

Copenhagen, Helsinki, Oslo, Stockholm, 27 March 2012

A glimpse of light

The outlook for the global economy is brightening again after a dramatic summer and autumn 2011 with imminent danger of a renewed meltdown in the financial markets. The optimism is due to the fact that the recovery of the US economy has taken hold, the European sovereign debt crisis has been contained and the slowdown in the increasingly important Emerging Markets will be short-lived.

Safe havens

During the crisis, the Nordic countries have enjoyed safe-haven status in financial markets not least due to sound public finances and – with the exception of Finland – substantial current account surpluses. This will also be the case going forward, as the Nordic EU countries have a strong track record in terms of fiscal discipline and reforms to improve fiscal policy sustainability.

Norway has become the Nordic growth comet, not least thanks to a strong trend in domestic demand. However, a sharp increase in the labour force will prevent any significant drop in unemployment. Inflation will remain low and wage growth will be relatively moderate. Norges Bank may therefore keep interest rates low into 2013 – thus preventing the NOK from appreciating sharply. In 2013 when the global growth outlook improves and the market gradually starts to factor in interest rate hikes in other countries, Norges Bank can begin a cautious rate hiking cycle.

The strong expansion of the **Swedish economy** ended in late 2011 when exports contracted, investments flattened out and cautious households increased savings. The slowdown reduces demand for labour and the unemployment rate looks set to rise over 8% in late 2012. Public finances are balancing, but will turn negative along with weak growth. Inflationary pressures are modest and will ease further. Therefore the Riksbank continues to cut rates to mitigate the economic deceleration. Improved global demand will lift exports later this year. From mid-2012 the economy will expand again, posting decent growth figures and increasing employment during 2013 when the Riksbank will start hiking rates again.

The **Danish** economy is improving: unemployment is declining, consumers are more positive, expectations for the future in the manufacturing sector are steadily rising and exports are higher than ever. Against this background, we reiterate our December forecast of an overall expansion of the Danish economy of 1¼% this year, rising to 1¾% in 2013. The biggest challenge to the Danish economy is no doubt the housing market, as the sharp house price declines in Q4 are a cause for concern. However, in a long-term perspective house prices are back at a “fair” level and we therefore expect the housing market to stabilise throughout 2012.

Economic activity in **Finland** is expected to dampen in H1 2012 and start picking up again in H2 2012. The risk of a new recession has diminished and we have raised our growth forecasts slightly to 0.5% in 2012 and 2% in 2013. Subdued growth this year hinges on domestic demand and slightly increasing consumption in particular. In 2013 net exports will expand following the anticipated recovery of the most important export areas and boost the economy along with domestic demand. Moderate growth will weaken employment this year, restrain the accrual of tax revenues and make it more challenging to narrow the public sector financial deficit.

Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approx. 1,400 branch offices and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

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The full report is available on www.nordea.com

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