

**NORDEN**

Brist på arbetskraft  
ett växande problem / s. 11

**SVERIGE**

Inflationsriskerna större  
än på länge / s. 12

**HUSHÅLL**

Förmögna men sårbara / s. 15

# Nordea Economic Outlook<sup>®</sup>

3 / 2021



## NY FAS

Hög tillväxt med växtvärk.  
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*“Hög vaccinationsvilja och finansiellt starka hushåll en styrka för Norden.”*

**Annika Winsth**  
Chefekononom Sverige

**”Mycket av den ekonomiska återhämtningen ligger bakom oss. Allt högre brist på arbetskraft.”**

**Annika Winsth**  
Chefekonom Sverige



# Ny fas

Konjunkturutsikterna är ljusa och de nordiska länderna står väl rustade för den ekonomiska fas vi nu går in i. Hög vaccinationsvilja och hushåll med gynnsamma finansiella förutsättningar blir viktiga pusselbitar framöver. Risker är större för överhettning och brist på kompetens än svag efterfrågan. I den miljön hamnar inflation och löner i fokus. Penningpolitiken förblir dock expansiv.

Den ökade smittspridningen i delar av världen oroar. Låg vaccineringsgrad i Asien och i vissa delar av USA samt osäkerheten om inte minst det kinesiska vaccinets effektivitet utgör risker för global tillväxt. Läget är svårbedömt, men en mer markant tillbakagång är mindre sannolik. Mer troligt är snarare regionala smitthärdar med begränsade restriktioner och ekonomiska konsekvenser. Finansmarknadernas aktörer följer utvecklingen noga och riskviljan har dämpats. Det är dock svårt att skilja effekterna av oro för ökad smittspridning från konsekvenserna av en mindre expansiv penningpolitik.

Mycket av den ekonomiska återhämtningen ligger bakom oss och konjunkturen mognar. I den miljön är det både rimligt och önskvärt att börja trappa ned krispolitiken och minska de penningpolitiska stimulanserna. Det särskilt som finanspolitiken under överskådlig tid lär förbli expansiv på många håll.

Kina har stramat åt kreditgivningen och ekonomin växer inte lika snabbt som i början av året. Även den amerikanska centralbanken Federal Reserve signalerar att den ämnar minska stimulanserna. Möjligen sker det redan i år om inte ökad smittspridning sätter stopp. Hur snabbt och kraftfullt centralbanken agerar påverkar riskviljan och därmed tillväxt, räntor och växelkurser. Ökad smittspridning oroar, men den amerikanska ekonomin är tillbaka på förkrisnivåer och behovet av krispolitik är inte lika

stort. Konjunkturindikatorer som inköpschefsindex har toppat på höga nivåer i Kina och USA och det lär inte dröja länge innan vi ser liknande mönster i Norden.

Den mycket snabba återhämtningen i stora delar av världen har tillsammans med de flaskhalsar som uppstod under pandemin skapat brist på flera insatsvaror och även på arbetskraft och kompetens. Transport- och råvarupriser har stigit snabbt och risken för hög inflation har kommit upp på agendan. Än så länge har centralbankerna tolkat prisökningarna som tillfälliga och inte agerat. Avgörande framöver blir utvecklingen på arbetsmarknaden samt om lönerna stiger mer påtagligt då det kan leda till varaktigt hög inflation. Den risken är större i USA än i Europa.

Europa har nu högre vaccinationsgrad än USA och de europeiska ekonomierna växer snabbt. Fortsatt expansiv finanspolitik driver på och tillväxten förväntas ligga högre än den potentiella det närmaste åren. Samtidigt är det stora skillnader länderna emellan, där de turistberoende länderna i syd är betydligt mer drabbade av stängda gränser än industritunga länder i norr. Utgången av tyska valet, där Merkel lämnar scenen, kan få stor betydelse även utanför landets gränser då hon många gånger fört Europas talan i omvärlden. Det går inte utesluta ett mer splittrat och därmed försvagat Europa.

Alla de nordiska ekonomierna har kommit tillbaka betydligt snabbare än befarat efter

pandemin. Det mycket på grund av en gynnsam näringslivsstruktur, där ett tidigt öppnande av global handel var centralt för exportindustrin. Samtidigt har hushållen sparat och byggt upp en stark förmögenhet under krisen, vilket gör konsumtionen till en viktig drivkraft. Det ger ett mycket bra utgångsläge. Risker är överhettning, bland annat i form av upprissade tillgångspriser, snarare än svag efterfrågan.

Vaccinationsviljan är dessutom mycket hög i Norden och det kan bli avgörande för den ekonomiska utvecklingen. Det särskilt om smittspridningen tar fart i andra delar av världen med nya restriktioner som följd. Omvärlden spelar stor roll för små öppna ekonomier, men en ansenlig del av handeln sker i vårt närområde. Öppna gränser inom Norden kan även bidra till att länderna kan dra nytta av varandra som turistmål. Samtidigt finns det förutsättningar för Norden att ta en ledande roll i den globala omställningen till en mer hållbar värld. Näringslivet ligger många gånger i framkant, och med starka företag och hushåll finns det goda förutsättningar att bidra och påverka på global nivå. I Sverige kräver det bland annat en utbyggnad av miljövänlig och tillförlitlig energiförsörjning.

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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

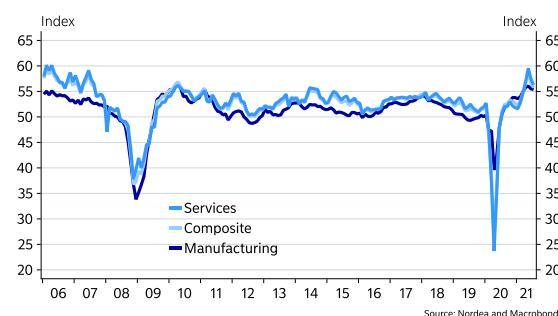
Euro-area GDP as a whole is expected to be at the pre-crisis level by the end of 2021. However, country-level developments vary substantially as countries such as Spain that are dependent on foreign tourism are still lagging behind. The implementation of the NGEU recovery fund has proceeded, and the 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

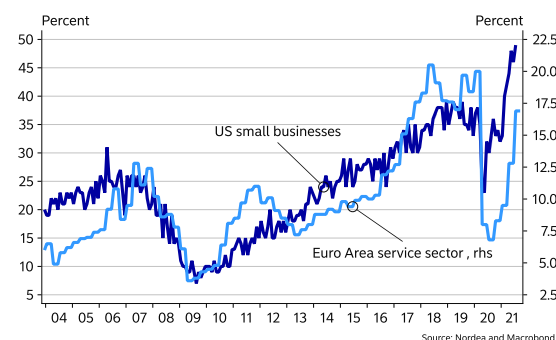
### A / Fastest growth rates are already behind us

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 /

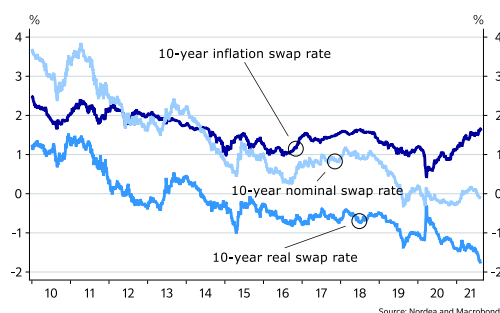
From a growth perspective, it is critical to be able to supply enough labour.

Sources: Nordea and Macrobond

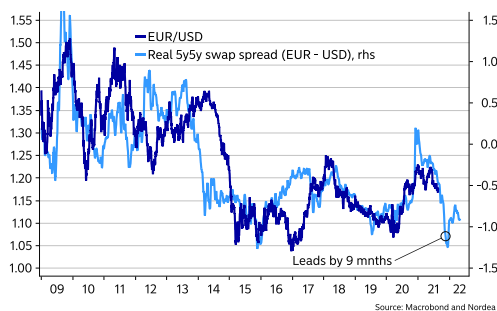
### FOREIGN EXCHANGE RATES, MONETARY POLICY RATES AND BOND YIELDS, END OF PERIOD

					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

**“Globala  
utbudsp  
problem  
lyfter inflat-  
ionen även i  
Sverige.”**

**Torbjörn Isaksson**  
Nordeas chefsanalytiker

# Norden i korthet



De nordiska ekonomierna har återhämtat sig från pandemin tack vare återupptagen världshandel, höga vaccinationstal och lättade restriktioner. Den snabba uppgången har istället lett till brist på arbetskraft, och antalet lediga jobb ligger nu på rekordnivå i flera nordiska länder. Nya covid-19-varianter utgör fortfarande en risk, men sannolikheten för en ny ekonomisk nedgång är låg.

## SVERIGE

Arbetslöshet i slutet av 2021

# 7,3 %

Högre tillväxt och ökat resursutnyttjande präglar de svenska utsikterna. Brist på arbetskraft är ett växande problem och lönerna har börjat stiga. Inflationen ligger tillfälligt över målet men sjunker tillbaka under 2022. Vi räknar med att reporäntan ligger kvar på noll under hela prognosperioden.

/ sidan 12

## DANMARK

Arbetslösheten 2022

# 3,2 %

Den danska ekonomin har gått från djup kris till risk för överhettning på rekordtid. BNP är nu högre än före pandemin. Konsumentpriserna har börjat stiga snabbare än tidigare, och det finns tecken på ett ökat lönetryck.

/ sidan 16

## NORGE

Styrränta i slutet av 2022

# 1,5 %

Arbetslösheten har minskat kraftigt i Norge i takt med att samhället öppnats igen. Antalet lediga jobb ligger på rekordnivå. Tecken börjar synas på en obalans på arbetsmarknaden, vilket kan medföra löneökningar. Vi räknar med att Norges Bank höjer styrräntan i september.

/ sidan 20

## FINLAND

BNP-tillväxt 2021

# 3,5 %

Finsk tillväxt var stark under sommaren och BNP nådde förkrisnivå under andra kvartalet. Ökad sysselsättning och lägre sparande bland hushållen driver upp den privata konsumtionen. Samtidigt gynnas bygginvesteringarna av en stark efterfrågan på bostäder.

/ sidan 24



## SVERIGE

# Växtvärken tillbaka

Den svenska ekonomin går in i en ny fas där ett högt resursutnyttjande blir en restriktion för ökad produktion. Tillväxten breddas och investeringarna blir en viktig motor vid sidan av exporten och hushållens konsumtion. Läget på arbetsmarknaden normaliseras i närtid och löneökningarna stiger. I en värld med mjuka centralbanker avvaktar Riksbanken under prognosperioden.

### Konjunktoren mognar

Pandemin dröjer sig kvar, men dess ekonomiska konsekvenser blir allt mindre. De finansiella förhållandena är ovanligt gynnsamma både i Sverige och hos våra handelspartners. BNP passerade förkrisnivåer tidigare i år och resursutnyttjandet är snart lika högt som under de starka konjunkturåren 2017 och 2018.

I närtid hämmar brist på varor tillväxten. De problemen avtar successivt. Istället är brist på arbetskraft ett växande problem. Lönerna ökar snabbare än tidigare men inte tillräckligt för att inflationen ska stabilisera sig på 2 procent. Istället skapar bland annat högre energi- och livsmedelspriser en tillfällig uppgång av inflationen. Riksbanken behåller penningpolitiken oförändrad och kronan stärks endast långsamt.

Efterfrågetillväxten normaliseras under prognosperioden. Högre energipriser, uppgången i räntor med längre löptider samt en åtstramning av den ekonomiska politiken i vissa länder dämpar den globala konjunkturen.

För svensk del växer befolkningen i arbetsför ålder långsamt de kommande åren. Det står i kontrast till de senaste 10 årens rekordökningar. En långsamare befolkningsökning dämpar BNP-tillväxten både på kort och lång sikt.

Nya varianter av coronaviruset kan inte uteslutas och utgör en risk i prognosen. Samtidigt har hushåll och företag anpassat sig till pandemin. I Norden är vaccinationsgraden dessutom hög. Tillväxten kan dämpas

**4,5 %**

BNP-tillväxten 2021

**2,1 %**

KPIF-inflationen 2021

**2,9 %**

Löneökningarna i  
genomsnitt 2021-2023

Källor: SCB, Macrobond och Nordea

mer än vad som antagits i denna prognos, medan en ny ekonomisk nedgång framstår som mindre trolig.

### Fulla orderböcker

Uppstudet i omvärlden syns tydligt i exportindustrins orderböcker, vilka aldrig har varit så välfyllda som nu. Prognoserna på den globala ekonomin i denna rapport innebär dessutom att efterfrågan fortsätter att öka i närtid, vilket stöds av indikatorer för den svenska exporten.

Exporten, och därmed BNP, skulle kunna öka ännu snabbare då industrin har problem att leverera i den takt som efterfrågan ökar. Till exempel har fordonsindustrin tvingats stänga produktionen under kortare perioder på grund av brist på insatsvaror. Av allt att döma består problemen den närmaste tiden men försörjningen av varor antas normaliseras nästa år. Under loppet av nästa år mattas den internationella tillväxten och därmed sker en nedväxling även av svensk exporttillväxt.

### Fulladdade hushåll släpps fria

Hushållens konsumtion har studsat upp men var under andra kvartalet i år fortfarande lägre än innan krisen. Varukonsumtionen har utvecklats starkt under

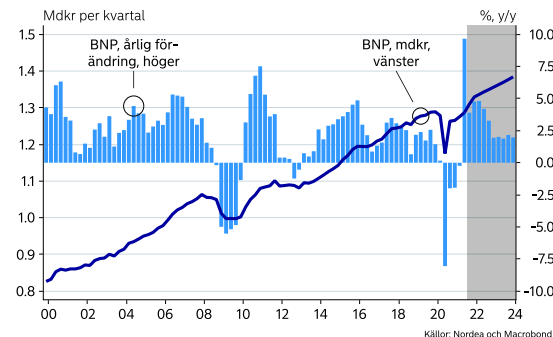
### SVERIGE: MAKROEKONOMISKA NYCKELTAL

	2019	2020	2021E	2022E	2023E
BNP (kalenderkorrigerad), % y/y	2,0	-3,0	4,5	3,5	2,0
Konsumentpriser (KPIF), % y/y	1,7	0,5	2,1	1,7	1,3
Arbetslöshet (AF), %	7,0	8,5	7,9	6,9	6,7
Bytesbalans, % av BNP	5,2	5,6	6,1	5,5	6,0
Offentligt finansiellt sparande, % av BNP	0,6	-2,8	-1,8	-0,6	-0,4
Offentlig bruttoskuld, % av BNP	34,9	39,7	37,6	34,5	33,4
Reporänta (december)	-0,25	0,00	0,00	0,00	0,00
EUR/SEK (december)	10,51	10,04	10,40	10,20	10,10



## A / BNP växer snabbt

Miljarder kronor per kvartal och årlig procentuell förändring



## B / Investeringarna tar fart

Nettobalans och årlig procentuell förändring



hela pandemin. Hushållen har däremot varit förhindrade att resa och köpa vissa typer av tjänster.

Restriktionerna lättades på hemmaplan i början av sommaren. Realtidsdata tyder på att hushållen har tagit chansen och återigen konsumerar tjänster som man tidigare inte har haft möjlighet att nyttja. De finansiella förutsättningarna är på plats för ökad konsumtion. Sparandet har varit rekordhög, förmögenheten är på rekordnivåer samtidigt som läget på arbetsmarknaden förbättras. Läs mer om hushållens ekonomi på sidan 15.

### Het bostadsmarknad

Ytterligare en faktor som talar för stigande konsumtion är bostadsmarknaden. Stigande bostadspriser brukar sporra konsumtionsviljan. Utsikter om låga räntor under en lång tid framöver, slopad ränta på uppskjutna vinster på upp till 3 miljoner kronor och ändrade preferenser som en följd av pandemin har eldat på priserna.

Nu visar bostadsmarknaden tecken på att stabiliseras. Enligt enkäter har hushållen fortfarande positiva förväntningar, men andelen som tror på stigande priser har minskat. Dessutom tas det generella undantaget för amorteringar bort i september i år, vilket kan bidra till att dämpa efterfrågan på bostäder.

En mindre nedgång av bostadspriserna är trolig under prognosperioden. Vi ser dock inte skäl till någon större korrigerande av priserna. Räntorna är låga och att det är val till riksdagen nästa år talar för att det inte blir ytterligare regelförändringar innan dess. Växande utbud genom ökat byggande och om än långsamt stigande bostadsräntor sätter dock avtryck på bostadspriserna som ökar med 13,5 procent i år och med 2,5 procent 2022 mätt som årsgenomsnitt.

### Investeringarna ny tillväxtmotor

Den heta bostadsmarknaden har bidragit till att bostadsbyggandet har tagit fart igen. Därutöver sker en bred uppgång av investeringarna i näringslivet. Även i offentlig regi sker satsningar, bland annat i infrastruktur och inom regionerna, som en del av den historiskt sett mycket expansiva finanspolitiken. Den offentliga sektorns budgetunderskott uppgår till knappt 2 procent av BNP i år. Underskottet minskar framöver, trots en fortsatt expansiv inriktning valåret 2022. Den offentliga sektorns skuld (Maastricht) toppade just under 40 procent av BNP förra året och skuldkvoten sjunker kommande år.

### Sysselsättningen tillbaka

Även arbetsmarknaden lämnar krisen allt mer bakom sig. Både anställningsplaner och nya lediga jobb är på rekordnivåer och varseltalen de lägsta sedan 1980-talet. Bristen på arbetskraft stiger snabbt och är redan mer besvärande än normalt, och då särskilt inom industrin. Den minskande befolkningen i arbetsför ålder förvärrar bristsituationen.

Sysselsättningen kan därför inte öka lika mycket som efterfrågan indikerar. Matchningsproblemen blir ett hett tema under hösten. Arbetslösheten faller snabbt och sysselsättningen når nya toppnivåer under prognosperioden. På grund av den stora omläggningen av SCB:s Arbetskraftsundersökning är statistiken svårtolkad. Enligt Arbetsförmedlingen har arbetslösheten fortsatt att sjunka och vi räknar med att vi når samma nivå som innan pandemin i mitten av 2022. Sysselsättningen är redan tillbaka.

### Tillfällig prisuppgång

Hög efterfrågan och brist på arbetskraft gör avtryck i löneökningarna som har växlat upp. Löneavtalen på måttliga 2 procent per år gäller fram till och med

## A /

Tillväxt breddas i år då även investeringarna skjuter fart. BNP planar ut och växer i linje med den långsiktiga trenden från och med nästa år.

## B /

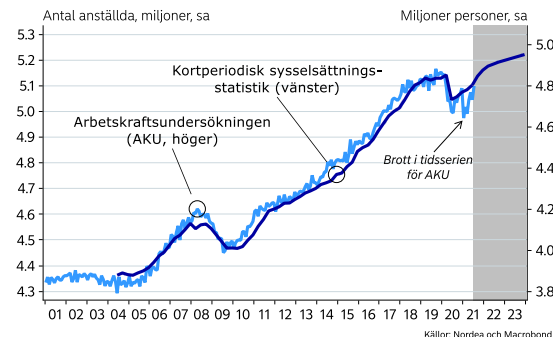
Såväl industrins som tjänstesektorns investeringar uppvisar höga ökningstal i år.

*“Efterfrågan på arbetskraft är rekordhög och varseltalen de lägsta sedan 1980-talet.”*

**Torbjörn Isaksson**  
Nordea Chief Analyst

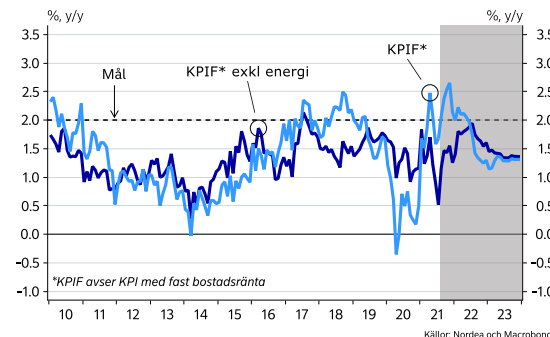
### C / Sysselsättningen stiger snabbt

Antal anställda respektive antal sysselsatta



### D / Tillfälligt hög inflation i år

Årlig procentuell förändring



mars 2023, vilket håller tillbaka de totala löneökningarna. Dessutom är löneutvecklingen i euroområdet dämpad, vilket är viktigt för den svenska lönesättningen. Vi räknar ändå med att löneökningarna stiger framöver då löneglidningen, d.v.s. löneökningar utöver avtal, ökar på grund av den starka arbetsmarknaden.

De totala löneökningarna blir högre än tidigare men är förhållandevis måttliga i ett historiskt perspektiv. Det bidrar till att den uppgång i inflationen som sker i närtid är tillfällig.

I år har energipriserna stigit kraftigt, och då i synnerhet elpriset. Uppgången är huvudorsaken till att inflationen har stigit under året och lyfter KPIF-inflationen med nästan 1 procentenhet i år. Det finns alltså en osäkerhet om energipriserna, men det är inte sannolikt att priserna ökar lika snabbt under nästa år, vilket är ett viktigt skäl till att inflationen faller tillbaka.

Den höga efterfrågan på varor i världen och de globala logistikproblemen bedöms göra avtryck i inflationen även i Sverige under det kommande året, och då framför allt via högre livsmedelspriser. Utöver en måttlig löneinflation talar en god lönsamhet i näringslivet för att uppgången blir tillfällig.

#### Inflationen är allt för Riksbanken

På grund av de stigande energi- och matpriserna är KPIF-inflationen i linje med målet under det kommande året, men det är inte tillräckligt för att Riksbanken ska ändra inriktning på penningpolitiken. Högre inflation, om än tillfälligt, och stark ekonomi

minskar sannolikheten för fler stimulanser. För att reporäntan ska höjas krävs att Riksbanken är trygg i bedömningen att förutsättningarna är på plats för att inflationen även i ett medelsiktigt perspektiv ska ligga på 2-procentsmålet. Det tycks avlägset.

Fed och ECB har nyligen uppdaterat sina långsiktiga strategier. I Sverige ska en ny Riksbankslag träda i kraft den 1 januari 2023. För Riksbanken innebär det inga större ändringar, medan det för Fed och ECB på marginalen kan minska benägenheten att höja räntan. Framför allt ECB:s mer expansiva hållning bidrar till att Riksbanken sitter stilla i båten.

Vår bedömning är därför att Riksbanken lämnar reporäntan oförändrad på noll procent under hela prognosperioden fram till december 2023. Även uppköpsprogrammen löper på som planerat, vilket innebär fortsatta men minskade köp under andra halvåret 2021 samt en oförändrad balansräkning 2022. Under 2023 minskas däremot balansräkningen.

Kronan är viktig för inflationen och därmed för Riksbanken. Om Riksbanken skulle lätta på gasen kan kronans växelkurs stärkas, vilket i sin tur kan leda till att inflationen blir låg. Det vill beslutsfattarna på Brunkebergstorg undvika med svag kronkurs som följd. Vi räknar med att kronan fortsätter att handlas över 10 kronor mot euron medan den försvagas något mot dollarn under det kommande halvåret.

### C /

Efterfrågan på arbetskraft är god. Prognosen är enligt SCB:s Kortperiodiska sysselsättningsstatistik då Arbetskraftsundersökning (AKU) lider av ett tidsseriebrott.

### D /

Energipriserna har skjutit i höjden, vilket tillsammans med högre livsmedelspriser lyfter inflationen under det kommande året. Uppgången är dock tillfällig.

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# Starka hushåll men ökad fallhöjd

De svenska hushållens skulder har ökat snabbare än inkomsterna i många år. Skuldsättningen är rekordhög relativt inkomsterna men historiskt låg i förhållande till tillgångarna. Oavsett mått har räntekänsligheten ökat.

Skuldsättningen har mer än fördubblats i förhållande till hushållens disponibla inkomster sedan slutet på 1990-talet. Under samma period har räntekvoten, det vill säga ränteutgifterna i förhållande till de disponibla inkomsterna, sjunkit till historiskt låga nivåer. Det viktigaste skälet är trendmässigt fallande räntor under de senaste 30 åren. Till exempel uppgick den 2-åriga nominella bolåneräntan till 14 procent i början av 1990-talet och har sedan dess fallit till 1,3 procent. Skulderna har med andra ord vuxit in i en allt rymligare räntekostym.

Svensk ekonomi har förbättrats snabbt efter pandemin och räntebotten ser ut att vara bakom oss, även om det lär dröja innan Riksbanken höjer reporäntan. När skulderna ökar innebär det större ränteutgifter vid varje given räntenivå och även mindre räntehöjningar kan därför få stort genomslag. Då räntekvoter och bostadspri- ser brukar samvariera betyder det att riskerna har ökat på bostadsmarknaden. Våra beräkningar visar att om räntenivån ökar med en procentenhet så stiger räntekvoten med två procentenheter. Om räntan fördubblas från dagens nivåer måste hushållens skulder halveras för att bibehålla samma konsumtionsutrymme. Rekord-expansiv ekonomisk politik förefaller ha gett ny skjuts till kredittillväxten som den senaste tiden har legat på rekordnivåer. Risken är därför stor att gapet mellan skuldsättningen och inkomsterna fortsätter att vidgas.

Den genomsnittliga disponibla inkomsten hos ett sammanboende hushåll som tar ett nytt bostadslån är 59 000 kr/mån, och snittlånet uppgår till ungefär 3 miljoner kronor (Bolåneundersökningen 2021, FI). Vid ett scenario där bolåneräntan fördubblas innebär det att ränteutgifterna efter ränteavdrag ökar med nästan 30 000 kronor per år, vilket motsvarar en ökning av räntekvoten för detta typhushåll till 8 procent från 4 procent. Även om många hushåll har utrymme för att

hantera högre ränteutgifter i framtiden kan det påverka ekonomin på andra sätt, till exempel genom att tränga ut annan konsumtion eller leda till prisfall på bostadsmarknaden.

Om man jämför skulderna med hushållens tillgångar är skuldsättningen istället historiskt låg. Det beror till stor del på de senaste årens uppgångar på aktie- och bostadsmarknaden. Ur ett kassaflödesperspektiv är det däremot intressant att jämföra skulderna med hushållens likvida tillgångar, det vill säga sparandet i noterade aktier, fonder och pengar på bankkontot. Utifrån detta mått uppgår skulderna som andel av de likvida tillgångarna till 88 procent, det vill säga väsentligt lägre än skulderna relativt disponibla inkomster.

De aggregerade tillgångarna ger dock inte hela bilden över hushållens motståndskraft. Ungefär 60 procent av de likvida tillgångarna utgörs av aktier och fonder, vilka saknar ett förutsägbart värde då priserna kan sjunka vid en ekonomisk nedgång. Dessutom pekar uppskattningar från Finansinspektionen mot att hushållens buffertar är mycket ojämnt fördelade. De likvida tillgångarna räcker i högst fyra månader för vart tredje hushåll vid ett inkomstbortfall. Var nionde bolånetagare har en skuldkvot som överstiger 450 procent av bruttoinkomsten, vilket understryker att det finns en känslighet för framförallt stigande räntor.

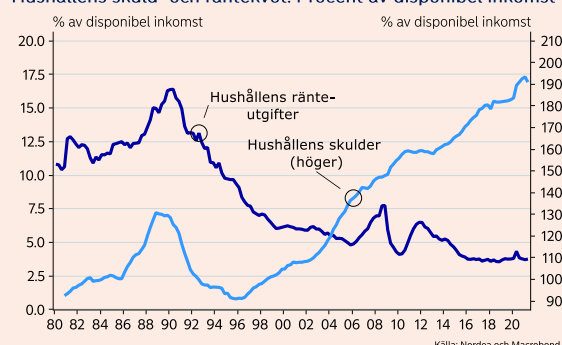
Vår sammantagna bedömning är att hushållen i dagsläget har en stark balansräkning samtidigt som räntekänsligheten är betydande. Pandemin och den expansiva ekonomiska politiken har eldat på bostadspri- serna och kreditgivningen ytterligare samtidigt som penningpolitiken lär vara fortsatt expansiv. Det skapar en miljö med fortsatt hög kredittillväxt och stigande tillgångspriser. Erfarenheter från tidigare kriser visar att priset för en skuld- och bostadskris är mycket hög. Återinförandet av amorteringskravet kan dämpa kreditgivningen på kort sikt men det krävs ytterligare åtgärder för att minska sårbarheten i svensk ekonomi till den dag räntorna stiger.

*”Trots en stark ekonomi förblir penningpolitiken expansiv. Det skapar en miljö med fortsatt hög kredittillväxt.”*

**Gustav Helgesson**  
Analytiker

## A / Rekordhög skuldsättning men rekordlåga ränteutgifter

Hushållens skuld- och räntekvot. Procent av disponibel inkomst



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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.

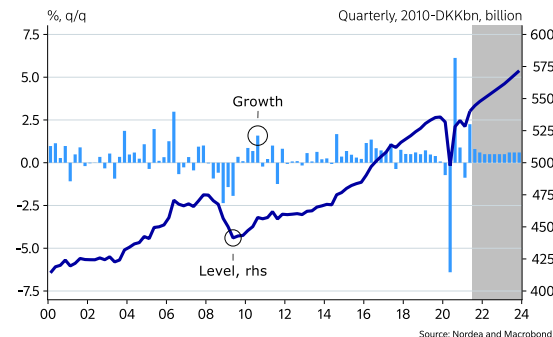
Households' large savings buffers will provide a robust foundation for sustained growth in household spending. And the refund of overpaid housing tax of some DKK 14bn will further boost this growth potential. The refund is estimated to relate to just over 700,000 owner-occupied homes. Most of the refund 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

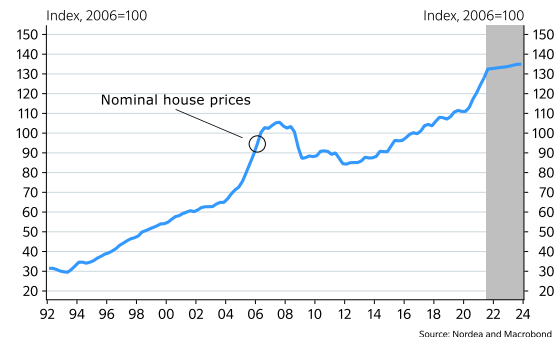
## A / Prospects of solid GDP growth

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

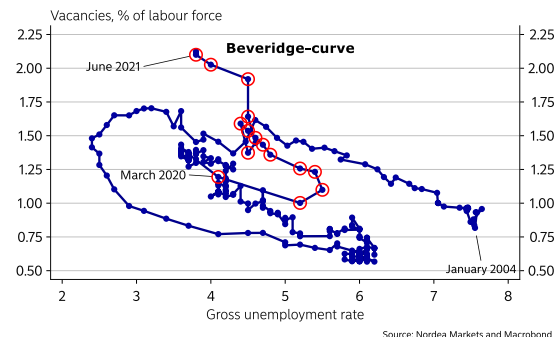
*"With its strong economic foundation, the Danish economy should see solid growth in the years ahead."*

**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.

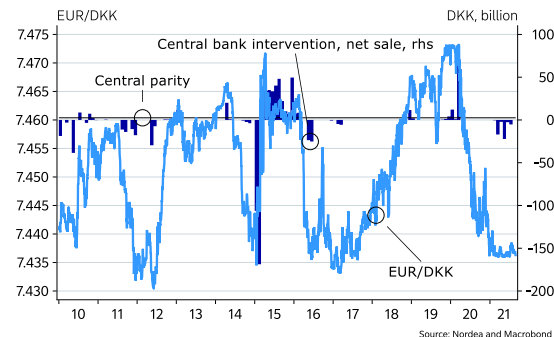
Mainly as a result of the surge in prices earlier this year, the increase in the average price per square metre for single-family houses in 2021 looks set to be just over 12%. Next year, the rate of increase should be 3% and then just 1% in 2023. Note that the much slower price growth should also be 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 because otherwise they could limit flexibility in the economy.

### D / Danish central bank prevents DKK strengthening

EUR/DKK and central bank intervention



### 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.

### 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.

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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%.

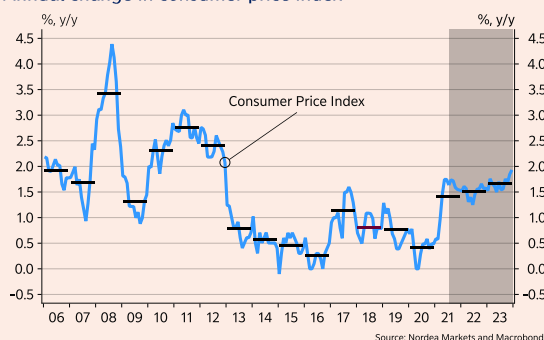
Another reason for the low rate of inflation is rents, which account for more than one fifth of the Danish consumer price index. Despite massive growth in home prices, annual growth in rents has declined as for example many cooperative housing associations have taken advantage of the drop in mortgage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

### A / Eight years of exceptionally low inflation are over

Annual change in consumer price index



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."*

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## NORWAY

# Normalisation

The Norwegian economy has now regained all the ground lost during the coronavirus crisis. The situation is still uncertain, but with one of the world's highest vaccination rates, chances are good that Norway will avoid new measures which could weaken the economy. Unemployment has dropped sharply in sync with the reopening of society and will continue to do so. At the same time, the number of job vacancies is record high, and signs of mismatch in the labour market are emerging – which could lead to higher wage growth. Norges Bank will start normalising interest rates in September. The housing market rally is over and prices will likely flatten going forward. The NOK will remain weaker than previously expected.

We have long said that if we solve the health crisis, then we will also solve the economic crisis. This summer was the definitive turning point for the pandemic and thus also for the economy, as outlined in the two previous issues of *Economic Outlook*. The Norwegian economy has recovered swiftly after restrictions were gradually lifted.

Activity in the Norwegian economy surged during the summer. As restrictions were gradually rolled back, spending and demand rose sharply. A desire to resume normal spending patterns, plenty of money left over after the crisis and "staycation" have all led to a significant increase in services consumption. Moreover, retailers have benefitted from the reopening of physical shops. Activity in the mainland economy rose 1.4% in Q2 and was thus back at pre-pandemic levels already in June. In tandem with the recovery, unemployment fell to 3% in July after hovering around 4% in Q1 2021 and surpassing 10% at the worst point last spring.

### One of the top vaccination rates globally

Economic developments in the coming period will probably continue to be affected by the virus. The vaccines currently used may turn out to be less effective against new variants. If higher infection rates lead to a sharp increase of hospital admissions, new restrictions will likely be imposed – which will adversely impact the economy.

However, Norway is in a good position with the vast majority of adults wanting to be vaccinated and by having one of the world's highest vaccination rates. More than 90% of the adult population has received at least one dose and most adults will soon be fully

## 3.9%

Growth in mainland GDP in 2021

## 2.5%

Registered unemployment rate at end-2021

## 1.5%

Norges Bank's policy rate at end-2022

Source: Nordea estimates

vaccinated. Moreover, vaccination of 16-17-year-olds will soon start. Given the high vaccination rate, there are good chances that Norway will avoid new, nationwide restrictions. The risk of an economic setback in Norway is therefore lower than in many other countries where the population is not as eager to get vaccinated. In addition, the mRNA vaccines used in Norway are effective against the more infectious Delta variant. While the effectiveness against symptomatic infection is lower than for other virus variants, the vaccines still offer very good protection against serious illness and death. Experience from Israel, one of the first countries to vaccinate large parts of its population, shows that a third booster dose may be necessary to maintain a high degree of protection particularly among the most vulnerable population groups. Several countries have started giving booster shots, and Norway will likely follow suit.

Given the worries over the spread of the Delta variant and other possible new mutations, we will probably have to live with certain restrictions for longer. Particularly travel restrictions into Norway. The travel industry and the cultural sectors that depend on tourism are therefore unlikely to make a full return to normality until a larger share of the global population is fully vaccinated. This could take a long time.

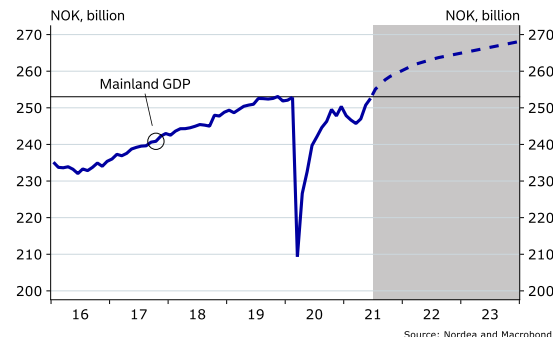
### NORWAY: MACROECONOMIC INDICATORS

	2019	2020	2021E	2022E	2023E
Real GDP (mainland), % y/y	2.3	-2.5	3.9	3.9	1.3
Household consumption	1.4	-6.9	5.0	8.0	3.5
Core consumer prices, % y/y	2.2	3.0	1.6	1.8	2.0
Annual wage growth	3.5	3.1	3.0	3.2	3.4
Unemployment rate (registered), %	3.7	4.6	3.6	2.4	2.3
Monetary policy rate, deposit (end of period)	1.50	0.00	0.50	1.50	1.75
EUR/NOK (end of period)	9.87	10.47	10.30	9.90	9.80



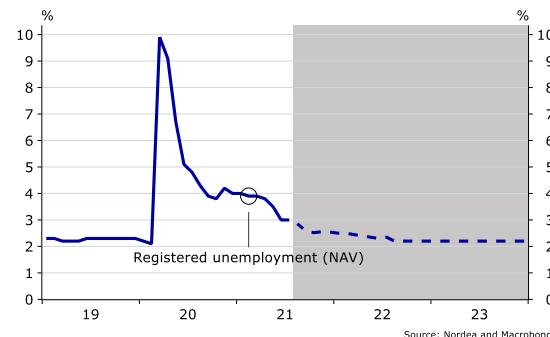
### A / GDP back at February level during the summer

Mainland GDP, m/m, NOKbn



### B / Unemployment will decline further

Registered unemployment, % of labour force



But otherwise Norwegians will probably be able to return to an almost normal life.

#### Further upturn in sight

We expect economic activity to rise further and unemployment to continue to fall once the last remaining restrictions in Norway are lifted. Signals from the authorities indicate that the last step of the reopening plan will be implemented in September when large parts of the adult population are fully vaccinated. The scrapping of the one-metre rule will especially benefit cultural activities. Households still have ample savings put aside that could be used for consumption.

Last year, many businesses put investment plans on hold due to high uncertainty. But now they plan to carry them out. Investment growth in the mainland economy will be boosted by the green transition and ESG investments that will come underway.

Fiscal policy has played a key role during the coronavirus crisis. The aid packages have been crucial in keeping corona-impacted businesses afloat. Once the economy is back to normal, public budget expenditure will fall. This does not mean that the budget will become less expansionary; it is rather a reflection of the recovering economy. In an election year like this year, the deficit may also quickly swell by a few billion.

#### Labour market mismatch could lead to wage pressure

As the economy continues to recover, unemployment will gradually decline further to a more normal level. After a couple of years of low real wage growth, a stronger labour market will boost the bargaining power of the trade unions. Hence, real wage growth

will pick up in the coming years. Many businesses already find it difficult to recruit qualified labour, and there is a record-high number of job vacancies, although unemployment is still higher than before the coronavirus outbreak. Growing mismatch problems in the labour market could result in wage pressure at a higher unemployment level than we have been used to (see also the Norway theme article on page 23).

#### Inflation close to 2%

Headline inflation has this year been driven up by significantly higher electricity and petrol prices than last year. Gradually, the effect on price growth of the high energy prices will fade. But global commodity and input prices have continued to rise sharply due to a combination of production bottlenecks, lack of transportation capacity and increased demand. Companies globally say they plan to increase prices as their input costs have risen but also because the economic recovery allows them to raise their margins. Higher import prices will push consumer prices higher in Norway. This, coupled with higher wage growth, suggests that headline inflation could hover at close to 2% in coming years.

Whereas headline inflation has risen, core inflation has fallen. The reason is lower growth in prices of imported consumer goods, which in turn is due to the fading effect of last spring's weak NOK and the NOK's subsequent strengthening. With a relatively stable NOK exchange rate going forward, imported inflation will gradually be driven by price growth in other countries. At the same time, prospects of higher wage growth and rents suggest that core inflation will gradually move higher in the next few years.

#### A /

Powerful rebound in the Norwegian economy over the summer.

#### B /

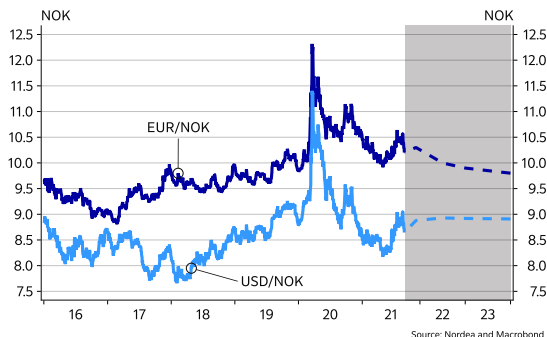
Unemployment will return to normal levels in early 2022.

*"Growing mismatch problems in the labour market could result in wage pressure at a higher unemployment level than we have been used to."*

**Dane Cekov**

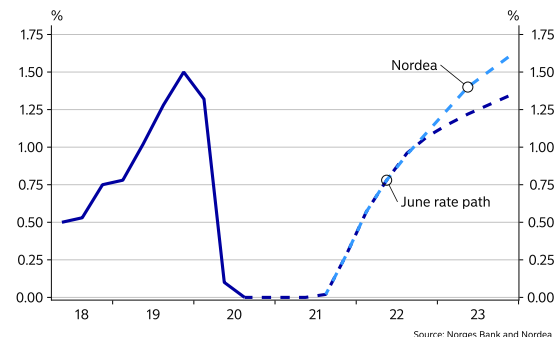
Analyst, Norway

### C / Moderately stronger NOK



### D / Norges Bank will hike rates after the summer

Norges Bank and Nordea, rate forecasts, %



### Norges Bank ready to gradually normalise interest rates

Norges Bank has long said that it wants to see clear signs of economic conditions normalising before it will gradually normalise interest rates. Those signs became very clear in the spring and summer months. Therefore it came as no surprise when Norges Bank in June communicated that it was ready to gradually hike the policy rate, with the first hike due in September. In line with our forecasts from May, the latest rate path showed a likely policy rate move to 0.50% by end-2021 and further up to 1.25% by end-2022. We think the policy rate will be hiked further to 1.75% during 2023. The policy rate will then approach what Norges Bank calls a normal level.

### The housing market rally is over

Housing prices rose sharply following Norges Bank's rate cuts during the spring of last year. Lately, the price trend has moderated somewhat, and in Oslo prices have declined slightly. The rate cut effect has probably faded, and home buyers have become aware that interest rates will rise after the summer. Viewed in isolation, this points towards lower housing prices. At the same time, wage growth will rise in tandem with the labour market recovery. All in all, this suggest a largely sideways trend in housing prices in the next few years. The demand for new housing remains at a high level. We therefore expect new housing starts and residential investment to continue to increase going forward.

### Risk of weaker NOK towards year-end

Norges Bank will be among the first central banks in the western world to start normalising interest rates. Many wonder whether Norges Bank can increase rates while other central banks keep rates unchanged. The only direct link between global interest rate levels and the level in Norway is the NOK exchange rate. So far the NOK performance has been much weaker than forecast by Norges Bank. The NOK would therefore have to strengthen sharply to ruin Norges Bank's plan.

The NOK has weakened over the summer. Near term, we expect a slightly lower EUR/NOK cross. Viewed in isolation, Norges Bank's rate hikes would suggest a somewhat stronger NOK. However, the NOK has difficulty performing when the USD strengthens, and we think that a benign trend in the US economy and a more hawkish Fed will lead to USD appreciation. Consequently, we see very little downside in USD/NOK and we lean rather in the direction that the cross could move higher towards year-end. At the same time, we cannot rule out a periodically higher EUR/NOK if sentiment in the financial markets sours. The NOK is not a safe-haven currency.

### C /

The NOK has strengthened markedly since March 2020. Most of the decline is likely behind us.

### D /

Norges Bank will hike rates twice this year.

*"The NOK would have to strengthen sharply to ruin Norges Bank's plan."*

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# Mismatch in the labour market

Unemployment has declined rapidly in step with the reopening of society, but a larger amount of people are still without jobs than before the coronavirus crisis. At the same time, new job vacancies have risen sharply. This suggests that low demand is not the reason behind the high number of unemployed workers. Growing mismatch in the labour market could result in wage pressure at a higher unemployment level than we have been used to.

During the coronavirus crisis economic activity has been held back by restrictions to contain the spread of the virus. Especially parts of the services sector including hotels and restaurants, travel and transport, and culture have been hit by restrictions and bans. Many were put on furlough and only returned to work after the restrictions were lifted. Restrictions on travel to Norway have also hit sectors that have not been locked down but are highly dependent on foreign labour. Labour shortages in manufacturing, construction, and parts of the agricultural sector, have made it difficult to meet demand. While in the healthcare sector, demand for labour has increased as a result of the health crisis.

The coronavirus crisis differs sharply from previous economic crises. The formerly strong link between demand for goods and services and the unemployment level

has weakened. Both in Norway and internationally we see increased mismatch between the qualifications and wishes of those who are still out of work and the qualifications that employers seek.

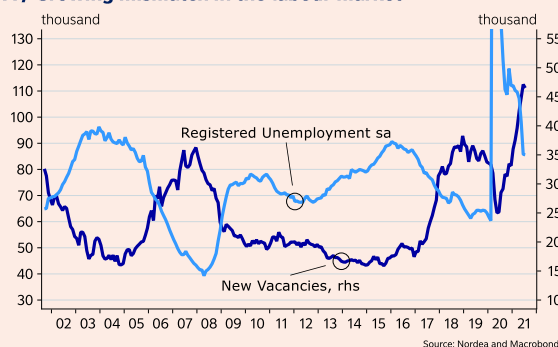
The increasing mismatch in the labour market is a direct consequence of the coronavirus restrictions. It is therefore reasonable to believe that the problems will diminish when the remaining restrictions are eased and lifted. But the problems will not entirely disappear. Many who have been on furlough for a long time may have decided to change careers during the pandemic. Employers may therefore struggle to recruit people with the right skills even after the restrictions are lifted. And the virus is still among us. It may take a long time before e.g. tourism is back at pre-crisis levels. Many people will probably have to adapt and learn new skills. This takes time.

The effects of the growing mismatch are twofold: First, it may take longer to bring unemployment down to pre-crisis levels despite strong overall labour demand. Second, wage pressures may emerge, leading to stronger wage growth at a higher unemployment level than before. The natural rate of unemployment (or NAIRU) may have risen. Overall, the mismatch issues in the labour market can result in higher wage growth and, in turn, higher interest rates than we currently foresee.

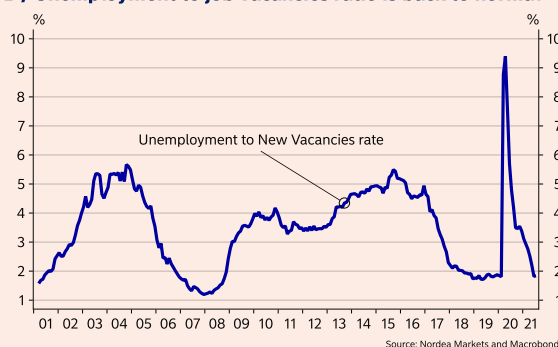
*"The natural rate of unemployment may have risen."*

**Kjetil Olsen**  
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**A / Growing mismatch in the labour market**



**B / Unemployment to job vacancies ratio is back to normal**



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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

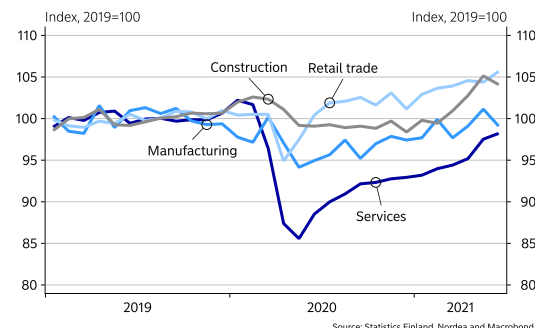
Households have been consuming actively over the summer, as reflected by the improved conditions in the service sectors. The increase in domestic travel over the summer brought a welcome pickup in sales for the hotel, restaurant and culture sectors

### 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

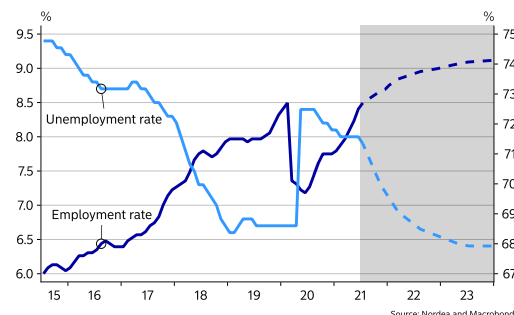
## A / Production is on the rise in all the main sectors

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

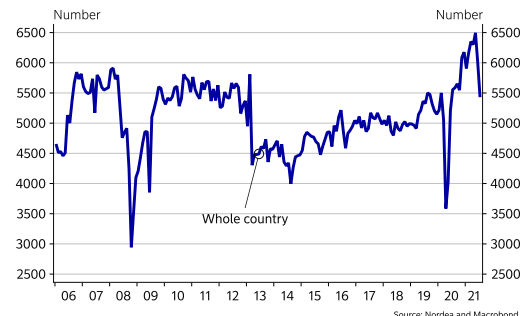
*"Beginning from next year, tried-and-tested means will once again be needed to maintain economic growth."*

**Juho Kostainen**  
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.

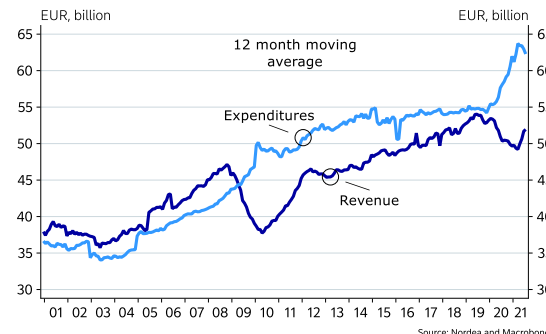
New housing starts already began growing in autumn last year. The growth in production has continued this year, and as a result, a much higher number of new homes will be completed this year than in the previous few years. In the growth centres, the number of new homes is outpacing population growth, 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.

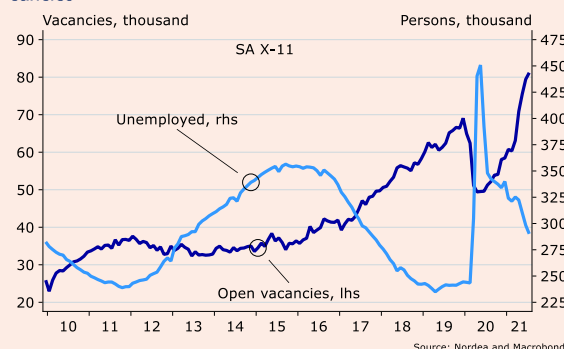
The government will be unable to support more than 200,000 unemployed in the coming years when at the same time the costs of caring for the elderly will eat up an increasing share of public resources. There is an urgent need for labour market reforms, and now that the country faces a labour shortage, 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

### Real GDP, % y/y

	2019	2020	2021E	2022E	2023E
World <sup>1)</sup>	2.8	-3.3	5.5	5.1	4.1
Advanced economies	1.8	-3.9	5.5	3.8	2.4
USA	2.2	-3.5	6.2	4.3	2.3
Euro area	1.4	-6.5	5.0	4.0	2.5
Japan	0.7	-5.1	2.5	2.6	1.2
Denmark	2.1	-2.1	3.3	2.7	2.2
Norway	2.3	-2.5	3.9	3.9	1.3
Sweden	2.0	-3.0	4.5	3.5	2.0
UK	1.5	-10.1	6.8	5.4	2.0
Germany	1.1	-4.9	3.5	5.0	2.0
France	1.8	-8.0	6.0	4.0	2.5
Italy	0.3	-8.9	5.5	4.0	2.5
Spain	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
Emerging economies	3.7	-2.2	5.8	5.7	5.2
China	6.1	2.3	8.1	5.6	5.5
Russia	1.3	-3.5	3.5	2.5	2.1
India	4.2	-7.5	8.8	8.3	6.8
Brazil	1.1	-4.5	5.2	2.2	2.3
Poland	4.5	-2.7	3.5	4.5	4.0
Rest of World	2.3	-3.5	3.7	5.5	4.8

<sup>1)</sup> Weighted average of 186 countries. The weights are calculated from PPP-adjusted GDP-levels.  
Source: IMF, Bloomberg and Nordea estimates

### Consumer prices, % y/y

	2019	2020	2021E	2022E	2023E
World <sup>1)</sup>	3.7	3.5	3.8	3.2	2.9
Advanced economies	1.4	0.7	2.6	2.0	1.8
USA	1.8	1.2	4.3	3.0	2.3
Euro area	1.2	0.3	2.1	1.5	1.5
Japan	0.5	0.0	0.1	0.7	0.7
Denmark	0.8	0.4	1.4	1.5	1.7
Norway	2.2	1.3	3.1	1.6	1.7
Sweden	1.8	0.5	1.8	1.7	1.3
UK	1.8	0.9	1.5	1.9	2.0
Germany	1.4	0.4	0.4	2.2	1.5
France	1.3	0.5	0.5	1.1	1.3
Italy	0.6	-0.1	-0.1	0.8	1.0
Spain	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
Emerging economies	5.4	5.6	4.7	4.0	3.7
China	2.9	2.4	1.2	1.9	1.9
Russia	4.5	3.4	4.5	3.4	3.8
India	4.8	6.2	4.9	4.1	3.9
Brazil	3.7	3.2	4.6	4.0	3.1
Poland	2.3	3.4	3.2	2.5	2.5
Rest of World	6.2	6.6	6.0	4.8	4.4

### Public sector balance, % of GDP

	2019	2020	2021E	2022E	2023E
USA	-5.7	-15.8	-15.0	-6.1	-4.6
Euro area	-0.6	-7.2	-8.0	-3.8	-2.3
Japan	-3.1	-12.6	-9.4	-3.8	-2.5
Denmark	4.1	-0.6	0.0	0.9	1.4
Sweden	0.6	-2.8	-1.8	-0.6	-0.4
UK	-2.3	-13.4	-11.8	-6.2	-4.0
Germany	1.5	-4.2	-7.5	-2.5	0.4
France	-3.1	-9.2	-8.5	-4.7	-3.8
Italy	-1.6	-9.5	-11.7	-5.8	-3.8
Spain	-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
China	-6.3	-11.4	-9.6	-8.7	-7.9
Russia	1.9	-4.1	-0.8	-0.3	-0.5
India	-7.4	-12.3	-10.0	-9.1	-8.4
Brazil	-5.9	-13.4	-8.3	-7.2	-7.3
Poland	-0.7	-8.2	-4.7	-2.6	-2.9

Source: IMF and Nordea estimates

### Current account, % of GDP

	2019	2020	2021E	2022E	2023E
USA	-2.2	-3.1	-3.9	-3.1	-2.5
Euro area	2.3	2.3	2.8	2.7	2.8
Japan	3.7	3.3	3.6	3.2	3.3
Denmark	8.7	8.3	7.5	7.4	7.6
Sweden	5.2	5.6	6.1	5.5	6.0
UK	-3.1	-3.9	-3.9	-4.0	-3.8
Germany	7.1	7.1	7.6	7.0	7.0
France	-0.7	-2.3	-2.1	-1.8	-1.2
Italy	3.0	3.6	3.5	3.4	3.3
Spain	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
China	1.0	2.0	1.6	1.3	1.1
Russia	3.8	2.2	3.9	3.3	3.1
India	-0.9	1.0	-1.2	-1.6	-1.7
Brazil	-2.7	-0.9	-0.6	-0.8	-1.2
Poland	0.5	3.5	2.0	1.3	0.7



## Monetary policy rates, %

	31.8.21	3M	30.6.22	31.12.22	31.12.23
US*	0.25	0.25	0.25	0.50	1.25
Japan	-0.10	-0.10	-0.10	-0.10	-0.10
Euro area	-0.50	-0.50	-0.50	-0.50	-0.50
Denmark	-0.50	-0.50	-0.50	-0.50	-0.50
Sweden	0.00	0.00	0.00	0.00	0.00
Norway	0.00	0.25	1.00	1.50	1.75
UK	0.10	0.10	0.35	0.35	0.60
Switzerland	-0.75	-0.75	-0.75	-0.75	-0.75
Poland	0.10	0.10	0.50	0.75	1.50
China	3.85	3.85	3.60	3.60	3.60

## 3-month rates, %

	31.8.21	3M	30.6.22	31.12.22	31.12.23
US	0.13	0.15	0.35	0.65	1.35
Euro area	-0.55	-0.55	-0.55	-0.55	-0.55
Denmark	-0.21	-0.25	-0.30	-0.30	-0.35
Sweden	-0.01	0.00	0.00	0.05	0.05
Norway	0.42	0.85	1.40	1.75	2.25

## 10-year government benchmark yields, %

	31.8.21	3M	30.6.22	31.12.22	31.12.23
US	1.24	1.60	2.00	2.30	2.60
Euro area	-0.49	-0.30	-0.10	0.10	0.40
Denmark	-0.18	-0.05	0.15	0.30	0.60
Sweden	0.11	0.50	0.57	0.70	0.95
Norway	1.28	1.55	2.00	2.10	2.20

## Exchange rates vs EUR

	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	129.9	129.9	125.4	127.7	126.5
EUR/DKK	7.44	7.44	7.44	7.45	7.45
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/GBP	0.86	0.85	0.84	0.83	0.82
EUR/CHF	1.08	1.07	1.07	1.10	1.10
EUR/PLN	4.55	4.52	4.45	4.40	4.35
EUR/RUB	86.66	84.00	82.00	81.50	84.00
EUR/CNY	7.64	7.54	7.62	7.66	7.65

\* Upper part of target range

Source: Nordea estimates

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

## Monetary policy rate spreads vs Euro area, %-points

	31.8.21	3M	30.6.22	31.12.22	31.12.23
US	0.75	0.75	0.75	1.00	1.75
Japan <sup>1</sup>	-0.35	-0.35	-0.35	-0.60	-1.35
Euro area	-	-	-	-	-
Denmark	0.00	0.00	0.00	0.00	0.00
Sweden	0.50	0.50	0.50	0.50	0.50
Norway	0.50	0.75	1.50	2.00	2.25
UK	0.60	0.60	0.85	0.85	1.10
Switzerland	-0.25	-0.25	-0.25	-0.25	-0.25
Poland	0.60	0.60	1.00	1.25	2.00
China	4.35	4.35	4.10	4.10	4.10

<sup>1)</sup> Spread vs USA

## 3-month spreads vs Euro area, %-points

	31.8.21	3M	30.6.22	31.12.22	31.12.23
US	0.68	0.70	0.90	1.20	1.90
Euro area	-	-	-	-	-
Denmark	0.34	0.30	0.25	0.25	0.20
Sweden	0.54	0.55	0.55	0.60	0.60
Norway	0.97	1.40	1.95	2.30	2.80

## 10-year yield spreads vs Euro area, %-points

	31.8.21	3M	30.6.22	31.12.22	31.12.23
US	1.73	1.90	2.10	2.20	2.20
Euro area	-	-	-	-	-
Denmark	0.31	0.25	0.25	0.20	0.20
Sweden	0.60	0.80	0.67	0.60	0.55
Norway	1.77	1.85	2.10	2.00	1.80

## Exchange rates vs USD

	31.8.21	3M	30.6.22	31.12.22	31.12.23
-					
USD/JPY	109.8	112.0	112.0	115.0	115.0
USD/DKK	6.29	6.41	6.64	6.71	6.77
USD/SEK	8.60	8.97	9.20	9.19	9.18
USD/NOK	8.66	8.88	8.93	8.92	8.91
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/PLN	3.85	3.90	3.97	3.96	3.95
USD/RUB	73.28	72.41	73.21	73.42	76.36
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)



**Nordea**

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