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## Economic Outlook: In need of vitamins

*Winter is upon us, and most of us need an extra dose of vitamins. Metaphorically speaking, this is also the case for large parts of the world economy where the economic performance has again made Nordea revise down the expectations in their new economic forecasts.*

One such dose of vitamins could be the recent dramatic and unexpectedly sharp oil price decline which could become a crucial catalyst for growth in the world economy, which we expect to gain strength in coming years.

- Given the relatively weak international trends, growth conditions have been tough for the Nordic countries, which are all quite reliant on foreign trade. Nonetheless, both Sweden and Norway have delivered relatively decent growth rates, not least driven by a strong upturn in domestic demand while Denmark and Finland have been the laggards in the Nordic growth race. This will not change in the years ahead where we expect overall growth in the Nordic region to rise from 1.4% this year to 1,9% in 2016, says Helge J. Pedersen, Nordea's Global Chief Economist.

Notably in **Sweden** inflation has still been extremely low and the Riksbank therefore aggressively cut interest rates to a historically low level of 0%. Credit growth remains strong and sharp increases in house prices could threaten financial stability. Those risks are now sought mitigated through macroprudential measures.

The outlook for the **Norwegian** economy will be very reliant on oil price trends. OPEC 's decision not to reduce its production quotas means that the uncertainty about growth in 2015 and 2016 is higher than previously assumed . However, we expect that a possible sharp downturn in the economy will be addressed through a significant fiscal easing.

Five consecutive quarters of growth indicates that **Denmark** has good chances of emerging from the growth crisis on the back of significantly improved labour market conditions and a stabilisation of the housing market.

**Finland**, on the other hand, is still stuck in recession. The slowdown in Russia hits the Finnish economy harder than the other Nordic countries, and in light of the serious structural problems that Finland is also struggling with, we see a risk of new growth disappointments.

### Real growth, %

	2012	2013	2014E	2015E	2016E
World	3.4	3.3	3.3	3.8	3.9
G3	1.1	1.2	1.5	2.1	2.1
BRIC	5.8	5.7	5.5	5.2	5.2
Nordics	0.5	0.7	1.4	1.5	1.9
Sweden	-0.3	1.3	1.8	2.5	2.4
Norway	3.8	2.3	2.6	1.6	2.0
Denmark	-0.7	-0.5	0.8	1.3	1.7
Finland	-1.5	-1.2	-0.5	-0.3	1.0

### For further information:

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