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Economic Outlook: Nordic economies at a slow speed

The world economy continues to grow, but the pace is slow, it says in the latest report, Economic Outlook, from Nordea. This also applies to the Nordic economies, with the exception of Norway and Sweden.

- The world economy is improving, but uncertainties are high. Monetary policy will remain very cautious over the coming years, and the tightening of fiscal policy in the Euro area also subsides. The key word is still debt reduction in both the private and public sector, and credit growth will be weak. In our report we forecast moderate growth in the world economy of 3.1% this year, increasing to 3.5% in 2013 and 3.8% in 2014, says Helge J. Pedersen, Nordea's Global Chief Economist.

Safe havens may also be hit

Denmark, Finland, Norway and Sweden have status as safe havens in financial markets. But while the Norwegian economy shines, darker clouds are gathering over Sweden while Finland and Denmark are on the brink of a new recession.

The **Danish** economy is characterised by low growth and a largely unchanged level of activity since the autumn of 2010. Gradually Denmark is expected to return to the growth track driven by substantial pent-up demand among households that will gradually show through in rising consumption. Meanwhile, growth will also be underpinned by a delayed positive contribution from public sector consumption and investment.

The **Norwegian** economy continues to benefit from the high level of oil prices. Growth will remain high going forward. But thanks to the large immigration of labour, the country will most likely avoid overheating of the labour market and a sharp acceleration in cost pressures. Although wage growth will be markedly above the levels seen in the other Nordic countries, it will not be so high as to threaten Norges Bank's inflation target. Nevertheless, with strong economic growth and higher capacity utilisation, interest rates should rise somewhat in the years ahead.

Also the **Swedish** economy has been a positive story so far. Both GDP and employment rose in the first half of 2012 despite the slowing international economy. Much suggests that growth will decline over the coming quarters, but households are still in good shape. In combination with a slightly more expansionary economic policy and the anticipated improvement in international economic activity, this will underpin growth over the forecast horizon.

Finland is also feeling the effects of the global economic slowdown and is probably heading into recession. Exports and investment activity are slowing in line with the trend in world trade, while weaker imports reflect problems in domestic demand. Consumer spending has lost most of its steam and will lose further momentum once the slowdown also hits the labour market. A new recovery driven by a stronger international economic environment will only emerge later in the forecast period.

[Read the report on nordeamarkets.com.](http://nordeamarkets.com)

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