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Economic Outlook: Out of breeze

As the Nordic countries are all small, open economies vulnerable to the weak international economic trends, we have had to revise down our growth forecasts for Finland and Denmark for both 2013 and 2014. We largely maintain our forecasts for Sweden relative to our March forecasts, but expect weaker trends in Norway next year than previously forecast. This is the new forecast from Nordea.

- All in all, the Nordic economies combined will grow by 1.2% this year, rising to 2% in 2014. This is still significantly ahead of the Euro-zone economy, which looks set to decline by 0.4% this year and only expand by 1% in 2014, says Nordea's Global Chief Economist Helge J. Pedersen.

The **Swedish economy** stagnated at the end of 2012. Although GDP recovered in Q1 2013, the data contained signs of weakness such as rising inventories. Private consumption is seen as the main driving force this year as well as next year as households benefit from rising wages, low inflation and tax cuts. Employment continues to grow, but not enough to prevent unemployment from remaining at elevated levels. The Riksbank watches household indebtedness and will not cut rates despite low inflation and high unemployment. The next move will be a rate hike in 2014.

In line with expectations GDP growth in **Norway's** mainland economy picked up nicely in Q1, supporting our belief that the dent in growth in Q4 was temporary. Still, unemployment has increased somewhat and wage growth looks set to be slightly lower than expected. We have therefore revised down our forecast for consumption growth, and investment activity now also looks set to be weaker than previously projected. Against the backdrop of lower production and wage growth and higher unemployment, we do not look for a rate hike until late in 2014.

The **Danish** economy is struggling with the effects of an almost 4-year long intermission with activity growth around zero. However, we expect this sideways trend to be replaced by moderately accelerating growth later this year and especially into 2014. The pick-up will be mainly driven by rising domestic demand, with higher consumer spending and mounting investment activity.

The short-term outlook for the **Finnish** economy is weakened by the lack of both international and domestic demand, and the labour market is expected to deteriorate throughout the year. Towards the end of 2013, exports are expected to recover following a pick-up in world trade volumes. In 2014 exports, investment and private consumption alike should gradually gather more momentum.

Real GDP growth, %	2010	2011	2012	2013E	2014E
World	5.2	3.9	3.2	3.2	4.0
Nordics	3.7	2.7	1.0	1.2	2.0
- Denmark	1.6	1.1	-0.5	0.3	1.3
- Finland	3.3	2.8	-0.2	-0.5	1.5
- Norway	1.7	2.5	3.4	2.6	2.2
- Sweden	6.6	3.7	0.7	1.5	2.5

Note that we have changed our calculation methodology for global economic growth to match the IMF's methodology. Consequently, the growth forecasts in this issue of *Economic Outlook* are not comparable to those in earlier versions.

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