

# Finland down to the last card

November 2013  
Suvi Kosonen

# Nordea is the leading financial services group in the Nordic and Baltic Sea region

- 11 million customers
- Ranked the first or the second in most Nordic markets in both retail and wholesale banking
- 900 branches
- Personnel over 33,000
- Balance sheet ca. 630bn euros (Q3 2013) and market value\* ca. 37bn euros
- Strong credit rating Aa3/AA-/AA-



## *Nordea's vision:*

To be a great European bank, acknowledged for its people, creating superior value for customers and shareholders.

# Nordea is one of the biggest banks in Europe

Nordea peer group\*; market cap, year end; EURbn

	2008		2009		2010		2011		2012		08.11.2013	
1	Santander	54.0	Santander	95.2	Santander	66.0	Santander	52.3	Santander	63.1	Santander	72.9
2	BBVA	32.4	BNP Paribas	66.2	BNP Paribas	57.0	BNP Paribas	36.4	BNP Paribas	52.0	BNP Paribas	66.0
3	Intesa	31.8	BBVA	47.7	Lloyds	52.2	BBVA	32.8	RBS	45.1	Lloyds	63.8
4	BNP Paribas	27.6	Intesa	39.5	Barclays	37.2	Unicredit	28.2	Lloyds	41.7	BBVA	49.1
5	Unicredit	23.3	Unicredit	39.3	Deutsche	36.3	Deutsche	26.6	Barclays	39.4	Barclays	48.9
6	SocGen	20.9	Lloyds	36.3	BBVA	34.0	RBS	26.6	BBVA	38.0	RBS	43.6
7	RBS	20.1	SocGen	36.2	<b>Nordea</b>	<b>32.8</b>	Barclays	25.7	Deutsche	30.8	<b>Nordea</b>	<b>37.1</b>
8	Credit Agricole	17.8	Barclays	35.4	SocGen	30.0	<b>Nordea</b>	<b>24.2</b>	<b>Nordea</b>	<b>29.1</b>	Deutsche Bank	35.5
9	Deutsche	16.0	Deutsche	30.8	Unicredit	29.9	Lloyds	21.3	SocGen	22.3	SocGen	32.7
10	Barclays	13.2	<b>Nordea</b>	<b>28.7</b>	RBS	26.7	Intesa	21.3	Unicredit	21.3	Unicredit	31.4
11	<b>Nordea</b>	<b>13.0</b>	Credit Agricole	28.6	Intesa	25.7	SocGen	12.9	Intesa	21.0	Intesa	28.6
12	Lloyds	11.1	RBS	18.5	Credit Agricole	22.8	SHB	12.7	SHB	17.2	Credit Agricole	22.7
13	KBC	7.6	SHB	12.4	DnB NOR	17.1	DnB NOR	12.3	DnB NOR	15.4	Swedbank	21.5
14	SHB	7.1	DnB NOR	12.3	SHB	14.9	Swedbank	11.0	Credit Agricole	15.1	SHB	21.4
15	Erste	5.1	Danske	11.0	SEB	13.6	Credit Agricole	10.9	SEB	14.2	DnBNOR	20.8
16	Commerzbank	5.1	KBC	10.9	Danske	13.4	SEB	9.9	Swedbank	14.1	SEB	19.4
17	Danske	4.9	Erste	9.8	Erste	13.3	Danske	9.1	Danske	13.0	Danske Bank	17.1
18	SEB	3.8	SEB	9.5	Swedbank	12.1	Commerzbank	6.7	Erste	9.6	KBC	16.4
19	DnB NOR	3.7	Swedbank	8.0	KBC	9.1	Erste	5.3	Commerzbank	8.4	Commerzbank	11.8
20	Swedbank	3.1	Commerzbank	7.2	Commerzbank	7.0	KBC	3.3	KBC	6.1	Erste	11.1

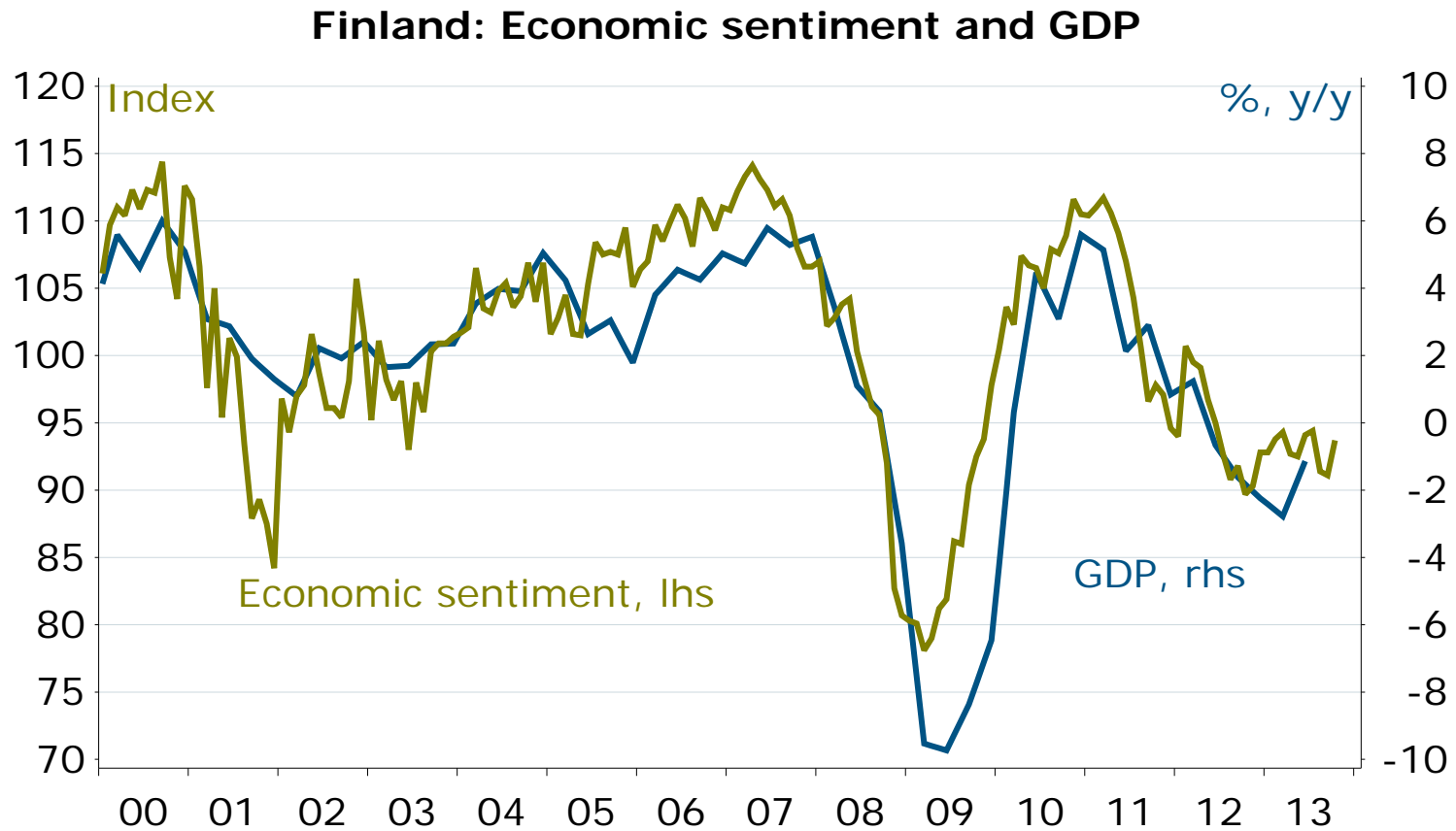
\* Excluding Dexia and including Deutsche Bank

Source: Bloomberg

## Finland down to the last card

- Real GDP in 2015 will still be slightly lower than in 2007
- Recovery depends on exports, domestic development sluggish
- Public debt continues to build up

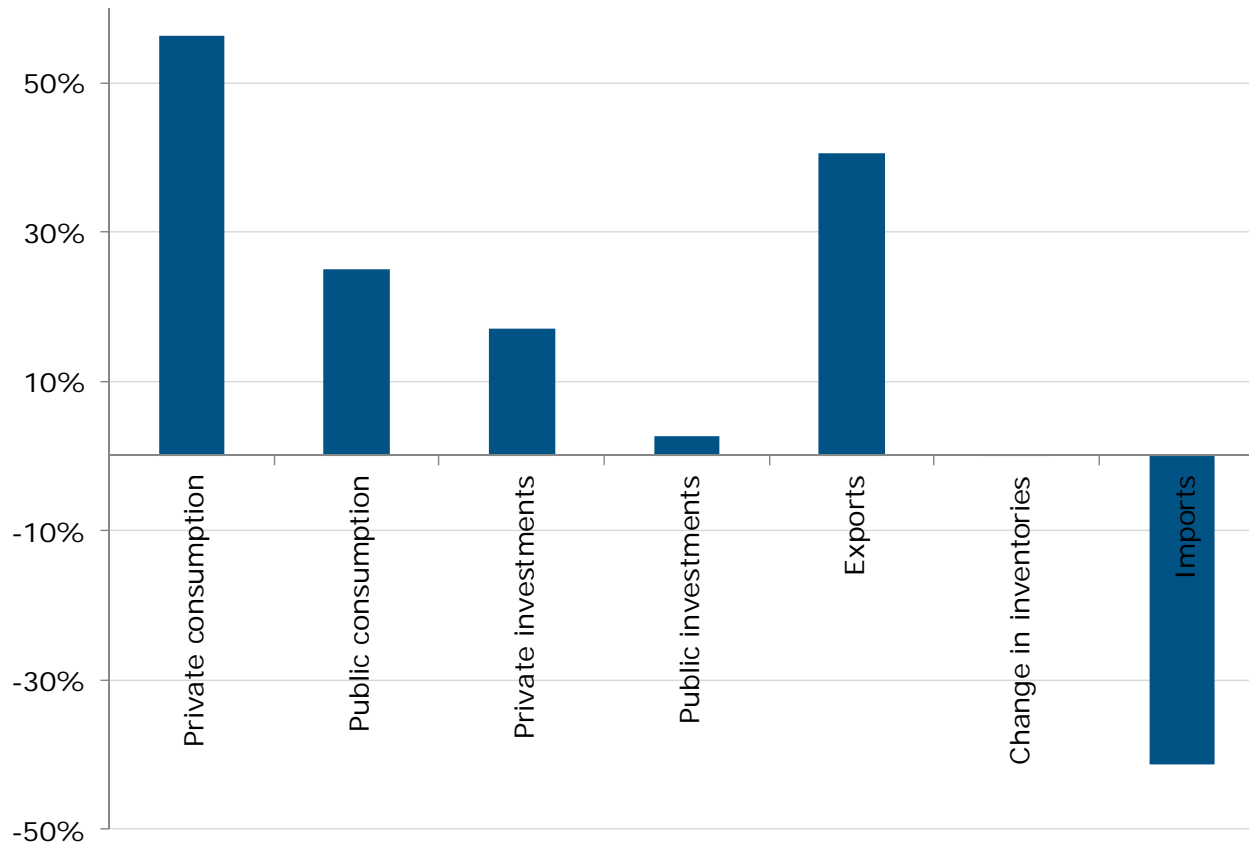
# Finnish growth not yet picking up



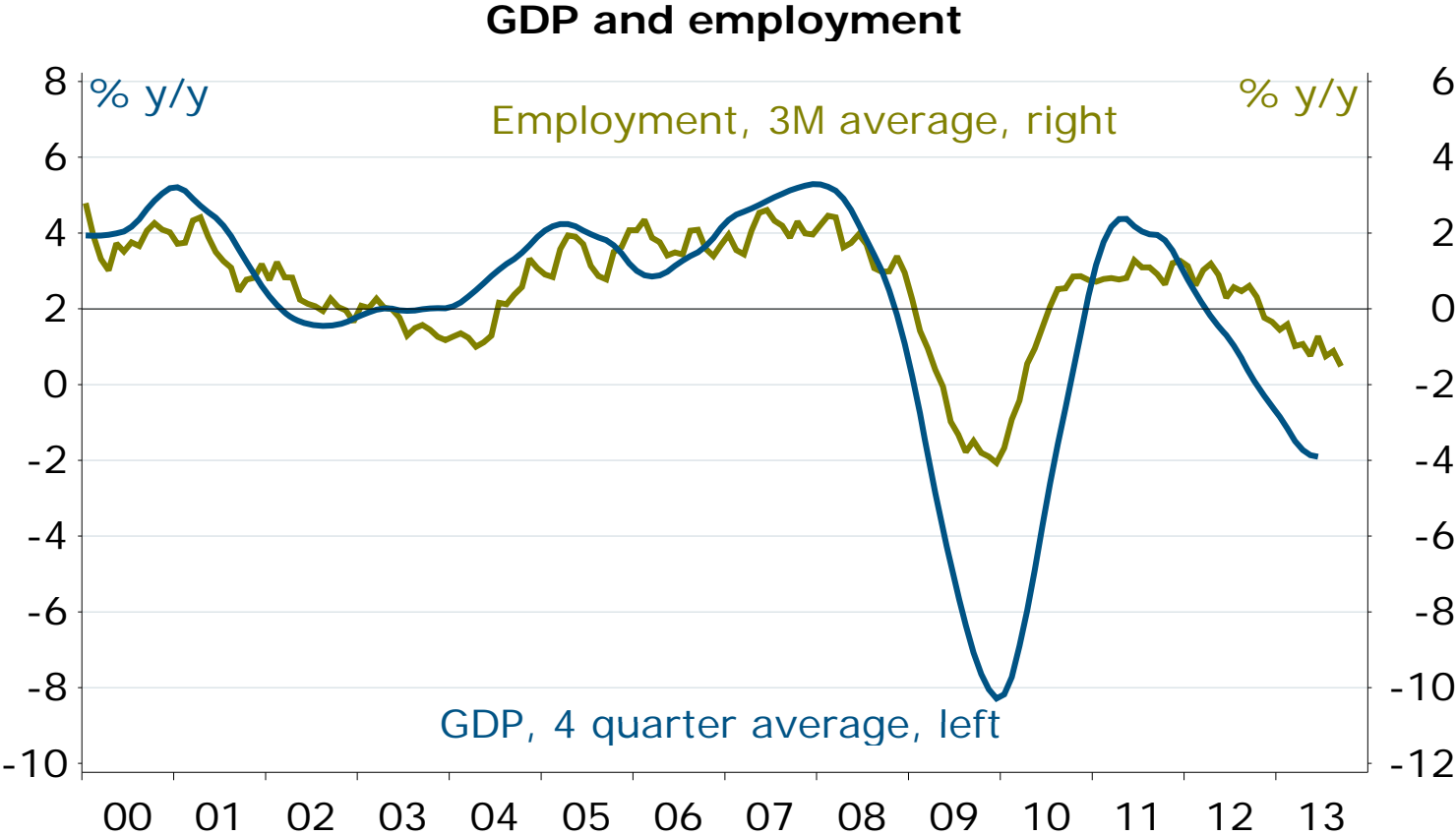
Source: Nordea Markets and Reuters Ecowin

# Finnish economy relies on consumption and exports

Finnish GDP composition, total 192.5Bn in 2012

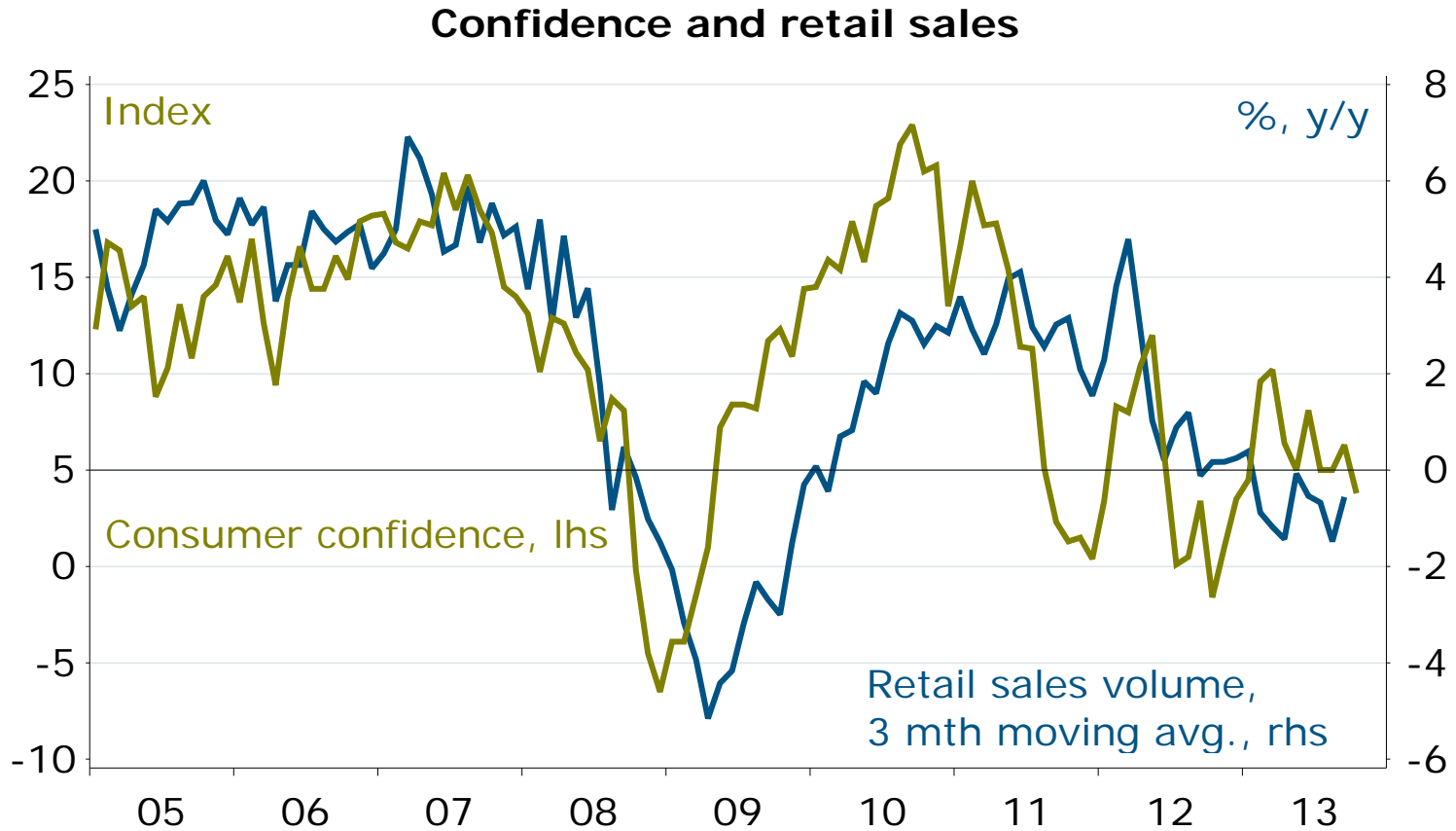


# Recession over but employment keeps deteriorating



Source: Nordea Markets and Reuters Ecowin

# Only modest increase in private consumption

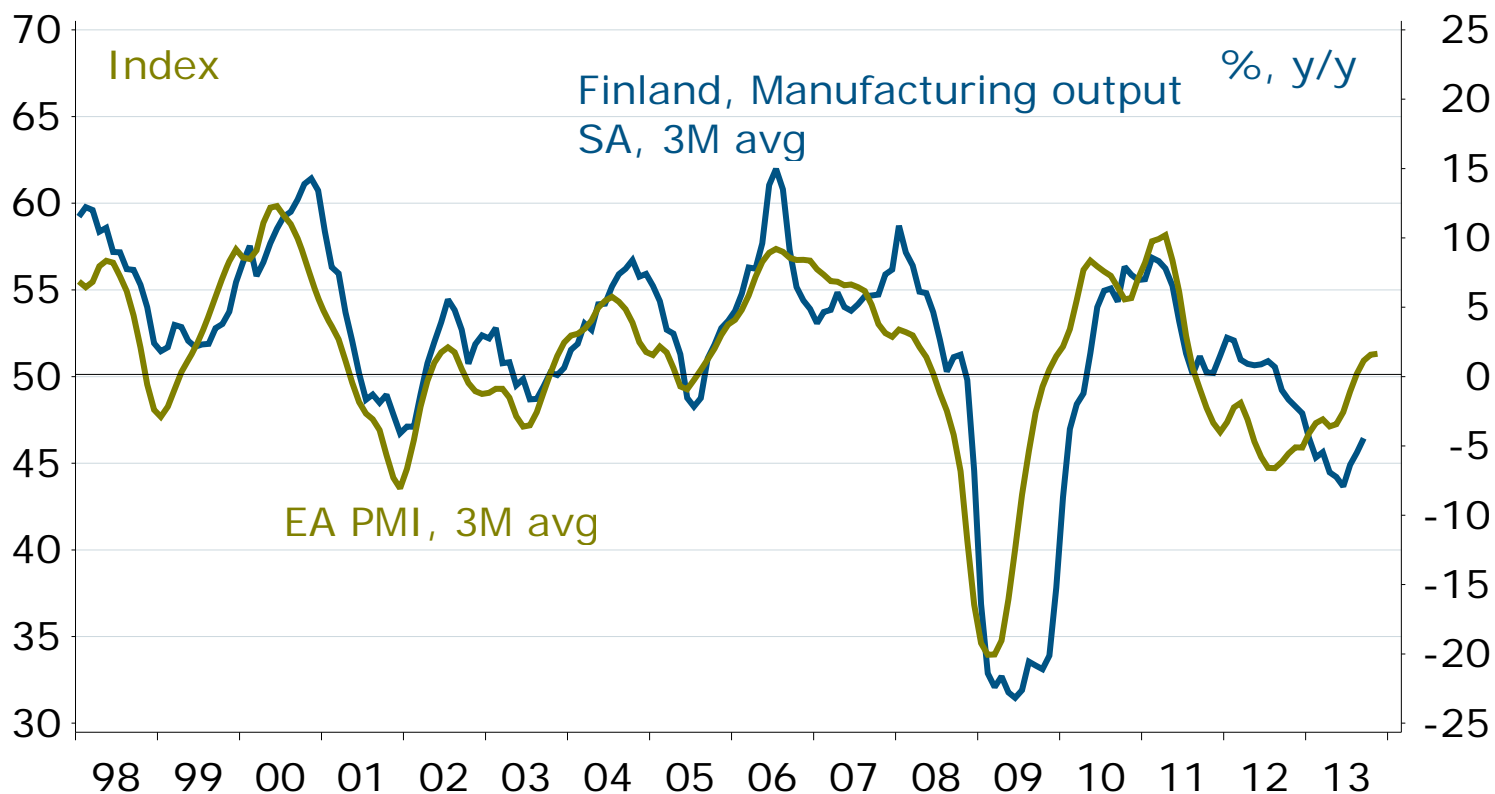


Source: Nordea Markets and Reuters Ecowin



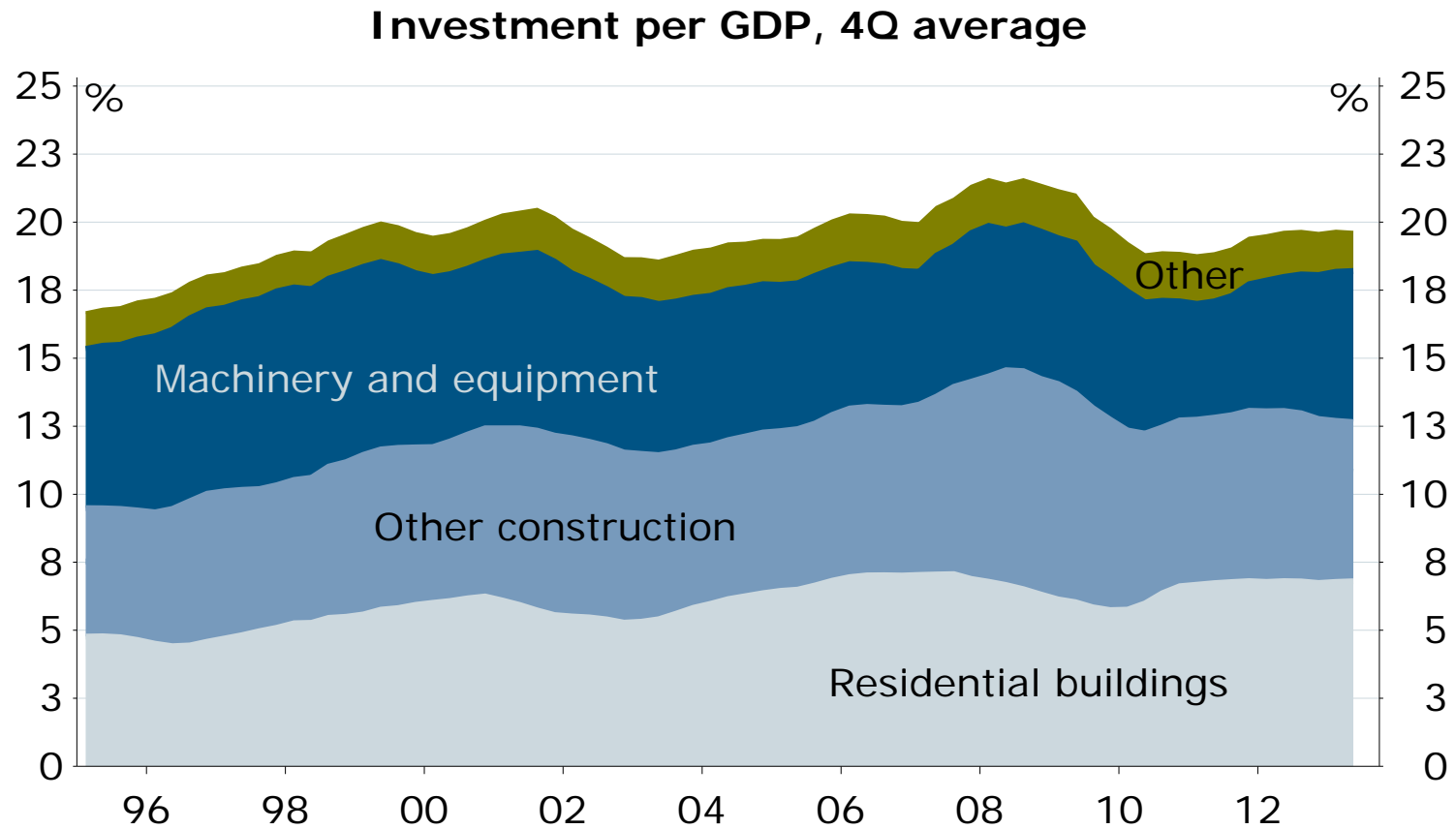
# Euro area manufacturing PMI's have improved – No signs in Finnish industry yet

## Finland: Manufacturing output and EA PMI



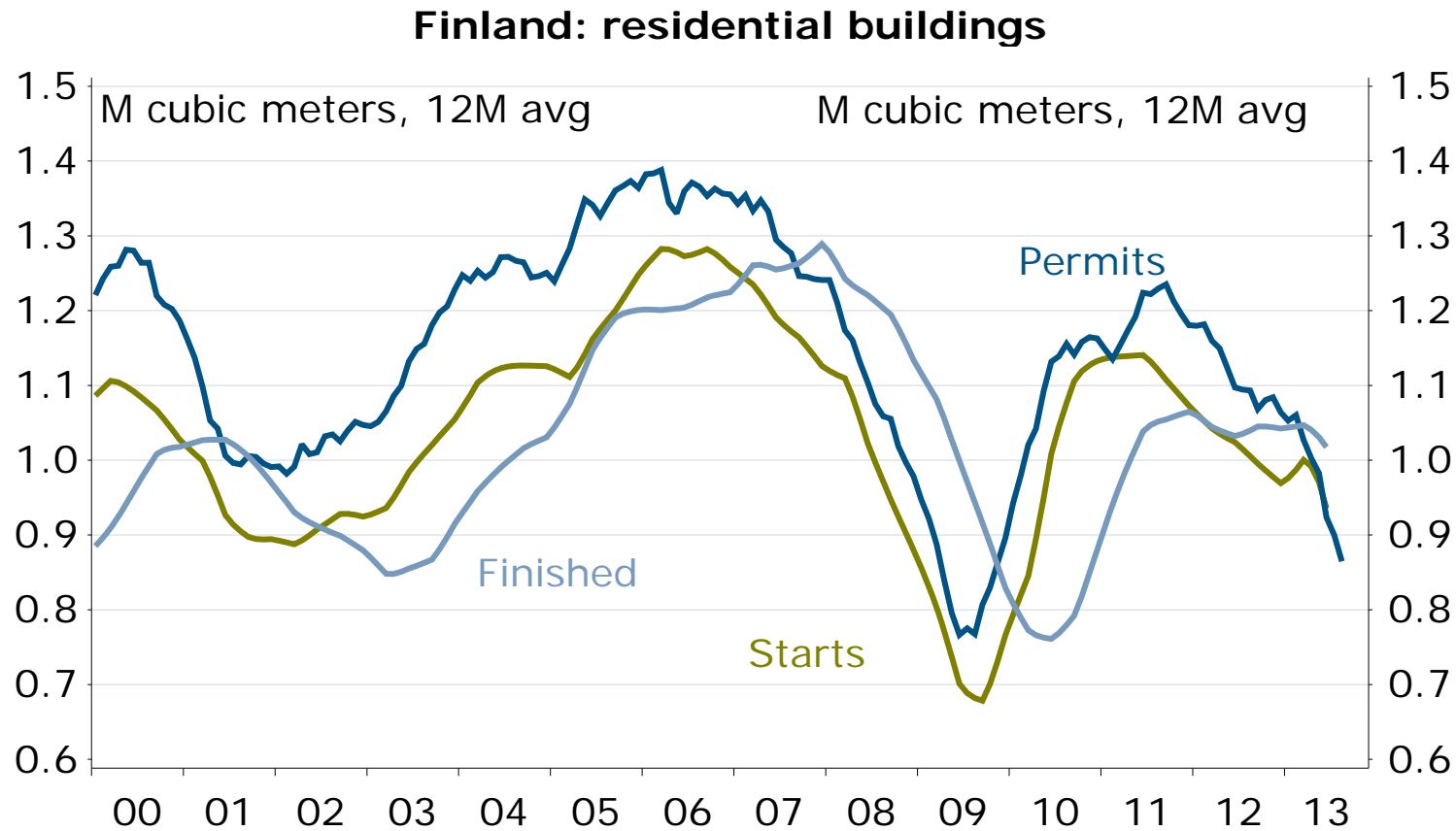
Lähde: Nordea Markets ja Reuters Ecowin

# Construction drives investments



Source: Nordea Markets and Reuters Ecowin

# Cautious consumers sink the residential building permits



Source: Nordea Markets and Reuters Ecowin

# World trade is expected to pick up



Source: Nordea Markets and Reuters Ecowin

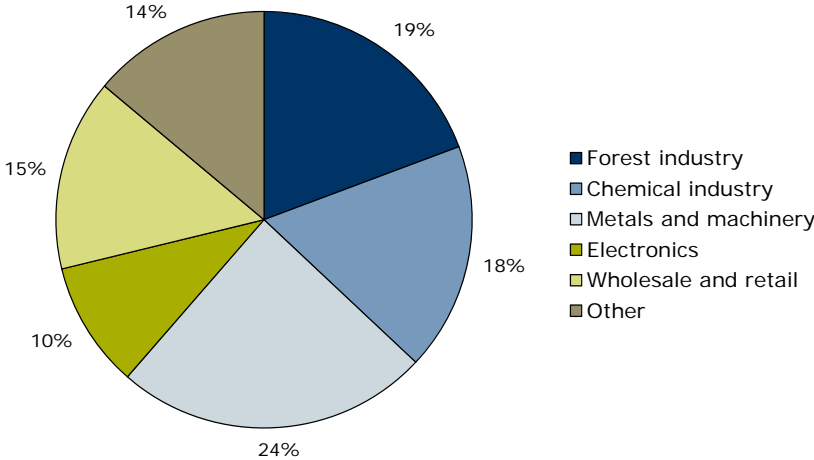
# Activity strengthening in export markets, should reflect on Finnish exports as well



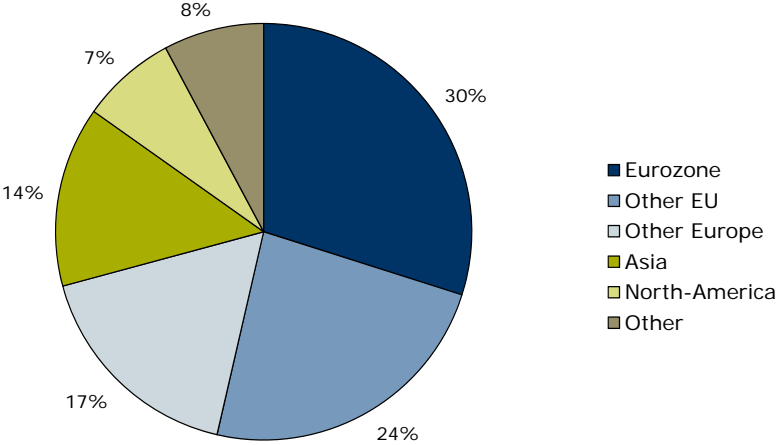
Source: Nordea Markets and Reuters Ecowin

# Finland exports mostly to Europe

Structure of exports (by exporting industry), 2012



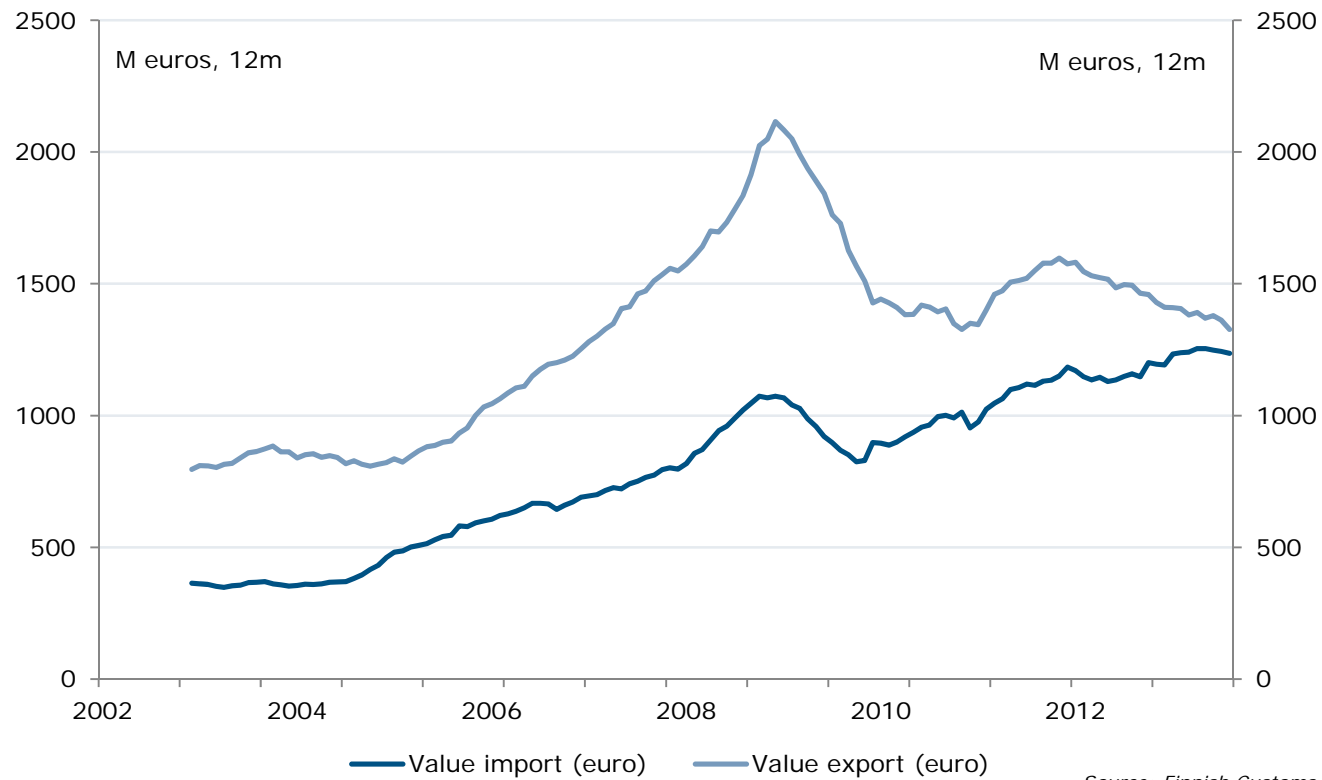
Structure of exports (by area), 2012



Source: Finnish Customs

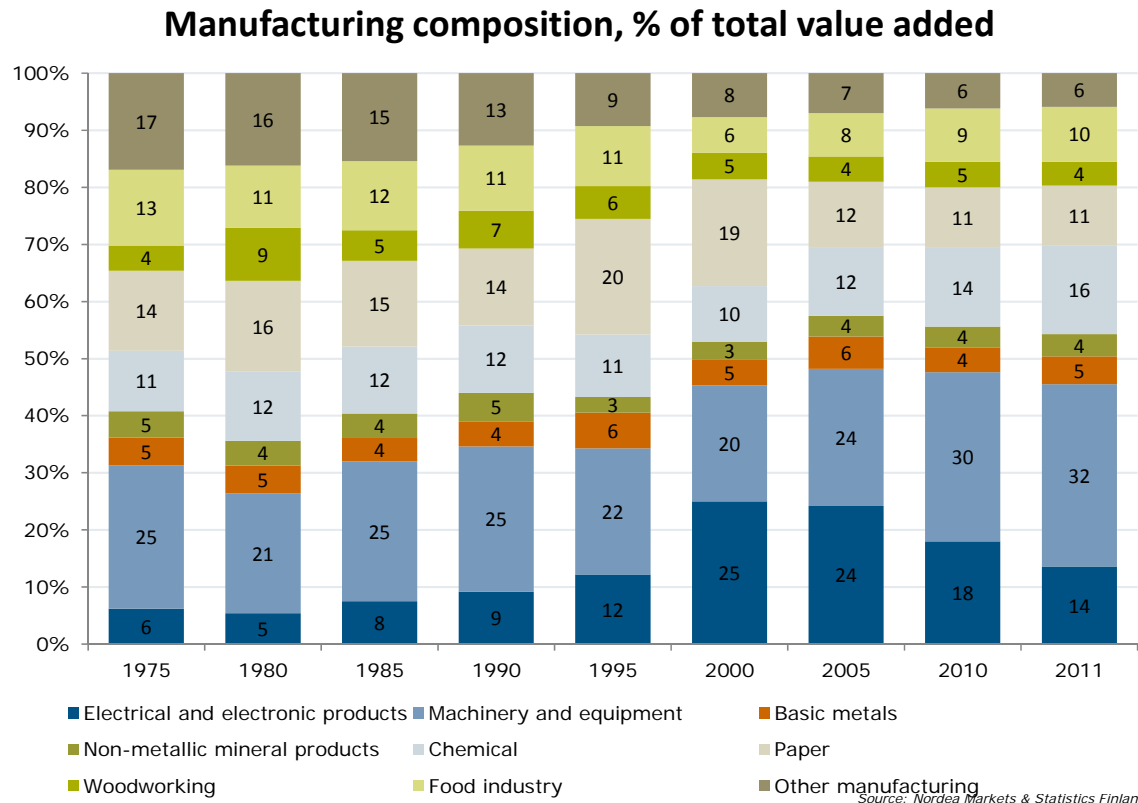
# Trade balance with Poland narrowing

## Poland number 12 in trade with Finland



Source: Finnish Customs

# Structural change opens up opportunities, change within sectors not visible in the figures

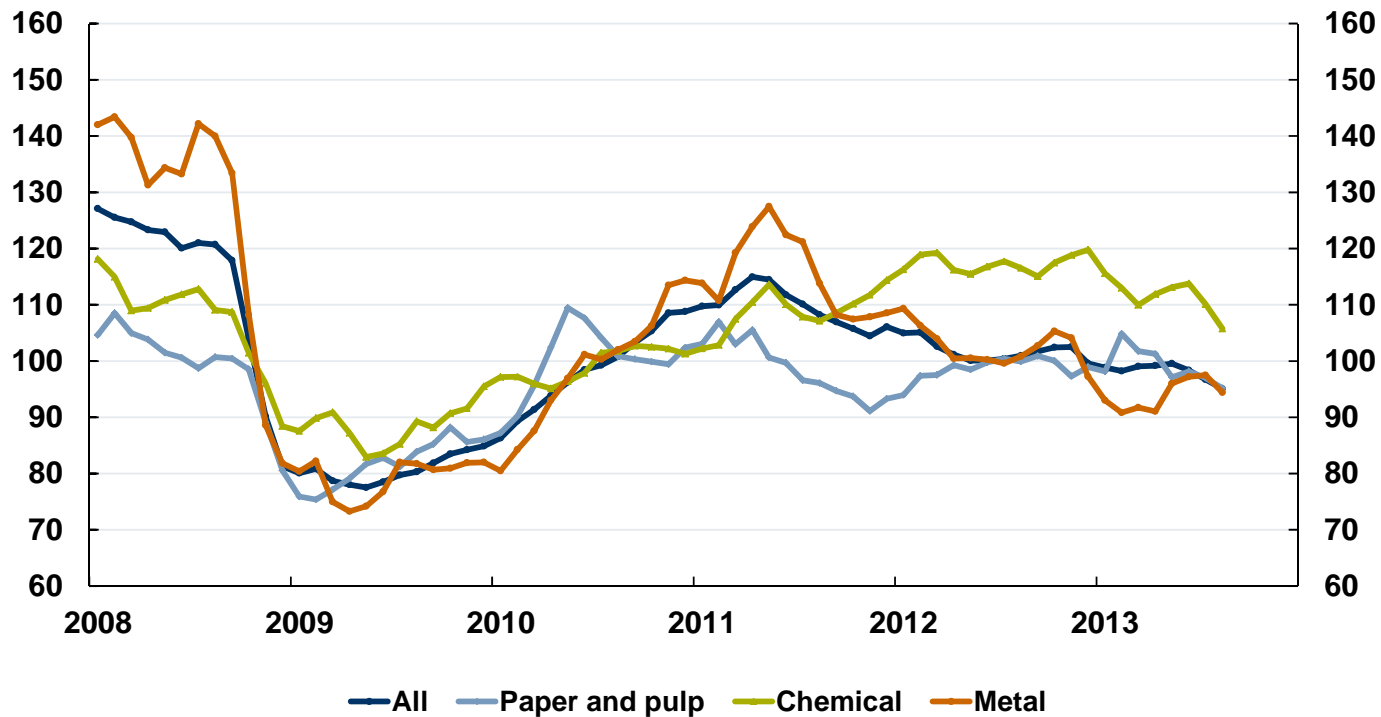


- Forest industry and Electrical and electronic products in a transition
- Machinery & equipment and chemical industries gaining traction
- Specializing in higher value adding products instead of bulk



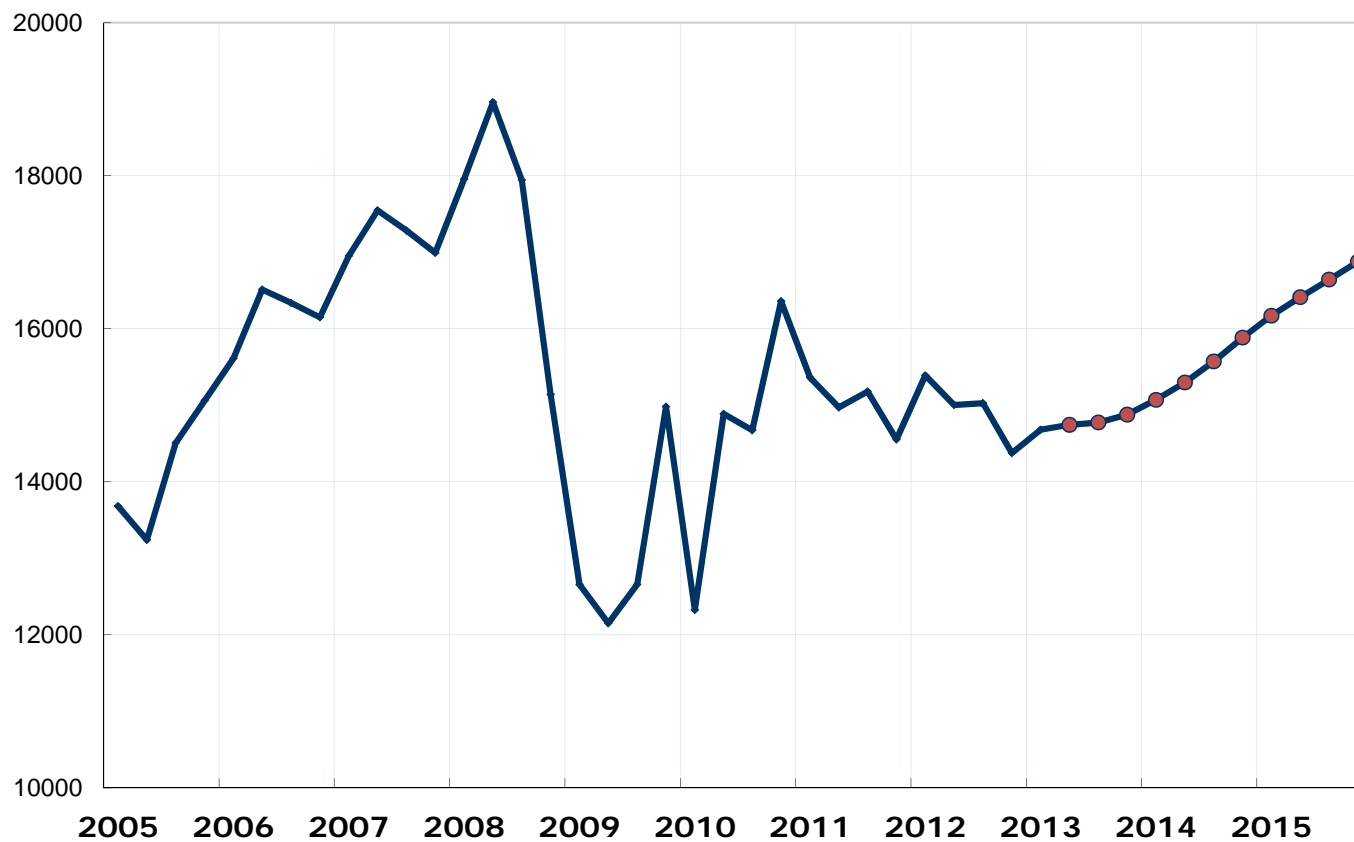
# Recovery in world trade expected support new manufacturing orders

**MANUFACTURING, NEW ORDERS, SA, 3 MTH AVG,  
2010=100**

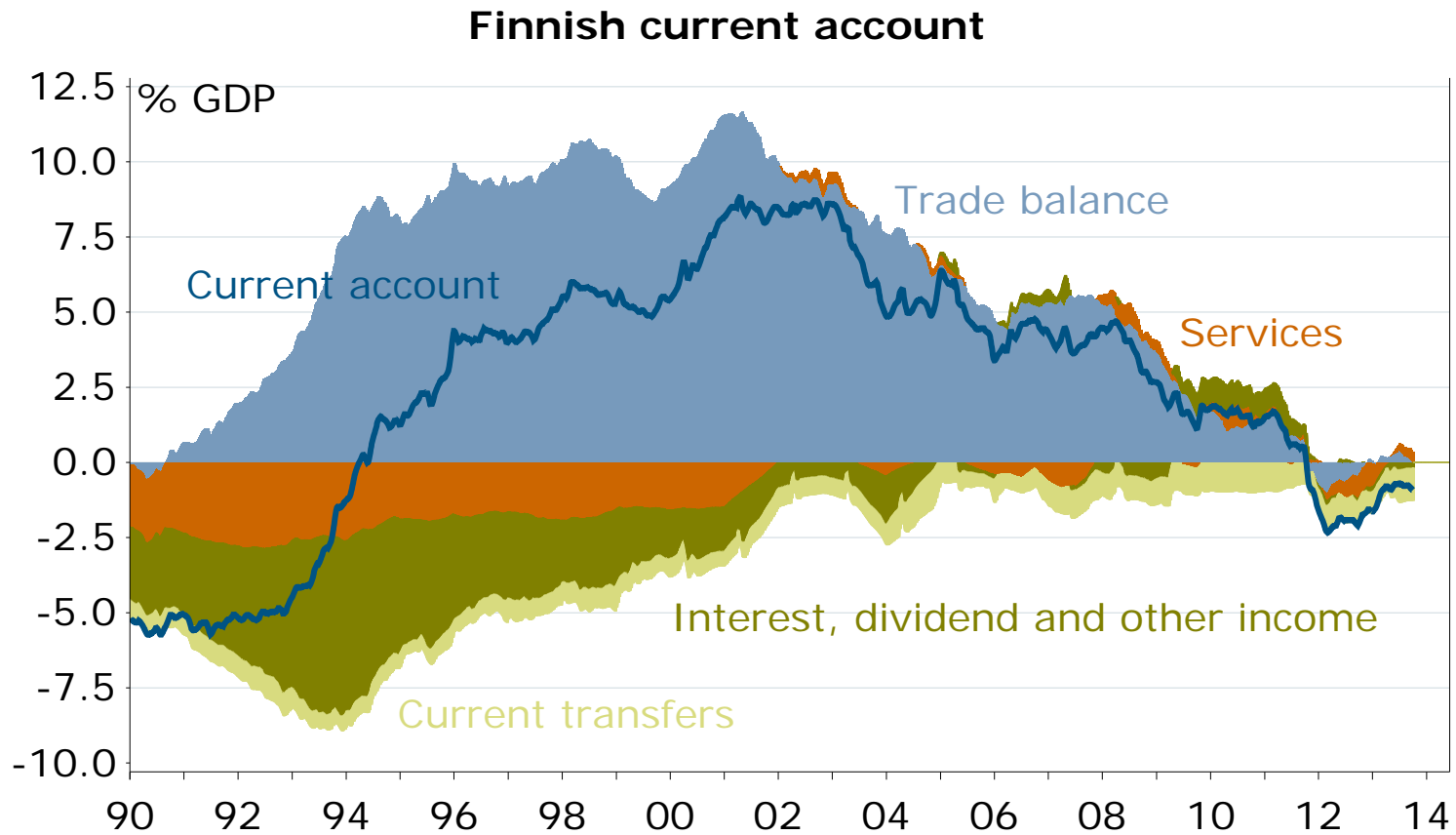


# Growth in global demand will turn Finnish exports into growth next year

GOODS EXPORTS - SA, IN 2000 PRICES

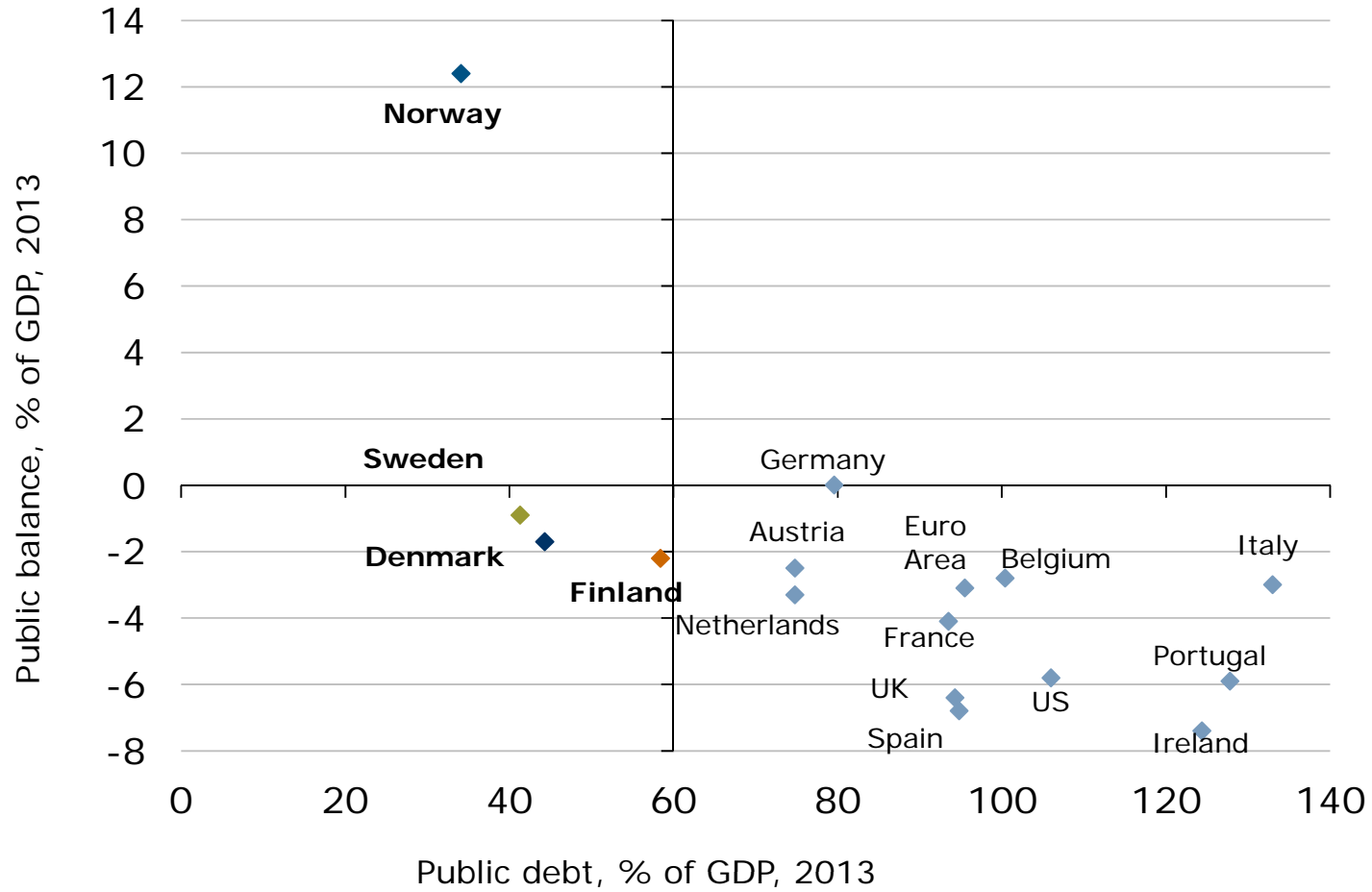


# Trade balance in slight surplus – current account deficit to shrink slightly

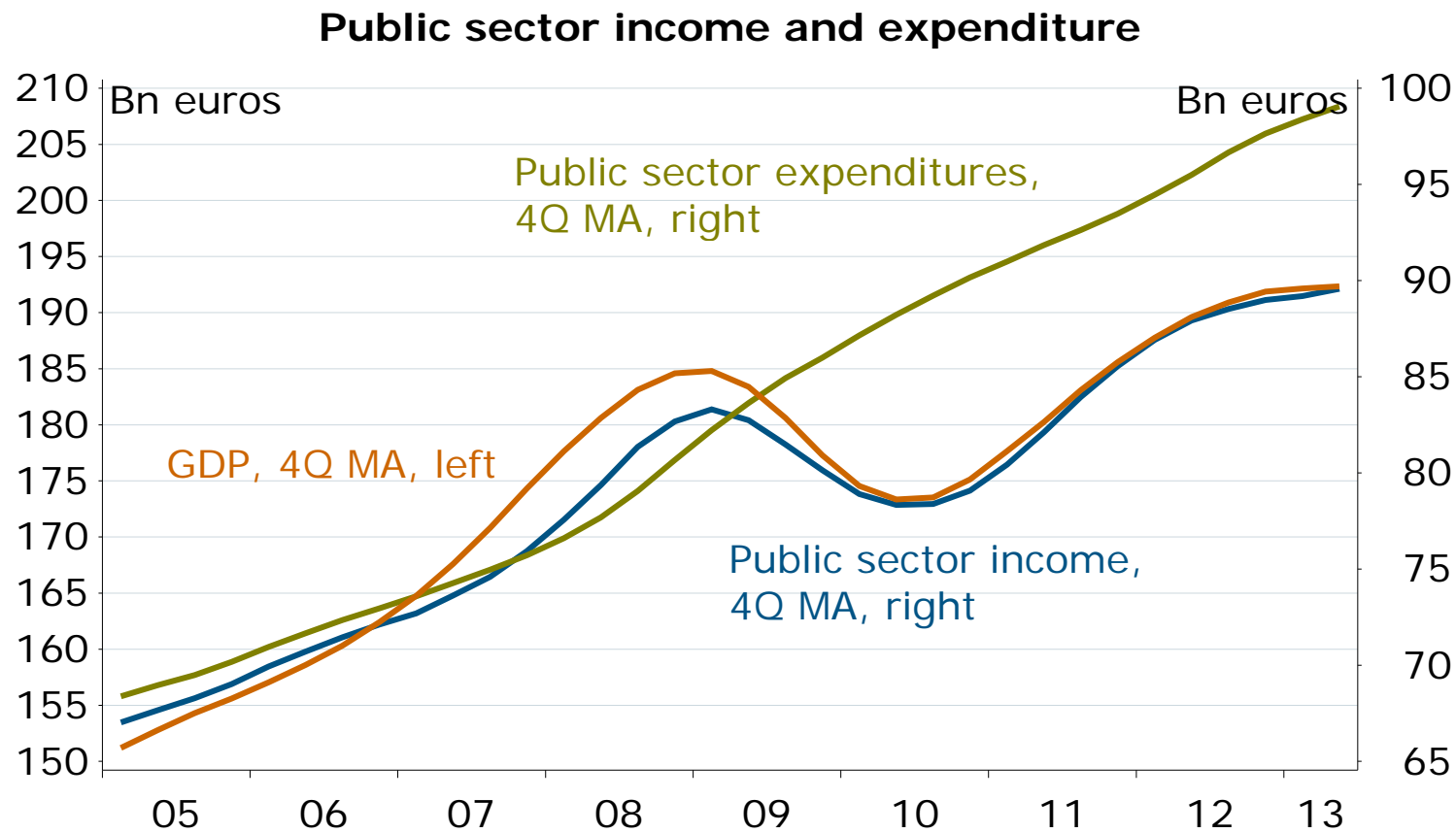


Source: Nordea Markets and Reuters Ecowin

# In comparison Finnish public finances still solid

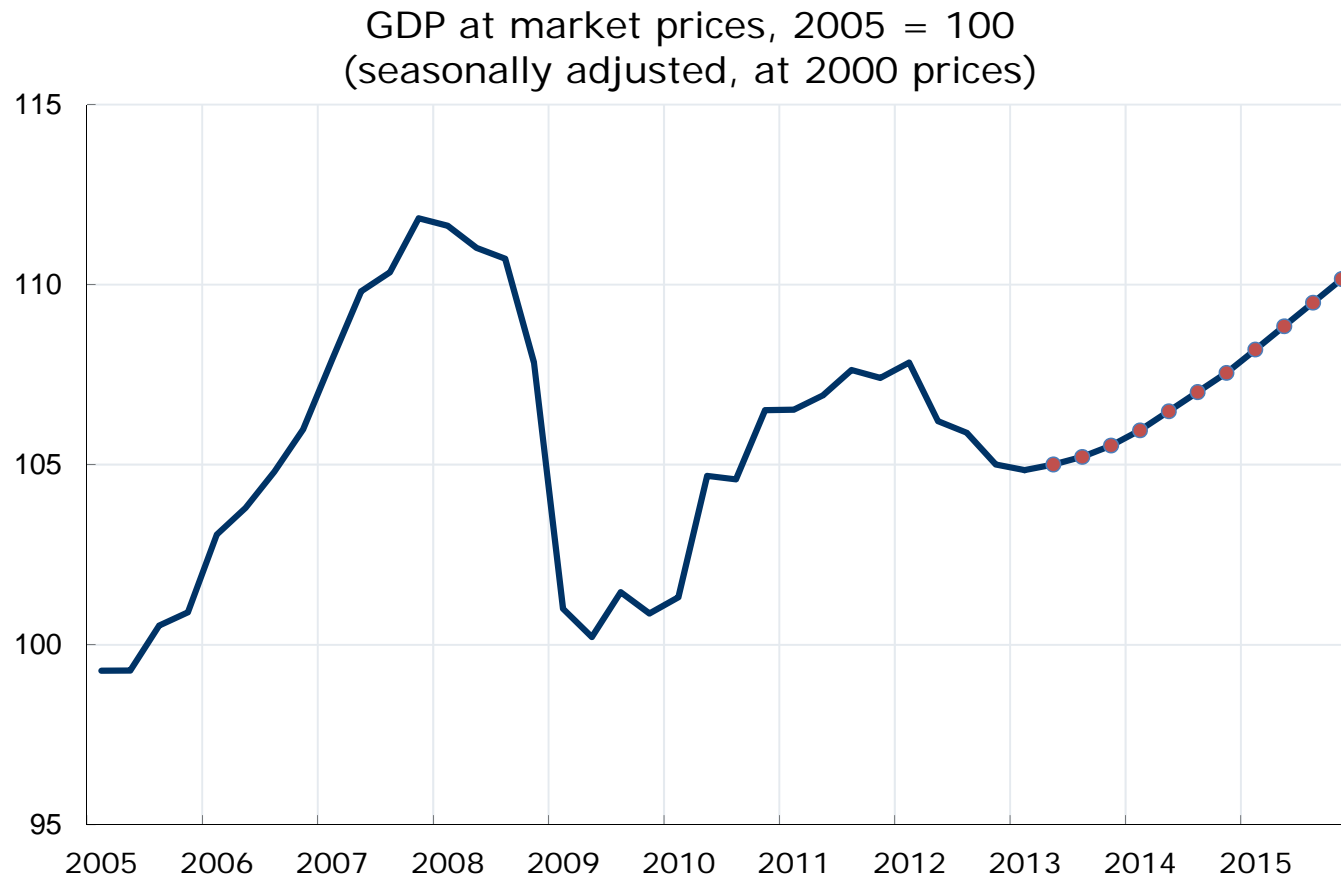


# Central government will maintain the public finances deficit – 7th year of deficit in 2015



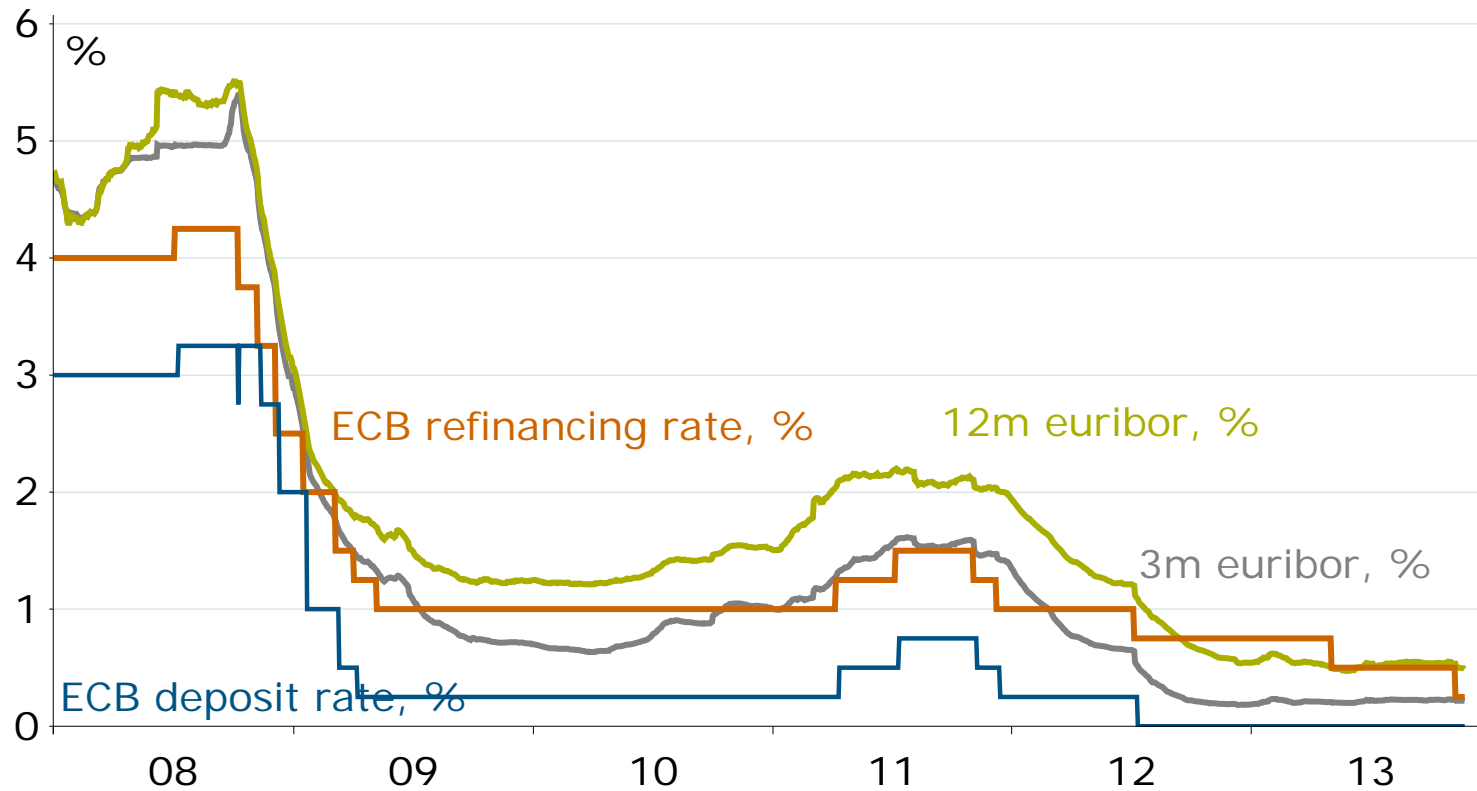
Source: Nordea Markets and Reuters Ecowin

# An eight year dip – real GDP in 2015 will still be slightly lower than in 2007



# European Central Bank continues easing

## ECB and euribor rates



Source: Nordea Markets and Reuters EcoWin

## **Finland down to the last card**

- Real GDP in 2015 will still be slightly lower than in 2007
- Recovery depends on exports, domestic development sluggish
- Public debt continues to build up



# Finland – Actual figures and estimates

## Finland: Macroeconomic indicators (% annual real changes unless otherwise noted)

	2010 (EURbn)	2011	2012	2013E	2014E	2015E
Private consumption	99	2.6	0.2	0.4	1.1	1.8
Government consumption	44	0.5	0.6	0.5	0.5	0.5
Fixed investment	34	5.7	-1.0	-2.1	1.4	4.1
Stockbuilding*	-1	1.5	-1.3	-0.2	0.2	0.0
Exports	72	2.7	-0.2	-1.4	3.9	5.8
Imports	70	6.2	-1.0	-2.1	3.8	5.5
GDP		2.7	-0.8	-0.5	1.5	2.3
Nominal GDP (EURbn)	178.7	188.7	192.5	197.3	203.1	211.3
Unemployment rate, %		7.8	7.7	8.2	8.3	7.8
Industrial production (output), % y/y		3.8	-2.1	-5.0	2.0	4.0
Consumer prices, % y/y		3.4	2.8	1.6	1.8	2.0
Hourly wages, % y/y		2.7	3.2	2.0	1.6	1.5
Current account (EURbn)		-2.7	-3.6	-2.9	-2.8	-2.6
- % of GDP		-1.5	-1.8	-1.5	-1.4	-1.2
Trade balance (EURbn)		-1.3	0.1	0.8	0.7	1.0
- % of GDP		-0.7	0.1	0.4	0.4	0.5
General govt budget balance (EURbn)		-1.3	-3.4	-4.3	-4.1	-3.2
- % of GDP		-0.7	-1.8	-2.2	-2.0	-1.5
Gross public debt (EURbn)		92.8	103.1	111.2	119.2	126.3
- % of GDP		49.2	53.6	56.4	58.7	59.8

Source: Nordea Markets, Economic Outlook, September 2013

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

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# Thank you!

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