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Economic Outlook

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Global and Nordic Outlook

Central Outlook Scenario

- Over the coming 6-18 months the global economy is likely to pick up speed slightly, led by the US, while China is likely to slow modestly
- House prices in Sweden and Norway are overvalued but likely continued low interest rates in both countries should reduce the risk of a sharp decline in prices near term.
- Uncertainty over anti-trade policies in the US and European politics where upcoming elections and Brexit negotiations could have a significant impact on the future of EU reforms.

Worst Case
20%

Global GDP growth slows sharply, employment descreases and investments stall.

Base Case
50%

The global economy in synchronised recovery led by the US. Growth converges in the Nordics as SE slows while NO, DK and FI gain speed.

Best Case
30%

Global growth accelerates sharply as global investments rebound supported by very expansive fiscal stimulus, and inflation rises broadly

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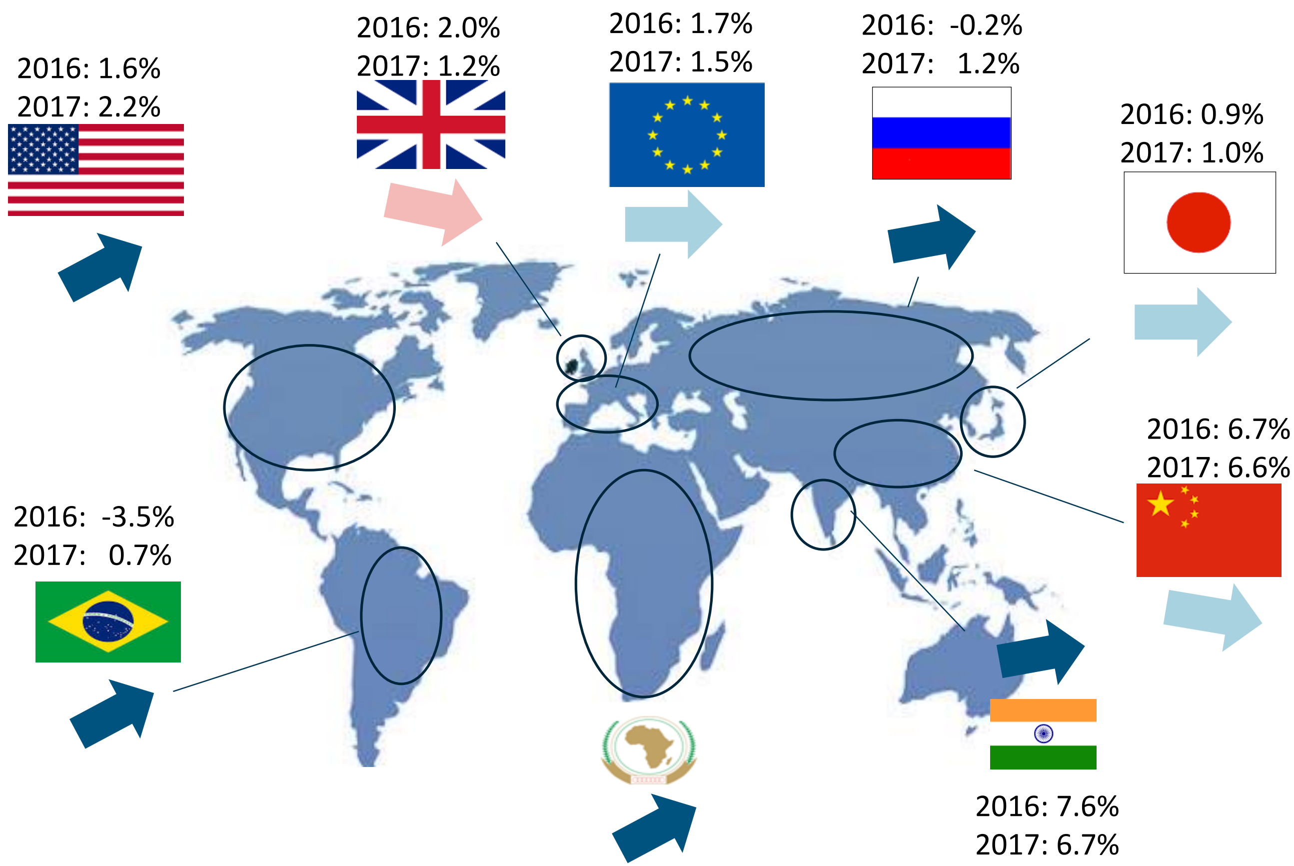
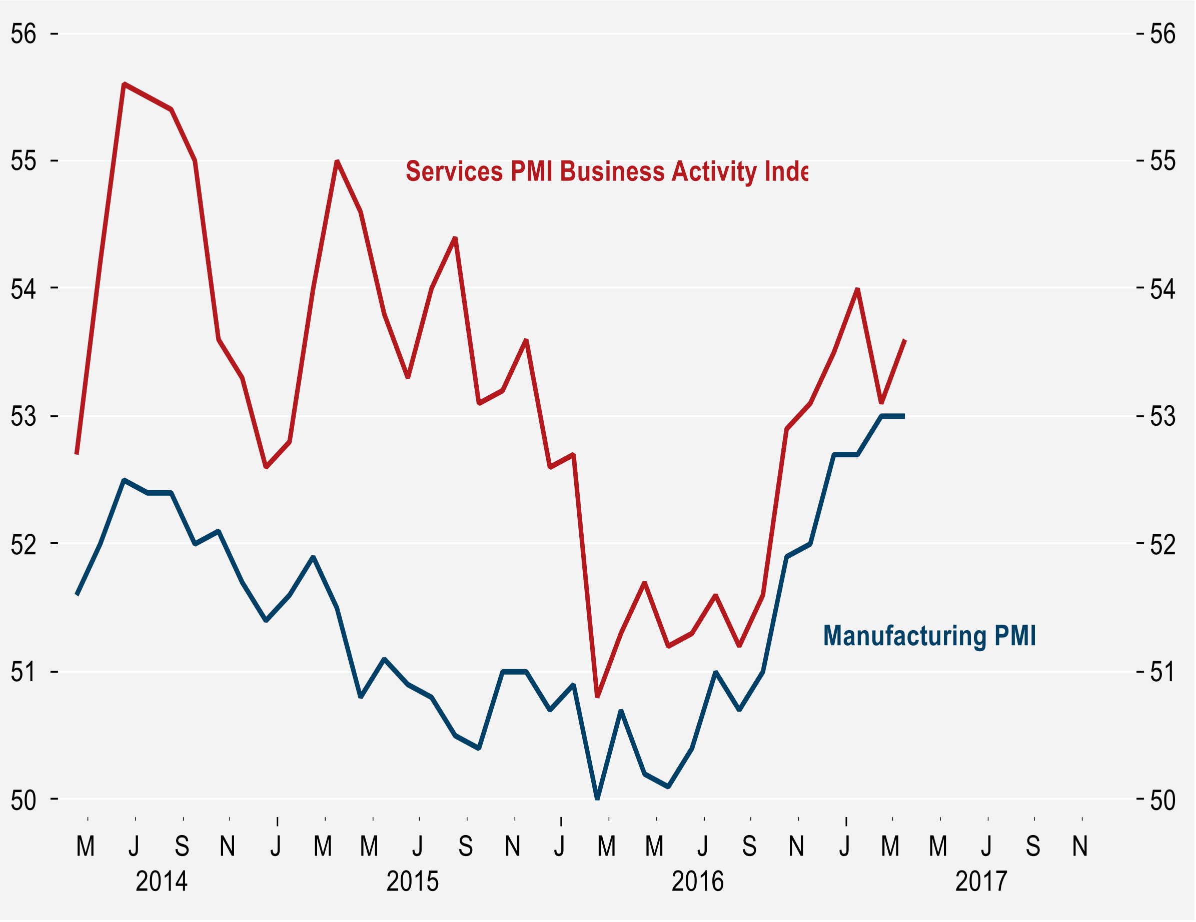
Simultaneous growth in all major markets

Political risks have not derailed the good business cycle
Outlook fore 2018 depends on US policy delivery



Global business expectations positive in services and manufacturing



IMF Raises Global Forecast While Warning of Protectionism Threat

by Andrew Mayeda
18. huhtikuuta 2017 16:00

- World forecast up slightly as manufacturing activity picks up
- Risk of 'trade warfare' still casting a cloud, Obstfeld warns

PRESS/793 TRADE STATISTICS AND OUTLOOK

12 APRIL 2017

Trade recovery expected in 2017 and 2018, amid policy uncertainty

Growth in the volume of world merchandise trade is expected to rebound this year from its tepid performance in 2016, but only if the global economy recovers as expected and governments pursue the right policy mix, WTO economists reported.

ECONOMY

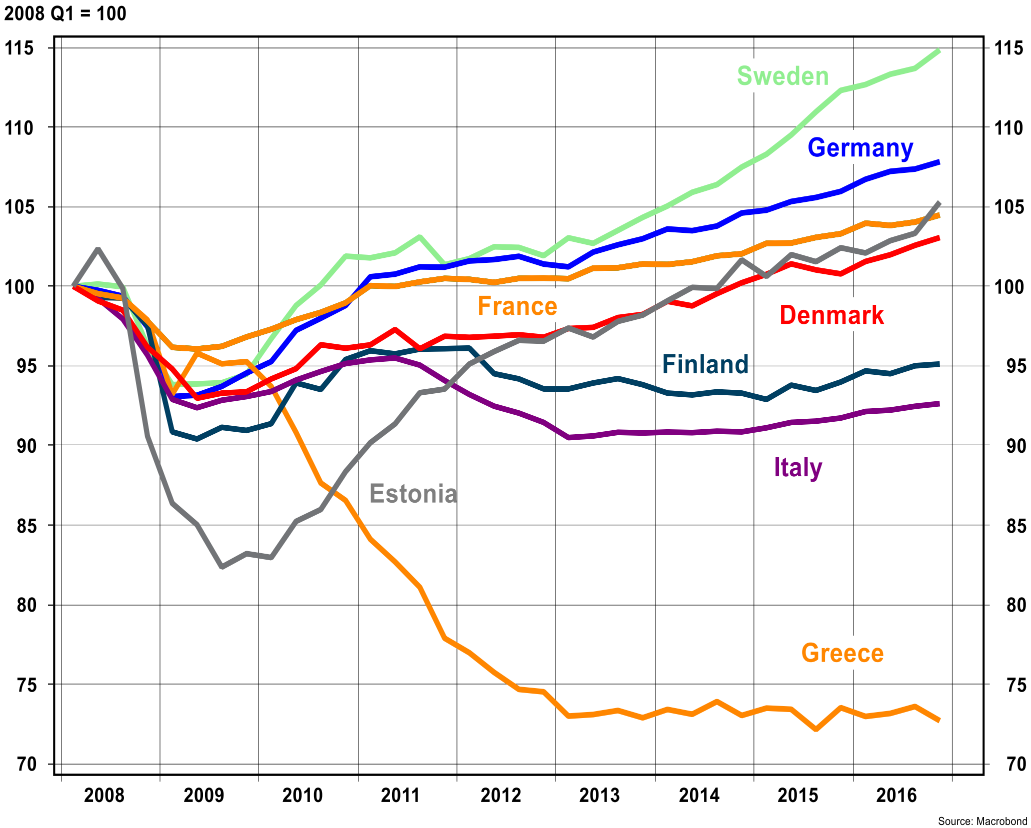
Fed Beige Book: Modest Wage Growth Is Broadening

Report finds the economy expanded across the Fed's 12 districts

By Ben Leubsdorf and Sarah Chaney
Updated April 19, 2017 2:13 p.m. ET

WASHINGTON—A tightening labor market is putting broader pressure on wages as U.S. firms increasingly report trouble filling low-skilled jobs, according to a new Federal

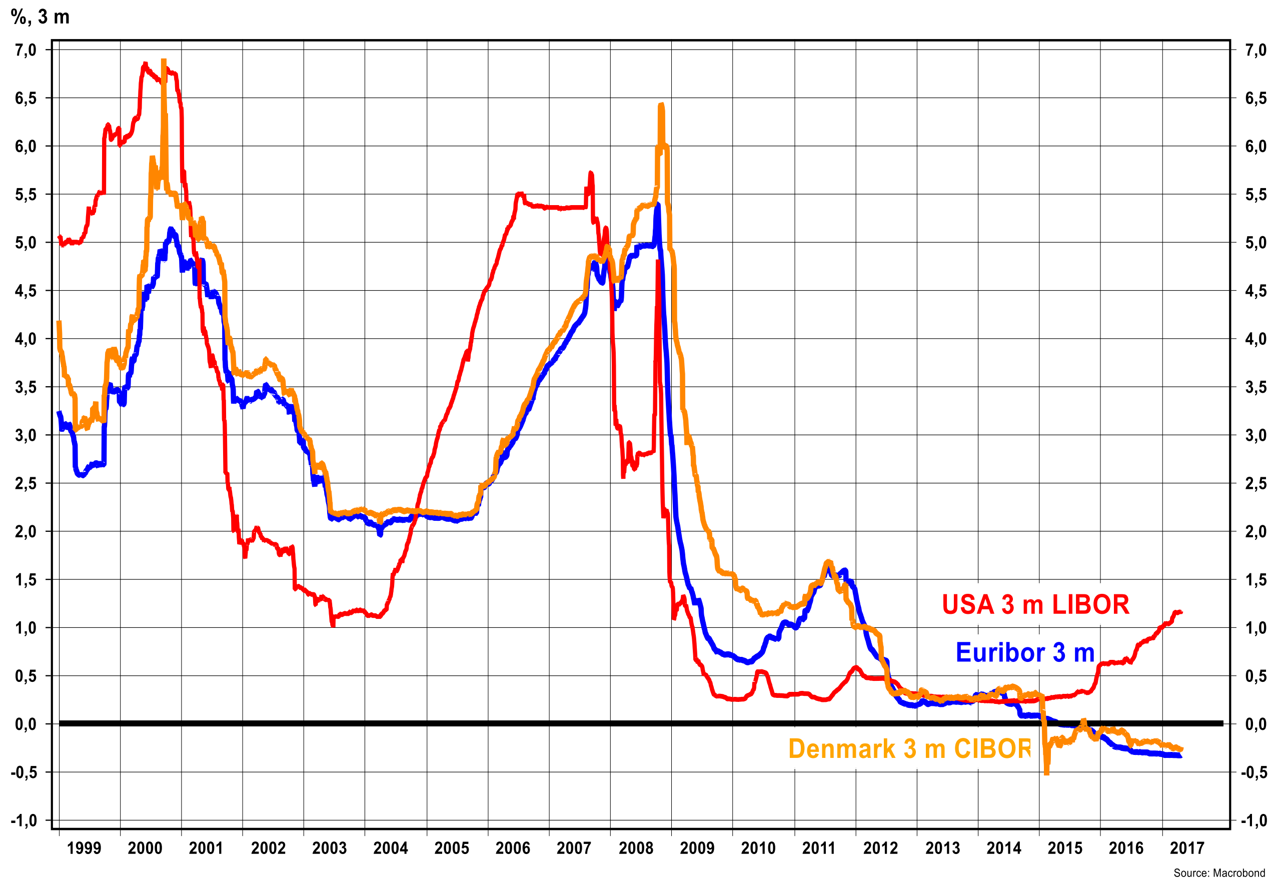
Uneven recovery in the EU



- Growth in EU was driven by consumer demand in 2016. We expect more manufacturing investment and government expenditure in 2017
- Unemployment falling, but slightly higher inflation will stress consumers in 2017
- Public finances steadier, but not ready to face a new recession
- Continued recovery depends partly on growth in Global trade
- Political outlook poses a risk

Euro rates will stay low also 2017

Fed continues to hike, ECB to continue purchase programme



"In light of the continued solid performance of the labour market and our outlook for economic activity and inflation, I believe the case for an increase in the federal funds rate has strengthened in recent months."

"We continue to expect them [rates] to remain at present or lower levels for an extended period of time, and well past the horizon of our net asset purchases. .

"Danish monetary policy interest rates tend to track euro area... Control of the difference between money-market rates in the euro area and Denmark is crucial for controlling the exchange rate.

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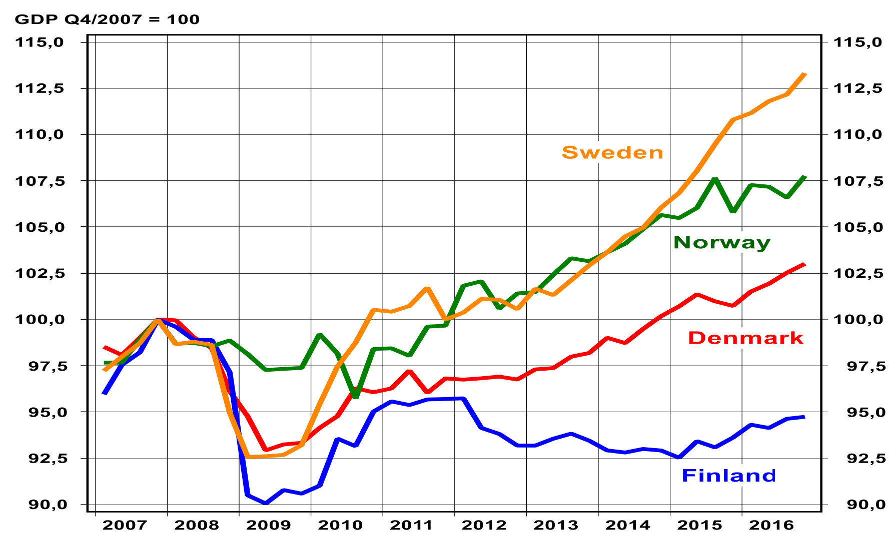
Recovery to continue in Finland a broader base

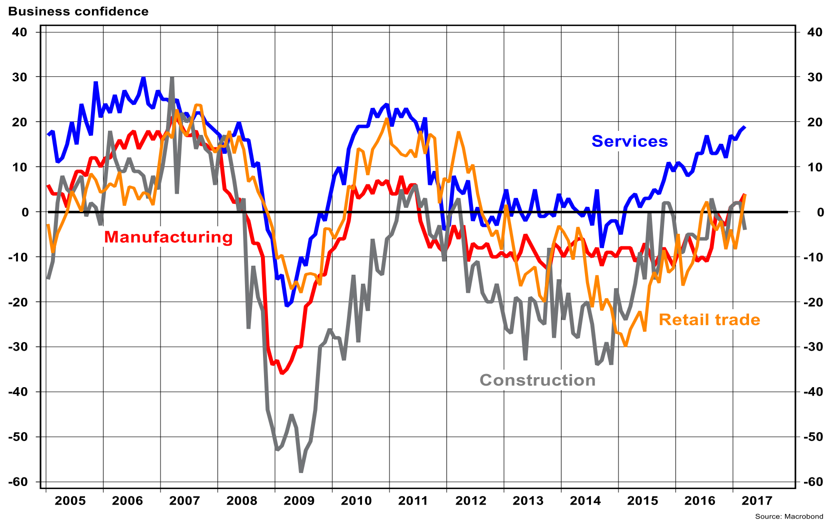
- GDP growth accelerated a little in 2016 thanks to stronger private consumption and housing construction. Goods exports and CAPEX continued to be weak. GDP is still nearly 5% below previous peak.
- We expect GDP to expand 1.5% in 2017 as results of more broad based recovery. Consumption growth slows down, but exports have better near term outlook.
- Forecasts may be too pessimistic. Most recent data is encouraging and Global risks have not materialised.
- Public debt continues to grow and structural reforms are still needed. AA+ sovereign ratings fit well.

	2016	F 2017	F 2018
GDP, %	1,4	1,5	1,5
Unemployment rate, %	8,8	8,3	8,0
Inflation, %	0,4	1,2	1,4
Earnings, %	1,2	0,6	1,0
Housing prices, %	0,9	1,0	1,5
Current account, % of GDP	-1,1	-1,1	-0,9
Public debt, % of GDP	63,6	64,7	65,0

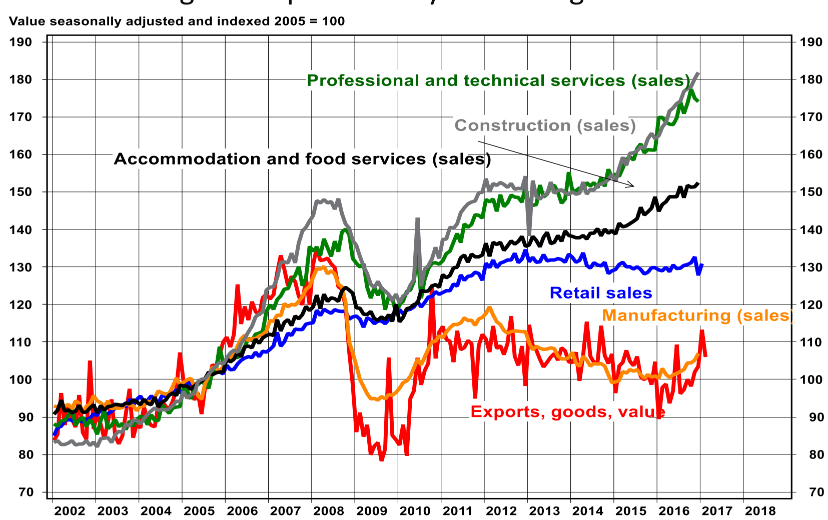


Business optimism has improved -it time for more investment

Business optimism back to normal levels



Manufacturing and exports finally bottoming out?



- Business optimism has improved and companies expect to exports and invest a little more in 2017.
- Export performance has been weak, but better competitiveness, big cruise ship orders, new capacity in forest industry, assembly of MB GLC and recovery in Russia boost exports.
- Construction boomed in 2016 and is expected to do well in 2017 also, but growth is slowing down.
- Many service industries have also done well. New tourists from Asia and recovering tourism from Russia are creating a travel boom.
- M&A activity has started to increase.

Households situation improving

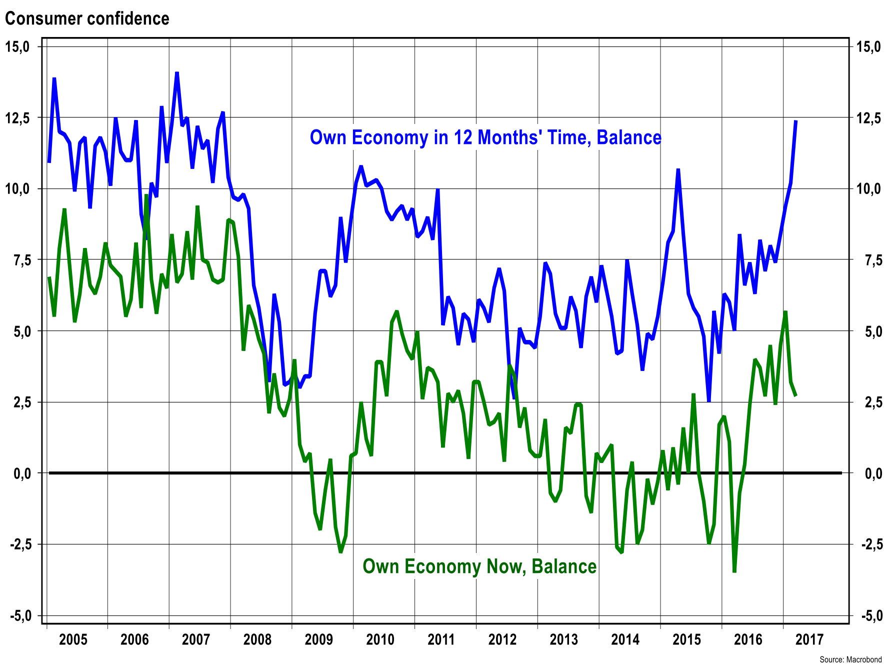
- Employment is rising modestly, overtime work has increased too
- Earnings rise slow, because the competitiveness pact froze wages
- An income tax cut helps households, but inflation hits real income
- Low interest rates boost housing markets and consumption

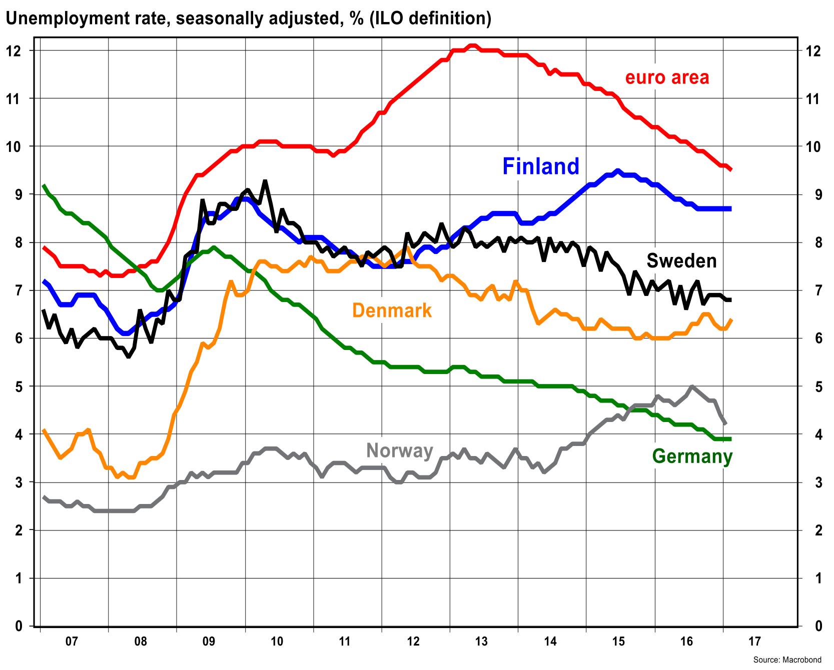

News 27.3.2017 11:42 | updated 27.3.2017 11:42

Consumer confidence at six-year high

Consumer confidence in the Finnish economy is at its highest since 2011, according to data published by Statistics Finland on Monday. March figures show consumers upbeat about both the national economy and personal finances.

Recommend 32 people recommend this.

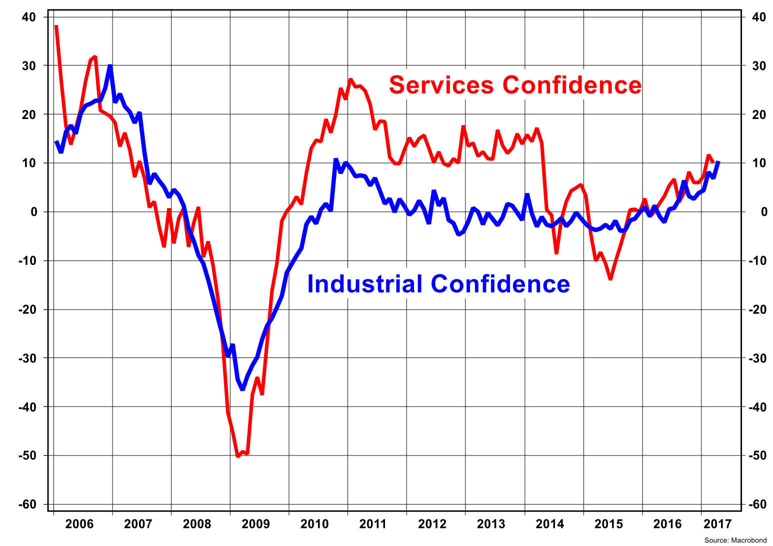




Estonian outlook – invesment to bring more growth

	2015	2016	2017	2018
GDP (% y/y)	1.4	1.6	2.4	2.6
HICP inflation (% y/y)	0.1	0.8	2.6	2.2
Private consumption (% y/y)	4.7	4.0	3.4	3.2
Fixed investment (% y/y)	-3.3	-2.8	2.9	3.1
Exports (% y/y)	-0.6	3.6	3.3	3.2
Gross wage growth (% y/y)	6.1	7.3	6.4	6.2
Unemployment (%)	6.2	6.8	6.4	6.2

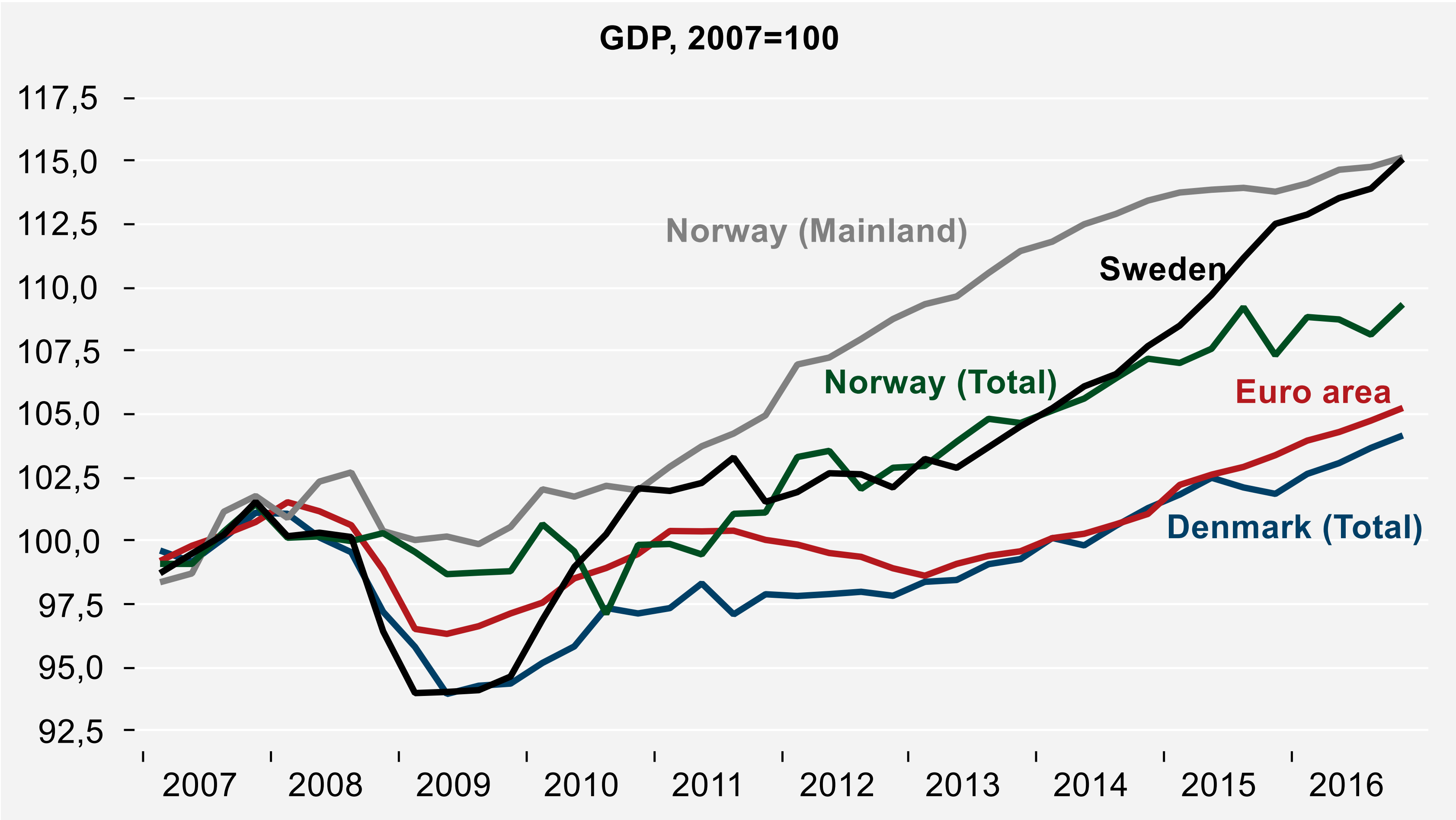
Source: Danske Bank Markets estimates



The nowcast[16], which makes use of the latest information on economic indicators, including tax receipts, industrial output, foreign trade, banking and so forth, predicts that economic growth will have slowed a little in the first quarter

Eesti Pank

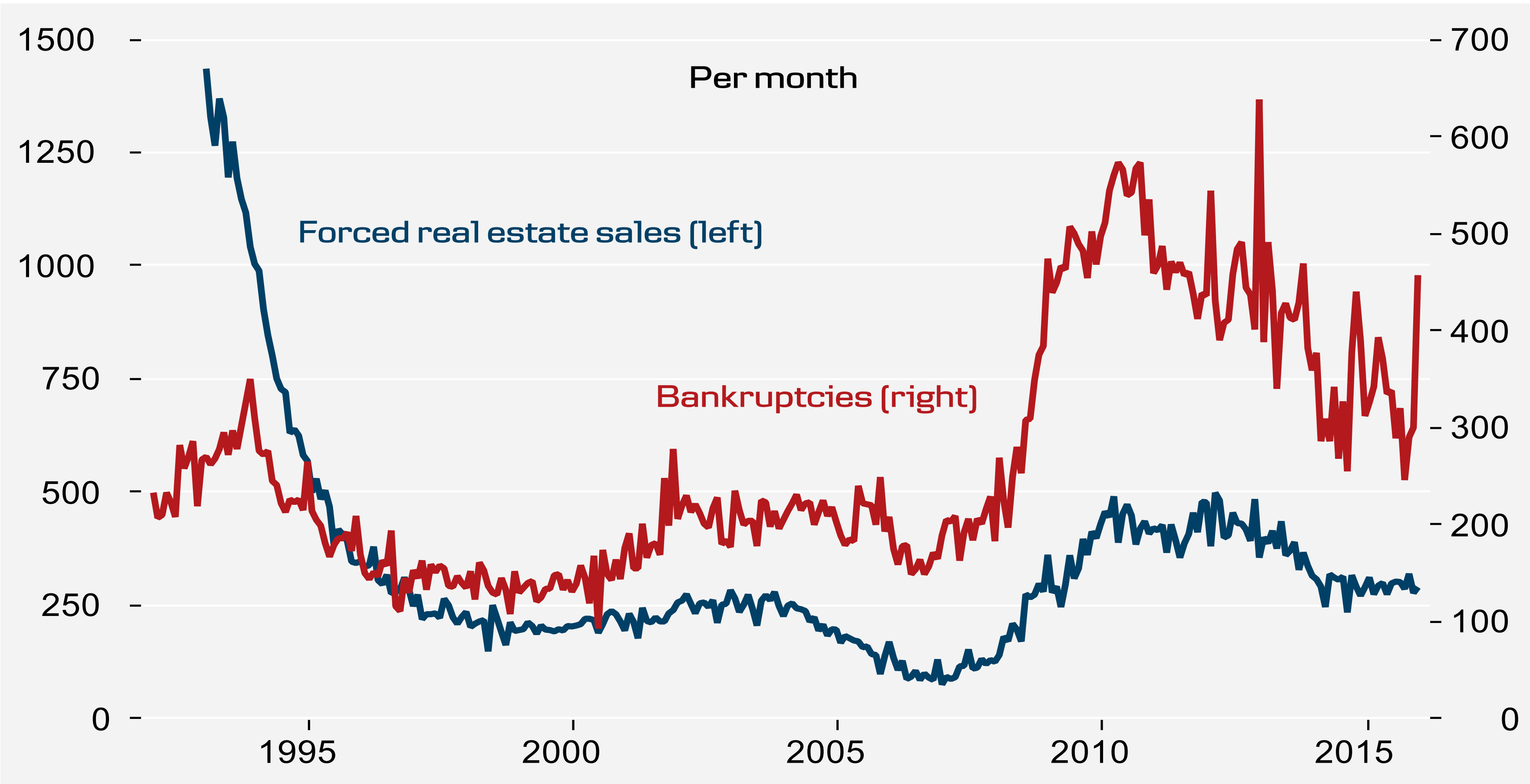
Modest recovery in Denmark



Source Macrobond, Danske Bank

Danske Bank

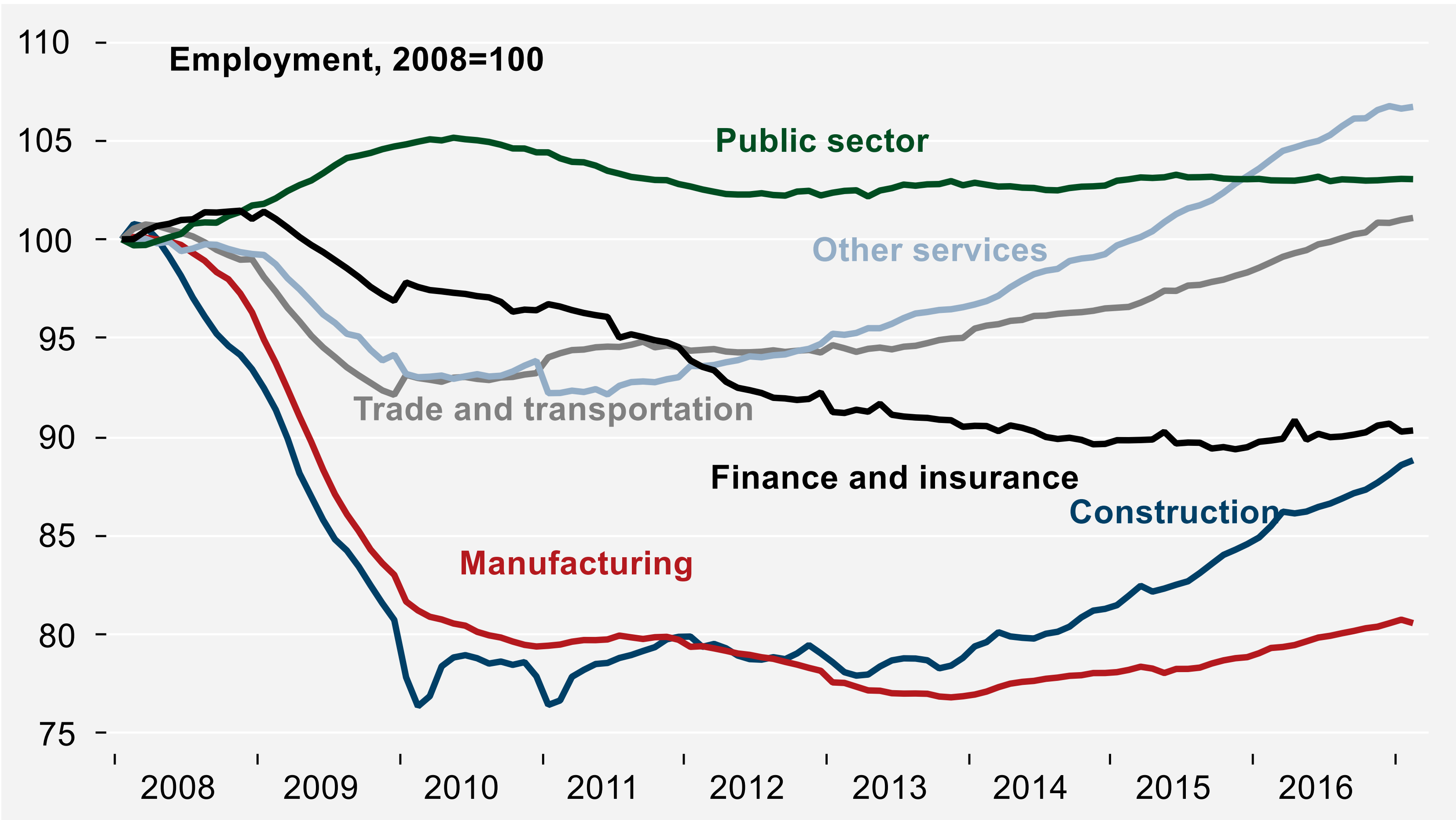
Less bankruptcies and forced real estate sales



Source: Danmarks Statistik

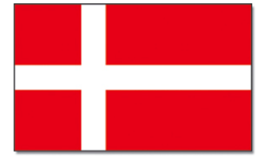
Danske Bank

Labour market doing better, but a job is not just a job



Kilde: Danmarks Statistik.

Main scenario — cyclical recovery in place



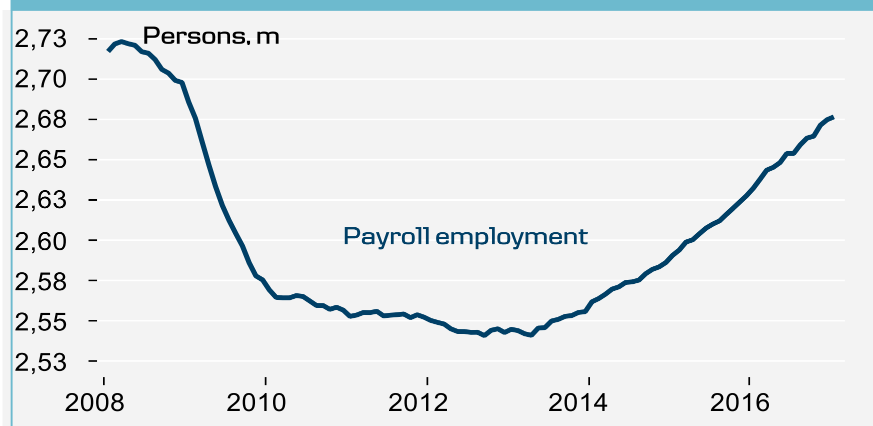
- Strong employment growth continues, signalling that the very low GDP numbers are more about productivity and technicalities than cyclical weakness.
- Recovery should be supported by higher investment growth and hopefully also higher global growth.
- Housing market correction is over and prices rising again.
- Growth could surprise on the upside, given recent strong data.

The latest figures took growth for 2016 overall to 1.3 percent and make it feasible that Denmark's gross domestic product could grow by two percent or more in the current year, Danske Bank's chief economist Las Olsen wrote. REUTERS

Danske Bank's forecasts for Denmark

% y/y	2016	2017	2018
GDP	1.3	1.7	1.7
Private consumption	1.9	2.0	2.1
Public consumption	-0.1	0.1	0.8
Gross fixed investment	5.2	4.2	3.5
Exports	1.7	4.4	2.7
Imports	2.4	4.8	3.4
Gross unemployment (1000)	112.7	113.7	119.9
Inflation	0.3	1.2	1.5
Government balance (% of GDP)	-0.9	-1.2	-0.6
Current account (% of GDP)	8.1	7.8	7.7

Clear cyclical upswing

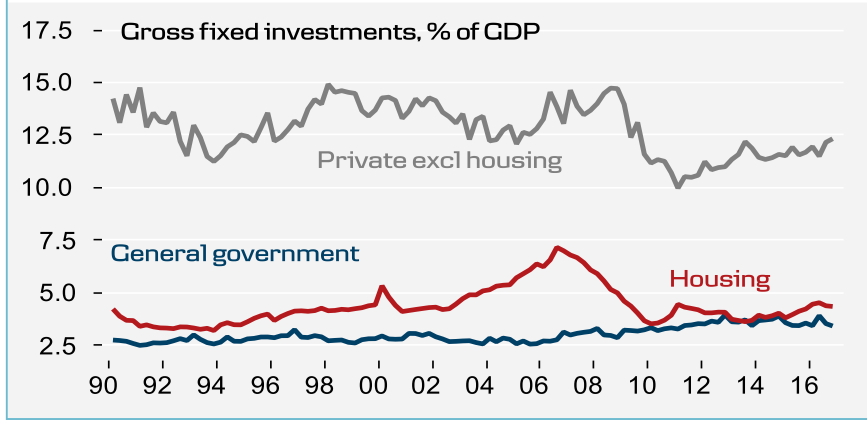


Source: Danmarks Statistik, Danske Bank

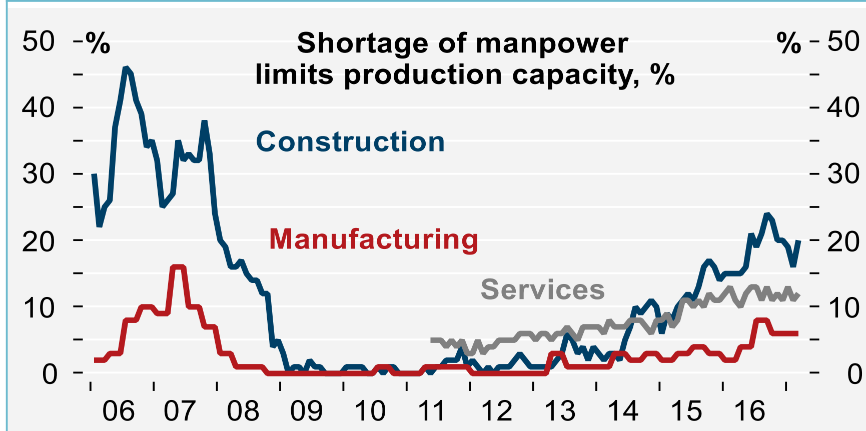
Investment upswing in the pipeline

- Both business and housing investments are running at low levels.
- Business investment has started to turn around and should continue up, given the increase in employment and prospects for growing demand.
- Especially business construction investment is lagging.
- Housing investment should increase given strong turnaround in house prices locally.
- It is possible that official data significantly understates housing investment at present.

Upside potential in investment



Staff shortages to increase



Source: Danmarks Statistik

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