



Macro Weekly

Week 30–31 2026

21/07/2026

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Markets: oil up, risk off

- **Big picture:**

- **US and Iran are fighting again**, and the Strait of Hormuz is once more almost closed. The **oil price** has increased to almost USD 90/b from 70/b in early July.
- **Rate expectations** and long-term rates/bond yields are significantly up in Europe, as both inflation expectations and real rates are up.
- **NOK rate expectations** fell sharply on the two CPI shocks and did in the end not follow other European rates up. The rate differential in the short end of the curve has fallen 25 bps the past 2 weeks! Even so, the **NOK** was the FX winner, thanks to the oil price, we assume.
- **Equity markets** are struggling with higher oil prices, higher rates and some tech angst but losses are modest. **Credit spreads** have widened slightly.

- **Commodities: mixed**

- Oil is up 25%, European gas prices more than 40%. Industrial metal and food prices are slightly up.

- **Equity markets: down most places**

- The global MSCI is down 0.9% since July 3. OSE and TSX (Toronto) are both up, with the oil price.
- The rest were down.

- **Short term rates: close to unchanged in USD/NOK, up in rest of Europe**

- EUR, SEK and GBP short expectations (end of 2026) rose 12–22 bps. USD rates were up 1 bp.
- NOK was down 2 bps. No other explanation for the unusual gap: **The Norwegian CPI shock**
- Markets expect DM central banks, Norges Bank included, to hike once in H2.
- However, markets do not expect any changes on the upcoming July meetings (Fed, BOE and ECB).

Signal rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
...Change from peak	-1.70	-1.50	-1.75	-2.25	-0.25
Now	3.63	3.75	2.25	1.75	4.25
Change until end of 2026	0.30	0.38	0.38	0.23	0.28
End of 2026 (market)	3.93	4.13	2.63	1.98	4.53
... Change from 3 July	0.01	0.21	0.22	0.12	-0.02
Change through 2027	0.02	0.12	0.15	0.42	-0.25
End of 2027 (market)	3.95	4.26	2.77	2.40	4.28

- **Long-term rates: up almost everywhere**

- **Long-term rates and bond yields** rose by 7 bps among our trading partners (10y swap) as European rates rose. In NOK, a 3-bps lift, US was down (at least until Monday evening). The 10y US real rate (TIPS) is close to the highest since 2009, while inflation expectations are lower than before the Gulf war started. In Europe inflation expectations rose in the short end again, but real rates did not yield by much and nominal rates rose significantly.

- **FX: AUD, CAD and NOK appreciated, NOK the most**

- All were of course supported by higher energy prices. However, the narrowing of the rate differential did not dent the NOK strengthening. NOK is still almost 1% below NoBa's June MPR forecast. The GBP appreciated further, while USD appreciated, even if the rate differential narrowed.

- **Credit spreads: mostly up, but levels are still low**

- The **US BBB spread** (10y vs. US treasuries) has been drifting upwards since early June but remains low, at 117 bps. The Norwegian Bank 2 5y spread has narrowed marginally to 54 bps, not that far above (4 bps) the lowest level since before the Great Financial Crisis. The trend is down.

Last week – The economy, I

- **Global Auto Sales: (China) trends down**

- **Global sales** rose slightly in June, but the trend is down – just due to a continued steep decline in Chinese sales – down more than 20% y/y. Production has fallen far less and exports equal 1/3 of total production and equal 1/7 of total demand in ROW!

- **China: a continued slowdown**

- **GDP growth** slowed in Q2, and more than expected. GDP was still up at a 3.6% pace q/q, and 4.3% y/y (though the lowest since the pandemic). In June, **industrial production** surprised on the upside, and underlying growth is at almost 5%, **services** are up slightly faster. **Construction** is declining, **housing starts** are down 25% y/y, and the level is down 80% from the peak. **Housing prices** are still falling, and real prices are back to the level in 2004. **Other investments** are down as well, the total is down 12% y/y in real terms in June (our est). **Retail sales** are close to flat y/y, but were slightly better than expected in June. **Credit growth** is slowing, as household debt declines at a faster pace, and they are steadily and rapidly increasing their deposits. Businesses are borrowing as normal. Total credit growth is still higher than growth in nominal GDP. **Inflation** has stabilised slightly above 1%. **Fiscal policy** is somewhat contractive.

- **USA: higher growth, lower inflation**

- **CPI** surprised 0.2–0.3 pp on the downside in June. The core fell to 2.6% y/y, the headline to 3.5%. Energy prices declined but are still up 15% y/y. The core CPI was flat m/m. Lodging prices declined, but several sectors reported lower price increases than normal as well. Rate expectations fell somewhat.
- **The headline PPI** also rose less than expected following a downward revision, but goods and services prices are still up 5.5%. In addition core personal goods and services prices rose 0.6% in June, the 2nd highest since 2002.
- **Core retail sales** grew further in June, and sales were up at 6–7% in Q2, well above the Q1 growth rate, boding well for total private consumption.
- **Housing starts** recovered in June but trends flat, at best. **Building permits** head down rather than up, and home builders' **Housing Market Index** fell further in July. **Existing home** sales are stable, at a very low level, but the inventory trends slowly up. Still, prices have turned slightly up.
- **The Beige Book**, Fed's 'regional network', has not been stronger since Jan-22, up 0.7 s.d. to 0.5 s.d., according to the BB sentiment indicator. 11 of 12 districts report growth, and the labour market is in balance. However, inflation pressures persist and uncertainty is elevated due to higher fuel prices and geopolitical uncertainty.
- University of Michigan's consumer sentiment indicator rose further in July but is still 2.4 std. dev. below par.
- **Atlanta Fed's Q2 nowcast** rose 0.5 pp to 1.7%, still well below the level 3 weeks ago (above 3%). Private consumption has compensated for a decline in exports.

Last week – The economy, II

- Norway: **an unusual CPI shock**
 - June CPI inflation **was 0.5–0.6 pp lower than Norges Bank assumed** in the June MPR, the largest ‘front-month’ miss ever. Our or other economists’ estimates were not closer to the mark. **Both total and core inflation landed at 2.7%**. Core prices fell 0.3% m/m, rather unusual.
 - Information/communication reversed the May lift (TV sales ahead of the World Cup?), up 3.2% m/m, contributing 0.2 pp on the downside, but price declines were broad and just some few sectors reported higher prices in June.
 - Food price inflation has slowed to 2.3% and prices are up by less than 1% pace so far in 2026!
 - Airfares fell in June are down 4% y/y.
 - Imported goods inflation fell 1.1 pp to 1.7%, and our model suggests a further decline the coming months, to below zero. Domestic prices (goods and services) were flat in June and are up just 3.2% y/y. Both were well below NoBa’s f’cast.
 - The July CPI will be ‘interesting’. We expect some reversal but very unlikely back up to NoBa’s estimates. The June CPI shock no doubt explained most of the 25-bps decline in the 2y swap rate spread vs. trading partners. A rate hike in August is still discounted. **September now seems more likely to us**, barring a significant reversal of the core CPI in July (published Aug 10, just in time before the NoBa 13 August meeting) or very strong labour market data this and next week.

Rest of July calendar: Fed, ECB and BOE on hold; US & EMU GDP; Norw. labour market

Time	Count	Indicator	Period	Forecast	Prior
Tuesday 21 Jul					
08:00	NO	Unemployment Rate Trend	Jun	(4.7%)	4.7%
08:00	NO	Payrolls & wages	Jun		
08:00	UK	Average Weekly Earnings 3M/YoY	May	4.5%	4.4%
08:00	UK	ILO Unemployment Rate 3Mths	May	4.9%	4.9%
11:00	GE	ZEW Survey Expectations	Jul	15.3	10.5
Wednesday 22 Jul					
08:00	UK	CPI YoY	Jun	2.7%	2.8%
08:00	UK	CPI Core YoY	Jun	2.5%	2.6%
08:00	NO	Industrial Confidence	2Q	(0)	1.2
Thursday 23 Jul					
14:15	EMU	ECB Deposit Facility Rate	23-Jul	2.25%	2.25%
14:30	US	Initial Jobless Claims	18-Jul	211k	208k
14:30	US	National Activity Index	Jun		-0.1
16:00	EMU	Consumer Confidence	Jul P	-17	-17.7
Friday 24 Jul					
08:00	SW	LFS Unemployment Rate SA	Jun	8.8%	8.8%
08:00	UK	Retail Sales MoM	Jun	-0.3%	1.2%
09:15	FR	Manufacturing PMI	Jul P	51.0	51.2
09:30	GE	Manufacturing PMI	Jul P	50.5	50.3
10:00	EMU	Manufacturing PMI	Jul P	51.5	51.4
10:00	EMU	Services PMI	Jul P	49.8	49.4
10:00	EMU	Composite PMI	Jul P	50.2	50.0
10:30	UK	Manufacturing PMI	Jul P	52.0	52.5
15:45	US	Manufacturing PMI, S&P	Jul P	54.5	53.9
15:45	US	Services PMI, S&P	Jul P	51.5	51.2
15:45	US	Composite PMI, S&P	Jul P	52.1	51.9
16:00	US	New Home Sales	Jun	606k	580k

Time		Indicator	Period	Forecast	Prior
Monday 27 Jul					
10:00	GE	IFO Business Climate	Jul		85.6
14:30	US	Durable Goods Orders	Jun P	1.3%	-4.5%
14:30	US	Cap Goods Orders Nondef Ex Air	Jun P	1.0%	1.4%
Tuesday 28 Jul					
14:30	US	Advance Goods Trade Balance	Jun	-\$97.8b	-\$105.8b
15:00	US	S&P Cotality CS 20-City MoM SA	May		0.0%
16:00	US	Conf. Board Consumer Confidenc	Jul	92	91.2
Wednesday 29 Jul					
08:00	NO	Retail Sales MoM	Jun	(2.0)	-2.1%
08:00	SW	GDP Indicator SA MoM	Jun		0.9%
20:00	US	FOMC Rate Decision (Upper Bou	29-Jul	3.75%	3.75%
Thursday 30 Jul					
08:00	SW	Retail Sales MoM	Jun		-0.2%
09:00	SW	Economic Tendency Survey	Jul		101.7
09:00	SW	Consumer Confidence	Jul		93.6
11:00	EMU	Economic Confidence	Jul		95
11:00	EMU	GDP SA QoQ	2Q A		-0.2%
11:00	EMU	Unemployment Rate	Jun		6.2%
13:00	UK	Bank of England Bank Rate	30-Jul		3.75%
14:30	US	GDP QoQ, annalised	2Q A	2.3%	2.1%
14:30	US	Personal Income	Jun	0.3%	0.7%
14:30	US	Personal Spending	Jun	0.3%	0.7%
14:30	US	PCE Price Index YoY	Jun	3.7%	4.1%
14:30	US	Core PCE Price Index MoM	Jun	0.1%	0.3%
14:30	US	Core PCE Price Index YoY	Jun	3.3%	3.4%
14:30	US	Initial Jobless Claims	25-Jul		
Friday 31 Jul					
3:30	CH	Manufacturing PMI, NBS	Jul		50.3
3:30	CH	Non-manufacturing PMI, NBS	Jul		50.2
08:00	NO	NAV Unemployment Rate SA	Jul	(2.0%)	2.0%
10:00	NO	Norges Bank Net FX transactions	Aug		-NK524m
11:00	EMU	CPI Estimate YoY	Jul P		2.8%
11:00	EMU	CPI Core YoY	Jul P		2.4%
14:30	US	Employment Cost Index	2Q	0.8%	0.9%

• Flash PMIs

- Small upticks are expected in both EMU and US. June turned out to be weaker than the initial flash reports indicated.

• USA

- **The Fed meeting** on 29/7 will be less eventful than the June meeting with the Fed surely keeping rates unchanged.
- **Q2 GDP** is expected up at 2.3%, somewhat higher than Atlanta Fed's nowcaster suggests (1.7%). Net trade will probably be a drag (June data out ahead of the GDP report), while investments and private consumption contributed on the upside, the latter more than in Q1.

• EMU

- **The ECB** will most likely keep rates unchanged later this month after the June hike with energy prices declining broadly which reduces the worry amongst ECB rate setters. Another hike after the summer is still however likely.
- **Q2 GDP** fell in Q1, and we do not expect any brisk recovery in Q2.
- Still, **unemployment** fell to the lowest level since 1981 in May, and will probably stay there in June
- **CPI inflation** fell, and more than expected in June. In July, no more (negative) support from energy prices

• UK

- **Bank of England** will most likely keep its bank rate unchanged at 3.75%

• Norway

- Both **LFS** and **NAV unemployment** surprised on the downside last month, and the NAV rate inched down to 2.0%, below NoBa's f'cast.
- **Retail sales** fell off the cliff in May, and more than a rate hike can explain. We expect a correction up in June.

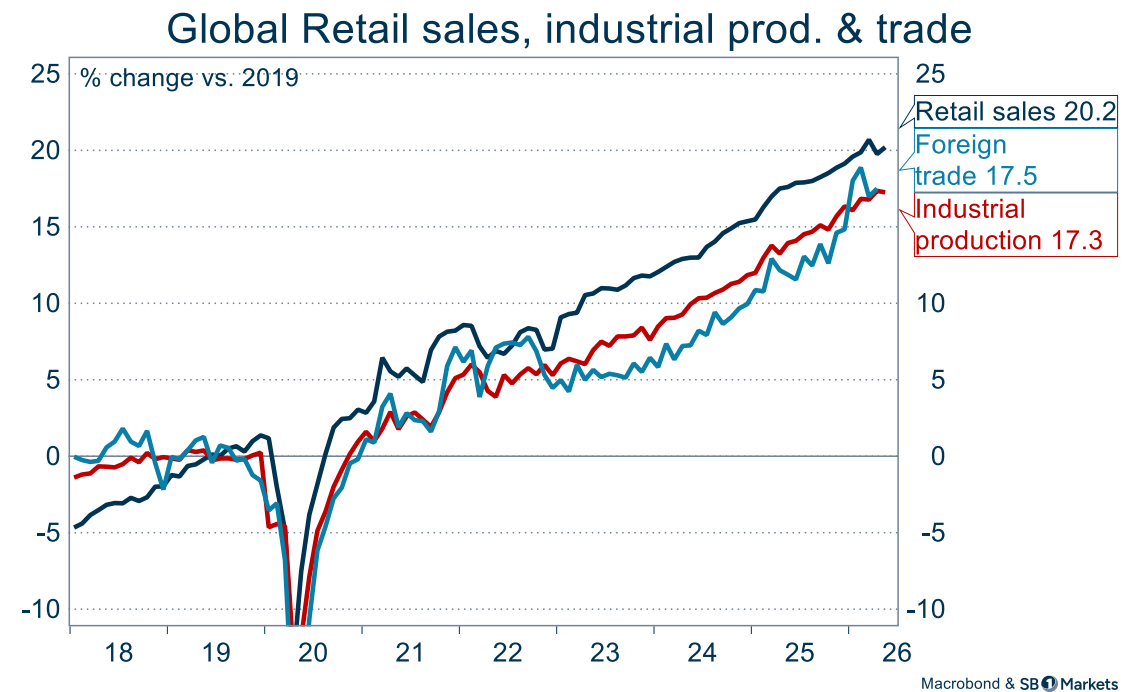
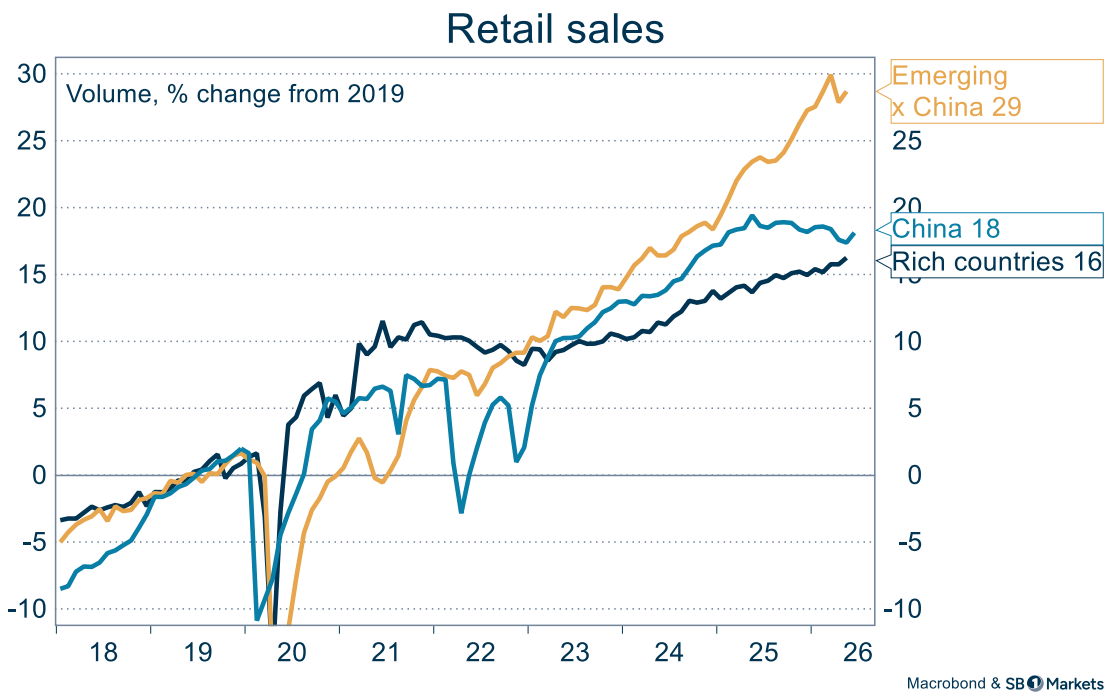
Agenda

- Highlights
 - Major economies
 - The Norwegian economy
 - Financial markets



Global Economy: Retail (slowing somewhat); Industry (steadily up); Trade (exploding)

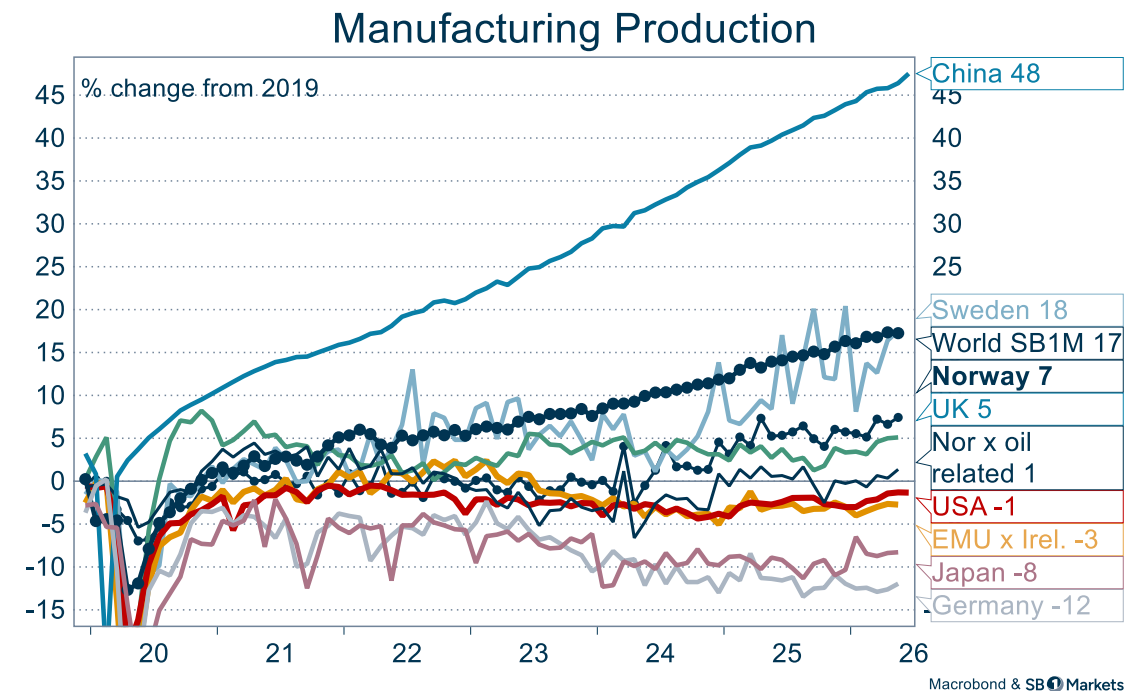
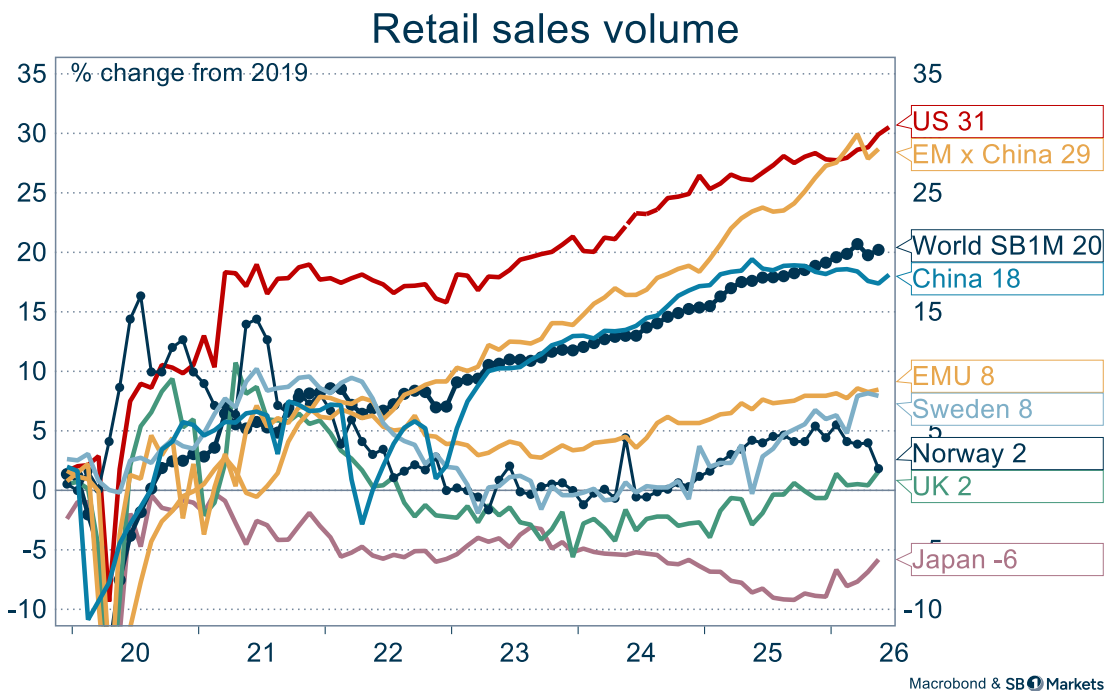
Retail sales in EM ex. China continue to grow strongly, but Chinese sales are heading down. DM sales have slowed slightly lately. Global industrial production has improved, and global trade flows have risen rapidly recently (until March, at least).





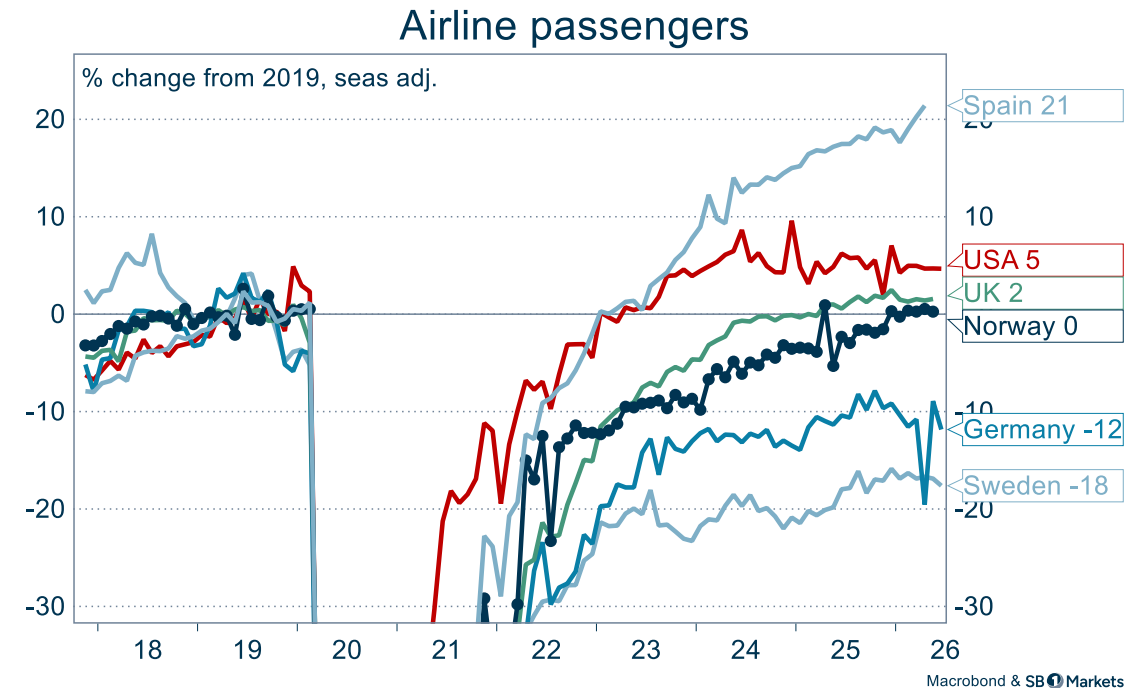
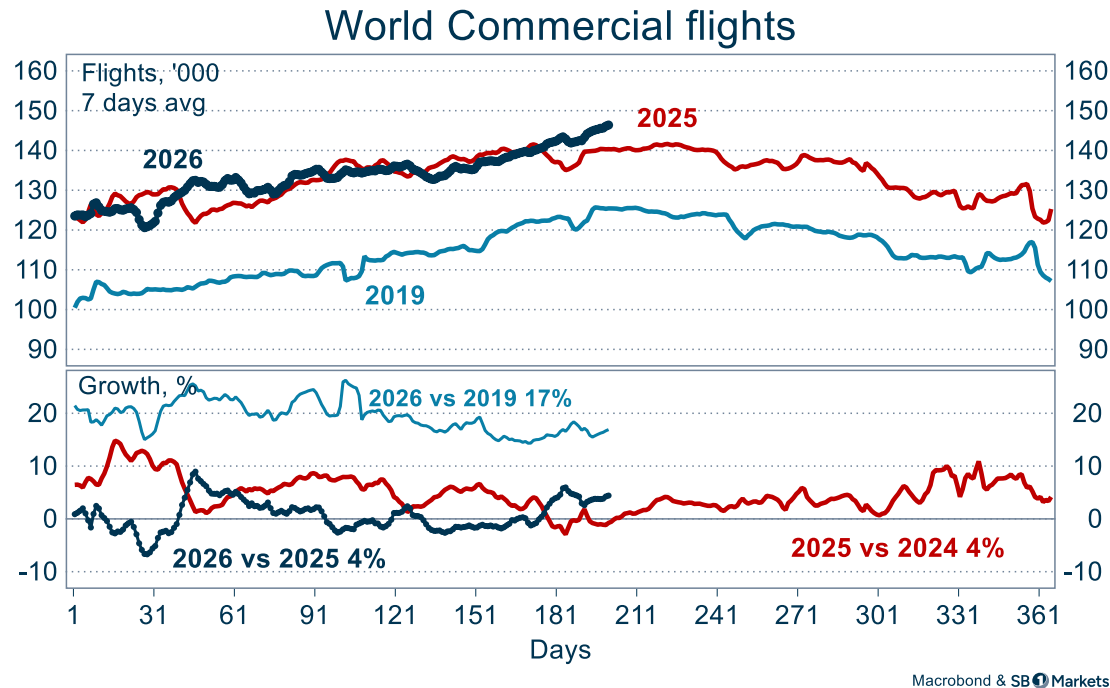
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

But not in retail sales. The US is among the best in retail sales but not in industrial production. EMU is in line with the US on production, but its retail sales are far weaker.





A lift in global airline traffic in July

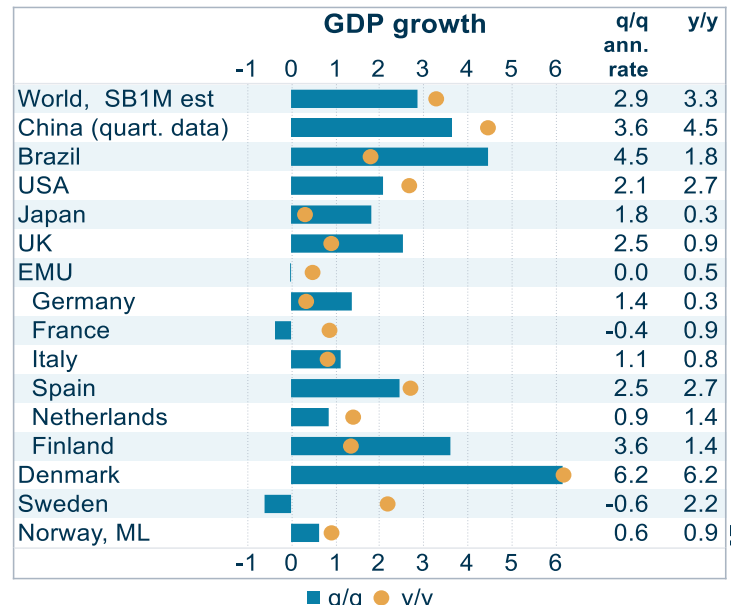
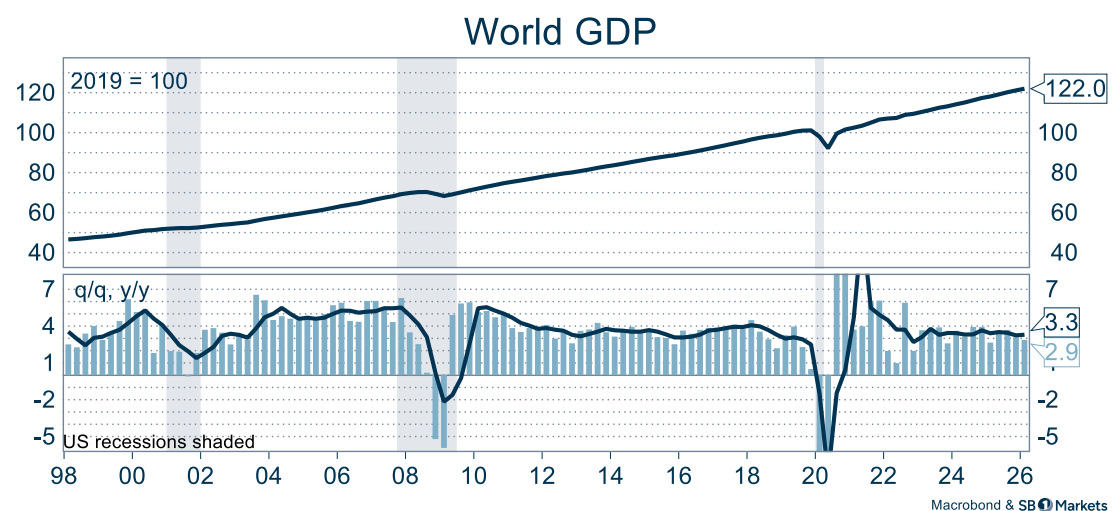
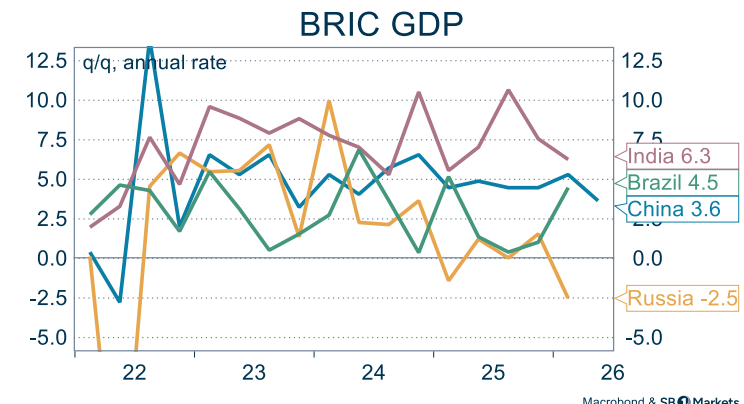
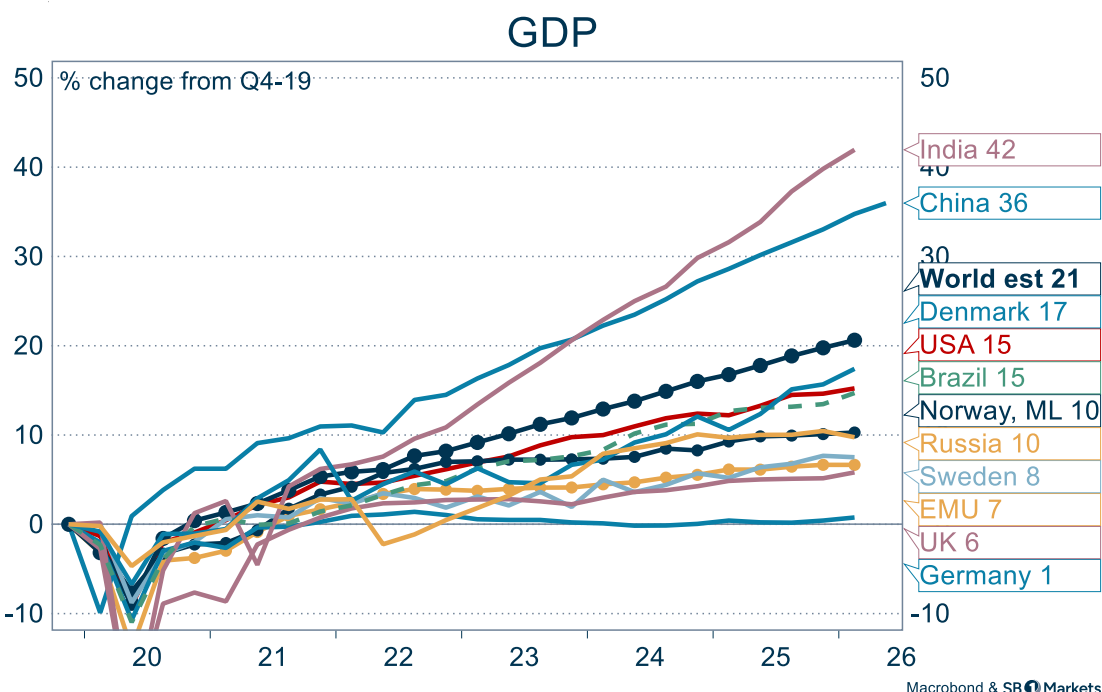


- Passenger numbers are recovering in most Western countries, except for the US, which is declining from previously 'high' figures, with traffic up just 4% from 2019. Sweden is well below 2019 levels, by 18%. Germany is down 12%. Norway has climbed back up to its 2019 level, and Spain leads with a 21% increase.



Global GDP: 2.9% q/q in Q1, and 3.3% y/y

Growth was a few tenths below the average (and stable) growth rate the past 3 years.

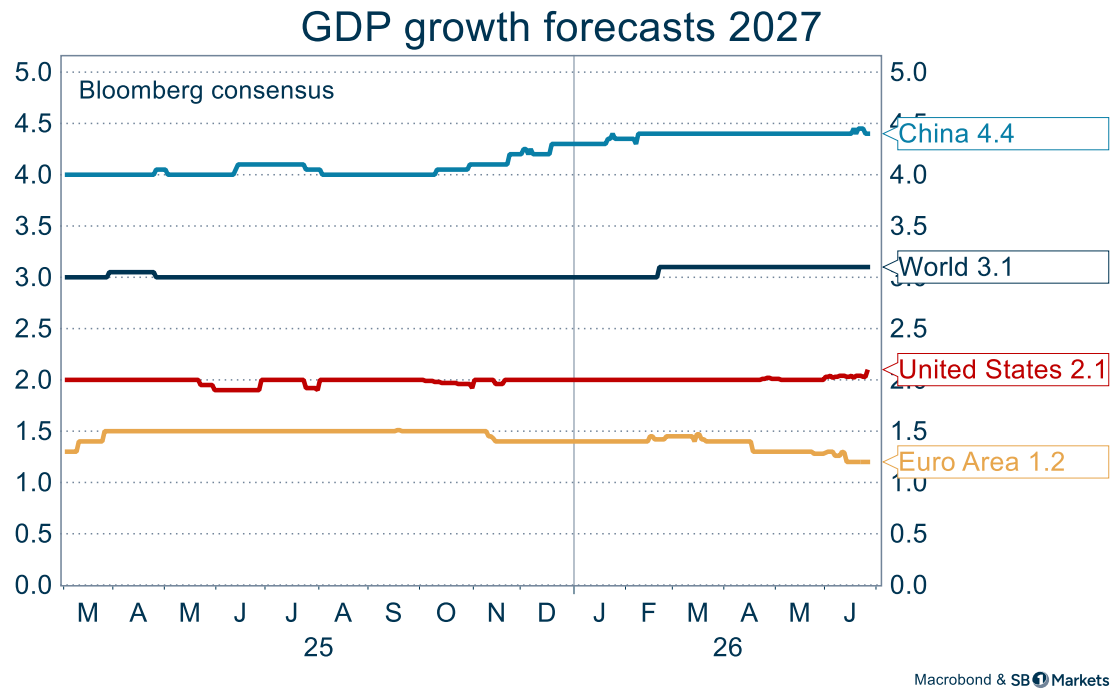
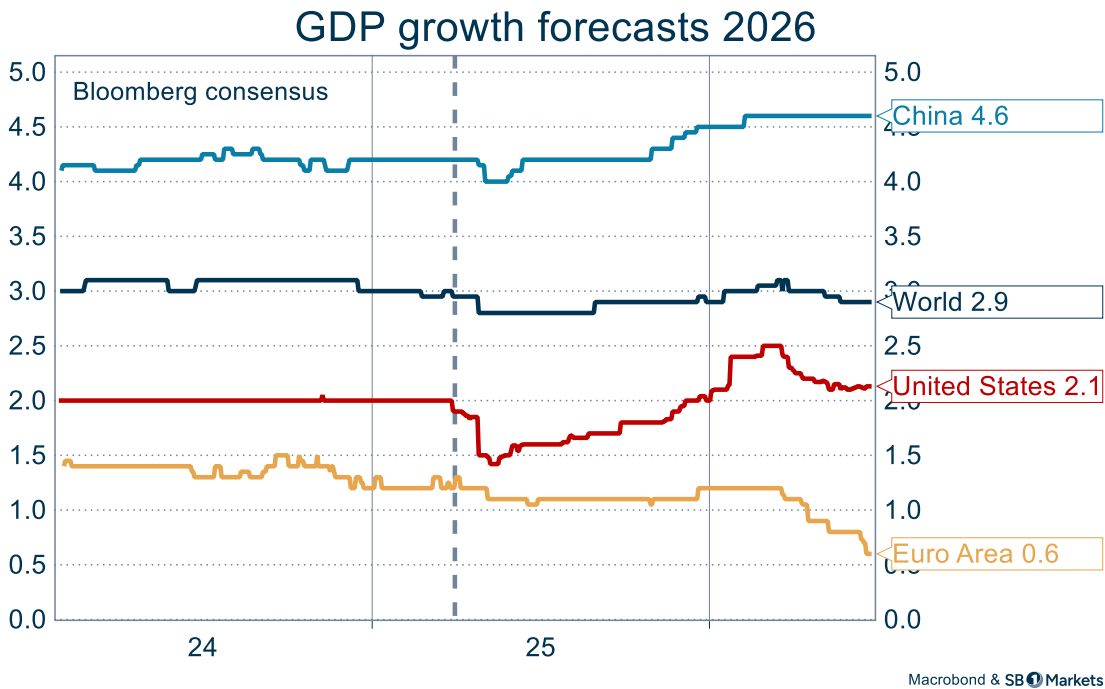


World GDP is estimated by SB1M



EMU 2026 growth forecasts are falling rapidly, down 0.6 pp from before the Gulf war, to 0.6%

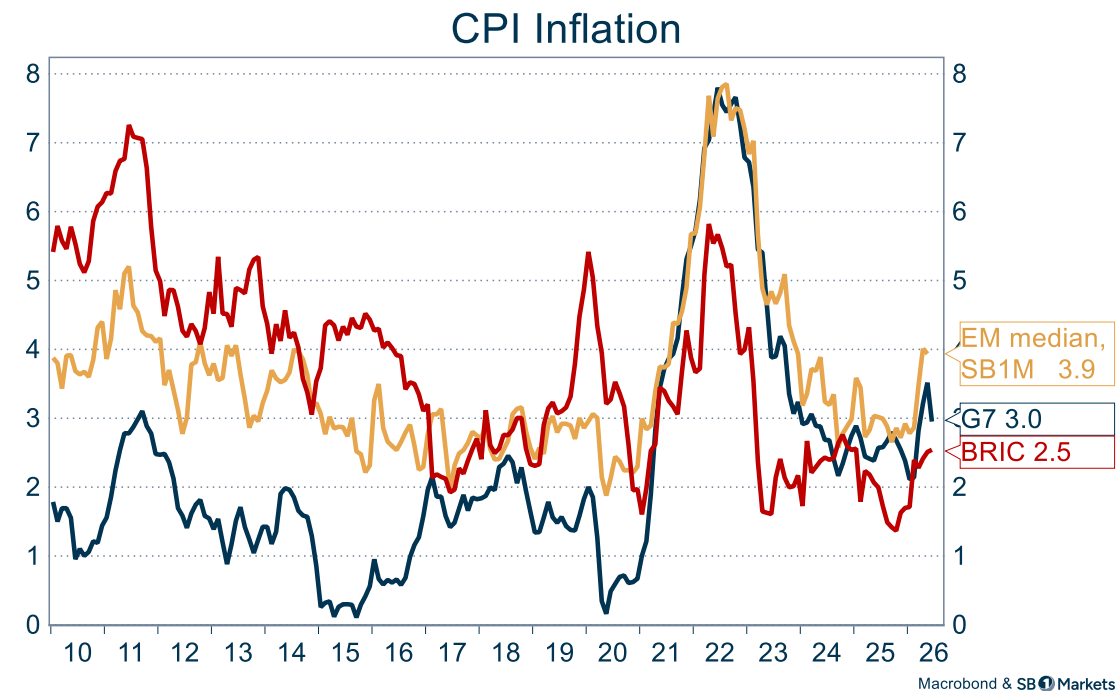
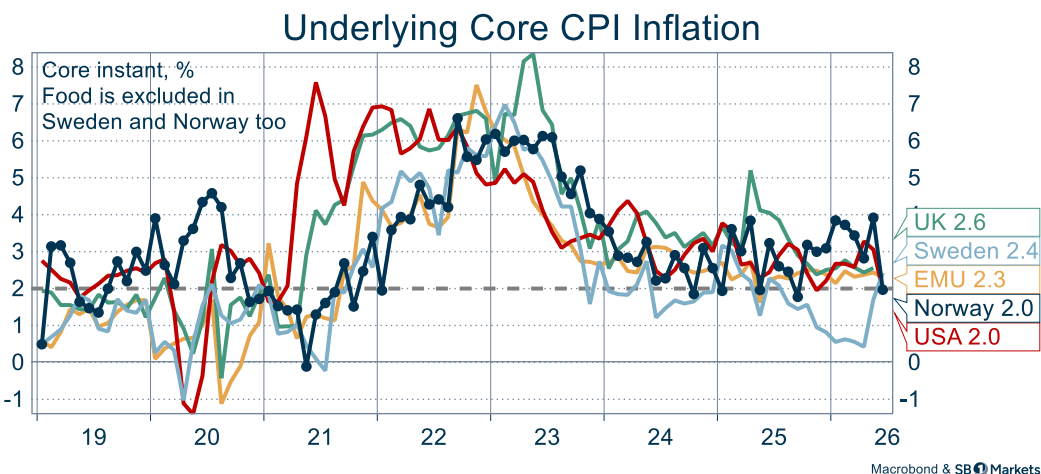
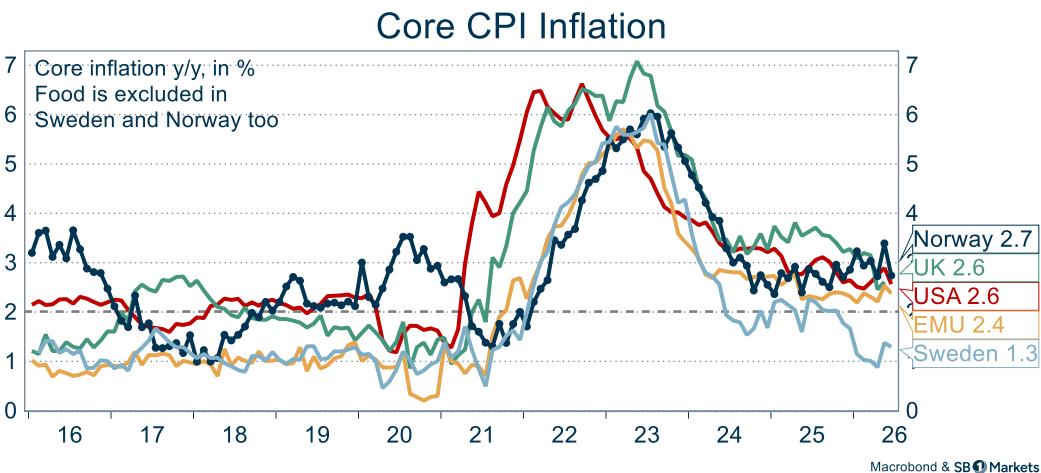
The US forecast is down 0.4 pp to 2.1%. US is less exposed to the lift in energy prices, and AI investments are incredibly strong. Boring (flattish) but decent 2027 forecasts.





Swedish core underlying up, Norwegian and US down – all to 2%

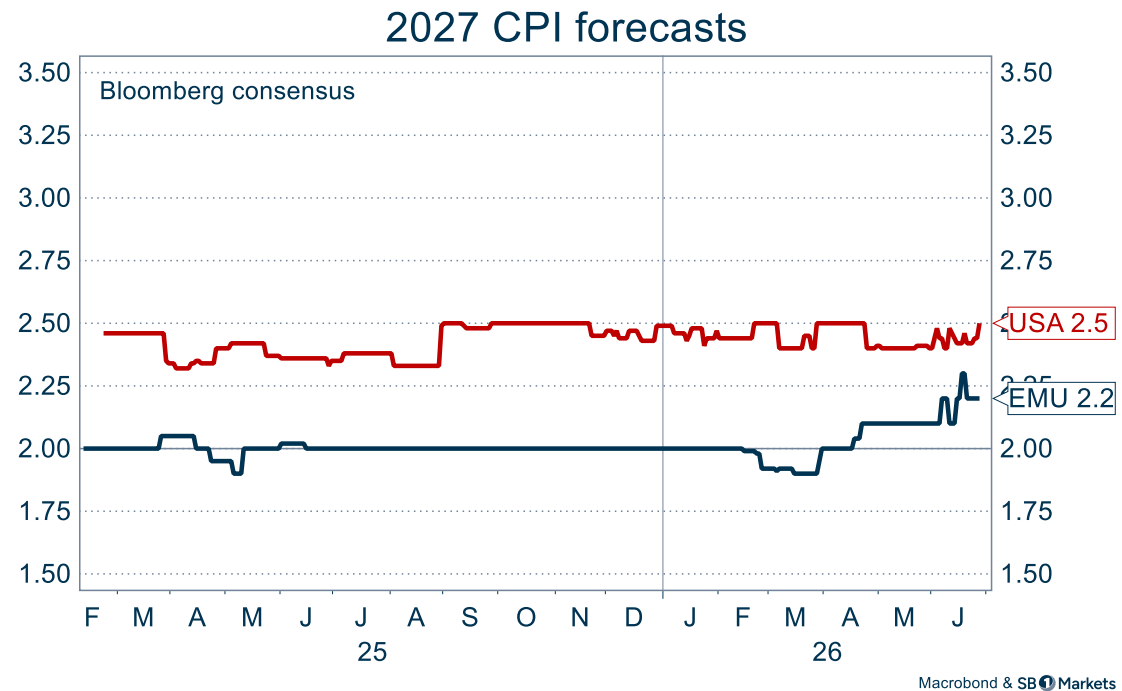
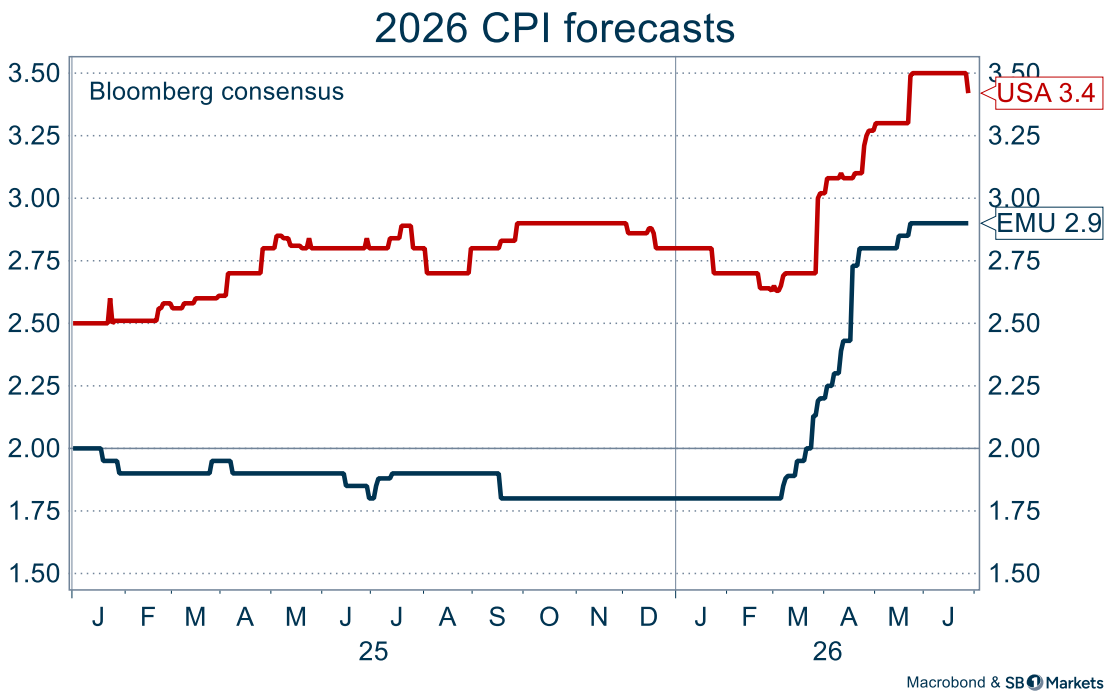
Differing CPI surprises so far in July





2026 inflation forecasts are very likely peaking now, as energy prices are declining

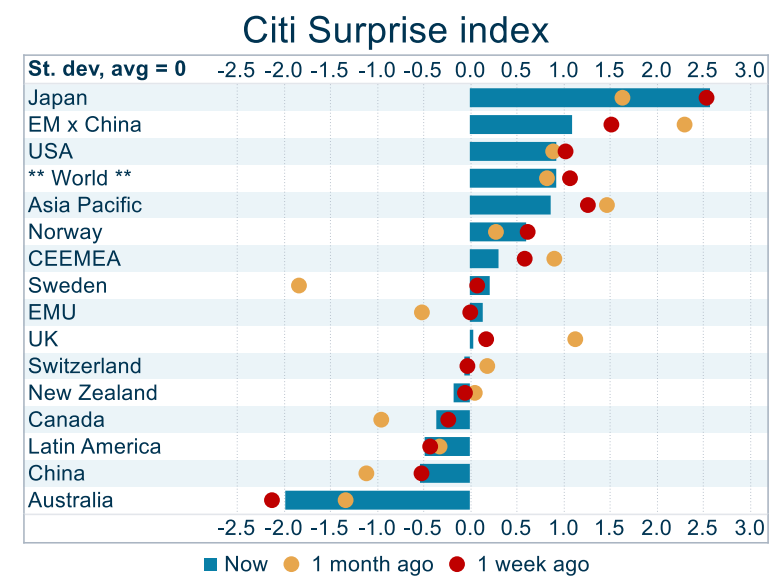
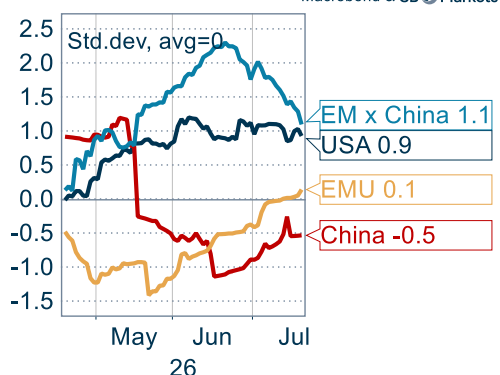
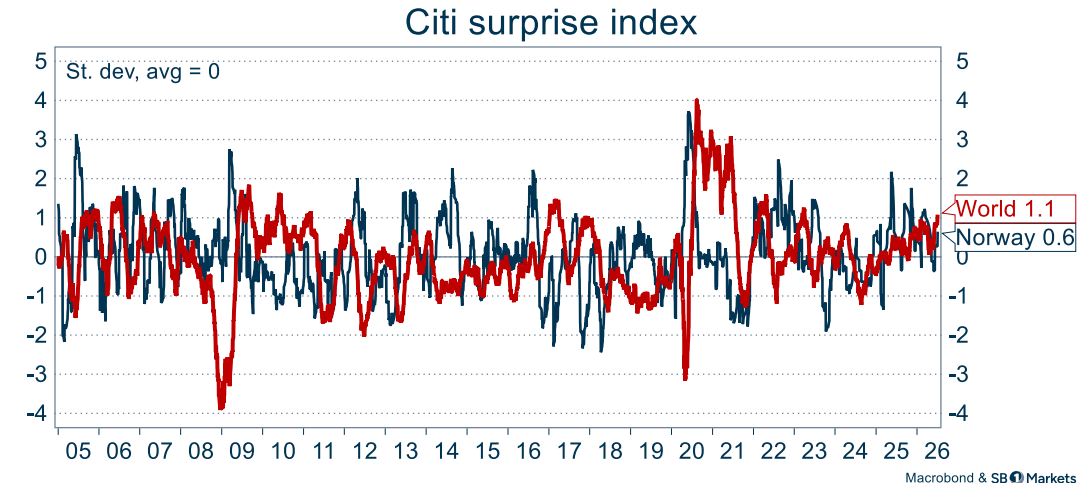
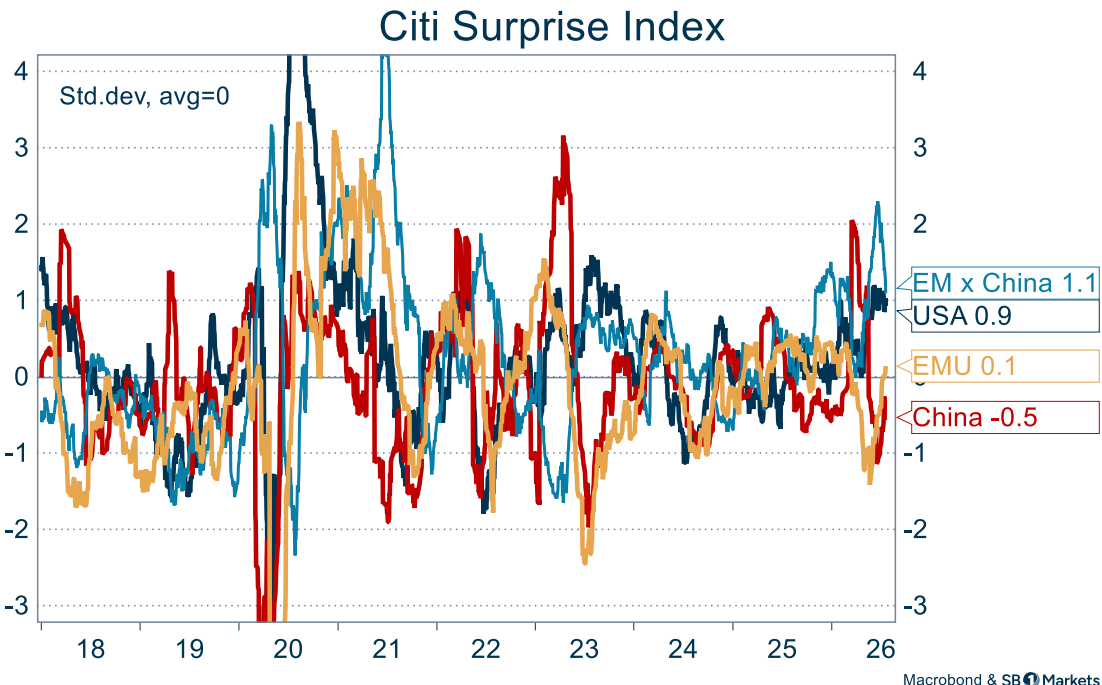
The 2027 EMU forecast of 2.2% is not far above the inflation target; the US at 2.5% remains somewhat above – but will now probably come down in the coming weeks (if Hormuz does not remain closed).





Surprise indices: the world surprises more on the upside, last week supported by EMU

EM ex. China remains in the lead for far less than a month ago. US is steadily surprising on the upside. EMU has turned positive. China is still below, but not by much anymore. Sweden has normalised. Norway is above an average level and slightly above the middle of the ranking.

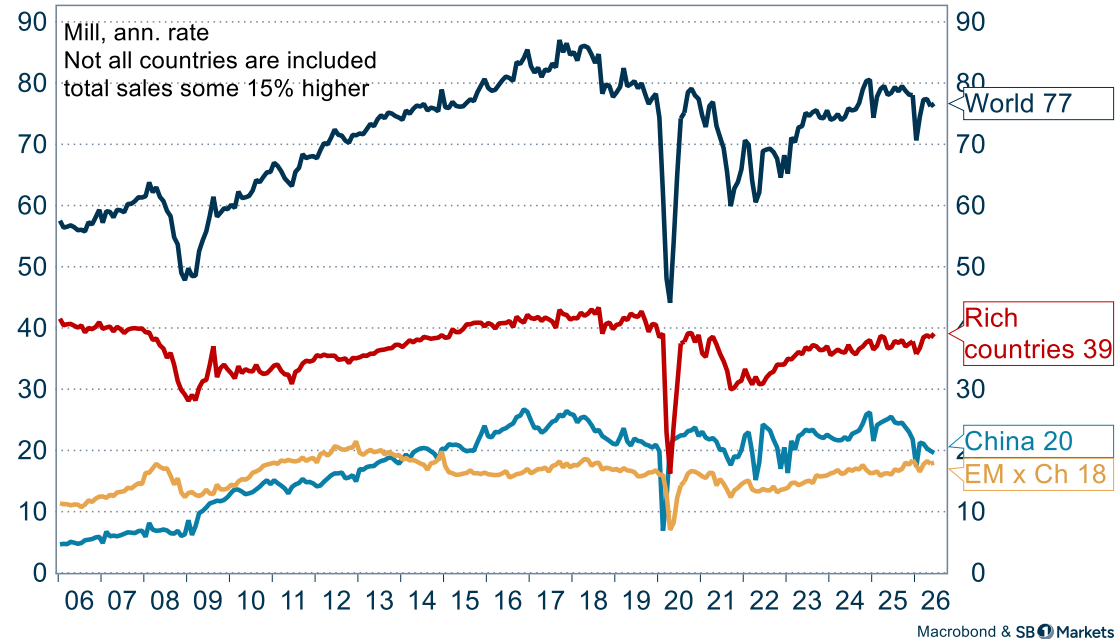




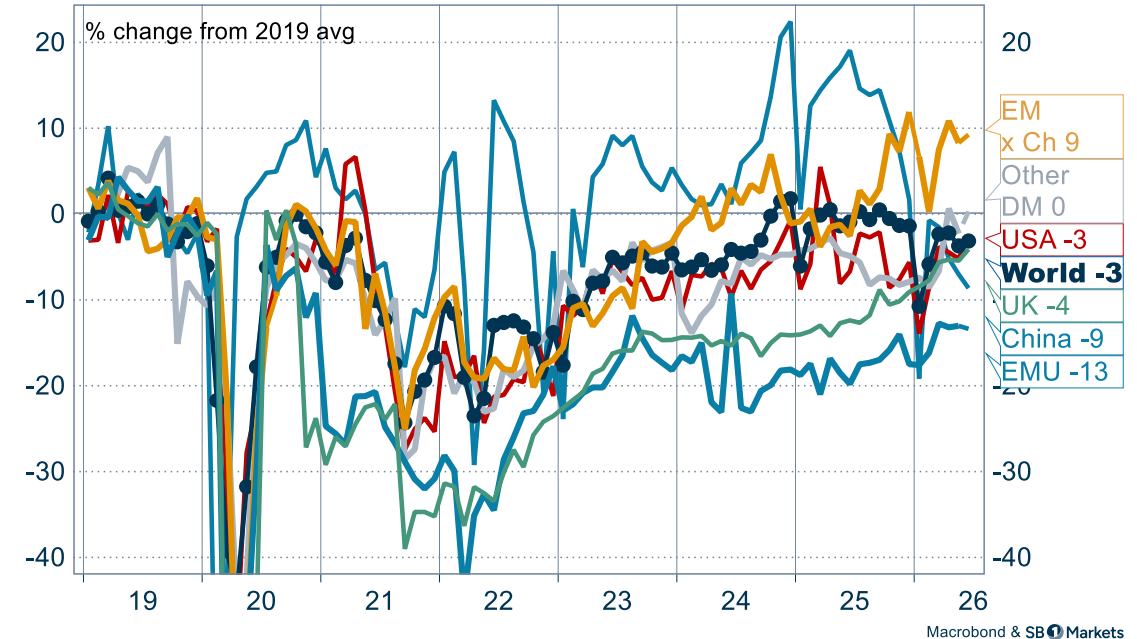
Auto sales are trending up in DM, EM ex. China – but the decline in China is larger

Chinese sales declined further and down 23% y/y and down 9% from 2019. Global sales rose slightly in June, as sales rose in US, and marginally in EM ex. China, where sales are up 9% from 2019. DM sales are down 6% vs. 2019, dragged down by EMU, -13%.

Global auto sales



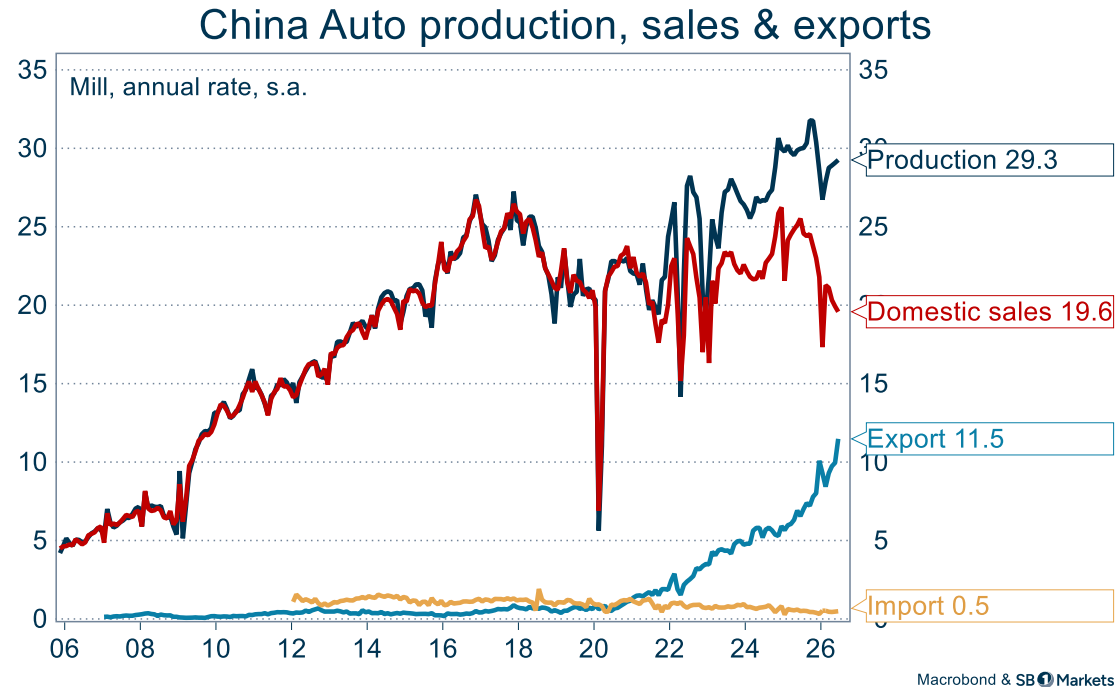
Global auto sales





For how long will this model work?

Chinese auto exports have been soaring, as domestic sales have fallen substantially without a decline in production (until lately). Chinese exports suddenly equal 1/3 of Chinese production, and almost 1/7 of sales in the Rest of the World, from close to zero in 2020.



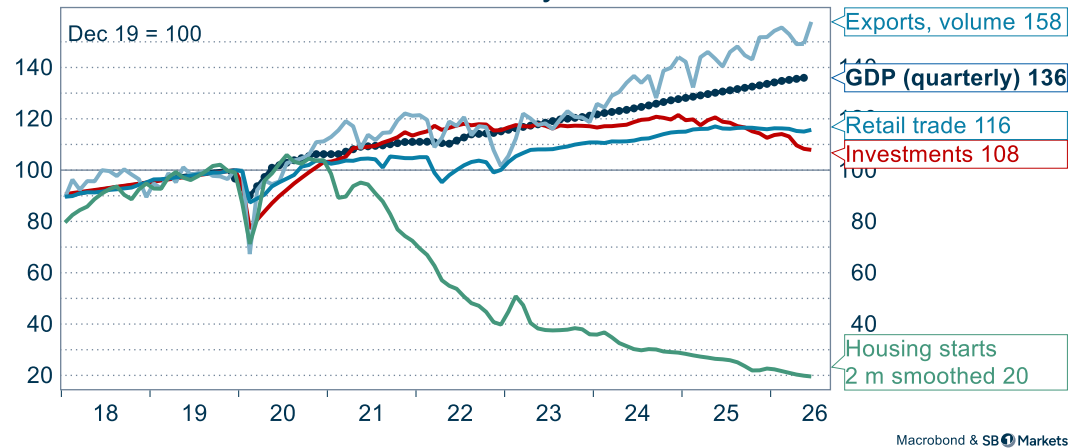
- Imports? Close to zero.



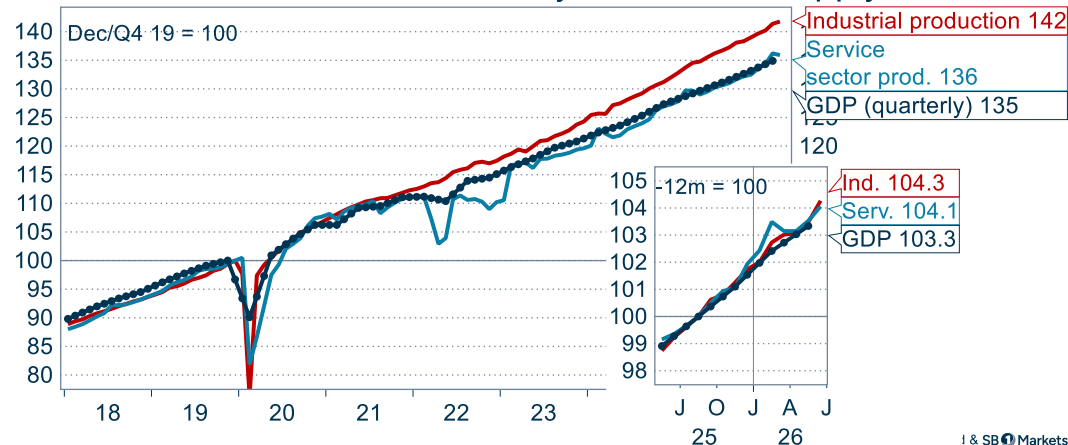
China: growth slowed in Q2 but June in sum not weaker than expected

GDP grew 4.3% in Q2, 0.2 pp < exp., a post-pandemic low. In Q2 alone, 3.6%. Industrial prod. surprised on the upside, at a 5% pace. Retail sales were better than expected but still weak, and investments are falling rapidly, and credit growth slows. The trade surplus compensates

China GDP vs monthly indicators - demand



China GDP vs monthly indicators - supply

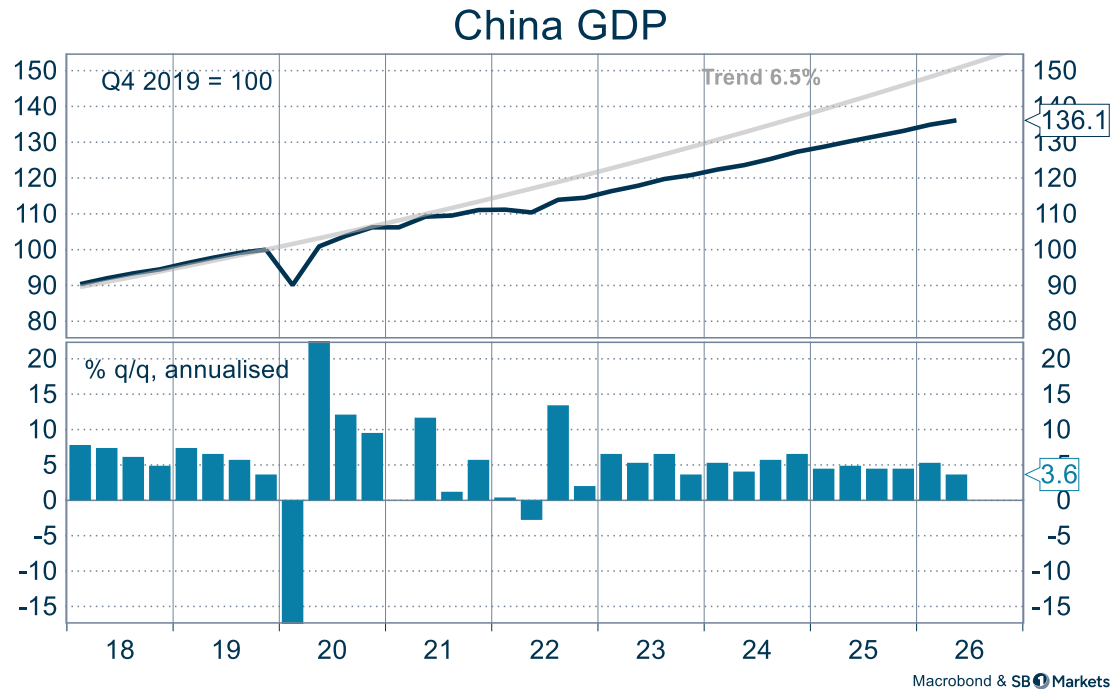


- **GDP** growth is gradually declining but may still reach the 4.5–5% 2026 growth target, following a 5.0% growth rate in Q1. Construction activity is falling rapidly
- **Industrial production** grew 0.8% m/m in June and grows at 5% pace down from a 'normal' 6% pace. Production was up 5.3% y/y, 0.7 pp above expectations. High-tech industries are booming, while housing-related sectors are still in the red. Surveys signal far higher growth.
- **Service sector** production is still up 5% y/y, but is also slowing
- **Retail sales** rose 0.6% in June, but still trends down, in volume terms
- **Investments** fell further in June and were once more far weaker than expected. In real terms, down 12% y/y. National accounts have so far (Q1) reported growth. Both **new and existing housing prices** declined in June, from very low levels.
- **Credit growth** trends down as well but is still higher than nominal credit growth. Household debt is down 1.3% y/y, while businesses borrow as normal, +8% y/y. Growth in local government debt is slowing but is still high.
- **Both exports and imports** rose far more than expected in June, up 27/36% resp. Prices are surging, and especially import volumes are not that impressive. Imports of oil have almost been cut in half, by more than 5 mill b/d, easing the global impact of the lack of oil from the Gulf. The **trade surplus** was close to record high, also in volume terms. The latter trends up, supporting GDP growth.
- **CPI inflation** remains moderate, just above 1%. The **PPI** is up 3.9% y/y though.
- **Fiscal policy** is slightly contractive, and no **monetary measures** have been announced since Q1 last year.
- **In sum: Domestic demand remains very weak, and at one stage net trade will have to contribute less. And at that stage production will be hit as well?**



GDP slowed to 3.6% q/q in Q2 and 4.3% y/y, the latter 0.2 pp less than expected

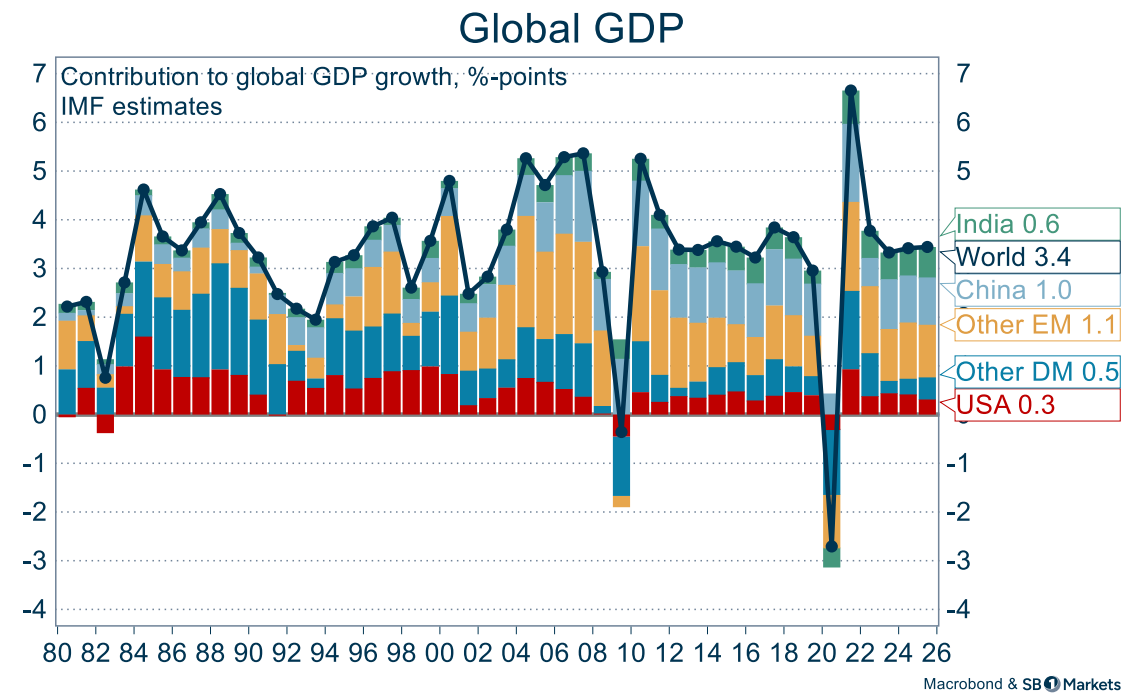
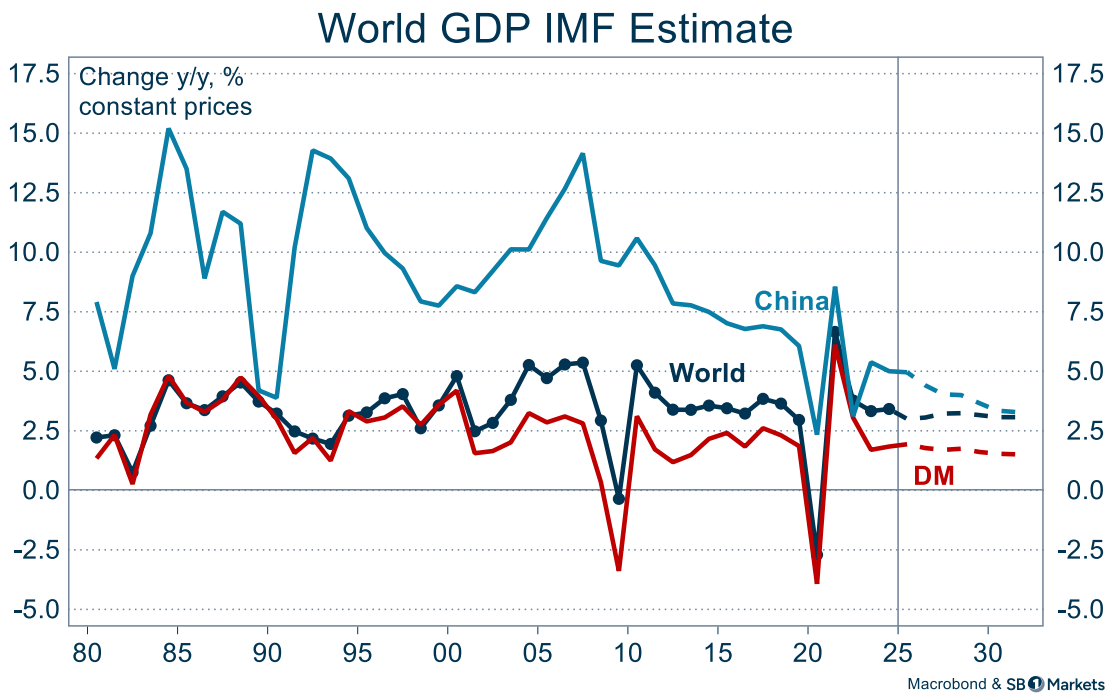
... and the lowest annual growth rate since the pandemic. In Q1 GDP grew at a 5.2% pace, and the annual growth rate was 5.0%. The official 2026 growth target is at 4.5–5%, down from “around 5%” the previous 2 years.



- GDP growth trends gradually downwards, from 10–14% before the pandemic to now below 5%

A changing world order, I

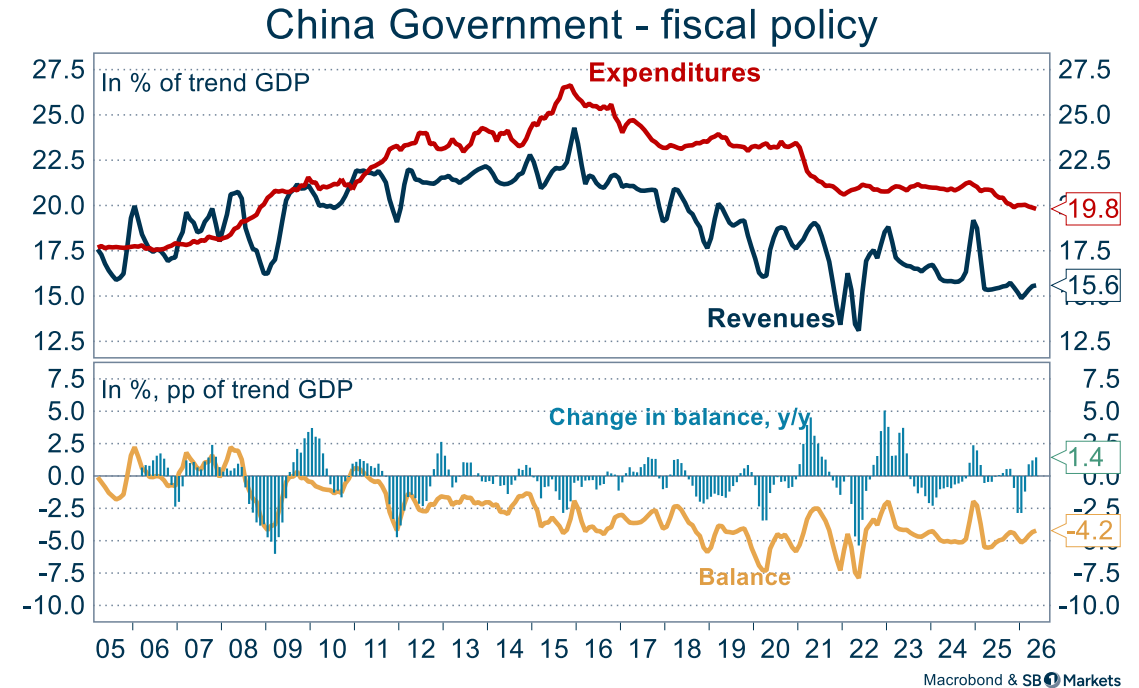
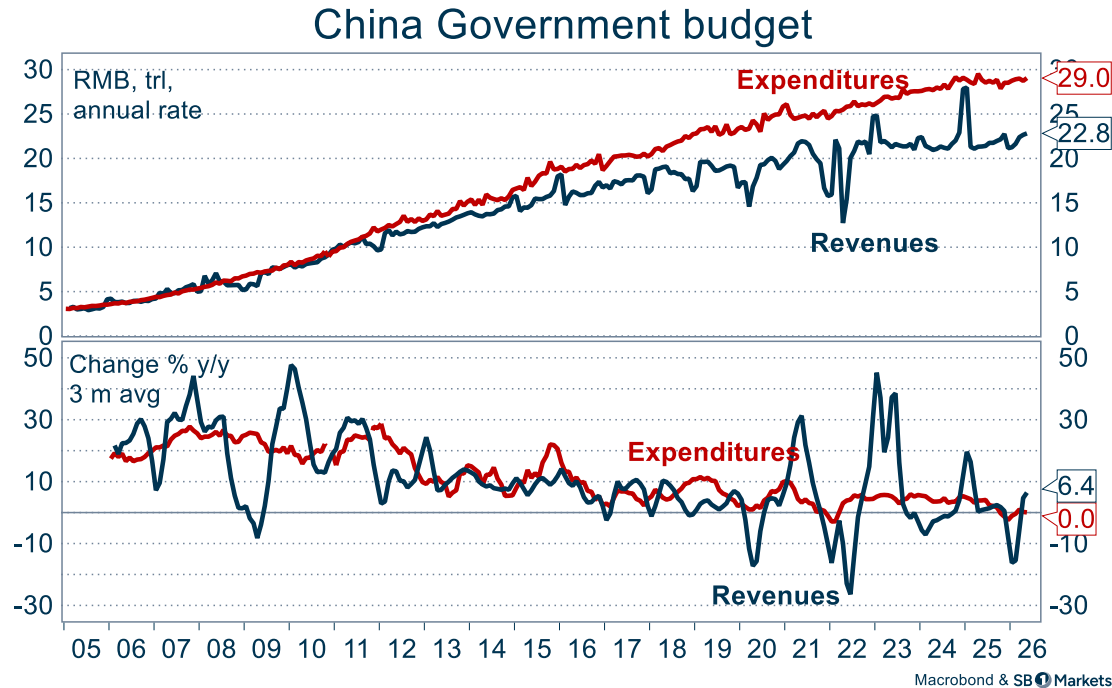
Who grows the fastest, and who contributes the most? DM are not in the lead anymore





Central government revenues trend down vs. GDP, but slower than expenditures

Thus, there are **no signs of any fiscal expansion to support domestic demand, but some measures vs. private consumption.** The central government deficit is at 5% of GDP according to Chinese data – but local governments are running deficits too.

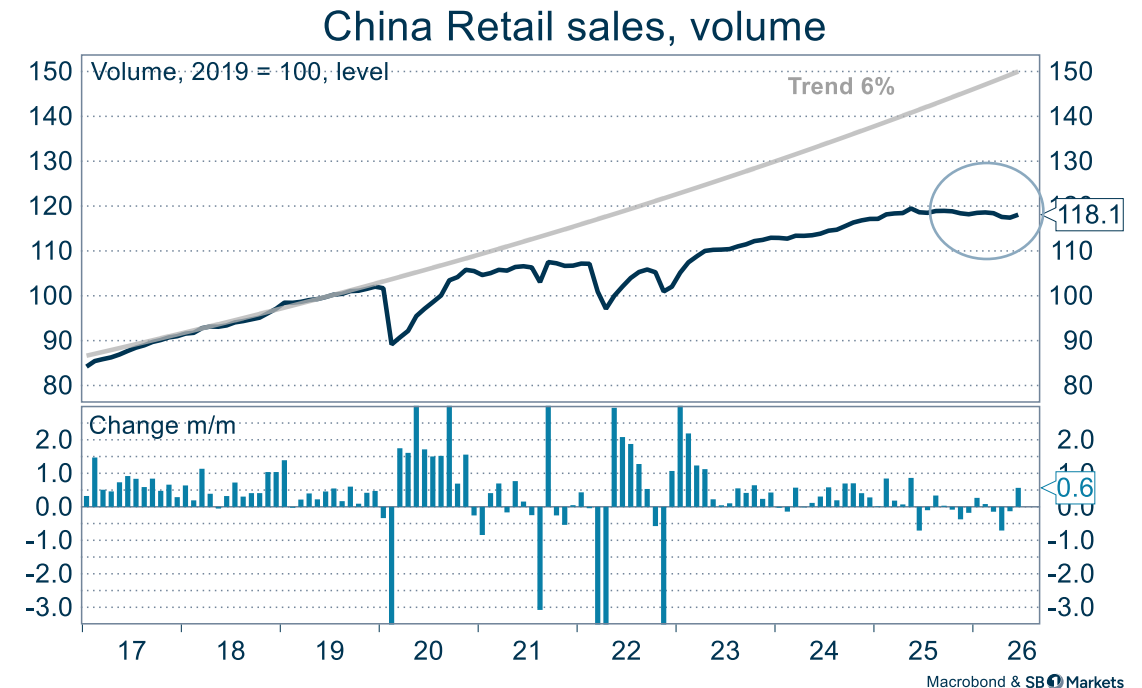


- The central government's **expenditures** were flat y/y in June, and are trending down vs. GDP, now at 19.8%. Revenues are up 6% y/y. Still, revenues trend down vs. GDP, but slower than the decline in expenditures the past year – and fiscal policy is slightly contractive.
- These data are rather volatile, and the seasonal pattern is uncertain.
 - The **overall government deficit** is probably larger, OECD & IMF estimate 8%, equal to the deficit in the US, as local government also runs substantial deficits.
 - However, the private sector in China saves far more than it invests compared to the private sector in the US. China runs a surplus on the current account at approx. 4% of GDP while US runs a 4% deficit. Thus, in China, the private sector cash surplus equals 12% of GDP, in the US 4%, which is far from sufficient to fund the public sector deficit.



Retail sales: 0.6% m/m in June still down y/y in volume terms

Nominal sales were up 1% y/y, 0.8 pp above expectations. We estimate a 0.5% decline y/y. These growth rates are far below the normal Chinese standard. Sales are more than 20% below the pre-pandemic trend – still up 18% from 2019.

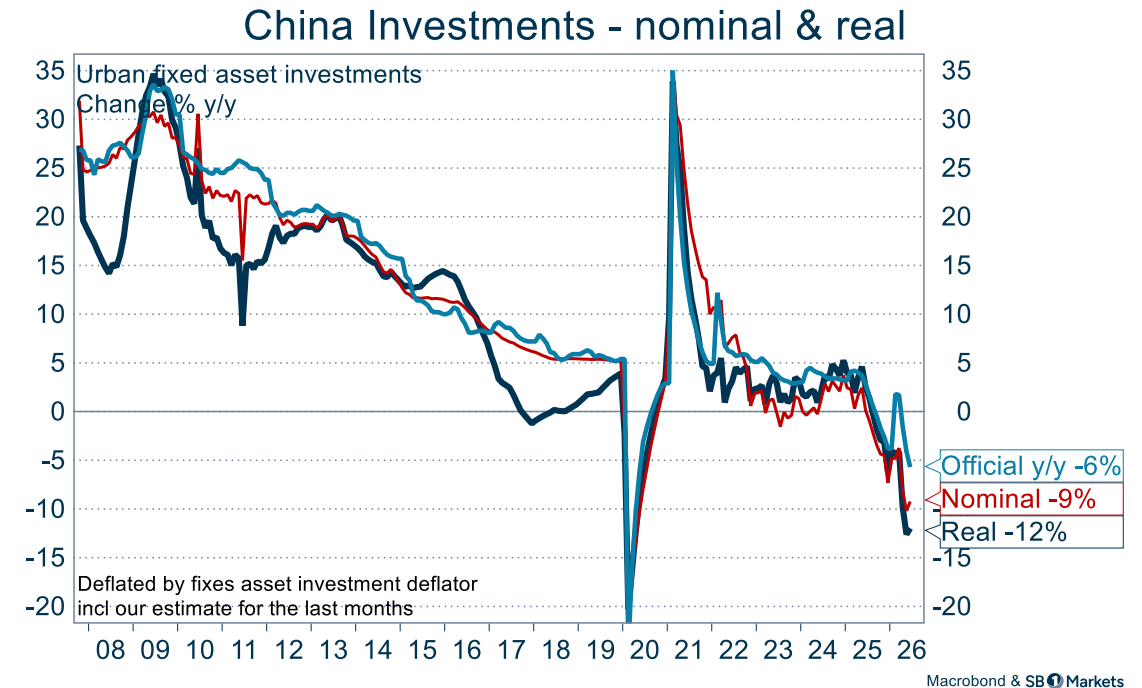
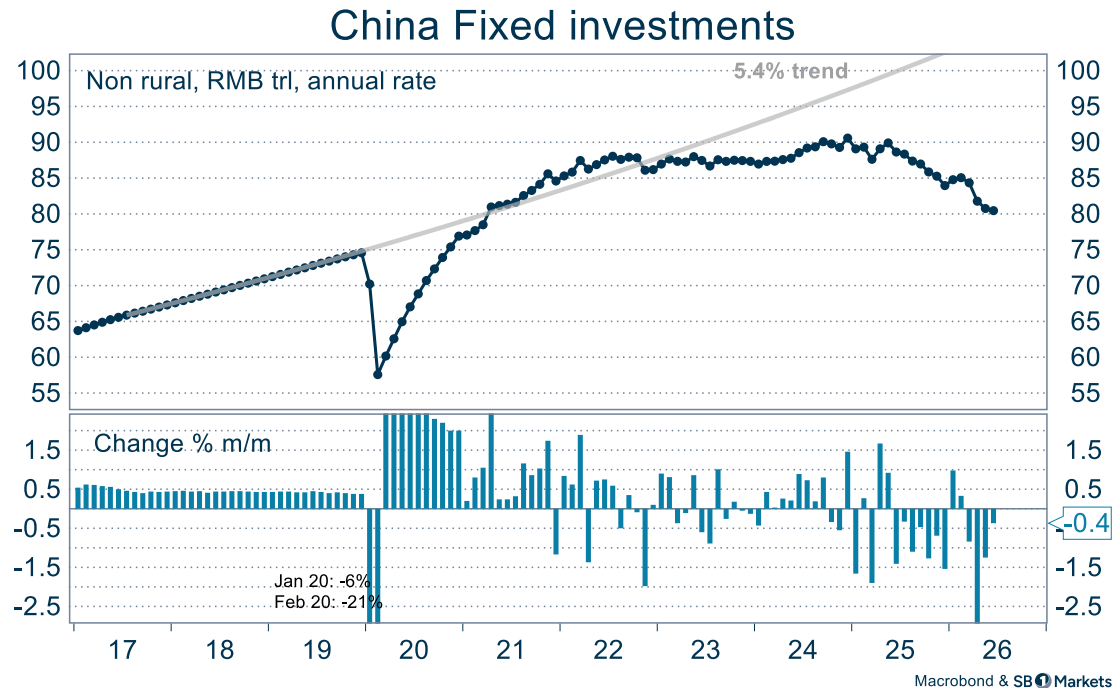


- The NBS reports strong growth in sales of basic living goods, up double digits, which does not seem likely.
- **Disclaimer:** Chinese retail sales are notoriously difficult to decipher, partly due to extreme revisions, both up and down, but the official growth (or rather lack of growth) data, are more than telling.



Investments declined further in June but at a slower pace. **Down 12% y/y in real terms**

The official nominal growth rate fell to -5.7% year-to-date in June, expected -4.9%. Our calculus yields -9% y/y, following a 0.4% decline m/m. In real terms, we estimate -12%. Check the chart to the right below, **this is not normal!**

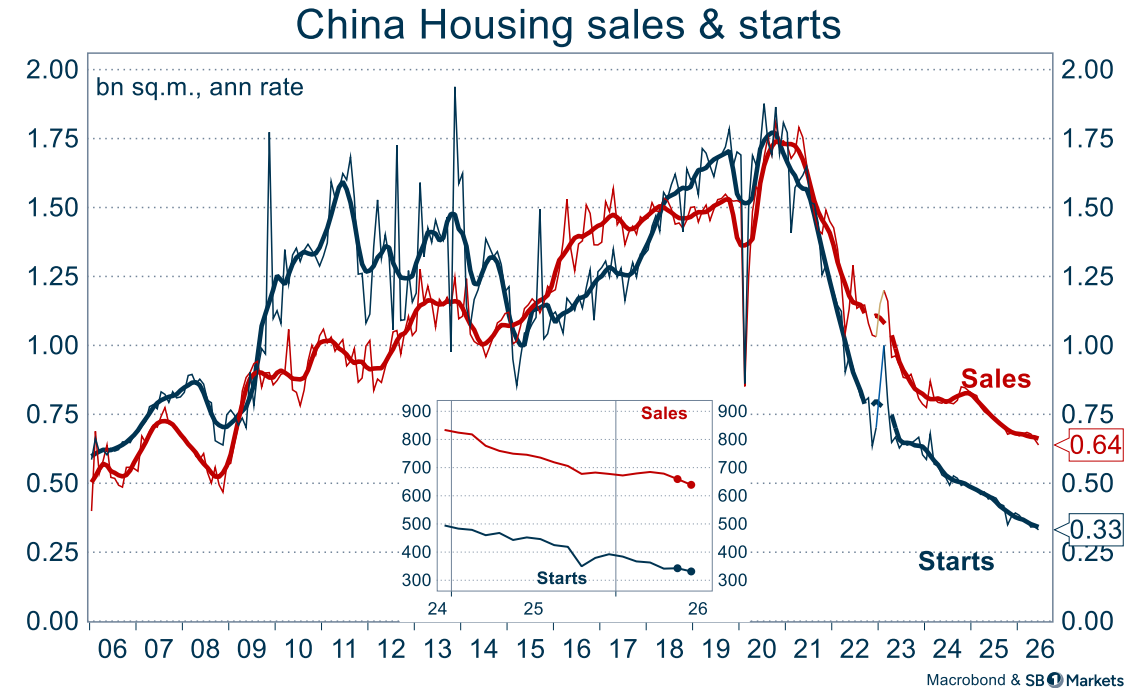
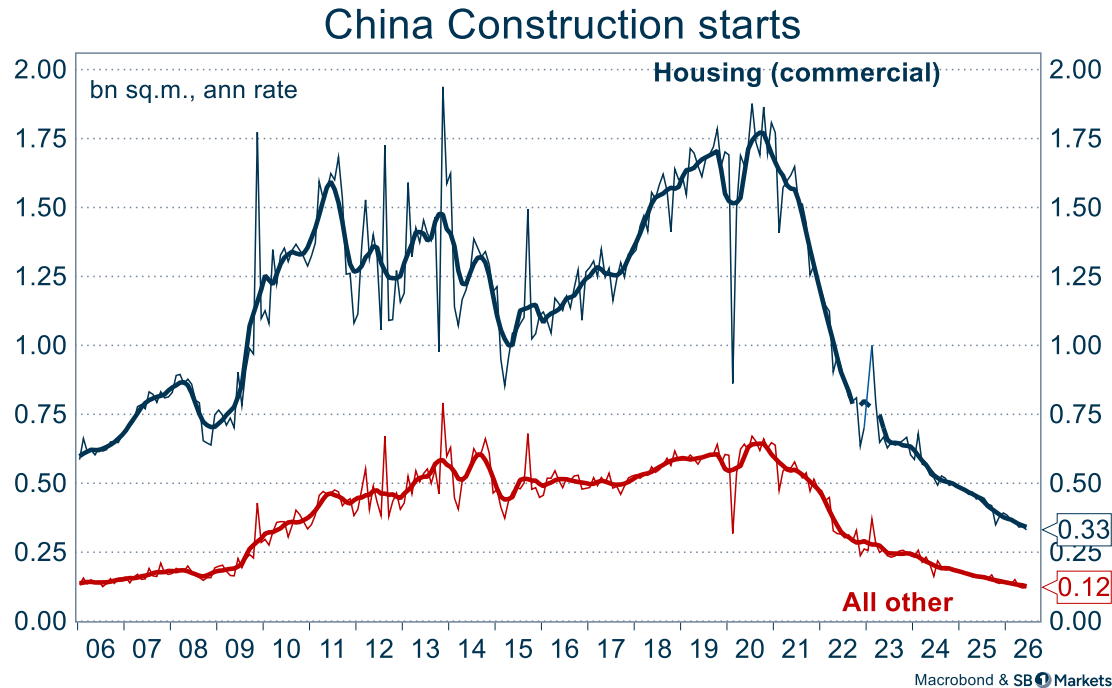


- **Investments** have fallen in more than one year, in a way we have not seen before, barring the sudden collapse during the start of the pandemic
- Investments in **real estate** are down 18% ytd, (from 15% in May), while other investments were down 2.7%. **Infrastructure and manufacturing** are down as well. **High tech** is still up 4% (down from 20% some few months ago), and some sectors, like production of **aircraft, computers and information services** are up 8–23% (but they are all down).
- Like for other Chinese data, inconsistencies as well as heavy revisions imply that our analysis must be taken with more than one grain of salt, and **the charts above must be regarded as one of several possible interpretations of these data. However, just by looking at the official ytd-data, the weakness is broad, and unprecedented in 'normal' times**



New home sales & starts are still heading down

These numbers are staggering; construction activity has been falling since 2020, by more than 80% and starts are down 26% y/y. Surveys do not signal that the market has stabilised. Fortunately, the downside risk is limited, at least in sq. m.!

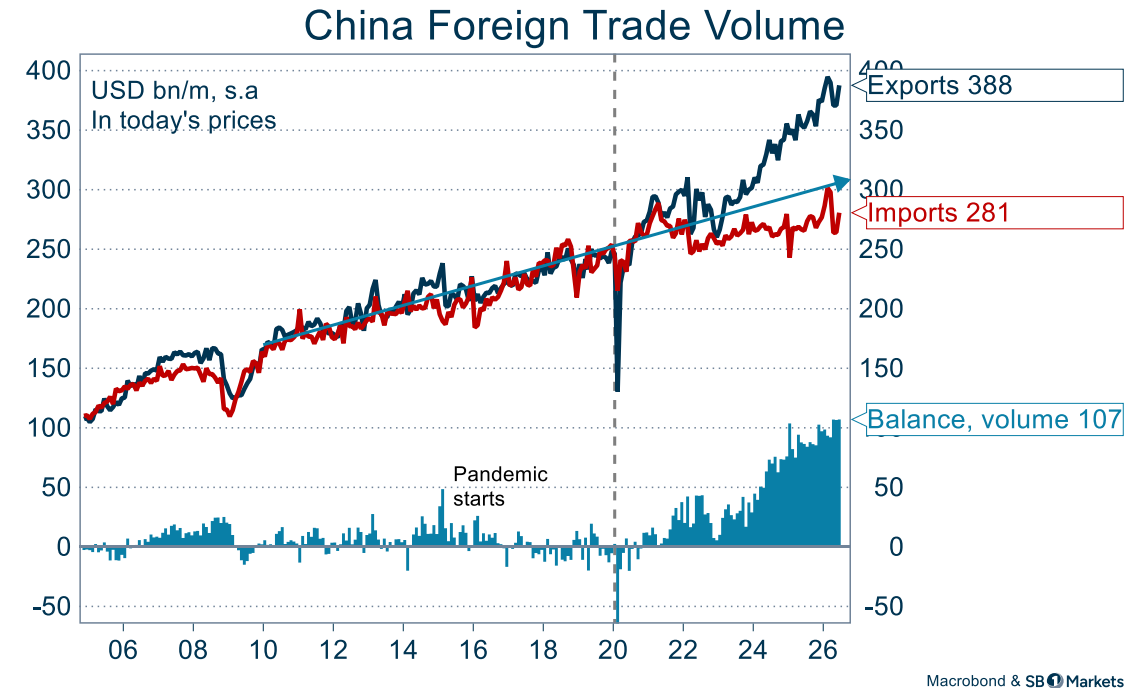
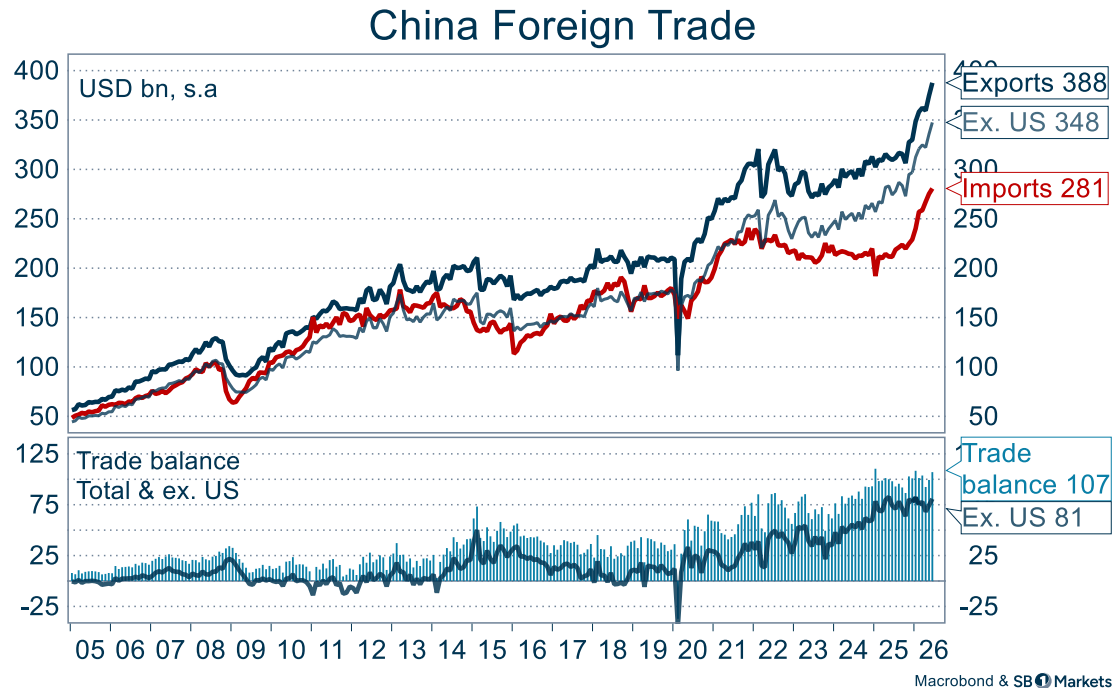


- **Sales** have been running higher than starts for a while, but we have not seen any reports on a lower inventory, and prices are still falling (but at a slower pace).
 - **Housing starts** are almost half the level of sales, and are still heading down, at a rapid pace.
- **Other construction starts** are usually closely correlated to housing starts. In June, a 25% y/y decline. Starts are down more than 80%
- The **economic impact** of the decline in construction starts is spread out over time, but activity in the building sector must have fallen almost by the same amount.
 - **Production of cement and steel** are down but less than suggested by the decline in construction starts, as higher demand from other sectors has partly compensated.
- Some of the adjustments in the real economy may still lie ahead, but most of the decline in construction must be behind us. There is no doubt some 'financial cleanup' which of course may affect activity both within the construction sector and beyond in the coming quarters and years.



Both exports, imports values are surging; Volumes are less impressive. A huge trade surplus

Both exports and imports were higher than expected (up 36%/27% y/y) in June but prices are soaring as well (26%/14%) and volumes, especially import volumes have fallen lately (oil imports are almost cut in half). The trade surplus is close to record high in value terms, and ATH, in volume



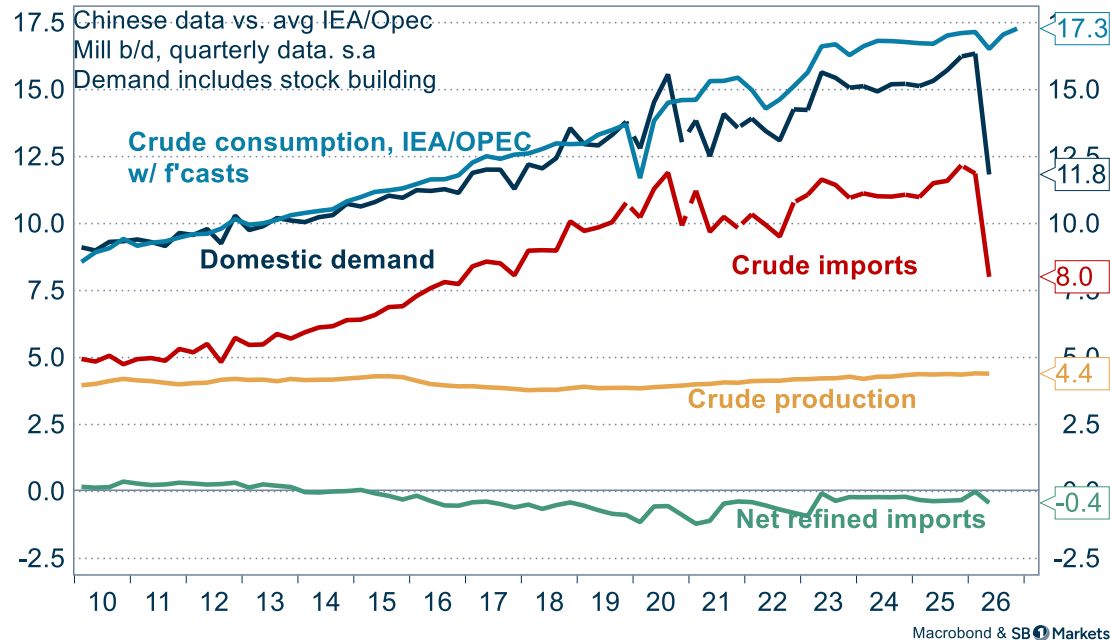
- **Exports** were up 4% m/m and **27% y/y**, expected 18%. In **volume terms**, exports were **up 10% y/y** (s.a., our est.) and the level is almost 30% above the pre-pandemic growth path (or up close to 60% vs. the 2019 level!). Exports to the US have declined, but certainly not to the rest of the world.
- **Imports** were up 2%, and **36% y/y**, expected 24%. In **volume terms**, **up 6% y/y**, as import prices have shot up lately. Import volumes have fallen since before the Gulf war started, and the level is well below the pre-pandemic trend – whereas export volumes are far above. As exports require imported inputs, the weak trend in imports confirms weak domestic demand.
- **The trade surplus** was larger than expected, and at USD 107 bn (s.a.). The trend is flat since late 2024, at a very high level. In volume terms, the surplus has increased, supporting growth in production in China.
 - In value terms, the surplus equals more than 5% of GDP, up from 2.5% before the pandemic. However, China runs a deficit in both services and foreign net income, and the **current account surplus** was 'just' 3.7% in Q1 (at the peak in 2007: 10%).



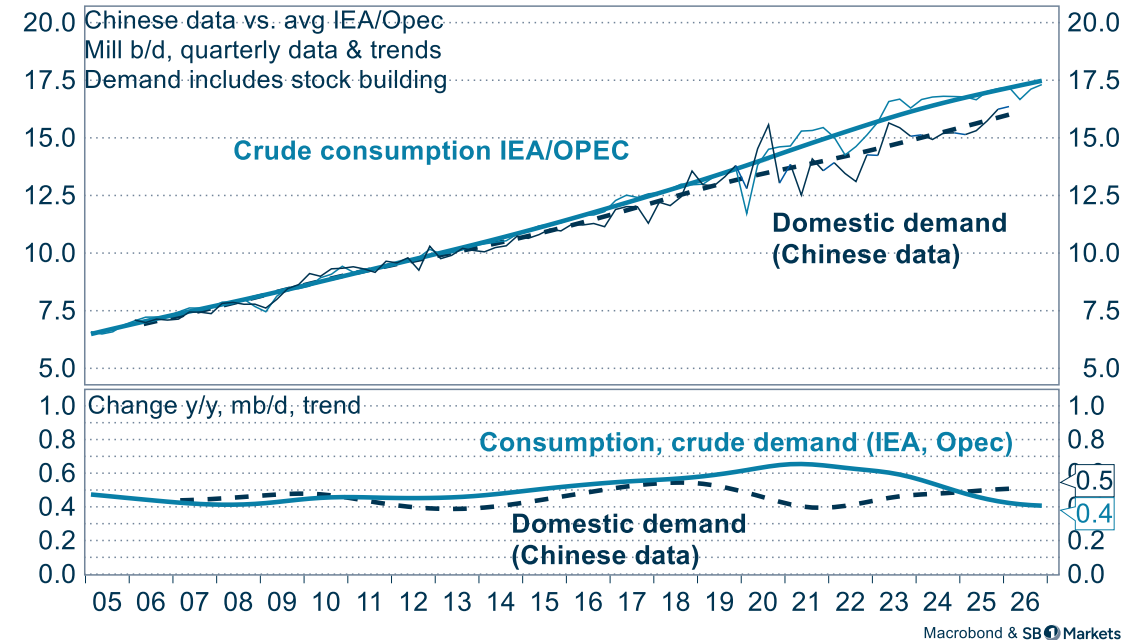
Oil imports fell further in June, and are down 5.5 mb/d, or 44% from before the Gulf war

The decline is unprecedented – and **has eased the consequences of the lack of oil from the Gulf substantially**. Some final demand may have been cut (but fuel prices are down!), and while inventories are large, they cannot compensate lack of imports for that long.

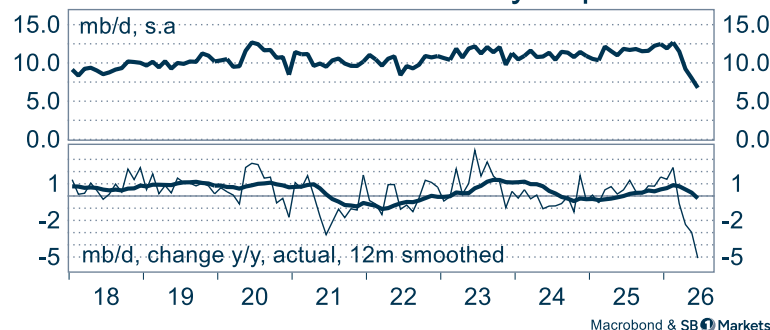
China Oil Production, Imports, Demand



China Oil Demand - Trends



China Crude oil monthly imports

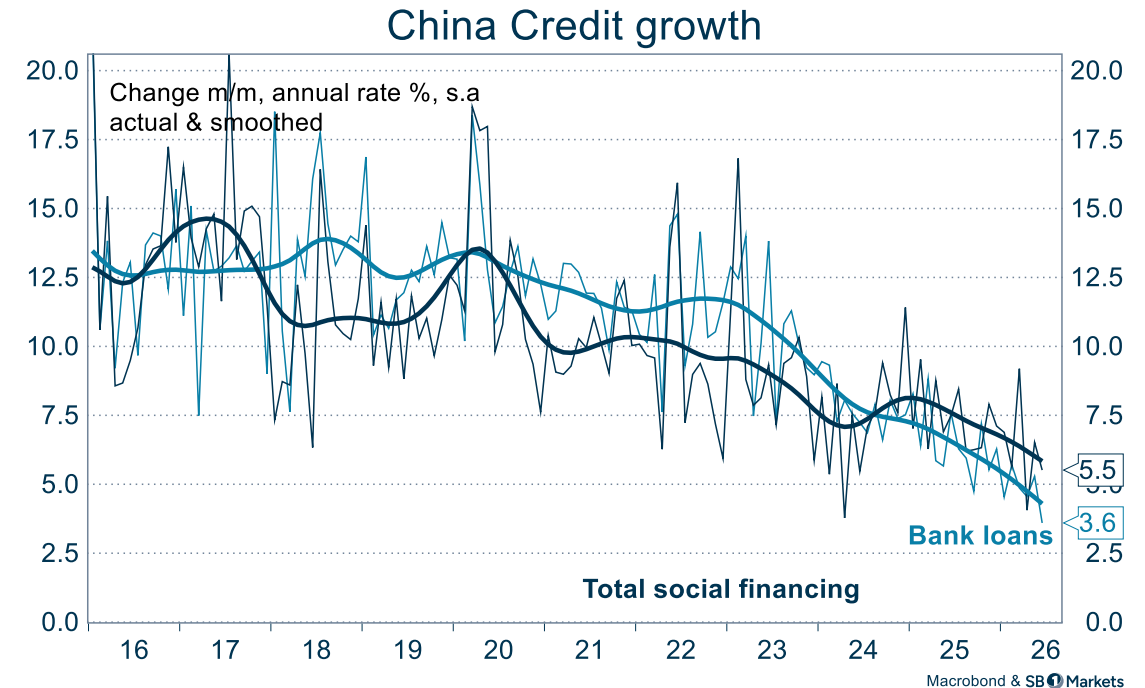
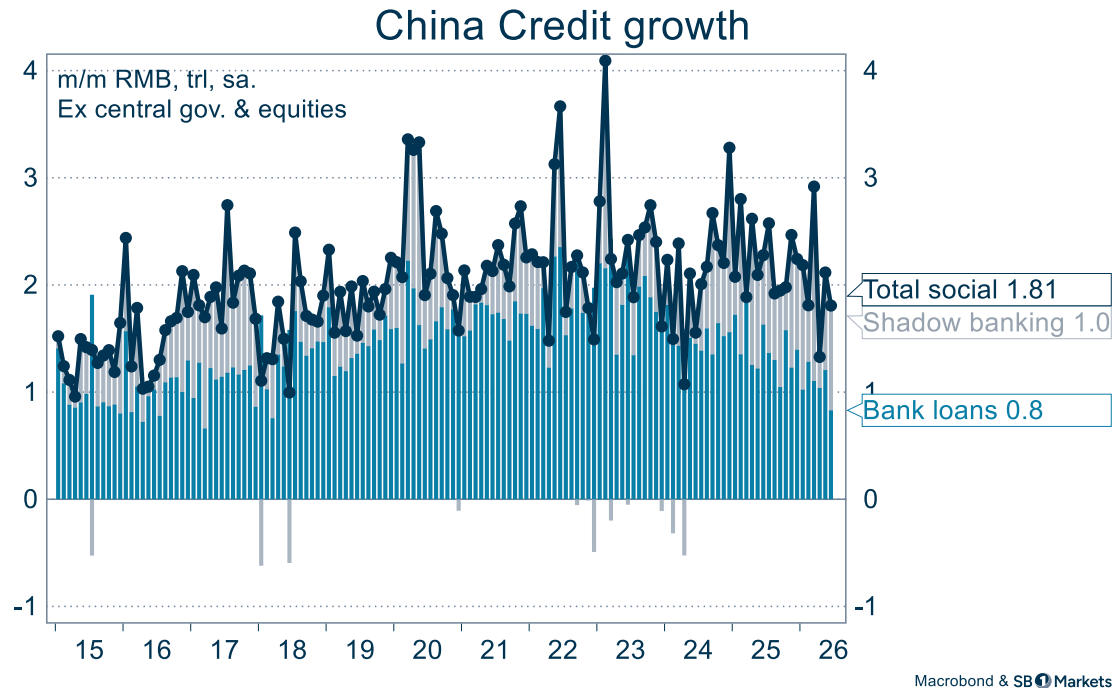


- Chinese **oil demand** has been trending up, at least until now, check the trend lines on the rhs. chart. Underlying long-term growth is still at 0.4–0.5 mb/d y/y
 - In both charts above, Chinese demand data (including changes in inventories) are compared with IEA's and OPEC's estimates of Chinese oil consumption/crude demand (averaged at the charts above, they are rather similar).
- China is tapping its **inventories**, probably both commercial and strategic. These inventories will very likely be replenished as soon as possible when the Gulf exports one day resume.
- Going forward, the rapid increase in **the share of EVs** will not before too long reduce Chinese demand for oil, according to research conducted by our colleagues.



Chinese credit growth heads down, as households repay debt, and save more.

Businesses are borrowing at a normal pace, even as real estate loans are declining

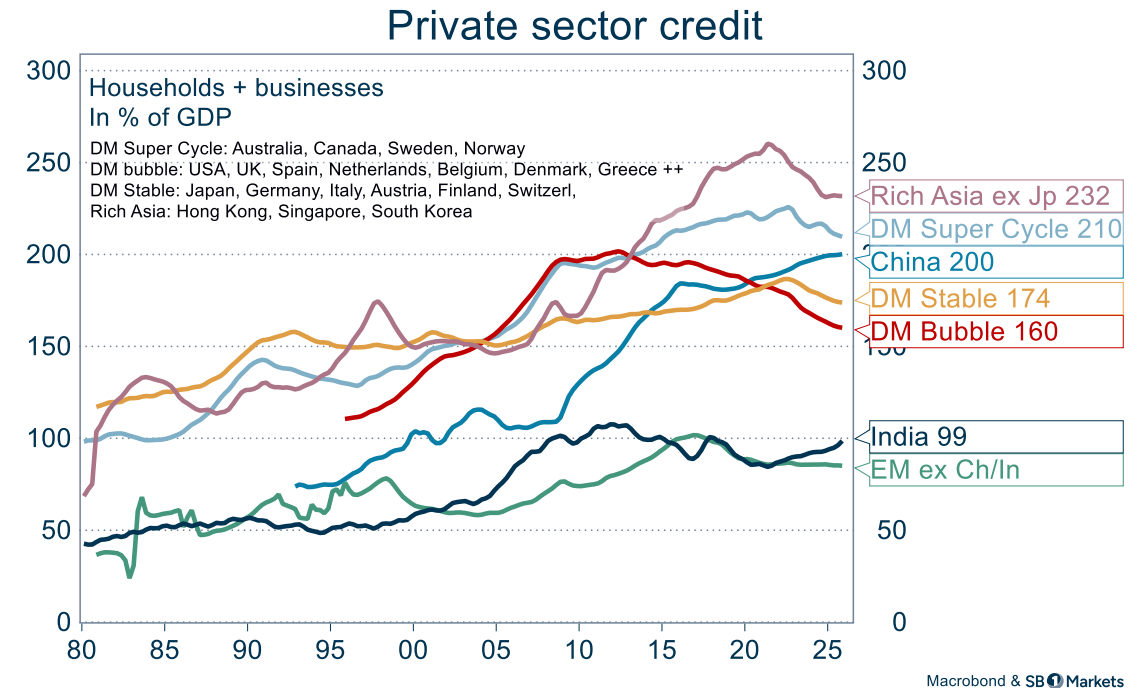
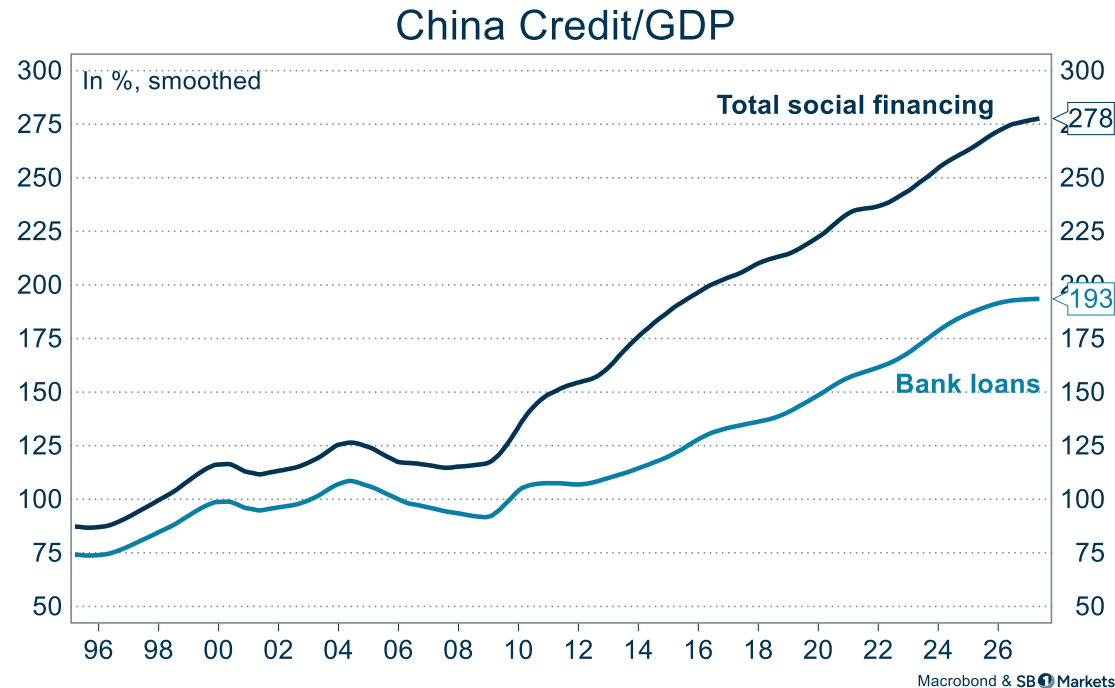


- **Total social financing** grew by RMB 3.3 trillion m/m in June, somewhat less than expected (3.8 trl). Seasonally adjusted, core credit supply rose by RMB 1.8 trl, or a 5.5% annualised increase. Total credit is up 6.7% year-on-year, still outpacing a 5.5% nominal GDP growth, though credit growth is slowing.
- **Bank loans** grew by RMB just 0.8 trl. (SA), also less than expected. Bank lending is up just 5.4% y/y, the lowest growth rate since 2000.
- **Shadow banking credit** rose by RMB 1.0 trl in June, even if **local government borrowing** declined slightly. Other segments of non-bank credit are growing significantly faster than some months ago
- **Household borrowing declined** and the annual rate fell to -1.3%, while business borrowing remained steady (8%).
- **Households' deposit accounts** have increased rapidly for the 5th consecutive year, and the deposit/income ratio is sky high. At one stage, households will start spending again?



China is a credit outlier in EM, and almost all others in ROW have turned south

The 'global' private sector debt bubble is a Chinese credit bubble, check the chart to the right below. However, the overall Chinese debt ratio is finally growing slower

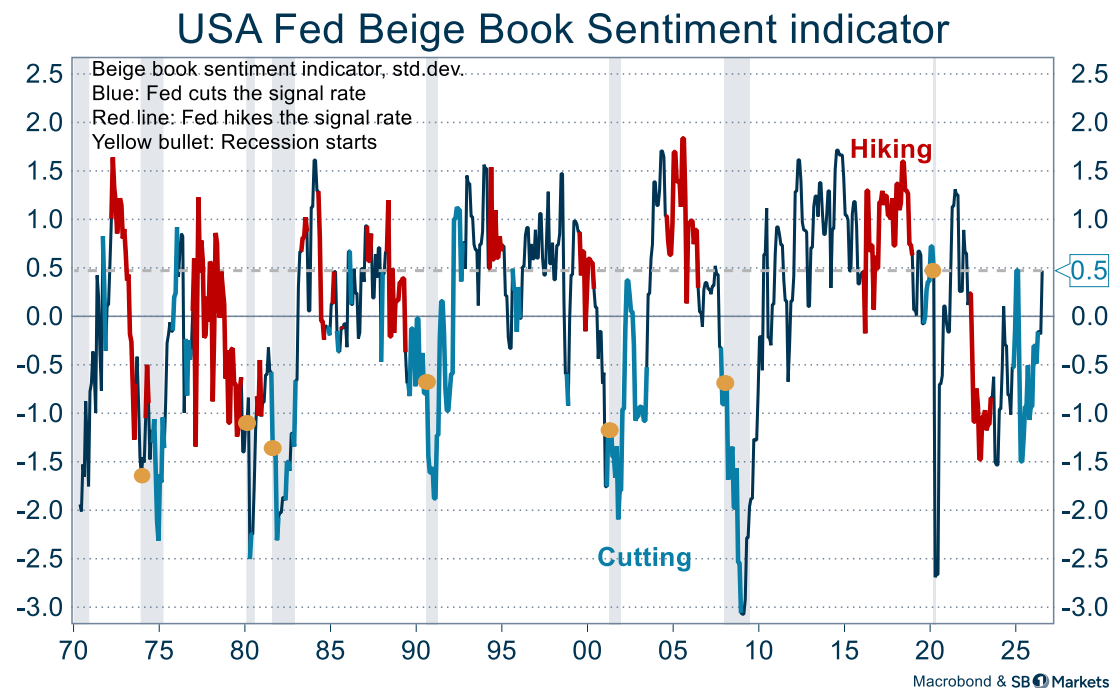


- There have been some other outliers as well: **DM Super-cyclicals** (Australia, Canada, Norway, Sweden), and wealthy Asian countries, which have borrowed quite extensively. These countries have now been reducing their debt burdens for some few years, although their debt levels remain substantial.
- However, most other **DM** countries are not that exposed, particularly compared to their positions when the bubble burst 15 years ago. Their debt levels are decreasing, but some still remain high.
- **India and other EM countries excluding China** have deleveraged (debt vs. GDP) over the past 10 years or so; however, Indian debt growth has accelerated somewhat recently.



Fed's Beige Book: the best since Jan-22!

11 of 12 districts report growth, vs. 10 in June. The BB sentiment indicator rose to 0.5 std. dev. above average, and trends straight upwards. Even so, businesses report that consumers are cautious, but also that inflation pressures persist. More arguments for a hike than cut.



- The Beige Book Sentiment Index rose to 0.5 std. dev. above average, up from -0.2 s.d. in May and June. The trend is straight up from the local bottom in April-25!

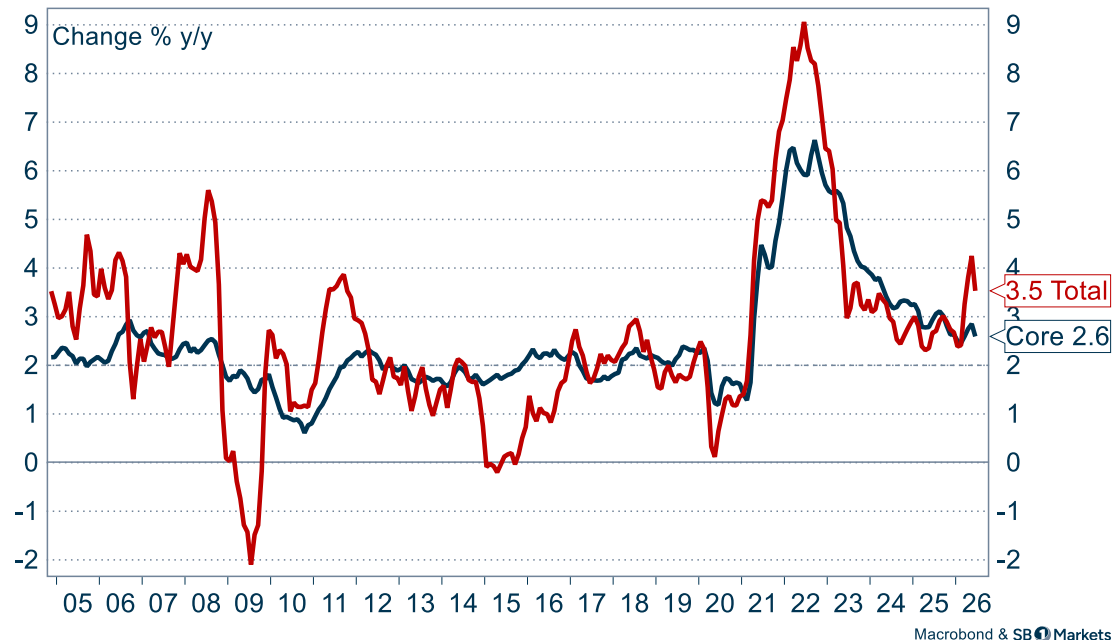
- **Growth:** the economy continues to expand, but only at a modest pace but still faster than reported in the previous surveys. It has not been stronger since Jan-22
- **Consumers:** demand remains positive but increasingly uneven across income groups. Higher fuel and living costs are weighing on discretionary spending, with many households trading down to cheaper alternatives.
- **The labour market:** employment increased slightly overall, hiring remains selective, and skilled workers are still difficult to find. Wage growth continues at a modest-to-moderate pace. In sum, a balanced market.
- **Inflation pressures persist:** businesses reported higher costs linked to energy, transportation, tariffs, and supply-chain disruptions. Price increases remain broad-based, suggesting inflationary pressure has not fully subsided.
- **The outlook:** business contacts generally expect continued economic expansion, while uncertainty remains elevated due to fuel prices and geopolitical developments.
- **In sum:** growth remains positive, inflation pressures linger, and the report of course provides no argument that Fed needs to rush into rate cuts. On the other hand, it does not have to hike rates either



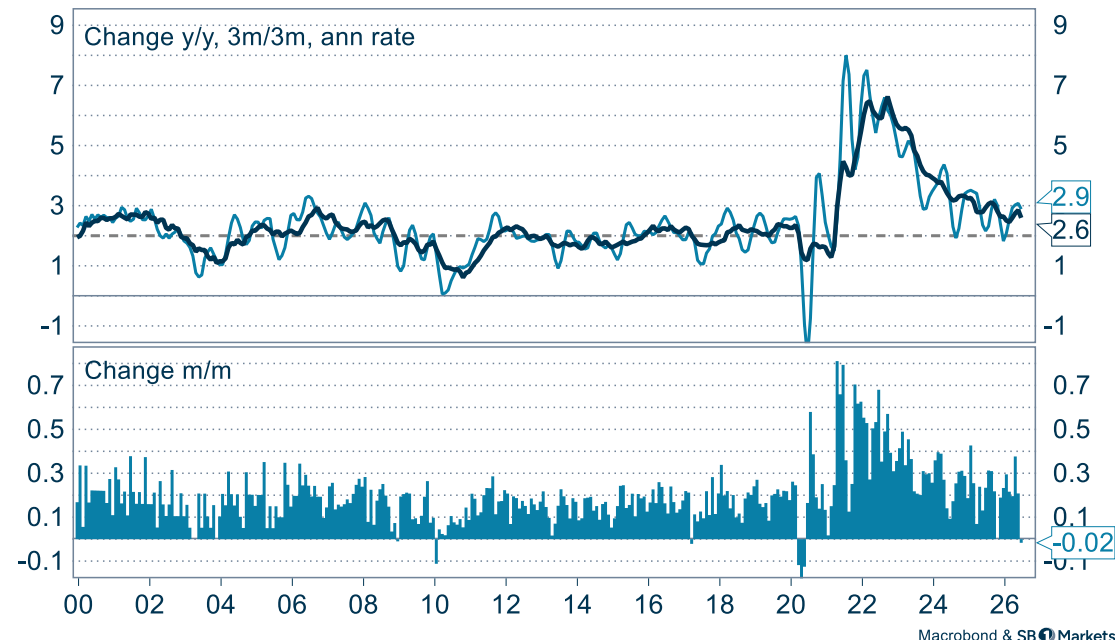
CPI surprised 0.2–0.3 pp on the downside in June, the total is still up 3.5% y/y

Core prices were flat m/m, expected up 0.2%, dragged down by hotels (no World Cup surge), apparel and autos. Underlying growth rates fell broadly, at least ex. rents. Energy prices fell 6% m/m, but are still up 15% y/y which lifts the CPI by 1.1 pp. **The Fed can wait, and see?**

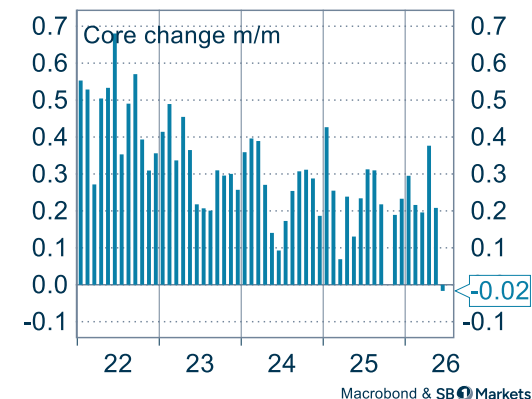
USA Consumer Price Index



USA Core CPI



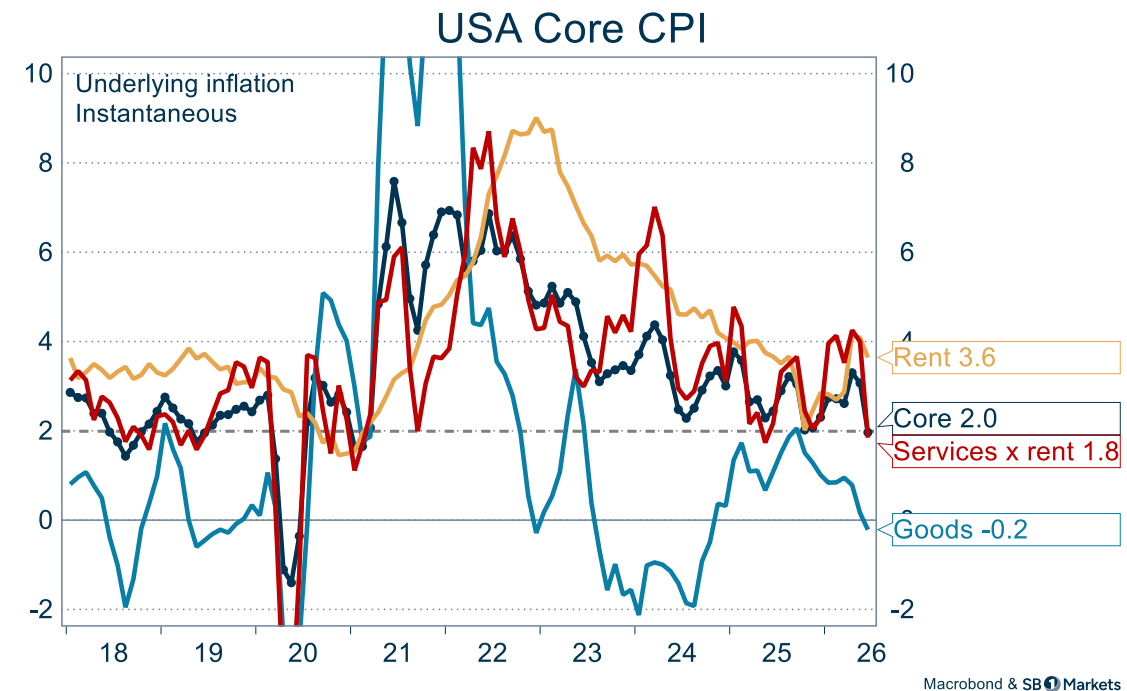
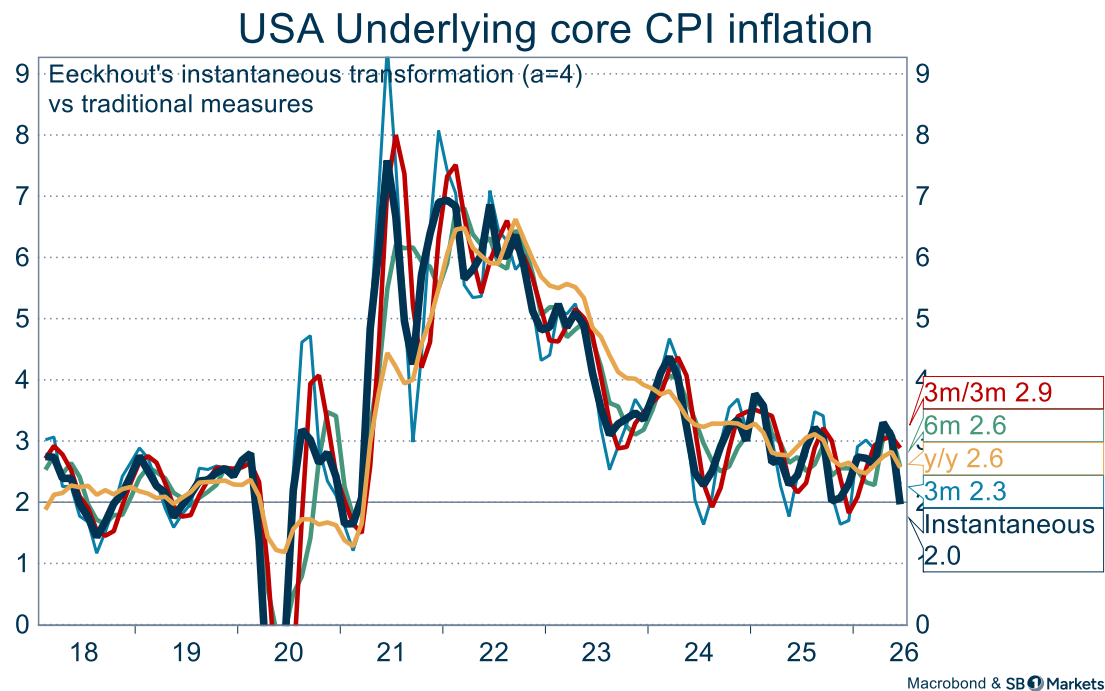
- **Headline CPI** declined 0.4% m/m and was up 3.5%, expected 3.8%. In July, energy prices may climb again, due to the continued closure of the Strait of Hormuz.
- Within the **core segment**, services ex. rents surprised sharply on the downside due to a steep decline in lodging, but other components also contributed. However, airfares rose further and the annual growth rate is above 3%. Core goods prices declined, as in May.
- **The outlook:** wage inflation is slowing, while productivity growth is probably not. Thus, **Unit Labour Costs growing slower**, in fact below 2% (or well below 2%), which over time will lower CPI inflation, barring further energy shocks or a forever increase in profit margins – which never has happened before. So, the Fed may choose to wait for more CPI, labour market and costs reports before hiking rates. A near-term cut is unlikely, barring a collapse in risk markets.





The avg. of our underlying CPI core inflation measures down to 2.4% from 3.1%

Services (ex. rent) contributed the most to the downshift, while rent inflation remains high and core goods prices are now declining.

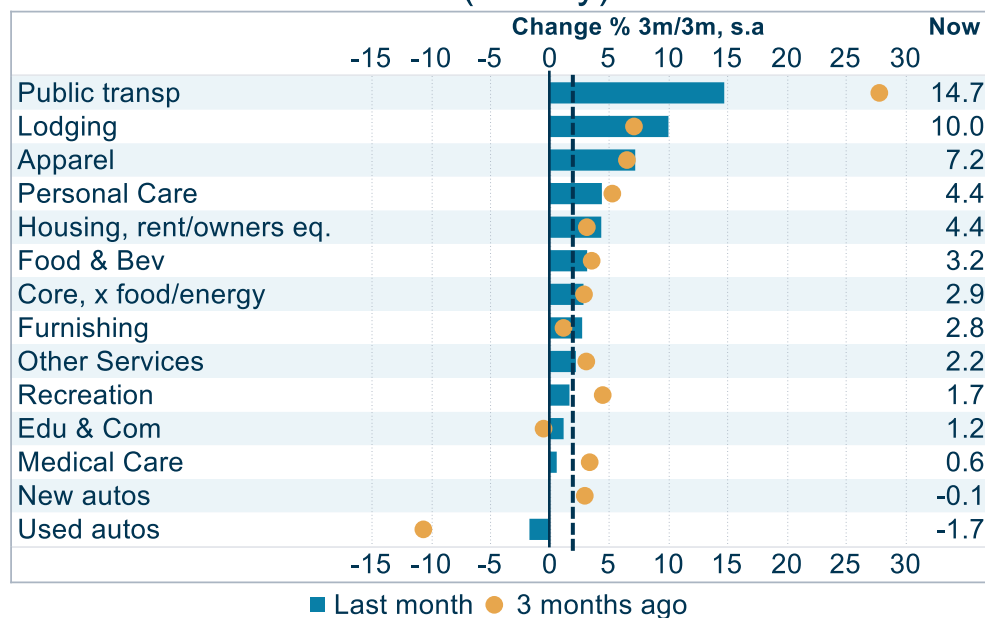




CPI growth momentum slows

9 sectors are still up more than 2% measured 3m/3m; and just 5 are below, of which one is negative (used autos). 57% of 356 sub-sectors are up more than 2% measured 3m/3m, down from 70% in April (but up from 46% a year ago).

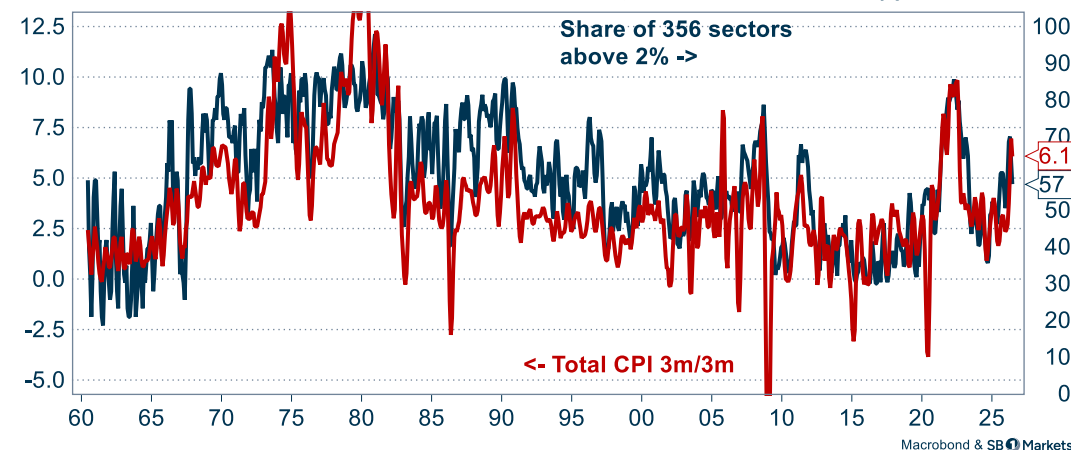
USA CPI (mostly) Core



Macrobond & SB Markets

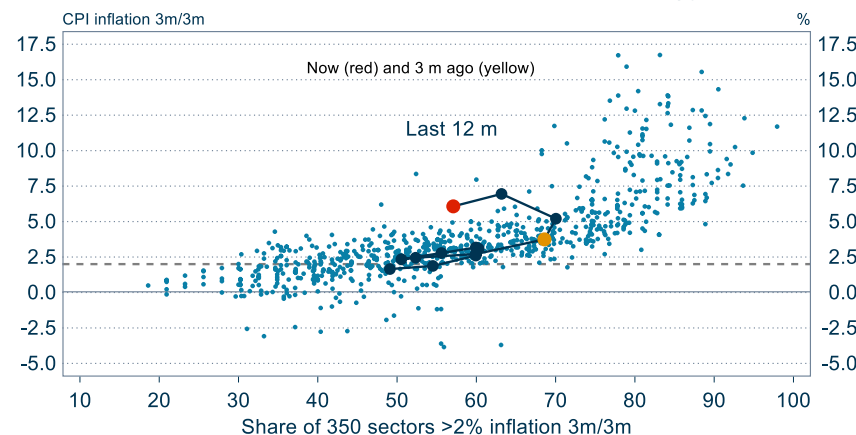
- The total CPI is up 6.1% 3m/3m, due to the surge in energy prices in March to May

USA CPI inflation 3m/3m & share above 2%



Macrobond & SB Markets

USA CPI inflation & share above 2%

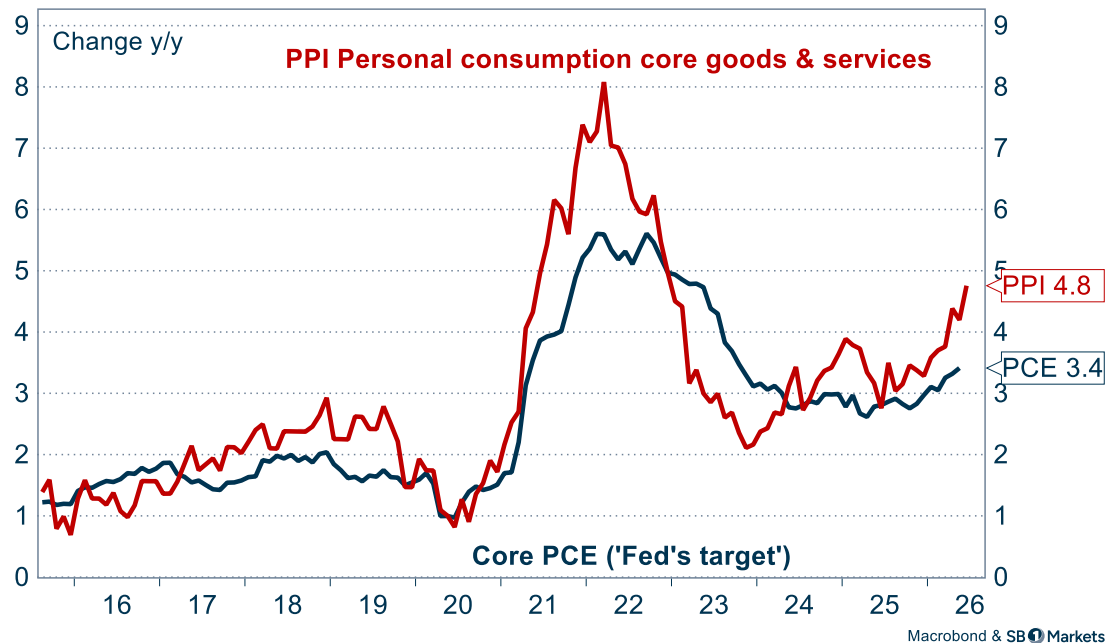


Macrobond & SB Markets

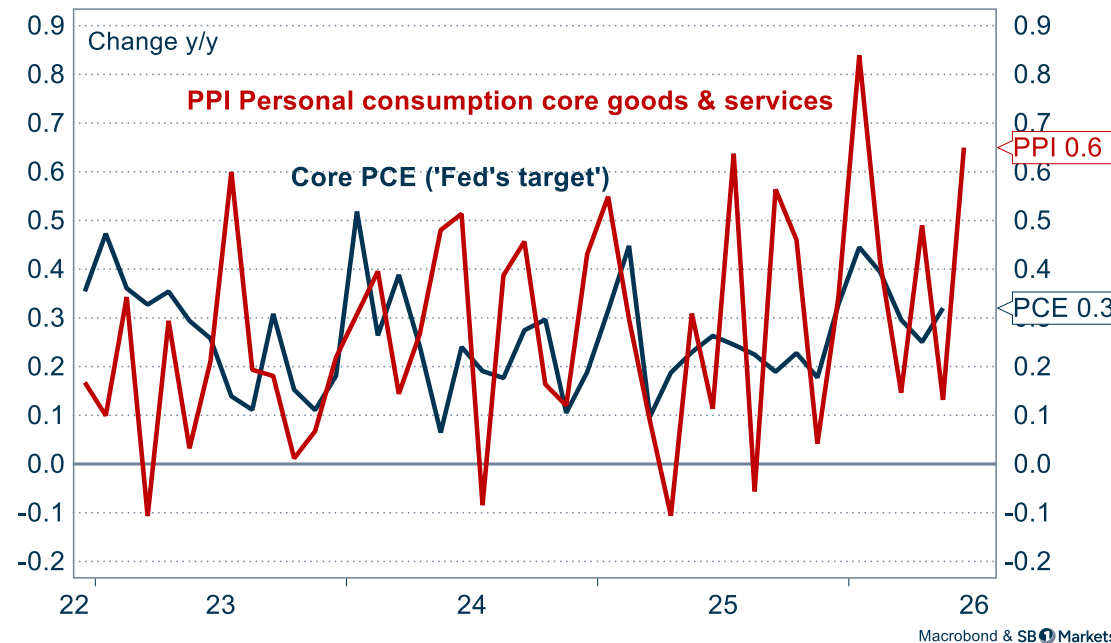
Core PPI personal consumption goods and services up 0.6% in June, 4.8% y/y

The price lift in May was revised down to 0.1% from 0.4%. Even so, price increases at the producer level have been at a high level recent months, and the lift in June was the 2nd highest since 2022.

USA Core PPI vs. PCE inflation

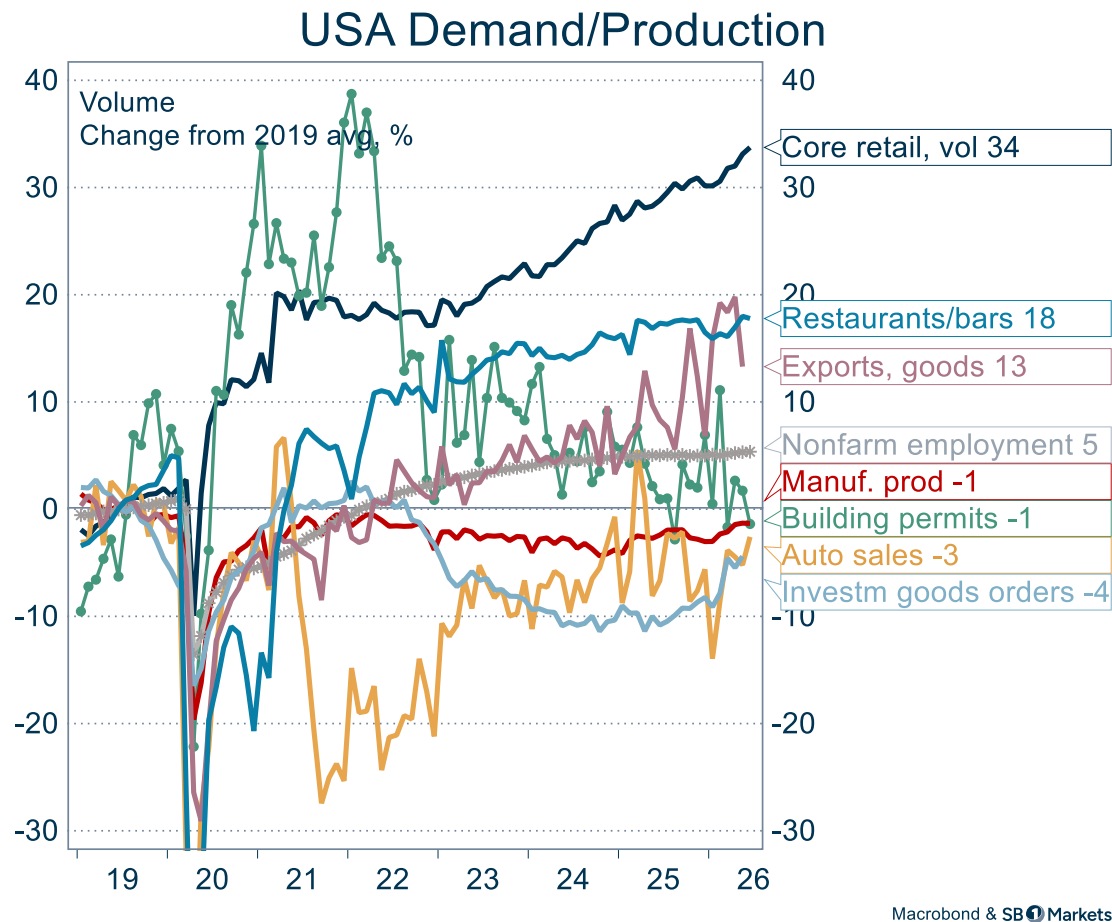


USA Core PPI vs. PCE inflation





The main real economy indicators: not that much to complain about



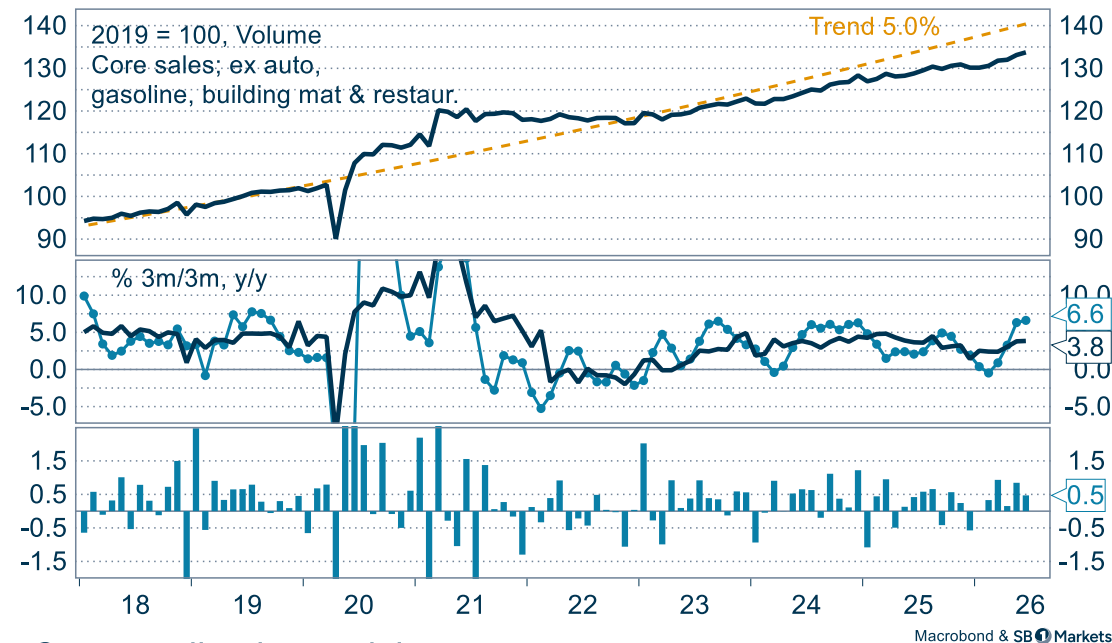
- **On the upside – all in real/volume terms**
 - **Retail sales** have recovered following the slowdown late last year.
 - **Investment goods orders** have climbed rapidly (until a flattening the past 2 months).
 - **Export volumes** are volatile, and fell in May but still trends up
 - **Nonfarm payrolls** have turned up again, following the slowdown in H2 last year.
 - **Auto sales** have recovered past 3 months (but the longer-term trend is flat).
- **Flat**
 - **Manufacturing production** has turned up so far in 2026, but not further the past 3 months.
 - **Restaurant sales** have flattened the past year.
- **On the downside**
 - **Building permits** are volatile, but trends down rather than up



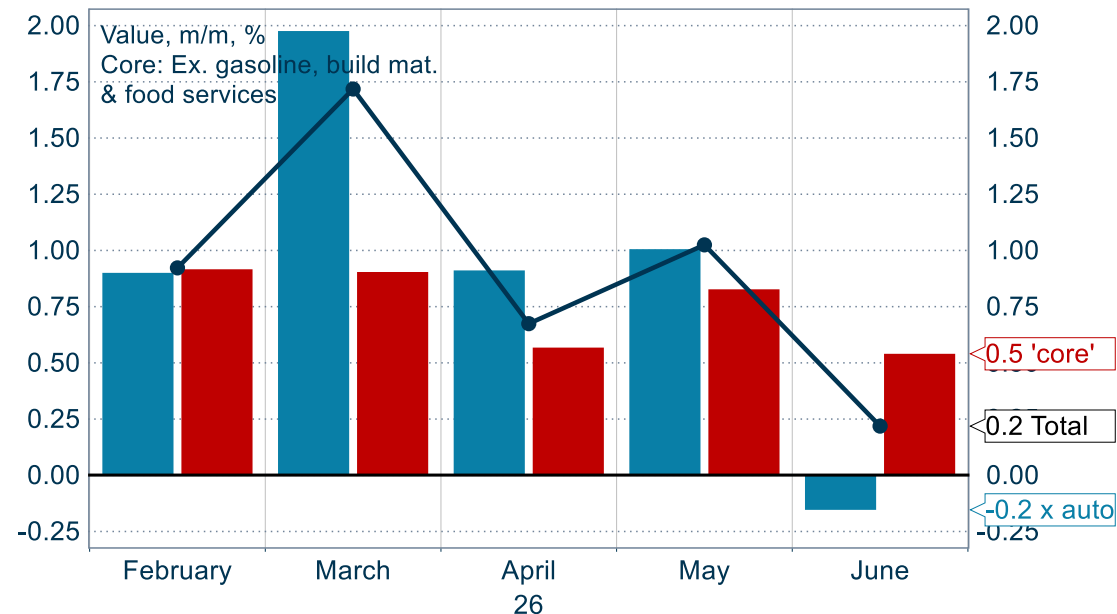
Core retail sales continued upwards in June, up at almost a 7% pace past 3 months

Total sales rose 0.2%, expected unchanged, supported by auto sales. Gasoline sales fell 5%. However, core sales rose 0.5%, we assume 0.5% in volume terms as well. Core volumes are up 6.6% 3m/3m, and private consumption now contributes significantly to GDP growth

USA Core retail sales

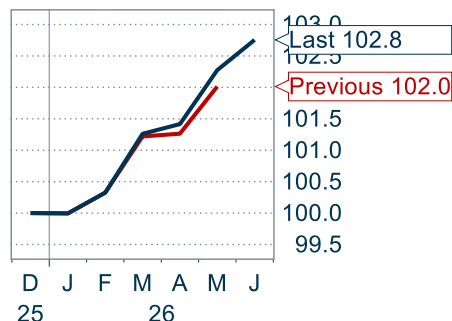


USA Retail sales



Macrobond & SB1 Markets

Core retail sales revisions



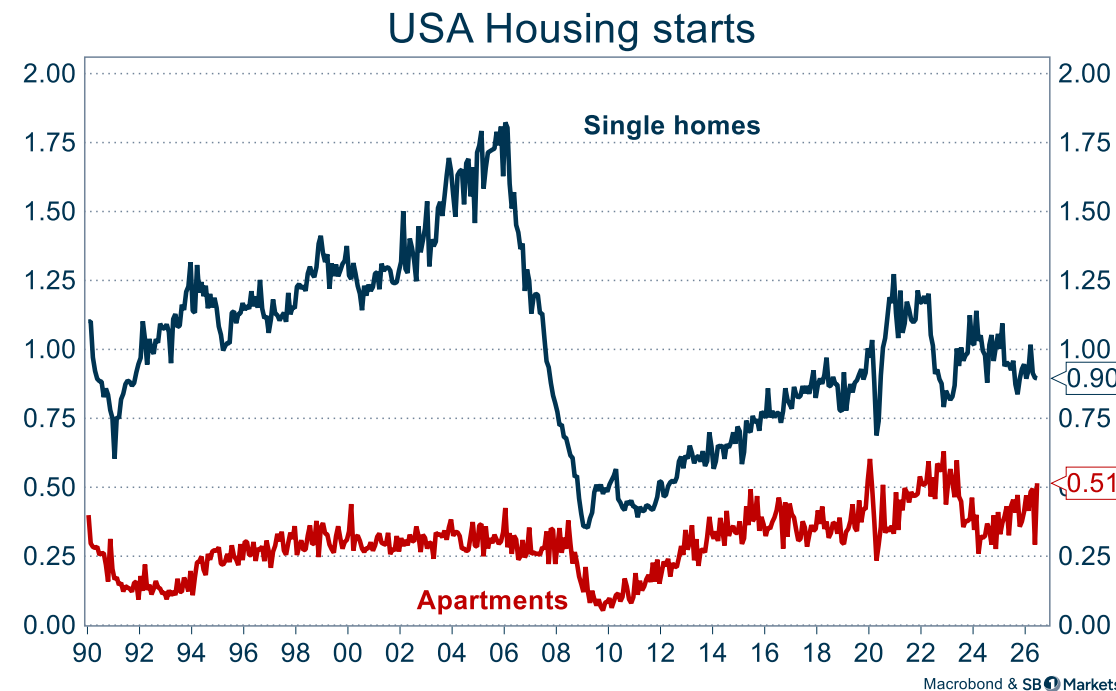
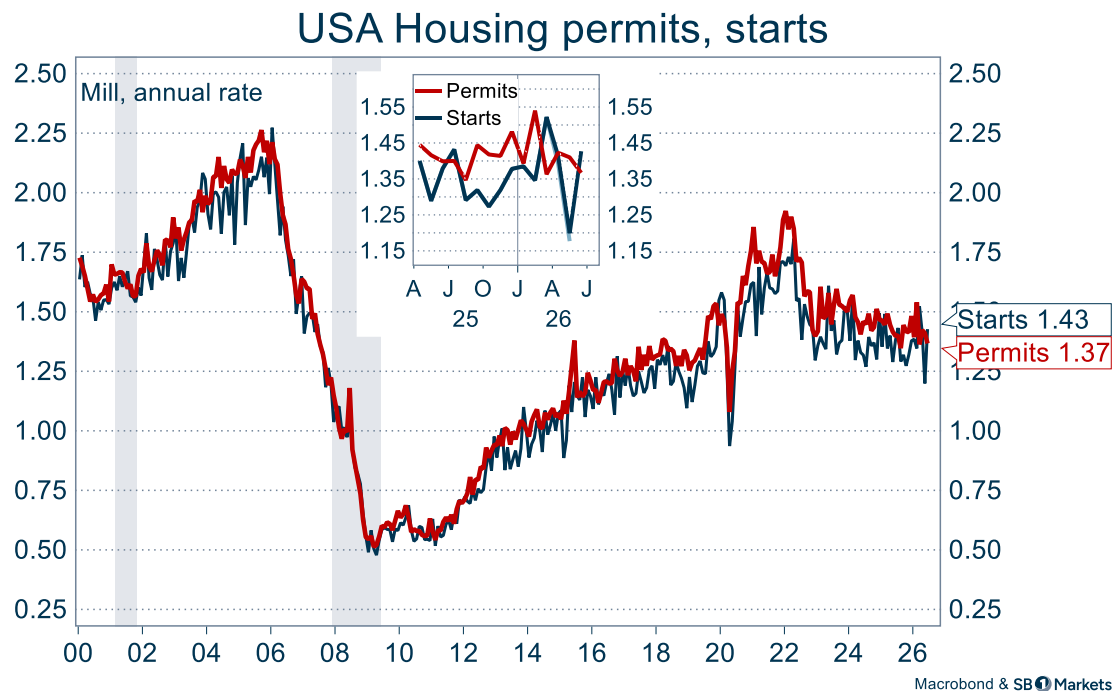
- **The June volume growth** figure is our estimate. Sales the previous months were revised slightly upwards.
- **Real disposable income** remained flat in the second half of last year, while the *savings rate fell significantly* and probably declined further in June. On a positive note, household debt growth remains low, and the debt-to-income ratio continues to decrease.

Core retail sales = Control group = Total sales, excluding autos, gasoline, building materials & restaurant sales. Food sales in stores are included
Volume growth the past 3 months is calculated by SB1M



US housing starts recovered in June but trends just flat

Starts rose to 1.43 mill. in June, from 1.20" in May, expected up to 1.31". The trend is flattish. Building permits fell slightly and are trending down which does not suggest any turnaround in residential investments.

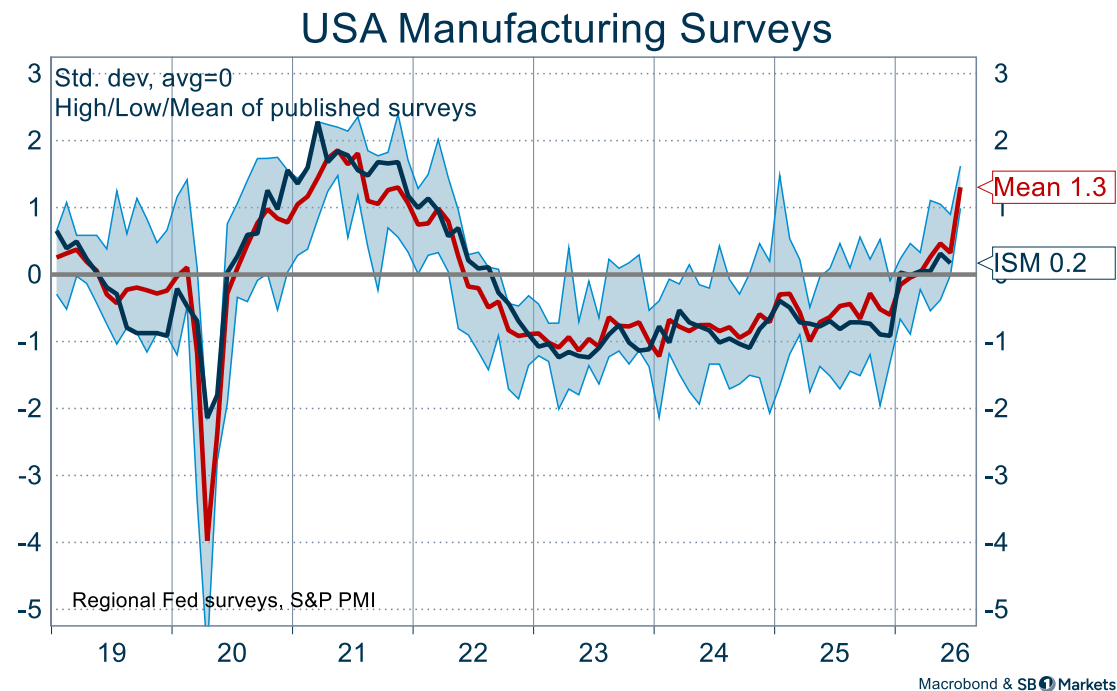
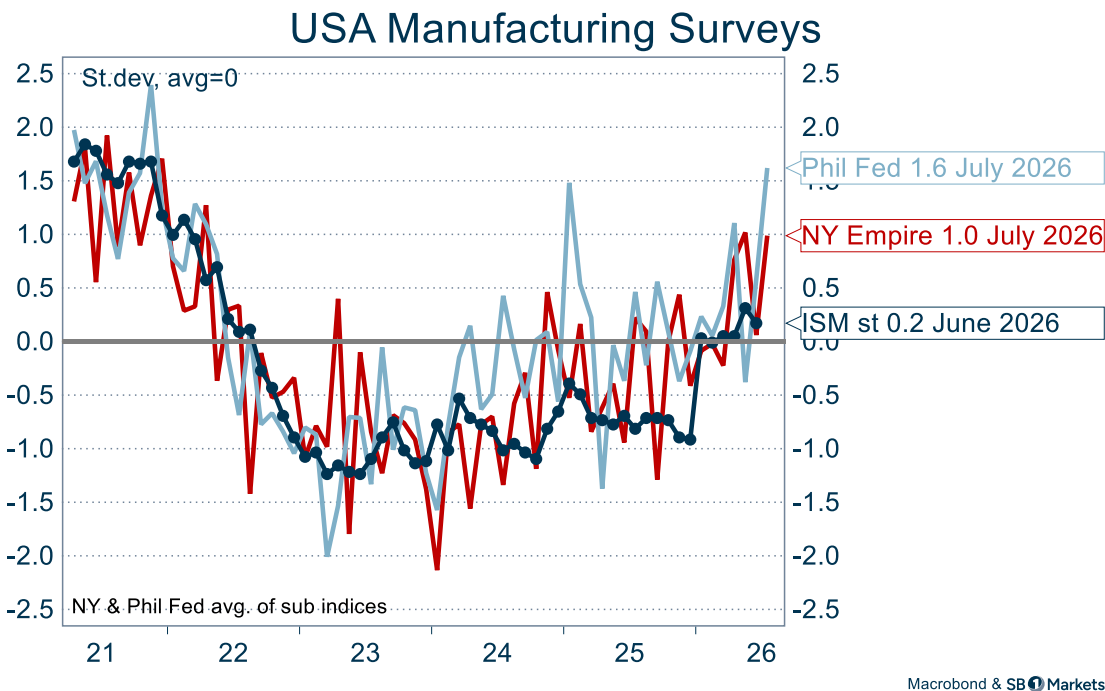


- Apartment starts lifted total starts, and are trending up, while single home starts declined somewhat.



The first glimpse of July: NY & Philly Fed manufacturing surveys both shot up

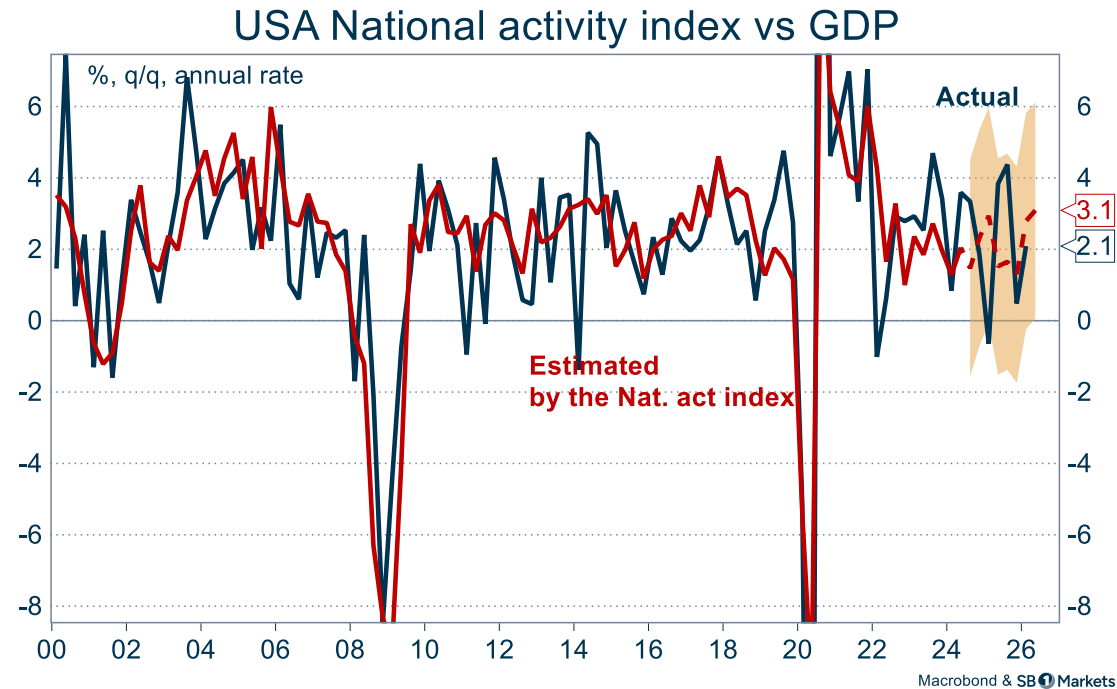
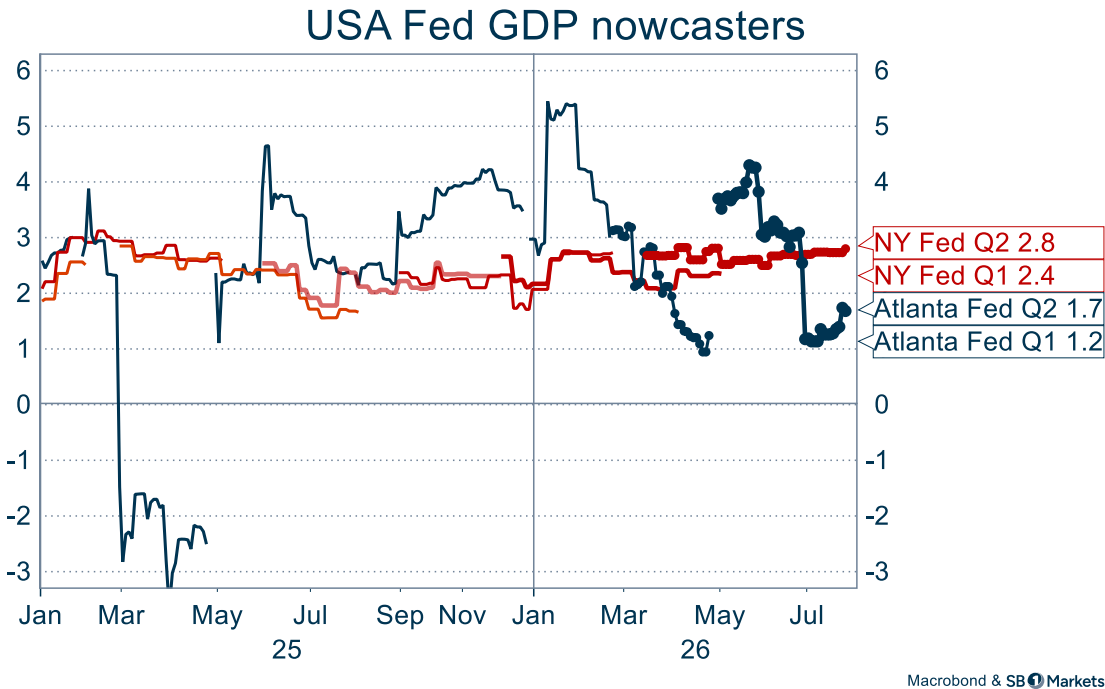
And both are at a level far above average, 1 and 1.6 std. dev. resp., on average the best level since late 2021.
The ISM index was just marginally above par in June. Actual manufacturing production was unchanged in June.





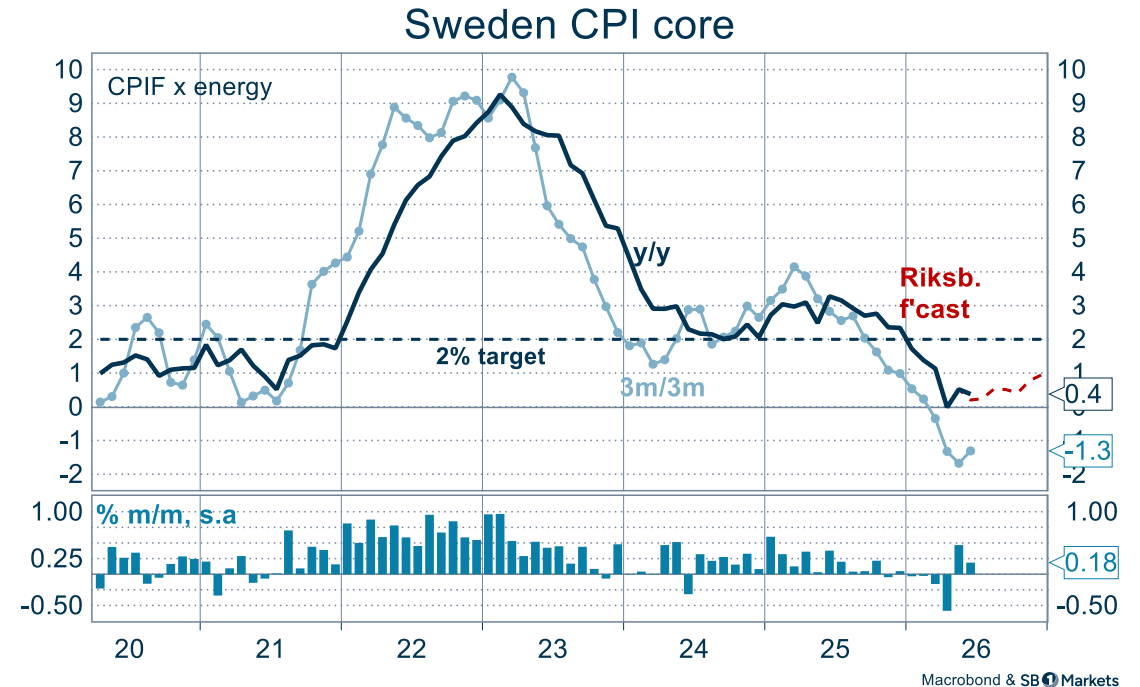
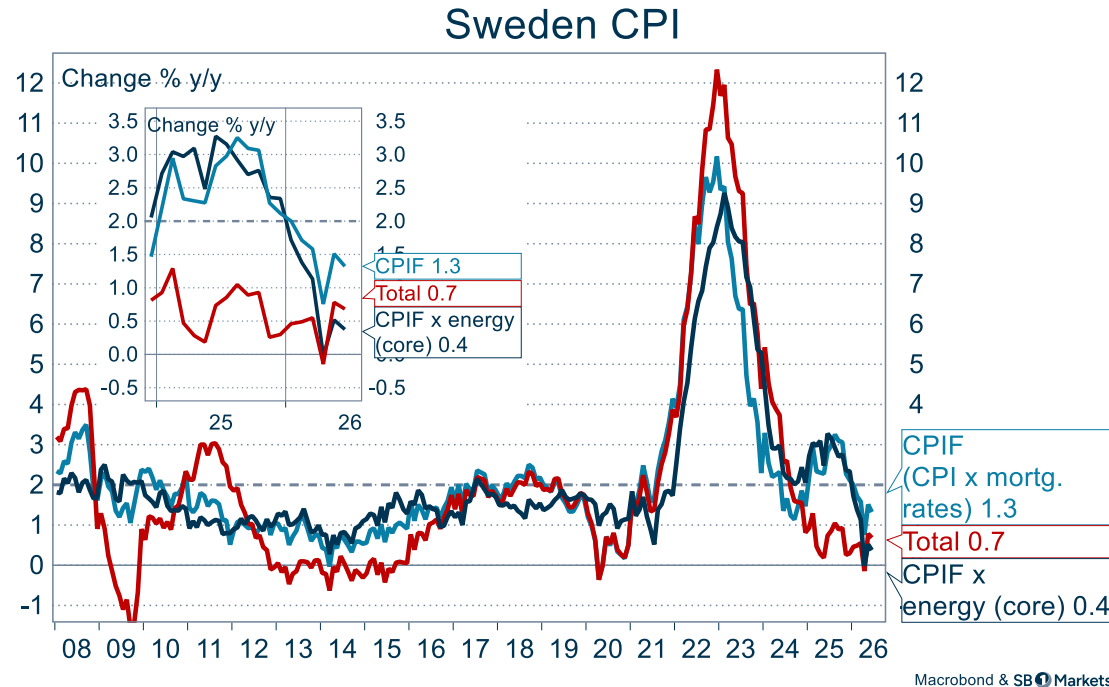
Atlanta Fed's Q2 GDP estimate has recovered to 1.7%

The decline in exports in May lowered the growth forecast substantially two weeks ago. Now, some of the decline is recovered. If Atlanta Fed is close to the ball, growth was modest for the 3rd quarter in a row in Q2.



Sweden: CPIF inflation slightly down in June, and just at 0.4% ex. energy

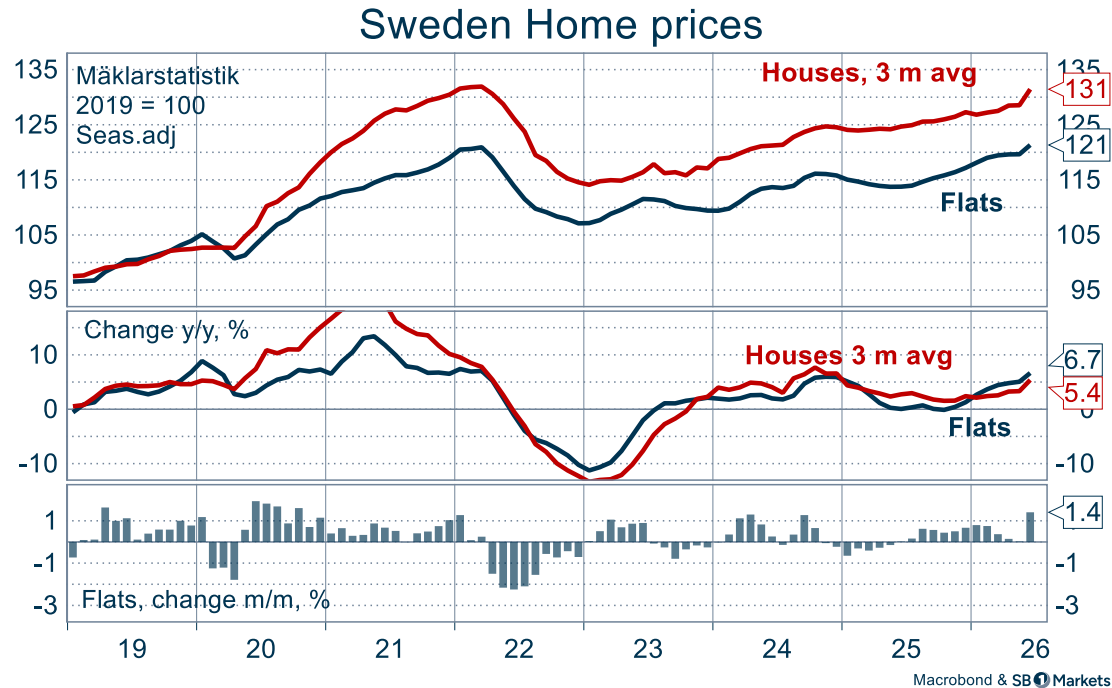
However, still marginally higher than expected. Excluding the impact of the cut in food VAT, core is at 1.3% and underlying growth in recent months has accelerated to some 2%.



- **The traditional headline CPI inflation** slowed 0.1 pp to 0.7%. Energy prices declined 0.9% but are still up 18% y/y.
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.6 pp. Thus, the **CPIF** (CPI x mortgage rates, which is usually referred to as the CPI in Sweden) was up 1.3% y/y, 0.1 pp above expectations.
- The **official core, also excluding energy** (CPIF XE) prices rise 0.18% and the annual rate was down 0.1 pp to 0.4% y/y, expected 0.3%. The Riksbank expected a 0.2% y/y growth rate.
- If food is removed as well, to compare with core prices in most other countries, prices rose 0.32% m/m, and up 1.3% y/y (check chart next page). **The underlying growth rate in recent months has increased to some 2%**
- **The Riksbank is in no hurry to do anything.**

Housing prices shot up in June, flats by 1.4% – and prices are up 6.7% y/y!

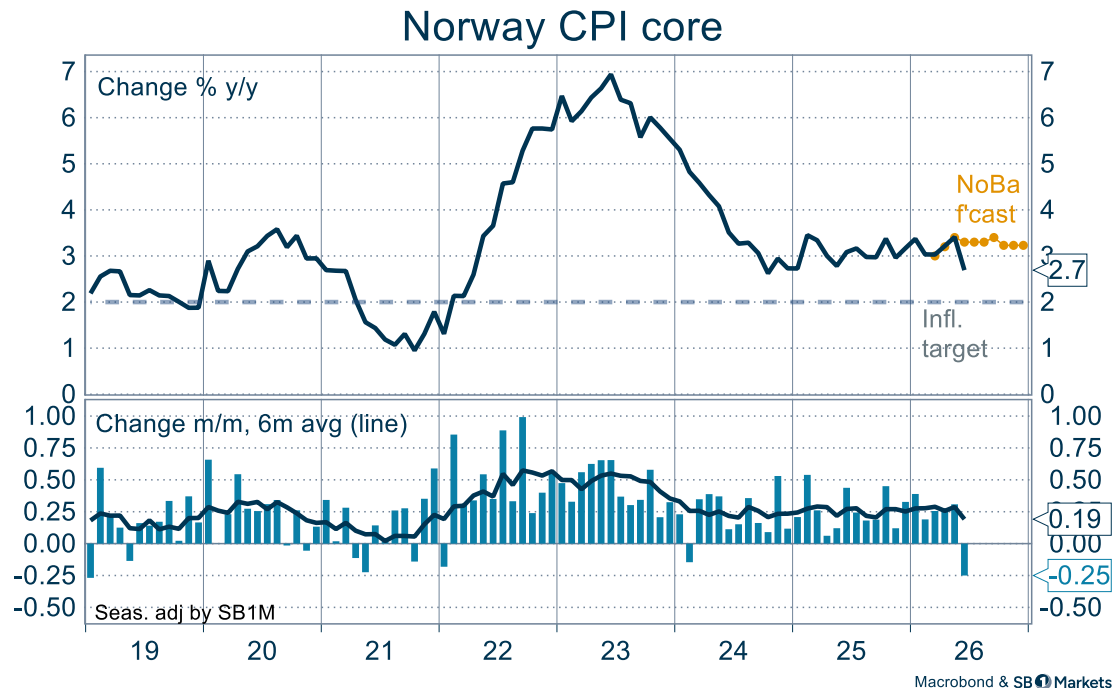
Of the 3 main cities, just Stockholm reported higher prices. House prices rose sharply as well, and the total market was up 1.1%, and prices are up more than 4% y/y (both measured as a 3m average). Sales are surging and the inventory is declining but still higher than normal



- **Flat prices** fell from late 2024 until last summer but then turned up, then flattened from early spring, until the lift in June. Disclaimer: These prices are often heavily revised, and a downward revision of June does not seem unlikely. Still, the trend is upwards, probably supported by low mortgage rates
- **Single house prices** also shot up in June, and are up 2.3% even measured as a 3m average, and the annual growth rate rose to 5.4%
- Taken together, **housing prices** were 0.5% in May, and are up 4.0% y/y, both measured as a 3m average.
 - **Nominal prices** are down 1% from early 2022 peak. **In real terms**, deflated by CPI, **prices are down 17%** – and they are back to the 2016 level – even if mortgage rates have fallen substantially in recent quarters.
 - **Norwegian** real housing prices are down 4–5% from the peak.
- **Transaction volumes** rose in April and stayed at a high level in May.
- **The inflow of existing homes for sale** has been trending down and is at a record low level but has increased slightly the past 3 months.
- **The inventory of unsold homes** heads down but remains **above normal levels**. The inventory declines because the inflow of new homes for sale is at a low level.

Core inflation (and the total) dropped to 2.7% in June, **0.5–0.6 pp below NoBa's f'casts!**

The core CPI declined 0.25% m/m, rather unusual. The 'weakness' was unusually broad, but info/communication contributed the most (0.2 pp), reversing the price increases in May.



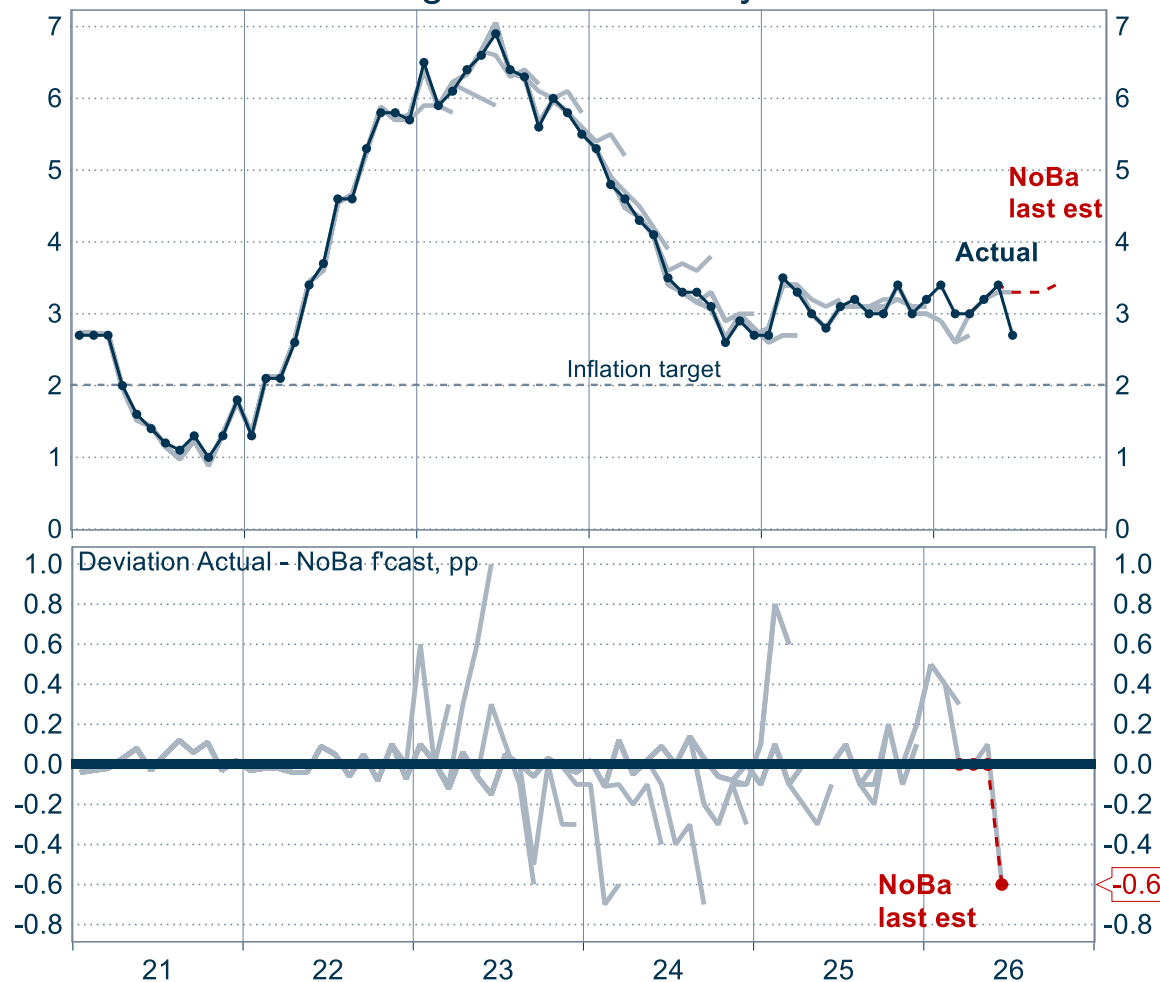
Change y/y	May 2026	June 2026
Total CPI	3.1	2.7
Norges Bank f'c	3.1	3.2
Core CPI	3.4	2.7
Norges Bank f'c	3.4	3.3

- **CPI-ATE** (ex. energy and taxes) annual has been trending flat, at best. It still is, but the 'starting point' for short-term forecasts is significantly lower than in May
 - **Core imported goods prices** declined 0.7% in June, due to information and communication equipment and services (TV sales ahead of the World Cup) and clothing. The annual rate fell 1.1 pp to 1.7%, well below NoBa's f'cast. Our model suggests negative growth rates → some downside potential.
 - **Core domestically produced goods and services prices** were flat in June, and are up 3.2% y/y, also below NoBa's f'cast. Lower growth in Unit Labour Cost inflation suggests declining pressure from the cost side over time.
 - **Food prices** have been growing at a slow pace so far in 2026, at less than 1% annualised. The annual rate has fallen to 2.3%. Some WC sales may have impacted June prices somewhat. The 3.2% drop in Info/Com. prices m/m in June followed a similar price lift in May.
 - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.1%
 - Our measures of **underlying price growth** collapsed in June, due to the highly unusual m/m price decline.
- **Electricity prices** are close to flat y/y, and **gasoline prices** are down, thanks to the April/May tax cuts. **The total CPI growth** at 2.7% is well below wage growth
- **Inflation is still too high**, but the June data were a huge surprise, and even lower than we assumed following the release of the main data some days before the (delayed) full data set was released. Rate expectations fell (in total, due to both releases) some 10 bps, which seems fair. A rate hike is still discounted.

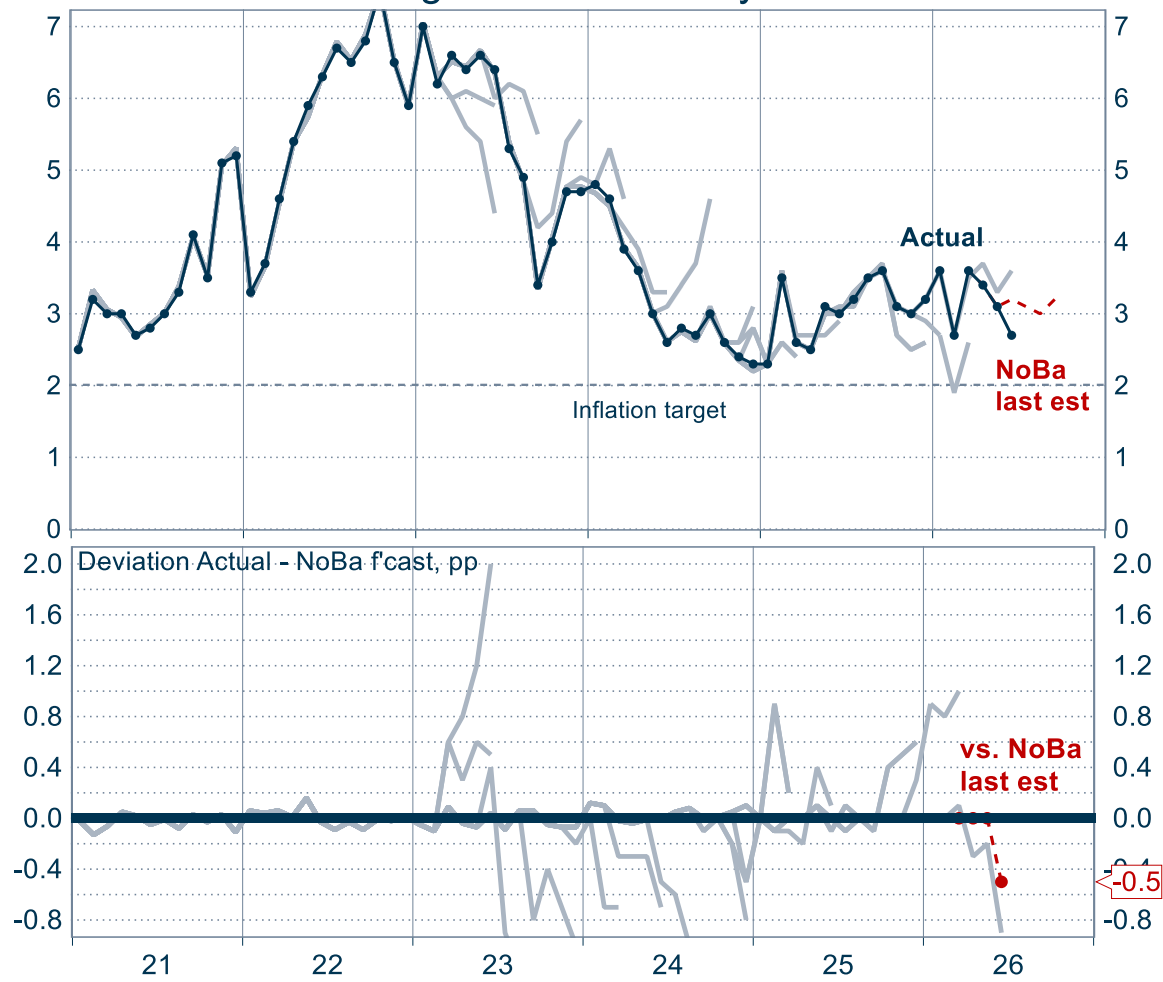
June core inflation 0.6 pp lower than NoBa assumed in the June MPR

This was the largest 'front-month' deviation vs. forecast ever (up or down). Thus, the upcoming July CPI report will be really important vs. NoBa's rate decision. The headline CPI was 0.5 pp lower than expected

Norway CPI core (ATE) inflation
vs. Norges Bank monthly f'casts



Norway CPI inflation
vs. Norges Bank monthly f'casts



Core prices fell 0.3% m/m, and a large majority of sectors contributed

Info and communication prices fell the most, but food, clothing, airfare, recreation, financial services and other goods and services contributed on the downside! Transport ex. airfare, restaurants contributed the most on the upside. Imported goods were down 0.7% m/m, domestic unch!

Jun-26 CPI ATE, seas adj.	Actual	Change m/m, seas. adj			Change y/y			Contribution, pp			
	Weight %	Out-come	SB1M f'cast	Dev. pp	Prev. month	Out-come	SB1M f'cast	m/m	y/y	y/y change	vs. y/y f'cast
Food, non alc bev	10.5	-0.2	0.2	-0.4	3.4	2.4	3.4	-0.03	0.30	-0.11	-0.13
Alcohol, tobacco	3.4	-0.0	0.2	-0.2	3.7	3.2	3.6	-0.00	0.13	-0.02	-0.01
Clothing, footwear	4.3	-0.5	0.0	-0.5	1.8	2.6	3.5	-0.02	0.12	0.04	-0.04
Housing x. energy	27.5	0.2	0.3	-0.1	3.8	3.6	3.7	0.05	0.82	-0.06	-0.03
Furnishings	5.9	0.0	0.2	-0.1	2.3	2.3	2.3	0.00	0.14	0.00	0.00
Health	3.2	0.1	0.3	-0.2	4.1	3.8	3.9	0.00	0.13	-0.01	-0.00
Transp. ex. gas, airfares	11.4	0.4	-0.1	0.5	1.8	1.6	1.5	0.05	0.23	-0.02	0.02
Airfare	1.1	-0.8	4.0	-4.8	1.8	-4.0	1.0	-0.01	-0.05	-0.06	-0.07
Info & communication	5.3	-3.2	0.1	-3.3	5.7	1.8	5.0	-0.18	0.08	-0.21	-0.15
Recreation, culture	8.5	-0.1	0.3	-0.4	3.8	3.2	3.7	-0.01	0.36	-0.05	-0.05
Education (not s.a)	0.6	0.0	0.0	0.0	2.4	2.4	2.4	0.00	0.01	0.00	0.00
Restaurants, hotels	5.9	0.4	0.3	0.1	6.2	6.0	5.8	0.03	0.43	-0.01	0.02
Financial services	2.7	-0.2	0.3	-0.5	8.2	8.9	7.9	-0.01	0.26	0.02	0.03
Other goods, services	4.8	-0.2	0.4	-0.6	-1.5	-2.4	-1.8	-0.01	-0.14	-0.05	-0.04
CPI-ATE, s.a	94.9	-0.3	0.23	-0.48	3.41	2.7	3.2				
<i>Norges Bank est.</i>			0.3		3.4		3.3				
Imported	35	-0.7	0.1	-0.9	2.8	1.7	2.7	-0.25	0.60	-0.37	
Domestic	60	-0.0	0.3	-0.3	3.7	3.2	3.5	-0.01	1.91	-0.33	
Energy, housing (x s.a)	3.2	-3.3	-4.0	0.7	-2.2	0.5	0.0	-0.11	0.02	0.09	0.02
Energy, transport (x s.a)	1.4	-3.9	-3.3	-0.6	0.3	-1.8	0.4	-0.05	-0.03	-0.03	-0.03
CPI Total (not sa)	100	-0.0	0.0	-0.0	3.1	2.70	3.1				
<i>Norges Bank est.</i>		0.1		-0.1	3.1	3.2					

Change m/m, seasonally adjusted (calc by SB1M)

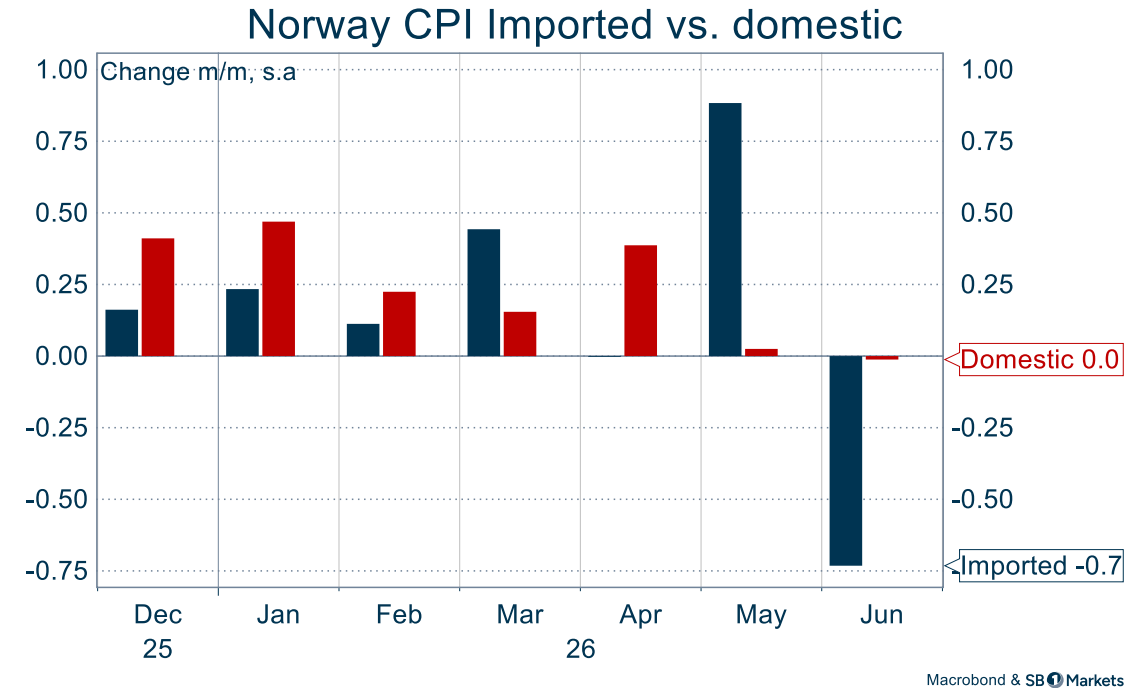
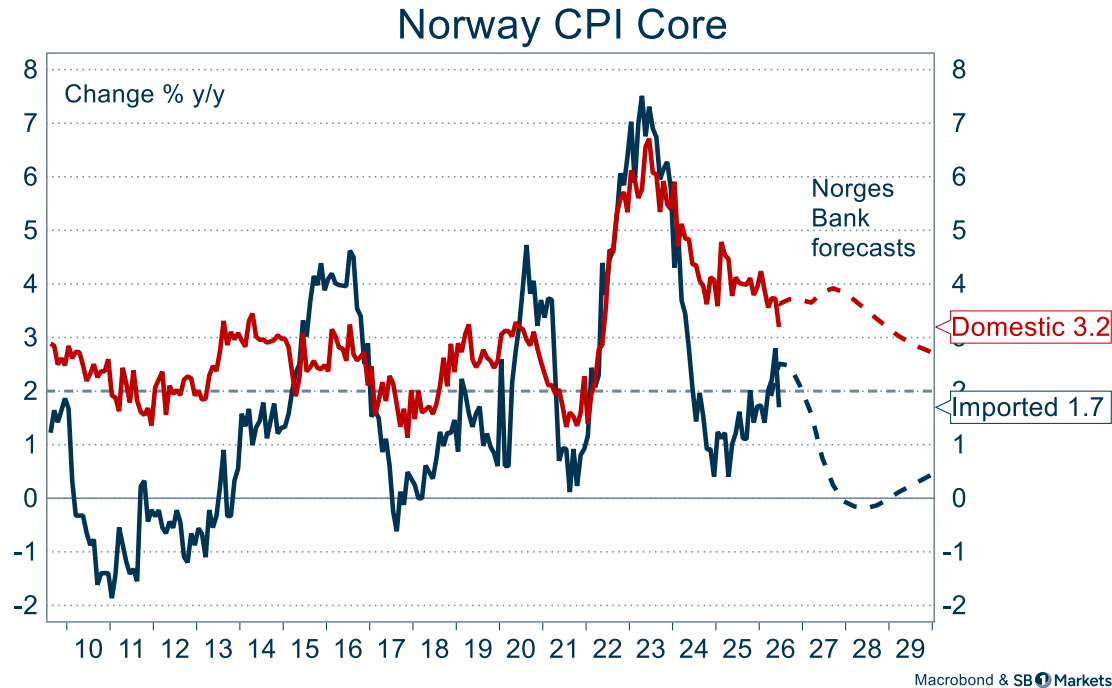
Sum of parts does not necessarily add up to totals

Norges Bank m/m s.a. estimate is implied, calc by SB1M

Monthly changes are seasonally adjusted by SB1 Markets. The weighted sum of the components does not necessarily sum up exactly to the total, and deviations m/m and y/y do not necessarily add up (when the seasonal pattern is unstable/changing). Norges Bank m/m s.a. estimate is implied, calculated by us. Sources: SSB, Norges Bank, SB1 Markets calculations.

Imported inflation turned down in June, by 1.1 pp to 1.7%, domestic by 0.5 pp to 3.2%

Both were well below NoBa's (and our) forecasts. Imported prices declined 0.7% m/m in June, mostly due to lower TV and clothing prices. Domestic prices were unchanged m/m, and the annual rate at 3.2%, also below NoBa's (Q2 and implied June) forecast.

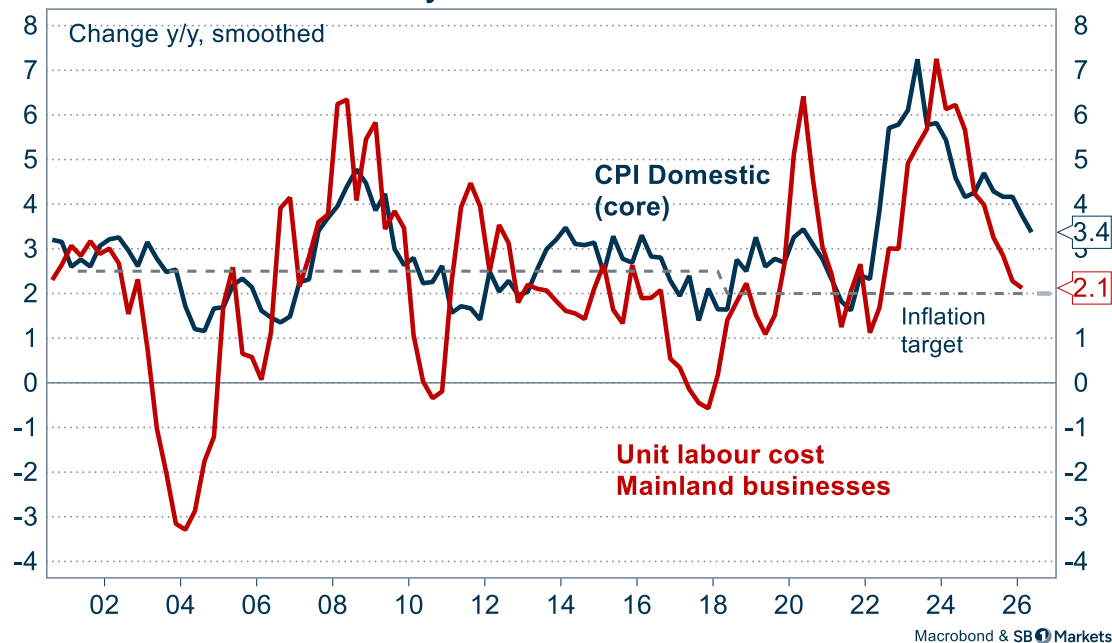


- In August, domestic inflation will be lifted by some 0.4 pp due to the base impact of kindergarten subsidies implemented a year ago.

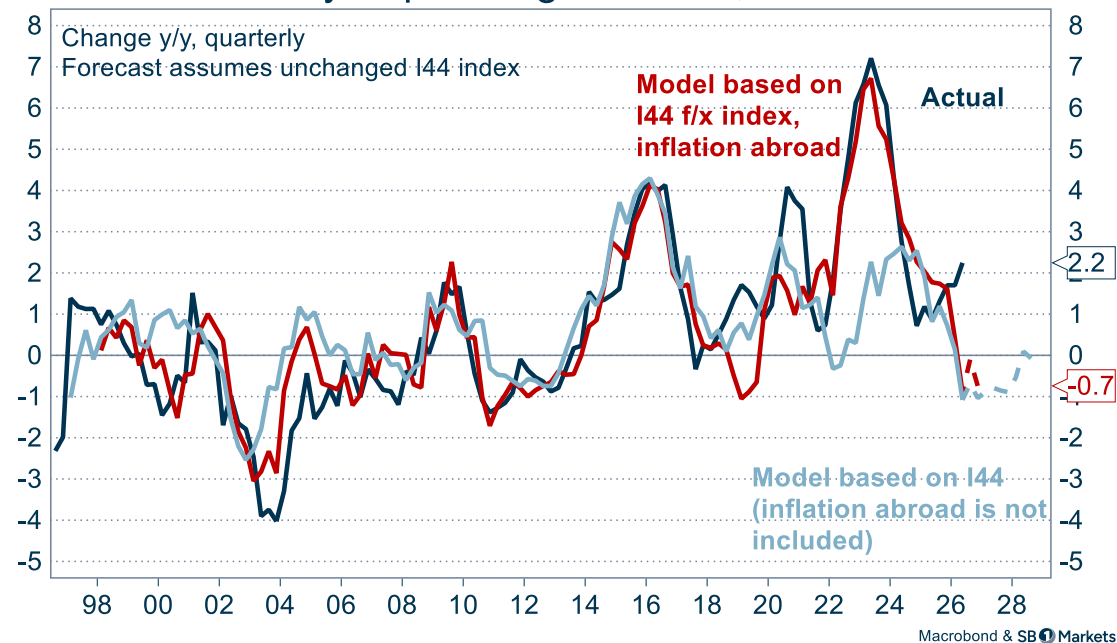
Domestic costs and imported goods: Arguments for expecting **lower inflation!**

Underlying growth in Unit Labour Costs is higher than the current 2% (2q avg) growth rate – but is slowing. Our model for *imported goods* prices suggests a steep decline over the coming months, from 2.6% to **below zero, due to the NOK appreciation.**

Norway CPI vs labour costs



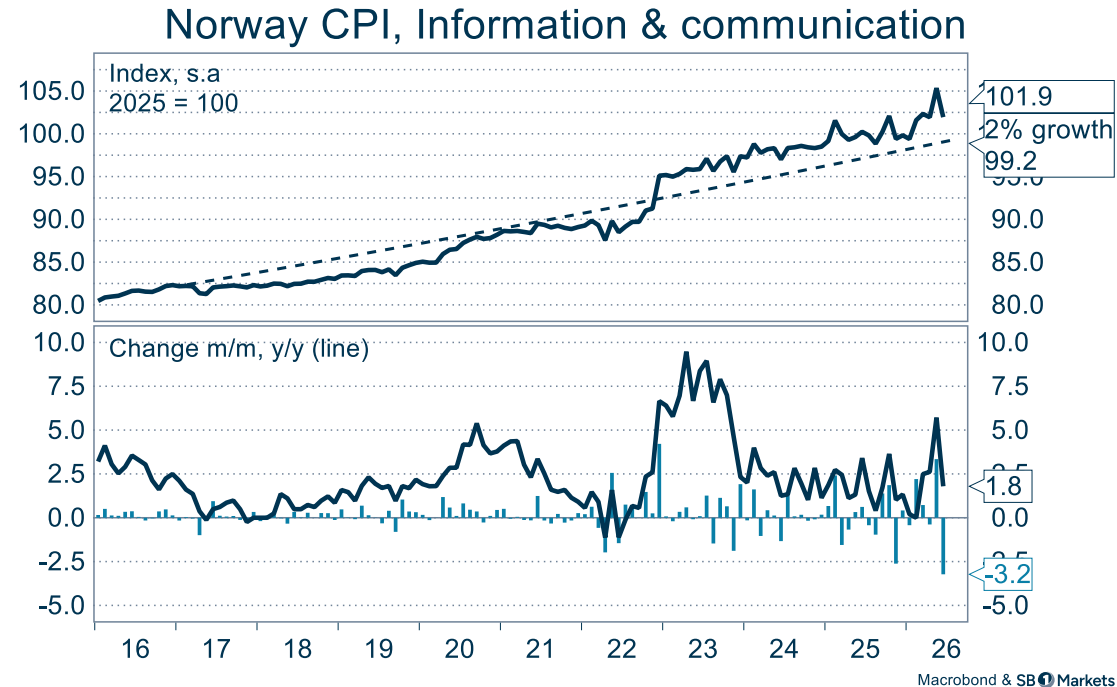
Norway Imported goods CPI, f/x-model



- **Core domestic CPI inflation slowed in June.** ULC inflation is slowing and does not signal any reversal.
- **Imported goods:** Our model signals a decline in prices, from the current 2.2% level (in Q2; 1.7% in June). **A drop to zero will lower total inflation by 0.8 pp!**

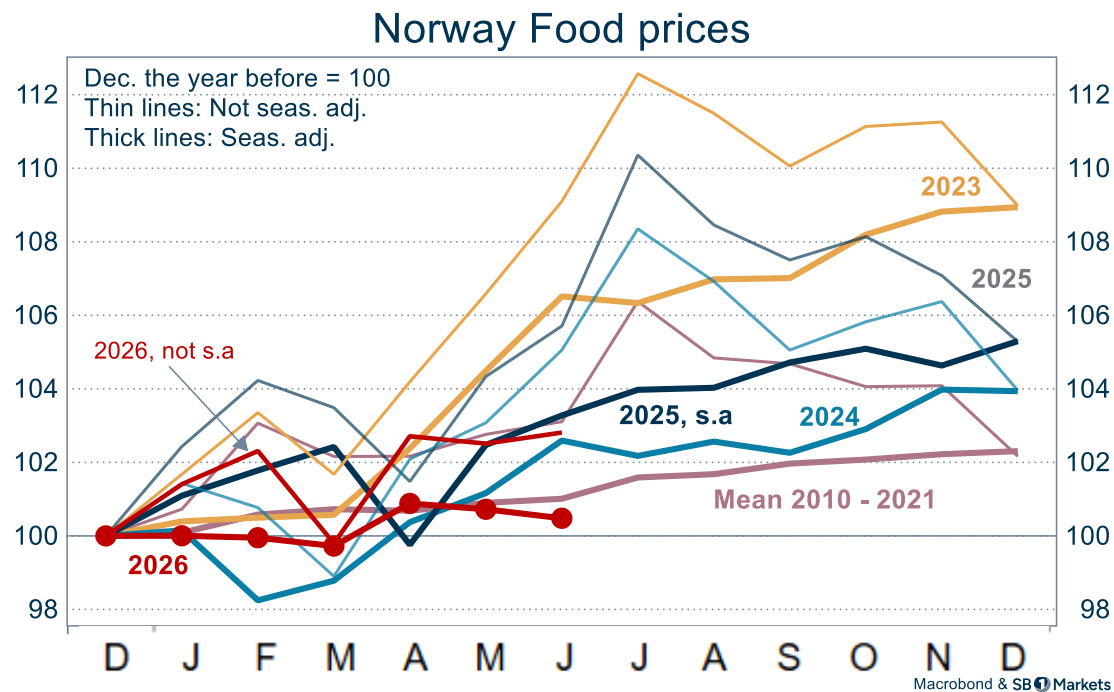
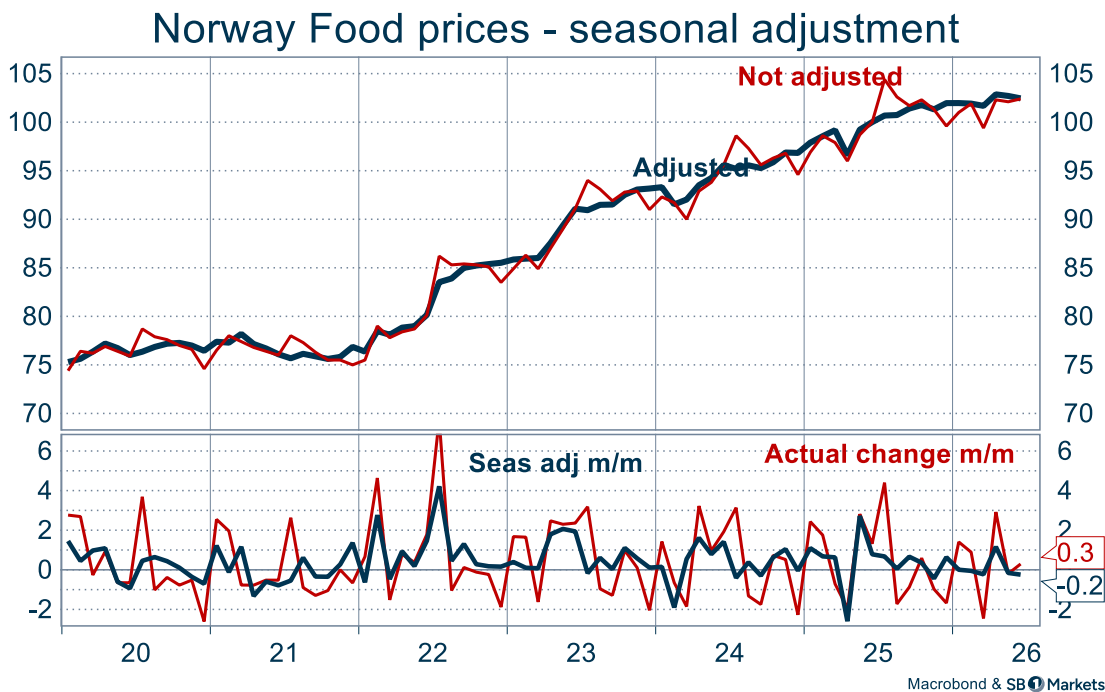
Information & communication (mobile phones, PCs, subscriptions) reversed the May lift

Prices fell 3.2% in June, following the 3.3% lift in May. The drop in June may be partly due to sales of TVs ahead of the World Cup. However, the lift in May was unusual as well. The coming months: iPhone prices will be lifted substantially; will other producers follow?



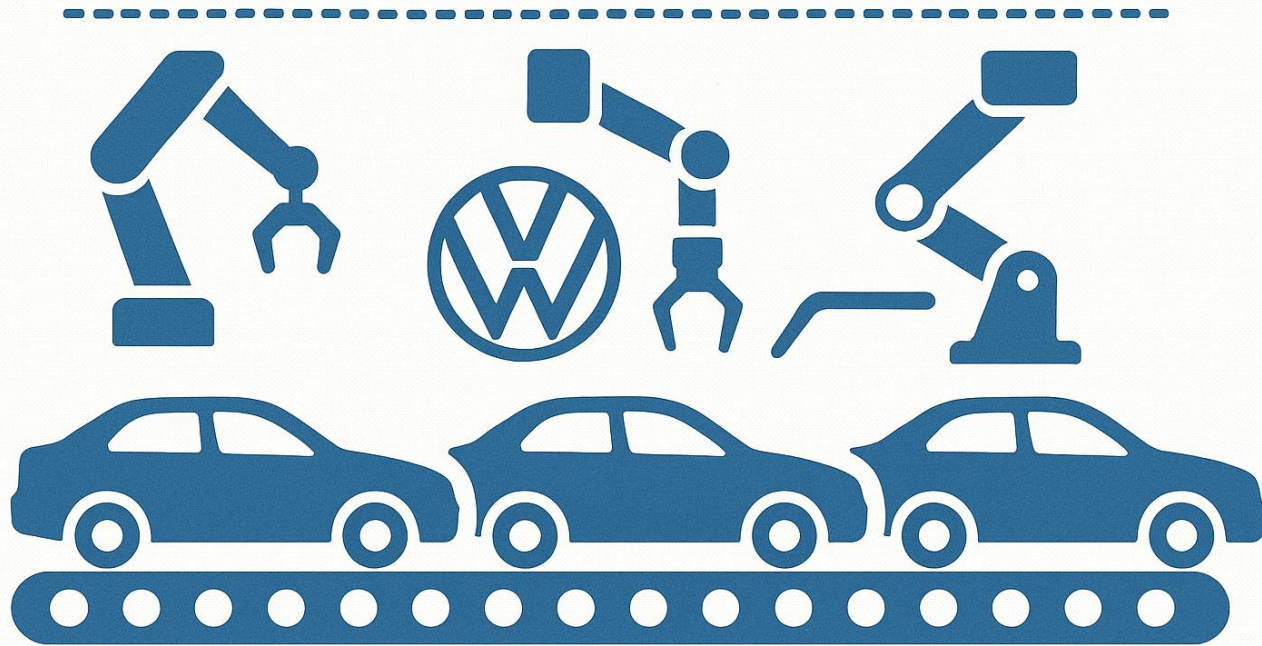
CPI: So far in 2026, a modest lift in food prices

Prices fell marginally in both May and June





2. Major economies



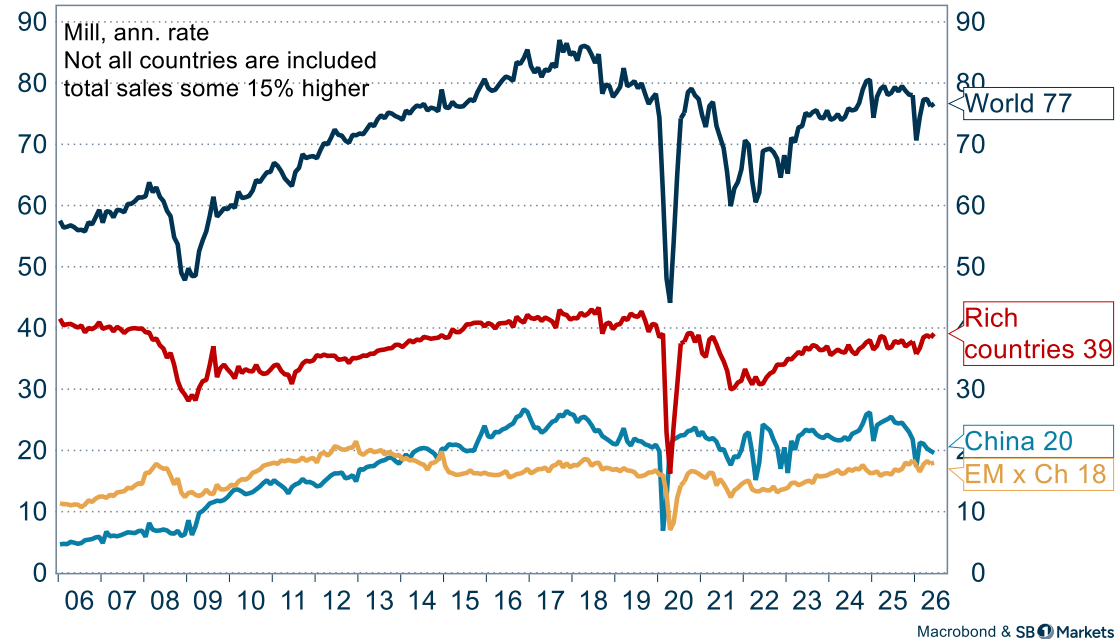
Auto sales



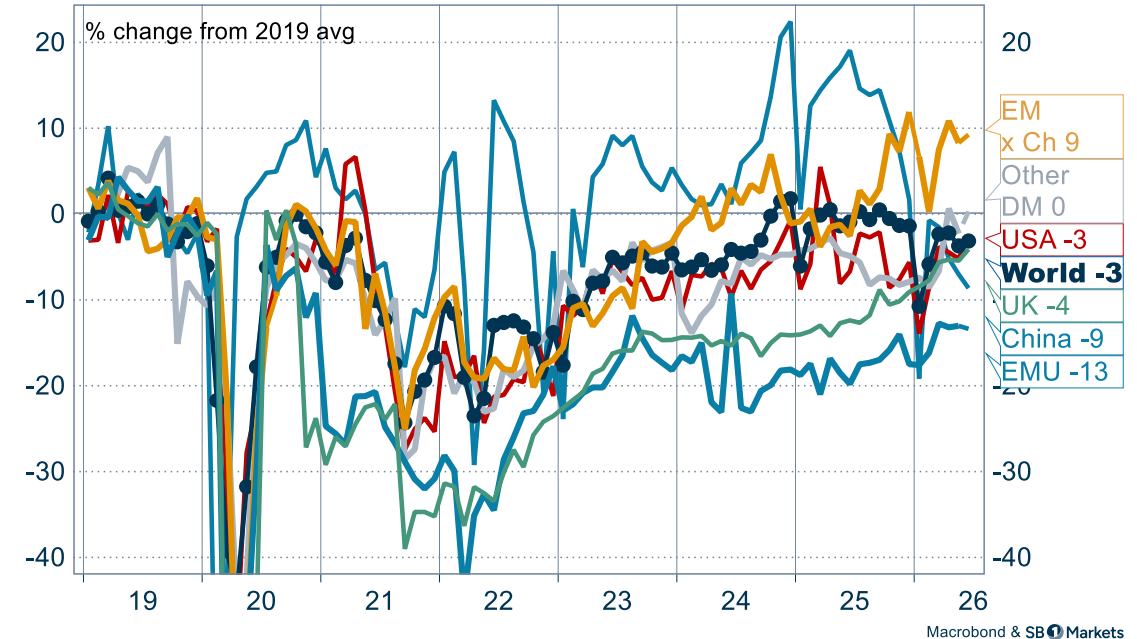
Auto sales are trending up in DM, EM ex. China – but the decline in China is larger

Chinese sales declined further and down 23% y/y and down 9% from 2019. Global sales rose slightly in June, as sales rose in US, and marginally in EM ex. China, where sales are up 9% from 2019. DM sales are down 6% vs. 2019, dragged down by EMU, -13%.

Global auto sales



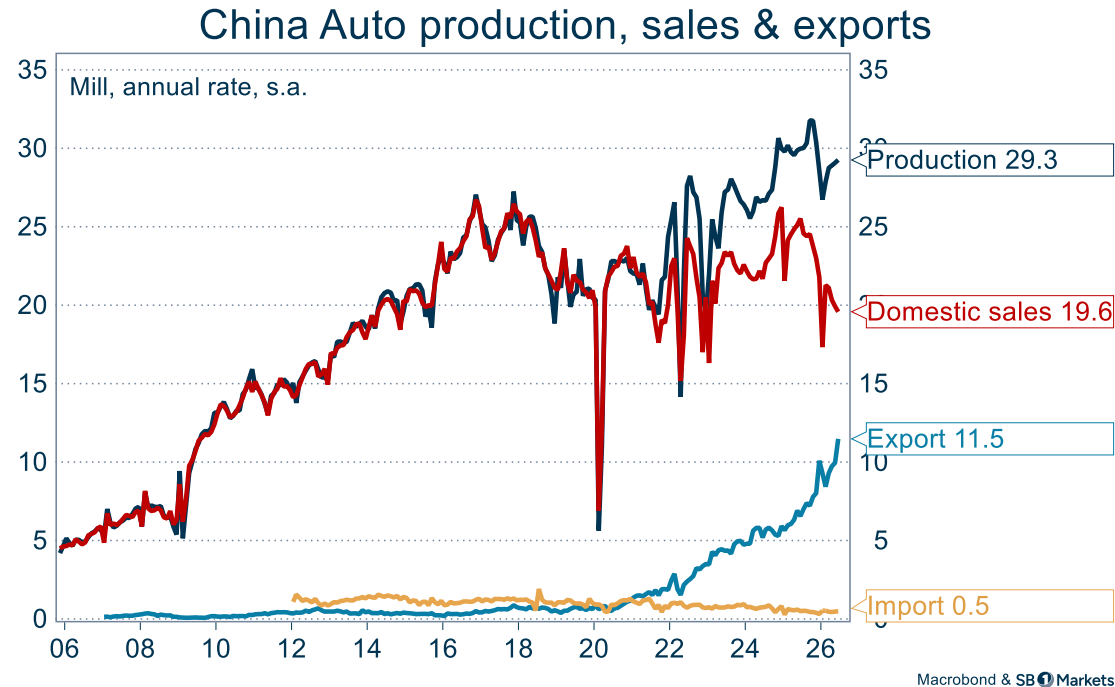
Global auto sales





For how long will this model work?

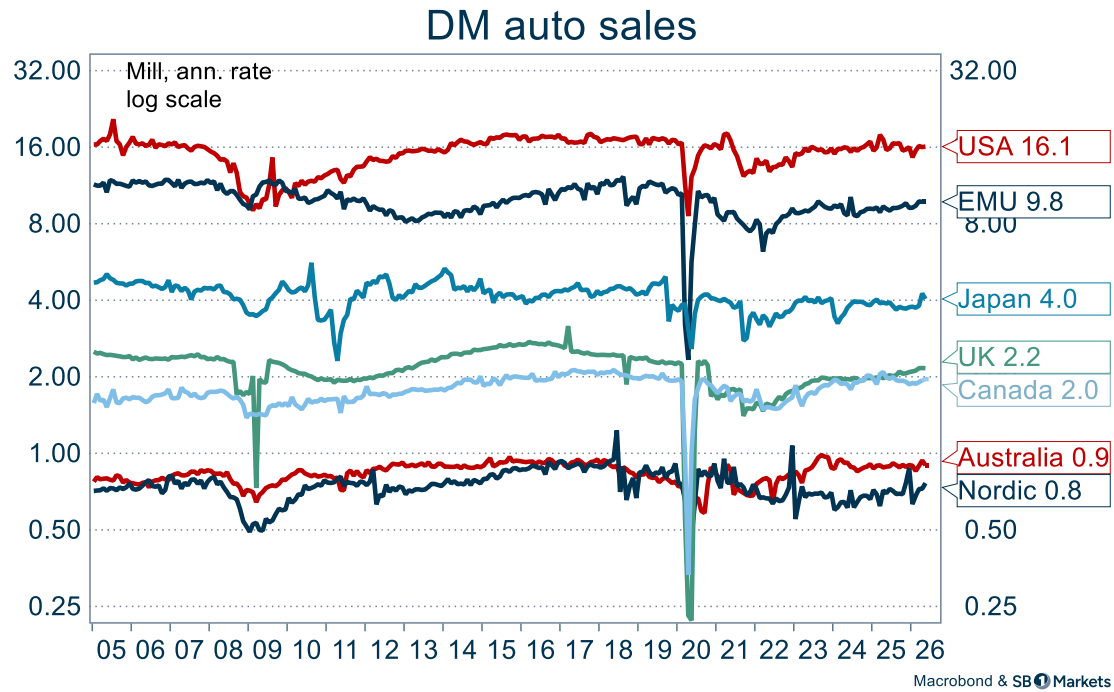
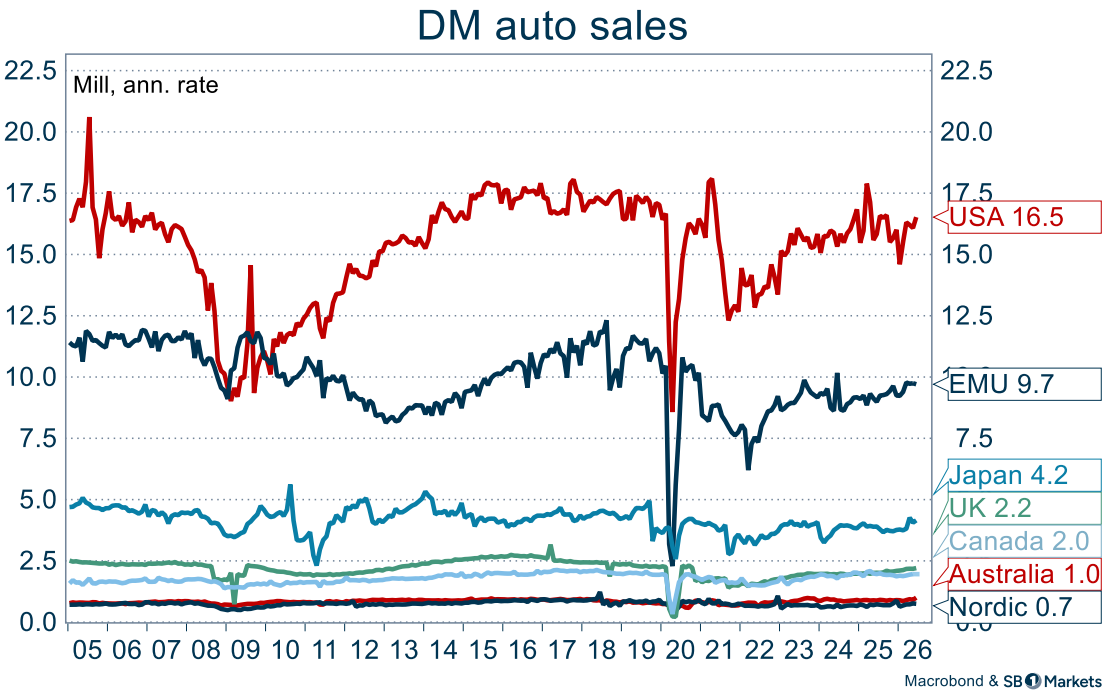
Chinese auto exports have been soaring, as domestic sales have fallen substantially without a decline in production (until lately). Chinese exports suddenly equal 1/3 of Chinese production, and almost 1/7 of sales in the Rest of the World, from close to zero in 2020.



- Imports? Close to zero.



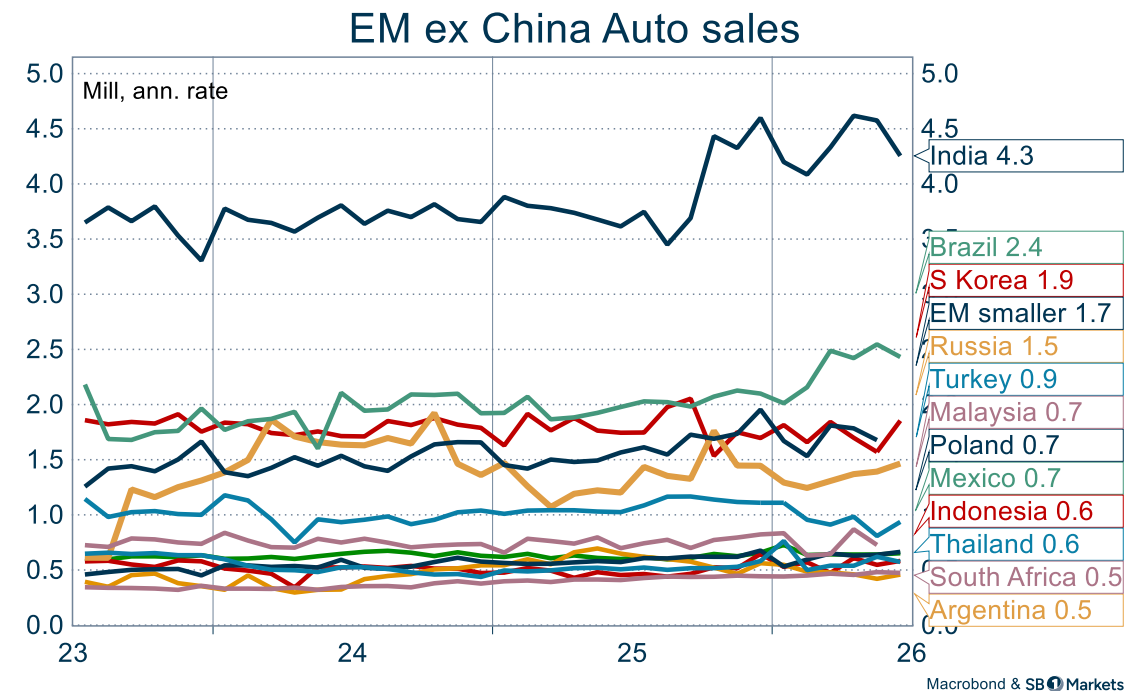
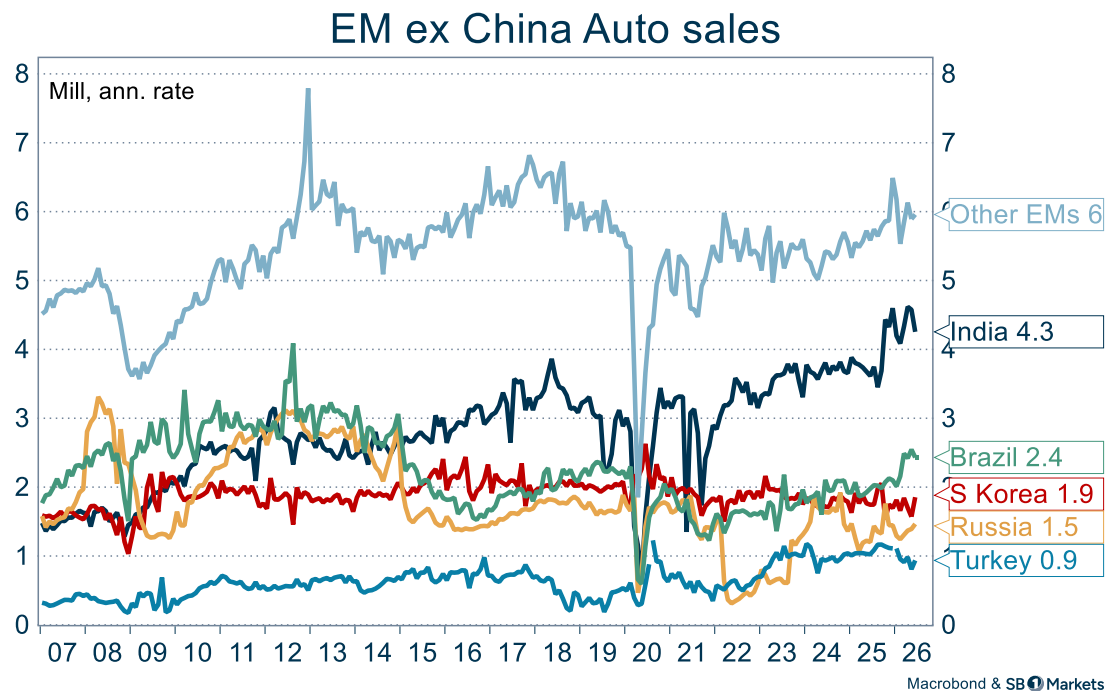
DM auto sales trend up: Japan, EMU & UK head marginally up, USA has recovered lately





Indian auto sales have flattened, at a very high level. Brazil still trends upwards

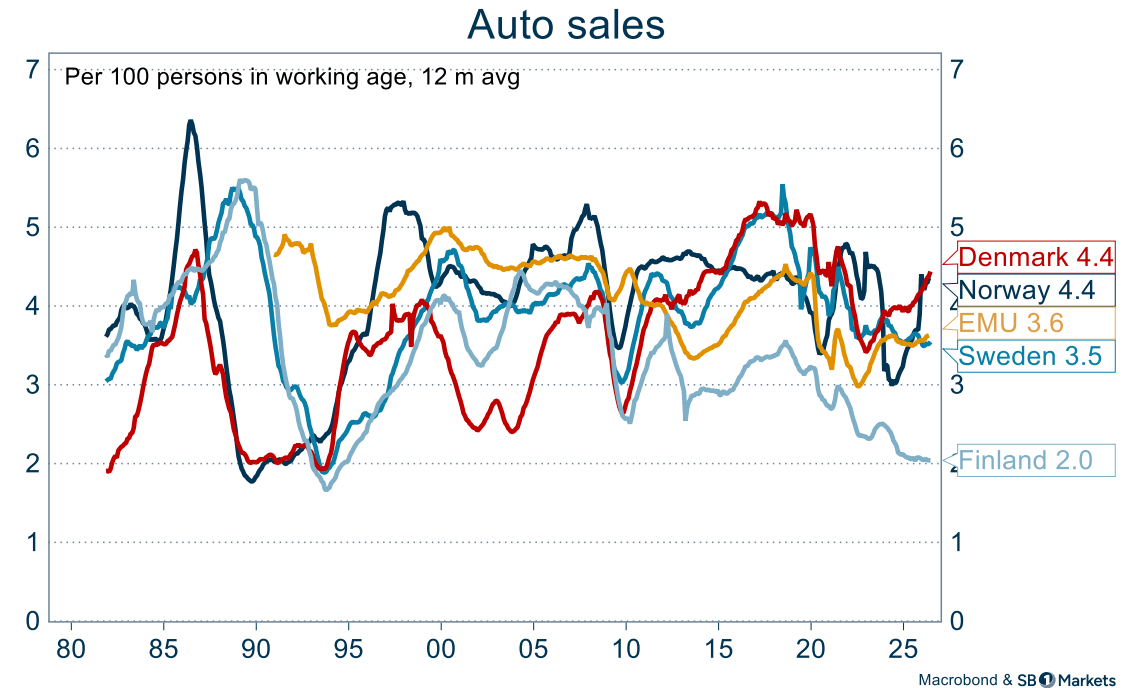
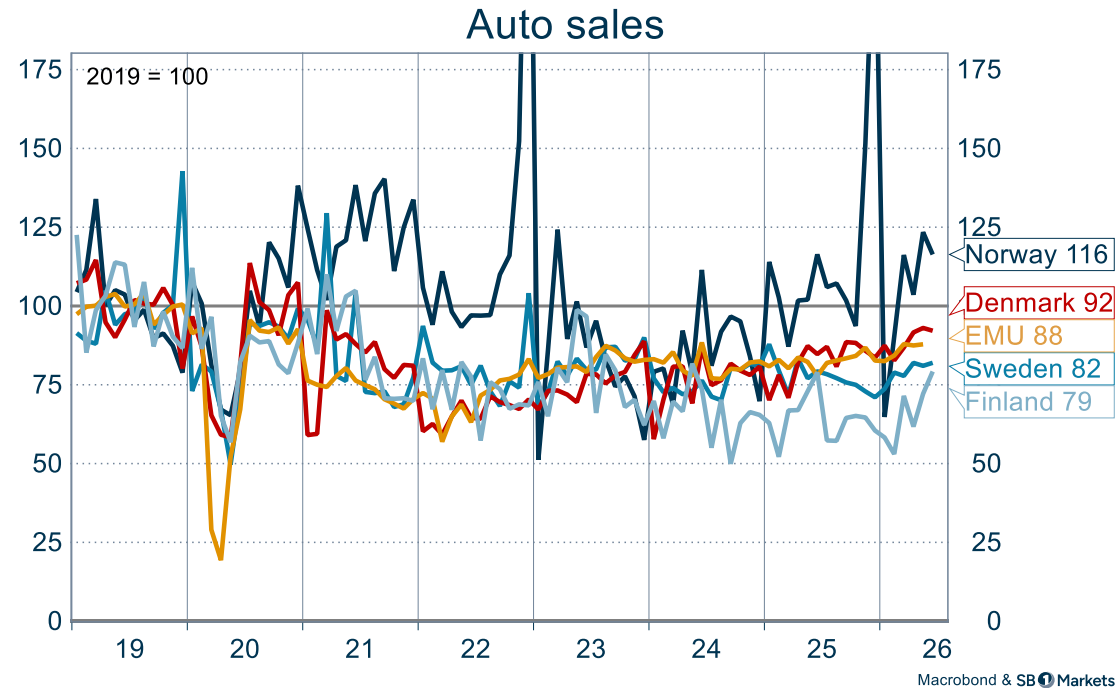
The underlying trend in India is impressive (but the level is just 1/5 of Chinese sales). Sales in Brazil are still down more than 20% from the level in 2011–2013. South Korea trends flat. Russian sales are half the level in 2012–14. The war is not for free.





Nordics Auto Sales: Denmark and Norway in the lead, Sweden is below par, Finland weak

Sales in Finland have recovered slightly recently, from a very low level





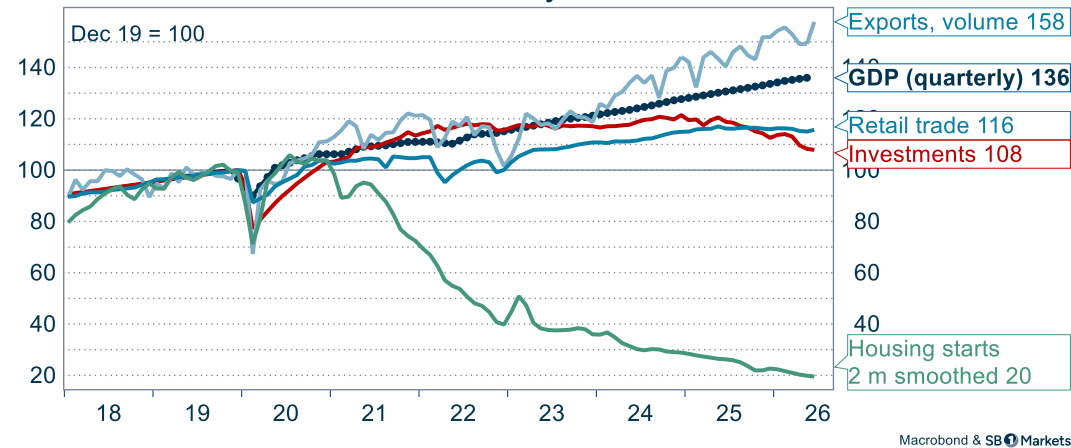
China



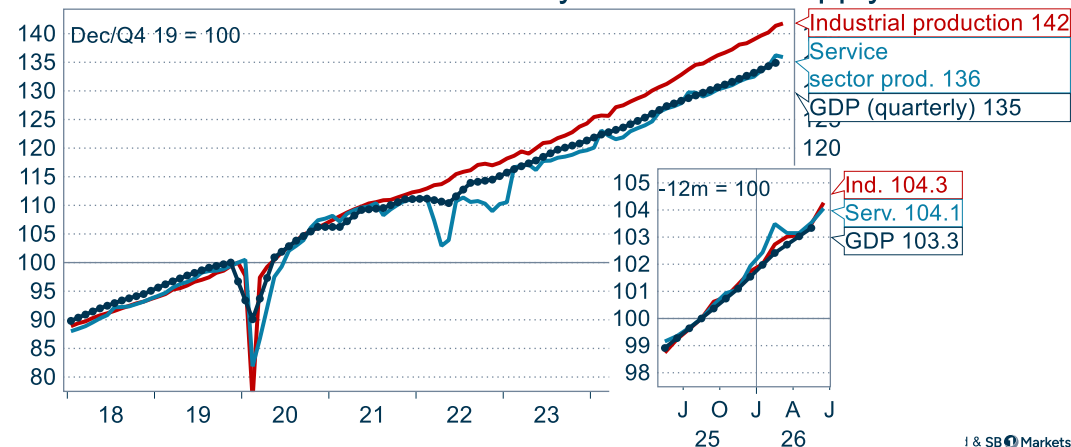
China: growth slowed in Q2 but June in sum not weaker than expected

GDP grew 4.3% in Q2, 0.2 pp < exp., a post-pandemic low. In Q2 alone, 3.6%. Industrial prod. surprised on the upside, at a 5% pace. Retail sales were better than expected but still weak, and investments are falling rapidly, and credit growth slows. The trade surplus compensates

China GDP vs monthly indicators - demand



China GDP vs monthly indicators - supply

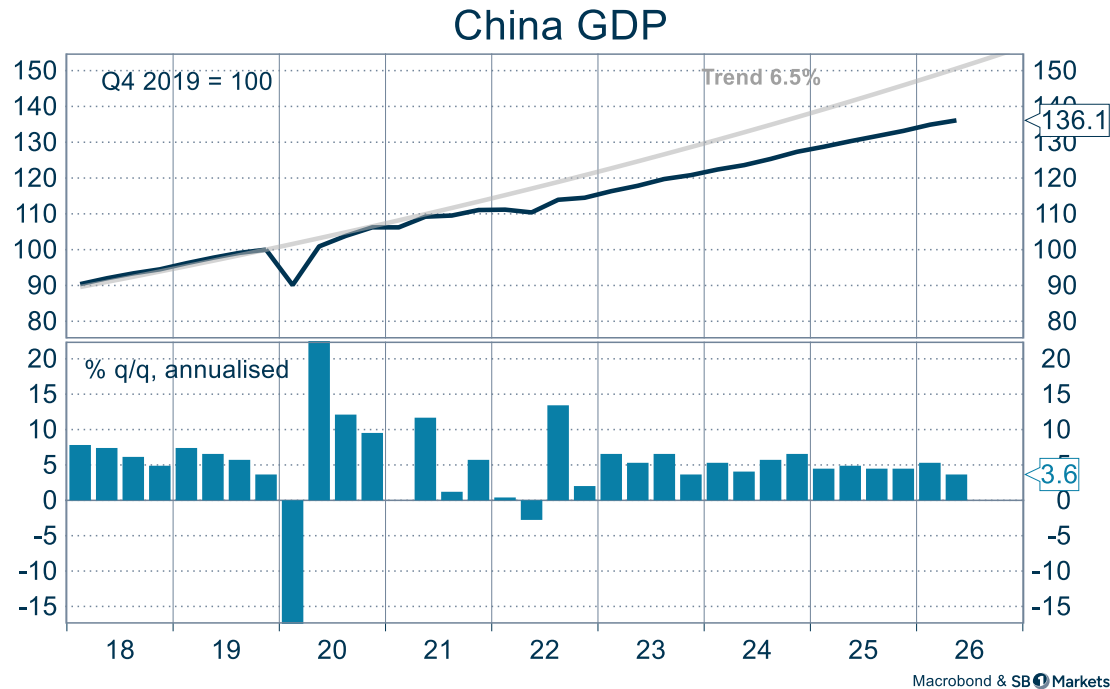


- **GDP** growth is gradually declining but may still reach the 4.5–5% 2026 growth target, following a 5.0% growth rate in Q1. Construction activity is falling rapidly
- **Industrial production** grew 0.8% m/m in June and grows at 5% pace down from a 'normal' 6% pace. Production was up 5.3% y/y, 0.7 pp above expectations. High-tech industries are booming, while housing-related sectors are still in the red. Surveys signal far higher growth.
- **Service sector** production is still up 5% y/y, but is also slowing
- **Retail sales** rose 0.6% in June, but still trends down, in volume terms
- **Investments** fell further in June and were once more far weaker than expected. In real terms, down 12% y/y. National accounts have so far (Q1) reported growth. Both **new and existing housing prices** declined in June, from very low levels.
- **Credit growth** trends down as well but is still higher than nominal credit growth. Household debt is down 1.3% y/y, while businesses borrow as normal, +8% y/y. Growth in local government debt is slowing but is still high.
- **Both exports and imports** rose far more than expected in June, up 27/36% resp. Prices are surging, and especially import volumes are not that impressive. Imports of oil have almost been cut in half, by more than 5 mill b/d, easing the global impact of the lack of oil from the Gulf. The **trade surplus** was close to record high, also in volume terms. The latter trends up, supporting GDP growth.
- **CPI inflation** remains moderate, just above 1%. The **PPI** is up 3.9% y/y though.
- **Fiscal policy** is slightly contractive, and no **monetary measures** have been announced since Q1 last year.
- **In sum: Domestic demand remains very weak, and at one stage net trade will have to contribute less. And at that stage production will be hit as well?**



GDP slowed to 3.6% q/q in Q2 and 4.3% y/y, the latter 0.2 pp less than expected

... and the lowest annual growth rate since the pandemic. In Q1 GDP grew at a 5.2% pace, and the annual growth rate was 5.0%. The official 2026 growth target is at 4.5–5%, down from “around 5%” the previous 2 years.

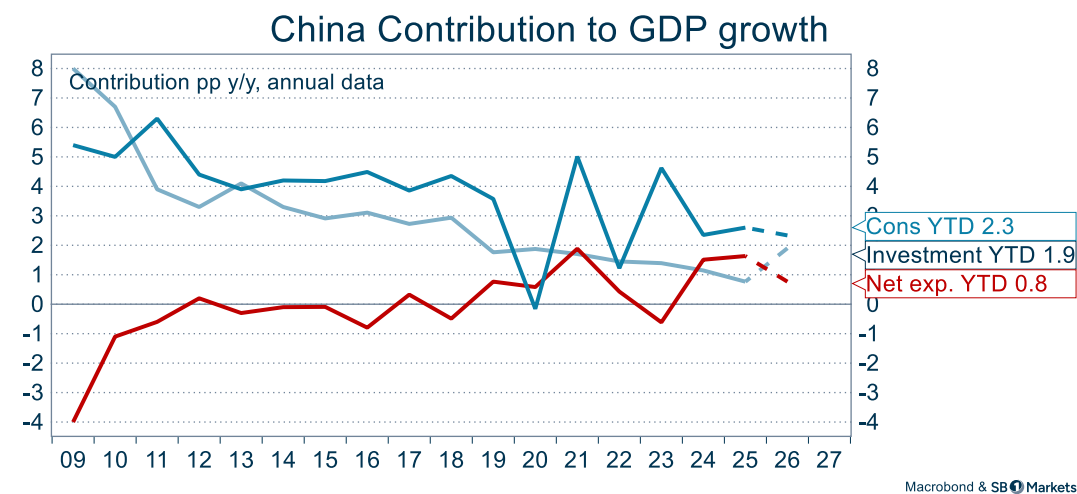
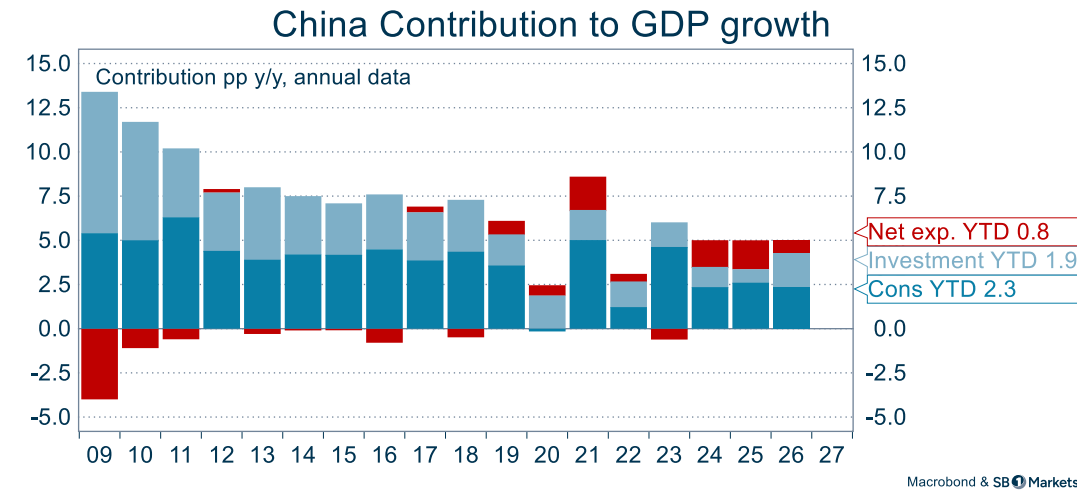


- GDP growth trends gradually downwards, from 10–14% before the pandemic to now below 5%



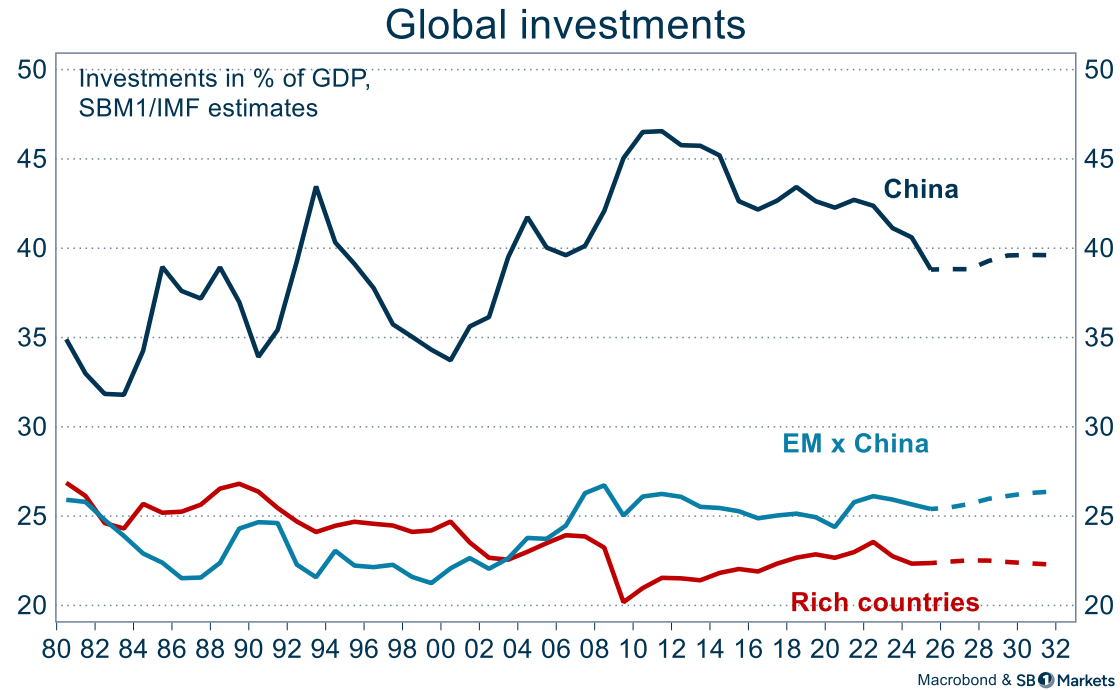
Few Q2 details so far but real investments measured by national accounts probably

rose. This is not the signal from monthly data. In addition, retail sales data signals low contribution (if any) from consumption (at least the private part of it). Net exports were probably up in Q2



Chinese investments: On the way down, still an outlier

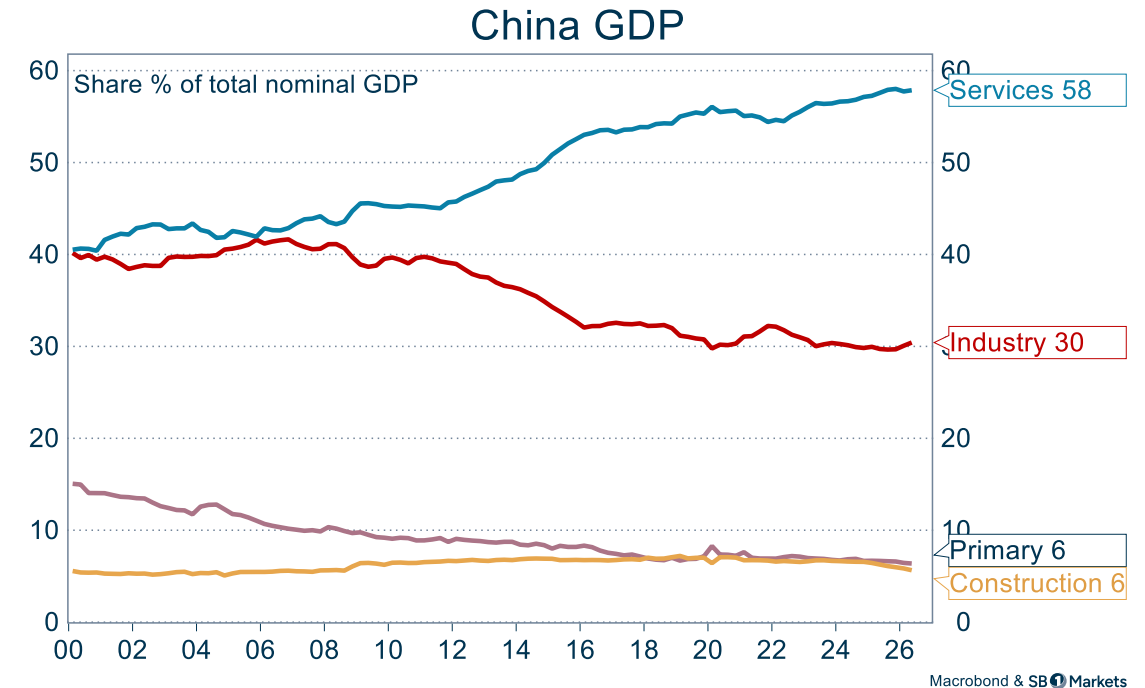
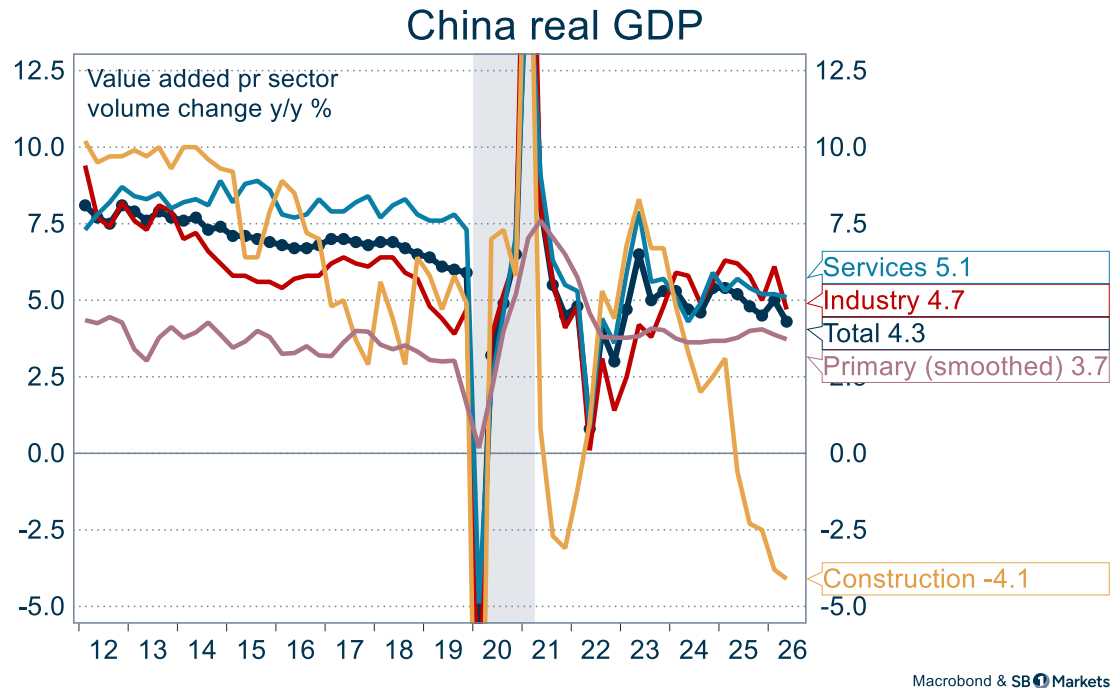
The investment ratio is still extremely high and now without superior GDP growth.





A broad growth slowdown but services still above 5% y/y.

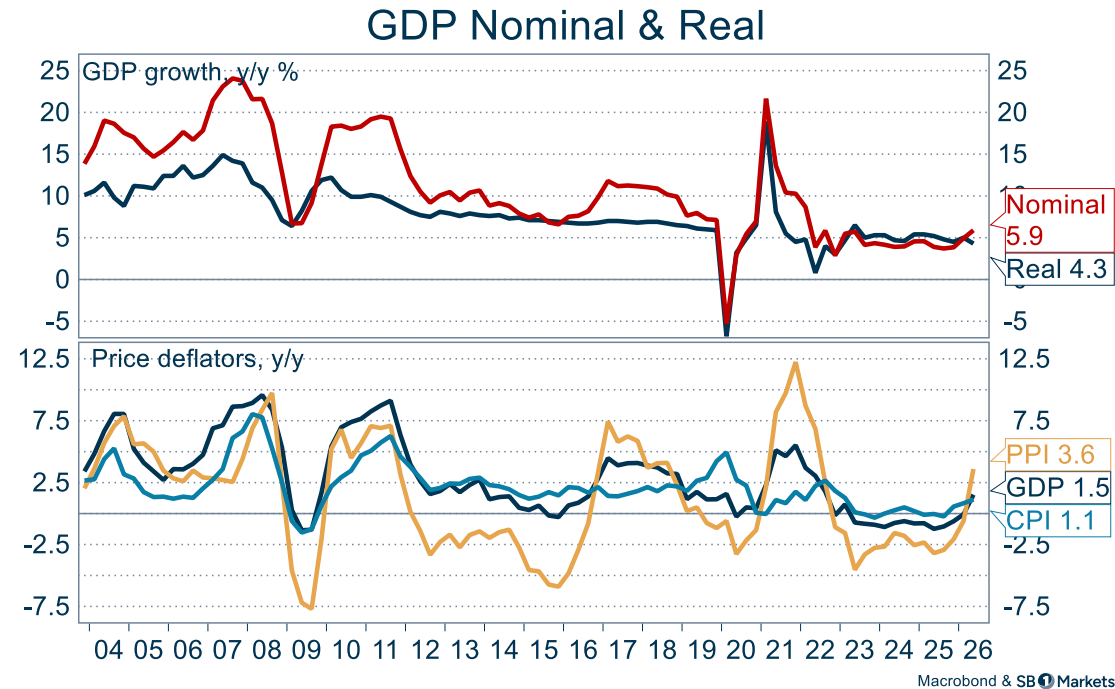
Construction activity finally yielded last year, and is now down 4% y/y. Services constitutes 58% of GDP, industry 30%, which is still too high a share witnessing the (unsustainable) current account surplus.





The GDP price deflator is up 1.5% y/y, and nominal GDP is up 5.9%

The GDP price level has been declining since 2023 until Q1-26 (annual growth rate)

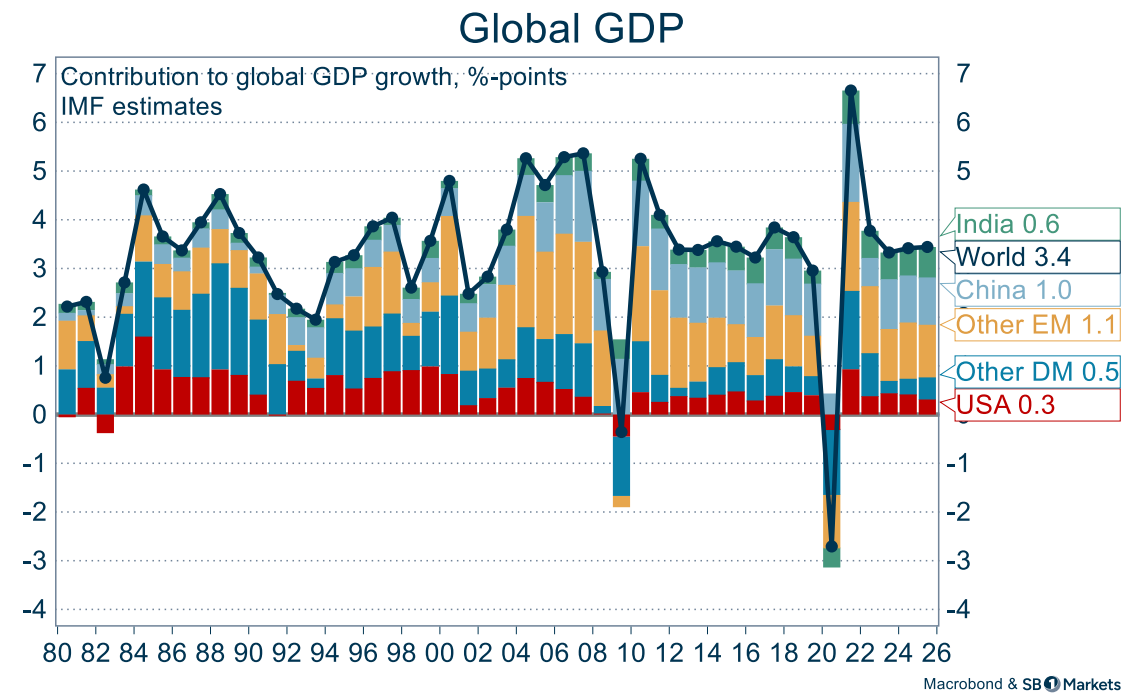
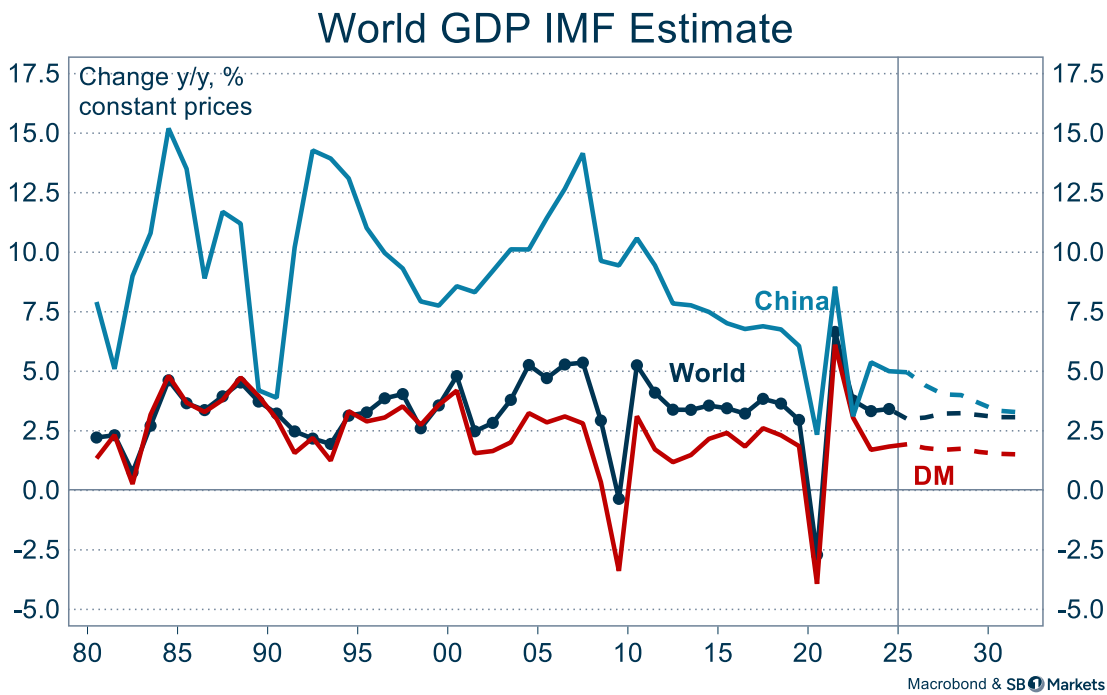


- Manufacturing producer prices (PPI) were up 3.6% y/y in Q2, from almost -3% in Q2 last year.
- The CPI was up 1.1% y/y in Q2



A changing world order, I

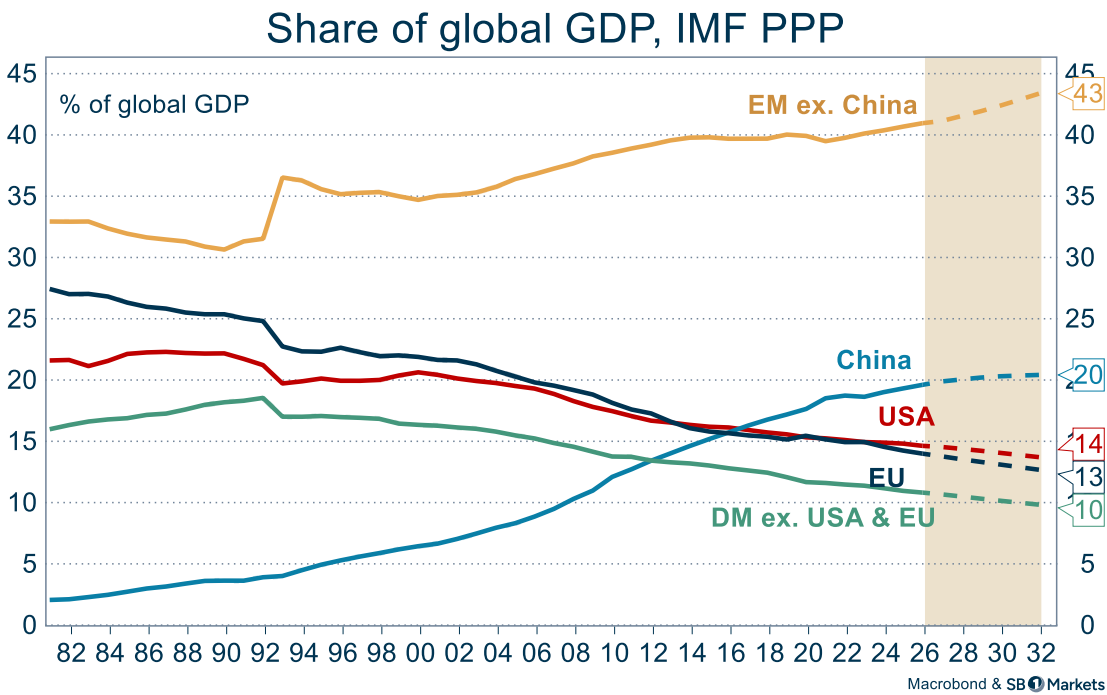
Who grows the fastest, and who contributes the most? DM are not in the lead anymore





A changing world order, II

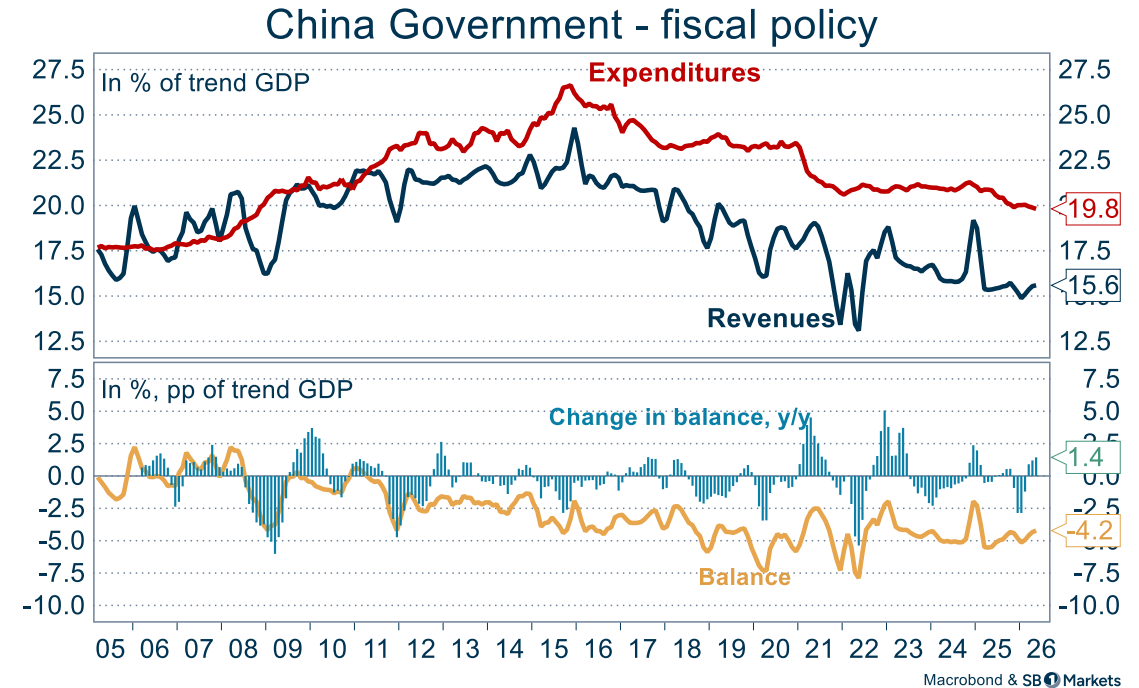
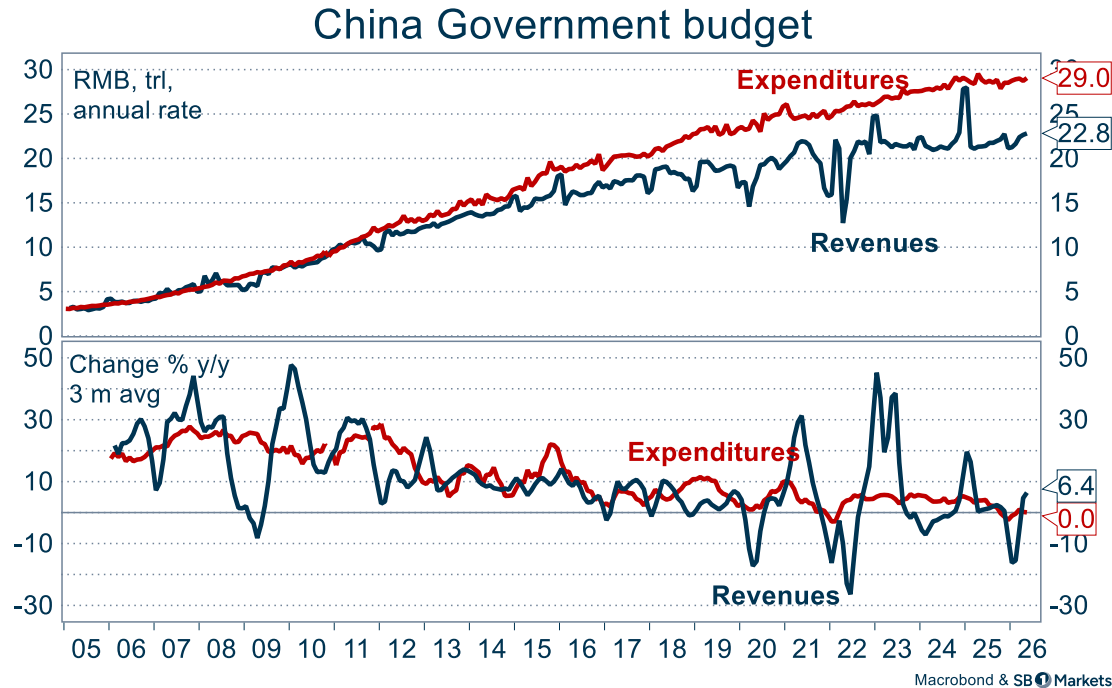
Who produces the cake? China has for the past 10 years been the largest economy in the world, measured in purchasing power parities (comparable volumes), and now makes up 19% of the global economy. US is at 15%, EU 14% and other DMs 10%, in sum 39%.





Central government revenues trend down vs. GDP, but slower than expenditures

Thus, there are **no signs of any fiscal expansion to support domestic demand, but some measures vs. private consumption.** The central government deficit is at 5% of GDP according to Chinese data – but local governments are running deficits too.

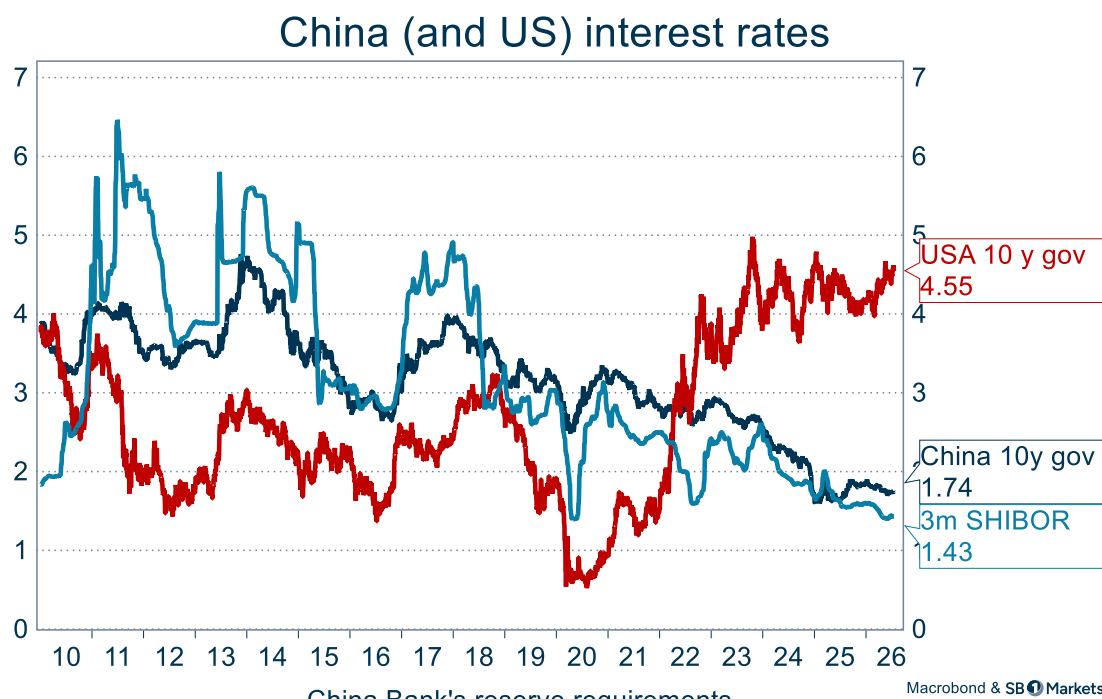
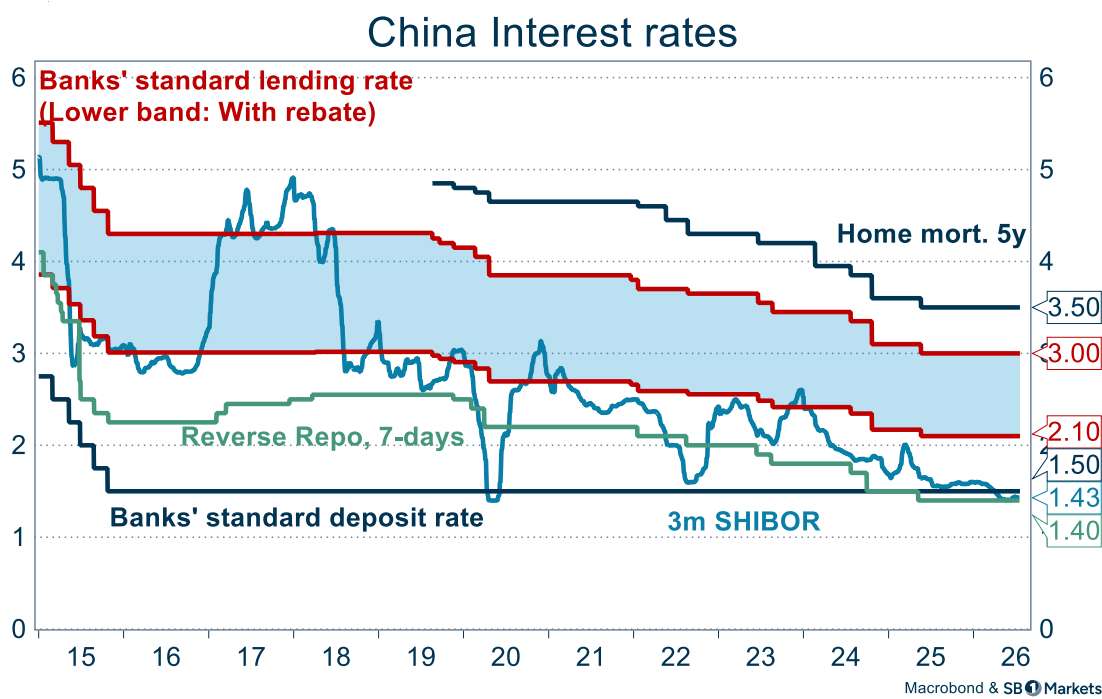


- The central government's **expenditures** were flat y/y in June, and are trending down vs. GDP, now at 19.8%. Revenues are up 6% y/y. Still, revenues trend down vs. GDP, but slower than the decline in expenditures the past year – and fiscal policy is slightly contractive.
- These data are rather volatile, and the seasonal pattern is uncertain.
 - The **overall government deficit** is probably larger, OECD & IMF estimate 8%, equal to the deficit in the US, as local government also runs substantial deficits.
 - However, the private sector in China saves far more than it invests compared to the private sector in the US. China runs a surplus on the current account at approx. 4% of GDP while US runs a 4% deficit. Thus, in China, the private sector cash surplus equals 12% of GDP, in the US 4%, which is far from sufficient to fund the public sector deficit.



No new monetary policy measures since early 2025, but market rates head down

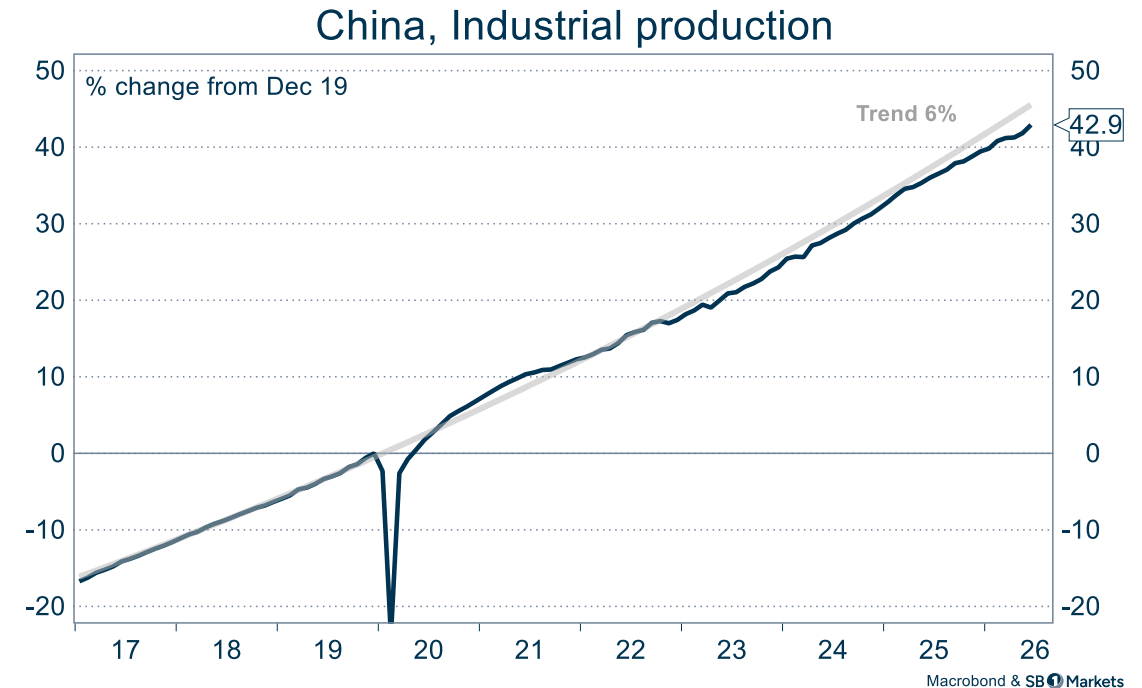
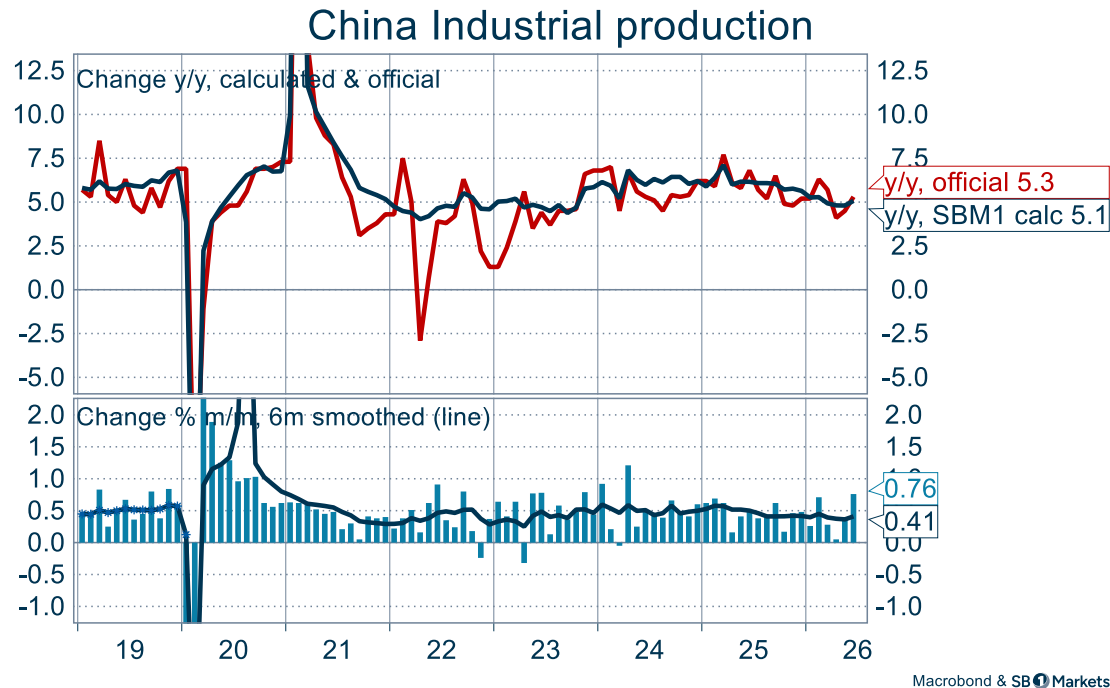
Neither policy rates nor reserve requirements have been cut since Q1-25. In recent years, bank margins have been squeezed by lower lending rates and no cut in the standard deposit rate. Should lending rates be cut further, deposit rates must probably be cut as well.





Industrial production up 0.8% in June, and is up 5.3% last year, 0.7 pp above expectations

The average growth rate the past 6 months, at 0.4%, is not far below a normal growth rate, even if domestic demand for goods is down.

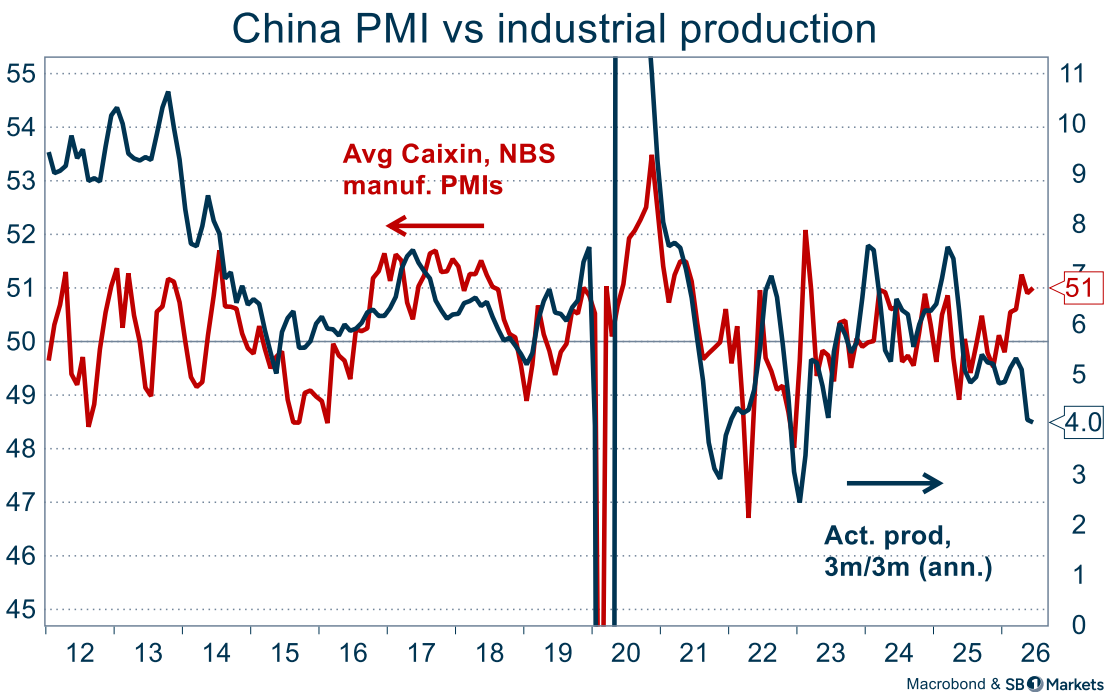


- **Growth has been slowing** since last summer, from an above 6% growth rate, to a rate around 5%
- **The outlook:** The **PMI surveys** have recovered lately, at least the private sector survey. In sum the 2 PMIs signal far higher growth than the current growth rate. However, growth in domestic demand is weak (or negative, if data for retail sales and investments are to be believed).



(Volatile) manufacturing PMIs do not signal any slowdown, rather an acceleration

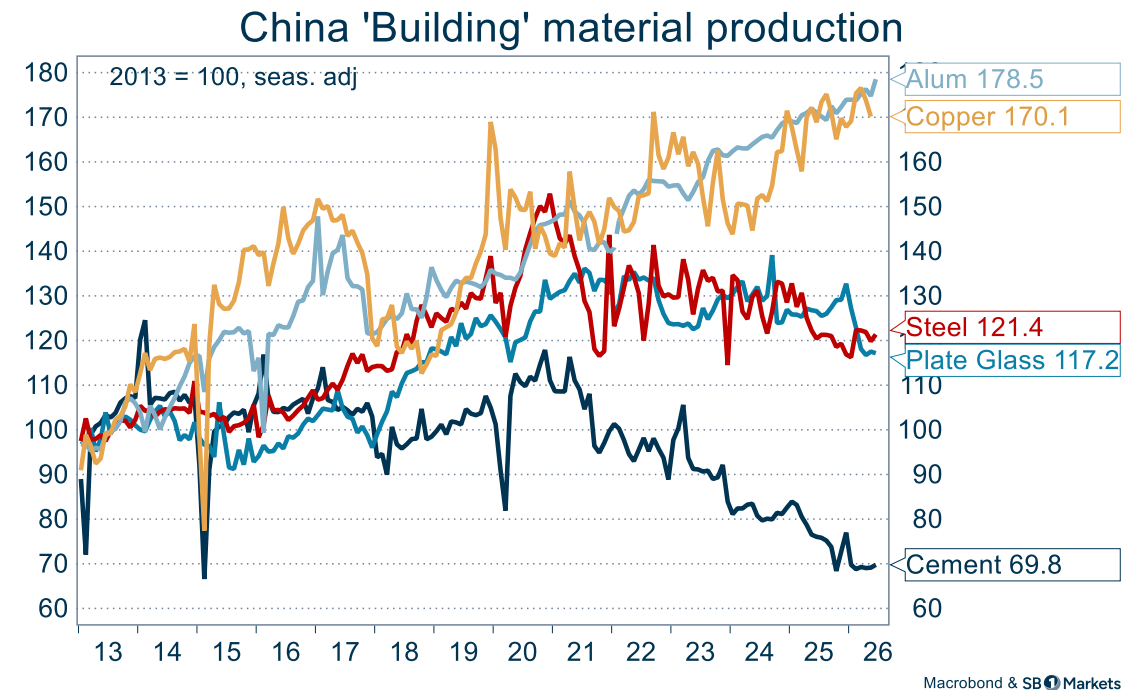
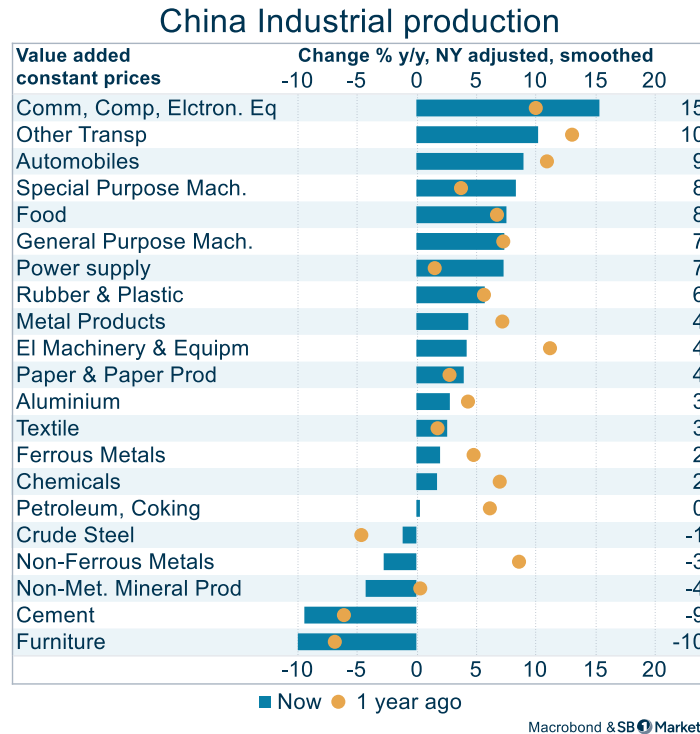
The average of the two PMI surveys at 51.0 in June signals growth at some 7% (but the correlation is not that impressive).





Housing-related steel, cement and furniture down 1–10% y/y. But the rest is (mostly) up

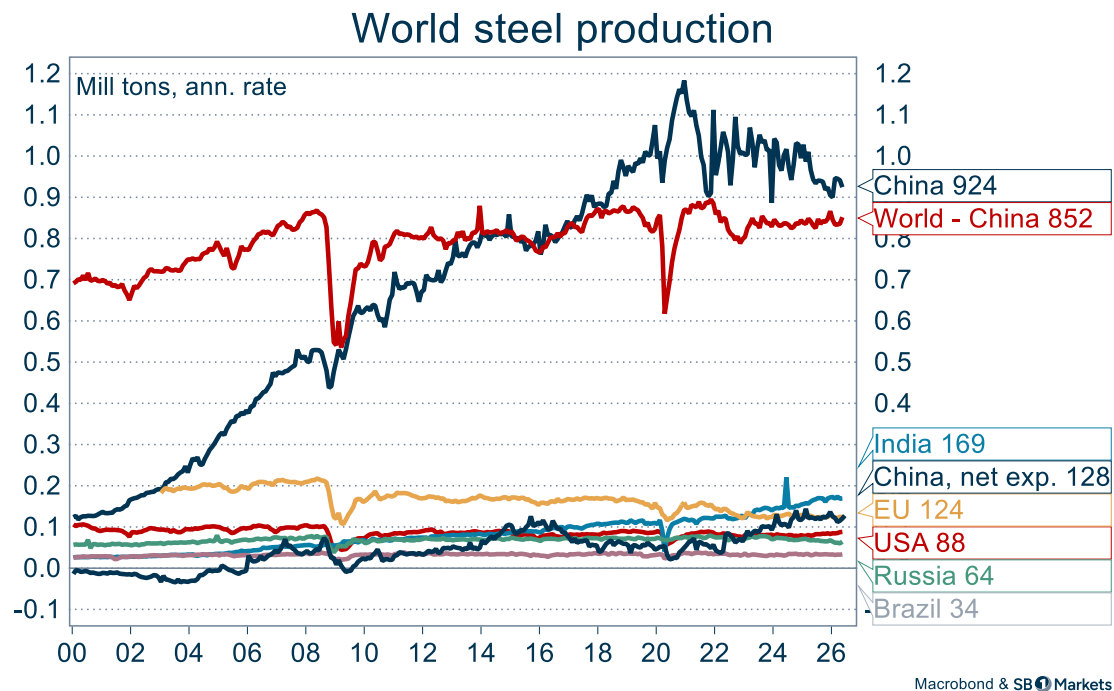
Communication/computers etc. are up 15%, autos 9% (even if domestic sales are declining). Other transport equipment is up 10% as well. Other main groups are up 2–8%.



- **Growth trends down:** A majority of sectors report lower growth or a faster decline than a year ago.
- **Cement** production is down 9% y/y and by **almost 40% from the peak** in 2020/21.
- **Steel production** is down 1% y/y and is down 20% from the 2020 peak – but has flattened the past year.
- Housing is still weak – and production of **furniture** is down 10% y/y.
- **Auto production** is up 9%, but as auto sales trend down and even if exports have surged, some downside risk.
- **High tech sectors** are still going strong, broadly

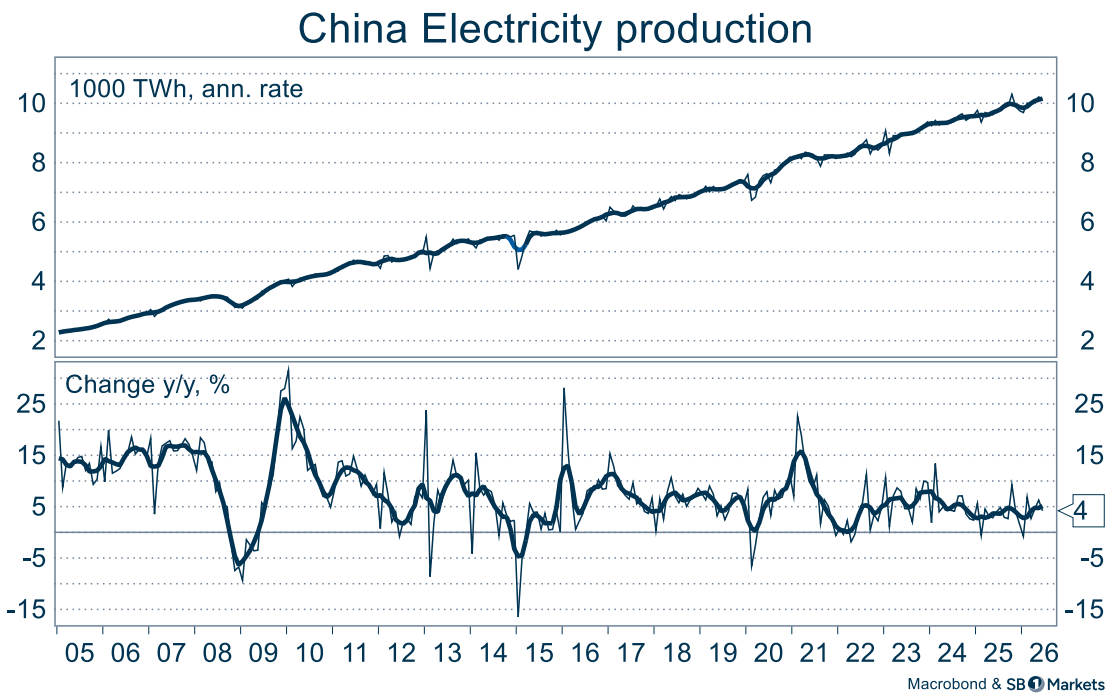
Steel: China vs. rest of the world, just a reminder

Chinese net exports are the 2nd largest 'producer' in the rest of the world, just India is ahead. India's production equals 18% of China's steel production. USA's? 10%





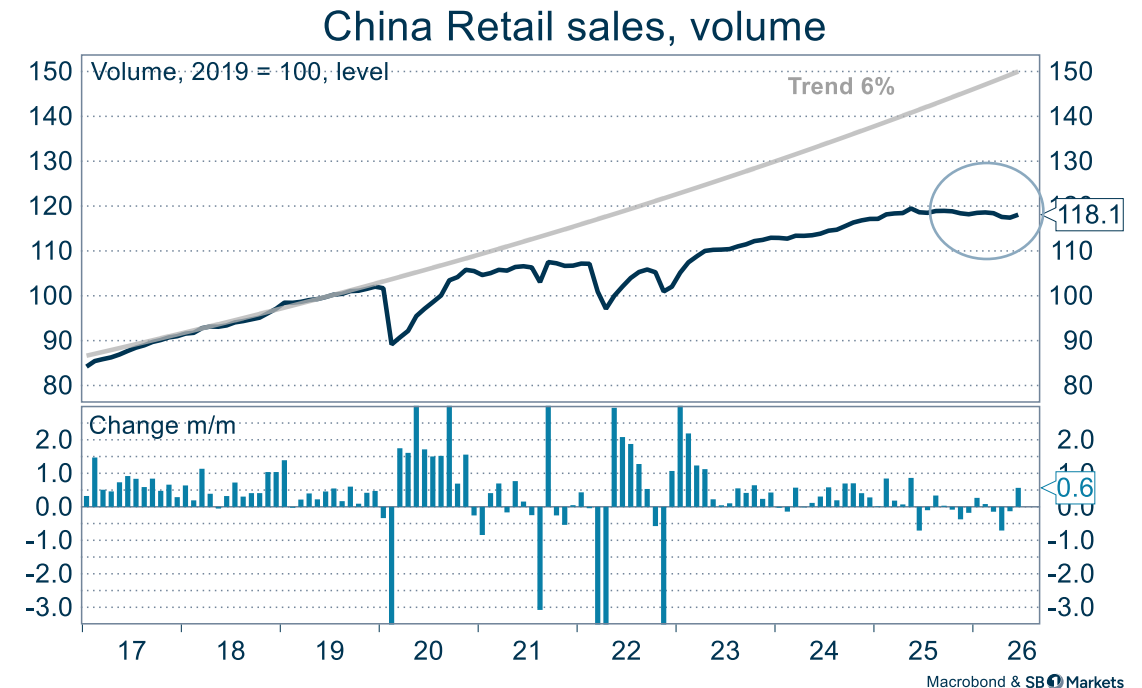
Electricity production trends up at a 4–6% pace





Retail sales: 0.6% m/m in June still down y/y in volume terms

Nominal sales were up 1% y/y, 0.8 pp above expectations. We estimate a 0.5% decline y/y. These growth rates are far below the normal Chinese standard. Sales are more than 20% below the pre-pandemic trend – still up 18% from 2019.

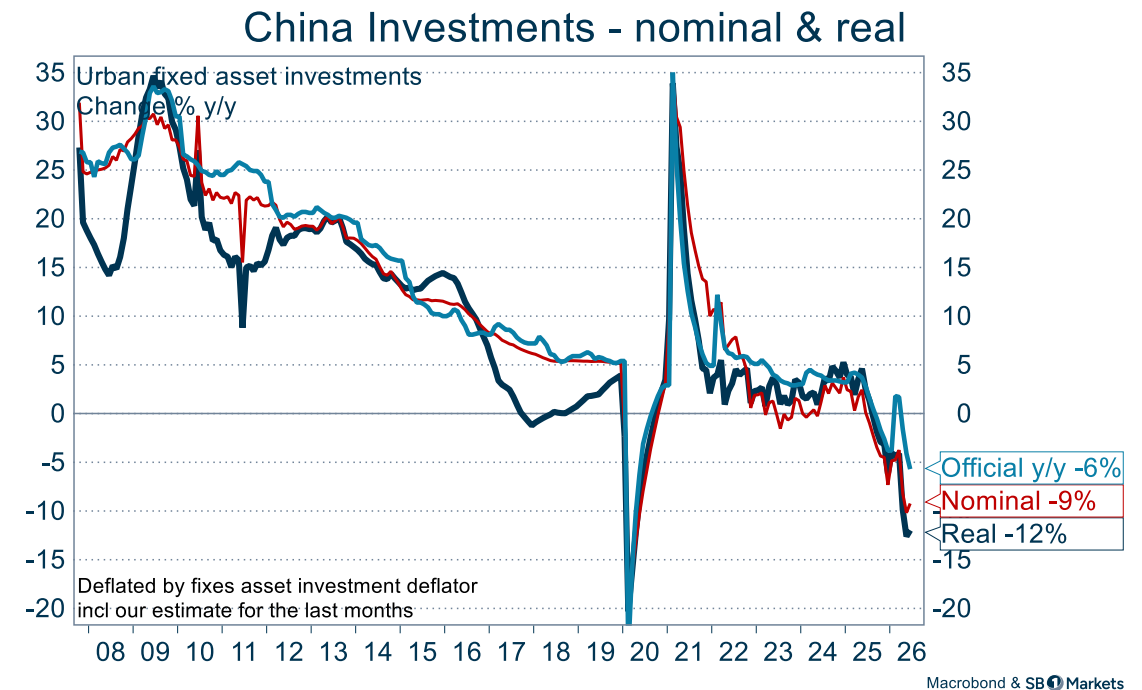
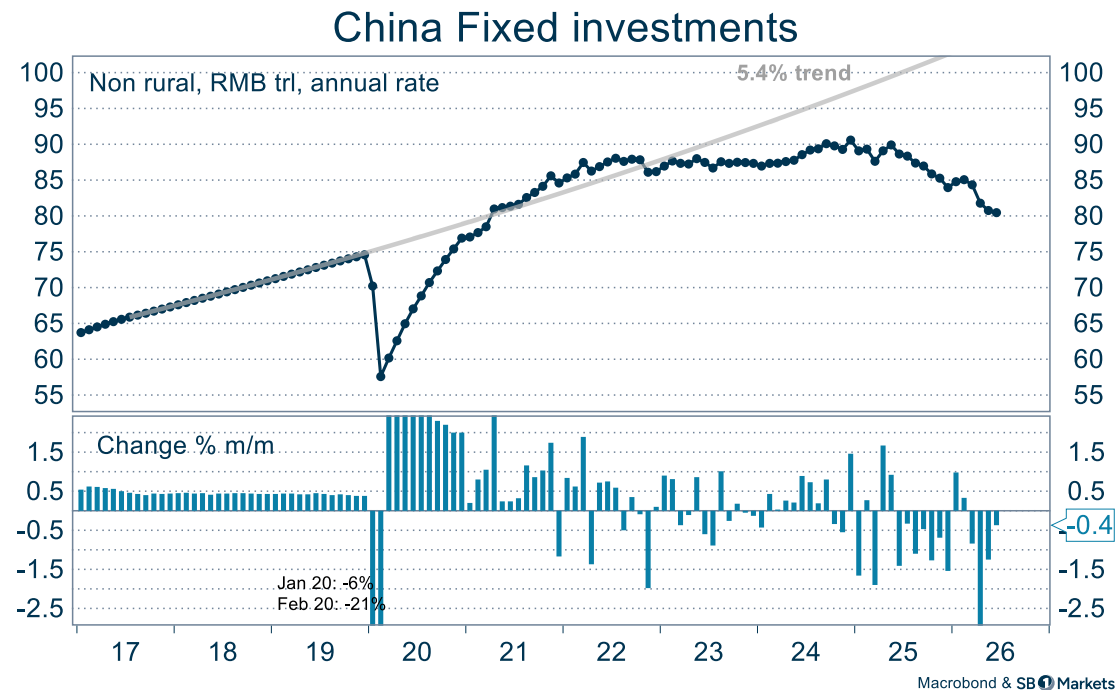


- The NBS reports strong growth in sales of basic living goods, up double digits, which does not seem likely.
- **Disclaimer:** Chinese retail sales are notoriously difficult to decipher, partly due to extreme revisions, both up and down, but the official growth (or rather lack of growth) data, are more than telling.



Investments declined further in June but at a slower pace. **Down 12% y/y in real terms**

The official nominal growth rate fell to -5.7% year-to-date in June, expected -4.9%. Our calculus yields -9% y/y, following a 0.4% decline m/m. In real terms, we estimate -12%. Check the chart to the right below, **this is not normal!**

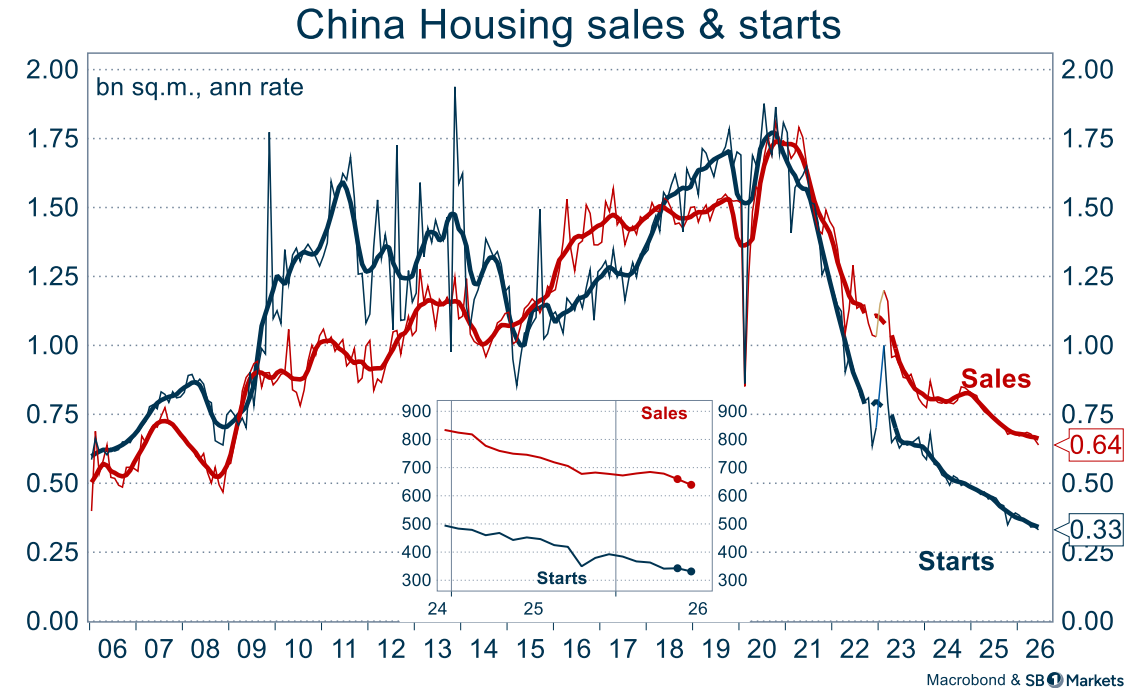
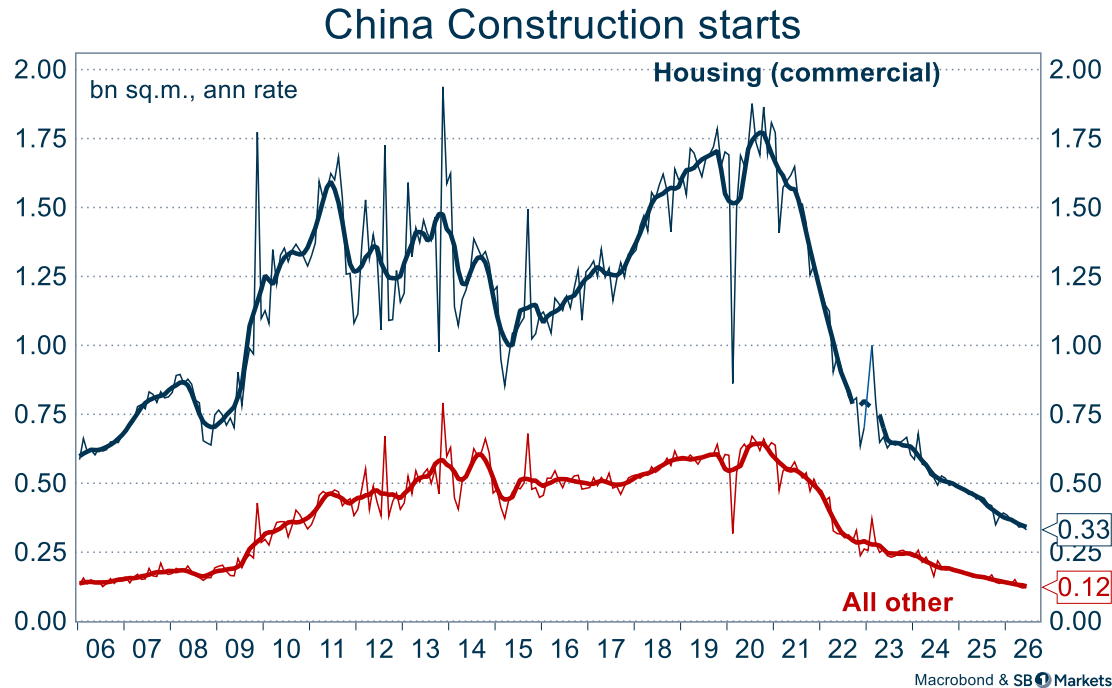


- **Investments** have fallen in more than one year, in a way we have not seen before, barring the sudden collapse during the start of the pandemic
- Investments in **real estate** are down 18% ytd, (from 15% in May), while other investments were down 2.7%. **Infrastructure and manufacturing** are down as well. **High tech** is still up 4% (down from 20% some few months ago), and some sectors, like production of **aircraft, computers and information services** are up 8–23% (but they are all down).
- Like for other Chinese data, inconsistencies as well as heavy revisions imply that our analysis must be taken with more than one grain of salt, and **the charts above must be regarded as one of several possible interpretations of these data. However, just by looking at the official ytd-data, the weakness is broad, and unprecedented in 'normal' times**



New home sales & starts are still heading down

These numbers are staggering; construction activity has been falling since 2020, by more than 80% and starts are down 26% y/y. Surveys do not signal that the market has stabilised. Fortunately, the downside risk is limited, at least in sq. m.!

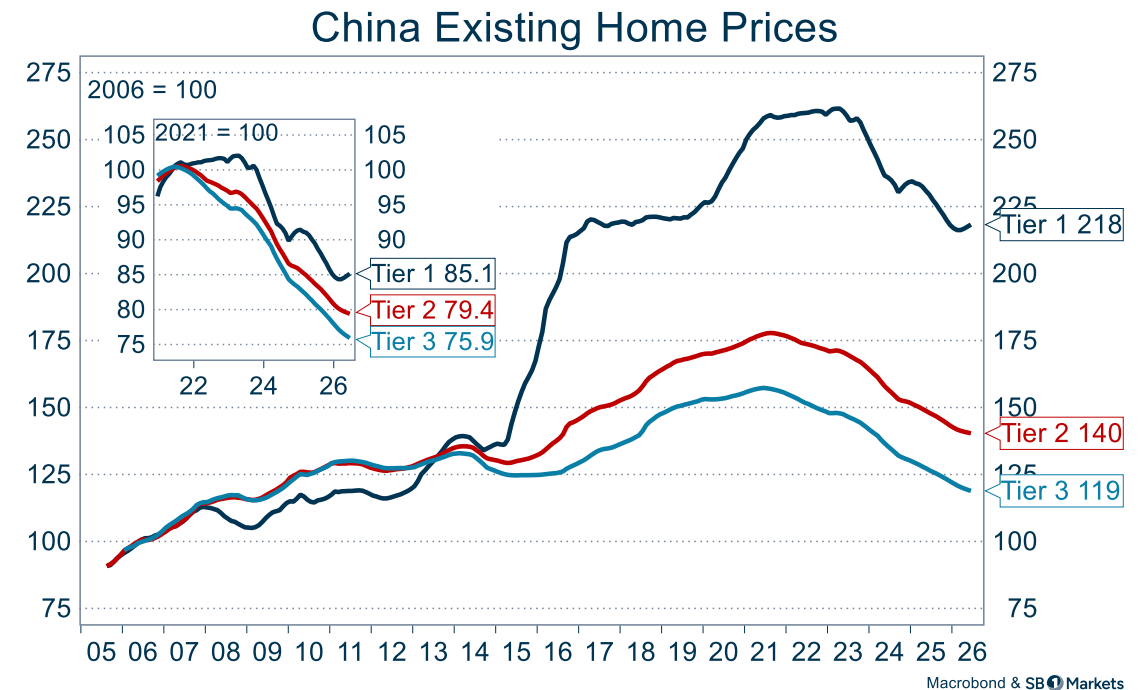
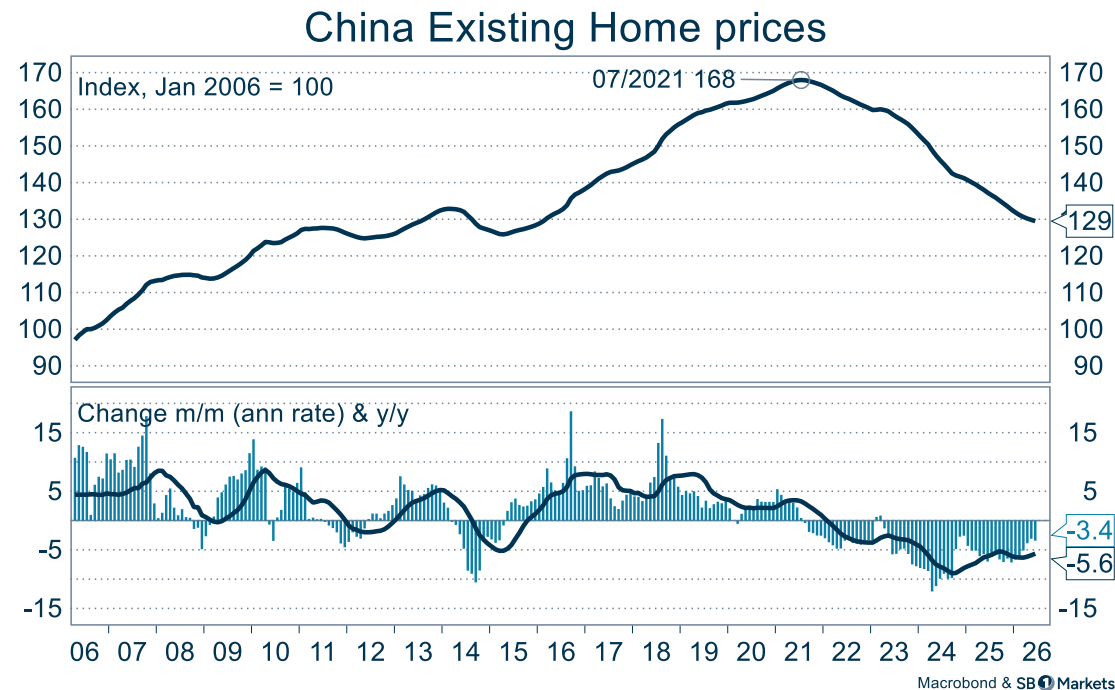


- **Sales** have been running higher than starts for a while, but we have not seen any reports on a lower inventory, and prices are still falling (but at a slower pace).
 - **Housing starts** are almost half the level of sales, and are still heading down, at a rapid pace.
- **Other construction starts** are usually closely correlated to housing starts. In June, a 25% y/y decline. Starts are down more than 80%
- The **economic impact** of the decline in construction starts is spread out over time, but activity in the building sector must have fallen almost by the same amount.
 - **Production of cement and steel** are down but less than suggested by the decline in construction starts, as higher demand from other sectors has partly compensated.
- Some of the adjustments in the real economy may still lie ahead, but most of the decline in construction must be behind us. There is no doubt some 'financial cleanup' which of course may affect activity both within the construction sector and beyond in the coming quarters and years.



Existing home prices fell faster in June, if not in the Tier 1 cities

Prices have fallen 55 of the past 57 months, and at 3.4% m/m pace in June. Prices are down 5.6% y/y. In the largest Tier 1 cities, prices have increased slightly lately (but are down y/y). The national avg. is down 23% from 2021 and is **back to 2011 level, nominally. In real terms? 2004!**

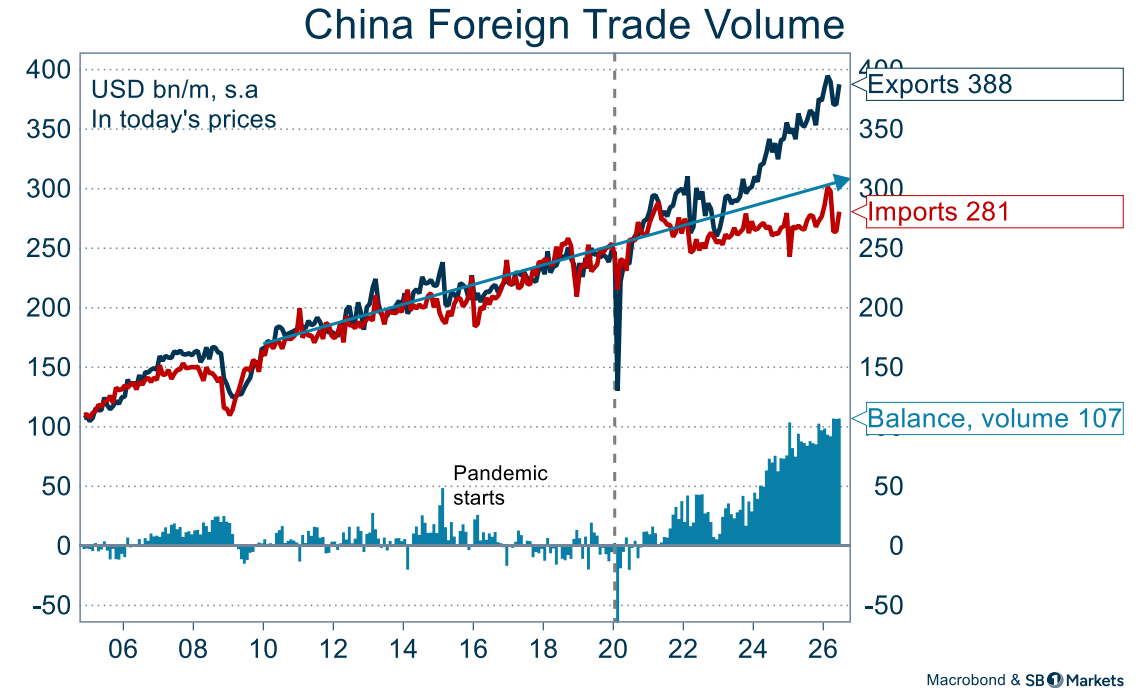
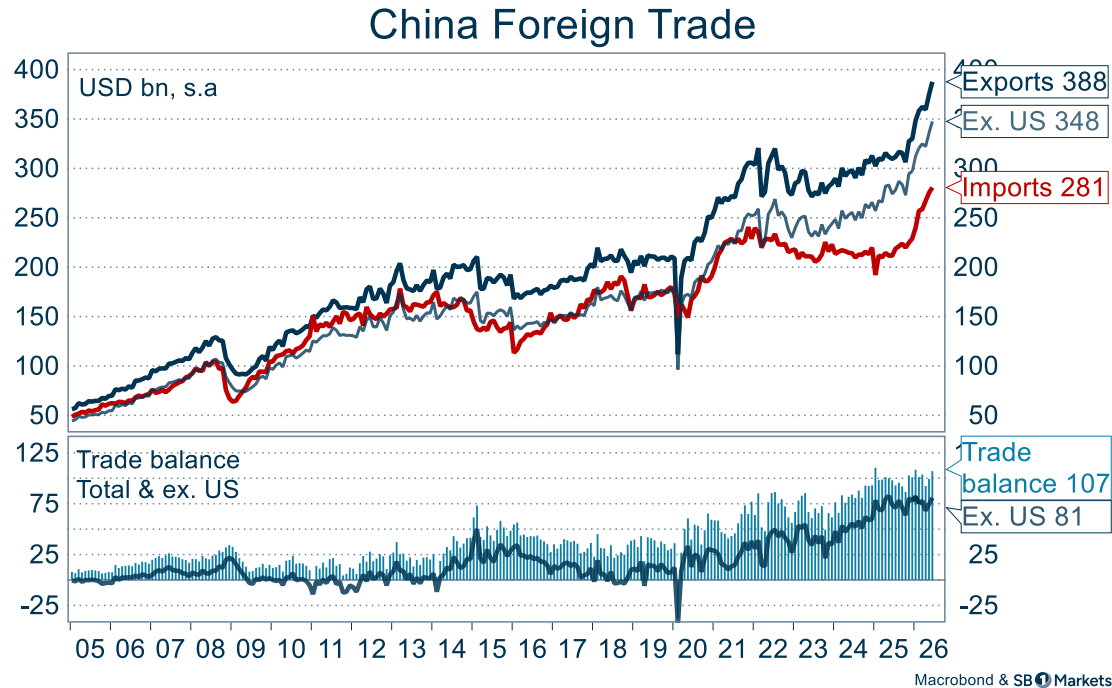


- **New home prices** fell at a 1.7% pace in June, marginally slower than in the previous months. Prices are down 3.5% y/y and are down 12% from the peak – according to the official statistics. Trust in these data is low, as sellers in many places are forbidden to cut their (official) prices.
- **Taken together with the construction data, the housing market has not stabilised.**



Both exports, imports values are surging; Volumes are less impressive. A huge trade surplus

Both exports and imports were higher than expected (up 36%/27% y/y) in June but prices are soaring as well (26%/14%) and volumes, especially import volumes have fallen lately (oil imports are almost cut in half). The trade surplus is close to record high in value terms, and ATH, in volume

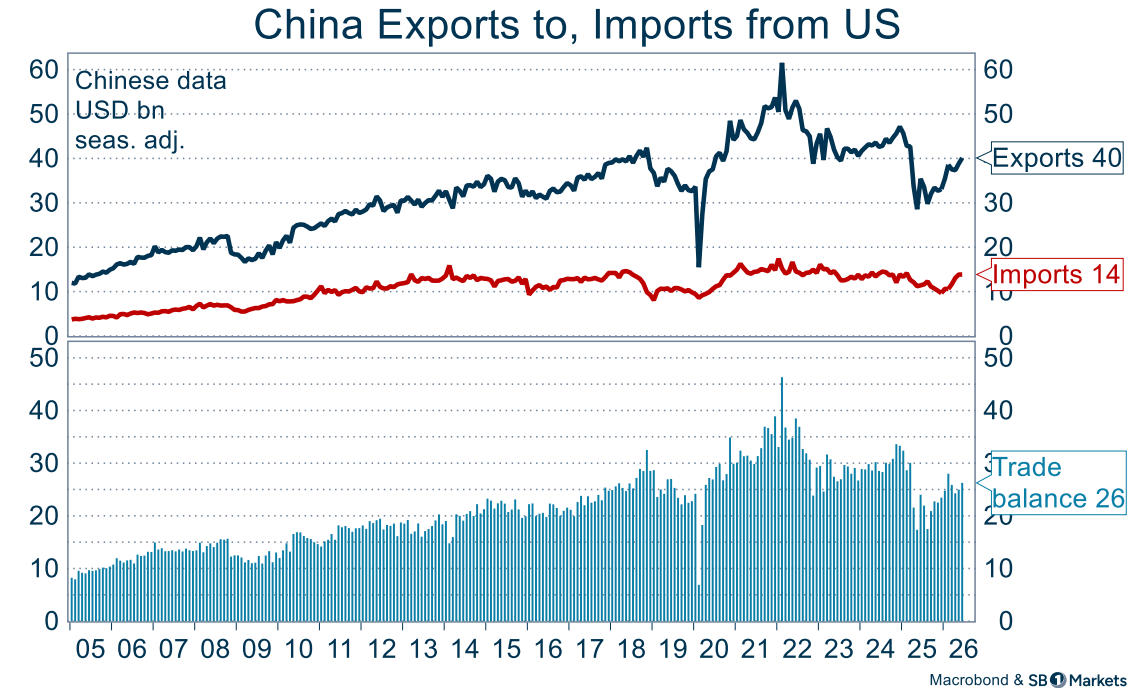
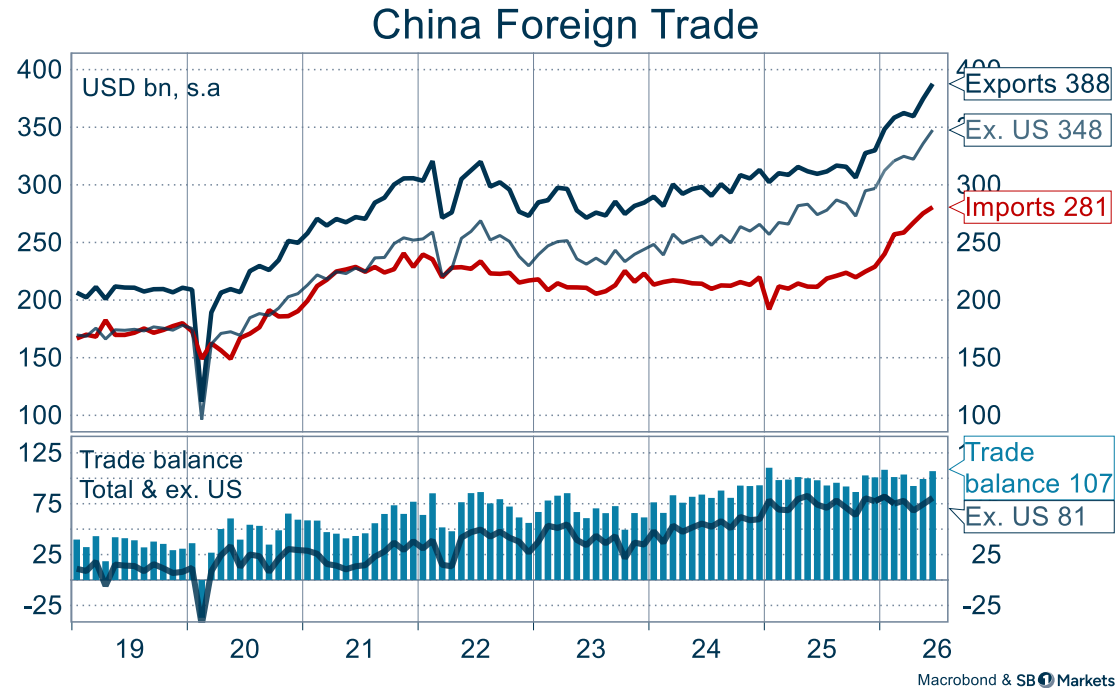


- **Exports** were up 4% m/m and **27% y/y**, expected 18%. In **volume terms**, exports were **up 10% y/y** (s.a., our est.) and the level is almost 30% above the pre-pandemic growth path (or up close to 60% vs. the 2019 level!). Exports to the US have declined, but certainly not to the rest of the world.
- **Imports** were up 2%, and **36% y/y**, expected 24%. In **volume terms**, **up 6% y/y**, as import prices have shot up lately. Import volumes have fallen since before the Gulf war started, and the level is well below the pre-pandemic trend – whereas export volumes are far above. As exports require imported inputs, the weak trend in imports confirms weak domestic demand.
- **The trade surplus** was larger than expected, and at USD 107 bn (s.a.). The trend is flat since late 2024, at a very high level. In volume terms, the surplus has increased, supporting growth in production in China.
 - In value terms, the surplus equals more than 5% of GDP, up from 2.5% before the pandemic. However, China runs a deficit in both services and foreign net income, and the **current account surplus** was 'just' 3.7% in Q1 (at the peak in 2007: 10%).



A closer look: exceptionally strong trade data recent months

Exports to the US are down from the peak but exports in other directions have compensated and total exports are record high, by far. Exports to the USA have increased somewhat lately. US reports a steeper decline in the trade balance vs. China than China reports

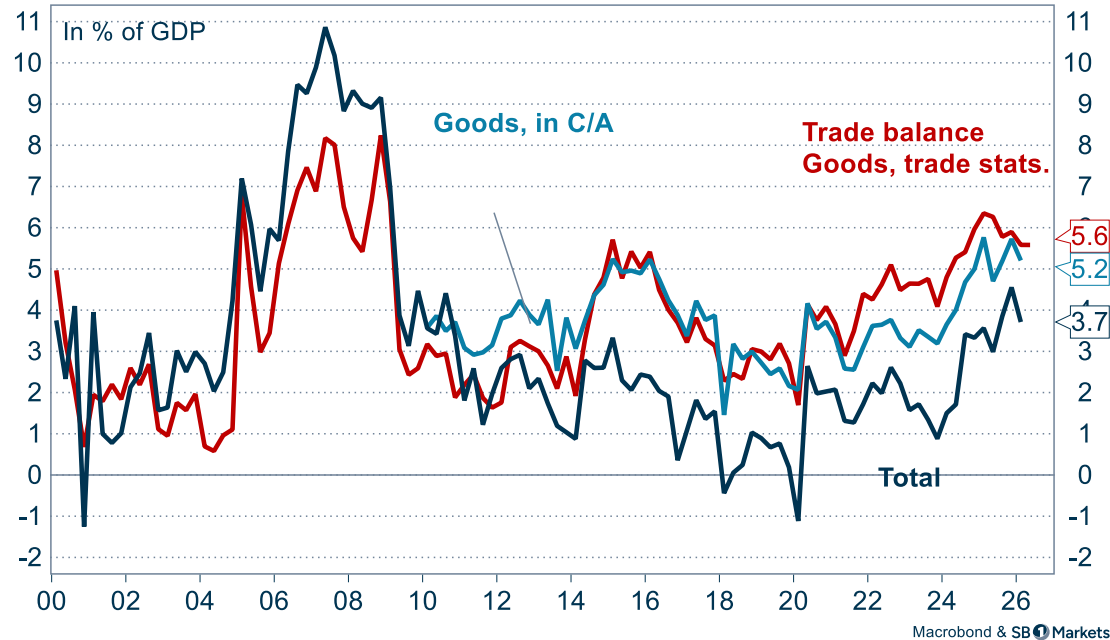




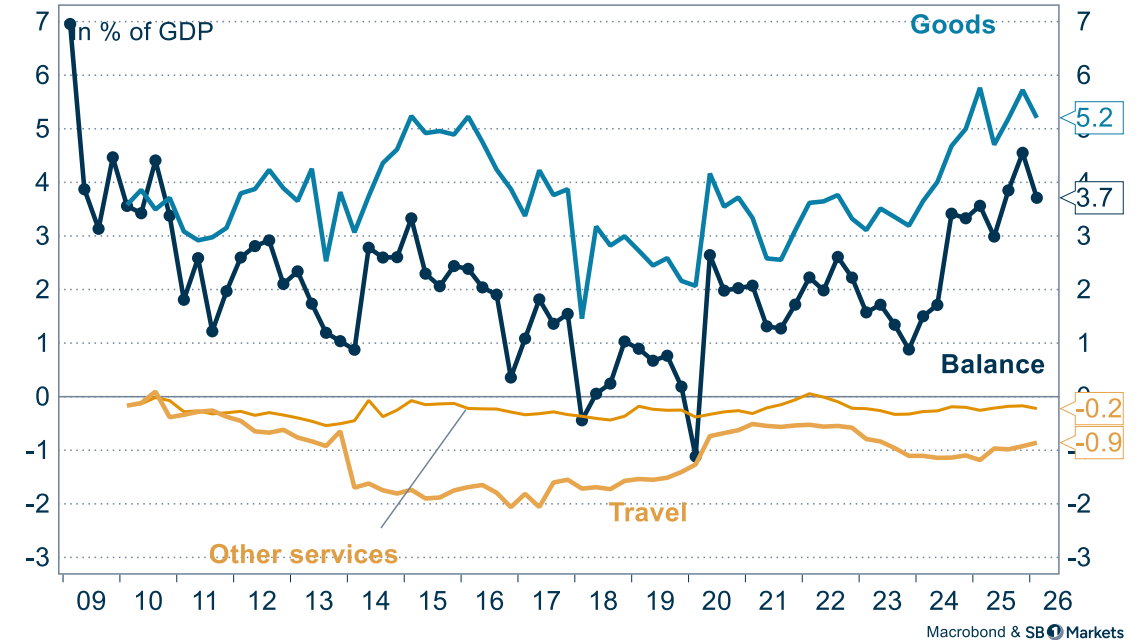
Recap: the surplus at the Chinese current account fell to 3.7% in Q1

The surplus in goods was 5% of GDP. Services is at -1.4%, due to a deficit in travel. The income balance (mostly net capital income) is also negative, 0.4% (even if China has a large (low yielding) net foreign asset position).

China Trade & current account surplus



China Current account

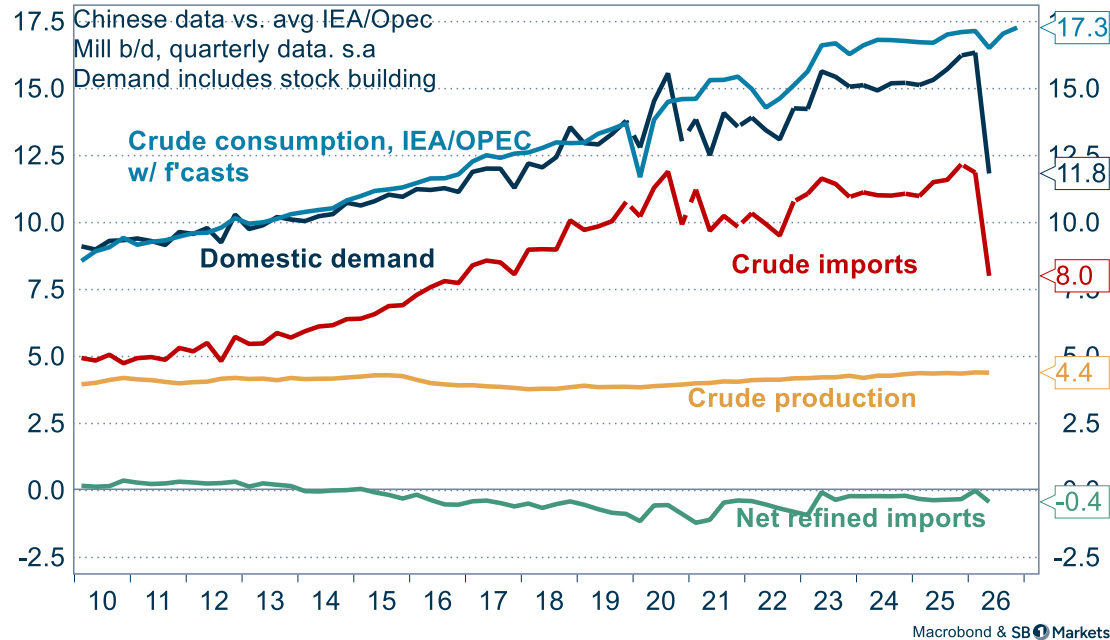




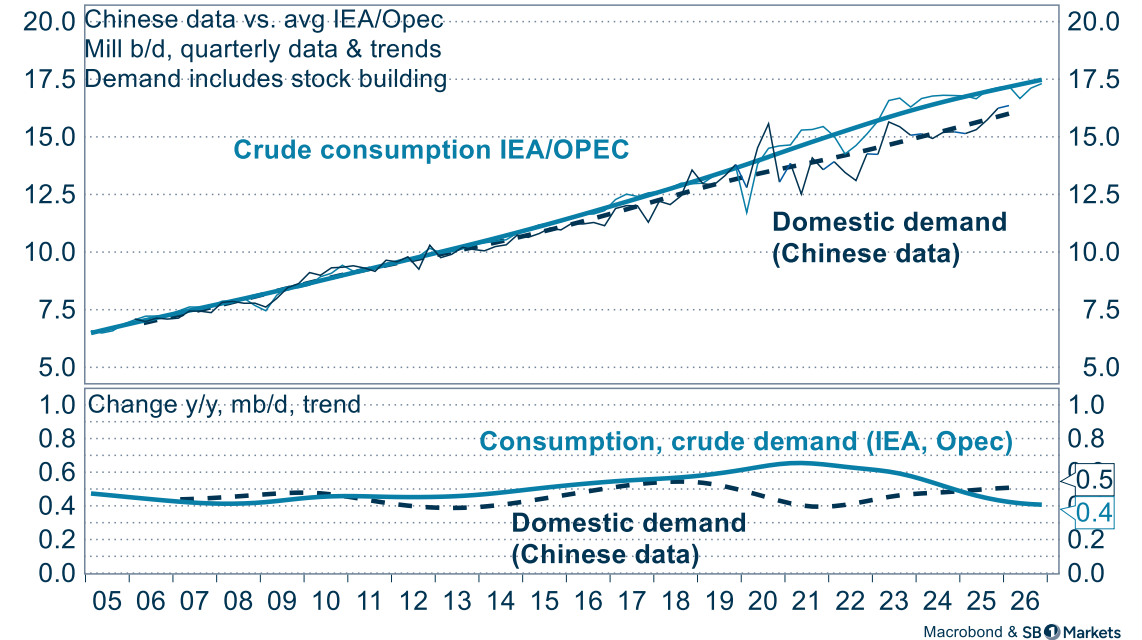
Oil imports fell further in June, and are down 5.5 mb/d, or 44% from before the Gulf war

The decline is unprecedented – and **has eased the consequences of the lack of oil from the Gulf substantially**. Some final demand may have been cut (but fuel prices are down!), and while inventories are large, they cannot compensate lack of imports for that long.

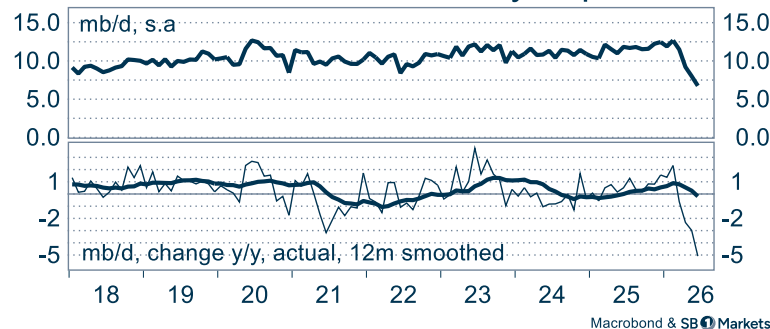
China Oil Production, Imports, Demand



China Oil Demand - Trends



China Crude oil monthly imports



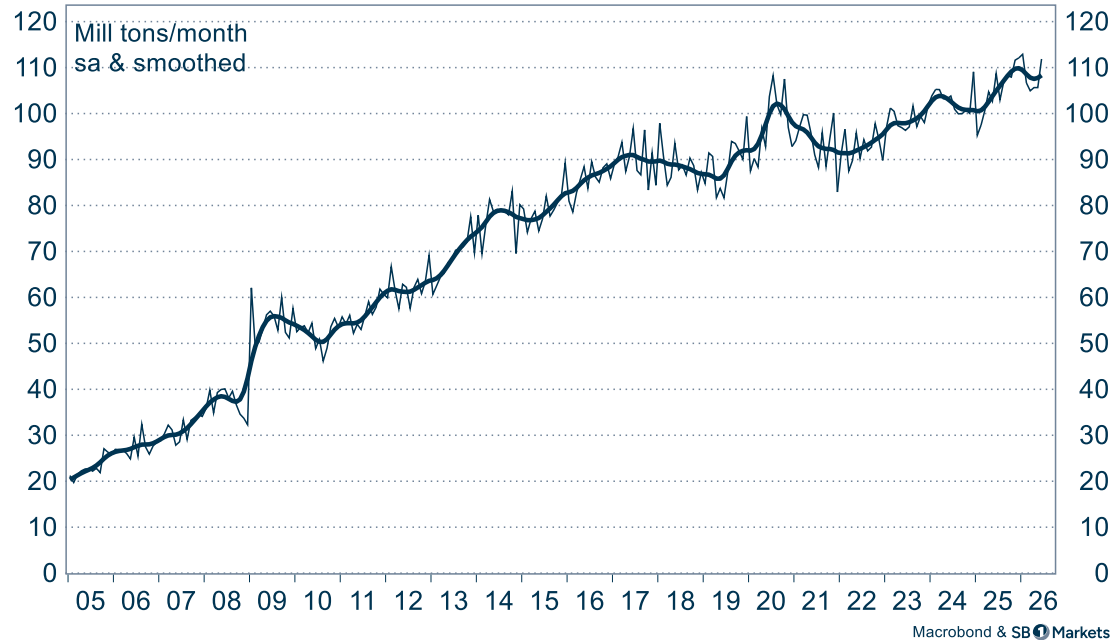
- Chinese **oil demand** has been trending up, at least until now, check the trend lines on the rhs. chart. Underlying long-term growth is still at 0.4–0.5 mb/d y/y
 - In both charts above, Chinese demand data (including changes in inventories) are compared with IEA's and OPEC's estimates of Chinese oil consumption/crude demand (averaged at the charts above, they are rather similar).
- China is tapping its **inventories**, probably both commercial and strategic. These inventories will very likely be replenished as soon as possible when the Gulf exports one day resume.
- Going forward, the rapid increase in **the share of EVs** will not before too long reduce Chinese demand for oil, according to research conducted by our colleagues.



Chinese steel net exports equal 12% of ROW production

Domestic steel demand has fallen substantially from the peak in 2020, and net exports have surged as production has fallen less than demand. Demand may have been flattening lately.

China Iron ore imports

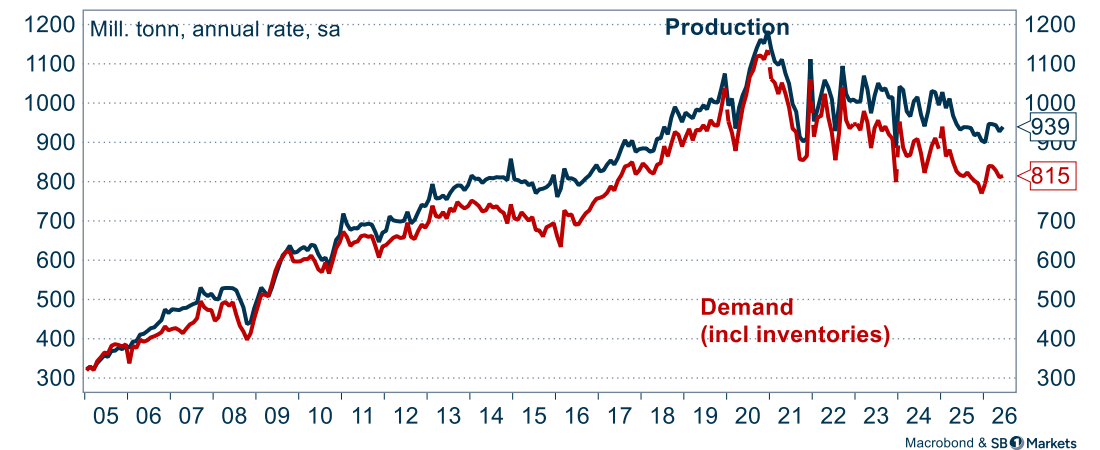


- **Net steel** exports are up more than 2x since early 2022, up to 12% of production in Rest of the World.
- Late last year, **domestic steel** (apparent) demand was down almost 30% since the peak of the building boom in 2020, while production was down some 25%. Thus, exports rose sharply. The last months, demand and production have recovered somewhat.

China Net steel exports



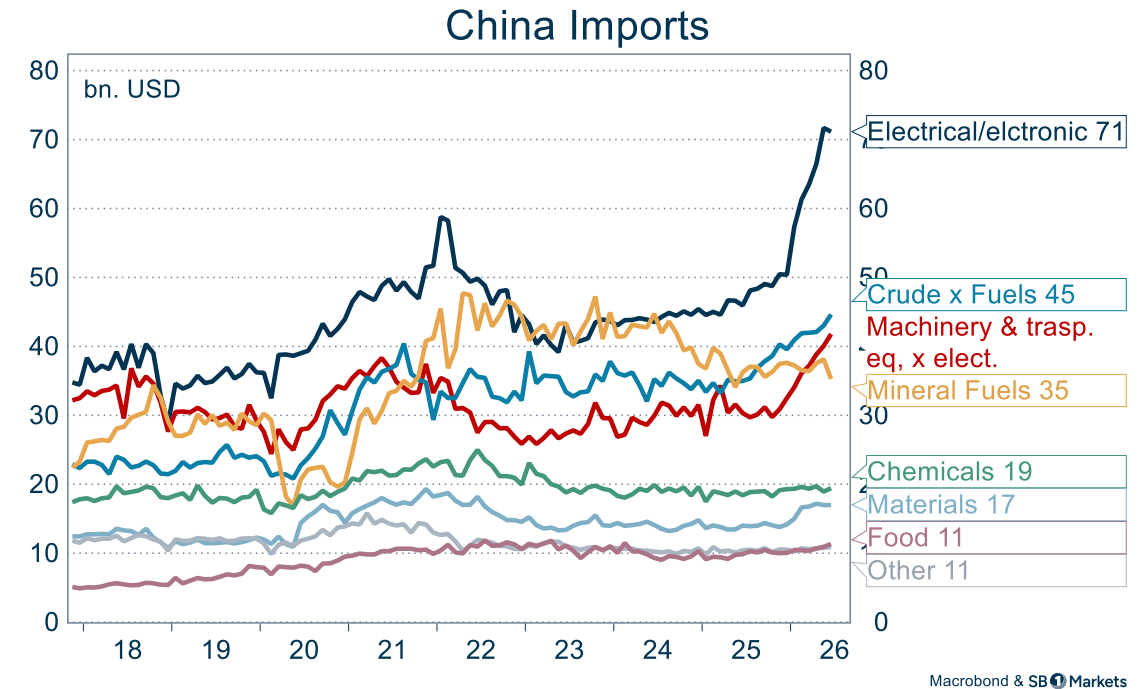
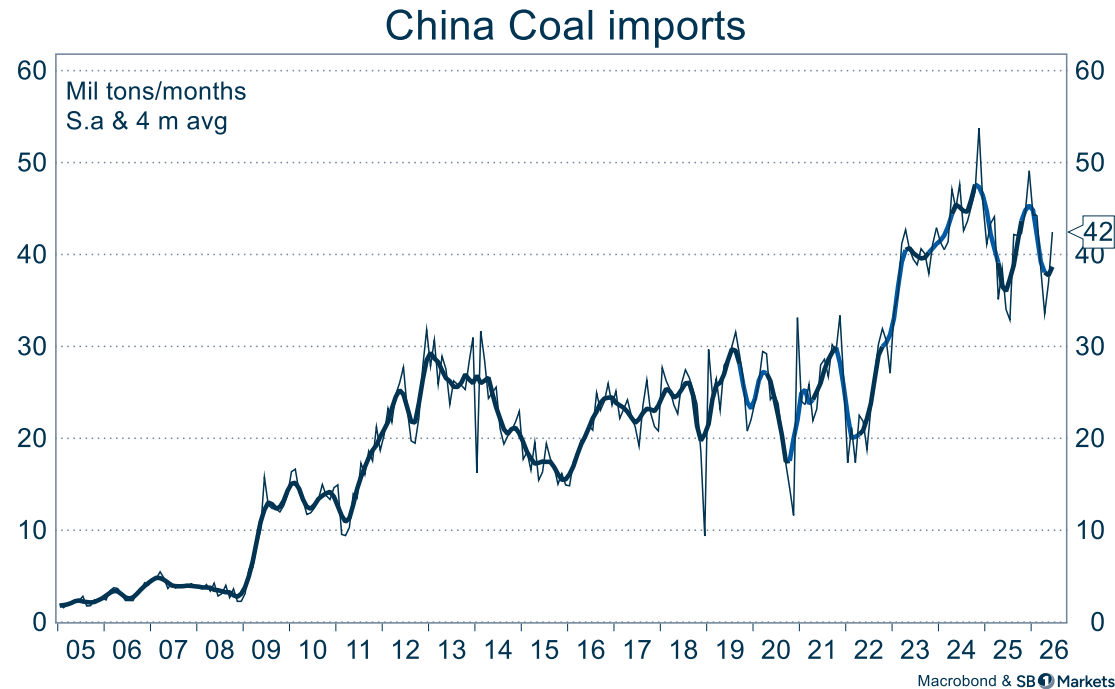
China Steel





Imports of electrical/electronic and machinery are surging

The value of oil imports was kept in check in both March and April (prices rose, but volumes declined sharply as well). Coal imports have been trending flattish since 2023 (but are volatile short term).

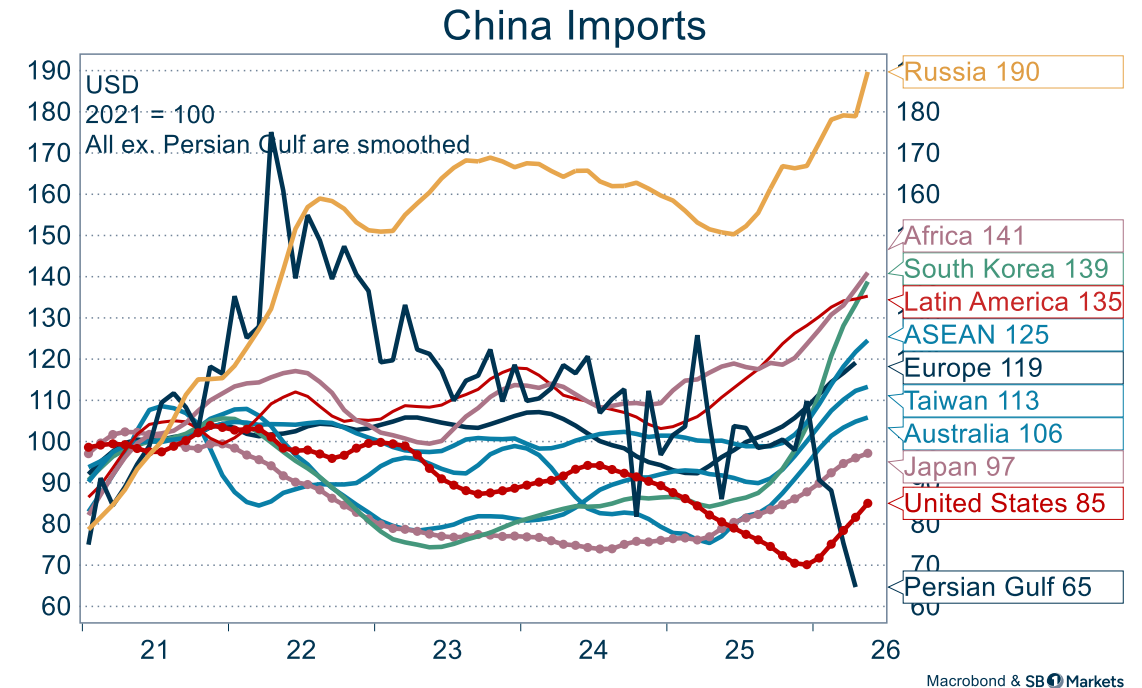
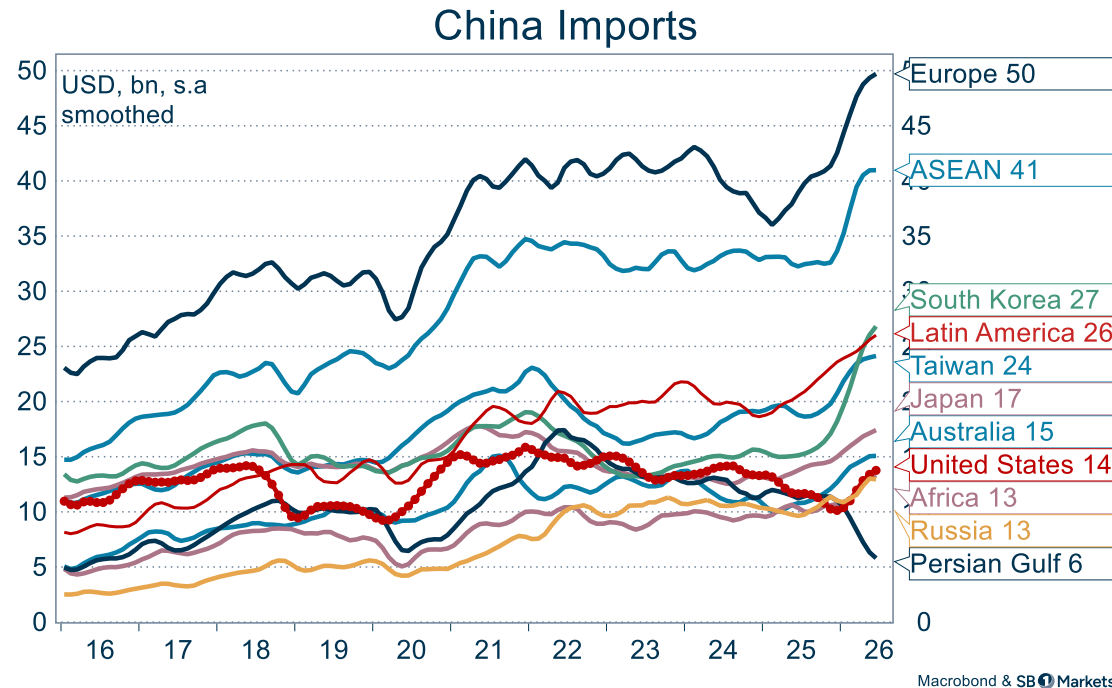


The last observation: May



More imports from most corners of the world, barring from the Gulf

Imports from other Asian countries as well as from Europe, and recently also from the US, are surging.
Even imports from the US have recovered recently, from a low level.

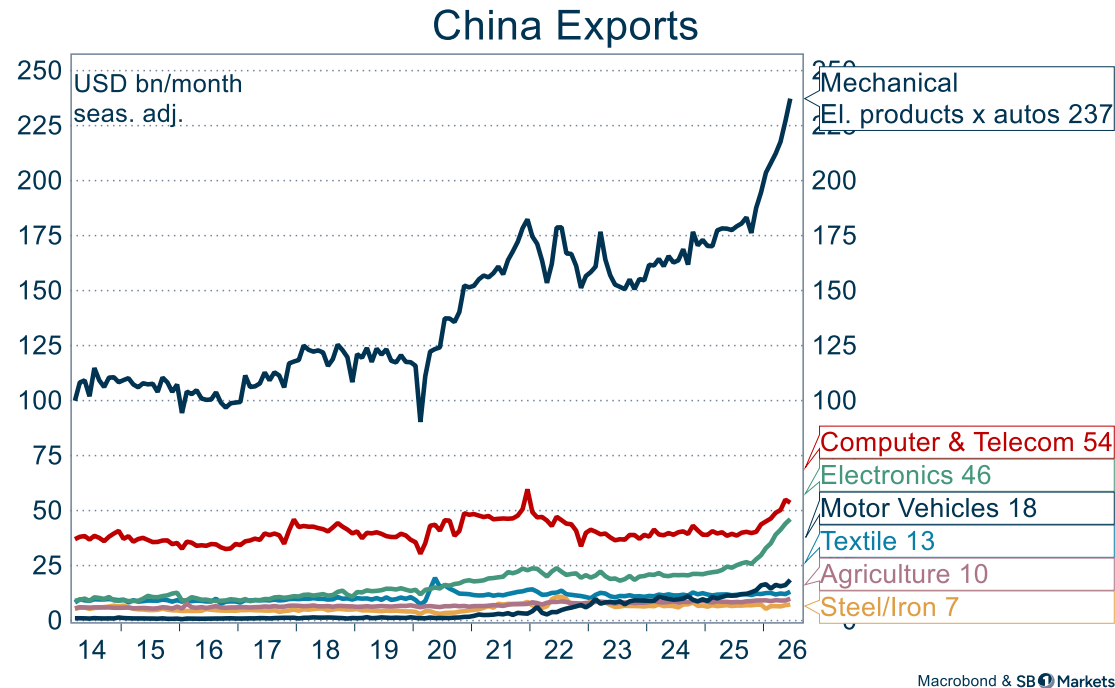


- **Europe** is still the biggest source for Chinese imports, and imports have surged recently.
 - Imports from Europe **are four times larger** than imports from the US (which may explain some 'nuances' in trade policies?)
- Imports from **ASEAN** countries have shot up following no growth to late 2025 from 2022.
- Imports from **Taiwan** are surging, and even more imports from **South Korea**, due to imports of semiconductors and electronics.
- Imports from **LatAm** are increasing rapidly, and are twice as high as imports from US
- Imports from **Russia** have increased more than from other countries since 2021, but the country is not an important trading partner (3% of total imports, like from US (!) or Africa)



Mechanical/electrical, computers, and electronics have been the only growth engines lately

Exports of computer & telecom equipment are still down from the 2021 peak; Electronics are way above. Auto exports are trending rapidly upwards but amount to just 5% of total exports. Steel exports: 2%.



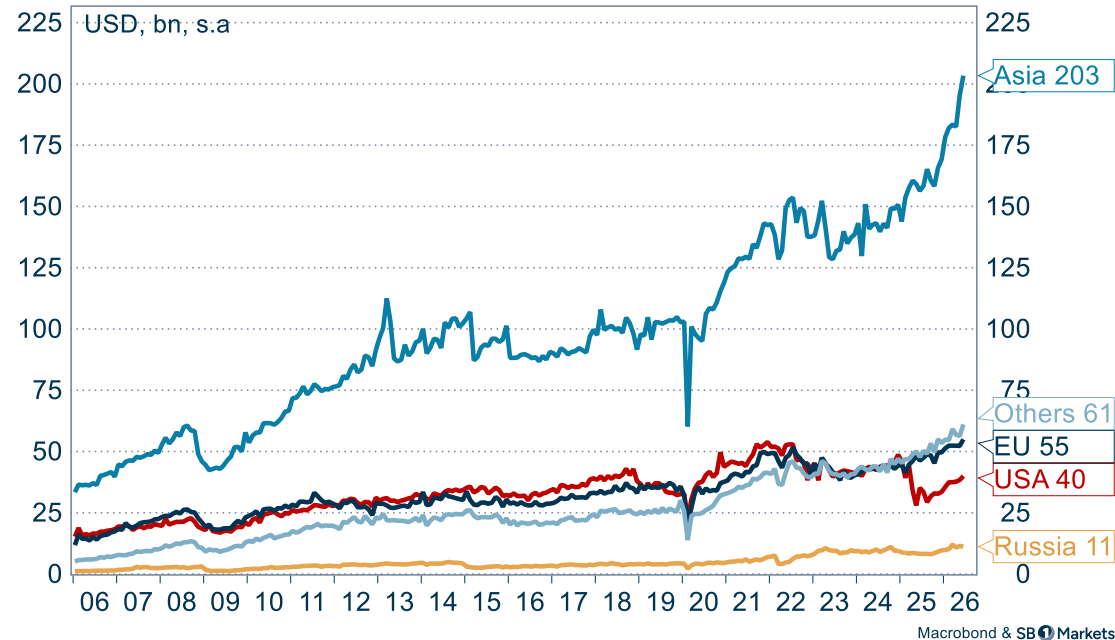
- The last observation: May



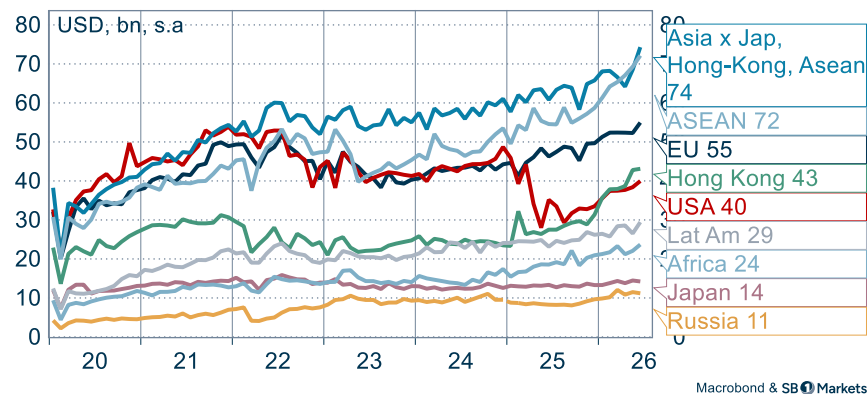
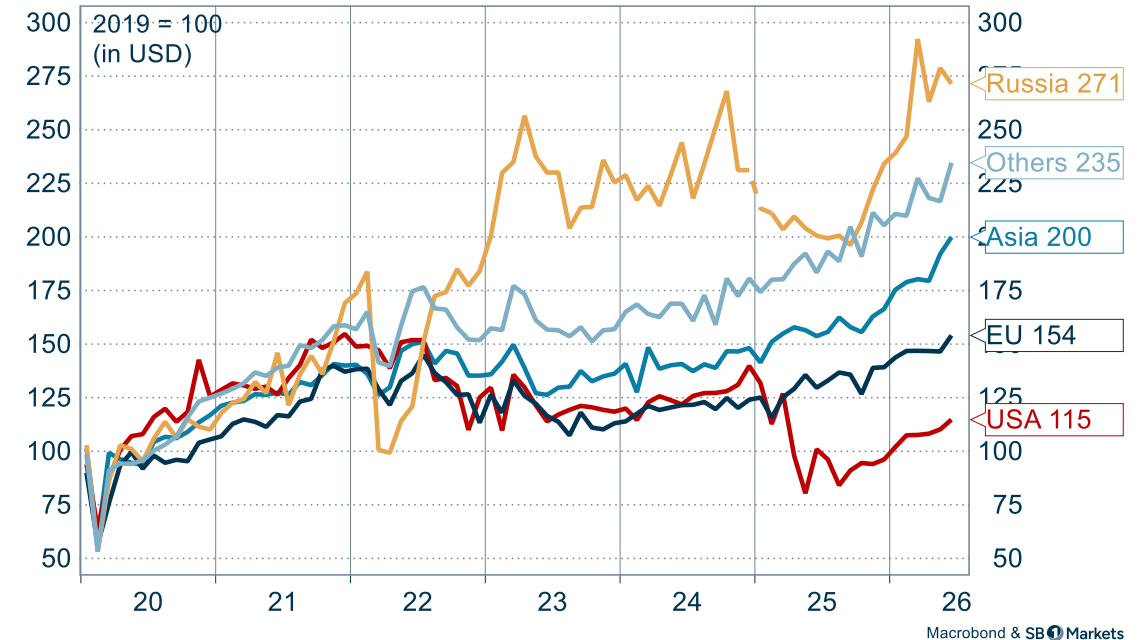
Exports to the US have turned up, after the drop of more than 25%, China reports

Exports to other Asian countries continue to drift upward, now at USD 203 bn, 55% of the total. Exports to EU drift rapidly up as well, to USD 55 bn (imports 50 bn). LatAm + Africa at 53 bn is close to EU, and far higher than China's export to the US (40 bn). Russia? USD 11 bn, 4%

China Export markets



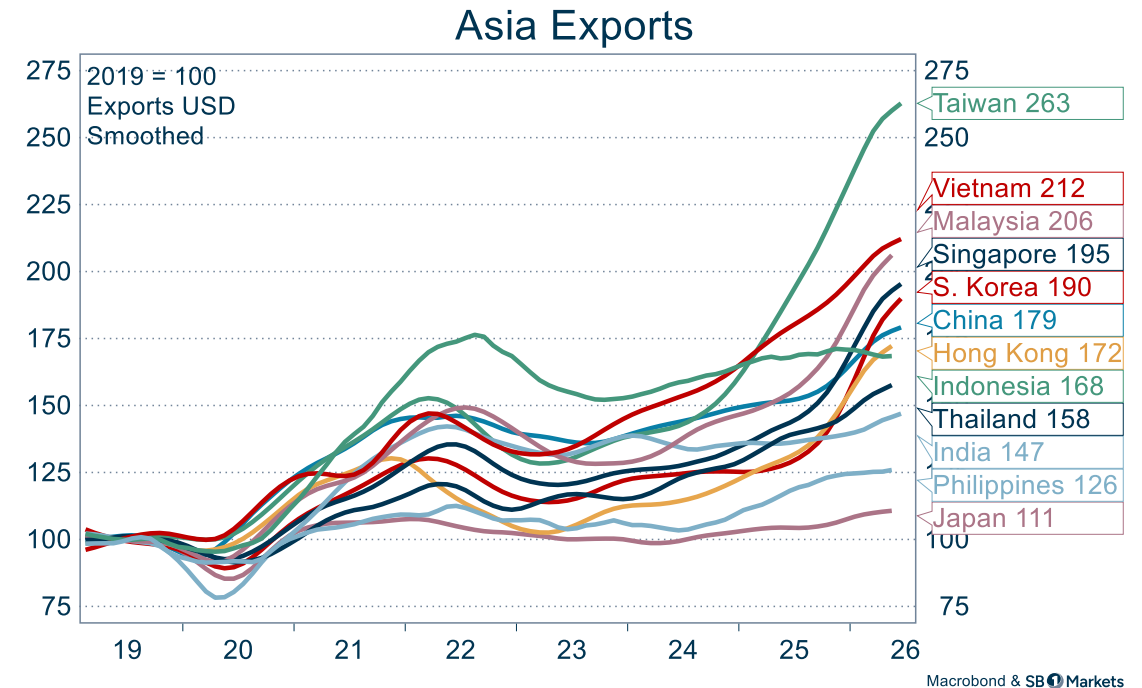
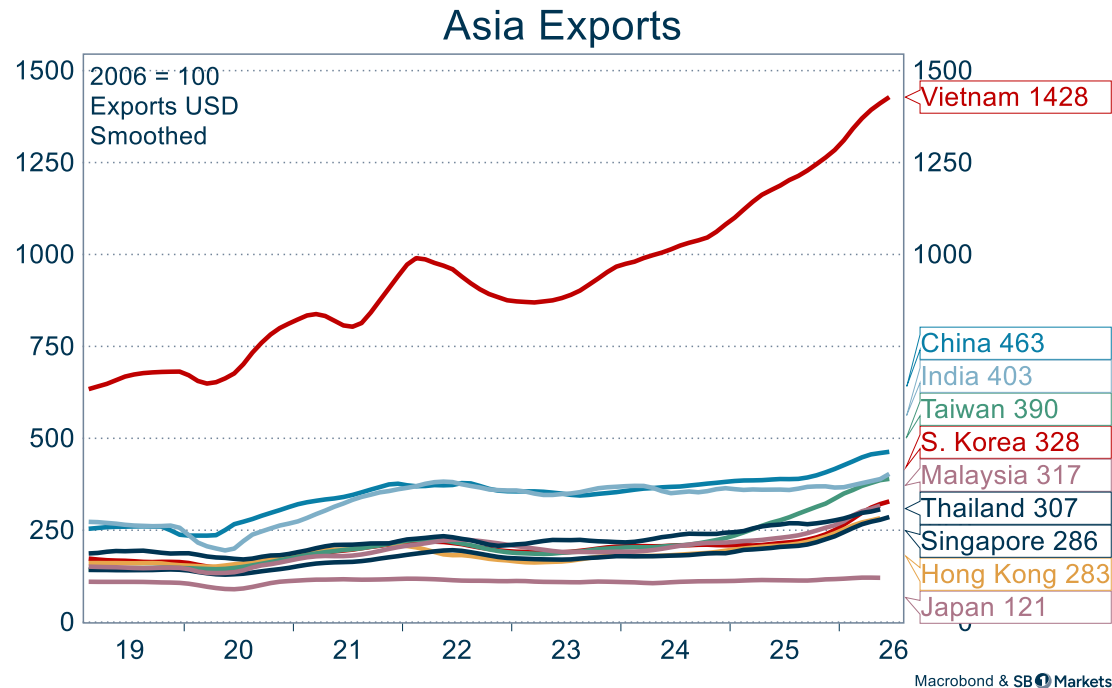
China Export markets





Asian exports: only India (!) records flat exports, all others are up, some very rapidly

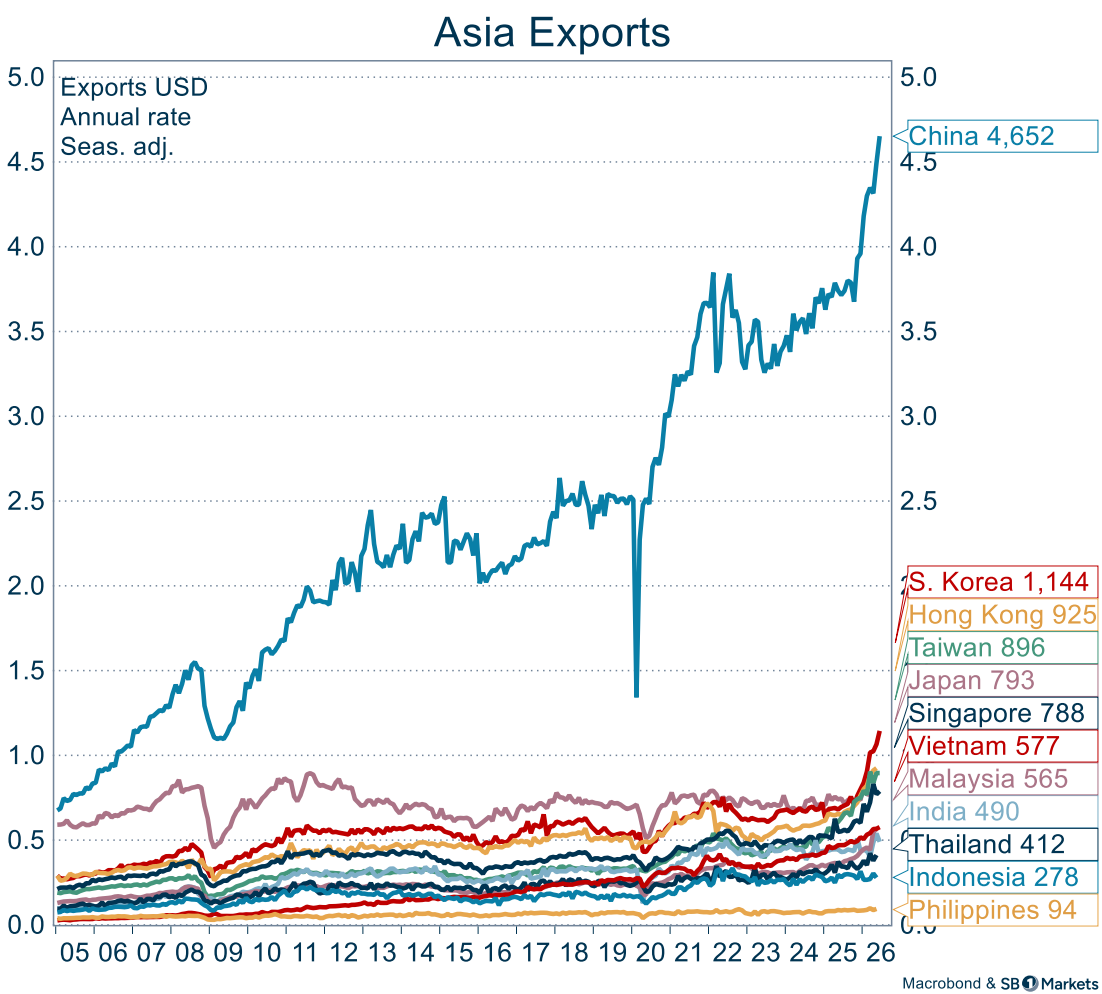
South Korea and Taiwan have reported astonishing export growth recently, mostly in semiconductors and computers. Vietnam has been the winner over the past decade (or two), Taiwan last year. The laggards in recent years: Indonesia and India



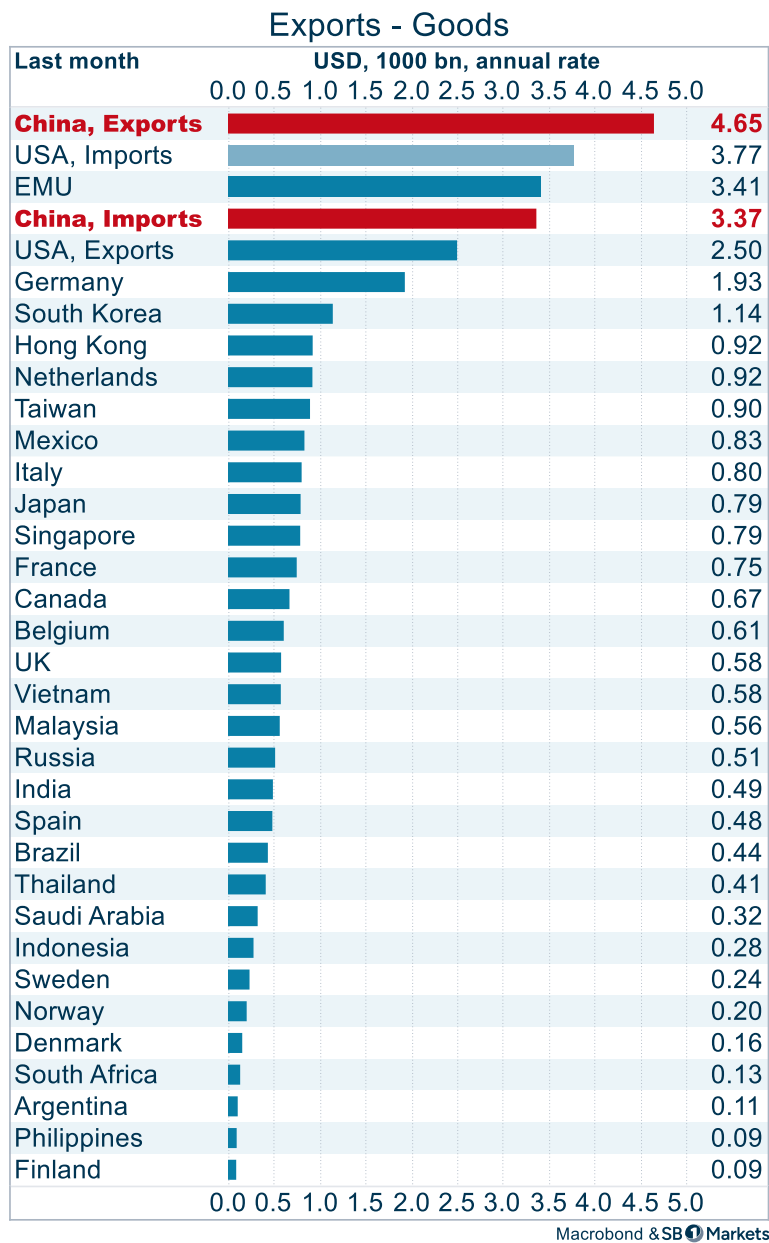


Two cross-checks on the size of trade flows: China vs. Rest of Asia. And vs. ROW

BTW, Chinese exports 2/3 higher than US exports, and even 36% above EMU exports!
Chinese exports are almost 10 x larger than Indian exports. Chinese imports? 35%>US exp.



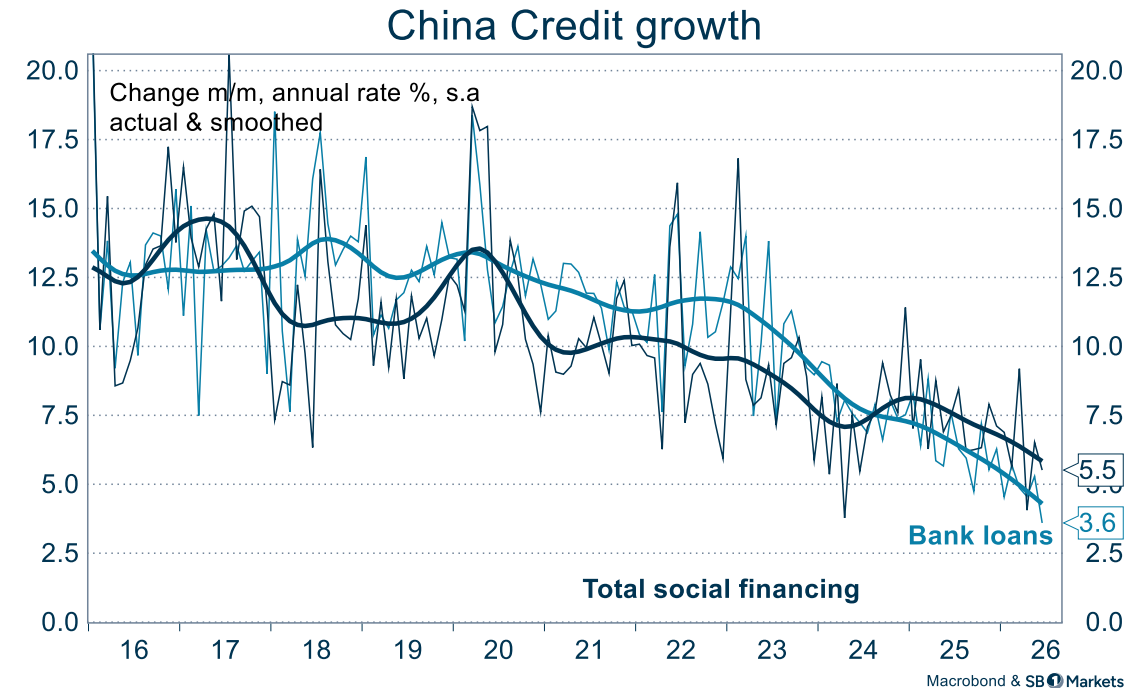
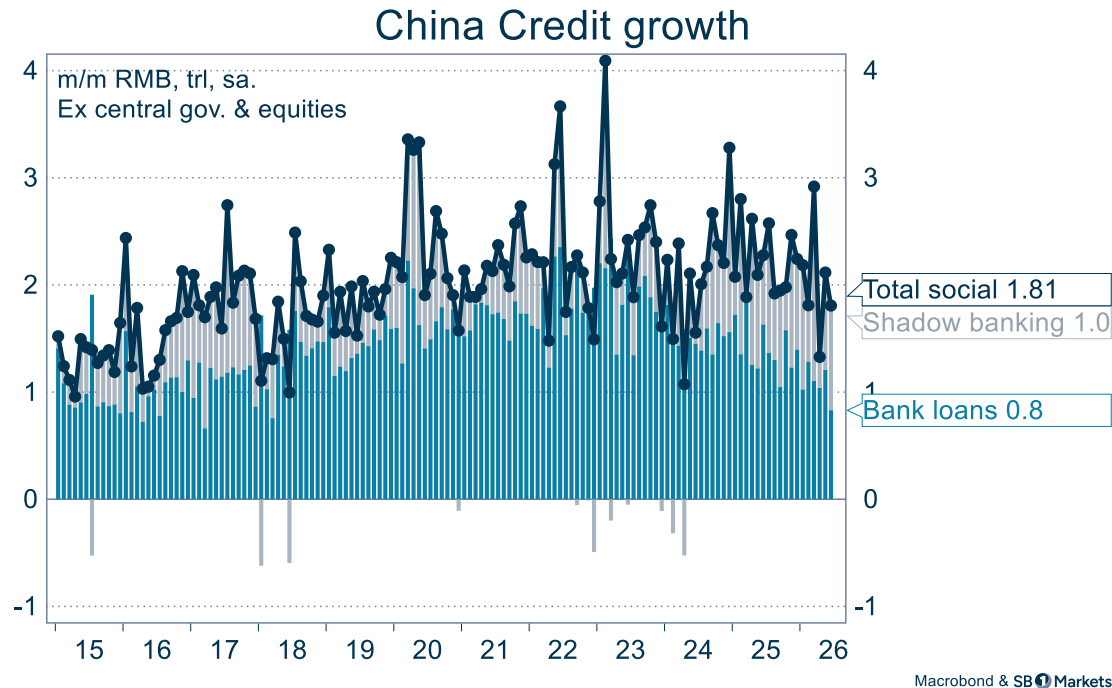
Several EMU countries are shown separately, and their exports to other EMU countries are included





Chinese credit growth heads down, as households repay debt, and save more.

Businesses are borrowing at a normal pace, even as real estate loans are declining

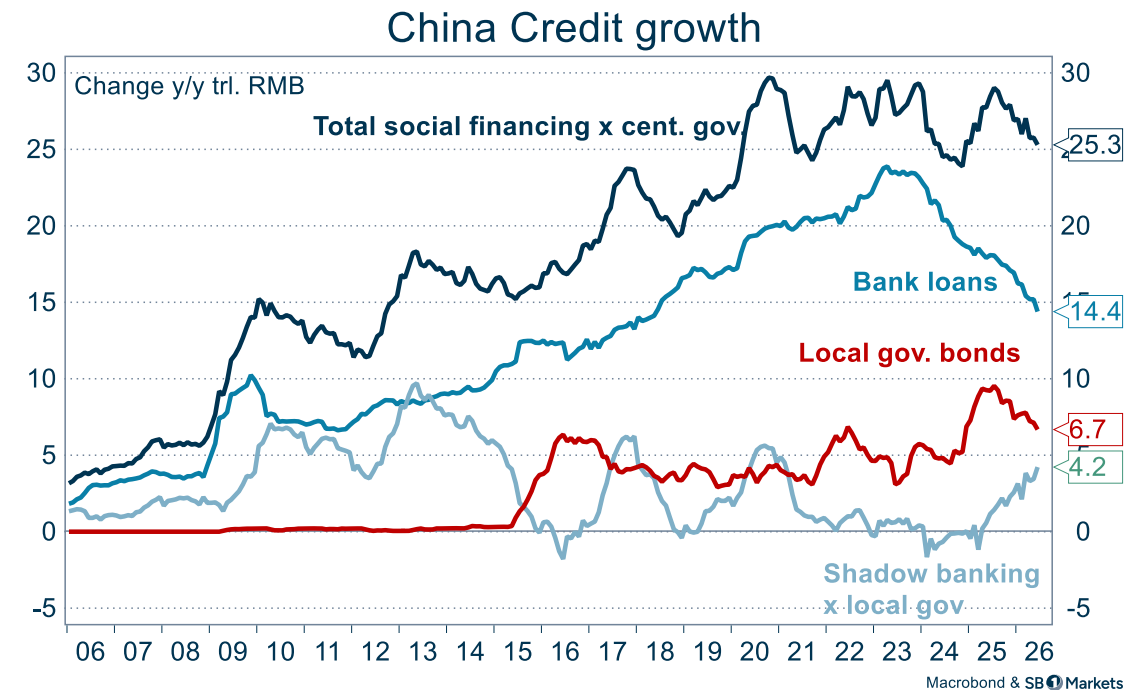
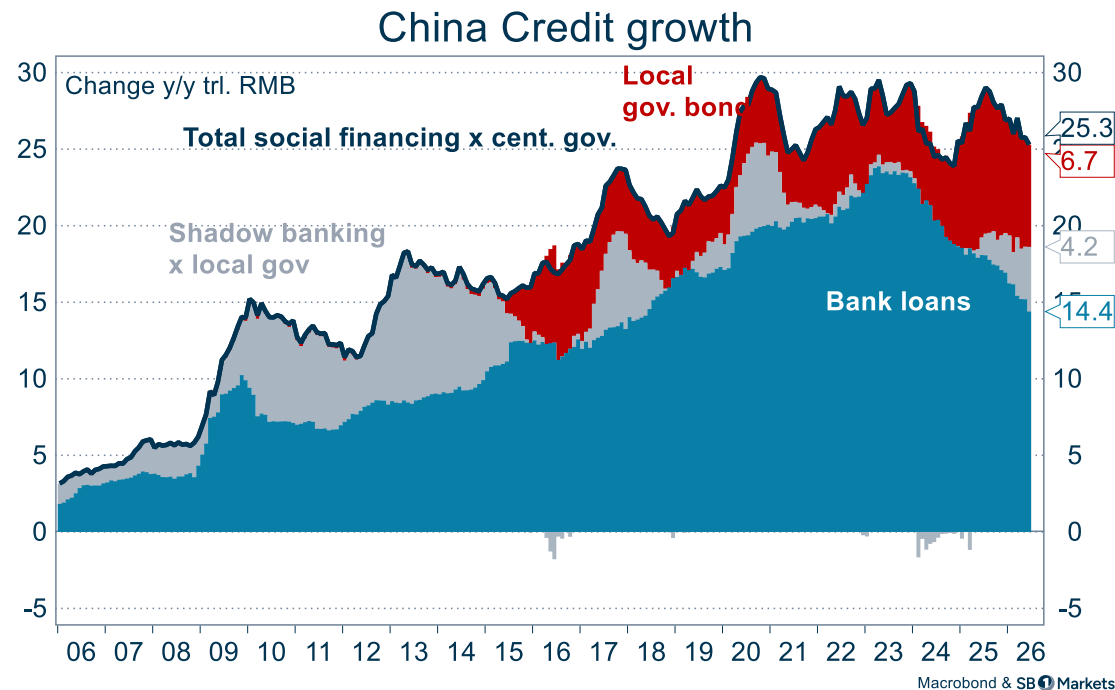


- **Total social financing** grew by RMB 3.3 trillion m/m in June, somewhat less than expected (3.8 trl). Seasonally adjusted, core credit supply rose by RMB 1.8 trl, or a 5.5% annualised increase. Total credit is up 6.7% year-on-year, still outpacing a 5.5% nominal GDP growth, though credit growth is slowing.
- **Bank loans** grew by RMB just 0.8 trl. (SA), also less than expected. Bank lending is up just 5.4% y/y, the lowest growth rate since 2000.
- **Shadow banking credit** rose by RMB 1.0 trl in June, even if **local government borrowing** declined slightly. Other segments of non-bank credit are growing significantly faster than some months ago
- **Household borrowing declined** and the annual rate fell to -1.3%, while business borrowing remained steady (8%).
- **Households' deposit accounts** have increased rapidly for the 5th consecutive year, and the deposit/income ratio is sky high. At one stage, households will start spending again?



Credit growth is cooling, as growth in bank lending & local govern. bond borrowing slows

However, other shadow banking borrowing gains speed, dampening the decline in total credit supply.

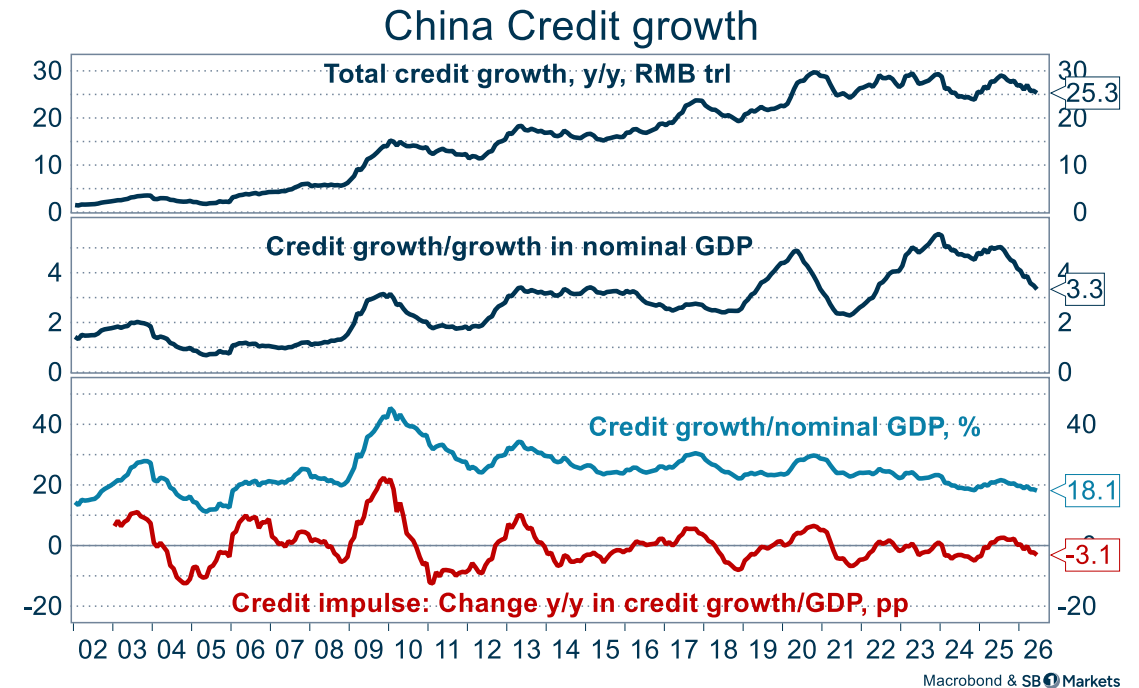
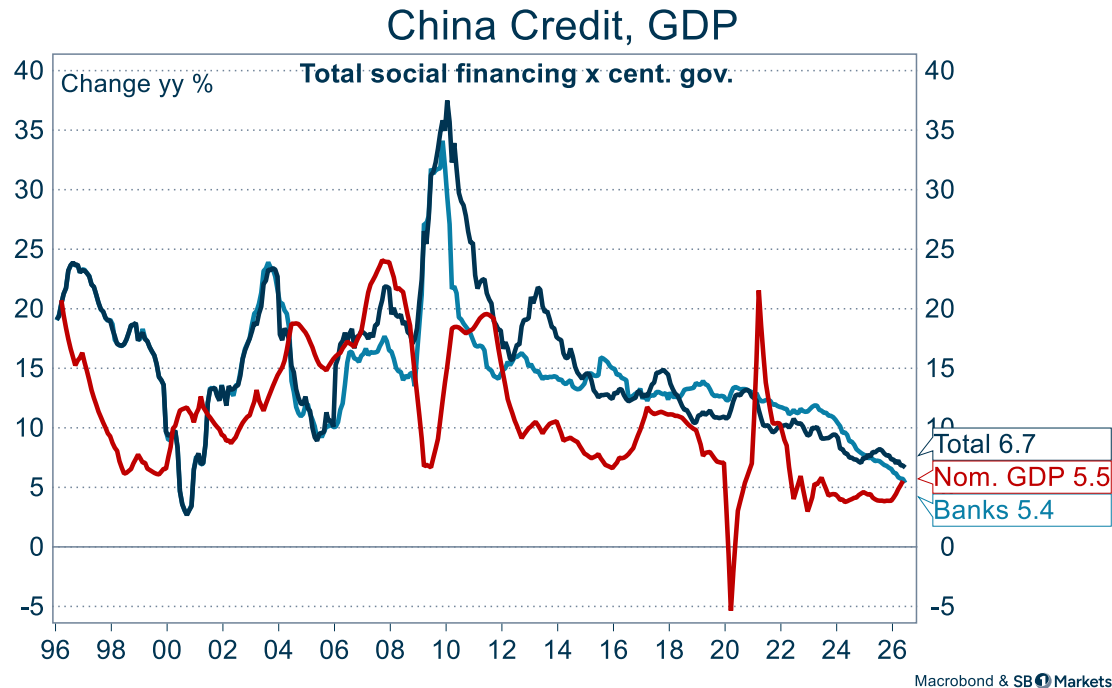


- Over the past year, **total credit** expanded by RMB 25 trillion, equalling almost 18% of annual GDP!
- **Banks** supplied RMB 14 trl. of the y/y increase. This contribution has been rapidly declining since the peak in early 2023 (23 trl).
- **Local governments** accelerated their borrowing until mid-2025, but growth has now slowed to 13% (from 23% at the peak). Local governments have been allowed (or forced?) to increase their borrowings in the bond market to refinance their off-balance lending activities, and to clean up the broken new homes market.
- Other credit via the '**shadow credit market**' (ex. local government bonds) is up 4 trl y/y, or by 7%, up from a decline in 2024 and zero growth early last year. The late 2020 local peak was an annual growth at RMB 6 trl (10% y/y). This acceleration is by itself probably a positive sign as it signals demand for credit is not dead. On the other hand, lack of debt is not China's main problem...



Big picture: the y/y credit impulse has turned negative, even on a y/y basis

Total credit is up 6.7% y/y, and the trend is rapidly down. Growth in bank loans is declining much faster, now down 5.4%. Both growth rates are the lowest since 2000. GDP is up 5.5% y/y, and the debt/GDP ratio is still increasing, from a very high level.

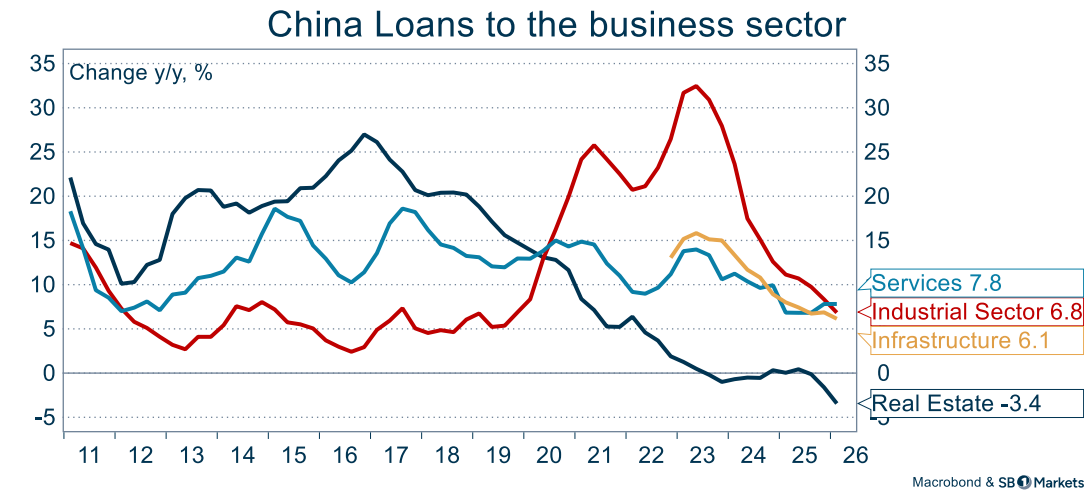
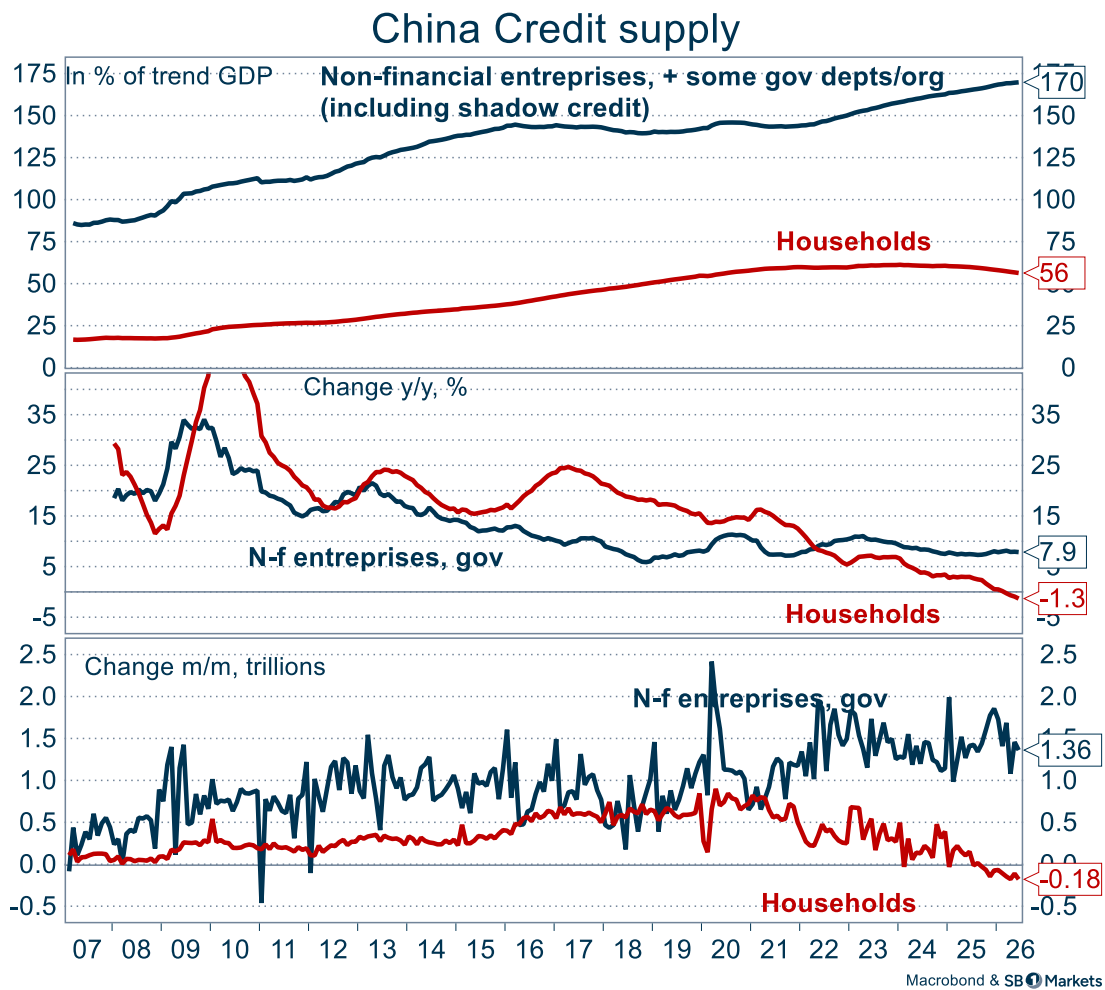


- **The credit impulse:** Conventionally measured as change in credit growth vs. the nominal GDP level, over the past 12 months vs. the previous 12 months.
 - The impulse can, of course, be measured over other horizons as well, and it is negative in recent months as well.
- **Credit growth** (in RMB) is **3.3 x larger** than **growth in nominal GDP**, which is the lowest 'gearing' in 4 years, still an **unusually high ratio** (3.3 RMB in extra credit is associated with 1 RMB of additional value added (GDP). A 'normal' gearing is far lower). Annual **growth** in credit (in RMB) equals 18% of the annual GDP **level!**
 - These ratios have been persistently high. Thus, the **debt/income ratio is still increasing.**
- **Local governments** have been encouraged to borrow more to bail out failed housing projects so projects can be completed. The central government will also increase its borrowing in the bond market substantially to fund these and other projects and to finance a central government budget deficit at 4% of GDP (OECD forecast). The total public sector deficits equal 8% of GDP, according to OECD/IMF).



Households are paying down their debts! Businesses are borrowing like before

Recent months, households have reduced their outstanding debt m/m, and the annual growth rate is -1.3%. Growth in corporate debt (bank and shadow market) at 8% is not low—and remains far higher than growth in any measure of corporate income.



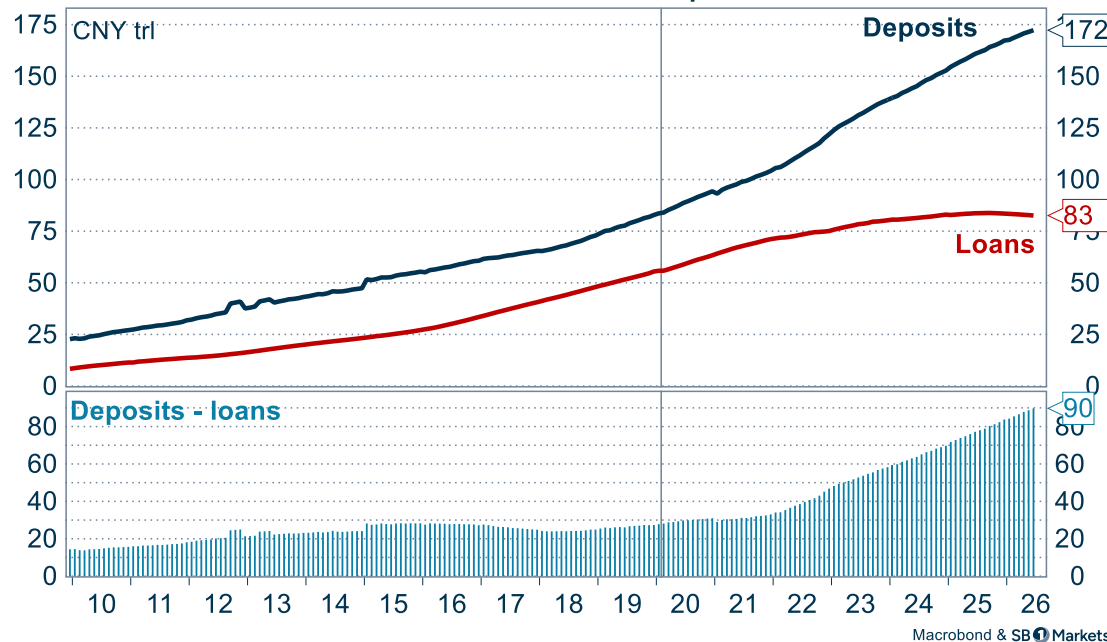
- Within the business sector, real estate loans are declining (but slow vs. the downturn in real estate investments?)
 - Only bank loans are included in the chart above; shadow banking credit is excluded.



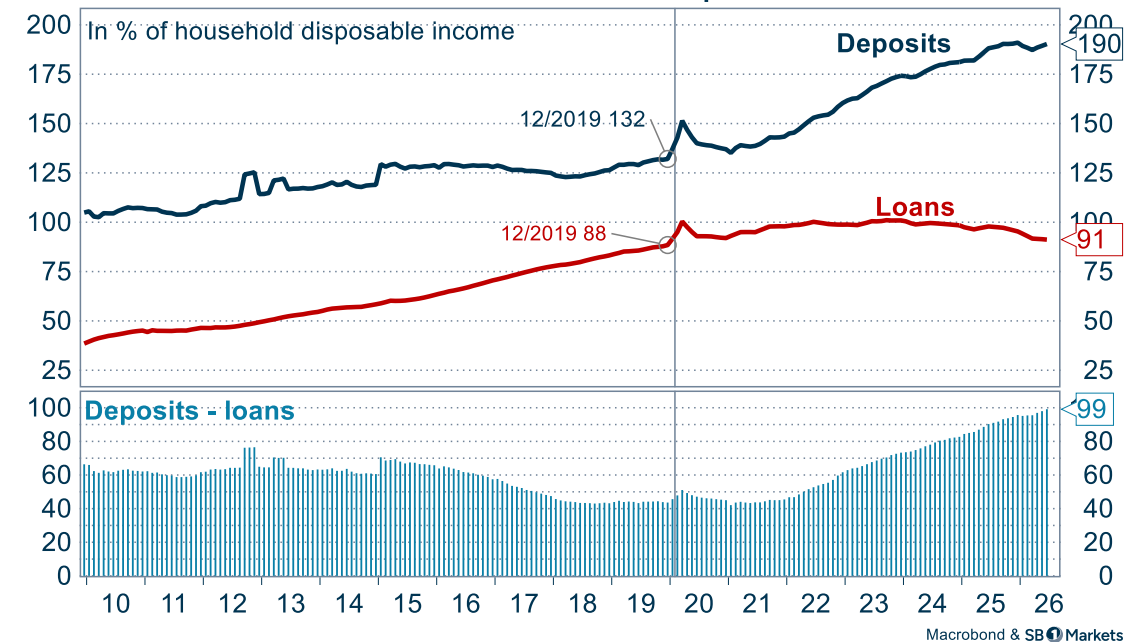
Growth in savings is slowly slowing? Household debt is on the way down, and faster

Deposits equal 190% of disposable income, up from 138% in 2019. Loans equal 91%, and the loan-to-income (LTI) ratio is steadily declining! Growth in deposits is slowing somewhat, a positive sign vs. household spending.

China Households' bank deposits & loans

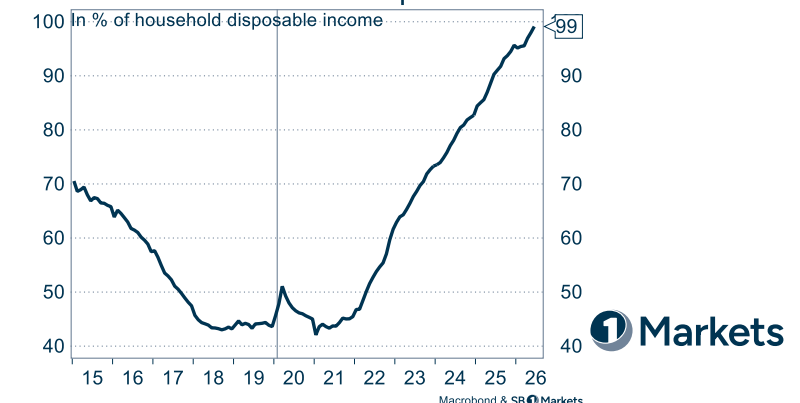


China Households' bank deposits & loans



- **Net deposits** (deposits – loans) equal 99% of households' annual disposable income, up from 45% in mid 2021! Bank deposit accounts appear safer than investments in empty homes.
 - The increase in net deposits from mid 2021 until now implies a 10-pp lift in the **net financial investment rate per year** (if investments in other financial assets are equal vs. disposable income – historically, other investments have been rather limited).
 - That is, if these (extra) funds had not been saved, households could have lifted their demand by around 15% of their income or around 9% of GDP (which is more than 2 x larger than the surplus at the current account, if you want to compare).

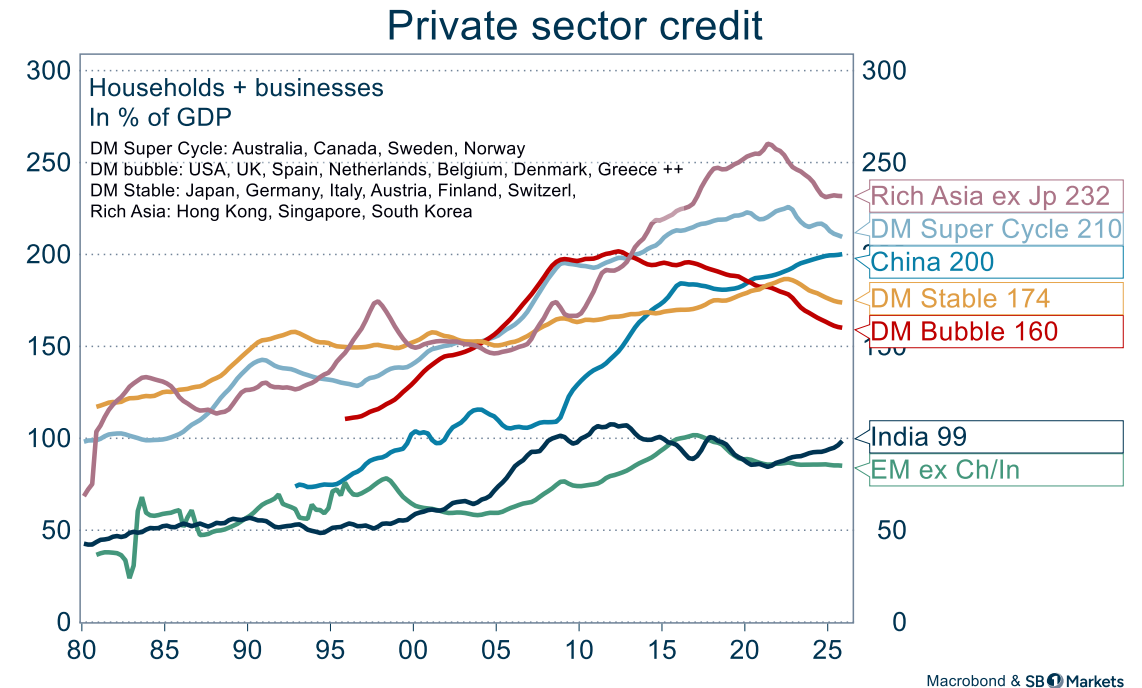
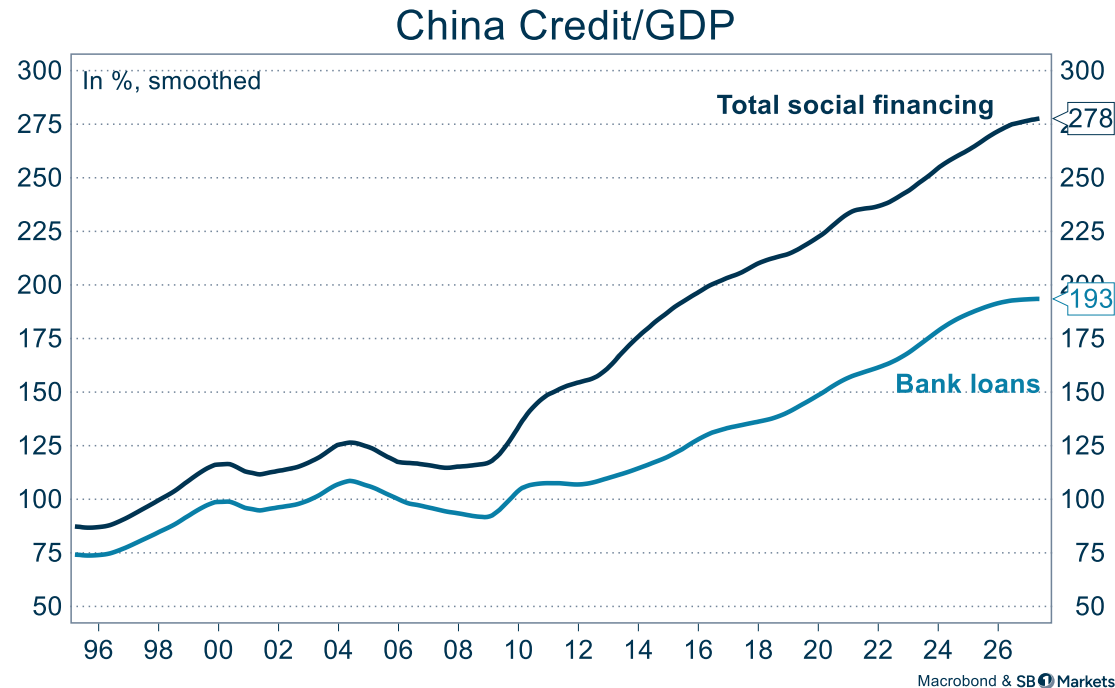
Households' net deposits





China is a credit outlier in EM, and almost all others in ROW have turned south

The 'global' private sector debt bubble is a Chinese credit bubble, check the chart to the right below. However, the overall Chinese debt ratio is finally growing slower

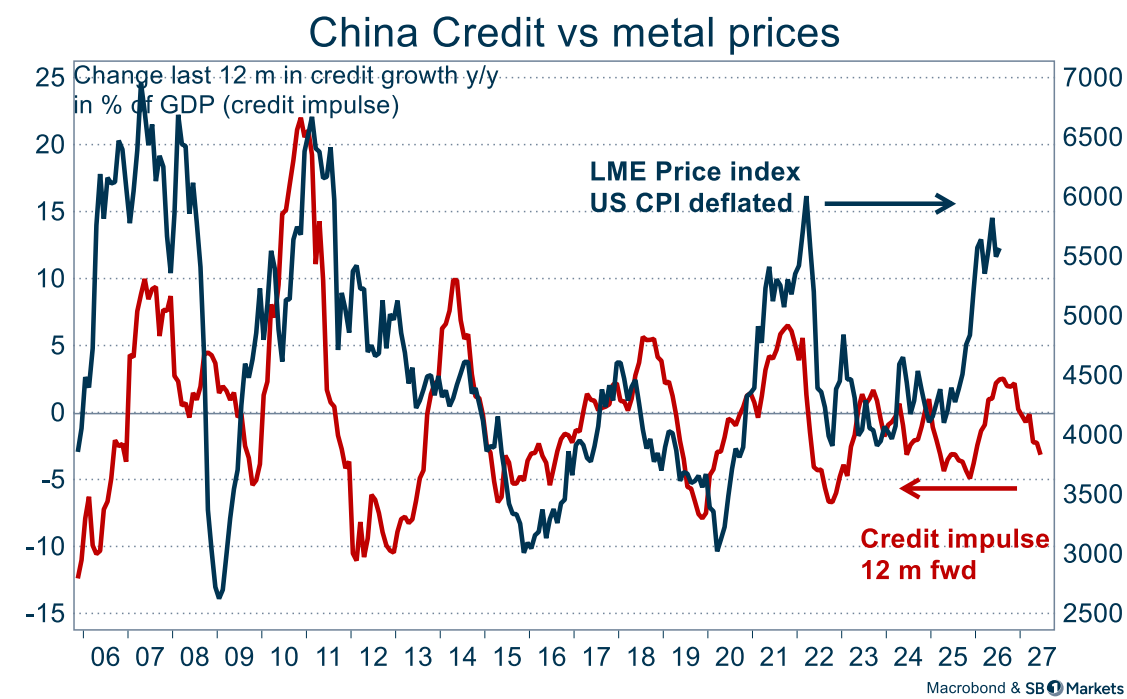
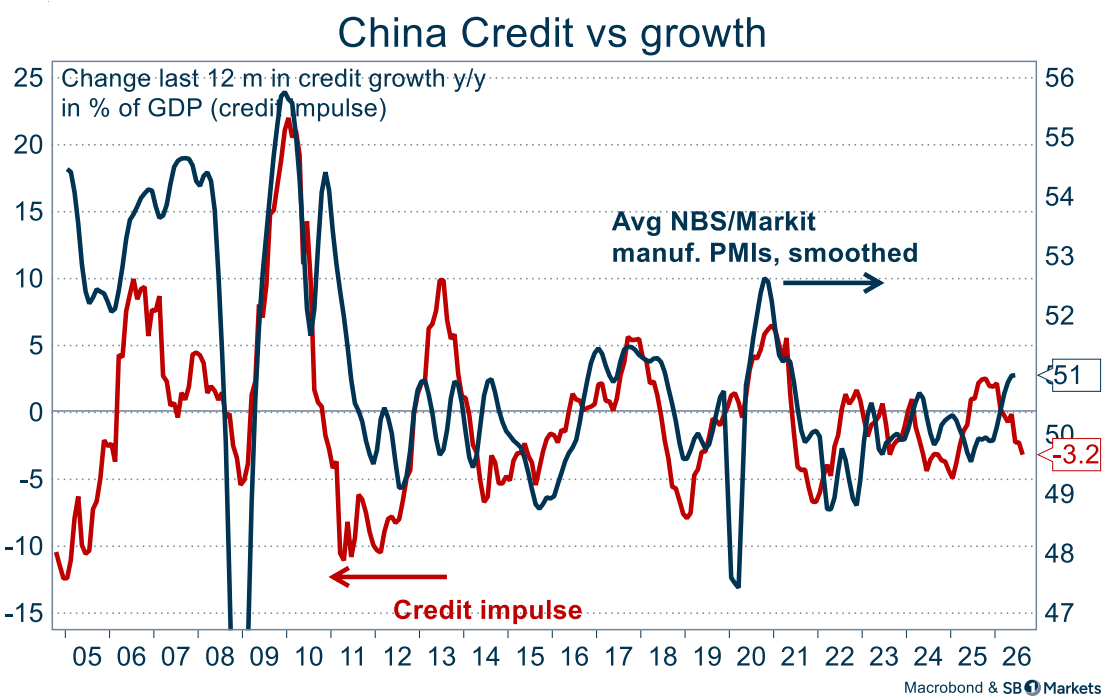


- There have been some other outliers as well: **DM Super-cyclicals** (Australia, Canada, Norway, Sweden), and wealthy Asian countries, which have borrowed quite extensively. These countries have now been reducing their debt burdens for some few years, although their debt levels remain substantial.
- However, most other **DM** countries are not that exposed, particularly compared to their positions when the bubble burst 15 years ago. Their debt levels are decreasing, but some still remain high.
- **India and other EM countries excluding China** have deleveraged (debt vs. GDP) over the past 10 years or so; however, Indian debt growth has accelerated somewhat recently.



Credit cycles vs. economic cycles: they are not totally uncorrelated

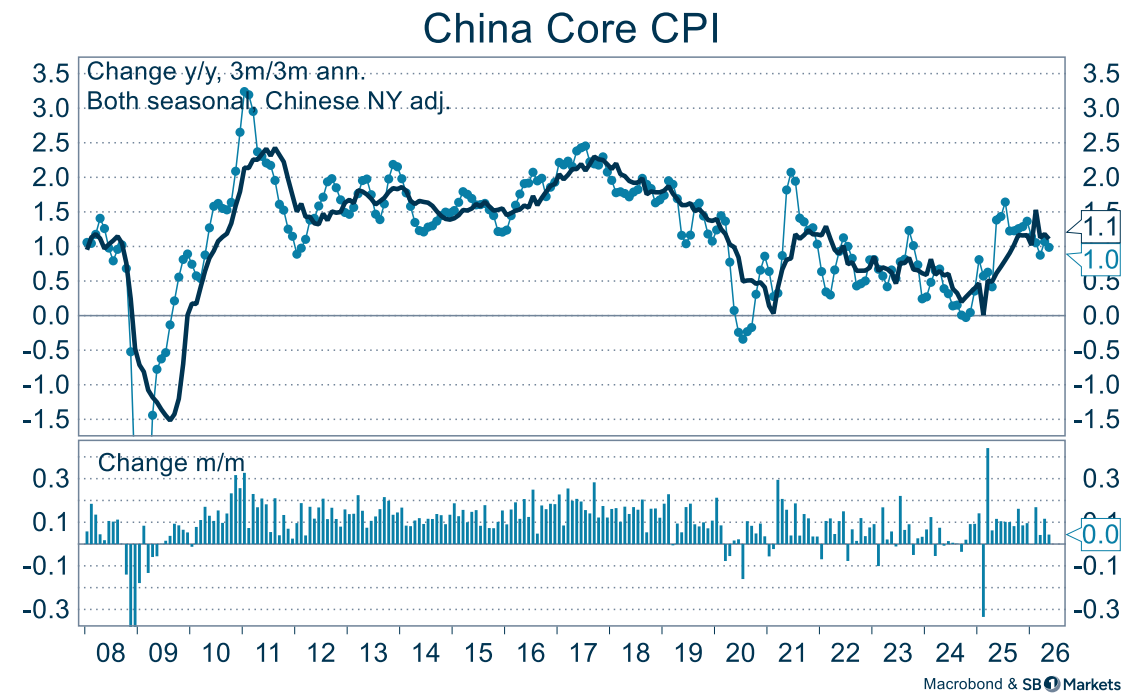
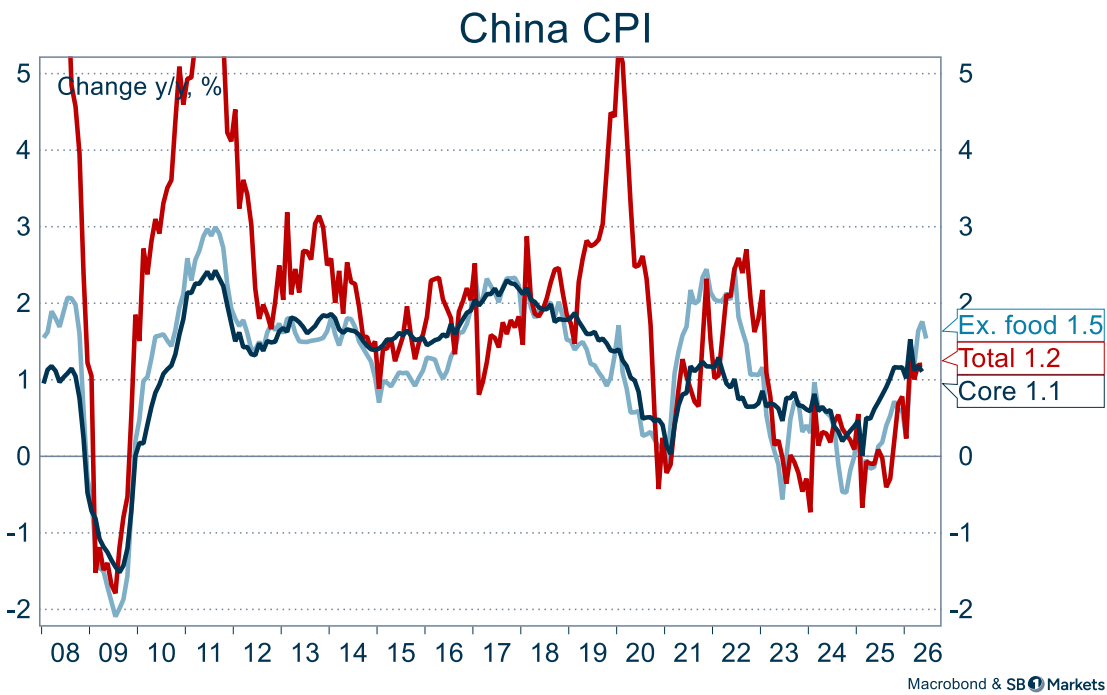
Chinese credit growth is slowing, and the credit impulse is negative again, vs. both the cycle and the raw material prices





Headline CPI inflation still just above 1%, core inflation as well

Underlying growth in core prices (CPI ex. food and energy) is also at the same level. A tad too low, but no disaster. Fuel prices are down 8% y/y. A bit strange? Food prices are down as well, by 1.8% y/y. CPI ex. food is up 1.5% (as food is down 1.6%).

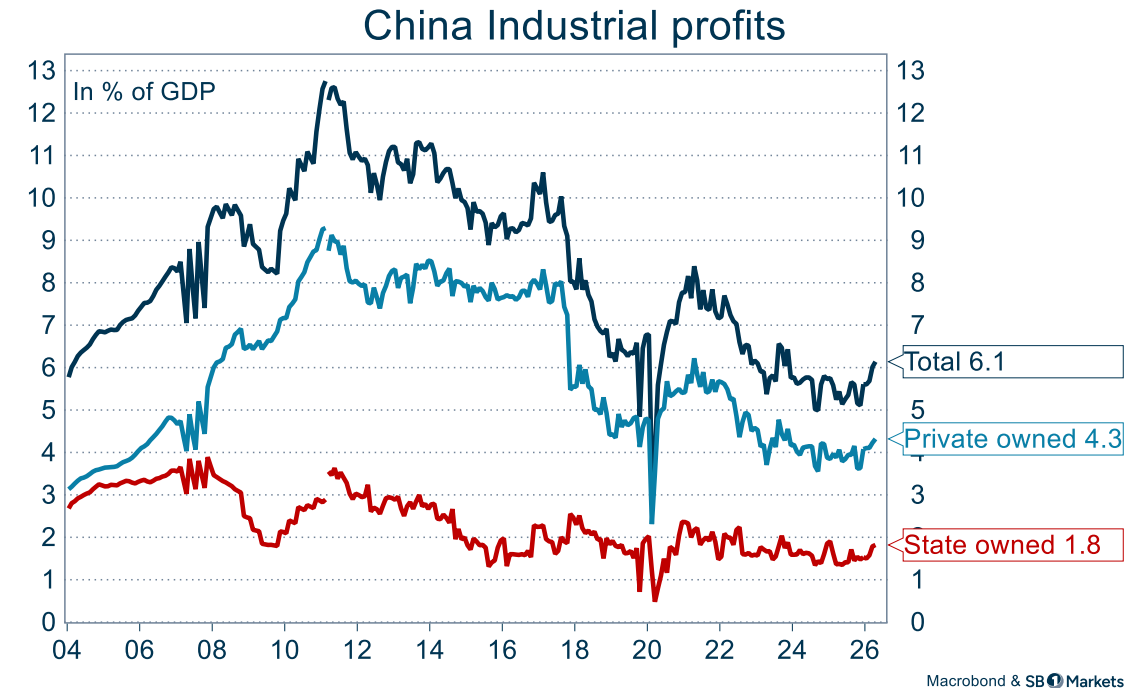
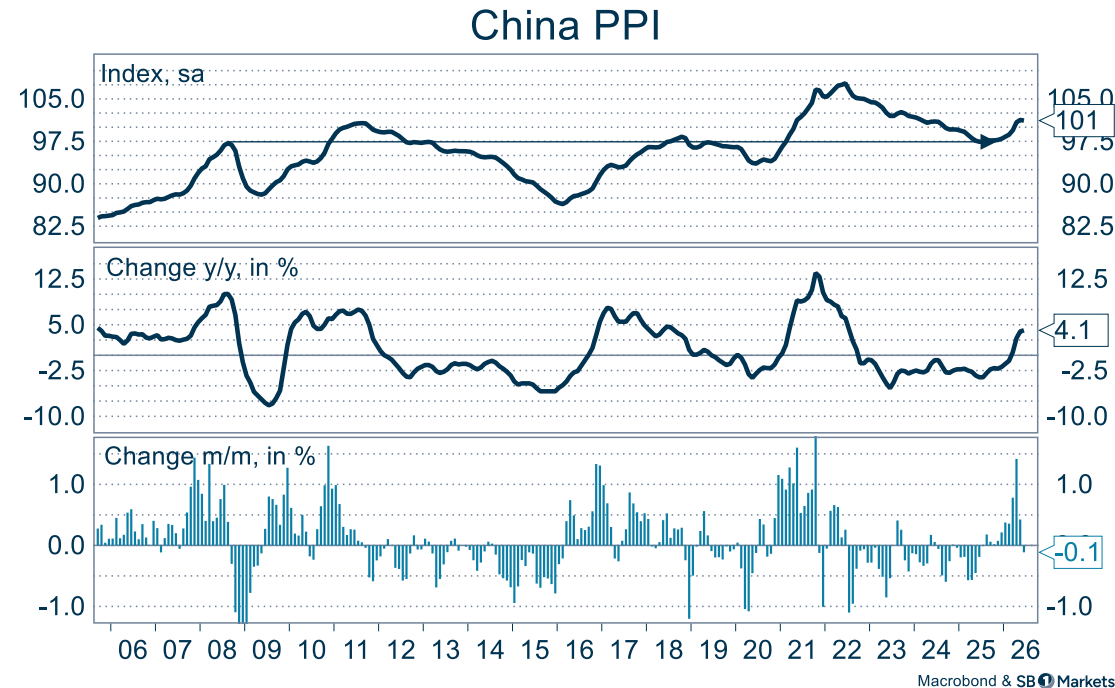


Core CPI: CPI ex. food and energy

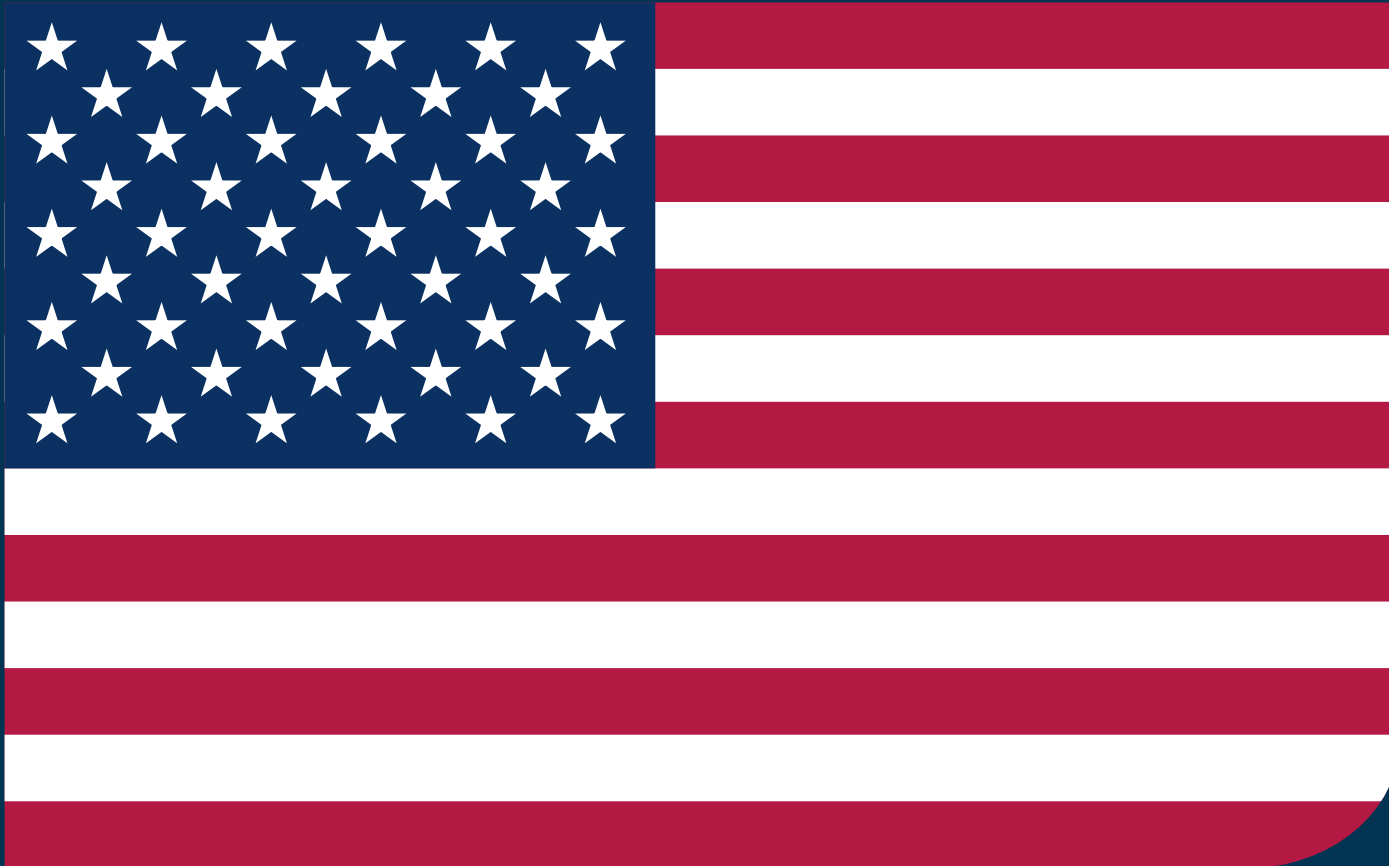


PPI declined 0.1% in June, but prices are up 4.1% y/y – the highest since the pandemic

Add on the CNY appreciation, PPI is up almost 10% in USD. Producer prices have increased the previous 10 months. Non-ferrous metals are in the lead, +26%. Petroleum is up 18%, but several sectors are still down, like building materials, electricity and autos



- The correlation between PPI and CPI in China is limited (but far better with the US CPI, at least before the tariff cycle☺).

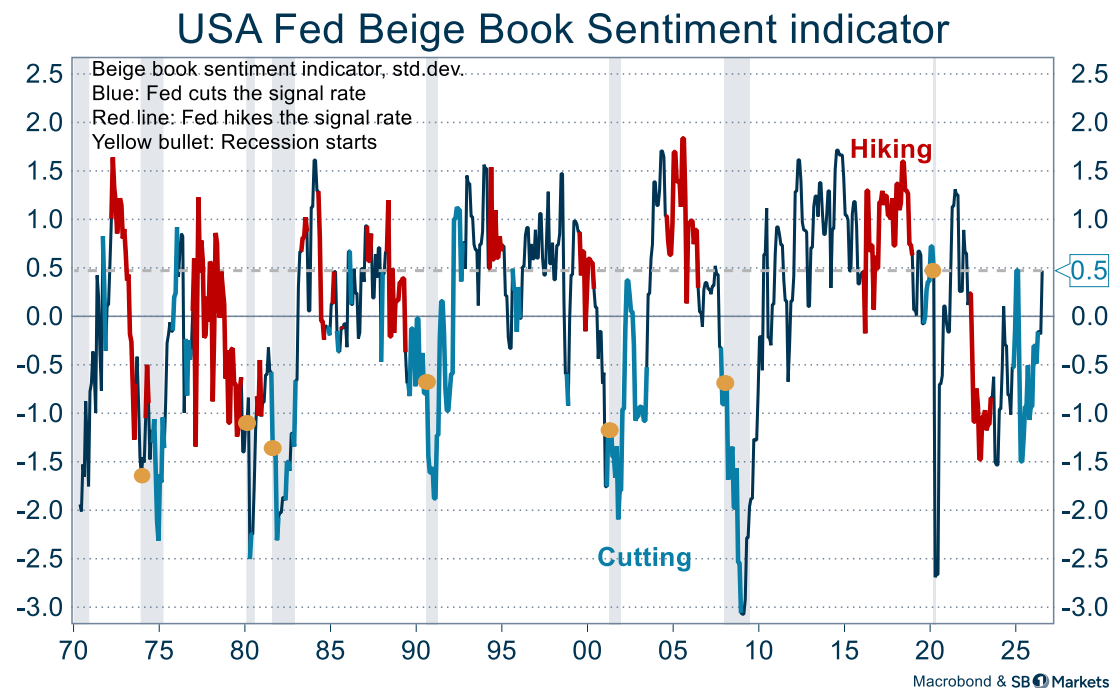


United States



Fed's Beige Book: the best since Jan-22!

11 of 12 districts report growth, vs. 10 in June. The BB sentiment indicator rose to 0.5 std. dev. above average, and trends straight upwards. Even so, businesses report that consumers are cautious, but also that inflation pressures persist. More arguments for a hike than cut.



- The Beige Book Sentiment Index rose to 0.5 std. dev. above average, up from -0.2 s.d. in May and June. The trend is straight up from the local bottom in April-25!

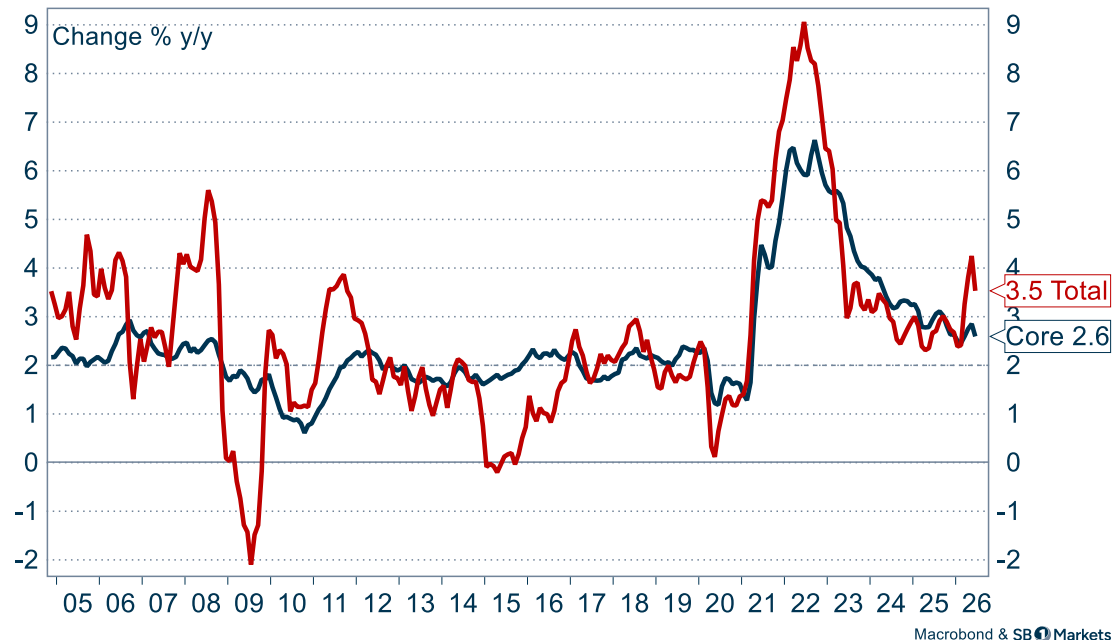
- **Growth:** the economy continues to expand, but only at a modest pace but still faster than reported in the previous surveys. It has not been stronger since Jan-22
- **Consumers:** demand remains positive but increasingly uneven across income groups. Higher fuel and living costs are weighing on discretionary spending, with many households trading down to cheaper alternatives.
- **The labour market:** employment increased slightly overall, hiring remains selective, and skilled workers are still difficult to find. Wage growth continues at a modest-to-moderate pace. In sum, a balanced market.
- **Inflation pressures persist:** businesses reported higher costs linked to energy, transportation, tariffs, and supply-chain disruptions. Price increases remain broad-based, suggesting inflationary pressure has not fully subsided.
- **The outlook:** business contacts generally expect continued economic expansion, while uncertainty remains elevated due to fuel prices and geopolitical developments.
- **In sum:** growth remains positive, inflation pressures linger, and the report of course provides no argument that Fed needs to rush into rate cuts. On the other hand, it does not have to hike rates either



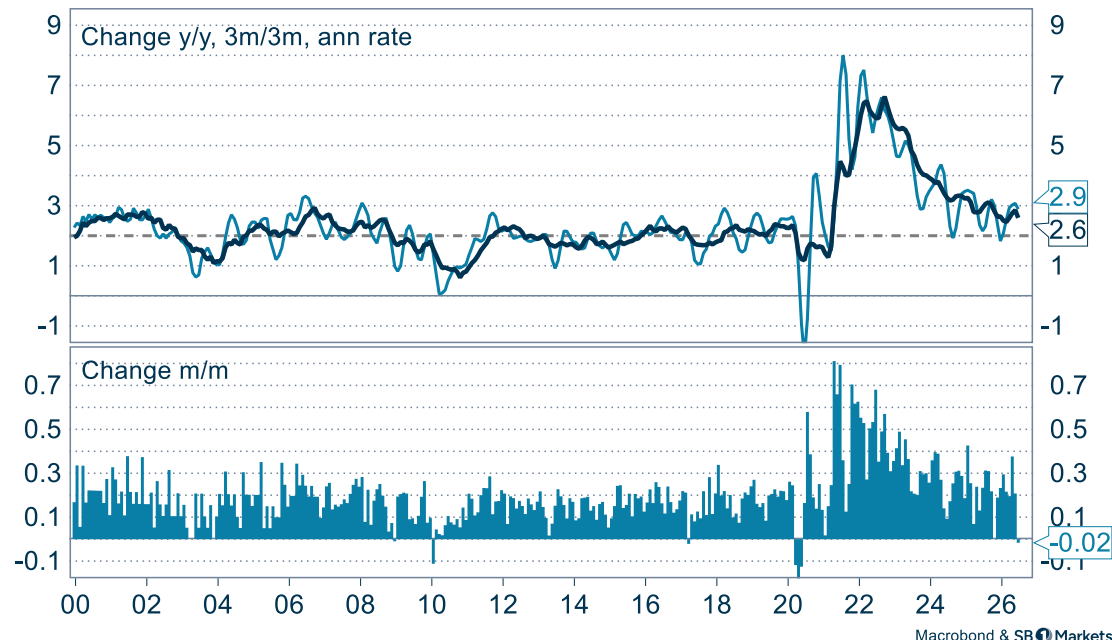
CPI surprised 0.2–0.3 pp on the downside in June, the total is still up 3.5% y/y

Core prices were flat m/m, expected up 0.2%, dragged down by hotels (no World Cup surge), apparel and autos. Underlying growth rates fell broadly, at least ex. rents. Energy prices fell 6% m/m, but are still up 15% y/y which lifts the CPI by 1.1 pp. **The Fed can wait, and see?**

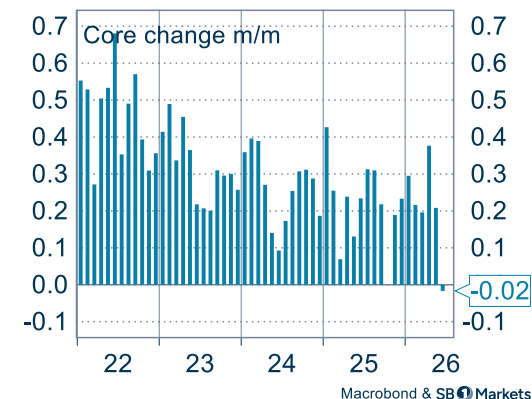
USA Consumer Price Index



USA Core CPI

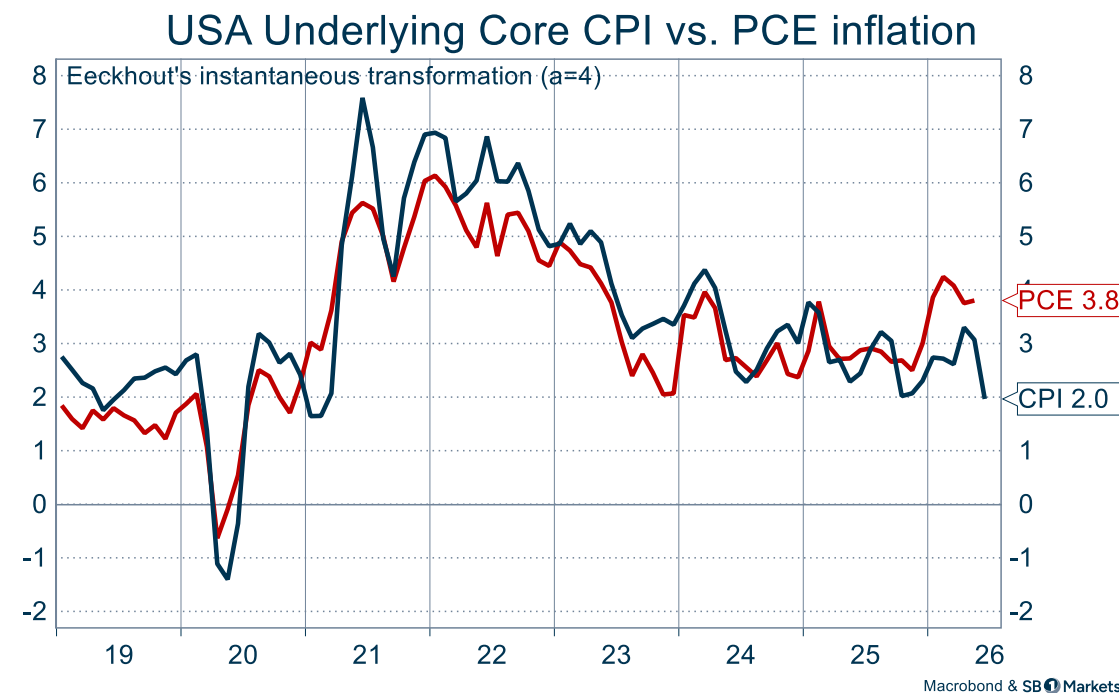
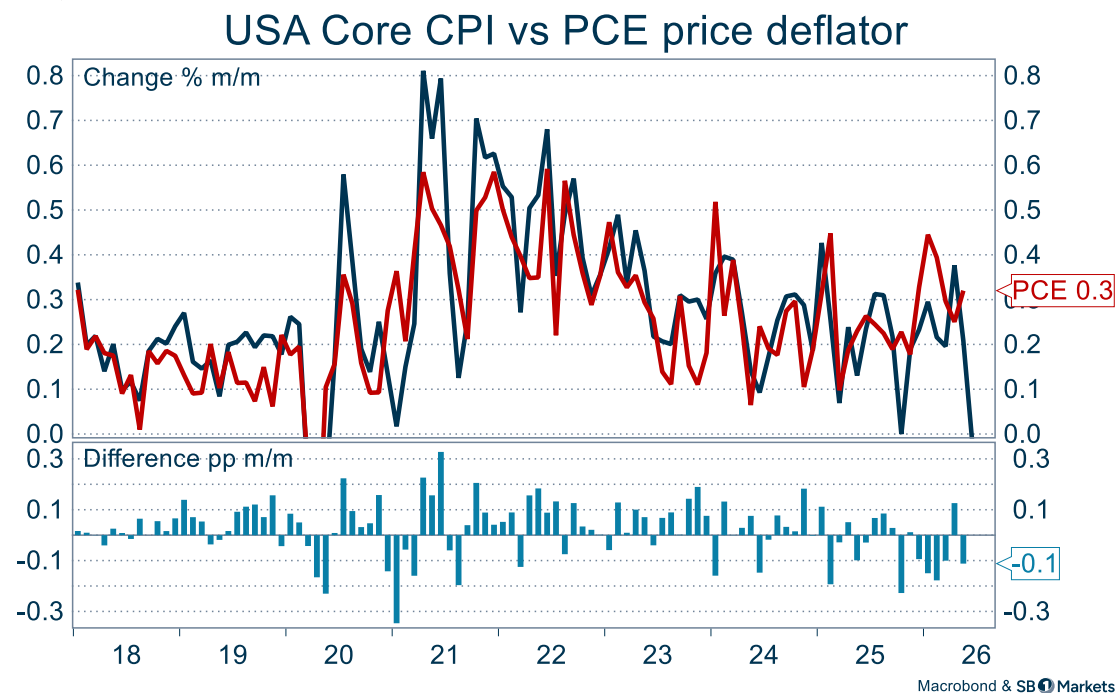


- **Headline CPI** declined 0.4% m/m and was up 3.5%, expected 3.8%. In July, energy prices may climb again, due to the continued closure of the Strait of Hormuz.
- Within the **core segment**, services ex. rents surprised sharply on the downside due to a steep decline in lodging, but other components also contributed. However, airfares rose further and the annual growth rate is above 3%. Core goods prices declined, as in May.
- **The outlook:** wage inflation is slowing, while productivity growth is probably not. Thus, **Unit Labour Costs growing slower**, in fact below 2% (or well below 2%), which over time will lower CPI inflation, barring further energy shocks or a forever increase in profit margins – which never has happened before. So, the Fed may choose to wait for more CPI, labour market and costs reports before hiking rates. A near-term cut is unlikely, barring a collapse in risk markets.





Core CPI vs. PCE: some hope, as the core CPI was flat in June

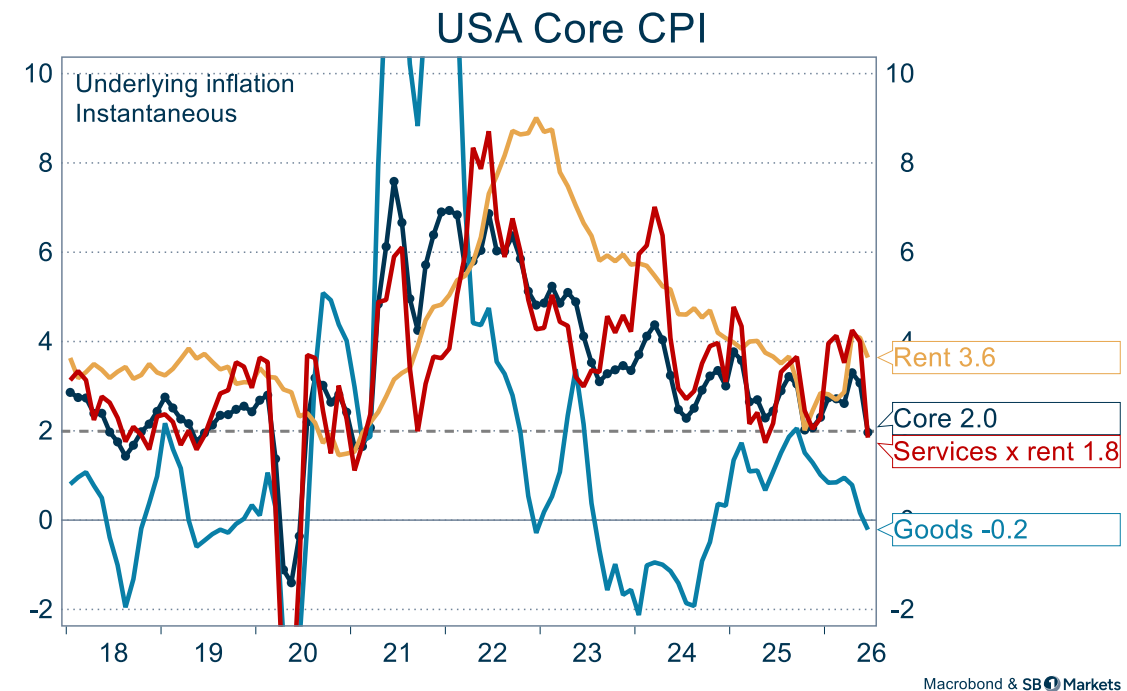
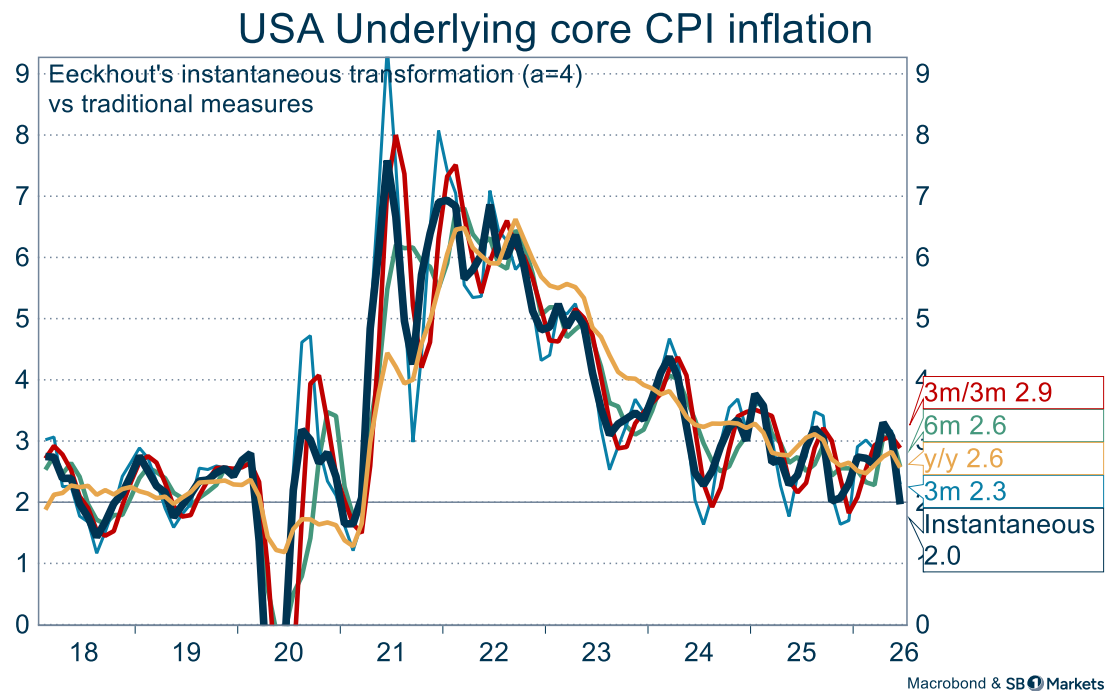


- In April, core PCE inflation exceeded FOMC's March projection by more than 0.4 pp.
- *For the nerds: More on the CPI on the following pages.*



The avg. of our underlying CPI core inflation measures down to 2.4% from 3.1%

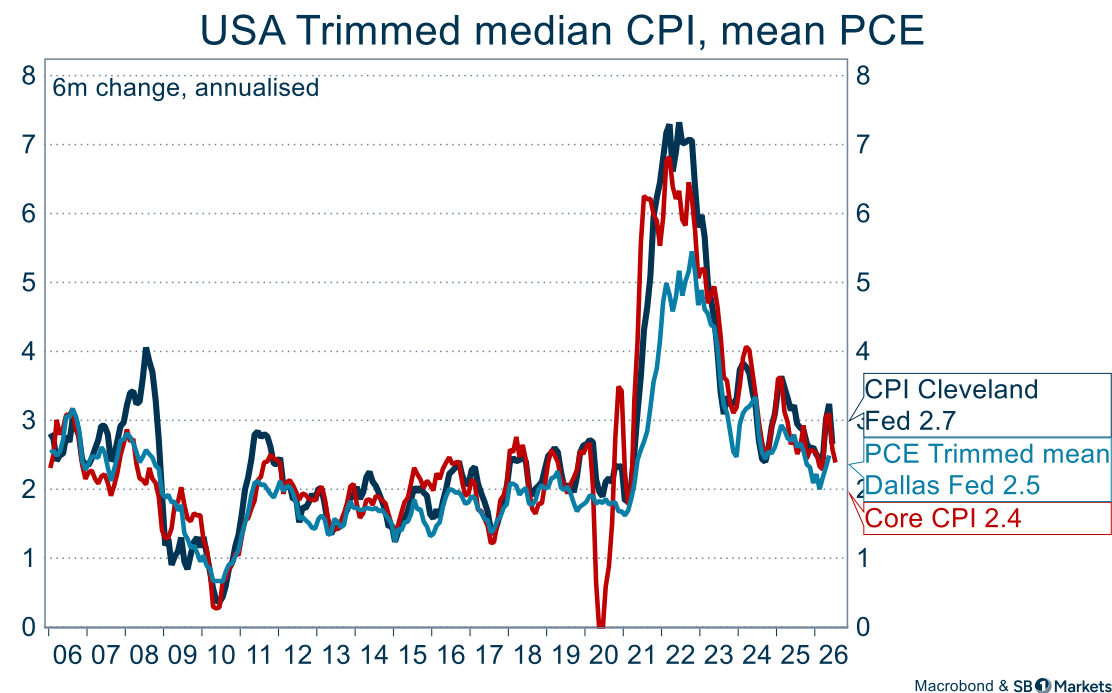
Services (ex. rent) contributed the most to the downshift, while rent inflation remains high and core goods prices are now declining.





Will the trimmed mean/medians help Warsh out of the squeeze?

The new Fed chair, Kevin Warsh, argued for using trimmed means/medians (he has mentioned Cleveland and Dallas Fed's measures). However, there are usually not any important signals in these measures vs. all other transformations we or others apply.



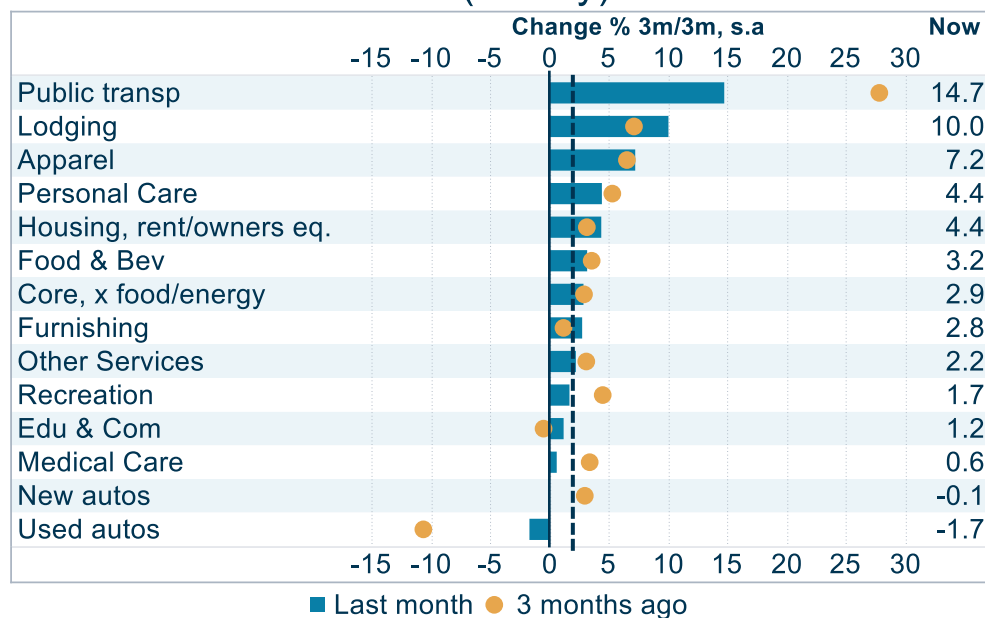
- Memo: The PCE trimmed mean is updated through May – and the 6m annualised rate will decrease from the 2.5% level in June



CPI growth momentum slows

9 sectors are still up more than 2% measured 3m/3m; and just 5 are below, of which one is negative (used autos). 57% of 356 sub-sectors are up more than 2% measured 3m/3m, down from 70% in April (but up from 46% a year ago).

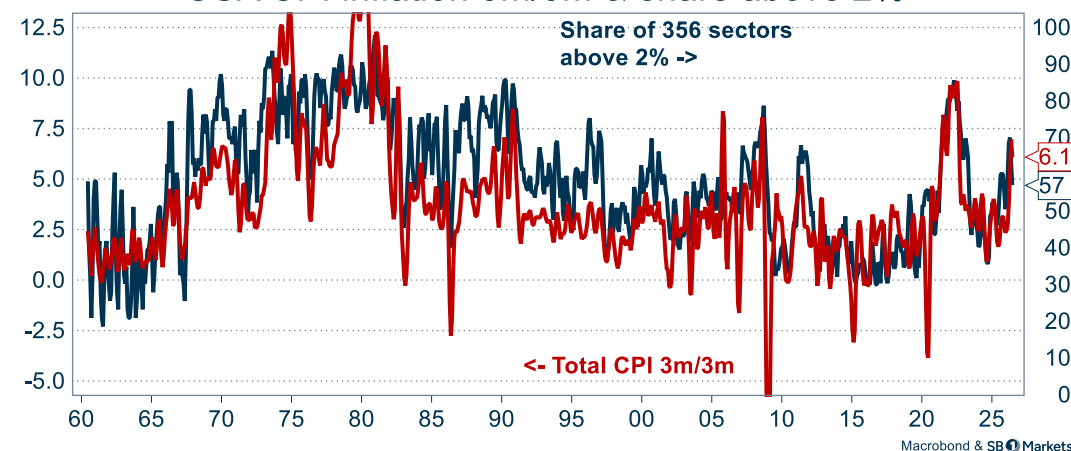
USA CPI (mostly) Core



Macrobond & SB Markets

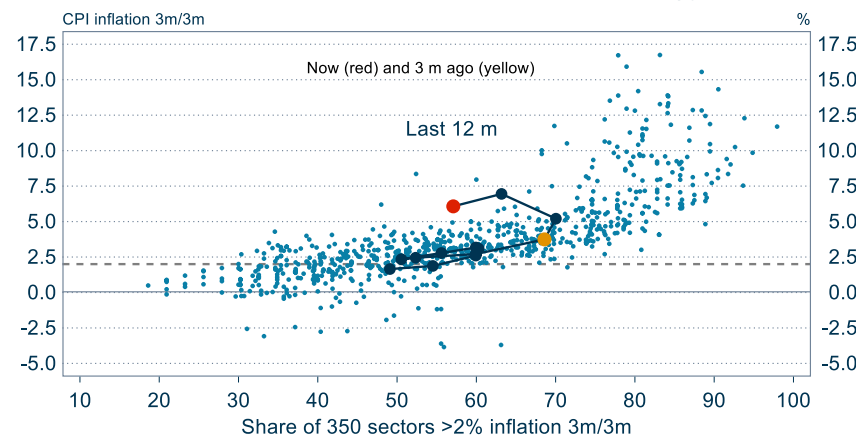
- The total CPI is up 6.1% 3m/3m, due to the surge in energy prices in March to May

USA CPI inflation 3m/3m & share above 2%



Macrobond & SB Markets

USA CPI inflation & share above 2%

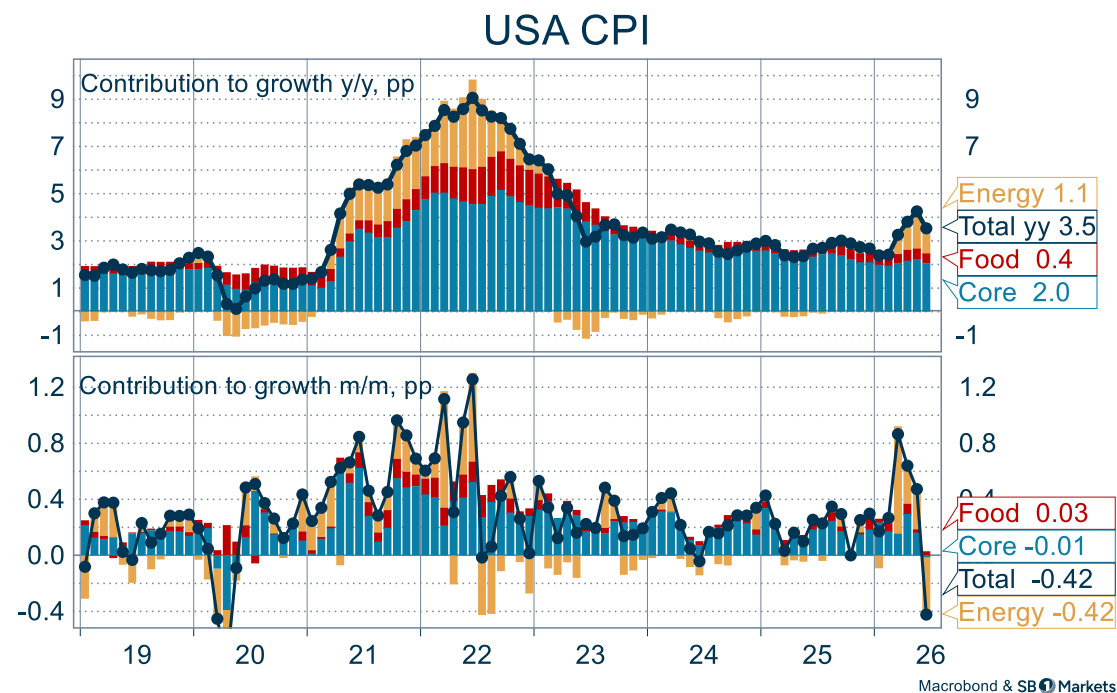
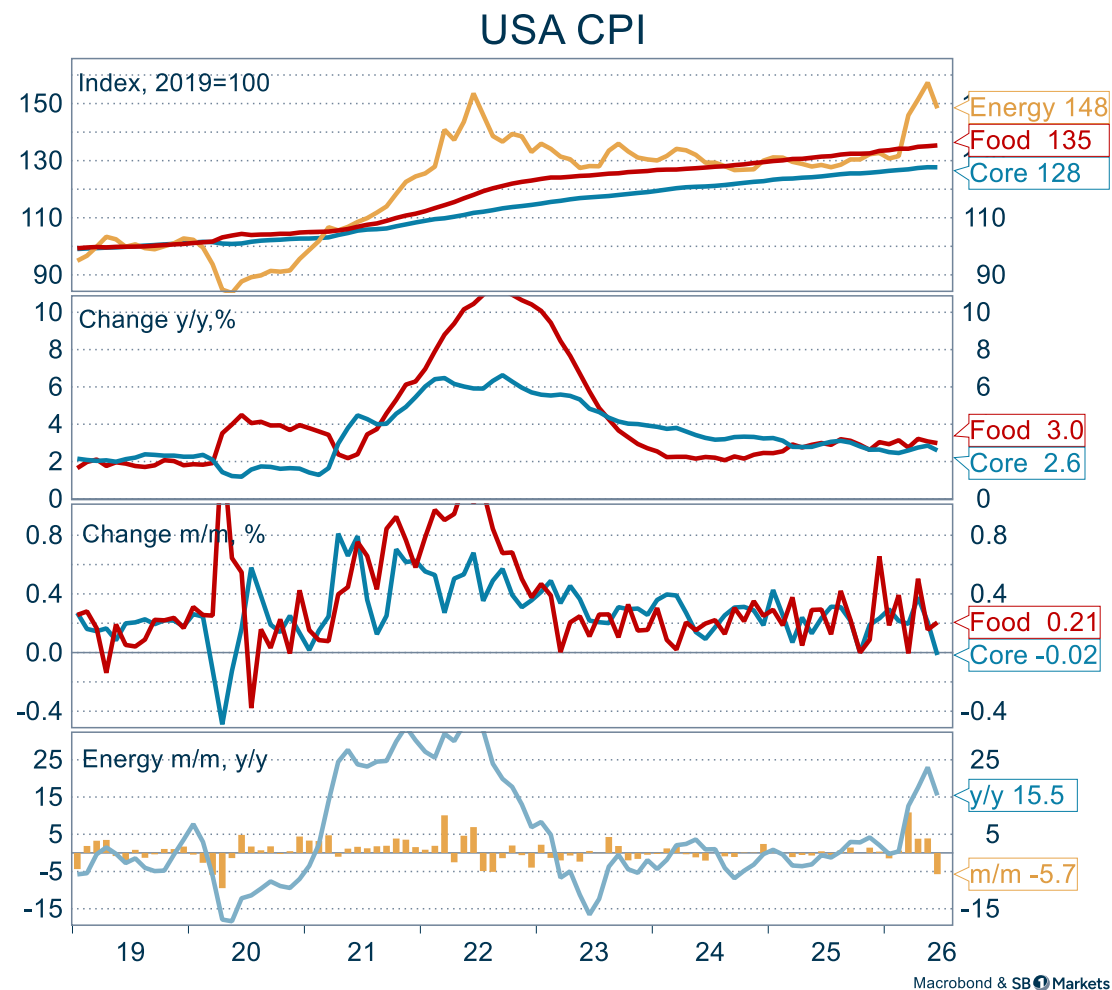


Macrobond & SB Markets



Energy prices down from ATH, still up 15.5% y/y. Food prices are up 3%

The headline CPI fell 0.4% m/m, due to the decline in energy prices. The rest was unchanged

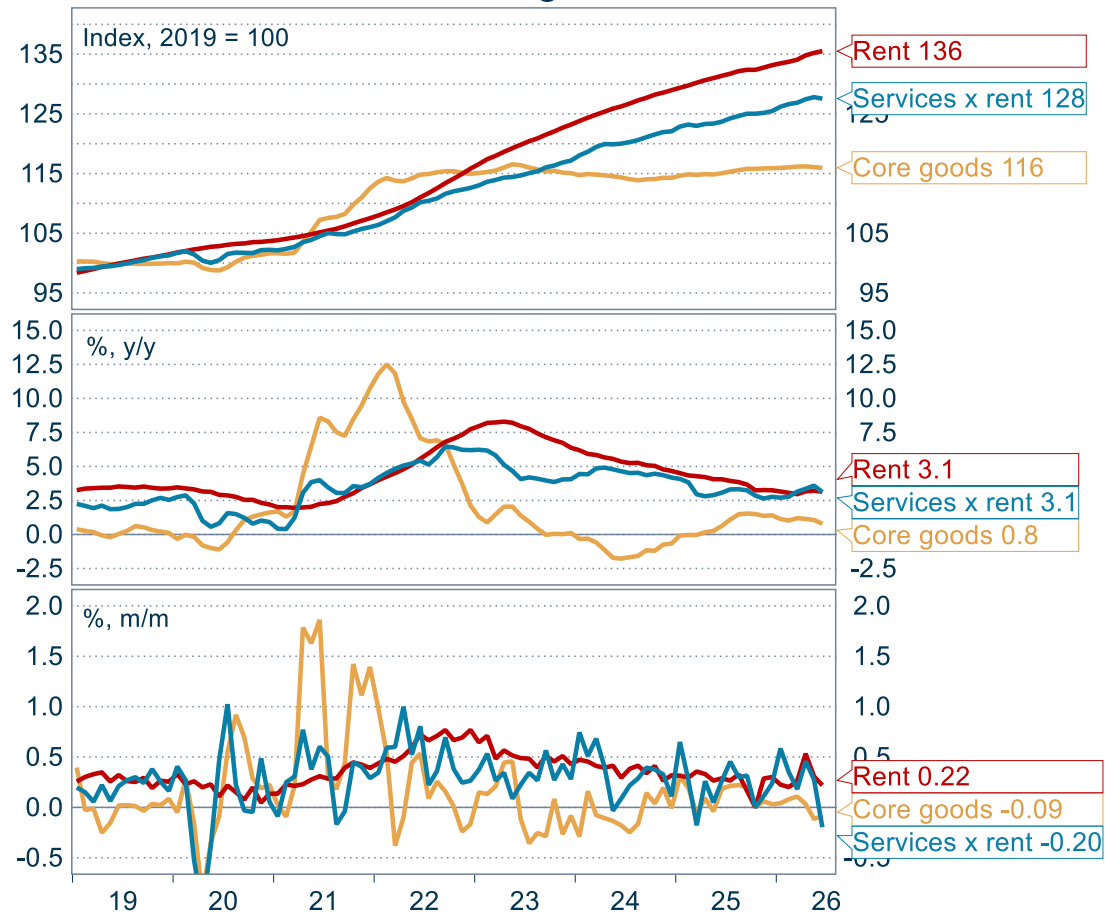




Core inflation fell in June, as prices were flat m/m

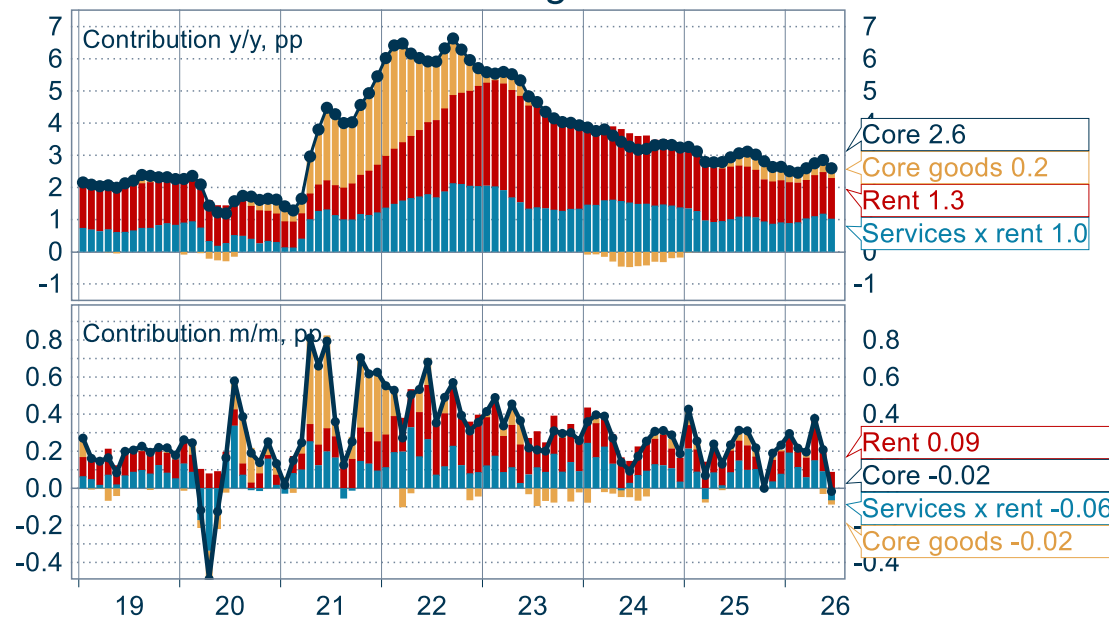
Rents are up 3.1% y/y, which lifts the core CPI by 1.3 pp. Core services 3.1%/1.0 pp, core goods 0.8%/0.2 pp (but prices fell in both May and June)

USA CPI Core goods & services



Macrobond & SB Markets

USA CPI Core goods & services

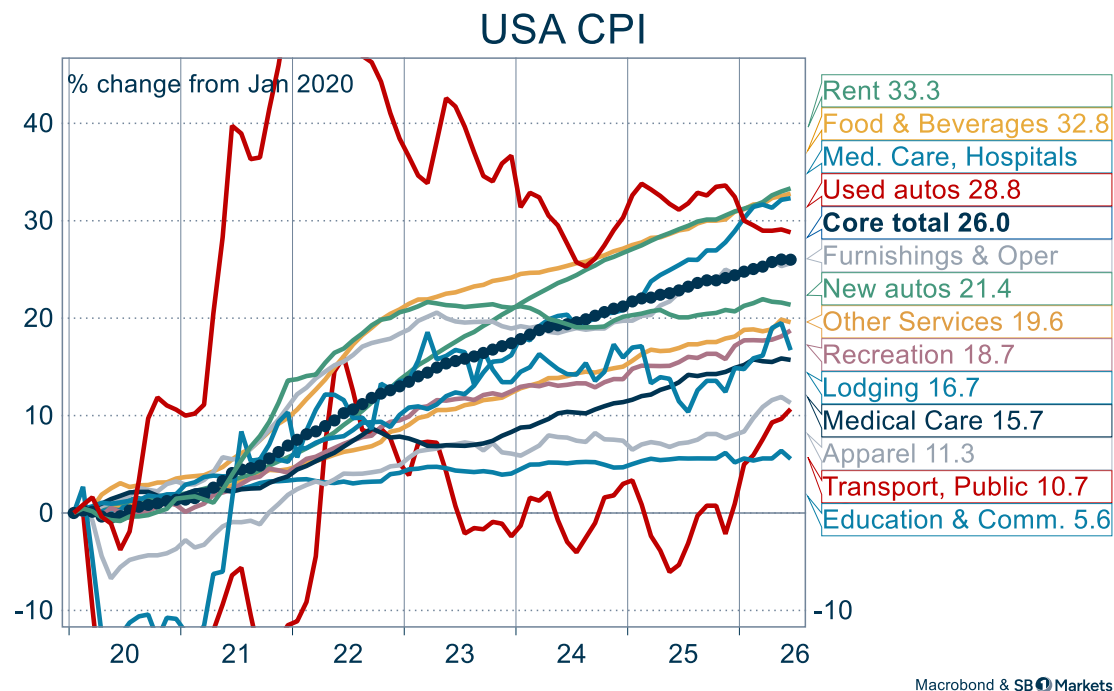


Macrobond & SB Markets

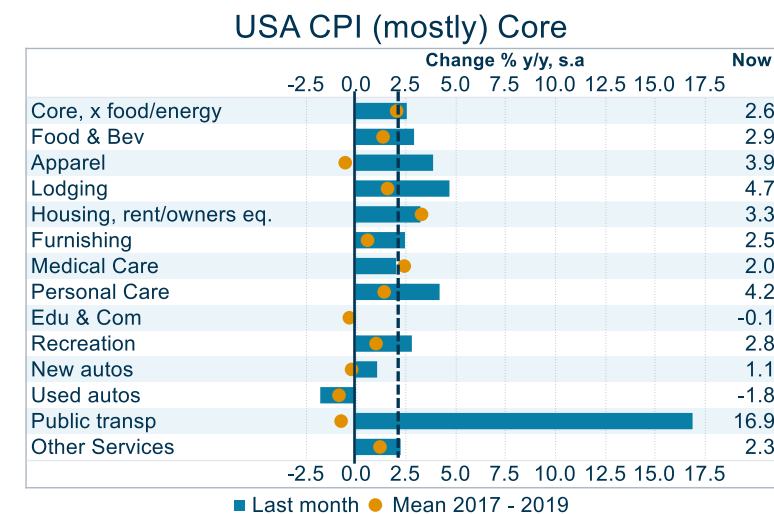
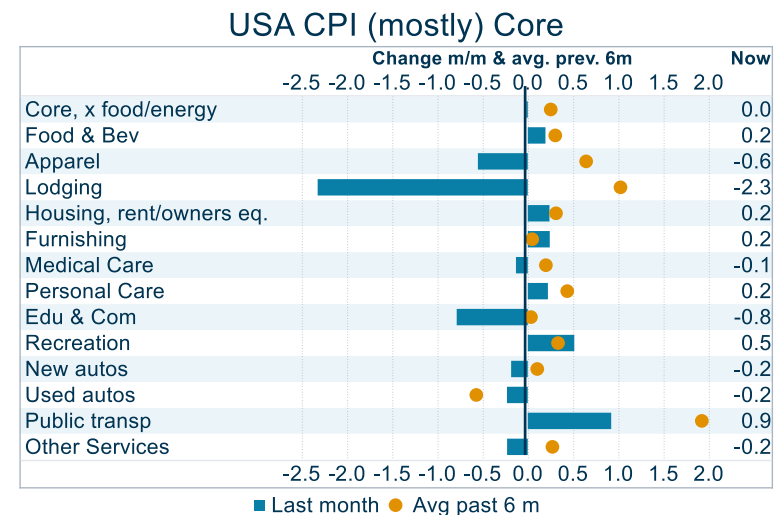


More CPI details: lodging (hotels), education/comm., apparel and autos down in June

Other services contributed on the downside as well. Lodging prices have climbed rapidly the previous months.

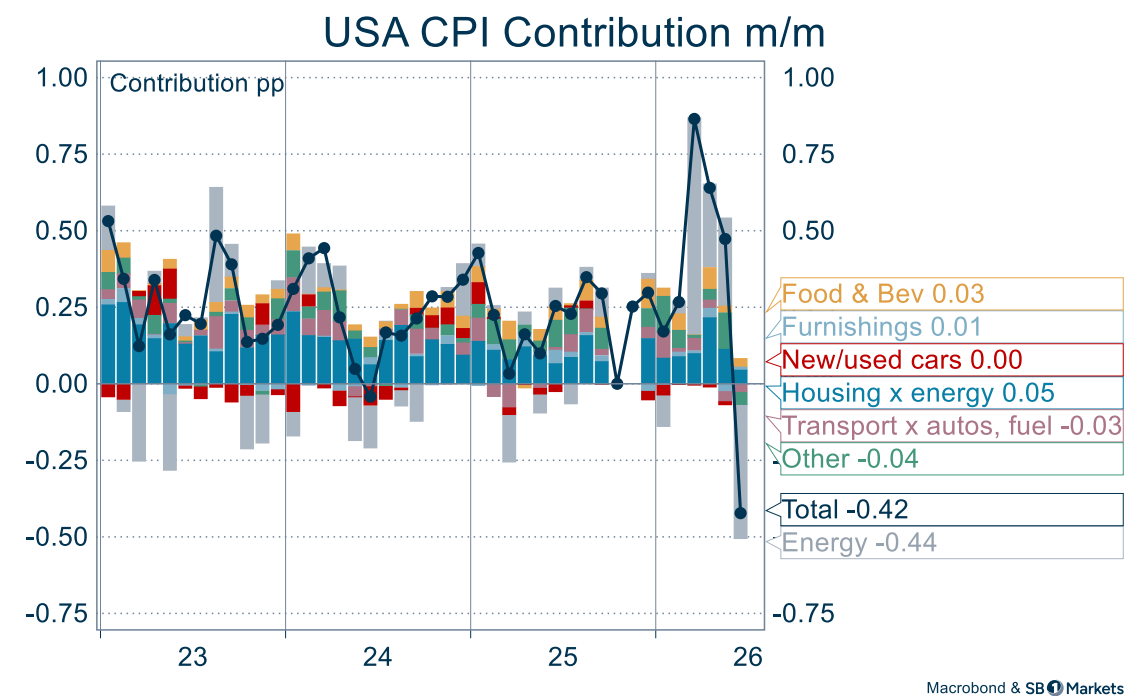
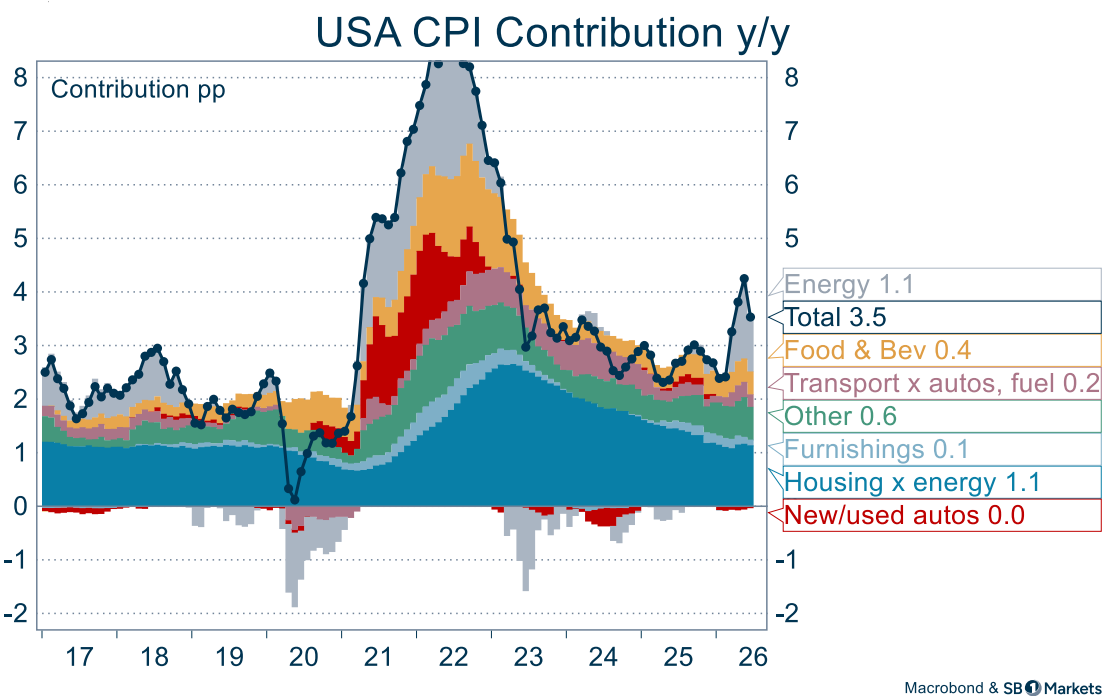


- **Both new and used auto** prices have fallen recently
- **Furnishings** are up 2.5% y/y, very likely supported by tariffs.
- **Public transport prices (including airfares)** have climbed rapidly so far in 2026, partly due to higher energy prices
- **Rent inflation** has stabilised above 3%.





More CPI details: broad 'weakness' in June, a positive sign

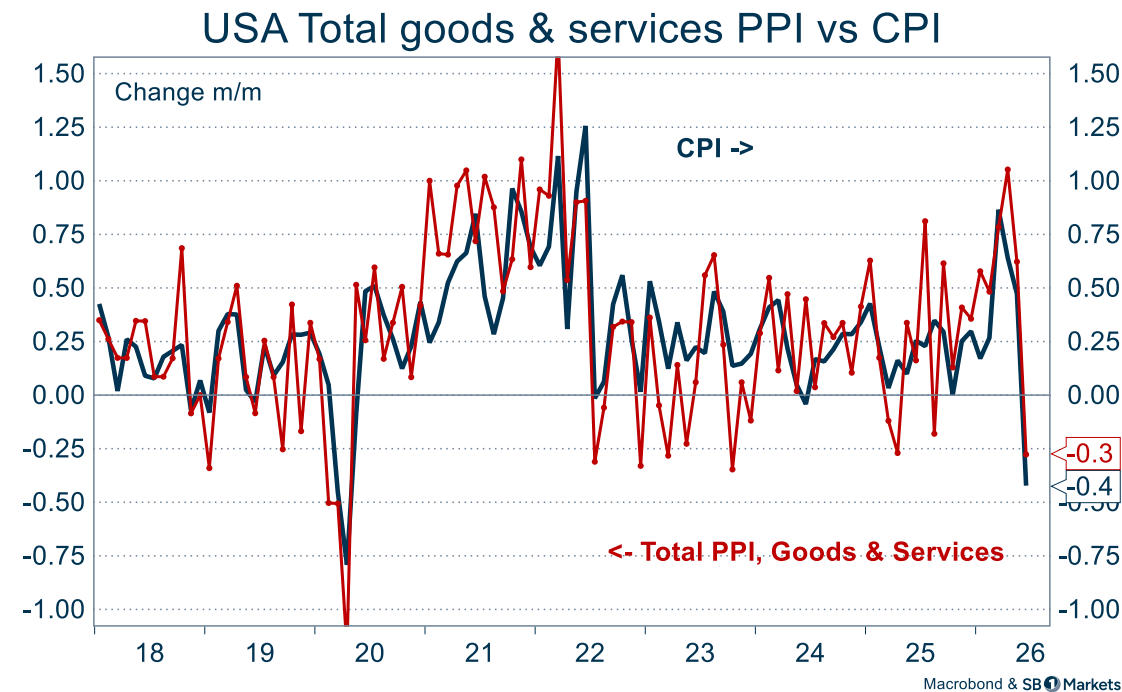
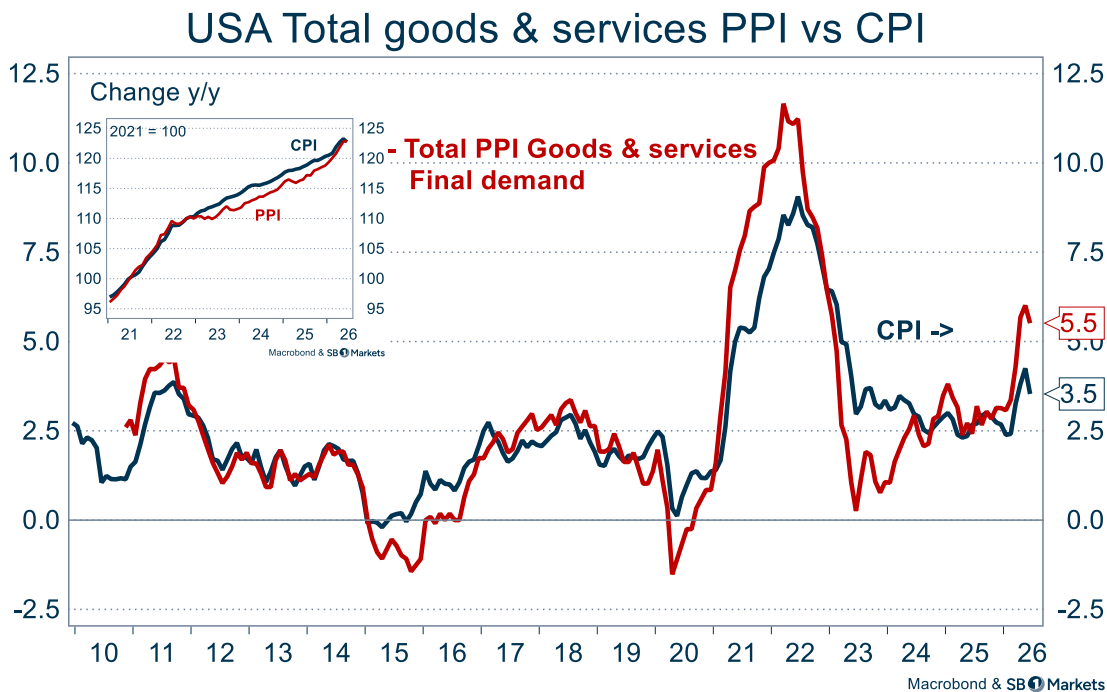


Lodging away from home (incl hotels) is not included in housing in the charts above



Producer prices fell 0.3% in June but are still 5.5% y/y, well below expectations

However, PPI for goods and services for personal consumption rose by 0.6%, well above expectations (check next page).

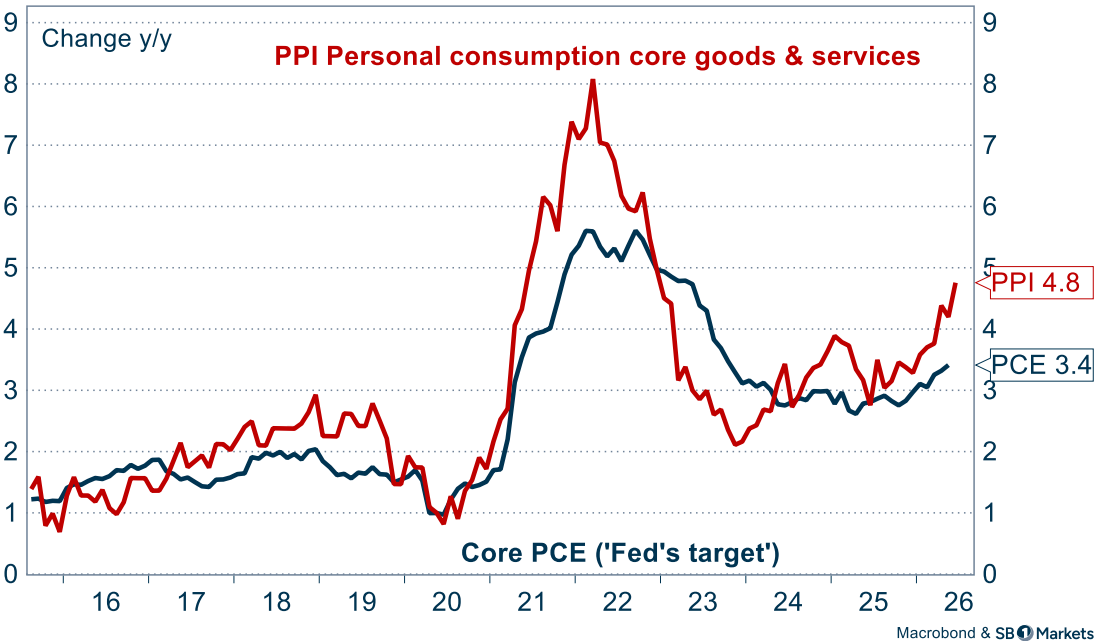




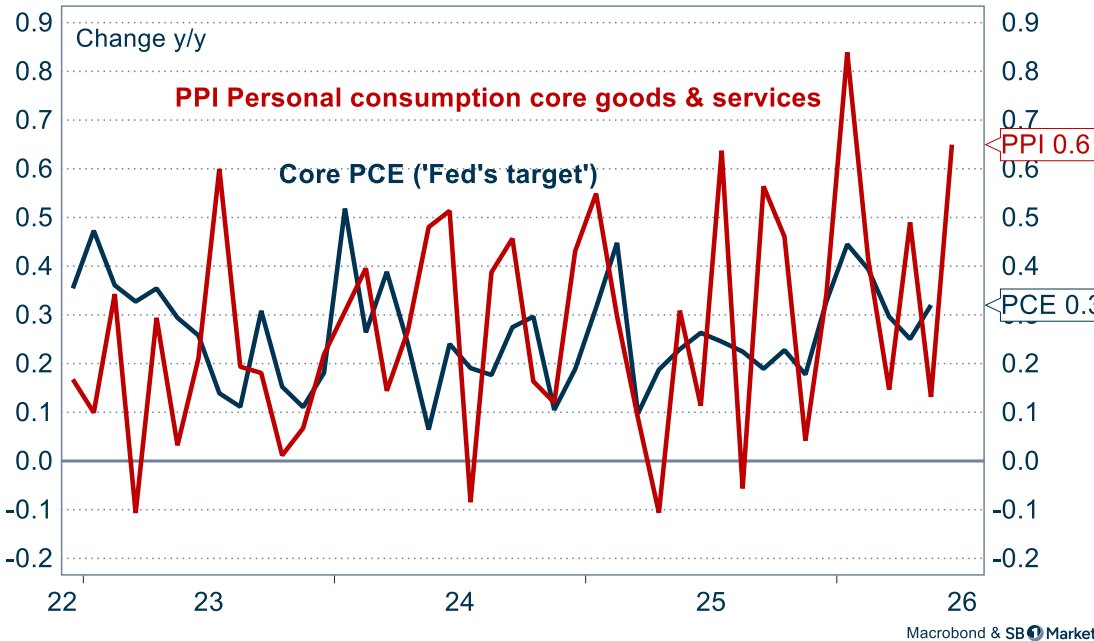
Core PPI personal consumption goods and services up 0.6% in June, 4.8% y/y

The price lift in May was revised down to 0.1% from 0.4%. Even so, price increases at the producer level have been at a high level recent months, and the lift in June was the 2nd highest since 2022.

USA Core PPI vs. PCE inflation

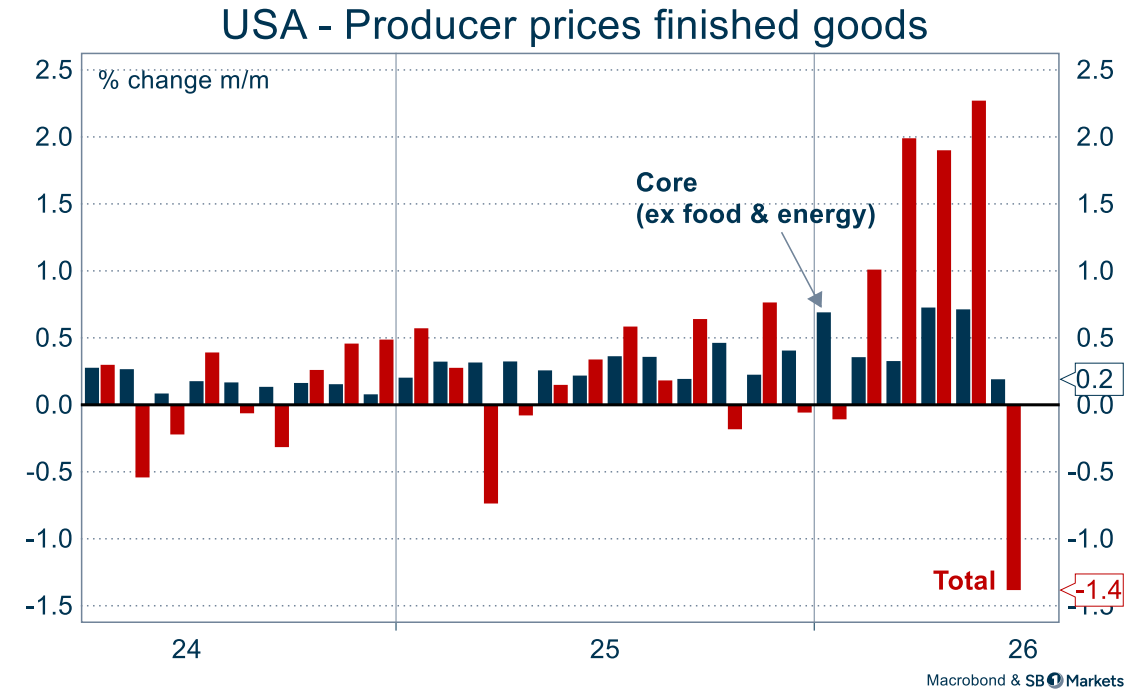
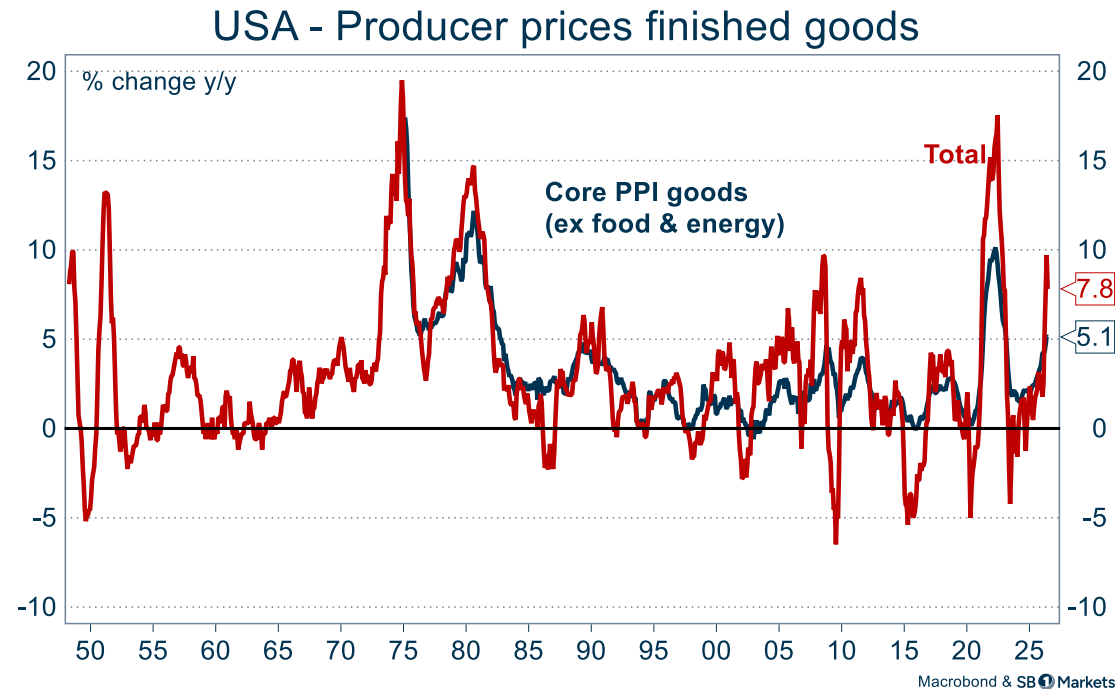


USA Core PPI vs. PCE inflation





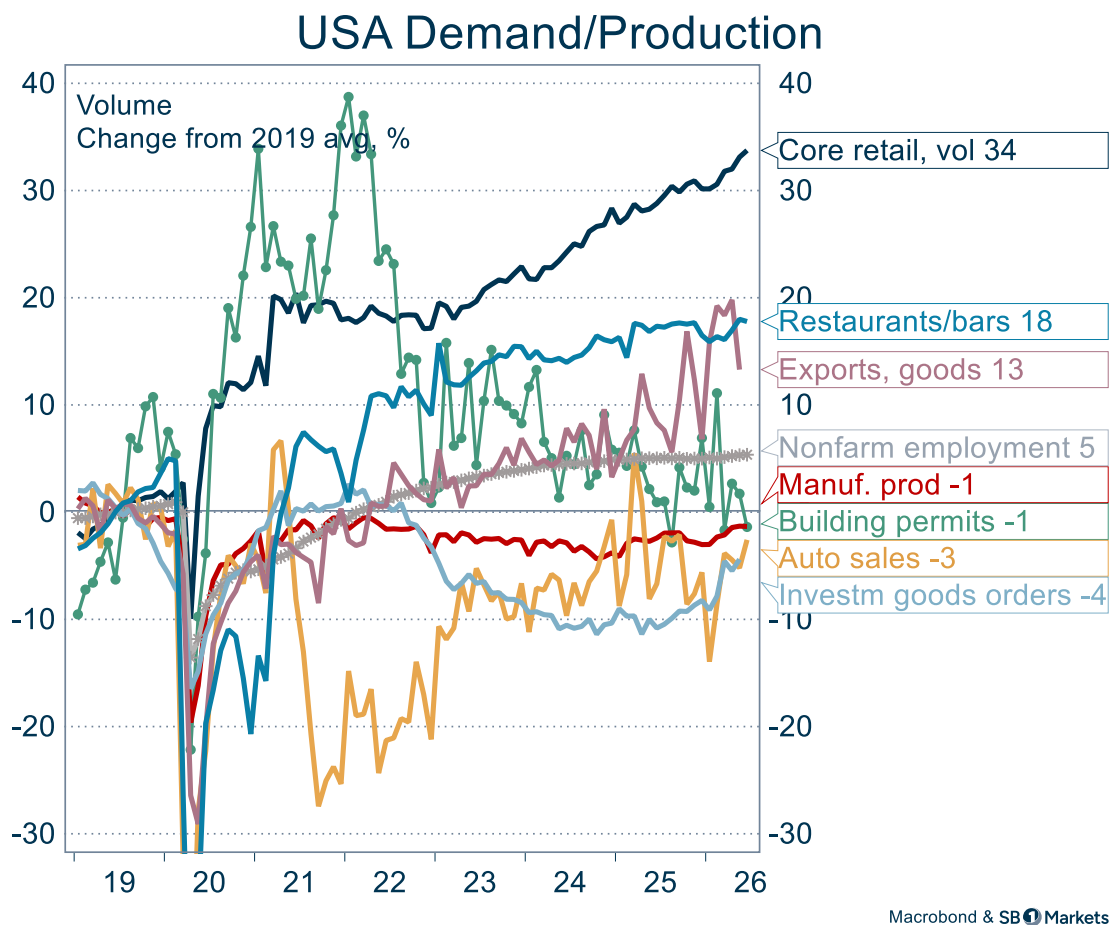
Core goods PPI prices up 0.2% m/m in June, 5.1% y/y. Total goods -1.4%/7.8%



- **Core goods prices at early stages** in the production process are surging, up 22% y/y (*check next page*).
- These goods prices include both consumer, investment and export goods prices.



The main real economy indicators: not that much to complain about

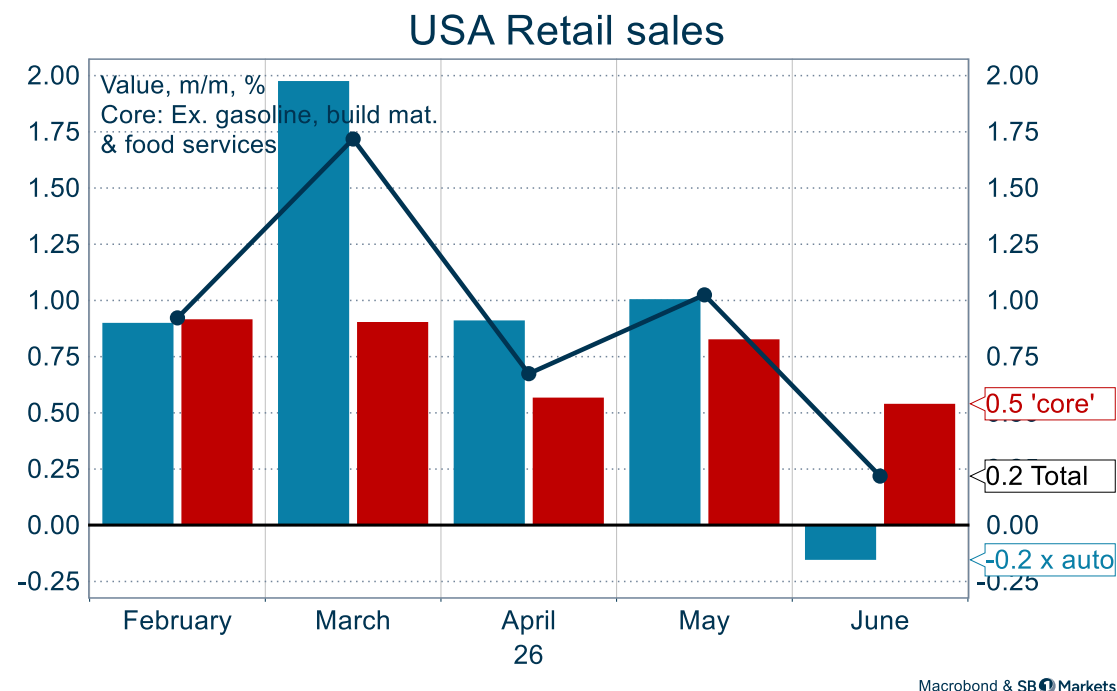
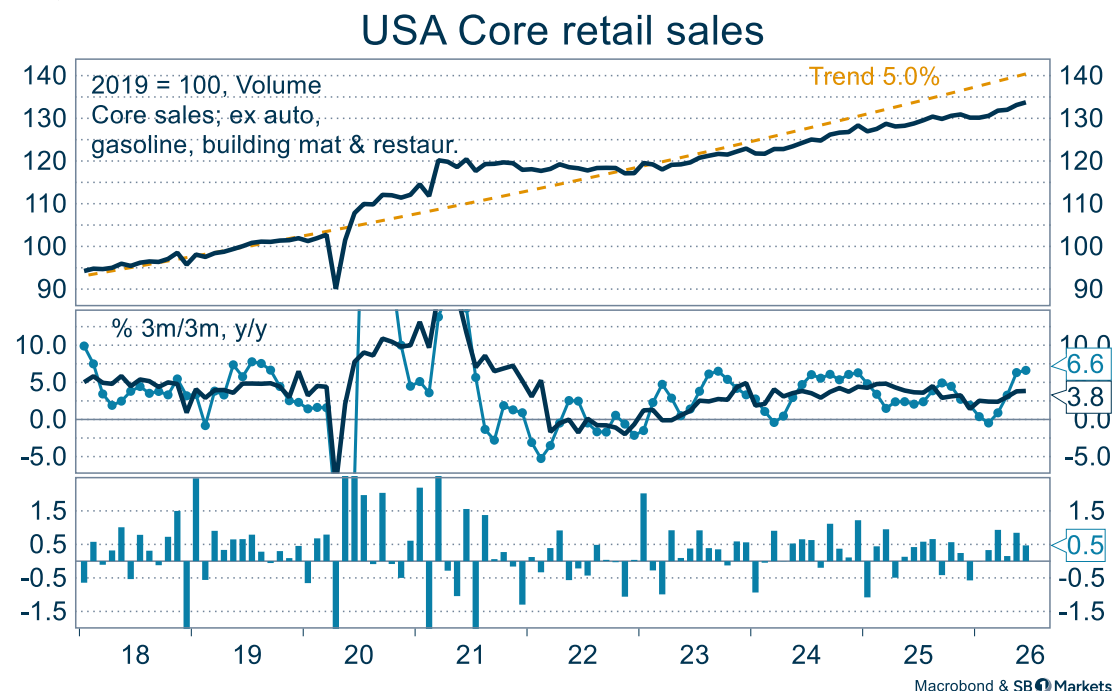


- **On the upside – all in real/volume terms**
 - **Retail sales** have recovered following the slowdown late last year.
 - **Investment goods orders** have climbed rapidly (until a flattening the past 2 months).
 - **Export volumes** are volatile, and fell in May but still trends up
 - **Nonfarm payrolls** have turned up again, following the slowdown in H2 last year.
 - **Auto sales** have recovered past 3 months (but the longer-term trend is flat).
- **Flat**
 - **Manufacturing production** has turned up so far in 2026, but not further the past 3 months.
 - **Restaurant sales** have flattened the past year.
- **On the downside**
 - **Building permits** are volatile, but trends down rather than up

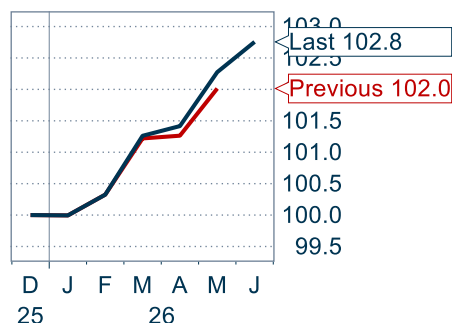


Core retail sales continued upwards in June, up at almost a 7% pace past 3 months

Total sales rose 0.2%, expected unchanged, supported by auto sales. Gasoline sales fell 5%. However, core sales rose 0.5%, we assume 0.5% in volume terms as well. Core volumes are up 6.6% 3m/3m, and private consumption now contributes significantly to GDP growth



Core retail sales revisions

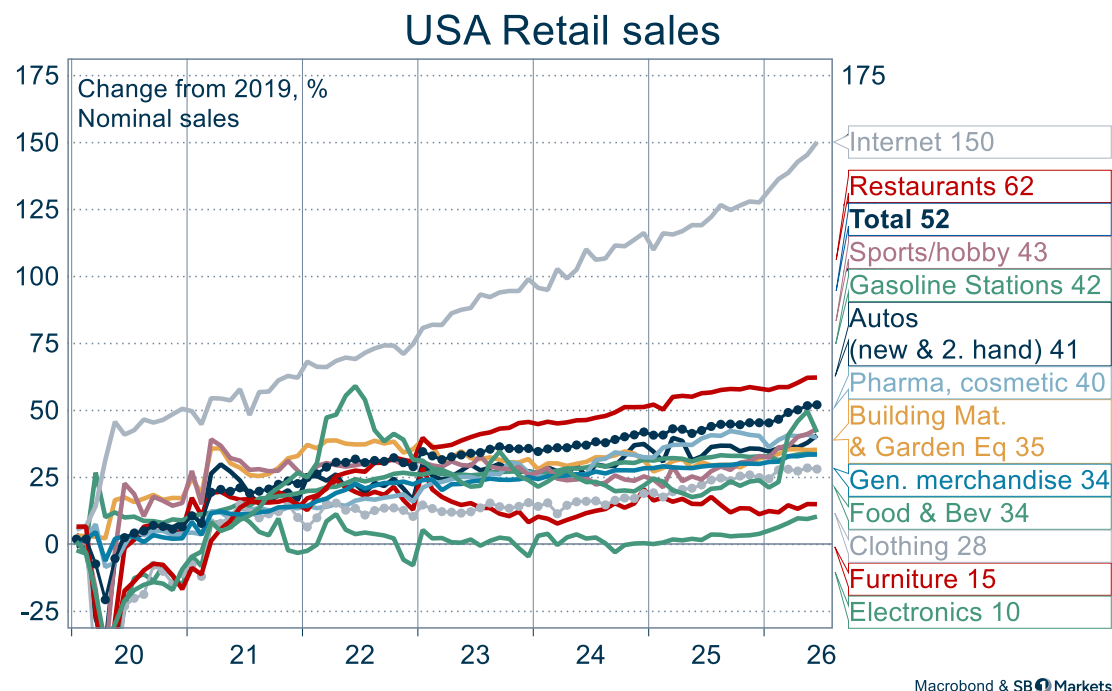


- **The June volume growth** figure is our estimate. Sales the previous months were revised slightly upwards.
- **Real disposable income** remained flat in the second half of last year, while the *savings rate fell significantly* and probably declined further in June. On a positive note, household debt growth remains low, and the debt-to-income ratio continues to decrease.

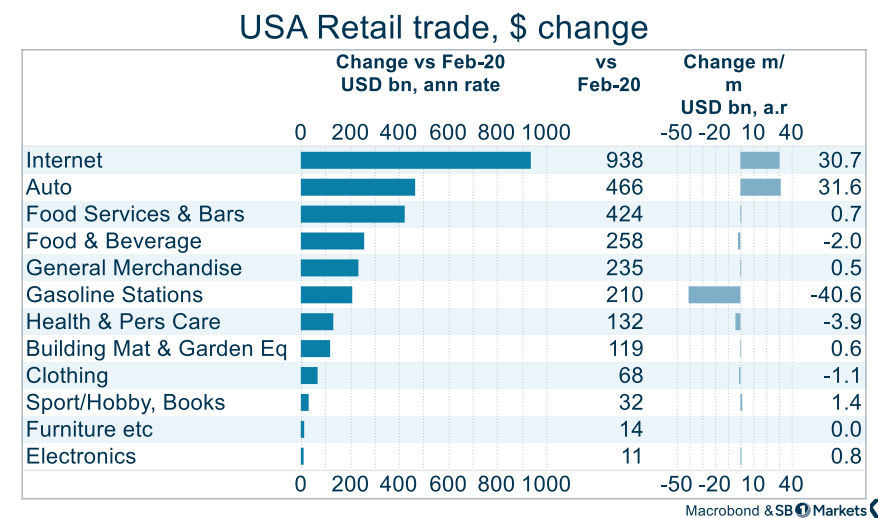
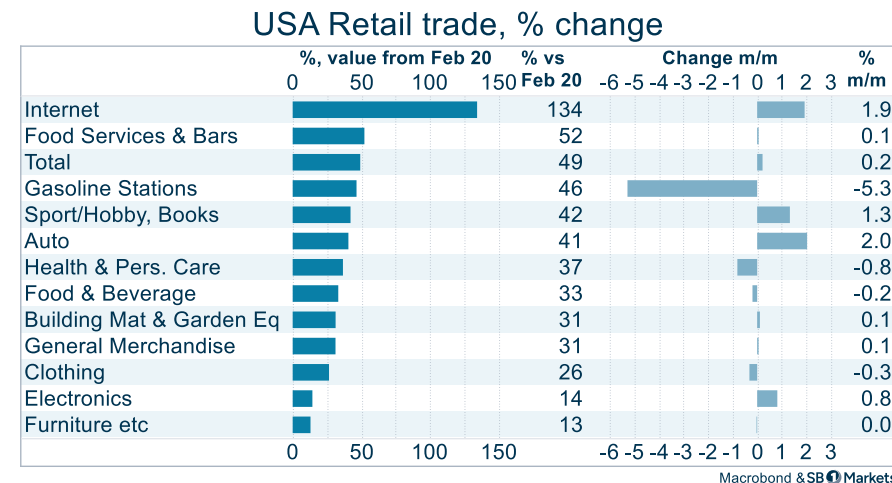


Gas station sales fell in June, in value terms. All sectors trend up

Internet sales are blooming as well, alongside sport, electronics & pharma. However, all sectors are up 3m/3m, accelerating, in value terms.



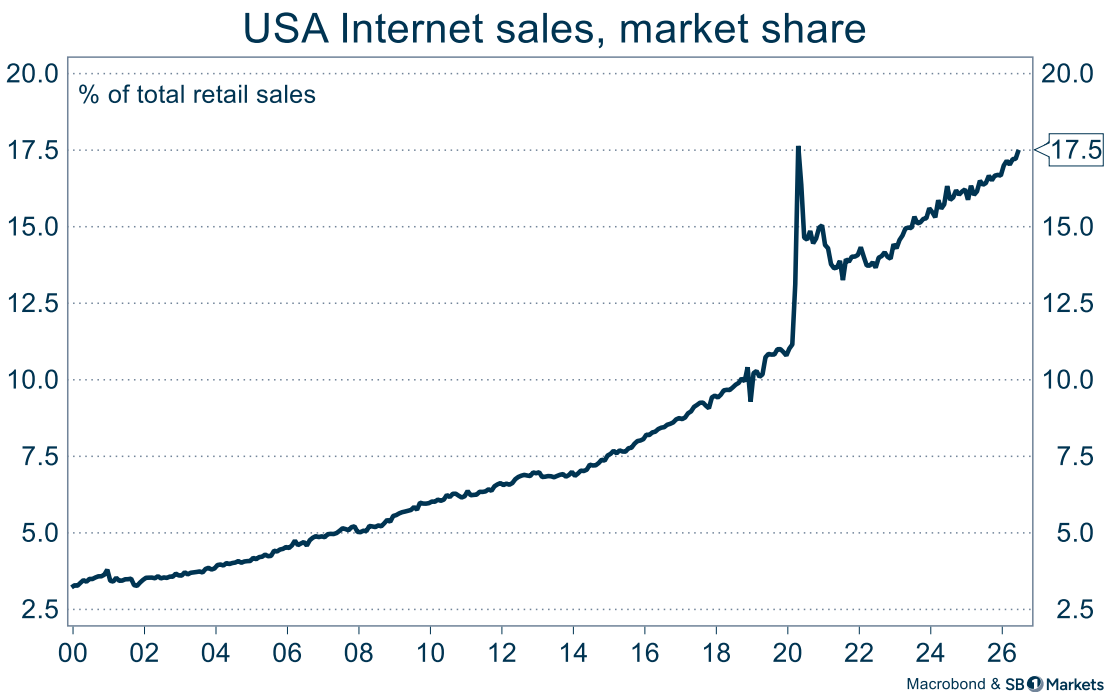
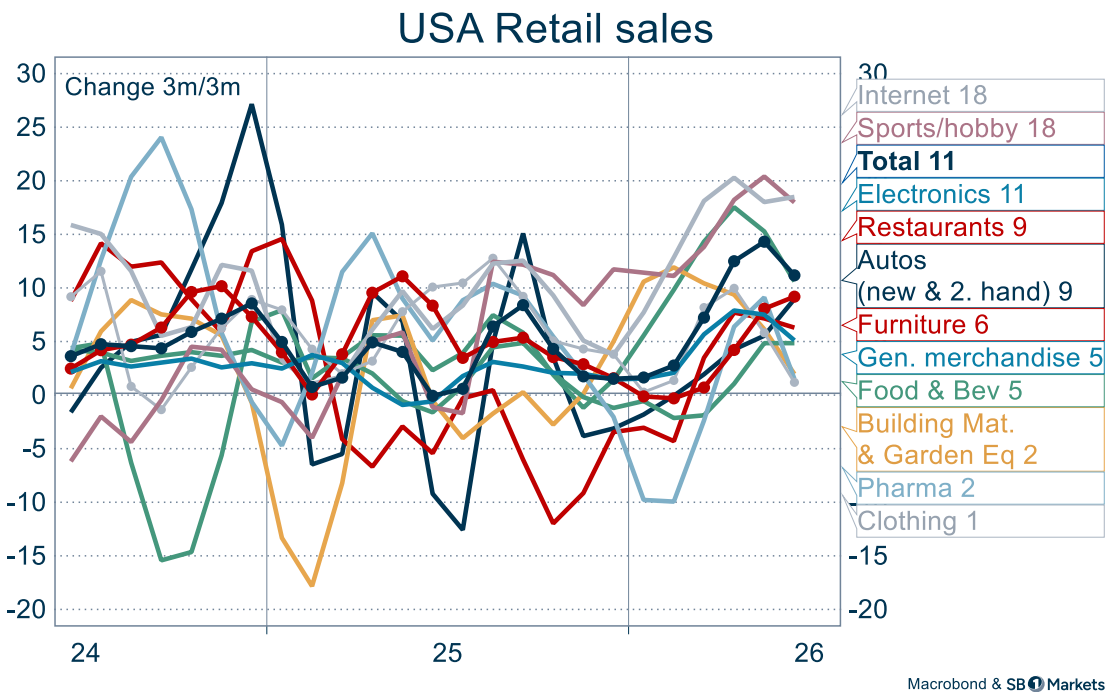
- **Total sales** are up 52% in **value terms** since 2019, following an upward revision
 - **Internet sales** are up 150%
 - **Restaurants** are up 62%
 - **Auto sales** are up 41%
 - **Food** is up 34%
 - **Clothing** is up 28%
 - **Furniture** is up 15%
 - **Electronics** are up just 10%





Recent months: all sectors report underlying growth in sales. Was mixed 3–5 months ago

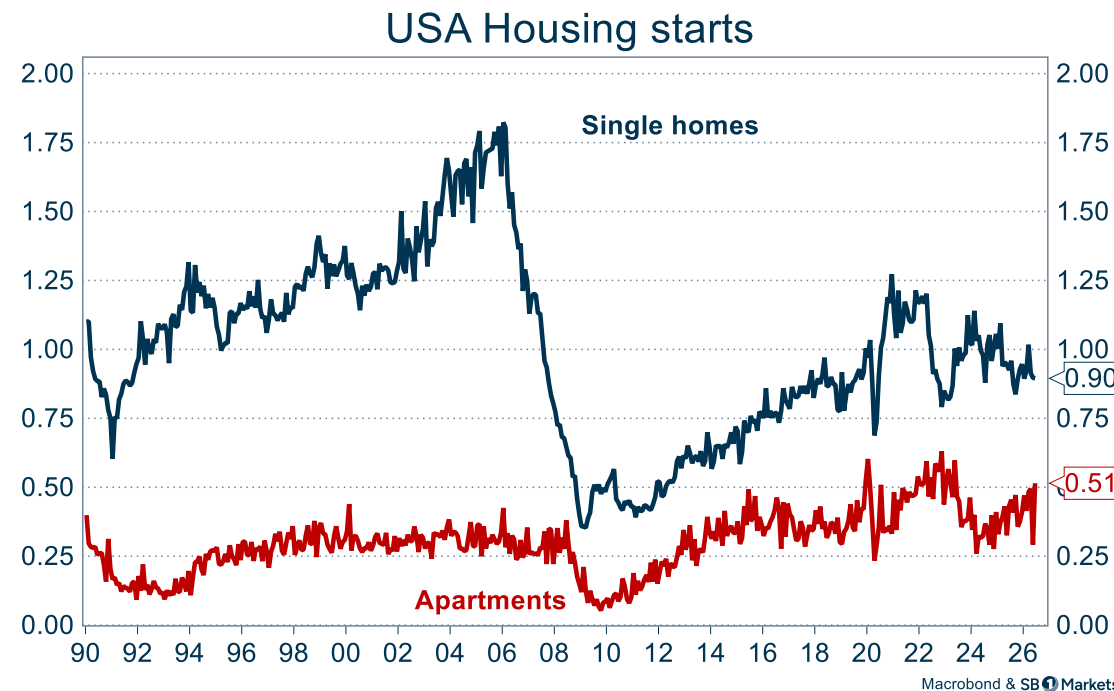
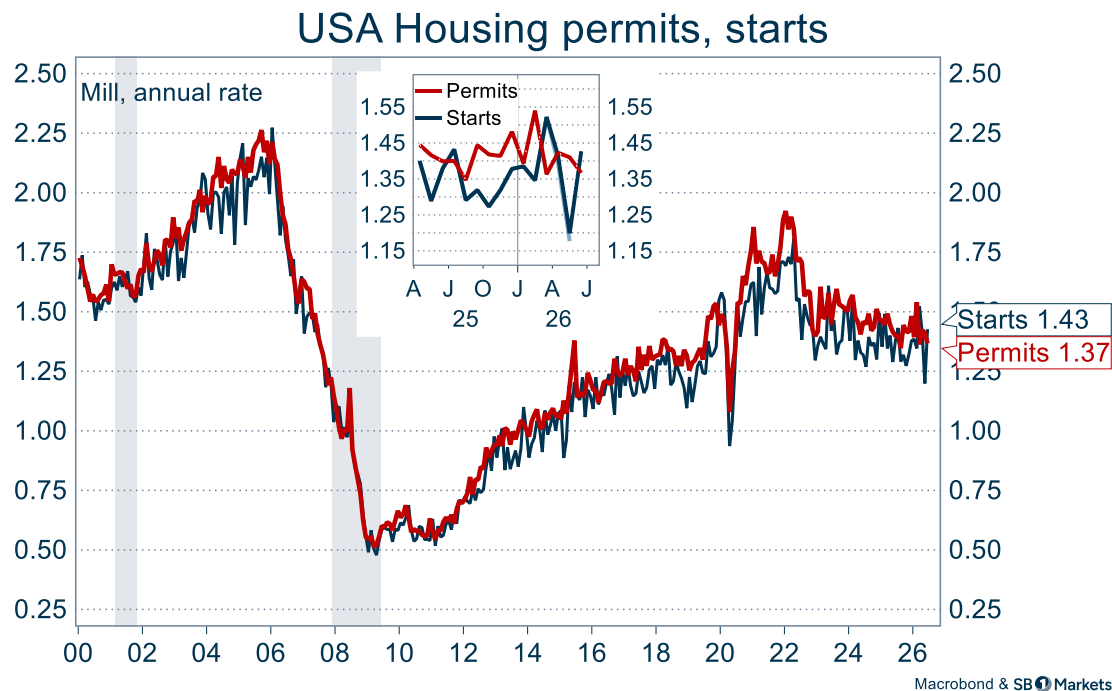
None are down measured 3m/3m





US housing starts recovered in June but trends just flat

Starts rose to 1.43 mill. in June, from 1.20" in May, expected up to 1.31". The trend is flattish. Building permits fell slightly and are trending down which does not suggest any turnaround in residential investments.



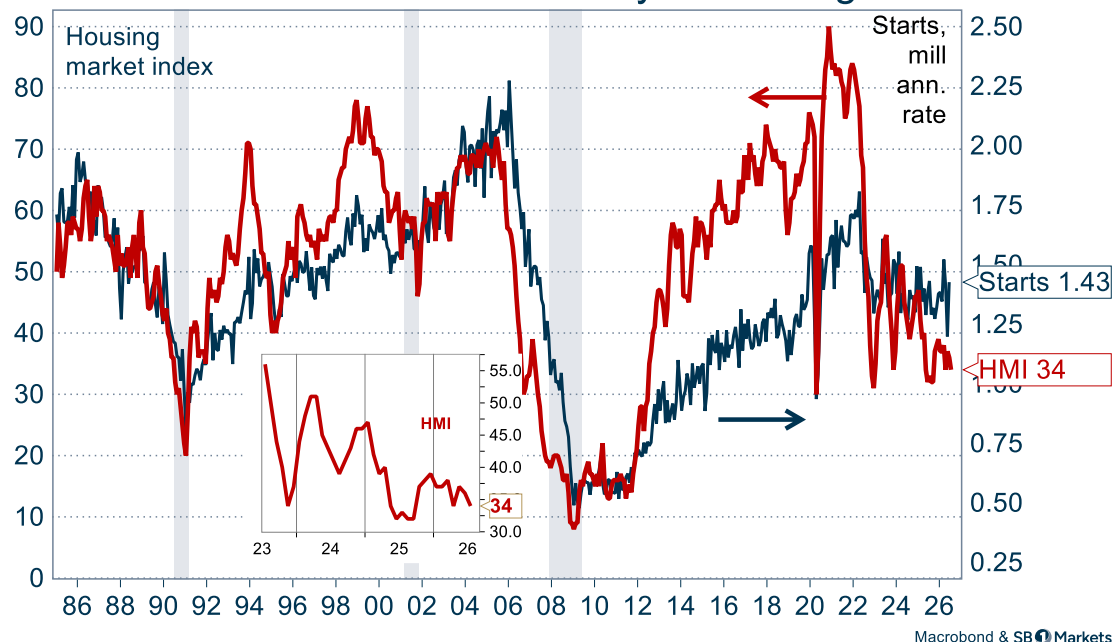
- Apartment starts lifted total starts, and are trending up, while single home starts declined somewhat.



The Home Builders' Housing Market Index slightly down in June too, and remains weak

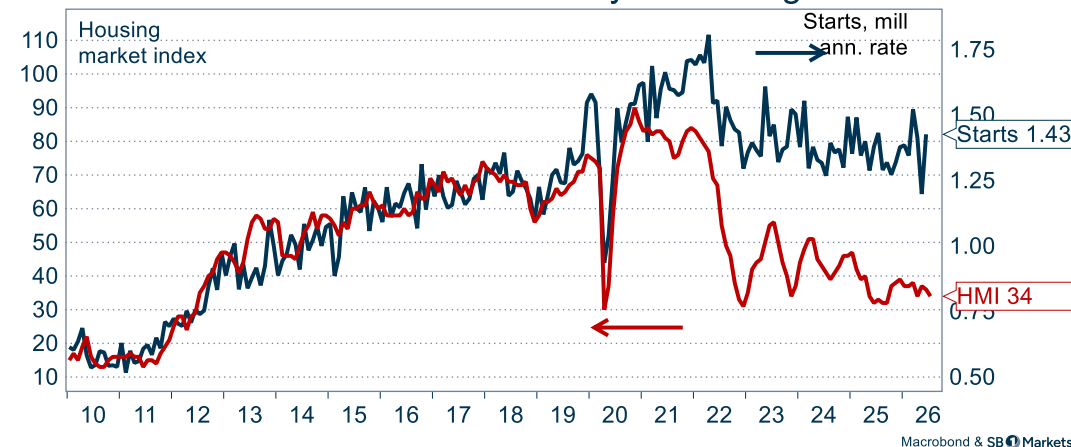
The index lost 2 p to 34, expected unchanged. The longer-term trend is down (from mid-23) but the HMI has flattened since mid 2025, at a low level which does not signal a recovery in housing starts/investments.

USA Homebuilders' survey & housing starts

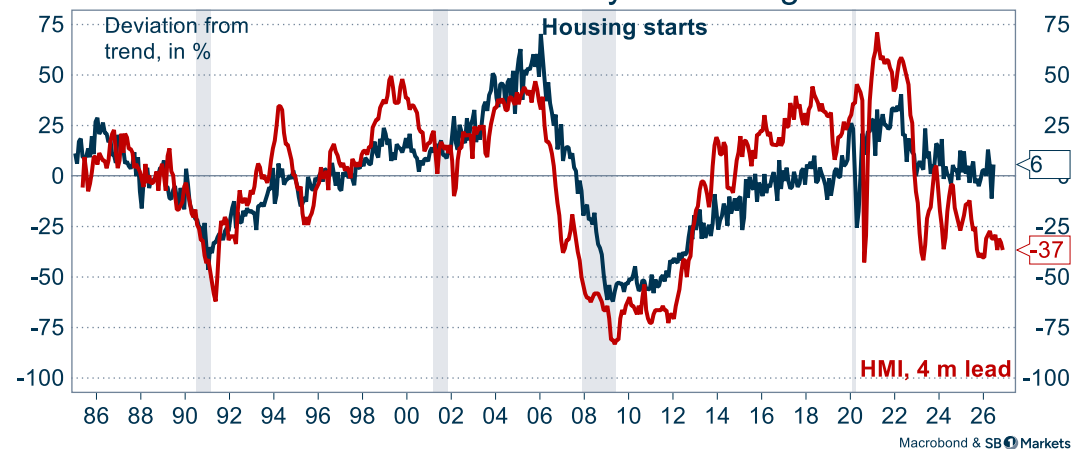


- **All 3 sub-indices** declined in July, traffic of prospective buyers, actual sales or expected sales.

USA Homebuilders' survey & housing starts



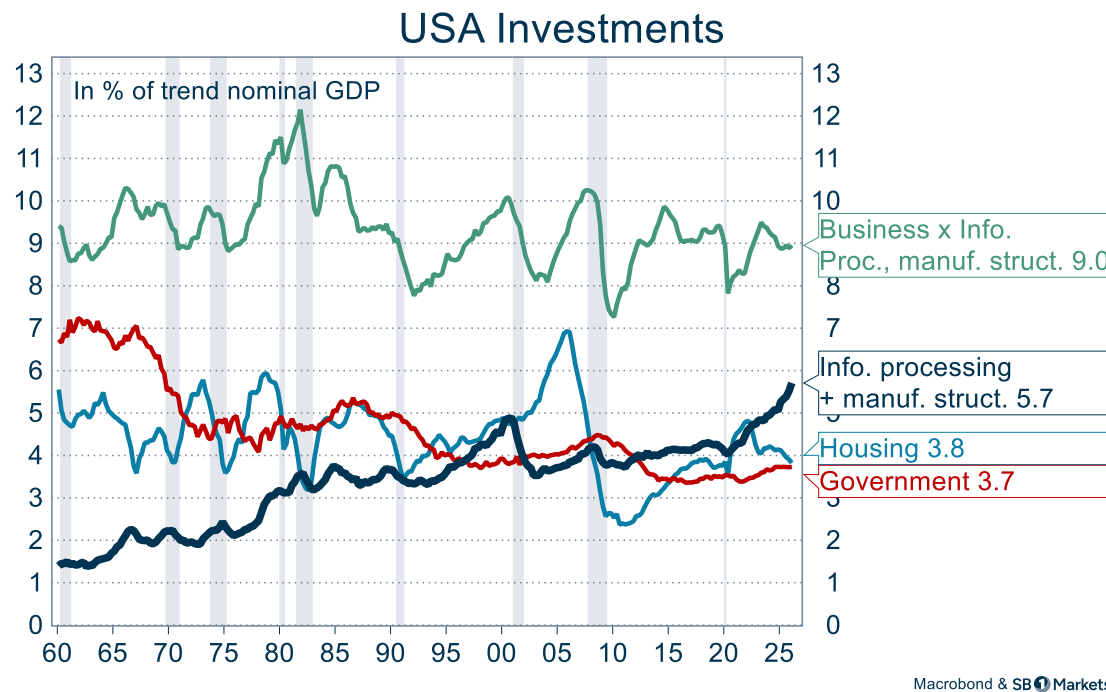
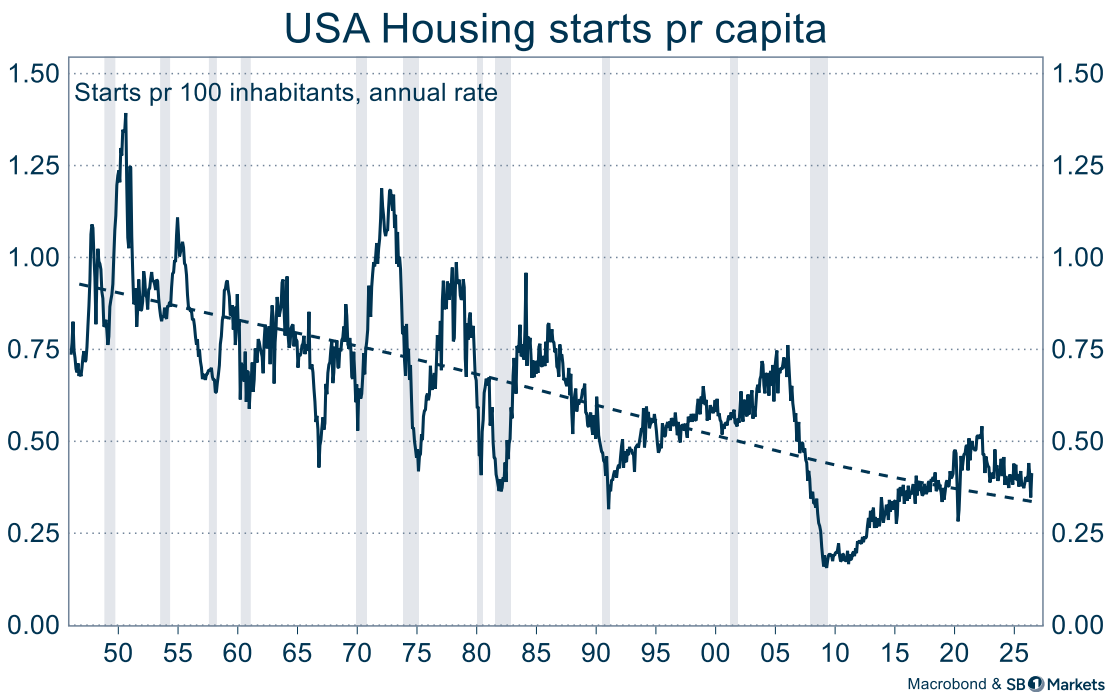
USA Homebuilders' survey & housing starts





A downturn in housing is not impossible, but it will anyway not be that large

... because the investment level most likely is close to normal. There are probably other investments that are more exposed...

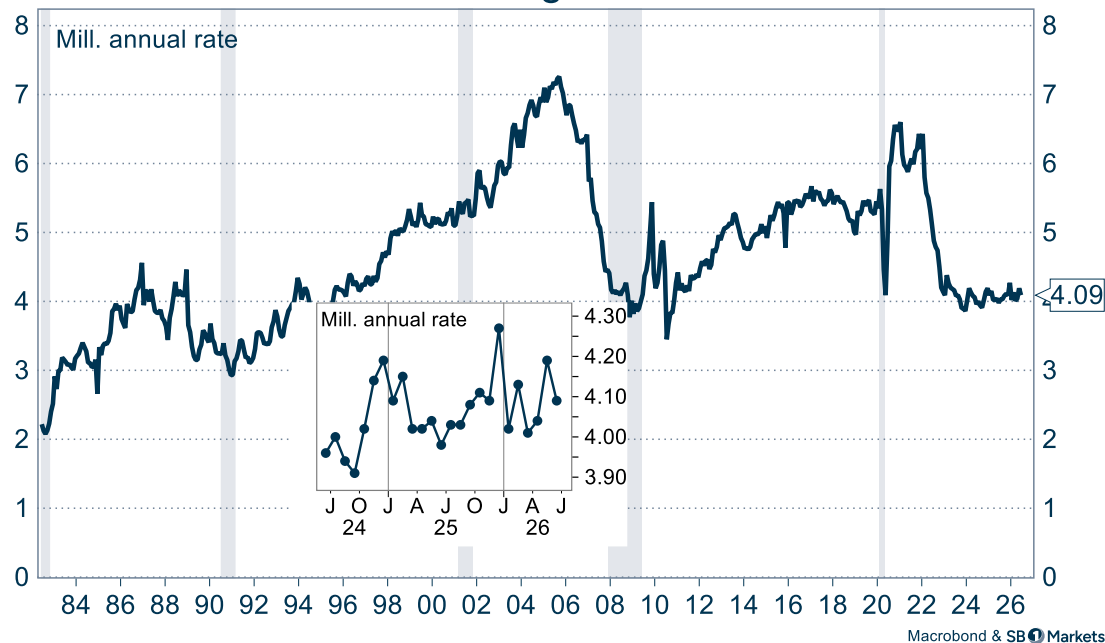




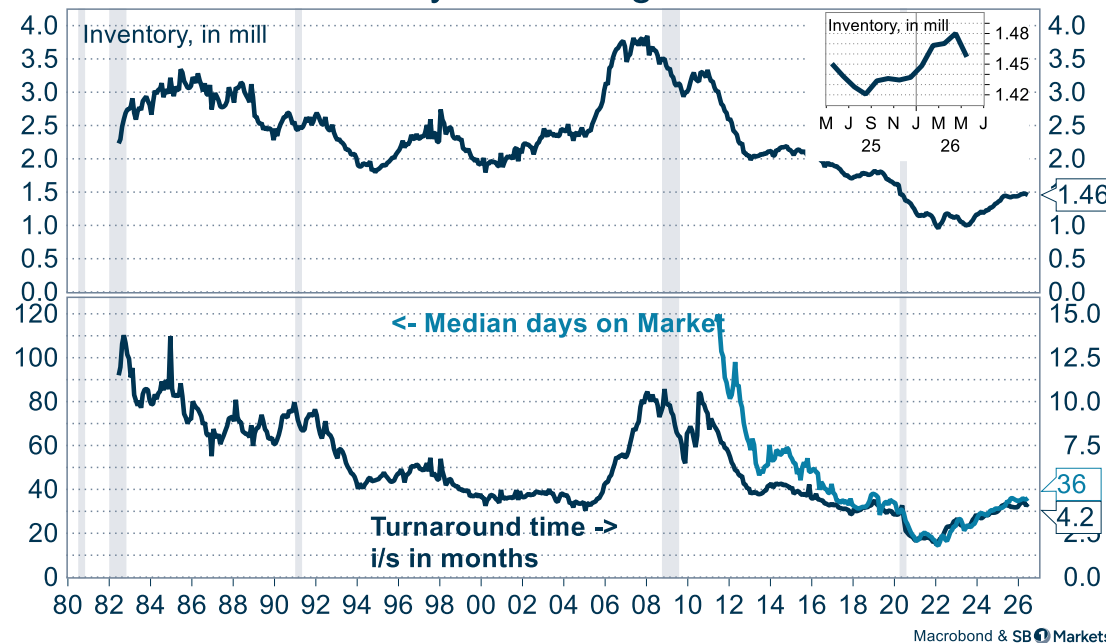
Existing home sales slightly down in June, trends flat at a low level

Sales fell by 10,000 to 4.09 mill, expected up to 4.20 mill. The level is low and the trend over the past 3 years is close to flat. The inventory of unsold homes is below a normal level, also vs. sales, but has trended up, until now. Prices are inching upwards, 0.2% in June, 2% y/y

USA Existing home sales



USA Inventory of existing homes for sale

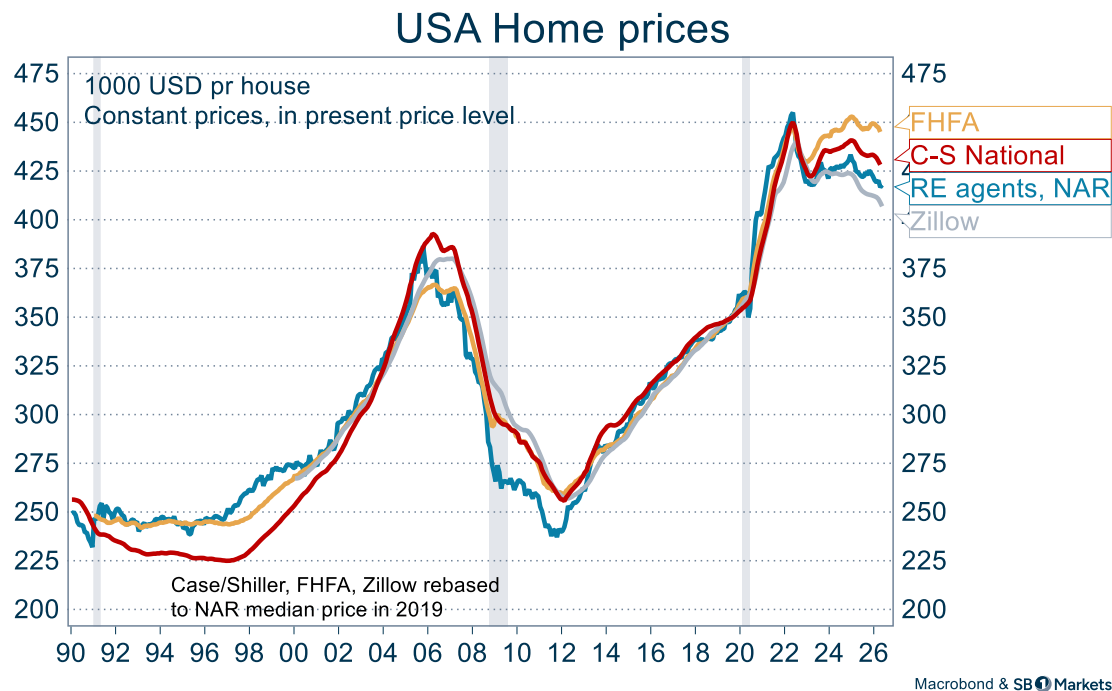


- The inventory is still at a low level, but well up from the bottom in 2022/23, also measured vs. sales.

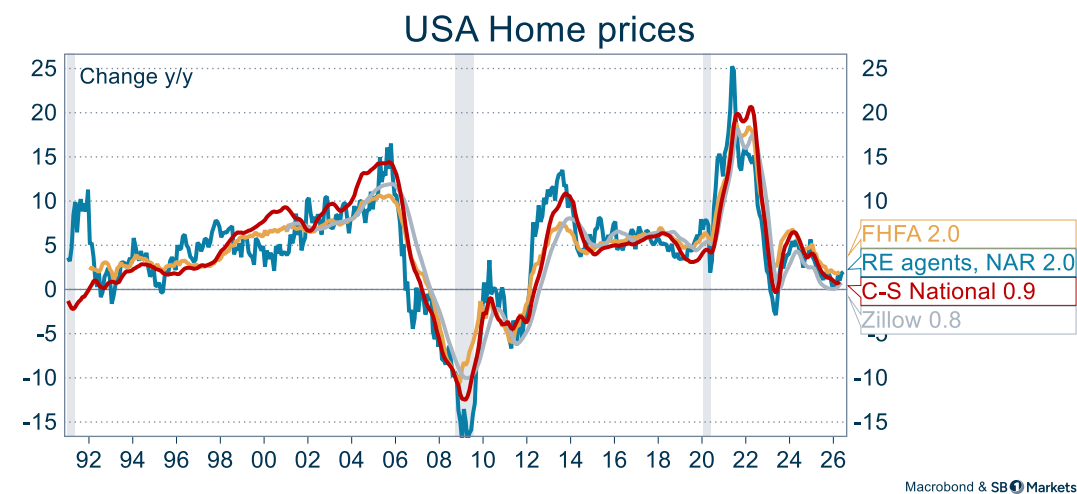
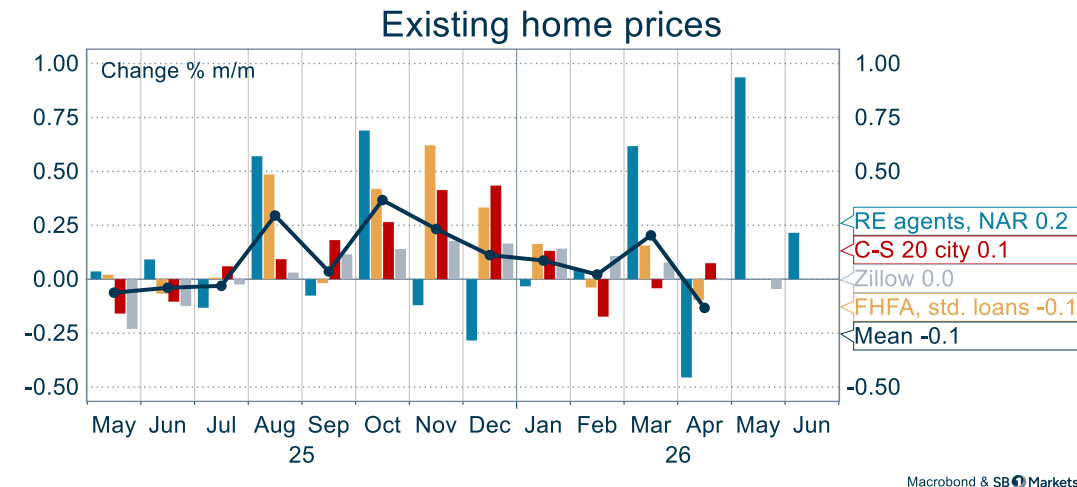


Housing prices are trending slowly upwards, but well below CPI and wage inflation

Realtors report a 0.2% price increase in June, and are up 1.4% y/y. Other price indices are up 0.6–1.7%.



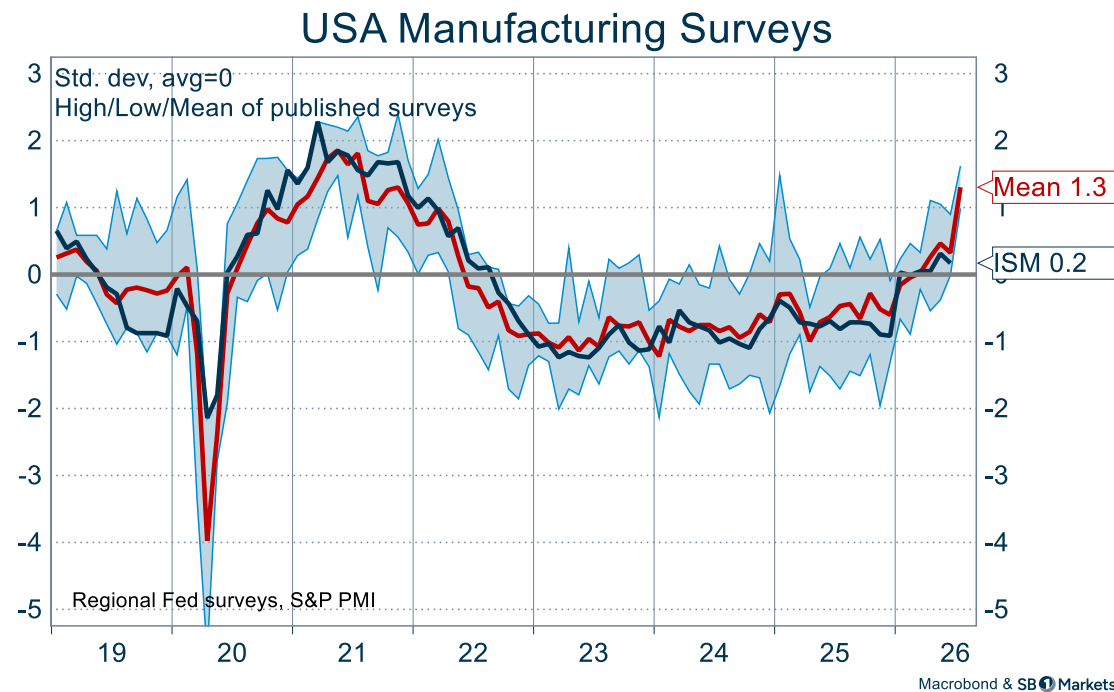
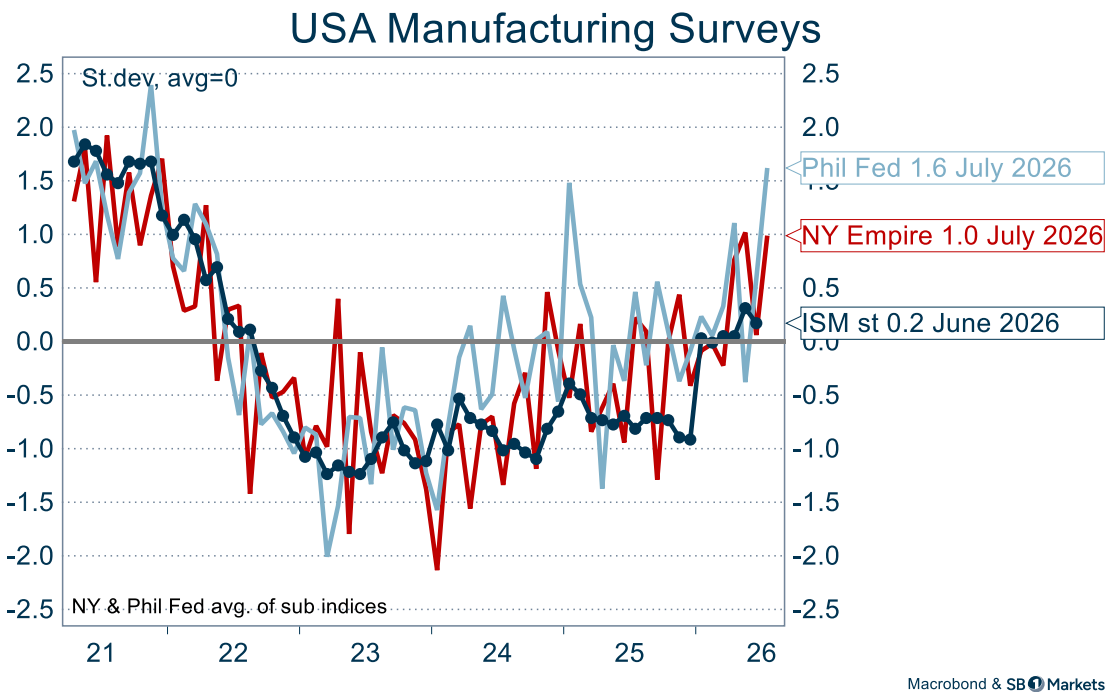
- **The NAR price stats** refer to transactions that were completed in May, which were mostly closed in March and April, when mortgage rates were on the way up and a war started. Still, no setback in the market.
- **The Zillow index** reports marginal price increases through Q1 and a small decline in April. Other price indices are also on the way up but somewhat slower recent months.
- **Home prices** rose more than 40% during the pandemic. Real home prices are down from the 2021 ATHs, but they are far above the 2005 peak, before the Financial Crisis.





The first glimpse of July: NY & Philly Fed manufacturing surveys both shot up

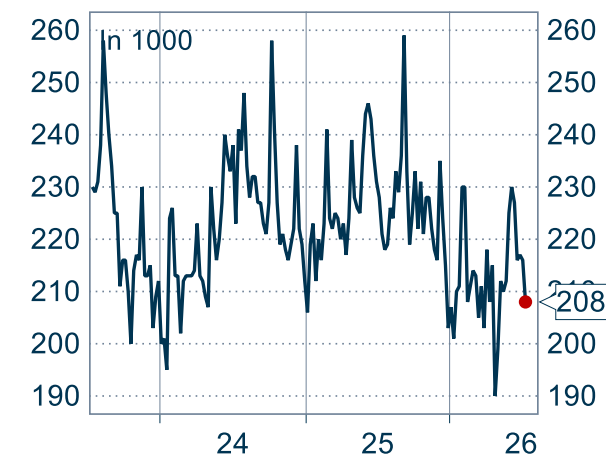
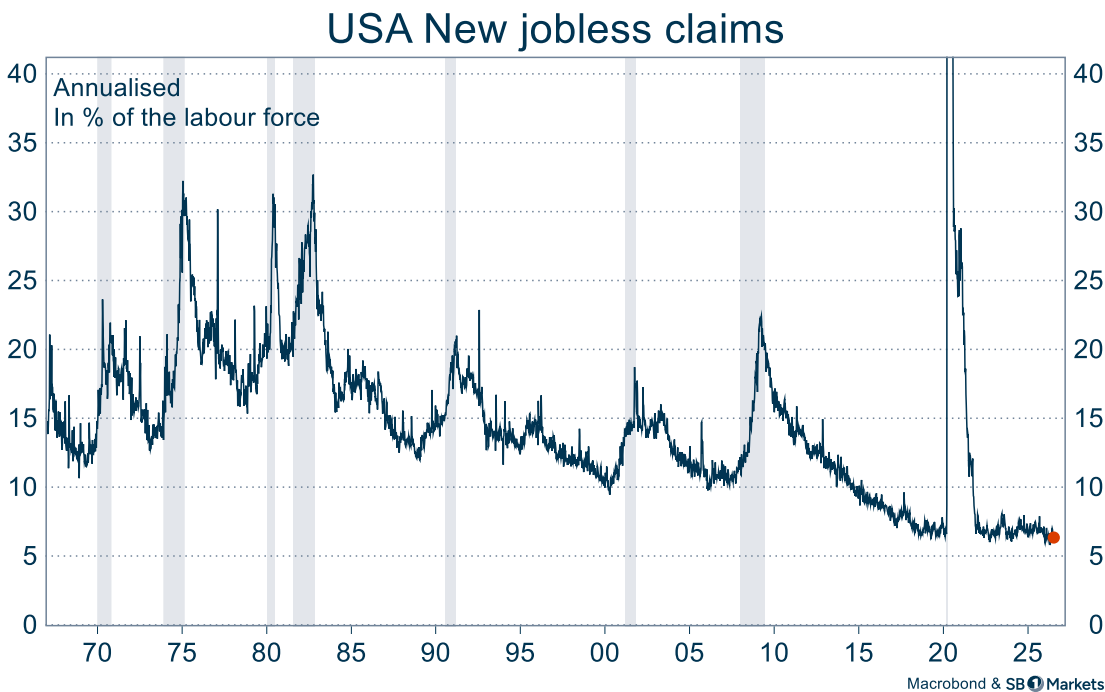
And both are at a level far above average, 1 and 1.6 std. dev. resp., on average the best level since late 2021.
The ISM index was just marginally above par in June. Actual manufacturing production was unchanged in June.





The inflow of jobless claims down the previous week – to a low level

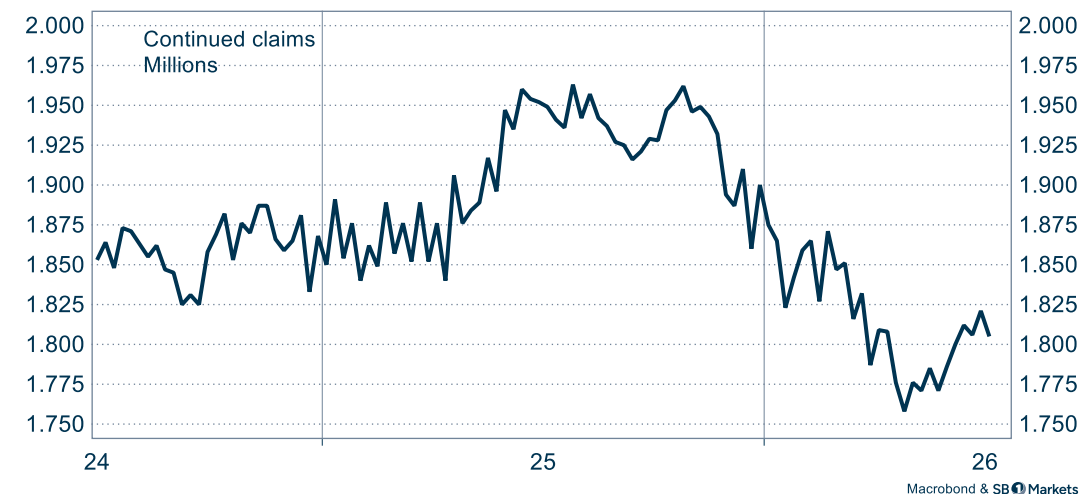
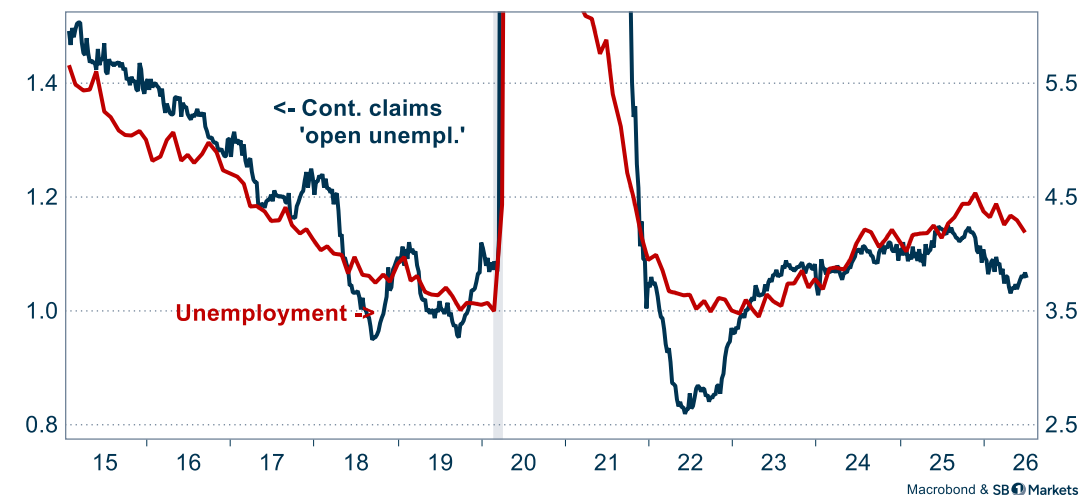
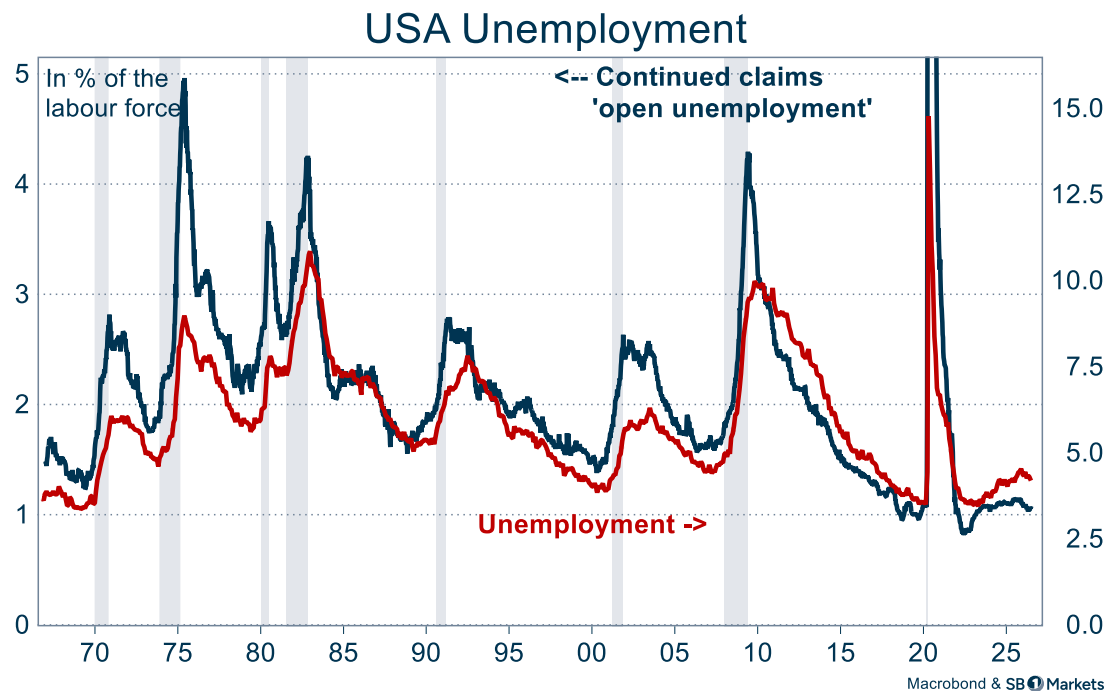
The previous week, 208,000 new jobless claimants, in line with the inflow the previous week.





Continued jobless claims have turned up recent weeks but are still at a low level

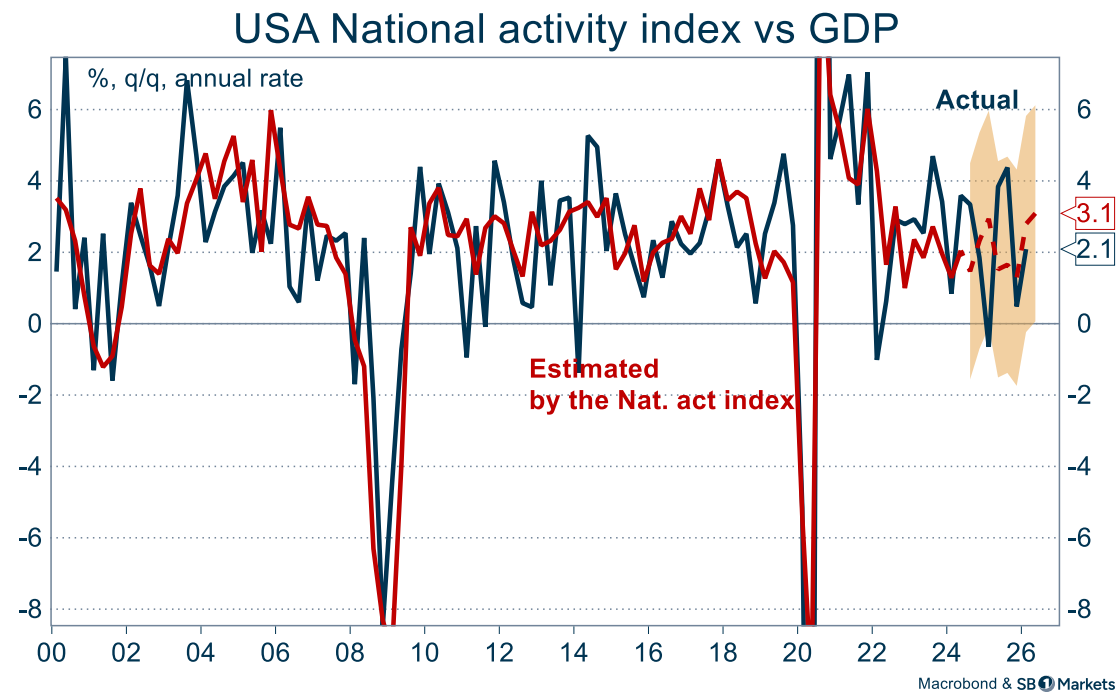
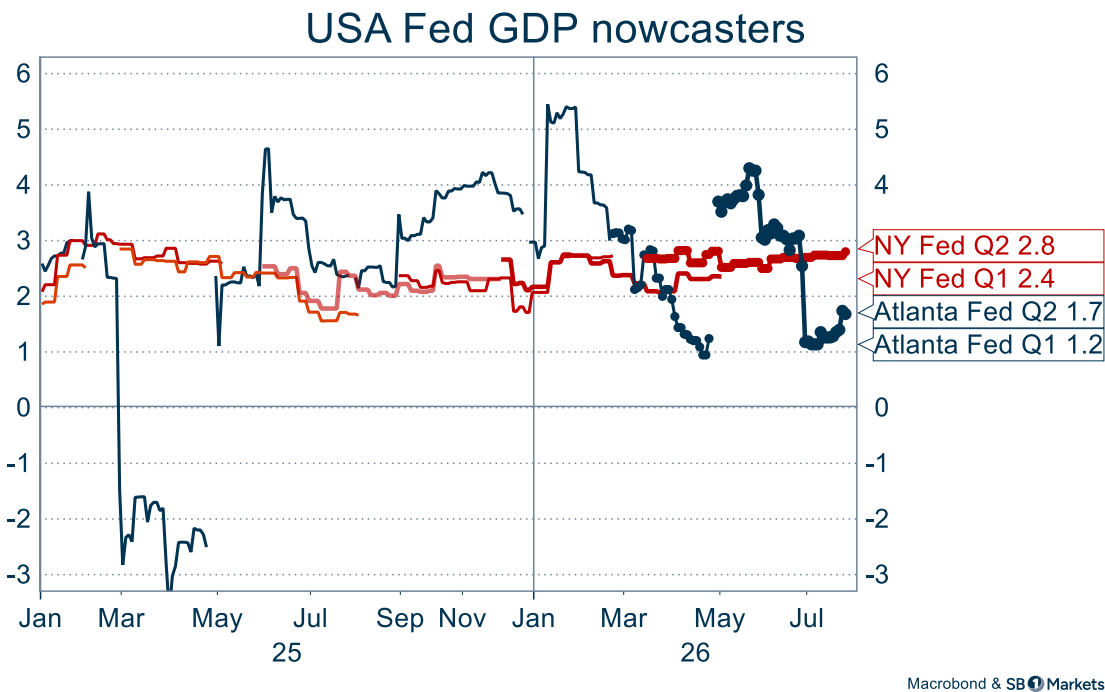
The count of persons receiving unemployment benefits has fallen rapidly in recent *months*, confirming the decline in the unemployment rate – and signals a further decline. However, the **trend the past 8 weeks is upwards**, even if the level fell slightly two weeks ago





Atlanta Fed's Q2 GDP estimate has recovered to 1.7%

The decline in exports in May lowered the growth forecast substantially two weeks ago. Now, some of the decline is recovered. If Atlanta Fed is close to the ball, growth was modest for the 3rd quarter in a row in Q2.

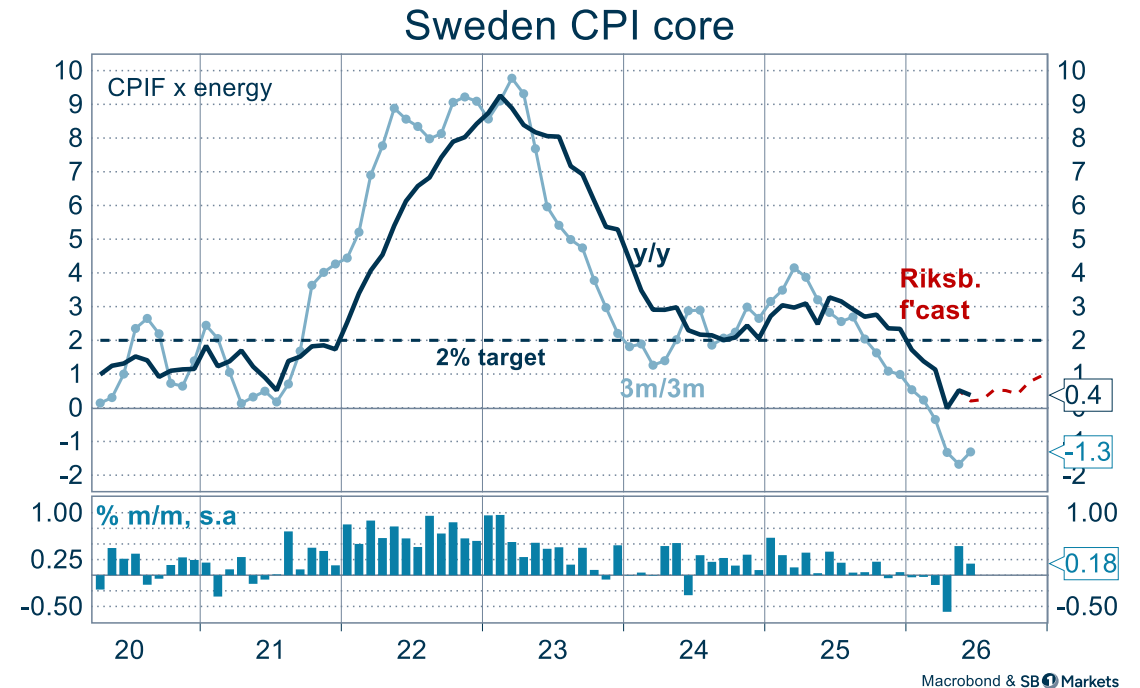
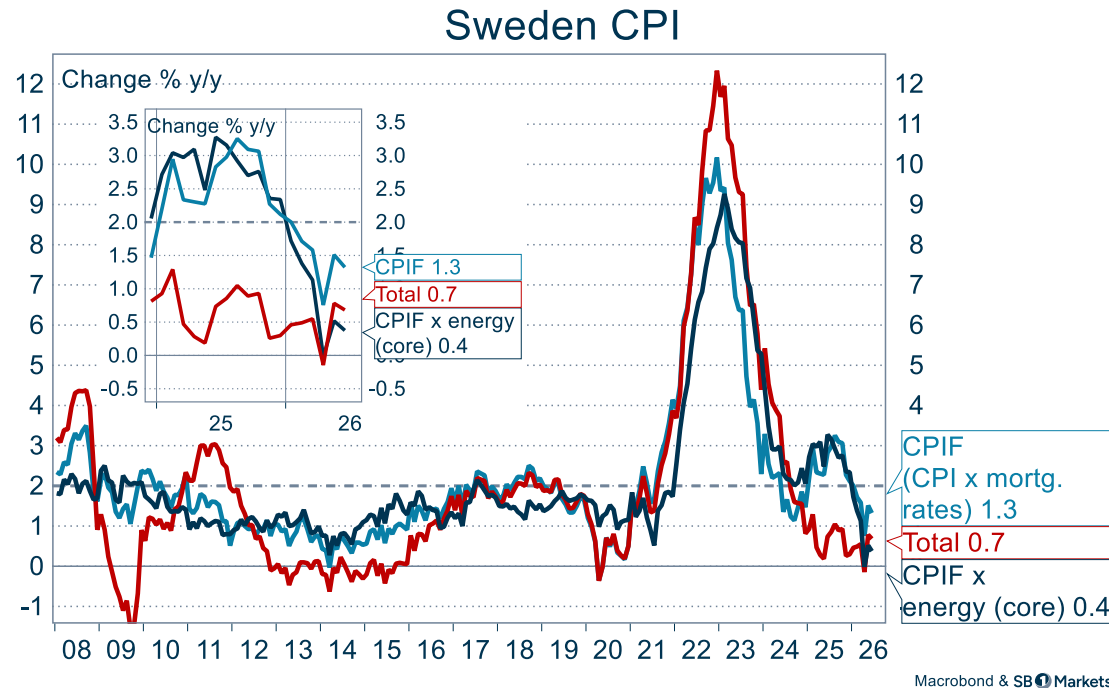




Sweden

Sweden: CPIF inflation slightly down in June, and just at 0.4% ex. energy

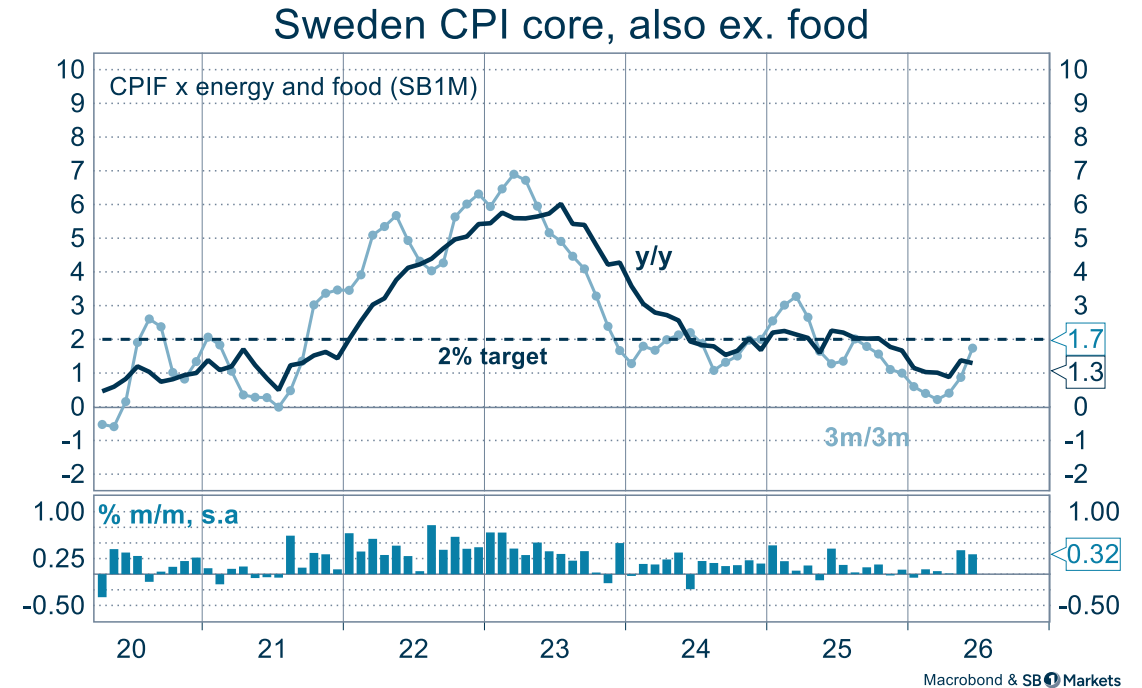
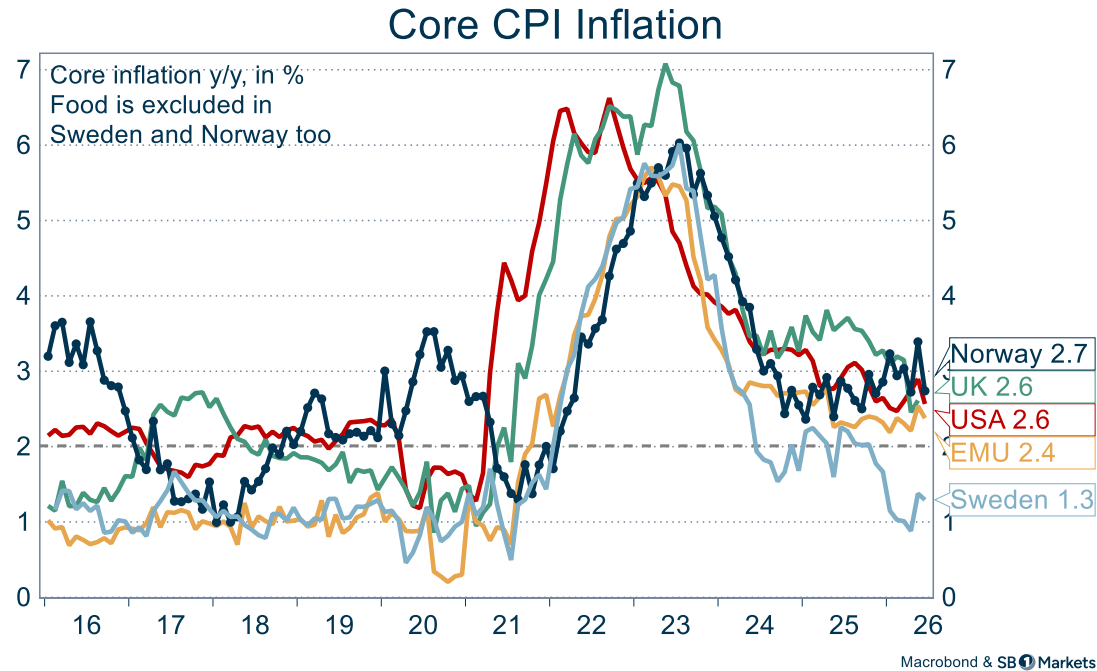
However, still marginally higher than expected. Excluding the impact of the cut in food VAT, core is at 1.3% and underlying growth in recent months has accelerated to some 2%.



- **The traditional headline CPI inflation** slowed 0.1 pp to 0.7%. Energy prices declined 0.9% but are still up 18% y/y.
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.6 pp. Thus, the **CPIF** (CPI x mortgage rates, which is usually referred to as the CPI in Sweden) was up 1.3% y/y, 0.1 pp above expectations.
- The **official core, also excluding energy** (CPIF XE) prices rise 0.18% and the annual rate was down 0.1 pp to 0.4% y/y, expected 0.3%. The Riksbank expected a 0.2% y/y growth rate.
- If food is removed as well, to compare with core prices in most other countries, prices rose 0.32% m/m, and up 1.3% y/y (check chart next page). **The underlying growth rate in recent months has increased to some 2%**
- **The Riksbank is in no hurry to do anything.**

Core inflation: Sweden (ex. food) still an outlier measured y/y, on the downside

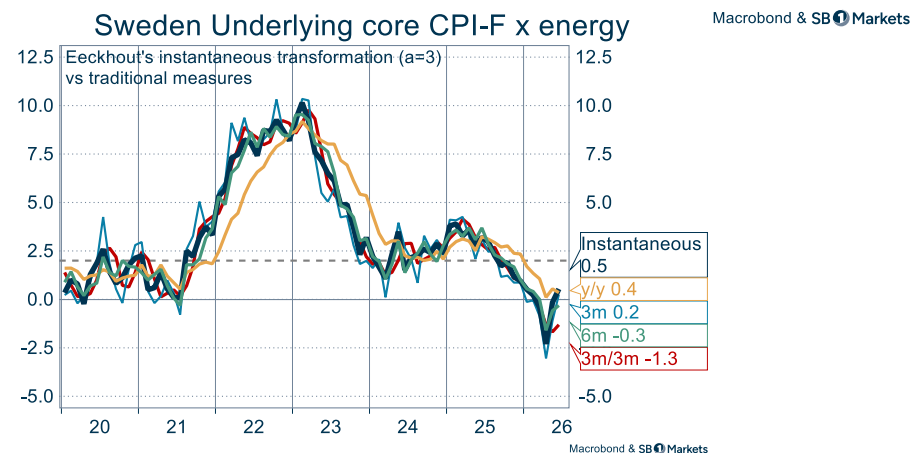
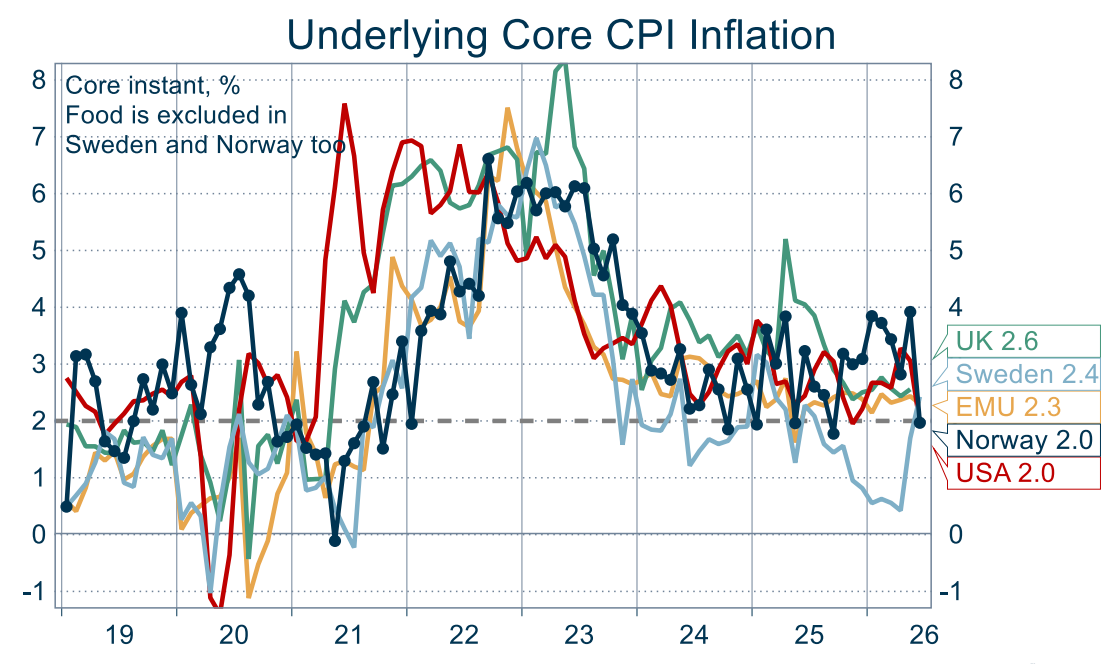
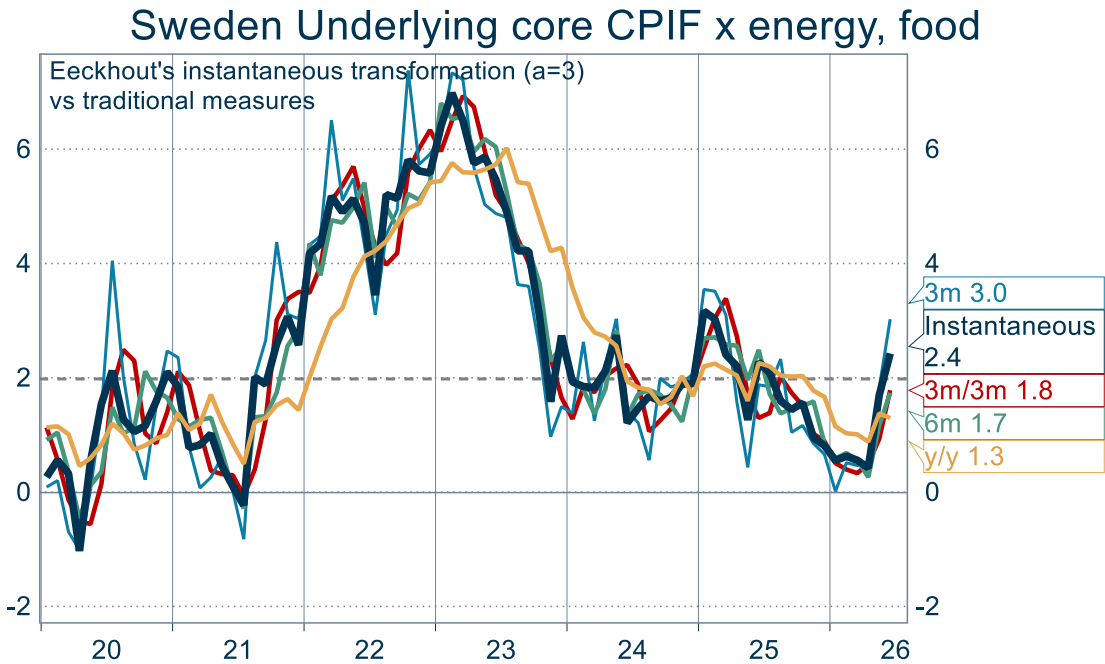
However, core prices rose at a fast pace in both March and June





Underlying core inflation: some 2% again, if food prices are excluded

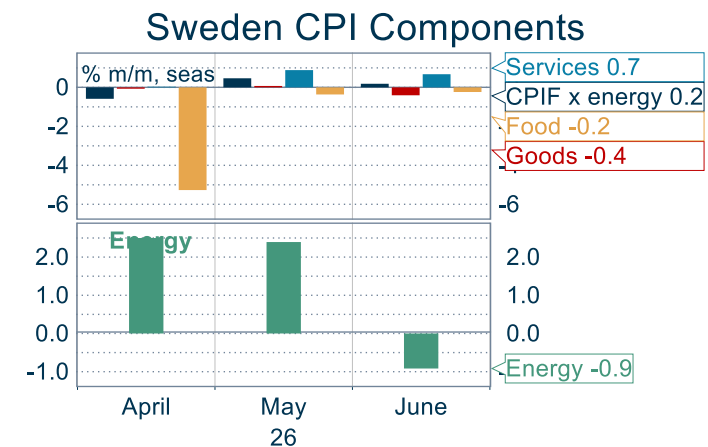
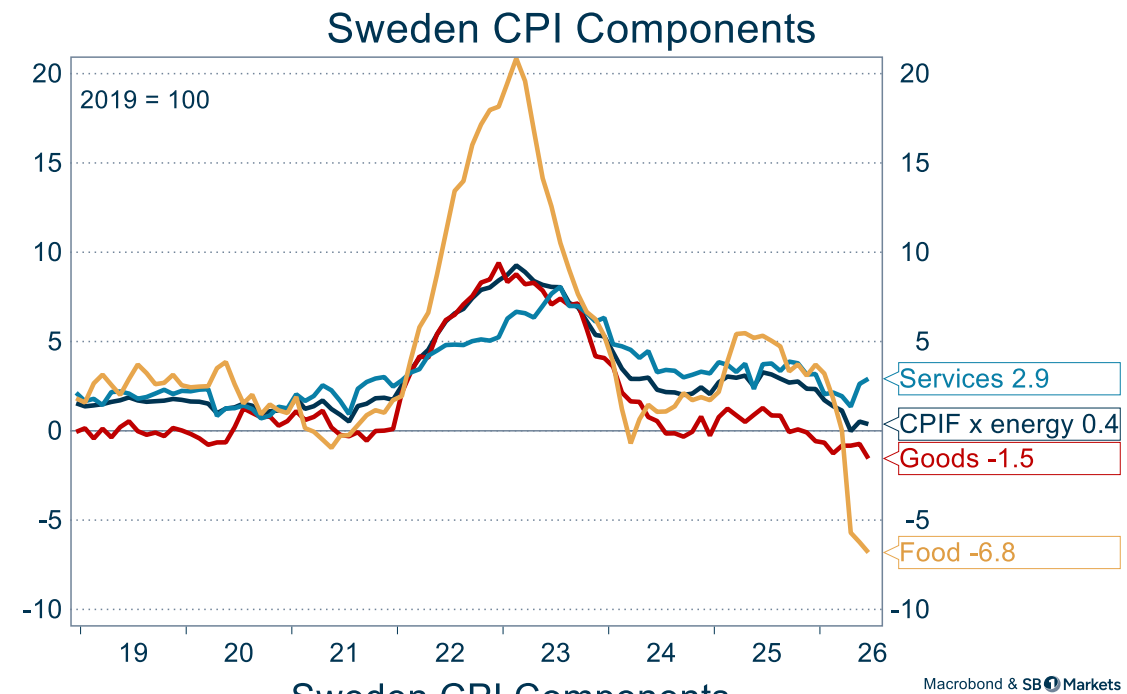
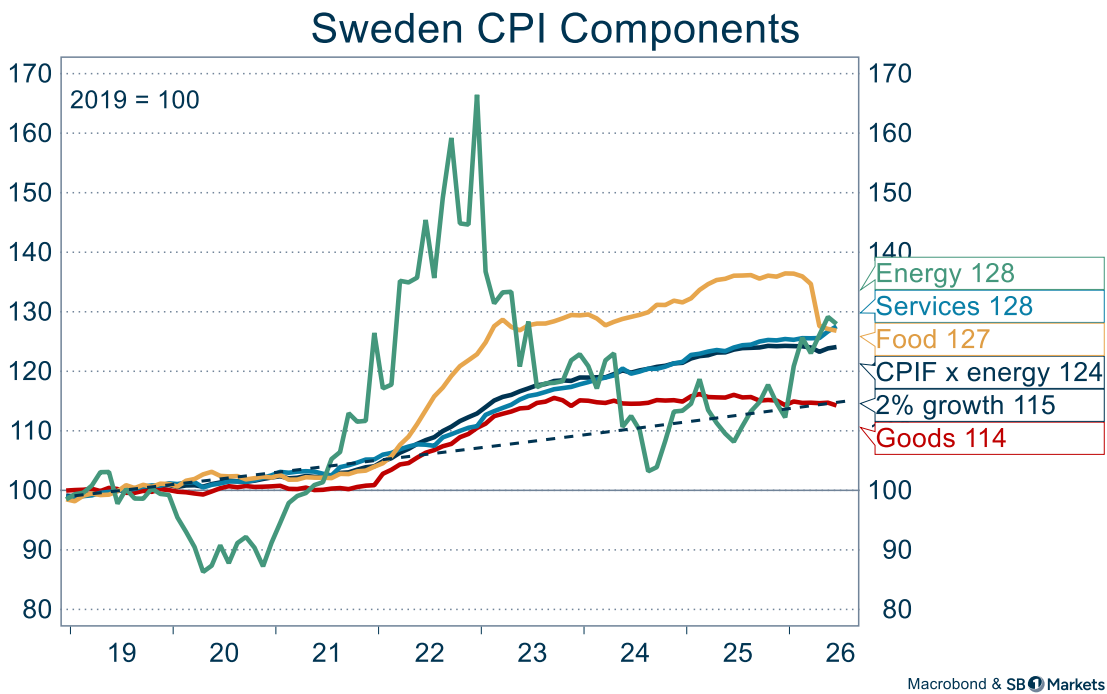
Sweden is back in line with other DM (Norway too, from the opposite side)





Services prices are up 2.7%, core goods ex. food are down 0.7%, food is down 6.2%

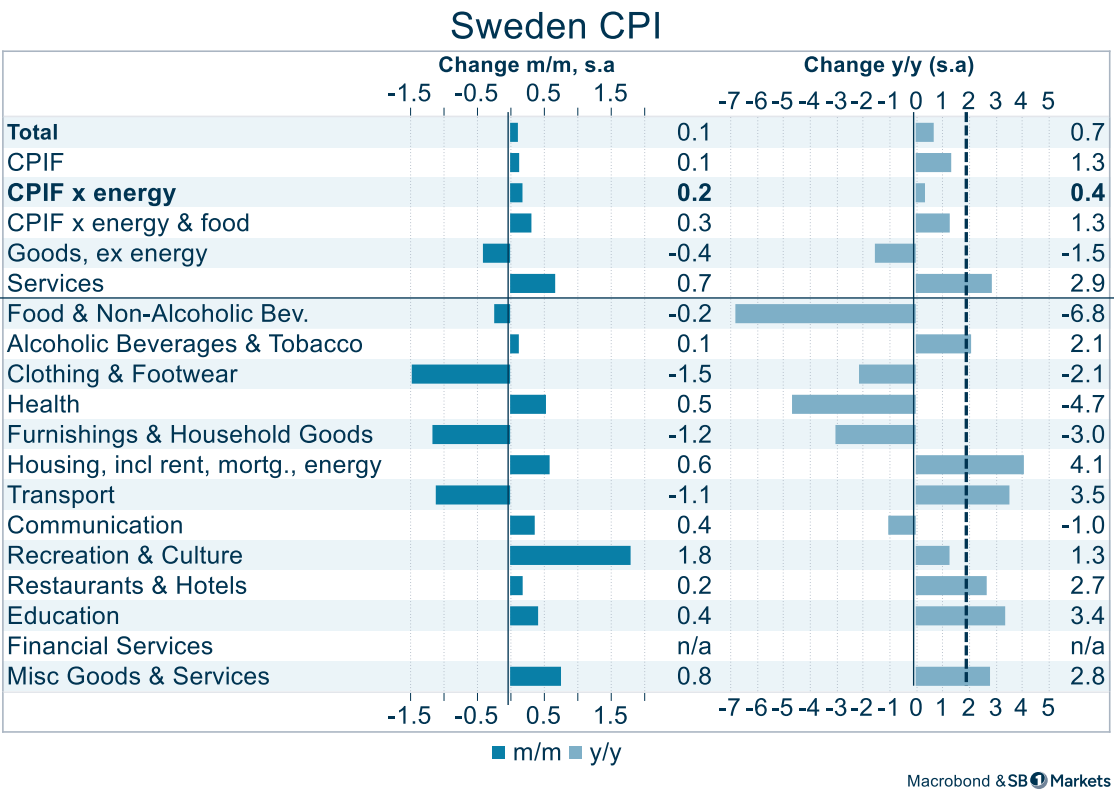
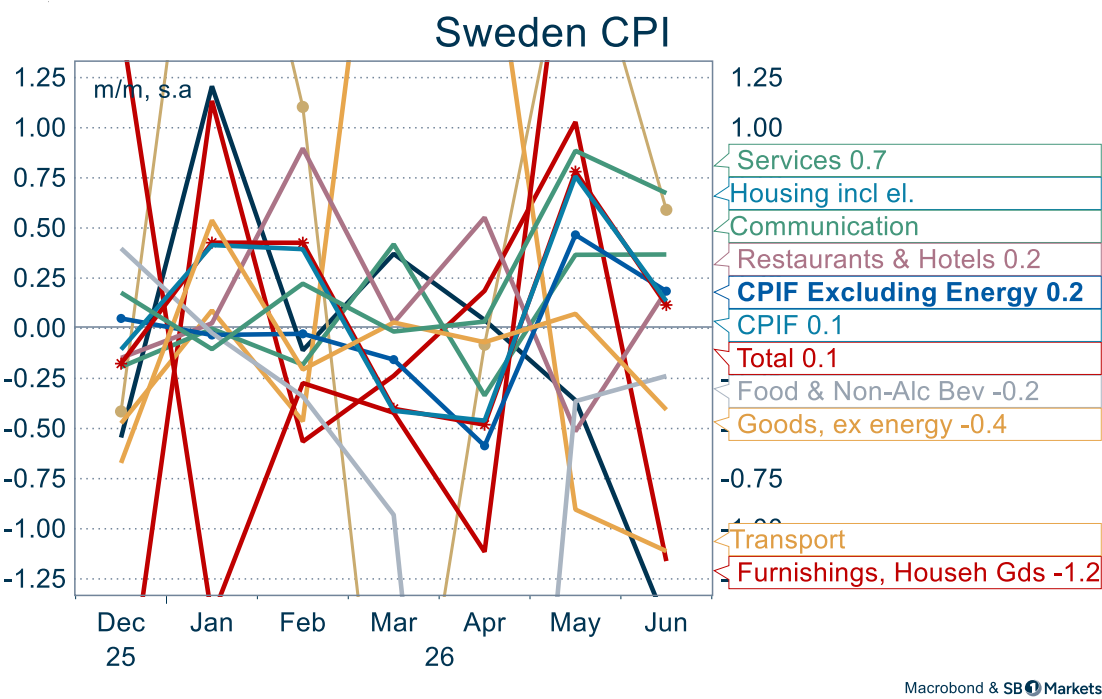
... due to the VAT cut in April. Service sector inflation still on the high side. Energy prices rose 2.5% and are up 18% y/y.





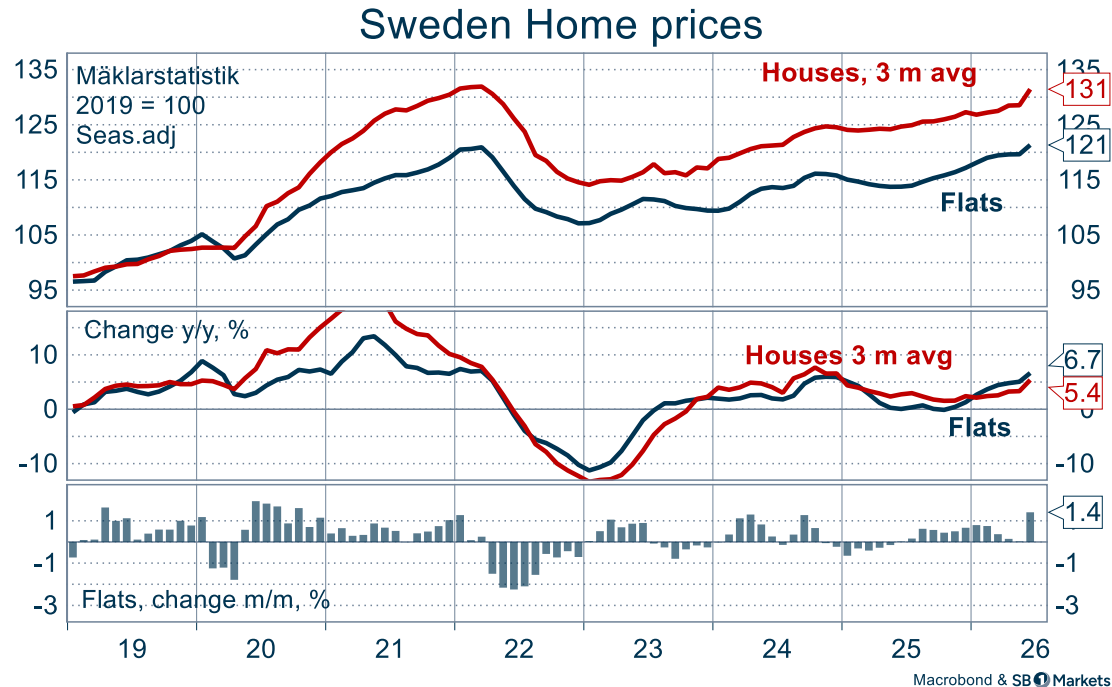
6 sectors are still up more than 2% y/y, 6 are below, of which 5 are down!

Food prices are down due to the cut in the VAT rate, and health due to higher government subsidies.



Housing prices shot up in June, flats by 1.4% – and prices are up 6.7% y/y!

Of the 3 main cities, just Stockholm reported higher prices. House prices rose sharply as well, and the total market was up 1.1%, and prices are up more than 4% y/y (both measured as a 3m average). Sales are surging and the inventory is declining but still higher than normal



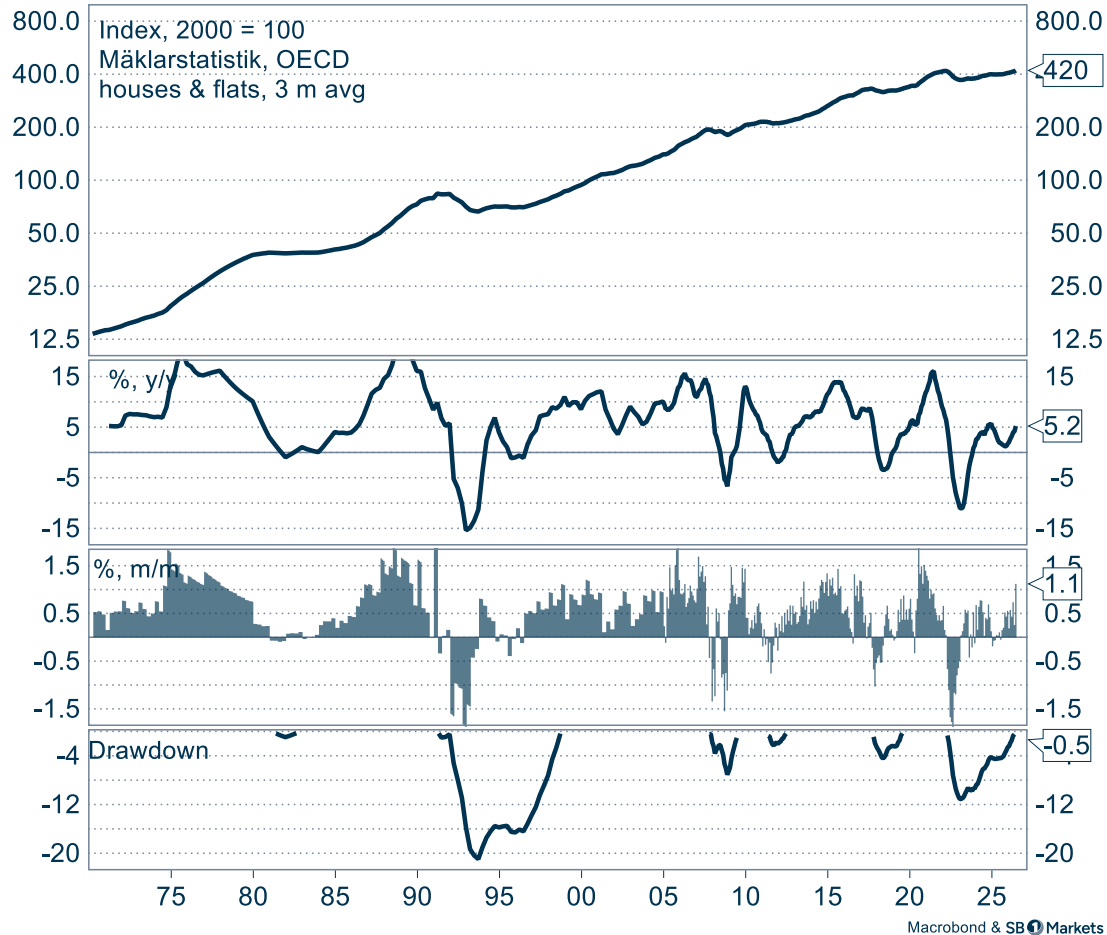
- **Flat prices** fell from late 2024 until last summer but then turned up, then flattened from early spring, until the lift in June. Disclaimer: These prices are often heavily revised, and a downward revision of June does not seem unlikely. Still, the trend is upwards, probably supported by low mortgage rates
- **Single house prices** also shot up in June, and are up 2.3% even measured as a 3m average, and the annual growth rate rose to 5.4%
- Taken together, **housing prices** were 0.5% in May, and are up 4.0% y/y, both measured as a 3m average.
 - **Nominal prices** are down 1% from early 2022 peak. **In real terms**, deflated by CPI, **prices are down 17%** – and they are back to the 2016 level – even if mortgage rates have fallen substantially in recent quarters.
 - **Norwegian** real housing prices are down 4–5% from the peak.
- **Transaction volumes** rose in April and stayed at a high level in May.
- **The inflow of existing homes for sale** has been trending down and is at a record low level but has increased slightly the past 3 months.
- **The inventory of unsold homes** heads down but remains **above normal levels**. The inventory declines because the inflow of new homes for sale is at a low level.



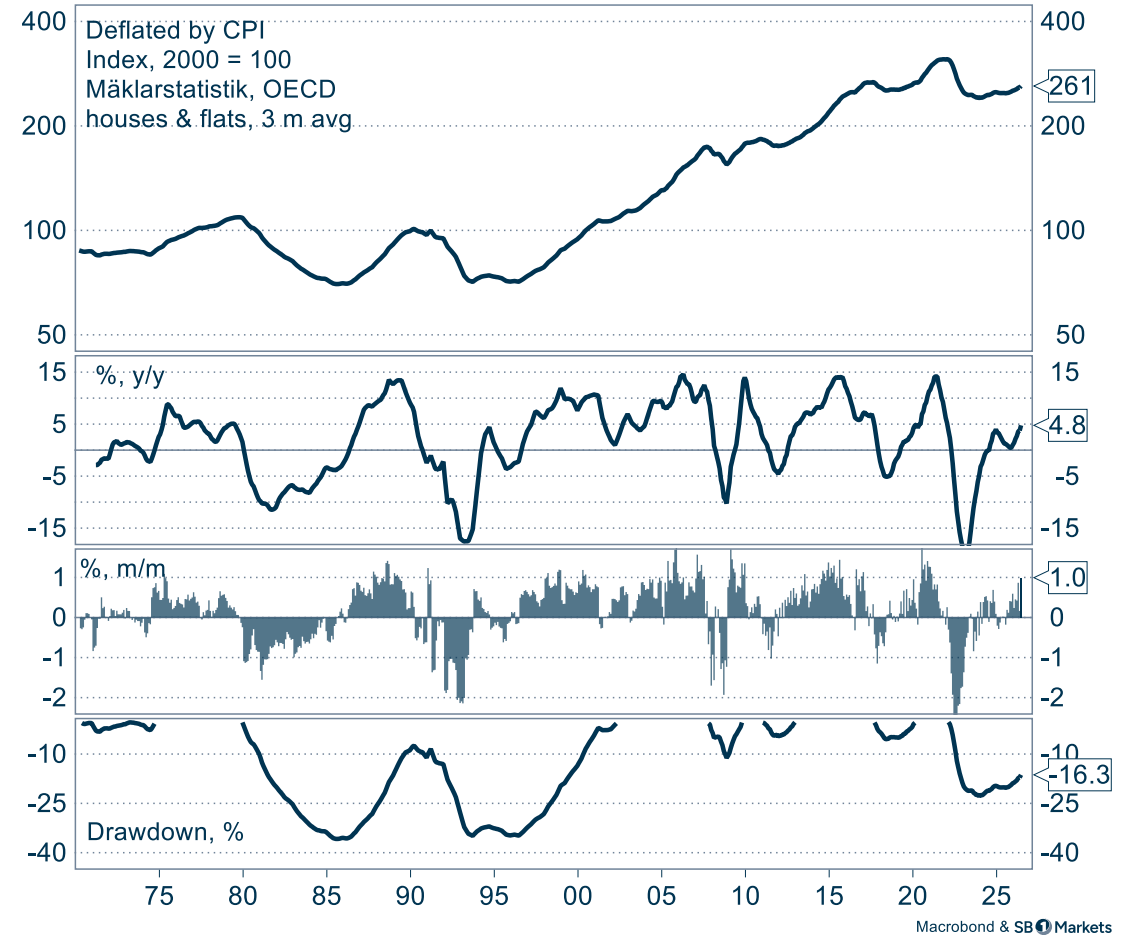
Nominal housing prices are down 0.1% from the 2022 peak. **In real terms, -16%!**

Real prices are the same as in 2016. The last downturn in prices is the 2nd largest in nominal terms, and the 3rd largest in real terms since 1970.

Sweden Housing prices



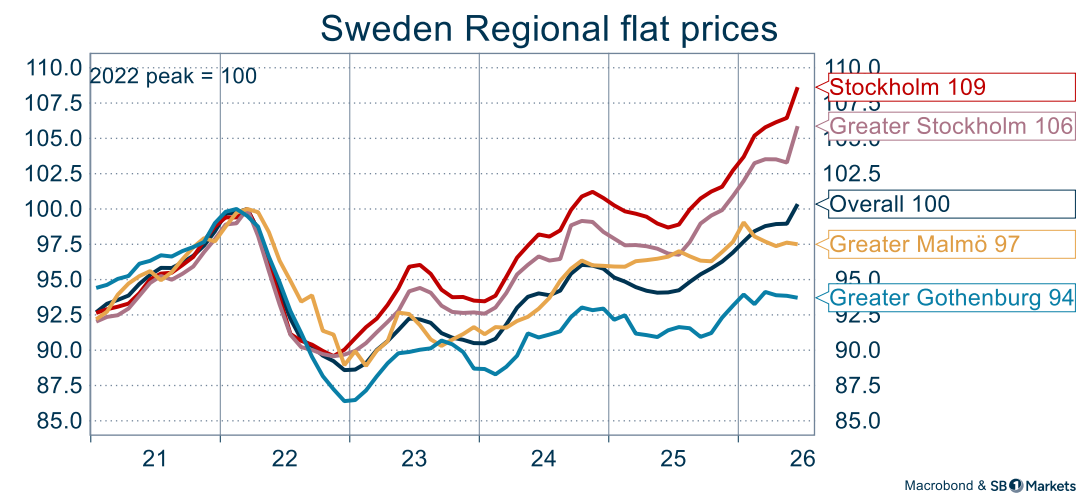
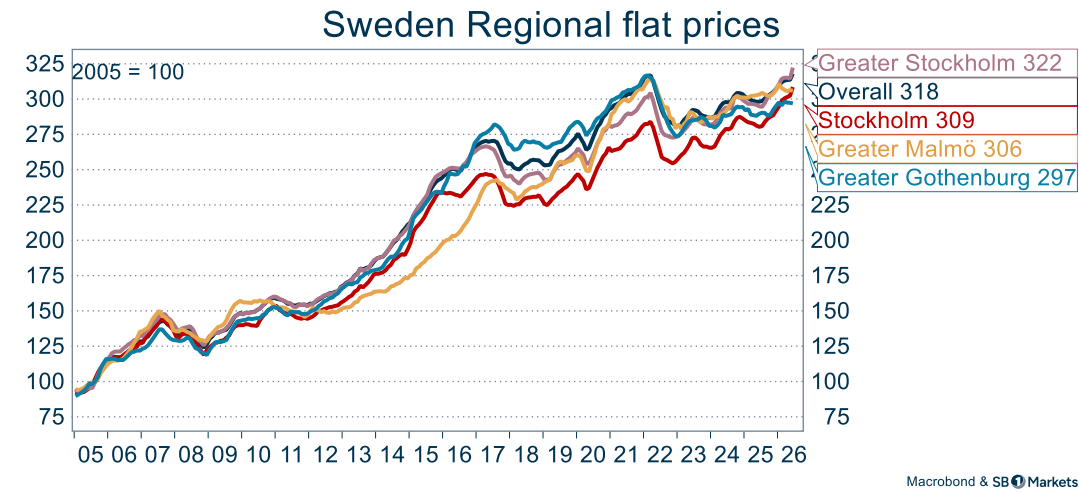
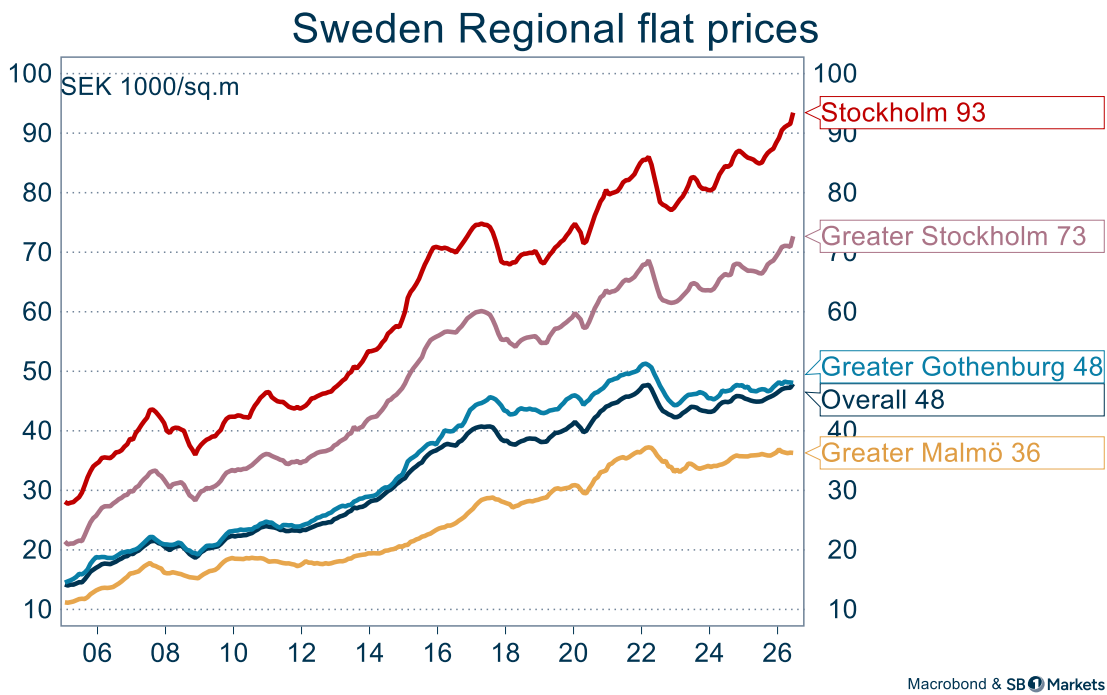
Sweden Real Housing prices





Stockholm prices go solo, no change in Gothenburg or in Malmö recent months

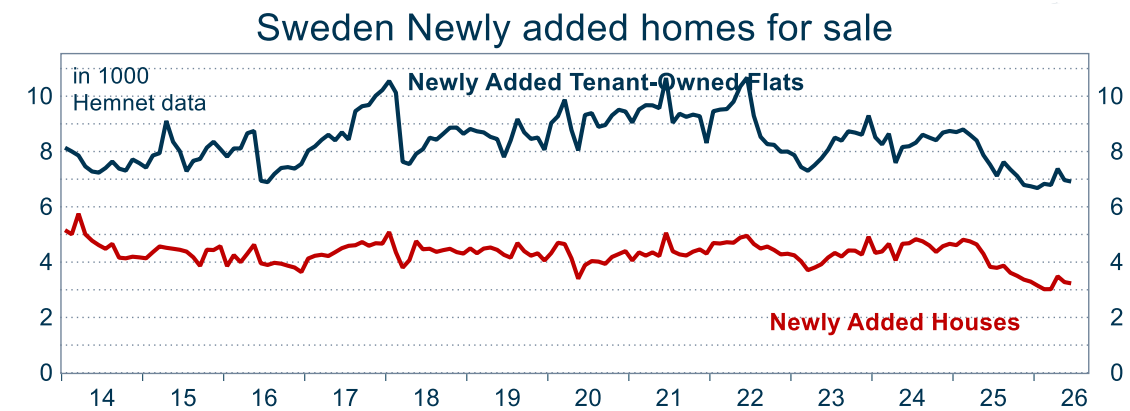
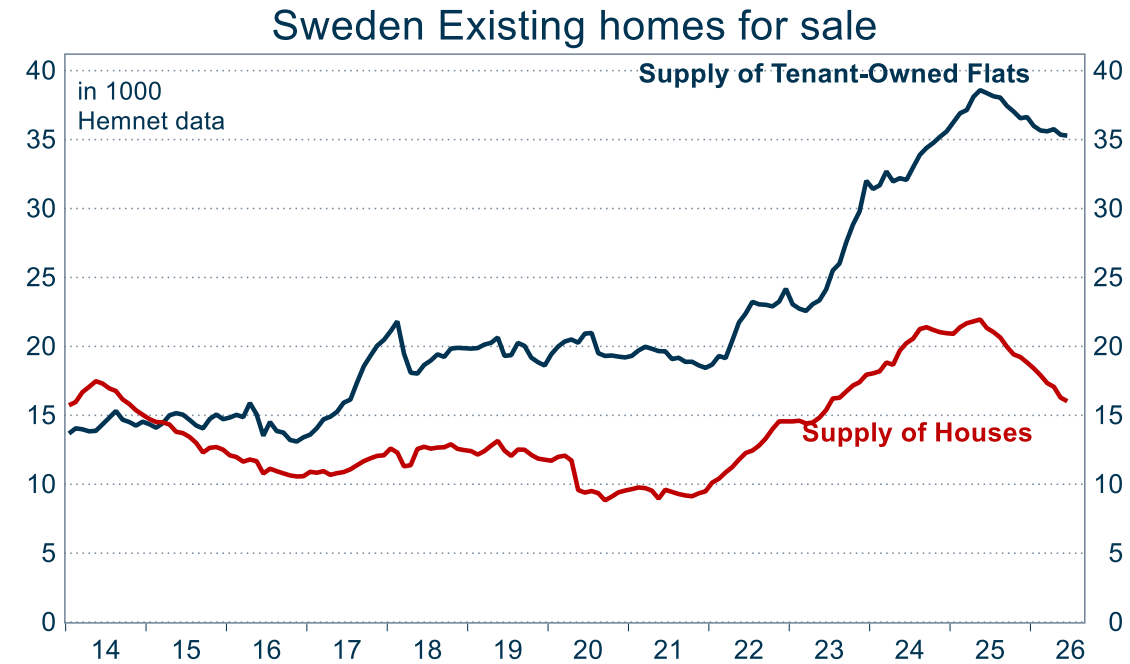
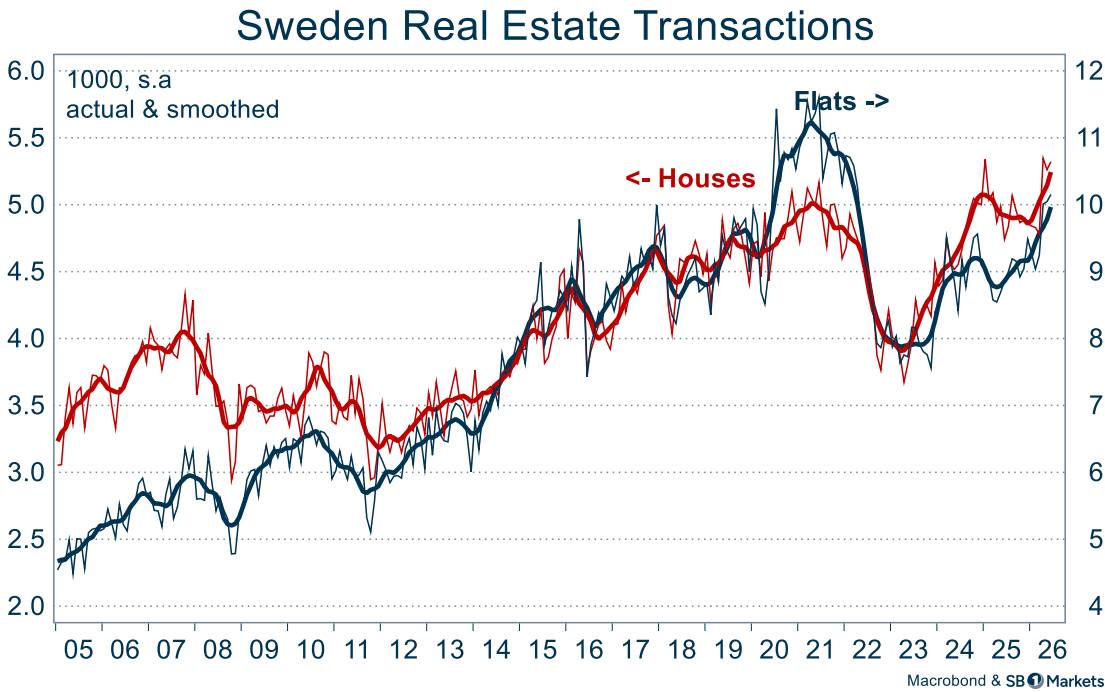
Stockholm reports higher prices than the peak in 2022. The other main cities and all other (21) läns barring Blekinge, report lower prices. Nominal prices are down more than 10% in 15 counties. Real prices are deep down from ATHs, everywhere, by up to 44% (Dalarnas Län).





Sales volumes are surging, and the inventory is declining. Good news

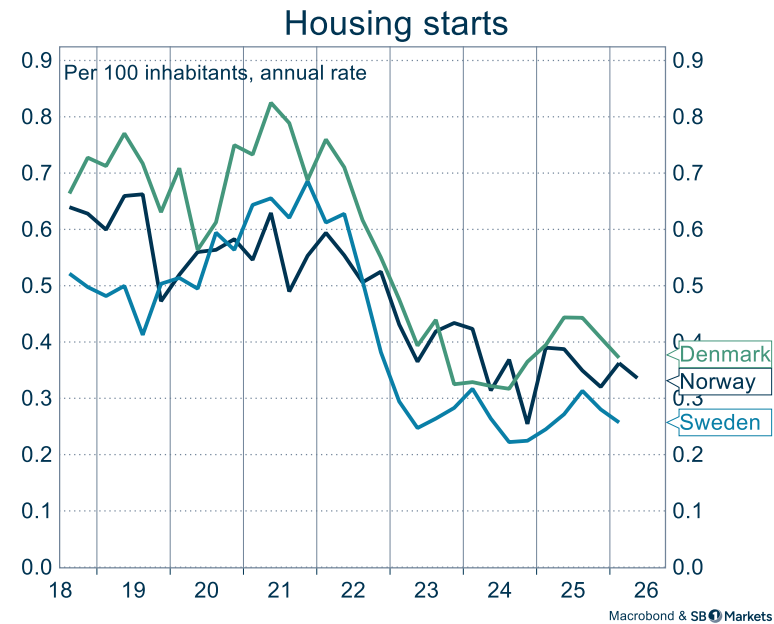
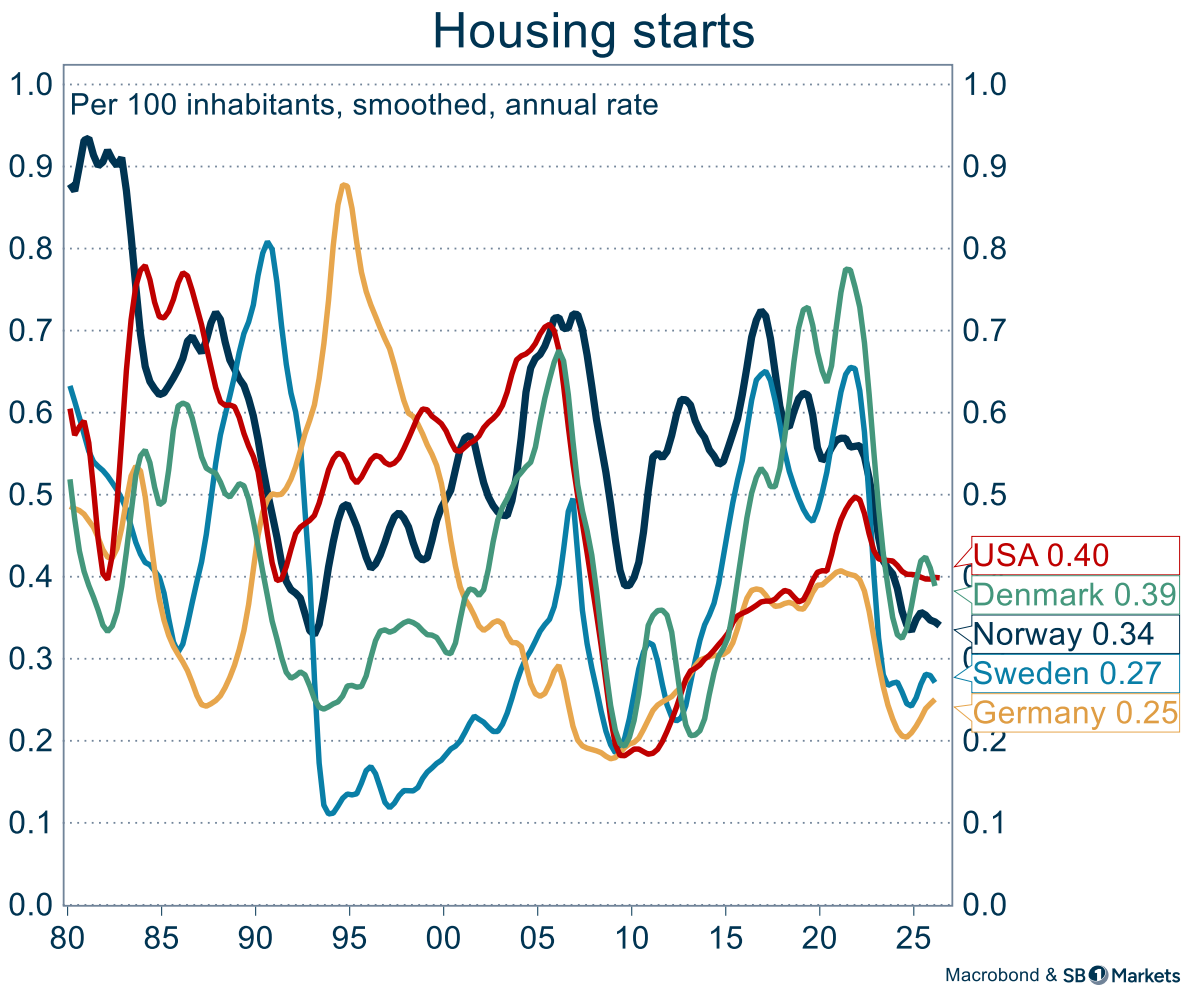
The inventory trends down but the level is higher than normal. The supply of new (existing) homes for sale has fallen sharply the past year but has increased slightly in the past 3 months, which also is positive.

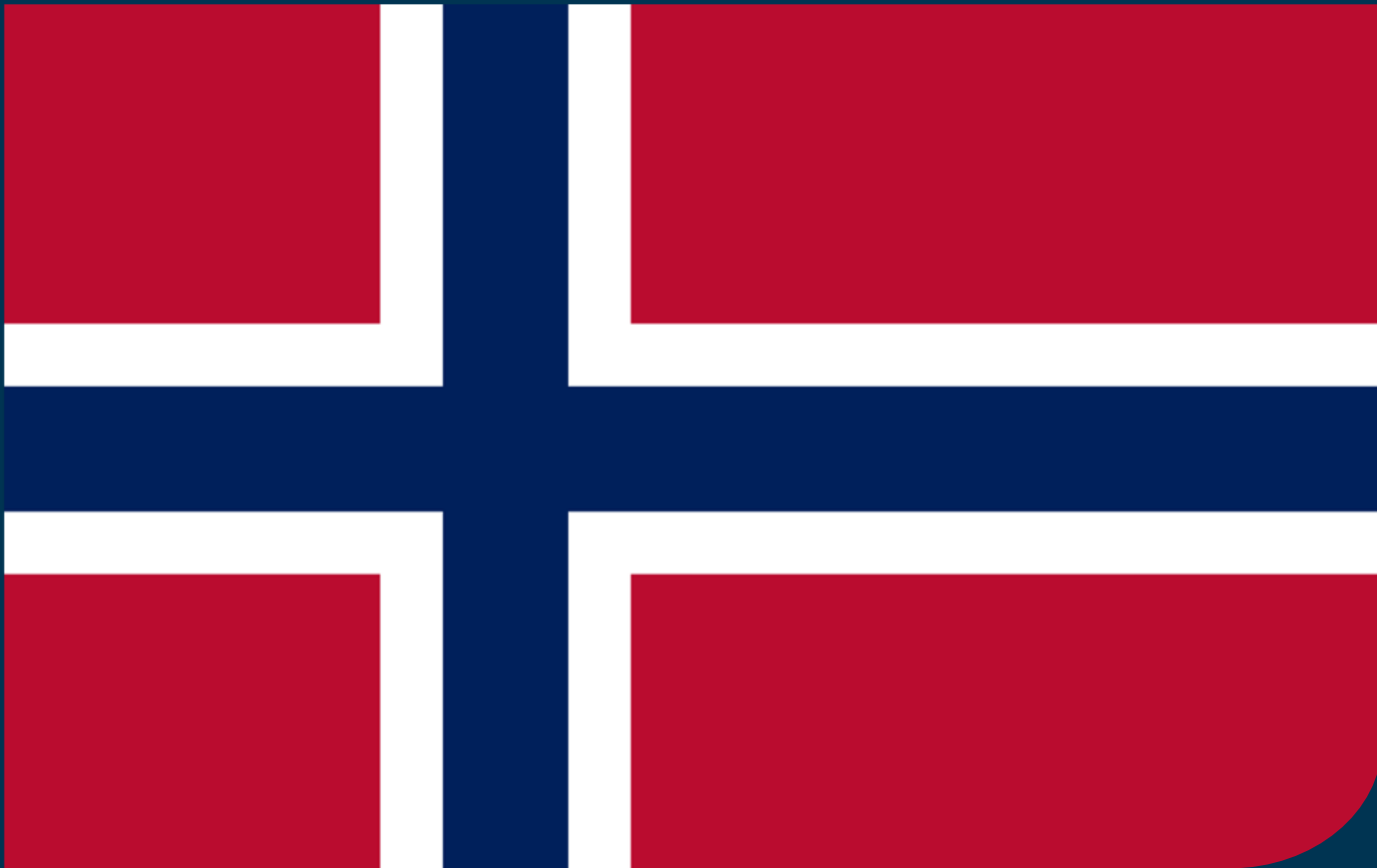




Swedish housing starts have turned up, from a low level

Starts are up in Denmark and Norway as well.

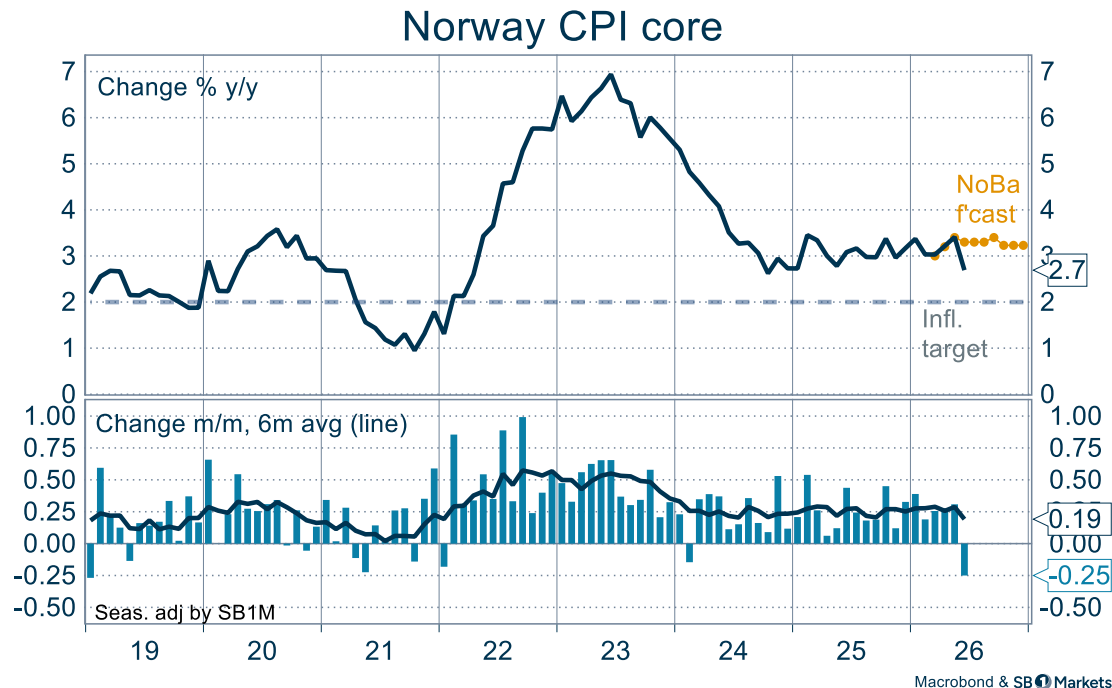




3. Norway

Core inflation (and the total) dropped to 2.7% in June, **0.5–0.6 pp below NoBa's f'casts!**

The core CPI declined 0.25% m/m, rather unusual. The 'weakness' was unusually broad, but info/communication contributed the most (0.2 pp), reversing the price increases in May.



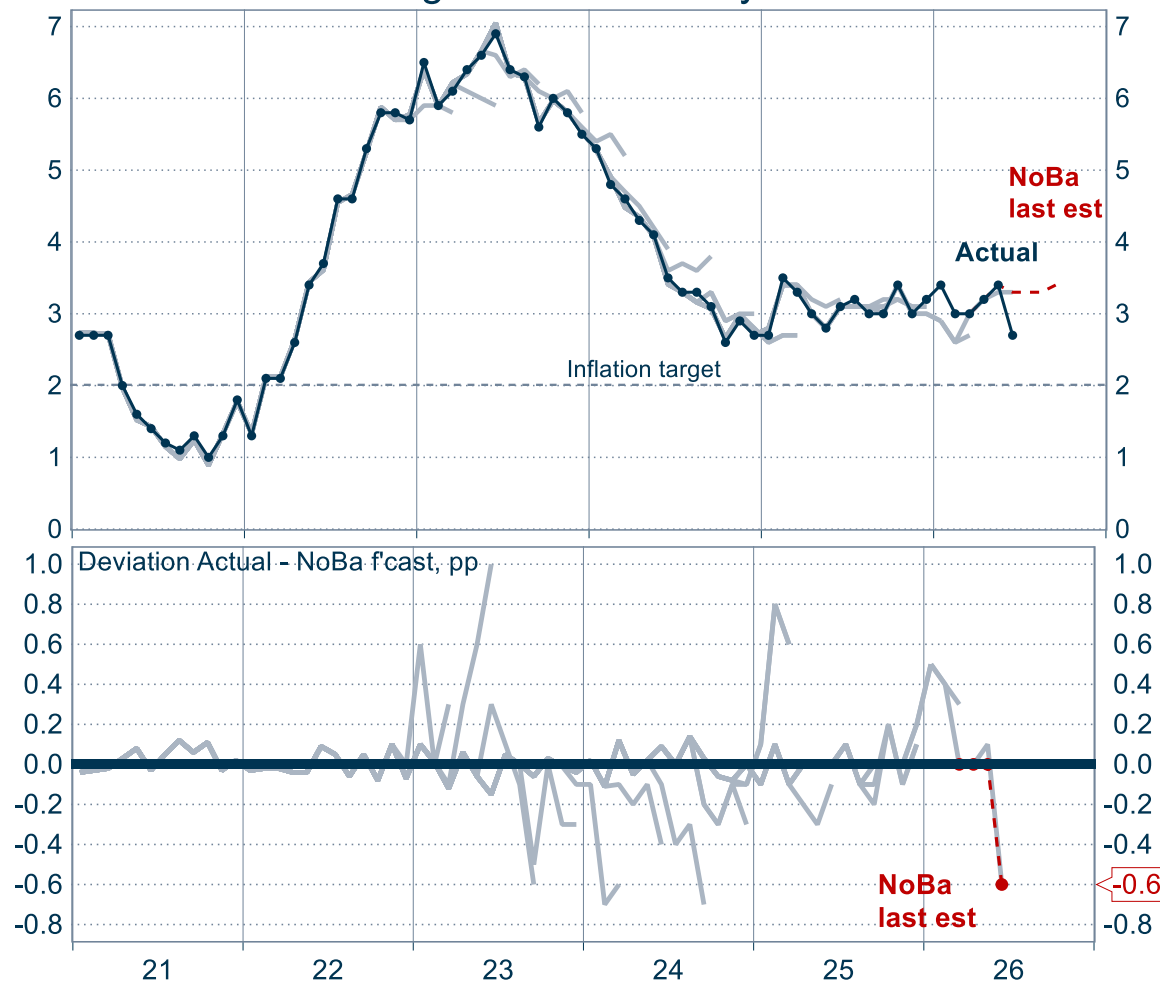
Change y/y	May 2026	June 2026
Total CPI	3.1	2.7
Norges Bank f'c	3.1	3.2
Core CPI	3.4	2.7
Norges Bank f'c	3.4	3.3

- **CPI-ATE** (ex. energy and taxes) annual has been trending flat, at best. It still is, but the 'starting point' for short-term forecasts is significantly lower than in May
 - **Core imported goods prices** declined 0.7% in June, due to information and communication equipment and services (TV sales ahead of the World Cup) and clothing. The annual rate fell 1.1 pp to 1.7%, well below NoBa's f'cast. Our model suggests negative growth rates → some downside potential.
 - **Core domestically produced goods and services prices** were flat in June, and are up 3.2% y/y, also below NoBa's f'cast. Lower growth in Unit Labour Cost inflation suggests declining pressure from the cost side over time.
 - **Food prices** have been growing at a slow pace so far in 2026, at less than 1% annualised. The annual rate has fallen to 2.3%. Some WC sales may have impacted June prices somewhat. The 3.2% drop in Info/Com. prices m/m in June followed a similar price lift in May.
 - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.1%
 - Our measures of **underlying price growth** collapsed in June, due to the highly unusual m/m price decline.
- **Electricity prices** are close to flat y/y, and **gasoline prices** are down, thanks to the April/May tax cuts. **The total CPI growth** at 2.7% is well below wage growth
- **Inflation is still too high**, but the June data were a huge surprise, and even lower than we assumed following the release of the main data some days before the (delayed) full data set was released. Rate expectations fell (in total, due to both releases) some 10 bps, which seems fair. A rate hike is still discounted.

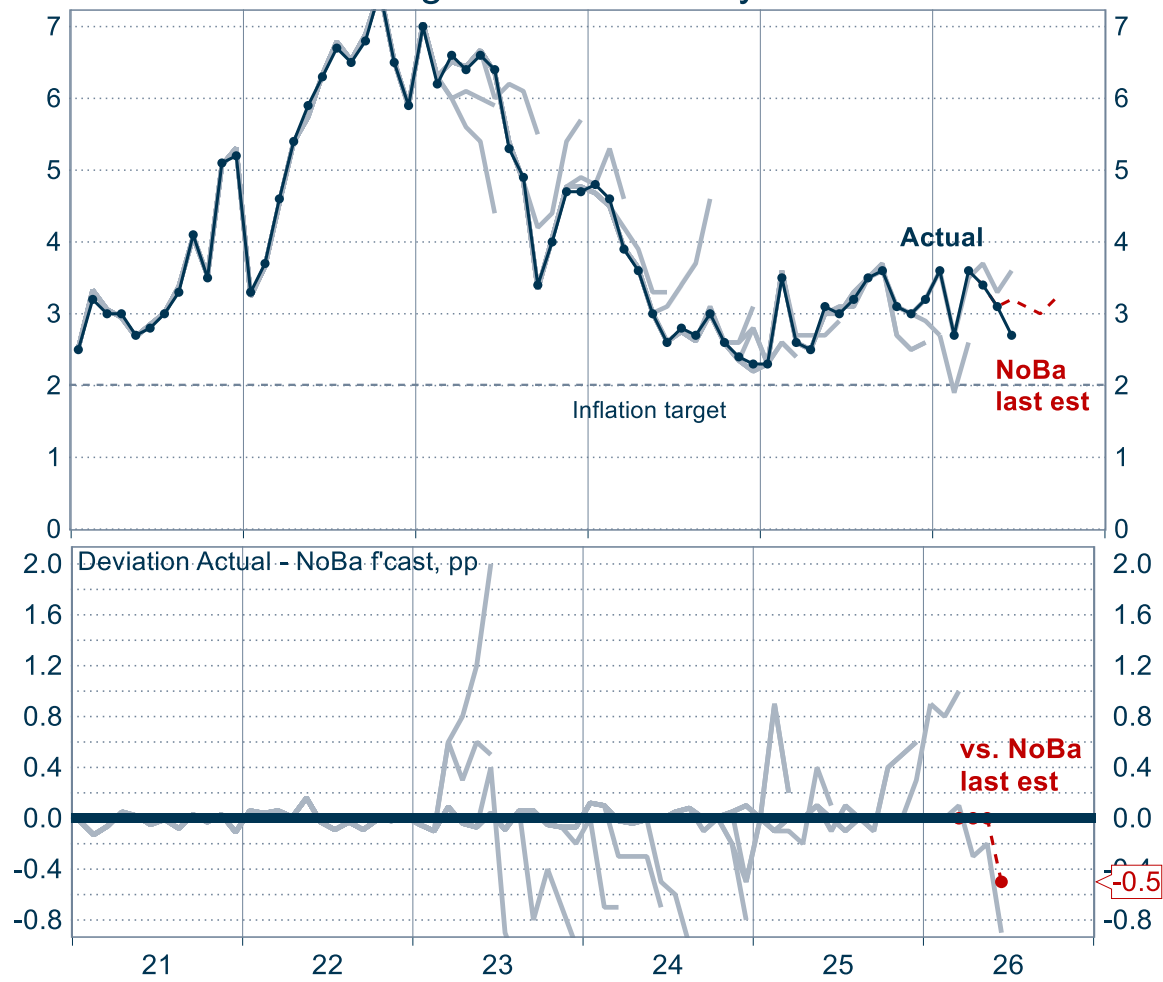
June core inflation 0.6 pp lower than NoBa assumed in the June MPR

This was the largest 'front-month' deviation vs. forecast ever (up or down). Thus, the upcoming July CPI report will be really important vs. NoBa's rate decision. The headline CPI was 0.5 pp lower than expected

Norway CPI core (ATE) inflation vs. Norges Bank monthly f'casts



Norway CPI inflation vs. Norges Bank monthly f'casts



Core prices fell 0.3% m/m, and a large majority of sectors contributed

Info and communication prices fell the most, but food, clothing, airfare, recreation, financial services and other goods and services contributed on the downside! Transport ex. airfare, restaurants contributed the most on the upside. Imported goods were down 0.7% m/m, domestic unch!

Jun-26 CPI ATE, seas adj.	Actual	Change m/m, seas. adj			Change y/y			Contribution, pp			
	Weight %	Out-come	SB1M f'cast	Dev. pp	Prev. month	Out-come	SB1M f'cast	m/m	y/y	y/y change	vs. y/y f'cast
Food, non alc bev	10.5	-0.2	0.2	-0.4	3.4	2.4	3.4	-0.03	0.30	-0.11	-0.13
Alcohol, tobacco	3.4	-0.0	0.2	-0.2	3.7	3.2	3.6	-0.00	0.13	-0.02	-0.01
Clothing, footwear	4.3	-0.5	0.0	-0.5	1.8	2.6	3.5	-0.02	0.12	0.04	-0.04
Housing x. energy	27.5	0.2	0.3	-0.1	3.8	3.6	3.7	0.05	0.82	-0.06	-0.03
Furnishings	5.9	0.0	0.2	-0.1	2.3	2.3	2.3	0.00	0.14	0.00	0.00
Health	3.2	0.1	0.3	-0.2	4.1	3.8	3.9	0.00	0.13	-0.01	-0.00
Transp. ex. gas, airfares	11.4	0.4	-0.1	0.5	1.8	1.6	1.5	0.05	0.23	-0.02	0.02
Airfare	1.1	-0.8	4.0	-4.8	1.8	-4.0	1.0	-0.01	-0.05	-0.06	-0.07
Info & communication	5.3	-3.2	0.1	-3.3	5.7	1.8	5.0	-0.18	0.08	-0.21	-0.15
Recreation, culture	8.5	-0.1	0.3	-0.4	3.8	3.2	3.7	-0.01	0.36	-0.05	-0.05
Education (not s.a)	0.6	0.0	0.0	0.0	2.4	2.4	2.4	0.00	0.01	0.00	0.00
Restaurants, hotels	5.9	0.4	0.3	0.1	6.2	6.0	5.8	0.03	0.43	-0.01	0.02
Financial services	2.7	-0.2	0.3	-0.5	8.2	8.9	7.9	-0.01	0.26	0.02	0.03
Other goods, services	4.8	-0.2	0.4	-0.6	-1.5	-2.4	-1.8	-0.01	-0.14	-0.05	-0.04
CPI-ATE, s.a	94.9	-0.3	0.23	-0.48	3.41	2.7	3.2				
<i>Norges Bank est.</i>			0.3		3.4		3.3				
Imported	35	-0.7	0.1	-0.9	2.8	1.7	2.7	-0.25	0.60	-0.37	
Domestic	60	-0.0	0.3	-0.3	3.7	3.2	3.5	-0.01	1.91	-0.33	
Energy, housing (x s.a)	3.2	-3.3	-4.0	0.7	-2.2	0.5	0.0	-0.11	0.02	0.09	0.02
Energy, transport (x s.a)	1.4	-3.9	-3.3	-0.6	0.3	-1.8	0.4	-0.05	-0.03	-0.03	-0.03
CPI Total (not sa)	100	-0.0	0.0	-0.0	3.1	2.70	3.1				
<i>Norges Bank est.</i>		0.1		-0.1	3.1	3.2					

Change m/m, seasonally adjusted (calc by SB1M)

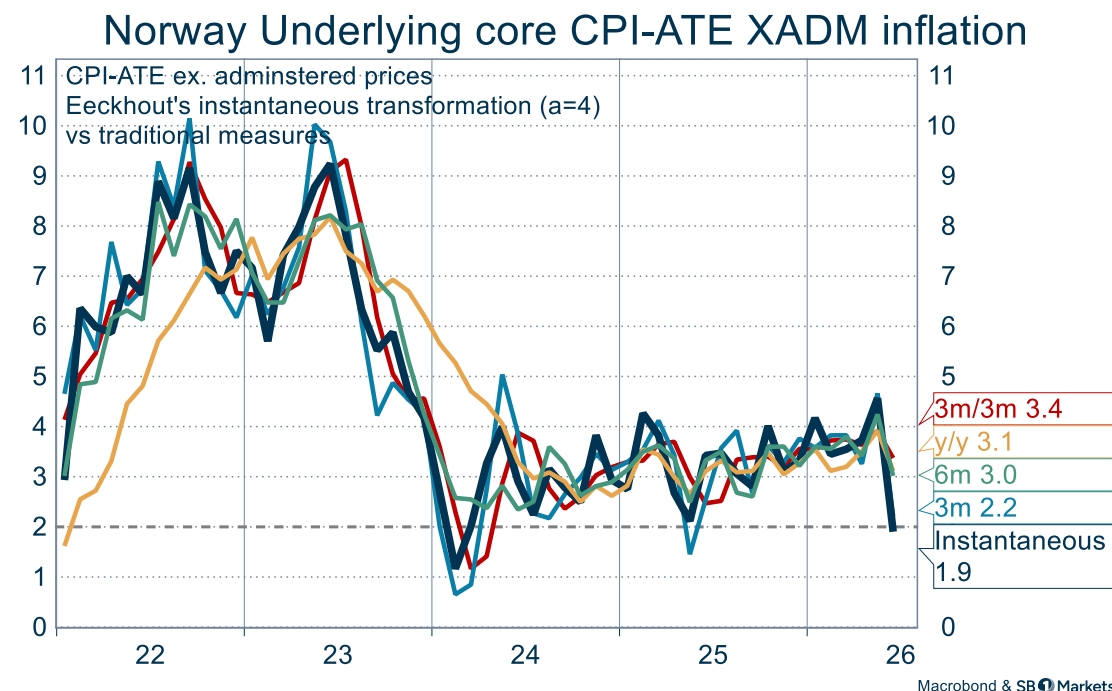
Sum of parts does not necessarily add up to totals

Norges Bank m/m s.a. estimate is implied, calc by SB1M

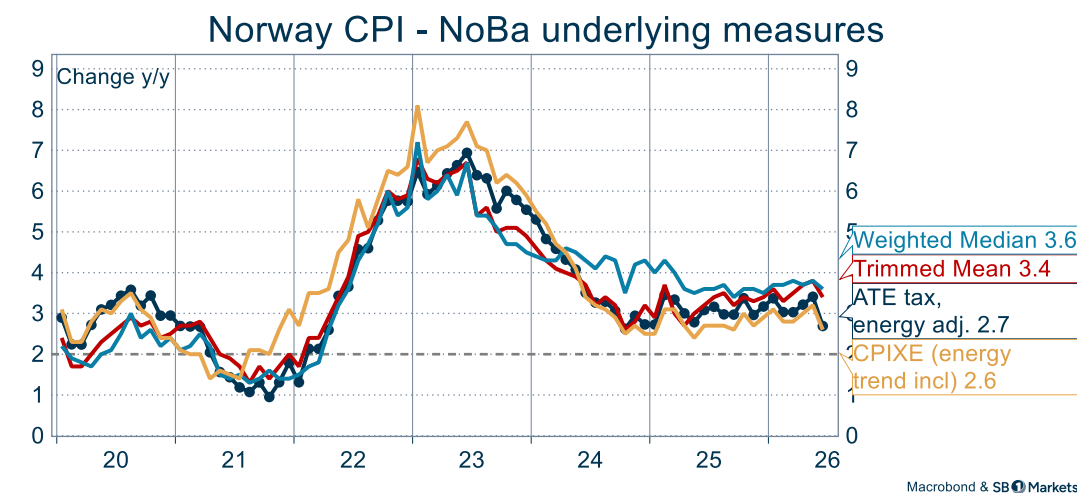
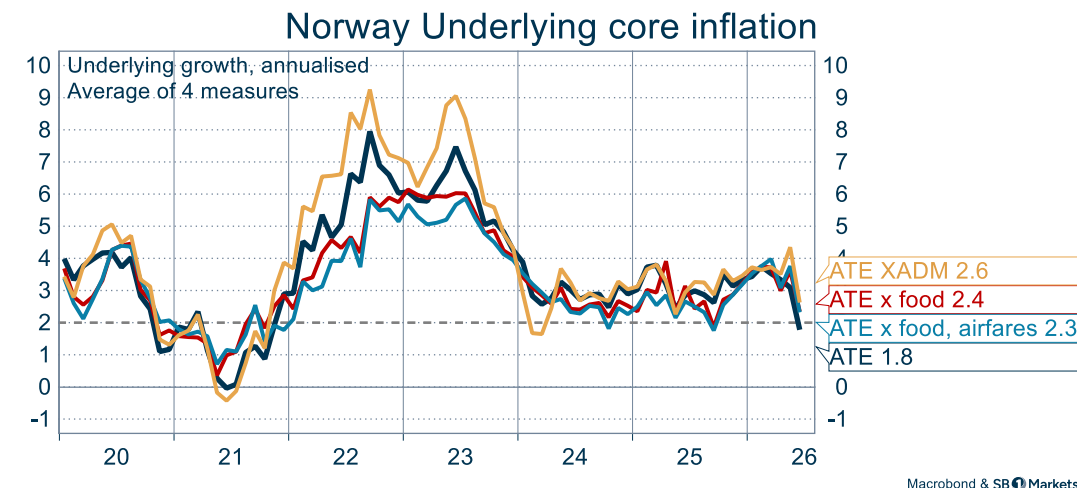
Monthly changes are seasonally adjusted by SB1 Markets. The weighted sum of the components does not necessarily sum up exactly to the total, and deviations m/m and y/y do not necessarily add up (when the seasonal pattern is unstable/changing). Norges Bank m/m s.a. estimate is implied, calculated by us. Sources: SSB, Norges Bank, SB1 Markets calculations.

All measures of underlying core inflation collapsed in June, due to the 0.25% m/m decline

We expect some reversal in the July index but not back to the May level.

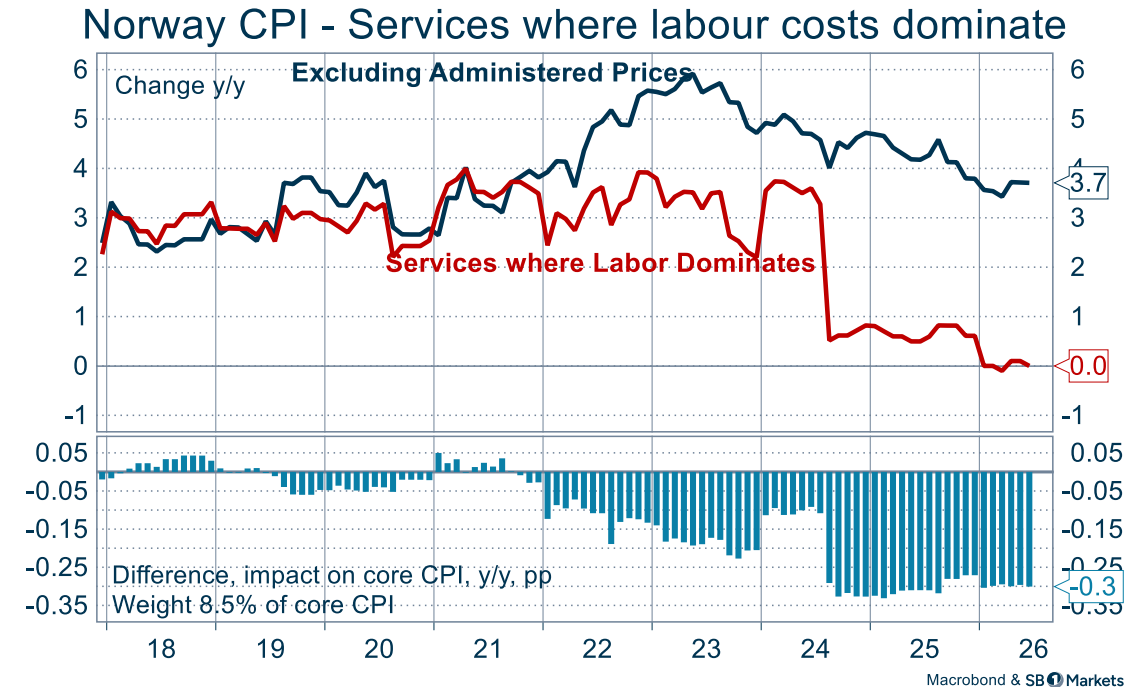
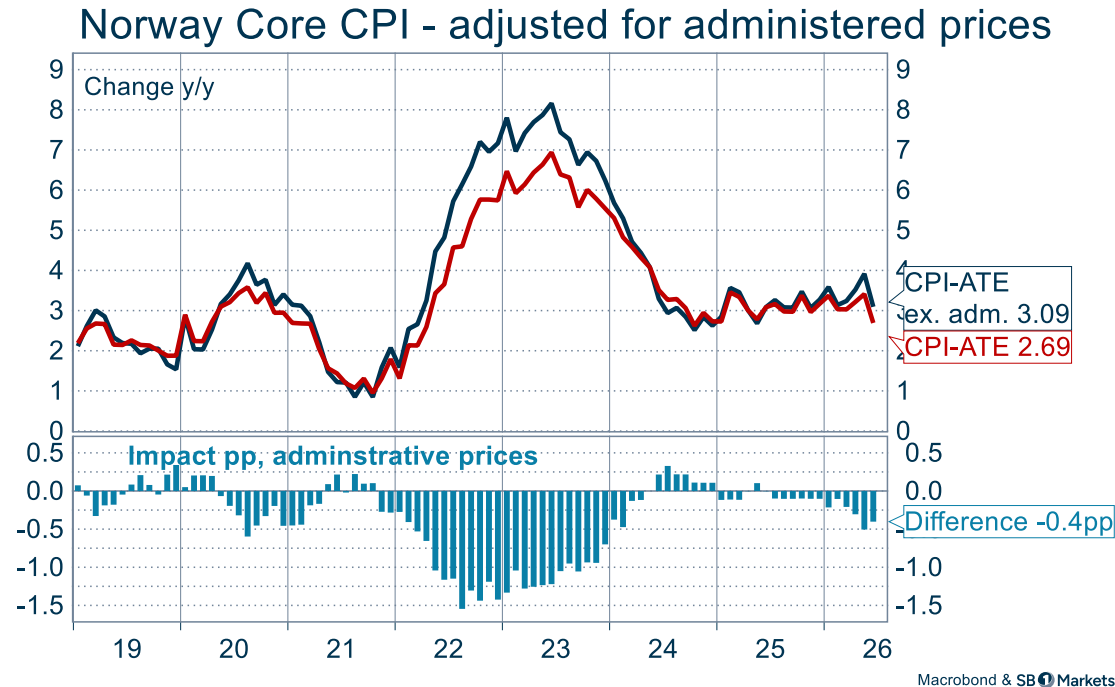


- Norges Bank's 3 estimates of **underlying annual inflation** were down in June and are trending upwards 2.6–3.6% range (from 3.2–3.8% in May).
- The inflation target is still far from being met.**



Administrative prices lower core CPI by 0.4 pp → the **'market-based' CPI-ATE is up 3.1% y/y**

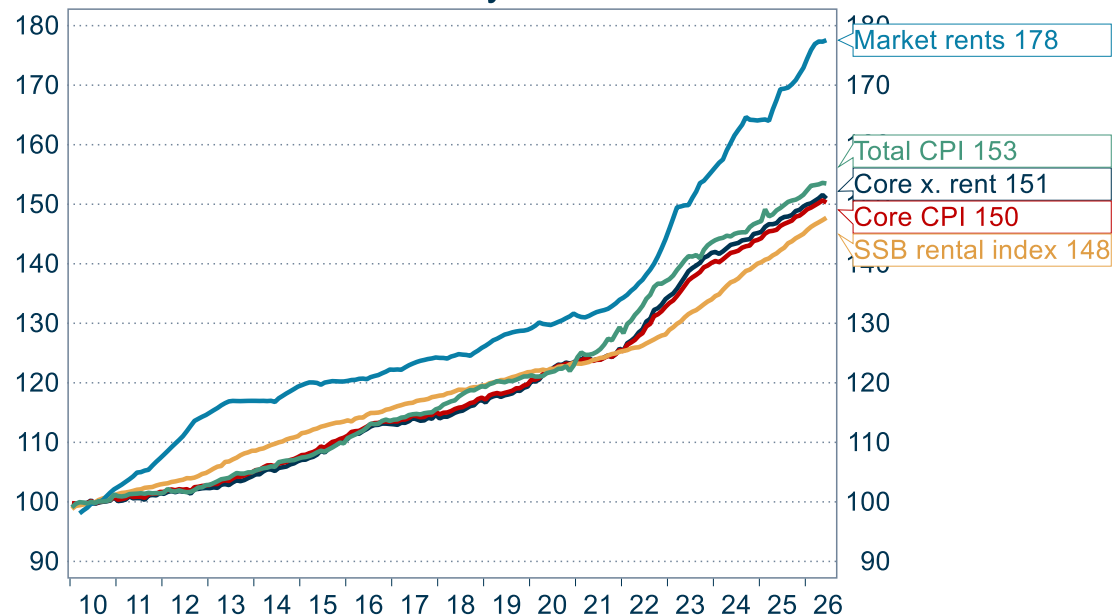
The largest contribution is from kindergarten subsidies, which lowers the core CPI by 0.3 pp. In August, you will spot the impact in the 'official' CPI annual growth rate.



Rents do not spoil the CPI, and there is no (relevant) rate → rent → CPI → rate spiral!

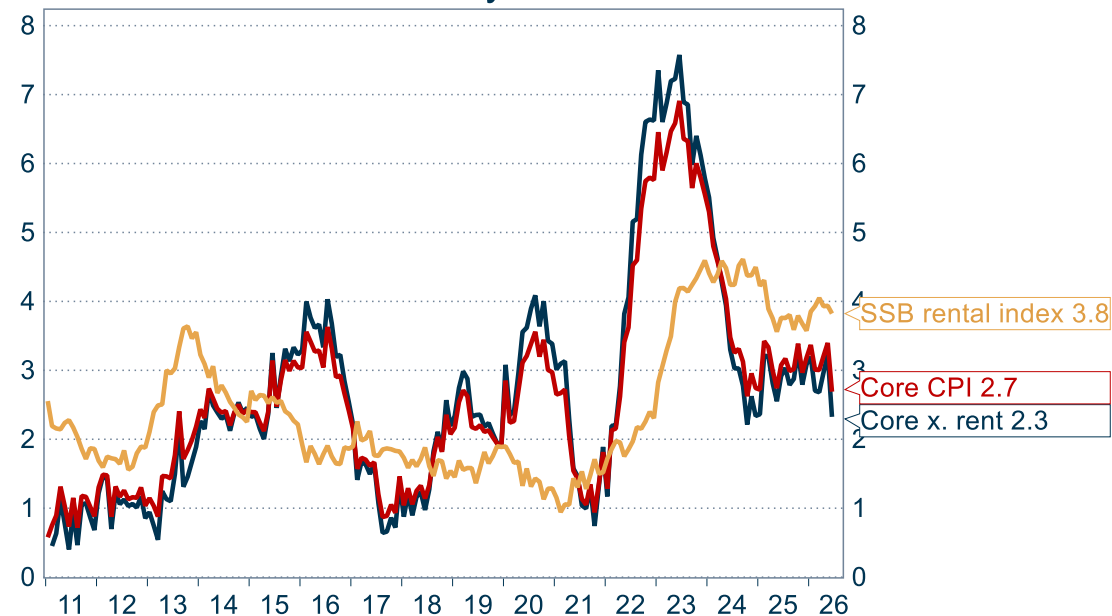
Yes, higher rates lift rents short term. But this lift in rents does not lift the CPI meaningfully, and higher rates anyway lower overall inflation (and thus lower CPI adjustment of existing leases), which in practice breaks the rate → rent → CPI → spiral before it has even started.

Norway CPI vs. rents



Macrobond & SB Markets

Norway CPI vs. rents

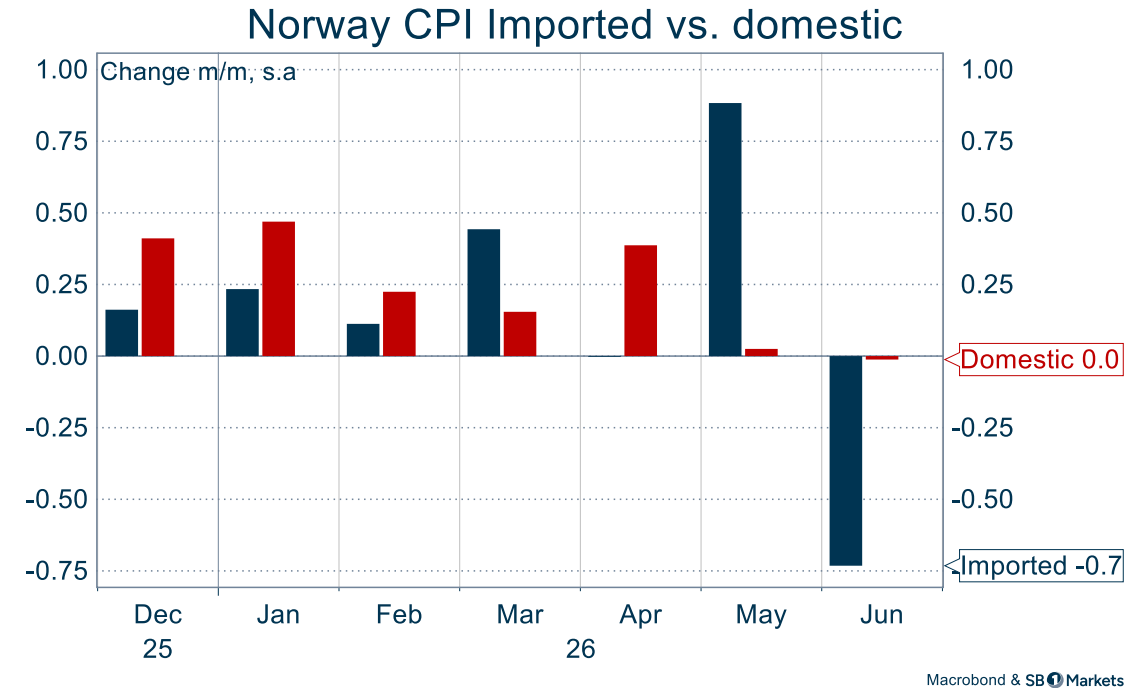
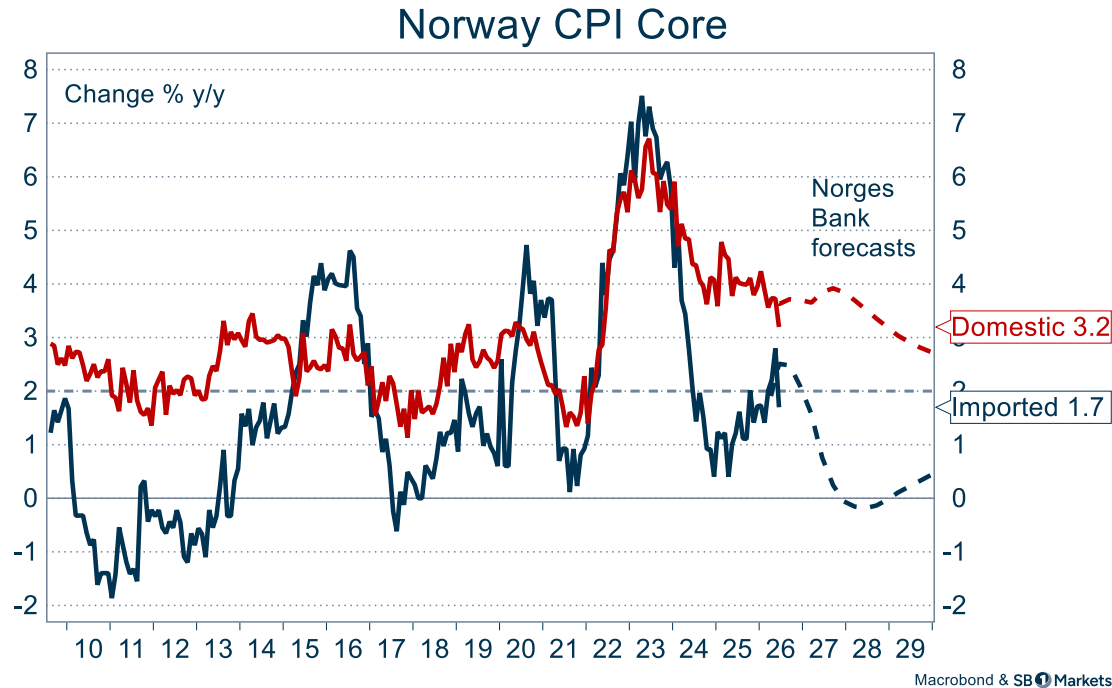


Macrobond & SB Markets

- Now, core CPI inflation ex. rents is at 2.3%

Imported inflation turned down in June, by 1.1 pp to 1.7%, domestic by 0.5 pp to 3.2%

Both were well below NoBa's (and our) forecasts. Imported prices declined 0.7% m/m in June, mostly due to lower TV and clothing prices. Domestic prices were unchanged m/m, and the annual rate at 3.2%, also below NoBa's (Q2 and implied June) forecast.

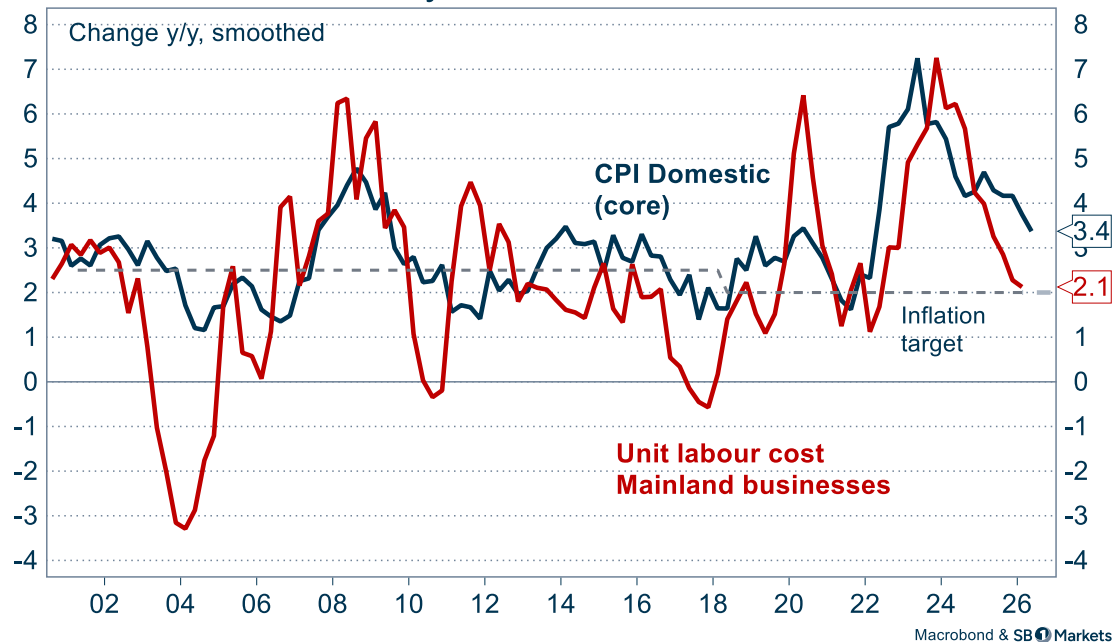


- In August, domestic inflation will be lifted by some 0.4 pp due to the base impact of kindergarten subsidies implemented a year ago.

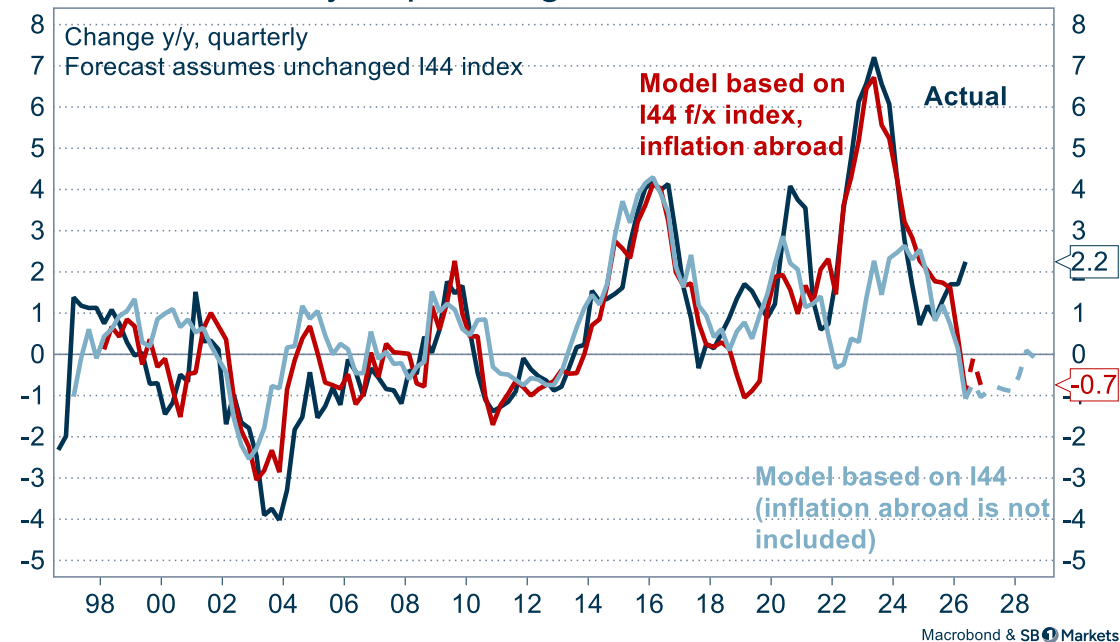
Domestic costs and imported goods: Arguments for expecting **lower inflation!**

Underlying growth in Unit Labour Costs is higher than the current 2% (2q avg) growth rate – but is slowing. Our model for *imported goods* prices suggests a steep decline over the coming months, from 2.6% to **below zero, due to the NOK appreciation.**

Norway CPI vs labour costs



Norway Imported goods CPI, f/x-model

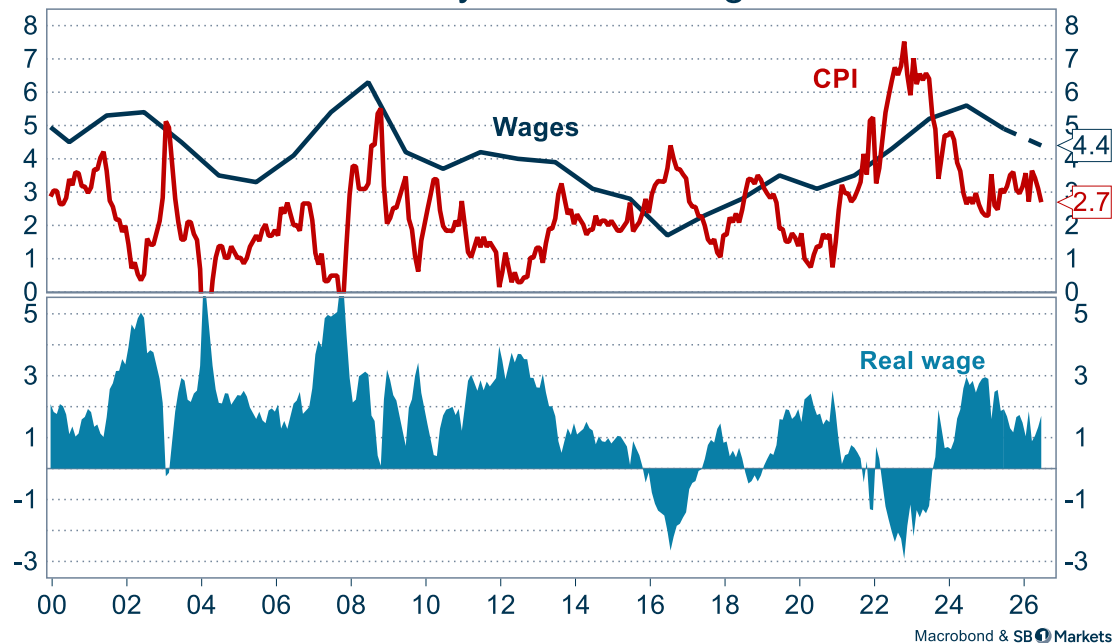


- **Core domestic CPI inflation slowed in June.** ULC inflation is slowing and does not signal any reversal.
- **Imported goods:** Our model signals a decline in prices, from the current 2.2% level (in Q2; 1.7% in June). **A drop to zero will lower total inflation by 0.8 pp!**

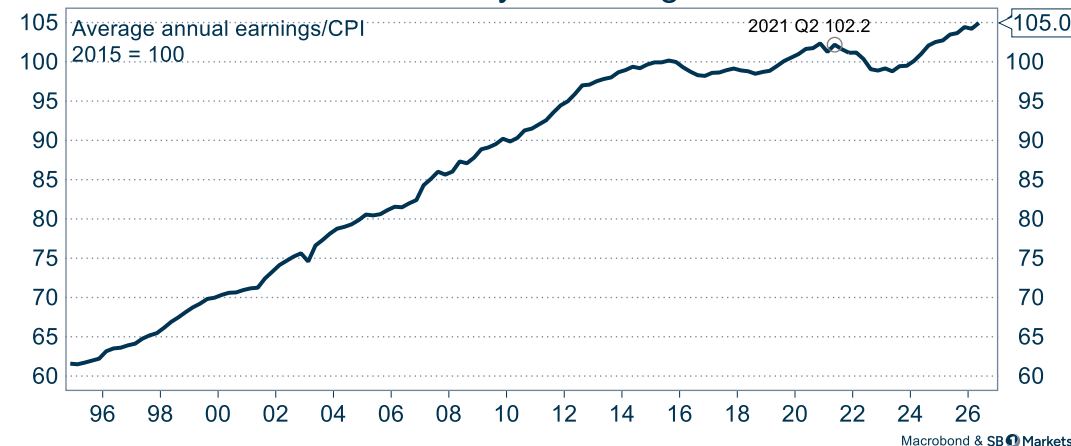
Real wages are still on the way up (but slower) – and they are at an all-time high

Wages rose 4.9% in 2025 (average wage, National accounts, TBU reported 4.8% in the unionised part of the economy).
We assume a wage growth north of 4.0% in 2026, and most likely a further lift in the real wage.

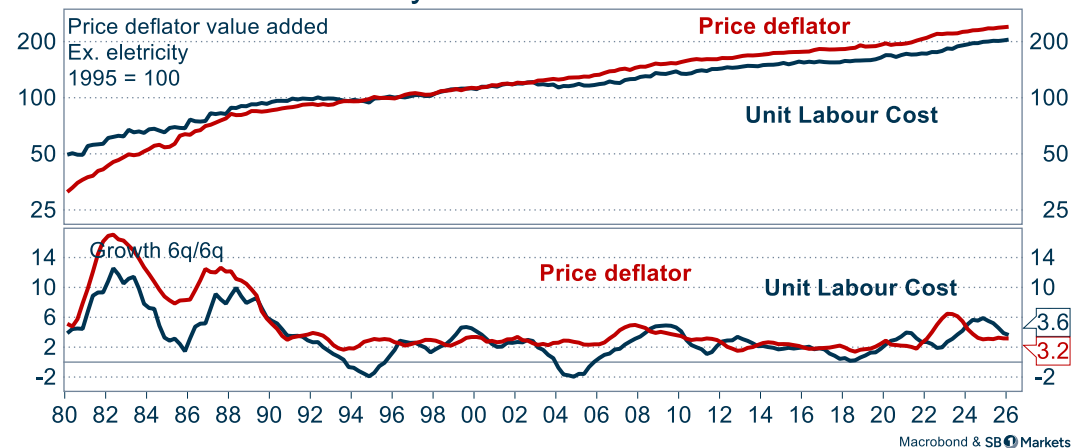
Norway Prices & Wages



Norway Real wage

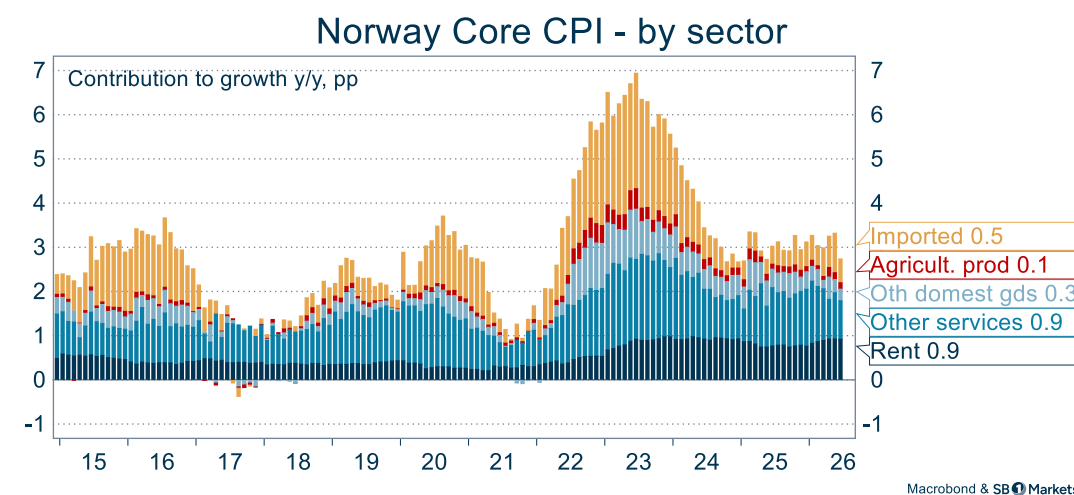
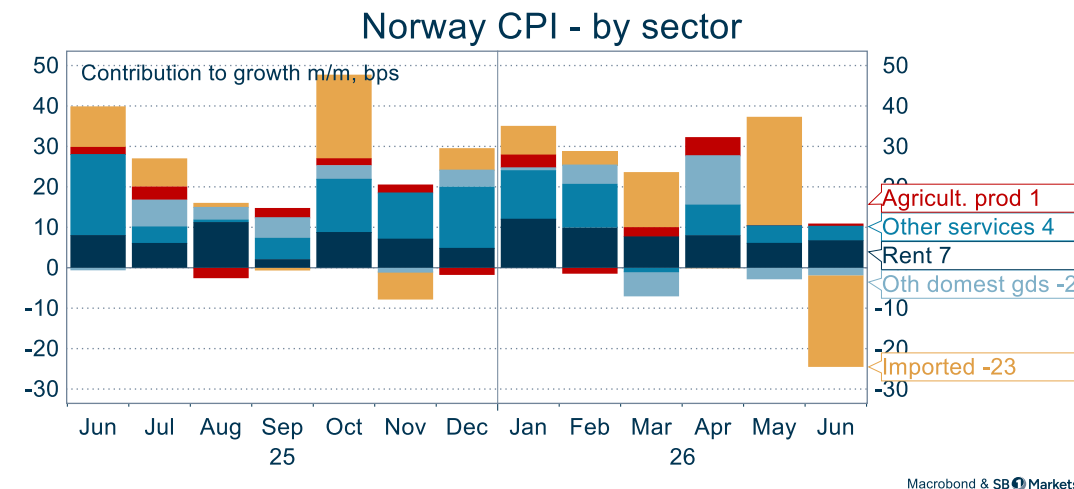
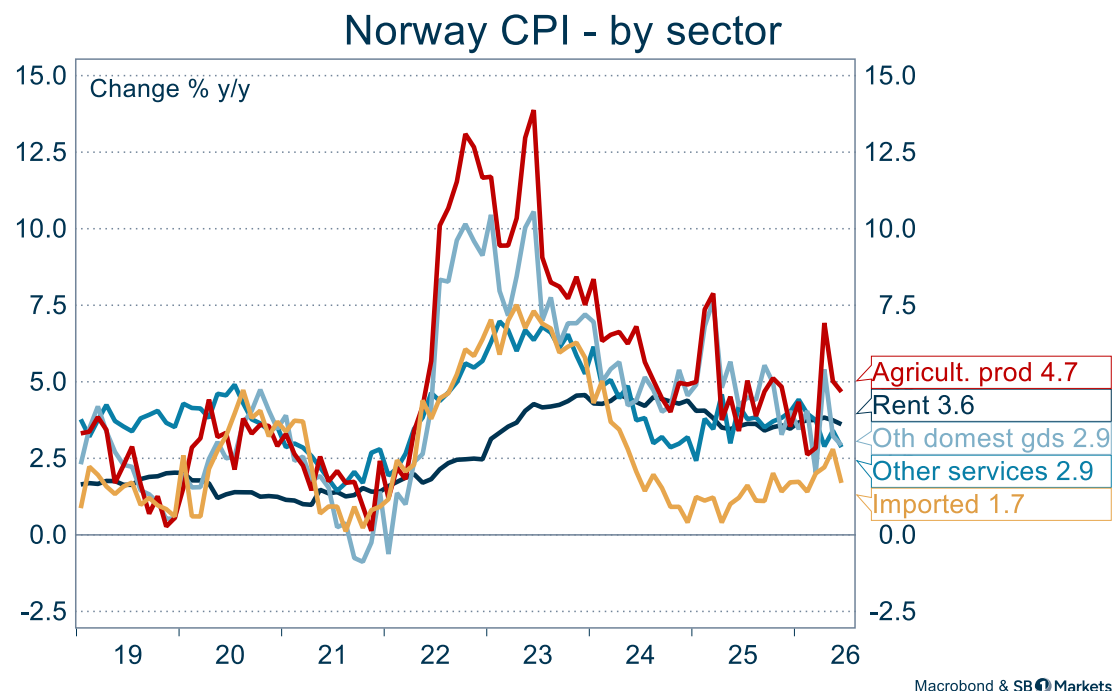


Norway Mainland businesses



Sectors: Imported goods (mostly info/comm) contributed the most on the downside in June

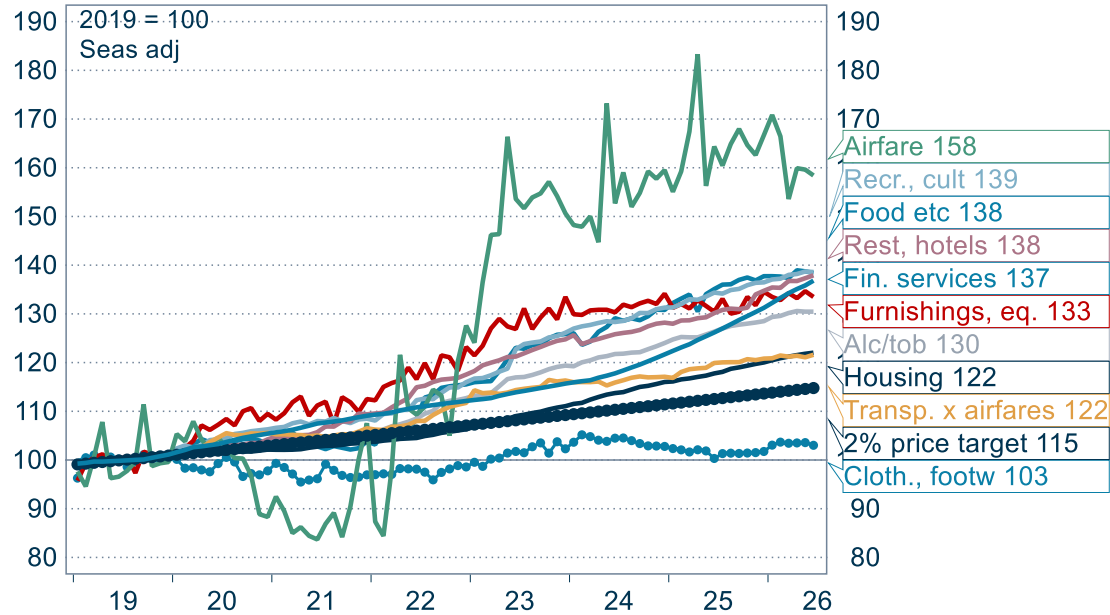
Imported goods are up 1.7% y/y, lifting the core CPI by 0.5 pp, down from 2.8%/0.9 pp in May. Rents are up 3.6%, lifting the index 0.9 pp. Other services are up 'just' 2.9% which contributes by 0.9 pp



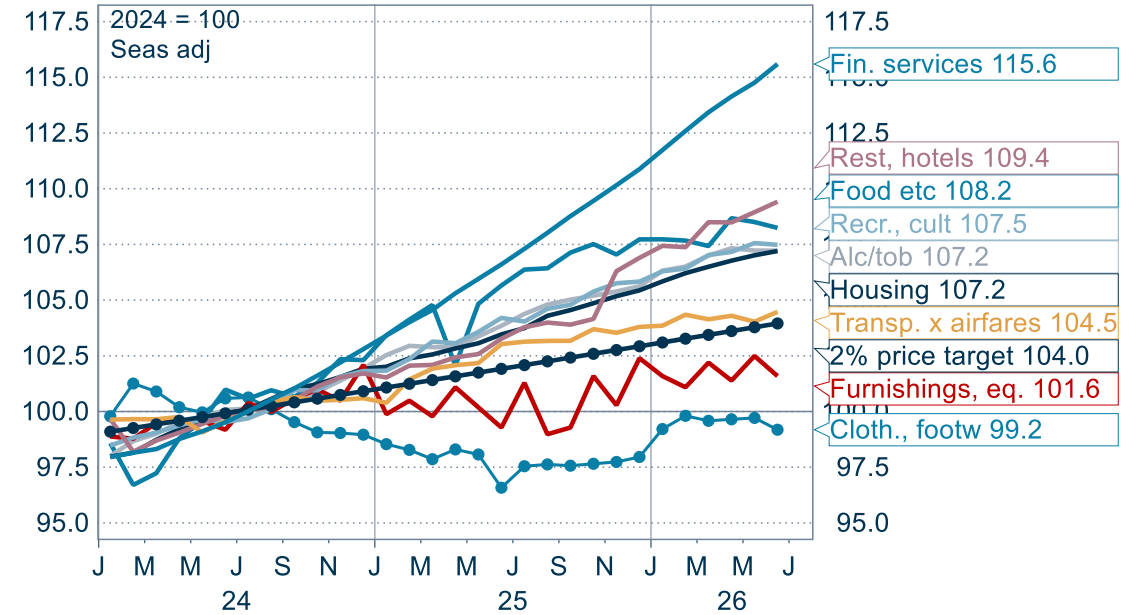
Core CPI details: Financial services (insurance) prices are surging

Recreation prices are up the 2nd most since 2019, followed by food, hotel and restaurants. Clothing prices remain very low, almost no change (4%) since 2019 (even if the NOK has fallen sharply). A bit strange? Furnishings, transport ex. airfares have flattened

Norway Core CPI-ATE

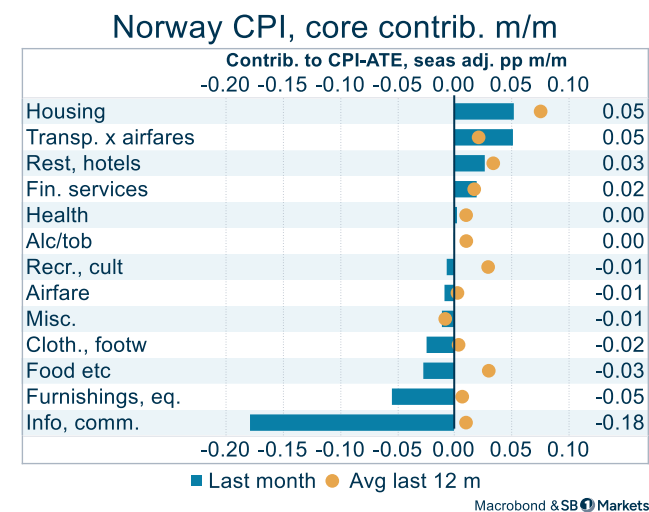
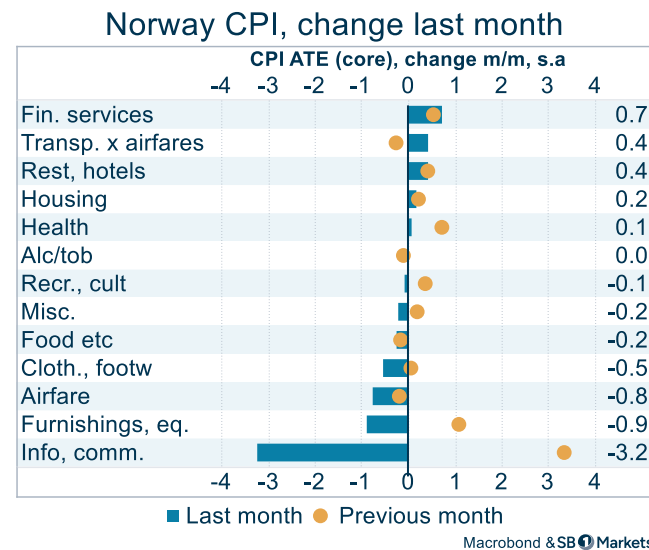
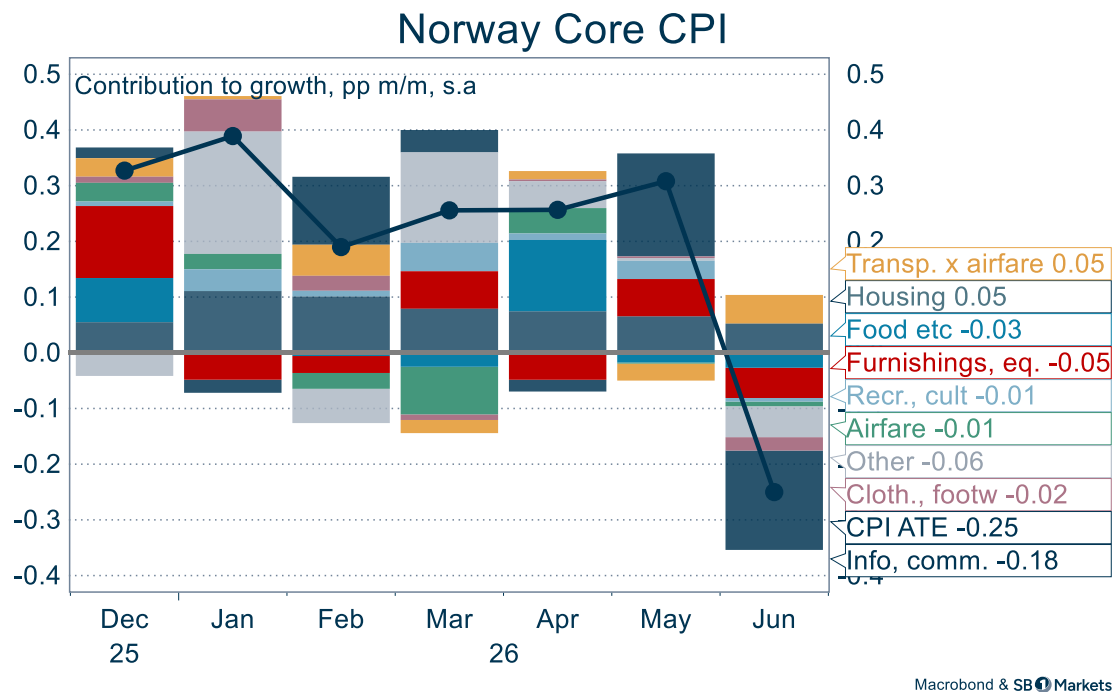


Norway Core CPI-ATE



Core CPI m/m: mobile phones/TVs contributed the most on the downside in June

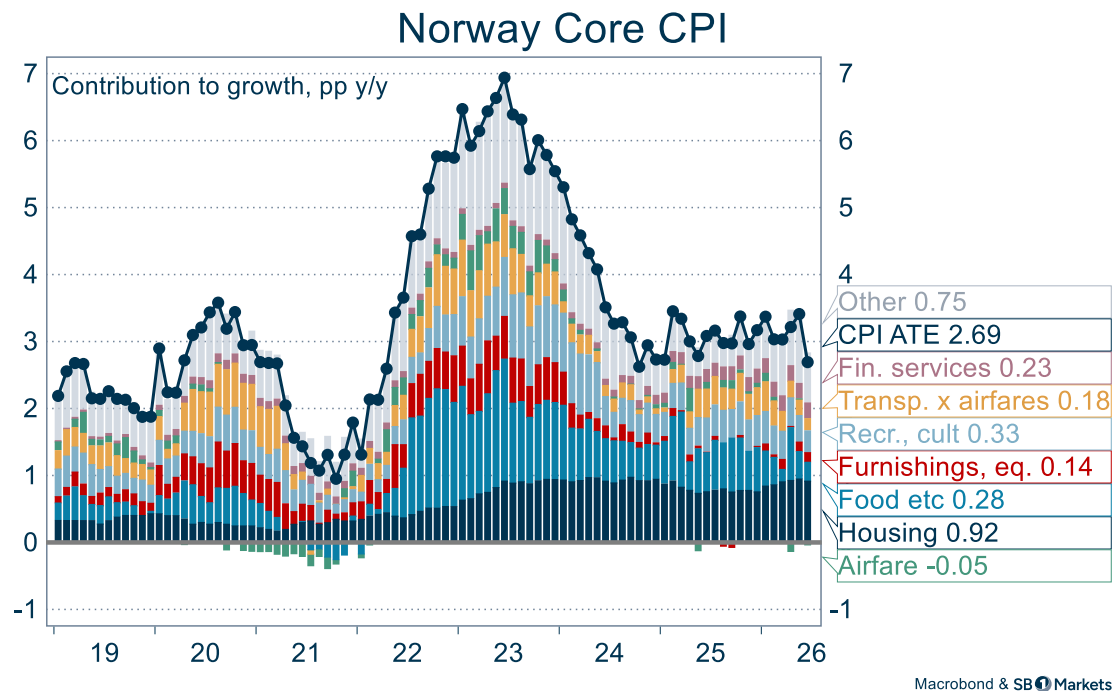
However, several other sectors contributed as well. The contributions on the upside were **few and small!**



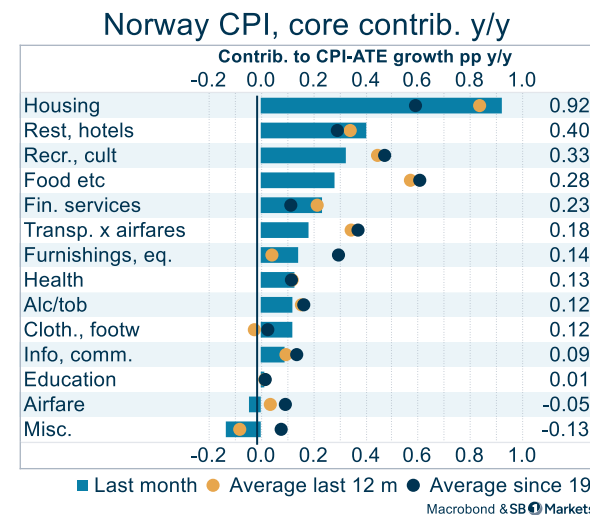
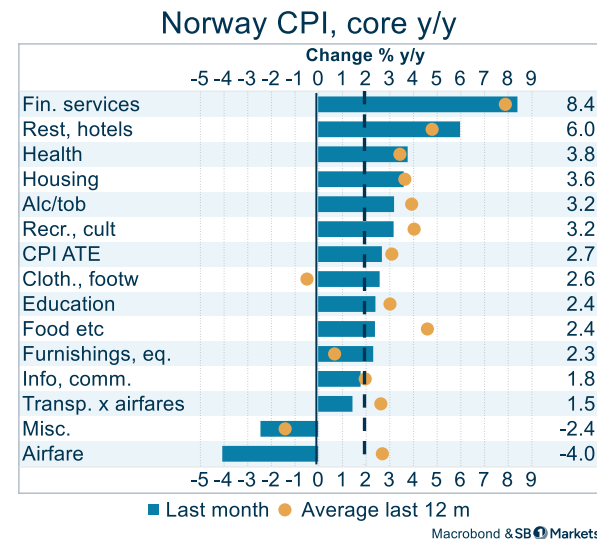
On this page, only the core CPI-ATE components are presented

Core CPI y/y details: Financial serv. (insurance +13%), food & hotel/rest. at the top

Housing (mainly rents) contributes the most, 0.9 pp, followed by hotel & restaurants, and recreation/culture and food. 10 main sectors are up more than 2% y/y, and just 4 less than 2%, of which 2 are down. Airfares at the bottom: -4% y/y

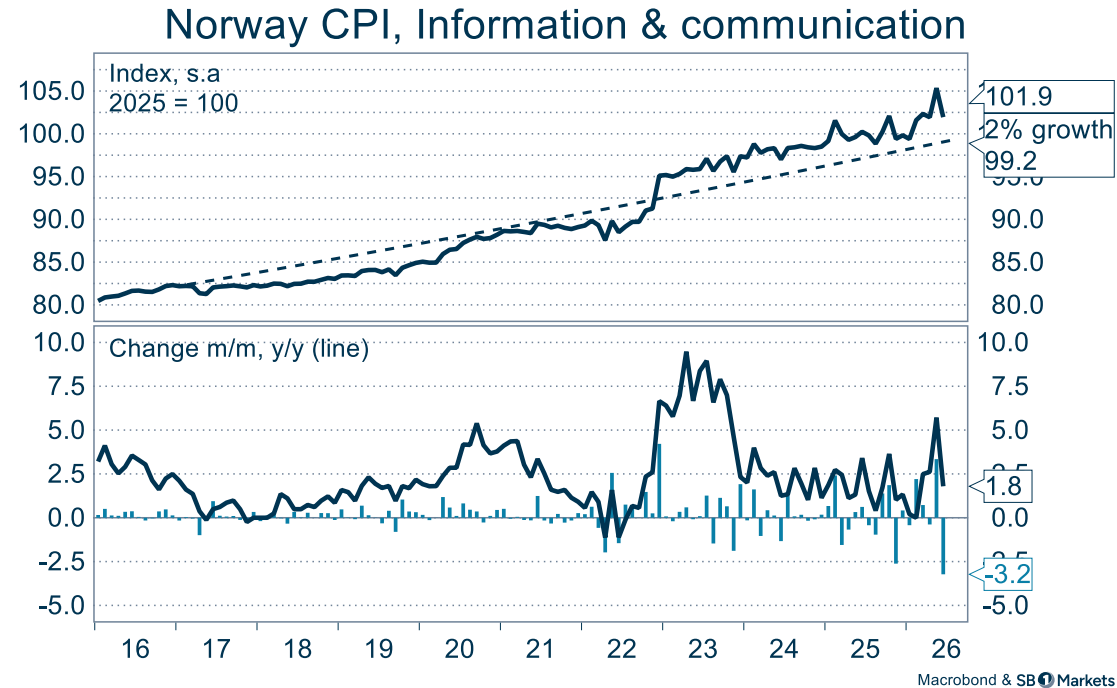


- 5 sectors report **higher inflation** than the average over the past 12 months, 9 **lower**.



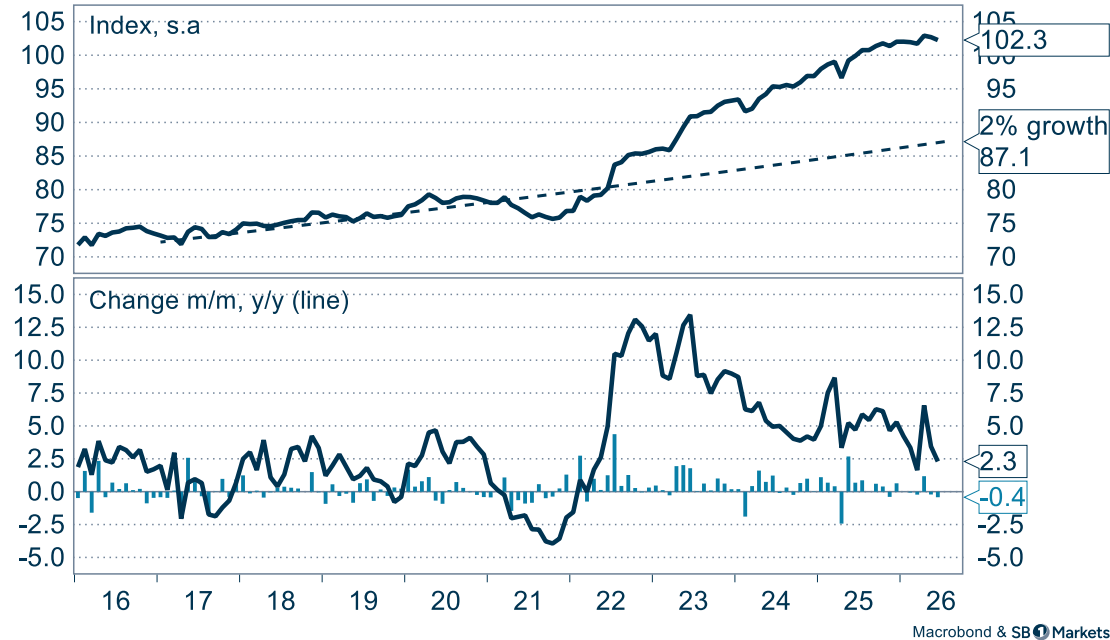
Information & communication (mobile phones, PCs, subscriptions) reversed the May lift

Prices fell 3.2% in June, following the 3.3% lift in May. The drop in June may be partly due to sales of TVs ahead of the World Cup. However, the lift in May was unusual as well. The coming months: iPhone prices will be lifted substantially; will other producers follow?



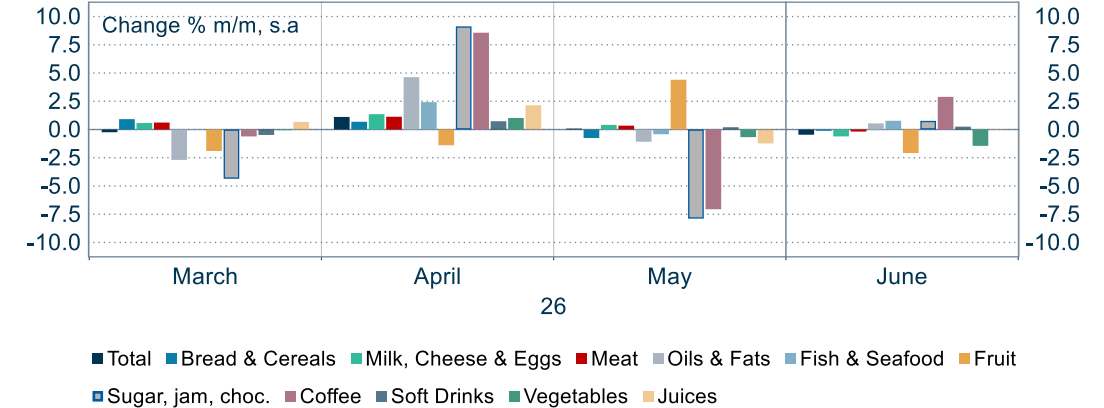
CPI: Food prices fell further in June, and the annual rate has fallen to 2.3%

Norway CPI, Food & non-alc beverages

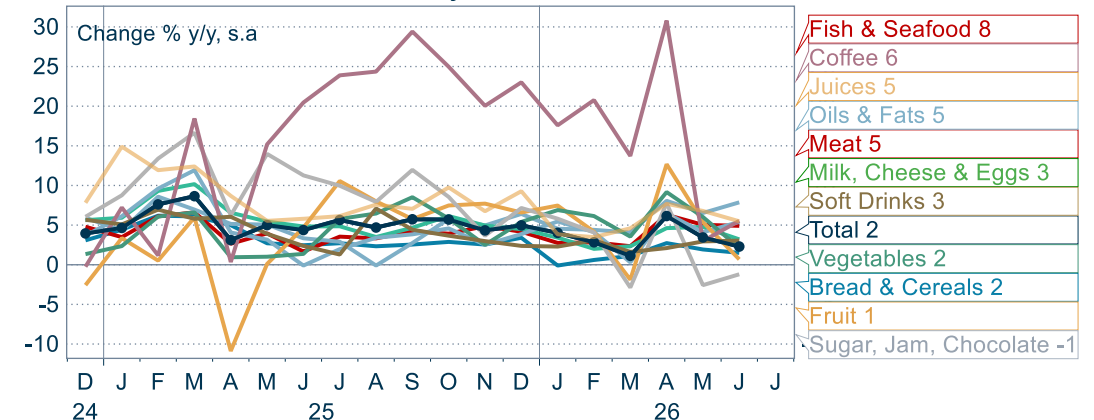


- Food prices are 20% above the long-term trend before the pandemic (like almost all other places).

Norway CPI, Food details

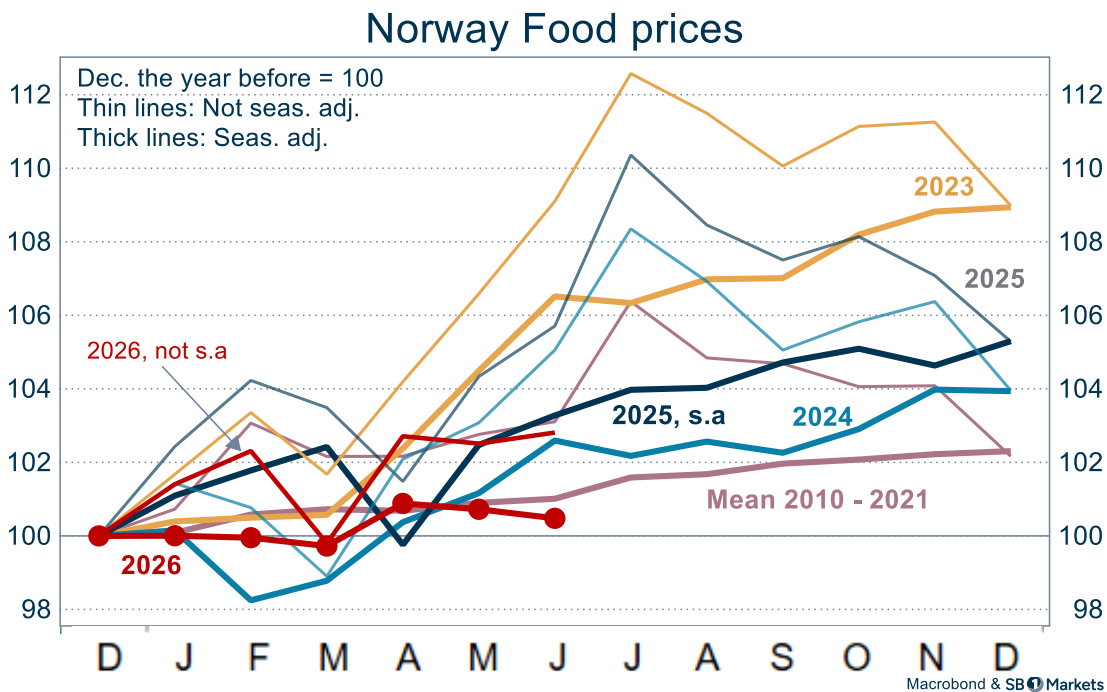
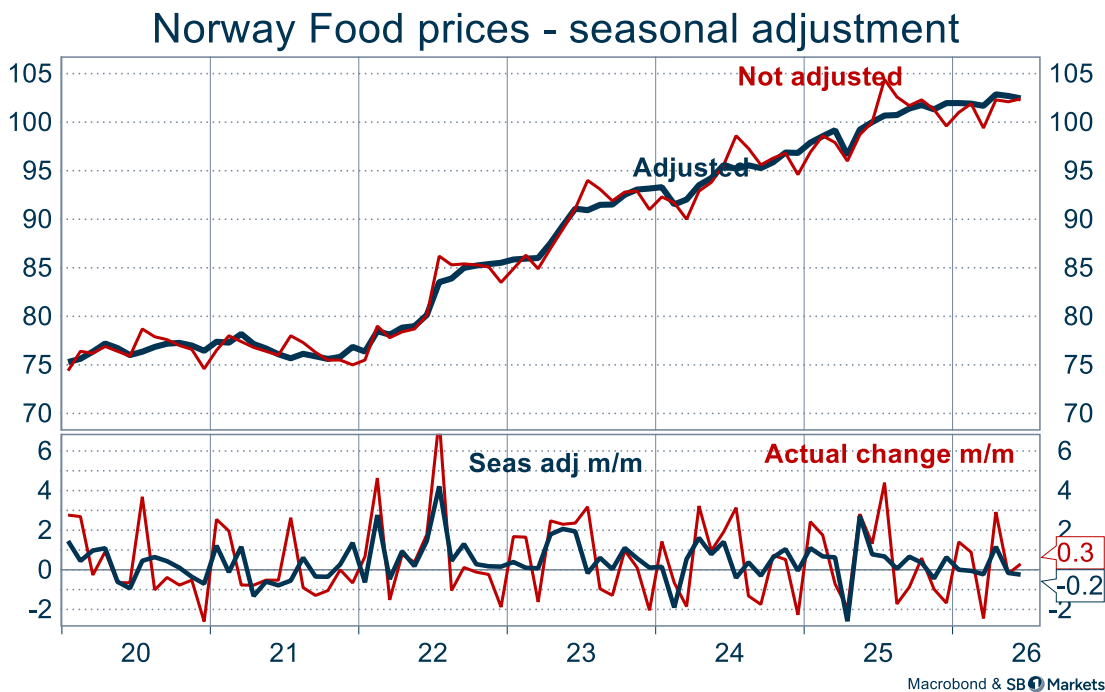


Norway CPI, Food details



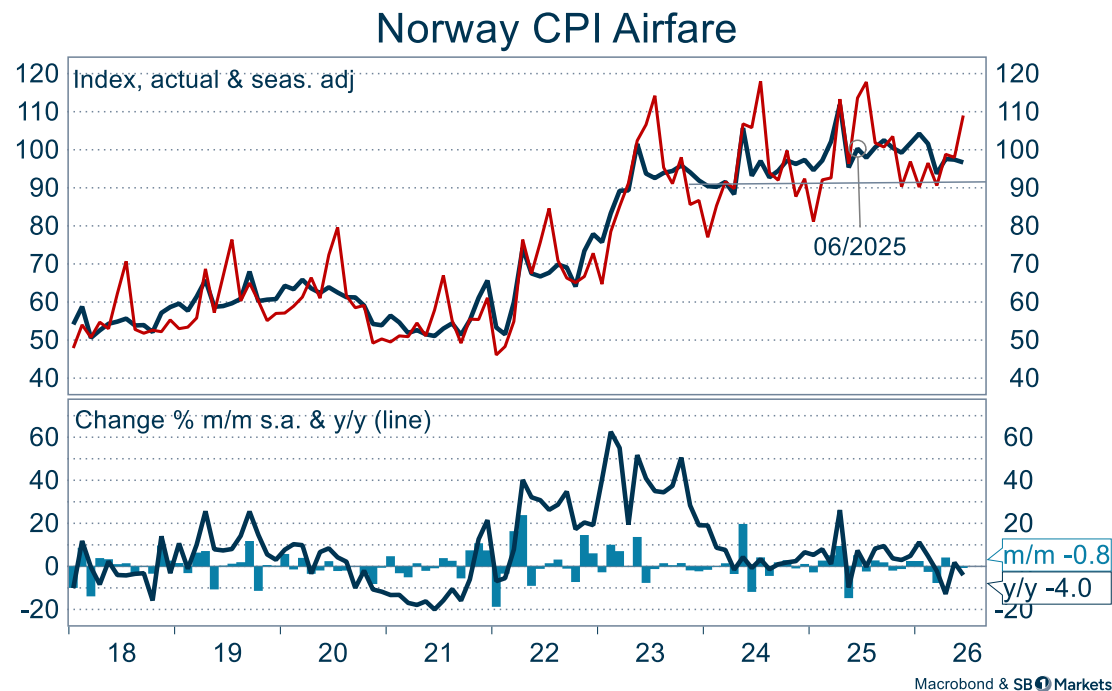
CPI: So far in 2026, a modest lift in food prices

Prices fell marginally in both May and June

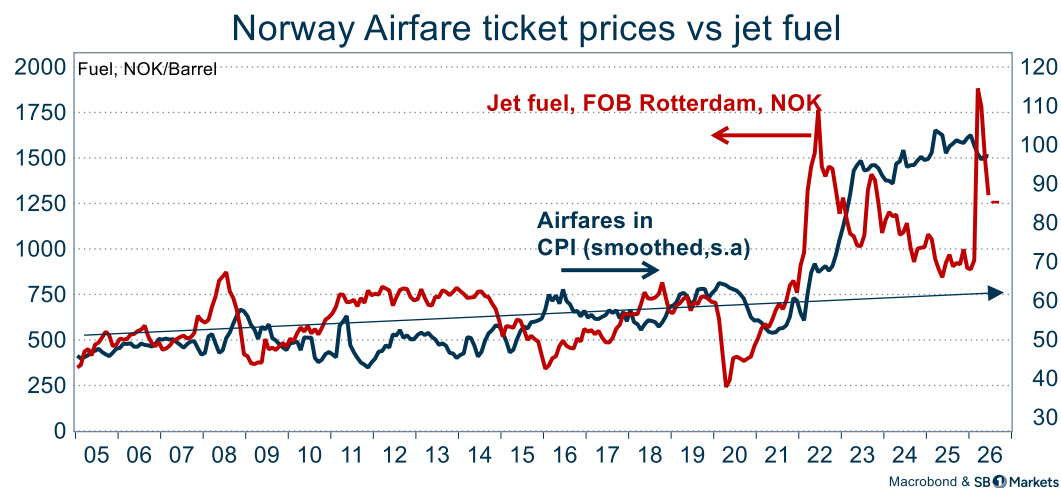


CPI: Airfares down 4% even though jet fuel prices are up

Airfares fell 0.8% (seasonally adjusted), we expected a 4% lift. Fares are down 4% y/y. Fuel prices are down from the peak, but still high. The correlation to airfares is not impressive, but the sign is positive. Thus, some risk!



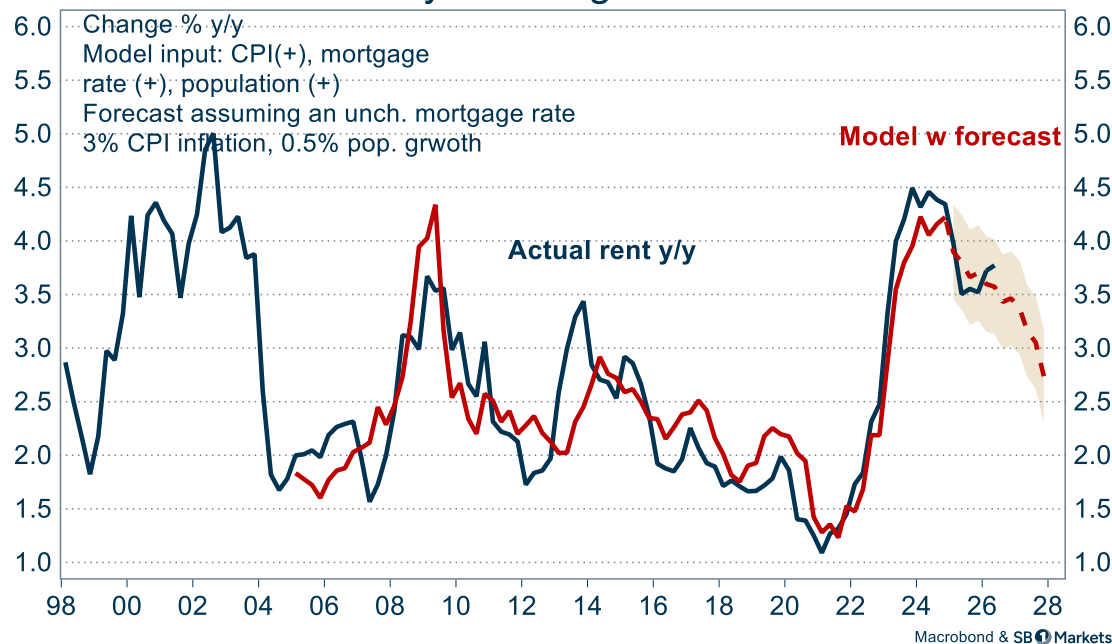
- **The fuel cost** has fallen substantially from the 2022 spike – until the current shock, which is illustrated below. Normally, fuel equals 20% of the total cost.
 - **The correlation to airfares** is limited but large changes in fuel costs will have an impact, of course.
- **Labour costs** per hour are up some 30% since 2019 (on average).
- In addition, the costs of **capital and leasing** have also increased.



CPI: SSB rent inflation remains high, but will slow?

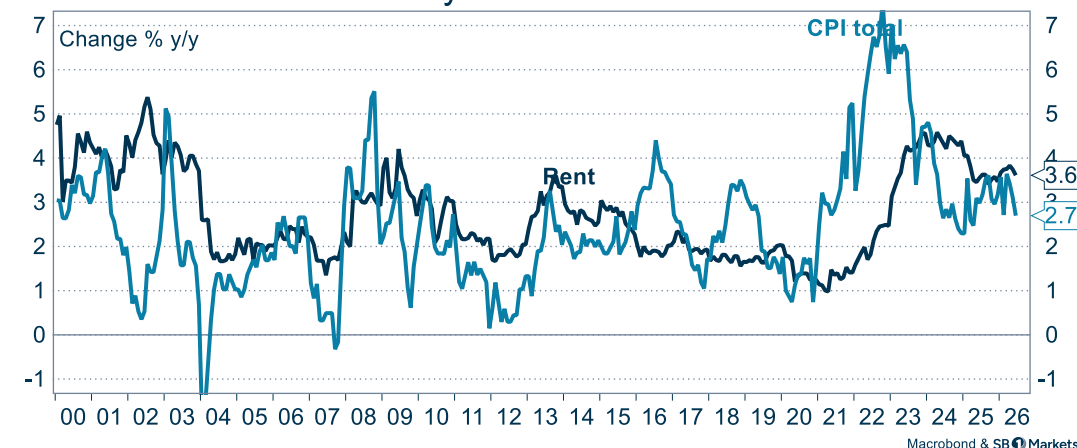
Our rent inflation model suggests a moderate decline in rent inflation from the current 3.6%.

Norway Housing rent in CPI

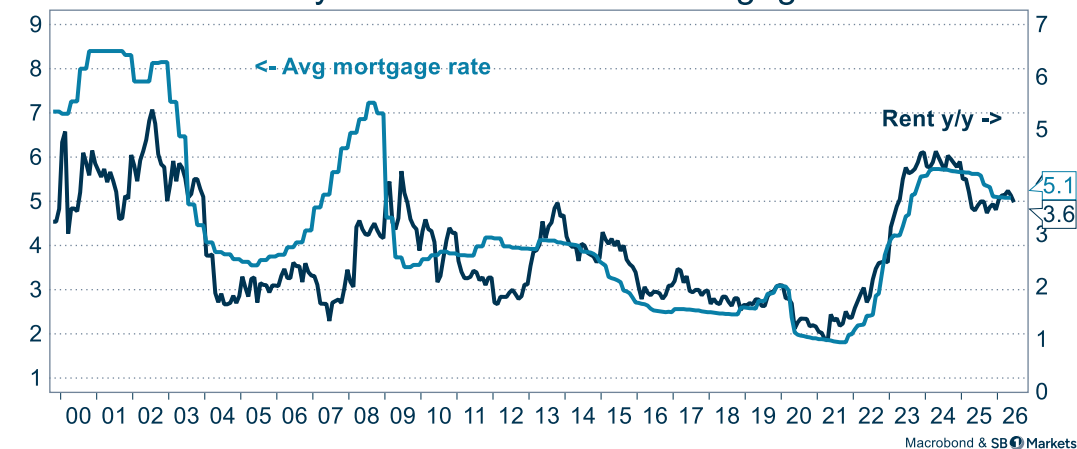


- Since 2005 a 1 pp increase in the after-tax mortgage rate has increased rent inflation by some 0.5 pp. Now, the after-tax mortgage rate is up approx. 3¼% from the bottom in 2020/21, which may have explained some 1.5 pp of the 3½ pp **increase in rent inflation** (at the peak). As rents constitute 'just' 26% of CPI (revised up from 21%), a mortgage rate-rent-CPI-mortgage **rate spiral is totally unlikely, as the rate → rent → CPI → rate it will dampen rapidly**. (After 'one round' the rate impact is just 0.15 pp of an initial 1 pp increase in the signal rate, after 'two rounds' just 0.05 pp, given a 1:1.25x response from higher inflation on the signal (and thus) mortgage rate.
- On the other hand, the need to bring **rental yields** up to a more reasonable level vs. the cost of capital **may push the average rent up over the coming quarters and years**.

Norway Rents vs total CPI



Norway Rent in CPI vs. the mortgage rate



In the Norwegian CPI, the rent component is an average of actual, observed rents, and a calculated owner's equivalent rent. The two are very closely correlated.

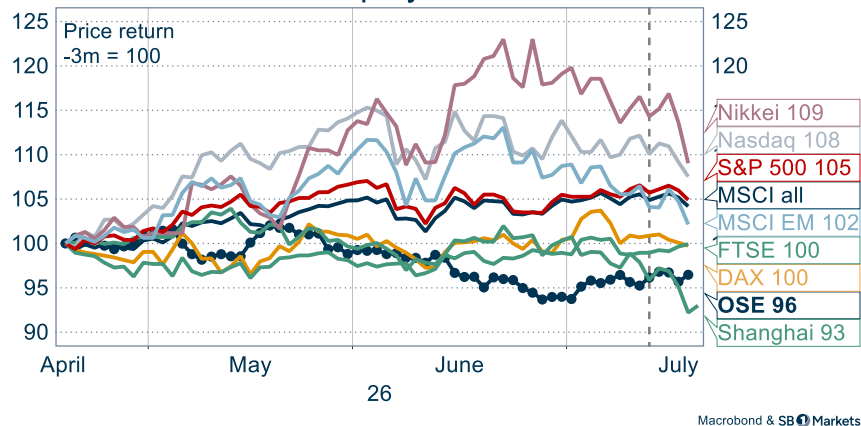


4. Financial Markets

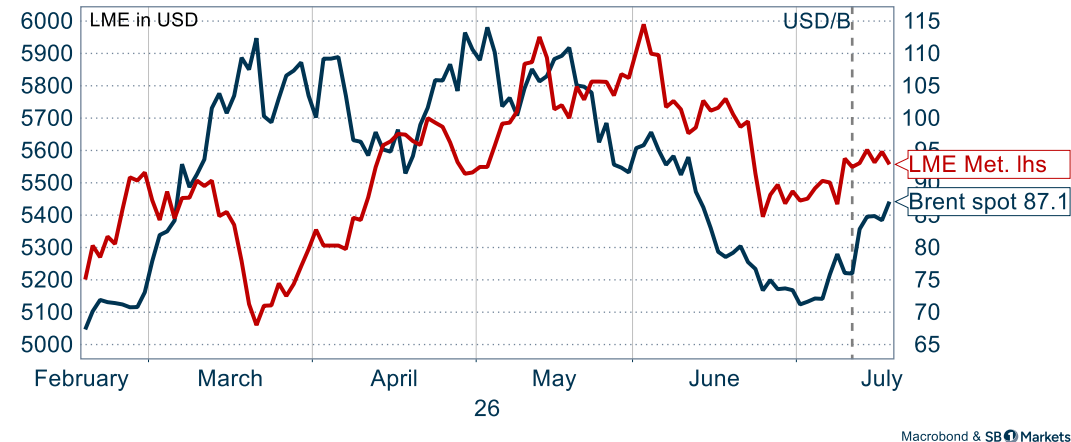
So far in July: Almost all equity markets down, bond yields up 10–20 bps, oil up USD 16/b

As the Gulf conflict has heated up again and traffic through the Strait of Hormuz is reduced again. Metal prices are up as well. NOK has appreciated almost 2%, while the USD has depreciated some 1%

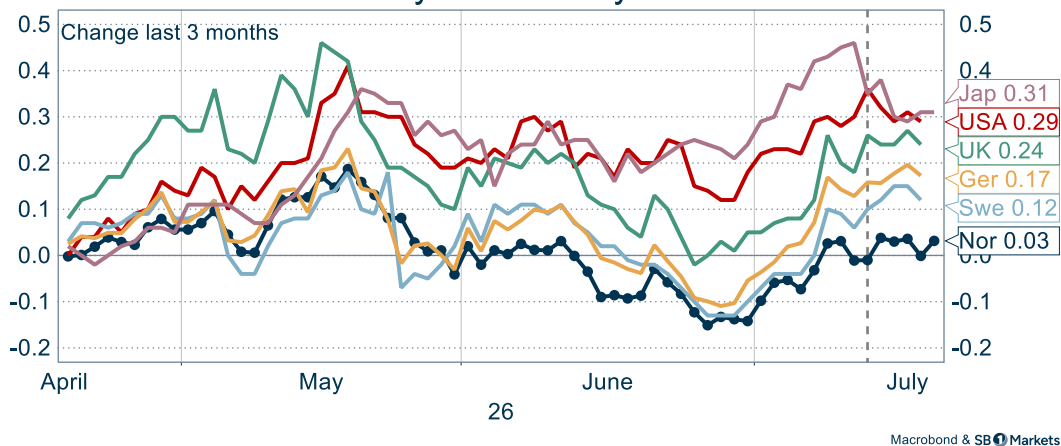
Equity Indices



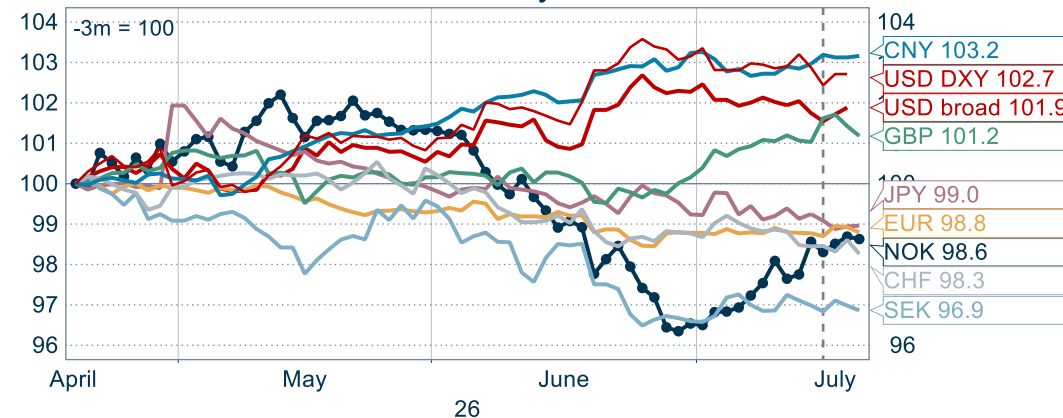
Oil vs. metals



10 y Gov bond yields



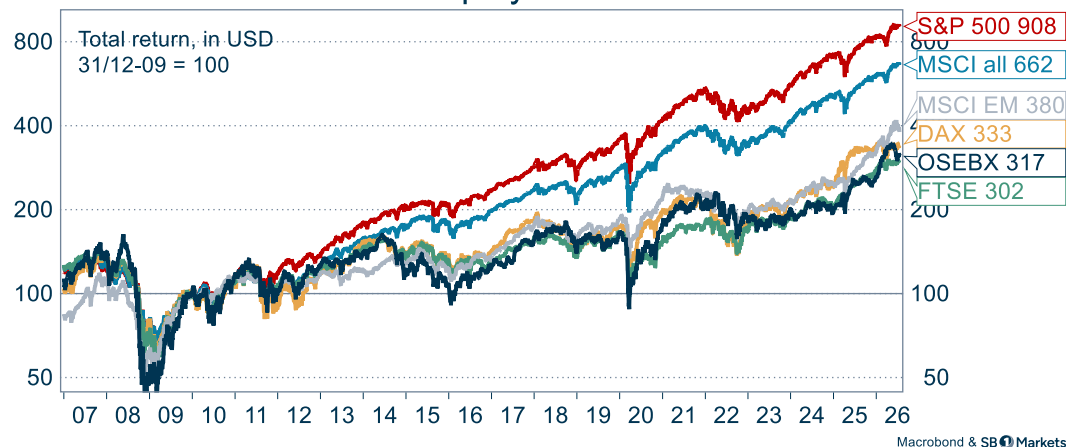
Currency indices



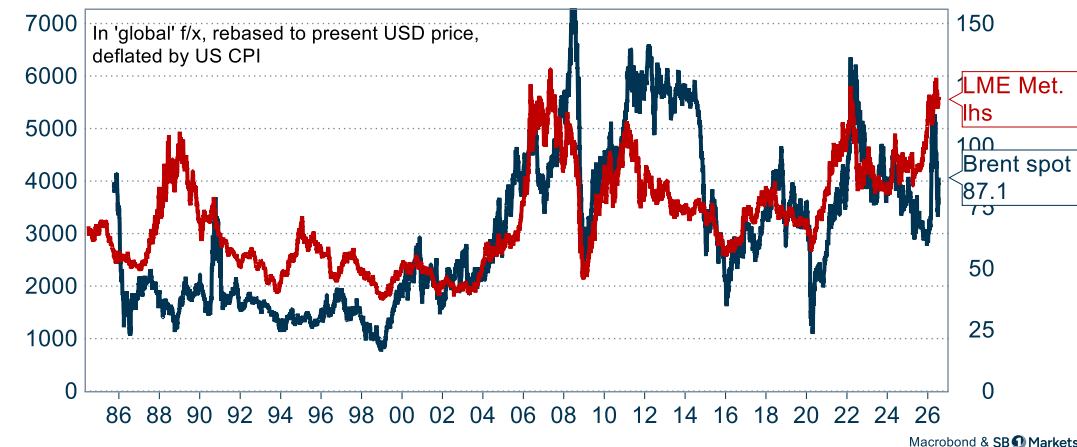
Big picture: Equity markets are soaring, real metal prices are close to record high

... and long-term bond yields are still trending upwards. JPY is the main FX loser, while CNY and CHF are the winners — and the USD until early 2025. NOK has recovered substantially so far in 2026 (but not the last month). And the oil price? Below a 'normal' level

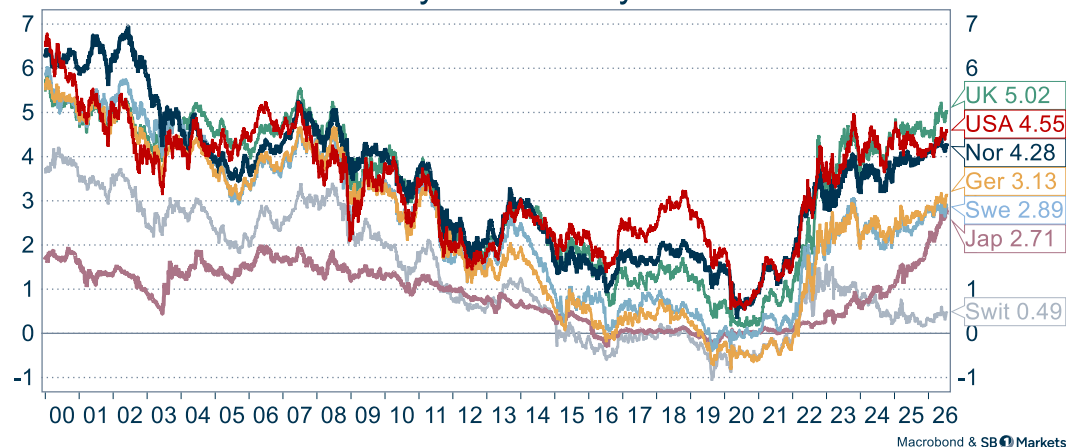
Equity Indices



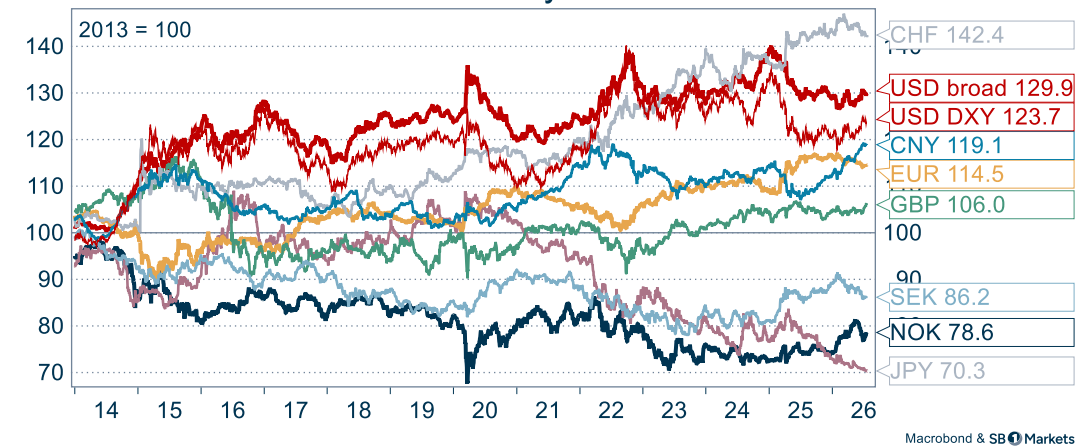
Oil vs. metals



10 y Gov bond yields



Currency indices

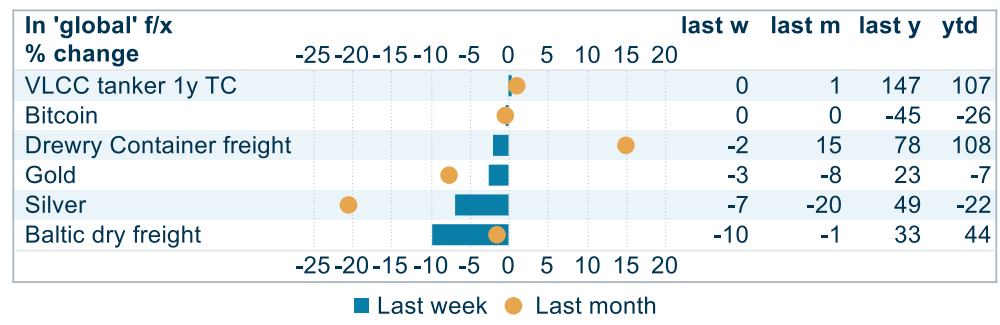
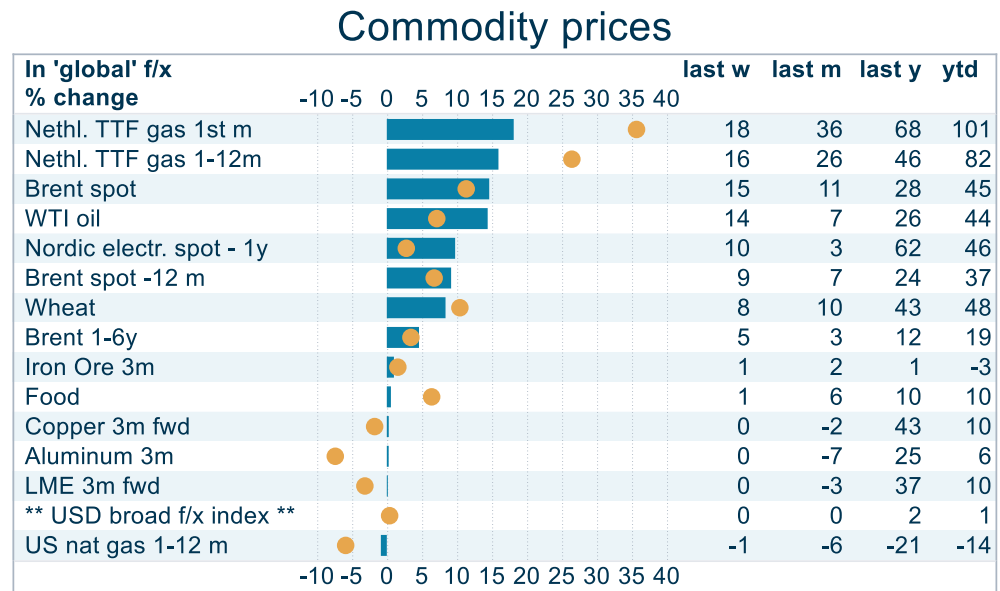
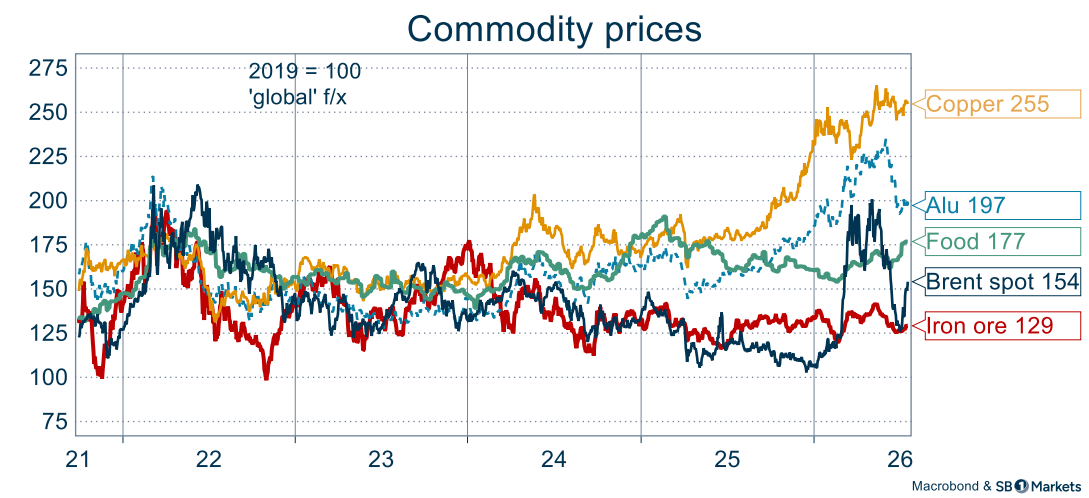
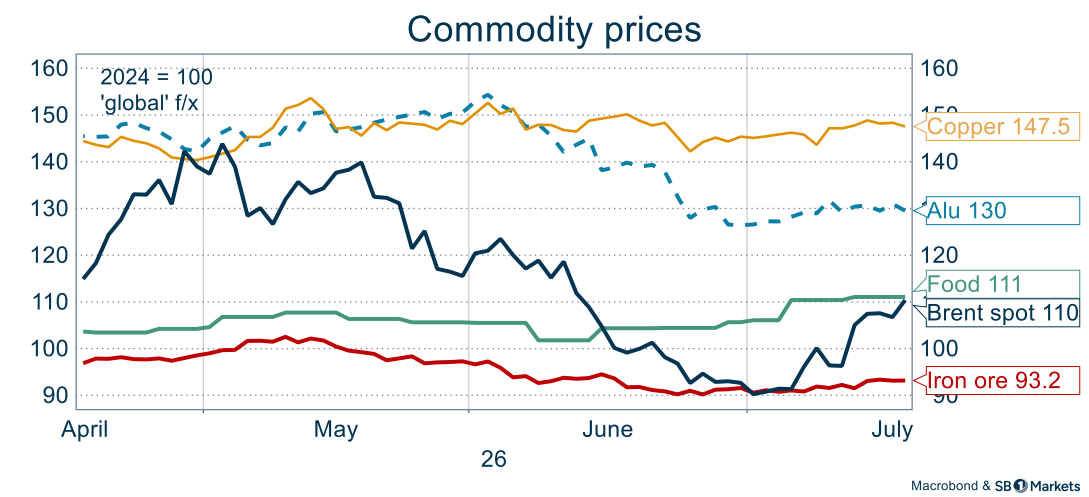




4.1 Commodities

Commodity prices: Oil up 20% from early July, European gas prices more than 40%

Metal prices just slightly up, as are food prices. Gold, silver extend losses, silver the most.

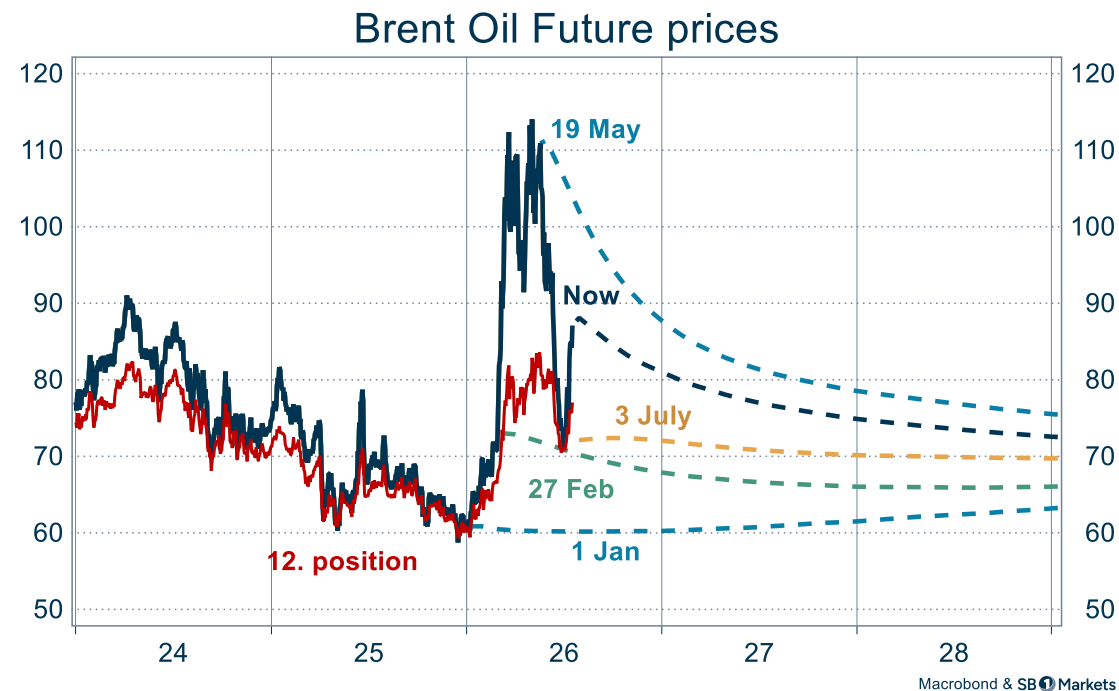
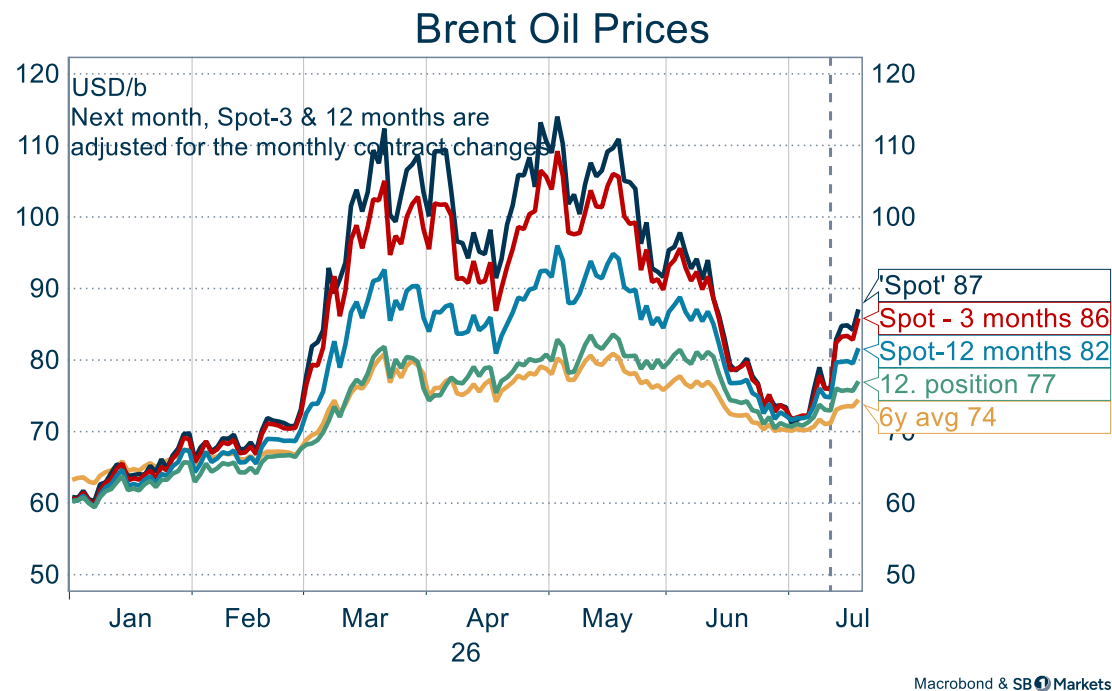


Macrobond & SB Markets

Prices in a 'global' FX measure. We have divided the table on the right into two sections, with the lower part showing the (normally...) most volatile elements.

Oil prices: Up all over the curve

No panic in the oil market but the price curve is lifted, and the far end of the curve not by less than normal. Even so, the curve heads down. The market expects an oil price 12 m fwd at USD 77/b, up from 71/b when the curve was flat at the early July local bottom

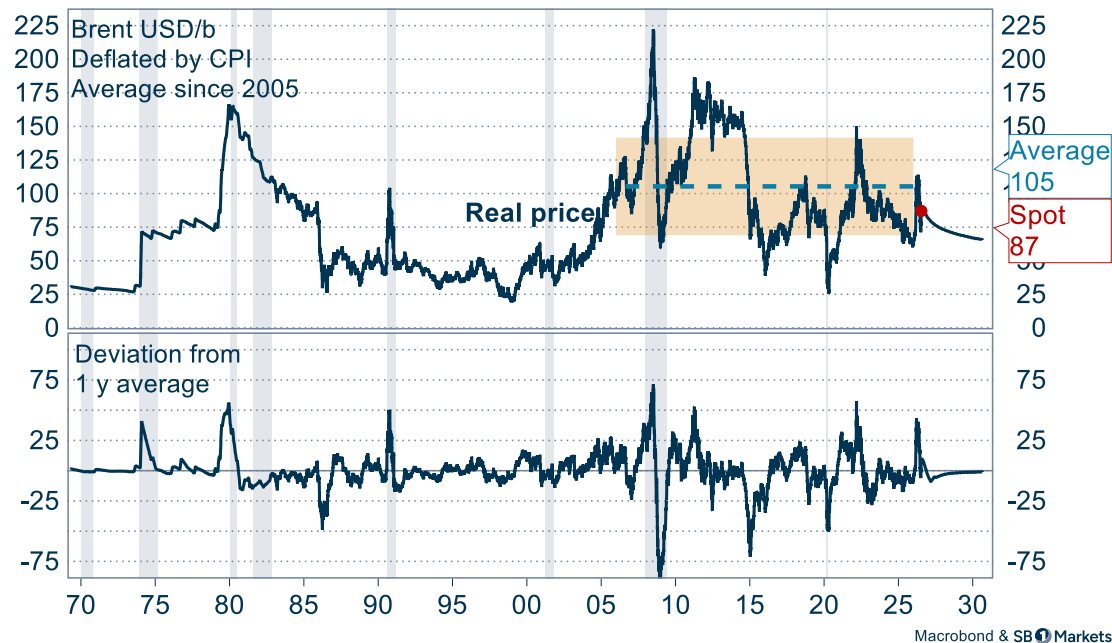


- If current price expectations persist, there is of course **no oil price energy shock, check the following pages.**

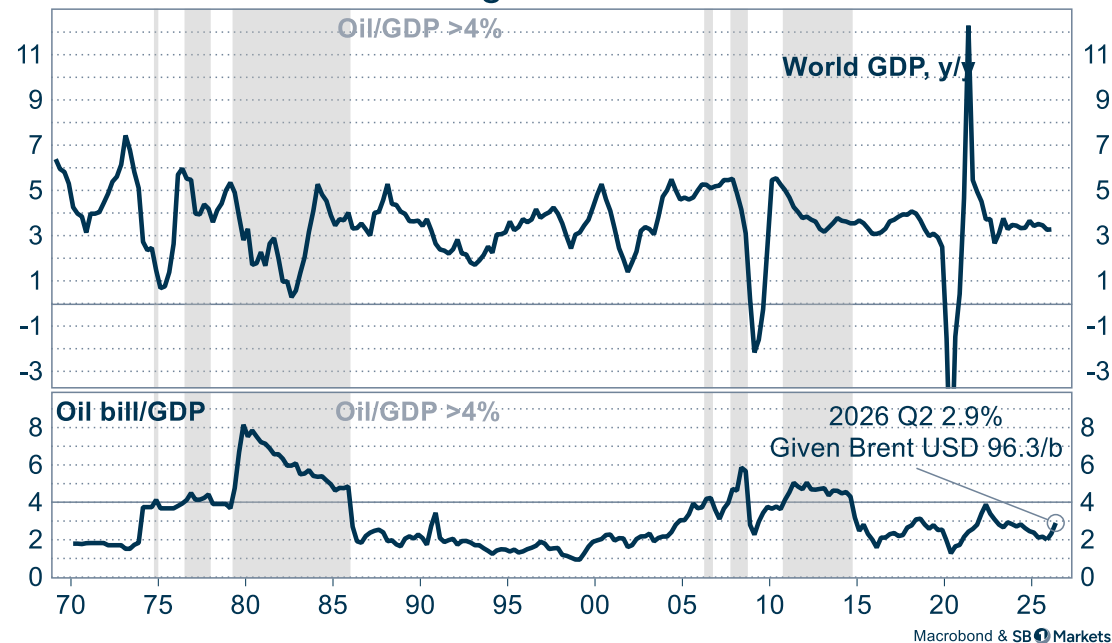
The current oil spot price is 30% below the 20-year average USD real price

Over the long term, oil consumption has consistently declined relative to GDP, leading to a notable reduction in oil dependence. At current price levels, oil does not pose a significant cost issue.

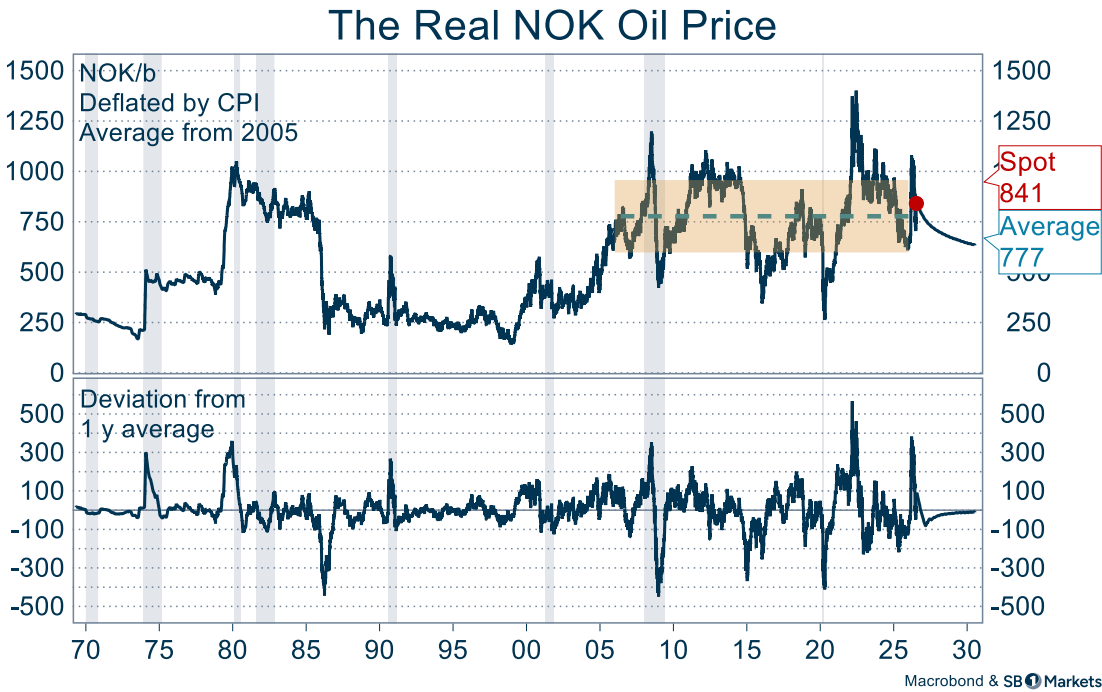
The Real Oil Price



World GDP growth vs the 'oil bill'



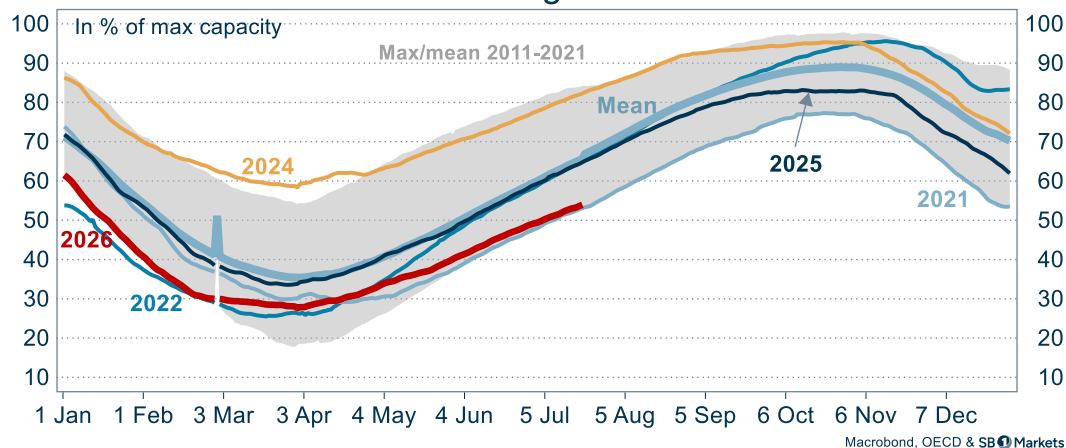
Measured in a weak NOK, real oil prices are slightly above a 20y average



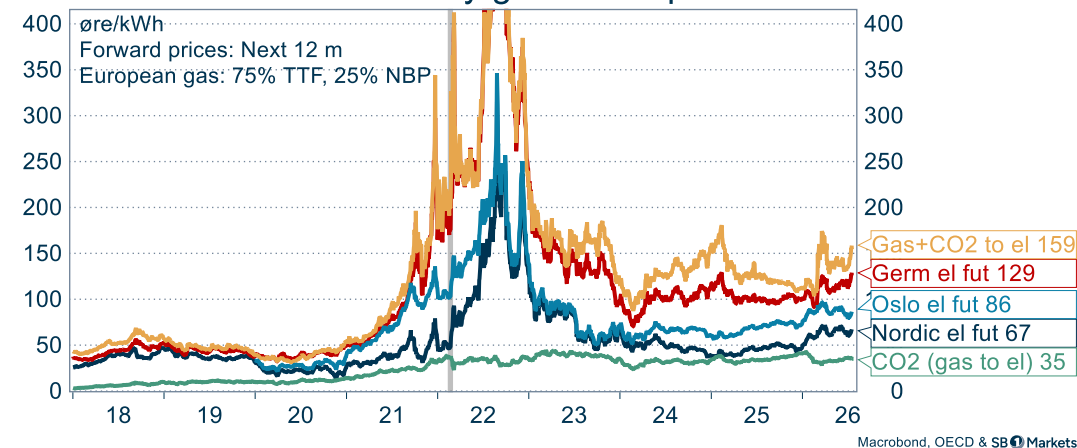
European natural gas prices sharply up, and electricity prices follow suit

European natural gas prices have increased more than oil prices, due to the dependence on imported LNG, partly imported from the Gulf. EU natural gas stocks are being rebuilt, but the fill rate is still a tad lower than normal, and inventories are close to record low.

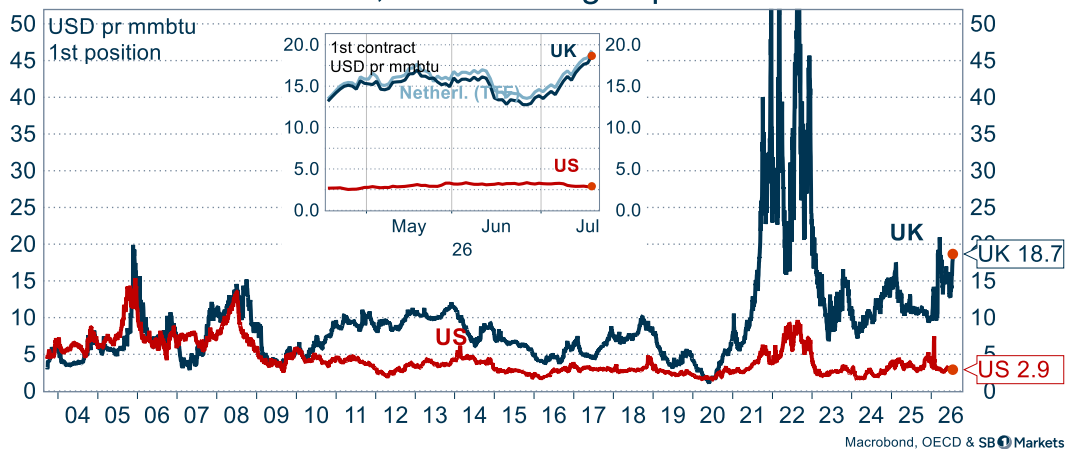
EU natural gas stocks



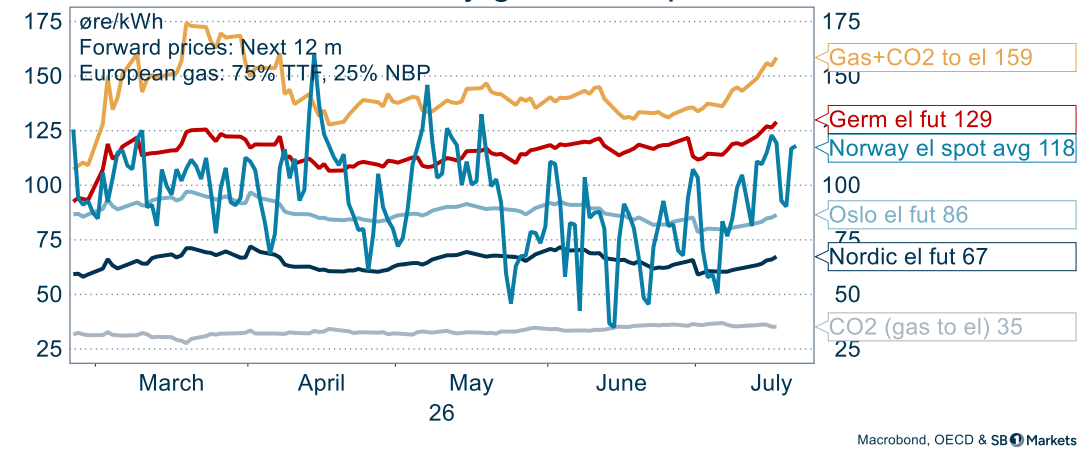
Electricity/gas future prices



UK, US natural gas prices

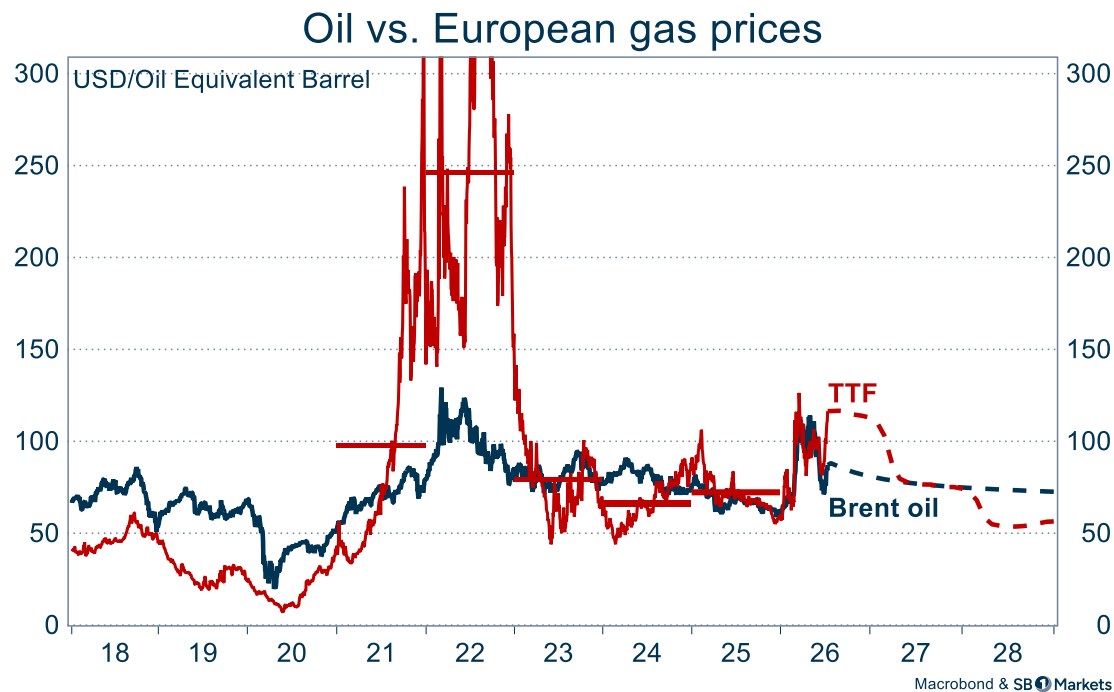


Electricity/gas future prices



European natural gas prices almost back to the March peaks

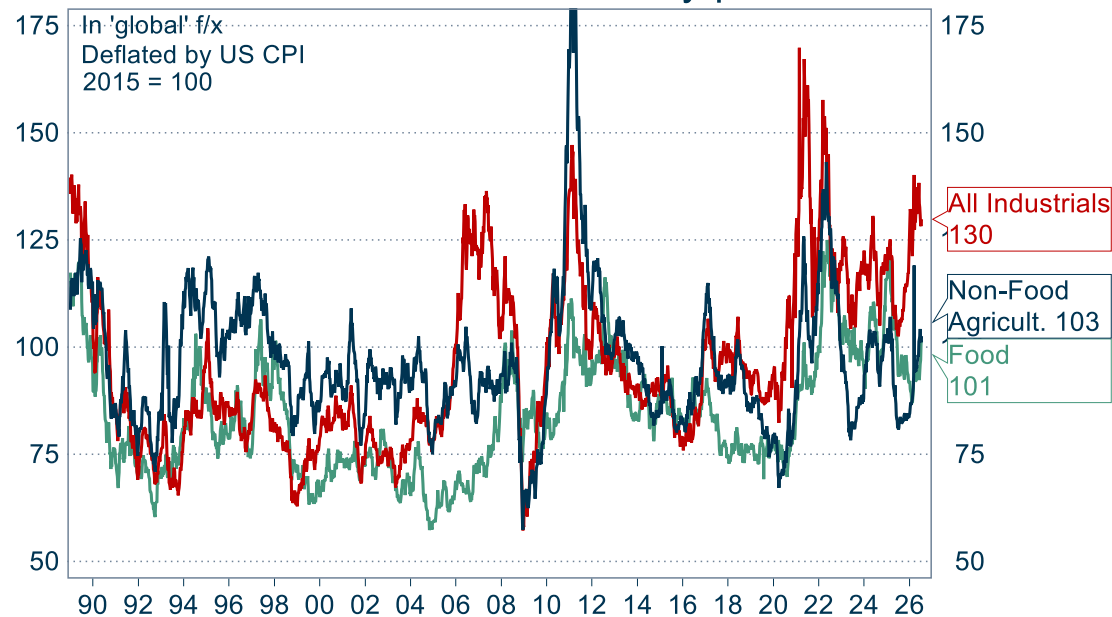
The recent hike in EUR natural gas prices has been larger than in oil prices vs. the price hikes in March



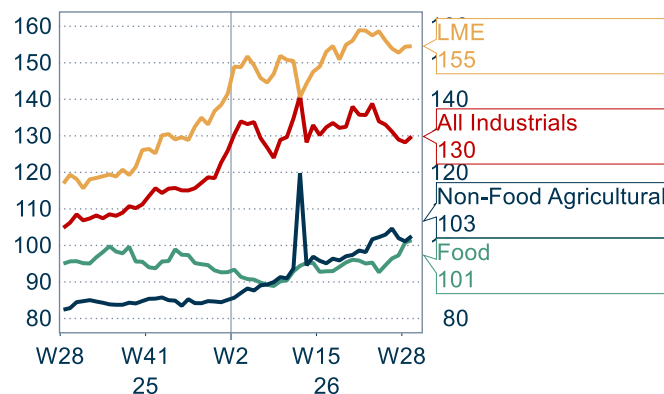
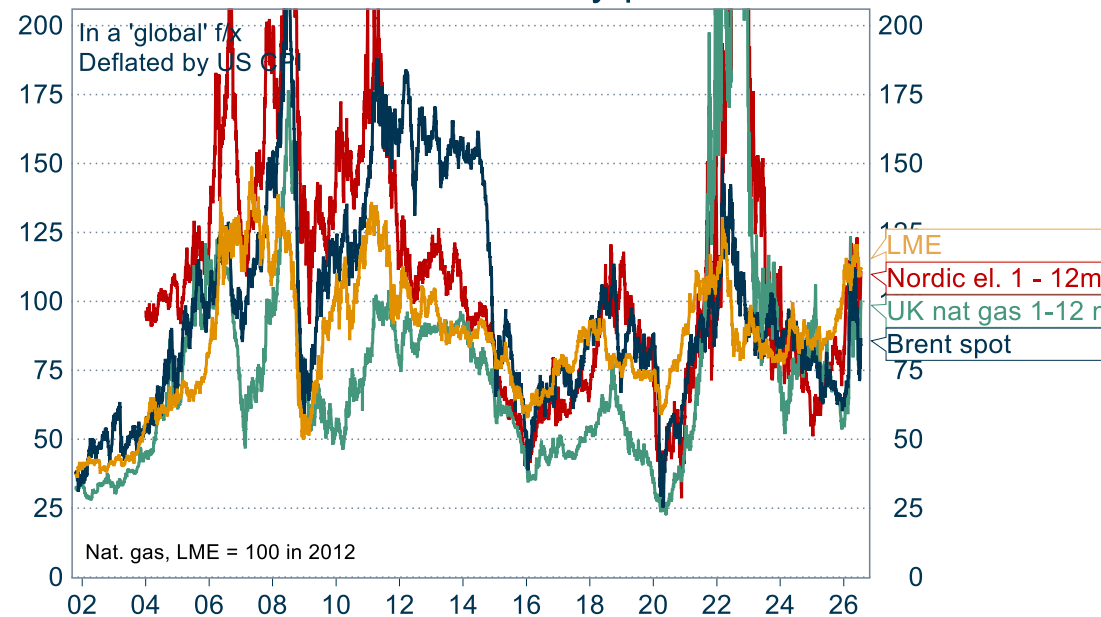
Big picture: Industrial commodities far above normal levels, thanks to metals

Food prices have been trending down since the war in Ukraine started but are slightly up since the Gulf war started. Non-food agricultural prices are up 20% so far in 2026. Taken together, some inflationary signals

The Economist - commodity price indices

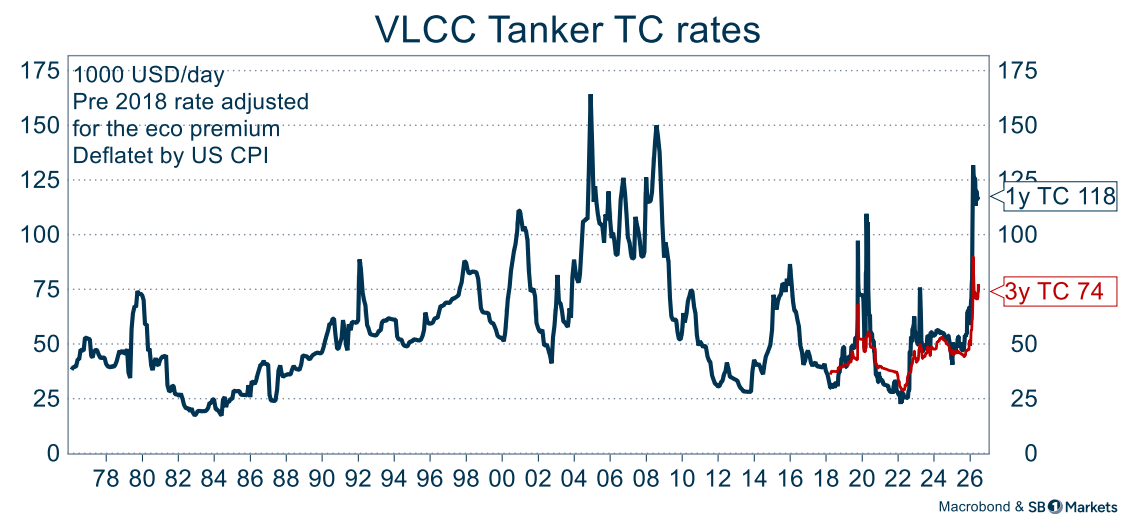
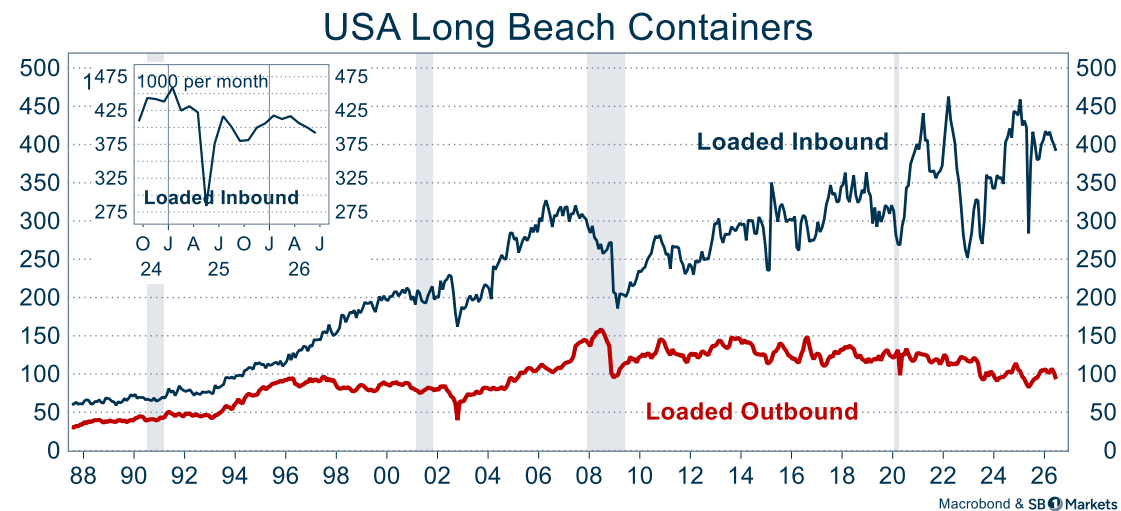
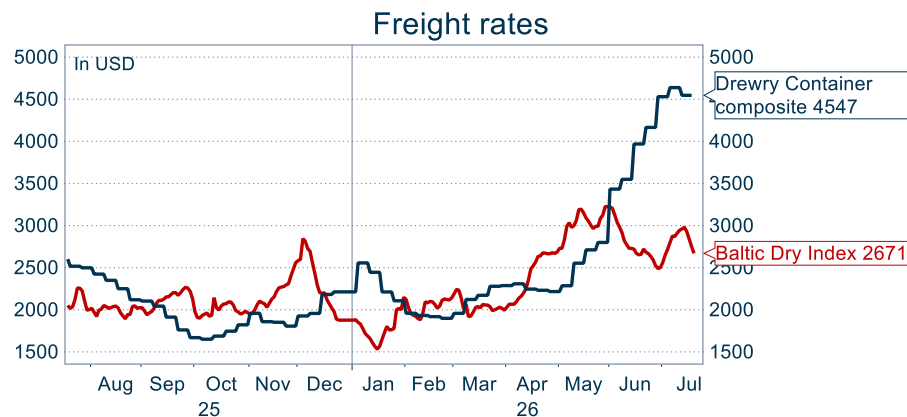
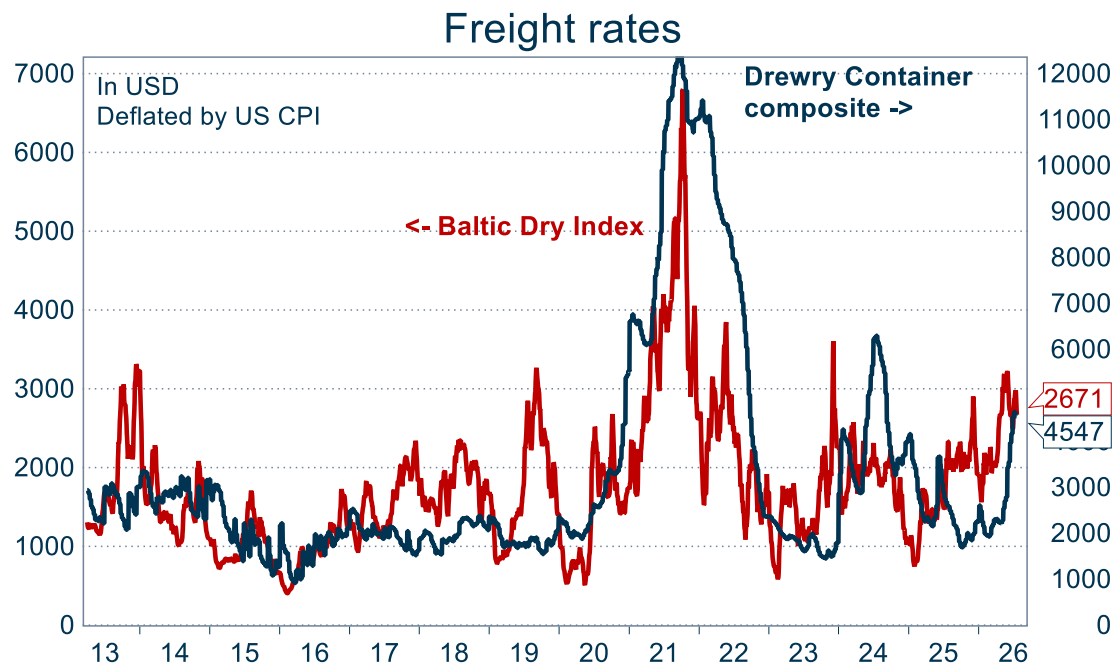


Commodity prices



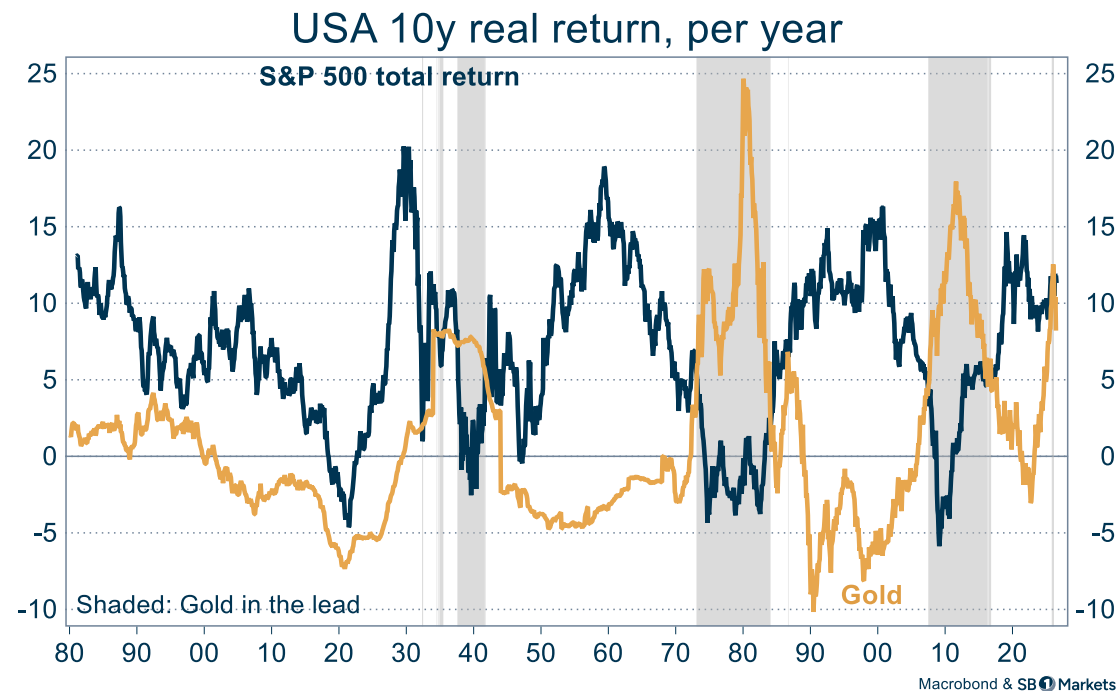
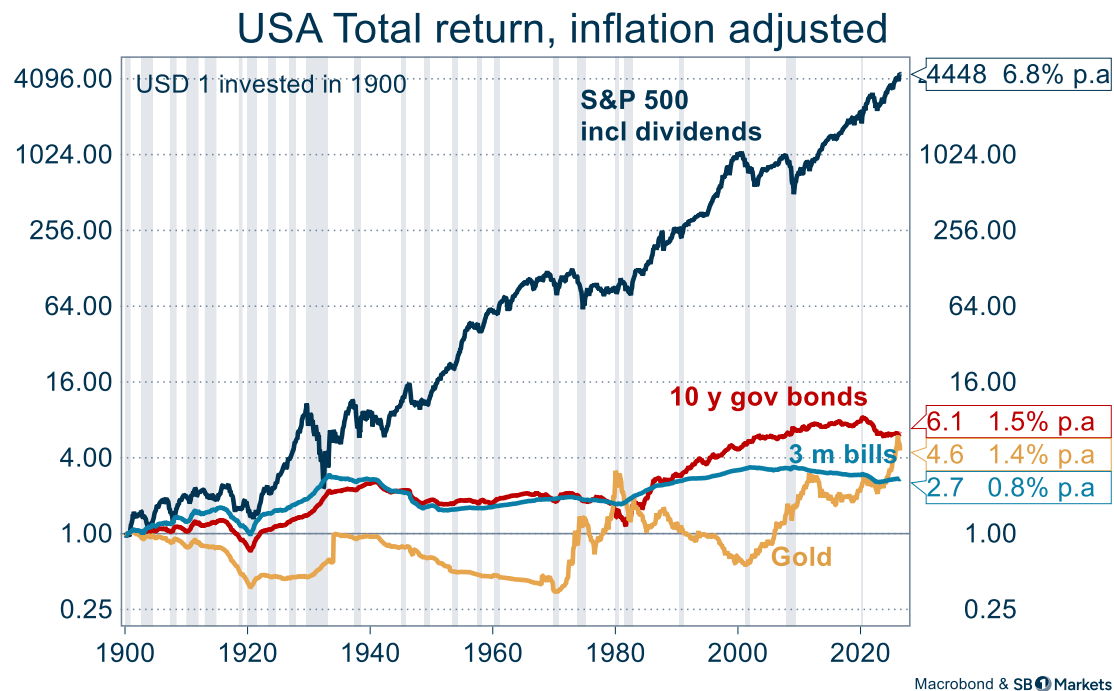
Container freight rates have flattened at a high level, following a 100%+ lift

Demand has strengthened earlier than normal, while supply is still suppressed by less traffic through the Suez Canal. Baltic Dry rate has trended down since early June, also from a rather high level.



Gold and equities rising together — not seen since the '30s

Long-term risk-adjusted returns look modest. Historically, gold has hedged equity drawdowns over the medium term, but less consistently over the past decade — and both gold and US equities now appear richly priced.

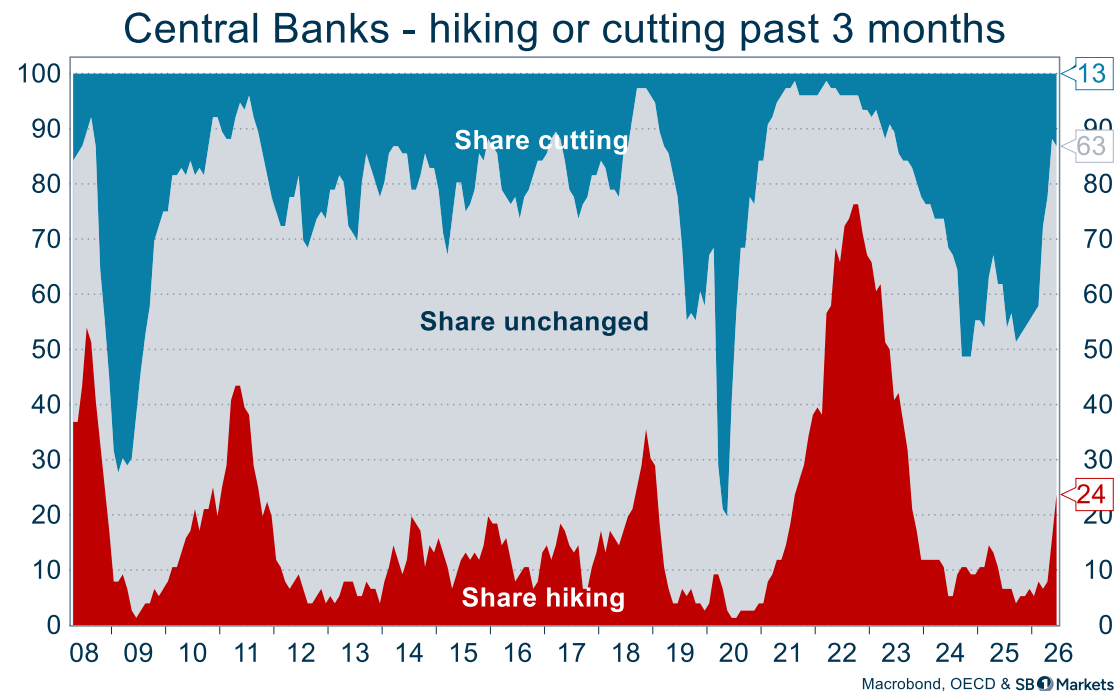
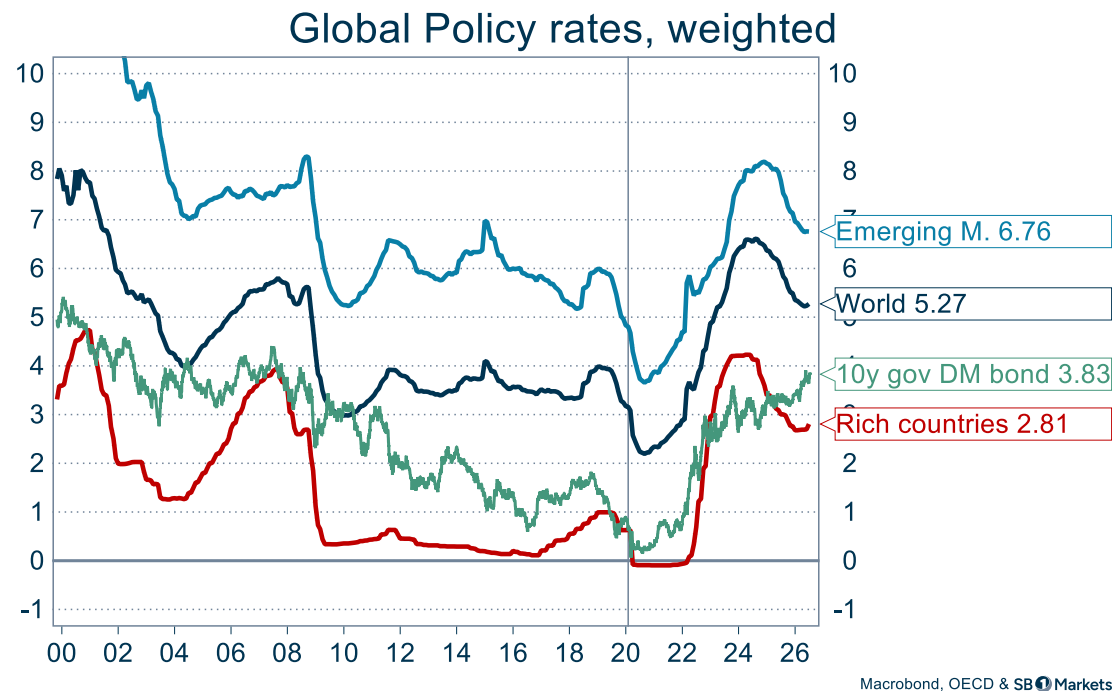




4.2 Interest rates & credit markets

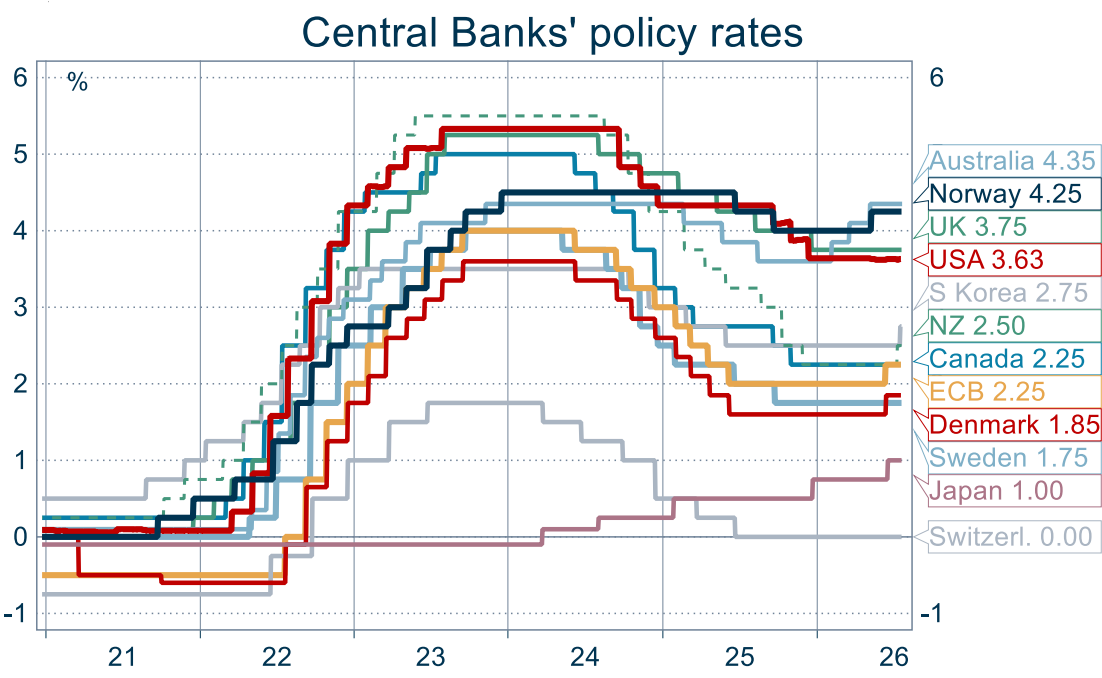
In the past 3 months, 24% of central banks have hiked, just 13% have cut

The global average policy rate is slightly up from the bottom, primarily due to the ECB hike. The global average is at 5.3%. In DM, 2.8%. The average DM long-bond yield has trended up — and is close to **the highest level since before the Financial Crisis.**



South Korea hiked as the KOSPI tumbled,

Market expectations down in NOK, flat in USD, up in rest of Europe, due to higher energy prices. 1 to 1½ hikes in the rest of 2026 are expected everywhere



The list of cutters

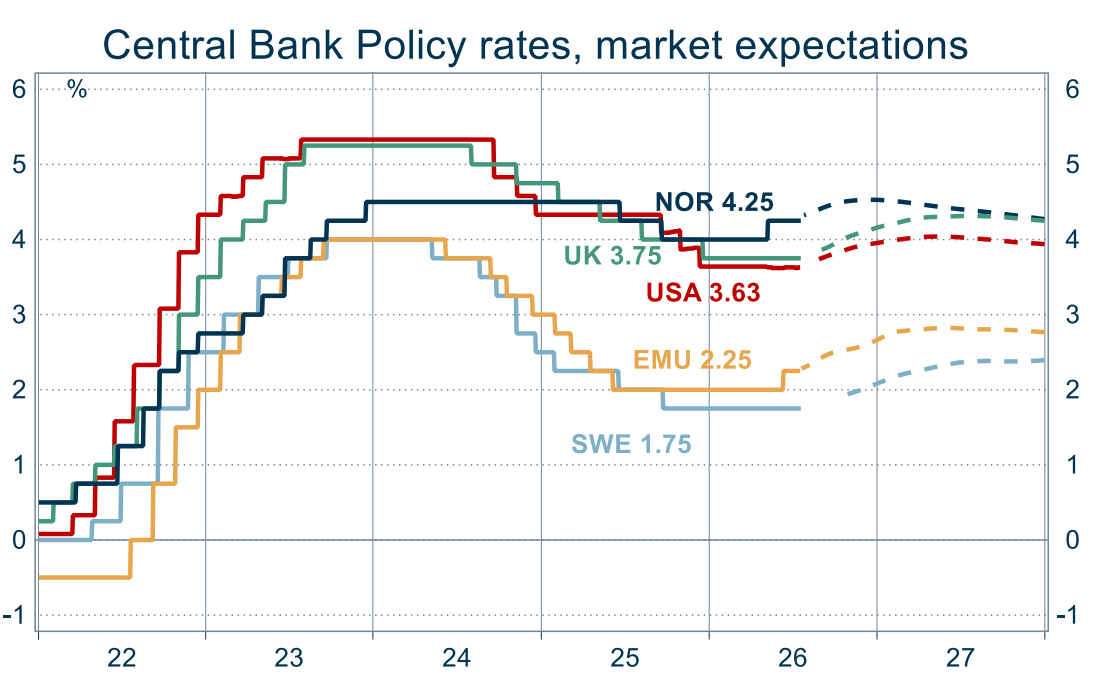
- New Zealand (-325 bps, to 2.25%)
- Canada (-275 bps, to 2.25%)
- Sweden (-225 bps, to 1.75%)
- Switzerland (-175 bps, to zero!)
- US (-175 bps, to 3.64%)
- UK (-150 bps, to 3.75%)

The list of hikers

- Japan (+105 bps, to 1.00%)

The list of cutters that have hiked

- Australia (+75 bps, to 4.35%)
- Norway (+25 bps, to 4.25%)
- South Korea (+25 bps, to 2.75%)
- EMU (+25 bps, to 2.25%)
- Denmark (+25 bps, to 1.85%)

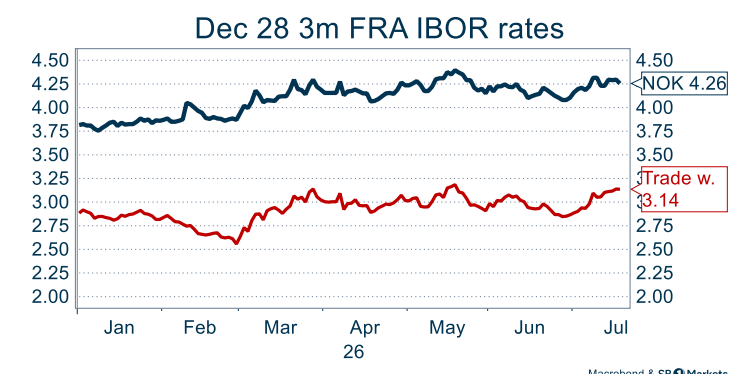
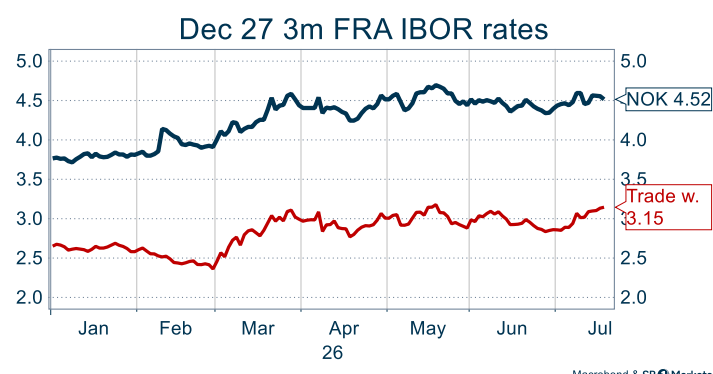
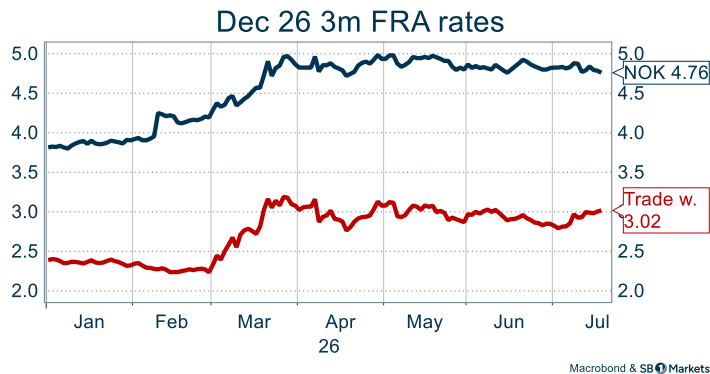
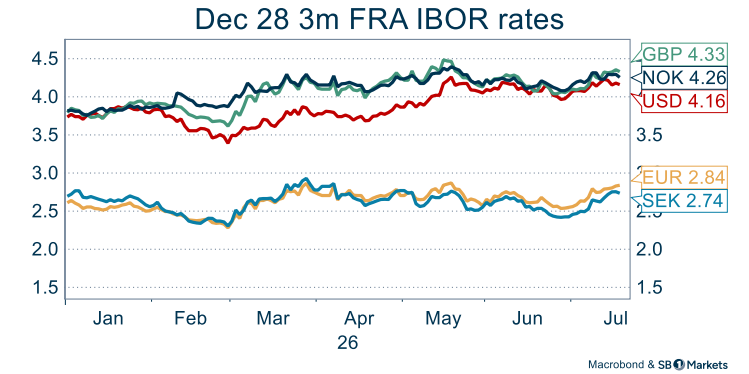
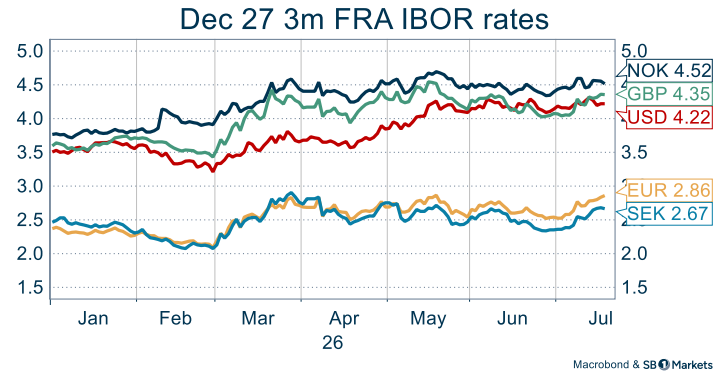
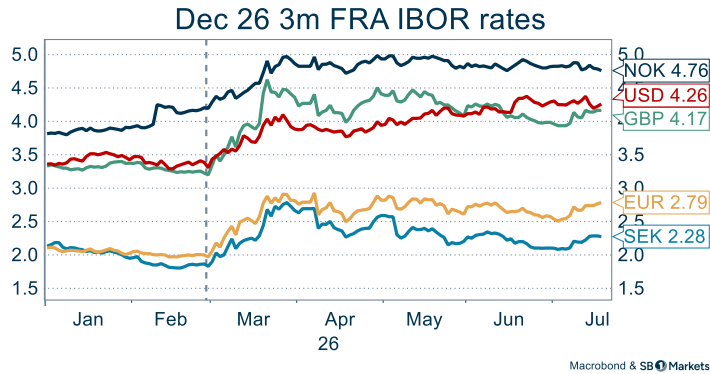


Signal rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
...Change from peak	-1.70	-1.50	-1.75	-2.25	-0.25
Now	3.63	3.75	2.25	1.75	4.25
Change until end of 2026	0.30	0.38	0.38	0.23	0.28
End of 2026 (market)	3.93	4.13	2.63	1.98	4.53
... Change from 3 July	0.01	0.21	0.22	0.12	-0.02
Change through 2027	0.02	0.12	0.15	0.42	-0.25
End of 2027 (market)	3.95	4.26	2.77	2.40	4.28

Source: SB1M, Macrobond

FRAs: NOK & USD rates down (or close to flat) last week, as last month

EUR, GBP & SEK rates are up and the gap to our trading partners has narrowed.



Dec 26 3m FRAs

	Close	1w	1m	YDT
NOK	4.76	-0.01	-0.08	0.95
USD	4.26	-0.05	-0.02	0.90
GBP	4.17	0.11	0.11	0.84
EUR	2.79	0.11	0.13	0.68
SEK	2.28	0.09	0.10	0.14

Macrobond & SB Markets

Dec 27 3m FRAs

	Close	1w	1m	YDT
NOK	4.52	0.06	0.09	0.75
GBP	4.35	0.16	0.27	0.76
USD	4.22	-0.04	0.00	0.72
EUR	2.86	0.15	0.25	0.49
SEK	2.67	0.15	0.22	0.20

Macrobond & SB Markets

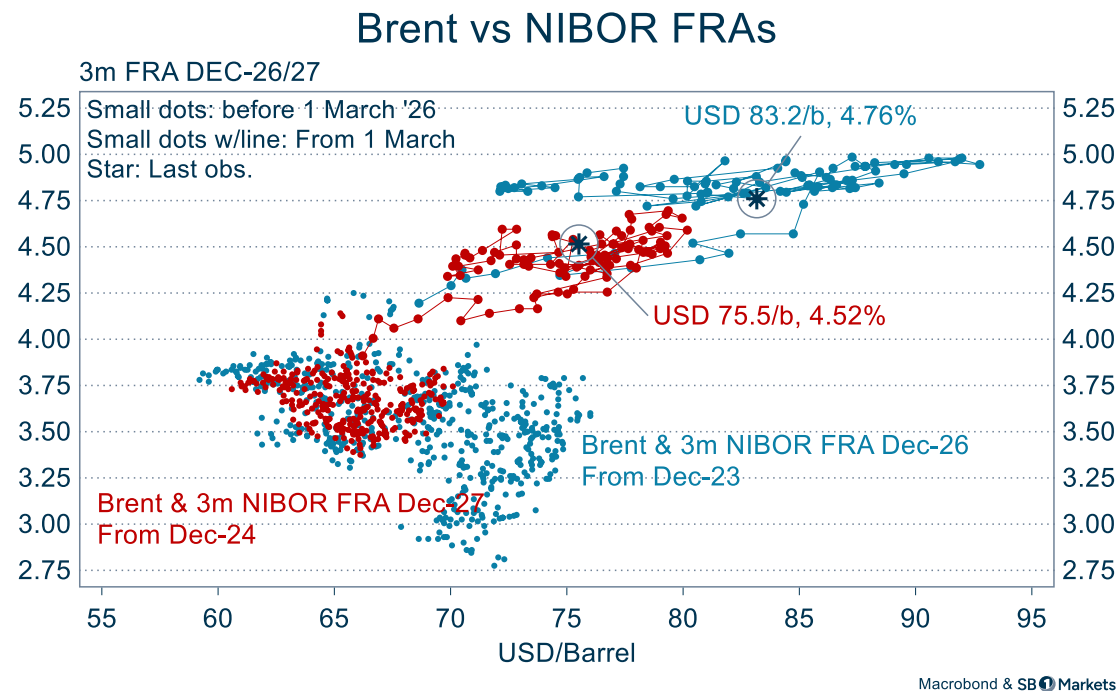
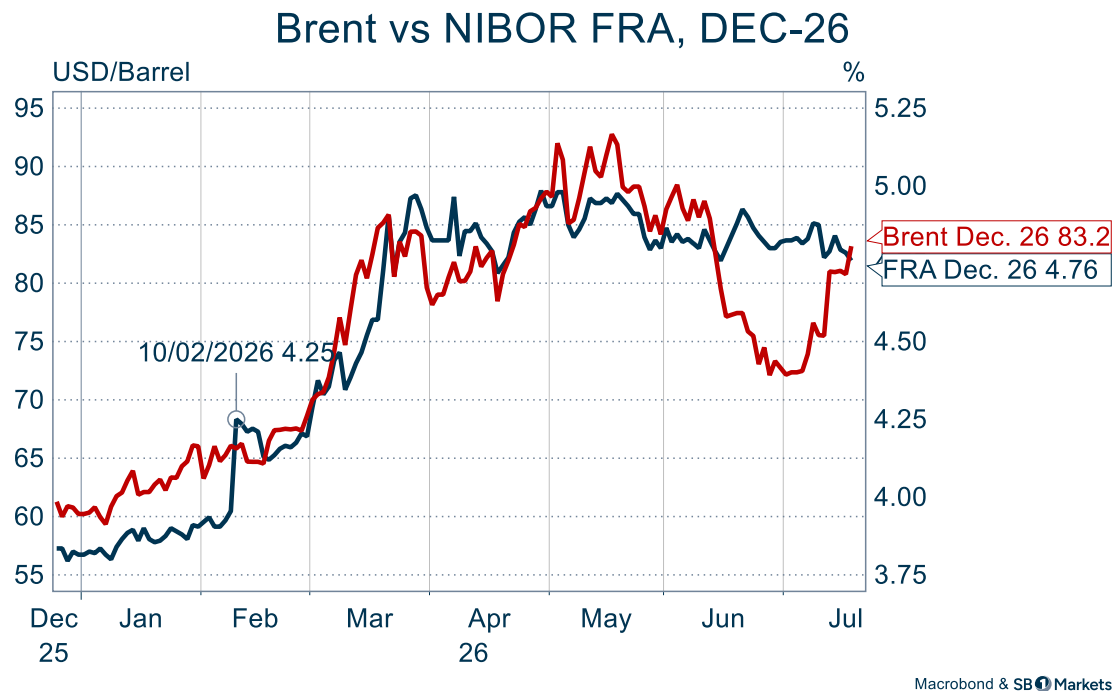
Dec 28 3m FRAs

	Close	1w	1m	YDT
GBP	4.33	0.09	0.26	0.54
NOK	4.26	0.03	0.12	0.44
USD	4.16	-0.03	0.06	0.42
EUR	2.84	0.09	0.23	0.23
SEK	2.74	0.11	0.22	0.04

Macrobond & SB Markets

GBP and USD rates are SONIA- and SOFR-adjusted, with stable IBOR spreads to make them comparable to EUR, SEK and NOK IBOR-based FRAs.

NOK rate expectations have not followed the oil price up in July

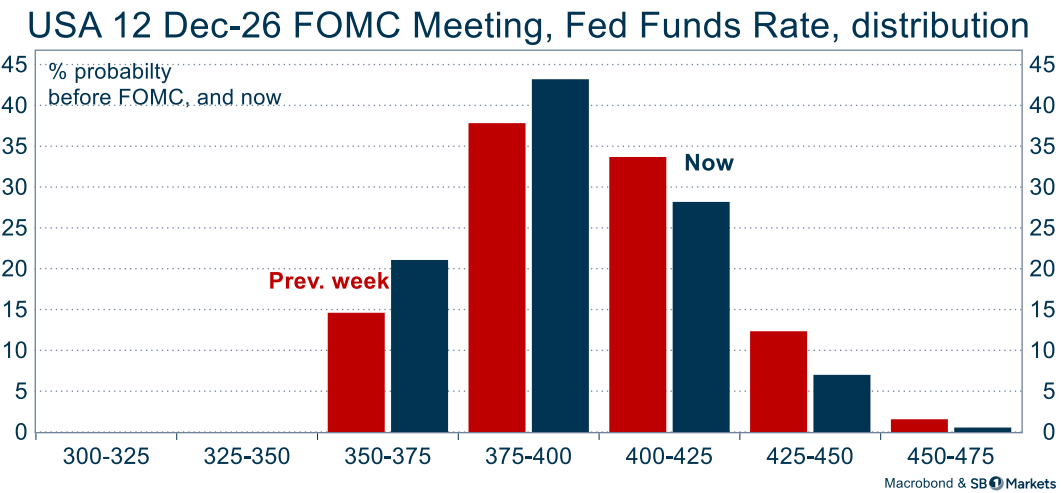
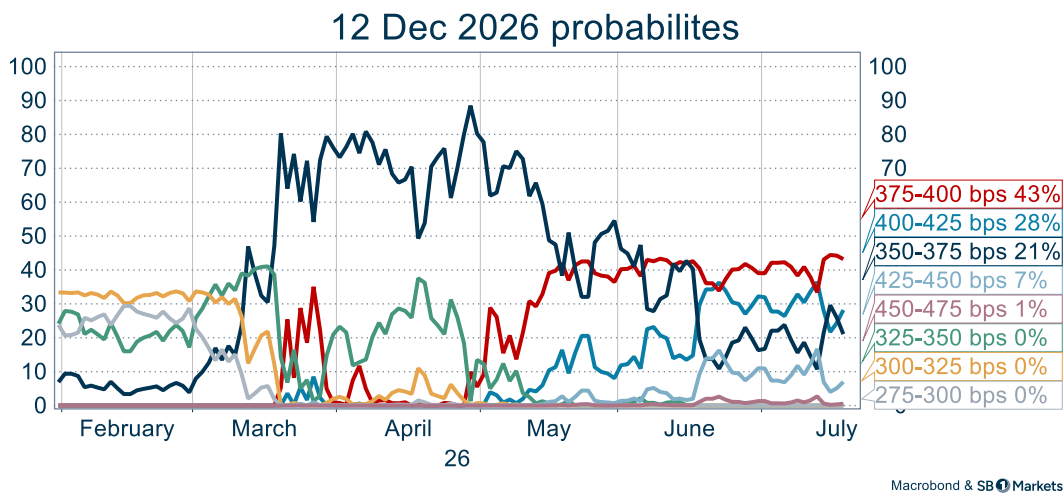
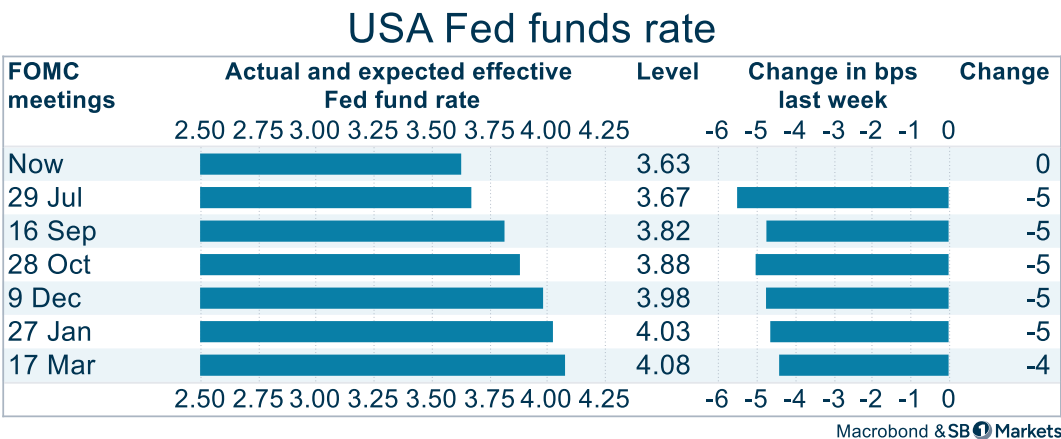
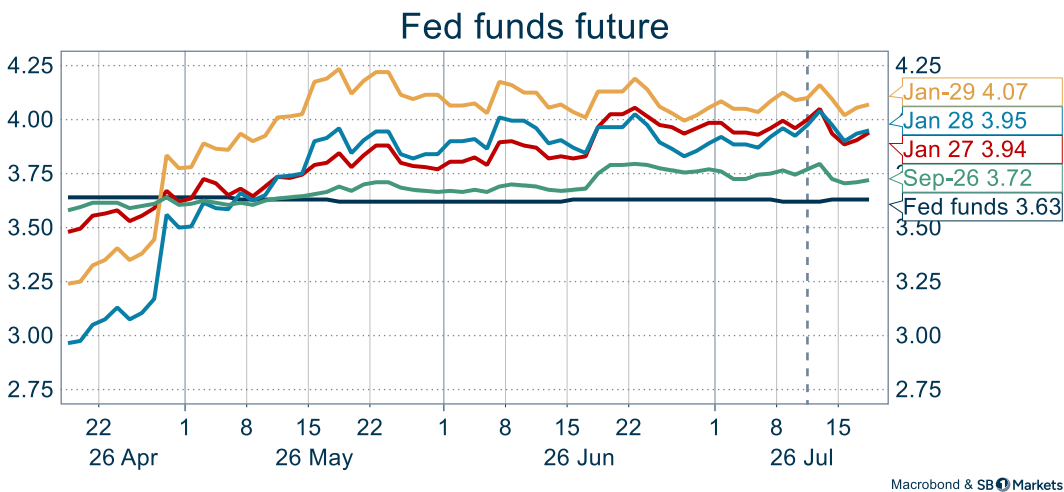


- Dec-26, 27 oil futures were not updated yesterday



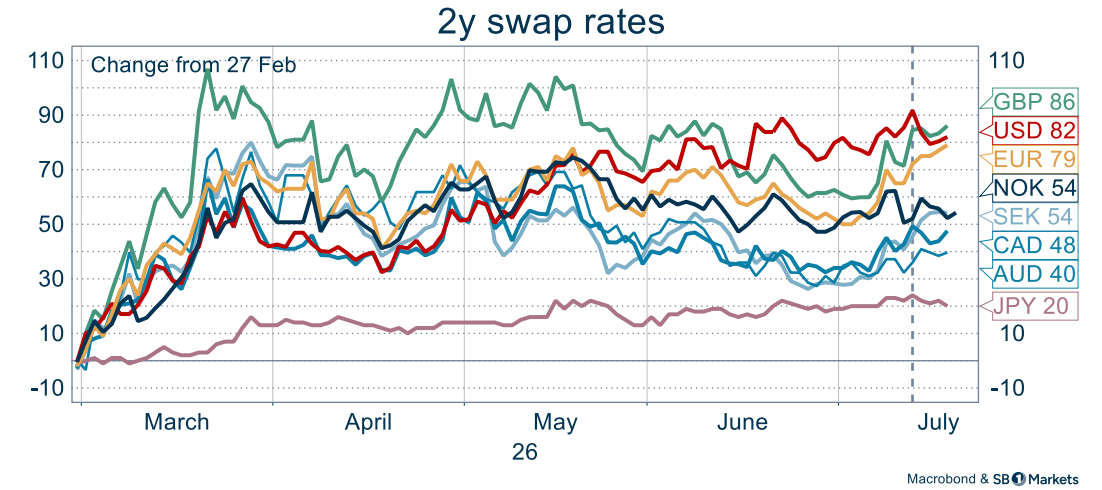
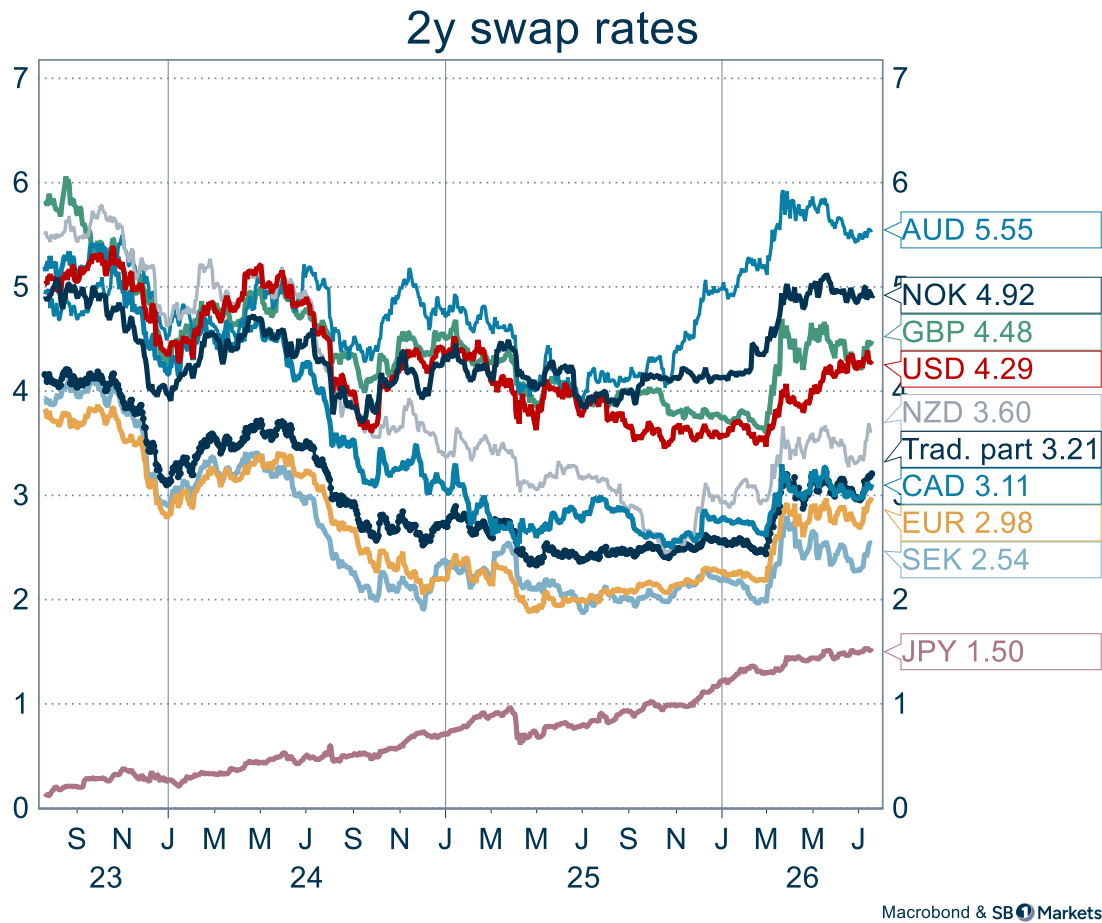
Fed funds: Rate expectations broadly unchanged so far in July

The first hike is discounted in September



2-year swap rates almost everywhere but NOK rates kept in check by the **CPI shock**

Last week, our trading partners were up 12 bps, the NOK rate 2 bps, the USD -3 bps. All but NOK and USD rates are up last month, by 10–20 bps (NZD 29 bps). NOK rates are **down 7 bps**, our trading partners are **up 17 bps** and 'Europe' 20 bps. **Give credit to the CPI 'shock'**



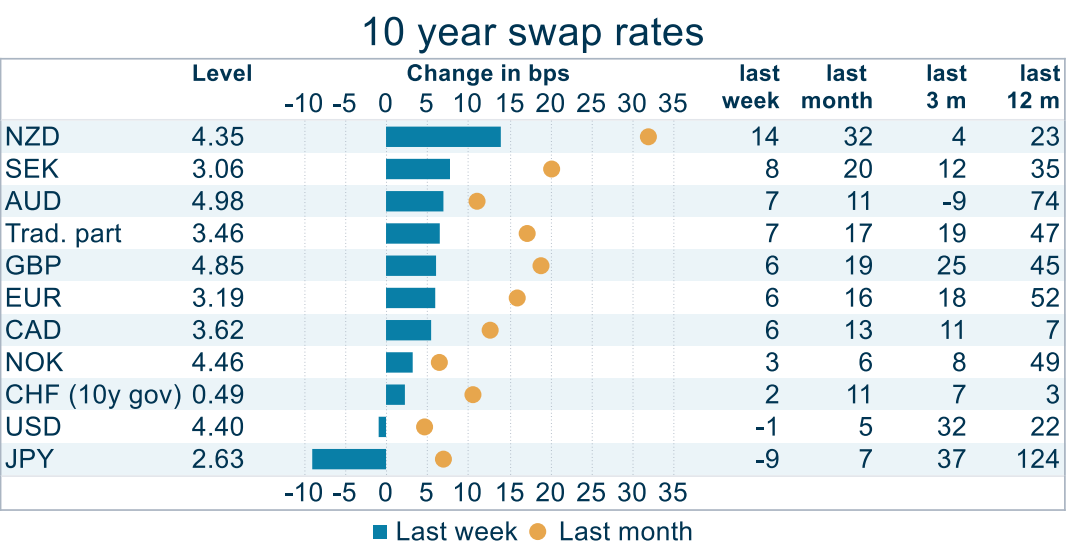
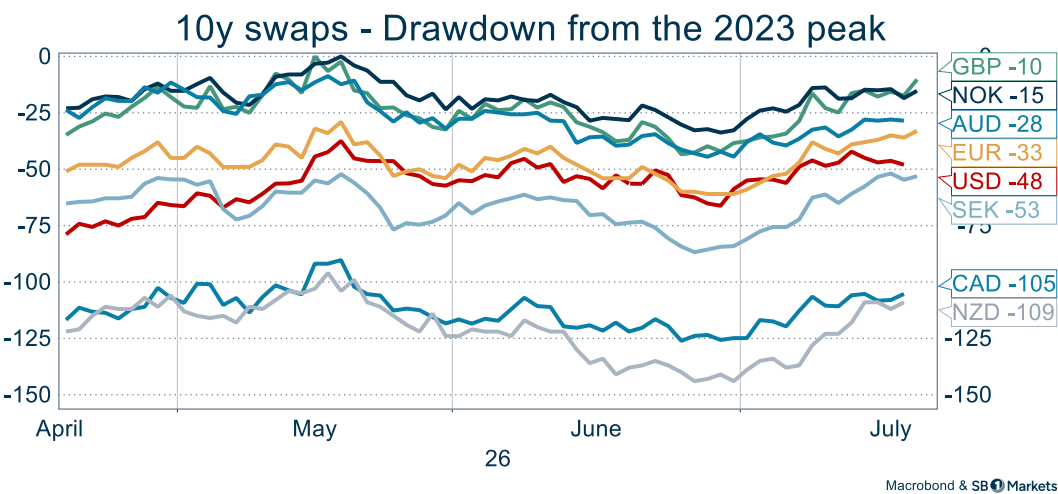
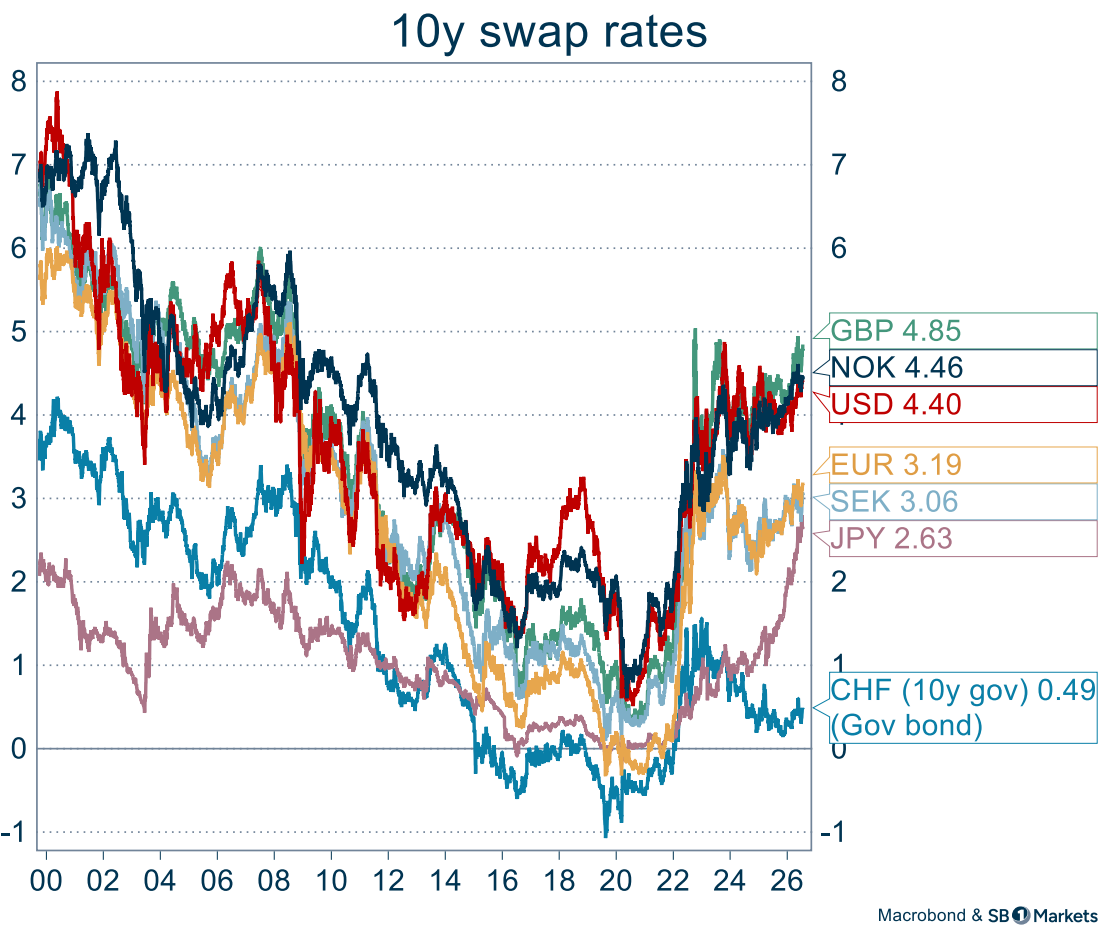
2y swap rates

	Level	Change in bps						last week	last month	last 3 m	last 12 m			
		-10	-5	0	5	10	15	20	25	30				
GBP	4.48										15	21	28	54
EUR	2.98										14	20	38	97
SEK	2.54										14	19	16	57
Trad. part	3.21										12	17	33	78
NZD	3.60										8	29	19	43
AUD	5.55										7	9	-20	143
CAD	3.11										5	6	14	14
NOK	4.92										2	-7	12	94
JPY	1.50										-2	4	8	66
USD	4.29										-3	-5	50	36

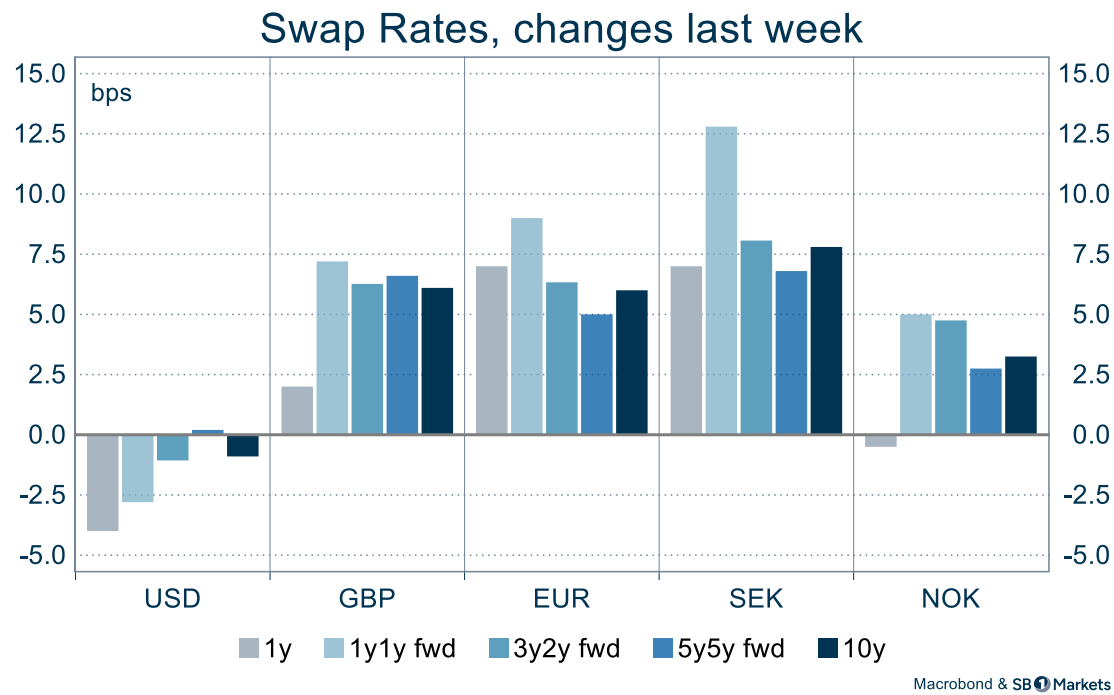
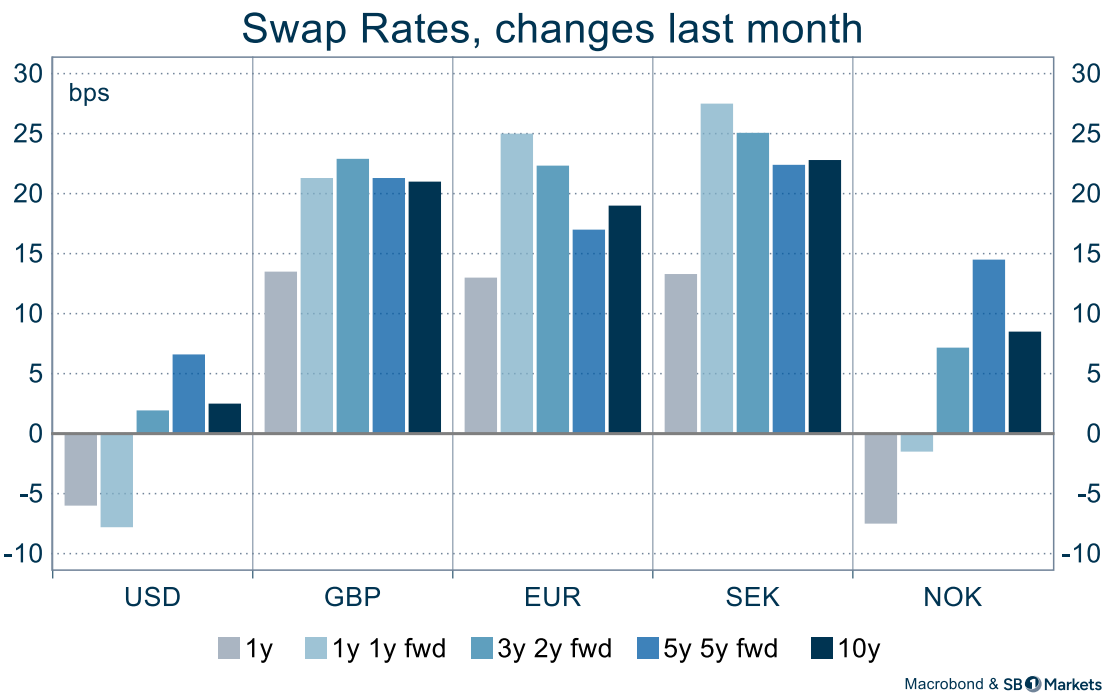
Last week Last month

10-year swap rates almost everywhere, just JPY rate significantly down (following a steep rise)

Our trading partners were up 7 bps, the NOK rate 3 bps. The USD rate was down 1 bp. All are up last month, by 5–30 bps.

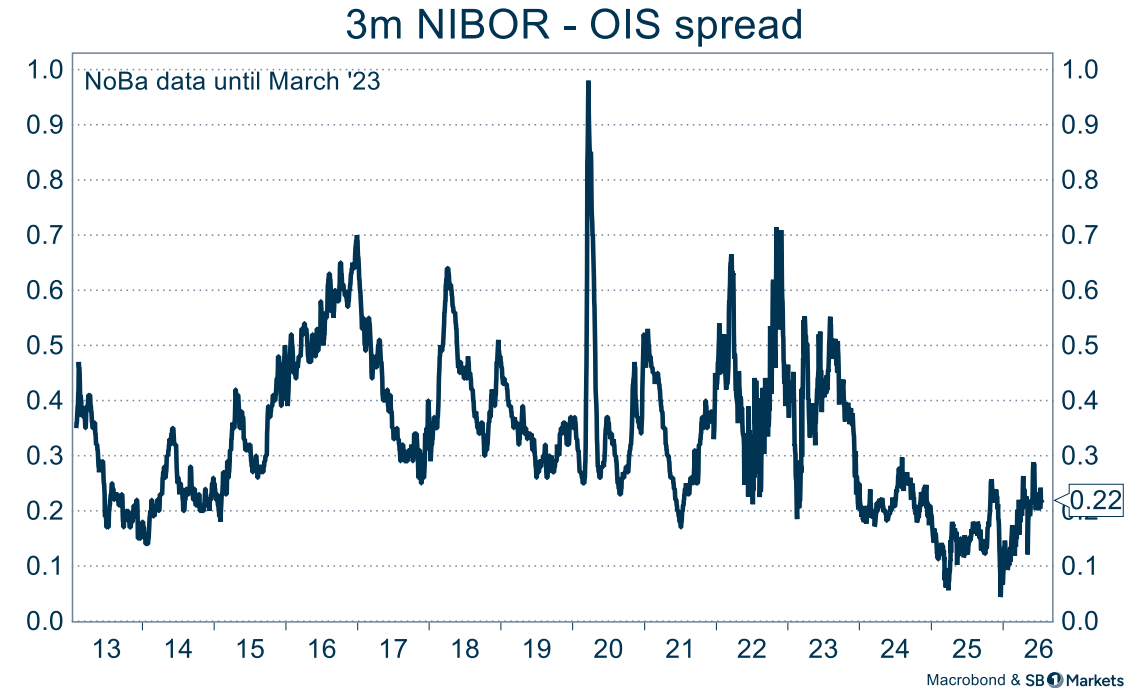
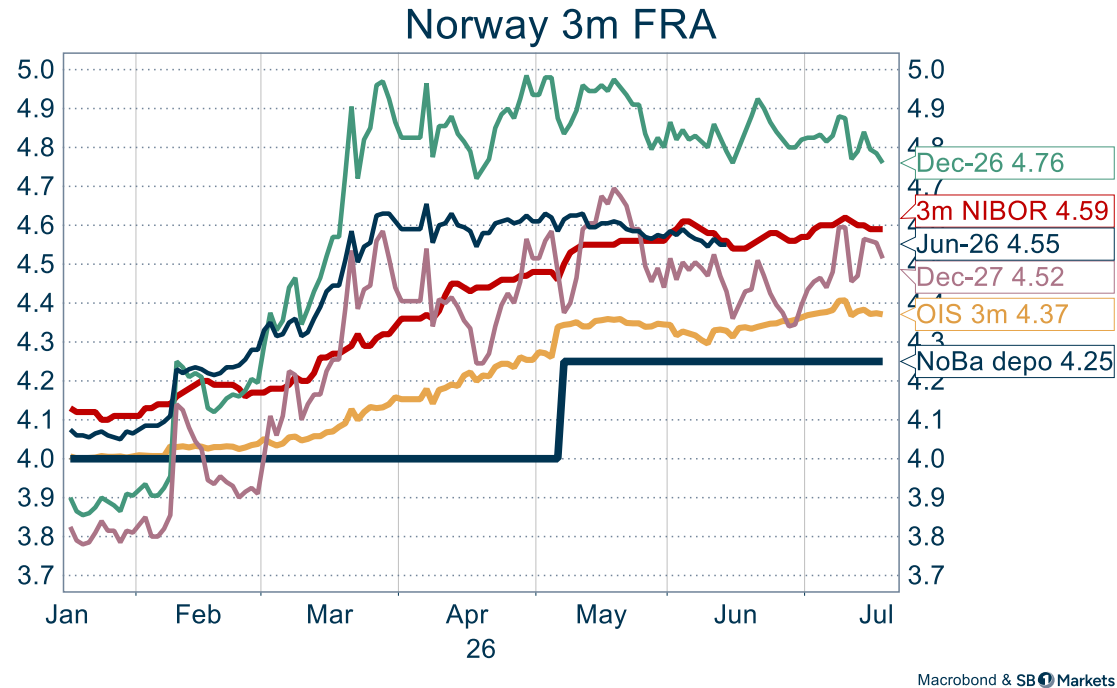


Swap curves: USD rates are close to unchanged; European rates are up, NOK the least



NOK 3m NIBOR: -1 bp to 4.60%; the NIBOR spread unchanged at 22 bps

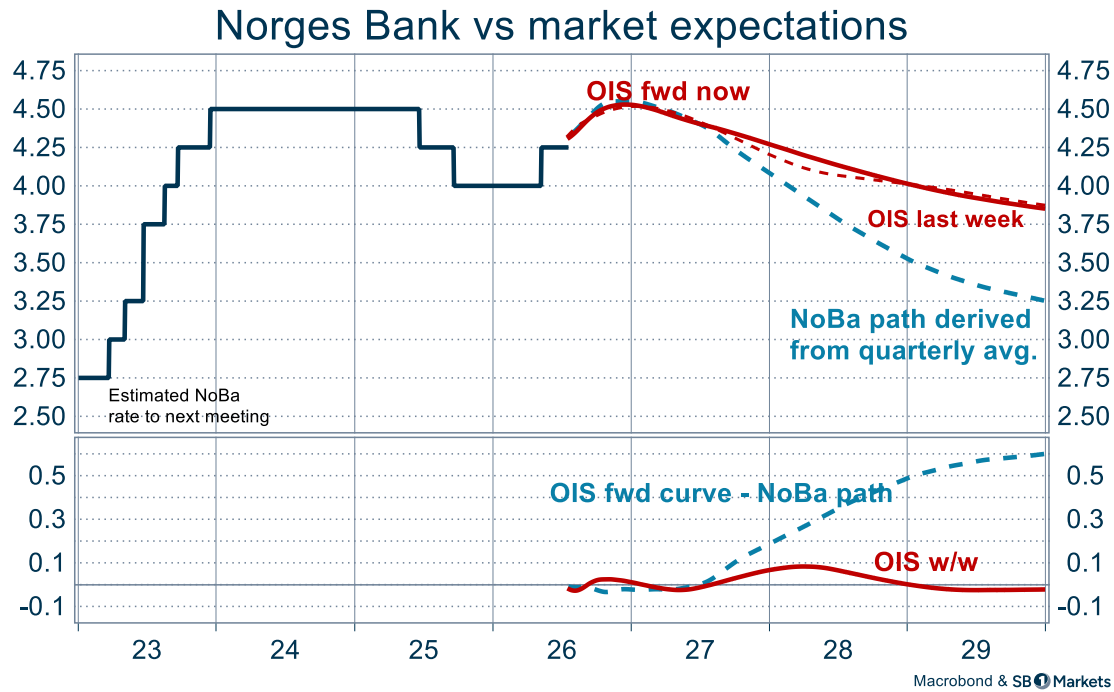
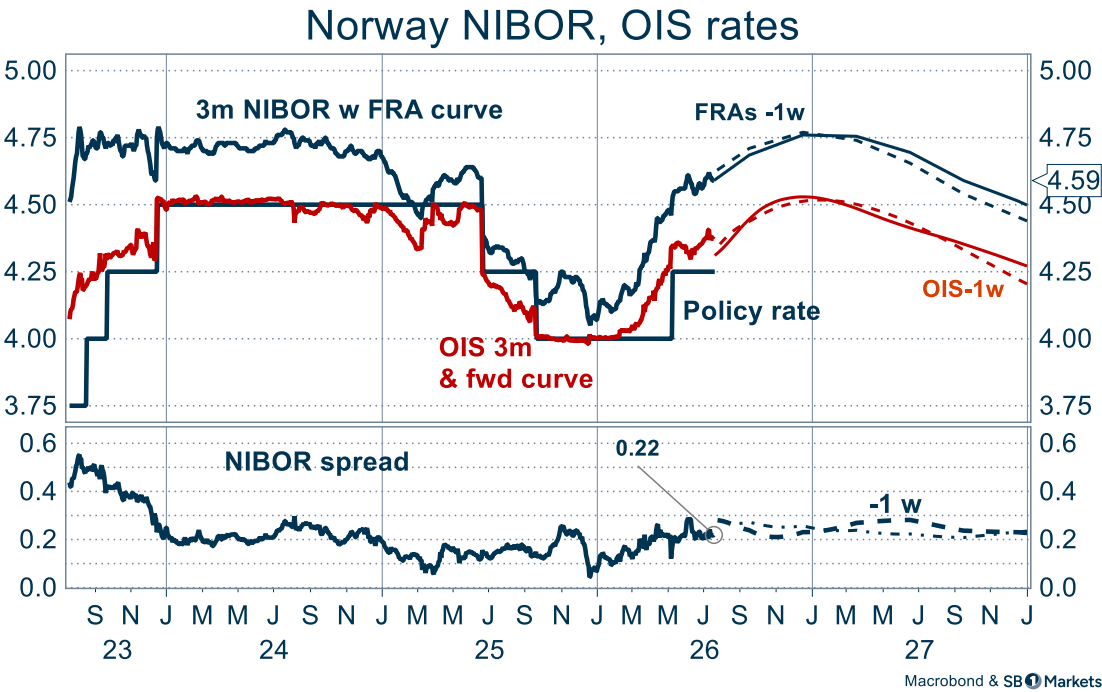
The 3m OIS is at 4.37%





Rate expectations: The short end of the curve is down, the long end is up

An August hike to 4.50% is still discounted as most likely. And if not in August, in September. But that's all folks. The first NoBa cut is discounted in early H2-27.



Norges Bank vs. market					
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
13-Aug	4.25	4.36	4.25	4.50	43%
24-Sep	4.25	4.46	4.50	4.25	17%
05-Nov	4.50	4.51	4.50	4.75	6%
17-Dec	4.50	4.53	4.50	4.75	12%
21-Jan	4.25	4.52	4.50	4.75	8%
24-Mar	4.25	4.48	4.50	4.25	8%
06-May	4.25	4.45	4.50	4.25	22%
17-Jun	4.25	4.41	4.50	4.25	35%

Yellow cells: Norges Bank cut
Red cells: Norges Bank hike
Sources: Macrobond, Infront, SB1M

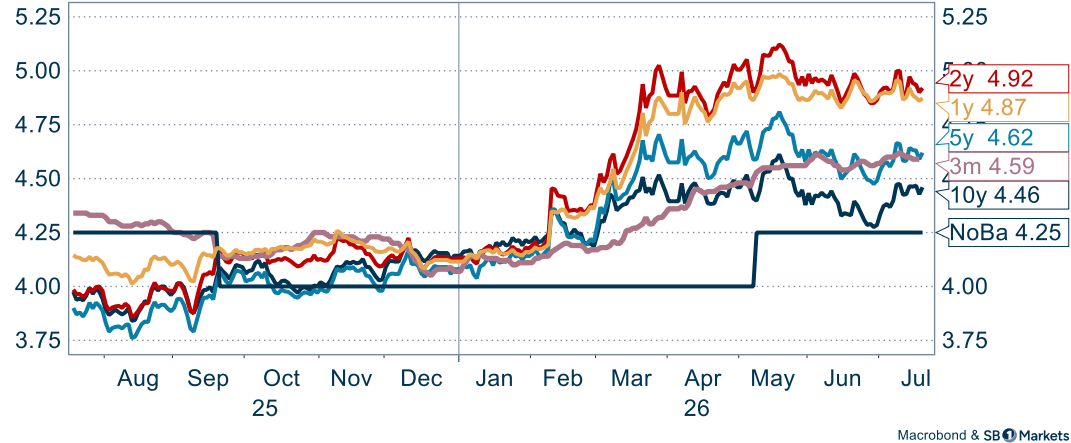


NOK swaps: Down 25 bps in the short end of the curve, up almost 20 bps in the long end

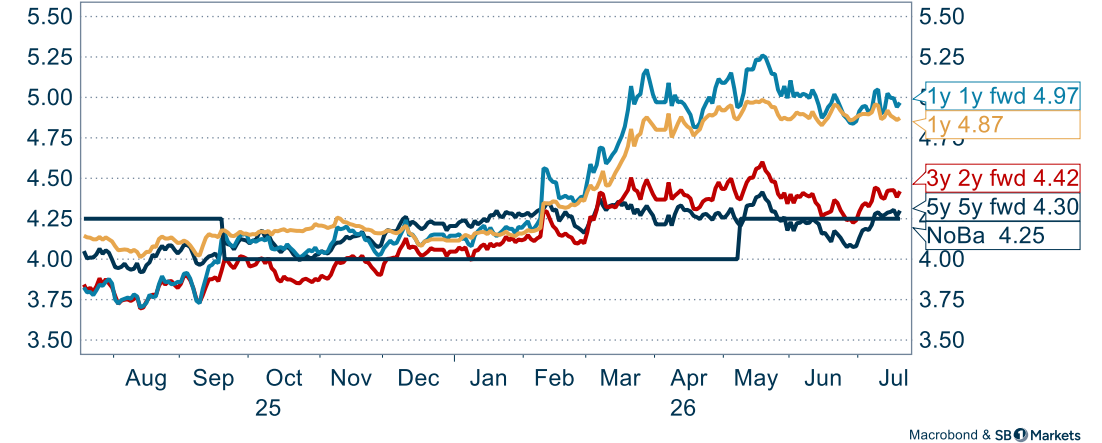
... measured by implied forwards.

The curve remains less inverted, the 10y – 2y spread at -46 bps (from almost 60 in early July).

NIBOR, NOK swap rates



NOK Implied Swap fwd rates

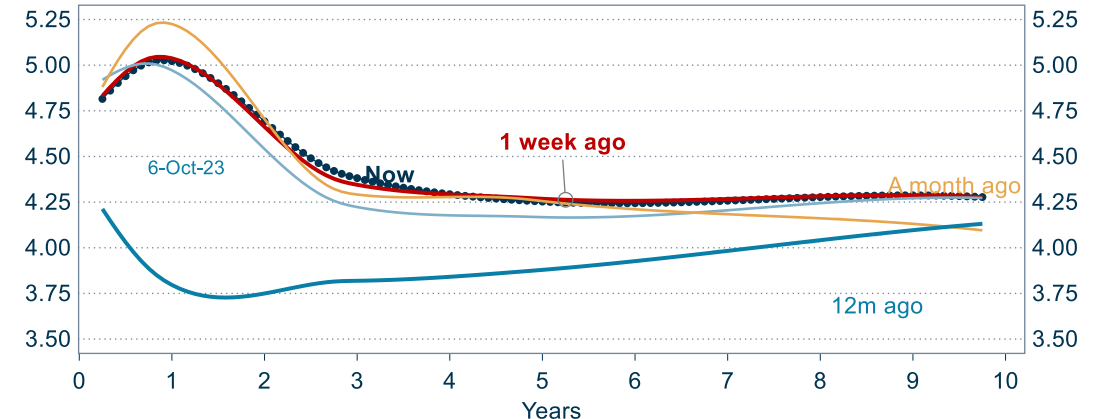


Norway - yield spread, 10y - 2y swap



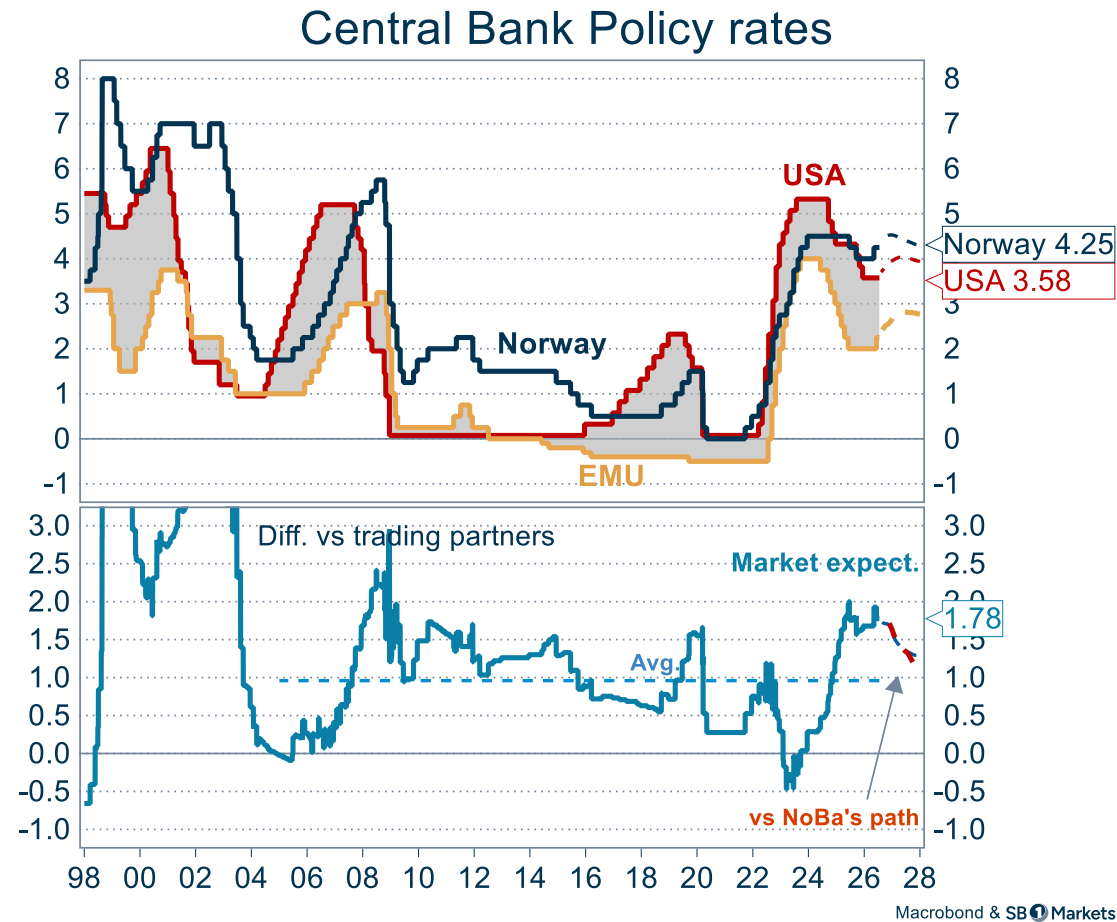
Swap rates are calculated vs. 6m NIBOR, not 3m NIBOR

NOK Implied swap forwards

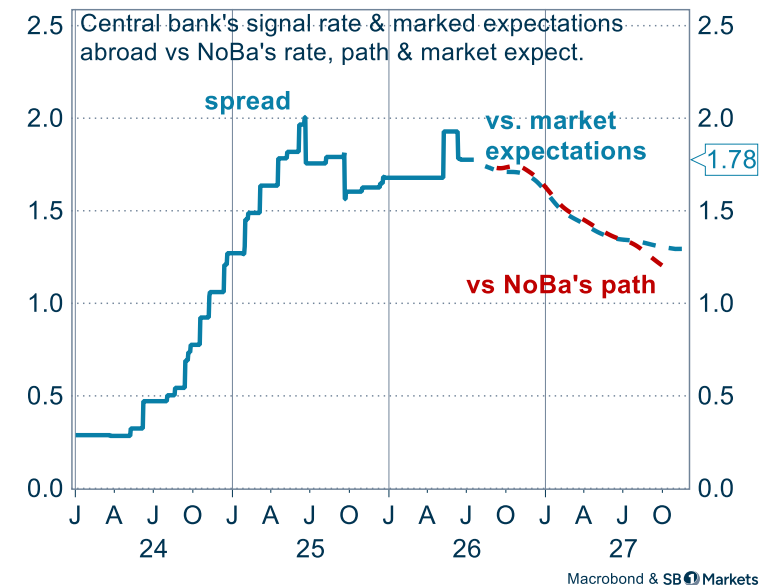


Norges Bank's policy rate: 178 bps above the trading-partners' average

... which is well above the average level at some 95 bps (over the past 20 years).



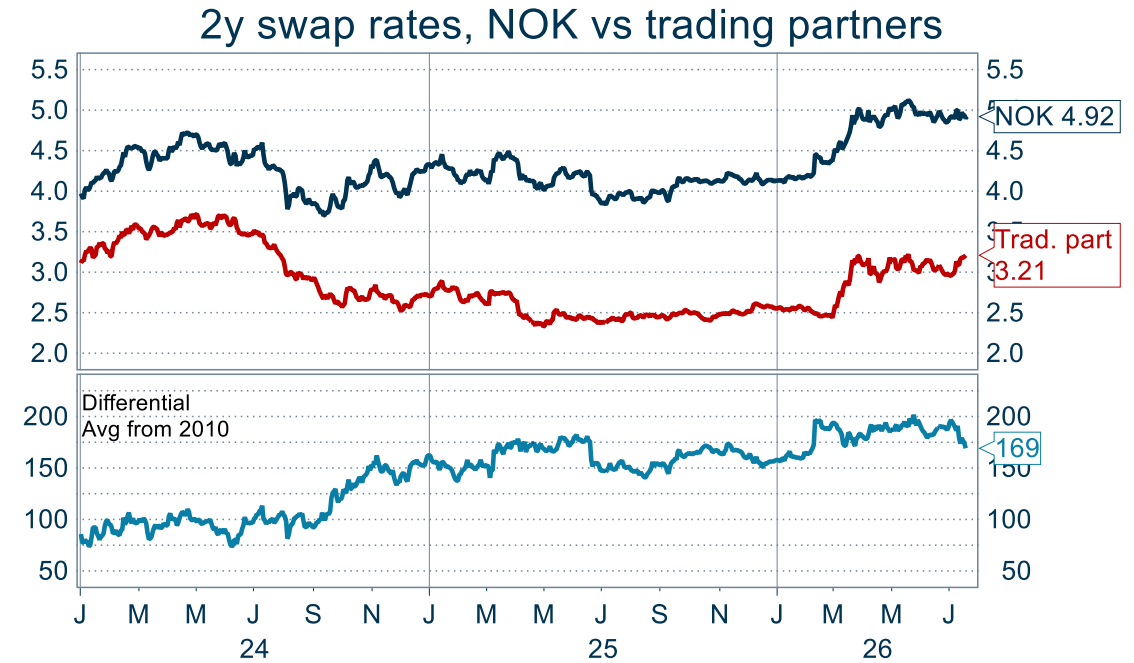
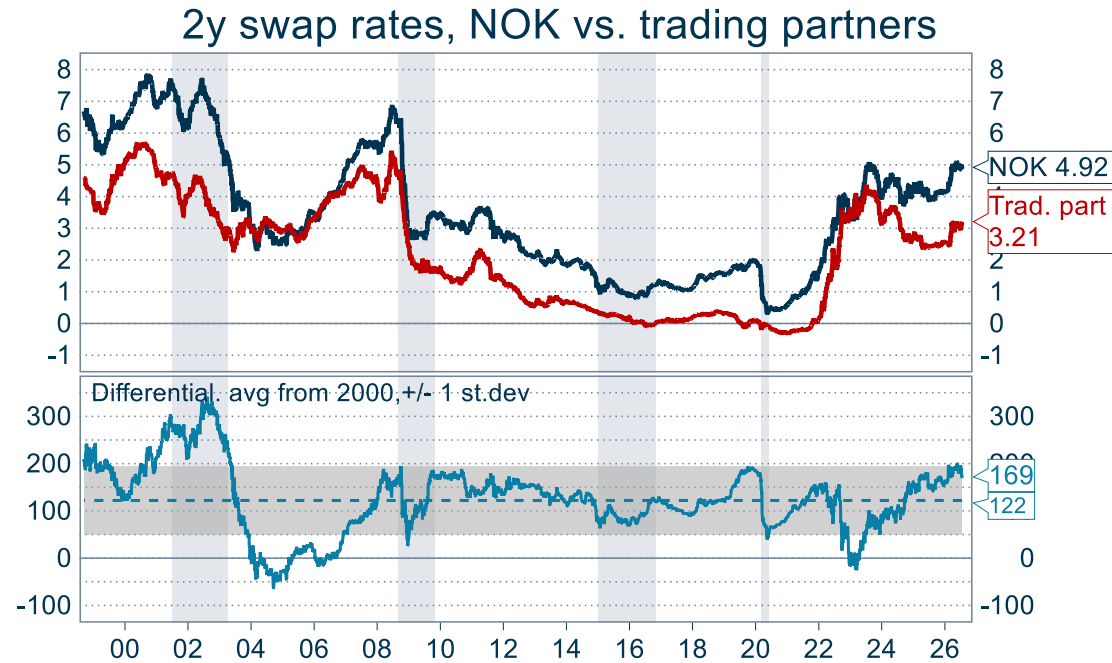
- The peak difference in policy rates over the past 20 years was 225 bps (barring a few days in 2008).
 - In the current cycle, the 2y NOK swap rate has been up to 200 bps above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread will narrow to a normal level by the end of 2027.
- **The market** has a slightly different view...



2-year NOK swap spread on step down, by 25 bps the past 2 weeks, to 169 bps

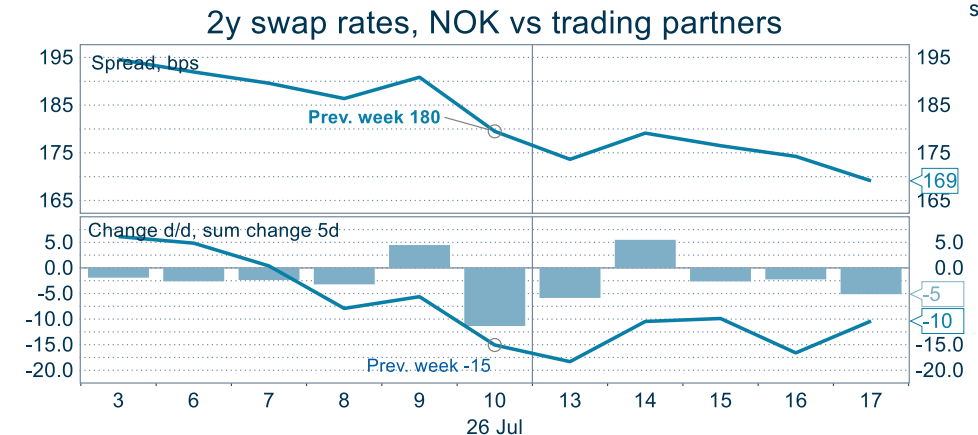
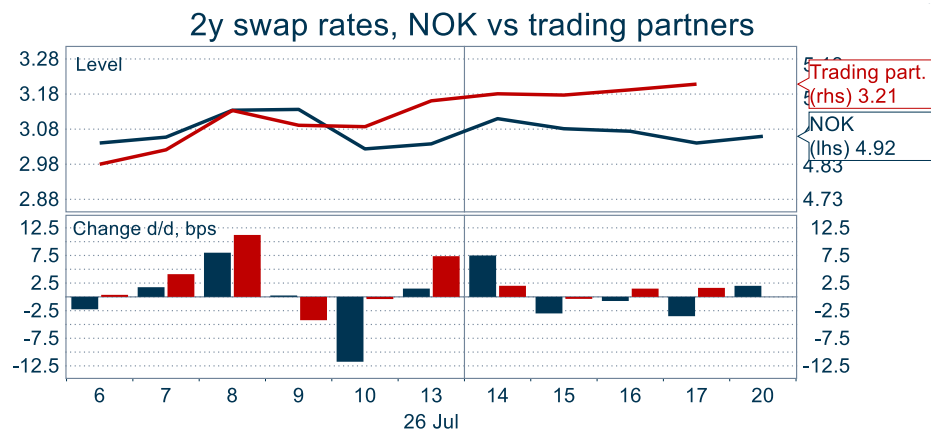
Give credit to the CPI surprise.

The spread level is still high, and the upside risk is probably limited.



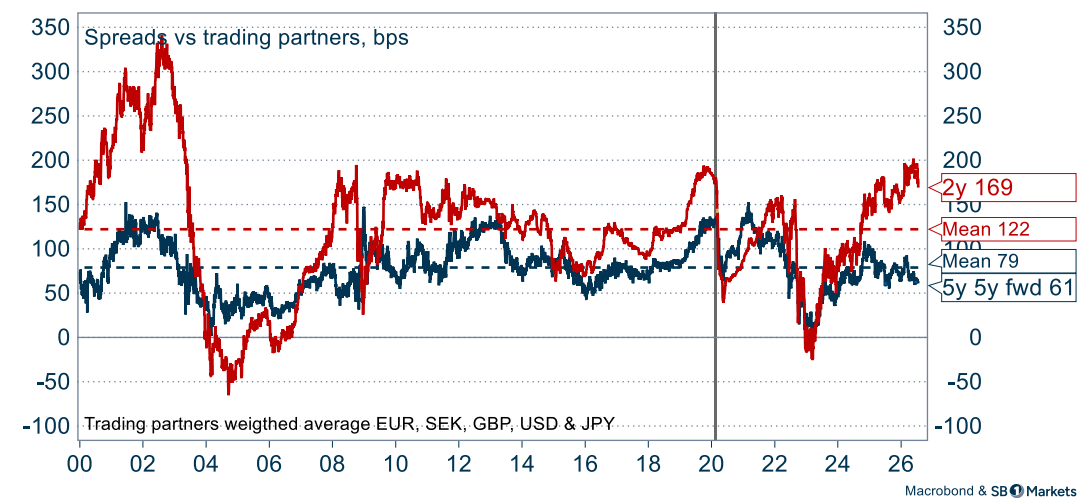
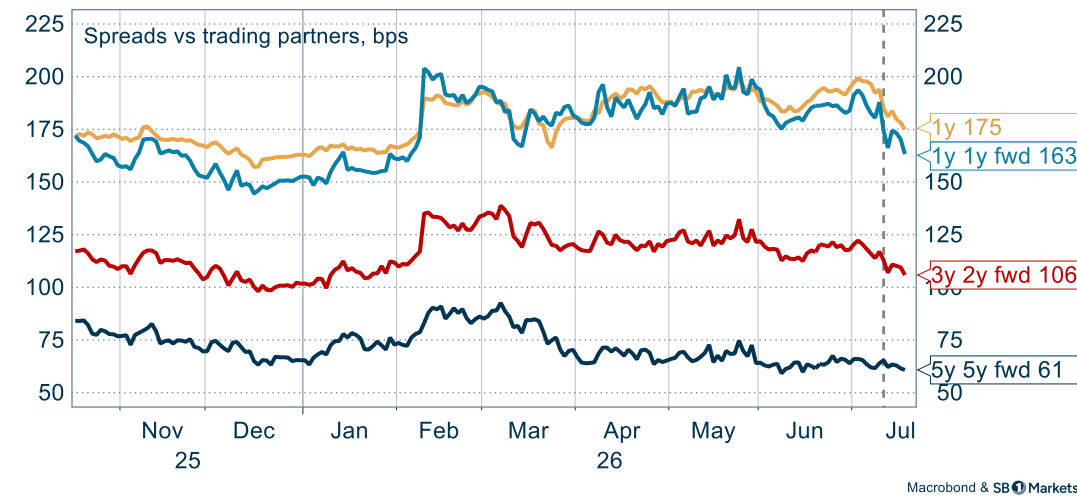
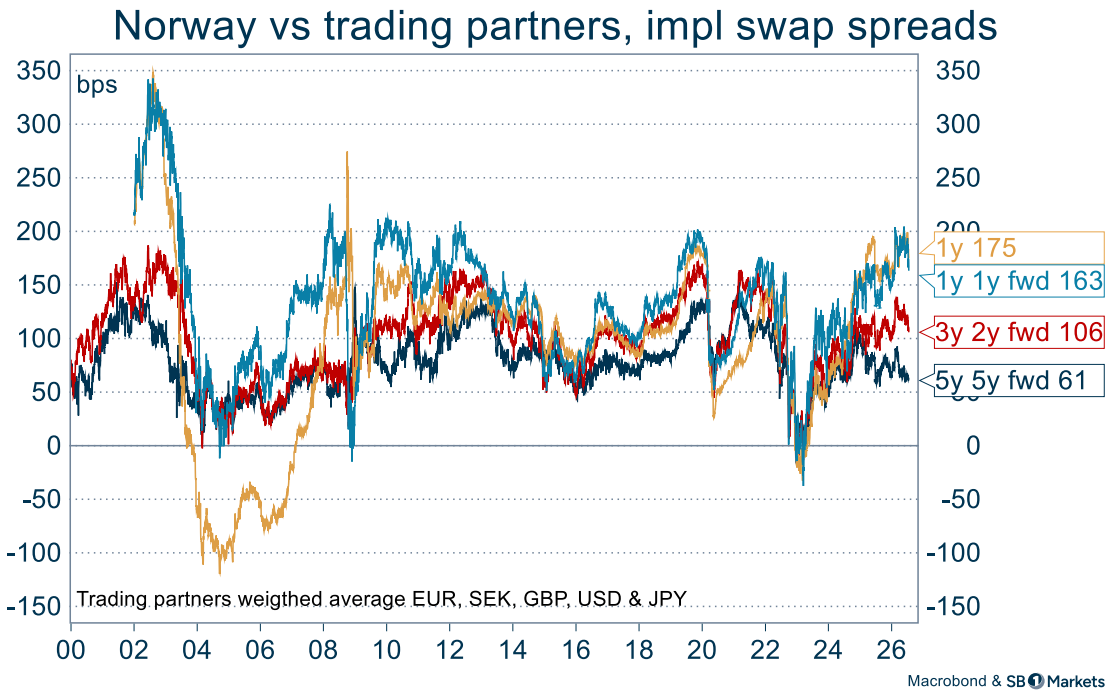
SB Markets

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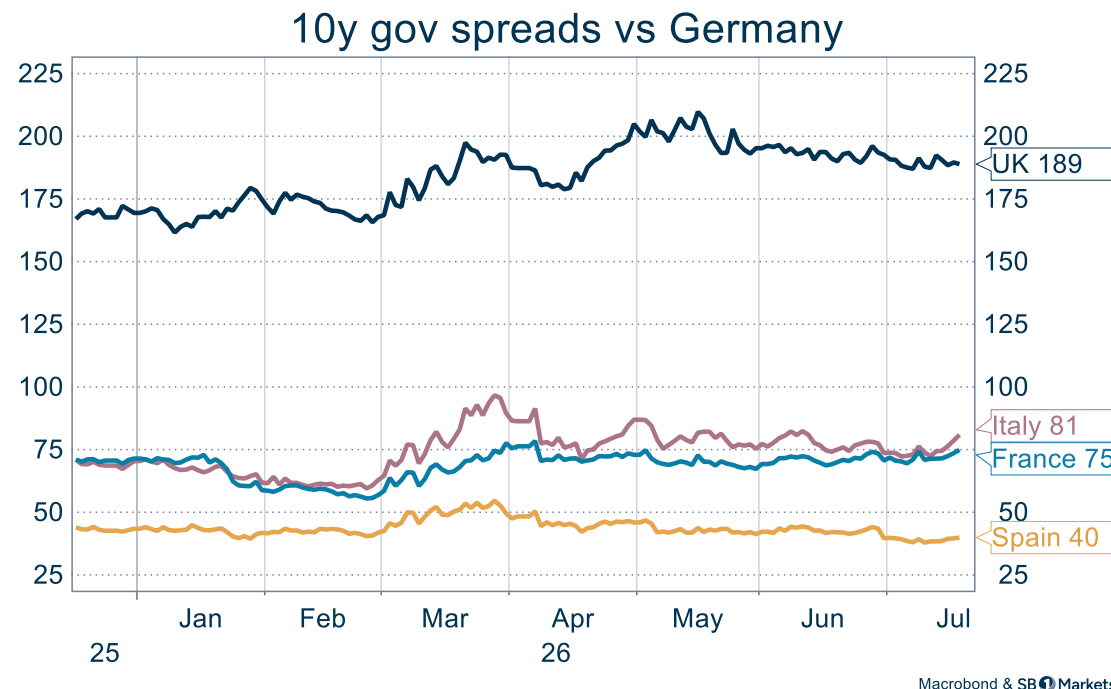
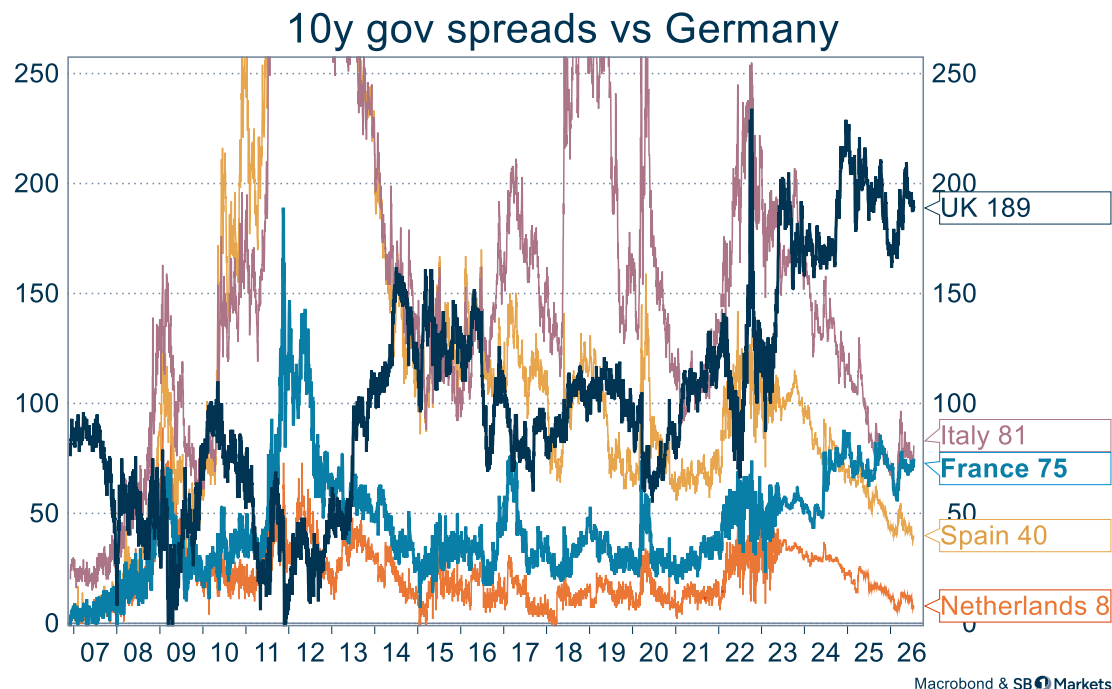
Swap spreads vs. trading partners fell sharply in the short end, not by much in the long end

Spreads are still high in the short end, and well above average levels – and below average in the long end



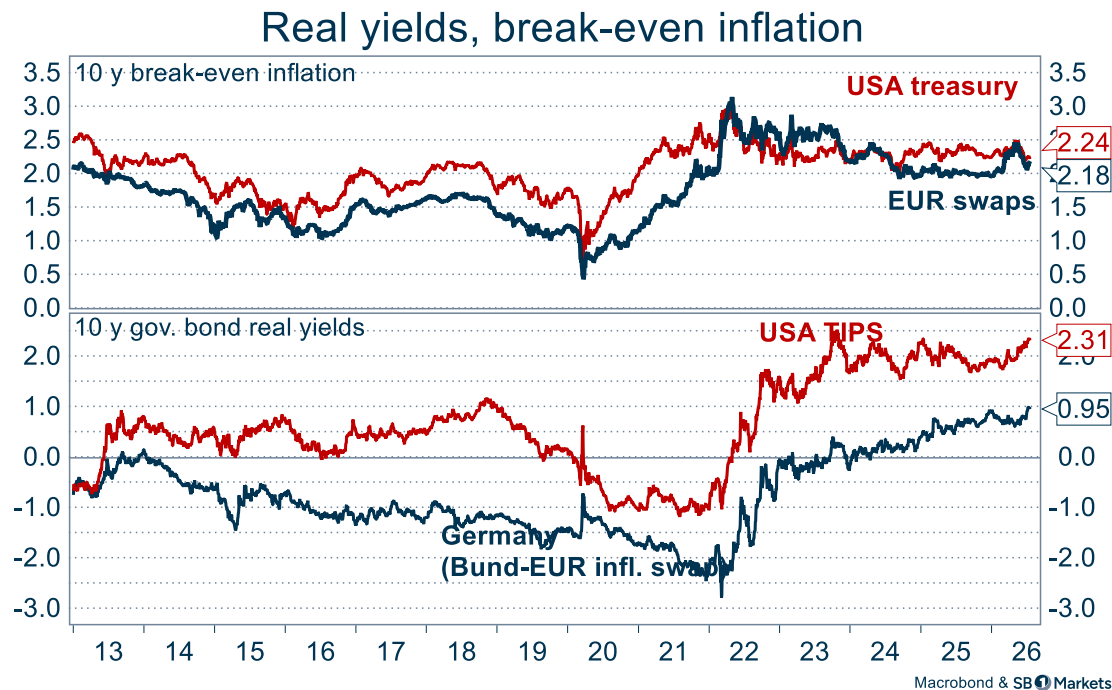
EMU 10y sovereigns: no big changes. UK yields are stable vs. German yields as well

Spreads are still mostly higher than before the Gulf war started. Keep calm and carry on: UK yields have taken the shift in leadership to soft-left Labour PM with unclear economic plans cautiously.

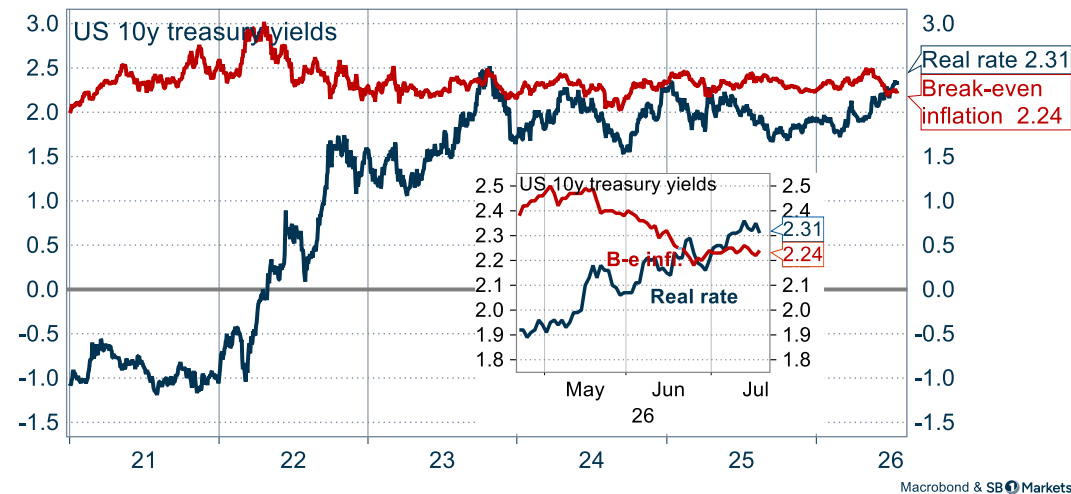


US inflation expectations are lower than before the Gulf war, real rates higher

US break-even inflation expectations are lower than before the Gulf war started, even after the recent lift in oil prices. In EUR, inflation expectations rose more than in the US, and real rates fell. Now, EMU real rates are surging – alongside slightly higher inflation expectations.



- The 10y real TIPS rate at 2.31% is close to the highest since 2009.
- The US 10y break-even CPI inflation at 2.24% is in line with the PCE target at 2.0% (PCE inflation is on average lower than inflation measured by the CPI).
- 10y EUR inflation expectations (inflation swap) at 2.18% are just marginally on the high side. The real bond rate (applying inflation swaps) is at 0.95%, and trends steadily upward.



US, Germany real rates, inflation expectations

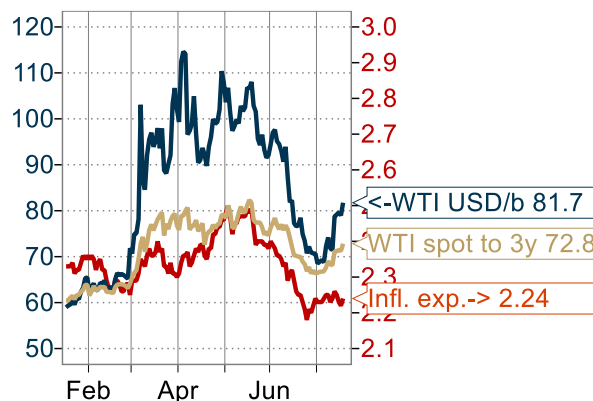
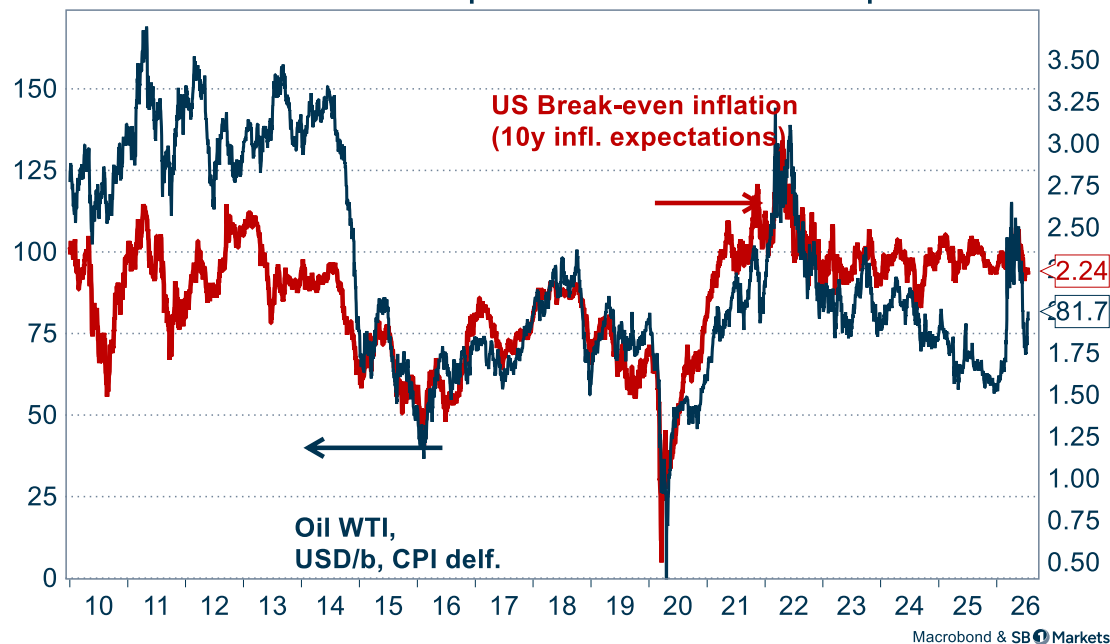
	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	4.55	-0.01	0.06	0.37	0.52
.. break-even inflation	2.24	0.00	-0.02	-0.01	1.06
.. TIPS real rate	2.31	-0.01	0.08	0.38	-1.19
Germany 10y gov, bund	3.13	0.04	0.20	0.29	-0.65
.. 10y EUR inflation swap	2.18	0.08	0.03	0.23	0.68
.. real rate	0.95	-0.03	0.18	0.06	-2.79

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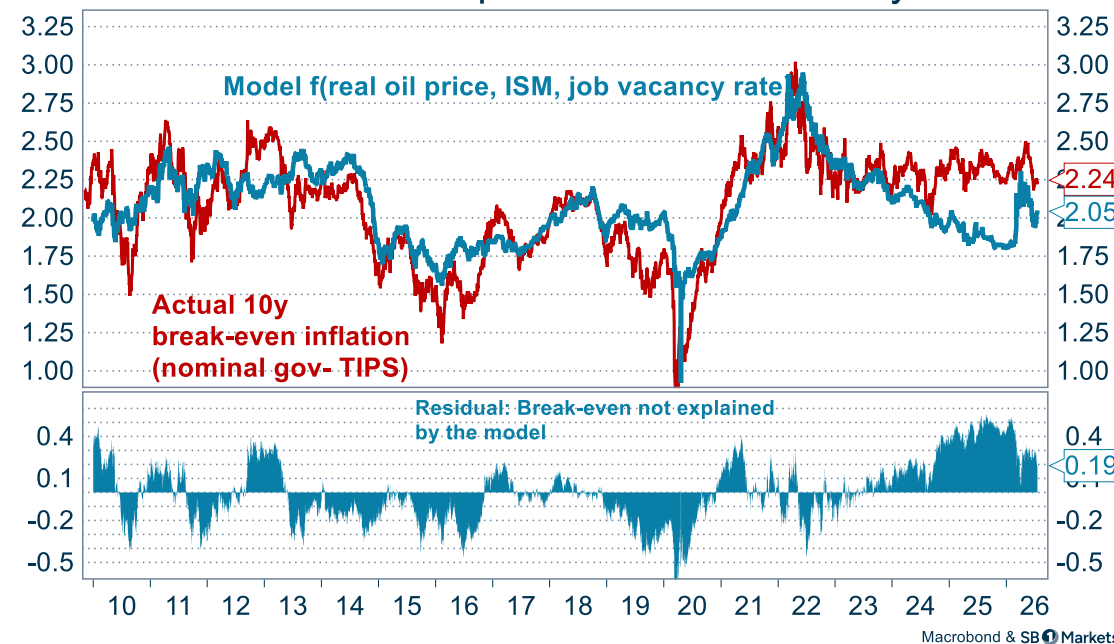


US inflation expectations have not followed oil prices up so far in July

USA Inflation expectations vs. the oil price



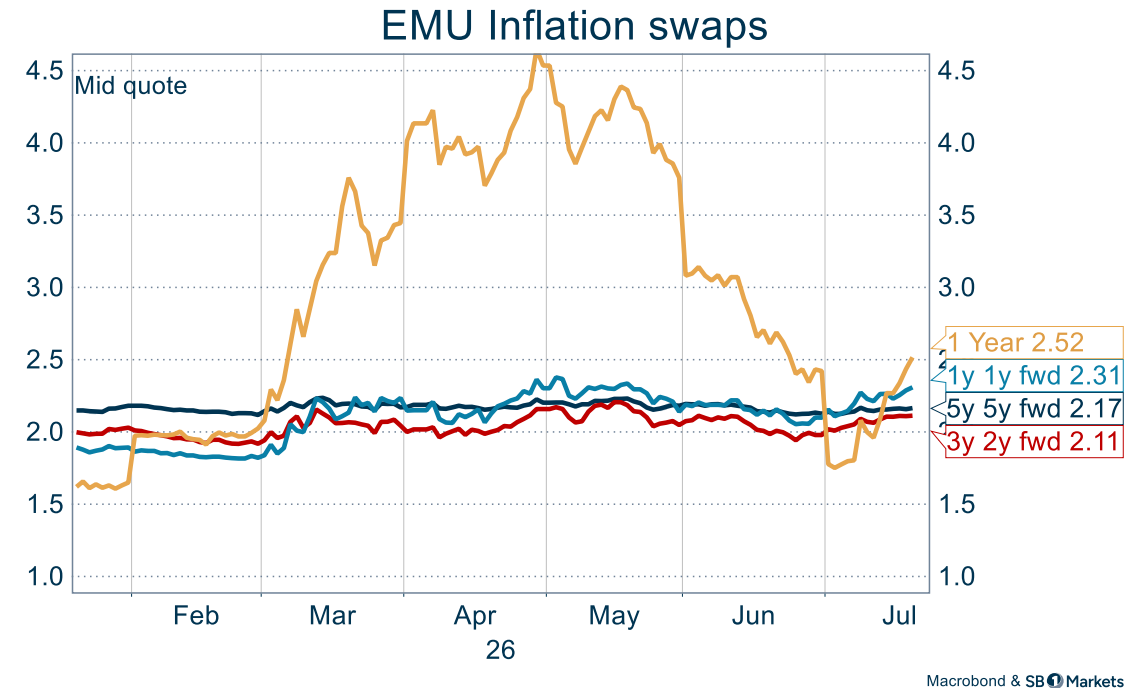
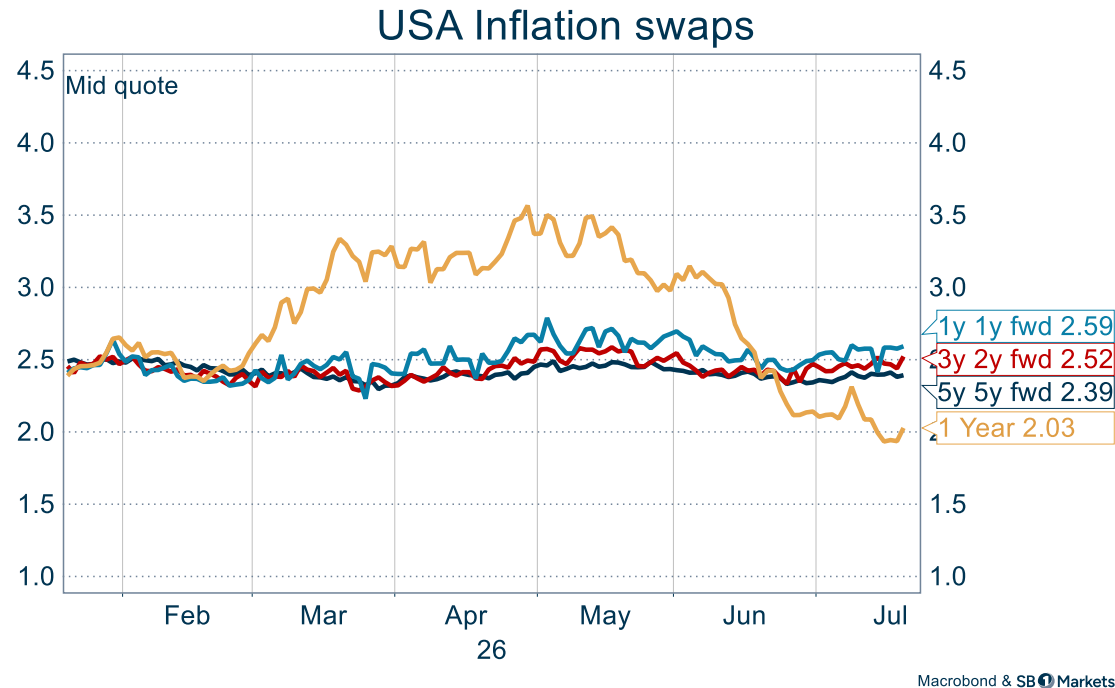
USA Inflation expect. vs. vs oil & the cycle



- The main determinant of **long-term inflation expectations** has been the current **spot (!) oil price**. If the current ISM and the current labour market are added, the model works even better.
- Our model's coefficients:
 - -10 USD/b: -10 bps (the dominant factor, check the upper left chart)
 - -1 labour market vacancy pts (say to 4.3% from 5.3%): -12 bps
 - -5 ISM points: -12 bps
- Should other factors have been included in the model?

Short-term inflation expectations are 'normalised' in the US, but have turned up again in EMU

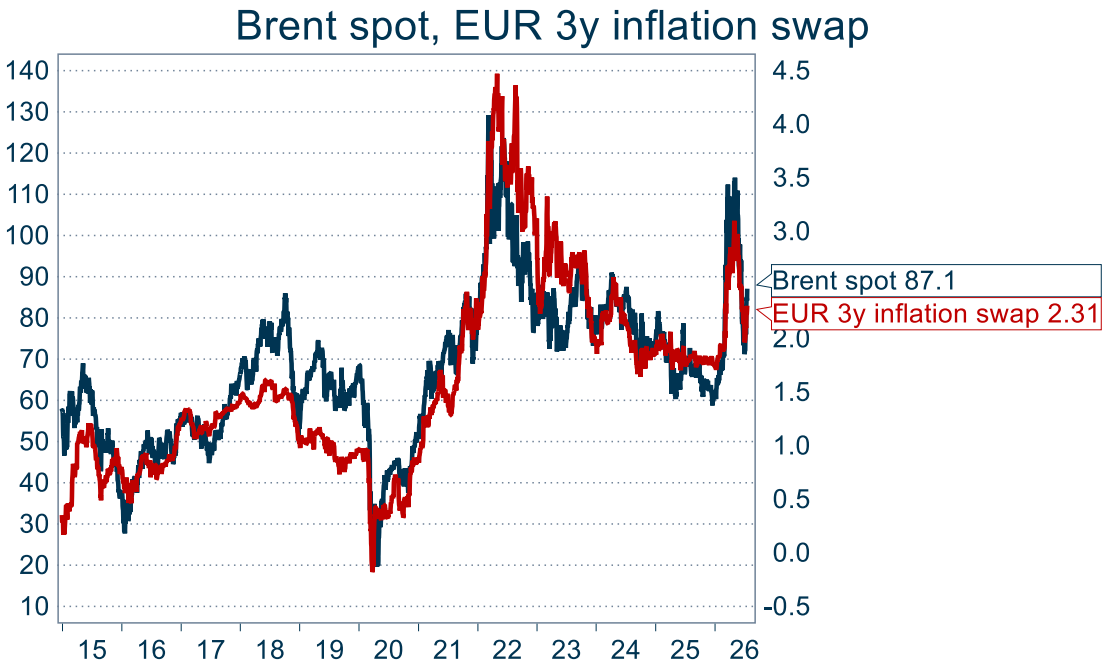
In EMU, the EUR 1y inflation swap has shot up 75 bps in July. Natural gas prices may explain part of the differential. Longer-term inflation expectations, from 1y in the US and 2y in EMU are well behaved.



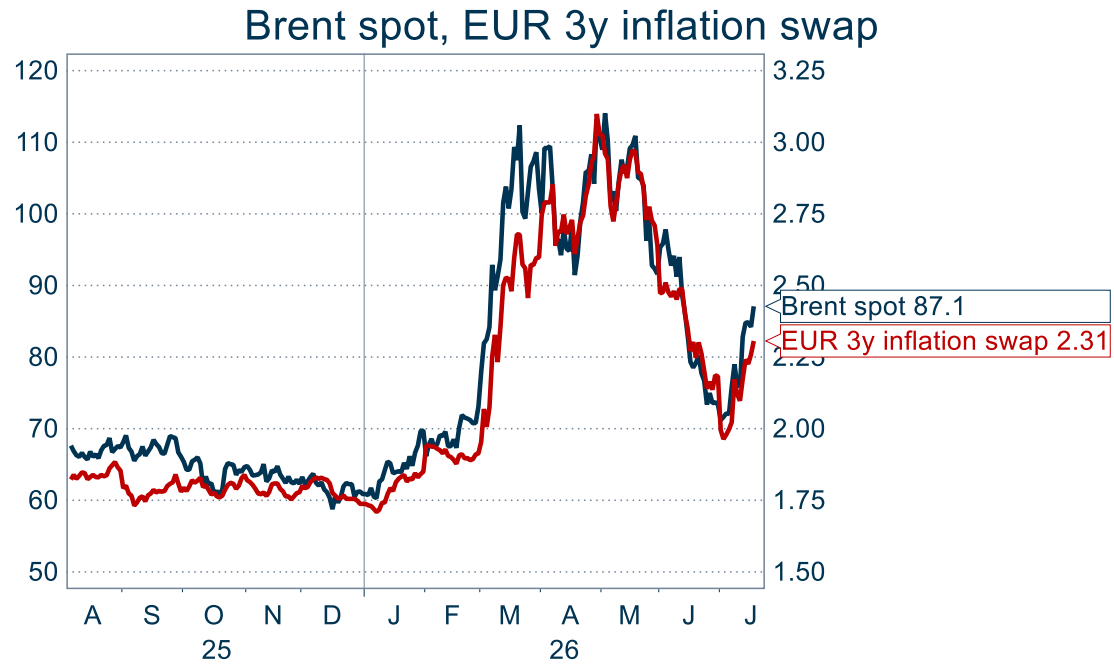
The 1y EUR inflation swap is heavily impacted by the base effect in y/y HICP inflation rate. Thus, around the change of front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation swap curve, the impact is limited and it is non-existent in the forward curve (check the 1y1y vs. the 1y inflation swap).

EUR short-term inflation expectations have followed the oil price closely, and now up

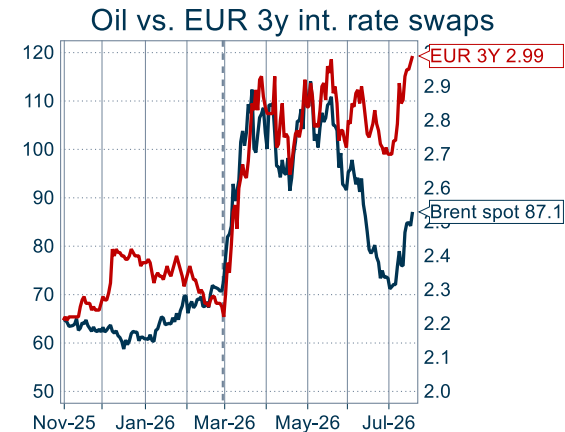
However, nominal rates have climbed faster, after falling less than inflation expectations in June. The real rate is in between, *check next page*



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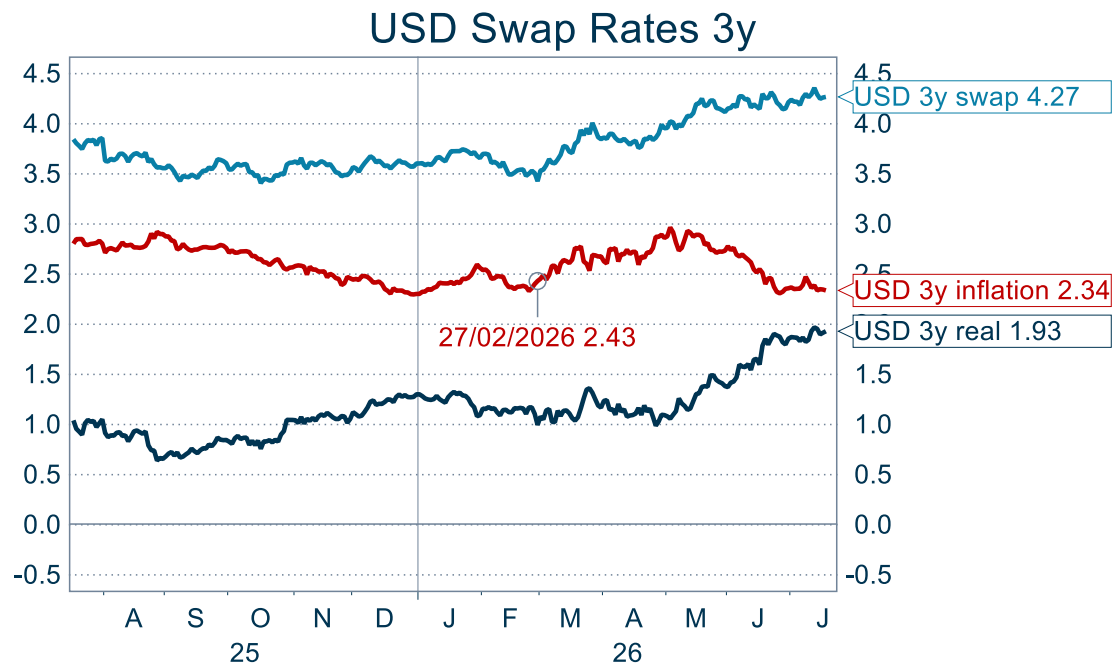


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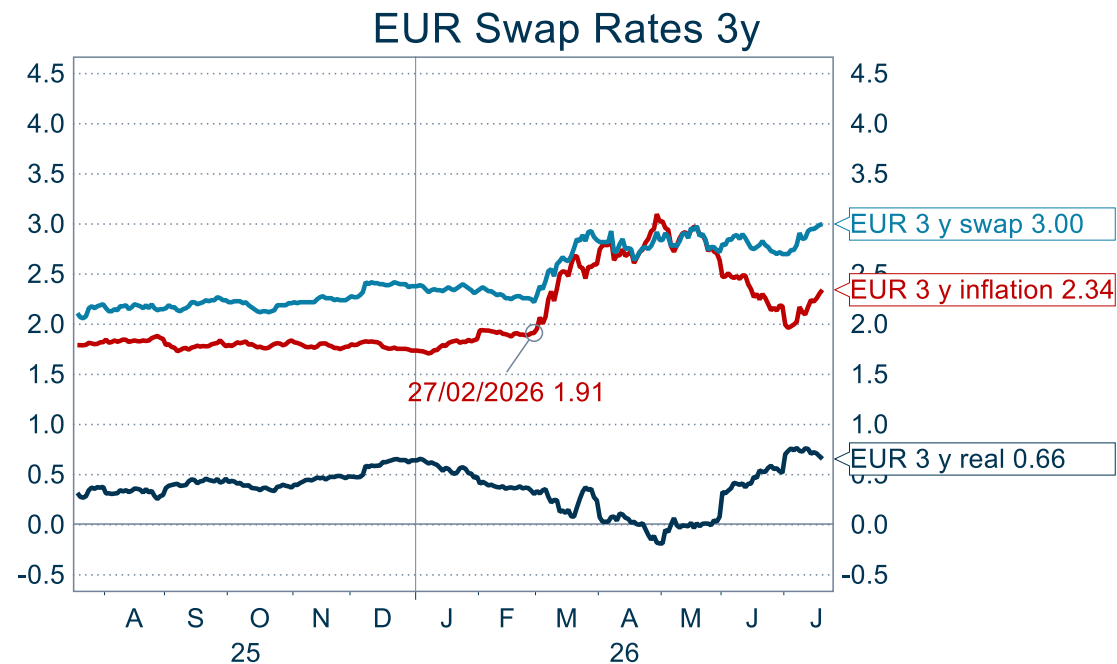


From before the war: the 3y US real rate is up 90 bps, the EUR real rate 35 bps

Initially, when the oil price and inflation expectations rose, EUR real rates declined but have risen more since May (partly due to the 'technical' changes in the 1y inflation swap). Inflation expectations since before the war: -10 bps in USD, +43 bps in EUR.



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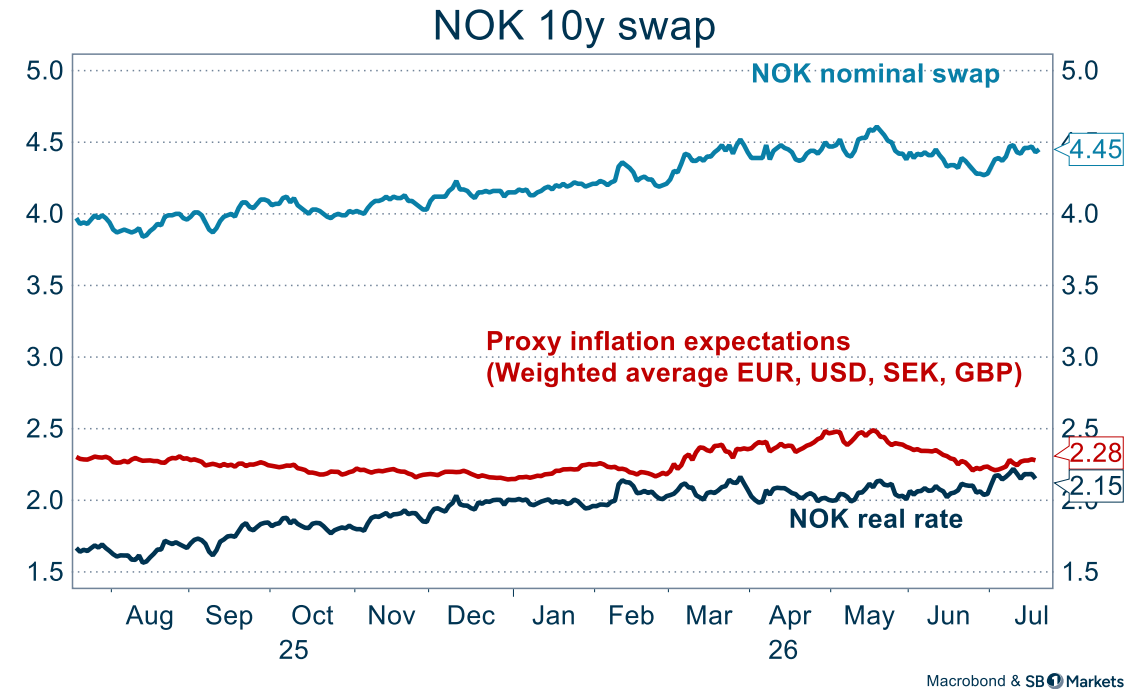
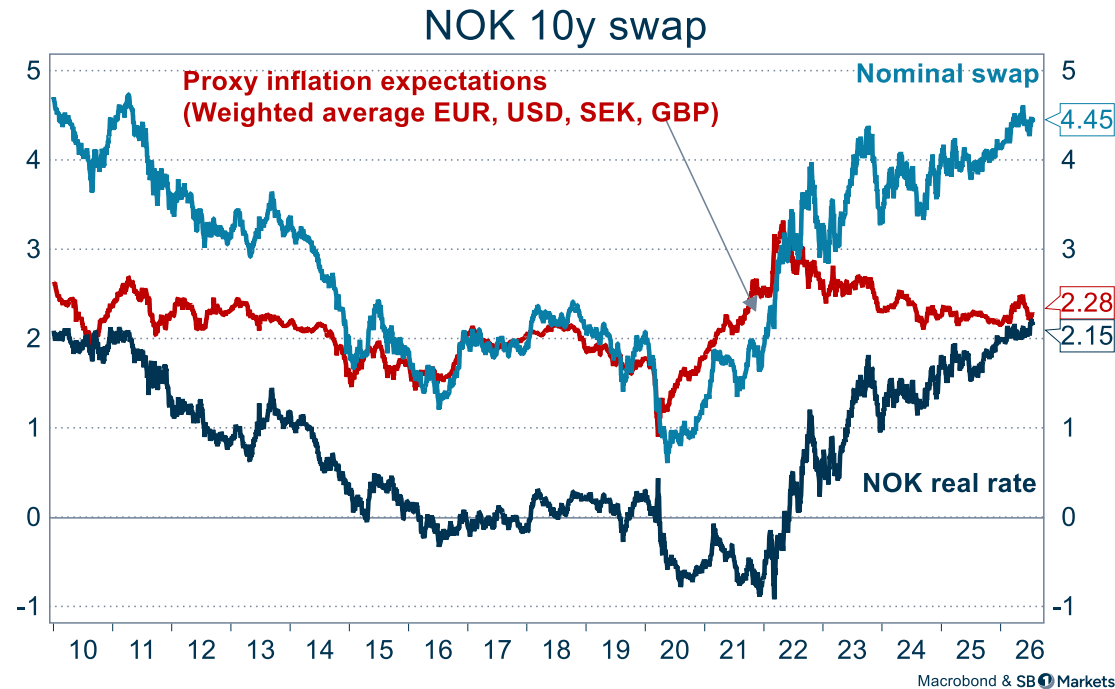


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NOK: the 10-year real rate (probably) well above 2%

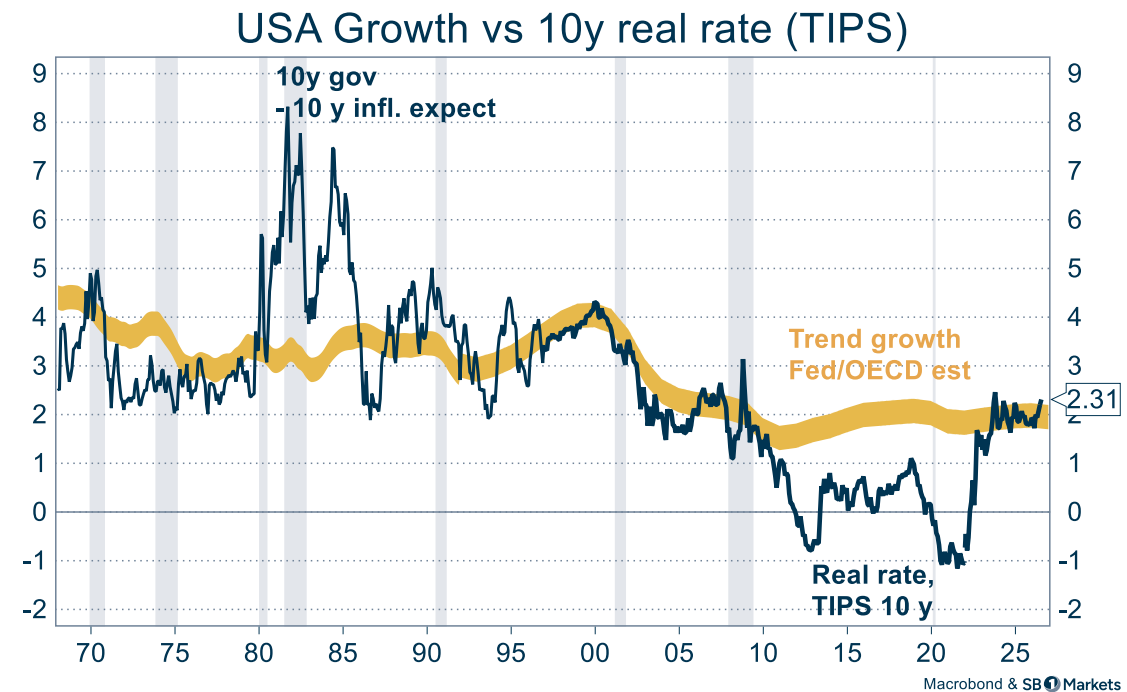
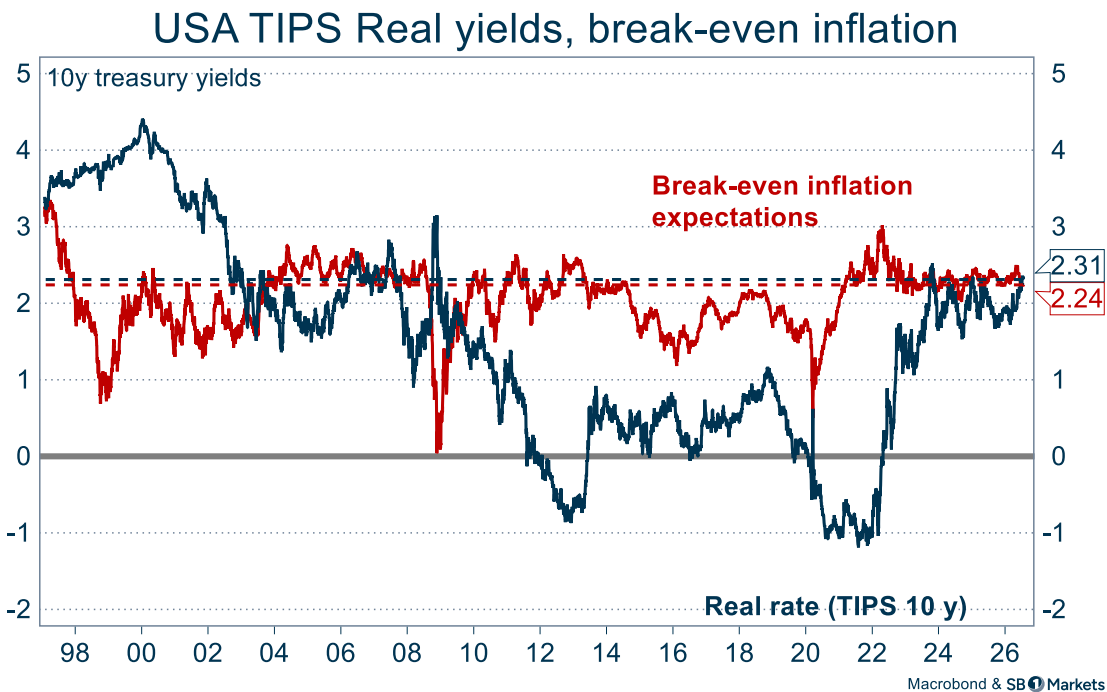
... as we assume that inflation expectations develop in line with expectations abroad. These expectations have been drifting upwards in recent weeks, due to the impact of the energy price shock – until the decline the past two weeks



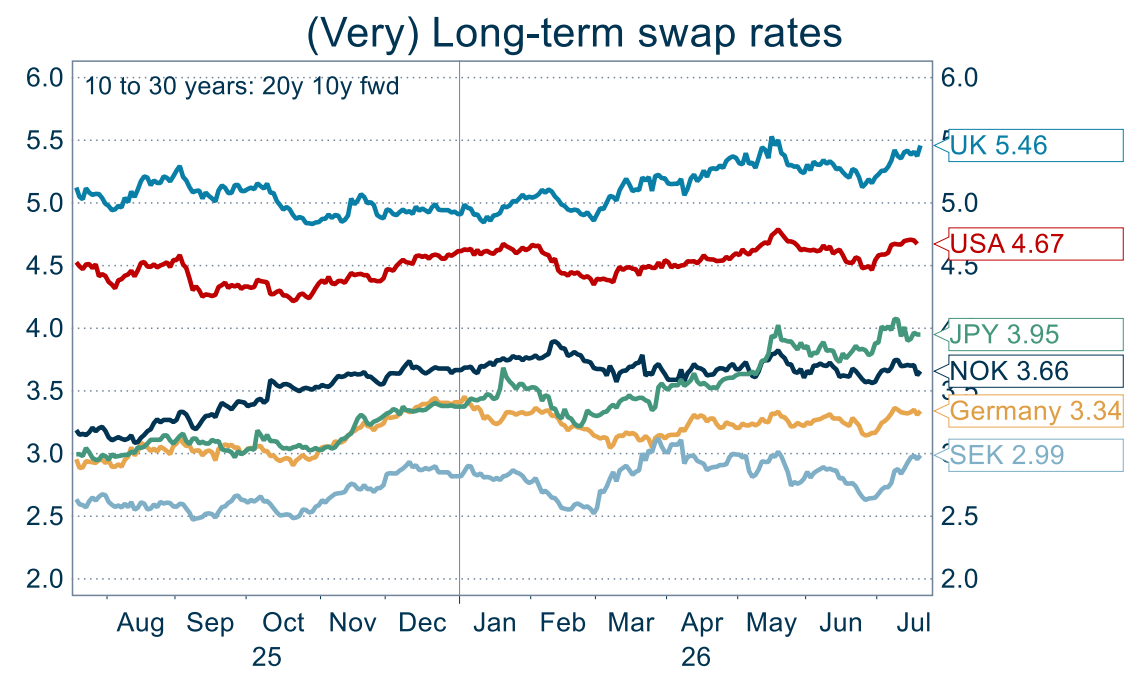
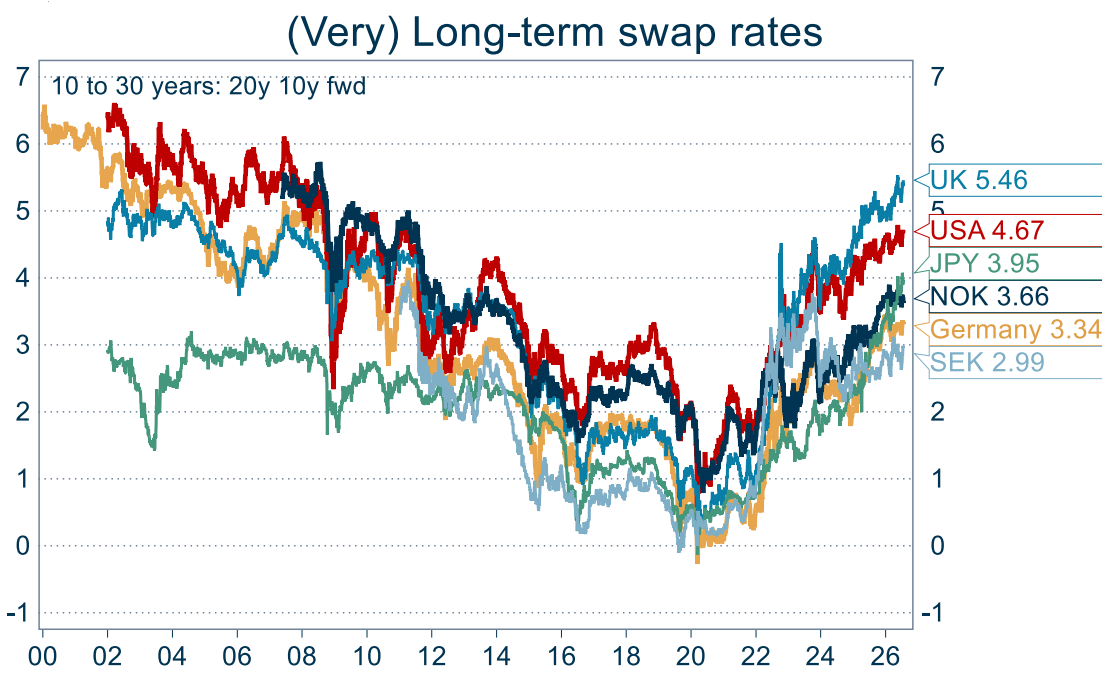


US real rates vs. growth expectations: up to above the upper part of the 'growth corridor'

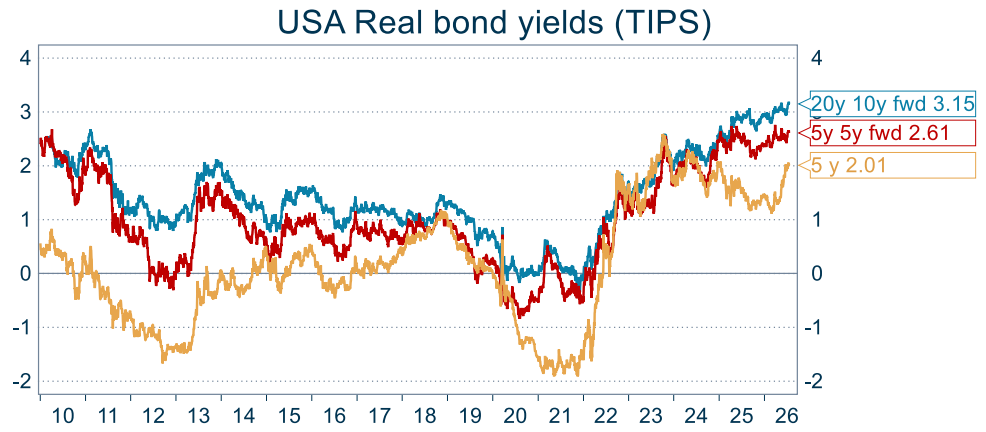
We would NOT bet on a substantial lift from here. In an economic downturn: lower long-term real rates likely.



Very long-term swap rates up in July



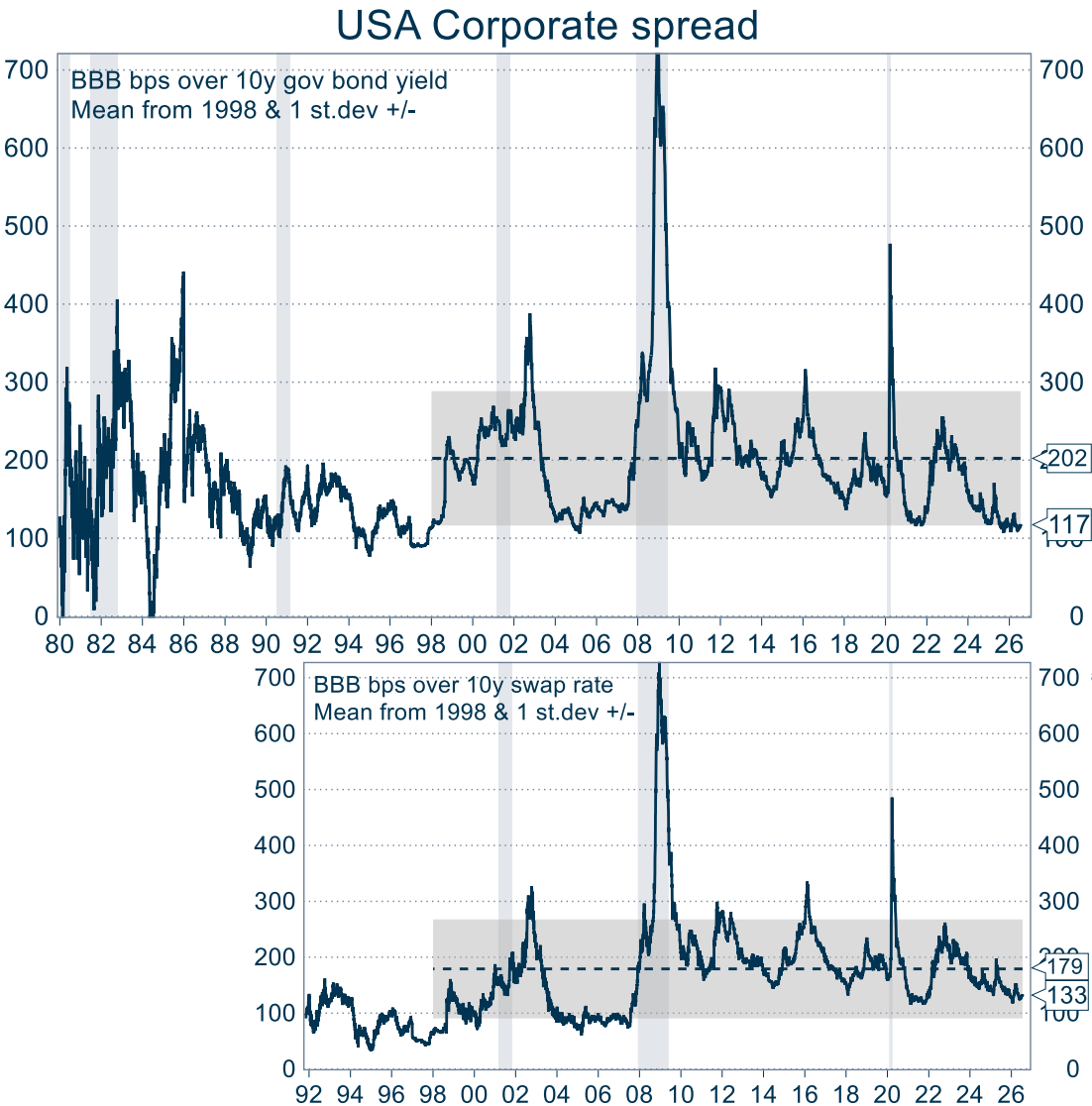
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US real bond yields are drifting upwards

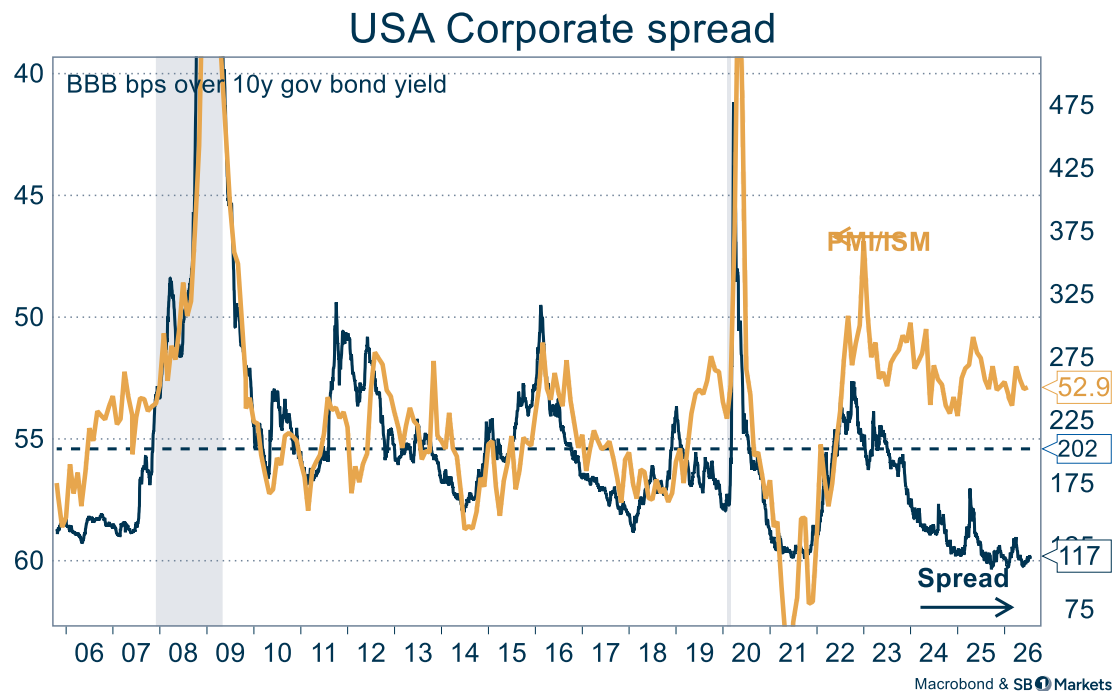


US BBB corporate spread (vs. 10y gov.) trends upwards recent weeks, is still very low

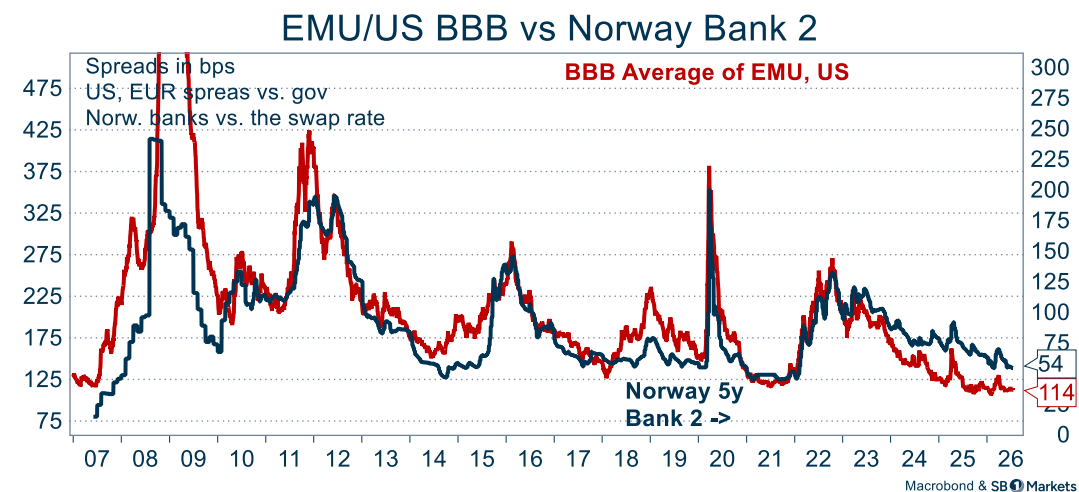
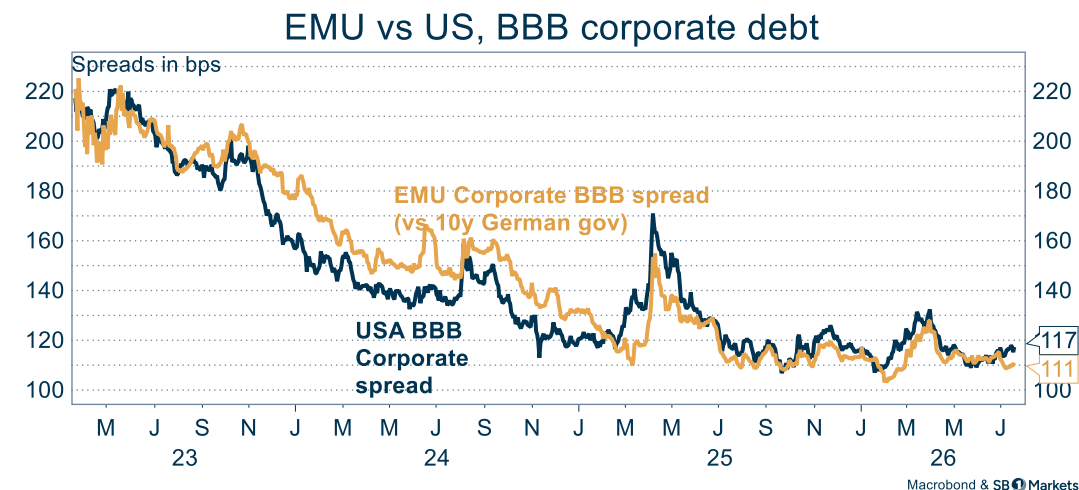


Mind the gap: modest survey growth data, but credit spreads are VERY low

... as though the economy were genuinely thriving. US and European spreads have tightened simultaneously, as is typical – and Norwegian spreads have followed a similar pattern, more or less.



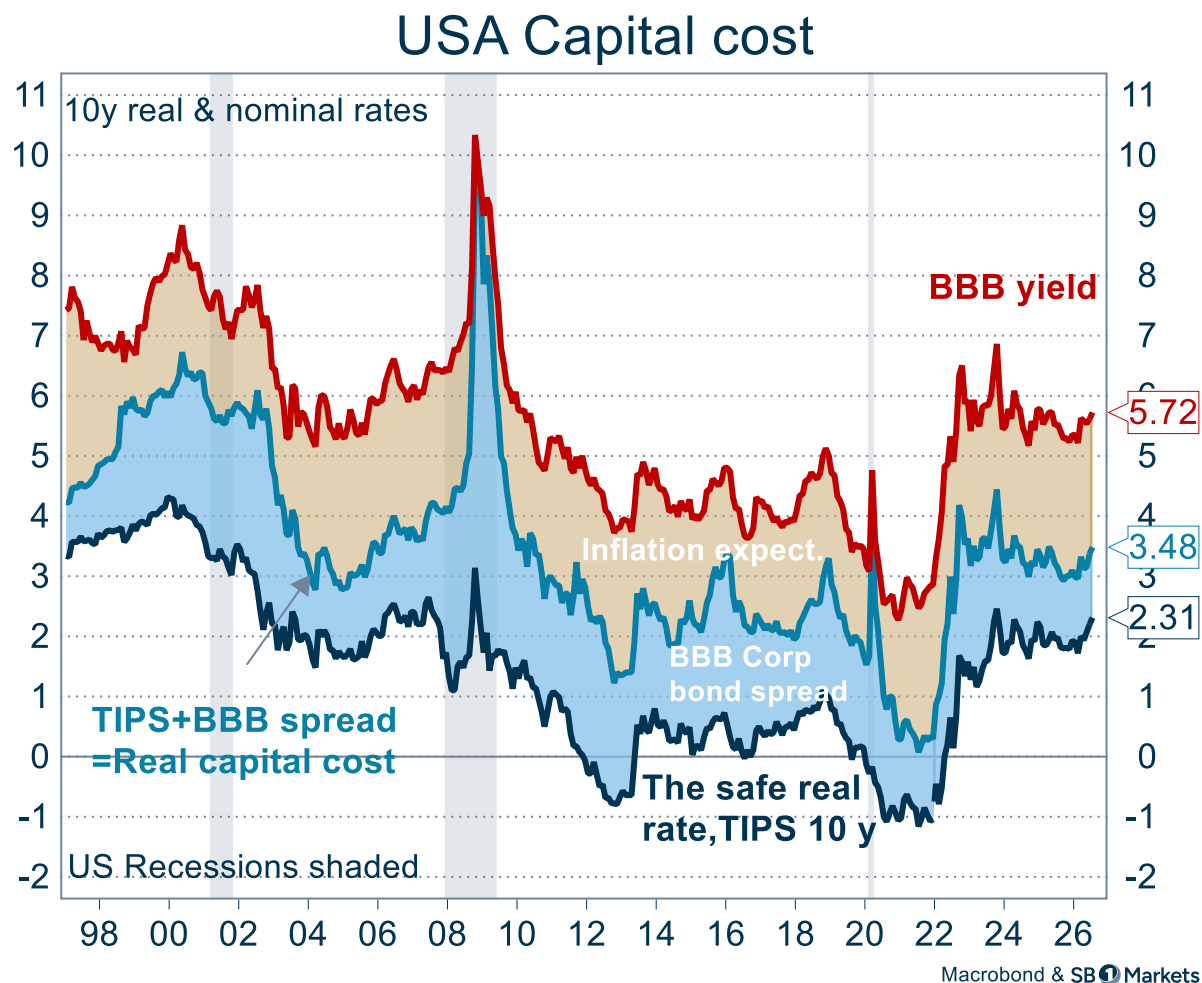
- The main Norwegian bank bond spread (bank 2, 5y senior) fell marginally to 54 bps. The trend is down, but the level is not rock bottom.





Corporate borrowing costs have been drifting lower but turned up again

Both the rise in government bond yields and the widening of credit spreads contributed.



- The total real borrowing cost for a US BBB investment grade industrial corporation is at 3.5%.
- Adding in inflation expectations, the nominal borrowing cost has declined in recent months, now to 5.7%, from close to 7% at the peak – but up from well below 3% at the bottom in 2020/21

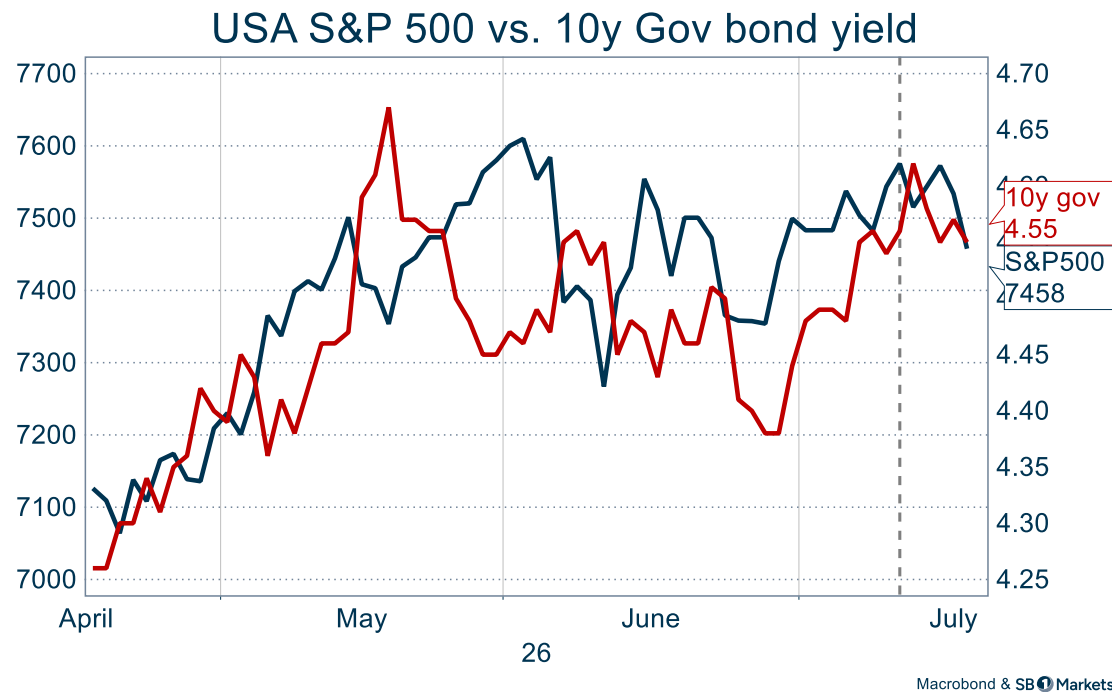
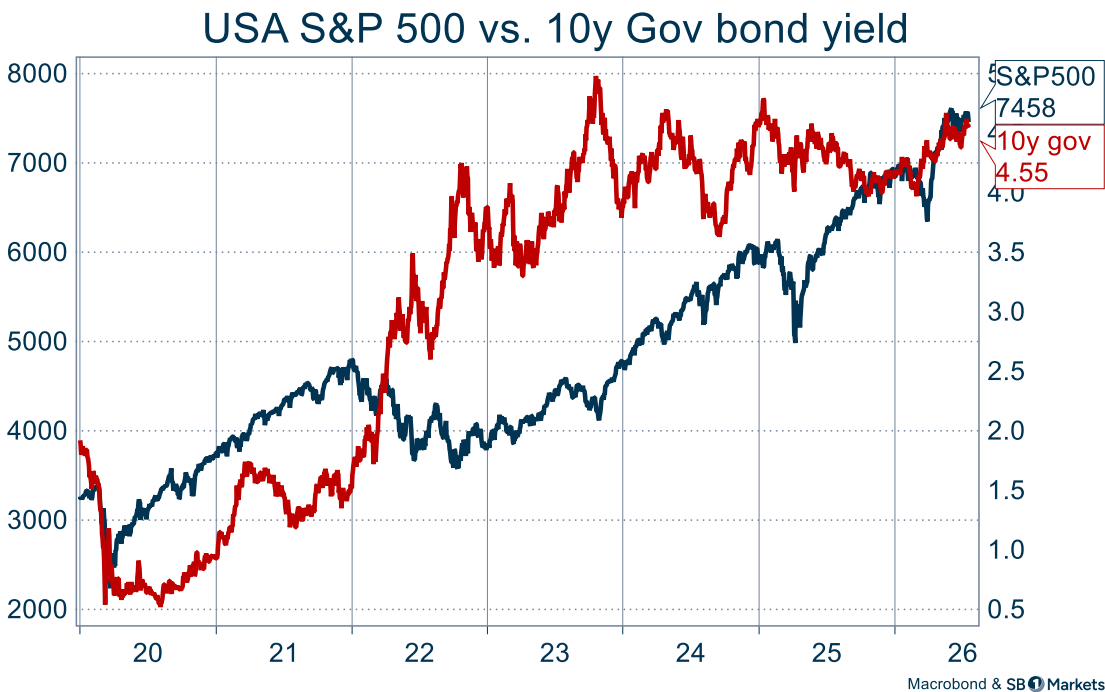


4.3 Equity markets



S&P 500 down last week, but up so far in July. The same goes for the 10y bond yield

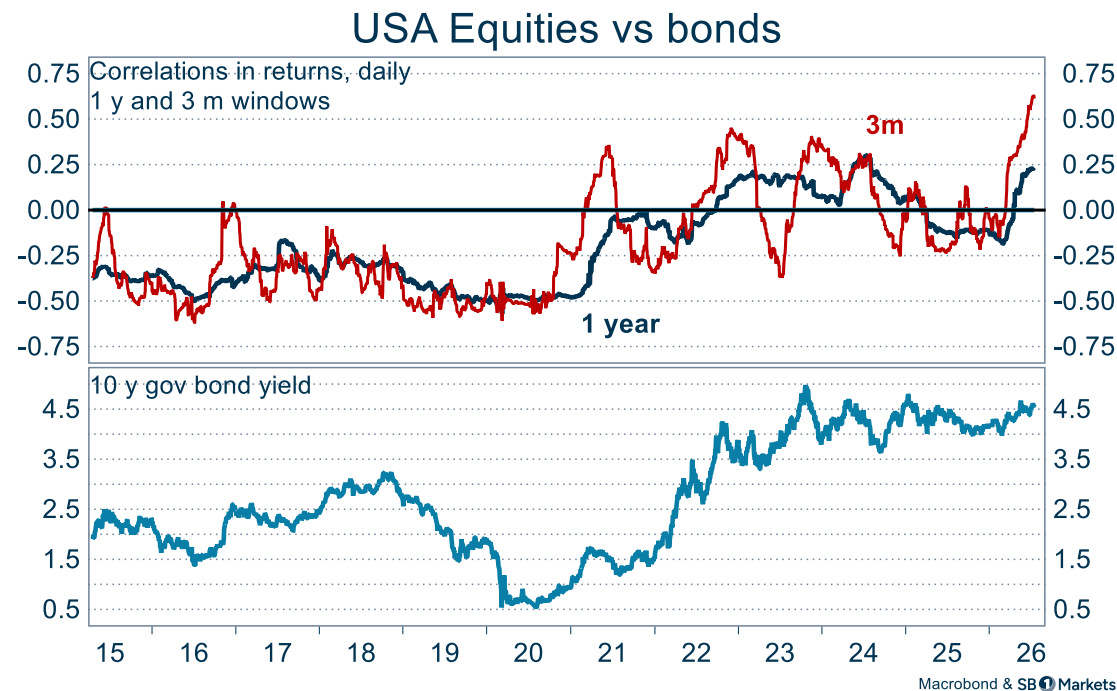
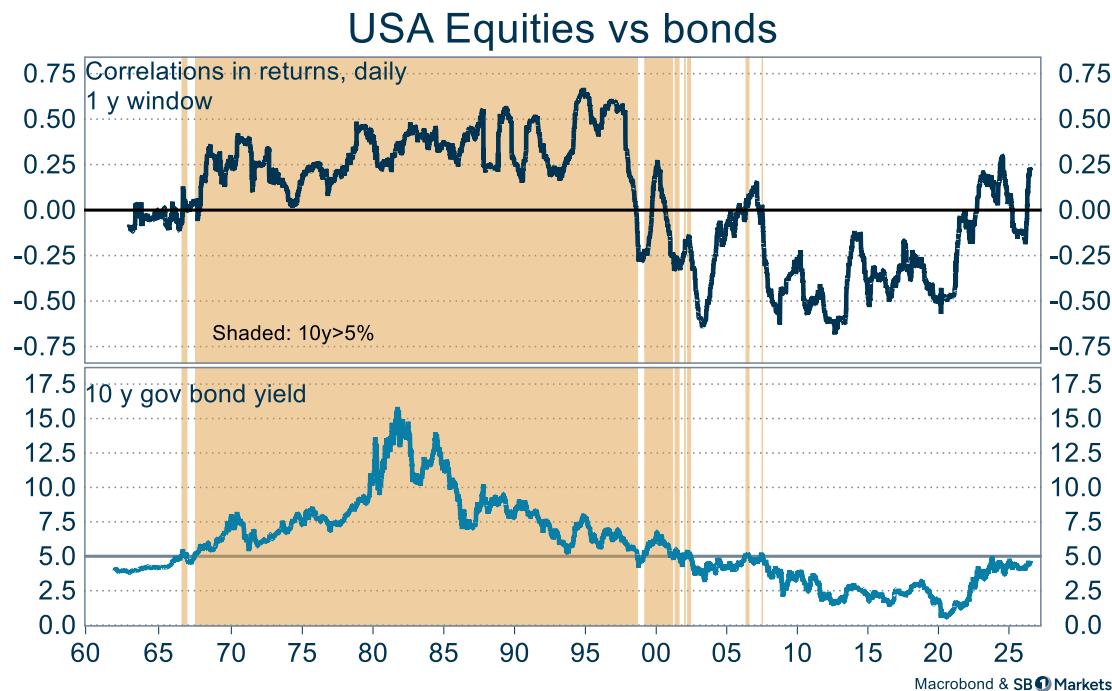
The 10y gov. bond yield was above 4.60% last week but closed at 4.55%. Late Monday, up to almost 4.60% again.





Equity–bond return correlation has turned positive in recent months

This follows the return of inflation worries and rising bond yields for ‘the wrong reason’ — an oil supply shock — even if it is real rates, not inflation expectations, that have risen.

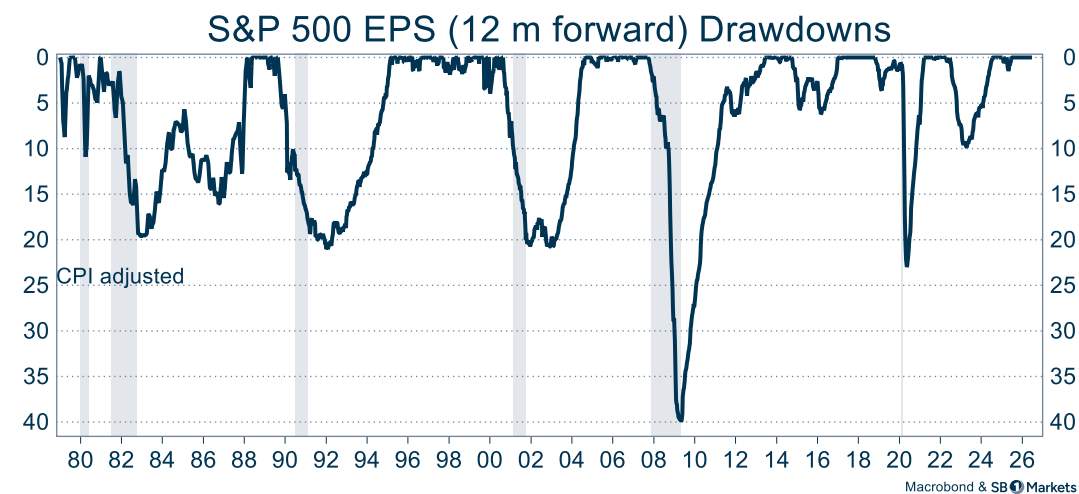
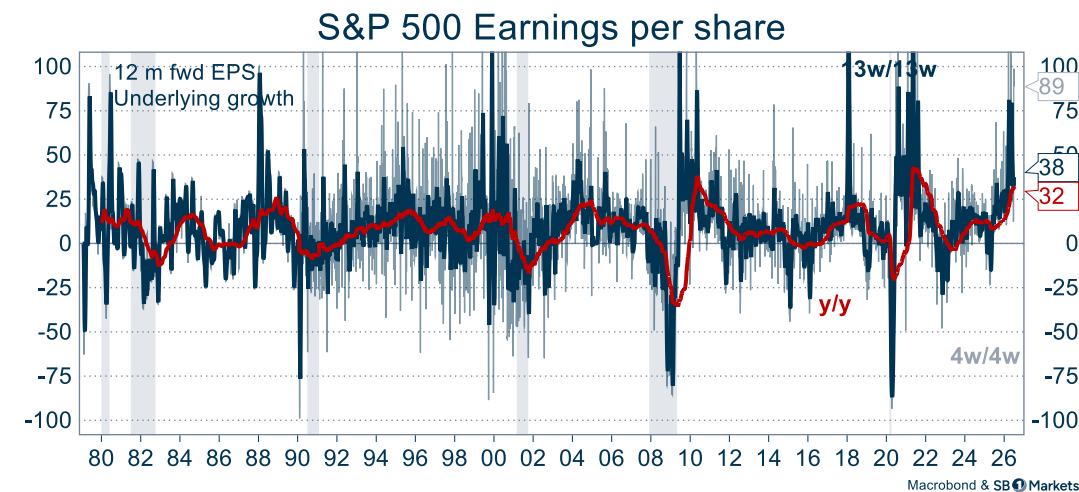
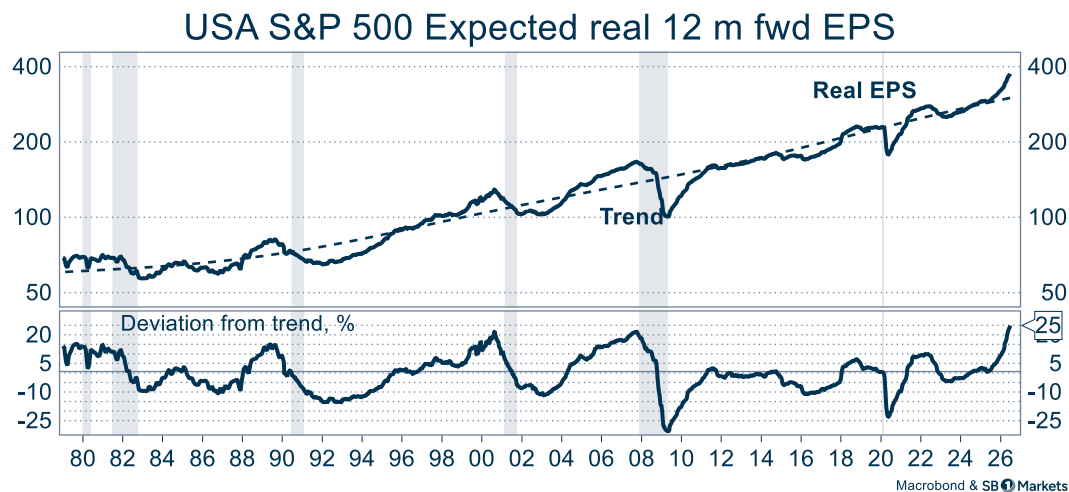


- **Inflation worries** normally lift government bond yields to a ‘high’ level and are normally not positive for equities: thus, a positive correlation (in returns).
- **Growth worries produce the opposite (negative) correlation in returns: lower yields and a weaker equity market.**
- **The threshold** vs. the 10y bond yield before the correlation turned positive used to be some 5.0%. Now it is very likely lower — say 4.5% or below
 - The neutral rate is probably lower than 15–20 years ago due to the decline in trend growth (demographics & productivity).



US earnings expectations are climbing rapidly, 32% y/y!

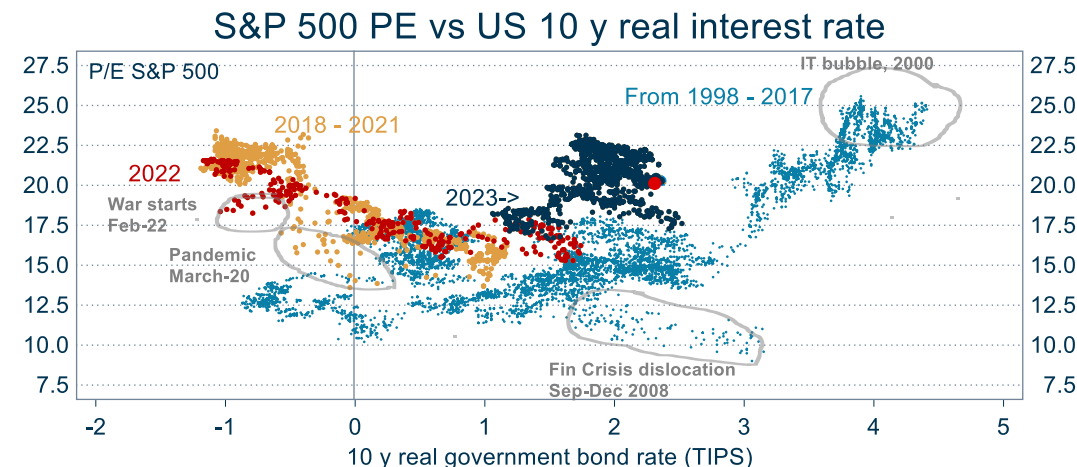
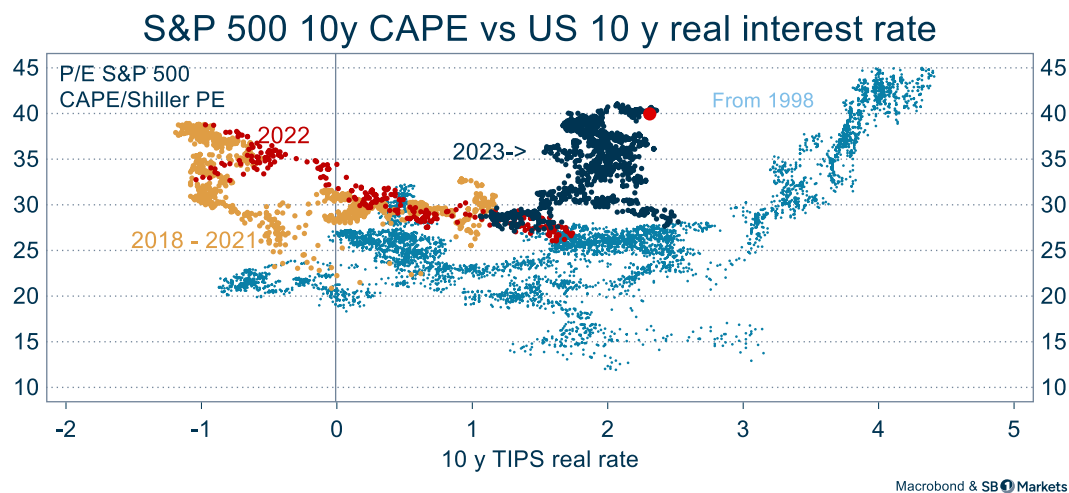
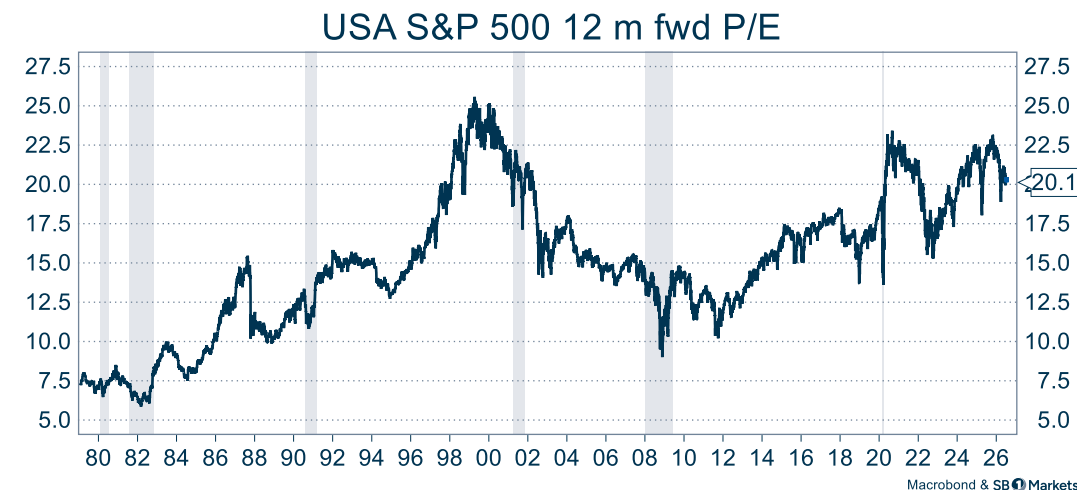
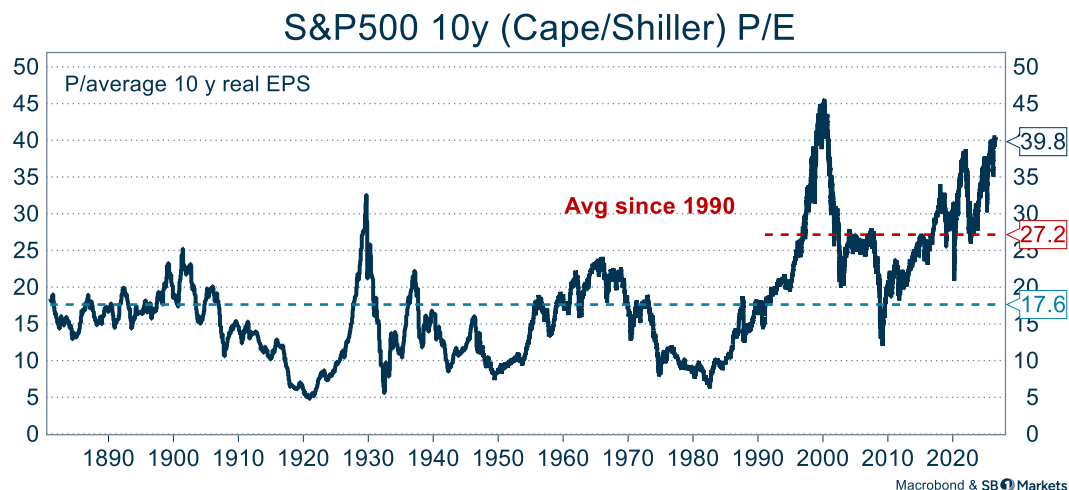
The 12m fwd. expected (CPI adjusted) EPS is 23% above the long-term real trend path. **Some downside risk?**





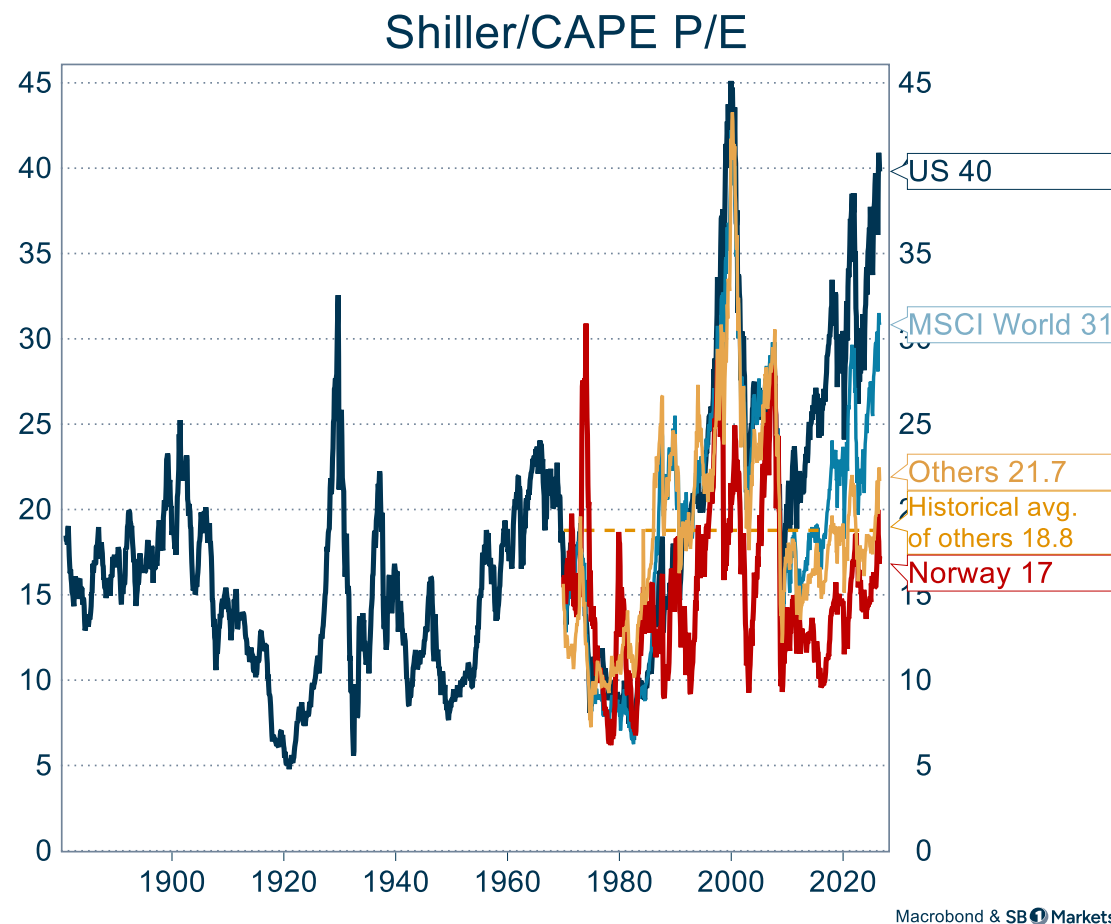
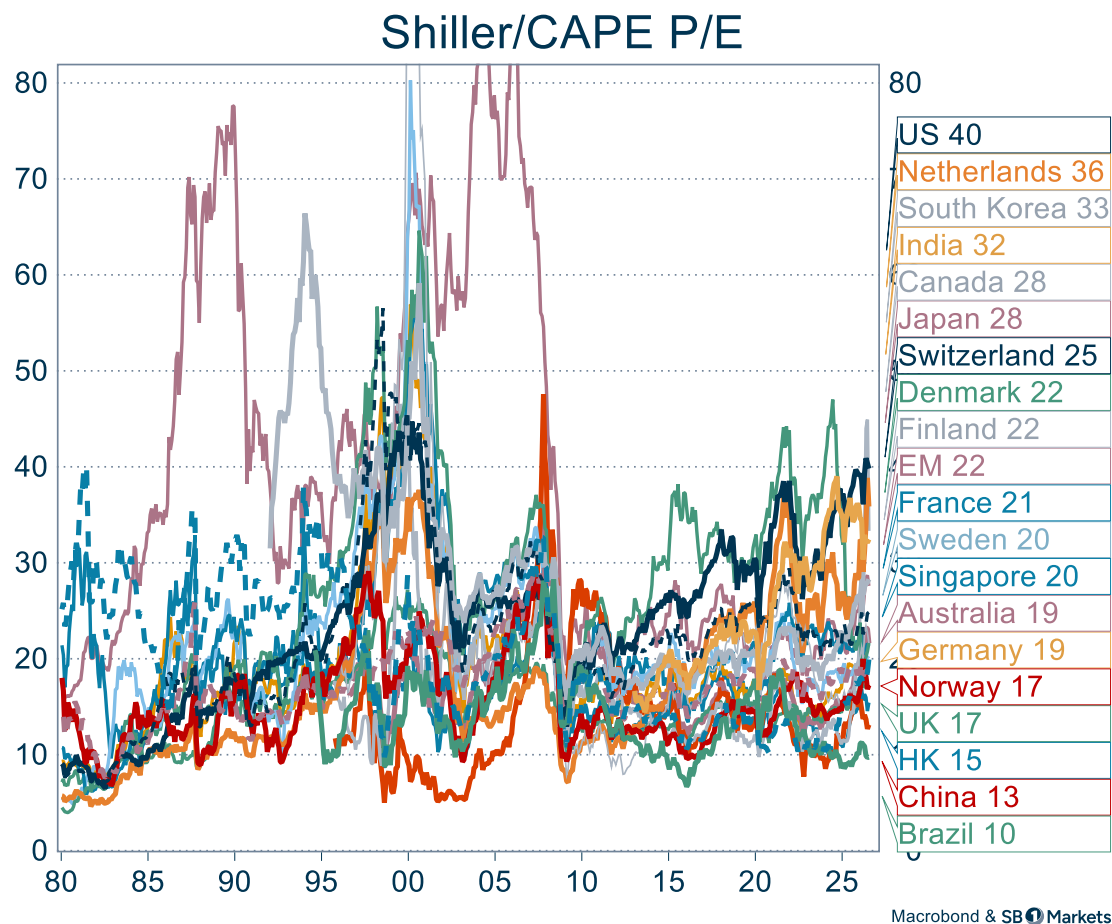
US P/Es are still high, but rapid earnings growth offers some support

Historically, returns have been dismal when pricing has been as aggressive as now. On the other hand, earnings are booming (and far more than we have assumed).



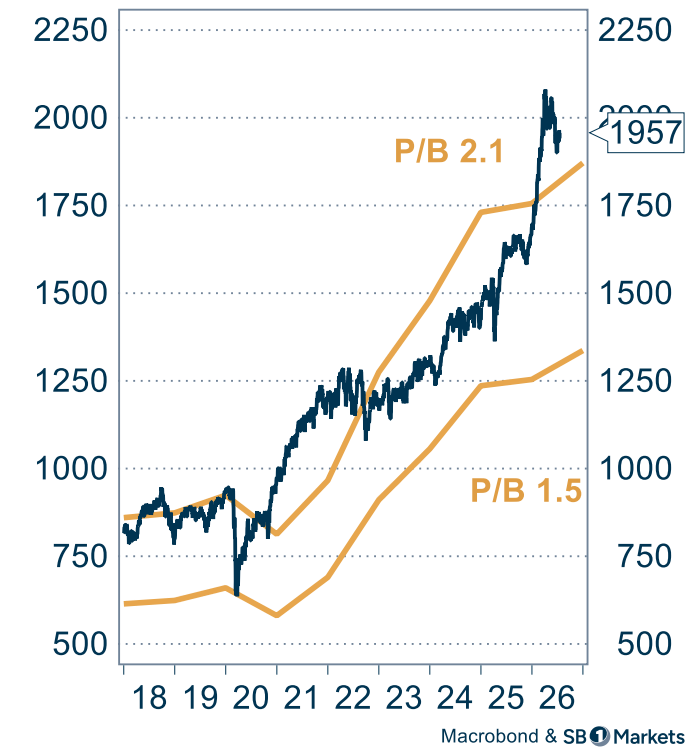
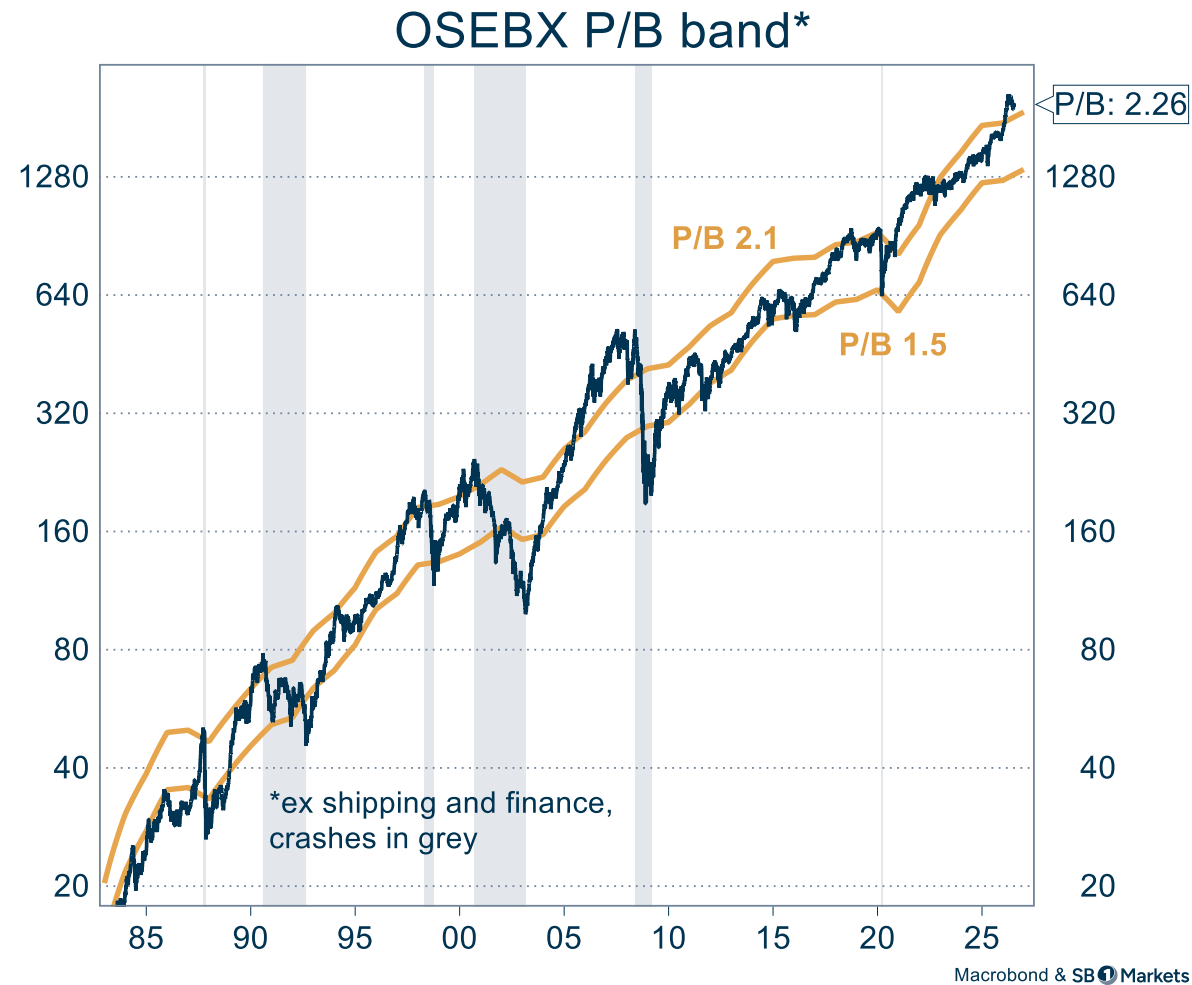
The US market at the 2nd highest vs. the Shiller CAPE ever; and few markets are cheap

Other markets are 15% above an average multiple, 21.7 vs. 18.8. The OSE sits at 17, and not far above an average level.



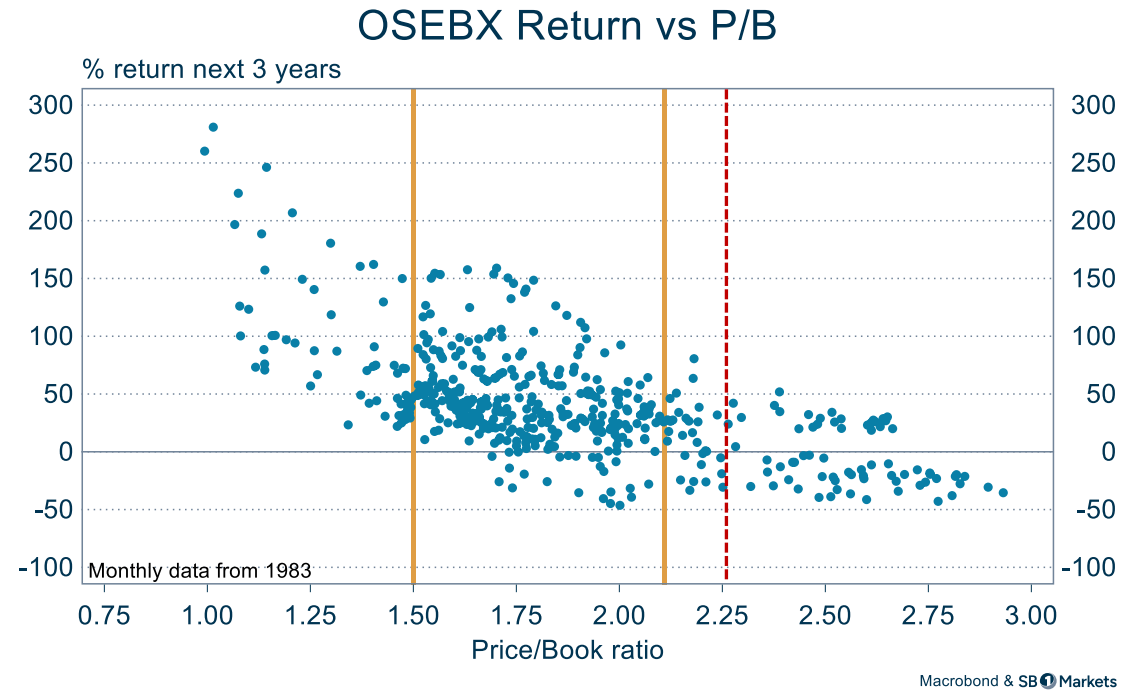
OSE up last week, but is down from the (oil price driven) April ATH

The p/b ratio has fallen to 2.26



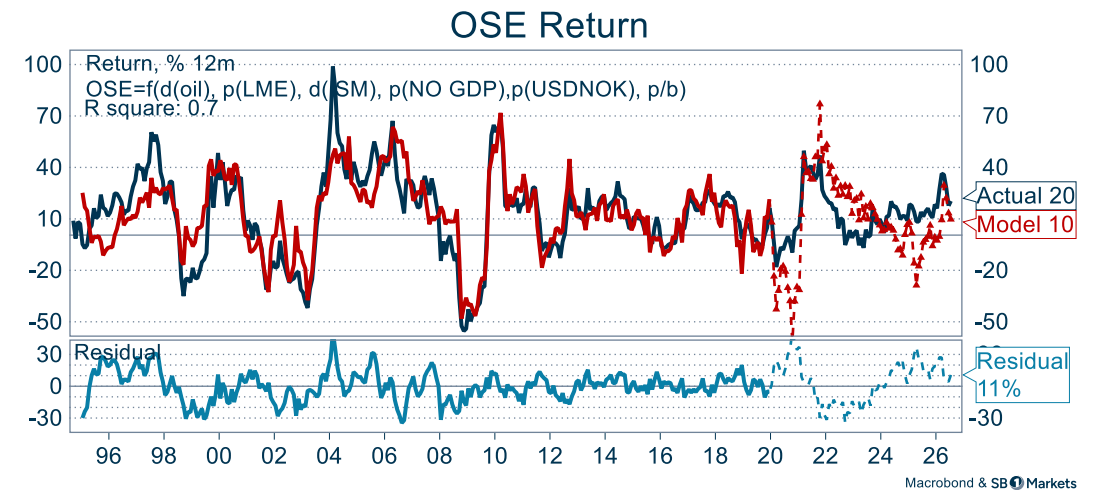
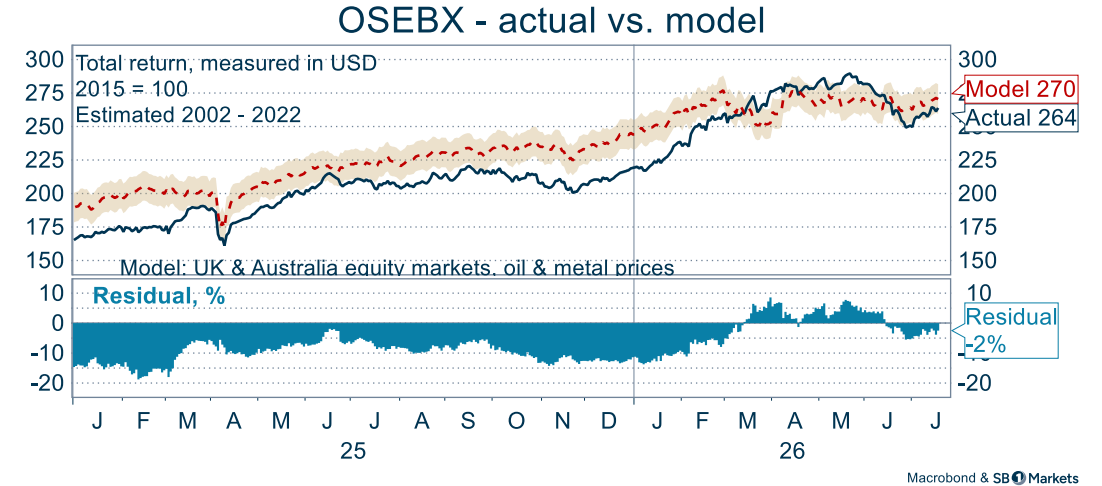
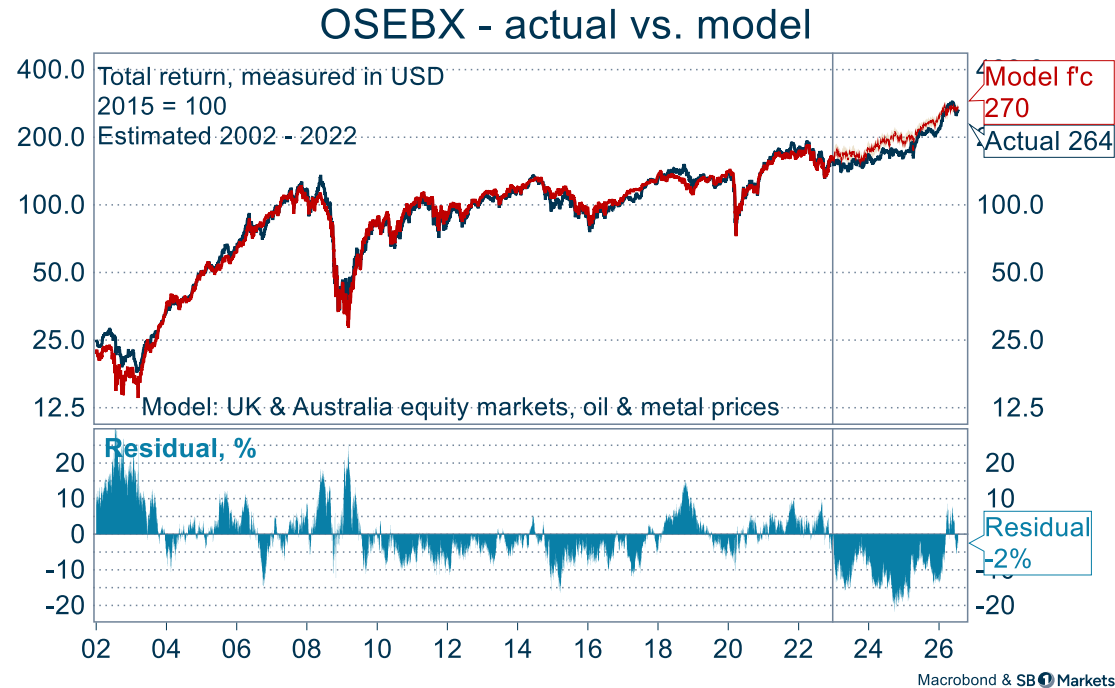


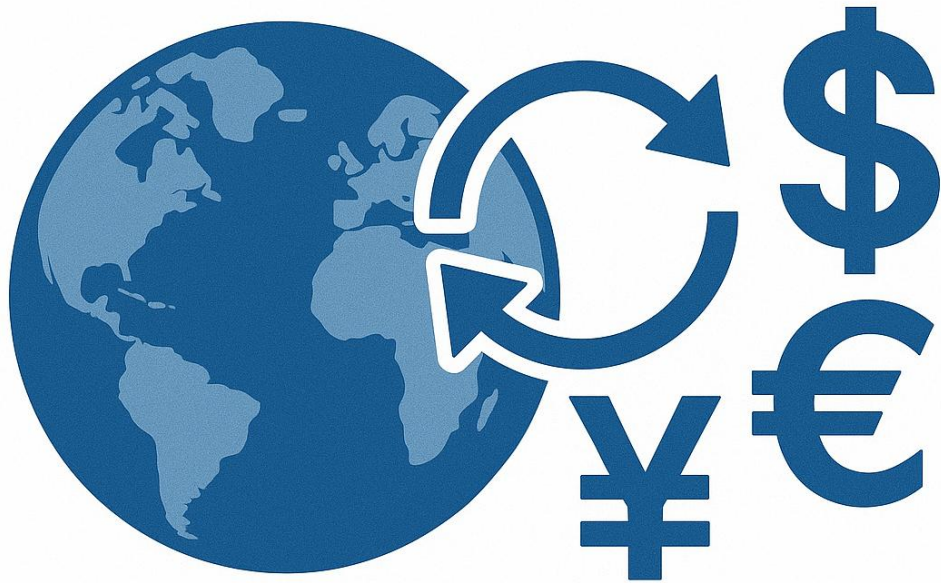
OSE 3-year expected return: not very attractive



OSE vs. our 'peers'-based level model: spot on

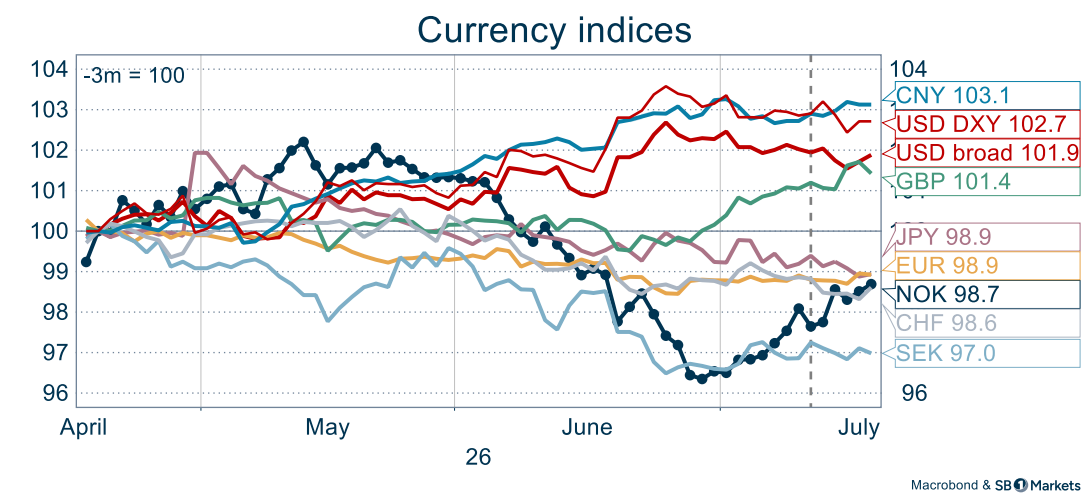
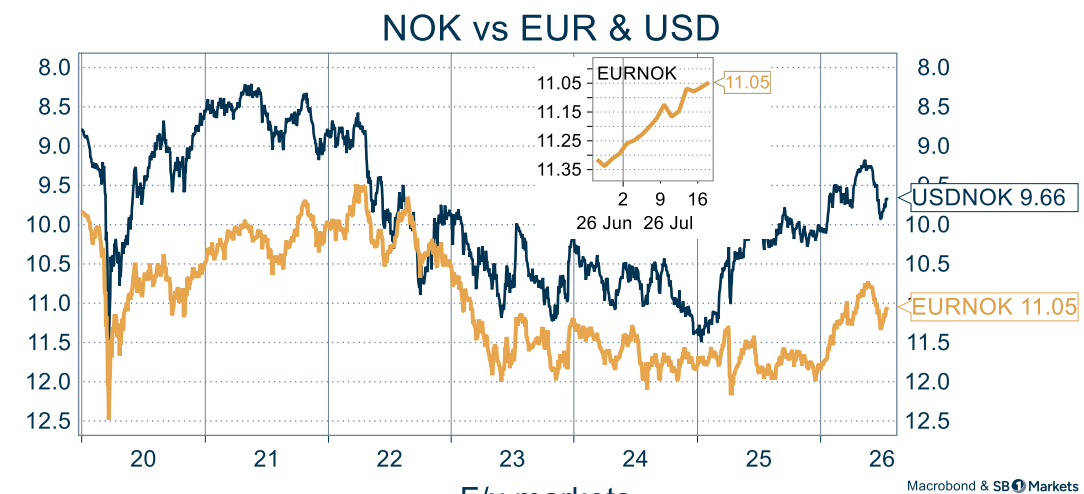
The OSE is 2% below a model estimate based on FTSE, ASX, oil and metal prices.
Measured over the past 12 months, OSE is up 20%, while our y/y model suggests 10%.





4.4 FX markets

NOK and KRW the winners so far in July. Both EUR and USD marginally weaker (trade w.)



F/x markets															
f/x broad indices		% change								Last week	Last month	YTD	Last year		
+ 4 f/x crosses		-5	-4	-3	-2	-1	0	1	2	3	4				
KRW												3.3	3.8	-2	-6
NOKSEK												2.0	0.8	9	6
NOK index												1.9	0.2	6	6
NOKEUR												1.8	0.3	7	8
NOKUSD												1.5	0.0	4	5
RUB												1.0	-4.8	2	2
CAD												0.8	0.6	-3	-3
GBP												0.5	1.3	1	1
AUD												0.5	-0.5	5	8
CNY												0.4	0.3	6	10
EUR												-0.1	-0.1	-2	-1
USD DXY												-0.1	-0.3	2	3
USD broad												-0.2	-0.1	1	0
EURUSD												-0.3	-0.3	-3	-2
SEK												-0.3	-0.5	-3	0
MXN												-0.5	-1.1	3	6
JPY												-0.8	-0.3	-3	-10
CHF												-1.0	-0.2	-1	-1

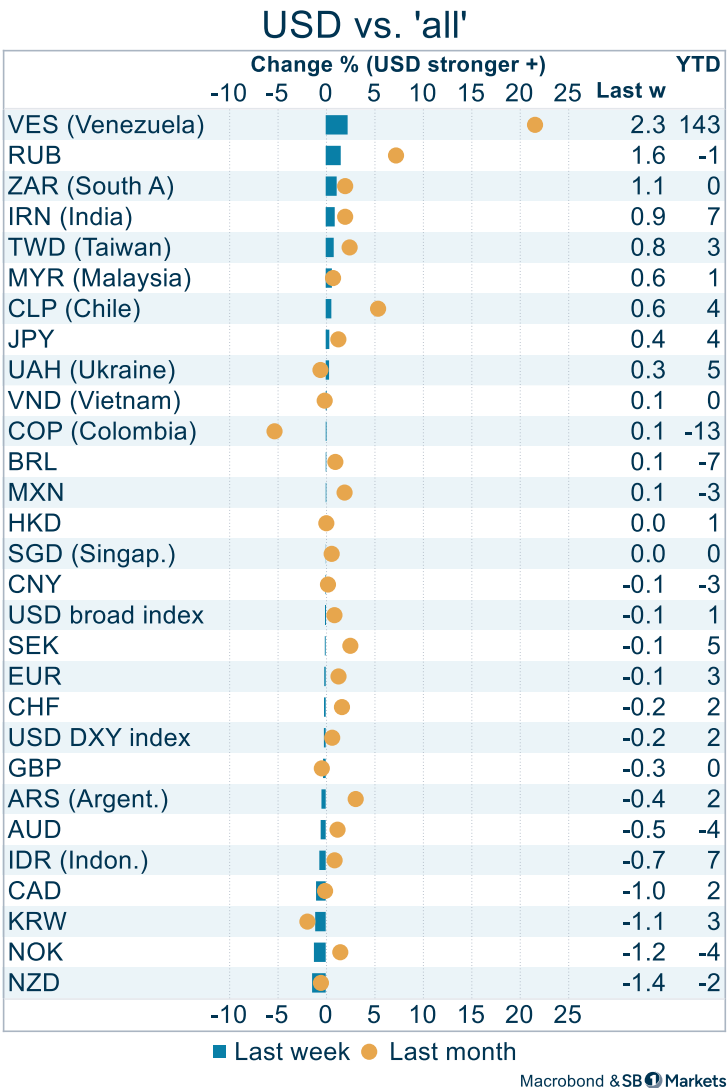
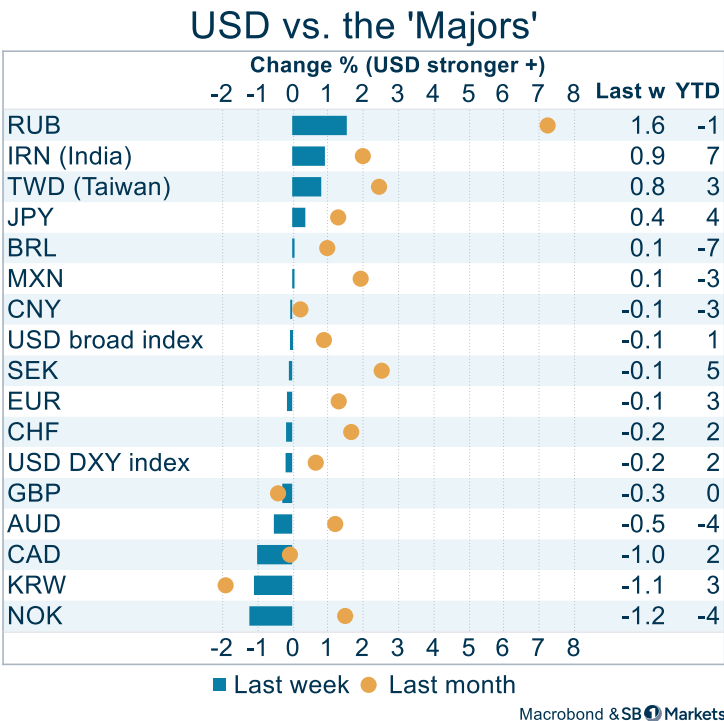
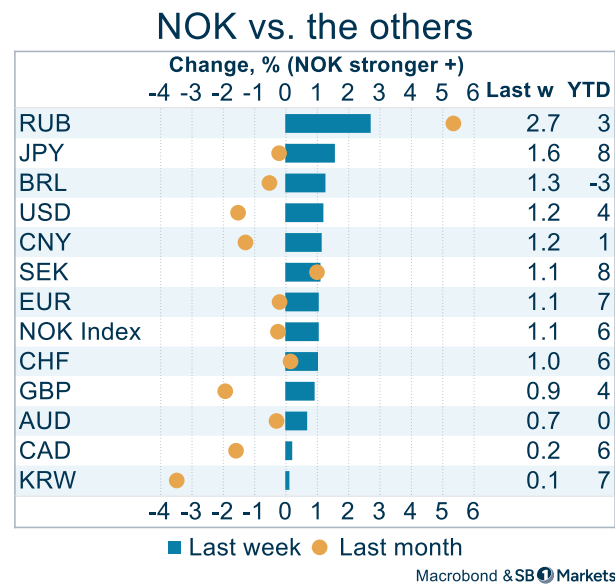
Since 3 July

Last month

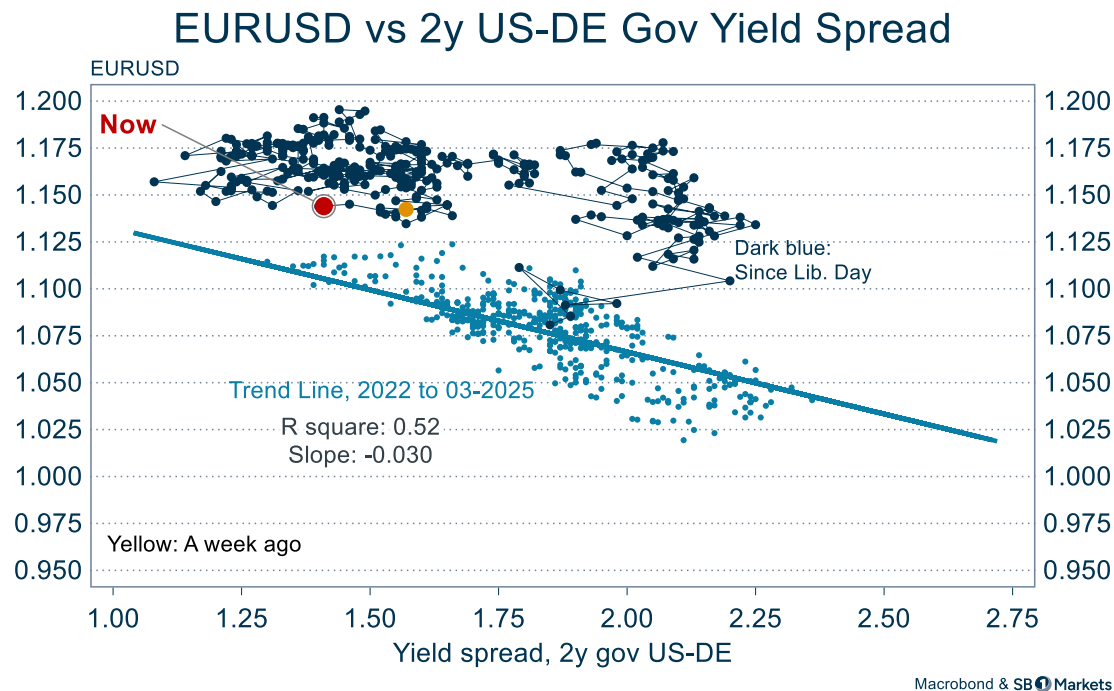
In the table, we present both the broad USD index relative to 'all' currencies and the standard DXY index, where the USD is measured relative to a few DM currencies.

FX: NOK appreciated in all directions last week. The USD depreciated vs. major currencies

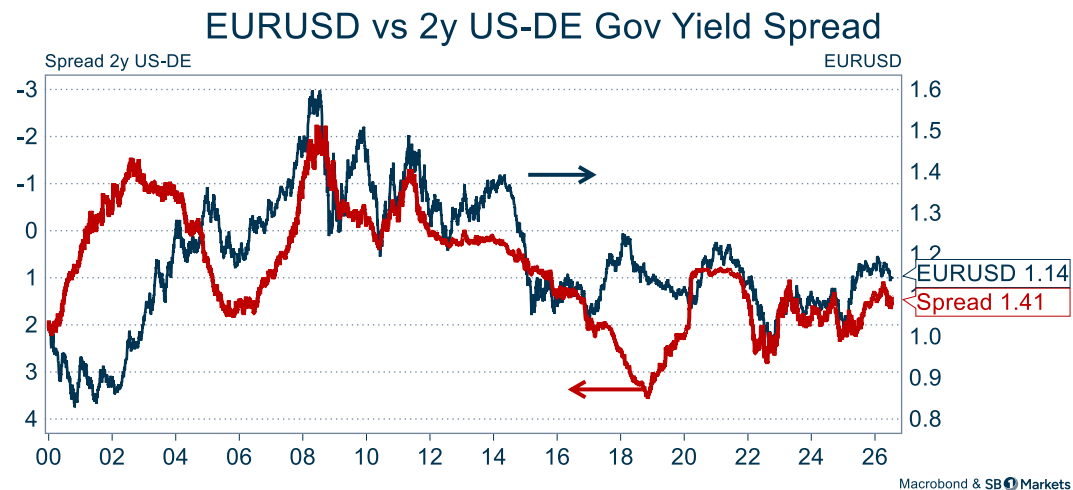
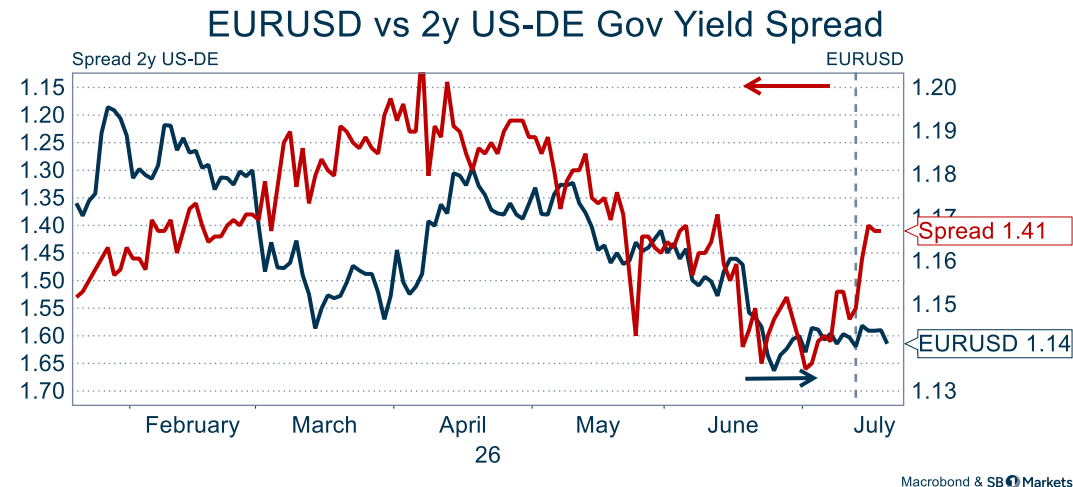
NOK has still appreciated 6% so far in 2026, while the USD is 1–2% stronger



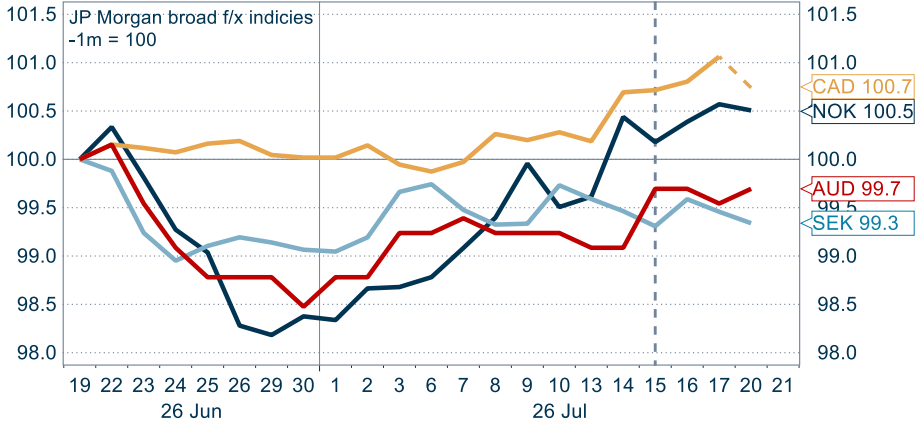
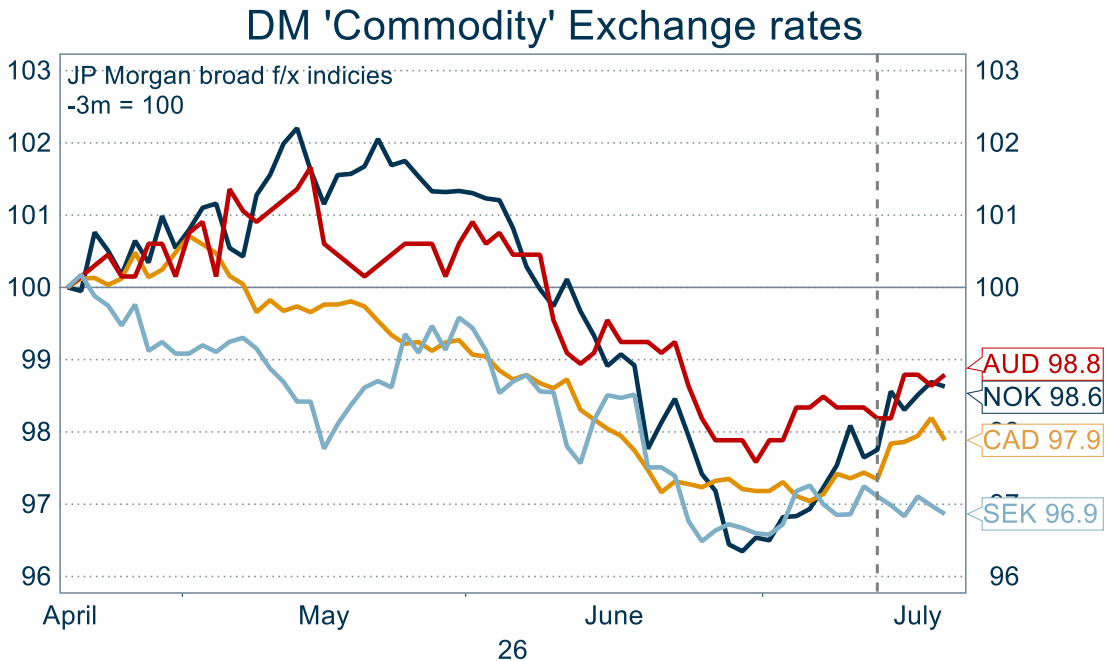
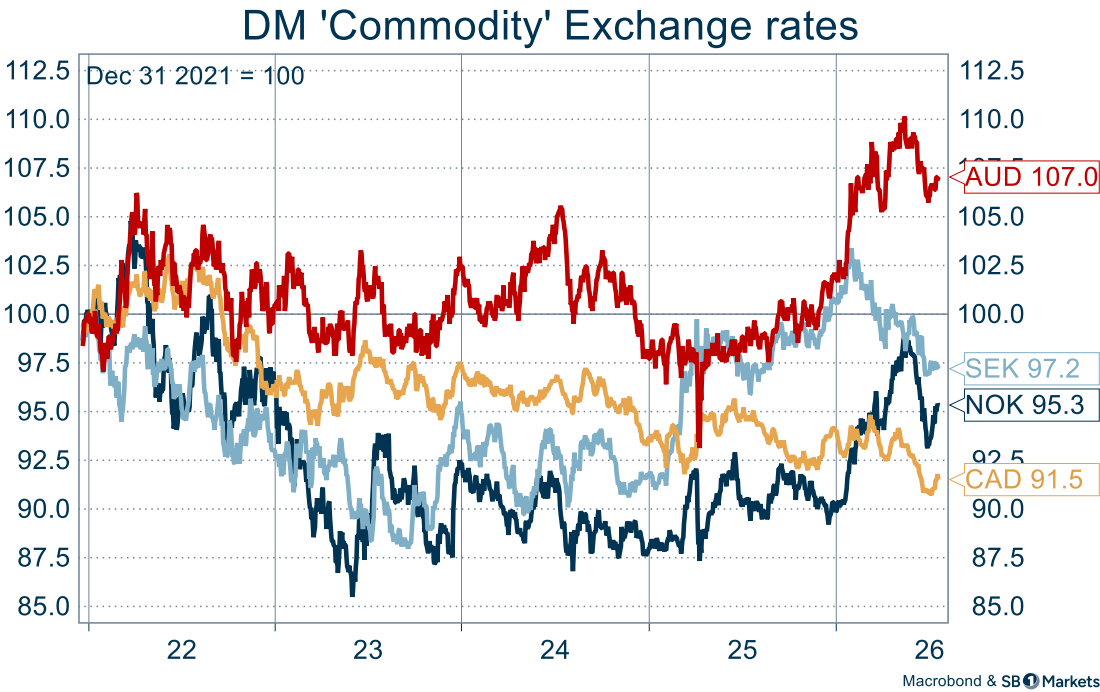
EURUSD just marginally up, even if the rate differential widened marginally



- The 'model', estimated over the previous 3 years of data:
 - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
 - Some 'carry' impact
 - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at all, check the lower chart to the right! We have seen far larger 'gaps' than the current one.
- The Liberation Day tariff announcement and US tariffs seem to have weakened the USD by some 7% (the shift from 'blue to black dots')

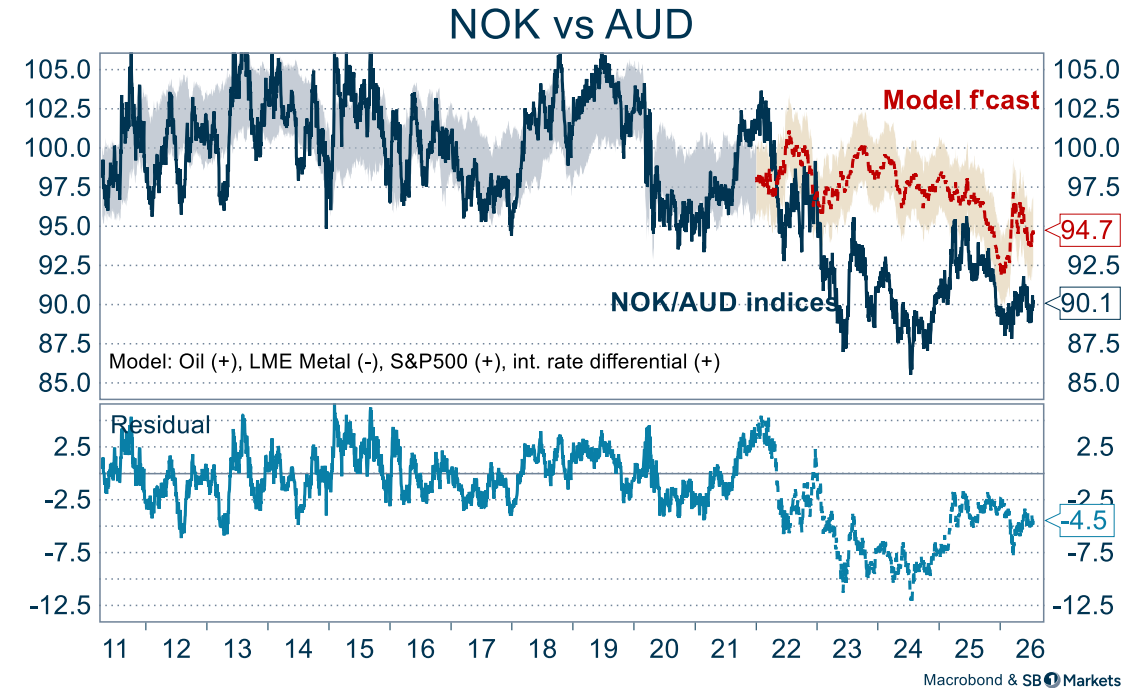
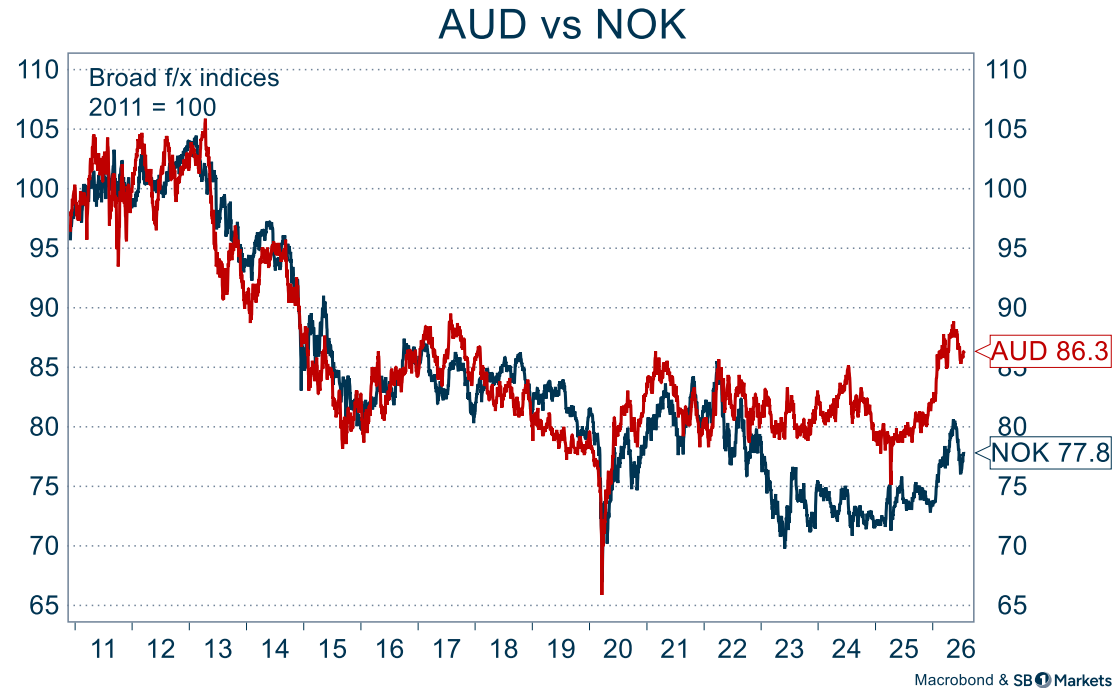


'Commodity' FX: SEK weaker, but both AUD, CAD and NOK stronger, NOK the most



NOK weaker relative to AUD than our model suggests, but rather stable lately

... relative to our NOK/AUD FX index model

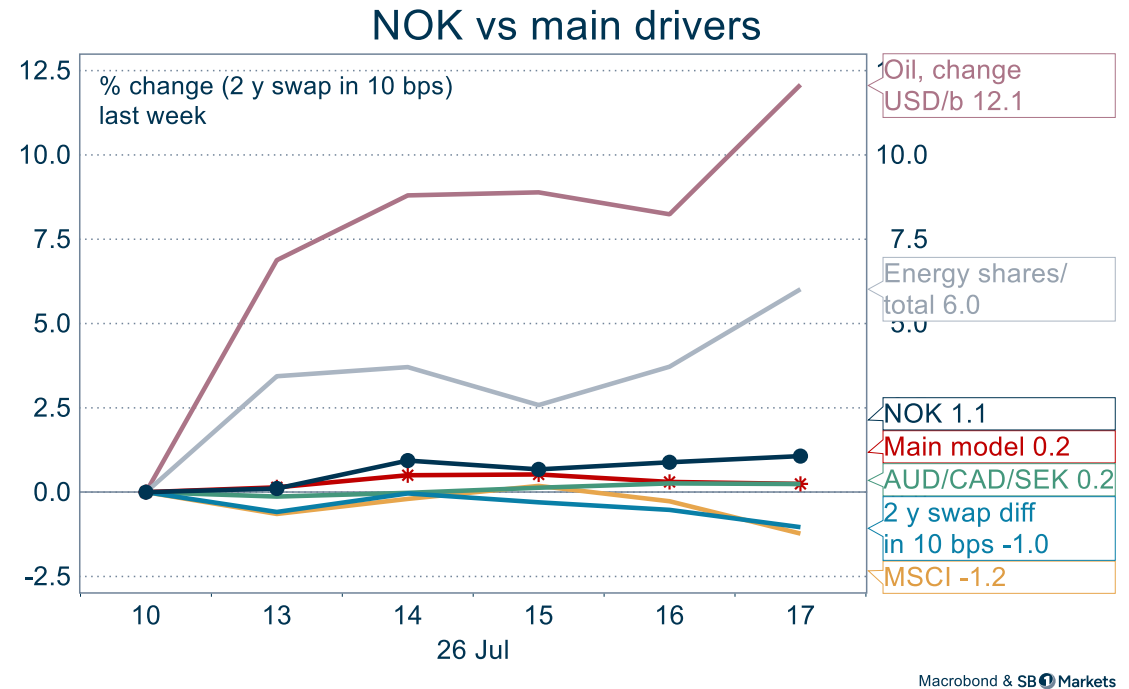
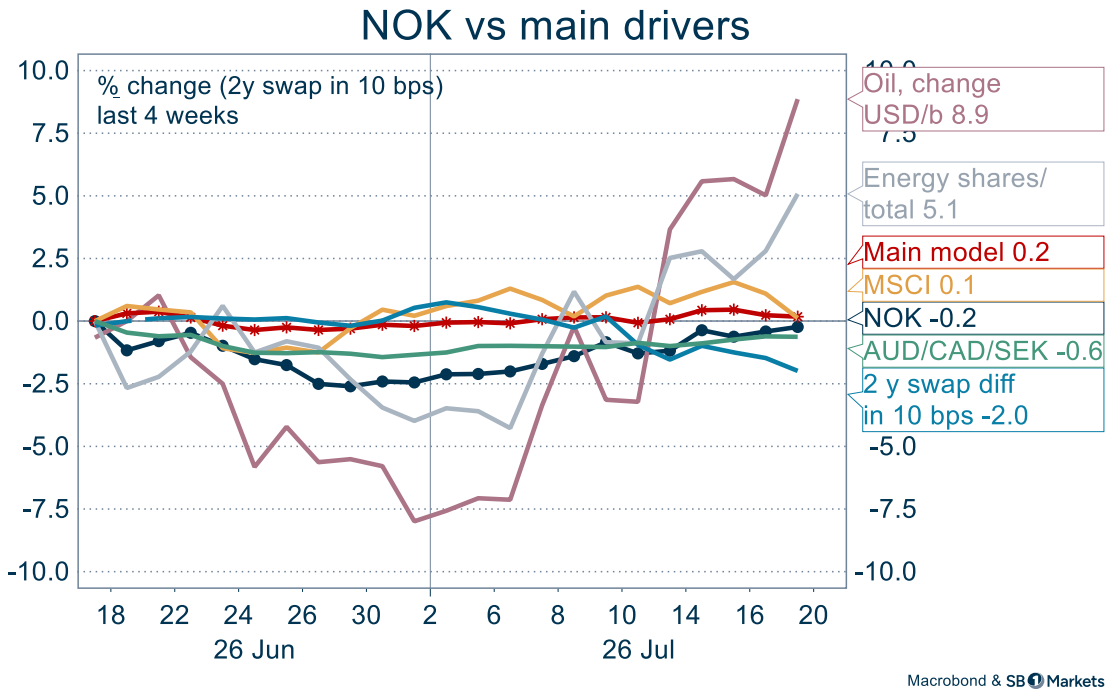


- NOK and AUD have been very closely correlated over the past 15 years, at least until early 2023.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the oil price rises relative to the LME metal index and the S&P 500 index climbs.



NOK appreciated 1.1% last week. Our model suggested 0.2%

Even if the oil price surges, as the rate differential declined substantially
Last month: NOK is close to flat. Our model suggested a 0.2% appreciation

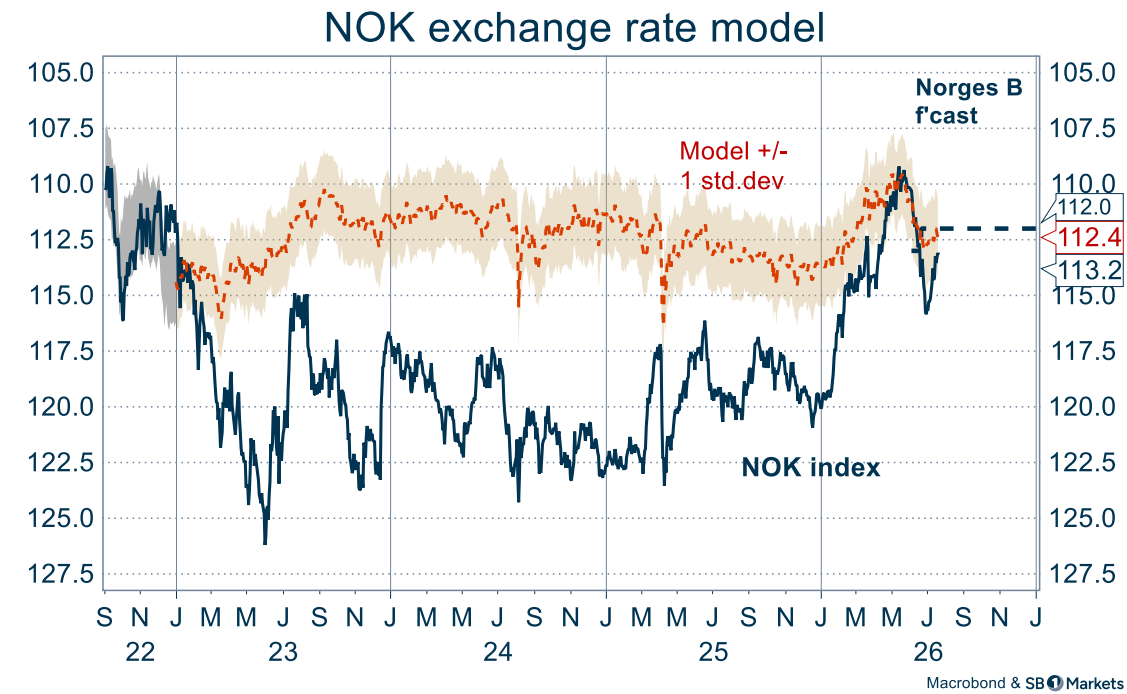
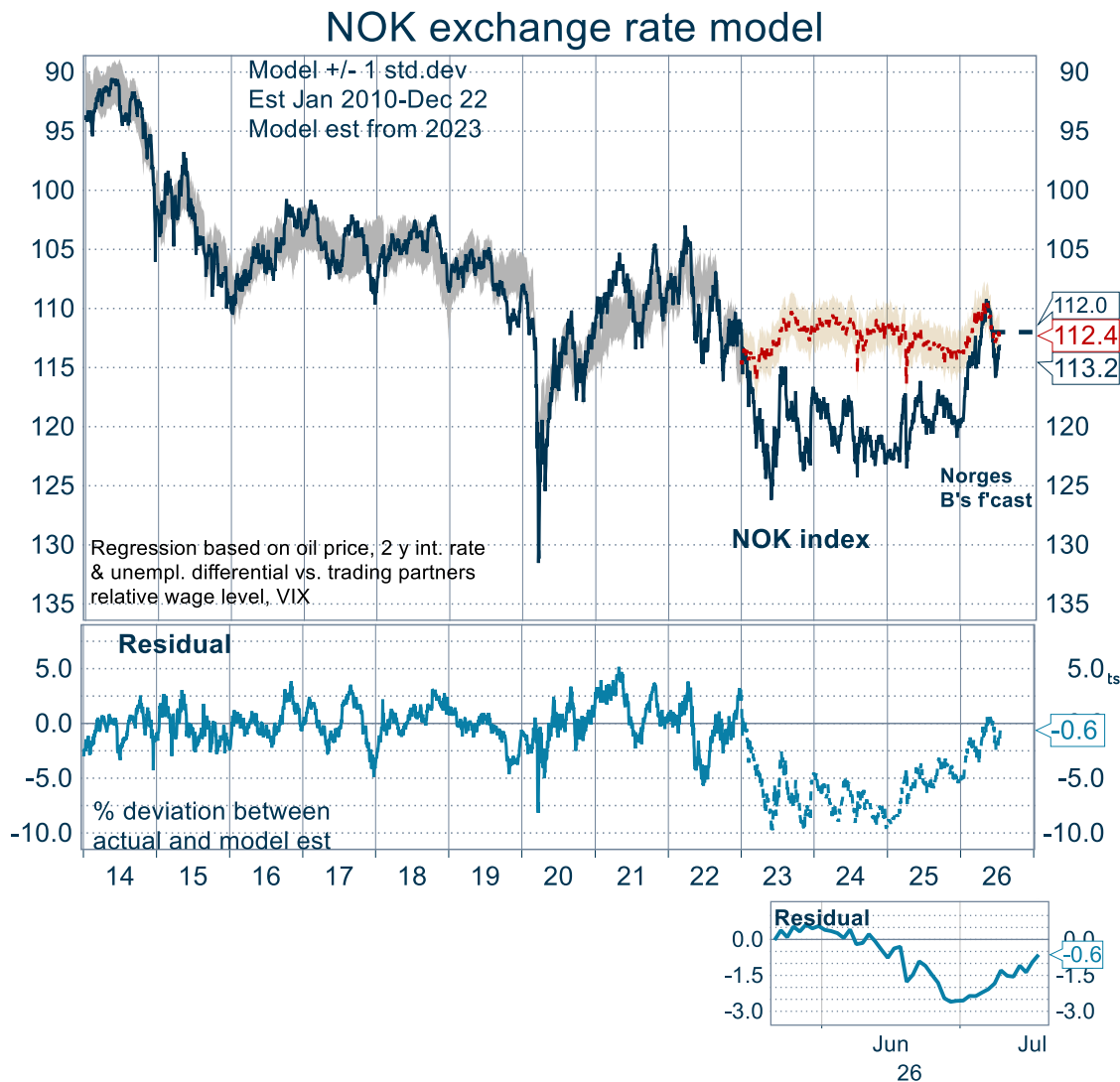


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices.



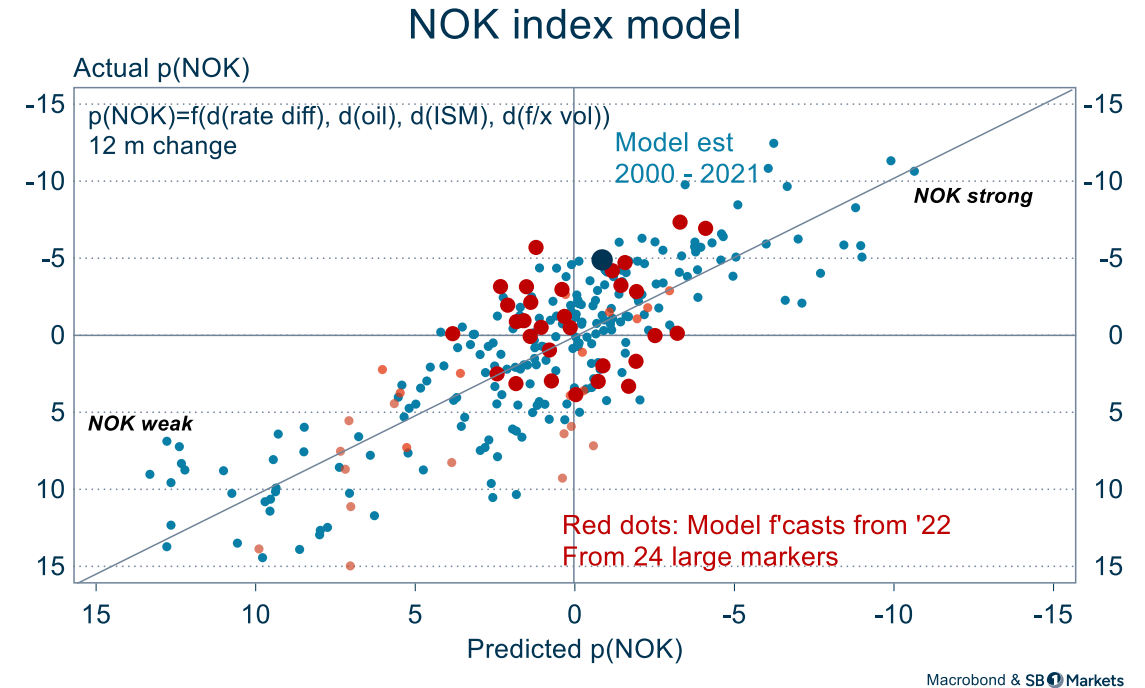
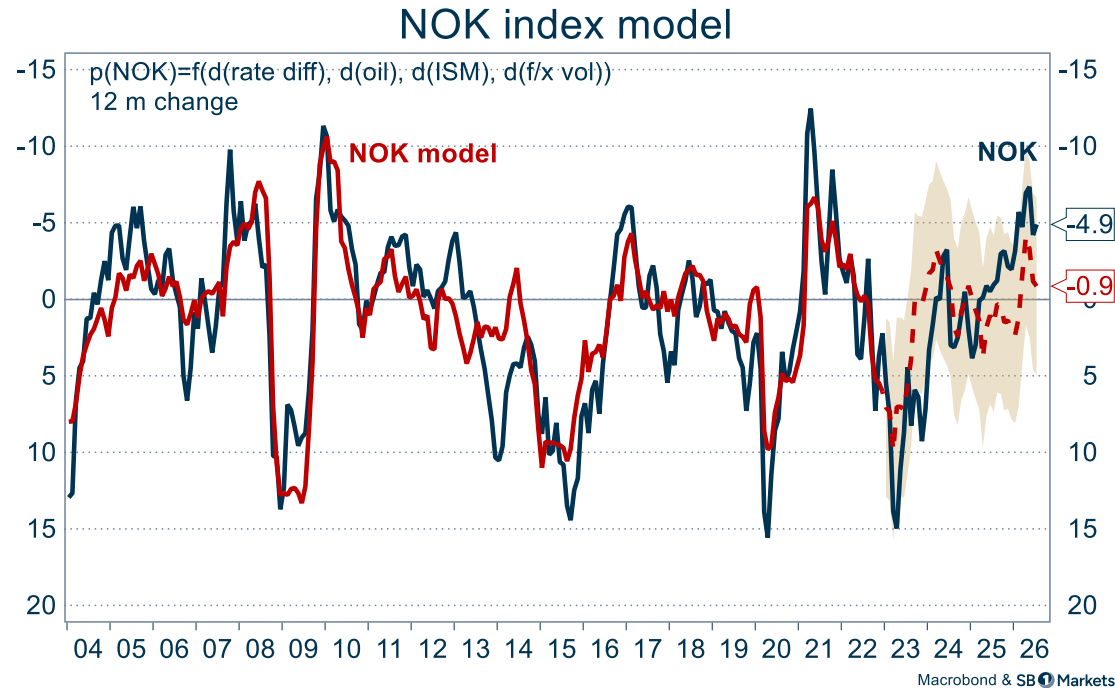
NOK stronger so far in July, also vs. our model estimate

The NOK is 0.8% weaker than NoBa's forecast



Short-term NOK cycles: The NOK appreciation over the past year

Our model suggests a 0.9% NOK appreciation over the past 12 months, while NOK has climbed 4.9%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but half of the appreciation is due to other factors than the normal ‘drivers’.

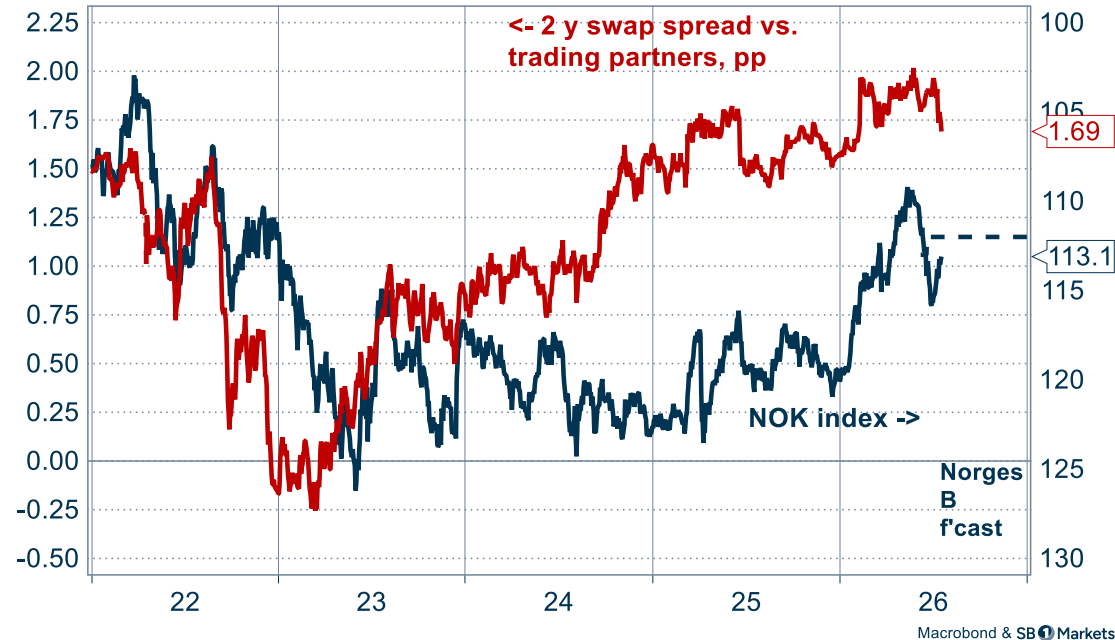


- Most of the NOK's ups and downs (if not necessarily the level at all times) are well explained by a few 'macro' variables: the 2y rate differential relative to trading partners, the oil price, the US ISM manufacturing survey, and FX volatility. The oil price has been the most important factor.

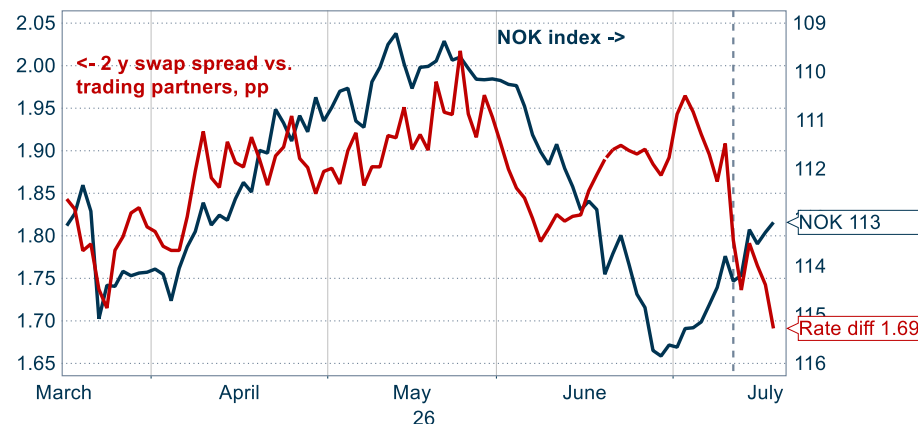
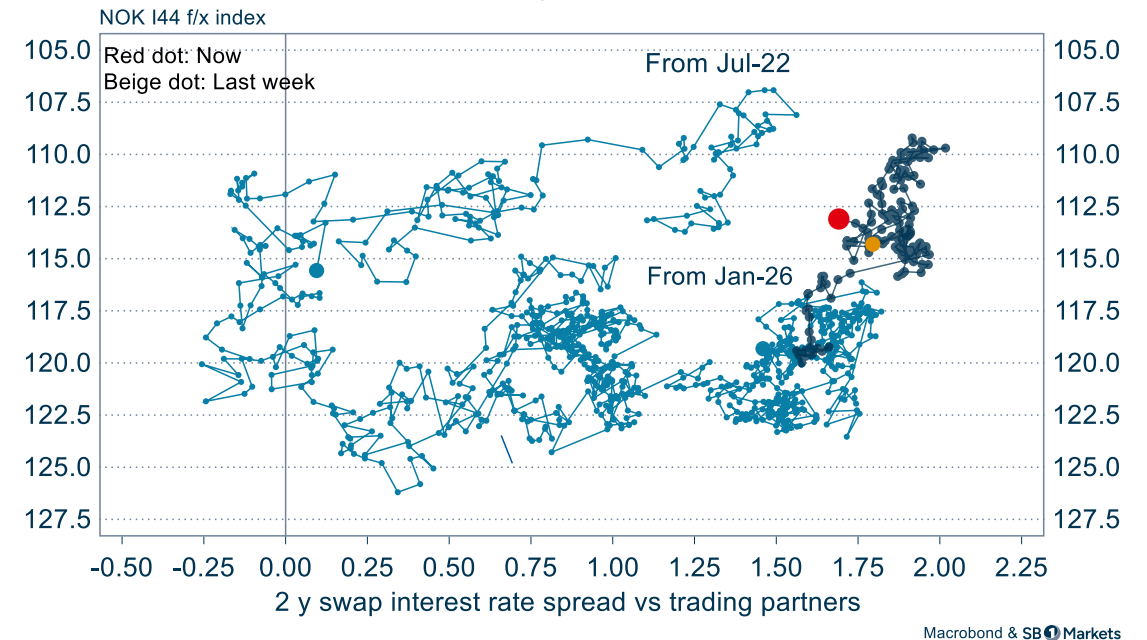
The rate differential has widened recently (but the NOK has been supported by oil)

Still, so far in 2026, NOK has correlated with the 'right sign' with the 2y swap differential vs. trading partners, if not week-by-week. Last week, the rate diff. narrowed, but the NOK still appreciated. The *partial* correlation is not impressive over time.

NOK vs interest rate spread

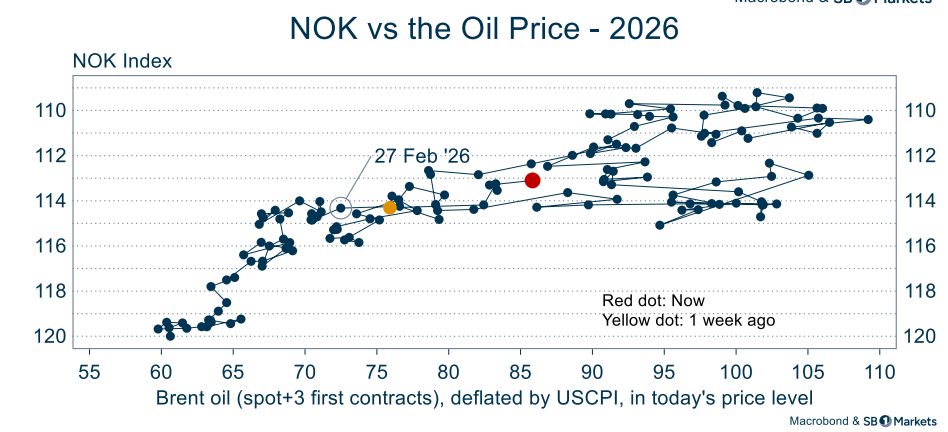
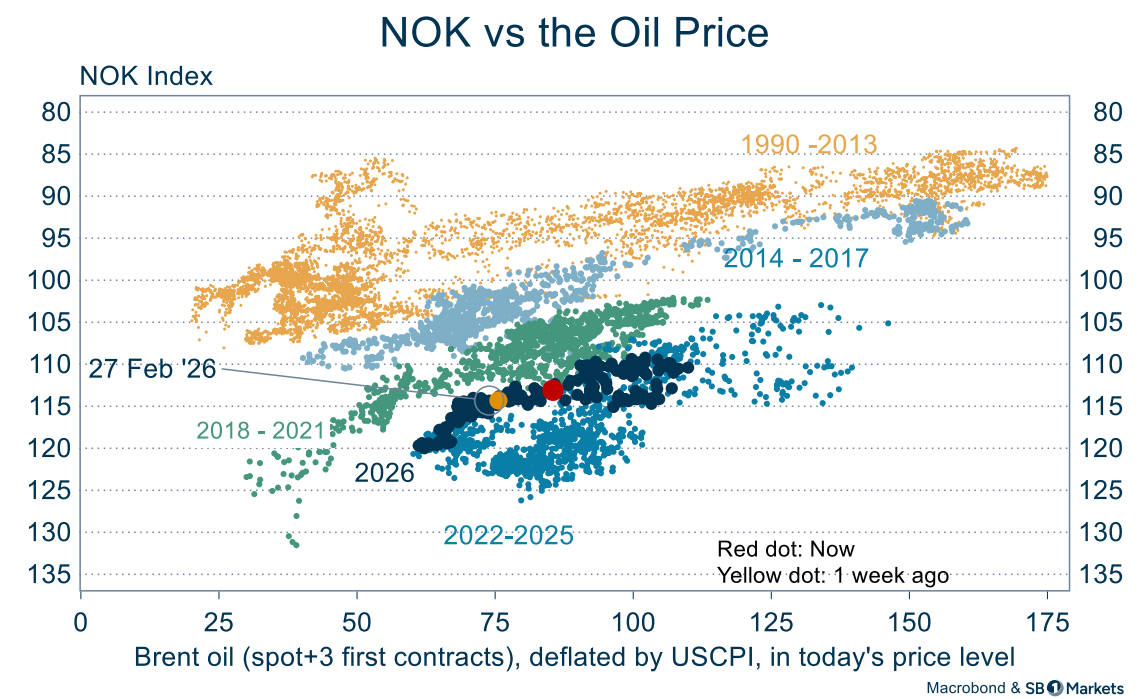
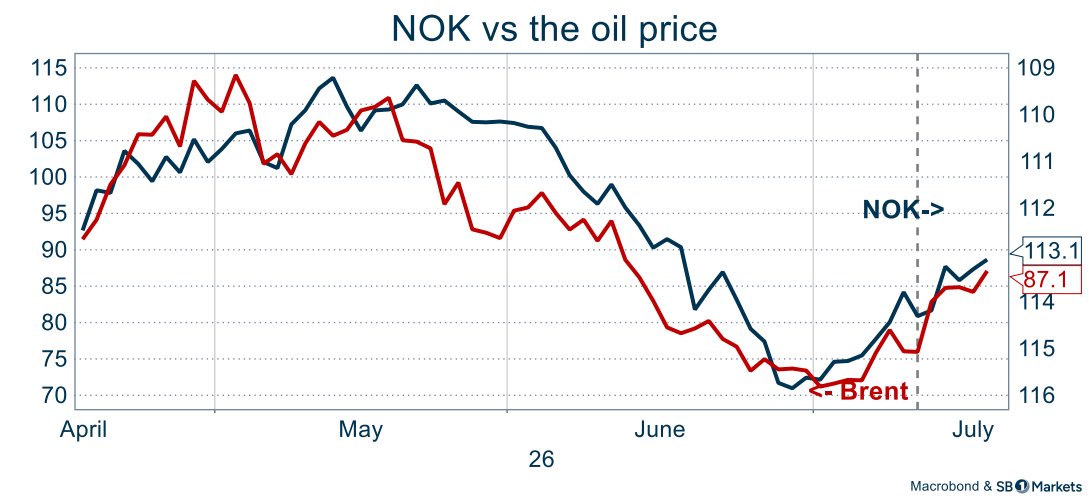
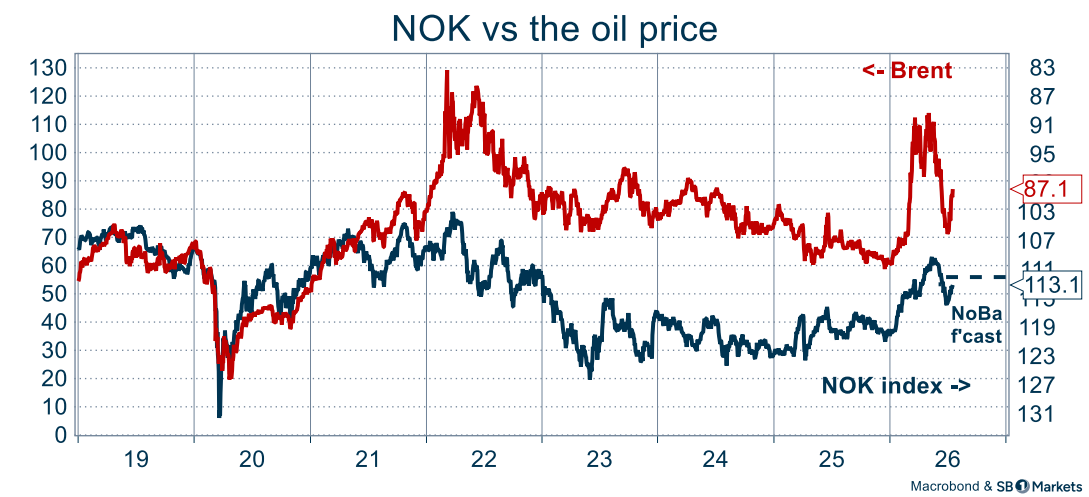


NOK vs. 2 y swap spread





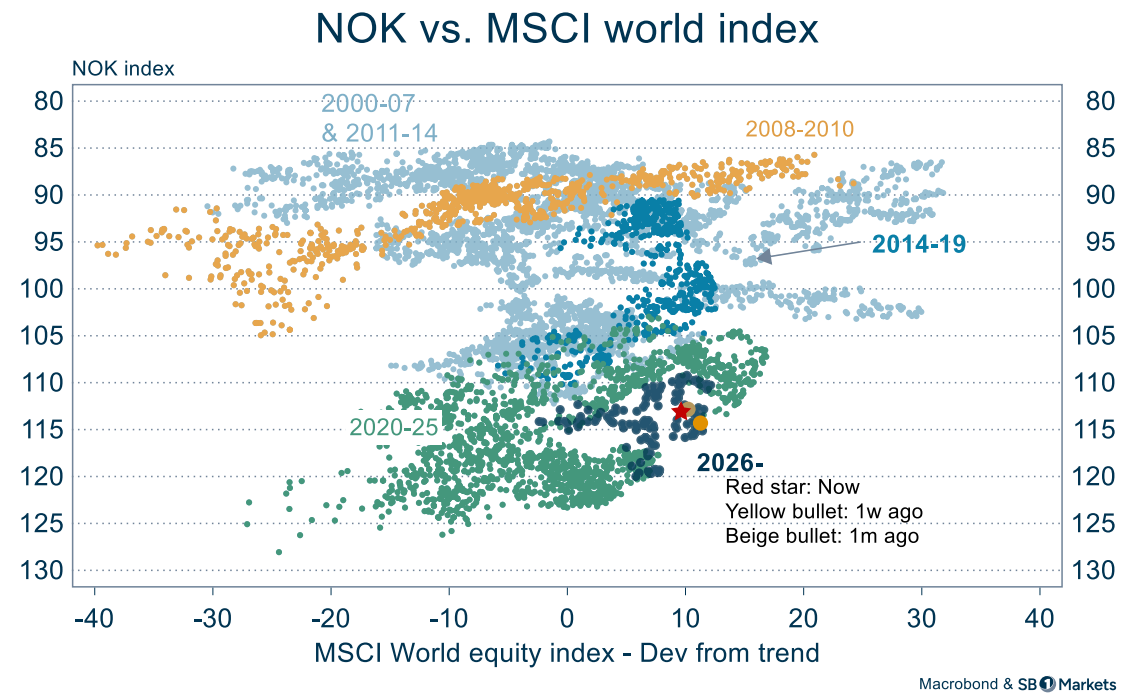
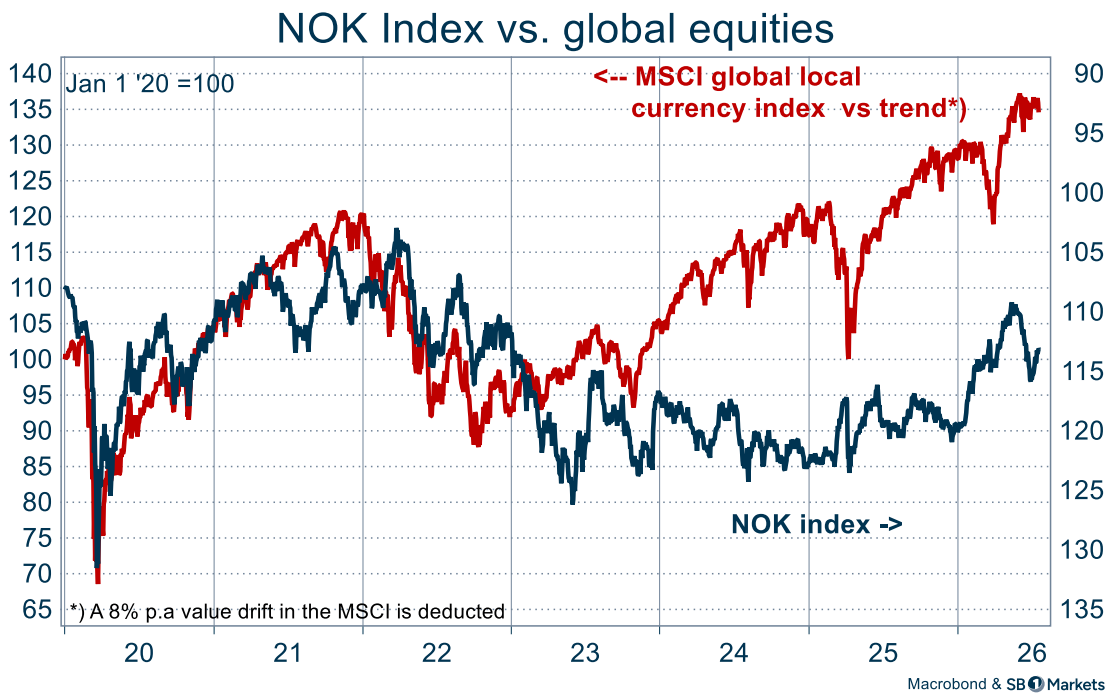
NOK has followed the oil price up last week (and so far in July)





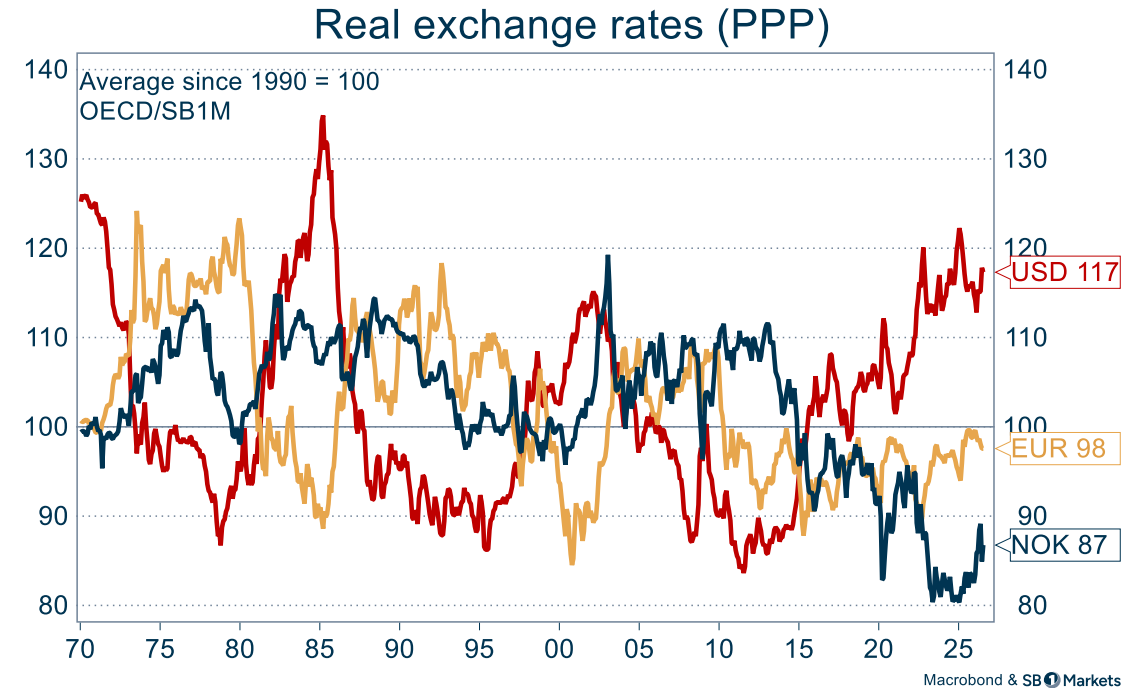
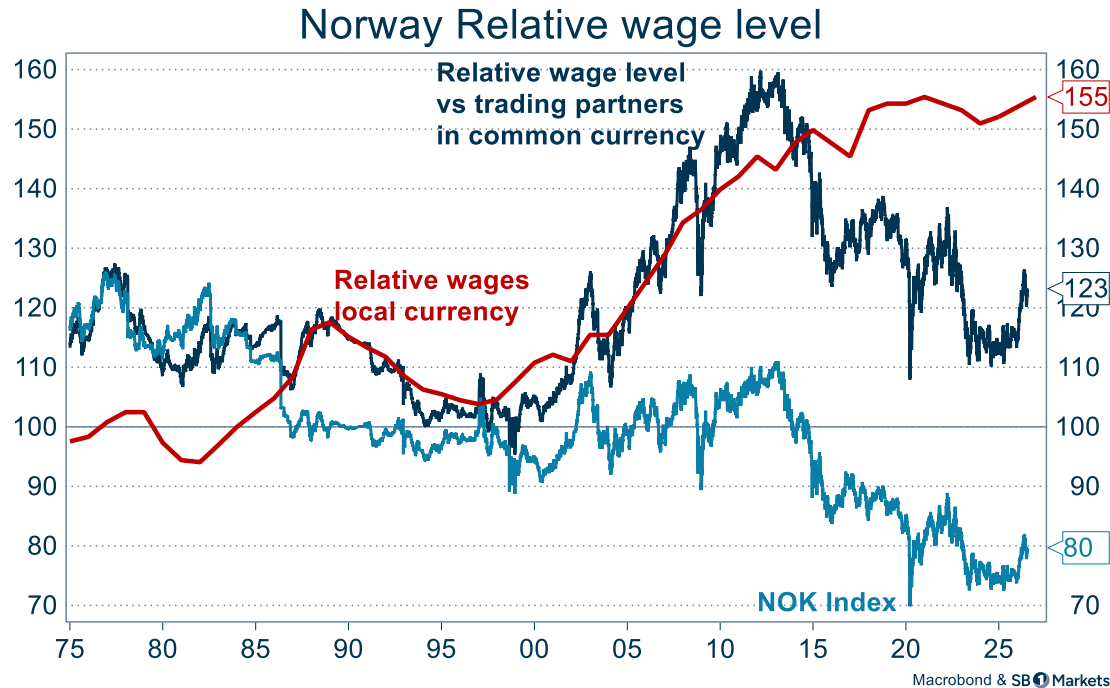
Global equities soured, but the NOK was supported by the oil price

The correlation has been far from perfect over time, but a stronger stock market has usually been supportive of the NOK – and vice versa
Now, the oil price works in the other direction, of course.





NOK weaker recent weeks – and probably too weak



- Norway's wage costs have long been higher than abroad due to higher productivity, with a 5–20% gap before 2000.
- The return from the Oil Fund now equals about 14% of GDP and a quarter of imports, justifying a higher cost level. The current wage-cost gap is 22%, up from 12% in 2024. This relative cost level may still be on the low side, but the gap to a fair value has certainly narrowed substantially.
- Norway's price level is 13% below the 1990 average relative to trading partners, improving from 20% below.
- Other currencies:
 - The real USD exchange rate is well above a long-term average level – and has appreciated recently
 - The real EUR exchange rate is close to an average.

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