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Economic Outlook: Fragile growth

The Nordic region is heading for better times, but growth prospects remain fragile due to international uncertainties and domestic weakness in several countries.

- Sweden appears to be best positioned for substantial progress over the coming years. Denmark and Finland are both in for a moderate recovery while the Norwegian economy will slow significantly after years of high growth. Combined the Nordic economies will grow by close to 2% this year. This is significantly ahead of the Euro-zone economy, which is out of the recession but will expand only by 1.2% in 2014 and 1.5% in 2015, says Nordea's Global Chief Economist Helge J. Pedersen.

The **Swedish** economy began to recover in the latter part of 2013. Domestic demand grew at a rapid pace, while exports remained subdued. Low interest rates and an expansionary fiscal policy provide stimulus to the economy in 2014. Households are still the most important driver of the economy. Growth will strengthen further when global demand and exports regain momentum. Investment activity will pick up as production rises and thereby contribute to growth.

The **Danish** economy ended 2013 on a weak note, but there are better times ahead. Especially the export sector could see quite decent gains driven by high growth in the most important markets. But domestic demand will also accelerate as pent-up demand is released once the labour market situation improves. Home prices paint a relatively optimistic picture, but trading activity is low and characterised by geographical bias.

The recent performance of the **Finnish** economy is weak with real GDP failing to increase for seven consecutive quarters. Positive growth contributions from foreign trade have been more than offset by negative contributions from domestic demand. The trends in the global economy suggest that the pick-up in export demand will strengthen in 2014. Domestic demand remains weak at first as somewhat lower employment is a drag on consumption, and the investment outlook is poor.

Growth in **Norway's** mainland economy gradually gained momentum in H2 2013. Still, we have not become more optimistic about the growth outlook. Residential construction looks set to decline, consumption growth should be moderate and oil investment seems to be peaking. In a weak macro environment, business investment will likely also be very modest. Rising export growth and an expansionary fiscal policy are positives, though hardly enough to prevent a slowdown.

Real GDP growth, %

	2011	2012	2013	2014E	2015E
World	4.0	3.3	3.0	3.7	3.9
Nordics	2.2	1.0	1.1	1.9	1.8
Denmark	1.1	-0.4	0.4	1.3	1.7
Finland	2.8	-1.0	-1.4	0.3	2.0
Norway	2.6	3.4	2.0	1.5	1.2
Sweden	2.9	0.9	1.5	2.8	2.5

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