

European Viewpoint

Nordics monthly: diverging

Swedish growth weakens, Norway resilient

The Swedish and Norwegian stories have been quite similar so far. Resilient growth, very tight labour markets, strong core inflation surprising to the upside and weak exchange rates. Both central banks have raised terminal rates and in Norges' case hiked 50bp in June after slowing to 25bp hikes in late 2022. That resilience in Sweden is changing. The consumer is in deep recession. GDP fell more than expected in 2Q, surveys weakened, we cut our growth forecast to -0.7% in 2023 and -0.4% in 2024 from 0.1% and -0.2% before. We stick with 1.1% and 0.4% for Norway. Weaker real incomes in Sweden (Norway is more insulated from the terms of trade shock) and interest sensitive consumers explains the difference.

Stickier inflation in Norway

Headline inflation dropped below 5% in both countries in August (ex-interest rate costs in Sweden's case). National core measures are falling, although that includes food. Ex-energy and food core remains elevated in both, but we expect it to fall as weaker global goods pressures passthrough and indirect energy effects on services fade. Wage deals provide some comfort on that outlook. Reflecting more resilient growth in Norway, a one-year wage deal rather than two, and seemingly less well anchored inflation expectations we forecast more persistent inflation in Norway.

Nearly at the end of hikes, earlier cuts in Sweden

We expect a final 25bp hike from the Riksbank next week. We look for Norges to hike 25bp next week and for a final time in November. With Norges seemingly taking a more patient approach to returning inflation to the target and with a more resilient economy, we look for two 25bp Norges cuts next year but three from the Riksbank. We see risks skewed to fewer cuts from Norges and more from the Riksbank. Currencies remain the main risk to our calls, although hiking to support the krona is in our view an increasingly difficult argument for Sweden given the growth situation.

FX: we continue to favour NOK over SEK

We are more bullish than consensus on NOK and more cautious on SEK, forecasting NOKSEK at 1.06 by year-end. We expect NOK to find more support from oil prices and Norges given the resilient domestic data, and potentially meaningful China stimulus in the next weeks. Meanwhile, we stay very cautious on SEK given Sweden's high interest-rate sensitivity and, to us, more Riksbank hikes are not obviously positive for SEK: we are worried about risks of a meaningful consumer squeeze and around property markets. We would not expect any Riksbank FX interventions to provide lasting support. SEK is undervalued, but until inflation slows meaningfully, we see risks for prolonged weakness.

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Growth: Sweden to enter mild recession, Norway resilient

After a period of growth beating central bank and our forecasts in Sweden it undershot in 2Q, with GDP falling 0.8% qoq (Exhibit 1). Sweden has avoided a technical recession so far because of a puzzling surge in net exports over last autumn and winter. But consumer spending has fallen for four quarters, and five of the last six, as squeezed real incomes and rate hikes bite. Investment has also been weak. Lead indicators have weakened a little further and suggest mild recession (Exhibit 7).

We cut our growth forecasts to -0.7% for 2023, and -0.4% in 2024, from 0.1% and -0.2% respectively. We see this primarily driven by falling consumer spending. Those falls should moderate in the second half of 2023 relative to the first half as real wage growth improves and rate hikes end. We look for the economy to begin expanding again in 2Q 2024. We look for 1.1% growth in 2025 still.

In Norway growth has slowed in-line with Norges forecasts (Exhibit 2), flatlining on the quarter in 2Q 2023. Norway seems a statistical error away from recession too. Business surveys, however, suggest weak but positive growth (Exhibit 6), and strengthening oil prices should help demand with some lag. We expect final domestic demand to grow 0.2% in 2023, compared to falling 0.7% in Sweden. With a less severe real income squeeze Norwegian growth held up better and the consumer has avoided recession. While the (comparably) rate-sensitive Swedish consumer will not.

We leave our Norway growth forecasts unchanged at 1.1% for 2023, 0.4% for 2024 and 1.2% for 2025. Surveys, however, remain consistent with near-stagnation.

Exhibit 1: Weaker growth than Riksbank expects, mild recession ahead

Riksbank GDP forecast



Source: BofA Global Research, Statistics Sweden, Riksbank

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Exhibit 2: Norway GDP growth holds up

Norges GDP forecast

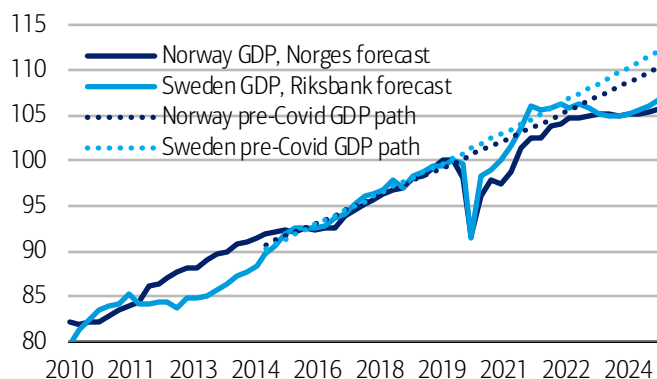


Source: BofA Global Research, Statistics Norway, Norges Bank

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Exhibit 3: Riksbank and Norges expect permanent GDP losses

Riksbank and Norges GDP forecasts, 4Q 2019 = 100

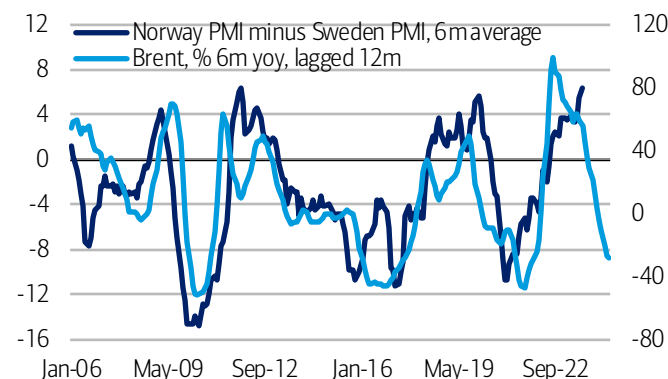


Source: BofA Global Research, Statistics Sweden

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Exhibit 4: Oil price turnaround should help support Norwegian growth

Norway vs. Sweden PMI and Brent

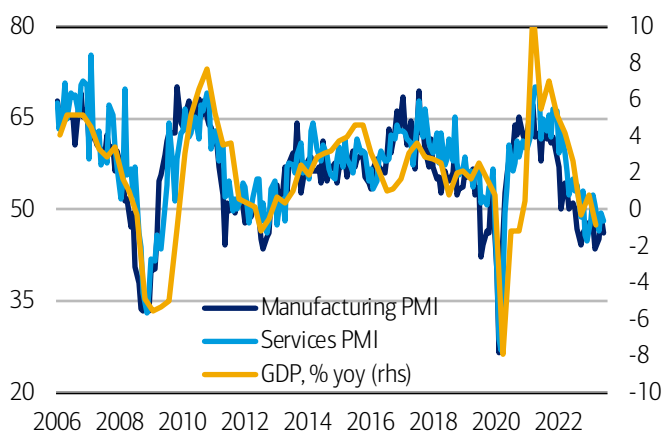


Source: BofA Global Research, Bloomberg, Swedbank, Statistics Norway

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Exhibit 5: PMIs suggest mild recession

Sweden PMI and GDP

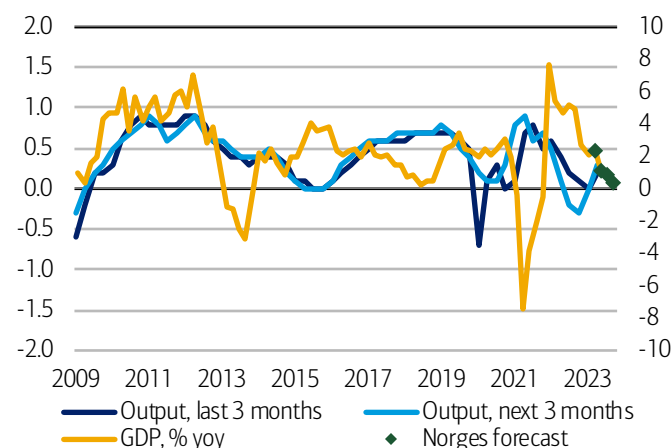


Source: BofA Global Research, Statistics Sweden, Swedbank

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Exhibit 6: Norges business survey suggests growth holding up

Norges Bank Regional Network Survey and GDP

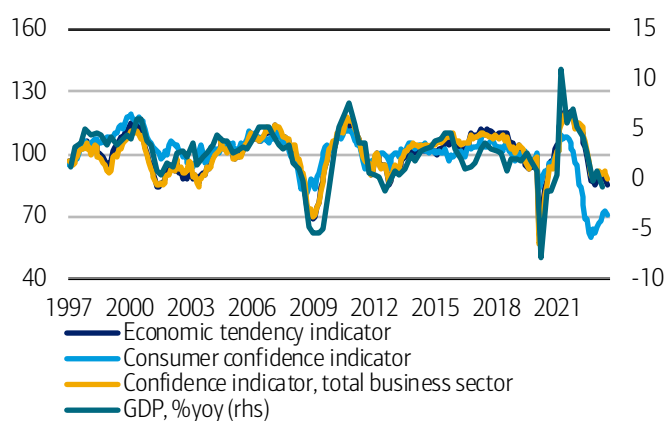


Source: BofA Global Research, Statistics Norway, Norges Bank

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Exhibit 7: Consumer confidence very weak, business confidence slipping into recessionary territory

Sweden economic confidence and GDP

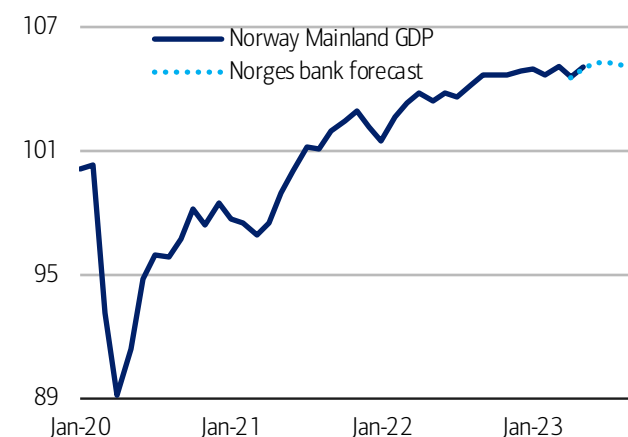


Source: BofA Global Research, National Institute of Economic Research, Statistics Sweden

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Exhibit 8: GDP in-line with Norges forecasts

Norway monthly GDP and Norges forecast

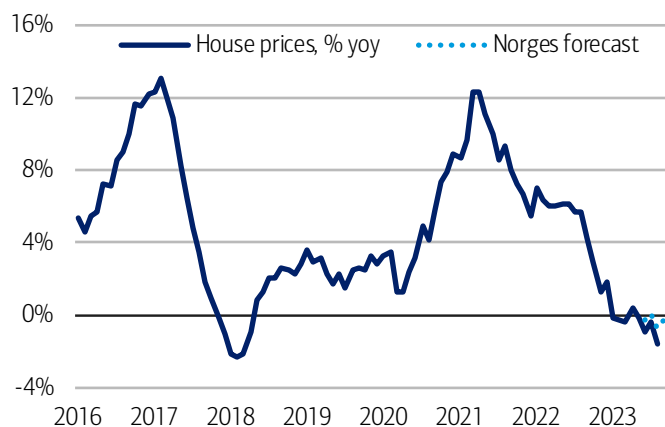


Source: BofA Global Research, Statistics Norway, Norges Bank

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Exhibit 9: House price inflation weaker than Norges expected

House prices, Norway, % four-quarter change

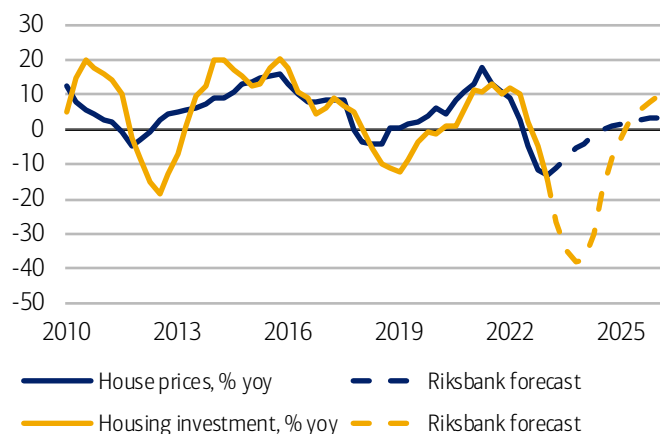


Source: Eiendomsverdi, Finn.no, Real Estate Norway and Norges Bank. Dotted lines show Norges Bank forecasts.

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Exhibit 10: Housing investment likely to fall sharply

Sweden house prices and investment

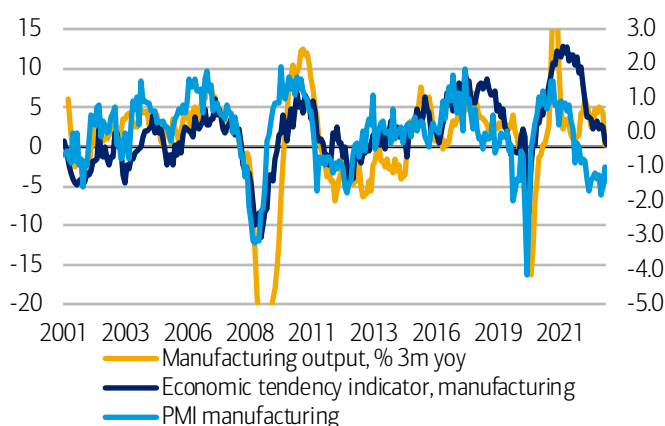


Source: Valueguard and Riksbank (Monetary Policy Report June 2023). Dotted lines show Riksbank forecasts

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Exhibit 11: Sweden PMI diverges from hard data and other surveys

Sweden manufacturing PMI, economic tendency indicator and manufacturing output growth

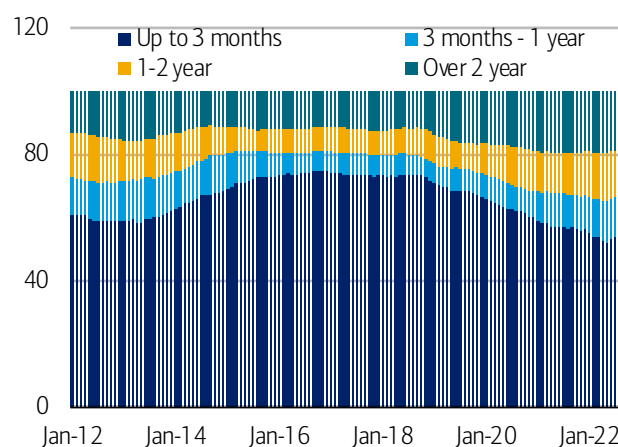


Source: BofA Global Research, Swedbank, National Institute of Economic Research

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Exhibit 12: Residual duration of mortgage fix

Swedish mortgages have a short-term fix rate period



Source: Riksbank

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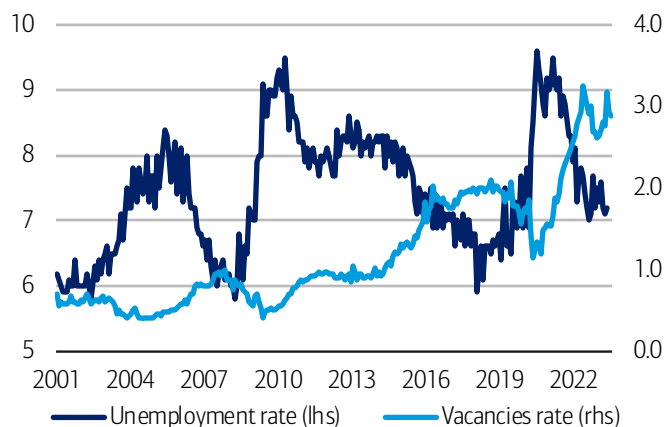
Labour market: still tight

We had been expecting unemployment to creep up in both Norway and Sweden as growth slowed. Unemployment is rising only very slowly in Norway, reaching 1.9% in August from a trough of 1.6% in July 2022. (Exhibit 14). Unemployment has been moving sideways. Vacancies have fallen lately in both Sweden and Norway but remain very high (Exhibit 13).

This is more puzzling for Sweden than Norway, given weaker growth in the former. Indeed, labour supply constraints seemed to be worsening in Sweden through the Spring (Exhibit 15). The improvement in labour constraints has stalled recently in Norway (Exhibit 16). Recent wage deals provide considerable comfort - more for Riksbank than Norges - but hot labour markets suggest risks skew to sticky core inflation.

Exhibit 13: Swedish labour market remains hot

Sweden unemployment rate and vacancies

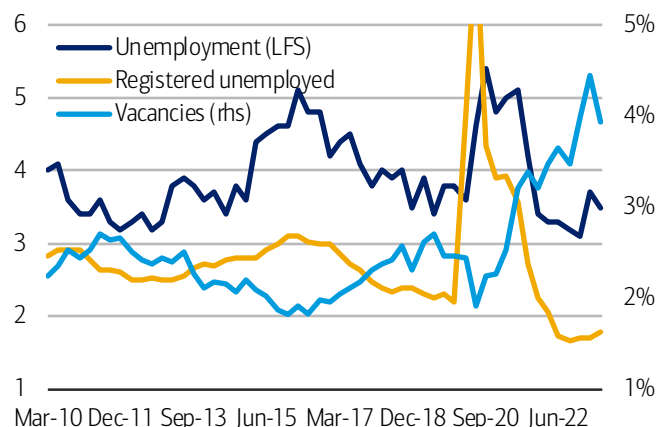


Source: BofA Global Research, Statistics Sweden.

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Exhibit 14: Signs labour market turning but remains very tight

Norway unemployment and vacancy rate

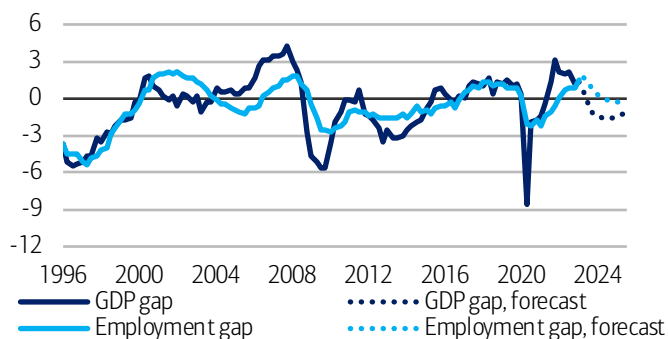


Source: BofA Global Research, Statistics Norway.

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Exhibit 15: Riksbank expects capacity constraints to keep easing

Riksbank capacity constraints forecast

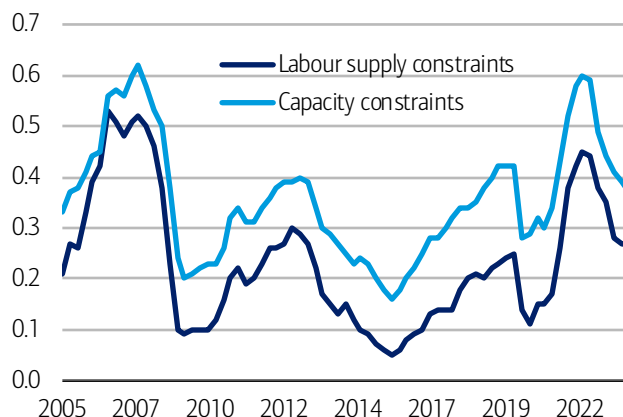


Source: Employment Service, National Institute of Economic Research, Statistics Sweden and the Riksbank (Monetary Policy Report, June 2023). Dotted lines show Riksbank forecasts. The RU indicator is a Riksbank statistical measure of resource utilization; which has been normalised so that the mean value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

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Exhibit 16: Labour supply and capacity constraints ease

Norges Bank Regional Network Survey

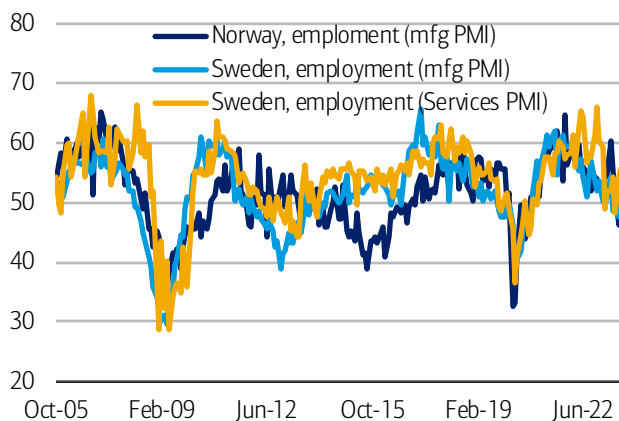


Source: Norges Bank.

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Exhibit 17: Job growth oscillating around zero

PMI employment

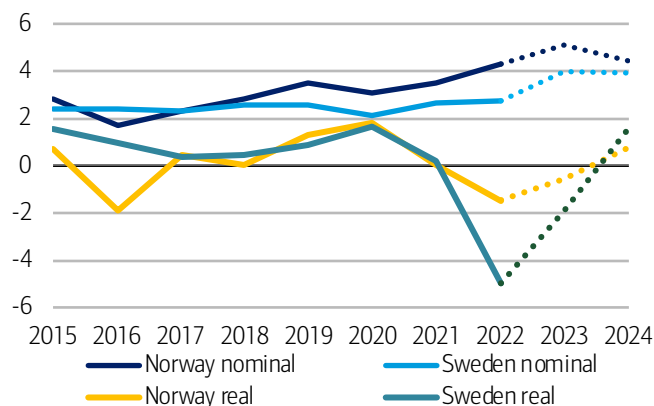


Source: Swedbank, DNB

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Exhibit 18: Real wages fallen sharply in Sweden

Nominal wage growth



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 prove persistent but is no longer surprising Norges or Riksbank majorly on the upside. Our rate calls below are more about relative growth resilience than they are about relative inflation surprises now.

Both countries' national core inflation measures of course include food, which has distorted the relative signal. Swedish food inflation – in the harmonised inflation index – peaked at 18.2% y/y in February compared to 11.1% in Norway more recently. This boosted Sweden's national core inflation measure well above Norway's earlier in the year, and has recently led to Norway's measure falling slower than in Sweden.

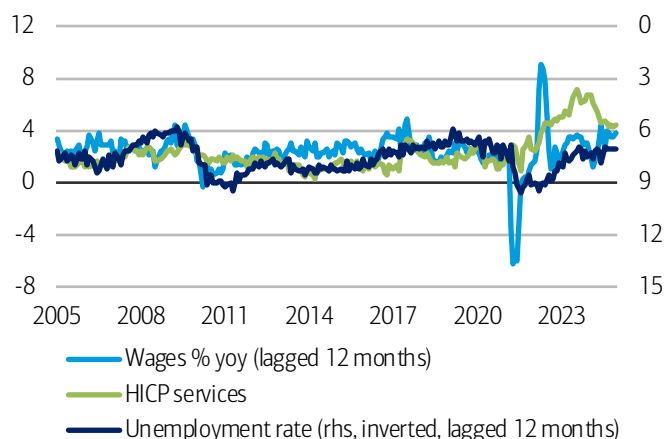
We prefer to look at inflation excluding energy and food for judging core pressures. Here we see a similar picture in both countries. Core peaked at 7-8% in both countries and seems likely to have peaked now (Exhibit 24). Core inflation rose across the world as supply chain disruption boosted global goods inflation and energy prices fed through to costs for manufacturers and services firms. We expect core to slow in both countries as global goods pressure eases and as services inflation slows back towards wage growth.

We tweak our inflation forecasts for recent data. For Sweden we leave headline inflation unchanged to 1dp at 8.5%, 2.6% and 1.6% in 2023, 2024 and 2025 respectively. But we cut CPIF (excluding interest rate changes) 10bp in 2023 and 2024 to 6.0% and 2.1%. For Norway we cut 2023 headline CPI 30bp and cut 2024 20bp to 5.5% and 3.5% respectively. For CPI-ATE (excluding energy and indirect tax increases) we leave 2023 and 2025 unchanged at 6.1% and 2.1% and shave 2024 10bp to 3.6%.

In short, we expect inflation to slow more in Sweden than Norway over the next couple of years because we expect weaker Swedish growth, the two-year wage deal provides more protection than Norway's one-year deal, and inflation expectations seem better anchored in Sweden.

Exhibit 19: Services inflation running much stronger than wages

Sweden wages and services inflation, BofA forecast

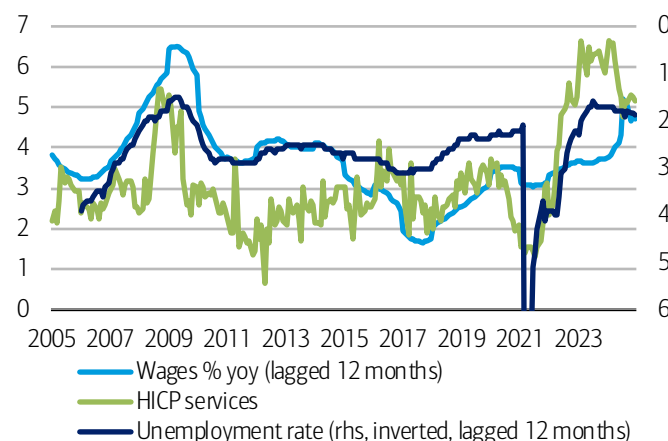


Source: BofA Global Research, Statistics Sweden

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Exhibit 20: Services inflation running well above wages

Norway wages and services inflation, BofA forecast

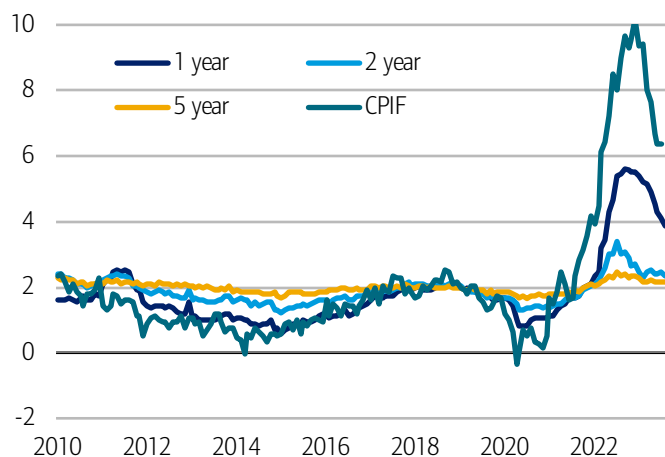


Source: BofA Global Research, Statistics Norway

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Exhibit 21: Expectations anchored

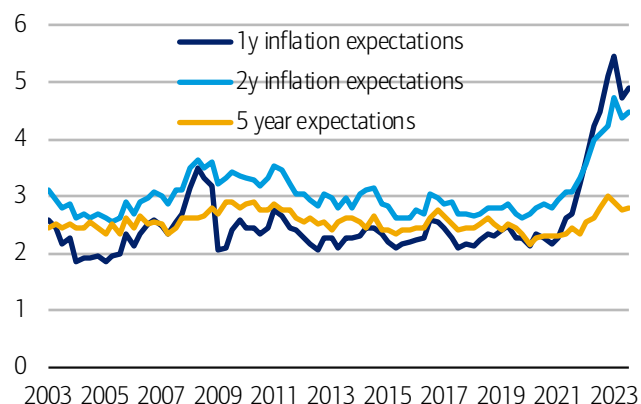
Sweden inflation expectations



Source: Prospera, Statistics Sweden. Note: We use the monthly survey data ("Small Prospera").
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Exhibit 22: Inflation expectations more of a concern than in Sweden

Norges Bank inflation expectations survey



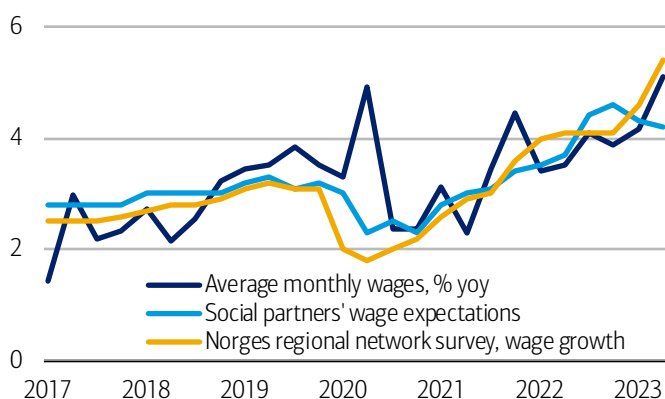
1y and 2y expectations are the average of economists', households', firms' and social partners' expectations. 5y expectations are the average of economists' and social partners' expectations.

Source: Norges Bank

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Exhibit 23: Wage growth still rising, but wage deal gives relief

Wage growth, Norges regional survey and social partners

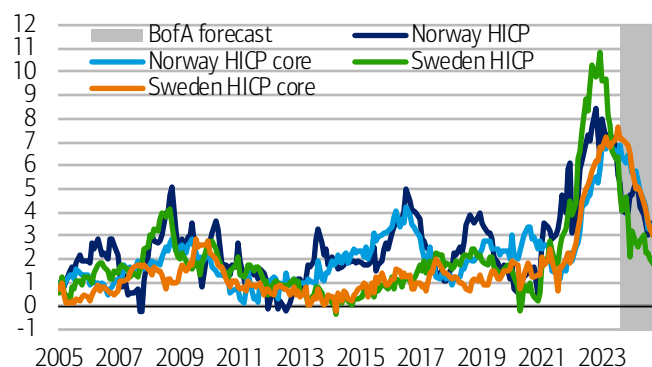


Source: Norges Bank, Statistics Norway

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Exhibit 24: Sweden saw larger inflation spike, driven by food and goods, core proving persistent

BofAf Norway and Sweden CPI inflation

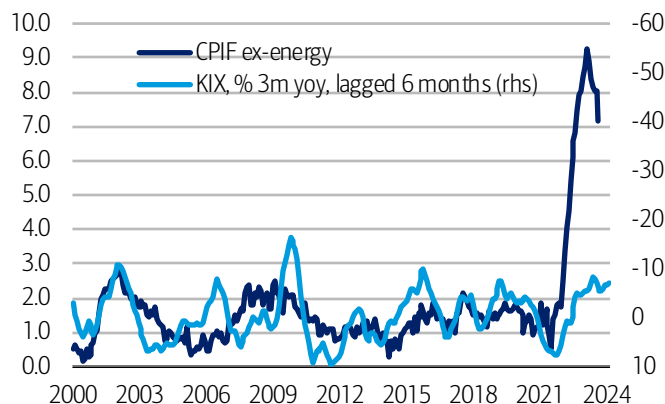


Source: BofA Global Research, Eurostat

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Exhibit 25: Currency perhaps explains small part of Sweden inflation...

Swedish ex-energy inflation and KIX

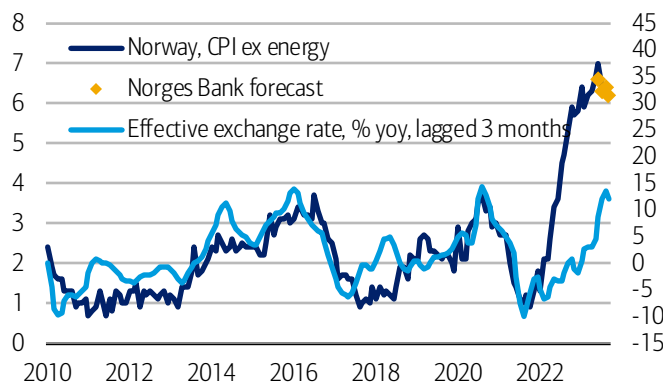


Source: BofA Global Research, Statistics Sweden, Bloomberg

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Exhibit 26: ...but bigger part of Norway inflation

Norway inflation and Norges forecast (percent)

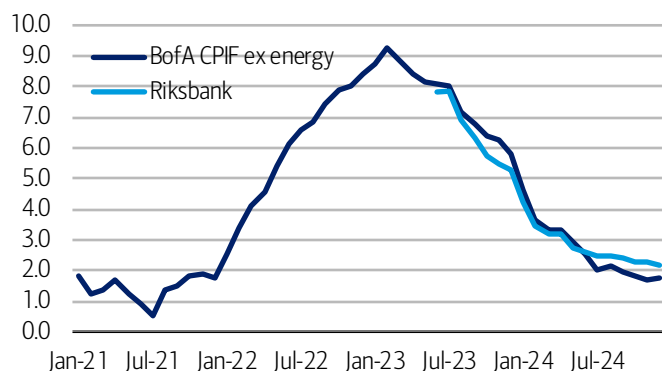


Source: BofA Global Research, Statistics Norway, Norges Bank. Note: We use Norges Bank projections for both CPI ex energy and the effective exchange rate

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Exhibit 27: Core inflation peaked

Riksbank and BofA core inflation forecast (percent)

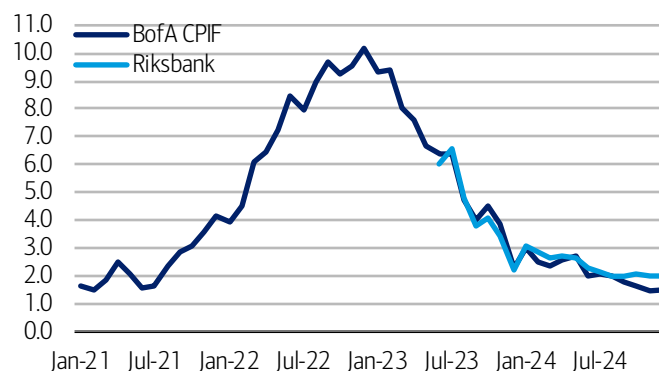


Source: BofA Global Research, Riksbank

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Exhibit 28: Headline Inflation dropping sharply as energy eases

Riksbank and BofA inflation forecast (percent)

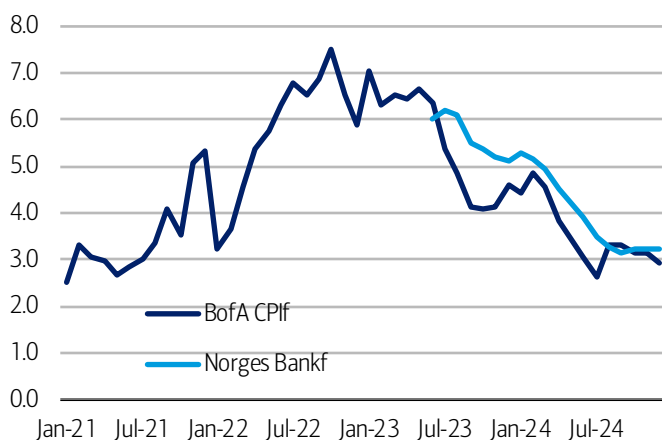


Source: BofA Global Research, Riksbank

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Exhibit 29: Headline inflation peaked in Norway, undershooting Norges

BofA and Norges Bank inflation forecasts

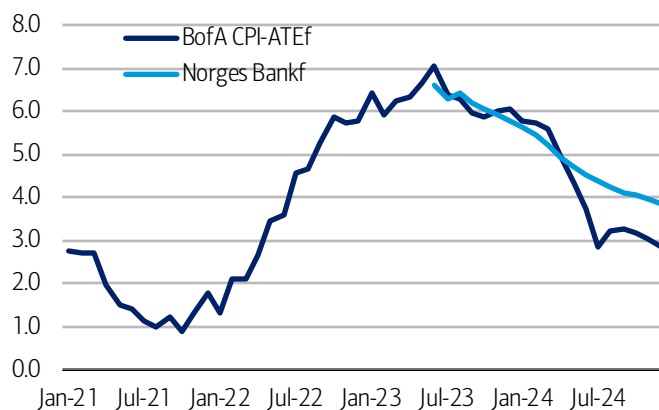


Source: BofA Global Research, Norges Bank, Statistics Norway.

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Exhibit 30: We expect core inflation to be stickier than headline, but also to have peaked

BofA and Norges Bank inflation forecasts

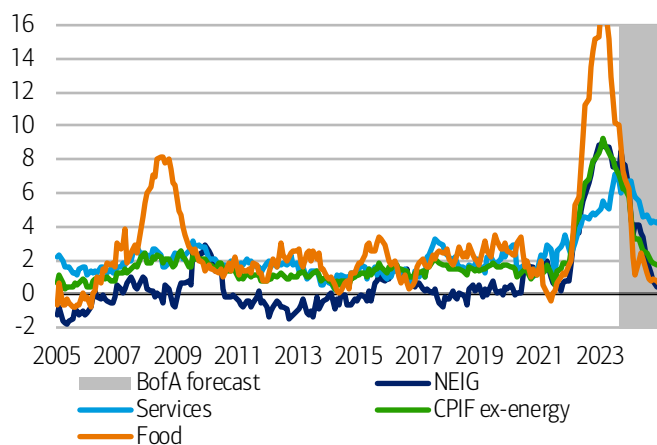


Source: BofA Global Research, Norges Bank, Statistics Norway.

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Exhibit 31: Swedish inflation heavily driven by global factors, but services strong

Sweden HICP components and BofA forecast

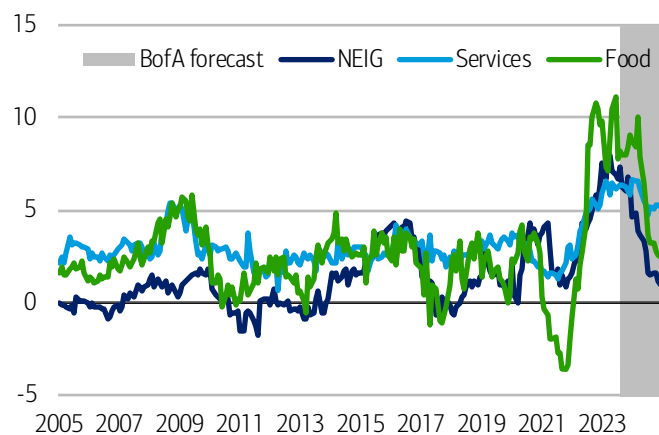


Source: BofA Global Research, Statistics Sweden.

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Exhibit 32: Food and energy make large inflation contribution, but services risen

Norway HICP components and BofA forecast



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 plans to return inflation to target faster than Norges. Norges meanwhile, in our view, contends with a more resilient economy. We expect a higher terminal rate in Norway for the latter reason, but earlier and more rate cuts in Sweden for the former reason. Norway seems to us closer to higher for longer than the Riksbank.

This is not how the two central bank's view the outlook. The Riksbank projects a slightly lower terminal than Norges but holding theirs for longer. Why is that? The Riksbank seems to view its inflation problem as more entrenched than we do – and more entrenched than Norges' sees its inflation challenge, despite a stronger economy. Also possibly entering the Riksbank's forecast is a view on the extent of exchange rate weakness they will tolerate.

We leave our central bank forecasts unchanged. We look for Norges to hike their policy rate to 4.5%, with a 25bp hike next week and another 25bp hike in November. We look for 2 25bp cuts in 2024 and 5 in 2025, leaving rates at 4.0% at end-2024 and 2.75% at end-2025. We see risks skewed to fewer cuts from Norges

Our expectation of a November Norges hike is a more finely balanced judgement than September's policy decision. In next week's forecasts we would expect Norges to raise the policy path but stop short of committing strongly to a November hike. We would expect the policy path to peak around 4.35-4.4%. There are dovish risks to our call for November.

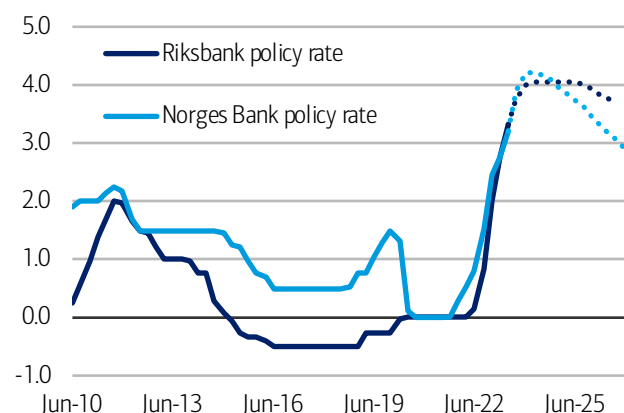
On balance we continue to expect a final hike in November. The economy remains resilient. Inflation is falling but core remains elevated, Norges regional contacts report the easing in supply constraints stalled in the latest quarter, and growth is holding up. Higher oil prices are not a negative terms of trade shock for Norway, unlike Sweden. Norges may end up hiking more than we expect overall or holding rates higher for longer than we expect if, for instance, oil prices rise further and the economy remains resilient.

For Riksbank we expect one more 25bp hike next week for 4.0% terminal. We think the discussion of a hike next week is becoming more debateable based on the economic data. The main driver would be to avoid further exchange rate weakness in our view. We expect 3 cuts from Riksbank in 2024 and five in 2025 leaving the policy rate at 3.25% and 2.0% at end-2024 and 2025 respectively. We see somewhat downside risks to that policy path. On the downside, the growth outlook seems to have weakened and falling inflation gives more confidence in our forecasts. The risks are not all downside though, with currency weakness preventing us forecasting earlier cuts and leaving some possibility of further hikes.

Cutting as early as we expect next year (June) would conflict with the Riksbank's guidance. 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. Indeed, we suspect that part of the Riksbank's guidance is intended to prevent any pause in hikes leading the market to price earlier cuts, weakening the krona. Big picture, however, we continue to think the Riksbank will need to cut rapidly from the peak whereas Norges will likely be more cautious.

Exhibit 33: Riksbank and Norges project a similar terminal rate, but Riksbank projects a flatter path

Central bank policy rate expectations

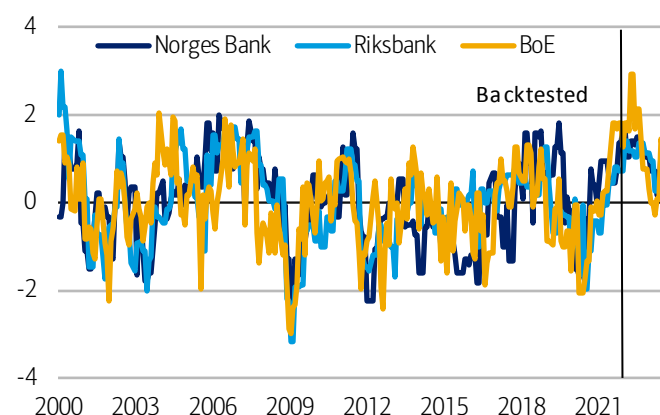


Source: Riksbank (April 2023), Norges Bank (March 2023)

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Exhibit 34: Sticky core led to renewed hawkishness in spring, fading lately (Back-tested)

BofA central bank mood indicators, standard deviations from average

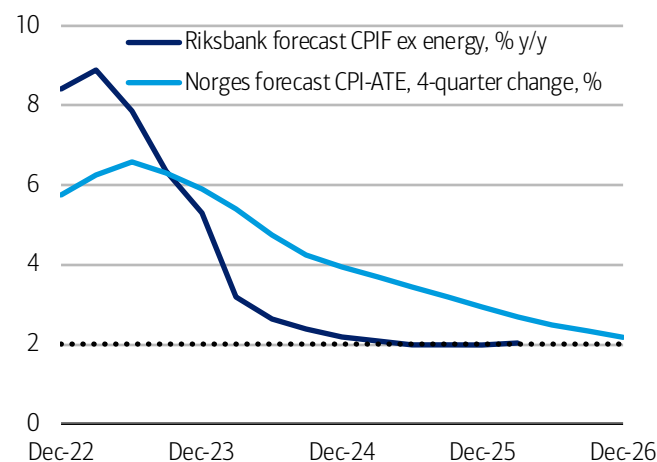


Source: BofA Global Research, Norges Bank, Riksbank, Bank of England. NORBI/Riksbank/BoEMI are scaled from 0 to 1, and reflects the proportion of 'hawkish' sentences in monetary policy assessments. A score of 0.5, for instance, means half of the sentences were hawkish. In the chart we show the raw mood 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 35: Riksbank expects inflation to return to target faster

Riksbank vs Norges inflation forecasts

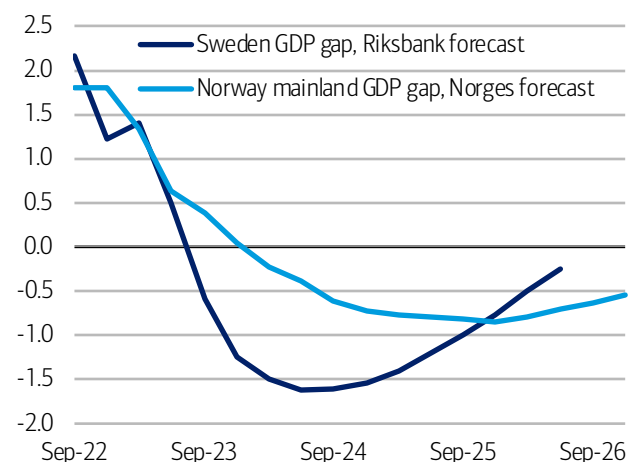


Source: Riksbank, Norges Bank

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Exhibit 36: ...due to a more negative output gap

Riksbank vs Norges output gap forecasts

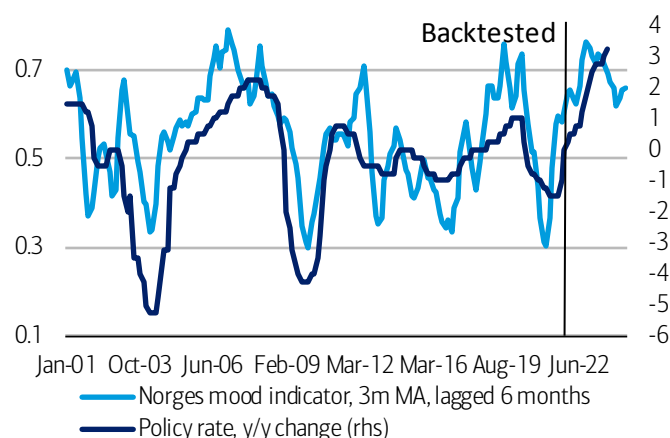


Source: Riksbank, Norges Bank

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Exhibit 37: Norges mood indicator suggests easing hawkishness

BofA Norges Bank mood indicator (Back-tested)

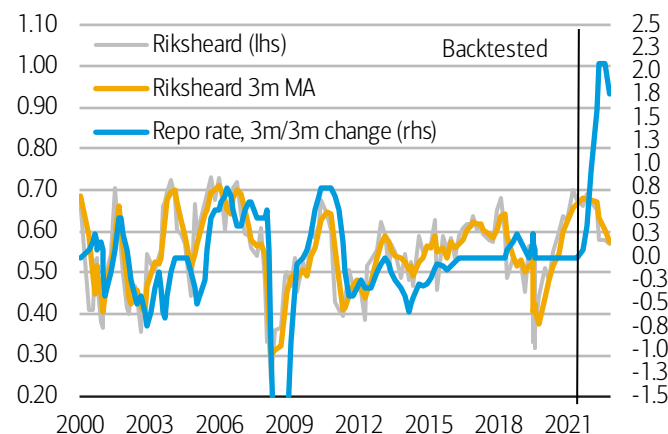


Source: BofA Global Research, Norges Bank. NORBI is scaled from 0 to 1, and reflects the proportion of 'hawkish' sentences in monetary policy assessments. A score of 0.5, for instance, means half of the sentences were hawkish. The indicator identified as NORBI is intended to be an indicative metric only 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 38: Riksheard suggests hikes coming to an end

BofA Riksbank mood indicator (Back-tested)

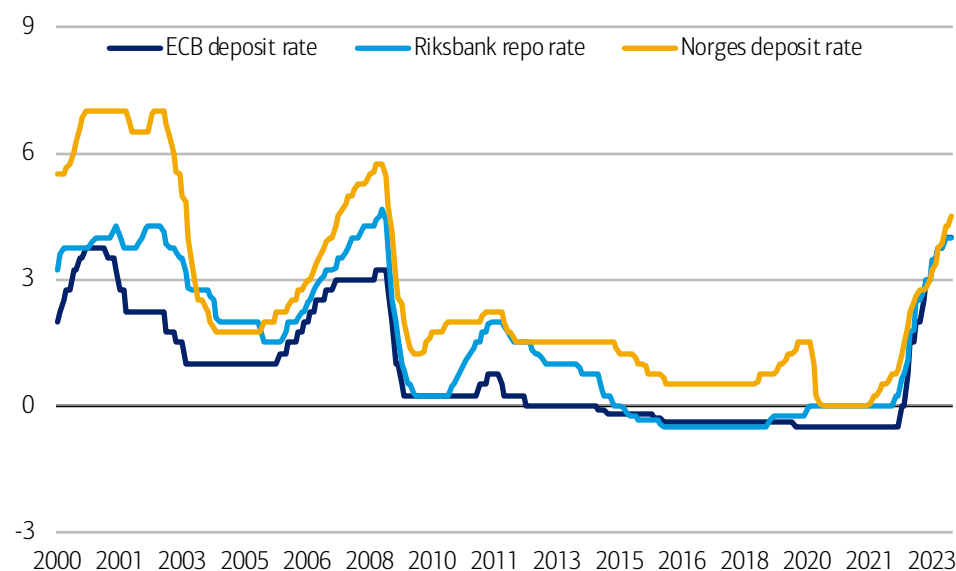


Source: BofA Global Research. Note: Riksheard is scaled from 0 to 1, and reflects the proportion of 'hawkish' sentences in each publication. A score of 0.5, for instance, means half of the sentences were hawkish. The indicator identified as Riksheard is intended to be an indicative metric only and may 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 39: Our forecasts put Norges and Riksbank policy rate in line with ECB, currency suggests upside risks to Riksbank and Norges

BofA ECB, Riksbank and Norges policy rates



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

BofA GLOBAL RESEARCH

We continue to favour NOK over SEK

We are more bullish than consensus on NOK and more cautious on SEK, forecasting EURNOK at 11.00 (USDNOK 10.48), EURSEK at 11.70 with a nearer term peak at 12.00 (USDSEK around 11.10), and NOKSEK at 1.06 by year-end (Exhibit 42).

We expect NOK to continue finding support from oil prices and Norges Bank (Exhibit 43) given the resilient domestic data, while our economists think meaningful China stimulus in the next weeks is possible ([China Watch: Now is not the time to lose hope 28 Aug 23](#)).

We stay cautious on SEK given Sweden's high interest-rate sensitivity. To us, more Riksbank hikes are not obviously positive for SEK—we are worried about harder landing risks i.e., risks of a meaningful consumer squeeze and around property markets. We would not expect any Riksbank FX interventions to provide lasting support. China stimulus could help SEK but probably less than NOK.

Near term, we remain cautious on risk sentiment and see some risks around NOK longs. But despite the very bearish SEK sentiment, SEK shorts are far from stretched.

Ahead of next week's meetings

Market is currently pricing (1) Similar chances of Norges and the Riksbank continuing to hike after next week, whereas we see a higher chance for Norges than for the Riksbank.

(2) A meaningfully tighter Norges-Riksbank differential for 2024 than we expect.

It is possible that both central banks shift more data-dependent next week, avoiding to overly "commit", but our bias remains to fade any NOKSEK weakness around next week's meetings.

Exhibit 42: Scandies FX forecasts

We expect NOKSEK above 1.05 in the coming months

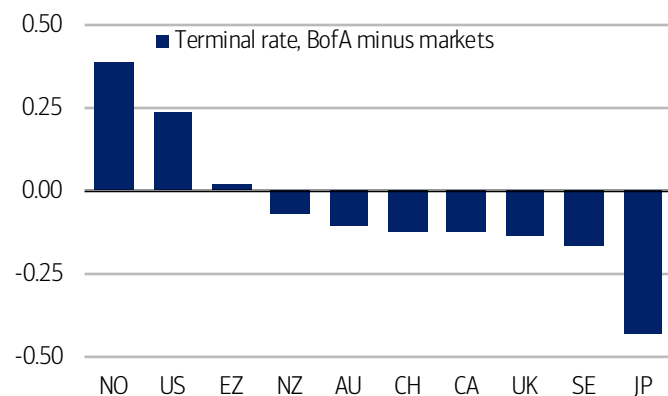
	Spot	Sep-23	YE 2023	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
EUR/NOK	11.49	11.30	11.00	10.80	10.70	10.50	10.30	10.20	10.10	10.00	9.90
USD/NOK	10.71	10.46	10.48	10.09	9.73	9.13	8.96	8.79	8.63	8.47	8.25
EUR/SEK	11.93	12.00	11.70	11.40	11.20	11.00	10.70	10.60	10.50	10.30	10.20
USD/SEK	11.12	11.11	11.14	10.65	10.18	9.57	9.30	9.14	8.97	8.73	8.50
NOK/SEK	1.04	1.06	1.06	1.06	1.05	1.05	1.04	1.04	1.04	1.03	1.03
EUR/USD	1.07	1.08	1.05	1.07	1.10	1.15	1.15	1.16	1.17	1.18	1.20

Source: BofA Global Research. Spot and forecasts as of September 13.

BofA GLOBAL RESEARCH

Exhibit 41: Terminal rate, BofA vs markets

We expect NOK to continue finding support from Norges Bank

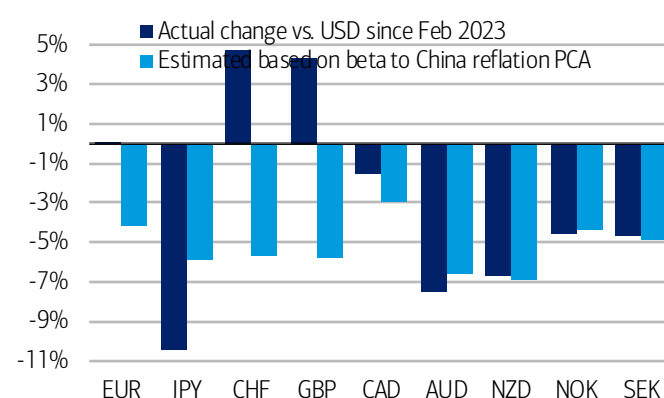


Source: BofA Global Research, Bloomberg. Data as of September 12.

BofA GLOBAL RESEARCH

Exhibit 42: G10 FX (vs. USD) - actual vs. estimated based on China beta

CHF, GBP & EUR have lagged the deterioration in China sentiment



Source: BofA Global Research, Bloomberg. See China clouds USD outlook 29 Aug 23 for details.

BofA GLOBAL RESEARCH

NOK: more upside but cautious on risk & positioning now

We now find NOK to be more aligned with what its past performance would suggest than it was in 2Q although less so than in July (Exhibit 45). We recently marked our forecasts closer to market but continue to look for more NOK upside this year, especially vs. European G10 FX. Risk sentiment and positioning pose near-term downside risks.

Looking back: stars aligned in June and July

NOK has out-performed G10 FX after May amid (mostly) resilient risk sentiment until the start of August, higher energy prices on both demand and supply factors, and a more hawkish Norges (Exhibit 46) in addition to the likely improved petroleum-related NOK flows by Norges & oil companies combined. Its rally was likely driven by (the mostly skeptical in 1H) Hedge Funds, according to our proprietary flows (Exhibit 59).

Still, we find NOK c. 5% weaker since a year ago than its history would suggest, which is down from c.7% in early June but up from 1% in July (again Exhibit 45). The role of demand-driven oil-price changes (and, indirectly, global growth) has likely slightly grown in importance recently but that of Norges has fallen significantly (Exhibit 47, Exhibit 48).

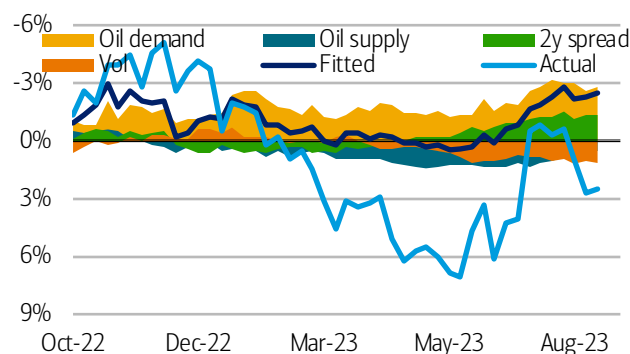
Looking ahead: constructive, energy & China key

We remain constructive on NOK by year-end: First, our commodities team continues to expect Brent to average 90\$/bbl in 2024 (Energy is hot again 15 Aug 23), suggesting it could spike past 100\$/bbl even this year (Asia energy in the green despite Red China blues 12 Sep 23). Relatedly, our economists expect Chinese international travel to rebound ([China Watch: Growth to count on service consumption strength 15 Aug 23](#)) and policymakers to (potentially) roll out more measures in the coming weeks ([China Watch: Now is not the time to lose hope 28 Aug 23](#)). This could also support risk.

Second, we expect the Norwegian data to remain resilient and Norges to be slightly more hawkish than markets expect (Exhibit 42). Norges may have shown greater tolerance on inflation than other central banks by expecting inflation back to target at end-2026. Still, with imported goods comprising c. 30% of CPI-ATE, Norges is unlikely to stay indifferent to more NOK weakness also given its economy's resilience.

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

NOK c. 5% at end-Aug weaker than past performance would suggest

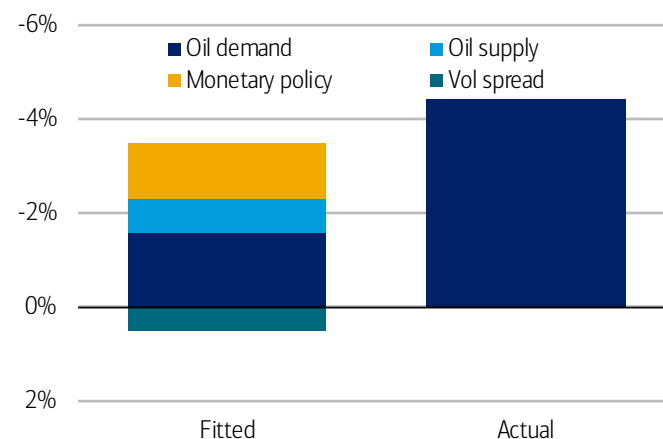


Source: BofA Global Research, Bloomberg, Federal Reserve Bank of New York, Oil Price Dynamics Report, https://www.newyorkfed.org/research/policy/oil_price_dynamics_report.html. Lower values of the import-weighted krone index (NOK I-44) show a stronger NOK. Weekly data through August 25. Regression estimates are for Jan 18- Sep 22. We regress changes in (log) NOK I-44 (Norges' import-weighted krone index) on: demand- and supply-driven changes in (log) Brent crude spot prices as per the New York 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: NOK after May: Fitted factors vs actual

Higher oil, Norges and risk have helped NOK after May



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. Negative values show stronger NOK. Weekly data until Aug 25. Regression estimates are for Jan 18- Sep 22.

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Forecasts: EURNOK at 11.00, USDNOK 10.60, NOKSEK 1.06 by year-end

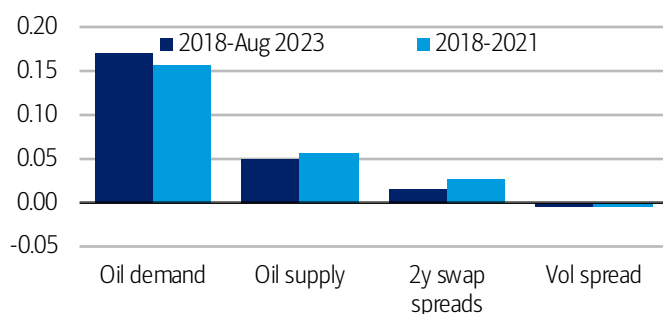
We recently revised our EURNOK profile higher (more so at the front end) but continue to look for more NOK upside this year although less so vs USD: we now expect EURNOK



at 11.00 by year-end (vs. 10.60 previously), USDNOK at 10.48 (vs. 10.10 previously), and NOKSEK at 1.06 (vs. 1.04), with our EURUSD forecast staying at 1.05.

Exhibit 45: NOK factors

Demand-driven oil price changes (and indirectly global growth) have become more important for NOK but Norges likely much less...

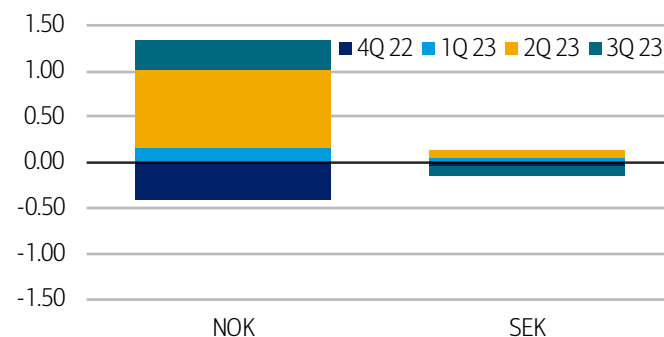


Source: BofA Global Research, Bloomberg, Federal Reserve Bank of New York, Oil Price Dynamics Report, https://www.newyorkfed.org/research/policy/oil_price_dynamics_report.html. Regression estimates are based on weekly data through August 25. Positive values suggest positive impact on the import-weighted krone index (NOK I-44).

BofA GLOBAL RESEARCH

Exhibit 46: Change in 2yr trade-weighted swap spreads (percent)

...so NOK unlikely to have benefitted as much by more hawkish Norges



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 September 8.

BofA GLOBAL RESEARCH

Risks: Fed, risk, oil, China, positioning

We see downside NOK risks are around risk sentiment (we expect a softish but not immaculate US landing and disagree with the number of Fed rate cuts priced by end-2024). We also see some risks around the long NOK positions of both Hedge Funds and Real Money although they are not stretched (more below). As ever, oil prices and any meaningful China stimulus (or more international travel) remain key factors.

And as attention gradually shifts to rate cuts, carry will remain key for NOK (Exhibit 49).

SEK: still early to turn constructive

We expect slightly more and prolonged SEK weakness—despite finding it much undervalued (Exhibit 55, Exhibit 56)—on “hard landing” risks, given Sweden’s rate sensitivity and the still stubborn ex energy inflation.

Looking back: Sweden’s high rate sensitivity likely behind SEK weakness

Through most of 2022 SEK was trading well in line with its recent history based on rate differentials, USD, and risk sentiment. But from late Q4 2022 on SEK has completely disconnected from history (Exhibit 50): recent history would have suggested a roughly flat SEK (trade-weighted terms) but instead SEK is weaker by c. 8% since a year ago.

Seen differently, EURSEK usually tracks EURUSD inversely (Exhibit 51) unless the Riksbank diverges meaningfully from the ECB. However, although EURUSD is much higher than a year ago, EURSEK is also much higher despite the relatively stable ECB-Riksbank front-end swap rate differential (Exhibit 51).

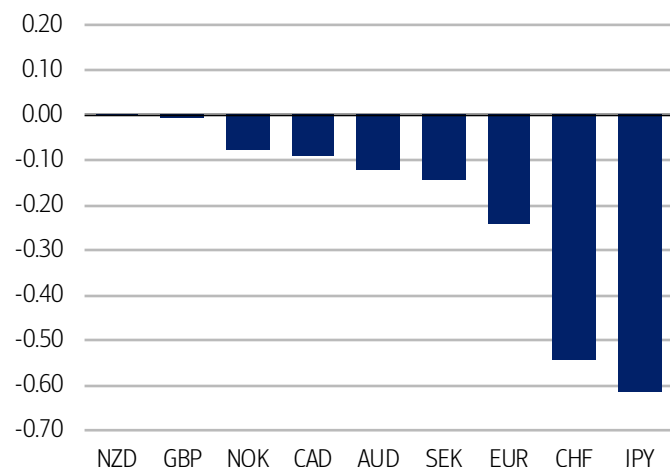
We continue to think these misalignments primarily reflect Sweden’s high interest-rate sensitivity, which has become evident in:

- (1) The weak domestic demand, particularly in household consumption (down in each of the past four quarters) and housing investment, as our economists discuss. Relatedly, our Swedish growth forecast is the lowest in G10.
- (2) Negative headlines around property markets, particularly commercial real estate (Exhibit 53, Exhibit 54).

We discuss these points in some more detail and in global context in [Global Economic Viewpoint: Is refinancing the kryptonite of monetary policy? 14 August 2023](#).

Exhibit 47: 3-month vol-adjusted carry (annualized)

Carry supports NOK vs EUR and SEK

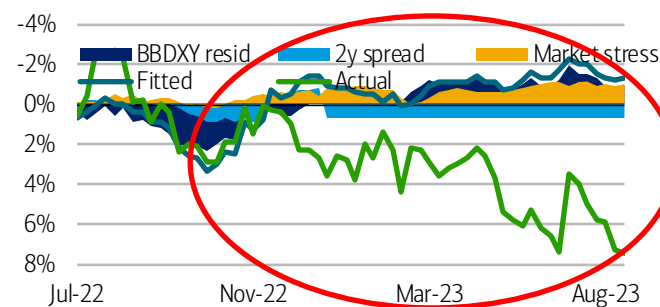


Source: BofA Global Research, Bloomberg. Data as of Sep 13.

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Exhibit 48: Fitted vs. actual Swedish krona index

SEK completely misaligned from its usual drivers



Source: BofA Global Research, Bloomberg. Lower values of the trade-weighted krona index (KIX) show a stronger SEK. Weekly data through August 25. Fitted values are based on regression estimates for Jan 2018- June 2022. 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 2-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

BofA GLOBAL RESEARCH

Looking ahead: still no visibility

We have flagged *clear* progress on Swedish inflation (esp. ex energy) is what we need to turn more constructive on SEK. The August inflation print was encouraging, but we are not out of the woods yet. We expect the Riksbank to hike one last time in September, but with ex energy CPIF slightly above the Riksbank's forecast and SEK very weak, risks remain upside although we find them lower than last month given the weak 2Q GDP print. We acknowledge SEK still tends to trade positively with rates but, to us, it is not obvious that more Riksbank hikes should be positive for SEK.

The second reason we are cautious on SEK for the next months is our modestly bearish EURUSD call—we expect it at 1.05 by year-end. This is because we expect US to outperform Europe and because we disagree with the pace of Fed rate cuts priced for next year. As we noted, it is usually hard for EURSEK and EURUSD to weaken simultaneously. Either way, our focus is on both the Fed and the ECB.

Would a dovish ECB be good for SEK? It depends. A more dovish ECB on weak growth is unlikely to be good for SEK. On the other hand, a more dovish ECB on painless Eurozone disinflation or an ECB seen as compromising on inflation are likely better scenarios for SEK vs EUR, but we find these scenarios unlikely. Of course, the Riksbank could also out-hawk the ECB, but we think this scenario is also unlikely given the different rate sensitivities of the Euro area and Sweden.

Meanwhile, our investor flows suggest the short SEK positioning far from stretched with Hedge Funds having pared back their SEK shorts (more details below).

Bottom line – risks the Riksbank gets caught between a rock and a hard place remain until ex energy CPIF inflation continues slowing meaningfully (Services remain key). To us, more Riksbank hikes are not obviously SEK positive because we are worried about a non-trivial consumer squeeze and cannot overlook the growing risks around property markets (even though our base case is they will not spill over more broadly).

Forecasts: EURSEK to peak at 12.00 in Q3, NOKSEK 1.06 by year-end

We recently revised EURSEK up, forecasting EURSEK at 11.70 by year-end (peaking at 12.00 by end-Q3). We now look for USDSEK at 11.14 and NOKSEK at 1.06 by year-end.

Risks: weaker for longer SEK. We are skeptical FX interventions can help much

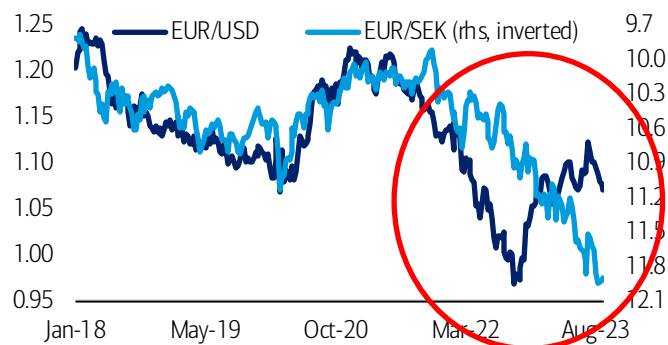
SEK may be much undervalued (Exhibit 55, Exhibit 56) but risks are for a weaker and for longer SEK. Of course, risks around global growth incl. any meaningful China stimulus, the Fed and the ECB stance remain key.

The pace of Riksbank rate cuts next year remains key for tail risks—our economists expect three rate cuts next year, same as for the ECB.

Finally, we do not think any FX interventions would provide help beyond the near term: as of April, the Riksbank's FX reserves stood at SEK 412.7bn, i.e., c. 7% of 2022 GDP, a rather low fraction. The Riksbank has said they would discuss in early autumn the possibility of gradually hedging part of their reserves but made clear this would *not* be part of monetary policy. We would not expect lasting effects on SEK if they went ahead.

Exhibit 49: EURUSD vs EURSEK

EURUSD and EURSEK completely misaligned...

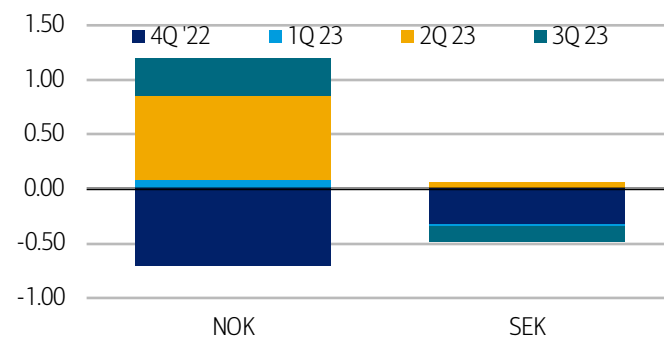


Source: Bloomberg. Weekly data through Sep 8.

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

...despite flattish swap rate differentials

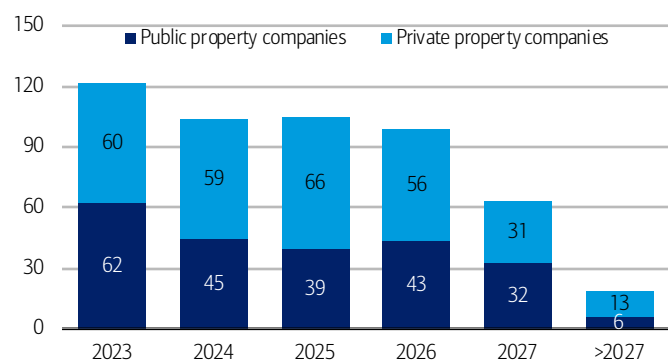


Source: BofA Global Research, Bloomberg. Data weekly through Sep 8.

BofA GLOBAL RESEARCH

Exhibit 51: Commercial paper and bond maturities of property companies

c100bn p.a. will mature in 2024-26

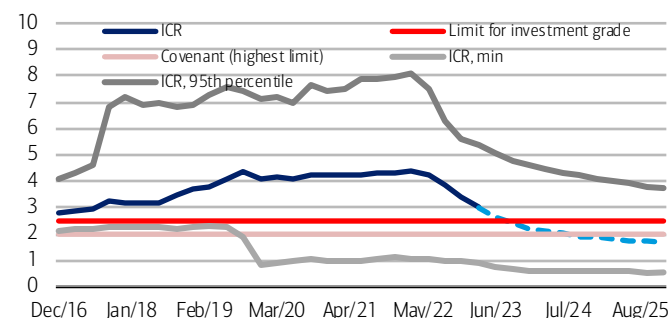


Source: Riksbank (Financial Stability Report, June 2023). Maturities as of March 2023.

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Exhibit 52: ICR outlook of large property companies

Interest costs will rise and ICRs will decrease

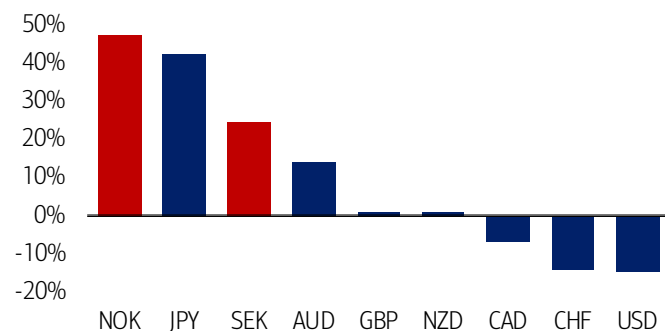


Source: Sedis and the Riksbank (Financial Stability Report). The chart shows the volume-weighted interest coverage ratio for a sample of 34 property companies. Calculations assume the policy rate will rise in accordance with the Riksbank's April 2023 forecast to 3.65 per cent in 2023 and then remain at that level until mid-2025, which in June the Riksbank raised by 40bp.

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Exhibit 53: EUR overvaluation estimates based on BEER model

NOK most undervalued in G10 vs. EUR, with SEK after JPY

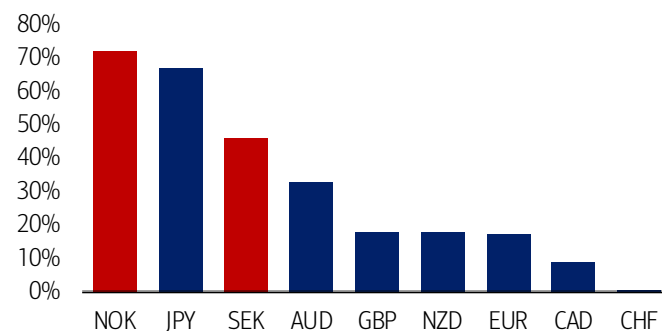


Source: BofA Global Research. For more details see FX Viewpoint: Still favouring NOK over SEK 07 September 2023

BofA GLOBAL RESEARCH

Exhibit 54: USD overvaluation estimates based on BEER model

NOK most undervalued in G10 vs. USD, with SEK after JPY



Source: BofA Global Research. For more details see FX Viewpoint: Still favouring NOK over SEK 07 September 2023

BofA GLOBAL RESEARCH

Positioning not stretched but poses some risks

NOK positioning is the longest in the G10 according to our *aggregate* measure, while that of SEK the second shortest (Exhibit 57) but both positions stand out somewhat less based only on our proprietary investor flows (Exhibit 58).

Still, NOK is of the longest positions of both Hedge Funds (HF) and Real Money (RM) but, while Real Money's SEK position is short, that of Hedge Funds is neutral.

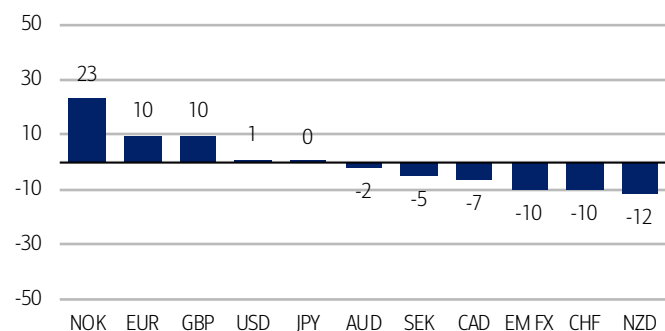
Hedge Funds started the year neutral NOK and short SEK. But they have since pared back their SEK shorts, while they started buying NOK in late 2Q—having been very skeptical on it until then—and likely drove the NOK summer rally (Exhibit 59).

Real Money, meanwhile, have largely maintained their SEK shorts and NOK longs through the year, consistently in the case of SEK but less so in that of NOK (Exhibit 60): Real Money bought the NOK dips in 1H, but likely took advantage of the NOK rally to reduce their longs in Q3.

Going forward, we find positioning posing some risks both to our bullish NOK and bearish SEK views, slightly more to the former vs. the latter. EURNOK lower would need more support from Real Money, while NOKSEK & EURSEK higher would need more help from Hedge Funds.

Exhibit 55: Latest aggregate FX positioning

NOK longest G10 position, SEK second shorted

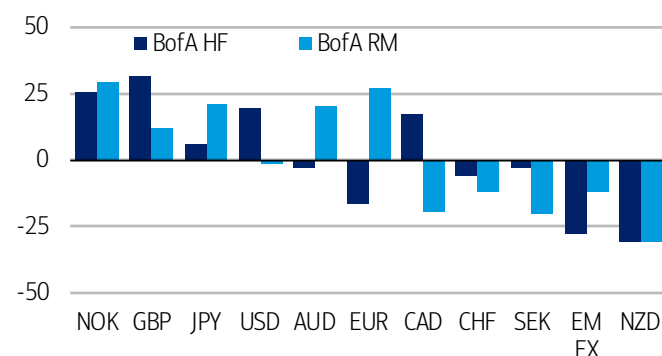


Source: BofA Securities, Bloomberg. Note: +50 (-50) represents a max long (short) positioning level relative to early 2012. Aggregate positioning for G10 currencies takes into BofA Securities proprietary FX flows data as well as CFTC and BofA Global Research FX & Rates Sentiment Survey data. For details, please see the Liquid Cross Border Flows Primer.

BofA GLOBAL RESEARCH

Exhibit 56: Latest BofA investor FX positioning levels

Both HF and RM long NOK. Real Money short SEK but HF neutral

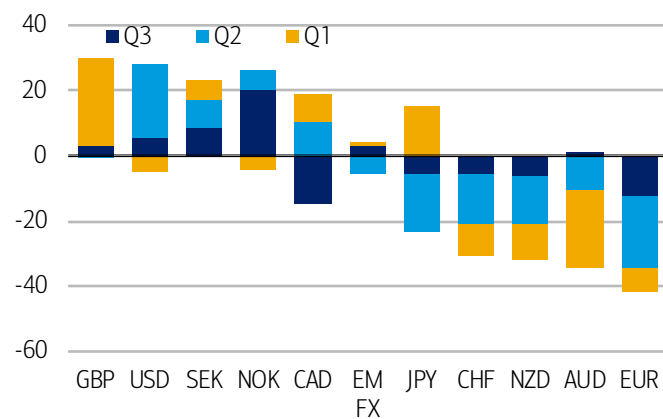


Source: BofA Securities. Note: +50 (-50) represents a max long (short) positioning level relative to early 2012. Currencies ranked by the equally-weighted average investor positioning. For details please see the Liquid Cross Border Flows Primer.

BofA GLOBAL RESEARCH

Exhibit 57: Hedge Funds' change in positioning by quarter this year

HF pared back their SEK shorts, while they started buying NOK in late 2Q

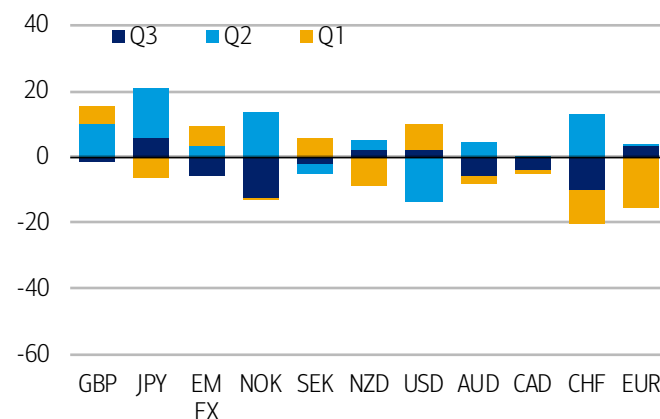


Source: BofA Securities. Note: +50 (-50) represents a max long (short) positioning level relative to early 2012. Currencies ranked by year-to-date change in positioning.

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Exhibit 58: Real Money's change in positioning by quarter this year

RM maintained their SEK shorts. Bought NOK dips in 1H but sold in 3Q



Source: BofA Securities. Note: +50 (-50) represents a max long (short) positioning level relative to early 2012. Currencies ranked by year-to-date change in positioning.

BofA GLOBAL RESEARCH

Annex: economic forecasts

Exhibit 61: BofA Sweden inflation

Updated forecasts

			HICP				CPI				
	NEIG	Energy	Unprocessed food	Processed food, alcohol, tobacco	Food	Services	Headline	Core	CPI	CPI ex energy	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	8.39
May-23	8.22	-10.90	9.81	13.59	12.90	5.88	6.67	6.99	9.67	6.70	8.17
Jun-23	7.57	-11.94	9.42	12.19	11.65	6.53	6.32	7.16	9.31	6.38	8.06
Jul-23	7.85	-13.66	10.03	10.18	10.12	7.13	6.35	7.65	9.26	6.37	8.05
Aug-23	7.37	-22.69	10.31	10.03	10.06	6.69	4.82	7.13	7.45	4.73	7.17
Sep-23	8.42	-26.56	9.26	8.64	8.74	5.99	3.98	7.08	6.44	3.99	6.81
Oct-23	7.56	-19.62	6.39	7.54	7.33	6.27	4.59	6.85	6.68	4.52	6.36
Nov-23	7.56	-24.59	7.18	6.70	6.79	6.20	3.78	6.80	5.76	3.87	6.28
Dec-23	6.16	-34.02	6.90	6.05	6.19	6.64	2.01	6.44	3.94	2.28	5.81
Jan-24	4.47	-20.34	4.56	4.32	4.35	6.66	3.13	5.75	4.47	2.99	4.66
Feb-24	3.35	-15.90	-1.45	3.04	2.25	6.09	2.64	4.95	3.77	2.49	3.63
Mar-24	4.04	-15.35	-1.13	1.55	1.08	5.75	2.49	5.03	3.48	2.33	3.35
Apr-24	4.01	-13.45	3.48	1.65	1.95	5.49	2.73	4.88	3.43	2.55	3.35
May-24	3.48	-7.25	4.86	1.97	2.45	4.97	2.98	4.35	3.38	2.75	2.95
Jun-24	3.25	-12.60	2.36	2.01	2.06	4.57	2.17	4.02	2.50	1.99	2.56
Jul-24	1.84	-5.36	1.19	1.23	1.22	4.69	2.25	3.52	2.36	2.07	2.04
Aug-24	1.53	-5.30	0.92	0.93	0.93	4.42	1.99	3.23	2.12	2.03	2.16
Sep-24	1.20	-5.71	1.31	0.68	0.78	4.25	1.73	2.98	1.80	1.76	1.97
Oct-24	0.72	-5.36	1.60	0.69	0.84	4.33	1.61	2.82	1.60	1.62	1.85
Nov-24	0.43	-5.07	1.62	0.53	0.71	4.23	1.49	2.63	1.38	1.47	1.70
Dec-24	0.36	-4.29	1.38	0.48	0.63	4.32	1.53	2.67	1.42	1.50	1.75

Source: BofA Global Research, Statistics Sweden

BofA GLOBAL RESEARCH

Exhibit 62: 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	7.10	6.09	18.41	9.19	10.51	6.48	7.24	6.80	6.67	6.66	
Jun-23	6.86	-1.30	18.47	9.85	11.12	6.14	6.76	6.55	6.36	7.05	
Jul-23	6.65	-7.79	12.81	6.87	7.75	6.28	5.63	6.52	5.39	6.35	
Aug-23	7.29	-16.04	12.65	7.39	8.18	6.36	5.23	6.88	4.84	6.30	
Sep-23	6.22	-22.74	10.16	7.53	7.93	6.39	4.02	6.35	4.12	5.98	
Oct-23	6.03	-21.30	11.67	7.37	8.02	6.20	4.01	6.14	4.10	5.84	
Nov-23	6.84	-24.61	11.41	7.83	8.37	6.01	4.03	6.44	4.14	6.02	
Dec-23	6.47	-17.90	13.48	8.35	9.11	5.86	4.77	6.14	4.62	6.06	
Jan-24	4.87	-13.61	14.01	7.77	8.69	6.65	4.83	5.82	4.45	5.78	
Feb-24	5.05	-7.65	8.26	8.40	8.40	6.53	5.41	5.84	4.84	5.72	
Mar-24	4.10	-11.27	8.46	10.35	10.09	6.57	5.04	5.41	4.54	5.60	
Apr-24	3.80	-12.65	5.28	8.33	7.89	6.13	4.30	5.04	3.81	5.00	
May-24	3.47	-9.70	3.37	6.93	6.42	5.45	3.92	4.53	3.44	4.34	
Jun-24	2.95	-8.25	-1.93	6.44	5.16	5.26	3.49	4.19	3.06	3.72	
Jul-24	1.76	-0.90	-3.86	4.96	3.62	4.76	3.13	3.37	2.65	2.84	
Aug-24	1.67	4.74	-4.37	4.55	3.19	5.17	3.60	3.55	3.30	3.20	
Sep-24	1.78	4.13	-3.28	4.32	3.19	5.11	3.55	3.56	3.31	3.25	
Oct-24	1.69	1.69	-4.55	4.09	2.80	5.30	3.35	3.62	3.12	3.17	
Nov-24	1.31	5.28	-5.17	3.95	2.59	5.24	3.37	3.41	3.13	3.04	
Dec-24	0.92	4.14	-5.12	3.80	2.47	5.18	3.13	3.18	2.92	2.85	

Source: BofA Global Research, Statistics Norway

BofA GLOBAL RESEARCH

Exhibit 63: Sweden Economic forecasts

Recession in 2023. Inflation to fall back towards target

		2020	2021	2022	2023	2024	2025	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
GDP	% qoq							-0.7	0.8	0.4	-0.8	0.4	-0.8	-0.4	-0.3	0.0	0.1	0.2	0.3
	% qoq ann.							-2.6	3.2	1.7	-3.2	1.7	-3.3	-1.6	-1.2	0.0	0.4	0.8	1.2
	% yoy	-2.3	5.9	2.9	-0.7	-0.4	1.1	5.2	4.2	2.7	-0.2	0.8	-0.8	-1.6	-1.1	-1.5	-0.6	0.0	0.6
Private Consumption	% qoq							-1.0	1.2	-1.8	-0.4	-0.8	-0.2	-0.4	-0.3	0.0	0.2	0.2	0.3
	% yoy	-3.2	6.2	1.9	-2.1	-0.2	1.1	5.2	5.1	-0.2	-2.1	-1.8	-3.2	-1.8	-1.7	-0.9	-0.5	0.1	0.7
Government Consumption	% qoq							-0.4	-0.2	0.8	0.6	0.7	0.5	0.4	0.3	0.4	0.5	0.5	0.5
	% yoy	-2.0	2.9	0.1	2.1	1.7	2.0	0.1	-0.8	0.3	0.9	1.9	2.6	2.2	1.8	1.6	1.6	1.7	1.9
Investment	% qoq							1.6	3.6	-0.1	-1.5	-0.9	0.0	0.0	0.0	0.1	0.2	0.3	0.4
	% yoy	1.6	6.8	6.2	-1.2	0.5	1.5	6.1	7.6	7.5	3.7	1.1	-2.4	-2.3	-0.9	0.1	0.3	0.6	1.0
Final Domestic Demand ¹	% qoq							-0.1	1.5	-0.6	-0.4	-0.4	0.0	-0.1	-0.1	0.1	0.3	0.3	0.4
	% yoy	-1.6	5.3	2.5	-0.7	0.5	1.4	4.1	4.2	2.1	0.3	0.0	-1.5	-0.9	-0.5	0.0	0.3	0.7	1.1
Net exports ¹	% qoq							-0.1	-0.8	1.2	0.4	0.3	-0.5	-0.2	-0.2	-0.1	-0.1	0.0	0.0
	% yoy	0.0	0.2	-0.8	0.5	-0.6	-0.2	-1.0	-2.5	-0.6	0.8	1.1	1.5	0.1	-0.6	-1.0	-0.6	-0.5	-0.3
Stockbuilding ¹	% qoq							-0.4	0.2	-0.2	-0.8	0.6	-0.4	-0.1	-0.1	0.0	-0.1	-0.1	0.0
	% yoy	-0.8	0.5	1.2	-0.5	-0.3	-0.2	2.2	2.7	1.3	-1.3	-0.3	-0.9	-0.8	0.0	-0.6	-0.3	-0.2	-0.2
Current Account Balance	% of GDP	5.9	6.8	5.0	5.0	4.9	4.7	0.5	0.5	0.4	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Industrial production	% qoq							-0.5	0.3	4.6	-4.2	2.9	-3.9	-3.6	0.6	0.6	0.6	0.6	0.6
	% yoy	-5.0	7.0	2.2	-2.7	-0.9	0.0	1.5	19.5	4.7	3.8	1.5	1.1	6.2	0.1	3.5	-0.9	-8.7	-4.2
Unemployment rate ²	%	8.5	8.8	7.5	7.3	7.6	7.7	7.7	7.6	7.1	7.5	7.4	7.4	7.1	7.2	7.4	7.5	7.6	7.8
CPI Inflation (harmonised) ²	% yoy	0.7	2.7	8.1	6.1	2.2	1.7	4.9	7.7	9.4	10.2	9.1	6.9	5.0	3.4	2.8	2.6	2.0	1.5
CPI ²	% yoy	0.5	2.2	8.4	8.5	2.6	1.6	4.7	7.4	9.7	11.6	11.4	9.8	7.7	5.4	3.9	3.1	2.1	1.5
CPIF	% yoy	0.5	2.4	7.7	6.0	2.1	1.6	4.8	7.4	8.9	9.7	8.9	6.9	5.0	3.5	2.6	2.4	2.0	1.5
Repo Rate ⁴	%	0.00	0.00	2.50	4.00	3.25	2.00	0.00	0.75	1.75	2.50	3.00	3.75	4.00	4.00	4.00	3.75	3.50	3.25

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

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Exhibit 64: Norway Economic forecasts

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

		2022	2023	2024	2025	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
GDP (mainland)	% qoq					-0.1	1.2	0.5	0.5	0.2	0.0	0.0	0.1	0.1	0.1	0.2	0.2
	% qoq ann.					-0.3	4.9	1.9	2.1	0.8	-0.2	0.0	0.4	0.4	0.4	0.8	0.8
	% yoy	3.7	1.1	0.4	1.2	5.2	4.9	2.7	2.1	2.4	1.2	0.7	0.3	0.2	0.3	0.5	0.6
Private Consumption	% qoq					-3.4	3.7	0.2	4.4	-5.4	0.6	0.1	0.2	0.1	0.1	0.2	0.2
	% yoy	6.9	-0.8	0.7	1.2	10.1	10.5	2.9	4.8	2.7	-0.4	-0.6	-4.6	1.0	0.5	0.6	0.6
Government Consumption	% qoq					-2.2	0.7	0.2	1.2	0.8	0.6	0.3	0.3	0.3	0.3	0.3	0.3
	% yoy	0.1	2.7	1.3	1.2	1.7	0.3	-1.6	-0.1	3.0	2.9	3.0	2.0	1.5	1.2	1.2	1.2
Investment	% qoq					1.8	2.0	0.3	0.6	-0.9	-1.2	0.0	0.2	0.5	0.5	0.5	0.5
	% yoy	6.7	-0.6	1.1	2.3	6.8	7.1	8.1	4.8	2.0	-1.1	-1.5	-1.9	-0.5	1.2	1.7	2.0
Final Domestic Demand ¹	% qoq					-1.9	2.4	0.3	2.6	-2.7	0.2	0.1	0.2	0.3	0.3	0.3	0.3
	% yoy	5.0	0.2	1.0	0.3	6.8	6.7	2.8	3.4	2.6	0.3	0.2	-2.1	0.8	0.9	1.0	1.1
Net exports ¹	% qoq					-0.4	-0.8	0.7	-0.5	0.6	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
	% yoy	-1.3	0.2	-0.5	-0.4	-1.3	-2.3	-0.5	-1.0	0.0	0.7	-0.1	0.2	-0.6	-0.6	-0.5	-0.4
Stockbuilding ¹	% qoq					2.3	-0.5	-0.5	-1.7	2.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
	% yoy	0.0	0.7	-0.1	0.0	-0.4	0.3	0.4	-0.4	-0.3	0.1	0.6	2.4	-0.1	0.0	-0.1	-0.1
Current Account Balance	% of GDP	30.3	14.3	8.9	0.0	28.6	25.0	39.7	27.0	21.2	12.7	12.6	11.0	10.1	9.2	8.5	7.7
Industrial production	% qoq					1.8	1.3	2.0	-2.0	-7.7	0.0	1.6	0.0	0.3	0.5	0.6	0.6
	% yoy	2.6	-7.2	1.9	2.4	2.2	2.8	2.4	2.4	3.0	-6.6	-7.8	-8.1	-6.2	1.8	2.4	1.4
Unemployment rate ²	%	1.8	1.8	2.2	2.5	2.1	1.7	1.7	1.7	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4
CPI Inflation (harmonised) ²	% yoy	6.2	5.9	3.9	2.5	3.8	6.4	7.4	7.3	7.5	7.0	5.0	4.3	5.1	3.9	3.4	3.3
CPI ²	% yoy	5.8	5.5	3.5	2.4	3.8	5.8	6.7	6.6	6.6	6.5	4.8	4.3	4.6	3.4	3.1	3.1
CPI-ATE ²	% yoy	3.9	6.1	3.6	2.1	1.9	3.2	4.8	5.8	6.2	6.7	5.9	5.7	5.2	3.5	3.1	2.6
Policy Rate ³	%	2.75	4.50	4.00	2.75	0.75	1.25	2.25	2.75	3.00	3.50	4.25	4.50	4.50	4.50	4.25	4.00

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

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