Macro Research

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Global Macro Forecast

A diverging world

Geopolitical risks dominate

US and China dictating the pace

Shift in economic cycle imminent – slowdown in the pipeline

Handelsbanken Capital Markets

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Global Overview

A diverging world

Global economic developments are diverging more and more. In the US, optimism remains high, while the eurozone is trudging along and emerging markets are grappling with the effects of a stronger dollar and higher global interest rates. Our assessment that the global economy will peak this year remains in place, and we expect a slowdown in 2019 and 2020. Despite the sharper tone in the trade conflict, neither expectations for central banks nor economic trends have been affected to any significant degree. However, an escalating trade war and geopolitical tensions pose a challenge to the global economy. In Europe, the outcome of the Brexit negotiations constitutes a substantial risk.

Geopolitical risks dominate

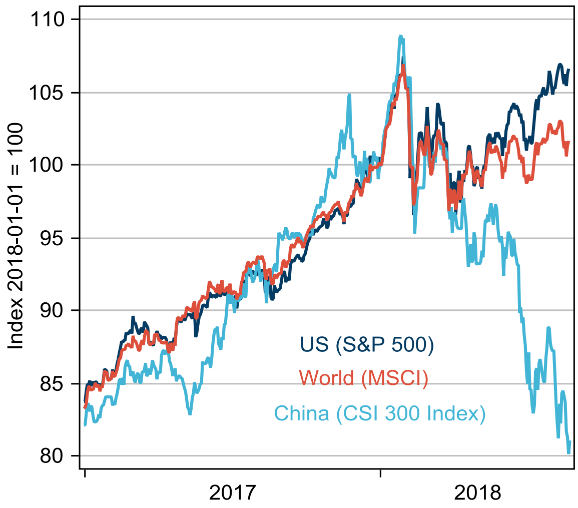
We expect a more pronounced economic weakening in the coming years than consensus[1] and we see downside risks as very important, particularly in the US, but also in China and the UK. We also believe the global economic climate could worsen significantly if, for example, the US economy, instead of just slowing down (as we expect it to), comes to a halt and enters a full-on recession. The outlook could also worsen if the trade war were to escalate in such a way that it has an adverse effect on the global economy, the financial markets and future prospects for households and companies. We do not expect this to happen (see article on the trade conflict). Another obvious risk is that the Brexit negotiations could come to a halt, leaving the UK with no trade agreement next year (see article on the United Kingdom).

On the other hand, if US growth potential exceeds our expectations, it may take longer before we see a slowdown in the global economy. We also highlight our view that the Chinese economy is slowing down more than many others have estimated. This is an important element of our economic forecast. As the authorities in China have a substantial ability to stimulate the economy, a stronger trend cannot be ruled out in the short term, although this would have a negative impact on the long-term sustainability of the Chinese economy, in our view.

Trade conflict in focus

Since our last macro forecast in April, the trade conflict between the US and a number of other countries has dominated the economic debate. So far, the economic effects have been limited. Even though financial markets have reacted to the various developments, we note that global equity prices have largely continued to rise since the spring. However, the Chinese stock exchange has declined, at least partly due to the escalation in the conflict with the US, in our view. In August, the escalating problems in Turkey sent shivers across financial markets. There is, in our opinion, a fear of spillover to other emerging countries and, in particular, the banking system in eurozone countries. The situation is difficult to assess, but we do not see this as a significant risk to the world economy.

Higher equity prices, except for China



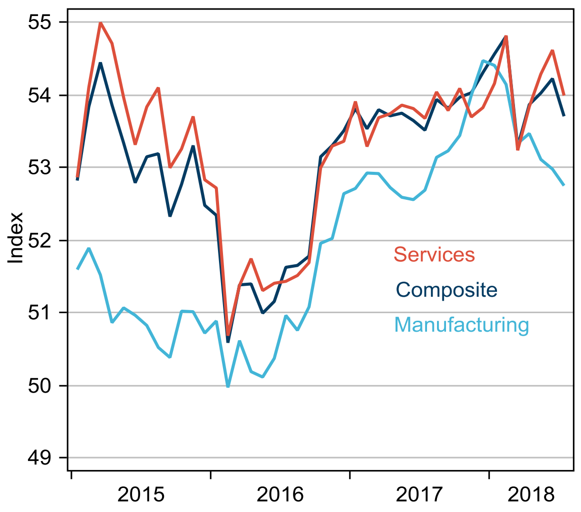
Sources: Macrobond and Bloomberg

Growth has peaked

Confidence indicators, such as the purchasing managers index (PMI) for the industrial sector, have declined in 2018, but are nonetheless at levels suggesting an above-average trend. Meanwhile, confidence in the service sectors has been more positive, and at the global level, retail trade picked up steam in the second quarter.

[1] See Bloomberg and Consensus Economics.

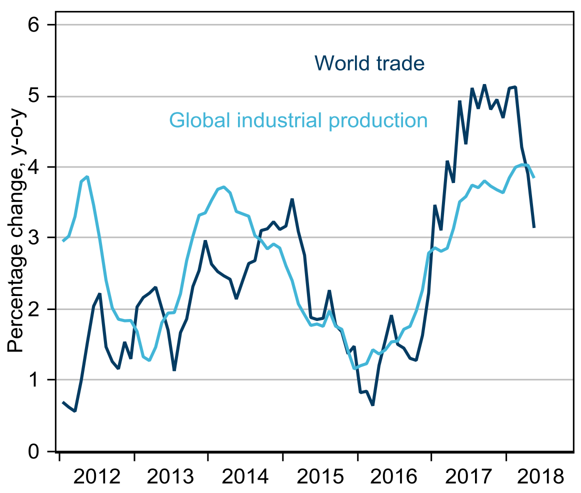
Global PMI has diverged



Source: Macrobond

Global trade does not have the same momentum as it did earlier this year. However, the slowdown has been more or less in line with our expectations and, for the time being, we do not regard trade turmoil as the most significant underlying factor behind the slowdown. It is probably more a matter of growth normalising after the strong trend late last year and early this year. We expect the decent trend in global trade to be maintained for the rest of the year. This expectation is supported by the fact that monthly trade figures (month to month) have recently improved and industrial production continues to increase at a strong pace. Overall, we continue to believe that global growth has peaked.

Softer world trade



Note: 3-month moving average
Source: Macrobond

Global trends diverging

It is becoming increasingly clear that we are moving from synchronised global growth to ever greater regional differences. This partly relates to the fact that different countries have differing abilities to manage the spillover effects of less liquidity and higher interest rates in the US, and a stronger dollar. Different countries are also affected in different ways by the slowdown in China and by the trade conflict between the US and other countries (primarily China).

In the US, optimism remains high and GDP grew by over four percent in the second quarter due to fiscal stimulus measures. The strong economy and rising inflationary pressure have prompted the US Federal Reserve to hike its funds rate, and we expect further rate hikes this year and next.

In the eurozone and Japan, trends have been significantly weaker. Inflation remains low in both the eurozone and Japan, and the central banks are keeping key rates low.

In China, the most recent indicators suggest a slowdown that is in line with our expectations. The authorities have taken measures to limit credit growth and to achieve more sustainable growth, and recently trends have also been adversely affected by the ongoing trade conflict with the US.

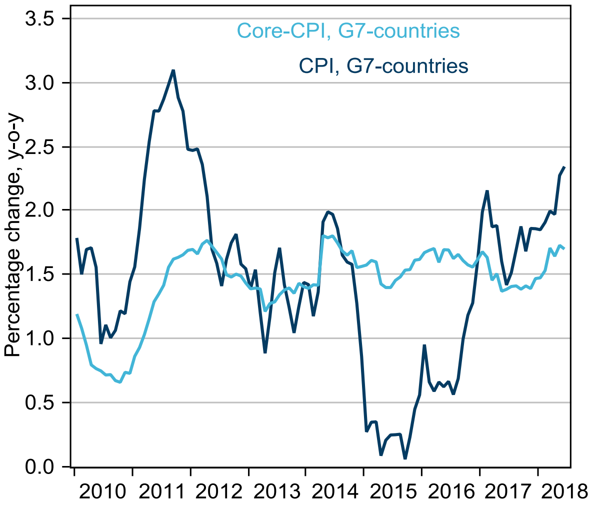
For emerging economies, the trends are different again. Many emerging markets are now being adversely affected by the stronger dollar and higher global interest rates resulting from the US rate hikes. In addition, there is greater uncertainty due to the trade conflict and a slowdown in the Chinese economy.

The trend in the Nordic countries is also somewhat divergent. But common to all Nordics is that domestic demand is contributing more and more, while exports have slowed down (see analysis of the Nordic countries in separate articles).

Shift in economic cycle in 2019e–20e

Looking ahead, we expect a slowdown in global growth. After several years of strong growth, capacity limitations will now become increasingly apparent. Inflation has risen sharply, but this is primarily due to rising energy prices. The underlying inflation rate has trended upward, but remains relatively low, given the economic climate.

Energy prices increase inflation



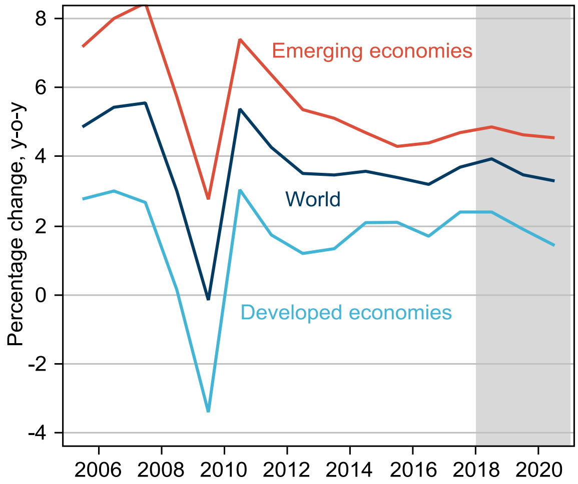
Source: Macrobond

Increasingly high capacity utilisation and rising inflation are starting to lead to financial conditions tightening on several fronts, as central banks are only normalising monetary policy very slowly. For the US, which is leading the business cycle, we expect a clear slowdown in growth in the coming year. This will affect the rest of the world, both directly via trade and even more so via financial channels, and by way of greater uncertainty. A gradual lowering of Chinese growth and the ongoing trade conflict will add to this.

Even though we do not include any major impact from the trade conflict in our forecast (impact of about one percent of world trade), it will contribute to the slowdown in the industrial economy that we have been expecting.

For the UK and for the rest of Europe, we also believe that Brexit will hamper growth in the coming years. Although we expect a limited agreement to be reached prior to Brexit in March 2019, we believe that many of the difficult issues will be left for later negotiations. We believe uncertainty will remain during the transitional period that has been agreed upon (see article on the United Kingdom). Overall, we expect global GDP to increase by about 3.9 percent this year and by 3.3 percent in 2020.

Cooling world growth

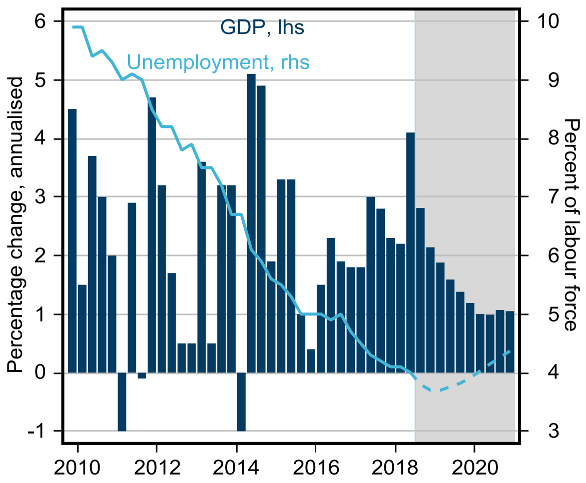


Note: Grey field Handelsbanken's forecast.
Sources: Macrobond and Handelsbanken

Final spurt for the US economy

Despite the US being in a late phase of the business cycle, GDP rose substantially in the second quarter, and we raise our forecasts somewhat for 2018 and 2019. Growth will continue to benefit employment, and unemployment is at its lowest level for nearly 20 years. While more favourable conditions have encouraged people who had earlier given up looking for work to return to the market, we think the scope for that is now more or less exhausted. Thus the labour shortage will become even more obvious and will continue to increase pressure on wages and inflation, we believe. Greater inflationary pressure will cause the Federal Reserve to continue hiking the funds rate, which will also contribute to slowing growth next year. On top of this, we expect fiscal policy to become less expansionary, which will further contribute to a dampening of growth prospects for 2019 and 2020.

US: GDP and unemployment



Note: Grey field Handelsbanken's forecast.
Sources: Macrobond and Handelsbanken

Weaker growth prospects and increasingly high interest rates are creating an environment that is less conducive to investments in riskier assets, including the stock market. At the same time, it is difficult for both the US Federal Reserve and financial markets to judge what level of interest rates the US economy can handle. Interest rates have been at record lows since the financial crisis began in 2008, and companies and households have to some extent adapted their behaviour to a low interest rate environment. Accordingly, we expect the risk premiums on market interest rates that companies and households encounter to rise as the Fed continues to hike the funds rate.

Overall, growth will gradually weaken in 2019, we believe, and by 2020, the economic climate will have weakened considerably, resulting in rising unemployment.

New stimulus measures in China?

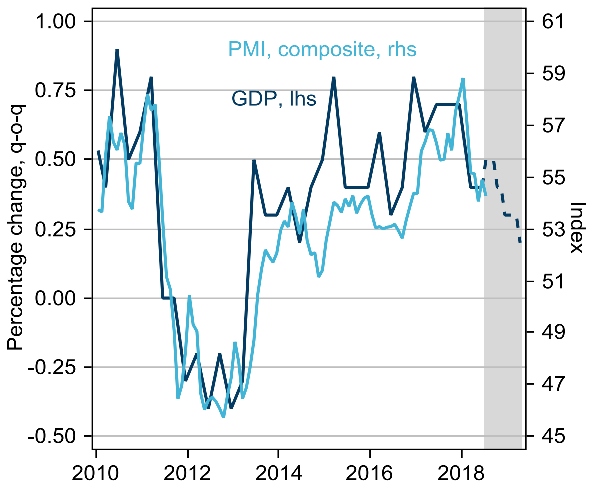
The measures previously taken by the Chinese authorities to limit credit growth and moderate the build-up of debt have led to a slowdown in credit growth.

Due to lower growth and the escalating trade conflict, the authorities have indicated that they will again prioritise growth, and they have pressed interest rates down and also weakened the currency. They have also explicitly said that stimulating access to credit for investments may be on the agenda, which is the classic way to stimulate the economy in China. Overall, we expect the ongoing trade conflict to have an adverse impact on China, but we also expect this to largely be countered by more expansive policy. Altogether, this means that we still expect a continued slowdown in growth in 2019-20, which will contribute to the slowdown that we expect in the global economy.

The eurozone at a crossroads

Growth in the eurozone clearly slowed in the first half of 2018, partly due to temporary effects. Foreign trade has been unexpectedly weak, while domestic demand has been propped up by expansive financial conditions and strong employment growth. Despite the political uncertainty, primarily in Italy, and the complicated Brexit negotiations, we expect otherwise beneficial domestic conditions to contribute to stronger growth in the second half of the year and into 2019. We then believe that growth in the eurozone will lose momentum due to a slowdown in the global economy and that the support from beneficial financial conditions will decline.

Lower growth in the eurozone



Note: Grey field Handelsbanken's forecast.
Sources: Macrobond and Handelsbanken

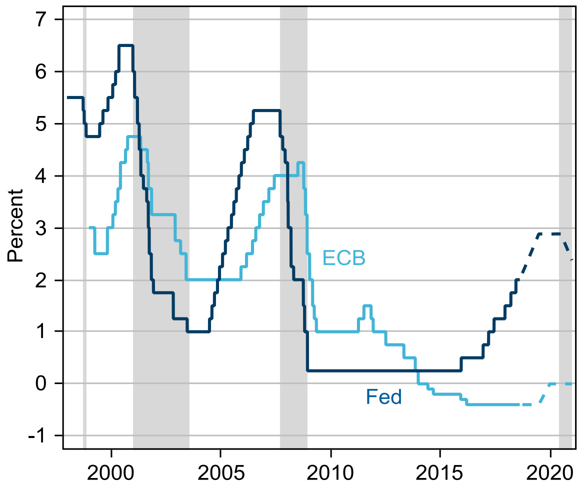
In the coming year, we expect growth to be above average and unemployment to continue declining before bottoming out in 2020. An increasingly tight labour market will contribute to inflation rising in 2019. This should prompt an initial interest rate hike from the ECB in the second half of 2019.

Gradual rise in interest rates

Expectations of a rate hike from the Fed have been rising. Market pricing is now approaching our forecast of two further rate hikes this year, but pricing still has a way to go to include two more rate hikes in the first half of 2019, which we expect to happen. As the fixed income market moves in our direction with higher interest rates, the climate for riskier assets will become less conducive.

Headwinds for riskier assets will be mitigated by interest rates remaining low in other parts of the world. In a longer-term perspective, there are unusually sharp differences between the monetary policies of the Fed and the ECB. We expect the ECB to hike during the second half of 2019, which is somewhat later than in our April forecast. By that point, the US economy will have slowed and the Fed will not take any action on the funds rate, in our view. When it becomes increasingly clear that the US needs help from lower interest rates, we expect the Fed to cut the funds rate in the middle of 2020, at which point we expect other central banks to hold off.

Different phases of monetary policy



Note: Grey fields periods when Fed cut interest rates.
Sources: Macrobond and Handelsbanken

As the market prepares for rising short-term interest rates, we expect a certain amount of upward pressure on long-term interest rates, primarily in the coming year. However, we revise down our forecast for long-term interest rates somewhat compared with our April forecast.

Currency volatility in emerging markets

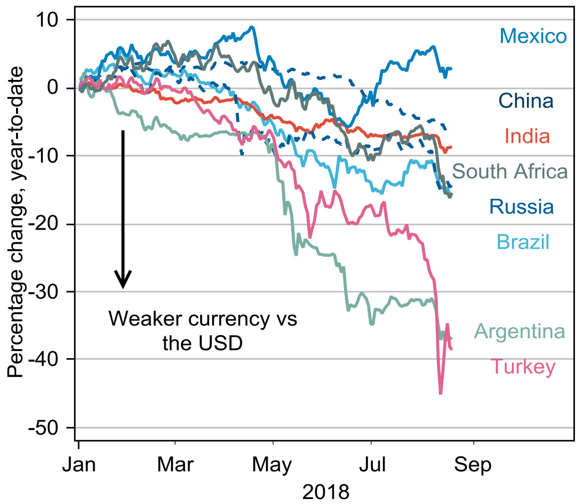
We continue to expect the USD to remain strong for the rest of the year and then gradually weaken as signs of an economic slowdown emerge over the course of next year.

In many emerging countries, the currencies have weakened sharply, in particular in countries with major external debt, external imbalances and political uncertainty, such as Argentina, Brazil and Turkey.

In August, in particular, the situation in Turkey has deteriorated. The country has a great need for foreign financing, and a major part of the growth has been loan-financed. The central bank has not had the mandate to raise interest rates enough to cope with galloping inflation. In addition, the ongoing political conflict with the United States has led to rising import duties from both sides. All of this has caused foreign investors to leave Turkey and the currency has weakened.

The Chinese currency has fallen as a result of deliberate efforts to weaken it by the authorities to mitigate the economic effects of higher US tariffs. We expect the yuan to continue to weaken somewhat before regaining strength. China's weaker growth potential is also reflected in the price of commodities, primarily base metals, where China is the most important player. We see scope for a further decline in prices in the short term, but as the Chinese authorities are once again stimulating investments, commodity prices may once again rise, especially if the trade conflict with the US cools.

Weakening emerging market currencies



Source: Macrobond

Theme article: Trade conflict

How will the Nordic region be affected by the trade conflict?

The bilateral trade conflict between the US and China has escalated recently. One of the aims of the US stance is to promote its domestic production and stimulate employment, but the consequences of these duties are difficult to assess. The Nordic countries are very much dependent on developments elsewhere in the world. We nevertheless believe that the macroeconomic impact on the Nordic region will be limited, provided these events do not extend beyond a bilateral trade conflict or start to spread major uncertainty in financial markets. But the automotive industry in particular has been following these recent developments with concern.

Escalation in US/China trade conflict

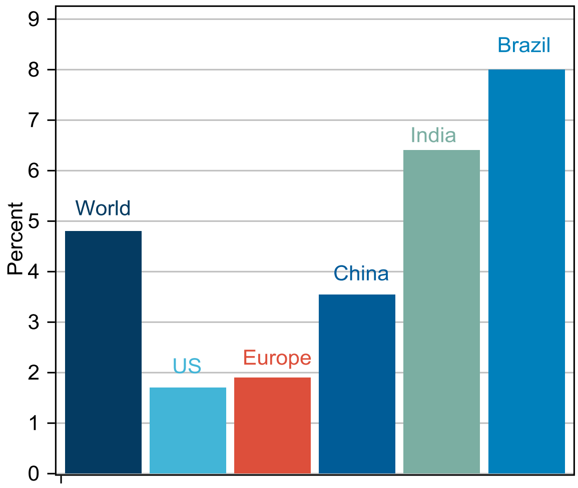
In recent years, the support for free trade has declined in many parts of the world and new trade barriers have been introduced. The trade conflict between the US and China has gradually escalated during the summer.

What has happened so far?

One of the aims of the US stance is to promote its domestic production and stimulate employment by reducing its trade deficit, particularly with China.[2] China and other emerging market economies continue to have significantly higher duties than more developed economies, even if they have reduced these duties over the past 20 years.

The US has also introduced and announced higher tariffs against other countries. The EU and the US have agreed that an escalation of their trade conflict is not imminent, but there remains, however, a risk of escalation at a later stage, in our view. The US has previously announced that it intends to impose duties on imports of motor vehicles and automotive components. This would result in a significant escalation of the global trade conflict, as the value of these imports is ten times that of US steel imports. The value of all introduced and announced tariffs amounts to 4 percent of global trade.

Applied tariffs



Note: Refers to 2016.
Source: World Development Indicators

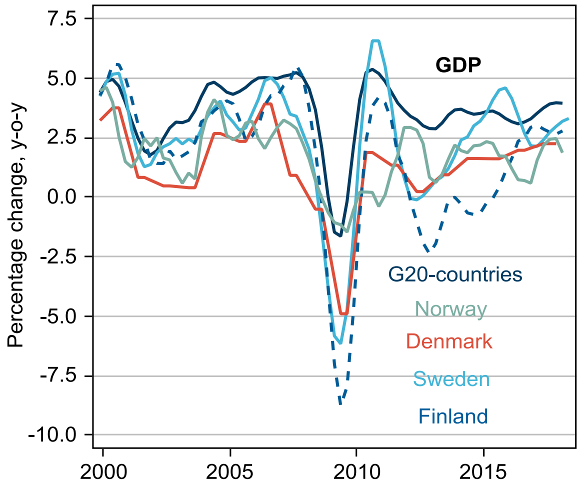
Nordic region reliant on international events

Trade with the rest of the world contributes significantly to the growth and welfare of the Nordic countries. Historically, Sweden and Finland have been affected more by fluctuations in the global economy than Denmark and Norway. This is due to sectoral differences and to Sweden and Finland being more dependent of the volatile manufacturing business cycle. Norway's dependence on international markets is closely linked to oil prices, which can follow a different cycle from the rest of the world's GDP.

The country which depends most on international markets, in terms of exports as a share of GDP, is Denmark (55 percent), followed by Sweden (45 percent). For Finland and Norway, exports account for just under 40 percent of GDP. The Nordic countries also depend on the inputs they purchase from abroad for the production of their export goods.

[2] See also the theme article on protectionism in the Global Macro Forecast from April 2018.

Strong correlation with global GDP

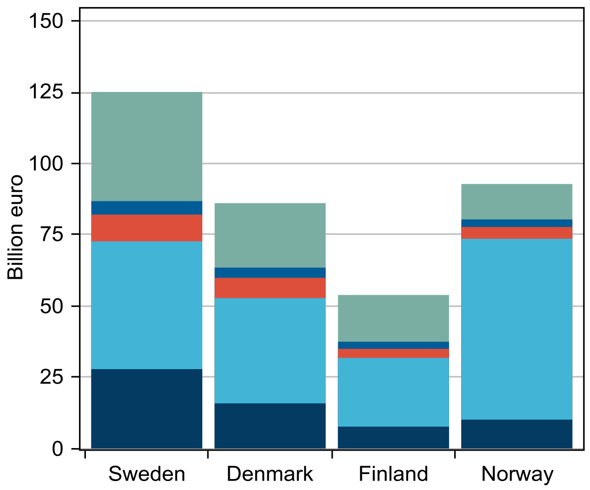


Note: Three quarter moving averages.
Sources: OECD and Macrobond

Seven percent of goods exports go to the US

The EU is by far the largest trading partner for the Nordic countries. Around 70 percent of Norway's goods exports go to EU member states outside the Nordic region. Between four and eight percent of the Nordic countries' exports go to the US, while around three to five percent go to China. In other words, these two countries have a significant impact on the Nordic region's exports, which is greater still if the entire distribution chain is taken into account, as Nordic countries' exports to the EU, for example, can ultimately end up in China or the US.

Export of goods to each region



Note: Refers to the year 2015.
Sources: Eurostat, Statistics Norway and Macrobond

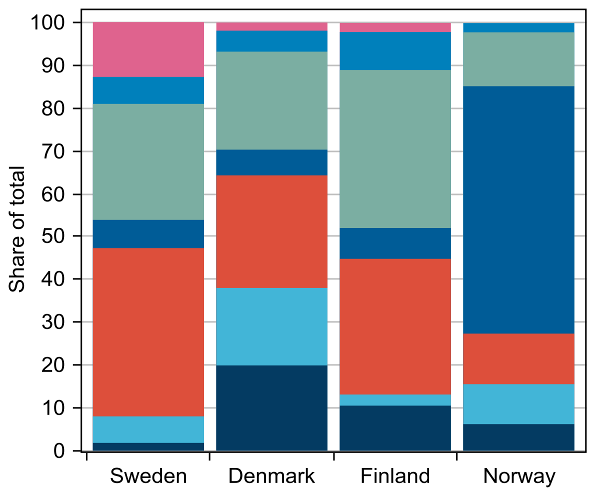
From the bottom up: Nordic region, Rest of EU, US, China, Rest of world.

Auto industry duties could hit Sweden hard

For Sweden, automotive industry exports are the most important. Exports of motor vehicles and automotive components account for 12 percent of Sweden's total exports and one fifth of its goods exports to the US. Import duties on vehicles could therefore have a significant impact on Swedish exports if exports of automotive components to countries such as Germany, before the vehicle is subsequently exported to a third country, are included. Swedish steel exports are around a fifth of this, but exports of metals overall still account for ten percent of the country's goods exports to the US.

Steel and aluminium are also important export goods for Norway, but go almost exclusively to countries in Europe. Norway's most important exports are fossil fuels, which account for almost 60 percent of its goods exports. Finland's main exports are paper and paperboard and Denmark's are medicines and pharmaceuticals. The export of machines and technical equipment is also important for the Nordic region.

Export of goods per sector



Note: Refers to 2015.
Sources: Eurostat and Macrobond

From the bottom up: Chemical products, Food, Machinery and Transport, Mineral fuels, Other manufactured goods, Raw materials, Commodities and transactions.

In general terms, the industrial business cycle is a strong growth driver for the Nordic countries, and a downturn would create ripple effects. The employment multiplier in the automotive industry is particularly high; for every job created here, another job is created in other business sectors. Trade barriers that hamper the growth of this and other sectors therefore risk generating negative economic effects for the economies as a whole. Overall, Sweden and Finland are more exposed to the industrial sector and the duties that have already been imposed and that are under discussion.

US/China trade conflict: limited global impact

The escalating trade war between the US and China will have an adverse effect on global economic growth. However, little historical guidance is available on the effect of such conflicts, as the most recent were in connection with WWII and the depression of the 1930s.

So far, the trade conflict has had only a marginal impact. Financial markets in China have reacted to the various blows exchanged, but market expectations, in terms of global economic growth, remain intact. If the trade conflict were to escalate, there is a risk that the effects would be more far-reaching than those we include in our main scenario. This could lead to greater uncertainty, which in turn could lead to lower levels of investment and a tightening of financial conditions. Furthermore, growth in China and the US would slow as a result of the decline in demand for their export goods and the increase in the price of imports. However, we believe the direct effects would still be limited, as the bilateral trade between the US and China only accounts for a small proportion of their respective GDPs and only accounts for three percent of world trade. The IMF believes that global GDP could fall by 0.5 percent in 2020 in the event of a bilateral trade war between China and the US. The negative effects would primarily be caused by greater uncertainty on financial markets.

Marginal impact on Nordic countries

The trade war between the US and China will clearly mainly affect the countries involved. It is not clear how the Nordic countries will be affected, and would not be even if we knew the full nature and extent of future import duties. Companies that are a link in the production chain between the US and China may also be adversely affected. Sweden and Finland, countries which largely export goods that are produced on a large scale and sold all over the world, risk being particularly badly affected, in our view. Norway would primarily be affected by the trade conflict if it were to lead to falling oil prices. At the same time, higher duties on Chinese and US goods could make Nordic exports more competitive in the US and China, which could lead to a rise in some exports to those countries. Overall, our view is that a bilateral trade war will have only a very limited impact on the Nordic countries in the short term.

Greater impact if the EU is drawn in

If the trade conflict were to escalate to the extent that the EU gets drawn in, the impact on the Nordic countries could be much greater. Exports would be affected by the duties, while more expensive imports would lead to temporarily higher inflation. There would also be a risk of uncertainty spreading to financial markets, which could result in a sharp increase in risk premiums and falling asset prices. Were such a scenario to unfold, it would have a significant impact on the Nordic countries, we believe.

A global trade war would have far-reaching effects, in our view. Model estimates carried out by organisations such as the OECD and the World Bank indicate that a global trade war, in which duties were raised to 25 percent worldwide, would lead to a decrease in global GDP of around two to four percent. This would lead to a pronounced economic downturn worldwide, with an impact on GDP of around half the level witnessed during the financial crisis. There would be a risk of a greater impact on the Nordic countries, in our view, as being small and export dependent, they are likely to be affected more than larger countries by limits to international trade.

Finland: least able to counter adverse effects?

As interest rates are already low, the scope for stimulating demand via monetary policy measures is limited, and Finland, which uses the euro, and Denmark, which has pegged its currency against the euro, would have especially limited scope to influence demand that way.

If monetary policy were to fail to offer enough room for manoeuvre, fiscal policy could take a more prominent role in the event of an escalation in the trade war. In Sweden, Norway and Denmark, public debt levels are very low by international standards, which would make it possible for those countries to take a more expansionary approach to fiscal policy in order to soften the adverse effects of the trade war. A weak government in Sweden after the autumn elections could, however, make it more difficult to pursue an effective fiscal stabilisation policy there.

In Finland, public debt measured as a proportion of GDP has risen since the financial crisis, to around 60 percent. This is higher than during the 1990s and contrasts with levels reported by other Nordic countries of around 40 percent. That said, Finland has not built up the same imbalances relating to household debt as its Nordic neighbours, so in that respect, it could be less vulnerable.

United Kingdom

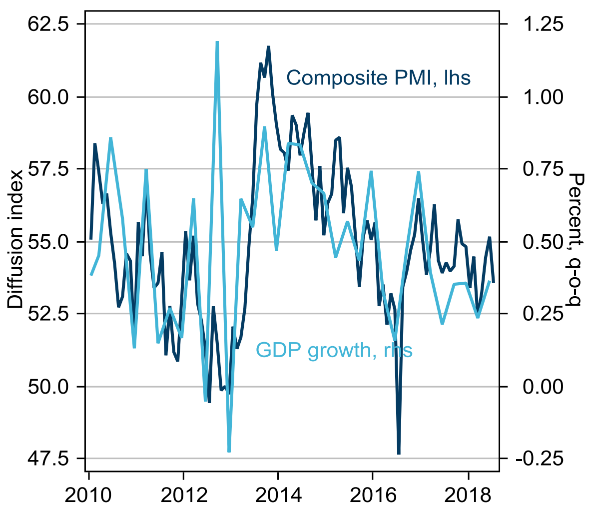
Brexit “fudge” more likely than “no deal”

The EU has rejected the UK’s current proposal for a future relationship, prompting the UK’s negotiating team to threaten it could walk away, as “no deal is better than a bad deal”. However, there is no majority in the UK parliament for a no-deal brexit and we therefore expect a stripped-down Brexit treaty and a vague statement on future intentions. The uncertainty is likely to prevail for a long time, weighing on the UK economy and leading us to believe that the Bank of England’s August rate hike was its last for the coming two years.

GDP growth weaker than expected

According to preliminary numbers, the UK economy staged a rather muted rebound in Q2, after a weak Q1. GDP growth in Q2 was 0.4 percent following 0.2 percent in Q1 and sentiment suggests only limited momentum ahead.

GDP growth and PMI composite



Source: Macrobond

Despite GDP weakness, the labour market has stayed surprisingly strong for a long time, and the UK unemployment rate fell to 4.0 percent in the three months to June. However, the PMI composite employment index fell in June and July, indicating that the labour market could be weakening somewhat. Wage growth has weakened in recent months, with regular pay growth falling to 2.7 percent in the three months to June, from 2.8 percent in May. Consumer price inflation seems to be continuing to decrease, with core inflation falling to 1.9 percent in June. The development in inflation has been broadly in line with our expectations, while GDP growth has been weaker. Thus we reduce our estimate for GDP growth in 2018 to 1.3 percent, from 1.5 percent previously.

Brexit “fudge” and lingering uncertainty

In recent weeks, fear of brexit without a deal has risen, sending the GBP to its weakest level against the EUR since autumn 2017. The reason is the EU’s rejection of the UK’s current proposal for a future relationship, and the subsequent UK threat that it can walk away from the negotiating table, underlining Theresa May’s claim that “no deal is better than a bad deal”. However, “no deal”, as most see it, is bad for the UK, at least short term, and there is no majority for this solution in the UK parliament. As time is running out before brexit Day on March 29, 2019, we believe the most likely scenario is that the UK and EU manage to agree to, and ratify, a stripped-down brexit treaty, covering the backstop for the Irish border, the exit money and citizens’ rights. We believe they will “fudge” a solution for all other issues, essentially leaving them for later, with a vague political agreement on future intentions. This would allow the transition period to take effect once the UK exits in March, but where the UK-EU future relations are headed would remain an open question.

Bank of England to hike no further

We believe brexit uncertainty will prevail and continue to weigh on GDP and wage growth. Our forecast for GDP growth and inflation is below that of the Bank of England (BoE) and consensus. Accordingly, we expect the policy rate to be lower. The dynamics of the BoE Monetary Policy Committee could also be affected ahead, as Jonathan Haskel replaces Ian McCafferty on September 1. Haskel, who is an economics professor at London’s Imperial College, is expected to be a rather dovish member, while his predecessor has been considered a hawk. Haskel has, for instance, pointed to persistently weak wage growth in the UK and said there could be more slack in the labour market than currently estimated. We believe the August rate hike from the BoE to be the last for the coming two years. The GBP is currently weaker than our forecast, largely due to the increased fear of a “no-deal” brexit, in our view. We believe the latest weakness could be somewhat overdone, but expect the currency to continue to weaken in the longer term.

Sweden

Faster growth after question marks about exports

We expect exports to pick up again, despite the continuing trade conflict, and we raise our GDP growth forecast. Enduring optimism leads to more jobs and lower unemployment than previously forecast. Although the inflation rate is on target, the Riksbank's Executive Board is split regarding the timing of the first repo rate hike.

Exports set to pick up, despite trade conflict

Signals about Swedish exports have been mixed recently. On the one hand, both export outcomes and order inflow have been more subdued, which can be linked to the slump in the eurozone. On the other hand, we do not believe that the trade conflict has so far had negative effects (see theme article), and the manufacturing industry is still taking a positive view of its order books. All in all, we raise our export forecast.

Export optimism after trade slump

Sources: CPB, National institute of economic research and Macrobond

Housing construction declining, as expected

Housing prices have begun to stabilise, but the drop in prices around year-end, coupled with the supply of properties remaining high, means that construction has started to decline, as forecast. Although we expect good momentum in other forms of investments, we do not currently see signs that these will completely fill the void created by the absence of housing investments, which is expected to reduce GDP by 0.4 p.p. in 2019. However, a further increase in employment, and therefore disposable incomes, is expected to boost consumption growth ahead. All told, we raise our expectations for GDP growth for the forecast period as a whole.

Enduring optimism will lead to more jobs

Signs early this year that employment growth would gradually slow have been partly disproved. Among other things, new positions being advertised at job centres are on the increase again, while the number of people in employment continues to rise rapidly. Our slightly more optimistic view of Swedish growth prospects leads us to expect the positive trend in jobs to be maintained longer, and we lower our unemployment forecast again.

Steadier wage growth; Riksbank board split

The favourable labour market conditions have had an impact on wage growth. Monthly statistics for hourly wages have risen this year, while total labour costs continue to increase faster than a few years ago. Such signs that the uncertainty surrounding wage growth is starting to dispel are likely to be welcomed by the Riksbank, which has expressed unease about the duration of the rise in inflation. CPIF inflation has long been in line with the Riksbank's target, but that has in large part been due to rising energy prices, and indicators of underlying inflation are diverging more now than they have for a long time. At the same time, inflation expectations have still risen further, and we maintain our view that the Riksbank will hike the repo rate in December.[3] The interest rate rise is judged to cause a gradual krona strengthening.

The Riksbank's Executive Board is split on the matter of monetary policy, so there is great uncertainty going forward. We expect there to be gradual repo rate hikes up to 0.5 percent in early 2020, after which the weaker global economy will cause a pause in the hiking cycle. The situation in terms of fiscal policy may appear uncertain too, as the process of forming a new government after the September election is likely to be complicated. Our main scenario is still that the macro economic effects will be small, due to the well-established fiscal policy framework (see theme article).

[3] For more detailed analysis of inflation expectations and monetary policy, see our report “The lay of “The Land”.

Theme article: Swedish election

How will the economy be affected by the election?

Everything suggests that the process of forming a government following the September 9 election will be complicated; however, the election is not expected to have any major impact on financial markets or near-term macroeconomic trends. In the longer term, the macroeconomic effects could be greater. We expect there to be a minority government with a weak and uncertain mandate, which will have trouble implementing necessary structural reforms and, in the event of an economic downturn, pursuing effective stabilisation policies.

Forming a government will be complicated

Opinion polls indicate that the process of forming a government following the election will be protracted and complicated. The Sweden Democrats' (social conservative, anti-immigration party) sharp rise in opinion polls means that neither the current Red-Green government (of the Social Democrats and the Green Party) nor the centre-right Alliance (the Moderate Party, Liberal Party, Centre Party and Christian Democrats) appear likely to gain enough electoral support to be able to govern the country on their own. Meanwhile, the Christian Democrats and the Green Party are hovering around the four-percent mark, the cut-off level for gaining seats. Their fate in parliament may ultimately determine which parties form a government after the election.

If current opinion polls hold after the election, there will need to be cooperation over the boundaries of the traditional political blocs, or with the Sweden Democrats. At present, all the other parties say that the door to cooperation with the Sweden Democrats is firmly closed. The question is whether it may be opened slightly after the election. Sentiment may also change after the election regarding possible cooperation across traditional bloc lines.

Everything suggests that there will ultimately be a minority government with Ulf Kristersson (Moderate Party) or Stefan Löfven (Social Democrats) as prime minister. In order to secure a majority government, the Social Democrats and Moderate Party would probably have to form a grand coalition, or include the Sweden Democrats in a government. For several reasons, it is hard to see the time being ripe for either of these alternatives.

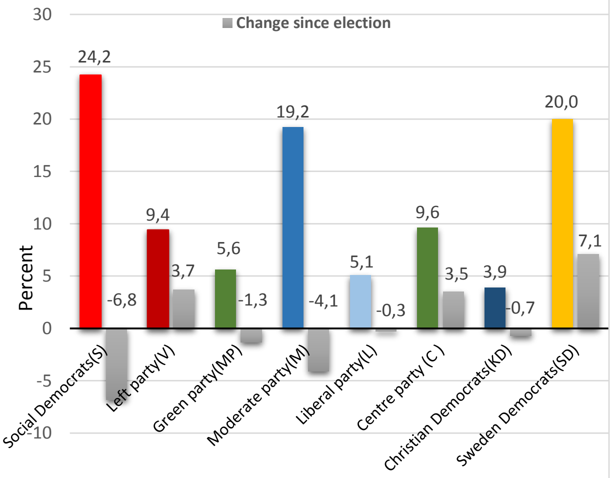
A new government will probably be formed during the autumn, and so will be able to present a budget for 2019; this must be finalised by November 15. Meanwhile, a highly protracted government formation process, or even another election, cannot be ruled out.

Limited market reactions

Although the political situation will probably remain uncertain in the weeks following the election, it is difficult to see this having a major impact on financial markets. Sweden has a strong economy, sound public finances, and compared with the government crises in many other European countries, the problems related to the formation of a Swedish government will probably not be particularly grave. In conjunction with the government crisis in December 2014, when the Sweden Democrats prevented the government budget from passing and Stefan Löfven said that he would call a snap election, the market reaction was limited.

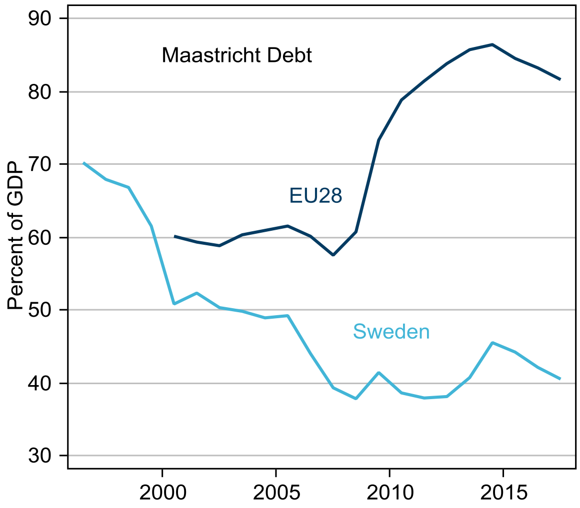
The Swedish krona will probably weaken slightly if the Sweden Democrats were to become by far the largest party, since they want Sweden to leave the EU; however, there is nothing to indicate that the question of an EU exit will arise in the near future. The Swedish people take a positive view of the EU, and the Sweden Democrats have said that the question of the EU will not be on the table if they are part of negotiations to form a government.

Record low support for Social Democrats and record high support for Sweden Democrats



Note: Conciliation of opinion polls from August 2018
Source: val.digital

Low public debt



Source: Macrobond

Little short-term impact on Swedish economy

There is a consensus in Swedish politics concerning the rules and guidelines in the fiscal policy framework, which include a surplus target for public sector financial savings. Accordingly, regardless of which governing coalition assumes power following the election, public sector cutbacks and the national debt will probably remain largely the same. There is also a tradition in Swedish politics of cross-party agreements in matters such as migration and defence policy.

The focus of economic policy will also overlap in many areas, regardless of which coalition is in government. Investments will be made in welfare (healthcare, schools, elderly care), defence, law and order, and lower taxes for pensioners. The centre-right parties want to increase the incentives to work by lowering taxes on labour and reducing subsidies in certain subsidy systems. The Social Democrats instead want to focus more on traditional redistribution policies. However, we believe that these differences will not have any significant macroeconomic effects in the next few years.

We expect complicated negotiations about forming a government and the budget to mean that the budget for 2019 will be somewhat more expansive than "normal". This may contribute to slightly higher growth and lower unemployment next year.

In the unlikely event that no new government has assumed power by November 15, the current government, which will remain in power in the form of a transition government until the new government takes over, must present an 'apolitical' budget. This must not contain any major reforms. However, in conjunction with its 2019 Spring Budget Bill, the new government will be able to present reforms that come into effect on July 1, meaning that the short-term macroeconomic effects of taking longer to form a government should be limited.

Greater macroeconomic effects in long term

A minority government will have trouble implementing the necessary structural reforms in areas such as the labour market, housing and tax policy. In the long term, this will hamper the growth potential in the Swedish economy.

There is a significant risk that Sweden will enter a recession in the coming electoral period. In addition, most analysts agree that interest rates will remain low, meaning that the Riksbank will have only limited opportunities to stabilise the economy by pursuing a more expansive monetary policy in a future recession.

At the same time, new research has shown that fiscal policy stimulus measures have a much greater positive effect on the economy in a low interest rate environment, where the key rates are close to their lower limit. Overall, a new view of fiscal policy is therefore emerging, where institutions such as the IMF and OECD advocate fiscal policy taking more responsibility for stabilisation policies in today's low-interest rate environment.

However, a minority government will have trouble pursuing an effective stabilisation policy in the event of an economic downturn. There will need to be negotiations both within the government and with the Riksdag, making it difficult to act quickly and push through the most effective stabilisation policy measures. In conclusion, this means that the next economic downturn risks being deeper, and that the lasting effects of the recession will be greater.

Norway

Norges Bank to hike its policy rate in September

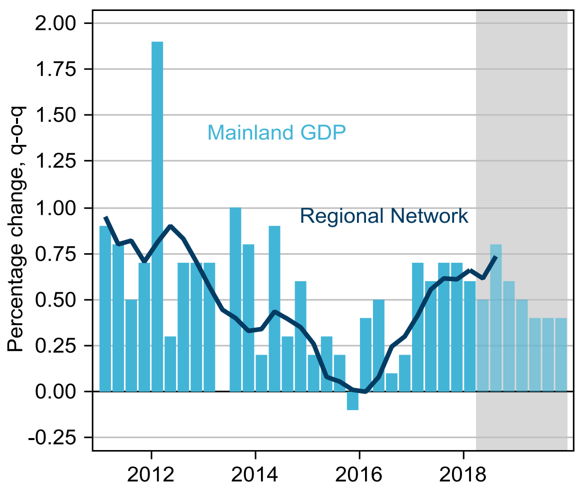
Mainland GDP growth is holding up well and overall capacity utilisation is probably around fairly normal levels. The housing market reached its trough in January, and has since posted nearly consecutive gains. However, financial stability concerns should be well contained, in our view, as price growth has moderated over the past few months. We maintain our view that Norges Bank will hike its policy rate in September.

Solid economic rebound this year

Mainland GDP growth has continued to hold up well since our previous report in April, supported by rising consumer spending and a rebound in activity among oil-supplying industries (both domestically and export-oriented). Furthermore, housing prices have recovered from the decline last year, and this will in turn limit the ongoing decline in residential investments. In this regard, we also believe that financial stability concerns should be well contained, as price growth has moderated over the past few months. Activity data point to a fairly balanced market, and we maintain our view of moderate price growth ahead.

For the mainland economy, we continue to foresee GDP growth of 2.5 percent this year. This is up from 1.9 percent in 2017 and is well above normal growth rates, which we estimate to be around 1.5-2.0 percent. Given the strong rebound this year, the economy is now operating close to normal capacity utilisation, in our view.

Mainland GDP vs. Regional Network



Note: Grey field Handelsbanken's forecast.
Sources: Macrobond and Handelsbanken

Growth is expected to slow from 2019

We maintain our view that economic growth will begin to slow from next year, and that this will be even more pronounced from 2020. This expectation is mainly due to: (1) expectations of weaker global momentum; and (2) a gradually fading impulse from petroleum investments. However, the growth potential of the economy is slowing further as well, mainly reflecting weaker labour supply growth coupled with stubbornly weak productivity growth. Thus, overall capacity utilisation will probably stay close to normal levels in the coming years, even though actual GDP growth is slowing from a peak.

Modest hiking cycle from Norges Bank

The upshot is that Norges Bank will be able to begin a modest hiking cycle. We maintain our view that the policy rate will be increased by 25 basis points in September. We also continue to expect two more rate hikes in 2019.

That said, price pressures are, as usual, lagging the business cycle. Thus, current wage and cost pressures are relatively low, and the core inflation rate has continued to hover well below its 2 percent target.

We also note that wage expectations among the Social Partners continue to run below Norges Bank's expectations. Thus cost pressures appear to be weaker than anticipated by the central bank and inconsistent with reaching the inflation target for the following years. This, coupled with expectations of slower global growth, will probably constrain Norges Bank to only three rate increases in this cycle, we believe. Meanwhile, Norges Bank has signalled additional rate increases after 2019.

Finland

Strong job market underpins domestic demand

The robust labour market is fuelling household income growth, creating favourable conditions for consumption. Hence the outlook for GDP growth remains positive, yet structurally less balanced, as the contributions from net exports and investments are likely to drop as the business cycle matures.

Domestic demand: the sound growth engine

The most striking feature in the Finnish economic landscape currently is the robust labour market with accelerating employment growth. As inflation in Finland is running well below the eurozone average, job growth and moderate inflation are fuelling households' real disposable incomes and leading to strong consumption and housing investments. Adding to this are favourable financing conditions that are generally expected to remain accommodative in the foreseeable future. An example of the strong consumer sentiment and improved incomes is the recovery of passenger car sales, which surged in the January-June period by 8 percent from the previous year. Another positive effect of the strong employment pick-up is the better than anticipated improvement in public finances. A balance in 2018 is within reach.

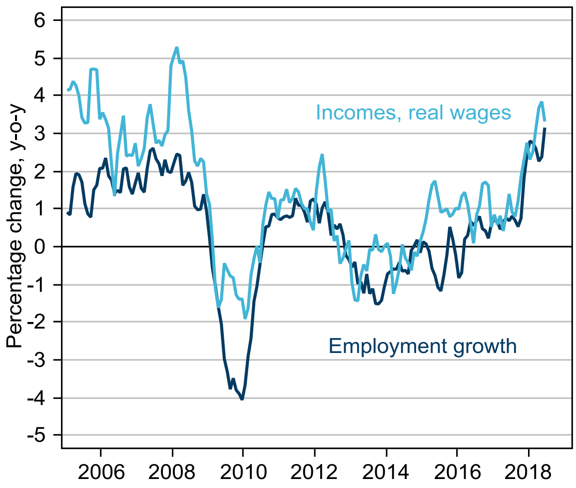
In addition to continued job growth, household demand will in 2019 get support from increased wage levels, the result of the 2018 wage round. The deal and the wage drift will increase wages on average by roughly 2 percent per year in 2018-20, according to our forecasts, a major change from the meagre wage growth of 2017. The flipside of this consumer-led growth is that the household sector's debt ratio continues to increase, as spending is likely to surpass disposable income growth.

The conditions for construction investments continue to be favourable, but construction permits indicate that growth will gradually moderate. At the core of Finnish construction is investments in blocks of flats in growth centres, particularly in the Greater Helsinki region. The secular trend of internal migration has continued unabated and, for this reason, we do not expect an abrupt end to the cycle in the near future.

The recovery in productivity that started in mid-2016 has led to improving profitability in Finnish companies, and as most companies met strong demand in domestic and foreign markets, supply bottlenecks started to emerge. To overcome this, corporates have been forced to upgrade their capital stock and corporate investments experienced a strong recovery in 2016-17. Corporate investment activity will remain brisk this year, but moderate in 2019-20 as global growth weakens.

Given the stronger than anticipated employment growth, domestic demand is likely to be a sound driver of Finnish GDP growth in the rest of 2018 and going into next year. Nevertheless, we still expect the closing of the output gap, labour scarcity and a maturing global business cycle to slow Finnish growth later in 2019 and 2020; we therefore leave our 2018-20 GDP growth forecasts unchanged.

Employment fuels incomes



Note: Three month moving averages.
Source: Macrobond

Net exports have passed their peak

In 2017, net exports made a very substantial 1.6 percentage point contribution to overall GDP growth, as exports enjoyed robust foreign demand and imports increased surprisingly modestly. High-frequency trade data reveals that the export of goods clearly lost a lot of its momentum in the first half of 2018. Import growth has weakened as well, mitigating the negative effect on GDP. Finnish exports are heavily geared toward the production of capital goods and intermediate inputs, with Europe being the key market. Eurozone GDP growth almost halved in the first half of 2018 and the key business barometers continued to post weak readings over the summer. Supercharged contributions from net exports now look to be a thing of the past and the core support for GDP growth is now likely to come from domestic demand. This means a less balanced growth structure ahead.

Denmark

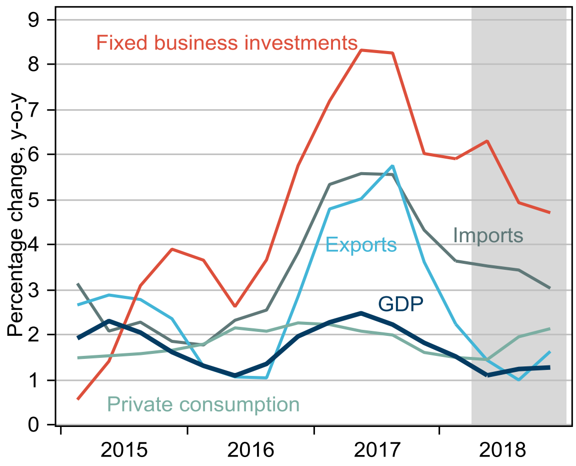
It could have been better

GDP growth slowed more than expected in the first half of 2018, primarily due to surprisingly weak exports. Lack of labour might be hampering the recovery more than expected, but favourable conditions for private consumption should support the economy over the coming year before a slowdown in 2020.

Disappointing growth so far

The preliminary GDP indicator showed real economic activity remained subdued in the second quarter with growth of just 0.3 percent compared to the first. Even though we do not have any details of the growth components in the second quarter, the main culprit appears to be weak exports, whereas private consumption held up well. We expect the underlying growth momentum to remain relatively healthy for the remainder of the year, driven by robust household spending. However, the weaker than expected outcome for the first half of 2018 as well as the risk that the severe drought over the summer will hit agricultural production and thus GDP growth in third quarter negatively leads us to lower our GDP forecast from 1.3 percent to below 1 percent. Headline growth in 2018 continues to be impacted negatively by the carry-over of a large one-off export of services linked to the sale of a Danish patent in 2017 worth about 0.4 percent of GDP. But even correcting for this one-off patent sale, it is still somewhat disheartening that the current recovery is only generating growth below 2 percent.

Is the peak in growth behind us?



Note: One year moving average. Grey field Handelsbanken's forecast. GDP and exports adjusted for patent sale in 2017.
Sources: Macrobond and Handelsbanken

Exports surprisingly weak

Exports of goods lost momentum in the first half of 2018 despite some better performance in May and June. Exports of services have also dragged down growth. The subdued development is at odds with the continued growth in global demand despite the slowdown seen lately in some of Denmark's main trading partners and the latest flare-up of protectionism. The trade-weighted Danish krone has strengthened, but not enough to explain the loss of market share for the export sector, as the overall competitive stance of Danish companies appears healthy. One reason could be that capacity constraints are having a larger effect than so far acknowledged, supported by newly released data showing accelerating wage growth in the second quarter. Increasing problems with lack of qualified labour could mean that companies have to turn down orders, thus lowering the prospects for exports, which anecdotal evidence points to. Nonetheless, we expect exports to improve over the coming year, but net contribution from trade to GDP growth is expected to stay subdued.

Private consumption to the rescue

Private consumption has developed robustly, albeit to some extent aided at the end of last year and beginning of this year by the release of pent-up demand for cars following changes in car taxation last autumn. However, employment continues to grow strongly and we expect wages to pick up gradually over the coming year, which will underpin disposable income. House prices are also continuing their broad-based recovery, albeit with some signs of fatigue in the larger cities as macro-prudential measures have kicked in, primarily showing up in weaker sales activity. Nonetheless, we expect property prices to continue to show sustained increases as long as financing conditions remain supportive, but with some slowdown in areas where prices have increased the most. Household purchasing power is also supported by the subdued development in consumer prices, which despite a tightening labour market are expected to rise by only 1.0 percent in 2018. Inflation is expected to pick up next year, but real wage growth should still be positive. Increasing capacity constraints and labour shortages should also act as a supportive backdrop for business investments, which could offset risks of an overheating economy. The upshot is that we expect the Danish economy to stage decent growth of 1.7 percent in 2019 before slowing down markedly in 2020 in line with our forecast of weaker global growth.

Netherlands

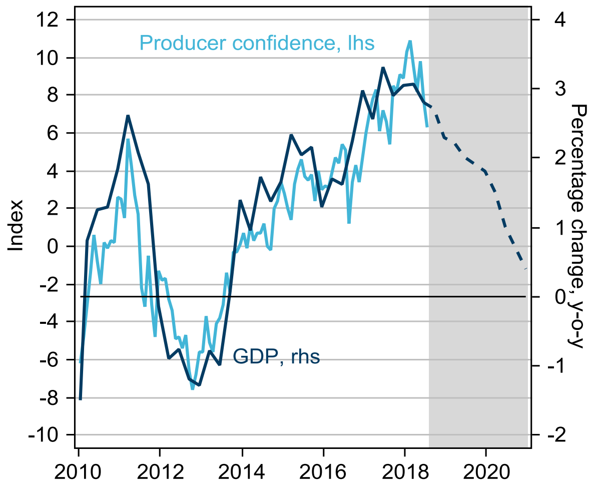
Moving very slowly off the boil

GDP growth held up well in the first half of 2018. Strong domestic demand is supporting the outlook for the next year, but capacity constraints and a cooling global economy are expected to weigh on activity further ahead with growth to cool down more significantly in 2020. Risks are tilted to the downside, as the open Dutch economy is vulnerable to the current uncertain global environment.

Still going solid for now

Following average quarterly growth of 0.75 percent in 2017, the economy has cooled only moderately. Thus, according to preliminary numbers, quarterly GDP growth averaged 0.65 percent in the first half of 2018. The development in economic activity is in line with recent falls in both the Purchasing Managers' Index and Producer Confidence, which hints at further slight moderation in growth after the summer.

Peak in growth is behind us



Note: Grey field Handelsbanken's forecast.
Sources: Macrobond and Handelsbanken

Activity in the first half of this year has been close to our expectations, but we nonetheless lower our growth forecast for 2018 slightly, from 2.9 percent to 2.7 percent. This is mainly due to expectations of a smaller contribution from net trade, which was a significant driver of the strong growth last year.

Domestic spending to support growth

Even though we expect some further cooling down, the outlook remains positive for the rest of 2018 and going into next year. Thus domestic demand should continue to develop solidly in line with our expectations of a transition to domestic demand-based growth as the business cycle matures, offsetting an increasing drag from net exports. Consumer confidence has stalled recently, but remains healthy and employment continues to grow strongly with unemployment expected to fall to 3.8 percent this year. So far, wage growth has been muted, but recent labour market agreements suggest further upside potential for wages as labour shortages intensify. This will push up household disposable income, supporting private consumption growth. Furthermore, the fiscal stimulus encompassed in the 2018-21 government agreement should increase government consumption growth, especially this year, but also next year, albeit to a lesser extent. The tight labour market and high capacity utilisation should be constructive for capital investments, also supported by favourable financing conditions for the foreseeable future. Housing investments, which were a significant driver of the strong growth last year, are however expected to slow down this year and next. This is because construction firms are experiencing increasing capacity constraints and housing transactions have begun to fall on an annual basis, albeit from high levels. In general, we expect house prices to be supported in the short term by low supply especially in the big cities and low mortgage rates, but with a gradual slowdown in price increases in the coming year.

The cycle matures further

The upshot is that the economy in the medium term is expected to continue to grow above potential, exerting continued upward pressure on wages and prices. As businesses will also be increasingly hampered by shortages of labour, this is expected to act as a drag on economic activity as we move further into 2019. Consumer price inflation has already risen more than expected in recent months, and we expect a steep rise next year to 2.6 percent as the effects of the tight labour market and the announced increases in energy tax and the VAT rate kick in. In 2020, we expect a more pronounced deceleration in economic activity due to weakening global growth and trade, which will hit the open Dutch economy relatively hard. Protectionism poses a major risk to our outlook, as frictions in world trade would have relatively large repercussions on Dutch exports and investments. The manner in which Brexit ultimately evolves also presents large uncertainties in the medium to long term.

Key ratios

Real GDP forecasts

	2017	2018f	(Previous forecast 2018)	2019f	(Previous forecast 2019)	2020f	(Previous forecast 2020)
Sweden*	2.5	3.1	2.9	1.8	1.6	1.7	1.6
Norway	1.9	1.9	1.8	1.3	1.4	2.0	2.0
Norway Mainland	1.9	2.5	2.5	2.0	2.0	1.4	1.4
Finland*	2.8	2.5	2.5	1.9	1.9	1.2	1.2
Denmark	2.3	0.8	1.3	1.7	1.6	0.9	1.0
Eurozone	2.6	2.1	2.2	1.8	1.8	1.3	1.3
USA*	2.3	2.8	2.7	2.0	1.8	1.1	1.1
UK	1.8	1.3	1.5	1.4	1.4	1.3	1.3
The Netherlands	3.0	2.5	2.9	1.9	2.2	0.9	1.0
Japan	1.6	1.1	1.1	0.8	0.8	0.4	0.4
China	6.9	6.5	6.5	6.0	6.0	5.7	5.7

Source: Handelsbanken Capital Markets

* Calendar-adjusted

Inflation forecasts

	2017	2018f	(Previous forecast 2018)	2019f	(Previous forecast 2019)	2020f	(Previous forecast 2020)
Sweden	1.8	1.9	1.8	2.2	2.1	2.6	2.5
Sweden (CPIF)	2.0	2.1	1.9	2.0	1.8	2.0	2.0
Norway	1.8	2.5	2.0	1.3	1.5	1.7	1.7
Norway (core)	1.4	1.4	1.4	1.6	1.6	1.7	1.7
Finland	0.7	1.1	1.0	1.4	1.4	1.5	1.5
Denmark	1.1	1.0	0.9	1.7	1.7	1.6	1.6
Eurozone	1.5	1.7	1.6	1.8	1.8	1.7	1.7
USA (core)	1.6	2.0	2.1	2.2	2.2	2.0	2.0
UK	2.7	2.4	2.5	1.9	1.9	1.9	1.9
The Netherlands	1.3	1.7	1.5	2.6	2.6	1.7	1.9

Source: Handelsbanken Capital Markets

Unemployment forecasts

	2017	2018f	(Previous forecast 2018)	2019f	(Previous forecast 2019)	2020f	(Previous forecast 2020)
Sweden	6.7	6.1	6.3	6.1	6.4	6.3	6.6
Norway	4.2	3.8	3.9	3.5	3.5	3.4	3.4
Finland	8.6	7.6	8.1	7.4	7.9	7.3	7.8
Denmark	5.7	4.8	4.6	4.5	4.1	4.8	4.5
Eurozone	9.1	8.3	8.4	8.0	8.1	8.0	8.1
USA	4.4	3.9	3.8	3.8	3.8	4.2	4.2
UK	4.4	4.2	4.3	4.4	4.5	4.5	4.6
The Netherlands	4.9	3.8	3.8	3.6	3.5	3.9	3.8

Source: Handelsbanken Capital Markets

Interest rate forecasts

Policy rates	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	-0.50	-0.25	-0.25	0.00	0.25	0.50
US (range midpoint)	2.125	2.375	2.625	2.880	2.875	2.38
Eurozone	-0.40	-0.40	-0.40	-0.40	-0.20	0.00
Norway	0.75	0.75	1.00	1.00	1.25	1.25
Denmark	-0.65	-0.65	-0.65	-0.55	-0.35	0.00
UK	0.75	0.75	0.75	0.75	0.75	0.75

3m interbank rates	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	-0.35	-0.25	-0.10	0.15	0.35	0.65
US	2.50	2.75	2.95	3.20	3.15	2.65
Eurozone	-0.30	-0.30	-0.30	-0.25	-0.05	0.10
Norway	1.15	1.15	1.40	1.40	1.65	1.65
Denmark	-0.30	-0.30	-0.30	-0.20	0.05	0.25

2y govt. yields	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	0.40	-0.30	-0.10	0.15	0.35	0.40
US	2.75	2.85	3.00	3.00	2.65	1.90
Eurozone (Germany)	-0.55	-0.50	-0.40	-0.20	-0.10	-0.10
Norway	0.90	1.00	1.10	1.15	1.25	1.25
Denmark	-0.55	-0.40	-0.25	-0.15	0.25	0.25
Finland	-0.45	-0.40	-0.30	-0.15	0.05	0.10
UK	0.80	0.85	0.90	0.90	0.90	0.90

5y govt. yields	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	0.05	0.20	0.40	0.60	0.75	0.70
US	2.93	3.03	3.08	3.05	2.83	2.35
Eurozone (Germany)	-0.15	0.00	0.15	0.35	0.45	0.40
Norway	1.50	1.60	1.70	1.70	1.70	1.60
Denmark	-0.05	0.05	0.25	0.45	0.60	0.55
Finland	0.05	0.15	0.35	0.55	0.70	0.75
UK	1.15	1.20	1.20	1.20	1.20	1.15

10y govt. yields	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	0.70	0.80	1.05	1.25	1.30	1.20
US	3.00	3.10	3.05	3.00	2.90	2.70
Eurozone (Germany)	0.45	0.55	0.80	1.00	1.00	0.90
Norway	2.00	2.10	2.20	2.20	2.10	2.00
Denmark	0.40	0.55	0.85	1.10	1.15	1.00
Finland	0.65	0.80	1.00	1.30	1.35	1.20
UK	1.50	1.60	1.60	1.60	1.60	1.50

2y swaps	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	0.05	0.15	0.35	0.60	0.75	0.80
US	3.00	3.10	3.25	3.25	2.90	2.15
Eurozone	-0.05	0.00	0.05	0.20	0.30	0.30
Norway	1.50	1.50	1.60	1.60	1.60	1.50
Denmark	0.05	0.10	0.15	0.35	0.55	0.55
UK	1.20	1.20	1.20	1.20	1.20	1.20

5y swaps	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	0.60	0.75	0.95	1.15	1.25	1.20
US	3.03	3.13	3.18	3.15	2.93	2.45
Eurozone	0.40	0.50	0.65	0.80	0.85	0.80
Norway	1.90	1.90	2.00	2.00	2.00	1.90
Denmark	0.50	0.60	0.80	0.95	1.00	0.95
UK	1.40	1.50	1.50	1.50	1.50	1.40

10y swaps	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
Sweden	1.30	1.40	1.65	1.85	1.85	1.75
US	3.05	3.15	3.10	3.05	2.95	2.75
Eurozone	1.00	1.10	1.30	1.50	1.45	1.35
Norway	2.40	2.40	2.50	2.50	2.50	2.40
Denmark	1.15	1.30	1.40	1.70	1.65	1.60
UK	1.60	1.70	1.70	1.70	1.70	1.60

Source: Handelsbanken Capital Markets

Exchange rate forecasts

	Q3 2018	End 2018	Q1 2019	Q2 2019	End 2019	End 2020
EUR/SEK	10.30	10.00	9.80	9.60	9.50	9.40
USD/SEK	9.04	8.70	8.38	8.14	7.92	7.52
GBP/SEK	11.70	11.11	10.77	10.51	10.33	10.22
NOK/SEK	1.08	1.06	1.05	1.03	1.02	1.01
DKK/SEK	1.38	1.34	1.31	1.29	1.27	1.26
CHF/SEK	8.88	8.55	8.24	8.00	7.79	7.83
JPY/SEK	8.44	8.28	8.21	8.02	7.92	7.52
CNY/SEK	1.33	1.30	1.27	1.25	1.24	1.21
EUR/USD	1.14	1.15	1.17	1.18	1.20	1.25
USD/JPY	107.00	105.00	102.00	101.50	100.00	100.00
EUR/GBP	0.880	0.900	0.910	0.913	0.920	0.920
GBP/USD	1.30	1.28	1.29	1.29	1.30	1.36
EUR/CHF	1.16	1.17	1.19	1.20	1.22	1.20
USD/CNY	6.80	6.70	6.60	6.50	6.40	6.20
EUR/DKK	7.46	7.46	7.46	7.46	7.46	7.46
SEK/DKK	0.72	0.75	0.76	0.78	0.79	0.79
USD/DKK	6.54	6.49	6.38	6.32	6.22	5.97
GBP/DKK	8.48	8.29	8.20	8.17	8.11	8.11
CHF/DKK	6.43	6.38	6.27	6.22	6.11	6.22
JPY/DKK	6.12	6.18	6.25	6.23	6.22	5.97
EUR/NOK	9.50	9.40	9.30	9.30	9.30	9.30
SEK/NOK	0.92	0.94	0.95	0.97	0.98	0.99
USD/NOK	8.33	8.17	7.95	7.88	7.75	7.44
GBP/NOK	10.80	10.44	10.22	10.18	10.11	10.11
CHF/NOK	8.19	8.03	7.82	7.75	7.62	7.75
JPY/NOK	7.79	7.78	7.79	7.76	7.75	7.44

Source: Handelsbanken Capital Markets

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