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Nordea Economic Outlook: Proceed with caution

The outlook for the world economy has brightened for the first time in a year and a half, according to Nordea's Economic Outlook. While the bank's forecast for global growth is revised slightly down since September, the picture is less bleak.

"The downside risks from the trade war and Brexit have receded, and the big central banks have come to the rescue once again. Yet, while the worst of the storms may be over, there's still reason for caution, as geopolitical risks continue to cast a shadow over 2020 and beyond", says Nordea's Group Chief Economist, Helge J. Pedersen.

The Nordics overall stand on solid footing and are relatively well-equipped to handle the global slowdown.

While GDP growth in **Sweden** will continue to be low for now, largely due to falling exports, we expect an improvement later in 2020 as exports and domestic demand recover. Positive wealth effects and rising incomes are boosting household consumption. Still, demand for labour is sluggish, wage increases stuck at 2.5%, and unemployment slated to climb to around 7.5%. Inflationary pressures are modest, and inflation will undershoot the 2% target, but the Riksbank will keep the repo rate unchanged at 0.0% in 2020 and 2021. The SEK exchange rate will remain at relatively weak levels.

Economic growth in **Finland** is stalling, expected to slow to 1% in 2020 and decelerate further to 0.5% in 2021. Private consumption, on the back of solid wage growth of 3%, continues to underpin economic growth, but the savings rate has been rising, eating away at consumption potential. Lacklustre investment activity and cooling export demand will weigh on growth in the coming years. The labour market is forming a bottleneck on the economy, with unemployment stuck at 6.7% despite rising vacancies in 2019. Structural reforms to support labour supply are needed urgently to boost productivity.

After years with high growth, **Denmark's** economy is showing signs of a cooldown. The upswing has been driven by a solid increase in consumer spending, fuelled by growing employment, positive real wage growth and considerably lower interest expenses, alongside heightened investment activity. However, the six-year upswing has also depleted idle resources in the Danish economy, making it increasingly difficult to expand at a faster pace than the long-term potential growth rate. Coupled with moderate growth trends in the global economy, this means that the economy will grow by rates around 1.5% in both 2020 and 2021.

Norway's economy is in balance after a strong 2019 and will now enter a period of more moderate economic growth, in line with its long-term potential. The growth picture is shaped by petroleum investments, which will turn from solid growth last year to a moderate fall next year. However, solid demand from the mainland, especially private consumption, will bolster economic growth. Unemployment will remain low and stable, and wage settlements will ensure good growth in purchasing power. Norges Bank will keep interest rates unchanged and the krone may strengthen somewhat.

[Read Economic Outlook here:](#)

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

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