

NORDICS

Labour shortages a growing problem / **p. 11**

BY THE NUMBERS

Key figure forecasts for the Nordic and global economies / **p. 28**

NORGE

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Nordea Economic Outlook[®]

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A NEW PHASE

The global recovery from the Covid-19 crisis has been rapid, and many economies are facing a new set of challenges.

/ **p. 6**

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"We now enter a new phase of the recovery where the need for further economic policy stimulus must be reviewed."

Helge J. Pedersen
Nordea Chief Economist

«Krisen er over.»

Kjetil Olsen

Nordea sjeføkonom, Norge

En ny fase

Vi har lenge sagt at løser vi helsekrisen, løser vi også den økonomiske krisen. Selv om det fortsatt er usikkerhet, ser den akutte helsekrisen her hjemme ut til å være bak oss. Dermed kan også den økonomiske krisen i Norge være over. Det gir anledning til refleksjon, og til å se framover mot en ny fase for økonomien.

Den økonomiske krisen vi nå legger bak oss, har vært både den dypeste og den kørteste siden andre verdenskrig. På alle måter har det vært en annerledes krise. Den hadde sitt utspring i helse, ikke i økonomiske forhold. For oss økonomer har det gjort denne krisen veldig annerledes å forholde seg til enn andre kriser. Den har vært forholdsvis lett å analysere, men samtidig vanskelig å lage prognoser for.

Analysen har vært lett fordi årsak/virkning har vært så ekstremt tydelig. Ved økt smitte har myndighetene innført restriksjoner for å begrense smitten. Disse restriksjonene har i sin tur begrenset deler av næringslivets muligheter til å tilby det de vanligvis produserer. Når tilbudet ikke er der, faller selvsagt etterspørselen også bort. I alle andre kriser har det vært motsatt; tilbudet har falt *fordi* etterspørselen faller.

Årsak/virkning analysen har også virket i revers. Når restriksjonene lettes, kommer tilbudet tilbake. Da har også, og dette er ikke veldig overraskende, etterspørselen kommet tilbake. Norsk økonomi har skutt fart siden vi startet gjenåpningen i april og nærmer seg nå et normalt nivå.

Krisen har imidlertid vært vanskelig å lage prognoser for, fordi vi har med et virus å gjøre. For å si noe om framtiden, har vi måttet lage prognoser for når restriksjonene

ville bli lettet. Før vi fikk vaksinene, var det nærmest en umulig oppgave. Da det ble klart at vaksinene kom, fikk vi bedre oversikt. Da ble det mulig å gjøre en gjetning på når store deler av befolkningen ville være vaksinert. Dermed ble det også mulig å gjøre en gjetning på gjenåpningen av samfunnet. Siden januar har det ligget an til at sommeren ville bli et vendepunkt for både pandemien og økonomien, og at vi mest sannsynlig kunne leve tilnærmet som normalt fra i høst av. Det ville langt på vei også friskmelde økonomien.

Nå er høsten i anmarsj. Om et par uker vil alle voksne ha fått tilbud om også en andre vaksinedose. Da vil vi ha en rekordhøy andel av befolkningen vaksinert. Dermed brytes trolig linken mellom smitte og restriksjoner. Selv om smitten nå tiltar, blir langt færre alvorlig syke. Dermed kan myndighetene lette ytterligere på restriksjonene uten at sykehusene blir sprengt. Slik det ser ut nå, kan de siste restriksjonene her hjemme bli fjernet i slutten av måneden. Da vil norsk økonomi gå inn i en ny fase.

Blant annet vil tiden med nullrente være forbi. Norges Bank vil starte normaliseringen av renta og heve den en første gang med et kvart prosentpoeng om noen uker. Den videre planen er en ny renteheving hvert kvartal i hvert fall det neste året.

Norges Bank virker ganske bestemt på å løfte renta opp til et mer normalt nivå. De har nok også spurt seg om nullrente var riktig medisin i en krise som denne. Rentekuttene har avhjulpet situasjonen for permitterte og kriserammede bedrifter. Men den har neppe bidratt til å stimulere aktiviteten særlig, all tid det var smittevern og ikke etterspørselen som begrenset aktiviteten. Nullrenta har imidlertid løftet boligprisene kraftig og økt ulikhetene i samfunnet. Det var ikke det Norges Bank egentlig ønsket seg.

Krisen har trengt støttepakker og vaksiner, ikke stimulanser. Når krisen er over og de aller fleste er kommet tilbake i jobb, trenger vi i hvert fall ikke en så lav rente. For lave renter for lenge kan skape ubalanser i økonomien med for mye gjeld og altfor høye boligpriser. Ikke bare øker det ulikhetene ytterligere, det kan legge grunnlag for nye kriser rundt neste sving.

Som alle andre ekstraordinære tiltak under koronakrisen, blir rentekuttene nå reversert fordi behovet ikke lenger er der. Det skal trolig en del til før Norges Bank avviker mye fra den planen de nå har lagt. Jeg blir ikke overrasket om renta er tilbake der den kom fra i løpet av neste år.

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GLOBAL AND FINANCIAL MARKETS OVERVIEW

New challenges

The recovery from the coronavirus crisis has been rapid, and the short-term global outlook continues to be robust, although possible new virus mutations can weaken the outlook. As a consequence of the rapid recovery, inflation has accelerated worldwide but so far mainly because of higher oil prices and post-pandemic price corrections. We expect inflation rates to decline significantly in 2022, but, for the first time in years, there are upside risks to inflation, and the labour market outlook is particularly interesting in many countries. The Fed is expected to start hiking rates next year, which should benefit the dollar.

In most developed economies with high vaccination rates, the pace of the recovery has been fast, and they are already close to their pre-crisis GDP levels. In these countries, also the short-term outlook is robust as we expect that the current wave of the Delta virus will not trigger another round of widespread restrictions. However, emerging economies with lower vaccination rates are much more vulnerable and overall, new mutations possibly resistant to the existing vaccines continue to be the biggest downside risk to our forecast.

As a result of the exceptionally fast recovery, economies are facing new challenges as the extreme shifts in both aggregate and sectoral demand test the economies' capability to reallocate resources rapidly. Signs of overheating are appearing in some parts of the global economy as we are quickly returning to high production and capacity utilisation levels. In addition, demand is strong due to low financing costs and the relatively robust situation of households that now hold a vast amount of excess savings. Flexibility is thus needed especially in the labour markets of many countries where the number of job vacancies

is record high while unemployment remains elevated. Otherwise, growth will slow suddenly.

At what levels will inflation stabilise?

Labour market developments will also be the key for inflation prospects. In 2021, higher energy prices and post-pandemic price corrections have lifted inflation, but it remains to be seen to what extent this is a temporary phenomenon. Uncertainty about the inflation outlook is higher than for many years. In the US, we see many signs of sustained wage and price pressures, but the key question is whether the people who left the labour market during the pandemic will return. In the Euro area, the existing wage agreements imply that the basis for wage growth in the near term will be low. However, now that inflation rates are high, especially in Germany, it will be interesting to see whether the tone in wage negotiations will change. Also in China, the global bottlenecks are reflected in higher producer prices. However, China's wider inflationary pressures seem to be under control, and the authorities have a large tool bag to control price developments in the country.

5.1%

Global GDP growth in 2022.

10m

The number of job vacancies in the US in June 2021.

2.1%

Expected inflation in the Euro area in 2021.

GDP GROWTH FORECAST, % Y/Y

	World		US		Euro area		China	
	New	Old	New	Old	New	Old	New	Old
2020	-3.3	-3.3	-3.5	-3.5	-6.5	-6.7	2.3	2.3
2021E	5.5	5.8	6.2	6.2	5.0	4.5	8.1	8.5
2022E	5.1	4.5	4.3	4.0	4.0	4.0	5.6	5.5
2023E	4.1	-	2.3	-	2.5	-	5.5	-

The pace of the recovery will slow in the US

In the United States, economic activity has rebounded, and GDP is back at its pre-pandemic level. Households quickly responded to the reopening of the economy, and consumer spending has surged back to its pre-crisis trend. However, the impact from the stimulus package in March is fading, and consumer confidence is weakening due to the current Delta Covid wave. On the positive side, there are early signs that supply-side disruptions are easing, especially in the labour market. Fiscal policy is expected to be accommodative going forward, but the outlook is cloudy until at least October.

China's political priorities have global impacts

The Delta virus has found its way also to China, and China's growth will be hindered by lockdowns in the coming months. The major downside risk in the short term is that the Chinese vaccines turn out to be inefficient against the new virus mutations and that the lockdowns will be more persistent than in the developed economies. The negative impact of China's slower growth will of course be felt globally, but at a sectoral level the impact can be even more dramatic. As we have recently seen, Chinese leaders are not afraid of making rapid economic policy shifts, causing volatility in many sectors. The Chinese internet giants, tutorial companies and e-games have been

mostly affected. One recent example of a policy shift causing global consequences is the stricter regulation of China's steel industry. The production cuts have caused the iron ore price to decline but at the same time increased pressures on steel prices.

Euro area: country-level differences

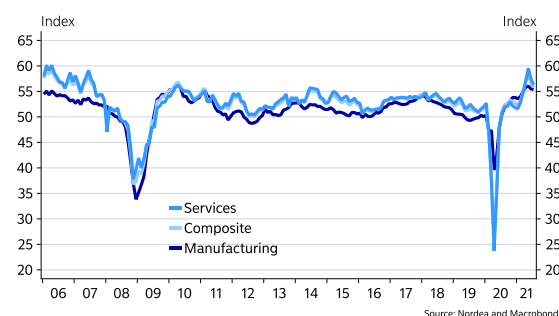
Euro-area GDP as a whole is expected to be at the pre-crisis level by the end of 2021. However, country-level developments vary substantially as countries such as Spain that are dependent on foreign tourism are still lagging behind. The implementation of the NGEU recovery fund has proceeded, and the first disbursements have been made. The largest economic impact of the fund is expected to be seen in 2022-2023, thus keeping economic growth above its long-term potential in the coming years and bringing the EU close to its pre-pandemic trend. However, it remains to be seen whether substantial structural reforms are carried out as part of the investment programme and whether the long-term growth prospects – key for the debt sustainability in many countries – will genuinely improve. From a political perspective, the uncertainty is increased by the approaching elections in, for example, Germany and France.

"Euro-area growth is expected to be above the long-term potential in the coming years."

Tuuli Koivu
Nordea Chief Economist

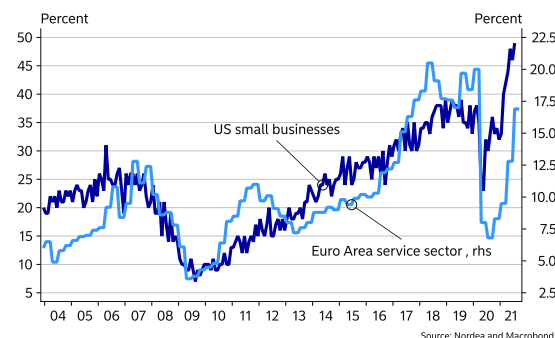
A / Fastest growth rates are already behind us

Global PMIs



B / Much flexibility is now needed in the labour market

Companies saying that problems in recruitment hindering business



A /

Although the fastest growth momentum is already behind us, the short-term global growth prospects remain robust.

B /

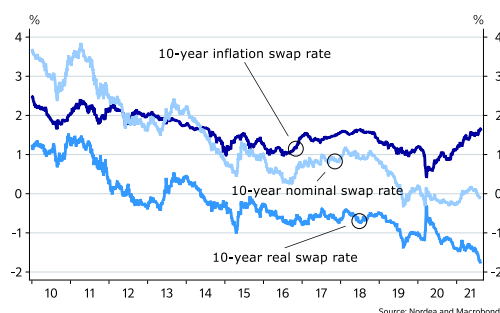
From a growth perspective, it is critical to be able to supply enough labour.

Sources: Nordea and Macrobond

FOREIGN EXCHANGE RATES, MONETARY POLICY RATES AND BOND YIELDS, END OF PERIOD

					ECB	Fed	US	Germany
	EUR/USD	EUR/GBP	USD/JPY	EUR/SEK	Deposit rate	Fed funds target rate (upper end)	10Y benchmark yield	10Y benchmark yield
2020	1.22	0.90	103.20	10.04	-0.50	0.25	0.93	-0.56
2021E	1.16	0.85	112.00	10.40	-0.50	0.25	1.60	-0.30
2022E	1.11	0.83	115.00	10.20	-0.50	0.50	2.30	0.10
2023E	1.10	0.82	115.00	10.10	-0.50	1.25	2.60	0.40

C / Euro-area real yields hit new lows



D / Real rates underpin the USD vs. the EUR



Bond purchases not preventing higher yields

The Fed's rhetoric has changed, and the central bank is set to decide to start scaling down its net asset purchases during the autumn. We expect the above-target core inflation to prove quite sticky and see the Fed starting a rate hiking cycle in the second half of 2022.

The ECB, in turn, opted for a symmetric 2% inflation target during the summer and changed its forward guidance in a more dovish direction, raising the bar for rate hikes. With the modest Euro-area inflation outlook, we do not see any ECB rate hikes even over our extended forecast horizon until end-2023. The pandemic-era bond purchases are still likely to be concluded during the first half of 2022, but the central bank will continue to buy a significant amount of bonds via its other purchase programmes. The ECB's actions continue to exert significant downward pressure on bond yields and are likely to keep longer real yields in negative territory throughout our forecast horizon.

The significant fall in long bond yields during the summer illustrates that there are still obstacles preventing a more significant rise in yields, even amidst a recovering economy. While the changing Fed policy and accumulating inflation pressures will favour higher US yields, the structurally lower long-term rate levels will likely act as a brake on rising long yields.

There are upside risks, however, especially if the high inflation in the US proves even stickier than we think and financial markets start to question the Fed's ability to keep inflation pressures contained.

FX: Our conviction in a stronger USD has increased

EUR/USD has made several unsuccessful attempts at breaking below 1.17, but the FOMC July meeting minutes finally managed to push the currency pair below that level, which has helped to increase our conviction in a further move down for the cross. We target levels around 1.10 over the forecast horizon and expect the bulk of the move to happen sooner rather than later in conjunction with the launch of the tapering process.

We always like it when there is no "policy resistance" to our FX view, and that currently seems to be the case for EUR/USD. Would the Fed be annoyed with a lower EUR/USD reading? Not really, as it would then be able to partly export the current overshoot in (supply-side) inflation. Would the ECB be annoyed with a lower EUR/USD reading? Not at all, as a lower reading would be helpful in bringing EUR inflation to or above 2% as wished for. This leaves decent room for a move lower in EUR/USD, also as positioning in the market is not yet USD heavy.

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0.40%

We expect German 10-year yields to rise gradually towards the end of 2023.

1.10

The level we expect EUR/USD to hit by the end of 2023.

4

The number of expected rate hikes from the Fed by the end of 2023.

**"Signs of
overheating
are appearing
in some parts
of the global
economy."**

Tuuli Koivu
Nordea Chief Economist, Finland

«Videre oppgang i vente.»

Dane Cekov
Analytiker i Nordea i Norge

Nordiske hovedpunkter



Aktiviteten i de nordiske økonomiene stiger markant takket være høye vaksinasjonstall og lettelser i pandemirestriksjonene. Den raske gjeninnhentingene stiller høye krav til fleksibiliteten i arbeidsmarkedene, der noen land har et rekordhøyt antall ledige stillinger. Selv om nye covid-19-varianter fortsetter å utgjøre en stor risiko, virker en ny økonomisk nedgang usannsynlig.

NORGE

Anslag på registrert ledighetsrate ved utgangen av 2021

2,5 %

Arbeidsledigheten har falt markant i Norge i takt med gjenåpningen av samfunnet. Det er rekordmange ledige stillinger og tegn til økt mismatch i arbeidsmarkedet. Det kan slå ut i høyere lønnsvekst. Vi forventer at Norges Bank vil heve renten i september.

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SVERIGE

Forventet inflasjon (KPIF) i 2021

2,1 %

Økt vekst og høyere ressursutnyttelse preger utsiktene for den svenske økonomien. Mangel på arbeidskraft er et økende problem, og lønnsveksten øker. Likevel er det sannsynlig at inflasjonen vil holde seg under målet de neste årene. Det forventes at Riksbanken vil være avventende.

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DANMARK

Forventet BNP-vekst i 2021

3,3 %

Dansk økonomi har på rekordtid gått fra dyp økonomisk krise til en situasjon med risiko for overoppheting. Den samlede aktiviteten i økonomien er nå høyere enn før pandemien. Konsumprisene har begynt å stige raskere enn før, og det er tegn på et økende lønnspress.

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FINLAND

Forventet BNP-vekst i 2021

3,5 %

Sommeren kom med sterk økonomisk vekst i Finland, og BNP var tilbake på nivået før pandemien i andre kvartal. Økt sysselsetting og mindre sparing i husholdningene bidrar til å sette fart på det private forbruket, mens investeringer i byggevirksomhet nyter godt av den høye etterspørselen i boligmarkedet.

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NORGE

Normalisering

Norsk økonomi har nå hentet inn hele fallet etter koronakrisen. Det er fortsatt usikkerhet rundt viruset, men en vaksineringsgrad i verdenstoppen gir håp om at vi kan unngå nye tiltak som vil ramme økonomien her hjemme. Arbeidsledigheten har falt markert i takt med gjenåpningen av samfunnet og vil falle videre. Samtidig er det nå rekordmange ledige stillinger og tegn til økt mismatch i arbeidsmarkedet. Det kan slå ut i høyere lønnsvekst. Norges Bank vil starte normaliseringen av renta i september. Festen i boligmarkedet er bak oss og boligprisene vil trolig flate ut framover. Kronekursen vil holde seg svakere enn tidligere antatt.

Vi har lenge sagt at løser vi helsekrisen, så løser vi også den økonomiske krisen. Sommeren ble det definitive vendepunktet for pandemien og dermed også for økonomien, slik vi skisserte i de to foregående utgaver av Economic Outlook. Det har gått raskt å få økonomien tilbake til en mer normal situasjon etter at restriksjonene gradvis er blitt lettet og aktivitetsknappen er blitt skrudd på igjen.

Aktiviteten i norsk økonomi tok seg betydelig opp over sommeren. I takt med at smitteverntiltakene har blitt lettet har pengebruken og etterspørselen økt kraftig. Et ønske om et normalt forbruksmønster, mye penger til overs etter krisen og «hjemmeferie» har bidratt til en kraftig økning i tjenesteforbruket. Varehandelen har samtidig dratt nytte av gjenåpningen av fysiske butikker. Aktiviteten i fastlandsøkonomien steg 1,4 % i andre kvartal, og fastlandsøkonomien var dermed tilbake til nivået før koronapandemien allerede i juni. I takt med innhenting har arbeidsledigheten falt til 3 % i juli, etter å vært rundt 4 % i første kvartal 2021 og over 10% på det verste i fjor vår.

Norge i verdenstoppen med koronavaksinerings

Den økonomiske utviklingen vil fortsatt kunne bli preget av viruset i tiden som kommer. Vaksinerne vi nå bruker kan vise seg å være mindre effektive mot nye virusvarianter. Dersom økt smitte medfører en kraftig økning i sykehusinnleggelser framover, vil det trolig bli nødvendig med nye tiltak som vil ramme økonomien.

Norge skiller seg imidlertid positivt ut med en høy andel av befolkningen som ønsker å bli vaksinert og en dekningsgrad som er i verdenstoppen. Over 90% av den voksne befolkningen har mottatt minst en

3,9%

Anslag på veksten i fastlands-BNP 2021.

2,5%

Anslag på registrert ledighetsrate ved utgangen av 2021.

1,5%

Anslag på styringsrenta ved utgangen av 2022.

Kilder: Nordeas anslag

vaksinedose og de fleste voksne blir snart ferdigvaksinert. Snart vil 16-17 åringer også bli tilbudt vaksiner. Den gode utviklingen på vaksinefronten gir godt håp om at vi kan unngå nye, nasjonale smitteverntiltak. Risikoen for et tilbakeslag i norsk økonomi er derfor mindre enn for mange andre økonomier der oppslutningen om vaksiner ikke er like god. I tillegg er mRNA-vaksinene vi bruker effektive også mot den mer smittsomme Delta-varianten. Effektiviteten mot smitte er noe mindre enn for andre varianter av viruset, men vaksinerne er fortsatt svært effektive mot å forhindre alvorlig covid-19 sykdom og dødsfall. Erfaringer fra Israel, som var blant de første til å vaksinere store deler av befolkningen, viser imidlertid at det kan være nødvendig med en tredje «booster»-dose for å opprettholde en høy grad av beskyttelse særlig blant de mest sårbare. Flere land har nå begynt å ta i bruk en tredje dose, og Norge vil trolig følge etter.

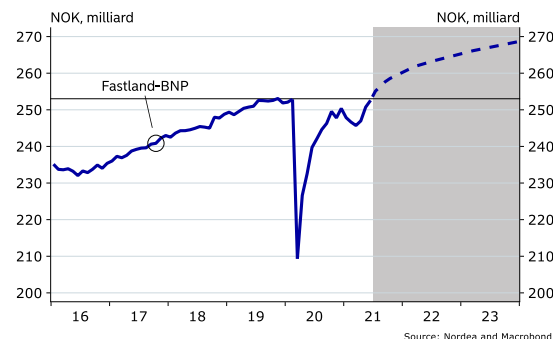
Bekymringer rundt spredningen av Delta-varianten og eventuelt nye mutasjoner gjør at vi trolig må leve med visse begrensninger i lengre tid. Det gjelder kanskje særlig reiser inn til landet. Reiselivsbransjen og de delene av kultursektoren som er avhengig av turisme vil derfor trolig ikke komme helt tilbake til en normal situasjon før en større andel av verdens

NORGE: MAKROØKONOMISKE INDIKATORER

	2019	2020	2021E	2022E	2023E
Fastlands-BNP	2.3	-2.5	3.9	3.9	1.3
Husholdningenes konsum	1.4	-6.9	5.0	8.0	3.5
Underliggende inflasjon (KPI-JAE), % y/y	2.2	3.0	1.6	1.8	2.0
Årslønn	3.5	3.1	3.0	3.2	3.4
Registrert arbeidsledighetsrate, %	3.7	4.6	3.6	2.4	2.3
Styringsrenten (slutten av året)	1.50	0.00	0.50	1.50	1.75
EUR/NOK (slutten av året)	9.87	10.47	10.30	9.90	9.80

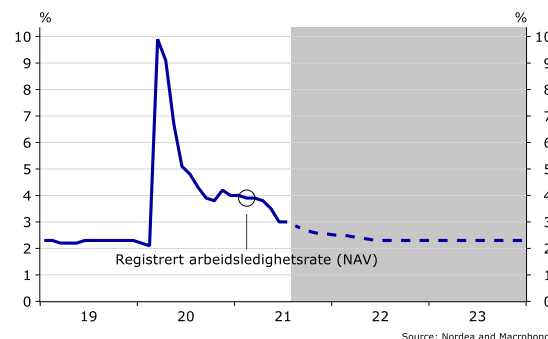
A / Norsk økonomi tilbake til februarivået i sommer

BNP for fastland-Norge, månedstall, NOK mrd.



B / Arbeidsledigheten vil komme videre ned

Registrert ledighetsrate, % av arbeidsstyrken



A /

Kraftig rekyl i norsk økonomi over sommeren.

B /

Arbeidsledigheten tilbake til et normalt nivå i 2022.

befolkning er vaksinert. Det kan ta tid. Men ellers vil vi mest sannsynlig kunne leve som tilnærmet normalt i Norge.

Videre oppgang i vente

Vi venter at aktiviteten i økonomien får et ytterligere løft og at ledigheten faller videre når de siste smitteverntiltakene her hjemme fjernes. Signalene fra myndigheten er at trinn fire i gjenåpningsplanen blir innført i løpet av september når store deler av den voksne befolkningen er ferdigvaksinerte. Fjerningen av 1-metersregelen vil særlig gagne utelivs- og kulturbransjen. Husholdningene har fortsatt store sparemidler satt til side som kan brukes til konsumformål.

Mange bedrifter har holdt tilbake investeringer som følge av usikkerheten rundt koronaepidemien. De planlegges nå iverksatt. Investeringsveksten i fastlandsøkonomien vil forsterkes av det grønne skiftet og behovet for å gjøre investeringer som fører til mindre utslipp.

Finanspolitikken har hatt en særdeles viktig rolle under koronakrisen. Støttepakkene har vært avgjørende for å holde liv i næringslivet som er blitt rammet. Når økonomien nå kommer tilbake i normalt gjenge, vil utgiftene over offentlige budsjetter også avta. Det betyr ikke at budsjettet blir mindre ekspansivt slik vi vanligvis tenker på det, det er snarere et uttrykk for at økonomien går bedre. I valgår som i år, kan det også fort bli pluss på noen milliarder på underskuddet.

Mismatch i arbeidsmarkedet kan gi lønnspress

I takt med at økonomien fortsetter å hente seg inn, vil ledigheten falle videre ned til et mer normalt nivå. Etter et par år med mager reallønnsvekst vil

bedringen i arbeidsmarkedet bidra til å øke arbeidstakerorganisasjonenes forhandlingsmakt i lønnsforhandlingene. Det trekker i retning av høyere reallønnsvekst de neste par årene. Mange bedrifter sliter allerede med å rekruttere kvalifiserte arbeidere og det finnes nå rekordmange ledige stillinger, selv om ledigheten fortsatt er på et høyere nivå enn før koronakrisen. Økt mismatch i arbeidsmarkedet kan gi lønnspress på et høyere ledighetsnivå enn det vi har vært vant med, se nærmere omtale i egen temaramme.

Inflasjon rundt 2%

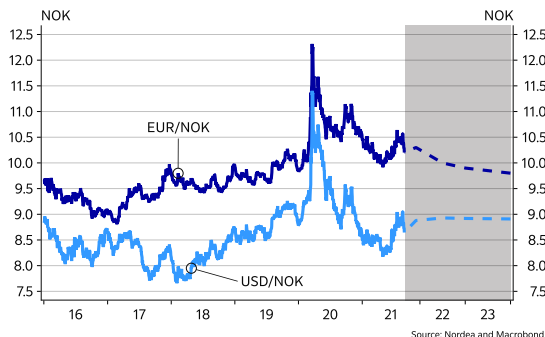
Den samlede prisveksten har økt i år grunnet betydelig høyere strøm- og bensinpriser sammenlignet med fjoråret. Etter hvert vil effekten på prisveksten av høye energipriser avta. Prisene på råvarer og innvarsvarer globalt fortsetter imidlertid å stige kraftig. Det skyldes en kombinasjon av flaskehals i produksjonen og transport, og økt etterspørsel. Internasjonalt melder bedriftene at de har til hensikt å øke prisene på sine produkter både fordi kostnadene på innsatsvarene har økt men også fordi rekyl i økonomiene gir mulighet for å øke marginene. Høyere priser i utlandet på de varene vi importerer vil trekke i retning av høyere priser ut mot forbruker her hjemme. Sammen med høyere lønnsvekst gir det utsikter til en samlet prisvekst rundt 2% de neste par årene.

Mens den samlede prisveksten har økt, har den underliggende inflasjonen falt. Det skyldes lavere prisvekst på importerte konsumvarer som igjen skyldes utfasingen av effekten av fjorårets svake krone og at kronekursen har blitt sterkere igjen. Med en nokså stabil kronekurs framover vil prisveksten på importvarer her hjemme etter hvert bli drevet av prisveksten ute. Samtidig trekker utsiktene til både høyere

“Økt mismatch i arbeidsmarkedet kan gi lønnspress på et høyere ledighetsnivå enn vi har vært vant med.”

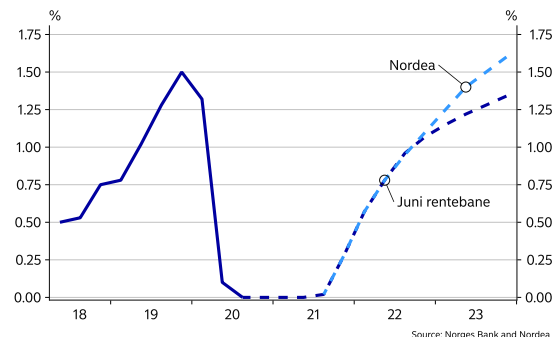
Dane Cekov
Analytiker, Norge

C / Moderat sterkere krone



D / Norges Bank vil øke renta etter sommeren

Norges Bank og Nordea, renteprognoiser, %



lønnsvekst og økte husleiepriser i retning av at den underliggende inflasjon skal ta seg gradvis opp i de neste par årene.

Norges Bank klare for gradvis normalisering av renta

Norges Bank har lenge sagt at når de ser klare tegn til at forholdene i økonomien normaliseres, vil det være riktig å gradvis normalisere renta. De tegnene ble veldig tydelige inn mot og i løpet av sommeren. Det var derfor ikke overraskende at Norges Bank i juni var klare på at styringsrenta nå gradvis skal opp og at den første rentehevingen kommer i september. I tråd med våre prognoser fra mai-rapporten, viste den siste rentebanen at styringsrenten mest sannsynlig skal opp til 0,50 % ved utgangen av 2021 og videre opp til 1,25 % mot slutten 2022. Vi tror styringsrenta skal videre opp til 1,75% i løpet av 2023. Da vil nivået på styringsrenta være nært det nivået Norges Bank omtaler som et normalt nivå.

Festen i boligmarkedet er over

Boligprisene steg kraftig som følge av rentekuttene til Norges Bank i fjor vår. I det siste har boligprisene hatt en mer moderat utvikling og i Oslo har prisene falt noe tilbake. Effekten av rentekuttene er trolig tatt ut og boligkjøperne har fått med seg at renta skal opp etter sommeren. Det trekker i retning av lavere priser, isolert sett. Samtidig vil lønnsveksten øke i takt med bedringen i arbeidsmarkedet. I sum gir det utsikter til at boligprisene vil bevege seg om lag sidelengs de neste par årene. Etterspørselen etter nye boliger holder seg på fortsatt et høyt nivå. Vi venter

derfor at igangsettingen av nye boliger og dermed boliginvesteringene vil fortsette å ta seg opp fremover.

Risiko for svakere krone mot årsslutt

Norges Bank vil være blant de første i den vestlige verden til å begynne en normalisering av rentenivået. Mange lurer på om Norges Bank kan gå alene. Den eneste direkte linken mellom rentenivået ute og rentenivået her hjemme er gjennom kronekursen. Så langt har kronekursen vært ganske mye svakere enn det Norges Bank har lagt til grunn. Krona må derfor styrke seg kraftig for å ødelegge planen til Norges Bank.

Kronekursen har svekket seg over sommeren. På kort sikt venter vi moderat lavere EURNOK. Norges Banks rentehevinger trekker isolert sett i retning av en noe sterkere krone. Kronen sliter imidlertid med å prestere når dollaren styrkes, og vi tror at dollaren vil bli sterkere som følge av god utvikling i amerikansk økonomi og en mer haukete Fed. Vi ser derfor veldig lite nedside i USDNOK og lener oss heller i retning av at krysset kan stige mot årsslutt. Samtidig kan vi ikke utelukke en høyere EURNOK i perioder dersom stemningen i finansmarkedene surner. Den norske krona blir ikke sett på som en trygg havn.

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C /

Kronekursen vil trolig holde seg svakere enn tidligere antatt.

D /

Norges Bank vil øke renta to ganger i år.

"Krona må styrke seg mye for å ødelegge planen til Norges Bank"

Kjetil Olsen

Sjeføkonom, Norge

Mismatch i arbeidsmarkedet

Arbeidsledigheten har falt raskt i takt med gjenåpningen av samfunnet, men det er fortsatt flere uten arbeid enn før koronakrisen. Samtidig har tilgangen på nye, ledige stillinger økt kraftig. Det er derfor ikke for lav etterspørsel i økonomien i stort som gjør at mange fortsatt er uten arbeid. Økt mismatch i arbeidsmarkedet kan gi lønnspress på en høyere ledighet enn det vi har vært vant med.

Under koronakrisen har den økonomiske aktiviteten vært holdt tilbake av restriksjoner for å hindre smitte. Det er særlig deler av tjenestesektoren, som hotell og restaurant, reiseliv og transport, og kultur, som er blitt rammet med begrensninger og forbud. Mange er blitt permittert og først kommet tilbake i arbeid når restriksjonene er blitt lettet. Restriksjoner på inn og utreise av landet har også rammet sektorer som i utgangspunktet ikke er blitt stengt ned, men som er særlig avhengig av utenlandsk arbeidskraft. I industrien, i bygg- og anleggsektoren og innen deler av jordbruket har mangel på arbeidskraft gjort det krevende å produsere det som etterspørres. Innen helse- og omsorgssektoren har etterspørselen etter arbeidskraft økt som en følge av helsekrisen.

Denne krisen skiller seg derfor kraftig fra tidligere økonomiske kriser. Det er ikke lenger samme tette link mellom etterspørselen etter varer og tjenester, og nivået på arbeidsledigheten. Både hjemme og ute ser vi i stedet større mismatch mellom kvalifikasjoner og ønsker hos de som fortsatt er uten arbeid, og de kravene til kvalifikasjoner som etterspørres.

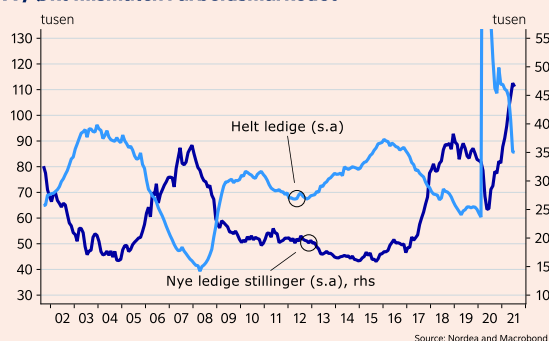
Den økte mismatchen i arbeidsmarkedet er en direkte konsekvens av smittevernsrestriksjonene. Det er derfor grunn til å tro at problemet vil avta i takt med at de fleste restriksjonene nå lettes og fjernes. Men noe av problemet vil trolig kunne bestå. Mange som har vært permittert lenge, kan ha valgt å bytte karriere i løpet av pandemien. Selv om samfunnet åpner opp er det derfor ikke sikkert arbeidsgivere vil finne den rette kompetansen like lett som før. Samtidig er ikke viruset borte. Det kan ta lang tid før for eksempel turismen er tilbake på førkrisenivå. Flere vil trolig måtte omstille seg og skaffe nye kvalifikasjoner. Det tar tid.

Økt mismatch i arbeidsmarkedet har to konsekvenser. For det første kan det ta lenger tid å få arbeidsledigheten helt ned til de nivåene vi hadde før koronakrisen, selv om etterspørselen er der. For det andre vil vi kunne oppleve lønnspress og sterkere lønnsvekst på høyere nivåer på arbeidsledigheten enn tidligere. Den naturlige ledigheten, ofte kalt likevektsledigheten eller NAIRU, kan ha økt. Utviklingen vi nå ser i arbeidsmarkedet kan gi høyere lønnsvekst og dermed høyere renter enn det vi nå venter.

«Den naturlige ledigheten kan ha økt.»

Kjetil Olsen
Sjeføkonom i Nordea

A / Økt mismatch i arbeidsmarkedet



B / Forholdet mellom arbeidsledigheten og ledige stillinger er tilbake til det normale



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SWEDEN

Heating up

The Swedish economy is entering a new phase where high resource utilisation will hamper production growth. Growth is set to become more widespread, with investment as a key driver alongside exports and household consumption. The labour market will normalise near-term and wage growth will pick up. With soft central banks around the world, the Riksbank will remain sidelined.

Maturing cycle

The pandemic is not over but the economic impact will gradually decline. Monetary conditions domestically and among Sweden's trading partners are exceptionally benign. GDP surpassed pre-crisis levels earlier this year and resource utilisation will soon be just as high as in the boom period of 2017-18.

Near-term, a shortage of goods will hamper growth but the problems will gradually subside. Instead, labour shortages will give rise to increasing concern. Wage growth is picking up but is not high enough for inflation to stabilise at the 2% target. Instead, rising food prices give a temporary boost to inflation. The Riksbank will maintain an unchanged monetary policy line and the SEK will only slowly strengthen.

Growth in demand will decline over the forecast period. Rising energy prices, the pick-up in longer bond yields and tighter economic policies in some countries will slow down the global upturn.

In Sweden, the working-age population will grow modestly in coming years, in sharp contrast to the past ten years' record numbers. Slower population growth will dampen GDP growth in both the short and long term.

New COVID-19 variants cannot be ruled out and pose a risk to our forecast. However, households and businesses have adapted to the pandemic. And in the Nordics, vaccination rates are high. Growth may slow a bit more than we assume in our forecast, but a renewed economic downturn appears rather unlikely.

4.5%

GDP growth in 2021

2.1%

CPI inflation in 2021

2.9%

Average wage growth
2021-2023

Data sources: Statistics Sweden,
Macrobond and Nordea

Swelling order books

The pick-up in global activity is showing through in exporters' order books, which have never been as full as they are now. Our forecast for the global economy in this issue of *Economic Outlook* as well as Swedish export indicators suggest that demand will continue to grow near-term.

Exports and thus Swedish GDP could grow even faster as the manufacturing industry currently have difficulties keeping pace with the surge in demand. For example, car and truck makers have been forced to briefly suspend production because of input shortages. The problems will most likely persist near-term. However, next year supply should normalise. Export growth will nevertheless slow next year as global growth moderates.

Household spending is rising

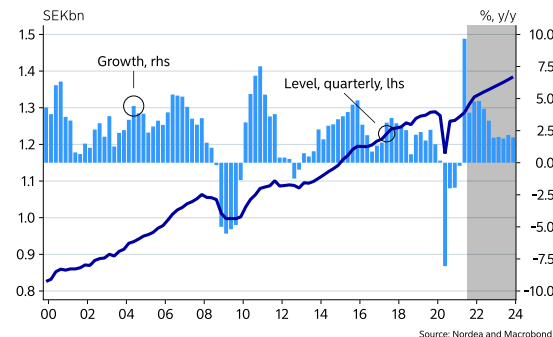
Household consumption has increased but was still below pre-crisis levels in Q2. Consumption of goods has been strong during the pandemic while people have not been able to travel or buy certain types of services.

SWEDEN: MACROECONOMIC INDICATORS

	2019	2020	2021E	2022E	2023E
Real GDP (calendar adjusted), % y/y	2.0	-3.0	4.5	3.5	2.0
Inflation (CPI), % y/y	1.7	0.5	2.1	1.7	1.3
Unemployment (SPES), %	7.0	8.5	7.9	6.9	6.7
Current account balance, % of GDP	5.2	5.6	6.1	5.5	6.0
General gov. budget balance, % of GDP	0.6	-2.8	-1.8	-0.6	-0.4
General gov. gross debt, % of GDP	34.9	39.7	37.6	34.5	33.4
Monetary policy rate (end of period)	-0.25	0.00	0.00	0.00	0.00
EUR/SEK (end of period)	10.51	10.04	10.40	10.20	10.10

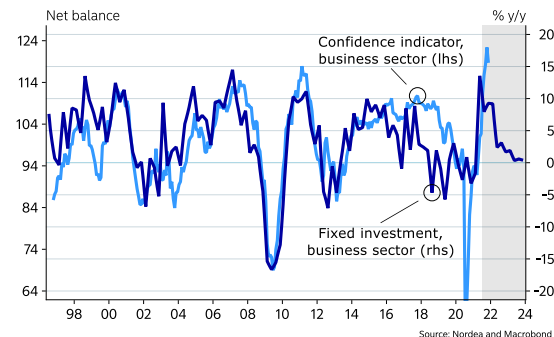
A / Strong GDP growth

SEKbn per quarter and annual percentage change



B / Investment is gaining momentum

Net balance and annual percentage change



Over the summer, restrictions in Sweden were eased and real-time data now indicate that household consumption of services has started to pick up. And the financial conditions are in place for increased consumption. Household savings are record high, their financial situation is stronger than ever, credit growth is record high and the labour market is improving. Read more about households' finances on page 15.

Hot housing market

Another factor suggesting a surge in consumption is the housing market. Rising housing prices tend to underpin households' propensity to consume. The prospect of low interest rates for a long time, as well as the scrapping of interest on deferred gains of up to SEK 3m and changed preferences as a result of the pandemic, have sent prices sky high.

But the housing market now seems to be stabilising. According to surveys household expectations remain positive, although a lower percentage now expects rising prices. Moreover, the amortisation requirement for mortgages will be reintroduced in September this year, which will likely dampen demand for homes somewhat.

Consequently, a slight decline in housing prices over the forecast period is likely, although we do not currently see any reasons for a major correction. Interest rates are low and given that a general election is coming up next year, odds are that no new regulations will be introduced before then. Higher real estate construction and slowly rising mortgage rates will, however, take their toll on housing prices, which are set to increase at an annual average rate of 13.5% in 2021 and 2.5% in 2022.

Investment a new growth driver

The overall trend in the housing market has contributed to boosting residential construction. Moreover, business investment is increasing overall. Public sector investment is rising as well, as part of the government's historically very expansionary fiscal policy. The public sector budget deficit looks set to be less than 2% of GDP this year. In the near future, the deficit will decline despite a continued expansionary bias in the election year of 2022. Public sector debt (Maastricht) peaked at just under 40% of GDP in 2020 and the debt ratio will diminish in the years ahead.

Employment back to normal

The labour market is recovering from the crisis. Hiring plans and new job vacancies are at record-high levels and the number of layoff notices is at its lowest level since the 1980s. Labour shortages are mounting and already pose a bigger problem than is normally the case, especially in the manufacturing industry. The slow growth in the working-age population is worsening the situation further.

Employment growth will therefore not be as high as recent demand trends suggest. Matching supply and demand will be a hot topic during the autumn. Unemployment is declining rapidly and employment will reach a new record high over the forecast period. Owing to the substantial changes to Statistics Sweden's labour force survey (LFS), the data are difficult to interpret. According to the Swedish Public Employment Service (SPES), unemployment has continued to decline and we expect unemployment to be back at pre-pandemic levels by mid-2022.

A /

More broad-based growth this year as investment is also picking up. GDP growth will level off and be in line with the long-term trend starting next year.

B /

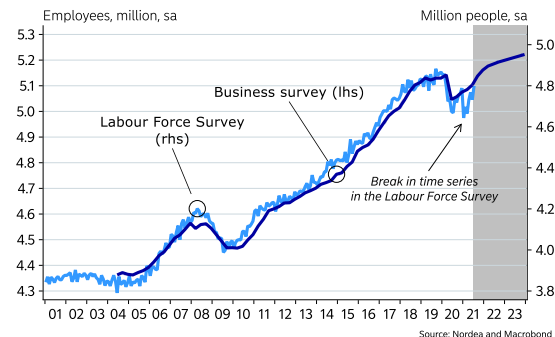
High investment growth in both the manufacturing sector and the services sector this year.

"Demand for labour is record high, and the number of layoff notices is at its lowest level since the 1980s."

Torbjörn Isaksson
Nordea Chief Analyst

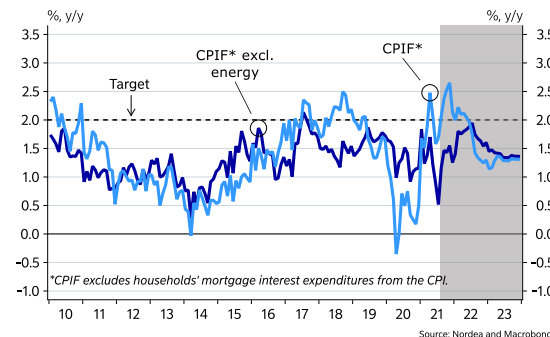
C / Sharply rising employment

Number of people employed and short-term employment



D / Temporarily high inflation this year

Annual percentage change



Temporary price increases

The strong demand and substantial labour shortages are partly feeding through to wages. However, the agreed pay rise of a mere 2% annually will apply through March 2023, dampening total pay rises. Moreover, wage trends in the Euro area remain subdued. This is significant for wage formation in Sweden. We nevertheless expect wage growth to rise driven by accelerating wage drift (pay rises beyond those agreed). But overall pay rises will still remain relatively modest in a historical perspective. As a result, the pick-up in inflation will be temporary.

So far this year, energy prices (electricity prices in particular) have increased sharply. This increase is the main reason why inflation has picked up over the year as it has lifted CPIF inflation by almost 1% point. As always, energy prices are difficult to predict, but in our view they are not likely to rise at the same pace next year as this year – and this will also contribute to driving inflation lower.

The high level of global demand for goods and the global logistics problems will boost inflation, in particular food prices. However, in addition to modest wage inflation, high profitability in the business sector also suggests that any further pick-up in inflation will be temporary.

Inflation THE focal point for the Riksbank

Due to the rising energy and food prices, CPIF inflation is in line with the target over the coming year. Higher inflation, albeit temporarily, and the strong economy reduce the likelihood of further monetary policy stimulus. At the same time, any tightening move seems distant. A repo rate hike would require

that the Riksbank feels comfortable about inflation remaining around the 2% target in the medium term. And this seems distant.

Recently, both the Fed and the ECB updated their long-term strategies. And in Sweden, the new Riksbank act will come into force on 1 January 2023. For the Riksbank the new act will not imply any major changes, while the Fed's and the ECB's new strategies could somewhat dampen their inclination to hike rates. Especially the ECB's more expansionary bias will contribute to preventing the Riksbank from acting unilaterally.

Against this backdrop, we expect the Riksbank to keep the repo rate unchanged at zero over the entire forecast period ending in December 2023. The Riksbank's asset purchase programme progresses as planned, with continued, albeit reduced, purchases in H2 2021 and an unchanged balance sheet in 2022. However, in 2023 the Riksbank will likely start to trim its balance sheet.

The performance of the SEK is of great importance to inflation and consequently to the Riksbank. If the Riksbank were to lift its foot off the accelerator, this could cause the SEK to strengthen and in turn lead to lower inflation. The policymakers at the Riksbank will no doubt try to avoid this and as a result the SEK will remain weak. We expect the SEK to continue to trade at levels above 10 versus the euro and to weaken slightly versus the dollar in H2 2021.

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C /

Demand for labour remains high. We base this view on Statistics Sweden's short-term employment data as the labour force survey (LFS) data suffer from a time series break.

D /

Energy prices have risen and thus boosted inflation this year. Food prices will increase too, but the rise in inflation is temporary.

Wealthy but vulnerable

Swedish household debt has grown faster than income for many years. Household indebtedness is at a record high relative to disposable income but historically low compared to household assets. Regardless of the metrics applied, households' interest rate sensitivity has increased.

Household debt as a percentage of disposable income has more than doubled since the end of the 1990s. During the same period, the debt service ratio, i.e. interest payments as a share of disposable income, has decreased to historically low levels. The main reason is declining interest rates over the past 30 years. For instance, the 2-year nominal fixed mortgage rate was 14% in the early 1990s but has since plunged to 1.3%.

The Swedish economy has recovered swiftly from the pandemic, and interest rates seem to have bottomed, although a repo rate hike from the Riksbank may still be a long way off. Growing indebtedness means higher interest costs at any given interest rate level, and even minor rate increases may therefore have a large impact at today's debt levels. This means elevated risks in the housing market as the debt service ratio and housing prices usually correlate. According to our calculations, an increase in interest rates of 1% point would push the debt service ratio 2% points higher. If interest rates were to double from current levels, household debt would have to decrease by half in order to maintain the same level of consumption as today. Expansionary fiscal and monetary policy at an unprecedented scale appears to have boosted credit growth to record-high levels. Thus, there is a significant risk that the gap between debt and income growth will continue to widen.

The average disposable income for a household with two adults that takes up a new mortgage in Sweden is SEK 59,000 per month and the average mortgage is SEK 3m (Bolåneundersökningen 2021, FI). For this average household, a doubled interest rate from today's level of 1.4% implies increased debt costs of almost SEK 30,000 per year. That corresponds to an increase in the debt service ratio to 8% from 4%. Although many households are able to handle higher interest costs in

the future, the economy may be adversely affected in other ways by for example a drop in consumption or housing prices.

The situation appears less dramatic when comparing households' debt to their assets. By this measure indebtedness is instead historically low. This is largely a result of recent years' gains in the stock and housing markets. From a cash flow perspective, however, it is more interesting to compare households' debt with their liquid assets such as their holdings of listed shares, funds and bank deposits. By this measure, the ratio of debt to liquid assets fell to 88% during Q1 2021. Although aggregate household asset wealth is substantial, it does not paint a comprehensive picture of household resilience. About 60% of the liquid assets consist of holdings in shares and funds, which could lose value in the event of an economic downturn.

Furthermore, estimates from the Swedish Financial Supervisory Authority suggest that the distribution of household assets is very uneven. One third of the households only have enough liquid assets to cover four months' loss of income. One ninth of mortgage borrowers now have a debt level of over 450% of their gross income, highlighting their vulnerability to rising interest rates.

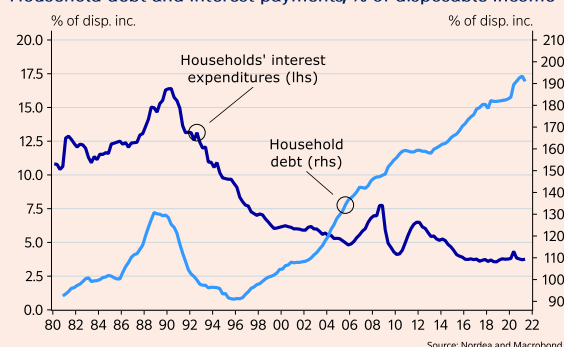
All in all, we believe that households' financial situation is currently strong, but that their interest rate sensitivity is significant. The pandemic and expansionary economic policy have boosted housing prices and credit growth, and monetary policy is likely to remain accommodative for the foreseeable future. This creates an environment with continued high credit growth and rising asset prices. Experiences from earlier crises tell us that the cost of a credit and real estate crisis is very high. The reintroduction of the amortisation requirement could dampen credit growth in the short term but additional measures are needed to reduce the vulnerability of the Swedish economy the day that interest rates eventually increase.

"Monetary policy will remain accommodative despite a strong economy. Credit growth is thus likely to remain at high levels."

Gustav Helgesson
Analyst

A / Debt at record high but interest expenses at record low

Household debt and interest payments, % of disposable income



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DENMARK

Overheating?

In record time the Danish economy has moved from deep economic crisis to a situation entailing a risk of overheating. The fast recovery puts heavy demands on the flexibility of the labour market and requires considerable adaptability in terms of economic policy. The housing market appears to be normalising after a period of very large price increases. But consumer prices have started to rise faster than previously, and there are signs of mounting wage pressures.

From an international perspective, the Danish economy has weathered the coronavirus crisis extremely well. Last year activity "only" dropped by 2.1% compared to the Euro-area average of some 6.0%. Despite a temporary setback in the first months of the year, the relatively strong performance has continued into 2021. Overall economic activity in Denmark now exceeds pre-pandemic levels.

The economic recovery has been driven by a very expansionary economic policy, successful disease control strategies and solid growth in goods exports. This is expected to continue, lifting GDP growth to 3.3% this year. We have thus revised up our 3.0% growth forecast from May. Towards the end of the year and into 2022 it will likely be increasingly difficult to maintain the strong momentum, primarily due to growing labour shortages and because the government will start to tighten economic policy. Against this backdrop, the Danish economy is expected to grow by 2.7% in 2022 and by 2.2% in 2023.

At this juncture, the biggest risk to the Danish economy is that a too rapid upswing will create imbalances. The aftermath of the financial crisis has taught us that the recovery from such imbalances could drag on for a long time.

Strong household consumption of goods

During the coronavirus crisis, Danish consumers spent considerably more on goods. As a result, retail sales increased sharply and have accelerated further after the reopening in early spring. Recent data of Nordea customers' use of cards indicate that consumer spending on services is also rising fast.

3.3%

Expected GDP growth in 2021

1.5%

Expected inflation in 2022

-0.50%

The Danish central bank's policy rate, which should remain unchanged until end-2023

Sources: Nordea estimates and Macrobond

The increase in household spending is partly due to pent-up demand during the lockdowns that is now unleashed after the reopening. At the same time households' purchasing power has been strengthened by positive real wage growth, low interest rates, rising housing prices and not least the disbursement of frozen holiday pay. Despite the increase in spending, households' savings ratio still remains well above the historical average.

Also, it is noteworthy that household debt as a percentage of disposable income is largely unchanged despite the surge in housing prices. This is markedly different from the situation ahead of the financial crisis when households' increased indebtedness had significant repercussions long after the crisis hit.

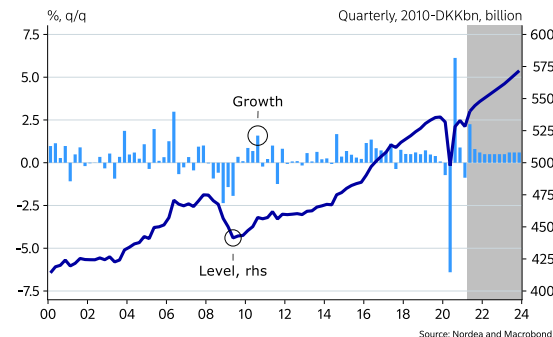
Households' large savings buffers will provide a robust foundation for sustained growth in household spending. And the refund of overpaid housing tax of some DKK 14bn will further boost this growth potential. The refund is estimated to relate to just over 700,000 owner-occupied homes. Most of the refund will be disbursed over the next couple of years as the new property valuations are gradually completed.

DENMARK: MACROECONOMIC INDICATORS, BASELINE SCENARIO

	2019	2020	2021E	2022E	2023E
Real GDP, % y/y	2.1	-2.1	3.3	2.7	2.2
Consumer prices, % y/y	0.8	0.4	1.4	1.5	1.7
Unemployment rate, %	3.6	4.6	3.9	3.2	2.8
Current account balance, % of GDP	8.7	8.3	7.5	7.4	7.6
General gov. budget balance, % of GDP	4.1	-0.6	0.0	0.9	1.4
General gov. gross debt, % of GDP	33.6	42.1	39.3	38.9	37.9
Monetary policy rate, deposit (end of period)	-0.75	-0.60	-0.50	-0.50	-0.50
USD/DKK (end of period)	6.66	6.08	6.45	6.71	6.77

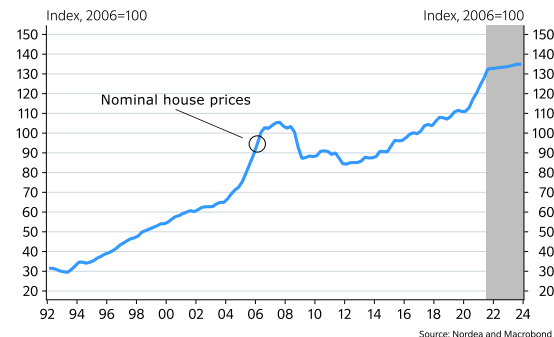
A / Prospects of solid GDP growth

Quarterly GDP in constant 2010 prices and forecast



B / Housing prices to level off

Quarterly price index for single-family houses and forecast



A / Danish economic activity looks set to rise robustly for several years ahead.

B / House prices have risen sharply during the coronavirus crisis. In future, we expect prices to rise at a much more moderate pace.

Growing goods exports

During H1 2021 the value of total Danish goods exports rose by 7% relative to the year-earlier period. Relative to H1 2019 the increase was 3%, which means that Danish goods exports are at an all-time high. Especially exports of pharmaceuticals, machinery and food products have surged. Moreover, Danish companies benefit from a steady improvement of the terms of trade, which means that prices of Danish export goods rise faster than prices of imported goods.

With the increase in world trade and growing demand in many key export markets, Danish exports look set to rise sharply over the forecast period. The pick-up in exports will also be driven by services exports returning to pre-crisis highs. However, Danish imports are also expected to rise sharply over the coming years and as a result, the current account surplus will likely remain around 8% of GDP.

Strong labour market may pose challenges

In record time the Danish labour market has moved from crisis and rising unemployment to a situation with sharply declining unemployment and an all-time high level of employment. However, on the flip side, a large and rising number of businesses report that they are having trouble recruiting the people they need. Also, there are growing signs of mismatch problems. For example, the number of job vacancies is currently markedly higher than before the coronavirus crisis while the unemployment rate remains slightly higher. Businesses' mounting difficulties in recruiting labour are also reflected in the fact that more than one out of every three businesses in the manufacturing and construction industries point to labour shortages as a production limiting factor.

The growing labour shortages are beginning to show through in wages. New data from the Confederation of Danish Employers (DA) show that labour costs rose by 3.1% in Q2, which is about 0.5% point higher than before the coronavirus outbreak. Although the relatively high wage increases can be partly explained by technical factors around the reopening of the economy, we expect the average rate of wage increases next year to reach an all-time high since the financial crisis.

Soft landing for the housing market

Housing market developments currently attract much attention. According to Eurostat, Danish housing prices rose by 15.3% from Q1 2020 to Q1 2021. This is the second-highest increase among the member states and almost three times the EU average. In addition to strong demand, the surge in housing prices has mainly been driven by exceptionally low supply of housing on the market.

The strong housing market performance has been a key factor for the Danish economy during the coronavirus crisis. The rising housing prices have boosted household wealth and contributed to underpinning consumption. At the same time the sharp pick-up in prices has prompted a spike in housing starts and major renovation projects. Consequently, the ratio of residential investment to GDP is now more than 6% – a record high since 2007.

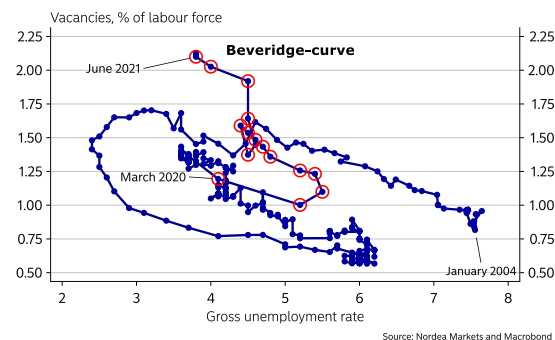
However, recent data suggest that the Danish housing market is heading for a soft landing. The number of homes for sale has risen noticeably, the time on the market has increased slightly and the monthly rate of price increases for all housing types has declined over the summer to the lowest level this year. We expect this gradual cooling of the housing market to

"With its strong economic foundation, the Danish economy should see solid growth in the years ahead."

Jan Størup Nielsen
Nordea Chief Analyst

C / Job vacancies on the rise

Gross unemployment and number of job vacancies



continue as the balance between supply and demand improves after the coronavirus crisis. Moreover, moderately rising financing costs and the current high level of prices should dampen housing price growth going forward.

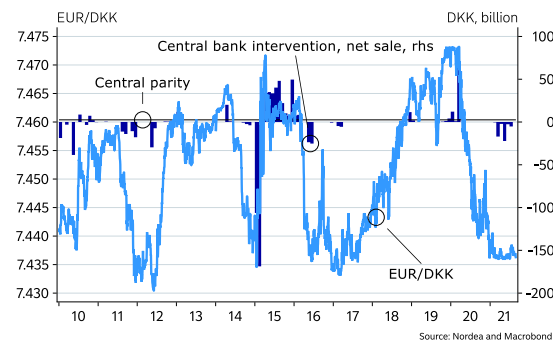
Mainly as a result of the surge in prices earlier this year, the increase in the average price per square metre for single-family houses in 2021 looks set to be just over 12%. Next year, the rate of increase should be 3% and then just 1% in 2023. Note that the much slower price growth should also be seen in light of the changed housing tax rules effective from 1 January 2024.

Prudent fiscal policy

The government's expansionary fiscal policy has played a key role in helping the Danish economy to weather the crisis. This applies both to the massive aid packages to businesses and the decision to disburse frozen holiday pay to wage earners. With several years of relatively high economic activity ahead of us and a labour market that already shows signs of overheating, we think the time is ripe to start tightening fiscal policy. At the same time it is important that the aid packages are phased out as planned

D / Danish central bank prevents DKK strengthening

EUR/DKK and central bank intervention



C /

The number of job vacancies has risen sharply since the spring of 2020 while unemployment is now back at almost the same level.

D /

Since February, the Danish central bank has been selling Danish kroner to counter downward pressures on EUR/DKK.

because otherwise they could limit flexibility in the economy.

Danish central bank selling kroner

EUR/DKK still trades on the strong side of the central parity. In order to counter this pressure, the Danish central bank has been selling kroner in the currency market since February. All in all, it has sold kroner for nearly DKK 50bn during that period. However, the bank's intervention this year should be seen in light of its massive buying of kroner at end-2019 and in early 2020. At that time the bank bought kroner for more than DKK 83bn to prevent an unwanted weakening of the DKK. In our view, the central bank's ongoing intervention should mainly be seen as a reversal of steps taken previously rather than a precursor to an independent Danish rate cut.

Our baseline scenario is that the central bank will keep its policy rates unchanged until end-2023. But Danish market rates on longer maturities are expected to rise gradually in tandem with the recovery of the Euro-area economy. During this period Denmark's healthy public finances and large current account surplus will likely continue to underpin a small interest rate differential between Denmark and the Euro area.

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Highest inflation in many years

Since 2013 the annual rate of increases in the Danish consumer price index has been exceptionally low. From 2013 to 2020 the rate of inflation averaged just over 0.5%, which was markedly lower than in the preceding eight years when inflation averaged more than 2.5%.

There are several reasons why inflation has declined sharply since 2013. One is goods prices, which partly as a result of globalisation have moved sideways for many years. Consequently, the basket of goods that the average Danish household buys today costs exactly the same as in early 2013. However, there are major differences among the individual types of goods. Tobacco prices, for instance, have increased more than 40% over the period, while prices of clothing have declined by just over 15%.

Another reason for the low rate of inflation is rents, which account for more than one fifth of the Danish consumer price index. Despite massive growth in home prices, annual growth in rents has declined as for example many cooperative housing associations have taken advantage of the drop in mortgage rates to reduce members' rents.

Higher inflation going forward

Since early spring, however, inflation measured year over year has increased sharply, with the annual rate so far peaking in May and June at 1.7%, the highest rate since 2012. The sudden pick-up in Danish inflation is mainly due to a sharp increase in goods prices. For example, prices of tobacco, petrol and electricity have risen markedly. In our view, the past months' price growth marks the beginning of a long period of higher inflation than previously. This is also reflected in our new forecast for this year. We now expect inflation in 2021 to average 1.5%.

If we are right, this would be the highest rate of increase in prices over the past eight years. Inflation next year and in 2023 is expected to pick up slightly to 1.6% and around 1.8%, respectively. We base our expectations of higher Danish inflation over the coming years on four factors in particular:

1. Higher food prices. Over the past year global food prices have gone up by about 40%. Historically, they have been a good leading indicator of the trend in Danish food prices, which are consequently expected to rise further. As food accounts for more than 10% of the CPI basket, it will provide a major boost to inflation.

2. Rising rents. With prospects of higher interest rates, the refinancing gains that for years have kept rents down will no longer be available. Coupled with the sharp increase in home prices this should lead to a much larger contribution from rising rents to overall inflation going forward.

3. Higher wage pressures lead to higher prices Growing labour shortages will likely lead to mounting wage pressures. Many companies will very likely try to pass on the rising labour costs to consumers by hiking prices. Especially prices within construction and services will probably increase as these sectors are overall less exposed to international competition.

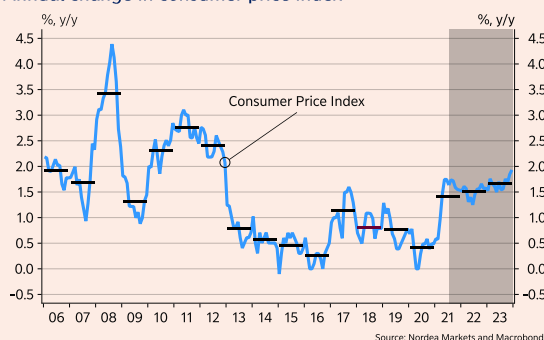
4. Higher taxes to support green transition In Denmark, politicians have for many years tried to influence consumer behaviour through duties on goods and services. In order to meet its ambitious climate targets the government will most likely raise some of these duties over the coming years to finance the green transition. For consumers higher duties mean higher prices, which in turn means higher overall inflation.

"Consumer prices will rise faster than previously."

Jan Størup Nielsen
Nordea Analyst

A / Eight years of exceptionally low inflation are over

Annual change in consumer price index



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HIGHLIGHTS • Economic recovery in Finland accelerated during the summer • Higher employment supports consumption • Availability of labour is holding back economic growth • Inflation picked up in the first half of the year • Manufacturing sector is starting to invest • Housing market is finding a balance • Public finances will not balance without reforms

FINLAND

Growing pains

The Finnish economy will continue its strong recovery this year and next. The economic recovery has improved employment rapidly, but a labour shortage is already holding back growth. The manufacturing sector is starting to invest on the back of strong growth in its order books. The public finances will face challenges in terms of fiscal policy as well as structural policy.

The economy continues to recover

The economic recovery in Finland picked up over the summer, as second-quarter GDP grew by 2.1% from the previous quarter and 7.5% year-on-year, exceeding its pre-coronavirus crisis level.

The service sectors in particular have seen brisk growth since the spring when coronavirus restrictions began to be lifted. The construction sector, meanwhile, has been boosted by continued strong demand in the housing market. Growth in world trade has brought a slew of export orders for the manufacturing sector, triggering new investment.

The swift recovery of the economy has also quickly improved the employment situation. There are now a record number of job vacancies, and a shortage of skilled labour has begun limiting economic growth potential. We delve into the labour market conditions in more detail in our Finland theme article on page 27.

The economic recovery is expected to persist through the autumn, albeit at a slightly slower pace than in the summer. We forecast that the economy will grow by 3.5% this year and 3% in 2022. In 2023, we expect GDP growth to slow down to 2% as the period of recovery comes to an end. The coronavirus vaccination programme has eased the load on hospitals even though the spread of the delta variant sharply increased infections by the end of the summer. The fear of contagion is making consumers more cautious. The risks related to the coronavirus have therefore not disappeared from the economy even though they have somewhat abated.

3.5%

Our forecast for GDP growth in 2021

72.7%

Employment rate trend in July 2021

2.0%

Our forecast for the public sector deficit of GDP in 2023.

Source: Nordea and Macrobond

Economic growth after the pandemic

Following the recovery, and beginning from next year, tried-and-tested means will once again be needed to maintain economic growth: people, ideas and businesses.

There are plenty of people in the world, and Finland should increase its efforts to attract foreign labour. In addition, efforts should be made to better involve the large reserve of unemployed and people outside the labour market in the employment. The cure for this is more systematic adult education and various reforms that improve incentives for those on social security. As businesses and academic institutions create new ideas, a sufficient amount of public funds should be invested in them because their benefits in terms of higher productivity outweigh their costs. To invest in Finland, companies also need predictable and competitive regulation and taxation, which, along with skilled labour, are important advantages when it comes to global competition.

Domestic consumption makes a comeback

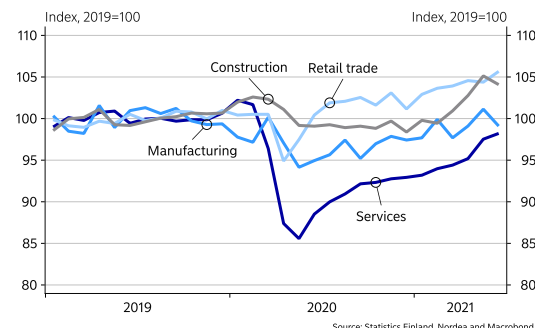
Households have been consuming actively over the summer, as reflected by the improved conditions in the service sectors. The increase in domestic travel over the summer brought a welcome pickup in sales for the hotel, restaurant and culture sectors

FINLAND: MACROECONOMIC INDICATORS

	2019	2020	2021E	2022E	2023E
Real GDP, % y/y	1.3	-2.9	3.5	3.0	2.0
Consumer prices, % y/y	1.0	0.3	1.9	1.7	1.7
Unemployment rate, %	6.7	7.8	7.8	6.8	6.4
Wages, % y/y	2.1	2.0	2.2	2.2	2.4
Public sector surplus, % of GDP	-0.9	-5.4	-3.5	-2.5	-2.0
Public sector debt, % of GDP	59.5	69.2	70.2	70.8	71.5
ECB deposit interest rate (at year-end)	-0.50	-0.50	-0.50	-0.50	-0.50

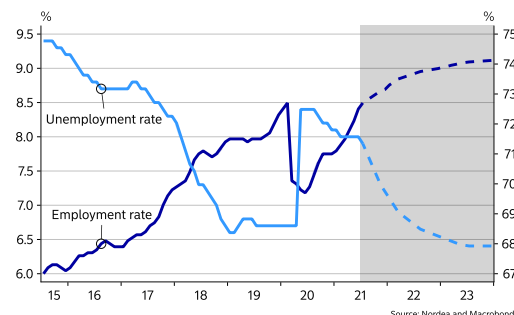
A / Production is on the rise in all the main sectors

Business confidence indicators



B / The labour market will recover quickly

Trend in employment rate and unemployment rate



A /

All sectors have recovered rapidly from the recession caused by the coronavirus.

B /

The labour market will continue to recover this year. The employment rate is expected to reach 73%.

Domestic card payments for services increased in July clearly above the level seen before the coronavirus crisis, although in August this growth slightly levelled off following the end of the holiday season and the spread of the delta variant.

Consumer confidence is still high and the quick recovery in employment has increased the wage bill, which is up by 6.5% compared to two years ago. Despite the growth in consumption, the household savings rate is still elevated, so there is plenty of room for further growth. Private consumption is forecast to grow by 3.2% this year and 3.5% next year.

Consumer prices are on the rise

Rising inflation will curb some of the growth in purchasing power. In July, consumer prices rose by 1.9%. Inflation has accelerated on the back of a rise in the prices of oil products and living expenses as well as higher taxes on alcohol and tobacco. So far, the prices of other goods and services have risen moderately, but growing demand, a tightening labour market and higher transportation costs are likely to increase prices for these items as well.

The upcoming wage negotiations this autumn will have a profound impact on long-term inflation and the competitiveness of the export sector. If wages are raised more than in competitor countries and to an extent that would also exceed the growth in productivity, Finland's exports will become less competitive and inflation will rise. However, we forecast that the outcomes of the wage negotiations will be moderate, and next year wages will rise by 2.2% and consumer prices by 1.7%.

Manufacturing sector embarking on an investment programme

Global economic growth has been a powerful driver of Finnish exports this year. Order books in the manufacturing sector have already exceeded their pre-coronavirus crisis volumes. Despite a minor slow patch in the spring, growth in exports is forecast to continue through the rest of the year. The growth in manufacturing output is broad-based, with the metal industry faring the best overall, although the forest industry too has enjoyed growth this year. Logistical problems and a shortage of components and other production inputs have limited production somewhat in Finland, as elsewhere.

The capacity utilisation rate in the manufacturing sector is now as high as 88%, so there isn't much room for growth without additional investment. In fact, businesses have already launched some investments this year, and strong demand and very favourable financing terms are likely to accelerate investment next year. Investments will also be supported next year and in 2023 by funding from the EU's recovery fund. Investments in clean energy generation, in particular, are clearly on the rise. More than 200 wind turbines will be built in Finland this year, worth more than one billion euros in total. In addition, the construction of a bioproduct mill in Kemi and a battery materials plant in Vaasa are projects that will provide plenty of employment in the construction stage and create new production capacity once they are finished.

Housing market is finding a balance

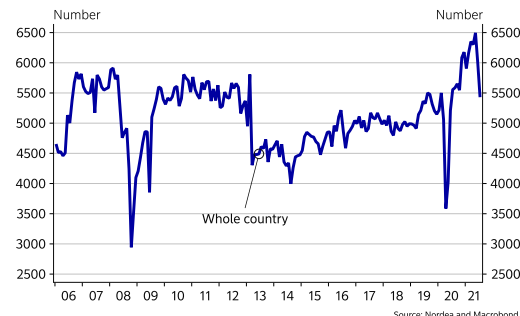
Homes were sold at a record pace in the first half of the year, and their prices rose across the country. Prices have risen the most in the growth

"Beginning from next year, tried-and-tested means will once again be needed to maintain economic growth."

Juho Kostinen
Economist

C / Home sales are levelling off

Number of home sales in a month, seasonally adjusted



centres, as well as in their suburbs, where detached houses in particular have been selling at much higher prices than before. Demand in the housing market is expected to cool off by the end of the year. The number of transactions slightly levelled off in July while at the same time there was a slight uptick in the number of homes listed for sale.

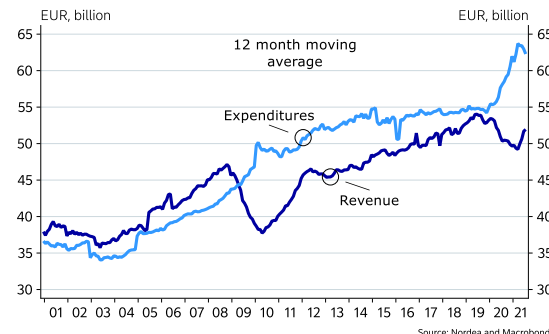
New housing starts already began growing in autumn last year. The growth in production has continued this year, and as a result, a much higher number of new homes will be completed this year than in the previous few years. In the growth centres, the number of new homes is outpacing population growth, which will moderate increases in home prices. Higher employment and the persistent low interest rates will continue to support the housing market in the future.

There are still more rental flats on offer than normally, especially in university cities, and rents have risen moderately this year. As higher education institutions return, at least partially, to contact teaching and employment conditions in the service sectors improve rapidly, there will be more demand for rental flats, which will balance the rental market.

The volume of office and commercial construction remains about 40% below pre-pandemic levels. The return of workers to the office is being delayed, so there is a limited need for new business premises. The volume of industrial and logistics construction, on the other hand, is already close to what it was two years ago. The biggest growth has occurred in recreational construction, with an increase of up to 60% compared to two years ago, but as a whole, the segment is small in the construction sector.

D / Government deficit remains large

Government revenues & expenses, 12-month moving annual total



Public finances will not balance without reforms

The public sector deficit grew to 5.4% of GDP last year, almost all of which came from the central government's finances. This year, the government's finances will be in better shape as the pick-up in the economy has increased tax revenues and lower unemployment has decreased the costs arising from social transfers. The public sector deficit is forecast to be 3.5% of GDP this year and public debt is estimated to rise to 70.2% of GDP. Next year, the deficit will shrink further, although it will remain much bigger than it was before the coronavirus crisis. This despite the fact that the rest of the economy will have almost fully rebounded from the damage caused by the crisis. The proposal of the Ministry of Finance for next year's state budget is EUR 6.7 billion on deficit. The budget is stimulative, as the government decided in its budget framework session in the spring to increase government spending by EUR 900 million above the spending limit next year. As the economy is rapidly returning towards its potential output, there are few good reasons to continue with an expansionary fiscal policy next year, especially when the increase in expenses is more due to permanent costs than investments that increase productivity.

The government is still able to take on very cheap debt, so the financial markets will not force it to adjust its finances. However, the ageing population will pose great challenges to the public finances, so it would be wise to start balancing the budget when the economy is doing well.

C /

Home sales are slightly falling from their peak levels, but improving employment and low interest rates will continue to support the housing market.

D /

The government budget deficits are shrinking, but the public finances will not be balanced without sweeping reforms.

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Labour market rollercoaster

Employment has recovered quickly from the shock caused by the coronavirus, and there are already more job vacancies than before the crisis. At the same time, unemployment has remained high. There appears to be a mismatch between supply and demand in the labour market that will hamper the economy's growth potential, requiring swift structural reforms.

The employment rate in Finland deteriorated rapidly in spring 2020. The furlough system was used extensively, and the number of people furloughed or unemployed exceeded 400,000 at its highest. However, the number of furloughed employees dropped quickly, and it continued to decrease this spring on the back of improved conditions in services. That said, the number of people registered as unemployed is still approx. at 300 000.

Employment has increased rapidly this year. In June, the employed labour force numbered 2,677 million, or approximately the same figure as in 1989 and 2008 at the peak of those economic upswings. The employment rate has risen to as high as 72.7%. The unemployment rate, on the other hand, has declined more slowly, measuring 7.9% in July. This means that there has been a flow of people into the labour market from outside.

The labour participation rate has increased the most among those aged over 55, an age group that has seen a continuous rise for two decades as the retirement age has been increased and early retirement options have been removed. Participation rates have likewise increased in younger age groups this year – women aged 24–35, in particular, have seen an increase of almost 5 percentage points. The reason for this is primarily the improvement in service sector employment, as well as the drop in the birth rate in recent years and the financial incentives created by cuts to the child home care allowance. The increase in the labour force participation rate is positive for the growth prospects of the Finnish economy.

As the economy recovered, the number of job vacancies soared in the first half of the year. In July, there were 70,000 job vacancies, a much higher figure than what it

was pre-coronavirus. The highest number of job vacancies can be found in the customer service, health care and construction sectors. As many as a third of service and construction sector companies report that the availability of labour is limiting growth in their business.

The problems with labour availability have emerged sooner than expected, and a similar situation exists in the other Nordic countries. For example, in the restaurant sector, some of the workforce has moved to other sectors in hopes of finding more secure employment. Similarly, travel restrictions have reduced the availability of foreign workers in the construction sector. Therefore, some of the labour market mismatch is probably temporary, as workers will eventually be allocated to new jobs, and foreign labour will be able to make up for the labour deficit.

However, a part of the mismatch is structural and can only be fixed through structural reforms in the labour market. The removal of the additional period of unemployment as a path to retirement will increase incentives for those over 60 to work, as will the annual four-month increase to the retirement age. Yet, more needs to be done to encourage the unemployed, especially those without a post-elementary school qualification, to study in fields for which there is high demand in the labour market. Improving incentives for those receiving unemployment benefits and allowing local agreements on flexibility at workplaces should also be some of the measures to improve economic growth potential.

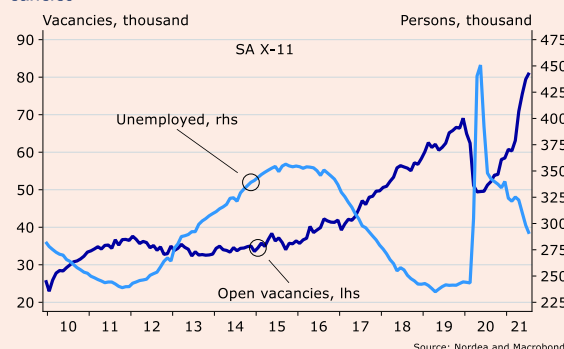
The government will be unable to support more than 200,000 unemployed in the coming years when at the same time the costs of caring for the elderly will eat up an increasing share of public resources. There is an urgent need for labour market reforms, and now that the country faces a labour shortage, they should be much easier to pass than in a recession. Without these reforms, Finland faces extensive cuts to public services or sharp increases in taxation.

"Reforms are needed to fix the labour market mismatch."

Juho Kostinen
Economist

A / Mismatch between vacancies and the unemployed

Number of unemployed and furloughed and number of job vacancies



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KEY FIGURES

BNP reel vekst, %

	2019	2020	2021E	2022E	2023E
Verden ¹⁾	2.8	-3.3	5.5	5.1	4.1
Avanserte økonomier	1.8	-3.9	5.5	3.8	2.4
USA	2.2	-3.5	6.2	4.3	2.3
Euroområdet	1.4	-6.5	5.0	4.0	2.5
Japan	0.7	-5.1	2.5	2.6	1.2
Danmark	2.1	-2.1	3.3	2.7	2.2
Norge	2.3	-2.5	3.9	3.9	1.3
Sverige	2.0	-3.0	4.5	3.5	2.0
UK	1.5	-10.1	6.8	5.4	2.0
Tyskland	1.1	-4.9	3.5	5.0	2.0
Frankrike	1.8	-8.0	6.0	4.0	2.5
Italia	0.3	-8.9	5.5	4.0	2.5
Spania	2.0	-10.8	6.5	6.0	3.5
Finland	1.3	-2.9	3.5	3.0	2.0
Baltics	3.8	-2.1	3.4	4.0	3.4
Fremvoksende økonomier	3.7	-2.2	5.8	5.7	5.2
Kina	6.1	2.3	8.1	5.6	5.5
Russland	1.3	-3.5	3.5	2.5	2.1
India	4.2	-7.5	8.8	8.3	6.8
Brasil	1.1	-4.5	5.2	2.2	2.3
Polen	4.5	-2.7	3.5	4.5	4.0
Resten av verden	2.3	-3.5	3.7	5.5	4.8

1) Veid gjennomsnitt av 186 land. Vektene for alle landene og for gruppen av de resterende er hentet fra siste utgave av IMF World Economic Outlook. Vektene er beregnet på bakgrunn av kjøpekraftskorrigerte BNP-nivåer. Kilde: IMF, Bloomberg & Nordea

Inflasjon, %

	2019	2020	2021E	2022E	2023E
Verden ¹⁾	3.7	3.5	3.8	3.2	2.9
Avanserte økonomier	1.4	0.7	2.6	2.0	1.8
USA	1.8	1.2	4.3	3.0	2.3
Euroområdet	1.2	0.3	2.1	1.5	1.5
Japan	0.5	0.0	0.1	0.7	0.7
Danmark	0.8	0.4	1.4	1.5	1.7
Norge	2.2	1.3	3.1	1.6	1.7
Sverige	1.8	0.5	1.8	1.7	1.3
UK	1.8	0.9	1.5	1.9	2.0
Tyskland	1.4	0.4	0.4	2.2	1.5
Frankrike	1.3	0.5	0.5	1.1	1.3
Italia	0.6	-0.1	-0.1	0.8	1.0
Spania	0.7	-0.3	-0.3	1.0	1.5
Finland	1.0	0.3	1.9	1.7	1.7
Baltics	2.4	0.4	1.7	2.1	2.0
Fremvoksende økonomier	5.4	5.6	4.7	4.0	3.7
Kina	2.9	2.4	1.2	1.9	1.9
Russland	4.5	3.4	4.5	3.4	3.8
India	4.8	6.2	4.9	4.1	3.9
Brasil	3.7	3.2	4.6	4.0	3.1
Polen	2.3	3.4	3.2	2.5	2.5
Resten av verden	6.2	6.6	6.0	4.8	4.4

Offentlig budsjettbalanse, % av BNP

	2019	2020	2021E	2022E	2023E
USA	-5.7	-15.8	-15.0	-6.1	-4.6
Euroområdet	-0.6	-7.2	-8.0	-3.8	-2.3
Japan	-3.1	-12.6	-9.4	-3.8	-2.5
Danmark	4.1	-0.6	0.0	0.9	1.4
Sverige	0.6	-2.8	-1.8	-0.6	-0.4
UK	-2.3	-13.4	-11.8	-6.2	-4.0
Tyskland	1.5	-4.2	-7.5	-2.5	0.4
Frankrike	-3.1	-9.2	-8.5	-4.7	-3.8
Italia	-1.6	-9.5	-11.7	-5.8	-3.8
Spania	-2.9	-11.0	-7.6	-5.2	-4.9
Finland	-0.9	-5.4	-3.5	-2.5	-2.0
Baltics	0.0	-6.3	-6.5	-2.9	-1.8
Kina	-6.3	-11.4	-9.6	-8.7	-7.9
Russland	1.9	-4.1	-0.8	-0.3	-0.5
India	-7.4	-12.3	-10.0	-9.1	-8.4
Brasil	-5.9	-13.4	-8.3	-7.2	-7.3
Polen	-0.7	-8.2	-4.7	-2.6	-2.9

Driftsbalanse, % av BNP

	2019	2020	2021E	2022E	2023E
USA	-2.2	-3.1	-3.9	-3.1	-2.5
Euroområdet	2.3	2.3	2.8	2.7	2.8
Japan	3.7	3.3	3.6	3.2	3.3
Danmark	8.7	8.3	7.5	7.4	7.6
Sverige	5.2	5.6	6.1	5.5	6.0
UK	-3.1	-3.9	-3.9	-4.0	-3.8
Tyskland	7.1	7.1	7.6	7.0	7.0
Frankrike	-0.7	-2.3	-2.1	-1.8	-1.2
Italia	3.0	3.6	3.5	3.4	3.3
Spania	2.1	0.7	1.0	1.9	1.8
Finland	-0.3	0.7	0.8	0.7	0.7
Baltics	1.9	4.5	3.3	2.3	1.3
Kina	1.0	2.0	1.6	1.3	1.1
Russland	3.8	2.2	3.9	3.3	3.1
India	-0.9	1.0	-1.2	-1.6	-1.7
Brasil	-2.7	-0.9	-0.6	-0.8	-1.2
Polen	0.5	3.5	2.0	1.3	0.7

Kilde: IMF & Nordea estimates

Pengepolitiske styringsrenter

	31.8.21	3M	30.6.22	31.12.22	31.12.23
USA	0.25	0.25	0.25	0.50	1.25
Japan	-0.10	-0.10	-0.10	-0.10	-0.10
Euroområdet	-0.50	-0.50	-0.50	-0.50	-0.50
Danmark	-0.50	-0.50	-0.50	-0.50	-0.50
Sverige	0.00	0.00	0.00	0.00	0.00
Norge	0.00	0.25	1.00	1.50	1.75
UK	0.10	0.10	0.35	0.35	0.60
Sveits	-0.75	-0.75	-0.75	-0.75	-0.75
Polen	0.10	0.10	0.50	0.75	1.50
Kina	3.85	3.85	3.60	3.60	3.60

3 mdr. renter

	31.8.21	3M	30.6.22	31.12.22	31.12.23
USA	0.13	0.15	0.35	0.65	1.35
Euroområdet	-0.55	-0.55	-0.55	-0.55	-0.55
Danmark	-0.21	-0.25	-0.30	-0.30	-0.35
Sverige	-0.01	0.00	0.00	0.05	0.05
Norge	0.42	0.85	1.40	1.75	2.25

10-års benchmark statsobligasjonsrenter

	31.8.21	3M	30.6.22	31.12.22	31.12.23
USA	1.24	1.60	2.00	2.30	2.60
Euroområdet	-0.49	-0.30	-0.10	0.10	0.40
Danmark	-0.18	-0.05	0.15	0.30	0.60
Sverige	0.11	0.50	0.57	0.70	0.95
Norge	1.28	1.55	2.00	2.10	2.20

Valutakurser mot NOK

	31.8.21	3M	30.6.22	31.12.22	31.12.23
EUR/NOK	10.24	10.30	10.00	9.90	9.80
USD/NOK	8.66	8.88	8.93	8.92	8.91
JPY/NOK ¹⁾	7.89	7.93	7.97	7.76	7.75
SEK/NOK	1.01	0.99	0.97	0.97	0.97
DKK/NOK	1.38	1.38	1.34	1.33	1.32
GBP/NOK	11.94	12.12	11.90	11.93	11.95
CHF/NOK	9.46	9.63	9.35	9.00	8.91
PLN/NOK	2.25	2.28	2.25	2.25	2.25
RUB/NOK	0.12	0.12	0.12	0.12	0.12
CNY/NOK	1.34	1.37	1.31	1.29	1.28

1) Pr. 100 enheder

Kilde: Nordea prognose

The appendix with a full overview of macroeconomic indicators for Nordics is available in the electronic version of the Nordea Economic Outlook. You can download it from <http://corporate.nordea.com>

Differanse styringsrenter mot Euro-området

	31.8.21	3M	30.6.22	31.12.22	31.12.23
USA	0.75	0.75	0.75	1.00	1.75
Japan ¹⁾	-0.35	-0.35	-0.35	-0.60	-1.35
Euroområdet	-	-	-	-	-
Danmark	0.00	0.00	0.00	0.00	0.00
Sverige	0.50	0.50	0.50	0.50	0.50
Norge	0.50	0.75	1.50	2.00	2.25
UK	0.60	0.60	0.85	0.85	1.10
Sveits	-0.25	-0.25	-0.25	-0.25	-0.25
Polen	0.60	0.60	1.00	1.25	2.00
Kina	4.35	4.35	4.10	4.10	4.10

1) Mot USA

Differanse 3 mnd. renter mot Euro-området

	31.8.21	3M	30.6.22	31.12.22	31.12.23
USA	0.68	0.70	0.90	1.20	1.90
Euroområdet	-	-	-	-	-
Danmark	0.34	0.30	0.25	0.25	0.20
Sverige	0.54	0.55	0.55	0.60	0.60
Norge	0.97	1.40	1.95	2.30	2.80

Differanse 10-års renter mot Euro-området

	31.8.21	3M	30.6.22	31.12.22	31.12.23
USA	1.73	1.90	2.10	2.20	2.20
Euroområdet	-	-	-	-	-
Danmark	0.31	0.25	0.25	0.20	0.20
Sverige	0.60	0.80	0.67	0.60	0.55
Norge	1.77	1.85	2.10	2.00	1.80

Valutakurser mot EUR og USD

	31.8.21	3M	30.6.22	31.12.22	31.12.23
EUR/USD	1.18	1.16	1.12	1.11	1.10
EUR/JPY	129.88	129.92	125.44	127.65	126.50
EUR/GBP	0.86	0.85	0.84	0.83	0.82
EUR/CHF	1.08	1.07	1.07	1.10	1.10
EUR/SEK	10.16	10.40	10.30	10.20	10.10
EUR/NOK	10.24	10.30	10.00	9.90	9.80
EUR/PLN	4.55	4.52	4.45	4.40	4.35
USD/JPY	109.82	112.00	112.00	115.00	115.00
GBP/USD	1.38	1.36	1.33	1.34	1.34
USD/CHF	0.92	0.92	0.96	0.99	1.00
USD/SEK	8.60	8.97	9.20	9.19	9.18
USD/NOK	8.66	8.88	8.93	8.92	8.91
USD/PLN	3.85	3.90	3.97	3.96	3.95
USD/CNY	6.46	6.50	6.80	6.90	6.95

Appendix

SWEDEN: Macroeconomic indicators

	2018 (SEKbn)	2019	2020	2021E	2022E	2023E
Private consumption	2,206	0.7	-4.7	4.4	5.0	2.0
Government consumption	1,258	0.3	-0.6	3.2	2.1	1.0
Fixed investment	1,216	-0.3	-0.4	5.7	3.7	1.0
- industrial investment	175	-4.2	-6.0	8.8	5.6	-0.2
- residential investment	252	-6.5	3.3	7.3	1.2	-2.9
Stockbuilding*	40	-0.1	-0.7	0.1	0.0	0.0
Exports	2,206	6.0	-4.6	8.0	4.7	3.5
Imports	2,098	2.1	-5.7	8.1	5.7	3.0
Real GDP, % y/y		2.0	-2.8	4.6	3.5	1.8
Real GDP (calendar adjusted), % y/y		2.0	-3.0	4.5	3.5	2.0
Nominal GDP (SEKbn)	4,828	5,050	4,983	5,342	5,609	5,800.8
Unemployment rate (SPES), %		7.0	8.5	7.9	6.9	6.7
Employment (KS), % y/y		1.1	-1.2	1.1	1.7	0.6
Consumer prices, % y/y		1.8	0.5	1.8	1.7	1.3
Underlying prices (CPIF), % y/y		1.7	0.5	2.1	1.7	1.3
Hourly earnings (NMO), % y/y		2.6	2.1	3.0	2.7	3.0
Current account balance (SEKbn)		261.8	280.6	323.7	310.0	348.6
Current account balance, % of GDP		5.2	5.6	6.1	5.5	6.0
Trade balance, % of GDP		3.9	4.8	4.6	4.5	5.0
General gov. budget balance (SEKbn)		28.6	-140.6	-94.7	-32.7	-20.9
General gov. budget balance, % of GDP		0.6	-2.8	-1.8	-0.6	-0.4
General gov. gross debt, % of GDP		34.9	39.7	37.6	34.5	33.4
Monetary policy rate (end of period)		-0.25	0.00	0.00	0.00	0.0
USD/SEK (end of period)		9.36	8.21	8.97	9.19	9.18
EUR/SEK (end of period)		10.51	10.04	10.40	10.20	10.10

* Contribution to GDP growth (% points)

DENMARK: Macroeconomic indicators

	2018 (DKKbn)	2019	2020	2021E	2022E	2023E
Private consumption	1,059	1.2	-1.3	2.0	4.3	2.8
Government consumption	547	1.5	-1.7	4.0	-0.5	0.2
Fixed investment	490	0.1	5.1	8.0	5.4	2.8
- government investment	76	-1.6	9.8	4.2	-0.3	-2.0
- residential investment	109	4.7	10.1	12.7	1.0	-1.5
Stockbuilding*	16	-0.2	-0.1	0.0	0.0	0.0
Exports	1,274	5.0	-7.0	4.3	5.2	4.5
Imports	1,136	3.0	-4.1	5.2	6.6	4.7
Real GDP, % y/y		2.1	-2.1	3.3	2.7	2.2
Nominal GDP (DKKbn)	2,253	2,318.0	2,329.6	2,443.1	2,549.2	2,648.1
Unemployment rate, %		3.6	4.6	3.9	3.2	2.8
Gross unemployment level, '000 persons		104.1	131.4	113.3	95.9	83.9
Consumer prices, % y/y		0.8	0.4	1.4	1.5	1.7
Hourly earnings, % y/y		2.5	2.3	2.6	2.8	3.0
Nominal house prices, one-family, % y/y		3.0	4.5	12.1	3.0	1.0
Current account balance (DKKbn)		202.9	191.9	185.0	190.0	200.0
Current account balance, % of GDP		8.7	8.3	7.5	7.4	7.6
General gov. budget balance (DKKbn)		94.2	-14.0	0.0	23.0	36.0
General gov. budget balance, % of GDP		4.1	-0.6	0.0	0.9	1.4
General gov. gross debt, % of GDP		33.6	42.1	39.3	38.9	37.9
Monetary policy rate, deposit (end of period)		-0.8	-0.6	-0.5	-0.5	-0.5
USD/DKK (end of period)		6.7	6.1	6.4	6.7	6.8
EUR/DKK (end of period)		7.5	7.4	7.4	7.4	7.5

* Contribution to GDP growth (% points)

NORWAY: Macroeconomic indicators

	2018 (NOKbn)	2019	2020	2021E	2022E	2023E
Private consumption	1,527	1.4	-6.9	5.0	8.0	3.5
Government consumption	826	1.9	1.7	3.0	2.0	1.5
Fixed investment	850	4.8	-3.8	1.3	1.5	3.5
- gross investment, mainland	689	4.0	-4.1	2.6	2.6	2.1
- gross investment, oil	153	12.6	-4.1	-4.0	-3.0	10.0
Stockbuilding*	146	0.0	-1.0	0.2	0.1	0.0
Exports	1,349	0.5	-0.5	3.0	5.5	4.5
- crude oil and natural gas	569	-4.3	10.1	1.0	6.0	5.0
- other goods	410	4.6	-2.2	7.0	5.0	4.0
Imports	1,146	4.7	-11.9	4.5	10.0	4.0
Real GDP, % y/y	3,554	0.9	-0.8	3.7	3.5	1.6
Real GDP (Mainland), % y/y	2,935	2.3	-2.5	3.9	3.9	1.3
Registered unemployment rate, %		3.7	4.6	3.6	2.4	2.3
Consumer prices, % y/y		2.2	1.3	3.1	1.6	1.7
Core consumer prices, % y/y		2.2	3.0	1.6	1.8	2.0
Annual wages, % y/y		3.5	3.1	3.0	3.2	3.4
Monetary policy rate, deposit (end of period)		1.50	0.00	0.50	1.50	1.75
USD/NOK (end of period)		8.79	8.56	8.93	8.92	8.91
EUR/NOK (end of period)		9.87	10.47	10.30	9.90	9.80

* Contribution to GDP growth (% points)

FINLAND: Macroeconomic indicators

	2018 (EURbn)	2019	2020	2021E	2022E	2023E
Private consumption	123.9	0.7	-4.7	3.2	3.5	1.2
Government consumption	53.5	2.0	0.5	2.9	0.6	1.7
Fixed investment	56.2	-1.6	-0.7	2.1	4.1	3.5
Exports	89.8	6.8	-6.7	2.9	5.3	3.5
Imports	92.7	2.3	-6.4	3.0	5.6	3.2
Real GDP, % y/y		1.3	-2.9	3.5	3.0	2.0
Nominal GDP (EURbn)	233.5	240.1	236.2	249.0	260.6	270.5
Unemployment rate, %		6.7	7.8	7.8	6.8	6.4
Industrial production, % y/y		2.6	-0.4	3.0	2.0	2.0
Consumer prices, % y/y		1.0	0.3	1.9	1.7	1.7
Hourly earnings, % y/y		2.1	2.0	2.2	2.2	2.4
Current account balance (EURbn)		-0.8	1.7	2.0	1.8	1.8
Current account balance, % of GDP		-0.3	0.7	0.8	0.7	0.7
Trade balance (EURbn)		2.3	3.0	3.0	2.0	2.0
Trade balance, % of GDP		1.0	1.3	1.2	0.8	0.7
General gov. budget balance (EURbn)		-2.3	-12.9	-8.7	-6.6	-5.5
General gov. budget balance, % of GDP		-0.9	-5.4	-3.5	-2.5	-2.0
General gov. gross debt (EURbn)		142.9	164.3	174.8	184.6	193.3
General gov. gross debt, % of GDP		59.5	69.2	70.2	70.8	71.5
Monetary policy rate (end of period)		-0.5	-0.5	-0.5	-0.5	-0.5
EUR/USD (end of period)		1.1	1.2	1.2	1.1	1.1

* Contribution to GDP growth (% points)



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