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Economic Outlook: Headwinds

Once again the global economy is facing headwinds. The nascent global recovery at the beginning of the year has become subject to growing uncertainty due to mounting geopolitical tensions.

According to new economic forecasts from Nordea especially Europe feels the chill from the cold winds in the East and the economy has shown signs of weakness since the spring.

- As the rest of the world, the Nordic countries also follow different growth patterns. Since the release of our latest Nordic forecast in June, notably the Norwegian economy has surprised on the upside, while Sweden has not lived up to our expectations. The Danish economy is recovering at a moderate pace, while Finland has tested new lows. We expect overall growth in the Nordic region to rise from 1.3% this year to 2% in 2016, says Helge J. Pedersen, Nordea's Global Chief Economist.

The otherwise strong **Swedish** economy has disappointed, especially because contrary to expectations exports have not gained traction in the same way as domestic demand. GDP growth will thus not accelerate sharply. Households' favourable financial conditions are reflected in growing consumption, rising house prices and higher residential construction.

The **Norwegian** economy has surprised on the upside, and recent indicators still paint a strong picture of the economy. Solid consumption growth will help underpin overall economic growth in the years ahead, although 2015 may prove a soft spot due to a quite substantial decline in oil investment.

At the moment, an erratic recovery is taking shape in the **Danish** economy. This recovery is partly driven by consumer spending, which has started to edge higher. We expect this trend to remain intact in coming years, in step with rising employment and positive real wage growth boosting household disposable income.

There are also no signs of stronger exports in **Finland**. After a promising start this year, the direction of manufacturing orders is again unclear. GDP will probably contract in 2014 for the third consecutive year, and due to sanctions on Russia, a modest pick-up in GDP is not expected until well into 2015, suggesting that Finland is only one shock away from a fourth year of contraction.

Real growth, %

	2013	2014E	2015E	2016E
World	3.1	3.4	3.8	3.9
G3	1.2	1.6	2.2	2.2
BRIC	5.8	5.7	5.8	5.9
Nordics	1.0	1.3	1.6	2.0
Sweden	1.6	1.9	2.5	2.3
Norway	2.0	2.3	1.5	2.2
Denmark	0.4	0.5	1.3	1.7
Finland	-1.2	-0.5	0.3	1.2

For further information:

Helge J. Pedersen, Global Chief Economist, +45 33 33 31 26

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