

Summer holiday wrap-up

A summary of economic events in
Sweden and the rest of the world

Nordea Macro Research
4 August 2025

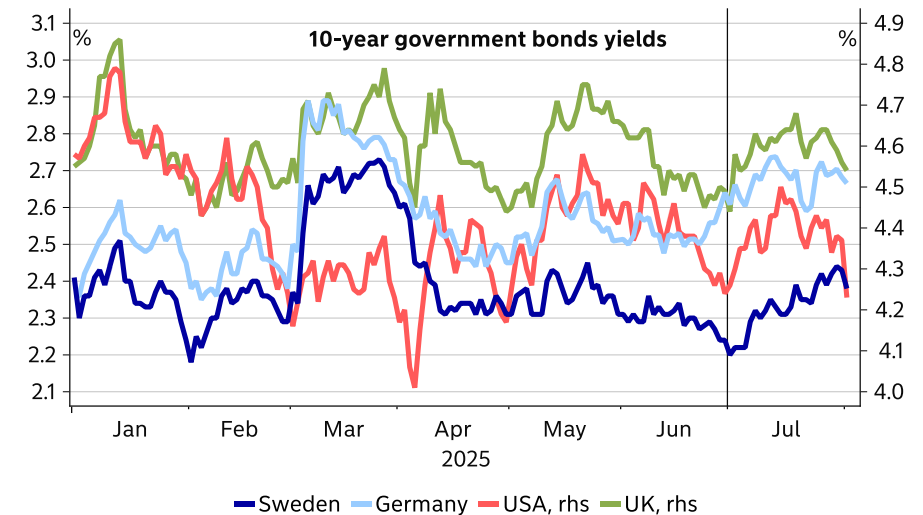




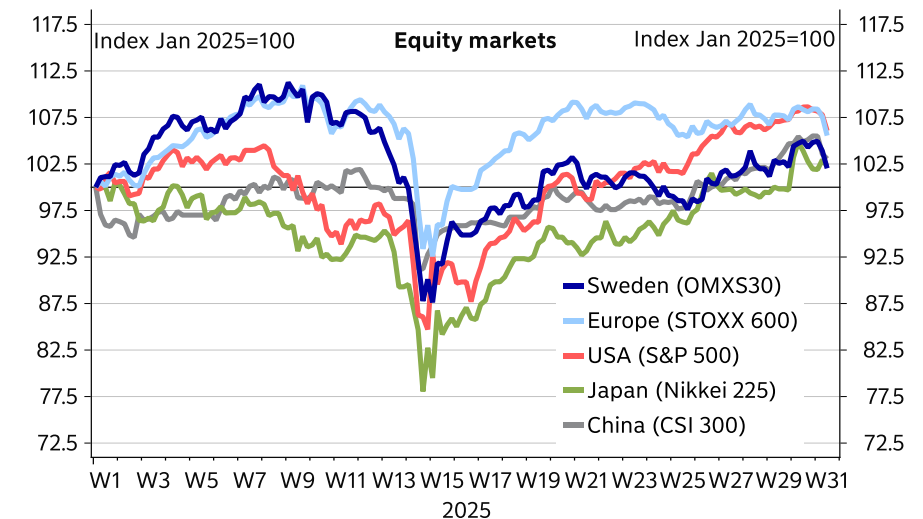
Financial Markets

Dollar recovery and mixed interest rates

- **Financial markets** have overall reacted positively to the announced trade deals, improving “risk-on” sentiment.
- The **USD index (DXY)** has strengthened by +2.0% since early July. The USD currently trades at 1.157 vs the EUR and 9.653 vs the SEK.
- Yields on **government bonds** have risen in Europe and Sweden, but fallen in the US especially after the labour market figures published 1 August. Yield curves have steepened in Japan and the US, but flattened in Sweden and Europe.
- The net change for **10-year government bonds (and 2-year bonds)** since 1 July are +14 (+18) bp for Sweden, +3 (+7) bp for Germany and -1 (-3) bp for the US.
- **S&P 500** has reached new all-time highs during the summer and is up +0.5% since 1 July. **OMXS30** is up 1.6%, but still below the levels observed prior to “Liberation Day”. The VIX-index stands at 20.4, slightly above the historical average.
- In Japan, the **Yen** has weakened by more than 2% against the USD, whilst government bonds have risen between 8-23bp.



Source: Macrobond and Nordea



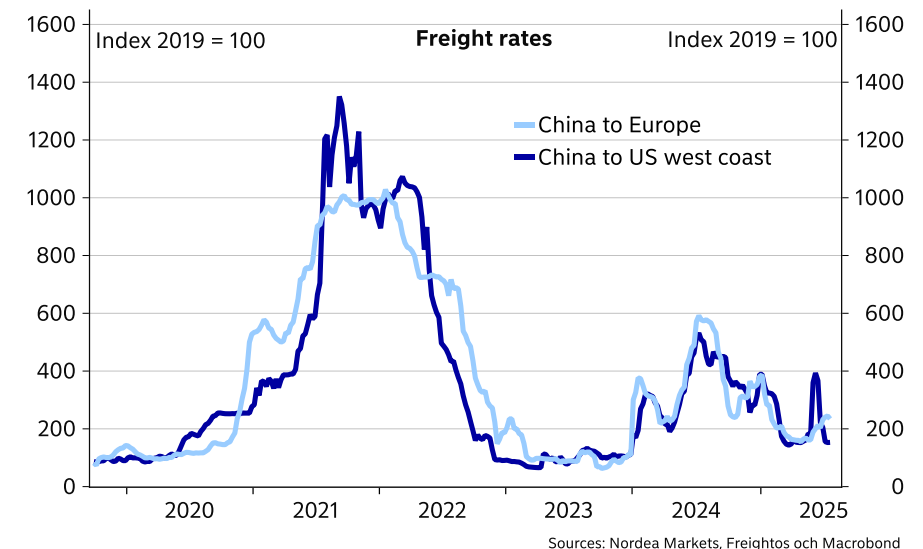
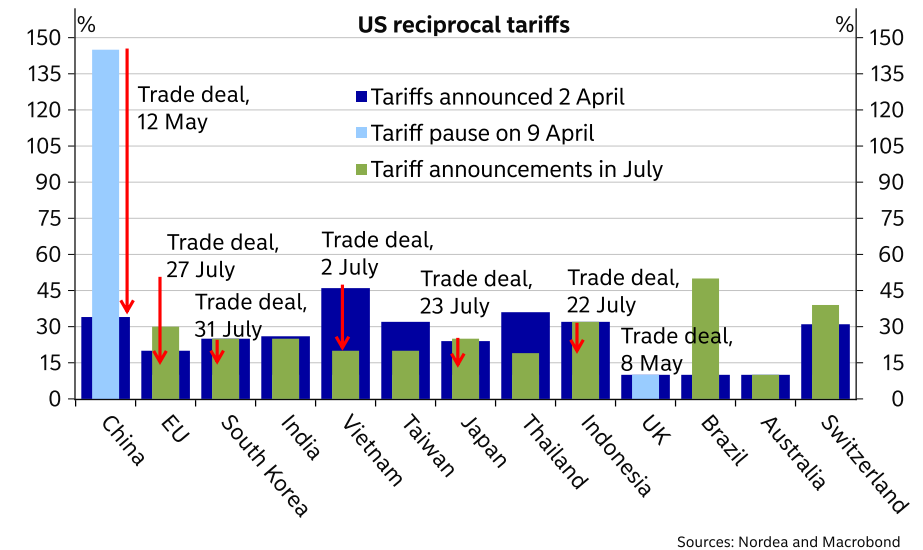
Source: Nordea Markets och Macrobond



World events

Tariffs, tariffs and tariffs

- The **Trump administration** prolonged the reciprocal tariff pause, initially until 1 August and later again until 7 August. Trade partners have been informed of new tariff levels between 10% and 50%.
- During the summer, the US has announced **trade deals** with Indonesia, Japan, South Korea and the EU, among other nations.
- Goods imports to **US from the EU** will be subject to a 15% tariff rate, except for steel and aluminium (50%). The EU has committed to invest USD 600bn in the US and purchase USD 750bn of energy related products.
- **Trade negotiations** between the US and China are ongoing, with a third meeting concluded last week in Stockholm. China says that the current trade truce is extended with 90 days. However, US Treasury Secretary Bessent said it was ultimately Trump's decision whether to extend it or not.
- On 9 July Trump announced a 50% tariff rate on **copper products**, which came into effect on 1 August, and indicated a possible 200% tariff rate on **pharmaceutical products**.

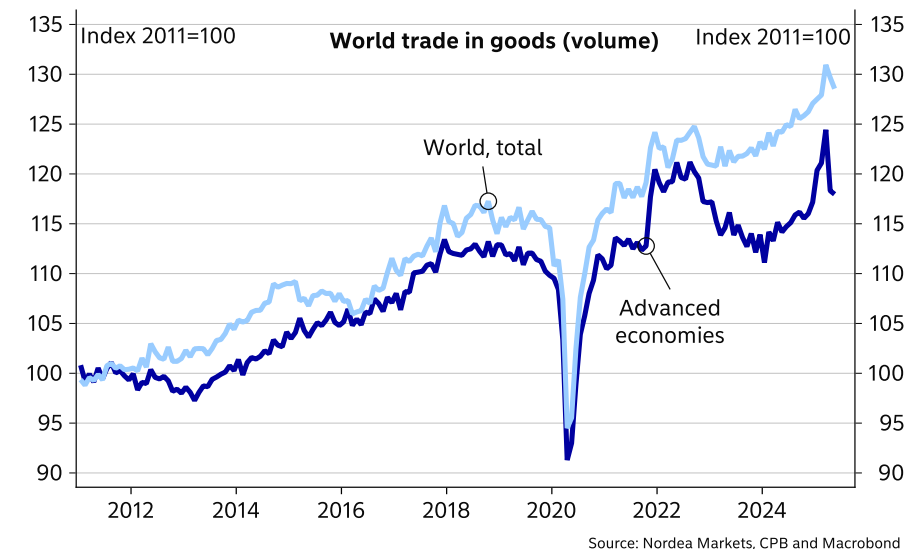




World events

Sluggish world trade

- **China's** GDP slowed to 5.2% y/y in Q2 from 5.4% in Q1, although still in line with the annual target. Details show that industrial production and exports remain resilient despite trade uncertainty, while domestic demand is sluggish.
- **People's Bank of China** left the 1- and 5-year loan prime rate unchanged at 3.0% and 3.5%, respectively, in July.
- Following the plunge in **world trade** in April, trade declined further by -0.3% m/m in May. Since the start of the year, trade has increased 1.2% (0.7% for advanced economies).
- **Freight rates** from China to the US have normalised after the surge earlier in June. Rates to Europe have increased somewhat, possibly an indication of trade being redirected from the US.
- **Oil prices (Brent)** have risen by 8% since 1 July and currently trades at USD 69.5 per barrel.
- Futures prices for **natural gas** have risen by 3% and trades at EUR 34MWh. Inventories are at normal levels for the season.

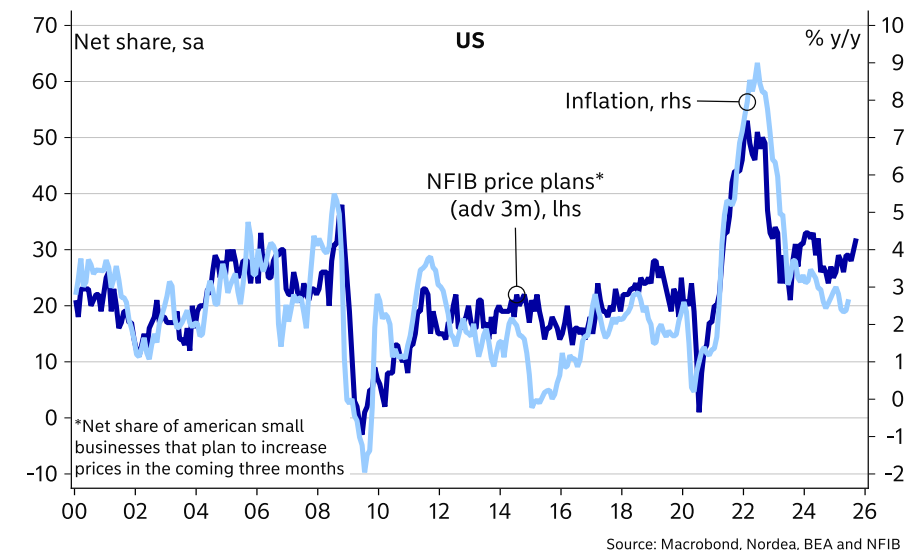
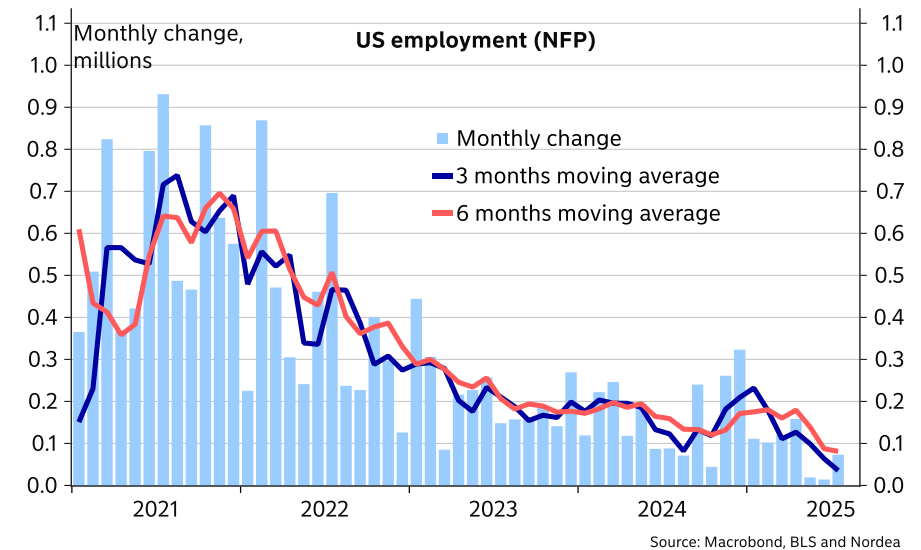




USA

Tariffs have had only small effects on inflation so far

- **The Senate** passed the “big, beautiful bill” and Trump signed it into law on 4 July. The Congressional Budget Office (CBO) estimates the budget will add USD 3.4 trillion to US debt over the next decade.
- **Non-farm payrolls** rose by 73 000 (consensus: 110k) in July while the number of jobs in May and June were revised down by a massive 258 000. Unemployment rose to 4.2% from 4.1%.
- **Headline CPI** inflation accelerated to 2.7% y/y in June, while **core CPI** rose less than expected to 2.9%. Details in price data continue to show a small impact of tariffs on inflation, while companies' price plans have edged higher in recent months.
- **GDP** rebounded better than expected in Q2 and rose by 3.0% q/q annualised rate, up from -0.5% in Q1.
- **Housing prices** fell for the third consecutive month, edging down by -0.3% m/m in May, according to Case-Shiller.
- **Consumer confidence** improved to 97.2 in July, up from 85.7 in April, according to Conference Board.

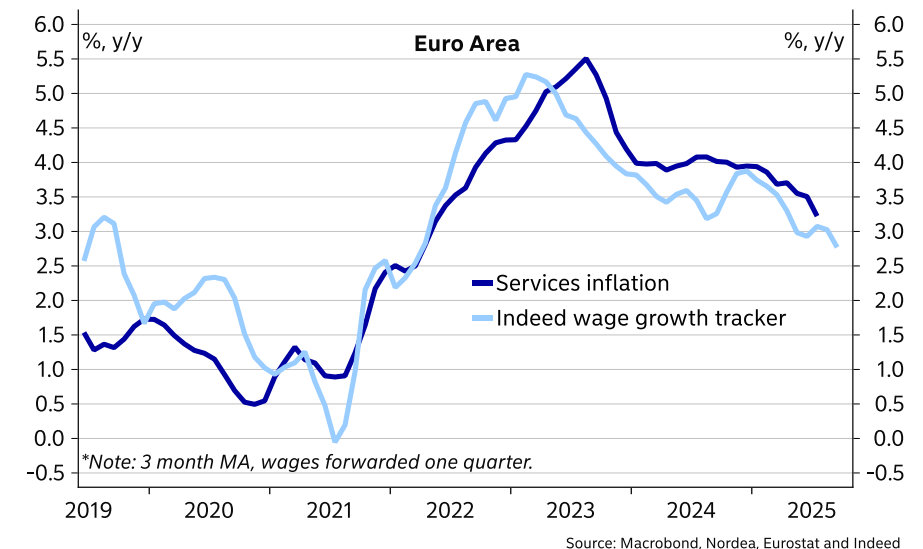
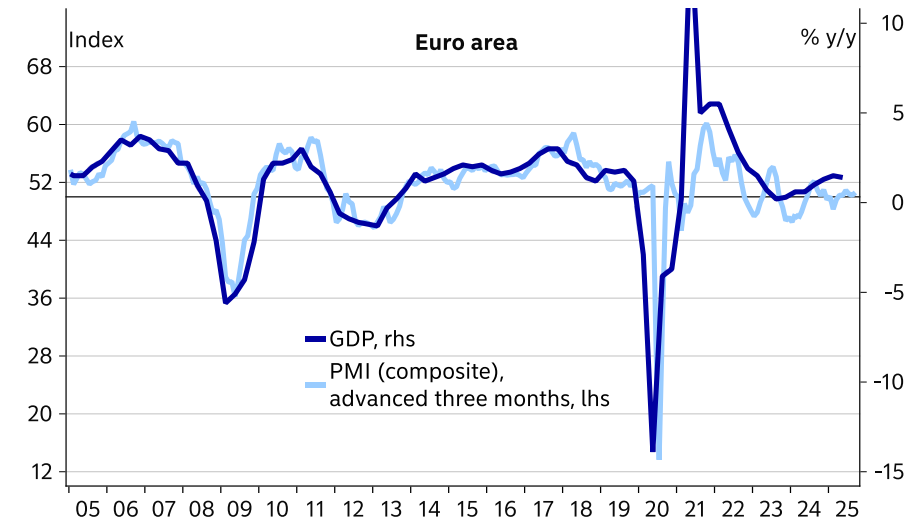




Euro area

Inflation at target

- Headline **HICP-inflation** stood at 2.0% y/y in July, unchanged from previous month but slightly higher than expected.
- **Core inflation** was unchanged at 2.3% y/y. Services inflation has fallen since the start of the year and stood at 3.1% in July, the lowest annual change since March 2022.
- Euro area GDP-growth slowed down less than expected in Q2 and rose by 0.1% q/q from strong 0.6% in Q1.
- Preliminary **composite PMI** in the Euro area rose to 51.0 in July from 50.6 in June.
- Economic activity in **Germany** was sluggish and GDP fell in Q2 by -0.1% q/q, according to preliminary figures.
- In July the EU presented a new proposal for the **Multiannual Financial Framework**. The budget amounts to around EUR 2 000bn, or 1.26% of GNI on average for the years 2028-2034.
- **Bulgaria** is set to become the 21st country to adopt the euro. The currency transition will come into effect in 2026.

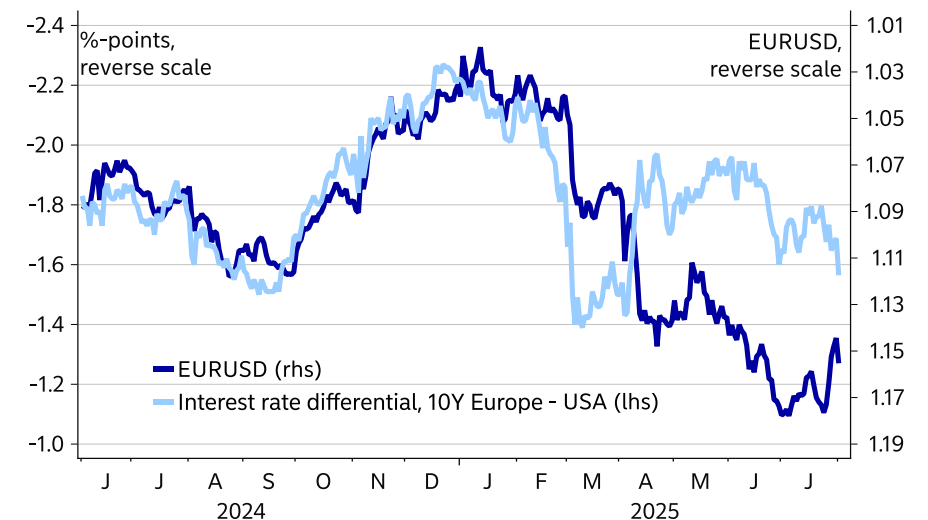
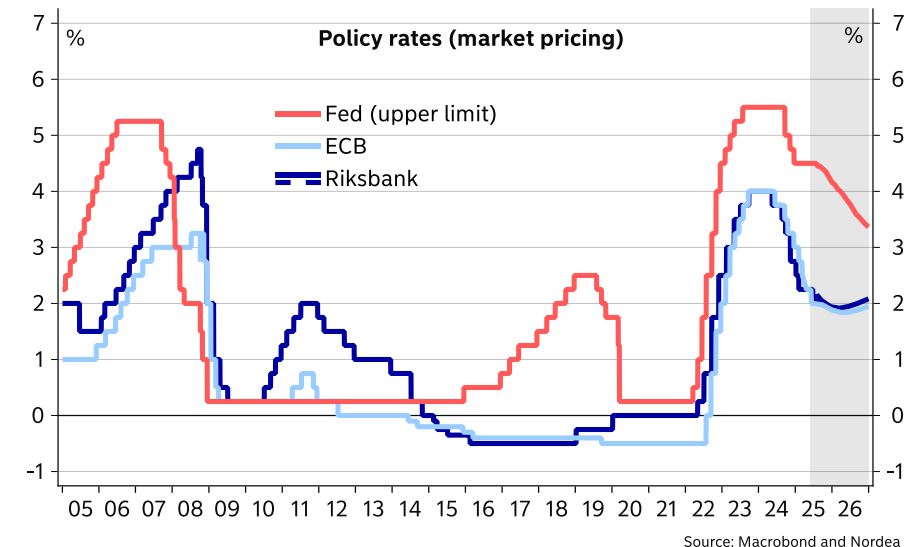




Global central banks

On hold and slightly hawkish

- The **Fed** left the federal funds rate unchanged at 4.25-4.50% on 30 July. Two board members of the FOMC, Waller and Bowman, dissented from the decision and advocated a rate cut. Fed chair **Powell** gave no signals regarding the prospect of a rate cut in September and characterizes the current levels of the fed funds as modestly restrictive. The median dot-plot from June indicates two rate cuts this year, and markets are currently pricing a reduction of the Fed funds rate by 60bp until year-end.
- The **ECB** kept the policy rate unchanged in July at 2.0% after seven consecutive cuts. The ECB reiterated that the bank is data dependent. President **Lagarde** noted that the outlook remains exceptionally uncertain, especially due to the trade dispute. Nordea expect the ECB to stay on hold going forward, while markets are pricing a 50-50 probability of another rate cut.
- **Bank of Japan** left, in line with expectations, the policy rate unchanged at 0.5% in July.
- **Market expectations** of further monetary easing from the ECB and the Riksbank has fallen throughout the summer.



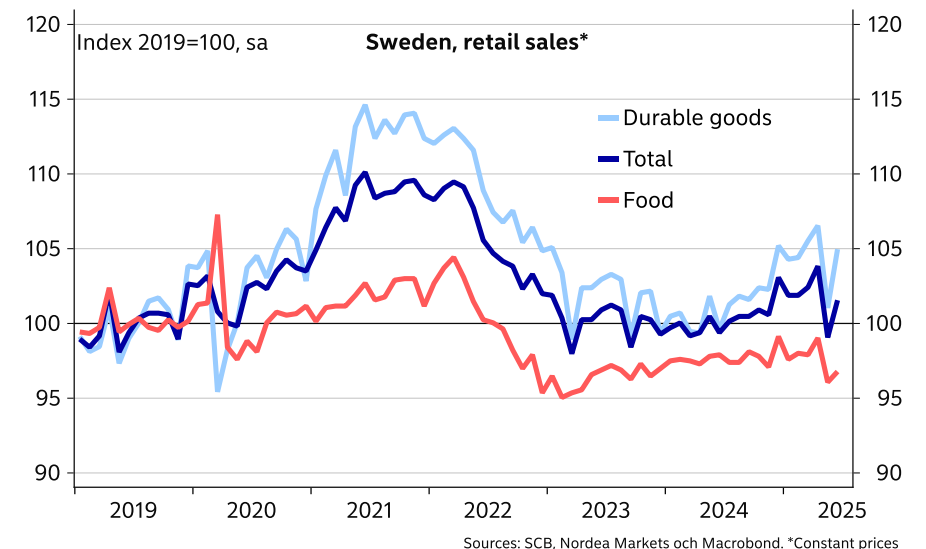
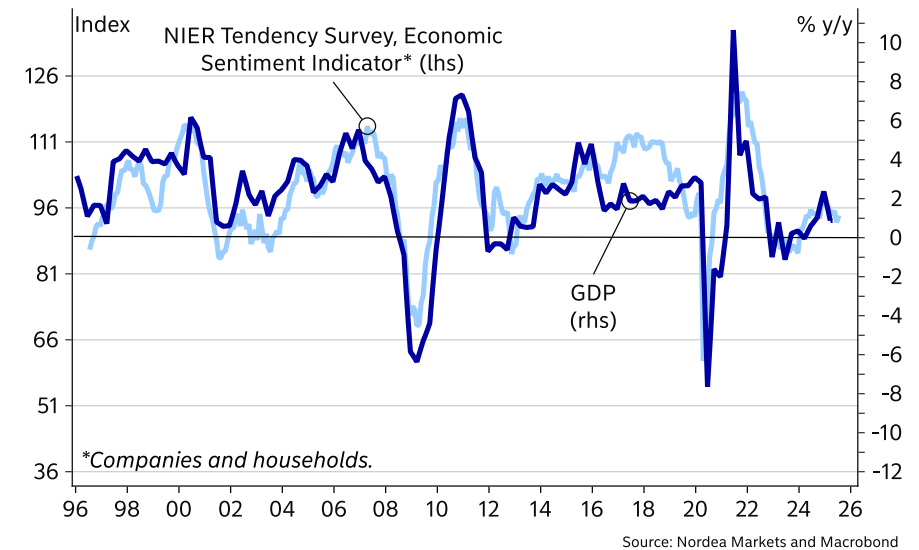
Economic Indicators

Growth has disappointed

- The **Q2 GDP flash** was weaker than expected at 0.1% q/q and 0.9% y/y. The outcome was well below the Riksbank's forecast (+0.9% q/q) and indicates a standstill during H1 2025.
- No details were published with the flash, but monthly data suggest that **household consumption** declined while **net exports** of goods improved in Q2.
- The **Economic Sentiment Indicator** (ESI) rose to 94.3 in July from 92.7 in June. Business confidence improved (97.0) and consumer confidence rose markedly (90.7), albeit from low levels.
- **Retail sales** recovered by 2.5% m/m and 2.0% y/y in June. However, the uptick comes after a sharp decline in May.
- The **manufacturing PMI** rose by 2.4 points to 54.2 in July.
- Swedish **housing prices** declined by -0.1% m/m in June and have fallen -2.4% year-to-date. Momentum have stabilised in recent months, while indicators are mixed.

Read more:

- [Swedish retail sales: Modest recovery](#)
- [Swedish Q2 GDP flash: Standstill](#)
- [Swedish Tendency Survey: Households in a better mood](#)

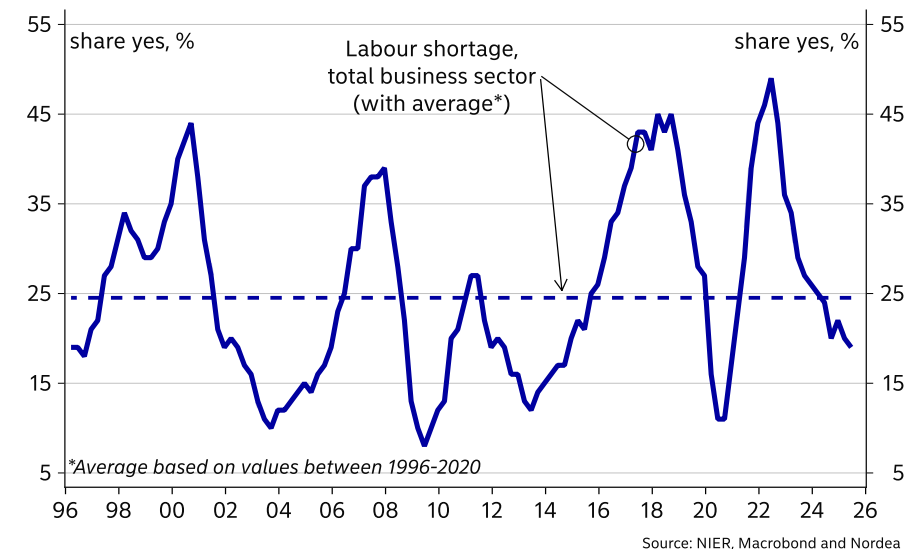
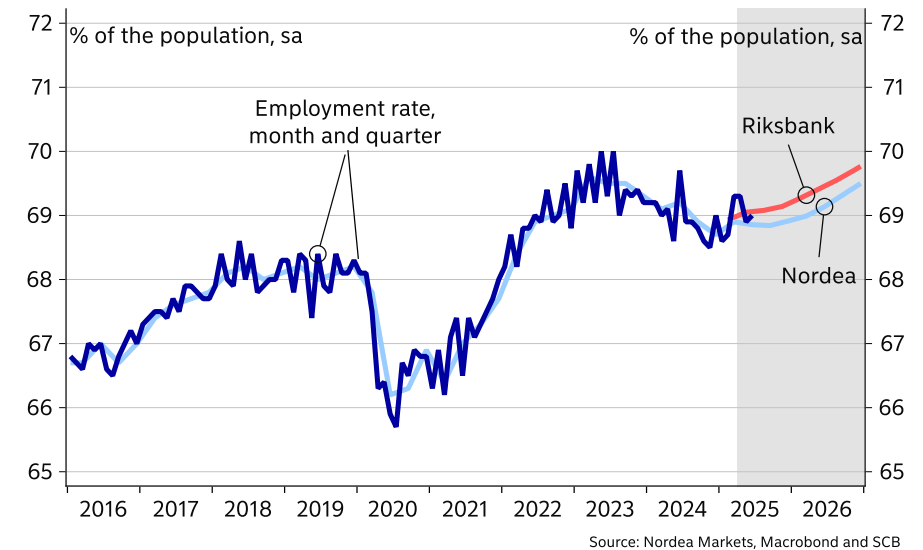




Labour market

Stabilising but fragile

- **Employment** increased by 0.1% m/m in June, according to SCB's Labour Force Survey (LFS). For the full Q2, the employment rate stood at 69.0%.
- **Unemployment** declined to 8.3% in June from 9.0% in May, partially due to a large decline in the labour force. The June LFS was overall better than expected, but data are very volatile. In contrast, the unemployment rate edged up in June, according to SPES.
- Labour market indicators have been somewhat mixed in recent months. **New vacancies** appear to have stabilised, albeit at low levels. Companies employment plans declined in July, suggesting modest demand for labour.
- **Labour shortage** decreased in Q2, according to the NIER survey, falling further below its historical average and indicating that there are available resources on the labour market.
- **Wages** rose by 3.2% y/y in April, unchanged from March and in line with the profile for wage agreements. Wage drift has declined in recent months.



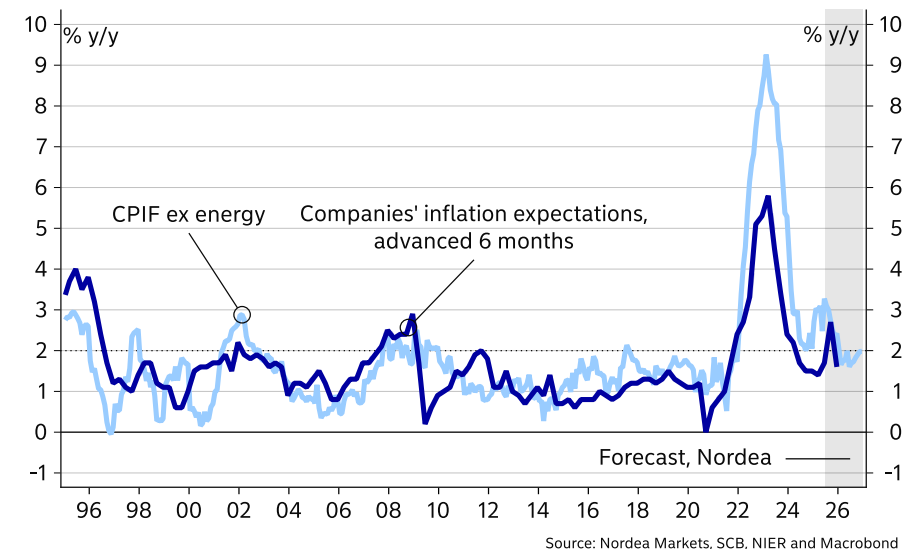
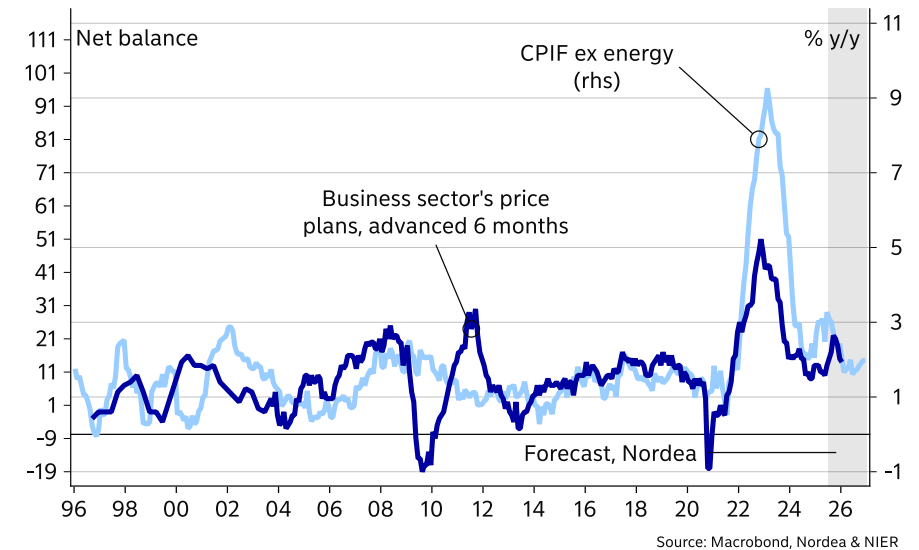
The Riksbank and inflation

Too high inflation and weak domestic demand

- The **Riksbank** lowered the policy rate by 25bp to 2.0% in June and opened the door for another rate cut later this year.
- **CPIF**-inflation stood at 2.8% and **CPIF ex energy** at 3.3% y/y in June, well above the Riksbank's forecast.
- The main surprise on the upside in June was prices of **car rentals** and **foreign travel**. Also, prices of goods were on the high side to our forecast.
- Although the uptick in June inflation can mainly be attributed to **volatile components** and some technical factors, inflation is nevertheless too high for the Riksbank's comfort.
- Indicators in Q2 such as business sector's **price plans** and **inflation expectations** were down and thus dovish. The latter fell to 1.6% in Q2, from elevated 2.7% in Q1.
- **Nordea** expect inflation to decline later this year. We keep our call that the Riksbank will stay on hold at 2.00%. However, further monetary easing cannot be ruled out as growth has disappointed.

Read more:

- [Riksbank review: Easing bias – but longer out](#)
- [Swedish July inflation preview: A busy month](#)



Nordea

Thank you!

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