

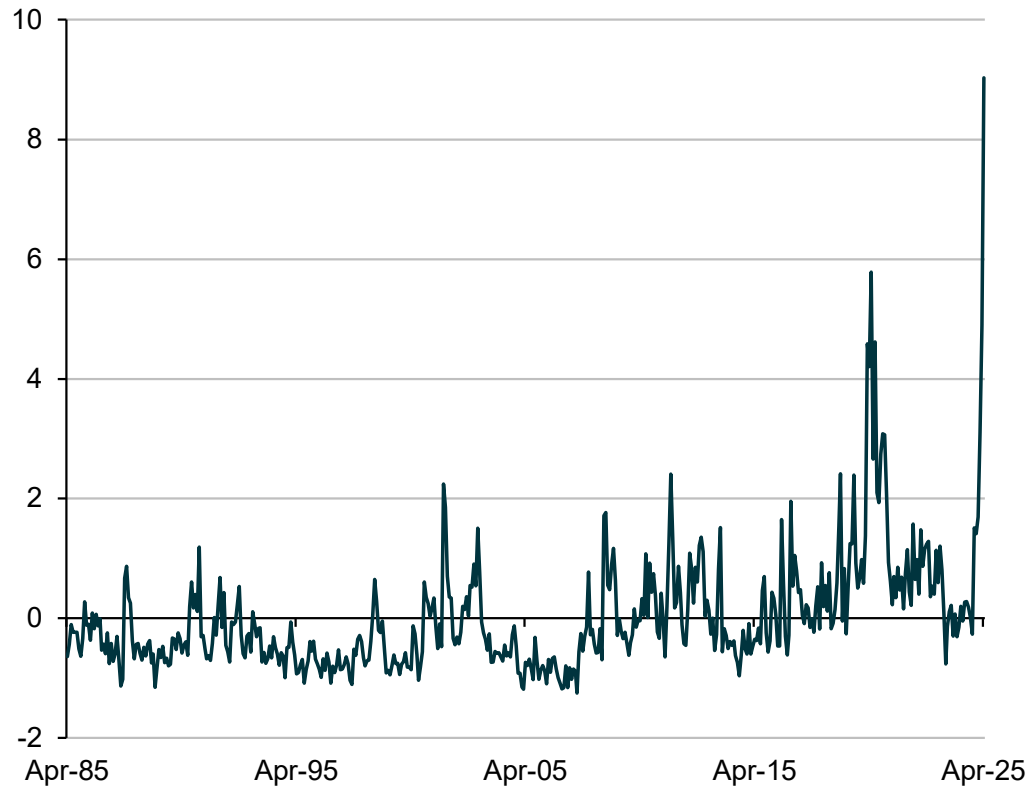


Economic Outlook

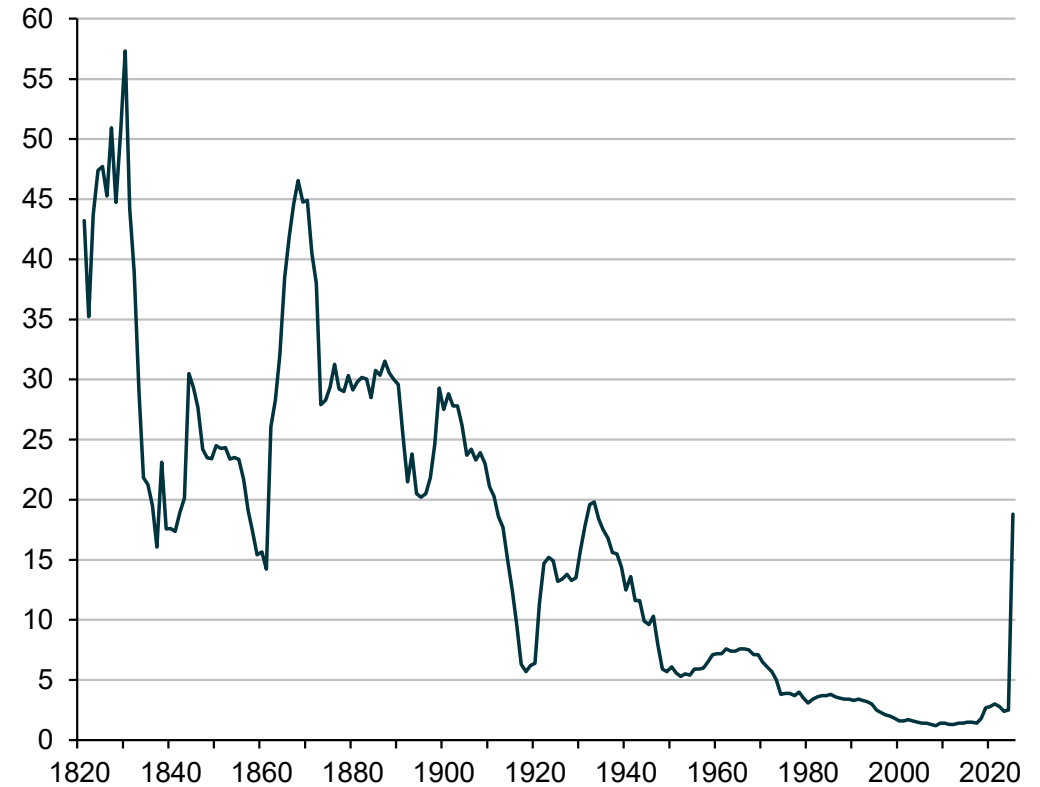
Kjersti Haugland, DNB Carnegie

Steep rise in US tariffs April 2nd, 90 days negotiation pause until July 9th

US: ECONOMIC POLICY UNCERTAINTY. NORMALIZED INDEX



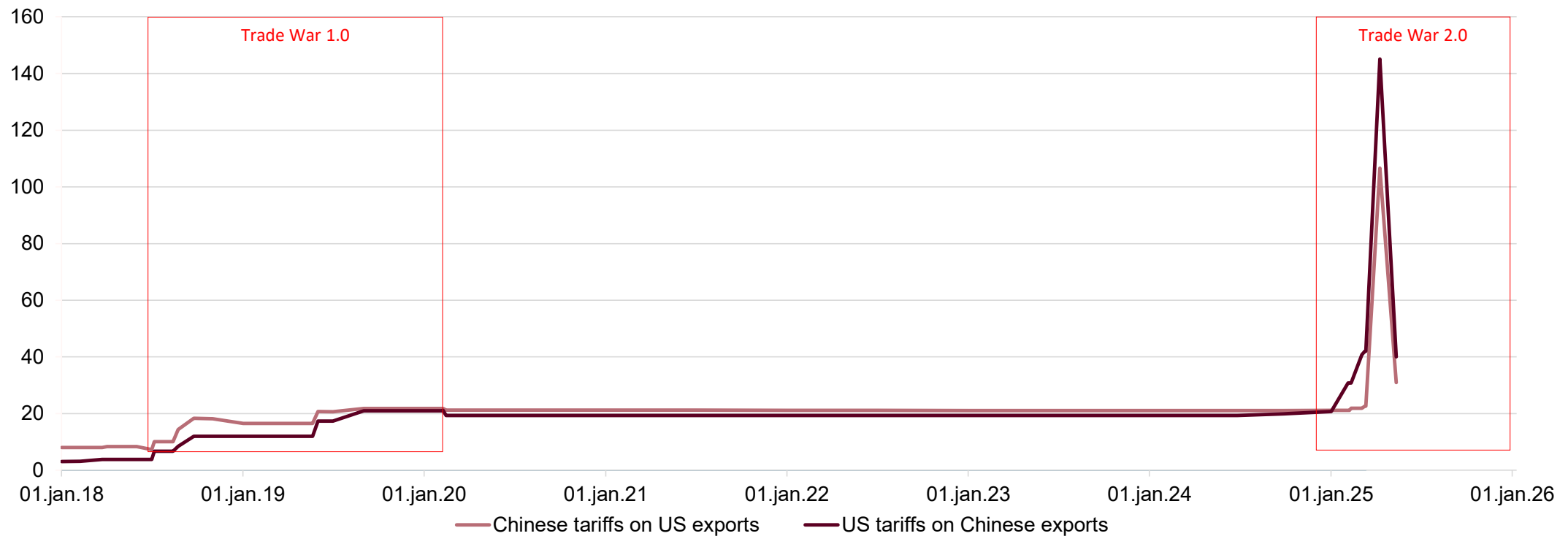
US: AVERAGE TARIFF DUTIES COLLECTED, % OF IMPORTS



Source: <https://policyuncertainty.com/index.html>, https://www.usitc.gov/documents/dataweb/ave_table_1891_2023.pdf

Important de-escalation on 12 May – China/US-tariffs slashed for 90 days

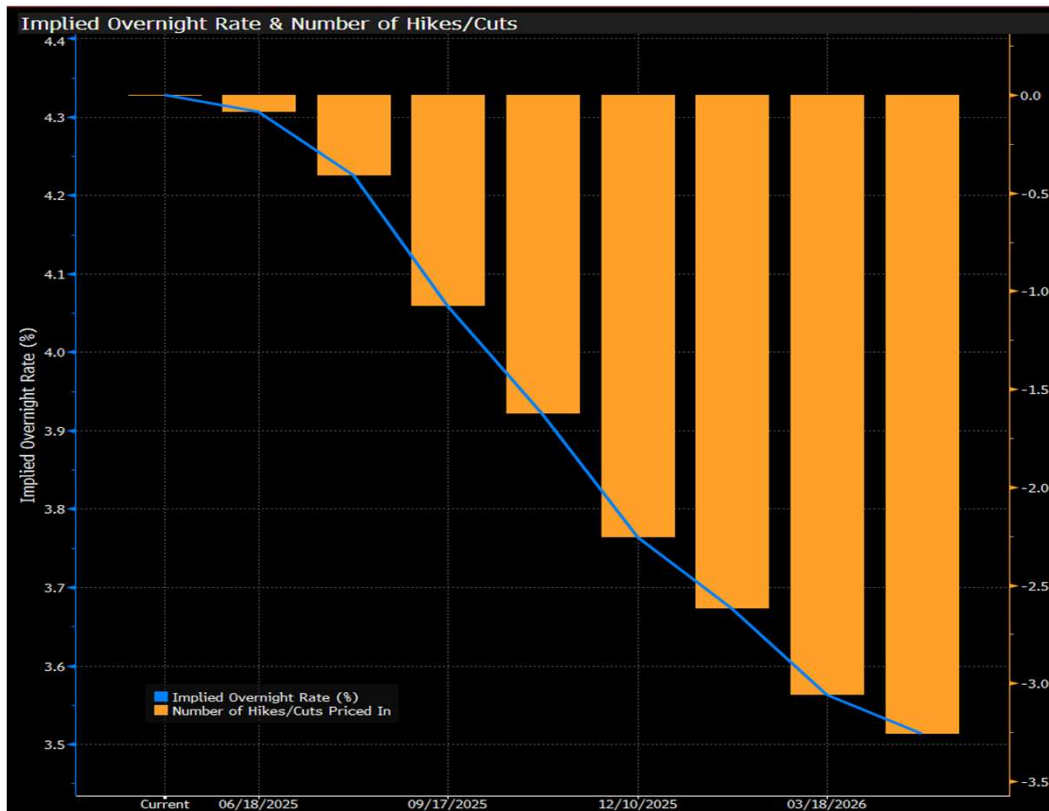
US-CHINA TARIFF RATES TOWARD EACH OTHER AND REST OF WORLD (PERCENT)



Source: Constructed by the author with data from UN Comtrade, Trade Map and Market Access Map (International Trade Centre, marketanalysis.intracen.org), as well as announcements from China's Ministry of Finance's and USTR.

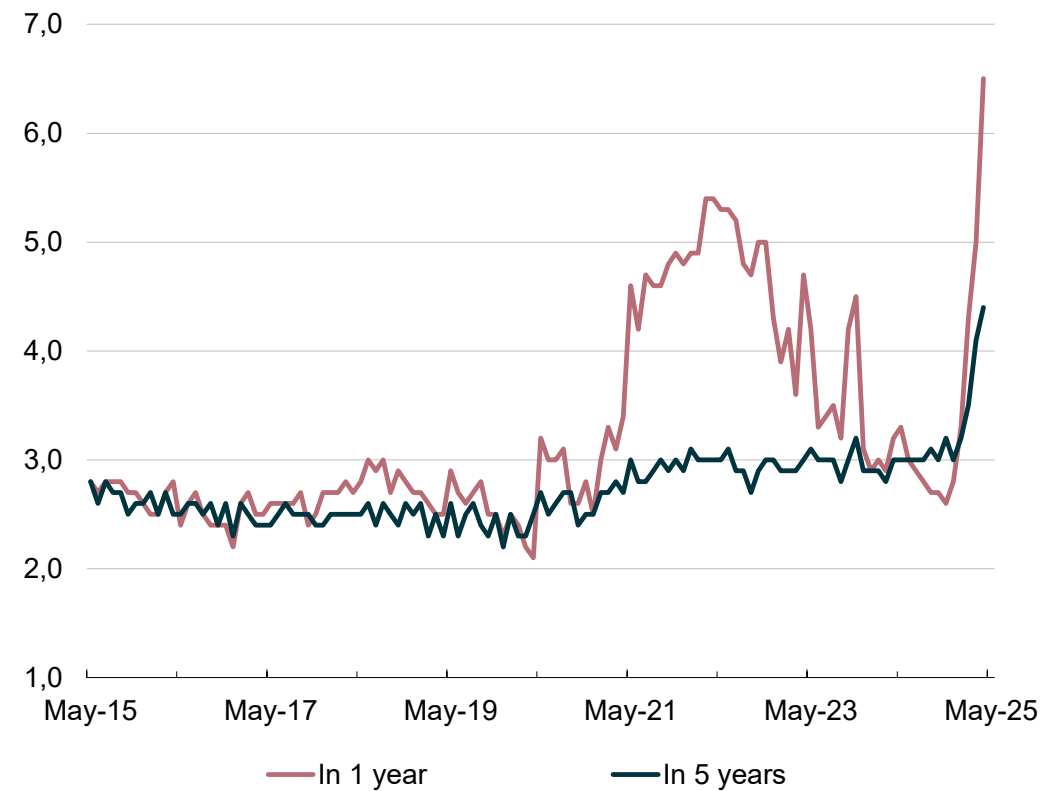
Recession fears have loomed. How will/can the US central bank respond?

US: MARKET PRICING, FED FUNDS RATE 13 MAY



Source: Bloomberg/LSEG Datastream/DNB Markets * Michigan consumer sentiment survey

US: INFLATION EXPECTATIONS*



Fundamental worries remain ignited as Trump seems to target the Fed

Jerome Powell, 17 April

- Our obligation is to keep longer-term inflation expectations well-anchored and does not become an ongoing inflation problem. We may find ourselves in the



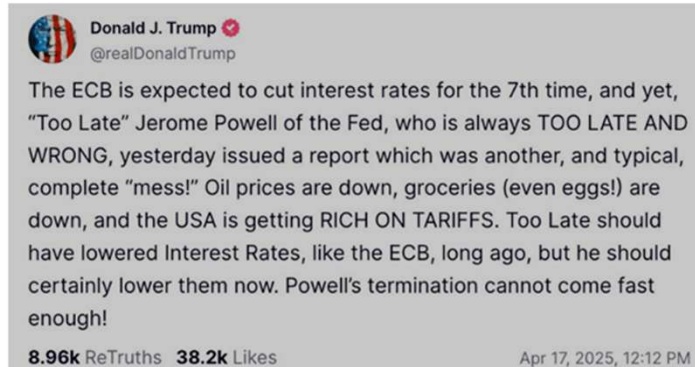
Donald J. Trump

@realDonaldTrump · 1h

"Preemptive Cuts" in Interest Rates are being called for by many. With Energy Costs way down, food prices (including Biden's egg disaster!) substantially lower, and most other "things" trending down, there is virtually No Inflation. With these costs trending so nicely downward, just what I predicted they would do, there can almost be no inflation, but there can be a SLOWING of the economy unless Mr. Too Late, a major loser, lowers interest rates, NOW. Europe has already "lowered" seven times. Powell has always been "Too Late," except when it came to the Election period when he lowered in order to help Sleepy Joe Biden, later Kamala, get elected. How did that work out?

1.98k 2.89k 10.9k

w it. And oh, if I



the price level
the goals are in

lieve me.

," Hasset said at the White House when a reporter asked if "firing Jay Powell

The president also reiterated his frequent complaint that the Fed needed to cut borrowing costs, but added: "I don't want to talk about that because I have no intention of firing [Powell]."

[Speech by Chair Powell on the economic outlook - Federal Reserve Board](#)

[Trump warns U.S. economy may slow if Fed doesn't cut rates – BNN Bloomberg](#)

[Trump studying whether to fire Fed Chair Powell, adviser says | Reuters, Global stocks gain after Trump soothes Fed independence worries](#)

Along with “Mar-a-Lago Accord”-chatter

MAIN MESSAGE

- The dollar is overvalued (reserve currency)
- A weaker dollar is needed to support industry
- “Mar-a-Lago Accord”: Force the sale of dollars!
- Convert government debt into 100-year zero-coupon bonds
- Risk: Market volatility, higher interest rates

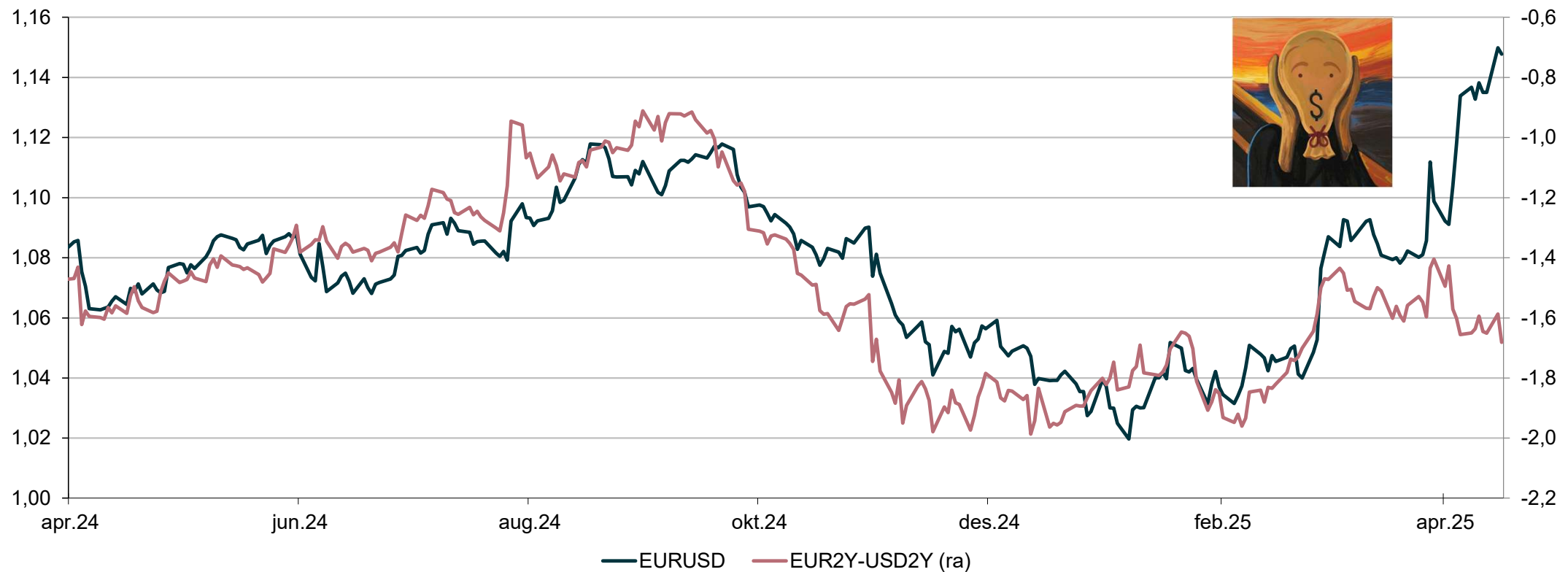
A User's Guide to Restructuring the Global Trading System



Source: https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf

Signs of losing confidence?

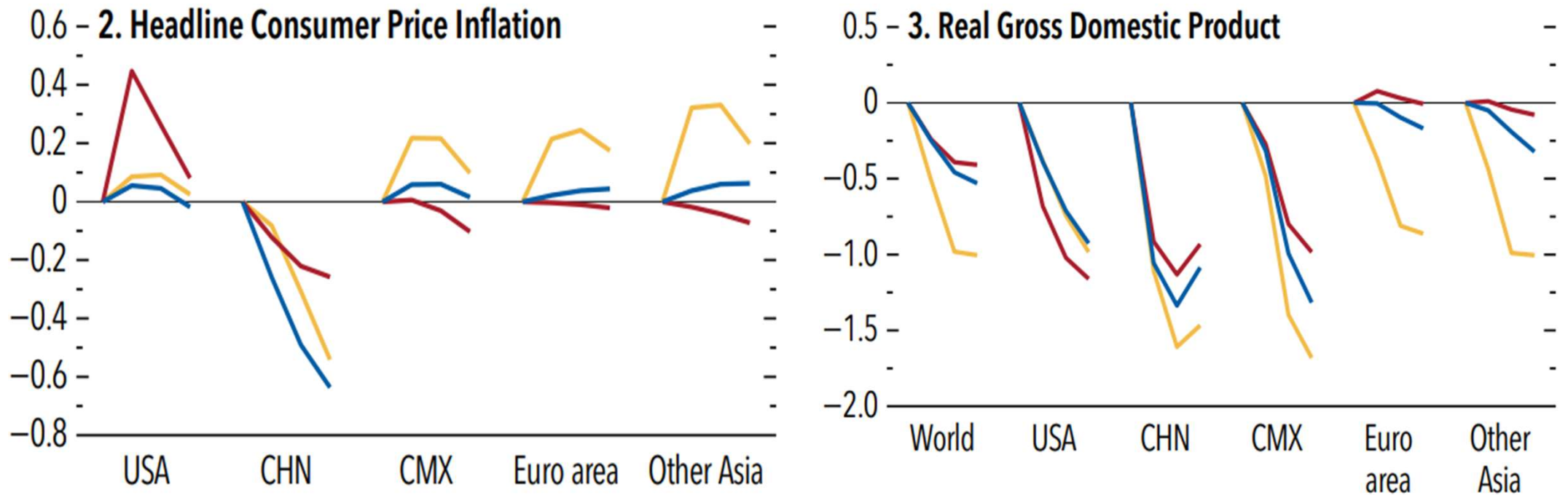
USD AND RATE DIFFERENTIAL



Source: LSEG Datastream, DNB Markets

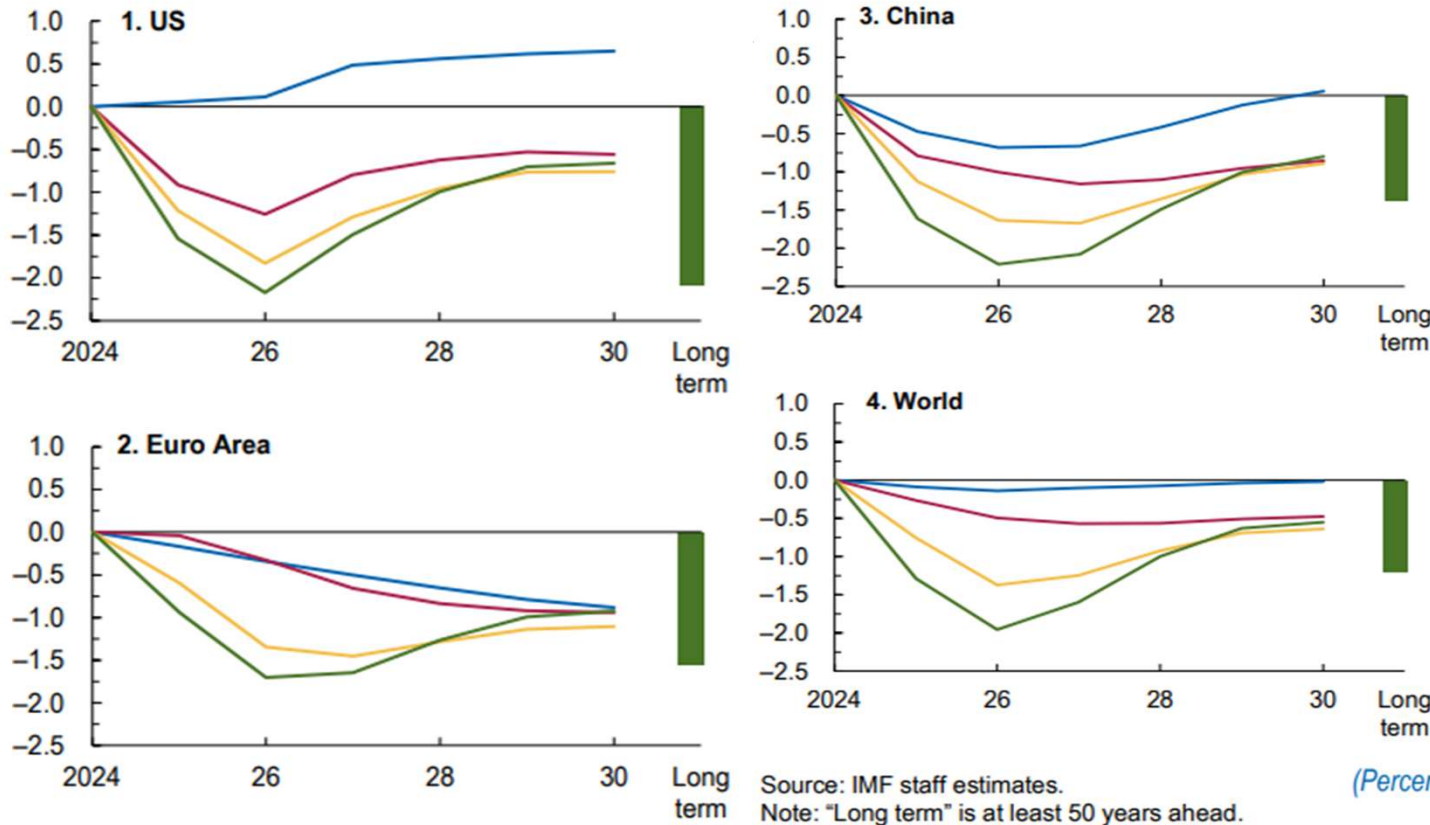
The trade war will curb economic growth, but size of impact varies markedly

IMF: 1-3 YEARS EFFECT OF TARIFFS (UP TO 4 APRIL). % DEVIATION FROM FORECASTS WITH NO TARIFFS



Source: [World Economic Outlook, April 2025: A Critical Juncture amid Policy Shifts](#). GIMF-model used in analysis

Downside scenarios include escalation and tight financial conditions



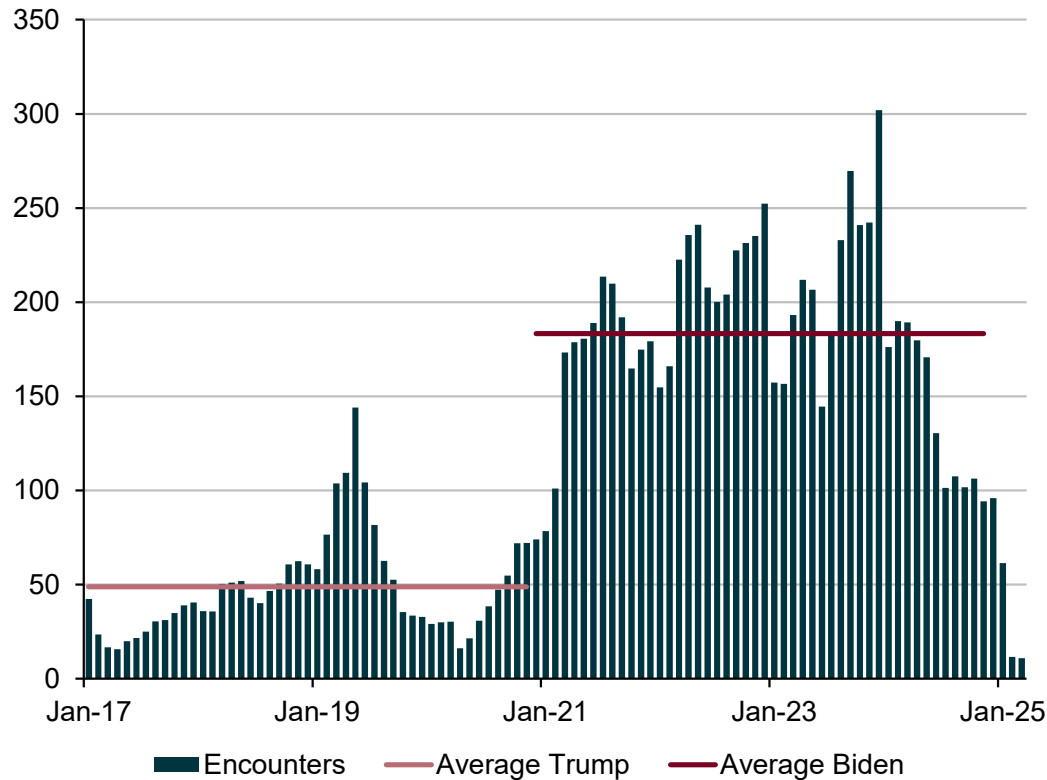
PREMISES FOR THE SCENARIOS

- Global divergence.** The US extends tax cuts, Europe's productivity growth weakens further, and domestic demand in China softens.
- Trade war escalation.** A 50%-point increase in tariffs between the US and China. Other countries retaliate with "Liberation Day tariffs," and the US doubles its tariffs in response. Effective tariff rate is 18 percentage points higher than in the baseline scenario.
- Sharp increase in global uncertainty.**
- Tighter financial conditions (duration: 2 years).** 5% decline in asset prices in the US, 3% decline in emerging markets. Credit spreads widen by 25 basis points.

Source: IMF Economic Outlook, April 2025

Note: Trump's policy mix also includes tax cuts, deregulation, immigration halt

US: IMMIGRATION, SOUTH-WESTERN BORDER, 1000

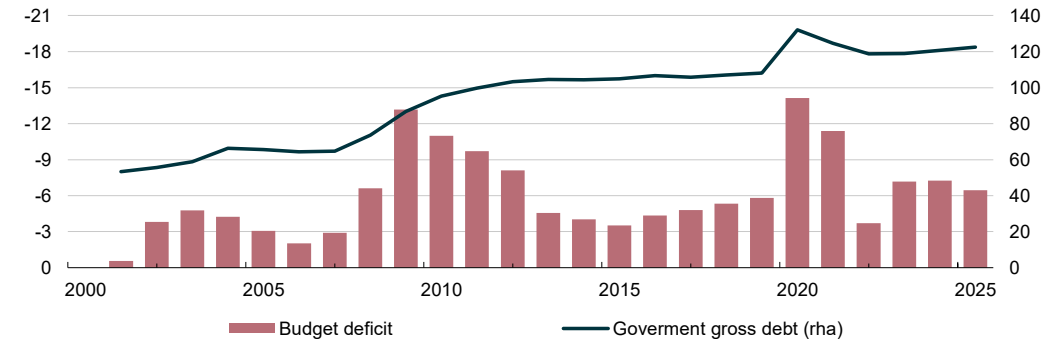


Source: IMF Fiscal Monitor/Refinitiv Datastream/DNB Markets
Source: <https://www.cbp.gov/newsroom/stats/southwest-land-border-encounters>

TRUMP'S TAX PLANS

- Extension of the 2017 tax cuts
- Remove taxation of tips, overtime pay, and social security payments for retirees
- Tax deduction on interest expenses arising from the purchase of American-made cars

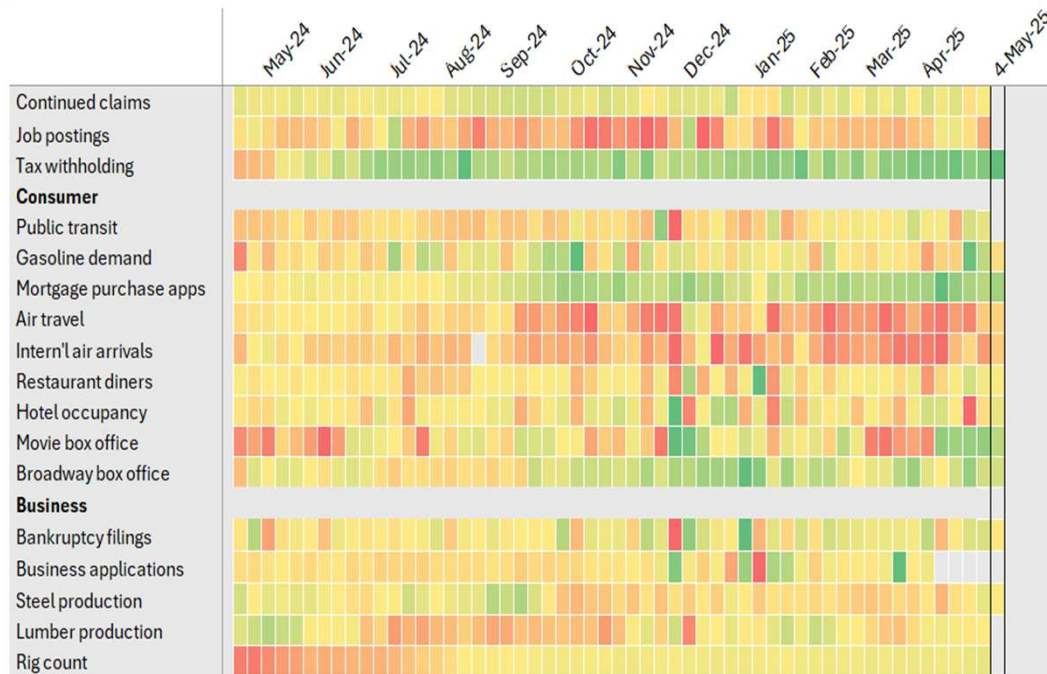
MEMO: US GOVERNMENT FINANCES. % OF GDP



The US economy seems to be holding up so far

OXFORD ECONOMICS' HIGH-FREQUENCY INDICATOR DASHBOARD

Table 1: Not much red on the dashboard, for now



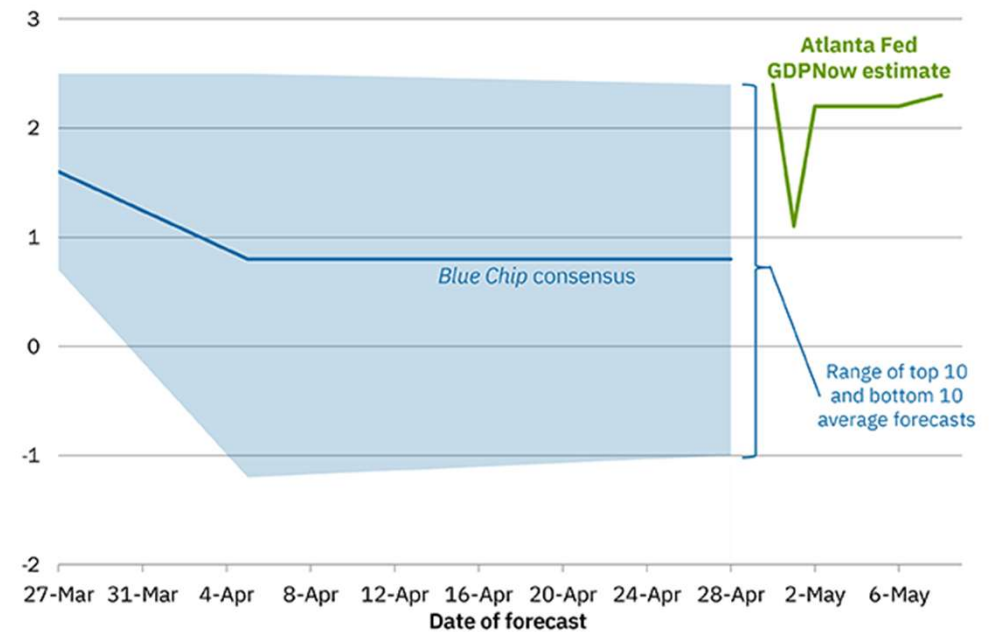
Source: Oxford Economics/Haver Analytics

Source: Oxford Economics, <https://www.atlantafed.org/cqer/research/gdpnow>

ATLANTA FED'S GDPNOW ESTIMATE

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q2

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

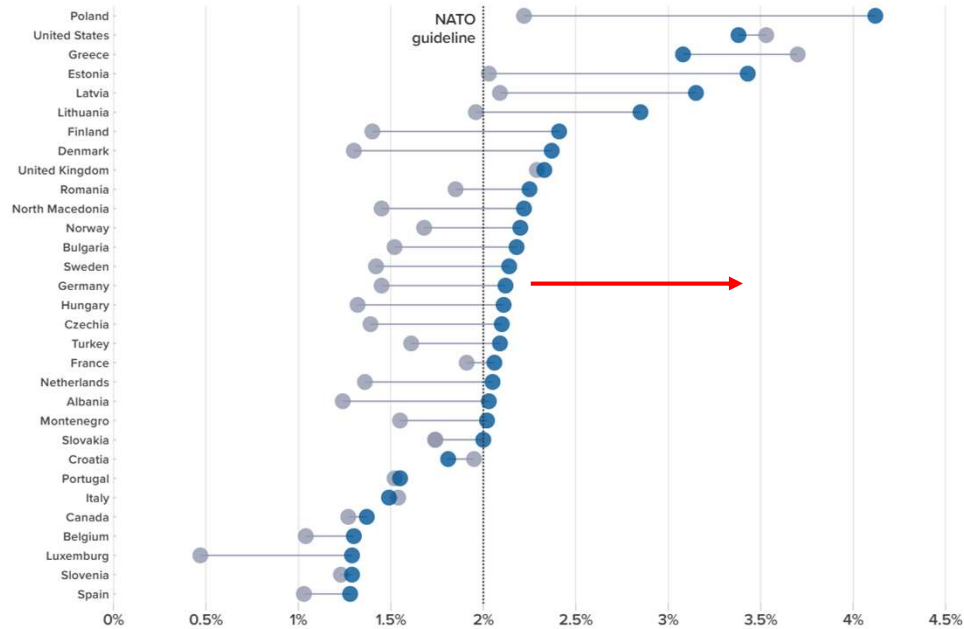
“Electroshocked” by the US: European politicians enters action mode

DEFENCE SPENDING, % OF GDP

NATO allies increase defense spending following Russia's invasion of Ukraine

Defense spending as share of real GDP (%)

Year ● 2021 ● 2024*



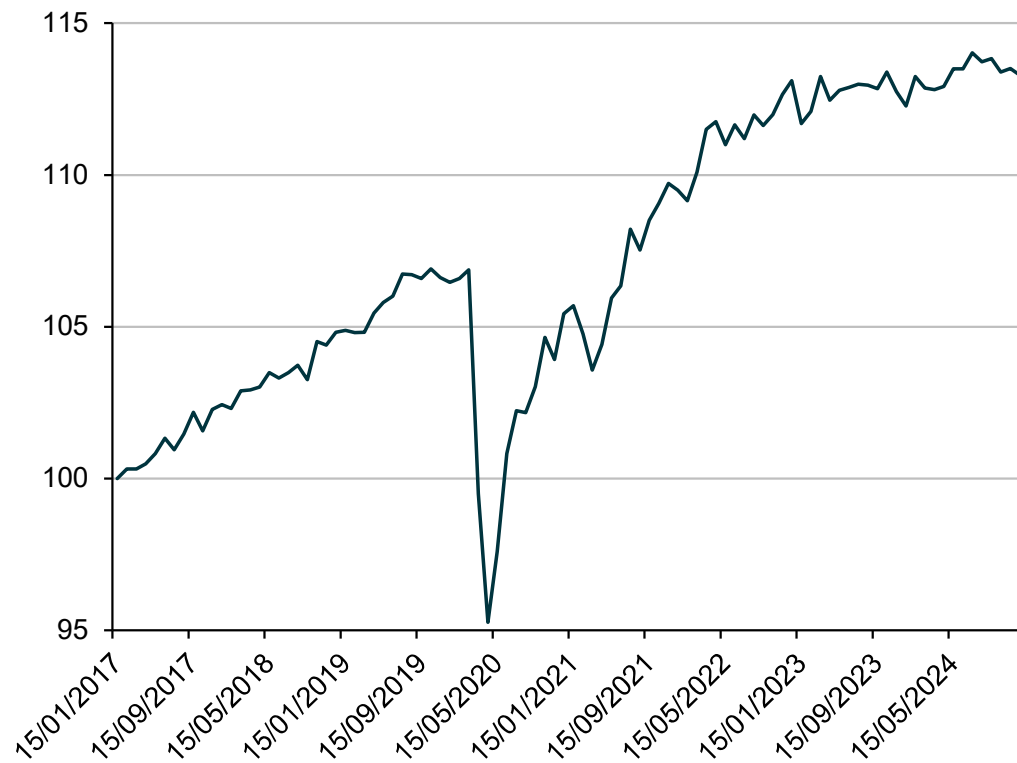
EZ: REAL INVESTMENTS AS A SHARE OF GDP, %



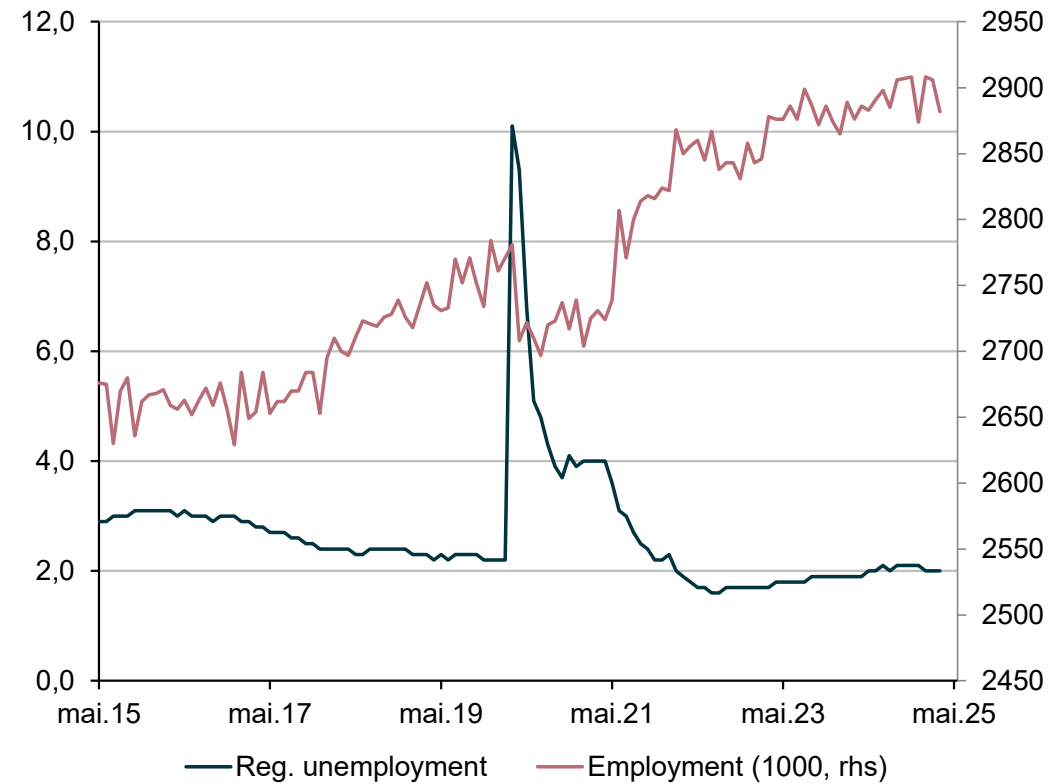
Source: Atlantic Council, LSEG Datastream, Bloomberg, DNB Markets

Norwegian economy is holding up reasonably well

NORWAY: MAINLAND GDP. INDEX. JAN 2017 =100



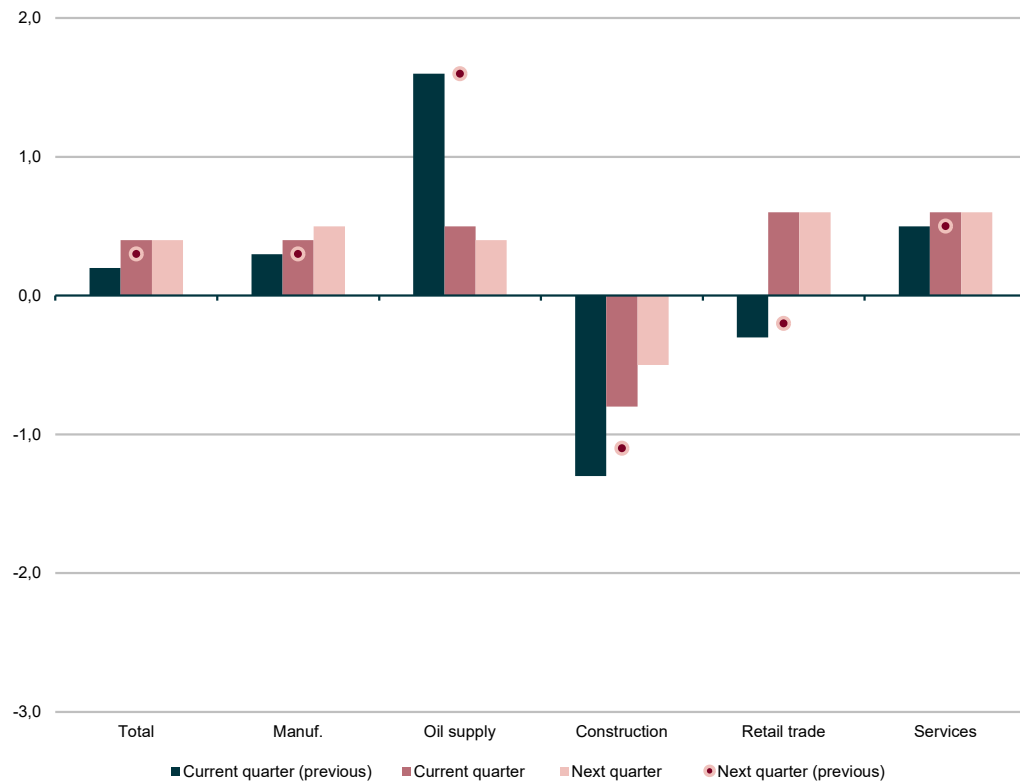
NORWAY: LABOUR MARKET. % AND 1000



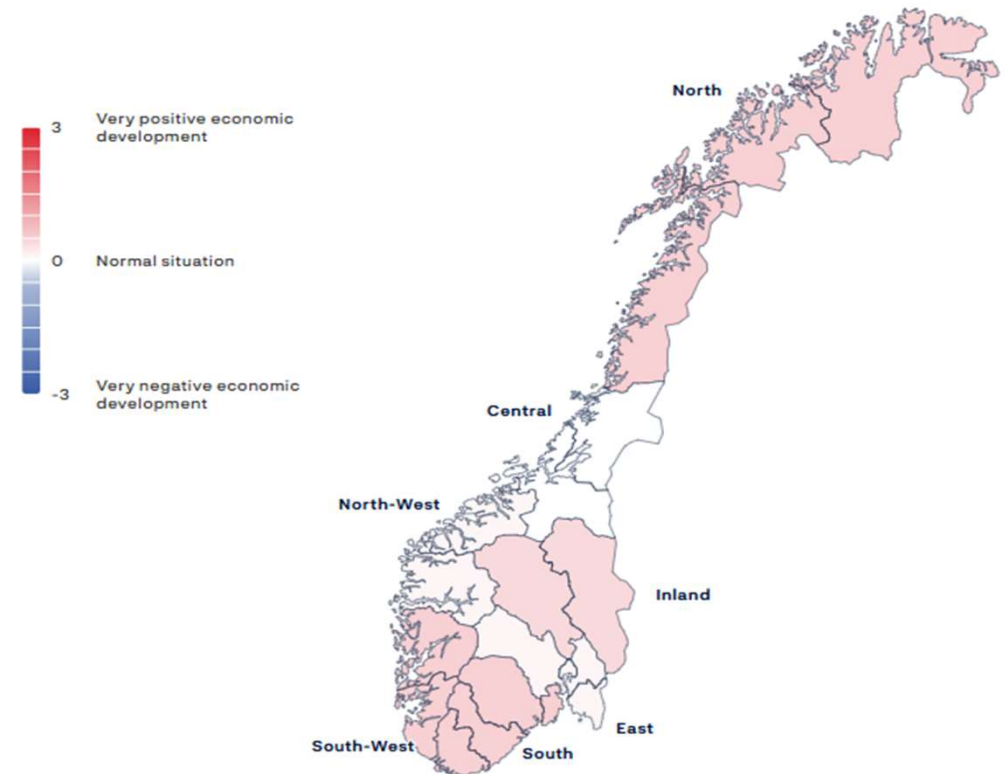
Sources; NAV, Statistics Norway, DNB Markets

Enterprises see a broadening rebound in the first half of 2025

NORWAY: EXPECTED PRODUCTION GROWTH (REGIONAL NETWORK)



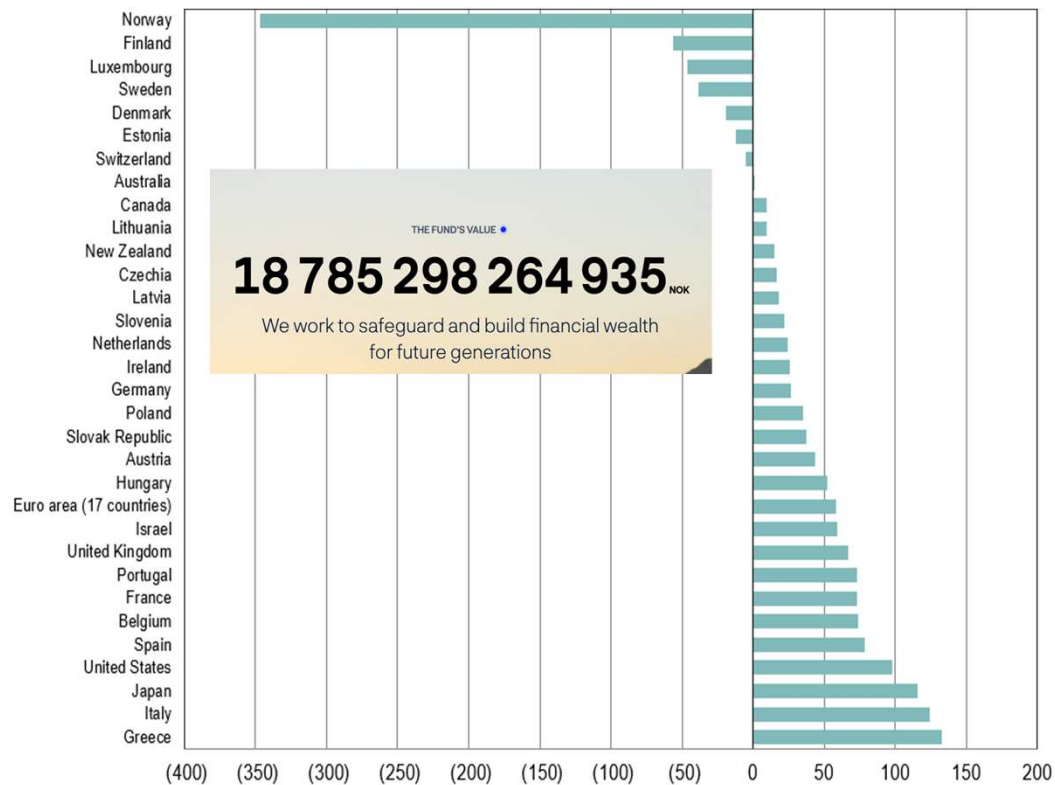
REGIONAL NETWORK SURVEY: ENTERPRISES' ASSESSMENT



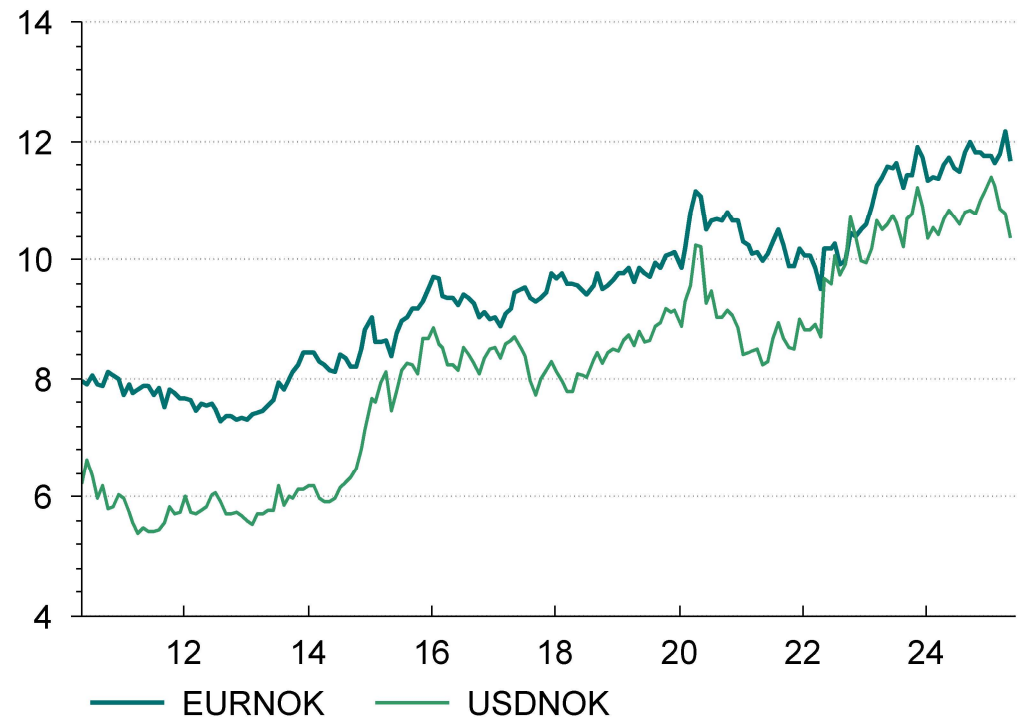
Source: Norges Bank, DNB Markets

Economy cushioned by strong public finances and a weak NOK

NET PUBLIC DEBT, % OF GDP



EURNOK AND USDNOK (HIGHER = WEAKER NOK)

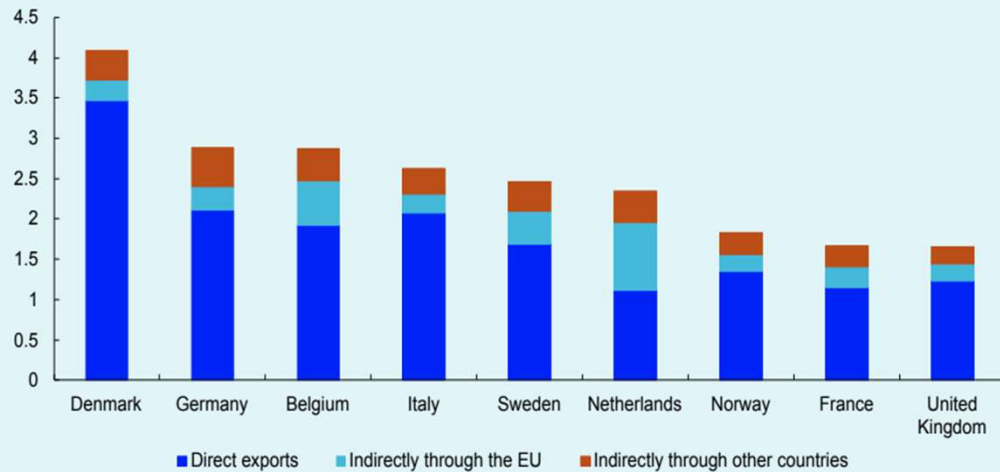


Source: LSEG Datastream, DNB Markets

The Norwegian direct exposure towards US trade is modest

3.D Contribution to mainland GDP from goods exports to the US

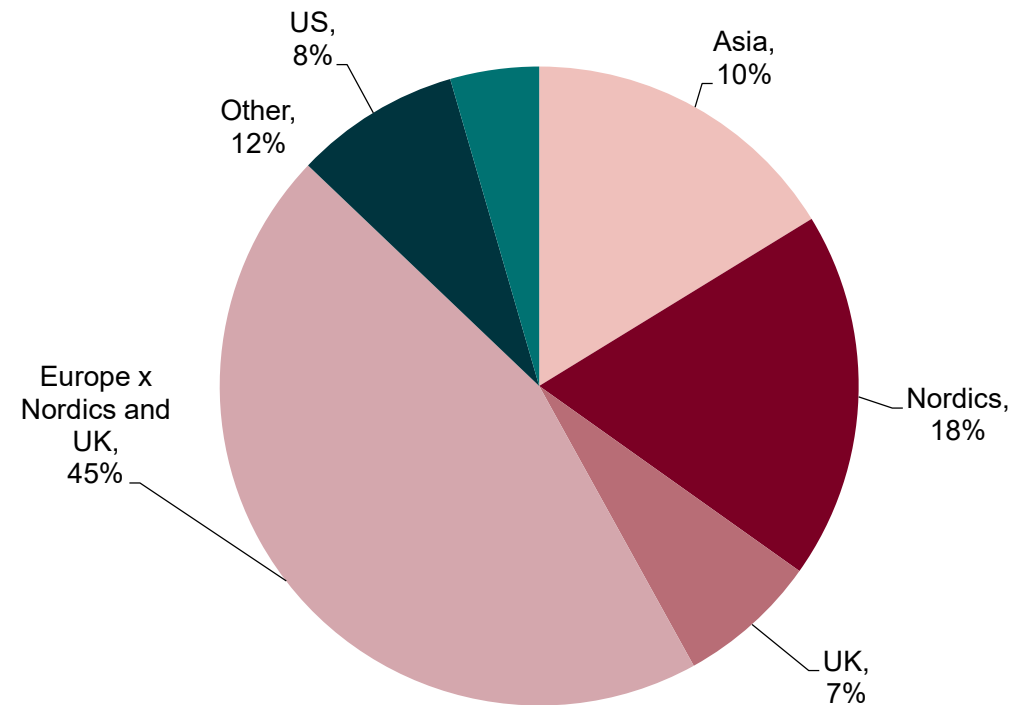
Percent



Sources: OECD and Norges Bank

The calculations are based on a compilation of country-specific input-output tables from the OECD which document the flow of goods and services between different industries and countries. See Documentation Note 2/25: "Calculations of value-added shares in the Box 'A trade conflict will affect the Norwegian economy through various channels' (MPR 1/25)". Forthcoming.

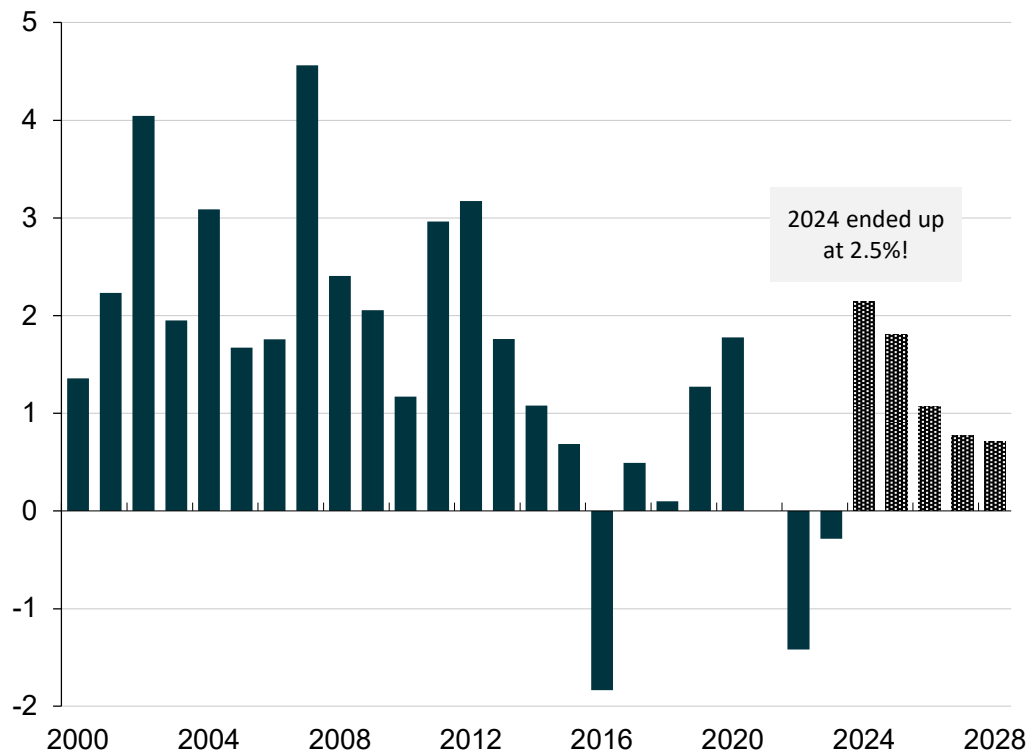
NORWAY: MAINLAND EXPORTS (GOODS), 2023. SHARE OF TOTAL



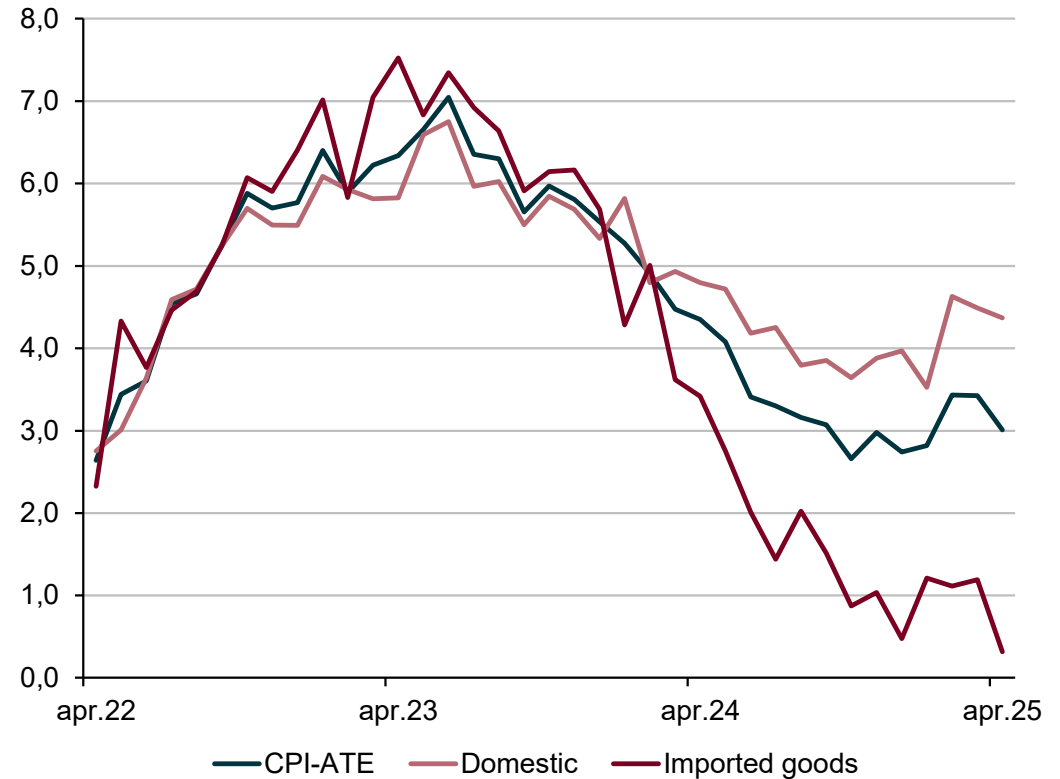
Source: Norges Bank Monetary Policy Report 1/2025, Statistics Norway

Persistently high cost pressures lifts inflation

NORWAY: REAL WAGE GROWTH, % YOY. ACTUAL AND ESTIMATES



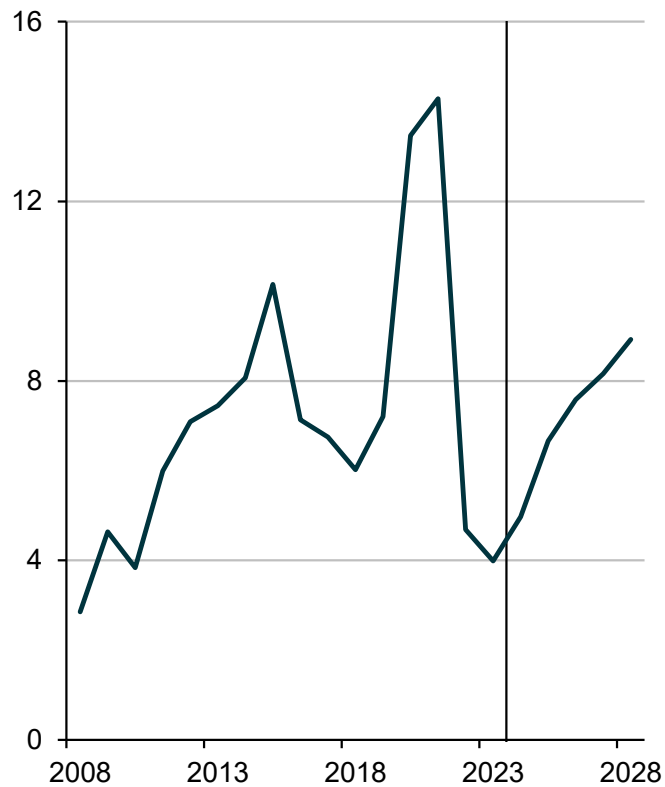
INFLATION, % YOY



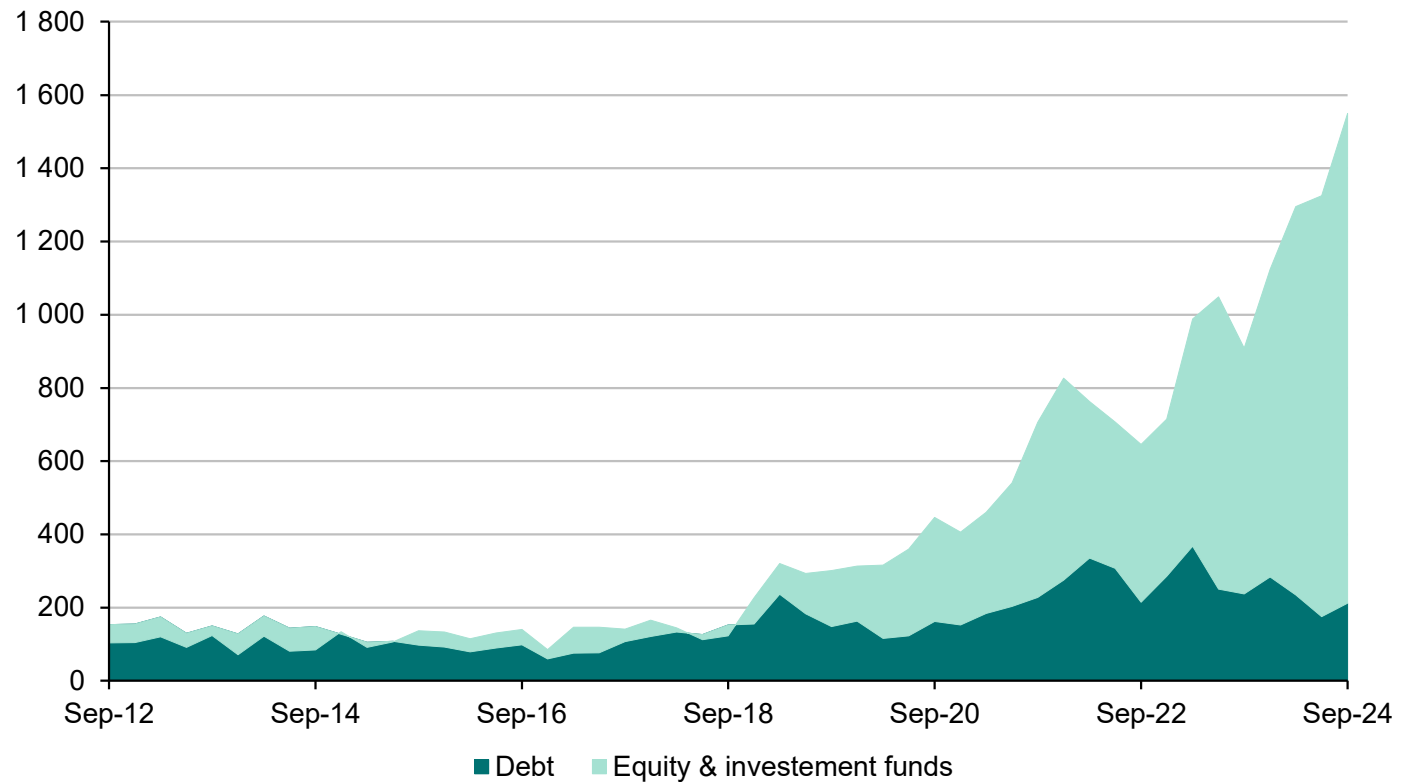
Source: Statistics Norway, DNB Markets

We expect structural factors to pull the NOK somewhat weaker

NORWAY: SAVINGS RATIO. %



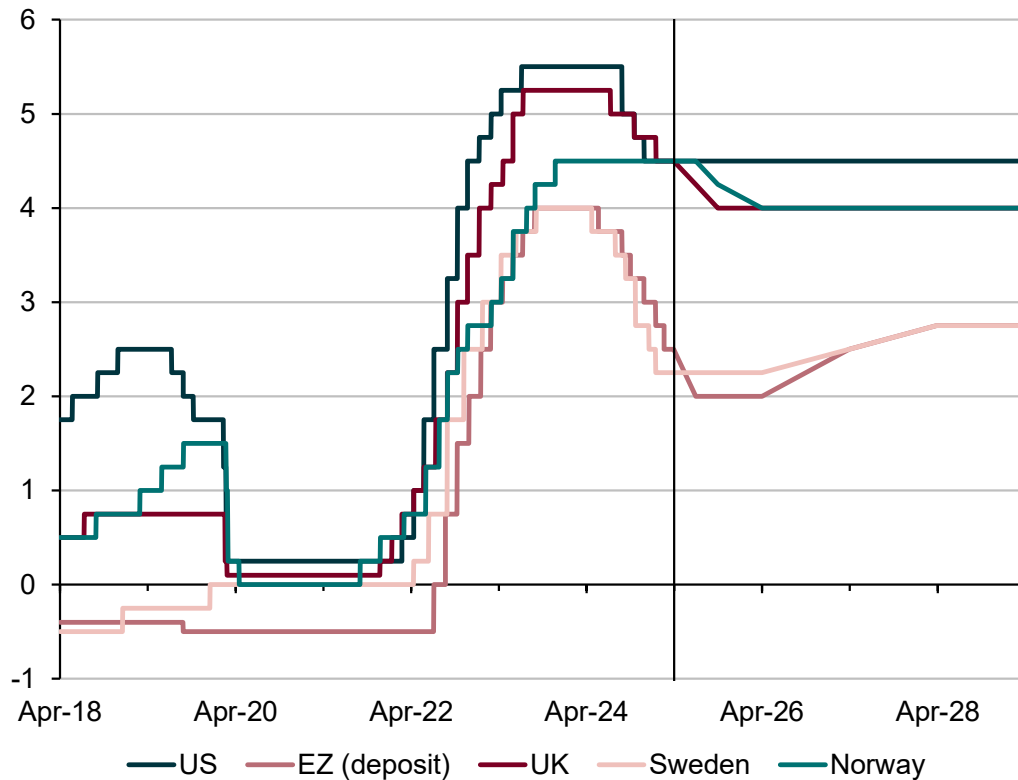
NORWAY: PORTFOLIO EQUITY INVESTMENTS. NON- AND OTHER FINANCIALS. NOK BN.



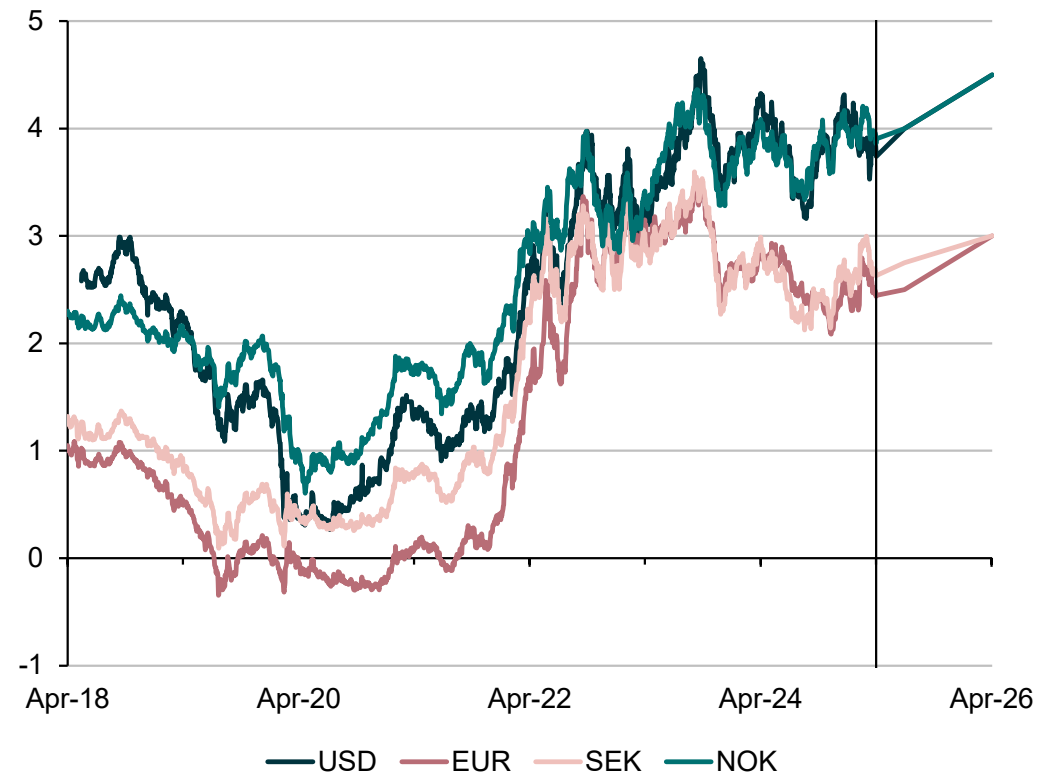
Source: SSB, DNB Markets

Limited room for further rate reductions (unless recession hits!)

KEY POLICY RATES, %. ACTUAL AND ESTIMATES



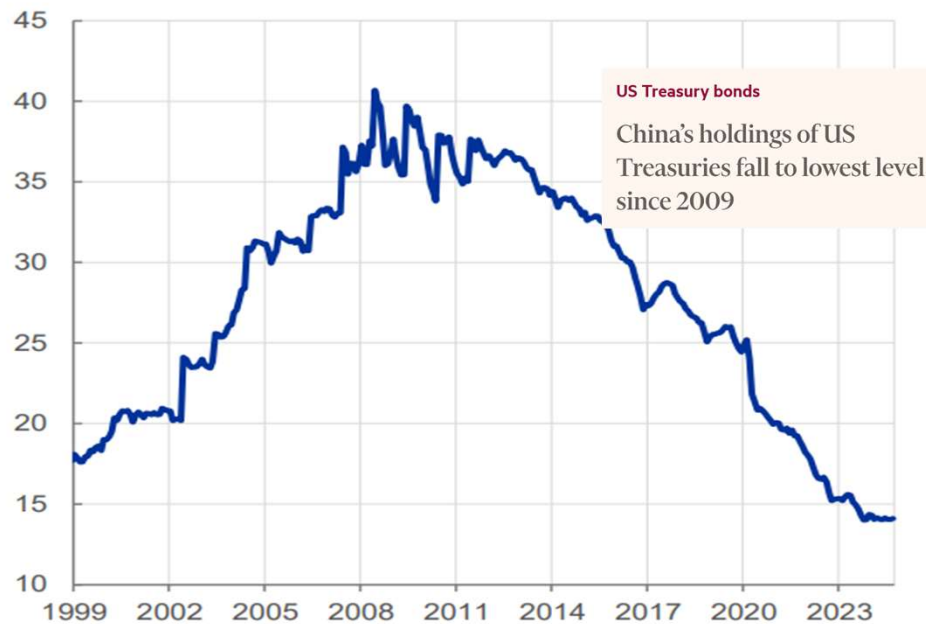
10-YEAR SWAP RATES, %. ACTUAL AND ESTIMATES



Source: LSEG Datastream, DNB Markets

Investment push and more scarce supply of capital = higher normal rates?

Share of foreign official holdings of US Treasury securities (percent)



Sources: LSEG and ECB staff calculations.

Notes: Share calculated over the total marketable US Treasury securities outstanding.
Latest observation: September 2024.



Donald J. Trump

@realDonaldTrump

The idea that the BRICS Countries are trying to move away from the Dollar, while we stand by and watch, is OVER. We are going to require a commitment from these seemingly hostile Countries that they will neither create a new BRICS Currency, nor back any other Currency to replace the mighty U.S. Dollar or, they will face 100% Tariffs, and should expect to say goodbye to selling into the wonderful U.S. Economy. They can go find another sucker Nation. There is no chance that BRICS will replace the U.S. Dollar in International Trade, or anywhere else, and any Country that tries should say hello to Tariffs, and goodbye to America!

6.43k ReTruths 23.5k Likes

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