



Macro Weekly

Week 34 2026

17/08/2026

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Markets: risk (mostly) on, in spite of higher energy prices

- **Big picture:**

- **US inflation** was as expected slightly lower. The short end of the **US interest rate curve** fell while **long-term bond yields** rose again.
- **Equity markets** are still booming. **Credit spreads** are low – but they (mostly) trend up
- Traffic through the **Strait of Hormuz** remains very low, and there is still no deal in sight.

- **Commodities: oil up, European natural gas prices even more**

- The lift in oil prices is modest. While oil prices are at the same level as in mid-June, European nat. gas prices are 40% higher, with low stock levels. Metal prices trend up and rose last week. Food prices have fallen the last month but remain higher than at the start of the year.

- **Equity markets: mostly up**

- New ATHs in several equity markets, Oslo included. Tech has mostly recovered recently. OSE is the strongest market last month.

- **Short term rates: mixed**

- NOK rates fell the most, the 2y swap rate by 6 bps, supported by a ‘dovish’ Norges Bank. US rates fell as well, on a ‘weak’ CPI report. However, the 2y EUR swap rate was up 5 bps, and our trading partners 4 bps.
- The 2y swap spread vs. our trading partners narrowed further by 10 bps to 163 bps, down by close to 40 bps from 2025 peak levels.
- A single autumn hike is discounted in the US, UK, EMU, Sweden and Norway. Next year, a cut in Norway, perhaps another hike in the US, one hike in EMU and UK, and 2 hikes in Sweden (thus in sum 0.75 pp to 2.5%)

- **Long-term rates: mostly up**

- That is, NOK 10y gov. bond yields, swap rates fell 3 – 4 bps, while most were up; our trading partners were up 6 bps on average. Real rates are trending up and are close to or at the highest level in 15–20 years. Inflation expectations trend flat and are close to the inflation target.

- **FX: NOK**

- NOK and (most) other currencies were among the winner last week; USD, SEK and JPY were the losers. The JPY is stronger than before the FX interventions but is sliding steadily downwards again. NOK is the winner so far in 2026, up 8%, clearly supported by the oil price. However, the NOK has strengthened far more than our models suggest, both last year and in recent months, and the spurious (vs our models) decline in H1-23 is fully reversed, which may be described as a ‘real’ NOK appreciation.

- **Credit spreads: flat**

- The **US BBB spread** (10y vs. US treasuries) has been drifting upwards since early June and added 3 bps last week, in spite of a general positive risk sentiment. The Norwegian bank 2, 5y spread still trends down and fell a tad last week as well, to 52 bps.

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	0.23	0.27	0.35	0.24	0.22
End of 2026 (market)	3.86	4.02	2.60	1.99	4.47
... Change last week	-0.07	0.03	0.02	-0.04	-0.05
Change through 2027	0.11	0.26	0.14	0.51	-0.19
End of 2027 (market)	3.97	4.29	2.74	2.50	4.29

Last week: the economy, I

- **China**
 - **Credit growth** was a tad higher in July, but trend rapidly down – but is still higher than growth in nominal GDP, lifting the credit/income ratio further, if not fast. Households' debt is declining, while their deposits are surging. Growth in corporate debt is still at 8%. The overall credit impulse is negative, normally implying lower growth and falling raw material prices. So far, we have seen nothing regarding commodity prices. (The monthly batch of Chinese real data should have been published early this morning but the release is postponed to 09:00 (our time))
- **US: no price shocks (now), weak retail sales lower the GDP forecast. But SMEs are upbeat!**
 - **CPI** was up 3.4% y/y in July and the core 2.5%, both in line with expectations. Energy prices declined m/m, and core prices rose 'just' 0.2%. These price increases have fallen to a 2% pace in recent months. Rent inflation has stabilised above 3% y/y but core services ex. rents have fallen below 3%. Core goods are up 0.8% as the tariff impact is fading. **PPI inflation** was lower than expected, but still high – and producer prices for consumer goods and services rose sharply
 - **July retail sales** surprised on the downside. Core sales fell 0.5% in volume terms (our est), and June was revised down. The trend is still upwards, and the 3m/3m rate is at 4.3%. The challenge: Households' disposable income is flat/declining, and the **savings rate** has fallen by 2 pp+ to fund all of the lift in private consumption the past year.
 - **The NFIB SME survey** reports more optimism (at above average) and fewer sales problems (far below normal), while labour shortages are increasing again (and are far above a normal level). Investment plans shot up, as did hiring plans (the latter was published the previous week).
 - The **federal budget deficit** widened in July, to 7.6% of GDP. Tariff refunds weaken the budget temporarily, but the trend, even with 'normal' tariff payments, is dismal.
 - Retail sales data motivated **Atlanta Fed's nowcaster** to revise its Q3 GDP growth by 0.5 pp, to 4.3% (and before that, from above 6% less than two weeks ago due to other data).
- **Sweden: mixed labour market news**
 - **PES open registered unemployment rate** was a tad higher than expected in July, at 3.7% and June was revised up one tick. The no. of unemployed has increased marginally so far in 2026.

Last week: the economy, II

- **Norway: Norges Bank on hold, still 'low inflation', decent employment growth, lower oil investments, but power supply gears up. Households will SAVE MORE!**
 - As widely expected, **Norges Bank** kept its policy rate unchanged at 4.25% but also said that *"It may ... still become necessary to raise the policy rate."* as *inflation is still too high, and it is too early to conclude that the inflation outlook has changed materially*". August's inflation figures will be crucial in determining if and when Norges Bank raises rates.
 - **CPI** inflation accelerated 0.3 pp to 3.0%, a tad higher than economists expected but still 0.1 pp below Norges Bank's 3.1% June MPR forecast. The core was unchanged at 2.7%, in line with our forecast but 0.1 – 0.2 pp below consensus and 0.6 pp below NoBa's estimate, just like a month ago. Inflation has come down broadly, mostly due to unexpected and unusual monthly price adjustments in June, and not due to price drops in July. Food prices have been unchanged since last December, just as among our northern European neighbours, and the annual rate has fallen to 1.1% (measured by CPI-ATE, 1.2%).
 - Our models suggest a further decline in inflation on imported goods, and lower Unit Labour Cost inflation signals that even domestic inflation may slow further. Barring a huge surprise on the upside in August, Norges Bank will have to revise its core inflation forecast down several tenths, lowering the rate path substantially.
 - **Payrolls** rose further, by 5,000 persons in June, or by 0.16%, according to the preliminary estimate. The 3m/3m growth rate accelerated to 0.8%, **very likely above the growth rate in working age population** (Q2 population data will be published this week). Construction is still heading down, but at a slow pace. Information & communication has also cut its number of employees. Other sectors are on the way up, except other professional services, which have reduced their payrolls slightly recently. **Wage inflation is slowing**, broadly, according to this (and most other) statistics.
 - **Oil companies** revised their **2027 investment plans** upwards in SSB's Q3 survey, and a tad more than we expected. However, companies are still signalling a decline in volume terms. If anything, the decline may be slightly less than Norges Bank assumed in June.
 - **The manufacturing sector** does not signal any growth in investments in 2026 or 2027, but a boom is underway in **power supply**. In 2026 a 30% lift is likely, followed by a 20% increase in 2027. Distribution is in the lead but investments in electricity production are now heading up as well.
 - **Boligprodusentene** (home builders) report record low **new home sales** in June. **SSB's** statistics report a slight lift in **housing starts** (if not when measured in sq.m), as in other construction starts. The upward trend is far from impressive and the level is low, but the bottom may be behind us.
 - **Finans Norge's consumer confidence index** rose marginally in Q3, to -1.2 std. dev. below average. Households have a neutral view on outlook for their personal economy, but that is not the norm, and the current print is 2.2 std. dev. below average. Households are eager to **increase savings, and to repay debt, way above anything seen before!**

Week ahead: PMI data and the Riksbank on hold this week

Time	Count	Indicator	Period	Forecast	Prior
Monday 17 Aug					
08:00	NO	Trade Balance	Jul		61.9b
09:00	CN	Used Home Prices MoM	Jul		-0.3%
09:00	CN	Retail Sales YoY	Jul	1.5%	1.0%
09:00	CN	Industrial Production YoY	Jul	5.0%	5.3%
09:00	CN	Fixed Assets Ex Rural YTD YoY	Jul	-6.2%	-5.7%
14:30	US	NY Fed Empire Manufacturing sur	Aug	10.0	15.6
16:00	US	NAHB Housing Market Index	Aug	33	34
Tuesday 18 Aug					
08:00	UK	Average Weekly Earnings 3M/YoY	Jun	4.0%	4.3%
08:00	UK	ILO Unemployment Rate 3Mths	Jun	4.8%	4.9%
08:00	UK	Claimant Count Rate	Jul		4.4%
11:00	EMU	ZEW Survey Expectations	Aug		23.4
14:30	US	Import Price Index ex Petroleum M	Jul		0.5%
14:30	US	Housing Starts	Jul	1350k	1427k
14:30	US	Building Permits	Jul P	1370k	1374k
15:15	US	Manufacturing Production MoM	Jul	0.2%	0.0%
16:00	US	Pending Home Sales MoM	Jul	0.4%	-5.4%
Wednesday 19 Aug					
08:00	NO	Population growth	Q2		
08:00	UK	CPI YoY	Jul	2.9%	2.6%
08:00	UK	CPI Core YoY	Jul	2.5%	2.6%
11:00	EMU	Labour Costs YoY	2Q P		3.2%
11:00	EMU	CPI Core YoY	Jul F	2.5%	2.5%
20:00	US	FOMC Meeting Minutes	29-Jul		
Thursday 20 Aug					
09:30	SW	Riksbank Policy Rate	20-Aug	1.75%	1.75%
10:00	NO	Norges Bank's expectation survey			
14:30	US	Philadelphia Fed Business Outloo	Aug	25.0	41.4
14:30	US	Initial Jobless Claims	15-Aug	210k	209k
16:00	US	Leading Index	Jul	0.1%	-0.2%
Friday 21 Aug					
08:00	SW	Unemployment Rate SA	Jul	8.8%	8.9%
08:00	UK	Retail Sales Inc Auto Fuel MoM	Jul	-0.4%	1.0%
09:15	FR	Manufacturing PMI	Aug P	50.1	49.8
09:30	GE	Manufacturing PMI	Aug P	52.0	52.2
10:00	EMU	Manufacturing PMI	Aug P	51.7	51.9
10:00	EMU	Services PMI	Aug P	51.5	51.7
10:00	EMU	Composite PMI	Aug P	51.6	52
10:30	UK	Manufacturing PMI	Aug P	51.5	51.9
11:00	EMU	Negotiated Wages	2Q	2.6%	2.5%
15:45	US	Manufacturing PMI, S&P	Aug P	53.7	53.9
15:45	US	Services PMI, S&P	Aug P	53.9	54.6
15:45	US	Composite PMI, S&P	Aug P	54.0	54.5
16:00	EMU	Consumer Confidence	Aug P	-16.3	-15.9

- Flash PMIs

- **Service PMIs** rose most places in July (-China), and the **global composite PMI** rose 0.6 to 52.6. US added 1.7 p to 54.5, EMU +2 to 52.0, both far better than expected. The global **manufacturing PMI** was flat but close to the highest level since 2022. In August a ***small reversal is expected*** at both side of the Atlantic. These PMIs are early birds and often yield genuine new information in the cycle.

- China

- July data has been postponed by 5 hours Monday morning, without any explanation. The July PMIs were far weaker than expected, and the momentum in **domestic demand** has been very weak. **Retail sales** have been trending slowly down, while **investments** have been falling rapidly, and not only due to the continued decline in **housing starts** (which are down more than 80% from the 2020 peak. House prices are falling steadily; in real terms back to the 2024-level! Even so, **Industrial production** is keeping up well, and the trade surplus has climbed to a record high level (and increases rapidly in volume terms), supporting growth in production in China, creating even more trade policy tensions.

- US

- **FOMC meeting minutes** will give ***more colour on the discussions*** and wide opinions amongst FOMC members. 3/12 voted for a rate hike, but there are likely even more members who favoured a hike. As such, the minutes could show how much desire there is amongst members for a hike ahead. At the same time, labour market data has been somewhat weaker while inflation has not surprised to the upside. As such, the report is not truly up to date with FOMC members thoughts.
- **Housing starts/permits** drifts flattish/down. The level is probably ‘mid cycle’ and the downside risk is most likely limited, even if the lift in the long end of the yield curve is not supportive.
- **Manufacturing production** has turned so far in 2026, and surveys suggest more is to come. Besides the PMI, two August Fed **manufacturing surveys** are also on the calendar.

- Sweden

- **The Riksbank will keep the key rate unchanged at 1.75%**, and the focus will be whether the central bank will come with any new signals for rates ahead. The meeting is without a new policy report and as such we will likely have to wait until September for any hints of potential hikes ahead and a new rate path.
- **LFS unemployment** rate remains high at 8.9% but ***may have flattened***. However, the recent participation and employment rates are not that encouraging, and vacancies are heading down

- Norway

- **Norges Bank expectation survey** will most likely report OK long-term wage and inflation expectations but the shorter-term views among economist, business leaders and households are ***less comforting***.

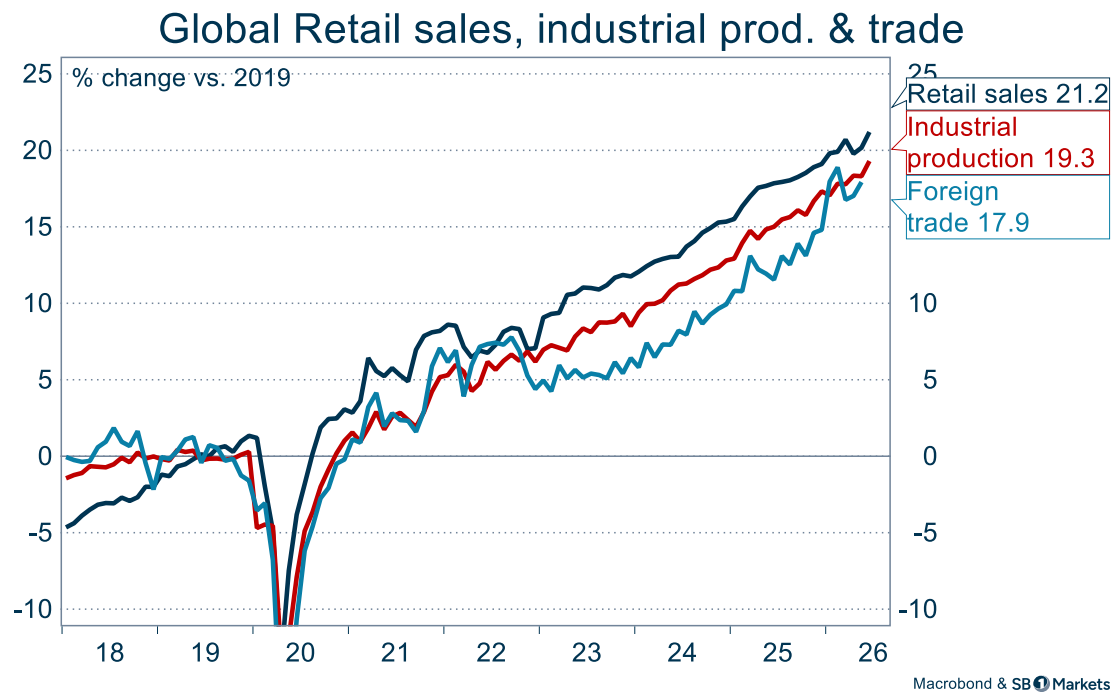
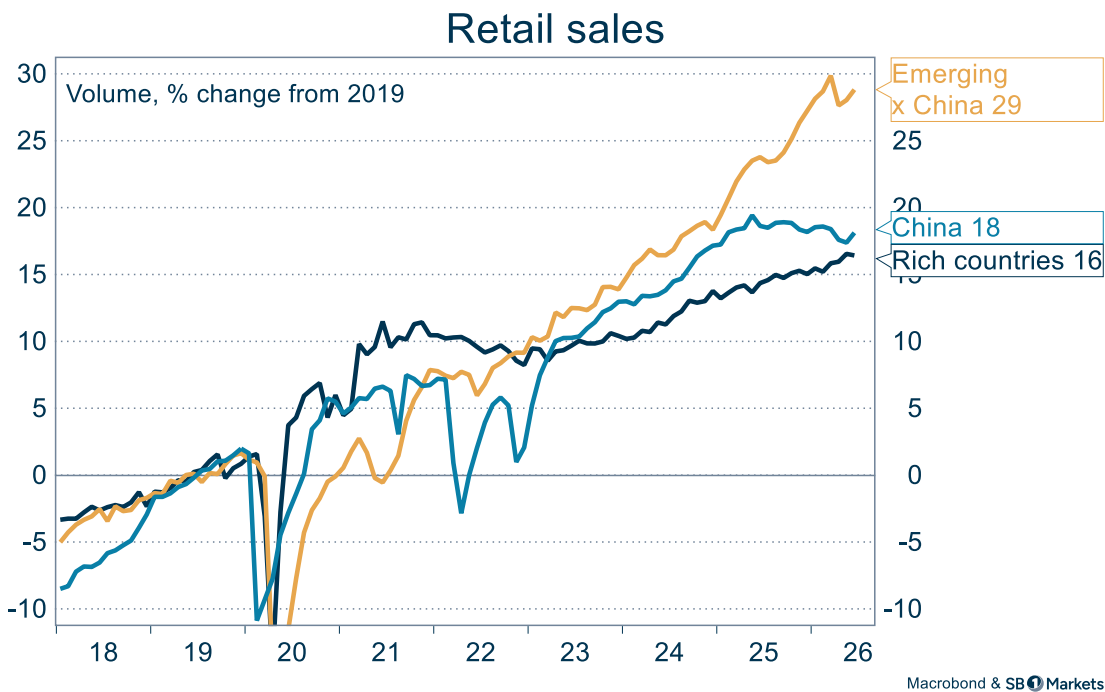
Agenda

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



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

Retail sales in EM ex. China still trends upwards, while Chinese sales are heading down. DM sales slowed in Q4, but has gained speed again in H1-26. Global industrial production has improved, and global trade flows trend rapidly upwards.

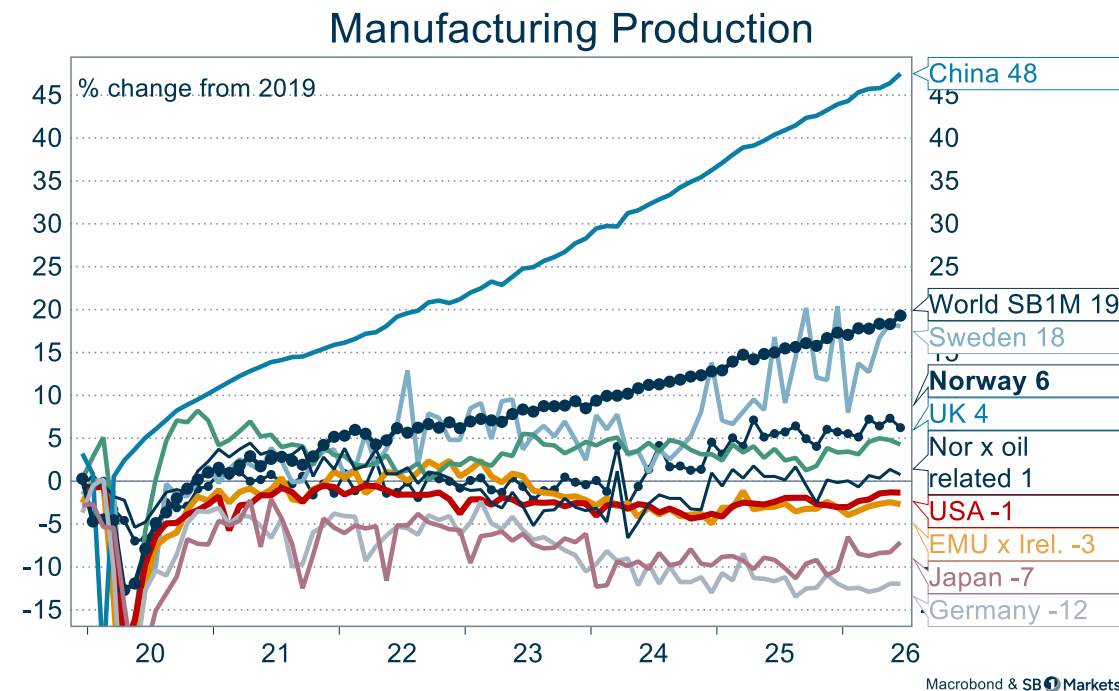
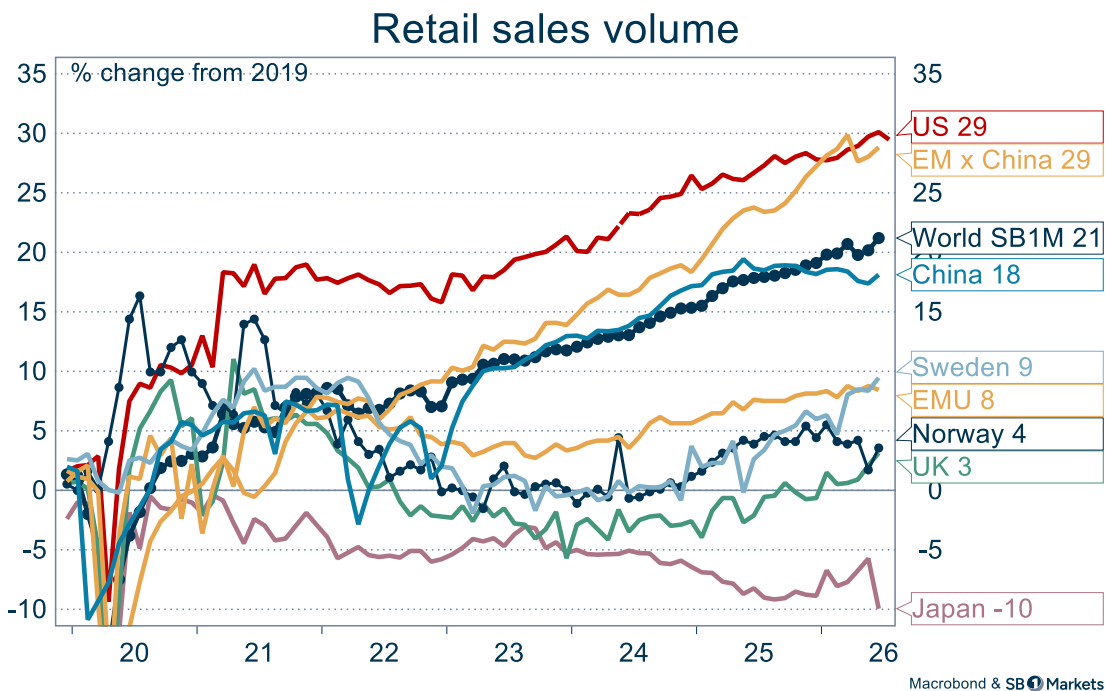


Extremely volatile retail sales data from Thailand has influenced the EM x. China data series.



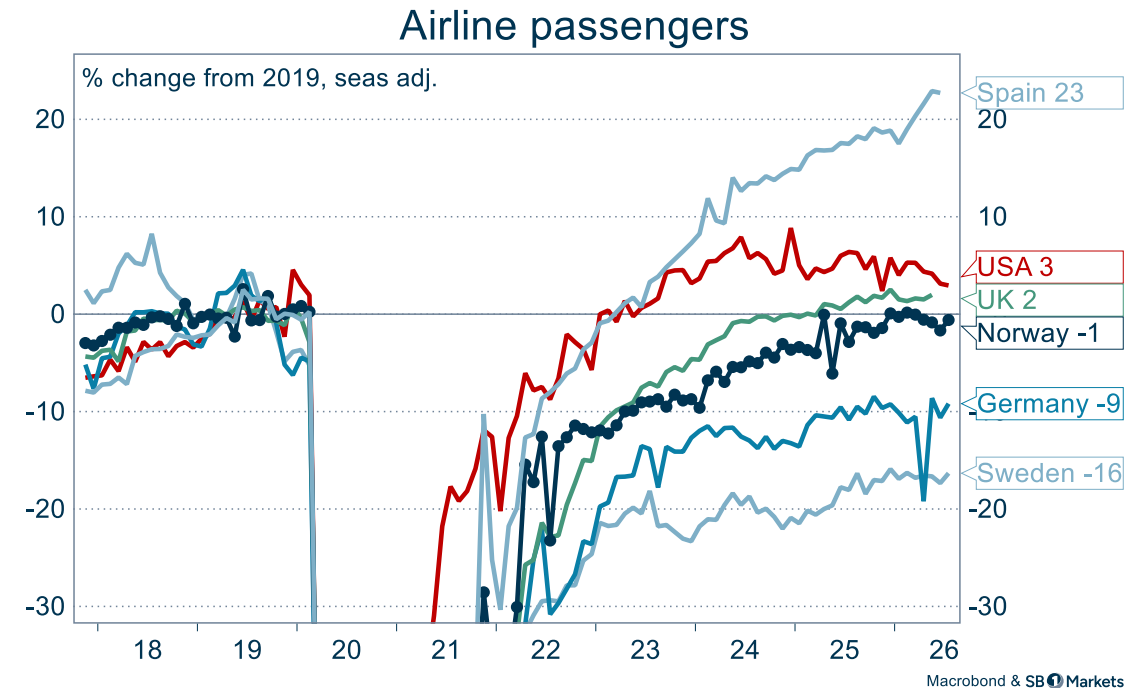
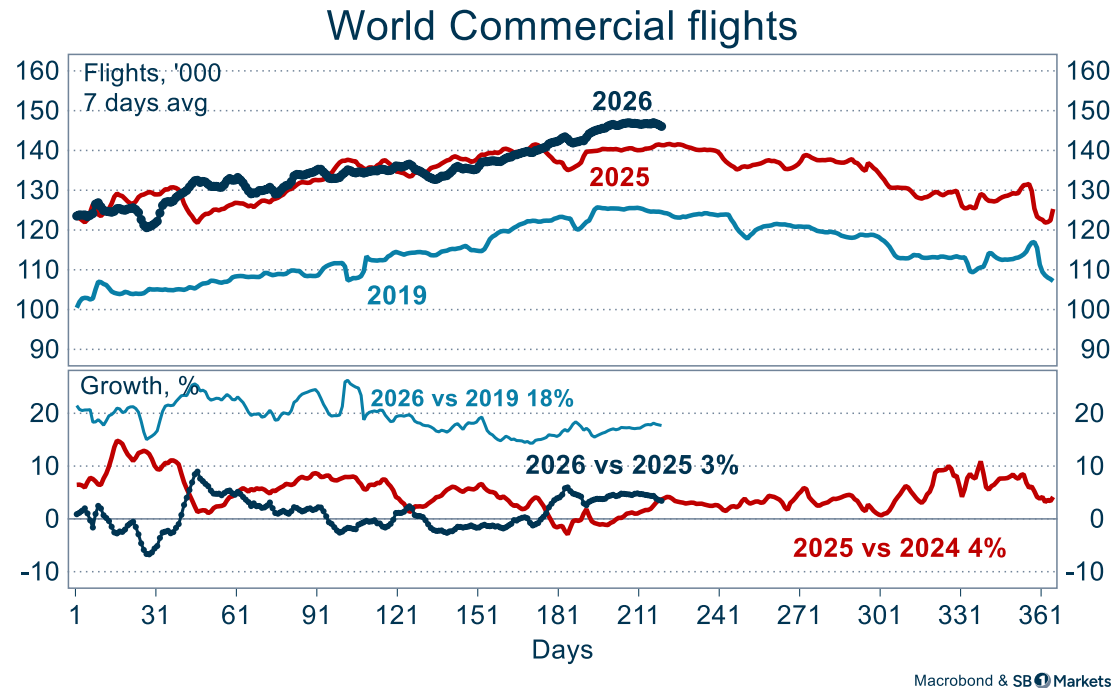
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

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.





Global airline traffic up 3% y/y, as the Gulf war slowdown is left behind

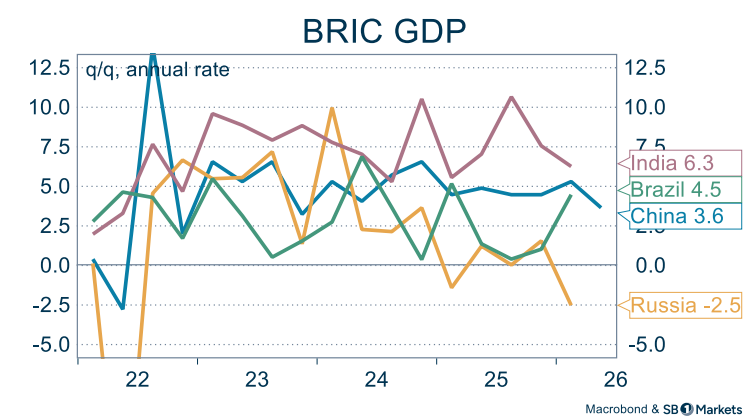
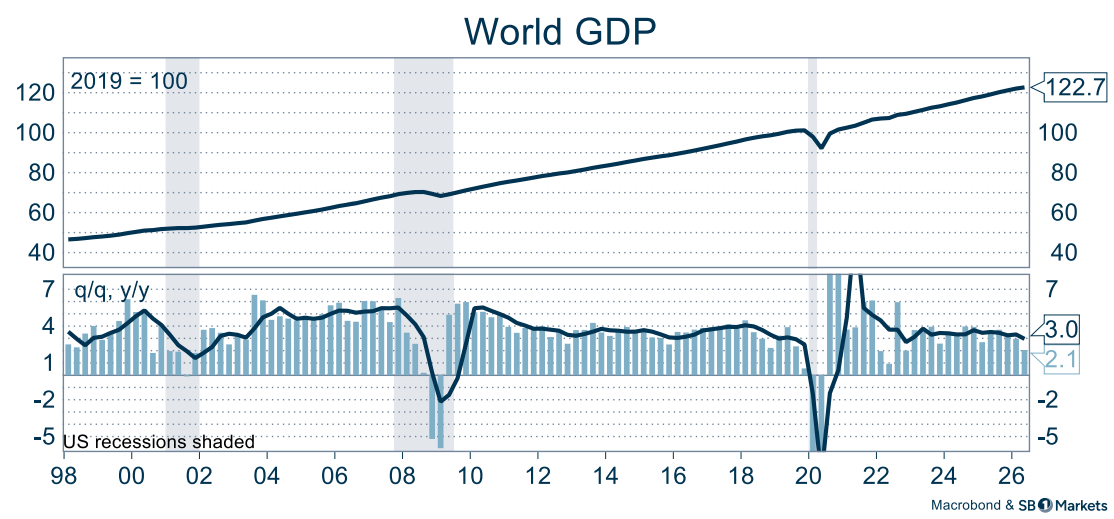
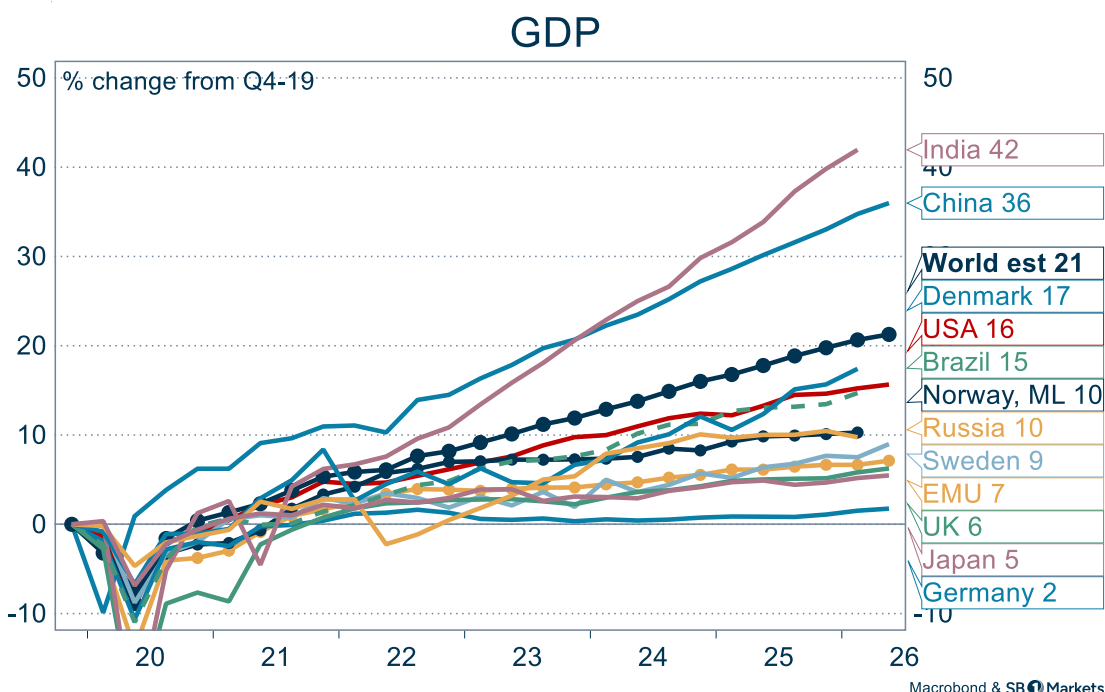


- Passenger numbers are recovering in most Western countries, except for the US, which is declining from previously 'high' figures, with traffic up just 5% from 2019. Sweden is well below 2019 levels, by 18%. Norway has climbed back up to its 2019 level, and Spain leads with a 23% increase.



Our (very) preliminary Q2 global GDP growth estimate: down 1 pp to 2.1%

No doubt, the Gulf war and the lift in energy prices have dampened growth in Q2. Growth was higher in EMU than in US (at least before adjusting for useless Irish GDP data).



	GDP growth					q/q ann. rate	y/y
	-1	0	1	2	3		
World, SB1M est						2.1	3.0
China (quart. data)						3.6	4.5
USA						1.5	2.1
Japan						1.1	0.5
UK						1.7	1.2
EMU						1.8	0.9
Germany						0.9	0.9
France						0.7	0.7
Italy						0.8	1.0
Spain						2.8	2.7
Netherlands						1.6	1.5
Finland						3.6	2.2

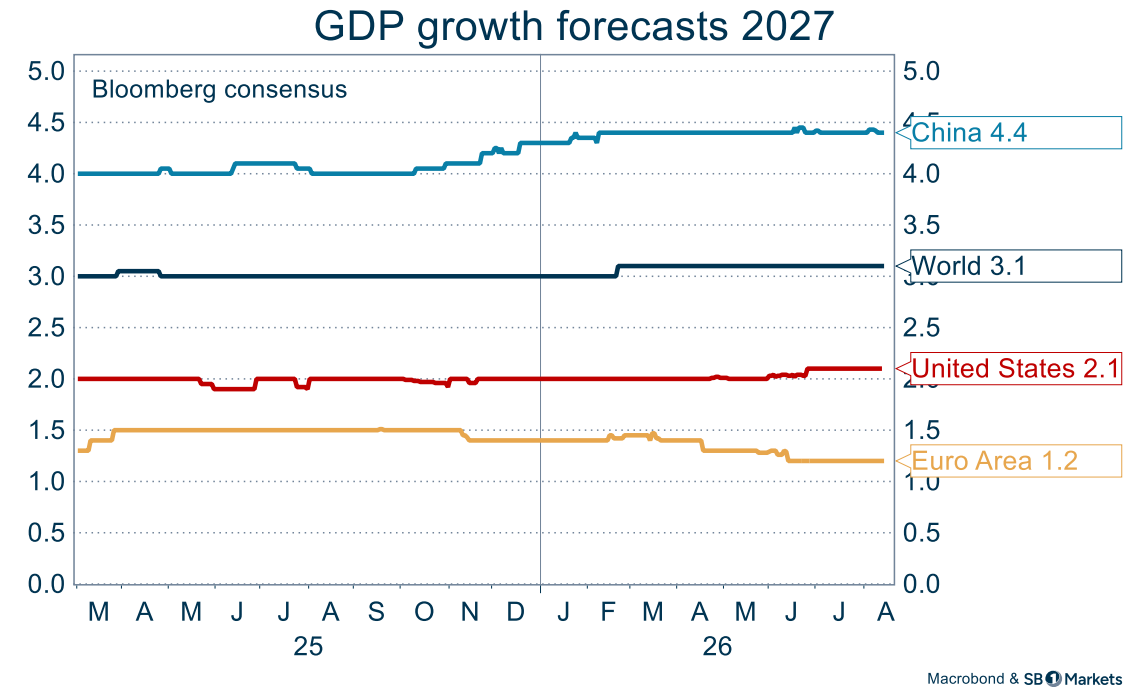
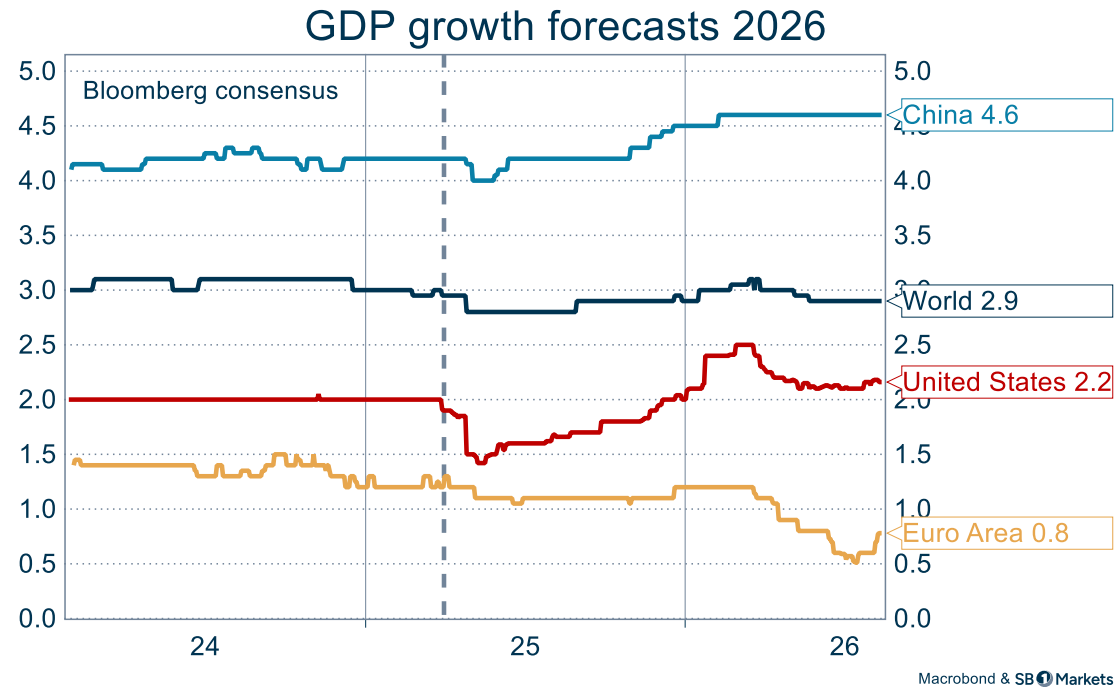
■ q/q ● y/y

World GDP is estimated by SB1M



EMU, US 2026 GDP growth forecasts are up following the Q2 (war) drop, EMU the most

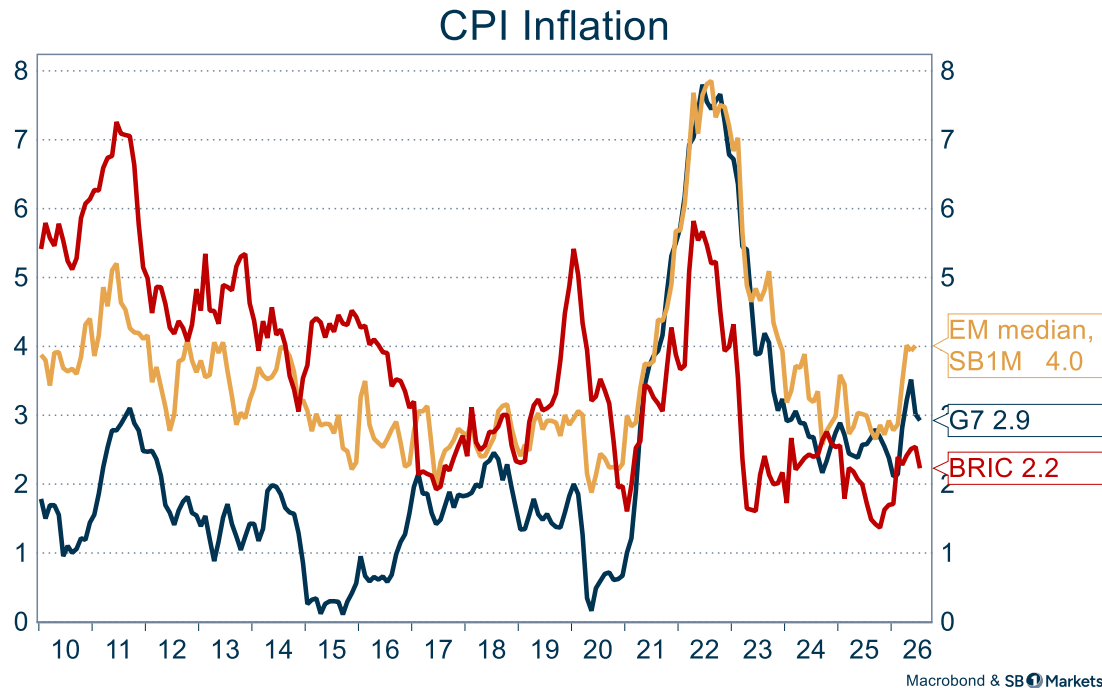
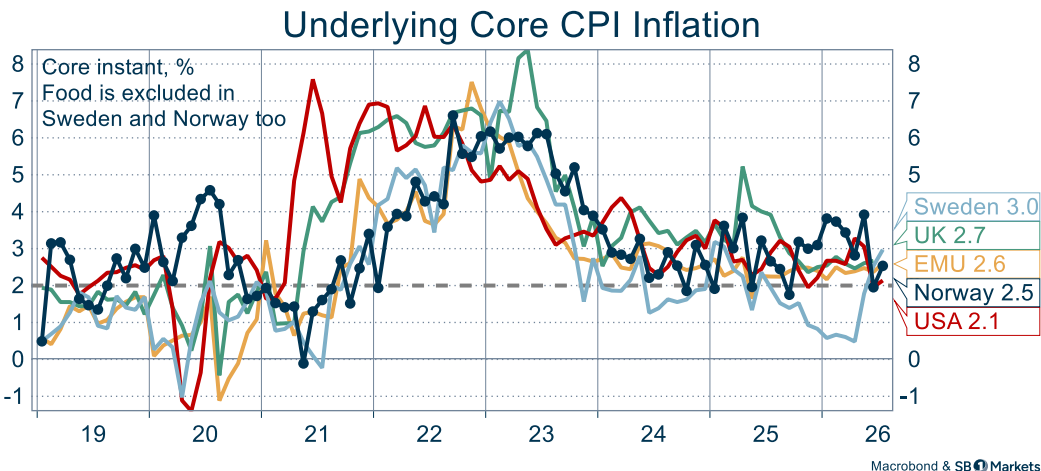
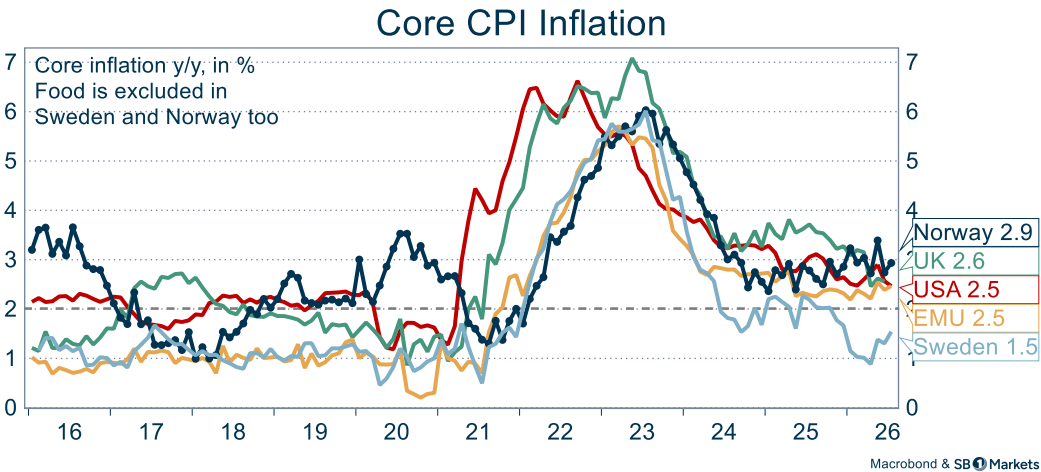
The US forecast is still down 0.3 pp to 2.2%. EMU is down 0.4 pp to 0.8%. The US is less exposed to the lift in energy prices, and AI investments are incredibly strong. Boring (flattish) but decent 2027 forecasts. Chinese forecasts are not influenced by weak short-term data. Strange.





Swedish core underlying up, while US is at the bottom (at least measured by CPI)

Underlying core inflation *in recent months* shot up to 3.0% in Sweden in July. Norway climbed to 2.5%, EMU to 2.6%. US has fallen to 2.1!

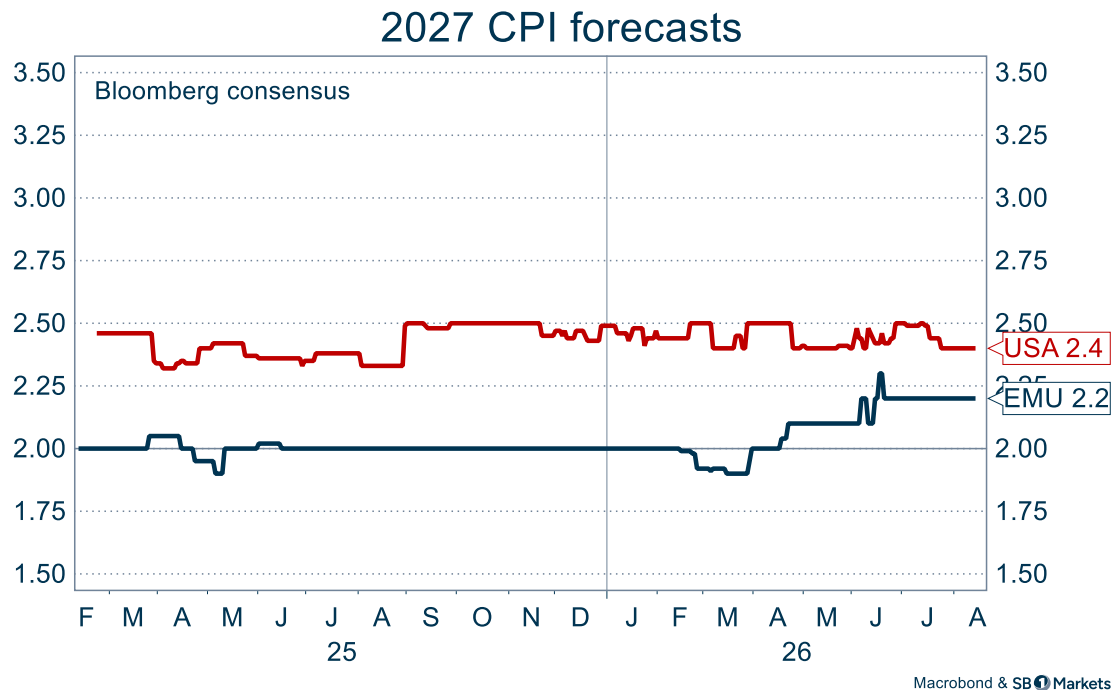
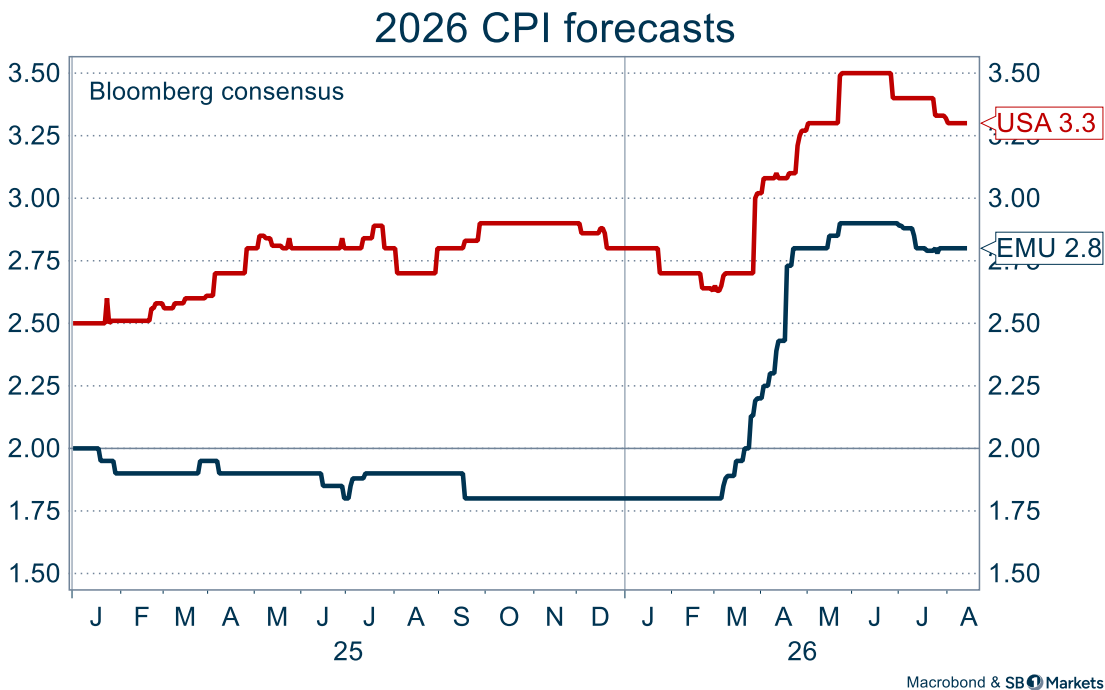


Food is removed from the Norwegian and Swedish 'official' core CPIs.



2026 inflation forecasts are down from the peak, with energy prices

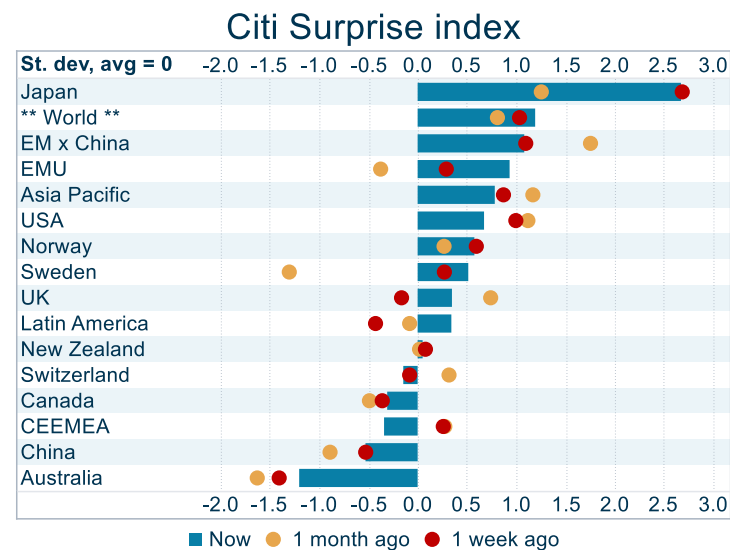
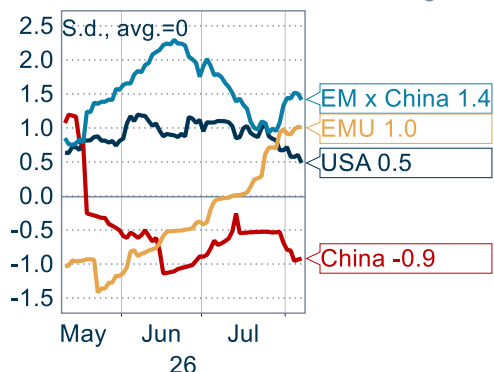
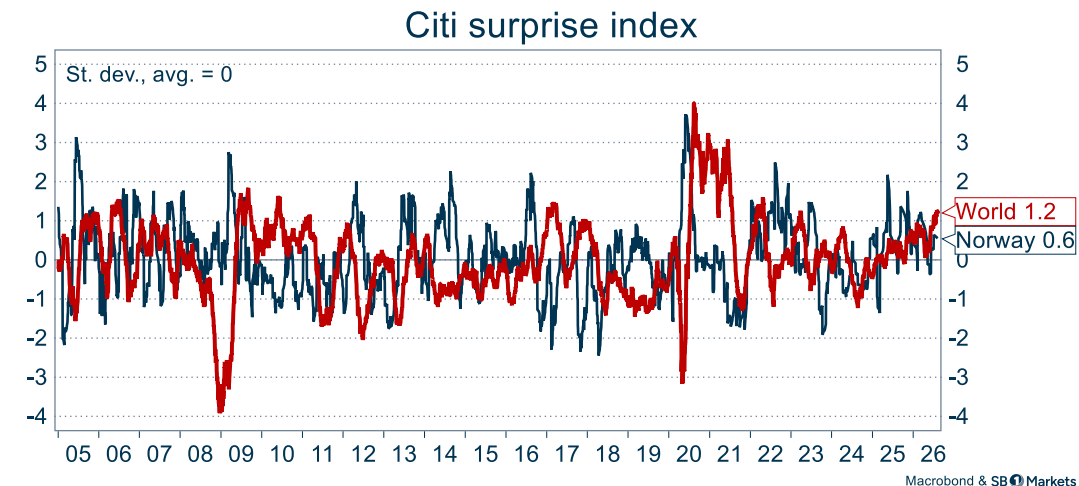
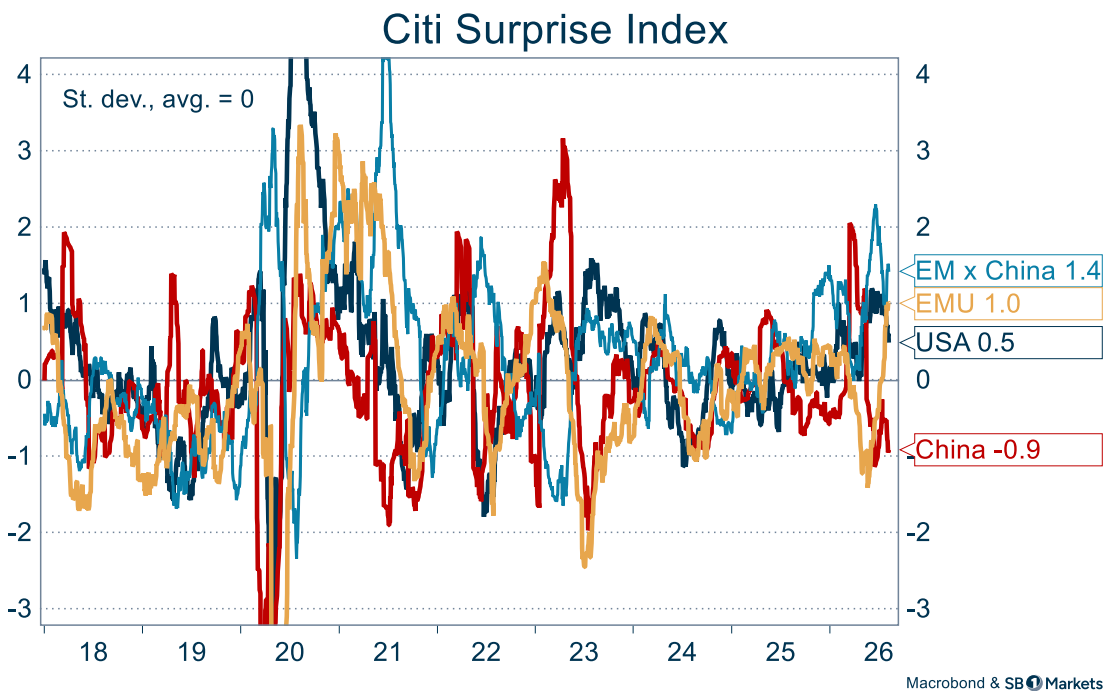
The 2027 EMU forecast of 2.2% is not far above the inflation target; the US at 2.4% remains somewhat above





Surprise indices: the world is at the best level since 2022; EM x. China & EMU turn up

Japan is the lead. US trend down but is still above average. China and Australia at the bottom of the surprise ranking. Norway is above an average level and slightly above the middle of the list.



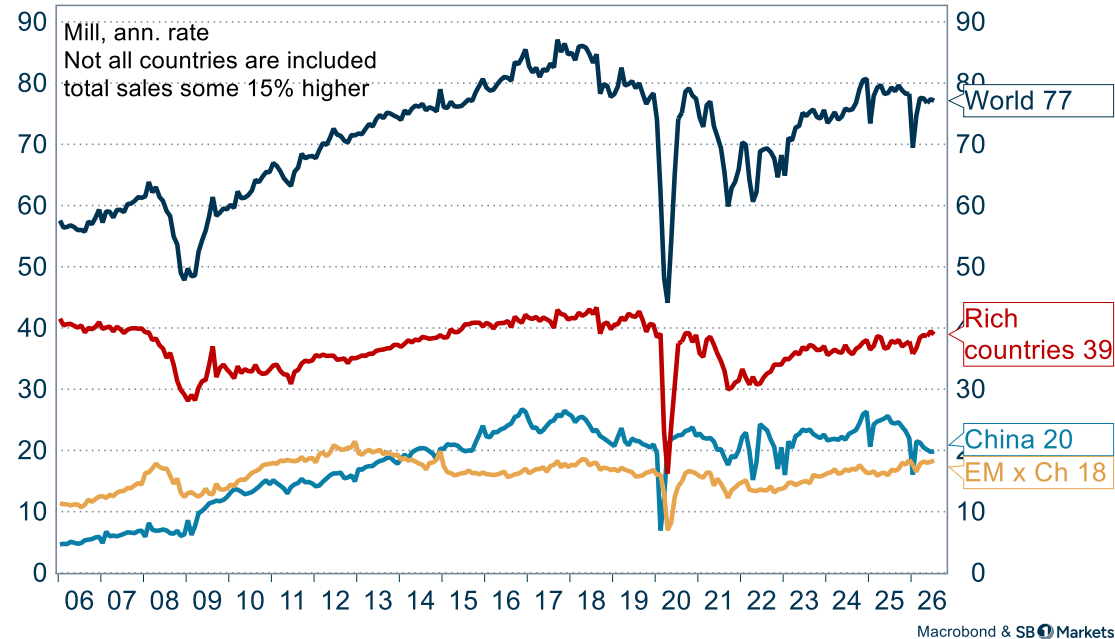
Surprise-indices measure the difference between economists' expectations and the actual outcome over a 3-month rolling window, calculated by Citi



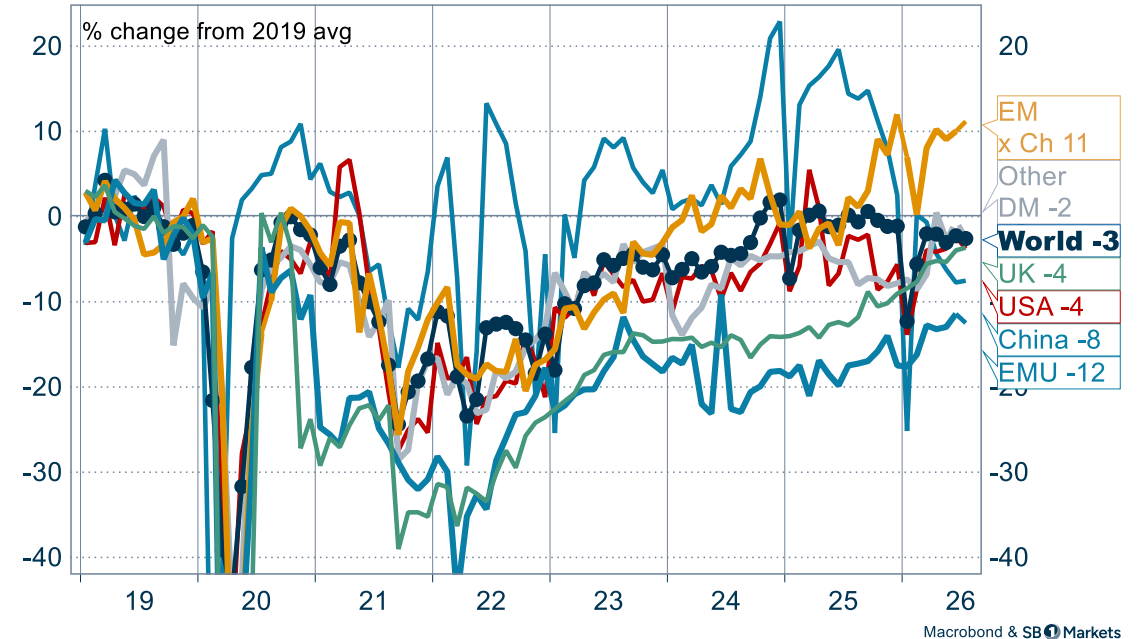
Auto sales are trending up in DM, EM ex. China – but still decline in China

Chinese sales declined further and down 20% y/y. Global sales were flat in July with small changes in the main countries. Chinese sales are down 9% from 2019, US sales are down 3%, EMU sales 12%. Sales in EM ex. China are up 9%. Global sales are down 3%.

Global auto sales



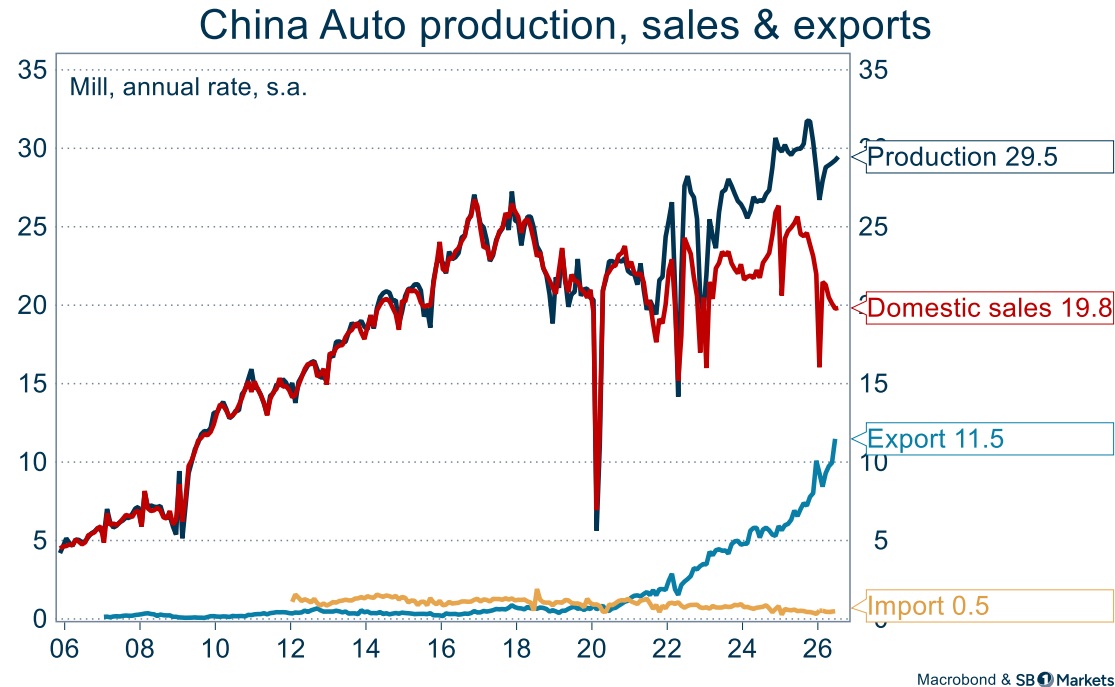
Global auto sales





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.

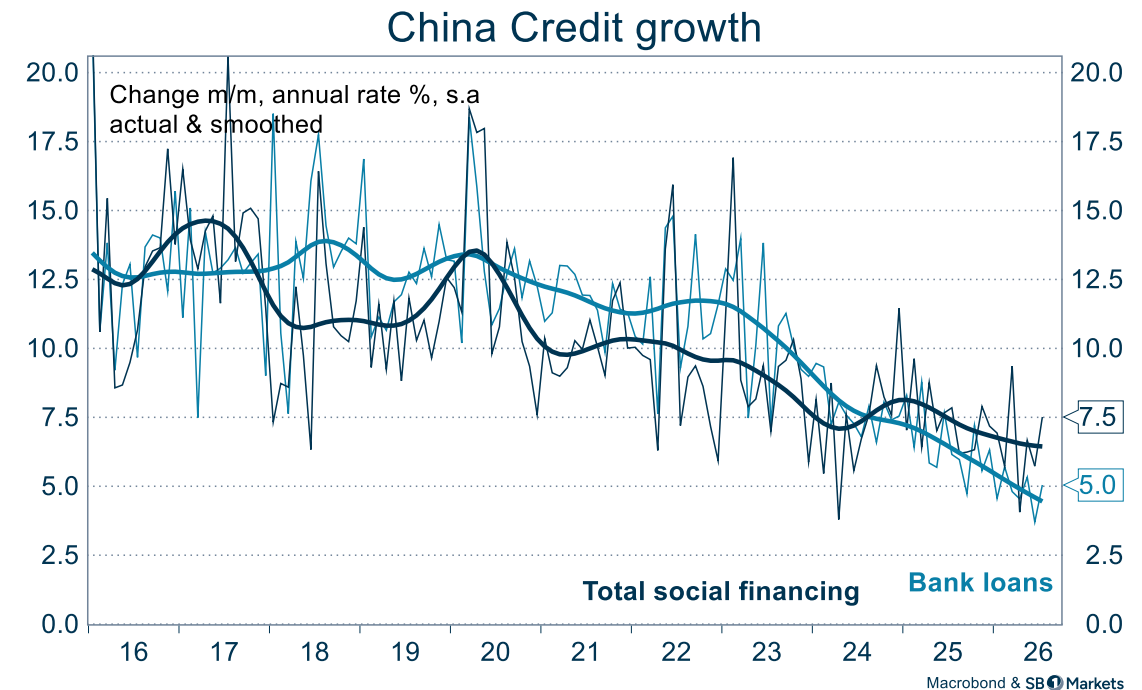
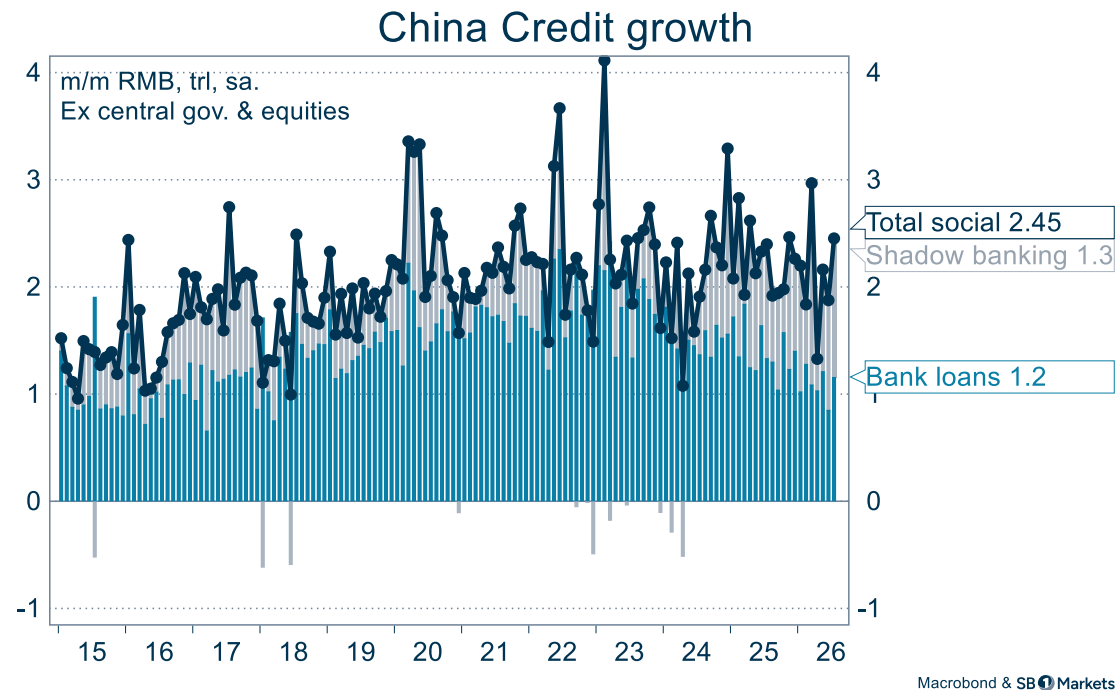


- Imports? Close to zero.



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. In July, credit grew a tad faster though

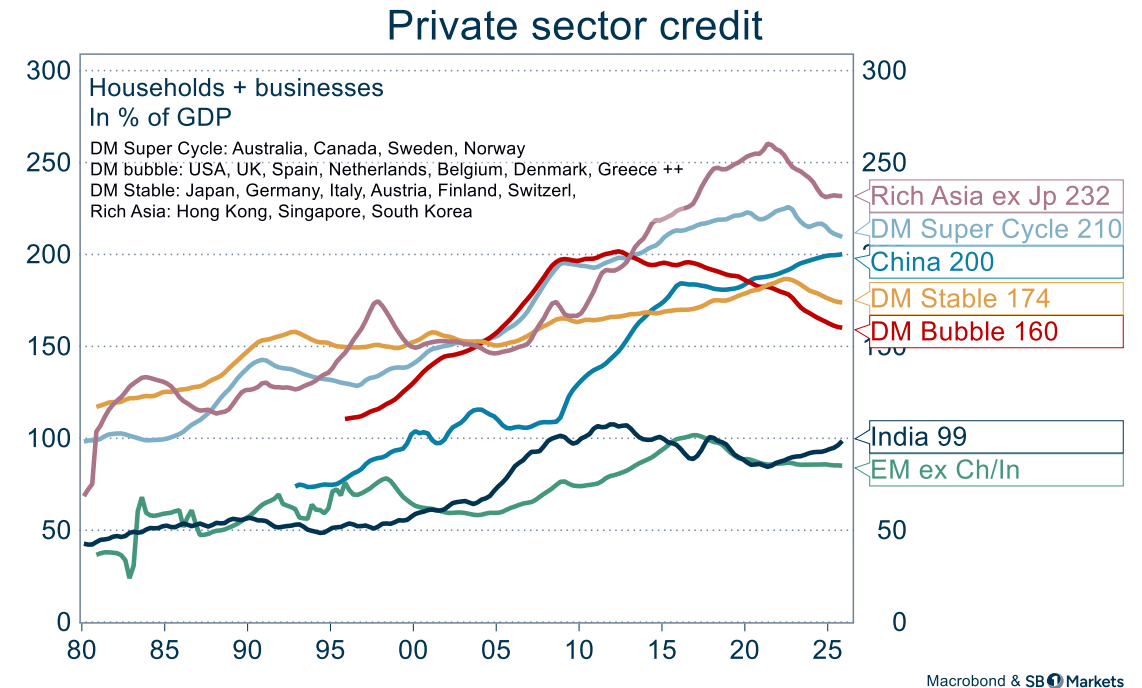
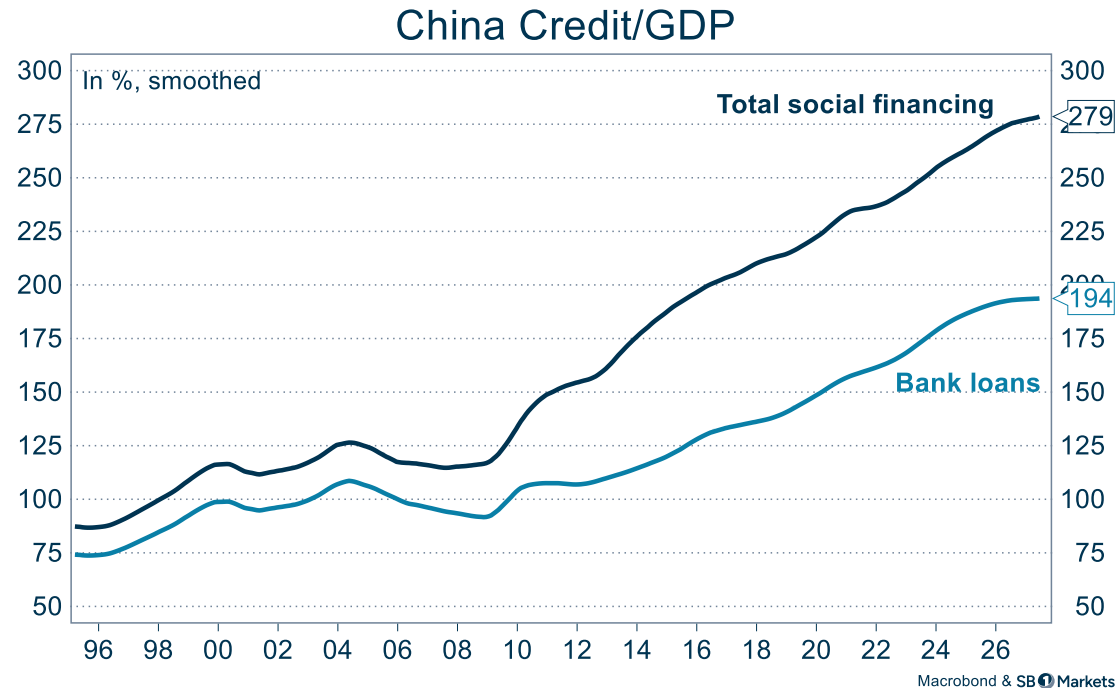


- **Total social financing** grew by RMB 3.3 trillion m/m in June, somewhat less than expected (3.8 trl). Seasonally adjusted, core credit supply rose by RMB 1.8 trl, or a 5.5% annualised increase. Total credit is up 6.7% year-on-year, still outpacing a 5.5% nominal GDP growth, though credit growth is 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



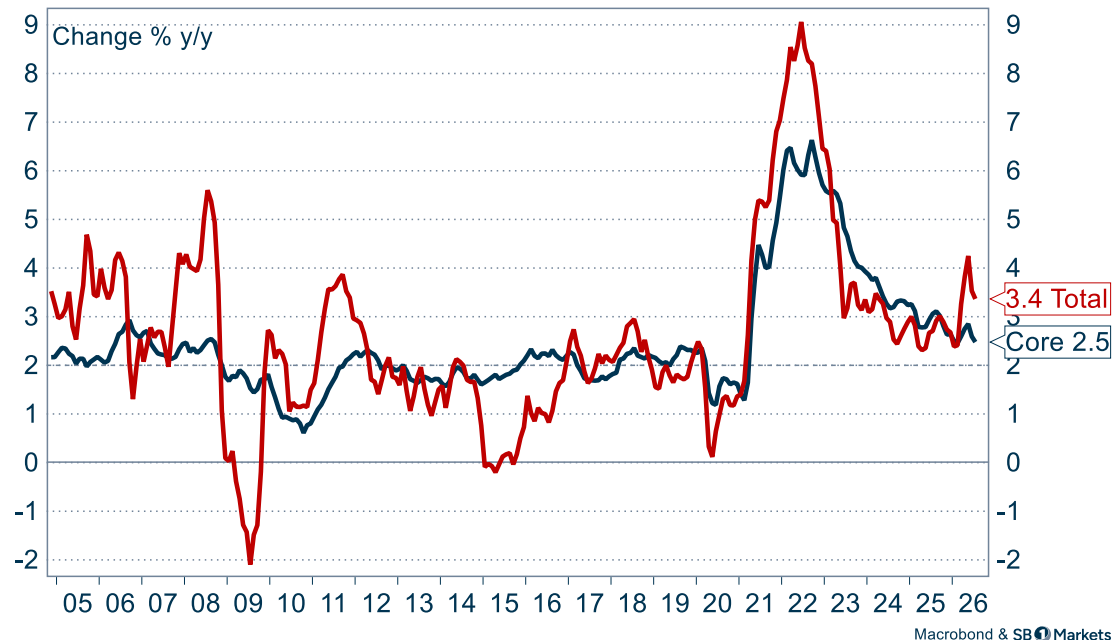
- There have been some other outliers as well: **DM Super-cyclicals** (Australia, Canada, Norway, Sweden), and wealthy Asian countries, which have borrowed quite extensively. These countries have now been reducing their debt burdens for some few years, although their debt levels remain substantial.
- 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.



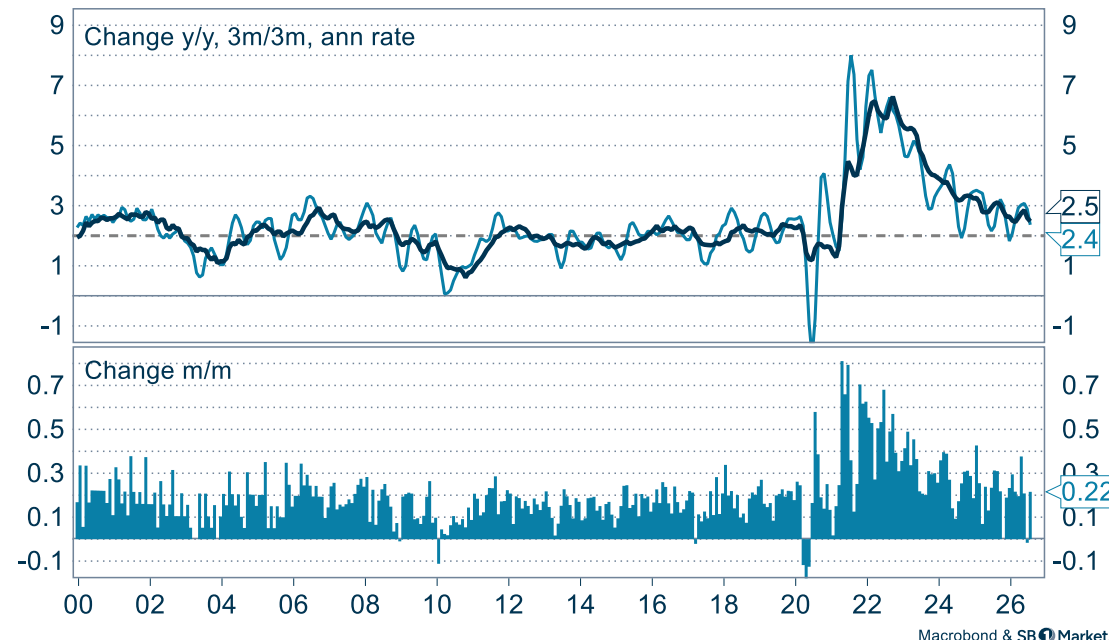
CPI as expected in July (but that was good enough), the core back down to 2.5%

Core prices rose 0.22% m/m, and slowed 0.1 pp to 2.5%, both as expected. Total prices rose 0.1 pp, and the annual rate fell to 3.4%. Underlying core growth rates is still close to 2%. Inflation remains too high but if the direction is down, and the *FOMC can wait and see?*

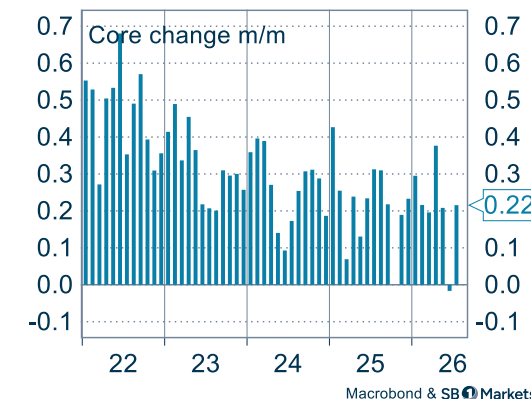
USA Consumer Price Index



USA Core CPI



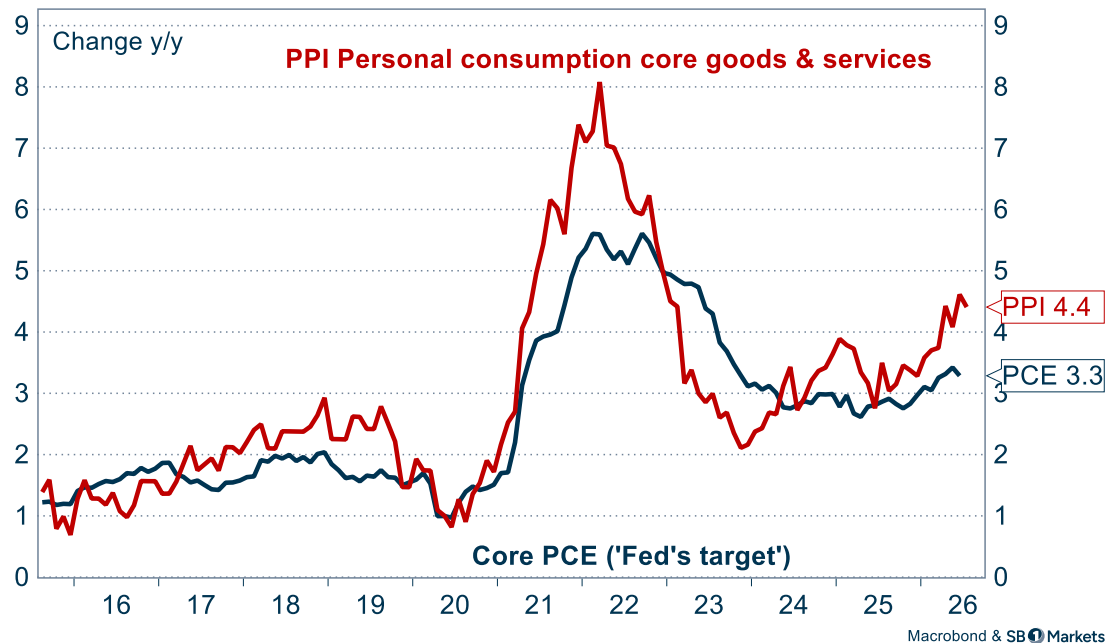
- **Headline CPI** was kept in check by a 1.5% decline in energy prices.
- Within the **core segment**, services ex. Rents, rents and goods were up close to 0.2 pp. Rent inflation has flattened at above 3% y/y, services have fallen below. Core goods are up 0.9%.
- **The outlook:** wage inflation is slowing, while productivity growth remains brisk (at least vs. recent history). Thus, **Unit Labour Costs growing slower**, in fact 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. On the other hand, a near-term cut is surely unlikely, barring a collapse in risk markets.



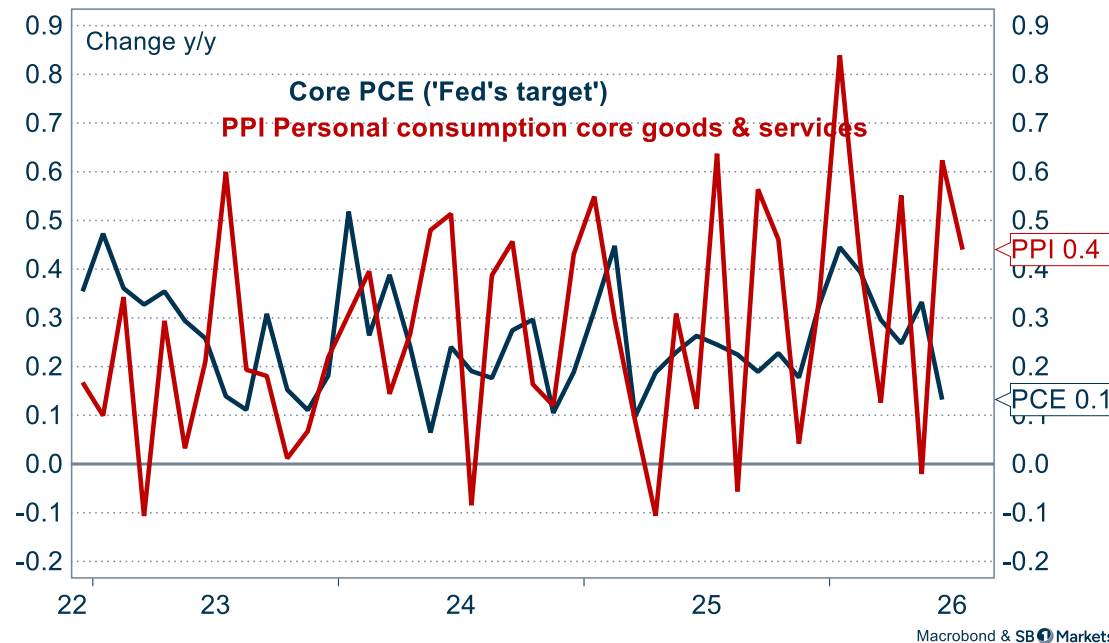
Core PPI personal consumption goods and services up 0.4% in July, 4.4% y/y

The trend recent months is not that encouraging – and 0.4% is surely far too high to yield 2% annual PCE inflation.

USA Core PPI vs. PCE inflation

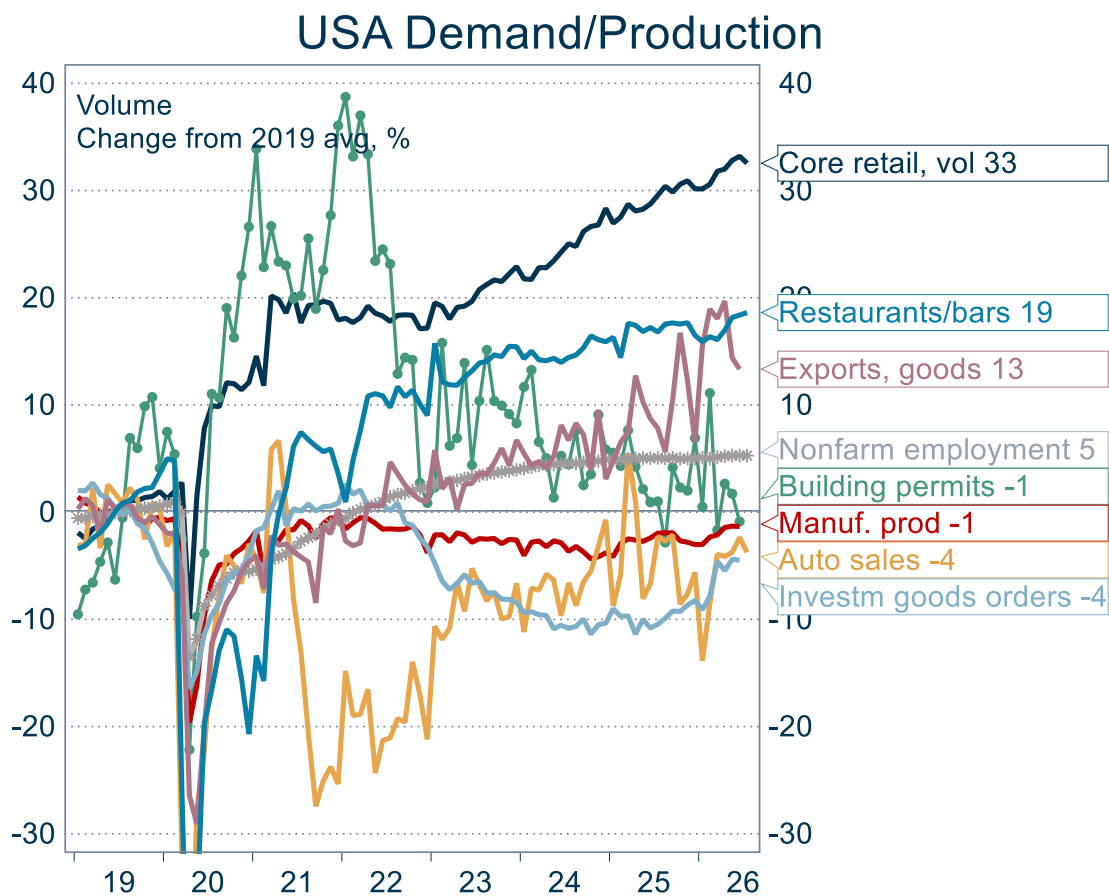


USA Core PPI vs. PCE inflation





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



Macrobond & SB Markets

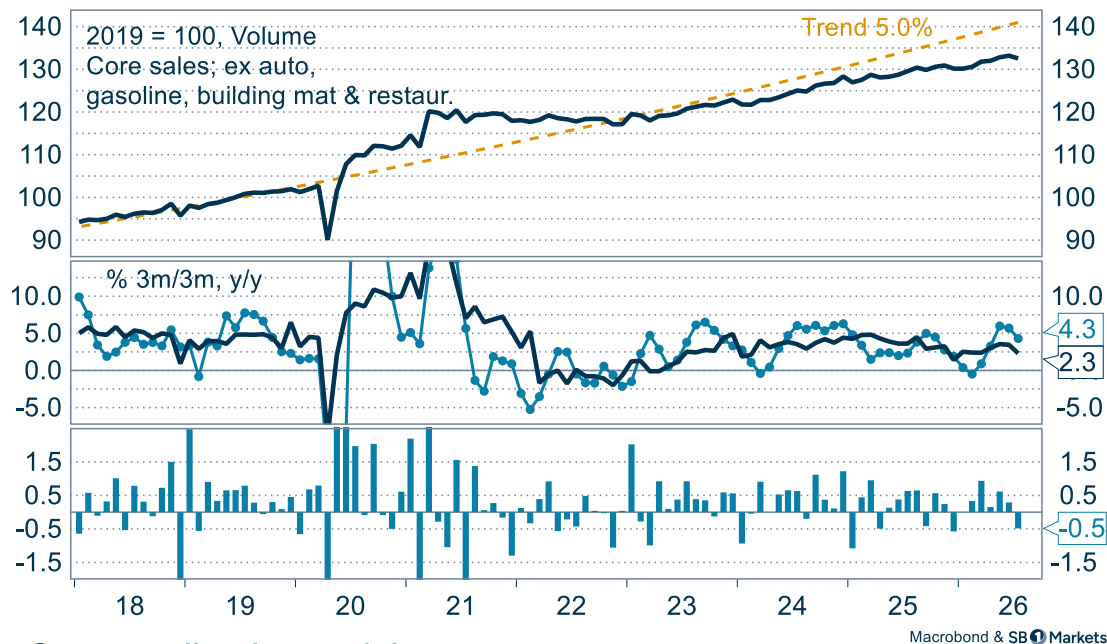
- **On the upside – all in real/volume terms**
 - **Retail sales** fell in July, but the trend is still strong.
 - **Restaurants** are on the way up again after a short slowdown
 - **Auto sales** have recovered past 3 months, but the longer-term trend is flat.
 - **Investment goods orders** have climbed rapidly, but growth has slowed slightly recently.
 - **Export volumes** are volatile and fell in May and June, but the trend is up.
 - **Manufacturing production** has gained some speed recently
- **Flat**
 - **Nonfarm payrolls** are still trending up but flattened in June/July.
- **On the downside**
 - **Building permits** are volatile, but trend down rather than up



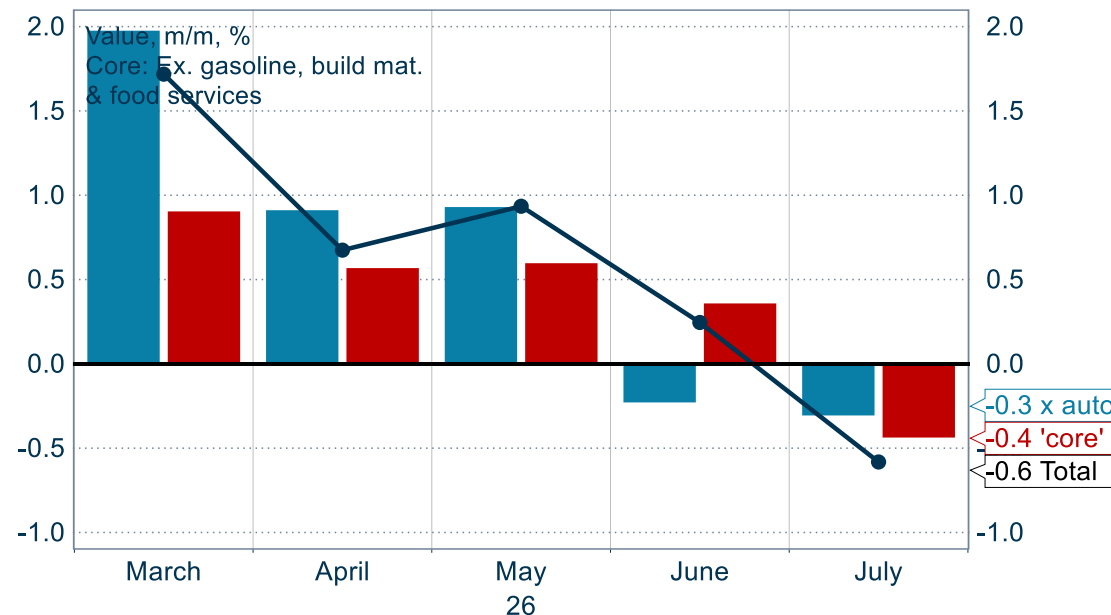
Core retail sales fell 0.5% in July, 0.7 pp below expectations. June revised down 0.4%

Underlying (3m/3m) growth fell to still respectable 4.3%, from 6.6% a month ago but uncertainty has increased: No real income growth and very low savings is not at favourable starting point. Total sales fell 0.6%, expected up 0.2%.

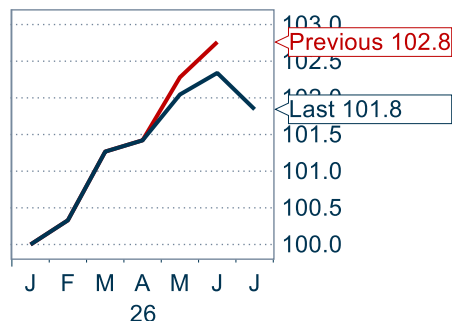
USA Core retail sales



USA Retail sales



Core retail sales revisions



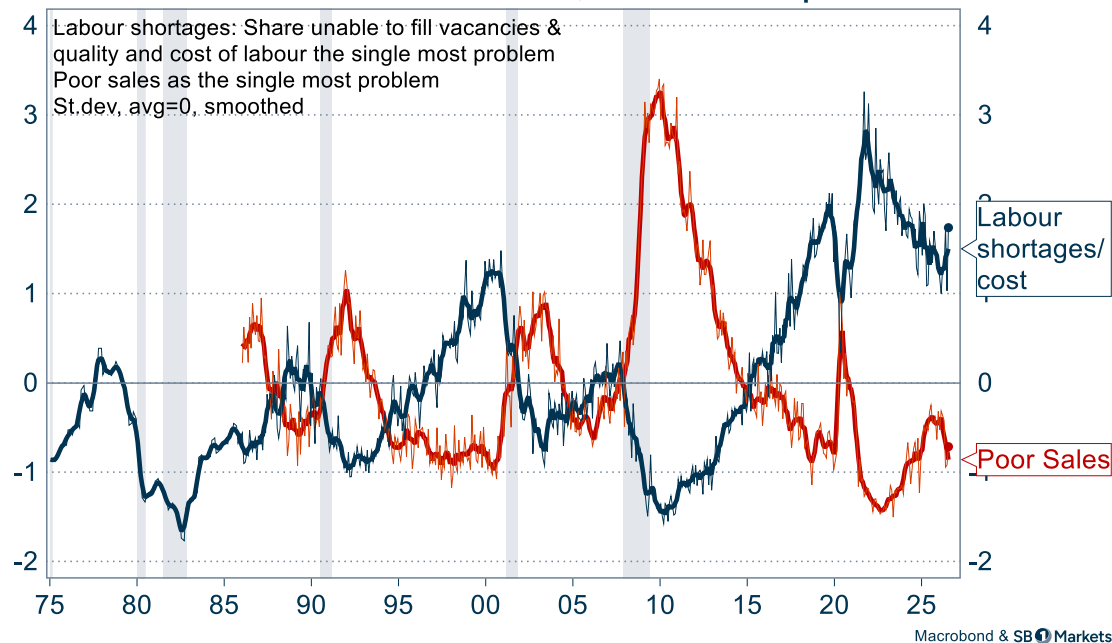
- **Auto sales** fell 2%, and sales at **gasoline stations** by 0.9%. **However, core sales fell as well, by 0.4% nominally, expected up 0.3%**
 - **The July volume growth** figure is our estimate. Sales the previous months were revised downwards.
- **Total real disposable income** fell in H1 and is flat y/y, and the savings rate has funded the 2%+ growth in private consumption and the savings rate has fell to 2.8% in Q1. On a positive note, household debt growth remains low, and the debt-to-income ratio continues to decrease.



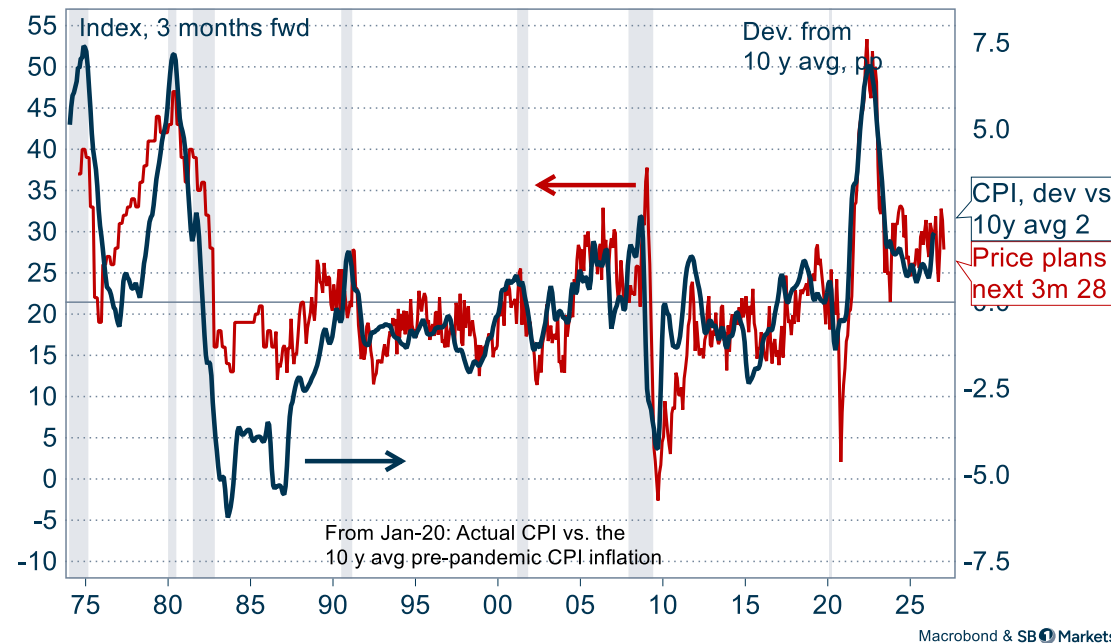
Big picture: more labour shortages, and even less sales challenges

Price plans are well above average, but somewhat down in June and July.

USA Small businesses, what's the problem?



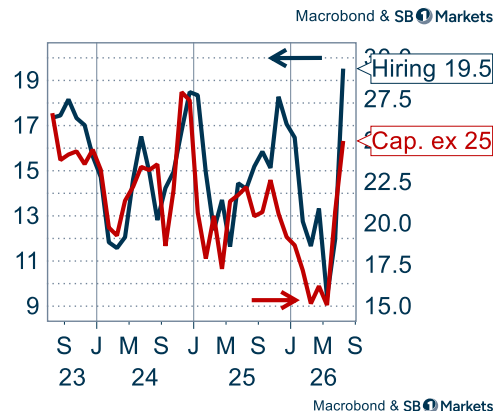
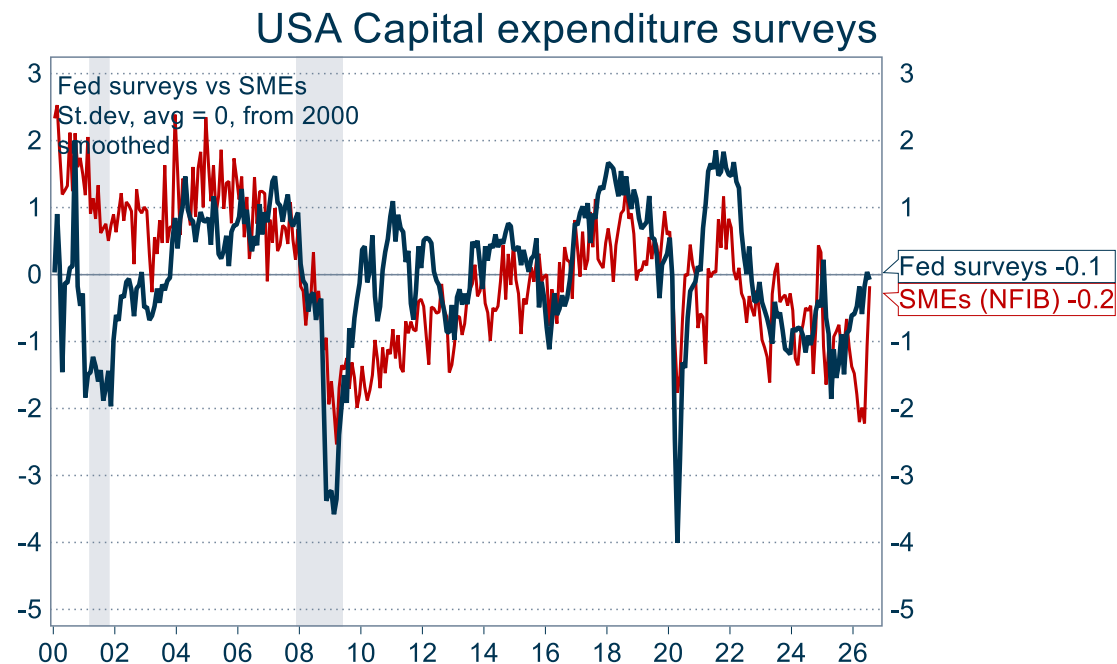
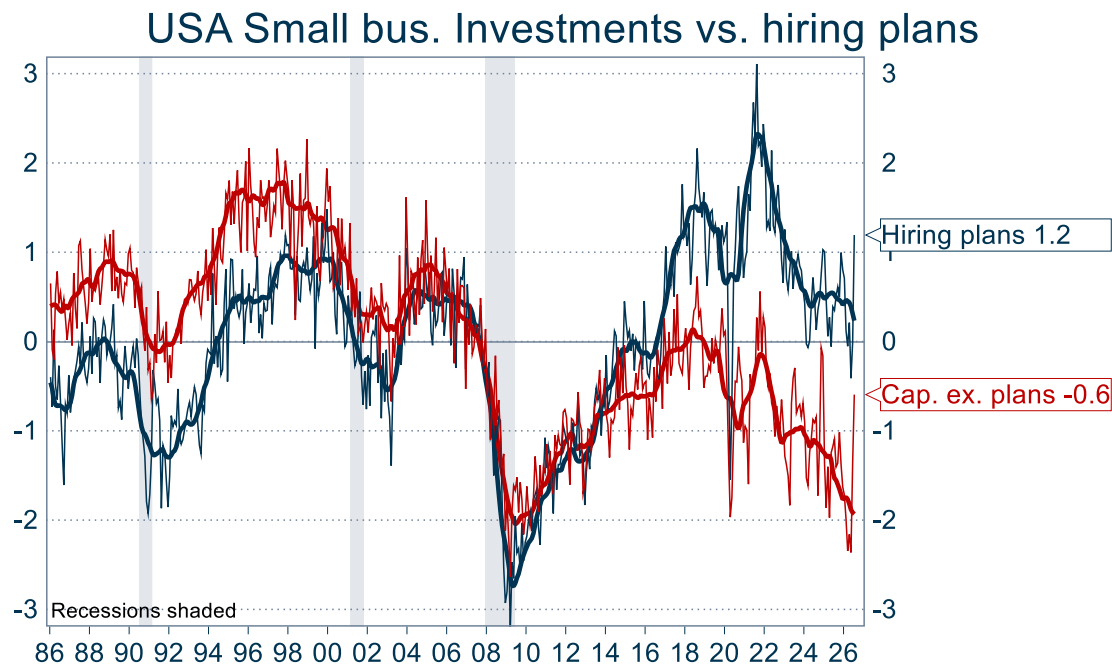
USA Small Businesses Price Plans





SMEs' investment hirings and capex plans shot up in July, hirings to the best level since '22

... and the level is well above average! The investment plan index rose 0.7 std. dev. to -0.6 s.d. (and from -2.4 in May). Fed's regional investment surveys have been heading upwards for a while, up to an average level.

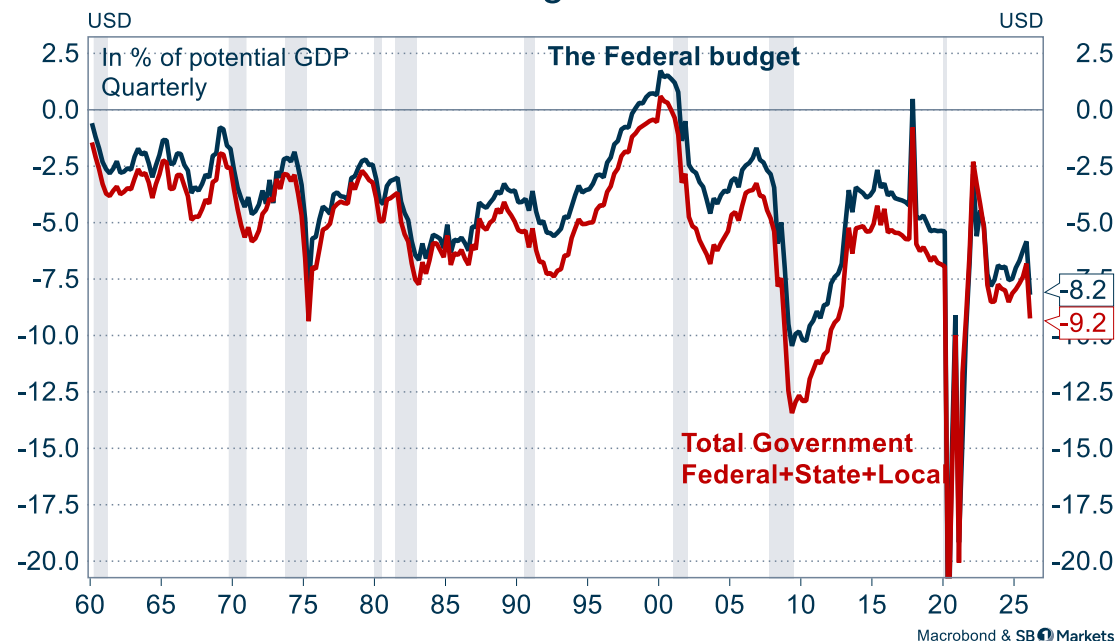




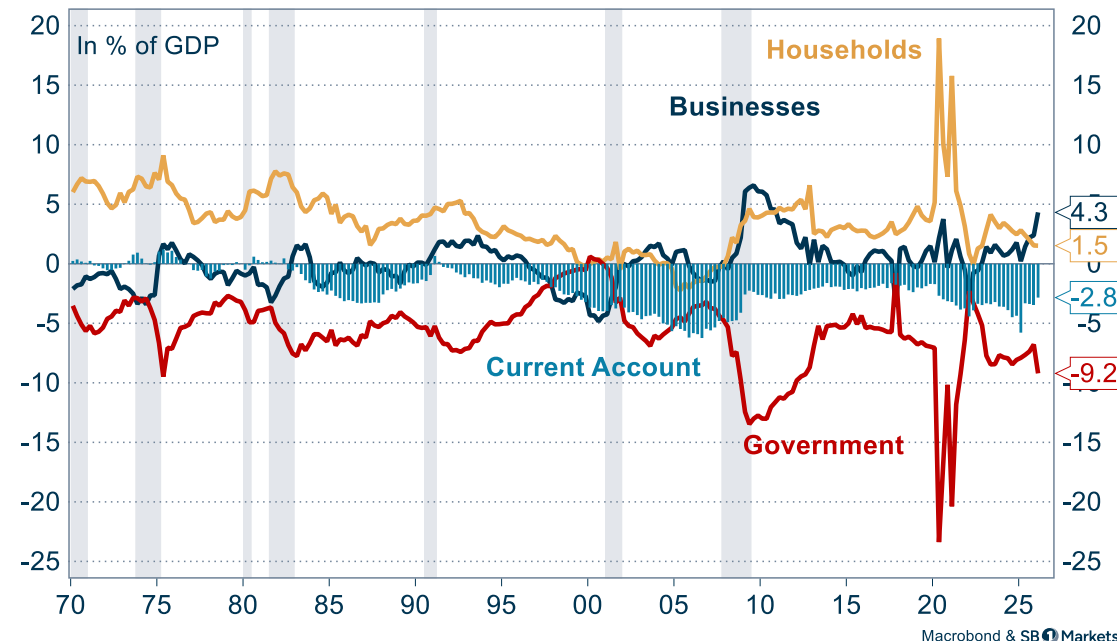
The total government deficit blew up to 9% of GDP in Q2

... which no doubt is an outlier, due to some technicalities (hopefully). Households and businesses together funded 5.8% of this deficit, the rest of the world the remaining 3% (the current account deficit).

USA Budget balance



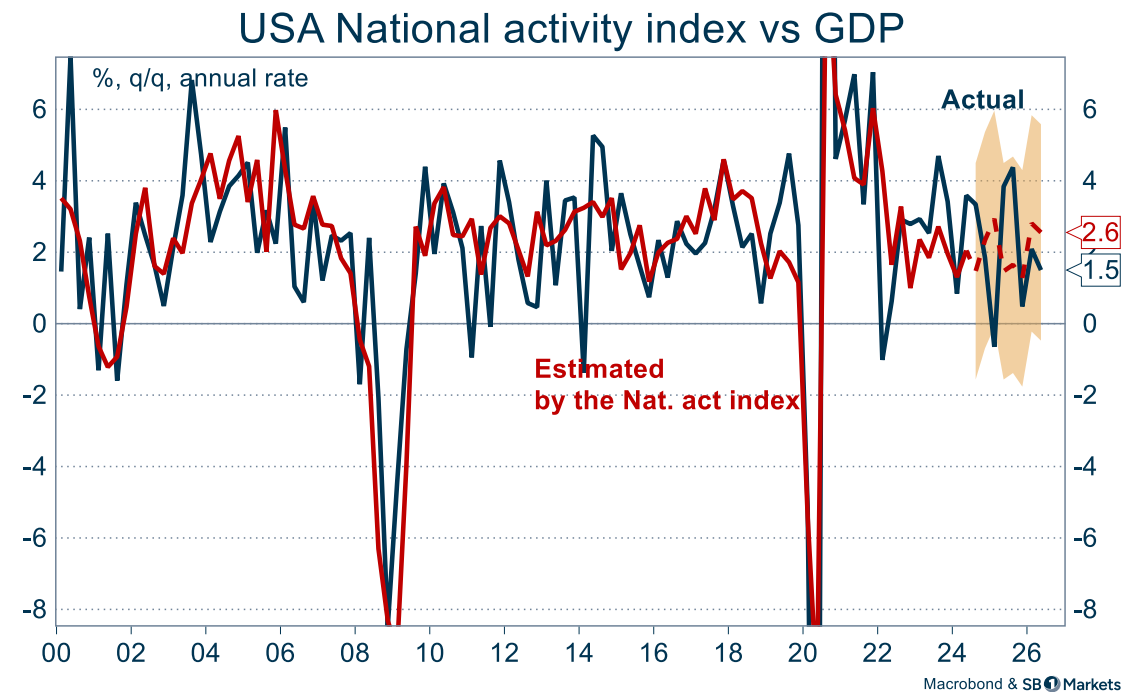
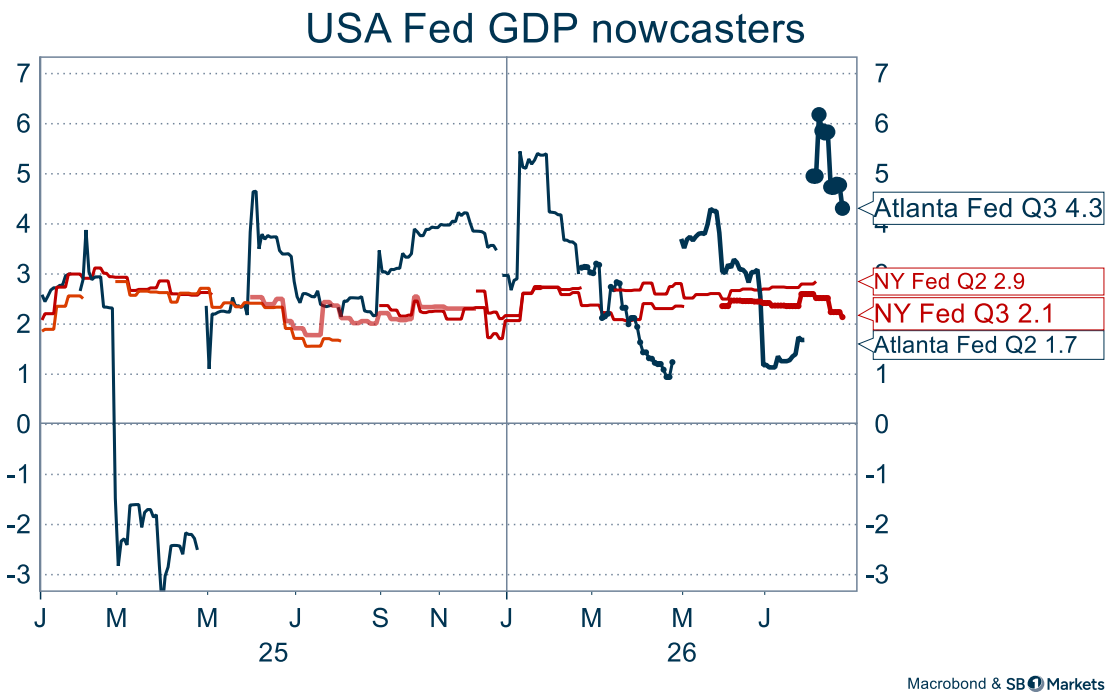
USA Financial balances





Atlanta Fed's Q3 GDP estimate from 6 to 4%

The decline in retail sales (and the downward revision) lowered the private consumption and the Q3 GDP growth estimate significantly.



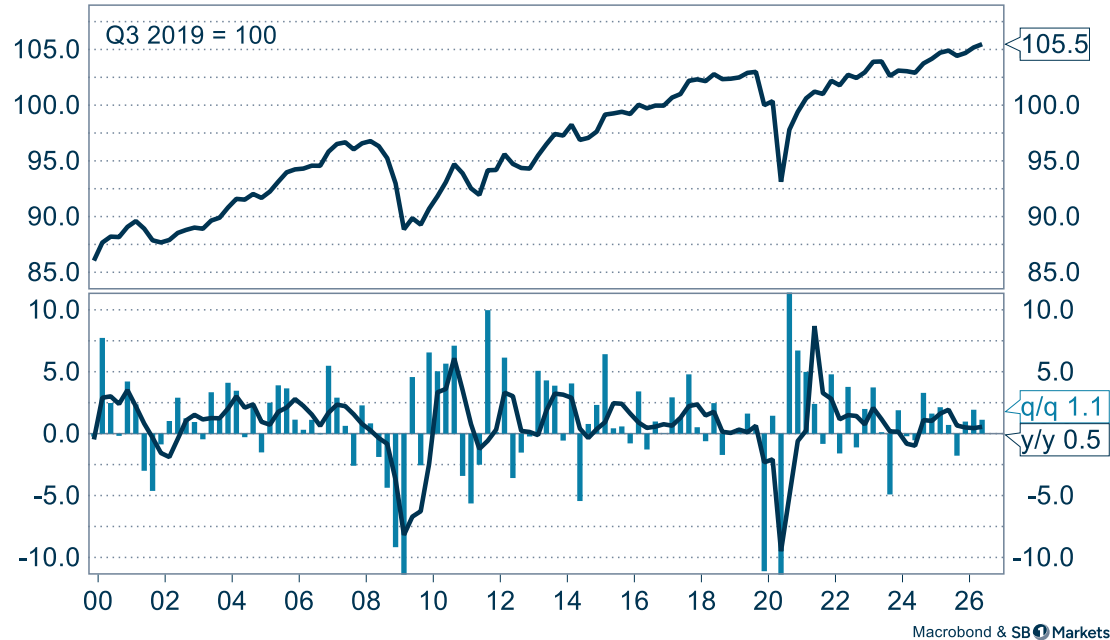


GDP grew at a 1.1% pace in Q2, 0.5 pp less than expected. Up a modest 0.5% y/y

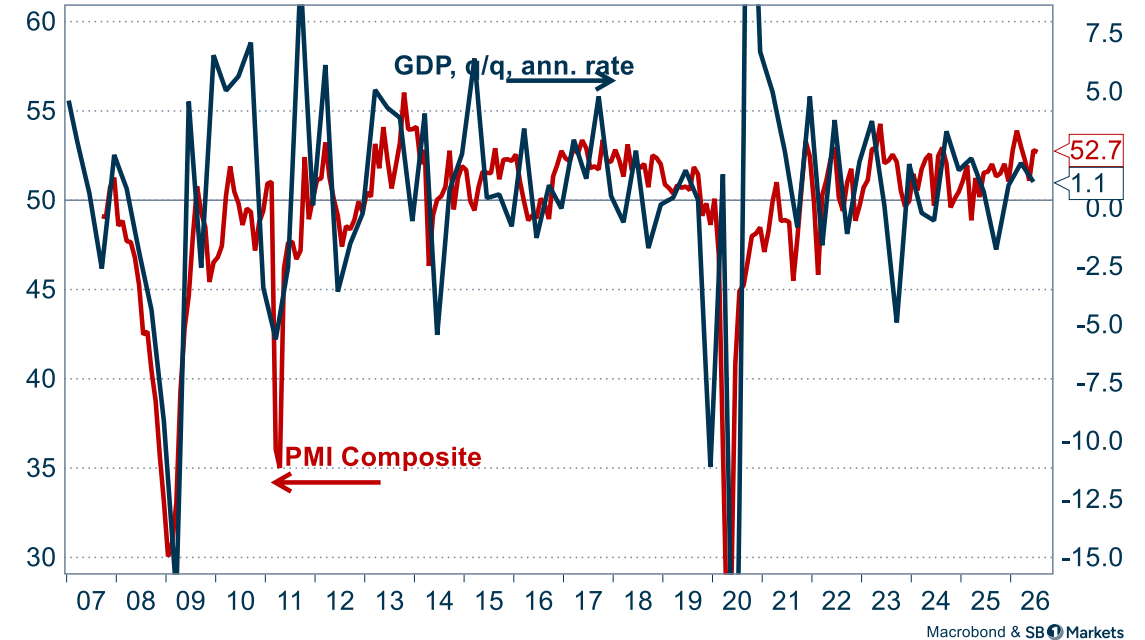
Business investments declined for the 2nd quarter in row.

Surveys, like the PMI, signals somewhat higher growth

Japan GDP



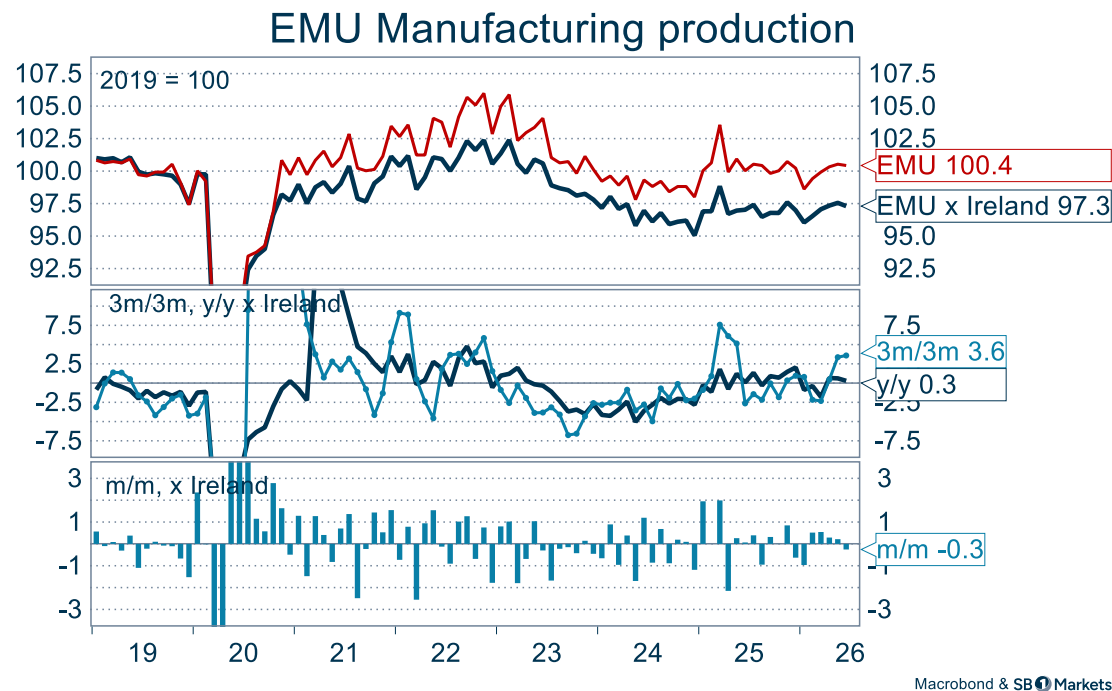
Japan PMI vs GDP



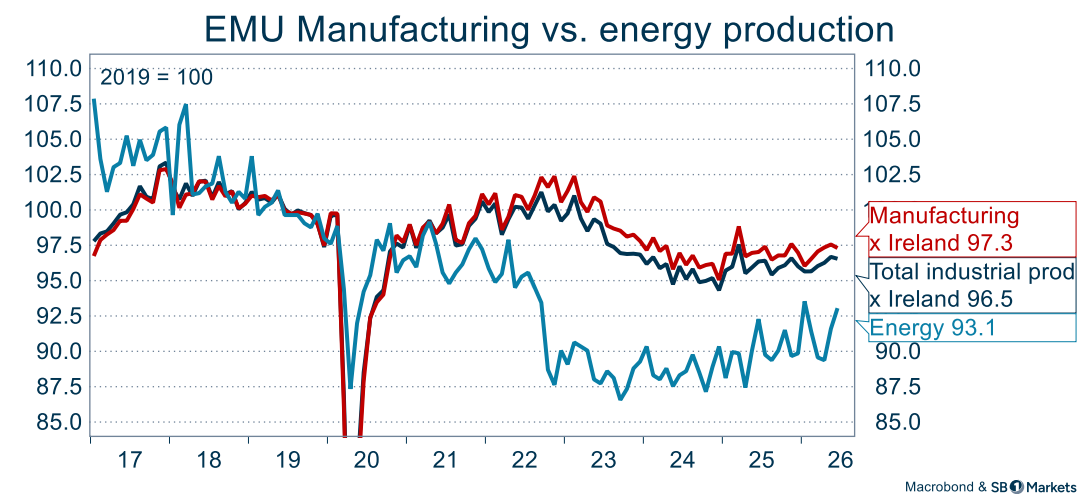
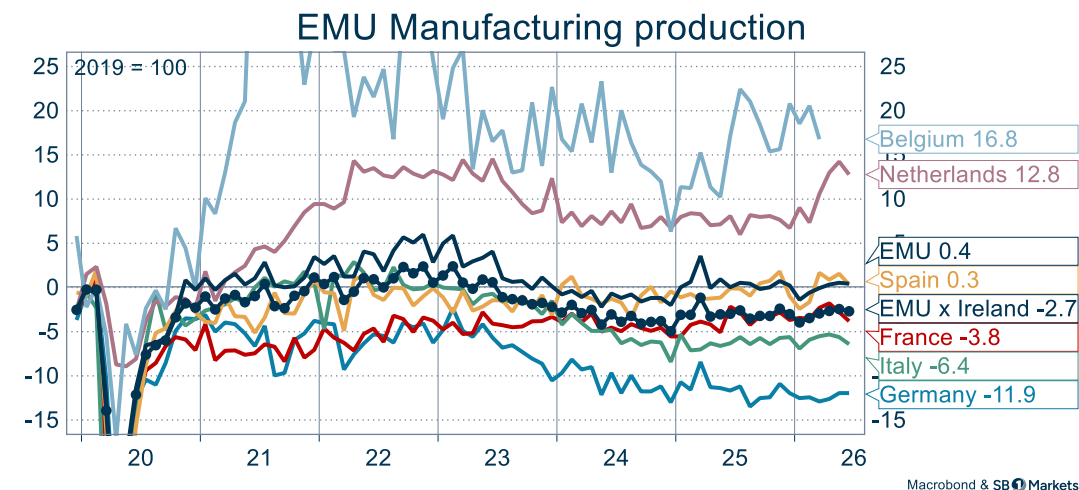


Manufacturing production grew at 3.6% pace in Q2 but is up just 0.3% y/y

Production (ex. Ireland) declined 0.3% in June but strengthened through Q2.. Total industrial production was up 0.2%, as expected. Germany is still the laggard.



- **Manufacturing production** ex. Ireland is 2.7% below the 2019 average (but +0.4% including irrelevant Irish data).
 - Germany is down 12% from 2019, France 4%, Spain is close to flat, Netherlands up 14%.
- **Energy production** is slowly on the way up but production is still down 7% from the 2019 level.
- **Surveys** signal moderate growth in manufacturing production.

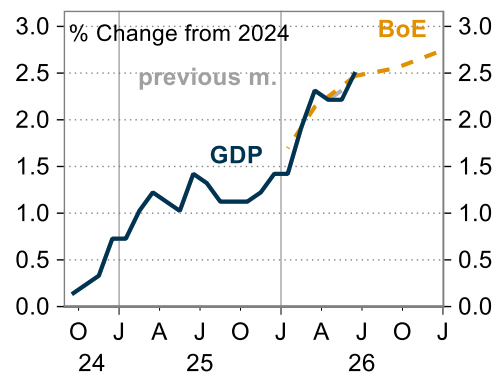
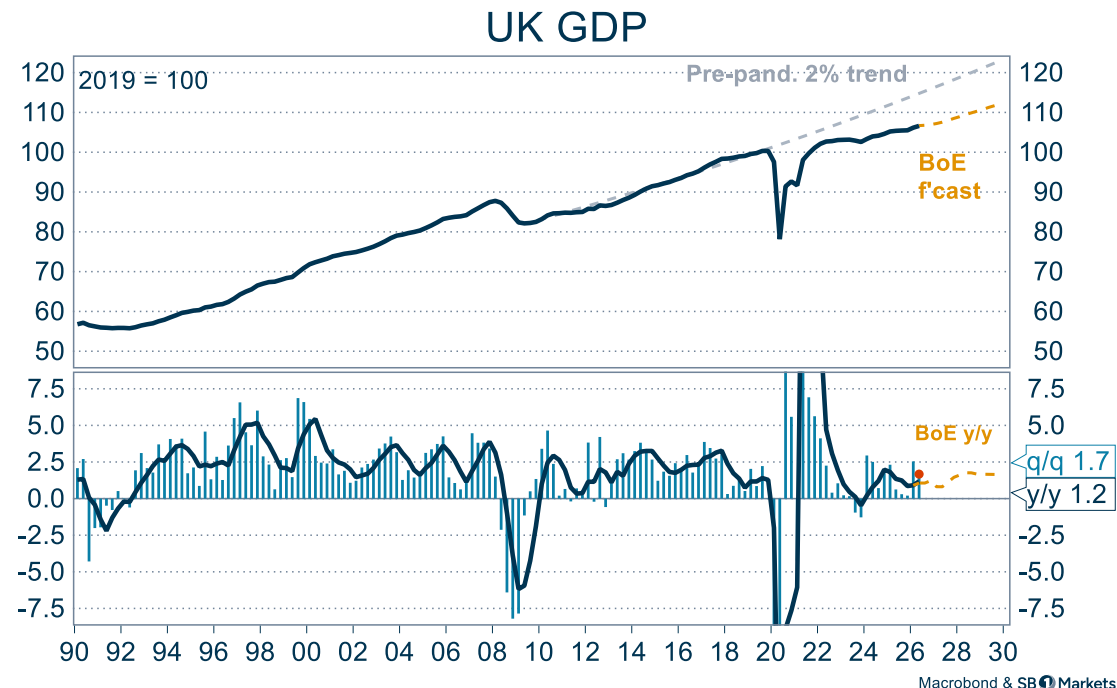
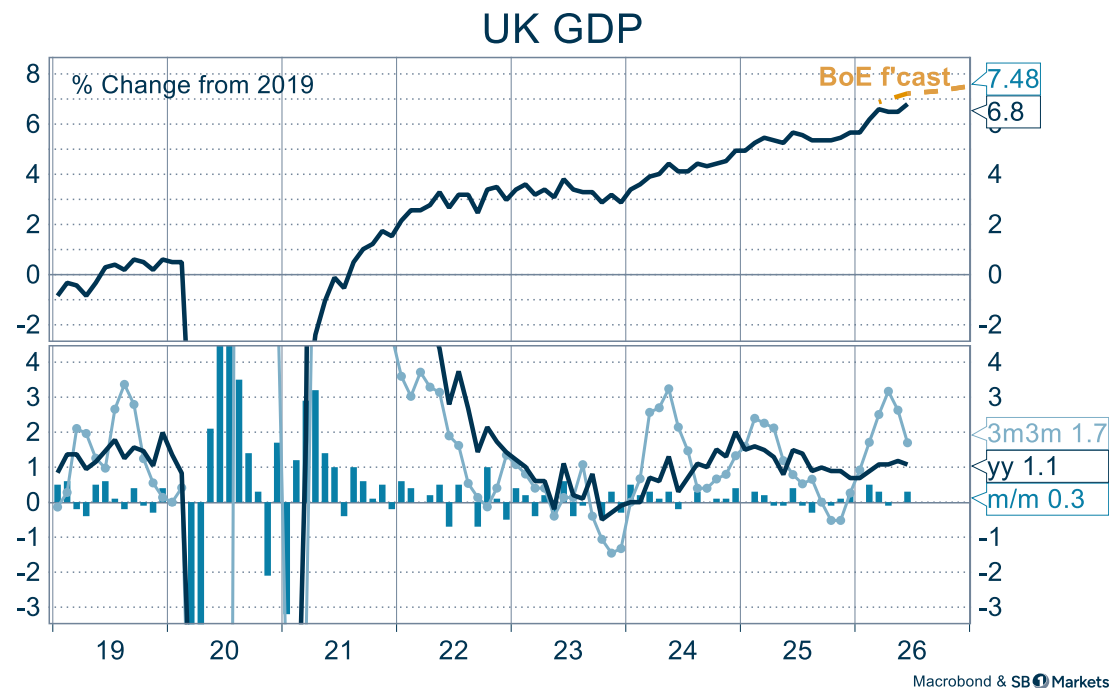


Ireland often reports extremely large changes in manufacturing and industrial production, mostly due to huge changes in the 'modern' IT/ software sector, at least partly tax motivated. The level is also extremely high, and far from 'for real'.



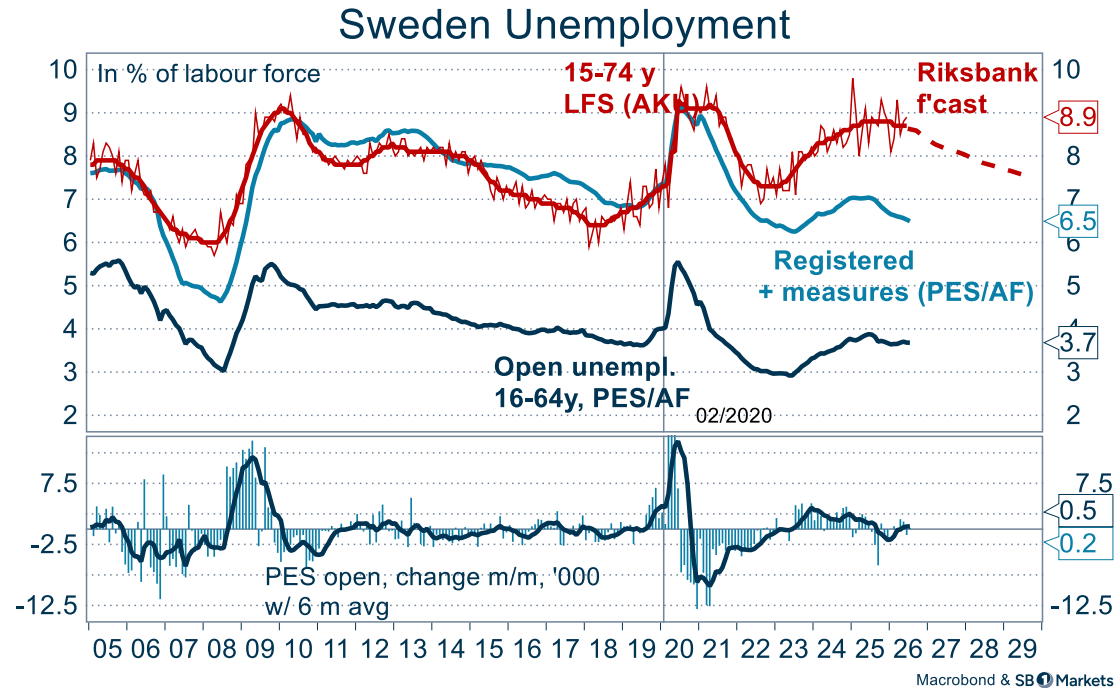
GDP rose 1.7% in Q2, following the 2.5% lift in Q1. Still just 1.2% y/y

GDP growth was marginally higher than economists and Bank of England expected (1.6%/1.3%)

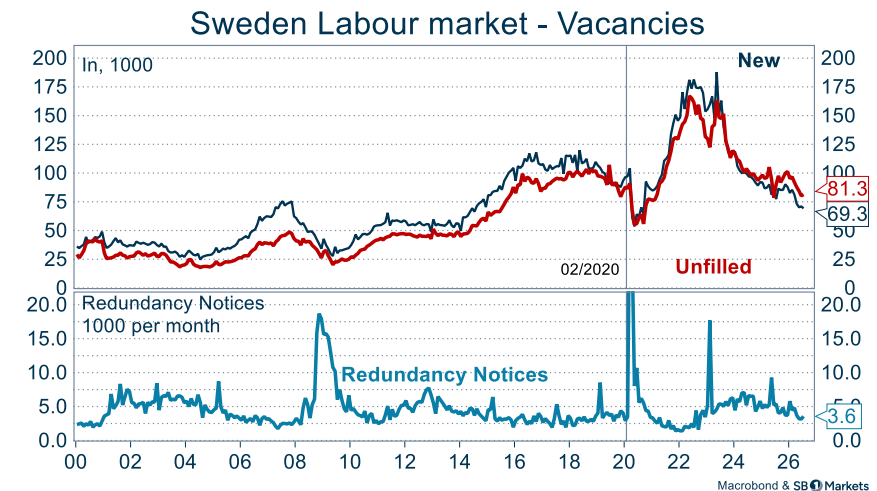
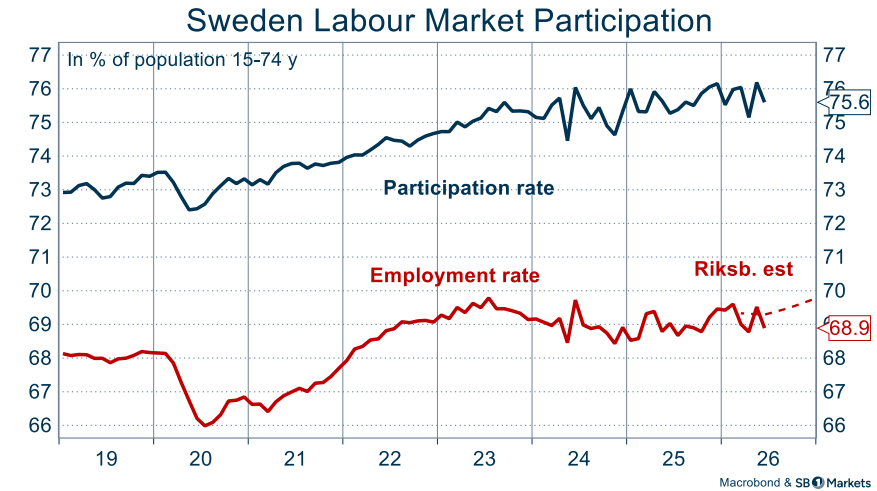


Open PES unemployment has flattened, following the marginal lift in H1

The unemployment rate was unchanged at 3.7% in July, following a 0.1 pp upward revision of the June rate. The number of unemployed rose marginally in July, as in average the past 6 months. A warning sign: The number vacancies declines rapidly, normally signalling higher unempl.



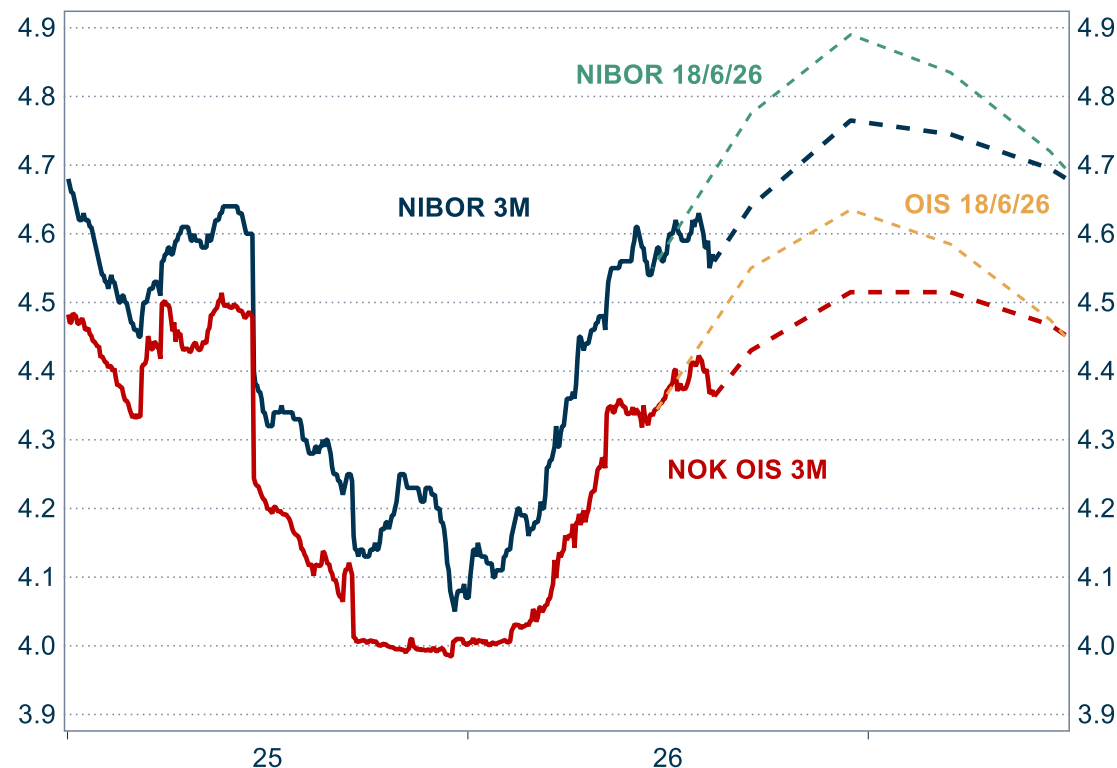
- Vacancies are normally leading unemployment by 6 – 9 months.
- The LFS unemployment rate may have peaked, at just below 9%. Both participation and the employment rates have flattened so far in 2026, but the trend is slowly up from the local through in late 2024.



Norges Bank Review: Wait and see

As widely expected, Norges Bank kept its policy rate unchanged at 4.25% and said that *“It may ... still become necessary to raise the policy rate.”* August’s inflation figures will be crucial in determining if and when Norges Bank raises rates

- At its **June meeting**, Norges Bank said that *“the policy rate will be raised at one of the forthcoming monetary policy meetings.”* However, lower inflation in June and July changed the outlook for the central bank, which stated that if *“... inflation pressures ease faster, the policy rate may become lower than currently envisaged..”*
- Now Norges Bank writes that *“Inflation has slowed and been lower than projected this summer ... but inflation is still too high, and it is too early to conclude that the inflation outlook has changed materially. It may thus still become necessary to raise the policy rate.”*
- **We expect a modest rebound in core inflation in August, and our baseline view remains that Norges Bank will raise the policy rate in September. However, we are no longer as confident.**
- We believe that core inflation below 3.0% in August would be an argument for keeping the policy rate unchanged in September, while core inflation above 3.0% would likely result in a rate hike by Norges Bank, even if other data may be on the downside.
- Our preliminary estimate CPI-ATE forecast is below 3%. However, other factors, such as the exchange rate of the Norwegian krone, interest rates abroad, energy prices, and the outlook for the Norwegian economy, are also important to Norges Bank’s decision. In sum, these factors may support another rate hike in September.
- However, the most important factor for the central bank is the **inflation outlook**, which will determine whether Norges Bank believes that a more restrictive monetary policy stance is necessary to bring inflation back to target within a reasonable period of time.

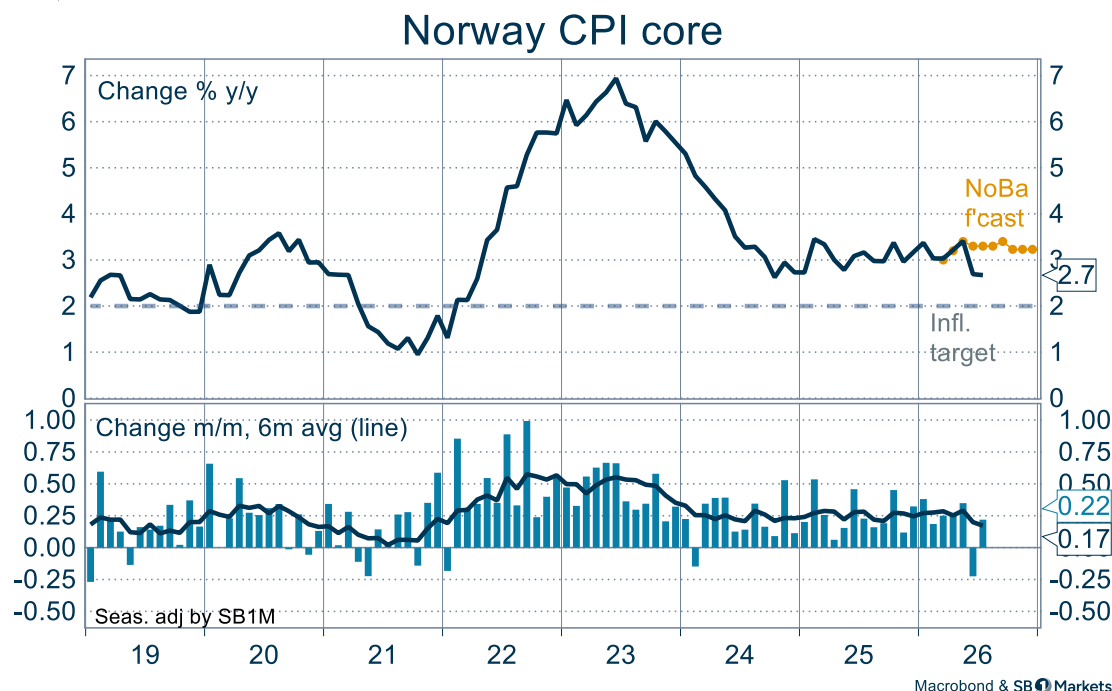


Macrobond & SB Markets

Market reactions: Rate expectations declined some few bps, and last week the probability for a hike before or at the September meeting fell 50% from 66%. Since the June NoBa meeting the curve has fallen by more the 25 bps

Core inflation (and the total) remained at 2.7% in July, **0.6 pp below NoBa's f'casts!**

The core CPI rose 0.2%, a normal growth rate, following the unusual 0.2% drop in June. Thus, no 'correction' of the June drop.



Change y/y	June 2026	July 2026
Total CPI	2.7	3.0
Norges Bank f'c	3.2	3.1
Core CPI	2.7	2.7
Norges Bank f'c	3.3	3.3

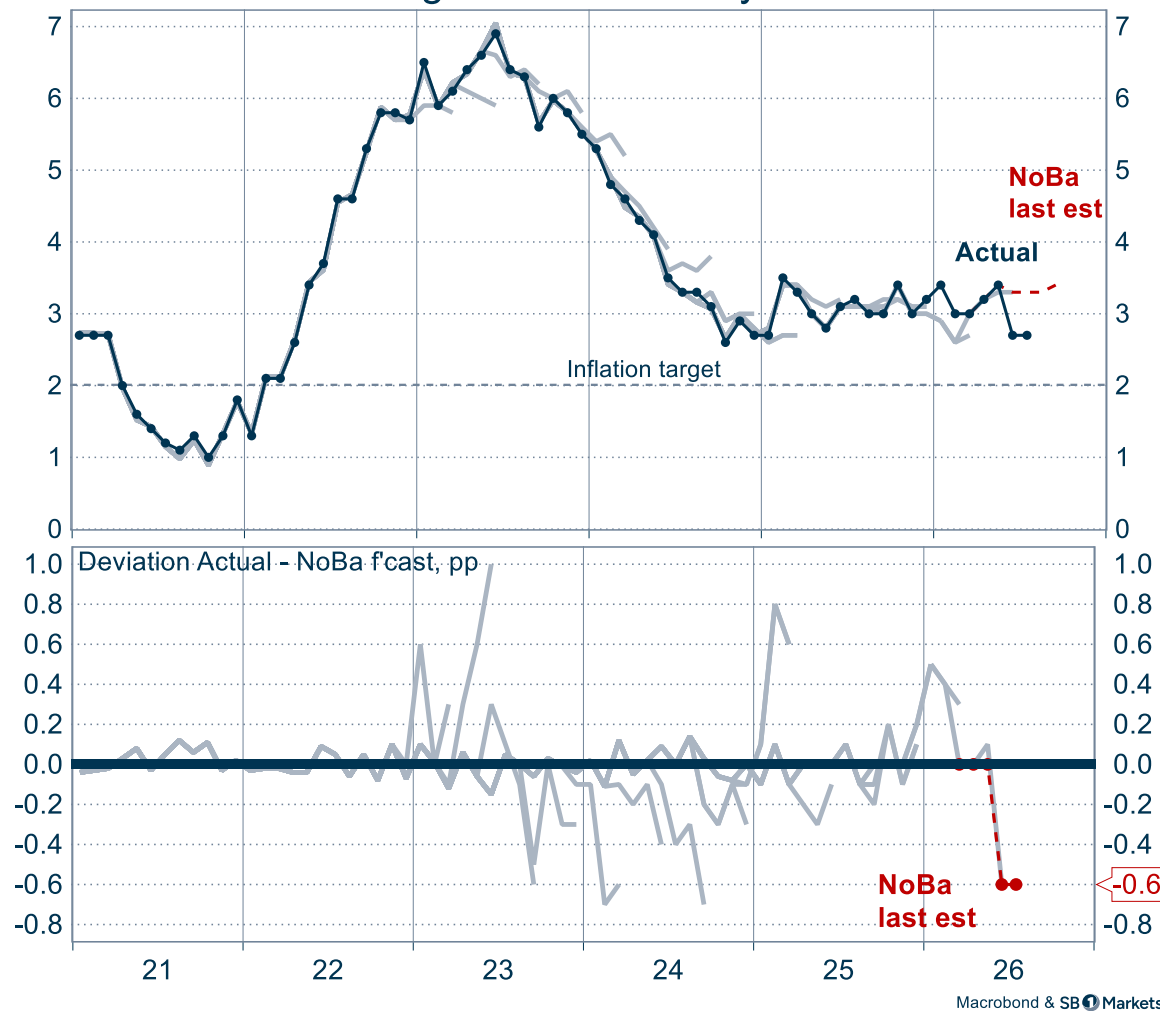
- **CPI-ATE** (ex. energy and taxes) remained at a 'low' level in July, and far below NoBa's forecast in the June MPR.
 - **Prices** rose 0.2% m/m, following the unusual 0.2% drop in June. Thus, no 'correction' in July
 - **Core imported goods prices** declined 0.1% m/m in July,. The annual rate fell 0.4 pp to 1.3%, well below NoBa's f'cast. Our model suggests a further decline to below zero → *some downside potential*.
 - **Core domestically produced goods and services prices** rose 0.4%, and are up 3.4% 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 flat so far in 2026, seasonally adjusted. The annual rate has fallen to 1.2%.
 - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.0% y/y, down from 4.0% two months ago.
 - Our measures of **underlying price growth** collapsed in June and remained low in July.
- **Electricity prices** rose 7% in July, somewhat more than we assumed (grid cost grew faster than we expected). Prices are up 10% y/y. Gasoline/diesel prices were also a tad higher than we forecasted, but prices are down y/y – due to the cut in taxes, which will be reversed in September.
- **Inflation is still too high**, but the June & July data were a huge surprise. We expect a small uptick in the core CPI in August and September, but that inflation will remain below 3%, and thus below Norges Bank's June forecasts.



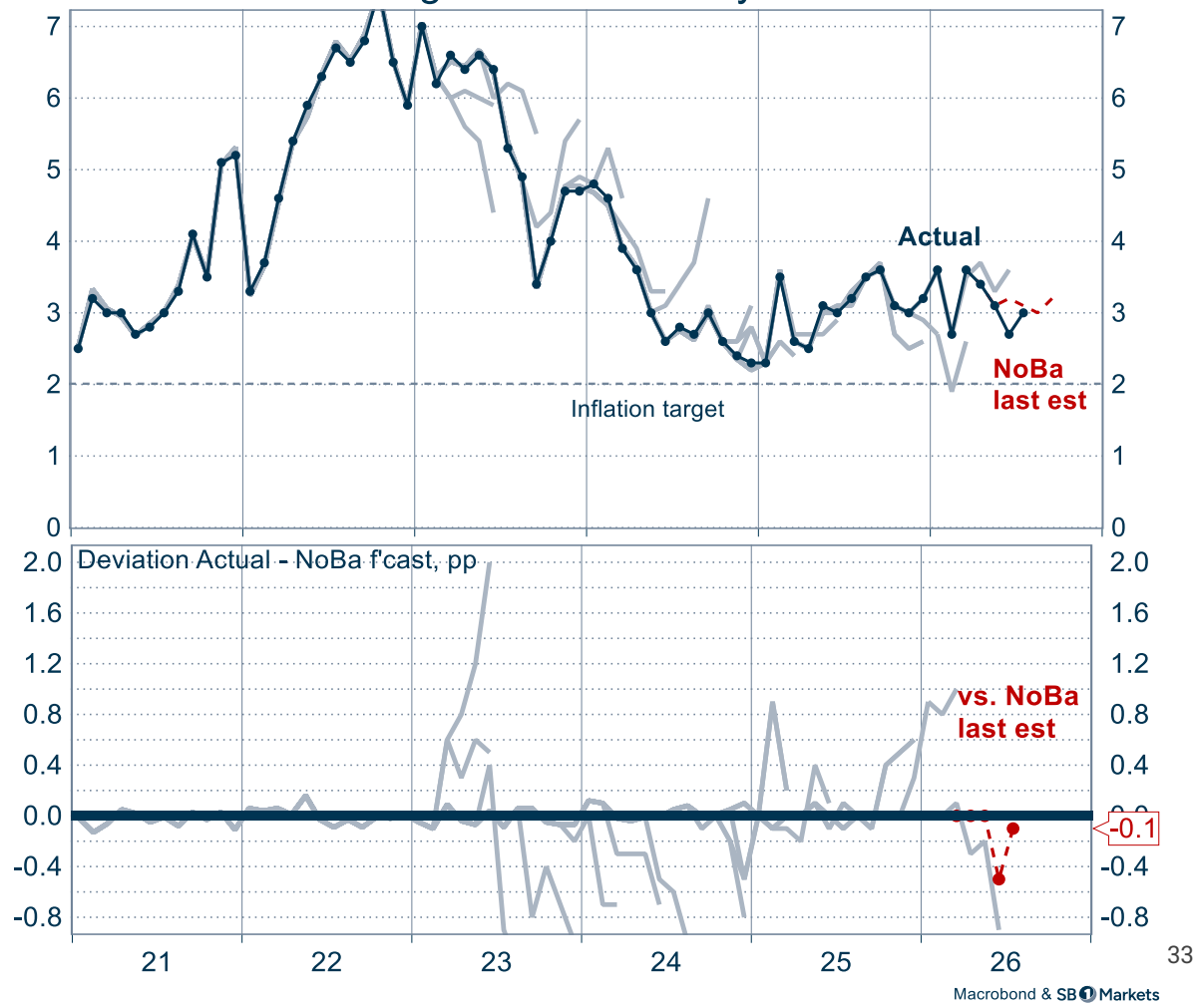
Core inflation still 0.6 pp lower than NoBa assumed in the June MPR

The headline CPI was 0.5 pp lower than the Bank expected in June, but just 0.1 pp below in July

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



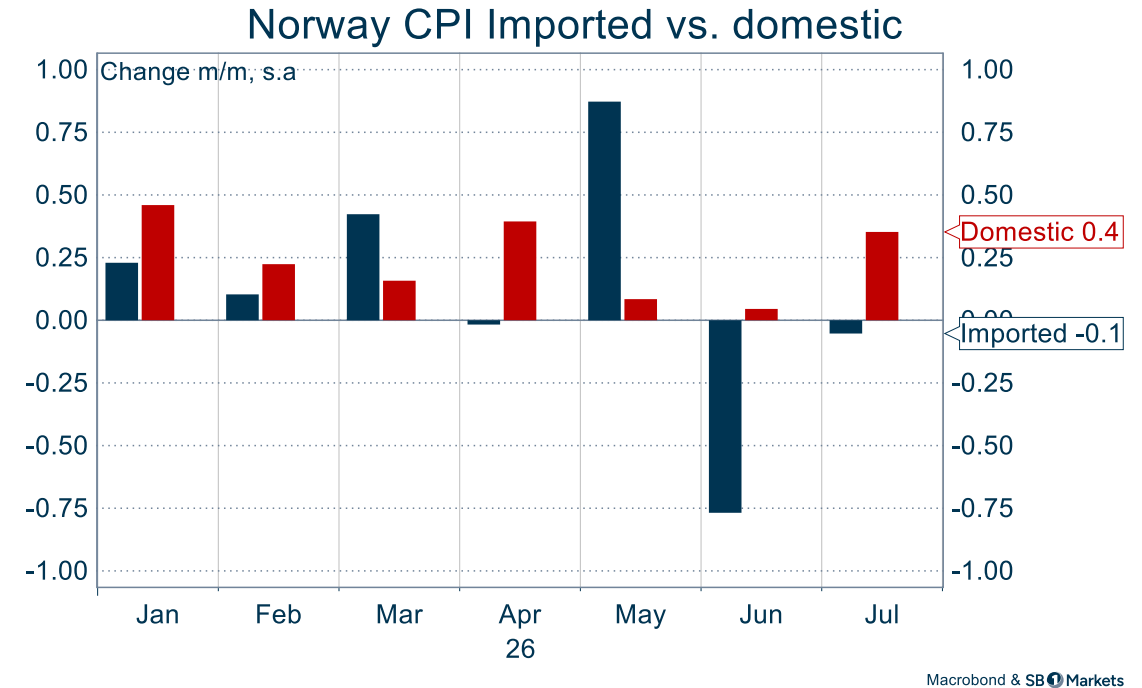
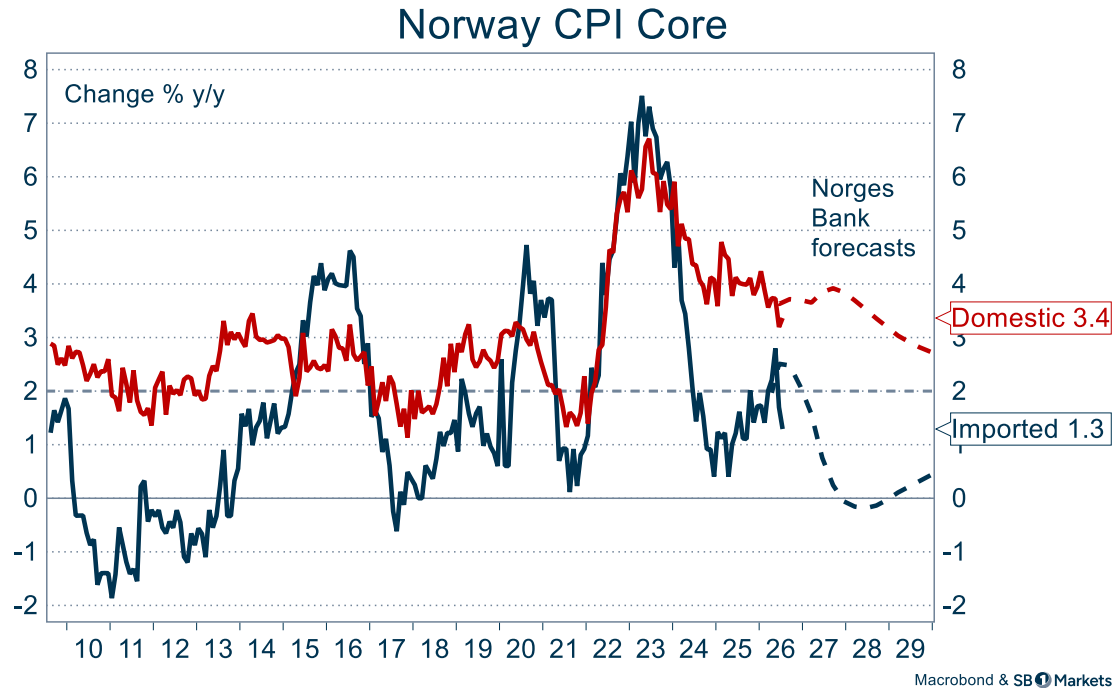
Norway CPI inflation
vs. Norges Bank monthly f'casts





Imported core inflation further down in July, by 0.4 pp to 1.3%, domestic up 0.2 pp to 3.4%

Both were well below NoBa's forecasts. Imported prices declined 0.1% m/m in July, mostly due to lower TV and clothing prices. Domestic prices were unchanged m/m, and the annual rate at 3.4%, also below NoBa's (Q2 and implied June) forecast.

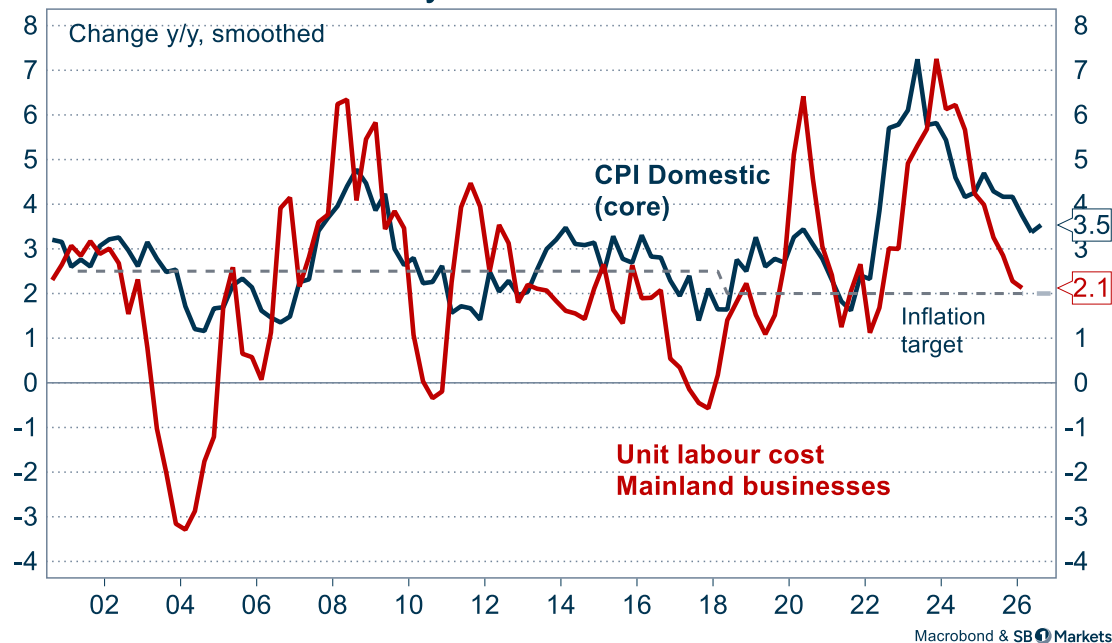


- In August, domestic inflation will be lifted by some 0.4 pp due to the base impact of kindergarten subsidies implemented a year ago.

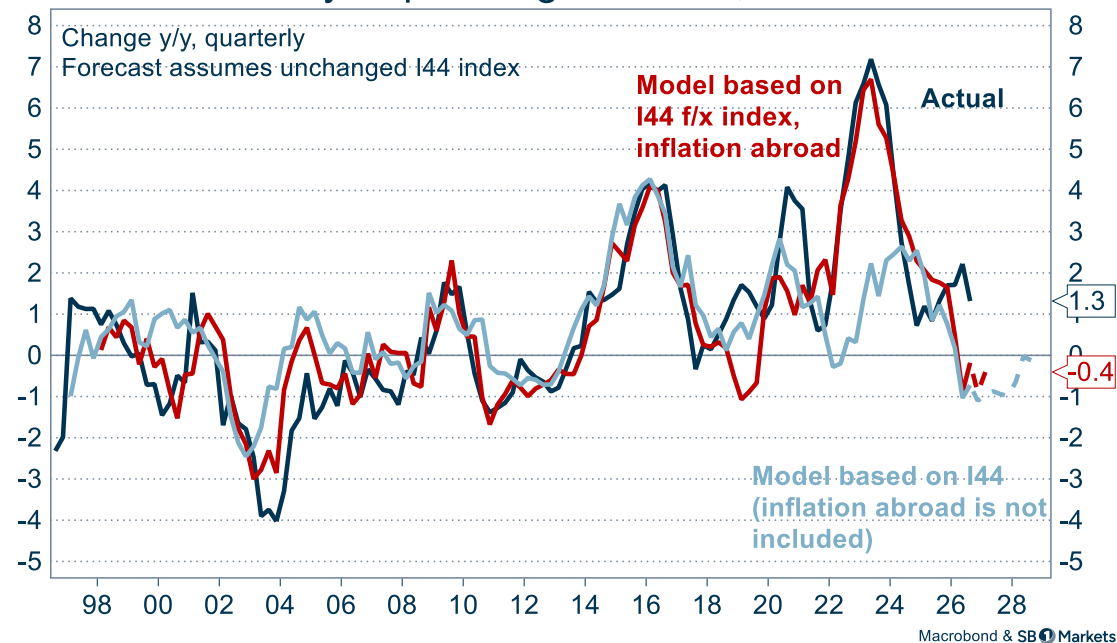
Domestic costs and imported goods: Arguments for expecting **lower inflation!**

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, to **below zero, due to the NOK appreciation.**

Norway CPI vs labour costs



Norway Imported goods CPI, f/x-model



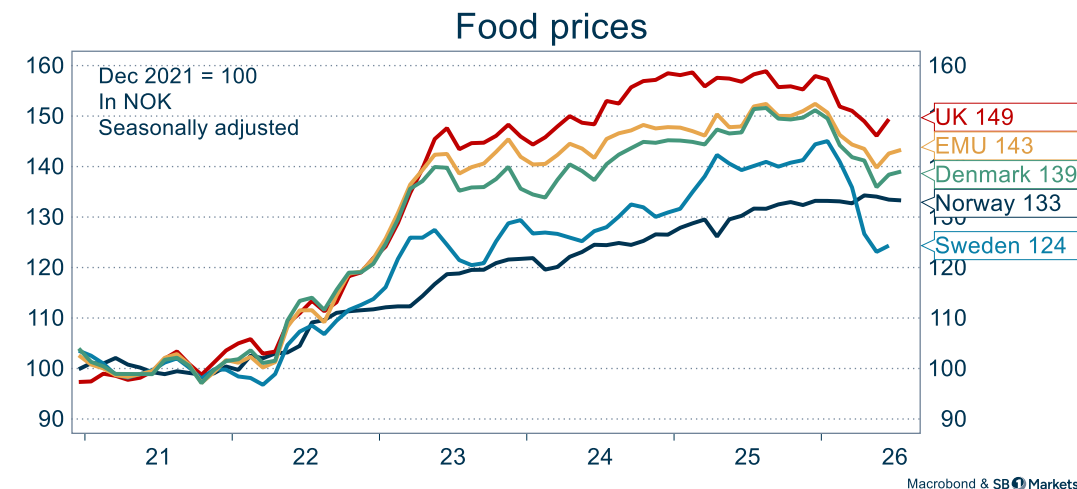
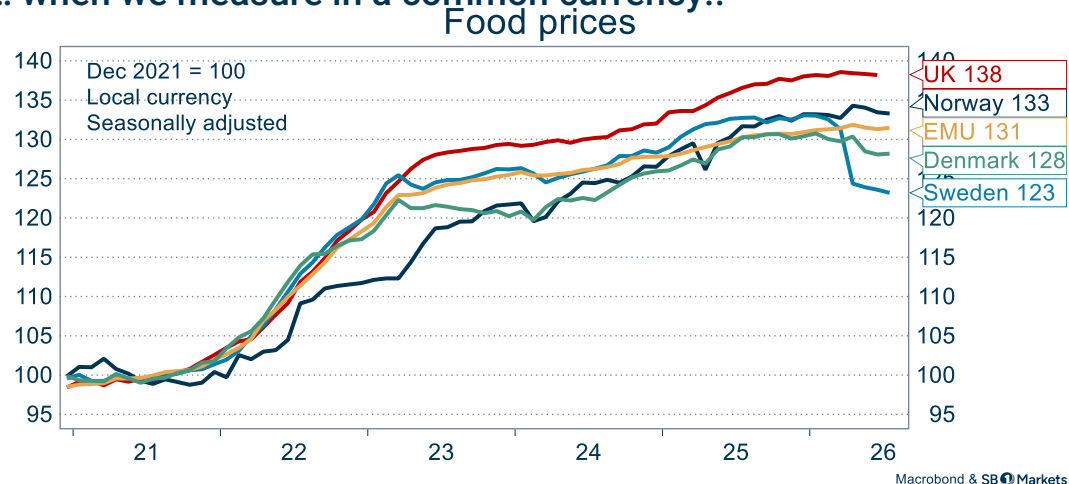
- **Core domestic CPI inflation rose slightly in July.** ULC inflation is slowing and does not signal any reversal.
- **Imported goods:** Our model signals a decline in prices, from the current 1.3% level.
A drop to zero will lower total inflation by 0.8 pp!

Food prices are flattening/falling all over the place (in local currencies)

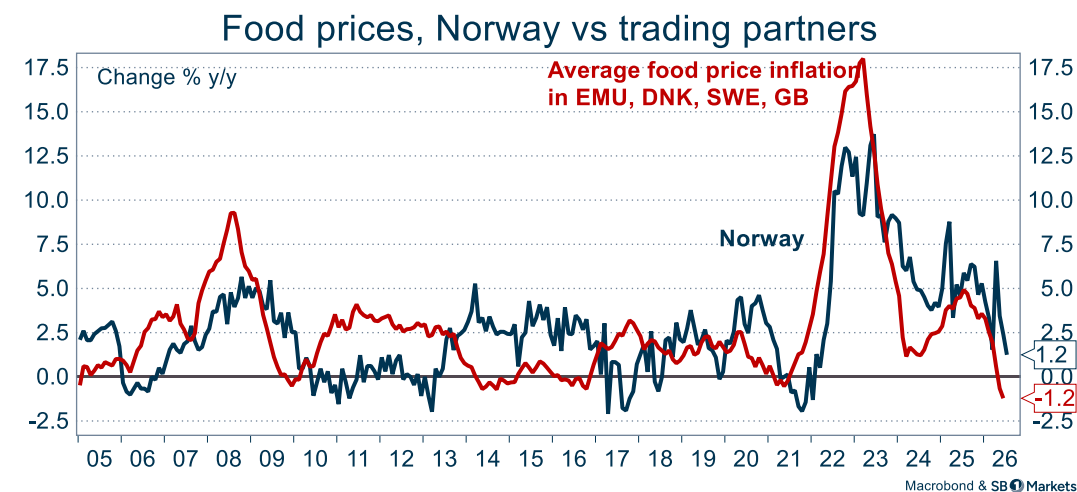
... at least in northern Europe. Thus, the

Recent years, Norwegian food prices have been far lower than normal vs. prices in northern Europe, at least until the VAT cut in Sweden.

... when we measure in a common currency..

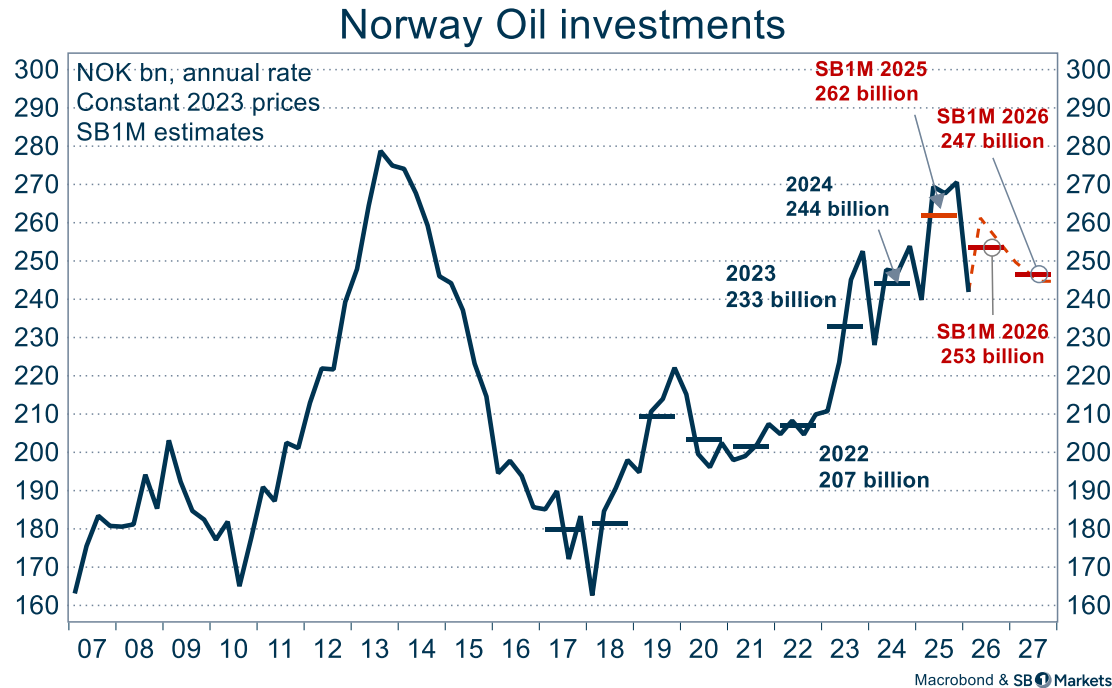


- Since 2021, Norwegian food prices have increased almost at the same pace as food prices abroad, in spite of the heavy NOK depreciation.
- Measured in a common currency, and due to the NOK depreciation Norwegian food prices have been 'cheap', of course compared to prices in countries around us, vs. the relative price level some few years ago, that is. Now, the gap is closing, as the NOK has appreciated sharply in 2026.
- Normally, the correlation between Norwegian and foreign food prices is low – or non-existent – due to the heavily regulated and sheltered Norwegian agricultural sector.
- The April spike in food prices was partially reversed in May, as we assumed.



Oil investments: On the way down but just slowly

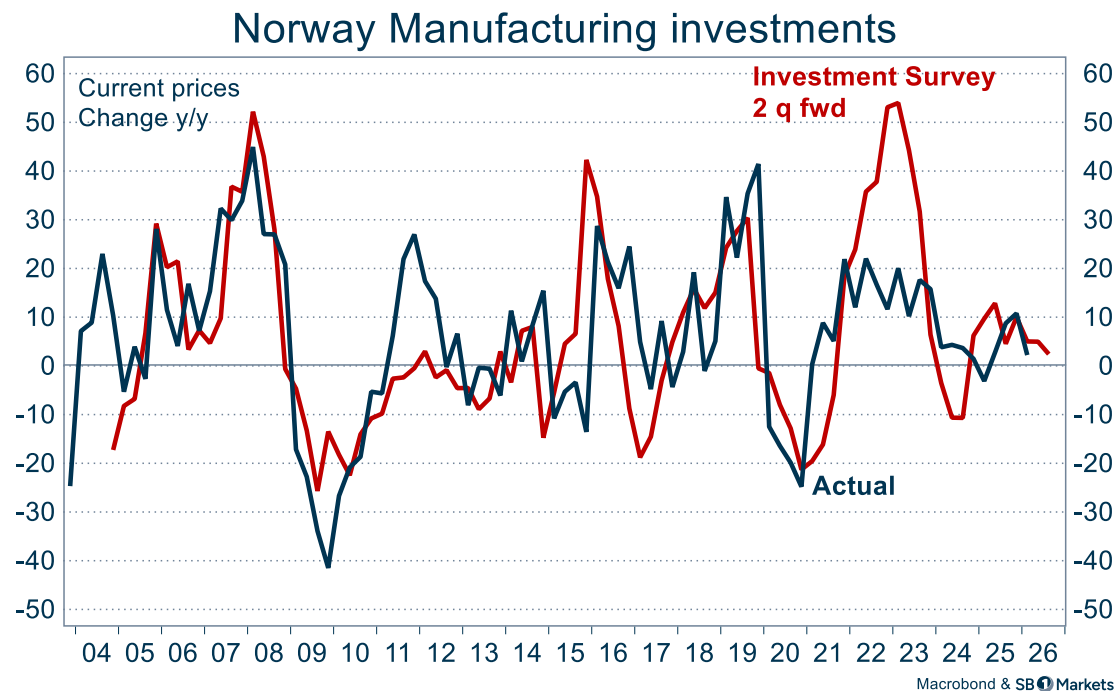
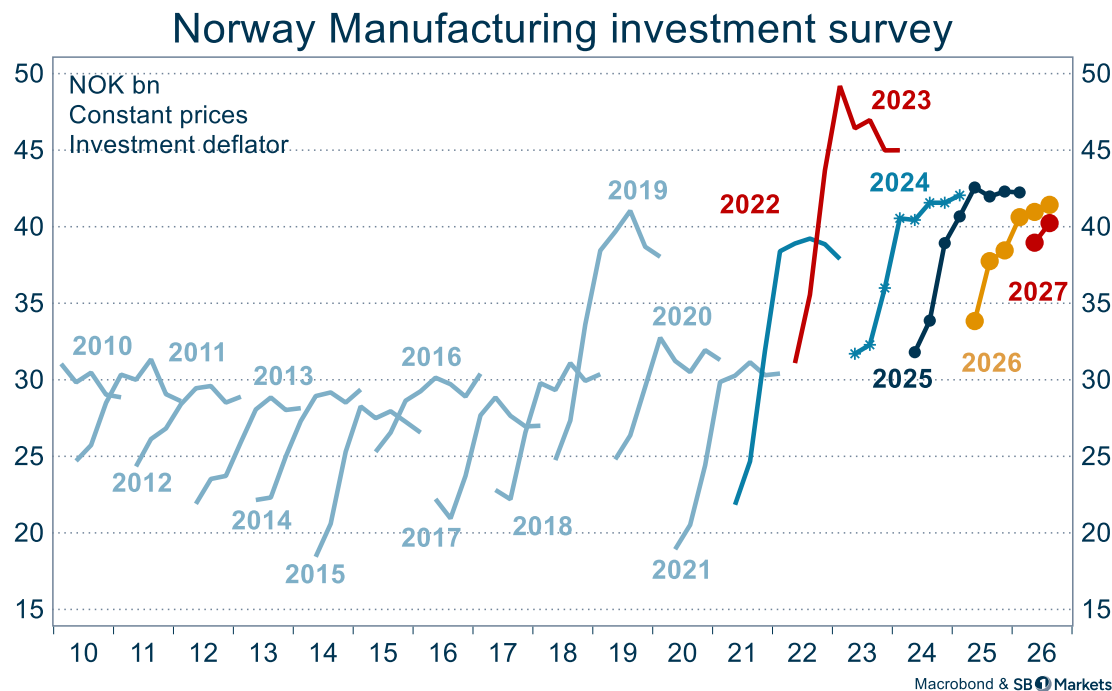
SSB' investment survey signals a modest decline in oil investments in 2026 and 2027, a generally a smaller decline than most have forecasted. However, Norges Bank, the **bank may leave its -3% 2026 and -5% 2027 forecast unchanged or lift them marginally.**



- Most likely, **oil investments** peaked in Q2-Q4 last year, at close to a NOK 270 bn pace (in 2023 prices), equalling 6.8% of Mainland GDP. At the previous peak, in 2013, an 8.8% ratio, before declining to less than 5% of GDP. Oil investments may decline to some 6% of GDP by end of next year, a modest decline, and less than most earlier forecasts had implied.
 - **In 2026**, oil companies signal a small decline in nominal terms, and a 2 – 3% real decline is likely. Investment in new fields rose somewhat, while investments in existing fields and exploration declined.
 - **The 2027 estimate** is almost equal to the equivalent 2026 forecast. Investments in existing fields pick up the slack from a some 20% decline in new field investments in 2026/7. Only fields for which the operator has submitted a Plan for Development and Operation (PDO/PUD) are included in the investment estimate, and companies may revise their 2027 forecast more than they normally do if oil and gas prices remain high. Investments budgets for exploration were cut substantially, in fact to the lowest level ever. Anyway, the range of final outcomes is still huge. We stick to our 3% decline in total investments in real terms next year.
- Given these forecasts, the downturn will be mild, and nothing compared to the 'oil crisis' setback 2013 - 17
- **In sum:** NoBa may stick to its June forecasts. If anything, an upward revision is possible.

Manufacturing investments: A modest decline in 2026, and no growth in 2027?

The manufacturing sector revised its investment forecast up in Q3, but less than normal regarding both 2026 and 2027.

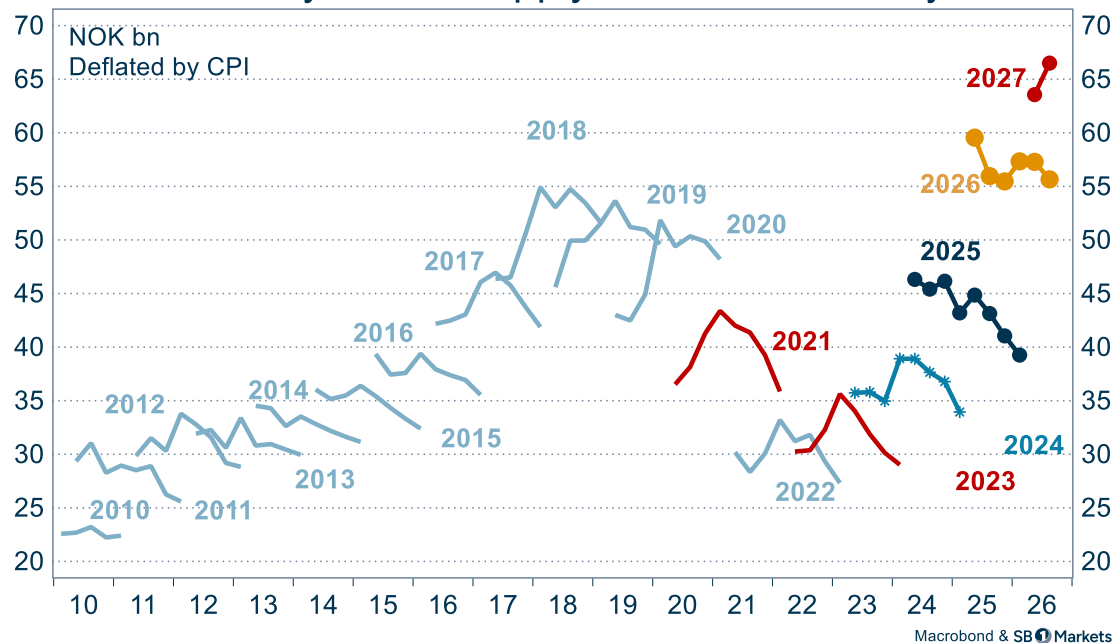


- **The 2026 estimate** was marginally down vs the equivalent 2025 estimate (from -1% in the Q1 survey). We estimate a 3 - 5% decline (NOK 3 bn.) in 2026, in volume terms (far less than the increase in power supply).
- **The 2027 estimate** rose just marginally vs. the Q1 forecast, and was equal to the 2026 forecast, given a year ago. The outcome is still highly uncertain. The 2026 investment forecast has been revised up far less than normal, and if 2027 develops in a more normal way, a substantial lift is signalled. However, given the far lower than normal upward revision of the Q3 estimate, we not expect much growth next year (an average adjustment from the current estimate yields 22% 2027 growth).
- **Other surveys** (at least in average) does not signal growth (*check next page*).

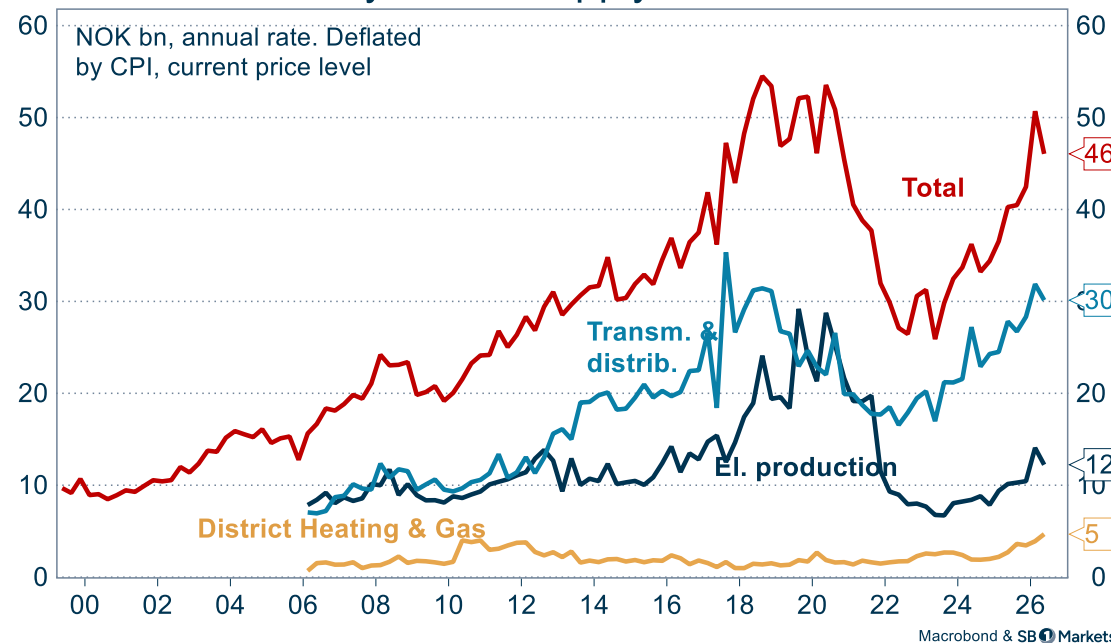
Power supply: an investment boom underway

Following the crash in investment from 2018 to 2022, down to NOK 27 bn (2026 prices) a doubling to NOK 53 bn in '26, supported by a 40% lift in 2026. In 2027, some 20% more is signalled. Investments in electricity production have finally turned up but are still way below the 2019-21 level.

Norway Power supply investment survey



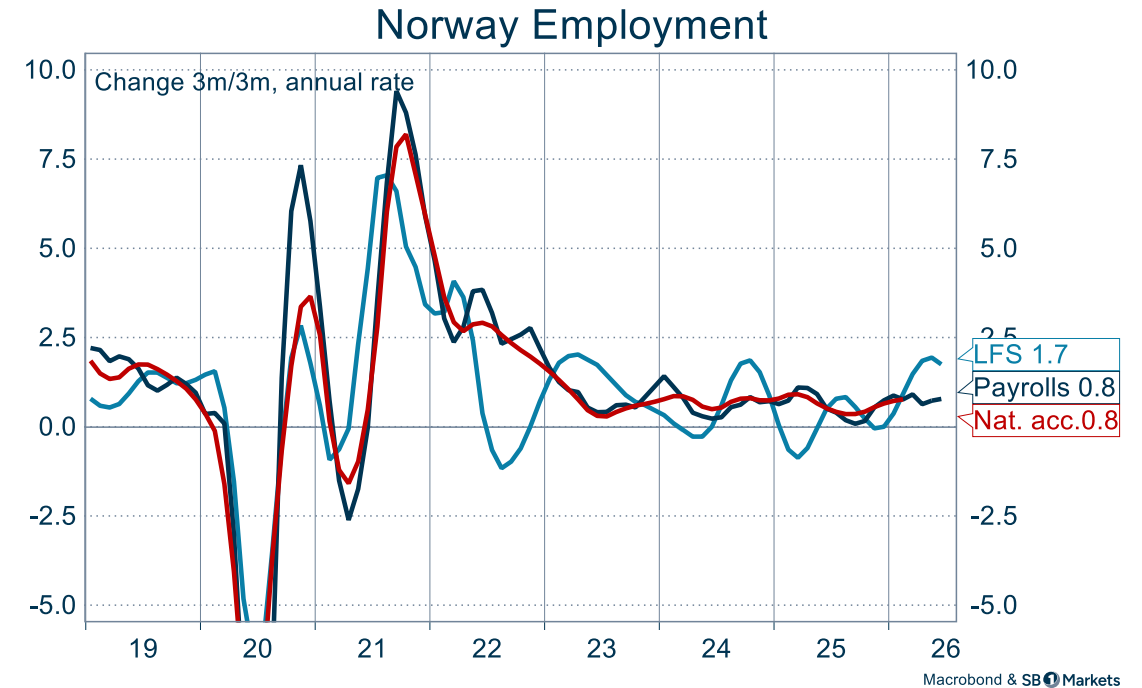
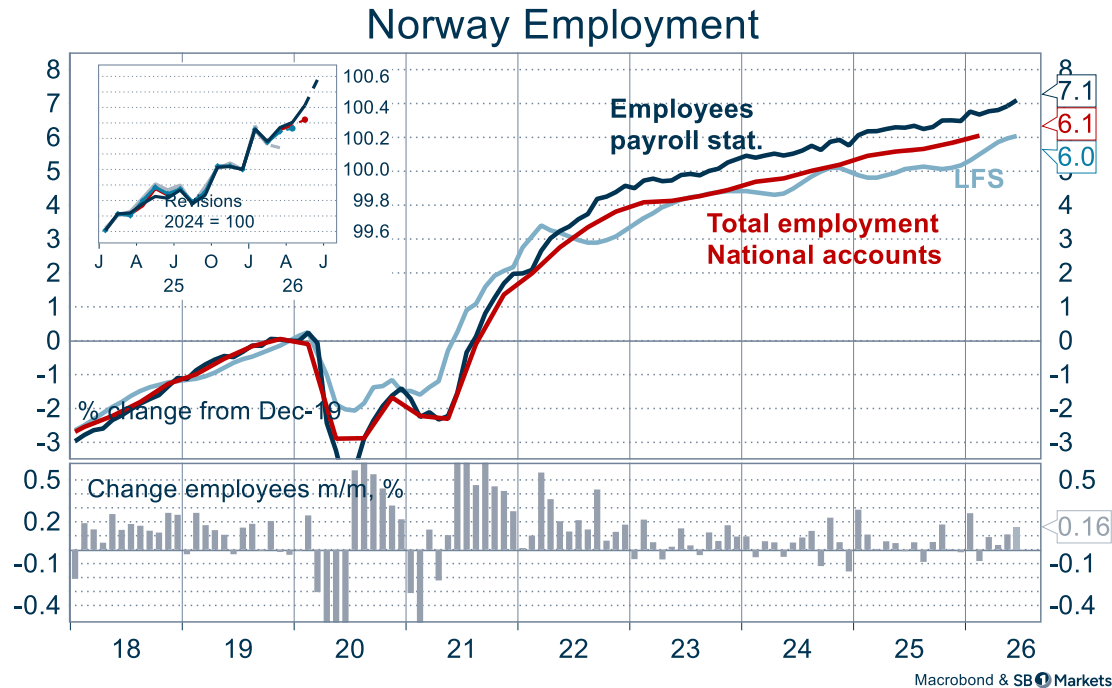
Norway Power supply investments



- **The 2026 investment estimate** was close to unchanged, 33% above the equivalent 2025 forecast. The NOK 15 bn increase equals 0.3% of Mainland GDP.
 - All **sorts of power supply investments** are expected up, district heating and 'other' the most (in per cent). Investments in transmission & distribution is expected up to above NOK 40 bn. Electricity production investments are expected up to above NOK 15 bn, still a rather low level.
- **The 2027 forecast** was up 23% from the equivalent 2026 forecast. A further, substantial lift next year is rather likely.

Payrolls: On the way up! The LFS also reports higher total employment

The no. of employed persons rose further and faster in June, by 5' (our est.). Underlying growth accelerated to 0.8% which higher than growth in working age population. The far more volatile LFS survey (AKU) report 1.7% growth pace in recent months, lifting the employment rate.

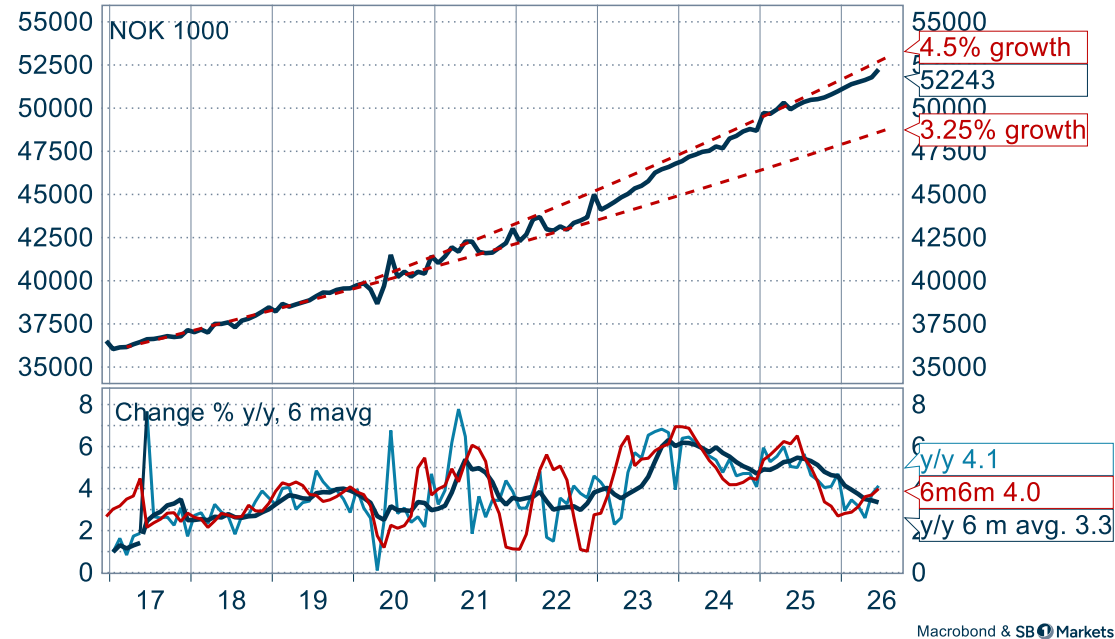


- **SSB's official preliminary statistics** report a 5' increase in payrolls in June. The same goes after treatment by our adjustment model, which so far has produced far better estimates of the final outcome the SSB's raw data (check next page).
- Employment has increased the 5 of the past 6 months and has been on the way up since the pandemic setback. If anything, growth has accelerated in 2026
 - The weakness: Construction is still on the way down, but slower. Professional services have turned down lately.
 - All other sectors are on the way up, hotel & restaurants as well as the primary sector the most.
- **Wage inflation** has slowed to close to 3% y/y, measured by monthly cash earnings.
- The **LFS** reports faster growth in total employment, above 1%, but data are volatile.

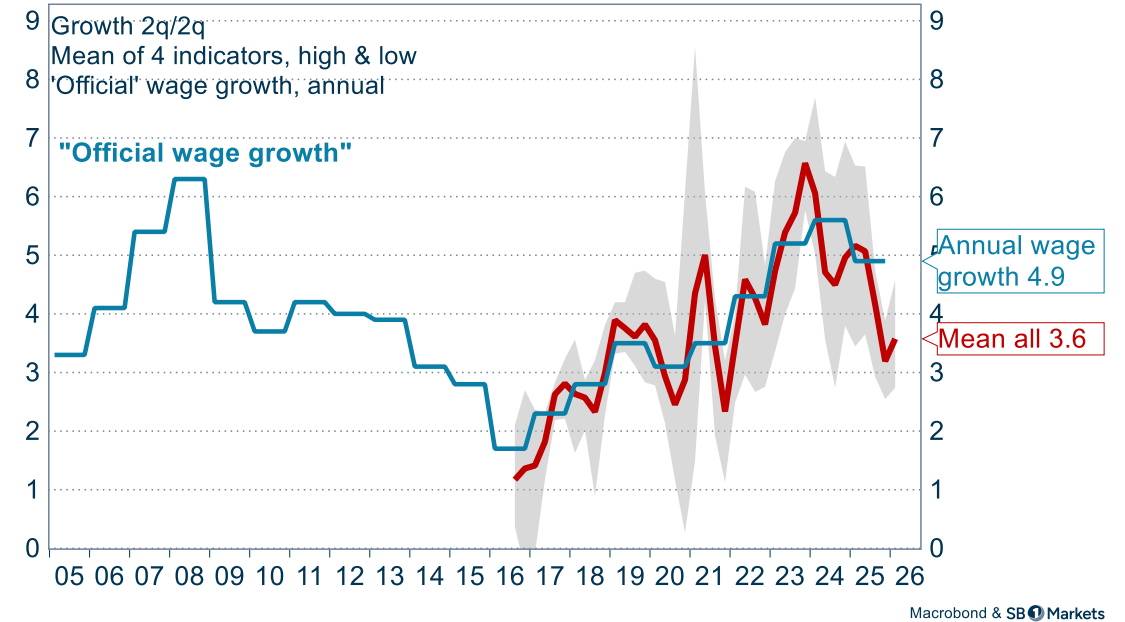
Wage inflation has slowed but not further in June

Monthly data based on payrolls stats are volatile, but they indicate that NoBa's 4.5% 2026 estimate may be on the high side. All sectors contribute to the decline in earnings growth. Other wage indicators have (mostly) signalled a slowdown in wage inflation.

Norway Average monthly earnings

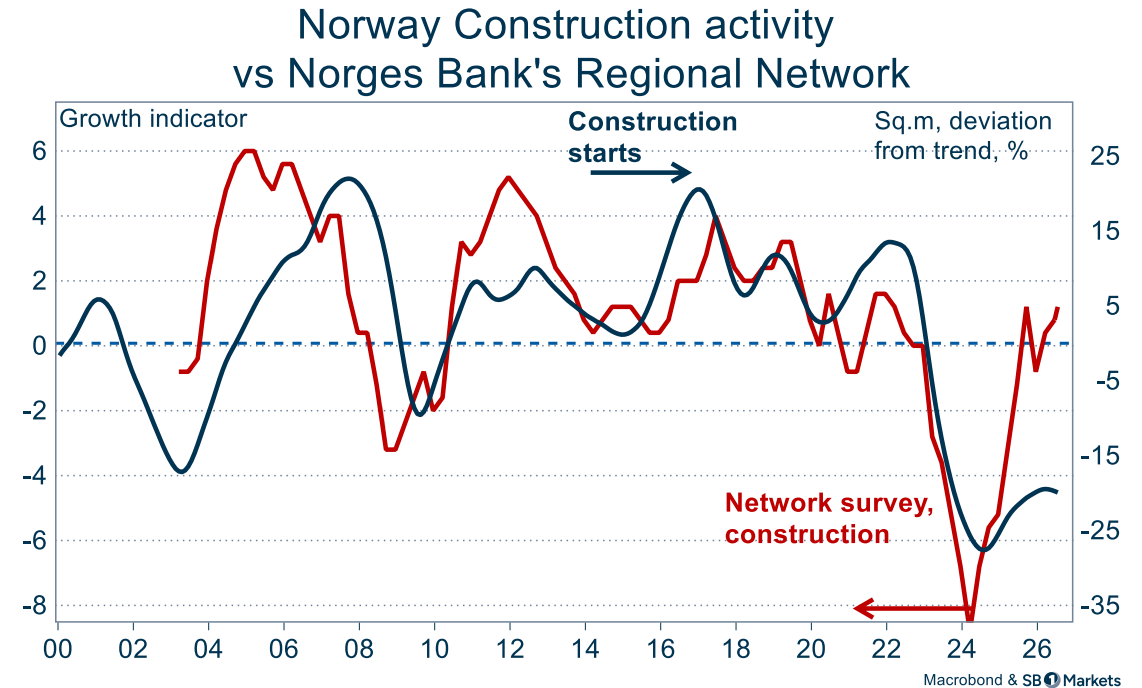
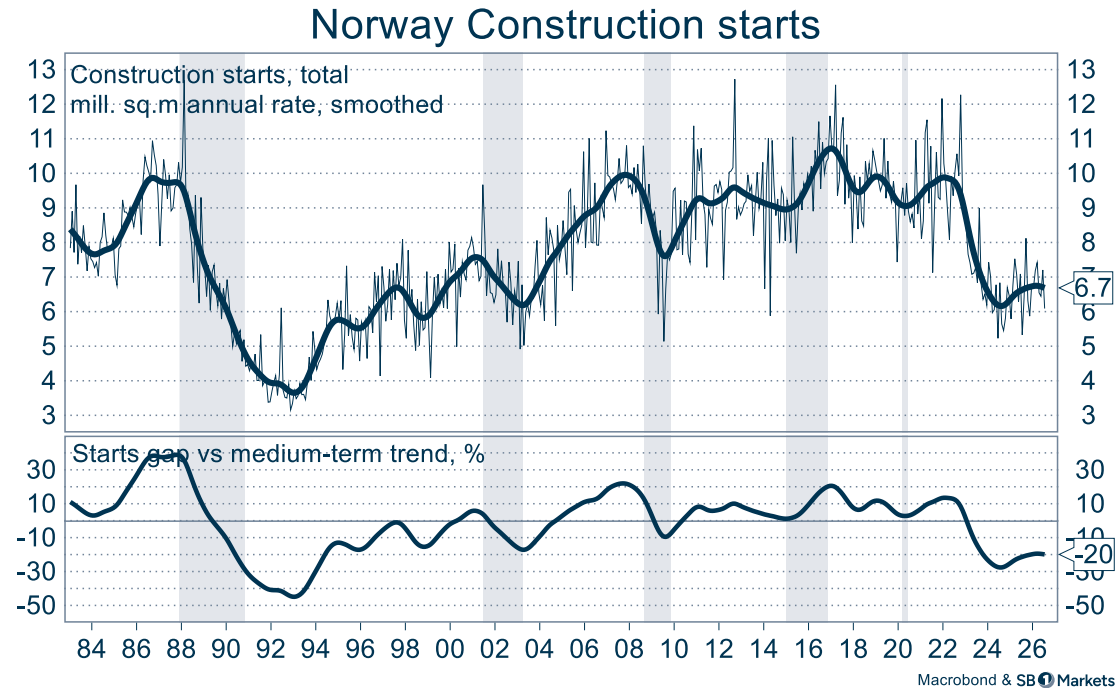


Norway Wage & Labour costs indicators



Construction starts have bottomed, and the construction sector reports **GROWTH**

At least companies did so in Norges Bank's Q2 Regional Network, even if housing starts remain in the doldrums. The level is still low, at least vs. construction activity in the 2006-2022 period.

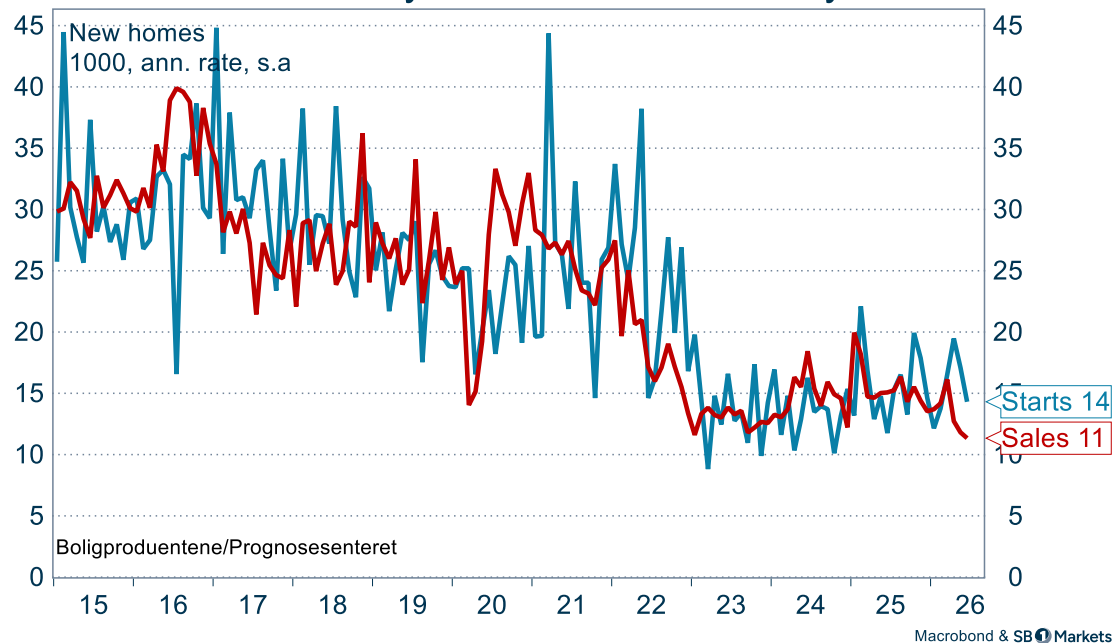




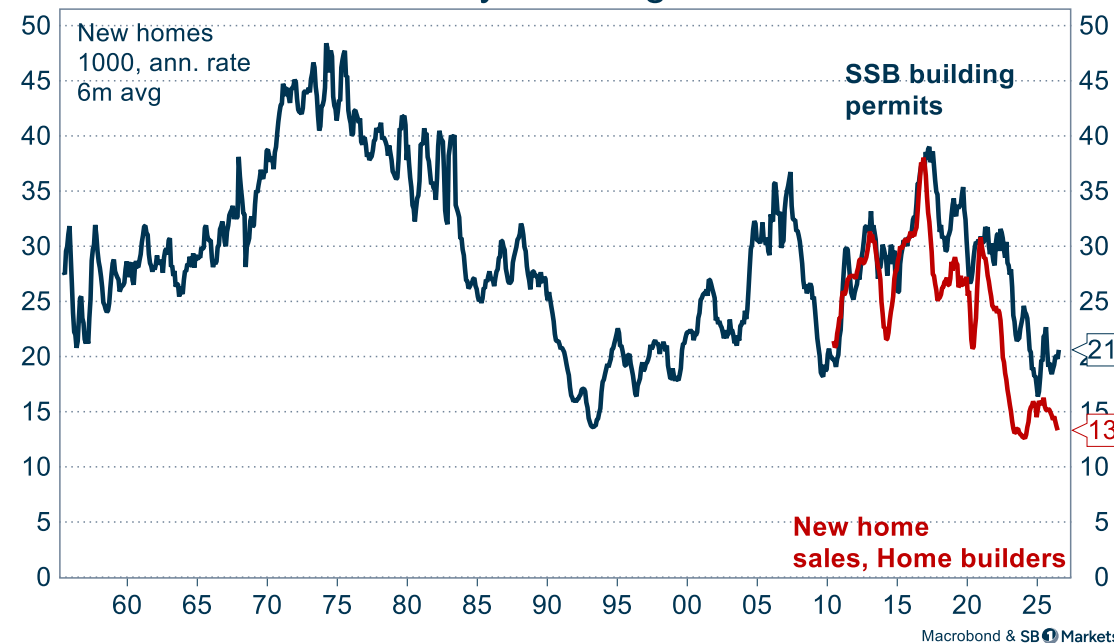
Home builders: New home sales fell further in June, *to the lowest level on record*

Sales declined by 1,000 to 11', a new ATL (data from 2010). The 6m avg. has fallen to 13' units, still slightly above the low in 2023. Starts have been slightly higher the past 2 months, but data are even more volatile than sales. Understandably, home builders are not happy.

Norway Homebuilders' survey



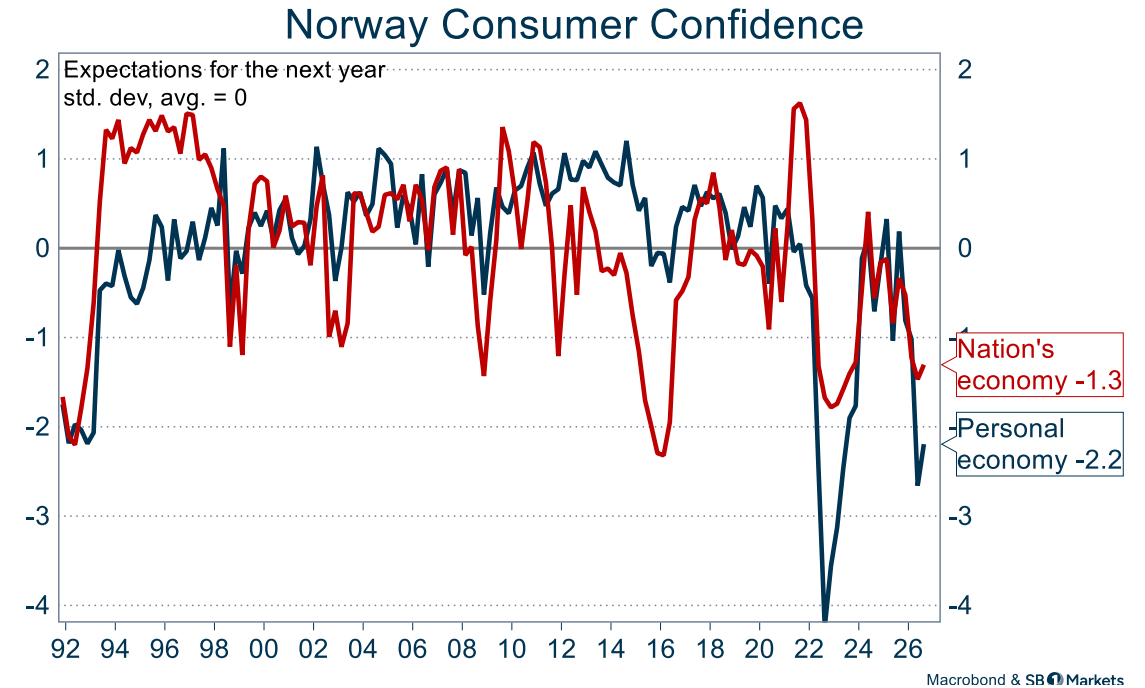
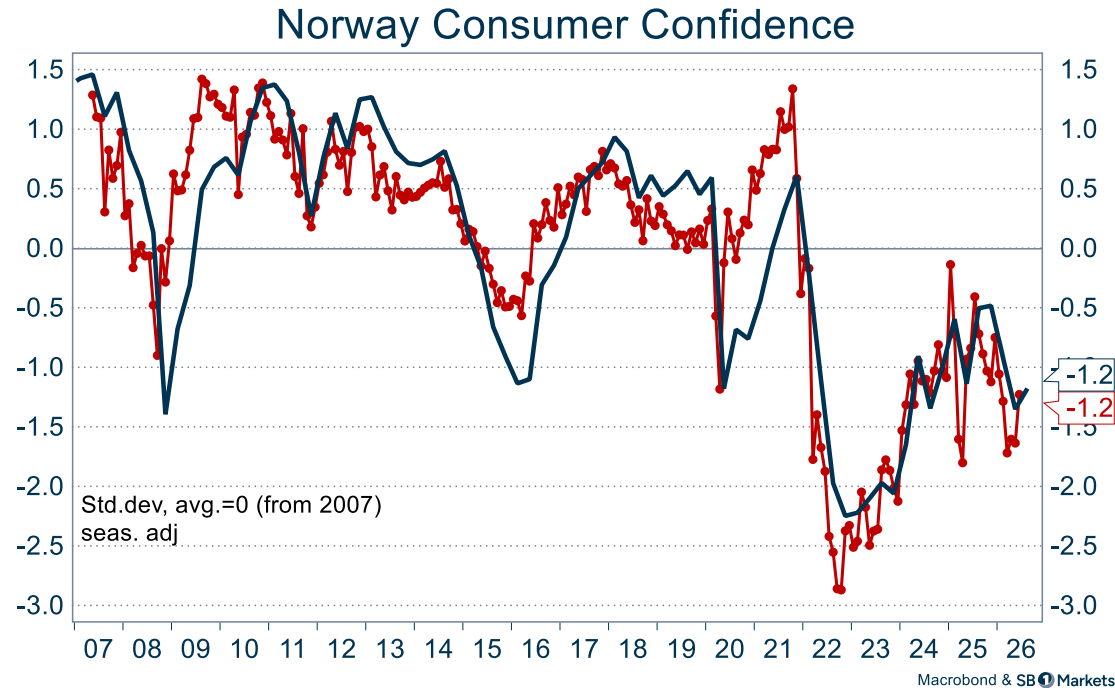
Norway Housing starts



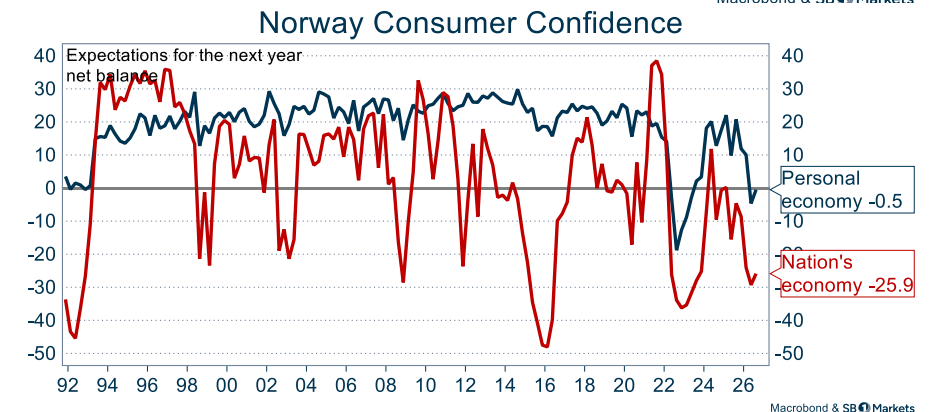
- **SSB reports 21' building permits** on average over the past 6 months, 8' above the estimate from Boligprodusentenes forening (home builders association). Student homes and nursing homes are included in SSB's data but not in the home builders' stats. SSB's permits lag new home sales by some 6 months.
 - The gap between home builders' sales/starts data and SSB's permits has widened somewhat. Over time, 94% of SSB's permits are completed, which indicates that permits are 'for real'.

Consumer confidence a tad up in Q3, still 1.2 std. dev. below average

The Finans Norges index rose 0.1 std. dev. to -1.2 in Q3, with small, mostly positive changes in the sub-indices. Buying plans rose as well, and most are above average. On the other hand, savings/investing plans **shot up to a level not seen before!**



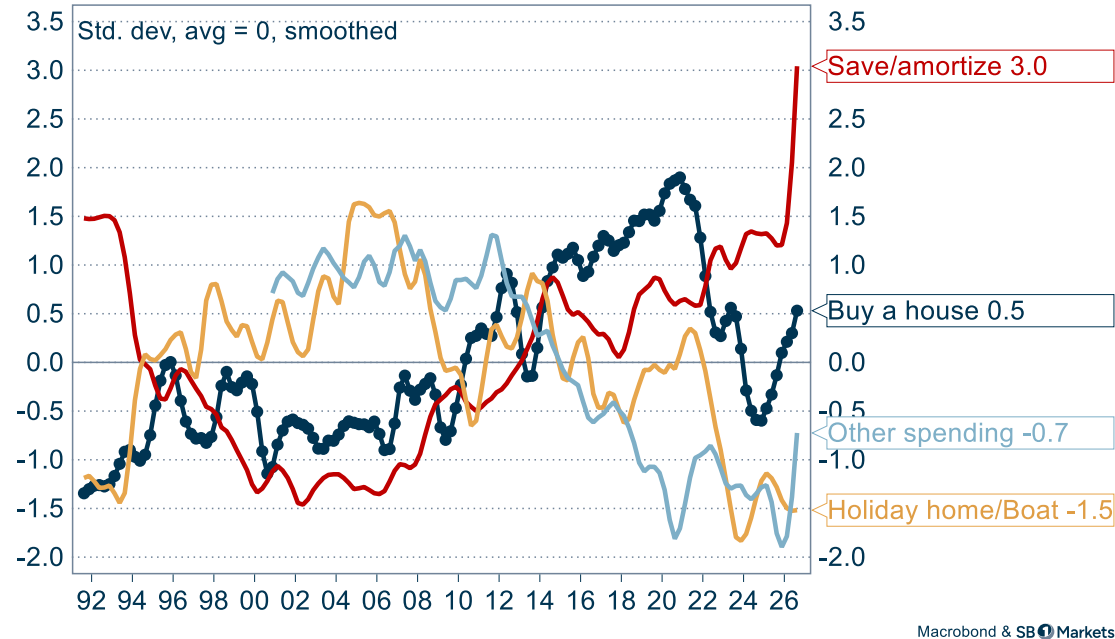
- The outlook for households' personal economy is well below the assessment of the outlook for the country, standardised measured like on this page.
 - The balance between optimist and pessimists is neutral though. However, a large majority is usually optimistic, and the current net print is well below average).
 - Households are usually more balanced regarding the outlook for the national economy, and now they are rather pessimistic.



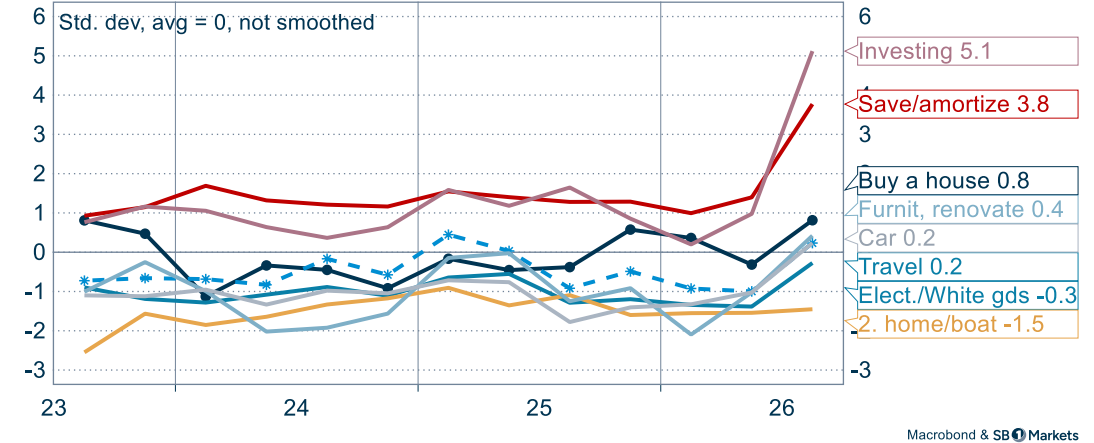
Saving/amortisation has never been more popular! Other spending plans up as well

Repay debt, save and invest are still the most popular priorities (vs. their normal levels and absolute vs. other categories). All other main categories were still up, including house buying.

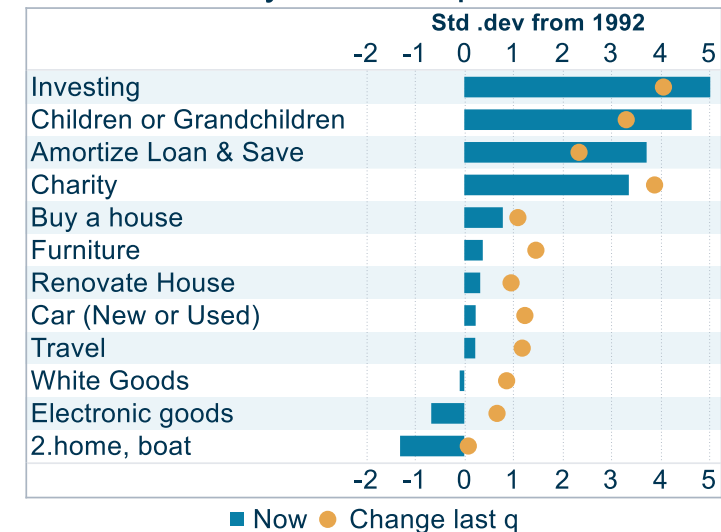
Finance Norway Consumers' spending plans



Finance Norway Consumers' spending plans

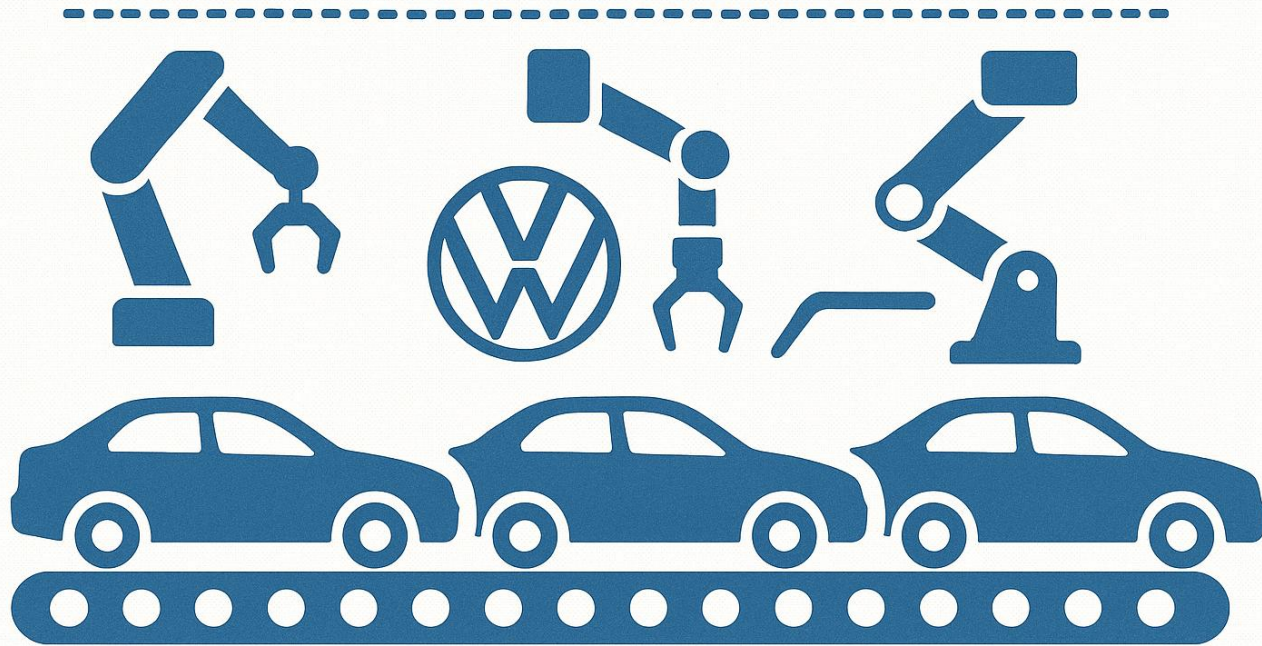


Norway How to spend it?





2. Major economies



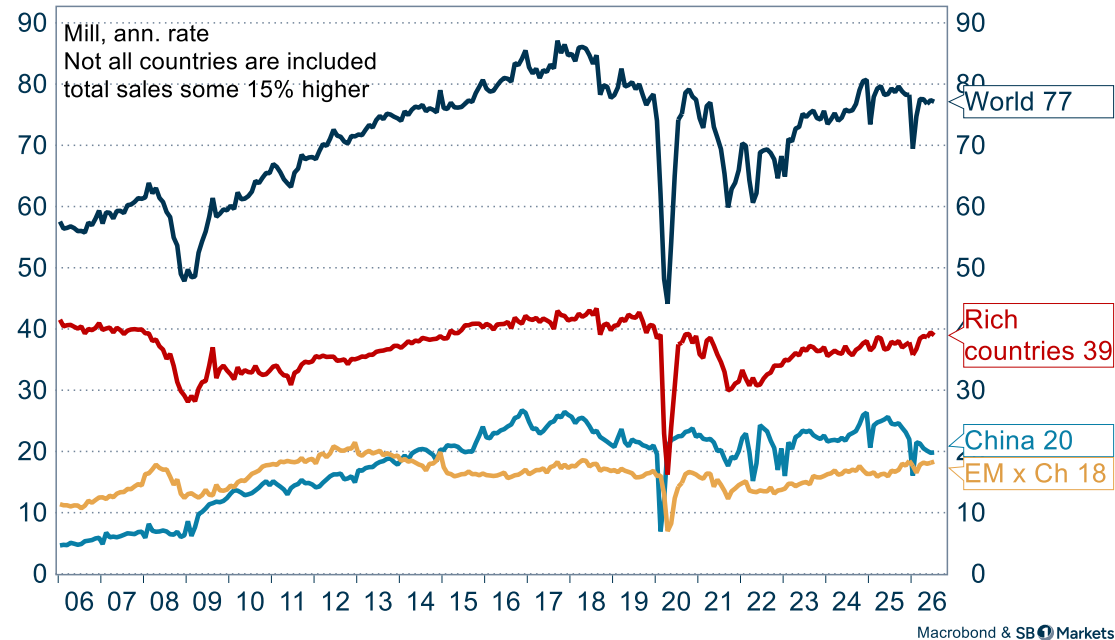
Auto sales



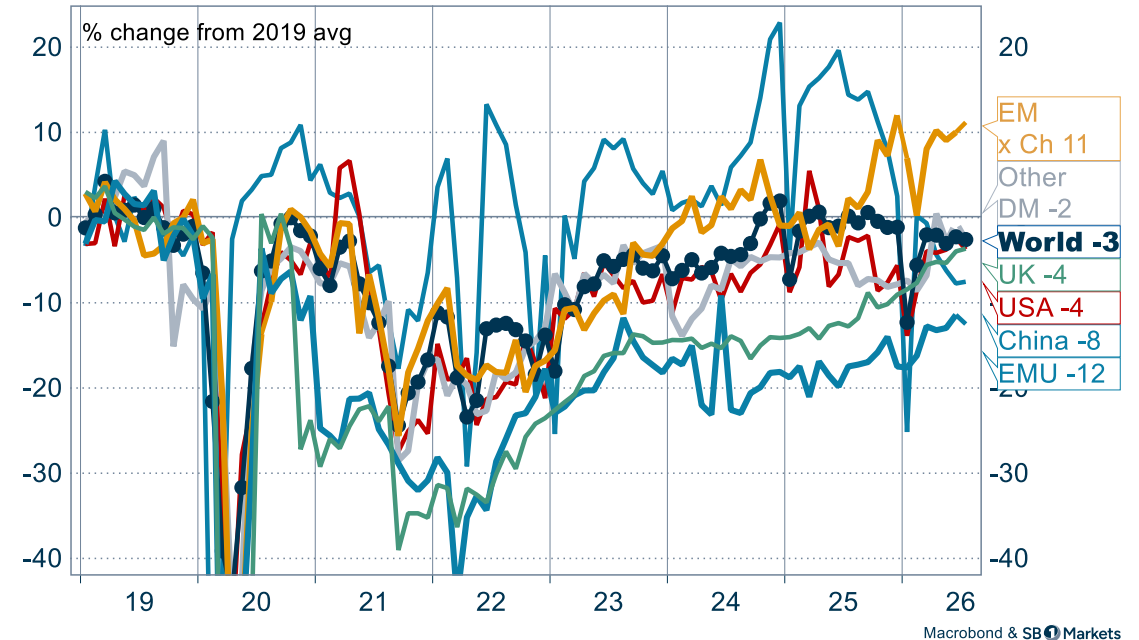
Auto sales are trending up in DM, EM ex. China – but still decline in China

Chinese sales declined further and down 20% y/y. Global sales were flat in July with small changes in the main countries. Chinese sales are down 9% from 2019, US sales are down 3%, EMU sales 12%. Sales in EM ex. China are up 9%. Global sales are down 3%.

Global auto sales



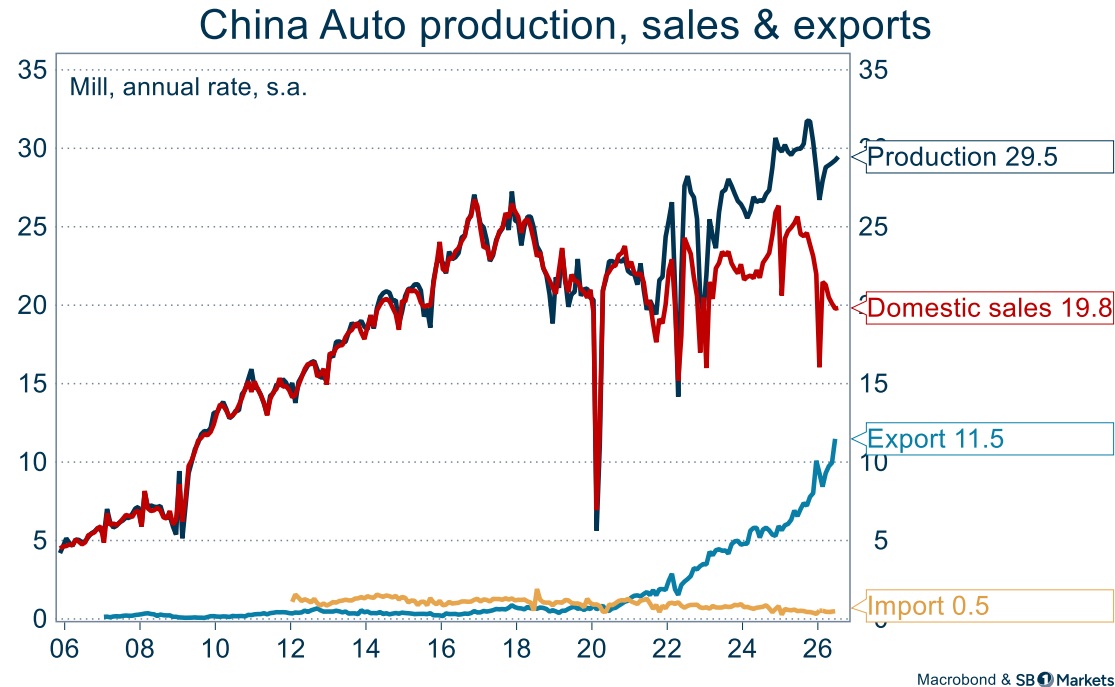
Global auto sales





For how long will this model work?

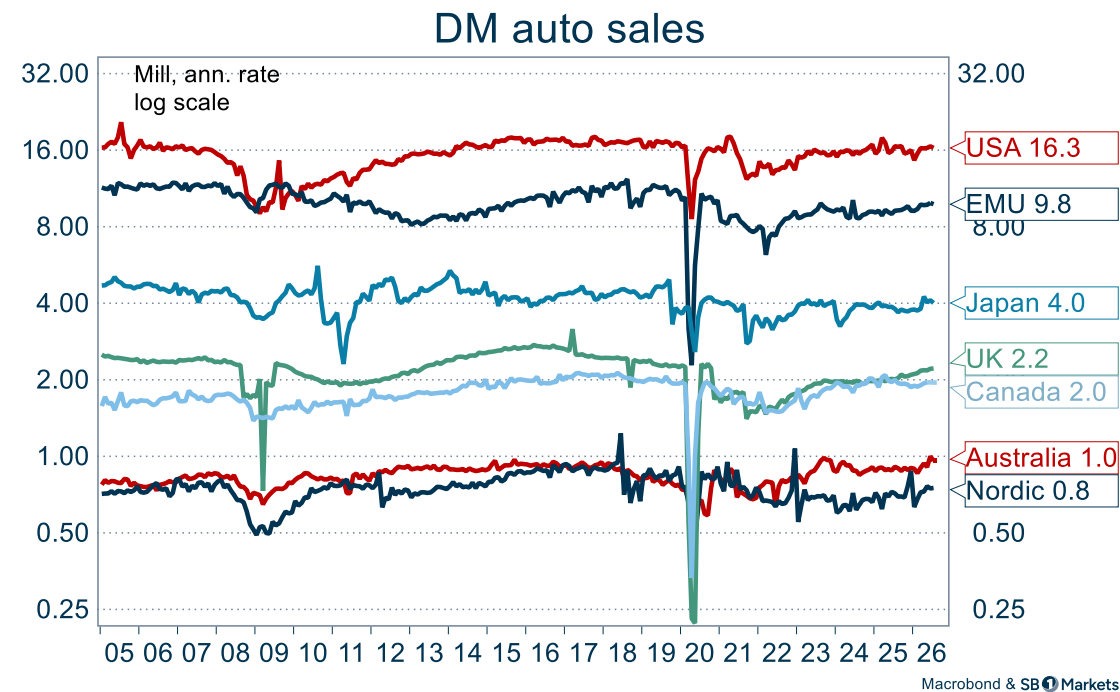
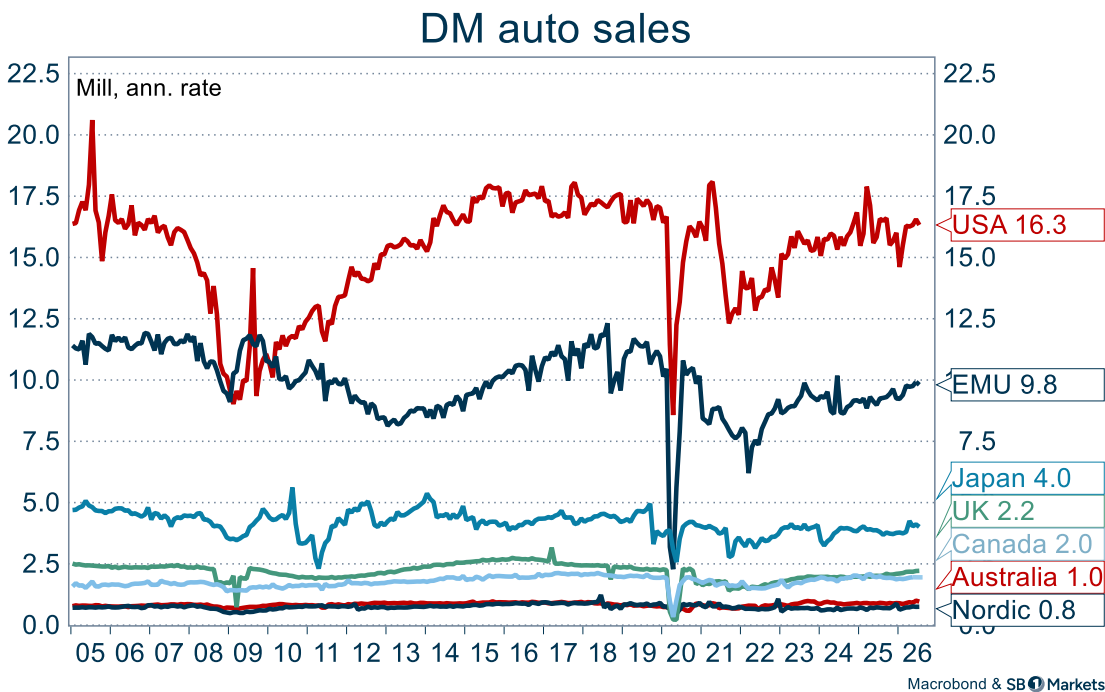
Chinese auto exports have been soaring, as domestic sales have fallen substantially without a decline in production (until lately). Chinese exports suddenly equal 1/3 of Chinese production, and almost 1/7 of sales in the Rest of the World, from close to zero in 2020.



- Imports? Close to zero.



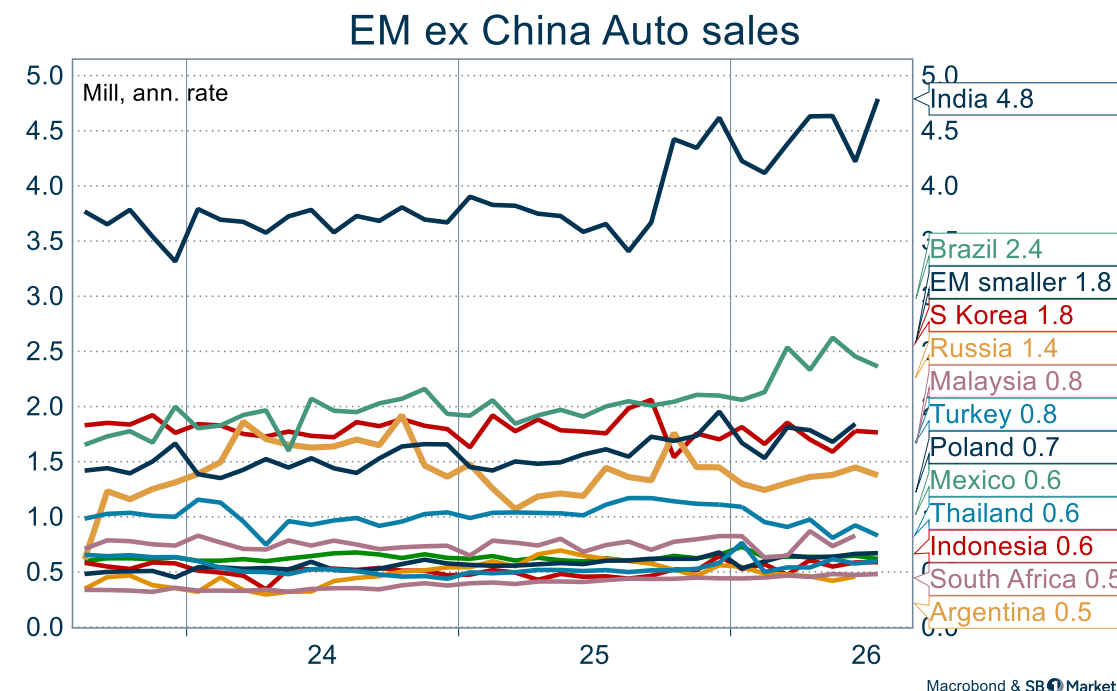
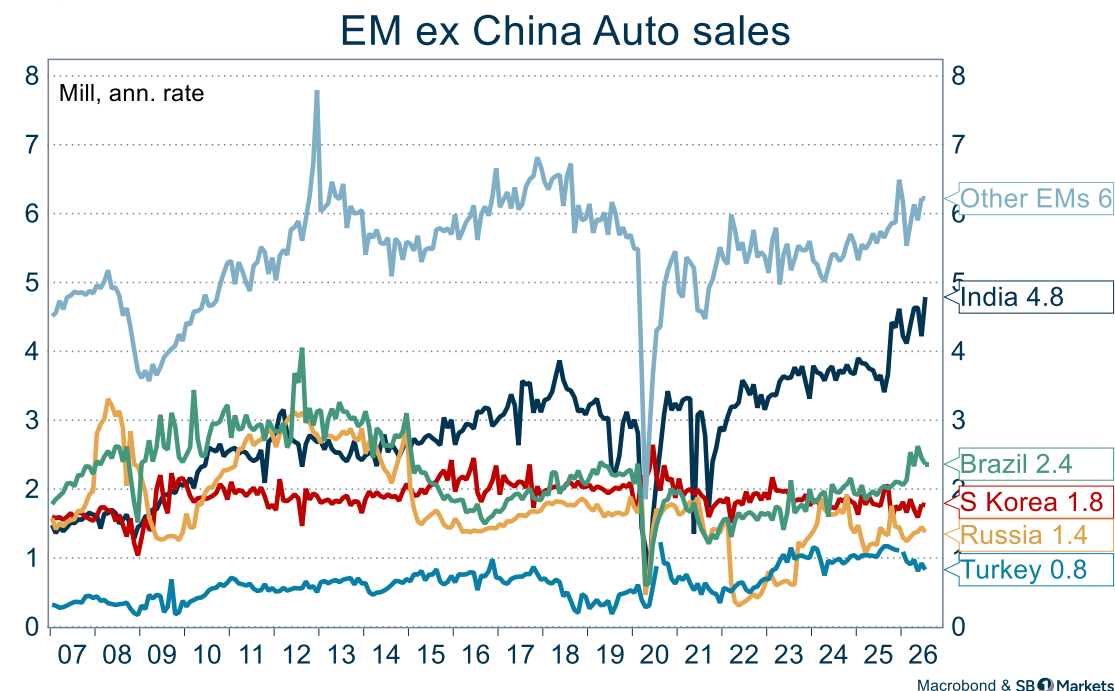
DM auto sales trend up: Japan, EMU & UK head marginally up, USA trend flat





Indian auto sales trends rapidly up, to a new ATH in July (still just ¼ of Chinese sales)

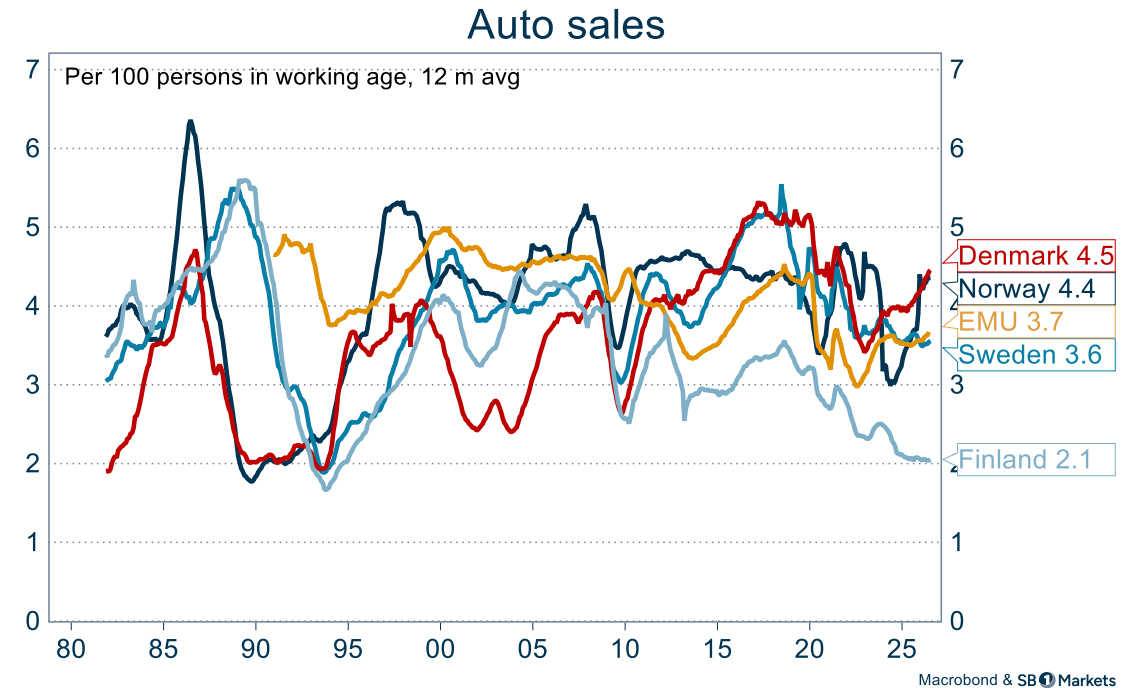
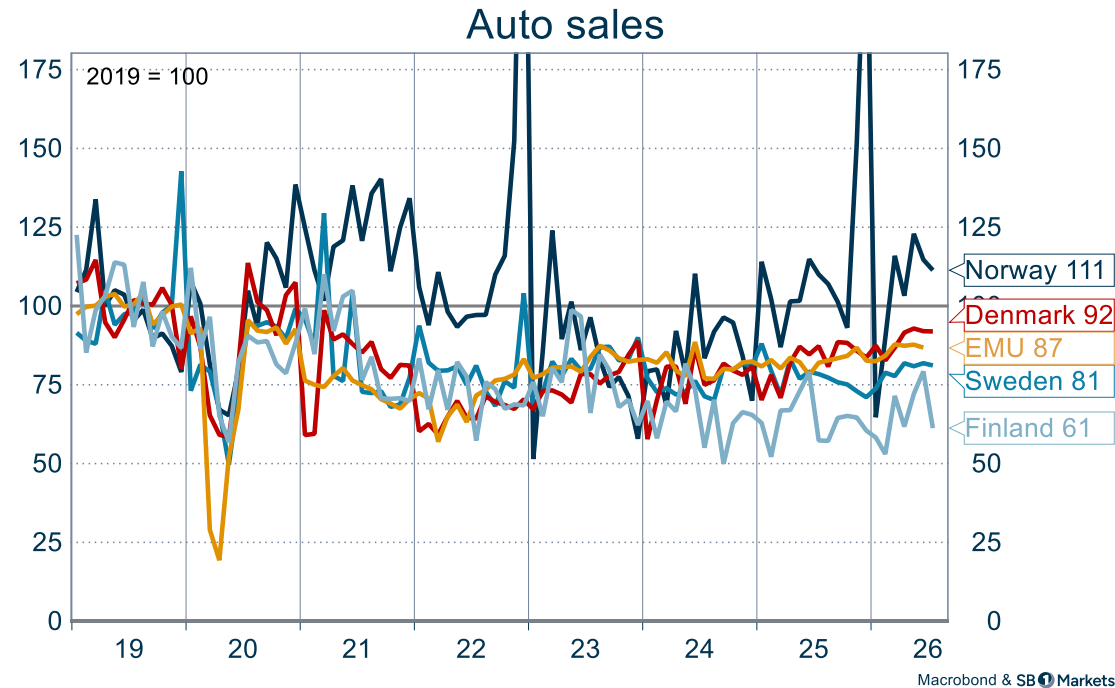
Sales in Brazil have speeded up in 2026 are still down 20% from the level in 2011–2013. South Korea trends flat, at best. Russian sales are half the level in 2012–14. The war is not for free.





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



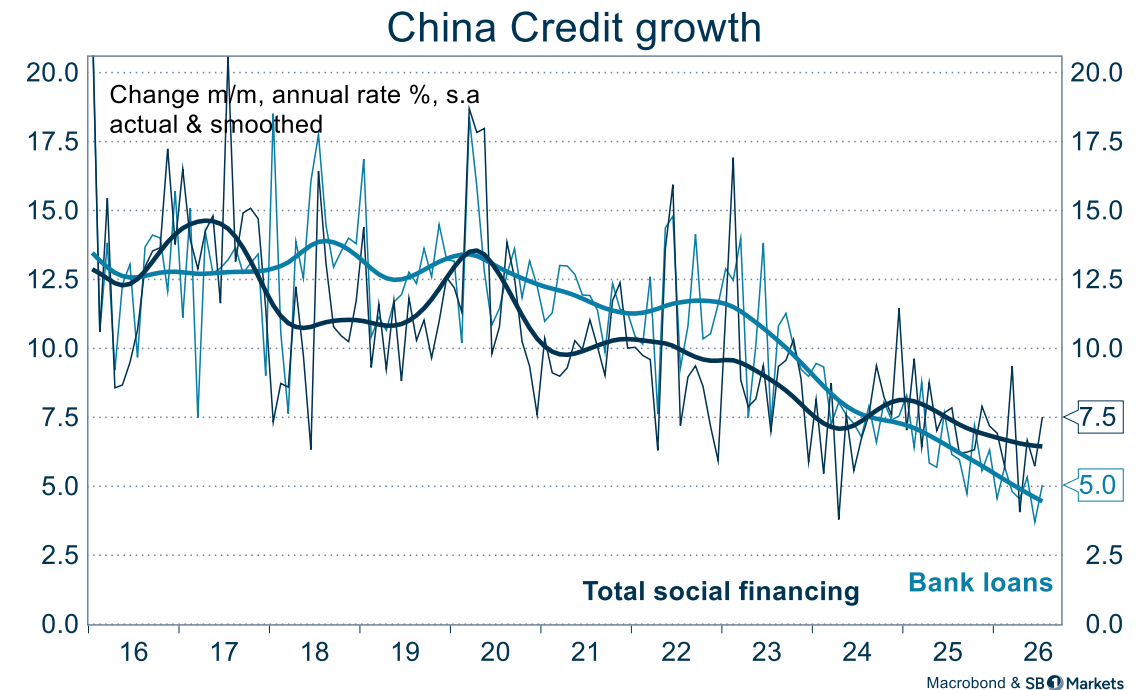
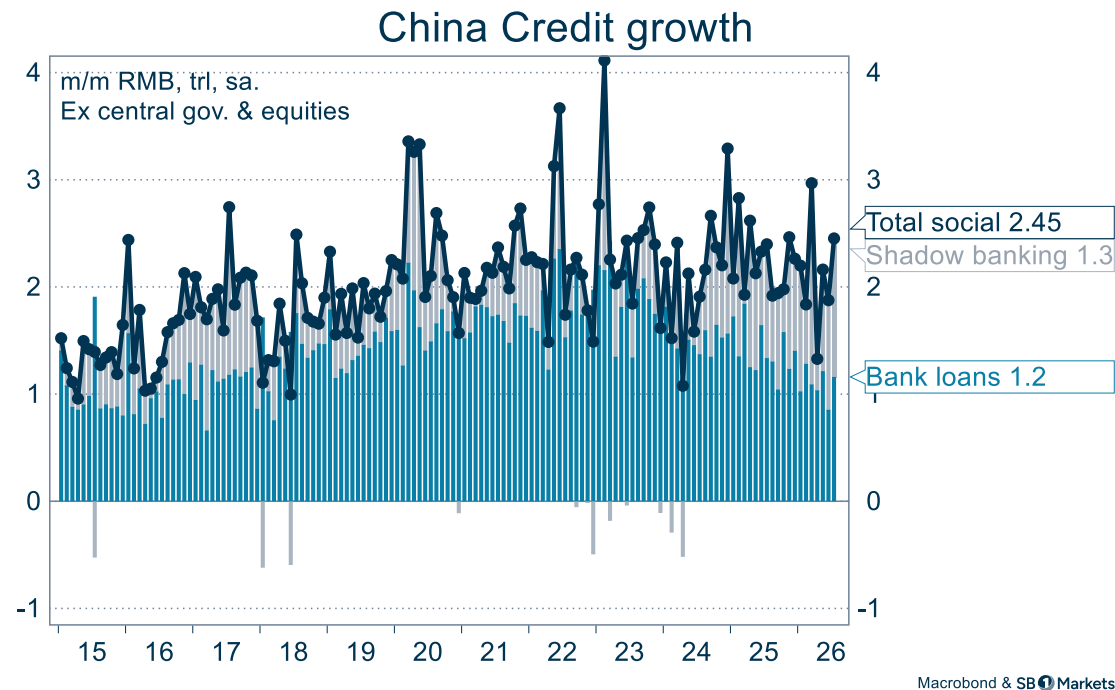


China



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. In July, credit grew a tad faster though

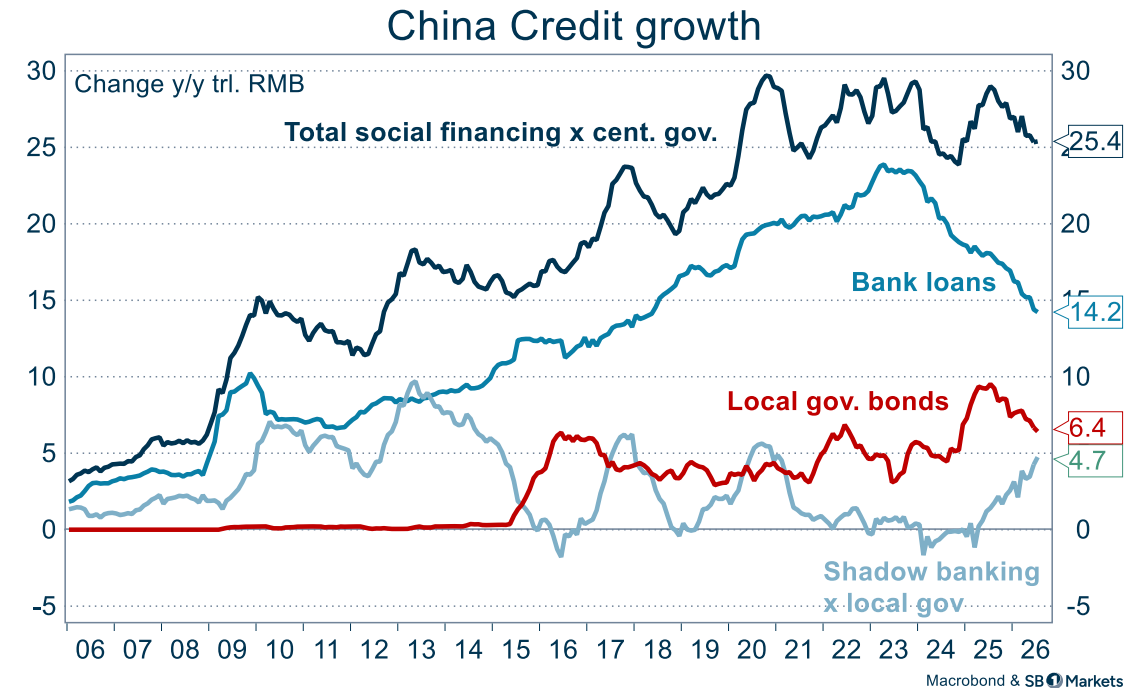
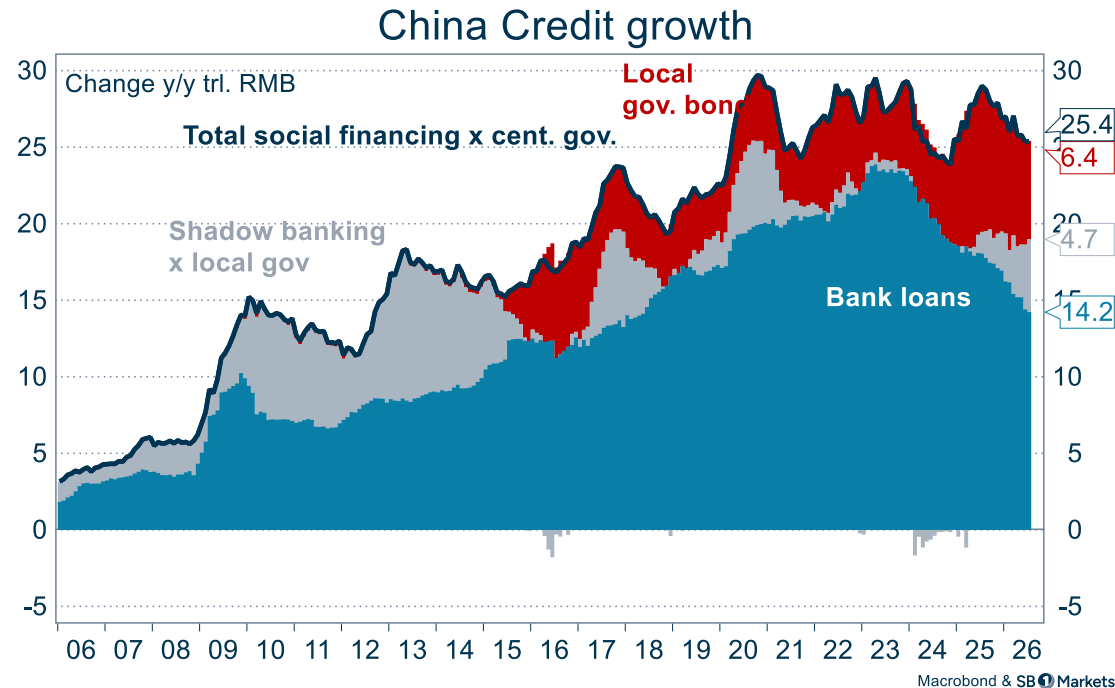


- **Total social financing** grew by RMB 3.3 trillion m/m in June, somewhat less than expected (3.8 trl). Seasonally adjusted, core credit supply rose by RMB 1.8 trl, or a 5.5% annualised increase. Total credit is up 6.7% year-on-year, still outpacing a 5.5% nominal GDP growth, though credit growth is 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.

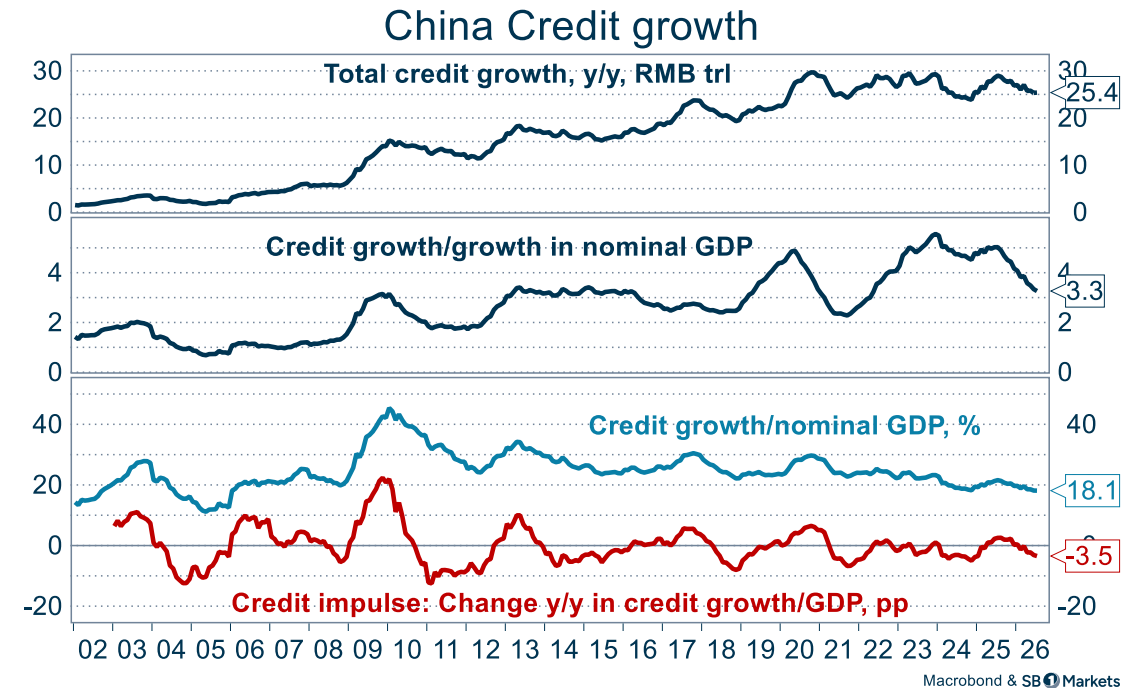
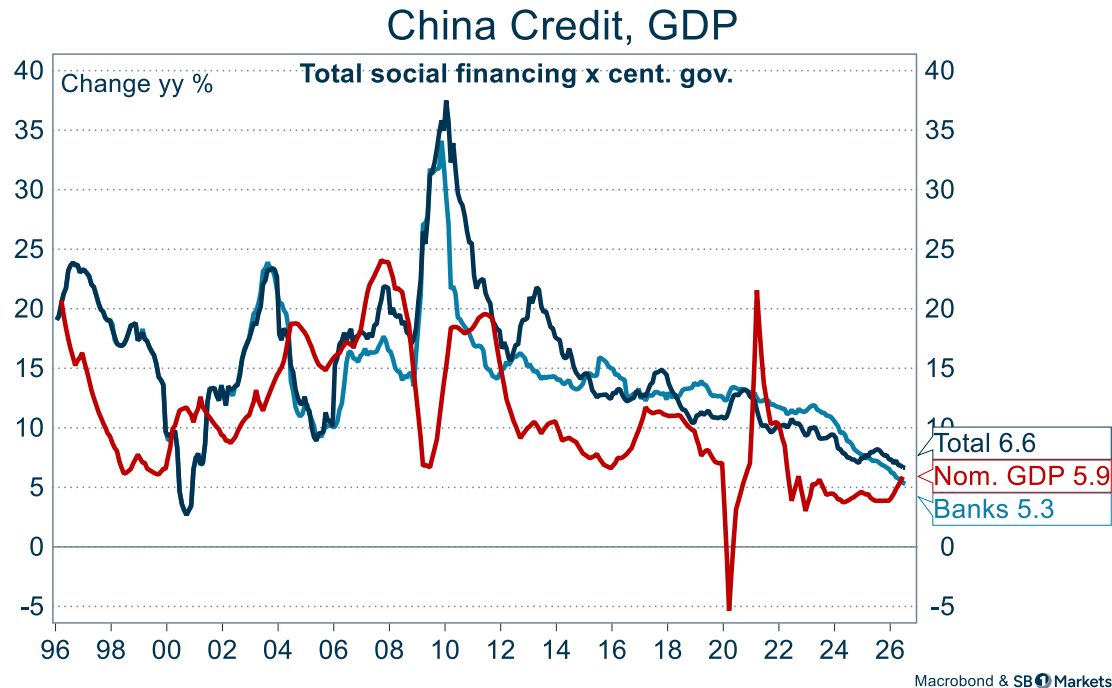


- Over the past year, **total credit** expanded by RMB 25 trillion, equalling almost 18% of annual GDP!
- **Banks** supplied RMB 14 trl. of the y/y increase. This contribution has been rapidly declining since the peak in early 2023 (23 trl).
- **Local governments** accelerated their borrowing until mid-2025, 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 5 trl y/y, or by 8%, 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 is negative

Total credit is up 6.6% y/y, and the trend is rapidly down. Growth in bank loans is declining much faster, now down 5.3%. Both growth rates are the lowest since 2000. GDP is up 5.9% y/y, and the total debt/GDP ratio is still increasing, from a very high level.

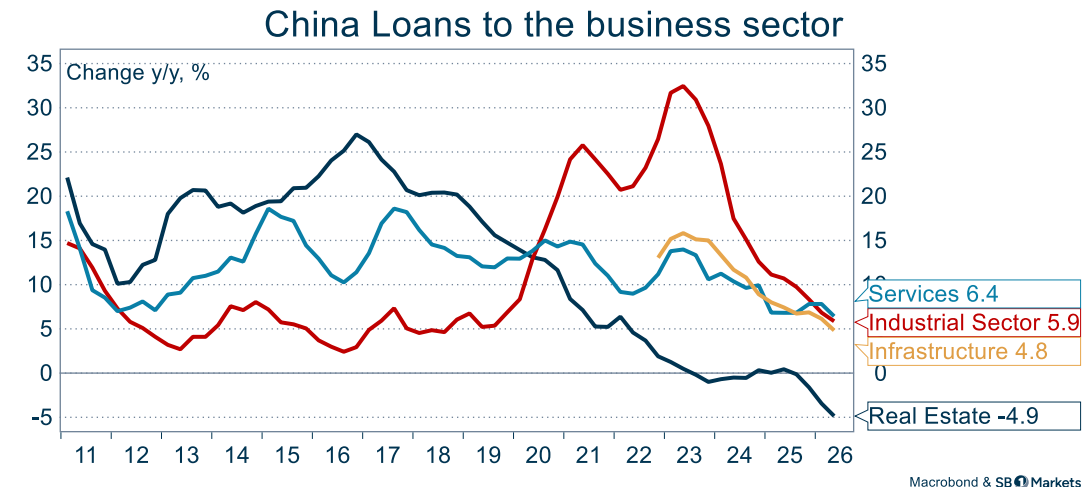
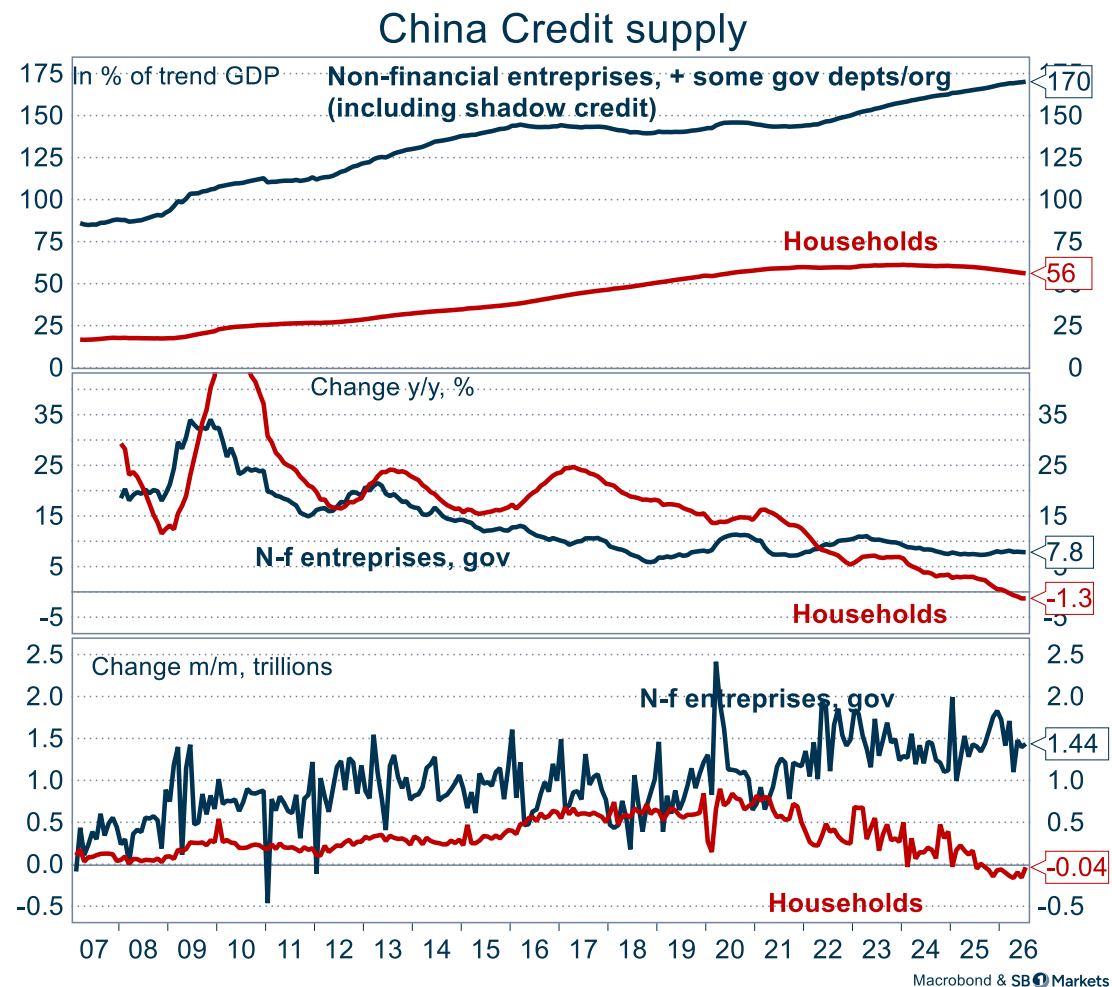


- **The credit impulse:** Conventionally measured as change in credit growth vs. the nominal GDP level, over the past 12 months vs. the previous 12 months.
 - The impulse can, of course, be measured over other horizons as well, and it is negative in recent months as well.
- **Credit growth** (in RMB) 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 equals 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.



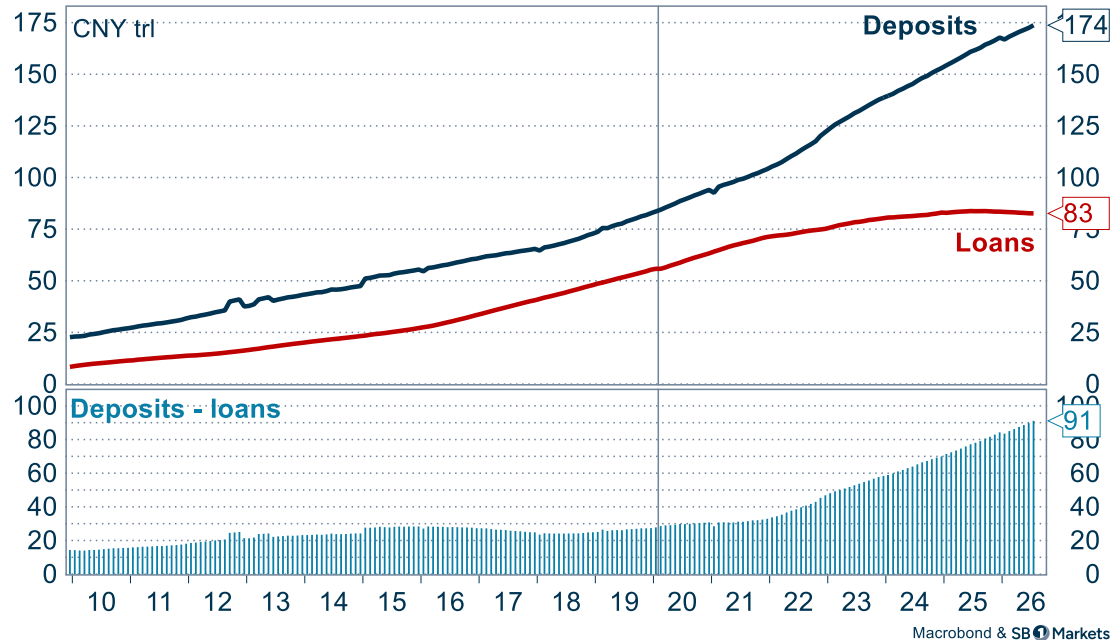
- Within the business sector, real estate loans are declining (but slow vs. the downturn in real estate investments?)
 - Only bank loans are included in the chart above; shadow banking credit is excluded.



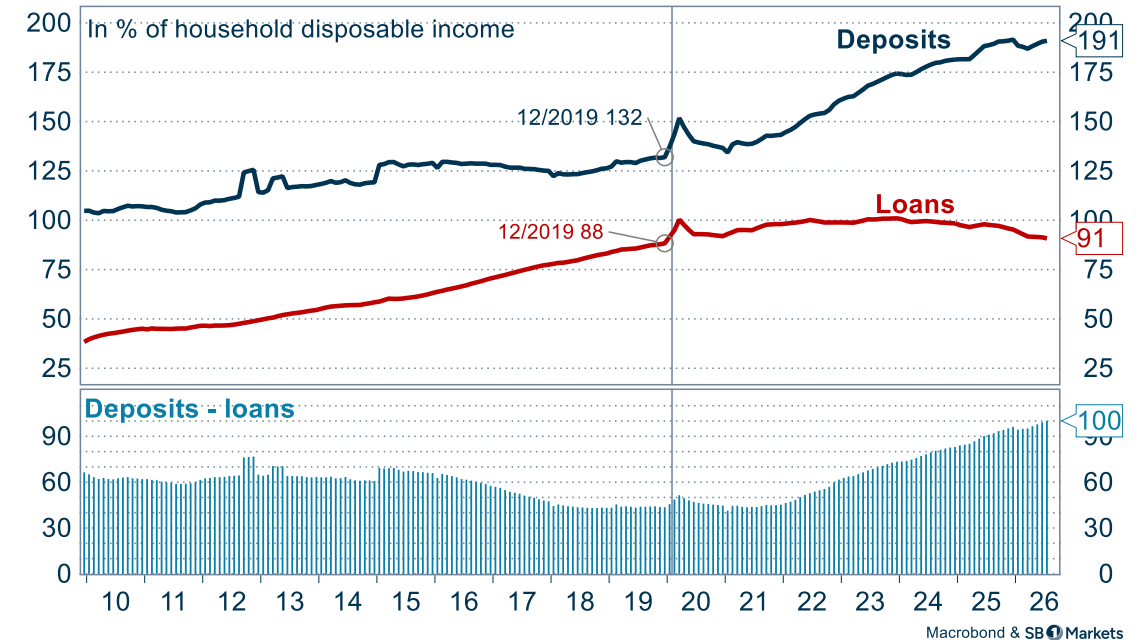
Growth in savings is slowly slowing? Household debt is on the way down, and faster

Deposits equal 191% 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

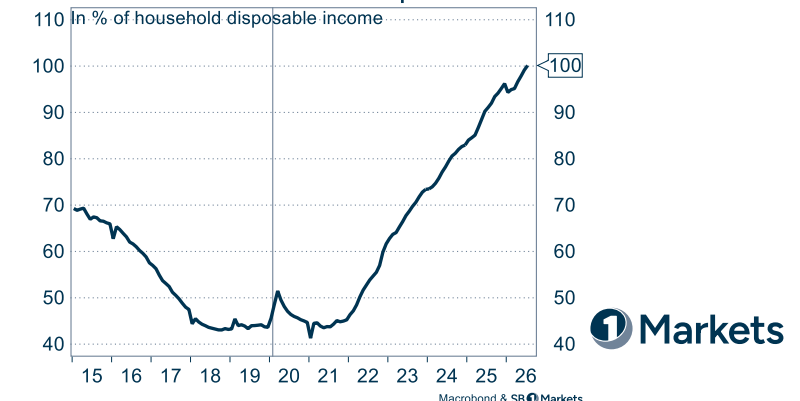


China Households' bank deposits & loans



- **Net deposits** (deposits – loans) equal 100% 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).

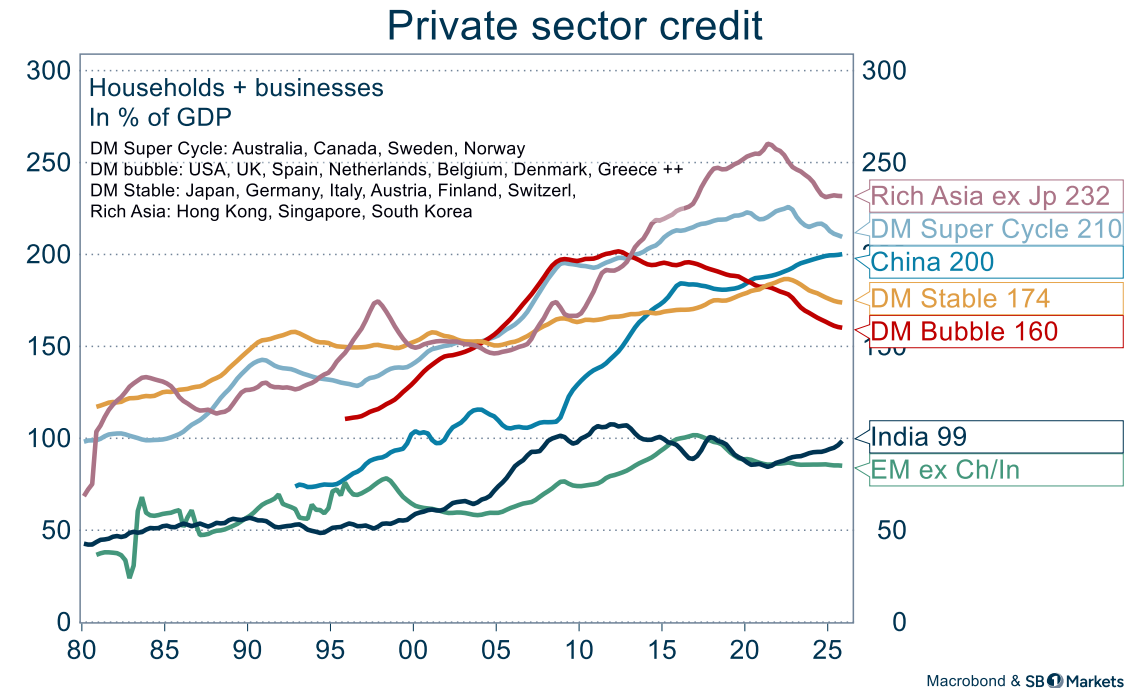
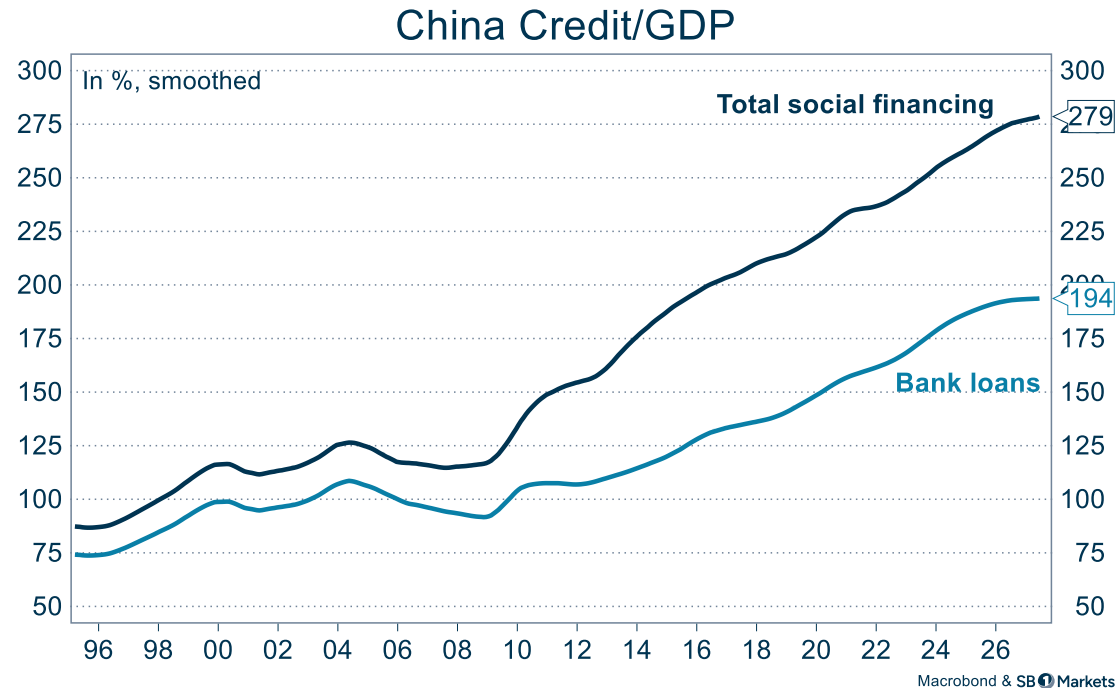
Households' net deposits



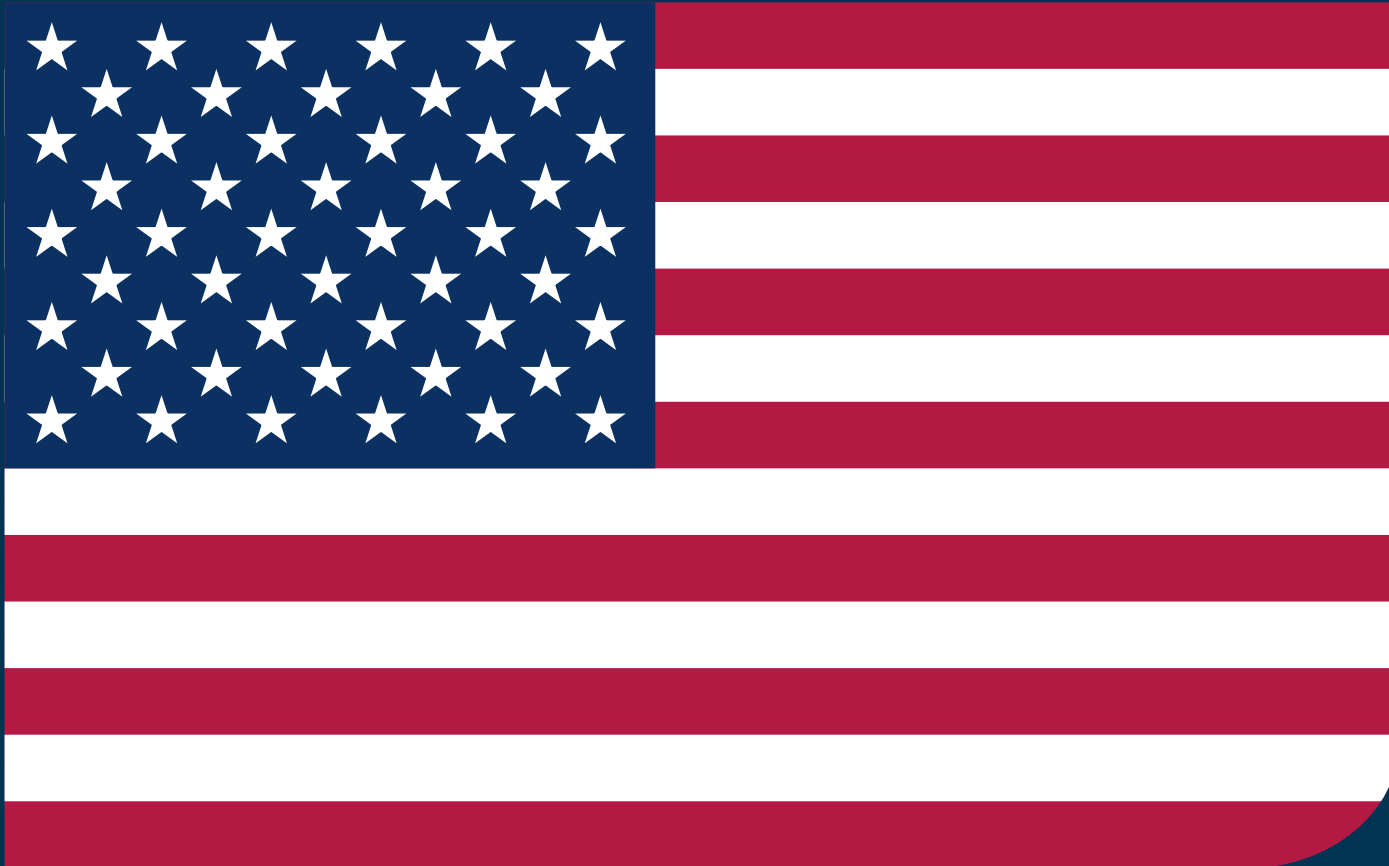


China is a credit outlier in EM, and almost all others in ROW have turned south

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.



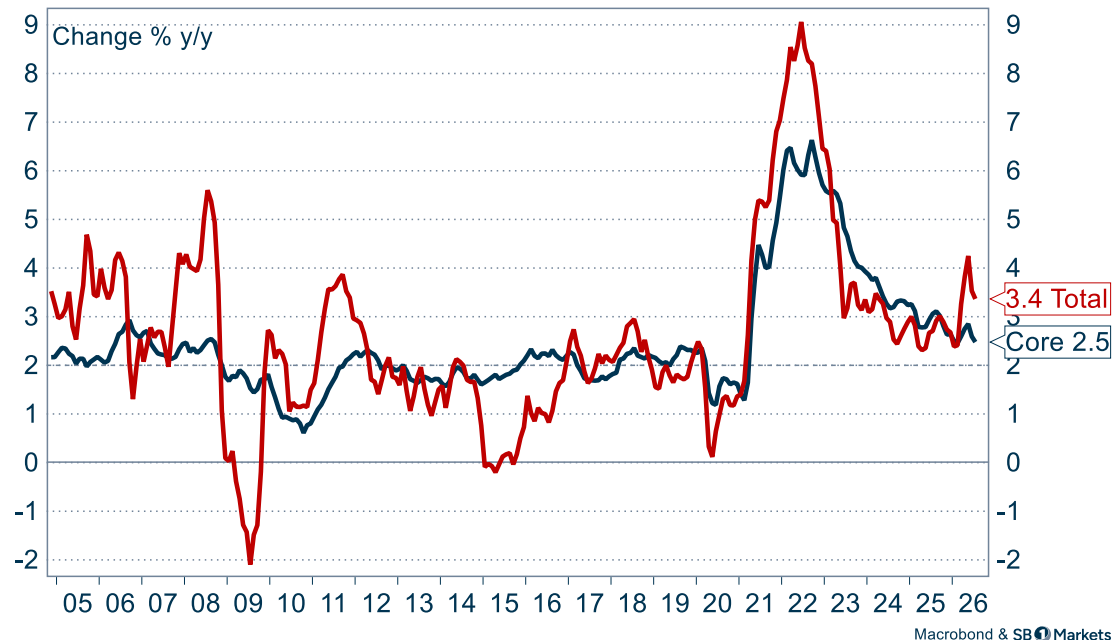
United States



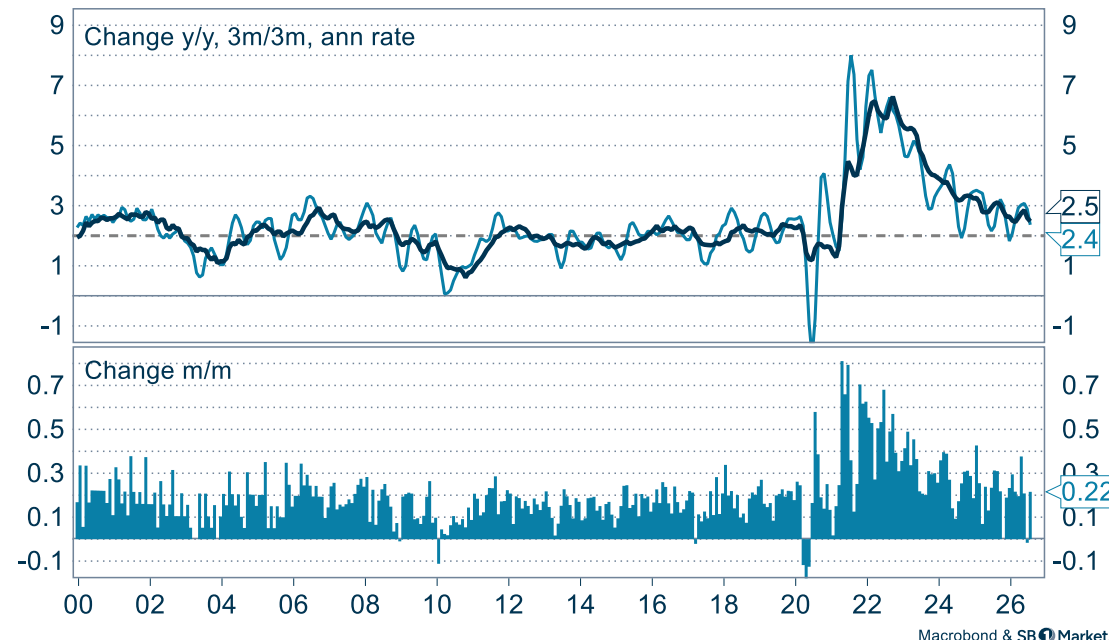
CPI as expected in July (but that was good enough), the core back down to 2.5%

Core prices rose 0.22% m/m, and slowed 0.1 pp to 2.5%, both as expected. Total prices rose 0.1 pp, and the annual rate fell to 3.4%. Underlying core growth rates is still close to 2%. Inflation remains too high but if the direction is down, and the *FOMC can wait and see?*

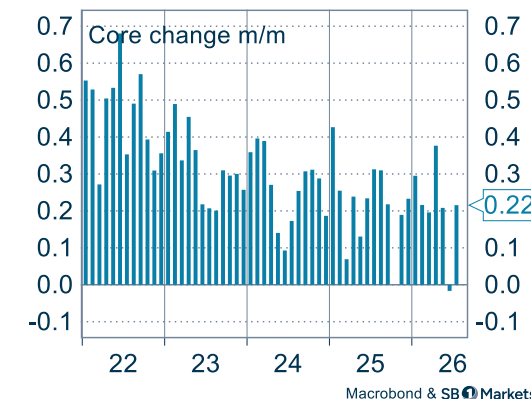
USA Consumer Price Index



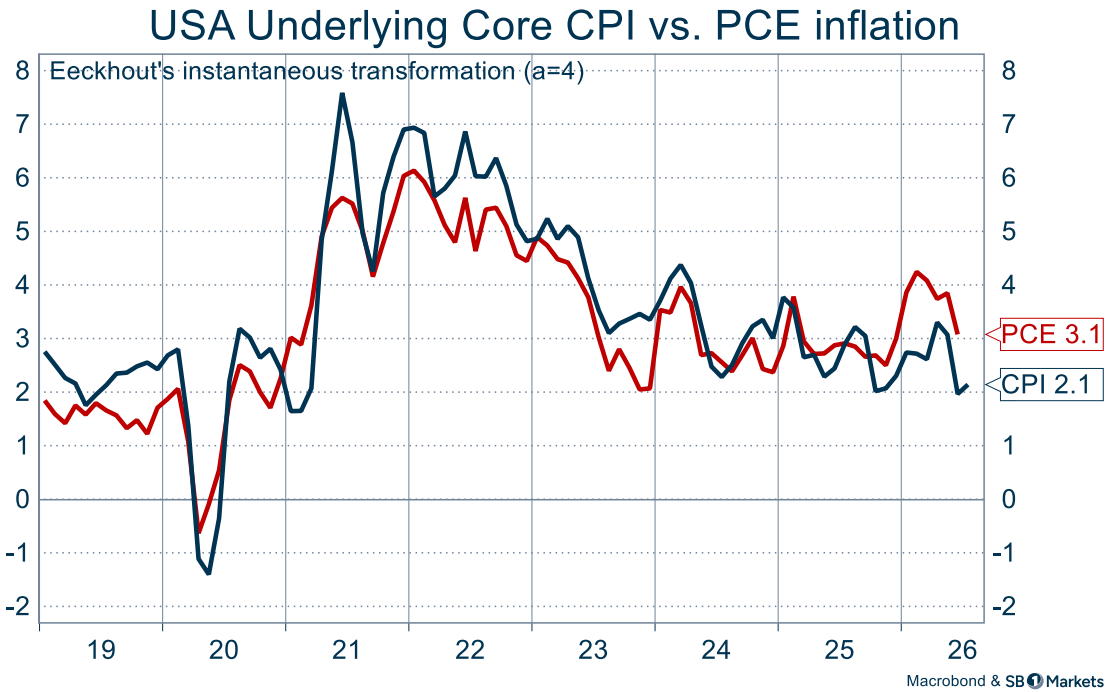
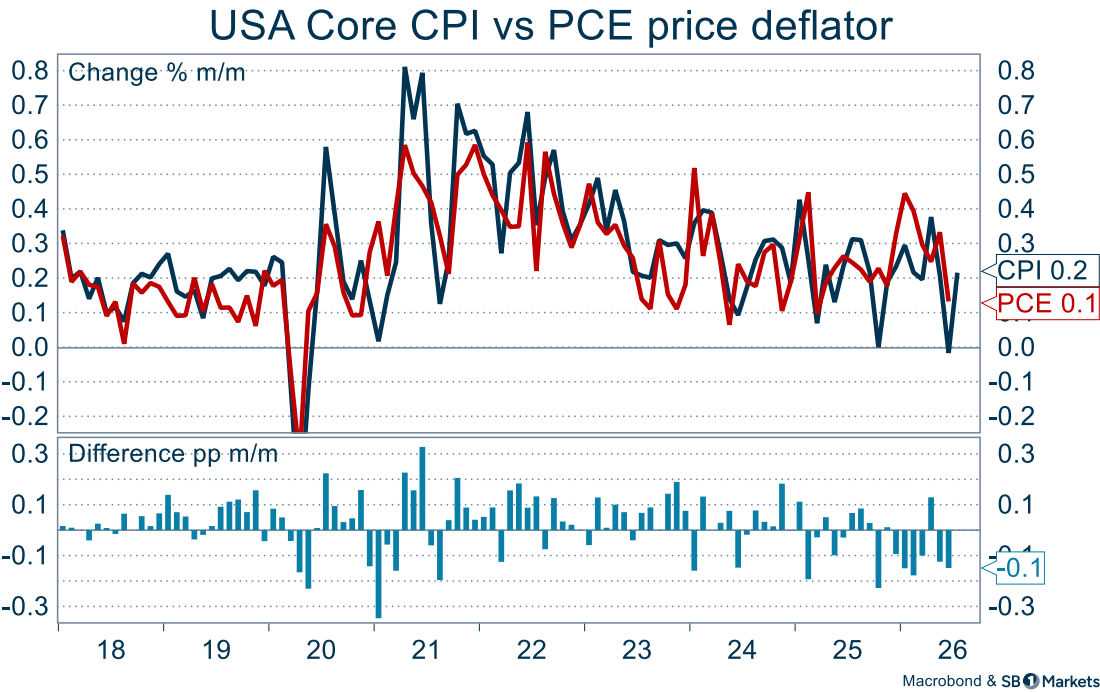
USA Core CPI



- **Headline CPI** was kept in check by a 1.5% decline in energy prices.
- Within the **core segment**, services ex. Rents, rents and goods were up close to 0.2 pp. Rent inflation has flattened at above 3% y/y, services have fallen below. Core goods are up 0.9%.
- **The outlook:** wage inflation is slowing, while productivity growth remains brisk (at least vs. recent history). Thus, **Unit Labour Costs growing slower**, in fact 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. On the other hand, a near-term cut is surely unlikely, barring a collapse in risk markets.



Core CPI vs. PCE: the latter will follow the former down?

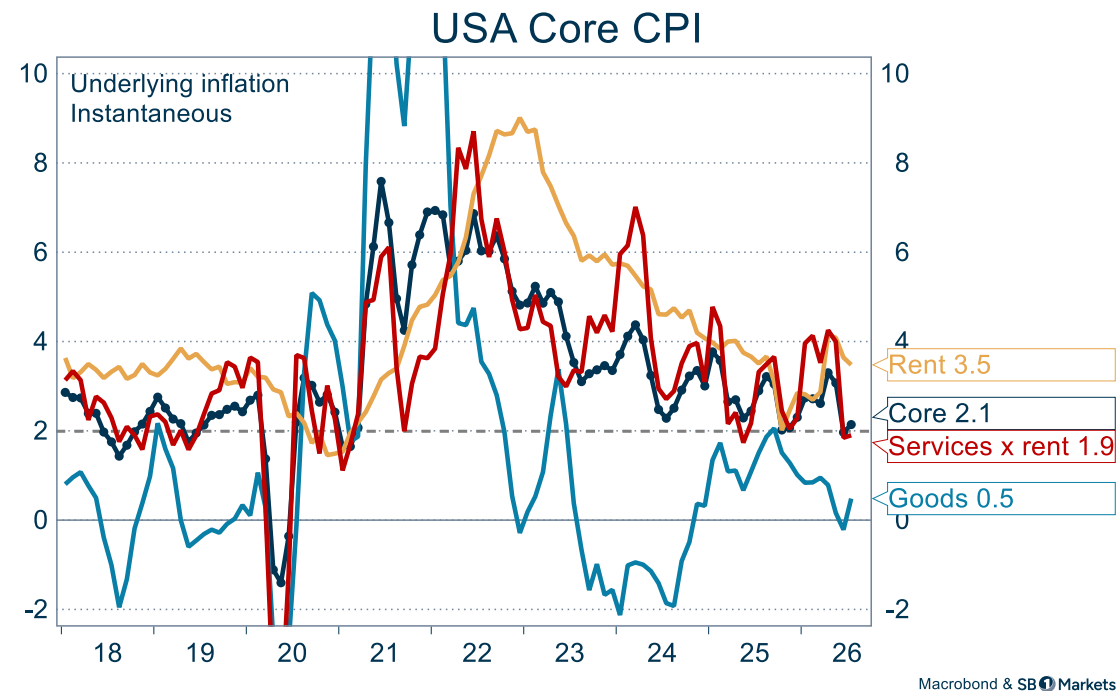
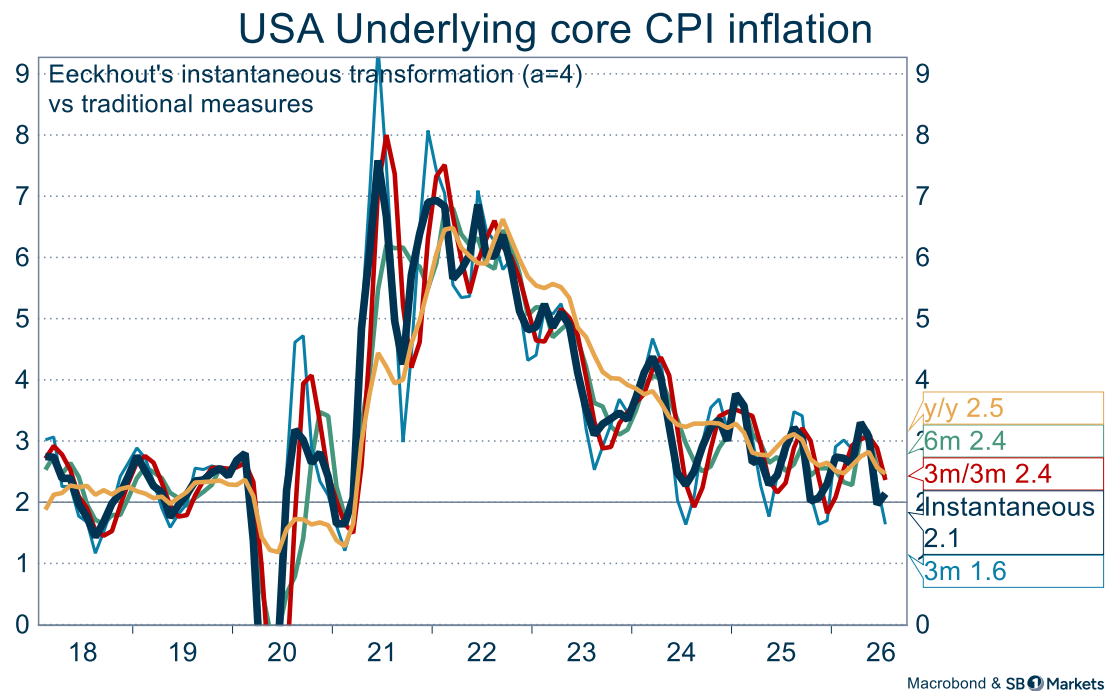


*) Eeckhout's instantaneous transformation



The avg. of our underlying CPI core inflation measures remains close to 2%

Core services (ex. rent) inflation has slowed sharply in recent months and have contributed the most to the downshift in the total index, while rent inflation remains high and core goods prices are close to flat

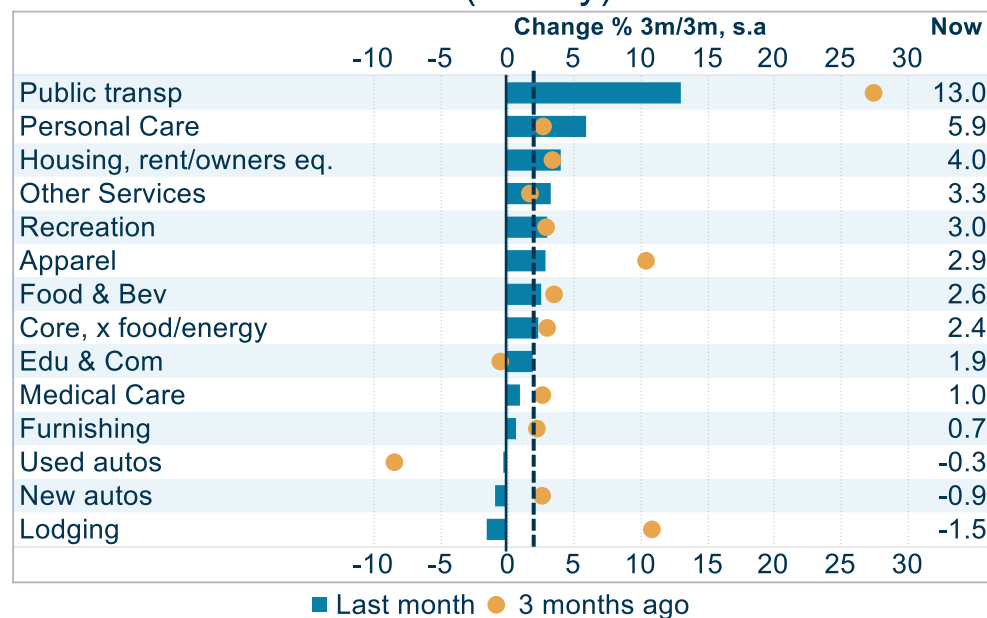




CPI growth momentum slows

8 sectors are still up more than 2% measured 3m/3m; and 6 are below, of which 3 are negative. 50% of 356 sub-sectors are up more than 2% measured 3m/3m, down from 70% in April – back to the same level as a year ago.

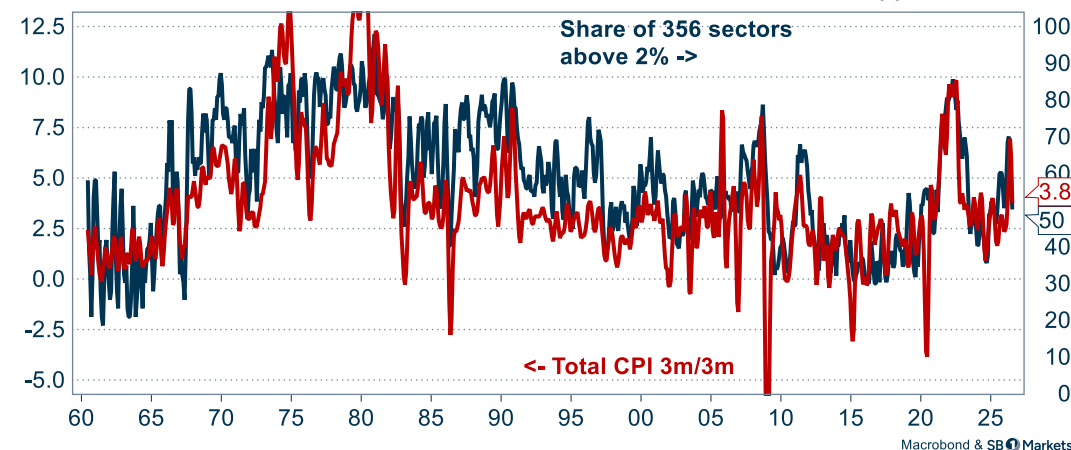
USA CPI (mostly) Core



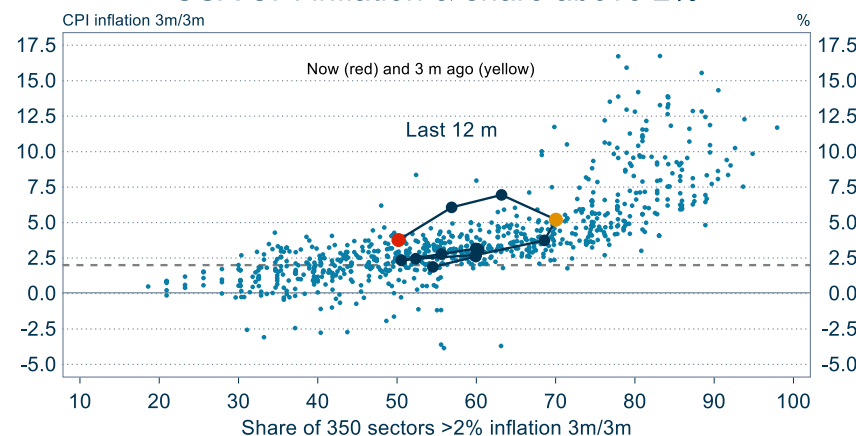
Macrobond & SB Markets

- The total CPI is up 3.8% 3m/3m, down from almost 8% in the early spring when energy prices 'exploded'.

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



USA CPI inflation & share above 2%

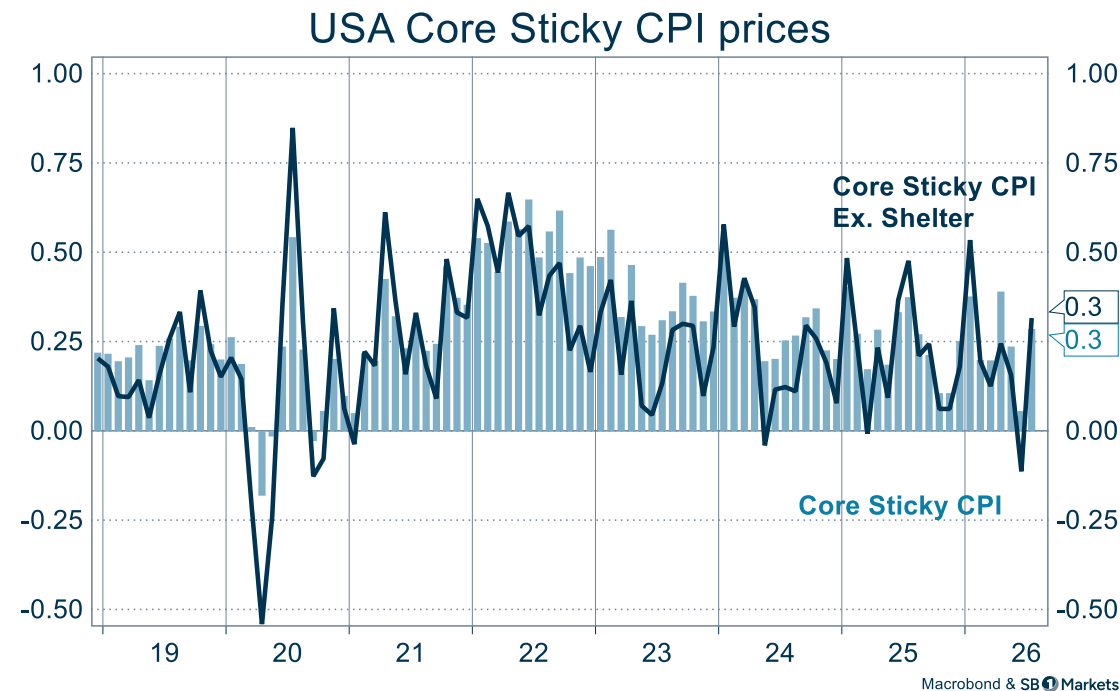
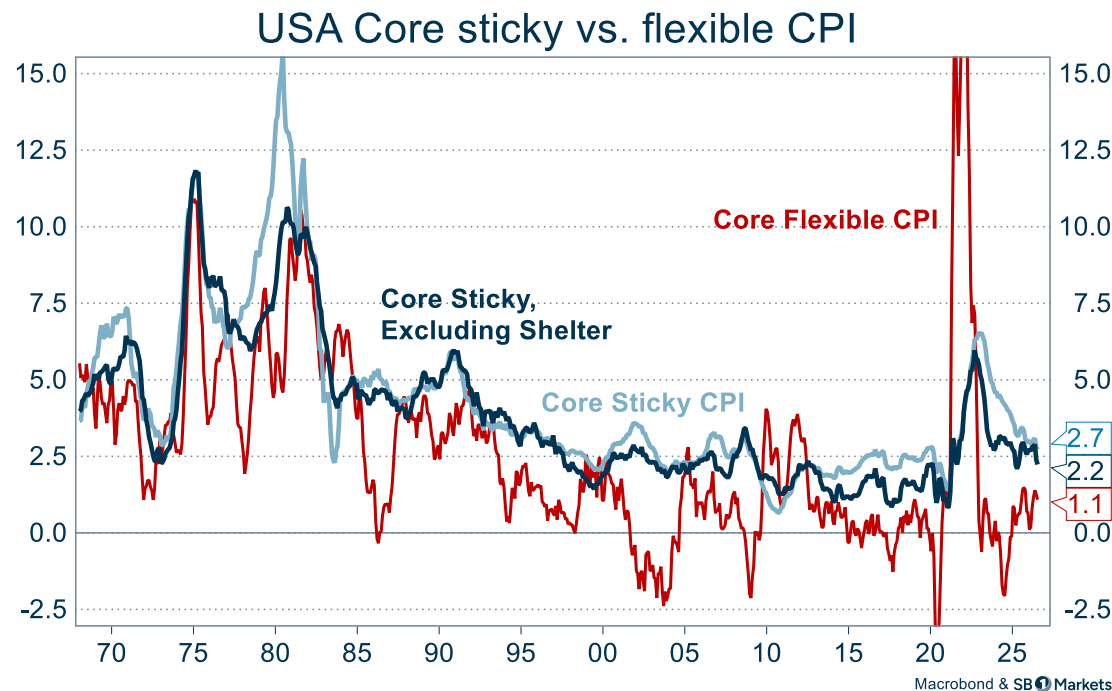


Macrobond & SB Markets



Core sticky prices rose 0.3% in July and are still up 2.7%

Ex. shelter, core sticky prices grew 0.2%, and are up 2.9%. A 3% sticky-price inflation is not consistent with a 2% overall inflation target. **Core flexible prices** (10% of the total CPI) are up 1.4% y/y, up from -2% in late 2024, following 'the collapse', from +19% y/y in 2022.

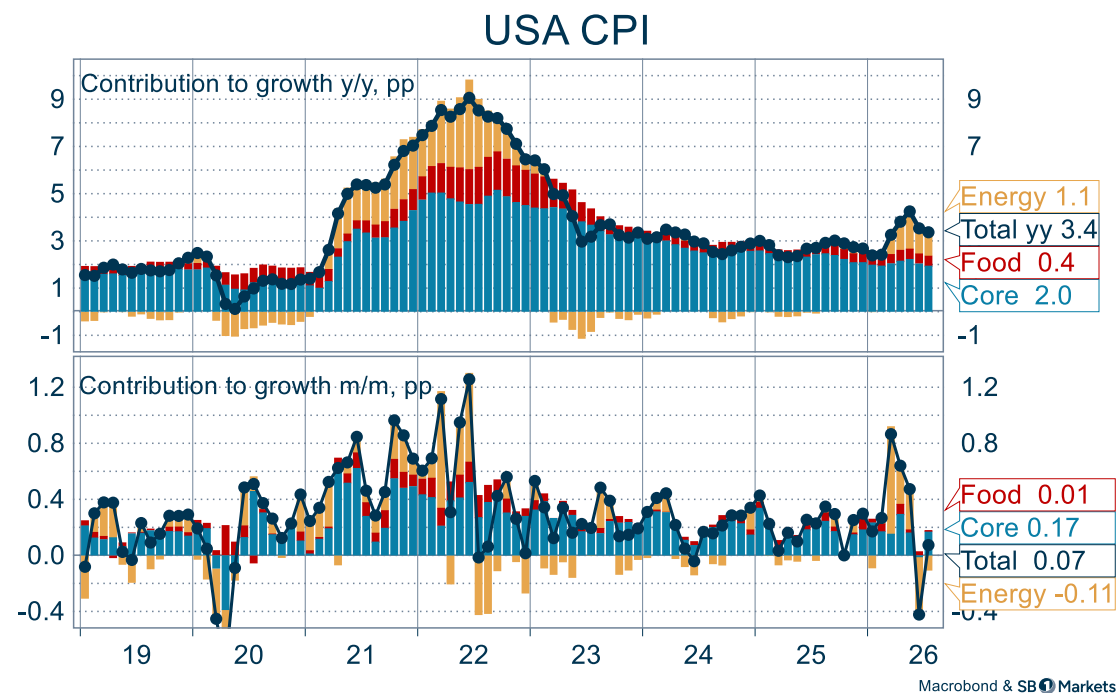
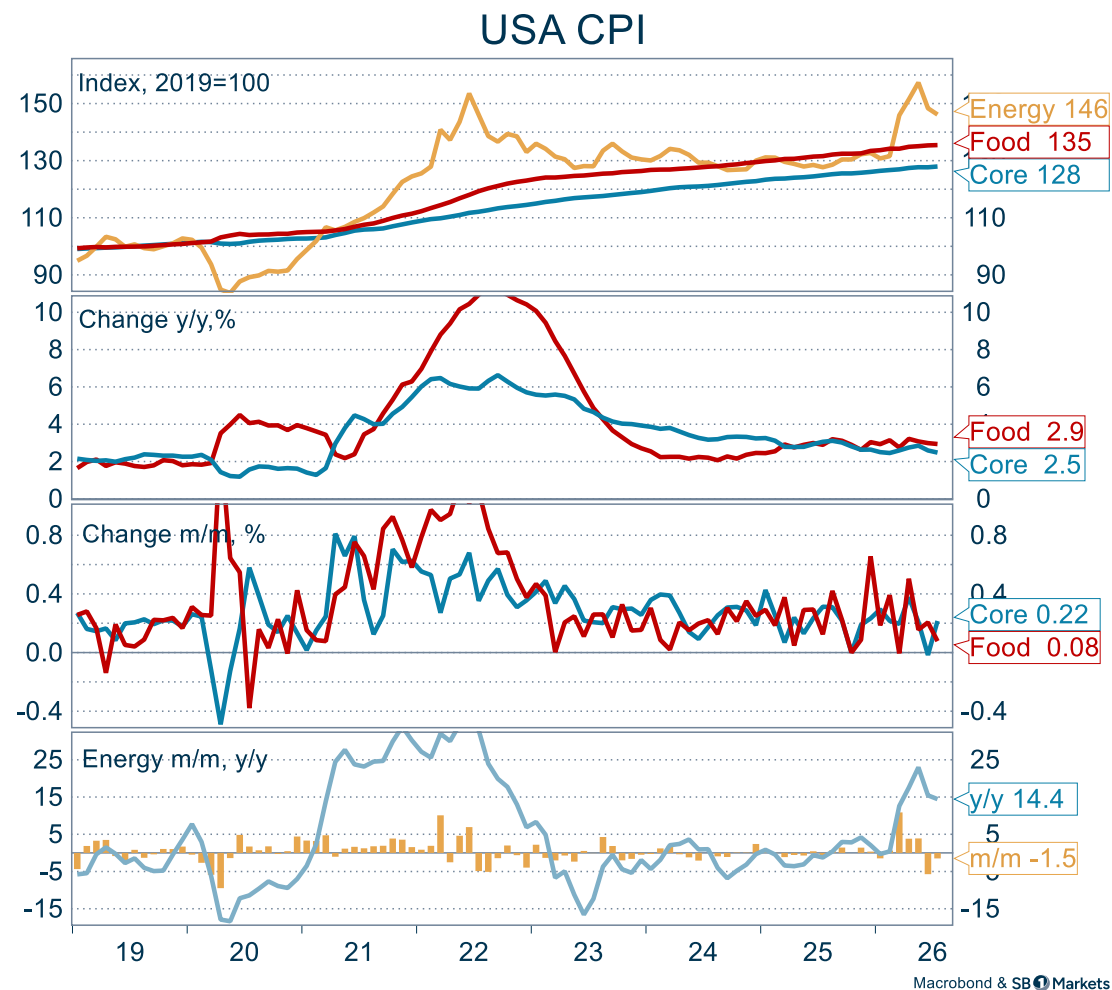


- Almost all the **initial** lift in core CPI was due to prices of goods & services that often fluctuate, with rapid price increases followed by deep price cuts. Thereafter, the sticky prices followed suit, they turned out not to be that sticky.



Lower energy prices lowered headline CPI in July (but less than in June)

The headline CPI was up 0.1% m/m, due to the decline in energy prices. Energy prices are still up 14% y/y. Food prices are up 2.9% y/y.

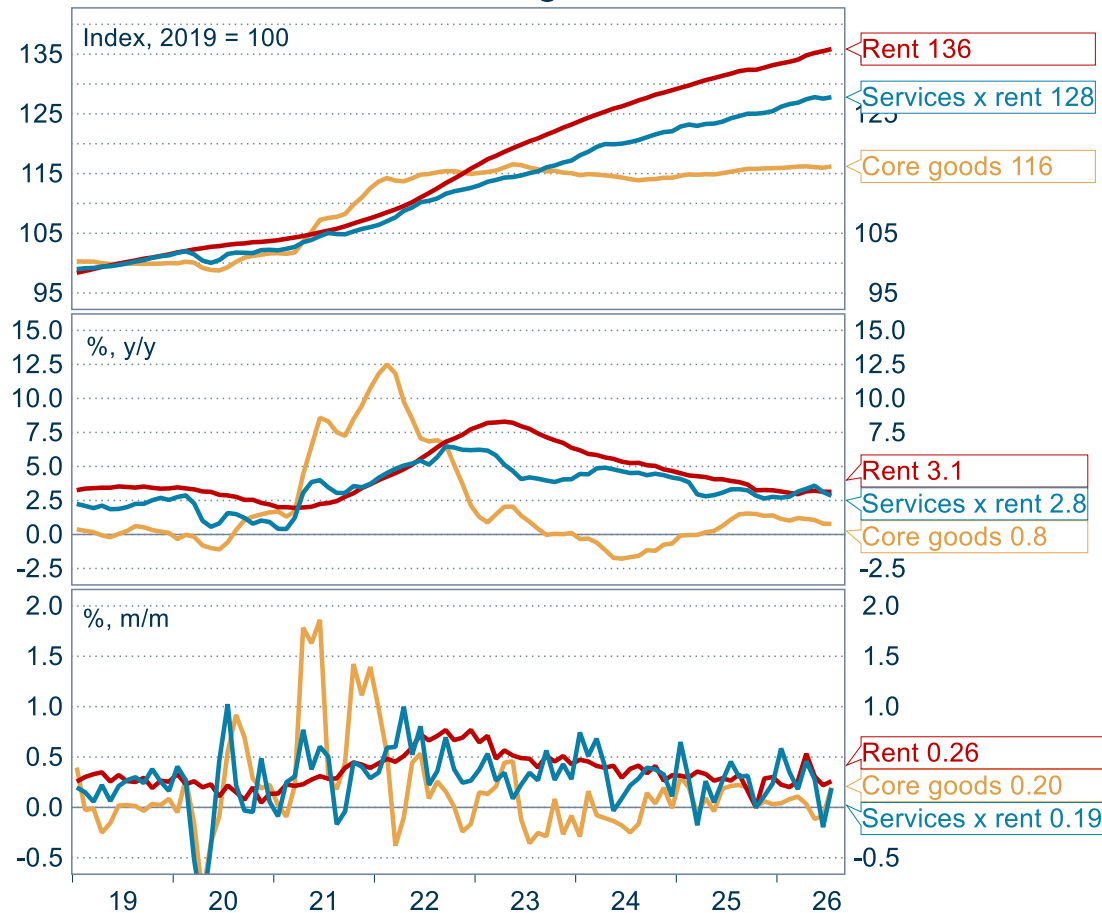




Core prices up 0.2% in July, evenly spread between the main sectors, up 2.5% y/y

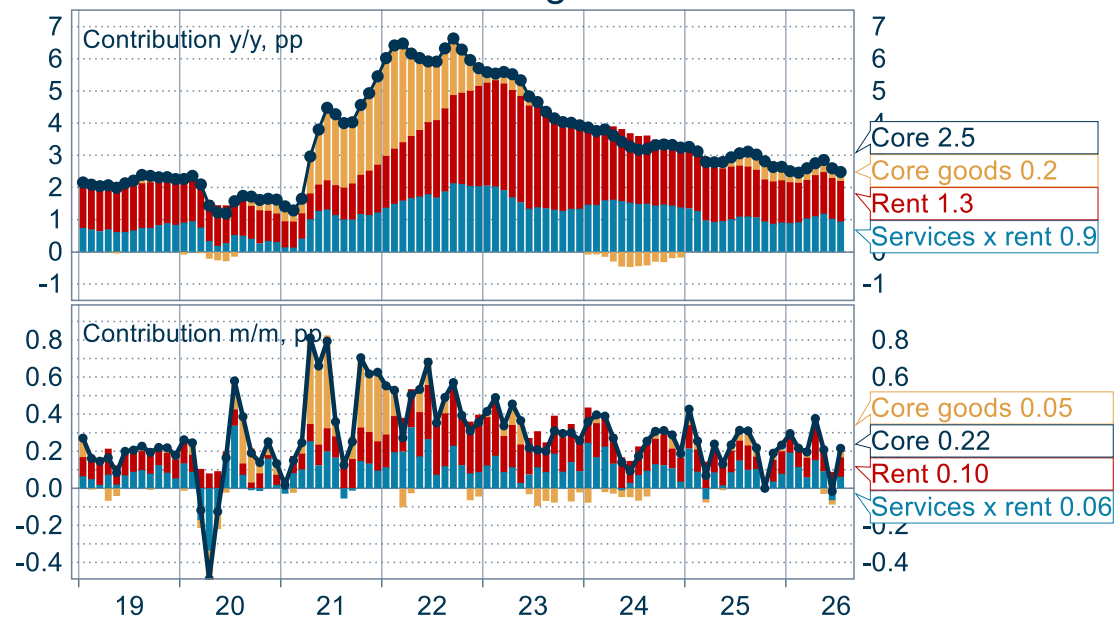
Rents are up 3.1% y/y, which lifts the core CPI by 1.3 pp. Core services 2.8%/0.9 pp, core goods 0.8%/0.2 pp.

USA CPI Core goods & services



Macrobond & SB Markets

USA CPI Core goods & services

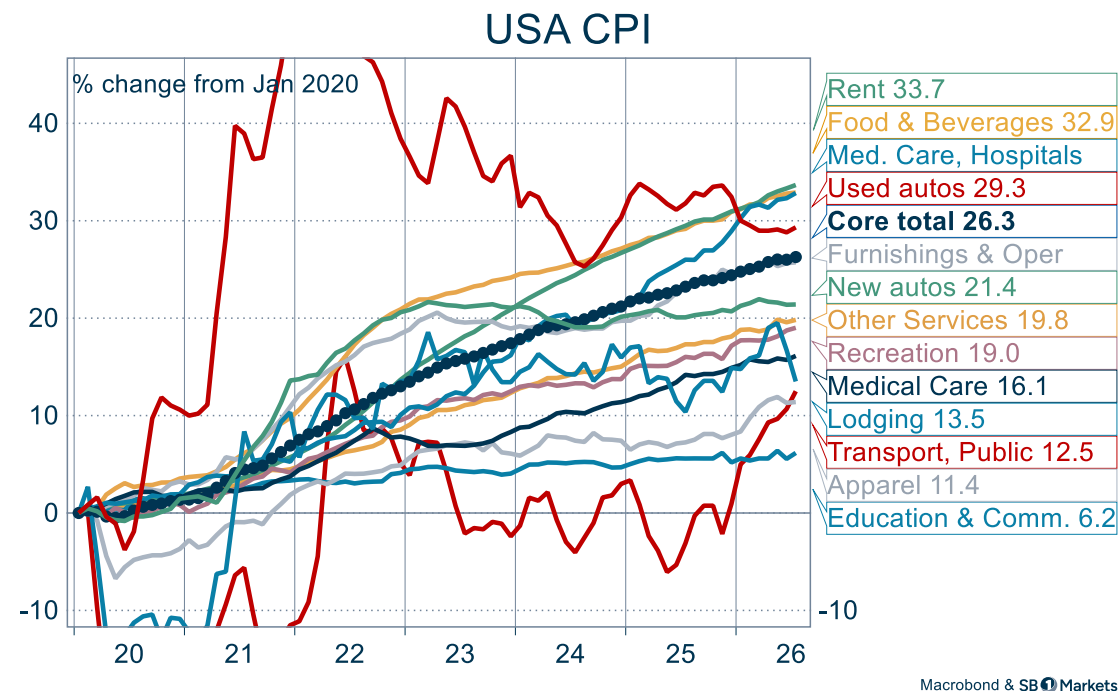


Macrobond & SB Markets

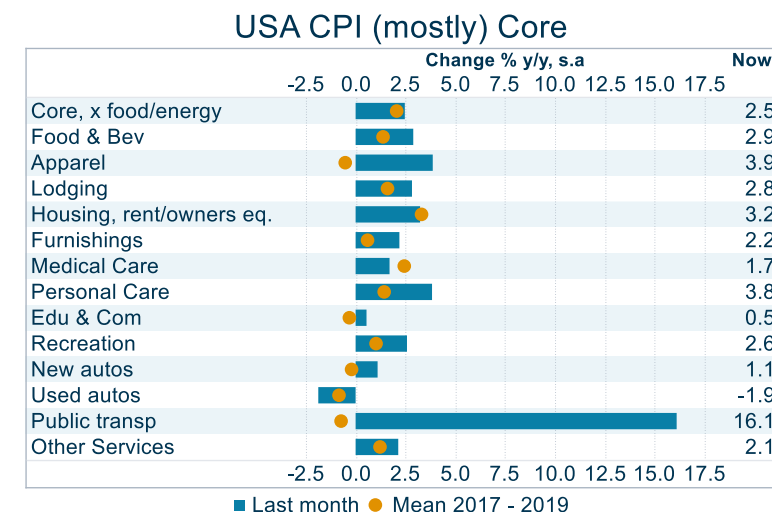
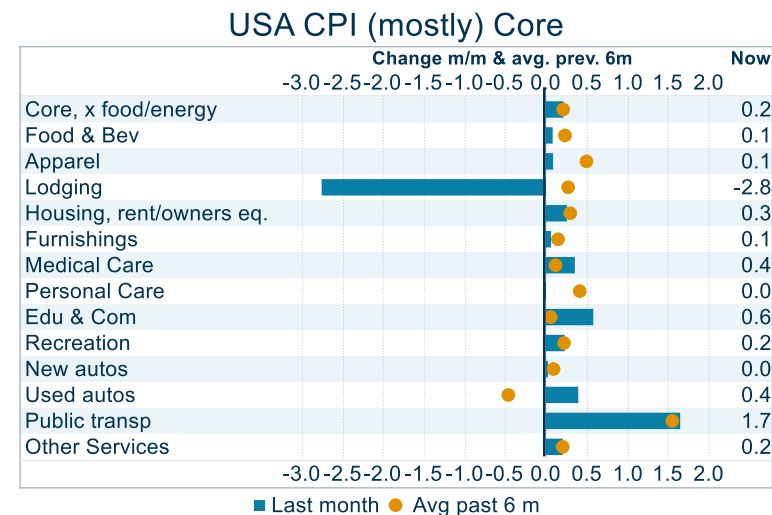


More CPI details: lodging (hotels) further 3% down in July, still up 3% y/y

Public transport (airfares are an important, and volatile component) rose almost 2% July and is up 16% last year.

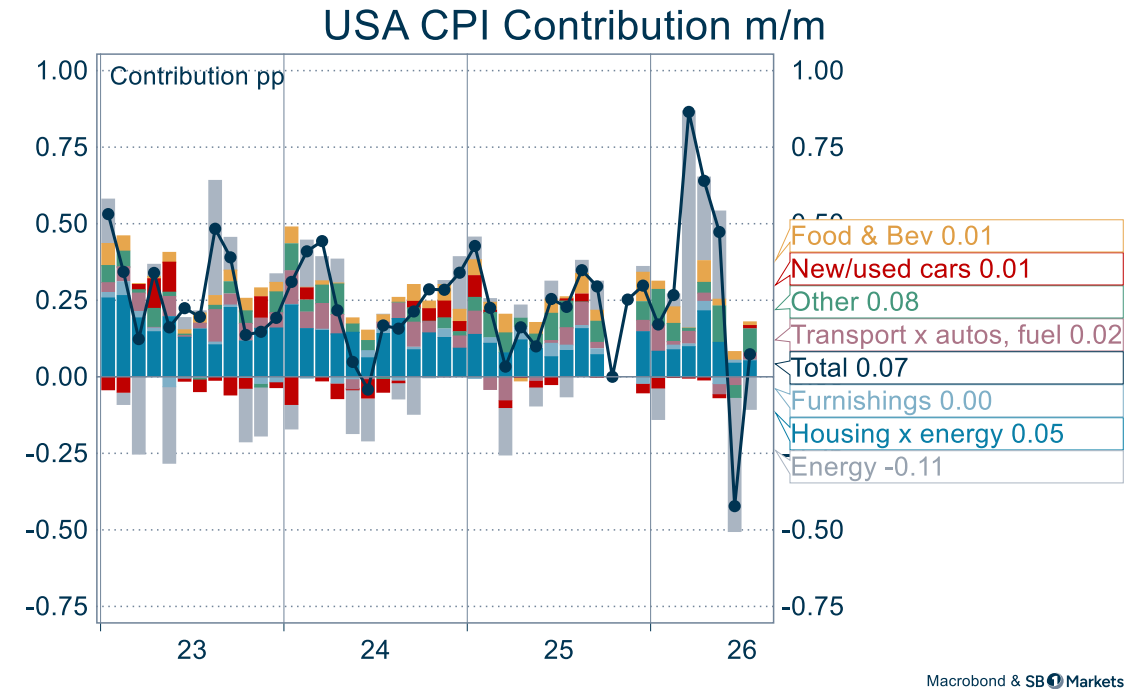
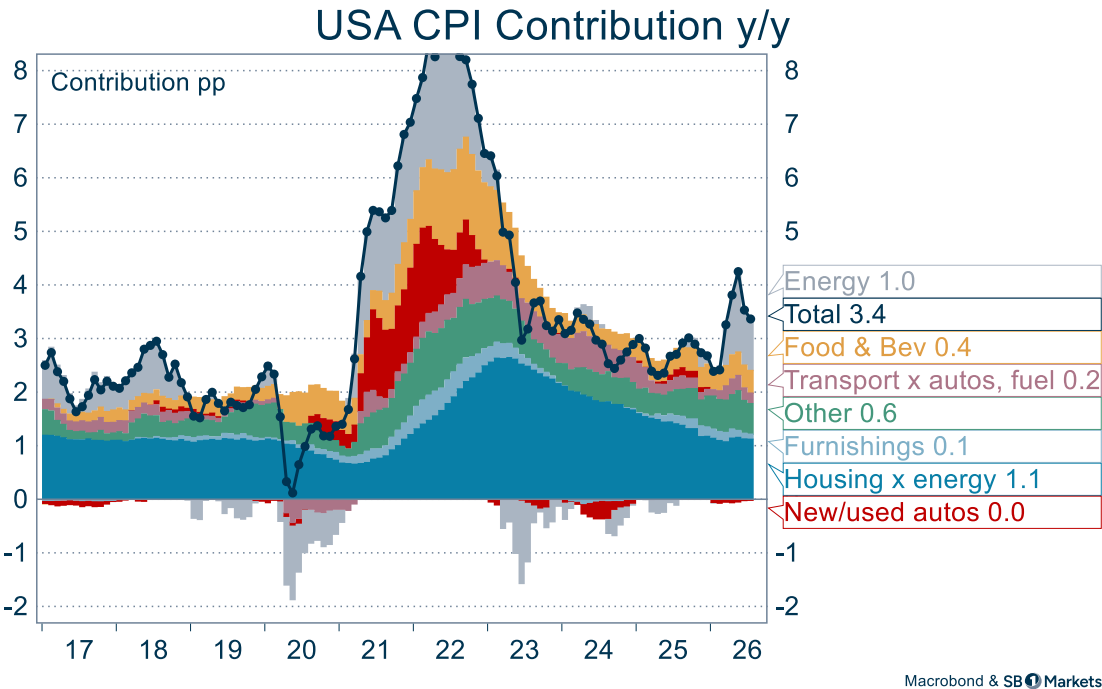


- **Both new and used auto** prices have fallen recently but not further in July
- **Furnishings** are up 2.2% y/y, very likely supported by tariffs.
- **Public transport prices (including airfares)** have climbed rapidly so far in 2026, partly due to higher energy prices
- **Rent inflation** has stabilised above 3%.





More CPI details: modest price increases in July

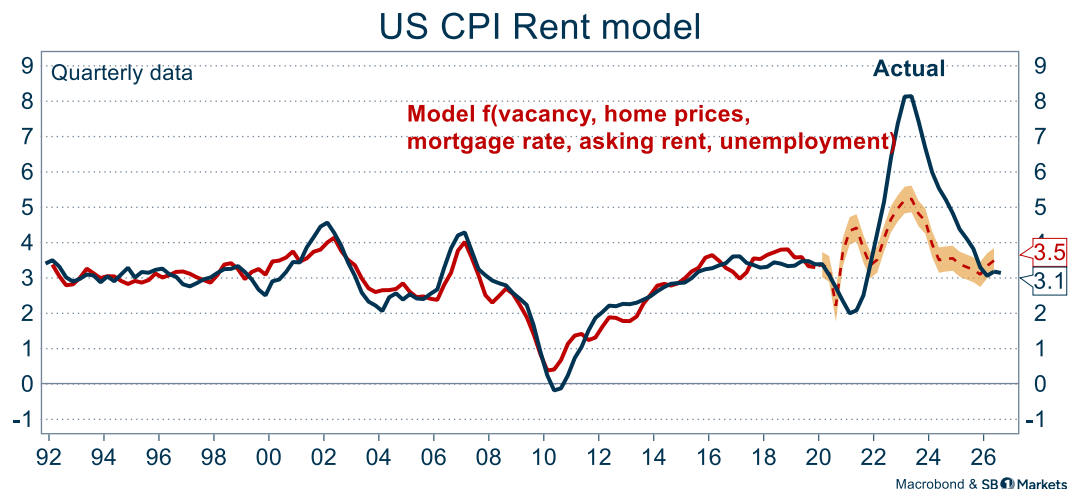


Lodging away from home (incl hotels) is not included in housing in the charts above

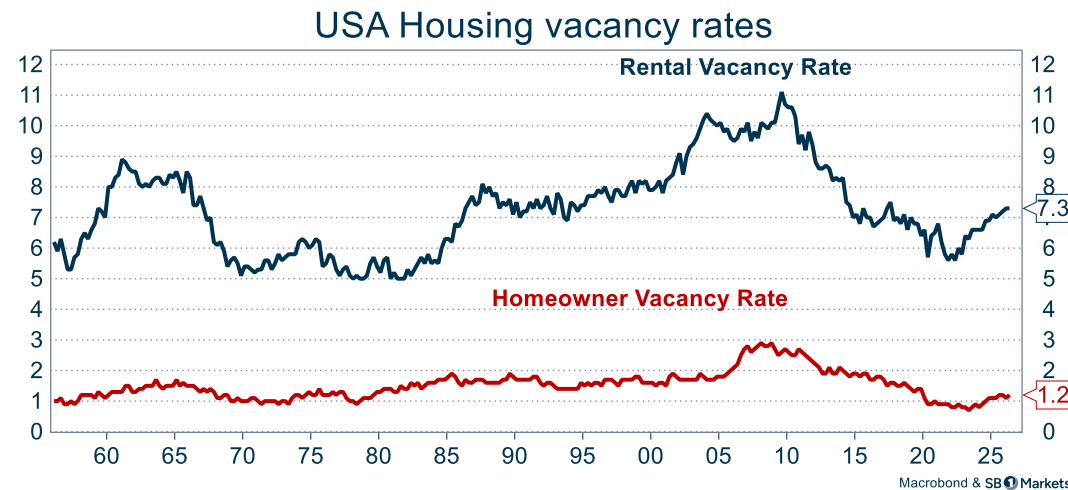
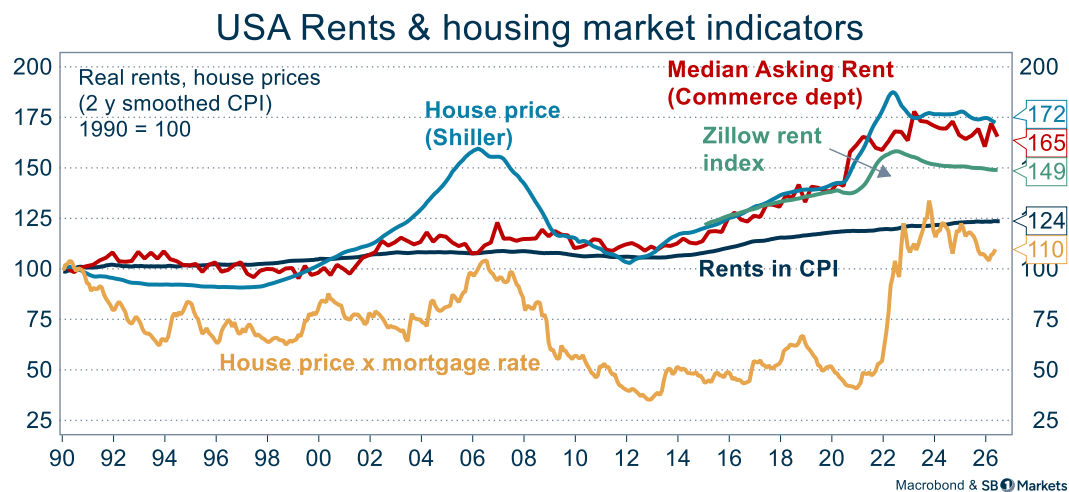


Rent inflation has retreated but has flattened recently, above 3%

The rental vacancy rate has turned up—as has the homeowner vacancy rate (marginally), arguments in favour lower rent inflation ahead. However, mortgage rates have turned up again, and



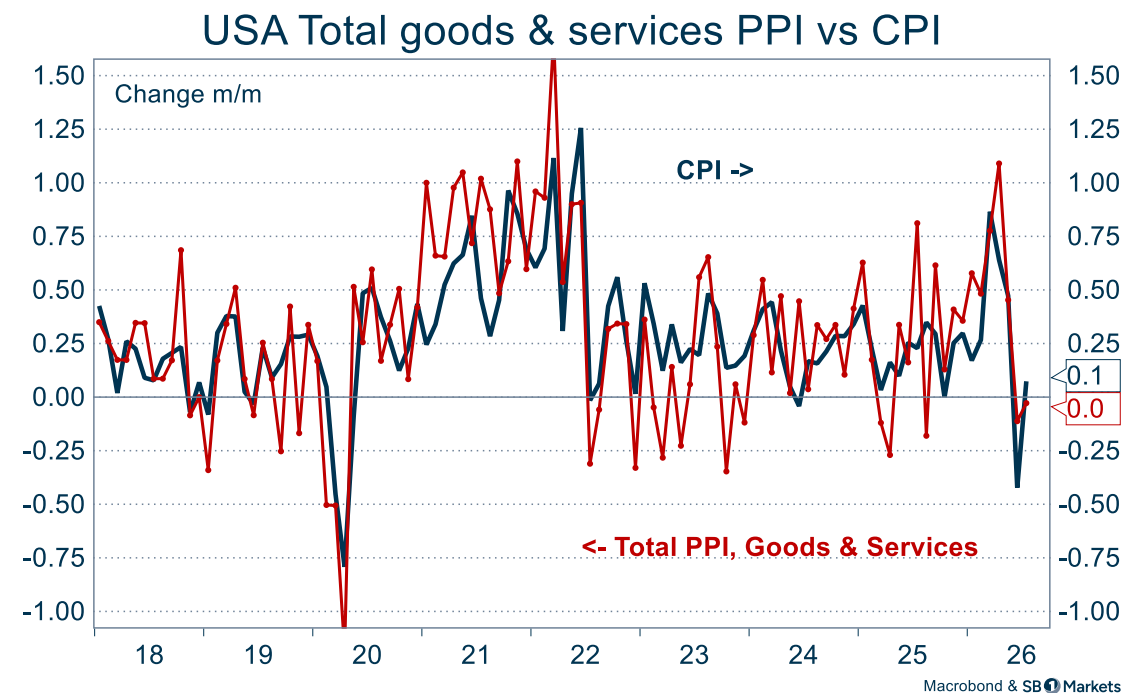
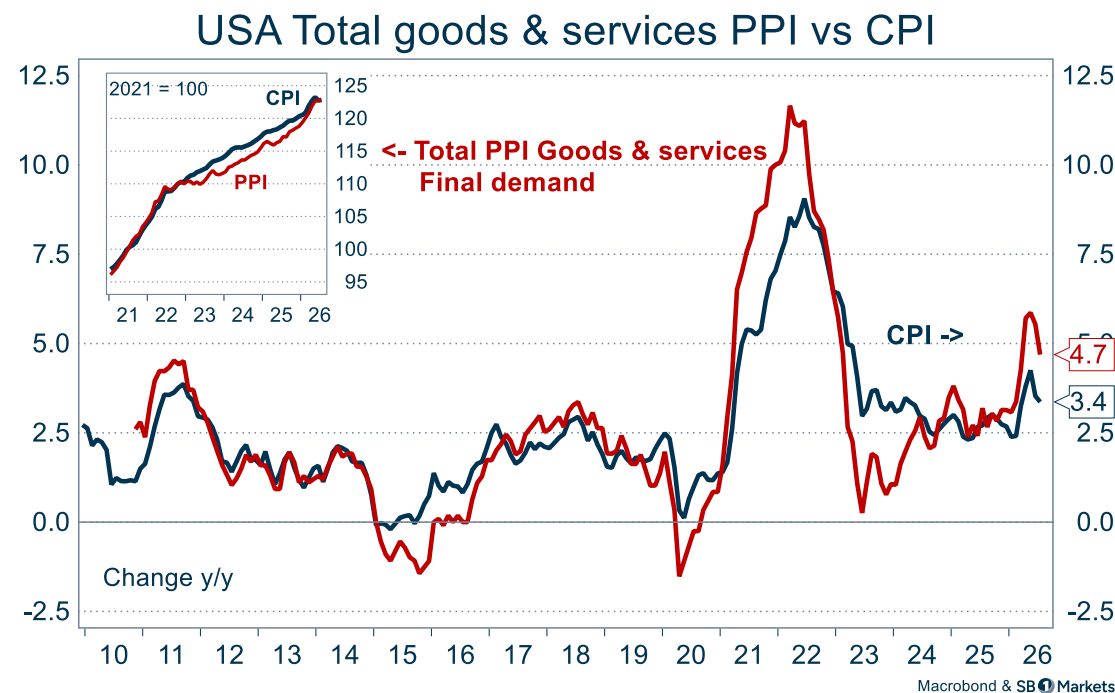
- **Rent inflation measured in the CPI** (covering the stock of leases, not just new leases) is gradually slowing. The annual rate has fallen to 3.1%. The underlying growth rate has fallen to below 3%.
- **Market based rent indicators** (new leases) are trending flat or down. However, new leases are up much more than the CPI rent index in recent years, and the CPI (average) rent index could drift upwards for a long while.
- Out of the pandemic, **the rental vacancy rate** fell to a low level, but the rate **is now increasing again**. The **homeowner homes' vacancy rate** has bottomed as well. **A less tight housing market?**
- **Our model** (based on vacancy rates, home prices, mortgage rates, a market rent indicator, and unemployment) **signals a slightly lower CPI rent inflation than the current rate, but the gap has narrowed rapidly recently**.





Producer prices were flat in July, following the 0.4% drop in June. Still up 4.7% y/y, from 5.5

The monthly lift was 0.2 pp lower than expected, the annual rate 0.1 pp lower. If energy prices do not surge, the peak is probably behind us. However, PPI for core goods and services for personal consumption rose by 0.4%, above expectations (check next page).

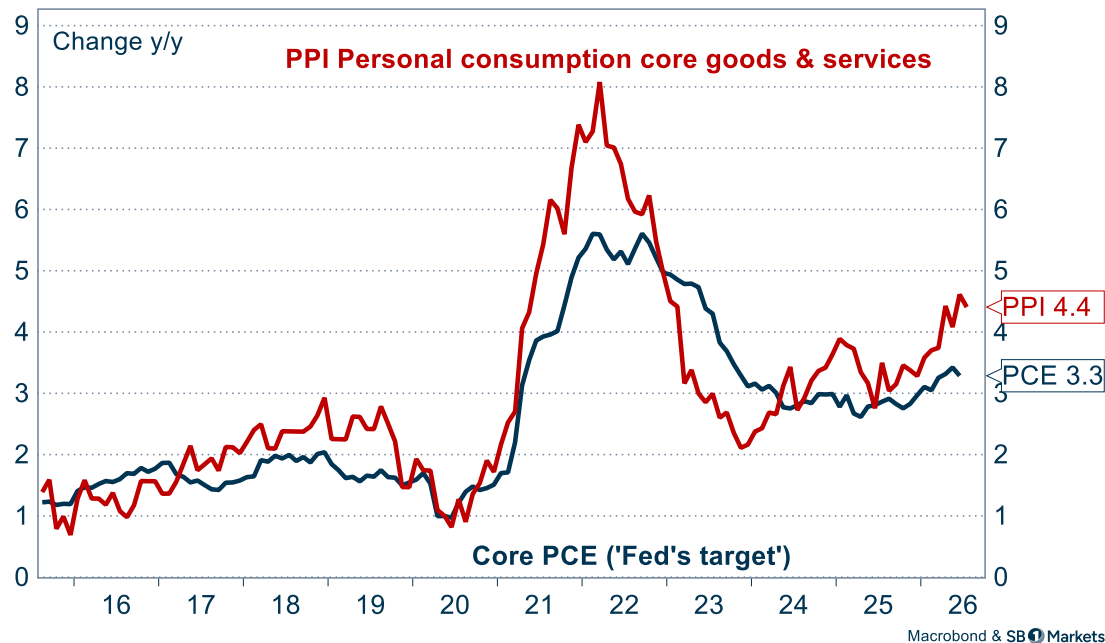


- **Energy prices declined 3.1%, while food prices fell 0.7%**

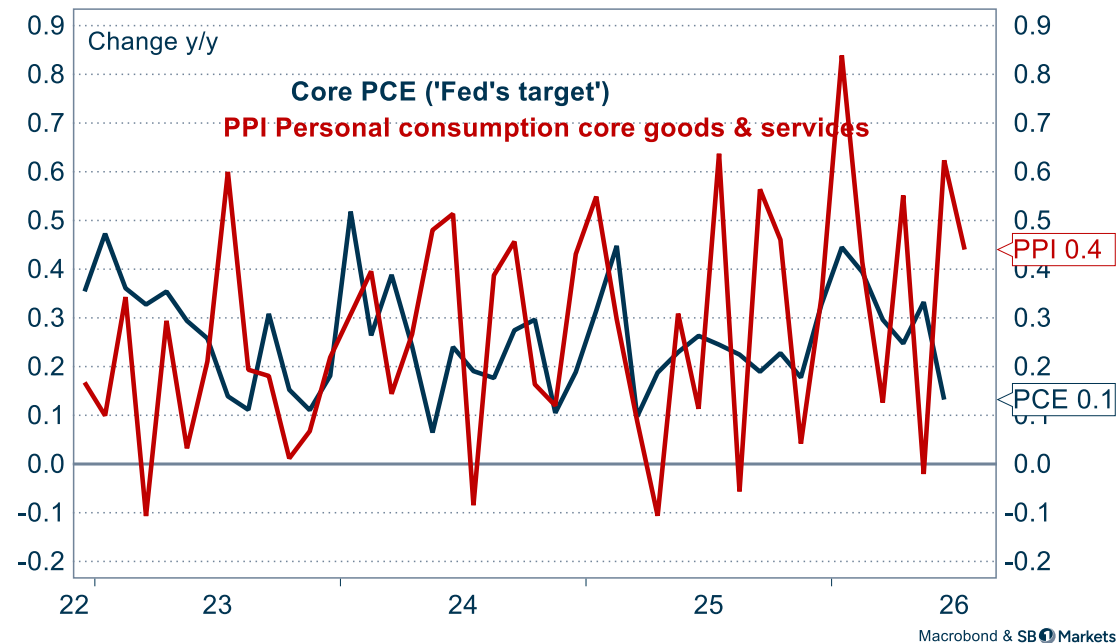
Core PPI personal consumption goods and services up 0.4% in July, 4.4% y/y

The trend recent months is not that encouraging – and 0.4% is surely far too high to yield 2% annual PCE inflation.

USA Core PPI vs. PCE inflation

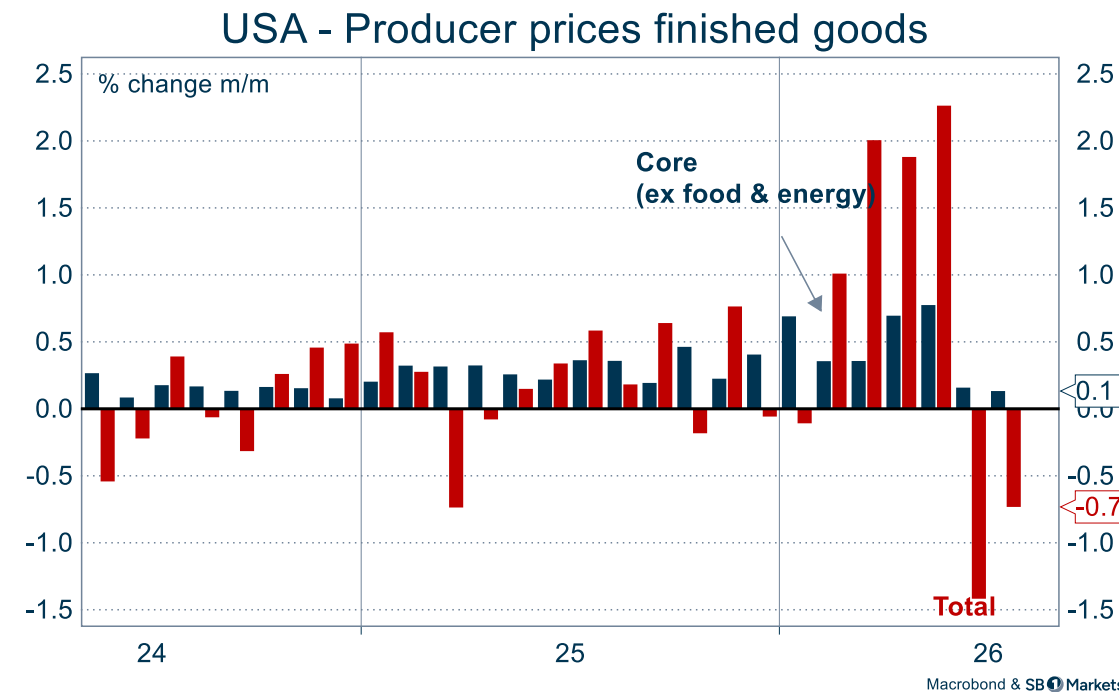
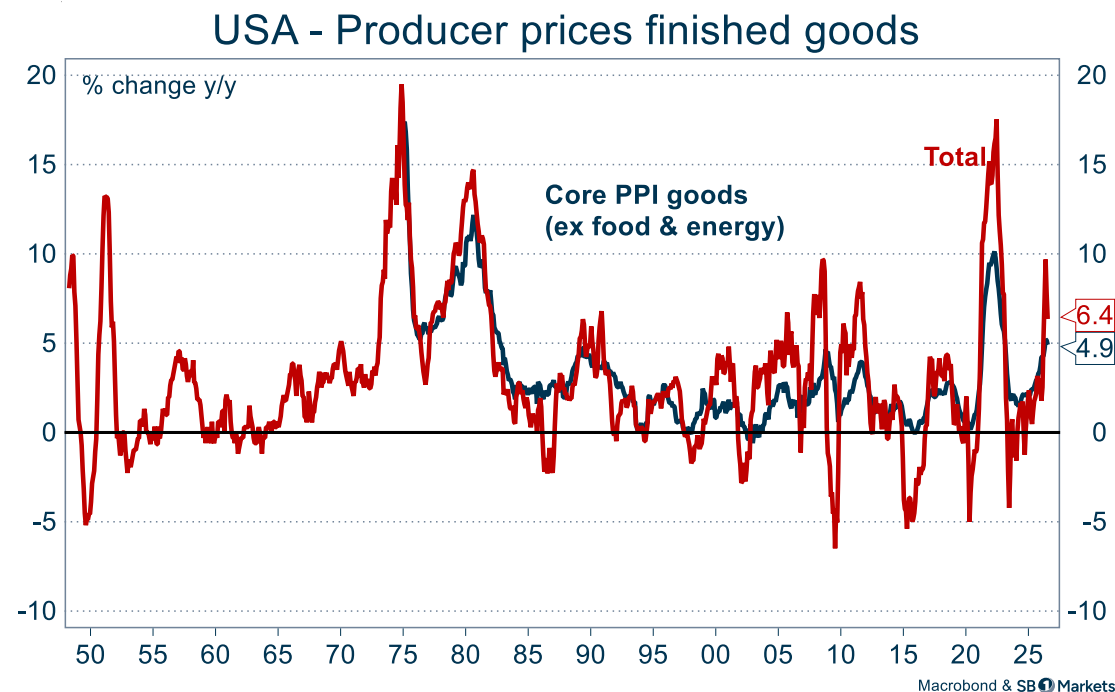


USA Core PPI vs. PCE inflation





Core goods PPI prices up 0.1% m/m in July, 4.9% y/y. Total goods -0.7%/5.4%



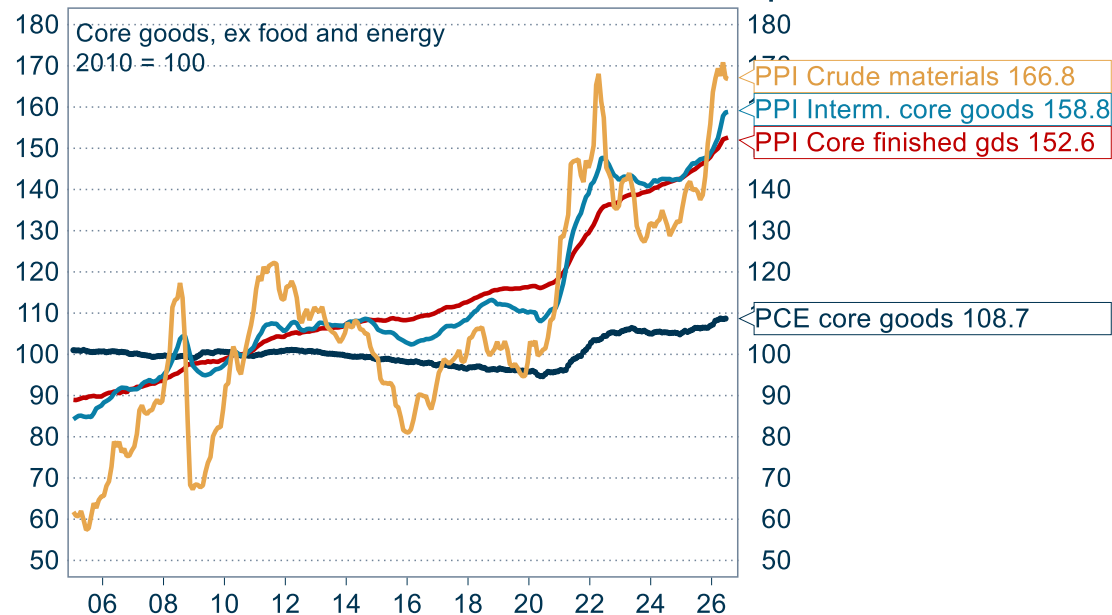
- **Core goods prices at early stages** in the production process have flattened recently, *check next page*.
- These goods prices include both consumer, investment and export goods prices.



Core goods: Prices pressures are easing

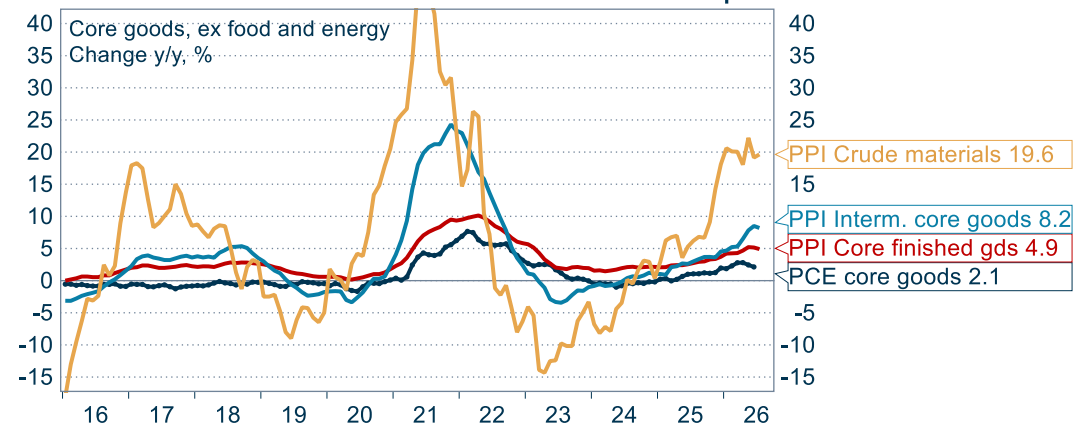
Core goods prices are still up 20% y/y but prices are down lately. Intermediate prices are up 8%, and may be peaking, while core finished goods are up 4.9%. At the (lagging) consumer level (PCE), core goods prices are up 2.1%. Still **some risk left?**

USA Producer & consumer prices



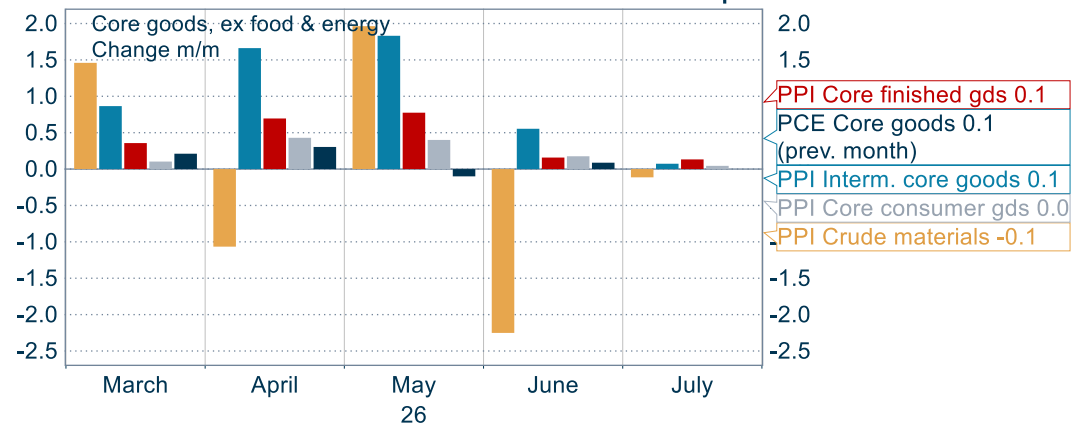
Macrobond & SB Markets

USA Producer & consumer prices



Macrobond & SB Markets

USA Producer & consumer prices

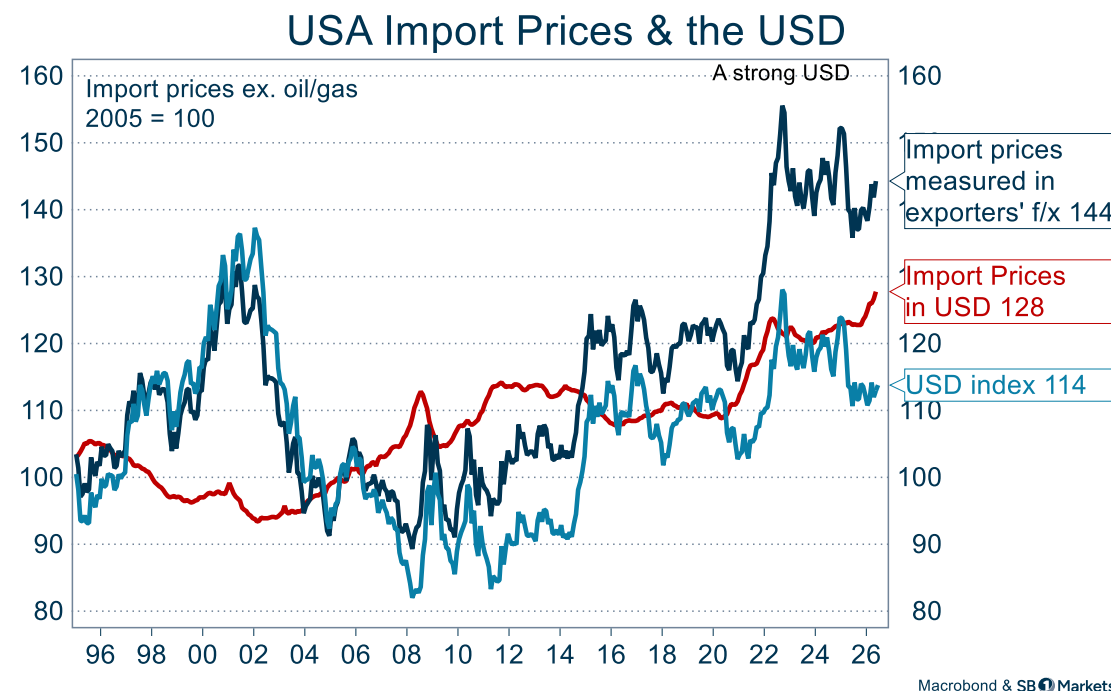
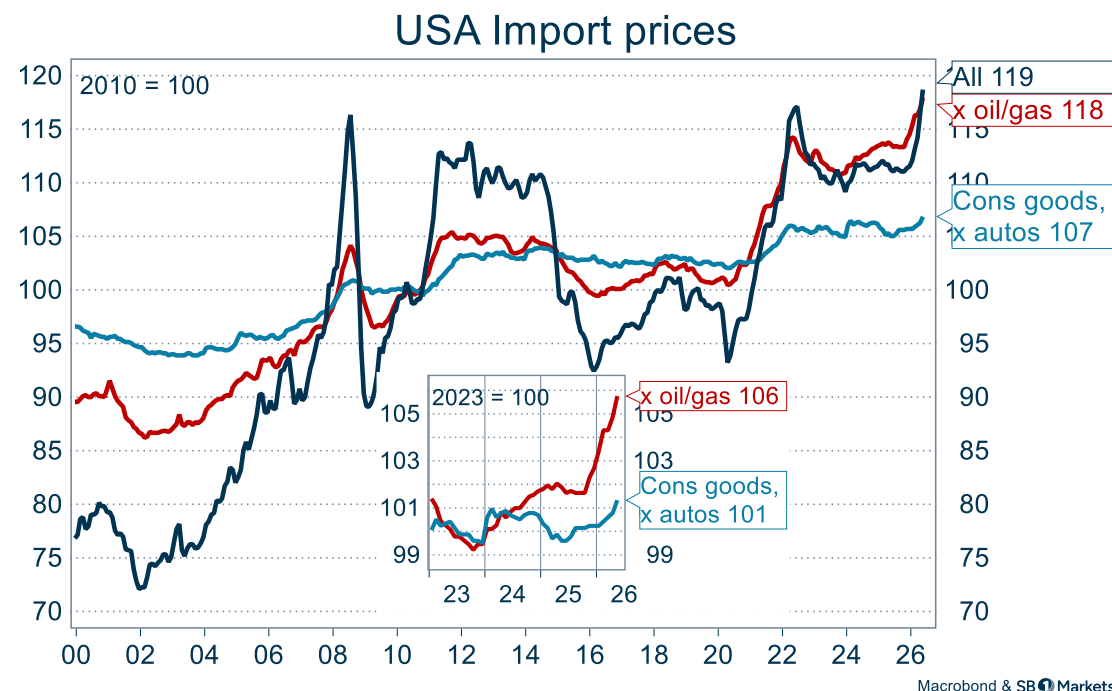


Macrobond & SB Markets



Pre-tariff import 'core' prices are surging – but tariffs are cut

Import prices ex. petroleum (pre tariffs) were up 0.8% m/m, and 3.8% y/y in May, as prices have climbed rapidly since last October. The effective tariff rate fell to less than 8% in April, from 12% at the peak, and the post-tariff price level has fallen slightly lately!



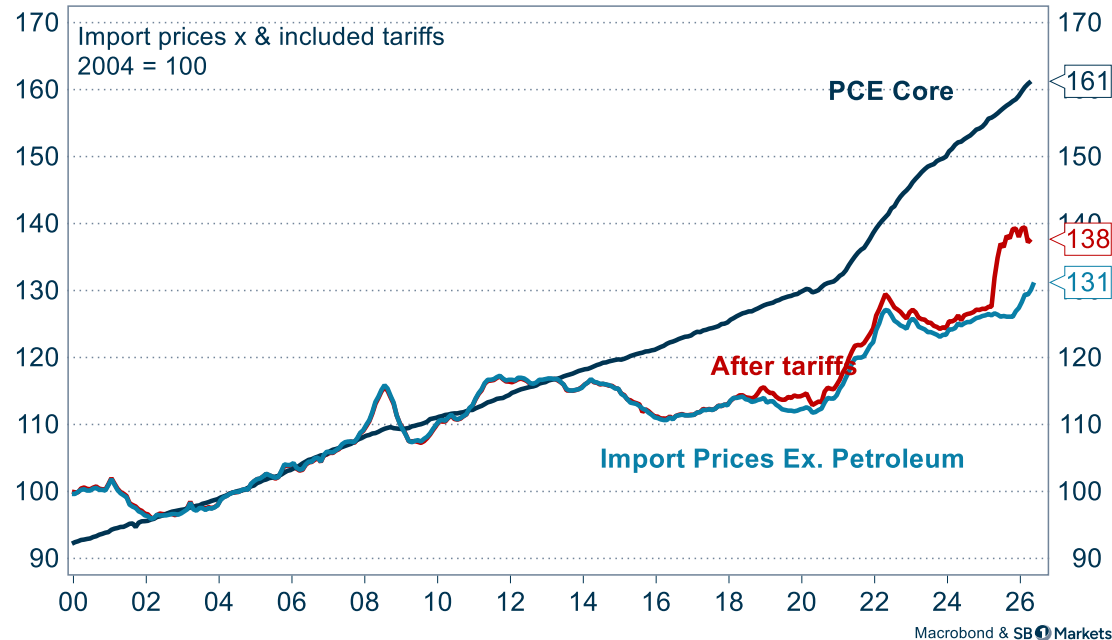
- Even so: As foreign exporters have not paid the bill (by cutting their prices, measured in USD), somebody within the US has paid the bill. As neither consumer prices nor investment goods prices or export prices have increased by much, **US importers/distributors/retailers must – by definition – have picked up the bill**
- The profit rate has been kept up by lower wage growth, and faster productivity growth (while tariff payments have made a dent in the p&I.)



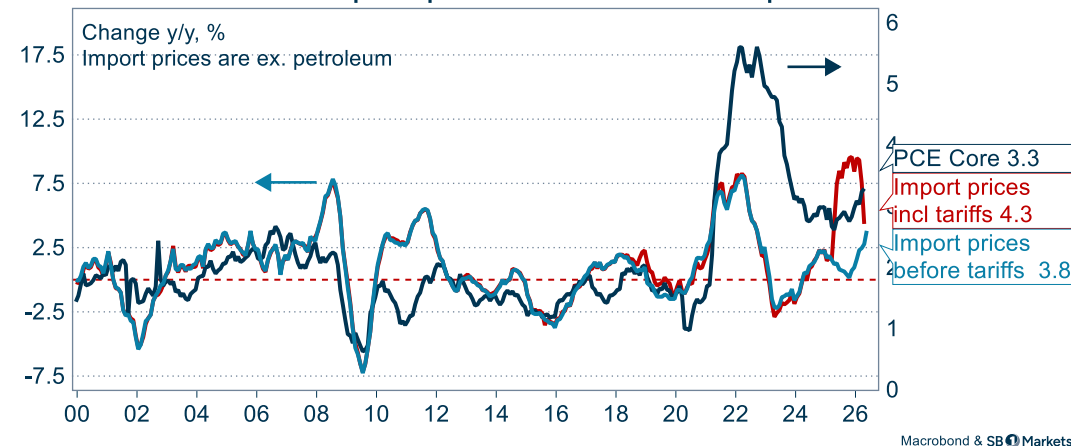
Import prices (ex. petro) are up 'just' 4.3% y/y, after tariffs are added

... down from 9.6% at the peak

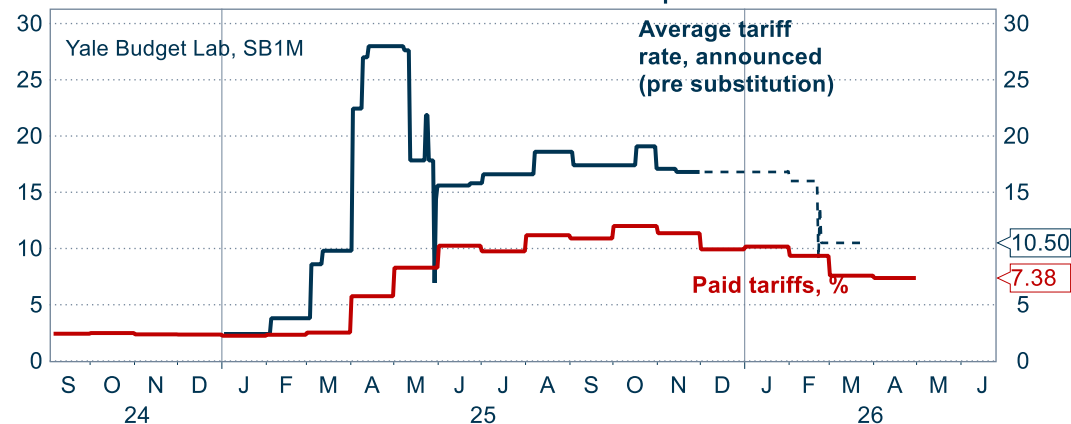
USA Import prices vs. consumer prices



USA Import prices vs. consumer prices

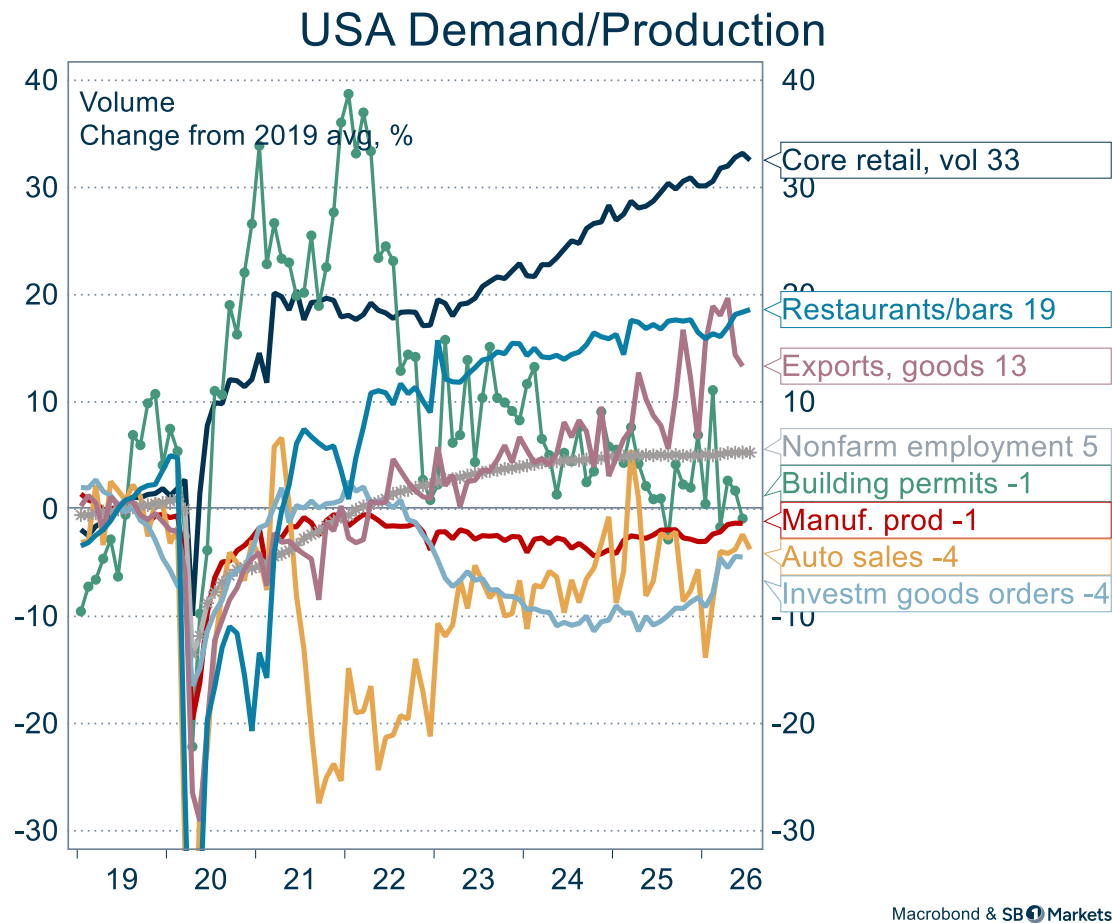


USA Announced and actual paid tariff rate





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



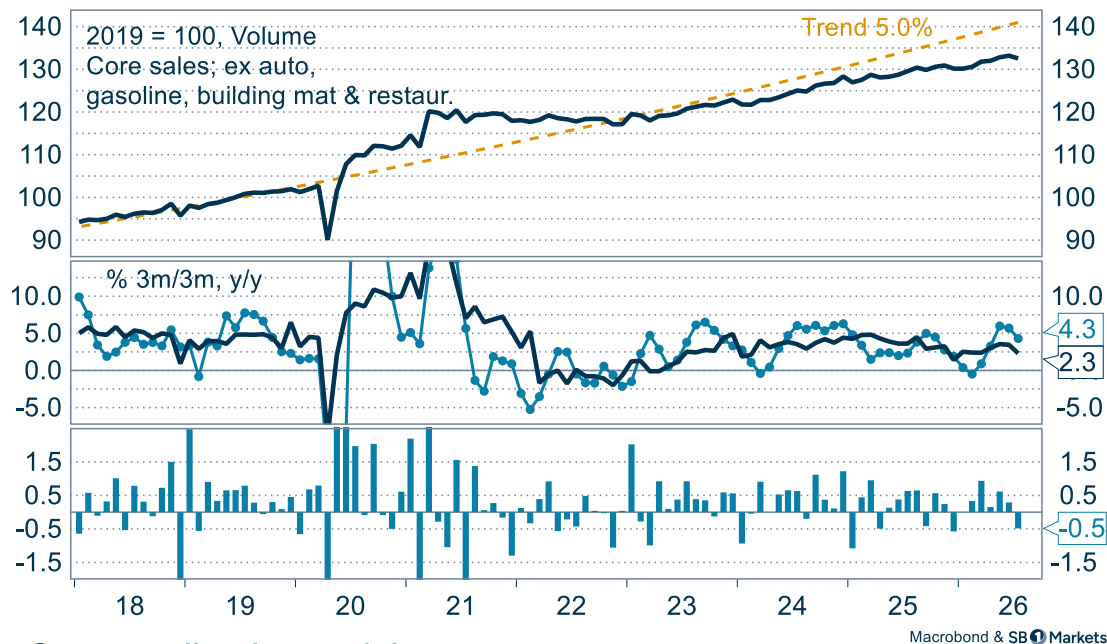
- **On the upside – all in real/volume terms**
 - **Retail sales** fell in July, but the trend is still strong.
 - **Restaurants** are on the way up again after a short slowdown
 - **Auto sales** have recovered past 3 months, but the longer-term trend is flat.
 - **Investment goods orders** have climbed rapidly, but growth has slowed slightly recently.
 - **Export volumes** are volatile and fell in May and June, but the trend is up.
 - **Manufacturing production** has gained some speed recently
- **Flat**
 - **Nonfarm payrolls** are still trending up but flattened in June/July.
- **On the downside**
 - **Building permits** are volatile, but trend down rather than up



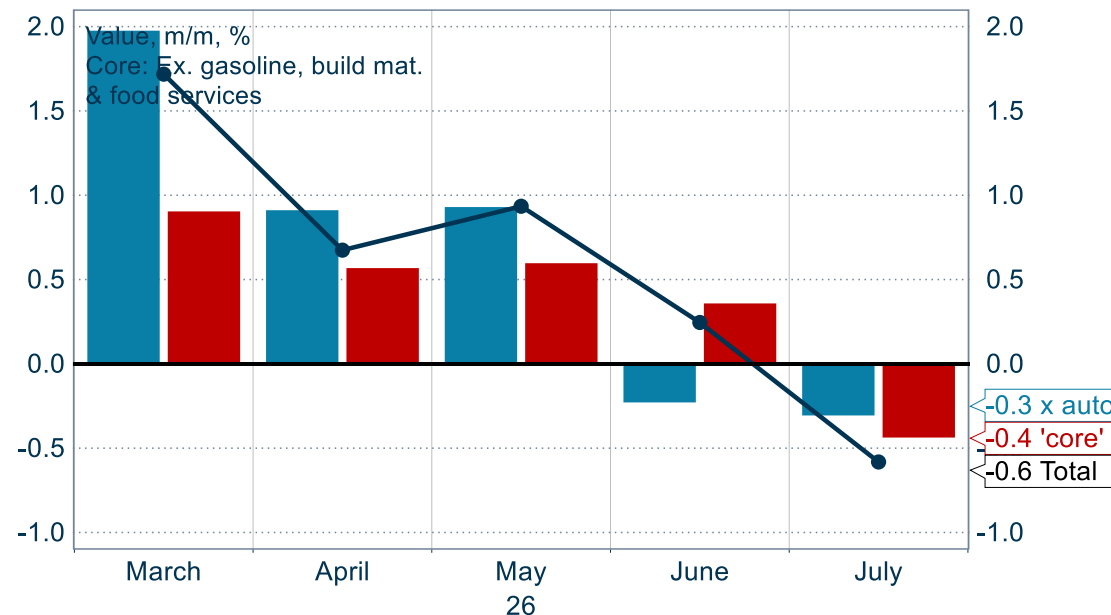
Core retail sales fell 0.5% in July, 0.7 pp below expectations. June revised down 0.4%

Underlying (3m/3m) growth fell to still respectable 4.3%, from 6.6% a month ago but uncertainty has increased: No real income growth and very low savings is not at favourable starting point. Total sales fell 0.6%, expected up 0.2%.

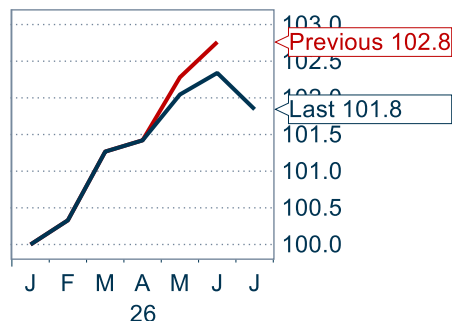
USA Core retail sales



USA Retail sales



Core retail sales revisions

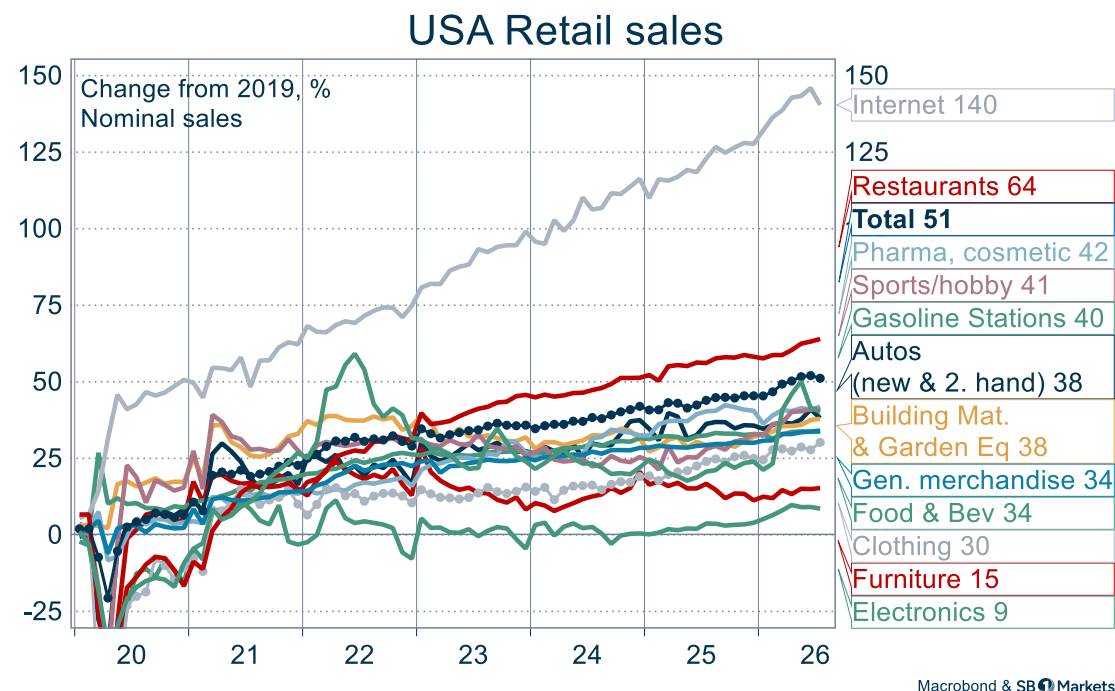


- **Auto sales** fell 2%, and sales at **gasoline stations** by 0.9%. **However, core sales fell as well, by 0.4% nominally, expected up 0.3%**
 - **The July volume growth** figure is our estimate. Sales the previous months were revised downwards.
- **Total real disposable income** fell in H1 and is flat y/y, and the savings rate has funded the 2%+ growth in private consumption and the savings rate has fell to 2.8% in Q1. On a positive note, household debt growth remains low, and the debt-to-income ratio continues to decrease.

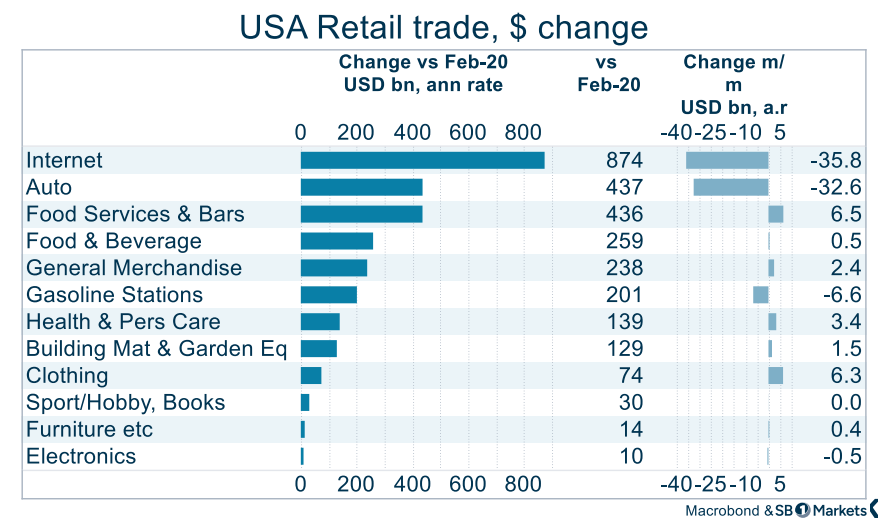
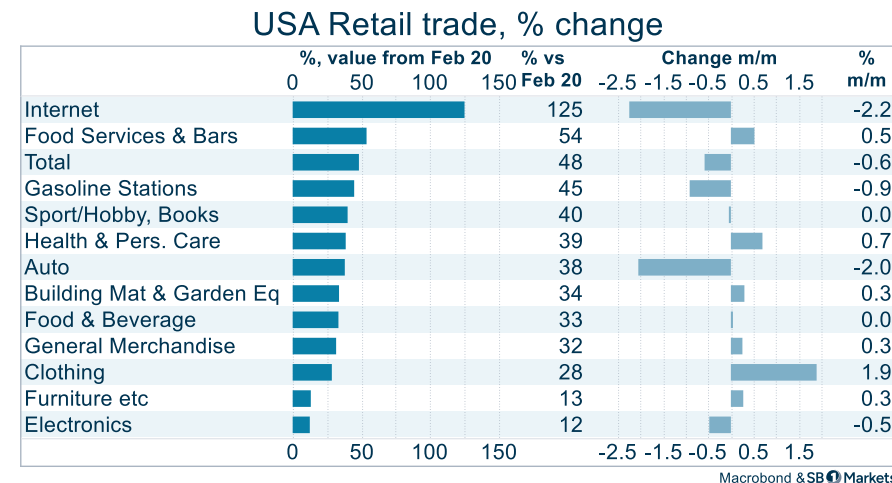


Auto, gasoline sales fell the most, but the July weakness was broad

Clothing sales rose 2% but other sectors did not impress



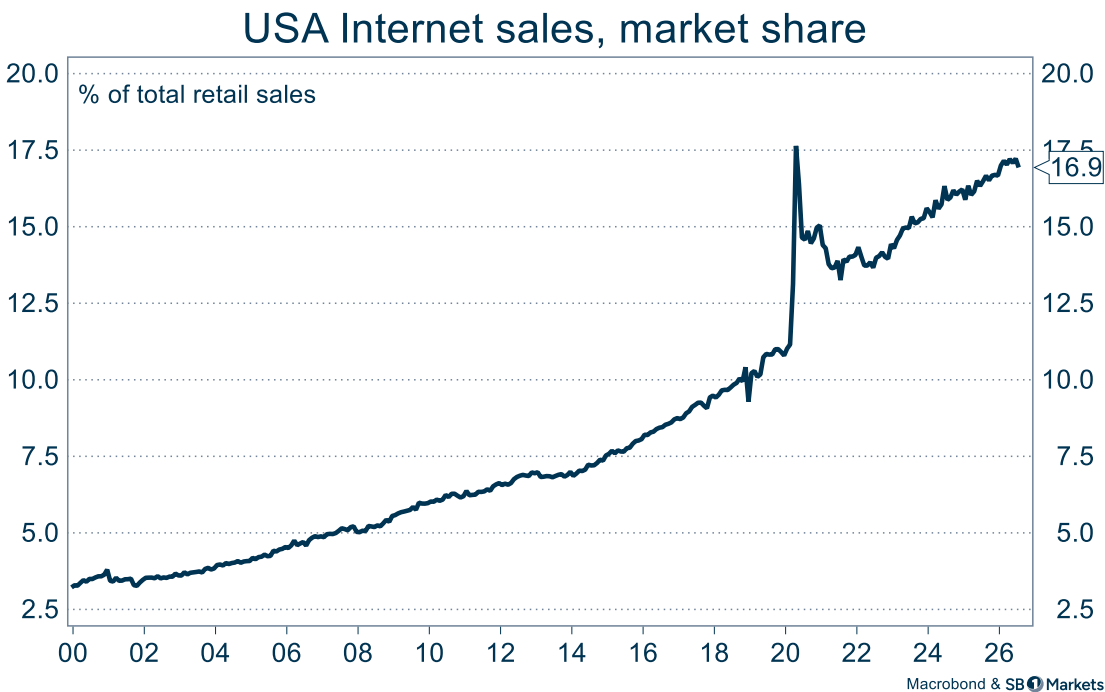
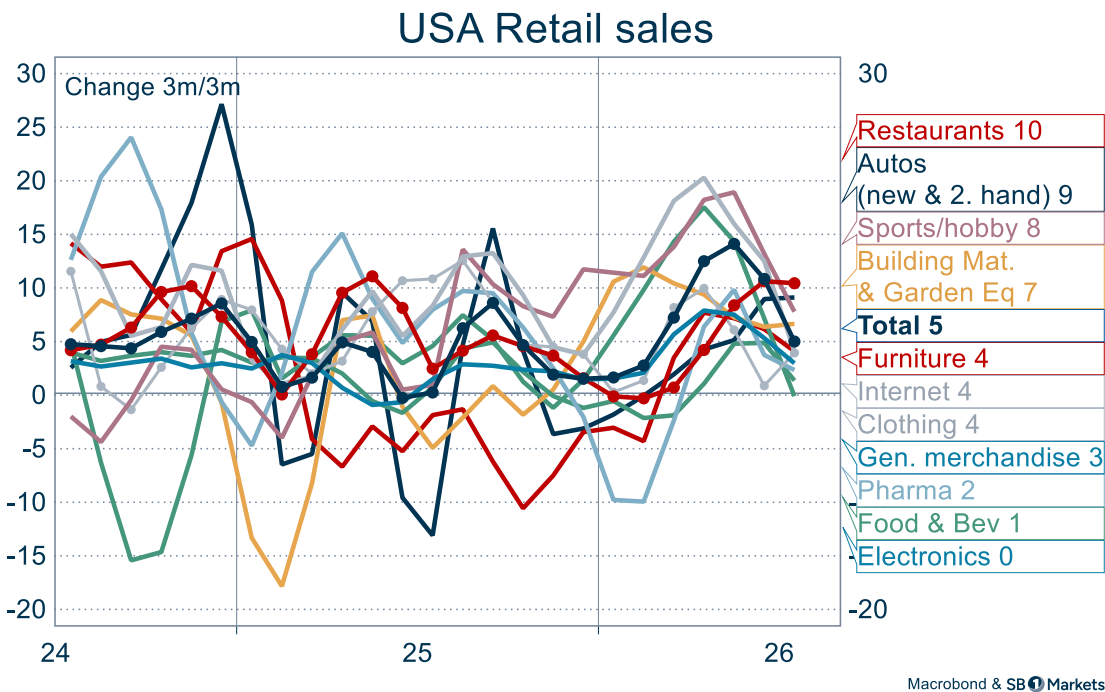
- **Total sales** are up 52% in **value terms** since 2019, following an upward revision
 - **Internet sales** are up 140% (revised from 150% a month ago)
 - **Restaurants** are up 64%
 - **Auto sales** are up 38%
 - **Food** is up 34%
 - **Clothing** is up 30%
 - **Furniture** is up 15%
 - **Electronics** are up just 9%





Recent months: slowdown (almost) everywhere

Still, none are down measured 3m/3m, and just electronics are flat.

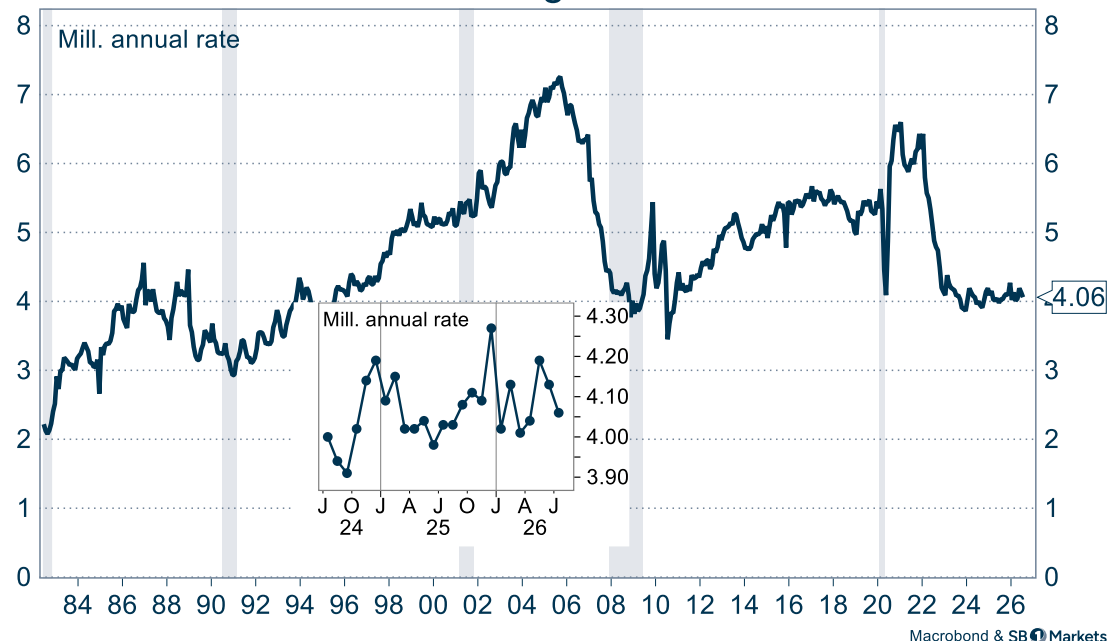




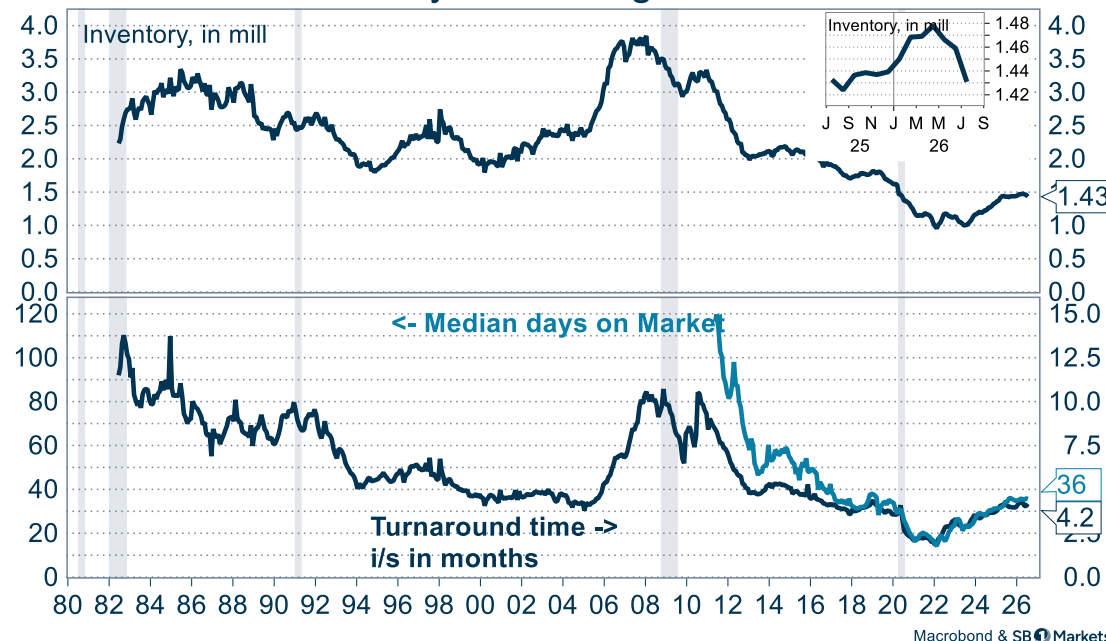
Existing home sales slightly down in July, trend flat at a low level

Sales fell by 9,000 to 4.05 mill, close to expectations. 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 slowly up, until recently. Prices fell marginally, but are up 2% y/y.

USA Existing home sales



USA Inventory of existing homes for sale

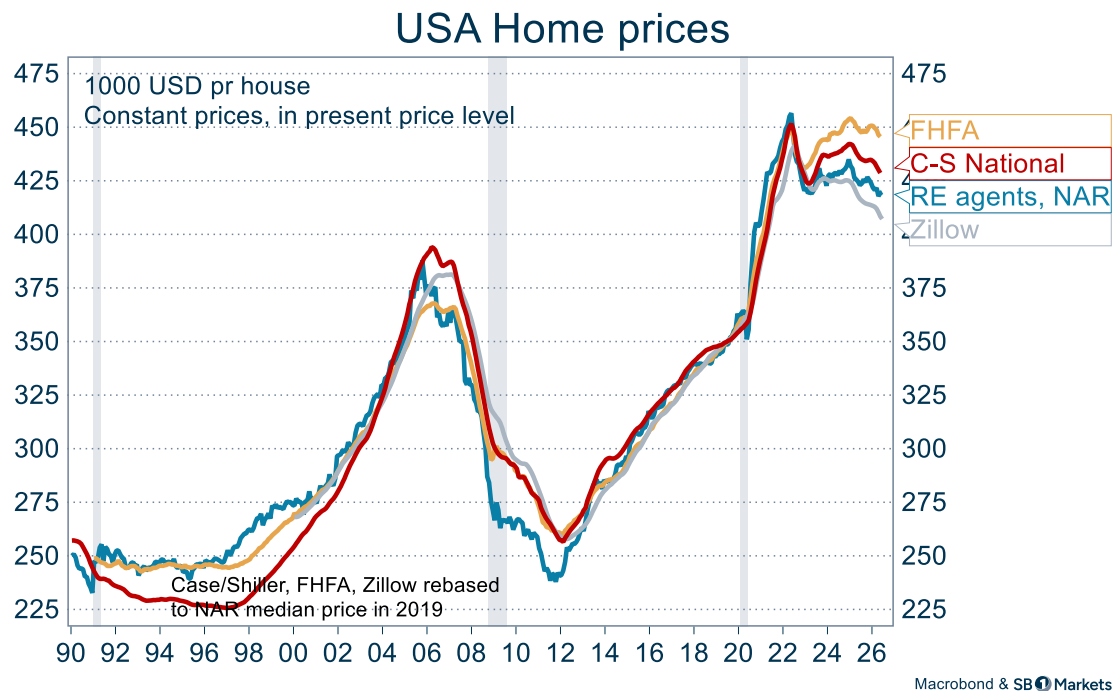


- The inventory is still at a low level, but well up from the bottom in 2022/23, also measured vs. sales.

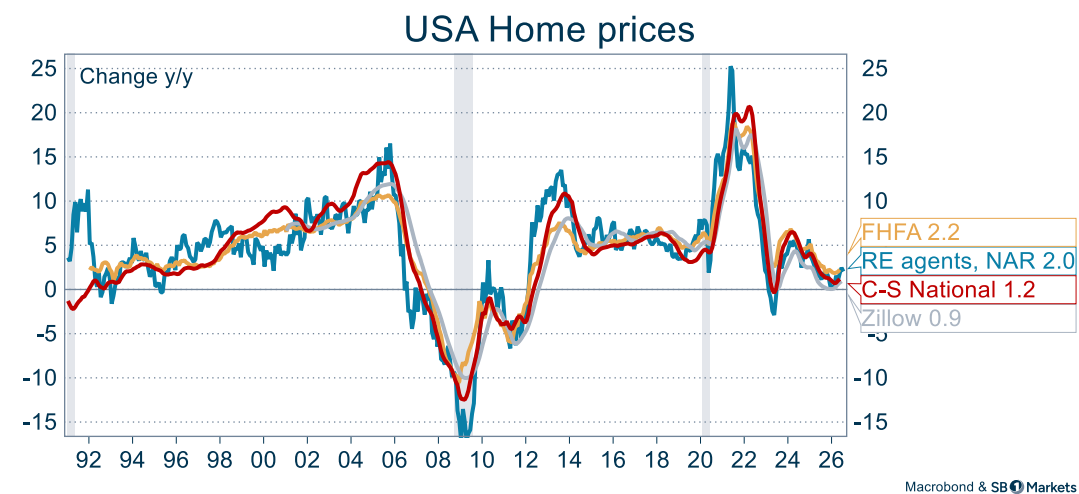
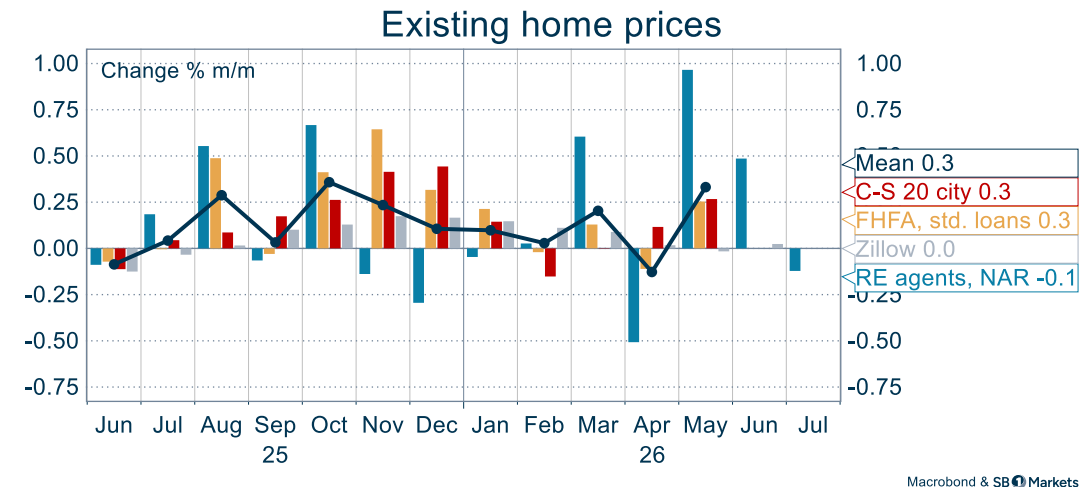


Housing prices are trending slowly upwards, but well below CPI and wage inflation

Realtors reported a 0.1% price increase in July, and are up 2.0% y/y. Other price indices are up 0.9–2.2% y/y.



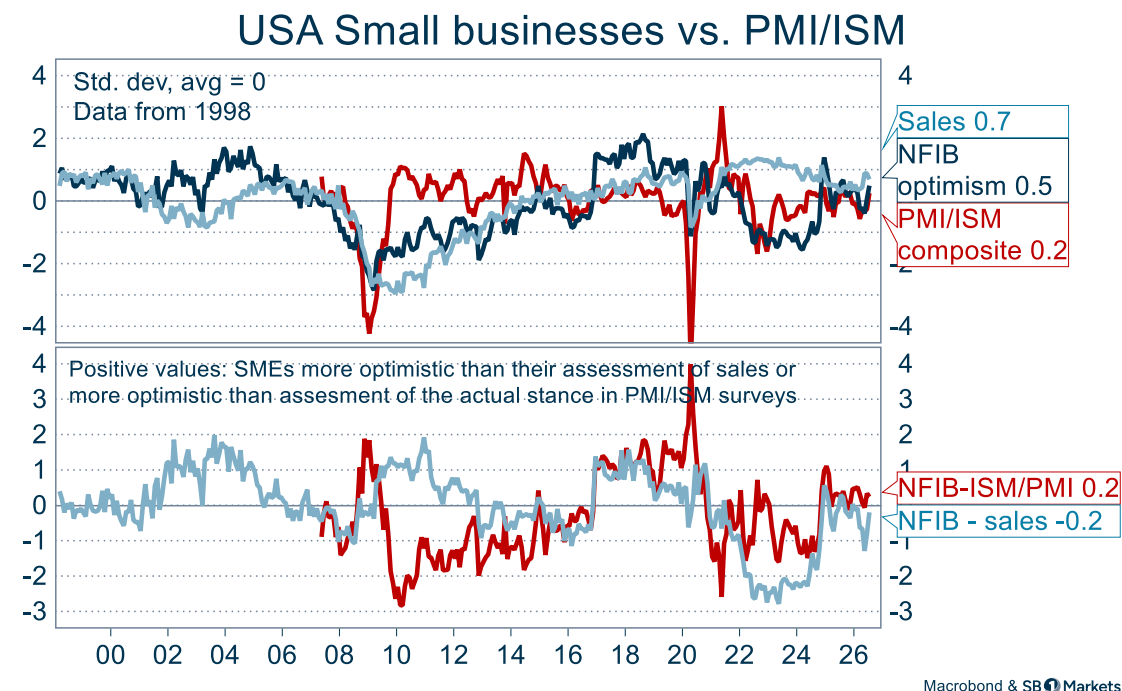
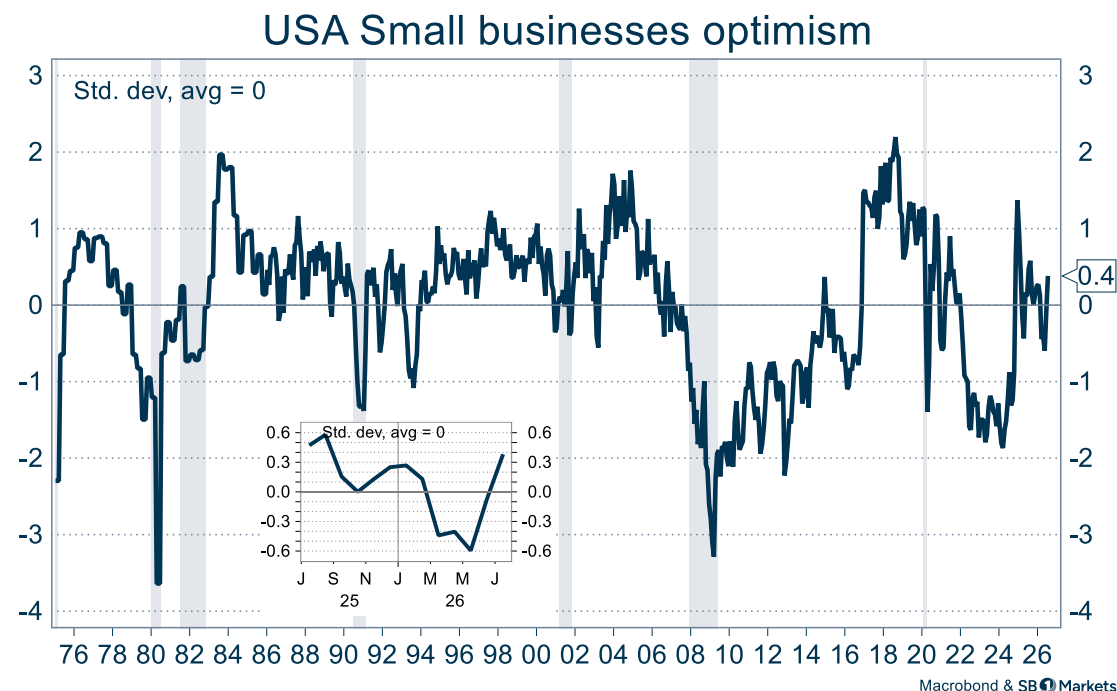
- **The NAR price stats** refers to transactions that were completed in July, which were mostly closed in May and June
- **Other price indices** are report unchanged prices recently (Zillow) or higher prices (Case-Shiller, and the 'official' index (FHFA)
- **Home prices** rose more than 40% during the pandemic. Real home prices are down from the 2021 ATHs, but they are far above the 2005 peak, before the Financial Crisis.





SME optimism further up in July, to above average

Sales are still stronger than normal – which has been the case the pandemic.



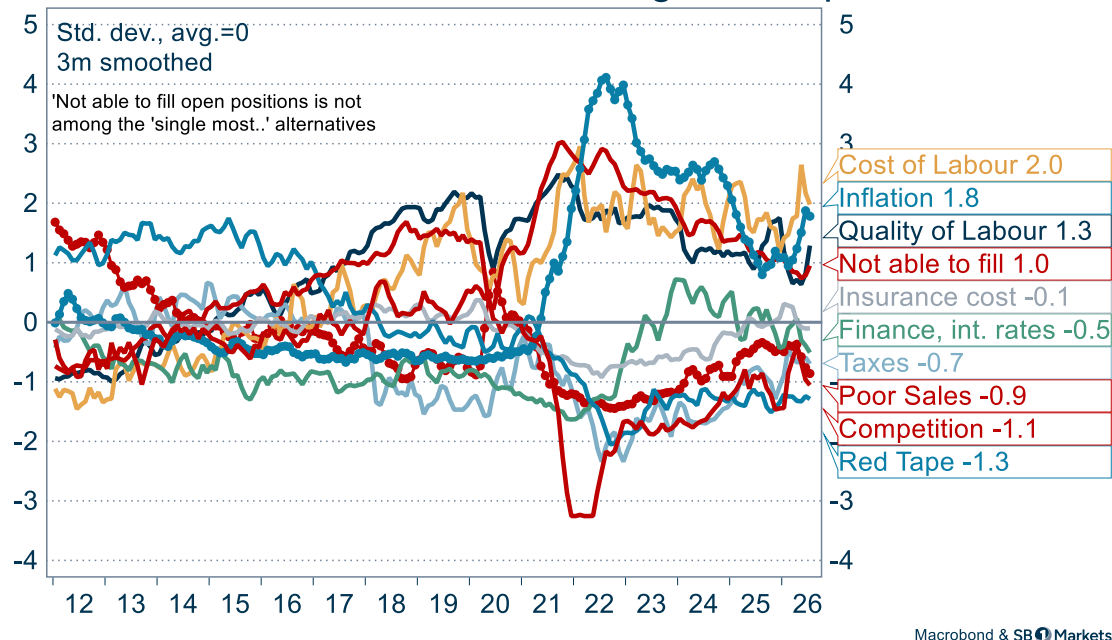
- The **NFIB optimism index** rose 0.5 st. dev. to 0.4 above average.
 - The ISM/PMIs average is 0.2 standard deviations above par, signalling some 2½% GDP growth.
- **Labour constraints/costs** have turned up again lately, and the level is far above average. The share of companies reporting **poor sales** has been trending slowly upwards but has fallen the past 3 months.
- **Hiring plans** shot up to far above average in July.
- **Investment plans** were revised up in July, and in June. The level is still below average, but not by much.
- **Price hike plans** were cut further somewhat back but still signals inflation above normal.



Quality, cost of labour remain the main challenge; Sales worries declined and are well < avg

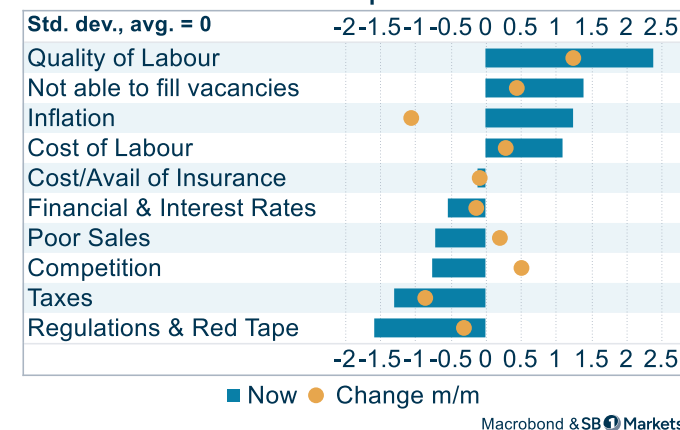
Availability and quality of labour are still serious challenges and have turned up in recent months. Cost of labour is the main worry. Sales and competition are still far less of a problem than normal. *Check next page as well.*

USA Small businesses Single most problem

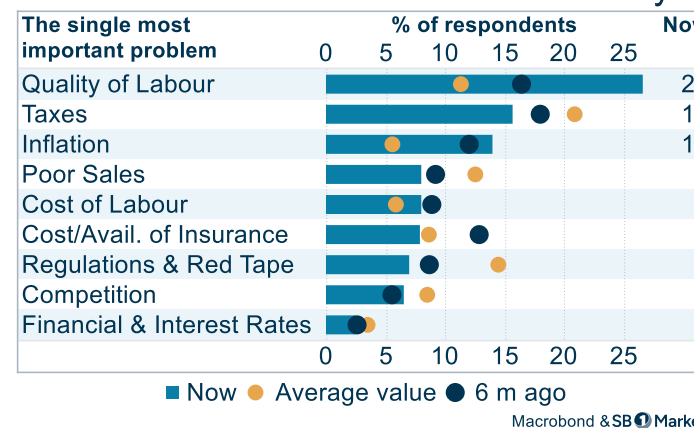


- The share of companies that report **poor sales as the main problem** was at 8% in May, which is 0.9 std. dev. below average! **Competition** from larger companies is even less of the problem, 7%/-1.1 s.d.
- Finance/interest rates** are not regarded much of a problem. **Taxes** are of course 'a huge problem' but less than normal. So are regulation and red tape.
- In sum:** companies still report they are mostly **constrained from the supply side**, not from the **demand side**, check next page.

Small businesses (NFIB) What's the problem?



USA NFIB Small Businesses Survey

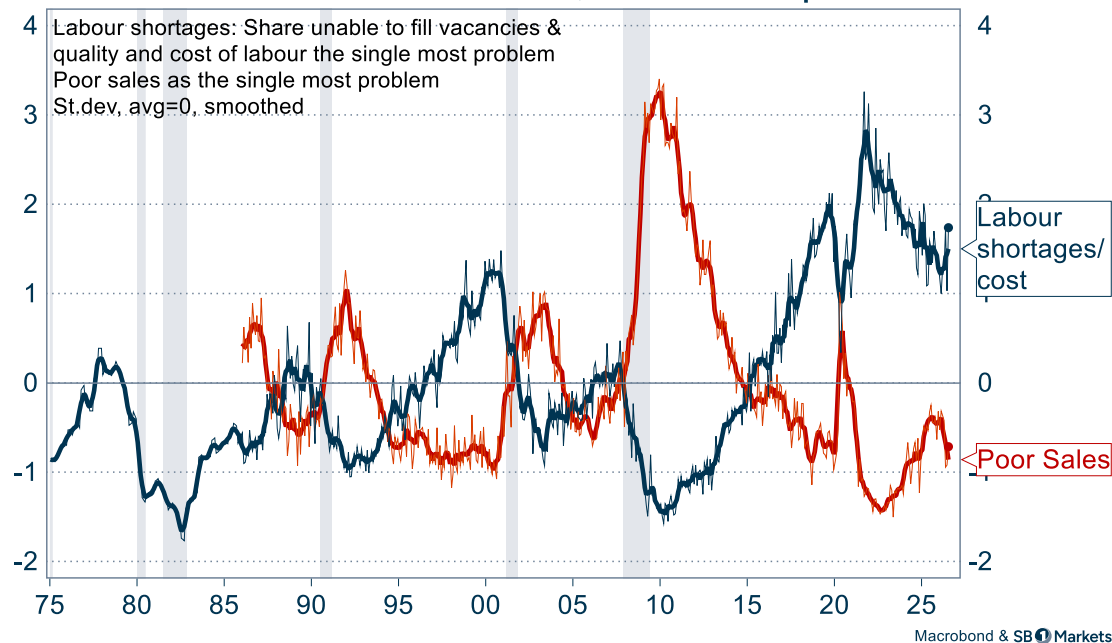




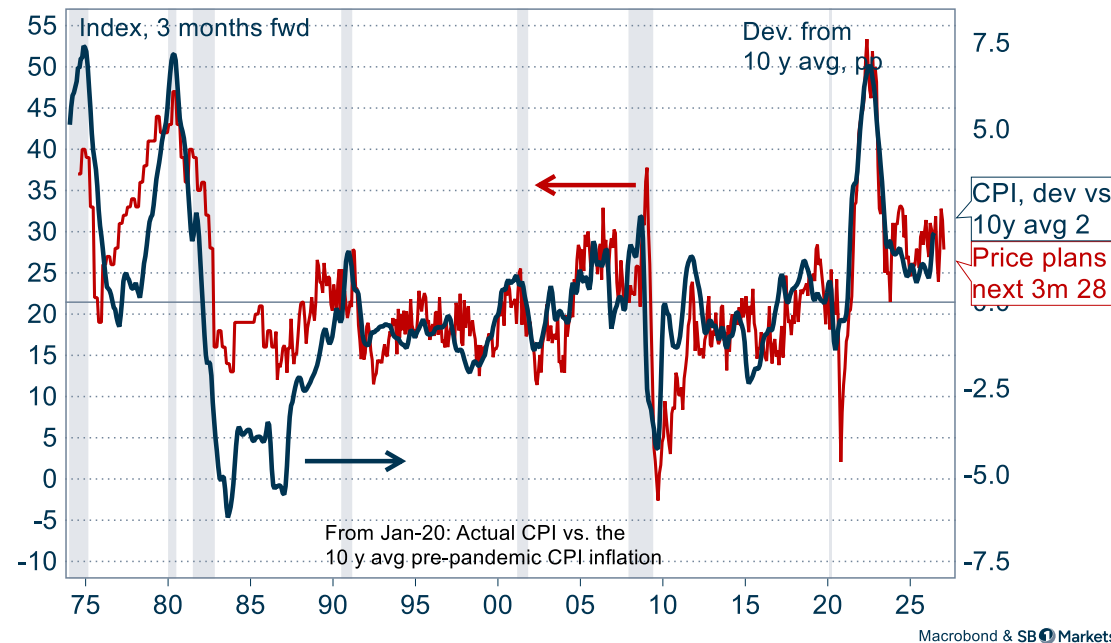
Big picture: more labour shortages, and even less sales challenges

Price plans are well above average, but somewhat down in June and July.

USA Small businesses, what's the problem?



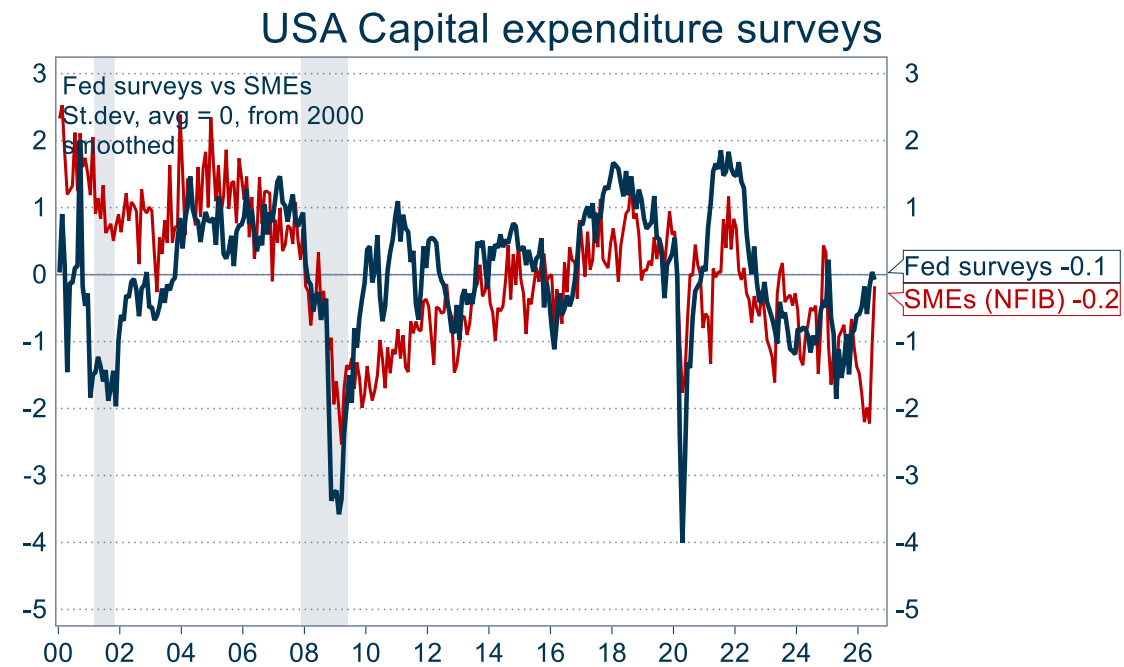
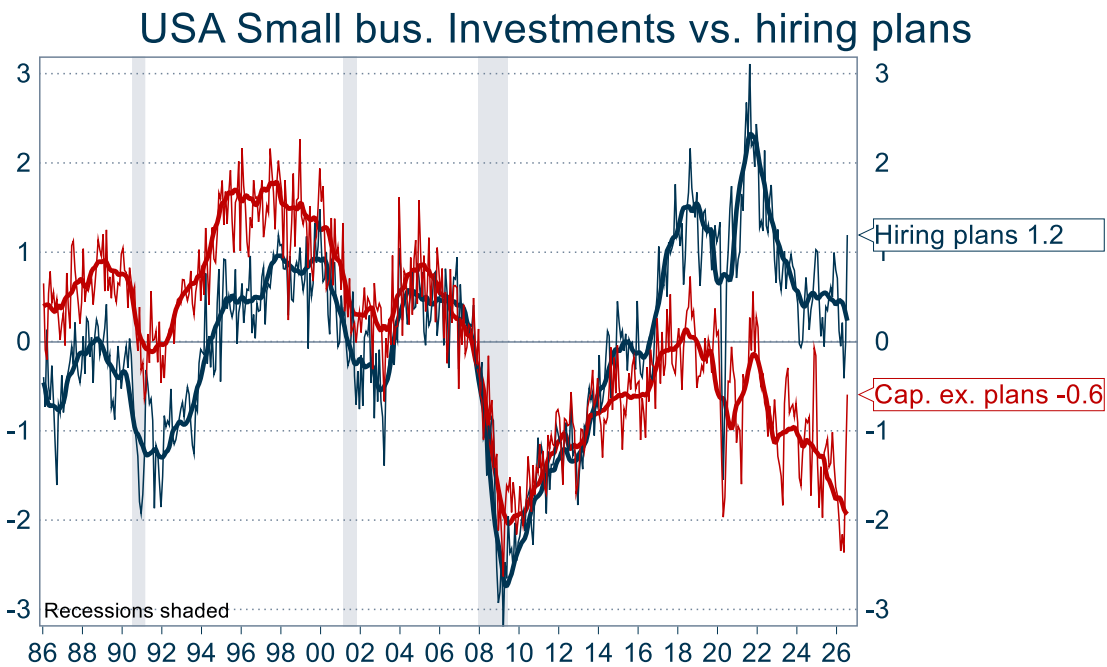
USA Small Businesses Price Plans





SMEs' investment hirings and capex plans shot up in July, hirings to the best level since '22

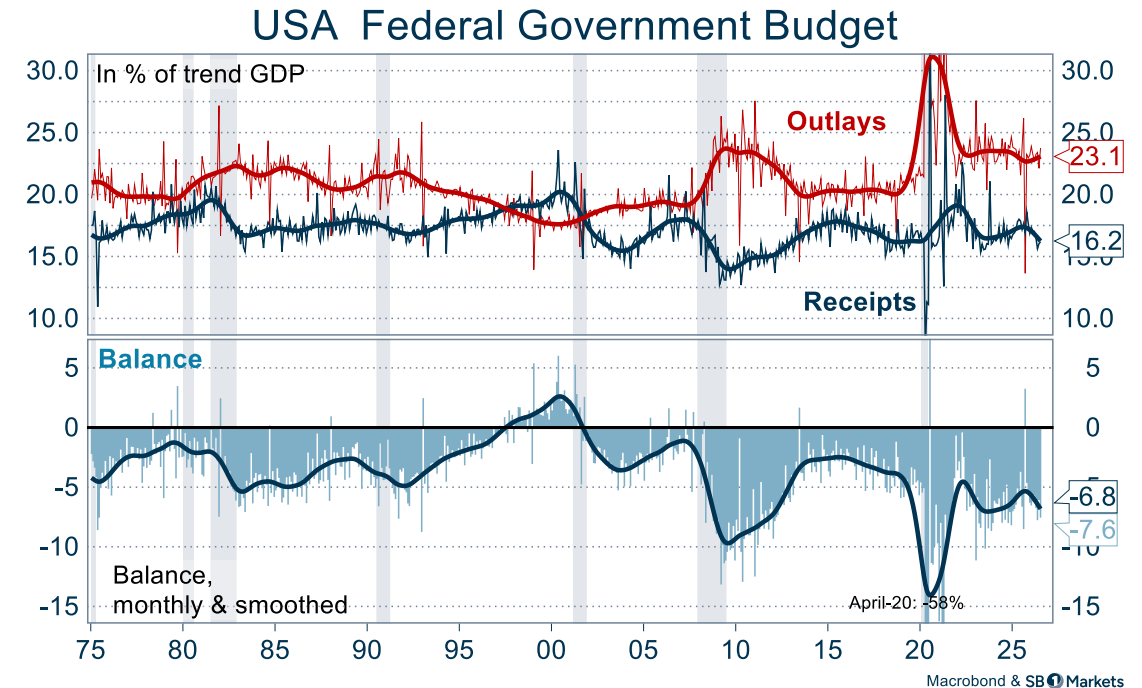
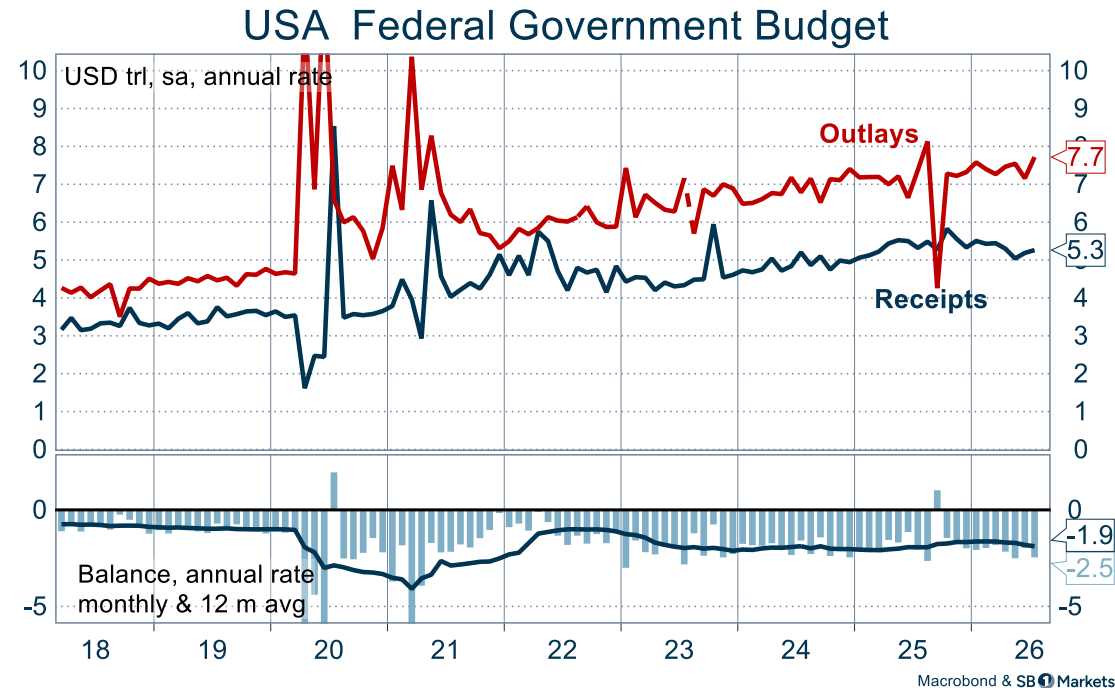
... and the level is well above average! The investment plan index rose 0.7 std. dev. to -0.6 s.d. (and from -2.4 in May). Fed's regional investment surveys have been heading upwards for a while, up to an average level.





The federal budget deficit has widened again, partly temporary due to the tariff refunds

The deficit has widened so far in 2026, even when tariff revenues equalled 1% of GDP. In July, the deficit equalled almost 8 % of GDP – a level that is not sustainable at all – as the debt is record high vs. GDP.

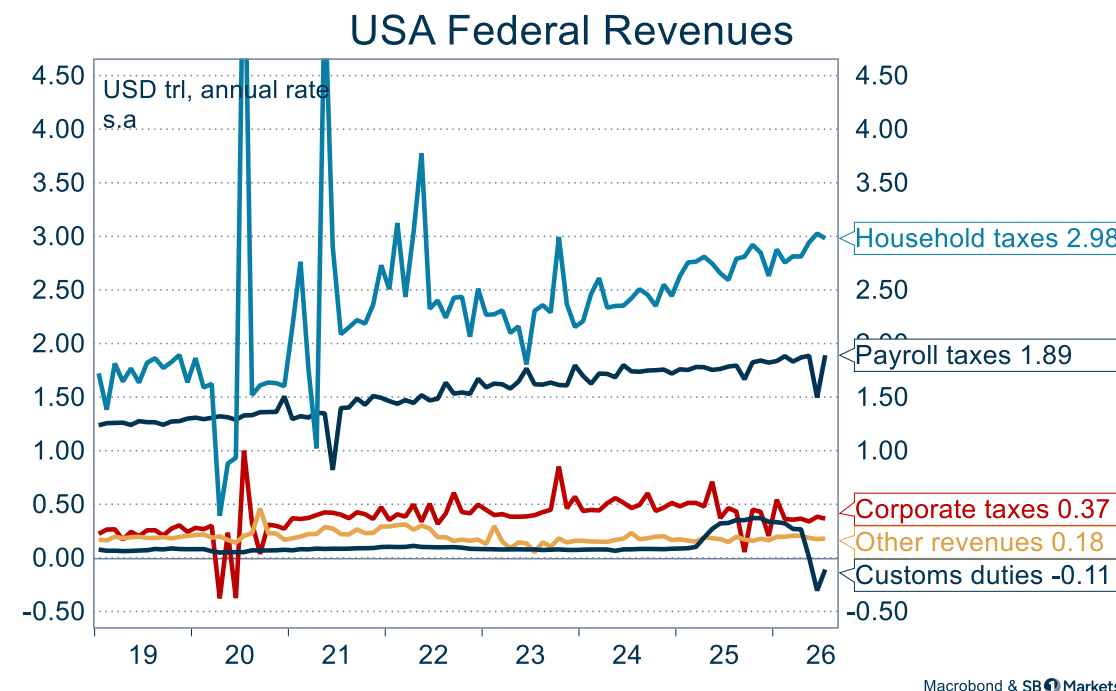
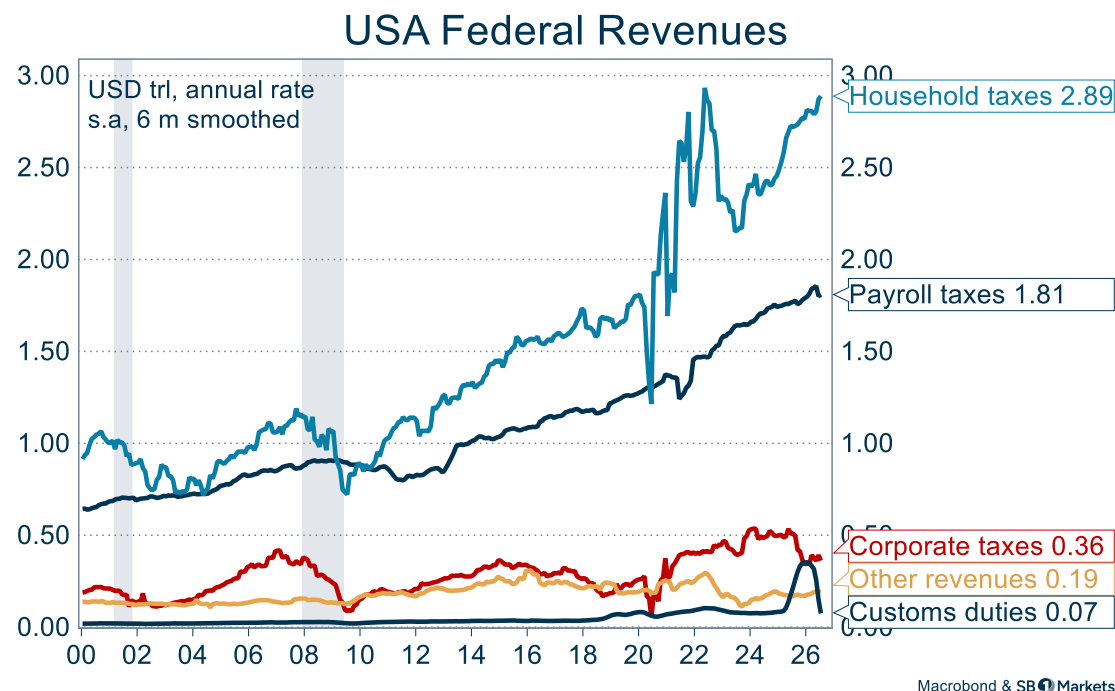


- **The federal deficit** the past 12 months equals 6.8% of GDP. Outlays are trending flat vs. GDP, while revenues heads down.
- **The primary federal deficit** (which excludes net interest payments) narrowed somewhat last year, but has widened recently
- **The deficit** remains *significant*, especially considering the *robust economy and low unemployment rates*. The primary deficit will probably widen in 2026 (OECD assumes 0.6 pp of GDP), followed by a similar tightening in 2027. Time will show.



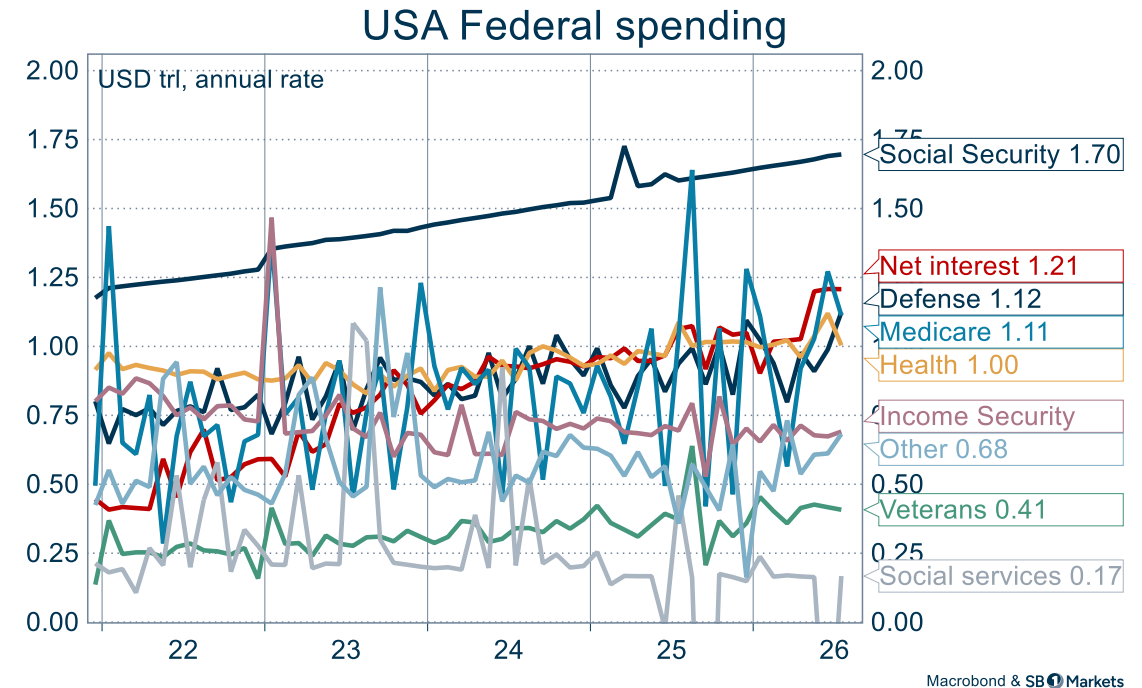
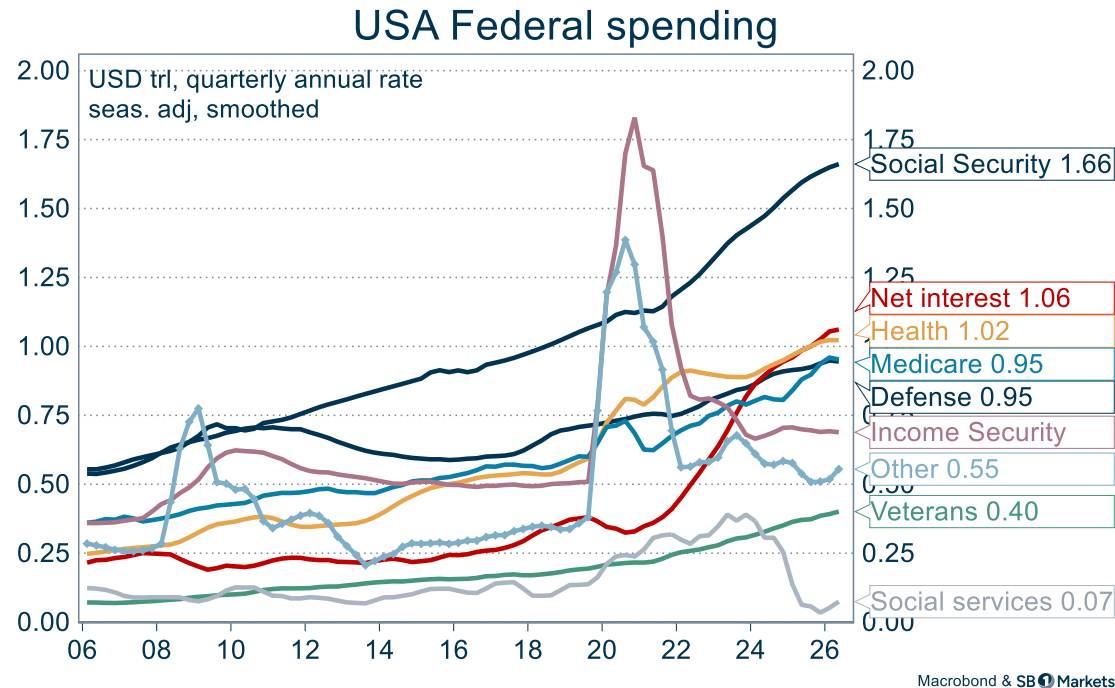
Unlawful tariffs are refunded, but tariff revenues will soon return to the the 'normal' level

In July, tariff revenues net of refunds equalled -0.3% of GDP. Before the (temporary) refunds started, tariff revenues equalled 0.8% of GDP





Some federal spending has been cut, most sectors are still on the way up

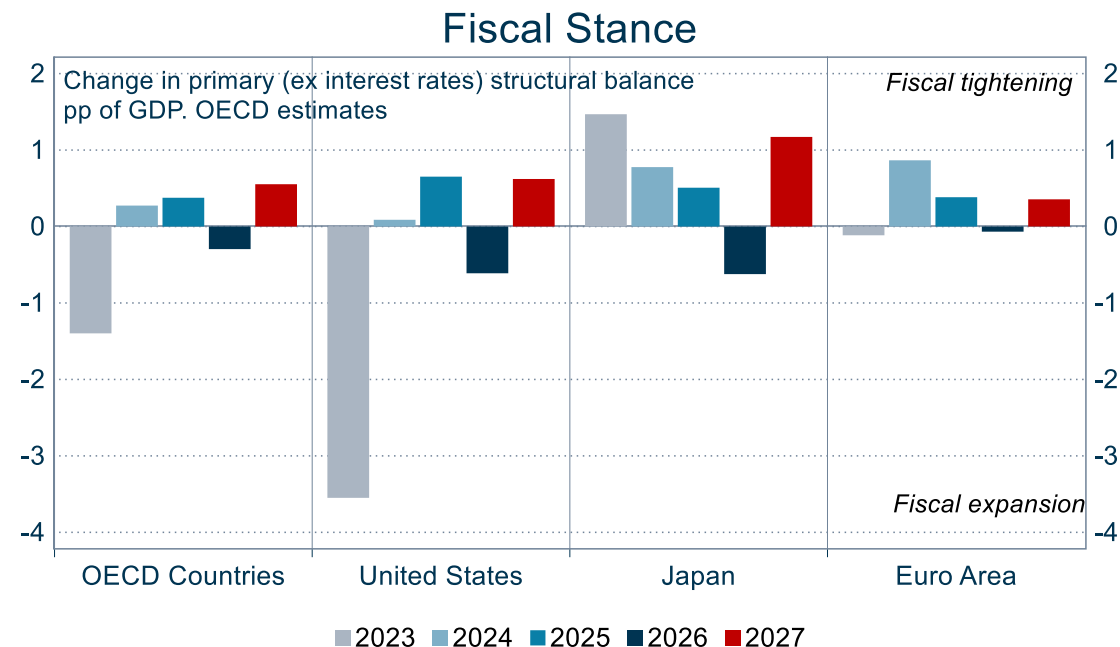
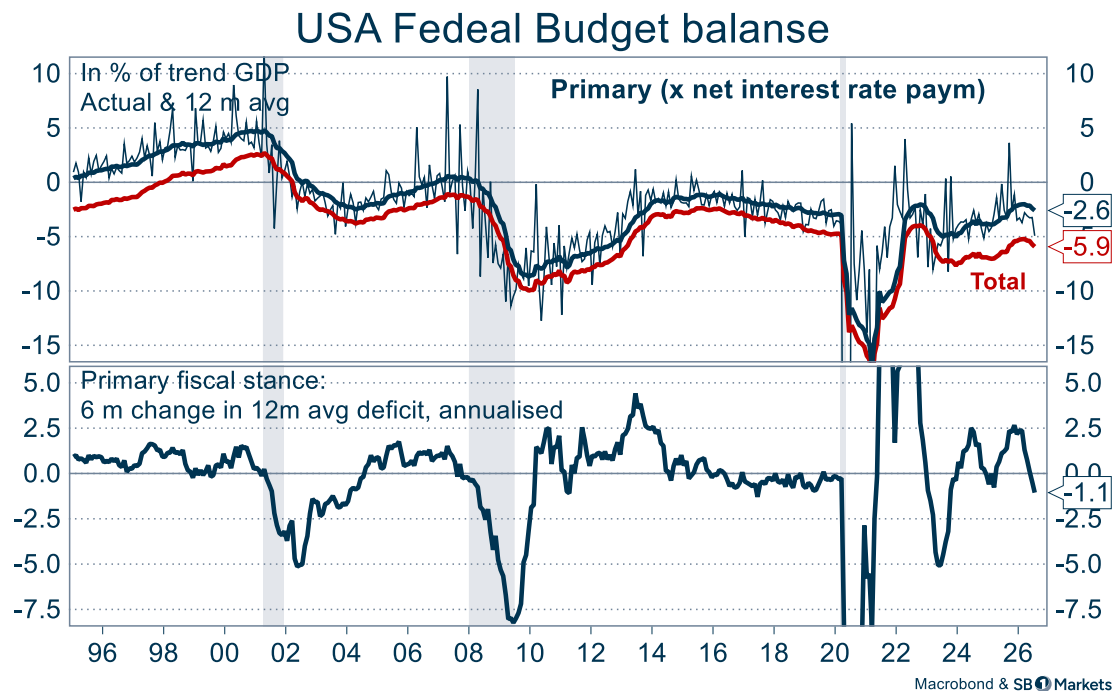


- **Social security expenditures** (including pensions) have risen sharply in recent years, largely due to inflation adjustments – and more pensioners.
- Spending on **income security** remains significantly above pre-pandemic levels, although it has been gradually decreasing.
- **Healthcare** expenses, primarily related to Medicaid and support for low-income individuals, are increasing once more after stabilising following the pandemic. Costs for **Medicare** (covering those aged 65 and over) are also on the rise, despite considerable monthly fluctuations in the data.
- Expenditure on **social services**—which covers education, training, and employment initiatives (excluding state unemployment benefits)—has been particularly unstable recently, with spending reaching a low point last year. These cuts are probably related to 'DOGE' cuts.
- **Interest payments** on debt have surged and are expected to continue rising, even if bond yields remain steady at current levels as new and refinanced debt must accommodate prevailing higher yields compared to (lower) maturing bonds. Additionally, debt growth outpaces GDP growth, increasing the overall burden. Currently, **net interest payments** represent 3% of GDP — **one-fifth of all federal revenue**.



OECD expects a widening of the US primary deficit in 2026 before a tightening in 2027

OECD does not expect any material fiscal expansion in the Euro Area in 2026, and a tightening in 2027. The actual primary deficit narrowed somewhat through 2025 but has widened recently, partly due to the reimbursement of the unlawful tariffs.



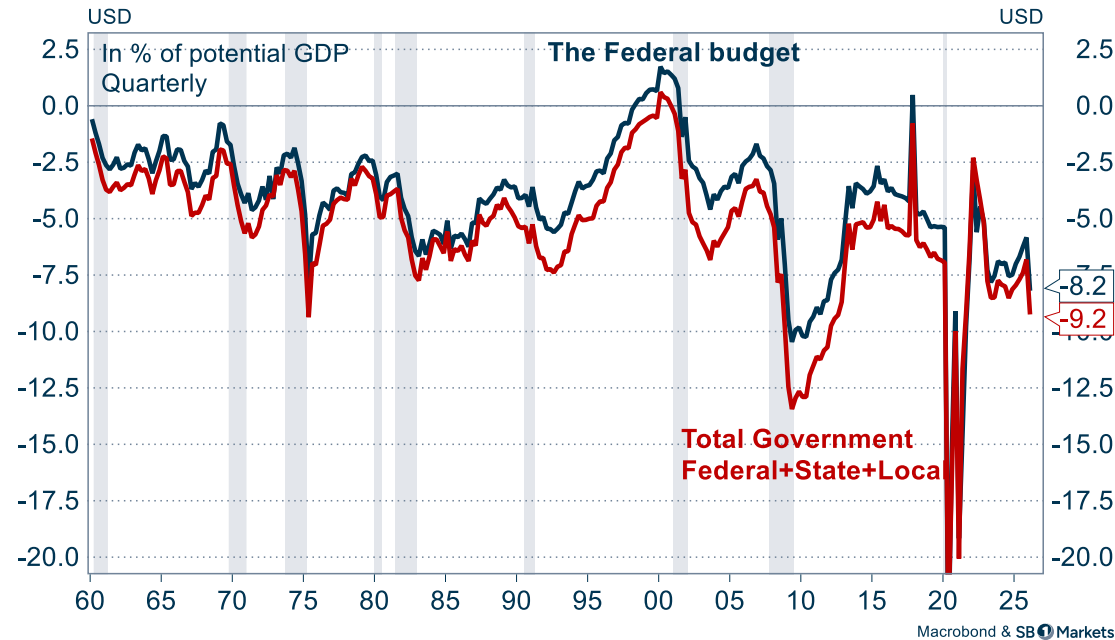
Macrobond & SB Markets



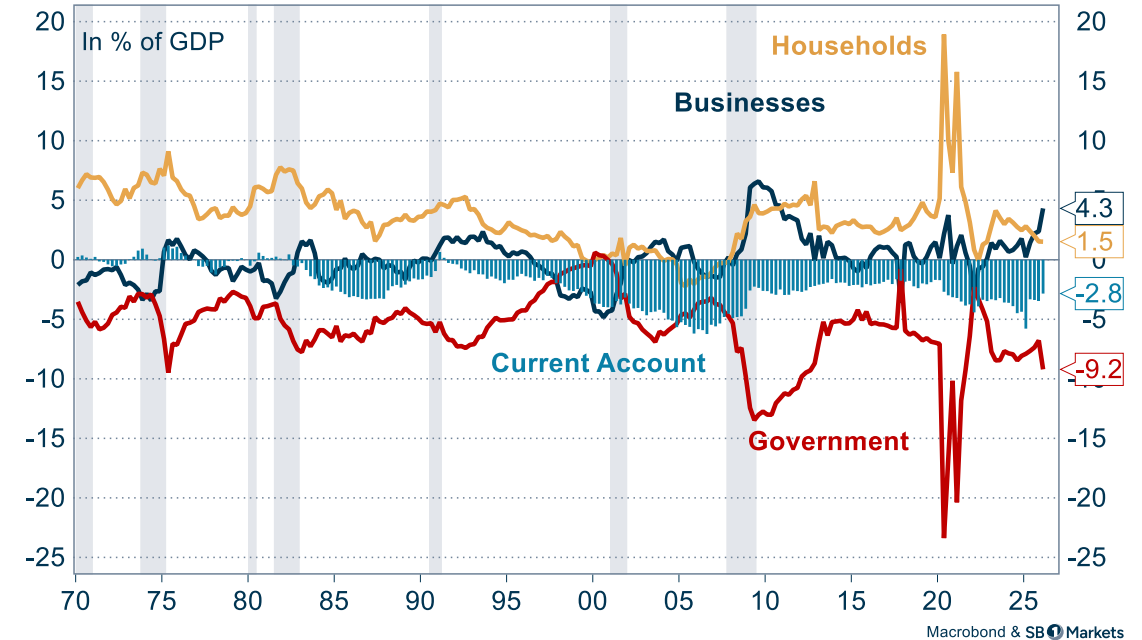
The total government deficit blew up to 9% of GDP in Q2

... which no doubt is an outlier, due to some technicalities (hopefully). Households and businesses together funded 5.8% of this deficit, the rest of the world the remaining 3% (the current account deficit).

USA Budget balance

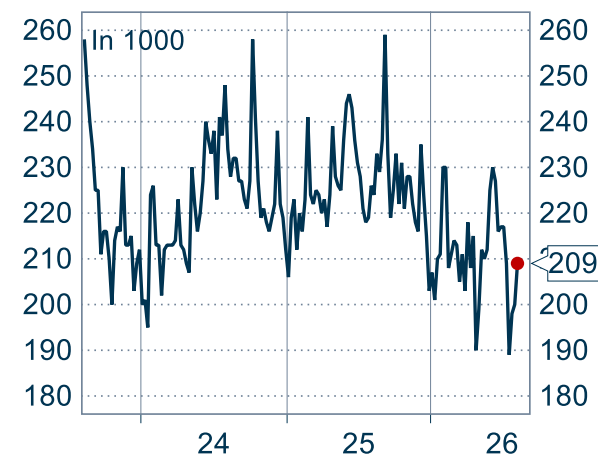
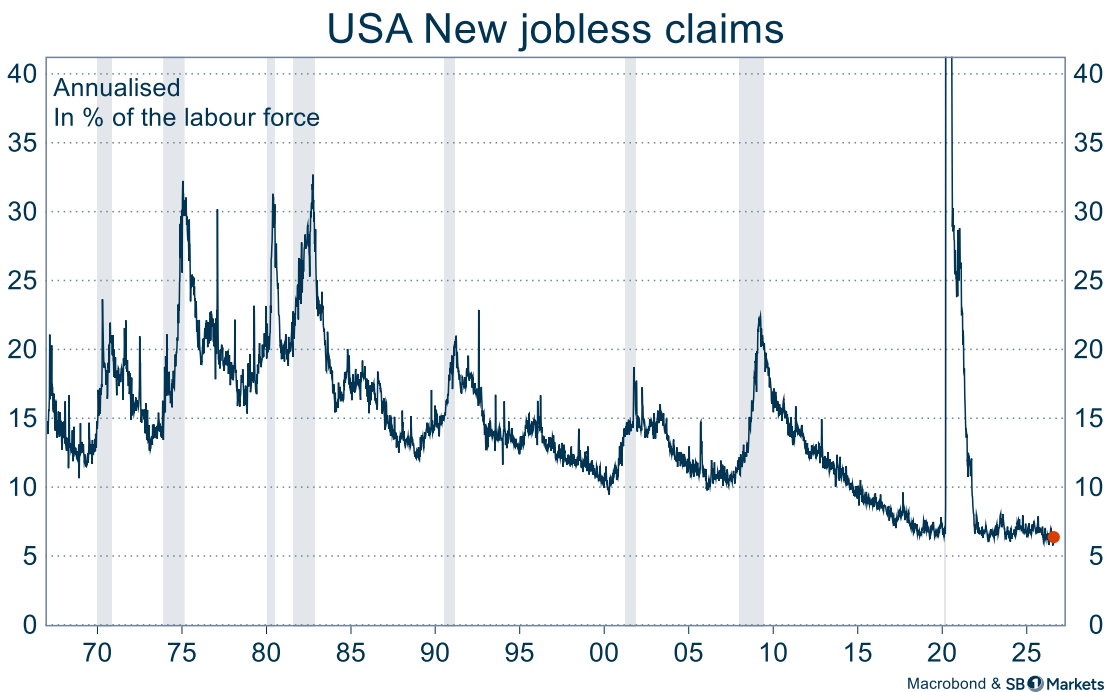


USA Financial balances





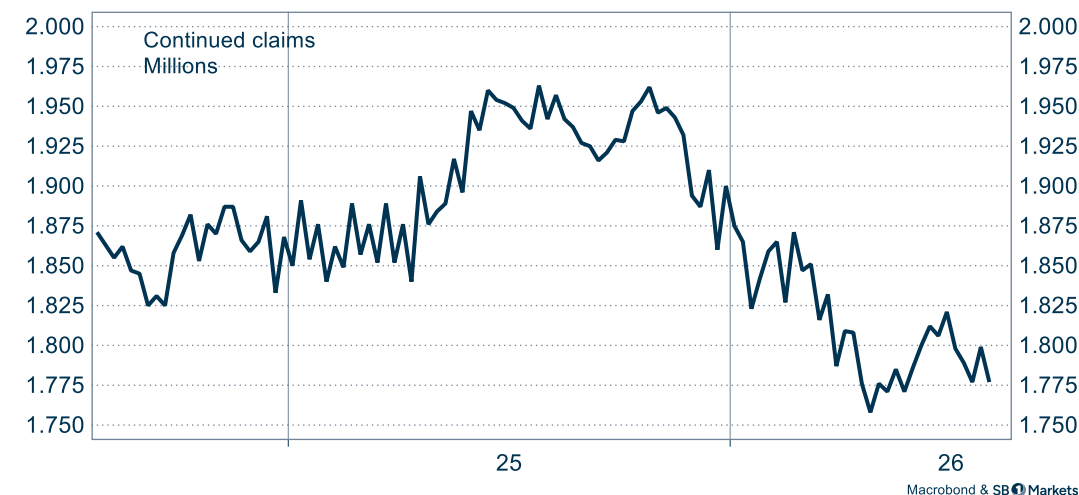
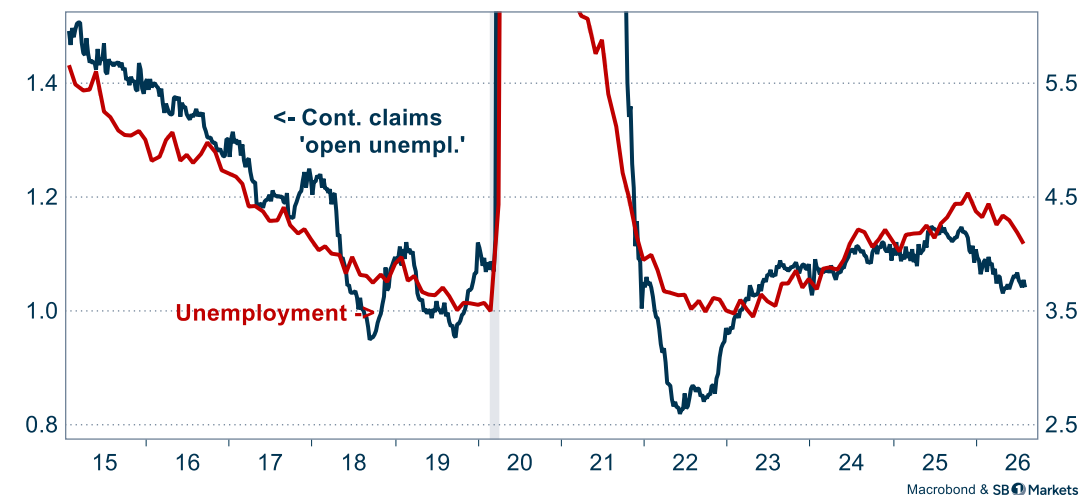
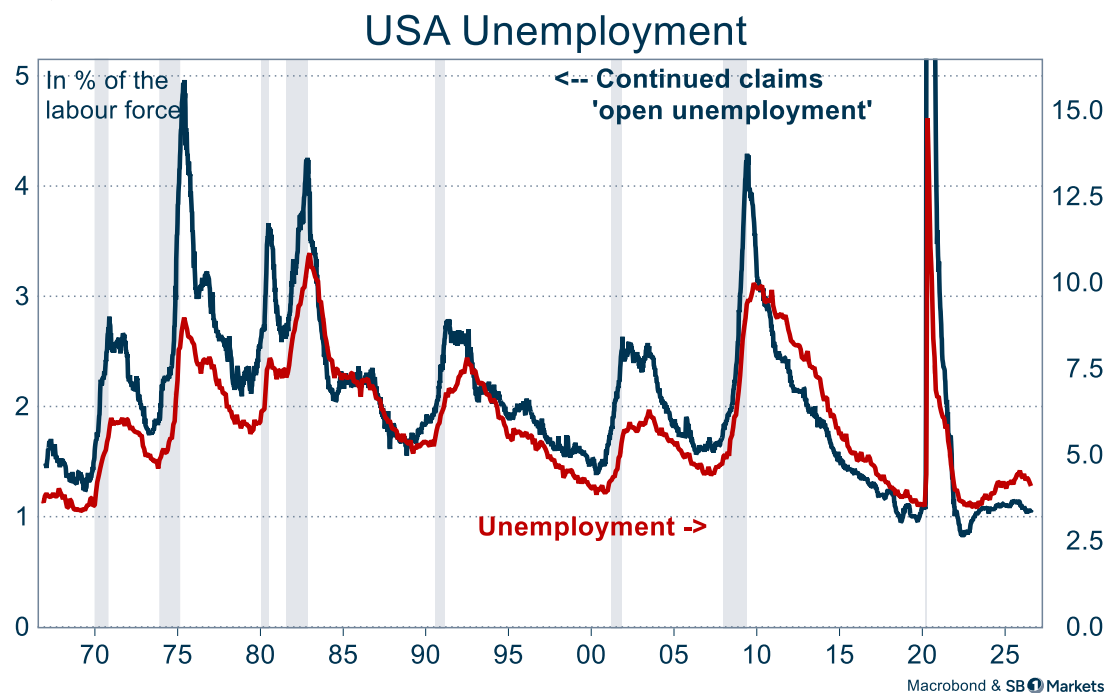
The inflow of jobless claims slightly up last week but is still very low





Continued jobless claims remain at very low levels

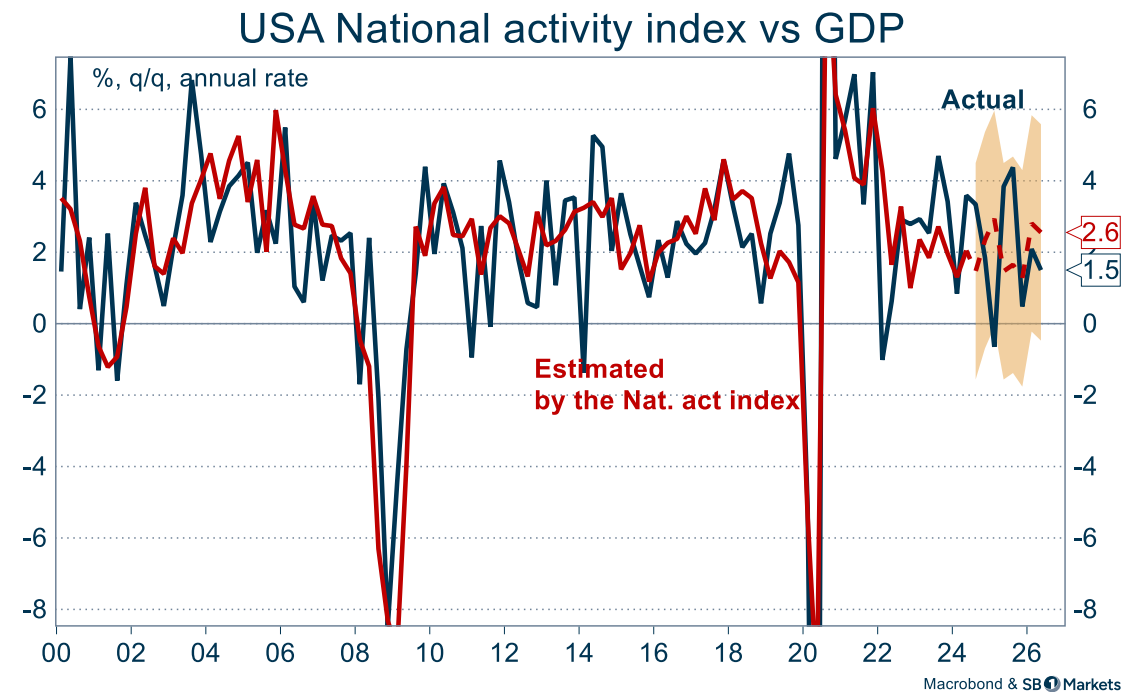
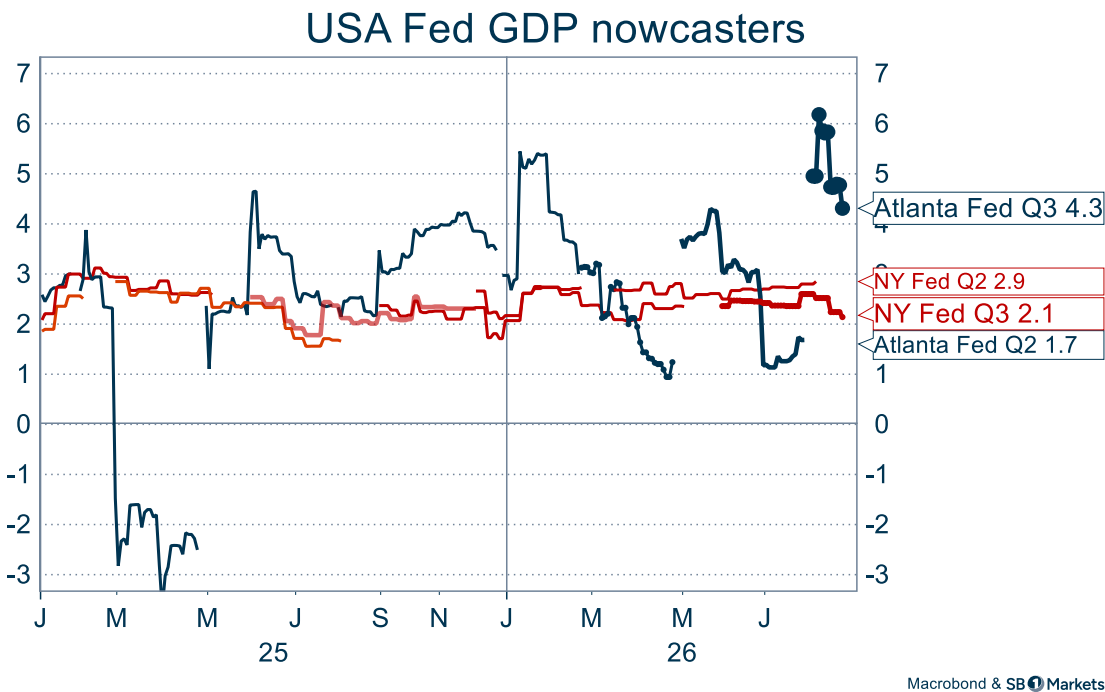
The count of persons receiving unemployment benefits has flattened at a low level recent during the summer and confirms the low unemployment rate.

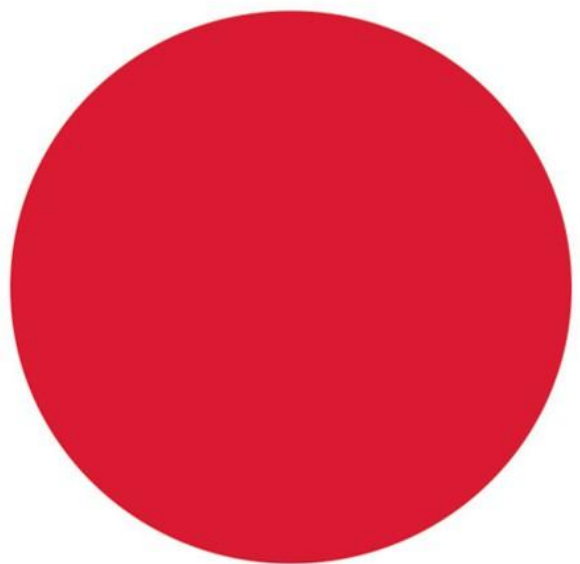




Atlanta Fed's Q3 GDP estimate from 6 to 4%

The decline in retail sales (and the downward revision) lowered the private consumption and the Q3 GDP growth estimate significantly.





Japan

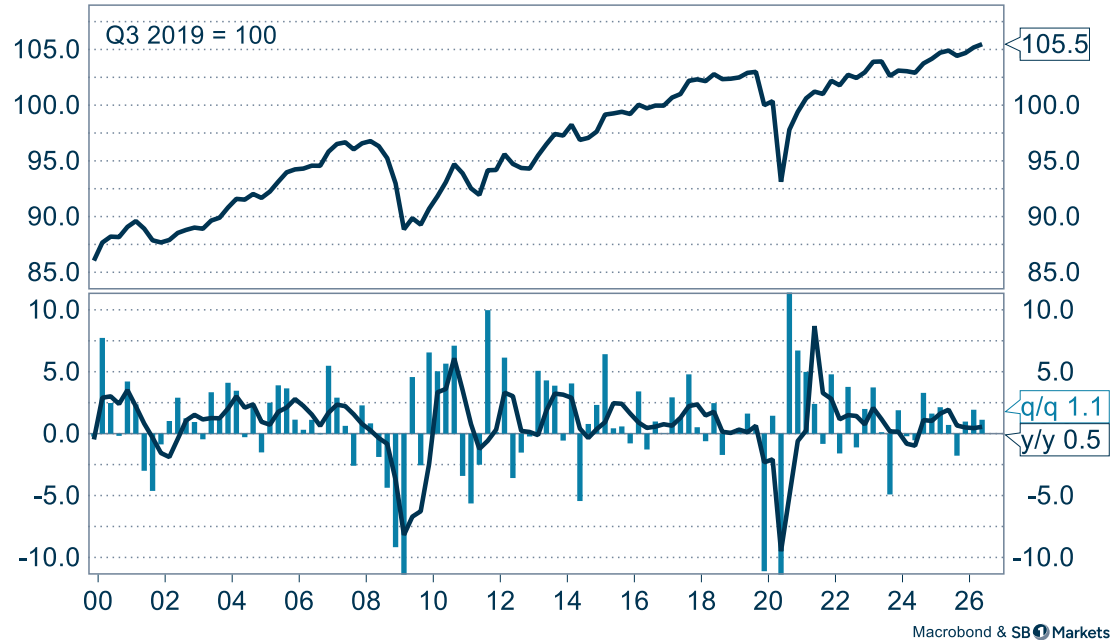


GDP grew at a 1.1% pace in Q2, 0.5 pp less than expected. Up a modest 0.5% y/y

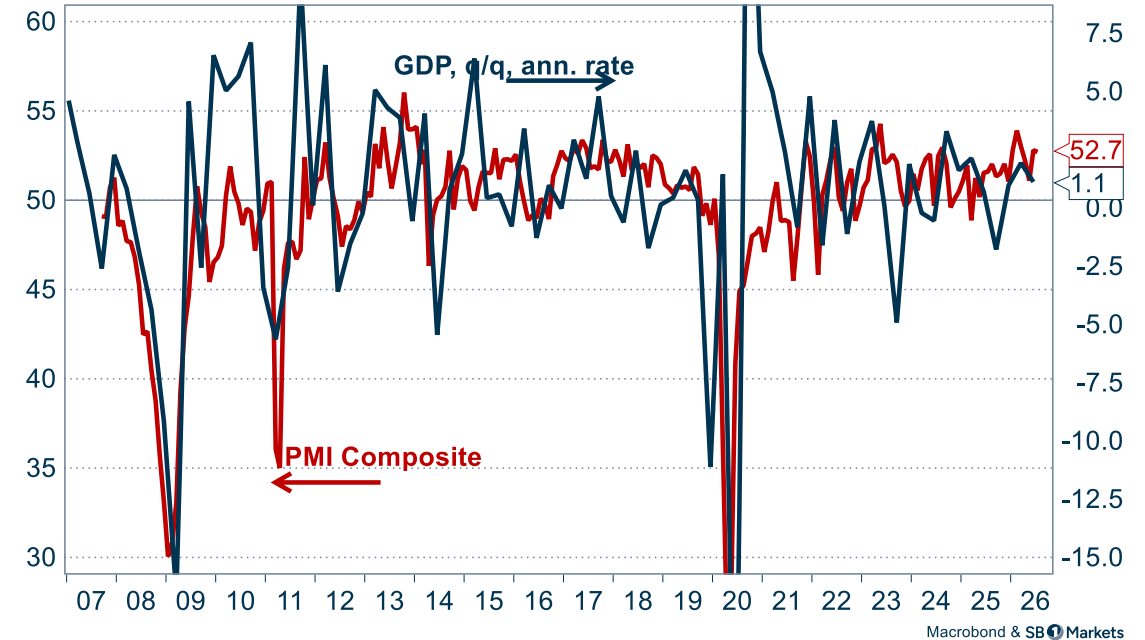
Business investments declined for the 2nd quarter in row.

Surveys, like the PMI, signals somewhat higher growth

Japan GDP



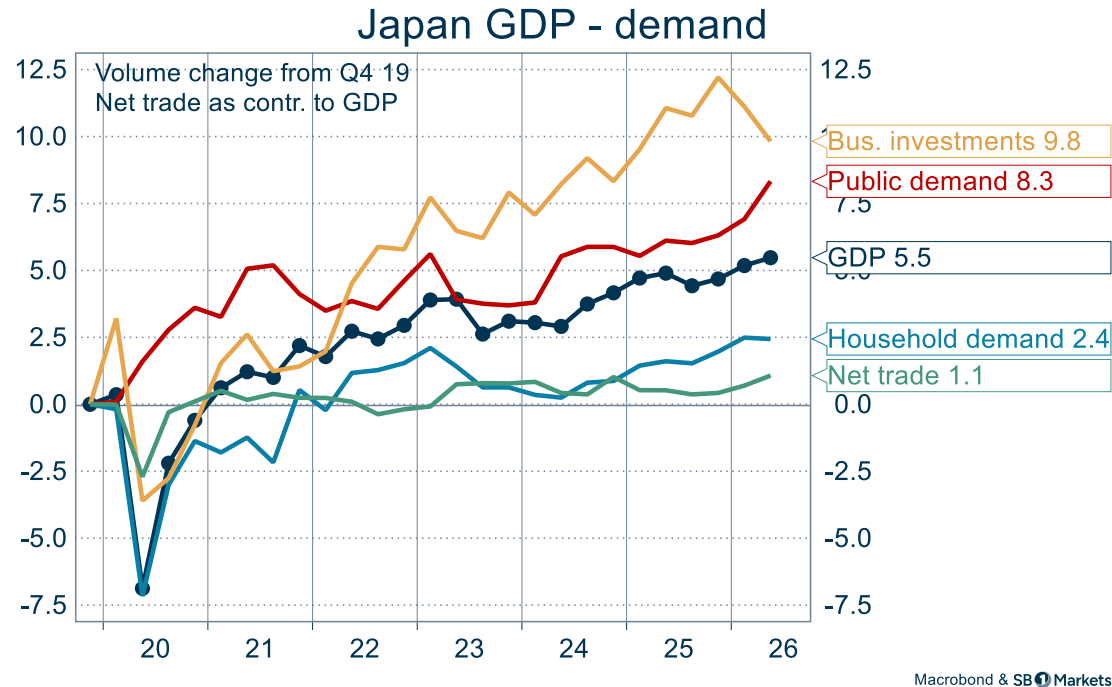
Japan PMI vs GDP



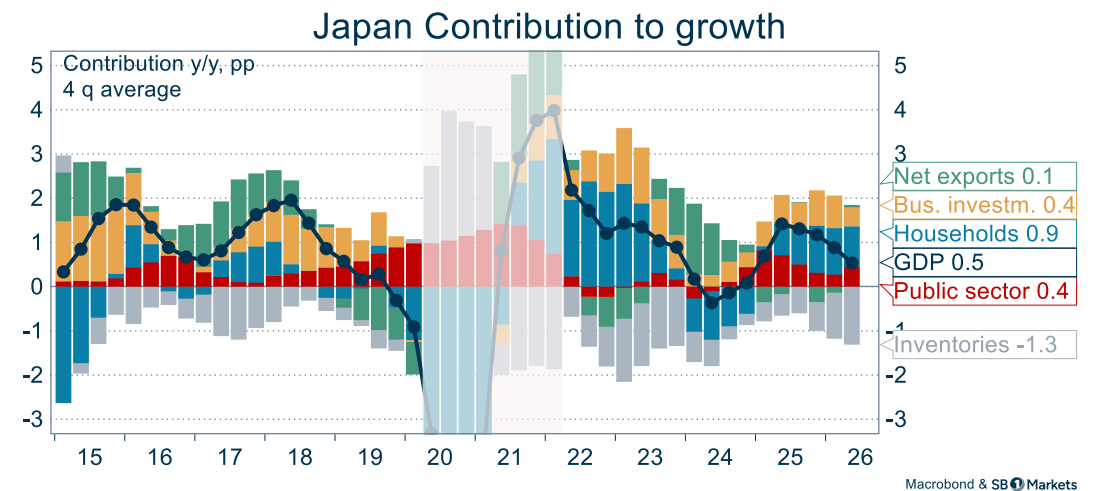
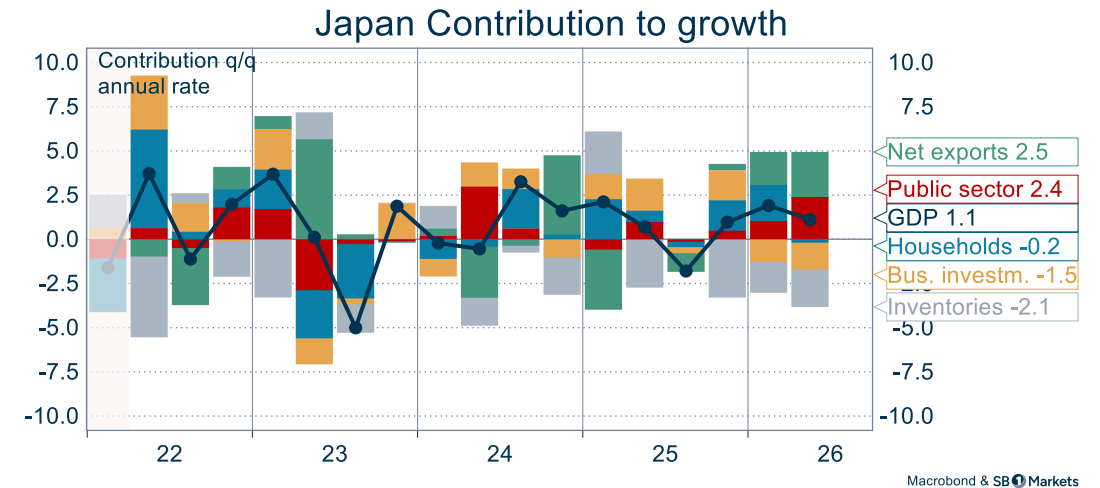


Business investments fell further in Q2, no growth in household demand

Just net exports and public demand contributed on the upside in Q2. Even if the JPY has been weak (vs. the normal level in recent history), net exports have been close to flat since 2023. Inventories have been a (mysterious?) drag on growth the past 4 years.



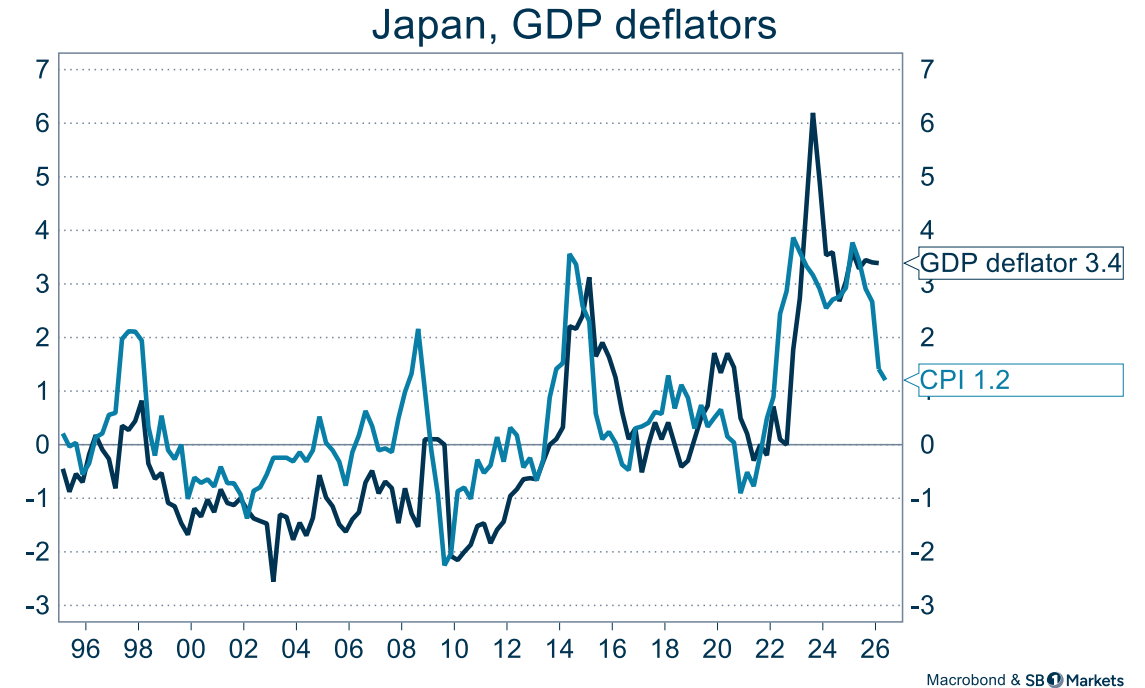
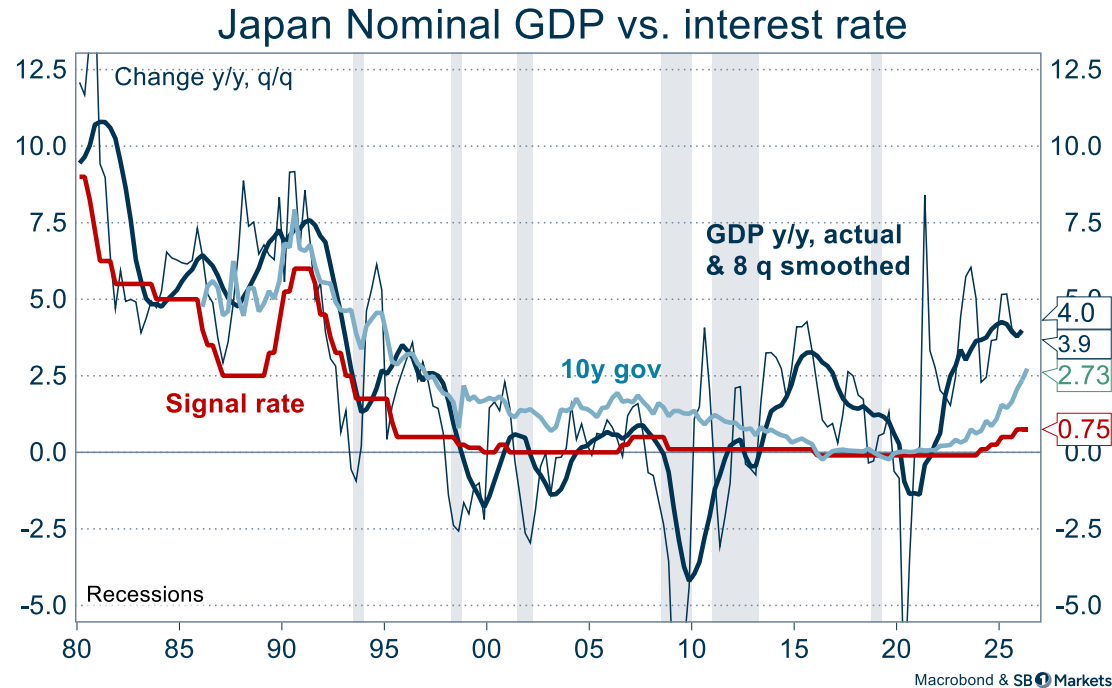
- Household demand is up 2.4% from 2019, business investments 10%
- Public demand is up 8%
- GDP is up 5.5%, a tad higher than reported earlier.





Nominal GDP is up 4.0% y/y as the GDP deflator is up 3.4%

The signal rate is at 0.75% and the gaps to actual inflation or growth in nominal GDP are unusually wide. The 10y gov. bond rate has climbed to 2.7%, the highest since the late 1990s. CPI inflation slowed to 1.2% in April from 2.7% in Q4 due to a cut in energy taxes, before the Gulf war.



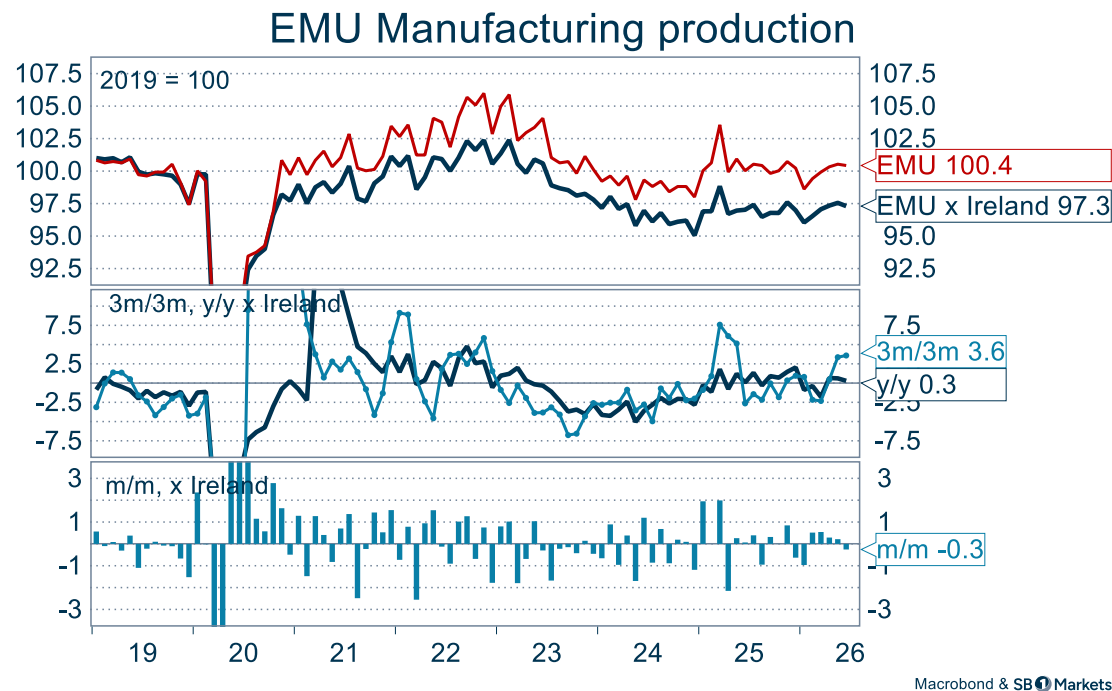


Euro Area

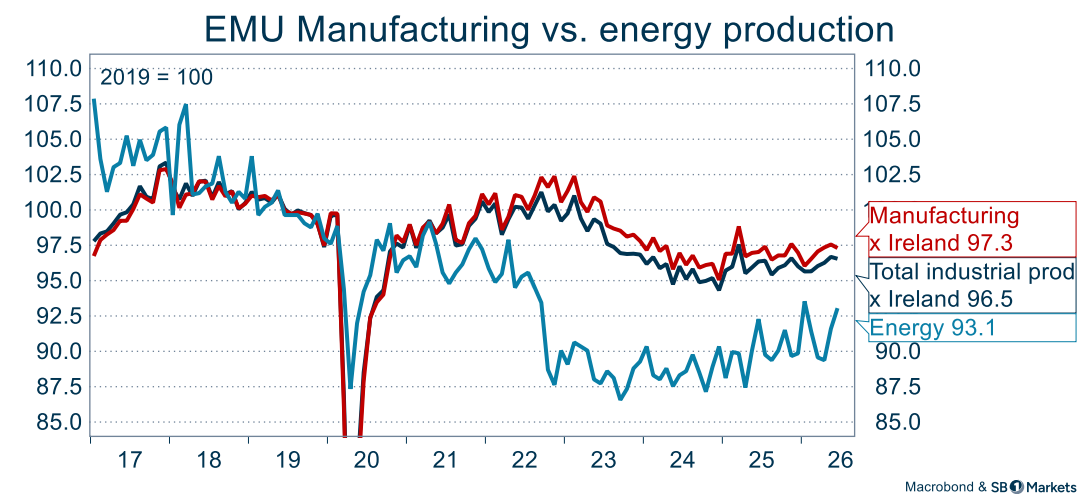
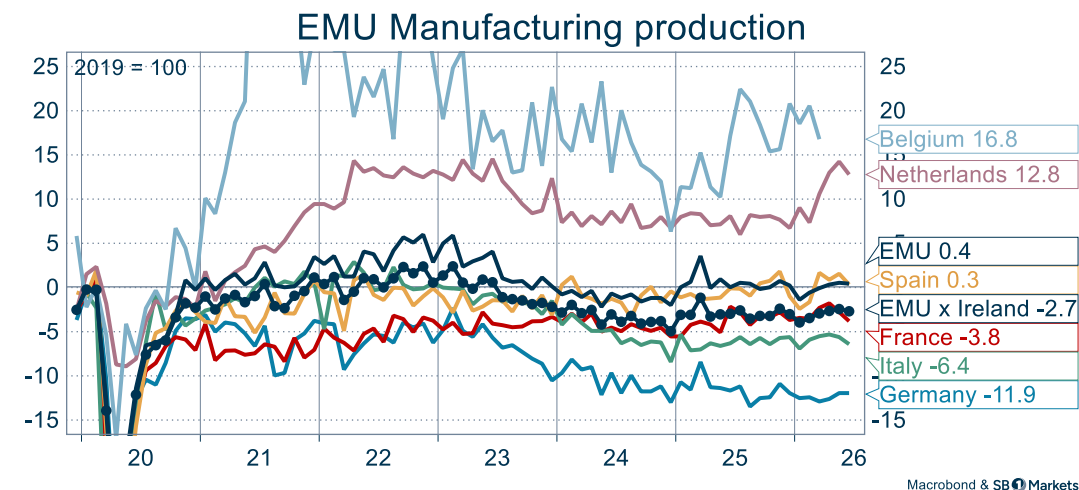


Manufacturing production grew at 3.6% pace in Q2 but is up just 0.3% y/y

Production (ex. Ireland) declined 0.3% in June but strengthened through Q2.. Total industrial production was up 0.2%, as expected. Germany is still the laggard.



- **Manufacturing production** ex. Ireland is 2.7% below the 2019 average (but +0.4% including irrelevant Irish data).
 - Germany is down 12% from 2019, France 4%, Spain is close to flat, Netherlands up 14%.
- **Energy production** is slowly on the way up but production is still down 7% from the 2019 level.
- **Surveys** signal moderate growth in manufacturing production.

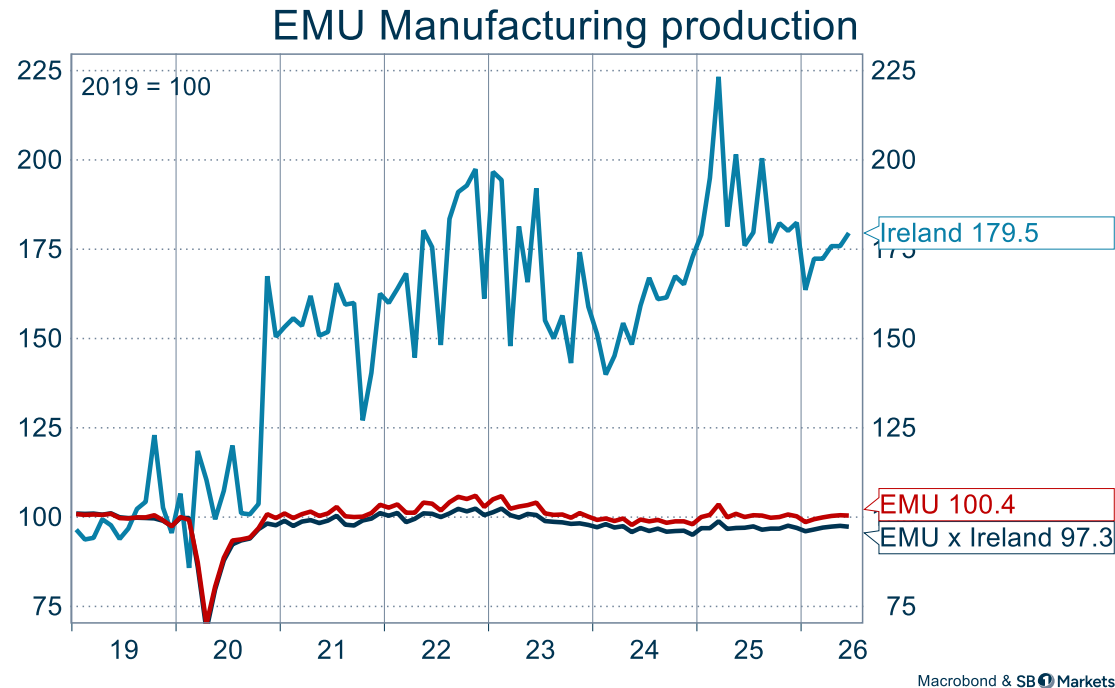


Ireland often reports extremely large changes in manufacturing and industrial production, mostly due to huge changes in the 'modern' IT/ software sector, at least partly tax motivated. The level is also extremely high, and far from 'for real'.



A small country from time-to-time rock the whole Euro Area boat

Irish manufacturing production is extremely volatile, due to the 'modern' sector (electronics, software, pharma sales)



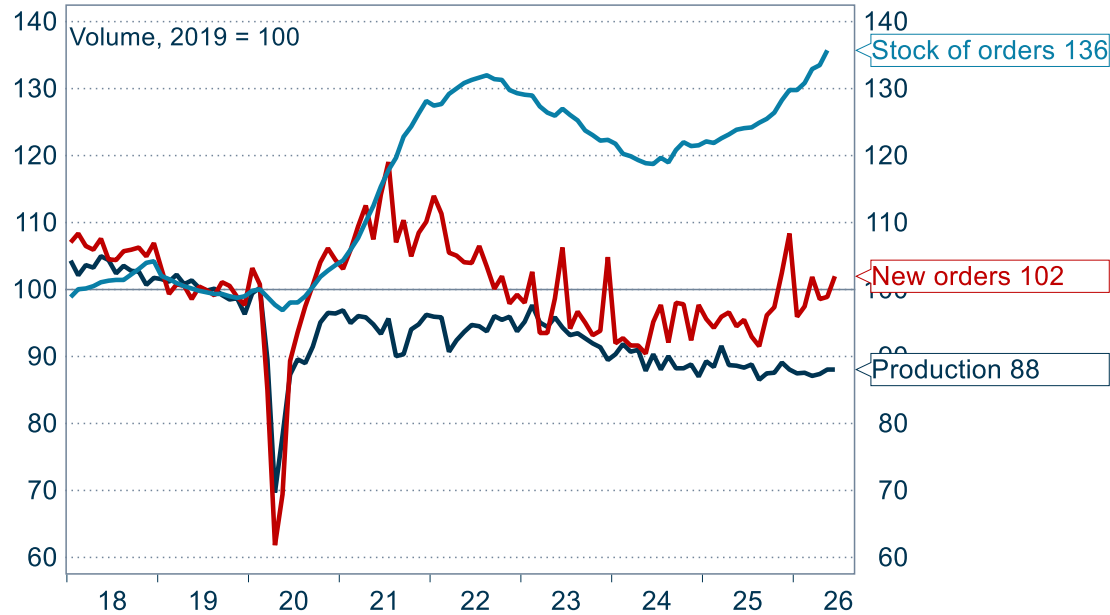
- The Irish figure is influenced by large multinational corporations' bookings of software and pharma sales, possibly also impacted by tax-related activities. The 100% increase since 2019 in manufacturing production is not 'for real' at least not income-wise for Ireland.
- The extreme ups and downs in the published data from this tiny country has a substantial impact on overall EMU production. That's why we take Ireland out of the equation.
- Irish GDP data are also useless. A Modified Gross Domestic Income figure reflects the real income to Irish households and businesses. The MGDI equals some 60% of the official GDP 😊



Germany: The order inflow is not that impressive, but the underlying trend is upwards

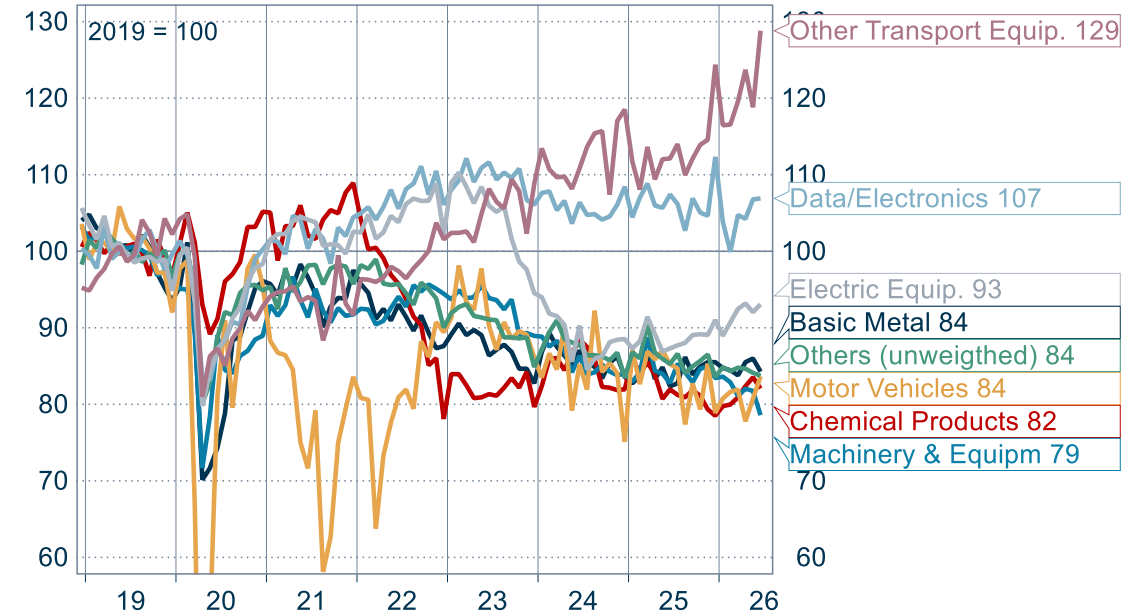
Manufacturing production is still sagging in several sectors, like machinery, chemicals, metals and motor vehicles

Germany Manufacturing orders, production



Macrobond & SB Markets

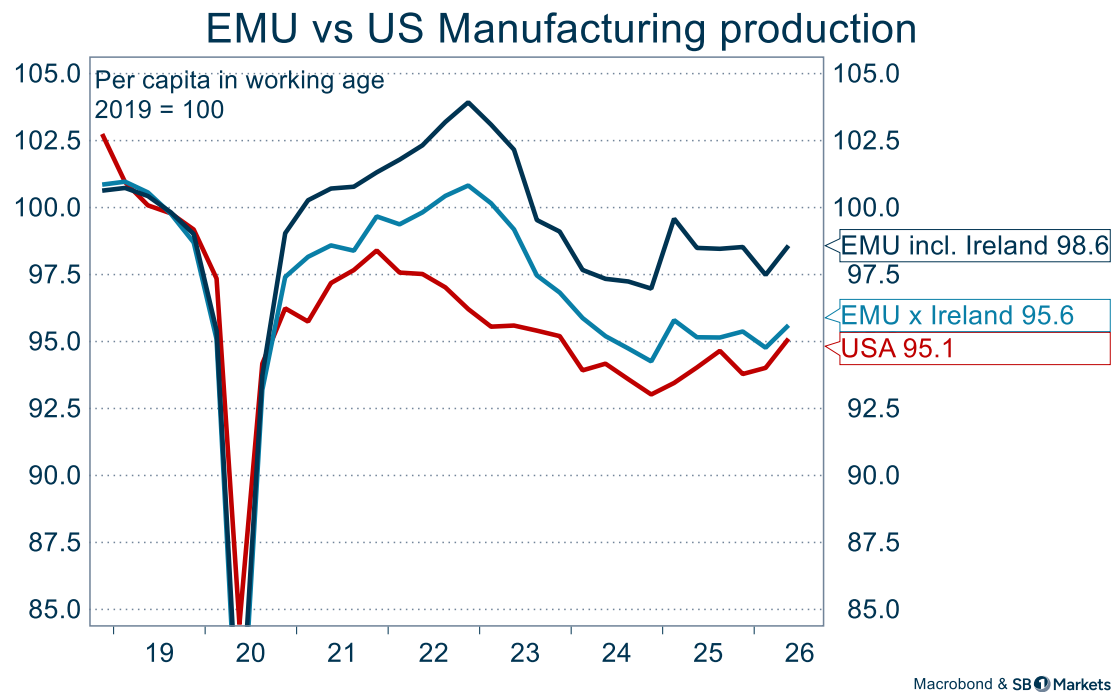
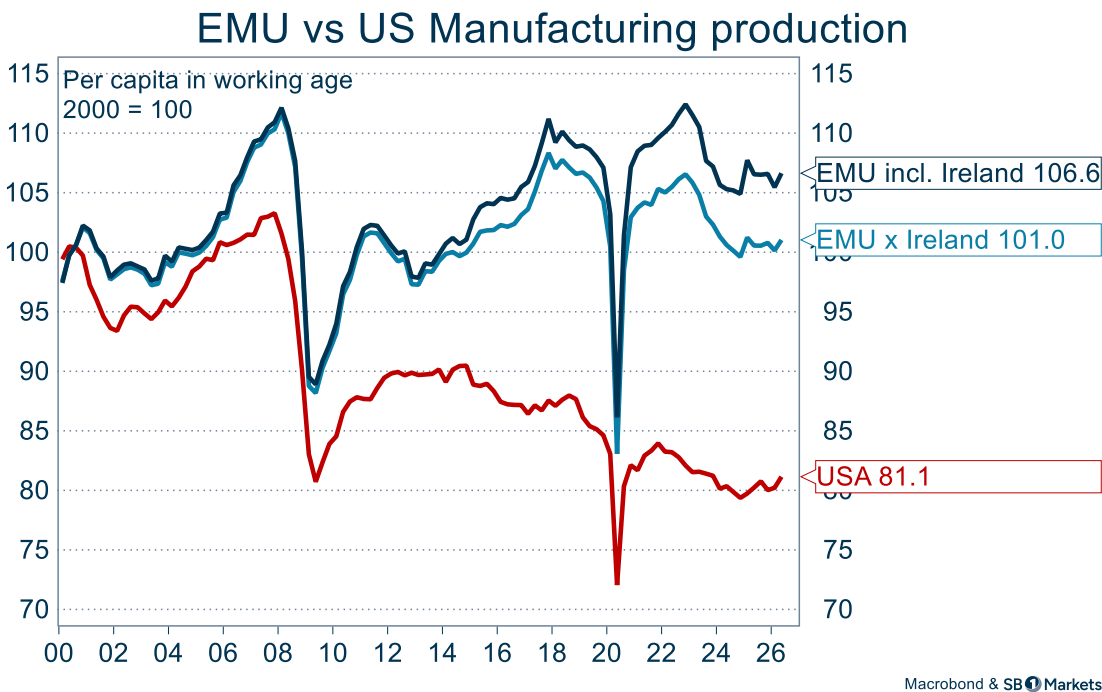
Germany Manufacturing production



Macrobond & SB Markets

Da capo: Europe surely has some challenges. But so does the US?

Check the data



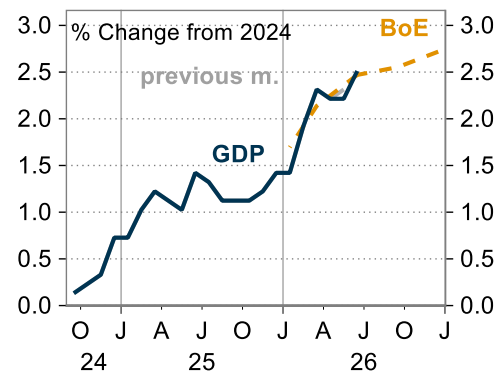
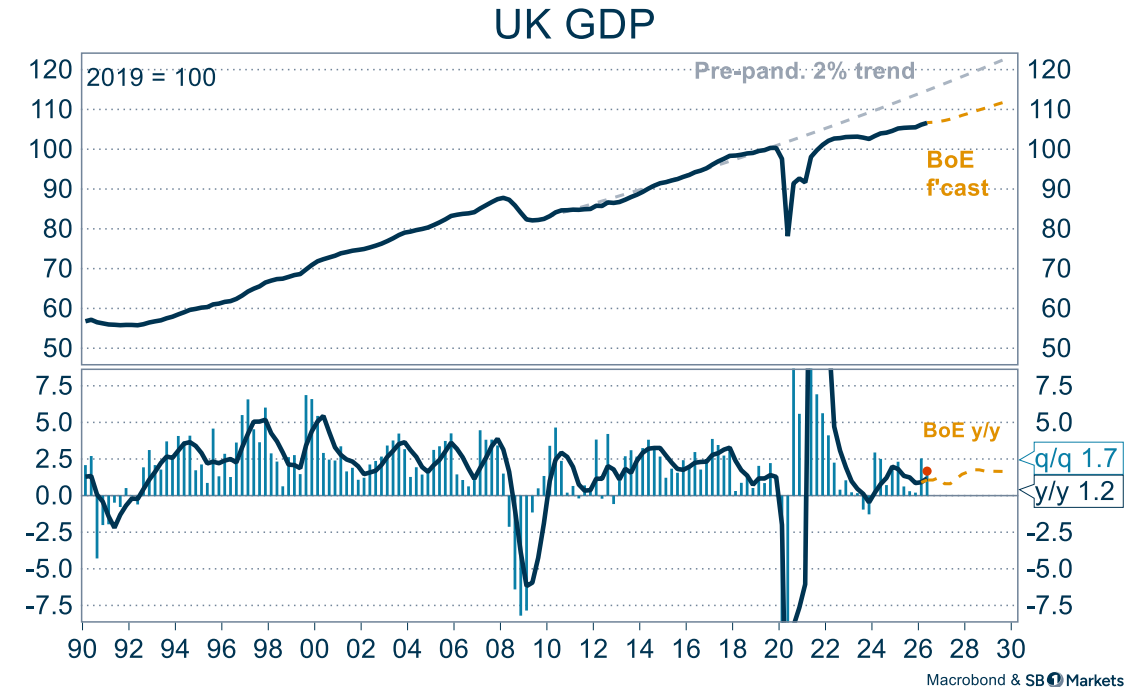
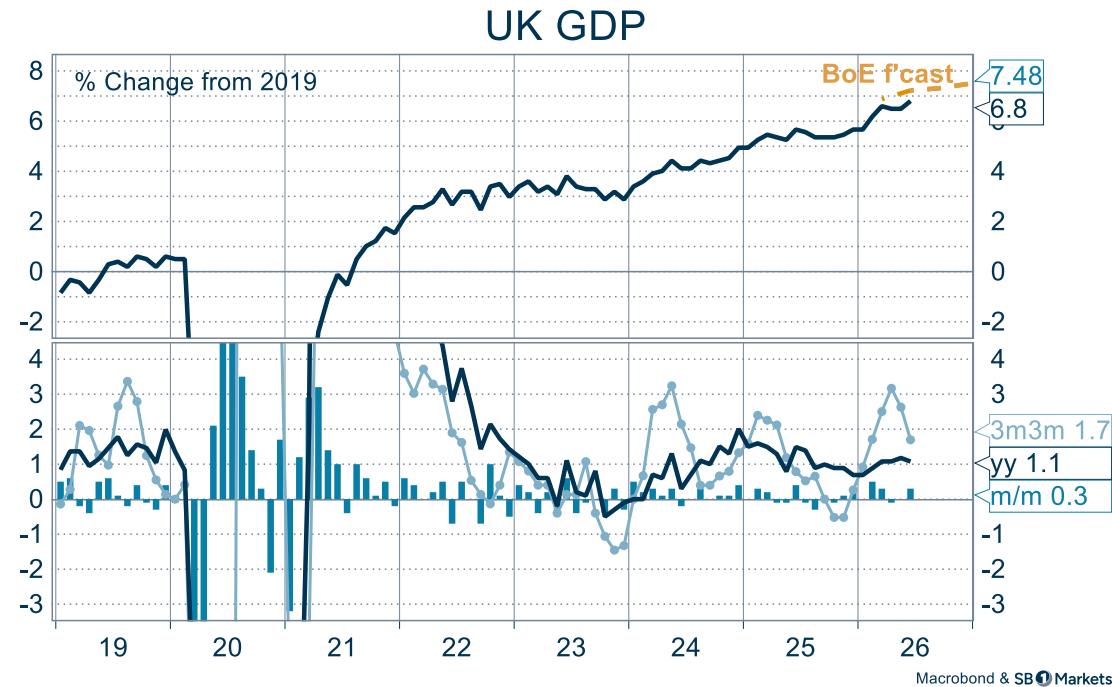


UK



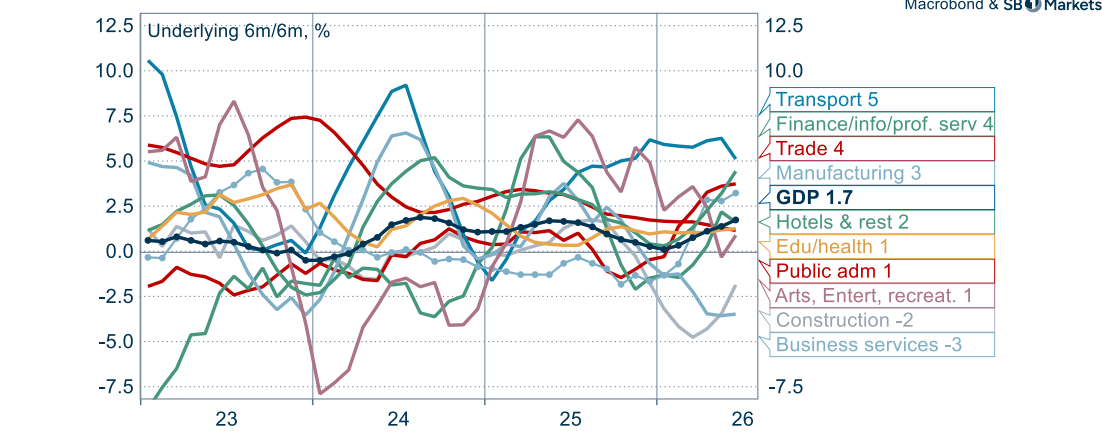
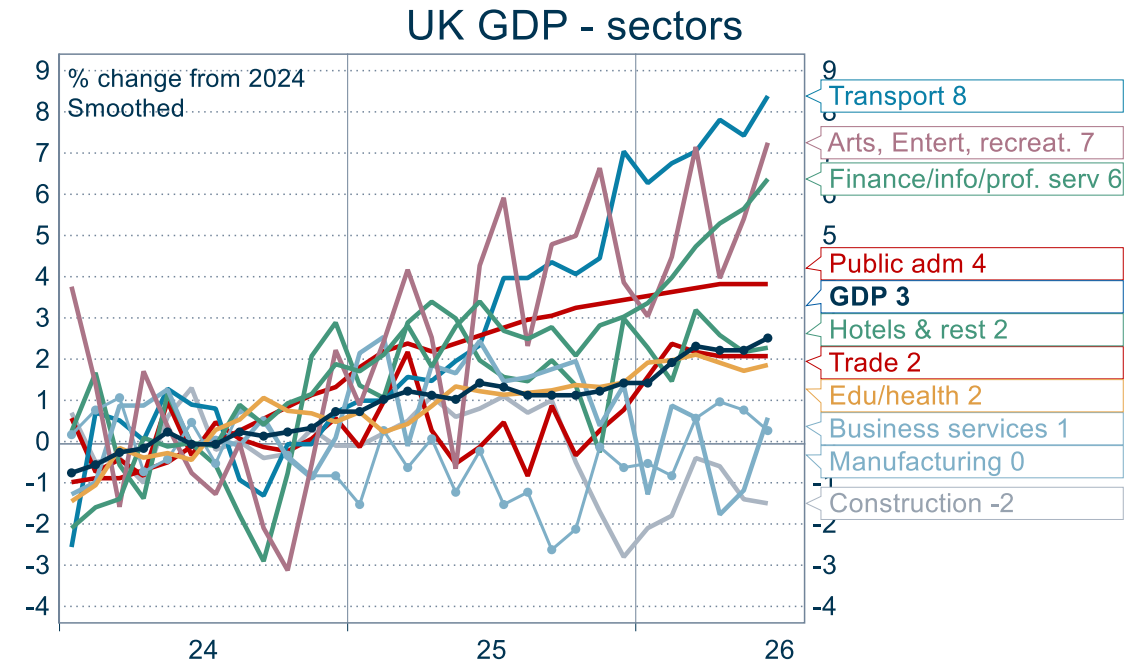
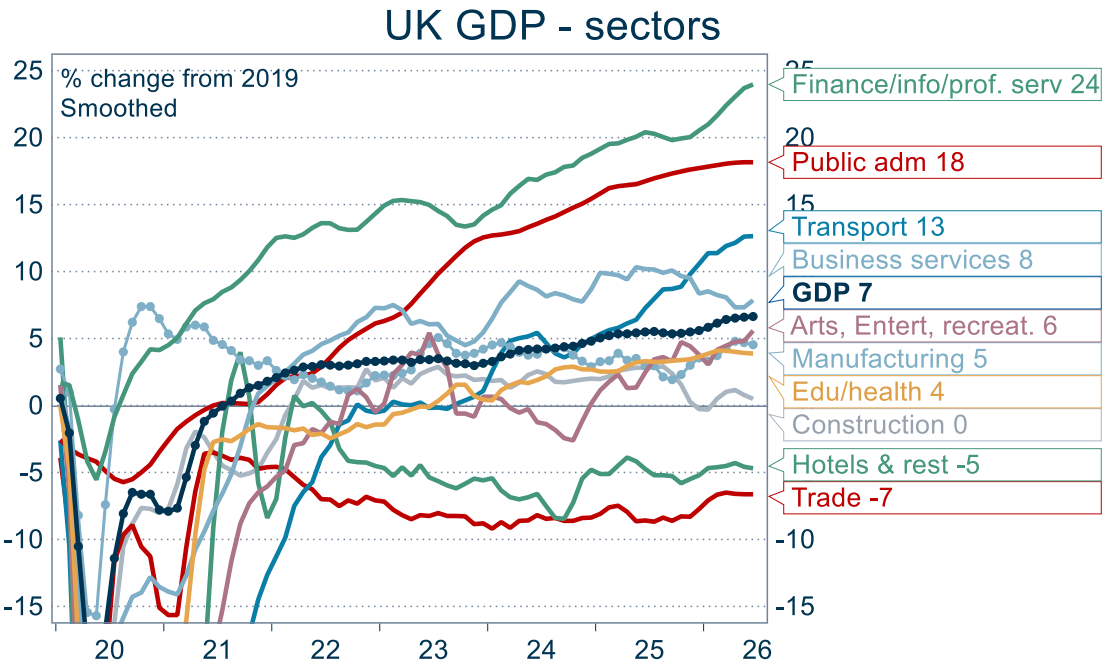
GDP rose 1.7% in Q2, following the 2.5% lift in Q1. Still just 1.2% y/y

GDP growth was marginally higher than economists and Bank of England expected (1.6%/1.3%)





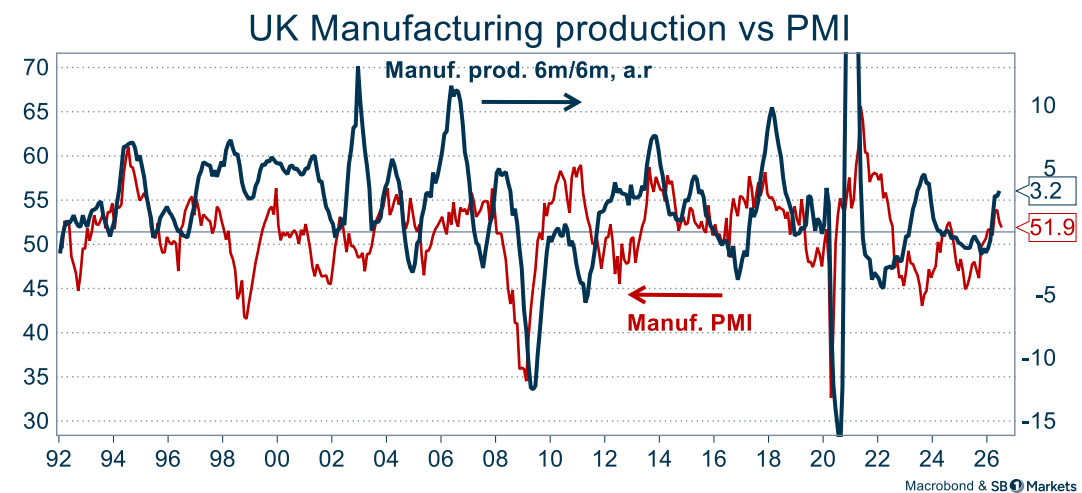
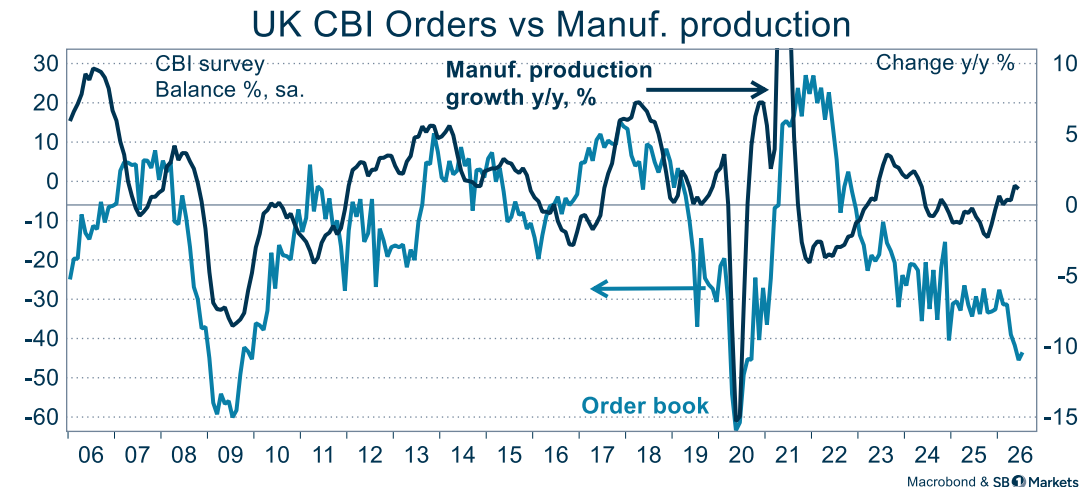
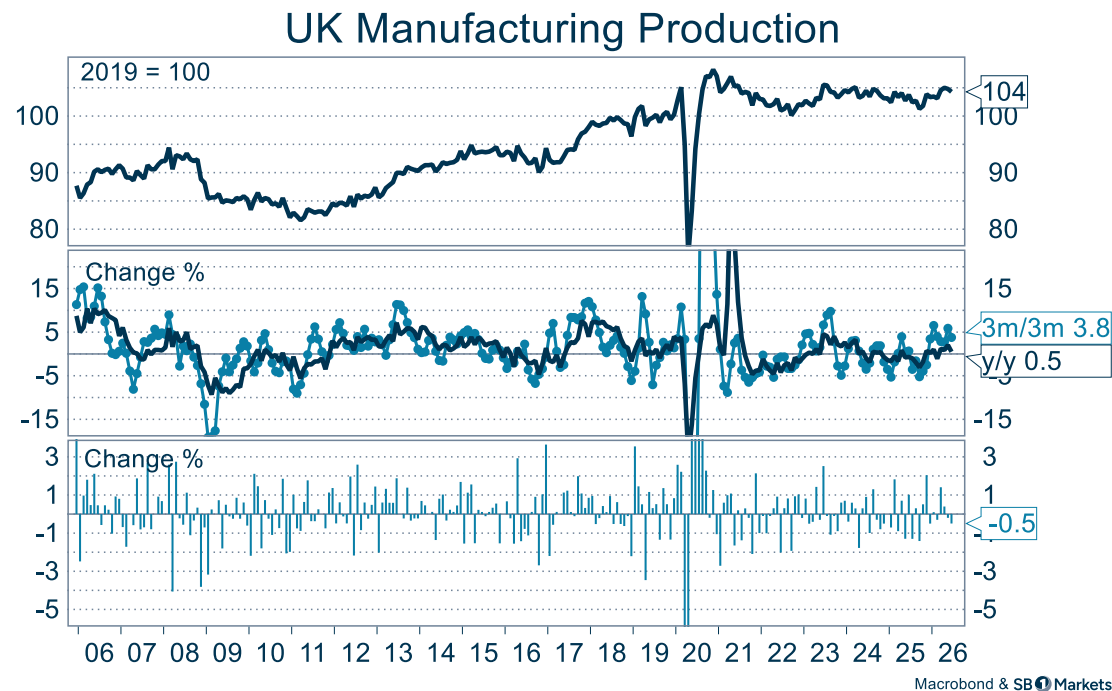
Construction and business surveys on the weak side; Other sectors trend up





Manufacturing production has recovered so far in 2026

Production declined in June but grew at a 3.8% pace in Q2 (but is just 0.5% y/y). Surveys are mixed, but in sum not on the strong side.

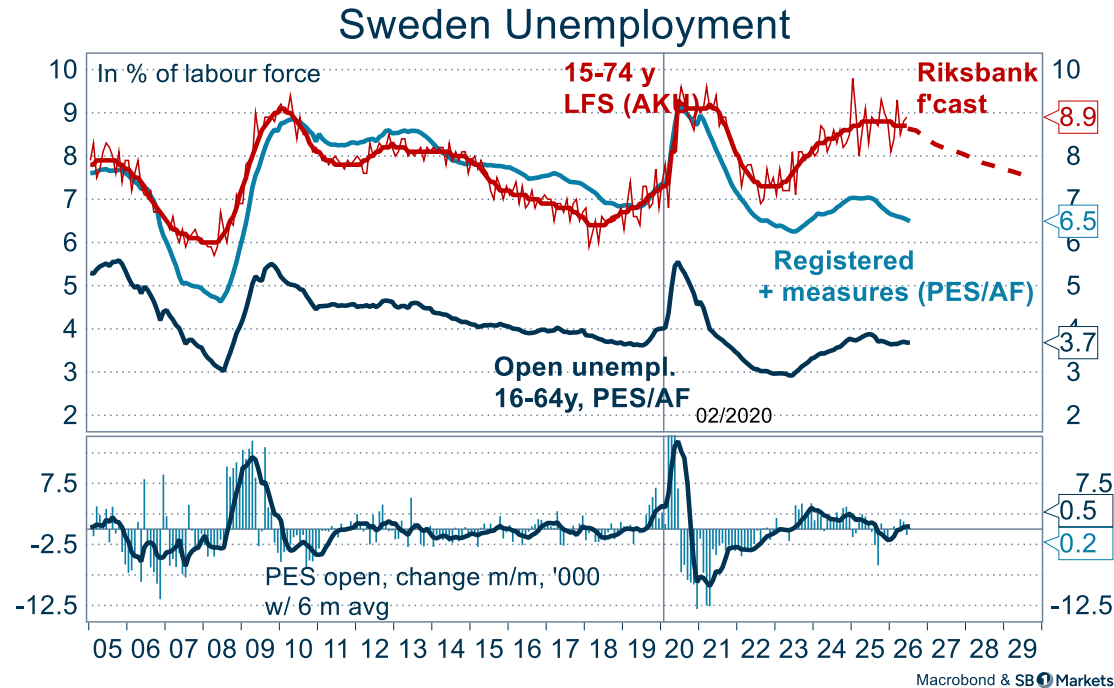




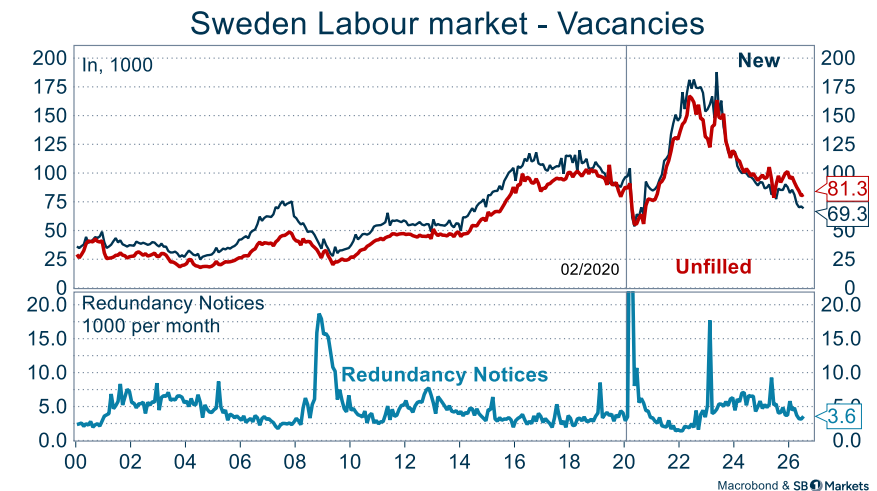
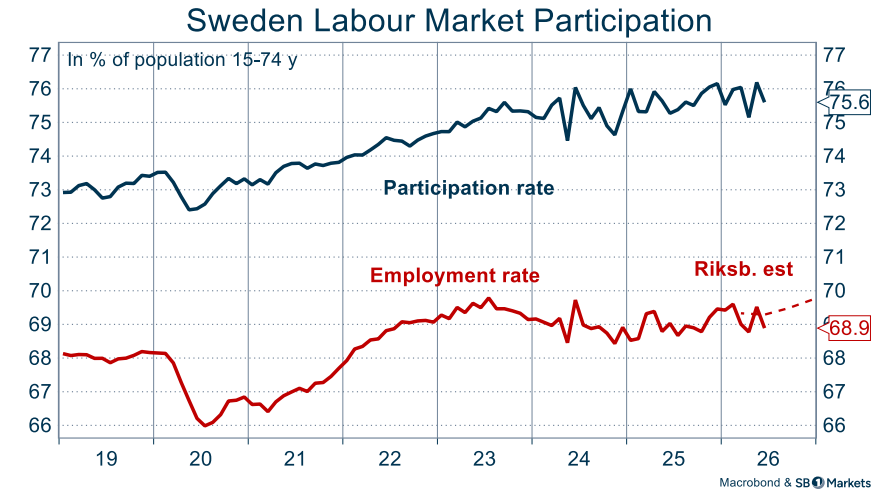
Sweden

Open PES unemployment has flattened, following the marginal lift in H1

The unemployment rate was unchanged at 3.7% in July, following a 0.1 pp upward revision of the June rate. The number of unemployed rose marginally in July, as in average the past 6 months. A warning sign: The number vacancies declines rapidly, normally signalling higher unempl.



- Vacancies are normally leading unemployment by 6 – 9 months.
- The LFS unemployment rate may have peaked, at just below 9%. Both participation and the employment rates have flattened so far in 2026, but the trend is slowly up from the local through in late 2024.



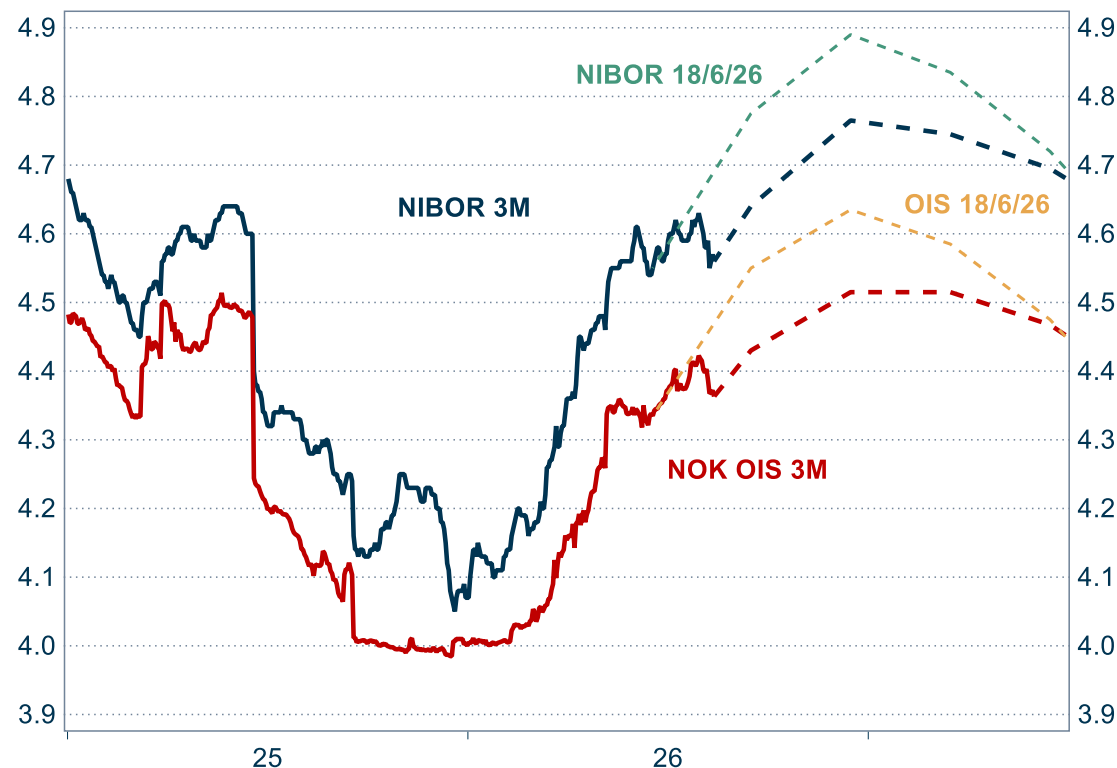


3. Norway

Norges Bank Review: Wait and see

As widely expected, Norges Bank kept its policy rate unchanged at 4.25% and said that *“It may ... still become necessary to raise the policy rate.”* August’s inflation figures will be crucial in determining if and when Norges Bank raises rates

- At its **June meeting**, Norges Bank said that *“the policy rate will be raised at one of the forthcoming monetary policy meetings.”* However, lower inflation in June and July changed the outlook for the central bank, which stated that if *“... inflation pressures ease faster, the policy rate may become lower than currently envisaged..”*
- Now Norges Bank writes that *“Inflation has slowed and been lower than projected this summer ... but inflation is still too high, and it is too early to conclude that the inflation outlook has changed materially. It may thus still become necessary to raise the policy rate.”*
- **We expect a modest rebound in core inflation in August, and our baseline view remains that Norges Bank will raise the policy rate in September. However, we are no longer as confident.**
- We believe that core inflation below 3.0% in August would be an argument for keeping the policy rate unchanged in September, while core inflation above 3.0% would likely result in a rate hike by Norges Bank, even if other data may be on the downside.
- Our preliminary estimate CPI-ATE forecast is below 3%. However, other factors, such as the exchange rate of the Norwegian krone, interest rates abroad, energy prices, and the outlook for the Norwegian economy, are also important to Norges Bank’s decision. In sum, these factors may support another rate hike in September.
- However, the most important factor for the central bank is the **inflation outlook**, which will determine whether Norges Bank believes that a more restrictive monetary policy stance is necessary to bring inflation back to target within a reasonable period of time.

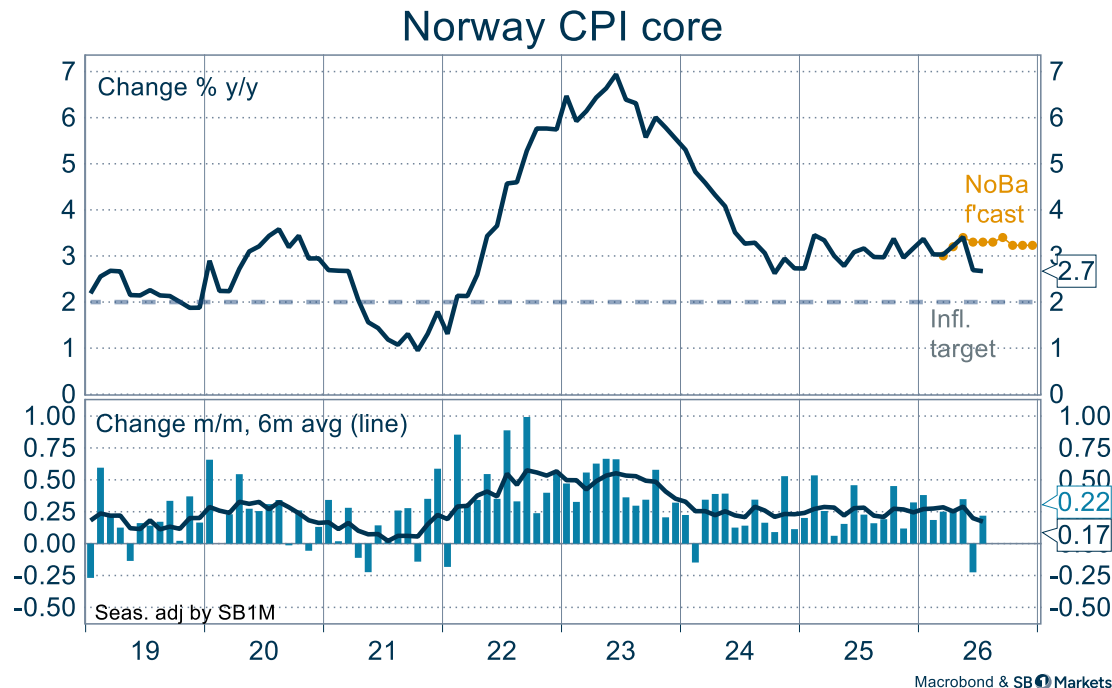


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Market reactions: Rate expectations declined some few bps, and last week the probability for a hike before or at the September meeting fell 50% from 66%. Since the June NoBa meeting the curve has fallen by more the 25 bps

Core inflation (and the total) remained at 2.7% in July, **0.6 pp below NoBa's f'casts!**

The core CPI rose 0.2%, a normal growth rate, following the unusual 0.2% drop in June. Thus, no 'correction' of the June drop.



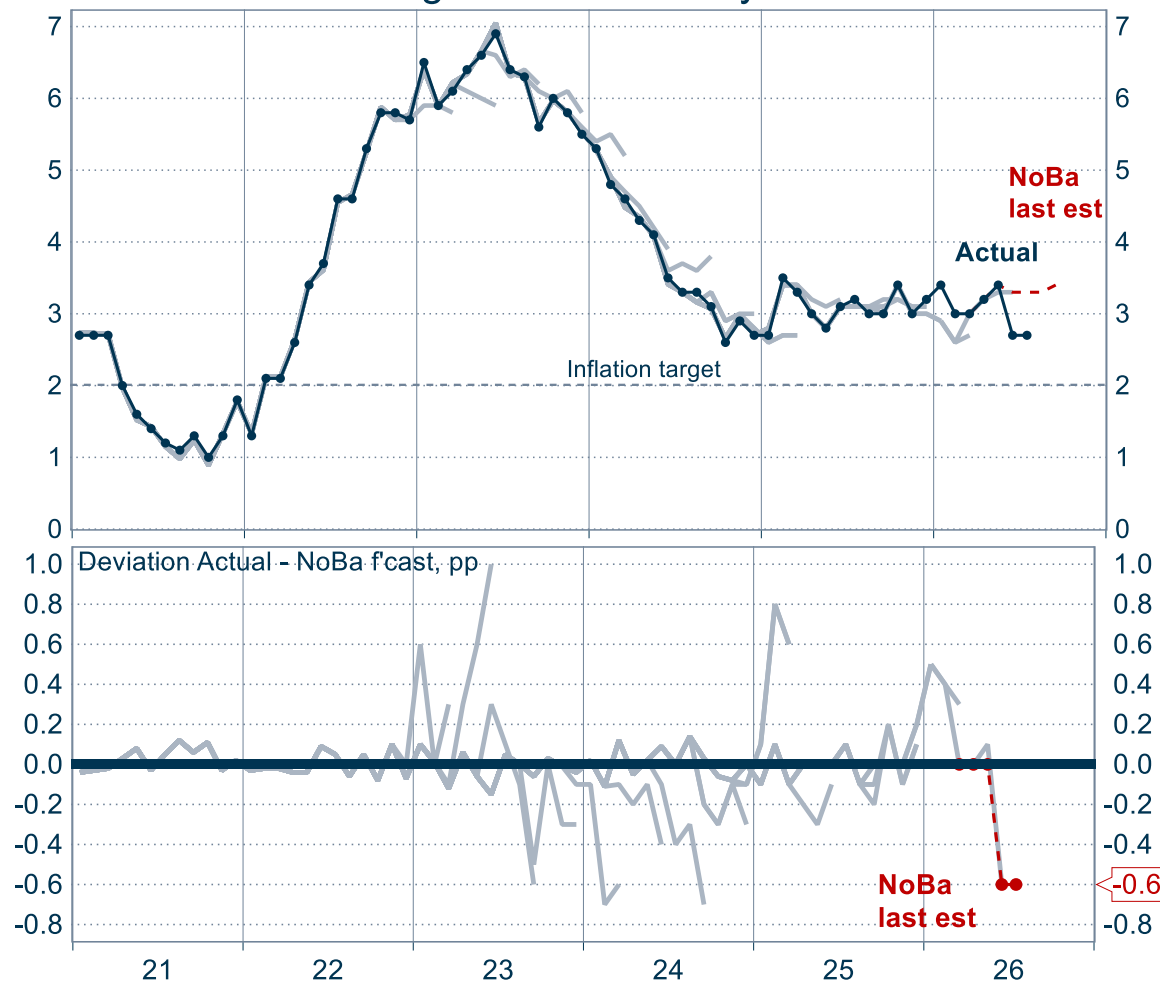
Change y/y	June 2026	July 2026
Total CPI	2.7	3.0
Norges Bank f'c	3.2	3.1
Core CPI	2.7	2.7
Norges Bank f'c	3.3	3.3

- **CPI-ATE** (ex. energy and taxes) remained at a 'low' level in July, and far below NoBa's forecast in the June MPR.
 - **Prices** rose 0.2% m/m, following the unusual 0.2% drop in June. Thus, no 'correction' in July
 - **Core imported goods prices** declined 0.1% m/m in July,. The annual rate fell 0.4 pp to 1.3%, well below NoBa's f'cast. Our model suggests a further decline to below zero → *some downside potential*.
 - **Core domestically produced goods and services prices** rose 0.4%, and are up 3.4% 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 flat so far in 2026, seasonally adjusted. The annual rate has fallen to 1.2%.
 - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.0% y/y, down from 4.0% two months ago.
 - Our measures of **underlying price growth** collapsed in June and remained low in July.
- **Electricity prices** rose 7% in July, somewhat more than we assumed (grid cost grew faster than we expected). Prices are up 10% y/y. Gasoline/diesel prices were also a tad higher than we forecasted, but prices are down y/y – due to the cut in taxes, which will be reversed in September.
- **Inflation is still too high**, but the June & July data were a huge surprise. We expect a small uptick in the core CPI in August and September, but that inflation will remain below 3%, and thus below Norges Bank's June forecasts.

Core inflation still 0.6 pp lower than NoBa assumed in the June MPR

The headline CPI was 0.5 pp lower than the Bank expected in June, but just 0.1 pp below in July

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



Norway CPI inflation
vs. Norges Bank monthly f'casts



Core prices rose 0.2% in July, 0.1 pp less than we expected

Food, furnishing and info/communication prices surprised us most on the downside. Airfares surprised the most on the upside, with electricity, gasoline, and recreation. Food inflation has fallen to 1.2% y/y (and prices are flat, so far in 2026, seasonally adjusted).

Jul-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	-0.1	0.4	-0.5	2.4	1.2	2.1	-0.01	0.15	-0.12	-0.11
Alcohol, tobacco	3.4	0.4	0.2	0.2	3.2	3.1	2.9	0.01	0.12	-0.00	0.01
Clothing, footwear	4.3	0.7	0.6	0.1	2.6	2.9	2.2	0.03	0.14	0.01	0.03
Housing x. energy	27.5	0.3	0.2	0.1	3.6	3.6	3.6	0.08	0.81	-0.00	0.01
Furnishings	5.9	-0.9	0.2	-1.1	2.3	0.5	2.2	-0.06	0.03	-0.11	-0.11
Health	3.2	0.5	0.3	0.2	3.8	4.4	4.1	0.02	0.15	0.02	0.01
Transp. ex. gas, airfares	11.4	0.7	0.2	0.6	1.6	2.4	1.7	0.08	0.35	0.09	0.11
Airfare	1.1	3.3	1.0	2.3	-4.0	2.9	-0.7	0.04	0.04	0.07	0.05
Info & communication	5.3	-0.5	0.4	-0.9	1.8	1.4	2.6	-0.03	0.07	-0.02	-0.06
Recreation, culture	8.5	0.9	0.4	0.5	3.2	4.3	3.6	0.08	0.49	0.09	0.08
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	0.2	0.4	-0.2	6.0	5.7	5.8	0.01	0.40	-0.02	-0.01
Financial services	2.7	0.9	0.3	0.6	8.9	7.9	8.5	0.02	0.23	-0.03	-0.02
Other goods, services	4.8	0.9	0.4	0.5	-2.4	-2.1	-2.6	0.04	-0.12	0.01	0.03
CPI-ATE, s.a	94.9	0.2	0.30	-0.08	2.7	2.7	2.7				
<i>Norges Bank est.</i>			0.2		3.3		3.3				
Imported	35	-0.1	0.2	-0.3	1.7	1.3	1.7	-0.02	0.46	-0.13	
Domestic	60	0.4	0.3	0.0	3.2	3.3	2.7	0.21	2.00	0.09	
Energy, housing (x s.a)	3.2	6.5	4.2	2.3	-0.1	8.7	6.3	0.21	0.28	0.28	0.08
Energy, transport (x s.a)	1.4	5.7	3.0	2.7	-1.8	-4.4	-6.8	0.08	-0.06	-0.04	0.04
CPI Total (not sa)	100	0.0	0.0	0.0	2.7	3.0	2.8				
<i>Norges Bank est.</i>		-0.2		0.2	3.2	3.1					

- Electricity prices rose more than we assumed, as distribution costs rose sharply. In addition, gasoline prices rose more than we assumed.

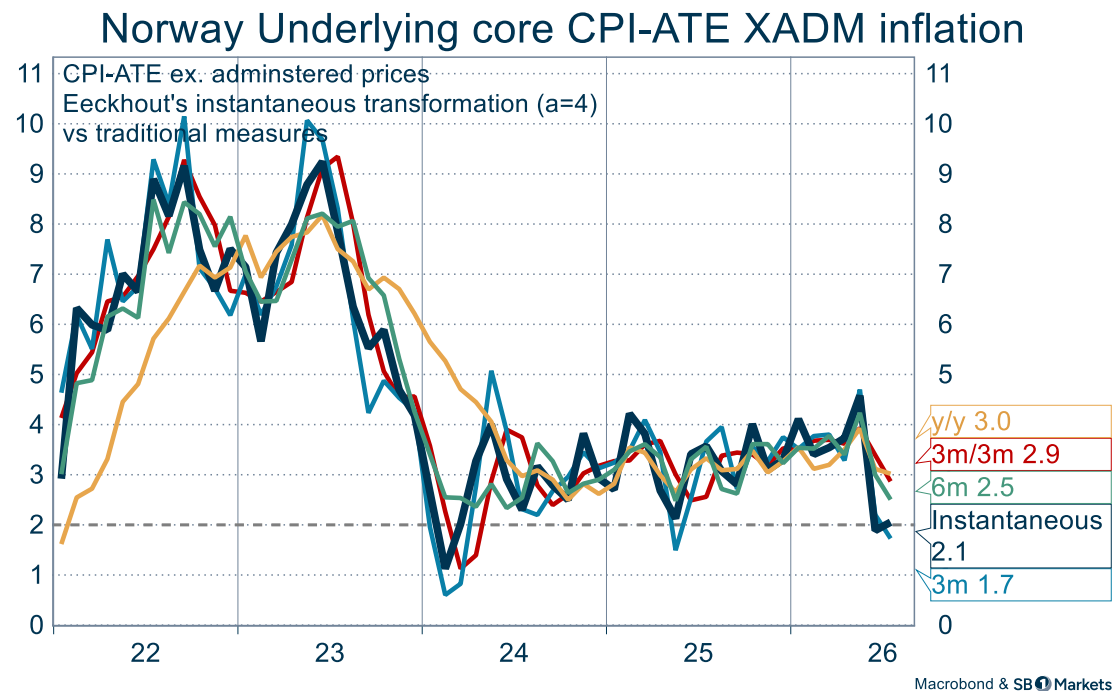
Change m/m, seasonally adjusted (calc by SB1M)

Sum of parts does not necessarily add up to totals

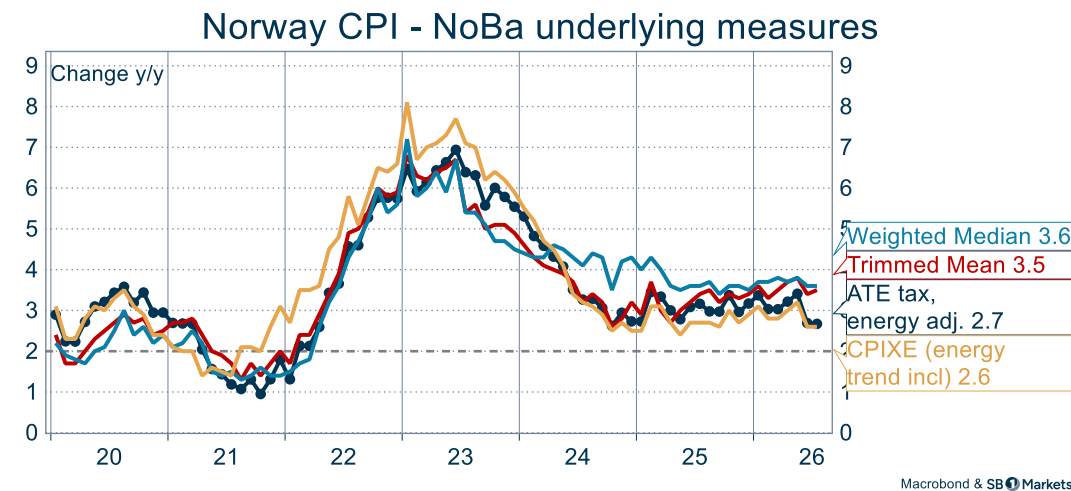
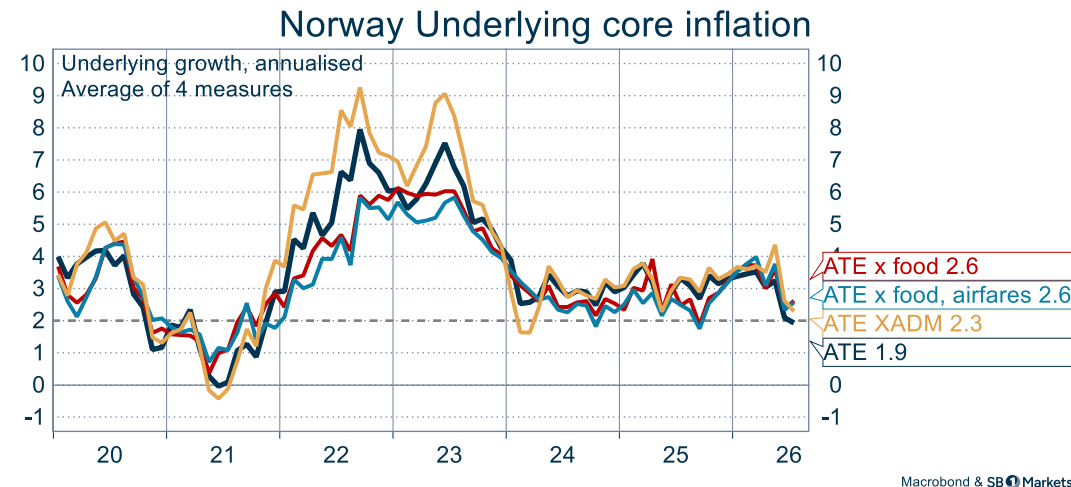
Norges Bank m/m s.a. estimate is implied, calc by SB1M

Monthly changes are seasonally adjusted by SB1 Markets. The weighted sum of the components does not necessarily sum exactly up 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.

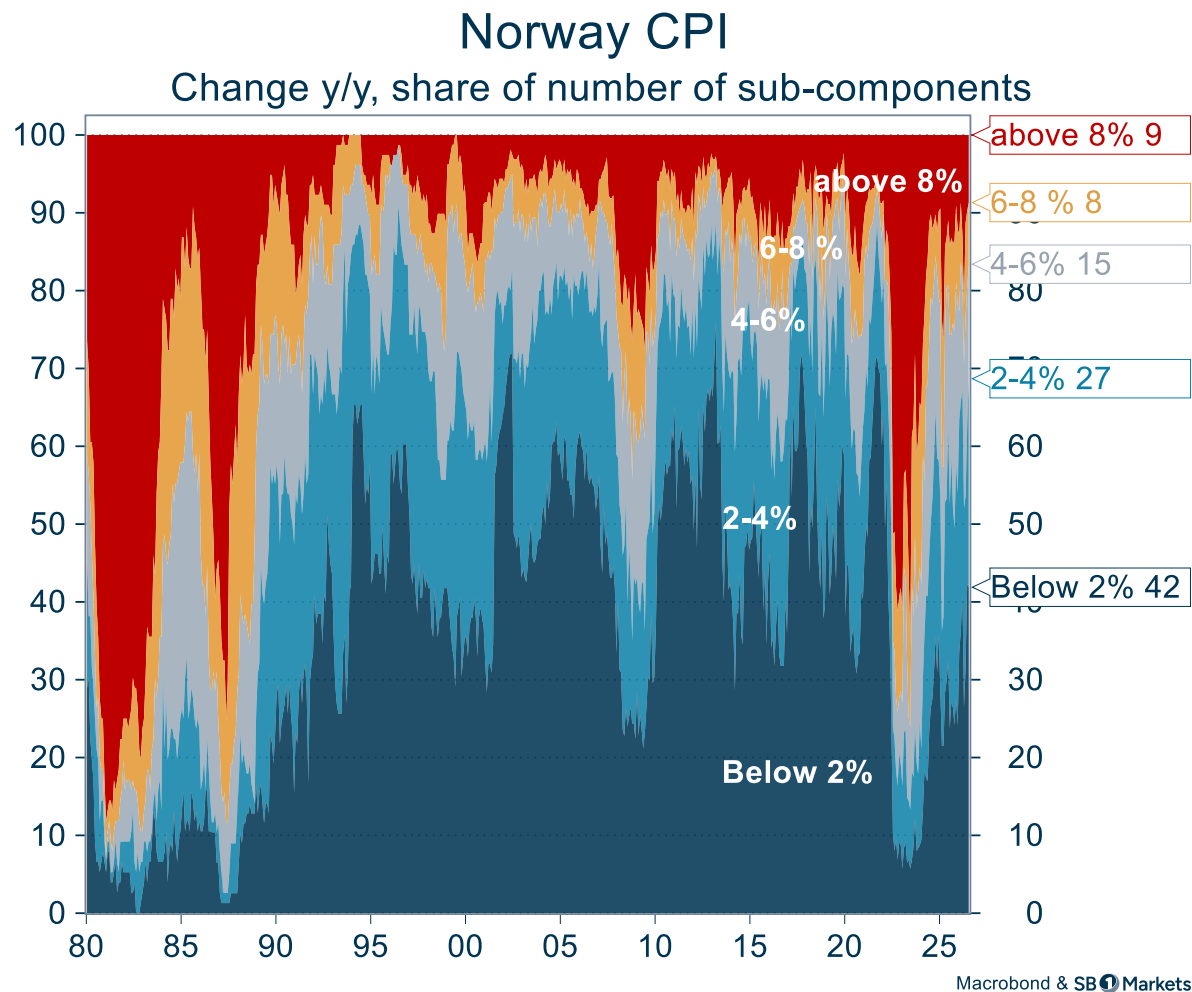
All measures of underlying core inflation remained low in July – but most are above 2%



- 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.**



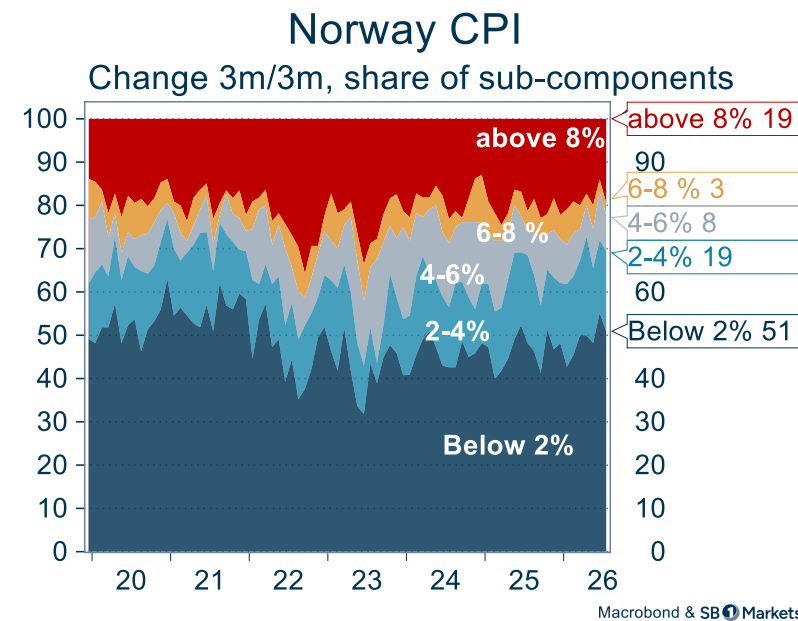
42% of the CPI components are up 2% or less y/y, 'just' 32% are up more than 4%



On the margin:

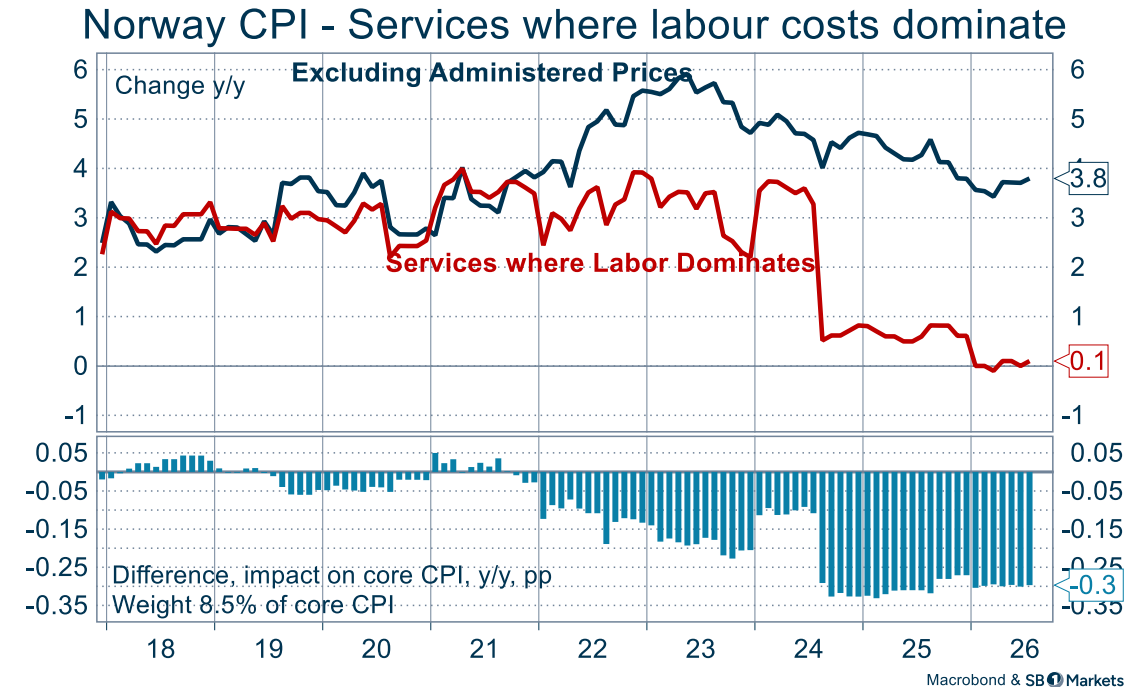
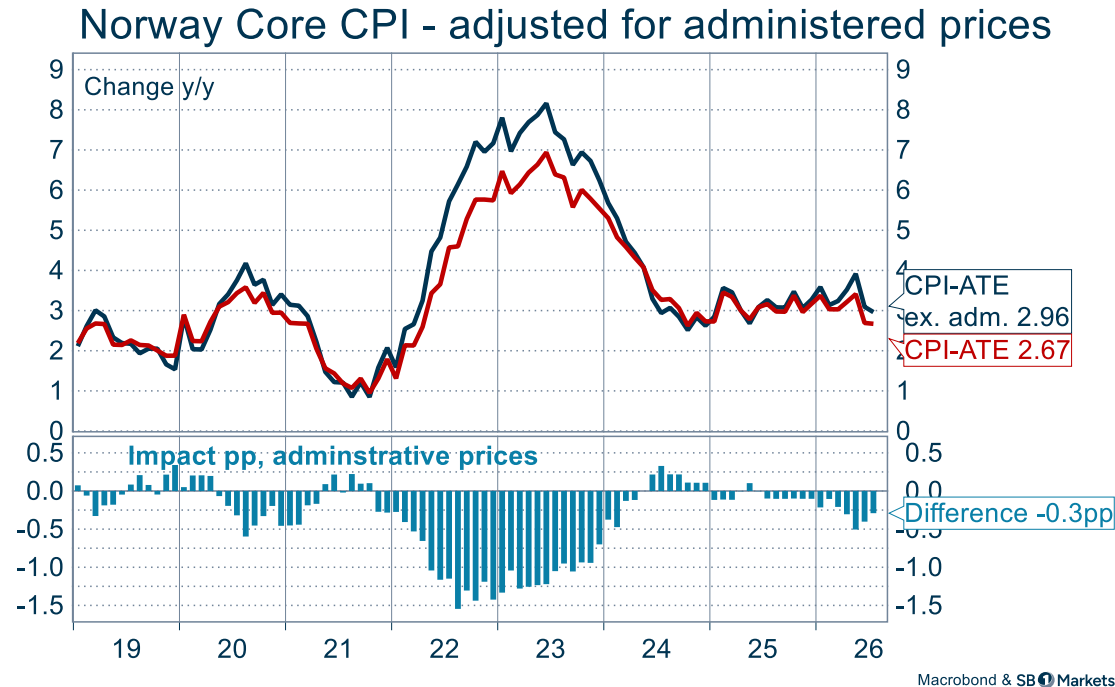
Measured 3m/3m (110 components)

- 51% of components are up 2% or less, and the share is trending upwards
- 40% of the components are climbing faster than a 4% pace, and the share is rapidly shrinking



Administrative prices lower core CPI by 0.3 pp → the **'market-based' CPI-ATE is up 3.0% y/y**

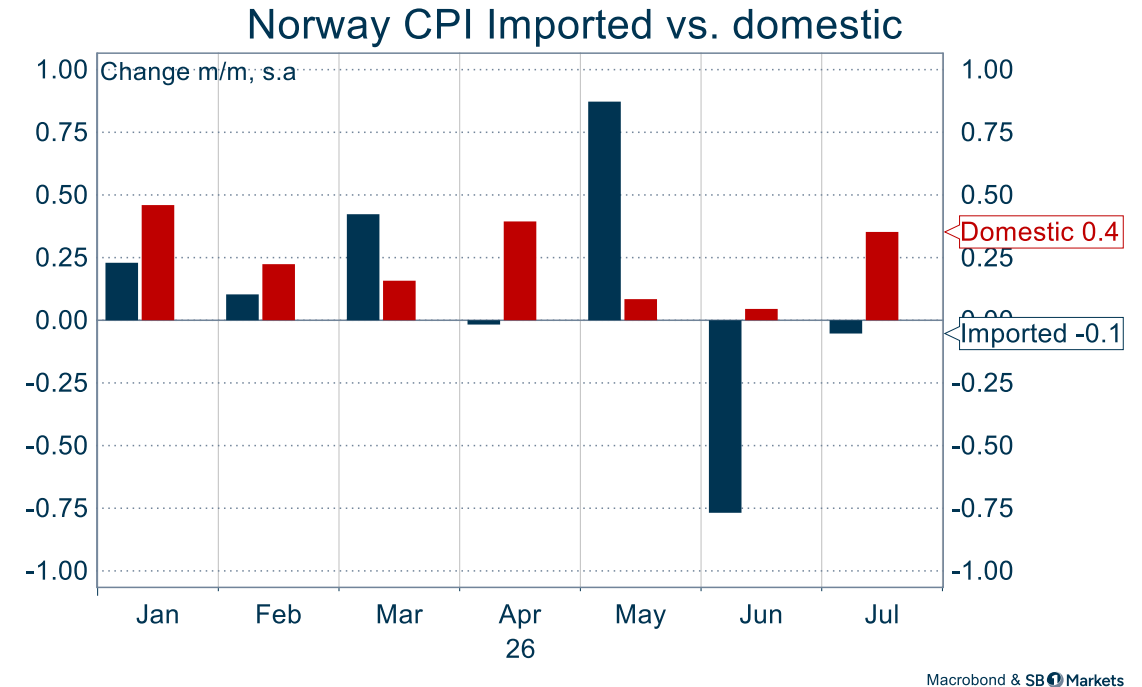
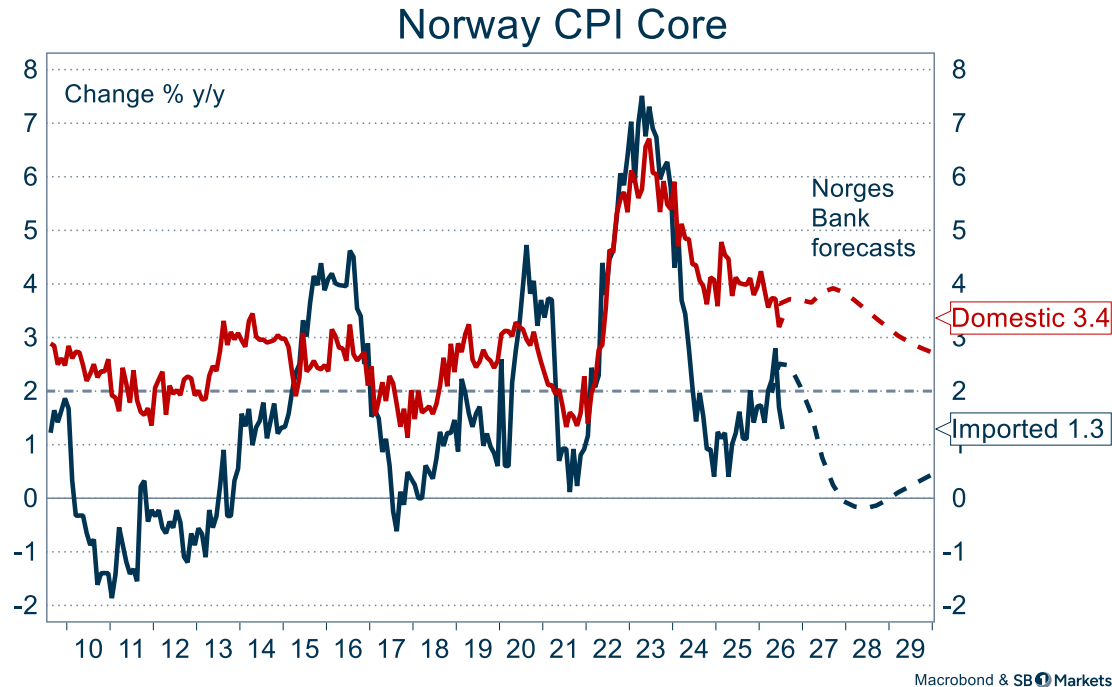
The largest contribution is from kindergarten subsidies, which lowers the core CPI by 0.3 pp. In August, you will spot the impact in the 'official' CPI annual growth rate.





Imported core inflation further down in July, by 0.4 pp to 1.3%, domestic up 0.2 pp to 3.4%

Both were well below NoBa's forecasts. Imported prices declined 0.1% m/m in July, mostly due to lower TV and clothing prices. Domestic prices were unchanged m/m, and the annual rate at 3.4%, also below NoBa's (Q2 and implied June) forecast.

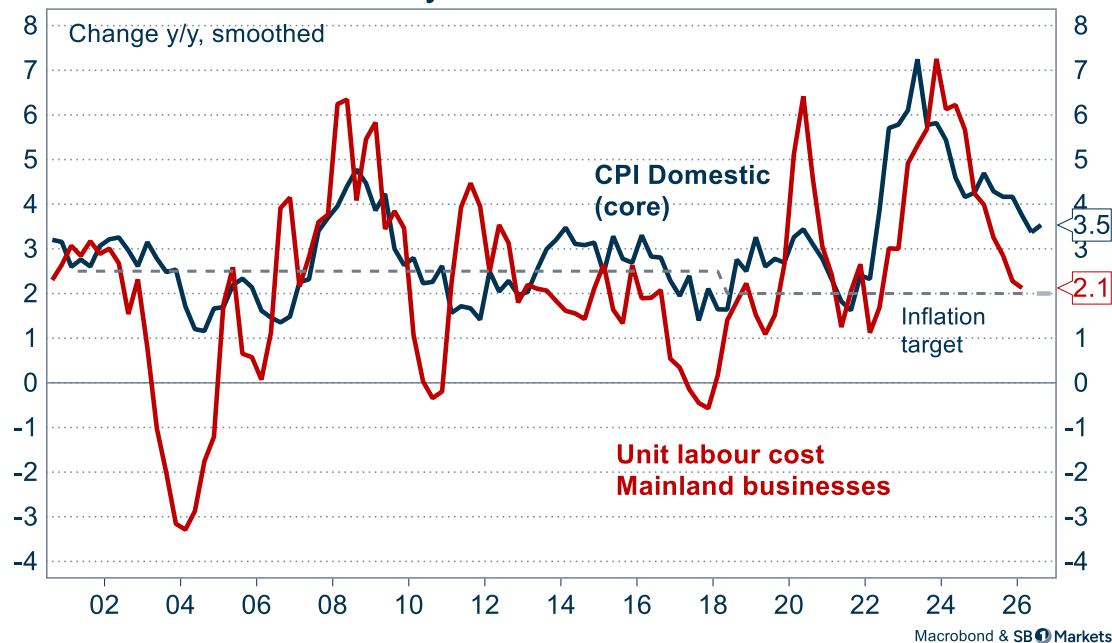


- In August, domestic inflation will be lifted by some 0.4 pp due to the base impact of kindergarten subsidies implemented a year ago.

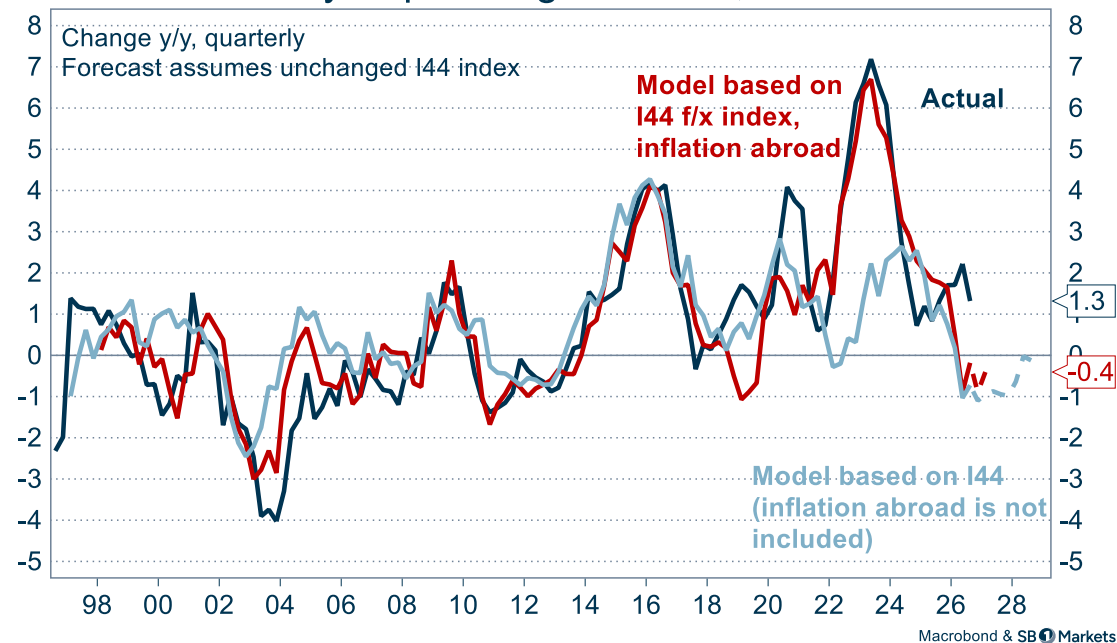
Domestic costs and imported goods: Arguments for expecting **lower inflation!**

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, to **below zero, due to the NOK appreciation.**

Norway CPI vs labour costs



Norway Imported goods CPI, f/x-model

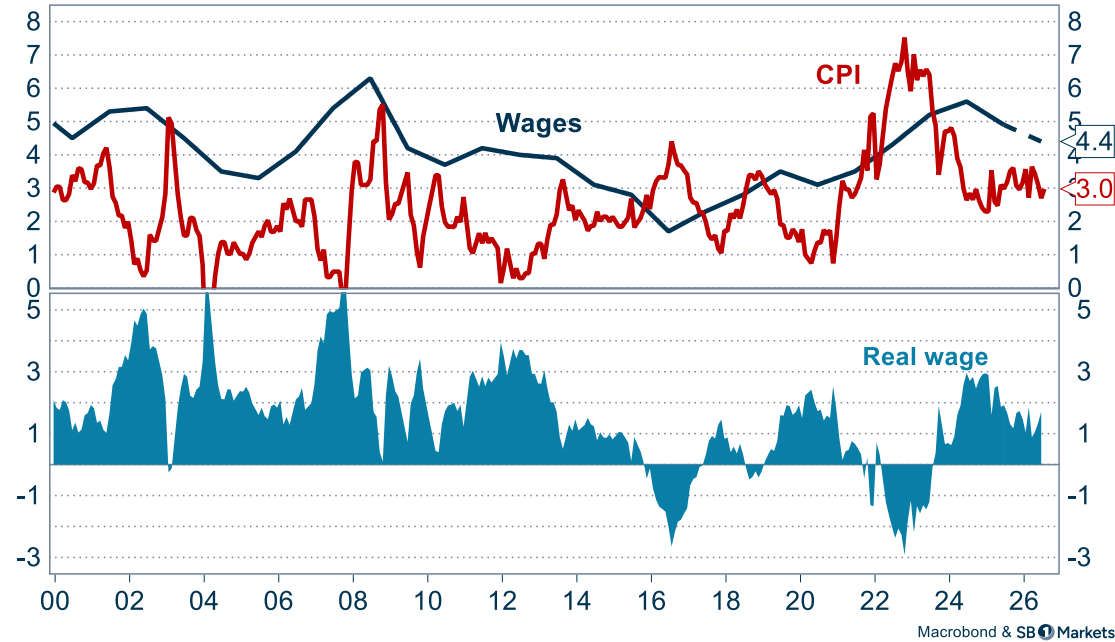


- **Core domestic CPI inflation rose slightly in July.** ULC inflation is slowing and does not signal any reversal.
- **Imported goods:** Our model signals a decline in prices, from the current 1.3% level.
A drop to zero will lower total inflation by 0.8 pp!

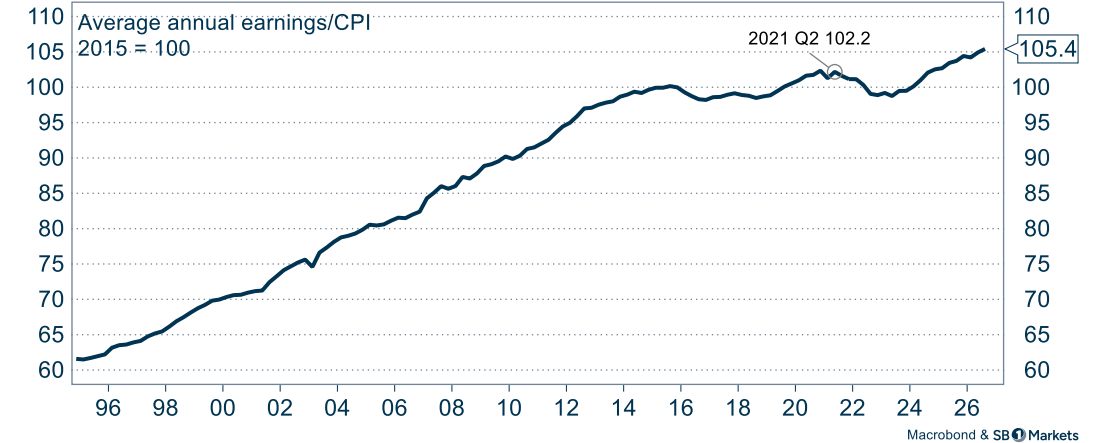
Real wages are still on the way up (but slower) – and they are at an all-time high

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 very likely a further lift in the real wage.

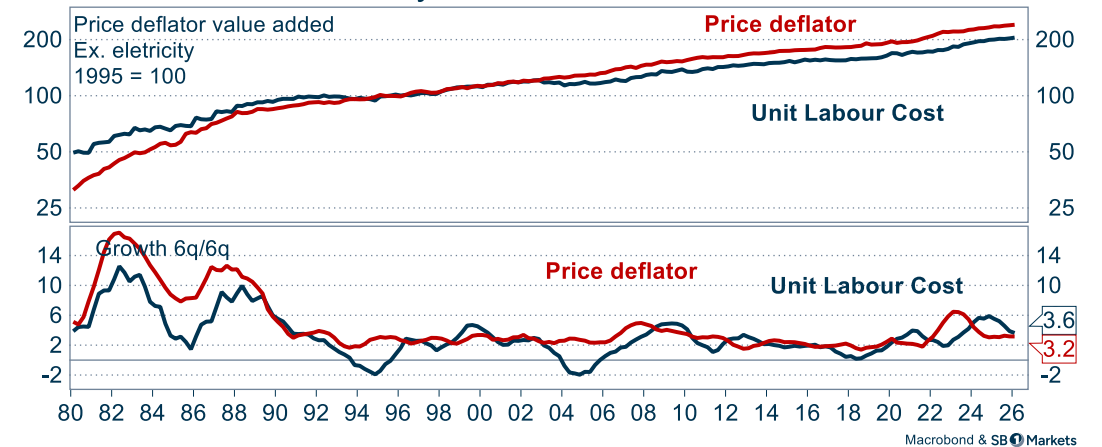
Norway Prices & Wages



Norway Real wage

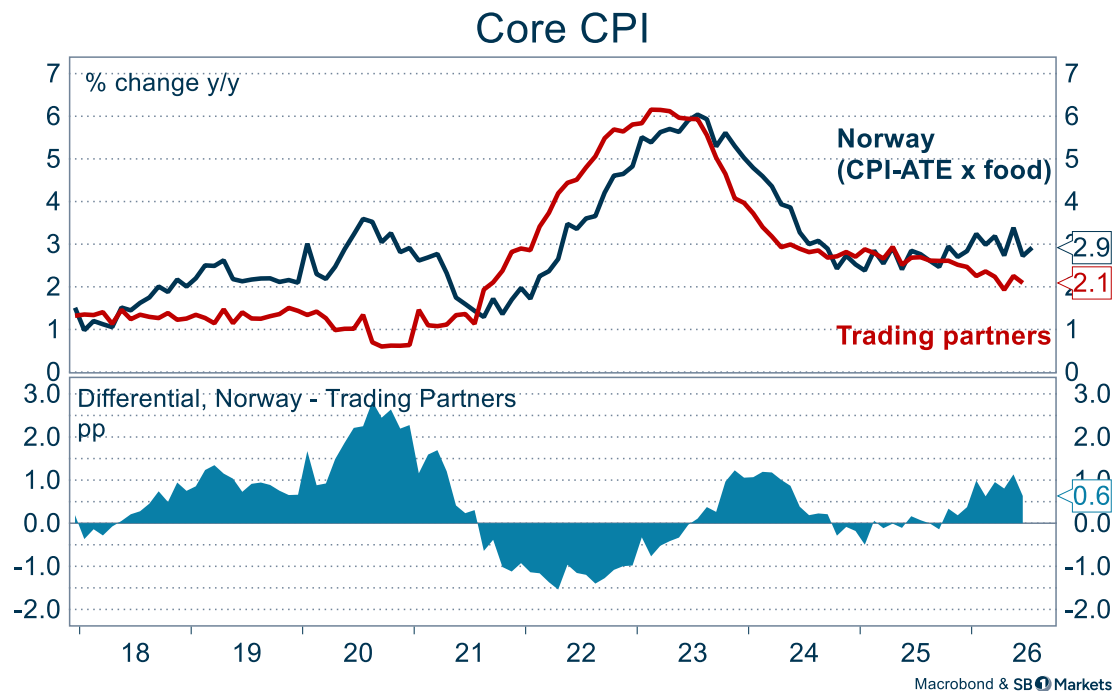


Norway Mainland businesses

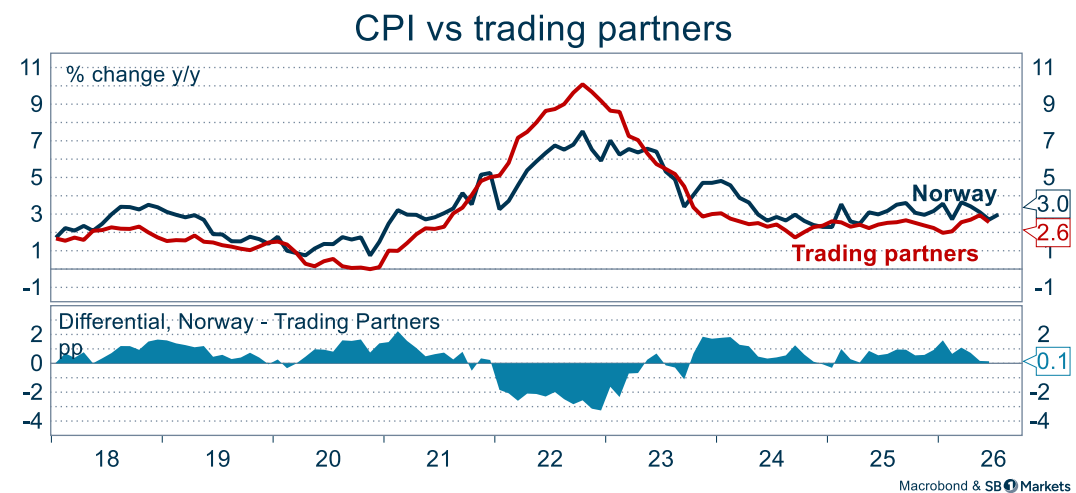
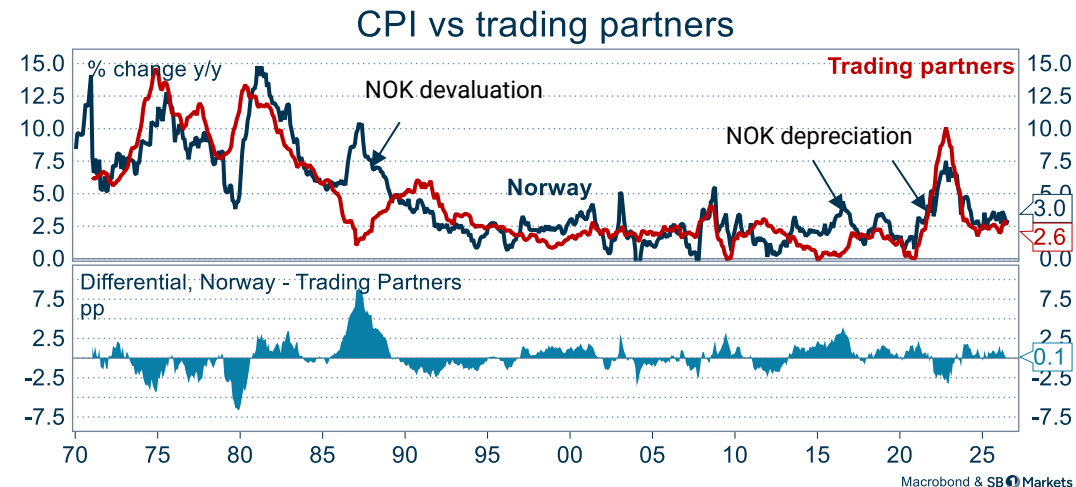


Norwegian core inflation is higher than among our trading partners

The headline CPI is close to the average 'abroad'



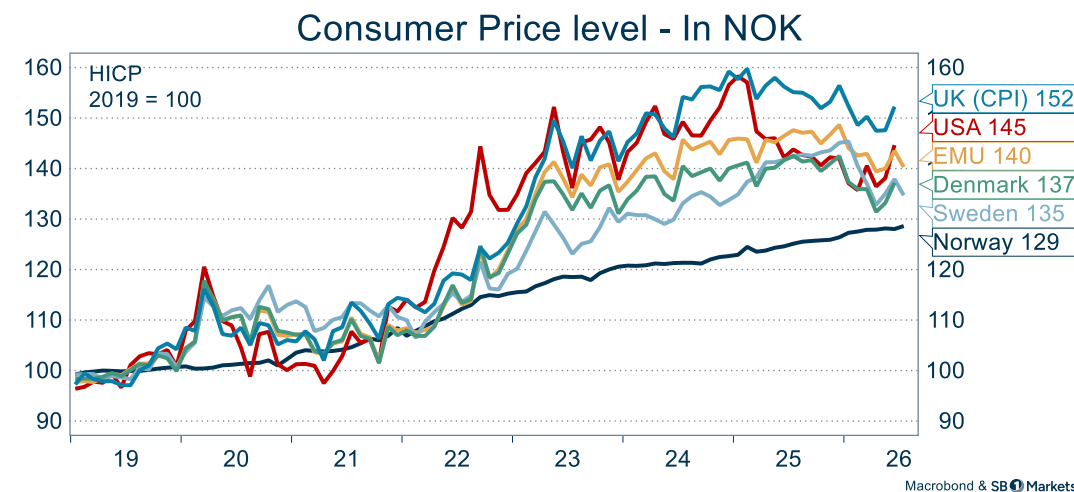
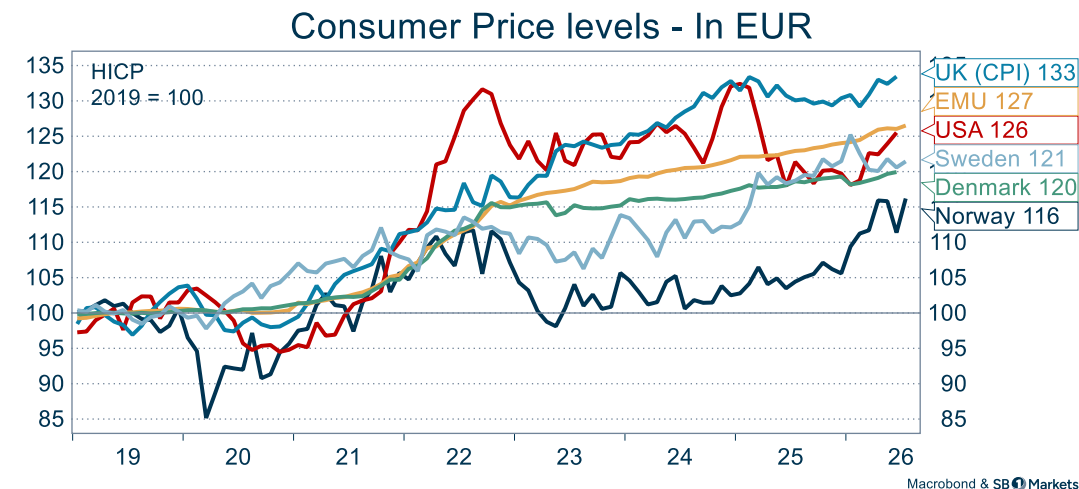
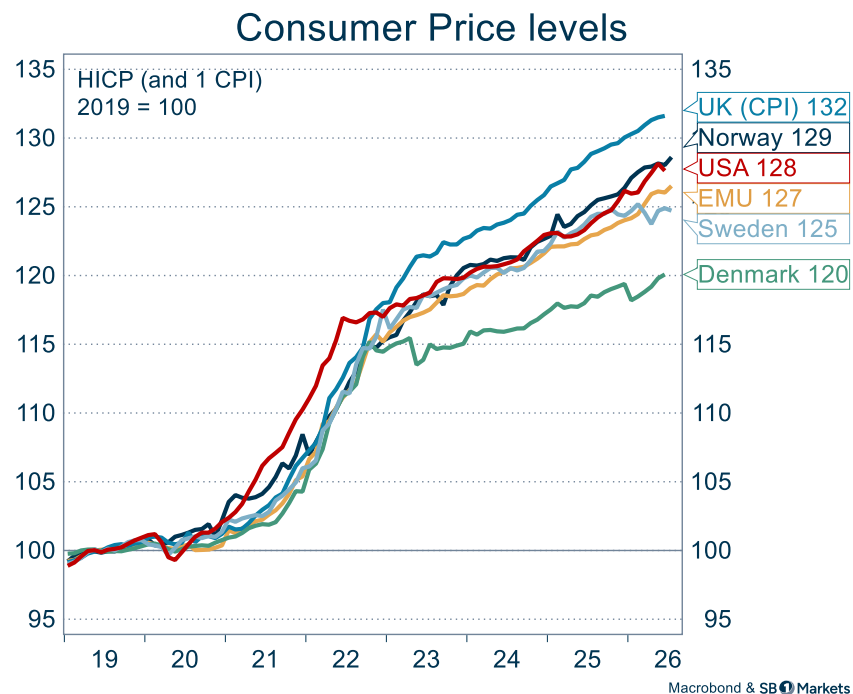
- During the last large inflation cycle '70s and early '80s Norwegian headline inflation was quite closely correlated to the global (G7) CPI cycle (and mostly lagging).
- Norwegian core CPI has (on average) been close to **uncorrelated** vs. core CPI among our trading partners over the past 20 years. The headline CPIs have been somewhat better correlated, due to co-movements in energy prices.
- Norwegian core inflation (here a CPI-ATE x food) was lower than among our trading partners on the way up from 2022, even if the NOK depreciated.





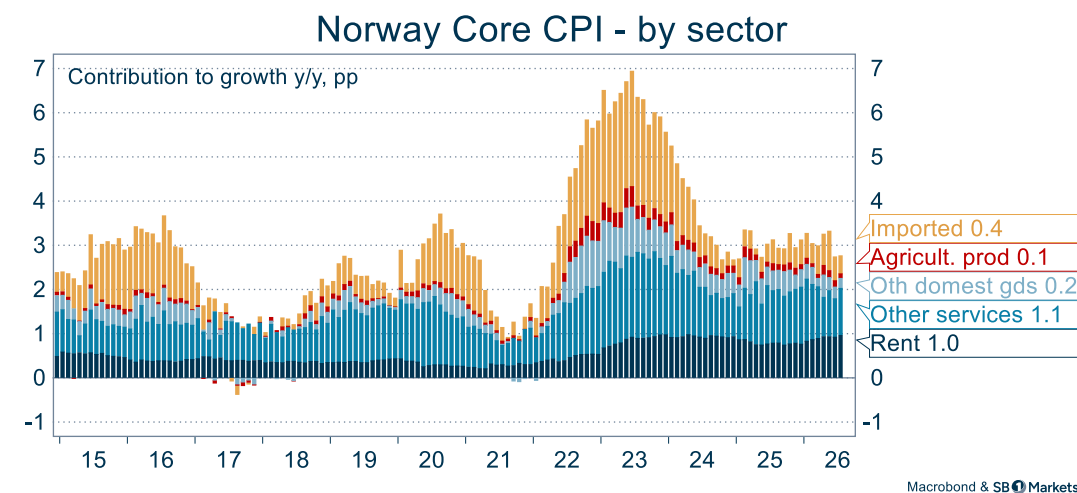
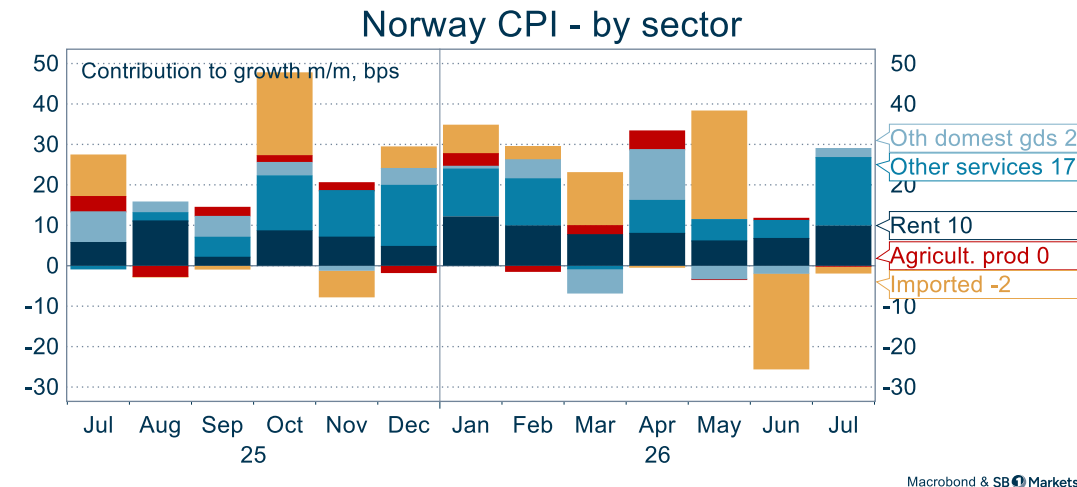
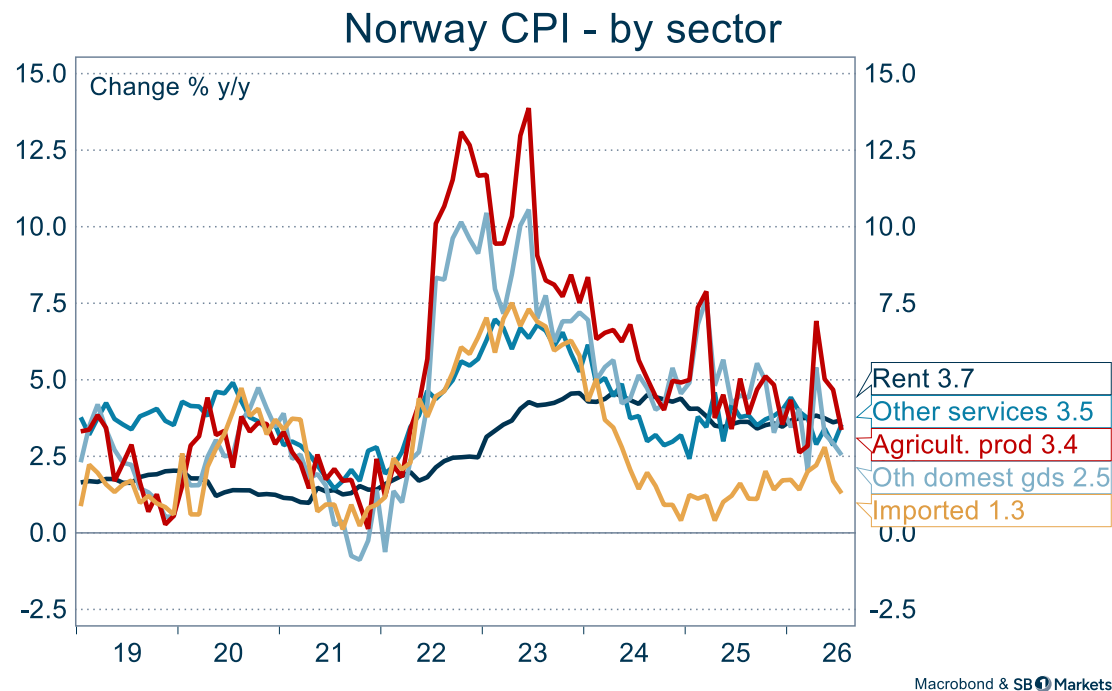
In *national* currencies, prices are up 25 - 28% from 2019 in EMU, Sweden, US. 29% in Norw.

UK prices have climbed more, Danish prices less. The 'low' Norwegian inflation was surprising, given the NOK depreciation. Due to the recent NOK appreciation, the Norwegian price level has narrowed the gap measured in a common currency vs. the 2019/21 level



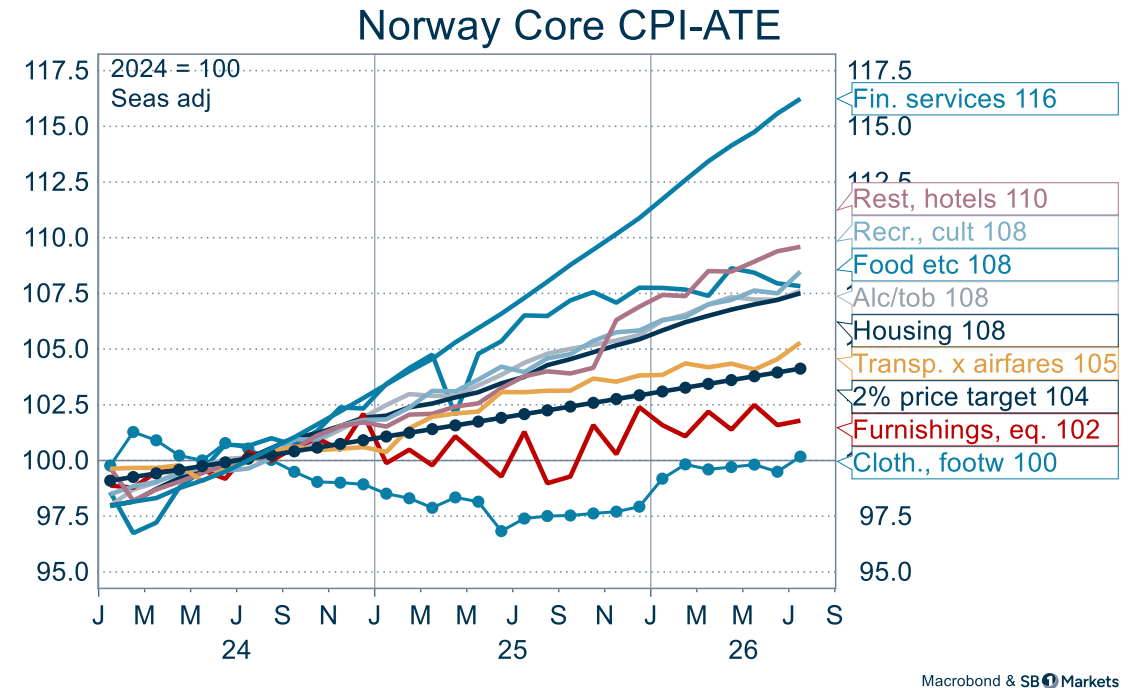
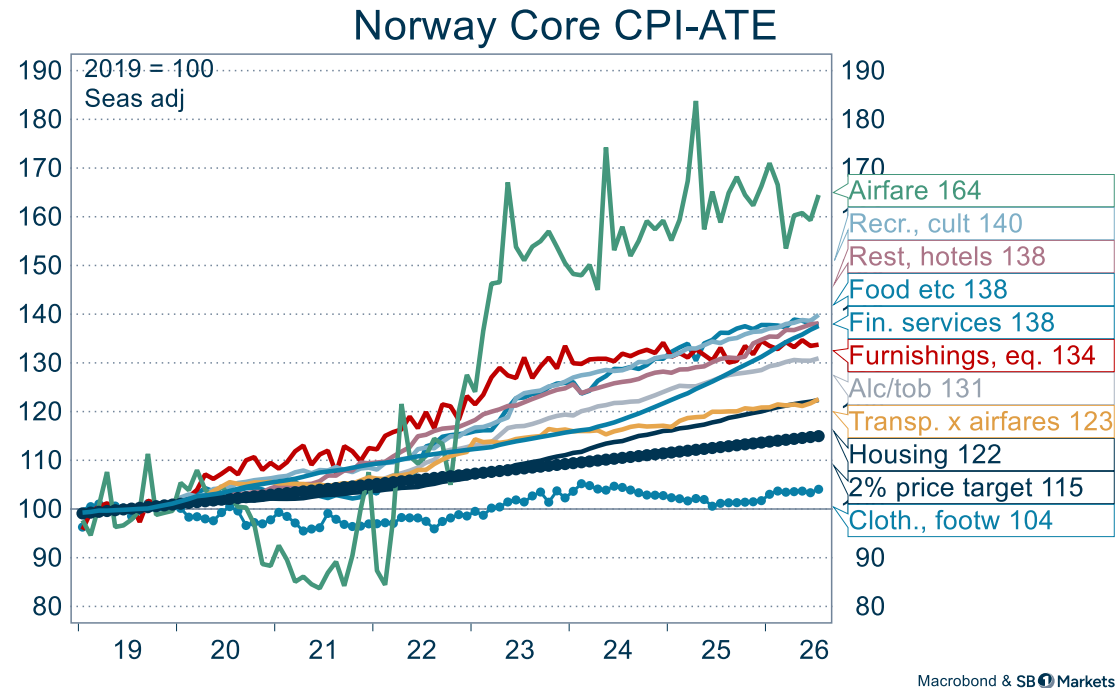
Sectors: Services contributed the most on the upside in July. Imported goods fell

Imported goods are up 1.3% y/y, lifting the core CPI by 0.4 pp. Rents are up 3.7%, lifting the index 1.0 pp. Other services are up 3.5%, which contributes by 1.1 pp



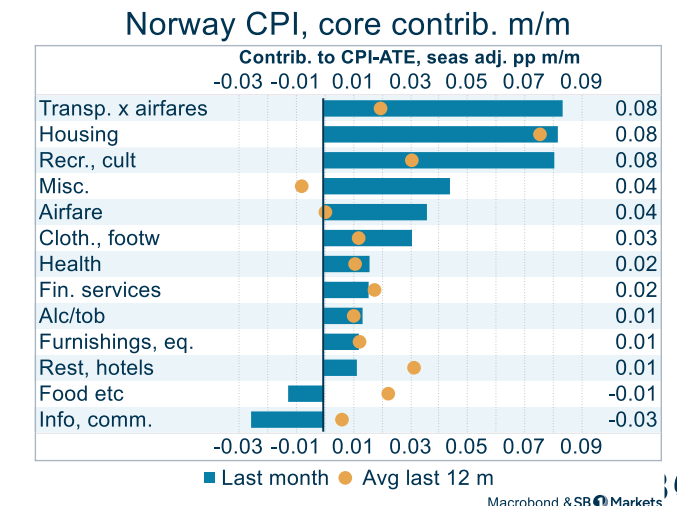
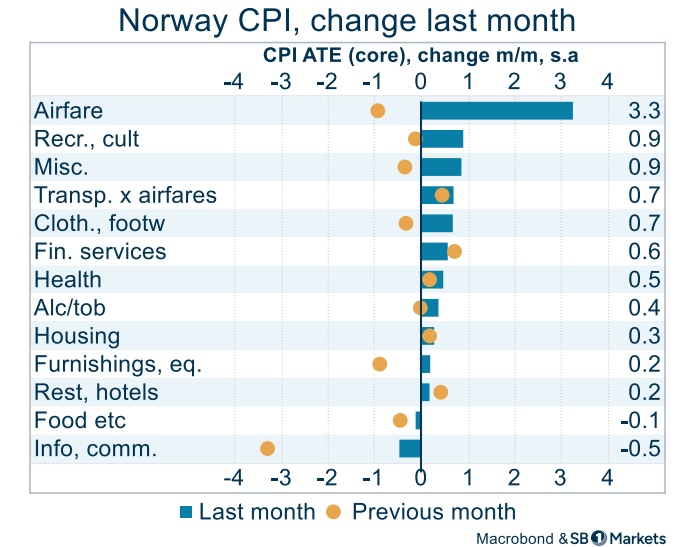
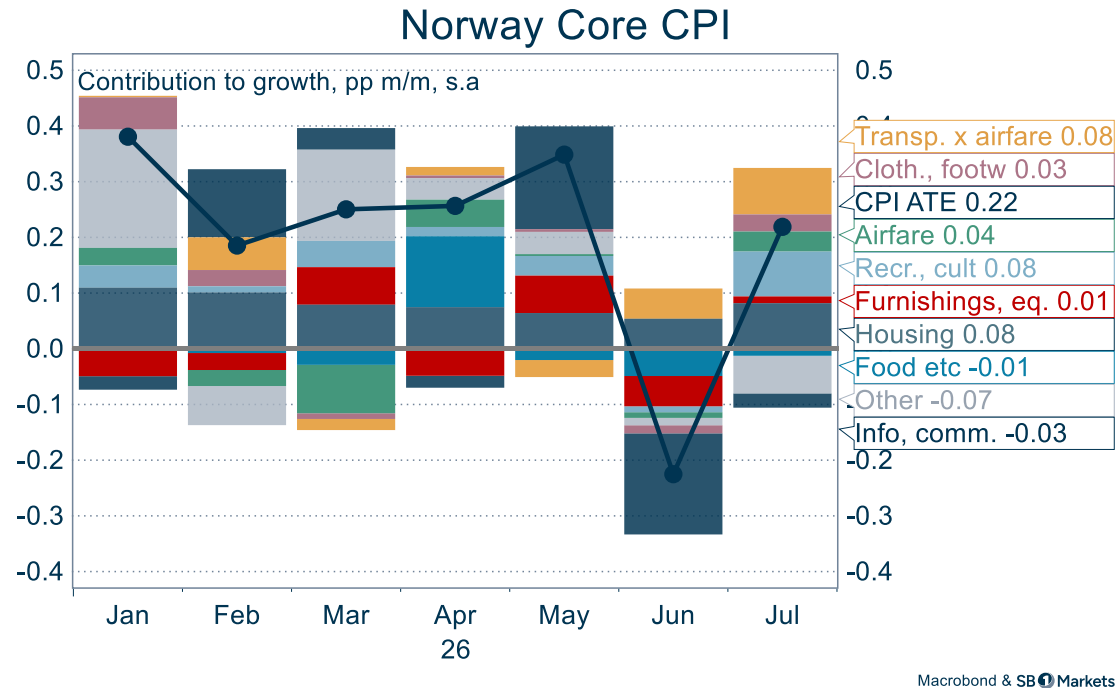
Core CPI details: Financial services (insurance) prices are surging

Recreation prices are up the 2nd most since 2019, followed by 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 have flattened.



Core CPI m/m: housing, transport contributed the most

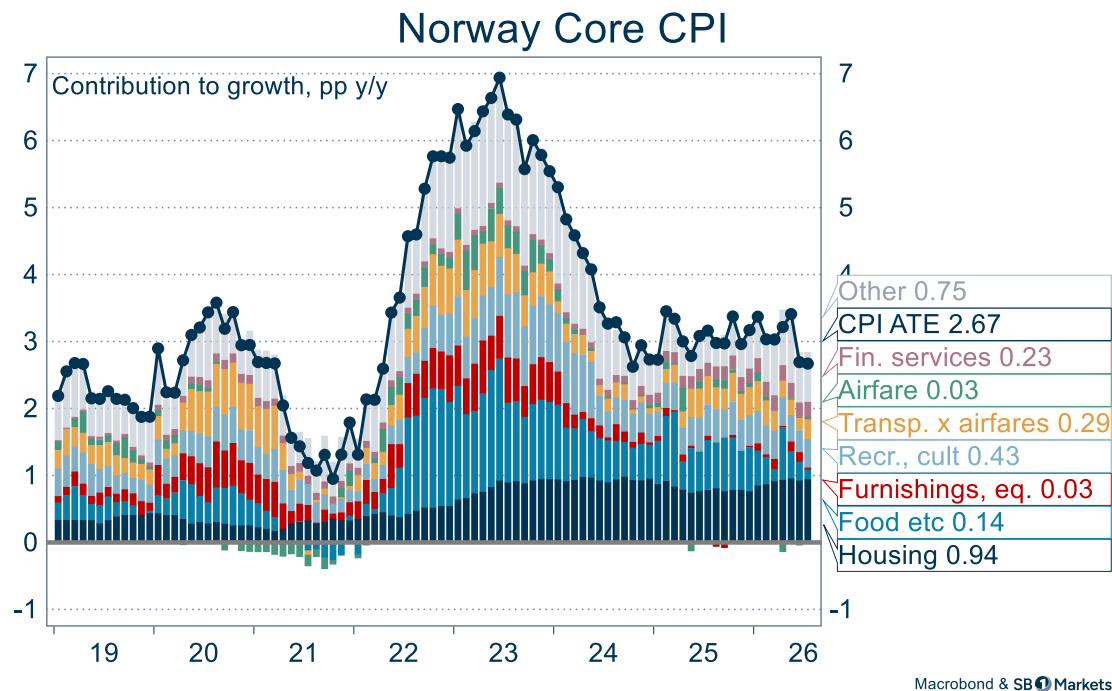
However, several other sectors contributed as well. Food and info/communication prices declined



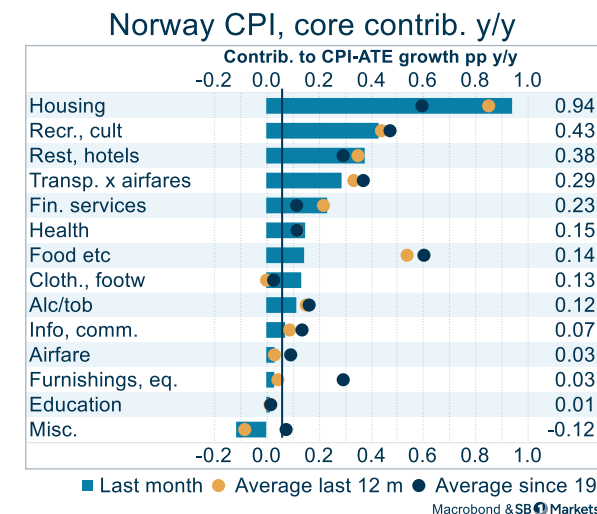
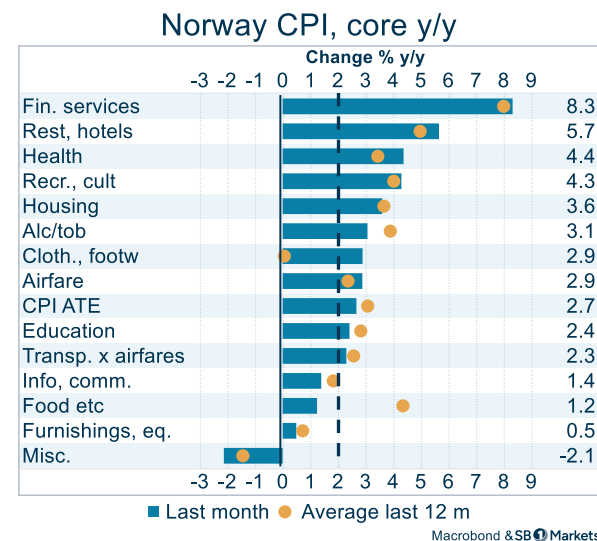
On this page, only the core CPI-ATE components are presented

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

Housing (mainly rents) contributes the most, 0.9 pp., followed by recreation/culture and hotels/restaurant. 10 main sectors are up more than 2% y/y, and just 4 less than 2%, of which 1 is down (due to the cut in kindergarten prices last year)



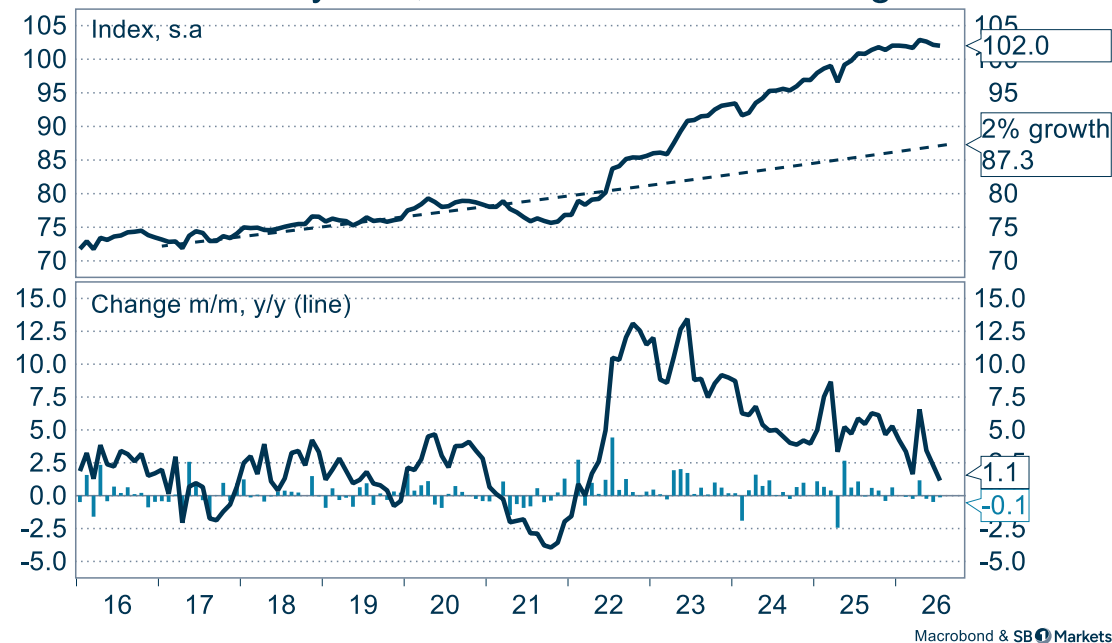
- 4 sectors report **higher inflation** than the average over the past 12 months, 8 **lower**.



CPI: Food prices fell further in July, and the annual rate has fallen to 1.2%!

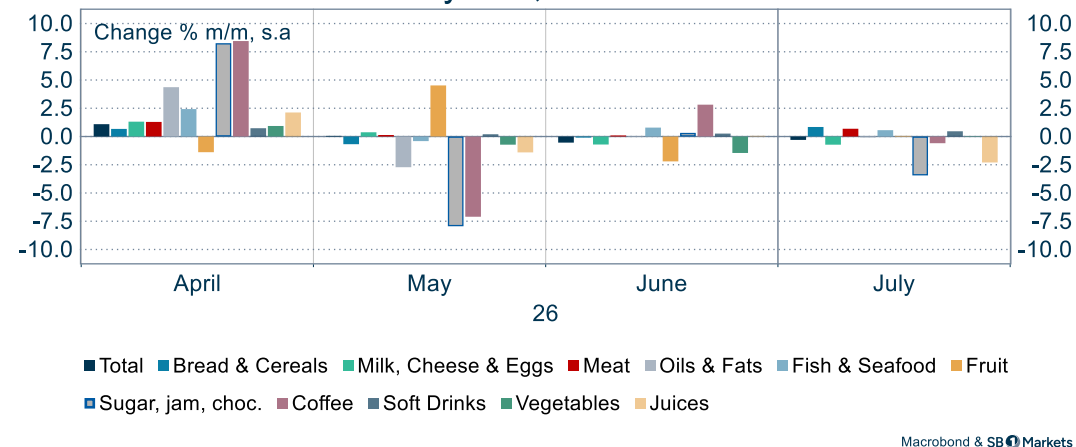
In July, no large price increases, but some larger price declines (sugar, jam, chocolate and juices). Most types of food are up -3 to +5%, with fish and meat in the lead.

Norway CPI, Food & non-alc beverages

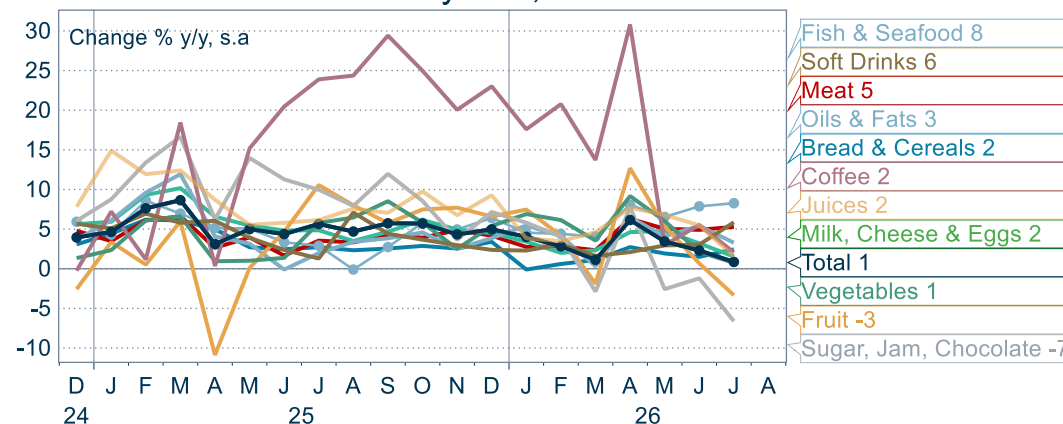


- Food prices are 20% above the long-term trend before the pandemic (like almost all other places).

Norway CPI, Food details

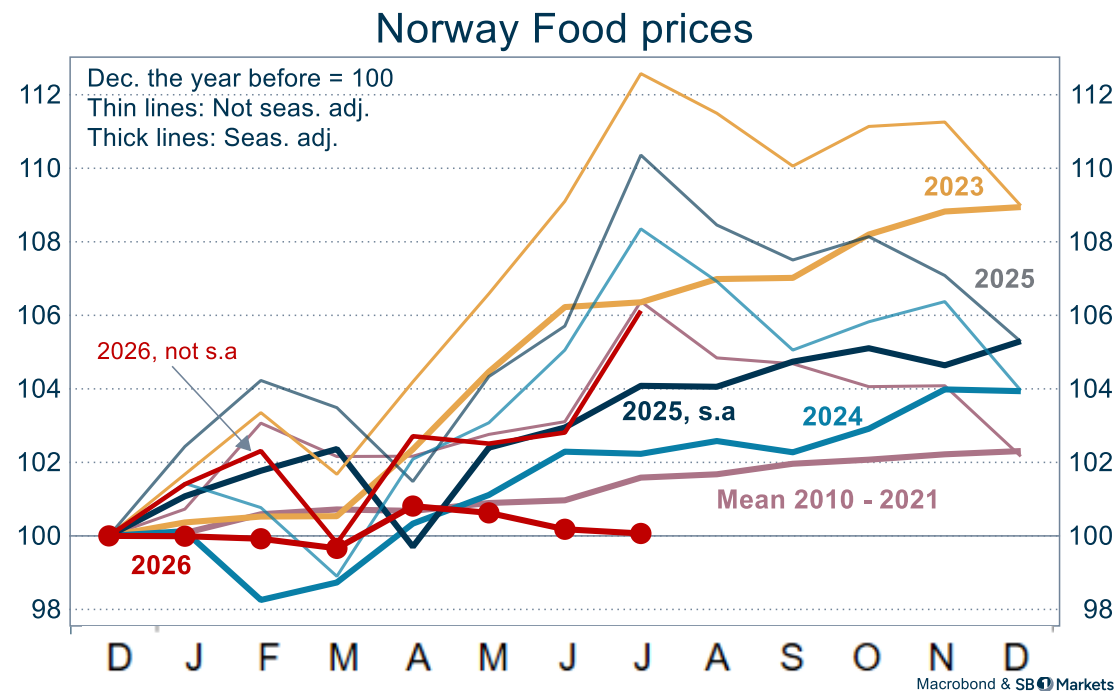
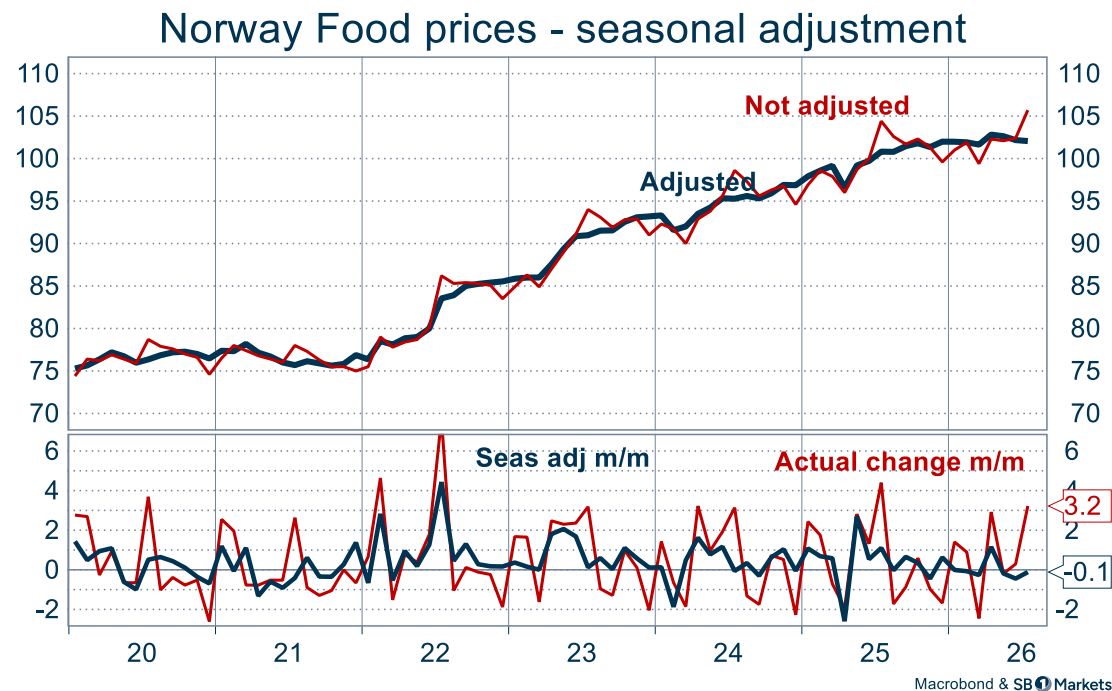


Norway CPI, Food details



CPI: So far in 2026, unchanged food prices

Prices fell marginally in both May, June and July (seasonally adjusted).

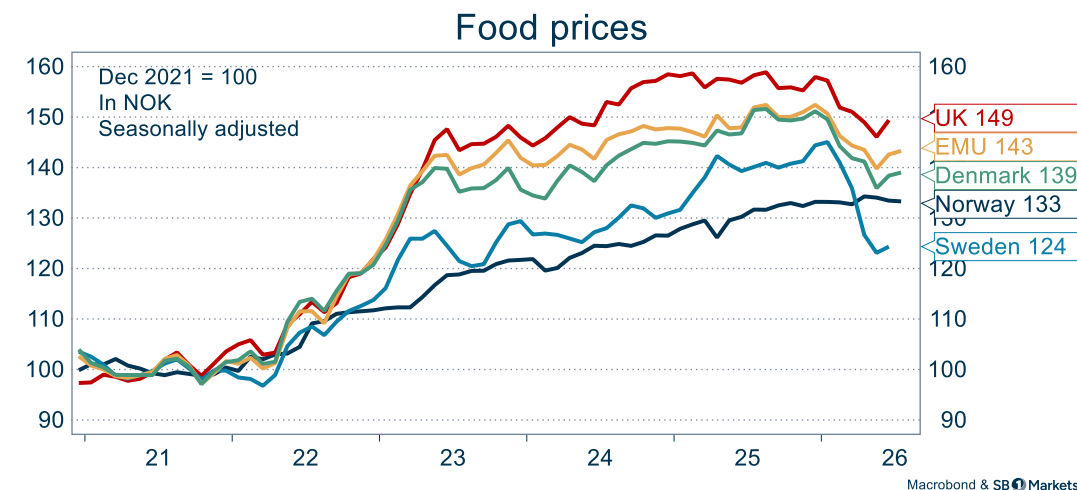
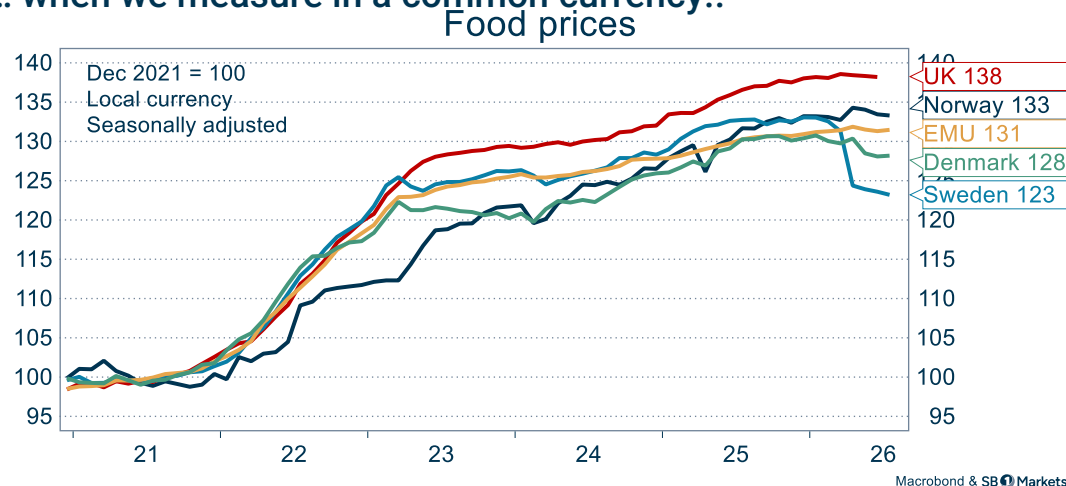


Food prices are flattening/falling all over the place (in local currencies)

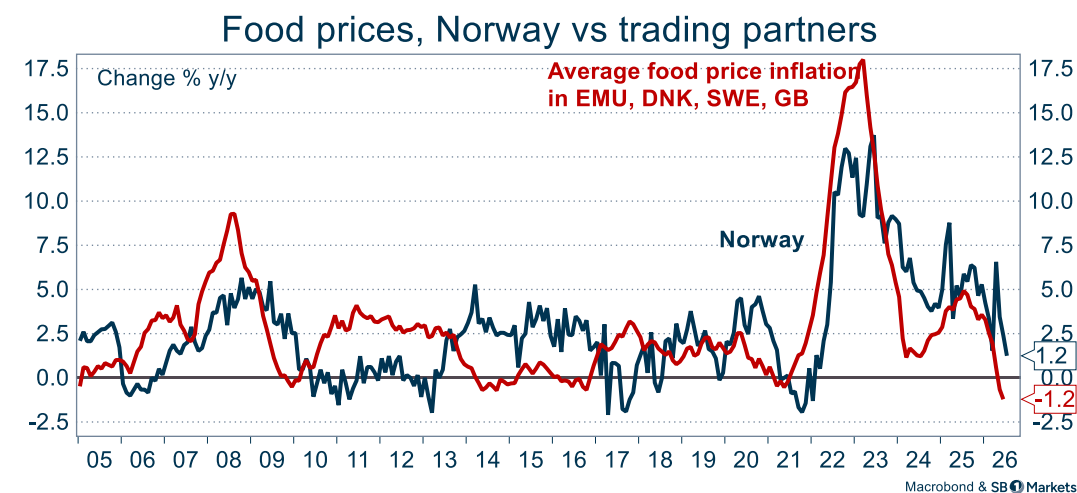
... at least in northern Europe. Thus, the

Recent years, Norwegian food prices have been far lower than normal vs. prices in northern Europe, at least until the VAT cut in Sweden.

... when we measure in a common currency..



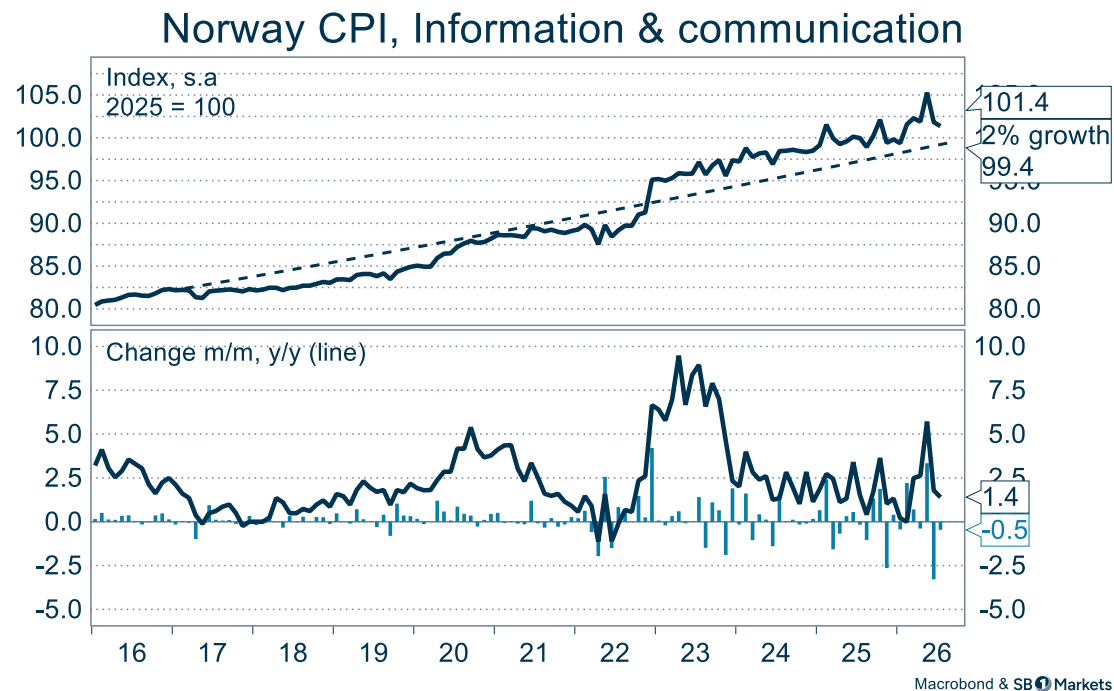
- Since 2021, Norwegian food prices have increased almost at the same pace as food prices abroad, in spite of the heavy NOK depreciation.
- Measured in a common currency, and due to the NOK depreciation Norwegian food prices have been 'cheap', of course compared to prices in countries around us, vs. the relative price level some few years ago, that is. Now, the gap is closing, as the NOK has appreciated sharply in 2026.
- Normally, the correlation between Norwegian and foreign food prices is low – or non-existent – due to the heavily regulated and sheltered Norwegian agricultural sector.
- The April spike in food prices was partially reversed in May, as we assumed.



Information & communication (mobile phones, PCs, subscriptions) further down in July

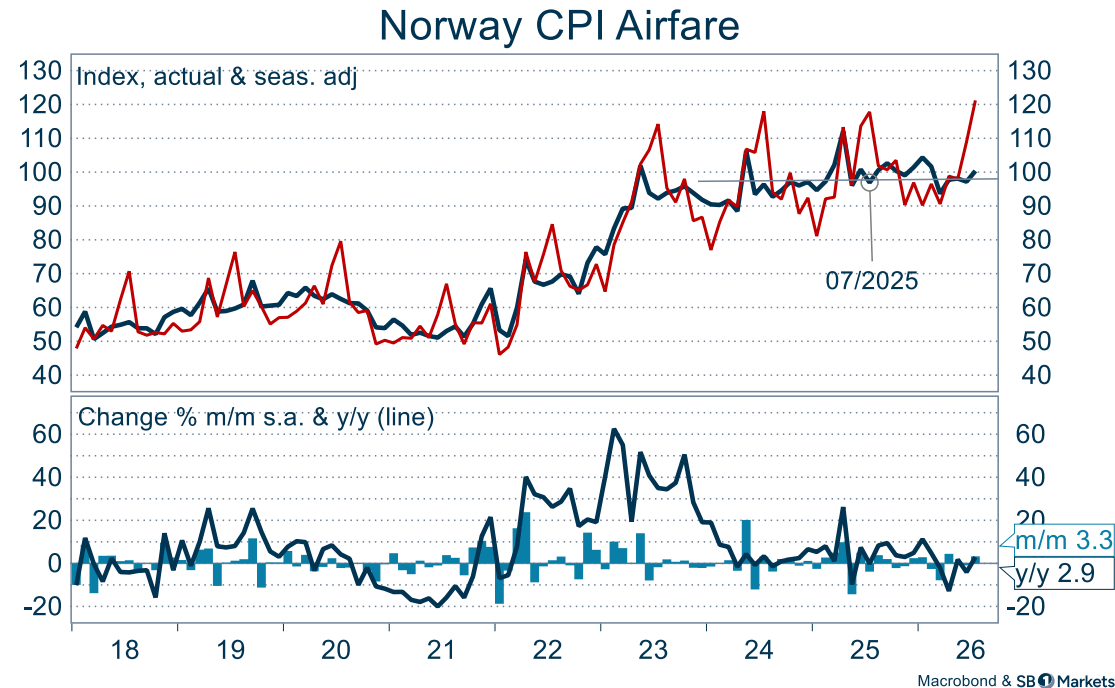
Prices fell 0.5% in July, following the 3% June drop. The annual rate of inflation has slowed to a normal level, 1.4%

The coming months: iPhone prices will be lifted substantially; Will other producers follow? Most likely

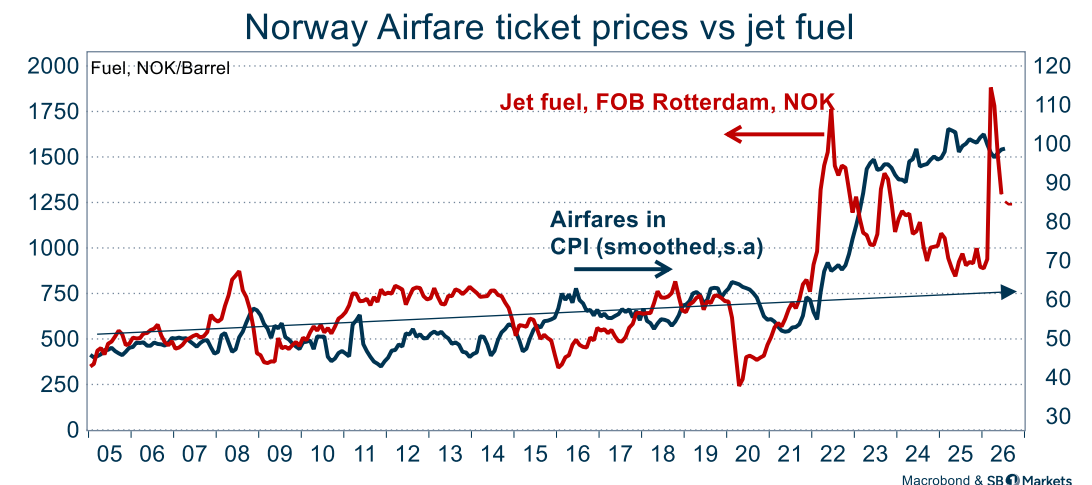


CPI: Airfares up 3% last year, no jet fuel shock to be seen

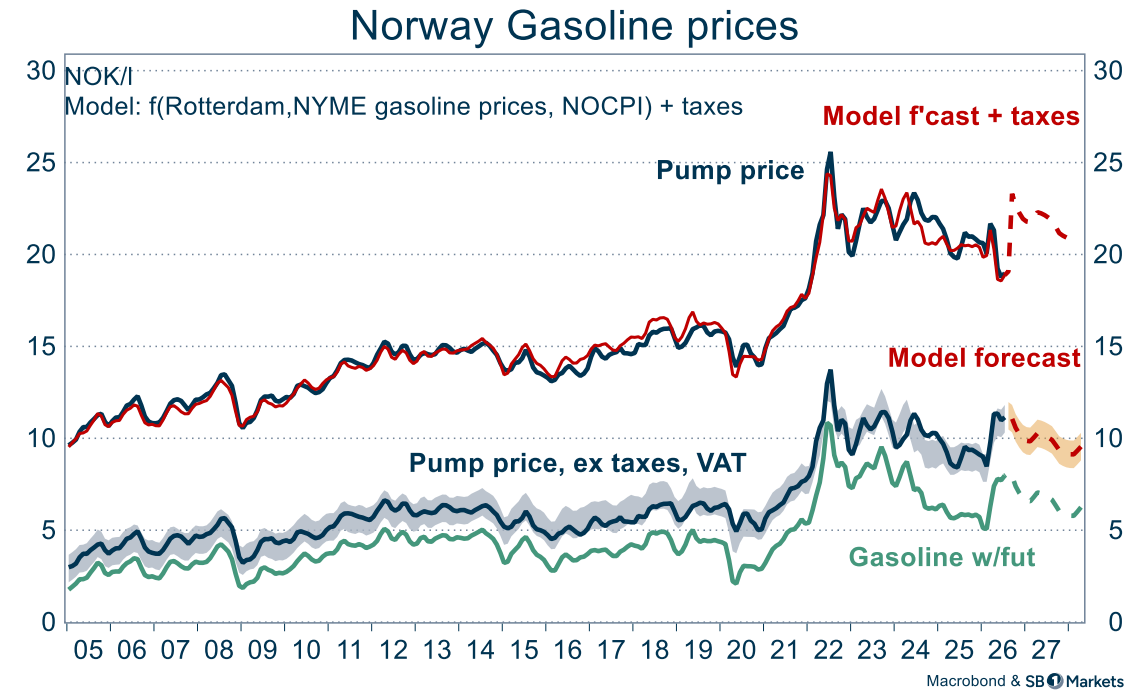
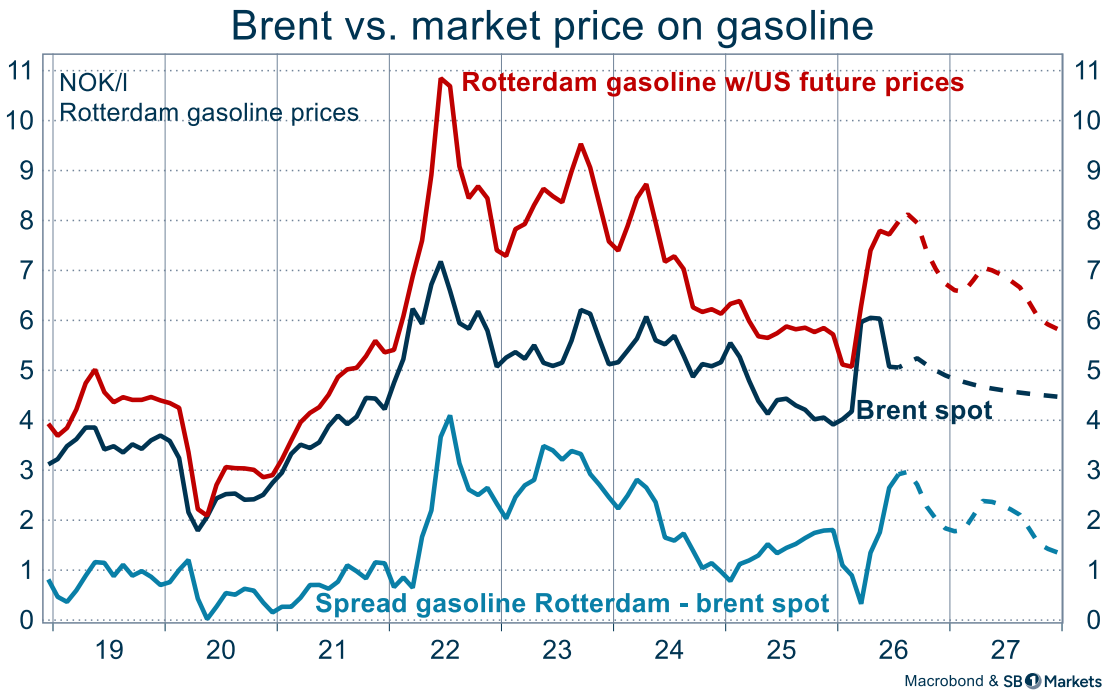
Airfares rose 3% m/m (seasonally adjusted), we expected somewhat less. Fares are up 3% y/y. Fuel prices are down from the peak, but still high. The correlation to airfares is not impressive, but the sign is positive. Thus, some risk!



- **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.



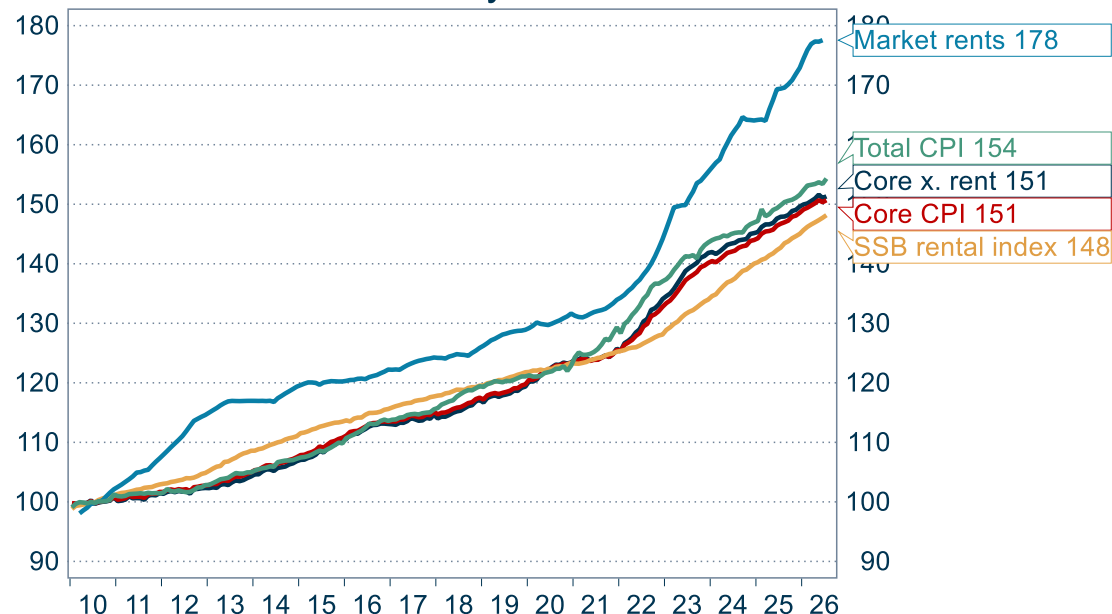
Gasoline market prices are probably peaking, at least if the oil price stays at the current



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

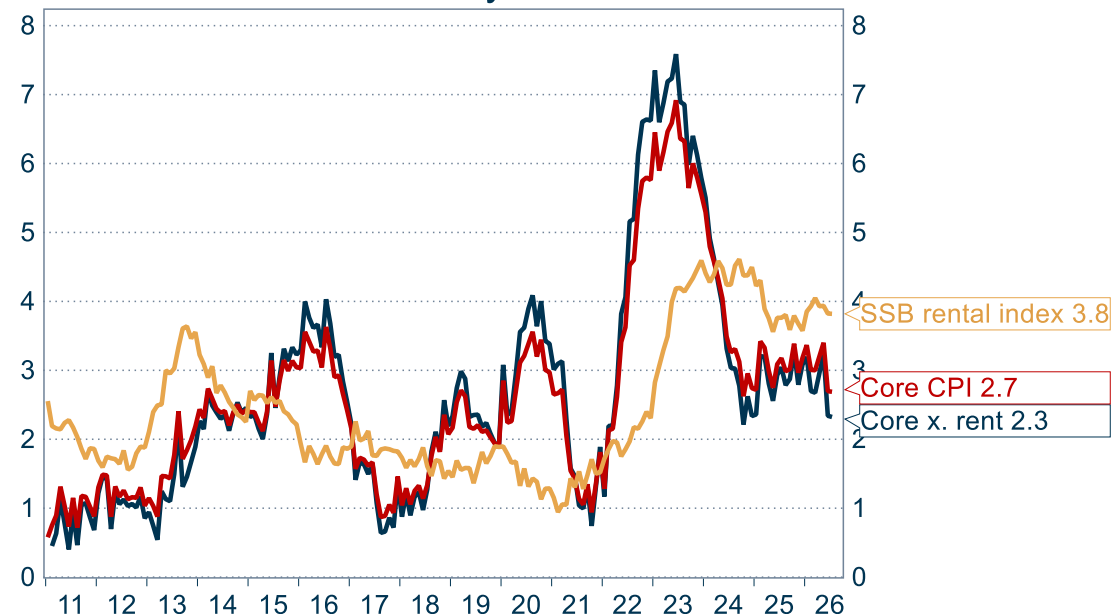
Yes, higher rates lift rents short term. But this lift in rents does not lift the CPI meaningfully, and higher rates anyway lower overall inflation (and thus lower CPI adjustment of existing leases), which in practice breaks the rate → rent → CPI → spiral before it has even started.

Norway CPI vs. rents



Macrobond & SB Markets

Norway CPI vs. rents



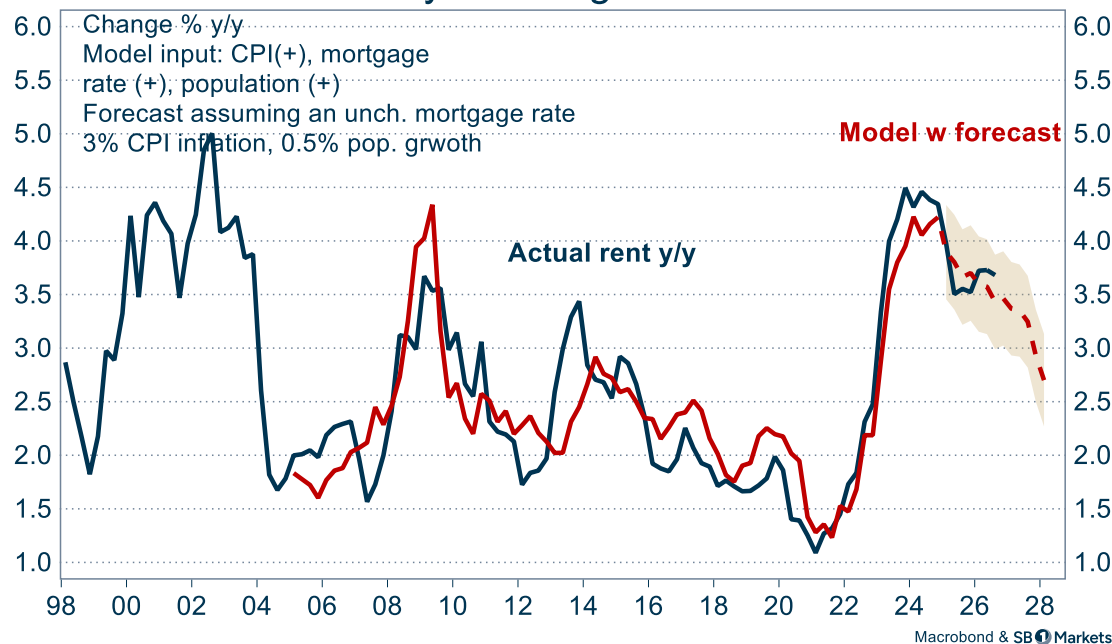
Macrobond & SB Markets

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

CPI: SSB rent inflation remains has come down, more to come?

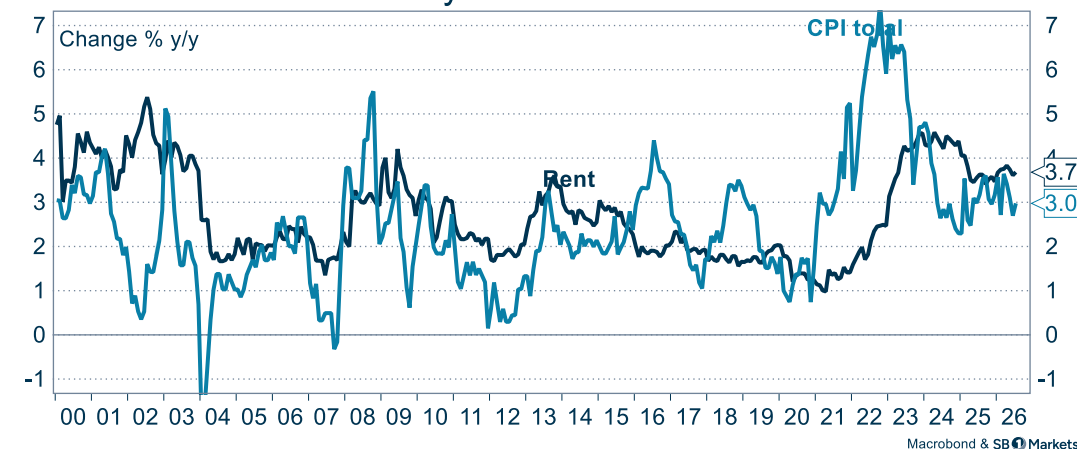
Our rent inflation model suggests a further decline in rent inflation from the current 3.7% growth rate.

Norway Housing rent in CPI

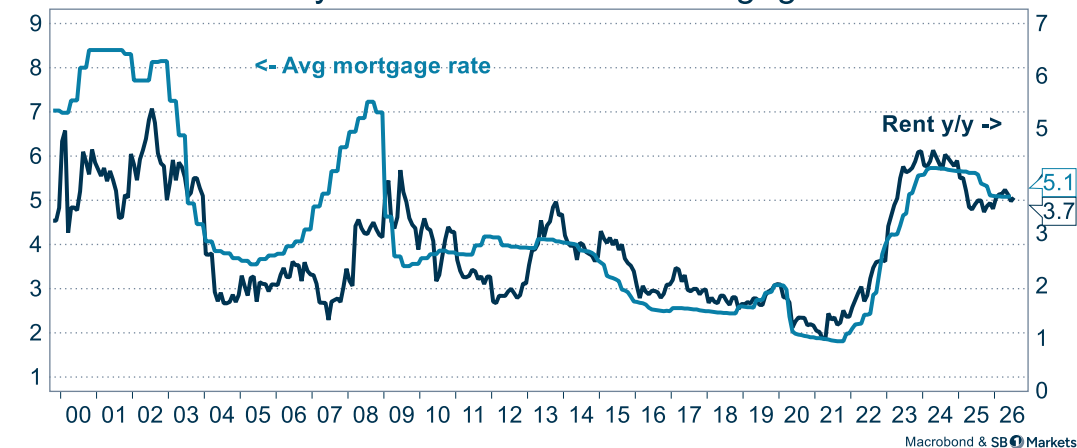


- Since 2005 a 1 pp increase in the after-tax mortgage rate has increased rent inflation by some 0.5 pp. Now, the after-tax mortgage rate is up approx. 3¼% from the bottom in 2020/21, which may have explained some 1.5 pp of the 3½ pp **increase in rent inflation** (at the peak). As rents constitute 'just' 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

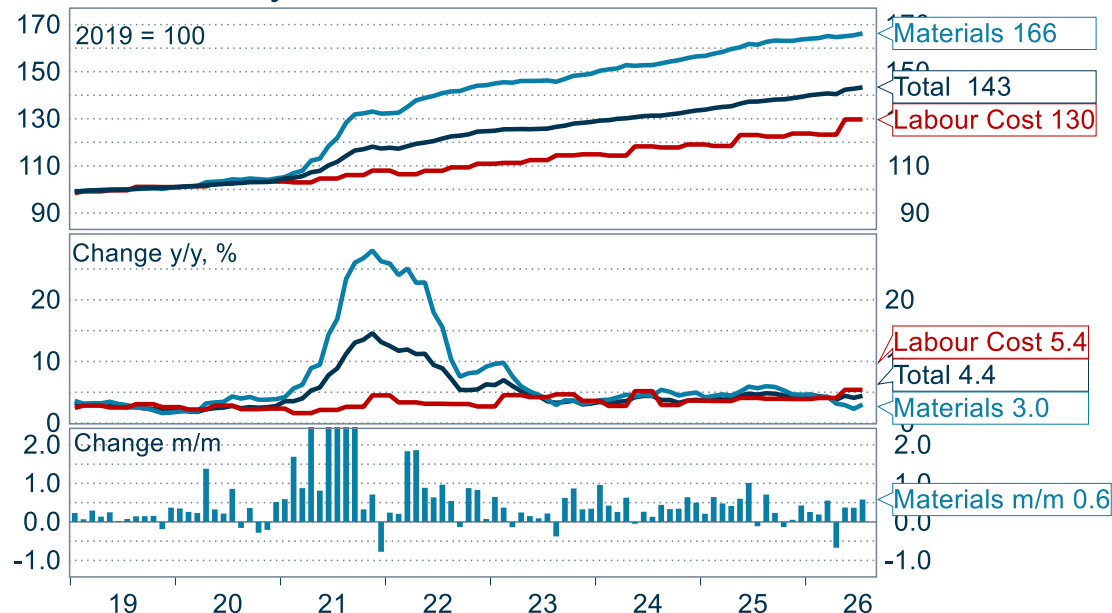


In the Norwegian CPI, the rent component is an average of actual, observed rents, and a calculated owner's equivalent rate. The two are very closely correlated.

Construction costs: Material prices have calmed down – but not further in July

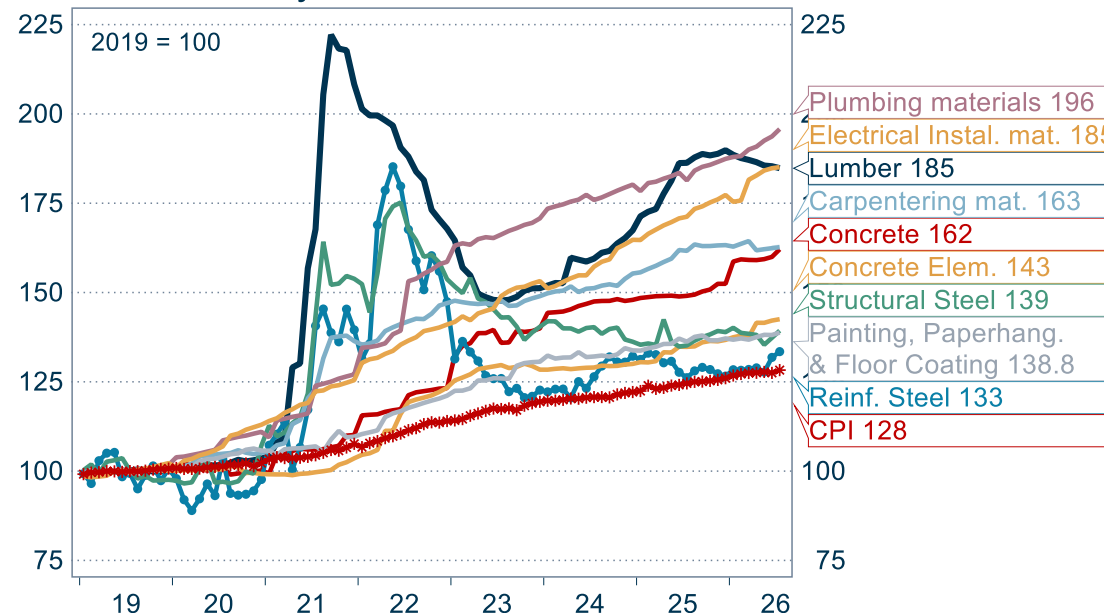
Material prices rose 0.6% m/m in July and are up 3.0% y/y, what is a 'modest' price lift these days. Lumber heads down, but most other materials are on the way up, and some are accelerating upwards like concrete and reinforced steel. Labour cost: +5.4% y/y. **The total 4.4%**

Norway Residential Construction Cost Index



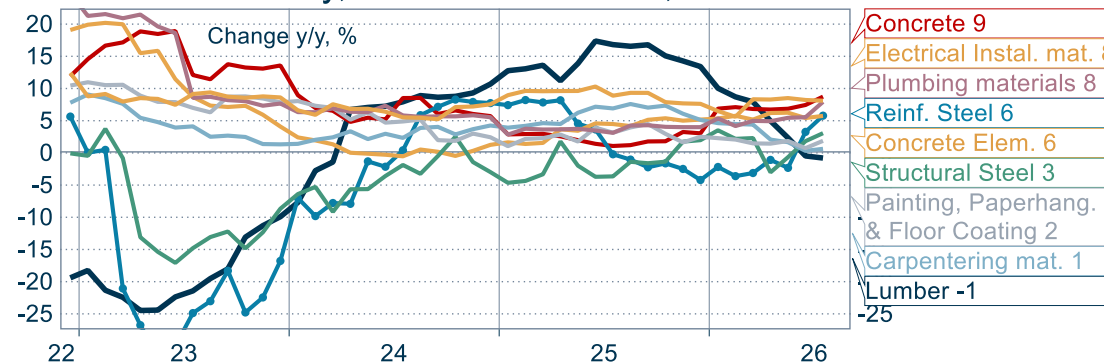
Macrobond & SB Markets

Norway, Residential constr, material costs



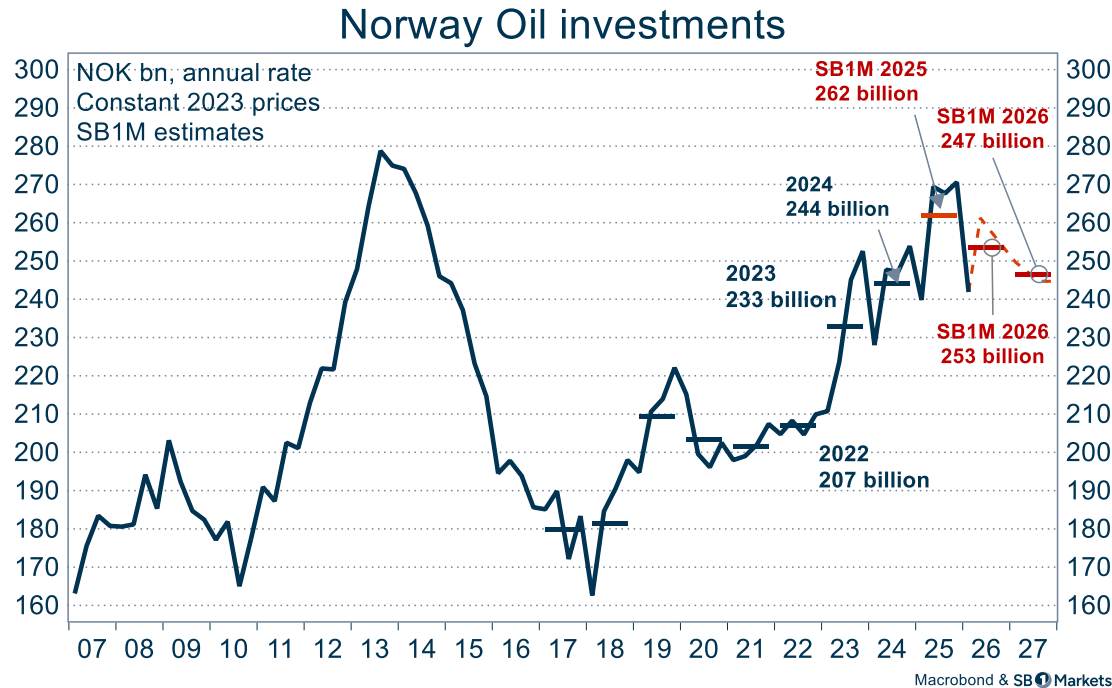
Macrobond & SB Markets

Norway, Residential constr, material costs



Oil investments: On the way down but just slowly

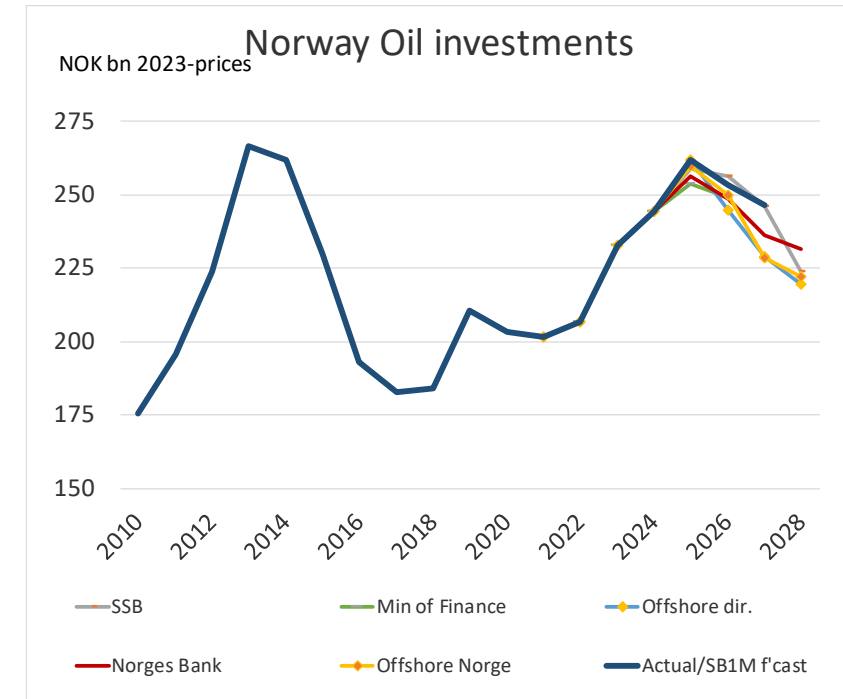
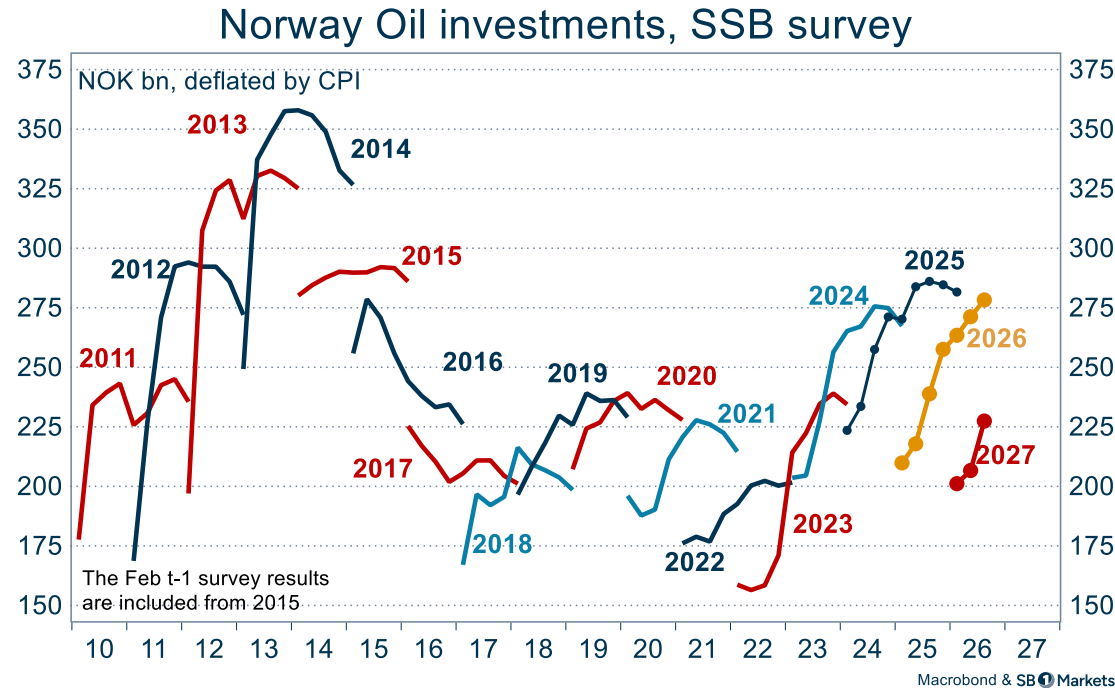
SSB's investment survey signals a modest decline in oil investments in 2026 and 2027, a generally a smaller decline than most have forecasted. However, Norges Bank, the **bank may leave its -3% 2026 and -5% 2027 forecast unchanged or lift them marginally.**



- Most likely, **oil investments** peaked in Q2-Q4 last year, at close to a NOK 270 bn pace (in 2023 prices), equalling 6.8% of Mainland GDP. At the previous peak, in 2013, an 8.8% ratio, before declining to less than 5% of GDP. Oil investments may decline to some 6% of GDP by end of next year, a modest decline, and less than most earlier forecasts had implied.
 - **In 2026**, oil companies signal a small decline in nominal terms, and a 2 – 3% real decline is likely. Investment in new fields rose somewhat, while investments in existing fields and exploration declined.
 - **The 2027 estimate** is almost equal to the equivalent 2026 forecast. Investments in existing fields pick up the slack from a some 20% decline in new field investments in 2026/7. Only fields for which the operator has submitted a Plan for Development and Operation (PDO/PUD) are included in the investment estimate, and companies may revise their 2027 forecast more than they normally do if oil and gas prices remain high. Investments budgets for exploration were cut substantially, in fact to the lowest level ever. Anyway, the range of final outcomes is still huge. We stick to our 3% decline in total investments in real terms next year.
- Given these forecasts, the downturn will be mild, and nothing compared to the 'oil crisis' setback 2013 - 17
- **In sum:** NoBa may stick to its June forecasts. If anything, an upward revision is possible.

Oil investments: Investment forecasts revised up – but are lagging the previous year

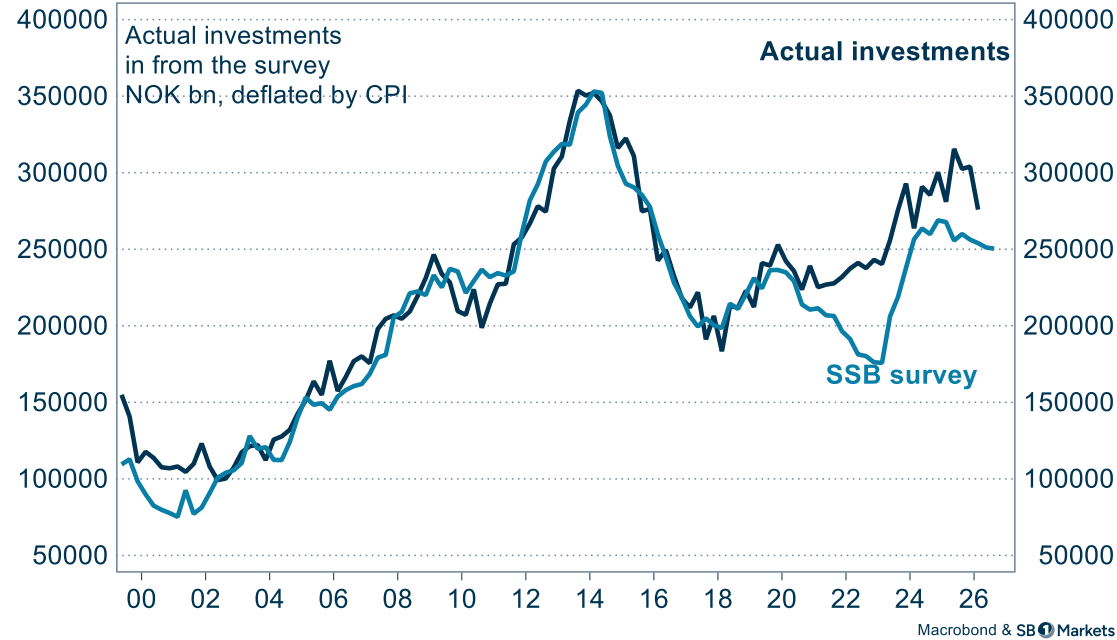
The current 2026 forecast at NOK 275 bn is equal to the 2025 estimate a year ago, in nominal terms. In volume terms, some 2%. The 2027 forecast is 1% below the equivalent 2026 estimate, 4 pp higher than we expected, still probably down in real terms).



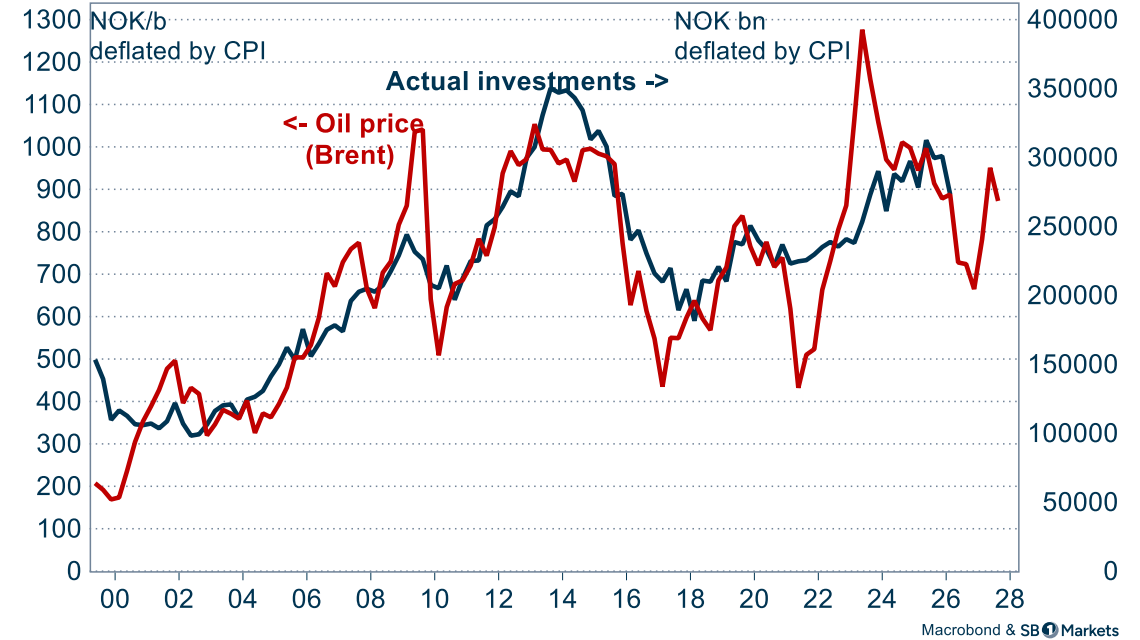
Oil investments: The survey is not equal to the outcome – but a good guide

... and far better than the oil price.

Norway Oil Investments vs survey



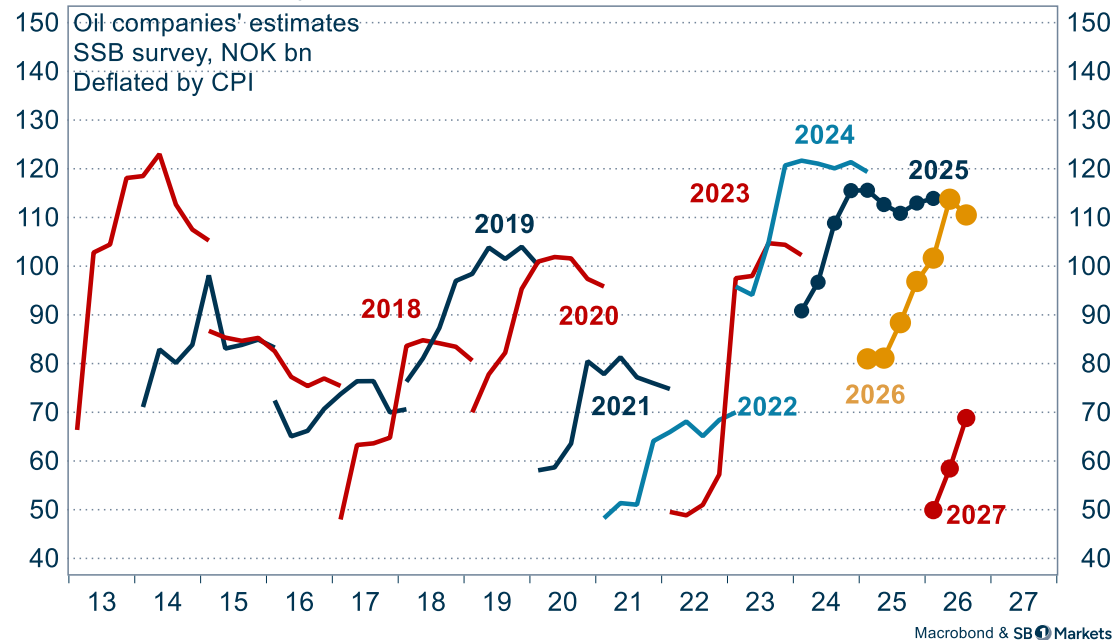
Norway Oil Investments vs survey



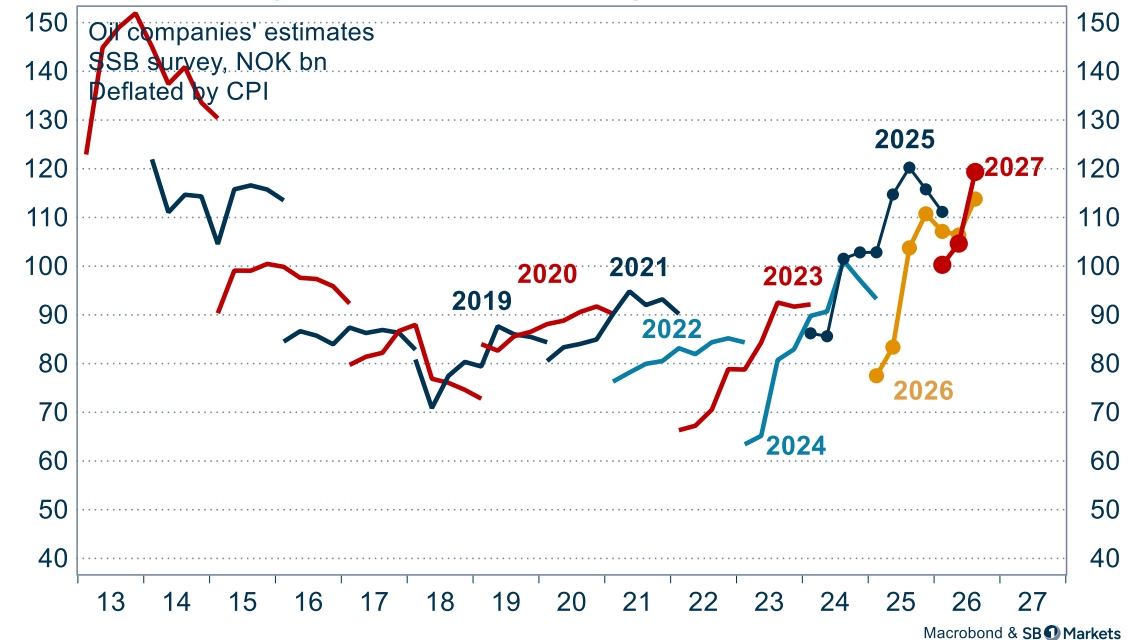
Investments in new fields peaked in 2024, and will drop by 20% in 2027?

2027 plans were revised upwards but still lag 2026 investment substantially. Investments in existing fields will decline even in nominal terms in 2026 but pick up stream in 2027, by some 20%. The sum? Close to unchanged, in volume terms?

Norway Oil & Gas New Field Investments



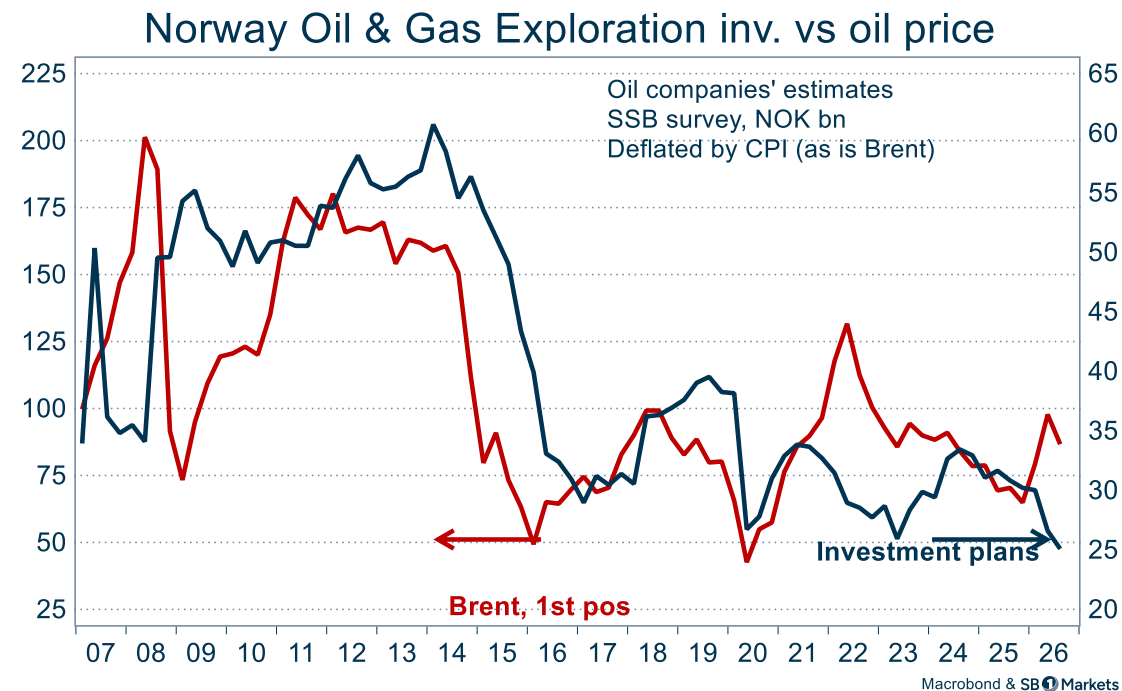
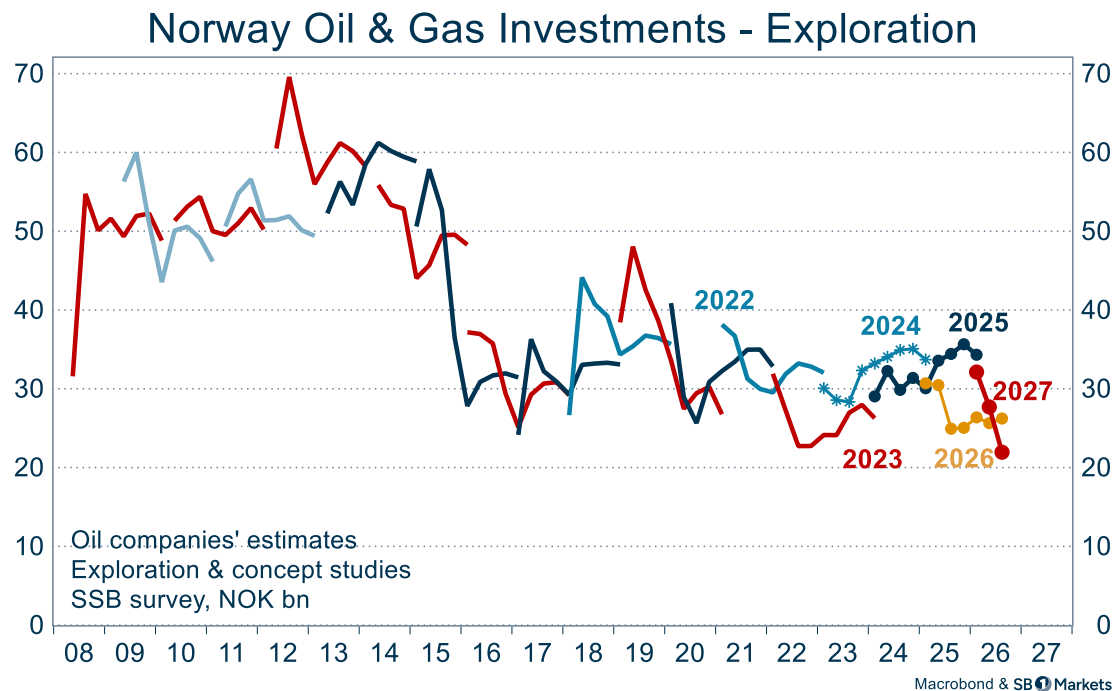
Norway Oil & Gas Existing Field Investments



- Investments in new fields: **have peaked, will decline substantially in 2027**
 - The **2026 estimate** was 4% above the equivalent 2025 estimate, and most likely slightly up in real terms. In nominal terms NOK 110 bn.
 - The **2027 estimate** at NOK 69 bn, or down almost 20% down from the equivalent 2026 estimate. 2027 investments plans will no doubt be revised substantially upwards the coming quarters, but a large decline seems very likely.
- Investments in existing fields (on stream): **at growth brake in 2025 but a strong 2027**
 - The **current 2026 estimate** signal a minor decline from 2025, at some NOK 108 – 110 bn.
 - The **2027 estimate** is very high, up 20% (+19 bn) compared to the 2026 estimate a year ago. The uncertainty vs. the final outcome still large, but a most likely investments in existing fields will climb rapidly next year, more or less compensating for the likely decline in investments in new fields.

Exploration: investment plans further down next year, even if oil/gas prices are up

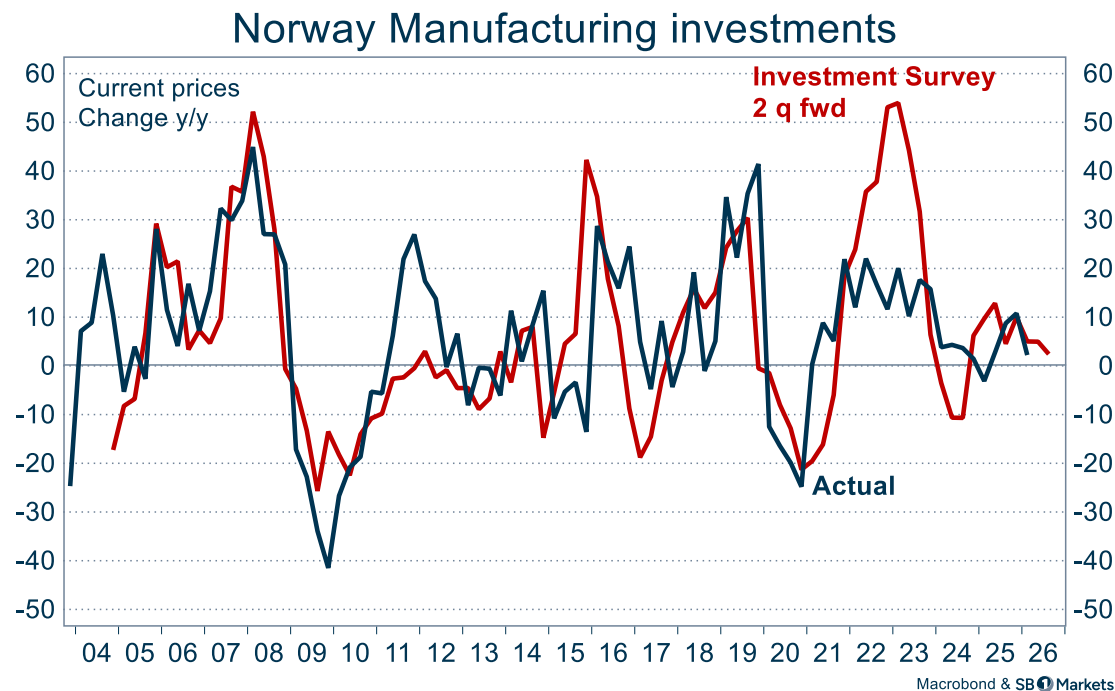
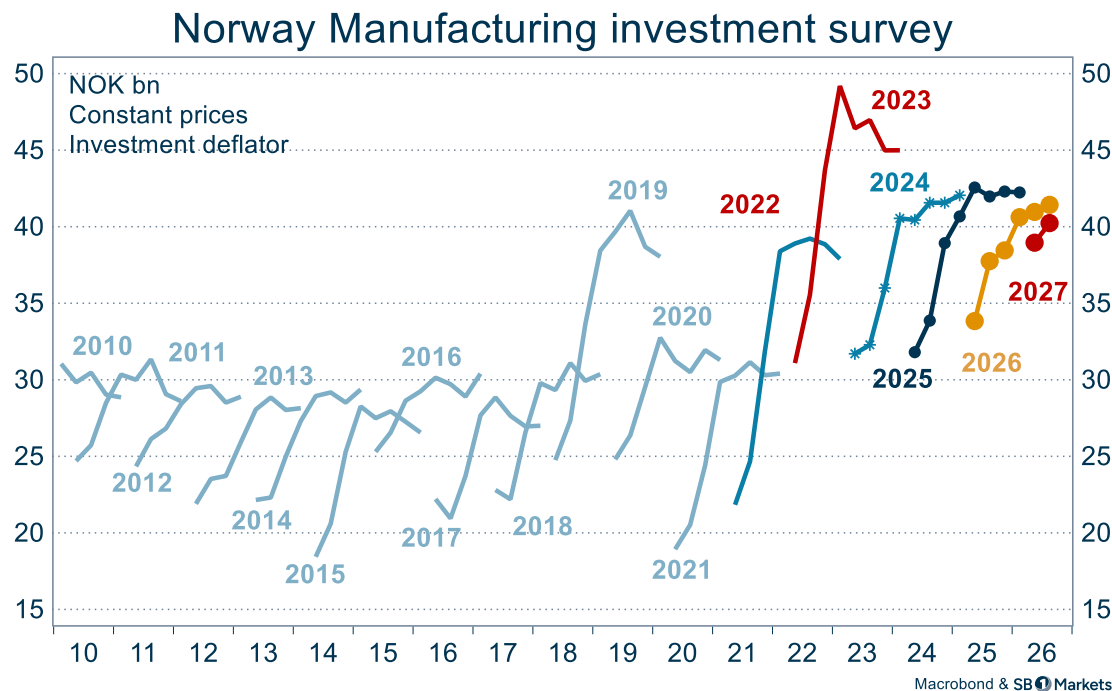
... following a 25% drop in exploration capex in 2026. The 2027 f'cast is the lowest on record.



- Exploration investments are usually correlated to the oil price, normally with a visible lag, and it was anyway too early to expect oil companies to respond to the recent hike in oil price.

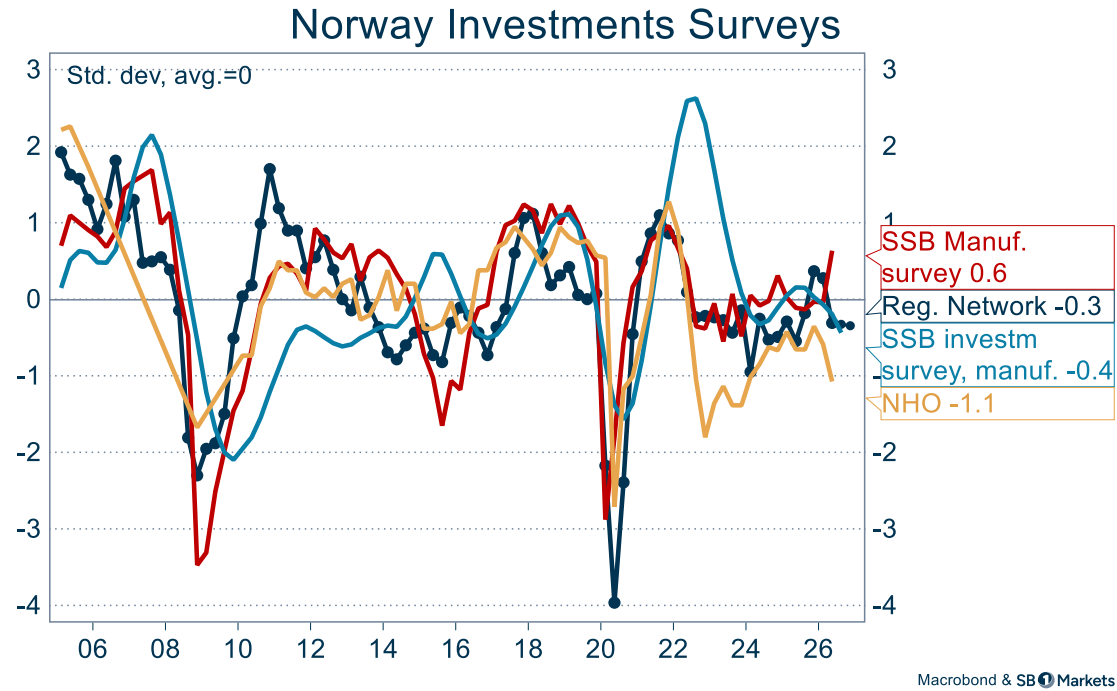
Manufacturing investments: A modest decline in 2026, and no growth in 2027?

The manufacturing sector revised its investment forecast up in Q3, but less than normal regarding both 2026 and 2027.



- **The 2026 estimate** was marginally down vs the equivalent 2025 estimate (from -1% in the Q1 survey). We estimate a 3 - 5% decline (NOK 3 bn.) in 2026, in volume terms (far less than the increase in power supply).
- **The 2027 estimate** rose just marginally vs. the Q1 forecast, and was equal to the 2026 forecast, given a year ago. The outcome is still highly uncertain. The 2026 investment forecast has been revised up far less than normal, and if 2027 develops in a more normal way, a substantial lift is signalled. However, given the far lower than normal upward revision of the Q3 estimate, we not expect much growth next year (an average adjustment from the current estimate yields 22% 2027 growth).
- **Other surveys** (at least in average) does not signal growth (*check next page*).

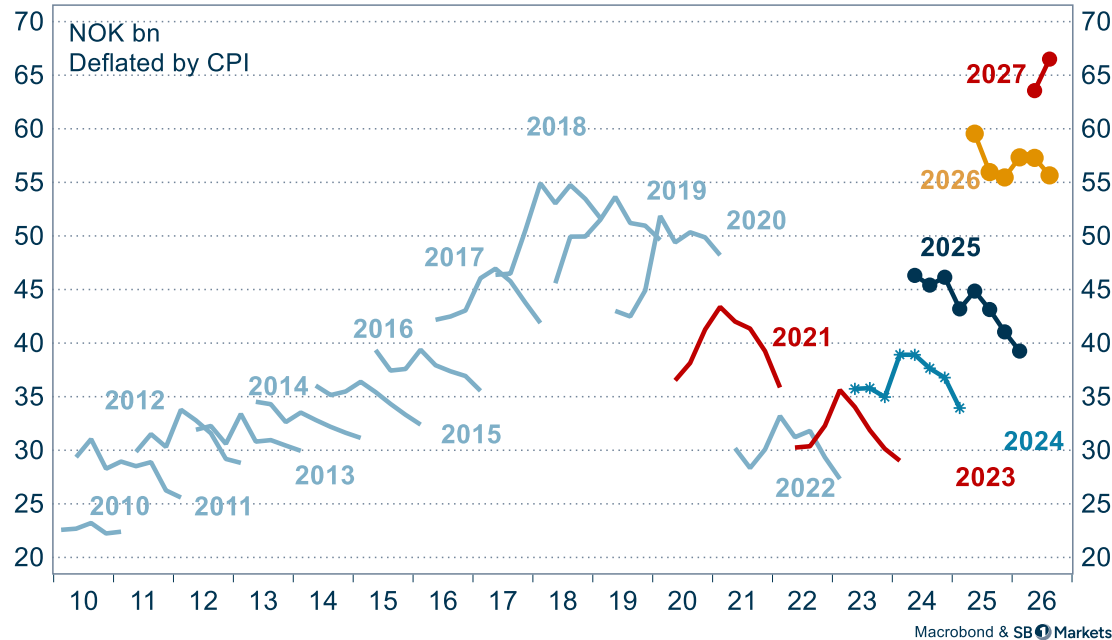
Mixed manufacturing investment surveys, and the average is below average



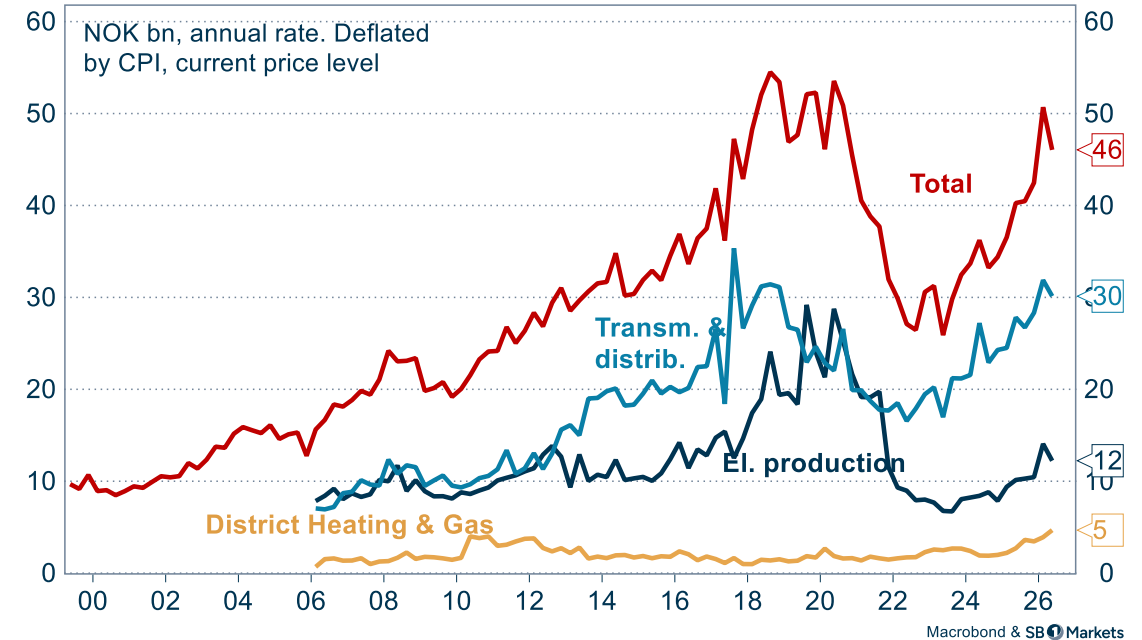
Power supply: an investment boom underway

Following the crash in investment from 2018 to 2022, down to NOK 27 bn (2026 prices) a doubling to NOK 53 bn in '26, supported by a 40% lift in 2026. In 2027, some 20% more is signalled. Investments in electricity production have finally turned up but are still way below the 2019-21 level.

Norway Power supply investment survey



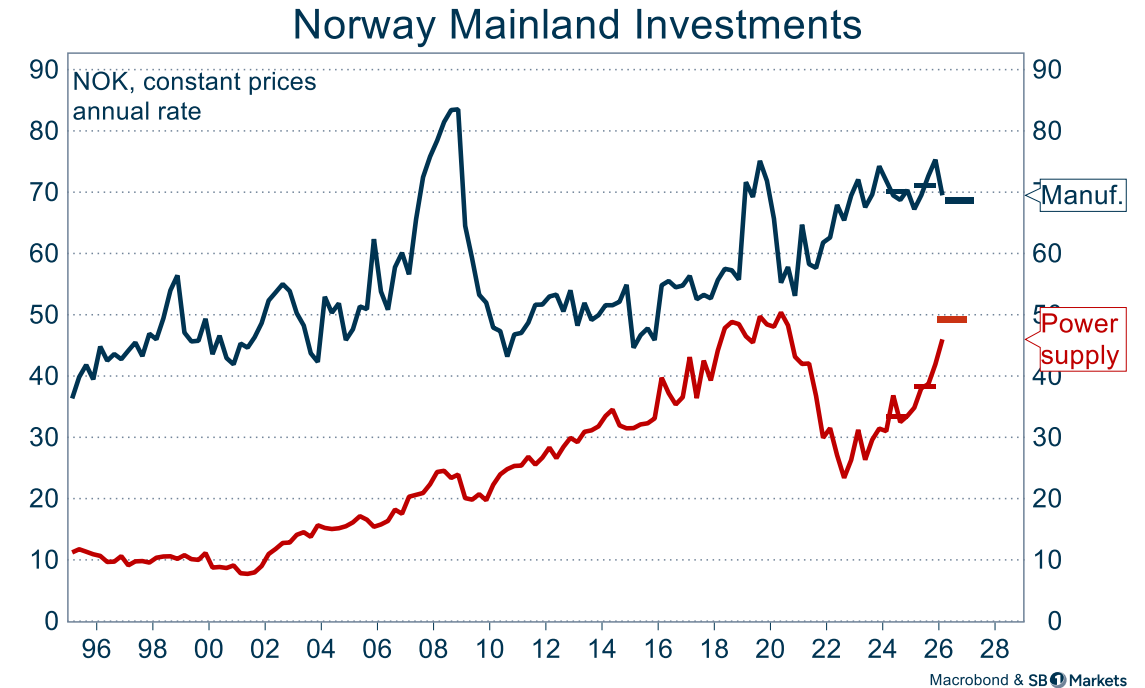
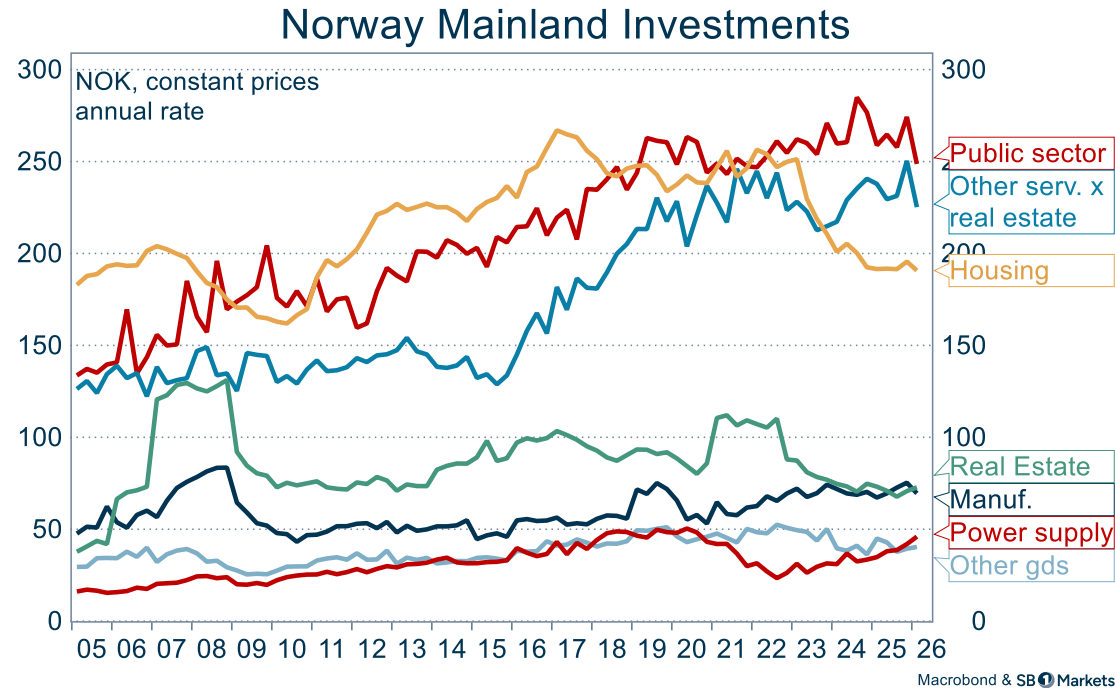
Norway Power supply investments



- **The 2026 investment estimate** was close to unchanged, 33% above the equivalent 2025 forecast. The NOK 15 bn increase equals 0.3% of Mainland GDP.
 - All **sorts of power supply investments** are expected up, district heating and 'other' the most (in per cent). Investments in transmission & distribution is expected up to above NOK 40 bn. Electricity production investments are expected up to above NOK 15 bn, still a rather low level.
- **The 2027 forecast** was up 23% from the equivalent 2026 forecast. A further, substantial lift next year is rather likely.

Manufacturing investments may flatten in 2026

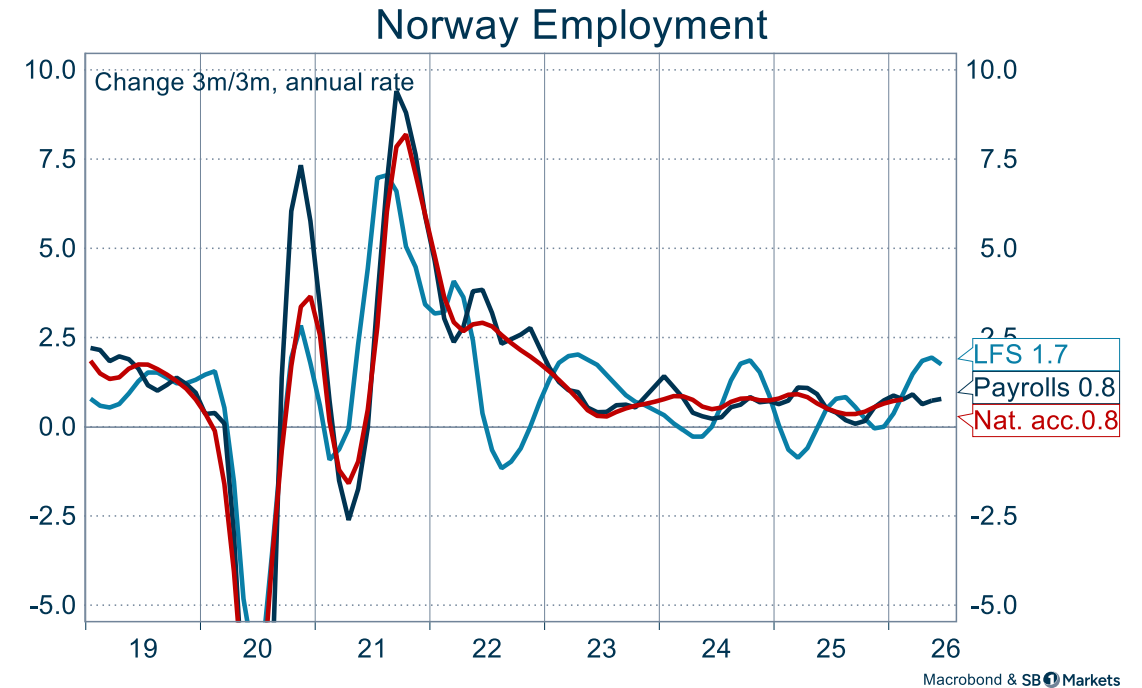
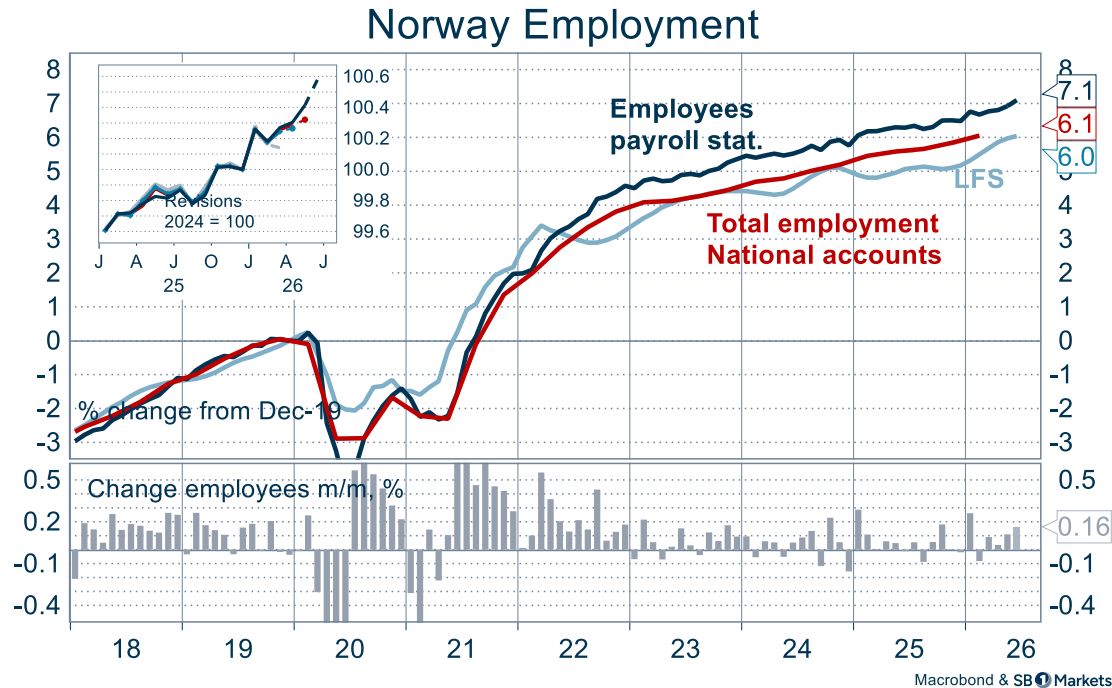
Power supply investments may return to the peak level in 2018/2020.



- National Accounts data:
 - Investments in services, ex. real estate, are on the way up.
 - The decline in housing investments has been huge.

Payrolls: On the way up! The LFS also reports higher total employment

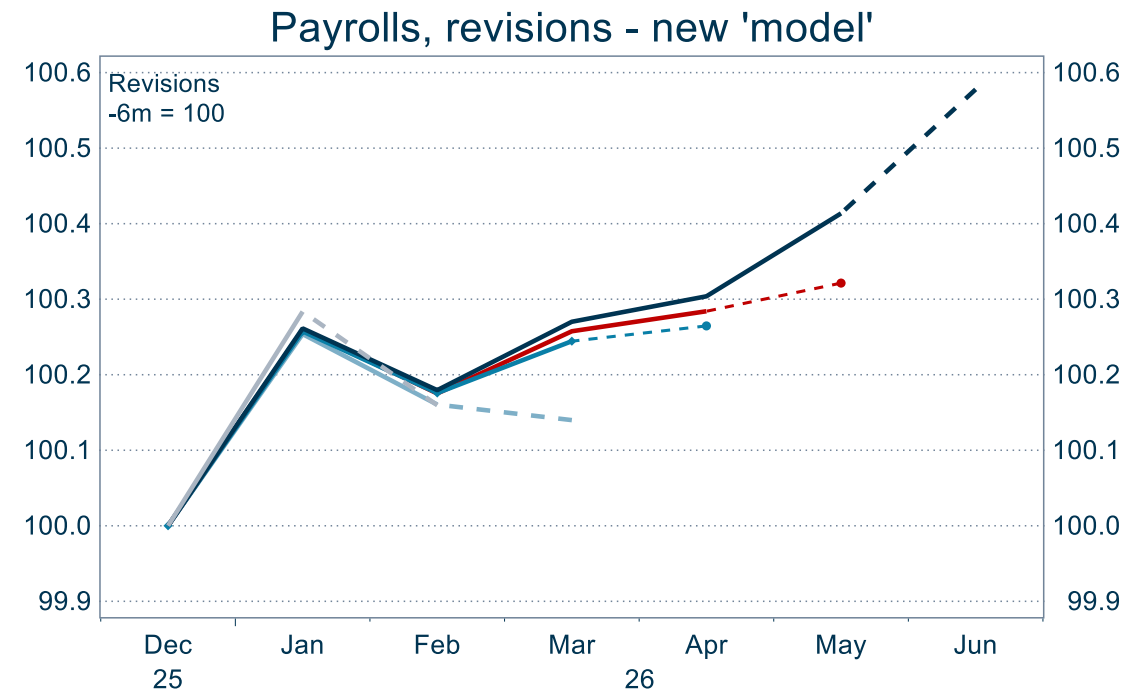
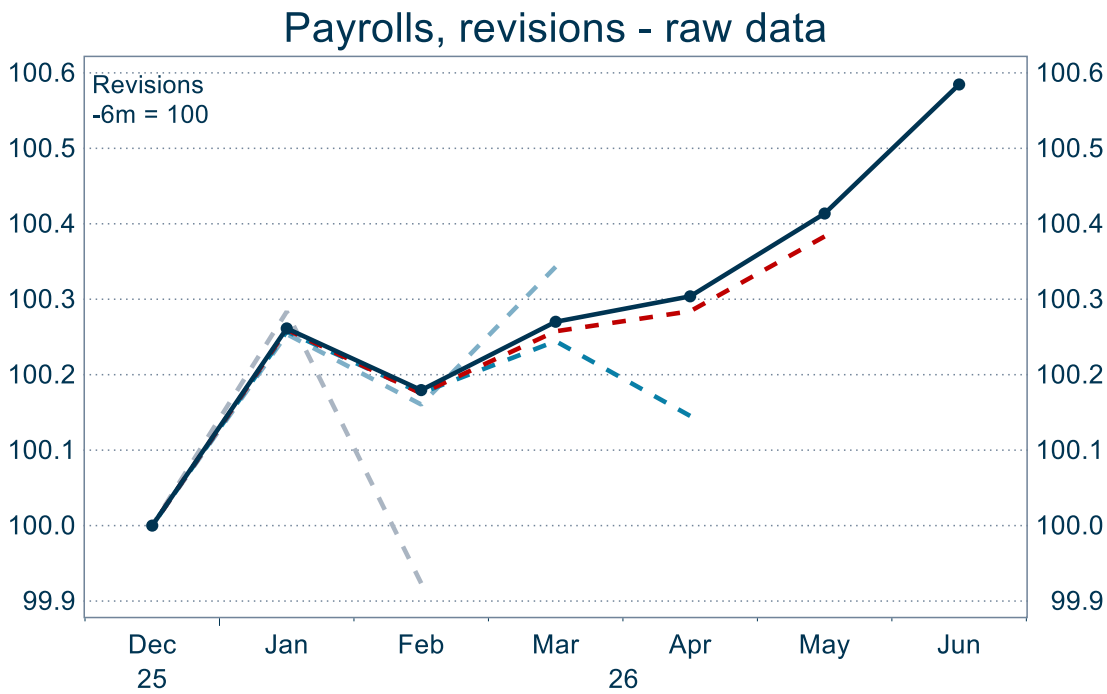
The no. of employed persons rose further and faster in June, by 5' (our est.). Underlying growth accelerated to 0.8% which higher than growth in working age population. The far more volatile LFS survey (AKU) report 1.7% growth pace in recent months, lifting the employment rate.



- **SSB's official preliminary statistics** report a 5' increase in payrolls in June. The same goes after treatment by our adjustment model, which so far has produced far better estimates of the final outcome the SSB's raw data (check next page).
- Employment has increased the 5 of the past 6 months and has been on the way up since the pandemic setback. If anything, growth has accelerated in 2026
 - The weakness: Construction is still on the way down, but slower. Professional services have turned down lately.
 - All other sectors are on the way up, hotel & restaurants as well as the primary sector the most.
- **Wage inflation** has slowed to close to 3% y/y, measured by monthly cash earnings.
- The **LFS** reports faster growth in total employment, above 1%, but data are volatile.

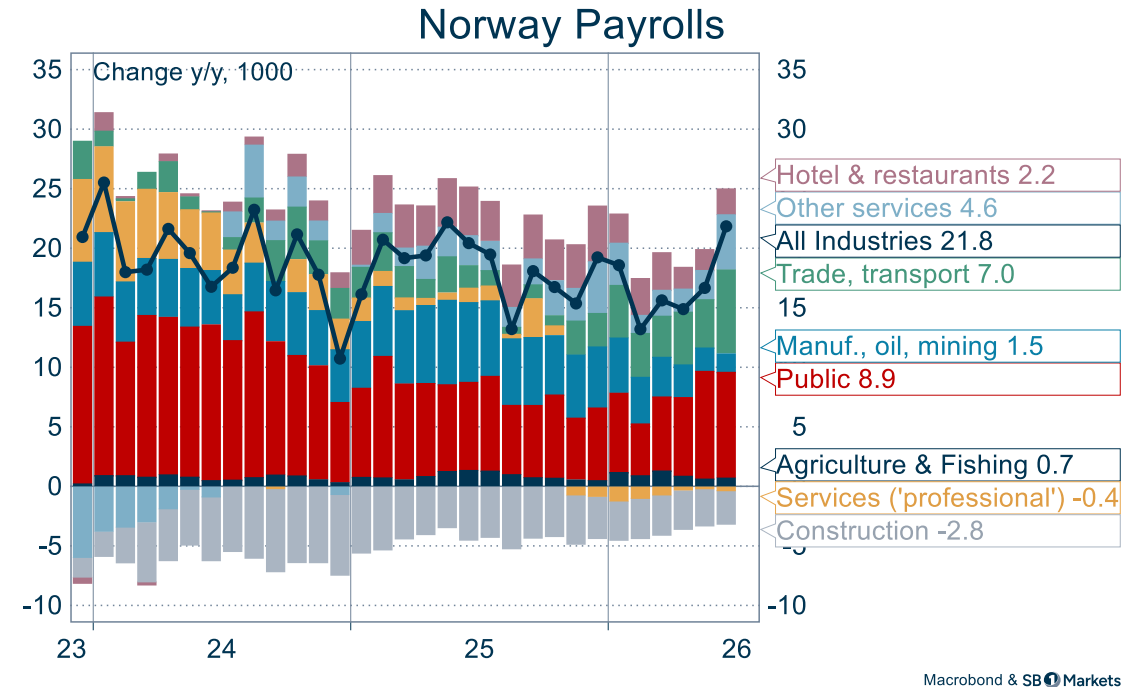
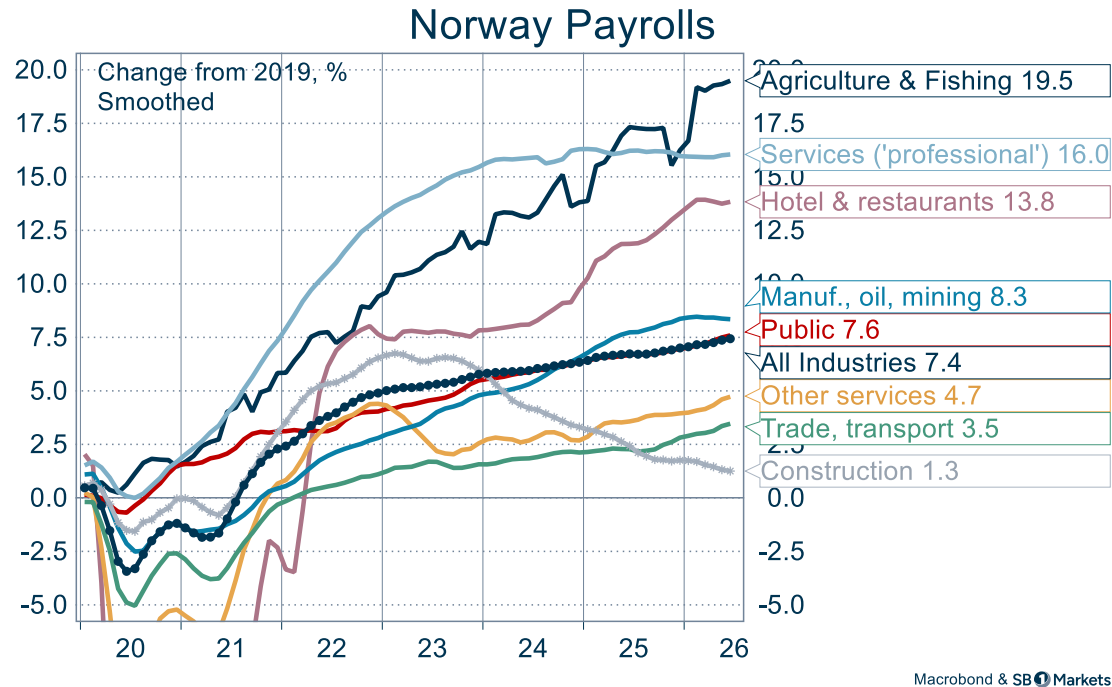
For the nerds: Payrolls data are not easy to handle...

Data are volatile and, from time to time, heavily revised. Our error correction model has yielded far better estimates of monthly changes than SSB's 'raw' data – so we stick to it.



Construction is still heading down – and in sum by 13', or by 5% (0.5% of total payrolls)

Professional services have turned up the past 2 months following a modest decline from early 2026. Other sectors are on the way up. Trade & transport has accelerated since Q3 last year.

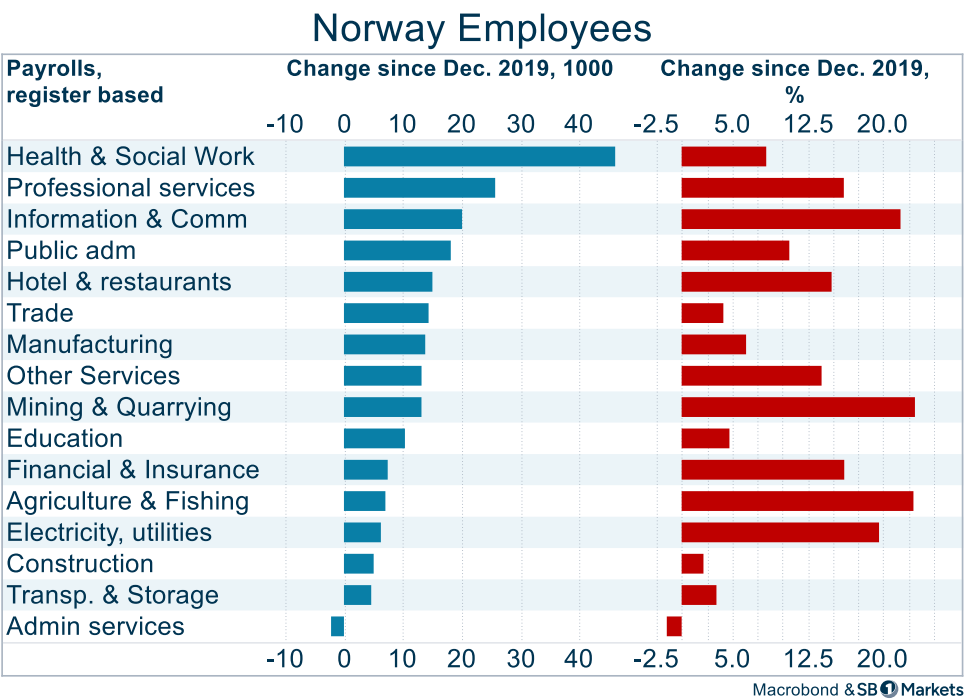
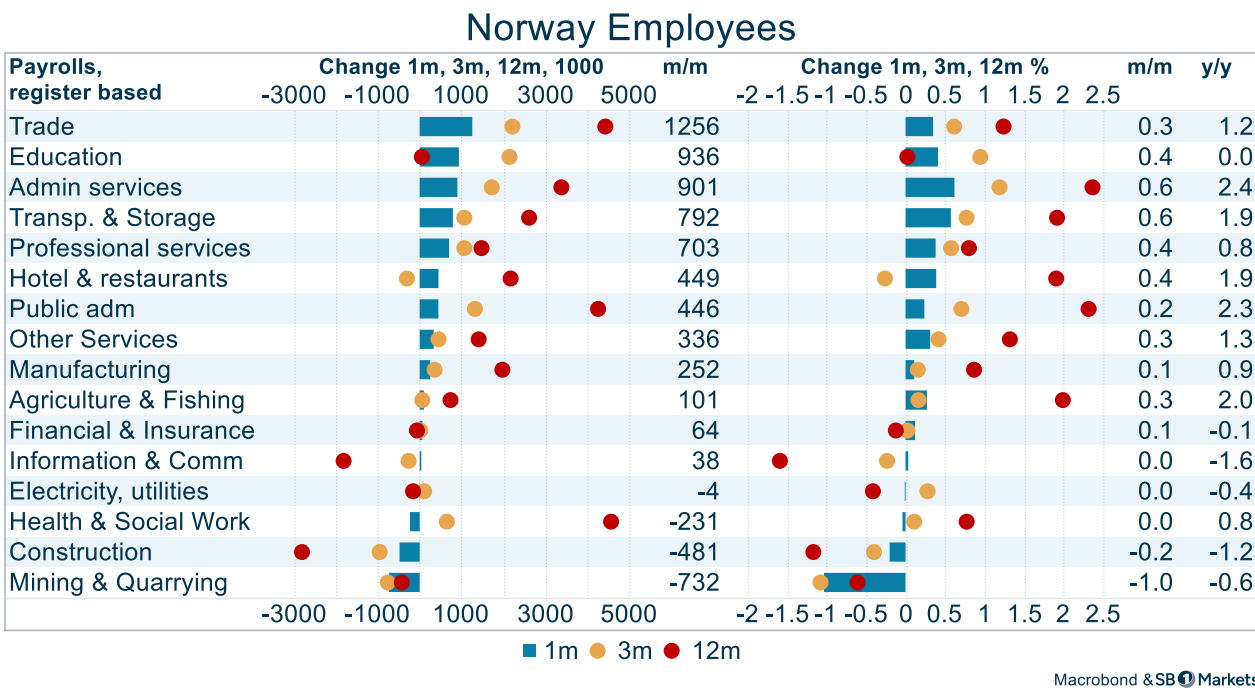


- **Manufacturing** has been going strong and still is on the way up (but if mining/oil is added, a small decline recently).
- **Public sector** employment (admin. + health + education) is up 7.6% since before the pandemic, in line with total growth (and thus with growth in the private sector overall).



For the nerds: most are up past 3m; Just info, construction & mining down

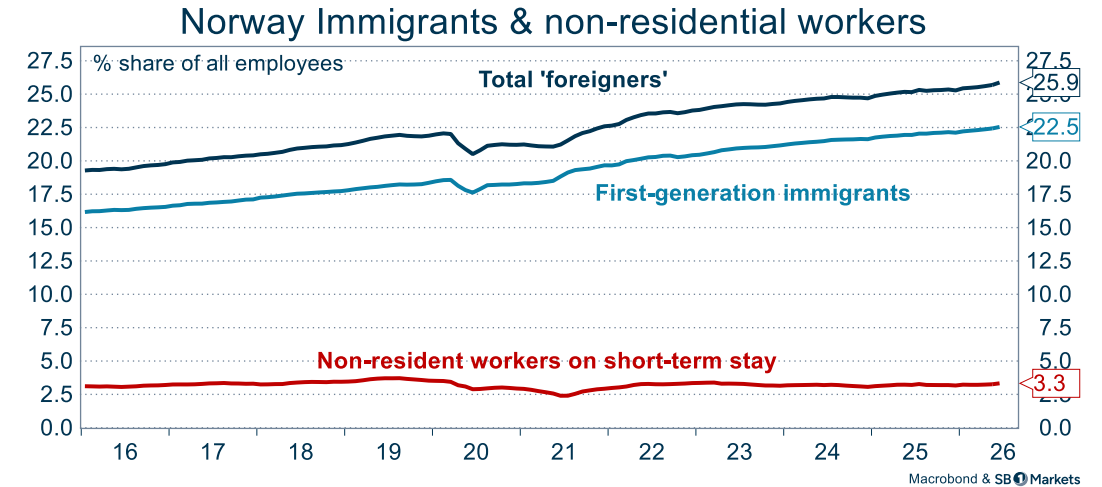
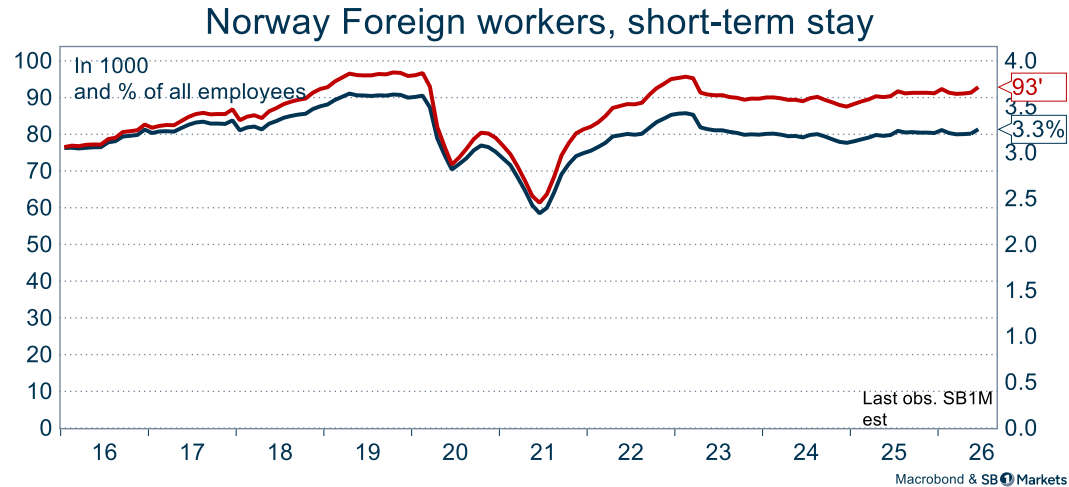
Construction is down 1.2% y/y. Information/communication is down 1.6%. An AI impact? Education was revised up but is still just flat y/y (from -1.4% in the preliminary May data). Administrative services is the only sector which is down since before the pandemic.



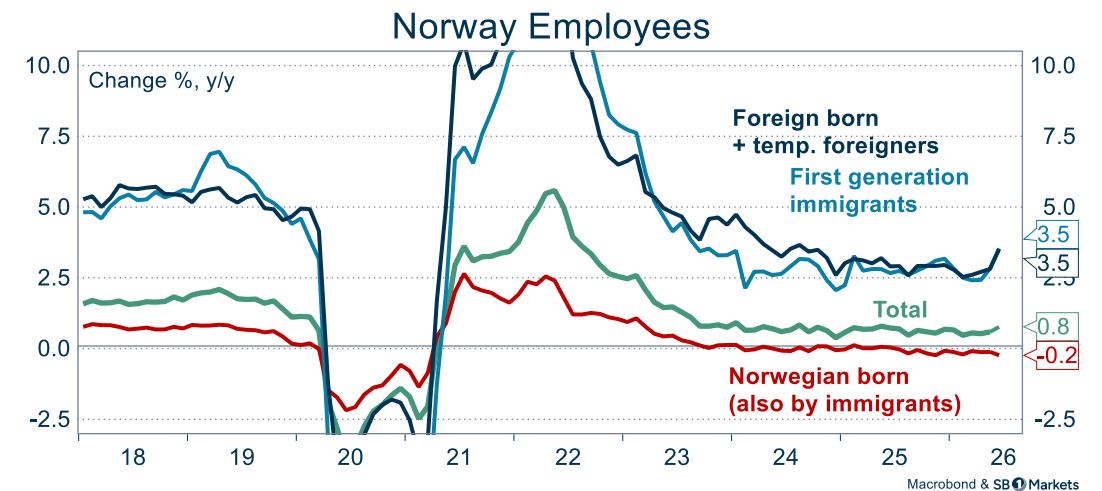
We have not applied an error adjustment model to the sector data

Steady growth in no. of foreign (born) employees, mostly due to more immigrants

The no. of foreigners on short-term stays has flattened, and equals 3.3% of total payrolls, down from 3.6% at the peak before the pandemic. 22.5% of the employees are foreign-born immigrants. This share is growing by almost 0.5 pp per year.

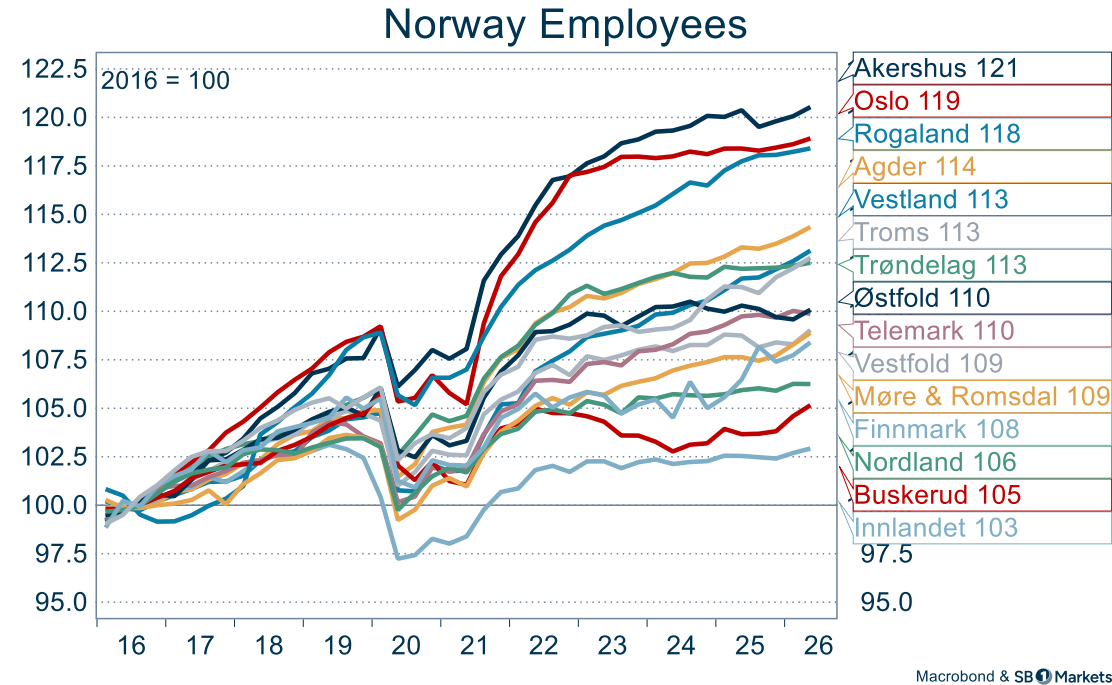


- The share of **first-generation immigrants** equals 22.5% of all employees, and the no. was up 3.5% y/y in June, and +32% from 2019. **The total share of 'foreigners'** (short-term workers + first-generation immigrants), is 4.8 pp higher than in 2019.
- **Norwegian born:** Up 1.8% since 2019, but down 0.2% y/y.

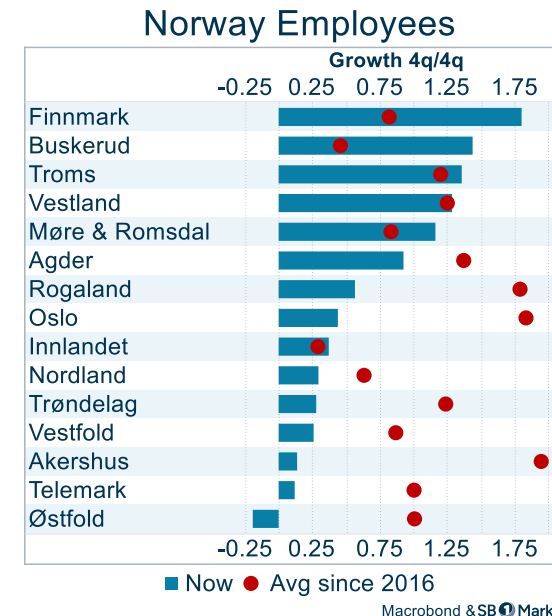
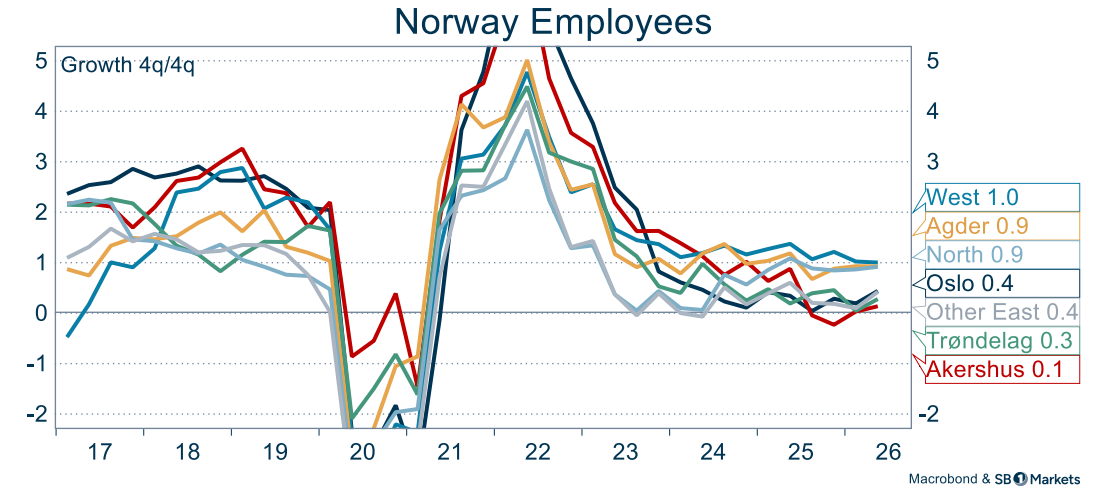


Payrolls: East is still the laggard, but just Østfold heads down

All counties by Telemark reported growth in Q1. All but Østfold are up 4q/4q. West, south, and north trend up 0.9 – 1% . Oslo and Akershus have gained some ground recently, up 0.4% and 0.1% resp. Longer-term: Buskerud and Innlandet at the bottom. O/A at the top

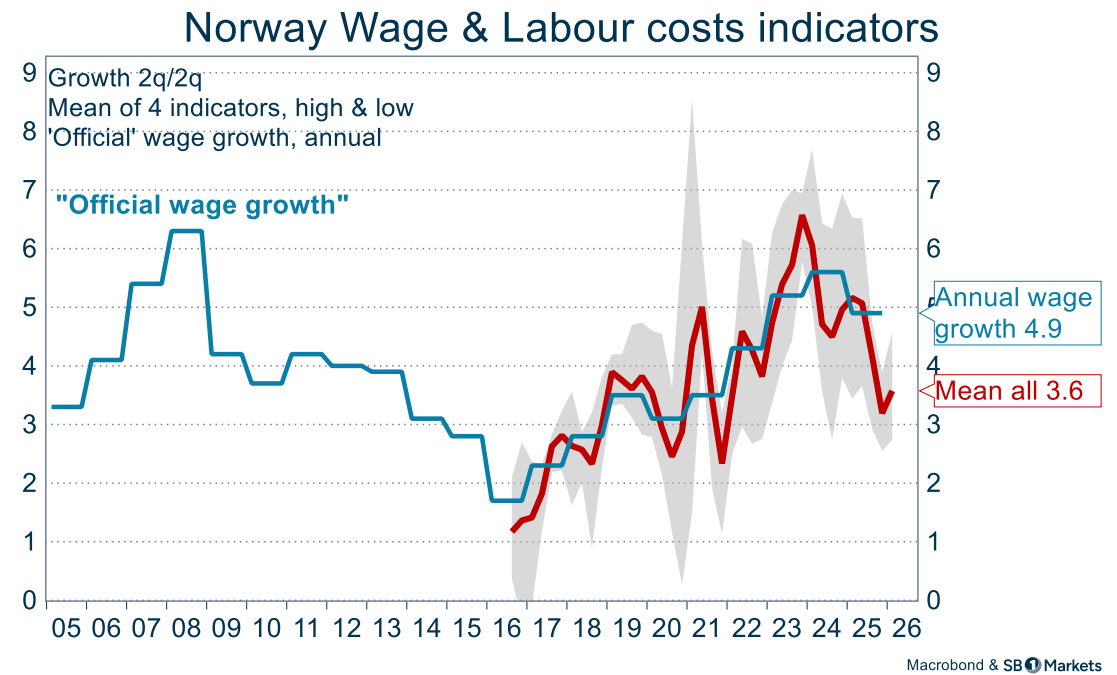
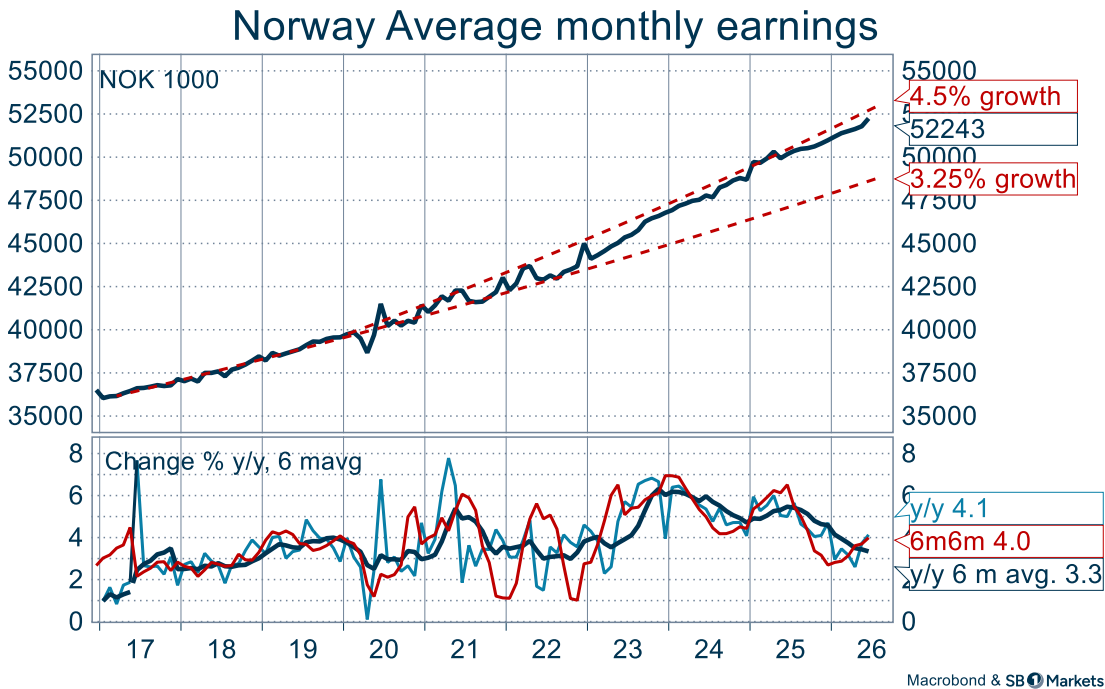


- From 2016: Akershus, Oslo and Rogaland in the lead
- Quarterly data, the last is Q1-26.

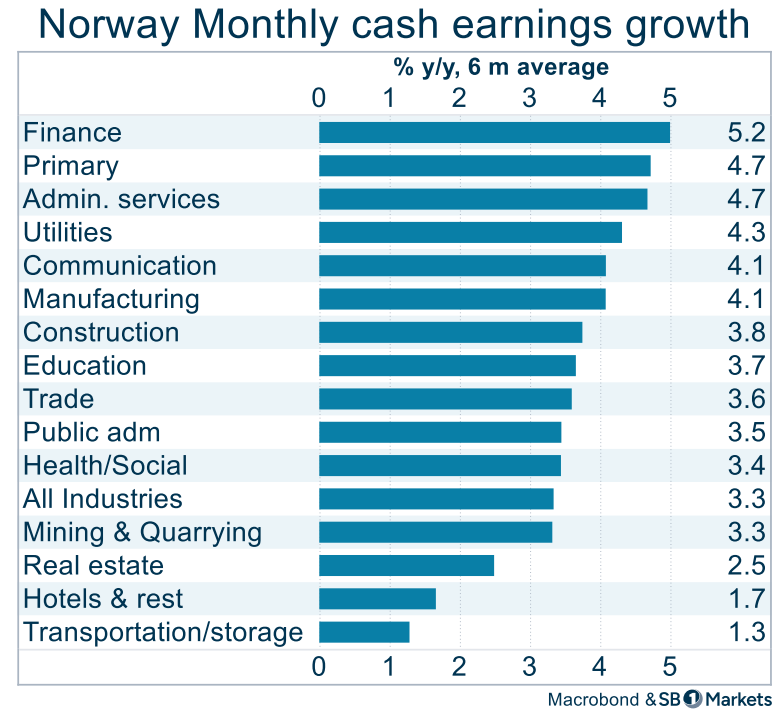
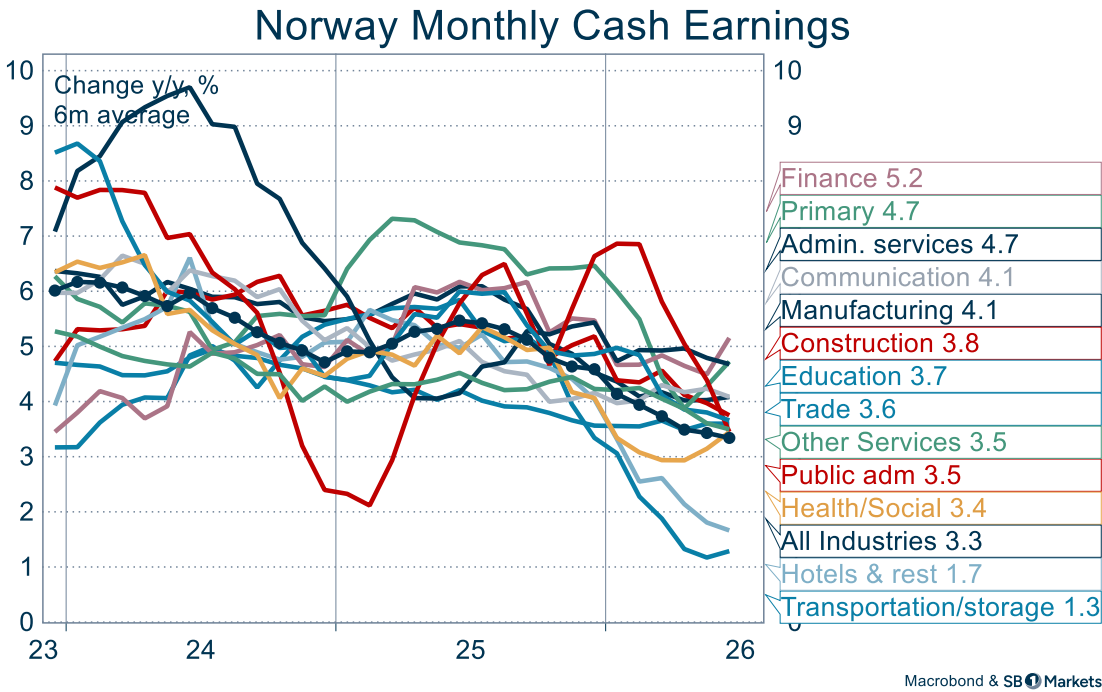


Wage inflation has slowed but not further in June

Monthly data based on payrolls stats are volatile, but they indicate that NoBa's 4.5% 2026 estimate may be on the high side. All sectors contribute to the decline in earnings growth. Other wage indicators have (mostly) signalled a slowdown in wage inflation.



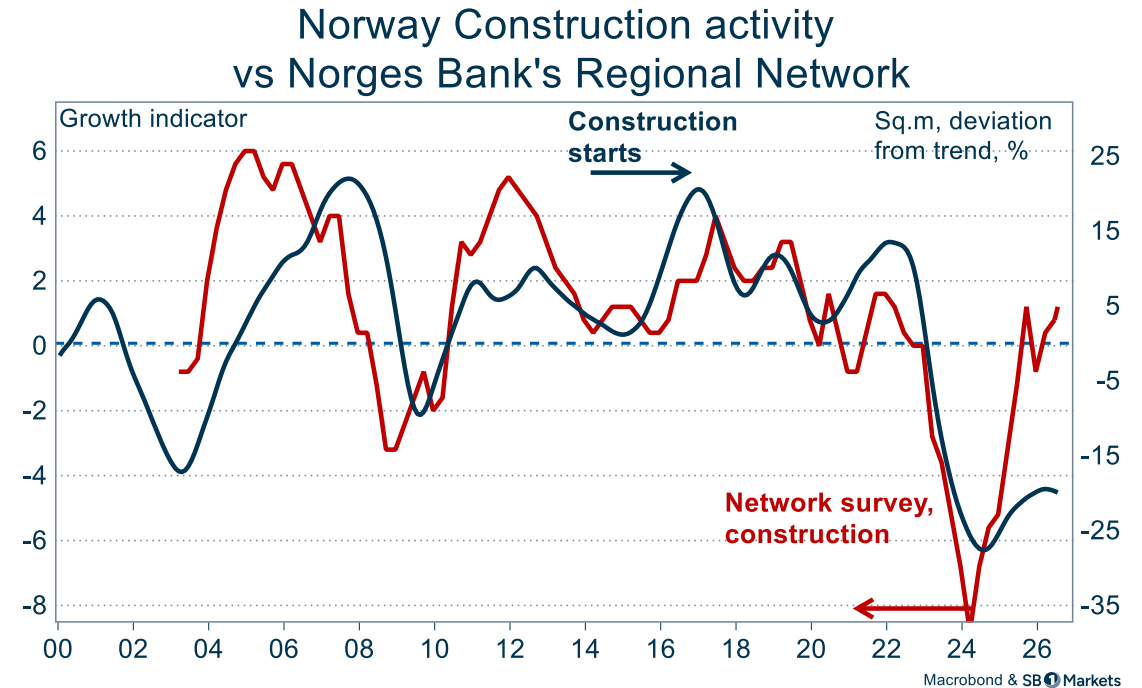
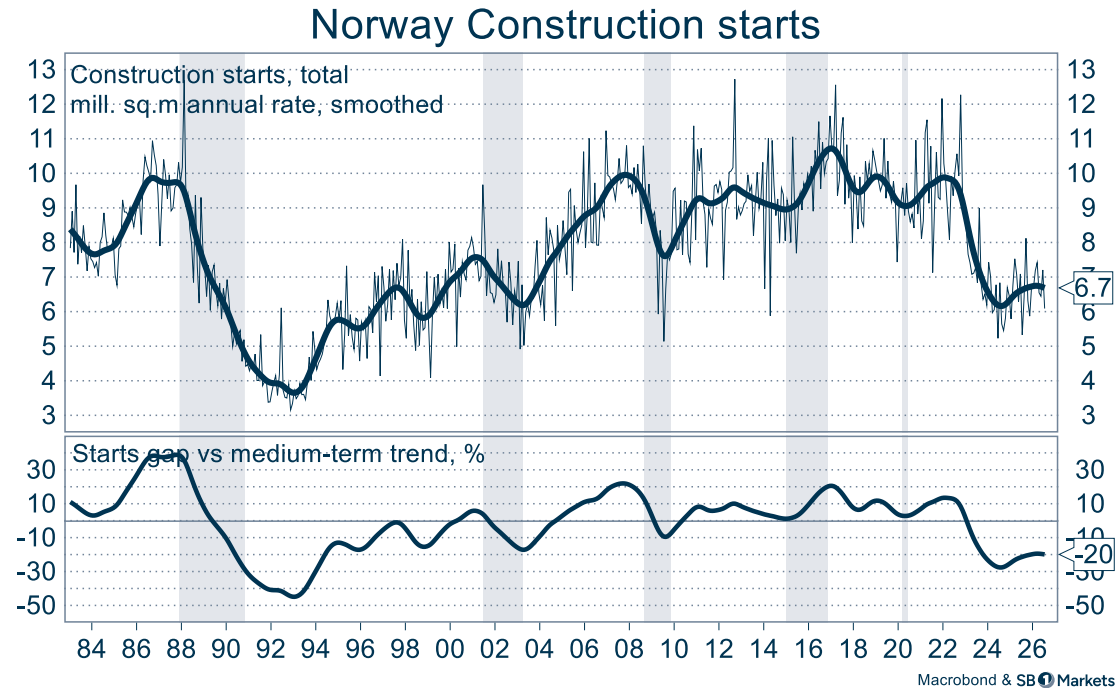
Wage inflation is slowing, broadly, according to SSB's register based statistics





Construction starts have bottomed, and the construction sector reports **GROWTH**

At least companies did so in Norges Bank's Q2 Regional Network, even if housing starts remain in the doldrums. The level is still low, at least vs. construction activity in the 2006-2022 period.

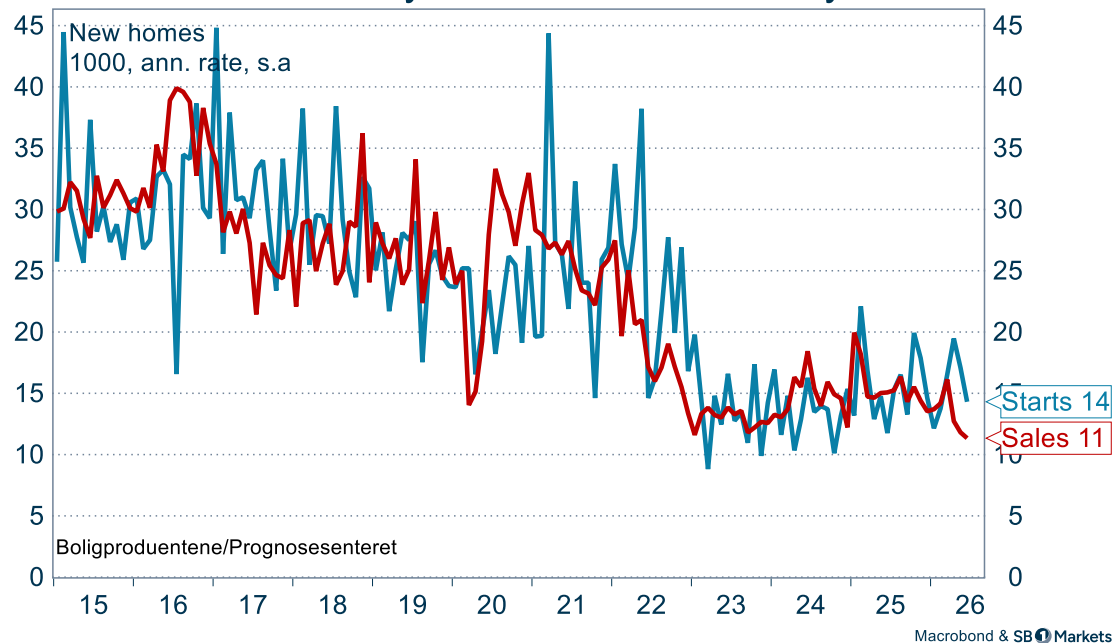




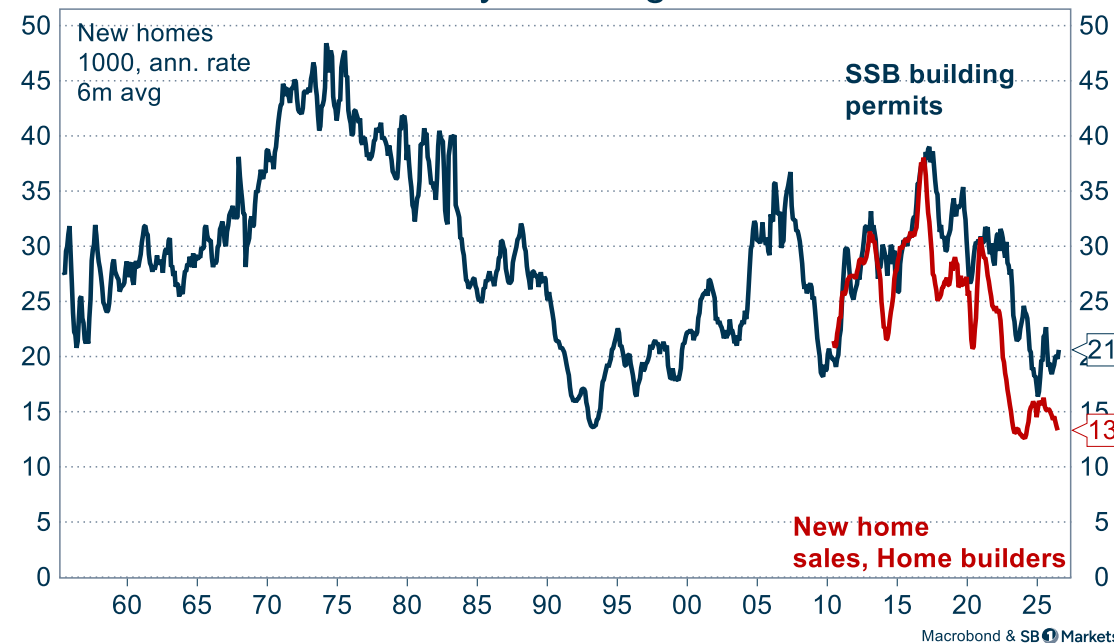
Home builders: New home sales fell further in June, *to the lowest level on record*

Sales declined by 1,000 to 11', a new ATL (data from 2010). The 6m avg. has fallen to 13' units, still slightly above the low in 2023. Starts have been slightly higher the past 2 months, but data are even more volatile than sales. Understandably, home builders are not happy.

Norway Homebuilders' survey



Norway Housing starts

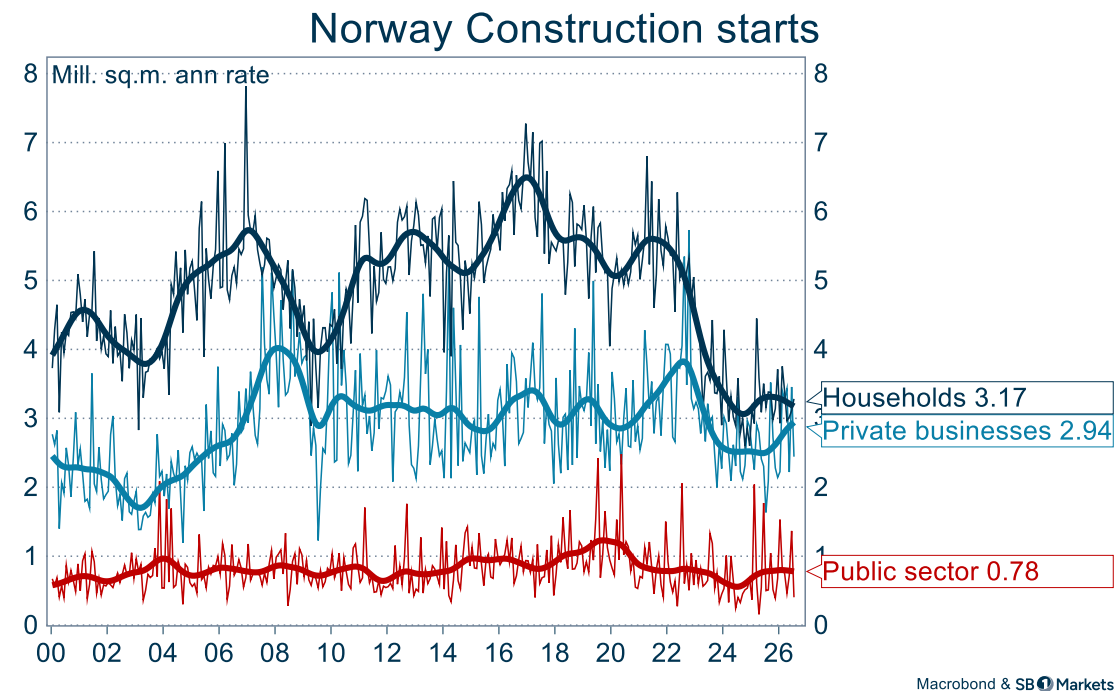
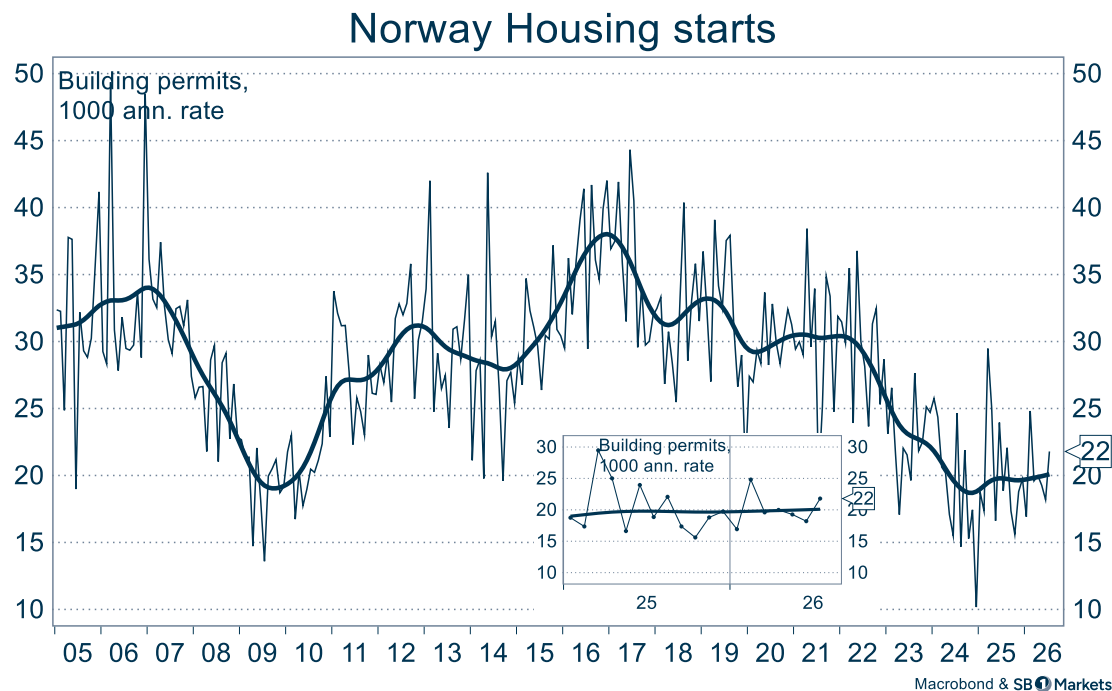


- **SSB reports 21' building permits** on average over the past 6 months, 8' above the estimate from Boligprodusentenes forening (home builders association). Student homes and nursing homes are included in SSB's data but not in the home builders' stats. SSB's permits lag new home sales by some 6 months.
 - The gap between home builders' sales/starts data and SSB's permits has widened somewhat. Over time, 94% of SSB's permits are completed, which indicates that permits are 'for real'.



SSB report a modest lift in housing starts-but the level is still low

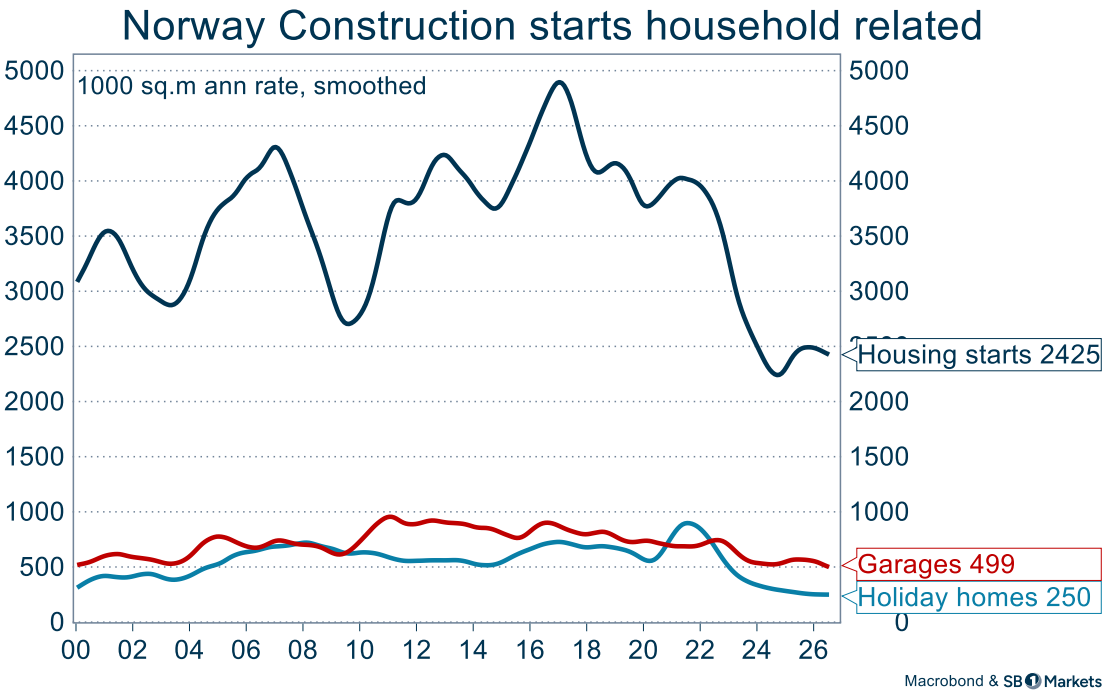
Housing starts (building permits) have flattened at a lower level than normal. Construction starts in the business sectors have recovered lately. Public sector starts are up from the 2024 trough but has flattened so far in 2026, at normal level.



- **Residential building permits** rose by 2,000 to 22' in July (annualised). The average over the past 6 months is 21'. Measured in sq.m., a small dip recently.
 - Construction of **second homes** is still heading down, from a low level (*check next page*).
- Construction starts in **private businesses** are even more volatile from month to month than housing starts, but so far in 2026, activity has picked up
- Through 2024, starts in the **public sector buildings** fell to the lowest level since the 1990s, but recovered in H1–25 (partly due to the new Oslo hospital, and a large public office project). Recent months, starts have flattened.
 - Public sector construction starts equal just some 20% of non-residential construction and have never contributed much to the large cycles in construction.



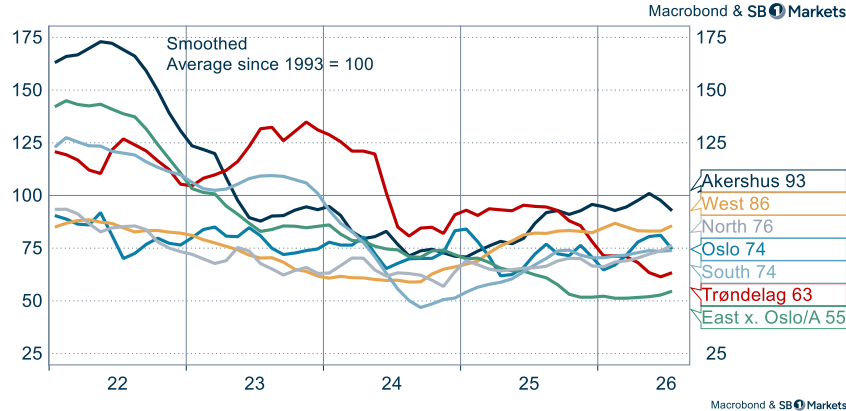
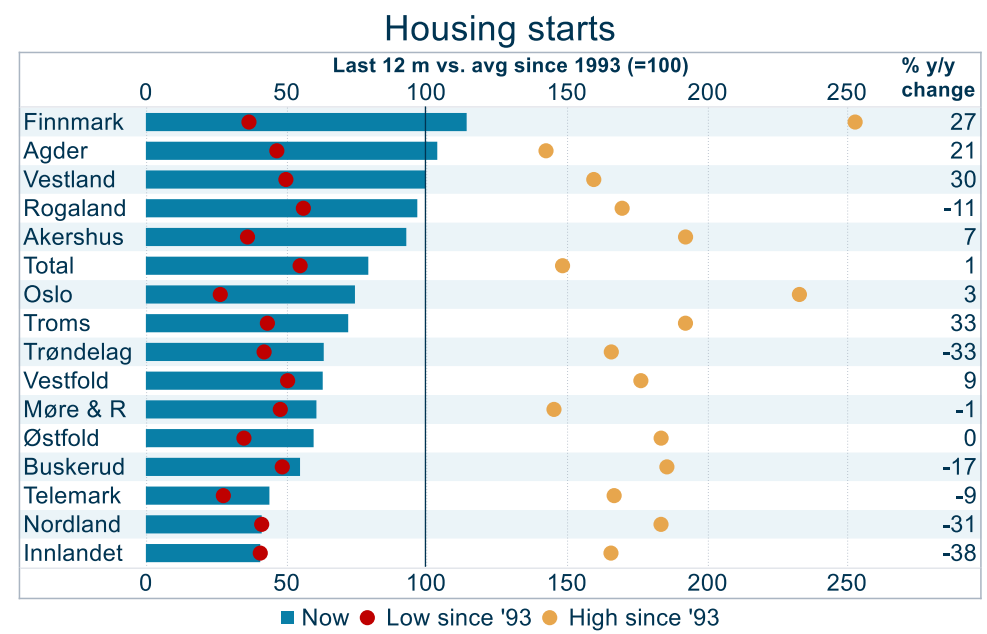
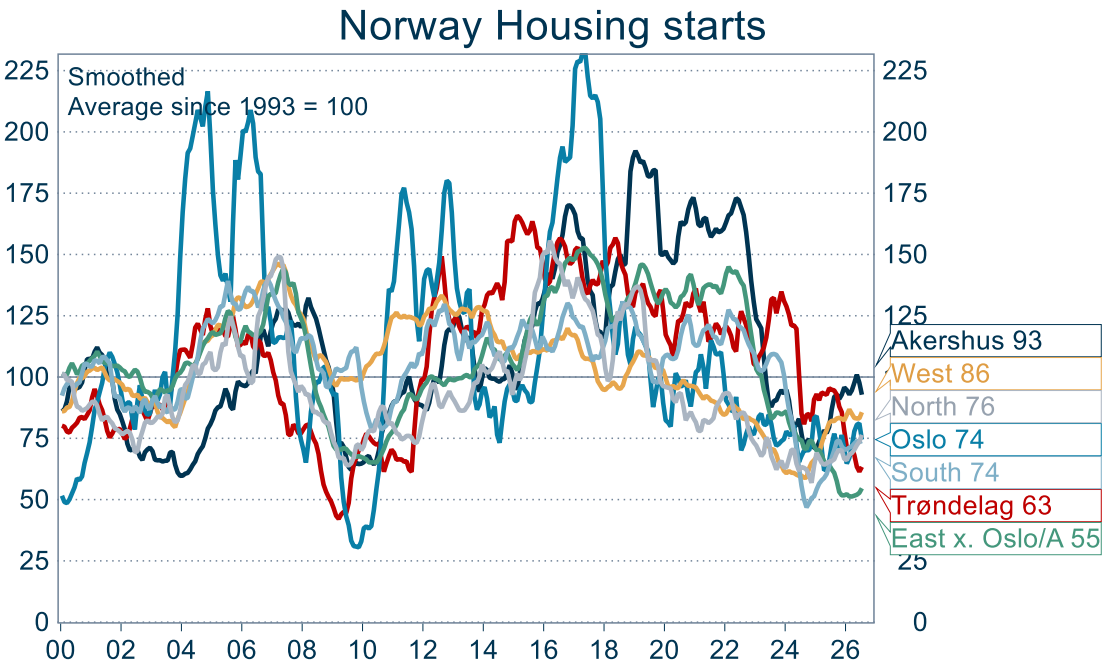
Housing starts have probably bottomed, holiday homes not





Housing starts are still heading down in Trøndelag, but have bottomed elsewhere

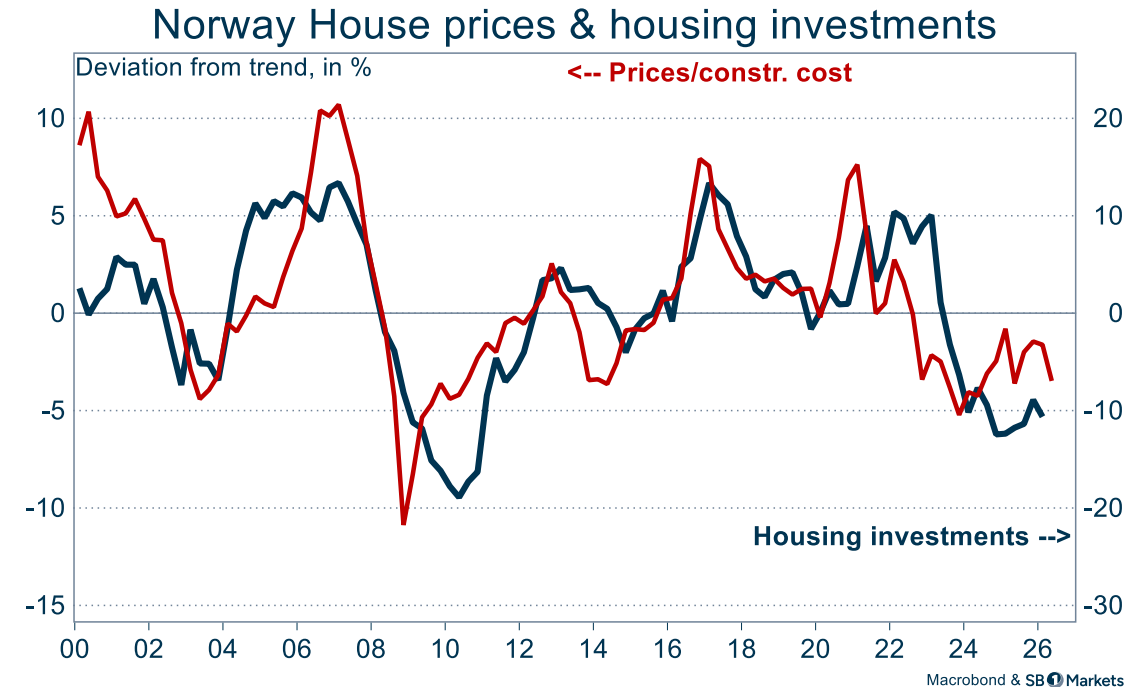
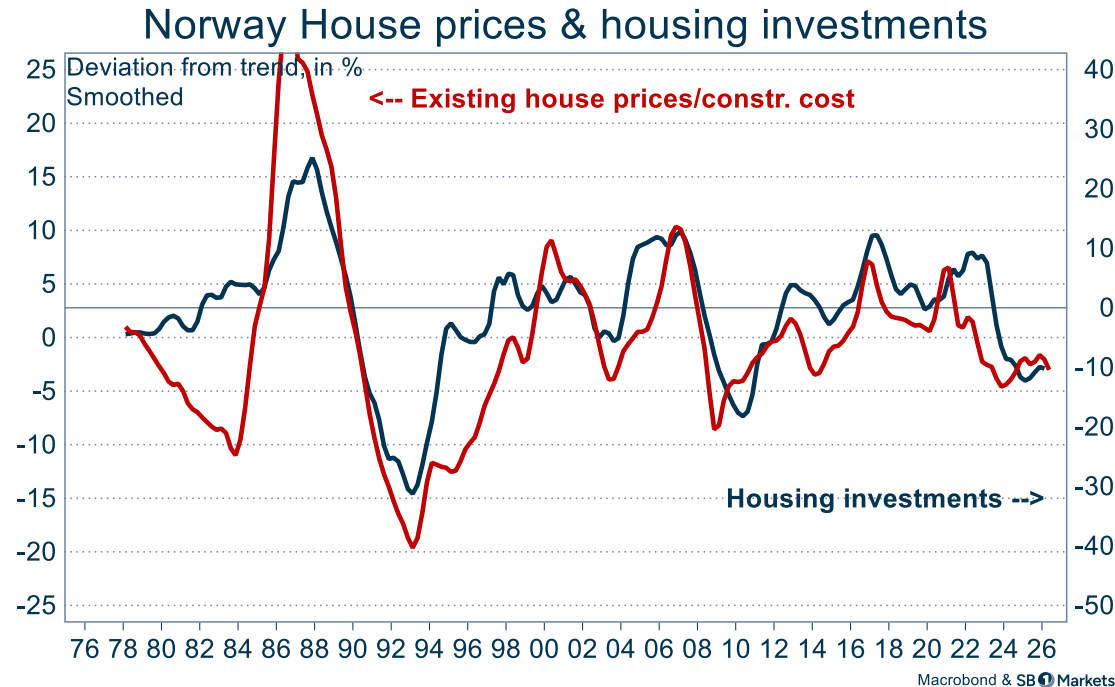
Starts in Finnmark and Agder are higher than the average since 1993. Nordland and Innlandet are at the bottom. Oslo is some 20% below the long term average, Akershus is just marginally below.



The smoothing is not the same at the two charts to the left as at the bar chart to the right.

Housing invest. have fallen just as our house prices/construct. costs model suggested

... after the recent huge upward revision of residential investments in the National Accounts. In addition, this model indicates that **housing investments will turn up, as second-hand prices are marginally up vs. construction costs.**

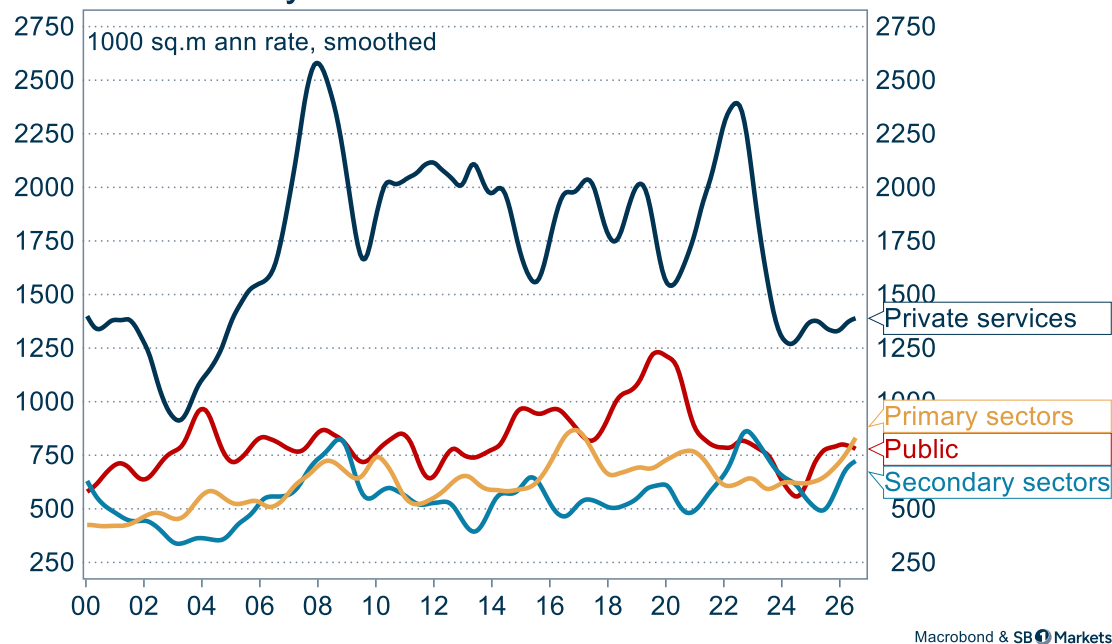


- Builders, at least in cities, are probably reluctant to acknowledge the decline in land prices and will rather wait and see if second-hand housing prices recover rather than accepting the current price level. Now, second-hand housing prices are on the way up, and slightly faster than construction costs

Non-residential construction: Offices and trend still on the down but others flat/up

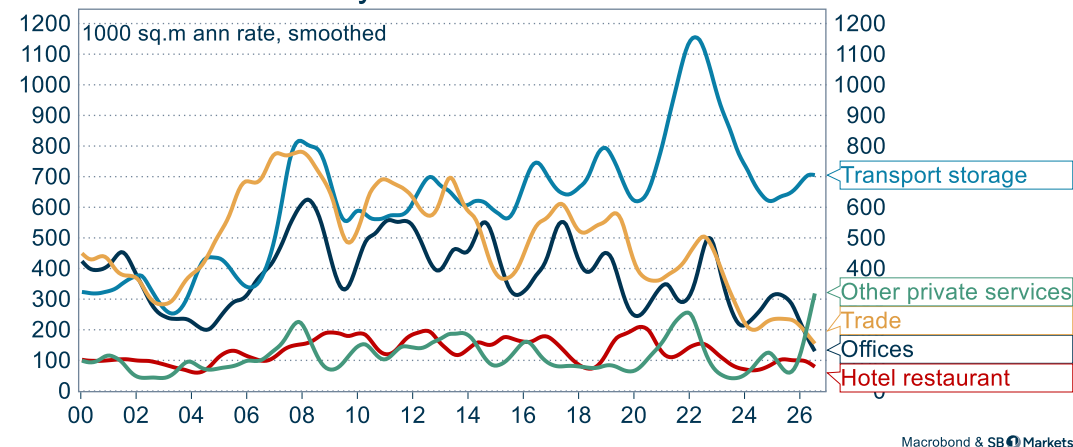
Offices are still in the doldrums, for good reasons. Trade is weak as well. However, transport and 'other' services are up, as is both primary sectors and manufacturing

Norway Construction non-residential starts

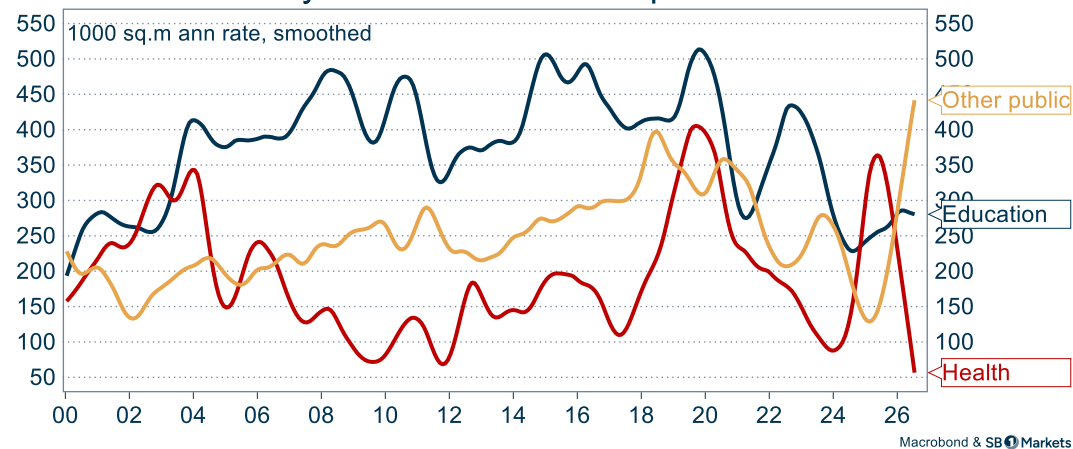


- Within the **public sector**, offices have taken the lead, growth-wise. Health increased last year but no big projects have been started recently. Starts in education buildings are back, following a downturn

Norway Construction starts services

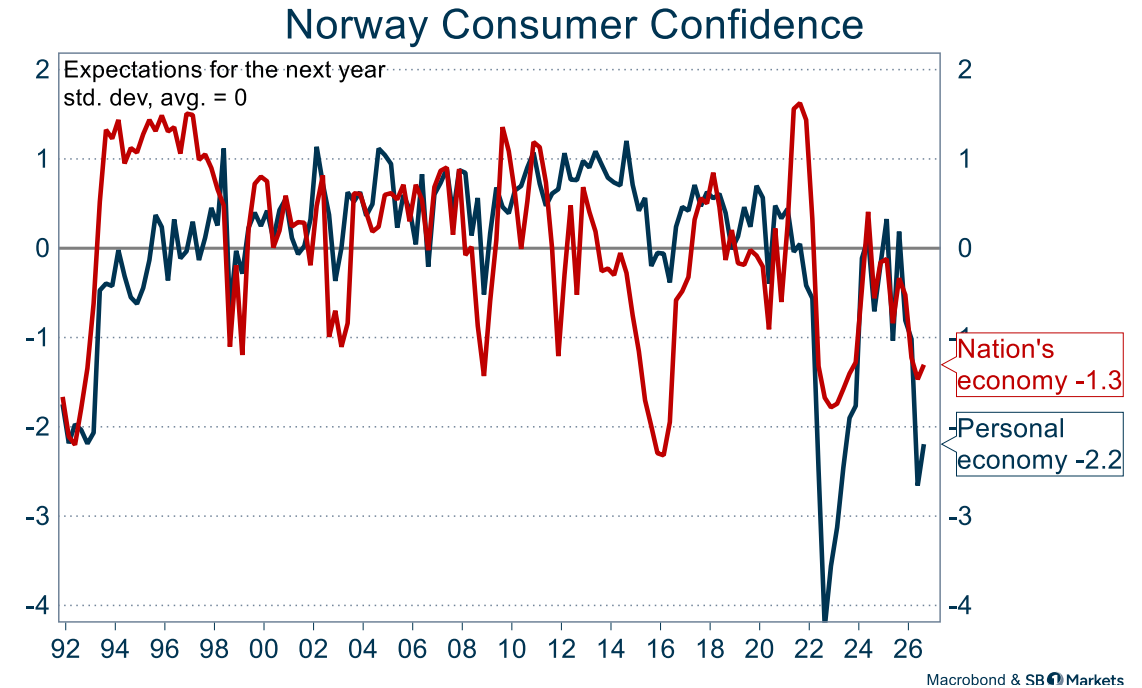
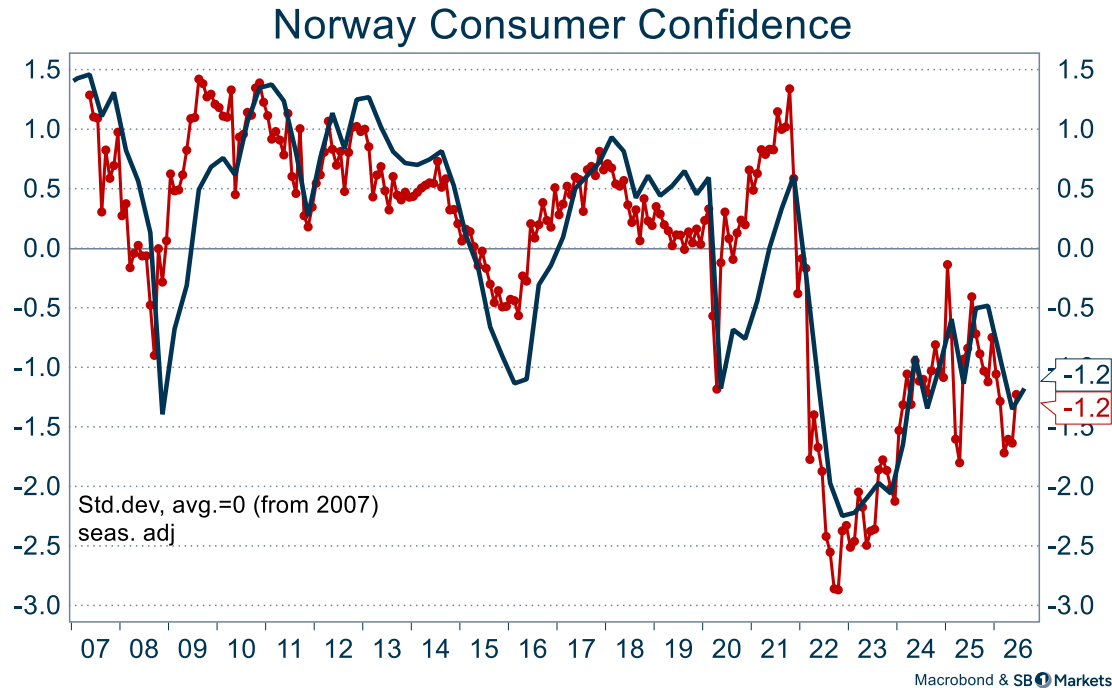


Norway Construction starts public services

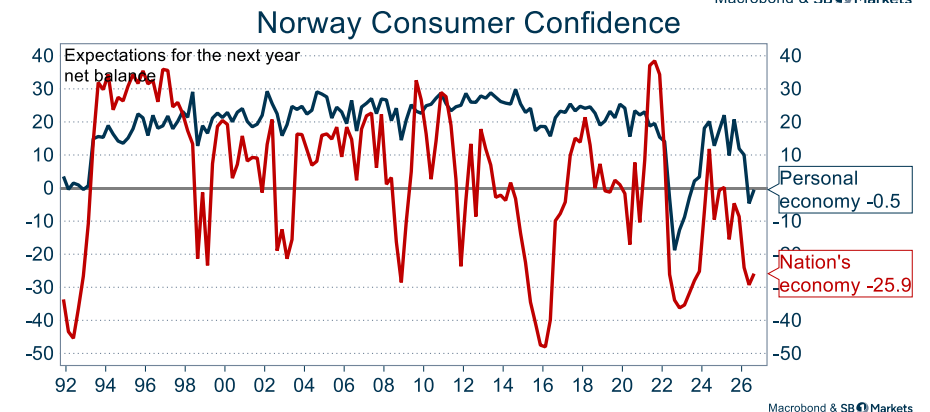


Consumer confidence a tad up in Q3, still 1.2 std. dev. below average

The Finans Norges index rose 0.1 std. dev. to -1.2 in Q3, with small, mostly positive changes in the sub-indices. Buying plans rose as well, and most are above average. On the other hand, savings/investing plans **shot up to a level not seen before!**

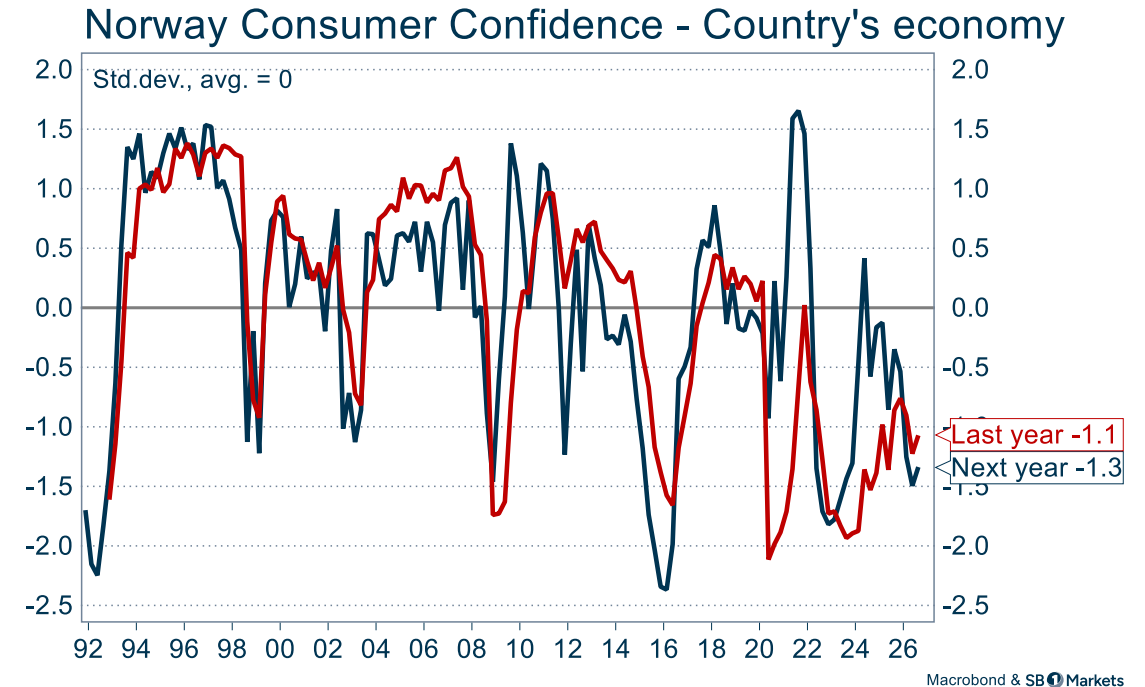
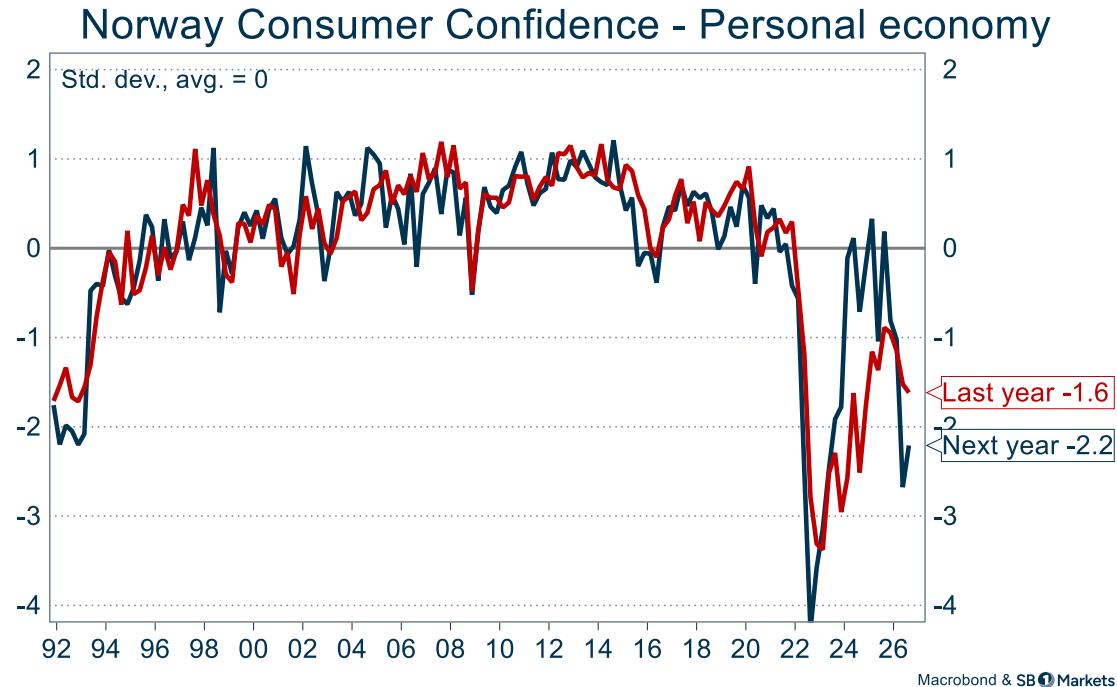


- The outlook for households' personal economy is well below the assessment of the outlook for the country, standardised measured like on this page.
 - The balance between optimist and pessimists is neutral though. However, a large majority is usually optimistic, and the current net print is well below average).
 - Households are usually more balanced regarding the outlook for the national economy, and now they are rather pessimistic.



Next year will be worse than the last year, household fears

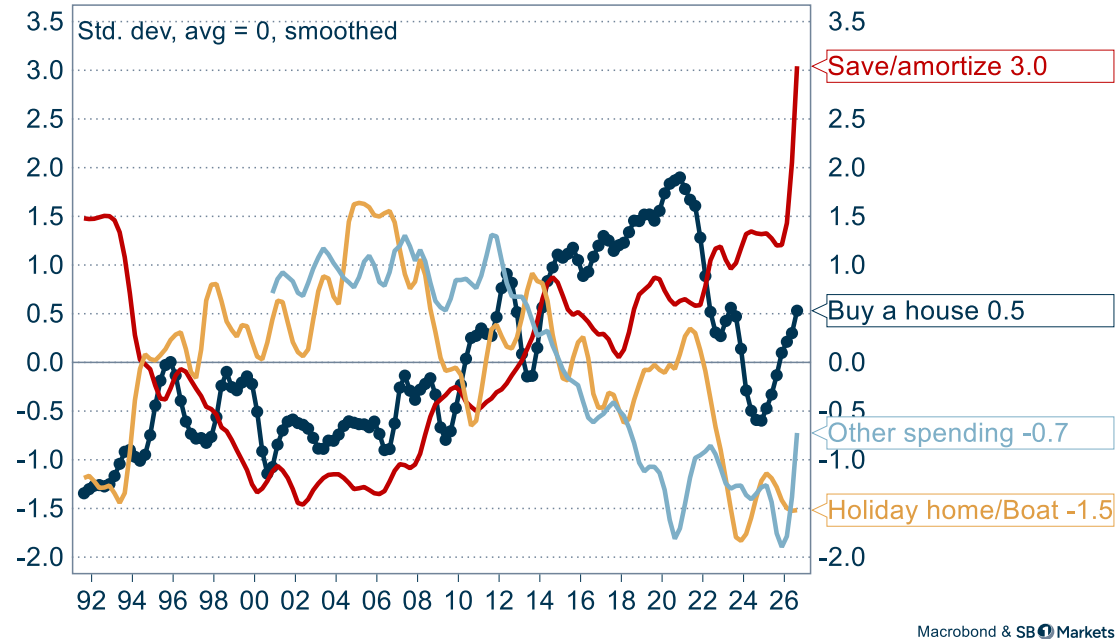
... but not as bad as they thought three months ago. Households are relatively (vs. history) more concerned about their own personal economy than the country's economy.



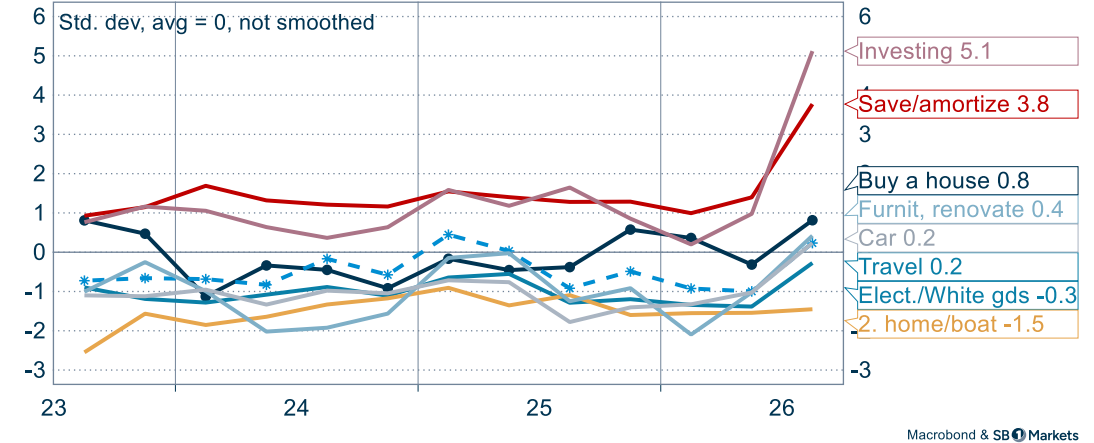
Saving/amortisation has never been more popular! Other spending plans up as well

Repay debt, save and invest are still the most popular priorities (vs. their normal levels and absolute vs. other categories). All other main categories were still up, including house buying.

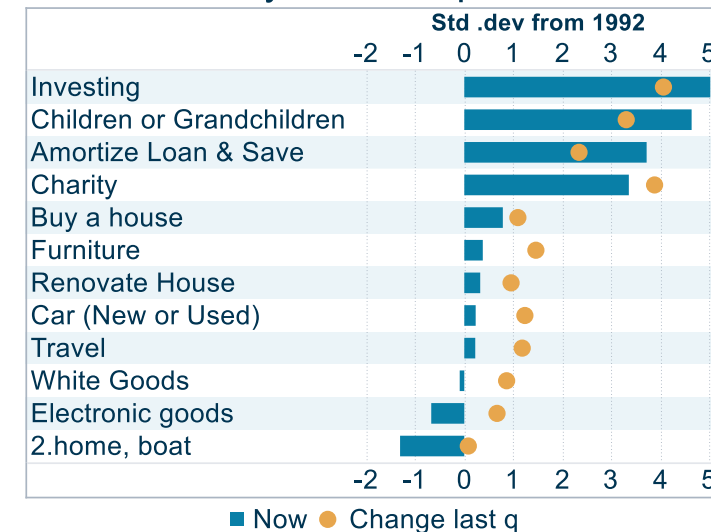
Finance Norway Consumers' spending plans



Finance Norway Consumers' spending plans

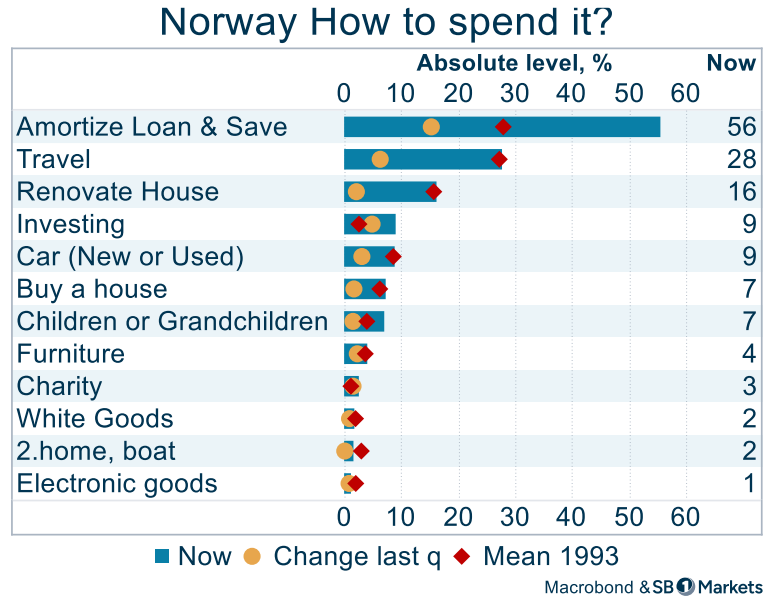
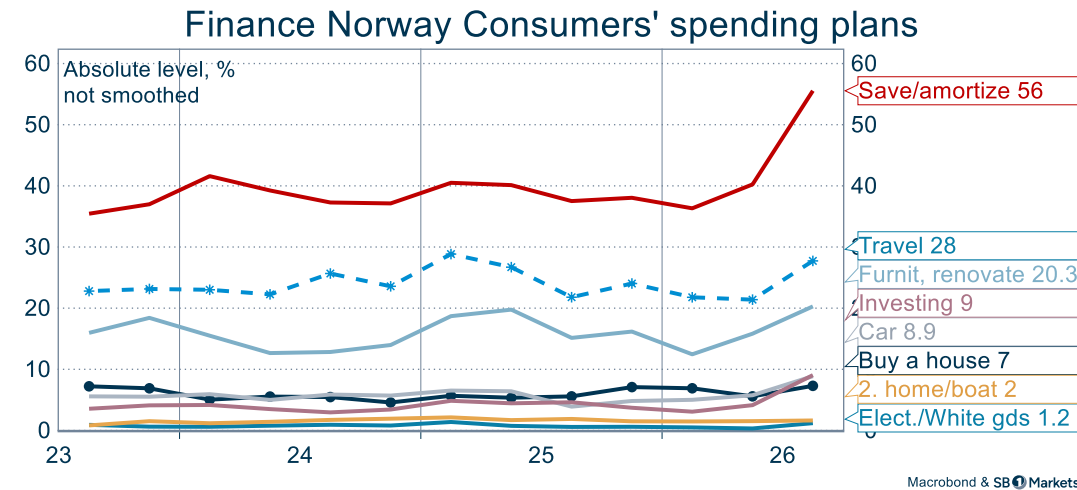
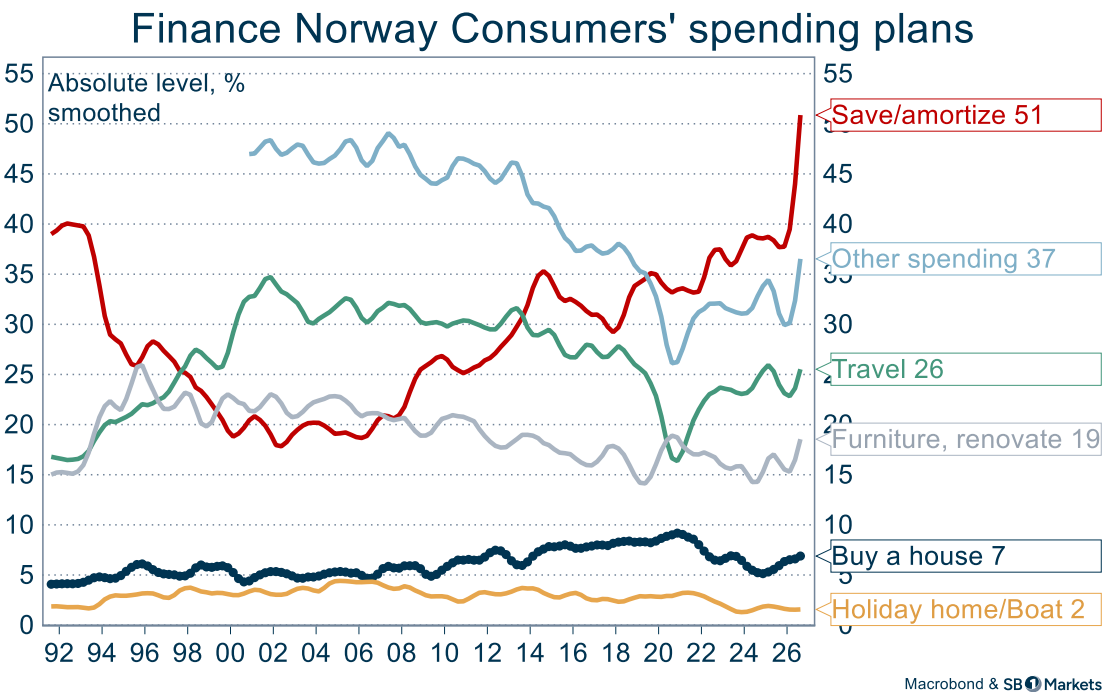


Norway How to spend it?



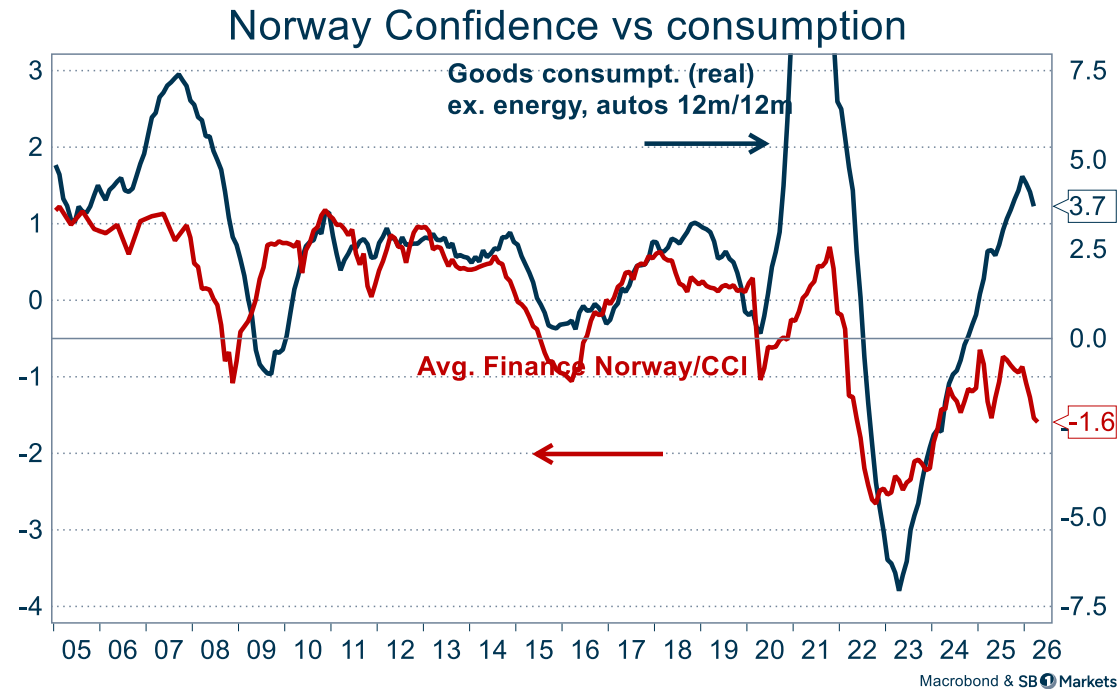
Saving/amortisation has never been more popular! Other spending plans up as well

A level check. On the previous page: deviation from average, measured in standard deviations.



Any reason to worry? Limited short-term correlation but longer term...

The past 20 years, the ups and downs in underlying growth have been correlated to the consumer confidence surveys.
Now: Fully disconnected! Or at least, almost fully disconnected.



From June-25, retail sales is used as a proxy for goods consumption ex. energy and autos.

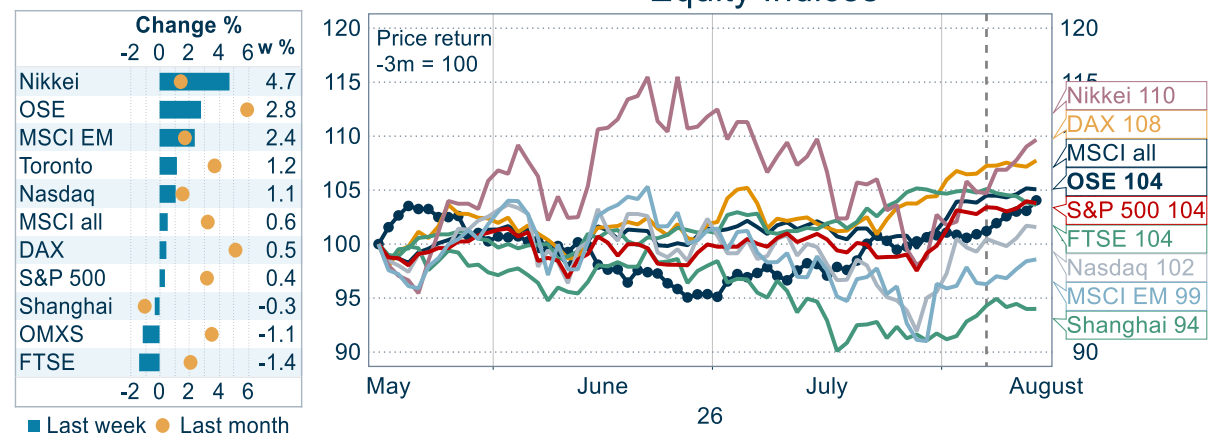


4. Financial Markets

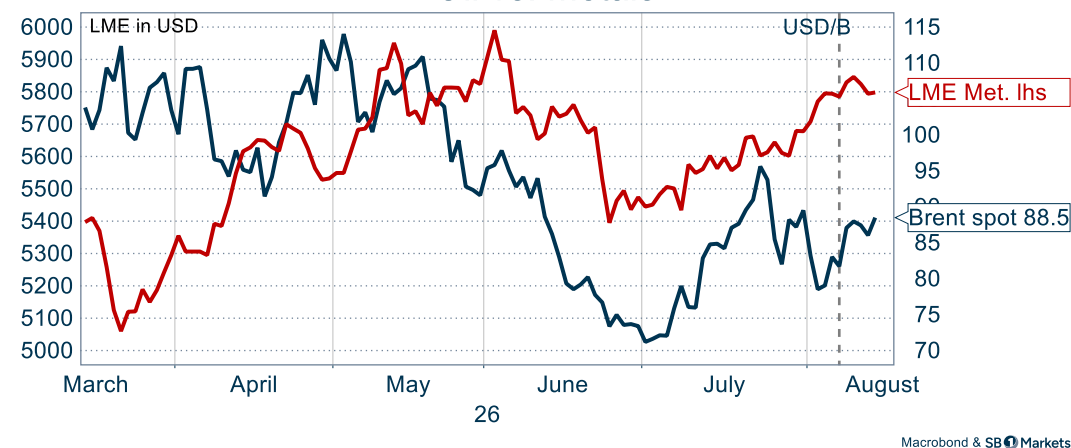
More equity market ATHs, OSE included. Mixed bond yields, the most were up

... but NOK rates declined. Oil prices rose on no good news from the Gulf front. NOK among the commodity FX winners last week (but SEK depreciated). The USD heads down (at least the broad USD index).

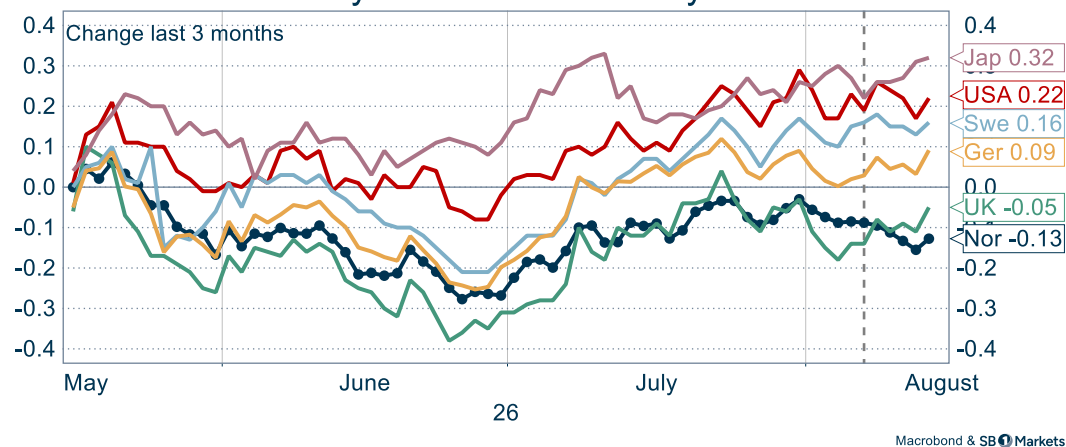
Equity Indices



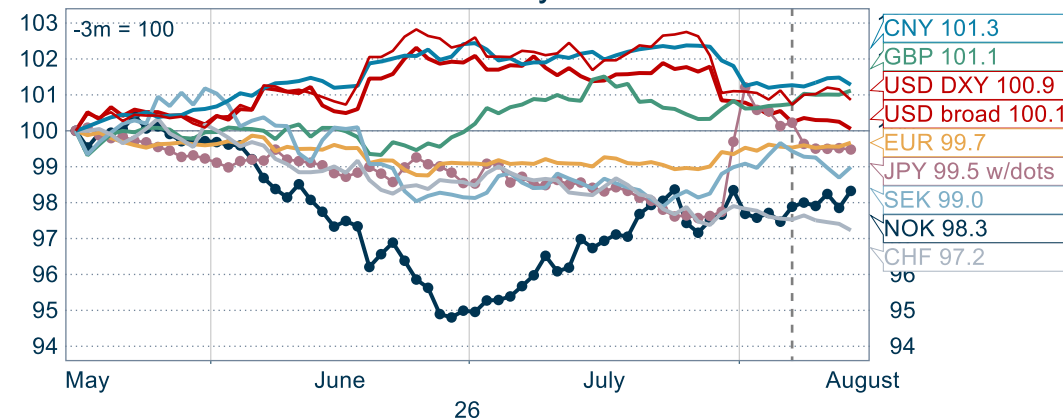
Oil vs. metals



10 y Government bond yields



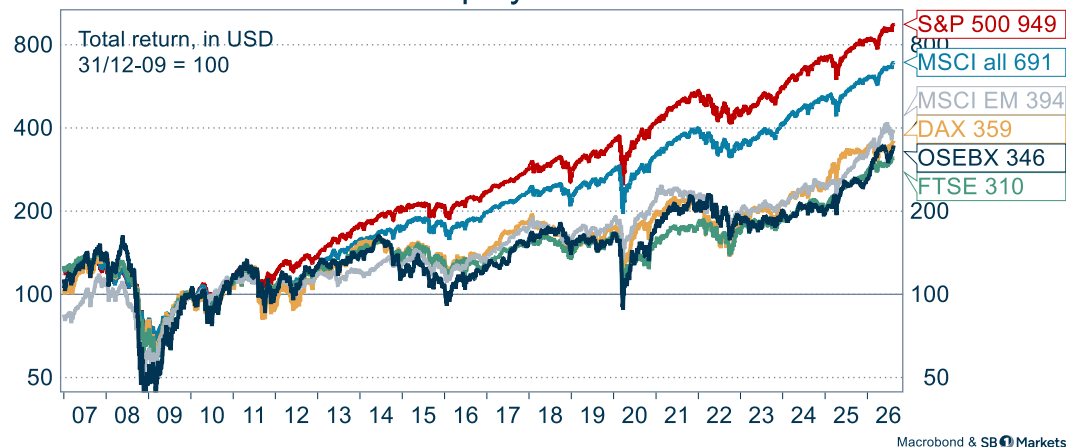
Currency indices



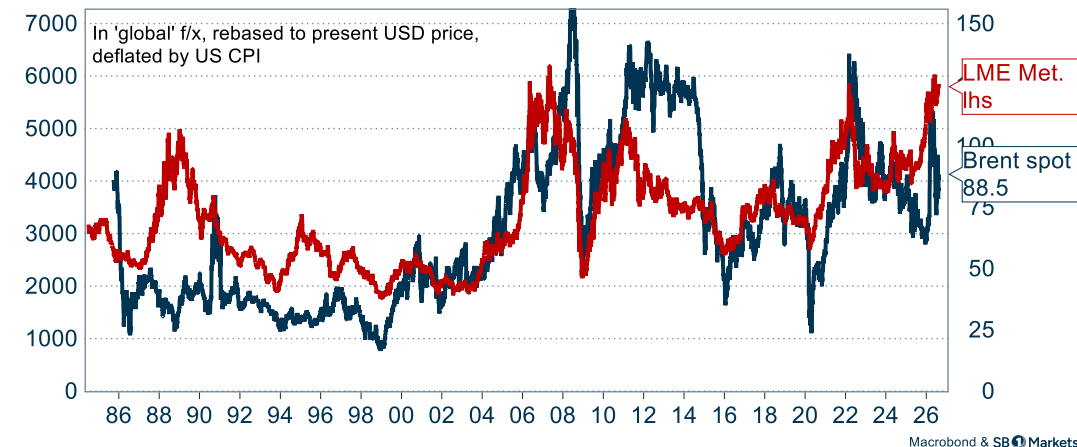
Big picture: Equity markets are soaring, real metal prices are close to record high

... 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. And the oil price? Below a 'normal' level

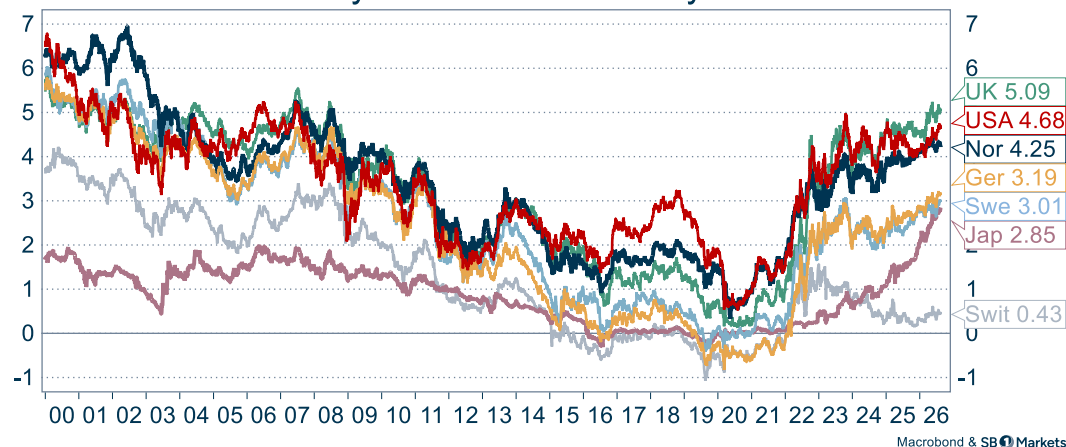
Equity Indices



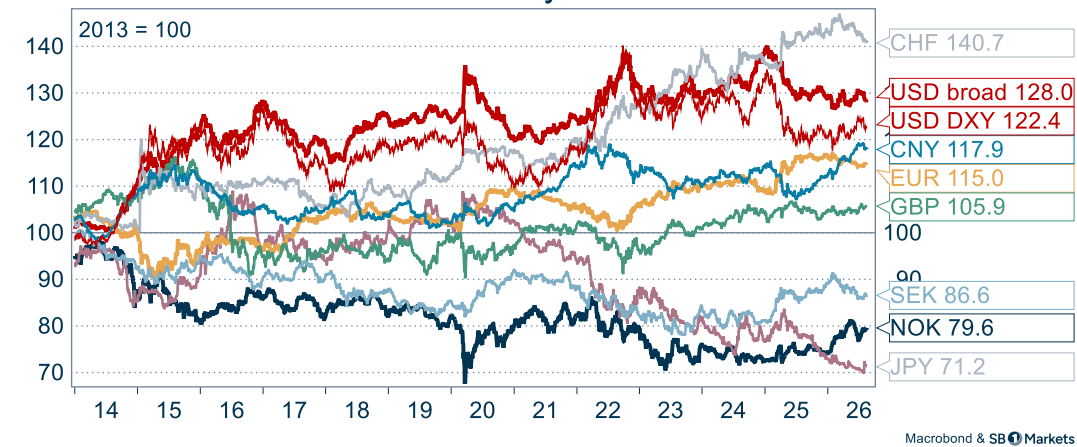
Oil vs. metals



10 y Government bond yields



Currency indices

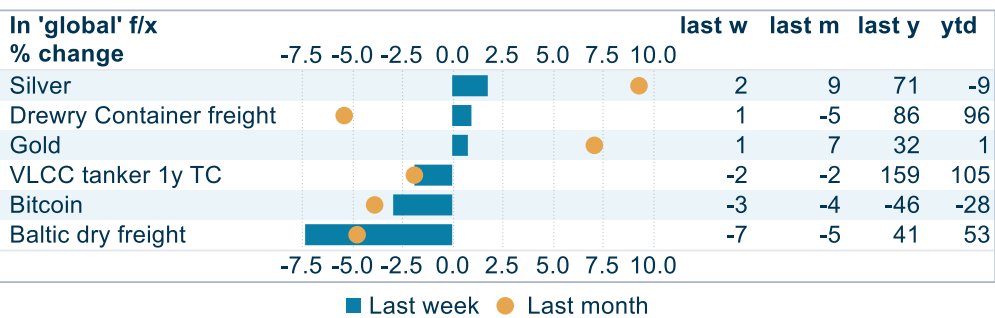
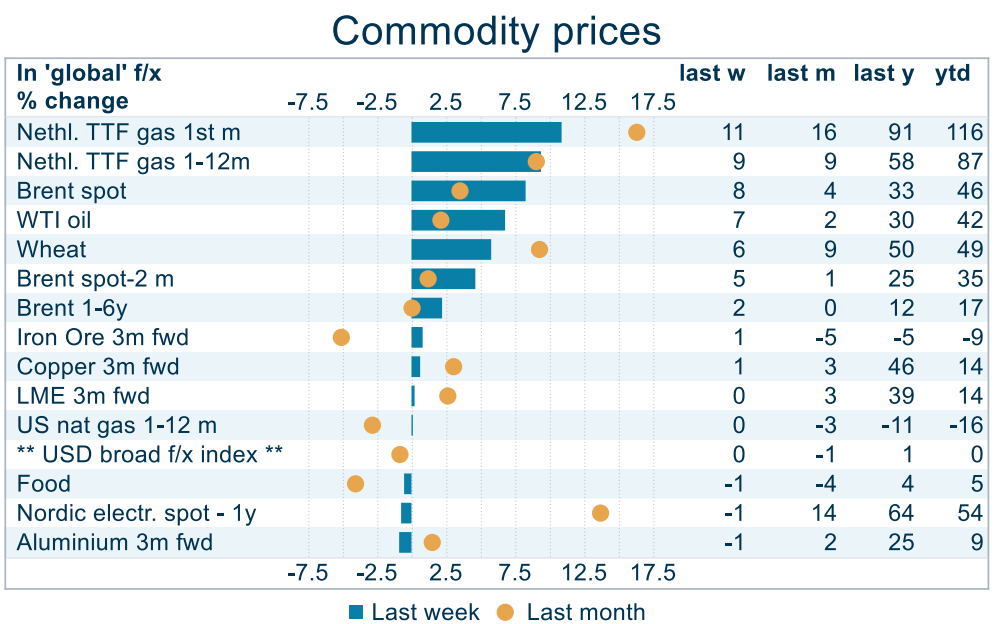
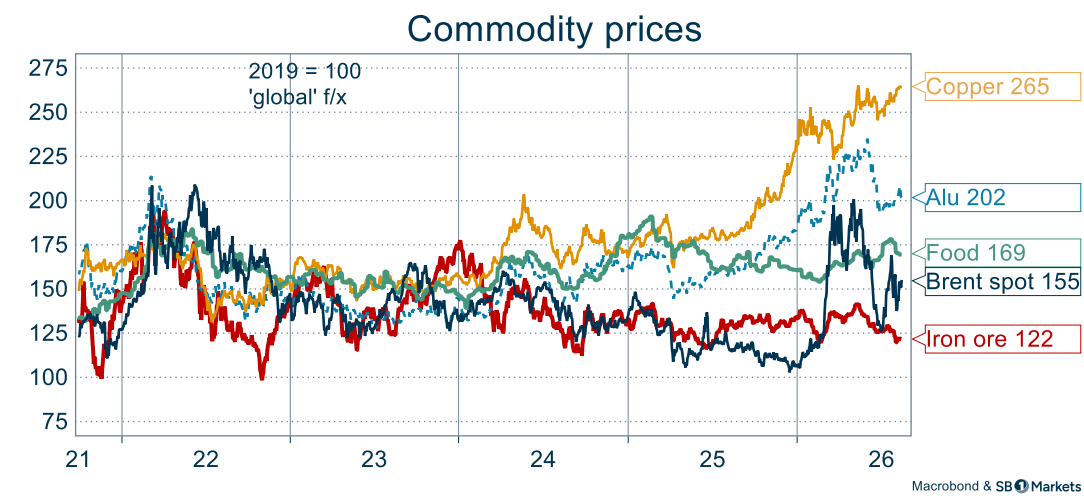
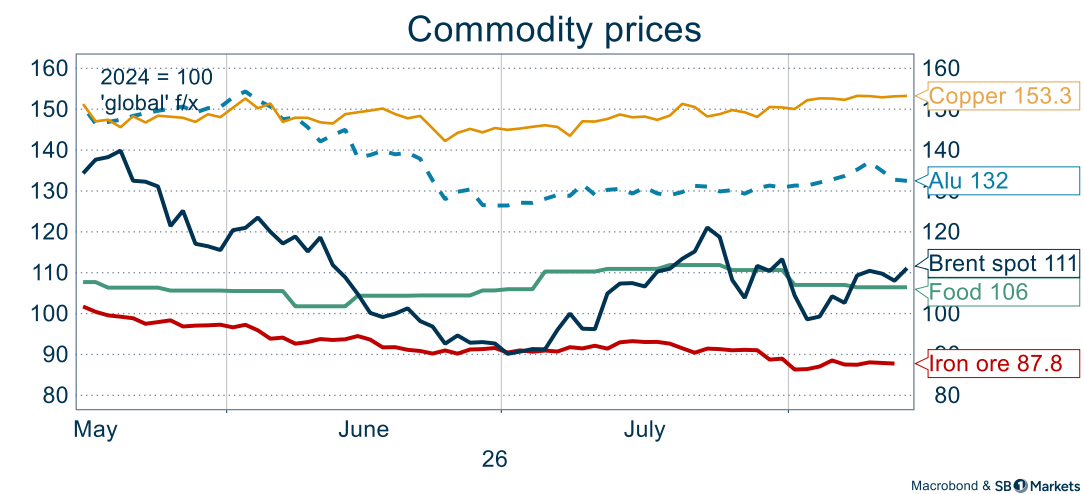




4.1 Commodities

Commodity prices: Energy prices again, European natural gas prices the most

Metal prices were unchanged but trend upwards. Precious metals rose last week, and are up last month, alongside a weaker USD, even if rates are up, especially real rates

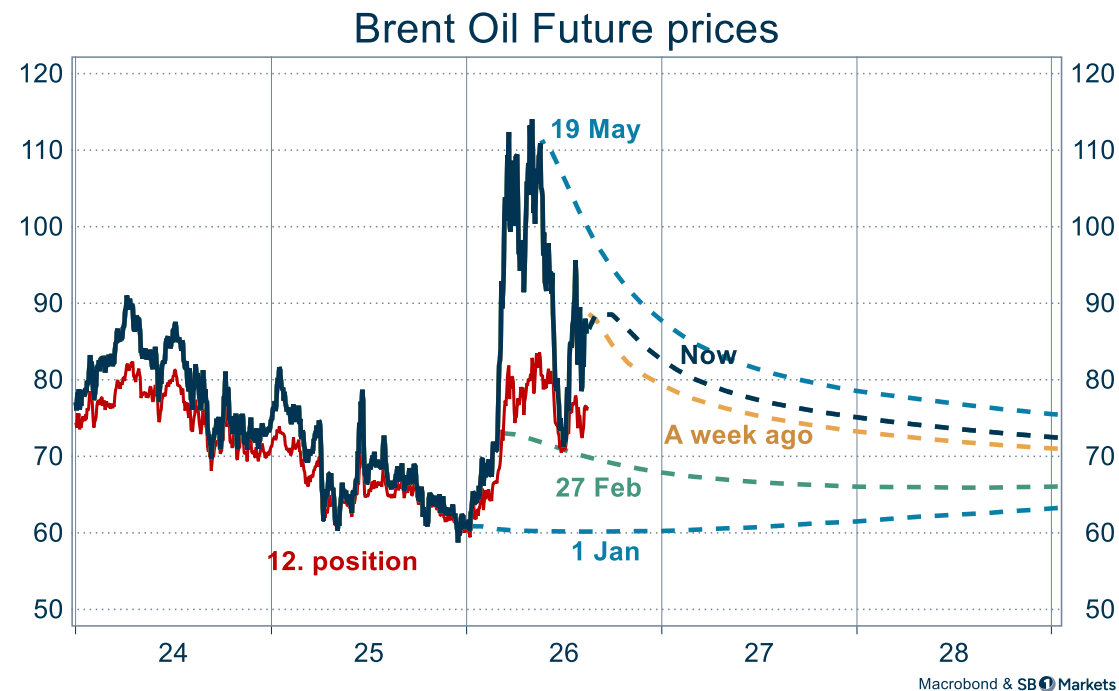
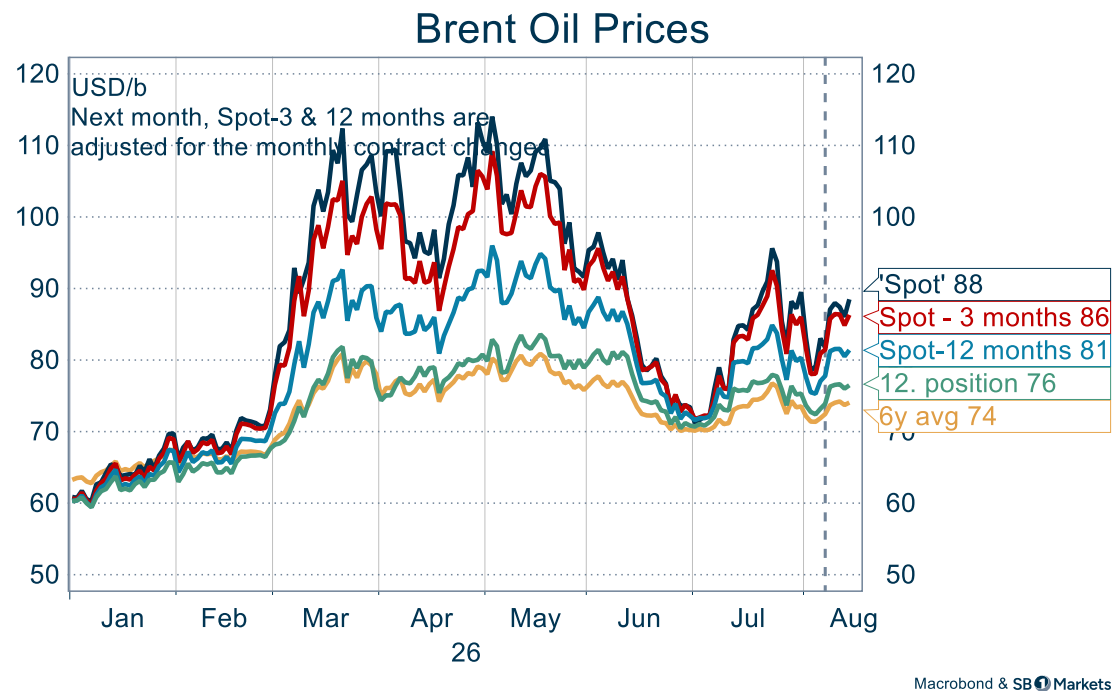


Macrobond & SB Markets

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 again last week

To be opened or not, that's the question. The market still assumes that somebody will be able to open the Strait of Hormuz before too long, even if last week's news was not that positive.

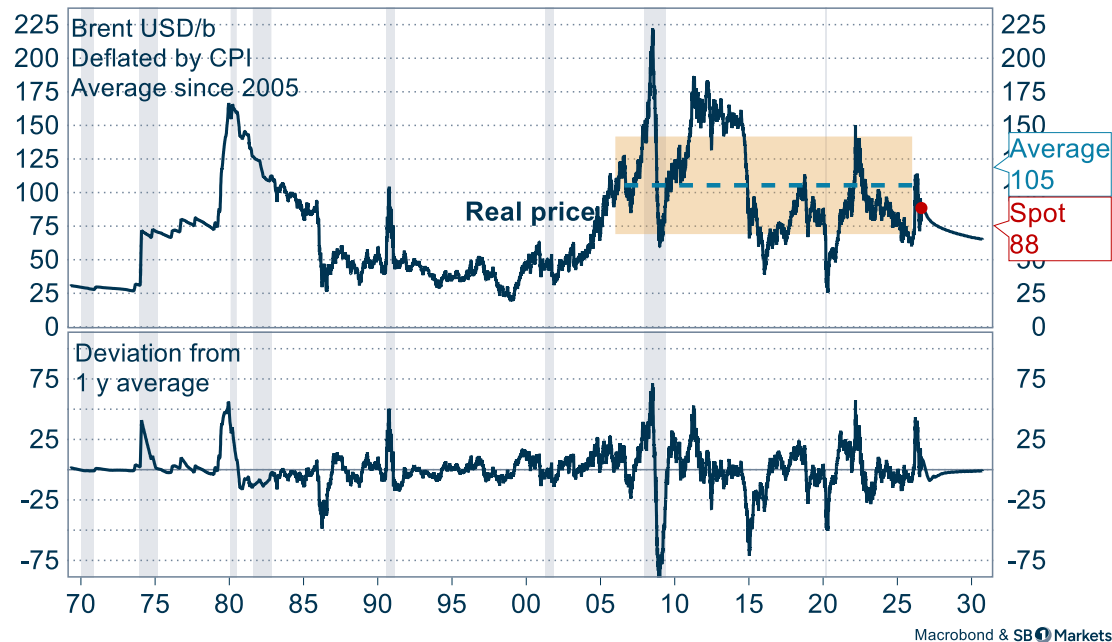


- If current price expectations persist, there is of course **no oil price energy shock, check the following pages.**

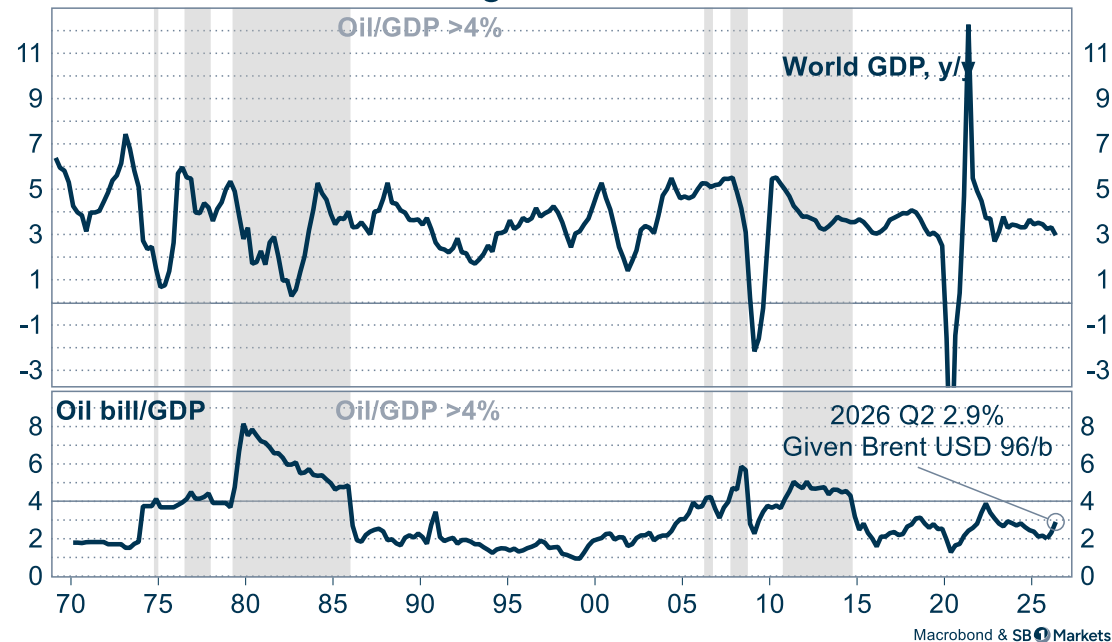
The current oil spot price is *15% below the 20-year average USD real price*

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



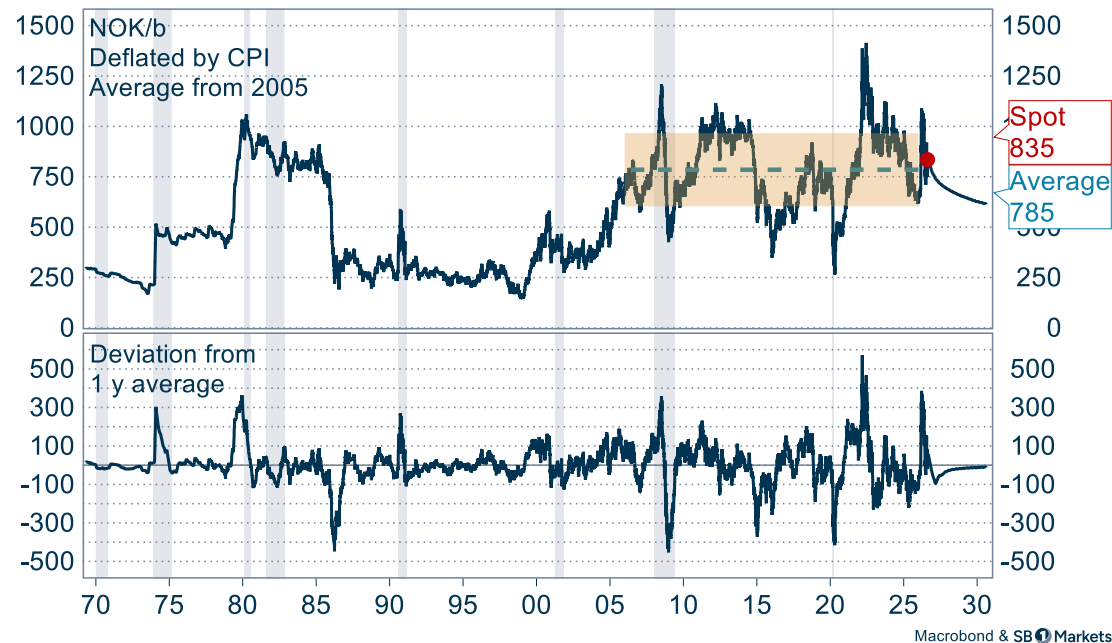
World GDP growth vs the 'oil bill'



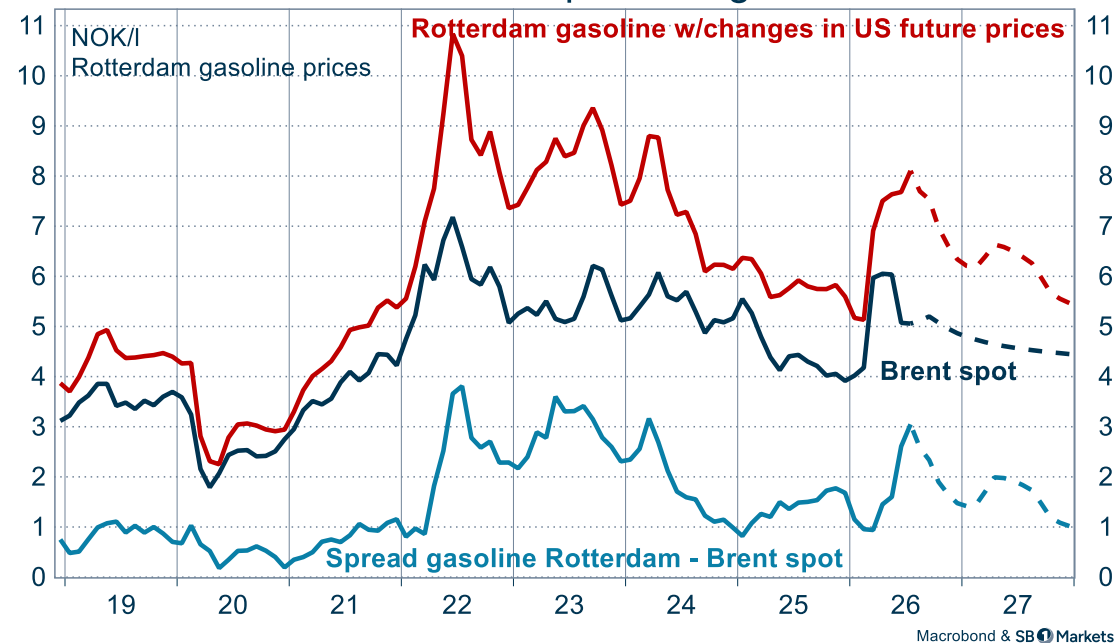
Measured in a weak NOK, the real oil price is close to the 20y average

Gasoline prices (fob refineries) have not fallen alongside the oil price recently. However, future prices point towards a rapid normalisation in the coming months

The Real NOK Oil Price



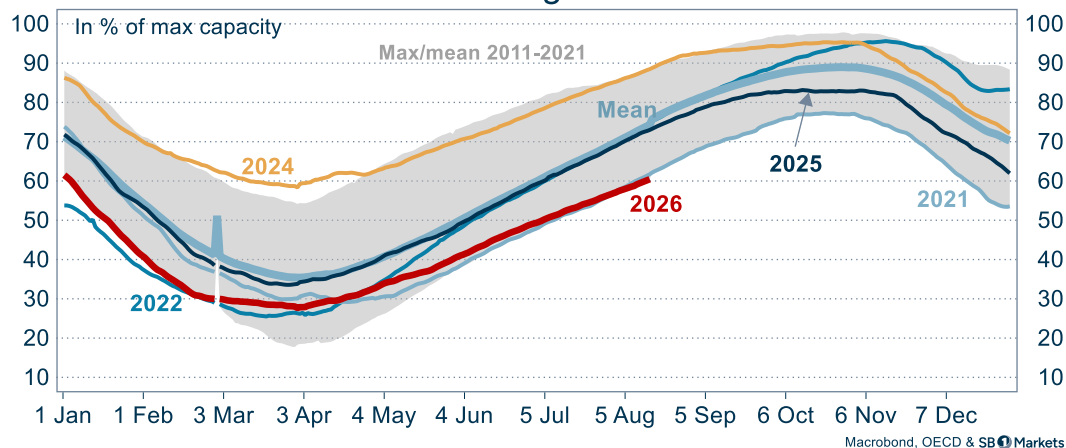
Brent vs. market price on gasoline



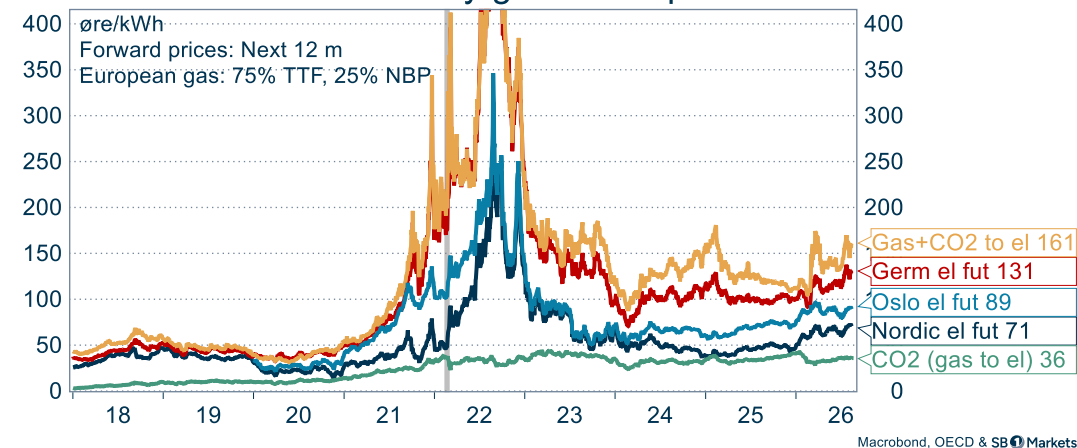
European natural gas stocks are record low, and prices trend up

Gas inventories are at a record low, after being filled up far slower than normal in recent months. **A clear warning sign.**

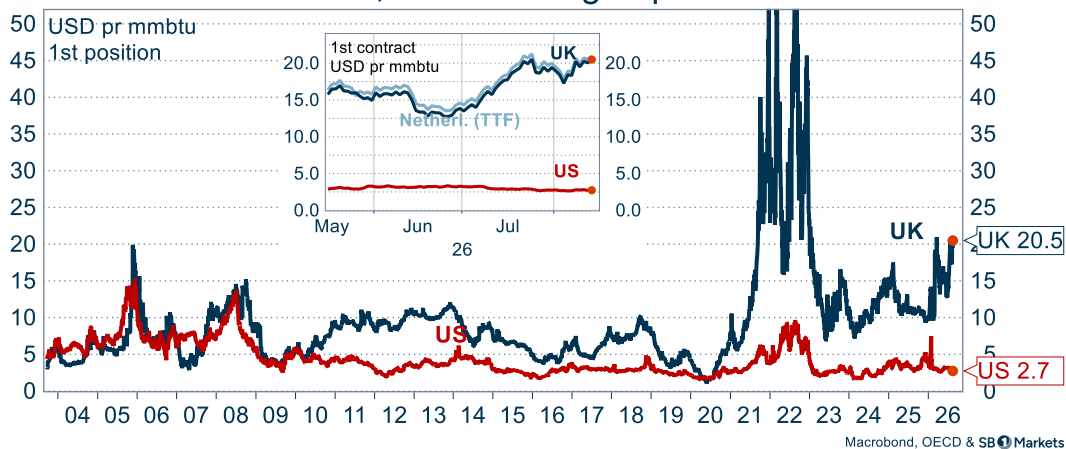
EU natural gas stocks



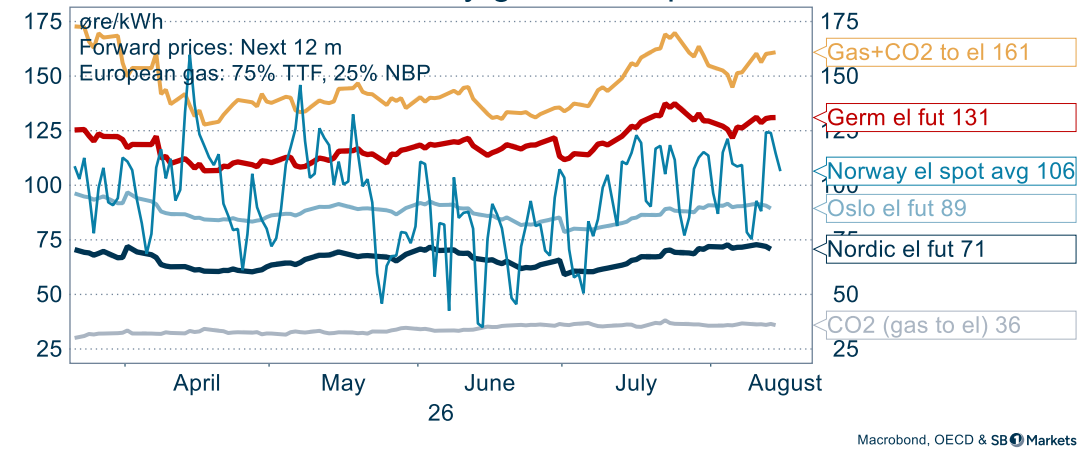
Electricity/gas future prices



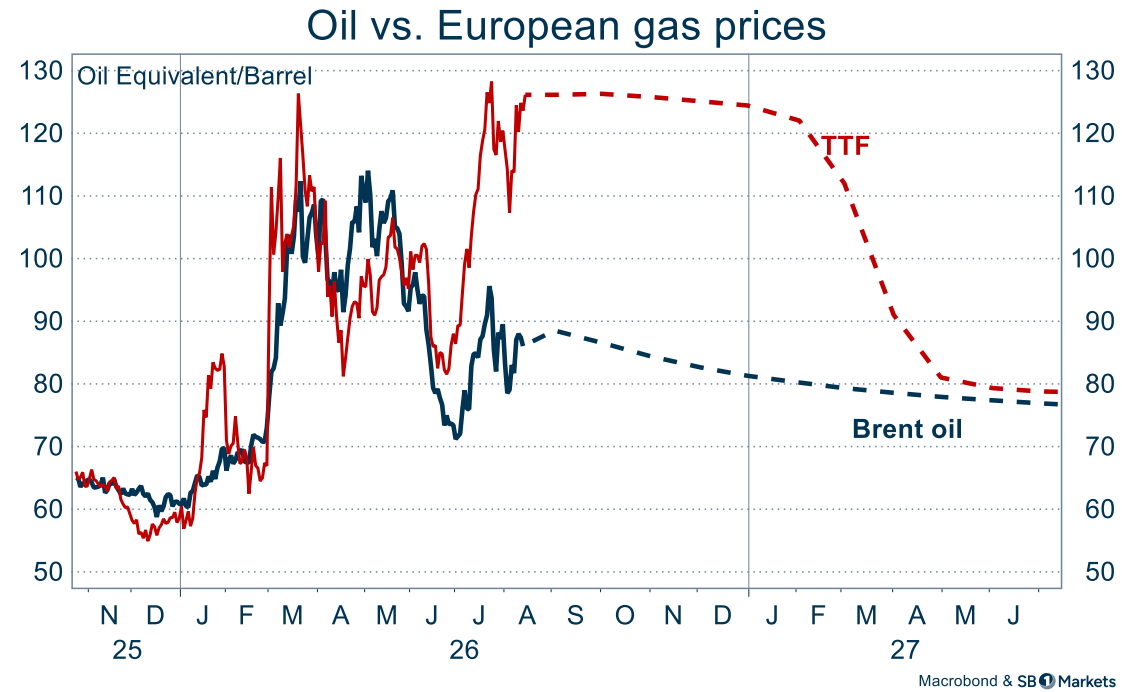
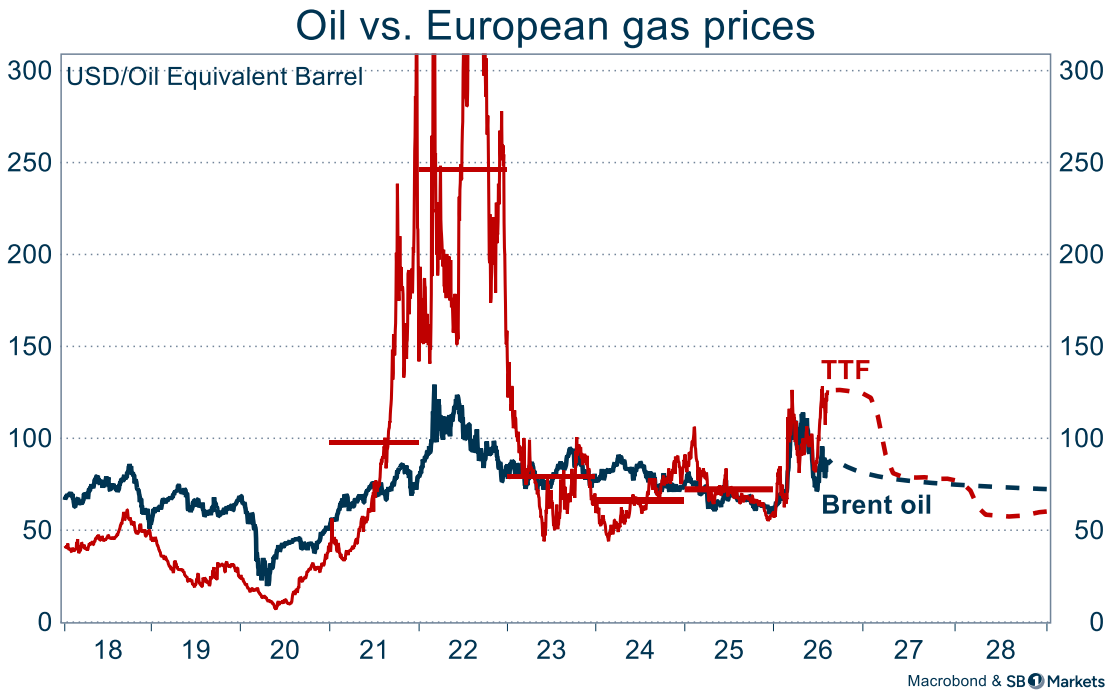
UK, US natural gas prices



Electricity/gas future prices

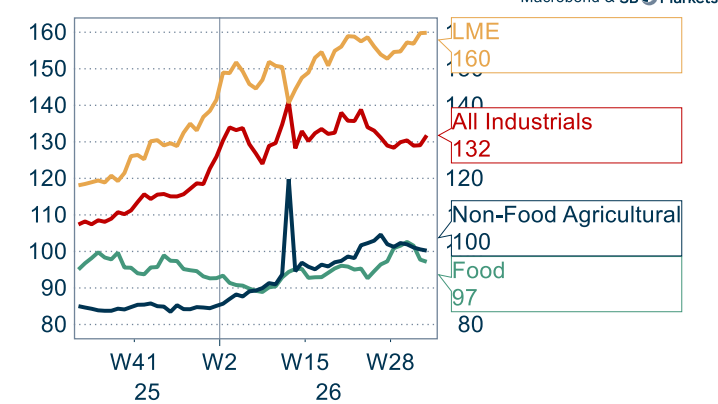
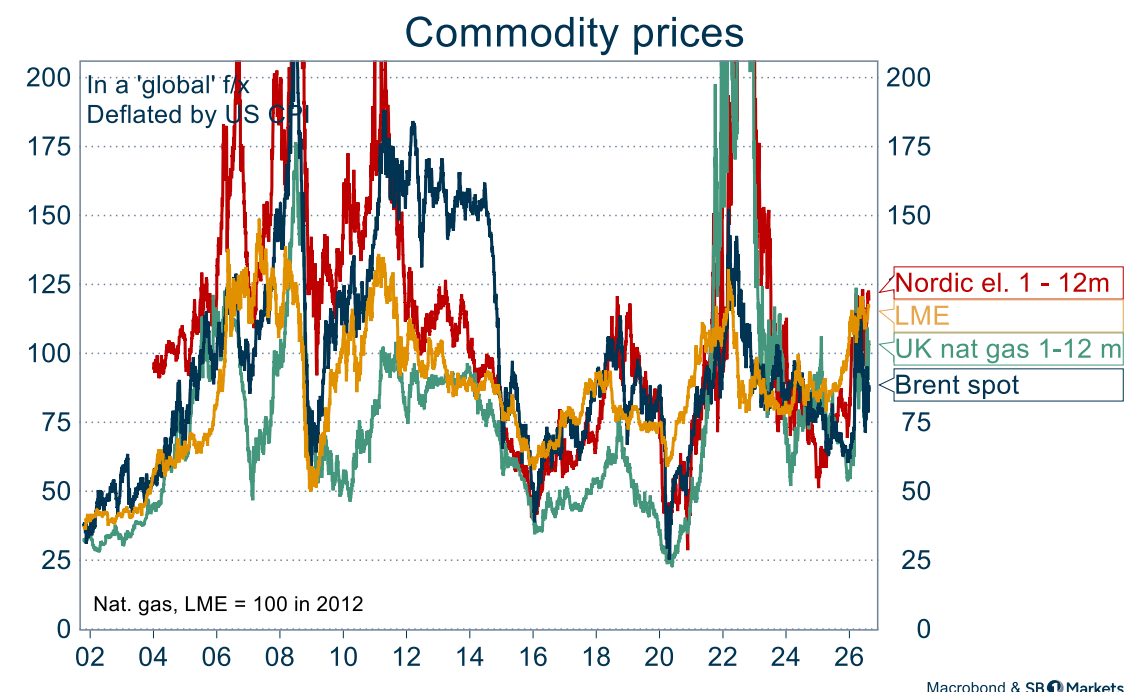
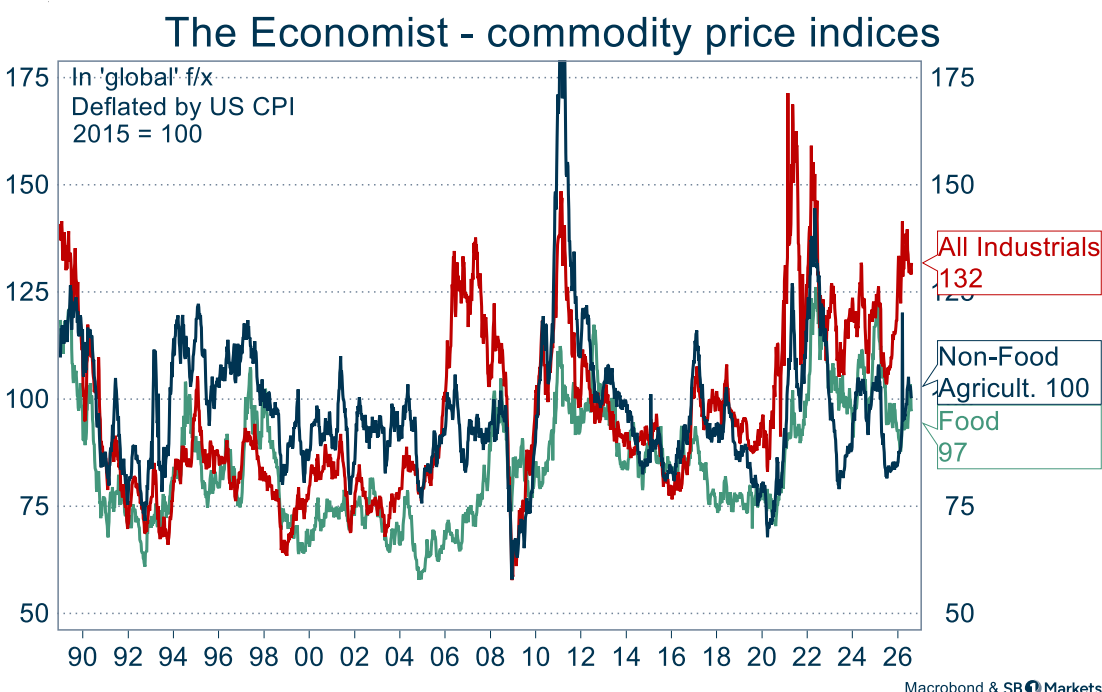


The oil price is unchanged from mid-26; European gas prices are up more than 40%



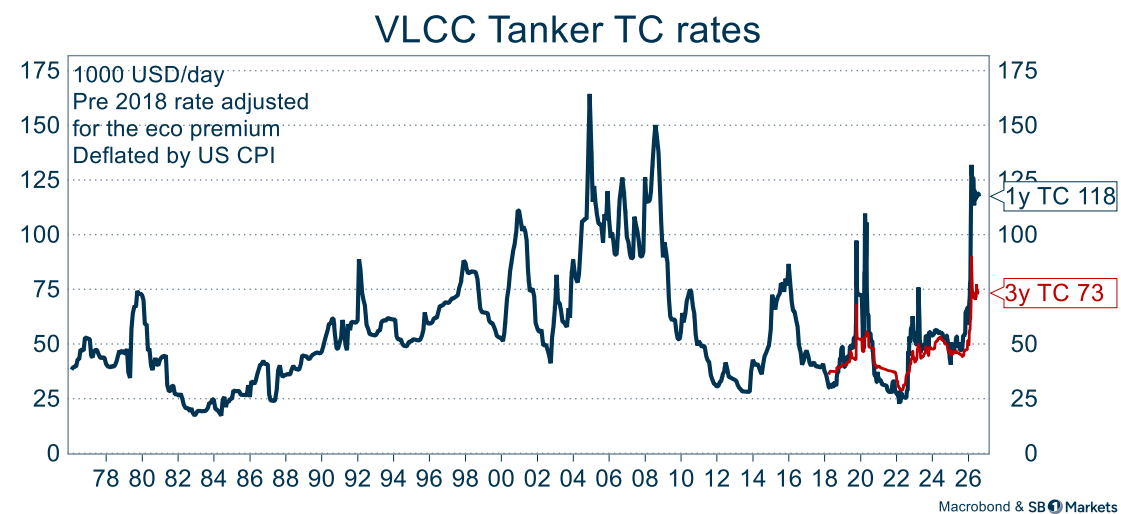
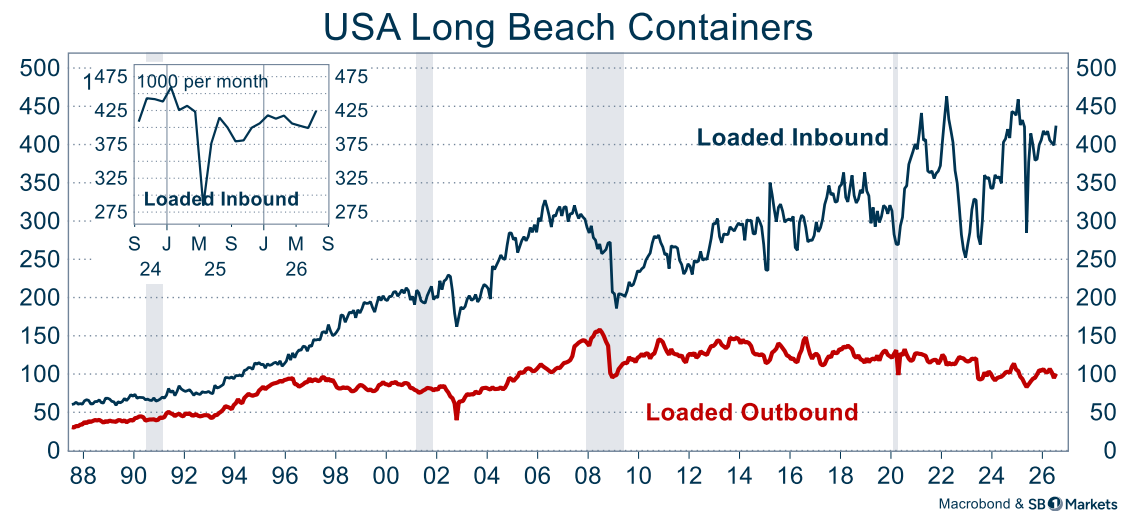
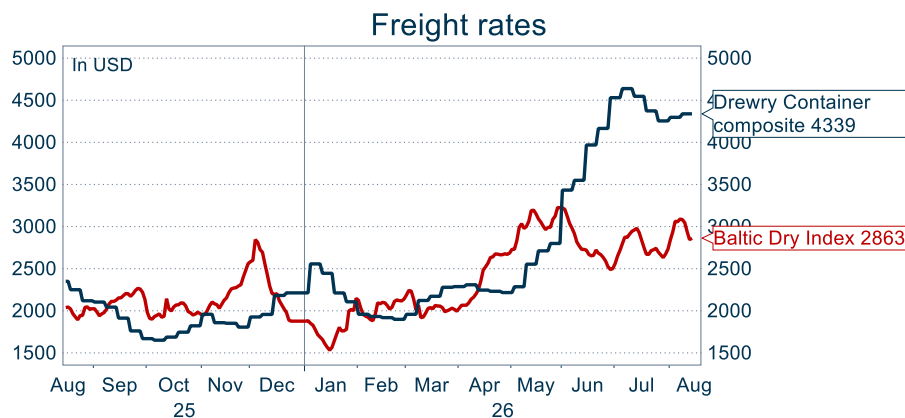
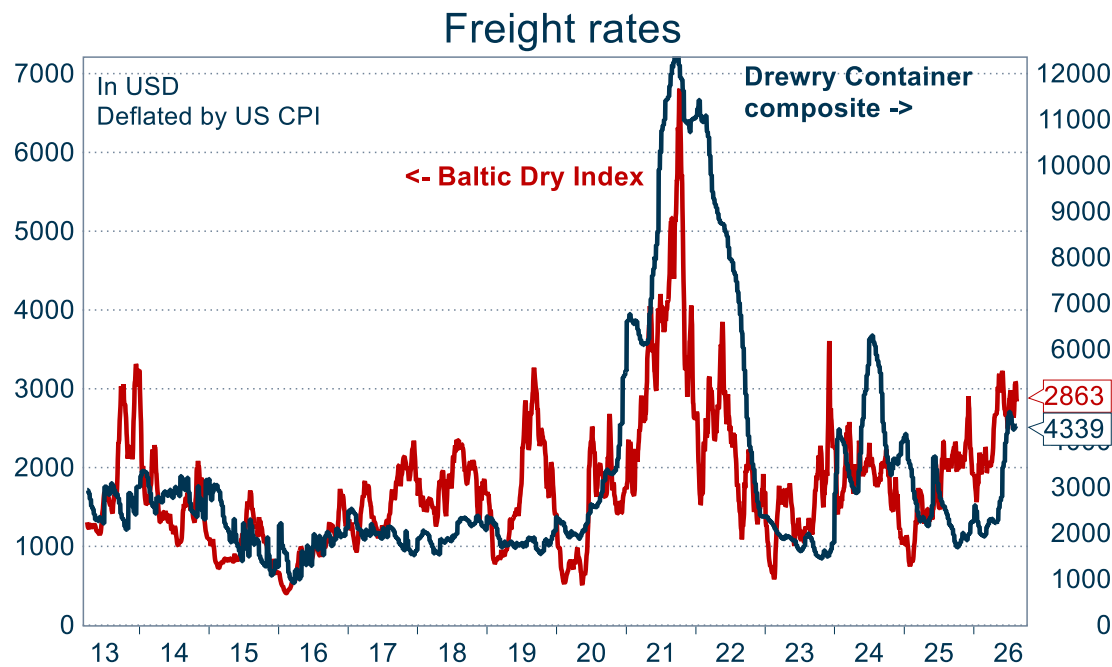
Big picture: Industrial commodities far above normal levels, thanks to metals

Food prices have been trending down since the war in Ukraine started but are up since the Gulf war started. Non-food agricultural prices are up 15% so far in 2026. Taken together, some inflationary signals



Container freight rates have fallen slightly since June but are still rather high

The Baltic Dry Index has trended flat since May. Tanker rates remain at elevated levels.

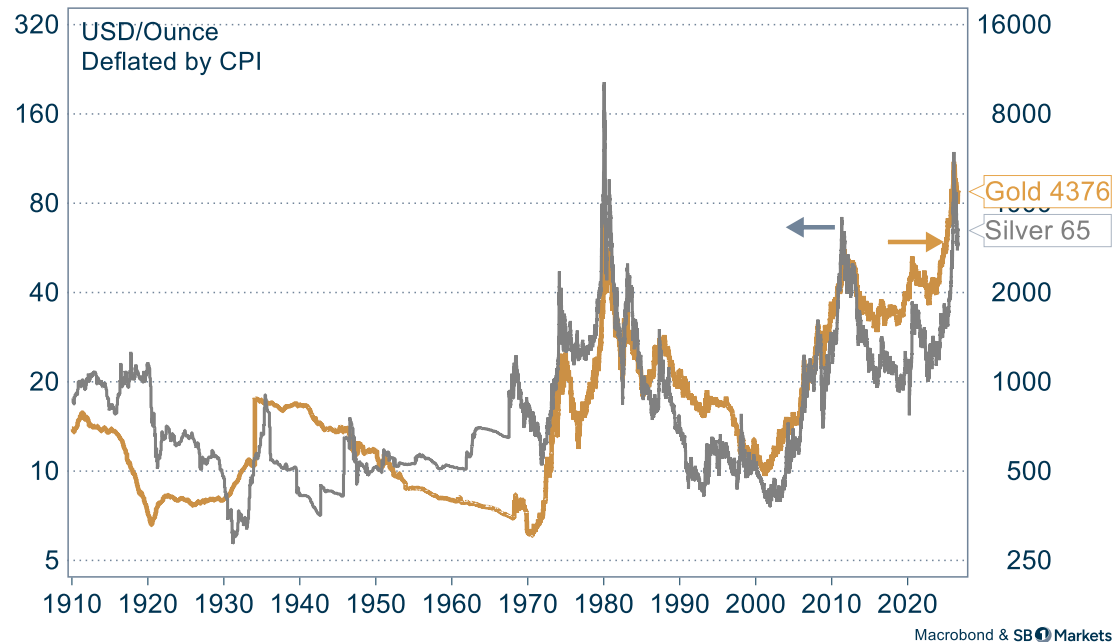


Gold and even more silver prices up recently, even if real rates are higher

The silver price has still been almost cut in half from the ATH peak in late January (and is back to the early December level...)

Gold is down 20% (back to the early December level).

Gold vs Silver

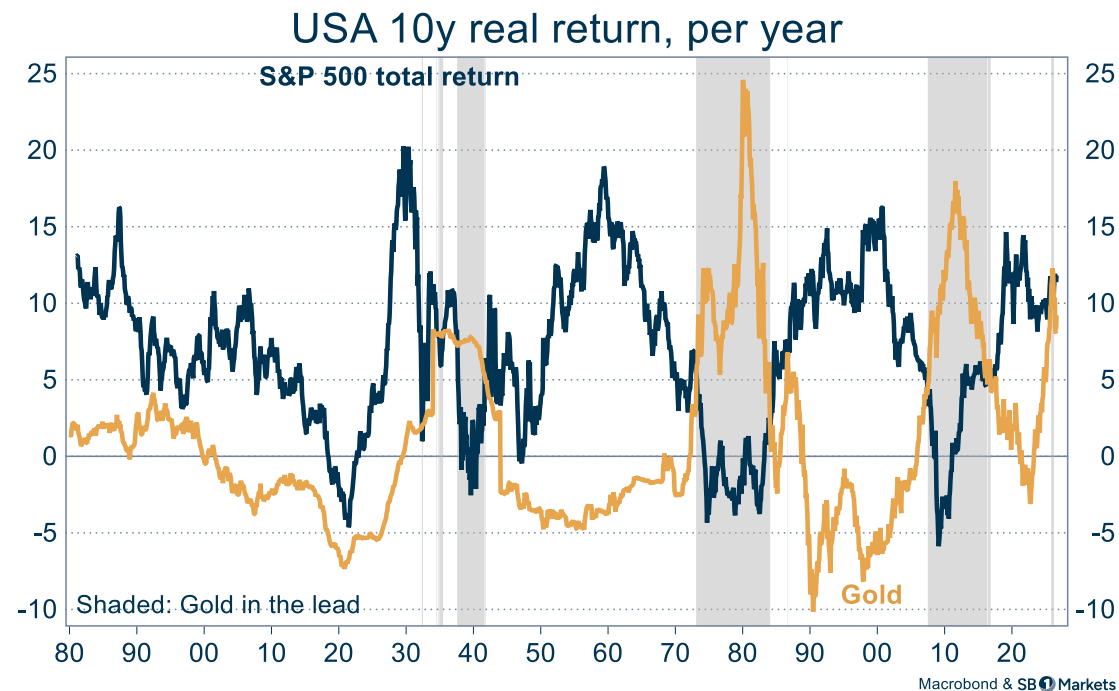
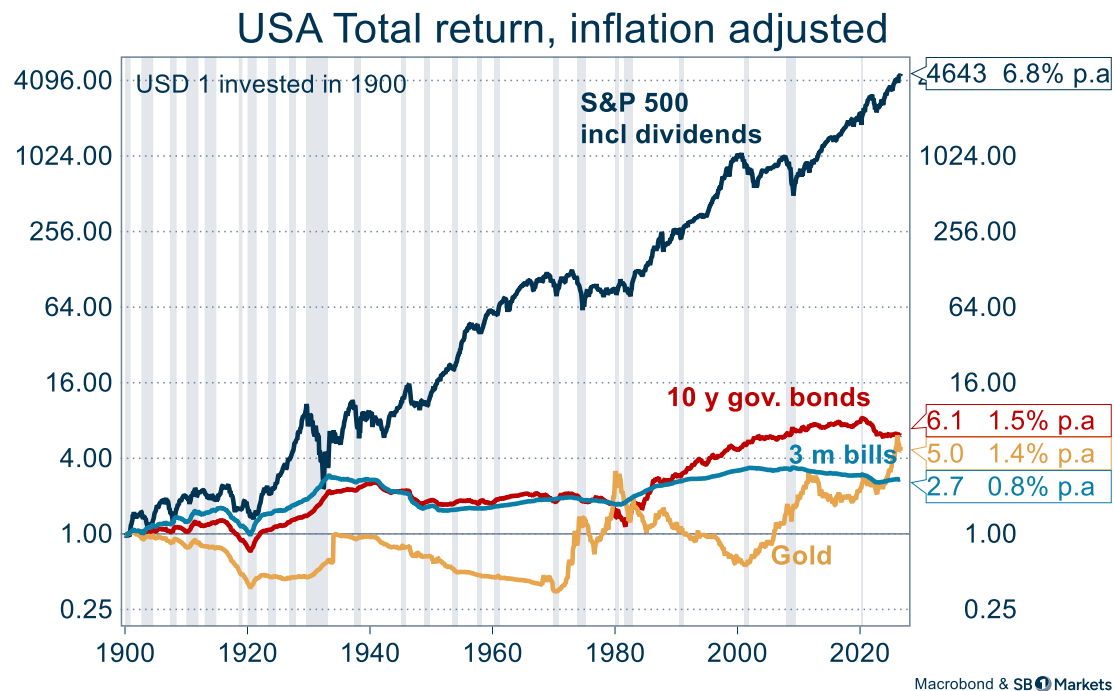


Gold vs Silver



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.

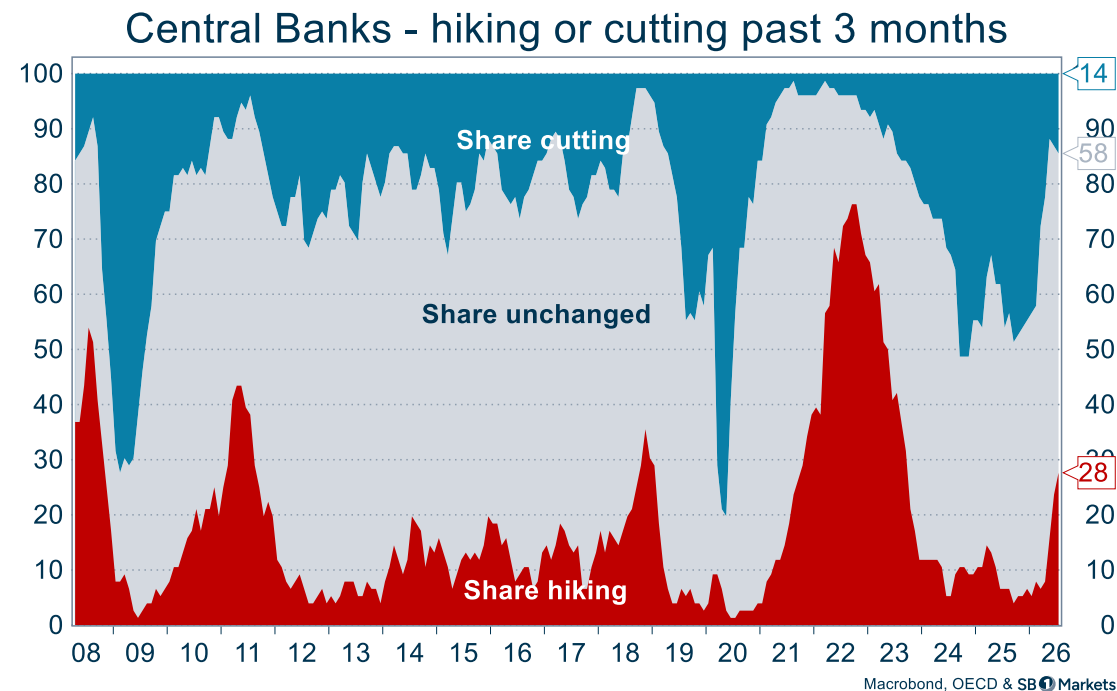
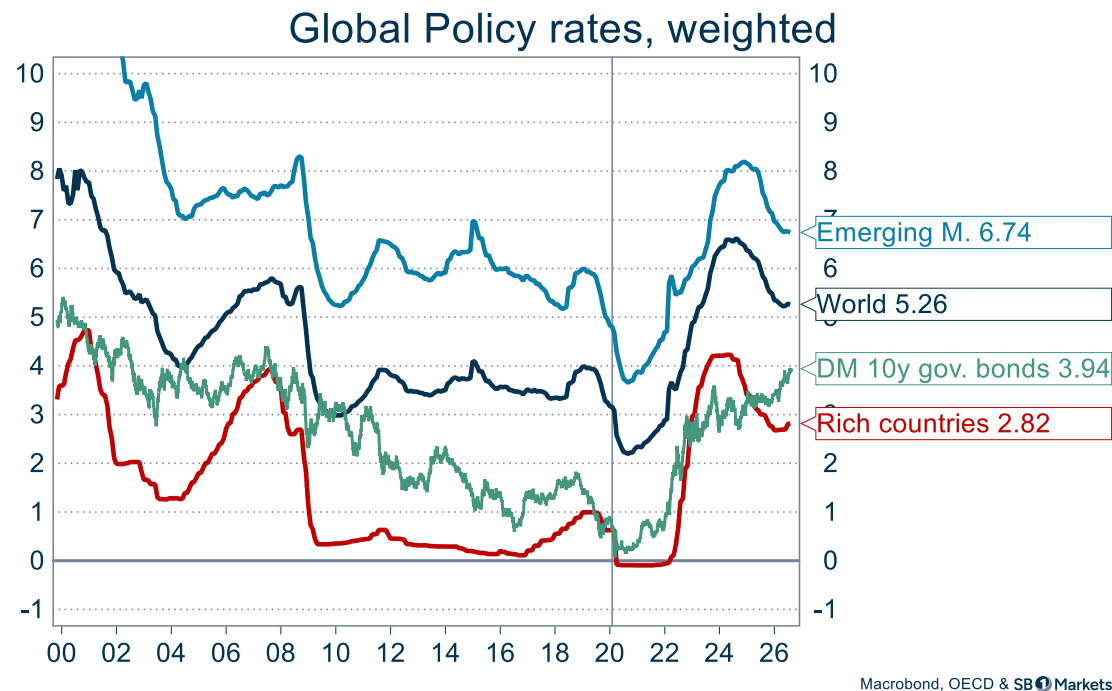




4.2 Interest rates & credit markets

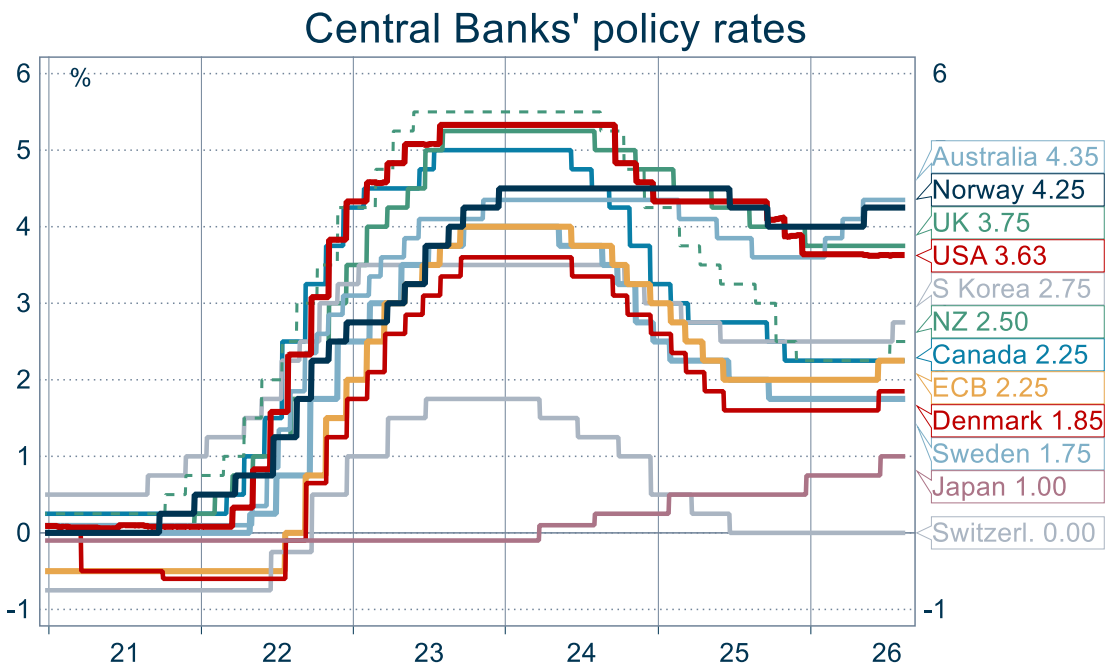
In the past 3 months, 28% of central banks have hiked, while 14% have cut

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 at **the highest level since before the Financial Crisis.**



A single rate hike is still expected 'everywhere' before the end of 2026

In Europe, another hike is expected in 2027, while a cut is expected in Norway, back down to 4.25%. In the US, 1/3 probability of another hike.



The list of cutters

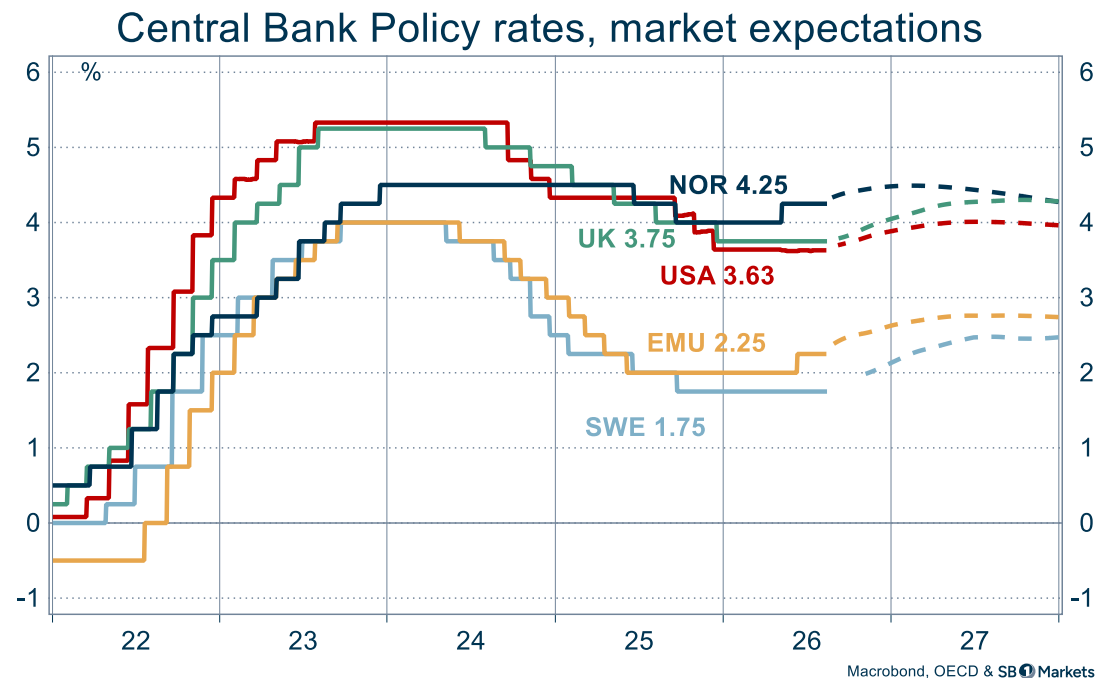
- Canada (-275 bps, to 2.25%)
- Sweden (-225 bps, to 1.75%)
- Switzerland (-175 bps, to zero!)
- US (-175 bps, to 3.64%)
- UK (-150 bps, to 3.75%)

The list of hikers

- Japan (+105 bps, to 1.00%)

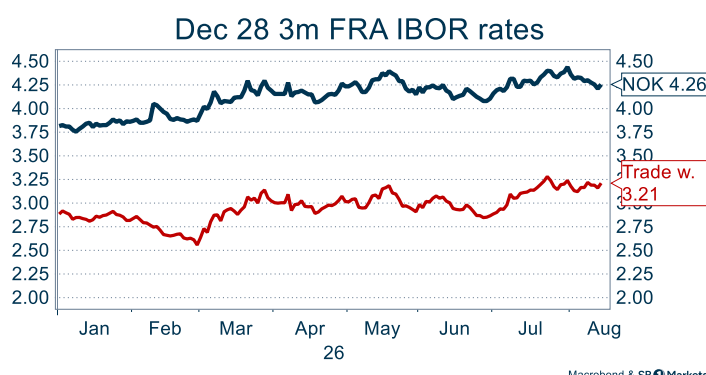
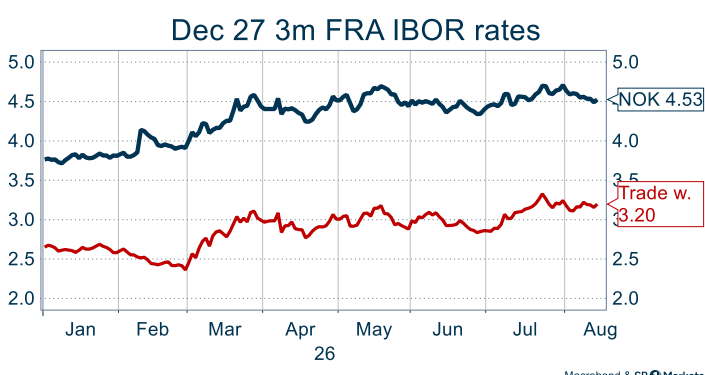
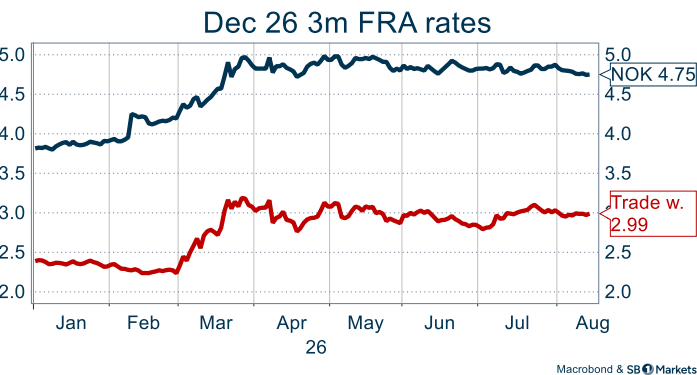
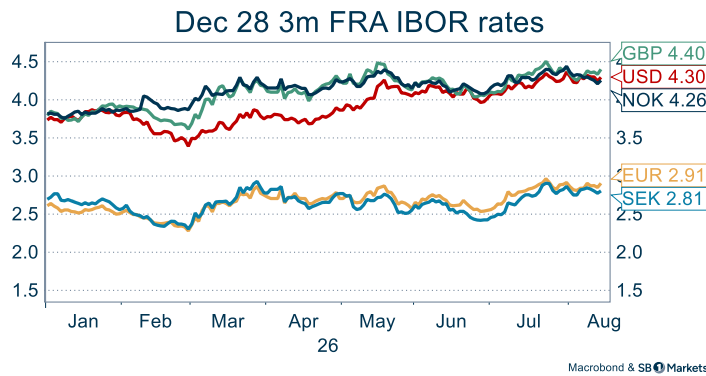
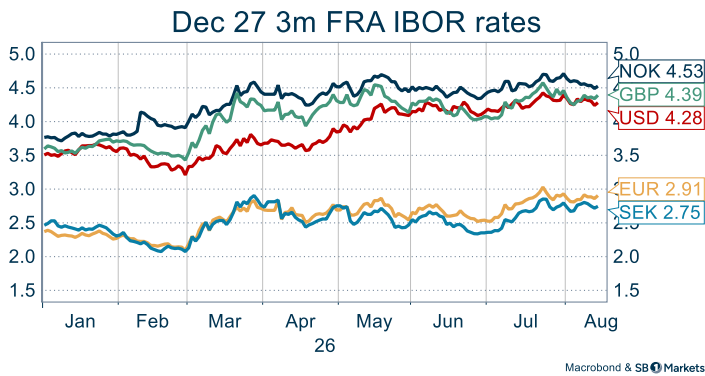
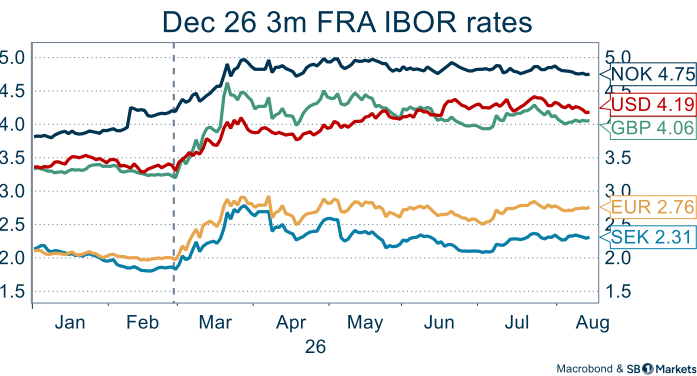
The list of cutters that have hiked

- 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%)
- New Zealand (+25 bps, to 2.50%)



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	0.23	0.27	0.35	0.24	0.22
End of 2026 (market)	3.86	4.02	2.60	1.99	4.47
... Change last week	-0.07	0.03	0.02	-0.04	-0.05
Change through 2027	0.11	0.26	0.14	0.51	-0.19
End of 2027 (market)	3.97	4.29	2.74	2.50	4.29

FRAs: mixed, NOK rates declined the most, while EUR, GBP rates rose.



Dec 26 3m FRAs

	Close	1w	1m	YTD
NOK	4.75	-0.04	-0.09	0.94
USD	4.19	-0.05	-0.08	0.83
GBP	4.06	0.02	-0.08	0.73
EUR	2.76	0.05	0.02	0.66
SEK	2.31	-0.02	0.03	0.18

Macrobond & SB Markets

Dec 27 3m FRAs

	Close	1w	1m	YTD
NOK	4.53	-0.03	-0.04	0.76
GBP	4.39	0.08	0.09	0.80
USD	4.28	-0.02	0.01	0.78
EUR	2.91	0.06	0.12	0.53
SEK	2.75	-0.03	0.10	0.28

Macrobond & SB Markets

Dec 28 3m FRAs

	Close	1w	1m	YTD
GBP	4.40	0.09	0.08	0.61
USD	4.30	0.02	0.08	0.56
NOK	4.26	-0.03	-0.04	0.44
EUR	2.91	0.06	0.11	0.30
SEK	2.81	-0.02	0.09	0.11

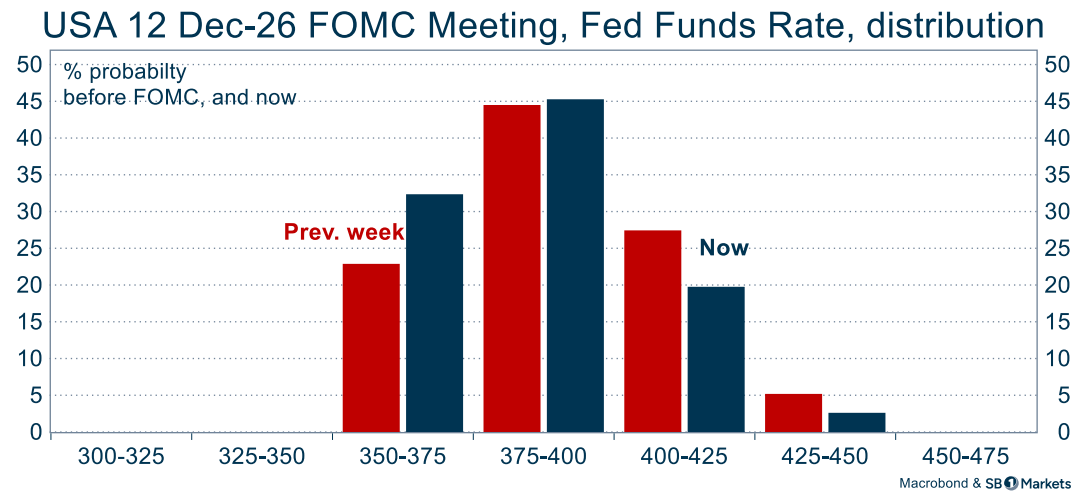
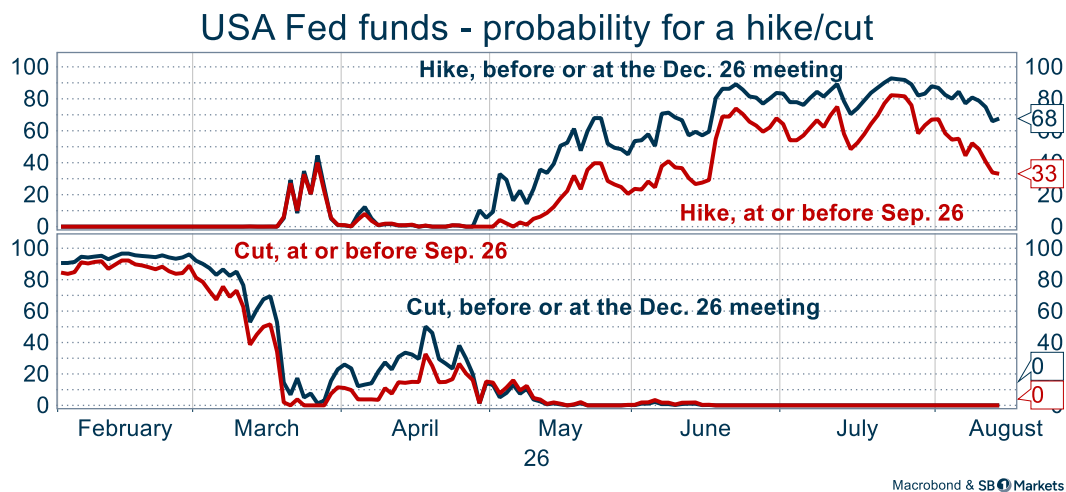
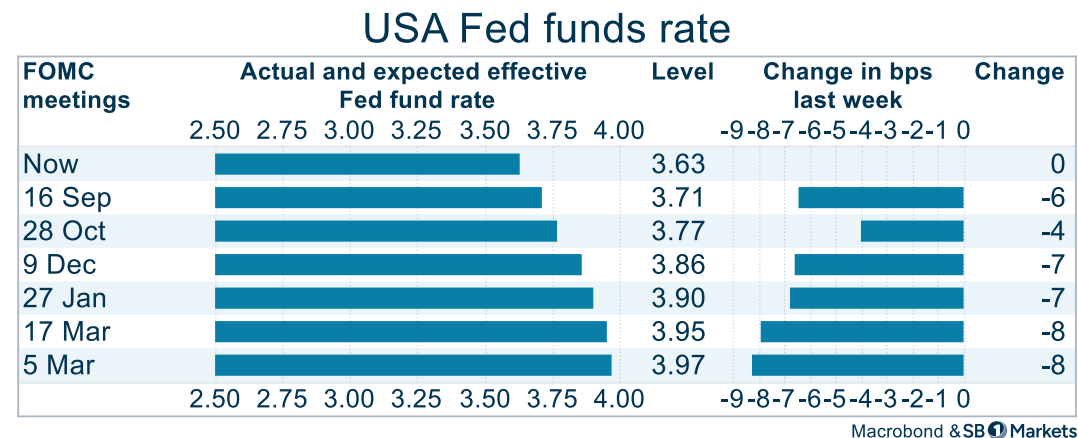
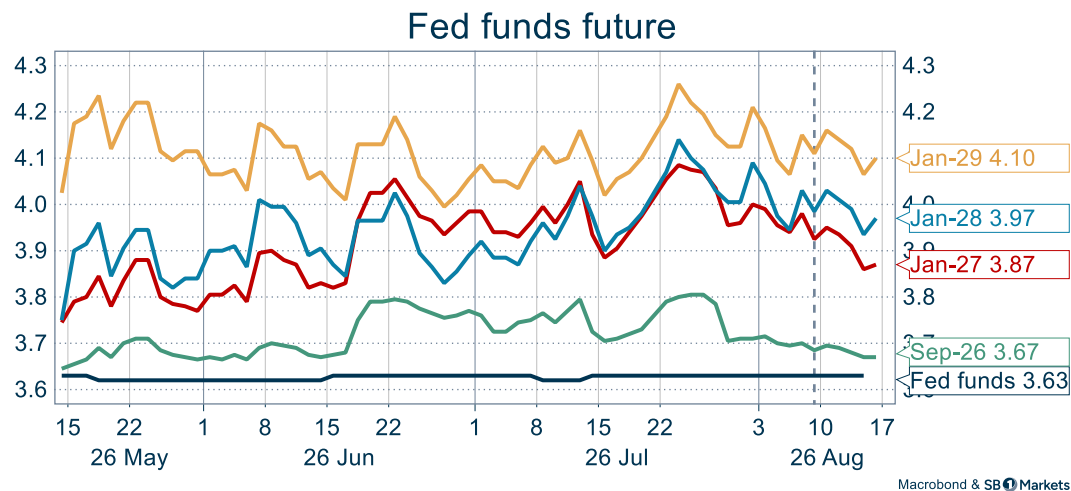
Macrobond & SB Markets

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.



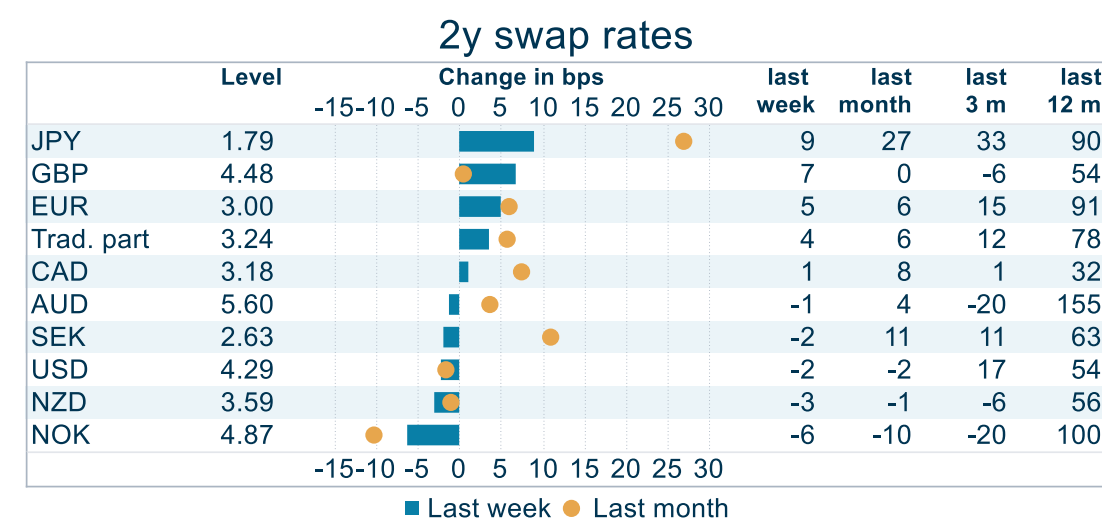
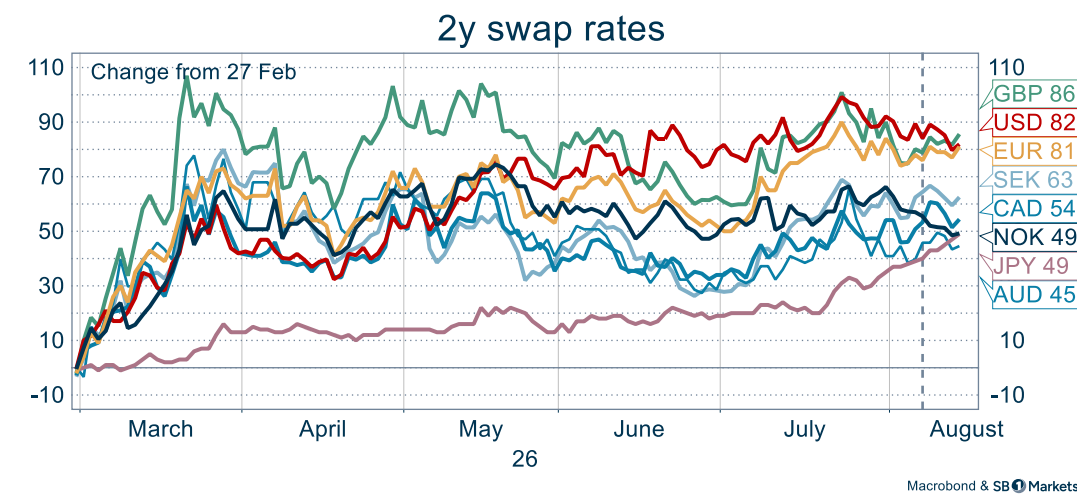
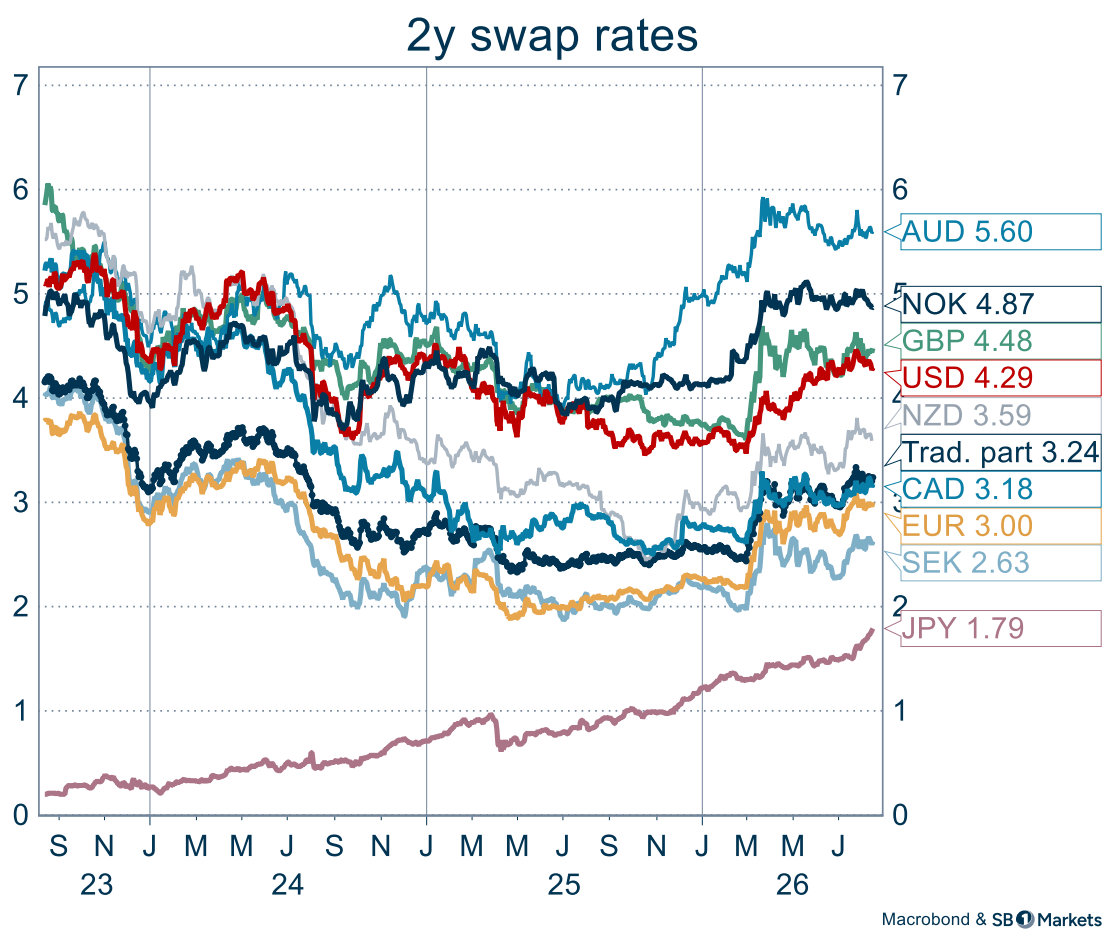
Fed funds: A hike in H2 still quite likely (68%) but less than a week ago (77%; 82% 2 w ago)

The probability of a hike in September fell from just below 50% (from 67% two weeks ago) to 33% late last week as the CPI/PPI calmed hike expectations (while a weak retail sales report was not sufficient to lower rate expectations further on Friday).



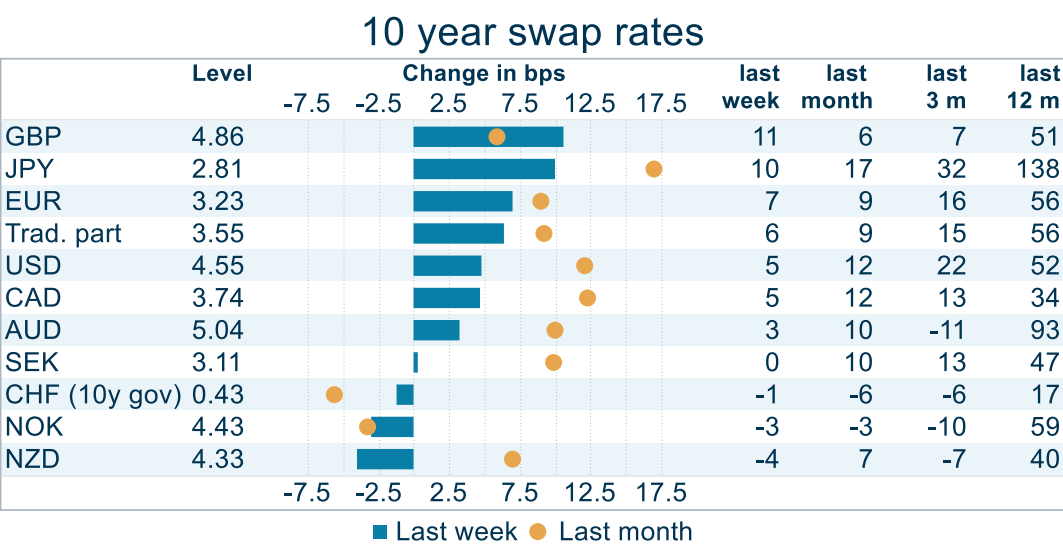
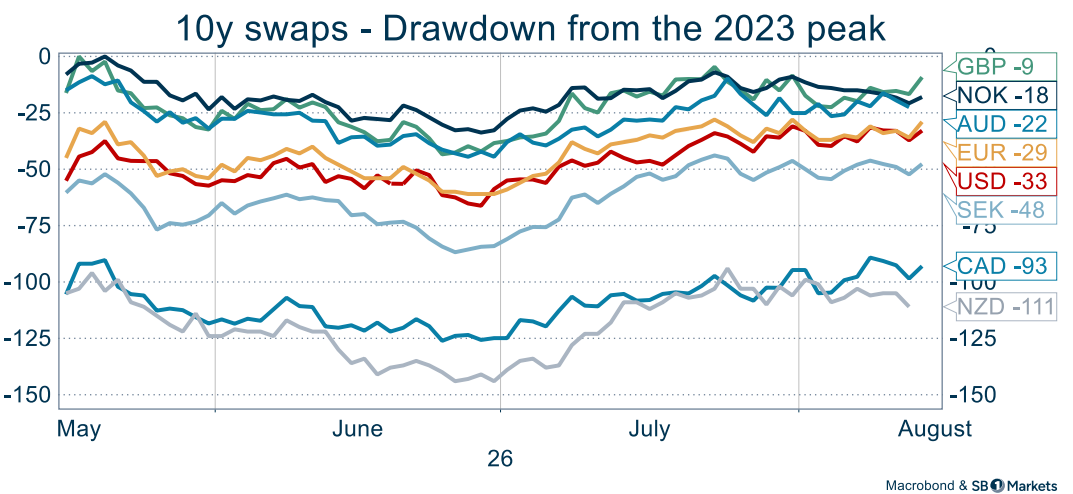
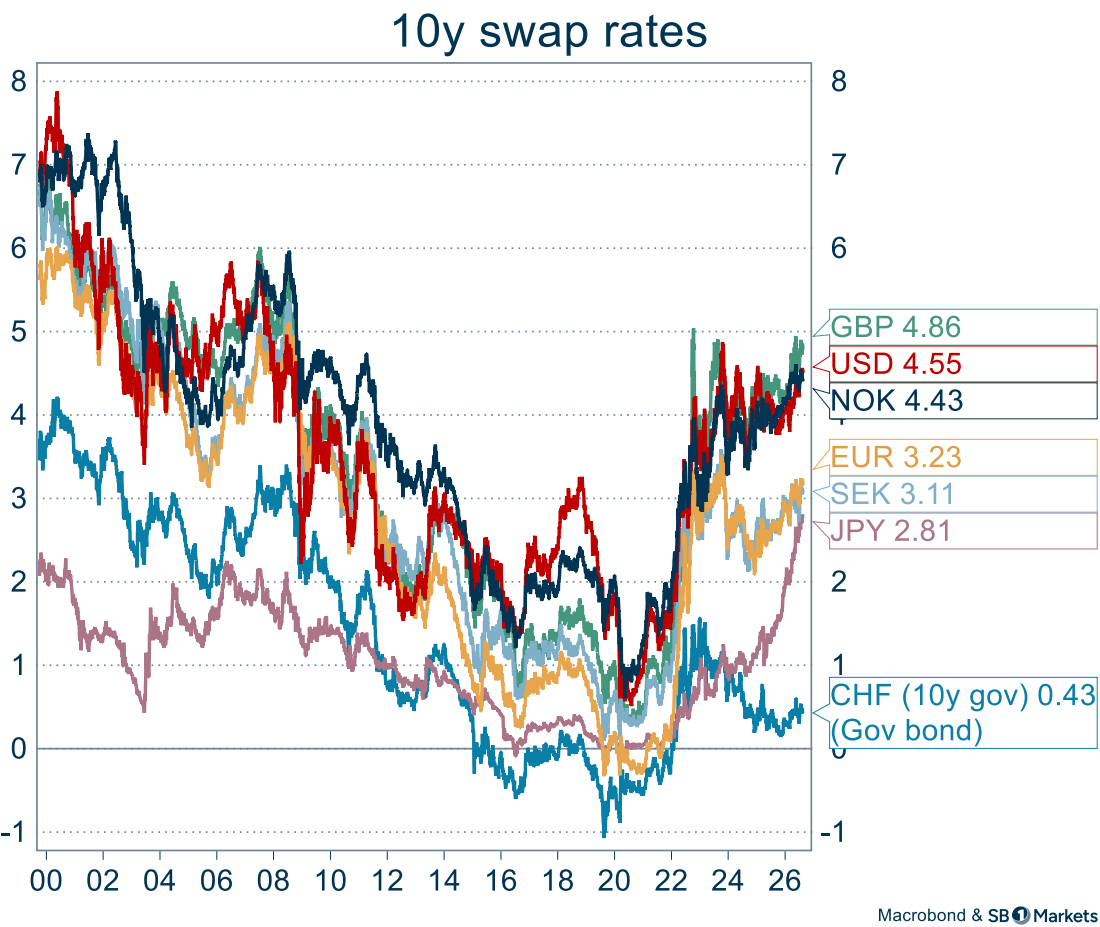
2-year swap rates mixed

Our trading partners were up 4 bps, while the NOK rate declined 6 bps. USD & SEK rates fell as well but EUR and GBP rates gained 5–7 bps.



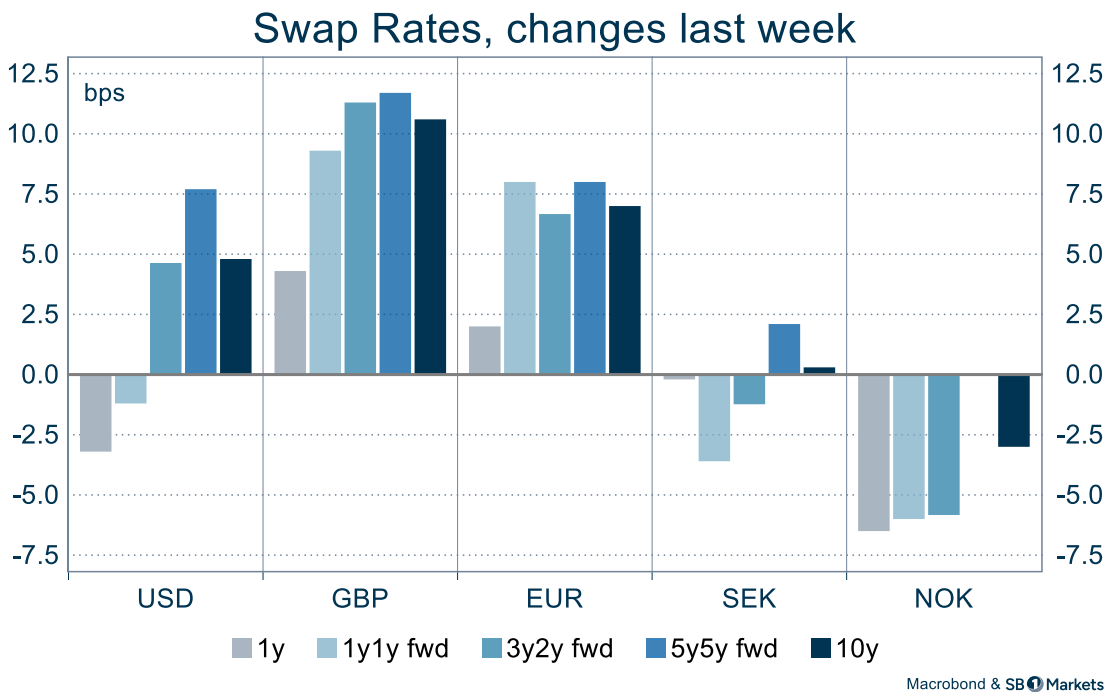
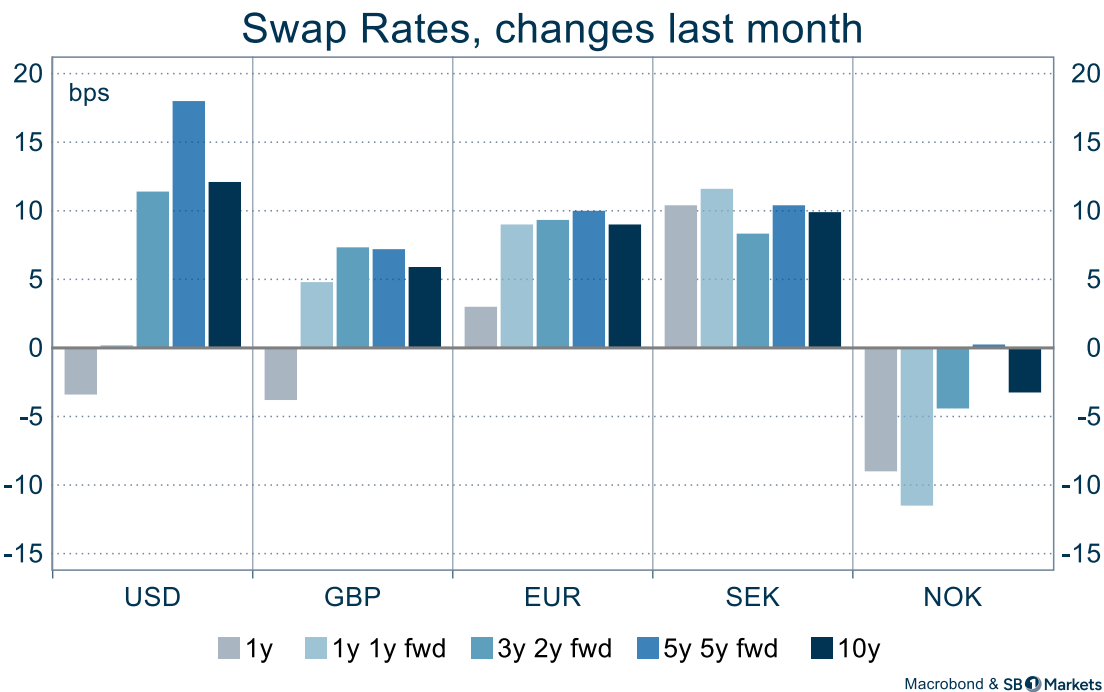
10-year swap rates up most places but not in Norway

Our trading partners were up 6 bps, NOK -3 bps. The 2y SEK rate was flat, while EUR rates were up 7 bps. USD rates +5 bps



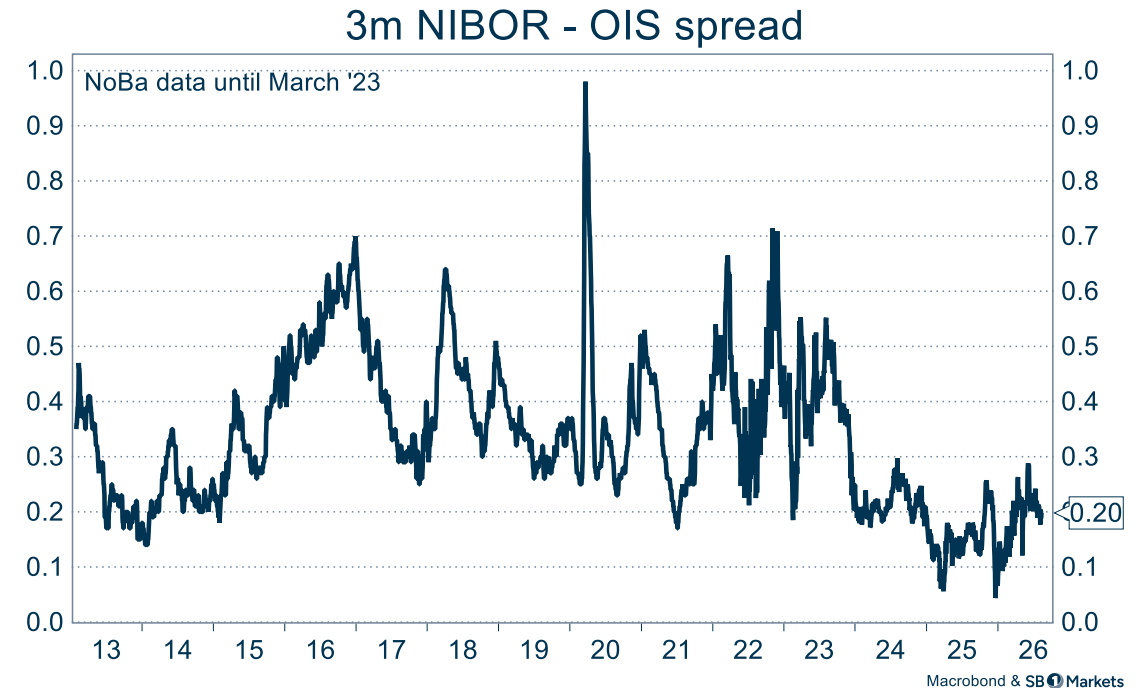
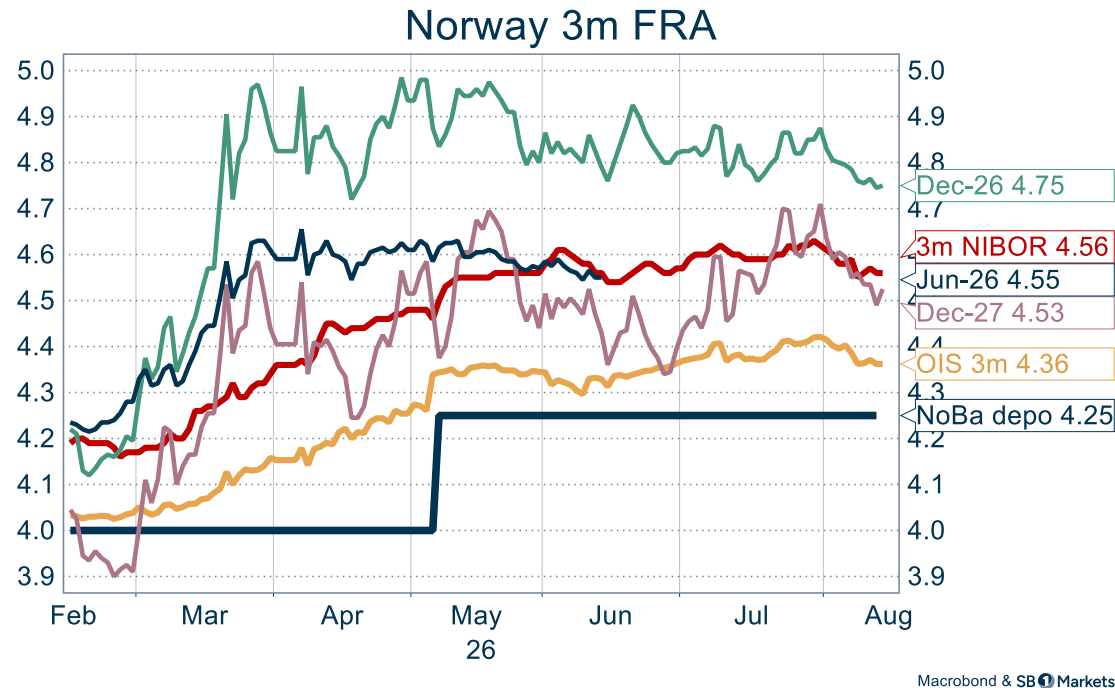
Swap curves: NOK the outlier on the downside last week and last month

NOK rates fell marginally, while rates rose in EUR and GBP, and from 2y onwards in USD. SEK rates were close to unchanged.



NOK 3m NIBOR: -3 bps to 4.56%. The NIBOR spread stable at 20 bps.

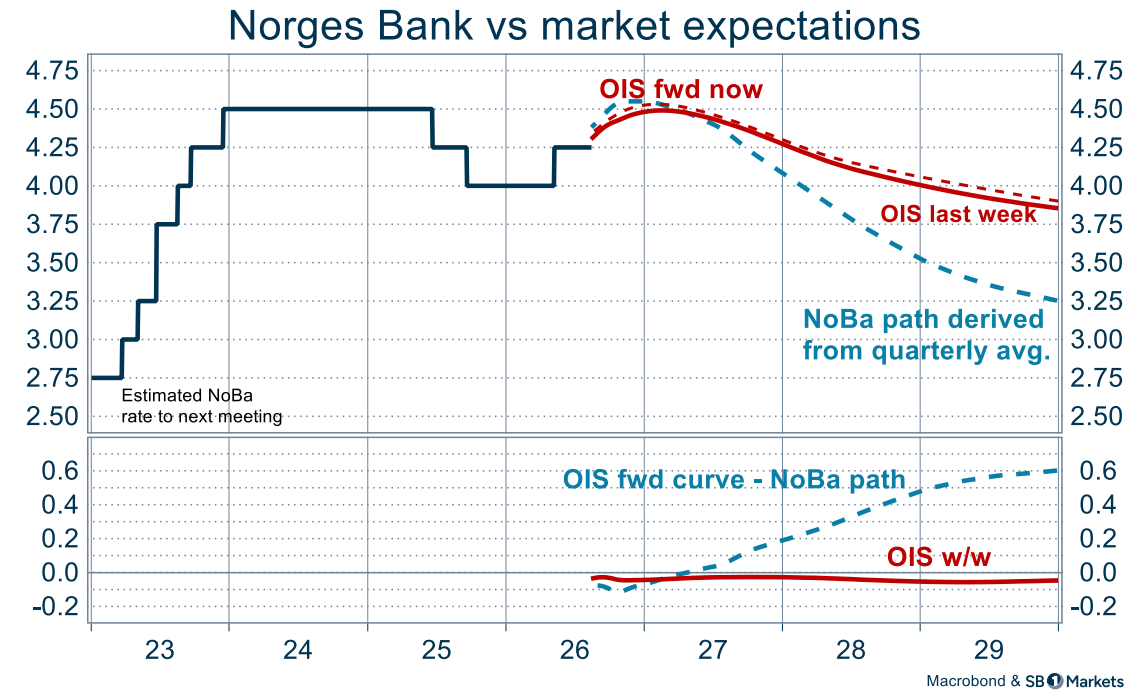
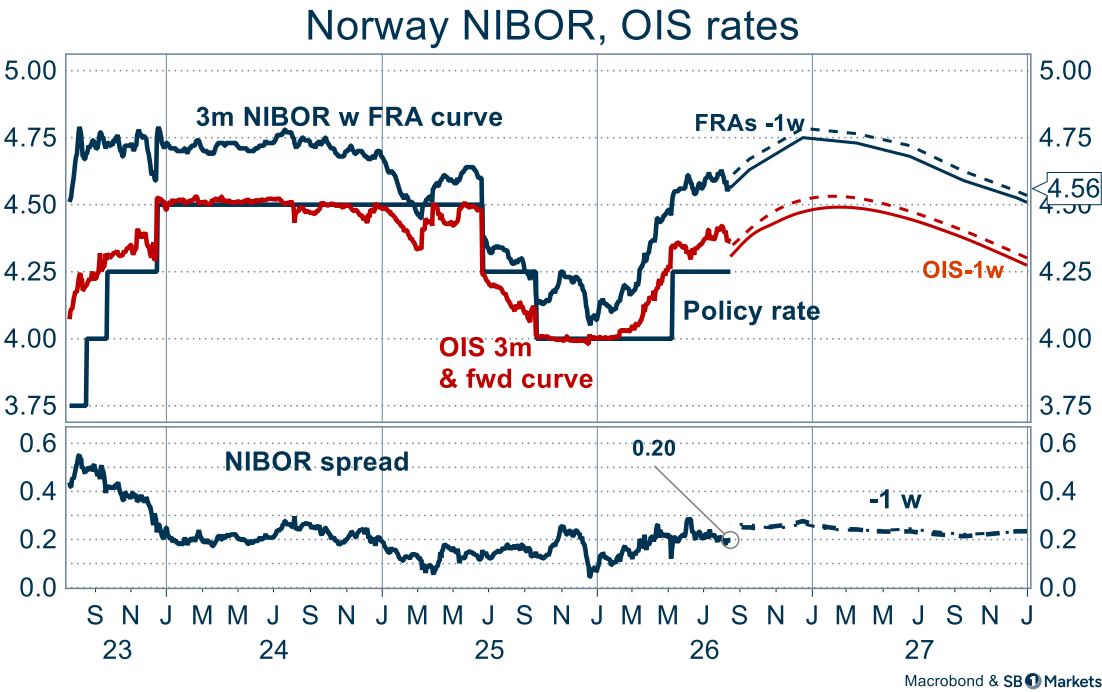
... as NoBa did not hike last week and the probability of a NoBa hike in September declined.





Rate expectations: close to 50/50 for a September hike but 95% for a hike before January

A week ago, the market put a 2/3 probability on a hike before or at the September meeting. Market expectations are close to NoBa's June MPR rate path until mid-26. Further out, the market does not buy more than half of NoBa's cut 'expectations'.



Norges Bank vs. market					
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
24-Sep	4.50	4.39	4.50	4.25	44%
05-Nov	4.50	4.44	4.50	4.25	25%
17-Dec	4.50	4.47	4.50	4.25	12%
21-Jan	4.50	4.49	4.50	4.25	5%
24-Mar	4.50	4.49	4.50	4.25	6%
06-May	4.50	4.47	4.50	4.25	12%
17-Jun	4.50	4.45	4.50	4.25	22%
12-Aug	4.25	4.41	4.50	4.25	38%

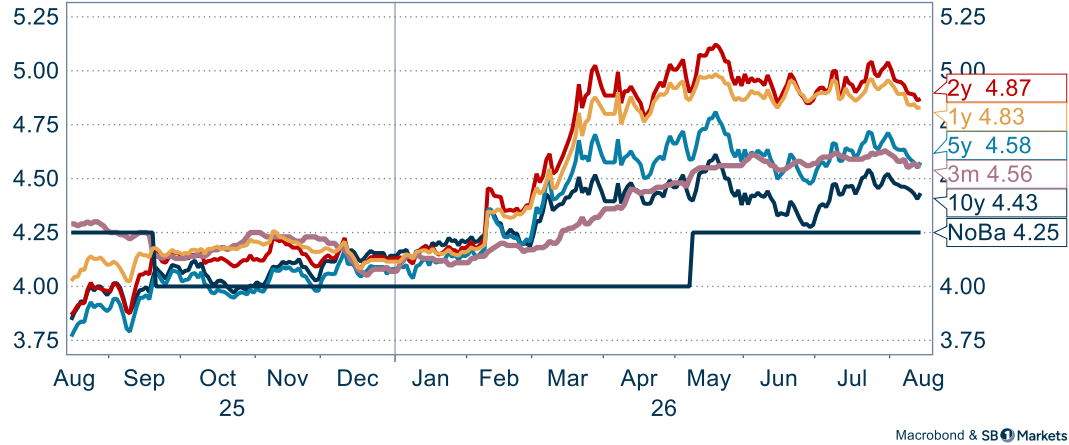
Yellow cells: Norges Bank cut
Red cells: Norges Bank hike
Sources: Norges Bank, Macrobond, Infront, SB1M



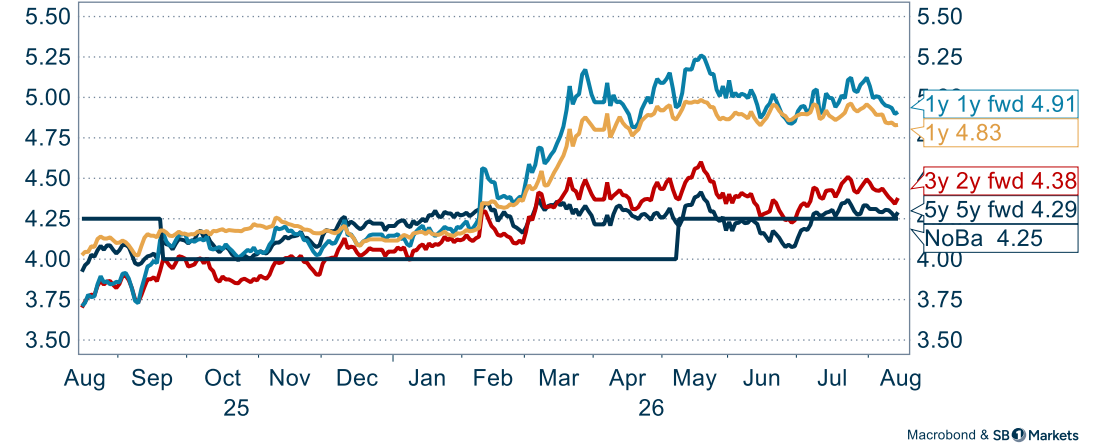
NOK swaps: most of the curve down last week

Rates fell the most on the first half of the curve, while implied forward rates in the long end were marginally up.
The curve is slightly less inverted than a month ago, the 10y – 2y spread at -44 bps (from almost -60 in early July).

NIBOR, NOK swap rates



NOK Implied Swap fwd rates

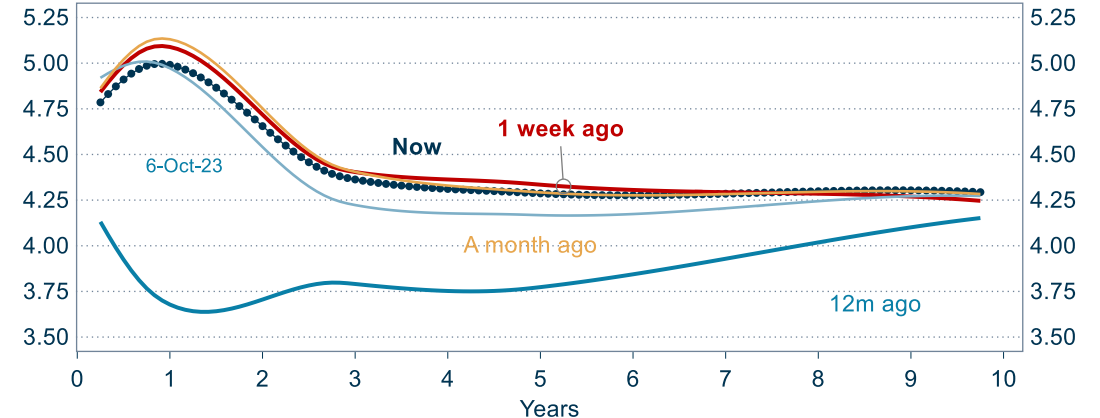


Norway - yield spread, 10y - 2y swap



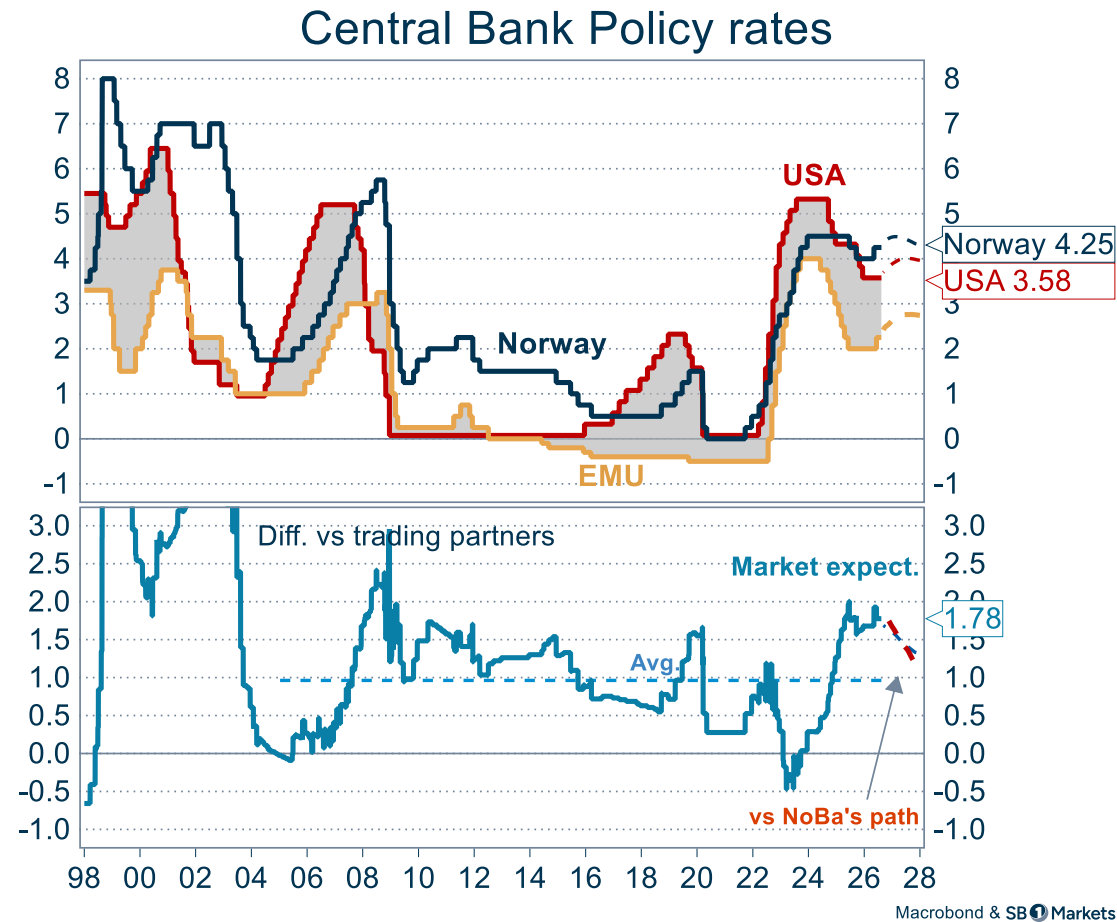
Swap rates are calculated vs. 6m NIBOR, not 3m NIBOR

NOK Implied swap forwards

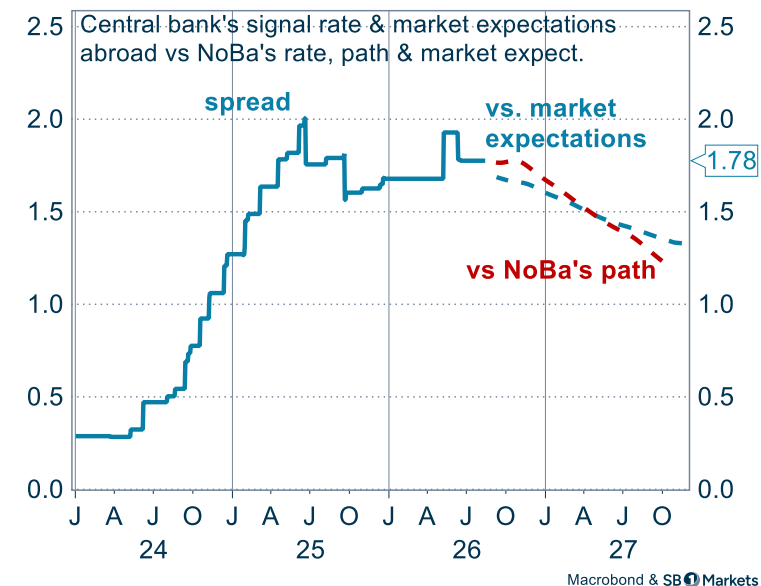


Norges Bank's policy rate: 178 bps above the trading-partners' average

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



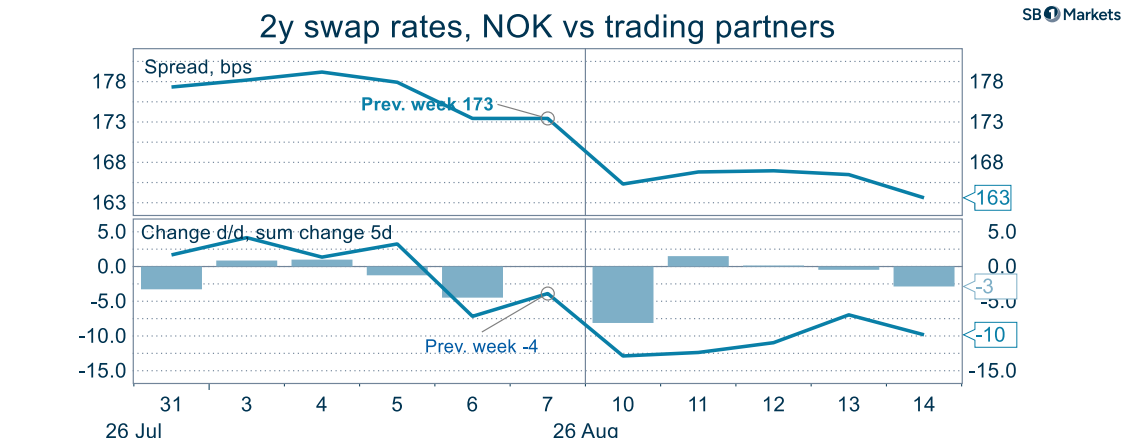
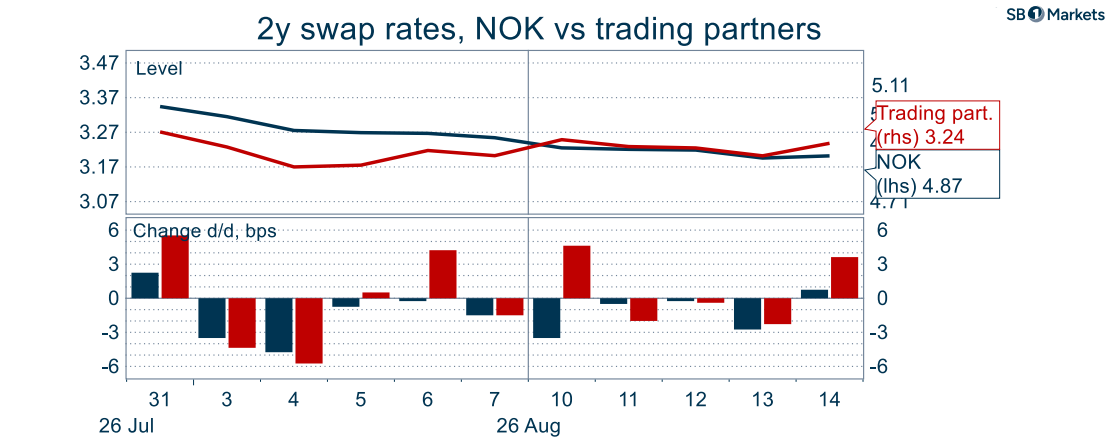
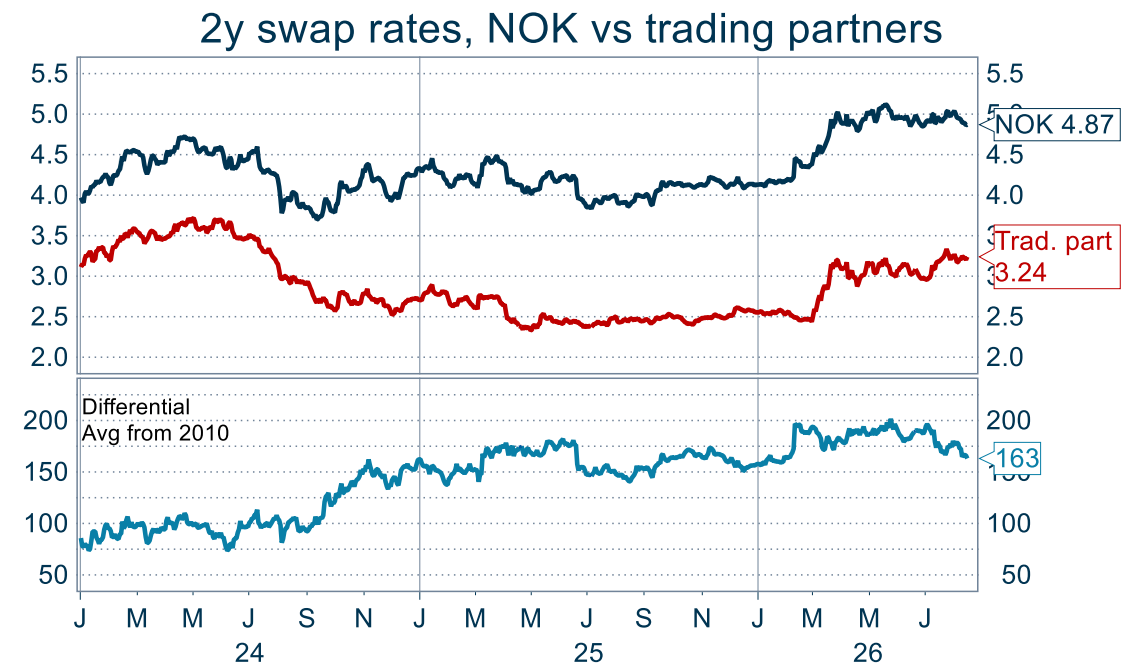
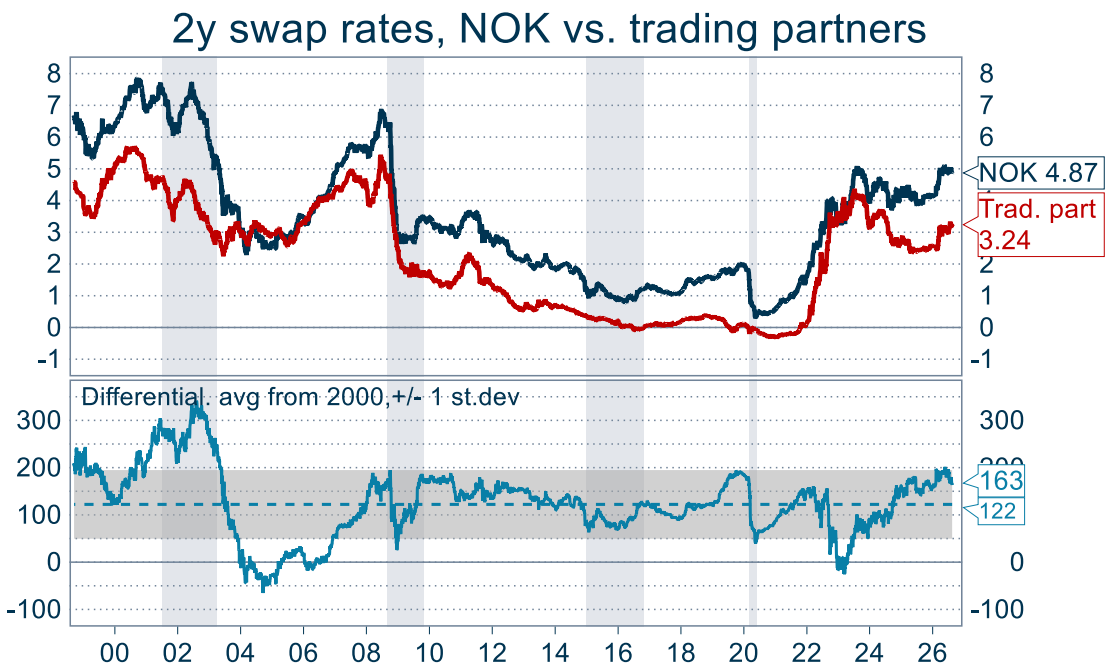
- The peak difference in policy rates over the past 20 years was 225 bps (barring a few days in 2008).
 - In the current cycle, the 2y NOK swap rate has been up to 200 bps above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread will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





The 2-year NOK swap spread vs. trading partners narrowed 10 bps last week, to 163 bps

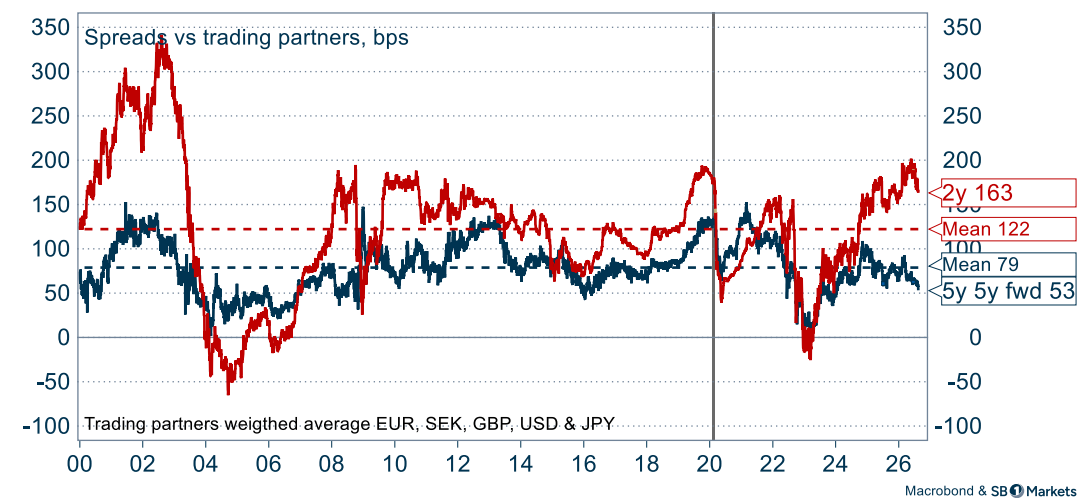
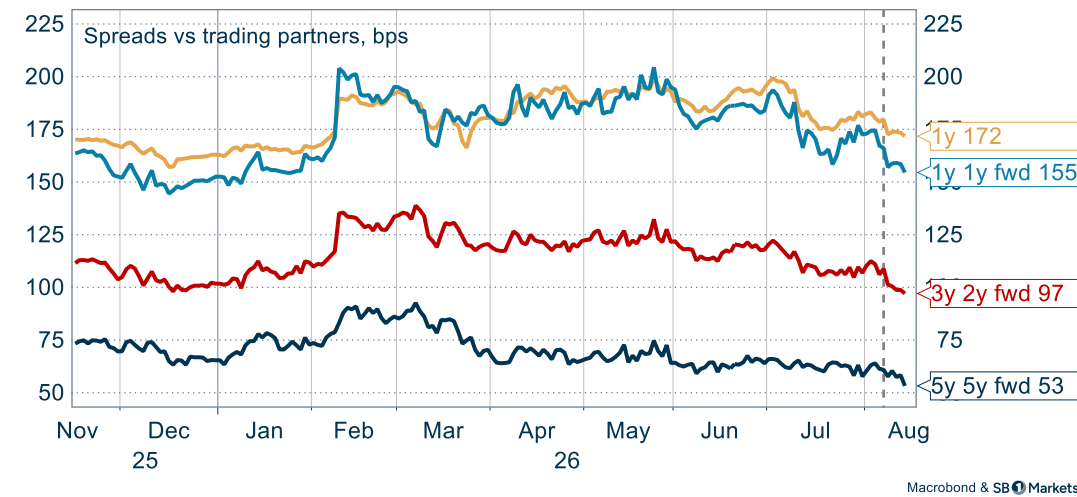
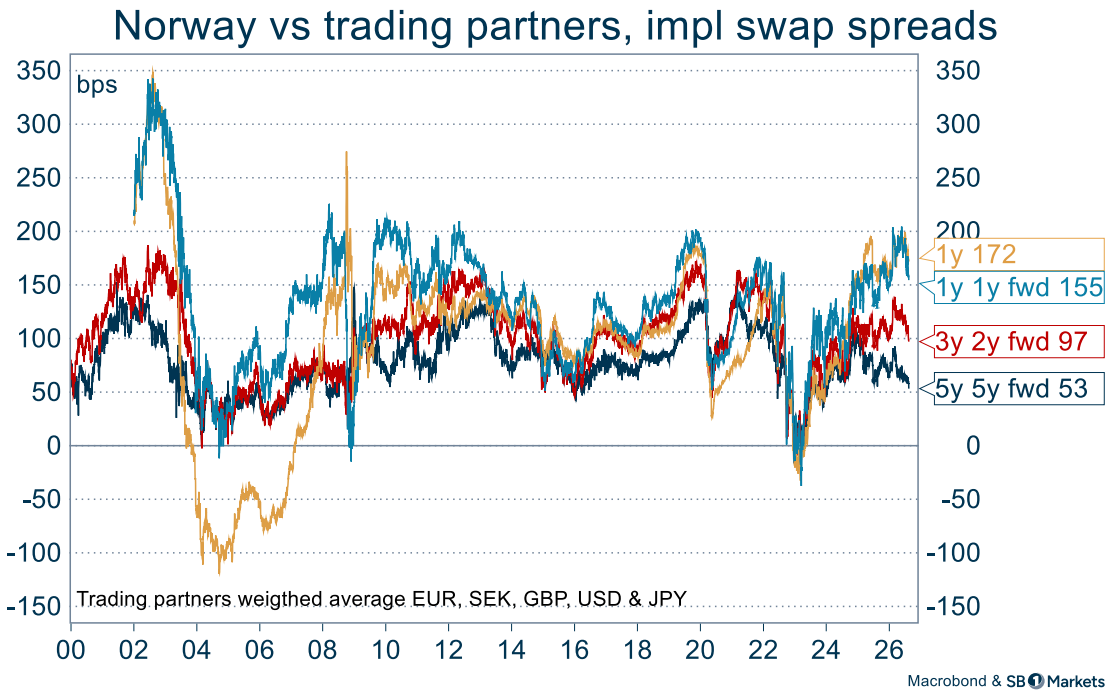
The spread is still high, and the upside risk is probably limited (but the spread has been close to 200 bps on several occasions in 2026).





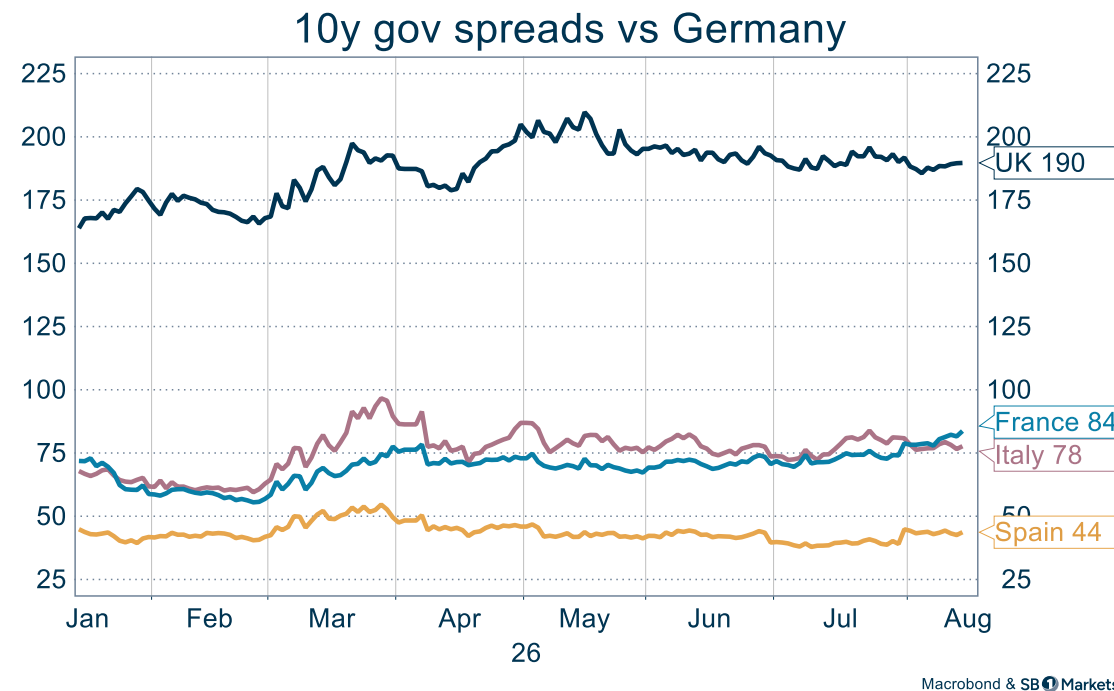
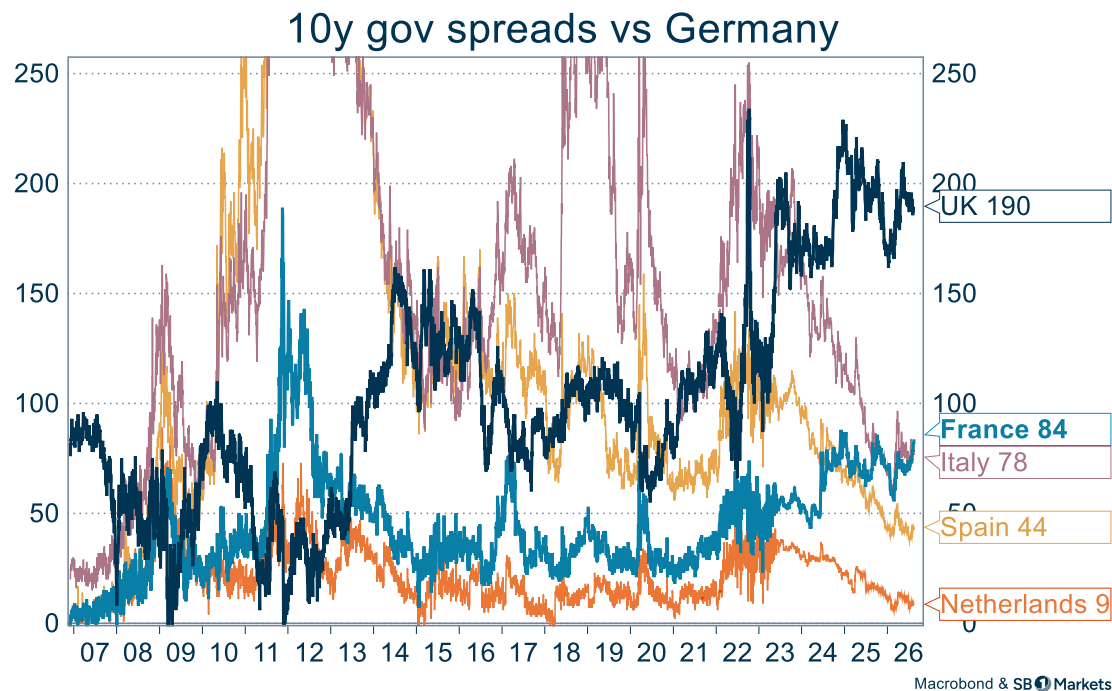
Swap spreads vs. our trading partners narrowed all over the curve

The spread is lower than normal in the long end of the curve but still above an average level in the short end.



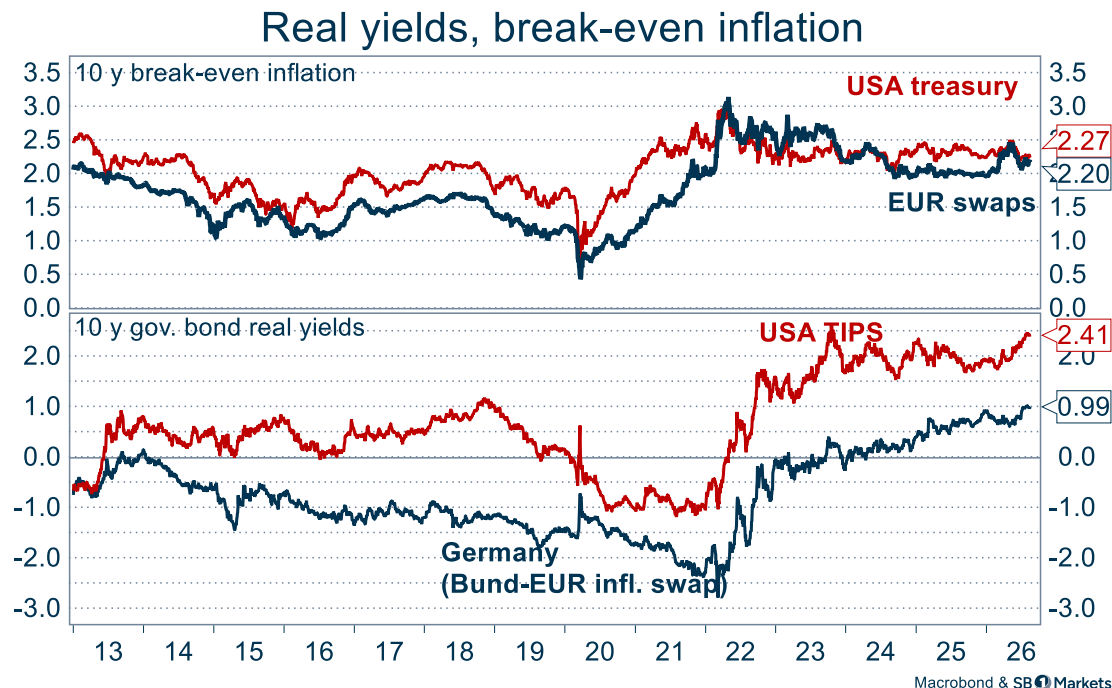
EMU 10y sovereigns: no big changes. UK yields are stable vs. German yields as well

Spreads are still mostly higher than before the Gulf war started. UK yields are much higher than normal vs. German yields, but the spread has not widened in recent months. In August, the French spread has widened somewhat.

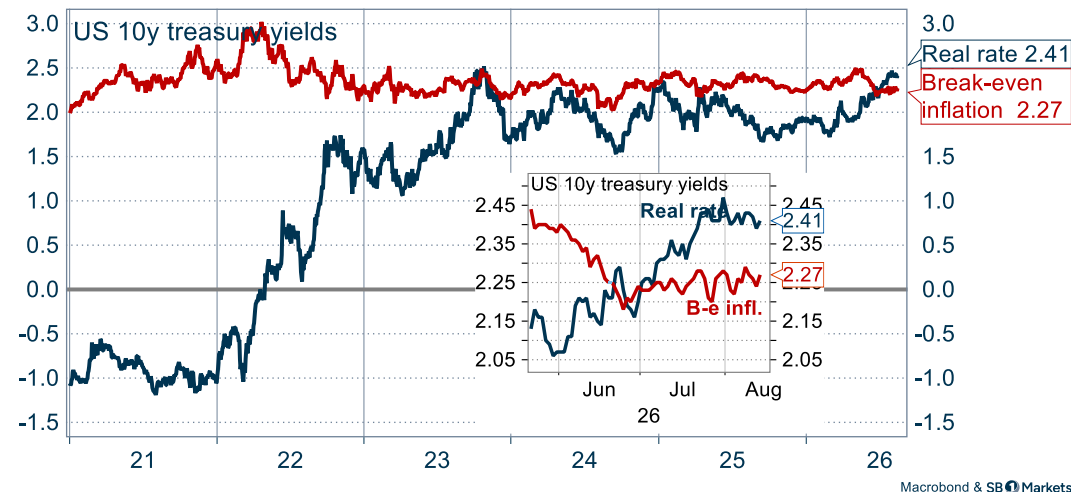


Small changes in real rates and inflation expectations. Real rates trend up; Infl. exp. flat.

US break-even inflation expectations are lower than before the Gulf war started. In EUR, inflation expectations initially rose more than in the US, and real rates fell. Now, EMU real rates are surging while inflation expectations are trending flattish.



- The 10y real TIPS rate rose 1 bp to 2.41%, and trends upwards: up almost 50 bps YTD
- The US 10y break-even CPI inflation at 2.27% is in line with the PCE target at 2.0% (PCE inflation is on average lower than inflation measured by the CPI, if not now).
- 10y EUR inflation expectations (inflation swap) at 2.20% are just marginally on the high side. The real bond rate (applying inflation swaps) is at 0.99% (+2 bps last week), but **trends steadily upward**. A week ago, the level was the highest since 2011.



US, Germany real rates, inflation expectations

	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	4.68	0.03	0.10	0.50	0.52
.. break-even inflation	2.27	0.02	0.02	0.02	1.06
.. TIPS real rate	2.41	0.01	0.08	0.48	-1.19
Germany 10y gov, bund	3.19	0.06	0.08	0.35	-0.65
.. 10y EUR inflation swap	2.20	0.04	0.04	0.24	0.68
.. real rate	0.99	0.02	0.04	0.10	-2.79

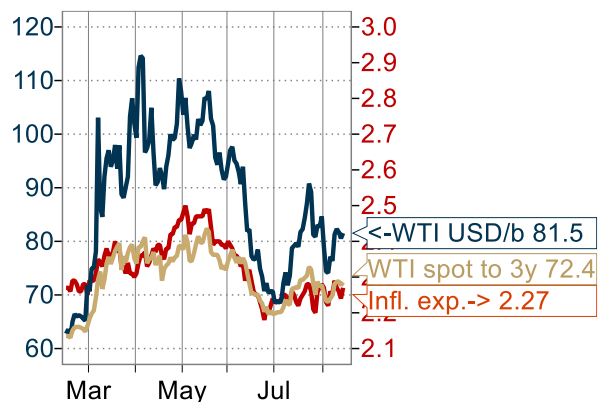
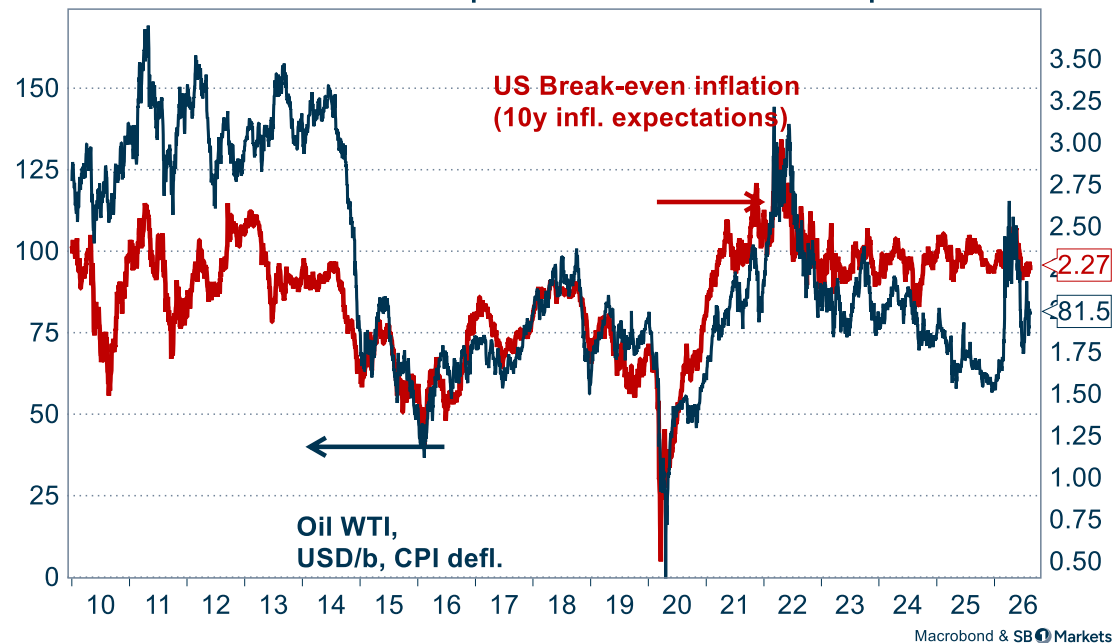
Macrobond & SB Markets



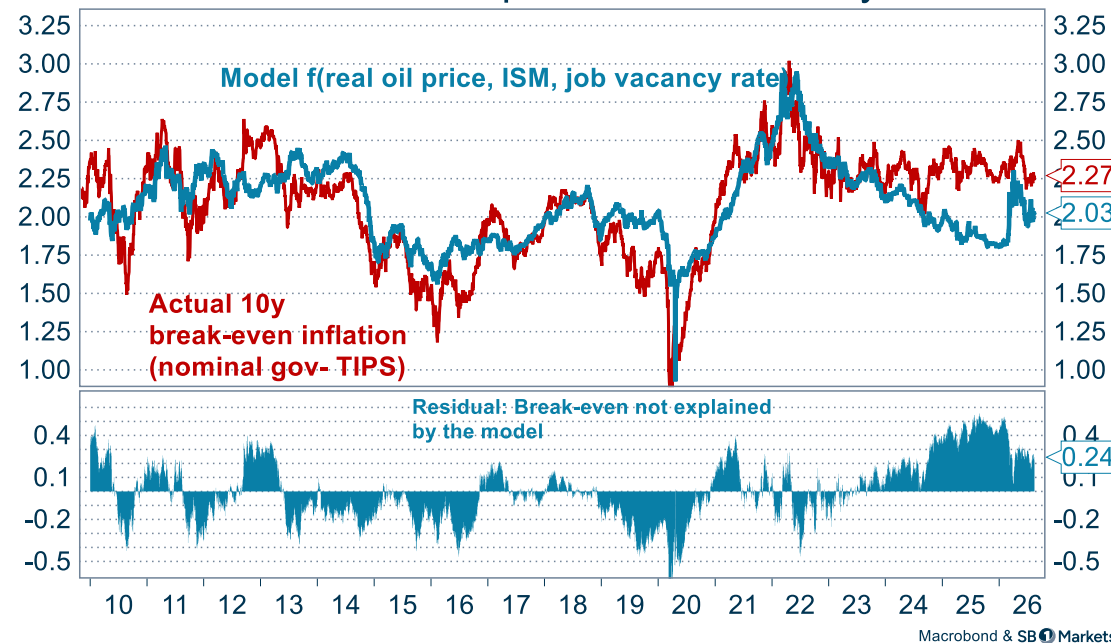
US inflation expectations did not follow oil up or down recently

Inflation expectations are still high vs. our model forecast but the gap has narrowed in 2026.

USA Inflation expectations vs. the oil price



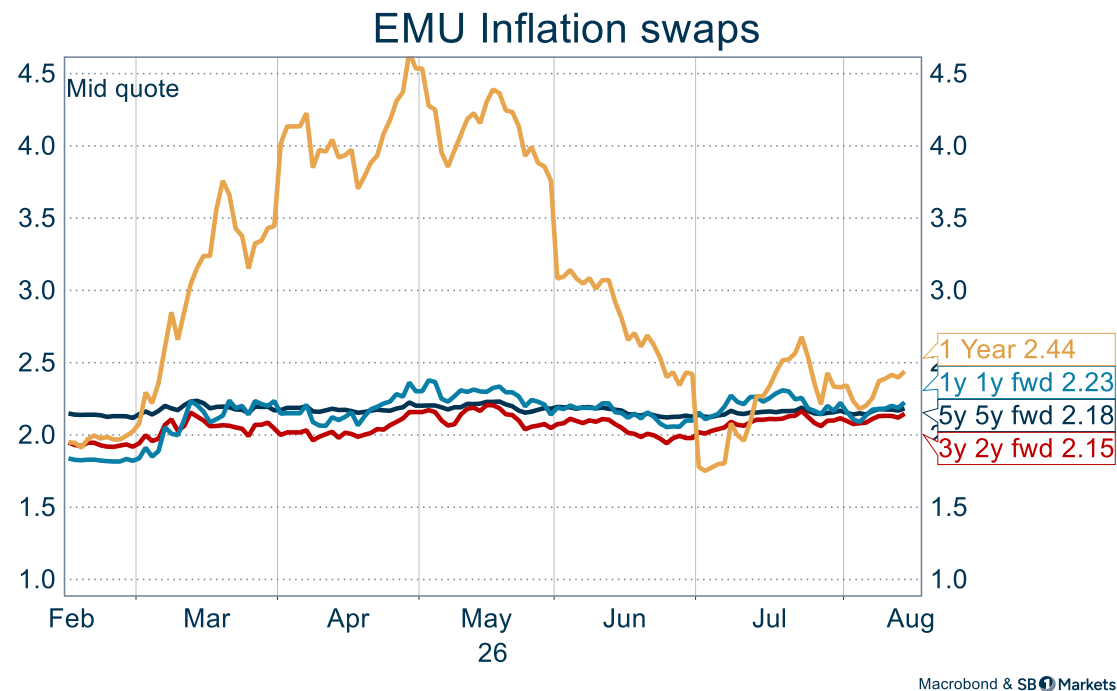
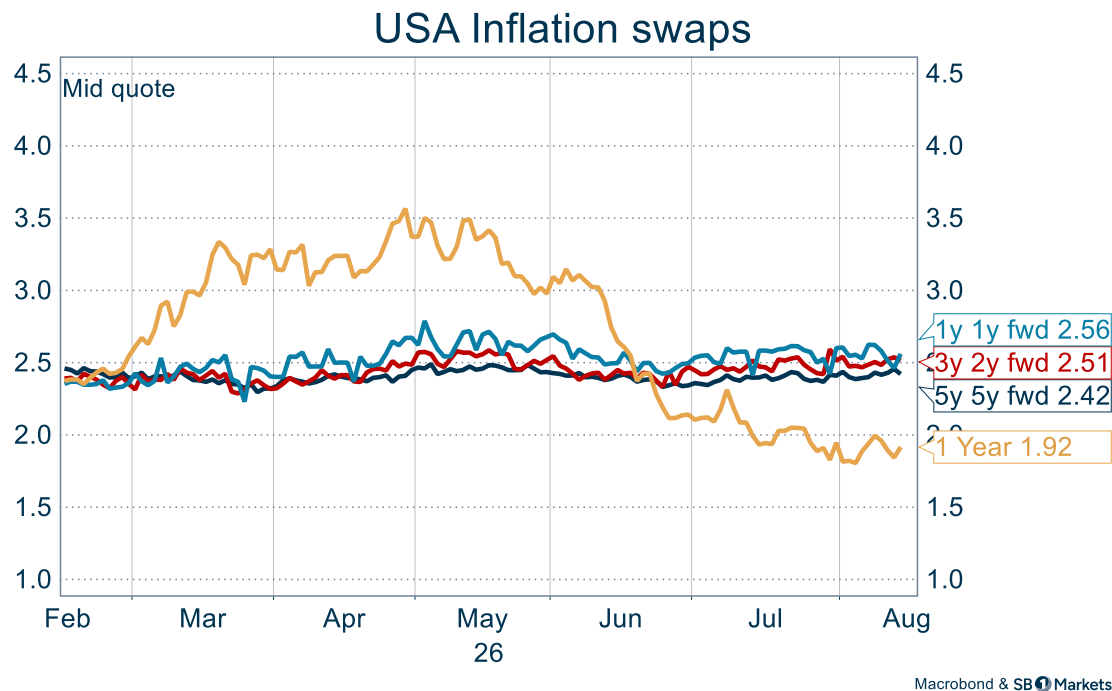
USA Inflation expect. vs. oil & the cycle



- 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?

In the US, the market expects inflation to come rapidly down. In EMU, less so

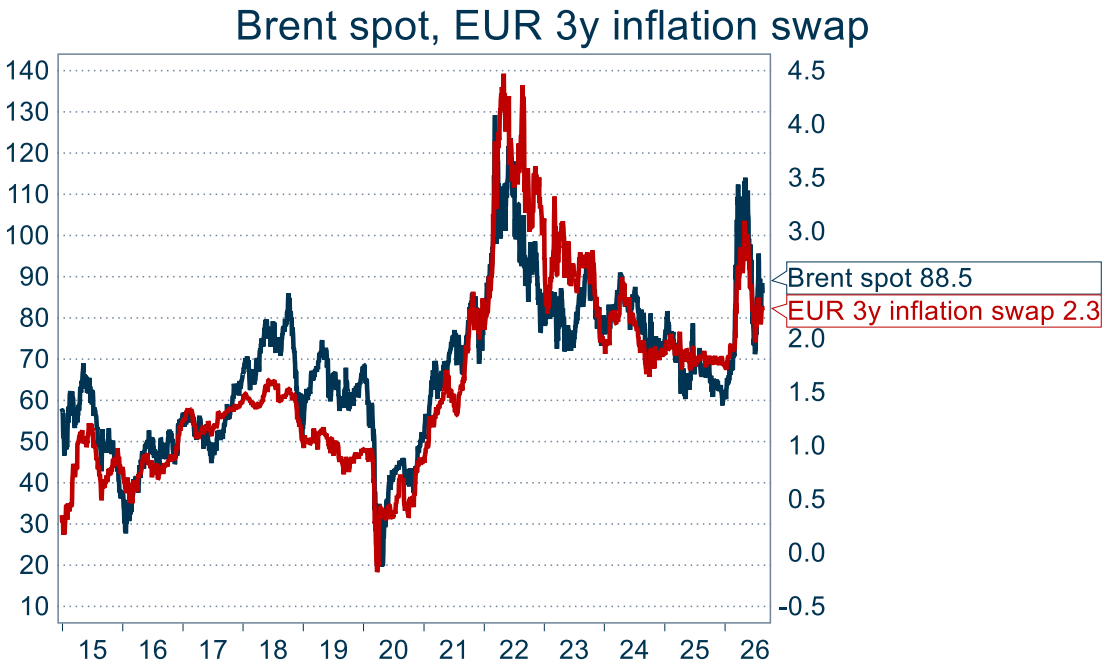
In US, the 1y inflation swap has fallen to 1.92%. In EMU, the EUR 1y inflation swap is at 2.44%, probably 'supported' by high natural gas prices. Longer-term inflation expectations are reasonably well behaved.



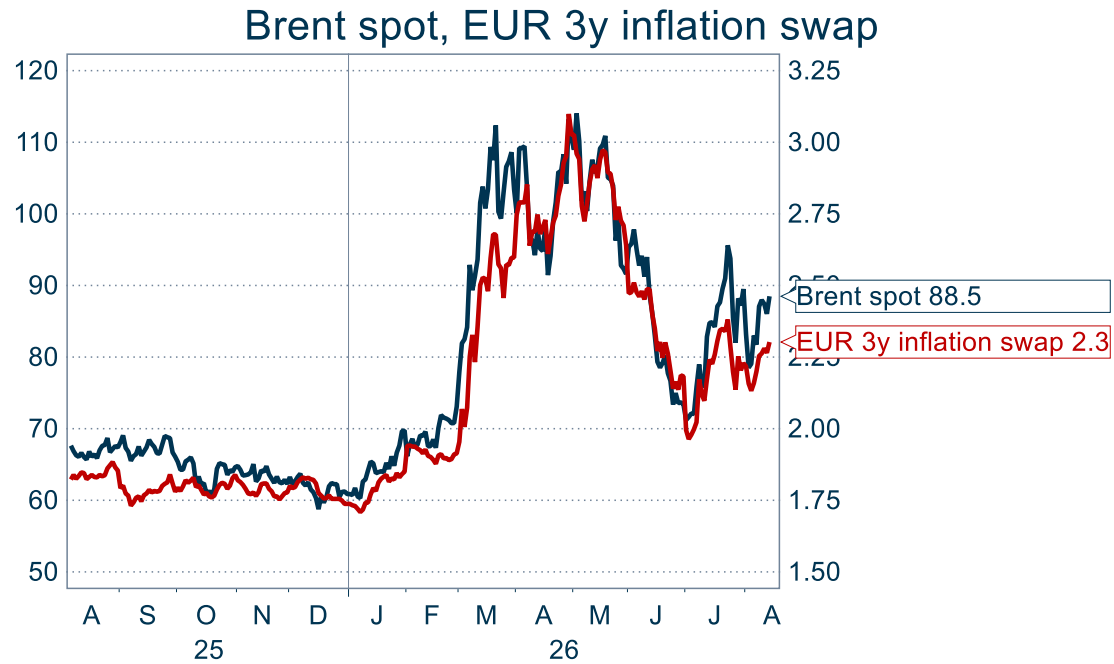
The 1y EUR inflation swap is heavily impacted by the base effect in y/y HICP inflation rate. Thus, around the change of front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation swap 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 not followed the oil price in recent weeks

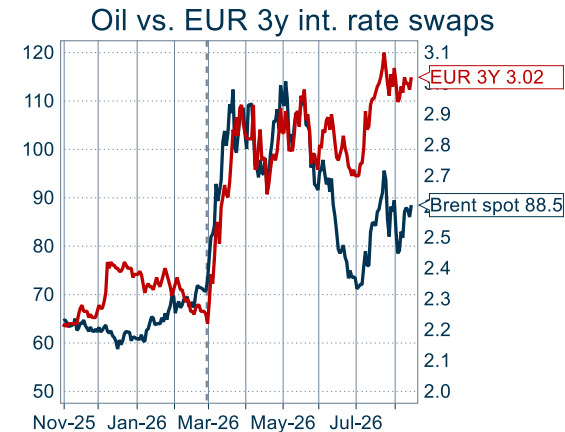
However, nominal rates have *climbed sharply*, after falling less than inflation expectations in June.
The *real rate* is in between, *check next page*



Macrobond & SB Markets

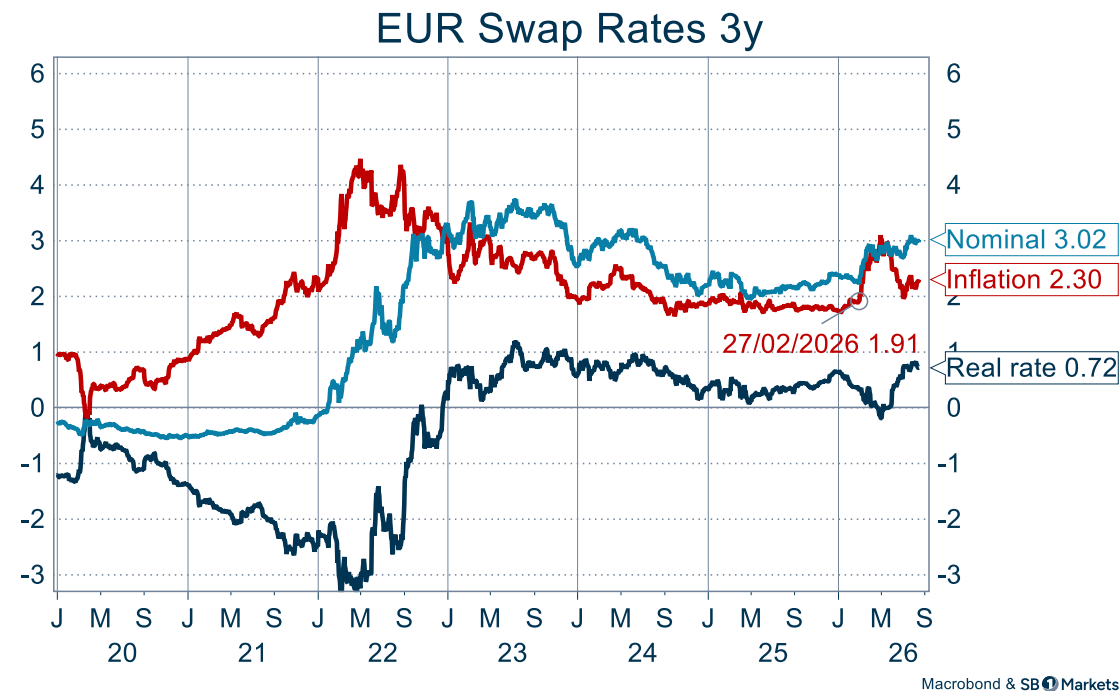
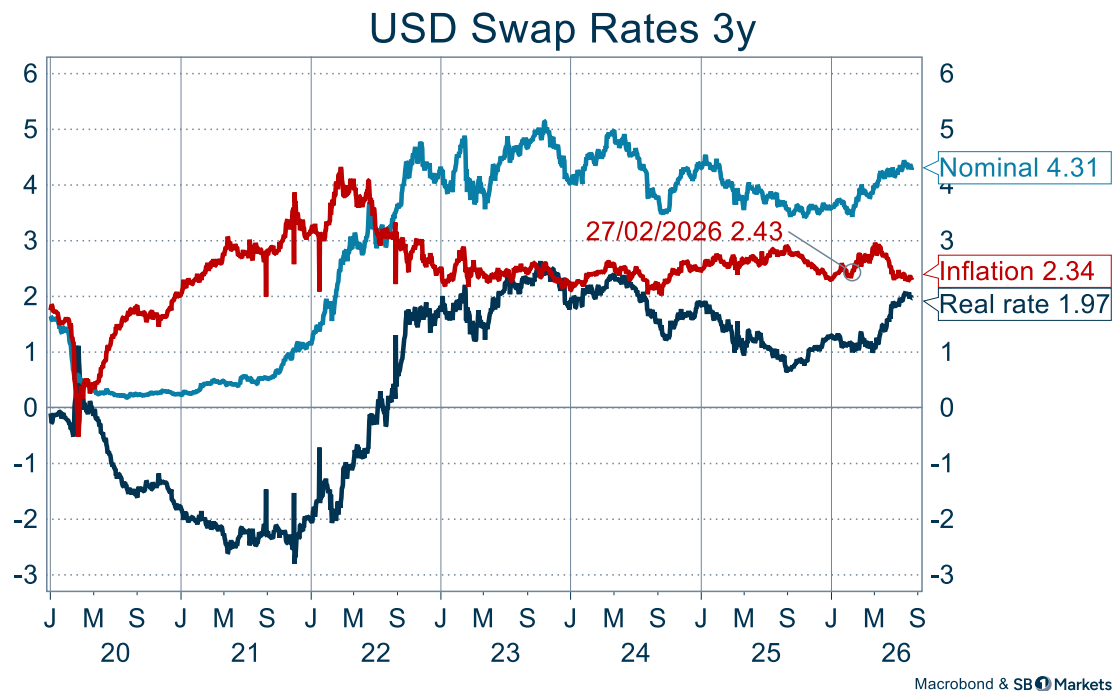


Macrobond & SB Markets



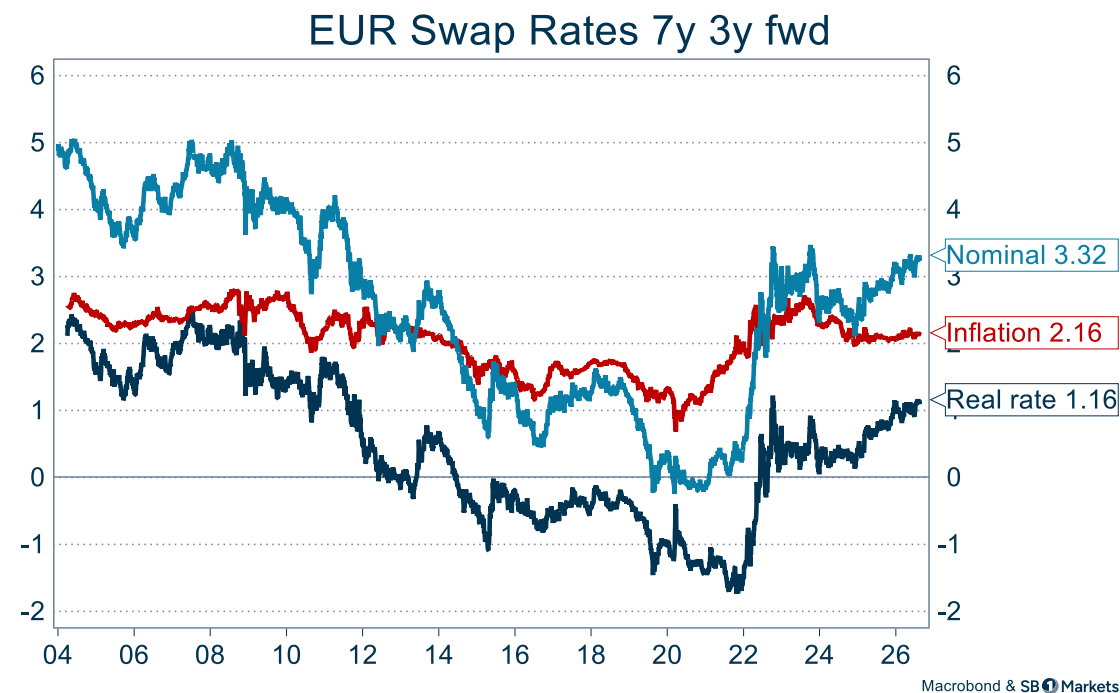
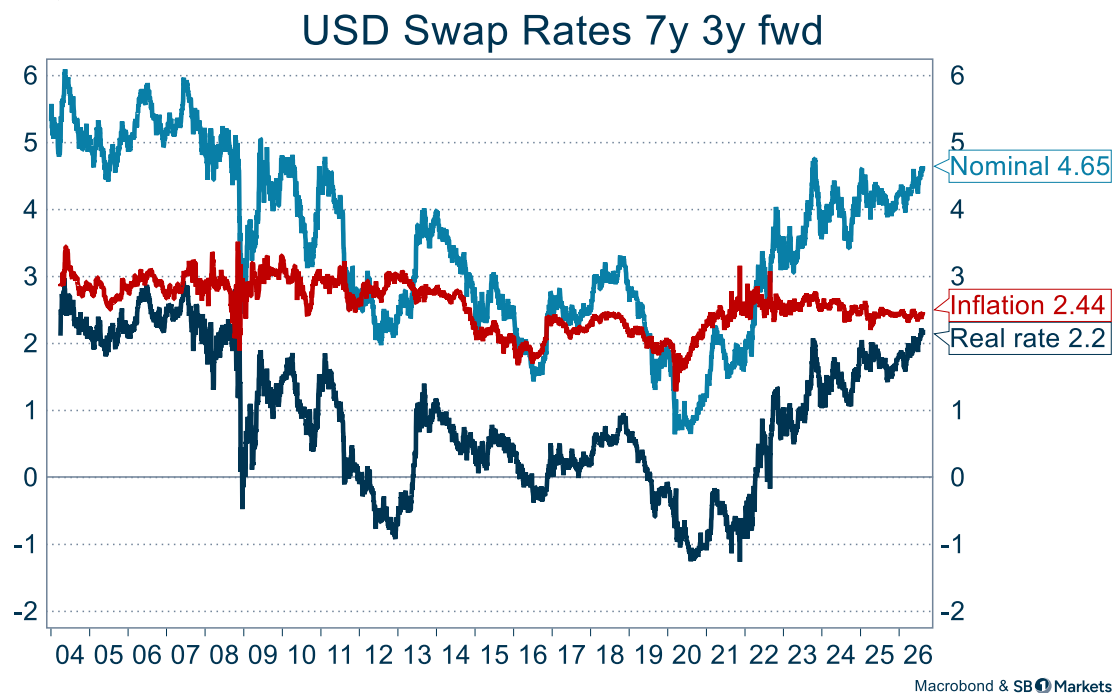
From before the war: the 3y US real rate is up 100 bps; The EUR real rate 50 bps

Initially, when the oil price and inflation expectations rose, EUR real rates declined but they have risen more since May. Inflation expectations since before the war: **-9 bps in USD, +39 bps in EUR**.



Longer-term inflation expectations are stable while real rates are surging

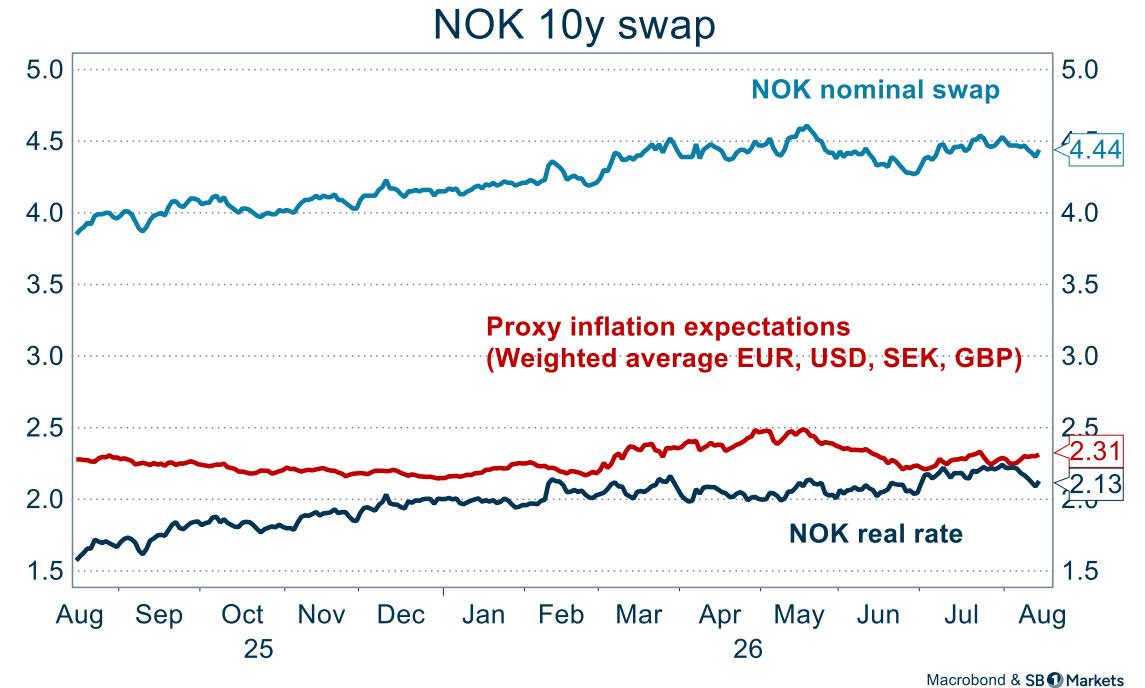
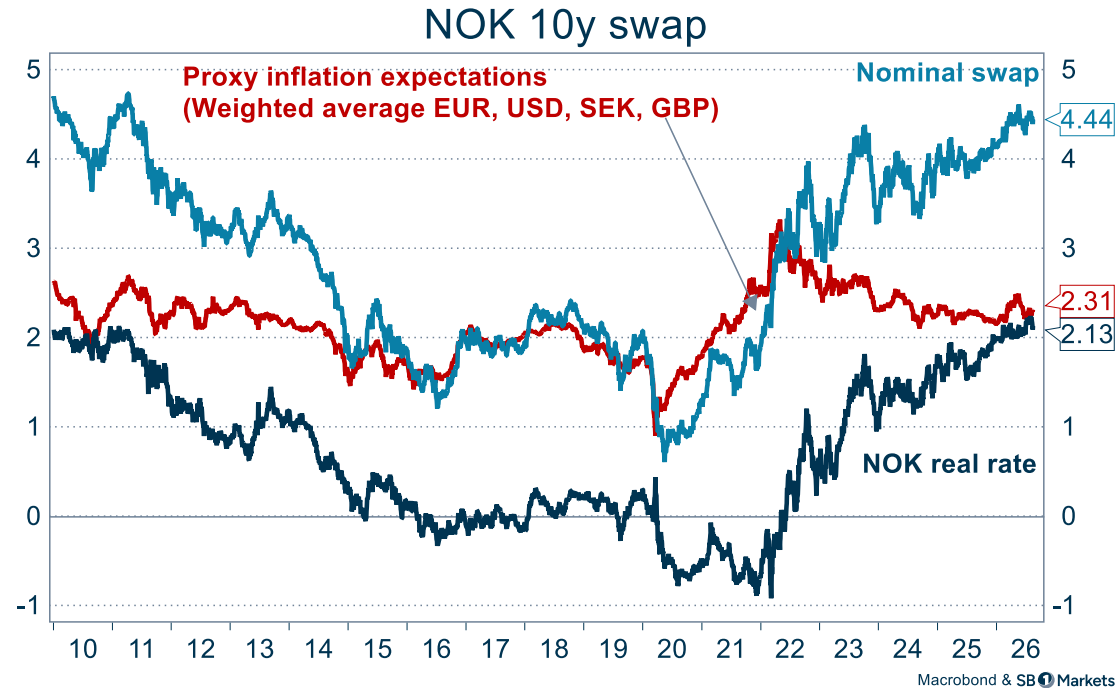
Real rates are the highest since the financial crisis/Euro crisis.





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

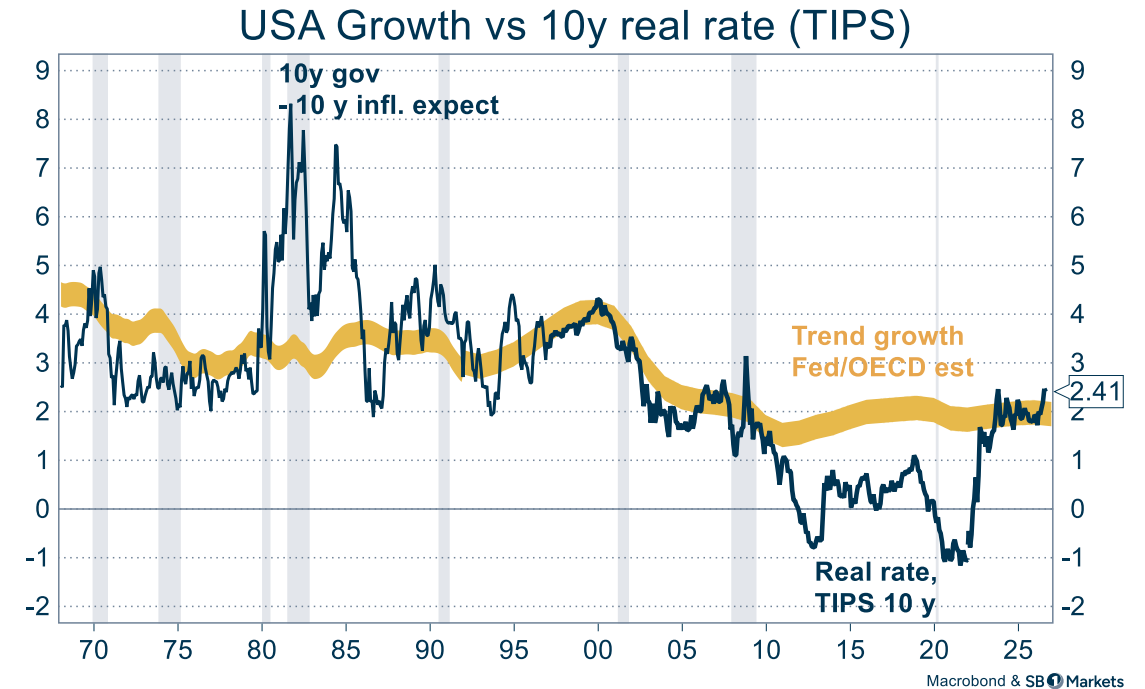
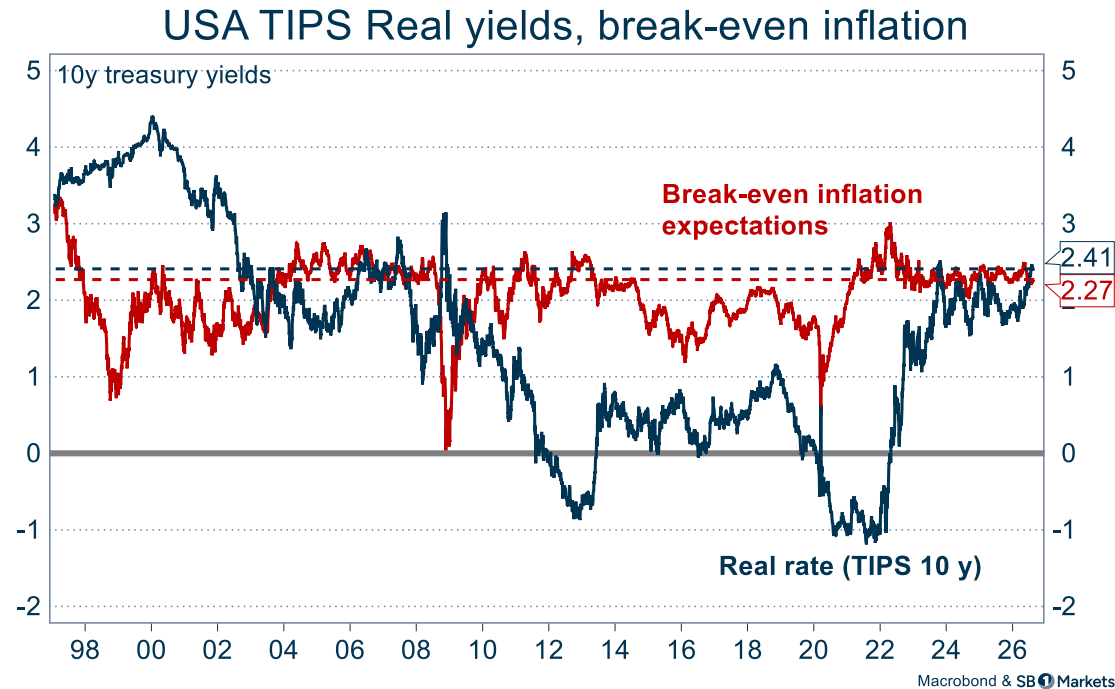
... as we assume that long-term inflation expectations develop in line with expectations abroad. These expectations have been drifting upwards in recent weeks, due to the impact of the energy price shock – until the decline the past two weeks





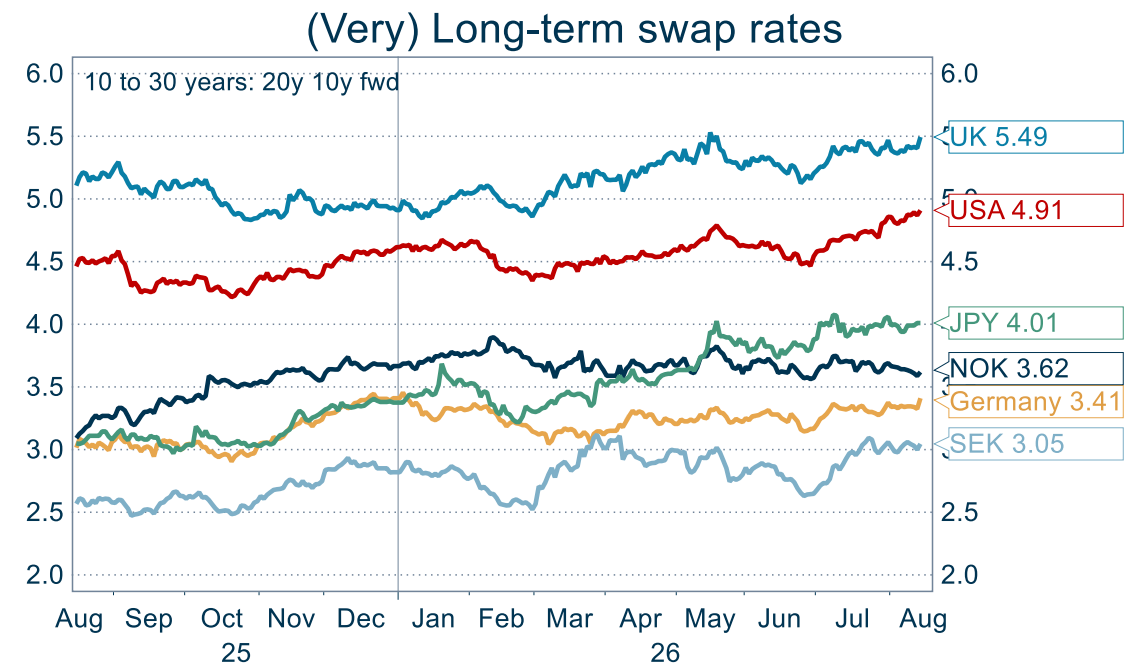
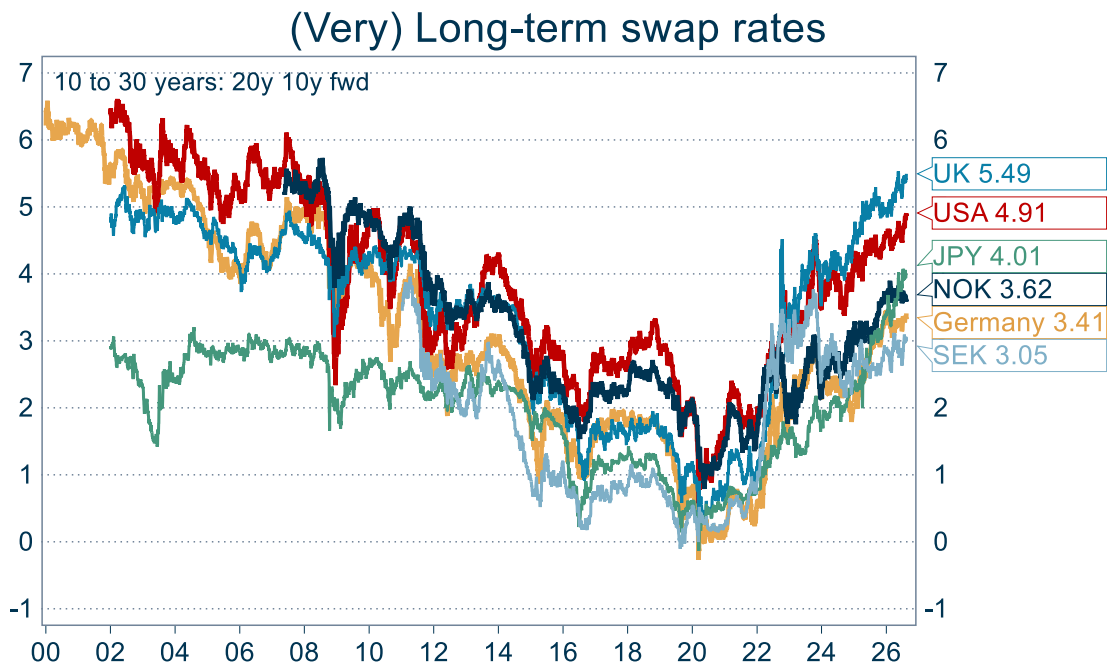
US real rates vs. growth expectations: above the upper part of the 'growth corridor'

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

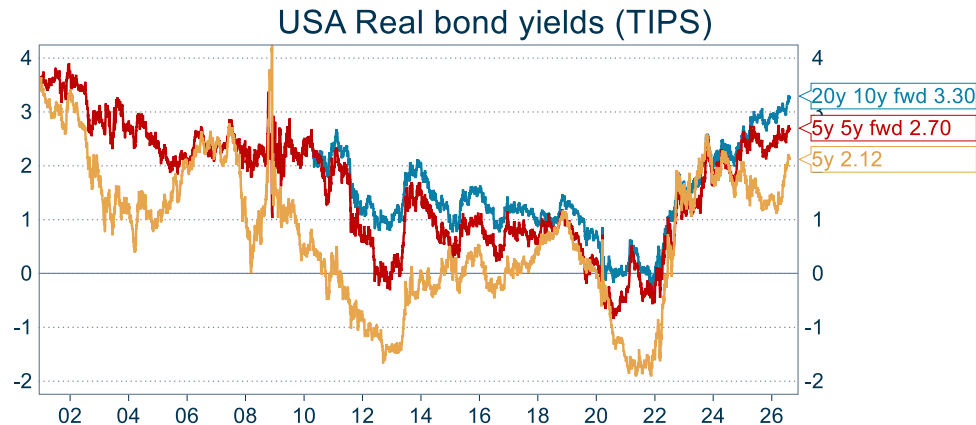


Very long-term swap rates mixed last week but the trend is upwards

As are US real yields, **all over the curve**



Macrobond & SB Markets

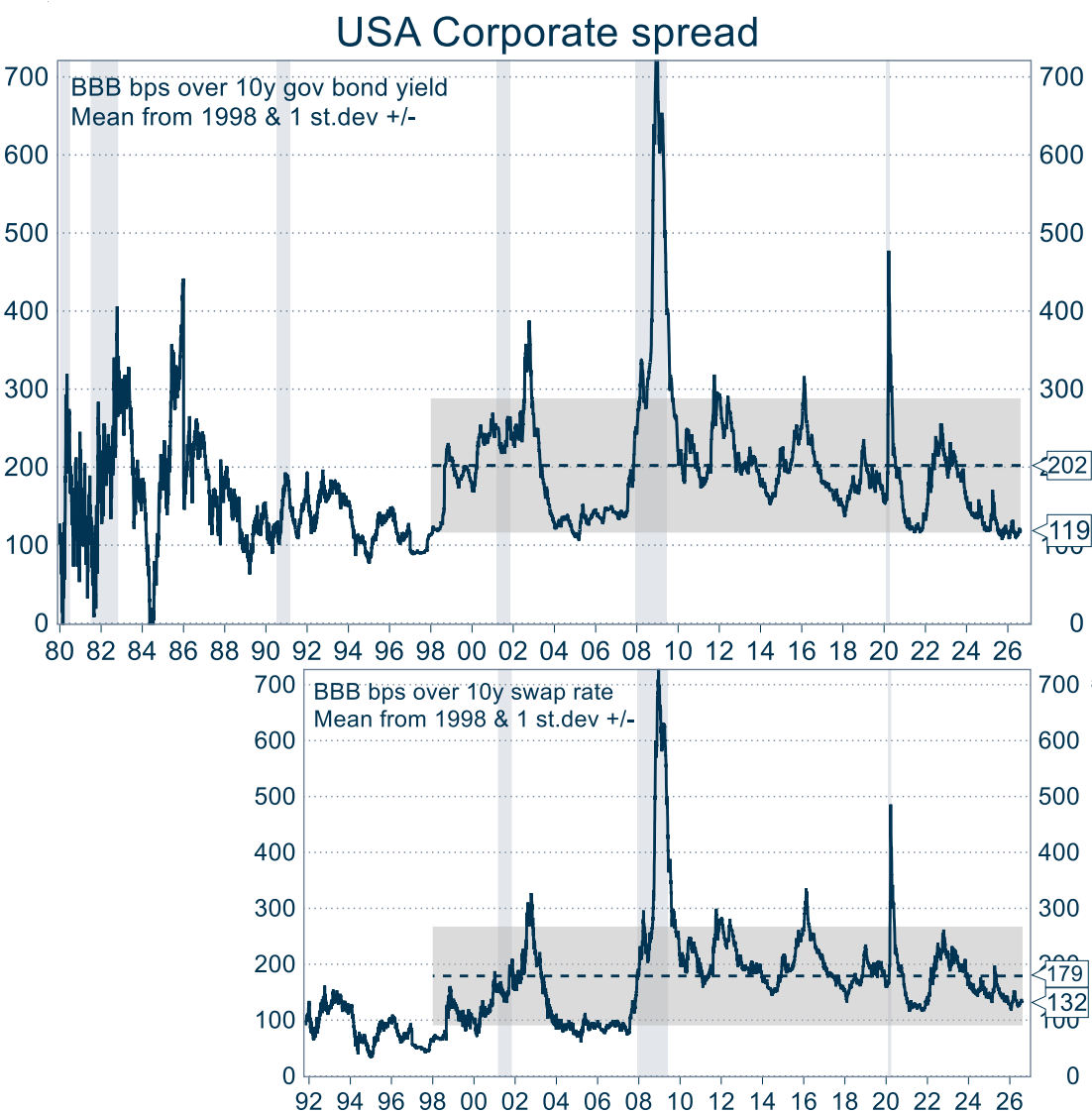


Macrobond & SB Markets



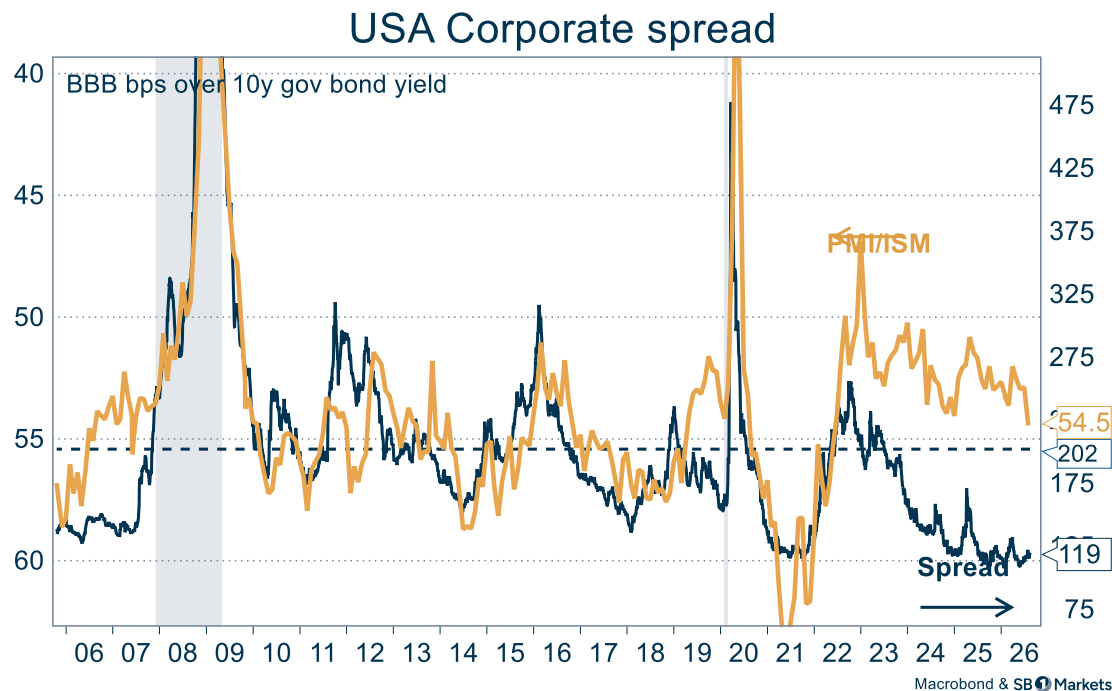
US BBB corporate spread (vs. 10y gov.) widened slightly last week, and trends upwards

The level remains low at 119 bps above the 10y gov. bond rate.

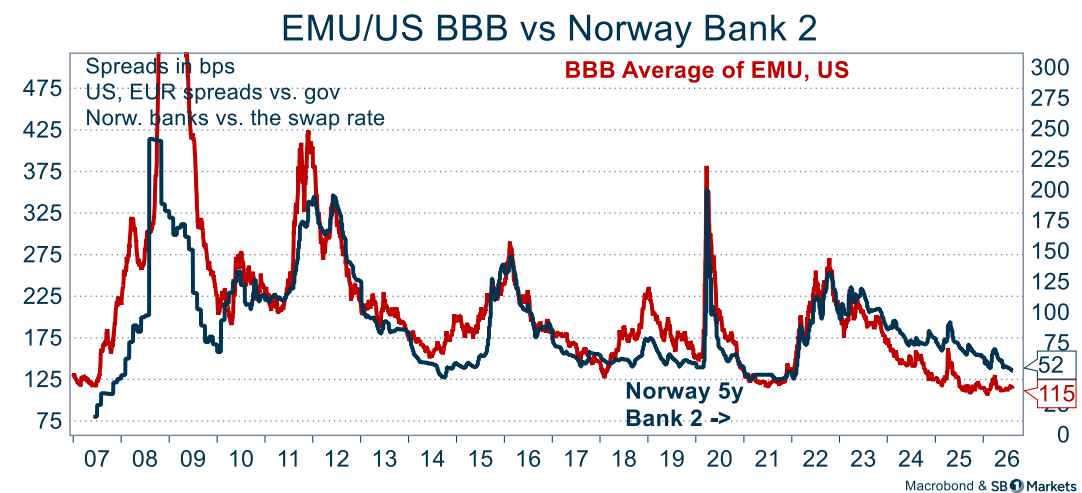
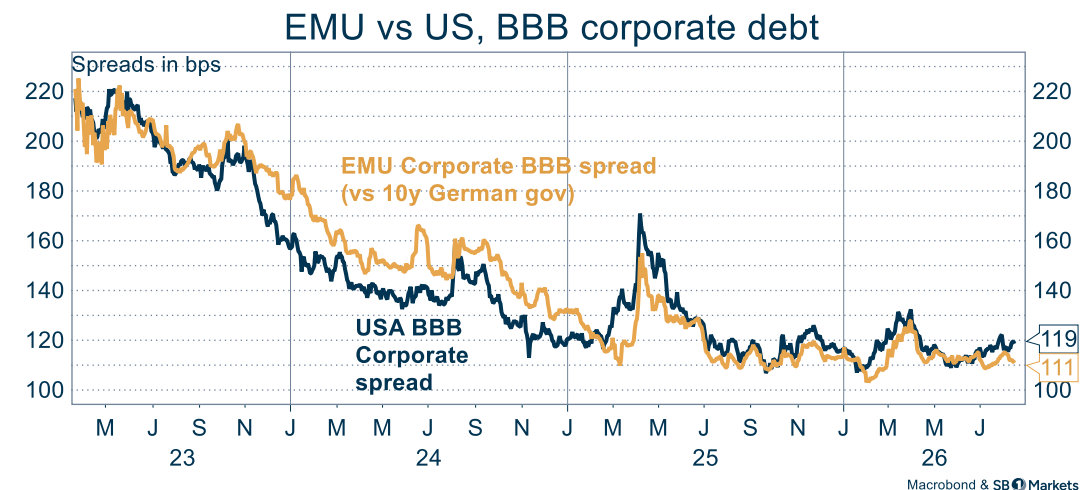


Mind the gap: surveys signal faster but not fast growth, and credit spreads are very low

... as though the economy were genuinely thriving. Norwegian spreads are following foreign markets, as usual.



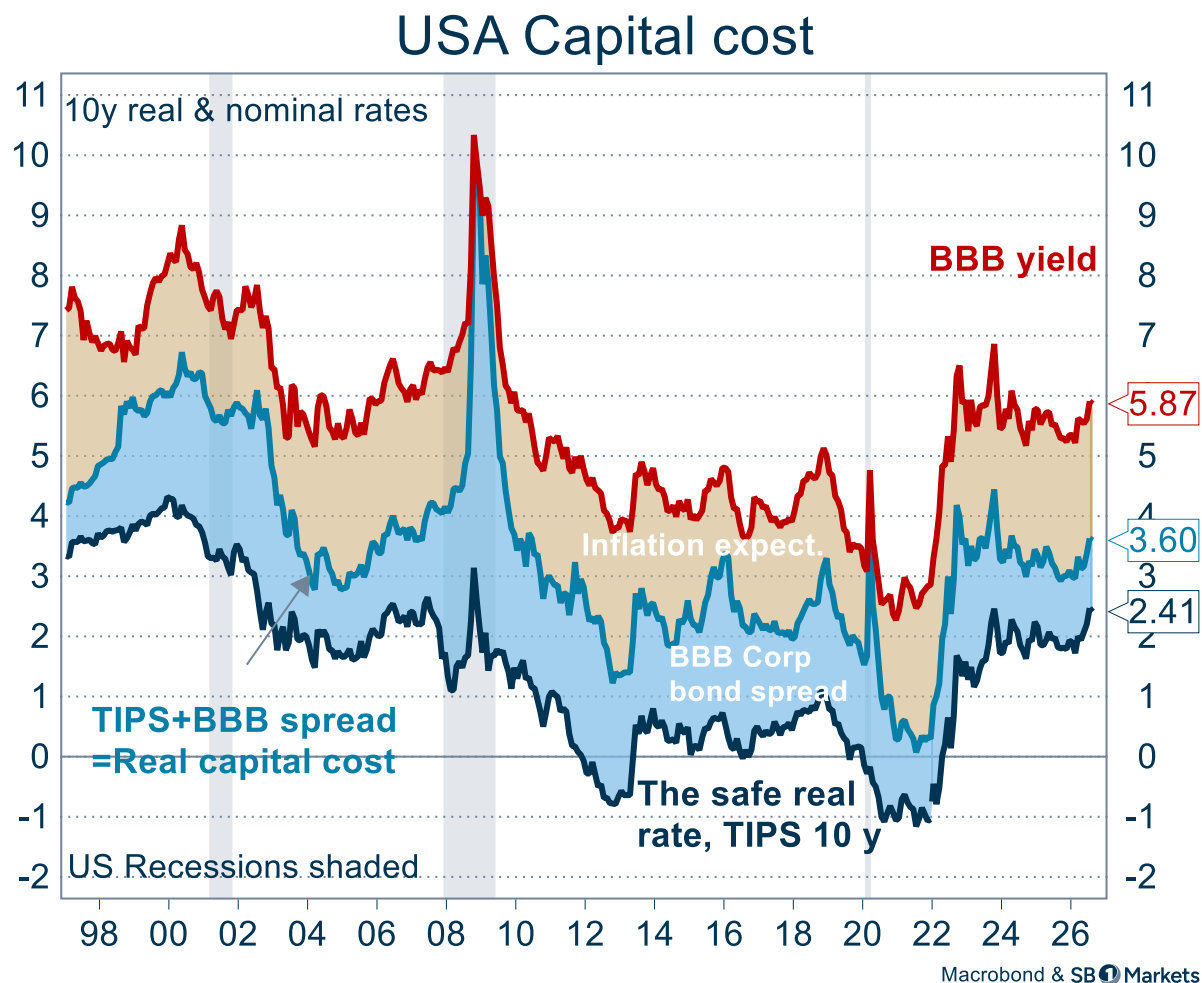
- The main Norwegian bank bond spread (bank 2, 5y senior) declined marginally last week, to 52 bps, the lowest level since 2022.





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 3.6%.
- Adding in inflation expectations, the nominal borrowing cost has declined in recent months, now to 5.9%, from close to 7% at the peak – but up from well below 3% at the bottom in 2020/21

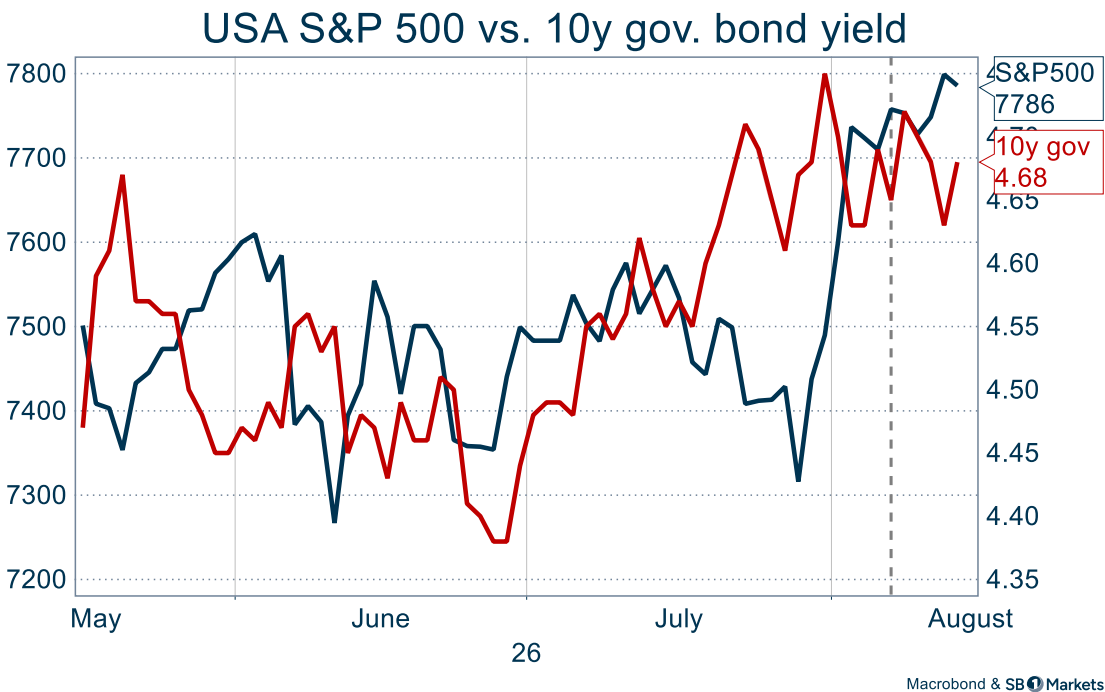
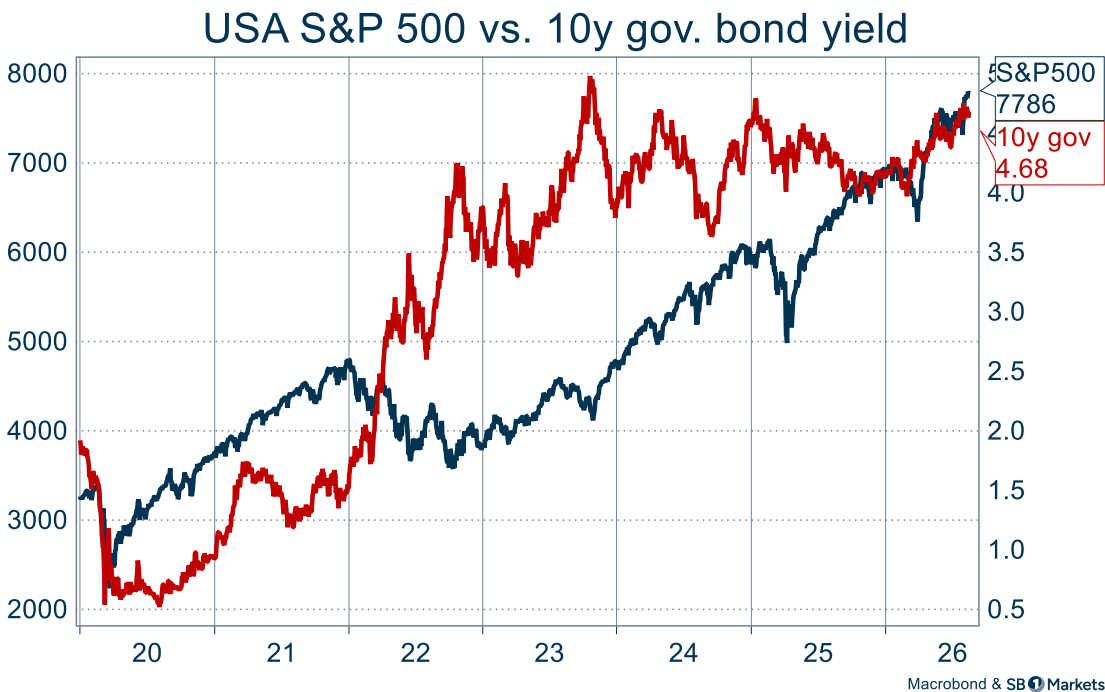


4.3 Equity markets



S&P 500 up to ATHs! The 10y gov. bond rate added 3 bps to 4.68%

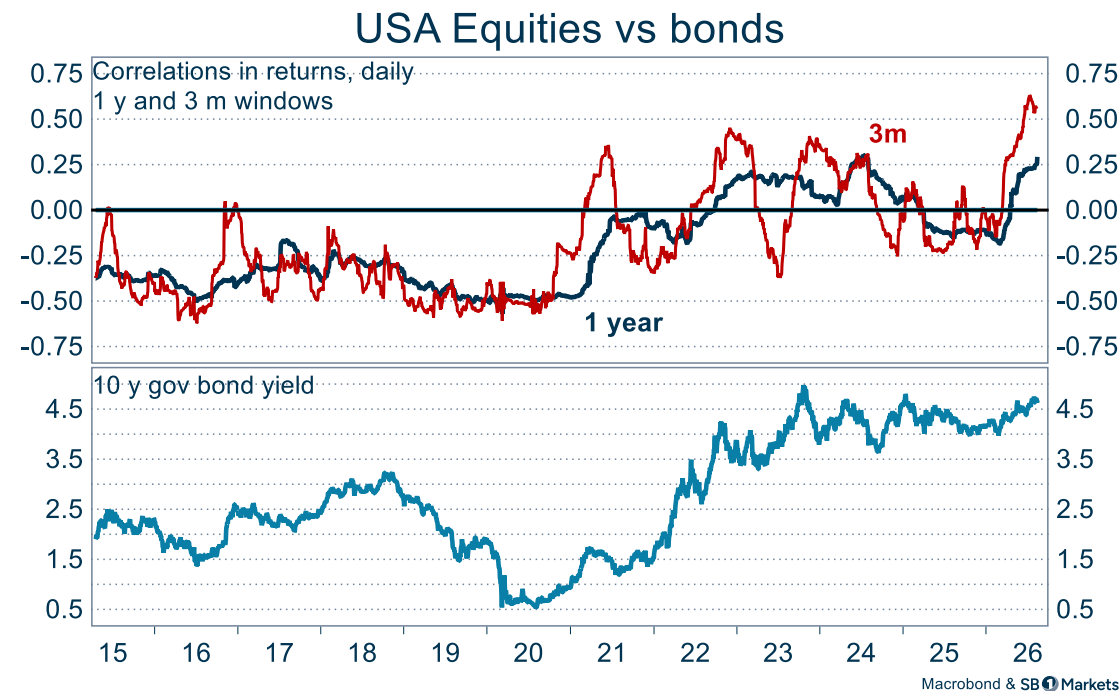
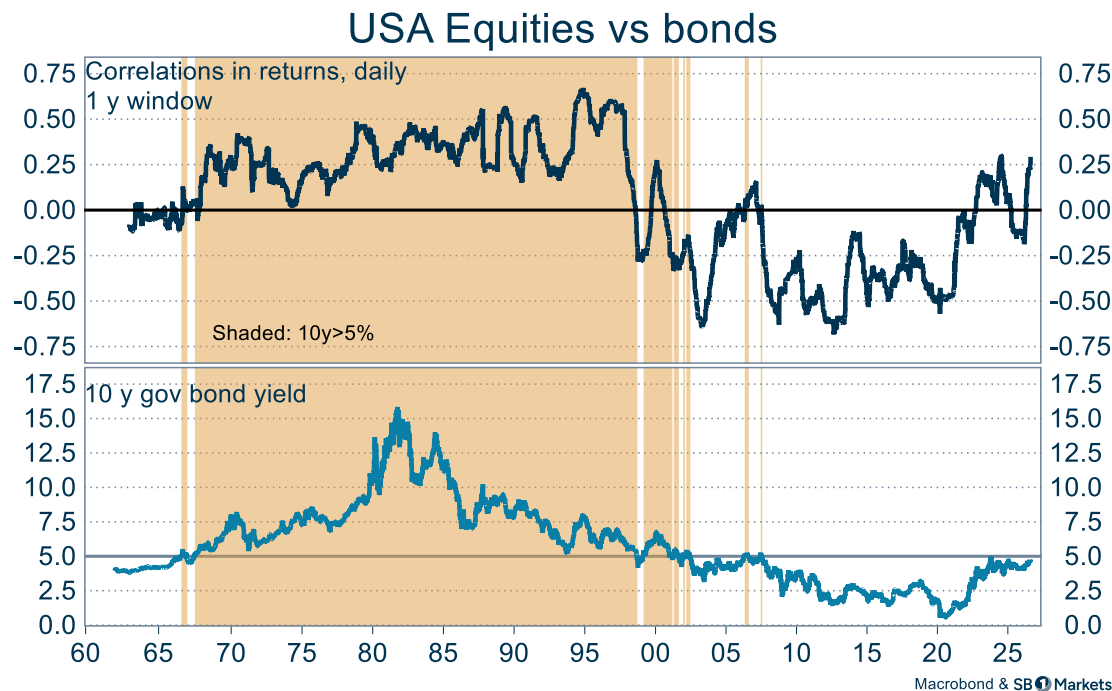
The 10y bond yield (or the 30y yield) is close to the highest since before the financial crisis.





Equity–bond return correlation remains positive

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.

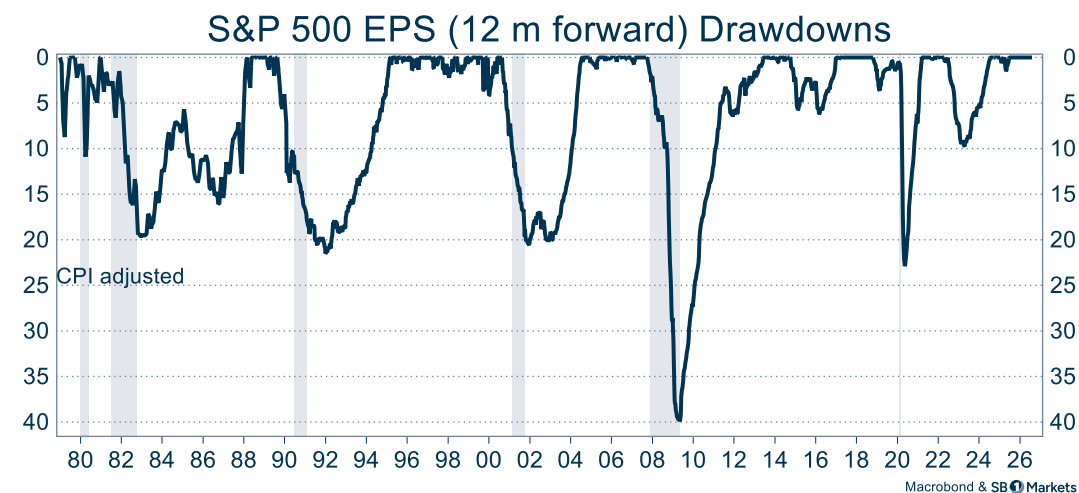
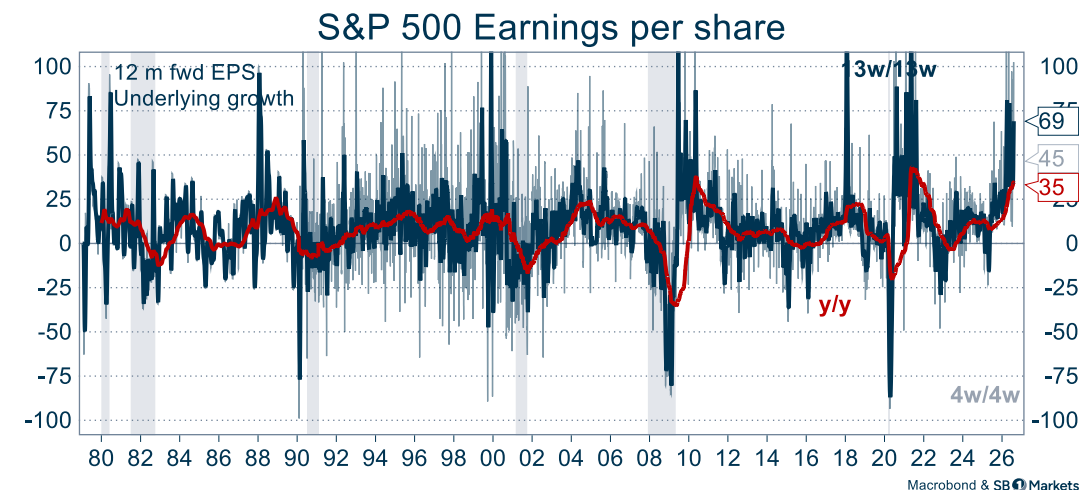
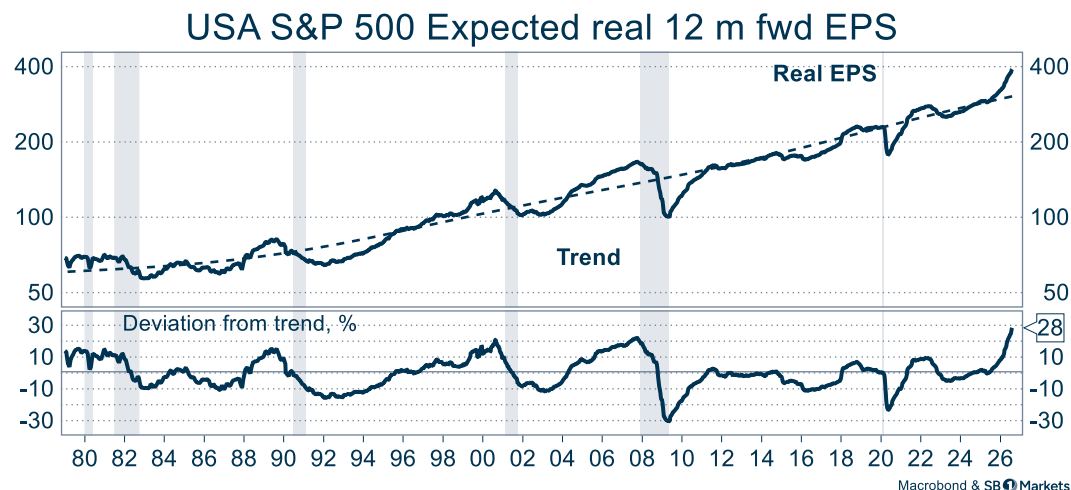


- **Inflation worries** normally lift government bond yields to a ‘high’ level and are normally not positive for equities: thus, a positive correlation (in returns).
- **Growth worries produce the opposite (negative) correlation in returns: lower yields and a weaker equity market.**
- **The threshold** 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 35% y/y, and the momentum is twice as high!!

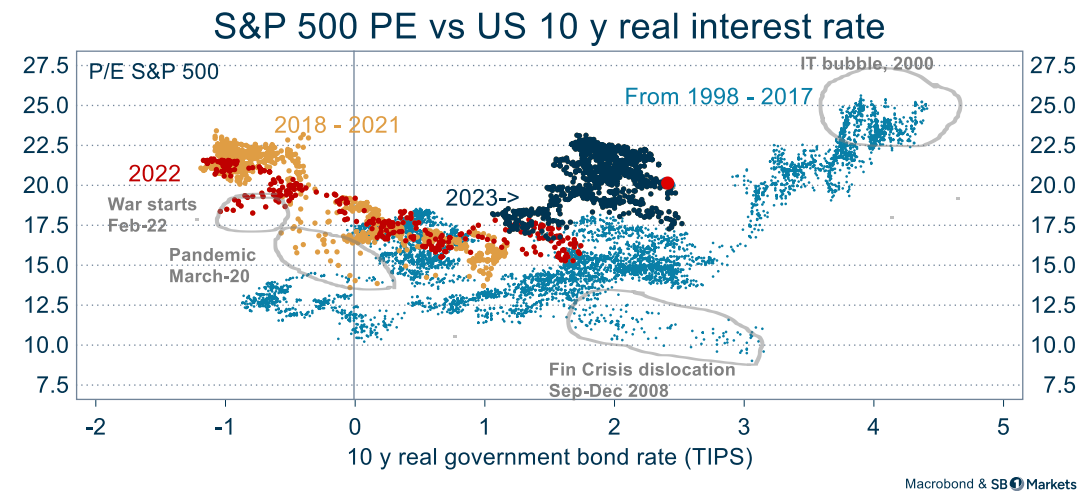
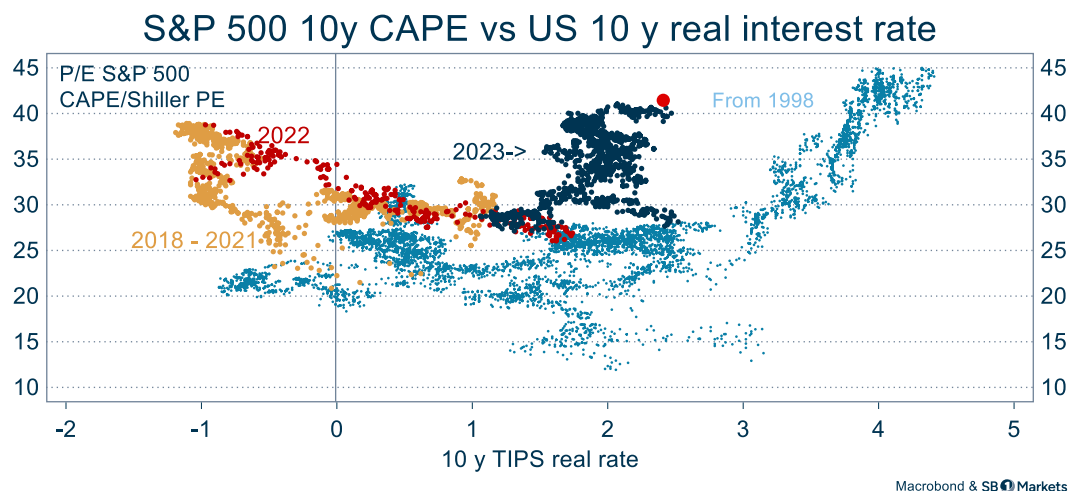
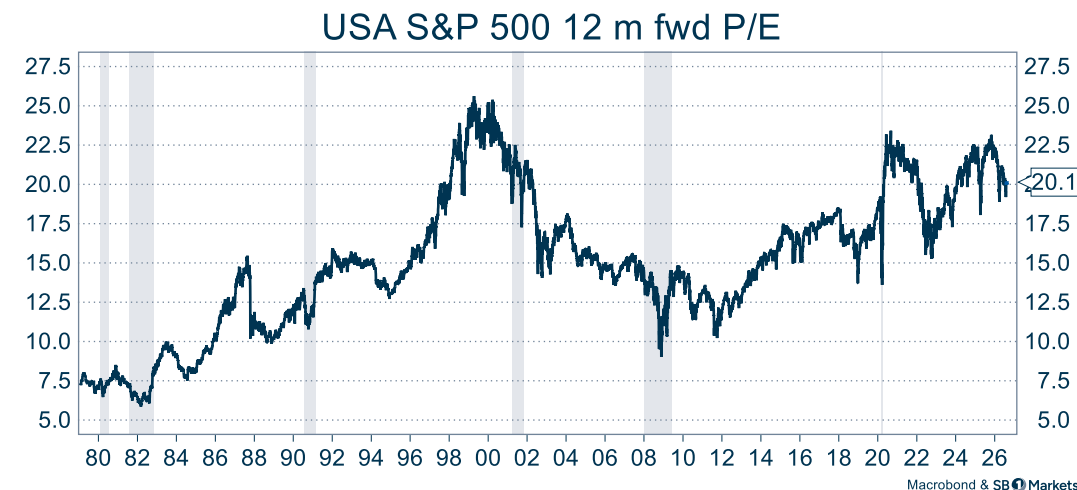
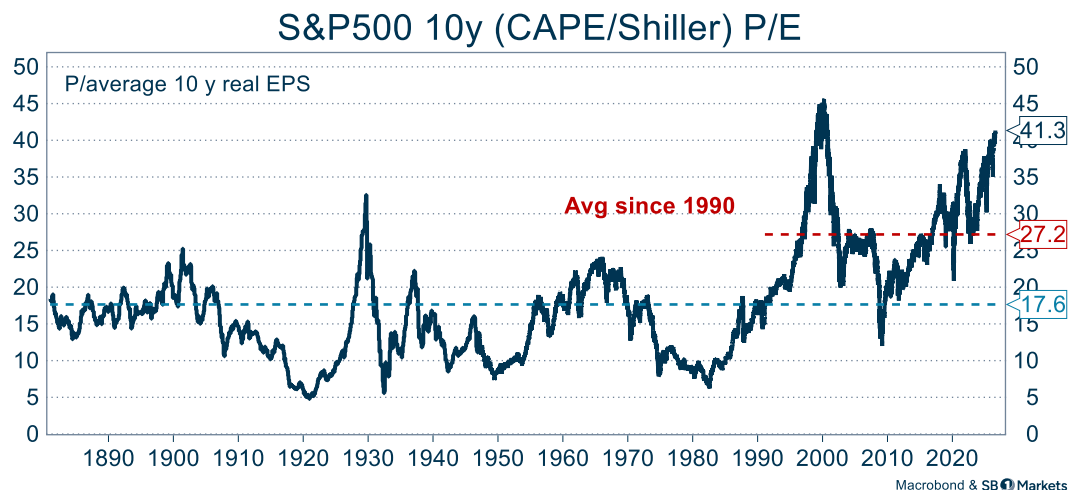
The 12m fwd. expected (CPI adjusted) EPS is 28% above the long-term real trend path. **Some downside risk?**





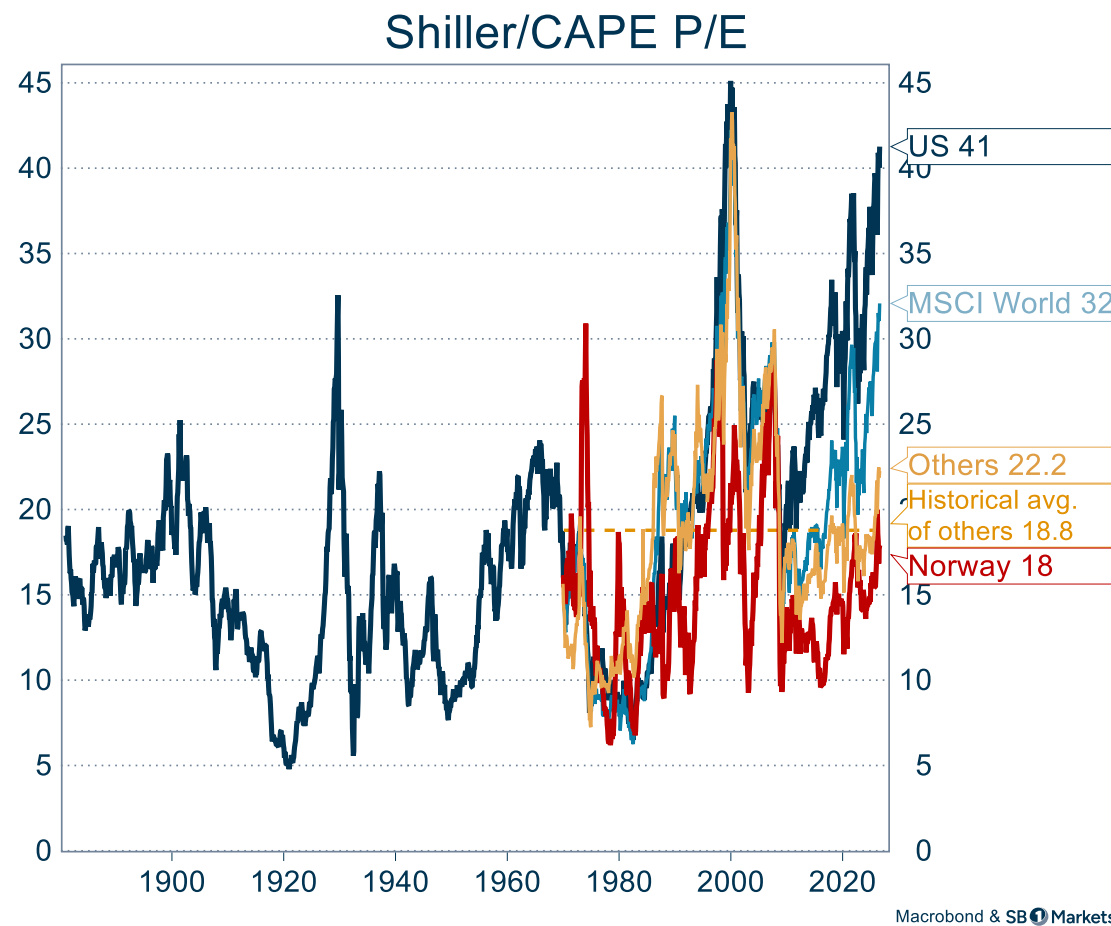
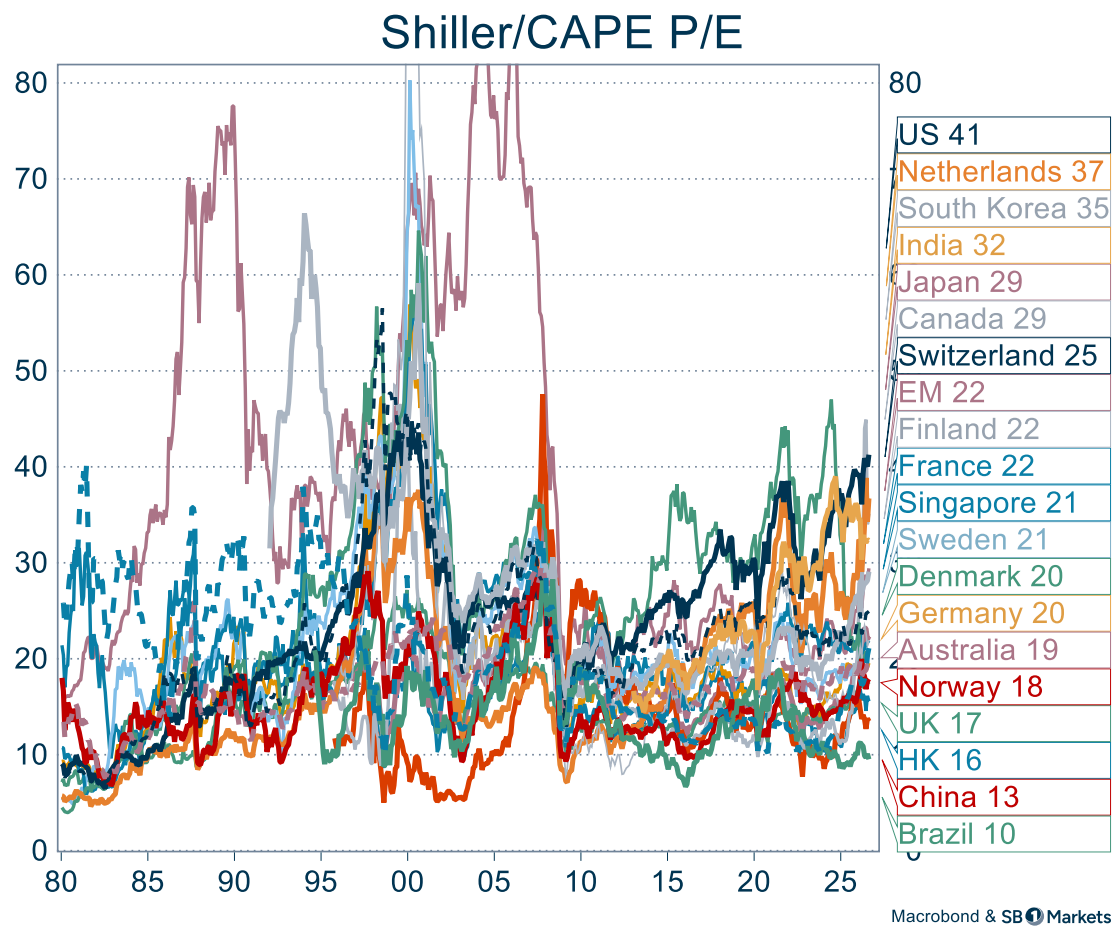
US P/Es are still high, but rapid earnings growth lowers the 12m fwd P/E

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 CAPE/Shiller has kept up, even if the 10y TIPS US real rate has increased sharply.



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

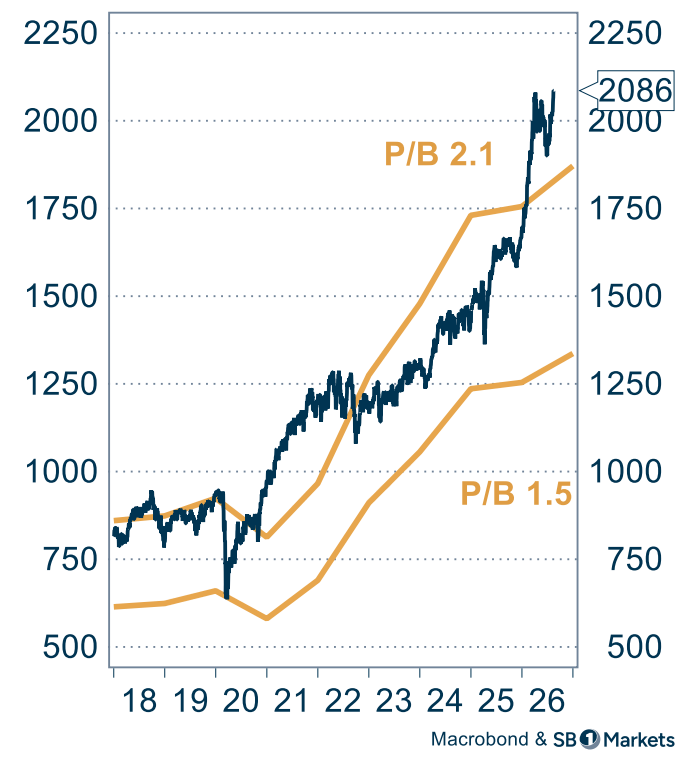
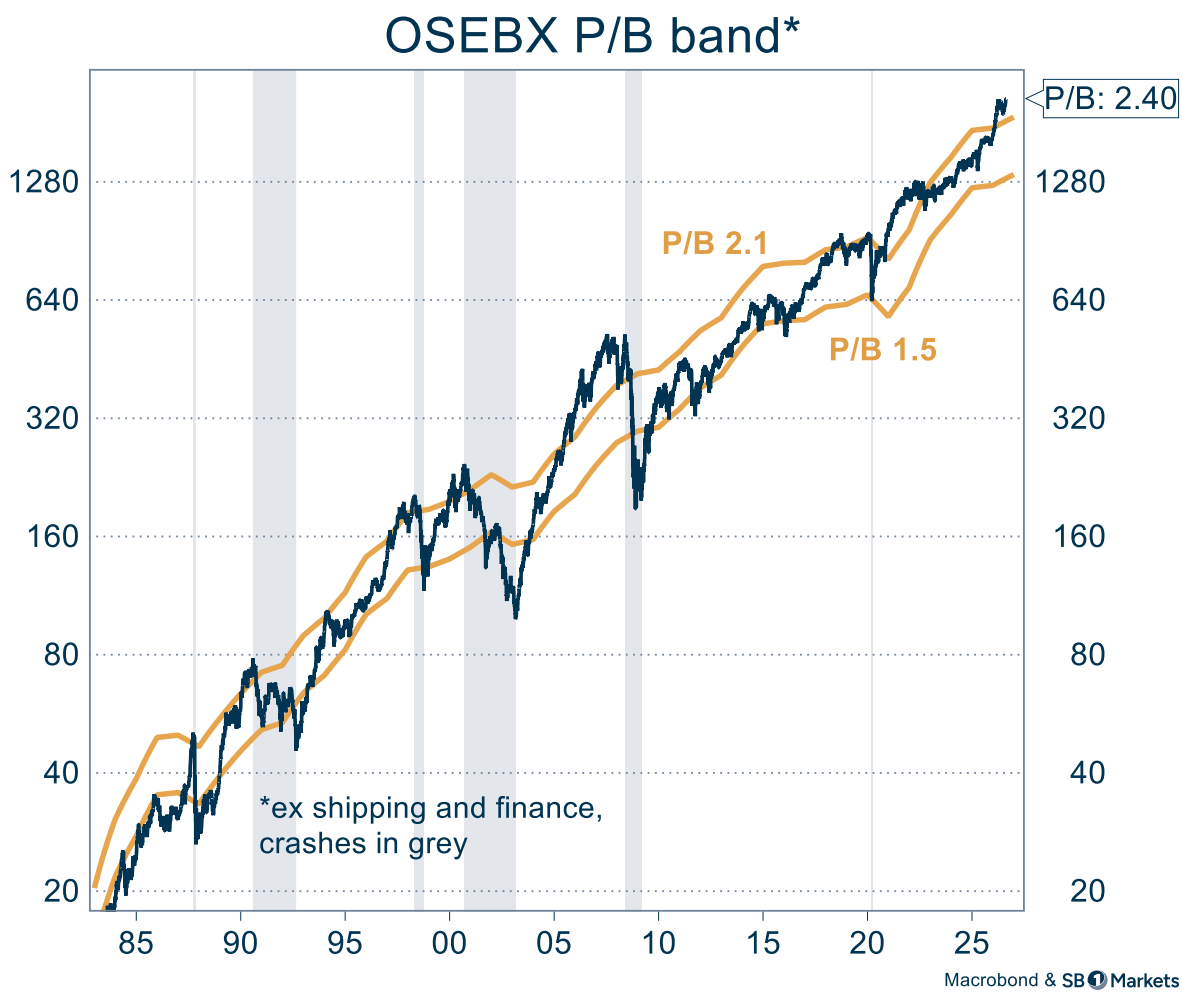
Other markets are almost 20% above an average multiple, 22.2 vs. 18.8. The OSE sits at 18, which is above average but not by that much.





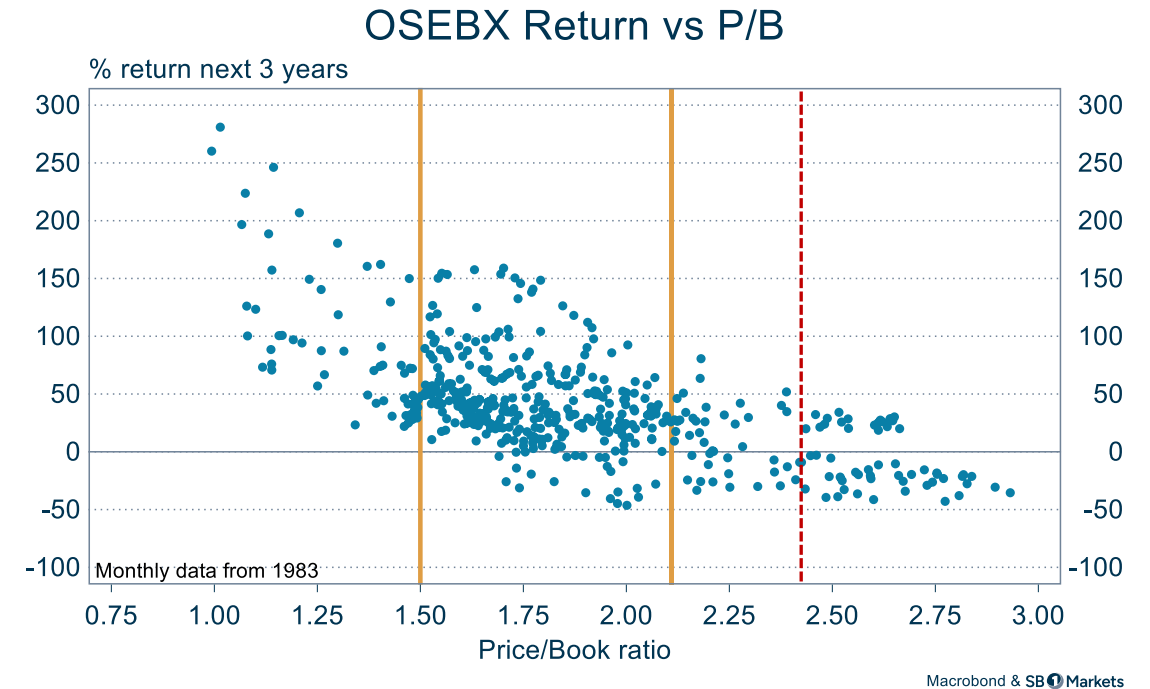
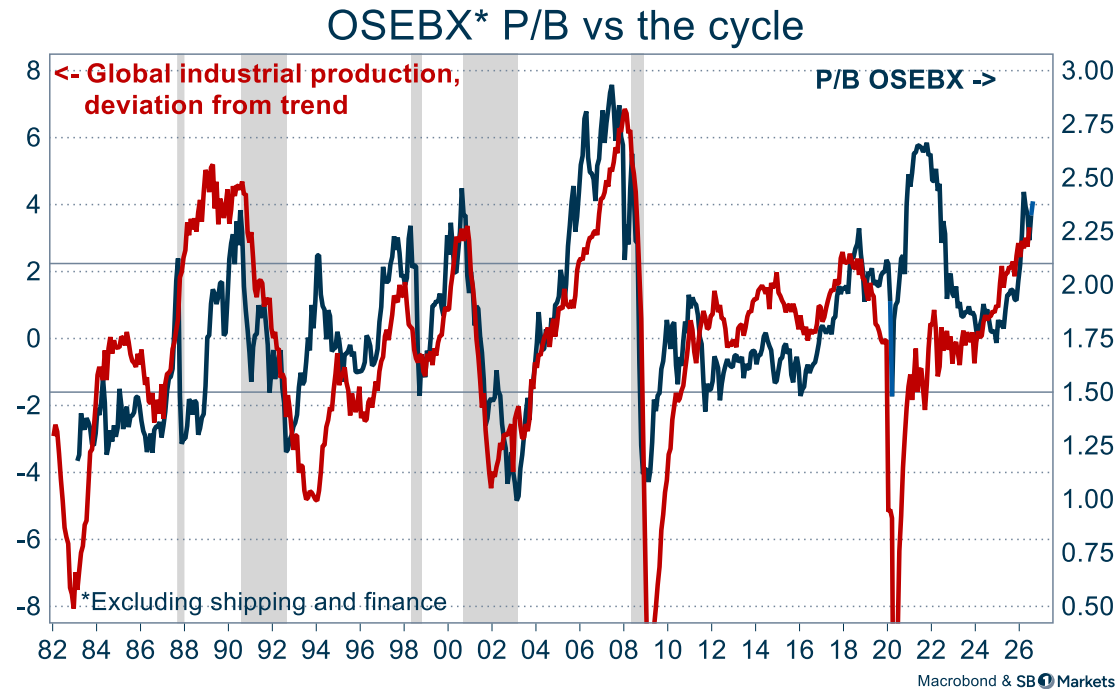
OSE up 2.8% to a new ATH!

The P/B ratio shot up to 2.40!



OSE 3-year expected return: not very attractive

BTW, we know what drives the pricing cycles most of the time.

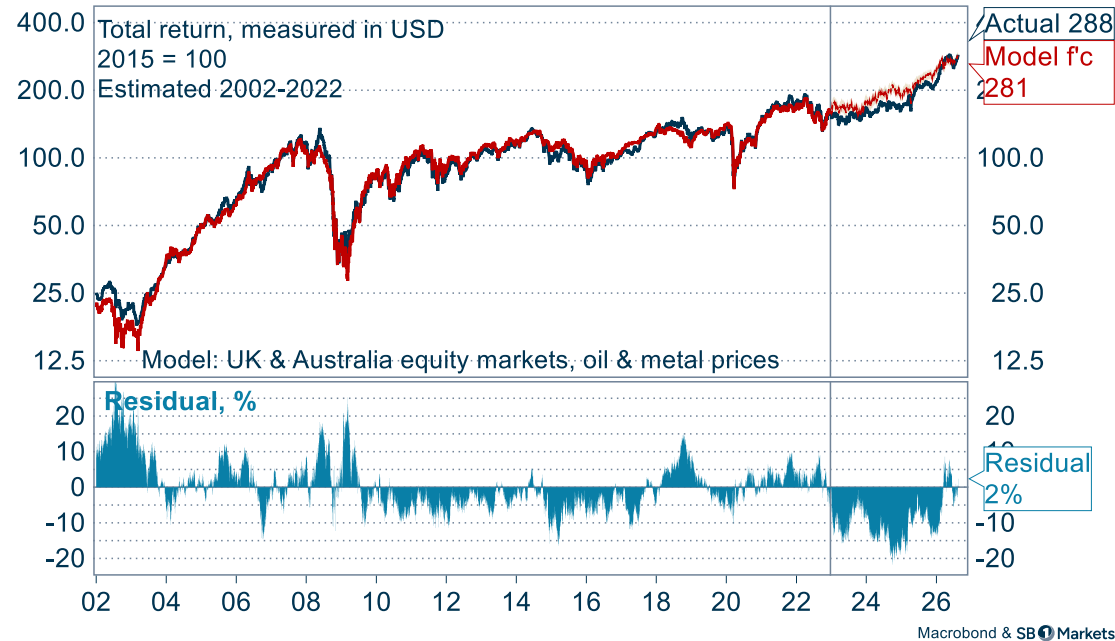


OSE vs. our 'peers'-based level model: (almost) spot on

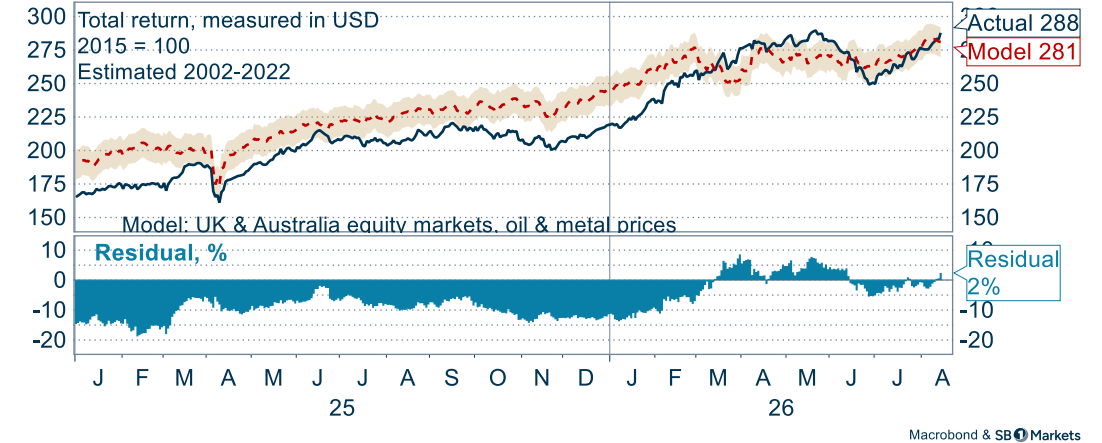
The OSE is 2% below a model estimate based on FTSE, ASX, oil and metal prices.

Measured over the past 12 months, OSE is up 27%, while our y/y model suggests 17%.

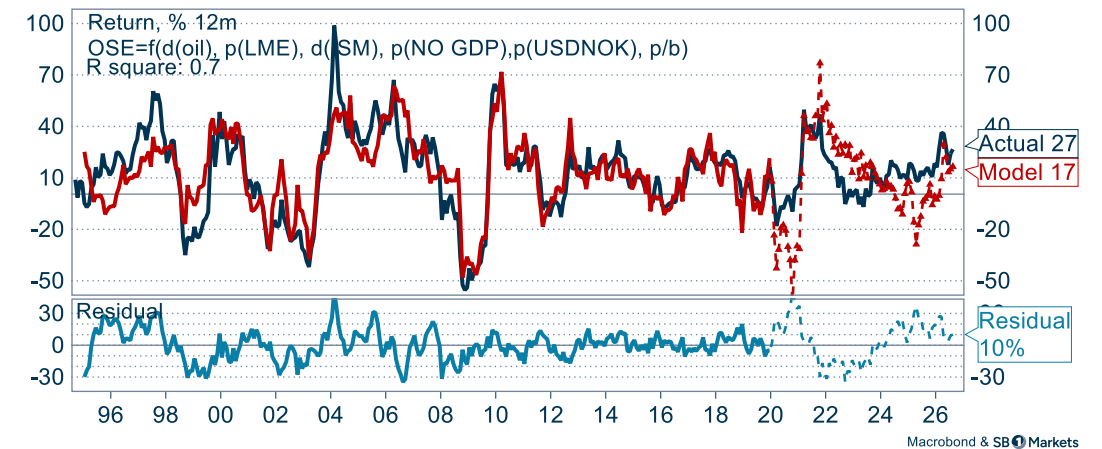
OSEBX - actual vs. model

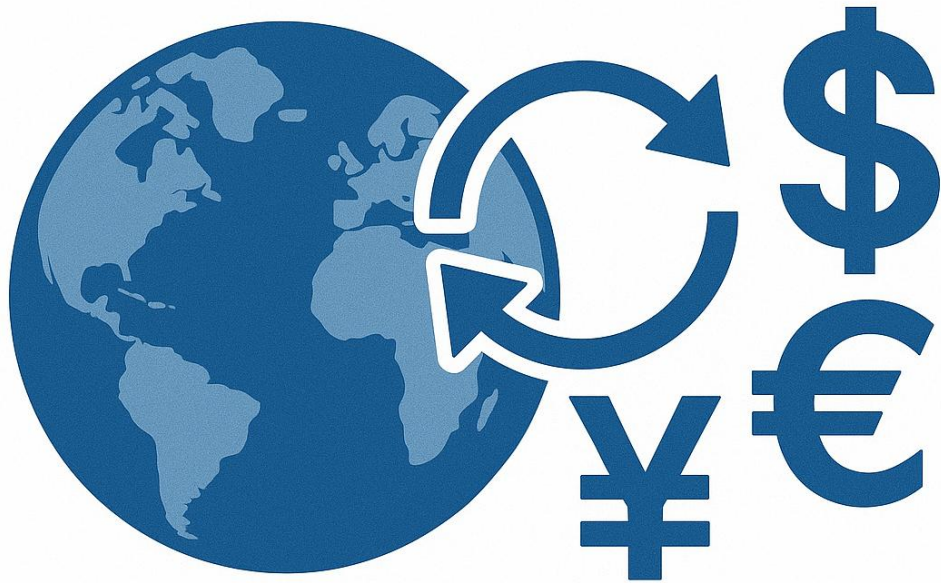


OSEBX - actual vs. model



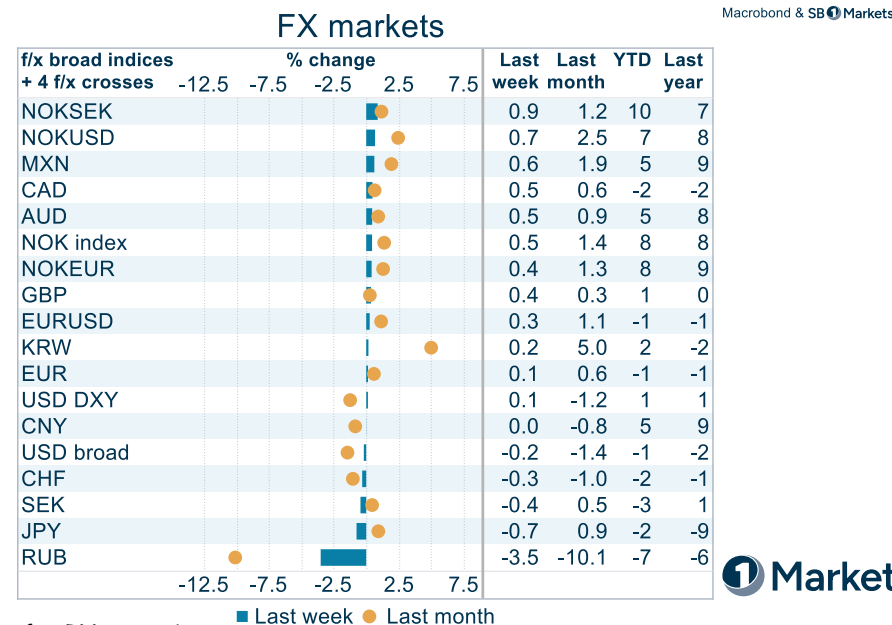
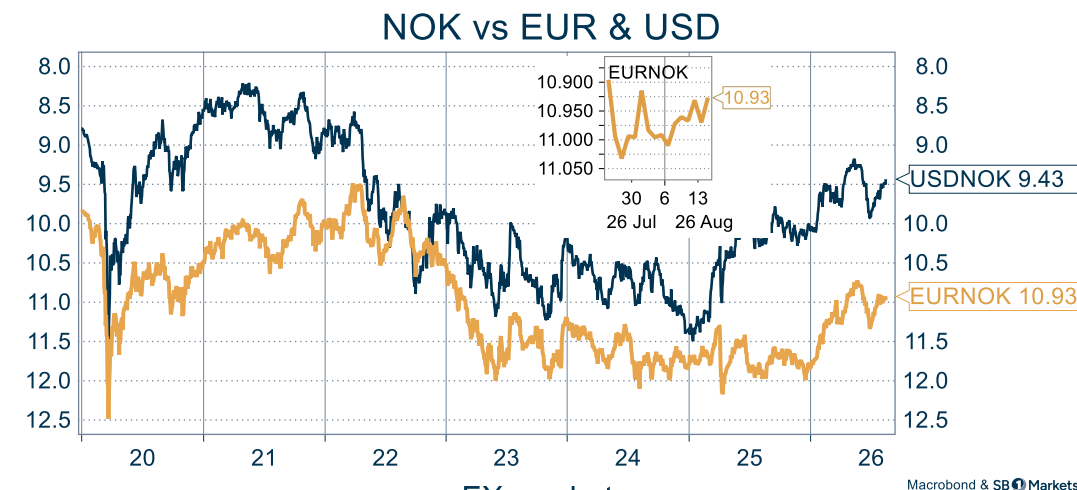
OSE Return





4.4 FX markets

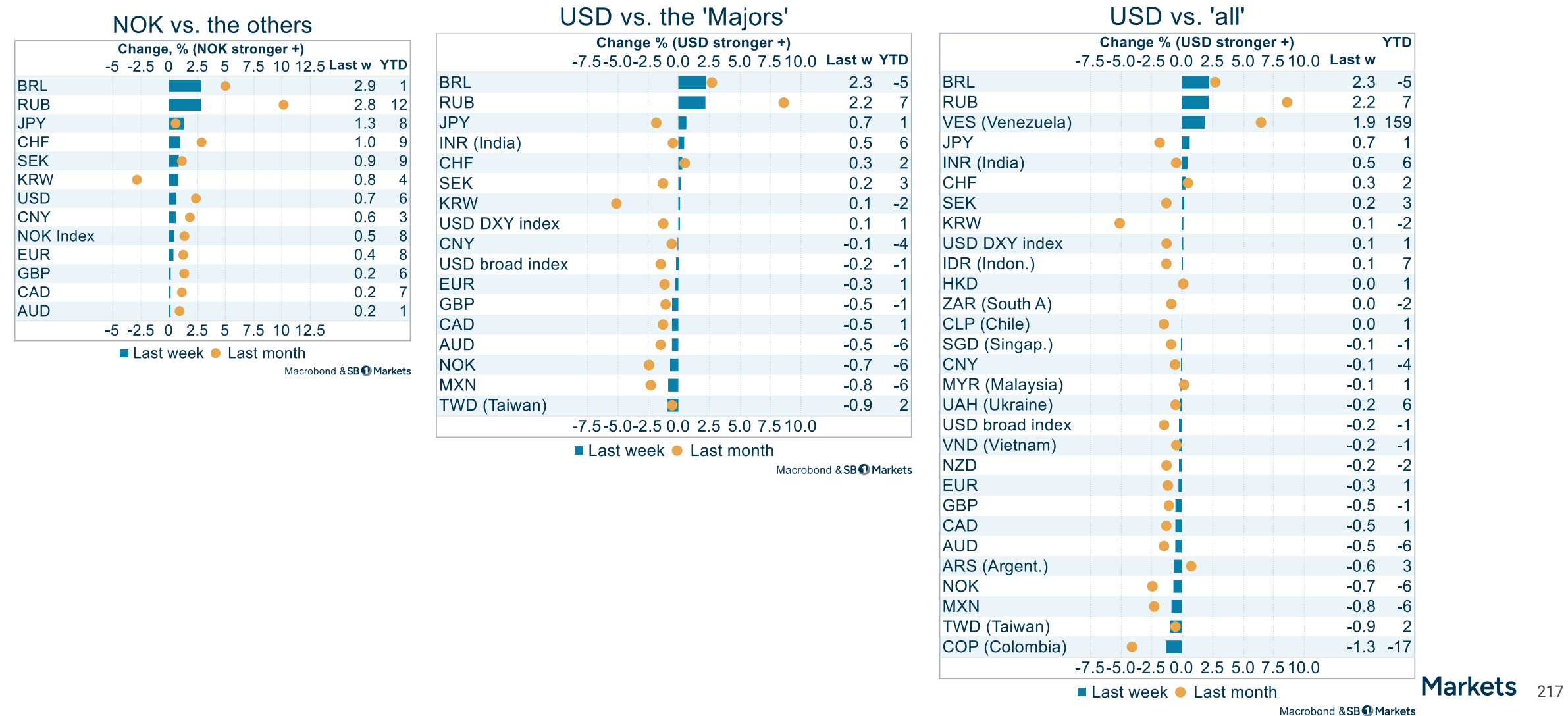
Barring a partial reversal of the recent SEK lift, commodity currencies took the lead position in the ranking last week (with the MXN). The JPY remained on a slippery slope, following the concerted US/Japanese FX interventions to lift the JPY. The USD heads slowly downwards



SB1 Markets/BIS/Central Banks/Macrobond SB1 Markets

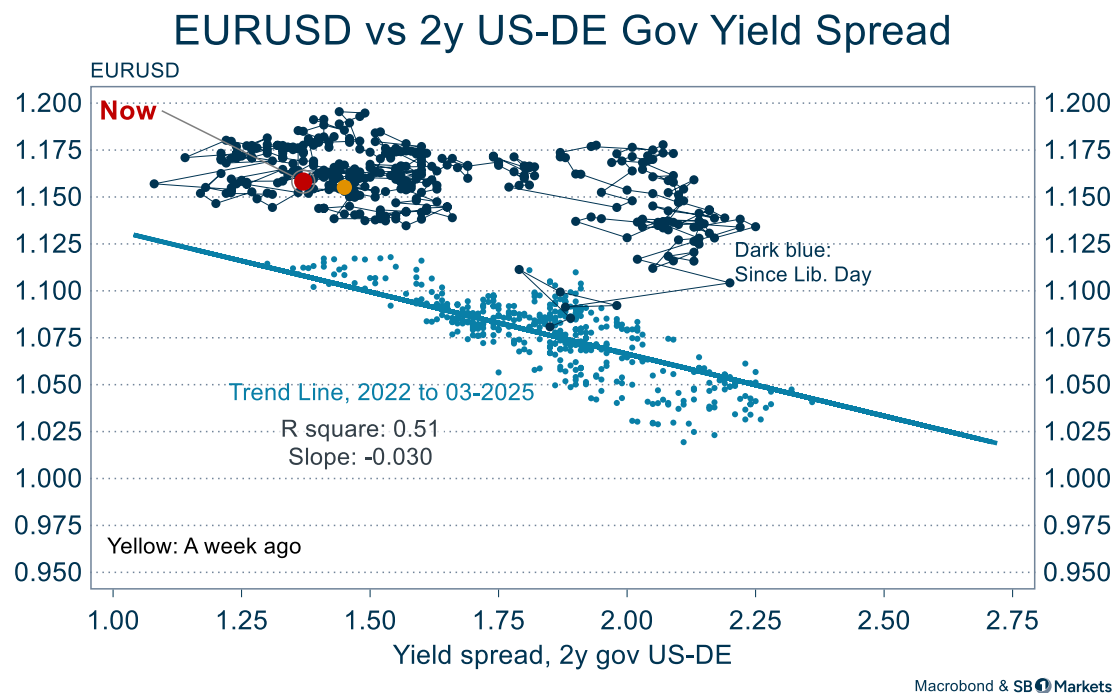
FX: NOK appreciated vs. all other currencies last week. The USD mostly weaker

The trade-weighted NOK has appreciated 8% so far in 2026, while the USD is close to unchanged. The Russian RUB and the Venezuelan VES are the losers in 2026 (together with the Indian INR, Indonesian IDR and the Ukrainian UAH)

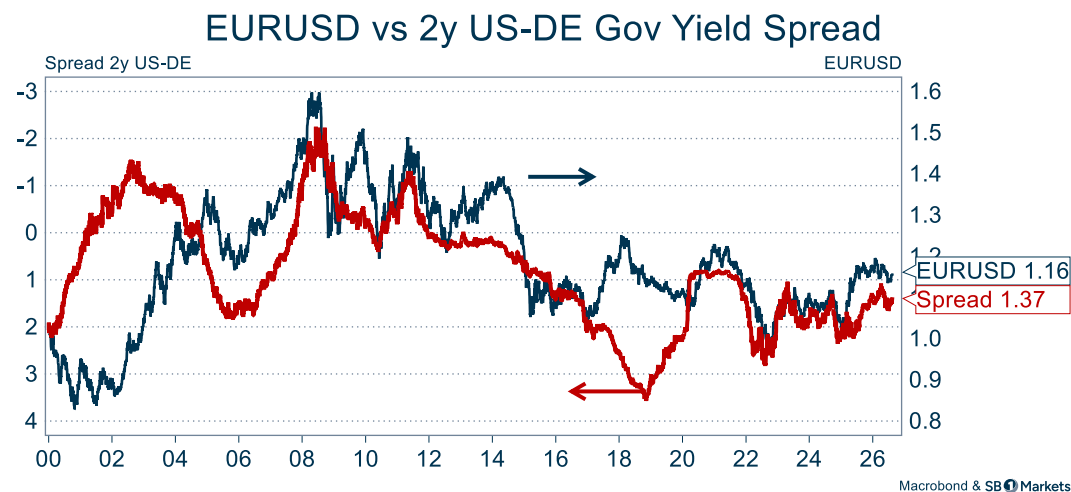
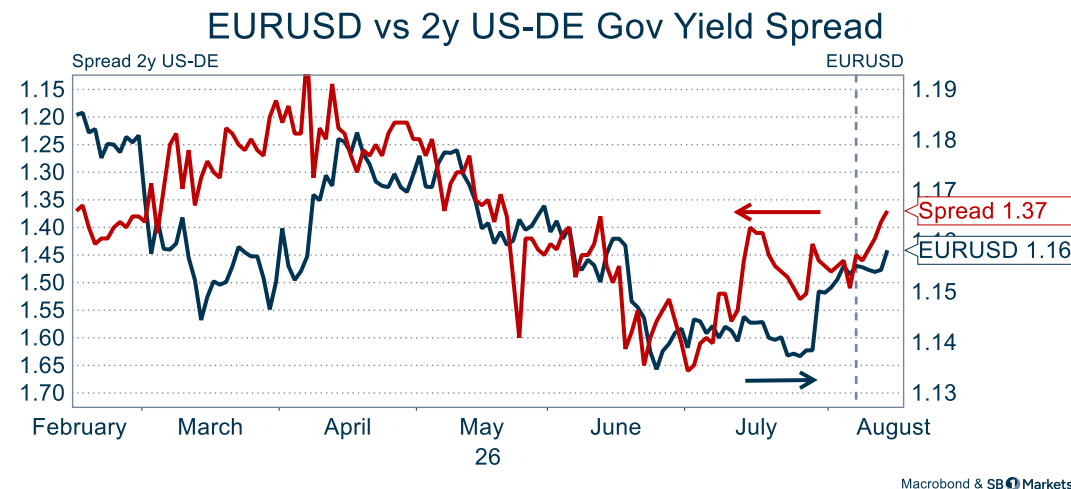


The EUR appreciated vs. USD, alongside a decline in the short-term interest rate spread

.... Which is in line with recent history (and most textbooks)

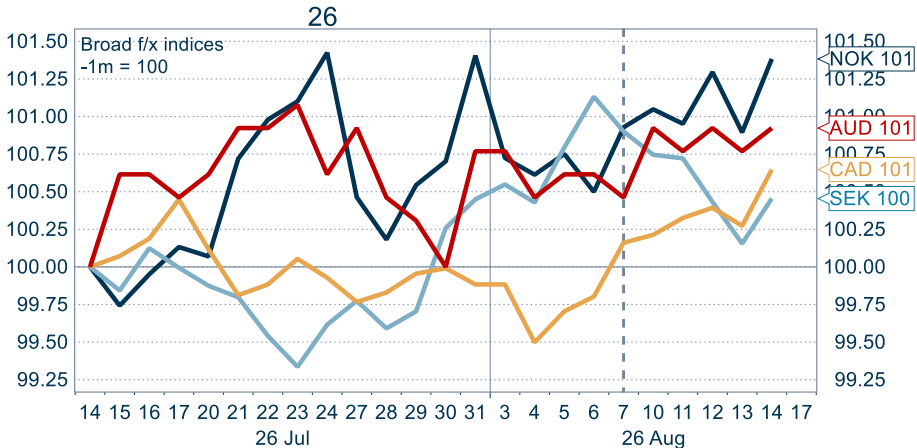
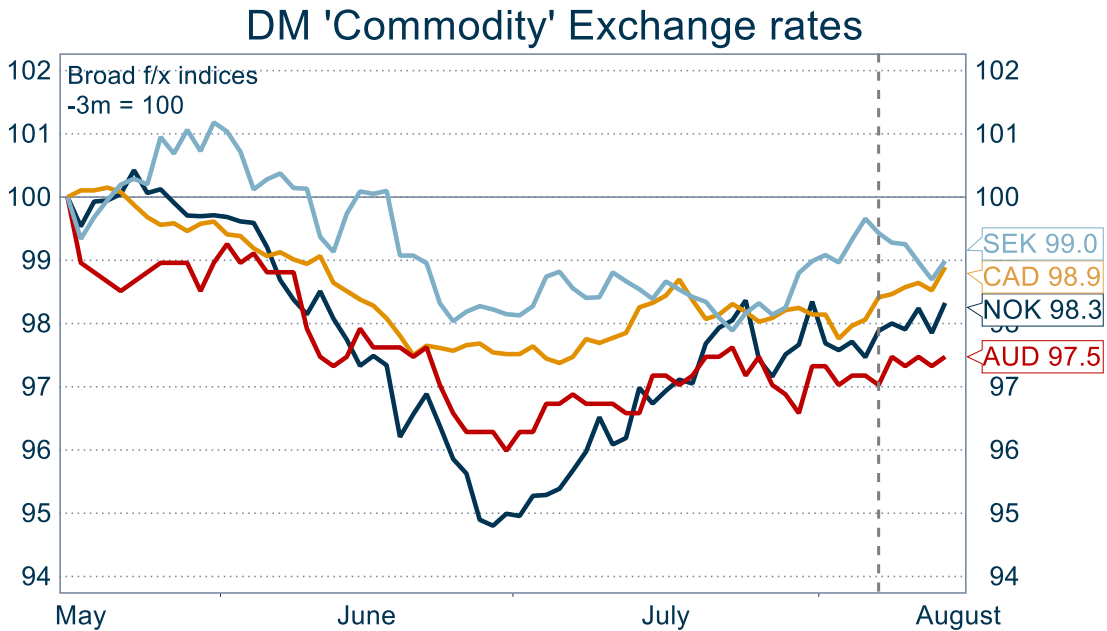
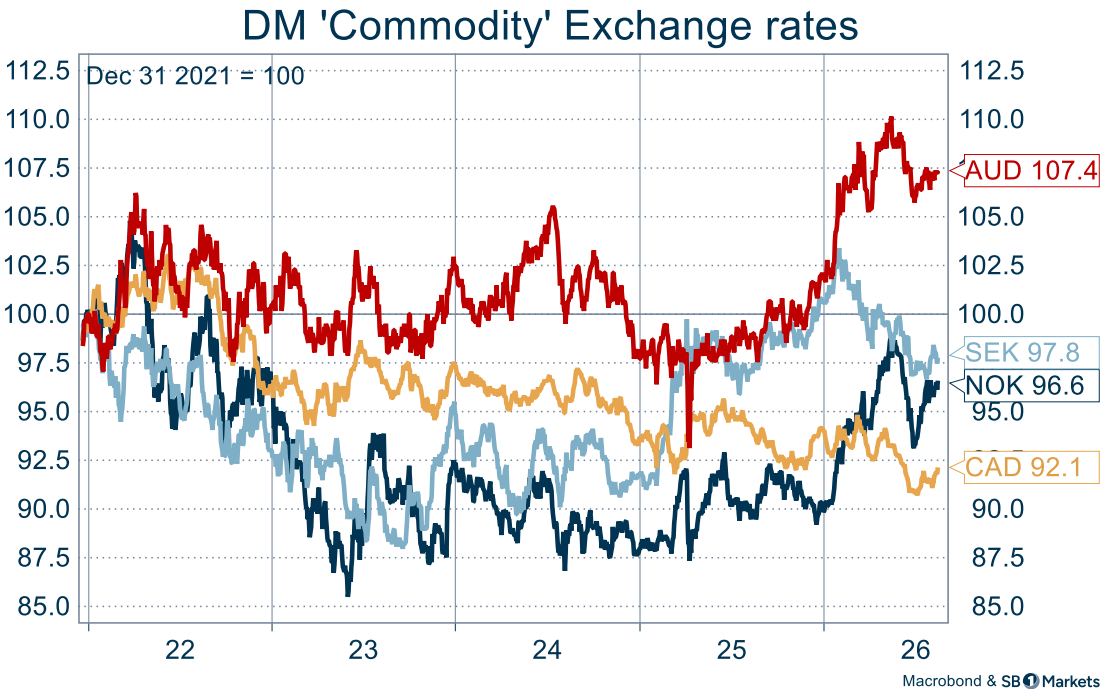


- The 'model', estimated over the previous 3 years of data:
 - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
 - Some 'carry' impact
 - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at all, check 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')



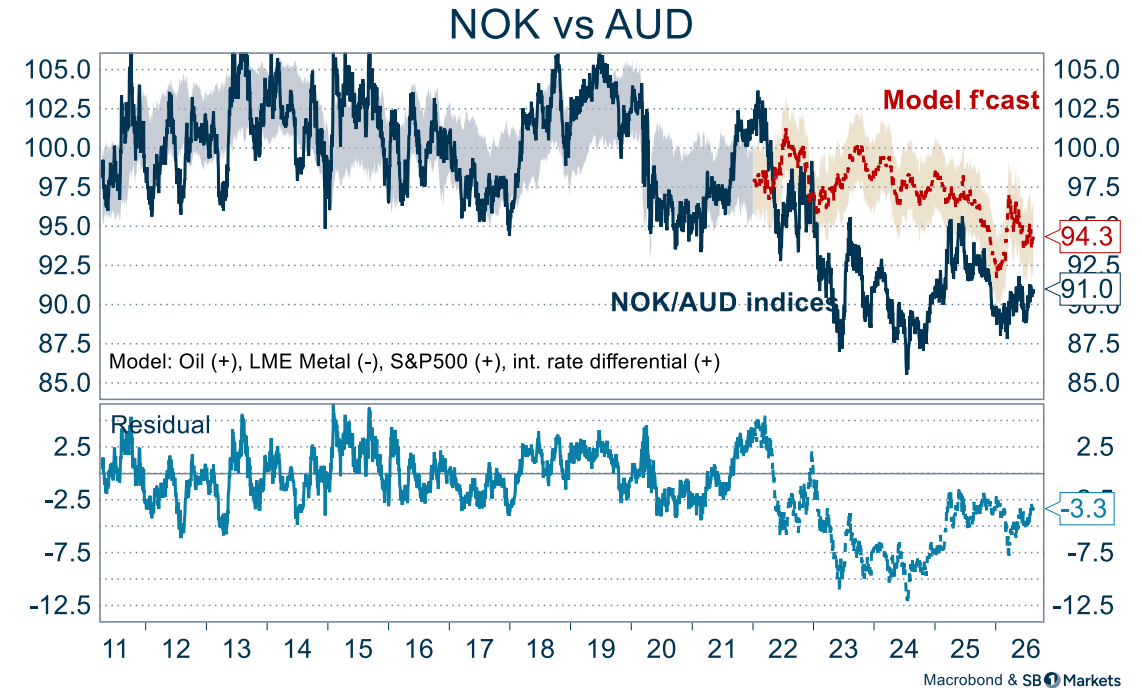
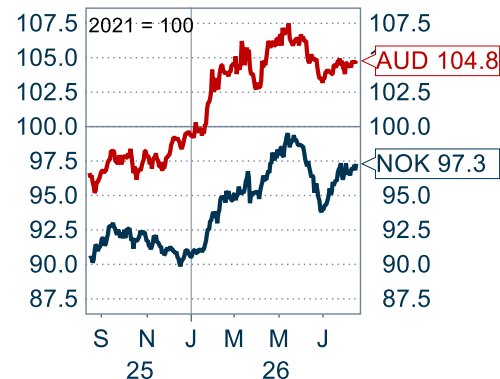
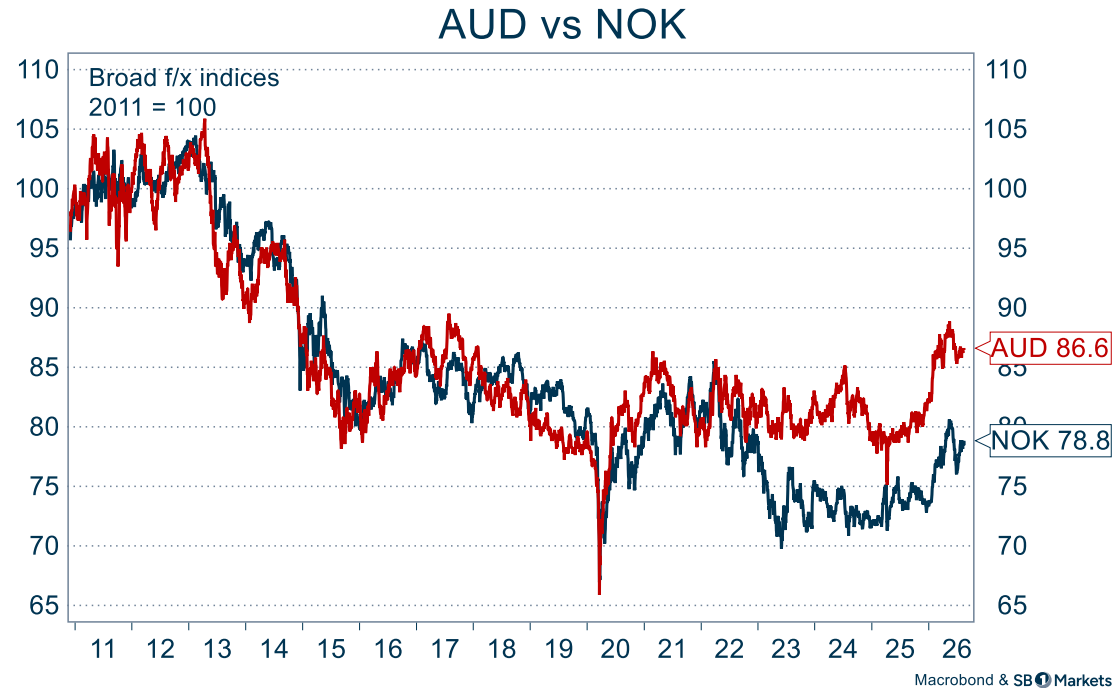
'Commodity' FX: AUD, CAD and NOK up last week, while the SEK took a brake.

NOK is the strongest the last month



NOK weaker relative to AUD than our model suggests, but the gap has narrowed slightly

... and is not that large anymore, at 3%

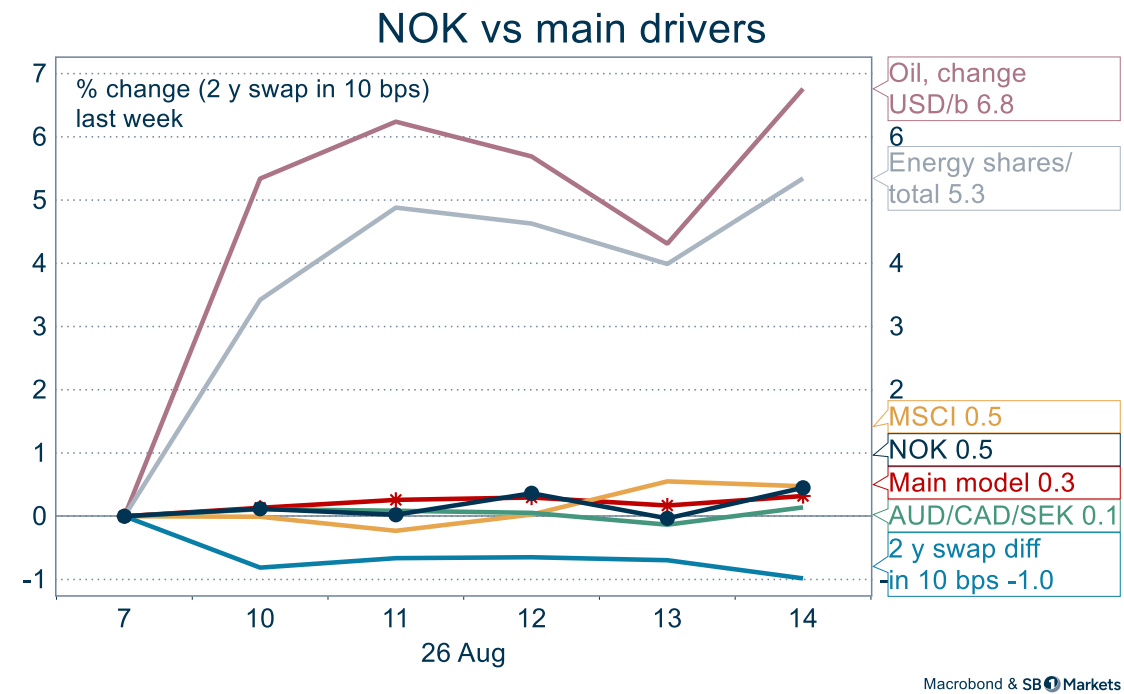
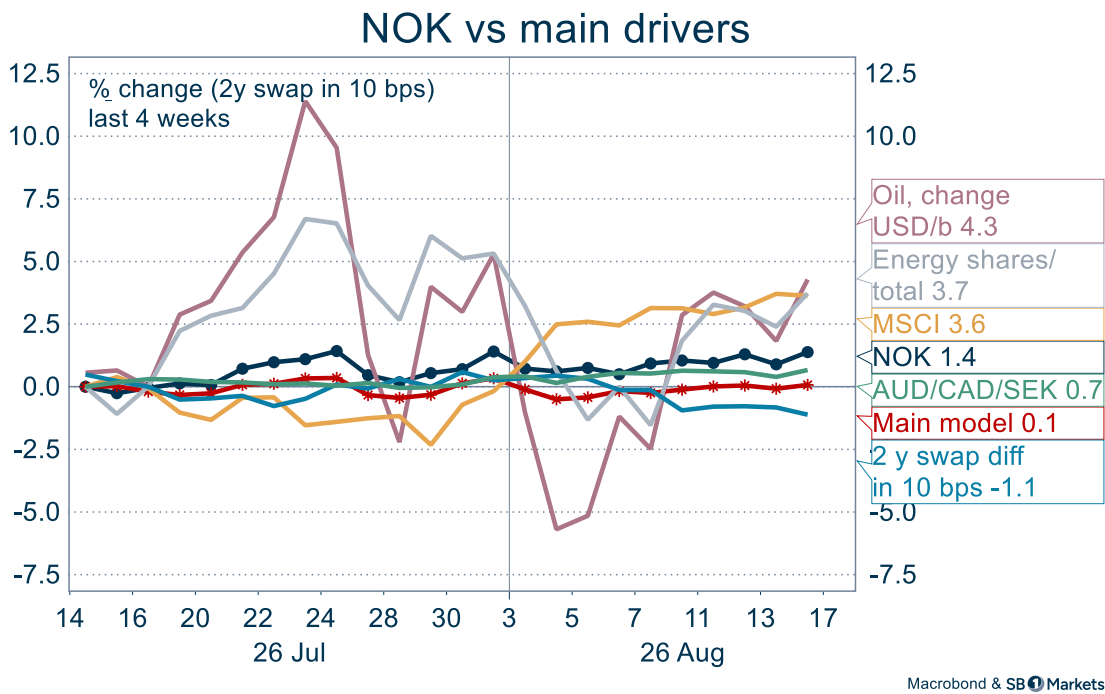


- NOK and AUD have been very closely correlated over the past 15 years, at least until early 2023.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the oil price rises relative to the LME metal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



NOK 0.5% stronger last week. 1.4% last month.

Our model suggested a 0.3% depreciation last week, and just a 0.1% appreciation last month

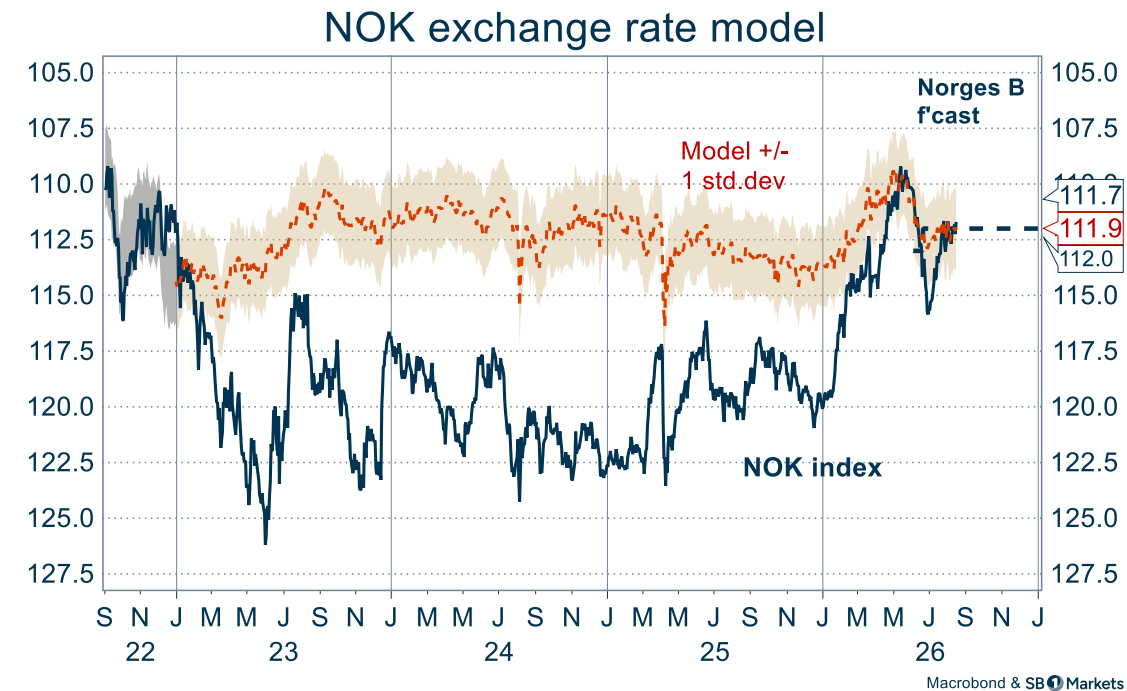
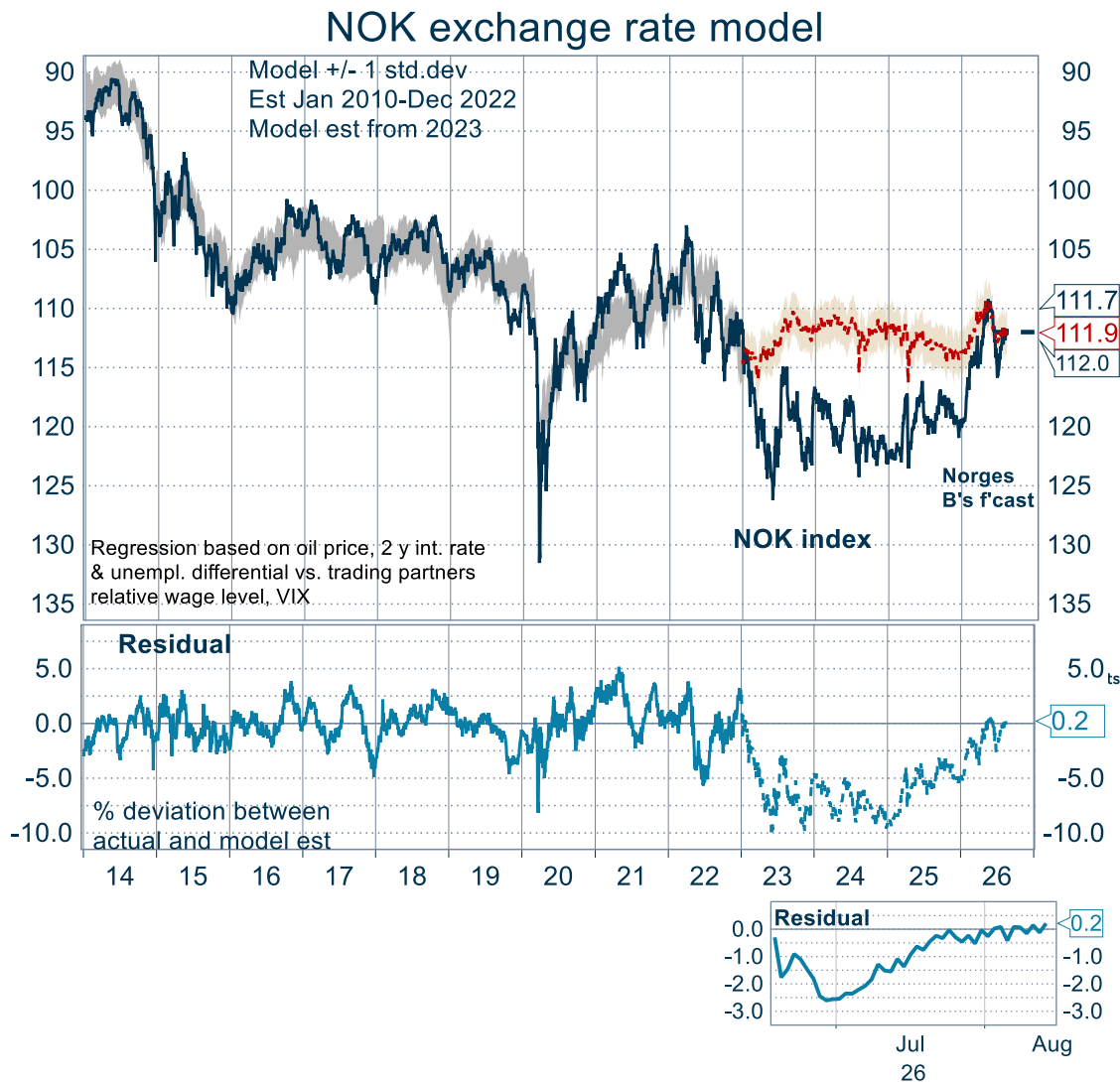


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices.



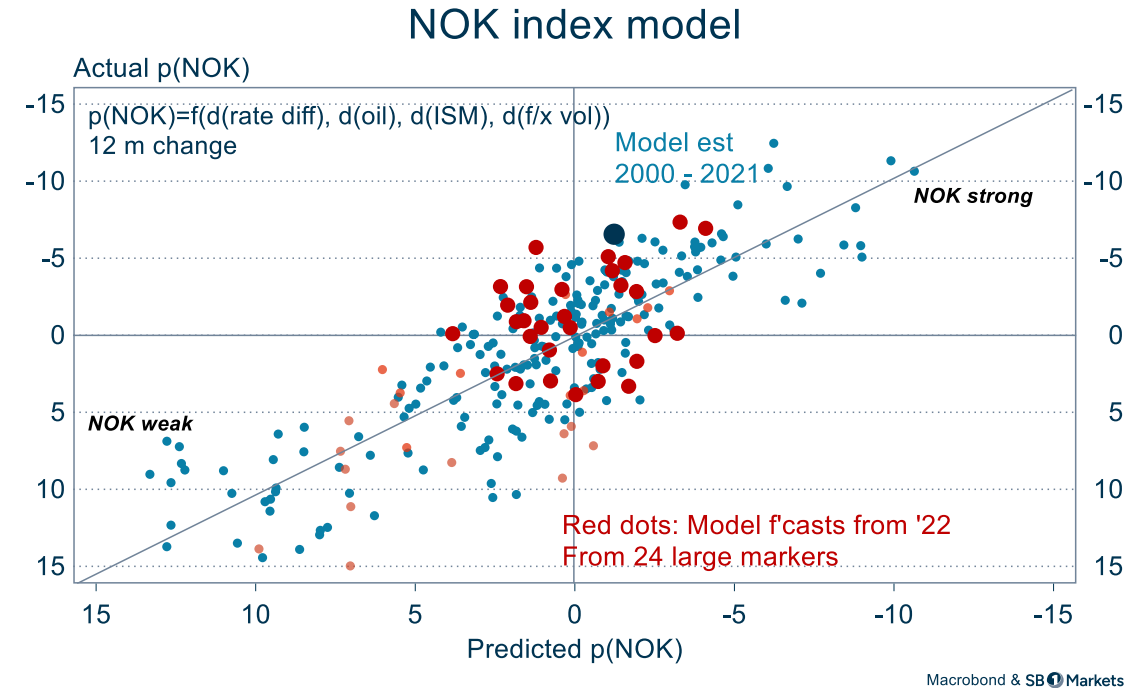
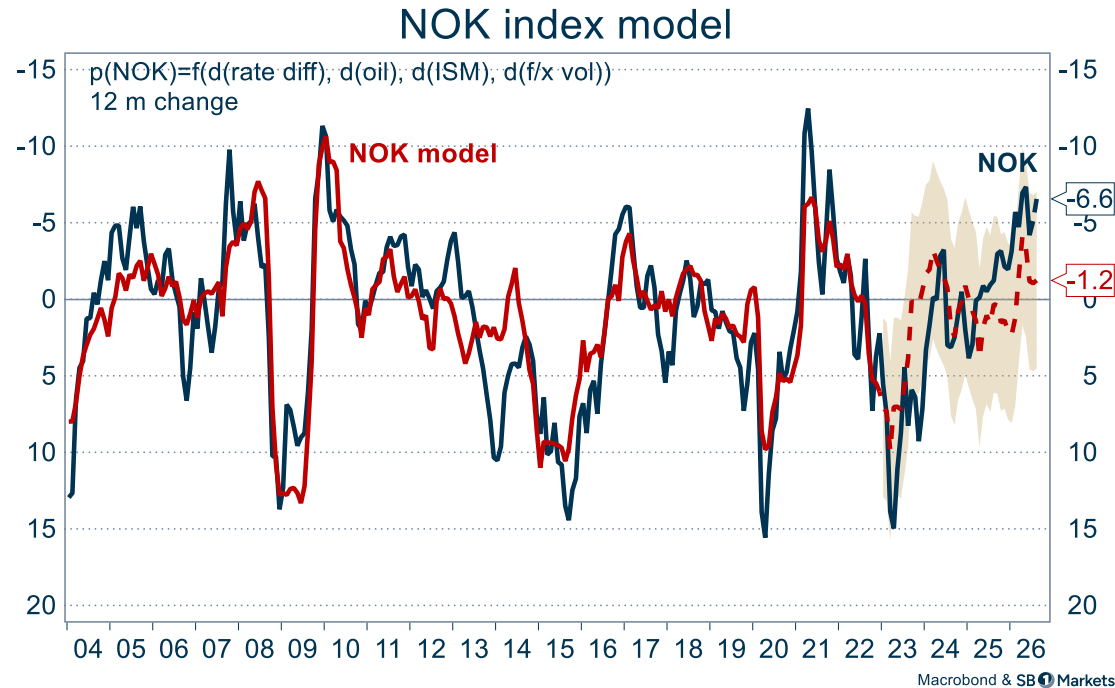
NOK has recovered vs. our model forecast; the gap is closed

The NOK is 0.3% stronger than NoBa's forecast.



Short-term NOK cycles: The NOK has appreciated 'by itself' last year

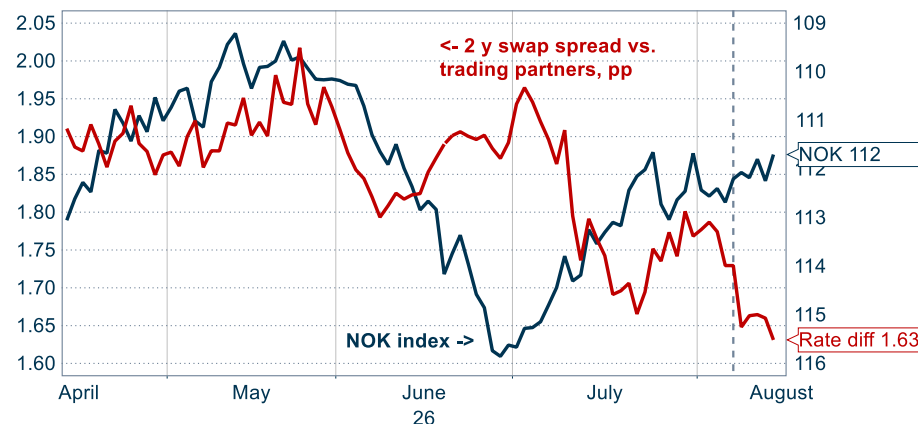
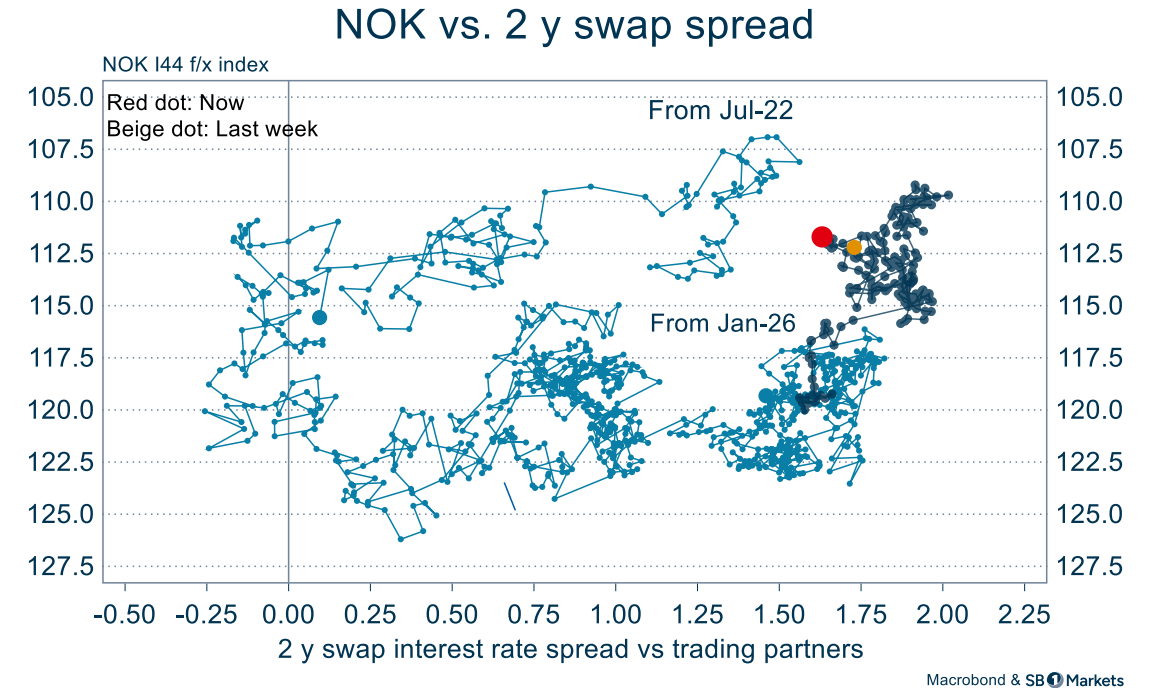
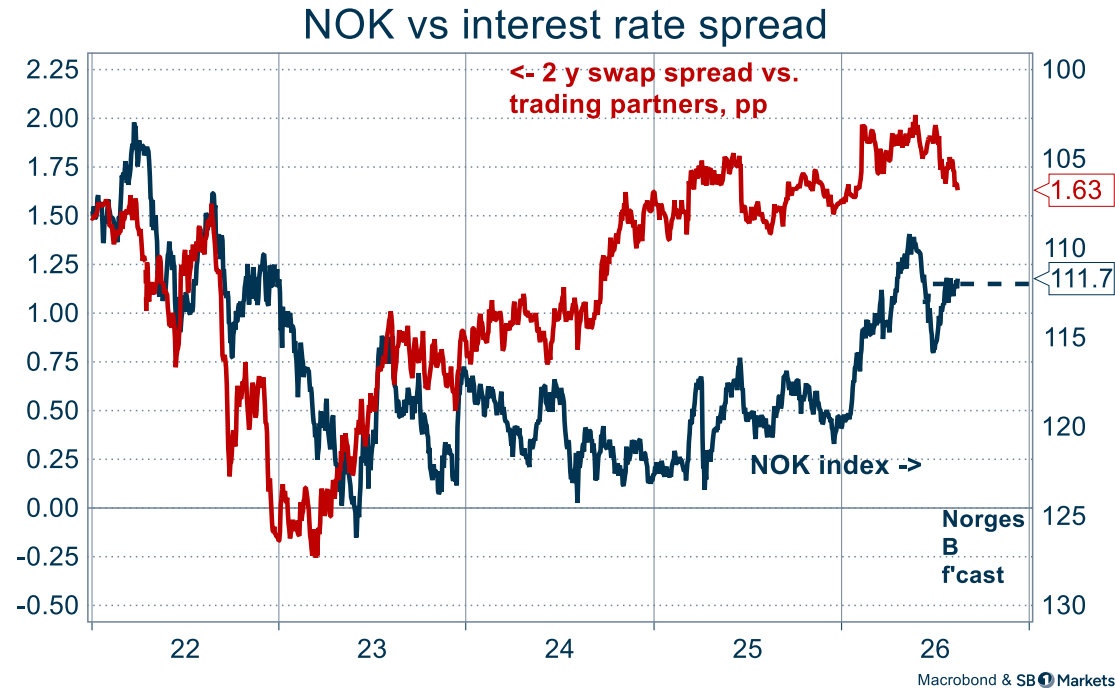
Our model suggests a 1.2% NOK appreciation over the past 12 months, while NOK has climbed 6.6%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but most of the appreciation **is due to other factors than the normal 'drivers'**.



- ... which may be seen as a 'real' repricing of NOK, reversing the 'unexplained' NOK depreciation in H1 2023.
- 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 (the global growth momentum), and FX volatility. The oil price has been the most important factor.

The rate differential declined last week, still the NOK appreciated

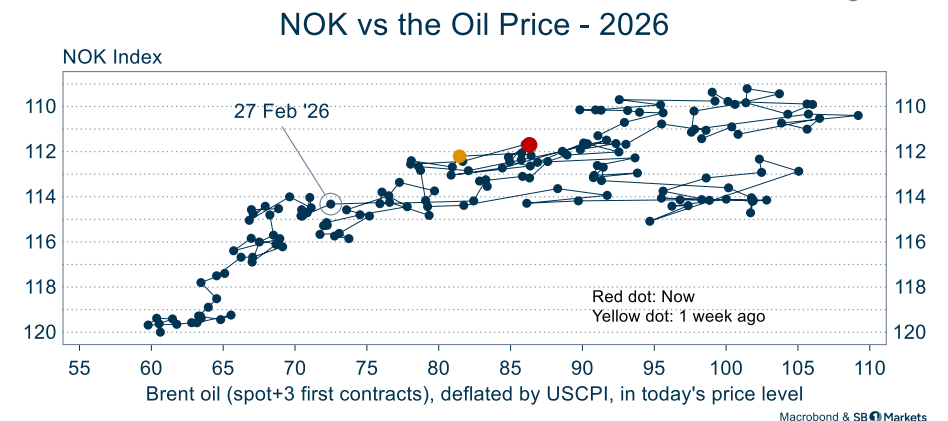
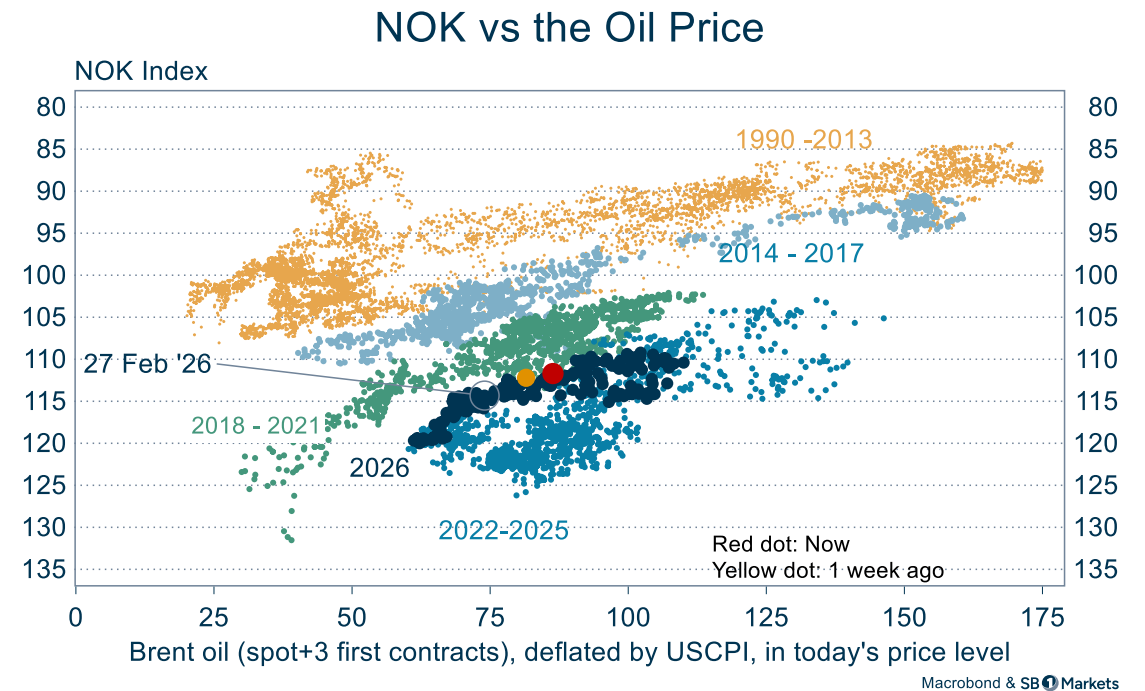
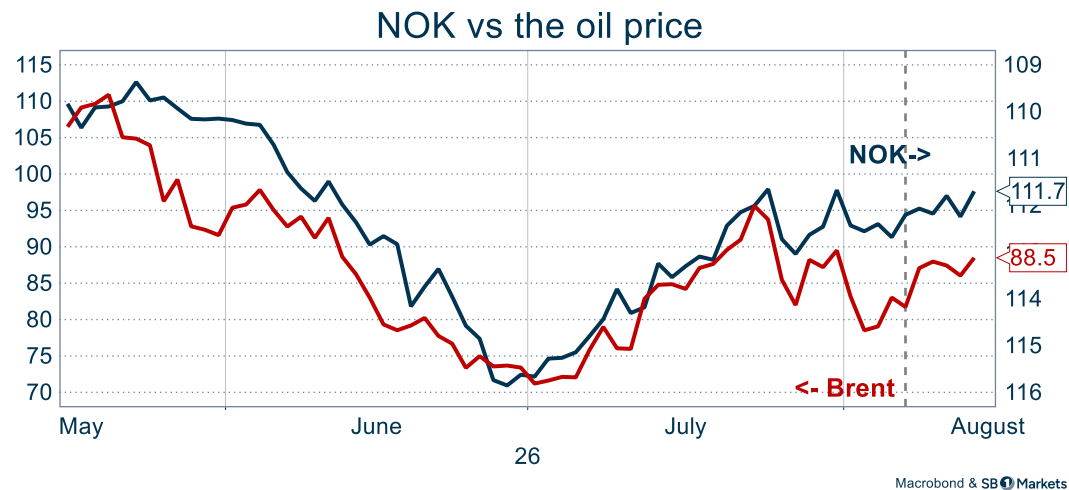
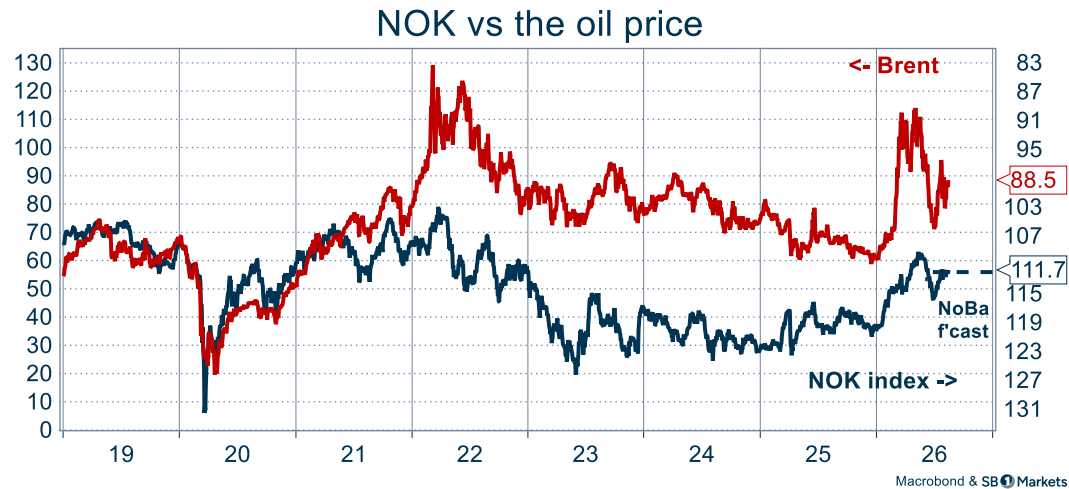
From mid-June, the correlation between the rate differential and NOK has been mostly 'wrong' – but the correlation is anyway not tight, even if the sign is 'correct' over time.





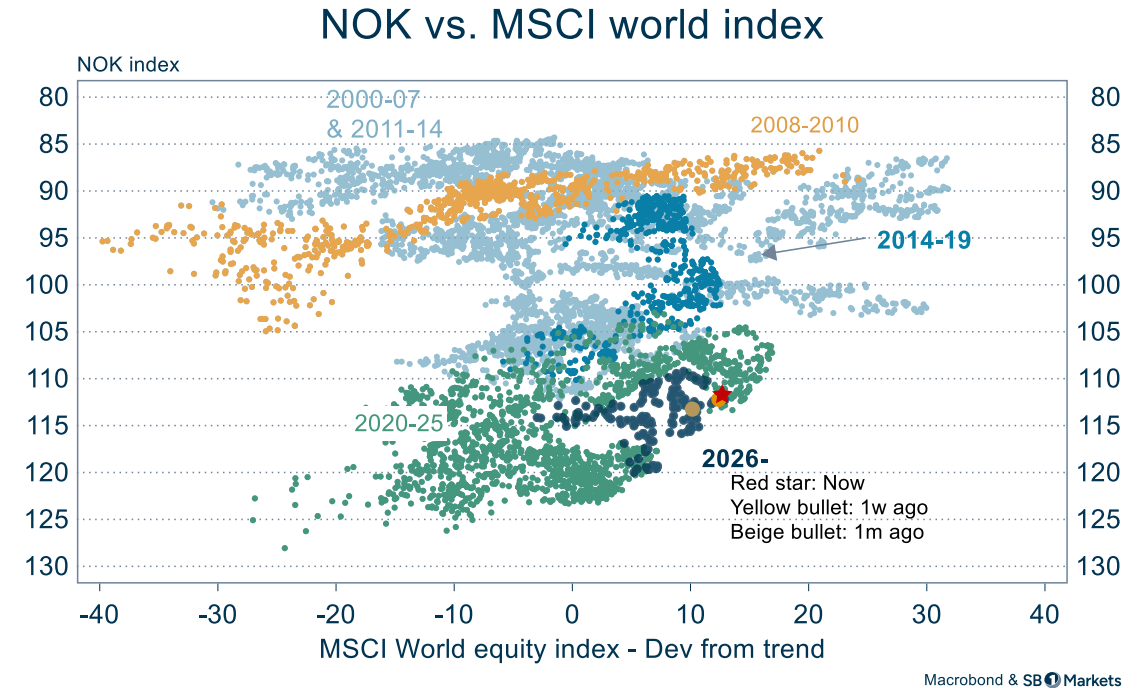
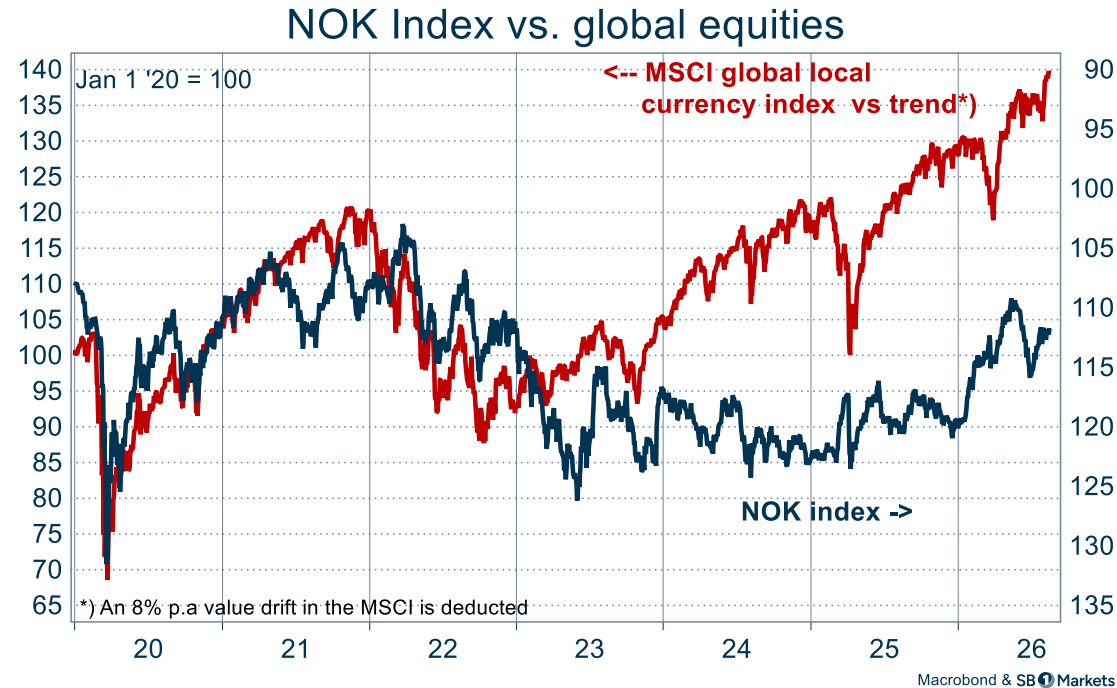
NOK has followed the oil price closely in recent months: last week up

The NOK is on the strong side vs. the oil price vs. the relationship in recent years (from 2022, the darker blue and black dots in the upper-right chart).



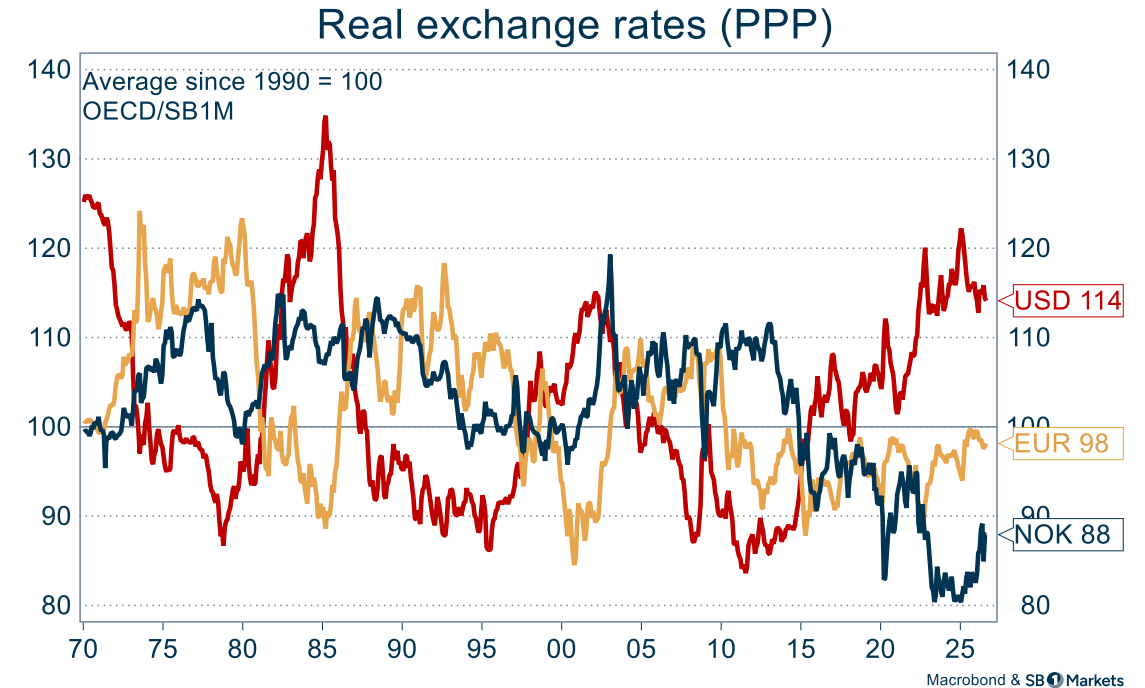
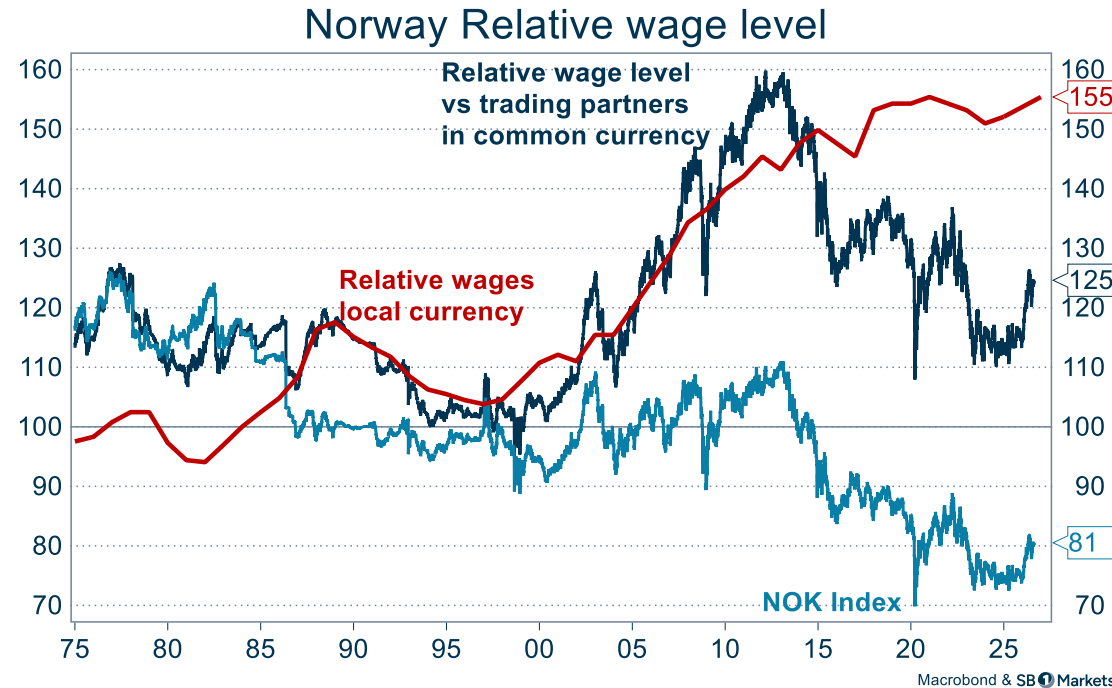
NOK almost uncorrelated to global equity markets in 2026

Normally, a stronger stock market has been supportive of the NOK – and vice versa. Last week, a move in the ‘right’ direction; stock markets continued upwards and the NOK appreciated.



The relative cost position may be at a reasonable level. The price level is still rather low.

Thus, mixed signals vs. the NOK



- 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 finances a quarter of imports, justifying a higher cost level than before. The current wage-cost gap is 25%, 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 vs. trading partners is 12% below the average since 1990, up from 20% below late last year.
- Other currencies:
 - The real USD exchange rate is well above a long-term average level
 - The real EUR exchange rate is close to an average.

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