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Nordea Economic Outlook: Time of fear

“There is a real risk that the relationship between the US and China, which basically is a struggle for global dominance, could turn even worse,” says Nordea’s Group Chief Economist, Helge J. Pedersen. “That is one of the reasons why we see a bigger risk of growth surprising on the downside rather than the upside in the coming years.”

Fear is a powerful word to use in any context, but if you’re looking at financial markets and central bankers behaviour, it’s apt. A year ago we wondered if the trade war between the US and China might be approaching an end. We’d also anticipated a Brexit deal. And Germany was expected to underpin a Nordic wage drive. But fast forward one year and that trade war is firmly entrenched, the UK is spiralling towards a no-deal exit and Germany is flirting with recession. Little wonder then that The Nordics are, to differing degrees, dealing with the overspill.

In **Sweden**, GDP is slated for 1.4% growth in 2019 before bottoming out at 1.0% in 2020. That’s partly on the back of a decline in exports which show every sign of stagnating in the second half of the year after somewhat unexpectedly helping buttress the economy over the last 12 months. Negative growth rates can’t be ruled out at this stage but household consumption should pick up next year and exports too should improve gradually. Nevertheless, expect SEK to remain weak until the end of 2021.

Finland too is dealing with a serious slowdown in momentum which we project to pull GDP growth down from 1.2% in 2019 to a rather anaemic 0.5% in 2021. Finland’s heavy reliance on trade with a struggling eurozone will undoubtedly send negative ripples through the economy and number one trade partner Germany’s slide into negative territory will only exacerbate the difficulties for the export sector. Recovery is unlikely in the forecast period and what growth there is, will largely be down to household consumption.

Denmark is by no means immune to the vagaries of the global economy and slowing employment growth and dampened business confidence are clear evidence of that influence, but the economy seems well-positioned to withstand the worst of any slowdown. With a savings glut prevalent among households and businesses, and a diverse exports portfolio, GDP growth will only weaken slightly from 1.8% in 2019 to 1.5% in 2020. That weakening will likely come from a slight slide in exports and a reduction in investment activity.

If there’s an outlier in The Nordics, then look no further than **Norway**. A sharp rise in oil investment and solid earnings in the commodity-oriented export sectors allied to the structure of the Norwegian corporate sector, should ensure a positive outlook for the manufacturing sector. Real wages growth is slated for 3.4% in 2019 with perhaps the only blip in the horizon arising in the employment sector where growth in the workplace may not keep pace with demand. With immigration at its lowest since 2006, there will be no help from there for the foreseeable.

[Read Economic Outlook here:](#)

Real GDP growth, %	2017	2018	2019	2020E	2021E
World	3,8	3,7	3,0	2,9	3,3
Advanced economies	2,4	2,2	1,6	1,1	1,5
Emerging markets	4,8	4,7	4,1	4,3	4,6
Nordics	2,3	2,0	1,7	1,4	1,5
Sweden	2,4	2,5	1,4	1,0	1,6
Norway	2,0	2,2	2,5	2,3	2,1
Denmark	2,3	1,5	1,8	1,6	1,5
Finland	3,0	1,7	1,2	1,0	0,5

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