



Corporate Banking Poland

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Norway current economic situation  
& cooperation perspectives

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**November 2013**

Alistair de Villiers, Head of Large Corporates Poland

Look at the peer group  
**Nordic Perspective**



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# The Economist

FEBRUARY 24-31, 2014

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## The next supermodel

**Why the world should look at  
the Nordic countries**

A 14-PAGE SPECIAL REPORT



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## Nordics consistently top of the class

# Nordic consistently lead key indicators

### Top of the class

2012 index rankings

Overall rank*	Country	Global competitiveness	Ease of doing business	Global innovation	Corruption perceptions	Human development†	Prosperity
1	Sweden	4	13	2	4	10	3
2	Denmark	12	5	7	1	16	2
3	Finland	3	11	4	1	22	7
4	Norway	15	6	14	7	1	1
5	Switzerland	1	28	1	6	11	9
6	New Zealand	23	3	13	1	5	5
7	Singapore	2	1	3	5	26	19
8	United States	7	4	10	19	4	12
9	Netherlands	5	31	6	9	3	8
10	Canada	14	17	12	9	6	6
11	Hong Kong	9	2	8	14	13	18
12	Australia	20	10	23	7	2	4
13	Britain	8	7	5	17	28	13
14	Germany	6	20	15	13	9	14
15	Ireland	27	15	9	25	7	10

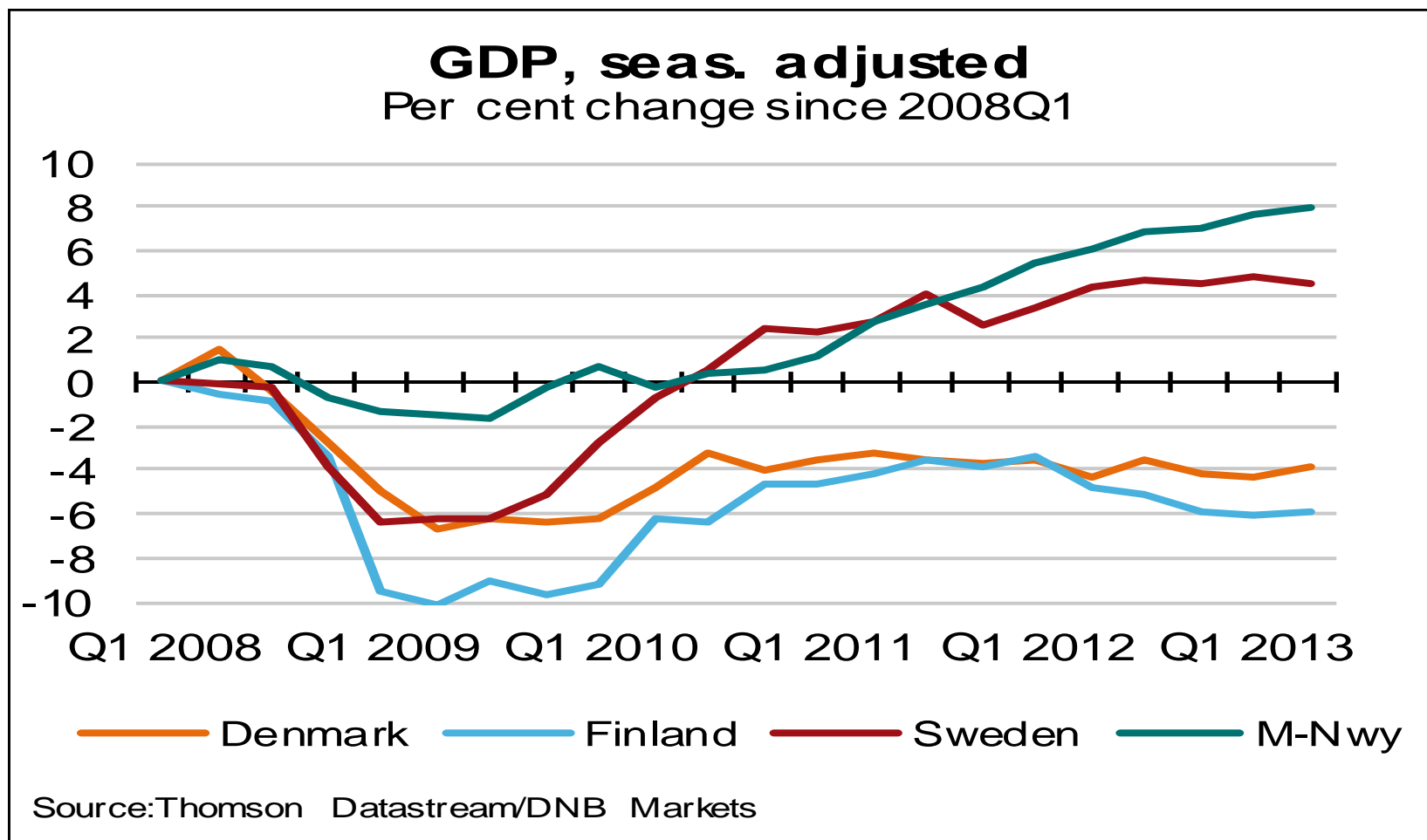
Sources: World Economic Forum; World Bank; INSEAD and World Intellectual Property Organization; Transparency International; UNDP; Legatum

\*Based on equal weighting of indices. †2011 ranking

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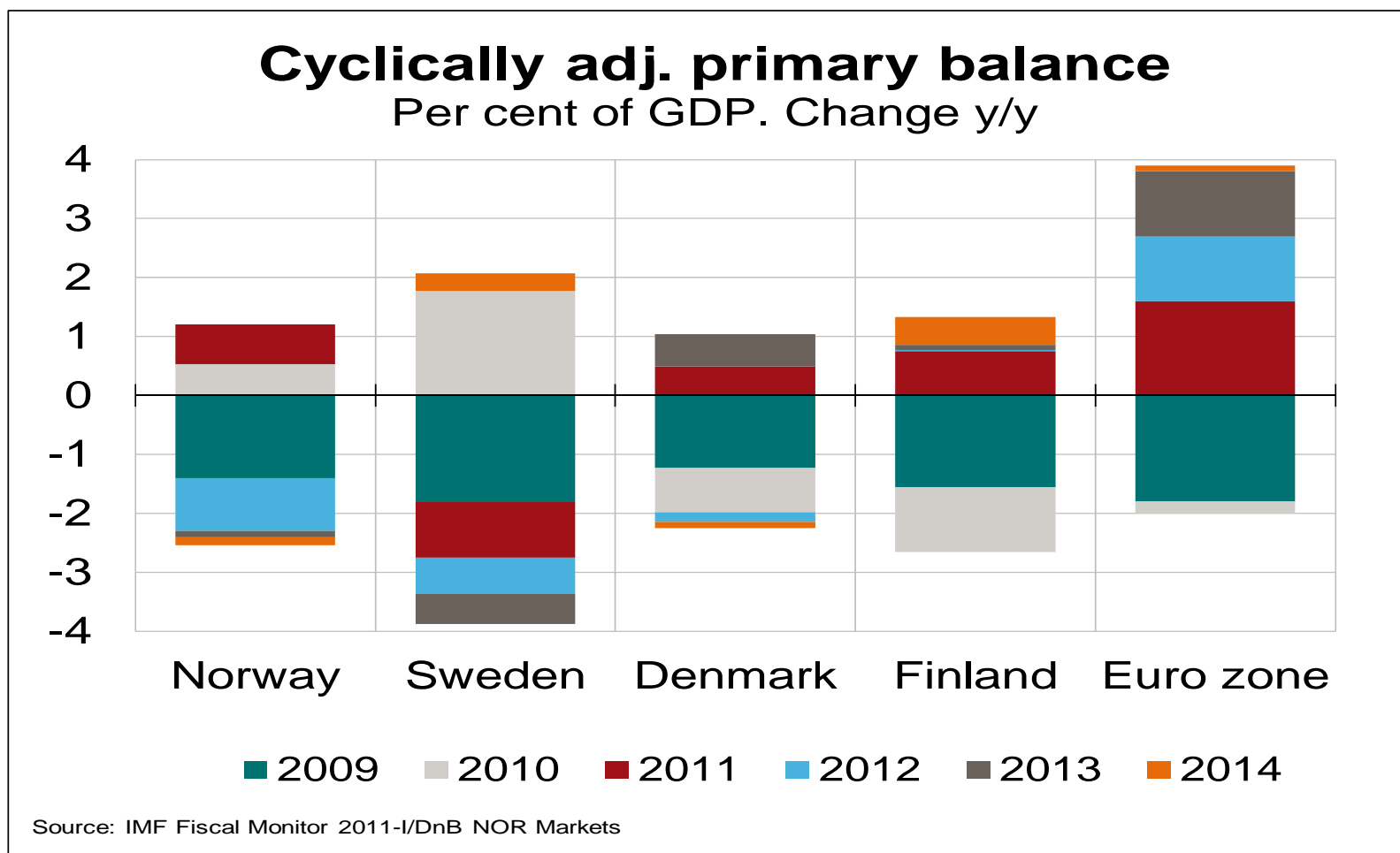
Large differences in the wake of the global financial crisis

## Norway in lead, Denmark and Finland lag behind



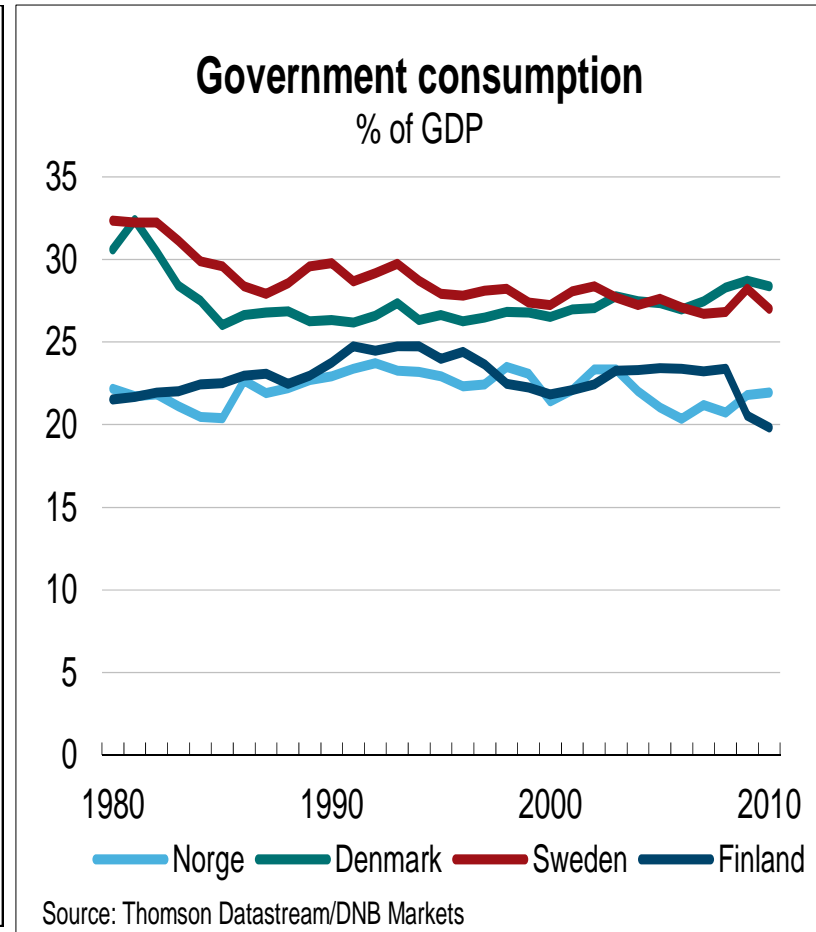
Fiscal policy

## Have tightened less than the average OECD

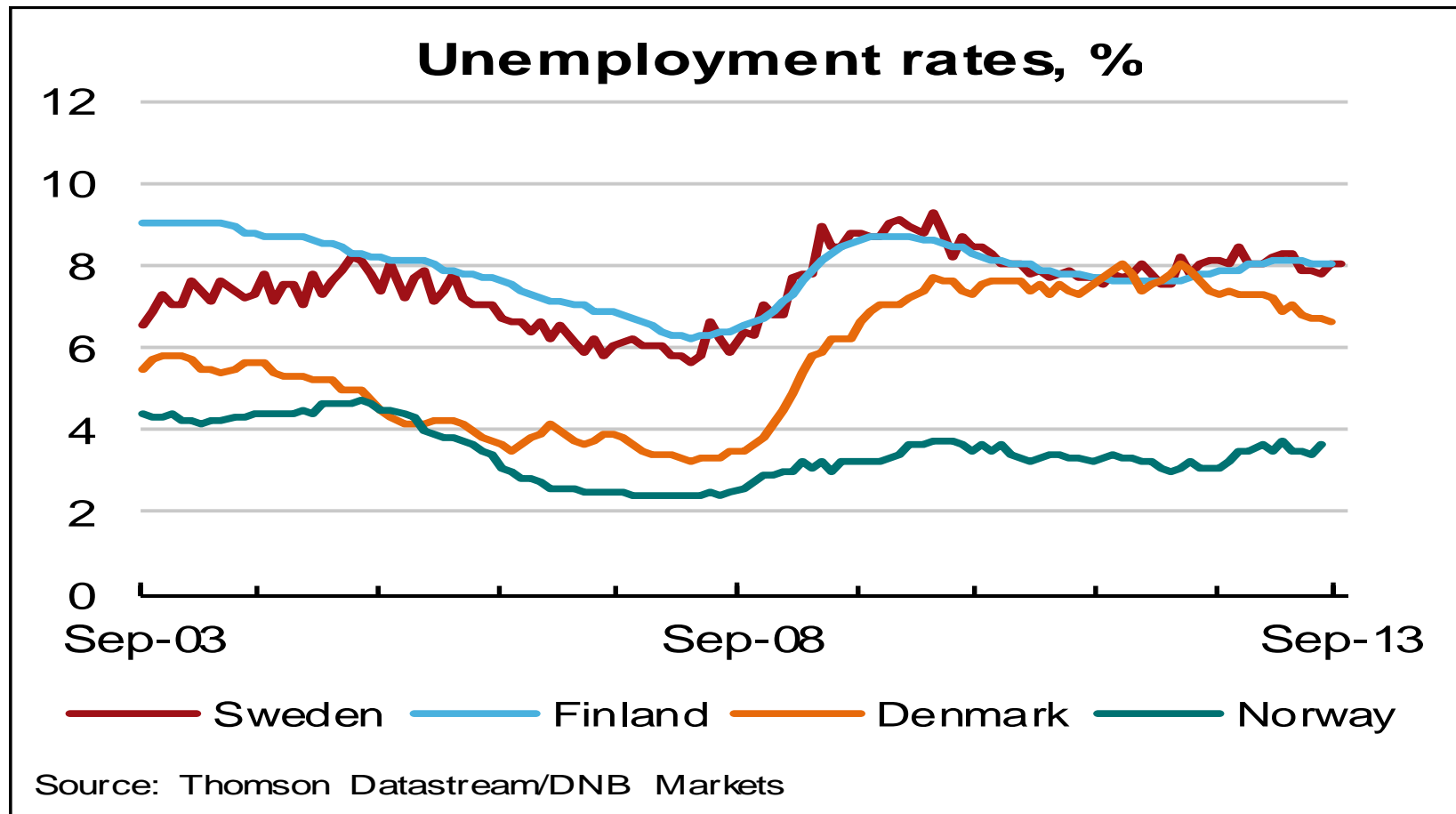


Similarities: High income, high degree of equality

## Solid government finances



## Unemployment above pre-crisis levels





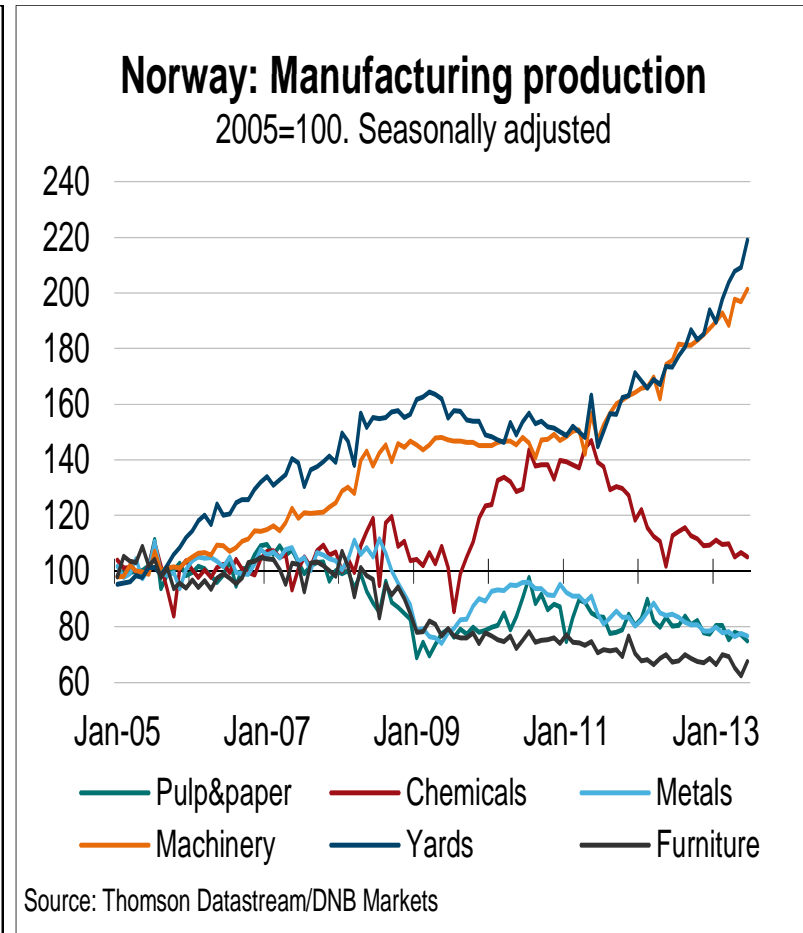
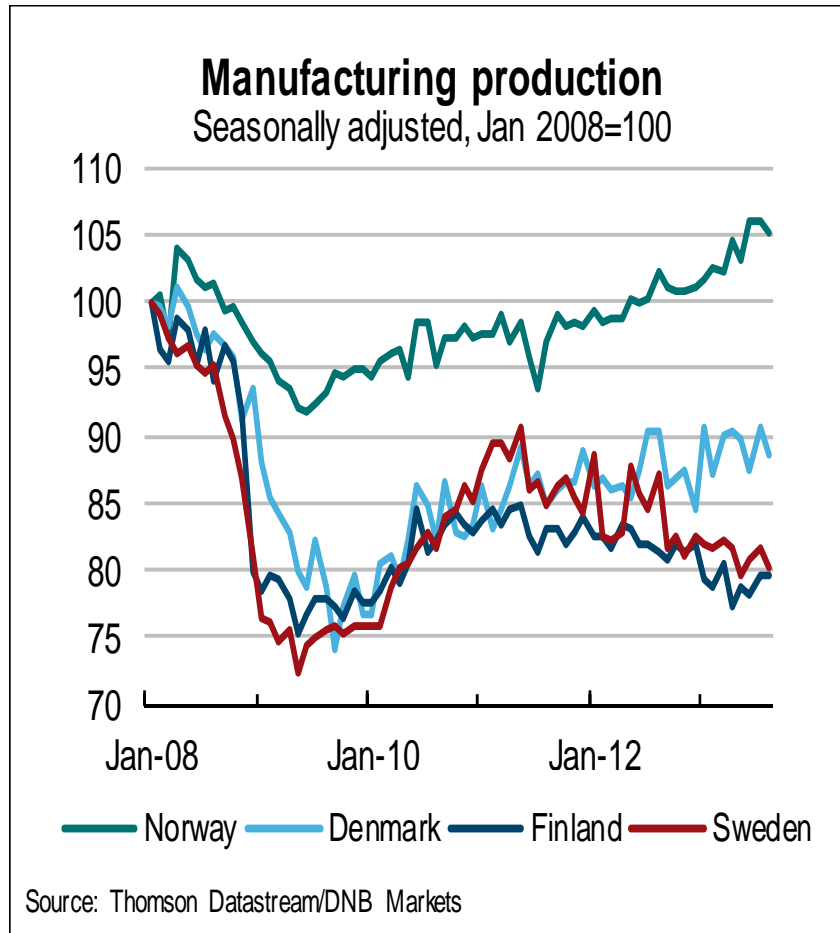
Monetary policy differs

## All have low policy rates

- **Finland:** Part of euro system. ECB sets policy rates.
- **Denmark:** EU member with EMU reservation. ERM-member with EURDKK at 7.45.
- **Norway:** Floating exchange rate, flexible inflation targeting (2.5%)
- **Sweden:** Floating exchange rate, flexible inflation targeting (2.0%)

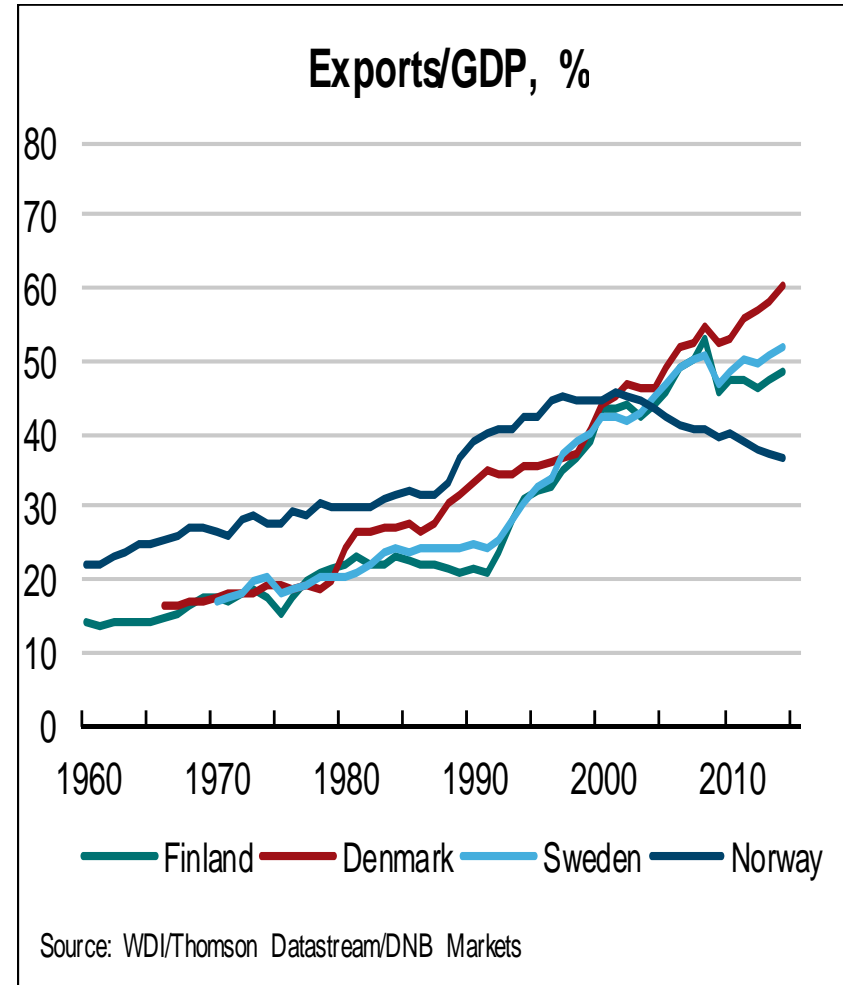
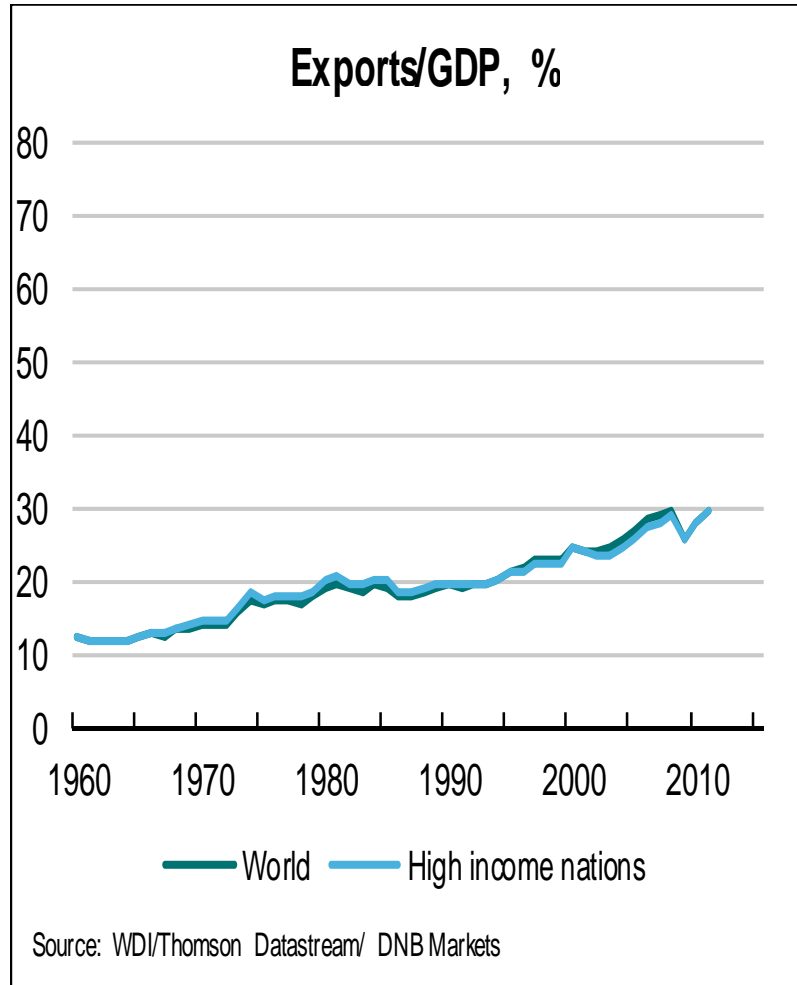
# Oil-related demand compensates for gloomy external demand in Norway

## Struggling manufacturers



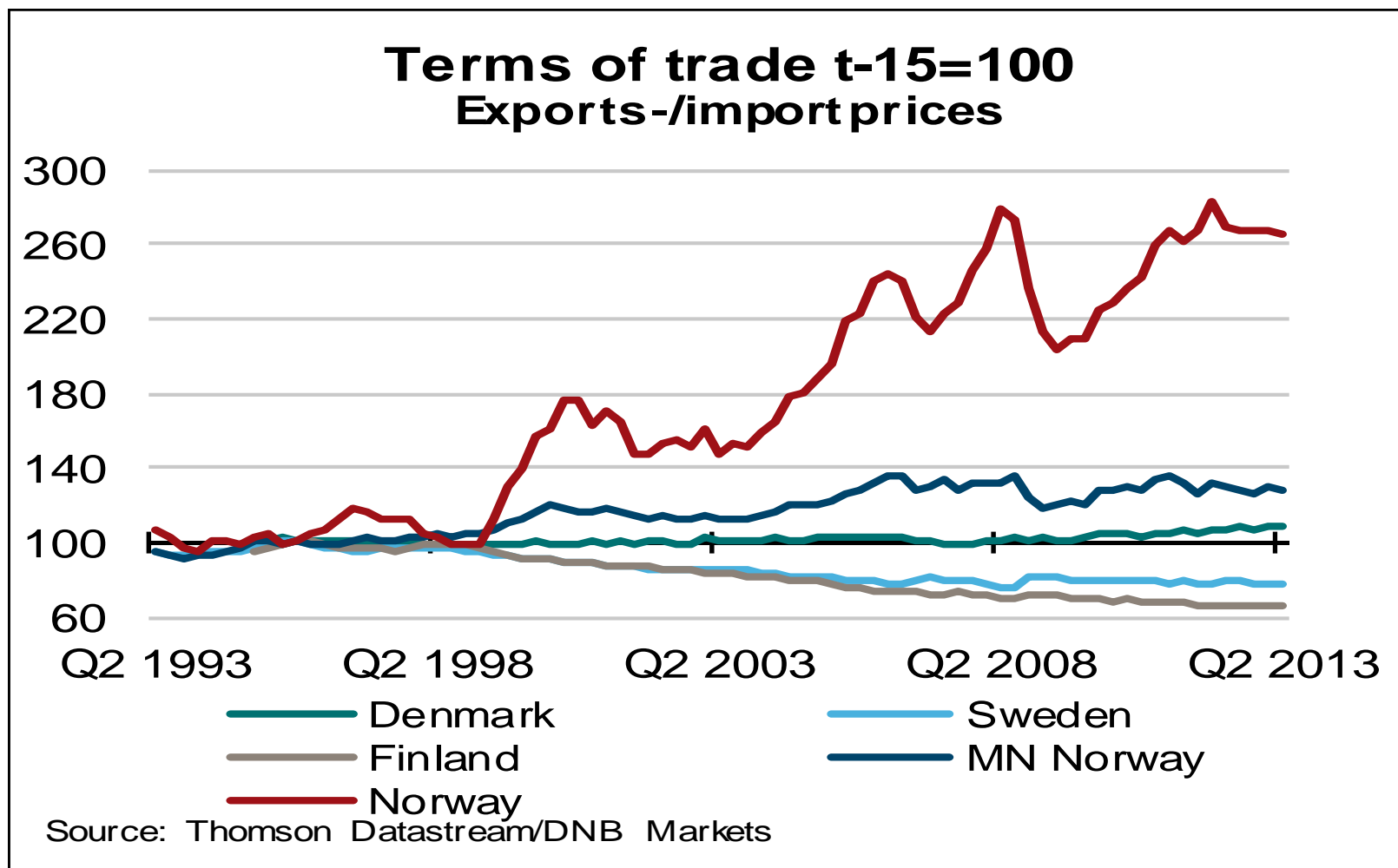
Affected by global business cycles

## Nordic economies are small and open



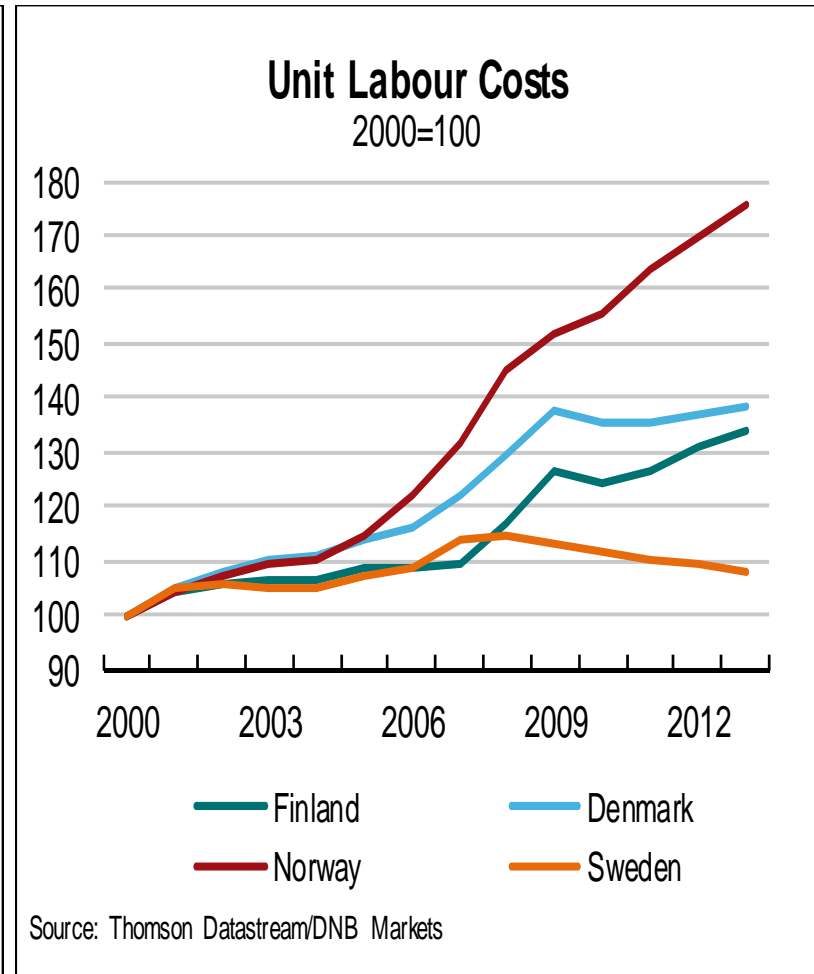
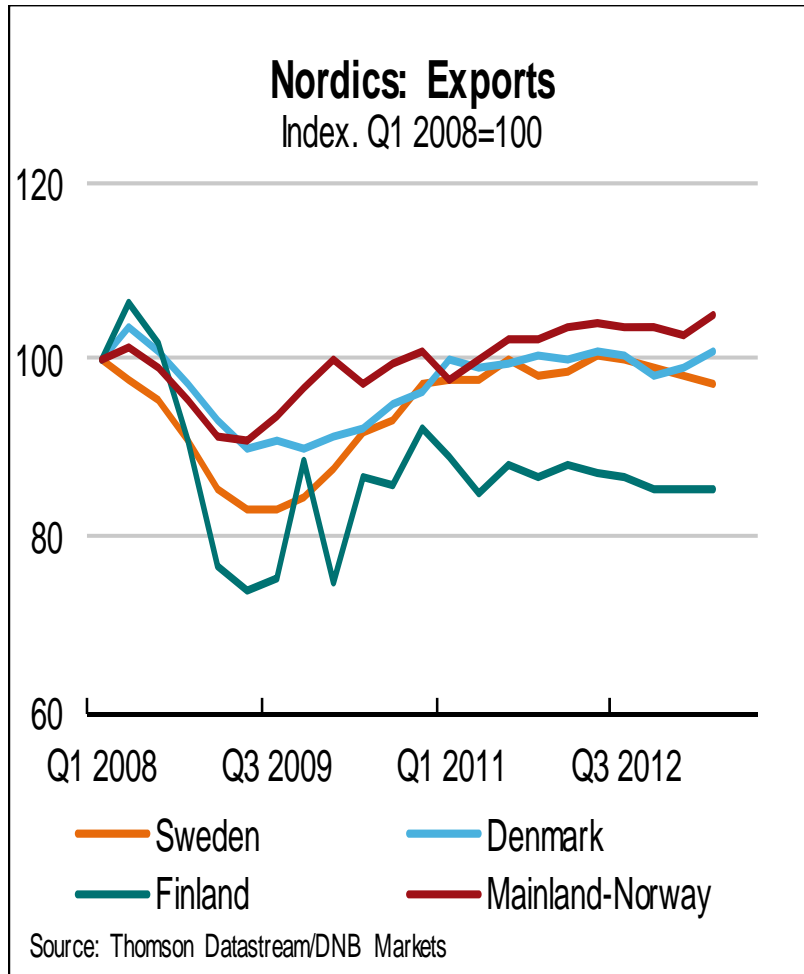
Terms of trade since year 2000

## Tough price competition for Finland and Sweden



## Exports and competitive strength

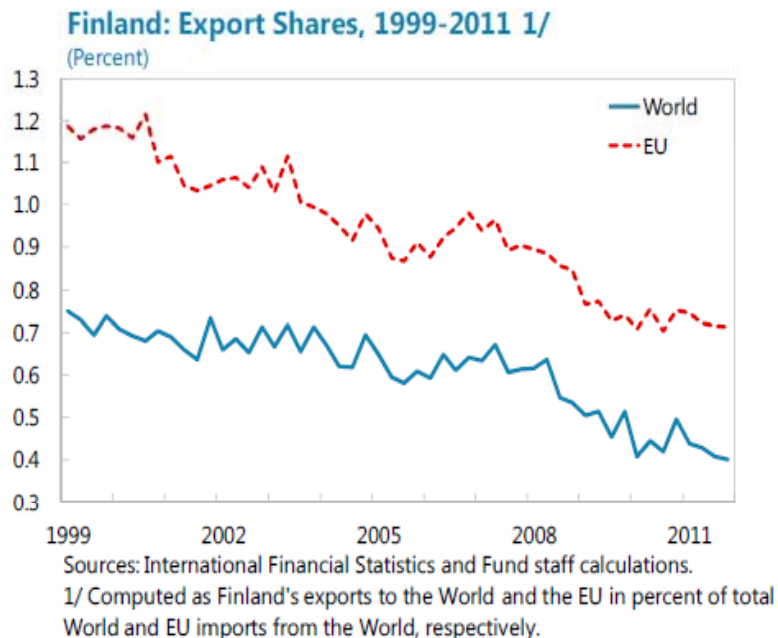
# 1/5 of exports gone since crisis burst in Finland



## Finland

# Loses export shares + domestic forces negative

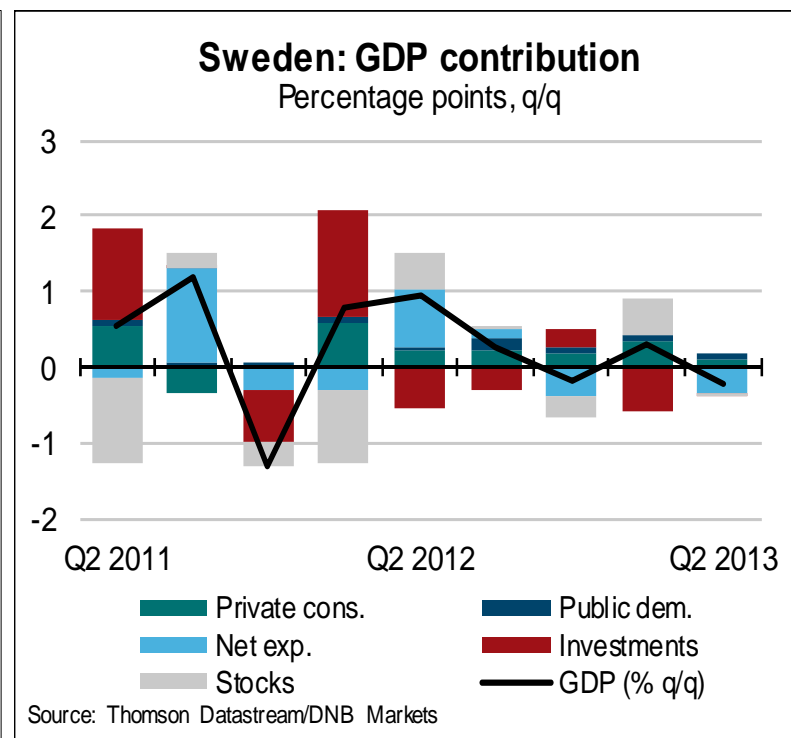
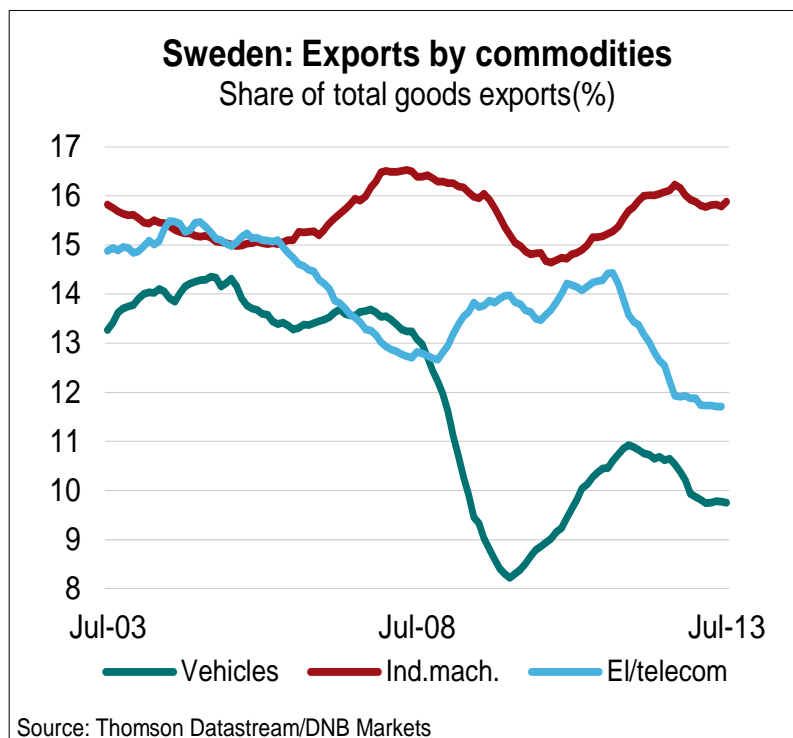
- Finnish exports dominated by electronics and paper industries. Has been in a persistent negative trend, which accelerated after the crisis.
- Cost-competitiveness has weakened, especially after strong wage settlements in 2008/2009.
- Drop in exports have ripple effects to the domestic economy. Weak income development. Confidence is low, consumption and investments are falling.



## Sweden

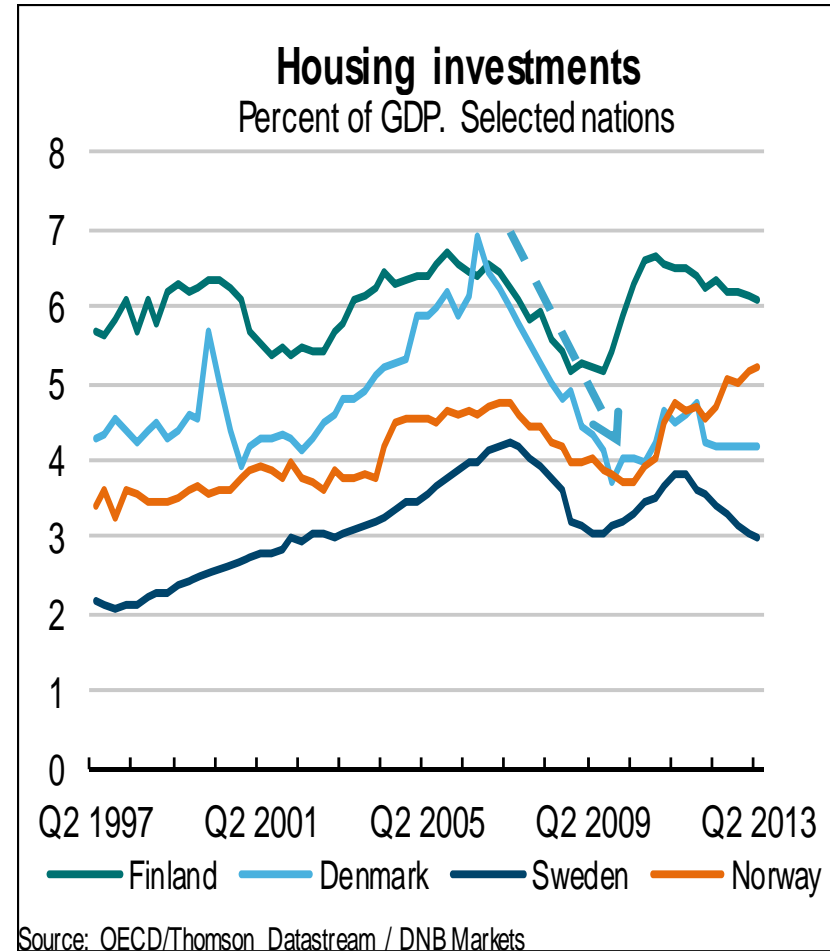
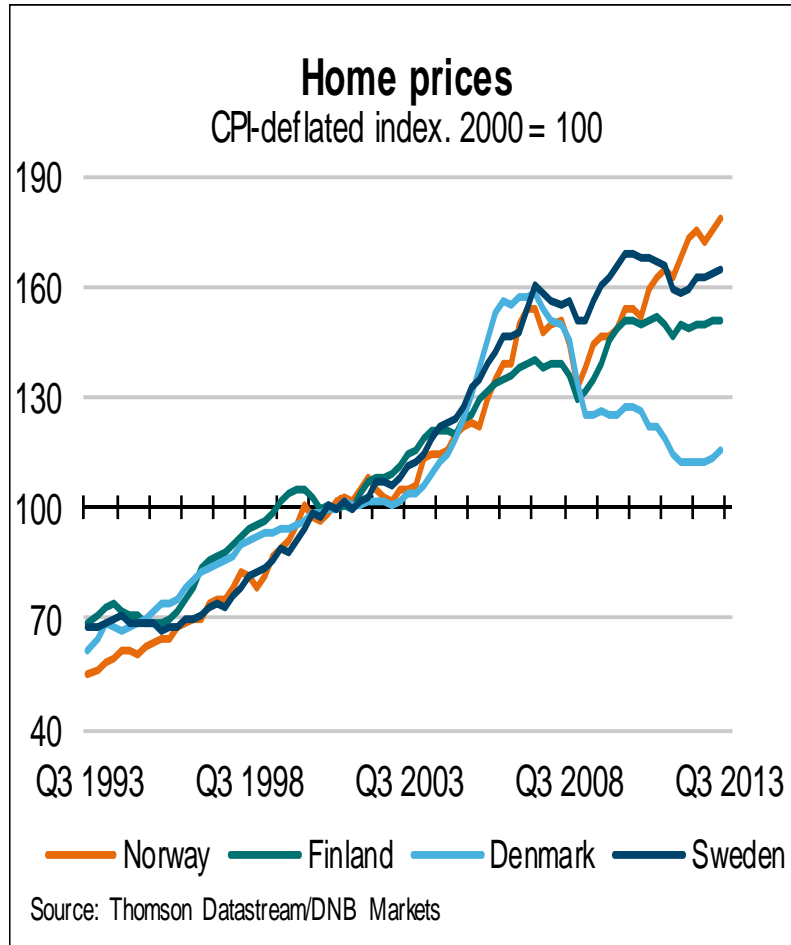
# Loses market shares, but domestic demand solid

- Vehicles and el/telecom, have experienced lost market shares during 2000s. Reinforced after financial crisis.
- Domestic demand has held up quite well. Households are solid.



## Housing market

# Norway and Denmark stand out





## Denmark

# The burst of a bubble weighs on the economy

- **Exports diverse:** Oil and gas, machinery and instruments, meat and meat products, dairy products, fish, pharmaceuticals, furniture, windmills
- Subdued domestic demand. Ample capacity -> low investments. Consumption has been falling.

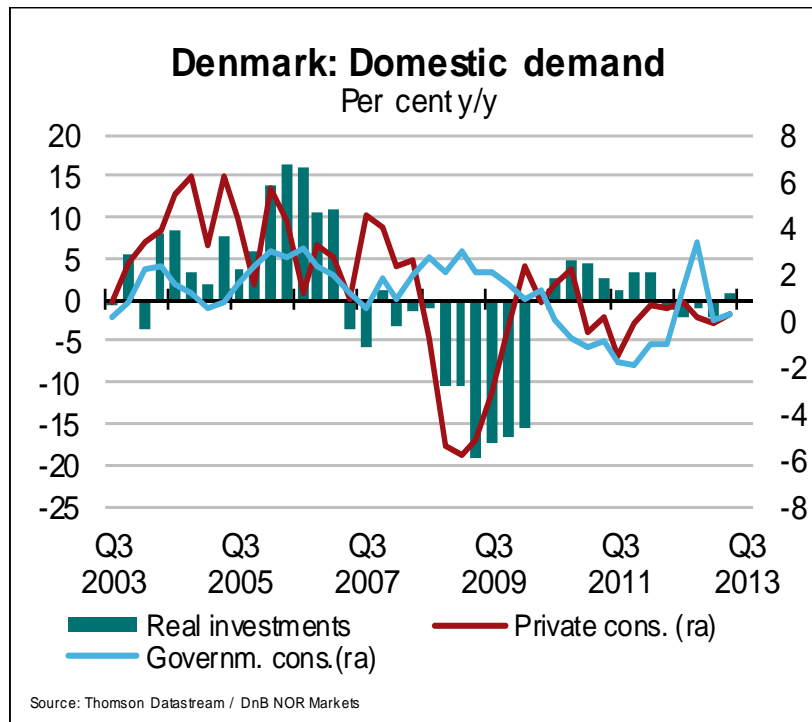
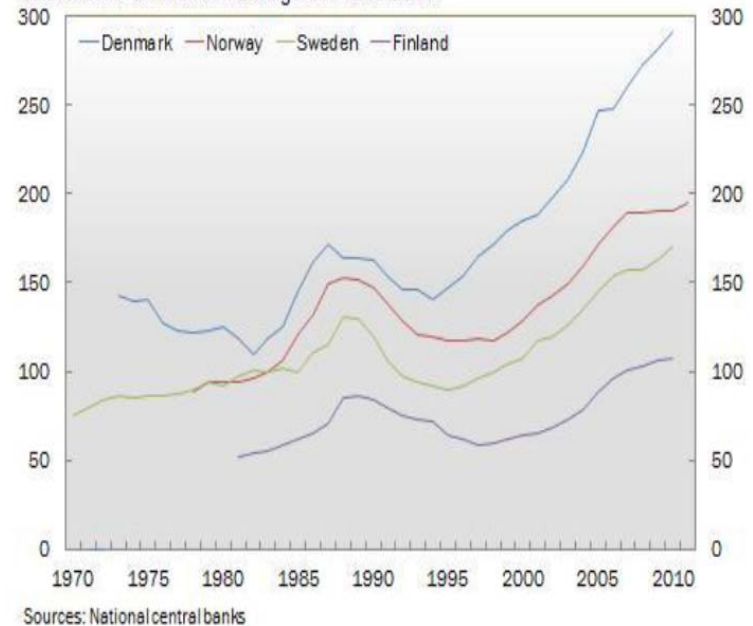
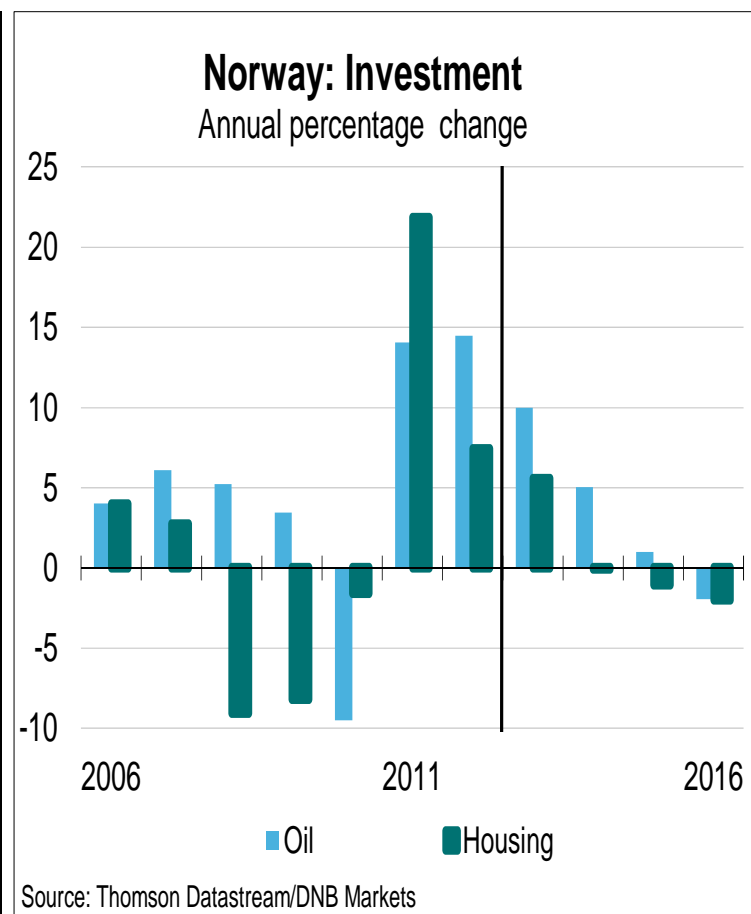
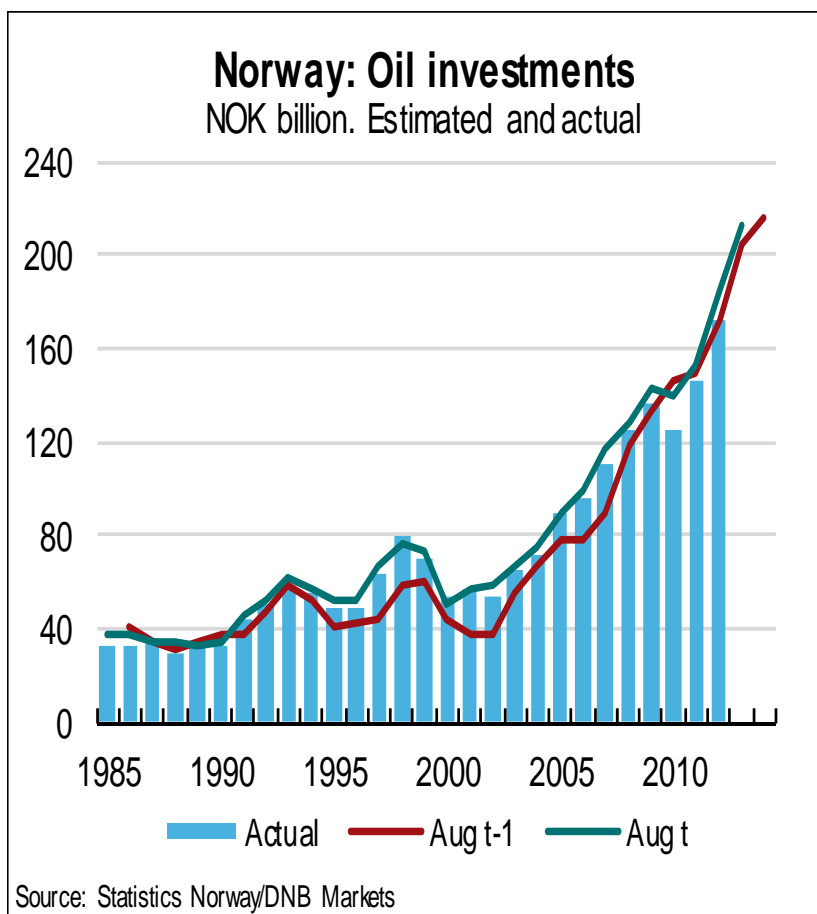


Chart 2. Household debt as a share of disposable income in four Nordic countries. Per cent. Annual figures. 1970-2010



Norway: Strong performance after the crisis

## Growth impulses from housing and oil will wane



What to expect

## DNB Markets: Forecasts

- As external demand picks up, also providing ripple effects to rest of economy: GDP growth in Sweden, Denmark and Finland will pick up, albeit very gradually.
- We expect oil impulses to become less strong in Norway, as the oil price will gradually decline towards 90 dollars per barrel (2020). House prices will abate, and unemployment will increase slightly, from today's low level.

## Consensus forecast (October)

- **Mainland Norway:** 2.0% in 2013, 2.5% in 2014
  - DNB Markets expects 2.0% in 2013, 2.0% in 2014.
- **Finland:** -0.6% in 2013, 1.3% in 2014
- **Sweden:** 1.0% in 2013, 2.6% in 2014
  - DNB Markets expects 1.2% in 2013, 2.2% in 2014.
- **Denmark:** 0.3% in 2013, 1.4% in 2014.

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