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## Economic Outlook: Shifting gears

According to new economic forecasts from Nordea the Nordic countries are still at various stages in the economic cycle. Norway and Sweden are well under way, while Denmark is only slowly ascending from the bottom. Finland is hit by a renewed risk of ending up in a protracted economic recession.

- The Nordic economies combined will grow by 1.6% this year, rising to 1.9% in 2015. This is well ahead of the Euro-zone economy, which will expand by 1.2% in 2014 and 1.5% in 2015. Combined with solid public finances and strong external positions this illustrates that the Scandinavian countries are ready to step in as safe havens in the financial markets whenever it might be needed, says Helge J. Pedersen, Nordea's Global Chief Economist.

In **Sweden** strongly accelerating domestic demand is one of the main growth drivers this year. Although economic policy is very expansionary, unemployment is still relatively high and inflation far below the Riksbank's target. This paves the way for the bank lowering rates one more time this year to 0.5%, which marks the bottom of the current easing cycle.

The **Norwegian** economy has so far this year been stronger than initially assumed. Notably the housing market seems to be gaining traction after a brief period of price declines towards the end of 2013, aided by the banks' easier credit standards and lower lending rates. However, we still look for a slight slowdown during the forecast horizon notably as a consequence of a decline in overall investment activity.

In **Denmark** the government has continued its reform- and growth-oriented economic policy line. And the housing market finally shows signs of moderate improvement, although there are still considerable regional differences. Employment is rising again and domestic demand looks set to revive from recent years' slumber during the forecast period.

**Finland** has found it very difficult to shake off the financial crisis. Following recent years' steep declines in economic activity, the downturn continued this year. One of the chief reasons is the slowdown in the Russian economy and its severe impact on exports and cross-border shopping. However, in step with the international recovery, prospects will also brighten for Finland.

### Real growth, %

	2013		2014		2015	
	New	Old	New	Old	New	Old
World	3.0	3.0	3.5	3.7	3.9	3.9
Nordics	0.9	1.1	1.6	1.7	1.9	1.9
Sweden	1.6	1.5	2.7	2.8	2.4	2.5
Norway	2.0	2.0	1.8	1.5	1.6	1.2
Denmark	0.4	0.4	1.3	1.3	1.7	1.7
Finland	-1.4	-1.4	-0.5	0.3	1.0	2.0

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