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Nordea Economic Outlook: The wage engine

The escalation of the trade dispute between the US and the rest of the world has hit momentum in the global economy and that will only become more pronounced over the near- to mid-term.

Wage pressures in the Nordic countries have been conspicuous by their absence because of a focus on competitiveness in wage negotiations. But with employment continuing to rise, wage growth originating from Germany will inevitably spill over to the Nordic labour markets, says Nordea's Group Chief Economist Helge J. Pedersen.

The Swedish economy is still doing fine, supported by strong domestic demand. Housing prices have stabilised after last autumn's downturn, but private consumption looks set to slow due to uncertainty in the housing market. The labour market remains tight, but wage growth has been surprisingly stable. When the effect of the SEK depreciation fades and energy prices stabilise, inflation will drop next year. The Riksbank is expected to make its first move by the end of 2019 and hike twice in 2020, tracking the ECB towards normalisation.

The outlook for the Norwegian economy is good. The housing market has turned positive again and building activity will soon follow suit after a sharp drop year-to-date. Oil investment is also expected to rise sharply. Solid income growth and increased optimism among households and firms will boost growth in consumption and mainland investment. Wage growth will increase and in 2020 inflation will reach the target. Norges Bank will gradually increase rates and the NOK is set to strengthen.

The Danish economy is limbering up nicely on the back of falling unemployment, rising business investment and stronger consumer sentiment buoyed by very low interest rates, rising housing prices and solid real wage growth. Even so, growth this year looks very weak, mainly because of a one-off effect in 2017 and adverse effects from this summer's long drought. Growth will be higher in 2019, but is expected to slow slightly in 2020 due to growing labour shortages and lower demand.

The Finnish economy continues along a healthy growth track this year and next driven by consumption, which is fuelled by the favourable trend in the labour market and wage developments. However, at the end of the forecast horizon, employment growth is likely to cool as the labour market mismatch takes a negative turn. In addition, export growth has already slowed and we expect growth in export markets to cool further in the coming years.

Read the new Economic Outlook [here](#)

Real GDP growth, %

	2017	2018E	2019E	2020E
World	3.7	3.8	3.6	3.4
Advanced economies	2.3	2.2	2.0	1.4
Emerging markets	4.8	4.9	4.8	4.7
Nordics	2.4	2.3	2.1	1.9
Sweden	2.5	2.8	2.1	1.8
Norway	2.0	2.4	2.7	2.5
Denmark	2.3	1.0	1.8	1.7
Finland	2.8	3.0	2.0	1.5

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