

## European Viewpoint

## Nordics monthly: currency conundrums

**Sweden recession, Norway avoids**

Consumer spending is already in recession in Sweden, with GDP holding up largely due to strong exports. The latest manufacturing PMI challenges the latter. Despite stronger-than-expected growth, we continue to forecast a mild recession in Sweden. In contrast Norway should avoid falling output.

**Labour markets remain tight**

Labour markets remain very tight in both Norway and Sweden despite weaker growth momentum. But recently agreed wage deals should give, particularly the Riksbank, some comfort; they now have some time to bring down inflation.

**Inflation falling rapidly**

Inflation is falling rapidly in Sweden, on the CPIF (consumer price index at constant interest rate) measure from a peak of 10.2% in December to 7.6% in April as energy and food inflation drop. Core inflation has also dropped well below its peak. Inflation is proving more stubborn in Norway, although it peaked at a much lower level. We forecast inflation below the Riksbank's 2% target by end-2024 but see it above Norges' target at that point.

**Policy all about tolerance**

We now expect two more Norges hikes, to 3.75% terminal compared to 3.5% before. We keep our Riksbank terminal at 3.75% (one more hike). Currency weakness suggests upside risks to both, with 4.0% terminal more likely for Norges than Riksbank, in our view. Based on economic developments we would forecast higher terminal in Norway than Sweden. But Norges seems prepared to take longer to return inflation to target and the Riksbank appears more concerned with the currency. We are not sure more hikes will work for the latter given the increasing downside risks to the real economy. An alternative may be to speed up bond sales. We see 3 Riksbank rate cuts in 2024 and two for Norges. Norges is higher for longer.

**FX: We still like NOK into H2 but stay cautious on SEK**

We still like NOK into H2 but stay cautious on SEK, at least through Q3. NOK can count on: (1) more stable risk sentiment & a softer USD once the Fed rate cuts for this and early next year are priced out; (2) higher oil prices and, relatedly, more help from China's reopening; (3) more help by Norges; (4) more favourable NOK flows by Norges and Norway's oils combined; and (5) slightly lighter positioning v SEK and USD. We stay cautious on SEK on concerns about: (1) very rate-sensitive Swedish households; and (2) property markets, particularly commercial real estate. Riksbank is not in an enviable position.

05 June 2023

Macro  
Europe

**Robert Wood**  
UK Economist  
MLI (UK)  
+44 20 7996 7415  
[robert.d.wood@bofa.com](mailto:robert.d.wood@bofa.com)

**Michalis Rousakis**  
FX Strategist  
MLI (UK)  
+44 20 7995 0336  
[michalis.rousakis@bofa.com](mailto:michalis.rousakis@bofa.com)

**Kate Pavlovich** >>  
Data Science Rsch Analyst  
MLI (UK)  
+44 20 7996 7726  
[kate.pavlovich@bofa.com](mailto:kate.pavlovich@bofa.com)

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## Growth: holding up, with risks in Sweden

Growth is beating central bank and our own forecasts in both Sweden and Norway (Exhibit 1, Exhibit 2). In Sweden net exports have added 2.3ppt to growth in the past three quarters, more than accounting for all growth. Consumption meanwhile has already experienced a large recession, down 3.3% in total.

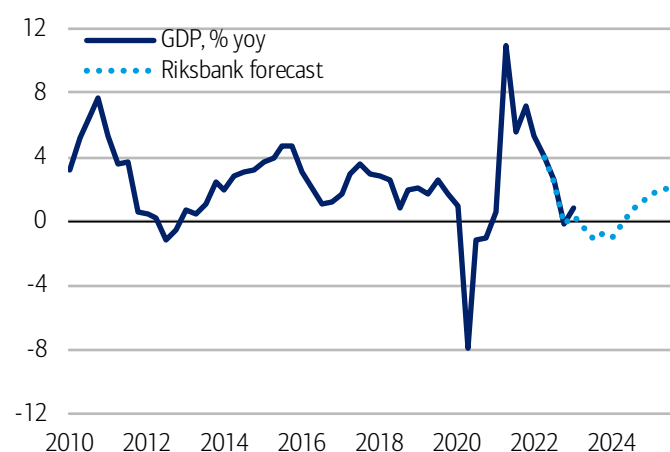
Surveys, on balance, suggest Swedish growth has bottomed and the economy may be returning to stagnation from contraction. That said the latest monthly GDP proxy suggested weakness heading into 2Q. And the May manufacturing PMI was exceptionally weak. That suggests some caution in declaring that growth has bottomed, although the PMI has not been a good indicator of manufacturing growth recently (Exhibit 13) and the Economic Tendency Survey has performed better for GDP growth (Exhibit 5 and Exhibit 7).

Trade strength may, in part, reflect currency weakness but, with Euro area growth weak and China's recovery disappointing, we suspect the export contribution will not remain as strong. Meanwhile as higher interest rates pass through we expect consumption to keep falling. We factor into our growth forecasts the higher path for interest rates discussed below. Overall, we raise 2023 growth to 0.0% from -0.9%, reflecting the better-than-expected 1Q 2023, but we cut 2024 from 0.5% to 0.0%. We continue to forecast mild recession with GDP falling 0.4% in 2Q and 3Q 2023 and 0.1% in 4Q.

With a less severe real income squeeze Norwegian growth held up better and the consumer has avoided recession. Surveys, however, remain consistent with stagnation and we suspect past oil price falls will weigh on the manufacturing PMI (relative to Sweden) in coming months (Exhibit 4). That may reverse if Chinese growth and oil prices pick up later in the year. Growth resilience means higher, and for longer, interest rates that will weigh more on growth than we previously thought. Marking to market for the latest GDP figures we cut our forecast for 2023 growth to 1.2% from 1.4% but cut 2024 from 0.7% to 0.4% due to higher interest rates, as discussed below. We show detailed forecasts for Sweden and Norway in Exhibit 56 and Exhibit 57.

### Exhibit 1: Sweden GDP and Riksbank forecast (percent)

Growth beat Riksbank forecast in 1Q



Source: BofA Global Research, Statistics Sweden, Riksbank

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### Exhibit 2: Norway GDP and Norges Bank forecast (percent)

Growth beats Norges forecast in 1Q

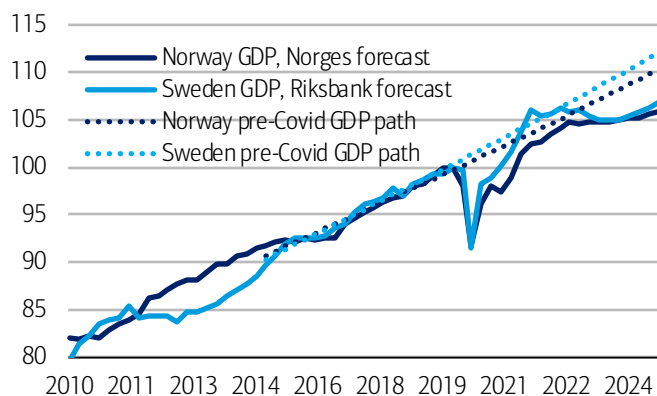


Source: BofA Global Research, Statistics Norway, Norges Bank

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**Exhibit 3: Riksbank and Norges GDP forecasts, 4Q 2019 = 100**

Both Riksbank and Norges expect GDP losses relative to pre-Covid trend

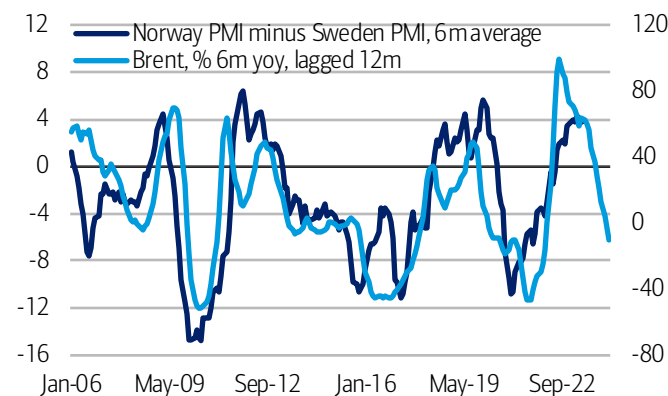


Source: BofA Global Research, Statistics Sweden

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**Exhibit 4: Norway vs. Sweden PMI and Brent**

Oil price falls likely to weigh on Norway PMI in coming months

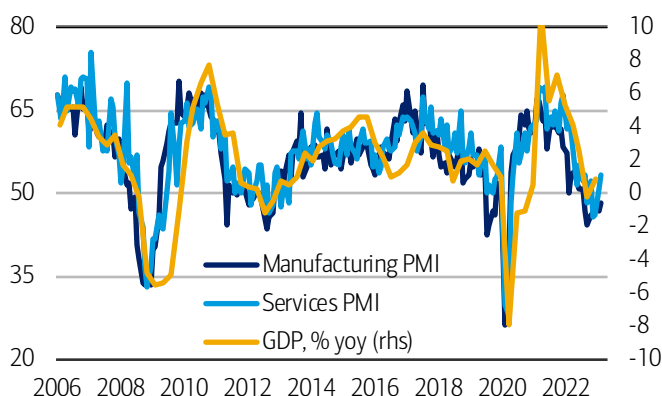


Source: BofA Global Research, Bloomberg, Swedbank, Statistics Norway

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**Exhibit 5: Sweden PMI and GDP**

PMIs suggest Swedish growth past the worst

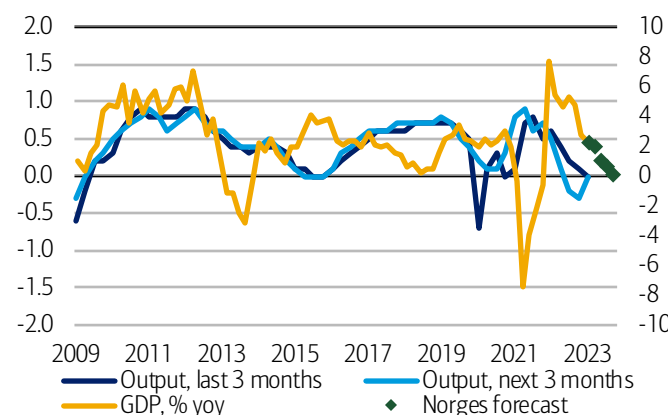


Source: BofA Global Research, Statistics Sweden, Swedbank

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**Exhibit 6: Norges Bank Regional Network Survey and GDP**

Norges business survey suggests growth weakening

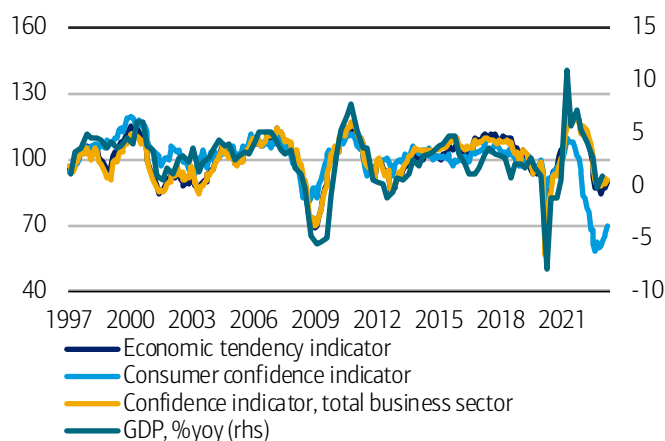


Source: BofA Global Research, Statistics Norway, Norges Bank

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**Exhibit 7: Sweden economic confidence and GDP**

Consumer confidence tentatively rising but still suggests recession

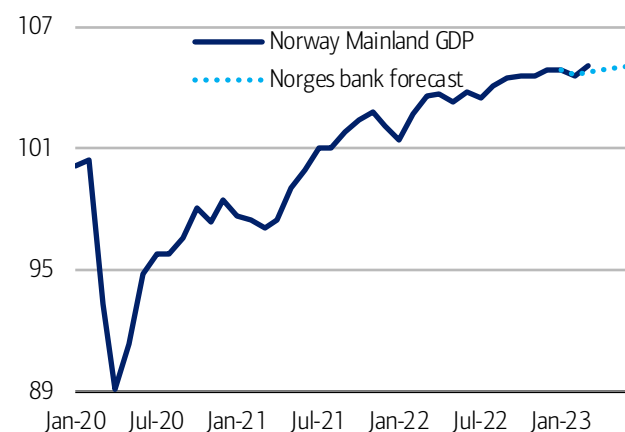


Source: BofA Global Research, National Institute of Economic Research, Statistics Sweden

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**Exhibit 8: Norway monthly GDP and Norges forecast**

GDP beats Norges expectations in April

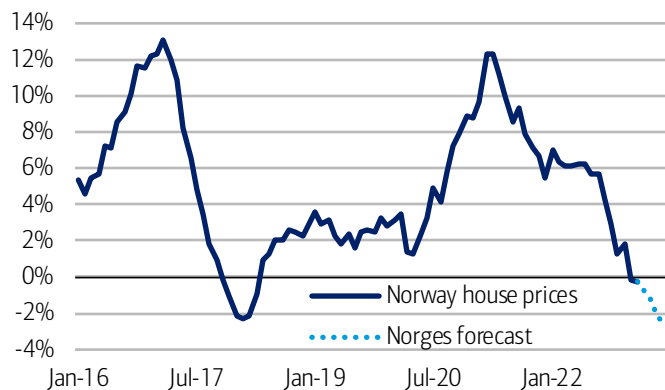


Source: BofA Global Research, Statistics Norway, Norges Bank

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**Exhibit 9: House prices, Norway, % four-quarter change**

House price inflation stronger than Norges expected, but slowing

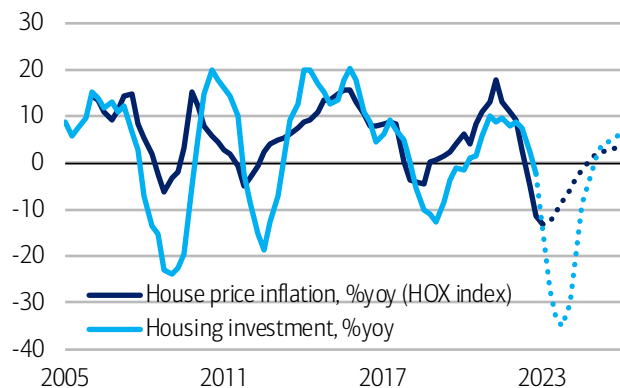


Source: Eiendomsverdi, Finn.no, Real Estate Norway and Norges Bank. Dotted lines show Norges Bank forecasts.

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**Exhibit 10: Sweden house prices and investment**

Dwellings investment likely to fall sharply

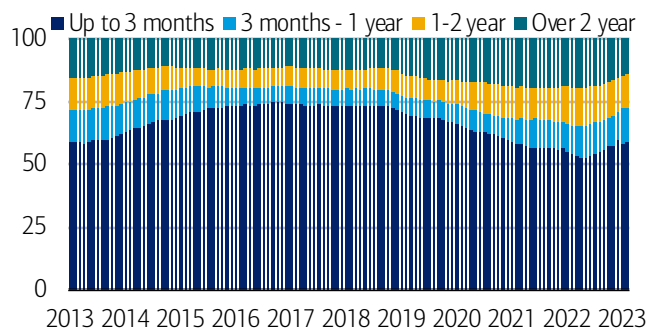


Source: Valueguard and Riksbank (Monetary Policy Report April 2023). Dotted lines show Riksbank forecasts.

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**Exhibit 11: Households' remaining fixed-interest periods, %**

In Feb c27% of loans with 1Y+ remaining fixed-interest period and c14% 2Y+

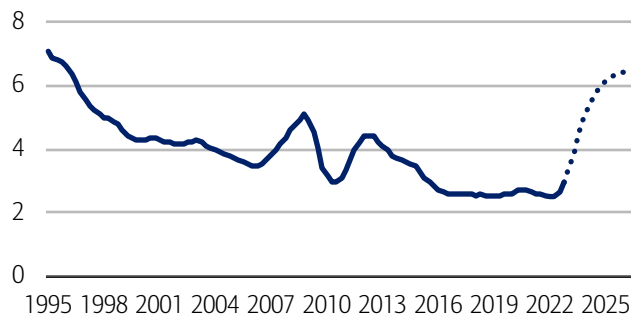


Source: Statistics Sweden via Riksbank (Monetary policy Report, April 2023)

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**Exhibit 12: Interest-to-income ratio**

Riksbank expects the Interest-to-income ratio to approach mid-90s levels

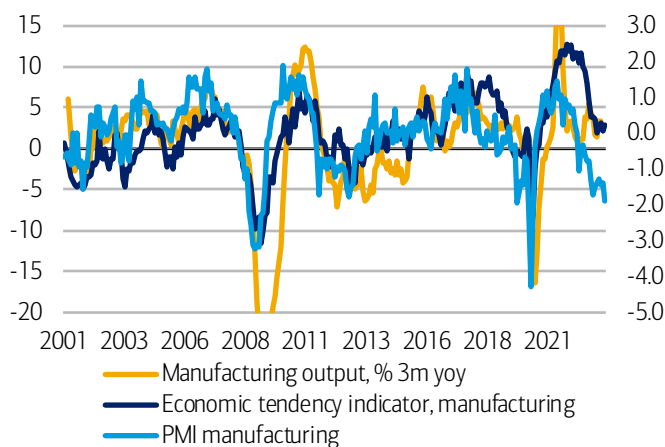


Source: Statistics Sweden and Riksbank (Monetary policy Report, April 2023). Dotted line shows Riksbank forecast.

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**Exhibit 13: Surveys vs. manufacturing growth**

Sharp fall in PMI provides worrying signal but PMI diverged from hard data so hard to put much weight on it. Economic Tendency indicator remains stronger (although also not a great guide recently)

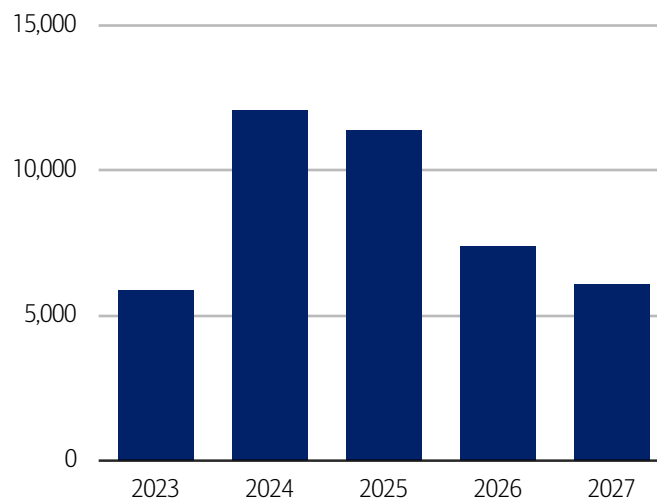


Source: BofA Global Research, Swedbank, National Institute of Economic Research

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**Exhibit 14: Commercial real estate maturity wall (USD, million)**

Swedish commercial real estate bond maturities tend to be short



Source: BofA Global Research, Bloomberg. Data as of June 1.

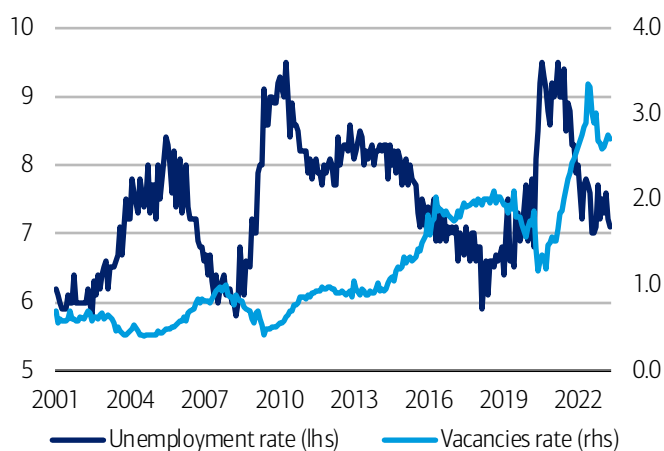
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# Labour market: still tight

We had been expecting unemployment to creep up in both Norway and Sweden as growth slowed. The national measure has been flat in Norway and has fallen recently in Sweden. The Norwegian data present a puzzle with the labour force survey measure of unemployment rising notably in the latest data in contrast to the national measure. Norges will place more weight on the latter but we think the divergence is worth watching. Vacancies meanwhile rose to new highs in Norway and stopped falling in Sweden. Labour markets remain very tight.

## Exhibit 15: Sweden unemployment rate and vacancies

Swedish vacancy rate slightly softer but still high historically

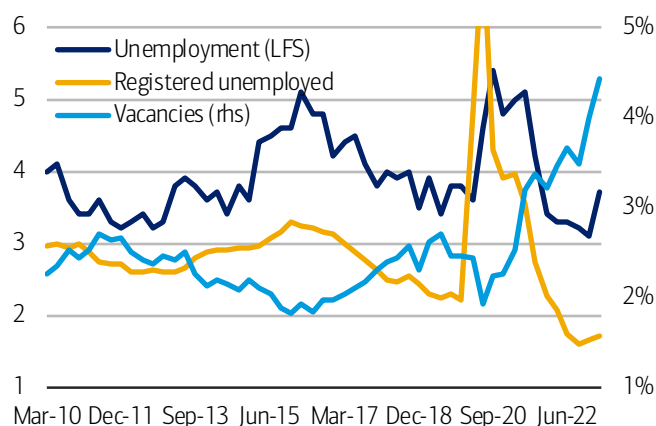


Source: BofA Global Research, Statistics Sweden.

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## Exhibit 16: Norway unemployment and vacancy rate

Vacancies still rising in Norway and labour market remains very tight but unemployment may be increasing

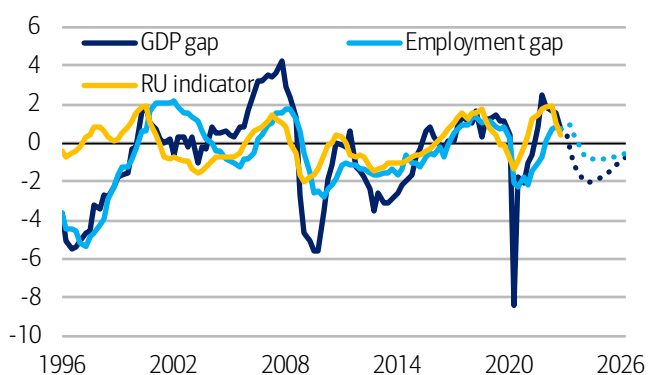


Source: BofA Global Research, Statistics Norway.

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## Exhibit 17: Sweden capacity constraints

Riksbank expects capacity constraints to ease soon

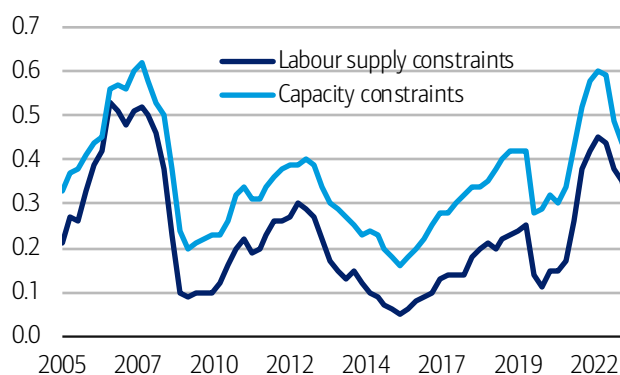


Source: Employment Service, National Institute of Economic Research, Statistics Sweden and the Riksbank (Monetary Policy Report, April 2023). Dotted lines show Riksbank forecasts. The RU indicator is a Riksbank statistical measure of resource utilization; which has been normalised so that the mean value is 0 and the standard deviation is 1 since 1996.

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## Exhibit 18: Norges Bank Regional Network Survey

Labour supply and capacity constraints continue to ease

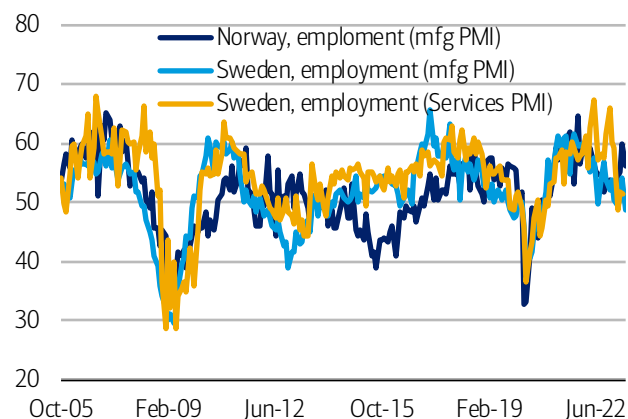


Source: Norges Bank.

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**Exhibit 19: PMI employment**

PMI job growth falls sharply in Sweden

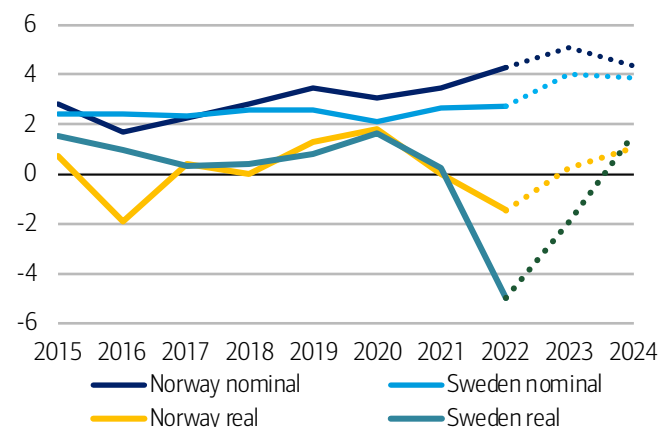


Source: Swedbank, DNB

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**Exhibit 20: Nominal wage growth (percent)**

Real wages fallen sharply in Sweden



Source: Swedish National Mediation Office, Statistics Sweden, Riksbank, Statistics Norway, Norges Bank. Note: Dashed lines show Norges Bank (dark blue) and Riksbank (light blue) forecasts  
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## Inflation: More persistence in Norway

Inflation continues to exceed Norges' forecasts, but it surprised the Riksbank on the downside in the latest month. Domestic inflation pressure and signals of inflation persistence, in our view, are considerably softer in Sweden. Wage growth has strengthened less, the labour market appears to be loosening, services inflation is a little softer. Inflation expectations are also, in our view, firmly anchored. We would not argue Norway has a major problem with expectations but they have not been as well behaved as in Sweden (Exhibit 23, Exhibit 24).

Inflation is higher in Sweden than Norway, which reflects stronger food and goods inflation in Sweden (Exhibit 33, Exhibit 34). Swedish inflation (on the harmonised internationally comparable measure) is falling faster than in Norway, however, as food inflation begins to drop.

The weakening exchange rate in both countries has likely contributed to higher inflation. We doubt it has been an overwhelming explanation (Exhibit 27, Exhibit 28). But, as the one-off effects of energy, food and goods supply shocks begins to fade, the relative importance of the exchange rate will begin to rise. So, it is perhaps not surprising to see central banks commenting more on the exchange rate. It will be harder to hit the inflation target if currencies keep depreciating.

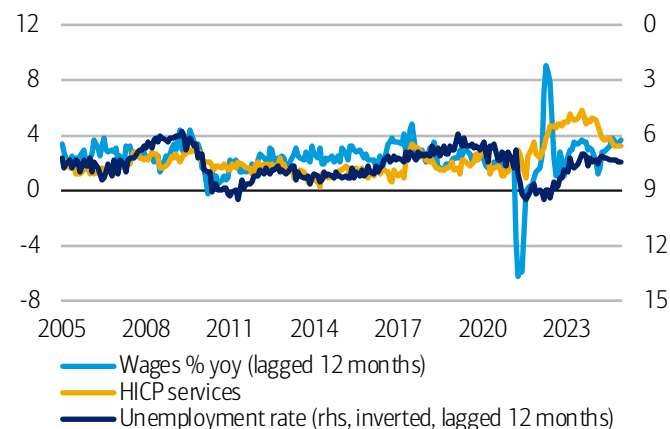
Despite inflation undershooting Riksbank forecasts we leave our CPIF forecasts unchanged because of further currency weakness working against the data. We forecast CPIF (CPI excluding energy) inflation at 6.2% in 2023 and 2.3% in 2024. We continue to expect CPI and CPIF inflation below 2% at end-2024. For Norway we see some of the recent inflation surprises as temporary – food inflation accelerated for instance. We raise 2023 CPI 10bp to 5.5% and leave 2024 unchanged at 3.0%. We expect CPI and CPI-ATE (excluding energy and indirect taxes) both above 2% at end-2024 (2.5% for each).

In short, we expect inflation to slow more in Sweden than Norway over the next couple of years because Sweden starts with much higher inflation driven in large part by very rapid food price inflation that should fade; we expect weaker Swedish growth.

Note that core inflation on the EU definition of headline excluding food and energy in the two countries has behaved similarly (Exhibit 26). That core inflation measure should be stickier than the national measures as the former excludes food where inflation should fall sharply.

**Exhibit 21: Sweden wages and services inflation, BofA forecast**

Wage growth boosted by labour market tightness and inflation

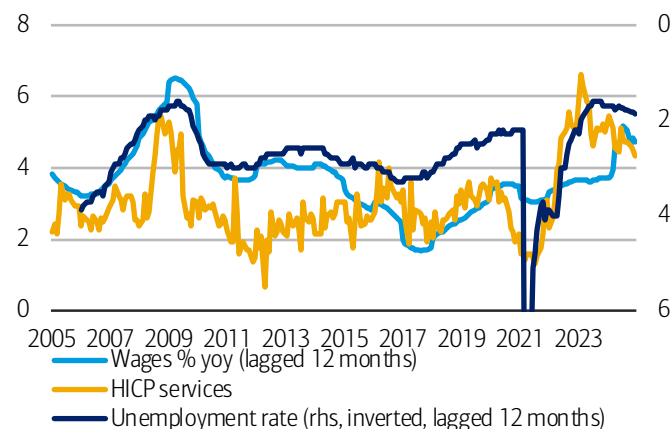


Source: BofA Global Research, Statistics Sweden

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**Exhibit 22: Norway wages and services inflation, BofA forecast**

Wage growth potentially adding to persistence of services inflation

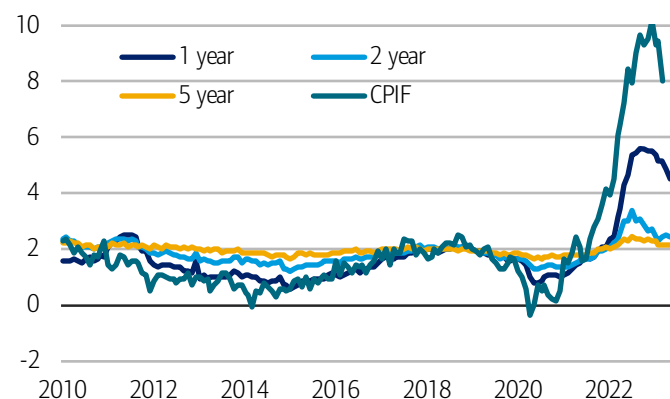


Source: BofA Global Research, Statistics Norway

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**Exhibit 23: Sweden inflation expectations (percent)**

Expectations falling or stable close to 2% at all horizons in "small" Prospera

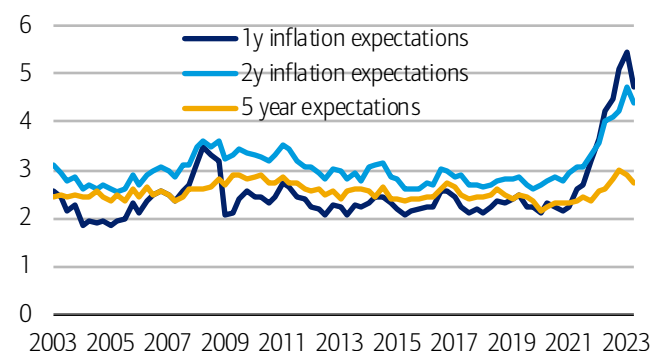


Source: Prospera, Statistics Sweden. Note: We use the monthly survey data ("Small Prospera").

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**Exhibit 24: Norges Bank inflation expectations survey**

Shorter term expectations correct some of recent surge, 5y less of a worry



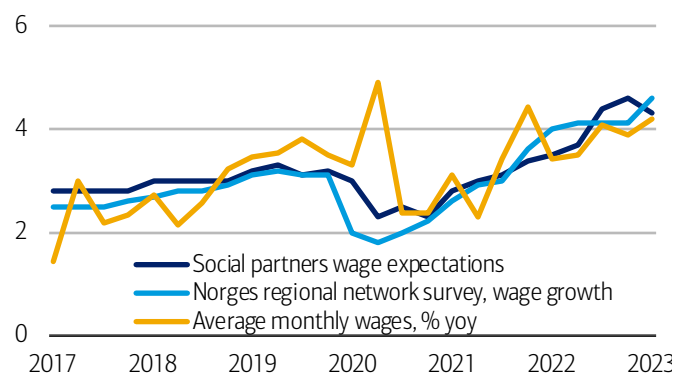
1y and 2y expectations are the average of economists', households', firms' and social partners' expectations. 5y expectations are the average of economists' and social partners' expectations.

Source: Norges Bank

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**Exhibit 25: Norges regional survey and inflation (percent)**

Wage growth rose further in Norges regional survey, but social partners' expectations slowed. Wage deal with unions may be some relief to Norges

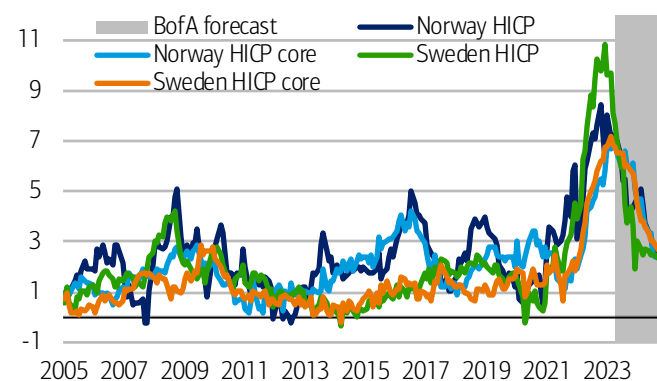


Source: Norges Bank, Statistics Norway

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**Exhibit 26: Norway vs. Sweden CPI inflation (percent)**

Sweden seeing larger inflation spike, driven by food and goods

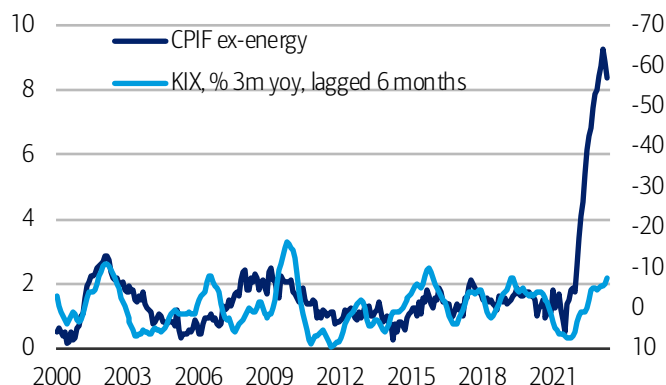


Source: BofA Global Research, Eurostat

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**Exhibit 27: Swedish ex-energy inflation and KIX**

Currency likely explains small part of Sweden inflation surge

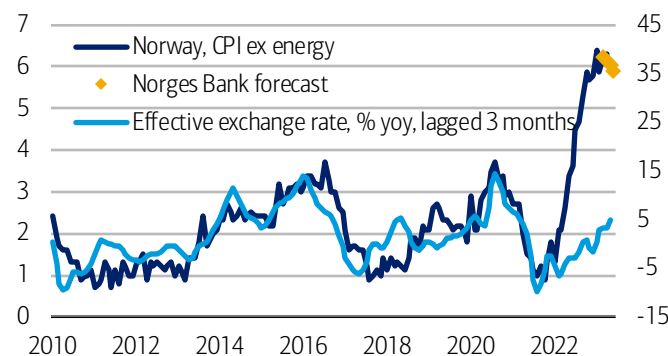


Source: BofA Global Research, Statistics Sweden, Bloomberg

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**Exhibit 28: Norway inflation and Norges forecast (percent)**

Currency likely explains small part of inflation rise

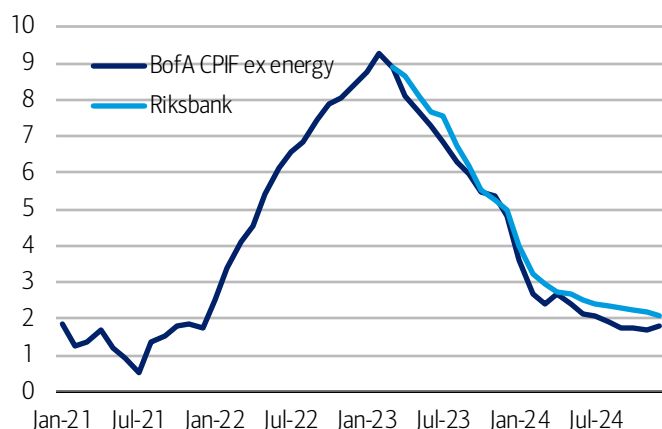


Source: BofA Global Research, Statistics Norway, Norges Bank. Note: We use Norges Bank projections for both CPI ex energy and the effective exchange rate

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**Exhibit 29: Riksbank and BofA core inflation forecast (percent)**

Core inflation peaked

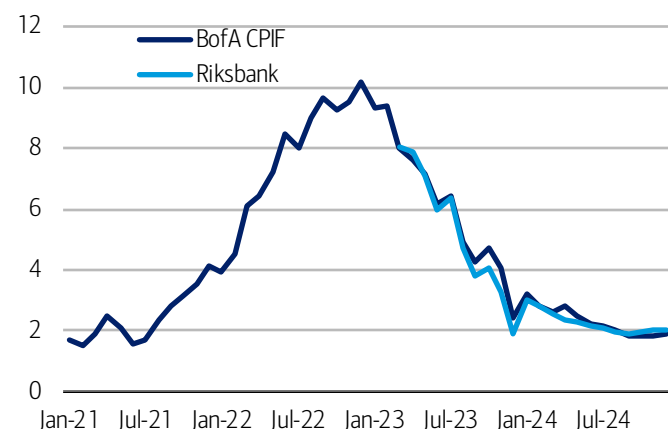


Source: BofA Global Research, Riksbank

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**Exhibit 30: Riksbank and BofA inflation forecast (percent)**

Inflation likely to drop sharply 2H 2023 as energy inflation eases

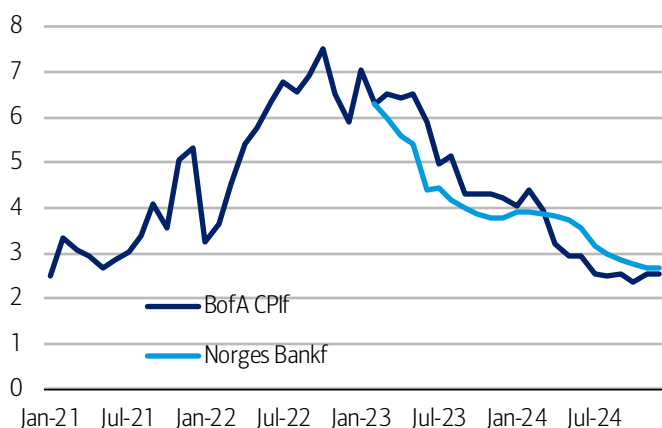


Source: BofA Global Research, Riksbank

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**Exhibit 31: BofA and Norges Bank inflation forecasts**

Headline inflation peaked in Norway

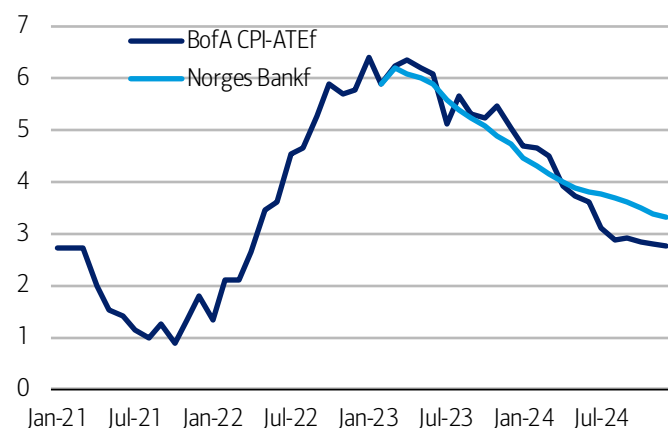


Source: BofA Global Research, Norges Bank, Statistics Norway.

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**Exhibit 32: BofA and Norges Bank inflation forecasts**

We expect core inflation to be stickier than headline, but also to have peaked



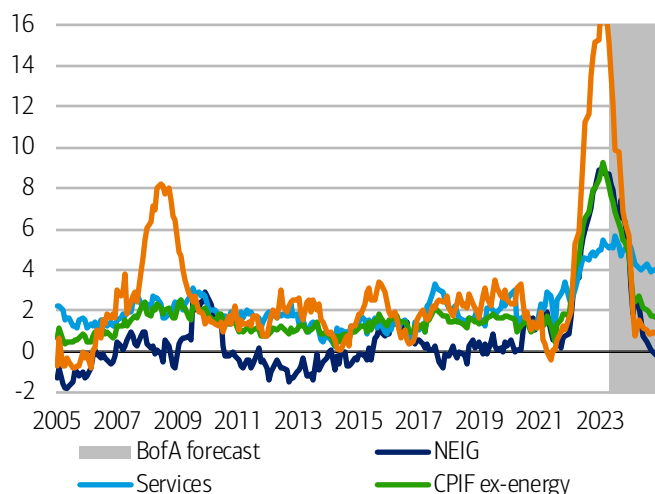
Source: BofA Global Research, Norges Bank, Statistics Norway.

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**Exhibit 33: Sweden HICP components and BofA forecast**

Swedish inflation heavily driven by global factors, but services strong

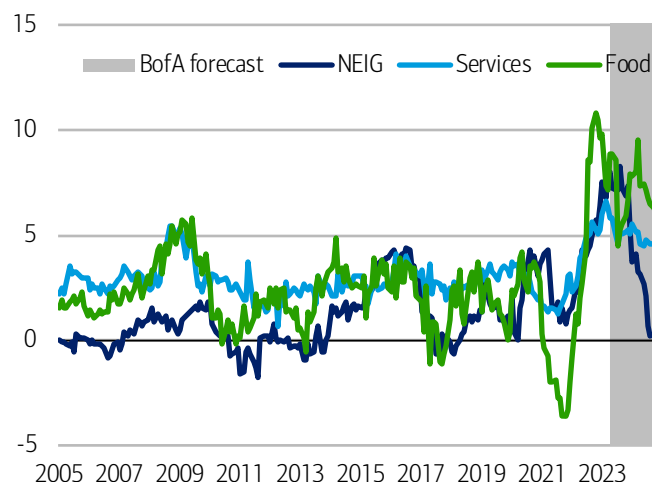


Source: BofA Global Research, Statistics Sweden.

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**Exhibit 34: Norway HICP components and BofA forecast**

Food and energy make large inflation contribution, but services risen



Source: BofA Global Research, Statistics Norway

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## Policy: tolerance

Our policy calls are sensitive to judgements about two types of central bank tolerance: for currency weakness; and the time to return inflation to target.

The Riksbank wants to return inflation to target relatively rapidly, at the cost of weaker growth. Norges, meanwhile, seems more comfortable with allowing inflation to run above target for longer, allowing a period of weak growth to slowly erode capacity pressures (Exhibit 37, Exhibit 38). The latter would be a more textbook response to supply shocks when inflation expectations are reasonably well anchored.

That tolerance for inflation, or willingness to take time to return to target, is why we forecast Norges to stop hiking soon despite resilient growth. But we also forecast Norges to keep rates higher for longer than Riksbank. Our policy call is partly a judgement about Norges' monetary strategy.

That said, the data flow has, in our view, been hawkish for Norges, so we add another 25bp rate hike to our call. We now see them hiking twice more to 3.75% terminal compared to 3.5% previously. We push back cuts in 2024. We continue to forecast two cuts in 2024, now in 3Q and 4Q 2024. That would take the policy rate to 3.25% at end-2024 compared to our previous forecast of 3.0%.

Judging by their words both central banks meanwhile have become less tolerant of currency weakness. Norges will, as normal, in our view, incorporate currency weakness in its policy decisions in the usual way. Weaker currency raises inflation, which is one reason why we raise our Norges rate call. Currency weakness skews the risks to our Norges call up, with a potential terminal at 4.0%.

The Riksbank has, in our view, been erratic in its communication about the currency. It went from almost treating it as an intermediate target in February, to the more standard discussion of it as an input to inflation, and then more recently some speakers suggesting a 'tipping point' may be reached. We judge the currency as more of a concern for Riksbank than Norges.

We would have added an additional hike to our Riksbank call because of the currency weakness. We held off, however, after last week's extremely weak manufacturing PMI. As discussed above we do not place enormous weight on the PMI. But with consumption in recession already and the economy highly dependent on exports presently,

developments in the manufacturing sector are important. Should that PMI prove to be a false signal, we would be inclined to see Riksbank terminal at 4.0% also.

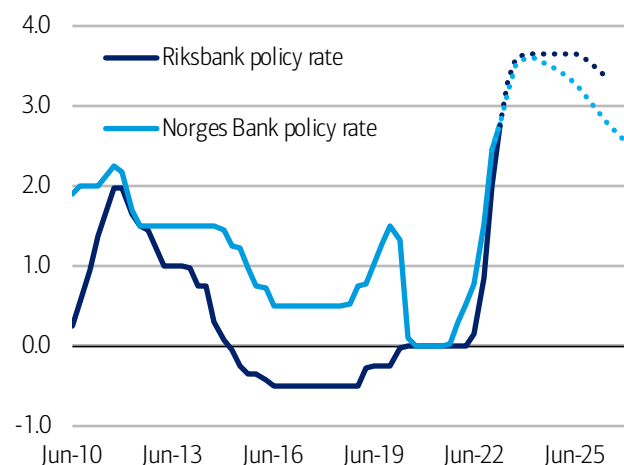
Also factoring into our Riksbank call is their infrequent meeting schedule. After June the Riksbank will not have a meeting until September, by which time headline inflation will likely have fallen further. To get terminal rate much beyond 3.75%, in our view, the Riksbank would need to hike 50bp in June, which we see as unlikely.

The Riksbank has begun shifting its focus to how long rates will need to remain elevated. In the April Monetary Policy Report they add the new condition that “The underlying inflation rate is expected to fall rapidly, but policy rate cuts will not begin until it has been close to the target for a while.” This raises risks that the Riksbank will not cut as early or as far as we expect. We now forecast three cuts in 2024 compared to four previously and align the first cut more closely with our ECB call. So we see cuts in 2Q, 3Q and 4Q 2024 for end-2024 rate of 3.0%. We also think of this as taking some account of the currency weakness.

Big picture, however, we continue to think the Riksbank will need to cut rapidly from the peak whereas Norges will likely be more cautious. Swedish growth is weaker, inflation expectations are well anchored, and the housing market has already suffered a steep downturn.

### Exhibit 35: Policy rates

Riksbank and Norges project a similar terminal rate, but Riksbank projects a flatter path

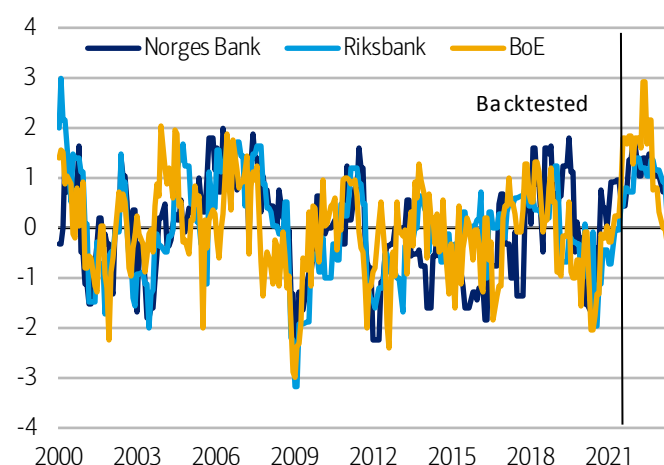


Source: Riksbank (April 2023), Norges Bank (March 2023)

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### Exhibit 36: BofA central bank mood indicators, standard deviations from average

Norges more hawkish in May

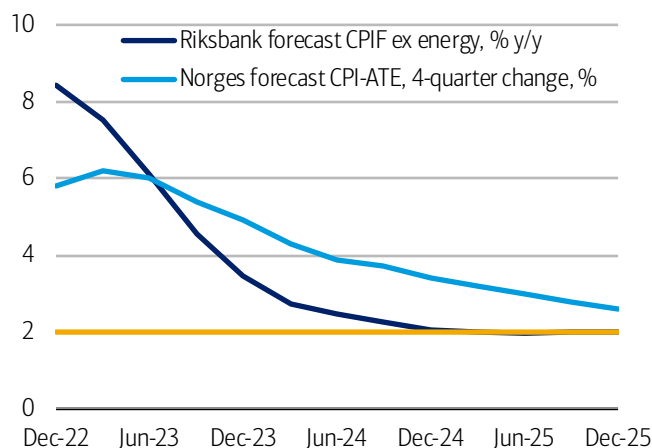


Source: BofA Global Research, Norges Bank, Riksbank, Bank of England. NORBI/Riksbank/BoEMI are scaled from 0 to 1, and reflects the proportion of 'hawkish' sentences in monetary policy assessments. A score of 0.5, for instance, means half of the sentences were hawkish. In the chart we show the raw mood score converted into standard deviations from average. The indicator identified as NORBI/Riksheard/BoEMI is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This economic indicator was not created to act as a benchmark. This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein.

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**Exhibit 37: Riksbank vs Norges inflation forecasts**

Riksbank expects inflation to return to target faster than Norges

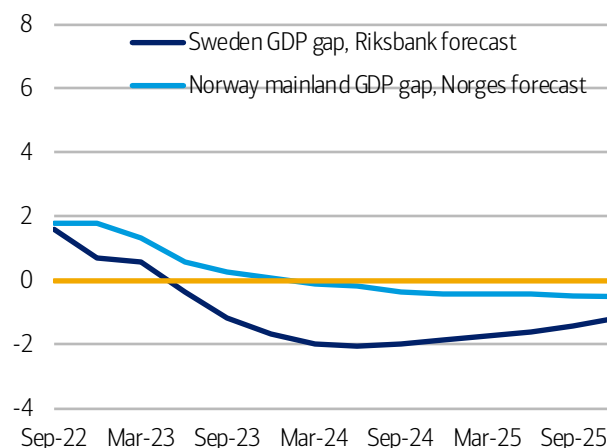


Source: Riksbank, Norges Bank

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**Exhibit 38: Riksbank vs Norges output gap forecasts**

...due to a more negative output gap

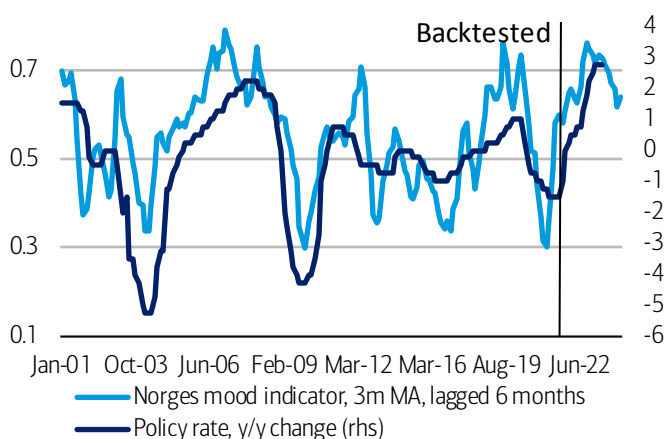


Source: Riksbank, Norges Bank

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**Exhibit 39: BofA Norges Bank mood indicator (NORBI)**

NORBI suggest Norges past peak hawkishness

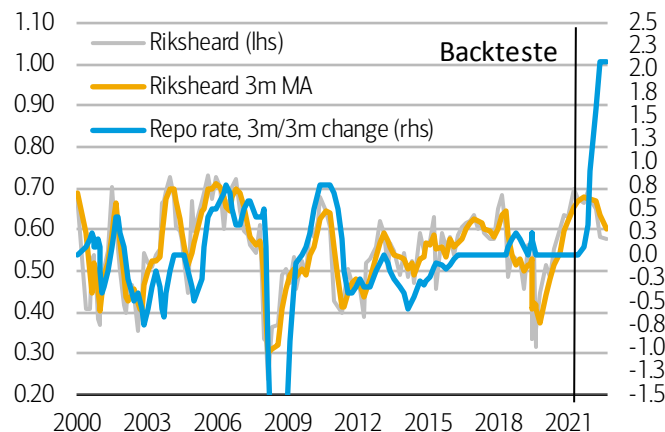


Source: BofA Global Research, Norges Bank. NORBI is scaled from 0 to 1, and reflects the proportion of 'hawkish' sentences in monetary policy assessments. A score of 0.5, for instance, means half of the sentences were hawkish. The indicator identified as NORBI is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This economic indicator was not created to act as a benchmark. This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein. For more details, please see [European Viewpoint: Assessing Norges Bank's hawkishness](#)

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**Exhibit 40: BofA Riksbank mood indicator (Riksheard)**

Riksheard suggests dovish shift, at odds with pace of rate hikes

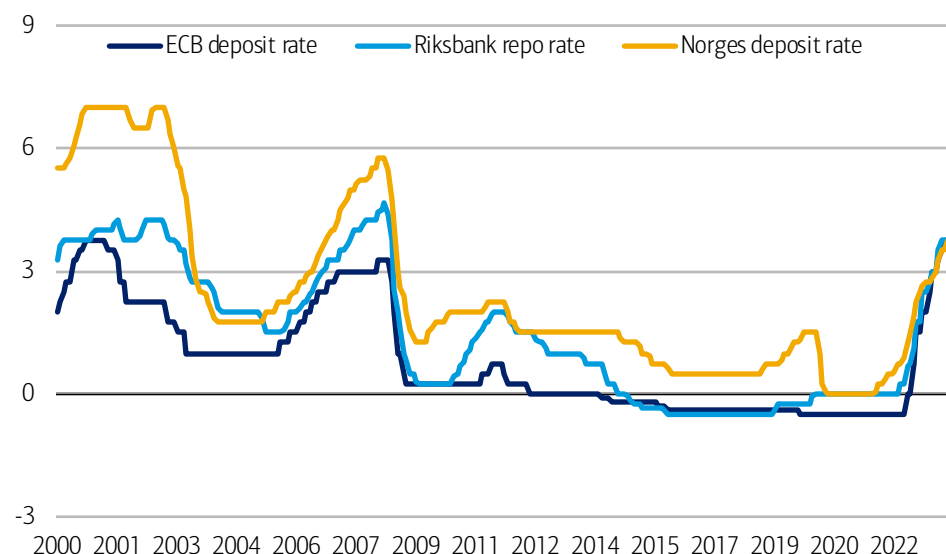


Source: BofA Global Research. Note: Riksheard is scaled from 0 to 1, and reflects the proportion of 'hawkish' sentences in each publication. A score of 0.5, for instance, means half of the sentences were hawkish. The indicator identified as Riksheard is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This economic indicator was not created to act as a benchmark. This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein. For more details, please see [European Viewpoint: Riksheard: doves without a tool](#).

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**Exhibit 41: BofA ECB, Riksbank and Norges policy rates**

Our forecasts put Norges and Riksbank policy rate in line with ECB



Source: BofA Global Research, ECB, Riksbank, Norges Bank

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**FX: Krone over krona**

We still like NOK into H2 but stay cautious on SEK, at least through Q3 (Exhibit 42). We continue to expect NOK/SEK at well above parity in the coming months (see also [Liquid Insight: Krone over krona, 30 May 2023](#)).

NOK can count on: (1) more stable risk sentiment and a softer USD once the Fed rate cuts for this and early next year are priced out; (2) higher oil prices and, relatedly, more help from China's reopening; (3) more help by Norges; (4) more favourable NOK flows by Norges Bank and Norway's petroleum companies combined; and (5) Lighter positioning, especially vs. SEK and USD and for hedge funds.

We remain cautious on SEK on: (1) concerns about highly rate-sensitive Swedish households; and (2) risks to property markets, particularly commercial real estate. The recent two-year wage agreement and the stable inflation expectations may buy it some time, but the Riksbank is not in an enviable position at all.

**Exhibit 42: Latest Scandies FX forecasts**

We continue to expect NOKSEK well above parity this year

	Jun-23	Sep-23	YE 2023	Mar-24	Jun-24	Sep-24	YE 2024
EUR/NOK	11.20	10.90	10.60	10.40	10.40	10.20	10.00
USD/NOK	10.67	10.19	9.64	9.45	9.45	8.87	8.70
EUR/SEK	11.40	11.50	11.00	10.70	10.60	10.50	10.30
USD/SEK	10.86	10.75	10.00	9.73	9.64	9.13	8.96
NOK/SEK	1.02	1.06	1.04	1.03	1.02	1.03	1.03
EUR/USD	1.05	1.07	1.10	1.10	1.10	1.15	1.15

Source: BofA Global Research

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**NOK: counting on oil & Norges**

NOK's recent weakness has surprised us, but we continue expecting NOK to do better in 2H, counting on higher oil prices, more stable risk sentiment, and Norges Bank.

**Looking back: in line with history until Feb but recent weakness overdone**

NOK's performance (trade-weighted terms) from October until February was in line with its past performance (Exhibit 43).

We would have expected a flat NOK since but, instead, it has weakened by c. 6% despite (1) (more) modestly lower oil prices (whose demand-supply mix turned more NOK-positive); and (2) markets pricing a more hawkish relative Norges stance (Exhibit 44).

NOK's implied volatility spread has risen notably this year (Exhibit 45)—to some extent, on spikes of oil vol—but we would still need to over-stretch its typical impact.

More likely (and not unrelatedly), NOK came under pressure by the likely unfavourable at times oil-related flows (and unrealistic expectations thereof) by Norges Bank and petroleum companies combined.

### Looking ahead: we remain constructive on NOK

We stay constructive on NOK, especially in 2H, counting on:

1. More stable risk sentiment and a softer USD once the Fed rate cuts for this and early next year have been priced out (our US economists expect no cuts until Mar-24).
2. Higher oil prices, with our commodities team expecting Brent at 82\$/bbl in 4Q and 90\$/bbl in 2024 ([Global Energy Weekly: Money breaks oil's back 08 May 2023](#)). We also expect China's outbound airline seats to approach 50% of their 2019 levels by 3Q ([ASEAN Viewpoint: ASEAN tourism: Into the final third 05 May 2023](#)) and maintain a bullish China GDP call for this year. And we find NOK to have weakened much more than its beta to China would imply ([Global FX weekly: Before the X-Date 26 May 2023](#)).
3. Norway's under-appreciated fundamentals and Norges' willingness to help avoid more and/or persistent NOK weakness. Our economists expect 1.4% mainland Norway growth this year, which compares with 0.6% for the Euro area and 0.0% for Sweden. They forecast Norges to hike twice more but the current NOK levels (Exhibit 46) and data remaining on the hawkish side suggest risks remain skewed upwards.
4. Norway's increased fiscal needs (2023 "non-oil deficit" was revised up by NOK44bn in the May budget revision) suggest more favourable petroleum-related NOK flows in the rest of the year (this includes flows by both Norges Bank and petroleum companies via taxes *in addition to* Equinor-related government revenue flows) in addition, of course, to any effect they may have via monetary policy.
5. Slightly lighter NOK positioning, particularly vs USD and SEK but not vs. EUR, driven almost entirely by hedge funds (Exhibit 47, Exhibit 48).

We should also flag NOKSEK performed well at the end of past Fed hiking cycles (2000-01, 2006-07, 2018-19) despite stable oil prices ([Liquid Insight: Pause and Effect: The USD at the end of hiking cycles 08 May 2023](#)).

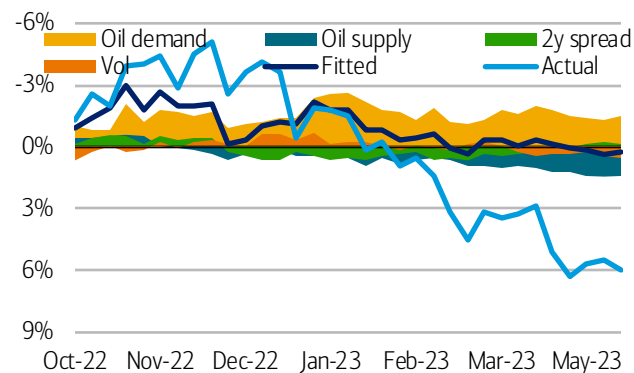
### Forecasts: no changes. Risks: risk sentiment, oil & China, Norges

We continue to expect EURNOK at 10.60, USDNOK at 9.64, and NOKSEK at 1.04 by year-end, but are that NOK takes longer to get to these levels.

Key risks are around: Risk sentiment & USD, esp. until the Fed cuts for this and early next year are priced out. Oil prices. Norges' stance. Recession risks. China's reopening.

**Exhibit 43: Fitted vs. actual NOK I-44 (inverted values)**

NOK in line with history until late-Feb, but its recent weakness overdone

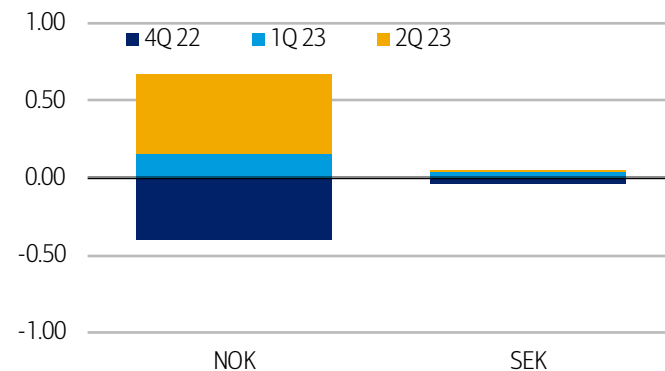


**Source:** BofA Global Research, Bloomberg, Federal Reserve Bank of New York, Oil Price Dynamics Report, [https://www.newyorkfed.org/research/policy/oil\\_price\\_dynamics\\_report.html](https://www.newyorkfed.org/research/policy/oil_price_dynamics_report.html). Lower values of the import-weighted krone index (NOK I-44) show a stronger NOK. Weekly data through May 19. Regression estimates are for Jan 2018- Sep 2022. We regress changes in (log) NOK I-44 (Norges's import-weighted krone index) on: demand-driven and supply-driven changes in (log) Brent crude spot prices as per the New Fed Oil Price Dynamics Report data; changes in Norway's 2-year trade-weighted swap spread; and changes in the idiosyncratic NOK implied-vol spread.

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**Exhibit 44: Change in 2yr trade-weighted swap spreads (percent)**

Norges repriced higher this year more than making up for Q4 drop

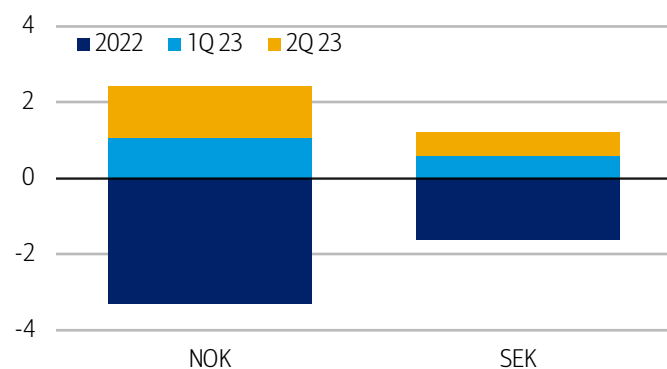


**Source:** BofA Global Research, Bloomberg. Note: The 2-year NOK swap spread is with respect to Norway's 9 largest trading partners as per the, import-weighted, NOK I-44 index. The 2-year SEK Spread is with respect to Sweden's 11 largest trading partners as per the, trade-weighted, krona index ("KIX"). Data weekly through June 2.

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**Exhibit 45: Idiosyncratic 3-month implied volatility spreads**

Relative vol has likely weighed on NOK this year. SEK vol better behaved

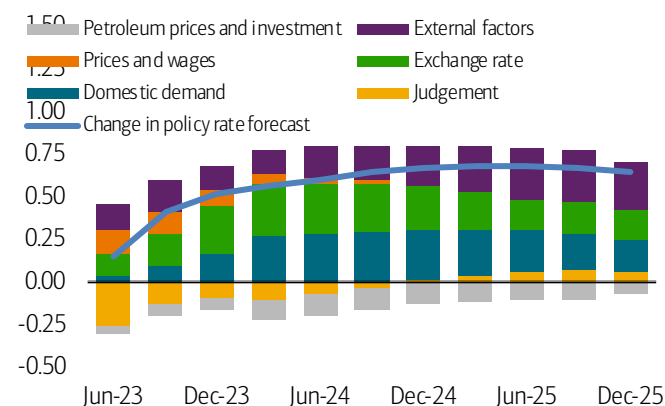


**Source:** BofA Global Research, Bloomberg. Note: We define the idiosyncratic NOK (SEK) implied volatility spread as that between the equally weighted average of the 3-mth EUR/NOK and USD/NOK (EUR/SEK and USD/SEK) implied volatilities and the equally weighted average of the 3-mth EUR/USD, USD/JPY, EUR/JPY and EUR/CHF implied volatilities. Data weekly through June 2.

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**Exhibit 46: Decomposition of changes in Norges Bank's rate path**

Weaker NOK was a key factor behind Norges' higher projected rate path

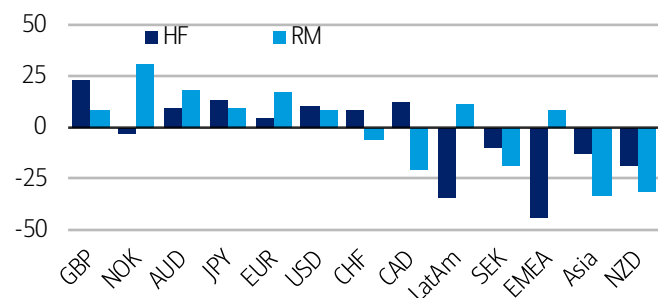


**Source:** Norges Bank, MPR 1/23, BofA Global Research. Note: Judgment is the difference (residual) between the rate-path changes and the cumulative contribution of the remaining five components.

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**Exhibit 47: Latest BofA investor positioning level**

Real Money long NOK but Hedge Funds now modestly short vs. history

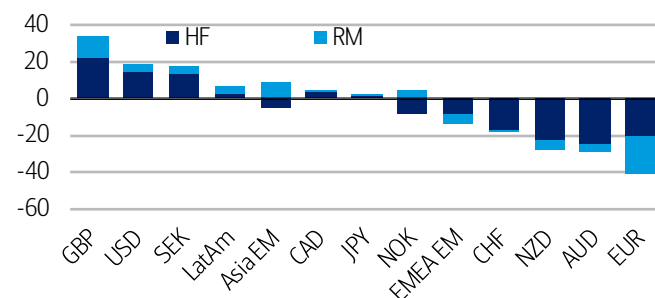


Source: BofA Securities. 50 (-50) represents a max long (short) positioning level relative to history. Currencies ranked on their latest average investor positioning level (equal weights for Hedge Funds and Real Money).

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**Exhibit 48: Year-to-date change in BofA investor positioning**

NOK positioning lighter vs GBP, USD and SEK year-to-date but not vs EUR

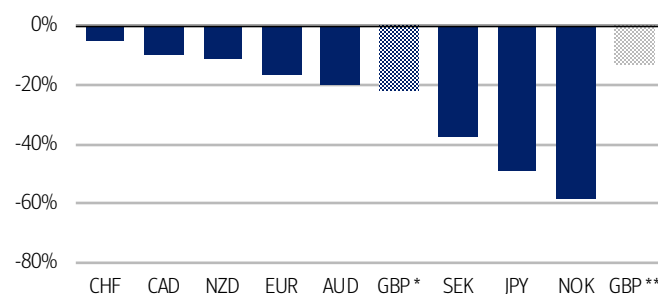


Source: BofA Securities. 50 (-50) represents a max long (short) positioning level relative to history. Currencies ranked on the average investor positioning change year-to-date (equal weights for Hedge Funds and Real Money).

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**Exhibit 49: XXX/USD misalignment**

Scandies and JPY most undervalued in G10, according to our estimates

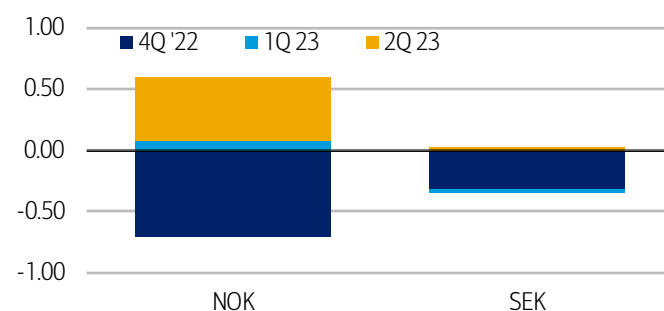


Source: Bloomberg and BofA Global Research. See Updating G10 FX equilibrium 20 Apr 23.

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**Exhibit 50: Change in 2yr swap spreads vs EUR (percent)**

Norges repriced higher vs ECB year-to-date but Riksbank pricing roughly flat



Source: BofA Global Research, Bloomberg. Data weekly through June 2.

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**SEK: between a rock and a hard place**

We stay bearish on SEK through 3Q although, we find it undervalued from a long-term perspective (Exhibit 49, [FX Viewpoint: Updating G10 FX equilibrium 20 April 2023](#)), still seeing risks for more and/or prolonged SEK weakness.

We remain worried about: (1) highly rate-sensitive households (Exhibit 11, Exhibit 12); and (2) risks to property markets, particularly commercial real estate (Exhibit 14).

We think these, essentially “hard landing”, concerns have driven:

1. The strong divergence in SEK pricing from its own history (Exhibit 51);
2. Relatedly, the persistent divergence between EURUSD and EURSEK (Exhibit 52) despite the relative Riksbank-ECB stance being stable this year, following the ECB’s increased hawkishness in 2H last year (Exhibit 50).

**Going forward: the Riksbank is not in an enviable position...**

The Riksbank is not in an enviable position: On the one hand, inflation is high (and higher than in the Eurozone) and its labour market tight, with export-oriented sectors like manufacturing faring well. On the other hand, its economy is (much) more rate-sensitive and its fiscal policy tighter vs. the Eurozone, with March retail sales down c. 11% y/y (-6.5% y/y in April) vs. -3.8% for the Eurozone, and housing prices also down significantly from their peak. Meanwhile, concerns about commercial real estate keep building.

On balance, we think the above suggest risks to our 3.75% terminal-rate call are more symmetric than before ([Riksbank April minutes: from higher to longer 09 May 2023](#)). This means SEK could come under extra pressure should the ECB turn more hawkish

than markets expect (our economists expect at least another 50bp cumulatively from the ECB).

At the same time, a SEK-driven Riksbank could trigger hard landing risks, eventually weighing on SEK, in line with Deputy Governor Floden's remarks in the latest Riksbank minutes (*"it is not obvious that the krona would benefit from larger rate increases if these result in a too rapid slowdown [...]"*, Riksbank Minutes, April 2023)

In short, the Riksbank is between a rock and a hard place until inflation starts falling meaningfully (our economists expect headline inflation close to 2% at year-end). To this end, we have been somewhat encouraged by the recent two-year wage agreement, the stable inflation expectations and, to some extent, the April inflation data. But we are mindful of the lags with which higher rates affect borrowers, as loan terms reset and maturities hit markets.

### ...and we are also cautious on risk

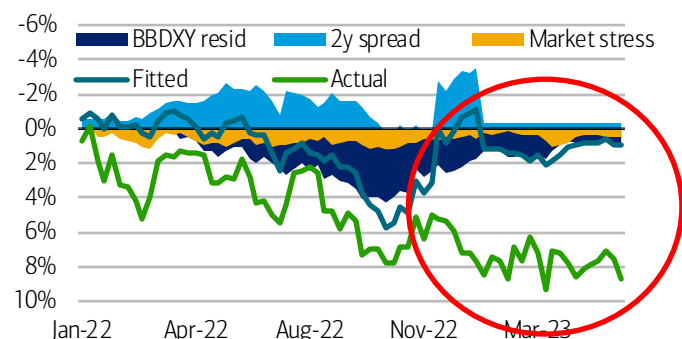
We are also cautious on risk and disagree with the Fed rate cuts priced for this and early next year. We then stay bearish on SEK through at least 3Q, hoping to get some clarity by then. Investors have reduced their SEK shorts this year (Exhibit 47, Exhibit 48), but we think it is still too early.

### Forecasts: no changes. Risks: inflation stickiness, property markets, ECB

We forecast EURSEK at 11.50 in 3Q and at 11.00 by year-end. We still see risks for more /prolonged SEK weakness. We see USDSEK at 10.00 and NOKSEK at 1.04 at year-end. Risks are the Fed & risk sentiment, the ECB, and the Swedish property markets.

#### Exhibit 51: Fitted vs. actual Swedish krona index

Strong divergence likely reflects simmering property-market concerns

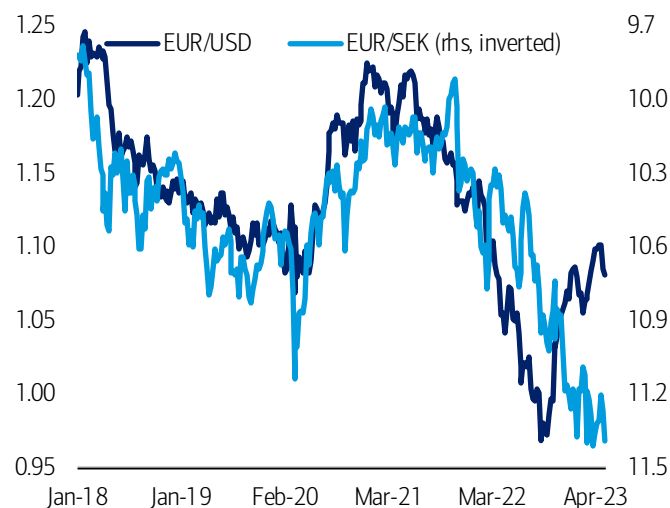


**Source:** BofA Global Research, Bloomberg. Lower values of the trade-weighted krona index (KIX) show a stronger SEK. Weekly data through May 19. Fitted values are based on regression estimates for 2018-2021. We regress changes in log KIX (trade-weighted krona index) on 1) residual changes in the (log) Bloomberg Dollar Index (see below for details); 2) changes in the trade-weighted ten-year SEK swap spreads; 3) changes in the first principal component of VIX, the MOVE Index and the US Corporate BAA 10-year spread, which we interpret as a proxy for market stress. The residual changes of the Bloomberg Dollar Index are changes in the Bloomberg Dollar Index unaccounted for by changes in market stress conditions.

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#### Exhibit 52: EURUSD vs EURSEK

EURUSD and EURSEK remain misaligned



**Source:** Bloomberg. Weekly data through May 19.

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## Annex: economic forecasts

### Exhibit 53: BofA Sweden inflation

Updated forecasts

	HICP							CPI				
	NEIG	Energy	Unprocessed food	Processed food, alcohol, tobacco	Food	Services	Headline	Core	CPI	CPIF ex	CPIF ex energy	
Feb-23	9.19	9.69	23.41	17.13	18.16	5.49	9.70	7.19	11.95	9.42	9.26	
Mar-23	8.72	-2.15	19.48	16.75	17.17	5.32	8.14	6.88	10.64	8.04	8.89	
Apr-23	8.69	-2.04	12.11	15.88	15.18	5.11	7.74	6.76	10.47	7.63	8.12	
May-23	8.22	-4.04	11.62	14.06	13.60	5.14	7.10	6.56	9.99	7.13	7.66	
Jun-23	7.90	-10.14	9.30	12.81	12.15	5.09	6.07	6.44	8.93	6.20	7.29	
Jul-23	7.09	-4.38	9.36	9.99	9.85	5.66	6.28	6.47	8.96	6.42	6.84	
Aug-23	6.53	-14.73	9.41	9.87	9.77	5.21	4.68	5.90	7.21	4.95	6.28	
Sep-23	7.47	-18.97	7.97	8.43	8.35	4.69	3.87	5.93	6.23	4.23	5.96	
Oct-23	6.52	-10.92	4.61	7.33	6.85	4.96	4.45	5.66	6.44	4.74	5.46	
Nov-23	6.35	-16.15	5.22	6.52	6.31	4.96	3.65	5.57	5.53	4.10	5.33	
Dec-23	4.84	-26.12	4.50	5.86	5.64	5.31	1.83	5.11	3.68	2.45	4.79	
Jan-24	3.07	-9.85	2.75	4.14	3.91	5.10	2.97	4.26	4.23	3.19	3.61	
Feb-24	1.87	-4.44	-2.56	2.80	1.87	4.72	2.58	3.53	3.62	2.78	2.67	
Mar-24	2.45	-3.49	-2.20	1.34	0.74	4.32	2.42	3.54	3.33	2.62	2.39	
Apr-24	2.28	-1.11	2.41	1.37	1.55	4.08	2.63	3.33	3.25	2.81	2.68	
May-24	1.60	-1.00	2.12	1.24	1.39	4.01	2.36	3.00	2.82	2.50	2.40	
Jun-24	0.81	-0.97	1.48	1.11	1.18	4.09	2.12	2.73	2.51	2.25	2.14	
Jul-24	0.44	-0.81	0.88	1.05	1.03	4.26	2.07	2.69	2.36	2.16	2.06	
Aug-24	0.23	0.07	0.86	0.90	0.90	4.08	1.99	2.48	2.16	2.04	1.92	
Sep-24	0.10	0.00	1.65	0.69	0.85	3.86	1.82	2.28	1.93	1.86	1.77	
Oct-24	-0.05	0.33	2.50	0.71	1.01	3.99	1.86	2.30	1.88	1.86	1.77	
Nov-24	-0.17	0.70	2.71	0.54	0.89	3.96	1.83	2.22	1.75	1.80	1.69	
Dec-24	-0.14	1.23	2.94	0.49	0.89	4.07	1.93	2.31	1.84	1.89	1.79	

Source: BofA Global Research, Statistics Sweden

BofA GLOBAL RESEARCH

### Exhibit 54: BofA Norway inflation

Updated forecasts

	HICP						CPI			
	NEIG	Energy	Unprocessed food	Processed food, alcohol, tobacco	Food	Services	Headline	Core	CPI	CPI-ATE
Mar-23	7.84	11.70	15.05	5.83	7.14	6.32	7.28	7.08	6.51	6.22
Apr-23	7.96	6.20	17.25	7.51	8.90	5.82	6.93	6.89	6.44	6.34
May-23	7.26	9.77	17.44	7.46	8.88	5.79	7.00	6.51	6.49	6.21
Jun-23	7.13	3.02	13.08	7.74	8.53	4.94	6.16	6.03	5.90	6.09
Jul-23	7.19	1.65	6.35	4.14	4.48	4.63	5.18	5.89	4.97	5.12
Aug-23	8.27	-5.10	7.43	4.81	5.21	5.16	5.32	6.69	5.14	5.68
Sep-23	7.24	-14.07	6.09	5.40	5.50	5.07	4.05	6.12	4.29	5.31
Oct-23	6.88	-13.37	7.47	5.59	5.87	5.13	4.07	5.97	4.29	5.24
Nov-23	7.30	-17.72	7.76	6.48	6.67	5.24	4.05	6.24	4.30	5.46
Dec-23	5.35	-12.64	10.77	7.39	7.90	5.05	4.16	5.19	4.23	5.04
Jan-24	3.76	-7.65	11.81	7.12	7.81	5.55	4.20	4.72	4.04	4.71
Feb-24	4.12	-2.41	6.98	8.13	7.97	5.15	4.71	4.67	4.38	4.66
Mar-24	3.23	-7.34	7.61	9.89	9.55	5.12	4.21	4.24	3.97	4.51
Apr-24	3.17	-9.75	4.79	7.82	7.37	4.58	3.42	3.91	3.19	3.93
May-24	2.70	-10.82	3.98	8.06	7.45	4.52	3.15	3.67	2.95	3.74
Jun-24	2.10	-8.87	3.16	7.85	7.15	4.73	3.16	3.50	2.96	3.62
Jul-24	0.68	-7.49	2.70	7.50	6.79	4.65	2.68	2.78	2.56	3.11
Aug-24	0.18	-5.09	1.87	7.25	6.44	4.53	2.61	2.49	2.49	2.90
Sep-24	0.29	-4.49	2.65	6.92	6.29	4.55	2.66	2.54	2.53	2.92
Oct-24	0.36	-6.12	2.02	6.69	6.00	4.50	2.47	2.55	2.36	2.83
Nov-24	0.37	-2.29	1.63	6.45	5.74	4.40	2.68	2.51	2.53	2.82
Dec-24	0.47	-1.19	1.23	6.23	5.49	4.26	2.71	2.48	2.55	2.78

Source: BofA Global Research, Statistics Norway

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**Exhibit 56: Sweden Economic forecasts**

Recession in 2023. Inflation to fall back towards target

		2020	2021	2022	2023	2024	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
<b>GDP</b>	% qoq						-0.4	0.2	0.6	-0.5	0.6	-0.4	-0.4	-0.1	0.1	0.1	0.2	0.3
	% qoq ann.						-1.8	0.8	2.4	-2.2	2.4	-1.6	-1.6	-0.4	0.4	0.4	0.8	1.2
	% yoy	<b>-2.3</b>	<b>5.9</b>	<b>2.9</b>	<b>0.0</b>	<b>0.0</b>	5.3	4.1	2.6	-0.2	0.8	0.2	-0.8	-0.3	-0.8	-0.3	0.3	0.7
Private Consumption	% qoq						-0.7	0.9	-1.8	-0.2	-1.2	-0.2	-0.2	0.0	0.1	0.2	0.2	0.3
	% yoy	<b>-3.2</b>	<b>6.2</b>	<b>2.0</b>	<b>-2.3</b>	<b>0.3</b>	5.3	5.1	-0.3	-1.8	-2.4	-3.4	-1.8	-1.6	-0.3	0.1	0.5	0.8
Government Consumption	% qoq						-0.3	0.0	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	% yoy	<b>-2.0</b>	<b>2.9</b>	<b>0.1</b>	<b>1.8</b>	<b>1.9</b>	0.2	-0.6	0.3	0.7	1.5	2.0	1.9	1.8	1.9	1.9	2.0	2.0
Investment	% qoq						1.5	2.5	0.6	-0.8	0.5	0.2	0.2	0.2	0.3	0.4	0.4	0.4
	% yoy	<b>1.6</b>	<b>6.8</b>	<b>6.2</b>	<b>1.1</b>	<b>1.2</b>	6.3	7.2	7.4	3.9	2.8	0.5	0.0	1.1	0.9	1.1	1.3	1.5
Final Domestic Demand <sup>1</sup>	% qoq						0.0	1.1	-0.5	-0.2	-0.3	0.1	0.1	0.2	0.3	0.3	0.3	0.4
	% yoy	<b>-1.6</b>	<b>5.3</b>	<b>2.6</b>	<b>-0.3</b>	<b>0.9</b>	4.2	4.1	2.0	0.4	0.1	-0.9	-0.3	0.0	0.6	0.9	1.1	1.3
Net exports <sup>1</sup>	% qoq						-0.1	-0.9	1.3	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% yoy	<b>0.0</b>	<b>0.2</b>	<b>-0.8</b>	<b>1.2</b>	<b>-0.1</b>	-1.0	-2.6	-0.8	1.0	1.4	2.2	1.0	0.2	-0.1	-0.1	-0.1	-0.1
Stockbuilding <sup>1</sup>	% qoq						-0.4	0.1	-0.2	-1.1	0.6	-0.5	-0.5	-0.2	-0.1	-0.2	-0.1	0.0
	% yoy	<b>-0.8</b>	<b>0.5</b>	<b>1.2</b>	<b>-0.9</b>	<b>-0.9</b>	2.3	2.7	1.5	-1.6	-0.6	-1.1	-1.4	-0.6	-1.3	-1.0	-0.7	-0.5
Current Account Balance	% of GDP	<b>5.9</b>	<b>6.5</b>	<b>4.4</b>	<b>5.1</b>	<b>5.0</b>	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Industrial production	% qoq						-0.2	0.1	4.2	-4.3	3.1	-2.5	0.4	0.6	0.6	0.6	0.6	0.6
	% yoy	<b>-5.0</b>	<b>7.0</b>	<b>1.9</b>	<b>0.2</b>	<b>1.5</b>	1.6	19.6	4.7	3.8	1.6	0.9	5.7	-0.4	2.8	0.1	-3.5	1.4
Unemployment rate <sup>2</sup>	%	<b>8.5</b>	<b>8.8</b>	<b>7.5</b>	<b>7.3</b>	<b>7.8</b>	7.6	7.7	7.0	7.5	7.4	7.2	7.3	7.5	7.6	7.7	7.8	8.0
CPI Inflation (harmonised) <sup>2</sup>	% yoy	<b>0.7</b>	<b>2.7</b>	<b>8.1</b>	<b>6.2</b>	<b>3.2</b>	4.9	7.7	9.4	10.2	9.1	7.0	4.8	4.1	4.4	3.2	2.6	2.6
CPI <sup>2</sup>	% yoy	<b>0.5</b>	<b>2.2</b>	<b>8.4</b>	<b>8.4</b>	<b>2.6</b>	4.7	7.4	9.7	11.6	11.4	9.8	7.5	5.2	3.7	2.9	2.1	1.8
CPIF	% yoy	<b>0.5</b>	<b>2.4</b>	<b>7.7</b>	<b>6.2</b>	<b>2.3</b>	4.8	7.4	8.9	9.7	8.9	7.0	5.2	3.8	2.9	2.5	2.0	1.8
Repo Rate <sup>4</sup>	%	<b>0.00</b>	<b>0.00</b>	<b>2.50</b>	<b>3.75</b>	<b>3.00</b>	<b>0.00</b>	<b>0.75</b>	<b>1.75</b>	<b>2.50</b>	<b>3.00</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.50</b>	<b>3.25</b>	<b>3.00</b>

Notes: <sup>1</sup> Contribution to GDP growth <sup>2</sup> quarterly averages <sup>3</sup> Period averages <sup>4</sup> Period averages, quarterly change. Source: BofA Global Research, Statistics Sweden, Bloomberg

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**Exhibit 57: Norway Economic forecasts**

Growth to slow through 2022 and 2023, inflation to fall back towards target in 2023

		2020	2021	2022	2023	2024	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
<b>GDP (mainland)</b>	% qoq						0.1	1.0	0.4	0.6	0.2	0.1	0.0	0.1	0.1	0.1	0.2	0.2
	% qoq ann.						0.5	4.0	1.8	2.5	0.6	0.4	0.0	0.4	0.4	0.4	0.8	0.8
	% yoy	<b>-3.4</b>	<b>4.2</b>	<b>3.7</b>	<b>1.2</b>	<b>0.4</b>	5.3	4.8	2.7	2.2	2.2	1.3	0.9	0.4	0.3	0.3	0.5	0.6
Private Consumption	% qoq						-3.0	2.4	0.4	5.2	-5.1	0.0	0.1	0.2	0.1	0.1	0.2	0.2
	% yoy	<b>-6.5</b>	<b>4.1</b>	<b>7.0</b>	<b>-0.6</b>	<b>0.5</b>	10.6	10.1	2.7	5.0	2.7	0.3	-0.1	-4.9	0.4	0.5	0.6	0.6
Government Consumption	% qoq						-1.9	0.4	0.2	1.2	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
	% yoy	<b>-0.5</b>	<b>5.0</b>	<b>0.0</b>	<b>2.1</b>	<b>1.2</b>	1.7	0.3	-1.6	-0.1	2.3	2.2	2.3	1.4	1.2	1.2	1.2	1.2
Investment	% qoq						2.8	0.4	0.7	0.8	-0.6	0.0	0.0	0.2	0.5	0.5	0.5	0.5
	% yoy	<b>-3.2</b>	<b>1.7</b>	<b>6.7</b>	<b>0.5</b>	<b>1.4</b>	6.9	6.9	8.0	4.8	1.3	1.0	0.2	-0.4	0.7	1.2	1.7	2.0
Final Domestic Demand <sup>1</sup>	% qoq						-1.3	1.4	0.4	3.1	-2.6	0.1	0.1	0.2	0.3	0.3	0.3	0.3
	% yoy	<b>-4.2</b>	<b>3.9</b>	<b>5.0</b>	<b>0.4</b>	<b>1.0</b>	7.1	6.4	2.7	3.5	2.3	1.0	0.7	-2.1	0.7	0.9	1.0	1.1
Net exports <sup>1</sup>	% qoq						-0.3	-0.4	0.6	-1.0	0.5	0.0	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
	% yoy	<b>3.0</b>	<b>1.8</b>	<b>-1.3</b>	<b>-0.2</b>	<b>-0.5</b>	-1.5	-2.0	-0.4	-1.2	-0.3	0.1	-0.7	0.2	-0.5	-0.6	-0.5	-0.4
Stockbuilding <sup>1</sup>	% qoq						1.8	0.0	-0.6	-1.6	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	% yoy	<b>-2.2</b>	<b>-1.5</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	-0.4	0.3	0.4	-0.4	0.2	0.2	0.8	2.4	0.0	0.0	-0.1	-0.1
Current Account Balance	% of GDP	<b>1.1</b>	<b>13.7</b>	<b>30.5</b>	<b>16.6</b>	<b>8.9</b>	28.8	25.2	40.0	27.2	26.2	14.8	14.7	11.0	10.2	9.3	8.6	7.8
Industrial production	% qoq						1.9	0.9	2.4	-2.2	-7.6	1.3	-0.2	0.0	0.3	0.5	0.6	0.6
	% yoy	<b>4.1</b>	<b>3.3</b>	<b>2.6</b>	<b>-7.0</b>	<b>1.3</b>	2.2	2.7	2.3	2.3	3.0	-6.6	-6.2	-8.7	-6.6	1.4	0.6	1.4
Unemployment rate <sup>2</sup>	%	<b>5.0</b>	<b>3.1</b>	<b>1.8</b>	<b>1.8</b>	<b>2.2</b>	2.1	1.7	1.6	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.3
CPI Inflation (harmonised) <sup>2</sup>	% yoy	<b>1.2</b>	<b>3.9</b>	<b>6.2</b>	<b>5.7</b>	<b>3.2</b>	3.8	6.4	7.4	7.3	7.5	6.7	4.8	4.1	4.4	3.2	2.7	2.6
CPI <sup>2</sup>	% yoy	<b>1.3</b>	<b>3.5</b>	<b>5.8</b>	<b>5.5</b>	<b>3.0</b>	3.8	5.8	6.7	6.6	6.6	6.3	4.8	4.3	4.1	3.0	2.5	2.5
CPI-ATE2	% yoy	<b>3.0</b>	<b>1.7</b>	<b>3.9</b>	<b>5.4</b>	<b>3.1</b>	1.9	3.2	4.8	5.8	6.2	5.9	4.7	5.0	4.1	3.4	2.7	2.5
Policy Rate <sup>3</sup>	%	<b>0.00</b>	<b>0.50</b>	<b>2.75</b>	<b>3.75</b>	<b>3.25</b>	<b>0.75</b>	<b>1.25</b>	<b>2.25</b>	<b>2.75</b>	<b>3.00</b>	<b>3.50</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.50</b>	<b>3.25</b>

Notes: <sup>1</sup> Contribution to GDP growth <sup>2</sup> quarterly averages <sup>3</sup> End period. Source: BofA Global Research, Statistics Norway, Norges Bank.

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