Investment Research

5 January 2018

Nordic Outlook

Economic and financial trends

- Denmark: good times continue
  - Growth running at 2%, with risks more towards overheating than the opposite.

- Sweden: bracing for a housing decline
  - Housing investment will no longer ensure high growth.

- Norway: turnaroud in the oil sector
  - Oil investments set to drive growth as housing investment slows.

- Finland: full steam ahead
  - Growth set to slow a little but remain high.

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Important disclosures and certifications are contained from page 32 of this report.

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The ***Nordic Outlook*** is a quarterly publication that presents Danske Bank's view on the economic outlook for the Nordic countries. The semi-annual publication *The Big Picture* sets out our global economic outlook.

At a glance

Falling house prices – so what?

An important factor to watch

Probably the most talked-about event in the Nordic economies in recent months is the fact that house prices have been falling in Norway and Sweden. Historically, house price declines have often been triggered by higher interest rates, but that is not the case this time. Instead, it has a lot to do with issues of supply and demand. High prices, especially in central urban locations, have caused large increases in the supply of new housing and that is having an effect on prices. Tighter financial regulation also seems to have played a role, especially in Norway. In Sweden's case, we have for a long time been concerned that house prices and especially apartment prices have grown too high relative to the economy, and there is a good chance that the declines will continue for a while yet. In Norway, house prices seem more aligned with the fundamentals of the economy, although prices in Oslo are something of an exception and can be expected to decline a bit more.

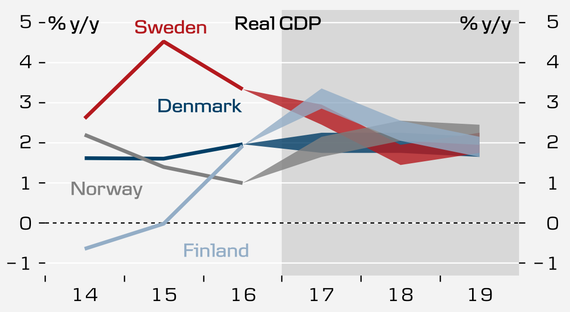
Economic growth has been very much driven by housing investment in Sweden in recent years and we think it is unlikely that Swedish housing investment will continue to expand, all the more so now that prices have turned around. In that sense, lower house prices will have a serious effect on the Swedish economy, but we do not expect a large impact on household spending, as the households are very robust in general. Norway is still in a recovery phase and it will take a good deal more to change that than we have seen so far in house prices.

What about Denmark and Finland? Both, especially Denmark, have experienced sharp price increases on small apartments in the most sought-after locations. Those prices can certainly turn around as supply increases. However, overall house price growth and valuations remain modest and there is little reason to fear a housing-induced shock to those economies.

Continued low interest rates

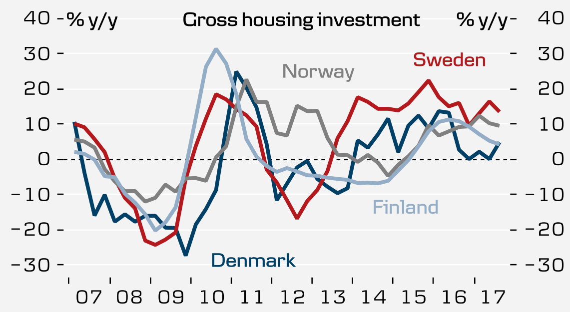
The global recovery is robust and that is reflected in the Nordic countries, where we expect growth above trend to continue. The exception is Sweden, where we see growth taking a breather after several boom years and as the economy becomes driven more by global demand and business investment, rather than housing investment. As Sweden slows and inflation declines, we do not think the Riksbank will hike interest rates in 2018 and as the Norwegian economy strengthens, we expect that Norges Bank will, in December. Thus, interest rates will remain low in all Nordic countries this year. In 2019, we expect the ECB to begin its move away from negative interest rates and that will certainly also have an impact on all the Nordics. However, as in the rest of Europe, the move towards higher rates looks likely to be both slow and limited.

Converging growth



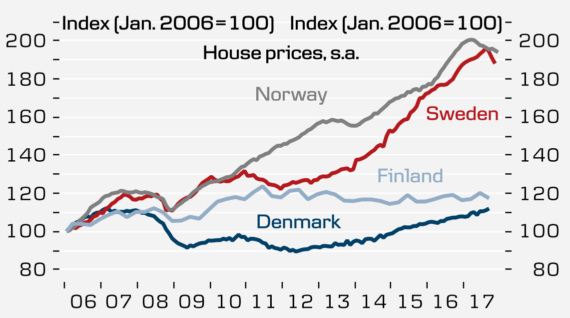
Source: Macrobond Financial, Danske Bank

Swedish growth driven by housing



Source: Macrobond Financial

Prices have turned in Sweden and Norway



Source: Macrobond Financial

Denmark

Good times continue

- **We are in the midst of a steady and measured upswing with growth of around 2% per year over the entire period 2016-19.**
- **The labour market and potentially also the housing market risk overheating, but this is still only a risk, not a reality.**
- **Export growth has stalled, but should pick up going forward.**
- **Consumption upswing remains cautious and not credit-driven.**
- **Foreign investors have pushed yields down further and the outlook is for yields to rise only slowly.**

Volatile data muddying the picture

Danish GDP fell 0.5% in Q3. As far as we can see, this makes Denmark the only country in the world to announce a negative growth rate for the quarter, apart from Mexico, where GDP was affected by two powerful earthquakes in September. GDP growth in Denmark was dragged as much as 0.2 percentage points lower by a marked but temporary decline in car sales. We would attribute the rest of the decline to the somewhat inexplicable volatility that strikes Danish economic data from time to time. However, we note that overall demand looked somewhat better than GDP growth. Quickly updated activity indicators are relatively sparse in Denmark, and in recent years we have seen a number of significant revisions to the GDP figures – generally in a positive direction. Previous figures showed a similar mysterious fall in GDP in H2 15, for example. Hence, there is good reason to expect the decline in GDP in Q3 will be either revised away or replaced by a solid recovery in subsequent quarters.

Growth in Europe has been high and stable and it has been a good indicator for the Danish economy since the crisis. Exports have been the main driver of Denmark's upswing, though consumption and investment are also growing. That is the picture in 2017 and it is likely to remain in place in 2018 and 2019. Every upswing ends eventually, but we see no major risks in the short term. The upswing is not being driven by rising debt and consumption and investment in Denmark and most other European countries are modest relative to income and earnings. This makes the upswing less powerful than, for example, the one that ended 10 years ago, but also less vulnerable.

Rising levels of debt in the coming years are a distinct possibility given the outlook of sustained low interest rates. Further increases in house prices could also pull in that direction, while a tight labour market may boost wages and erode competitiveness. This could lay the foundation for a future crisis, perhaps in connection with interest rates rising more noticeably after 2019. However, at the present time this is a risk, not a reality.

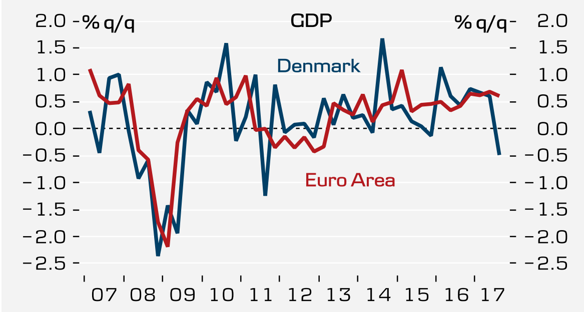
The marked fluctuations in the GDP outcomes have also affected our forecast. We have cut our estimate for growth in 2017, though the picture for 2016 has become significantly more positive, as growth in that year has now been revised

Current vs previous forecast

Denmark	Current forecast			Previous forecast	
% y/y	2017	2018	2019	2017	2018
GDP	2.0	2.0	1.9	2.4	2.0
Private consumption	1.7	2.0	2.5	1.9	2.3
Public consumption	0.8	0.7	0.5	1.0	0.5
Gross fixed investment	1.9	5.5	4.3	2.6	4.3
Exports	3.6	2.7	2.6	5.0	2.8
Imports	2.8	3.4	3.6	4.7	3.6
Gross unemployment (thousands)	116.5	111.7	107.1	116.3	115.1
Inflation	1.2	1.2	1.4	1.1	1.1
Government balance, % of GDP	0.0	-0.3	-0.1	-0.9	-0.7
Current account, % of GDP	8.0	7.7	7.3	8.3	7.8

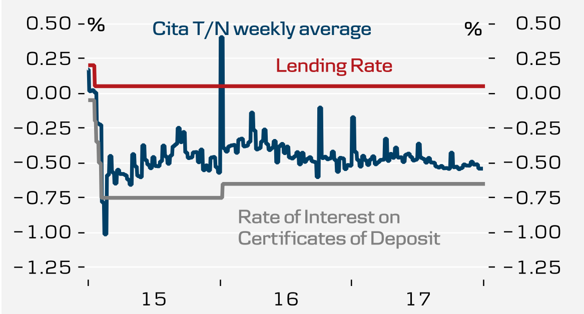
Source: Danske Bank

Ignore the GDP fall in Q3



Source: Statistics Denmark, Eurostat, Macrobond Financial

Fixed income market signals calm on DKK



Source: Danmarks Nationalbank, Nasdaq OMX, Macrobond Financial up to 2.0% instead of the original 1.1%. The image emerging is of an upswing with growth at or just below 2% for the entire period 2016-19.

Interest rates – low for longer

The krone (DKK) exchange rate has remained stable and Danmarks Nationalbank has had no reason to intervene in the FX markets since March 2017. DKK is being supported by a still very large current account surplus, even though dollar weakness in 2017 could, as such, have implied downward pressure to the DKK against the euro. The DKK is also being supported by solid foreign interest in callable Danish mortgage bonds, which foreign investors have placed around DKK100bn (net) in since spring 2016. With the highest possible credit rating and a liquid market, Danish mortgage bonds are a good alternative to government bonds in the eurozone, where return has been squeezed by the ECB's buyback programme – and that applies to both European investors and those from other continents. Foreign investor interest is a major reason why the effective interest rate on mortgage loans was pushed to new lows in 2017. The ECB looks set to taper its buyback programme in 2018 and will probably not extend it into 2019, which could push long rates a little higher again. We are also expecting the ECB to begin considering actual rate hikes in 2019, and Danmarks Nationalbank is likely to follow suit, though policy rates will probably not be positive again until 2020.

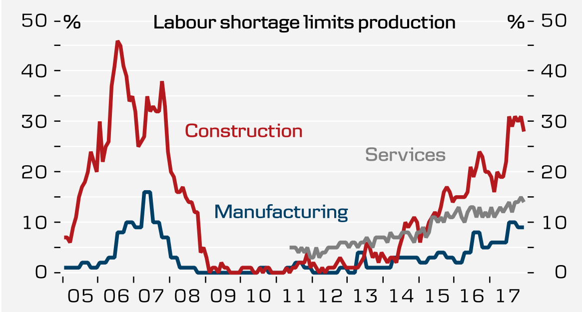
Threat of labour shortages

Employment has continued to grow strongly in 2017 and a significantly greater share of employers are experiencing problems finding qualified labour compared to one year ago. However, the problem does not appear to have worsened since last summer and unemployment has been stable for the past six months. For now, rising employment is being more or less balanced by an expanding labour force, but the labour force will have to carry on expanding if employment growth and hence the upswing is to continue in the coming years. Foreign labour has filled around 40% of the new jobs created since 2013, but other countries in northern Europe are also experiencing rising employment and recruitment problems, and it is not certain Denmark can continue to attract a large number of EU citizens. We assume the domestic labour force will increase as the early retirement age is raised and from 2019 also the full retirement age. Nevertheless, the labour market is balanced on a knife edge and the shortage of labour could easily become a real threat to growth. Wage growth has picked up a little in 2017 and is overall a little higher than abroad.

Fiscal policy to lift growth in 2018

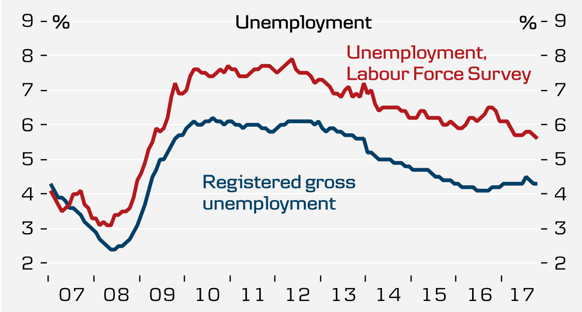
Public finances are expected to stimulate demand and employment by the equivalent of 0.2% of GDP overall in 2018 compared with 2017. However, this is not needed, as there is generally no longer any spare capacity in the economy – rather the opposite if anything. The fiscal easing is in part connected to the possibility of having early retirement contributions refunded in 2018, which will improve public finances in the long term, but put an expected DKK5bn into circulation now. There will also be an extraordinary payout in 2019 of past excess property taxes totalling around DKK9bn. Money has also been put aside in the budget for tax cuts as early as 2018, though negotiations on the tax cuts have been postponed until the start of 2018. The government has proposed a package of gradual tax cuts going forward to 2025, to be financed mainly by

Labour shortage high but stable



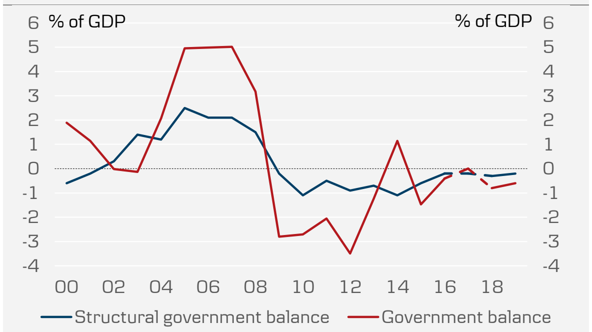
Source: Statistics Denmark, Macrobond Financial

Unemployment unchanged since summer 2017 despite more in work



Source: Statistics Denmark, Macrobond Financial

Deficit still in place despite upswing



Source: Statistics Denmark, Ministry for Economic Affairs and the Interior public expenditure growth being kept lower than economic growth and tax revenues, though what package of cuts might actually win majority approval is not yet clear. The budget deficit once again looks set to be significantly less in 2017 than previously expected, due, in particular, to higher returns on pension savings and equities, and thus higher tax revenues. Nevertheless, the government is budgeting with a deficit of 0.8% of GDP in 2018, despite the strong economy. Our view is that this will also prove unduly pessimistic. Gross public debt will be lifted a little by the issuance of government bonds (DGB) to finance social housing programmes, though social housing financing is in reality already guaranteed by the government. Net public debt will continue to be close to zero.

Skewed distribution

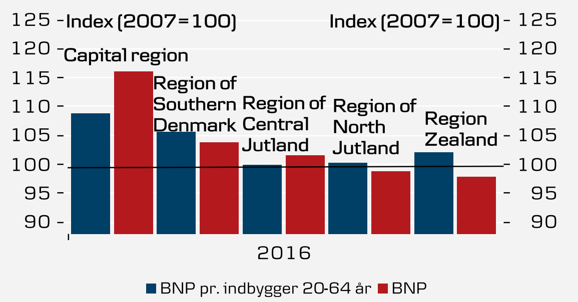
GDP in Denmark's Capital Region (including Copenhagen) was 16% higher in 2016 than in 2007, but more or less the same in the South Denmark Region – and production is still not back to pre-crisis levels in the rest of the country. One explanation for this skewed distribution is that the Capital Region has experienced a pronounced increase in its working age population, while this demographic has mostly fallen elsewhere. However, even after correcting for this phenomenon, growth has still been higher in the Capital Region, which includes, for example, the bulk of the healthcare industry – a sector where the value added has increased by 81% since 2007.

What's going up? Housing market still growing, but uncertainty is rising

The housing market is growing across the country. Growth remains concentrated in and around the large cities, but all parts of the country are experiencing rising prices. The housing market is being supported by general economic growth, rising incomes and very low interest rates. These factors will continue to drive prices higher over our forecast period, although the pace of growth is expected to slow, particularly in 2019. This will be due to long rates slowly beginning to rise from their current, extreme lows and accelerated building activity increasing the supply of homes. New regulatory measures are expected in 2018, which aim to limit the use of the riskiest loans and to slow the pace of price growth in the most expensive areas. However, this should not derail the housing market and we still expect house prices to rise faster than the general level of inflation in both 2018 and 2019.

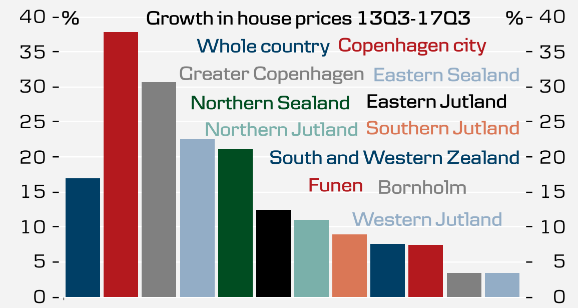
The further ahead we look, the greater the uncertainty of our forecast of course. Looking at 2019 and beyond, the level of uncertainty is particularly high – especially with respect to the expensive housing areas. For it is here that prices are expected to react most strongly to rising interest rates, increased new home starts and tighter credit conditions. New property valuations in 2019 and the introduction of a new property tax system in 2021 will have the greatest impact on those parts of the country that look set to experience the most pronounced increases in property valuations. While the new property tax rules do not come into effect until 2021, the new valuations in 2019 will provide a good idea of the implications for each home. While existing homeowners will not have to pay more in tax under the new rules as they will receive a tax rebate, the property's resale value in the longer term could be affected, as the tax rebate will not follow with the property after 2020.

Growth concentrated in Capital Region



Source: Statistics Denmark, Macrobond Financial

House prices rising nationwide, but large cities surging ahead

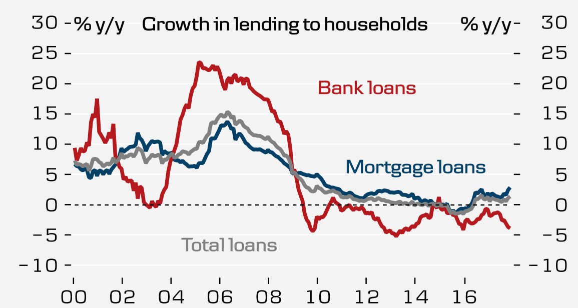


Source: Statistics Denmark and Macrobond Financial

Employment points to increasing building activity

Source: Statistics Denmark and Macrobond Financial

Credit not really rising – in stark contrast to consumption boom in 2000s



Source: Statistics Denmark, own calculations, Macrobond Financial

The longer we experience rising house prices, the more attractive it becomes to build new homes – and we are already seeing this. This also means construction is expected to gradually make up a greater share of the Danish economy and a greater driving force for growth. Hence, the consequences for Danish growth will gradually increase if rising construction is replaced by a decline. This is not something that concerns us in the current forecast period, but could become relevant when looking further ahead.

Consumption growth, but no boom

Private consumption has developed rather unevenly in 2017, with declines in both Q2 and Q3. However, this was primarily due to temporary factors connected with car and energy consumption, and we continue to see underlying growth in private consumption. We expect private consumption to pick up further in the coming years, mainly due to the Danes having more money in their wallets – both as a result of real wage growth and because more are expected to transit from transfer incomes into work.

Two factors in particular will lift consumption in 2018 and 2019, but could also contribute to significant fluctuations in consumption from quarter to quarter. Early retirement pension contributions can be paid out tax free in spring 2018 (to those deciding to opt out of the scheme), while in 2019 around 730,000 homeowners who paid too much in property taxes – due to excessively high property valuations – will be compensated. A significant share of these refunds is expected to be spent on increased consumption.

Compared to previous upswings, Danes are spending a relatively small share of their income on consumption. Economic growth usually also means growth in credit-financed consumption, in part due to increasing home equity. At present, however, the growth in lending to households is largely non-existent and we also expect very modest credit growth going forward – in stark contrast to the credit-financed consumption boom of the mid-2000s. If credit growth, contrary to expectations, begins to seriously take off, then consumption growth could potentially be somewhat higher than our current forecast indicates.

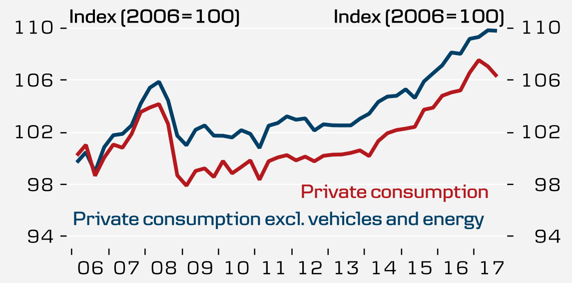
Inflation pulled higher mainly by external factors

Inflation has been somewhat higher since the summer than Denmark has been used to for several years. Higher inflation has mainly been driven by external factors. Oil prices, for example, have risen in the past year after falling for a number of years, pushing petrol prices, in particular, higher. Price growth on liquid fuels alone pulled inflation 0.4 percentage points higher in 2017 compared to its impact the previous year. Food prices, too, have increased – driven in part by rising commodity prices. The rise in food and non-alcoholic beverage inflation explains 0.3 percentage points of the rise in inflation in 2017 compared to the year before.

Car prices, in contrast, have pulled inflation lower on the back of the cut in new car registration charges in September. As far as we can assess, however, prices have not fallen as far as the cut in charges would indicate, so there may still be a few months of falling car prices ahead of us. The impact of the reduction in registration charges may be particularly delayed with respect to used car prices.

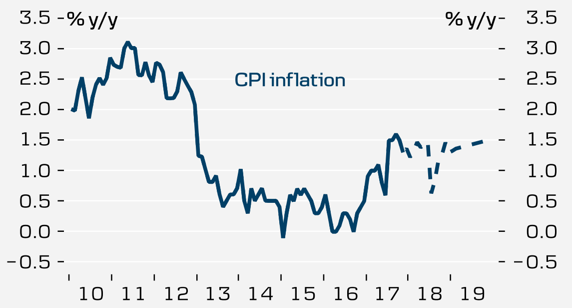
While we can largely attribute the higher rate of inflation to external factors, slightly higher wage pressures here in Denmark will likely be reflected in

Private consumption hit by temporary factors



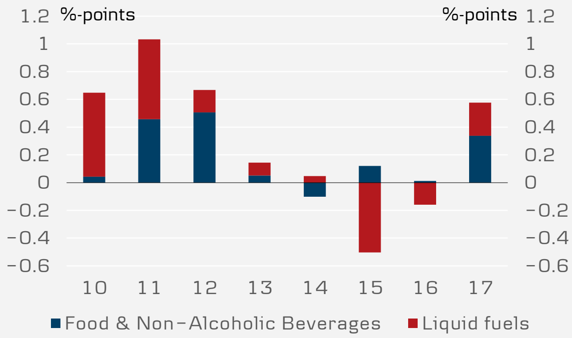
Source: Statistics Denmark, own calculations, Macrobond Financial

Higher but still modest inflation



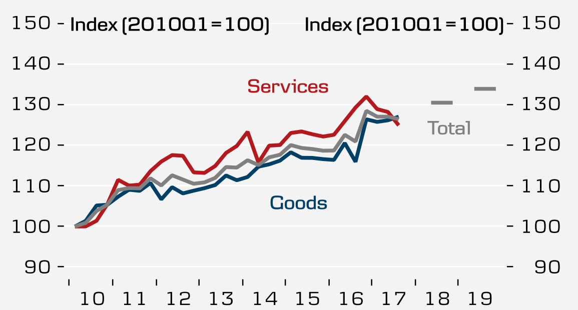
Source: Statistics Denmark, own calculations, Macrobond Financial

Liquid fuels and food have pulled upwards in 2017



Source: Statistics Denmark, own calculations

Foundations in place for exports to grow



Source: Statistics Denmark, own calculations, Macrobond Financial

inflation via rising prices on services. Like the rest of Europe, however, this process appears to be slow. We therefore expect inflation to rise slowly, from 1.2% in 2017 and 2018 to 1.4% in 2019.

Weak export growth should pick up going forward

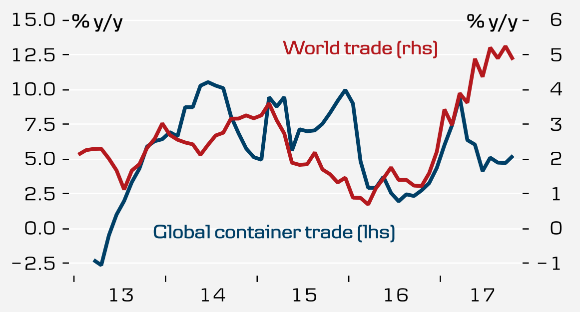
Exports very much disappointed in 2017 and were down 1.6% in Q3 compared to the start of the year. As global growth has picked up, so global trade has also increased substantially. This would appear to be very positive for Denmark, as shipping, which accounts for around 16% of Danish exports overall, is very exposed to the global economy. Nevertheless, total service exports have fallen in 2017, which in part may be due to global freight shipping not really keeping up with the pace of growth in global trade, which has otherwise been the case earlier. This may be linked to Europe accounting for much of the increase in growth in 2017 and intra-European trade naturally generates no great demand at the shipping companies.

Goods exports grew at a moderate pace in 2017. Growth here was very much driven by food and energy exports, while manufacturing exports, which face stiff competition, were somewhat sluggish. This is very disappointing in a year that has seen such marked levels of growth in Denmark’s export markets. One headwind has been the FX markets, as the euro and hence also the DKK have strengthened significantly since spring 2017. This may provide some explanation.

Looking ahead, we expect a better performance from exports than we have seen over the past year. Business cycle-sensitive and investment-heavy exports can look forward to brighter times as the global upswing becomes ever more investment-driven. That should generate more demand for machinery, which accounts for around 22% of total Danish goods exports. Manufacturing sentiment has also been on the rise recently and is currently at a three-year high, pulled up by the machinery sector, in particular. The positive outlook for the global economy means we expect decent growth in the shipping sector, though service exports could suffer a little from the growth slowdown in Sweden. Sweden is Denmark’s principal market for service exports not including shipping. Overall, we see a foundation for solid demand for Danish goods and services and we expect exports to grow by 2.8% in 2018 and 2.6% in 2019.

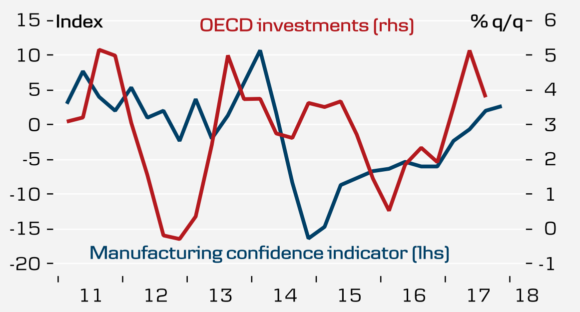
2017 was another year with a large current account surplus – indeed, larger than 2016. The driving force has been a rising surplus on the trade balance, with both the goods and services surpluses rising, helped along by the strengthening of the DKK, which has made imports cheaper in krone terms. As investment grows, more imports will gradually follow and so the trade surplus will ease a little. Savings in Denmark are structurally very high, and that will, in contrast, continue to give high net investment income. Overall, we estimate the current account surplus to have eased from 8.0% of GDP in 2017 to 7.7% in 2018 and 7.3% in 2019.

Container traffic has not really benefited from rising global trade



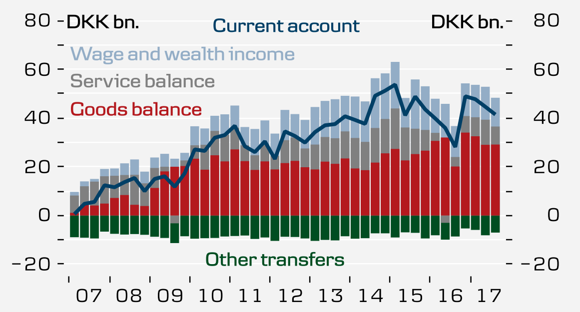
Note: Quarterly moving average
Source: CTS, CPB, own calculations, Macrobond Financial

Global investment upswing has potential to boost manufacturing exports



Source: Statistics Denmark, OECD, own calculations, Macrobond Financial

Current account surplus still very large



Note: Data is seasonally corrected
Source: Statistics Denmark, own calculations, Macrobond Financial

At a glance

National account	2016	2016	2017	2018	2019
			Forecast		
	DKK bn (current prices)		% y/y		
Private consumption	950.7	2.3	1.7	2.0	2.5
Government consumption	524.8	0.3	0.8	0.7	0.5
Gross fixed investment	421.7	6.0	1.9	5.5	4.3
- Business investment	252.8	5.7	3.7	6.6	4.4
- Housing investment	92.3	7.1	3.6	6.3	7.2
- Government investment	76.6	5.4	-6.1	0.9	-0.1
Growth contribution from inventories	0.0	0.0	-0.2	-0.2	0.0
Exports	1107.0	2.8	3.6	2.7	2.6
- Goods exports	700.7	2.3	5.6	2.8	2.6
- Service exports	406.4	3.8	0.1	2.4	2.6
Imports	979.1	3.8	2.8	3.4	3.6
- Goods imports	600.2	2.7	5.0	4.4	3.8
- Service imports	378.9	5.6	-0.7	1.8	3.2
GDP	2066.0	2.0	2.0	2.0	1.9

Economic indicators	2016	2017	2018	2019
Current account, DKK bn	151.3	170.9	169.8	167.8
- % of GDP	7.3	8.0	7.7	7.3
General government balance, DKK bn	-8.4	-0.9	-6.8	-2.5
- % of GDP	-0.4	0.0	-0.3	-0.1
General government debt, DKK bn	778.5	773.0	777.4	776.4
- % of GDP	37.7	36.0	35.1	33.9
Employment (annual average, thousands)	2877.1	2921.8	2958.8	2988.3
Gross unemployment (annual average, thousands)	112.5	116.5	111.7	107.1
- % of total work force (DST definition)	4.2	4.3	4.1	4.0
Oil price - USD/barrel (annual average)	44	54	63	65
House prices, % y/y	3.9	4.0	4.0	2.5
Private sector wage level, % y/y	1.8	1.8	2.1	2.3
Consumer prices, % y/y	0.3	1.2	1.2	1.4

Financial figures	04/01/2018	+3 mths	+6 mths	+12 mths
Lending rate, % p.a.	0.05	0.05	0.05	0.05
Certificates of deposit rate, % p.a.	-0.65	-0.65	-0.65	-0.65
2-yr swap yield, % p.a.	-0.03	0.05	0.10	0.15
10-yr swap yield, % p.a.	1.06	1.10	1.20	1.45
EUR/DKK	7.45	7.44	7.44	7.45
USD/DKK	6.19	6.42	6.20	5.96

Source: Statistics Denmark, Danmarks Nationalbank, Macrobond Financial, Danske Bank

Sweden

Bracing for a housing decline

- **At the December meeting the Riksbank responded quite as expected with one exception: while terminating new QE purchases, it frontloaded QE reinvestments to start by the beginning of 2018. At the same time it retained the repo rate path suggesting it will start to raise rates in Q3 18. For the first time it elaborated on a sequence for the normalisation of future monetary policy. In our view the Riksbank is too optimistic about inflation and inflation expectations and will not trigger rate hikes this year as inflation remains too low.**
- **April inflation appears to be a watershed. From April and onwards we see a much more subdued inflation path than the Riksbank. The reason is that increasing wage costs pressures are still lacking while many of those price gains that pulled inflation higher in 2017 are unlikely to be repeated to the same extent again.**
- **Slowing house prices are likely to take their toll on economic growth. The extent of the impact on residential construction is hard to gauge as it is uncertain whether oversupply of expensive condos can be replaced by cheaper in-demand housing or not. Private consumption is likely to slow slightly too. However, there are balancing factors in terms of business fixed investments, net exports and a government spending package.**

Cautious Riksbank frontloads QE reinvestments

At the December meeting, the Riksbank kept the repo rate and the repo rate path unchanged as expected. Also as expected, it ended the QE programme. The surprising part was that it will continue to buy government bonds worth some SEK11bn per quarter for six consecutive quarters (to mid-2019), from the beginning of January 2018. This is the sum of around SEK15bn in coupon payments and the redemption of the SGB1052 bond in early 2019. In effect, this means the Riksbank will slow its bond purchases slightly compared with the recent pace, but not to the extent previously envisaged. These reinvestments are front-loaded compared with maturing bonds. Riksbank reinvestments will absorb the nominal issuance from the debt office, which will retain a downward pressure on longer-dated bonds.

In terms of the macro forecast, the Riksbank raised its inflation forecast slightly for 2018, while keeping its GDP forecast unchanged. In our view, both these forecasts are too optimistic given that inflation in 2017 has been driven by temporary factors and given the likely drag on growth from declining property prices.

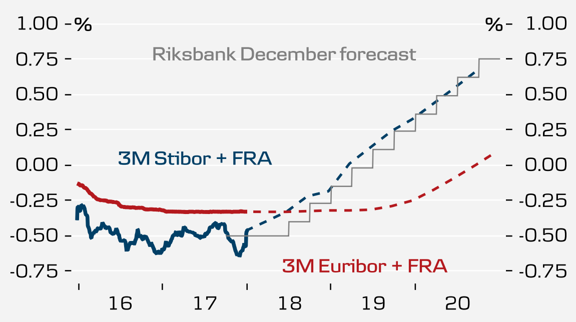
For the first time Riksbank elaborated on the sequencing of a future normalisation of monetary policy. The first step is to end net purchases while reinvestments of redemptions and coupons continues. The second step is to start slowly raising the repo rate (still from Q3 18 according to the forecast) while reinvestments continue. Finally, once the repo rate has reached an appropriate

Current vs previous forecast

Sweden					
	Current forecast			Previous forecast	
% y/y	2017	2018	2019	2017	2018
GDP, calendar adjusted	2.7	1.7	2.0	3.1	2.0
Private consumption	2.4	1.6	1.9	2.3	1.4
Public consumption	0.4	1.3	0.8	0.6	1.6
Gross fixed investment	7.5	1.1	0.4	8.0	3.1
Exports	3.4	5.1	4.7	3.4	3.3
Imports	5.1	5.0	3.8	5.0	3.3
Unemployment rate	6.7	7.1	7.6	6.7	6.6
Inflation	1.8	1.6	1.4	1.9	1.7
Government balance, % of GDP	0.9	0.6	0.4	0.3	0.0
Current account, % of GDP	4.8	4.8	5.4	4.8	5.2

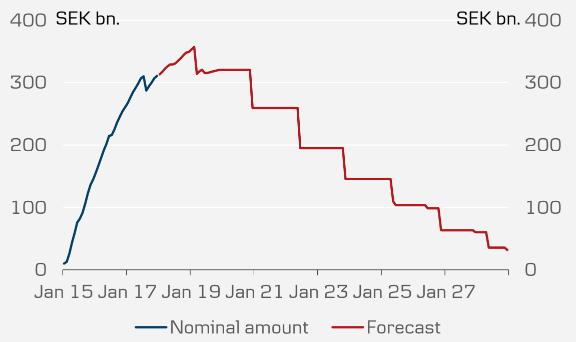
Source: Danske Bank

Market pricing and Riksbank are both too hawkish



Source: Riksbank, Macrobond Financial

Riksbank bond holdings scenario



Source: Riksbank

level (whatever that is) it is time to reduce or end reinvestment. Hence, we expect it to take a long time to reduce the balance sheet.

Despite the Riksbank's schedule, we strongly doubt that it will able to start raising rates in Q3 this year as purported in its repo rate forecast. The main reason is that we believe that the Riksbank is overstating inflation this year. As argued below, April inflation appears to be the month of disagreement. Actually, we put more trust in NIER's new forecast (December 2017), which has a similar decline to around 1.5 % y/y as our own forecast.

The recent drop in Q4 broad-based inflation expectations may prove to be more than just a dent. If inflation falls further as we expect, then it is highly likely that this will pull down inflation expectations further. At some point, this may resurface as a headache for the Riksbank after rising for two years.

Fooled by April inflation?

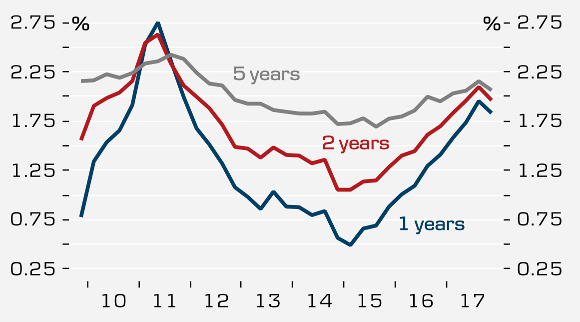
Inflation took a multi-step leap in 2017 on the back of several factors that we deem temporary. For instance, the Red/Green Government raised several direct taxes on items such as electricity, car fuel, alcohol and white goods/electronics. Moreover, congestion taxes were increased. By nature they are of a 'repeated one-off' kind even though some are indexed. For instance, the direct tax on car fuel will be raised again in January 2018 as the direct tax has been indexed to increase by CPI inflation plus 2%. Swedish energy producers will again raise grid fees in January, though it is a bit unclear exactly how big this increase will be. However, we use the biggest producer Vattenfall's increase of 6% as a benchmark.

The watershed in terms of inflation forecasts between us and Riksbank is April. As can be seen in the chart on the right, we have roughly the same seasonal pattern as Riksbank except for the month of April. Looking at CPIF excluding Energy, the Riksbank expects an unusually high print in April considering that Easter falls in March in 2018. Actually, over March and April taken together the Riksbank assumes an increase of 0.8 %, implying a repetition of 2017. The Riksbank has a fairly normal assumption for March, +0.3% m/m, a forecast we share. But on top of that there is the strong April increase of some +0.5% which we find hard to understand, especially as April 2017 was boosted by the new methodology of measuring charter holidays.

It may be that Riksbank expects a strong boost to international flights and charter holidays from the new 'flight tax' that is introduced on 1 April. The tax is set at SEK60, SEK250 and SEK400 for domestic, mainly European and global destinations. We estimate that if fully rolled over to customers this would raise prices by 5-10%, which would add 0.1-0.2 percentage points to inflation. Currently, when looking at international destinations, ticket prices rather appear to be below the levels of last April. At least we cannot really see what would propel April inflation to the level assumed by Riksbank.

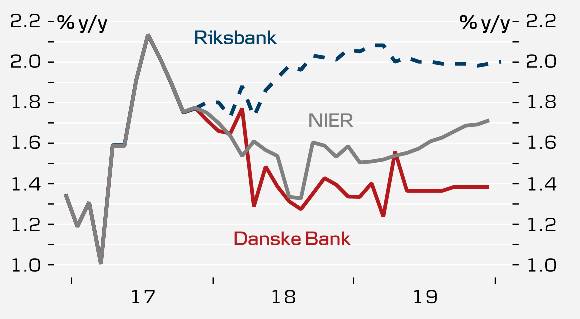
Going forward, the basic two fundamental inflation drivers, wage growth and currency movements, still suggest continued weak inflationary pressures.

Inflation expectations have probably peaked



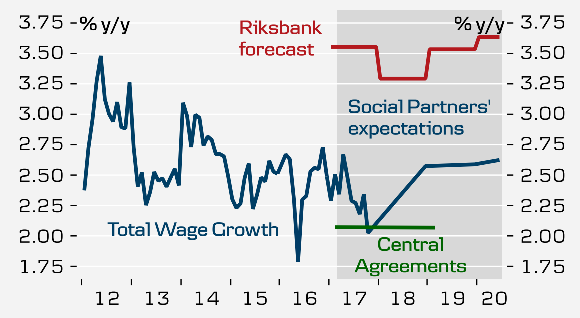
Source: Kantar SIFO Prospera, Macrobond Financial

Riksbank is the odd one out on CPIF excluding Energy



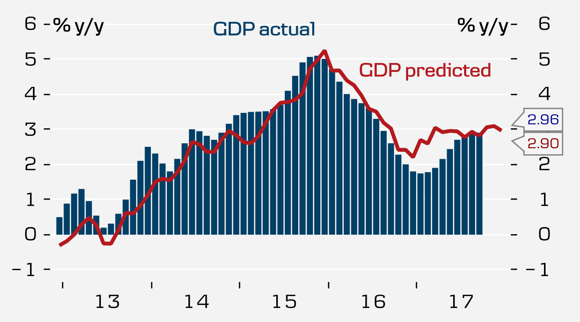
Source: Riksbank, NIER, Danske Bank, Macrobond Financial

Wage agreements and expectations are too low



Source: Prospera, Riksbank, Mediation Office, Macrobond Financial

GDP probably kept 3% speed in Q4



Source: Statistics Sweden, Danske Bank, Macrobond Financial

Declining house prices set to slow growth

Recent data suggest GDP continued to grow at about 3% in Q4 17. As in previous quarters, about 1/3 of GDP growth or about 1 percentage point was the direct result of residential construction.

As pointed out in the previous Nordic Outlook, this points to the endemic risk that such unilateral growth poses for the future – a risk that now appears to be growing as property prices are starting to retreat.

What is the danger in this? Well, we know for a fact that the construction of dwellings is strongly correlated with house/condo prices. Past episodes with declining prices in the early 1990s, in the financial crisis 2008-09 and the euro crisis in 2011-12 all had a strong negative impact on residential construction activity and, hence, on GDP growth. Historical data imply that a 10% decline in house/condo prices transforms into a 30-40% drop in new dwelling construction over some two years. In addition, it could have repercussions on private consumption and possibly other parts of the economy.

For many years the common understanding was that there was a lack of housing as the growth of new households was stronger than the construction of new dwellings. Most public forecasters, if not even all, still hold this to be true for the coming years. But since the summer of 2017 it has become evident that this possible general lack of housing coincides with a strong, specific oversupply of expensive condominiums. In other words, there appears to be a mismatch in demand and supply for housing that resembles the mismatch in the labour market (lack of high-paid skilled workers, abundant supply of low-paid low-skilled).

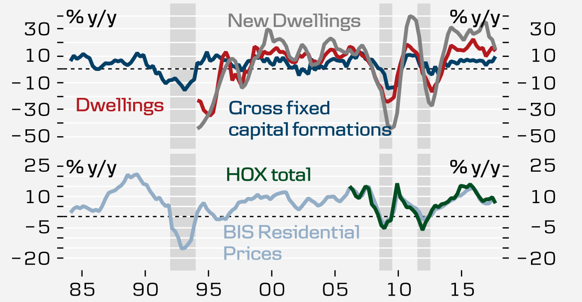
Recent official HOX data reveals that Stockholm condo prices have dropped 10% between July and November and Danske Bank's indicator suggests that there has been a further 2% drop in December. The magnitude of this price drop is likely to spread around the Swedish economy into a general price correction. Actually, at the time of writing we see no signs that prices have started to stabilise yet. The real test probably comes in February as sales turnover drops in December and January due to holidays. What could cause prices to stabilise?

Well, we cannot really see why they should at this instance because: 1) the Riksbank is 'happy' with the current situation, 2) the FSA will introduce the new extra 1 percent amortisation requirement for mortgage borrowers on loans in excess of 450% of gross income on March, 3) expensive condo supply will continue to increase in early 2018 and 4) banks and mortgage institutions are likely to become more cautious and restrictive with lending. Hence, our best guess is that the decline will linger on for yet a while.

Still, we expect the impact on the economic outlook to be contained, slowing economic growth significantly below potential. But this scenario rests on the assumption that spill-over effects on other parts of the economy are moderate and, most importantly, that the labour market continues to improve.

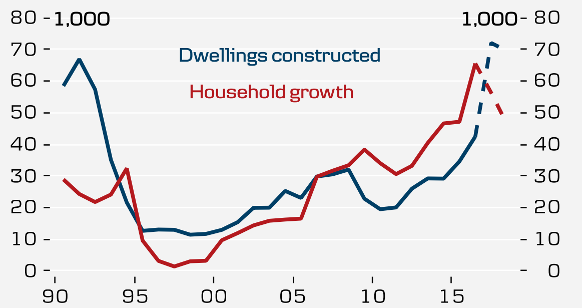
Indeed, Swedish households operate in a strong position. Employment is growing strongly and unemployment declining. Both the employment rate and the activity rate are at the highest levels seen in decades. Most of the employment growth goes to foreign-born labour. Data suggests most of this is either in public jobs or in private services and retail trade. Despite the lacklustre growth in

Residential construction moves with house prices



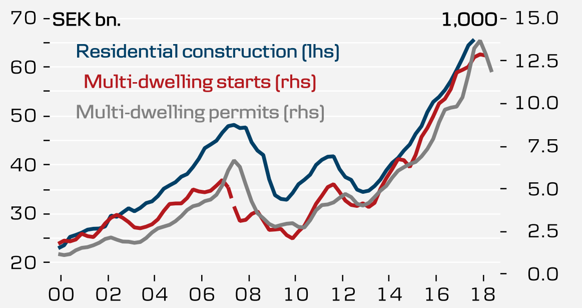
Source: Statistics Sweden, BIS, KTH Valueguard, Macrobond Financial

'Housing gap' closing in 2018?



Source: Statistics Sweden, Boverket, forecasts from both, Macrobond Financial

Permits already declining, soon to hit construction



Source: Statistics Sweden, Macrobond Financial nominal wages, nominal disposable income growth has remained in the 3-4% range.

Moreover, households save a lot: the savings ratio is close to 17% and roughly half of that could be considered flexible. Hence, if necessary, households could at least partially off-set any distractions with savings.

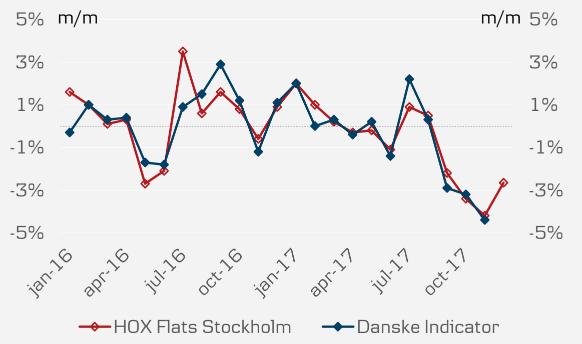
The same is true when looking at the balance sheets. Roughly 1/3 of household net worth is caught up in residential properties, both houses, land and condos, and part of the financial assets is fixed in pensions, both public and private. Nonetheless, households on average appear to have some flexibility in terms of possible adjustments of financial assets.

If the labour market deteriorates, there is a risk of a more pronounced slowdown in GDP growth. A further decline in house/condo prices could also hit wealth and consumer confidence negatively, causing a slowdown in retail sales and consumer spending.

More long term, this poses a risk that the long-standing rise in Swedes' real income and wealth, a 'feel-good' factor, may start to level off in 2018.

The synchronous, global economic backdrop is positive for the export industry. It remains to be seen to what extent stronger exports and/or slowing imports will give a positive contribution to GDP. We do not believe it will be strong enough to counterbalance the negative impact on domestic demand from falling house prices.

Stockholm flats dropped again in December



Source: KTH Valueguard, Danske Bank

At a glance

			Forecast		
National account	2016	2016	2017	2018	2019
	SEK bn (current prices)		% y/y		
Private consumption	1949.8	2.2	2.4	1.6	1.9
Government consumption	1151.7	3.1	0.4	1.3	0.8
Gross fixed investment	1059.5	5.6	7.5	1.1	0.4
Growth contribution from inventories	30.6	0.0	-0.1	0.0	0.2
Domestic demand	4191.7	3.3	3.1	1.3	1.4
Exports	1950.1	3.3	3.4	5.1	4.7
Aggregate demand	6141.8	3.3	3.2	2.5	2.5
Imports	1737.0	3.4	5.1	5.0	3.8
Growth contribution from net exports	213.1	0.1	-0.5	0.3	0.6
GDP	4404.8	3.2	2.4	1.6	2.0
GDP, calendar adjusted	4394.2	3.0	2.7	1.7	2.0

Economic indicators	2016	2017	2018	2019
Trade balance, SEK bn	213.1	192.9	206.3	242.1
- % of GDP	4.8	4.2	4.3	4.9
Current Account, SEK bn	226.7	220.6	229.7	266.7
- % of GDP	5.1	4.8	4.8	5.4
Public sector savings, SEK bn	53.0	48.0	30.0	20.0
- % of GDP	1.1	0.9	0.6	0.4
Public debt ratio, % of GDP*	42.4	39.0	36.0	34.0
Unemployment, % of labour force	6.9	6.7	7.1	7.6
Hourly wages, % y/y	2.4	2.5	2.6	2.7
Consumer prices, % y/y	1.0	1.8	1.6	1.4
House prices, % y/y	9.9	6.4	-10.0	2.0
* Maastricht definition				

Financial figures	04/01/2018	+3 mths	+6 mths	+12 mths
Leading policy rate, % p.a.	-0.50	-0.50	-0.50	-0.50
2-yr swap yield, % p.a.	-0.14	-0.05	-0.05	-0.05
10-yr swap yield, % p.a.	1.21	1.15	1.15	1.25
EUR/SEK	9.82	10.10	9.90	9.80
USD/SEK	8.16	8.71	8.25	7.84

Source: Danske Bank

Norway

Turnaround in the oil sector

- **Growth in the Norwegian economy has been as expected.**
- **Capacity utilisation is continuing to rise, unemployment is set to fall further, and wage growth is picking up.**
- **Core inflation bottomed out in August and will be pushed up by higher import prices.**
- **We expect higher capacity utilisation and stronger wage growth to necessitate a rate hike in December.**
- **The drop in housing prices should not have serious side-effects.**
- **The krone has weakened due to external factors and the uncertainty in the housing market, and we expect it to rebound during the year.**

More self-sustained growth

Economic growth in Norway has held above trend, unemployment is falling, and capacity utilisation is rising. Together with the combination of a weaker krone and higher oil prices, this means that the first interest rate increase will come in December, in our view.

We expect growth to remain above trend for the next couple of years, so this picture should continue. We nevertheless expect significant growth rotation, with government demand and housing investment making less of a contribution, and private consumption and investment contributing more. The headwinds from oil investment also now seem to have reversed, so there should be a positive contribution from oil investment in 2018.

The housing market is the key risk factor, but low interest rates and falling unemployment are propping up purchasing power and reducing the risk of a serious downturn. On the other hand, oil-related industries could perform better than expected and make a greater contribution to growth in the mainland economy.

Growth as expected, capacity utilisation higher

Growth in the Norwegian economy has increased as expected. Mainland GDP climbed 0.6% q/q in Q3, and the annual rate of growth was at its highest since early 2015. The expansion was broad-based, with solid increases in private consumption and housing investment, and a strong rise in business investment in the mainland economy; government investment pulled the other way due to accrual effects from large one-off projects.

The November round of Norges Bank's regional network survey suggests that growth will remain above trend for the next two quarters.

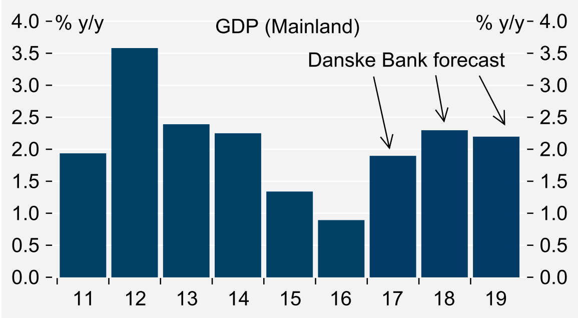
The aggregated output index for the next six months climbed to 1.19 from 1.11 in May, which indicates growth in mainland GDP of 0.6% q/q in Q4 17 and Q1 18. The underlying data were also very strong, although expectations in the construction sector were pulled down by the uncertainty in the housing market.

Current vs previous forecast

Norway	Current forecast			Previous forecast	
% y/y	2017	2018	2018	2017	2018
GDP (mainland)	1.9	2.3	2.2	2.0	2.3
Private consumption	2.4	2.6	2.3	2.5	2.4
Public consumption	1.9	1.7	1.9	1.8	2.1
Gross fixed investment	3.9	2.7	2.5	3.6	2.0
Exports	2.4	2.7	2.2	1.0	1.5
Imports	1.1	1.4	3.0	4.5	0.7
Unemployment (NAV)	2.7	2.4	2.3	2.7	2.5
Inflation	1.9	2.0	2.0	2.0	1.6

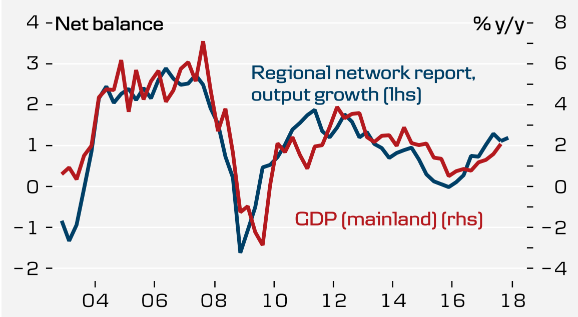
Source: Danske Bank

Stronger growth



Source: Danske Bank, Macrobond Financial

Growth to remain above trend



Source: Danske Bank, Macrobond Financial

Furthermore, the greatest improvement was in oil-related industries, where the overall growth outlook has turned positive for the first time since the oil downturn began. This confirms the signals coming in during the autumn that oil-related industries have now bottomed out.

The capacity index also climbed further in November, hitting its highest level for more than four years. The index is normally a good indicator of developments in the output gap, so this largely confirmed our view that capacity utilisation in Norway was rather higher than Norges Bank had assumed. The central bank duly revised up its estimate of the output gap in the December monetary policy report.

As mentioned above, we expect growth to remain above trend both this and next year, driven by a process of growth rotation where private demand gradually takes over as the main growth engine as the contributions from government demand and housing investment fade. Our expectation of stronger growth in private consumption is due entirely to stronger growth in households' real disposable income. Higher wage growth, lower inflation and stronger job growth will all help growth in real disposable income to accelerate from 1.5% in 2017 to around 2.7% in 2018.

We also expect private investment (excluding housing investment) to strengthen further. Higher capacity utilisation, stronger growth, growing optimism and continued favourable credit conditions will support investment, and it was particularly encouraging to see growth in business lending accelerating from around 2% y/y early in 2017 to almost 5% y/y in October. The regional network survey also showed that firms anticipate much stronger investment growth. In fact, investment expectations have not been higher since September 2011.

We have made only minor tweaks to our forecast this time around and now anticipate growth in mainland GDP of 1.9% in 2017, 2.3 % in 2018 and 2.2 % in 2019. This is above the trend rate and means that capacity utilisation will rise further and unemployment will continue to come down.

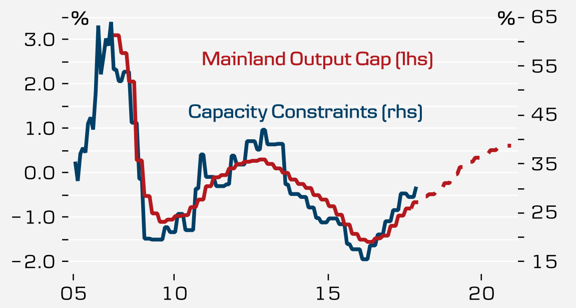
Unemployment to fall further

Unemployment fell during the autumn in line with the predictions in our September forecast. Both the Norwegian Labour and Welfare Administration (NAV) figures for registered unemployment and the jobless data in Statistics Norway's labour force survey paint the same picture.

As we expect economic growth to hold above trend, we also expect a further fall in unemployment. The underlying demographic trend points to a continued decline in labour force participation and so weak growth in the labour supply. On the other hand, we expect a positive cyclical effect to pull in the opposite direction. On balance, we anticipate slightly stronger growth in the labour supply, causing the decline in unemployment to decelerate slightly in late 2017 and through 2018 and 2019.

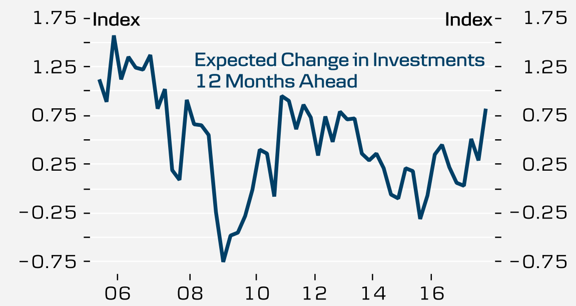
We are particularly excited to see what happens to employment in oil-related industries. Firms there cut back sharply on manpower during the downturn, and we have the impression that many pared things right back to the bone in response to cash constraints and a deeply negative outlook. It may therefore be that employment in these industries will climb both faster and further than we are predicting as activity picks up. This could push unemployment lower than we are assuming, and could spark higher wage growth.

Capacity utilisation rising faster than expected



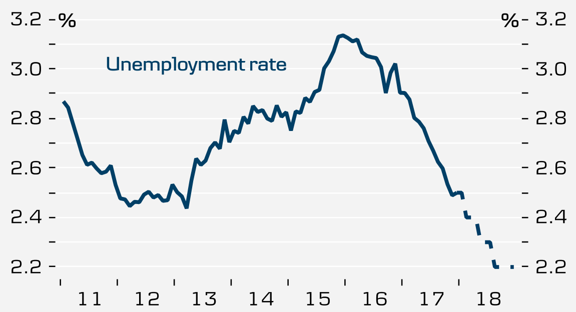
Source: Danske Bank, Macrobond Financial

Investment on the up



Source: Danske Bank, Macrobond Financial

Unemployment to fall further



Source: Danske Bank, Macrobond Financial

Inflation to rise, wage growth already on the up

Inflation is now showing signs of stabilising, although it was lower than expected in November. Base effects have been pulling down the annual rate of core inflation, but this effect is now reversing. Since our September forecast, imported inflation has risen more than expected, while domestic inflation has surprised to the downside. The krone's depreciation during the autumn will also drive import prices up more than we previously assumed during the course of 2018.

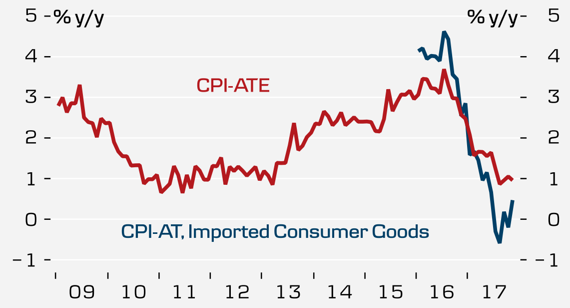
All in all, we therefore expect core inflation to rise gradually and be close to 2% at the end of the year. This does assume that the krone rallies. If, on the other hand, the krone holds around its current levels, core inflation will probably end the year closer to 3%.

As in many other countries, there seems to have been a structural shift in wage formation in recent years. However, dwindling unemployment and a gradual return to normal activity levels probably mean that wage growth will be somewhat higher over the next couple of years than in 2017. We expect the restraint shown in last year's pay talks to be much less in evidence this year.

According to our calculations, aggregate wage growth was 2.4% y/y in Q3 17, up from 1.6% y/y in Q1 16. Aggregate wage growth is, however, being affected by the downturn in the oil sector pulling down wage growth in manufacturing, due to some of those made redundant finding new work in other industries on lower pay. This has the effect of pulling down average wages and so wage growth. Thus the aggregate data are currently underestimating the strength of underlying wage growth.

We have not made any changes to our forecast for wage growth and still expect a rate of 2.5% in 2017, 3.0 % in 2018 and 3.3 % in 2019.

Import prices have begun to climb



Source: Danske Bank, Macrobond Financial

Wage growth low but rising

Source: Danske Bank, Macrobond Financial

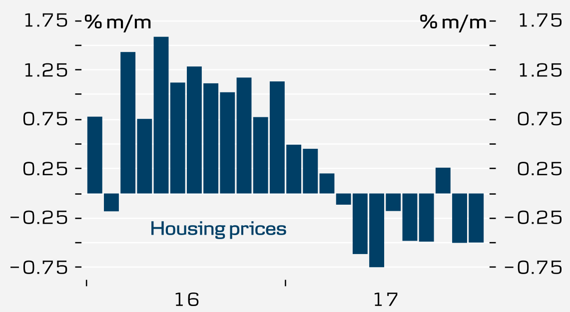
Housing market to stabilise

Housing prices have fallen in seven of the past eight months (including November) and are now almost 3% down on their March peak. Although housing prices have risen rapidly over the past 25 years, this can largely be explained by wage growth and falling interest rates until about Easter 2016. Since then, housing price inflation has been stronger than this 'model' would indicate, driven largely by prices in Oslo. This is probably due to an increase in price expectations pushing actual prices higher than the fundamentals would justify.

The downturn in the housing market is due primarily to a better balance between supply and demand, with strong growth in homebuilding having boosted the supply side, and tighter lending practices in the wake of new mortgage regulations having put a damper on demand. The drop in prices is probably being exacerbated by greater uncertainty impacting negatively on price expectations. Looking ahead, it is natural to assume that prices will eventually return to fundamental levels. In this case, prices in Oslo will need to come down 12-15% from their peak. They have fallen around 10% to date, so there is still some way to go. This is confirmed by a relatively sharp increase in the stock of unsold properties, especially in Oslo, which will keep prices down for a few months yet.

At the same time, there are now some signs of the market beginning to stabilise. First, turnover is largely normal, which suggests that it is mainly a growing supply surplus that is squeezing prices. Second, the number of properties entering the market is falling, which could mean that stocks of unsold properties

Housing prices falling



Source: Danske Bank, Macrobond Financial

will soon stabilise. Third, it actually seems that the decline in prices, especially in Oslo, is slowing month on month. With further low interest rates and unemployment, debt-servicing capacity will continue to be good. The risk of a major correction is therefore limited, but we expect prices nationwide to fall for a few months yet before cautiously trending up after Easter. On an annualised basis, though, we still expect prices to fall 3% this year, but to rise 1.5 % in 2019.

Norges Bank to raise rates faster than previously indicated

Norges Bank revised the interest rate path up slightly at its meeting in December and is now signalling a first hike next December.

The reason why Norges Bank has gradually become more aggressive is, of course, the clear signs of improvement in the Norwegian economy, along with central banks in other countries moving in the same direction. This latter factor is giving Norges Bank more leeway to set interest rates based on domestic conditions without making the krone unnecessarily strong. In addition, the combination of higher oil prices and a weaker krone has altered the outlook for both economic growth and inflation.

On the other hand, the continued weakening of the housing market has increased the risk of a more serious downturn there. In isolation, this would suggest that the central bank should avoid any sudden moves in its rate-setting. As long as inflation remains well below the target level, this means that interest rates will be raised both later and more slowly than would otherwise have been the case. This factor therefore pulled the interest rate path down slightly in December.

We too anticipate a first hike in December. But we also expect the krone to strengthen further during the year than Norges Bank assumes in the December monetary policy report. This actually points to the first hike coming somewhat later. On the other hand, as mentioned above, we expect the housing market to stabilise in the coming months. This is pulling in the other direction and suggests that the first hike can still be delivered in December.

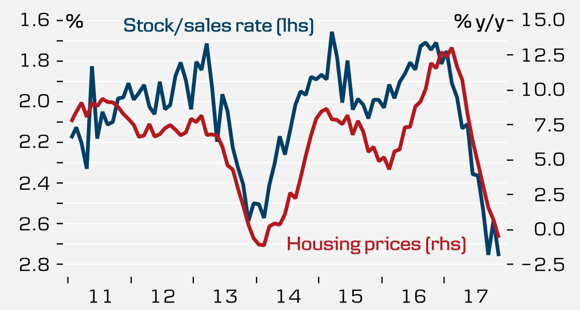
Krone seems undervalued

The biggest surprise since our September forecast is what has happened to the krone. Stronger growth, slightly higher interest rate differentials, higher oil prices and low global risk ought to have resulted in a stronger currency.

There have, however, been a number of factors pulling the other way. Besides the usual liquidity effects that often produce a weaker krone in December, uncertainty about developments in the housing market in Norway and Sweden has caused both countries' currencies to weaken. There has also been general selling pressure on all commodity-based currencies due to the weaker growth outlook in China. On top of this, there was probably an increase in speculative positions in NOK during the summer, making it very sensitive to bad news.

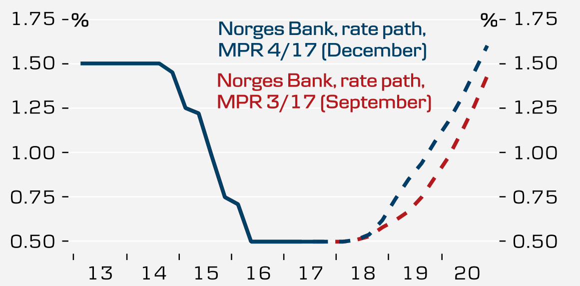
We do not expect Norges Bank to raise its key rate until the end of the year, so the relative interest rate differential against the euro (and other currencies) will not be a key driver for the krone before the summer. However, we believe that most of the factors that pulled down the krone in the latter part of 2017 will reverse, with the possible exception of developments in China. We therefore expect the krone to gain against most currencies in 2018. For example, we can see the EUR/NOK cross pushing down towards 9.10 at the end of the year.

Housing prices still under pressure from supply surplus



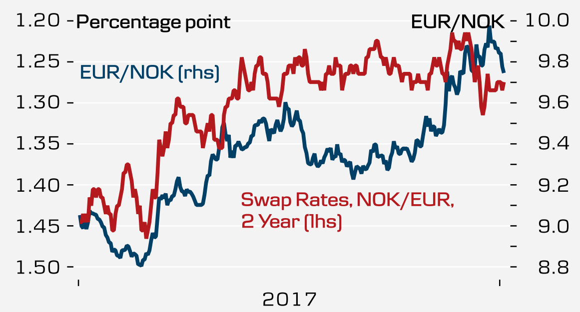
Source: Danske Bank, Macrobond Financial

Rate hike inching closer



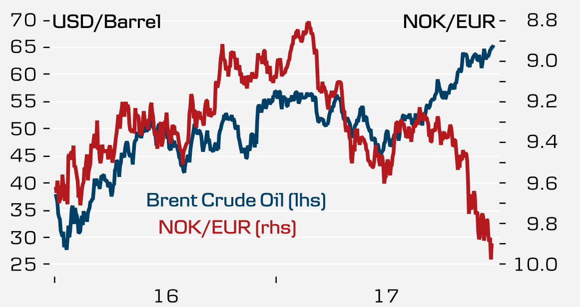
Source: Danske Bank, Macrobond Financial

Relative rates not a driver...



Source: Danske Bank, Macrobond Financial

...and oil prices point to a much stronger krone



Source: Danske Bank, Macrobond Financial

At a glance

			Forecast		
National account	**2016**	**2016**	**2017**	**2018**	**2019**
	NOK bn (current prices)		% y/y		
Private consumption	1418.7	1.5	2.4	2.6	2.3
Public consumption	757.6	2.1	1.9	1.7	1.9
Gross fixed investment	750.5	-0.2	3.9	2.7	2.5
Petroleum activities	164.9	-16.9	-2.5	5.0	6.0
Mainland Norway	587.4	6.1	5.9	2.5	1.2
Dwellings	184.8	9.0	9.7	0.7	-3.5
Enterprises	237.9	4.1	5.2	4.1	3.5
General government	164.6	5.9	2.5	2.1	1.7
Mainland demand	3090.1	2.7	1.9	2.2	2.1
Growth contribution from stockbuilding		1.4	-0.2	-0.1	0.0
Exports	1064.1	-1.8	2.4	2.7	2.2
Crude oil and natural gas	373.4	4.3	5.2	1.8	1.0
Traditional goods	355.7	-8.2	2.2	4.9	3.0
Imports	1037.1	2.3	1.1	1.4	3.0
Traditional goods	593.8	-0.4	3.1	3.0	3.3
GDP	3117.0	1.1	2.3	2.7	2.0
GDP Mainland Norway	2717.3	1.0	1.9	2.3	2.2

Economic indicators	**2016**	**2017**	**2018**	**2019**
Employment, % y/y	0.3	1.1	1.1	1.0
Unemployment (NAV), %	3.0	2.7	2.4	2.3
Annual wages, % y/y	1.7	2.4	3.0	3.3
Consumer prices, % y/y	3.6	1.9	2.0	2.0
House prices, % y/y	8.3	5.5	-3.0	1.5
Core inflation	3.0	1.4	1.8	2.2

Financial figures	**04/01/2018**	**+3 mths**	**+6 mths**	**+12 mths**
Leading policy rate, % p.a.	0.50	0.50	0.50	0.75
2-yr swap yield, % p.a.	1.13	1.10	1.15	1.35
10-yr swap yield, % p.a.	1.93	2.00	2.10	2.45
EUR/NOK	9.75	9.40	9.20	9.10
USD/NOK	8.10	8.10	8.20	7.76

Source: Danske Bank

Finland

Full steam ahead

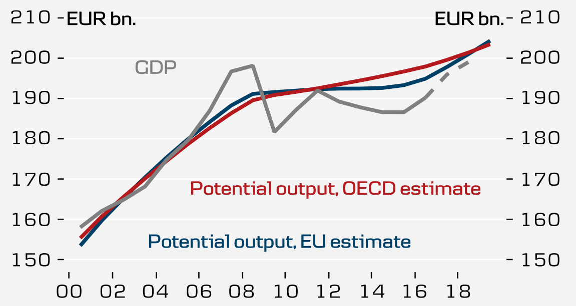
- **The Finnish economy continued on a strong growth track in Q3 17. GDP rose 3.0% y/y. Leading indicators also show considerable signs of optimism for the coming months. We expect Finnish GDP to grow 3.1% in 2017. We believe the growth will slow down to 2.3% in 2018 and 1.9% in 2019 but remain above the potential growth rate for the entire forecast horizon.**
- **Finnish GDP is still below the previous peak and the economy is heading towards potential output, which is limited by the ageing population and already high capacity utilisation rate. Improving growth potential depends partly on structural policies and the labour participation rate, which is well below other Nordic countries.**
- **Private consumption was expected to slow down in 2017 due to low wage increases, but low inflation, better employment, low interest rates and an income tax cut have kept consumers going. Consumer confidence is at a record high level.**
- **Exports of goods and services rose 5.8% in Q3 17. The outlook is good thanks to growth in export markets, improved price competitiveness, several large ship orders and new production facilities in forest and automotive industries. Growing demand, higher confidence and low interest rates have boosted manufacturing investment.**
- **The housing market is divided geographically and by the type of housing. The demographic shift towards smaller families and migration to growth centres has increased demand for small apartments. Strong demand has raised prices and fuelled a construction boom in Helsinki and a few other towns, while prices have fallen in some parts of the country. Construction stays at a high level in 2018, but is not growing much.**
- **Higher GDP growth improves public finances but the government budget for 2018 still has a deficit of EUR3bn. The debt to GDP ratio will continue to fall for a while, in our view. In the future, structural reforms are needed to boost potential growth and improve labour participation in order to deal with the rise in age-related expenditure caused by the ageing population and declining dependency rate.**

Current vs previous forecast

Finland					
	Current forecast			Previous forecast	
% y/y	2017	2018		2017	2018
GDP	3.1	2.3	1.9	2.8	1.8
Private consumption	1.8	2.0	1.5	2.0	1.5
Public consumption	0.3	0.4	0.2	-0.2	0.2
Gross fixed investment	8.9	4.5	3.5	8.5	3.0
Exports	8.1	4.0	4.0	8.0	4.0
Imports	3.5	4.5	3.5	5.0	3.0
Unemployment rate	8.5	8.0	7.7	8.5	8.0
Inflation	0.8	1.2	1.4	0.7	1.1
Government balance, % of GDP	-1.6	-1.0	-0.8	-2.1	-1.1
Current account, % of GDP	0.0	-0.2	0.2	-0.4	-0.4

Source: Danske Bank

GDP reaching towards potential



Source: Macrobond Financial data, Statistics Finland

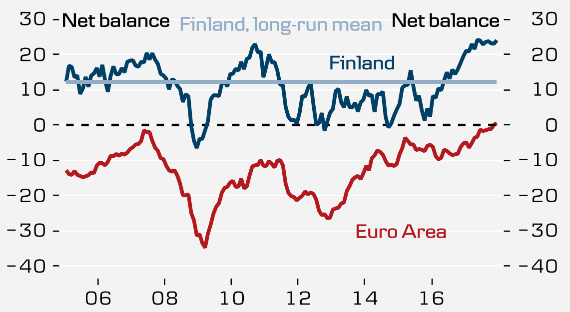
A great year for the Finnish economy

According to the latest quarterly national account figures, the working-day-adjusted GDP increased by 3.0% in Q3 17. The economy has been growing at roughly the same pace throughout the year. The growth rate has not been this high in Finland since the initial short-lived recovery that took place right after the financial crisis. This fast boom is likely to slow down quickly, but the general outlook for the next couple of years is very good.

Consumer confidence has been increasing steadily for over two years and broke a previous record in May. Confidence has stayed at a record high level ever since with no signs of weakening according to the most recent survey in December. Also business confidence indicators have improved for several months. Business confidence is currently well above the long-term average level in all major industries. Leading indicators provide ample evidence to indicate that robust growth is likely to continue in the coming months.

All main components of GDP have simultaneously supported the economy in 2017. The basic foundation for growth has been steadily expanding private consumption. However, the main drivers needed for exceptionally fast growth are private investment and exports. After many disappointing years in foreign trade, exports have had a great ride in 2017. Export industries have benefited from growth in the euro area, improved domestic price competitiveness, several large ship deliveries and new production facilities in forest and automotive industries. At the same time, growing demand and low interest rates have boosted manufacturing investment.

Consumer confidence is very high



Source: Macrobond Financial data, Statistics Finland

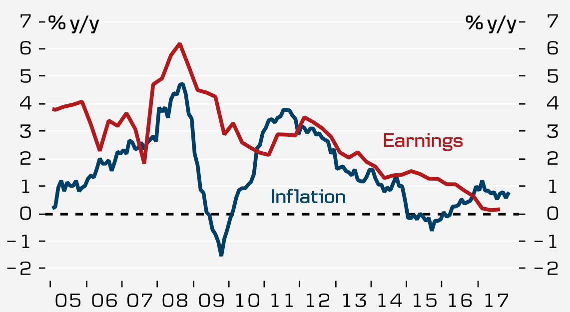
2018 looks promising for Finnish households. Productivity growth is going to be slightly less impressive, but the rewards from the on-going recovery are starting to benefit consumers more. The unemployment rate will decrease and the currently stagnant wages will start to rise again after a couple of lacklustre years.

In 2018, Finnish GDP is finally likely to exceed the previous peak level seen in 2008 before the recession. The current growth rate is well above the long run potential and the economy is now closing the output gap quickly. Maintaining growth will become increasingly difficult in the future due to demographics. Improving growth potential depends partly on structural policies and the labour participation rate, which is well below other Nordic countries. We expect GDP growth to reach 3.1% in 2017 and slow down to 2.3% in 2018 and 1.9% in 2019.

Consumer keeps going strong

Morale among Finnish consumers has been climbing for two years. Consumer confidence indicators reached record high levels in May and remained strong throughout late 2017. Private consumption grew 1.8% in 2016. In January-September 2017, growth was also 1.8% y/y and we expect the same rate for the whole year. In 2018 the growth in private consumption could rise to 2.0%. Most of the growth came from services, but also durable goods made a significant contribution. Service and retail trade confidence indicators are above normal.

Weak real earnings growth in 2017



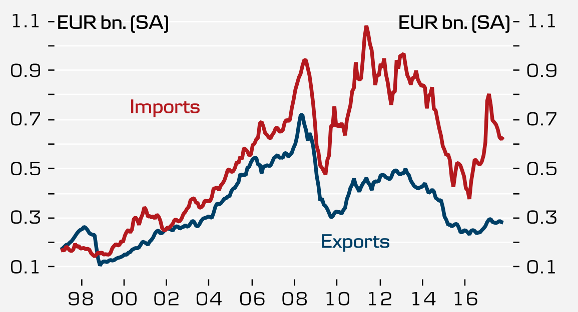
Source: Macrobond Financial

Private consumption was surprisingly robust in Finland during the recession. Low inflation and cuts in income taxes have supported purchasing power and counterbalanced lacklustre earnings growth. However, an increasing share of consumption was financed using debt. In 2016, the net savings rate turned negative and it decreased further in 2017, reaching -1.3% in Q3. The use of debt reflects a rational response from consumers who take advantage of low interest rates to smooth consumption during a period of poor earnings growth. The household debt compared to disposable income is not yet exceptionally high in international comparison and, thanks to low interest rates, the interest-rate burden paid by households is still very low. We do not expect the savings rate to fall much further. At the moment, risks in the household sector finances are moderate, but an exposure to rising rates may become a more significant factor later on given that most Finnish housing loans are linked to variable Euribor rates. The Fin-FSA has been worried about the debt growth rate and has been able to cap housing loans at maximum of 90% of the current value of the collateral posted at the time of loan approval. As for consumer lending, Fin-FSA has very few tools. A positive credit register is one tool under consideration. Going forward, better employment and higher wages together with still modest inflation should boost purchasing power and consumption.

So far so good, but new industrial orders are needed

Exports of goods and services rose by 5.8% in Q3 17. The situations still looks good, but the rate of exports growth is cooling down fairly quickly from 12.1% in Q1 and 8.8% in Q2. The high figures in the early part of the year are partly explained by some individual items like a large ship delivery (Mein Schiff 6) in Q1 that helped to boost the numbers. It was always clear that the growth rate must return to more typical territory. It is more worrisome that the growth in industrial new orders has pretty much stopped in recent months. There is no immediate crisis given that order books look good at the moment. Also business surveys show considerable signs of optimism and the outlook for the near future is promising. However, in the future, more new orders will be needed to secure continued growth for export industries.

Exports to Russia stabilising



Source: Macrobond Financial

According to customs reports from October, the value of goods exports has risen by 16% ytd. Growth has been exceptionally rapid to the euro area (21%). However, the growth profile is diverse and goods exports have risen in all main industries and areas. The outlook continues to be good thanks to growth in export markets, improving price competitiveness, several large ship orders for the coming years and new production facilities in forest and automotive industries. A steady improver has been the automotive plant in Uusikaupunki, where a new production line for Mercedes-Benz GLC-Class SUVs started in January 2017. Growth in services exports has also been impressive, amounting to 8.6% in Q1-Q3 17. One of the bright spots in service exports has been a tourism industry that has benefited from larger inflows of foreign visitors, especially from Asia and Russia.

Export price competitiveness has been a core issue in the government's plan to boost growth. Because Finland cannot devalue its currency, the government has pursued a policy of 'internal devaluation' that culminated in the so-called competitiveness pact that was formed together with the labour organizations in June 2016. The pact froze wages for a year, made employees liable for a larger share of social security payments, increased annual working time by 24 hours, and cut public sector holiday bonuses. The pact has helped Finland improve its competitiveness and cut unit labour costs relative to other EU countries.

Improved price competitiveness has contributed positively to the export performance, but the most significant factor is clearly stronger global demand. The outlook for the main Finnish export markets has remained good (Germany, Sweden, the US) and Russia is expected to continue recovery in 2018. Good growth will continue but the growth rate will settle to a more typical level. There will also be fewer large ship deliveries in 2018 than 2017. Thanks to good level of order books in main industries and the new Äänekoski bio-product mill, we expect exports to continue on a growth track. We expect exports to rise by 8.1% in 2017 and continue to grow by 4% in both 2018 and 2019.

Private investment continues to impress

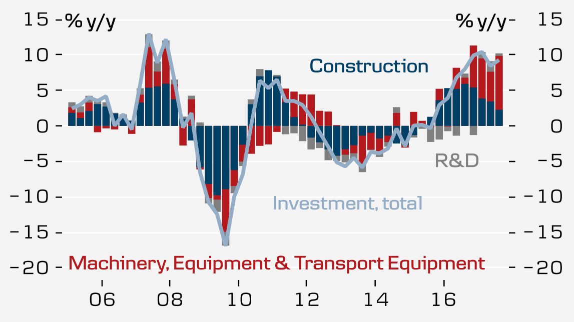
After several weak years, investments started to grow in 2016. Initially, the growth was driven mainly by a surge in housing construction but later on it spread to industrial investment in machinery and equipment, as well as transportation equipment. Investment growth has further accelerated in 2017. Growing exports demand, strong domestic demand, high business confidence and low interest rates have boosted investment to the fastest growth since the pre-financial crisis levels. Gross fixed capital formation grew by 9.5% in Q1-Q3 17.

The structure of investment demand has changed, with construction playing a smaller role and more emphasis being on industrial investment. The growth in investment is driven solely by the private sector, as public investment decreased by 1.5% in Q1-Q3 17. Also R&D expenditure has finally started to increase after many years of decline. The level of R&D expenditure is still low compared to the glory days of the Finnish cell phone industry but it has improved now for three consecutive quarters. This is good news for the future development of potential output.

Housing investment grew fast in 2016 and is expected to remain high in 2017–18. There are already some signs of the housing boom slowing down but the process will be gradual. Housing permits and new starts continue to indicate robust apartment construction in growth centres, especially the Helsinki region. Compared to previous years, the number of completed apartments is also rising, which helps to cool down the market. Residential building construction rose by 5.2% y/y in Q1-Q3 and investments in non-residential buildings by 6.6%. Investment in non-residential buildings is driven partly by demand from the industrial sector for new production capacity.

Given fast GDP growth, improving cost competitiveness and the low level of investment in recent years, we expect industrial capex to maintain growth at a reasonably good level in 2018–19. However, the unusually fast investment growth will slow down. We expect investments as a whole to increase by 8.9% in 2017. We expect growth to be 4.5% in 2018 and 3.5% in 2019, when construction is past its peak levels.

Investment activity

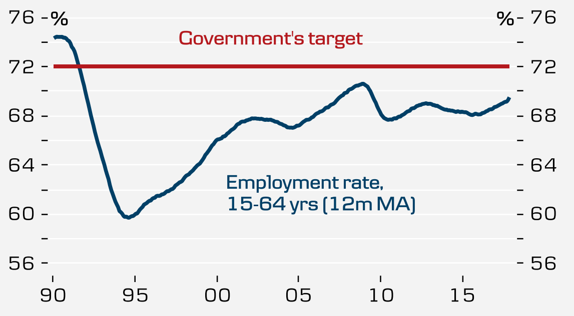


Source: Macrobond Financial, Statistics Finland

Employment improving at a slow pace, wages up

Despite strong economic growth, unemployment has decreased more slowly than one might have expected. In November 2017, the official trend estimate from Statistics Finland for unemployment fell more clearly, reaching 8.2%. The slow decrease in the unemployment rate seems to indicate that much of the current unemployment is structural. Employment is improving slightly better as more people previously outside the labour force are returning to seek jobs. The trend estimate for the employment rate was 70.4% (up by 1.6 pp y/y). Without significant additional policy measures, the government's target of 72% will prove difficult to reach during this government's term, which ends in 2019. Furthermore, in the long run, an even higher employment rate, similar to other Nordic countries, will probably be needed to achieve long-term budget sustainability as the population ages.

Employment rate still below target



Source: Macrobond Financial, Statistics Finland

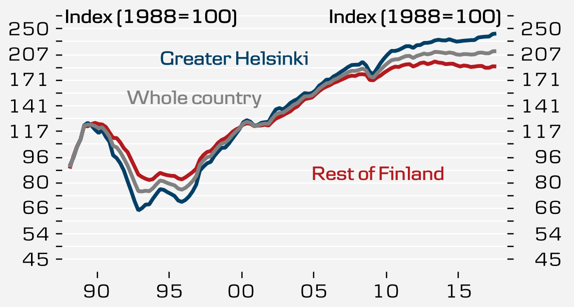
The number of open vacancies has increased significantly and the economy continues to grow. We expect that the annual unemployment rate to fall to 8.0% in 2018 from 8.5% in 2017. The forecast is based on the assumption that after some lag the strong economic recovery will have a larger impact on the labour market in 2018. The current unemployment rate is still above the NAIRU level. Growth in open vacancies supports this interpretation but there is clearly some risk of weaker employment recovery.

Wage growth dropped to a historically low level in 2017 in the aftermath of the competitiveness pact that the labour market organisations signed in 2016. Earnings growth is close to zero in 2017 and labour costs fell more than anywhere else in the EU. Progress to higher employment would benefit from modest wage increases also going forward. However, faster economic growth has induced strong labour unions to demand more. Some key exports industries, forest and metals, have agreed to a roughly 1.6% annual wage rise in 2018-19. Other industries are not expected to exceed this, on average. Together with wage drift we expect earnings to rise roughly 2% per year, which is slightly less than seen in Sweden or Germany, for example. Going forward we expect the Finnish labour market to develop towards more local agreement.

Urbanisation divides housing market

Smaller family sizes, better employment opportunities and growing interest in an urban lifestyle are driving people into cities. Consequently, the Finnish housing market has become segregated geographically, as well as by the type of housing in question. Growth in housing demand has raised prices and caused a construction boom in Helsinki and a few other towns, while the real estate market in the rest of the country has remained more of less flat or is even declining. Migration to growth centres has created especially strong demand for compact, reasonably priced apartments. Renting has become more popular among younger generations and the buy-to-let market has grown. Both real estate funds and private investors have been flocking into residential property, which has helped to boost housing construction.

Diverging housing prices



Source: Macrobond Financial, Statistics Finland

On average, house prices have been nearly flat in Finland for approximately five years. However, the average price development does not capture the situation in full, as it is calculated from decreasing prices in some regions and rising prices in others, like Helsinki and its surrounding municipalities. In Helsinki, new apartments in particular have been in strong demand, and construction has followed demand. Prices of new apartments rose by a whopping 9.2% H1 17, but the speed decelerated to 2.9% in Q3. Prices of old dwellings grew on average by 1.0% y/y in Q3. All of the growth came from the Helsinki region where the price increase was 2.6%, while prices decreased 0.4% elsewhere.

The boom in housing construction has been going on for a while and it is starting gradually to decrease price and rent pressure for city apartments. Low interest rates and high consumer confidence support the housing market, and we still expect prices to grow at a stable rate, but there seems to be less risk of overheating in the future. On average, housing prices are expected to increase by 1.5% both in 2018 and 2019. Even slightly more peripheral areas may benefit from the current economic upswing.

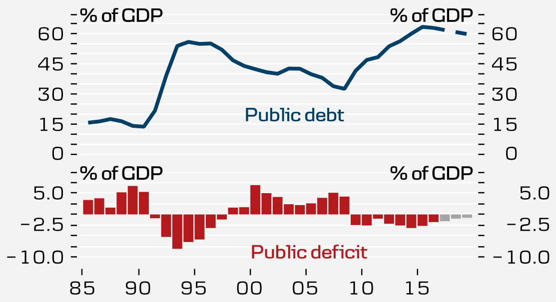
Debt level to fall to 60% of GDP in 2019

In Finland, every budget for the central government has had a significant deficit since the financial crisis. As a consequence, public debt has quite grown fast. The debt to GDP ratio has broken the earlier record of the mid 1990s and now exceeds the reference value of 60%.

On a more positive note, the short-term fiscal situation has improved significantly this year. The central government budget for 2018 still has a deficit of EUR3bn, but the deficit is considerable smaller than EUR5-6bn seen in 2016–17. The reduction is partly explained by a more austere stance on fiscal policy taken by the current government. A more important factor is the current economic growth which has boosted tax income and reduced unemployment-related expenditure. Thanks to rising GDP, the public debt to GDP ratio fell from 63.6% in 2015 to 63.1% in 2016. The reduction in debt levels has accelerated in 2017 and the debt level is expected to be 62.0% by the end of the year. Faster GDP growth continues to improve public finances during the current forecast horizon and we expect that the debt to GDP ratio will fall to 61.0% in 2018 and 60.0% in 2019.

Structural reforms are still needed to boost potential growth and improve labour participation in order to deal with the rise in age-related expenditure caused by an ageing population and declining dependency rate. Otherwise, the debt ratio is likely to rise again in the 2020s. The rating outlook is getting brighter, but rating agencies are likely to need further evidence of sustained improvement before raising AA+/Aa1 sovereign credit ratings.

Debt to GDP levelling down



Source Macrobond Financial, Statistics Finland

At a glance

			Forecast		
National account	**2016**	**2016**	**2017**	**2018**	**2019**
	EUR bn (current prices)		% y/y		
GDP	215.6	1.9	3.1	2.3	1.9
Imports	78.6	4.2	3.5	4.5	3.5
Exports	76.0	1.0	8.1	4.0	4.0
Consumption	170.8	1.6	1.4	1.5	1.1
- Private	119.1	1.8	1.8	2.0	1.5
- Public	51.7	1.2	0.3	0.4	0.2
Investments	46.4	7.2	8.9	4.5	3.5

Economic indicators	2016	2017	2018	2019
Unemployment rate, %	8.8	8.5	8.0	7.7
Earnings, % y/y	0.9	0.2	1.8	2.0
Inflation, % y/y	0.4	0.8	1.2	1.4
Housing prices, % y/y	1.0	1.1	1.5	1.5
Current account, EUR bn	-3.0	0.0	-0.5	0.5
- % of GDP	-1.4	0.0	-0.2	0.2
Public deficit, % of GDP	-1.8	-1.6	-1.0	-0.8
Public debt/GDP, % of GDP	63.1	62.0	61.0	60.0

Financial figures	04/01/2018	+3 mths	+6 mths	+12 mths
Leading policy rate, % p.a.	-0.40	-0.40	-0.40	-0.40
2-yr swap yield, % p.a.	-0.15	-0.10	-0.05	-0.05
10-yr swap yield, % p.a.	0.91	0.90	1.00	1.20
EUR/USD	1.20	1.16	1.20	1.25

Source: Danske Bank

Global overview

Economy still on a roll

- **2017 was the best year for the global economy since 2011, with growth of 3.6% and all regions of the world contributing.**
- **We expect the expansion to continue this year, although a slowdown in China would put a small dent in the global business cycle.**
- **Continued strong consumer spending and a robust investment recovery in advanced economies are the main pillars of the global expansion.**
- **We look for inflation to stay fairly muted and central banks to withdraw stimulus only very gradually.**
- **Risks to our global forecasts are fairly balanced, though the uncertainty posed by the Italian election and NAFTA agreements could weigh negatively on the growth outlook.**

Can the global economy keep up the pace? Yes...

The global economy had a very strong year in 2017, as global GDP grew at the fastest pace since 2011 and all regions of the world contributed. Corporate profit growth was robust and businesses and consumers are the most upbeat in many years. The strengthening global activity, notably investments, has raised global trade, which is now growing at the strongest pace since the financial crisis.

The question arising is increasingly: how long can this go on? We are optimistic that the global expansion has more legs in coming years. First, although the recovery is getting older, we also started from a place of very high unemployment and plenty of slack in most economies and the subsequent recovery has had many bumps in the road and structural headwinds leading to more muted growth rates than in a normal recovery. We do not see that any big imbalances have built up in either the US or Europe. There are no overinvestment or housing bubbles that need to be corrected (Sweden may be the exception). On the contrary, if anything, investments still have pent-up demand in some areas after a long period of weak capex spending. The main global imbalance is in our view to be found in China, where investment growth is still too high and needs to adjust lower still. We do expect Chinese investments to slow down, but China has tools to manage the slowdown to avoid it becoming a hard landing.

Second, inflation pressures still appear to be muted, leaving scope for just a gradual withdrawal of monetary accommodation. Central banks do not have to step on the brakes due to inflation running away. We are of the view that wage inflation will continue to be quite moderate despite the decline in unemployment seen in most countries as inflation expectations have come down. The Fed will probably continue raising rates in 2018 but we look for only two-three hikes, which historically is a very gradual pace (in 2004-06, the Fed hiked eight times per year and called it a 'measured pace').

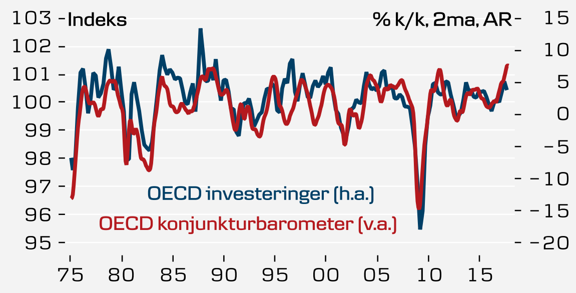
Finally, there are no obvious big risk factors looming to derail the global economy (more on this below).

Global expansion is set to continue in coming years

	2017		2018		2019	
% y/y	Danske Bank	Consensus	Danske Bank	Consensus	Danske Bank	Consensus
Global	3.6	3.5	3.6	3.6	3.5	3.4
Developed markets	2.2	2.1	2.0	2.0	1.8	1.7
USA	2.2	2.2	2.4	2.4	2.1	2.1
Euro area	2.4	2.2	2.0	1.9	1.8	1.6
Japan	1.6	1.5	1.3	1.3	0.8	0.9
UK	1.5	1.5	1.3	1.4	1.2	1.6

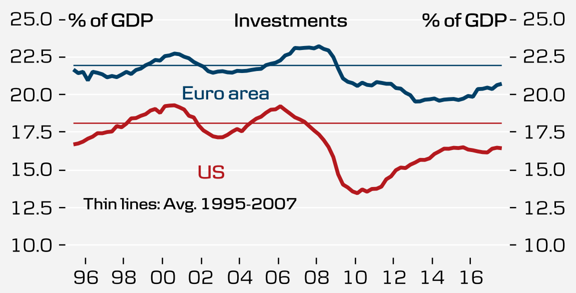
Source: Bloomberg, Danske Bank

Record-high business confidence is driving a capex recovery in advanced economies



Source: OECD, Danske Bank, Macrobond Financial

No overinvestment yet – on the contrary there is still pent up demand in capex



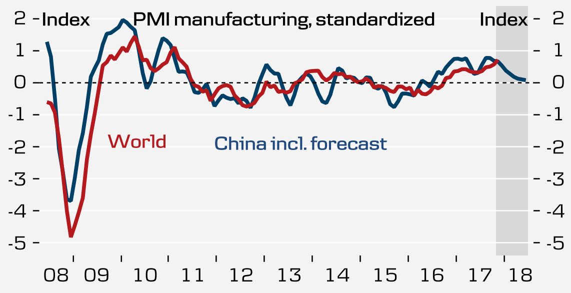
Source: Eurostat, BEA, Macrobond Financial

...but the acceleration phase is over...

Hence, overall we look for global growth to continue at a decent pace in 2018, holding up at 3.6% (similar to 2017 and in line with consensus), with investments in the US and the euro area growing at a decent rate and consumers seeing further support from robust real wage growth, gains in employment and rising housing wealth. We are particularly optimistic on the growth outlook in the euro area, where economic growth momentum has taken hold, although the stronger euro may weigh on net exports compared with 2017.

While we look for the global expansion to continue, we believe the acceleration we saw in 2017 is behind us. Policy tightening in China is increasingly feeding through to a cooling of the housing market, which we expect to send Chinese growth lower to 6.3% in 2018 from 6.8% in 2017. A moderation in Chinese growth would weigh on commodity markets as China consumes around 50% of global metals. This would cause some headwind for commodity exporters. In our view, the tailwind from monetary policy in the US and Europe will also ease a bit in 2018. Hence, as we move through 2018, we expect global growth and PMI indices in most countries to come down gradually.

China set to weigh on the global economy

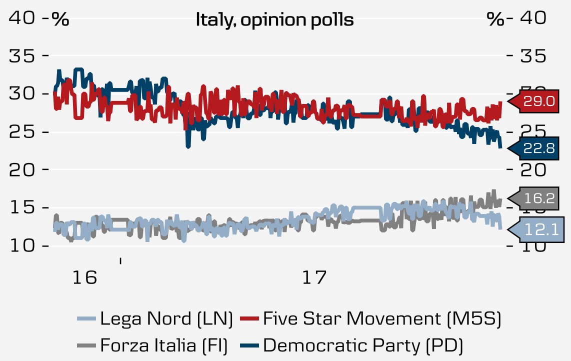


Source: IHS Markit, Danske Bank, Macrobond Financial

...and political risks are looming, notably in Italy

The risks to our growth forecast are seen as broadly balanced. Downside risks to our favourable euro area outlook stem primarily from the Italian elections on 4 March. Italy remains the most fragile among the big eurozone countries due to a combination of banking sector weaknesses, a high public debt burden combined with a weak growth outlook and political risks. A government led by the euro-sceptic Five Star Movement could quickly derail the current market complacency and bring concerns about Italian debt sustainability and a possible euro exit back to the forefront of investors' minds. Furthermore, more mainstream parties are becoming more EU sceptical.

High uncertainty about future Italian government composition, as no clear majority in sight



Source: Macrobond Financial

On the other side of the Atlantic, the risk of a breakdown in NAFTA negotiations could affect US growth negatively. Our base case is that Trump will not pull out of the free trade arrangement (very unpopular among businesses) and instead will get some concessions on, e.g. rules of origin, but Trump risks becoming a 'lame duck' president if the Democratic Party wins either the House or the Senate. In such an event, he would be more likely to press harder on foreign and trade policy issues, where he can act without Congressional support. On the other hand, US tax reform could lift US economic growth by more than we expect.

Another risk is a faster rise in inflation than we project in our baseline. Along with the financial markets, we expect major central banks to exit their accommodative monetary policies only gradually given the fairly subdued inflation outlook. Should inflation surprise on the upside, this could lead to a fairly aggressive repricing of monetary policies in advanced economies, leading to higher interest rates especially in the short end of the curve. Higher interest rates and a possible fall in asset prices would have a negative bearing on investment and private consumption, leading to slower economic growth.

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	04-Jan	1.50	1.70	2.13	2.46	120.3	-	619.0
	+3m	1.50	1.58	2.15	2.35	116.0	-	641.6
	+6m	1.75	1.75	2.25	2.40	120.0	-	620.2
	+12m	1.75	2.04	2.55	2.70	125.0	-	595.6
EUR	04-Jan	0.00	-0.33	-0.15	0.91	-	120.3	744.5
	+3m	0.00	-0.33	-0.10	0.90	-	116.0	744.3
	+6m	0.00	-0.33	-0.05	1.00	-	120.0	744.3
	+12m	0.00	-0.33	-0.05	1.20	-	125.0	744.5
JPY	04-Jan	-0.10	-0.02	0.05	0.27	135.5	112.6	5.49
	+3m	-0.10	-	-	-	131.1	113.0	5.68
	+6m	-0.10	-	-	-	136.8	114.0	5.44
	+12m	-0.10	-	-	-	142.5	114.0	5.22
GBP	04-Jan	0.50	0.52	0.79	1.31	88.9	135.3	837.2
	+3m	0.50	0.53	0.85	1.35	88.0	131.8	845.7
	+6m	0.50	0.53	0.90	1.50	87.0	137.9	855.5
	+12m	0.50	0.64	1.10	1.75	86.0	145.3	865.7
CHF	04-Jan	-0.75	-0.74	-0.49	0.27	117.5	97.7	633.7
	+3m	-0.75	-	-	-	116.0	100.0	641.6
	+6m	-0.75	-	-	-	120.0	100.0	620.2
	+12m	-0.75	-	-	-	123.0	98.4	605.3
DKK	04-Jan	0.05	-0.31	-0.03	1.06	744.5	619.0	-
	+3m	0.05	-0.30	0.05	1.10	744.3	641.6	-
	+6m	0.05	-0.30	0.10	1.20	744.3	620.2	-
	+12m	0.05	-0.30	0.15	1.45	744.5	595.6	-
SEK	04-Jan	-0.50	-0.45	-0.14	1.21	981.8	816.2	75.8
	+3m	-0.50	-0.50	-0.05	1.15	1010.0	870.7	73.7
	+6m	-0.50	-0.45	-0.05	1.15	990.0	825.0	75.2
	+12m	-0.50	-0.45	-0.05	1.25	980.0	784.0	76.0
NOK	04-Jan	0.50	0.80	1.13	1.93	974.6	810.3	76.4
	+3m	0.50	0.80	1.10	2.00	940.0	810.3	79.2
	+6m	0.50	0.80	1.15	2.10	920.0	766.7	80.9
	+12m	0.75	1.10	1.35	2.45	910.0	728.0	81.8

Commodities

		2017				2018				Average	
	04-Jan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	58	52	48	48	55	58	58	58	58	51	58
ICE Brent	68	55	51	52	62	62	62	64	64	54	63

Source: Bloomberg, Danske Bank

Economic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2017	2.0	1.7	0.8	1.9	-0.2	3.6	2.8	1.2	4.3	0.0	36.0	8.0
	2018	2.0	2.0	0.7	5.5	-0.2	2.7	3.4	1.2	4.1	-0.3	35.1	7.7
	2019	1.9	2.5	0.5	4.3	0.0	2.6	3.6	1.4	4.0	-0.1	33.9	7.3
Sweden	2017	2.7	2.4	0.4	7.5	-0.1	3.4	5.1	1.8	6.7	0.9	39.0	4.8
	2018	1.7	1.6	1.3	1.1	0.0	5.1	5.0	1.6	7.1	0.6	36.0	4.8
	2019	2.0	1.9	0.8	0.4	0.2	4.7	3.8	1.4	7.6	0.4	34.0	5.4
Norway	2017	1.9	2.4	1.9	3.9	-0.2	2.4	1.1	1.9	2.7	-	-	-
	2018	2.3	2.6	1.7	2.7	-0.1	2.7	1.4	2.0	2.4	-	-	-
	2019	2.2	2.3	1.9	2.5	0.0	2.2	3.0	2.0	2.3	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2017	2.4	1.8	**1.1**	**4.1**	-	4.8	4.7	1.5	9.1	-1.1	88.1	3.0
	2018	2.0	1.9	**1.3**	**4.9**	-	3.7	4.9	1.3	8.4	-0.9	87.2	3.0
	2019	1.8	1.9	**1.3**	**4.2**	-	3.4	4.4	1.4	8.0	-0.8	85.2	3.0
Germany	2017	2.6	2.4	1.2	4.4	-	4.8	5.2	1.7	3.8	0.9	64.8	7.8
	2018	2.4	2.4	2.0	4.2	-	3.6	5.2	1.4	3.5	1.0	61.2	7.5
	2019	2.1	2.3	2.2	4.5	-	3.1	4.8	0.0	3.3	1.1	57.9	7.2
France	2017	1.9	1.3	1.6	3.6	-	3.1	4.8	1.2	9.5	-2.9	96.9	-1.0
	2018	2.2	2.3	1.5	4.5	-	3.6	4.8	1.2	9.3	-2.9	96.9	-0.9
	2019	1.7	2.4	1.2	4.4	-	3.1	4.1	0.0	8.9	-3.0	96.9	-0.8
Italy	2017	1.5	1.5	0.9	3.2	-	5.1	5.5	1.3	11.3	-2.1	132.1	2.5
	2018	1.4	1.2	0.7	4.4	-	3.4	4.0	0.9	10.9	-1.8	130.8	2.5
	2019	0.6	1.0	0.6	3.1	-	3.2	3.5	0.0	10.5	-2.0	130.0	2.3
Spain	2017	3.1	2.5	1.2	4.8	-	5.0	3.9	2.0	17.3	-3.1	98.4	1.7
	2018	2.7	2.9	1.2	3.7	-	3.0	3.3	1.2	15.7	-2.4	96.9	1.9
	2019	2.3	2.2	1.3	3.3	-	3.9	4.2	0.0	14.4	-1.7	95.5	1.9
Finland	2017	3.1	1.8	0.3	8.9	-	8.1	3.5	0.8	8.5	-1.6	62.0	0.0
	2018	2.3	2.0	0.4	4.5	-	4.0	4.5	1.2	8.0	-1.0	61.0	-0.2
	2019	1.9	1.5	0.2	3.5	-	4.0	3.5	1.4	7.7	-0.8	60.0	0.2

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2017	2.2	2.7	-0.2	3.8	-0.1	3.2	3.3	2.2	4.4	-3.6	106.0	-2.4
	2018	2.4	2.2	0.0	5.1	0.0	3.6	2.6	2.5	4.0	-3.5	107.0	-3.0
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-4.0	109.0	-3.1
China	2017	6.8	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.0	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.5	1.8	0.6	2.4	-0.4	4.5	3.0	2.6	4.4	-2.4	87.0	-4.6
	2018	1.3	1.3	0.5	1.9	0.1	2.4	2.2	2.2	4.1	-2.0	87.3	-4.7
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.8	4.1	-1.8	87.4	-4.6

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

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