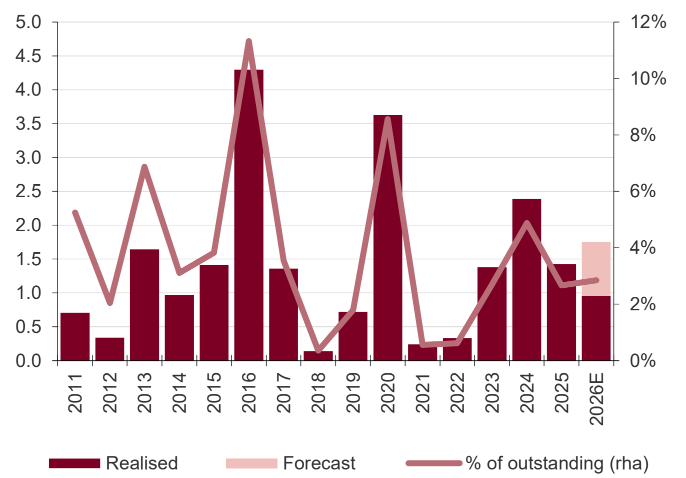
Strong inflows into Nordic bond funds, together with growing international interest in Nordic bonds, continue to support liquidity and demand. Headline new-issue spreads remain broadly in line with recent years, although pricing appears tighter on a like-for-like basis. This has improved funding conditions for issuers and should sustain activity through the remainder of the year. We now expect gross issuance of EUR24bn–28bn in 2026, a EUR2bn upward revision to our January forecast range.

Nordic HY: new issue volume by year. EURbn



Source: Stamdata, S&P (underlying data), DNB Carnegie (further calculations)

Nordic HY: defaults by event year, EURbn



Source: Stamdata (underlying data), DNB Carnegie (further calculations)

Defaults: contained overall, but sole mandates stand out

Default volumes declined as expected in 2025, falling to EUR1.4bn from EUR2.4bn in 2024. This corresponded to a decline in the 12-month trailing default rate from 4.9% to 2.7%. Of the 24 default cases recorded last year, 14 were sole mandates and 10 were joint mandates.

So far this year, there have been 11 default cases, corresponding to a realised volume of EUR1bn. Eight of these have been sole mandates and three have been joint mandates. There is no clear concentration by sector or issuer type, but sole mandates remain significantly overrepresented relative to the overall market structure.

We expect a further EUR800m of defaults in H2. Together with the EUR1bn already realised, this would bring the full-year default volume to EUR1.8bn and correspond to a default rate of 2.9%, only 0.1 percentage points above our January forecast. In a global recession, however, weaker earnings, more volatile cash flows and tighter refinancing conditions could push the default rate above 8%. Recovery rates would also be likely to decline from their currently elevated levels.

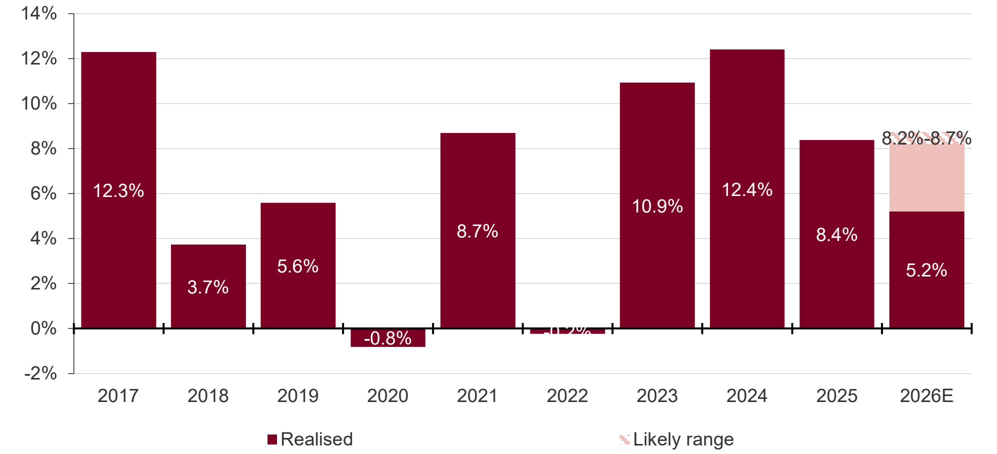
Returns: carry supports full-year returns of around 8%

Following two consecutive years of double-digit returns, Nordic high yield delivered a more moderate return of 8.4% in 2025. Returns have reached 5.2% so far in 2026, with the weakness recorded in late Q1 having since been fully reversed. Performance has generally been evenly distributed across segments and sectors, although sole-mandate bonds have returned only around 2%.

The NOK-hedged index coupon currently stands at 9.7%, implying price-neutral returns of approximately 0.8% per month before credit losses. Assuming annual index losses of around 200bps reduces the steady-state return to approximately 0.65% per month. This is an index-loss assumption rather than an estimate of ultimate bondholder losses, as defaulted bonds leave the index before subsequent recoveries are realised.

We entered the year expecting limited capital gains because bond prices were already elevated. This assessment proved too cautious, with shipping bonds in particular recording strong price appreciation. Some repricing potential remains following the rapid expansion of the index: 39% of constituents currently trade between 98% and 102% of par, while seasoned performing bonds typically trade at 102–106%. Not all bonds should be expected to converge towards these levels, given differences in credit quality, coupons and call structures, but the continued seasoning of recent issues should provide some support.

Nordic HY: annual return, %



Source: Bloomberg (underlying data), DNB Carnegie (further calculations)

Combining the 5.2% return realised so far with expected carry, credit losses and modest further capital gains, we expect a full-year return of 8.2–8.7% in 2026. The principal downside risk is a material widening in spreads. Given current spread duration, a widening of around 200bps would reduce returns by approximately 5 percentage points, implying full-year returns of around 2.5–3.0%.

Macroeconomic forecasts Norway

Norway: Main economic development. Forecasts 2026-2029

	2025	2025	2026	2027	2028	2029
Demand & production (fixed prices)[1)]	**Bn NOK**		**Annual changes in percent**			
Private consumption	2341	2.6	1.1	1.7	1.9	1.9
Public consumption	1255	2.4	1.9	1.5	1.5	1.4
Gross fixed capital formation	1284	0.8	-1.0	1.1	1.0	1.2
- Petroleum activities	281	7.2	-4.0	-3.0	-2.5	-2.5
- Mainland-Norway	1000	-0.2	0.1	2.2	1.9	2.1
- Private companies	505	2.7	1.4	2.4	0.9	1.1
- Dwelling services	209	-3.6	-0.6	2.3	4.8	5.2
- General government	287	-2.5	-1.9	1.9	1.6	1.6
Final demand from Mainland-Norway	4596	1.9	1.1	1.8	1.8	1.8
Total exports	2512	2.7	1.6	0.4	0.7	0.6
- Crude oil and natural gas	1100	0.8	2.4	-1.3	-0.5	-0.8
- Traditional goods	722	6.1	2.2	2.0	2.0	2.0
Total imports	1861	2.6	2.7	1.6	1.7	1.7
- Traditional goods	1082	3.3	5.6	1.0	1.5	1.5
Gross domestic product (GDP)	5511	1.1	0.9	1.0	1.1	1.1
- Mainland-Norway, sa.	4398	1.7	1.1	1.5	1.6	1.6
Labour market						
Employment, 1000 persons	2979	0.7	0.5	0.7	0.8	0.8
Unemployment ratio, AKU *		4.5	4.7	4.8	4.7	4.6
Reg. unemployment, per cent *		2.1	2.1	2.3	2.2	2.1
Prices and wages						
Yearly wages		4.9	4.6	4.1	3.8	3.5
Consumer price index		3.0	3.3	2.9	2.6	2.4
Core inflation		3.1	3.1	2.7	2.6	2.4
Second-hand home prices		5.9	2.6	3.7	6.5	6.0
Memo:						
Households saving ratio		5.1	5.6	5.7	6.2	6.1

1) Forecasts for seasonally adjusted variable, * Levels

Sources: Statistics Norway, DNB Carnegie

Interest rate and FX forecasts

Monetary policy interest rates	18-Aug-26	Sep-26	Nov-26	Feb-27	Aug-27
USA: Fed Funds (upper range)	3.75	3.75	3.75	3.75	3.75
EMU: Deposit rate	2.25	2.50	2.50	2.50	2.75
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	4.25	4.50	4.50	4.50	4.50
3 month money market rates	18-Aug-26	Sep-26	Nov-26	Feb-27	Aug-27
US: Term SOFR	3.73	3.60	3.60	3.60	3.60
EZ: Euribor	2.50	2.55	2.55	2.75	2.80
UK: Term SONIA	3.79	3.75	3.75	3.75	3.45
Sweden: Stibor	2.06	2.00	2.15	2.40	2.50
Norway: Nibor	4.56	4.70	4.70	4.70	4.55
10 year swap rates	18-Aug-26		Nov-26		Aug-27
USD	4.33		4.25		4.00
EUR	3.25		3.25		3.25
GBP	4.65		4.50		4.00
SEK	3.15		3.25		3.25
NOK	4.46		4.50		4.25
FX rates	18-Aug-26				Aug-27
EURUSD	1.16				1.17
EURGBP	0.86				0.87
EURSEK	11.02				10.80
USDSEK	9.52				9.23
EURNOK	10.90				11.30
SEKNOK	98.9				104.6
USDNOK	9.42				9.66
GBPNOK	12.75				12.99
NOK index (I-44)	111.51				115.50

Source: LSEG Workspace, Statistics Norway, DNB Carnegie

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