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Nordea Economic Outlook: Another brick in the wall

In its new forecasts Nordea upgrades expectations for growth in Emerging Markets and in the US and the UK. The outlook for the Nordic countries remains overall healthy.

The new economic forecasts from Nordea project global growth of 3.1% this year, 3.3% in 2017 and 3.4% in 2018. This is slightly higher than the latest forecasts from September.

- The more benign outlook is based on Emerging Markets benefiting from higher commodity prices as well as upgraded forecasts for the UK and the US. The UK economy seems to be more resilient to Brexit than feared, and so far we give the benefit of the doubt to Donald Trump's economic policy, says Nordea's Group Chief Economist, Helge J. Pedersen.

The **Nordic economies** are overall in a good shape, although growth in the **Swedish** economy has shifted into a lower gear. However, the slowdown is modest, and demand for labour remains high. Bottlenecks are obstacles, but wage increases are not rising as they normally do in a tight labour market. Inflation will stay below the 2% target, and the Riksbank will adopt more stimulus measures.

In Norway, oil investment looks set to decline more than previously expected in 2017, while housing prices and mainland construction activity will grow more than previously forecast. The overall picture of the **Norwegian** economy has therefore not changed much since September. The gradual pick-up in growth will be sufficient to maintain a stable unemployment rate.

After major revisions, the data paint a much more benign picture of **Danish** economic growth. Sustained labour market progress will likely fuel further growth in coming years. Housing prices will continue to rise, albeit at a slower pace than in recent years, supported by low interest rates and employment gains.

It has been a while since the **Finnish** economic data were as positive as they are now. The drivers of domestic demand – construction investment and private consumption – are the unchallenged engines of the economy, but slower growth is in the cards for both drivers already in 2017. On the bright side, passenger cars alone provide a healthy but temporary boost to goods exports next year.

- Political uncertainty is the biggest risk to the outlook, and we are especially worried about the increasing tendency to build barriers to the free trade of goods and services. This will inevitably hurt small open economies such as the Nordic countries, says Helge J. Pedersen.

Read Economic Outlook here: <http://ndea.mk/EO1701DLeng>

Real GDP growth, %

	2014	2015	2016E	2017E	2018E
World	3.4	3.2	3.1	3.3	3.4
Advanced economies	1.9	2.1	1.6	1.7	1.7
Emerging markets	4.6	4.0	4.2	4.5	4.6
Nordics	1.8	2.0	1.8	1.8	1.7
Sweden	2.7	3.8	3.2	2.3	2.0
Norway	2.2	1.0	0.8	1.7	2.0
Denmark	1.7	1.6	1.0	1.5	1.7
Finland	-0.7	0.2	1.5	1.0	0.8

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