

## Press release

Stockholm, October 10, 2017

### **New macroeconomic forecast: Tailwinds now, but autumn storms are coming**

**Global growth this year has been stronger than expected, and the major economies are growing at a pace that is steadily absorbing economic slack. We expect continued robust growth over the next few quarters. We foresee a global growth slowdown approaching in 2019 as the US enters into recession. The central banks are now adjusting monetary policy to a more tightening bias. However, when the US downturn comes, the Federal Reserve is expected to begin easing monetary policy again.**

- **Cycle maturing, heading toward recession**
- **Tricky reorientation of monetary policy**
- **Global slowdown in 2019**

Almost ten years after the financial crisis, the global economy is now moving from a long recovery phase into a boom. We look in more detail at where we are in the economic cycle, and what will characterise the next phase. In the wake of the financial crisis, the world's central banks have purchased large quantities of bonds and thus built up enormous balance sheets. Now the arduous work of normalising monetary policy begins, and the Federal Reserve will be first to actually reduce its balance sheet. We also look into what may happen as quantitative easing now moves over to become quantitative tightening.

In the US, we foresee robust growth continuing for the next year. Favourable global trends and financial conditions are important driving forces. During 2019, we anticipate tighter credit terms in the US to lead to a considerable fall in growth – partly via the direct impact on highly indebted sectors such as energy and real estate, and probably also through the negative effects of credit spreads and the capital markets. We forecast a recession in 2019. The Federal Reserve will hike the funds rate another three times over the coming year, but will need to start cutting it again in 2019.

Despite political uncertainty, growth in the eurozone has exceeded expectations. We believe that growth is about to peak, although wages and inflation will continue to rise gradually. The window for more ECB tightening will soon be opened, but only for a short time. In our assessment, the ECB will reduce its bond purchasing after year-end and phase it out completely during the first half of 2018.

GDP growth in the UK has dropped back markedly. The unexpectedly hawkish tone from the Bank of England means that we still foresee a rate hike before the end of the year. After this, we expect a hard Brexit to prevent further rate hikes before the end of 2019.

The Swedish economy has truly been booming. Several factors indicate that the good times will last for another year or so; rising international demand will support a strong export trend, while household consumption increases. Structural challenges on the labour and housing markets will however create challenges for the future. The rise in inflation is becoming broader, and the Riksbank is preparing for a repo rate hike. We forecast an initial hike in July 2018.

*For further information, please contact:*

*Ann Öberg, Chief Economist, +46 8-701 2837, +46 76-135 5815*

*Christina Nyman, Head of Forecasting, +46 8-701 5158, +46 70-778 7765*

For more information about Handelsbanken, see: [www.handelsbanken.com](http://www.handelsbanken.com)

A summary in Swedish is available at [Makroprognos](#)

For the full report in English, see [Global Macro Forecast](#)

<b>GDP Forecasts</b>	<b>2016</b>	<b>2017f</b>	<b>(Previous forecast 2017)</b>	<b>2018f</b>	<b>(Previous forecast 2018)</b>	<b>2019f</b>	<b>(Previous forecast 2019)</b>
<b>Sweden</b>	3.1	2.9	3.2	2.4	2.2	1.8	1.7
<b>Norway</b>	1.0	1.5	1.0	1.1	1.0	1.3	1.2
<b>Norway Mainland</b>	1.0	2.0	1.8	2.1	1.9	1.9	2.0
<b>Finland</b>	1.9	3.3	2.7	2.0	1.5	1.1	0.9
<b>Denmark</b>	1.7	2.2	1.6	1.6	1.1	0.8	0.5
<b>EMU</b>	1.7	2.0	1.9	1.5	1.2	1.2	1.0
<b>USA</b>	1.5	2.1	2.2	2.0	1.8	0.5	0.0
<b>UK</b>	1.8	1.6	1.6	1.3	1.3	1.3	1.5
<b>Netherlands</b>	2.1	3.1	2.3	2.2	1.9	0.9	1.0
<b>China</b>	6.7	6.7	6.4	6.3	6.1	5.8	5.8

Source: Handelsbanken Capital Markets

<b>Policy rates</b>	<b>Oct 9</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>End 2018</b>	<b>End 2019</b>
<b>Sweden</b>	-0.50	-0.50	-0.50	-0.50	-0.25	0.00	0.50
<b>US (range midpoint)</b>	1.125	1.375	1.625	1.625	1.875	1.875	1.125
<b>Eurozone</b>	-0.40	-0.40	-0.40	-0.40	-0.30	-0.20	-0.10
<b>Norway</b>	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Denmark</b>	-0.65	-0.65	-0.65	-0.65	-0.50	-0.35	-0.25
<b>UK</b>	0.25	0.50	0.50	0.50	0.50	0.50	0.50

Source: Handelsbanken Capital Markets

<b>FX Forecasts</b>	<b>Oct 9</b>	<b>Q4 2017</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>End 2018</b>	<b>End 2019</b>
<b>EUR/SEK</b>	9.54	9.30	9.20	9.20	9.16	9.10	9.10
<b>USD/SEK</b>	8.13	8.09	8.14	8.14	8.04	7.58	7.28
<b>GBP/SEK</b>	10.61	10.33	10.00	9.79	9.64	9.58	9.58
<b>NOK/SEK</b>	1.01	1.00	1.00	1.01	1.02	1.01	1.02
<b>DKK/SEK</b>	1.28	1.25	1.23	1.23	1.23	1.22	1.22
<b>CHF/SEK</b>	8.31	8.16	8.07	8.07	7.97	7.84	7.84
<b>JPY/SEK</b>	7.21	7.56	7.90	8.14	8.20	7.82	7.91
<b>CNY/SEK</b>	1.22	1.20	1.20	1.18	1.18	1.15	1.14
<b>EUR/USD</b>	1.17	1.15	1.13	1.13	1.14	1.20	1.25
<b>EUR/GBP</b>	0.899	0.900	0.920	0.940	0.950	0.950	0.950
<b>USD/CNY</b>	6.65	6.75	6.80	6.90	6.80	6.60	6.40

Source: Handelsbanken Capital Markets